

# S&P Global Japan Manufacturing PMI<sup>®</sup>

## Manufacturing sector slips back into decline in July

### July 2025

Renewed drop in output amid further deterioration in demand

Purchasing activity falls at quickest rate in 17 months

Input cost inflation slips to four-and-a-half-year low, but selling prices rise sharply

After broadly stabilising in June, business conditions across Japan's manufacturing industry weakened in July. Output slipped back into contraction, while overall new work continued to decline. As a result, purchasing activity fell at a sharper rate and employment growth slowed. Prices data meanwhile showed a notable easing in the rate of input cost inflation, but selling price inflation accelerated.

Please note, the latest PMI survey data were collected between 10-24 July, and therefore the vast majority of responses were received before the US-Japan trade deal announcement on 23 July.

The headline S&P Global Japan Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>) – a composite single-figure indicator of manufacturing performance – fell from 50.1 in June to 48.9 in July, to signal a renewed deterioration in the health of the sector. Though only marginal, it marked the twelfth time in the past 13 months that operating conditions have weakened.

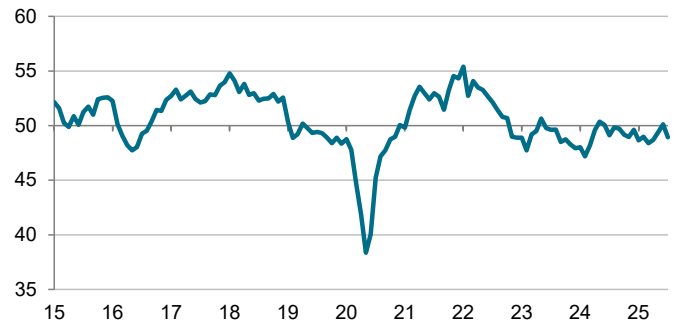
Sub-sector data indicated that business conditions deteriorated across the intermediate and investment goods segments, but strengthened slightly for makers of consumer goods.

A key factor pushing the headline PMI below the neutral 50.0 level was a fresh fall in manufacturing output in July. Production has now fallen in ten of the past 11 months, with the latest reduction the most pronounced since March. Panel members frequently mentioned cutting output due to lower inflows of new business.

Total new orders fell again in July, though the rate of contraction eased slightly from June and was only modest. New business from abroad meanwhile declined at the softest pace in four months and also mildly. According to surveyed companies, lower sales stemmed from subdued market demand and a reluctance among customers to commit to new orders due to uncertainty around US tariffs.

Lower production requirements and a further drop in sales led companies to pare back their purchasing activity again in July. Furthermore, the rate of contraction was the steepest recorded since February 2024. Inventories were also

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



Data were collected 10-24 July 2025.

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### Comment

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

"Latest PMI data suggested that Japan's manufacturing sector fell back into contraction territory during July, with a sustained drop in sales leading firms to downwardly adjust their output levels.

"The subdued demand environment was often linked to US trade policy uncertainty, as the latest survey data were mainly collected before the US-Japan trade deal announcement on 23 July, and a hesitancy among customers to commit to orders.

"With a trade deal with the US now agreed, including a lower-than-anticipated baseline tariff of 15% on goods, it will be important to see if this will translate into greater client confidence and improved sales in the months ahead.

"Firms will also be pleased to see signs of easing cost pressures, as input prices increased at the softest pace in four-and-a-half years in July. A steeper increase in output charges meanwhile hints that pressure on operating margins could ease, as companies are now feeling more able to pass on additional expenses to customers."

downwardly adjusted at the start of the third quarter, with stocks of both pre- and post-production items falling slightly.

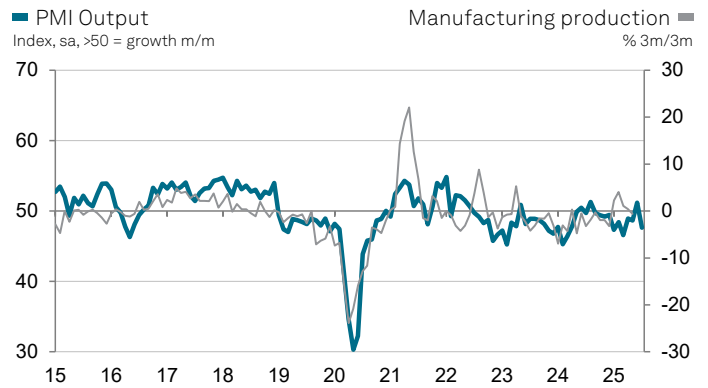
Although input buying fell further, supplier performance continued to deteriorate, albeit marginally. Shortages of stock and staff at vendors were linked by firms to longer lead times.

Despite falls in output and new orders, Japanese manufacturers continued to add to their workforce numbers in July. While some firms mentioned hiring additional staff to fill vacancies, others indicated that they had increased headcounts amid forecasts of stronger customer demand in the months ahead.

Higher staff numbers and lower sales enabled goods producers to reduce backlogs of work again in July. Furthermore, the rate of depletion was the most pronounced in six months and solid.

Cost pressures eased notably at the start of the third quarter, with the rate of input cost inflation the weakest seen in four-and-a-half years. In contrast, selling prices increased at a sharp pace that was the quickest in a year. Surveyed firms often mentioned raising their charges in order to pass on recent increases in expenses to customers.

Manufacturing firms in Japan generally expected output to rise from current levels over the next year. Furthermore, the degree of positive sentiment was the best recorded in six months. There were hopes that improved demand conditions and reduced trade-related uncertainty will support growth over the next 12 months.



Sources: S&P Global PMI, METI via S&P Global Market Intelligence. ©2025 S&P Global.

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## 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](mailto:economics@spglobal.com).

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