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au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

Solid growth in business activity sustained in August

Key findings

Further increases in activity and new business

Outstanding work falls at steepest rate since April 2022

Charge inflation eases to nine-month low

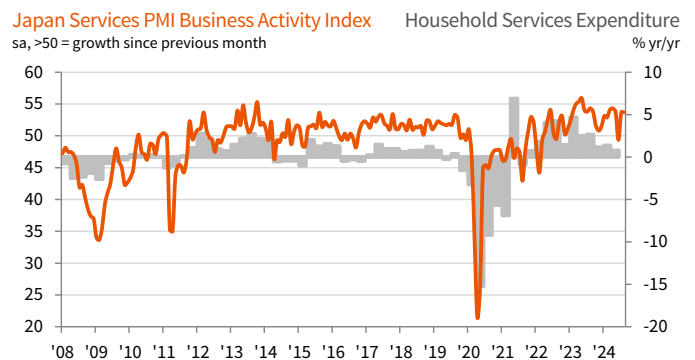
August data pointed to a solid upturn in business activity across the Japanese service sector. The rate of increase was unchanged from that seen in July and was coupled with a sustained, albeit slightly softer rise in new business inflows. Increased capacity and an easing in new order growth allowed firms to work through existing work to the greatest extent in 28 months. Meanwhile, prices charged inflation eased further from April's ten-year high to reach the softest since November 2023, despite a further robust rise in average cost burdens.

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 53.7 in August, the headline au Jibun Bank Japan Services Business Activity Index was unchanged from July and indicative of a solid expansion in activity. Growth has been recorded in 23 of the past 24 months, with the latest increase reflecting improved demand and business expansions.

Total new work increased for the second successive month in August, though the rate of growth eased from that seen in July. Survey respondents typically noted new store openings and improving confidence, notably in domestic markets. Export sales also provided a positive contribution to overall business



Sources: au Jibun Bank, S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. Data were collected 12-27 August 2024.

growth midway through the third quarter, reversing the reduction seen in July.

Service providers added to their payroll numbers for the eleventh consecutive month in August, although the rate of job creation was the slowest since the start of the year. Anecdotal evidence suggested that efforts to fill existing vacancies were partially offset by a number of retiring staff.

Despite further increases in demand, increased productive capacity meant that firms were able to reduce outstanding business for the second time in three months in August. The rate of depletion was modest but the most marked since April 2022.

The latest survey data signalled a strong increase in average cost burdens facing service sector firms. The rate of inflation was little-changed from July and often attributed to higher wage, material and transport costs. Firms opted to partially absorb some of these costs, but prices charged for Japanese services rose at the softest rate since last November.

Service sector companies remained upbeat about their prospects for business activity growth in the next 12 months. The degree of optimism moderated since July to reach the softest since January 2023, but was stronger than the long-run series average.

au Jibun Bank Japan Composite PMI®

Private sector output growth gains momentum in August

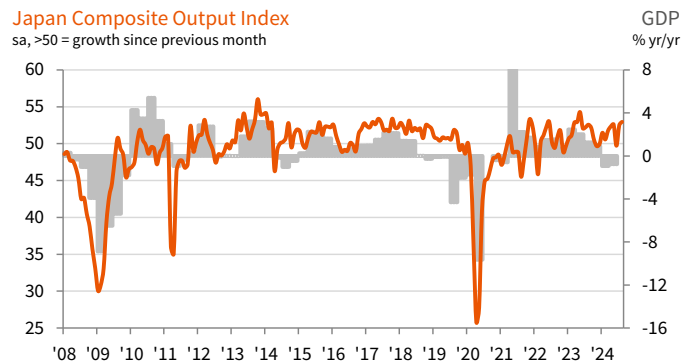
The au Jibun Bank Japan Composite PMI Output Index* registered 52.9 in August, up from 52.5 in July and above the neutral 50.0 threshold for the second successive month. The latest reading was indicative of moderate growth that was the most pronounced since May 2023. Solid growth in the service economy was coupled with the strongest growth in manufacturing output since May 2022.

