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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Service sector expansion strengthens at start of 2025

Key findings

Strongest rise in business activity for four months

Inflationary pressures intensify

Steeper employment growth as business confidence strengthens

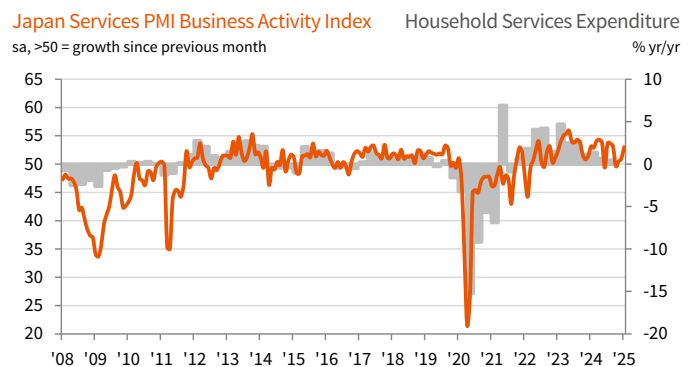
January data pointed to a solid upturn in business activity across the Japanese service sector, accompanied by a steeper and solid rise in new business inflows. As new order growth continued, firms opted to raise employment levels in order to meet business requirements. In turn, they were largely able to fulfil contracts, as signalled by a renewed fall in outstanding business. Prices charged inflation edged up slightly in January to reach the highest since last May. Higher average prices charged reflected another sharp rise in input costs, with the rate of input price inflation rising to a five-month high.

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 50.0 indicates an overall increase compared to the previous month, and below 50.0 an overall decrease.

At 53.0 in January, the headline au Jibun Bank Japan Services Business Activity Index signalled a solid rate of expansion, and one that was the steepest since last September. Rising business activity has now been recorded in each of the last three months. Sub-sector data indicated that the strongest growth was in Transport & Storage and Finance & Insurance.

Total new work increased solidly in January. The rate of growth strengthened for the second successive month, and was the most pronounced for six months. Demand growth was steepest



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 09:28 January 2025.

in Transport & Storage while Information & Communication posted a decline.

Exports provided support to overall demand during January, rising for the first time in four months and at the strongest rate since last August. Firms reported new international business linked to demand across parts of Asia.

Service providers increased staffing levels again in the latest survey period, extending the current run of job creation to 16 months. This reflected both current workloads and expectations for growth in the coming year. That said, companies noted that current capacity was sufficient as the level of outstanding business fell fractionally.

Concurrently, business optimism remained elevated in January, and the degree of confidence ticked higher from that in December. Positive sentiment was linked to new contract wins and business expansion plans, alongside higher employment. The strongest confidence was seen in Information & Communication, followed by Transport & Storage.

Input price inflation strengthened since the end of 2024, and was the most pronounced since last August. Firms linked higher costs to rising wages, as well as increasing fuel and raw material prices.

Latest data also signalled a sharp increase in average prices charged at the start of 2025. Charges have now risen in each of the last 33 months, and the rate of inflation reached the highest since May 2024.

au Jibun Bank Japan Composite PMI®

Output growth strengthens in January

The au Jibun Bank Japan Composite PMI Output Index* registered 51.1 in January, up from 50.5 in December and above the neutral 50.0 threshold for the third consecutive month. The latest reading signalled the strongest expansion in private sector output since last September, and was well above the long-run trend level of 49.3. A solid increase in the service economy was partially offset by a stronger contraction in manufacturing output.

New business volumes expanded again in January, and the rate of growth edged up to the highest in five months. Higher order books were driven by the service sector, while manufacturers indicated a moderate fall in new work.

Business activity expectations across the private sector meanwhile remained stronger than the series average, and gathered momentum from December.

