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# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Business activity expands fractionally in July

### Key findings

Slower rise in output as demand conditions cool

First reduction in outstanding business for three months

Input price inflation remains elevated

Data were collected 12-26 July 2022.

Japanese service providers indicated that business activity growth slowed sharply at the start of the third quarter of 2022. Activity increased at the softest pace in four months and only fractionally amid a notably weaker rise in new business inflows, as firms noted that the boost received from the lifting of Omicron-related containment measures had waned. Softer demand conditions led to reduced capacity pressures, and businesses were able to reduce levels of outstanding business for the first time since April. At the same time, inflationary pressures remained elevated across the Japanese service sector. The rate of input price inflation eased only slightly from June's series record, and was the second-highest seen in the survey history.

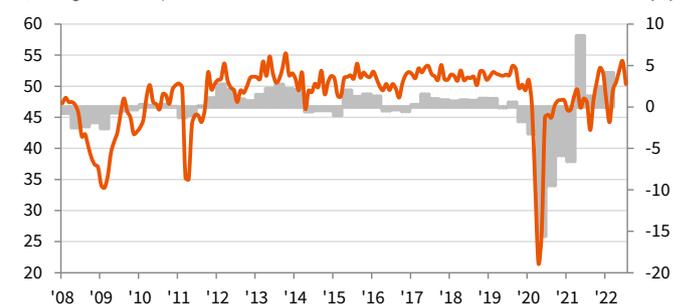
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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.

At 50.3 in July, the seasonally adjusted Japan Services Business Activity Index fell sharply from 54.0 in June, to signal only a fractional rate of activity growth. The index reading was also the lowest seen in four months. While firms commented that the lifting of pandemic restrictions had boosted output, others reported that a cooling of demand conditions had dampened overall growth.

As such, the rate of expansion in new business weakened to a

Japan Services PMI Business Activity Index Household Services Expenditure  
sa, >50 = growth since previous month % yr/yr



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

marginal pace during July. The rise was the slowest recorded in the current three-month period of growth as panellists commented that economic uncertainty had weighed on client confidence. New export orders also contracted further in July, albeit only slightly.

Notably weaker increases in activity and new orders meant that Japanese service providers reported an easing of pressure on capacity for the first time in three months, as signalled by a renewed reduction in outstanding business. Concurrently, firms recorded an expansion in employment levels for the sixth successive month, with anecdotal evidence linking this to filling vacancies that had been on hold during the pandemic.

Average cost burdens rose at a marked rate at the start of the third quarter. Input prices have now risen consistently for 20 months, and while the rate of inflation eased from June's series peak, it was the second-strongest in the survey history. Panel members widely attributed this to higher raw material, energy and fuel costs. Higher expenses were partially passed through to customers, as prices charged for services continued to rise for the third month running. That said, the rate of charge inflation eased to a modest pace.

Business optimism regarding activity over the coming year was strong in July. Though confidence eased from the previous survey period, the degree of positive sentiment remained strong overall. Firms hoped that the influence of the pandemic on business conditions would recede further and boost overall demand. However, there were concerns about the ongoing impact of high inflation and economic uncertainty.

PMI®

by **S&P Global**

## au Jibun Bank Japan Composite PMI®

### Private sector activity broadly stagnant in July

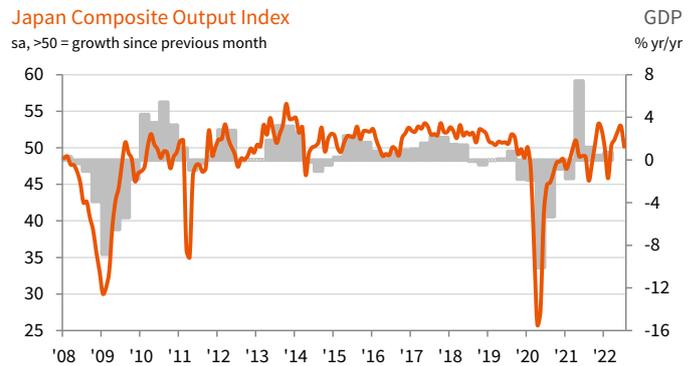
The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and services sectors - slipped from 53.0 in June to 50.2 in July, signalling a broad stagnation in private sector output. The latest upturn in activity was only fractional and the slowest recorded in the current five-month sequence of expansion. The slowdown came amid a sharp moderation in services activity growth, and the first reduction in manufacturing output since February.

