

Embargoed until 0930 JST (0030 UTC) 6 November 2024

# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Renewed contraction in business activity

### Key findings

First decline in services output since June

Total sales rise despite renewed export decline

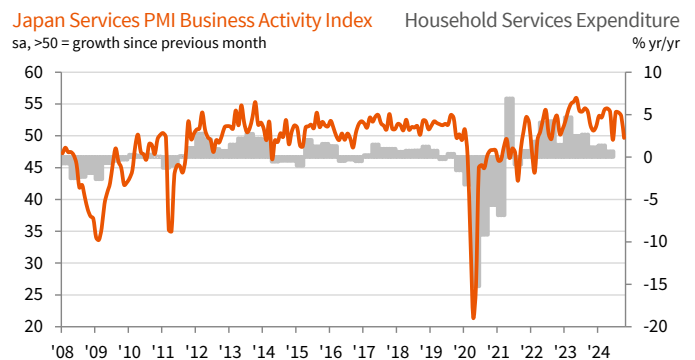
Confidence at lowest level since March 2022

The Japanese service sector stalled at the start of the fourth quarter, according to the latest PMI® data. Business activity fell for the first time in four months, while new business inflows slowed, owed in part to a renewed and moderate contraction in exports. Outstanding business contracted for the second time in three months. The stagnation in activity weighed on the 12-month outlook, as optimism dropped to a 31-month low. Input cost inflation strengthened, but charges rose at a broadly similar pace to the previous month, placing pressure on profitability.

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.

The headline au Jibun Bank Japan Services Business Activity Index fell to 49.7 in October, down from 53.1 in September to signal a decline in services activity. The contraction was the first since June but only fractional overall, as firms noted slower sales. Sub-sector data pointed to a robust contraction in Information & Communication, as well as declines in Real Estate & Business Services and Transport & Storage. More positively, growth in activity was recorded in Finance & Insurance and Consumer Services.



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 10-28 October 2024.

The rate of growth in new business slowed in the latest survey period. While demand rose for the fourth month in a row, the rate of increase was only modest and pulled down by a renewed contraction in new export sales that was the steepest since June 2022.

Positively, service providers added workers for the thirteenth consecutive month in October, with the rate of job creation picking up slightly to reach a three-month high. As such, firms had sufficient capacity to work through existing work, indicated by a renewed, albeit fractional depletion in the level of outstanding business.

Input price inflation accelerated from September and remained well above the long-run survey average. Companies reported higher labour and raw material costs. That said, inflation for prices charged by service providers was little-changed on the month and only modest in comparison. This suggests ongoing pressure on profitability at the start of the fourth quarter of 2024.

Projections for activity in the Japanese services economy over the coming year remained positive as firms expected new business and investment to support growth. The degree of optimism eased to the lowest in just over two-and-a-half years, however. Information & Communication saw the strongest degree of sentiment, while Real Estate & Business Services saw neutral expectations, ending a seven-month sequence of confidence.

## au Jibun Bank Japan Composite PMI®

### Private sector output falls slightly in October

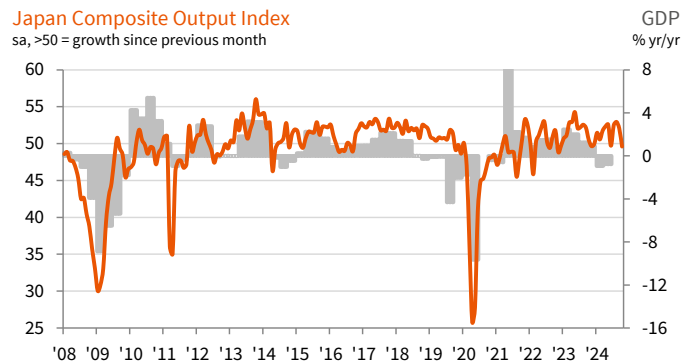
The au Jibun Bank Japan Composite PMI Output Index\* registered 49.6 in October, down sharply from 52.0 in September and signalling a fall in Japanese private sector output for the first time in four months. The rate of decline was only marginal, yet the most pronounced since November 2023. A renewed, albeit slight reduction in services activity coincided with a steeper fall in manufacturing output.

