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# Jibun Bank Flash Japan Composite PMI®

Including Jibun Bank Flash Japan Manufacturing and Services PMI®

## Japanese economy slips into contraction in October

### Key findings

Flash Composite Output Index, Oct: 49.8  
(Sep Final: 51.5)

Flash Services Business Activity Index, Sep: 50.3  
(Sep Final: 52.8)

Flash Manufacturing PMI, Oct: 48.5  
(Sep Final: 48.9)

Today sees the latest release of the 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.

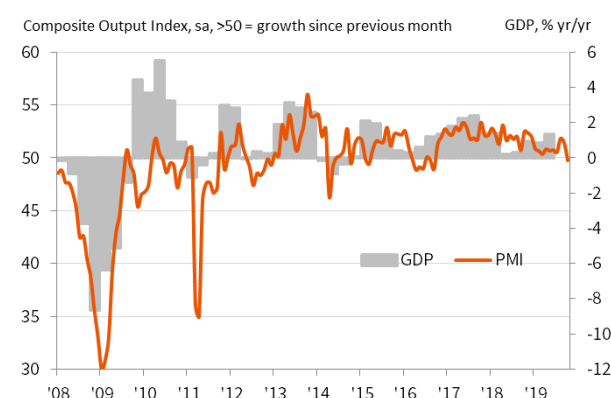
Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

*“Japan’s economy hit a widely-expected bump in October following the consumption tax increase which took effect during the month. However, the extent of the impact has been somewhat obscured by the typhoon, which panellists, particularly in the service sector, were disrupted by.*

*“Digging deeper, a widening of the sector divergence took place on the demand-side. Manufacturing new orders declined at the fastest rate in almost seven years as trade tensions and global economic weakness restricted exports. That said, new business in the services economy exhibited a remarkable degree of resilience, as has generally been the case in the year-to-date.*

*“Overall, it seems that temporary domestic factors have been the primary cause of reduced output at the start of the fourth quarter, suggesting there is potential for some pay-back in November, but it is the gulf in demand conditions between the two sectors which will play the pivotal role in determining how Japan’s economy fares towards the year-end. Latest data suggests the service sector is going to have a lot of slack to account for.”*

### Jibun Bank Japan Composite Output Index



### Index summary

Index	Sector	Interpretation
<b>Output</b>	<b>Composite</b>	<b>Decline, from growth</b>
	Manufacturing	Stronger decline
	Services	Weaker growth
<b>New Orders</b>	<b>Composite</b>	<b>Contraction, from growth</b>
	Manufacturing	Stronger decline
	Services	Stronger growth
<b>New Export Orders</b>	<b>Composite</b>	<b>Weaker decline</b>
	Manufacturing	Weaker decline
	Services	Weaker growth
<b>Employment</b>	<b>Composite</b>	<b>Weaker growth</b>
	Manufacturing	Stronger growth
	Services	Weaker growth
<b>Backlogs of Work</b>	<b>Composite</b>	<b>Stronger decline</b>
	Manufacturing	Stronger depletion
	Services	Decline, from growth
<b>Output Prices</b>	<b>Composite</b>	<b>Inflation, from no change</b>
	Manufacturing	Weaker deflation
	Services	Stronger inflation
<b>Input Prices</b>	<b>Composite</b>	<b>Stronger inflation</b>
	Manufacturing	Weaker inflation
	Services	Stronger inflation
<b>Future Output</b>	<b>Composite</b>	<b>Weaker positive outlook</b>
	Manufacturing	Negative outlook, from positive
	Services	Weaker positive outlook
Stocks of Purchases	Manufacturing	Unchanged rate of decline
Stocks of Finished Goods	Manufacturing	Stronger decline
Quantity of Purchases	Manufacturing	Stronger decline
Suppliers' Delivery Times	Manufacturing	Stronger deterioration

## Jibun Bank Flash Japan Manufacturing PMI®

The 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 Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI)® recorded a sixth successive sub-50.0 reading during October (48.5), thereby signalling a continued downturn in the Japanese goods-producing economy. Furthermore, the index fell to its lowest since June 2016 amid the sharpest decline in new orders since December 2012 as firms indicated that weak global trade conditions and softer growth at key export markets restricted demand.

