

Embargoed until 0930 JST (0030 UTC) 7 May 2024

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Charge inflation hits a ten-year high as cost pressures intensify in April

Key findings

Fastest rise in average prices charged for a decade

Business activity and new order growth continue to strengthen

Export sales increase at sharpest pace since July 2023

April data pointed to a robust and accelerated upturn in business activity across the Japanese service sector, with the latest expansion the fastest since August 2023. Survey respondents often commented on strengthening demand conditions and a supportive economic backdrop.

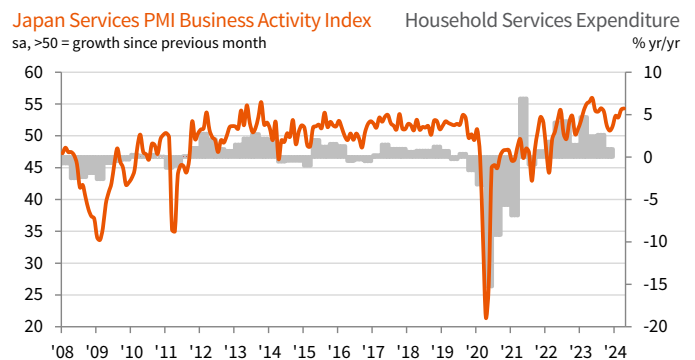
Prices charged inflation meanwhile picked up to its steepest since the sales tax hike in April 2014. Higher average prices charged reflected another sharp rise in input costs during April, which was mostly linked to greater salary payments.

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.

At 54.3 in April, up from 54.1 in March, the headline au Jibun Bank Japan Services Business Activity Index reached an eight-month high. Rising business activity has been recorded in each month since September 2022, with the latest expansion reflecting stronger business and consumer spending.

Total new work increased at the fastest pace since June 2023. Moreover, the rate of growth has now accelerated for six months in a row. Survey respondents typically noted improving domestic economic conditions and resilient customer demand. Export sales also provided a positive contribution to overall new



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 11-25 April 2024.

business growth in April, with the latest rise the strongest for nine months. A number of firms reported a boost to sales from inbound tourism.

Service providers added to their payroll numbers for the seventh consecutive month in April, although the rate of job creation was unchanged since March. Anecdotal evidence suggested that a shortage of candidates to fill vacancies had sometimes acted as a constraint on hiring.

Meanwhile, service sector companies remained upbeat about their prospects for business activity growth in the next 12 months. The degree of optimism moderated since March but was still much stronger than the long-run survey average.

Robust demand contributed to another rise in unfinished work across the service economy. Higher levels of outstanding business have been recorded in each of the past six months. The rate of backlog accumulation nonetheless eased to the slowest in 2024 so far.

Finally, the latest survey data signalled a strong increase in average prices charged by service sector firms. The rate of inflation reached its highest since April 2014, with service providers widely commenting on the need to pass on higher business expenses. April data indicated a further acceleration in overall cost inflation. The latest rise in input prices was the fastest since August 2023, which reflected rising wage costs and higher transportation bills.

au Jibun Bank Japan Composite PMI®

Private sector output growth gains further momentum in April

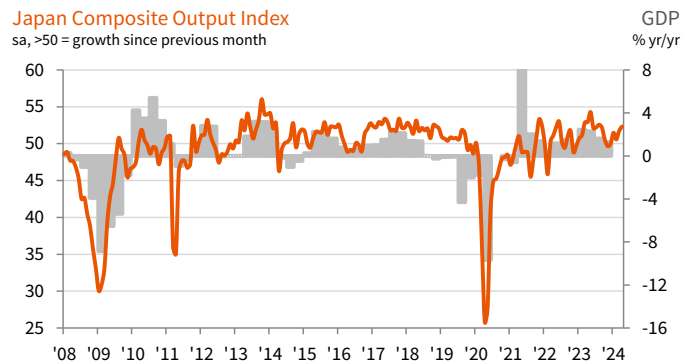
The au Jibun Bank Japan Composite PMI Output Index* registered 52.3 in April, up from 51.7 in March and above the neutral 50.0 threshold for the fourth consecutive month. Although only signalling a modest rate of expansion, the latest reading was the highest since August 2023. Strong growth in the service economy was partly offset by another reduction in manufacturing output.

