

Embargoed until 0930 JST (0030 UTC) 3 April 2024

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Service sector growth gains momentum in March

Key findings

Both activity and new business rise at fastest rates for seven months

Input price inflation reaches highest since last October

Business confidence remains robust

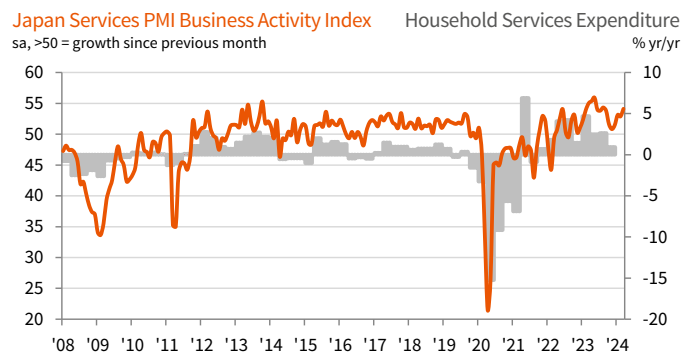
Japan's service economy continued to expand during March, with the rate of growth accelerating noticeably. Gains in both total activity and new business were solid and the strongest since last August amid improved customer numbers and confidence. As a result, there were further solid increases in outstanding business and employment. Meanwhile, cost pressures picked up at the end of the first quarter and were at their strongest for five months. Finally, optimism regarding the 12-month outlook remained robust and well above the long-run series average.

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 50.0 indicates an overall increase compared to the previous month, and below 50.0 an overall decrease.

The headline au Jibun Bank Japan Services Business Activity Index posted 54.1 in March, up from 52.9 in February. This signalled a nineteenth consecutive improvement in activity across the Japanese service sector, and the rate of growth strengthened to the highest since last August. Firms commonly attributed the uplift to improved demand and customer numbers.

In line with activity, Japanese service providers registered a solid rise in new business volumes during March. The uptick was



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 12-25 March 2024.

the nineteenth in as many months, with the rate of expansion strengthening to a seven-month high. Firms signalled that stronger confidence had boosted order books, particularly from inbound tourism. Concurrently, foreign demand for Japanese services rose at a stronger rate in March.

Japanese service providers registered a sustained improvement in employment levels during March. While the rate of job creation eased slightly from February, it remained well above the long-run series average. There was also evidence of pressure on capacity at service sector firms, with the level of outstanding business rising for the fifth month in a row. The rate of accumulation was moderate and among the strongest in the series history.

Inflationary pressures remained marked at the end of the first quarter. Operating expenses ticked up further, with the rate of inflation quickening to a five-month high. Inflation across a broad range of inputs was reported, including fuel, labour and utilities. Firms looked to pass higher cost burdens on to clients via higher selling prices, though the rate of charge inflation was little-changed since February.

Finally, business confidence across the Japanese service sector remained strong in March, as firms hoped for a broad-based economic upswing which would allow for new clients, store openings and stronger customer numbers.

au Jibun Bank Japan Composite PMI®

Output growth strengthens amid stronger rise in services activity

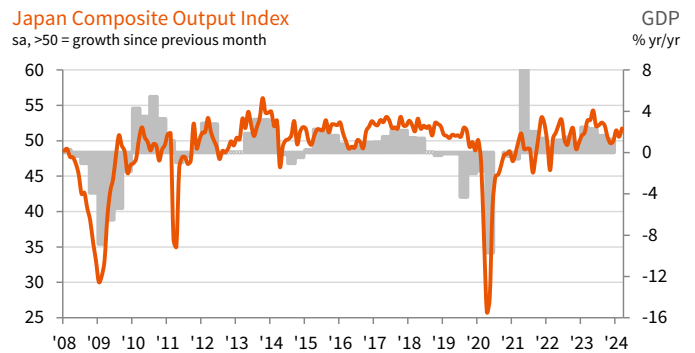
At 51.7 in March, the au Jibun Bank Japan Composite PMI Output Index* rose from 50.6 in February to signal a moderate expansion in the Japanese private sector. The uptick was the third in as many months, and the strongest recorded since last September.

Growth was underpinned by a solid expansion in services business activity, while the decline in manufacturing production softened slightly. Concurrently, new business inflows accelerated from February to reach a seven-month high, once again led by the services sector.

