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au Jibun Bank Flash Japan Composite PMI[®]

Including au Jibun Bank Flash Japan Manufacturing and Services PMI[®]

Private sector output returns to contraction territory

Key findings

Flash Composite Output Index, May: 48.1
(Apr Final: 51.0)

Flash Services Business Activity Index, May: 45.7
(Apr Final: 49.5)

Flash Manufacturing Output Index, May: 53.1
(Apr Final: 54.3)

Today sees the latest release of the au Jibun Bank Flash Japan Composite PMI[®]. Published on a monthly basis approximately one week before final PMI data are released, this makes the PMI the earliest available indicator of private sector operating conditions in Japan. The estimate is typically based on approximately 85%–90% of total PMI survey responses each month and is designed to provide an accurate indication of final PMI data.

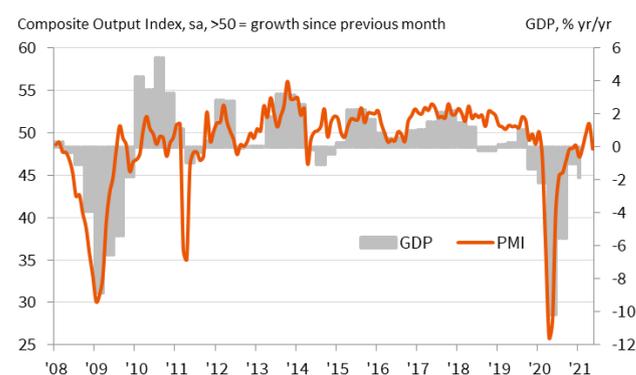
Commenting on the latest survey results, Usamah Bhatti, Economist at IHS Markit, said:

“Flash PMI data indicated that activity at Japanese private sector businesses saw a renewed reduction in May. Output fell at the quickest pace for four months, while the contraction in new business inflows was the fastest since February. Survey members widely attributed the deterioration in business conditions to a resurgence in COVID-19 cases and the reimposition of state of emergency measures.

“Positively, private sector firms were not discouraged from further increasing capacity, as employment levels rose for the fourth consecutive month. This was despite another sharp rise in input costs across the Japanese private sector.

“Disruption to short-term activity is likely to remain until the latest wave of COVID-19 infections passes and restrictions enacted under state of emergency laws are lifted. However, Japanese private sector companies were optimistic that business conditions would improve in the year ahead, albeit to a lesser extent than that seen in April. Positive sentiment stemmed from the expectation that the currently sluggish vaccine rollout would gather pace and aid in the submission of the pandemic, in turn triggering a recovery in demand in both domestic and external markets.”

au Jibun Bank Japan Composite Output Index



Sources: au Jibun Bank, IHS Markit, Cabinet Office.

Index summary

Index	Sector	Interpretation
Output	Composite	Decline, from growth
	Manufacturing	Weaker growth
	Services	Stronger decline
New Orders	Composite	Decline, from growth
	Manufacturing	Weaker growth
	Services	Stronger decline
New Export Orders	Composite	Weaker growth
	Manufacturing	Weaker growth
	Services	Stronger decline
Employment	Composite	Weaker growth
	Manufacturing	Stronger growth
	Services	Weaker growth
Backlogs of Work	Composite	Decline, from growth
	Manufacturing	Weaker growth
	Services	Stronger decline
Output Prices	Composite	Weaker inflation
	Manufacturing	Weaker inflation
	Services	Weaker inflation
Input Prices	Composite	Weaker inflation
	Manufacturing	Stronger inflation
	Services	Weaker inflation
Future Output	Composite	Weaker positive outlook
	Manufacturing	Stronger positive outlook
	Services	Weaker positive outlook
Stocks of Purchases	Manufacturing	Growth, from decline
Stocks of Finished Goods	Manufacturing	Weaker decline
Quantity of Purchases	Manufacturing	Stronger growth
Suppliers' Delivery Times	Manufacturing	Weaker lengthening

au Jibun Bank Flash Japan Manufacturing PMI®

The au Jibun Bank Japan Manufacturing PMI® is compiled by IHS Markit from survey responses from a panel of around 400 manufacturers. The headline figure is the Purchasing Managers' Index (PMI), a composite single-figure indicator of manufacturing performance. The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

At 52.5, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI)® – which measures the overall health of the manufacturing sector – dipped from 53.6 in April to signal a softer, yet still moderate improvement in operating conditions. Both output and new order growth eased in the latest survey period. That said, manufacturers remained confident in taking on additional staff as job creation continued for the second successive month. Moreover, positive sentiment picked up in May, with the level of optimism the joint-strongest since the survey began posing the question in July 2012.

au Jibun Bank Flash Japan Services PMI®

The au Jibun Bank Japan Services PMI® is compiled by IHS Markit from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The headline figure is the Services Business Activity Index, which tracks changes in the volume of business activity compared with one month previously. A reading above 50 indicates an overall increase compared to the previous month, and below 50 an overall decrease.

