News Release

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au Jibun Bank Flash Japan Composite PMI®
Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Downturn extends into middle of fourth quarter

Key findings

Flash Composite Output Index, Nov: 47.0 (Oct Final: 48.0)
Flash Services Business Activity Index, Nov: 46.7 (Oct Final: 47.7)
Flash Manufacturing Output Index, Nov: 47.6 (Oct Final: 48.7)

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, Bernard Aw, Principal Economist at IHS Markit, said:

“The Japanese private sector economy continued its struggle to gain recovery momentum midway through the fourth quarter, with flash PMI survey data indicating a further decline in business activity during November. Demand conditions continued to weaken, with inflows of new business falling for a tenth month in a row, weighed down by a further drop in export orders.

“Other survey indicators also showed worrying signs. Operating capacity remained in excess amid weak sales, leading to a faster rate of decline in employment in November. Input and output prices fell while business expectations about output in the year-ahead slipped to the lowest for three months.

“Looking ahead, the path to recovery remains fraught with challenges as a renewed rise in the number of COVID-19 cases worldwide could dampen global economic activity and trade, thereby putting Japanese exporters in a tough situation.”
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.

The headline au Jibun Bank Japan Manufacturing Purchasing Managers’ Index™ (PMI)® - which measures the overall health of the manufacturing sector – slipped to 48.3 in November, down from 48.7 in October, and signalled a deterioration in the health of the manufacturing sector for the nineteenth straight month. Production and new orders fell at faster rates. Employment consequently fell further, albeit marginally. While positive, business expectations about the year-ahead outlook slipped to a three-month low.

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 dropped from 47.7 in October to 46.7 in November, indicating a sharp decline in output across the service sector. New business inflows shrank at a marked rate, contributing to a noticeably faster decline in backlogs of work. Consequently, employment fell in November after being unchanged in the previous month, though the rate of decline was marginal. Business sentiment remained positive, but the degree of confidence was less upbeat when compared to October.
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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.

November 2020 flash data were collected 12-18 November 2020. 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 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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