

S&P Global Japan Services PMI[®]

Japan's service sector expands at slower rate in December

December 2025

Business activity increases at softest pace since May

New order growth slows, despite fresh increase in new export work

Staff numbers rise at quickest rate in over two-and-a-half years

Latest PMI data signalled a loss of growth momentum across Japan's service sector as 2025 drew to a close, with both business activity and new orders expanding at slower rates in December. Nevertheless, business confidence remained strong, and companies added to their staffing levels at a solid pace. Input costs continued to rise sharply, however, which led to another marked increase in output charges.

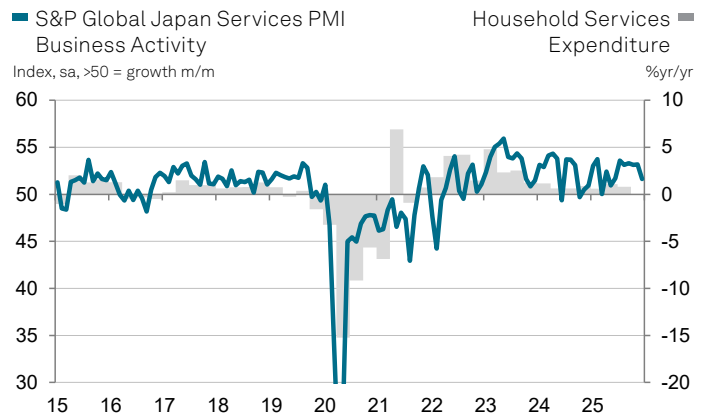
The S&P Global Japan Services PMI is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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.

Business activity across Japan's service sector continued to increase in December, thereby stretching the current sequence of expansion to nine months. However, the headline index slipped from 53.2 in November to 51.6, to signal a modest rate of growth that was the slowest seen since May. Sector data indicated that the upturn continued to be led by Finance & Insurance firms, which saw the steepest rise in business activity of all five monitored sub-industries.

New orders, likewise, increased at a slower and only mild rate at the end of 2025. While some panel members commented on improved customer numbers and new projects, others indicated that demand conditions were relatively subdued. The slowdown in total new order growth occurred despite a renewed increase in new export business. Though marginal, it was the first upturn in foreign demand for Japanese services since June.

Encouragingly, staff hiring remained on an upward trend, with employment rising at a solid pace that was the fastest recorded since May 2023. Higher headcounts were often linked by firms to higher sales and the filling of long-held vacancies. The stronger rate of job creation also coincided with signs of greater capacity pressures. Notably, outstanding business accumulated at a solid



Data were collected 4-18 December 2025.
Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Comment

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

"The latest PMI surveys indicated that Japanese private sector output expanded at a slower rate in December, with the headline Composite Output Index falling to a seven-month low and consistent with a modest pace of growth.

"While services companies registered slower increases in both activity and new orders, there was a relative improvement in manufacturing sector performance. Factors signalled broadly stable output levels in December, following a five-month period of decline, while new orders fell at the slowest rate for just over a year-and-a-half.

"Business confidence across Japan's private sector remained strong, which supported a solid and accelerated rise in employment. A fresh uptick in backlogs of work - typically a sign of increased capacity constraints - also underpinned some firms' decisions to hire new staff.

"Finally, input prices remain a key concern for businesses. Notably, average cost burdens increased to the greatest extent since April, and prompted firms to raise their selling prices at a solid rate. With signs of demand conditions softening slightly, companies face a difficult balance of passing on higher costs to clients where possible to ease pressure on margins, but also remaining competitive to support sales."

rate that was the quickest in three months.

Cost pressures continued to intensify in December, with panel members noting higher prices for raw materials, staff, equipment, fuel and construction. Overall, the rate of input cost inflation was the sharpest recorded since May and was well above the series average. Consequently, selling prices also rose at a historically strong and solid rate.

Service providers were generally confident that business activity would rise over the next year. Moreover, the degree of optimism remained strong in the context of historical data, with firms often hoping that new product launches, new store openings and improved client demand will boost sales and output during 2026.

S&P Global Japan Composite PMI®

Japanese private sector output expands at softest rate in seven months at end of 2025

The S&P Global Japan Composite PMI Output Index fell from 52.0 in November to 51.1 at the end of the year, to signal a sustained but slower increase in overall business activity. Notably, the marginal rate of growth was the softest seen since May. This was due to a notably softer rise in services activity, as manufacturing production broadly stabilised.

Composite new orders also rose only slightly in December, though this followed a two-month period of decline. Foreign demand for Japanese goods and services meanwhile fell at the slowest rate in over two-and-a-half years, which was largely driven by job creation across the service industry. Turning to prices, input cost inflation accelerated to a seven-month high, while output charges increased solidly.

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.

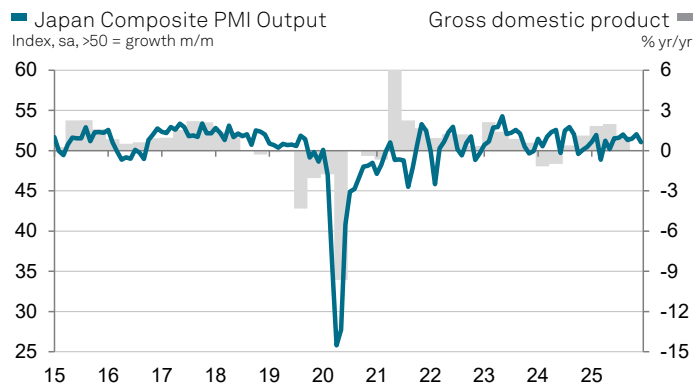
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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