

## Bank of Japan Monetary Policy Meeting (May 2025)

Indicating Delayed Timing and Slower Pace of Interest Rate Hikes

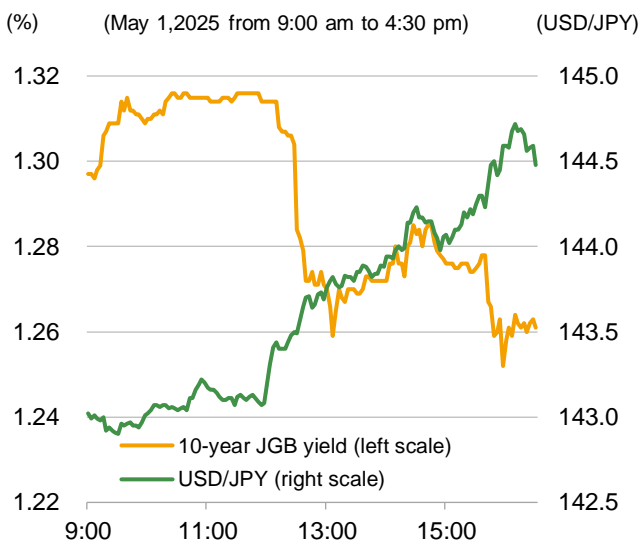
May 2, 2025

### Economic and Price Outlook Downgraded Due to Uncertainty Surrounding US Tariff Policy

The Bank of Japan (BoJ) held its Monetary Policy Meeting from April 30 to May 1, 2025, and decided to maintain the policy rate, guiding the uncollateralized overnight call rate to remain around 0.50%. Given the high uncertainty surrounding US tariff policies, the decision to keep the policy rate unchanged was widely anticipated. Following the announcement, the foreign exchange market saw the Yen depreciate beyond 144 Yen per USD. This depreciation was attributed to the cautious (dovish) tone of the newly released Outlook Report, which included projections for fiscal year 2027. In the central economic and price outlook, the YoY growth rate of real GDP was significantly revised downward from 1.1% to 0.5% for fiscal year 2025, and from 1.0% to 0.7% for fiscal year 2026. The price outlook was also revised downward from 2.0% to 1.7% for fiscal year 2026, with a forecast of 1.9% for fiscal year 2027, falling short of the 2% inflation target.

Regarding future monetary policy operations, Governor Ueda indicated that the BoJ would continue to raise the policy rate in response to improvements in economic and price conditions, maintaining the rate hike trajectory. However, he also acknowledged the possibility of the economy temporarily "stalling" due to the impact of US tariffs, reflecting a cautious stance. Consequently, the market is factoring in potential delays in the timing of the next rate hike and a slower pace of rate increases. It is important to note that the outlook itself may change due to the progress of negotiations among countries regarding US tariff policies. The timing of the next rate hike and the ultimate endpoint of rate increases are expected to remain uncertain, influenced by developments in trade negotiations and forthcoming economic data.

#### Movement of 10-Year Government Bond Yield and USD/JPY Exchange Rate on May 1



※ 3-Minute Chart, used previous value for missing time points  
Source: Bloomberg; Compiled by Daiwa Asset Management

#### GDP and Price Outlook by BOJ Policy Board Members

(as of May 2025)

(YoY, %)	Real GDP	Consumer Price Index	
		(exclude fresh food)	(exclude fresh food and energy)
FY2024	+0.7~+0.7 <+0.7>	+2.7	+2.3
(as of Jan)	+0.4~+0.6 <+0.5>	+2.6~+2.8 <+2.7>	+2.1~+2.3 <+2.2>
FY2025	+0.4~+0.6 <+0.5>	+2.0~+2.3 <+2.2>	+2.2~+2.4 <+2.3>
(as of Jan)	+0.9~+1.1 <+1.1>	+2.2~+2.6 <+2.4>	+2.0~+2.3 <+2.1>
FY2026	+0.6~+0.8 <+0.7>	+1.6~+1.8 <+1.7>	+1.7~+2.0 <+1.8>
(as of Jan)	+0.8~+1.0 <+1.0>	+1.8~+2.1 <+2.0>	+1.9~+2.2 <+2.1>
FY2027	+0.8~+1.0 <+1.0>	+1.8~+2.0 <+1.9>	+1.9~+2.1 <+2.0>

※The lower section '<>' indicates the median value

Source: Bank of Japan; Compiled by Daiwa Asset Management

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