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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Japan's service sector growth wanes in November

Key findings

Services activity rises at slower rate

Selling price inflation remains among strongest on record

Outlook on activity for the year-ahead remains positive

Data were collected 11-25 November 2022.

Growth across the Japanese service sector lost some momentum midway through the final quarter of 2022. While a sustained improvement in pandemic-related conditions and the National Travel Discount Programme continued to support an expansion in order book volumes in November, growth in activity levels was only marginal and was slower than in October. Concurrently, cost pressures across the sector remained acute. Input prices rose at a historically sharp pace and the rate of charged price inflation was among the strongest on record. Firms, however, were optimistic about the future amid hopes for stable market conditions and a sustained increase in tourist volumes.

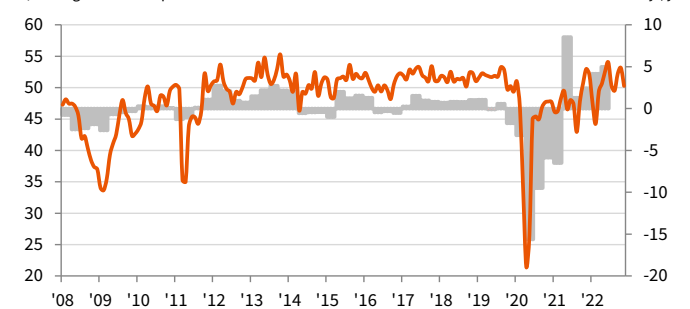
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 50.3 in November, down from 53.2 in October. The reading signalled a third consecutive improvement in output across the Japanese service sector but one which was only marginal and the weakest in the current positive sequence. The upturn reportedly stemmed from an increase in order book volumes.

In line with output, Japanese service sector firms registered a rise in new business volumes in November. The upturn

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

was the sixth in seven months and moderate overall. A combination of the National Travel Discount Programme and the continued easing in COVID-19 conditions reportedly underpinned stronger demand.

November data also indicated a third successive improvement in international sales volumes. Survey respondents frequently linked the uptick in overseas demand to the recent relaxation in border controls.

There was evidence of capacity pressure at Japanese service sector firms in November with the average level of outstanding work rising for the fourth month running. Central to the accumulation in backlogs was growth in new business, according to panel members.

Japanese service providers registered a tenth consecutive rise in staffing numbers in November, albeit only marginally. Anecdotal evidence suggested that the latest round of job creation was driven by business expansion plans.

Inflationary pressures remained marked in November. Operating expenses faced by Japanese service sector firms ticked up further, stretching the current sequence of inflation to two years. Inflation across a broad range of inputs was reported by panellists, including labour, transport, and energy. Exchange rate weakness was also said to have contributed to higher cost burdens. Ongoing cost increases led companies to lift their own prices charged in November. The rate of selling price inflation remained among the strongest on record.

Finally, business confidence across the Japanese service sector was positive in November. Optimism reportedly stemmed from hopes for market recovery, a sustained rise in tourism volumes and a continued improvement in COVID-19 conditions.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

