

S&P Global Japan Manufacturing PMI[®]

Demand for Japanese goods worsens at fastest pace in 20 months

October 2025

New order intakes fall markedly in October...

...but downturn in production softens

Strongest increase in input costs since June

October data signalled another challenging month for Japanese manufacturers, as ongoing declines in new orders instigated a further contraction in output. Input buying was trimmed, as companies maintained a preference for lean stocks, but job creation was sustained.

Elsewhere, the PMI[®] data indicated an intensification of cost pressures parallel to a broadly stable rate of charge inflation. Meanwhile, business confidence recovered from September's five-month low.

At 48.2 in October, little-changed from 48.5 in September, the headline S&P Global Japan Manufacturing Purchasing Managers' Index[™] (PMI) – a composite single-figure indicator of manufacturing performance – showed another moderate deterioration in operation conditions. The latest contraction nevertheless stretched the current downturn that began in July.

New orders, the largest sub-component of the PMI, posted its fastest fall in 20 months. According to survey participants, a number of factors weighed on sales, such as constrained client budgets, difficult demand conditions and adverse export trends.

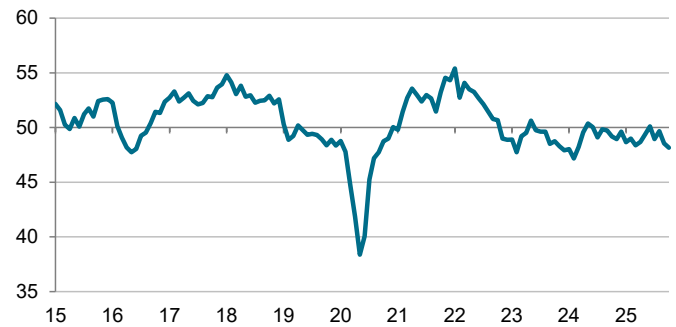
On international sales, Japanese manufacturers particularly noted lower demand from Asia, Europe and the US. Overall, new export orders declined for the forty-fourth month in a row, albeit to a moderate degree that was the softest since March.

There was another round of production cutbacks at the start of the fourth quarter, which panellists associated with dwindling demand, shortages of new work and notable weakness in sectors like automotive and semiconductors. October's contraction was modest, however, and less pronounced than in the previous month.

Sustained reductions in customer demand also prompted firms to scale back input purchasing. The latest fall in buying levels was solid, but slower than that recorded in September.

Reflecting further cuts to input purchasing volumes, there was a continued contraction in holdings of raw materials and semi-finished items. That said, the pace of depletion was moderate

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



Data were collected 9-24 October 2025.

Source: S&P Global PMI. ©2025 S&P Global.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence

"Demand weakness, particularly in the automotive and semiconductor sectors, weighed on the Japanese manufacturing industry, sparking a significant drop in new orders that was the fastest since early-2024. Exports continued to fall, especially to clients in Asia, Europe and the US.

"Manufacturers not only struggled with dwindling demand but also faced a sharper rise in cost burdens during October. To safeguard their profit margins, many companies opted to raise selling prices, even as competition for new contracts remains fierce.

"October's decline in production was somewhat contained, however, and firms were more confident towards growth prospects. They generally hope that new product releases will be successful and that the detrimental impact of US tariffs will fade. Such was their optimism that some firms were prepared to hire extra staff over the month.

"Such a mix of challenges and optimism reflects the complex landscape manufacturers navigate, with a recovery likely only possible with a resumption of demand growth."

and broadly in line with those seen in August and September.

Japanese manufacturers also lowered their inventories of finished goods in October. On this front, the rate of reduction was marked and the steepest in over five years.

Notwithstanding subdued input demand, average supplier delivery times lengthened again in October. Where delays were reported, monitored companies remarked on labour and material shortages at vendors. The extent of the current deterioration was only marginal, however.

The latest results continued to show hiring resilience across Japan's manufacturing industry, as payroll numbers were lifted in preparations for planned retirement and the filling of existing vacancies. The rate of job creation was marginal, though quicker than that recorded in September.

Spare capacity remained evident, as outstanding business volumes declined for the thirty-seventh month in a row. The rate of backlog depletion was solid, despite slowing from September.

On the price front, there was a sharp and accelerated increase in input costs. The rate of inflation reached its highest in four months, broadly converging towards its long-run average. Companies frequently attributed higher expenses to greater outlays on labour, material and transportation.

Manufacturers reacted to rising input costs by lifting output charges, though the rate of inflation was little-changed from September.

Japanese goods producers were confident of a rise in output over the coming year. Optimism reflected new partnerships, increased AI adoption, forecasts of better sales and the launch of new products. Firms also hope for a recovery in auto and semiconductor demand, as well as a diminished impact from US tariff implementation.

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.

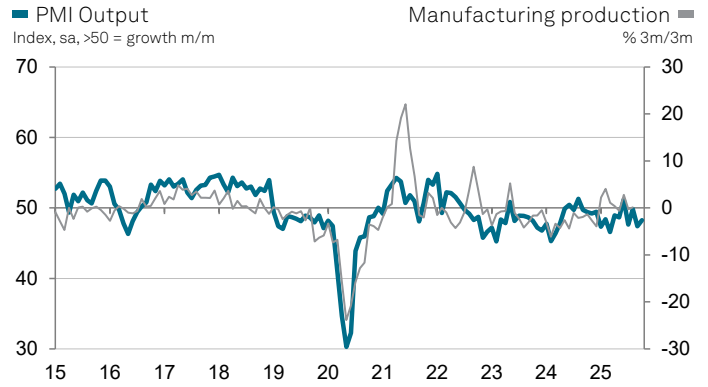
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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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