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# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Business activity returns to contraction in January

### Key findings

Renewed falls in output and new business

Employment levels drop at the fastest pace for 20 months

Business optimism eases to five-month low

Data were collected 12-26 January 2022.

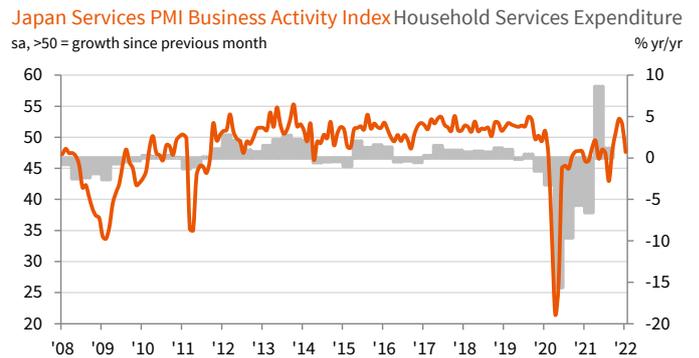
Japanese service providers indicated that business conditions were disrupted by the latest rise in COVID-19 cases and renewed restrictions at the start of 2022. The impact of the Omicron wave resulted in a renewed reduction in business activity, the first in four months, while new business fell for the first time since last October. Moreover, service providers reported job shedding for the third month in a row, and at the sharpest pace since May 2020. Concerns surrounding the length of the pandemic and further new variants dampened business optimism, which reached the lowest level since last August.

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 47.6 in January, the seasonally adjusted Japan Services Business Activity Index fell sharply from 52.1 in December, signalling a renewed contraction in service sector activity. The reduction was moderate overall but the strongest recorded since last August.

Similarly, new business fell back into decline in the latest survey period. The reduction was the first for three months



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

and modest overall. Panel members mentioned that the spread of the Omicron variant and renewed restrictions had weighed on demand. Moreover, international demand also returned to contraction territory, at a similar pace as total new orders. Where export sales fell, panel members attributed this to a surge in infections across key markets.

Japanese service providers reduced employment levels for the third month in a row in January, and at the fastest pace since May 2020. Anecdotal evidence suggested that retirements and the non-replacement of voluntary leavers were behind the fall. Moreover, there was evidence that businesses redirected capacity towards the completion of existing work, indicated by a renewed decline in outstanding business.

Average cost burdens faced by Japanese service companies increased for the fourteenth consecutive month in January. Rising cost pressures were commonly attributed to higher raw material and fuel costs. That said, input price inflation eased for the first time since last August and was the slowest for three months. Concurrently, inflation of average prices charged for services slowed sharply from December, and was only marginal.

Business expectations for the next 12 months remained positive in January. Firms generally linked confidence to hopes of an end to the pandemic, which would stimulate demand and encourage new product launches. That said, the degree of optimism eased to a five-month low amid concerns about the impact of future variants.

## au Jibun Bank Japan Composite PMI®

### Private sector output stagnates at the start of 2022

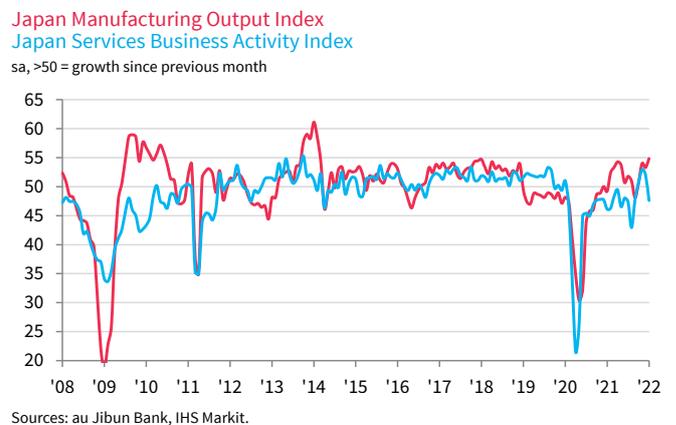
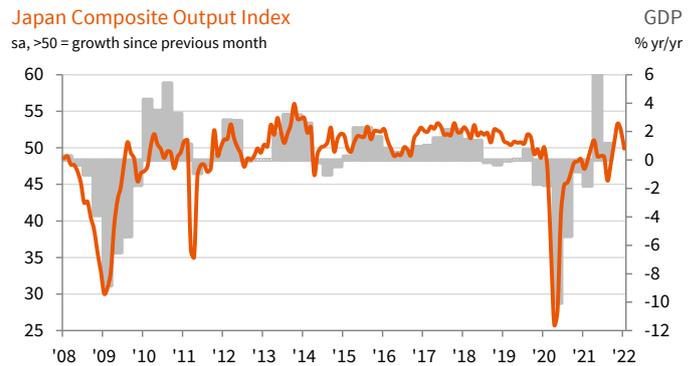
The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and services sectors - dipped from 52.5 in December to 49.9 in January, highlighting a fractional fall in private sector output. The reduction marked the first contraction since last September.

