

Recent Economic Developments

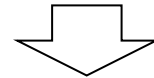
- Monthly Economic Report, April 24 2025 -

**Cabinet Office
Government of Japan**

<Assessment of the current state of the Japanese economy>

February

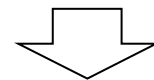
The Japanese economy is recovering at a moderate pace,
although it remains pausing in part.



March

The Japanese economy is recovering at a moderate pace,
although it remains pausing in part.

(Unchanged since August)



April

The Japanese economy is recovering at a moderate pace,
while the uncertainty arising from the U.S. trade policies
and so on exists.

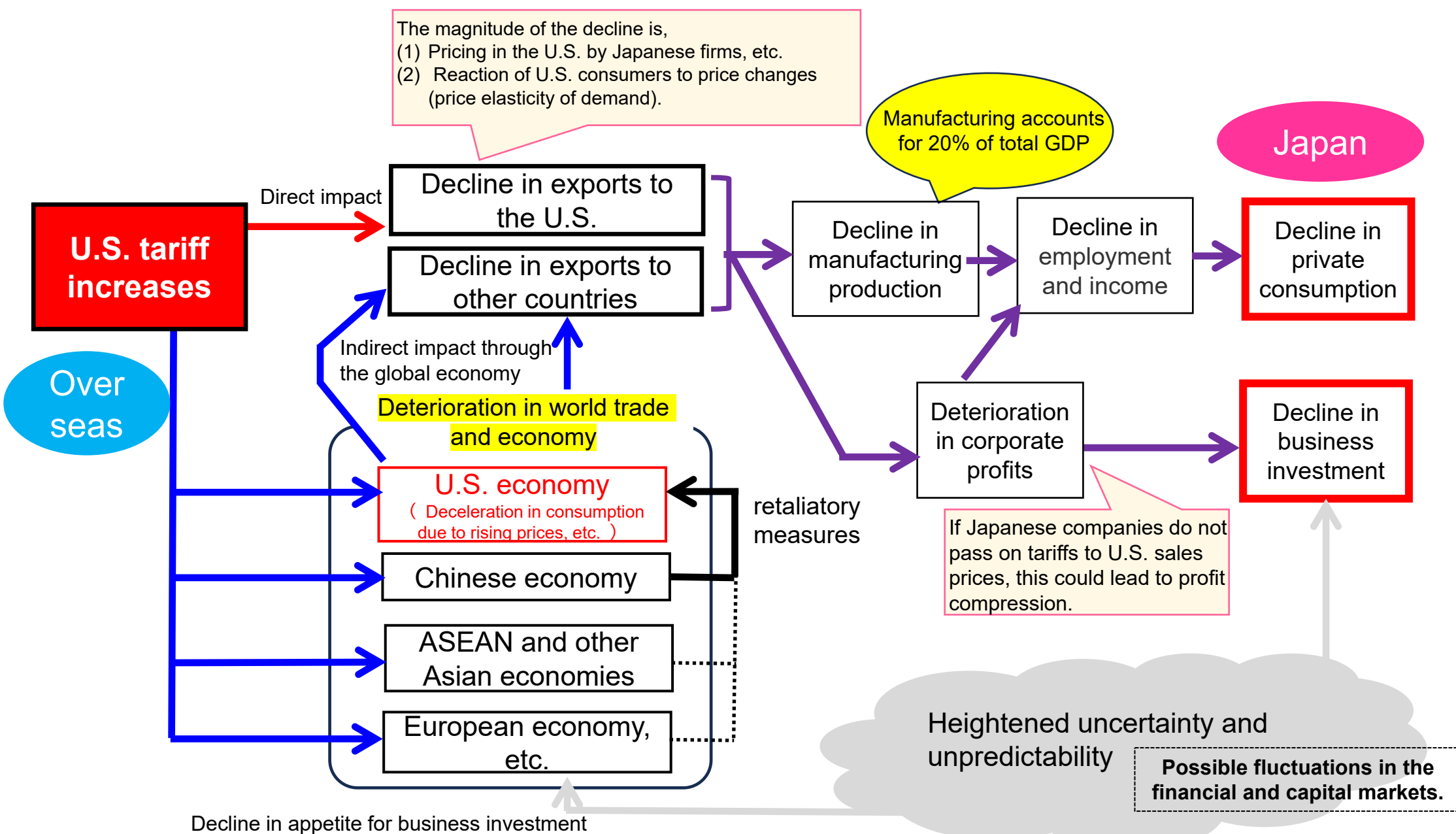
(Changed)

