

Embargoed until 0930 JST (0030 UTC) 4 October 2023

# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Softer expansion in business activity in September

### Key findings

Activity growth joint-weakest since January but remains solid

Sharpest fall in employment since January 2022

Business confidence lowest in eight months

Data were collected 12-26 September 2023.

The Japanese service sector economy continued to record a solid expansion in business activity at the end of the third quarter of 2023. That said, the rate of growth eased to the joint-lowest since January amid a slower rise in new business inflows, while international demand stalled. Moreover, data indicated that employment levels fell for the second time in three months, and at the fastest pace since January 2022. Nonetheless, Japanese services firms were confident that business activity would continue to rise over the coming 12 month, though even here the degree of positive sentiment eased to the lowest since the start of the year.

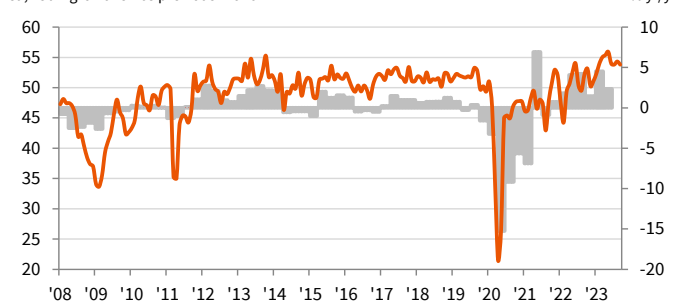
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 fell from 54.3 in August to 53.8 in September to indicate a solid expansion in services activity. Anecdotal evidence suggested that an increase in customer demand was sustained as the sector continued to benefit from the lifting of COVID-19 restrictions earlier in the year.

Along with higher activity, these factors helped to drive a

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



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

further increase in new business received, extending the current sequence of growth to 13 months. That said, the rise was only prevalent in domestic markets, as growth in foreign demand for Japanese services stalled, with the respective index registering no change since August. Panel members largely attributed this to rising costs globally.

Service sector firms signalled a renewed reduction in staffing levels during September, the second in the past three months. The rate of job shedding was only marginal, yet the strongest seen since January 2022. Anecdotal evidence attributed the fall to the non-replacement of voluntary leavers. Despite lower capacity, outstanding business increased only fractionally in the latest survey period.

On the prices front, Japanese services firms continued to signal marked increases in operating expenses during September, although the latest round of input price inflation eased from that seen in August. Rising cost burdens were commonly linked to rising fuel, labour and utilities prices. Concurrently, prices charged for Japanese services rose at a softer rate in September that was the slowest seen for three months.

The 12-month outlook for business activity remained strongly optimistic in September, yet the overall degree of confidence eased to the weakest seen since the start of the year. Positive sentiment was underpinned by hopes that the current recovery would be sustained by inbound tourism and business expansion plans. There were some reports of concern regarding the impact of higher inflation and interest rates, however.

**PMI®**

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## au Jibun Bank Japan Composite PMI®

### Private sector output rises at softest pace for three months

The au Jibun Bank Japan Composite PMI Output Index\* signalled a modest expansion in the Japanese private sector economy. At 52.1 in September, the index was down from 52.6 in August to signal a softer increase that was the slowest since June.

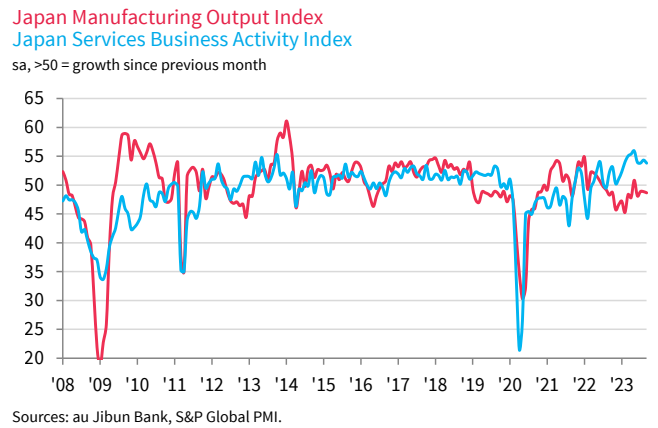
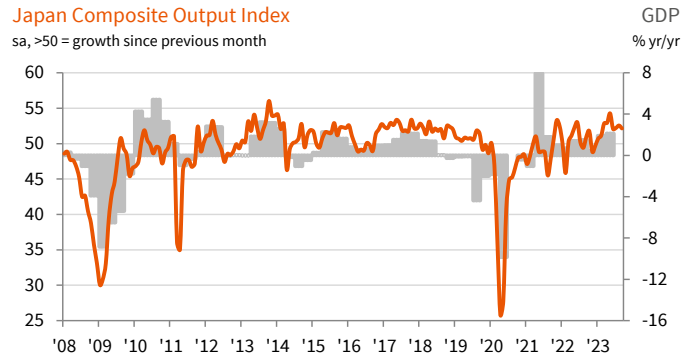
Growth was led by the service sector, where activity rose at a solid, albeit softer rate. On the other hand, manufacturing output fell at the fastest pace for three months.

There was a sharp slowdown in the rate of growth in new order inflows at Japanese private sector firms. The overall rate of expansion was only fractional and was dragged down by the strongest decline in manufacturing orders since February. This contributed to a sustained fall in backlogs of work. Easing capacity pressures also contributed to a renewed fall in private sector employment levels that was the strongest since August 2020.

The rate of input cost inflation rose markedly in the latest survey period, with manufacturers signalling an accelerated rise in cost burdens. As a result, output prices were raised for the thirtieth month running, though the rate of inflation eased to an 18-month low.

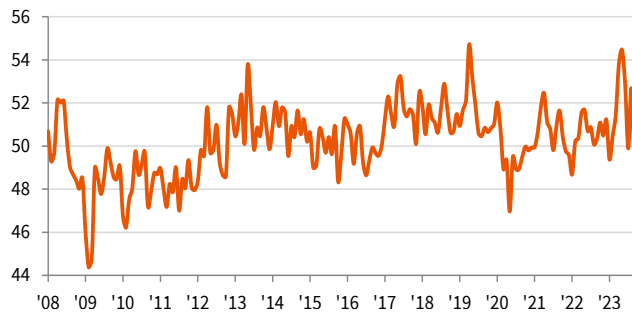
Companies remained optimistic that output will increase over the coming year, however the degree of positive sentiment eased to the weakest since the start of 2023.

\*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.



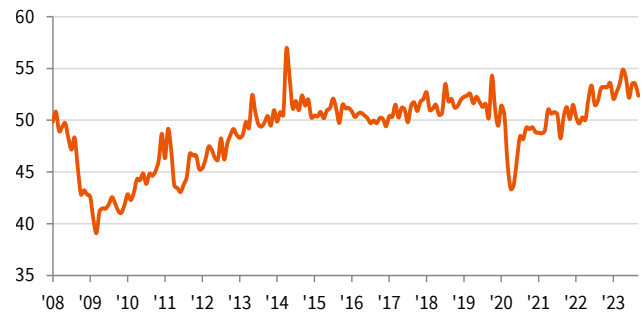
## Japan Services Employment Index

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](mailto:Grp-S-I-Room@jibunbank.co.jp)

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

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

September data were collected 12-26 September 2023.

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 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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