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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Business activity rises at fastest pace for six months

Key findings

Strongest expansions in output and new business since last November

Outstanding business increases at fastest pace since September 2019

Record rise in input prices

Data were collected 12-26 May 2022.

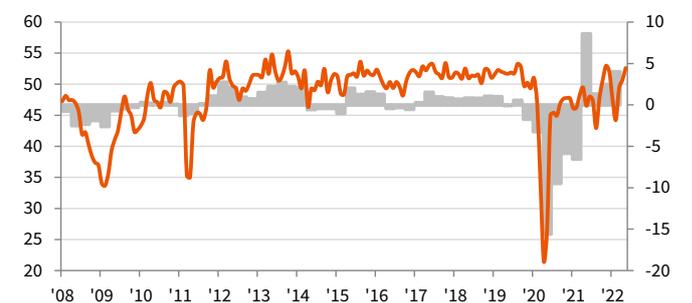
Japanese service providers indicated that business conditions improved at a quicker pace midway through the second quarter of 2022. The easing of COVID-19 restrictions and diminishing impact of the pandemic contributed to the sharpest rise in business activity and new business since November 2021. There was evidence that growth in new orders placed additional pressure on firms, as the level of outstanding business rose at the quickest pace since September 2019, though firms attempted to counter this by taking on additional staff. That said, price pressures remained acute in May, as rising fuel and raw material costs led to the fastest rise in input prices in the survey history.

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 52.6 in May, the seasonally adjusted Japan Services Business Activity Index rose from 50.7 in April, signalling a moderate expansion in service sector activity that was the quickest for six months. Firms noted that the easing of pandemic restrictions helped to boost demand, notably in the tourism sector.

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



Sources: au Jibun Bank, S&P Global, Cabinet Office Japan

Similarly, new business rose at the steepest rate since last November. The rate of growth was solid, with panel members mentioning the improvement in client confidence as the pandemic impact dissipated. That said, international demand returned to contraction territory and fell sharply overall. Where export sales declined, panellists attributed this to a surge in infections in key markets, most notably mainland China.

Japanese service providers signalled increased pressure on capacity in May, as outstanding business rose for the second time in three months. The increase was only modest, yet was the fastest since September 2019 amid the stronger expansion in new order inflows. Moreover, there was evidence that firms attempted to address this by increasing employment levels and at the quickest rate for 13 months.

Average cost burdens faced by Japanese services companies increased for the eighteenth consecutive month in May. Rising cost pressures were commonly associated with higher raw material and fuel costs. Moreover, the rate of input price inflation was the strongest on record. Concurrently, there was a renewed rise in average prices charged for services, and one that was the steepest since October 2019.

Business expectations for the next 12 months remained positive in May. Firms generally linked confidence to hopes of an end to the pandemic, which would stimulate demand both domestically and overseas and encourage new product launches. That said, the degree of optimism eased slightly on the month.

PMI®

by **S&P Global**

au Jibun Bank Japan Composite PMI®

Steepest rise in private sector output since last December

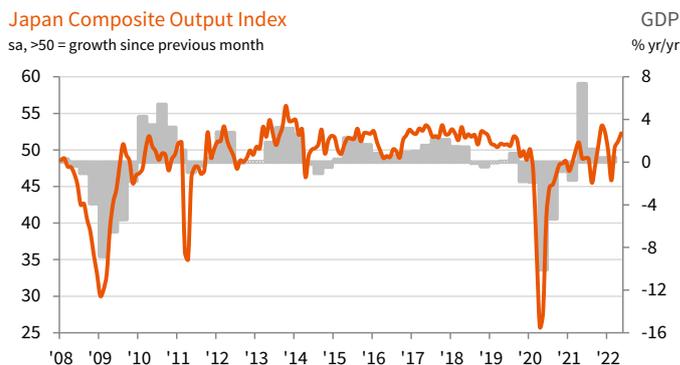
The au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and services sectors - rose from 51.1 in April to 52.3 in May, highlighting a moderate rise in private sector activity. Moreover, the expansion was the quickest recorded for five months.

The larger services sector led growth in May, with both output and new orders rising at the quickest pace since November 2021. Meanwhile, manufacturing firms saw growth rates of both segments ease in comparison to April to the softest in the respective three- and eight-month sequences.

