News Release
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S&P Global Flash Japan PMI®

Japanese business activity increases at slowest rate in five months amid renewed drop in sales

October 2025

Flash Japan Composite PMI Output Index: 50.9 (September: 51.3)

Flash Japan Services PMI Business Activity Index: 52.4 (September: 53.3)

Flash Japan Manufacturing PMI: 48.3 (September: 48.5)

Flash Japan Manufacturing PMI Output Index: 48.1 (September: 47.4)

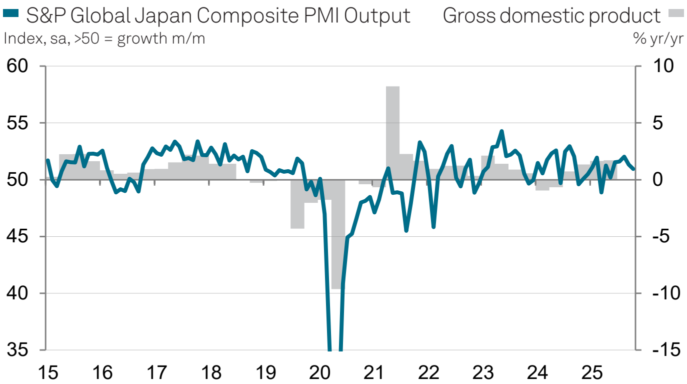
Japanese private sector output continued to expand in October, according to the Flash PMI® data, with increased activity across the service sector offsetting a further decline in manufacturing production. However, the overall rate of growth slowed for the second month running and was the softest recorded since May. The sustained slowdown coincided with a fresh decrease in total new work placed with Japanese companies during October. As a result, the rate of payroll growth eased and confidence around the year ahead weakened slightly. Inflationary pressures meanwhile picked up, with both input costs and output charges increasing at faster rates than those seen in September.

The headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** fell from 51.3 in September to 50.9 in October, to signal a further increase in overall private sector output across Japan. However, the rate of growth was the softest recorded in five months and only marginal.

Underlying data highlighted that the service sector continued to drive the overall upturn in output, as manufacturing production continued to contract. That said, the rate of services activity growth slipped to a four-month low in October, while factory output declined at a slightly faster pace.

At the composite level, overall new business declined for the first time in 16 months, albeit marginally. This was due to a combination of weaker sales growth in the service sector and the steepest reduction in new orders placed with manufacturers since February 2024. Foreign demand for Japanese goods and services meanwhile fell again in October, though the overall rate of decline was the slowest seen in four months and modest.

Japanese companies continued to increase their staff numbers in September, thereby stretching the current sequence of payroll growth to just over two years. That said, the rate of job creation was weaker than the average seen over



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Data were collected 9-22 October 2025.

Comment

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

“The latest Flash PMI data for Japan pointed to a further loss of growth momentum across the private sector during October. Overall output expanded at the softest rate since May, while firms recorded the first reduction in new business for 16 months.

"While the service sector remained a key growth engine for the wider economy, fading momentum here will be a point of concern and something to keenly monitor in the coming months. The manufacturing sector meanwhile remained stuck in decline, with the latest survey pointing to the quickest reduction in factory orders for 20 months amid reports of weaker customer demand and relatively sluggish business conditions.

"However, manufacturers were more upbeat about the year ahead than service providers, with many hoping that a recovery in global economic conditions, new product releases and stronger demand for electronics in particular will help to boost output.

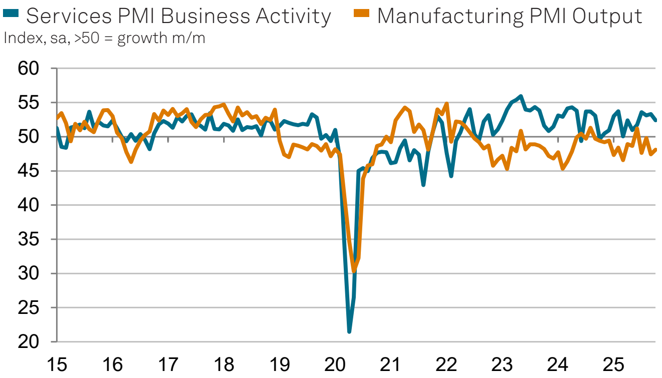
"Prices data meanwhile continued to point to strong inflationary pressures across Japan. Both input costs and output charges increased at historically strong rates, with firms often linking this to higher employment, raw material and fuel costs, alongside a weak yen."

this period, with both service providers and manufacturers recording only marginal increases in headcounts. Overall levels of outstanding business at Japanese firms meanwhile declined for the first time since May.

The latest survey pointed to stronger cost pressures across Japan's private sector, with average input prices rising at a sharp and accelerated pace in October. Notably, operating expenses increased at quicker rates across both the manufacturing and service sectors, with panellists often linking this to higher labour, raw material and fuel costs and a weaker yen.

Consequently, both goods producers and service providers raised their average selling prices again in October. Overall, charges increased at a solid pace that was the quickest in three months.

Although firms across Japan remained generally confident that output will increase over the next 12 months, the degree of optimism edged down from September and was below the survey's long-run average. Trends diverged by sector, as services companies were less upbeat about the year ahead while manufacturers were more confident.



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Contact

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

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com

Methodology

Final October data are published on 4 November for manufacturing and 6 November 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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