

Embargoed until 0930 JST (0030 UTC) 3 October 2024

# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Service sector expansion maintained in September

### Key findings

Business activity and new order growth sustained

Outstanding business rises for second time in three months

Confidence remains strong but eases to 20-month low

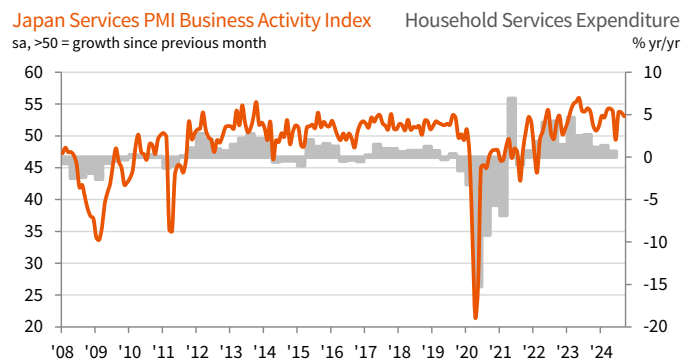
September data pointed to a solid upturn in business activity across the Japanese service sector, accompanied by a sustained and modest rise in new business inflows. As new order growth continued, firms noted additional strain on capacity, as indicated by a renewed rise in outstanding business. In turn, firms raised employment levels for the twelfth month in a row. Prices charged inflation ticked up slightly in September, though remained below April's recent high. Higher average prices charged reflected another sharp rise in input costs, although the rate of input price inflation eased to a six-month low.

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 53.1 in September, down from 53.7 in August, the headline au Jibun Bank Japan Services Business Activity Index signalled a solid rate of expansion, albeit at a softer pace. Rising business activity has been recorded in all but one of the past 25 months. Sub-sector data signalled that the strongest growth was in Transport & Storage and Finance & Insurance.

Total new work increased modestly in September. The rate of growth eased for the second successive month, but remained above the long-run survey trend. Demand growth was steepest



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 12-26 September 2024.

in Transport & Storage while Information & Communication posted a decline.

Exports provided support to overall demand in September, though the latest rise was only marginal. Firms reported new international business linked to demand across parts of Asia, but also signalled weakness in key markets such as mainland China.

Service providers increased staffing levels again in the latest survey period, extending the current run of job creation to a year. This reflected both current workloads and expectations for sustained growth in the near- and long-term. As such, companies noted a second increase in outstanding business in three months amid rising new business inflows.

Concurrently, business optimism remained elevated in September, though the degree of confidence softened to the lowest since January 2023. Confidence was linked to new products and services launches, alongside higher employment and a stronger global economic recovery. The strongest outlooks were in Information & Communication and Finance & Insurance.

Input price inflation eased since August, but was still well above the long-run survey average in September. Firms linked higher costs to wages, food and imported items linked to the weak yen.

Latest data also signalled another moderate increase in average prices charged at the end of the third quarter. Charges have now risen in each of the last 29 months, though the rate of inflation was slightly softer than the average seen over this period.

## au Jibun Bank Japan Composite PMI®

### Output growth eases in September

The au Jibun Bank Japan Composite PMI Output Index\* registered 52.0 in September, down from 52.9 in August and above the neutral 50.0 threshold for the third consecutive month. The latest reading signalled the softest expansion in private sector output in the current sequence, but was well above the long-run trend level of 49.2. A softer, yet solid increase in the service economy was partially offset by a renewed contraction in manufacturing output.

New business volumes expanded again in September, albeit at slower pace than that in August. Higher order books were driven by the service sector, while manufacturers indicated a modest fall in new work.

Business activity expectations across the private sector meanwhile remained stronger than the series average, though eased to a 29-month low.

The rate of input cost inflation softened in both the service and manufacturing sectors, resulting in the softest rise in private sector cost burdens since March. Output price inflation was little-changed from that in August but still historically strong.

\*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.

