

Japan

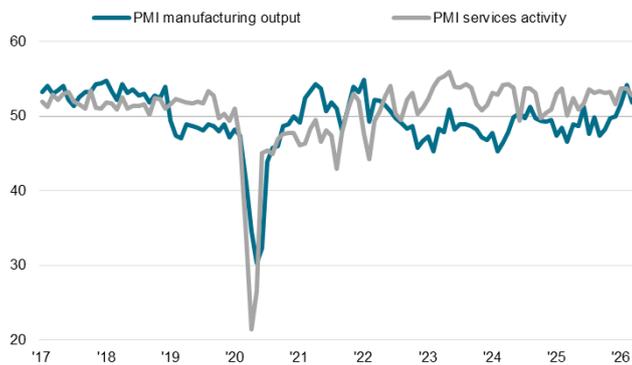
March flash PMI points to fading growth and rising inflation as war breaks out in the Middle East

S&P Global's flash PMI data showed Japan's economic upturn losing momentum following the outbreak of war in the Middle East. Inflation also looks set to spike higher after firms reported a jump in input costs, likewise emanating from the war.

Strong growth fades

Having risen to 53.9 in February, its highest since May 2023 and signalling one of the strongest expansions recorded over the survey's history (since 2007), the headline PMI tracking output across the manufacturing and services sectors fell to 52.5 in March, according to the provisional 'flash' reading. Growth slowed in both sectors.

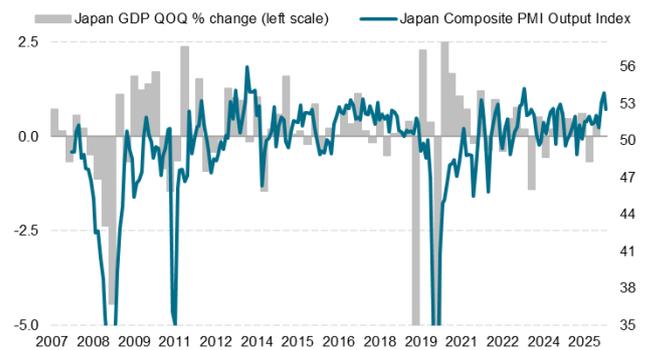
Japan PMI output by sector



Data compiled March 24, 2026.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services.
Sources: S&P Global PMI, S&P Global Market Intelligence.
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While still well above the 50.0 no change level to thereby indicate another month of robust economic growth, in fact rounding off the strongest quarterly expansion since the fourth quarter of 2013, the loss of growth momentum in March was accompanied by some worrying forward-looking indicators.

Japan PMI vs. GDP



Data compiled March 24, 2026.
PMI (Purchasing Managers' Index) based on 50 = no change on prior month, covers goods and services. Pandemic and crises extremes removed from chart.
Sources: S&P Global PMI, S&P Global Market Intelligence.
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Confidence slumps as demand falters

First, new orders growth, which typically drives changes in output, slowed sharply in March. Having risen in February at the fastest rate for nearly three years, buoyed by reduced US tariff worries and rising hopes of domestic political stability and support to business from the Takaichi government, inflows of new orders rose only modestly in March to register the weakest increase for three months. The slowdown was commonly linked to signs of more subdued customer demand, particularly from overseas, amid rising costs and an uncertain geopolitical climate.

Second, business expectations for the year ahead likewise deteriorated, slumping from February's 13-month high to now sit at an 11-month low (and the second-lowest recorded since the pandemic).

S&P Global 'flash' Japan PMI



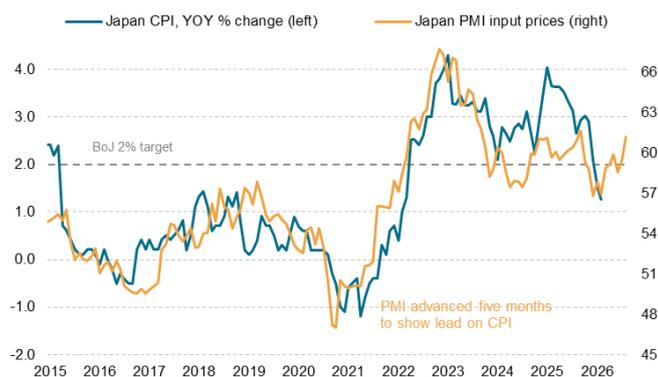
Data compiled March 24, 2026.
PMI (Purchasing Managers' Index) 50 = no change on prior month (next 12 months), covers goods and services.
Sources: S&P Global PMI, S&P Global Market Intelligence.
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Inflation spike and supply chain worries

A key concern stemming from the war in the Middle East is the impact on supply chains and inflation, notably through energy prices, given Japan's dependence on accessing the majority of its oil through the Strait of Hormuz.

March's flash PMI survey data showed average input prices rising at a sharply increased rate, the rate of inflation hitting the highest since last April (and the second-highest since April 2023). The survey data therefore indicate that consumer price inflation, which moderated to a year-on-year rate of 1.3% in February, will pick up again in the coming months, potentially rising above the central bank's target.

Japan inflation

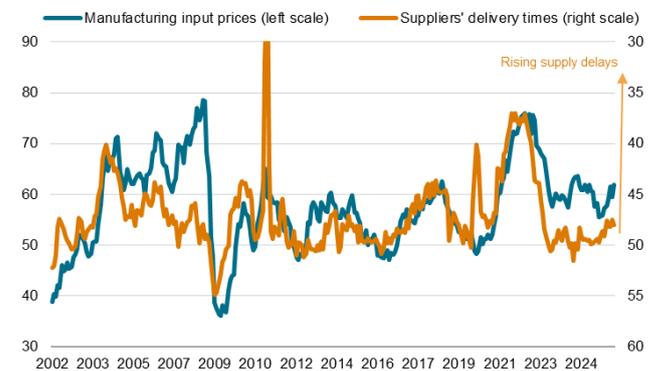


Data compiled March 24, 2026 including March flash PMI data.
PMI (Purchasing Managers' Index) value of 50 = no change on prior month, covers manufacturing and services.
Sources: S&P Global PMI, Japan Statistics Bureau via S&P Global Market Intelligence.
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Supply availability meanwhile tightened for inputs into factories, as signalled by supplier delivery times lengthening to one of the greatest extents seen since the pandemic, though the overall degree of supply chain constraint remained relatively modest. The concern is that it potentially remains very early days in terms of the war, and that protracted supply delays for oil will not only drive

energy prices higher but also limit economic activity. Hence the government has introduced subsidies to curb energy price rises and has released strategic oil reserves to boost supply.

S&P Global flash Japan PMI



As of March 24, 2026.
PMI 50 = no change on prior month.
Source: S&P Global PMI, S&P Global Market Intelligence.
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The focus shifts to the Bank of Japan, to see whether it will continue to raise interest rates – possibly as soon as April – to normalise policy rates in the face of inflationary pressures, or whether it will wait and see just how resilient the economy will be in the weeks ahead.

Access the press release [here](#).

Links to more resources

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CONTACT US

Chris Williamson

Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061

chris.williamson@spglobal.com

The Americas

+1-877-863-1306

EMEA

+44-20-7176-1234

Asia-Pacific

+852-2533-3565

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