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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Service sector growth loses further momentum

Key findings

Rate of expansion eases for fifth time in six months in November

Growth outlook remains among strongest on record

Cost pressures lowest in over two years

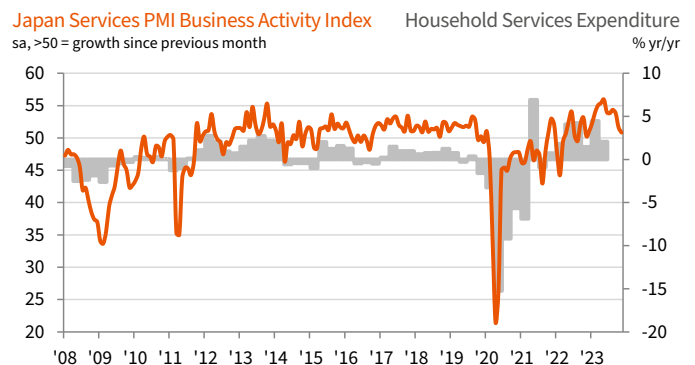
Japan's services economy expanded in November, although the rate of growth continued to slow down. The rise in total activity was the softest for a year, and new business expanded at a pace little-changed from October's nine-month low. That said, both indicators remained above their respective long-run survey averages since 2007, and the 12-month outlook for activity was among the strongest on record. Moreover, outstanding business and employment both increased. Cost pressures were the weakest in over two years, but still stronger than the long-run survey average.

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 headline au Jibun Bank Japan Services Business Activity Index remained above the 50.0 no-change mark for the fifteenth successive month in November, signalling a further expansion of business activity in the sector. The Index fell for the fifth time in six months to 50.8, from 51.6 in October, indicating the weakest growth since November 2022.

That said, 2023 as a whole is set to be the strongest year in the survey history as the sector continues a post-COVID recovery. The Business Activity Index has trended at 53.7 from January to



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 9-27 November 2023.

November, comfortably above the next-highest annual average of 52.4 set in 2013.

Sustained growth of total activity was mainly linked to higher new business receipts. Demand for services in Japan rose for the fifteenth successive month, the second-longest sequence of continuous expansion in the survey history. The rate of growth was among the weakest in 2023, but still compared favourably with the long-run survey trend since 2007 of a slight decline in demand. New business intakes were supported by an ongoing domestic post-COVID recovery, while international demand weakened.

Though modest by the standards set in 2023, growth of new work was sufficiently strong to generate a rise in outstanding business at service providers. This occurred despite further growth in employment in the sector.

Business forecasts for the next 12 months improved in November and were among the strongest in the survey history. Firms mentioned new store openings, a continued post-COVID recovery in the economy, new clients and new investments.

Service providers reported the slowest increase in input prices for just over two years in November. The rate of inflation remained above the long-run survey trend, however, linked to increased costs for labour, fuel, utilities and materials.

Prices charged by Japanese service providers rose at the slowest rate in ten months, though the current 19-month sequence of inflation remained in contrast with the long-run survey trend of falling charges.

au Jibun Bank Japan Composite PMI®

Output falls for first time in 2023

November data marked a decline in Japanese private sector activity for the first time in 2023 so far. The au Jibun Bank Japan Composite PMI Output Index* fell below the no-change mark of 50.0 to 49.6, from 50.5 in October, indicating the first contraction since December 2022.

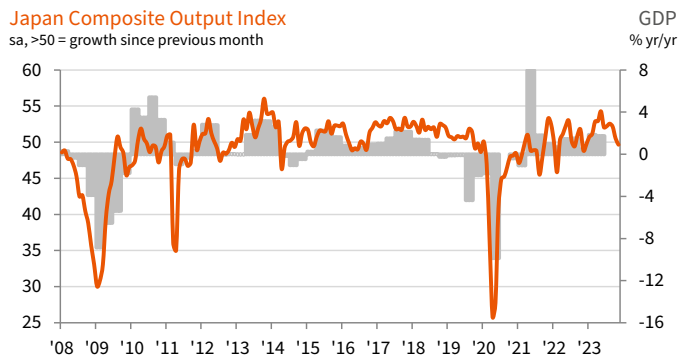
Growth of services activity was maintained, but lost momentum and was insufficient to offset a faster drop in manufacturing production. The decline in goods output was the sixteenth in the past 17 months, and the strongest since February.