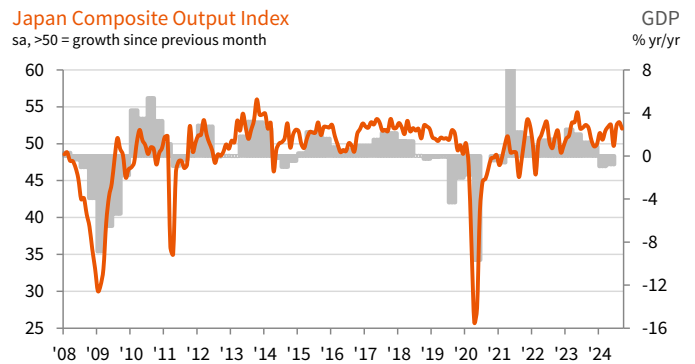
### Comment

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

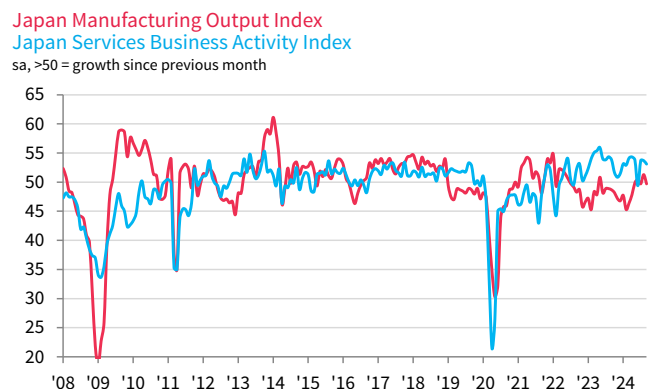
*"The Japanese service sector's strong performance was sustained at the end of the third quarter of 2024, with growth rates for activity and new business easing only marginally on the month. As such the average reading over the third quarter (53.5) was broadly in line with that seen in the first quarter of the year (53.4) and indicative of sustained growth in the service economy."*

*"Companies remained upbeat regarding their prospects in the near and medium term, given a renewed rise in outstanding business and strong sense of optimism. As such, firms expanded their workforce numbers again."*

*"The strength of the service sector continued to underpin growth of the overall private sector, as manufacturers recorded a slight correction in output volumes. That said, the rate of growth in aggregate new business slowed in September and was only marginal, while backlogs of work fell for the fifth month running, with both segments weighed down by the manufacturing sector. How the sector responds in the coming month given downside risks including a stagnating economy will be key to the performance of the wider private sector."*



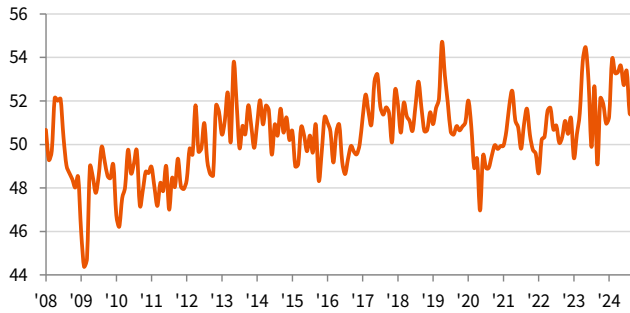
Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.



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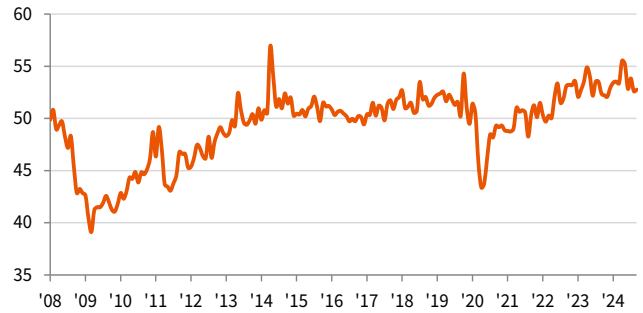
### Japan Services Employment Index

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 12-26 September 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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