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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Service sector growth hits record high amid strong pandemic recovery in consumer demand

Key findings

Sharpest gains in activity and orders since survey began in September 2007

Year-ahead business expectations also reach a record high in April

Prices charged increase at steepest pace for nine years

Data were collected 12-25 April 2023.

April data highlighted a further strong recovery in business conditions across the Japanese service economy, driven by rising consumer spending following the removal of COVID-19 restrictions. A number of firms cited a considerable boost to customer demand from increasing domestic and international tourism numbers, alongside a general upswing in household spending on face-to-face consumer activities.

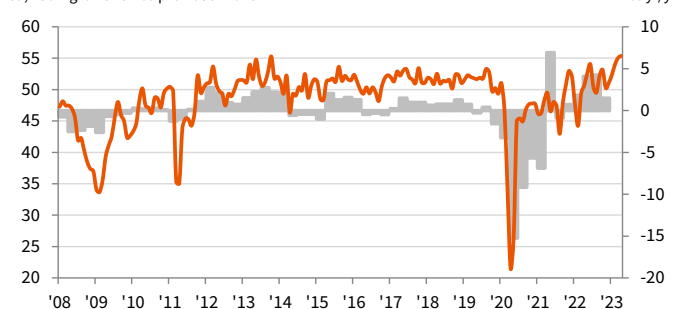
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 55.4 in April, up from 55.0 in March, the headline au Jibun Bank Japan Services Business Activity Index registered in growth territory for the eighth consecutive month. Moreover, the latest reading signalled the strongest rate of business activity expansion since the survey began in September 2007 (surpassing the previous record set in October 2013).

Robust output growth reflected a sharp and accelerated rise in new business volumes during April. The upturn in new work was also the strongest seen in over 15 years of data collection. Survey respondents often commented on greater spending on travel, leisure and tourism amid a post-pandemic recovery in demand. Increased international

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



Sources: au Jibun Bank, S&P Global, Cabinet Office Japan

visitor numbers contributed to a strong rise in new orders from abroad, with the pace of expansion the fastest since this index began in September 2014.

A surge in new orders placed some pressure on operating capacity during April. This led to an increase in backlogs of work for the ninth month running. Moreover, service providers added to their payrolls numbers, with job creation picking up to its fastest since April 2019.

Additional recruitment was mostly linked to long-term business expansion plans and upbeat sentiment regarding the outlook for customer demand. Around 33% of the survey panel forecast a rise in business activity during the year ahead, while only 8% expect a decline. The resulting index signalled the strongest degree of business optimism since the survey began in September 2007. Service providers generally cited a sustained COVID-19 recovery and a subsequent rebound in spending on consumer services.

Meanwhile, average cost burdens continued to rise sharply in April. Greater business expenses were mostly attributed to increased transportation costs and raw material prices, alongside increasing staff wages. The overall rate of input price inflation picked up slightly since March, but remained softer than the peak seen in June 2022.

The combination of stronger demand and higher input costs led to another round of strong prices charged inflation in April. Latest data signalled the fastest rate of output charge inflation since the sales tax increase in April 2014.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

Private sector output growth holds steady in April

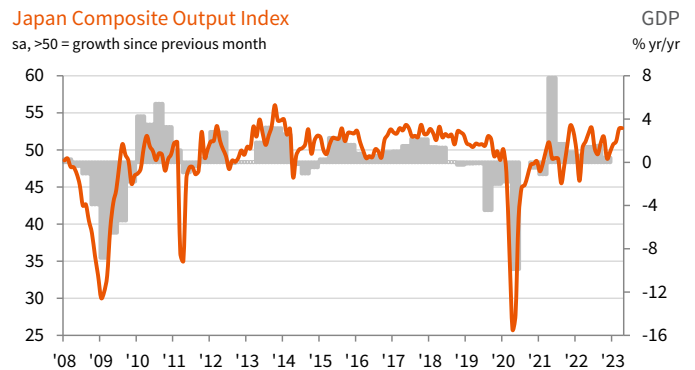
The au Jibun Bank Japan Composite PMI Output Index* - which measures combined output in the manufacturing and services sectors - registered 52.9 in April, unchanged from March's nine-month high and comfortably above the neutral 50.0 threshold. Stronger service sector growth was offset by a sharper reduction in manufacturing production.

