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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Services activity rises at fastest pace since June

Key findings

Business activity rises in September, reversing August's decline

Demand for Japanese services improves, aided by looser COVID-19 policies

Inflation accelerates as rising utility bills and wages drive up cost pressures

Data were collected 12-27 September 2022.

Japan's service sector recorded a fresh improvement in business activity at the end of the third quarter, marking a return to growth following August's marginal decline. The expansion was the quickest since June as looser COVID-19 restrictions helped lift demand. Employment levels also rose, albeit only marginally, while there was evidence of strain on service sector capacity as backlogs rose at a faster pace.

Meanwhile, cost pressures intensified in September, reflecting higher utility, wage and raw material expenses. Nonetheless, businesses remained optimistic towards the year ahead.

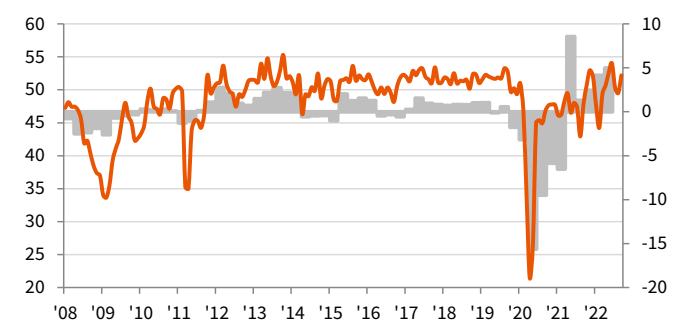
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 52.2 in September, up from 49.5 in August and therefore back above the 50.0 no-change mark which separates growth from contraction. Overall, this signalled the quickest expansion in service sector output since June.

According to anecdotal evidence, looser COVID-19 policies helped lift activity levels across Japan. The level of incoming new business rose at a relatively solid pace in September amid reports of recovering demand conditions. This was also

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

partly aided by new business inflows from abroad, which rose for the first time since April during the latest survey period.

With demand for services improving, surveyed companies observed increased pressure on their capacity in September. This was evidenced by a rise in the volume of work outstanding. Overall, backlogs of work rose modestly, but at the quickest pace in three months.

To accommodate higher activity levels, Japanese service providers expanded their workforce numbers at the end of the third quarter, marking an eighth successive month of job creation. That said, the increase in staffing numbers was only marginal.

Elsewhere, latest survey data highlighted an intensification of cost pressures. According to panellists, utility bills, wages, raw materials and fuel were upward inflationary forces in September. The rate of increase in input prices quickened slightly and held close to June's record.

Japanese service providers responded by raising their selling charges for a fifth month in a row. Furthermore, the increase was the fastest in three months.

Looking ahead, the latest survey data showed a strong level of optimism towards the year-ahead outlook for services activity across Japan. Companies are anticipating less disruption from the pandemic. Overall, business confidence reached its highest level in three months.

au Jibun Bank Japan Composite PMI®

Private sector output returns to growth in September

The au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and services sectors - rose to 51.0 in September, from 49.4 in August, signalling a return to economic expansion across the Japanese private sector.

The increase in business activity was driven by the service sector as goods production declined for a third straight month. Overall, the pace of growth was modest despite being the quickest in three months.

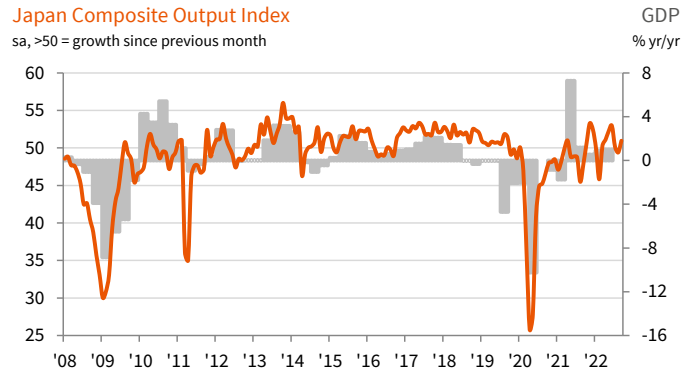
September survey data also signalled renewed growth in new business. Again, this was a reflection of stronger demand for services as goods producers recorded another decrease in their order books.

