

June 17, 2025

Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by a unanimous vote, to set the following guideline for money market operations for the intermeeting period:

The Bank will encourage the uncollateralized overnight call rate to remain at around 0.5 percent.

2. Regarding the reduction of its purchase amount of Japanese government bonds (JGBs), the Bank decided, by an 8-1 majority vote, on a plan to reduce the amount of its monthly outright purchases of JGBs so that it will be about 2 trillion yen in January-March 2027. The amount will be cut down, in principle, by about 400 billion yen each calendar quarter until January-March 2026, and by about 200 billion yen each calendar quarter from April-June 2026 (see Attachment).¹ [Note]

3. Japan's economy has recovered moderately, although some weakness has been seen in part. Overseas economies have grown moderately on the whole, although some weakness has been seen in part, reflecting trade and other policies in each jurisdiction. Exports and industrial production have continued to be more or less flat as a trend, although there has been some front-loading due to the increase in U.S. tariffs. With an improving trend in corporate profits, business fixed investment has been on a moderate increasing trend. Private consumption has maintained its moderate increasing trend against the background of an improvement in the employment and income situation, despite weakness in consumer sentiment due to the impact of price rises and other factors. Housing investment has been relatively weak. Public investment has been more or less flat. Financial conditions have been accommodative. On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been at around 3.5 percent recently, as moves to pass on wage increases to selling prices have continued, and as there have been effects of the past rise in import prices and of the rise in food prices, such as rice prices. Inflation expectations have risen moderately.

¹ In addition to this decision, from the viewpoint of improving liquidity in the JGB market, the Bank will implement measures regarding the Securities Lending Facility, including an expansion of the issues of JGBs applicable to the relaxed conditions for the reduction in the Bank's repurchase amount.

Japan's economic growth is likely to moderate, as trade and other policies in each jurisdiction lead to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions are expected to provide support. Thereafter, Japan's economic growth rate is likely to rise, with overseas economies returning to a moderate growth path. With regard to the CPI (all items less fresh food), the effects of the past rise in import prices and of the recent rise in food prices such as rice prices -- these factors have pushed up the inflation rate so far -- are expected to wane. Meanwhile, underlying CPI inflation is likely to be sluggish, mainly due to the deceleration in the economy. Thereafter, however, underlying CPI inflation is expected to increase gradually, since it is projected that a sense of labor shortage will grow as the economic growth rate rises, and that medium- to long-term inflation expectations will rise. In the second half of the projection period of the April 2025 *Outlook for Economic Activity and Prices*, underlying CPI inflation is likely to be at a level that is generally consistent with the price stability target.

There are various risks to the outlook. In particular, it is extremely uncertain how trade and other policies in each jurisdiction will evolve and how overseas economic activity and prices will react to them. It is therefore necessary to pay due attention to the impact of these developments on financial and foreign exchange markets and on Japan's economic activity and prices.

[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and KOEDA Junko. Voting against the action: TAMURA Naoki. Tamura Naoki considered that the Bank should allow long-term interest rates to be determined by the market and its participants, and proposed that the Bank reduce the amount of its monthly outright purchases of JGBs by about 400 billion yen each calendar quarter until January-March 2027 in principle. The proposal was defeated by a majority vote.

Plan for the Reduction of the Purchase Amount of Japanese Government Bonds

In principle, long-term interest rates are to be formed in financial markets, and it is appropriate for the Bank to reduce its purchase amount of Japanese government bonds (JGBs) in a predictable manner, while allowing enough flexibility to support stability in the JGB markets. Taking this into account, the Bank will conduct the outright purchases of JGBs until March 2027 as follows.

1. The Bank will reduce the planned amount of its monthly purchases of JGBs so that it will be about 2 trillion yen in January-March 2027. The amount will be cut down, in principle, by about 400 billion yen each calendar quarter until January-March 2026, and by about 200 billion yen each calendar quarter from April-June 2026 (see Annex).
2. At the June 2026 Monetary Policy Meeting (MPM), the Bank will conduct an interim assessment of the plan for the reduction of its purchase amount of JGBs. In principle, the Bank intends to maintain the plan for the reduction after the assessment, while it may modify the plan as appropriate, if deemed necessary after reviewing the developments in and functioning of the JGB markets. At the meeting, it will also discuss a guideline for its JGB purchases from April 2027 and announce the results.
3. In the case of a rapid rise in long-term interest rates, it will make nimble responses by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations of JGBs -- both of which can be done regardless of the monthly schedule of JGB purchases -- and the Funds-Supplying Operations against Pooled Collateral.
4. The Bank is prepared to amend the plan for the reduction of its purchase amount of JGBs at the MPMs, if deemed necessary.

Amount of Monthly Outright Purchases of Japanese Government Bonds

	Amount of outright purchases of Japanese government bonds (JGBs)
April-June 2025	About 4.1 trillion yen
July-September 2025	About 3.7 trillion yen
October-December 2025	About 3.3 trillion yen
January-March 2026	About 2.9 trillion yen
April-June 2026	About 2.7 trillion yen
July-September 2026	About 2.5 trillion yen
October-December 2026	About 2.3 trillion yen
January-March 2027	About 2.1 trillion yen

Note: The schedule for the outright purchases of JGBs, including the purchase size per auction by residual maturity and dates, will continue to be announced in the "Quarterly Schedule of Outright Purchases of Japanese Government Bonds (Competitive Auction Method)."

Reference

Meeting hours:

Monday, June 16: 14:00-15:36

Tuesday, June 17: 9:00-12:24

Policy Board members present:

UEDA Kazuo, Chairman (Governor)

HIMINO Ryoza (Deputy Governor)

UCHIDA Shinichi (Deputy Governor)

NAKAMURA Toyoaki

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

KOEDA Junko

[Others present]

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From the Ministry of Finance:

TERAOKA Mitsuhiro, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:36)

From the Cabinet Office:

HAYASHI Sachihiro, Vice-Minister for Policy Coordination (14:00-15:36)

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From the Ministry of Finance:

SAITO Hiroaki, State Minister of Finance (9:00-11:58, 12:07-12:24)

From the Cabinet Office:

SETO Takakazu, State Minister of Cabinet Office (9:00-11:58, 12:07-12:24)

Release dates and times:

Statement on Monetary Policy -- Tuesday, June 17 at 12:31

Summary of Opinions -- Wednesday, June 25 at 8:50

Minutes of the Monetary Policy Meeting -- Tuesday, August 5 at 8:50