

Embargoed until 0930 JST (0030 UTC) 03 December 2021

## au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

# Business activity rises at quickest pace for 27 months

### Key findings

Stronger rise in output amid renewed new business growth

Marginal contraction in employment

Expectations for activity reach record high

Data were collected 12-25 November 2021.

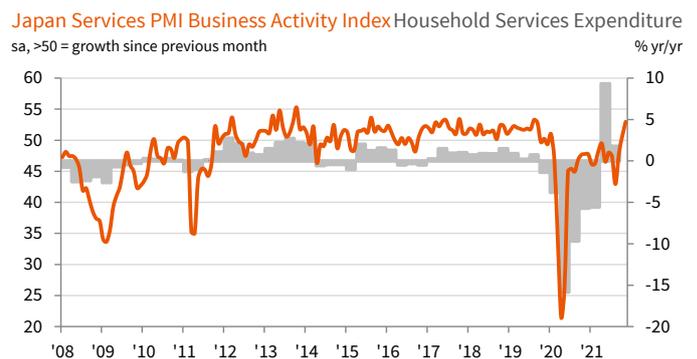
Japanese service providers indicated that business activity expanded at a quicker pace in November. Activity increased at the sharpest rate since August 2019, amid the fastest upturn in new business inflows for over two-and-a-years. Despite the improvement in demand conditions and renewed evidence of building capacity pressure, service providers recorded a slight decline in employment levels, the first in four months. Nonetheless, the level of positive sentiment regarding the year-ahead outlook strengthened for the third month running, and was at its highest point since the survey began in September 2007.

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 53.0 in November, the seasonally adjusted Japan Services Business Activity Index rose sharply from 50.7 in October, signalling a second consecutive expansion in activity that was the quickest for 27 months. The increase was moderate overall as companies saw activity lift following the lifting of state of emergency measures.

New business inflows returned to expansion territory for the first time since January 2020 in the latest survey period. The



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

latest rise was solid, and the fastest since March 2019. Panellists noted that demand strengthened as COVID-19 cases receded and restrictions were eased further. Moreover, new export orders also returned to growth, though at a more marginal pace than total new orders.

As activity and orders expanded, Japanese service providers reported additional pressure on capacity for the first time in two years, signalled by a renewed rise in outstanding business. That said, firms recorded a reduction in employment levels for the first time since July, with anecdotal evidence commonly linking this to the non-replacement of voluntary leavers.

Average cost burdens rose at an accelerated pace during November. Input prices have now risen consistently for a year, with the rate of inflation the sharpest since August 2008 amid higher raw material and staff costs. Panel members indicated that the increase in input prices were partially passed through to customers, however some firms commented that costs were absorbed, and discounts were offered in attempt to attract customers. As a result, the rate of charge inflation was the softest in the current three-month sequence of rising charges.

Business optimism regarding activity over the next 12 months was marked in November, as confidence strengthened from October to reach a survey record high. Firms cited hopes that a further dissipation of the pandemic would trigger a boost in both domestic and external demand, particularly once national and international border restrictions were lifted.

## au Jibun Bank Japan Composite PMI®

### Strongest upturn in private sector activity in over four years

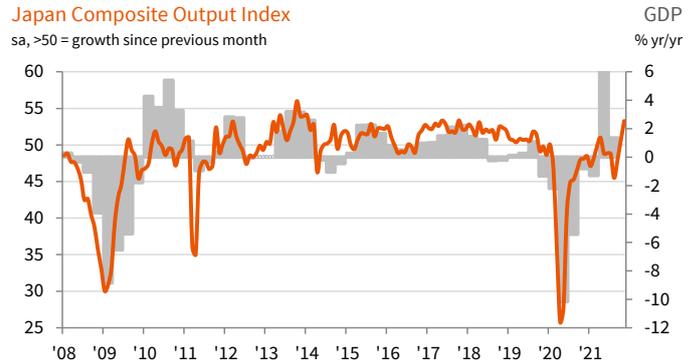
The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and services sectors - increased from 50.7 in October to 53.3 in November, signalling a stronger rise in private sector output. Growth was the strongest since October 2017 and was led by the quickest rise in services activity for over two years while manufacturing output growth reached a seven-month high.

