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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 for the first time in six months

Key findings

Flash Composite Output Index, August: 48.9
(July Final: 50.2)

Flash Services Business Activity Index, August: 49.2
(July Final: 50.3)

Flash Manufacturing Output Index, August: 48.3
(July Final: 49.7)

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:

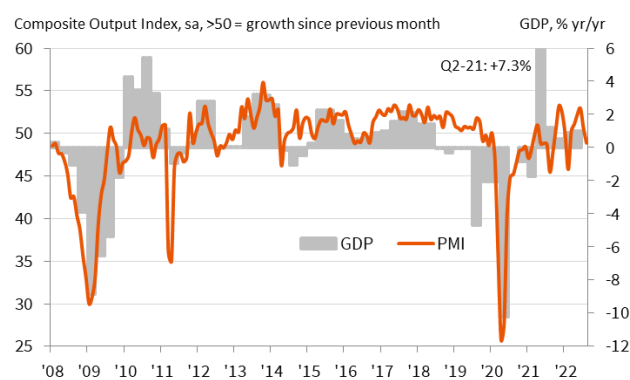
“The latest Flash PMI data showed that Japanese private sector activity declined for the first time since February midway through the third quarter. Both manufacturing and services companies recorded a contraction in output in August, with the former falling at the fastest pace for 11 months. August data signalled the second-weakest reading in the composite index so far this year, though the rate of deterioration was only mild. Of concern was the amount of new business received by private sector firms, which reduced for the first time in six months and pointed to further weaknesses to come.

“A positive to come out of the latest data was a further moderation in the rate of input cost inflation. Average cost burdens faced by firms in the Japanese private sector rose markedly, yet at the softest rate since March. Concurrently, the increase in prices charged for goods and services softened to a four-month low. However, firms often commented that weaker demand and economic headwinds were the main factor behind softening inflationary pressures.

“Business confidence eased to the joint-lowest for five months during August amid the growing economic headwinds. The

strongest concerns among Japanese private sector firms were the impact of the Ukraine war, inflationary pressures due to rising raw material and energy costs, and a global economic slowdown.”

au Jibun Bank Japan Composite Output Index



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

Index summary

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

The headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® – which measures the overall health of the manufacturing sector – posted 51.0 in August, down from 52.1 in July to signal a mild improvement in operating conditions that was the slowest in the current 19-month sequence of growth. Manufacturers reported a second successive contraction in output levels, and one that was the steepest for 11 months, while new order growth fell at the sharpest pace since September 2020. Concurrently, the rate of job creation broadly stagnated in August amid a renewed reduction in backlogs. Sustained shortages of inputs contributed to a further marked, albeit softer rise in input prices, while business confidence softened to a three-month low.

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 fell from 50.3 in July to 49.2 in August, signalling the first contraction in service sector output since March. Overall new business fell for the first time in four months amid weaker domestic demand, while new export orders broadly stabilised in the latest survey period. Service providers recorded a softening of input price inflation for the second month in a row, with the latest rise the slowest since April. That said, the rate of charge inflation edged up slightly since July.

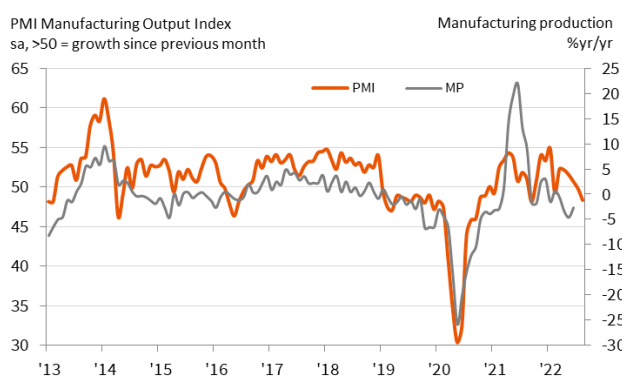
au Jibun Bank Japan Composite Output PMI®

PMI, sa, >50 = improvement since previous month



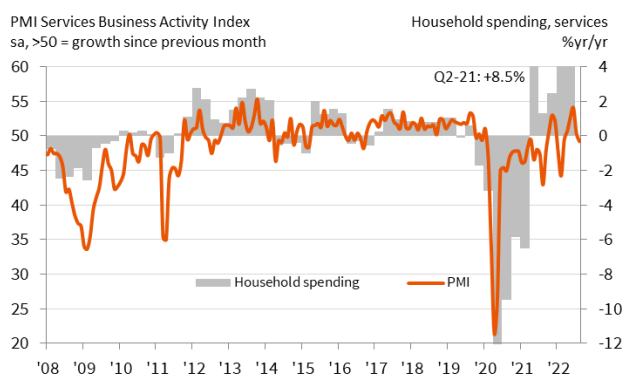
Sources: au Jibun Bank, S&P Global.

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.

August 2022 flash data were collected 12-19 August 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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