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au Jibun Bank Flash Japan Composite PMI®

Including au Jibun Bank Flash Japan Manufacturing and Services PMI®

Japanese private sector returns to growth at start of 2023

Key findings

Flash Composite Output Index, January: 50.8
(December Final: 49.7)

Flash Services Business Activity Index, January:
52.4 (December Final: 51.1)

Flash Manufacturing Output Index, January: 47.1
(December Final: 46.6)

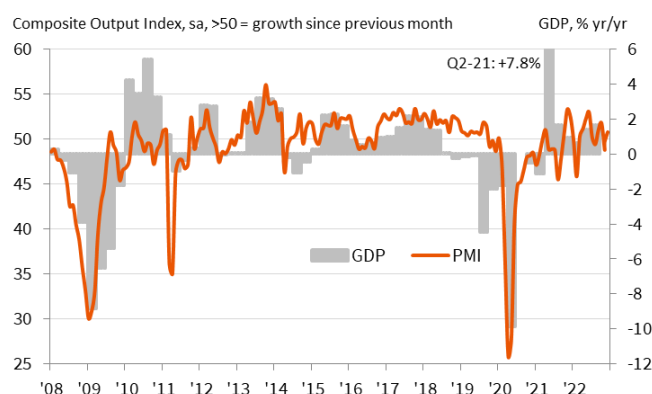
Today sees the latest release of the au Jibun Bank Flash Japan Composite PMI®. Published on a monthly basis approximately one week before final PMI data are released, this makes the PMI the earliest available indicator of private sector operating conditions in Japan. The estimate is typically based on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

“Japan’s private sector kicked off 2023 on a more positive note, as signalled by activity returning to growth territory in January. However, similar to trends recorded over much of the past six months, a divergence between the manufacturing and services sectors has remained. While manufacturing firms continued to face muted customer demand, service providers made sustained gains from the travel subsidy programme and recent relaxation of COVID measures.

“That said, there were some positive developments for manufacturing firms. Rates at which output and new orders declined softened and firms registered a relatively elevated degree of confidence. Input costs and selling prices also increased at the slowest paces in 17- and 16-months, respectively. Conversely, the service sector displayed mixed trends in terms of pricing. While input costs increased at a faster pace, the rate at which firms hiked their prices was the weakest since last August. As such, firms were more cautious about their predictions for the year ahead and registered the lowest level of business sentiment in two years.”

au Jibun Bank Japan Composite Output Index



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

Index summary

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

At 48.9 in January, the headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® was unchanged from the final reading at the end of 2022 and signalled the joint-strongest deterioration in the health the Japanese manufacturing sector since October 2020. Demand conditions remained subdued and reportedly led to sustained reductions in output and new orders, though rates of decline softened to three-month lows in both cases. In line with lower production levels, firms cut back input buying at the fastest pace since April 2014, when excluding the initial pandemic related lockdown. That said, firms were reportedly hopeful that markets would recover over the course of 2023 and registered a stronger level of business confidence. Meanwhile, the rate of input cost inflation sank to a 17-month low while firms raised their selling prices at the slowest pace since September 2021.

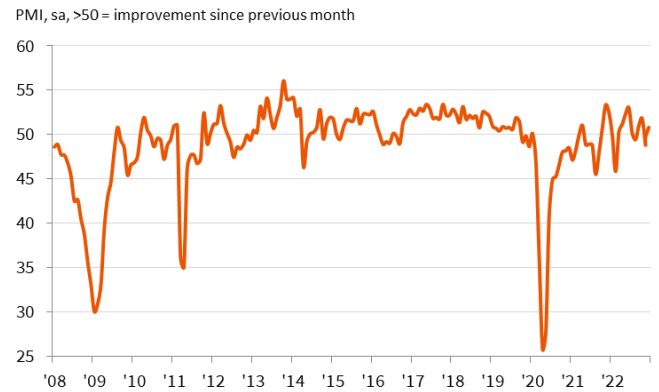
au Jibun Bank Flash Japan Services PMI®

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.

The au Jibun Bank Flash Japan Services Business Activity Index lifted from a final reading of 51.1 in December to 52.4 in January indicating a moderate expansion in service sector activity. As has been the case over the past few months, the Nationwide Travel Discount Programme and the recent relaxation of COVID-19 related restrictions were central factors encouraging service sector growth. However, for the first time in a year employment levels decreased and at the most pronounced rate since May 2020. In terms of prices, the rate of input cost inflation strengthened further in January, but firms raised their selling prices at the softest pace in five months. Firms were reportedly

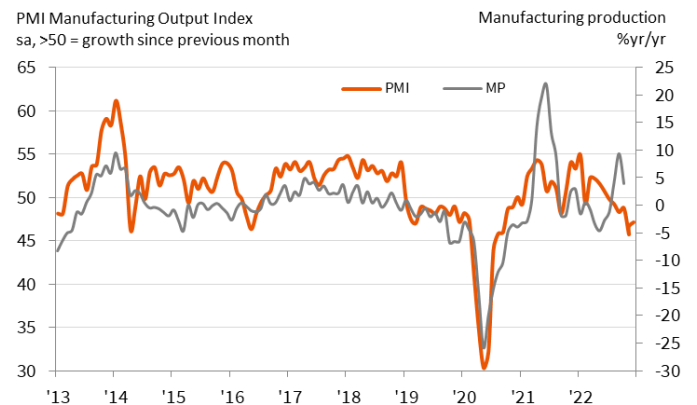
concerned about pricing pressures and registered the weakest level of business confidence in two years.

au Jibun Bank Japan Composite Output PMI®



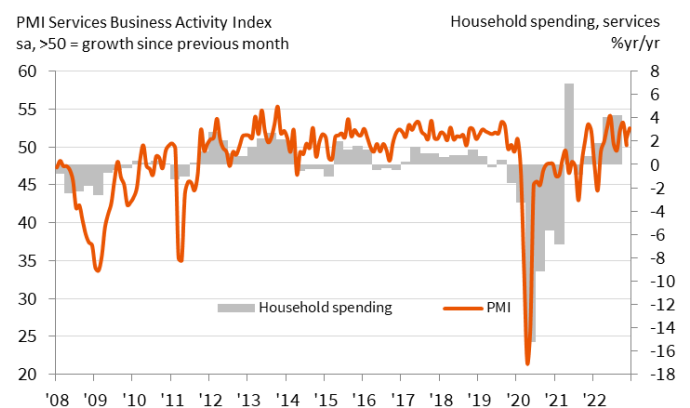
Sources: au Jibun Bank, S&P Global.

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.

January 2023 flash data were collected 12-20 January 2023. 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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