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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Business activity growth sustained at end of 2024

Key findings

New business growth strengthens to four-month high

Inflationary pressures remain stable, but historically elevated

Robust optimism regarding year ahead outlook

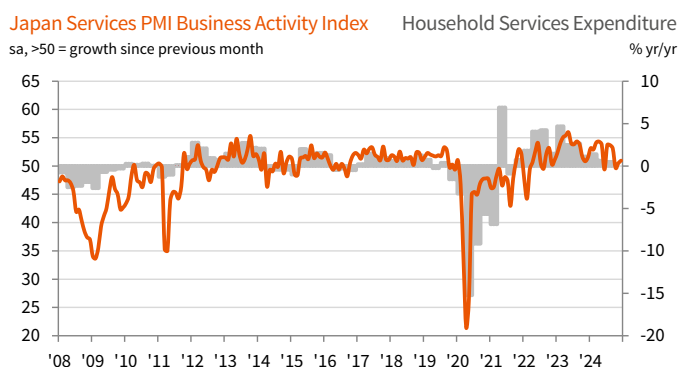
December data pointed to a sustained upturn in business activity across the Japanese service sector. The rate of increase was marginal, yet picked up slightly from that seen in November and was coupled with the strongest rise in new business inflows for four months. The final month of the year also pointed to a sustained increase in employment, while the stronger rise in demand contributed to a further accumulation of outstanding business. Inflationary pressures were unchanged from that seen in the prior month, but both input price inflation and charge inflation remained well above their respective long-run series averages.

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 50.9 in December, the headline au Jibun Bank Japan Services Business Activity Index, rose from 50.5 in November and was indicative of a marginal expansion in activity. Growth has been recorded in five of the past six months, reflecting improved demand and business expansions. That said, the latest reading was softer than the average seen across the whole of 2024 (52.4).

Total new work increased for the sixth successive month, and the rate of growth in December was the strongest since August.



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 05-18 December 2024.

Survey respondents typically noted new customer intakes, most notably in the domestic market. Export sales continued to provide a negative contribution to overall new business growth at the end of 2024, extending the current sequence of decline to three months.

Service providers added to their payroll numbers for the fifteenth consecutive month, with the rate of job creation modest overall. Anecdotal evidence suggested that firms looked to take on additional staff in line with business expansion efforts.

Further increases in demand also placed additional strain on productive capacity, as evidenced by a second successive accumulation of outstanding business. The rate of growth was marginal, but stronger than the long-run series average.

Data for the final month of 2024 signalled a strong increase in average cost burdens facing service sector firms. The rate of inflation was unchanged from November, and often attributed to higher raw material and wage costs. Firms opted to partially pass these costs on to clients, as prices charged for Japanese services rose at a sharp, albeit unchanged rate.

Service sector companies remained upbeat about their prospects for business activity growth in the next 12 months. The degree of optimism moderated slightly since November, and was softer than the average over the course of 2024.

au Jibun Bank Japan Composite PMI®

Private sector growth strengthens at the end of 2024

The au Jibun Bank Japan Composite PMI Output Index* registered 50.5 in December, up from 50.1 in November and above the neutral 50.0 threshold for the second successive month. The latest reading was indicative of marginal growth that was nonetheless the most pronounced for three months. Mild growth in the services economy was coupled with a softer contraction in manufacturing output.

New business volumes expanded again in December, with the rate of growth gaining momentum on the month. Stronger new order books reflected a moderate gain in the service sector, while manufacturers indicated a modest reduction in new work.

Business activity expectations meanwhile drifted down slightly at the end of the year, though the degree of optimism remained well above the long-run series average. Survey respondents often noted hopes of a broad-based recovery in demand and economic conditions. Confidence in the outlook also meant firms continued to raise employment levels modestly.