Aggregate new orders also stalled in July, following two consecutive months of growth. Manufacturing firms noted the quickest drop in sales since November 2020, while new order growth at services firms dipped to a three-month low. As a result, private sector backlogs were unchanged from June, an indication of easing pressure on capacity amid weaker demand. Moreover, the rate of job creation in the Japanese private sector remained marginal.

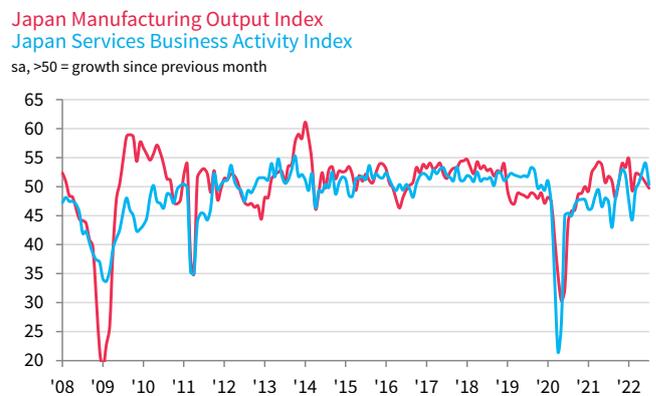
Positively, private sector companies reported a slower rate of input price inflation for the first time since January, yet average cost burdens nonetheless increased at the second-fastest pace in the survey history.

Concurrently, the year-ahead outlook also weakened from June amid concerns of muted economic conditions and uncertainty stemming from inflation, the weaker yen and the Ukraine war.

*\*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.



Sources: au Jibun Bank, S&P Global.

### Comment

Commenting on the latest survey results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"The Japanese services economy signalled that demand conditions had broadly stagnated at the start of the second half of the year as the boost from the wider reopening of the economy waned. Latest PMI data indicated the softest rises in both new business and business activity in the respective three- and four-month sequences of growth, with the readings pointing to only fractional expansions. Panel members commented that weaker economic

conditions, partly due to inflation and uncertainty, had weighed on the sector.

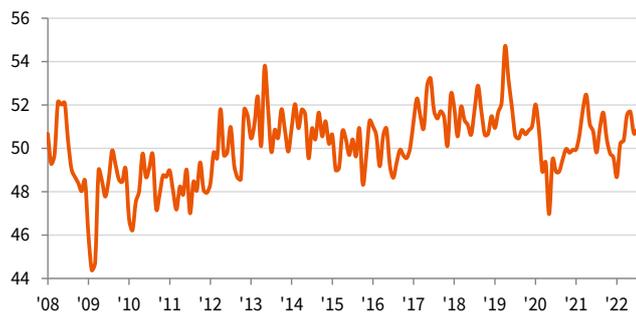
"The near term outlook also looks subdued as the cooling of demand meant that firms were able to reduce outstanding workloads for the first time in three months, while the 12-month outlook for activity also softened on the month.

"Overall, private sector activity broadly stagnated in July following June's solid rise. A renewed fall in manufacturing output and stalling aggregate new orders contributed to the weaker reading.

"Japanese private sector firms pointed to notable rises in cost pressures in July, although input prices rose at a softer rate for the first time in six months. Nevertheless, the rate of inflation was the second-highest on record. Inflationary pressures remain a key downside risk to the economy, alongside economic uncertainty and muted demand, which dampened the outlook for output in the year-ahead. Current S&P Global projections have the Japanese economy growing 1.7% this year, meaning output lost to the pandemic is not recovered until 2023."

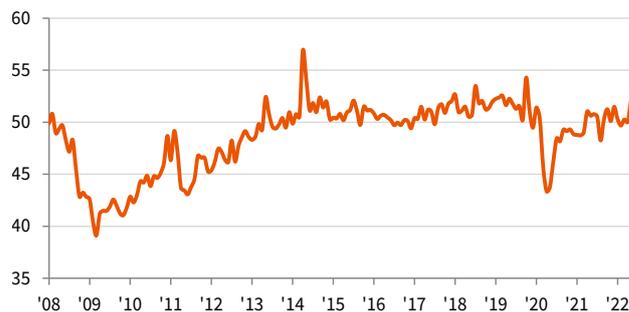
### Japan Services Employment Index

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.

July 2022 data were collected 12-26 July 2022.

### 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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