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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Business activity expands at solid pace in June

Key findings

Sustained increase in activity as demand conditions remain strong

Second-fastest rise in outstanding business on record

Input price inflation eases to 15-month low

Data were collected 12-27 June 2023.

Japanese service providers indicated that business activity continued to rise at the end of the second quarter of 2023. The rate of growth in activity eased from May's series record yet remained among the fastest in the survey history, amid a further sharp increase in new business inflows. Firms continued to note higher customer numbers and stronger demand in the services economy as the impact of pandemic-related restrictions waned. Improved demand conditions placed additional pressure on capacity, with businesses reporting the second-steepest rise in outstanding business in the series history. Service providers continued to signal strong inflationary pressures in June, although the rate of input price inflation continued to trend downwards as the latest increase was the softest since March 2022.

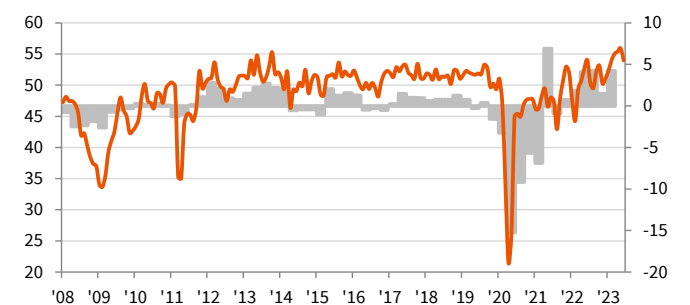
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 54.0 in June, the headline au Jibun Bank Japan Services Business Activity Index eased from a series record 55.9 in May to signal a softer, yet still solid expansion in activity, and one that was considerably stronger than the long-run series trend.

The rate of expansion in new business also eased from the record reading in the previous survey period but was the

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



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

third-fastest registered to date. The rise was among the strongest reported in the series history and was commonly attributed to the acquisition of new contracts and customers in both domestic and external markets. As such, new export orders rose for the tenth consecutive month and at a moderate pace overall.

Sustained increases in activity and new orders meant that Japanese service providers reported an increase in capacity pressure that was only slightly softer than the series record seen in May. Concurrently, firms recorded a further expansion in employment levels, with anecdotal evidence linking this to the need for additional staff.

Average cost burdens rose at a strong rate at the end of the second quarter. Input prices have now risen consistently for 31 months, although the rate of inflation continued to trend downwards. The latest rise was the softest for 15 months and widely attributed to higher staff and material costs. Higher expenses were partially passed through to customers, as prices charged for Japanese services rose for the fourteenth month in a row.

Business optimism regarding activity over the coming year was robust during June. Confidence remained above the long-run trend despite easing to a three-month low. Firms hoped that the demand recovery would be sustained and the lingering impacts of pandemic restrictions would ease further to boost domestic and external demand, most notably in the travel and tourism industries.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

Private sector activity growth eases to four-month low in June

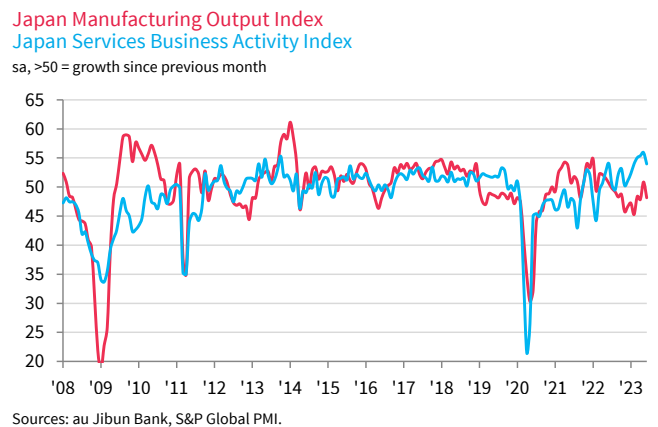
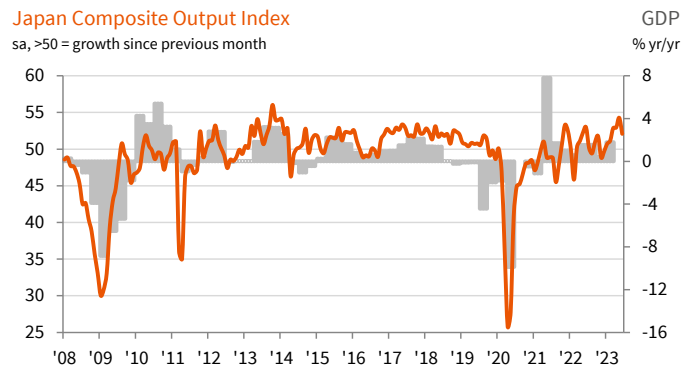
The au Jibun Bank Japan Composite PMI Output Index* eased from 54.3 in May to 52.1 in June, signalling a softer expansion in private sector output. The latest uptick was modest, yet the slowest recorded for four months. The expansion was led by a solid, albeit softer expansion in services activity growth, as manufacturing output fell back into contraction territory for the eleventh time in the past 12 months.

