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# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Stagnation in new business leads to slight fall in activity

### Key findings

First decline in services output since August 2022

Total demand for services stagnates despite further export growth

Strongest rise in input prices for ten months

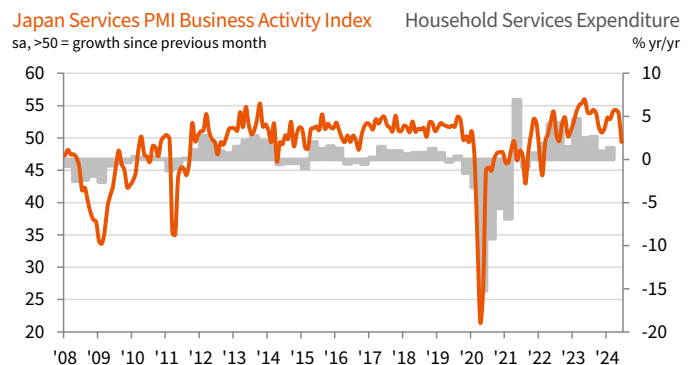
The Japanese service sector stalled in June, according to the latest PMI® data. The volume of new business was broadly unchanged since May, leading to a slight fall in total activity for the first time since August 2022. Outstanding business also contracted, and to the greatest extent in over two years. The stagnation in demand weighed on the 12-month outlook, but it remained relatively strong and companies continued to expand workforces. Pressure on profitability increased as input price inflation accelerated but charges rose at a slower rate.

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.

At 49.4 in June, down sharply from 53.8 in May, the headline au Jibun Bank Japan Services Business Activity Index signalled a decline in services output at the mid-way point of 2024. This ended a 21-month sequence of continuous expansion which peaked with a survey-record pace of growth back in May 2023 (55.9). That said, the rate of decline in June was only marginal. Sub-sector data signalled decreases in all areas except Information & Communication where a sharp expansion was recorded.

The main influencing factor on the drop in total activity in June



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

was a lack of growth in new business. Demand was broadly flat, having previously expanded for 21 successive months. Data showed that domestic demand contracted as international sales continued to rise, boosted by the weak yen. That said, the rate of growth in exports eased from May's record high.

Stagnant new business enabled Japanese service providers to reduce their outstanding work in June, the first decline since October 2023. The rate of depletion was modest overall, but the fastest in over two years.

Service providers added workers for the ninth consecutive month in June, and the rate of job creation remained relatively strong despite easing to a five-month low.

Continued recruitment reflected positive forecasts for business activity growth in the next 12 months. The degree of optimism eased to an eight-month low but remained above the long-run trend. Firms expected new business and investment to grow, although labour shortages remained a concern. The strongest outlooks were in Finance & Insurance and Information & Communication.

Input price inflation accelerated to a ten-month high and remained well above the long-run survey average. But the latest survey data on prices charged for services moved in the opposite direction, signalling the weakest increase since November 2023. This suggested rising pressure on Japanese service providers' profitability at the halfway point of 2024.

## au Jibun Bank Japan Composite PMI®

### Private sector output falls slightly in June

The au Jibun Bank Japan Composite PMI Output Index\* registered 49.7 in June, down sharply from 52.6 in May and signalling a fall in activity in the Japanese private sector for the first time in seven months. The rate of decline was only marginal, however, and the Index remained above its long-run trend level of 49.2. A slight reduction in services activity outweighed a marginal increase in manufacturing output.

New order volumes also fell in June, albeit at a fractional rate. New business was down slightly in manufacturing and stagnated in the services sector.

The year-ahead outlook for activity eased to an eight-month low, but expectations remained strong in the context of historic survey data. Reflecting this optimism, employment growth was maintained in both sectors.

The rate of input cost inflation accelerated to a 14-month high, while output price inflation slowed to a three-month low. In both cases, manufacturers recorded steeper increases than service providers.

