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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Growth of activity eases to weakest in year-to-date

Key findings

New business continues to rise, but at softer pace

Inflationary pressures show signs of softening

Renewed increase in employment

Data were collected 12-26 October 2023.

The Japanese service sector remained in growth territory at the start of the final quarter of the year, but there were further signs of rates of expansion slowing amid softening demand conditions. Business confidence also eased in October. Meanwhile, successful hiring activities helped lead to a renewed expansion of employment.

On the price front, higher fuel and wage costs contributed to marked increases in input prices, with selling prices raised in response. Rates of inflation generally softened, however.

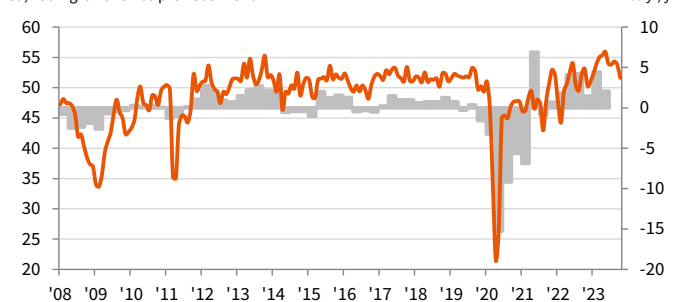
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 fourteenth successive month in October, signalling a further expansion of business activity in the sector. That said, at 51.6 the index was down from 53.8 in September and pointed to a modest rise in output that was the softest in the year-to-date.

Respondents indicated that they continued to see the benefits from the easing of the COVID-19 pandemic, which resulted in higher customer numbers and improved consumption of services.

Japan Services PMI Business Activity Index Household Services Expenditure
sa, >50 = growth since previous month % yr/yr



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

A similar picture was seen with regards to new business, which increased at a softer pace at the start of the final quarter. The expansion of new business was the slowest in nine months, with total new orders hampered by a first reduction in new business from abroad since August 2022.

The ongoing recovery from the pandemic helped to support confidence in the year-ahead outlook for business activity, with optimism above the series average again in October. That said, in line with the picture for current activity, business sentiment eased from September.

Successful hiring activities supported a renewed rise in employment at service providers, continuing the recent trend of fluctuating staffing levels. There were some reports of retirements limiting growth, however. Job creation helped firms to keep on top of workloads despite ongoing new order growth. Backlogs of work were reduced marginally, following a fractional expansion in the previous month.

The rate of input cost inflation remained elevated, with higher fuel prices one of the main drivers of the latest increase. There were also reports that a rise in the minimum wage and material prices added to inflation. Although still above the series average, the pace of inflation softened for the second month in a row and was the least marked since June.

The pace of output price inflation also eased to a four-month low. Where charges increased, this was due to the passing on of higher input costs to customers. Selling price inflation has now been registered in each month throughout the past year-and-a-half.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

New business stagnates at start of fourth quarter

The au Jibun Bank Japan Composite PMI Output Index* posted 50.5 in October, above the 50.0 no-change mark to signal a tenth successive monthly increase in business activity across the private sector. That said, the reading was down from 52.1 in September and pointed to the weakest expansion in the current sequence of rising output.

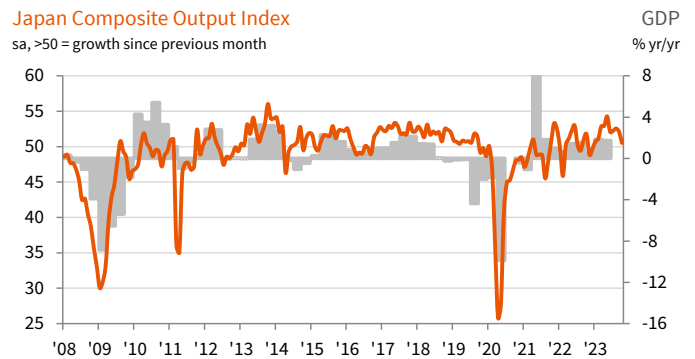
Divergent trends were again recorded across the two broad sectors covered, with services activity continuing to rise alongside a reduction in manufacturing output.

