

Embargoed until 0930 JST (0030 UTC) 4 November 2022

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Japan's service sector expands at stronger rate

Key findings

Faster growth in activity levels and employment

Near-record rate of input cost inflation

Level of optimism among the highest on record

Data were collected 12-26 October 2022.

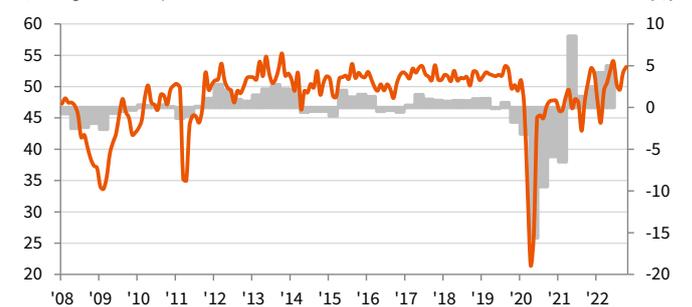
Activity and jobs in Japan's service sector expanded at stronger rates in October. The roll-out of the Nationwide Travel Discount Programme alongside the recent lifting of remaining travel restrictions reportedly strengthened demand conditions and supported growth in activity levels. Japanese service providers were hopeful that these current demand trends would continue into the future and registered a level of confidence that was among the highest on record. More negatively, price pressures worsened with a near-record pace of input cost inflation. Meanwhile, selling price inflation was among the highest on record as firms reportedly continued to partly share increasing cost burdens with their clients.

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 53.2 in October, up from 52.2 in September to signal a second consecutive monthly expansion in Japan's service sector output. The growth in activity levels was reflective of current demand conditions, said panel members though firms also mentioned that a sustained COVID-19 recovery also supported the stronger upturn.

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

At the same time, total volumes of new business grew for the second month running in October. Anecdotal evidence suggested that the government's recent launch of the Nationwide Travel Discount Programme increased domestic tourist volumes while the opening of international borders supported the growth in foreign travellers. A sustained COVID-19 recovery was also mentioned to have improved demand conditions. At the same time, new export orders also increased in October.

Amid the growth in new business volumes, staffing levels rose and backlogged work accumulated. The rate of job creation was the fastest in five months and primarily driven by the need to cater to increasing workloads. Meanwhile, levels of outstanding work grew for the third month running, the longest sequence in three years, as firms reportedly struggled to cope with demand levels.

On the pricing front, Japan's service sector continued to face challenging conditions. A near-record rate of input cost inflation reportedly stemmed from rising prices across a broad range of inputs: the increasing costs of raw materials, energy and fuel were all specifically mentioned. To counter increasing cost burdens, firms increased their selling prices at a pace among the fastest on record.

Despite current inflationary pressures, Japanese service providers remained strongly optimistic regarding the 12-month outlook for activity in October. In fact, the degree of confidence was the highest in four months and among the strongest on record. Panel members reportedly hoped that current demand trends would continue into the future.

au Jibun Bank Japan Composite PMI®

Stronger private sector output growth despite high inflationary pressures

The au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and services sectors - rose to 51.8 in October, from 51.0 in September to signal a second successive monthly expansion in Japanese private sector output.

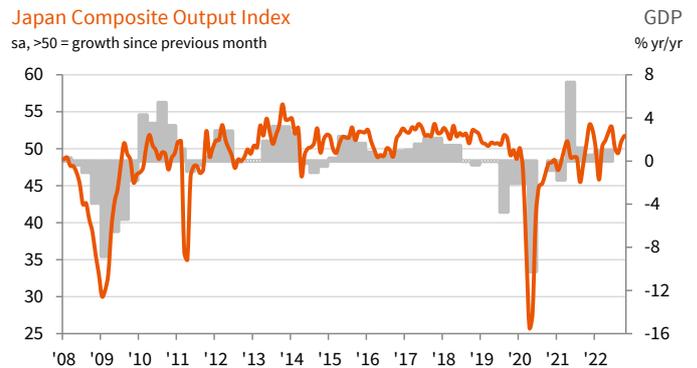
Overall private sector growth was underpinned by the service sector which registered solid growth in activity and new business following government actions to promote growth within the tourism industry. The manufacturing sector, in contrast, weighed on the latest upturn recording contractions in both output and new orders.

