

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

## Japan's service sector continues to expand solidly in September

### September 2025

Slightly steeper increase in business activity amid strong sales growth

Employment expands for first time in three months

Business confidence hits eight-month high

Japan's service sector continued to expand at a solid pace at the end of the third quarter, according to latest PMI<sup>®</sup> data. Companies registered further steep increases in both business activity and new orders, which supported the first expansion of employment since June. Expectations regarding the outlook for business activity also improved in September. Prices data indicated that overall inflationary pressures remained marked, with input prices rising sharply, which in turn drove a solid increase in output charges.

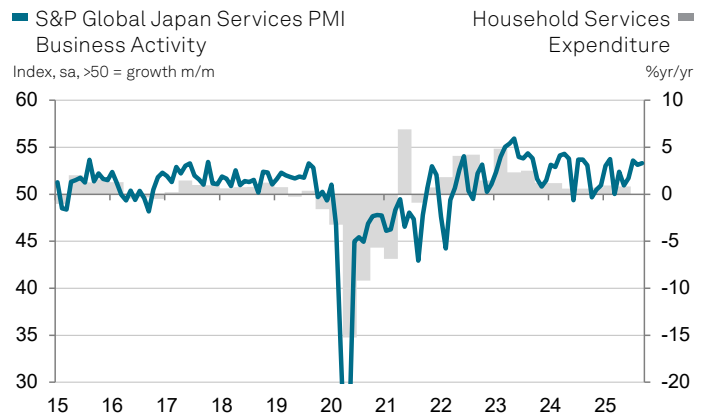
The S&P Global Japan Services PMI is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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.

The headline Japan Services Business Activity Index picked up from 53.1 in August to 53.3 in September. This signalled a slightly stronger and solid increase in private sector business activity across Japan, with the rate of growth the second-steepest since February (after July). The upturn also extended the current sequence of expansion to six months. Data broken down by sub-sector revealed that all industries bar Real Estate & Business Services recorded an improvement in business activity over the latest survey period. Finance & Insurance was the best-performing category overall.

The upturn in business activity was driven by a further increase in overall new work. New business expanded at a solid pace that was unchanged from August, with companies often noting that successful business development efforts and new client acquisitions had lifted sales. However, foreign demand for Japanese services continued to decline.

Nevertheless, the sustained increases in activity and total sales encouraged firms to expand their workforce numbers in September. Though marginal, it marked the first increase in employment for three months. However, pressure on



Data were collected 10-25 September 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:

"Overall business activity across Japan continued to expand at the end of the third quarter, but the PMI signalled divergent trends by sector. While services companies recorded another month of solid growth, manufacturers reported a steeper decline in output amid weak sales. As a result, the private sector as a whole expanded at the slowest rate since May.

"The survey data also suggest that growth is being largely driven by stronger domestic demand, as both manufacturers and services companies noted further falls in new export business.

"More encouragingly, employment rose at a slightly stronger rate in September. This reflected a fresh round of staff hiring across the service sector as companies geared up for future growth, while recruitment across the manufacturing industry slowed notably.

"Prices data meanwhile revealed that cost pressures eased since August, but the rate of input price inflation remained sharp in the context of historical data. Companies looked to pass on additional costs to customers where possible, which drove a solid increase in selling prices."

capacity persisted, as highlighted by a further rise in the level of outstanding business. The rate of accumulation was solid, despite easing from August's 26-month record.

Although the rate of input cost inflation slowed in September, it remained sharp and above the series average. Greater labour, raw material and fuel costs were linked to the latest rise in expenses. Consequently, services companies raised their selling prices again and at a solid pace.

Optimism around the year ahead improved to the highest since January at the end of the third quarter. Firms often hoped that planned company expansions, new product releases and greater customer spending will support growth of activity in the next 12 months.

## S&P Global Japan Composite PMI®

Private sector output expands at softest pace in four months

At 51.3 in September, the S&P Global Japan Composite PMI Output Index slipped from a six-month high of 52.0 in August, to signal a further expansion of overall private sector business activity in Japan. However, the rate of growth was the slowest seen since May. Data broken down by sector indicated that a solid rise in services activity was partially offset by a steeper drop in factory output.

New business at the composite level also expanded at a softer pace, and one that was only marginal overall. Foreign demand for Japanese goods and services meanwhile declined for the sixth straight month and at a solid rate. A fresh rise in service sector payrolls helped to lift the overall rate of job creation across Japan to a three-month high. Concurrently, backlogs accumulated only slightly. Prices data signalled a softer but still sharp rise in composite input costs, and a solid increase in output charges.

### 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.

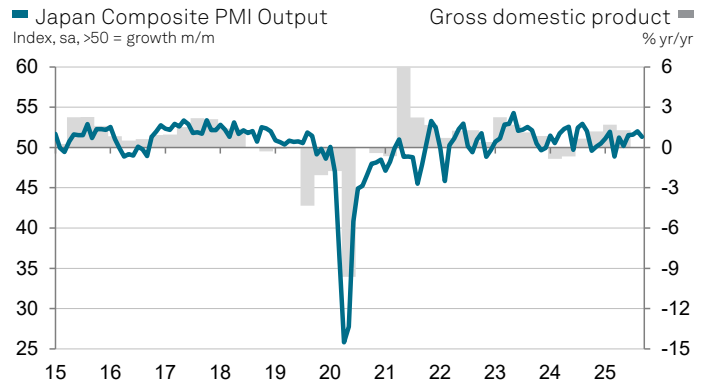
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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