

Embargoed until 0930 JST (0030 UTC) 3 February 2023

# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Faster rises in activity and new orders

### Key findings

Post-COVID recovery continues in January

Employment falls for first time in a year

Rate of cost inflation remains elevated

Data were collected 12-26 January 2023.

The opening month of 2023 saw an ongoing expansion in the Japanese service sector as the post-COVID recovery continued, boosted by the National Travel Discount Programme. Both activity and new business increased at sharper rates in January, but employment decreased amid a number of reports of retirements. Higher fuel costs meant that the rate of input price inflation remained elevated, while selling prices increased at a softer pace.

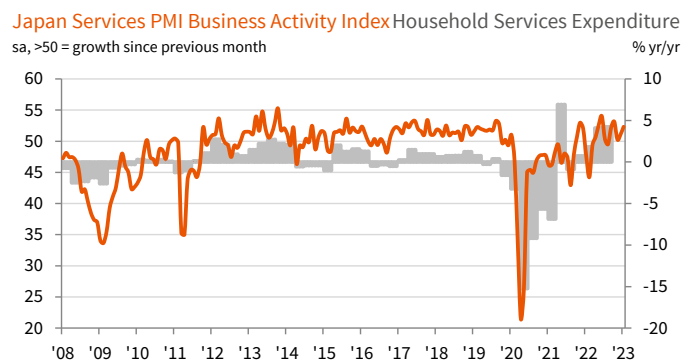
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 Japan Services Business Activity Index rose to 52.3 in January, up from 51.1 in December and remaining above the 50.0 no-change mark for the fifth month running. The rate of growth signalled by the index was solid and the fastest since last October.

Anecdotal evidence suggested that the recovery from the COVID-19 pandemic continued in January thanks to the easing of restrictions. A number of respondents indicated that the National Travel Discount Programme had added an extra boost to domestic travel.

As well as helping to boost activity, these factors also supported new business at the start of the year. New orders rose for the fifth consecutive month and although the pace



of growth was modest it was quicker than seen in December. New export orders also increased for the fifth month in a row.

Despite activity and new business increasing in January, staffing levels fell for the first time in a year. There were a number of reports of retirements having caused the drop in employment. The pace of reduction was only slight, however, as some firms made efforts to recruit new staff and replace leavers.

The combination of higher new orders and falling employment meant further pressure on operating capacity. As a result, backlogs of work increased for the sixth successive month, and to the greatest extent since September last year.

The rate of input cost inflation quickened for the second month running in January and remained among the steepest on record, coming in only slightly softer than the survey peak from June 2022. Higher fuel costs were widely mentioned by respondents, but there were also reports of increased electricity and staff costs.

While the pace of input cost inflation accelerated, the opposite was true in terms of selling prices which rose at the softest pace since August last year. Charges have now increased in nine consecutive months, however, with the latest rise reflecting the passing on of higher costs to customers at some firms.

The 12-month outlook for business activity remained positive in January, with firms optimistic that the recovery from the COVID-19 pandemic will continue over the course of 2023. Sentiment was above the series average, but dipped to a ten-month low. Some panellists were concerned that growth may start to wane, while others mentioned issues around demographic changes.

PMI®

by S&P Global

## au Jibun Bank Japan Composite PMI®

### Renewed rise in output in January

The au Jibun Bank Japan Composite PMI Output Index\* moved back above the 50.0 no-change mark in January to signal a return to growth of business activity in the private sector following two months of decline. At 50.7, the index was up from 49.7 in December and pointed to a slight rise in output.

Growth was centred on the service sector, where activity increased for the fifth month running, and at a faster pace. Although manufacturing production continued to fall, the rate of decline eased to a three-month low.