## Jibun Bank Flash Japan Services PMI®

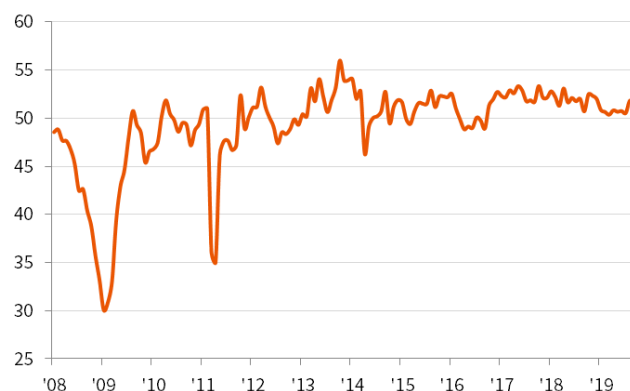
The Jibun Bank Japan Services PMI® is compiled by IHS Markit from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The headline figure 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 headline Jibun Bank Japan Business Activity Index recorded 50.3 in October, down from 52.8 in September, signalling a marked slowdown in growth across Japan's service sector. Moreover, the marginal increase in business output was the softest in just over a year.

Nevertheless, there was a stronger improvement in demand during October despite price increases following the sales tax hike, with new orders rising at the fastest pace in four months.

### Jibun Bank Japan Composite Output PMI®

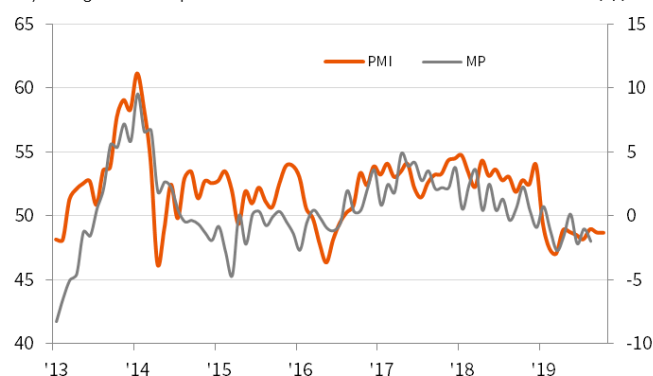
PMI, sa, >50 = improvement since previous month



Sources: Jibun Bank, IHS Markit.

### Manufacturing output

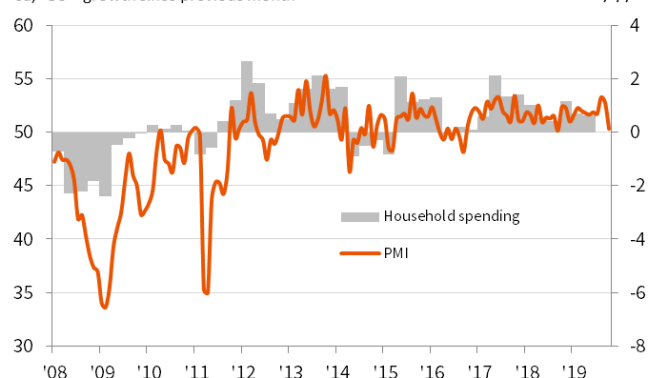
PMI Manufacturing Output Index sa, >50 = growth since previous month



Sources: Jibun Bank, IHS Markit, METI.

### Services business activity

PMI Services Business Activity Index sa, >50 = growth since previous month



Sources: Jibun Bank, IHS Markit, Cabinet Office.

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## Methodology

The 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.

October 2019 flash data were collected 11-22 October 2019. For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

## Jibun Bank Japan PMI is sponsored by Jibun Bank Corporation

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", Jibun Bank has over 3.4 million customer accounts and focuses on providing high-quality financial services via smartphones.

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", 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](https://ihsmarkit.com/products/pmi.html).

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