

News Release

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S&P Global Japan Business Outlook

Japan's private sector set for growth in 2026

Key findings

Confidence around future output strengthens in October

Hiring intentions remain robust and exceed the global trend

Staff costs anticipated to rise more sharply than non-staff costs

Private sector companies in Japan were highly confident that output will increase over the course of the coming 12 months, according to the latest S&P Global Business Outlook survey data, with the degree of optimism the best recorded since June 2024. As a result, companies expressed upbeat projections for employment, investment and profitability.

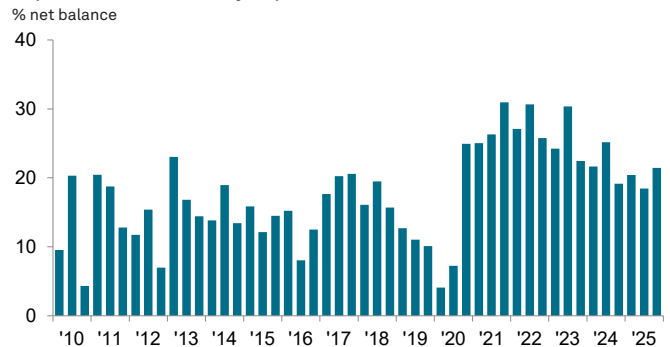
Staff cost inflation expectations were among the highest seen of the 12 nations for which comparable data are available, and non-staff costs were also anticipated to rise at a historically marked pace. As a result, output charges were forecast to increase to a greater extent.

At +21% in October, the business activity net balance indicated that private sector companies in Japan foresee output growth over the next year. The headline figure was up from +18% in June and the highest recorded since June 2024. However, the reading remained below the global average (net balance of +24%). More granular data highlighted that expectations improved at both manufacturers (+25%, from +22% in June) and service providers (+20%, from +16%).

When analysing opportunities for the future, businesses suggested that government stimulus measures, new product development, investment in capacity and efficiency, and forecasts of improved sales at home and overseas could drive business activity levels higher over the next year.

Still, there were also concerns around the impact of US trade policy and tariffs, labour shortages and rising costs, particularly for staff, but also due to higher interest rates and a weaker yen.

Japan Business Activity expectations



Source: S&P Global PMI.

Data were collected 9-28 October 2025.

Comment

Commenting on the Japan Business Outlook survey data, Annabel Fiddes, Economics Associate Director at S&P Global Market Intelligence, said:

"Japanese companies were more upbeat about their growth prospects for the coming year in October, with the latest S&P Global Business Outlook data suggesting that overall optimism was at the highest level since mid-2024.

"The net balance of firms that plan to raise their staffing levels also remained at a historically high level, with job creation in Japan set to be stronger than that seen globally as firms look to expand capacity.

"However, price indicators suggest that cost pressures could remain elevated, as both staff and non-staff costs are anticipated to increase at above-trend rates. The net balance of firms projecting higher labour costs was particularly steep, and much higher than the global average.

"Nevertheless, improvements in activity and demand are anticipated to boost pricing power, with the net balance of firms planning to raise their charges increasing from June. As a result, profitability forecasts improved in October and were slightly above expectations at the global level."

Employment net balance remains much higher than global average

Buoyed by predictions of stronger customer demand and company expansions, private sector businesses in Japan remained confident that employment levels would rise over the next year. Notably, the net balance of firms anticipating jobs growth was unchanged from the previous survey period and the joint-highest in over two years (+18%). Hiring intentions were also much more pronounced than that seen globally (+8%). Manufacturers were slightly more upbeat around future job creation than service providers (net balance of +20% versus +17%).

Expectations around future capex remained strong in October, with a net balance of +15% of firms anticipating an increase over the next year, unchanged from the two prior surveys in 2025. The figure was also among the highest seen of the 12 countries that comparable data are available. R&D spending was meanwhile projected to rise at a more modest pace compared to capex (net balance +7%), albeit one that also exceeded the global average (+3%).

Cost projections remain historically strong, especially for staff

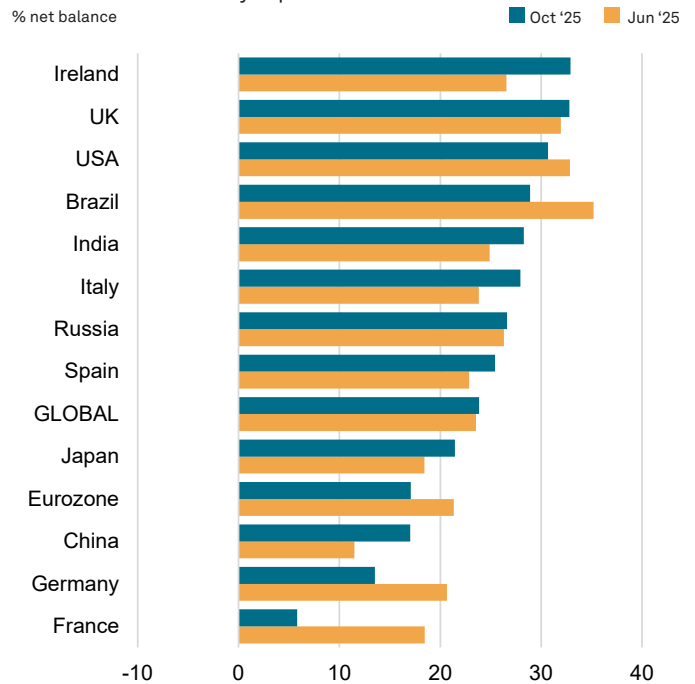
At +56% in October, the net balance of Japanese firms expecting staff costs to increase over the next 12 months was the highest recorded in one year. The figure was also above the global average (+34%), with only the UK and Ireland anticipating stronger rises in staff costs (+70% and +60%, respectively). Broken down by sector, the net balance of manufacturers forecasting an increase rose to a fresh record high of +73% (since February 2019), while expectations among service providers were unchanged from the two prior survey periods (+48%).

