News Release
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S&P Global Flash Japan PMI®

Japan's private sector growth slows in March

March 2026

Flash Japan Composite PMI Output Index: 52.5 (February: 53.9)

Flash Japan Services PMI Business Activity Index: 52.8 (February: 53.8)

Flash Japan Manufacturing PMI: 51.4 (February: 53.0)

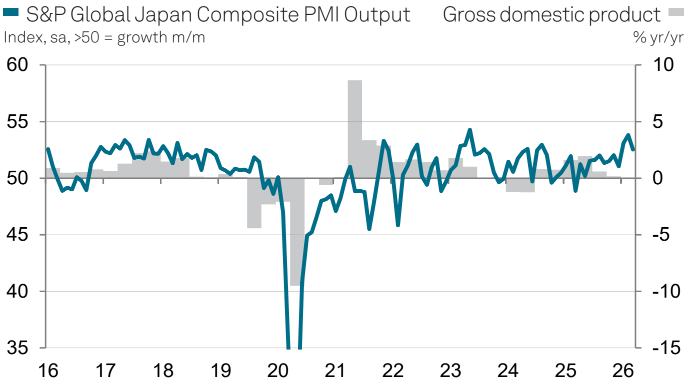
Flash Japan Manufacturing PMI Output Index: 51.8 (February: 54.2)

Latest S&P Global Flash PMI® data signalled softer expansions in both manufacturing and service sector activity in Japan in March, leading to the slowest rise in overall private sector output for three months. At the same time, Japanese firms recorded weaker increases in new orders and employment, while confidence around the year-ahead slipped to the lowest for nearly a year amid concerns around the war in the Middle East. The latter was reportedly a key driver of inflation, with input costs rising to the greatest extent for 11 months in March.

At 52.5 at the end of the first quarter, the headline seasonally adjusted **S&P Global Flash Japan PMI Composite Output Index** fell from a 33-month high of 53.9 in February to signal a slower, but still solid expansion of Japanese private sector activity. The headline index has now posted in growth territory in each month for the past year, though the latest reading was the lowest recorded since last December. Data broken down by sector revealed that both manufacturing and service sector activity rose at softer rates.

The slowdown in overall growth momentum coincided with a weaker increase in overall new business. The latest upturn in composite new work was marginal and the weakest in three months. Underlying data showed that rates of new order growth slowed notably across both the manufacturing and service sectors, with the latter recording the softest upturn in sales since last October. Similarly, total new export business expanded at a modest rate that was the weakest seen over the current three-month period of growth. This reflected a softer rise in overseas demand for goods, as foreign demand for services increased at a slightly faster (but still marginal) pace.

Japanese companies raised their staffing levels again in March, stretching the current period of job creation to two-and-a-half years. That said, the rate of payroll growth was the slowest recorded in four months, with both manufacturers and services companies hiring additional workers at a reduced



Sources: S&P Global PMI, Cabinet Office Japan via S&P Global Market Intelligence.
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Data were collected 11-20 March 2026.

Comment

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

“After having picked up speed in the opening two months of 2026, growth momentum across Japan's private sector cooled in March. Overall business activity, new orders and employment all expanded at weaker rates, with underlying data indicating that growth trajectories slowed across both manufacturing and service industries.

"The slowdown coincides with the recent outbreak of the war in the Middle East, which contributed to a sharp rise in input costs amid reports of supply chain difficulties and higher prices for fuel. A weak yen exchange rate and rising labour costs also contributed to the upturn in expenses, further adding to the squeeze on company margins.

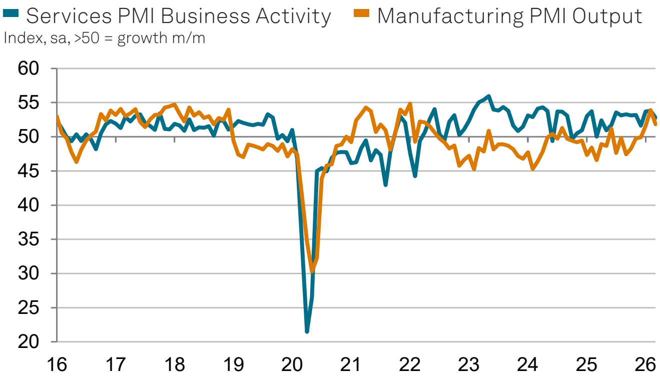
"With so much uncertainty around the length and impact of the Middle East war, firms were less confident around future output. Optimism among services companies fell more notably than across the manufacturing sector, however, with the latter hoping that stronger global demand across key industries such as AI, defence and semiconductors will continue to drive growth in the months ahead."

PMI by S&P Global

pace. Capacity pressures across Japan's private sector meanwhile continued to build, though the rate of backlog accumulation slowed from February's series record.

The latest survey pointed to a sharp and accelerated rise in average input costs faced by Japanese companies. Notably, the rate of inflation was the quickest recorded for nearly a year, and was partly linked to the war in the Middle East and its impact on supply chains and energy costs. Steeper increases in expenses were recorded in both the manufacturing and service industries. Despite stronger cost pressures, composite output charges increased at the softest rate in three months. This was due to a weaker rise in charges at services firms, as factory gate prices rose at a quicker pace.

When assessing the one-year outlook for output, Japanese firms were generally upbeat in March. However, the overall level of optimism slipped to an 11-month low amid rising uncertainty over the war in the Middle East, particularly with respect to supply chains and energy prices. The drop in confidence was largely driven by reduced expectations in the service sector, as forecasts among manufacturers remained historically strong amid hopes of greater demand across key industries such as AI, defence and semiconductors.



Source: S&P Global PMI. ©2026 S&P Global.

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Methodology

Final March data are published on 1 April for manufacturing and 3 April for services and composite indicators.

The S&P Global Flash Japan PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services 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.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing 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.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The 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.

Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = 0.1 (absolute difference 0.5)

Services Business Activity Index = 0.2 (absolute difference 0.7)

Manufacturing PMI = 0.1 (absolute difference 0.3)

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global.

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

S&P Global

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