

Nikkei Japan Services PMI™ (with Composite PMI data)

Solid growth of service sector sustained in April

Key points:

- Activity and new business both increase at solid, but slower, rates
- Employment rises only marginally despite increased workloads
- Slower inflation in both input and output prices signalled

Data collection 11- 25 April

Growth of Japan's service sector was sustained during April, with activity, new business and employment all continuing to rise. However, in each case, rates of expansion were softer than those seen during March. Companies nonetheless retained a positive outlook, with activity expected to rise over the coming year.

Despite reports of increased labour costs, latest data showed input prices rising only modestly in April. Meanwhile, output charges were increased at only a marginal pace.

The headline seasonally adjusted **Business Activity Index** recorded a level of 52.2 in April. That was down from 52.9 in March, but indicative of solid growth nonetheless. Activity has now risen for seven months in succession.

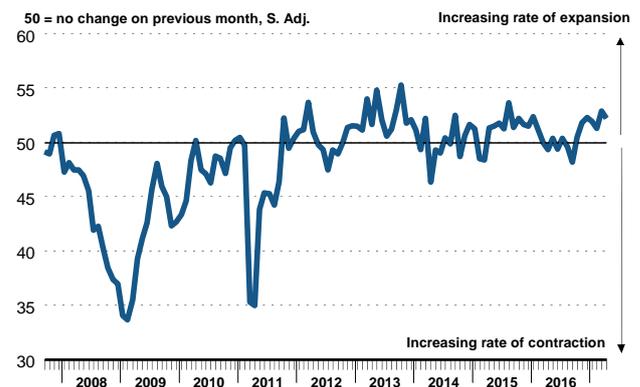
Meanwhile, Japanese manufacturers indicated a stronger rate of growth in output during April. However, this was insufficient to prevent a fall in the **Nikkei Composite Output Index** to 52.6 from March's 19-month high of 52.9.

Higher service sector activity was again reported to have been underpinned by greater volumes of new work, which rose at a similarly solid pace to activity during April. The trend in new business growth remained downward, however, registering its lowest level for five months. Panellists indicated success in securing new clients and increased construction activity as reasons for sales wins.

A similar-sized increase in manufacturing new orders was recorded during April, although growth here was also the slowest seen for five months.

With new work continuing to rise, service sector capacity was under some pressure in April as highlighted by a further increase in backlogs of work.

Nikkei Japan Services PMI



Sources: Nikkei, IHS Markit

Modest growth in overall workloads subsequently encouraged service providers to take on additional staff. Employment levels rose in April for the fourth month in a row, although the rate of growth was marginal and the lowest in the current sequence of expansion.

Price indicators revealed a weakening of inflationary pressures in the service sector during April. Operating expenses continued to increase, but at a relatively modest pace that was the lowest recorded for six months. Those firms that recorded input cost inflation signalled higher food prices and increased employee expenses.

Meanwhile, output charges rose only slightly during the month. Whereas companies sought to protect their margins from increased operating costs, competitive pressures served to restrict pricing power.

Manufacturers continued to indicate much a stronger increase in input costs than service providers during April. The rate of input price inflation in manufacturing was the greatest recorded for 28 months. This also led to output charges rising to a greater degree in the manufacturing sector.

Finally, Japanese service providers retained a positive outlook during April. Confidence regarding activity in one year's time was only slightly lower than March's 19-month high. Panellists indicated hopes for a wider economic upturn and associated rises in demand.

Comment:

Commenting on the Japanese Services PMI survey data, **Paul Smith**, Senior Economist at IHS Markit, which compiles the survey, said:

“April’s survey data indicated a slightly softer rate of service sector expansion, although with manufacturers indicating faster growth over the month, overall economic output is rising at a similar pace to that seen over the first three months of the year.

“However, a slightly softer trend in new business suggests that Q2 overall may not be quite as strong as the first quarter, but with jobs being created and confidence in the future sustained, the fundamentals for ongoing expansion remain in place.”

-Ends-

Nikkei Japan Services PMI™ is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately three million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

The Nikkei marks its 140th anniversary this year. Since our founding in 1876 as the Chugai Bukka Shimpō (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately three million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

ASIAN REVIEW <http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more

MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Paul Smith, Senior Economist
Telephone 44 1491 461 038
Email paul.smith@ihsmarkit.com

Bernard Aw, Economist
Telephone 65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone 65 6922 4239
E-mail jerrine.chia@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone 81 3 6256 7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei Japan Services *PMI*[™] is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The Nikkei Japan Composite *PMI*[™] is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Japanese manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The *Purchasing Managers' Index*[™] (*PMI*[™]) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. *PMI* surveys are the *first* indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact economics@ihsmarkit.com.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for over 30 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. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Nikkei Japan Services *PMI*[™] provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit 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 IHS Markit 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 trade marks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#).