New orders were unchanged in October, thereby ending an eight-month sequence of expansion. A modest rise in services new orders was cancelled out by a decline in manufacturing.

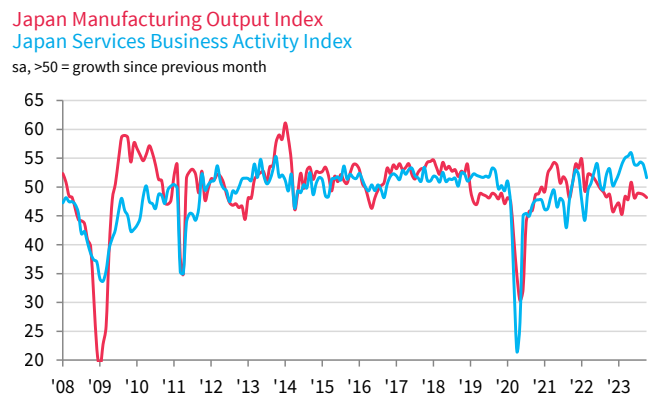
Rates of input cost inflation eased across both sectors, with the overall increase the softest in four months. That said, input prices again rose at an above-average pace. Meanwhile, output charges increased solidly, but at the slowest pace since February 2022.

While companies remained strongly optimistic that business activity will improve over the coming year, sentiment eased for the sixth month running and was the weakest since the opening month of the year.

*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, Andrew Harker, Economics Director at S&P Global Market Intelligence, said:

"While the PMI data continue to make positive reading for the Japanese service sector, the recent trends suggest that growth is on the wane. Rates of expansion in activity and new orders were the weakest since the turn of the year in October and softer business confidence suggests that the slowdown could continue as 2023 draws to a close.

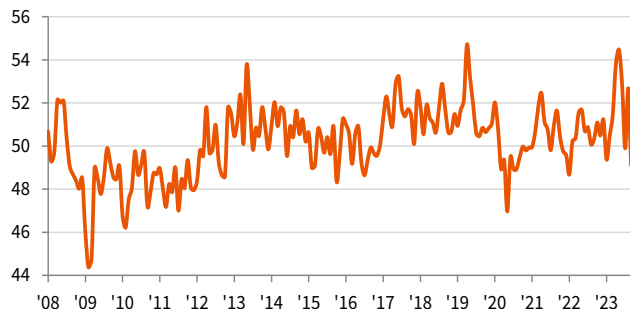
"Looking at the private sector as a whole, the inability of the services economy to keep doing the heavy lifting that it was earlier in the year means that the sustained weakness in manufacturing is bringing wider growth to an end. In fact, new orders stagnated in October, ending an eight-month sequence

of expansion.

"We will therefore hope to see services demand start to regain momentum over the coming months to help maintain output growth in the sector itself, and more widely."

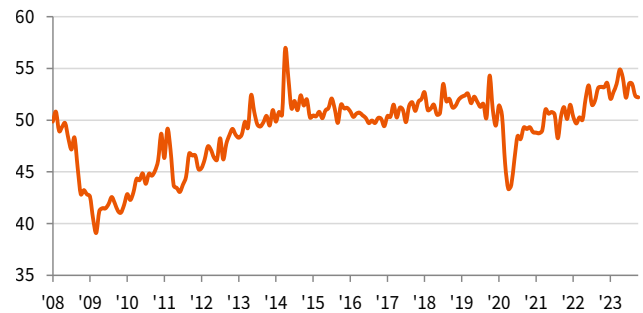
Japan Services Employment Index

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 data were collected 12-26 September 2023.

For further information on the PMI survey methodology, please contact 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

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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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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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