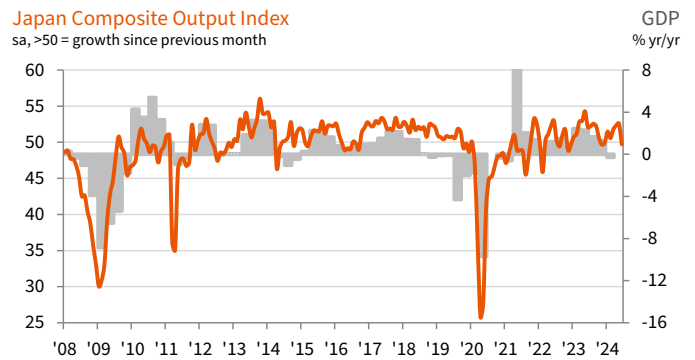
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

### Comment

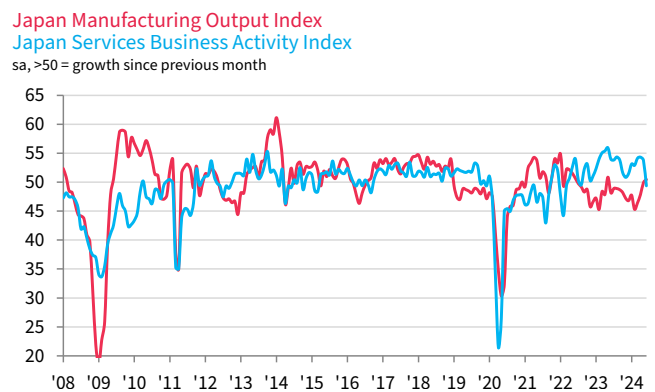
Commenting on the latest survey results, Trevor Balchin, Economics Director at S&P Global Market Intelligence, said:

*"The Japanese service sector's recent strong upturn in business activity ended abruptly in June as the first contraction for nearly two years was registered. The Business Activity Index fell by 4.4 points during the month, the largest downward movement since January 2022 and among the biggest on record. This stood in sharp contrast to the picture just over a year ago in May 2023, when the Index hit a record high of 55.9. The latest figure of 49.4 indicated only a marginal rate of decline, however.*

*"Looking beyond the headline figure, the picture is less concerning. Although the new business index also fell steeply since May, it merely signalled a pause in new business growth as opposed to an outright decline in demand. This was partly explained by the weak yen continuing to boost international new business. Moreover, the 12-month outlook and pace of job creation both remained relatively strong."*

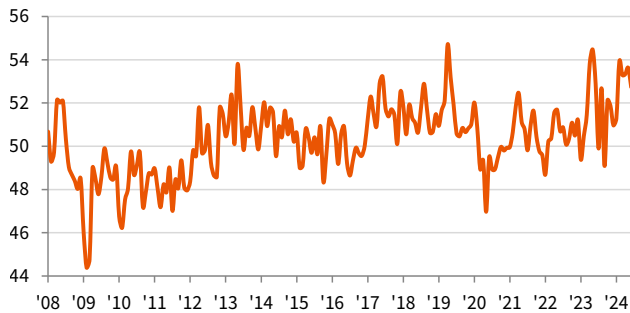


Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.

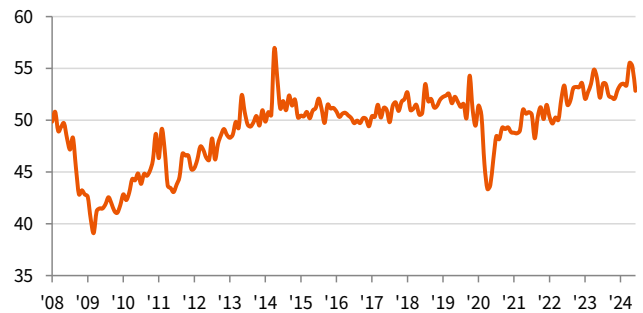


Sources: au Jibun Bank, S&P Global PMI.

**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 12-25 June 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 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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