

Embargoed until 0930 JST (0030 UTC) 5 March 2024

# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Services activity continues to grow in February

### Key findings

New business expands at strongest rate in six months

Employment and backlogs rise solidly

Prices charged up at strongest rate since last August

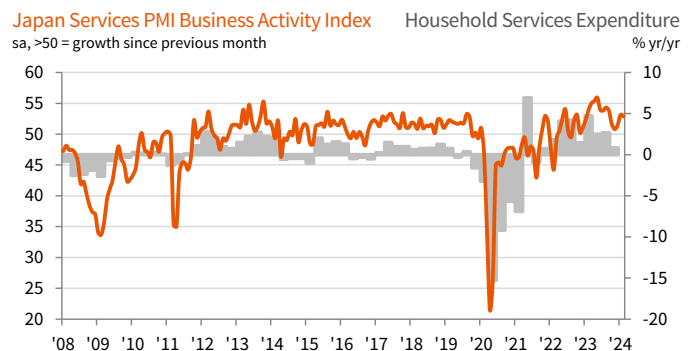
The Japanese service sector remained firmly in growth territory midway through the first quarter of the year. A sustained rise in business activity was supported by the steepest increase in new business since last August amid tourism demand and new product launches. In order to keep up with demand, Japanese service providers raised employment levels to the greatest extent for nine months. Moreover, near-term activity is set to remain positive, as outstanding business accumulated at the most marked rate since mid-2023. On the price front, higher fuel and raw material costs contributed to a further strong rise in input prices, which contributed to the sharpest rise in prices charged for six 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.

The headline au Jibun Bank Japan Services Business Activity Index remained above the 50.0 no-change mark for the eighteenth month in a row, signalling a further expansion of business activity in the sector. At 52.9 in February, from 53.1 in January, the latest figure signalled that the rate of growth eased slightly but still pointed to a solid increase in activity overall.

Respondents noted that they benefited from improved business



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 12-26 February 2024.

conditions, notably for inbound tourism.

New business meanwhile continued to see growth momentum, as the rate of expansion accelerated to the strongest in six months. Growth was largely driven by domestic demand, as incoming new export business broadly stagnated in the latest survey period.

Successful hiring activities in response to improved demand conditions supported a stronger rise in employment at service providers. The rate of job creation was solid and the steepest since last May. Despite the increase in headcounts, backlogs of work also increased solidly and to the greatest extent in eight months.

The rate of input cost inflation remained historically elevated, with higher fuel and raw material prices the main drivers of the latest increase. That said, the pace of inflation slowed from January and was the second-weakest since October 2021. Despite softening operating expenses, service providers continued to raise selling prices at a solid rate that was the strongest for six months.

The ongoing expansion sequence helped to support confidence in the year-ahead outlook for activity in February. Despite easing to a four-month low, optimism remained above the series average. Positive sentiment stemmed from hopes of increased business investment over the coming year as well as business expansion plans.

## au Jibun Bank Japan Composite PMI®

### Services growth offset by manufacturing weakness

The au Jibun Bank Japan Composite PMI Output Index\* posted 50.6 in February, down from 51.5 in January to signal a second successive monthly increase in business activity across the private sector. That said, the reading was consistent with only a marginal expansion.

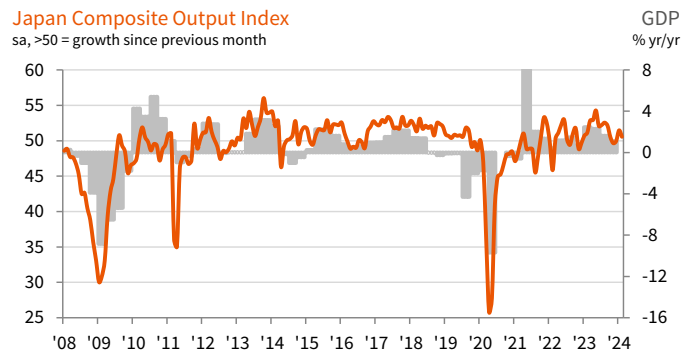
Divergent trends were again recorded across the two broad sectors covered, as there was a sustained, yet softer expansion in services activity alongside a stronger reduction in manufacturing output.

