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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Strongest rise in business activity for six months

Key findings

Growth in services output extends into fourth month

Total new business rises further amid stronger export growth

Confidence eases to four-month low

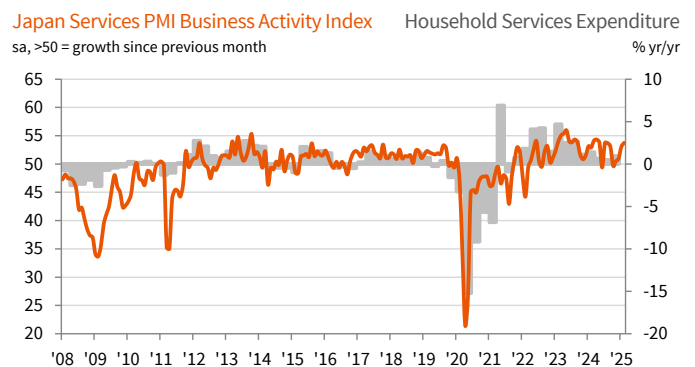
The Japanese service sector saw strengthened activity midway through the first quarter of the year, according to the latest PMI® data. Business activity rose for the fourth month in a row, with the rate of growth reaching the strongest since last August. The expansion was often attributed to increased sales, which rose for the eighth month running amid a stronger increase in new export business. Outstanding business also stabilised, but services firms noted that optimism regarding the coming 12 months softened from January. Input cost inflation eased slightly on the month, which contributed to the slowest rise in charges in four 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 50.0 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 rose to 53.7 in February, up from 53.0 in January to signal the fastest expansion in services activity for six months. The increase was the fourth in as many months and often attributed to an increase in sales. Sub-sector data pointed to growth in four of the five monitored sectors, led by Finance & Insurance. The only sector to see a marginal decline was Consumer Services.

The rate of growth in new business eased in the latest survey



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 10-25 February 2025.

period. Demand rose for the eighth consecutive month but was moderate overall, supported by the strongest rise in export sales since last May.

Positively, service providers added workers for the seventeenth month in a row in February, though the rate of job creation softened slightly. That said, firms saw outstanding business stabilise following a decline in the month prior as new order growth placed additional pressure on capacity.

Input price inflation softened from January but remained well above the long-run survey average. Companies reported higher labour, fuel and raw material costs. Similarly, inflation of prices charged by service providers remained elevated, but eased in February to the weakest since last October.

Projections for activity in the Japanese services economy over the coming year remained positive as firms expected business expansion plans to further drive new sales and activity growth. That said, the degree of optimism eased to the lowest in four months. Finance & Insurance saw the strongest degree of sentiment, and Consumer Services the weakest.

au Jibun Bank Japan Composite PMI®

Private sector output growth reaches five-month high

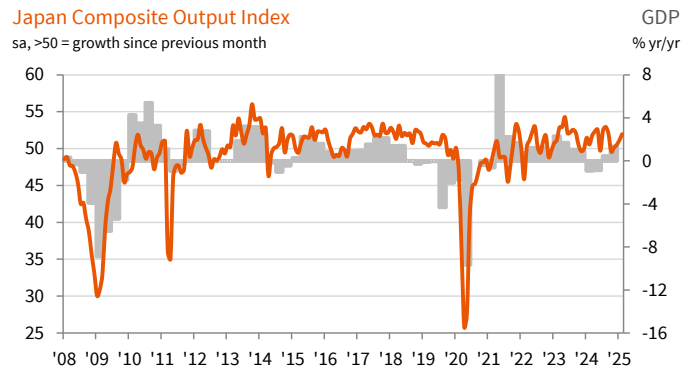
The au Jibun Bank Japan Composite PMI Output Index* registered 52.0 in February, up from 51.1 in January to signal a stronger rise in Japanese private sector activity. The rate of expansion was solid and the steepest since September 2024 amid a stronger rise in services activity, coupled with a softer contraction in manufacturing output.

New order volumes saw growth edge higher midway through the first quarter, extending the current sequence to four months. New business rose solidly at services firms, while manufacturers saw the pace of contraction slow on the month.

The year-ahead outlook for activity eased to the lowest since January 2021 amid weaker confidence in both manufacturing and services. That said, optimism remained stronger than the long-run trend and encouraged private sector firms to raise employment levels for the seventeenth month in a row.

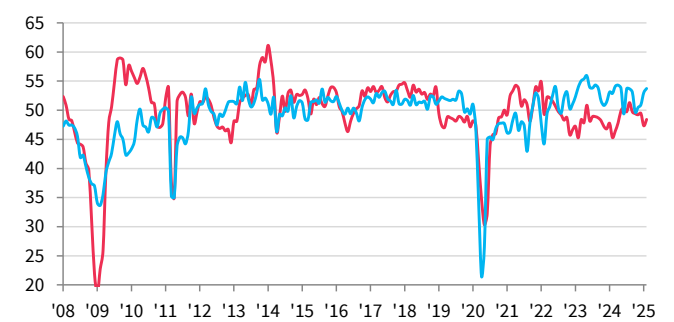
The rate of input cost inflation quickened on the month to reach a six-month high, but output price inflation eased to the lowest since last October.

*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.

Japan Manufacturing Output Index Japan Services Business Activity Index



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 performance of the Japanese service sector improved further in February, as businesses recorded the strongest expansion in activity since last September. The increase was often attributed to higher sales volumes, which were supported by a stronger rise in new export business.

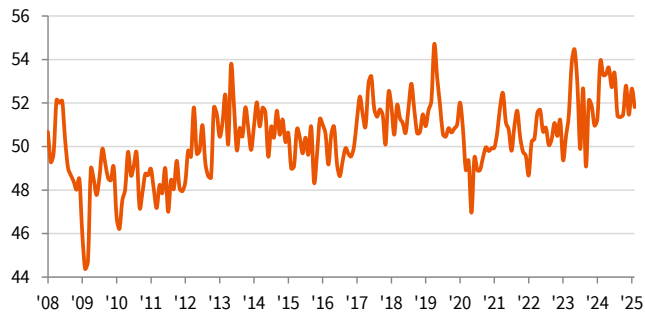
"Businesses were confident that this would be sustained into the coming year as expectations remained strong, employment levels continued to rise and backlogs stabilised. That said, the overall degree of positive sentiment was the softest in four months amid concerns of labour shortages.

"Coupled with a softer contraction in the manufacturing sector, the stronger rise in services output contributed to the steepest rise in private sector activity for five months. Growth in aggregate new business inflows also edged up to the highest since last August.

"Overall confidence in the future performance of the private sector waned, however, with the degree of positive sentiment the weakest since January 2021 as firms raised concerns about labour shortages and the potential impact of US protectionism."

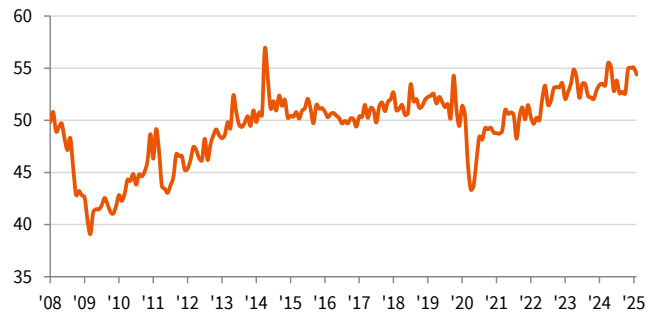
Japan Services Employment Index

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 10-25 February 2025.

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.

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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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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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