Overall demand for goods and services weakened for the first time in ten months, after stagnating in November. Similar to output, growth in services demand was offset by falling manufacturing new orders. More positively, the 12-month outlook improved since October.

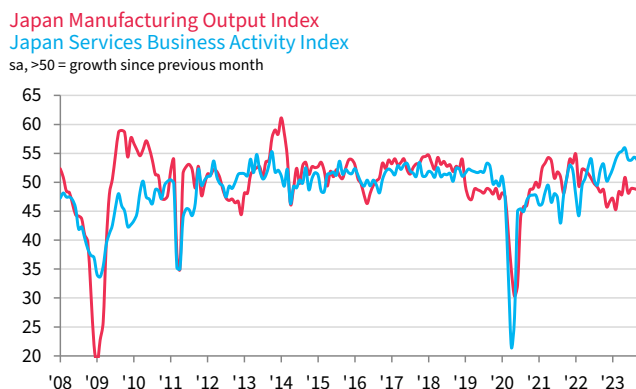
Backlogs of work fell for the fifth month running, as firms continued to expand their workforces despite softer demand conditions.

Price pressures remained stronger than the long-run series trend, but rates of input and output price inflation eased to 27- and 21-month lows in November, respectively.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.



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



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Comment

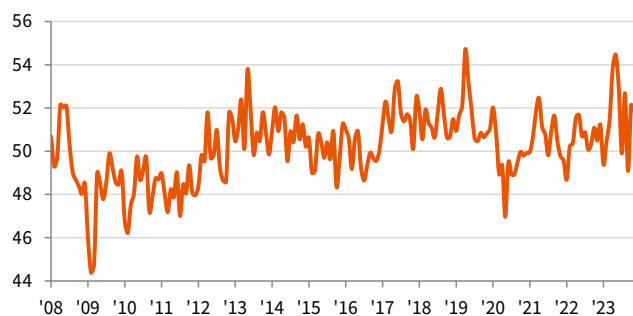
Commenting on the latest survey results, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

"November data signalled a further loss of momentum in the services sector, but this should be viewed in the context of a year of strong growth. Over the course of 2023 the Business Activity Index is currently trending at 53.7, easily the highest annual reading since the survey began in 2007."

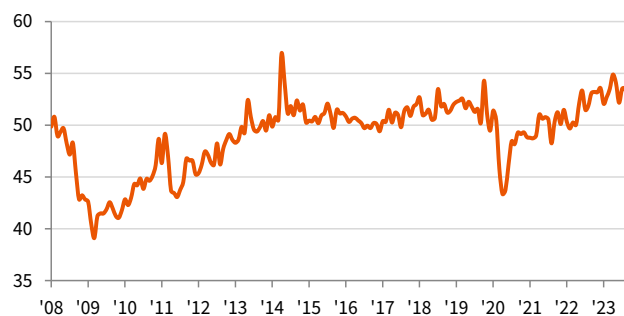
"Looking beyond the headline figure the latest survey results contain more positives. New business rose at a slightly faster rate to extend the second-longest spell of growth on record. Employment growth was maintained and outstanding work rose. Moreover, the 12-month outlook for activity improved and was among the strongest on record."

"Price pressures eased further in November but remain well above their long-run trends. Companies continue to highlight growing cost burdens due to wages, fuel and utilities."

Japan Services Employment Index
sa, >50 = growth since previous month



Japan Services Prices Charged Index
sa, >50 = inflation since previous month



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Methodology

The au Jibun Bank Japan Services PMI® is compiled by S&P Global from responses to questionnaires sent to 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 panel is 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.

The headline 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 Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

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.

Data were collected 9-27 November 2023.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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.

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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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