News Release
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S&P Global Flash Japan PMI®

Stronger rise in business activity across Japan in June, but rate of cost inflation hits near four-year high

June 2026

Flash Japan Composite PMI Output Index: 52.5 (May: 51.1)

Flash Japan Services PMI Business Activity Index: 51.8 (May: 50.0)

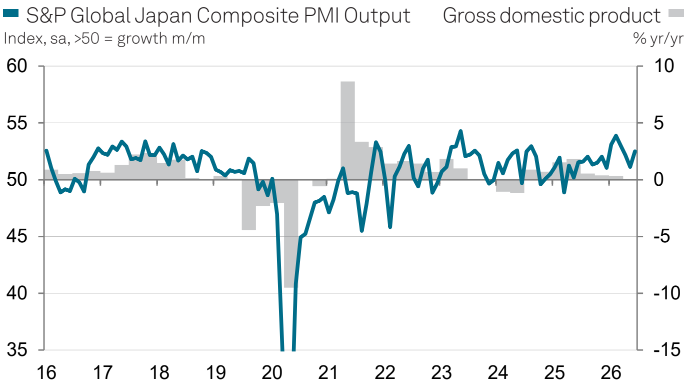
Flash Japan Manufacturing PMI: 54.9 (May: 54.5)

Flash Japan Manufacturing PMI Output Index: 54.3 (May: 54.0)

The latest Flash PMI® data, compiled by S&P Global, pointed to the strongest rise in total business activity across Japan's private sector for three months in June. This was supported by a quicker increase in manufacturing output and a renewed upturn in services activity, with both sectors reporting firmer demand conditions. Greater amounts of backlogged work meanwhile encouraged firms to expand their payrolls again. However, input costs rose at an accelerated pace that was the fastest since July 2022, which led to another substantial increase in average selling prices. Furthermore, concerns around inflation and supply chain disruption due to the war in the Middle East meant that forecasts for the year-ahead remained muted by historical standards.

At 52.5 in June, the headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** rose from 51.1 in May and indicated an increase in overall Japanese private sector business activity for the fifteenth successive month. The rate of growth was the best recorded since March and stronger than the post-pandemic average. Underlying data indicated that the improvement was broad-based at the sector level. Notably, manufacturers signalled the second-quickest increase in output since January 2022 (after April 2026). Service sector activity meanwhile rose modestly after stagnating for the first time in over a year in May.

Demand conditions also strengthened across Japan during June, with new business at the composite level rising to the greatest extent in four months. Steeper increases in new orders were seen across both the manufacturing and service sectors. Notably, goods producers signalled the quickest upturn in sales since January 2022, which was partly linked to stock building efforts among clients due to ongoing supply disruption and concerns over future price hikes linked to the war in the Middle East. Whilst external demand conditions also improved, new export business rose only marginally overall, with the rate of growth the slowest seen in six months. Sector data indicated that manufacturers recorded a slightly softer but still solid rise in new export orders, but services companies



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.

Data were collected 11-19 June 2026.

Comment

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

“The June flash PMI data indicated that overall business activity growth across Japan picked up for the first time since the outbreak of war in the Middle East. The expansion in output continued to be led by manufacturers, which recorded one of the strongest rises in output in over a decade. Nevertheless, it was also encouraging to see a renewed upturn in service sector activity, with demand conditions improving across both monitored industries.

"While this suggests a strong Q2 performance overall, it is important to note that the current period of growth is partly being driven by stock-piling efforts amid the war in the Middle East, and these efforts are likely to fade in the months ahead as warehouses fill and cost pressures bite. Furthermore, the latest PMI survey signalled the sharpest rise in input costs for nearly four years in June. Subsequently, the rate of selling price inflation eased only slightly from May's survey record as many firms looked to pass on higher expenses to clients.

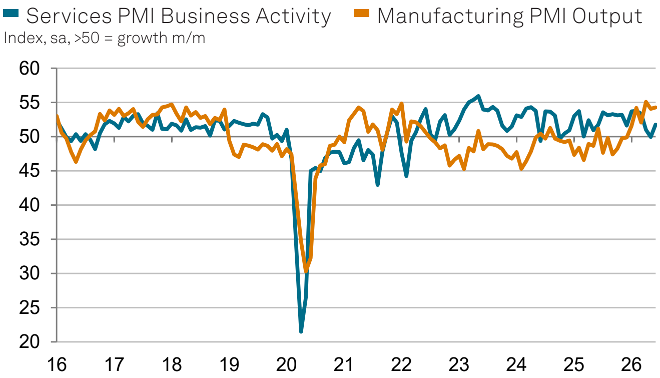
"These price developments have led the Bank of Japan to hike interest rates again as it looks to dampen overall inflationary pressure stemming from the conflict, with the policy rate rising to 1% last week; the highest since 1995. It will be important to monitor how the Middle East war develops, as this will be a key driver of future supply chain and inflation trends."

signalled a further marked drop in foreign demand.

The rate of input cost inflation across Japan's private sector accelerated for the fifth straight month in June, with the latest increase in expenses the most pronounced since July 2022. Firms frequently mentioned that the Middle East war had pushed up costs, particularly for energy, fuel and raw materials. As a result, companies raised their output charges again at the end of the second quarter, with the rate of inflation easing only slightly from May's survey record.

Rising amounts of new work led to a further increase in outstanding business, which expanded at the fastest pace in four months in June. This encouraged firms to hire additional staff, though the rate of job creation picked up only slightly from May's seven-month low. Employment growth varied by sector, as a marginal upturn in workforce numbers at services companies contrasted with the steepest rise in manufacturing payrolls for more than eight years in June.

Although Japanese businesses generally expect output to be higher than current levels in one year's time, the degree of positive sentiment slipped from May and remained weaker than the historical average. Inflation and supply chain disruptions due to the Middle East war were key concerns around the outlook, according to panel members, as well as general labour shortages.



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

Contact

Annabel Fiddes
Economics Associate Director
S&P Global Market Intelligence
T: +44-1491-461-010
annabel.fiddes@spglobal.com

Eri Amano
APAC Senior Communications Manager
+81 (0) 80 3714 7658
eri.amano@spglobal.com
press.mi@spglobal.com

Methodology

Final June data are published on 1 July for manufacturing and 3 July for services and composite indicators.

The S&P Global Flash Japan PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services 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.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing 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.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The 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.

Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.5)

Services Business Activity Index = 0.2 (absolute difference 0.7)

Manufacturing PMI = 0.1 (absolute difference 0.3)

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global.

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

S&P Global

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PMI by S&P Global

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