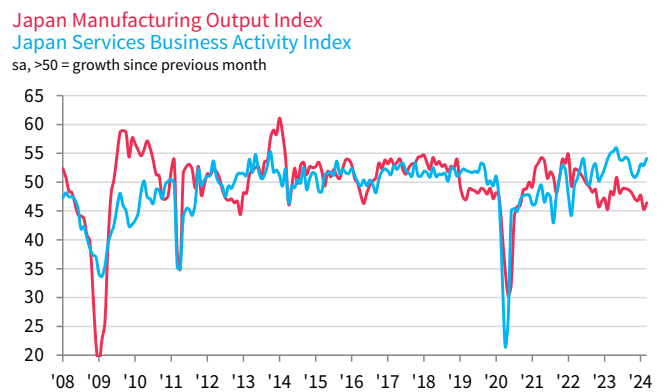
Japanese private sector jobs expanded at the end of the first quarter, with the rate of job creation moderate and the steepest since May 2023. At the same time, the level of outstanding business rose marginally, as a solid increase at services firms was partially offset by a steep depletion at manufacturers.

Average cost burdens faced by private sector companies increased at a robust pace in March, and one that accelerated to the strongest since last October. In a bid to protect profit margins, businesses increased their selling prices at the most pronounced rate for seven 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

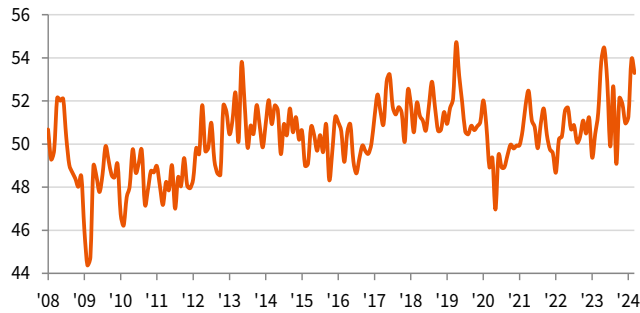
Commenting on the latest survey results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"The Japanese services economy experienced an upswing in growth at the end of the first quarter of 2024 as improved demand conditions and stronger customer numbers combined to further raise both output and new orders. Growth in business activity strengthened from that seen in February and was the most pronounced for seven months.

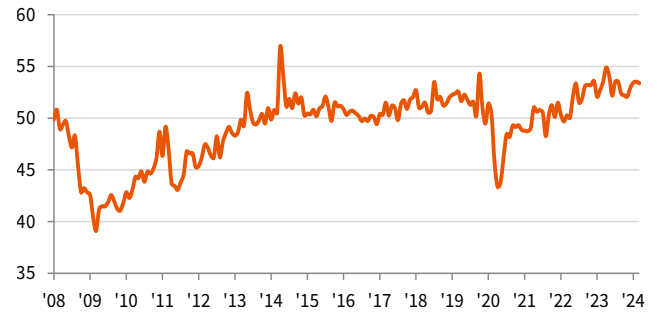
"The near-term outlook for the service sector appears robust, as the level of outstanding business - a bellwether for upcoming work - continued to increase at near-record rates, while confidence in the 12-month outlook also remained strong. One area of concern remains on the price front, as firms signalled another marked increase in cost burdens.

"Meanwhile, the output of the combined manufacturing and services sectors expanded at a modest pace in March, with the rate of increase the steepest since last September. Once again, growth was driven by the service sector, as manufacturers noted a softer yet still solid contraction in production. Japanese private sector companies mentioned that stubbornly high input prices continued to weigh on economic activity, as cost inflation rose to a five-month high. This contributed to the strongest rise in charges for seven months. Inflationary pressures, coupled with the recent move away from negative interest rates by the central bank, will likely remain a downside risk to the Japanese private sector economy in the coming months."

Japan Services Employment Index
sa, >50 = growth since previous month



Japan Services Prices Charged Index
sa, >50 = inflation since previous month



Contact

Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44-1344-328-370
usamah.bhatti@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +62 2 8001 3128
sungha.park@spglobal.com

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 12-25 March 2024.

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 up-to-date, accurate and often unique monthly indicators of economic trends.

www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global and au Jibun Bank shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global or au Jibun Bank be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

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

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

www.spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).