

Embargoed until 0930 JST (0030 UTC) 5 June 2024

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Service sector expansion maintained at sharp pace

Key findings

Business activity and new order growth remain relatively strong

Series-record increase in services exports

Charge inflation third-highest on record

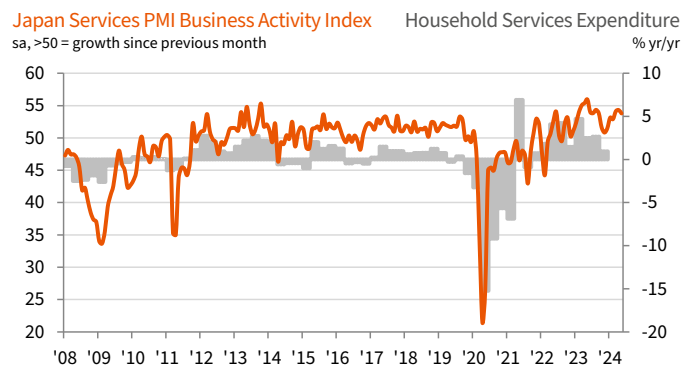
The latest PMI® data for May pointed to a sustained strong upturn in business activity across the Japanese service sector, both in terms of total activity and new business inflows. Employment at service providers continued to rise solidly and the 12-month outlook remained relatively strong. Prices charged inflation eased from April's ten-year high, but was still the third-strongest on record. Higher average prices charged reflected strong demand and another sharp rise in input costs, although the rate of input price inflation eased from April's eight-month high.

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 53.8 in May, down from 54.3 in April, the headline au Jibun Bank Japan Services Business Activity Index signalled a robust rate of expansion, albeit at a slightly softer pace. Rising business activity has been recorded in each month since September 2022. Sub-sector data signalled that the strongest growth was in Information & Communication and Finance & Insurance.

Total new work increased solidly in May. The rate of growth eased for the first time in seven months, but remained well above the long-run survey trend. Demand growth was fastest in Information & Communication and Finance & Insurance.



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 10-28 May 2024.

Exports provided a boost to overall demand in May, with the latest rise the strongest since the series was added to the services PMI survey in September 2014. Firms reported new international business linked to tourism and the weak yen.

Service providers added workers for the eighth consecutive month in May, and the rate of job creation was among the fastest registered since the survey began in 2007. This reflected both current workloads and stronger forecasts for business activity growth in the next 12 months. The degree of optimism improved since April and was among the highest recorded to date. Confidence was linked to higher wages driving consumer spending, new products and services, a global economic recovery and the weak yen. The strongest outlooks were in Consumer Services and Information & Communication.

Solid demand contributed to another rise in outstanding business at Japanese service providers. The rate of accumulation was the slowest in 2024 so far, however, reflecting higher staffing and expanded business capacity.

Input price inflation eased since April, but was still well above the long-run survey average. Firms linked higher costs to wages, fuel and imported materials.

The latest survey data signalled another strong increase in average prices charged by service sector firms. The rate of inflation eased from April's ten-year high, but was still the third-highest on record.

PMI®

by S&P Global

au Jibun Bank Japan Composite PMI®

Output growth accelerates in May

The au Jibun Bank Japan Composite PMI Output Index* registered 52.6 in May, up from 52.3 in April and above the neutral 50.0 threshold for the fifth consecutive month. The latest reading signalled the fastest private sector output growth since August 2023 and was well above the long-run trend level of 49.2. A slightly softer expansion in the service economy was offset by a stabilisation in manufacturing output.

New business volumes expanded again in May, albeit at a slower rate than April's ten-month high. Higher order books were again driven by the service sector, while manufacturers indicated a stable trend in new work.

Business activity expectations meanwhile remained much stronger than the series average and in line with the 2024 trend so far.

The rate of input cost inflation was unchanged from April's seven-month high, while output price inflation was also unmoved on April's 12-month high.

*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.

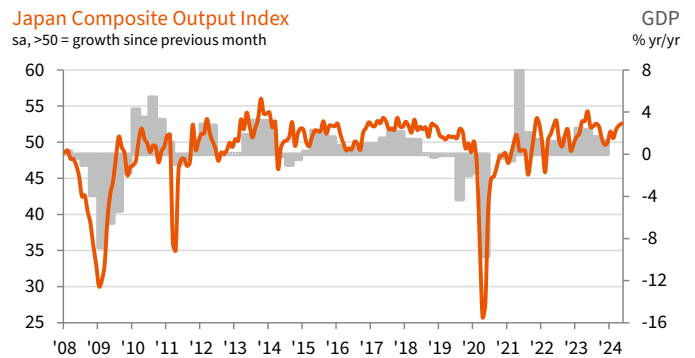
Comment

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

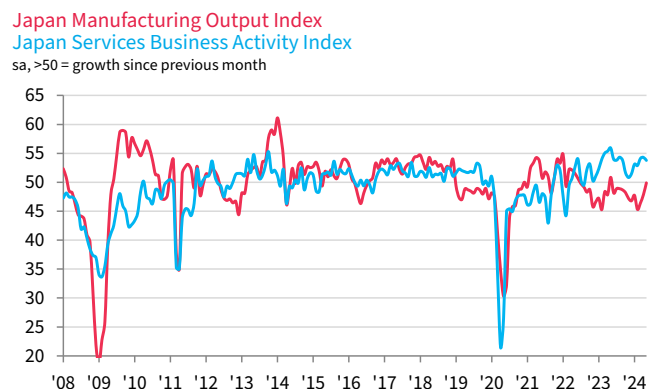
"The Japanese service sector's strong upturn was sustained in May, with growth rates for activity and new work easing only slightly. Notably, new export business expanded the most since this question was added to the survey in September 2014.

"With demand growing further, companies remained relatively upbeat about their prospects and expanded workforces. The future activity and employment indices both rose since April and were among the highest on record.

"With costs continuing to rise sharply but with demand for services growing solidly, firms were bullish on pricing. Average prices charged for services increased at the third-fastest rate on record in May (behind only those seen in April 2014 and April 2024)."

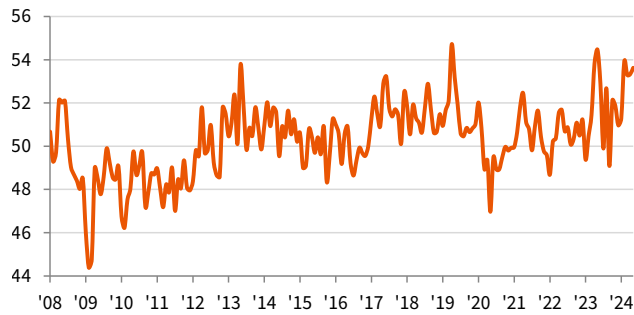


Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.

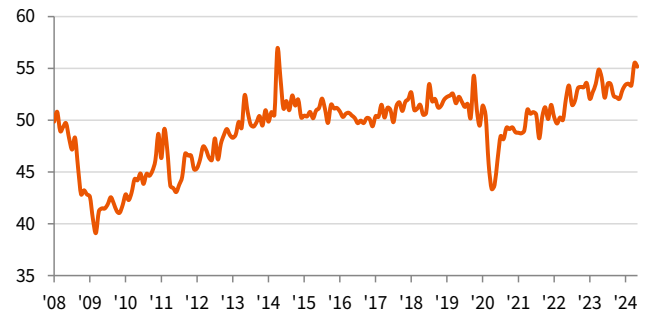


Sources: au Jibun Bank, S&P Global PMI.

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 10-28 May 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](#).