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# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Service sector activity stagnates in March

### Key findings

Business activity unchanged as new order growth softens

Optimism around the year ahead falls to lowest since January 2021

Input price inflation accelerates to 19-month high

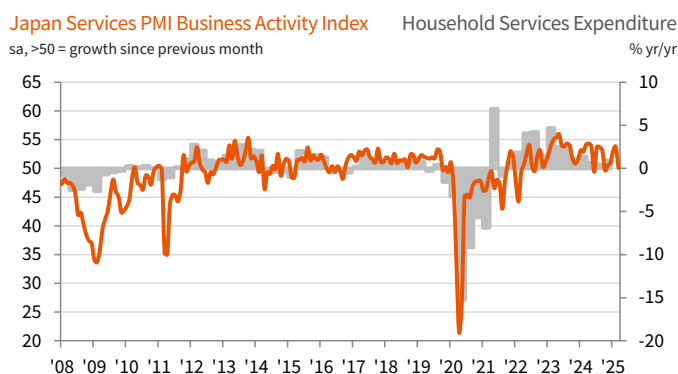
After expanding solidly in the first two months of 2025, latest PMI® data indicated that service sector activity in Japan stagnated in March. At the same time, companies registered the softest increase in overall new work for four months, while new export business expanded at a slower but still solid pace. Cost pressures remained sharp, with expenses rising at the quickest pace in over a year-and-a-half, leading to a further increase in output charges.

The latest survey showed that business confidence regarding the year ahead waned in March, with overall optimism slipping to the lowest level in over four years.

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 fell from a six-month high of 53.7 in February to 50.0 in March, to signal that business activity stagnated at the end of the first quarter. This contrasted with increases in activity in the four prior months. According to panel members, relatively subdued market conditions dampened service sector activity. Of the five monitored sub-sectors, activity levels increased across Transport & Storage, Finance & Insurance and Real Estate &



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 11-26 March 2025.

Business Services categories, but fell across Consumer Services and Information & Communication segments.

Demand conditions meanwhile softened in March, with service providers signalling the slowest increase in total new work since last November. New export business likewise expanded at a weaker rate, albeit one that remained solid overall.

Companies continued to add to their workforce numbers in March as part of planned company expansions. The rate of job creation slipped to a three-month low, but remained above the series average. Despite the further rise in employment, the sustained upturn in new work added pressure on operating capacities. This was highlighted by a renewed increase in outstanding business, though the rate of accumulation was only mild.

Price indices signalled divergent trends in March. Average input costs rose at a sharp and accelerated rate that was the quickest in 19 months. However, efforts to attract and secure new orders weighed on overall pricing power, with the rate of output charge inflation easing to a five-month low.

Although Japanese services companies generally anticipate business activity to rise from current levels over the next year, the degree of confidence weakened for the second straight month. Notably, the degree of positive sentiment fell to the lowest since January 2021 amid concerns over rising costs, labour shortages and an ageing population.

## au Jibun Bank Japan Composite PMI®

### Composite output declines at quickest pace since November 2022

At 48.9 in March, the au Jibun Bank Japan Composite PMI Output Index\* fell from 52.0 in February and posted below the neutral 50.0 level for the first time since October 2024. Although consistent with only a slight reduction in overall output, it marked the lowest index reading since November 2022. Driving the headline figure lower was a steeper drop in manufacturing production, coupled with a stagnation of service sector activity.

Composite new orders meanwhile expanded at the softest pace in four months and only slightly. This reflected a slower increase in sales at services companies, combined with a further drop in manufacturing orders.