<Assessment of the current state of the Japanese economy>

	February	March	April
Private consumption	Private consumption shows movements of picking up, although it remains pausing in part.	Unchanged	Private consumption shows movements of picking up with the movement of improvement in the employment and income situation continuing, although consumer sentiment is in a weak tone.(→)
Business investment	Business investment shows movements of picking up.	Unchanged	Unchanged
Exports	Exports have been showing movements of picking up recently.(↑)	Unchanged	Unchanged
Industrial production	Industrial production is flat.	Unchanged	Unchanged
Corporate profits	Corporate profits are improving as a whole, although the pace has become moderate.	Corporate profits are improving.(↑)	Unchanged
Firms' judgments on business conditions	Firms' judgments on current business conditions are improving.	Unchanged	Firms' judgments on current business conditions have been almost flat recently.(↓)
Employment situation	The employment situation shows movements of improvement.	Unchanged	Unchanged
Prices	Consumer prices have been rising.	Unchanged	Unchanged

Note: ↑ denotes upward revision and ↓ denotes downward revision.

1. Potential Channels through Which U.S. Tariff Measures Could Affect the Japanese Economy



* In addition to the above, there could be impacts through the supply chain. There is also the possibility of an easy conversion effect whereby U.S. imports are substituted from other countries to Japan, depending on the extent of tariff increases on each country.

2. Developments in U.S. Tariff Measures

Table 1: U.S. Tariff Measures (Relevant to Japan) (As of April 17, JST)

Effective Date	Summary of Measures
March 12	25% additional tariff on steel and aluminum products.
April 3	25% additional tariff on automobiles (finished vehicles). (Tariff on automotive parts scheduled to take effect by May 3).
April 5	10% additional tariff implemented as reciprocal tariffs. *This measure excludes the above-mentioned steel and aluminum products, automobiles and automotive parts, as well as copper, pharmaceuticals, semiconductors (including smartphones, PCs, semiconductor manufacturing equipment, etc.), and others. *Additional country-specific tariff on certain countries, including Japan, was initially implemented on April 9, but a temporary suspension until July 9 was announced on the same day.

Table 2. Impact on the Japanese economy
(Potential Channels)

① **Direct impact through Japan's exports to the US.**

- The downward pressure on exports to the U.S. may vary depending on the extent of price changes for products in the U.S. market and the degree to which consumption is substituted for U.S. products in response to price changes.

*There is also the possibility of a trade diversion effect whereby U.S. imports from other countries are substituted for Japanese products.

② **Indirect impact through the global economy**

- If intensifying trade friction leads to a decline in world trade and downward pressure on the global economy, it could indirectly depress Japan's external demand.
- Increased uncertainty may lead to a deterioration in business sentiment worldwide, which will lead to a decline in capital investment, and may also put downward pressure on exports of capital goods, etc. from Japan to other countries.

*With regard to the impact on capital investment, changes since the first Trump administration include: increased investment in intangible assets, AI, and trade in services; a shift to domestic production of semiconductors and other products based on the perspective of economic security; and increased investment in labor-saving and digitalization due to a domestic labor shortage.

*Other potential impacts through fluctuations in financial and capital markets should also be noted.

Figure 3. Trade in Goods between Japan and the U.S.
(U.S. Data, 2024)

