News Release
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S&P Global Japan Services PMI®

Services activity growth hits 11-month high in January

January 2026

Solid increase in business activity as new orders rise at quicker pace

Employment levels expand solidly amid higher backlogs of work

Input prices rise at softest rate for nearly two years

Japan's service sector regained growth momentum at the start of 2026, according to latest PMI data, with business activity expanding at the quickest pace for nearly a year.

The stronger rise in services activity was supported by the fastest upturn in new work for four months. At the same time, the rate of job creation across the sector remained solid amid a further notable rise in backlogs. Cost pressures meanwhile eased to the lowest in nearly two years, but selling price inflation accelerated.

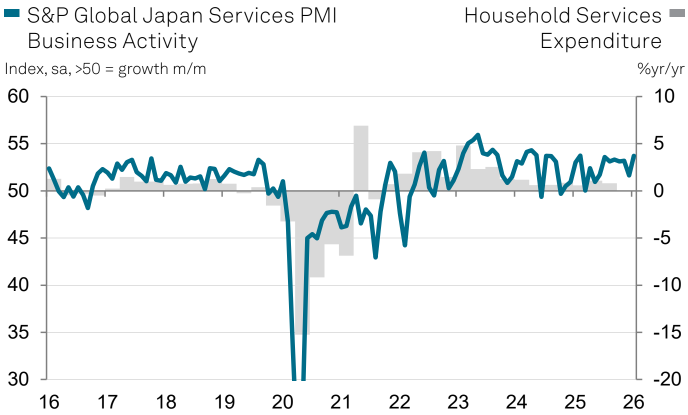
The S&P Global Japan Services PMI is compiled by S&P Global from survey responses from a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

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.

Japanese services companies signalled an increase in business activity for the tenth month in a row in January. Furthermore, the respective seasonally adjusted index climbed from 51.6 in December to 53.7, to signal a solid rate of growth that was the most pronounced since last February. Underlying data split by sub-industry suggested that Finance & Insurance firms continued to lead the upturn, while the softest rise in activity was seen across the Information & Communication segment.

The steeper increase in activity coincided with a quicker rise in new business. Though modest, the latest expansion in sales was the best seen in four months. According to anecdotal evidence, successful marketing campaigns and new client wins had supported the upturn in new work. Foreign demand for Japanese services also improved at a more pronounced rate in January.

The amount of unfinished work continued to increase at the start of 2026, with firms often linking this to greater inflows of new business. Notably, the rate of accumulation was the quickest seen since last September. Efforts to expand capacity led to a further rise in employment in January. Although easing from



Data were collected 9-27 January 2026.
Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Comment

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

"Business activity growth across Japan's private sector rebounded at the start of 2026, with output expanding at the quickest rate since May 2023. The service sector remained of key driver of growth, and saw the steepest increase in activity for nearly a year, but January also saw the first rise in factory production since last June.

"The PMI surveys therefore suggest the recovery has become more broad-based, with demand conditions improving simultaneously across the manufacturing and service sectors for the first time in over two-and-a-half years. Employment was also a bright spot, with payroll numbers rising solidly across both sectors as firms looked to expand capacity to meet rising customer demand.

"There was also an easing of cost pressures at the start of 2026, with expenses rising at the slowest pace for nearly two years. However, prices charged by Japanese companies rose at a steeper rate as firms looked to improve their operating margins.

"Although overall growth momentum improved and firms remained keen to hire, the latest survey suggested that expectations regarding the year ahead softened. While many firms anticipate a further recovery in conditions, there were concerns over the global economic outlook, an ageing demographic and labour shortages."

PMI by S&P Global

December, the rate of job creation remained solid overall.

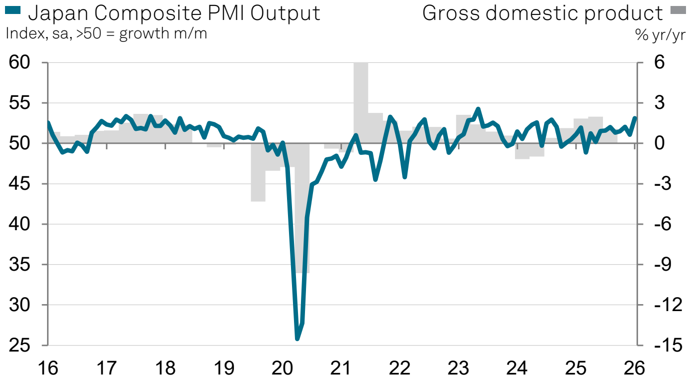
Prices data meanwhile signalled a renewed slowdown in the rate of input cost inflation. Though still sharp, the latest increase in operating expenses was the softest seen for nearly two years. However, the rate of selling price inflation quickened to a seven-month high, as firms looked to pass on higher costs to customer where possible.

Japanese service providers were generally upbeat regarding future business activity in January. However, the overall degree of positive sentiment slipped to the lowest seen since last July, as confidence was partly dampened by concerns over global economic conditions, weaker tourism and labour shortages.

S&P Global Japan Composite PMI®

Overall business activity across Japan expanded at the quickest rate since May 2023 in January

At 53.1 at the start of the year, the S&P Global Japan Composite PMI Output Index rose from 51.1 in December and signalled a solid and accelerated increase in total private sector output. Furthermore, the rate of growth was the best recorded in 32 months. The improvement was driven not only by a stronger rise in services activity, but a fresh increase in factory production. At the composite level, new orders rose at the quickest rate since May 2024, which was supported by a broad-based increase in demand for both goods and services. Overall export business meanwhile expanded for the first time since last March, and to the greatest extent in over four years. Companies meanwhile added to their staffing levels at a solid pace as backlogs continued to build. There was a cooling of price pressures, but the rate of selling price inflation accelerated to the strongest seen for over a year-and-a-half.



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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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