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au Jibun Bank Flash Japan Composite PMI®

Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Softest rise in private sector activity since March

Key findings

Flash Composite Output Index, July: 50.6
(June Final: 53.0)

Flash Services Business Activity Index, July: 51.2
(June Final: 54.0)

Flash Manufacturing Output Index, July: 49.5
(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 S&P Global Market Intelligence, said:

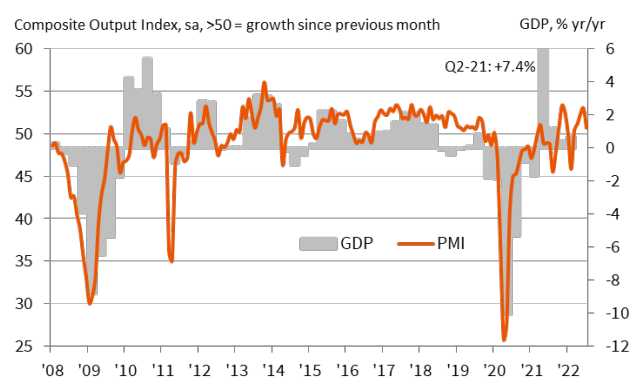
“Flash PMI data indicated that activity at Japanese private sector businesses rose at a softer rate during July. The expansion in output was the softest recorded since March and only marginal as companies noted that shortages of raw materials and rising energy and wage costs had increasingly dampened output and new order inflows. This was notably evident at manufacturers, who recorded a reduction in production levels for the first time in five months. Service providers meanwhile reported the slowest rise in activity since April.

“Positively, there was tentative evidence that price pressures were peaking, as the rate of input cost inflation eased for the first time in six months among private sector firms, yet remained rapid overall. This also contributed to the slowest, albeit still solid, rise in output charges since April. Businesses continued to attribute increasing prices to higher staff costs as well as raw material prices, particularly fuel, energy and semiconductors as the currency weakened against the US dollar.

“Japanese private sector companies reported softer optimism regarding the year-ahead outlook for activity in July. Positive sentiment was the weakest for three months amid concerns

regarding inflationary pressures amid sustained material shortages, as well as the prolonged impact of the Russia-Ukraine war.”

au Jibun Bank Japan Composite Output Index



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

Index summary

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

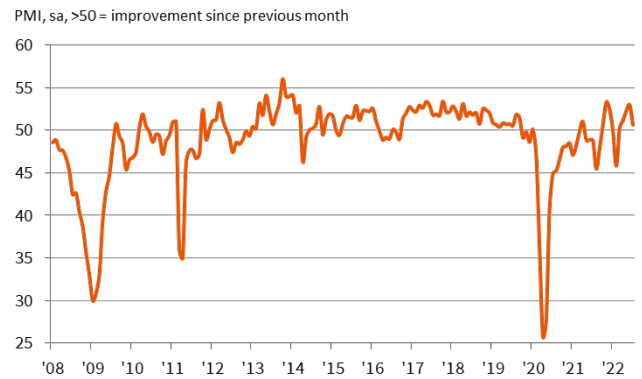
At 52.2 in July, the headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® – which measures the overall health of the manufacturing sector – eased from 52.7 in June to signal a modest improvement in operating conditions that was the weakest since last September. Output returned to contraction territory for the first time in five months in the latest survey period, albeit only marginally while new orders fell at the fastest pace since November 2020. Manufacturers continued to signal strong inflationary pressures, as input price inflation accelerated for the first time since May. Positively, firms indicated that supply chain disruption had eased further, with the latest lengthening in delivery times the softest for 11 months.

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.

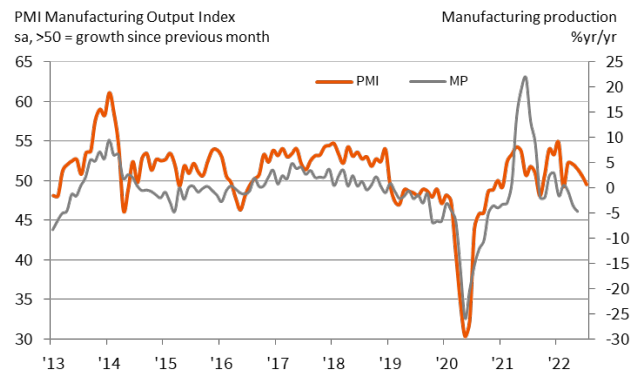
The au Jibun Bank Flash Japan Services Business Activity Index dipped from 54.0 in June to a three-month low of 51.2 in July, indicating a sharp slowdown in services activity growth. Growth in new business inflows also eased, and reached the slowest in the current three-month sequence. Positively, there were signs that inflationary pressures faced by service providers were peaking, as the rate of input price inflation eased for the first time in four months, which contributed to the softest rise in prices charged in three months. That said, firms recorded a softer degree of optimism regarding the 12-month outlook for activity. The level of positive sentiment fell to the lowest since March as sustained price pressures from higher staff and material costs, especially as the weakened yen raised the cost of imports, raised concerns among service providers about the impact this could have on the Japanese economy.

au Jibun Bank Japan Composite Output PMI®



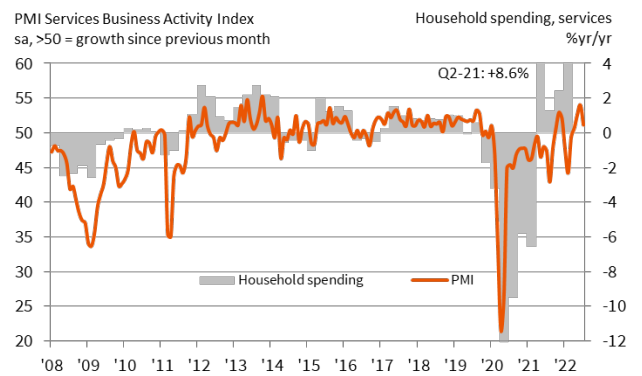
Sources: au Jibun Bank, S&P Global.

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.

July 2022 flash data were collected 12-20 July 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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