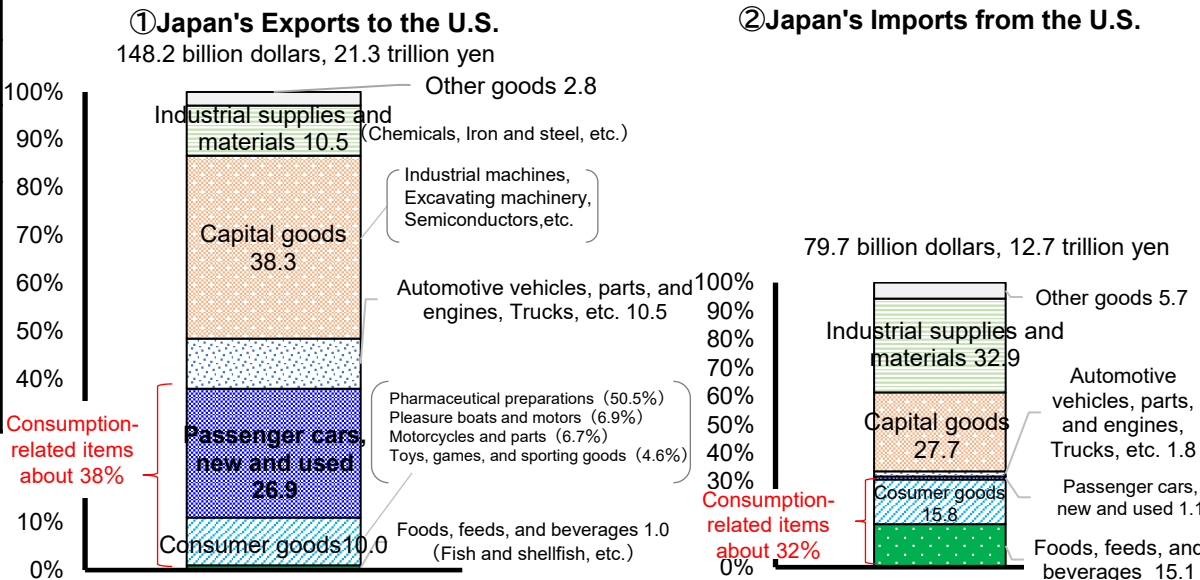
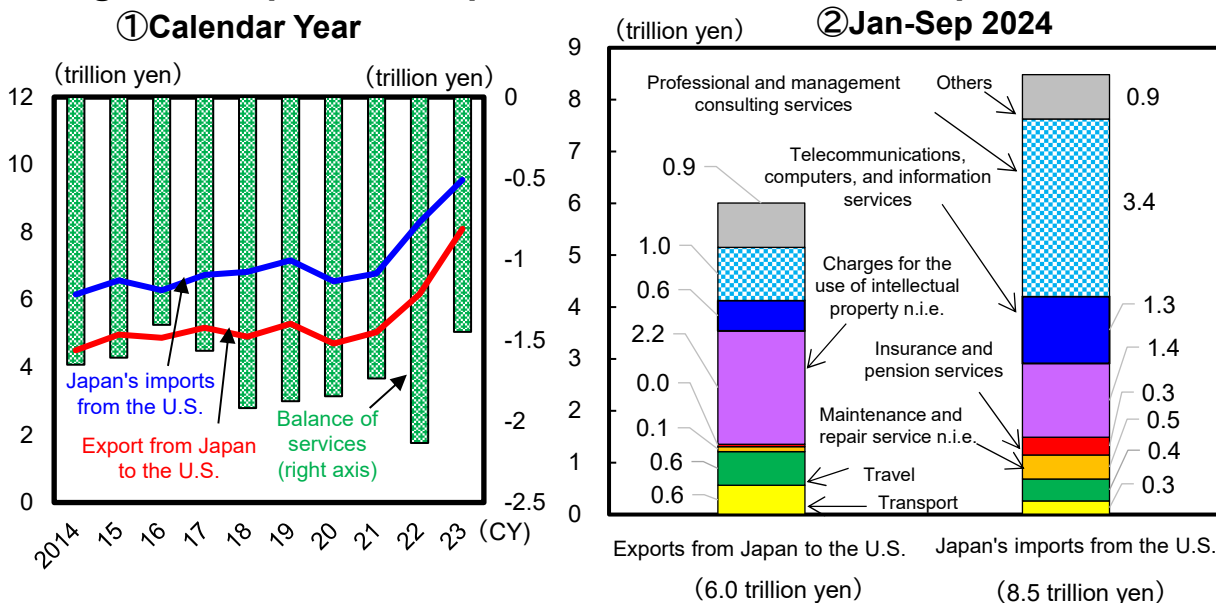


Figure 4. Import and export of services between Japan and the U.S.



