

S&P Global Japan Manufacturing PMI[®]

Manufacturing conditions improve at quickest rate in nearly three-and-a-half years

January 2026

Output returns to growth as sales rise for first time since May 2023

Steeper increase in employment amid fresh rise in backlogs of work

Selling price inflation hits 19-month high as cost pressures intensify

The latest PMI[®] data indicated not only a renewed improvement in the health of Japan's manufacturing industry at the start of 2026, but one that was the best recorded since August 2022. Firms signalled fresh increases in output, new orders and purchasing activity. At the same time, a renewed upturn in backlogs of work led to a steeper rise in employment.

However, inflationary pressures intensified, with both input costs and output charges rising at sharper rates.

The headline S&P Global Japan Manufacturing Purchasing Managers' Index[™] (PMI) – a composite single-figure indicator of manufacturing performance – rose from the neutral level of 50.0 in December to 51.5 in January, to mark the first improvement in operating conditions since last June. Though modest, the rate of improvement was the strongest seen since August 2022.

Underlying data revealed that business conditions improved across all three monitored sub-industries, led by makers of investment goods.

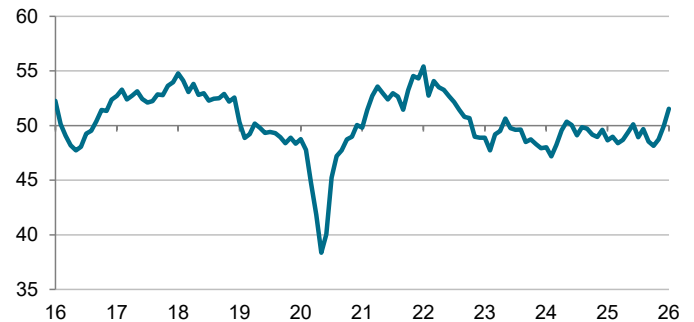
Helping to push the headline PMI back into growth territory was a fresh increase in new business placed with Japanese manufacturers in January. Total new orders expanded for the first time since May 2023, and to the greatest extent in nearly four years. Companies often commented that stronger demand conditions and new product launches had supported sales. Furthermore, new export business rose for the first time since February 2022, which was partly attributed to stronger demand across key markets such as the US and Taiwan.

Improved customer demand prompted factories to expand their production levels for the first time since last June. Though modest, the rate of growth was the best seen since April 2022 and exceeded the series average.

Higher intakes of new work placed greater pressure on capacity, as highlighted by a fresh rise in unfinished business in January. Though only marginal, it marked the first upturn in backlogs for three-and-a-half years.

As a result, companies added to their payrolls again in

S&P Global Japan Manufacturing PMI
Index, sa, >50 = improvement m/m



Data were collected 9-23 January 2026.

Source: S&P Global PMI. ©2026 S&P Global.

Comment

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

"Japan's manufacturing industry propelled itself back into growth territory at the start of 2026, with firms signalling the strongest upturns in output and new orders for nearly four years. Furthermore, new export business expanded for the first time since the start of 2022, to suggest a broad-based improvement in demand conditions.

"More positive news was seen for employment, which rose to the greatest extent since September 2022, as firms sought to build capacity. Combined with a fresh rise in purchasing activity and upbeat expectations for the year ahead, the data suggest the sector is gearing up for further increases in output in the months ahead.

"However, inflation remained a key area of concern for businesses. Input costs rose at the quickest pace in nearly a year, partly due to the recent weakening of the yen, leading to a sharper rise in selling prices. It will be important to monitor the prices data to see if these inflationary pressures intensify, as this could impact customer demand and firms' own investment decisions."

S&P Global Japan Manufacturing PMI®

January. Notably, the rate of job creation was the most pronounced in 40 months and solid.

To support higher production volumes, factories also increased their purchasing activity for the first time since September 2024. Though modest, the rate of expansion was the quickest seen in three-and-a-half years.

Inventories of both post- and pre-production items meanwhile continued to fall at the start of the year. Stocks of purchases fell at a modest rate that was little-changed from December, with firms often linking this to the use of inputs in production. Inventories of finished items meanwhile declined at a marginal pace that was the slowest in four months. This was generally attributed to the fulfilment of orders, though there were reports of stock-building among some firms amid stronger demand conditions.

Turning to supply chains, average vendor performance deteriorated at a mild rate that was unchanged from December. Longer lead times for inputs were partly blamed on staff shortages, but also insufficient stock levels at suppliers.

Prices data pointed to an intensification of cost pressures in January. Average input prices rose at the sharpest rate for nearly a year, which was linked to higher costs for labour and raw materials, but also a weak yen exchange rate. Firms looked to ease pressure on their operating margins by passing on higher expenses to customers where possible. As a result, factory gate prices increased at an accelerated pace that was the steepest seen in over a year-and-a-half.

Finally, companies were generally confident that stronger global demand - particularly for semiconductors and autos - and new product launches will help to drive output growth over the next 12 months. That said, the degree of optimism slipped to a three-month low in January, as some firms expressed worries over inflation and the strength of future client demand.

Methodology

The S&P Global Japan Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in October 2001.

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 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.

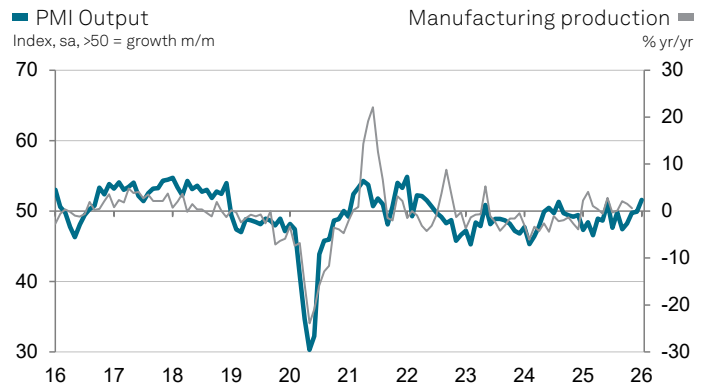
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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PMI by S&P Global

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