Measured overall, new business volumes at private sector companies increased for the third month running and at the strongest pace since November 2021. Growth was once again driven by the service economy as goods producers recorded a decline in new orders for the tenth consecutive month.

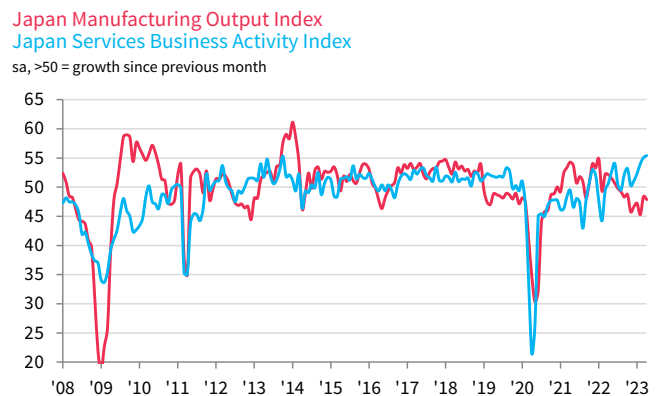
Net job creation was broad-based across the private sector in April, with both manufacturers and service providers recording faster rises in employment than in the previous month. This reflected upbeat business expectations for the year ahead. The overall degree of optimism was the highest since November 2021.

Finally, input cost inflation eased during April amid the slowest increase in purchasing prices across the manufacturing sector for 20 months. However, both manufacturers and service providers signalled stronger rises in their output charges during April, with the overall rate of inflation reaching its highest since the series began in September 2007.

*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, Cabinet Office Japan.



Sources: au Jibun Bank, S&P Global.

Comment

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

"Strong increases in travel, leisure and tourism spending underpinned another month of swift recovery for the Japanese economy as the impact of COVID-19 continued to fade. A rebound in demand for face-to-face consumer services led to the sharpest rise in service sector output since the survey began in September 2007. There were also many reports citing a boost to sales from the recovery in international tourist arrivals

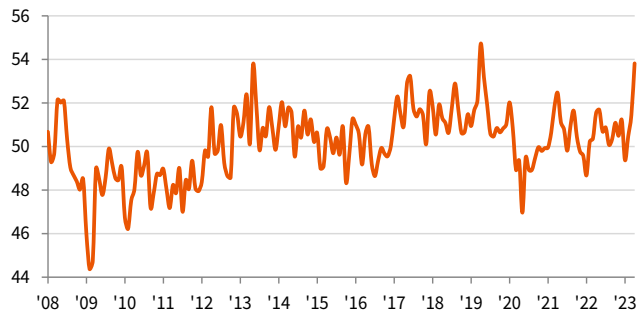
and subsequent improvement in new business from abroad.

"Hopes of a sustained improvement in service sector business conditions following the removal of pandemic restrictions contributed to a further rise in optimism regarding the outlook for growth during the year ahead. Around four times as many service providers expect an increase in activity as those that forecast a decline. The resulting index point to the highest level of business confidence in more than 15 years of data collection.

"Service providers appeared increasingly willing to pass on higher business expenses to customers in April. Efforts to alleviate pressure on margins from higher wages and transportation costs led to the steepest rise in service sector output charges since the sales tax hike in April 2014."

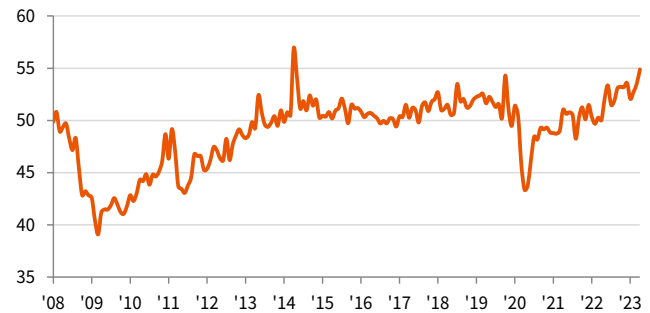
Japan Services Employment Index

sa, >50 = growth since previous month



Japan Services Prices Charged Index

sa, >50 = inflation since previous month



Contact

au Jibun Bank
Grp-S-I-Room@jibunbank.co.jp

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.

April data were collected 12-25 April 2023.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.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.

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