New business volumes expanded again in April, with the rate of growth accelerating to its fastest for ten months. Stronger order books reflected robust gains in the service sector, while manufacturers indicated another reduction in new work.

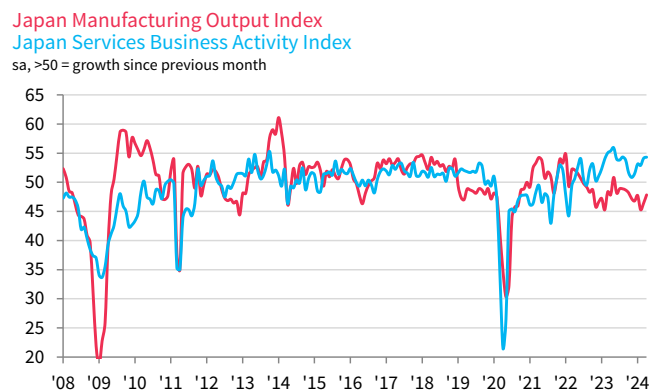
Business activity expectations meanwhile drifted down to the lowest since last October. However, the degree of business optimism remained much stronger than the series average, with survey respondents noting hopes of a sustained upturn in the wider economic outlook.

Stronger cost inflation in both the manufacturing and service sectors contributed to the fastest rise in overall input prices since September 2023. Moreover, average prices charged by private sector firms increased at the steepest pace for one year, largely driven by efforts to pass on rising salary payments.

*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.



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



Sources: au Jibun Bank, S&P Global PMI.

Comment

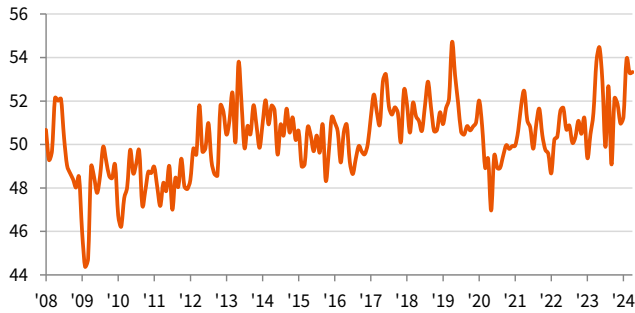
Commenting on the latest survey results, Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"April data revealed another strong month for the Japanese service sector as rising business and consumer spending fuelled the fastest upturn in business activity since August 2023. Survey respondents commented on improving domestic economic conditions and resilient customer demand, which meant that total new business growth accelerated for the sixth month in a row."

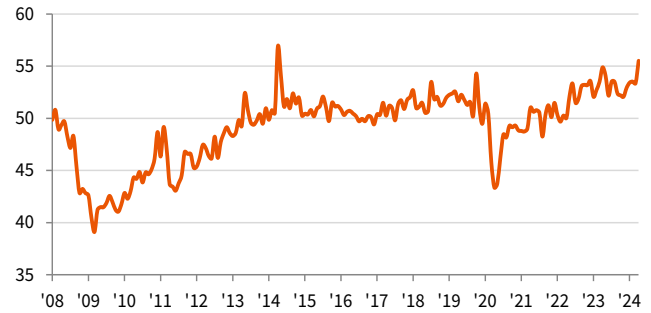
"Positivity regarding the longer-term business outlook contributed to a solid increase in employment numbers, despite some firms noting that shortages of candidates had hindered recruitment."

"Rising wage costs resulted in the sharpest increase in average cost burdens for eight months in April. Moreover, service providers are increasingly seeking to negotiate higher prices charged with clients in response to elevated cost pressures. The latest survey indicated that prices charged by service sector firms rose at the fastest pace since the sales tax hike in April 2014."

Japan Services Employment Index
sa, >50 = growth since previous month



Japan Services Prices Charged Index
sa, >50 = inflation since previous month



Contact

Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44-1344-328-370
usamah.bhatti@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +62 2 8001 3128
sungha.park@spglobal.com

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 11-25 April 2024.

For further information on the PMI survey methodology, please contact 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.

www.spglobal.com/marketintelligence/en/mi/products/pmi

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global and au Jibun Bank shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall S&P Global or au Jibun Bank be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. S&P Global is a registered trademark of S&P Global Ltd. and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.

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

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

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.

www.spglobal.com

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).