

Embargoed until 0930 JST (0030 UTC) 5 January 2024

# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Service sector growth strengthens at end of 2023

### Key findings

Stronger rise in business activity amid sharper growth in new business

Prices charged rise at quickest pace since August

Business confidence strengthens to four-month high

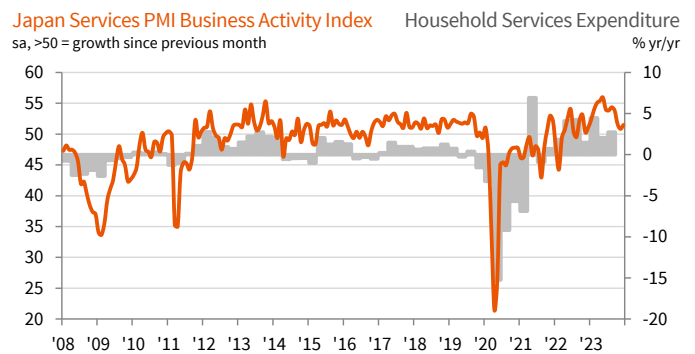
December data highlighted a stronger improvement in business activity across the Japanese services sector for the first time in four months. A faster rise in new business was a key factor in driving business activity growth higher, as firms cited increased customer numbers. At the same time, a steeper increase in operating expenses led Japanese service providers to raise prices charged for services at the strongest rate since August. Nonetheless, firms remained strongly optimistic that activity will rise over the course of the coming year, with optimism at the highest level in four months.

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 51.5 in December, the headline au Jibun Bank Japan Services Business Activity Index rose from 50.8 in November to extend the current sequence of rising business activity to 16 months. The expansion was only modest, however, and the second-weakest recorded in 2023.

Activity growth reflected a sharper rise in new business volumes in December. The upturn in new orders strengthened from that seen in November and was the quickest since September. Survey respondents often commented on higher customer



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 6-19 December 2023.

numbers, notably from domestic clients. International demand meanwhile fell for the third month running, albeit at a marginal pace.

A steeper uptick in new orders placed pressure on operating capacity in December. This led to a second successive increase in outstanding business, though the rate of accumulation was only marginal. Moreover, service providers added to their payroll numbers for the third month in a row, with the rate of job creation modest overall.

Meanwhile, average cost burdens continued to rise sharply in December. Greater business expenses were mostly attributed to increased fuel, labour and raw material prices. Higher input prices contributed to another solid increase in prices charged for Japanese services. The rate of output price inflation was the strongest recorded for four months.

Long-term business expansion plans continued to support positive sentiment regarding the year-ahead outlook for activity during December. The overall degree of optimism strengthened to the highest since August. Service providers also cited hopes of a steady domestic and international economic recovery that would provide a further boost to the Japanese service sector economy.

## au Jibun Bank Japan Composite PMI®

### Private sector output stabilises in December

The au Jibun Bank Japan Composite PMI Output Index\* registered at the neutral 50.0 mark at the end of 2023, up from 49.6 in November to signal a broad stabilisation in private sector output. Faster service sector growth was offset by a sustained and stronger reduction in manufacturing production.

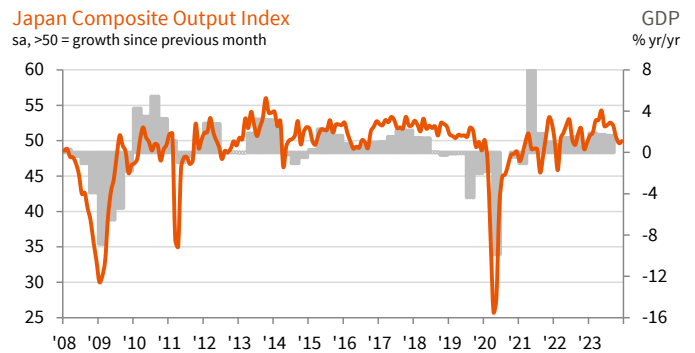
Measured overall, new business volumes at private sector companies fell for the second successive month in December. While only fractional, the decline was the steepest in 11 months and led by a sharp contraction among goods producers. Service providers meanwhile saw new business increase at the fastest pace since September. In line with the trend for new orders, the level of outstanding business fell at the fastest pace since February 2022.

Net job creation was sustained across the Japanese private sector in December. Both manufacturers and service providers registered growth in employment, although the overall rate of increase was the slowest in the current three-month sequence.

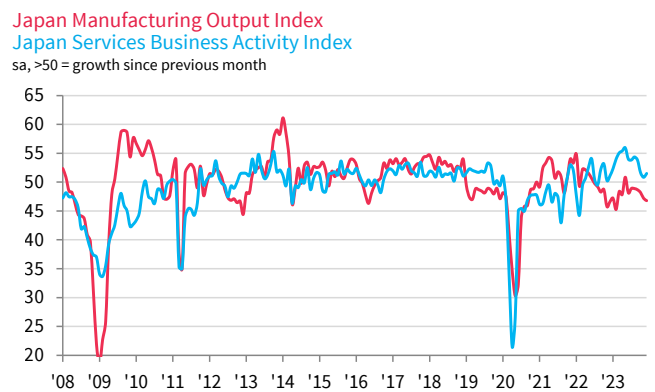
Input price inflation accelerated for the first time since August. There were steeper increases in cost burdens faced by both service providers and manufacturers. This contributed to a moderate rise in output charges that was the quickest in four months.

Finally, business optimism regarding the year-ahead outlook remained robust at the end of 2023, with the overall degree of confidence strengthening to a five-month high.

\*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

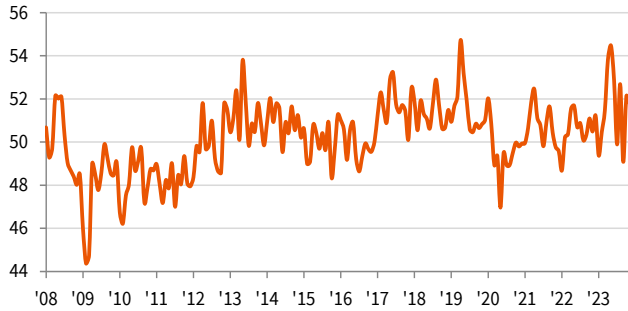
Commenting on the latest survey results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"A stronger improvement in new orders received by Japanese service providers underpinned a strengthening in business activity at the end of 2023. Japanese service providers cited higher customer numbers as one of the key reasons for the increase, meaning that firms closed out the year in positive territory. Firms were also confident that this would lead to continued rises in activity, as indicated by a brighter degree of confidence in the 12-month outlook, which was supported by hopes of economic recovery and long-term business expansions.

"That said, service providers signalled a steeper increase in inflationary pressures during December. Higher cost burdens were often the result of rising raw material, fuel and labour costs and contributed to the steepest rise in output charges since August.

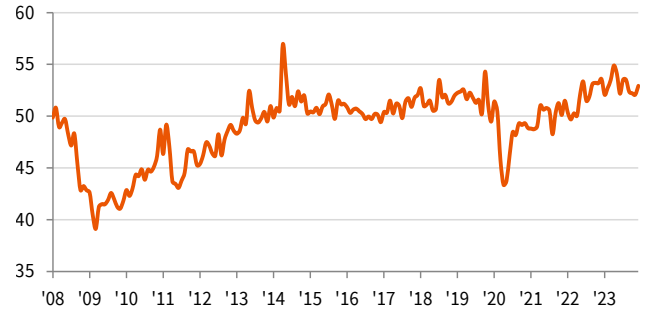
### Japan Services Employment Index

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 6-19 December 2023.

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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