

S&P Global Flash Japan PMI[®]

Private sector output increases at softest rate since May

September 2025

Flash Japan Composite PMI Output Index: 51.1
(August: 52.0)

Flash Japan Services PMI Business Activity Index: 53.0 (August: 53.1)

Flash Japan Manufacturing PMI: 48.4 (August: 49.7)

Flash Japan Manufacturing PMI Output Index: 47.3
(August: 49.8)

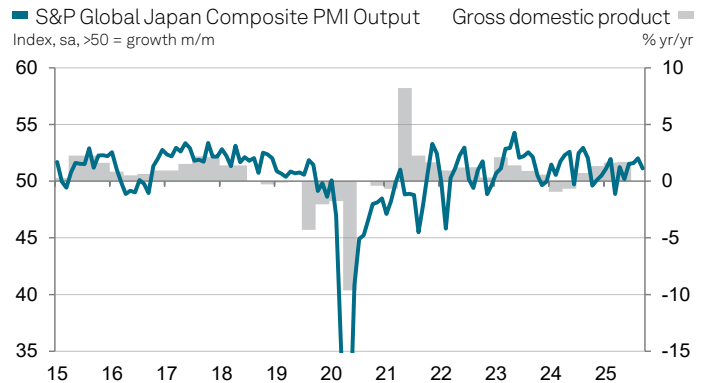
Latest Flash PMI[®] survey data signalled a further expansion of business activity across Japan's private sector in September, but the rate of growth was the slowest recorded in four months. Trends diverged by sector, with a further strong rise in service sector activity contrasting with a steeper reduction in manufacturing production. At the composite level, overall new work increased at a slower and only marginal rate, and new export business continued to decline. Employment meanwhile expanded at the weakest rate in two years amid relatively subdued business confidence and historically strong cost pressures.

The headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** slipped from a six-month high of 52.0 in August to 51.1 in September. Although still above the crucial 50.0 value that separates growth from contraction, the latest reading was consistent with a marginal rate of expansion that was the softest since May.

Data broken down by sector indicated that the overall increase in business activity was driven by a further solid rise in service sector output, with the rate of growth easing only fractionally from August. However, the downturn in manufacturing production gathered pace, with factories reporting the quickest reduction in output since March amid reports of subdued sales and cautious inventory policies.

The overall amount of new work received by Japanese private sector firms likewise increased at a softer pace at the end of the third quarter. Total new business rose marginally overall, which was also driven by a further solid gain in new orders at services companies, as factories recorded a steeper decline in new work. New export business meanwhile declined for the sixth month in a row, with both manufacturers and service providers noting lower demand from overseas.

Private sector employment across Japan increased only slightly in September, with the rate of growth the slowest seen over the current two-year period of job creation. A slight rise in



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Data were collected 10-19 September 2025.

Comment

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

"Flash PMI data revealed that Japan's private sector lost momentum in September, with overall output expanding at the softest pace in four months. The surveys suggest that the service sector remains a key growth engine, and saw a further solid increase in activity, which helped to offset a deepening downturn across the manufacturing sector.

"Demand trends also diverged, with services companies enjoying another solid increase in sales, while manufacturers recorded the quickest drop in new orders since April. The latter was linked by some firms to cautious inventory policies among clients amid challenging market conditions. The data also indicated that any improvements in new work were largely driven by stronger domestic demand, as both service providers and factories recorded lower amounts of new export business.

"Cost pressures remain a key concern, and while the rate of input cost inflation has eased since the start of the year, the respective index remains consistent with a sharp rate of inflation overall. This translated into a further solid increase in selling prices as firms looked to ease pressure on their margins. At the same time, firms looked more reluctant to expand their staffing levels, with employment rising at the slowest pace in two years in September."

headcounts at services companies helped to offset a renewed decline in factory staff numbers. At the same time, there was a slower increase in outstanding business at the composite level.

Companies signalled a further sharp increase in average input costs during September. That said, the rate of inflation eased from August and was below the average recorded in 2025 to date. Underlying data indicated that cost pressures remained more acute among service providers than manufacturers. According to panel members, higher labour, raw material and fuel costs were all key drivers of inflation.

Japanese firms looked to partially pass on any increases in expenses by raising their average selling prices again in September. The pace of charge inflation quickened slightly from August and was solid, with both manufacturers and service providers increasing their output prices.

The latest survey indicated that companies remained upbeat that business activity will rise from current levels over the next year. However, the overall degree of positive sentiment remained below the historical average and was among the lowest recorded since the COVID-19 pandemic. While expectations strengthened slightly at services firms, manufacturers expressed weaker confidence.

Methodology

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

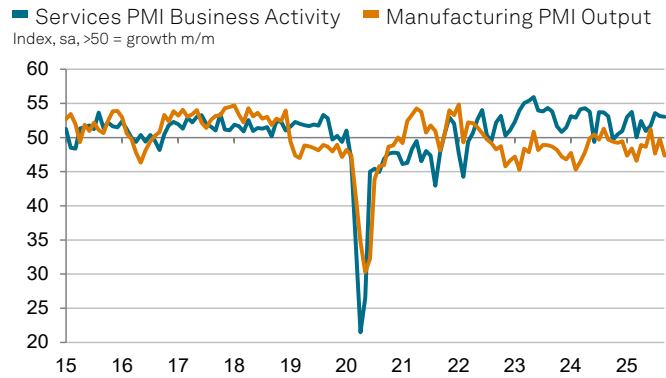
The headline manufacturing figure is the Manufacturing Purchasing Managers' Index™ (PMI®). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers'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