

Bank of Japan Monetary Policy Meeting (September 2026)

Policy Rate Raised to 1.25%, in Line with Market Expectations

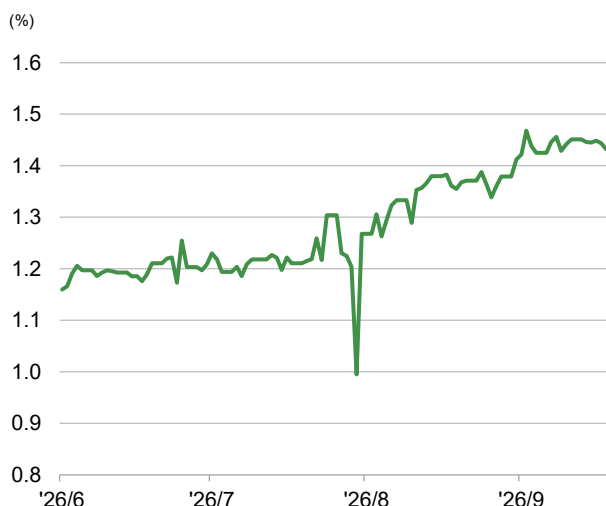
September 18, 2026

Accelerating the Pace of Rate Hikes: Governor Ueda Says “The Policy Phase Is Changing”

The BOJ (Bank of Japan) held its Monetary Policy Meeting on September 17–18 and, as expected by the market, decided to raise the unsecured call rate (overnight rate)—the policy interest rate—by 0.25 percentage points to 1.25%. This rate hike comes approximately three months after the previous one in June, marking an acceleration in the pace of rate hikes from the previous pattern of roughly once every six months. This move was driven by the need to address upside risks to inflation. Corporate goods prices, driven by high crude oil prices and AI-related demand, have exceeded 7% year-on-year for three consecutive months. As companies have become more aggressive in their pricing behavior and medium- to long-term inflation expectations have risen, Governor Ueda stated that “the policy landscape has changed.”

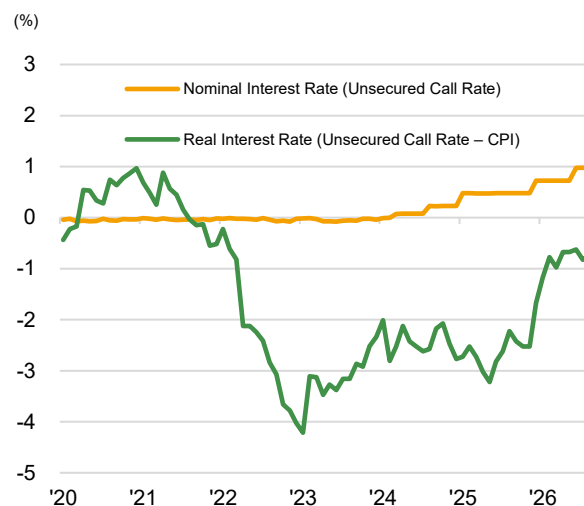
Regarding the future conduct of monetary policy, Governor Ueda noted that financial conditions remain accommodative even after this rate hike and reaffirmed the Bank’s policy of continuing to raise rates. In response to the Bank of Japan’s stance on addressing upside risks to inflation, the OIS market has already priced in a significant likelihood of additional rate hikes this year. Assuming a pace of roughly once per quarter, December would be a likely target for the next rate hike, though the actual timing is expected to depend on trends in crude oil prices and exchange rates. Thereafter, as the policy rate rises within the estimated range of the neutral rate (1.1–2.5%, according to the Bank of Japan’s estimates), the need to carefully assess the impact on the economy and prices will increase. Furthermore, the dissenting votes cast by Board Members Asada and Sato suggest the Takaichi administration’s preference for monetary easing, which could lead to political pressure regarding future rate hikes. Given these factors, it is conceivable that the pace of rate hikes will slow as the central bank approaches the ultimate target for interest rates.

Market-Implied Policy Rate Level at Year-End



※The most recent figure as of 3:30 PM on September 18, 2026
Source: Bloomberg; Compiled by Daiwa Asset Management

Real Interest Rate (Short-Term)



※CPI is the y-o-y change in CPI excluding fresh food (consumption tax-adjusted). The uncollateralized overnight call rate is measured at month-end. Latest figure as of August 2026

Source: Bloomberg; Compiled by Daiwa Asset Management

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