(Note) 1. Table 1 source: various news and other sources.

2. Figure 3 source: U.S. Department of Commerce. The total export and import values on a yen basis are the figures from the Ministry of Finance's "Trade Statistics".

3. Figure 4. source: Bank of Japan; Ministry of Finance

3. Export and Trade

Figure 1. Japan's goods exports

① Export by region

② Trends in Exports to the U.S.

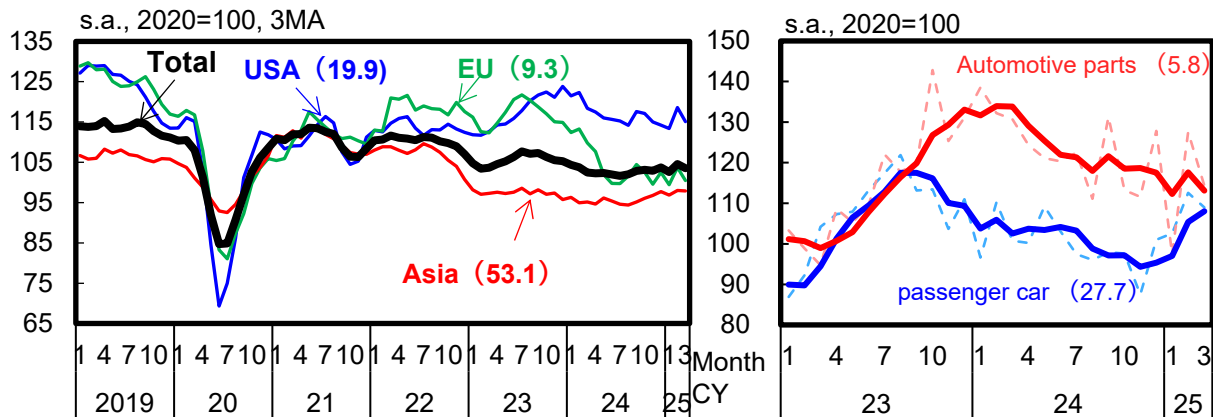


Figure 2. The top export destination considered for the future

① Destination

② Share of respondents who selected the U.S

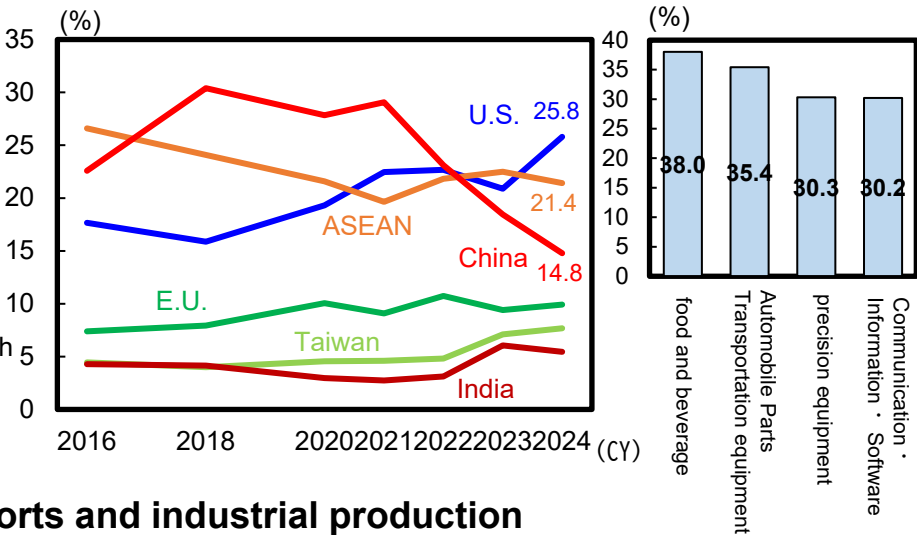
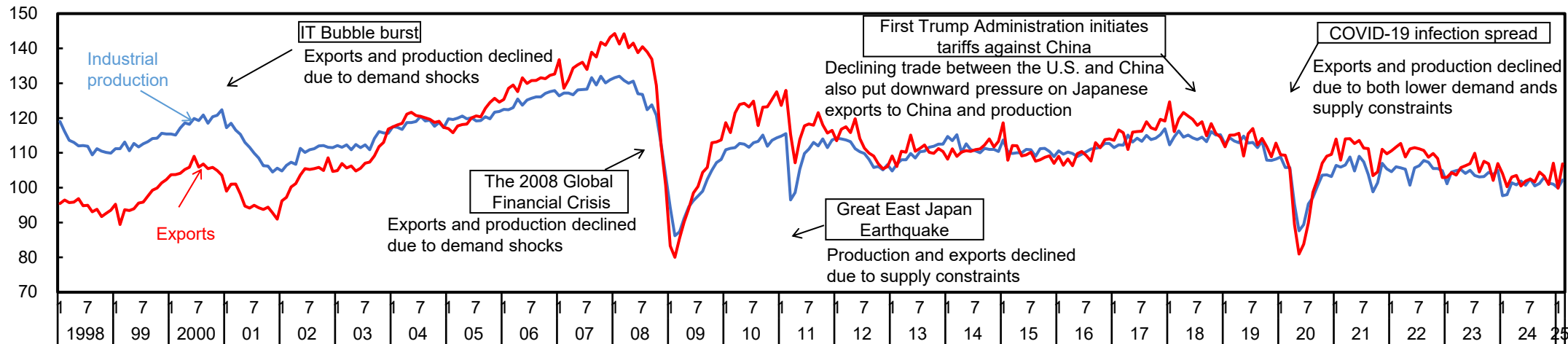


