

December 19, 2025

Bank of Japan

Change in the Guideline for Money Market Operations

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 0.75 percent.¹

2. In accordance with the change in the guideline for money market operations, the Bank decided, by a unanimous vote, to change the interest rates applied to its measures.²

(1) Interest rate applied to the complementary deposit facility

The interest rate applied to the complementary deposit facility (the interest rate applied to current account balances held by financial institutions at the Bank, excluding required reserve balances) will be 0.75 percent.³

(2) Basic loan rate⁴

The basic loan rate applicable under the complementary lending facility will be 1.0 percent.

3. Japan's economy has recovered moderately, although some weakness has been seen in part (see Attachment). Looking at the background conditions of wage developments, labor market conditions have continued to be tight, and corporate profits are expected to remain at high levels on the whole, even after taking into account the impact of tariff policies. In this situation, considering factors such as the stances of labor and management on the annual spring labor-management wage negotiations and anecdotal information gathered through the Bank's Head

¹ The new guideline for money market operations will be effective from December 22, 2025.

² The new interest rate applied to the complementary deposit facility and the new basic loan rate will be effective from December 22, 2025.

³ The interest rates applied to the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas and the Funds-Supplying Operations to Support Financing for Climate Change Responses continue to be the interest rate applied to the complementary deposit facility.

⁴ The basic loan rate is stipulated in Article 15, paragraph 1, item (ii) of the Bank of Japan Act. The basic discount rate in item (i) in the same paragraph also will be 1.0 percent (discounting of bills is currently suspended).

Office and branches, it is highly likely that firms will continue to raise wages steadily next year, following the solid wage increases this year, and the risk of firms' active wage-setting behavior being interrupted is expected to be low. While uncertainties remain regarding the U.S. economy and the impact of trade policy in each jurisdiction, these uncertainties have declined. On the price front, underlying CPI inflation has continued to rise moderately, with moves to pass on wage increases to selling prices continuing.

Based on these recent data and anecdotal information, it is highly likely that the mechanism in which both wages and prices rise moderately will be maintained. Against this backdrop, the likelihood of realizing the baseline scenario that underlying CPI inflation will be at a level that is generally consistent with the price stability target of 2 percent in the second half of the projection period of the October 2025 *Outlook for Economic Activity and Prices* (Outlook Report) has been rising.

In view of these developments in economic activity and prices, the Bank judged it appropriate to adjust the degree of monetary accommodation from the perspective of sustainable and stable achievement of the price stability target of 2 percent. Real interest rates are expected to remain significantly negative after the change in the policy interest rate, and accommodative financial conditions will continue to firmly support economic activity.

4. As for the future conduct of monetary policy, given that real interest rates are at significantly low levels, if the outlook for economic activity and prices presented in the October Outlook Report will be realized, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation. With the price stability target of 2 percent, it will conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.

Economic Activity and Prices in Japan: Current Situation and Outlook

1. 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, while they have been affected by the increase in U.S. tariffs. Corporate profits have remained at high levels on the whole, although downward effects due to tariffs have been seen in manufacturing, and business sentiment has been at a favorable level. In this situation, business fixed investment has been on a moderate increasing trend. Private consumption has been resilient against the background of an improvement in the employment and income situation, although it has been affected by price rises. On the other hand, housing investment has declined. Meanwhile, public investment has continued to be more or less flat. Financial conditions have been accommodative. On the price front, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been at around 3 percent recently, due to the effects of the rise in food prices, such as rice prices, and other factors. Inflation expectations have risen moderately.
2. Japan's economic growth is likely to be moderate, as trade and other policies in each jurisdiction lead to some 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 growth path. The year-on-year rate of increase in the CPI (all items less fresh food) is likely to decelerate to a level below 2 percent through the first half of fiscal 2026, with the waning of the effects of the rise in food prices, such as rice prices, and partly due to the effects of government measures to address rising prices. Thereafter, 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, it is expected that underlying CPI inflation and the rate of increase in the CPI (all items less fresh food) will increase gradually and, in the second half of the projection period of the October 2025 *Outlook for Economic Activity and Prices*, will be at a level that is generally consistent with the price stability target. ^[Note]

3. Risks to the outlook include developments in overseas economic activity and prices under the impact of trade and other policies in each jurisdiction, wage- and price-setting behavior of firms, and developments in financial and foreign exchange markets, and it is necessary to pay due attention to the impact of these risks on Japan's economic activity and prices.

[Note] Takata Hajime opposed the description regarding the outlook for prices, considering that the level of the rate of increase in the CPI, including underlying CPI inflation, already had generally reached the price stability target. Tamura Naoki opposed the description regarding the outlook for underlying CPI inflation, considering that underlying CPI inflation was likely to be at a level that was generally consistent with the price stability target from the middle of the projection period.

Reference

Meeting hours:

Thursday, December 18: 14:00-15:55

Friday, December 19: 9:00-12:12

Policy Board members present:

UEDA Kazuo, Chairman (Governor)

HIMINO Ryoza (Deputy Governor)

UCHIDA Shinichi (Deputy Governor)¹

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

KOEDA Junko

MASU Kazuyuki

¹ UCHIDA was present via conference call from his office at the Bank's Head Office.

[Others present]

December 18

From the Ministry of Finance:

MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:55)

From the Cabinet Office:

HAYASHI Sachihiro, Vice-Minister for Policy Coordination (14:00-15:55)

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From the Ministry of Finance:

NAKATANI Shinichi, State Minister of Finance (9:00-11:50, 12:01-12:12)

From the Cabinet Office:

MIZUTA Yutaka, Deputy Director General for Economic and Fiscal Management (9:00-10:57)

KIUCHI Minoru, Minister of State for Economic and Fiscal Policy (10:58-11:50, 12:01-12:12)

Release dates and times:

Change in the Guideline for Money Market Operations -- Friday, December 19, 2025 at 12:19

Summary of Opinions -- Monday, December 29, 2025 at 8:50

Minutes of the Monetary Policy Meeting -- Wednesday, January 28, 2026 at 8:50