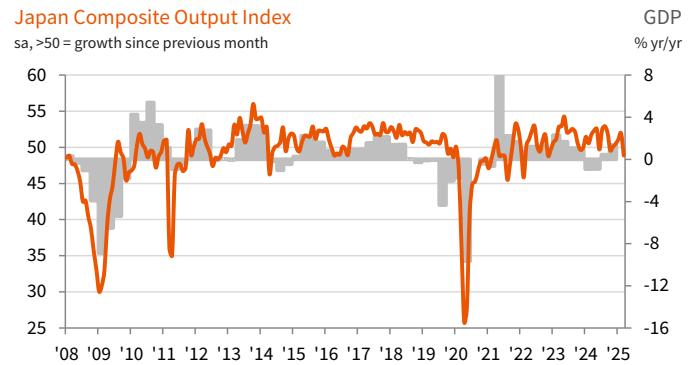
Overall employment increased further, driven by similarly modest upturns in both manufacturing and service sector payrolls. Cost inflation remained marked, with composite input prices rising at the quickest rate in seven months. However, the pace of output charge inflation softened to a five-month low.

Optimism around the one-year outlook for output slipped to the lowest since the start of 2021, with more companies expressing concerns around the global economic outlook and uncertain trade environment.

\*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

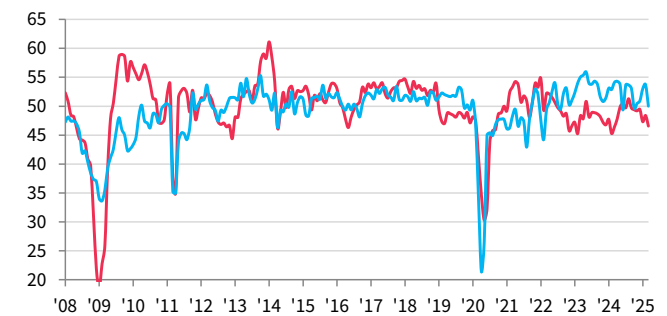
sa, >50 = growth since previous month



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, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

*"After a solid performance in the opening two months of the year, business activity across Japan's service sector stagnated in March as firms commented that market conditions had softened. Indices for total new orders and new export business also edged down, albeit remaining in growth territory for the ninth and tenth month, respectively.*

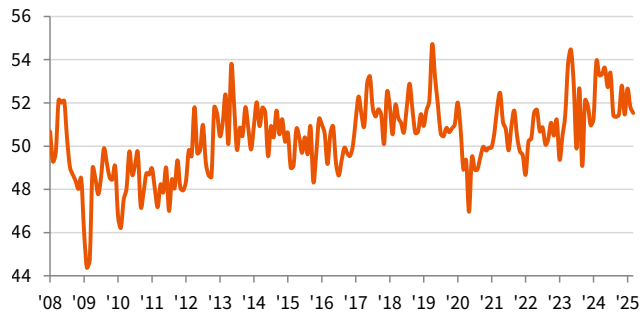
*"Combined with a steeper decline in manufacturing output, the PMI surveys pointed to the fastest drop in overall private sector activity across Japan since November 2022.*

*"Inflation is a persistent worry among companies, with the latest survey showing that composite input costs rose to the greatest extent in seven months, while selling price inflation also remained historically strong despite easing on the month.*

*"Alongside concerns over labour shortages, an ageing population and global trade uncertainties, firms were less upbeat about the year-ahead outlook for output. Notably, companies across Japan expressed the lowest level of optimism since January 2021."*

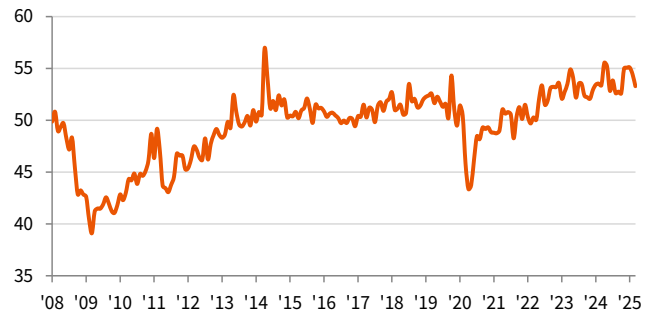
### Japan Services Employment Index

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 11-26 March 2025.

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.

### 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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