Preview of the Bank of Japan's Monetary Policy Meeting

Focus of the July Meeting: Will There Be Any Hints of an Accelerated Pace of Rate Hikes?

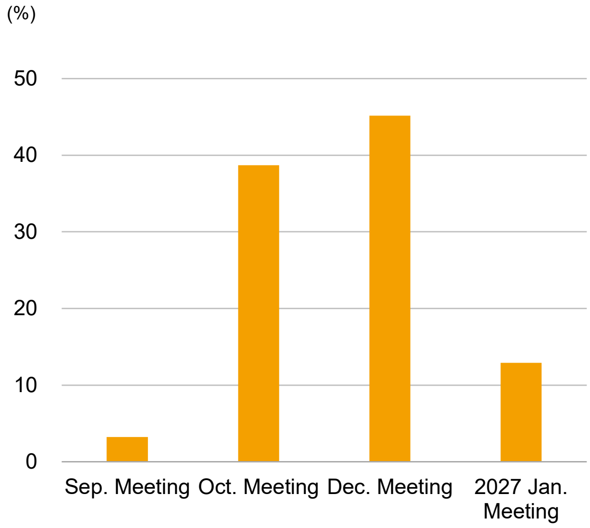
July 23, 2026

BOJ Expected to Raise Rates Every Six Months, Though the Pace Could Either Accelerate or Decelerate

At the Bank of Japan's July Monetary Policy Meeting (July 30–31), whether the meeting will signal an acceleration in the pace of interest rate hikes has rapidly emerged as a key focus. This is driven by a shift in the balance of risks surrounding the economy and inflation. Even amid the situation in the Middle East, the economy remains resilient, supported by robust demand for AI and semiconductor-related products; as a result, both the risk of a recession and the risk of lower-than-expected inflation stemming from weak demand have receded. On the other hand, as the underlying inflation rate approaches the 2% inflation target, concerns within the Bank of Japan about upside risks to inflation are growing. The trend of companies passing on price hikes is spreading beyond upstream sectors such as petroleum and coal products to midstream sectors such as plastic products. Furthermore, with the addition of upward price pressures stemming from the semiconductor memory sector and the historically weak Yen, awareness of these risks is intensifying.

That said, we anticipate a pace of interest rate hikes of about once every six months, in line with market consensus forecast, and expect the next rate hike to occur in December. Regarding medium- to long-term expected inflation—which the Bank of Japan regards as one of the key indicators for measuring underlying inflation—our estimates, derived by extracting the common component from household, corporate, and expert forecasts, show that inflation will remain close to 2% even amid persistently high crude oil prices. There are no signs of an acceleration relative to the trend, and at this point, there is no urgent need to adjust the pace of rate hikes; however, given the risk of upward price pressures, there is a distinct possibility that a faster pace of rate hikes could be considered. That said, given the government's preference for a cautious approach to rate hikes, the possibility of a slower pace must also be kept in mind. In forecasting the pace of rate hikes, attention will focus on the stance taken by Governor Ueda during his press conference following the July meeting.

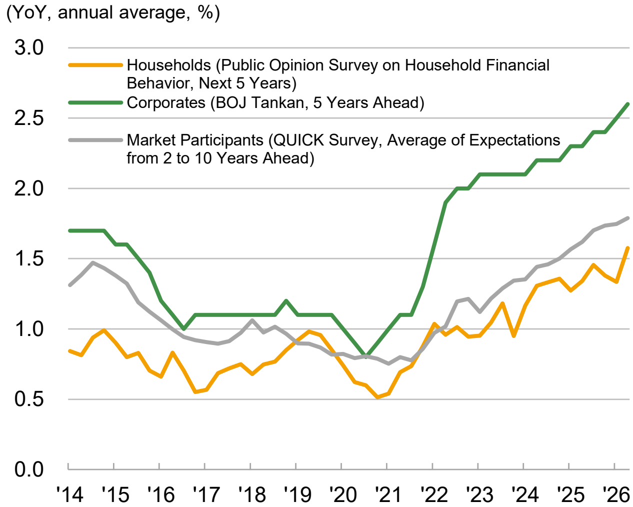
Expected Timing of the Next BOJ Rate Hike



※Survey conducted among Bank of Japan watchers
※As of the July 2026 survey

Source: Nikkei QUICK News; Compiled by Daiwa Asset Management

Medium- to Long-Term Inflation Forecasts (Various Surveys)



※Household data is based on the modified CP method using five- choice survey data; Corporate data is based on general price outlooks across all company sizes and industries, with the most recent figures as of June 2026

Source: Bank of Japan and QUICK; Compiled by Daiwa Asset Management

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