

Embargoed until 0930 JST (0030 UTC) 05 October 2021

## au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

# Business activity falls at softer pace in September

### Key findings

Contractions in output and new business ease

Employment rises at quickest pace since April

Business optimism strengthens to three-month high

Data were collected 13-27 September 2021.

Japanese service providers indicated that business conditions continued to be disrupted by the latest rise in COVID-19 cases and subsequent restrictions during September. That said, the impact of the current wave dissipated slightly as declines in both activity and new business eased from August. Positively, employment levels rose for the second successive month, with the rate of growth quickening to a five-month high. Optimism towards growth prospects was retained, with the level of positive sentiment accelerating to the highest since June.

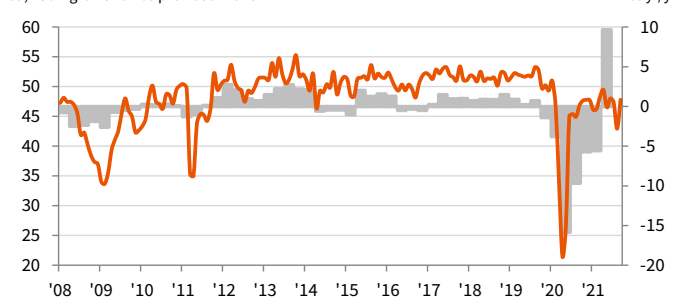
The au Jibun Bank Japan Services PMI® is compiled by IHS Markit from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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.

At 47.8 in September, the seasonally adjusted Japan Services Business Activity Index rose from 42.9 in August, signalling a sustained, though significantly softer contraction in service sector activity. The latest reduction was moderate overall, and pushed the index to the highest since June.

Similarly, new business declined at a softer pace in the latest survey period. The reduction extended the current sequence to 20 months, though the rate of decline was only modest. Panel members highlighted that extended state of emergency restrictions continued to weigh on demand. Moreover,

Japan Services PMI Business Activity Index Household Services Expenditure  
sa, >50 = growth since previous month % yr/yr



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

international demand weakened at a softer pace than total new business. Where orders fell, panel members attributed this to a surge of infections caused by the Delta variant, although this had shown some signs of easing.

Despite ongoing demand weaknesses, Japanese service providers increased employment levels for the second month in a row in September, and at the fastest pace since April. Anecdotal evidence suggested that firms took on additional staff in anticipation of higher sales once the pandemic subsided. That said, there was further evidence that businesses redirected capacity towards the completion of existing work, indicated by a twenty-second consecutive monthly fall in outstanding business.

Average cost burdens faced by Japanese service companies increased for the tenth consecutive month in September. Rising cost pressures were commonly attributed to higher raw materials, staff and fuel costs. At the same time, average prices charged for services rose for the fifth time in six months, as firms sought to partially pass higher costs to clients. That said, the rate of inflation was only fractional.

Business expectations for the next 12 months remained positive in September. Firms generally linked confidence to hopes of an end to the pandemic, accelerated by the ongoing vaccination programme. This would, in turn, stimulate both domestic and external demand. Moreover, the overall degree of optimism was the strongest recorded since June.

## au Jibun Bank Japan Composite PMI®

### Downturn in private sector output eases

The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and service sectors - rose from 45.5 in August to 47.9 in September, highlighting a softer, moderate fall in private output. That said, the index remained weaker than the average seen in the year to date.

Manufacturing firms noted the first instance of contraction in both output and new orders since November 2020. Meanwhile, their counterparts in the larger services sector saw rates of decline in activity and new work ease, which contributed to a softer fall in aggregate new orders. Nonetheless, lower orders encouraged firms to reduce outstanding business, as indicated by a sustained fall in backlogs.

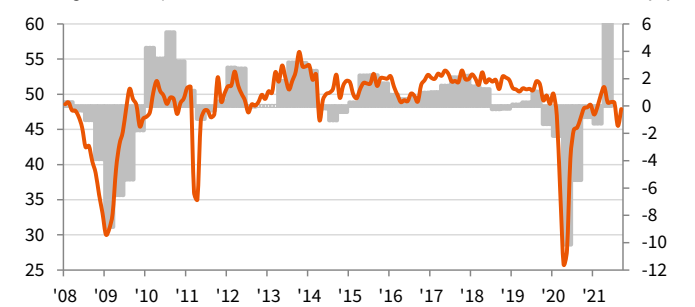
Positively, employment in the Japanese private sector rose during September. The rate of job creation quickened from August and was the joint-fastest since January 2020 as both manufacturing and services firms increased headcounts.