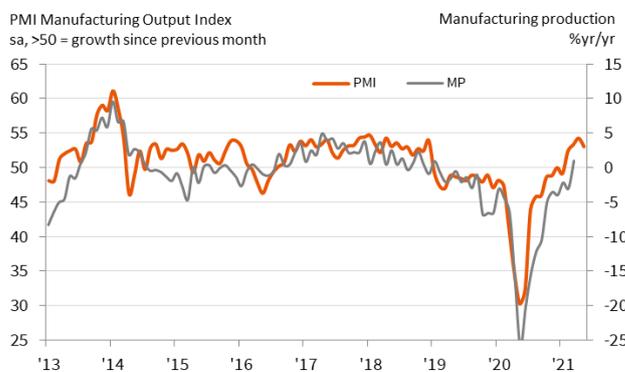
The au Jibun Bank Flash Japan Services Business Activity Index fell from 49.5 in April to 45.7 in May, indicating a sharper deterioration in the service sector, and one that was the most marked since August 2020. New business inflows reduced for the sixteenth month in a row, amid renewed restrictions on movement. Positively, job creation continued for the fourth consecutive month at Japanese service sector firms though the rate of growth slipped to the softest for three months. Firms also remained confident that activity would increase over the next 12 months, however optimism dipped to the lowest in the current nine-month sequence of positivity.

au Jibun Bank Japan Composite Output PMI®



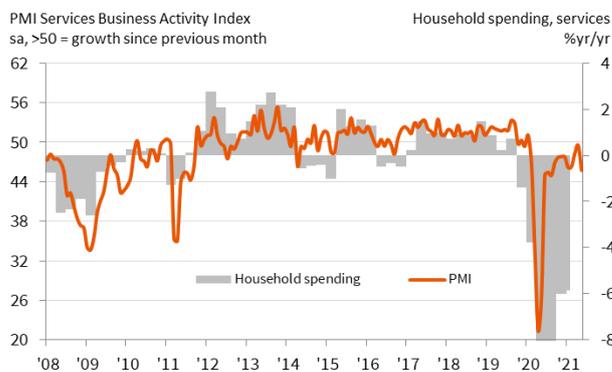
Sources: au Jibun Bank, IHS Markit.

Manufacturing output



Sources: au Jibun Bank, IHS Markit, METI.

Services business activity



Sources: au Jibun Bank, IHS Markit, Cabinet Office.

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Methodology

The au Jibun Bank Japan Composite PMI® is compiled by IHS Markit from responses to questionnaires sent to a panel of around 400 service sector companies and a panel of around 400 manufacturers. The service sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panels are stratified by detailed sector and company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

The headline figure is the Composite Output Index. This index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The headline manufacturing figure is the Purchasing Managers' Index (PMI), a composite single-figure indicator of manufacturing performance. The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Flash indices are released approximately one week before the 'final' indices. Flash indices are typically based on approximately 85%–90% of total PMI survey responses each month and are designed to provide an accurate indication of final indices.

Final underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

May 2021 flash data were collected 12-19 May 2021. For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

The au Jibun Bank Japan PMI is sponsored by au Jibun Bank Corporation

The au Jibun Bank is an internet retail bank established in 2008 by a joint investment of KDDI - a major telecommunication service provider - and MUFG Bank - Japan's largest bank - As a "smartphone-centric bank", au Jibun Bank focuses on providing high-quality financial services via smartphones.

The au Jibun Bank provides unique services such as "Smartphone ATM", a service allowing to deposit and withdraw money from teller machine without cash card by just scanning a QR code shown on the smartphone app, and "AI Foreign Currency Forecast", a foreign currency trading support tool that predict the rise of foreign exchange rate based on past trend deep learned by an AI (artificial intelligence).

As a member of the "au Financial Group", au Jibun Bank aims to play a major role in providing comprehensive smartphone-centric banking services in line with the "Smart Money Concept" and enhance customer experience.

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.

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