New orders rose for the second month running in February. Growth was only marginal, however, as a stronger fall in manufacturing orders almost offset by the sharpest rise in the service sector for six months.

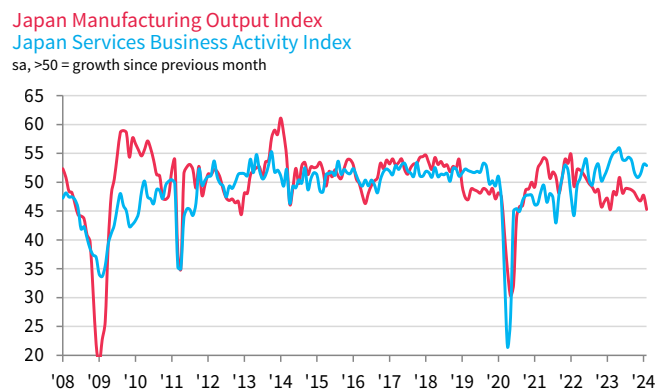
Rates of input cost inflation eased across both sectors, with the overall increase the softest for two-and-a-half years. That said, input prices again rose at an above-average pace. Meanwhile, output charges increased at a solid rate.

While companies remained strongly optimistic that business activity will improve over the coming year, sentiment eased to the weakest for four months.

\*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.



Sources: au Jibun Bank, S&P Global PMI.

## Comment

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

*"The latest PMI data continued to make for positive reading for the Japanese service sector. Recent trends suggest that business activity growth was sustained into February while the rate of growth in new business accelerated to a six-month high. Firms often mentioned improved business conditions and new product launches, with notable strength recorded in the tourism sector.*

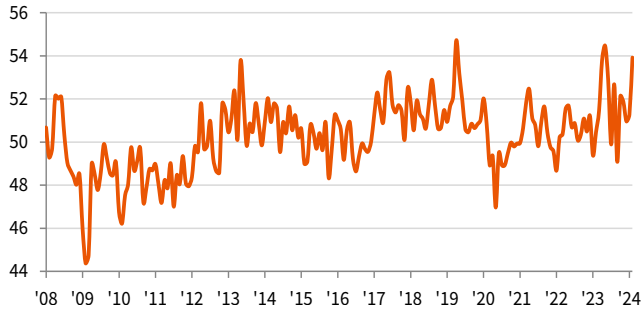
*"Activity looks set to carry this momentum into the coming months, as the level of outstanding business - usually a bellwether for near-term activity - rose at the strongest pace since last June. In order to keep up with demand requirements, service providers raised staffing levels at a solid rate.*

*"Despite sustained growth in the services sector, the opposite was true for manufacturing. A steeper reduction in manufacturing output levels contributed to a slowdown in overall private sector activity growth in February. Composite new orders also rose at just a fractional pace, but once again the dominant service sector was held back by strong falls in demand for manufactured goods.*

*"These divergent trends between services and manufacturing extended to employment and outstanding business. As the overall degree of confidence regarding private sector activity softened to a four-month low, it remains to be seen how long the growth momentum provided by the Japanese service sector continues to prop up overall private sector activity."*

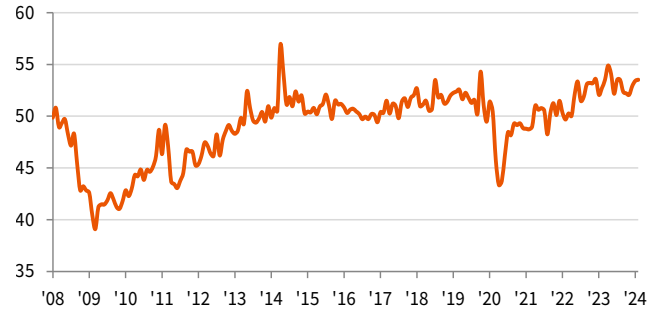
### Japan Services Employment Index

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 12-26 February 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 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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