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# au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

## Japanese service sector expansion accelerates in March

### Key findings

Second-sharpest rise in business activity in survey history

New business rises at steepest rate since February 2019

Slowest rise in cost burdens for a year

Data were collected 10-28 March 2023.

Growth across the Japanese service sector gained further momentum at the end of the first quarter of 2023. Rates of expansion in business activity, new business and export orders all accelerated on the month to reach among the highest in their respective series histories. At the same time, cost pressures across the sector remained robust but eased further on the month, as input price inflation eased to a 12-month low. Moreover, firms were increasingly optimistic about the outlook for activity over the coming year amid hopes for stable market conditions.

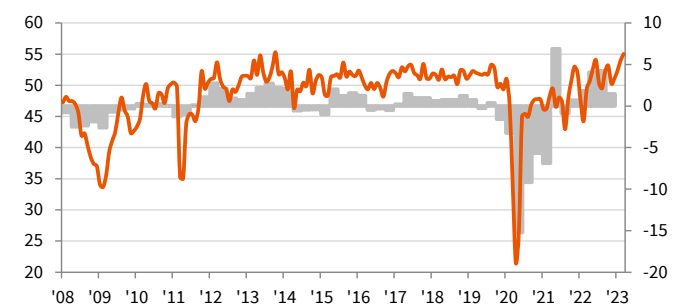
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 au Jibun Bank Japan Services Business Activity Index posted at 55.0 in March, up from 54.0 in February. The reading signalled a seventh successive improvement in output across the Japanese service sector that was the second-strongest in the history of the survey. Firms commonly attributed the uplift to the subsiding impact of the pandemic.

In line with activity, Japanese service providers registered a solid rise in new business volumes during March. The upturn was the seventh in as many months and the strongest recorded since February 2019. Firms signalled that the end of the pandemic had boosted inbound demand and client

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, Cabinet Office Japan

confidence, notably in the travel and tourism sector. As such, foreign demand for Japanese services also expanded at the fastest rate in 2023 so far..

Inflationary pressures remained marked in March. Operating expenses faced by Japanese service sector firms ticked up further, stretching the current sequence of inflation to 28 months. Inflation across a broad range of inputs was reported, including commodities, fuel and labour, while exchange rate weakness also contributed to higher cost burdens. That said, the rate of input price inflation eased to the softest for a year. There was evidence however, that firms increasingly passed higher cost burdens on to clients through higher selling prices, which rose at the fastest pace since December.

Japanese service providers registered a second consecutive rise in staffing numbers in March. Anecdotal evidence suggested the latest round of job creation was driven by business expansion plans and increased workloads. The rise was modest overall, but nevertheless the highest since last May.

There was evidence of capacity pressure at Japanese service sector firms, with the average level of outstanding work rising for the eighth month running amid an increase in new order inflows. That said, the rate of accumulation was only marginal and the softest since December.

Finally, business confidence across the Japanese service sector strengthened in March to reach the highest since June 2022, amid hopes for continued pandemic-related improvements, as well as relief from price and exchange rate pressures.

PMI®

by S&amp;P Global

## au Jibun Bank Japan Composite PMI®

### Sharpest rise in private sector output for nine months

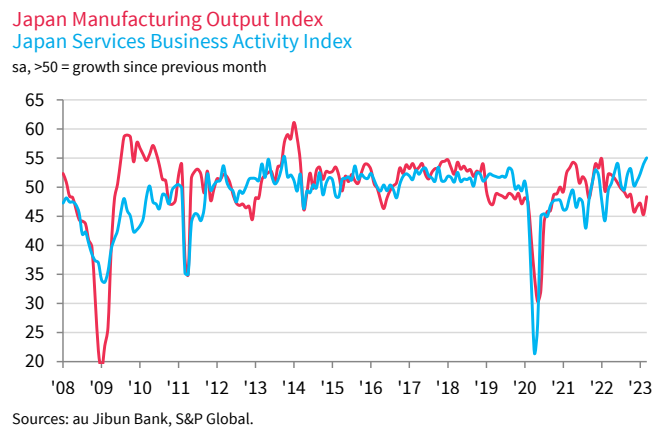
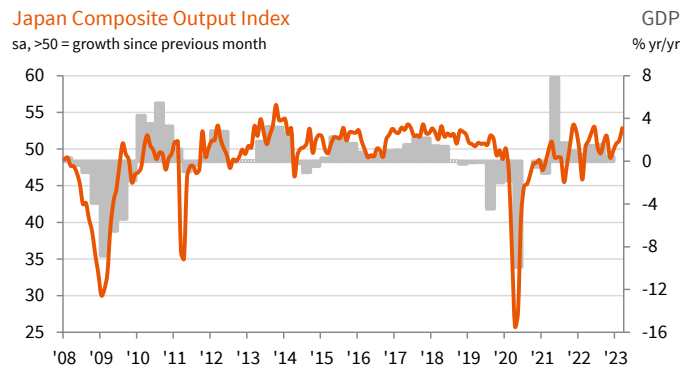
At 52.9 in March, the au Jibun Bank Japan Composite PMI Output Index\* - which measures combined output in the manufacturing and services sectors - rose from 51.1 in February to signal a stronger expansion in the Japanese private sector.

