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Research and Statistics Department
Bank of Japan

**Firms' Stance on Wage Growth for Fiscal 2026**[1]
**(As of December 3, 2025)**

The Bank of Japan has collected information on firms' stance on wage growth for fiscal 2026 (relative to fiscal 2025) through its contacts with business leaders. Most of the reports from the Head Office and branches mentioned that firms expected to raise wages in fiscal 2026 at about the same rates as in fiscal 2025, when high wage growth was realized, although some branches reported that they were either anticipating higher (2 branches) or lower (2 branches) wage growth rates in their respective regions.

| Higher wage growth rate than fiscal 2025 | About the same level of wage growth as in fiscal 2025 | Lower wage growth rate than fiscal 2025 |
|---|---|---|
| 2 | 29 | 2 |

Note: Figures indicate the number of branches (and the Head Office) that chose each answer.

It seems that the number of firms expecting a clear improvement in their profits is not large, partly owing to the effect of U.S. tariff hikes; however, most of firms seem to consider that it is necessary to raise as much wages in fiscal 2026 as in fiscal 2025 or to a similar extent as the prevailing wage formed by other firms, with a view to retaining staff and improving their motivation amid persistent, severe labor shortages.

- It was often mentioned that, while large and medium-sized firms were likely to be able to raise as much wages in fiscal 2026 as they did in fiscal 2025, it would be difficult for small firms to raise as much wages in fiscal 2026 as in fiscal 2025, mainly among ones whose profit performance has been lackluster due to delayed pass-through of cost increases to selling prices. By industry, firms -- mainly in non-manufacturing industries -- seem to feel the necessity to raise as much wages in fiscal 2026 as in fiscal 2025 in order to recruit and retain employees, while some manufacturing

[1] This report is based on the information collected by the Bank's Head Office and 32 branches by December 3, 2025.

firms, including motor vehicle-related manufacturers, have commented that it would be difficult to continue with high wage growth as seen in fiscal 2025, mainly owing to a profit decline stemming from U.S. tariff hikes.

- By age group, many firms mentioned that they would prioritize wage increases of younger age groups, including a raise in the starting salaries for new graduates, because labor shortages in those age groups were particularly severe and the hiring situation was competitive.
- Wages of part-time employees are being raised reflecting relatively high minimum wage growth in fiscal 2025. Under these circumstances, some firms are reported to have been feeling the necessity to raise wages of full-time employees as well from the viewpoint of fairness, mainly in regions other than the metropolitan areas.

| Anticipated level of wage growth in fiscal 2026 | Anecdotal observations from firms and other entities |
| --- | --- |
| Higher wage growth rate than fiscal 2025 (2) | - As large and medium-sized firms have taken the necessity to raise wages into account, we expect that more firms will achieve higher wage growth rates in fiscal 2026 than in fiscal 2025 (business association).<br>- We have set higher wages than other firms. We plan to achieve higher wage growth rates in fiscal 2026 than in fiscal 2025, using increased profits as the source (wholesaling).<br>- We plan to raise wages in fiscal 2026 at a higher rate than in fiscal 2025, in line with the rate of increase in minimum wages, by restraining profits (food & beverages). |
| About the same level of wage growth as in fiscal 2025 (29) | - We plan to maintain the wage growth rate in fiscal 2026 at a similar level to fiscal 2025, considering possible effects on supplier firms (motor vehicles).<br>- We plan to maintain the wage growth rate in fiscal 2026 at a similar extent to fiscal 2025, taking into account the necessity to increase wages at a rate that is in line with the inflation and retaining staff in a medium to long term (textiles).<br>- Amid high prices and persistent, severe labor shortages, we expect the |

outcome of our labor-management wage negotiations in fiscal 2026 to be close to the wage growth rate in fiscal 2025, in view of an outlook for increased profits (motor vehicle parts).

- While large firms are expecting a wage growth rate in fiscal 2026 at a similar level to fiscal 2025, a number of small-sized firms are likely to be finding further wage growth difficult after having carried out wage hikes for two consecutive years. These firms have not been able to pass increased costs onto their selling prices and they do not have enough funds for further wage growth even if they would like to raise wages (business association).
- To retain staff, we plan to maintain a wage growth rate in fiscal 2026 as high as in fiscal 2025. We plan to prioritize wage increases of younger age groups (construction).
- We plan to maintain the wage growth rate in fiscal 2026 at a similar extent to fiscal 2025; however, we must raise wages, mainly of younger age groups, for the recruitment purposes (electrical machinery).
- Profits have been resilient under the impact of trade policies; we will firmly maintain the wage growth rate that is slightly higher than the inflation rate, with a view to establishing the policy for wage increases indicated in the firm's medium-term strategic plan (nonferrous metals).
- We expect that the progress in pass-through of cost increases to selling prices will be maintained in fiscal 2026 onward. We therefore plan to maintain the wage growth rate in fiscal 2026 at a similar level to fiscal 2025 (motor vehicle parts).
- The amount of increase in part-time employees' wages exceed that of full-time employees reflecting a significant rise in the minimum wage. To alleviate a sense of unfairness among employees, we are considering of implementing a higher wage growth rate for full-time employees in fiscal 2026 (accommodations).
- The difference between the base pay of full-time employees, when

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| | converted into hourly wages, and the hourly wages of part-time employees has narrowed, given the minimum wage increases. To retain staff, we think that it is necessary to maintain a wage growth rate in fiscal 2026 as high as in fiscal 2025 (accommodations). |
| Lower wage growth rate than fiscal 2025 (2) | - Cost increases have not been fully passed on to selling prices; if we maintain the wage growth rates, our profits will be in the deficit (food & beverages).<br>- Profits are expected to deteriorate, mainly in motor vehicle-related industries, partly due to the effects of developments in U.S. tariffs. The wage growth rate in fiscal 2026 may be lower than that in fiscal 2025 (business oriented and general-purpose machineries).<br>- Demand for electronic parts has been sluggish, except for AI-related ones, and profits have been on a declining trend. We plan to raise wages in fiscal 2026, however, the wage growth rate is projected to be lower than in fiscal 2025 (electronic parts and devices). |

Note: Figures in brackets indicate the number of branches (and the Head Office) that chose each answer.