

S&P Global Flash Japan PMI[®]

Fresh increase in new orders supports further rise in business activity in December

December 2025

Flash Japan Composite PMI Output Index: 51.5
(November: 52.0)

Flash Japan Services PMI Business Activity Index: 52.5 (November: 53.2)

Flash Japan Manufacturing PMI: 49.7 (November: 48.7)

Flash Japan Manufacturing PMI Output Index: 49.4
(November: 49.7)

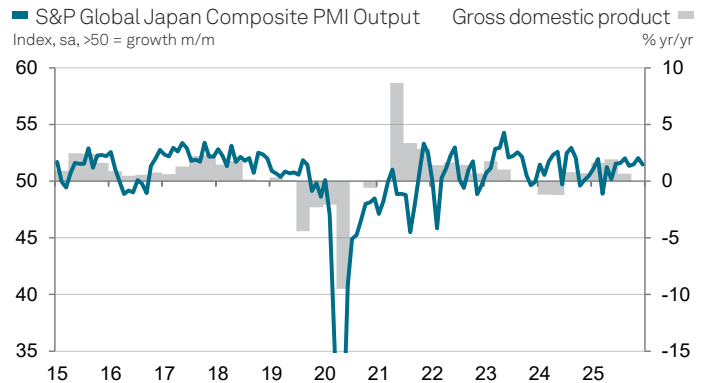
Business activity continued to increase modestly across Japan's private sector at the end of 2025, according to the latest Flash PMI[®] data, compiled by S&P Global. The sustained upturn in output was accompanied by a renewed rise in new business, which occurred despite a further reduction in new export work. Improved demand conditions also supported a quicker increase in workforce numbers. Stronger cost pressures were recorded, however, which in turn led to a solid rise in selling prices.

At 51.5 in December, the headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** slipped from a three-month high of 52.0 in November, but posted above the crucial 50.0 no-change value for the ninth successive month. The figure was consistent with a further modest expansion of overall business activity, with the rate of growth quicker than the post-pandemic average.

Data split by sector indicated that a slightly quicker, but still marginal, decline in manufacturing output and a slower increase in services activity weighed on the headline index reading in December.

New orders also expanded at the composite level at the end of 2025, following a two-month period of decline. Though only slight, the rate of growth was the best recorded since August. This was driven by firmer demand across the service sector, where new business increased at a fractionally quicker pace. The downturn in manufacturing sales did ease, however, with demand for goods falling at the slowest rate in a year-and-a-half. Composite new export orders meanwhile declined again, which reflected a solid reduction in external demand for manufactured goods, as service providers registered a fractional improvement in overseas sales.

Amid signs of firmer overall demand conditions, companies added to their payroll numbers again in December. Notably, overall employment increased at a solid pace that was the quickest since May 2024. This was supported by stronger



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Data were collected 4-12 December 2025.

Comment

Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence:

"Japan's private sector had a strong end to the year, with a further expansion of output accompanied by a fresh increase in overall new business. Furthermore, companies added to their staffing levels at the quickest pace in over a year-and-a-half as they responded to stronger demand conditions."

"Growth remains centred on the service sector, however, as manufacturing production and sales weakened further. That said, the latest drop in demand for goods was the softest seen for 18 months, hinting that the sector could be moving towards more stable conditions."

"Businesses were less confident of growth over the course of 2026, however, with optimism falling among manufacturers in particular. New work from abroad also remained subdued, which added to firms' concerns for the coming months. Companies also expressed worries over costs, with the latest survey signalling the quickest rise in input prices since April. Businesses reacted to these strong cost pressures by raising their own charges and at a solid pace."

rates of job creation across both the manufacturing and service sectors.

Although headcounts increased again, outstanding business at the composite level expanded at the fastest rate for two-and-a-half years. This was driven by a steeper accumulation of backlogs at services companies. Nevertheless, manufacturers registered the softest reduction in unfinished work for 18 months.

Japanese firms anticipated a further expansion of output over the course of 2026. However, the degree of optimism slipped from November, which was largely due to reduced confidence amongst goods producers. Upbeat forecasts were generally linked to expectations of stronger client demand, new product releases and planned expansions into new markets. However, global economic uncertainty, an ageing population and rising costs were all cited as threats to the outlook.

The latest survey pointed to a further substantial increase in average operating expenses, with the rate of inflation the most pronounced in eight months. Historically marked increases were seen across both the manufacturing and service sectors. As a result, companies raised their own selling prices again at the end of the year, with solid rates of charge inflation signalled for both goods and services.

Methodology

Final December data are published on 5 January for manufacturing and 7 January for services and composite indicators.

The S&P Global Flash Japan PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services 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.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

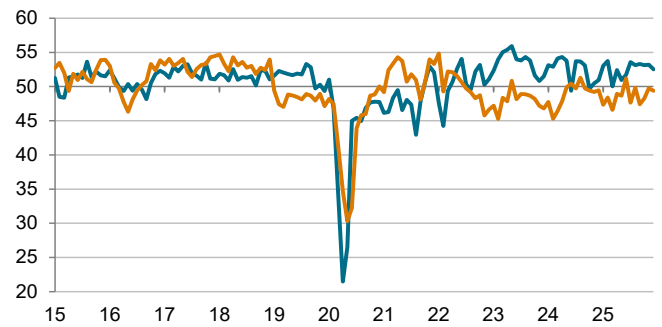
The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

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■ Services PMI Business Activity Index, sa, >50 = growth m/m ■ Manufacturing PMI Output



Source: S&P Global PMI. ©2025 S&P Global.

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Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.5)

Services Business Activity Index = 0.2 (absolute difference 0.7)

Manufacturing PMI = 0.1 (absolute difference 0.3)

S&P Global 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 S&P Global.

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

S&P Global

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