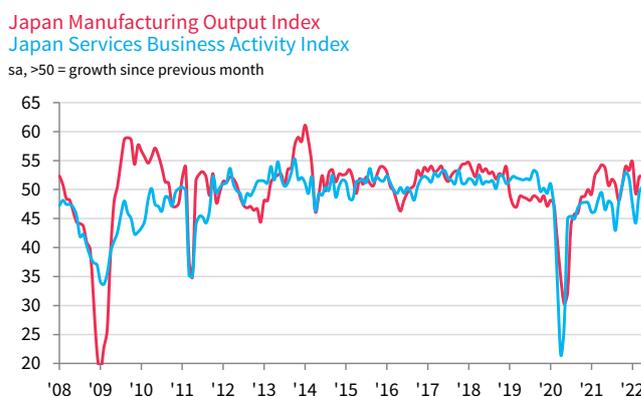
Stronger demand conditions in the private sector nonetheless placed additional pressure on businesses, as backlogs of work rose at a record rate. Moreover, employment in the Japanese service sector rose for the sixteenth successive month in May. The rate of job creation was the strongest since last September, with a 13-month high at service providers accompanied by a quicker rise at manufacturers.

Private sector firms, noted a record upturn in average cost burdens in May, extending the sequence of rising prices to 21 months. This contributed to a fresh series record in prices charged for goods and services, as firms looked to partially pass higher prices on to clients.

**Composite indices are weighted averages of comparable manufacturing and services indices. Weights reflect the relative size of manufacturing and service sectors according to official GDP. The Japan Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index.*



Sources: au Jibun Bank, S&P Global, Cabinet Office Japan.



Sources: au Jibun Bank, S&P Global.

Comment

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

"The Japanese service sector saw a further improvement in demand conditions midway through the second quarter. Latest PMI data signalled the strongest expansions in business activity and total new business for six months. Panel members highlighted that the diminishing impact of the pandemic and the easing of remaining restrictions boosted output and demand.

"Moreover, activity over the coming

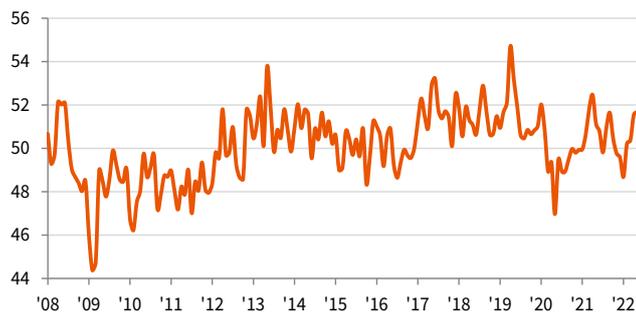
months looks set to be strong, as the levels of outstanding business rose at the sharpest rate since September 2019, which encouraged the strongest rate of job creation among service providers for 13 months. That said, rising prices remained a slight drag on demand, as cost burdens rose at a record rate.

"The strength of the larger service sector contributed to a broad acceleration in private sector output in May. Total business activity expanded at the fastest rate for five months amid a renewed rise in private sector new orders.

"Businesses across the Japanese private sector noted an acceleration in price pressures in the latest survey period as input prices rose at the sharpest pace on record. Panellists attributed this to rising raw material prices amid supply chain disruptions that were exacerbated by the Ukraine war and lockdowns in mainland China. These are likely to remain a dampener on domestic and global activity, though firms in Japan were confident that the impacts would diminish over the year ahead, with business optimism reaching its strongest level for three months."

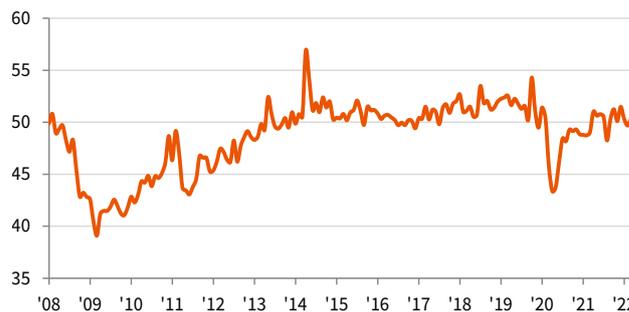
Japan Services Employment Index

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.

May 2022 data were collected 12-26 May 2022.

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.

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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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