

## Bank of Japan Monetary Policy Meeting (March 2025) Policy Rate Maintained as Expected

March 19, 2025

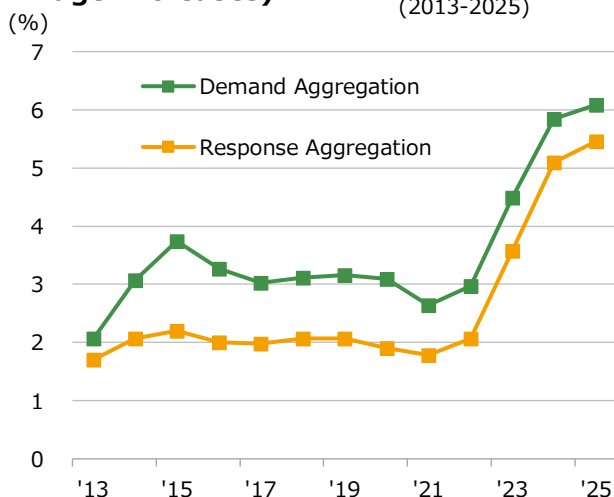
### Focus on Consumer Spending and US Trade Policy

The Bank of Japan (BOJ) held its Monetary Policy Meeting on March 18-19 and decided to maintain the policy rate, keeping the uncollateralized overnight call rate around 0.50%. This decision was widely anticipated, given the need to assess the impact of the recent rate hike in January. Additionally, Governor Ueda pointed out the need to assess how US trade policy will shape up and what impact it will have on the Japanese economy and prices.

Regarding the future conduct of monetary policy, if the economic and price conditions progress in line with the Bank of Japan's outlook, they will gradually adjust the degree of monetary easing, while maintaining the course of interest rate hikes. The BOJ envisions a virtuous cycle of wage and price increases, driven by rising wages. According to the first round of responses from the 2025 spring wage negotiations, the average wage increase rate is 5.46%, surpassing last year's level, indicating that economic and price conditions are generally "on track." We anticipate that the high wage increases achieved in the 2025 spring wage negotiations will lead to improvements in real wages and consumption, potentially resulting in an additional rate hike at the Monetary Policy Meeting in October 2025. However, the recent surge in food prices, such as rice, has heightened household frugality, and if consumption continues to stagnate or if US trade policy has a significant negative impact on the Japanese economy, additional rate hikes may become challenging. Therefore, it is crucial to continue monitoring consumer spending and the developments in US trade policy to determine the timing and extent of future rate hikes.

#### Spring Wage Negotiations (Trends in Wage Increases)

(2013-2025)

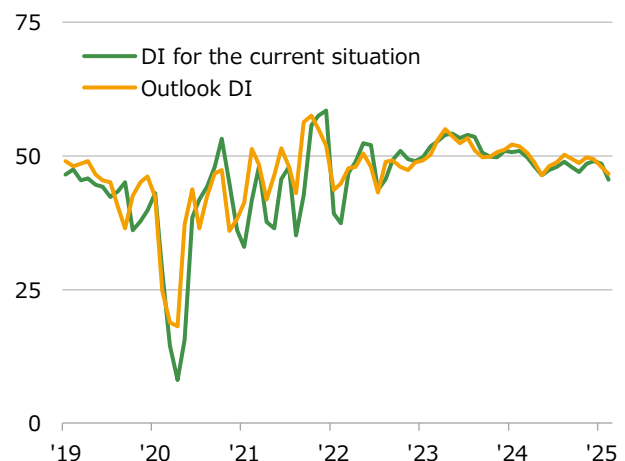


\* Final response aggregation until 2024, first response aggregation for 2025

Source: The Japan Trade Union Confederation;  
Compiled by Daiwa Asset Management

#### Economic Watchers Survey

(January 2019 - February 2025)



Source: Cabinet Office; Compiled by Daiwa Asset Management

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