Figure 3. Long-term trends in Japanese exports and industrial production



Sources: Ministry of Finance

2. Prepared by JETRO based on "Questionnaire Survey on Overseas Business Expansion of Japanese Companies"; the survey period for the 2024 survey was November 6 to December 6. ①There is no survey with the same question in 2017 and 19; EU in 2018-21 refers to "Western Europe (excluding the UK)"; EU in 2016 refers to "Western Europe (including the UK)". ②Excluding industries with less than 20 companies.

3. Figure 3 source ; Ministry of Finance, Ministry of Economics, Trade and Industry

4. Corporate sector

The reference date for the survey was March 12, with a response deadline of March 31.
The automobile tariff was announced on March 26, followed by the reciprocal tariff announcement on April 2.

Figure 1. Business conditions D.I. (Tankan Survey)

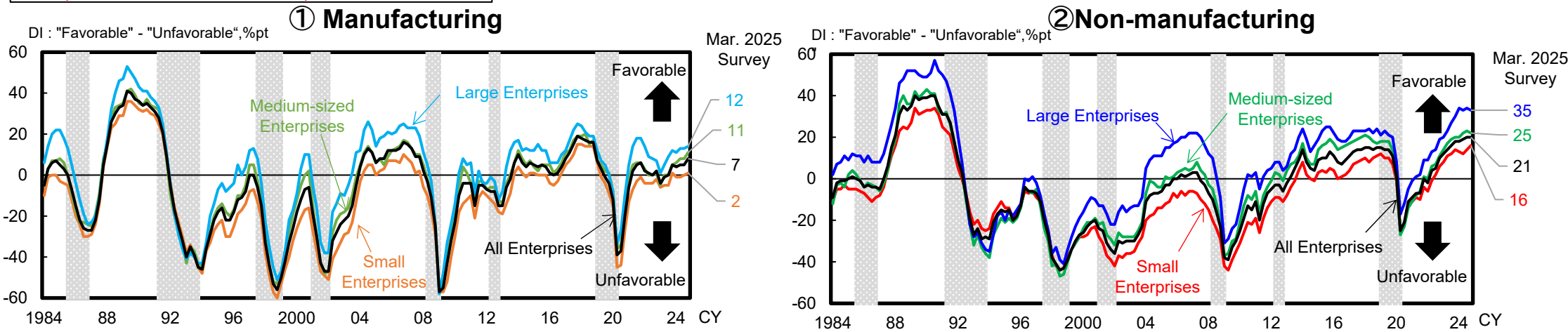
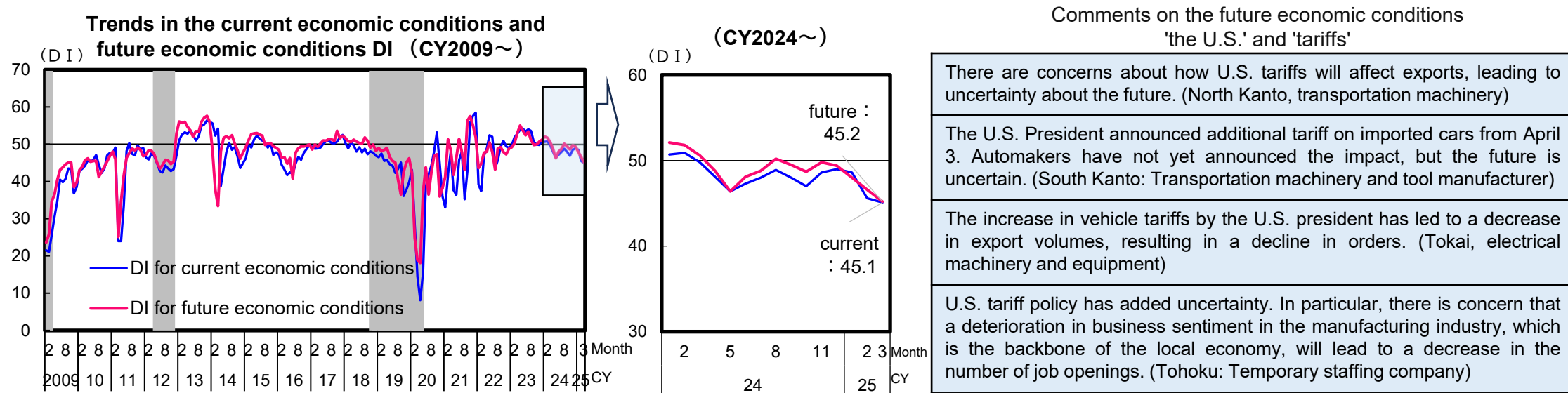


Figure 2. Economy Watchers Survey March 2025 (Survey period : March 25 to 31)



(Note) 1. Figure 1 is based on the Bank of Japan's *Tankan (Short-Term Economic Survey of Enterprises in Japan)* and the Cabinet Office's *Reference Dates of Business Cycles*. Shaded areas indicate periods from the peak to the trough of the business cycle. According to the Ministry of Finance's *Annual Survey of Corporate Statistics* for FY2023 (excluding the financial and insurance sectors), the sales share is 27% for manufacturing and 73% for non manufacturing industries. Enterprise size is defined by capital as follows large (¥1 billion or more), medium-sized (¥100 million to less than ¥1 billion), and small (¥20 million to less than ¥100 million).
2. Figure 2 is based on the Cabinet Office's *Economy Watchers Survey* and *Reference Dates of Business Cycles*. The shaded area in the figure indicates the period from the peak to the trough of the economy.

