News Release
Embargoed until 0930 JST 1 April 2026 / 0030 UTC 1 April 2026

S&P Global Japan Manufacturing PMI®

Business conditions improve at slower rate in March

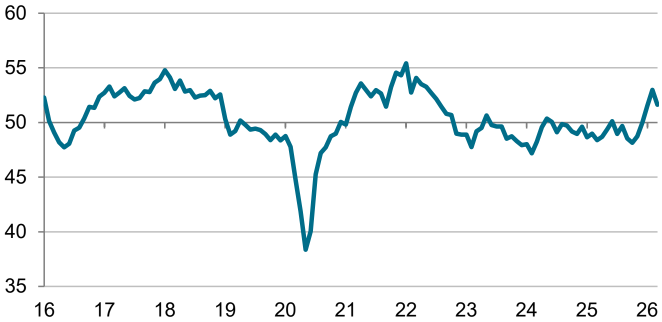
March 2026

Manufacturers signal softer increases in output, new orders and employment

Input costs rise at fastest rate in over a year-and-a-half

Optimism around the outlook for output softens

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



Data were collected 11-24 March 2026.
Source: S&P Global PMI. ©2026 S&P Global.

Manufacturing conditions across Japan continued to improve at the end of the first quarter, albeit at a slower pace. Growth in factory output and new orders eased from the solid rates seen in February, which in turn contributed to a softer rise in staff numbers.

The survey also indicated that the war in the Middle East placed additional upward pressure on costs, which rose to the greatest extent in 19 months. At the same time, firms expressed reduced optimism around the year-ahead outlook for output.

The headline S&P Global Japan Manufacturing Purchasing Managers' Index™ (PMI) – a composite single-figure indicator of manufacturing performance – slipped from a 45-month high of 53.0 in February to 51.6 in March. Whilst the reading was indicative of a slower and modest pace of improvement, it nevertheless marked the second-strongest performance of the sector since July 2022.

Underlying data revealed that makers of investment goods recorded the sharpest improvement in conditions, while a modest upturn was seen across the intermediate goods segment. In contrast, the health of the consumer goods sector deteriorated in March.

Factory output across Japan continued to increase at the end of the first quarter. The pace of expansion slowed from February, but was nonetheless the second-quickest since April 2022, and extended the current period of growth to three months. Where output increased, firms widely linked this to greater inflows of new business.

Measured overall, new orders expanded for the third straight month in March. Companies that recorded higher sales cited greater demand across a number of product areas, notably semiconductors, AI technology and automotives. That said, the rate of growth was the softest seen over this period and modest. New export business likewise expanded at a slower rate.

Manufacturing employment in Japan remained on an upward trend in March. Where headcounts had risen, firms often mentioned this was due to efforts to expand capacity and

Comment

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

"The latest set of PMI data highlight a renewed loss of growth momentum across Japan's manufacturing industry in March, with production expanding at a softer pace amid a weaker upturn in sales. Despite this, the sector achieved its strongest quarterly performance since Q2 2022.

"The slowdown coincides with the outbreak of war in the Middle East, which according to survey respondents directly contributed to stronger cost pressures at the end of the first quarter. Notably, input prices rose to the greatest extent in over a year-and-a-half, leading firms to raise their charges at a quicker pace as they sought to protect their margins. The war has also fuelled greater uncertainty about the global economic outlook, dampening business confidence and resulting in more cautious hiring and purchasing activity.

"While the immediate impact of the war is already feeding through directly to price indicators, it will be important to monitor the PMI data in the coming months to see whether cost and supply chain pressures continue to intensify, and to assess how resilient global demand conditions are."

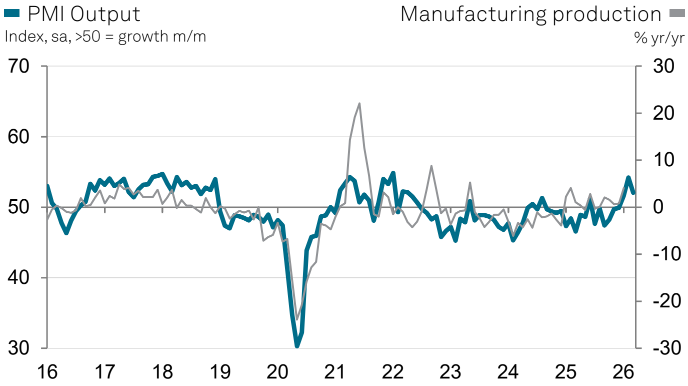
address long-standing labour shortages. Whilst above the survey's average, the rate of job creation was the slowest seen in 2026 to date. Furthermore, the increase in payrolls was insufficient to stop a further rise in backlogs of work. Though marginal, the rate at which outstanding business increased was the most pronounced since June 2022.

Buying activity among Japanese manufacturers continued to rise at the end of the first quarter. The rate of growth eased from February's multi-year high, but was among the quickest seen over the past four years. A number of companies mentioned raising their purchasing in line with new orders. Stocks of both purchased and finished goods meanwhile fell at slower and only marginal rates.

Supply chain performance continued to deteriorate in March, though the rate at which lead times increased was not as quick as that seen in February. There were reports of product shortages at vendors, with semiconductors noted in particular.

The war in the Middle East contributed to a further rise in average input costs, with the rate of inflation the sharpest recorded since August 2024. Firms stated that raw materials and energy were among the factors that had gone up in price. Higher labour costs and a weak yen exchange rate were also cited by panellists. Consequently, manufacturers looked to raise their own prices where possible, leading to the second-quickest rise in selling prices since June 2024.

Business sentiment regarding the year-ahead outlook softened from February's recent high, but was broadly in line with the survey's long-run trend. Upbeat output forecasts were partly linked to expectations of greater demand across the AI, semiconductor and defence industries. However, firms also expressed caution around growth projections due to the war in the Middle East.



Sources: S&P Global PMI, METI via S&P Global Market Intelligence. ©2026 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.

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PMI by S&P Global

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