The uptick was the third in as many months and the sharpest recorded since June 2022. Growth was underpinned by the second-fastest rise in services business activity in the series history, while new business inflows also expanded at a solid pace. That said, the manufacturing sector was subdued, as output and new orders declined at softer, yet still moderate rates.

Japanese private sector jobs expanded at the end of the first quarter of 2023, and at the steepest rate for three months. However, the level of outstanding business at private sector firms fell for the second successive month and at the quickest pace for 11 months, owing to a sharp reduction in manufacturing backlogs.

Average cost burdens faced by private sector companies increased at a robust pace, but one that was the slowest for 14 months. In a bid to protect profit margins, businesses increased selling prices at an accelerated rate.

\*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 a sharp improvement in demand conditions at the end of the first quarter of 2023 as the dissipating impact of the COVID-19 pandemic and stronger customer confidence combined to boost output and orders. Latest PMI data indicated that business activity rose at the second-fastest pace on record, while new business inflows increased at a solid pace that was the strongest since February 2019.*

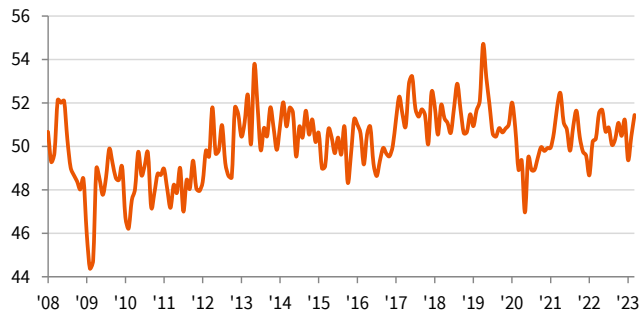
*"Panel members were also positive regarding cost burdens which, although still robust, rose at the slowest rate for a year. That said, firms looked to increasingly share increased cost burdens with customers as average selling price inflation rose to three-month high.*

*"Overall, private sector activity expanded at the quickest pace since June 2022, largely due to the performance of the dominant services sector. Manufacturing firms signalled sustained declines on both output and new orders, meanwhile.*

*"Japanese private sector firms pointed to notable rises in cost pressures in March, although input prices rose at the softest pace since January 2022. That said, high cost burdens were increasingly pushing firms to raise selling prices, with the latest data indicating a solid rise that was the strongest for three months. Inflationary pressures remain a key downside risk in Japan, notably as official statistics point to the sharpest rise in inflation in over 40 years, a marked change from the deflationary period over the recent past."*

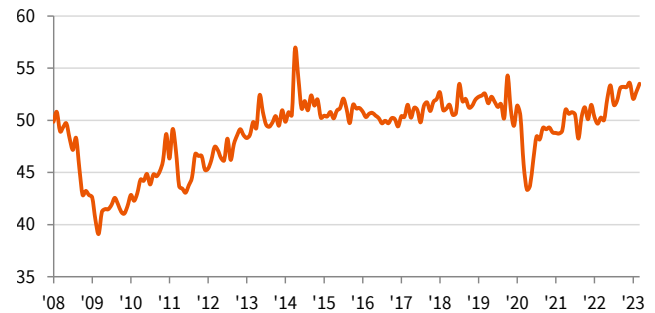
## Japan Services Employment Index

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.

March data were collected 10-28 March 2023.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto: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 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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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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