

Embargoed until 0930 JST (0030 UTC) 05 September 2022

## au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

### Services activity falls amid surge in COVID-19 cases

#### Key findings

Business activity declines for first time since March

Total new business stagnates

Input cost inflation remains historically sharp

Data were collected 12-25 August 2022.

Japanese service providers signalled a renewed fall in business activity during August, though the rate of contraction was only slight. The reduction was largely driven by the recent surge in COVID-19 cases, which dampened customer demand and led to a stagnation in total new work. New business from abroad was little-changed from the levels seen in July. The weaker overall demand environment and concerns over the latest pandemic wave pushed business confidence down to a three-month low, while firms became more cautious around hiring as staff numbers were broadly unchanged.

Prices data showed a slightly softer, but still sharp increase in input costs across Japan's service sector, while firms continued to raise their fees modestly.

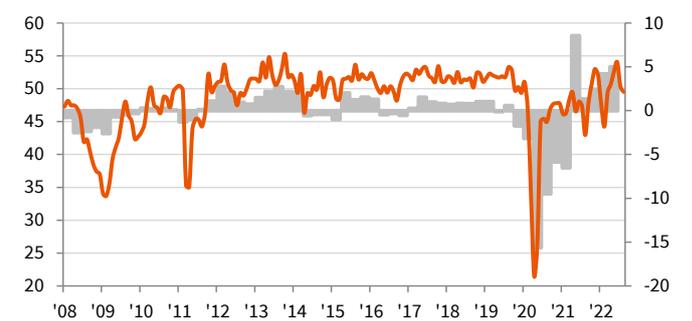
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 49.5 in August, the headline index fell from 50.3 in July and signalled the first reduction in Japanese service sector business activity since March. That said, the rate of decline was only marginal and not as quick as those seen at the start of 2022.

Panel members frequently mentioned that the recent

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

surge in COVID-19 infections had dampened activity and demand in the latest survey period. Notably, total new business stagnated in August, after rising in the previous three months. Meanwhile, export sales were broadly stable in August, a slight improvement following three successive monthly declines.

Higher COVID-19 case numbers and concerns over how long demand and business operations may be impacted weighed on optimism regarding the year ahead. Although firms generally anticipate business activity to increase over the next 12 months, the level of positive sentiment dipped to a three-month low in August.

At the same time, employment growth near-stalled midway through the third quarter. Service providers recorded only a fractional rise in staffing levels that was the weakest in seven months. Anecdotal evidence indicated that hiring activity at some firms was partly offset by the non-replacement of voluntary leavers and staff absences due to illness at other businesses.

After falling slightly in July, Japanese services companies noted an increase in backlogs of work during August. According to panel members, material shortages and recent increases in demand had placed pressure on capacities. That said, the accumulation was only marginal.

Average operating expenses faced by services providers in Japan continued to rise sharply in August. This was despite the rate of inflation edging down to a four-month low. Higher costs were frequently linked by firms to greater prices for energy, fuel and raw materials. Charges levied for services meanwhile increased at a modest pace, albeit one that was slightly quicker than that seen in July.

PMI®

by S&P Global

## au Jibun Bank Japan Composite PMI®

### Renewed contraction in private sector business activity in August

The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and services sectors - posted 49.4 in August, down from 50.2 in July. The latest data signalled a renewed fall in private sector output, thereby ending a five-month sequence of growth. The overall contraction stemmed from weakness at both manufacturing and service sector firms.

