News Release
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S&P Global Japan Services PMI®

Business activity expands for third month running in June

June 2025

Services activity and new orders expand at slightly faster rates

Business confidence edges higher, employment continues to rise

Steeper increase in selling prices as input cost inflation remains sharp

Japanese services companies signalled slightly stronger increases in business activity and new orders in June, according to latest PMI® data. At the same time, business confidence regarding the one-year outlook for output improved, while firms added to their payrolls at a stronger rate.

Cost pressures remained historically marked, despite the rate of input price inflation easing for the second straight month, which in turn led to a quicker rise in output charges.

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.

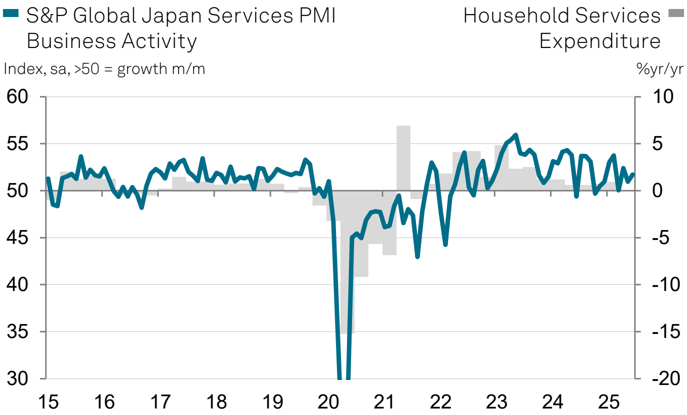
The headline Japan Services Business Activity Index rose from 51.0 in May to 51.7 in June, to signal a slightly quicker but still modest increase in activity. Services activity has now risen in each of the past three months, though growth rates over this period have been slower than those seen at the start of 2025.

Sub-sector data highlighted that business activity expanded across all five monitored segments, led by Transport & Storage.

Panellists indicated that improved customer numbers, marketing activities and firmer demand conditions had helped to lift activity and sales during June. New order growth quickened slightly on the month, but also remained modest. New export business meanwhile increased at the softest pace in 2025 to date and only slightly.

Nevertheless, the sustained rise in total new orders placed further strain on operating capacities, as signalled by another increase in outstanding business. The rate of accumulation quickened slightly from May but remained mild overall.

Higher backlogs were recorded despite a sustained upturn in



Data were collected 12-25 June 2025.
Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.

Comment

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

"Japan's private sector continued to expand in June, though growth remained modest overall. Furthermore, the PMI data signalled that overall growth momentum slowed in the second quarter compared to the first quarter of 2025, to suggest an easing of GDP growth.

"While the latest surveys showed that factory production returned to growth and services activity picked up, demand conditions remained sluggish. Notably, overall new business rose only fractionally for the second straight month, while new export business continued to decline.

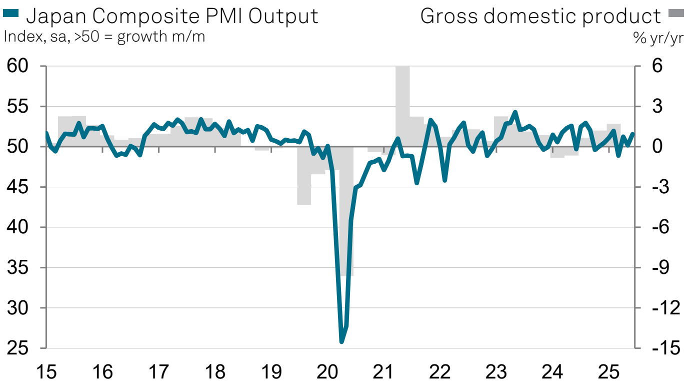
"We will need to see a notable improvement in customer demand and sales in order to sustain the current recovery in business activity. However, market confidence and trading conditions remain subdued, in part due to lingering uncertainty over US tariffs.

"At the same time, companies continue to report strong cost pressures, in part driven by a further increase in staff hiring. Companies raised their output charges at a quicker pace as a result, and despite muted demand conditions."

staff numbers in June. Though modest, the latest increase in employment was the most marked since January.

Companies continued to add to their payrolls amid stronger confidence around the 12-month outlook for activity. The level of positive sentiment was the strongest in four months and above the series average. Services companies that forecast higher activity often commented on company expansion plans, staff hiring, the rollout of new products.

Turning to prices, average input costs continued to rise sharply, despite the rate of inflation dipping to a six-month low. Efforts to pass on expenses to clients drove another increase in output charges, and one that was the most pronounced in 14 months.



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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S&P Global Japan Composite PMI®

Overall output expands at quickest pace since February

The S&P Global Japan Composite PMI Output Index increased from 50.2 in May to 51.5 in June, signalling a third successive monthly rise in overall business activity across Japan. Though modest, the rate of growth was the most pronounced since February. The upturn was supported by a fresh rise in factory output and a quicker upturn in services activity.

However, new business at the composite level rose only fractionally for the second straight month amid a further decline in new export sales. Business confidence around the outlook strengthened, however, and supported the strongest increase in employment for nearly a year.

Input cost inflation slipped to a 15-month low, but remained sharp. Consequently, average output charges continued to rise and at a quicker pace than seen in May.

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

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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.

PMI by S&P Global

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