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au Jibun Bank Flash Japan Composite PMI[®]

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

Japanese private sector output rises slightly in December

Key findings

Flash Composite Output Index, December: 50.4
(November Final: 49.6)

Flash Services Business Activity Index, December: 52.0
(November Final: 50.8)

Flash Manufacturing Output Index, December: 47.0
(November Final: 47.2)

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.

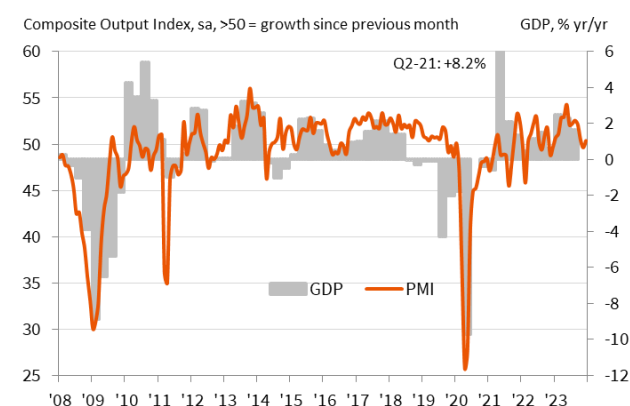
Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

“The December PMI surveys indicate that Japan’s private sector experienced a renewed, albeit mild increase in overall business activity as the year came to a close. The upturn was supported by a stronger rise in services activity, which offset a quicker contraction in factory output. That said, the overall performance of the private sector remained subdued, particularly when compared to the growth rates seen earlier in the year as demand conditions have cooled amid reports of a sluggish economic environment. Notably, composite new business declined for the second straight month, with modest sales growth in the service sector not enough to counteract the sharp and accelerated drop in manufacturing orders.

“A lack of new work enabled firms to deplete their backlogs at a faster pace, while overall employment broadly stagnated in December. Business confidence meanwhile softened when assessing the outlook for output, driven by less upbeat forecasts in the service sector.

“The latest survey also indicated a renewed pick up in inflationary pressures amid reports that a weaker exchange rate and higher labour and raw material costs had pushed up expenses. As a result, prices charged by Japanese firms increased at the quickest pace since August.”

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	Growth, from decline
	Manufacturing	Stronger decline
	Services	Stronger growth
New Orders	Composite	Stronger decline
	Manufacturing	Stronger decline
	Services	Stronger growth
New Export Orders	Composite	Stronger decline
	Manufacturing	Stronger decline
	Services	Weaker decline
Employment	Composite	Weaker growth
	Manufacturing	No change, from decline
	Services	Weaker growth
Backlogs of Work	Composite	Stronger decline
	Manufacturing	Stronger decline
	Services	Weaker growth
Output Prices	Composite	Stronger inflation
	Manufacturing	Weaker inflation
	Services	Stronger inflation
Input Prices	Composite	Stronger inflation
	Manufacturing	Stronger inflation
	Services	Stronger inflation
Future Output	Composite	Weaker positive outlook
	Manufacturing	Stronger positive outlook
	Services	Weaker positive outlook
Stocks of Purchases	Manufacturing	Weaker rate of growth
Stocks of Finished Goods	Manufacturing	Weaker 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.

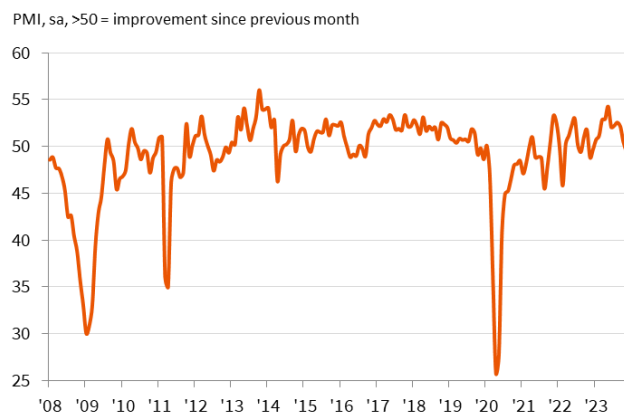
At 47.7 in December, the headline au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index™ (PMI)® slipped from 48.3 in November to signal the quickest deterioration in manufacturing business conditions for ten months. Companies reported a sharp and accelerated decline in new work, which in turn led to a slightly quicker reduction in factory output. At the same time, employment across the sector was unchanged amid signs of excess capacity, with backlogs of work falling markedly overall. Turning to prices, input costs rose sharply and at the quickest rate for three months, but output charges rose to the weakest extent since July 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 picked up from 50.8 in November to 52.0 in December, to signal a modest increase in activity that was the quickest since September. That said, growth remained softer than the average seen over 2023 as a whole. Total new business likewise expanded at a slightly quicker but mild pace in December, despite a slight drop in new export sales. Staff numbers were little-changed from the previous month following a two-month sequence of modest job creation. The rate of input cost inflation meanwhile picked up from November's 25-month low and remained elevated in the context of historical data. As a result, fees charged by services companies increased again at the end of the year, and at the quickest pace since May. Optimism regarding the year-ahead weakened in December, however, with expectations for business activity slipping to the lowest since March 2022.

au Jibun Bank Japan Composite Output PMI®



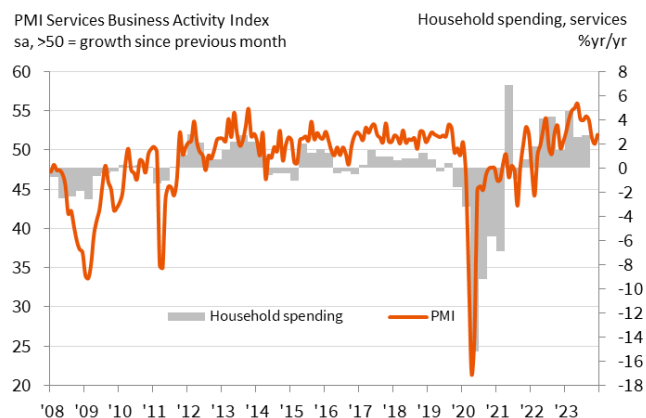
Sources: au Jibun Bank, S&P Global PMI.

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.

December 2023 flash data were collected 06-13 December 2023. For further information on the PMI survey methodology, please contact economics@spglobal.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 ihsmarket.com/products/pmi.html.

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