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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Business activity falls at slowest pace for 14 months in March

Key findings

Output and new orders fall at softer rates

Employment growth strongest since January 2020

Positive sentiment reaches highest level since May 2013

Data were collected 12-26 March 2021.

Japanese service providers indicated that business conditions moved towards stabilisation in March. Both activity and new business inflows decreased at softer rates, the former falling at the softest pace in the current 14-month sequence of contraction. Moreover, employment levels expanded for the second successive month amid firms' anticipations of improved conditions as coronavirus disease 2019 (COVID-19) restrictions introduced under state of emergency laws eased during March. As a result, optimism towards growth prospects strengthened to a near eight-year high.

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 48.3 in March, the seasonally adjusted Japan Services Business Activity Index rose from 46.3 in February, signalling a softer, albeit sustained contraction in activity. The latest reading was the highest since January 2020, as some companies lifted output at the end of the first quarter.

Similarly, new business inflows fell at a softer pace in the latest survey period. This extended the current sequence of decline to 14 months, with the latest reduction the slowest since July

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

2020. Panellists noted that demand remained depressed due to COVID-19 restrictions, although some observed tentative signs of recovery. New export orders were also subdued, and fell for the fourteenth month running. That said, the decline was the softest since February 2020 and moderate overall.

In anticipation of improving orders as the pandemic recedes, Japanese service providers increased employment levels for the second successive month in March. The pace of job creation quickened from the previous survey period and was the fastest since January 2020. There was evidence that the additional capacity was used to complete existing projects, as the level of outstanding business reduced for the sixteenth month running. However, backlogs of work fell at the softest pace for 14 months.

Average cost burdens rose for the fourth time in as many months in March. The rate of increase accelerated to the quickest since January 2020 amid higher raw materials and fuel costs. However, the increase in input prices was absorbed by service sector firms, as average prices charged for Japanese services fell further. Yet, the pace of the decline was only marginal and the softest recorded for four months.

Business optimism for activity in the next 12 months strengthened to the highest level since May 2013 in March. Firms cited hopes that a successful vaccination program would hasten the end of the pandemic and stimulate both domestic and external demand for Japanese services.

au Jibun Bank Japan Composite PMI®

Private sector output broadly stabilises in March

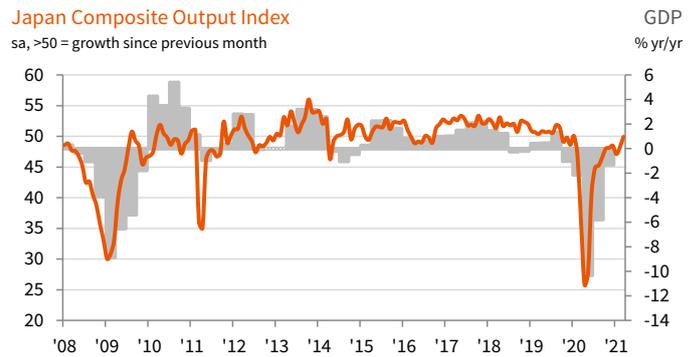
The au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and service sectors - rose to 49.9 in March from 48.2 in February, signalling a broad stabilisation in private sector output. The Index rose to its highest level in 14 months amid a solid expansion in manufacturing production and a softer reduction in services activity.

Aggregate new orders also moved towards stabilisation in March, with the respective Index reaching its highest reading since January 2020. This came as a result of a third consecutive rise in factory orders and a slower reduction in service sector sales.

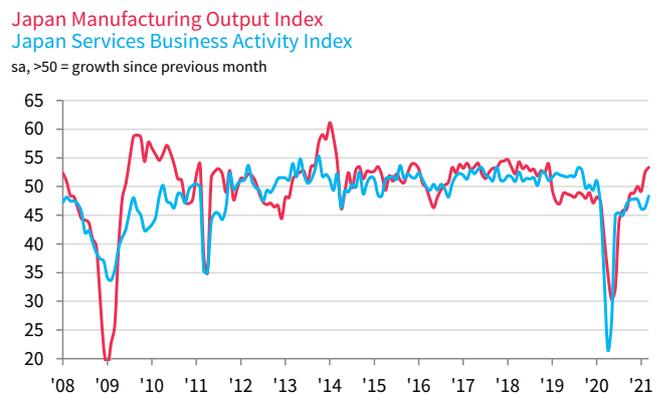
Employment levels in the Japanese private sector rose for the second month in a row in March. The rate of job creation was the fastest for 14 months, led by a quicker rise at service providers. Manufacturers noted stable employment levels, following two consecutive declines.

Firms in both sectors were optimistic that activity would rise in the coming year, with aggregate sentiment at its highest level since May 2013.

**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.*



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



Sources: au Jibun Bank, IHS Markit.

Comment

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

"The Japanese services economy signalled a renewed move towards more stable business conditions in March. Latest PMI data indicated softer reductions in both business activity and new orders, with the former falling at the softest pace in 14 months. Some panel members highlighted that the slight easing of restrictions had led to a slow recovery in demand."

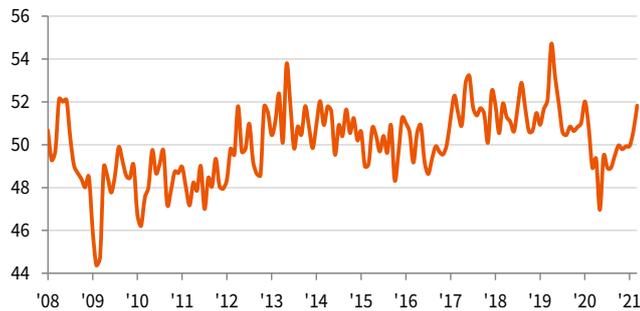
"Positively, Japanese service providers increased staffing levels for the second successive month, in anticipation of a recovery in demand. Firms were also increasingly optimistic that activity would increase over the coming 12 months."

"Overall private sector activity broadly stabilised in March, led by a solid expansion in Japanese manufacturing output. Although the larger service sector recorded a further decline, the downturn was the weakest since the onset of COVID-19."

"As a result, private sector businesses in Japan reported the strongest degree of positive sentiment in nearly eight years in March. Firms cited hopes that the impact of the pandemic would dissipate amid a successful vaccination program, providing a boost to domestic and external demand ahead of the Tokyo Olympics - currently expected to be going ahead with domestic spectators only. IHS Markit expects the Japanese economy to grow 2.6% 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.

March 2021 data were collected 12-26 March 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 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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