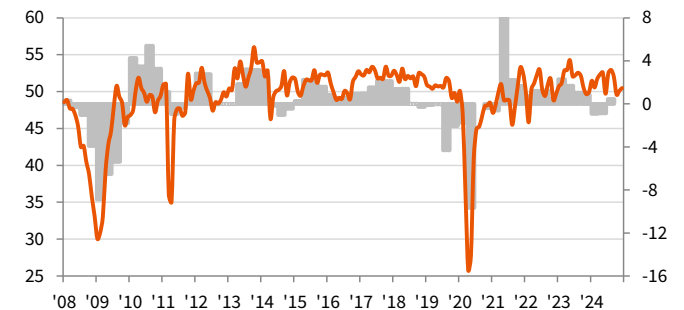
Average prices charged by private sector firms increased at the steepest rate since May, as firms looked to partially pass additional cost burdens to customers. Overall input prices rose at a robust and quicker pace than that in November.

*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 Composite Output Index

sa, >50 = growth since previous month

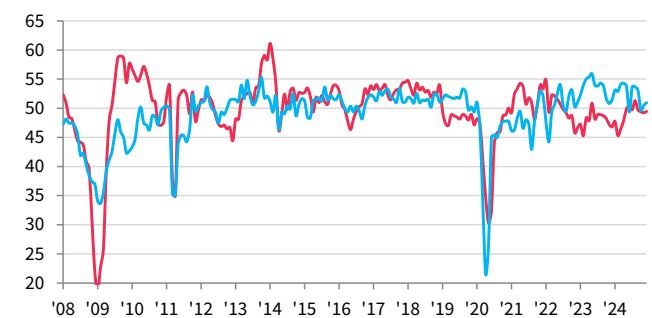
GDP
% yr/yr



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

sa, >50 = growth since previous month



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:

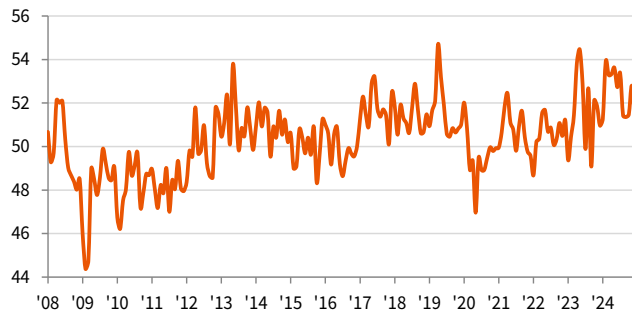
"December data revealed a positive month for the Japanese service sector, with sustained rises in both business activity and new business. In fact, the latter rose at the strongest rate for four months, contributing to a quicker, albeit marginal increase in activity."

"Positive movements were also recorded on the employment side with a fifteenth consecutive monthly increase, while business optimism remained robust at the end of the year. That said, both metrics eased slightly on the month."

"Rising service sector growth and a softer fall in manufacturing output contributed to a stronger overall expansion Japanese private sector output. Growth remained only marginal overall, but new orders expanded the most since August. Output was also sustained by the completion of outstanding business, notably in the manufacturing sector. Firms were confident regarding future output, though the degree of optimism softened on the month and was weaker than the average for 2024."

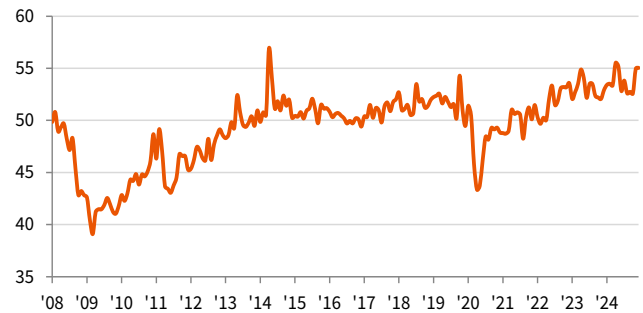
Japan Services Employment Index

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 05-18 December 2024.

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

About PMI

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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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