

TOKYO - Japan's economy contracted by **0.7%** on an annualized basis in the **January-March 2025** quarter, according to preliminary government figures released on Friday. The decline is primarily attributed to weakened consumer spending due to inflation.

Reasons for Economic Contraction

The country's **Gross Domestic Product (GDP)** fell by **0.2%** compared to the previous quarter, a result lower than market expectations. Additionally, Japan's **exports declined by 2.3%**, reflecting the impact of global trade conditions on the nation's economy.

Rising inflation has constrained consumer spending. While daily consumption remains stable, the increasing prices of goods and services have led people to cut back on their expenditures.

Future Outlook

The **Bank of Japan** is reviewing potential monetary policy adjustments to mitigate the effects of inflation. Financial experts suggest that **tax reductions** could help stimulate consumer spending and support economic recovery.

The government is planning new measures to restore economic growth, including strategies to **boost exports** and **strengthen the domestic market**.

Japan's economy has shrunk due to inflationary pressures. Authorities are implementing various measures to stabilize the situation. The country's economic future will depend on the recovery of consumer spending and exports.