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The wage hikes for the 2025 spring labor negotiations show improvement in terms of “spread”; minimum wage national guideline will set at around 6%

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Summary

- The wage increase rate for the 2025 spring labor negotiations not only slightly exceeded the previous year's rate, which was the highest in 33 years, but also showed improvement in terms of “spread.” Wage increases accelerated at small and medium-sized enterprises compared to large enterprises and wage increase rates in rural areas were higher than those in urban areas. Until FY2023, wage increases were primarily driven by private-sector companies. However, following the NPA Remuneration Recommendation in summer 2024, public sector wages and starting salaries were significantly raised in FY2024. It is expected that FY2025 will also see wage increases at a high level similar to the private sector.
- The real wage increase rate based on hourly wages for the 2018–2024 fiscal years (years) was +0.6% annually. This was on a par with Germany, but due to differences in productivity growth rates and other factors, it remained at about one-third of that of the United States. When looking at real wages per capita, Japan saw a decline of 0.2% due to a significant reduction in working hours. While this can be viewed positively as a result of work style reform, there has been a recent increase in young workers hoping for longer working hours. To create an environment where workers with high aspirations to work and grow can work more easily and thrive, it is necessary to expand the flexibility of working hours in line with job specialization and promote side jobs.
- 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 national guideline 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 handling of the European-style targets introduced in the Basic Policy on Economic and Fiscal Management and Reform 2025, as well as the impact of new national support for regions where minimum wage increase have exceeded the national guideline, will also be closely watched.