

Bank of Japan Monetary Policy Meeting (October 2024)

“No Longer Using the Term ‘Sufficient Leeway’”

November 1, 2024

Progress Continues in Line with BoJ's Outlook

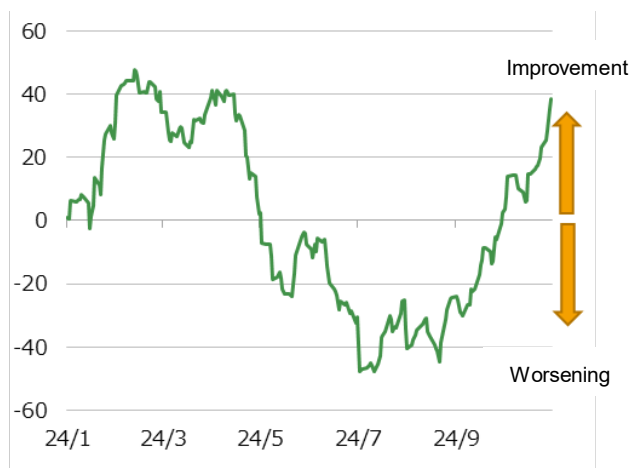
On October 30-31, the Bank of Japan (BoJ) held its Monetary Policy Meeting and decided, as expected by the market, to maintain the policy rate, guiding the uncollateralized overnight call rate to remain around 0.25%. The Economic and Price Outlook Report indicated that the growth rate remains largely unchanged compared to the previous report. Additionally, while the YoY rate of change in the Consumer Price Index (excluding fresh food) for fiscal 2025 is somewhat lower due to recent declines in resource prices such as crude oil, the fundamental outlook remains unchanged. Given the continued progress in line with the BoJ's outlook, the likelihood of achieving the forecast has increased.

Since the last meeting, Governor Ueda has expressed concerns about downside risks to overseas economies, particularly the US, and mentioned that there is “sufficient leeway” regarding decisions on additional rate hikes. However, based on recent data confirming the robustness of the US economy and market stability, he has stated that such expressions will no longer be used. While the outcome of the US presidential election may influence decisions, the likelihood of an additional rate hike at the December meeting has increased.

Regarding future monetary policy operations, the BoJ reiterated its stance that it will adjust the degree of monetary easing in a phased manner if economic and price conditions move in line with its outlook. Although it is necessary to monitor trends in personal consumption accompanying the positive shift in real wages, the BoJ is expected to proceed with additional rate hikes due to the current low level of real interest rates. Therefore, we continue to forecast an additional rate hike at the next December meeting.

Economic Surprise Index (US)

(From the beginning of January 2024 to October 31, 2024)



(Source: Bloomberg; Compiled by Daiwa Asset Management)

GDP and Price Outlook by BOJ Policy Board Members

(as of October 2024)

(YoY, %)	Real GDP	Consumer Price Index	
		(all items less fresh food)	(all items less fresh food and energy)
FY2024	+0.5~0.7 <+0.6>	+2.4~2.5 <+2.5>	+1.9~2.1 <+2.0>
(as of July)	+0.5~0.7 <+0.6>	+2.5~2.6 <+2.5>	+1.8~2.0 <+1.9>
FY2025	+1.0~1.2 <+1.1>	+1.7~2.1 <+1.9>	+1.8~2.0 <+1.9>
(as of July)	+0.9~1.1 <+1.0>	+2.0~2.3 <+2.1>	+1.8~2.0 <+1.9>
FY2026	+0.8~1.1 <+1.0>	+1.8~2.0 <+1.9>	+1.9~2.2 <+2.1>
(as of July)	+0.8~1.0 <+1.0>	+1.8~2.0 <+1.9>	+1.9~2.2 <+2.1>

*The <> indicates the median value.

(Source: Bank of Japan)

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