

S&P Global Flash Japan PMI[®]

Japanese private sector growth slips to five-month low in May as cost pressures surge

May 2026

Flash Japan Composite PMI Output Index: 51.1 (April: 52.2)

Flash Japan Services PMI Business Activity Index: 50.0 (April: 51.0)

Flash Japan Manufacturing PMI: 54.5 (April: 55.1)

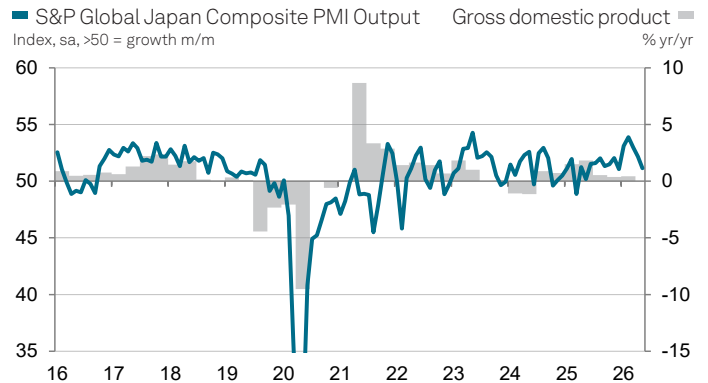
Flash Japan Manufacturing PMI Output Index: 54.1 (April: 55.1)

Overall private sector business activity across Japan expanded at the softest pace in five months in May, according to the latest S&P Global Flash PMI[®] data. Notably, the upturn was driven solely by the manufacturing sector, as services activity stagnated for the first time in over a year. The sustained rise in manufacturing output was partly attributed to stockpiling, as the war in the Middle East continued to heavily impact supply chains and prices. In fact, average input costs at the composite level rose to the greatest extent since October 2022, leading to the sharpest increase in selling prices on record. Business confidence around the one-year outlook for output remained subdued due to ongoing geopolitical uncertainty.

The headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** fell from 52.2 in April to 51.1 in May, to signal a sustained increase in overall Japanese private sector activity. Total output has now expanded in each of the past 14 months. However, the latest increase was the slowest recorded in 2026 to date and only modest. Sector data highlighted that the upturn was driven by the manufacturing industry, as services activity stagnated following a 13-month period of growth. Notably, goods producers signalled a solid rate of increase, with the pace of expansion easing only slightly from April's 12-year record.

Total new business also expanded at the softest pace in five months and modestly overall. This reflected weaker upturns in new orders across both the manufacturing and service sectors, with the latter seeing the slower rate of growth. New export business at the composite level meanwhile rose only slightly, as a modest improvement in external demand for Japanese goods helped to offset a marked fall in overseas sales across the service sector.

Private sector companies across Japan continued to report intense cost pressures in May. Furthermore, overall input costs rose at a substantial pace that was the quickest since late-2022. This was commonly linked to the impact of the Middle East war on prices due to supply disruption and subsequent



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Data were collected 11-19 May 2026.

Comment

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

"The latest Flash PMI data for Japan pointed to a further easing of growth momentum across the private sector during May. Notably, the latest upturn in output was driven entirely by manufacturing, as services activity stagnated following a 13-month sequence of growth."

"The sustained rise in manufacturing production (and sales) was partly supported by stockpiling efforts, as the war in the Middle East continued to impact product availability and drive up prices. Even so, the rate of manufacturing output growth softened only slightly from April's more than 12-year record."

"At the same time, prices data painted an increasingly concerning picture for Japanese businesses. Overall, costs rose at the sharpest pace in three-and-a-half years, while selling price inflation quickened to a fresh survey high."

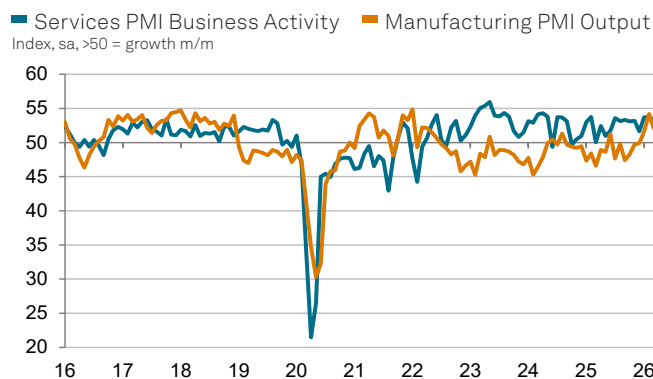
"Taken altogether, the PMI data suggest a relatively strong, manufacturing-led expansion in Q2 so far, but one that lost momentum in May. If cost pressures continue to mount and demand softens, business confidence and the broader economy could come under greater strain in the months ahead."

raw material shortages. Manufacturers recorded a more pronounced increase in costs than services companies.

In response to rising expenses, Japanese companies increased their own selling prices again in May. Furthermore, when measured across both goods and services, the rate of charge inflation was the sharpest recorded in nearly 19 years of data collection. That said, the pace of increase remained slower than that seen for input costs.

Businesses across Japan continued to add to their workforce numbers during May, but the rate of job creation slipped to a seven-month low and was modest overall. At the same time, outstanding workloads increased at a faster, but still mild pace. Underlying data indicated that backlogs increased at a quicker pace across the manufacturing sector than the services industry, which was partly linked to a combination of higher sales and supplier shortages.

When accessing the one-year outlook for output, Japanese private sector firms were generally upbeat in May, with overall optimism edging up to a three-month high. However, expectations remained historically subdued, with firms often expressing ongoing concerns over the war in the Middle East and the impact on supply chains and inflation.



Source: S&P Global PMI. ©2026 S&P Global.

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Methodology

Final May data are published on 1 June for manufacturing and 3 June 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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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.

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PMI by S&P Global

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