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au Jibun Bank Flash Japan Composite PMI®

Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Private sector output falls sharply amid Omicron wave

Key findings

Flash Composite Output Index, February: 44.6
(January Final: 49.9)

Flash Services Business Activity Index, February:
42.7 (January Final: 47.6)

Flash Manufacturing Output Index, February: 48.7
(January Final: 54.8)

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.

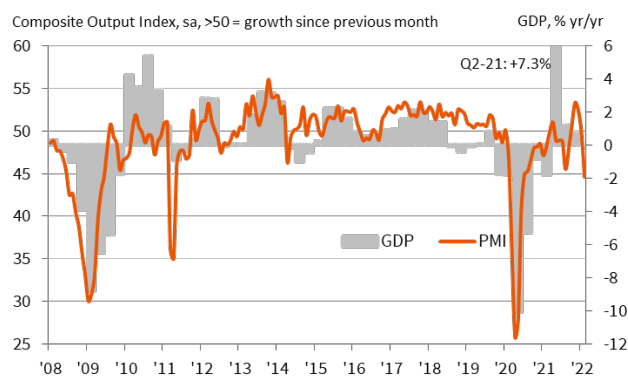
Commenting on the latest survey results, Usamah Bhatti, Economist at IHS Markit, said:

“Activity at Japanese private sector businesses contracted sharply during February as the Omicron variant of COVID-19 led to record case numbers and renewed restrictions in Japan. The decline was the second in successive months though was the sharpest recorded for 20 months and came amid the steepest downturn in the services sector since the first wave of the pandemic in May 2020. Moreover, manufacturers signalled a reduction in output for the first time in five months, though the rate of contraction was considerably softer than that seen in the dominant services sector, and was only mild overall.

“Private sector firms also noted a decrease in aggregate new business for the first time since September, largely driven by domestic reductions while new export orders broadly stagnated. Firms continued to report that rising input prices and material shortages, notably in fuel and metals continued to dampen private sector activity. In fact, February saw the strongest rise in average cost burdens since August 2008.

“Companies were optimistic that activity would improve in the year ahead, though the continued resurgence of COVID-19 had clouded the outlook and drove optimism to a six-month low.”

au Jibun Bank Japan Composite Output Index



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

Index summary

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

au Jibun Bank Flash Japan Manufacturing PMI®

The au Jibun Bank Japan Manufacturing PMI® is compiled by IHS Markit 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 – dipped from 55.4 in January to 52.9 in February, signalling a moderate improvement in operating conditions that was nonetheless the softest since last September. Output reduced for the first time in five months while new order growth eased to the softest in the current sequence of expansion. Moreover, supply chain disruption continued to hinder manufacturing activity in February as a marked lengthening of delivery times exacerbated material shortages, leading to a further rapid rise in input cost inflation. To protect against delays and rising costs, stockpiles of raw materials and other inputs were raised at the sharpest pace in the survey history.

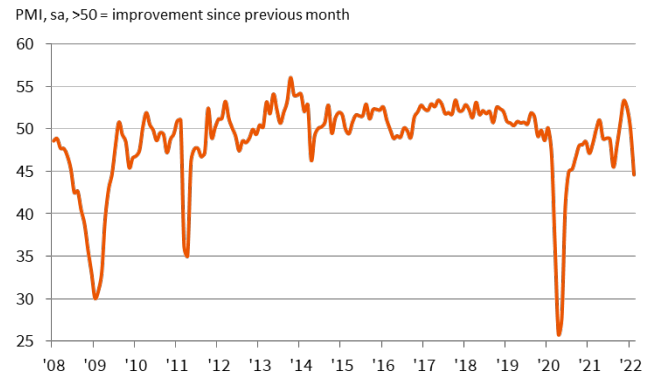
au Jibun Bank Flash Japan Services PMI®

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 42.7 in February, the au Jibun Bank Flash Japan Services Business Activity Index fell from 47.6 in January to indicate the steepest reduction since May 2020 amid a rapid rise in COVID-19

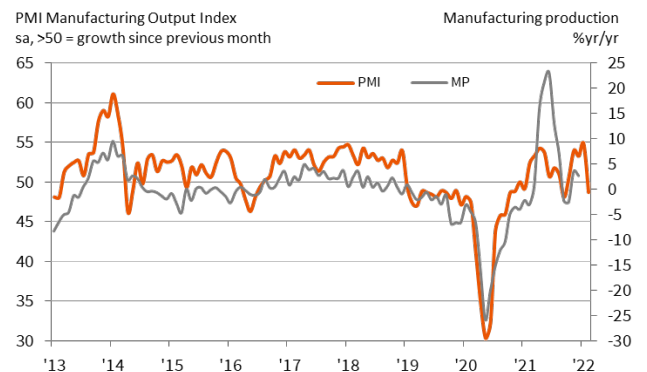
cases. At the same time, new business fell further with the rate of reduction the quickest for six months. With demand conditions weakened by the ongoing pandemic, Japanese service providers attempted to draw in customers with a renewed reduction in prices charged, the first since last August. This was despite the joint-sharpest rise in input prices for 13-and-a-half years.

au Jibun Bank Japan Composite Output PMI®



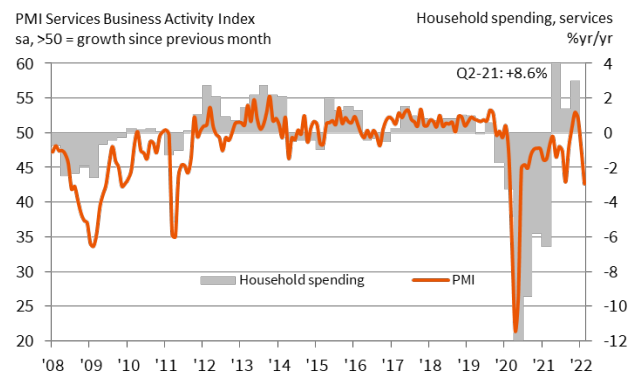
Sources: au Jibun Bank, IHS Markit.

Manufacturing output



Sources: au Jibun Bank, IHS Markit, METI.

Services business activity



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

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Methodology

The au Jibun Bank Japan Composite PMI® is compiled by IHS Markit 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.

February 2022 flash data were collected 10-17 February 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.

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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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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