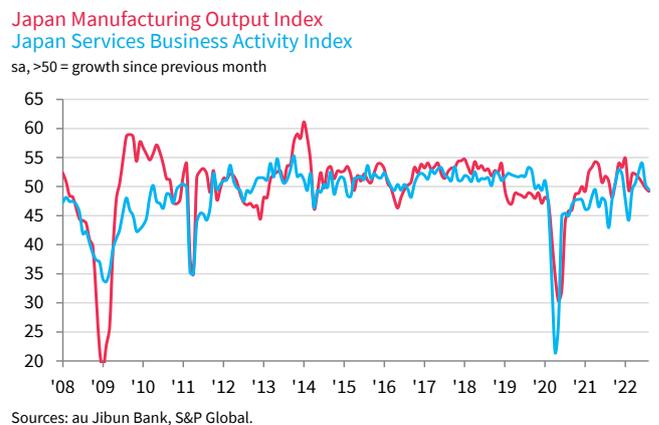
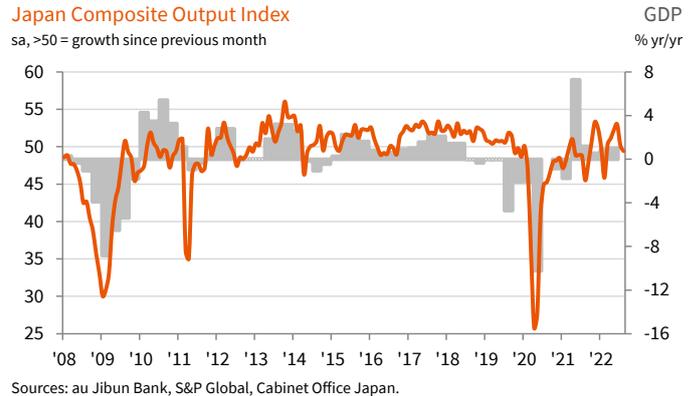
At the same time, total new orders fell for the first time since February, albeit only marginally. Demand conditions were subdued across domestic and external markets, as new export orders fell solidly.

On the price front, inflationary pressures softened but remained historically elevated. The rate of increase in costs was the slowest for five months, with a moderation in manufacturing output charges leading to the softest uptick in selling prices since April.

The pace of job creation slowed to only a fractional rate in August, as employment growth eased across the private sector. Nonetheless, a renewed rise in backlogs of work at service providers led to a marginal increase in total work-in-hand.

Finally, total output expectations remained upbeat regarding the outlook for output over the coming year, despite overall optimism easing to a three-month low.

\*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.



### Comment

Commenting on the latest survey results, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

*"Japan's private sector fell back into contraction in August, as the economy faced a sharp surge in COVID-19 case numbers. Although the falls in total output and new business were only slight, it was the first time that they had declined since February."*

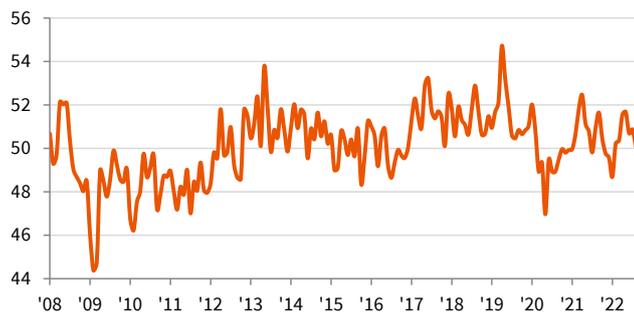
*"Sector data showed that a renewed drop in services activity accompanied a further drop in manufacturing production, with*

*the latter falling at the quickest pace since September 2021. However, service providers noted a weaker drop in output than those seen at the start of 2022, when there was also a spike in infections, as pandemic-related restrictions have been eased notably since then."*

*"Nevertheless, with Japan now facing its seventh and most serious wave of the pandemic, strong cost pressures and a worsening global economic outlook, it's likely that Japan's private sector will remain under pressure in the months ahead."*

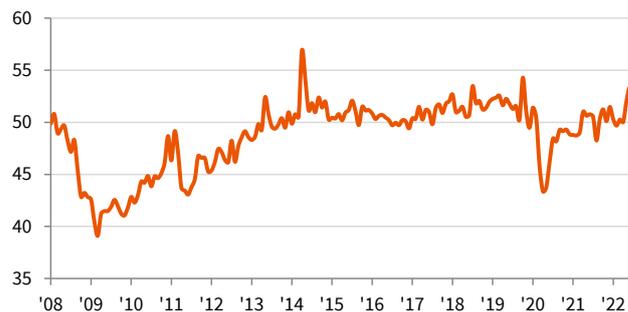
### Japan Services Employment Index

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.

August 2022 data were collected 12-25 August 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.

### About S&P Global

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