

S&P Global Japan Services PMI[®]

Services activity growth remains strong in October

October 2025

Solid increase in activity levels, but new order growth slows notably

Staff numbers rise only slightly as business confidence softens

Cost pressures intensify, leading to steeper increase in selling prices

Latest PMI[®] data pointed to a further strong increase in service sector activity across Japan at the start of the fourth quarter. This was despite a notably softer increase in new orders. Companies also expanded their workforce numbers for the second month in a row, though the rate of job creation also eased amid reduced business confidence. Inflationary pressures meanwhile intensified, with both input costs and output charges rising at faster rates.

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.

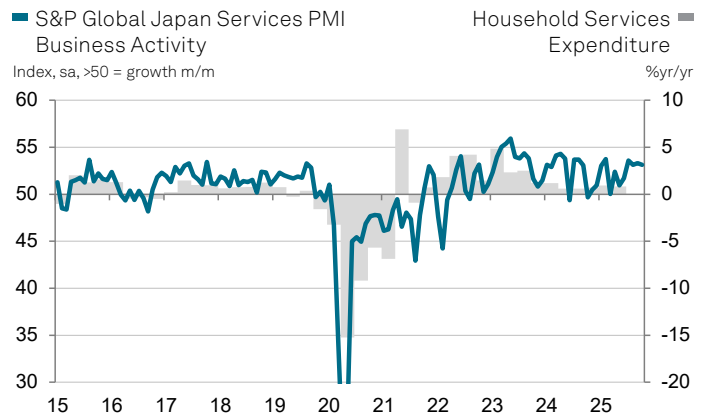
The headline figure is the Services Business Activity Index, which tracks changes in the volume of business activity compared with one month previously. A reading above 50.0 indicates an overall increase compared to the previous month, and below 50.0 an overall decrease.

At 53.1 in October, the headline Japan Services Business Activity Index fell only slightly from 53.3 in September and was consistent with a further solid increase in service sector output. Business activity across Japan's service sector has now risen in each of the past seven months. Sub-sector data indicated that Finance & Insurance companies recorded the strongest rate of activity growth, followed by Transport & Storage firms.

According to panel members, greater amounts of new orders and improved billings due to recent increases in charges had supported the upturn in business activity. Whilst overall new orders continued to increase in October, the rate of growth moderated to a 16-month low and was marginal overall. At the same time, there was a further reduction in foreign demand for Japanese services, albeit with the rate of decline easing to a four-month low.

Companies also signalled a slowdown in the rate of employment growth during October. Staffing levels increased only slightly, with higher headcounts often associated with company expansion plans and the filling of vacancies.

A combination of weaker new order growth and a further



Data were collected 9-28 October 2025.
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:

"The latest PMI data for Japan signalled a further solid expansion of service sector output, but other survey indicators were not quite as upbeat at the start of the final quarter.

"Firstly, new business growth slowed sharply, with sales expanding at the weakest pace in 16 months, and foreign demand continued to contract. Secondly, inflationary pressures intensified, with both input costs and output charges rising at sharper rates in October, which in part was due to increases in labour costs. Thirdly, business confidence weakened at the start of the fourth quarter and remained below that recorded at the start of the year, as firms expressed caution around the outlook and concerns over labour shortages and relatively subdued customer demand.

"Nevertheless, the service sector continued to drive overall growth of Japan's private sector in October, offsetting another reduction in factory output. Employment also increased further. However, price pressures have intensified across both sectors, and will be important to monitor in the coming months."

increase in payroll numbers nevertheless eased pressure on capacity. This was highlighted by only a modest increase in backlogs of work that was the least pronounced in four months.

October survey data meanwhile signalled a sharp and accelerated increase in input costs, with the rate of inflation the quickest seen since May. Panellists often noted increases in staff, raw material, food and fuel expenses. Firms therefore raised their selling prices again in October, and at the steepest rate since June.

Finally, Japanese service providers remained optimistic that business activity will increase over the next 12 months. However, the degree of optimism receded from September's eight-month high.

S&P Global Japan Composite PMI®

Overall business activity continues to increase modestly in October

The S&P Global Japan Composite PMI Output Index edged up from 51.3 in September to 51.5 in October, to signal a slightly stronger but still modest increase in private sector output across Japan. While growth slowed across the service industry, this was offset by a softer fall in factory output.

New business at the composite level fell into decline, however, marking the first reduction since June 2024. This reflected a sharp reduction in new orders received by manufacturers, but also slower growth in sales across the service sector. Foreign demand meanwhile fell for both Japanese goods and services. Overall employment rose only marginally, with the rate of job creation little-changed from September, while backlogs were broadly stable. Cost pressures intensified, with rates of both input cost and output charge inflation hitting four-month highs.

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.

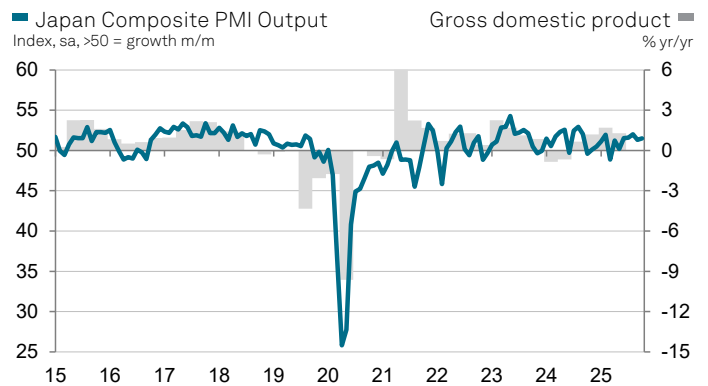
Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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