Aggregate new orders also rose solidly, and at the strongest since October 2018. Service providers noted the sharper upturn, recording the fastest increase in new business since March 2019. This contributed to the first rise in private sector backlogs since April. While marginal, the rate of accumulation was the quickest for nearly three years.

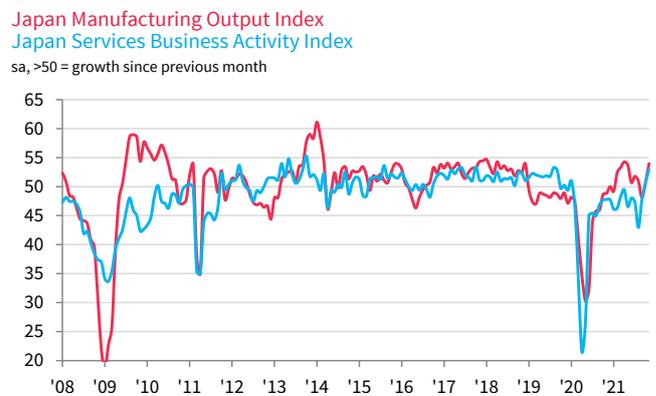
At the same time, the rate of job creation in the Japanese private sector eased for the second month running. Employment levels rose at the softest pace for four months, despite evidence of increasing pressure on existing capacity.

Firms in both sectors reported a further rapid rise in average cost burdens in November, with aggregate input prices rising at the sharpest pace since August 2008.

*\*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.



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## Comment

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

*"The Japanese services economy signalled that demand conditions improved sharply midway through the fourth quarter following the broad easing of COVID-19 restrictions. Latest PMI data indicated the quickest rise in business activity for over two years, while new orders rose for the first time since January 2020 as panel members cited the lifting of state of emergency measures had boosted confidence and sales"*

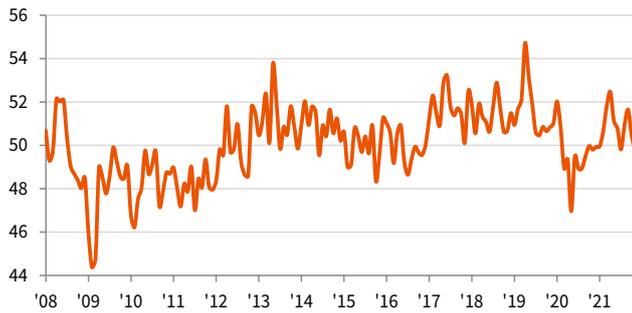
*"Despite increasing demand and evidence of pressure on capacity, Japanese service providers decreased staffing levels for the first time since July. Nonetheless, firms noted a series record level of optimism regarding the year-ahead outlook for activity.*

*"Overall private sector activity recorded a second consecutive expansion in November, with the rate of growth the steepest since October 2017. A stronger upturn in services activity was complemented by the fastest rise in manufacturing output since April.*

*"Both manufacturers and services firms pointed to prominent rises in cost pressures in November, with average input prices rising at the fastest pace since August 2008. That said, they were increasingly confident that activity would rise over the year ahead, with the degree of optimism at a record high. Firms cited hopes that the end of the pandemic would trigger a broad-based demand boost in both domestic and external markets. This is in line with the IHS Markit projection of a 2.7% rise in economic activity in 2022."*

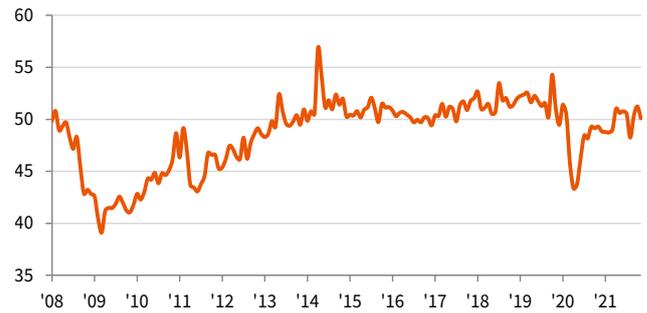
### Japan Services Employment Index

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.

November 2021 data were collected 12-25 November 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.  
[ihsmarkit.com/products/pmi.html](https://www.ihsmarkit.com/products/pmi.html)

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### 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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