New order volumes stagnated at the start of the fourth quarter, ending a three-month sequence of growth. New business fell solidly at manufacturers, though services firms continued to note a modest rise.

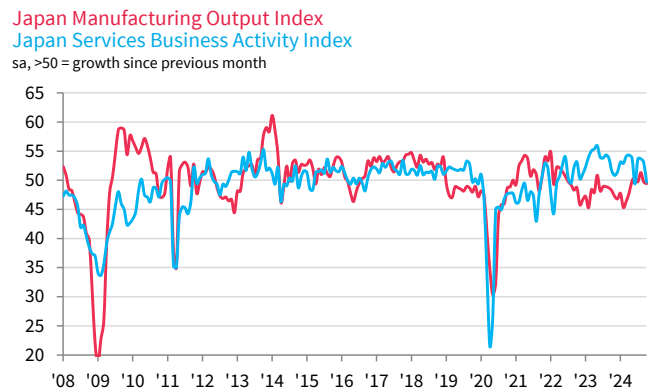
The year-ahead outlook for activity eased to the lowest since January 2021, but expectations remained slightly stronger than the series average. Reflecting this optimism, employment growth was maintained in both sectors, with the overall pace of job creation unchanged.

The rate of input cost inflation quickened on the month, while output price inflation reached a three-month high. In both instances, manufacturing inflation outpaced that seen in services.

\*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.



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



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### Comment

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

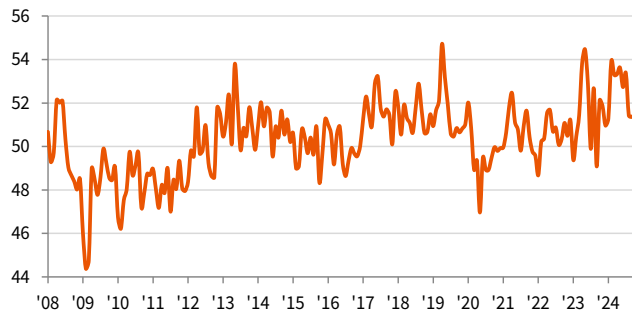
*"The strength of performance in the Japanese service sector came to an abrupt halt at the start of the fourth quarter of 2024, as businesses recorded a contraction for the first time in four months. The rate of decline was only marginal, and came amid a slowdown in total new business inflows which were dragged down by a sharp fall in exports."*

*"Businesses remained positive that this was just a blip in the road, as expectations remained strongly positive. That said, the degree of optimism eased to the weakest in over two-and-a-half years amid stronger concerns regarding the impact of labour shortages."*

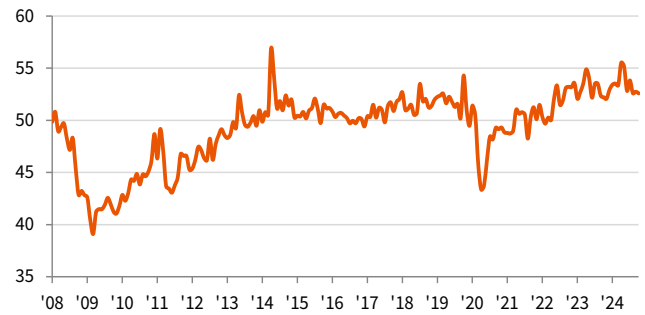
*"Coupled with a steadily contracting manufacturing sector, the fall in services output in October contributed to the first contraction in private sector activity since June, and one that was the most marked in nearly a year. Adding to the concern was a stagnation in new order inflows, driven down by weakness in manufacturing order books."*

*"Overall confidence in the performance of the private sector also waned, with the degree of positive sentiment the weakest since January 2021."*

**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 10-28 October 2024.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto: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 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

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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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