

Embargoed until 0930 JST (0030 UTC) 24 January 2024

au Jibun Bank Flash Japan Composite PMI[®]

Including au Jibun Bank Flash Japan Manufacturing and Services PMI[®]

Strongest rise in private sector activity for four months

Key findings

Flash Composite Output Index, January: 51.1
(December Final: 50.0)

Flash Services Business Activity Index, January: 52.7
(December Final: 51.5)

Flash Manufacturing Output Index, January: 47.4
(December Final: 46.8)

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, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

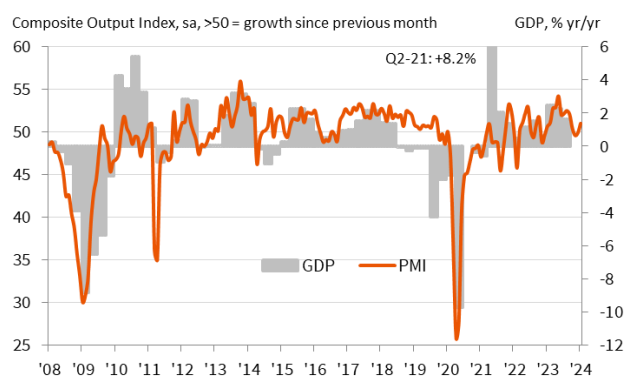
“The Japanese private sector economy signalled a renewed expansion in output at the start of 2024 following the stagnation seen at the end of last year. While only modest, the rate of growth was the strongest seen since September. Service providers continued to lead the way with a steeper increase in business activity, with the expansion strengthening to a four-month high. Manufacturers meanwhile signalled an eighth consecutive deterioration in operating conditions that nonetheless eased from that seen in December.”

“Forward-looking indicators from the survey suggest the potential for demand and activity to rise over the coming months. Composite new orders rose for the first time in four months, albeit only marginally. There was a further rise among services firms, while Japanese manufacturers indicated a sustained and sharp decrease in new order inflows. Backlogs of work broadly stabilised in January, providing an early sign that output was starting to be supported by improved demand rather than the fulfilling of prior orders.”

“On the price front, the rate of input price inflation remained elevated by historical standards, with the latest rise in operating expenses little-changed from the marked uptick seen in December. That said, Japanese private sector firms looked to absorb some of these costs, as

the rate of output charge inflation eased to the softest since February 2022.”

au Jibun Bank Japan Composite Output Index



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office via S&P Global Market Intelligence.

Index summary

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

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.

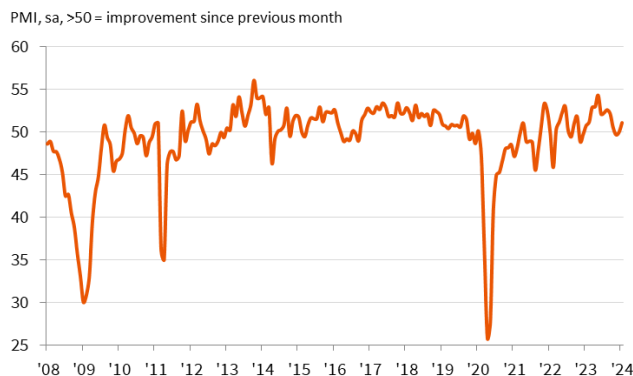
The headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® rose only fractionally from 47.9 in December to 48.0 in January, signalling an eighth consecutive deterioration in manufacturing operating conditions. There were sustained, albeit softer, decreases in both output and new orders, with the former falling at the slowest rate for three months. The still sharp decline in new orders contributed to a steeper fall in backlogs of work, and the latest round of depletion was the most marked since August 2020. Price pressures faced by Japanese manufacturers remained elevated at the start of 2024, though the rate of input price inflation eased fractionally from that seen in December. At the same time, output charges were increased at the slowest rate since June 2021.

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.

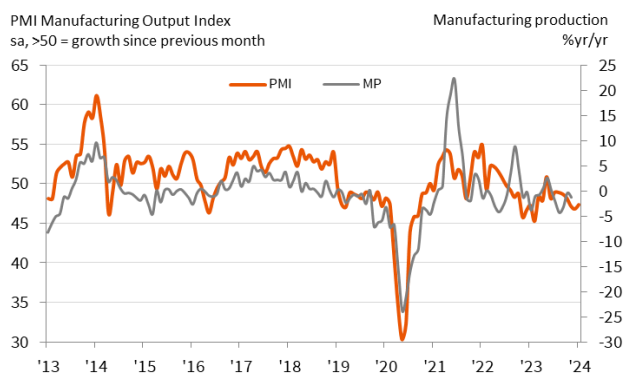
At 52.7 in January, the au Jibun Bank Flash Japan Services Business Activity Index rose from 51.5 in December to signal a stronger and solid increase in business activity that was the quickest since September. Growth in new business also picked up from that seen in December, while foreign demand for Japanese services rose for the first time in five months. Service providers also noted the strongest rate of backlog accumulation since last June. As a result, firms looked to keep up with demand by raising employment levels for the fourth month in a row. Firms remained optimistic regarding the outlook for output over the coming 12 months during January, however the overall degree of optimism eased to a three-month low.

au Jibun Bank Japan Composite Output PMI®



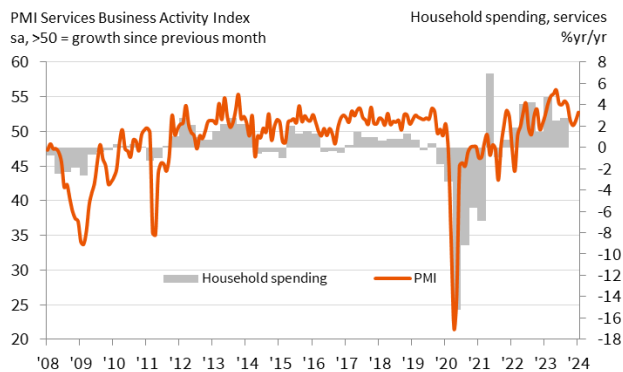
Sources: au Jibun Bank, S&P Global PMI.

Manufacturing output



Sources: au Jibun Bank, S&P Global PMI, METI via S&P Global Market Intelligence.

Services business activity



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office via S&P Global Market Intelligence.

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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.

January 2024 flash data were collected 11-22 January 2024. For further information on the PMI survey methodology, please contact economics@spglobal.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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