

Embargoed until 0930 JST (0030 UTC) 3 March 2023

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Business activity expands solidly in February

Key findings

Quicker rise in output as demand conditions strengthen

Strongest rise in outstanding business since August 2017

Business confidence improves to four-month high

Data were collected 10-23 February 2023.

Japanese service providers indicated that business activity rose sharply midway through the first quarter of 2023. Activity increased at the fastest pace in eight months and solidly amid a notably stronger rise in new business inflows, as firms noted the waning impact of the pandemic on the services economy. Improved demand conditions placed additional pressure on existing capacity, with businesses reporting the strongest accumulation of outstanding business in five-and-a-half years. At the same time, business confidence regarding the year-ahead outlook for activity strengthened amid hopes that the lifting of remaining pandemic restrictions in mainland China and an improving global economy would boost demand conditions in Japan further.

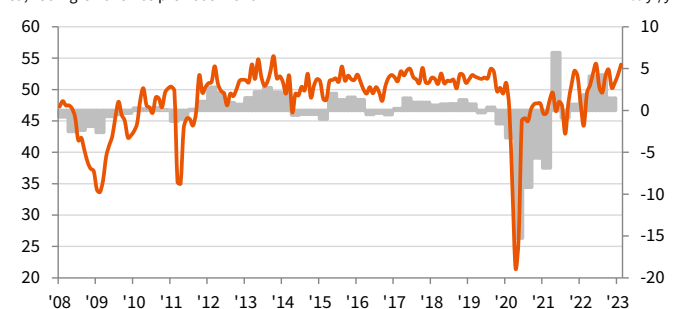
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 54.0 in February, the au Jibun Bank Japan Services Business Activity Index rose sharply from 52.3 at the start of the year to signal a solid expansion in activity. The index reading was also the highest since last June. Firms often commented that demand was boosted as the impact of the pandemic receded.

As such the rate of expansion in new business quickened to a moderate pace during February. The rise was the quickest

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



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

recorded for nine months as panellists commented that domestic and international demand had recovered and boosted client confidence. New export orders also increased at the second-strongest pace in over three years.

Notably stronger increases in activity and new orders meant that Japanese service providers reported an increase in capacity pressure, as firms saw a further rise in outstanding business that was the fastest since August 2017. Concurrently, firms recorded a renewed expansion in employment levels, with anecdotal evidence linking this to the need for additional staff as demand recovered.

Average cost burdens rose at a marked rate midway through the first quarter. Input prices have now risen consistently for 27 months, although the rate of inflation eased for the first time in three months. Panel members widely attributed cost pressures to higher raw material and staff costs, particularly for fuel and utilities. Higher expenses were partially passed through to customers, as prices charged for services rose for the tenth month running.

Business optimism regarding activity over the coming year was robust during February. Confidence strengthened from the previous survey period, with the overall degree of positive sentiment at the highest since October 2022. Firms hoped that the influence of the pandemic would recede further and boost domestic and external demand for services, most notably in the travel and tourism sector.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

Private sector activity rises at stronger pace in February

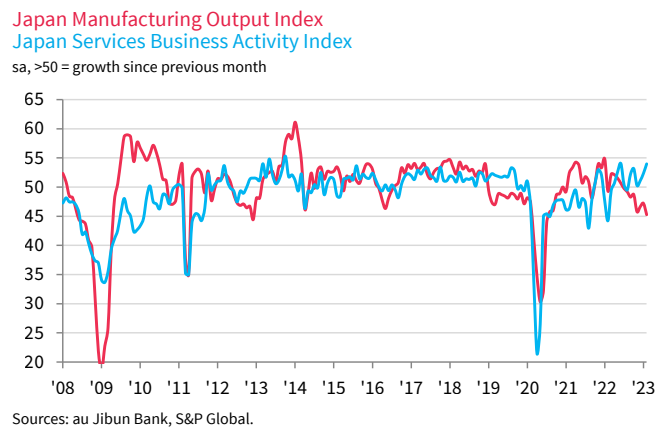
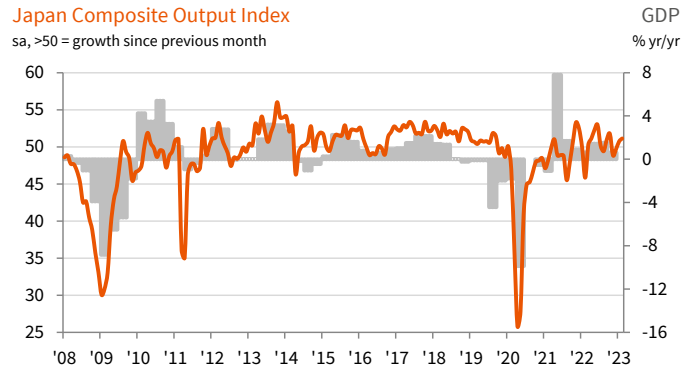
The au Jibun Bank Japan Composite PMI Output Index* rose from 50.7 in January to 51.1 in February, signalling a quicker expansion in private sector output. The latest upturn was modest, yet the quickest recorded for four months. The expansion was led entirely by a solid expansion in services activity growth, as manufacturing output declined at the fastest pace since July 2020.