Total employment levels across the private sector increased in October and at the fastest rate in five months while backlogged work accumulated for the third month running.

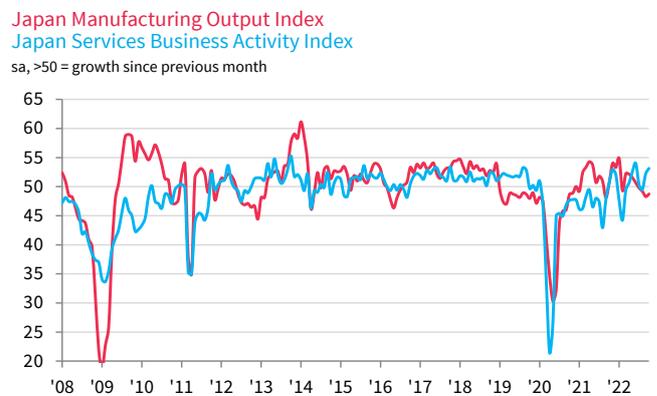
Inflationary pressures remained severe at the start of the final quarter with rate of both input cost and selling price inflation among the highest on record.

Firms, however, remained firmly optimistic towards their 12-month outlook on output with the degree of confidence among the highest on record.

*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, Laura Denman, Economist at S&P Global Market Intelligence, said:

“Japan’s service sector expanded at a faster pace in October amid stronger upturns in activity and jobs. Survey respondents suggested that the latest improvement was primarily underpinned by the growth within the tourism industry and the subsequent strengthening in demand conditions. Restrictions on foreign tourism have now been lifted and the government’s recent launch of the Nationwide Travel Discount Programme

has promoted domestic travel. As tourism volumes continue to increase in the coming months, we can hope to see continued improvement in the business conditions across Japan’s service sector.

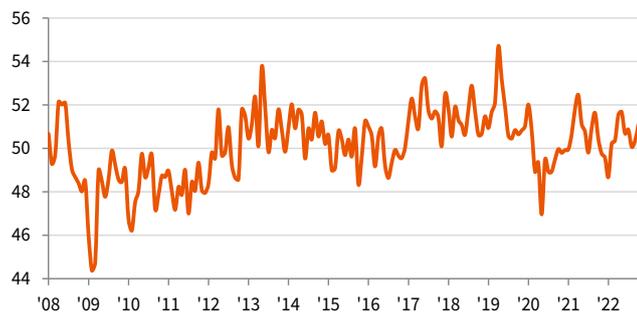
“Firms too were optimistic for their future with the 12-month outlook for activity remaining strongly positive. The degree of business confidence was among the highest on record amid hopes that current demand trends would continue into the future.

“However, inflationary pressures

currently being faced by Japan’s service provider continued to present downside risks to the sectors potential growth. The near-record rate of input price inflation is soon likely to be mirrored in the prices charged by firms which could weaken demand conditions.”

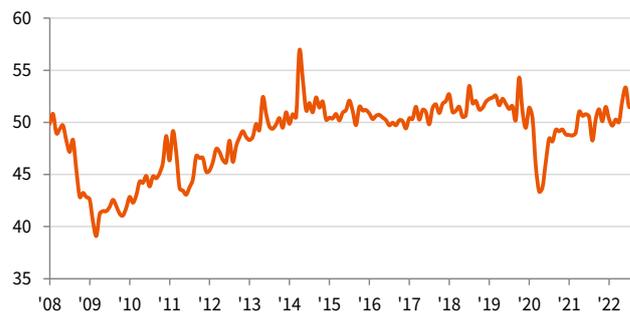
Japan Services Employment Index

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 12-26 October 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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