News Release
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S&P Global Japan Manufacturing PMI®

Output declines at quickest rate in six months in September

September 2025

Manufacturers signal steeper fall in output amid further drop in sales

Employment expands at weakest pace for seven months

Business confidence slips to lowest since April

Manufacturing sector conditions across Japan deteriorated at a quicker pace in September, according to latest PMI data. Factory output fell at the quickest pace in six months amid a steeper decline in overall new work, while companies raised their staffing levels at a much slower pace.

At the same time, business confidence around the year-ahead slipped to the lowest in five months. While the rate of input cost inflation remained slower than that seen on average over the first half of 2025, selling prices increased at a faster and solid pace.

The headline S&P Global Japan Manufacturing Purchasing Managers' Index™ (PMI®) – a composite single-figure indicator of manufacturing performance – fell from 49.7 in August to 48.5 in September. Posting below the crucial 50.0 value, the index signalled a modest deterioration in the health of the sector that was the most pronounced since March. Business conditions have now worsened in 14 of the past 15 months.

Intermediate goods producers recorded a solid deterioration in conditions, while both consumer and investment goods segments recorded only marginal rates of decline.

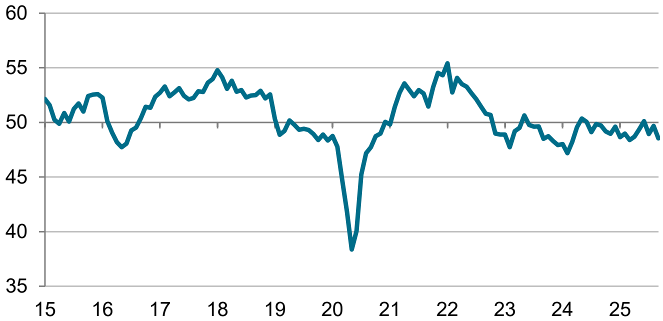
Weighing on the headline PMI was a solid and accelerated decrease in manufacturing output during September. Furthermore, the rate of contraction was the quickest seen in six months, with survey respondents often linking the fall to reduced inflows of new work.

The overall amount of new business placed with Japanese manufacturers fell at a solid rate that was the fastest since April. Companies often mentioned that weaker market conditions had dampened customer spending and made clients more cautious with regards to their inventory levels.

New export orders also decreased again at the end of the third quarter. Though solid, the rate of contraction eased from August's 17-month record. The latest drop in export sales was partly linked to lower demand across China and the impact of US tariffs.

Hiring activity meanwhile slowed notably in September. Moreover, the latest increase in employment at Japanese manufacturers was the weakest recorded since February and

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



Data were collected 10-24 September 2025.
Source: S&P Global PMI. ©2025 S&P Global.

Comment

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

"Japan's manufacturing sector ended the third quarter on a weaker note, with firms signalling steeper falls in both output and new orders. Companies reported that softer demand across key markets such as China and US tariffs had weighed on performance.

"This in turn reduced business confidence around the year-ahead outlook, and led companies to adopt more cautious approaches to staff hiring and purchasing. Notably, employment expanded at the weakest pace since February and buying activity fell at the second-steepest rate since early 2024.

"Data on prices offered some brighter news, and suggested that cost pressures remained less pronounced than over the first half of the year. However, selling prices rose at a historically strong pace as firms looked to ease pressure on their profit margins.

"Overall, the data indicate that unless we see a notable improvement in demand at home and overseas, it's likely the sector will struggle to see much growth in the near-term."

only fractional.

At the same time, there were further signs of spare capacity, with outstanding orders falling further in September. Notably, the rate of backlog depletion was the sharpest seen since January. Companies often mentioned that fewer new orders had enabled them to process and complete unfinished workloads.

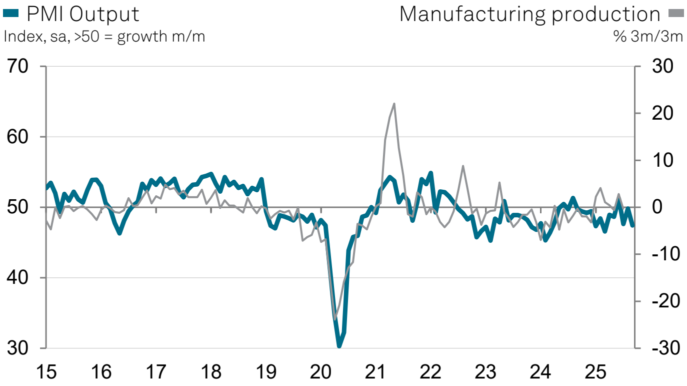
Reduced customer demand also led firms to cut back on purchasing activity again in the latest survey period. The rate of reduction was the second-quickest recorded over the past year-and-a-half and solid. Companies also downwardly adjusted their inventories of both purchased and finished items.

Although input buying continued to decline, average supplier performance deteriorated again in September, and at the fastest rate in a year. Some monitored companies linked longer lead times to stock and labour shortages at suppliers.

The rate of input price inflation edged up to a three-month high and was sharp. Companies often linked higher expenses to increased raw material and labour costs. However, the pace of inflation remained much slower than that seen on average over the first half of the year.

Manufacturers responded to higher input prices by raising their output charges in September. The rate of inflation quickened from August to a solid pace that was stronger than the series long-run trend.

Japanese goods producers were generally confident that output will rise over the next year. However, the degree of positive sentiment slipped to a five-month low, with some firms concerned that reduced customer spending and US tariffs could dampen their performance.



Sources: S&P Global PMI, METI via S&P Global Market Intelligence. ©2025 S&P Global.

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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.