

Bank of Japan Monetary Policy Meeting (July 2025)

The Bank of Japan decided to leave the policy rate unchanged as expected by the market

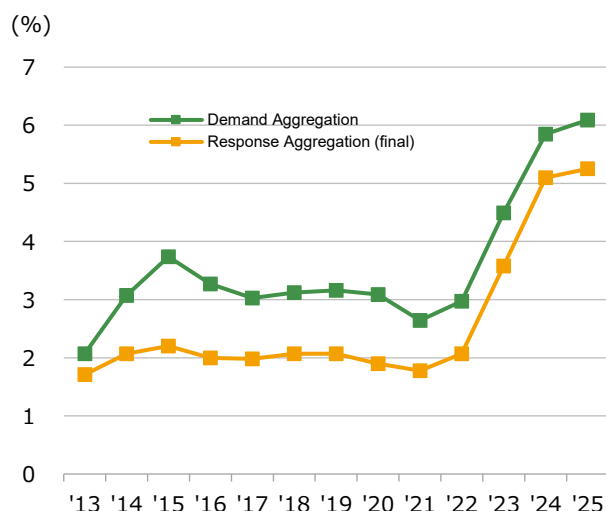
August 1, 2025

The Future of Monetary Policy Depends on the Impact of US Tariff Policies

On July 30-31, the Bank of Japan (BoJ) held a monetary policy meeting and as expected by the market, decided to maintain the policy interest rate (encouraging the uncollateralized overnight call rate to remain around 0.50%). During this meeting, the focus was on the economic and price outlook (FY2025-27) in the outlook report reflecting the Japan-US tariff agreement. The price outlook was significantly raised for FY2025, mainly due to food price increases, while the outlook for FY2026 and FY2027 was also slightly revised upward, with an assumption that the 2% inflation target would be achieved in the latter half of the outlook period. The economic outlook also suggested a somewhat hawkish tone, with the growth rate for FY2025 revised upward from 0.5% to 0.6%.

Regarding the Japan-US tariff agreement, BOJ Governor Ueda expressed his view that it represented a "significant step forward." He also shared his recognition of the underlying price trends, noting that while the US tariff policies may slow the pace of economic growth, the mechanism in which wages and prices mutually reference each other and rise steadily remains intact. This suggests a gradual move toward the 2% inflation target. With tighter labor demand and supply becoming more evident, the certainty of a rate hike path originating from wage increases appears to be strengthening. On the other hand, uncertainties surrounding the impact of US tariff policies on domestic and international economies and prices remain high, and there were no specific hints regarding future monetary policy operations. As for the timing and ultimate peak of the next rate hike, it will depend on the effects of US tariff policies on Japan's economy and prices, requiring careful assessment of forthcoming economic indicators, corporate earnings, and other data.

Spring Wage Negotiations (Trends in Wage Increases)



※ Most recent value is Y2025

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

GDP and Price Outlook of Bank of Japan Policy Board Members

(YoY, %)	Real GDP	Consumer Price Index	
		(less fresh food)	(less fresh food and energy)
FY2025	+0.5~0.7 <+0.6>	+2.7~2.8 <+2.7>	+2.8~3.0 <+2.8>
(as of April)	+0.4~0.6 <+0.5>	+2.0~2.3 <+2.2>	+1.8~2.4 <+2.3>
FY2026	+0.7~0.9 <+0.7>	+1.6~2.0 <+1.8>	+1.7~2.1 <+1.9>
(as of April)	+0.6~0.8 <+0.7>	+1.6~1.8 <+1.7>	+1.7~2.0 <+1.8>
FY2027	+0.9~1.0 <+1.0>	+1.8~2.0 <+2.0>	+2.0~2.1 <+2.0>
(as of April)	+0.8~1.0 <+1.0>	+1.8~2.0 <+1.9>	+1.9~2.1 <+2.0>

※ As of July 2025, <> in the lower row indicates the median

Source: Bank of Japan; Compiled by Daiwa Asset Management

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