

Bank of Japan Monetary Policy Meeting (January 2025)

Adjustment of Monetary Easing Degree in Line with BOJ's Outlook

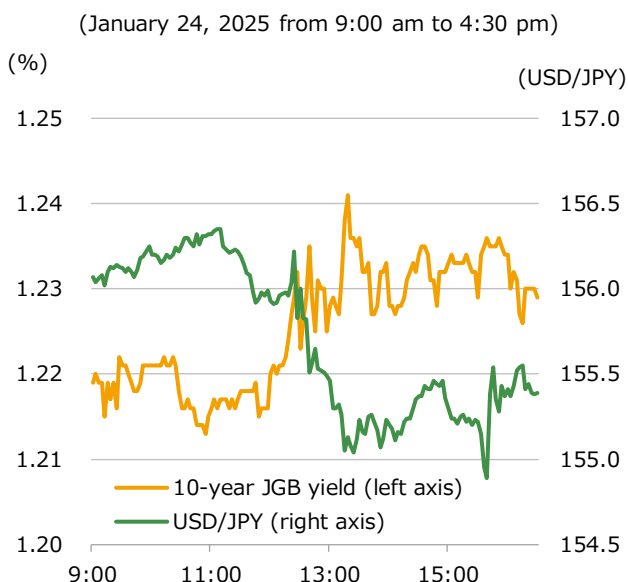
January 27, 2025

Policy Rate Raised to 0.5% for the First Time in 17 Years Due to Additional Rate Hike by BOJ

On January 23-24, the Bank of Japan (BOJ) held a Monetary Policy Meeting and decided to raise the uncollateralized overnight call rate by 0.25 % points, in line with market expectations, to guide it to around 0.50%. The policy interest rate reaching 0.5% is the first time in 17 years since October 2008. The statement noted that "voices calling for solid wage increases, similar to last year, are being heard in this year's spring wage negotiations," and expressed a hawkish stance by stating that "the likelihood of the outlook being realized is increasing." Consequently, the Yen appreciated slightly in the foreign exchange market.

At the press conference, Governor Ueda stated, "The start of the Trump administration has remained largely within the expected range, and there has been no major turmoil in the financial markets. We judged that there was no reason not to act at this point." This suggests that the economic and price conditions being "on track" and the financial market trends following the inauguration of the Trump administration supported the additional rate hike. Furthermore, regarding future monetary policy management, Governor Ueda reiterated the previous stance that, given the current extremely low level of real interest rates, the degree of monetary easing would be adjusted gradually if economic and price conditions move in line with the BOJ's outlook. Moving forward, the BOJ will monitor the trends in personal consumption driven by the 2025 spring wage negotiations and the increase in real wages, as well as the impact of this rate hike on the economic and price outlook, to determine the timing and pace of additional rate hikes.

10-year JGB yield and USD/JPY movement on January 24



*3 minute chart, use previous value for missing time points.

Source: Bloomberg; Compiled by Daiwa Asset Management

GDP and Price Outlook by BOJ Policy Board Members

(as of January 2025)

(YoY, %)	Real GDP	CPI	
		(excluding fresh food)	(excluding fresh food and energy)
FY2024	+0.4~0.6 <+0.5>	+2.6~2.8 <+2.7>	+2.1~2.3 <+2.2>
(as of Oct.)	+0.5~0.7 <+0.6>	+2.4~2.5 <+2.5>	+1.9~2.1 <+2.0>
FY2025	+0.9~1.1 <+1.1>	+2.2~2.6 <+2.4>	+2.0~2.3 <+2.1>
(as of Oct.)	+1.0~1.2 <+1.1>	+1.7~2.1 <+1.9>	+1.8~2.0 <+1.9>
FY2026	+0.8~1.0 <+1.0>	+1.8~2.1 <+2.0>	+1.9~2.2 <+2.1>
(as of Oct.)	+0.8~1.1 <+1.0>	+1.8~2.0 <+1.9>	+1.9~2.2 <+2.1>

*The <> in the lower row indicates the median value.

Source: Bank of Japan; Compiled by Daiwa Asset Management

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