

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

## Service sector growth remains solid in August

### August 2025

Solid increase in activity as new order growth strengthens

Sharper rise in input costs

Staffing levels fall for first time in nearly two years

Companies across Japan's service sector saw a further solid increase in business activity in August, according to latest PMI<sup>®</sup> data. The sustained rise in output was underpinned by a similarly strong upturn in overall new business. However, companies signalled a slight reduction in staffing levels for the first time in nearly two years amid stronger cost pressures.

The S&P Global Japan Services PMI is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

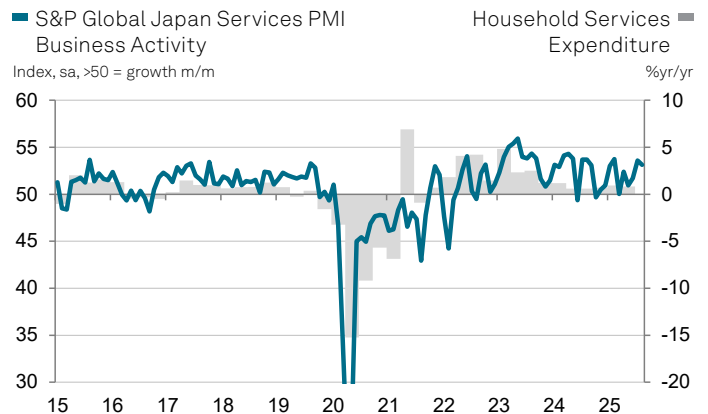
The headline figure is the Services Business Activity Index, which tracks changes in the volume of business activity compared with one month previously. A reading above 50.0 indicates an overall increase compared to the previous month, and below 50.0 an overall decrease.

At 53.1 in August, the headline Japan Services Business Activity Index slipped from July's five-month high of 53.6 but remained comfortably above the neutral 50.0 level to signal an expansion of output for the fifth straight month. Despite easing from July, the rate of growth remained solid and was among the quickest seen over the past year.

Transport & Storage companies recorded the strongest performance of all five monitored sub-sectors, followed by Information & Communication firms. Real Estate & Business Services firms meanwhile signalled the weakest rise in business activity.

The sustained and strong rise in overall services activity was widely linked to higher amounts of new business, which also expanded solidly in August. Notably, total new orders increased at the steepest pace since February. This was despite a further decline in foreign demand for Japanese services, which contracted at the quickest pace in over three years.

Although activity levels and new orders continued to rise, firms took a cautious approach to staffing levels in August. After stagnating in July, workforce numbers fell slightly in August, marking the first reduction since September 2023. A combination of rising workloads and reduced payroll numbers led to a further



Data were collected 7-26 August 2025.  
Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.  
© 2025 S&P Global.

### Comment

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

"The latest PMI data indicated that growth momentum remained strong across Japan's service sector in August, with firms signalling solid increases in activity and new orders. However, the data also suggests that the upturn was largely driven by stronger domestic demand, as new export business declined again.

"At the same time, price pressures picked up in August, while greater competition between firms restricted overall pricing power, suggesting a tighter squeeze on operating margins.

"Employment is also an area of growing concern, with services companies reporting the first reduction in headcounts for nearly two years, which led to a quicker increase in backlogs of work.

"Overall, another solid increase in service sector activity offset a subdued manufacturing sector performance and drove the strongest rise in overall Japanese private sector output for six months, to suggest a stronger GDP performance in Q3 so far."

accumulation of backlogged work, which increased at the steepest pace in over two years.

Average input costs continued to rise sharply in August, with the rate of inflation picking up from July's 17-month low. However, efforts to boost competitiveness and attract new business restricted overall pricing power, with prices charged by services firms increasing at the softest pace since last October.

Businesses were upbeat when assessing the 12-month outlook for activity in August. The degree of optimism picked up from July's three-month low and was strong overall, linked in part to planned company expansions and hopes for stronger customer demand both at home and overseas.

## S&P Global Japan Composite PMI®

Overall business activity expands at quicker pace in August

The S&P Global Japan Composite PMI Output Index increased from 51.6 in July to 52.0 in August to point to a stronger rise in total private sector output in Japan. Thought modest, the rate of expansion was the quickest seen since February, and extended the current period of growth to five months. The upturn was driven by a solid rise in services activity, as factory output declined fractionally.

Total new business also rose at the quickest pace in six months, albeit marginally overall. However, a broad-based drop in external demand led to a solid reduction in new export orders. Composite employment, meanwhile, continued to increase, though only slightly. Average input costs rose sharply in August. That said, the rate of inflation was the second-slowest seen over the past 18 months. Prices charged meanwhile eased to an 11-month low.

## Methodology

The S&P Global Japan Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in September 2007.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey 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.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services 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 figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

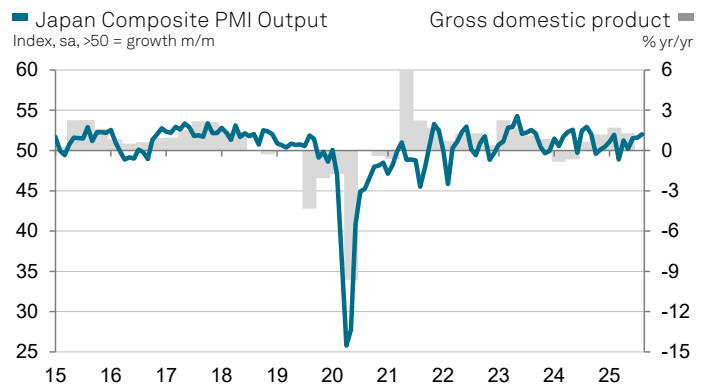
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

## Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global 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 S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence. © 2025 S&P Global.

## Contact

Annabel Fiddes  
Economics Associate Director  
S&P Global Market Intelligence  
T: +44-1491-461-010  
[annabel.fiddes@spglobal.com](mailto:annabel.fiddes@spglobal.com)

Corporate Communications  
S&P Global Market Intelligence  
[press.mi@spglobal.com](mailto:press.mi@spglobal.com)

If you prefer not to receive news releases from S&P Global, please email [press.mi@spglobal.com](mailto:press.mi@spglobal.com). To read our privacy policy, click [here](#).

## S&P Global

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today. [www.spglobal.com](http://www.spglobal.com)

## PMI by S&P Global

Purchasing Managers' Index™ (PMI®) 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. [www.spglobal.com/marketintelligence/en/mi/products/pmi](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)