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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Services activity expands at quickest pace since October 2013

Key findings

Joint third-fastest rise in business activity in series history

Average input price inflation hits new record high

Business optimism improves to second-highest level on record

Data were collected 13-27 June 2022.

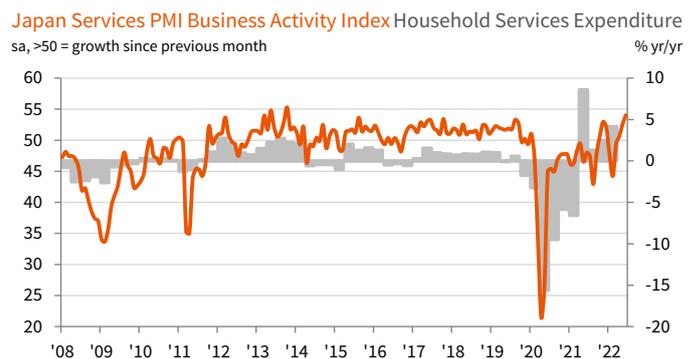
Japanese services companies reported an expansion of business activity for the third consecutive month in June. Activity rose at a solid pace overall that was the sharpest since October 2013 amid the lifting of remaining domestic COVID-19 restrictions. At the same time, inflationary pressures continued to build at service providers, as input prices rose at a record rate, which also contributed to a steep rise in prices charged. Encouragingly, service providers noted increased confidence in the outlook for activity over the year ahead, with optimism rising to the second-highest level 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.

The seasonally adjusted Japan Services Business Activity Index rose from 52.6 in May to 54.0 in June, indicating a solid rise in activity that was the quickest since October 2013. Service providers noted that the easing of domestic pandemic restrictions had boosted business activity.

There was also a second successive monthly expansion in new business in the latest survey period. While softer than that seen in May, the rate of growth remained strong amid



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

improved client confidence and the easing of restrictions across the service sector. That said, foreign demand for services fell for the second month running, and at a solid pace.

Japanese service providers registered a fresh record rise in average cost burdens, the second in as many months. The upturn in input prices was widely attributed to steep increases in raw material and fuel costs. The rise in input costs contributed to a steeper increase in prices charged for Japanese services, which rose at the quickest pace since October 2019.

Employment levels meanwhile increased for the fifth month in a row at the end of the second quarter. Firms attributed higher workforce numbers to efforts to fill existing vacancies and take on additional workers in preparation for a sustained recovery in demand. The rate of job creation was only marginal however, and the slowest for three months. Amid rising new business, firms faced added pressure on capacity, as evidenced by a further rise in outstanding work, with the rate of backlog accumulation the quickest since August 2017.

Japanese service providers were increasingly confident that activity would rise over the coming year. Positive sentiment picked up from May and was the second-strongest on record (after November 2021). Firms cited hopes that demand would continue to increase now that remaining domestic restrictions had been lifted, while the easing of international measures are also hoped to provide a further boost to the sector.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

Private sector output rises at sharpest pace since last November

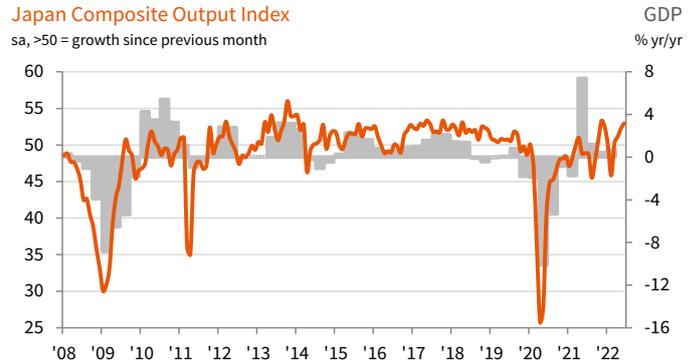
The au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and services sectors - rose to 53.0 in June from 52.3 in May, to signal the sharpest expansion in private sector output for seven months. Japanese service providers saw activity rise at the quickest pace in just over eight-and-a-half years, though manufacturers recorded the softest expansion in output in the current four-month sequence of growth.

