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Minimum Wage to Reach Over 1,100 Yen in FY2025

The benchmark could be a 6% increase with a focus on European-style targets and regional discussions

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Summary

- Considering the rise in the market for wages and improvement in corporate ability to pay wages, the revision rate of the minimum wage in FY2025 may exceed the previous year's 5.1% (51 yen). The extent to which the government's target is considered will affect the magnitude of the increase, but the benchmark increase rate could be around 6% (63 yen). If realized, the minimum wage would be approximately 1,118 yen on a national weighted average basis.
- The Basic Policy on Economic and Fiscal Management and Reform 2025 (the basic policy) introduces the European Union (EU) minimum wage targets (60% of median wages and 50% of average wages) and points out that "Japan's minimum wage is low compared to EU member countries." However, this is talking about the level of the minimum wage as compared to the wage of full-time workers, and when compared to the macro average wage including part-time workers, Japan's minimum wage is internationally competitive.
- Furthermore, the basic policy includes new national support for local regions where minimum wage increases have exceeded the national guideline. In regions classified as "C rank," such as Okinawa Prefecture and Aomori Prefecture, the minimum wage is already at a high level when compared to the average wage. In this context, it will be necessary to closely monitor whether the new national support will fuel competition among regions to raise minimum wages, leading to excessive increases that deviate from economic realities.