News Release
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S&P Global Japan Services PMI®

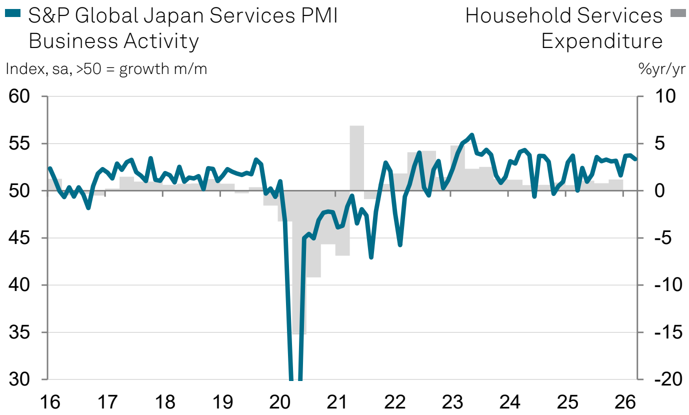
Service sector continues to expand solidly, but new order growth slows

March 2026

New order growth slips to three-month low

Cost pressures intensify

Business confidence weakens to lowest level since the pandemic



Data were collected 11-26 March 2026.
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Latest survey data signalled a further solid increase in service sector business activity across Japan in March. However, growth eased slightly from February amid a softer upturn in new orders.

At the same time, firms signalled a weaker rise in employment, while confidence around the year ahead slid to the lowest level since September 2020. Prices data meanwhile showed that cost pressures continued to build, but the rate of output charge inflation eased from February's multi-year peak.

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.

The headline index fell from a 21-month high of 53.8 in February to 53.4 in March, signalling a slower but still solid increase in Japanese service sector activity. Output has now risen in each of the past 12 months, with companies often attributing the latest upturn to greater amounts of new work and higher customer numbers. Sub-sector data revealed that the upturn in business activity was broad-based and led by Finance & Insurance.

New business rose for the twenty-first month in a row in March, but the latest upturn was the slowest seen since last December and modest. Where new orders increased, panel members generally linked this to firmer underlying demand conditions and new customer wins. New business from abroad also improved in March. Though mild, the rate of new export order growth was the second-quickest seen over the past ten months.

Service providers in Japan continued to add to their headcounts in March amid efforts to expand capacity and to fill vacancies. However, the rate of job creation was the slowest recorded since last October and modest. In line with the trend for new orders, the level of outstanding business accumulated at a softer pace at the end of the opening quarter. Though modest, the upturn

Comment

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

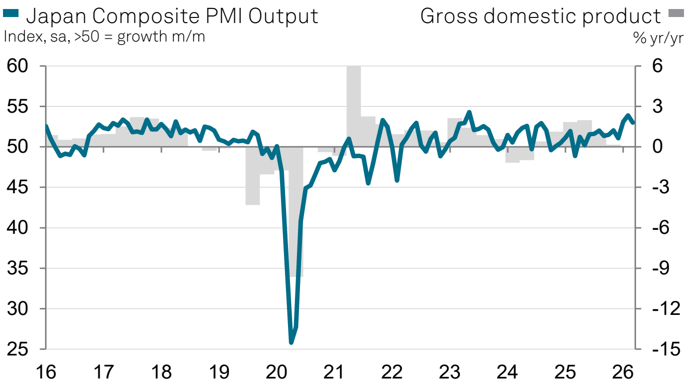
"The latest PMI data rounded off a solid performance for Japanese business through the opening quarter of 2026, with overall activity continuing to rise at a robust pace overall. However, there were tentative signs that growth momentum was beginning to fade in March, with both the output and new order indices retreating from the recent highs seen in February.

"The slowdown coincides with the outbreak of the war in the Middle East, which contributed to an intensification of cost pressures. Notably, companies recorded the steepest increase in expenses since last April, which in turn drove another historically strong rise in selling prices. Uncertainty over how long the Middle East war might go on for, and its impact on global demand and inflation, was a key factor driving down business confidence in March, with overall optimism around the outlook hitting the lowest since the pandemic."

contrasted with the survey's long-run trend of falling backlogs.

Cost pressures intensified in March, with average input prices rising at the sharpest pace for nearly a year. The war in the Middle East contributed to stronger inflation, according to panellists, with raw materials, energy and fuel all cited as having gone up in price. In contrast, the rate of output charge inflation softened since February, but it remained marked overall.

Optimism regarding the outlook for business activity slipped to the lowest since the pandemic in March. While firms generally anticipate output to rise over the next year, confidence was reportedly dampened by uncertainty related to the war in the Middle East.



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S&P Global Japan Composite PMI®

Japanese business activity expands at slower but still solid rate in March

At 53.0 in March, the S&P Global Japan Composite PMI Output Index fell from a 33-month record of 53.9 in February and signalled a slower increase in overall private sector output in Japan. The rate of expansion remained solid overall, however, and was quicker than the survey's long-run average. Sector data indicated output growth slowed across both manufacturing and services. New business at the composite level increased at the softest pace in 2026 to date, rising modestly overall. New export orders likewise expanded at a mild rate, with growth cooling from February's eight-year record. Overall employment grew at the softest pace in four months amid a slower rise in unfinished workloads. The rate of input cost inflation picked up to an 11-month high, but selling prices rose at a softer pace. Finally, optimism around the outlook for output fell to its lowest level for nearly a year.

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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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