Renewed downturn in output across Japan’s private sector

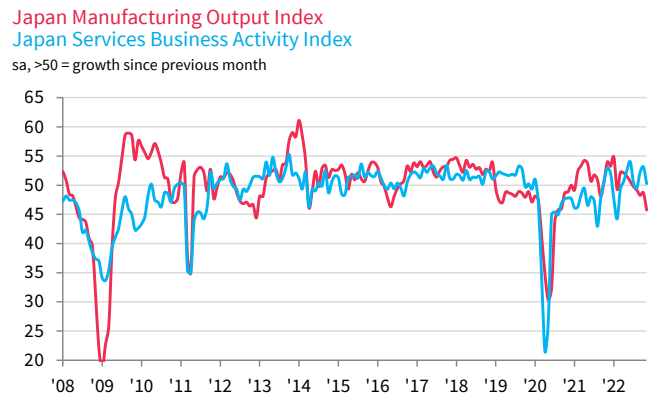
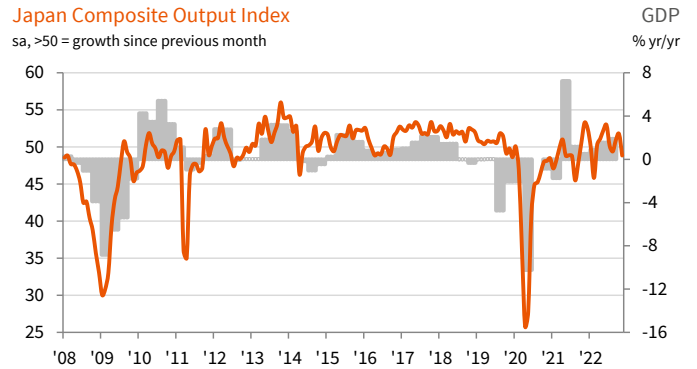
From 51.8 in October, the au Jibun Bank Japan Composite* PMI Output Index - which measures combined output in the manufacturing and services sectors - fell to 48.9 in November to signal a renewed contraction in the Japanese private sector.

The downturn in the private sector was the first in three months and underpinned by sharp drops in output and new orders at manufacturing firms. In contrast, the Japanese services sector registered a third month whereby business activity improved.

Japanese private sector jobs expanded midway through the final quarter, albeit only mildly, while backlogged work declined for the first time in seven months.

Average cost burdens facing private sector companies increased at a marked pace, but one which was the slowest in eight months. Meanwhile, in a bid to protect profit margins from costs increases, private sector firms increased selling prices at a rate that was among the sharpest on record.

*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.



Comment

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

“Latest PMI data pointed to a further improvement in the health of Japan’s service sector. Business activity rose for the third successive month while order book volumes expanded at a moderate pace. Anecdotal evidence suggested that a boost in demand following a sustained COVID-19 recovery and the launching of the National Travel Discount Programme primarily drove the sector expansion. That said, the rate at which business

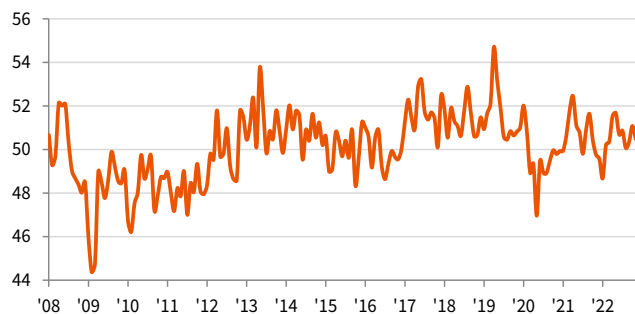
activity rose waned from October and was only marginal overall. Business sentiment similarly weakened, slipping to an eight-month low.

“Inflationary pressures, meanwhile, remained marked with rates of input cost and selling price inflation remaining well-above their respective historical averages. Exchange rate weakness and inflation across a broad range of inputs were reportedly central to the sustained increase in cost burdens. However, there was tentative evidence of inflationary pressures easing in November, as

indicated by the softest rate of input cost inflation in eight months.”

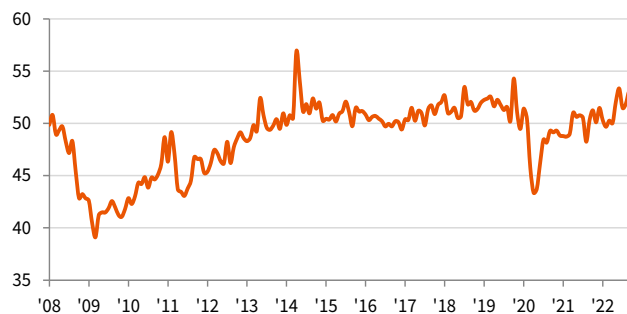
Japan Services Employment Index

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.

November 2022 data were collected 11-25 November 2022.

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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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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