

Bank of Japan Monetary Policy Meeting (October 2025)

Monitoring US Tariff Risks; Possible Rate Hike This Year
Depending on Wage Momentum

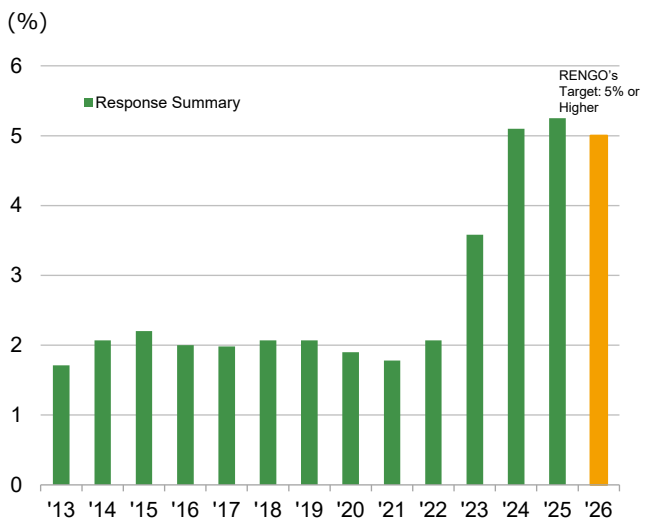
October 31, 2025

Monitoring US tariff risks; potential for interest rate hike within the year depending on wage momentum

The Bank of Japan (BOJ) held its Monetary Policy Meeting on October 29–30 and, as widely expected, decided to keep the uncollateralized overnight call rate—the policy interest rate—unchanged at 0.50%. The Outlook Report, which drew attention this time, showed little change from the projections released at the July meeting. The economic outlook for fiscal 2025 was slightly revised upward to reflect recent GDP data, and Consumer Price Index (excluding fresh food and energy) for fiscal 2026 was raised only marginally.

Looking ahead, Governor Ueda maintained the previous stance, stating: “If the outlook for economic activity and prices materializes, we will continue to raise the policy rate and adjust the degree of monetary easing in line with improvements in economic and price conditions.” To assess such improvements, it is necessary to monitor the impact of US tariff policies on the global economy—particularly the US—as well as on Japanese corporate earnings and wage, and price-setting behavior. Uncertainty remains high regarding how US tariff measures will affect Japan’s economy and prices, and there is a risk that they could negatively influence firms’ increasingly proactive wage and price-setting behavior, which has been supported by structural labor shortages. Governor Ueda also remarked that he would like to “check a little more data” before adjusting the degree of monetary easing, while noting that he is paying close attention to “the initial momentum of next year’s spring wage negotiations.” Based on labor-management policy directions for the 2026 spring wage negotiations and hearing results from BOJ branches, if sustained wage momentum can be confirmed, there is a possibility that a rate hike could occur as early as within this year.

Trend in Average Wage Increase Rates for Spring Wage Negotiations



Source: Japanese Trade Union Confederation (RENGO);
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	+0.6~+0.8 <+0.7>	+2.7~+2.9 <+2.7>	+2.8~+3.0 <+2.8>
(as of July)	+0.5~+0.7 <+0.6>	+2.7~+2.8 <+2.7>	+2.8~+3.0 <+2.8>
FY2026	+0.6~+0.8 <+0.7>	+1.6~+2.0 <+1.8>	+1.8~+2.2 <+2.0>
(as of July)	+0.7~+0.9 <+0.7>	+1.6~+2.0 <+1.8>	+1.7~+2.1 <+1.9>
FY2027	+0.7~+1.1 <+1.0>	+1.8~+2.0 <+2.0>	+2.0~+2.2 <+2.0>
(as of July)	+0.9~+1.0 <+1.0>	+1.8~+2.0 <+2.0>	+2.0~+2.1 <+2.0>

※ As of October 2025; values in <> indicate the median
Source: Bank of Japan; Compiled by Daiwa Asset Management

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