

# Japan's exports dip as US tariffs hit autos

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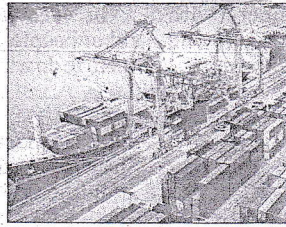
**JAPAN'S EXPORTS FELL** for a second straight month as sweeping US tariffs took a toll on the country's manufacturers, with its fragile economy exposed to greater risks from the global trade war in coming months.

Japan failed to clinch a deal with the US before the July 9 expiration of the temporary pause on the country-specific tariffs after it focused on eliminating the existing sectoral 25% tariffs on automobiles, a

mainstay of the export-reliant economy. Washington now plans to impose tariffs of 25% on Japanese imports, unless a trade deal is struck by August 1.

"The tariff impact is likely to intensify in coming months, when the tariff rate is finalised and Japanese companies begin to fully pass on costs to consumers in the US, which would hamper competitiveness of Japanese products there," Daiwa Institute of Research economist Koki Akimoto said.

Exports from the world's fourth-largest economy dro-



pped 0.5% in June year-on-year in value terms, compared with a median market forecast for a 0.5% increase and a 1.7% decrease in May, the first decline in eight months. Exports to the US tumbled 11.4% in June from a year earlier, the largest monthly per-

centage decline since February 2021, dragged down by a 26.7% plunge in automobiles, a 15.5% fall in auto components and a 40.9% plunge in pharma.

But the volume of automobile shipments rose 3.4%, indicating Japanese automakers are cutting prices on exported cars and absorbing tariff costs to stay competitive.

"Japanese automakers have so far kept production levels by sacrificing margins, so the tariff impact on their production activities has been limited," Koya Miyamae, senior economist at SMBC Nikko Securities, said.