

Embargoed until 0930 JST (0030 UTC) 3 December 2020

## au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

### Business activity contracts further in November

#### Key findings

Softer fall in output...

...but incoming new business declines at a faster pace

Renewed reduction in workforce numbers

Data were collected 12-25 November 2020.

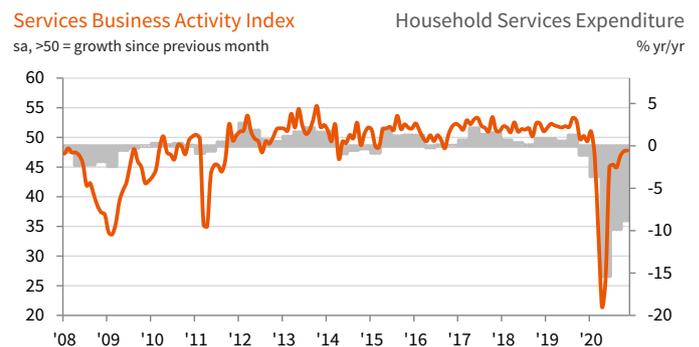
A resurgence in coronavirus disease 2019 (COVID-19) cases reportedly weighed on business activity in the Japanese service sector in November. Although the rate of decline in business activity eased for the third month running, the contraction in new business was the quickest since August. Both activity and new business declined for the tenth month running. Furthermore, there was a renewed decline in employment amid ongoing signs of spare capacity.

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 seasonally adjusted Japan Services Business Activity Index posted 47.8 in November, fractionally up from 47.7 in October. Activity remained firmly in contraction territory, despite falling at the slowest pace in the current sequence of decline that began in February.

Although the downturn in activity was broadly similar to that seen in October, new business declined at the fastest pace since August. The latest decrease marked the tenth consecutive fall in incoming new business, and one that was solid overall. Panellists highlighted that a third wave of COVID-19 infections



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

had depressed demand and led to more challenging business conditions in the service sector. Foreign demand for Japanese services was also subdued, thereby extending the current sequence of decline to ten months. Although marked overall, the latest reduction was the softest since June.

Ongoing weaknesses in activity and new business led Japanese service providers to scale back staffing levels in November, following stabilisation in the previous survey period. Anecdotal evidence suggested that voluntary resignations more than offset a slight increase in hiring at some firms. Businesses redirected capacity to the completion of pending work, signalled by a quicker fall in outstanding business. Backlogs of work have now decreased in each of the latest 12 months.

Average cost burdens fell for the fourth month running during the latest survey period. However, the rate of decrease remained only marginal. Panel members cited lower labour costs as employment levels fell once again. Some of these cost savings were passed on to clients through a fall in prices charged. Japanese service providers also noted that continued engagement in price discounting in an effort to stimulate sales contributed to the decline in output charges.

Looking forward, firms in the Japanese service sector were confident that activity would rise over the coming year. Despite softening slightly from the previous survey period, the level of optimism was historically elevated for a third successive month. Respondents cited hopes of a boost to demand through the offering of new services and the rescheduled Olympic Games once the pandemic ends as key factors underpinning confidence.

## au Jibun Bank Japan Composite PMI®

### Downturn in private sector output continues

The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and service sectors - ticked up to 48.1 in November from 48.0 in October. The latest reading signalled the slowest downturn in the current ten-month sequence of decline, but one that was broadly unchanged from the previous survey period.

Service providers recorded a sharper fall in output compared to their counterparts in the manufacturing sector, where the rate of decline eased to the softest in a year. Moreover, a quicker fall in private sector new orders in November was driven by a sharper reduction in the Japanese service sector, while factory orders fell at a slower pace.

The level of outstanding business among Japanese private sector firms decreased at a solid pace in November, as firms deployed resources to fulfil existing sales.

Private sector firms recorded another fractional fall in staffing levels, with the rate of job shedding unchanged since October. While the pace of decline in manufacturing staff numbers eased, there was a renewed reduction among service providers.

Private sector companies remained confident of an increase in activity over the coming year. The level of positive sentiment was strong overall, albeit softer than in October.

*\*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.*

Composite Output Index

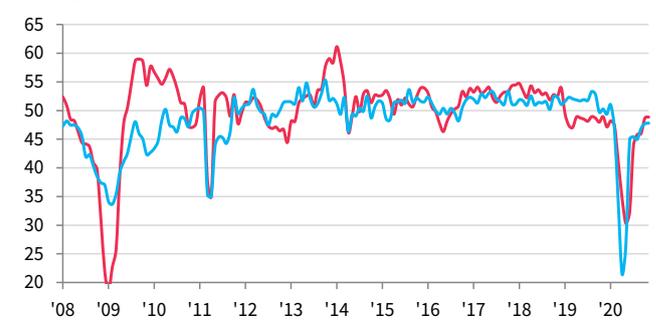
sa, >50 = growth since previous month



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

Manufacturing Output Index  
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:

*"There were indications that the tentative recovery in the Japanese service sector lost momentum as the country battled with a resurgence in COVID-19 cases. Although the rate of decline in activity was broadly unchanged in November, a sharper fall in new business signified that demand remains fragile amid short-term uncertainty surrounding the length of the pandemic.*

*"Uncertainty also led to a renewed fall in*

*employment levels, albeit one that was fractional. Yet, firms maintained strong optimism that business conditions would improve over the coming 12 months.*

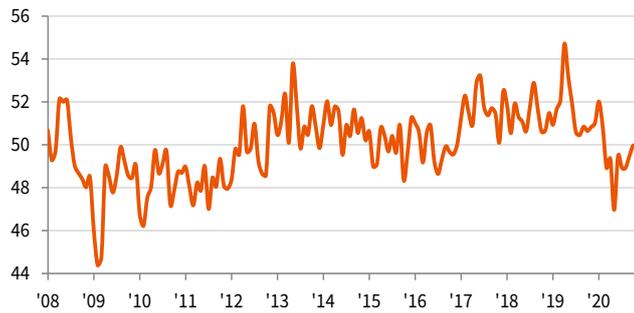
*"The loss of momentum extended across the Japanese private sector as activity remained firmly in contraction territory in November. The pace of decline was broadly unchanged from October, with the larger service sector recording a sharper fall than manufacturing.*

*"Despite a broad recovery in GDP in the third quarter of 2020, uncertainty prevented a stronger uptick as investment contracted*

*for a second consecutive quarter. With our current projections anticipating a 5.4% decline in GDP during 2020, growth is projected for 2021. Japanese private sector firms remain confident of a wider recovery over the next year amid hopes that the pandemic will recede and private sector activity will be supported by a broad-based boost in demand stemming from stable business conditions and the Tokyo Olympics. As a result, we currently expect the economy to grow 2.2% in 2021, as the economy begins to emerge from the global downturn."*

### Services Employment Index

sa, >50 = growth since previous month



### 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.

November 2020 data were collected 12-25 November 2020.

### 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 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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