

# S&P Global Flash Japan PMI<sup>®</sup>

## Overall business activity expands at quickest pace in six months

### August 2025

Flash Japan Composite PMI Output Index: 51.9  
(July: 51.6)

Flash Japan Services PMI Business Activity Index: 52.7 (July: 53.6)

Flash Japan Manufacturing PMI: 49.9 (July: 48.9)

Flash Japan Manufacturing PMI Output Index: 50.5 (July: 47.6)

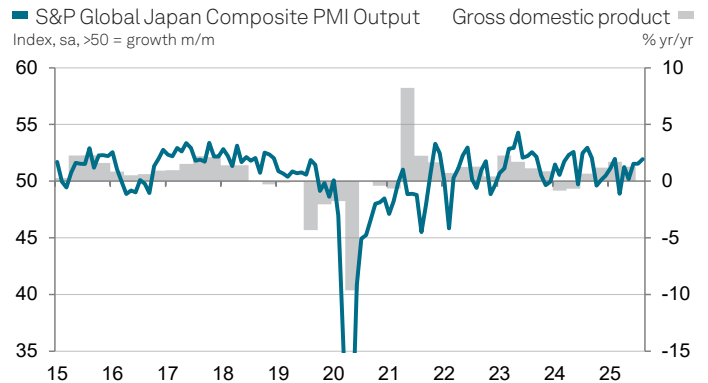
Business activity across Japan's private sector expanded at the fastest rate since February midway through the third quarter, according to the August Flash PMI<sup>®</sup> survey data. The upturn was supported by a fresh increase in factory production alongside a further solid rise in activity at service providers. Total new business also expanded at the quickest rate in six months, though this was driven solely by the service sector. New export business fell at a steeper rate, however, and employment continued to expand only slightly. Cost pressures meanwhile intensified, with average input prices rising at a sharp and accelerated pace in August. However, selling price inflation slipped to the lowest since October 2024.

The headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** increased from 51.6 in July to 51.9 in August and pointed to an increase in total private sector activity for the fifth successive month. Though modest, the rate of expansion was the best recorded since February.

Underlying data indicated that the upturn was broad-based by sector and led by the service industry. Manufacturing production increased slightly for the second time in three months, albeit marginally, while services companies recorded a softer, but still solid rate of activity growth. Higher output was generally linked to improved client demand and increased amounts of new work.

At the composite level, new business expanded at a modest pace that was the steepest in six months. This was solely driven by the service sector, however, as new work fell across manufacturing companies (albeit at a slower rate than in July). Foreign demand for Japanese goods and services meanwhile declined for the fifth month in a row, with both factories and service providers noting a solid drop in new export work.

Average input prices faced by private sector firms in Japan increased at a sharp and accelerated rate in August. That said, the rate of growth remained softer than the average



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.  
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Data were collected 07-19 August 2025.

### Comment

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

*"The latest Flash PMI data for Japan signalled that growth momentum picked up across the private sector in August, with output rising at the fastest rate in six months. Encouragingly, the upturn was broad-based, with a fresh rise in factory production accompanying a further strong increase in services activity."*

*"However, while new business continued to rise across the service industry, manufacturers recorded a further drop in overall sales in August. This suggests the recovery in manufacturing output may be hard to sustain unless we see an improvement in sales in the near-term. Furthermore, both goods producers and services companies recorded lower foreign demand during August, to suggest that growth is currently being largely fuelled by domestic demand."*

*"At the same time, Japanese businesses reported sharply rising costs, with the rate of inflation picking up from July's multi-year low. However, panel members reported that intense market competition and requests from clients for discounts had dampened overall pricing power. Notably, selling prices increased at the softest rate since last October, to suggest a stronger squeeze on operating margins."*

seen over the first half of 2025. Sector data highlighted that services companies continued to register a steeper pace of cost inflation than manufacturers. Firms attributed higher operating expenses to a variety of factors, most notably greater prices for raw materials, labour, fuel and transport.

Although businesses across Japan reported stronger cost pressures, the rate of selling price inflation eased for the second straight month in August. Though solid, the latest increase in output charges was the least pronounced since October 2024. There were reports that firms' pricing power was limited due to increased market competition.

Companies maintained a cautious approach to employment, with staffing levels rising only slightly again in August. At the same time, there were signs of capacity pressures building across the private sector, with overall backlogs of work rising at a faster pace. Though marginal, the latest increase in unfinished workloads was the quickest since June 2023.

Finally, when assessing the one-year outlook for output, Japanese companies were generally upbeat in August. The level of optimism was strong and slightly above that seen in July. However, overall sentiment remained below the survey's long-run average.

## Methodology

Final August data are published on 1 September for manufacturing and 3 September 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.

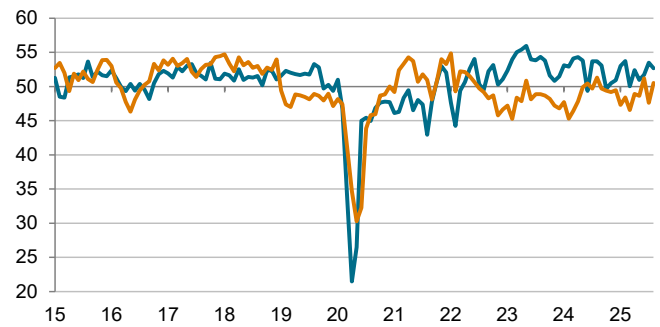
The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It 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 Index, sa, >50 = growth m/m



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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](mailto:economics@spglobal.com).

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