

Embargoed until 0930 JST (0030 UTC) 5 August 2024

au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Renewed growth in service sector in July

Key findings

Both activity and new business return to expansion territory

Strongest rise in outstanding business for three months

Business confidence remains robust

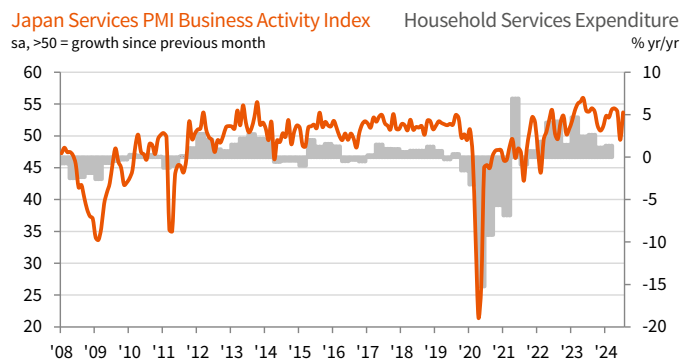
Japan's service economy returned to growth during July, following the slight dip recorded in June. Gains in both total activity and new business were solid amid improved customer numbers and demand conditions. As a result, there were further increases in outstanding business and employment, with growth in the former reaching a three-month high. Cost pressures remained robust at the start of the third quarter and remained well above their respective series averages. Finally, optimism regarding the 12-month outlook for output improved from June and was robust overall.

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.

The headline au Jibun Bank Japan Services Business Activity Index posted 53.7 in July, up from 49.4 in June. This signalled a renewed improvement in activity across the Japanese service sector and one that was solid overall. Firms commonly attributed the uplift to improved demand.

In line with activity, Japanese service providers registered a moderate rise in new business volumes in July. The uptick reversed June's slight fall, and was well above the long-run average. Firms signalled that stronger confidence has boosted



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 11-26 July 2024.

order books and stimulated businesses to expand. In contrast, foreign demand for Japanese services contracted for the first time in 2024 to date, and at the most marked rate since June 2022.

Japanese service providers registered a sustained improvement in employment levels during July. The rate of job creation strengthened from June and was well above the long-run series average. There was also evidence of renewed pressure on capacity at service sector firms, with the level of outstanding business rising for the eighth time in nine months. The rate of accumulation was modest, yet the strongest since April.

Inflationary pressures remained marked at the start of the third quarter. Operating expenses rose for the forty-fourth consecutive month, with inflation reported across a broad range of inputs, including fuel, labour and logistics. Firms looked to pass higher cost burdens on to clients via higher selling prices, with the rate of charge inflation strengthening since June.

Finally, business confidence across the Japanese service sector remained strong in July, as firms hoped that new store openings and client wins would boost order book volumes and customer numbers.

au Jibun Bank Japan Composite PMI®

Renewed growth in private sector output and new orders

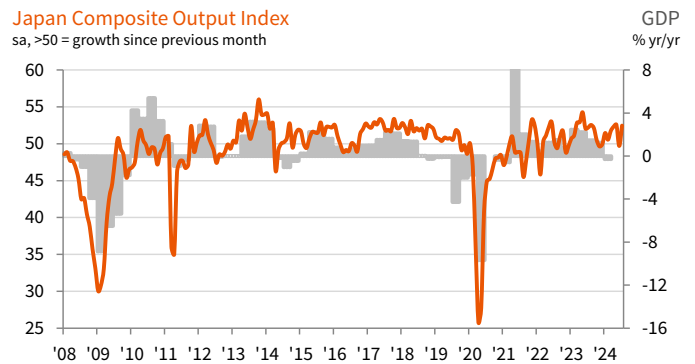
At 52.5 in July, the au Jibun Bank Japan Composite PMI Output Index* rose from 49.7 in June to signal a renewed expansion in the Japanese private sector. The uptick was the sixth in the past seven months, and moderate overall.

Growth was underpinned by a solid expansion in services business activity, while manufacturing production fell back into contraction territory, albeit only fractionally. Concurrently, new business inflows increased, once again led by the services sector.

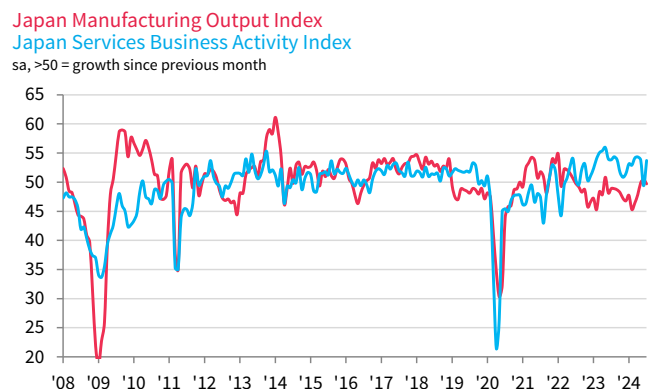
Japanese private sector jobs expanded at the start of the third quarter, with the rate of job creation moderate overall and quickening from that seen in June. At the same time, the level of outstanding business was broadly stable, as a modest increase at services firms was offset by a steep depletion at manufacturers.

Average cost burdens faced by private sector companies increased at a robust pace in July, though the pace of inflation was little-changed from that seen in June. In a bid to protect profit margins, businesses increased their selling prices for the fortieth month in a row.

*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, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

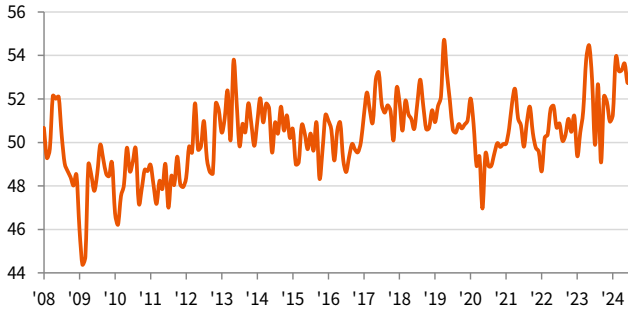
"The Japanese services economy experienced a renewed upswing in growth at the start of the third quarter of 2024 as improved demand conditions and stronger customer numbers combined to raise both output and new orders. Demand appeared limited to the domestic economy though, as new export business fell into decline for the first time this year.

"The near-term outlook for the service sector appears robust, as the level of outstanding business - a bellwether for upcoming work - returned to growth territory, while confidence in the 12-month outlook also remained strong.

"Meanwhile, the output of the combined manufacturing and services sectors expanded at a moderate pace in July, reversing a fractional fall from June. Growth continued to be driven by the service sector, as manufacturers noted a renewed, albeit fractional contraction in production. Japanese private sector companies also mentioned that input price inflation remained stubbornly high and acted as a drag on total output. Firms also were wary that sustained inflationary pressure could remain a key downside risk to the private sector economy over the coming months."

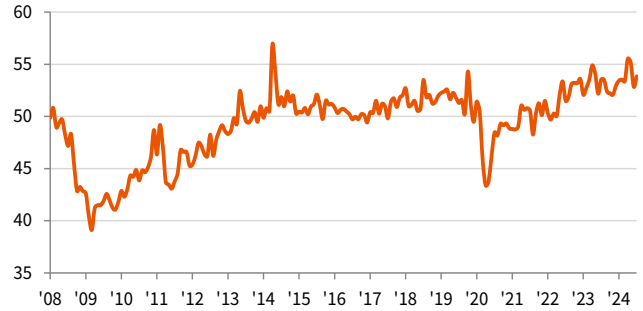
Japan Services Employment Index

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: +81 3 6262 1757
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 11-26 July 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](#).