At the same time, non-staff costs were also projected to increase at a historically strong pace (+28%), and one that exceeded the global trend (+24%). However, the respective net balance slipped further below the record-high seen in February, posting the lowest reading since early-2024. While manufacturers revised up their non-staff cost inflation projections slightly (+43%, up from +42% in June), services companies anticipated the weakest rise in non-staff costs since the start of 2022 (+21%).

Japanese companies generally foresee partially passing on these higher expenses to clients in the form of increased output charges. A net balance of +28% of surveyed firms planned to raise their selling prices, up from +25% in June. In line with the trends seen for input costs, manufacturers were more likely to hike their charges than services companies (+37% versus +23%).

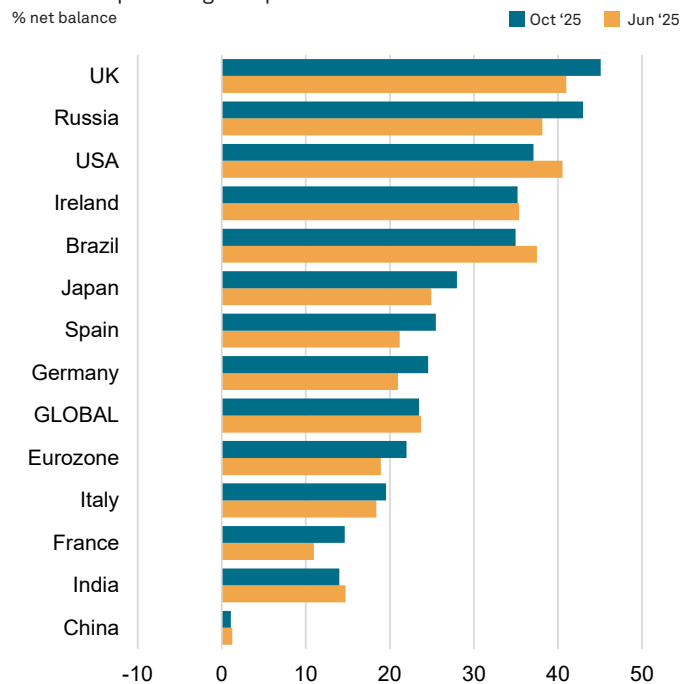
Increased selling prices are anticipated to support an improvement in profitability over the year ahead. At +11%, the net balance of firms projecting higher profits was up from +8% in June and slightly above the global average (+9%).

Global Business Activity expectations
% net balance



Source: S&P Global PMI.

Global Output Charges expectations
% net balance



Source: S&P Global PMI.

Full data available on request from economics@spglobal.com.

Survey methodology

The Global Business Outlook Survey for worldwide manufacturing and services is produced by S&P Global and is based on a survey of around 12,000 manufacturers and service providers that are asked to give their thoughts on future business conditions. The reports are produced on a tri-annual basis, with data collected in February, June and October.

Interest in the use of economic surveys for predicting turning points in economic cycles is ever increasing and the Business Outlook survey uses an identical methodology across all nations covered. It gives a unique perspective on future business conditions from Global manufacturers and service providers.

The methodology of the Business Outlook survey is identical in all countries that S&P Global operates. This methodology seeks to ensure harmonization of data and is designed to allow direct comparisons of business expectations across different countries. This provides a significant advantage for economic surveillance around the globe and for monitoring the evolution of the manufacturing and services economies by governments and the wider business community.

Data collection is undertaken via the completion of questionnaires three times a year at four-month intervals. A combination of phone, website and email are used, with respondents allowed to select which mechanism they prefer to use.

The Business Outlook survey uses net balances to indicate the degree of future optimism or pessimism for each of the survey variables. These net balances vary between -100 and 100, with a value of 0 signalling a neutral outlook for the coming 12 months. Values above 0 indicate optimism amongst companies regarding the outlook for the coming 12 months while values below 0 indicate pessimism. The net balance figure is calculated by deducting the percentage number of survey respondents expecting a deterioration/decrease in a variable over the next twelve months from the percentage number of survey respondents expecting an improvement/increase.

Questionnaires are sent to a representative panel of around 12,000 manufacturing and services companies spread across the global economy*. Companies are carefully selected to ensure that the survey panel accurately reflects the true structure of each economy in terms of sectoral contribution to GDP, regional distribution and company size. This panel forms the basis for the survey. The current report is based on responses from around 7,700 firms.

* The countries with manufacturing and service sector surveys are Brazil, China, France, Germany, India, Italy, Japan, Russia, Spain, the Republic of Ireland, the UK and the USA. Manufacturing data are collected for the Netherlands, Austria, Greece, Poland and the Czech Republic.

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