

S&P Global Japan Manufacturing PMI[®]

Manufacturing output continues to rise markedly, but cost pressures intensify

May 2026

Firms signal further strong increases in production and sales

Input costs and selling prices rise at some of the steepest rates on record

Stock building efforts continue amid substantial supply chain disruption

Japanese manufacturers expanded production levels further in May, according to the latest PMI[®] data. The solid upturn in output was supported by a sustained and strong rise in new work, but also efforts to expand inventories due to supply chain disruptions and rising purchasing costs that were often attributed to the war in the Middle East. Notably, both input costs and output charges increased at rates rarely exceeded in over 24-and-a-half-years of data collection.

The headline S&P Global Japan Manufacturing Purchasing Managers' Index[™] (PMI) – a composite single-figure indicator of manufacturing performance – slipped from April's 51-month high of 55.1 to 54.5 in May. Nevertheless, the reading was still consistent with a marked improvement in overall business conditions. The health of the sector has now strengthened in each of the past five months.

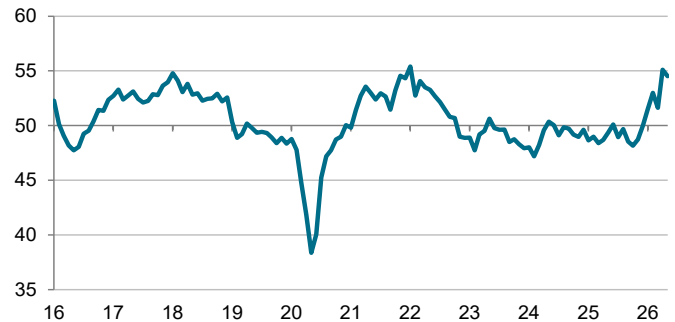
Sub-sector data indicated a broad-based improvement in operating conditions in May, with makers of intermediate goods recording the strongest upturn.

As has been the case since the start of 2026, Japanese factory production increased in May. Although the rate of expansion slowed from April's more than 12-year record, it remained marked overall and comfortably above the survey's average. According to anecdotal evidence, higher output was due to increased sales but also efforts to expand inventory levels.

Similarly, overall new business expanded at a softer but still solid pace in May. There were reports of clients placing orders as part of efforts to build up their safety stocks due to disruptions caused by the Middle East war. Greater demand for semiconductors and oil-based products were mentioned in particular. The slight slowdown in total new order growth occurred despite a stronger rise in foreign demand, with new export business increasing at the fastest pace in five years.

In order to support higher production and safeguard against future shortages and supplier price hikes, manufacturers raised their purchasing activity again in May. The rate of growth was the fastest in four years. However, the time taken for inputs to be delivered continued to increase sharply and

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



Data were collected 11-21 May 2026.

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Comment

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

"The latest PMI data continued to point to robust growth across Japan's manufacturing industry in May, with output and new orders rising at historically strong rates.

"However, delving into the details of the survey showed that the current period of expansion is being partly driven by stock building among manufacturers and their clients, as companies looked to safeguard against product shortages and mitigate price risks driven by the war in the Middle East.

"Overall inflationary pressures continued to surge in May, with both input and output price indicators reaching levels rarely seen in over 24-and-a-half years of data collection.

"An increasingly uncertain outlook was underscored by the fact that business sentiment around future output lifted only slightly from April's recent low. Although manufacturers generally anticipate reaping further gains from strong growth in areas such as AI and electronics, surging costs and subdued global economic conditions could act as headwinds in the months ahead."

at one of the fastest rates seen outside of the pandemic. This was frequently linked to the impact of the Middle East war on supply chains.

Difficulties obtaining inputs also dampened efforts to expand inventories. Moreover, stocks of inputs rose at a fractional pace after rising only slightly in April. Meanwhile, inventories of finished items were depleted due to the fulfilment of orders.

Increased production requirements led to another month of job creation across the manufacturing sector. Employment rose solidly overall, with the rate of payroll growth edging up to the second-quickest in over four years. Capacity pressures persisted, however, as highlighted by a further strong increase in outstanding business. This was partly linked to rising order intakes, but also input shortages.

Cost pressures remained intense midway through the second quarter, with average input costs rising to the greatest extent since September 2022. Higher prices for raw materials, including metals and oil-based products, were often cited. Increased labour and transportation costs were also noted as drivers of inflation. As a result, average selling prices increased at a rapid pace that was the quickest since October 2022.

Business confidence regarding future output picked up from April's one-year low, but remained below the historical average in May. While firms were often hopeful that greater customer demand, new product development and growth in key sectors such as electronics will boost production, geopolitical uncertainty and rising costs dampened forecasts at some businesses.

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.

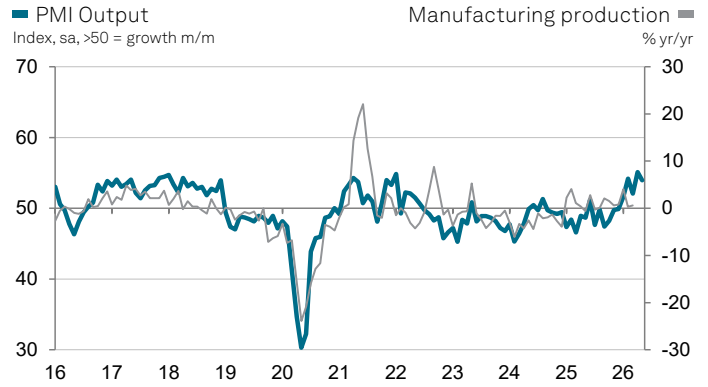
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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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