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au Jibun Bank Flash Japan Composite PMI[®]

Including au Jibun Bank Flash Japan Manufacturing and Services PMI[®]

Output continues to rise but new order growth slows sharply

Key findings

Flash Composite Output Index, July: 52.1
(June Final: 52.1)

Flash Services Business Activity Index, July: 53.9
(June Final: 54.0)

Flash Manufacturing Output Index, July: 48.4 (June Final: 48.1)

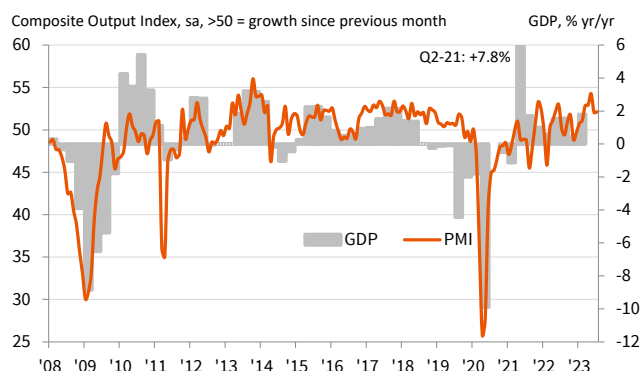
Today sees the latest release of the au Jibun Bank Flash Japan Composite PMI[®]. Published on a monthly basis approximately one week before final PMI data are released, this makes the PMI the earliest available indicator of private sector operating conditions in Japan. The estimate is typically based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

“Activity at Japanese private sector firms increased for the seventh successive month, according to the July flash PMI data. Central to the upturn in output was a sustained and solid improvement at Japanese service providers, while manufacturers noted a slightly softer downturn at the start of the third quarter. That said, demand conditions at private sector firms were less buoyant than in the previous survey period with latest data pointing to only a marginal increase in new orders. New work at manufacturing firms fell at the strongest rate since March, while service providers saw the slowest uptick in incoming business since the start of the year.”

The second half of 2023 also brought with it a renewed strengthening in price pressures in the Japanese private sector economy. The rate of input price inflation accelerated for the first time since January amid a stronger increase in cost burdens at service providers, who largely attributed the rise to increased labour, fuel and raw material costs. Higher operating expenses pushed private sector companies to raise output charges at a stronger rate during July, with both manufacturers and service providers signalling steeper rates of output price inflation.”

au Jibun Bank Japan Composite Output Index



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office via S&P Global Market Intelligence.

Index summary

Index	Sector	Interpretation
Output	Composite	Unchanged rate of growth
	Manufacturing	Weaker decline
	Services	Weaker growth
New Orders	Composite	Weaker growth
	Manufacturing	Stronger decline
	Services	Weaker growth
New Export Orders	Composite	Weaker decline
	Manufacturing	Weaker decline
	Services	Weaker growth
Employment	Composite	Weaker growth
	Manufacturing	Weaker growth
	Services	Decline, from growth
Backlogs of Work	Composite	Decline, from growth
	Manufacturing	Weaker decline
	Services	Weaker growth
Output Prices	Composite	Stronger inflation
	Manufacturing	Stronger inflation
	Services	Stronger inflation
Input Prices	Composite	Stronger inflation
	Manufacturing	Weaker inflation
	Services	Stronger 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	Weaker decline
Suppliers' Delivery Times	Manufacturing	Weaker improvement

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.

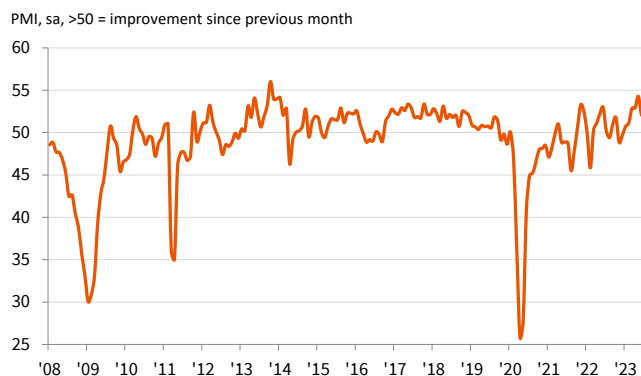
The headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® fell slightly from 49.8 in June to 49.4 in July to signal a stronger, albeit marginal, deterioration in Japanese manufacturing business conditions. Both output and new orders were scaled back further in the latest survey period, with the rate of reduction in incoming business accelerating to the strongest seen for four months. There was further evidence of easing cost pressures as indicated by the rate of input price inflation dipping to the lowest since February 2021, though manufacturers looked to pass higher cost burdens to clients to a greater extent for the first time since April. Concurrently, business sentiment eased from June yet remained at the joint-second highest level seen since the start of 2022.

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.

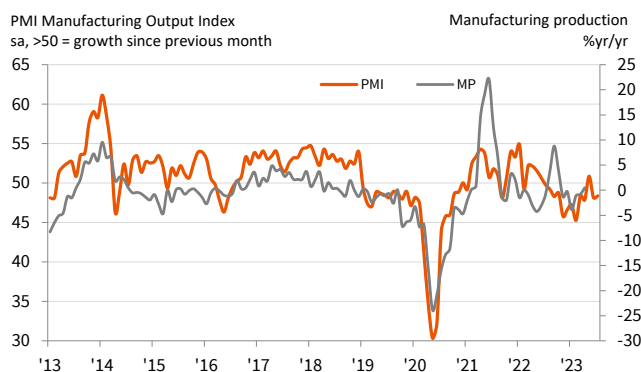
The au Jibun Bank Flash Japan Services Business Activity Index eased fractionally from a final reading of 54.0 in June to 53.9 in July to signal a solid expansion in business activity in Japan's service sector. The latest reading was the weakest since January however, and came amid a sharp slowdown in new business growth. The expansion in incoming business was modest, and the slowest recorded for six months. Moreover, July data indicated that activity growth was often fuelled by the completion of existing orders, as the level of outstanding business at Japanese service providers reduced for the first time in a year and at the fastest pace since April 2022. Firms also signalled the softest degree of positive sentiment regarding the year-ahead outlook for activity since the start of the year.

au Jibun Bank Japan Composite Output PMI®



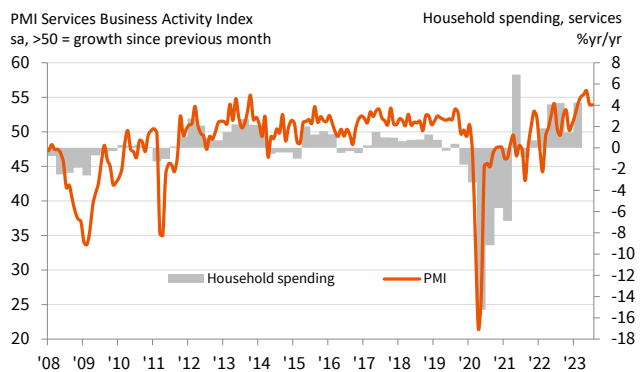
Sources: au Jibun Bank, S&P Global PMI.

Manufacturing output



Sources: au Jibun Bank, S&P Global PMI, METI via S&P Global Market Intelligence.

Services business activity



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office via S&P Global Market Intelligence.

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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 2023 flash data were collected 12-20 July 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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