

Bank of Japan Monetary Policy Meeting (June 2025)

Decision to leave policy rate unchanged as expected by the market

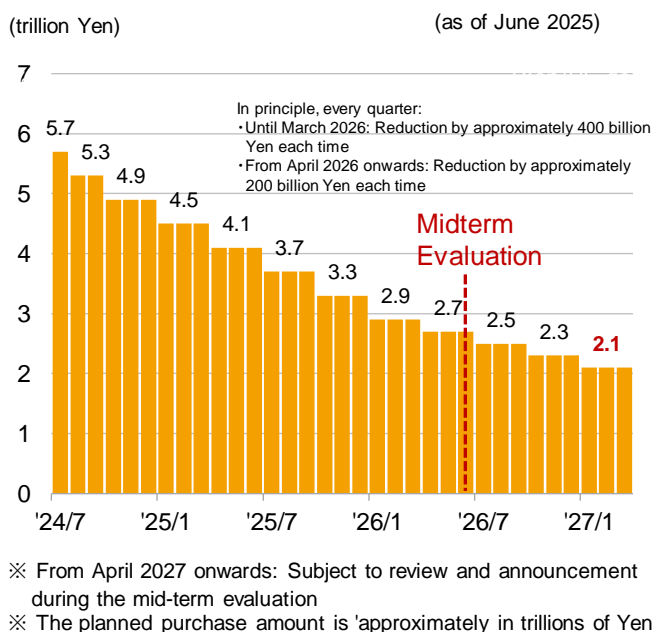
June 18, 2025

Reduction in Government Bond Purchases to Be Moderated Amid Caution over US Tariff Impact

The Bank of Japan (BOJ) held its Monetary Policy Meeting on June 16–17 and decided to maintain its policy interest rate, continuing to guide the uncollateralized overnight call rate to hover around 0.50%. This decision had been widely anticipated, as it remains necessary to assess the potential impact of US tariff policy on Japan's economy and price levels. Additionally, the BOJ conducted an interim review of its plan to reduce government bond purchases. It announced a new policy to halve the quarterly reduction amount from the current level of approximately ¥400 billion to around ¥200 billion, starting in April 2026. As a result, the monthly purchase amount is projected to decline to about ¥2.1 trillion during the January–March 2027 period. Since expectations for this reduction plan had already grown through meetings with bond market participants, the market impact was limited.

Regarding the outlook for monetary policy management, Governor Ueda maintained the stance of gradually raising the policy interest rate in response to continued improvements in economic and price conditions. At the same time, he expressed a cautious view on the domestic economy, noting concerns about the impact of US tariffs putting downward pressure on corporate profits, potentially affecting year-end bonuses this winter and wage negotiations next spring. Currently, some companies appear to be absorbing the costs of US tariffs by significantly lowering export prices of passenger cars bound for North America. Such profit compression may pose a constraint on the rate hike scenario, which is premised on wage increases amid labor shortages. Looking ahead, the timing and ultimate level of the next rate hike will likely depend on how the trade negotiations unfold and how clearly the effects of US tariffs are reflected in economic indicators from the latter half of this year onward.

Monthly Schedule for Long-Term JGB Purchases



Source: Bank of Japan; Compiled by Daiwa Asset Management

Export Price Index



Source: Bank of Japan; Compiled by Daiwa Asset Management

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