

Embargoed until 0930 JST (0030 UTC) 26 July 2021

au Jibun Bank Flash Japan Composite PMI®

Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Private sector output falls at sharper pace

Key findings

Flash Composite Output Index, July: 47.7
(June Final: 48.9)

Flash Services Business Activity Index, July: 46.4
(June Final: 48.0)

Flash Manufacturing Output Index, July: 50.5
(June Final: 50.7)

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, Usamah Bhatti, Economist at IHS Markit, said:

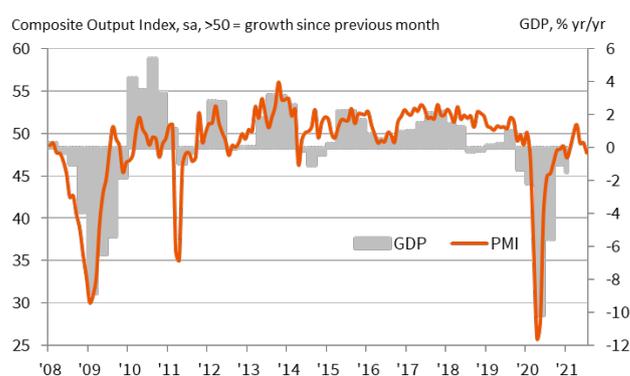
“Flash PMI data indicated that Japanese private sector businesses saw a faster reduction in activity during July. Output fell at the quickest pace for six months, while the contraction in new business inflows was the fastest since February. Survey members attributed the deterioration in business conditions to persistent rises in COVID-19 cases and state of emergency measures which dampened activity and demand.

“Employment levels in the Japanese private sector continued to expand, however the rate of job creation eased to the softest in the current six-month sequence and was only fractional. At the same time, input costs across the private sector rose at the fastest pace since September 2008.

“Short-term disruption to activity is likely to continue until the latest wave of COVID-19 infections passes and restrictions enacted under state of emergency laws are lifted. Japanese private sector firms were optimistic that business conditions would improve in the year ahead, though the degree of optimism was the softest since January. Positive sentiment stemmed from the expectation that the virus would be suppressed as the vaccination programme continues, allowing restrictions on movement and the economy to

be lifted. This would trigger a broad-based recovery in both domestic and external demand for Japanese goods and services.”

au Jibun Bank Japan Composite Output Index



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

Index summary

Index	Sector	Interpretation
Output	Composite	Stronger decline
	Manufacturing	Weaker growth
	Services	Stronger decline
New Orders	Composite	Stronger decline
	Manufacturing	Weaker growth
	Services	Stronger decline
New Export Orders	Composite	Weaker growth
	Manufacturing	Weaker growth
	Services	Stronger decline
Employment	Composite	Weaker growth
	Manufacturing	Weaker growth
	Services	Decline, from growth
Backlogs of Work	Composite	Weaker decline
	Manufacturing	Weaker growth
	Services	Weaker decline
Output Prices	Composite	Stronger inflation
	Manufacturing	Stronger inflation
	Services	Weaker inflation
Input Prices	Composite	Stronger inflation
	Manufacturing	Stronger inflation
	Services	Stronger inflation
Future Output	Composite	Weaker positive outlook
	Manufacturing	Weaker positive outlook
	Services	Weaker positive outlook
Stocks of Purchases	Manufacturing	Weaker growth
Stocks of Finished Goods	Manufacturing	Unchanged pace of decline
Quantity of Purchases	Manufacturing	Weaker growth
Suppliers' Delivery Times	Manufacturing	Weaker lengthening

au Jibun Bank Flash Japan Manufacturing PMI®

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.

At 52.2 in July, the headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index™ (PMI)® – which measures the overall health of the manufacturing sector – slipped from 52.4 in June to signal a softer improvement in operating conditions. Both output and new order growth eased to six-month lows in the latest survey period amid rising COVID-19 cases and ongoing delays in receiving raw materials. Manufacturers also noted that demand for staff eased in July, with the rate of job creation the softest since April. Nonetheless, positive sentiment remained strong overall, despite easing slightly from June.

au Jibun Bank Flash Japan Services PMI®

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 fell from 48.0 in June to 46.4 in July, indicating a sharper deterioration in the service sector, and one that was the most marked since February. New business inflows also reduced further, extending the current sequence of decline to one-and-a-half years as continued restrictions on movement and businesses hampered activity. Moreover, employment saw a renewed contraction as demand fell, with job shedding being reported for the first time since December 2020. While firms remained confident that activity would increase over the

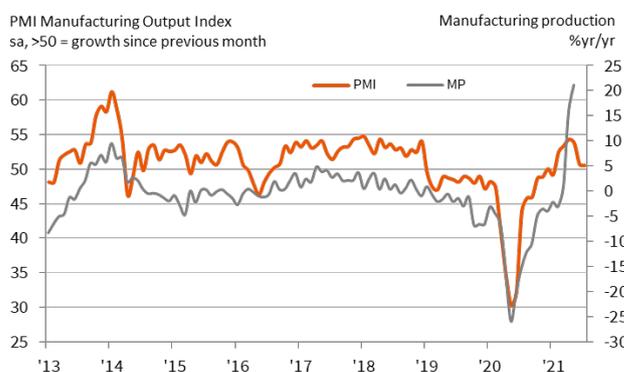
coming 12 months, the degree of optimism dipped to the lowest since January.

au Jibun Bank Japan Composite Output PMI®



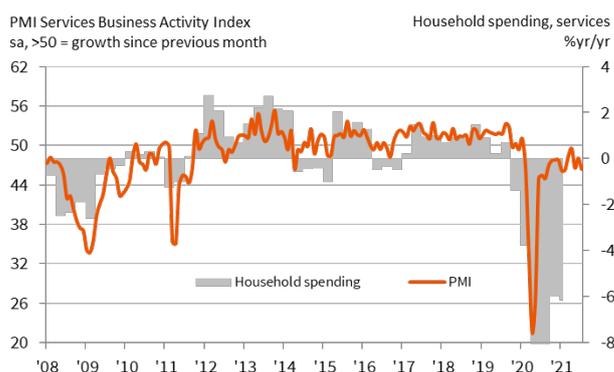
Sources: au Jibun Bank, IHS Markit.

Manufacturing output



Sources: au Jibun Bank, IHS Markit, METI.

Services business activity



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

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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.

July 2021 flash data were collected 12-21 July 2021. 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 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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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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