The larger services sector led the stagnation, with renewed reductions in both activity and new work. Meanwhile, their manufacturing counterparts saw both output and incoming business rise, with growth in production levels at a near eight-year high. The solid rise in manufacturing orders offset a modest fall at services firms, which resulted in the softest rise in aggregate orders in three months. Weaker demand conditions also led to a renewed reduction in outstanding business.

Moreover, employment in the Japanese private sector stagnated in January. The rate of job creation was the weakest for 12 months, with a reduction at service providers partially offsetting the sharpest rise at manufacturers since April 2018.

Private sector firms noted a seventeenth successive rise in average cost burdens in January. That said, the rate of inflation eased for the first time since last August to reach a three-month low.

*\*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.*



## Comment

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

*"The Japanese services sector entered 2022 facing a renewed downturn in demand conditions. Latest PMI data signalled a return to contraction territory for both business activity and total new orders, with the rates of reduction the sharpest for five and four months, respectively. Panel members highlighted that the Omicron variant and renewed restrictions had dampened output and demand.*

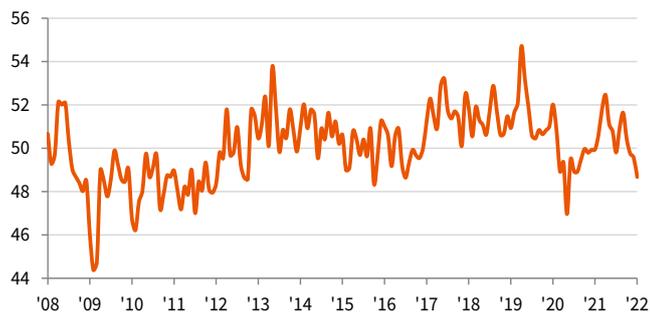
*"Moreover, service providers reduced staffing levels at the sharpest pace for 20 months as firms struggled to replace voluntary leavers. Firms were also less optimistic that activity would rise over the next 12 months, as positive sentiment reached a five-month low.*

*"The weakness in the larger service sector contributed to a broad stagnation in private sector output in January. Total business activity dipped into contraction territory for the first time since September, despite a near eight-year high in manufacturing output growth.*

*"Businesses in the Japanese private sector did, however, note an easing in price pressures for the first time since August as input prices rose at the softest pace for three months. Despite this, input price inflation remained above the long-term trend as supply chain disruption continued to dampen domestic and global activity. This remains a major headwind for the Japanese private sector along with uncertainty regarding future variants of COVID-19. That said, IHS Markit estimates the economy will return to pre-pandemic levels within 2022, forecasting growth of 3.4% this year."*

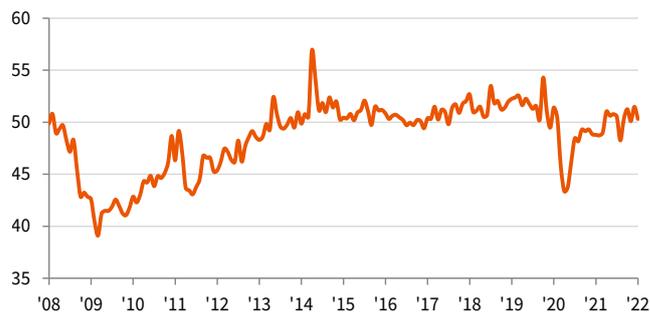
### Japan Services Employment Index

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.

January 2022 data were collected 12-26 January 2022.

### 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.  
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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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