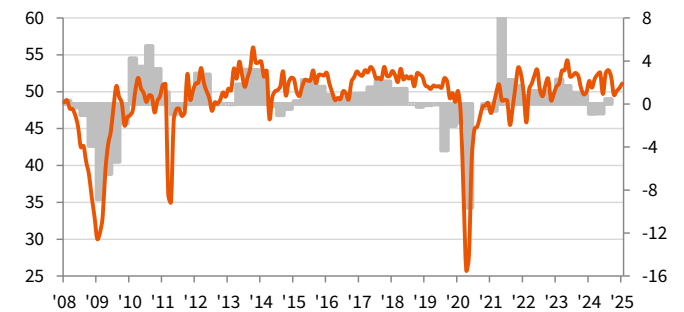
The pace of input cost inflation quickened in the service sector and remained marked among manufacturers, resulting in the strongest rise in private cost burdens since last August. Concurrently, output price inflation was little-changed from that in December but was still historically strong.

*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.

Japan Composite Output Index

sa, >50 = growth since previous month

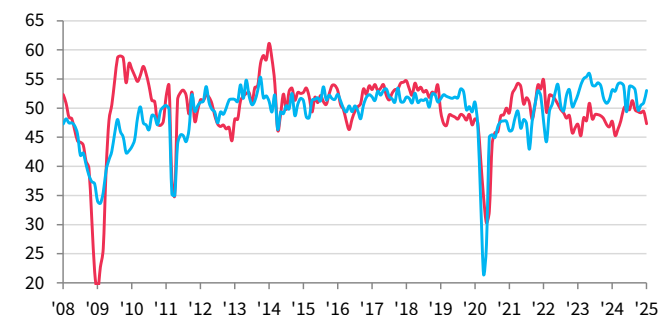
GDP
% yr/yr



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

Japan Manufacturing Output Index
Japan Services Business Activity Index

sa, >50 = growth since previous month



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

Comment

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

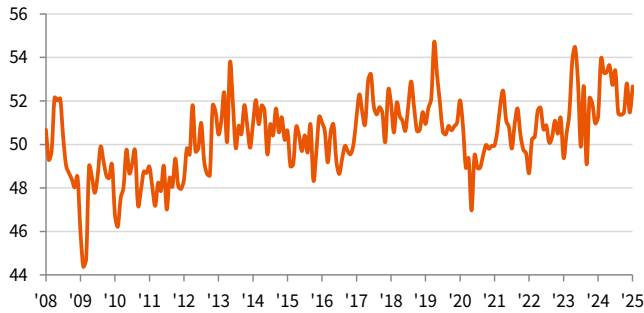
"The Japanese service sector saw a stronger performance to open 2025, with growth rates for activity and new business strengthening on the month to reach the highest in four and six months respectively. According to survey respondents, new client wins, improved sales and business expansions were cited as the key factors behind the latest rise in activity and demand."

"Companies remained upbeat regarding their prospects over the coming 12 months. As such, firms expanded their workforce numbers at a stronger rate than in December."

"The strength of the service sector continued to underpin growth of the overall private sector, as manufacturers recorded a stronger fall in output. The rate of growth in aggregate new business ticked higher in January and was modest, though backlogs of work fell at a stronger rate as both segments saw a reduction in outstanding business. That said, firms were confident that private sector activity would rise over 2025, with hopes underpinned by an expected recovery in manufacturing output and a broad-based economic recovery."

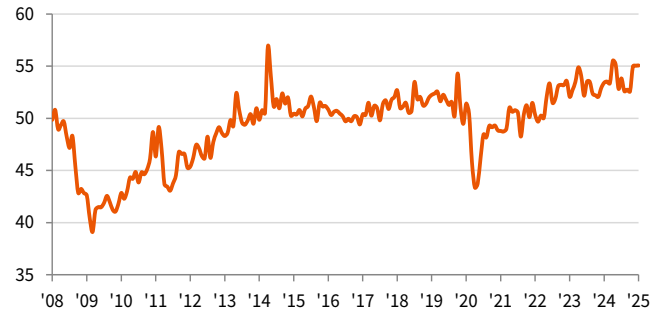
Japan Services Employment Index

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 09-28 January 2025.

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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