

Embargoed until 0930 JST (0030 UTC) 09 May 2022

## au Jibun Bank Japan Services PMI®

Including au Jibun Bank Japan Composite PMI®

# Service sector returns to expansion territory in April

### Key findings

Activity rises for first time in four months despite falling new orders

Strongest rise in exports in two-and-a-half years

Business optimism strengthens to highest since last November

Data were collected 11-26 April 2022.

The Japanese service sector witnessed a renewed expansion at the start of the second quarter of 2022 as business activity rose for the first time since last December as remaining COVID-19 restrictions were lifted. That said, total demand fell for the third time in four months as the Ukraine war and rise in infections in China held back total new order growth. Positively, firms noted growth in markets outside of China, which prompted the first rise in export sales for four months and at the fastest pace since October 2019. The outlook for business activity also strengthened, with the degree of optimism rising to the highest for five months.

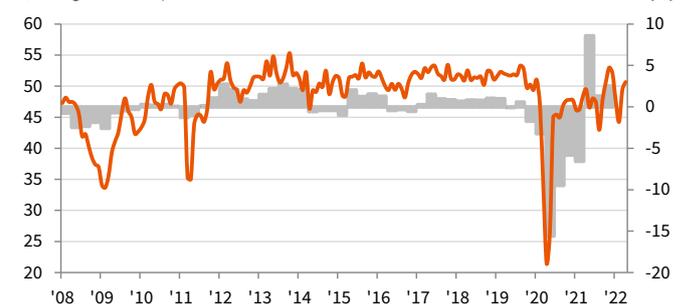
The au Jibun Bank Japan Services PMI® is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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 seasonally adjusted Japan Services Business Activity Index rose from 49.4 in March to 50.7 in April to indicate a renewed, albeit marginal, expansion in business activity. While the lifting of remaining restrictions aided the recovery in activity, stronger growth was held back by uncertainty linked to the Ukraine war, however.

Total new business meanwhile, fell for the third time in four months in April, albeit only marginally. Service providers commonly attributed this to weaker domestic orders amid

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

concerns about the outbreak of war and potential spill-over effects of rising COVID-19 cases in China. Growth in markets outside Asia however, contributed to the first rise in foreign demand for the first time since last December, and at the quickest rate for two-and-a-half years.

Employment levels rose for the third month in succession at the start of the second quarter. Firms commonly noted that additional staff were taken on in anticipation of a stronger recovery in demand. Moreover, the rate of job creation quickened to a seven-month high. At the same time, firms signalled a fresh fall in outstanding business, the third in four months, providing evidence that delayed shipments and material shortages as well as weakening new orders led firms to focus on completing work in hand.

Average cost burdens rose for the seventeenth consecutive month in April. The rate of input cost inflation accelerated from March to the highest since August 2008 and the second-highest in the survey history. Panellists widely attributed the increase to higher raw material and staff costs. That said, prices charged for Japanese services were unchanged from March, as firms looked to protect margins amid higher cost burdens.

Looking forward, Japanese service providers remained confident that activity would expand over the coming year. Sentiment strengthened to a five-month high and was underpinned by hopes that the end of the pandemic would facilitate a broad recovery in demand. That said, concerns were raised regarding the potential impact of rising cases in China and the Ukraine war.

## au Jibun Bank Japan Composite PMI®

### Private sector output rises at quickest pace for four months

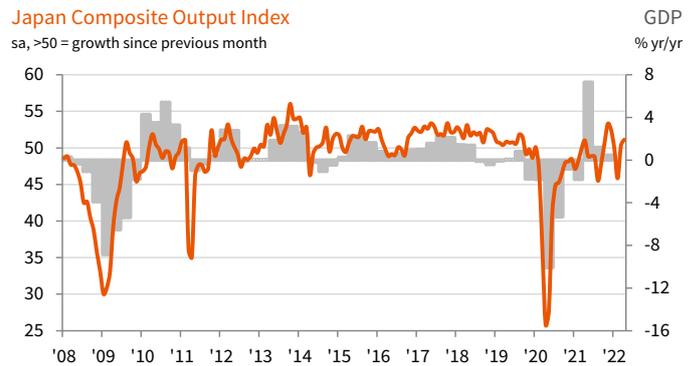
The au Jibun Bank Japan Composite\* PMI Output Index - which measures combined output in the manufacturing and services sectors - rose from 50.3 in March to 51.1 in April to signal a modest expansion in Japanese private sector output. The positive reading was the second in successive months and the strongest recorded since last December. Services firms reported a renewed rise in activity, while manufacturers signalled an unchanged, moderate rate of expansion.