Aggregate new orders returned to expansion territory for the first time since last October. Although fractional, a solid expansion in new business at service providers that was the strongest for nine months offset a solid reduction in manufacturing orders. That said, private sector backlogs fell fractionally for the third time in four months following the sharpest reduction in work-in-hand at manufacturers for nearly two-and-a-half years.

Positively, private sector companies reported a slower rate of input price inflation, yet average cost burdens remained historically elevated. As a result, private sector companies raised prices charged for goods and services at a solid pace.

The year-ahead outlook also strengthened from January amid hopes of a stronger economic recovery following the waning impact of the pandemic in both domestic and international markets.

*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.



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 improved at a stronger rate during February. Latest PMI data indicated quicker expansions in both new business and business activity that were the strongest since the summer of 2022. Panel members often commented that stronger economic conditions and demand as the impact of the pandemic reduced had boosted activity and client confidence in both domestic and

external markets.

"The near-term outlook also looks positive as the expansion in demand contributed to the steepest rise in outstanding workloads in five-and-a-half years, while the 12-month outlook for activity strengthened to a four-month high.

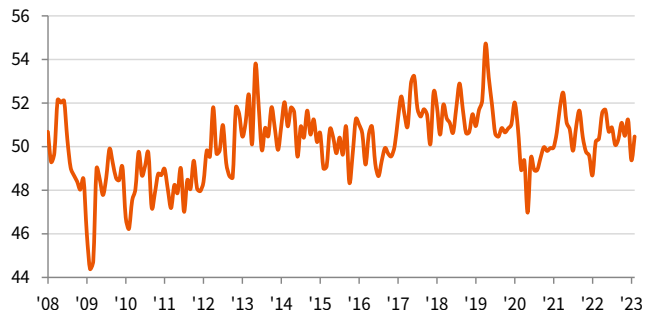
"Overall private sector activity also expanded at a quicker rate in February. The increase was led by the aforementioned rise in activity in the more dominant services sector, while manufacturing output fell further in

response to weaker orders and demand.

"Japanese private sector firms remained strongly optimistic that activity would continue to expand over the coming 12 months as the persistent weights of the pandemic and inflation on the economy showed sustained signals of easing. As such, firms reported the strongest degree of confidence since last October, in line with S&P Global projections that have the Japanese economy growing 1.2% in 2023."

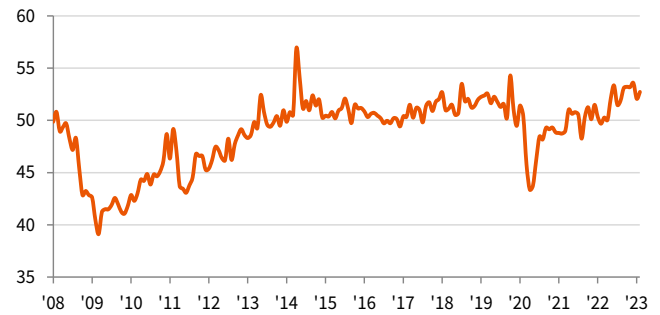
Japan Services Employment Index

sa, >50 = growth since previous month



Japan Services Prices Charged Index

sa, >50 = inflation since previous month



Contact

au Jibun Bank
Grp-S-I-Room@jibunbank.co.jp

Usamah Bhatti
 Economist
 S&P Global Market Intelligence
 T: +44-1344-328-370
usamah.bhatti@spglobal.com

SungHa Park
 Corporate Communications
 S&P Global Market Intelligence
 T: +62 2 8001 3128
sungha.park@spglobal.com

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.

February data were collected 10-23 February 2023.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.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.
ihsmarkit.com/products/pmi.html

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global and au Jibun Bank shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global or au Jibun Bank be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

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.

About S&P Global

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).