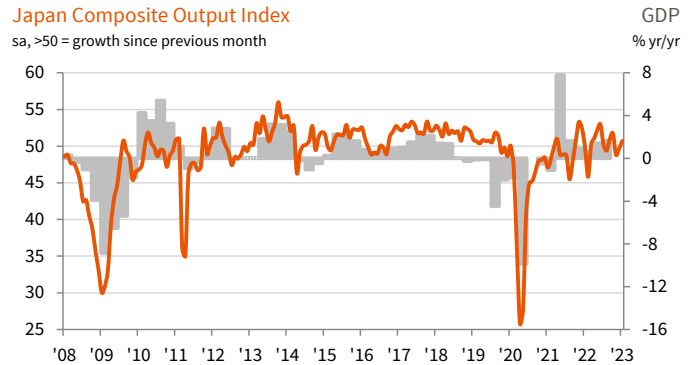
New orders moved closer to stabilisation at the start of the year. Growth of services new business was cancelled out by a further reduction in manufacturing new orders.

Employment stagnated, ending a 23-month sequence of job creation. With staffing levels broadly stable, companies saw backlogs of work expand for the first time in three months.

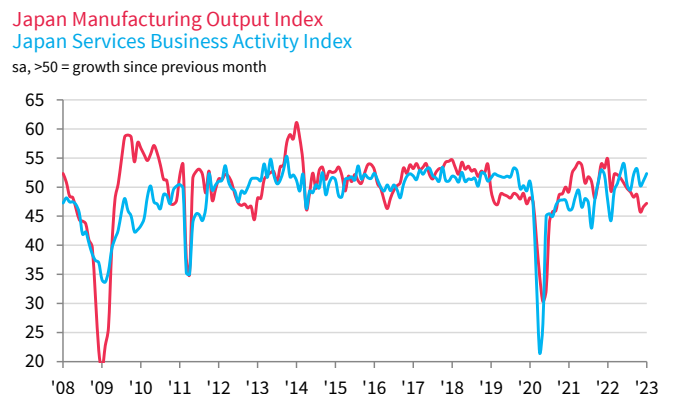
The rate of input cost inflation hit a three-month high amid a faster rise in the service sector. Manufacturing cost inflation slowed, but remained elevated. Meanwhile, output prices increased at the slowest pace since March 2022.

Companies remained optimistic that output will increase over the coming year, but sentiment eased to a nine-month low.

\*Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of manufacturing and service sectors according to official GDP. The Japan Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.



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



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### Comment

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

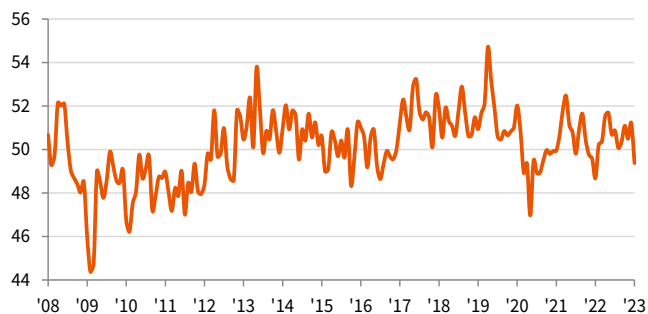
*“The start of 2023 saw a continuation of the recent positive news in the Japanese service sector as the economy continues to recover from the pandemic. Firms were again boosted by the National Travel Discount Programme which kept orders and activity rising.*

*“There were a couple of aspects of the survey which put a slight dent in the otherwise positive picture, however. Employment decreased as firms were hit with a slew of retirements which they weren’t fully able to backfill over the month. Cost pressures also remained*

*elevated, largely due to higher fuel costs. These developments, and the limit they may place on growth, meant that companies were slightly less bullish about the outlook than they have been recently.”*

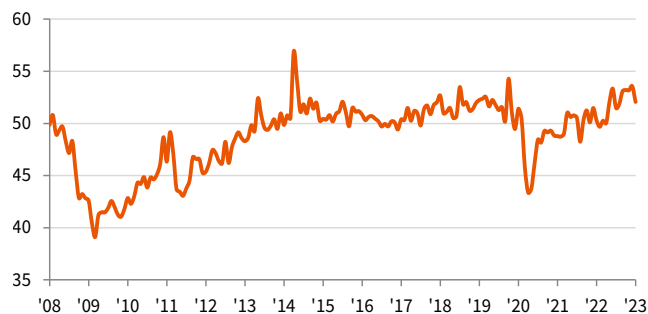
### Japan Services Employment Index

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.

January data were collected 12-26 January 2023.

### 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.

### About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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