Aggregate new orders stagnated in April, however, amid a renewed fall at service providers and softer growth at manufacturers. As a result, weaker new business inflows eased pressure on private sector capacity and allowed firms to work through outstanding business which fell for the third time in four months.

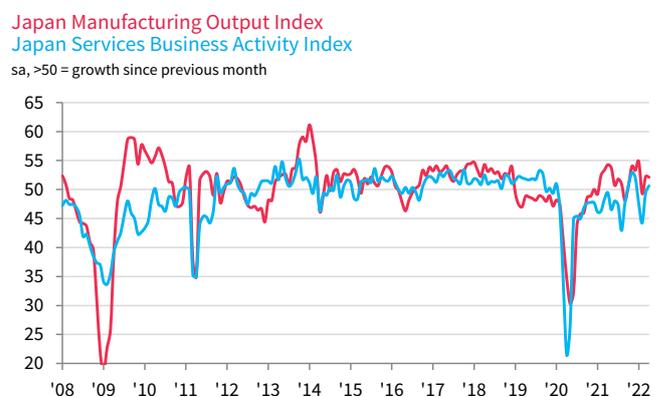
Private sector firms recorded a rise in staffing levels for the fifteenth month running. The rate of job creation quickened from March and was the fastest for seven months, reflecting the strongest rise in workforce numbers at services firms since last September.

Firms reported rapidly increasing cost burdens at the start of the second quarter. Average cost burdens rose at the second-fastest rate in the series history, which contributed to the sharpest rise in output charges since the survey record in April 2014.

*\*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.*



Sources: au Jibun Bank, S&P Global, Cabinet Office Japan.



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### Comment

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

*"Japanese service sector businesses signalled a renewed expansion in business conditions at the start of the second quarter of 2022, as activity rose for the first time in four months. The easing of COVID-19 restrictions allowed customer-facing businesses to operate more freely in April, however concerns about the demand impact of the Ukraine war and rising cases globally filtered through to Japanese service providers, leading to a renewed fall in new orders.*

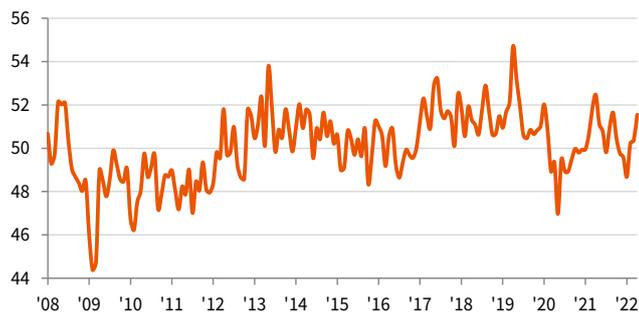
*"This mainly impacted domestic markets as foreign demand for Japanese services rose at the fastest pace since October 2019 amid rising orders, particularly from outside China. Moreover, business optimism rose to the highest for five months.*

*"Overall private sector activity improved at modest pace at the start of the second quarter, following the renewed rise in services activity. Private sector firms commented on a stagnation in new order growth, however, as demand conditions eased at both goods and services firms.*

*"Cost burdens among Japanese private sector firms continued to intensify in April, pushing both input price and output charge inflation to the second-highest levels recorded in the survey history amid sustained material shortages, delivery delays and global price rises. A continuation of these price and supply pressures, alongside an extension of COVID-19 restrictions in China and the Ukraine war were cited as key downside risks to the outlook for the Japanese economy. That said, firms remained strongly optimistic that output would rise over the coming year."*

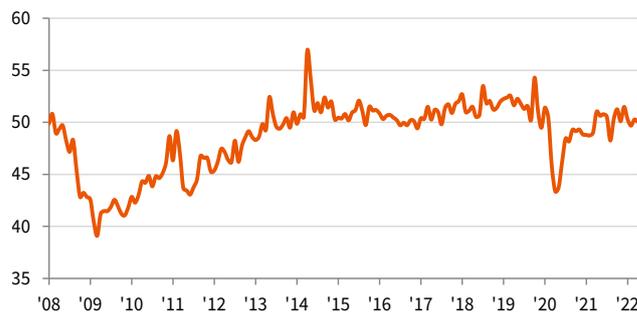
### Japan Services Employment Index

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.

April 2022 data were collected 11-26 April 2022.

### 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.  
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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.

### About S&P Global

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