5. Prices

Figure 1. Consumer Price Index

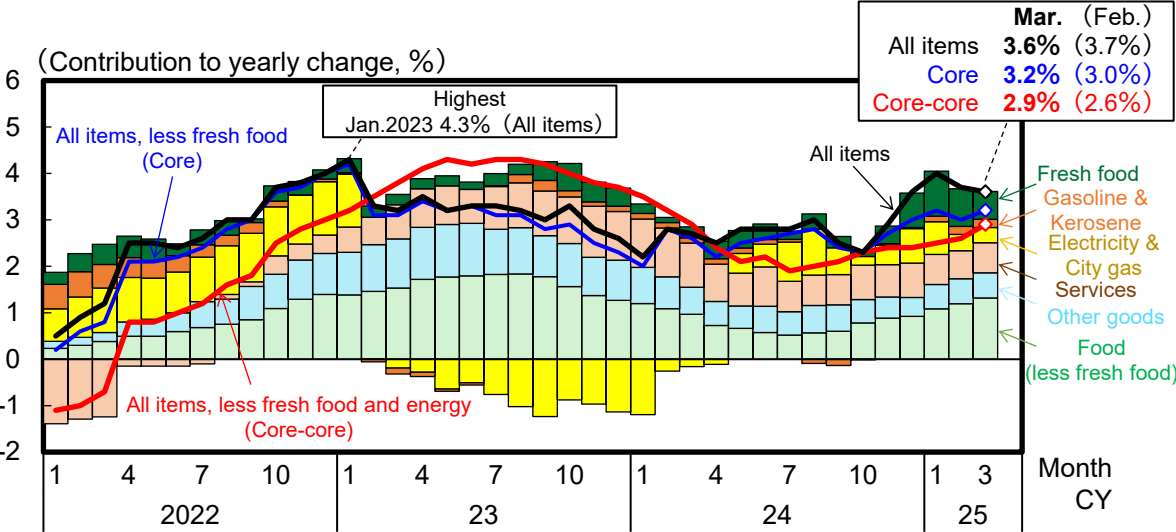


Figure 2. Prices of daily commodities and food products(POS)

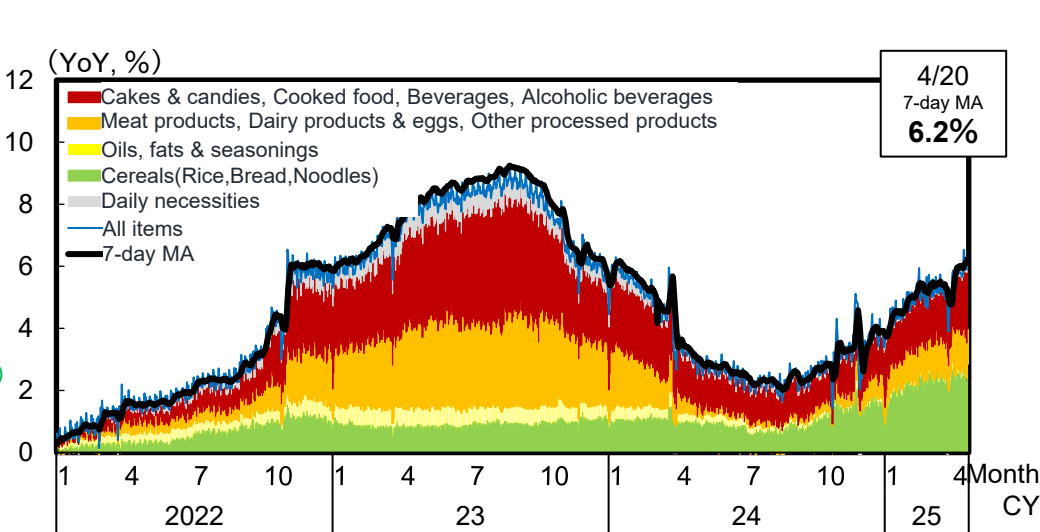


Figure 3. Price index for rice related food products and services

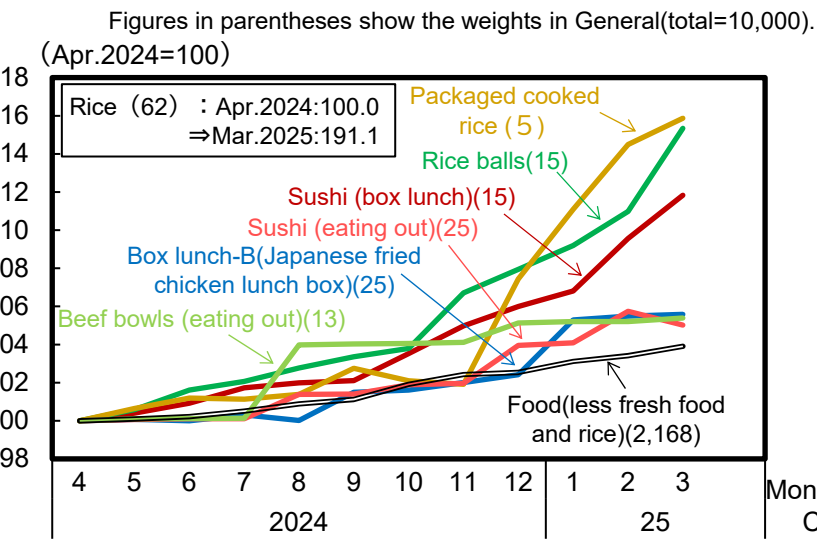


Figure 4. Import Price index for energy and food