Private sector firms noted that average cost burdens accelerated at the quickest pace since September 2008. Services firms commented on the quickest rise since April, while manufacturers recorded the steepest rise in input prices for 13 years.

*\*Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of manufacturing and service sectors according to official GDP. The Japan Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.*

Japan Composite Output Index

sa, >50 = growth since previous month

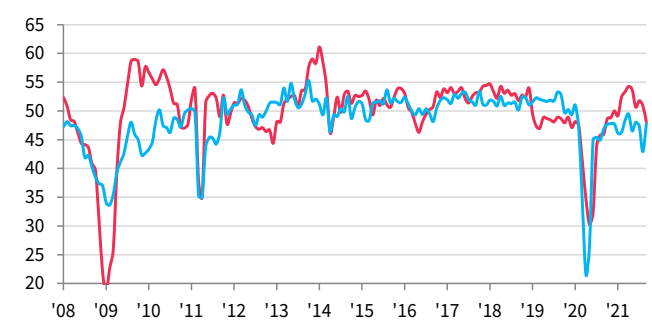


Sources: au Jibun Bank, IHS Markit, Cabinet Office Japan.

Japan Manufacturing Output Index

Japan Services Business Activity Index

sa, >50 = growth since previous month



Sources: au Jibun Bank, IHS Markit.

### Comment

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

*"The Japanese services economy faced a sustained downturn in demand conditions at the end of the third quarter. Latest PMI data signalled further declines both business activity and new orders, though the rates of reduction eased from August's lows. Panel members highlighted the extension to state of emergency restrictions amid the latest wave of COVID-19 infections continued to dampen output and demand further.*

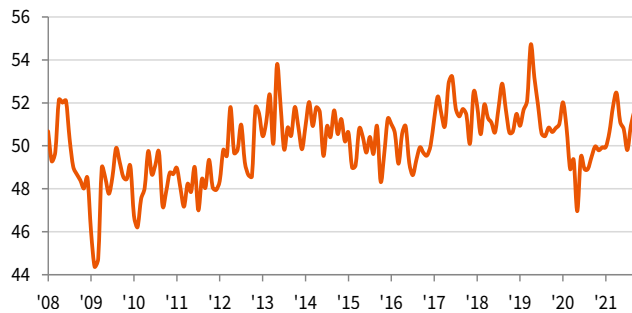
*"Despite this, service providers increased staffing levels for the second successive month in anticipation of a future rise in demand. Moreover, firms were increasingly optimistic that activity would rise, as positive sentiment reached a three-month high.*

*"Overall private sector activity saw a sustained, albeit softer decline in September, led by a slower decline in the larger service sector. At the same time, manufacturing output and new orders were both in decline for the first time since late-2020.*

*"Businesses in the Japanese private sector also noted the strongest cost pressures for 13 years, as supply chain disruption continued to dampen domestic and global activity. Price rises were notably sharp for raw materials, staff and fuel. Regardless of this, firms were optimistic that an eventual end to the pandemic would occur within the coming 12 months, and provide a broad-based boost to demand and activity. As a result, IHS Markit expects the economy to grow 2.5% in 2021."*

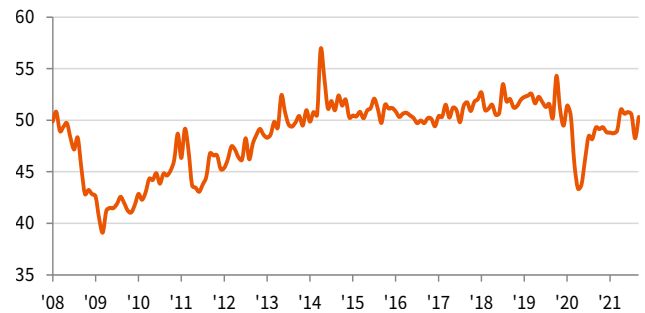
### Japan Services Employment Index

sa, >50 = growth since previous month



### Japan Services Prices Charged Index

sa, >50 = inflation since previous month



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### Methodology

The au Jibun Bank Japan Services PMI® is compiled by IHS Markit from responses to questionnaires sent to 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 panel is 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.

The headline 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 Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

September 2021 data were collected 13-27 September 2021.

### 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.  
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### 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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