

# Nikkei Japan Services PMI<sup>®</sup> (with Composite PMI data)

## Activity rises at quickest pace in six months

### Key points:

- Stronger improvement in demand supports output growth
- Output price inflation accelerates, despite softer cost pressures
- Business confidence eases to seven-month low

Data collection 12-25 April

Growth in the Japanese service economy picked up at the start of the second quarter, supported by greater staffing levels and a solid rise in order book volumes. That said, although backlogs of work were accumulated to a greater extent, signalling plentiful workloads, business optimism towards future output eased.

Nevertheless, firms raised output prices to a stronger degree, despite a slower rate of input cost inflation.

The headline index from the survey - the seasonally adjusted **Business Activity Index** - increased to 52.5 in April, from 50.9 in March, to signal a sharper rate of expansion in service sector output. Although the increase was only moderate in size, it was the greatest observed since October 2017.

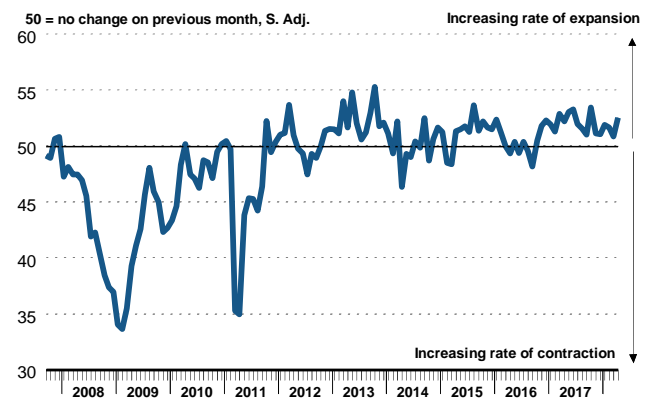
Likewise, an accelerated pace of output growth was observed in the Japanese goods producing sector. In turn, the **Nikkei Composite Output Index** increased to 53.1 in April, from 51.3 in March.

A nineteenth consecutive monthly expansion in output was reportedly underpinned by increased employment and a stronger influx of new work. New business placed with Japanese service providers rose at the fastest pace in five months. Greater order book volumes were linked to positive economic conditions and new client acquisitions.

New orders placed at Japanese manufacturers also rose at a sharper pace in April, with panellists attributing the increase to new product launches.

In line with greater workloads, a rise in employment was observed across the service sector in April. Although the rate of job creation softened and was only mild overall, additional staff have been recruited in each survey period since January 2017.

### Nikkei Japan Services PMI



Sources: Nikkei, IHS Markit

That said, the rise in workforce numbers did not prevent a further build-up of capacity pressures. The rate of backlog accumulation, albeit modest, quickened on that seen in March.

Manufacturing firms also expanded operating capacity by hiring new staff during April. However, unlike their service sector counterparts, they created new jobs at a quickened pace.

The upturn in demand encouraged Japanese service providers to raise output prices in April. The rate of inflation accelerated for a second successive survey period, with panellists associating hikes in selling charges to increased costs.

According to anecdotal evidence, operating expenses in the Japanese service sector were driven higher by greater shipping costs and higher wages. That said, the extent of the rise in input prices softened noticeably to an eight-month low in April.

Prices paid for inputs by manufacturers increased sharply in April; however the rate of inflation eased slightly. In response, factory gate charges were hiked, albeit to a slower extent.

Despite improved demand and output growth, business confidence, albeit positive overall, weakened to the lowest level since September 2017. Nonetheless, the degree of optimism was firmly above the historic average of the series. Planned new store openings and projections of

economic growth were cited as reasons underpinning positive sentiment.

## Comment:

Commenting on the Japanese Services PMI survey data, **Joe Hayes**, Economist at IHS Markit, which compiles the survey, said:

*“Following successive months of softening output growth through February and March, Japan’s service sector started the second quarter by gathering some momentum. The fastest rise in business activity for six months was supported by another monthly expansion in employment and a solid improvement in demand.*

*“However, business confidence regarding future activity weakened to a seven-month low despite the stronger inflow of new work and rise in backlogs. Panellists noted that increased competition and rising labour shortages may impact output potential over the coming 12 months.*

*“Nevertheless, businesses raised their selling charges to a greater extent in April, even with a weakened rate of input price inflation. Indeed, stronger output price hikes, in the wake of weaker cost pressures, signals confidence in the purchasing power of service sector clients.”*

-Ends-

## Nikkei Japan Services PMI<sup>®</sup> is sponsored by **NIKKEI**

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

Since our founding in 1876 as the Chugai Bukka Shimpo (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 two and a half 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 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved 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/>

## NIKKEI 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 if the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

**For further information, please contact:**



### 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

### IHS Markit (About PMI and its comment)

Joe Hayes, Economist  
Telephone 44 1491 461 006  
Email [joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone 65 6922 4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@ihsmarkit.com)

Bernard Aw, Principal Economist  
Telephone 65 6922 4226  
E-mail [bernard.aw@ihsmarkit.com](mailto:bernard.aw@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](mailto:koho@nex.nikkei.co.jp)

### Notes to Editors:

The Nikkei Japan Services *PMI*<sup>®</sup> 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*<sup>®</sup> 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*<sup>™</sup> (*PMI*<sup>®</sup>) 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.

IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### About IHS Markit ([www.ihsmarkit.com](http://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 © 2018 IHS Markit Ltd. All rights reserved.

### About PMI

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>®</sup>) 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. To learn more go to <https://ihsmarkit.com/products/pmi.html>

The intellectual property rights to the Nikkei Japan Services *PMI*<sup>®</sup> 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*<sup>™</sup> and *PMI*<sup>®</sup> 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](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).