Aggregate new orders rose at a softer pace in June. The upturn was led by a second successive monthly rise at service providers, while demand for manufactured goods broadly stagnated. Despite the softer increase in new orders, outstanding business was accumulated at the fastest rate in the series history.

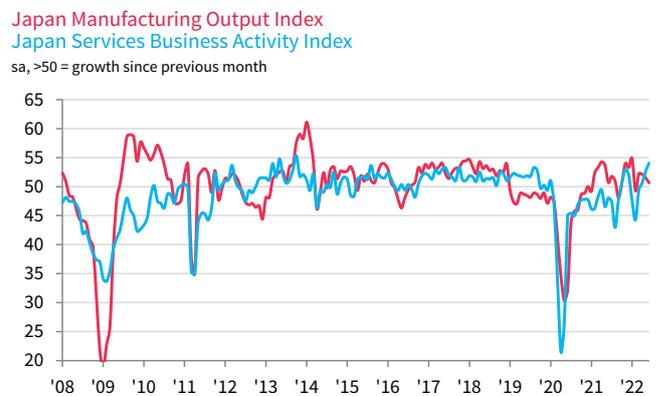
Private sector firms recorded a seventeenth consecutive monthly rise in employment levels. The pace of job creation was the slowest recorded since February and only modest. Manufacturers noted further mild increase in staffing levels, while services firms saw the slowest expansion for three months.

Private sector firms signalled a record rise in cost burdens in June amid widespread reports of material shortages and supply chain disruption. This contributed to a series record increase in prices charged for goods and services in Japan.

**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, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"Japanese service sector firms reported a solid increase in activity that was the quickest in over eight-and-a-half years at the end of the second quarter as remaining domestic COVID-19 restrictions were lifted. At the same time, new business inflows also increased at a strong pace.

"Greater demand for services and rising fuel and raw material prices contributed to a further increase in average input

costs, which rose at a record pace. This pushed firms to raise prices charged for services at the quickest rate since October 2019. Service providers were increasingly confident regarding the outlook for activity, as business optimism rose to the second-strongest level in the history of the survey.

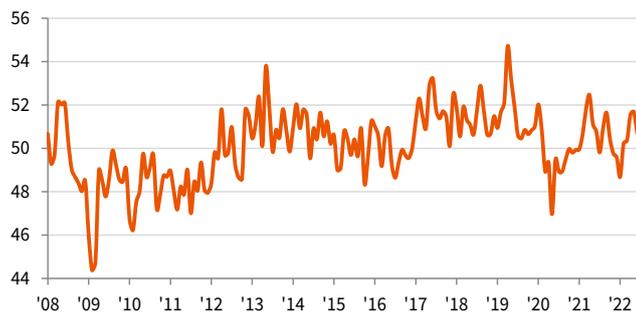
"Overall private sector activity rose at the end of the second quarter, and at the fastest rate since last November. The aforementioned expansion in services led the way, as manufacturing output growth eased to the slowest in the current four-month sequence of rising production.

"Concerns surrounding intensifying price pressures persisted, with both aggregate input prices and output charges rising at the fastest rates on record amid sustained raw material shortages and higher prices, notably for fuel and energy.

"Japanese private sector firms reported the joint second-strongest degree of optimism regarding the year ahead outlook in the series history in June, as firms expected a strong demand recovery now that pandemic restrictions had been lifted. As a result, S&P Global estimates the Japanese economy will expand by 2% in 2022."

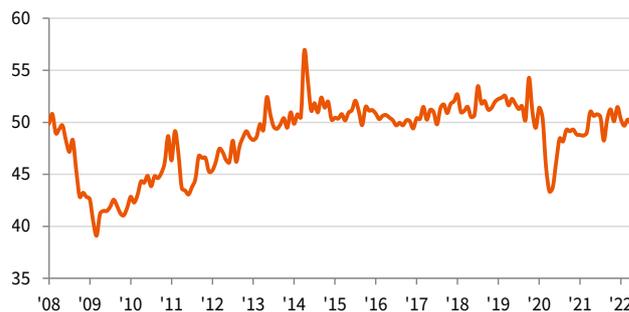
Japan Services Employment Index

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.

June 2022 data were collected 13-27 June 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.

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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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