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au Jibun Bank Flash Japan Composite PMI®

Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Private sector output stabilises amid stronger service sector expansion

Key findings

Flash Composite Output Index, December: 50.0
(November Final: 48.9)

Flash Services Business Activity Index, December: 51.7
(November Final: 50.3)

Flash Manufacturing Output Index, December: 46.4
(November Final: 45.8)

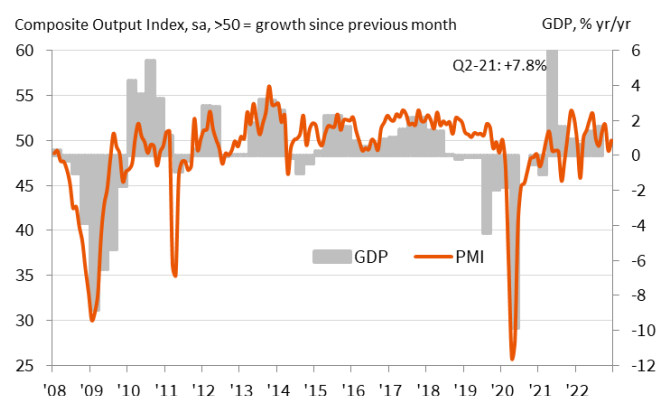
Today sees the latest release of the au Jibun Bank Flash Japan Composite PMI®. Published on a monthly basis approximately one week before final PMI data are released, this makes the PMI the earliest available indicator of private sector operating conditions in Japan. The estimate is typically based on 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, Laura Denman, Economist at S&P Global Market Intelligence, said:

“The Japanese private sector economy saw a stabilisation in business activity in the final month of the year, with flash data indicating that the divergence between the manufacturing and services sectors has grown further. As has been the case since the launching of the National Travel Discount Programme in October, service providers have reportedly continued to profit from a boost in tourism volumes. Notably, firms have seemingly gained some pricing power as a result of improving demand within the sector and raised their selling prices at the sharpest rate since October 2019.

“Conversely, manufacturing firms continued to struggle in the face of subdued demand conditions and severe inflationary pressures with the latest flash PMI reading the lowest since October 2020. December data saw production and order books at Japanese manufacturers contract further, but at paces that were slower than in November. At the same time, though historically sharp, inflationary pressures cooled with the rate of input price inflation at the lowest level since September 2021.”

au Jibun Bank Japan Composite Output Index



Index summary

Index	Sector	Interpretation
Output	Composite	No change, from decline
	Manufacturing	Weaker decline
	Services	Stronger growth
New Orders	Composite	Stronger decline
	Manufacturing	Weaker decline
	Services	Weaker growth
New Export Orders	Composite	Weaker decline
	Manufacturing	Weaker decline
	Services	Stronger growth
Employment	Composite	Stronger growth
	Manufacturing	Weaker growth
	Services	Stronger growth
Backlogs of Work	Composite	Stronger decline
	Manufacturing	Weaker decline
	Services	Weaker growth
Output Prices	Composite	Stronger inflation
	Manufacturing	Weaker inflation
	Services	Stronger inflation
Input Prices	Composite	Stronger inflation
	Manufacturing	Weaker 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	Weaker growth
Quantity of Purchases	Manufacturing	Stronger decline
Suppliers' Delivery Times	Manufacturing	Weaker lengthening

PMI®

by S&P Global

au Jibun Bank Flash Japan Manufacturing PMI®

The au Jibun Bank Japan Manufacturing PMI® is compiled by S&P Global 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.

