

Introduction

The BOJ decided to maintain its policy rate in October MPM, with two dissent votes for 25bp rate hike again. It also kept its outlook mostly unchanged. Governor Ueda suggested that the BOJ would like to confirm the momentum of wage hike at the next annual negotiation.

Assessment of economy

Governor Ueda confirmed the cautiously constructive view, with reference to crawling exports and production, gradual increase in investment and resilient consumption. It also referred to high level of corporate profits.

Looking ahead, Governor Ueda expected the slowdown of economic activities due to negative impacts by overseas economies, despite resilient investments by autonomous factors. He also expected the recovery afterwards due to evolutions of overseas economies.

New outlook of real GDP growth rate from FY2025 to 27 was +0.7%→+0.7%→+1.0%. In comparison with the previous one (as of July), only revision was for FY2025 by +0.1pp.

As the risk factors, the summary text of the outlook raised 1) overseas economies and prices under trade policies, 2) import prices, and 3) evolution of growth expectation and potential growth rate. Readers would like to note that the text specifically mentioned the US economy in 1) as the major source of risks.

During the Q&A session, a reporter asked about the confidence of the outlook. Governor Ueda explained that the confidence was enhanced because renewed set of data indicated the similar outlook.

Another reporter raised the stagnant consumption. Governor Ueda explained that consumption of non-durable goods was somewhat weak, and it affected food services, although the consumer confidence recovered.

Assessment of prices

Governor Ueda explained that core CPI inflation rate was around 3% due to transfer of wage costs to prices and rise in food prices including rice.

Looking ahead, Governor Ueda expected that core CPI inflation rate would decelerate to less than 2% in 1H of FY 2026 as the effects of food prices would diminish. Moreover, slower economic growth would decelerate the underlying inflation for the time being.

Nevertheless, he confirmed the view that underlying inflation would re-accelerate both due to labor shortages under economic recovery and improvement of long-term expectation of inflation.

New outlook of core CPI inflation rate from FY2025 to 27 was +2.7%→+1.8%→+2.0%. They remained unchanged from with the previous one (as of July).

As the risk factors, the summary text of the outlook raised 1) behavior of firms toward prices and wages and their impacts on inflation expectation, and 2) evolution of FX rates and import prices and their spillover to domestic prices. Regarding 1), the text referred to the both directions of risks.

During the Q&A session, a few reporters raised the rise in food prices. Governor Ueda expressed the view that it was largely driven by temporary factors. Nevertheless, he insisted that it should be watched carefully both in terms of upside risk of inflation expectation and downside risk of consumption.

Management of policy rate

The BOJ decided to maintain its policy rate unchanged. However, two members of the MPM proposed to raise it by 25bp. According to the policy statement, Mr. Takata argued that underlying inflation achieved 2% target. Mr. Tamura claimed that a step toward neutral rate was necessary when upside risk of inflation grows.

During the Q&A session, many reporters asked about the remaining condition to resume a rate hike.

Governor Ueda explained that, in the US, the impacts of tariffs on consumption and investment would yet to be seen. Regarding the domestic economy, he would like to confirm that positive momentum of wage hike would remain intact despite economic slowdown. In addition, he would like to see diminishing impacts of food prices.

Regarding the wage hike, Governor Ueda insisted several times that the BOJ would see the initial momentum of wage hikes at the annual negotiations ("Shunto"). He also added that the BOJ could collect information much before the final deals are agreed.

Other few reporters raised the risk of behind the curve. Governor Ueda declined the view and explained that underlying inflation remained in the process of upward improvement. He also mentioned that the BOJ did not have any prejudice on a next rate hike.

Another reporter suggested that the cautious management of policy rate caused the depreciation of JPY. Governor Ueda avoided to answer the question, and confirmed the idea that the BOJ would take account of its impacts on economy and prices including the reasons for its evolutions.

Meanwhile, several press reporters asked the policy coordination with government. Readers may like to note that new Prime Minister Takaichi has been vocal about enhancing the coordination.

Governor Ueda explained that the BOJ pursues price stability in sustainable and stable manner. He also mentioned that the BOJ and the government has cooperated according to the BOJ act and frequently exchanged views. Moreover, he insisted that the policy decision today was solely according to the outlook and the assessment of their risks.

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