Employment growth meanwhile continued, marking a twentieth successive increase in workforce numbers. Nevertheless, backlogs of work increased at the quickest pace for three months.

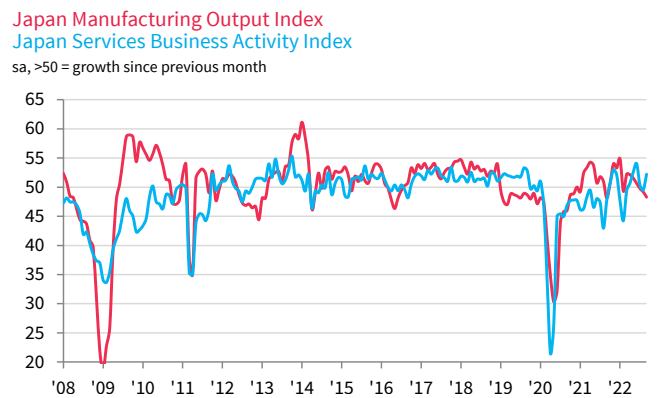
Inflationary pressures intensified during September, as rates of both input cost and output price inflation accelerated.

Lastly, strong levels of business optimism were seen across both manufacturers and service providers in September as companies were hopeful of a sustained pandemic recovery in the year ahead.

**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, Joe Hayes, Senior Economist at S&P Global Market Intelligence, said:

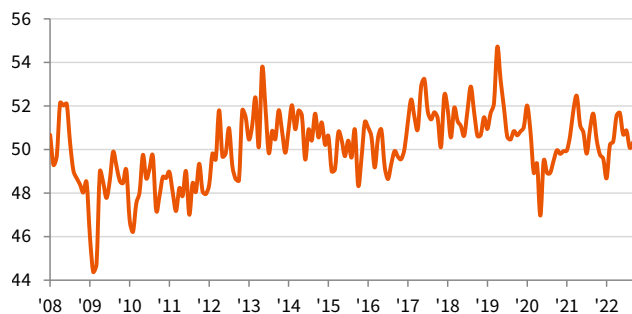
"September brought along a more positive month for Japan's service sector as activity levels returned to growth. The announcement that restrictions on foreign tourism will be lifted from October should also help support greater economic activity levels across Japan over the coming months.

"Business confidence improved to a three-month high, reflecting improving sentiment towards the year ahead among service providers as many expect fewer COVID-19 restrictions to enable a sustained recovery.

"That said, the inflation story remains of concern, with latest PMI data showing stronger price pressures over the month. Costs were driven higher by a range of sources, according to firms, such as utility bills, raw materials, fuel and wages. Yen weakness is also leading to imported inflation and is another reason why the relaxation of travel restrictions will be welcomed if it provides some much-needed support for the yen as demand for the currency rises."

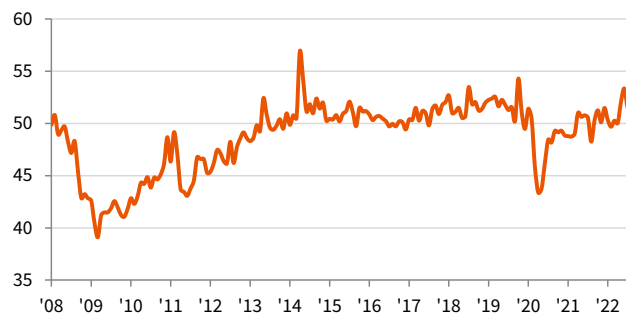
Japan Services Employment Index

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.

September 2022 data were collected 12-27 September 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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