Aggregate new orders expanded for the fifth consecutive month during June. A sharp expansion in new business at service providers that was among the strongest on record offset a renewed contraction in manufacturing orders. Concurrently, private sector backlogs rose at a moderate pace owing to the second-steepest rise in services backlogs on record.

Positively, private sector companies reported a slower rate of input price inflation that was the softest recorded since August 2021, while prices charged for goods and services rose at the slowest pace for 15 months.

Optimism regarding the year-ahead outlook remained robust in June amid hopes that a sustained economic recovery in services would be complemented by a gradual improvement in the manufacturing sector.

*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 services economy signalled that demand conditions remained positive during June. Latest PMI data indicated expansions in both business activity and new business that were among the highest in the series history despite easing since May. Panel members continued to attribute growth to stronger economic conditions and demand as the impact of pandemic restrictions lifting continued to boost

activity and client confidence in both domestic and external markets.

"The near-term outlook also looks positive as the expansion in demand contributed to the second-steepest rise in outstanding workloads on record. There was more positive news on the prices front, as cost burdens increased at the slowest rate in 15 months.

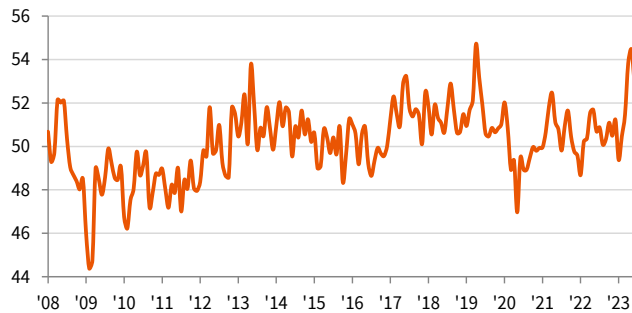
"Overall private sector activity expanded for a sixth successive month at the end of the second quarter. The increase was led by the aforementioned rise in activity in the dominant services sector, while

manufacturing output fell back into contraction territory.

"Japanese private sector firms remained strongly optimistic that activity would continue to expand over the coming year as the persistent drags of the pandemic and inflation on the economy showed signs of easing. The overall degree of confidence was the fourth-highest in the series history, in line with S&P Global projections that have the Japanese economy growing 1.2% in 2023."

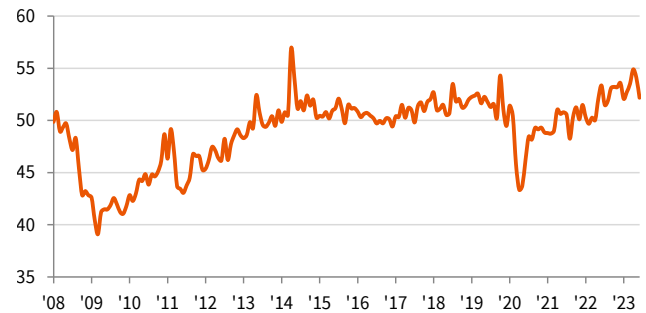
Japan Services Employment Index

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.

June data were collected 12-27 June 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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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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