New business volumes expanded again in August, with the rate of growth edging slightly up on the month. Stronger order books reflected a moderate gain in the service sector, while manufacturers indicated a modest reduction in new work.

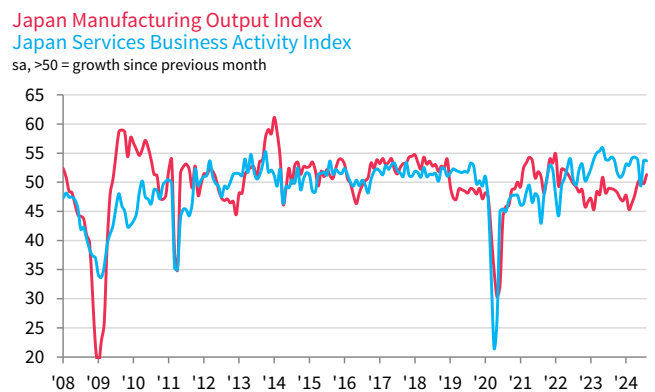
Business activity expectations meanwhile drifted down to the lowest since January 2023. However, the degree of business optimism remained much stronger than the series average, with survey respondents noting hopes of a sustained upturn in the wider economic outlook.

Average prices charged by private sector firms increased at the softest pace since February 2022, as firms looked to keep their prices competitive. This was despite overall input prices rising at a further marked pace during August.

*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.



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Comment

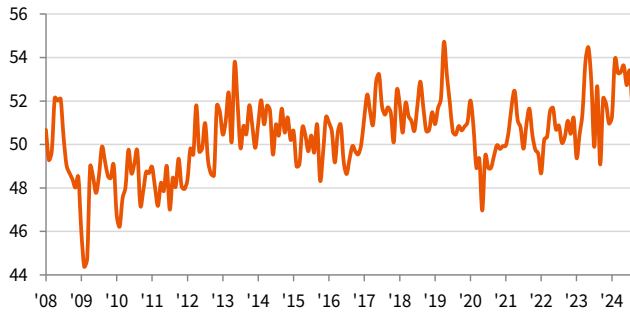
Commenting on the latest survey results, Usamah Bhatti, Economist at S&P Global Market Intelligence, said:

"August data revealed another positive month for the Japanese service sector, with sustained rises in both activity and new business. That said, the rate of growth in activity was unchanged, while new order expansion eased on the month."

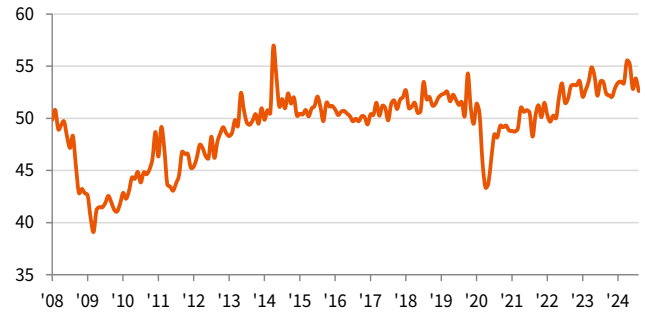
"Positive movements were also recorded on the employment side with an eleventh consecutive monthly increase, while business optimism also remained robust in the latest survey period. That said, both metrics saw the rate of increase ease to seven- and 19-month lows respectively."

"Sustained service sector growth and a renewed expansion in manufacturing output contributed to a stronger improvement in the health of the Japanese private sector economy. The expansion was moderate but the steepest since May 2023. While there was also further growth in new orders, August data revealed that rising output was partly driven by the completion of outstanding business, which fell to the greatest extent in three years. Firms remained confident regarding future output, though the degree of optimism softened further to the lowest since January 2023 amid concern regarding the impact of labour shortages."

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.

Data were collected 12-27 August 2024.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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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