

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

## Stronger service sector growth offsets fresh decline in manufacturing output

July 2025

Flash Japan Composite PMI Output Index: 51.5  
(June: 51.5)

Flash Japan Services PMI Business Activity Index: 53.5 (June: 51.7)

Flash Japan Manufacturing PMI: 48.8 (June: 50.1)

Flash Japan Manufacturing PMI Output Index: 47.6 (June: 51.2)

Latest Flash PMI<sup>®</sup> data signalled a further modest increase in overall private sector business activity across Japan during July. However, this masked divergent underlying trends, with stronger growth across the service industry contrasting with a fresh fall in factory output. At the same time, overall employment and new business rose only marginally across the private sector as a whole. Business confidence meanwhile slipped to a three-month low amid lingering tariff uncertainty, and new orders from overseas declined at the quickest pace since last October.

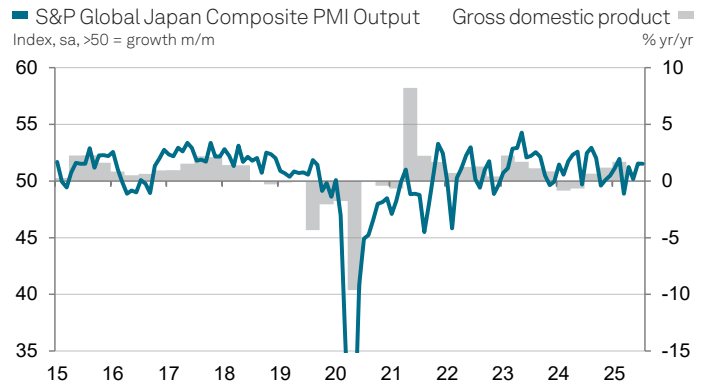
Turning to prices, firms signalled softer increases in both input costs and output charges at the start of the third quarter, albeit with rates of inflation remaining historically marked overall.

At 51.5 in July, the headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** was unchanged from June and signalled a further modest increase in overall private sector output. Business activity has now risen in each of the past four months, with the rate of expansion slightly quicker than seen on average over the first half of 2025.

A solid and accelerated rise in service sector activity contrasted with a renewed drop in factory production during July. Improved activity levels were generally linked by survey respondents to firmer demand conditions and increased client numbers. However, lingering uncertainty over future US trade policy and general market malaise were cited as key factors that had dampened the performance of the manufacturing industry.

New business across Japan's private sector as a whole rose at a pace that, though marginal, was the strongest in three months. As was the case for output, this reflected a sustained rise in new work placed with services companies, as factory orders continued to decline.

At the same time, there was a broad-based reduction in new orders from abroad, with manufacturing firms registering a



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Data were collected 10-22 July 2025.

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### Comment

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

*"Business activity across Japan's private sector continued to expand at the start of the third quarter, fuelled by stronger growth of the service sector. However, manufacturers recorded a fresh fall in output and a sustained drop in new orders amid ongoing uncertainty over US tariffs and a wait-and-see approach among customers."*

*"Uncertainty over future trade policy also weighed on expectations regarding the year-ahead, with both service providers and manufacturers less upbeat about future output. Furthermore, the level of optimism across the private sector as a whole was the second-lowest recorded since the initial wave of the COVID-19 pandemic (August 2020). This in turn influenced hiring decisions, with Japanese companies raising their staffing levels at the slowest rate for a year-and-a-half in July."*

*"At the same time, businesses signalled that cost pressures continued to ease in July. Though sharp, the latest increase in input prices was the softest recorded in just over four years, which led to a slower increase in output charges. This suggests that official rates of inflation may ease further over the summer."*

steeper decline than service providers. Overall, new export business fell at a modest pace that was the most pronounced in nine months.

Overall business confidence regarding the year-ahead weakened during July, hitting the second-lowest level since August 2020 (after April 2025). Lower levels of optimism were seen across both the manufacturing and service sectors, with companies often expressing concerns over US trade tariffs and the potential impact on demand. A shrinking population, labour shortages and high costs were also cited as headwinds to growth.

Subsequently, Japanese private sector firms adopted a more cautious stance regarding staff hiring, with overall employment rising at a marginal rate that was the weakest in a year-and-a-half.

Although the rate of input cost inflation across the private sector as a whole eased to its weakest in just over four years, it remained sharp overall. Firms often mentioned that higher labour, fuel and raw material costs had pushed up expenses in the latest survey period. As a result, companies increased their selling prices again in July. At the composite level, the rate of output charge inflation slowed from June but was nevertheless solid overall.

## Methodology

Final July data are published on 1 August for manufacturing and 5 August 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.

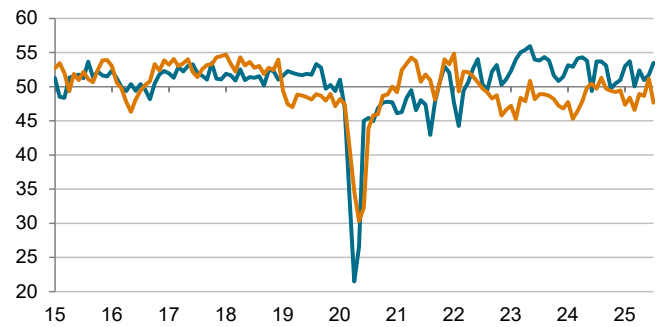
The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It 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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## 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)

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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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