

S&P Global Japan Services PMI[®]

Service sector growth slows in April

April 2026

Business activity growth slips to 11-month low amid slower rise in new work

Sharper increase in costs leads to near-record rise in output charges

Uncertainty and rising costs both weigh on optimism around the year-ahead

Japanese services companies signalled a slower increase in business activity at the start of the second quarter, as overall new work expanded at the softest pace since last October.

The latest survey also pointed to a further intensification of cost pressures, with input prices rising at the sharpest rate for a year, which in turn led to a near-record increase in output charges. Business confidence was meanwhile the second-lowest since the pandemic, and employment rose modestly.

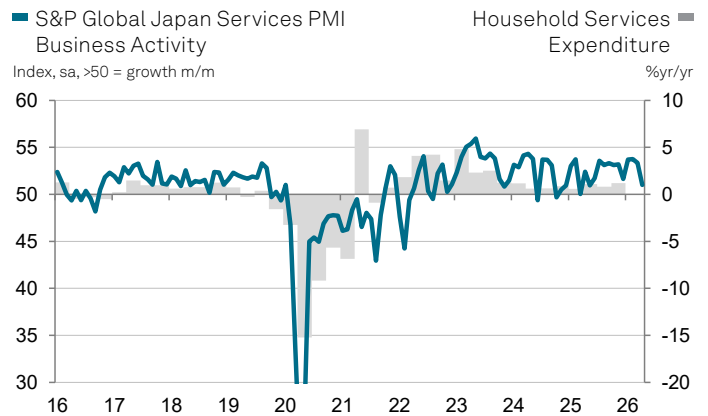
The S&P Global Japan Services PMI[®] is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

The headline figure is the Services Business Activity Index, which tracks changes in the volume of business activity compared with one month previously. A reading above 50.0 indicates an overall increase compared to the previous month, and below 50.0 an overall decrease.

At 51.0 in April, the headline index slipped from 53.4 in March to signal an expansion of Japanese services activity for the thirteenth successive month. However, the reading was consistent with a marginal rate of growth that was the softest seen in 11 months. Where activity levels had increased, firms often attributed this to improved new order inflows and company expansions. However, uncertainty and rising costs due to the war in the Middle East had reportedly dampened overall activity. Data broken down by sub-sector indicated that Finance & Insurance and Transport & Storage posted the strongest performances.

Total new orders followed a similar trend to business activity, rising at a marginal rate that was the slowest since last October. The weaker overall upturn in sales was partly linked to softer overseas demand for Japanese services. Notably, new export business fell for the first time in five months, albeit modestly. According to panel members uncertainty related to the war and high prices had weighed on sales at some firms.

Average input costs rose at the sharpest rate in 12 months in April, with firms noting that a variety of factors had risen in price. The war in the Middle East was a key factor driving up expenses,



Data were collected 9-27 April 2026.
Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Comment

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

"Latest PMI data suggests that growth momentum across Japan's private sector eased in April, following a solid performance over the opening quarter of 2026.

"Underlying data indicated that the slowdown stemmed from more subdued growth across the service sector, as manufacturers reported the quickest rise in output in over 12 years amid reports of front-loading due to the war in the Middle East. Notably, services companies registered the softest increases in activity and new work for 11 and six months, respectively, with the latter partly driven by a fresh fall in overseas demand for Japanese services.

"The war in the Middle East also had a noticeable impact on prices across Japan, with input costs rising at the fastest rate for three-and-a-half years. This in turn led to the steepest increase in selling prices in nearly 20 years of data collection, suggesting an acceleration in the official rate of inflation in the coming months.

"The business mood continued to be dampened by lingering uncertainty over the war and the possibility of future price hikes and softer customer demand. Notably, optimism around the year-ahead slipped to the lowest since the COVID-19 pandemic in August 2020."

particularly for fuel. Firms looked to pass on these higher costs where possible to their clients, with output charges rising at the third-steepest rate since the survey began in September 2007.

Services companies continued to add to their payrolls at the start of the second quarter, albeit at a modest rate that was similar to that seen in March. Combined with slower growth in new business, capacity pressures showed signs of easing, with backlogs rising at the softest rate in 14 months.

Ongoing uncertainty over the Middle East war and its impact on costs and customer demand continued to dampen expectations regarding the year-ahead. Notably, business confidence lifted only slightly from March's post-pandemic low.

S&P Global Japan Composite PMI®

Overall business activity increases at softest pace in four months

The S&P Global Japan Composite PMI Output Index slipped from 53.0 in March to 52.2 at the start of the second quarter. This signalled a modest upturn in overall business activity that was the softest seen in 2026 to date. Nevertheless, it extended the current period of rising output to 13 months. Contrasting trends were seen at the sector level, with a slower rise in services activity offsetting the quickest upturn in manufacturing output in over 12 years. Composite new orders likewise rose modestly in April, despite the rate of growth picking up slightly from March. Foreign demand for Japanese goods and services meanwhile increased at the slowest rate in 2026 to date. Employment across Japan continued to rise, despite confidence hitting the lowest level since the COVID-19 pandemic. Input cost inflation hit a 42-month high, while selling prices increased at the fastest rate on record.

Methodology

The S&P Global Japan Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in September 2007.

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

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

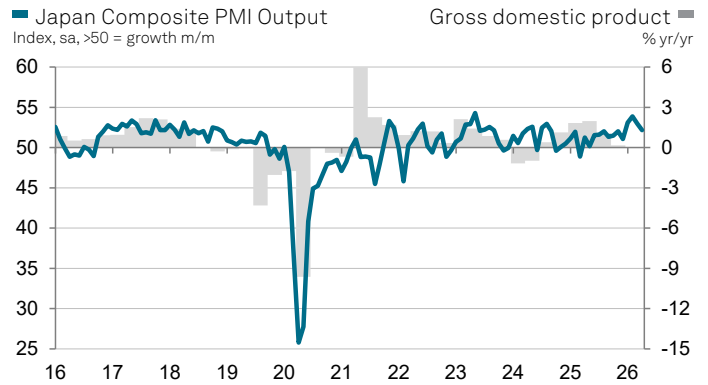
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

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

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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

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