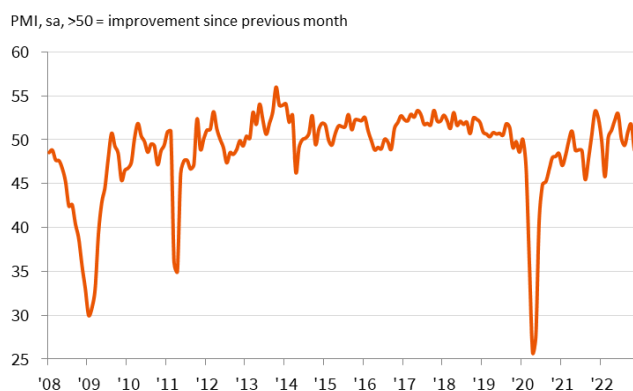
The headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® – which measures the overall health of the manufacturing sector – posted 48.8 in December, down from 49.0 in November to signal the strongest contraction in the Japanese manufacturing sector since October 2020. Amid ongoing reports of muted customer demand, both output and new orders fell solidly, but at slightly softer rates than in November, and input buying declined at the quickest pace since September 2020. Firms, however, remained positive about output levels over the coming year, albeit with sentiment dropping to the weakest level in eight months. More positively, firms signalled some further easing in price pressures, as indicated by the rates of input cost and selling price inflation slowing to 15- and nine-month lows, respectively.

au Jibun Bank Flash Japan Services PMI®

The au Jibun Bank Japan Services PMI® is compiled by S&P Global 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.

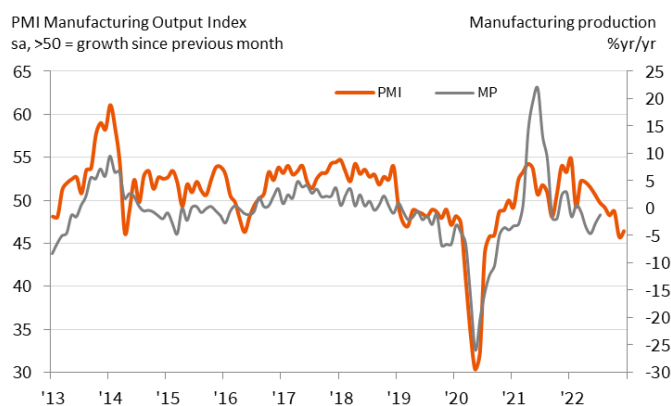
At 51.7 in December, the au Jibun Bank Flash Japan Services Business Activity Index rose from a final reading of 50.3 in November to signal a stronger expansion in services output in the final month of 2022. The boost in tourism volumes, largely supported by the National Travel Discount Programme, has reportedly encouraged recent service sector growth. Panel members also mentioned that a sustained COVID-19 recovery has improved consumer confidence. In terms of prices, inflation across a broad range of inputs led an accelerated rise in input costs. In response to increasing cost burdens, service providers raised their selling prices at the fourth fastest pace in the series history. Some firms mentioned increasing output prices to take advantage of current demand conditions.

au Jibun Bank Japan Composite Output PMI®



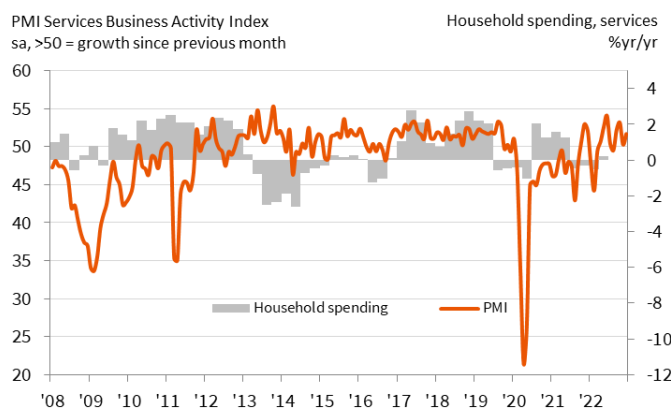
Sources: au Jibun Bank, S&P Global.

Manufacturing output



Sources: au Jibun Bank, S&P Global, METI.

Services business activity



Sources: au Jibun Bank, S&P Global, Cabinet Office.

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Methodology

The au Jibun Bank Japan Composite PMI® is compiled by S&P Global 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.

December 2022 flash data were collected 6-14 December 2022. 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.

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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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