September 18, 2026
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 7-2 majority vote, to set the following guideline for money market operations for the intermeeting period: [Note]

   The Bank will encourage the uncollateralized overnight call rate to remain at around 1.25 percent.[1]

2. In accordance with the change in the guideline for money market operations, the Bank decided, by a 7-2 majority vote, to change the interest rates applied to its measures.[2] [Note]

   (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 1.25 percent.

   (2) Basic loan rate[3]

   The basic loan rate applicable under the complementary lending facility will be 1.5 percent.

3. Regarding the Funds-Supplying Operations to Support Financing for Climate Change Responses, the Bank decided, by a unanimous vote, to change the loan rate to a floating rate and set upper limits on the amount of loans, with the aim of providing stable support for private sector efforts on climate change while ensuring the smooth conduct of market operations.[4]

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[1] The new guideline for money market operations will be effective from September 24, 2026.

[2] The new interest rate applied to the complementary deposit facility and the new basic loan rate will be effective from September 24, 2026.

[3] 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 1.5 percent (discounting of bills is currently suspended).

[4] The Bank also decided to change the loan rates for the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas and the Funds-Supplying Operations against Pooled Collateral. In addition, the Bank decided to remove the Great East Japan Earthquake from the category of designated disasters under the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas following the loan disbursement in May 2027, given factors such as the recent usage of the operation.

4. Japan's economy has recovered moderately, although some weakness has been seen in part, partly due to the impact of the situation in the Middle East (see Attachment). Regarding the outlook, Japan's economy is expected to continue growing moderately. This is because, although the impact of the situation in the Middle East is expected to push down economic activity, the economy is likely to be underpinned by factors such as the government's various measures, in addition to an increase in global AI-related demand. On the price front, the rate of increase in the producer price index (PPI) has continued to be high on a year-on-year basis, reflecting the impact of the expansion in AI-related demand, in addition to high crude oil prices and the depreciation of the yen. The year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been moderately rising recently, as upward pressure on prices in business-to-business transactions has started to spill over into consumer prices and moves to pass on wage increases to selling prices have been continuing. In this situation, medium- to long-term inflation expectations have continued to rise, and underlying CPI inflation has been approaching 2 percent. As explained, Japan's economic activity and prices have been developing generally in line with the baseline scenario presented in the July 2026 *Outlook for Economic Activity and Prices*.

   While there are various risks to the baseline scenario, attention continues to be warranted on the impact that the situation in the Middle East, the expansion in AI-related demand, and developments in foreign exchange rates have on Japan's economic activity and prices. As for underlying CPI inflation, there is a risk that it will deviate upward to a level above the price stability target of 2 percent, given factors such as firms' behavior shifting more toward raising wages and prices and medium- to long-term inflation expectations rising.

   Japan's financial conditions have been accommodative. Real interest rates have remained at low levels, mainly in the short- to medium-term zone. Firms' and other entities' demand for funds has increased, and financial institutions' lending attitudes have also remained proactive. Moreover, issuance conditions for CP and corporate bonds have remained favorable.

   In view of the aforementioned developments in economic activity and prices, risks, as well as financial conditions, 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. Accommodative financial conditions are expected to be maintained after the change in the policy interest rate, continuing to firmly support economic activity.

5. As for the future conduct of monetary policy, given that underlying CPI inflation has been approaching 2 percent and financial conditions have been accommodative, the Bank will

continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. In this regard, it will consider the timing and pace of adjustment, while examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook, including the impact of the situation in the Middle East, the expansion in AI-related demand, and developments in foreign exchange rates. In particular, the perspective of stabilizing underlying CPI inflation at a level around 2 percent becomes important in order to keep the risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent from materializing and thereby exerting an adverse impact on the economy afterward. With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the target.

[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, TAKATA Hajime, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki. Voting against the action: ASADA Toichiro and SATO Ayano. Asada Toichiro dissented, considering that, with the rate of increase in the CPI (all items less fresh food) being below 2 percent recently, it could not necessarily be said that the economic situation was strong, and it was therefore desirable for the Bank to maintain the guideline for money market operations. Sato Ayano dissented, considering that current economic and price developments did not appear to have substantially accelerated compared to before, and in this context, it was not appropriate for the Bank to raise the policy interest rate at this time.

Attachment

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, partly due to the impact of the situation in the Middle East. Overseas economies have grown moderately on the whole, although some weakness has been seen in part. Against the backdrop of factors such as a solid increase in global AI-related demand, exports and industrial production have started to increase, albeit moderately, and corporate profits have been at high levels. Under these circumstances, business fixed investment has been on a moderate increasing trend, despite being affected by a rise in construction costs. Private consumption has been resilient against the background of an improvement in the employment and income situation, although weakness has been seen in household sentiment. On the other hand, housing investment has been on a declining trend. Public investment has continued to be more or less flat. Meanwhile, labor market conditions have remained tight. Financial conditions have been accommodative. On the price front, despite factors such as the effects of the government's measures to reduce the household burden of higher energy prices, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been moderately rising recently, being in the range of 1.5-2.0 percent, as the effects of a rise in import prices have been emerging, with moves to pass on wage increases to selling prices continuing. Inflation expectations have risen moderately.

2. Japan's economy is expected to continue growing moderately, albeit at a decelerated rate. This is because, although the rise in crude oil prices since early spring reflecting the impact of the situation in the Middle East is expected to push down economic activity, the economy is likely to be underpinned by factors such as the government's various measures and accommodative financial conditions, in addition to an increase in global AI-related demand. Japan's economic growth rate is likely to rise moderately thereafter, since it is projected that the adverse effects of high crude oil prices will wane and that a virtuous cycle from income to spending will gradually intensify. The year-on-year rate of increase in the CPI (all items less fresh food) is likely to accelerate to a level clearly above 2 percent from the second half of fiscal 2026. This is because, with moves to pass on wage increases to selling prices continuing, the rise in crude oil prices to date is expected to push up prices, mainly of energy and goods, and the rise in the prices of semiconductors and other items, reflecting the increase in global AI-related demand, and the recent depreciation of the yen are likely to lead to an increase in prices, mainly of

durable goods. Thereafter, with the waning of the effects of high crude oil prices, the rate of increase is expected to decline toward around 2 percent in the second half of the projection period of the July 2026 *Outlook for Economic Activity and Prices*. Meanwhile, with a sense of labor shortage continuing to be strong, it is projected that the mechanism in which wages and prices rise moderately in interaction with each other will be maintained, and that medium- to long-term inflation expectations will rise. In this situation, underlying CPI inflation is expected to increase gradually, coming to a level that is generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027 and remaining at around that level thereafter. [Note]

3. There are various risks to the outlook. For the time being, it is necessary to pay particular attention to the impact of the situation in the Middle East on financial and foreign exchange markets and on Japan's economic activity and prices. In addition, it is necessary to pay attention to the effects of developments in global AI-related demand and of future developments in foreign exchange rates 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 prices, considering that underlying CPI inflation already had been at a level that was generally consistent with the price stability target.

Reference

Meeting hours:

Thursday, September 17: 14:00-15:59

Friday, September 18: 9:00-11:47

Policy Board members present:

UEDA Kazuo, Chairman (Governor)

HIMINO Ryozo (Deputy Governor)

UCHIDA Shinichi (Deputy Governor)

TAKATA Hajime

TAMURA Naoki

KOEDA Junko

MASU Kazuyuki

ASADA Toichiro

SATO Ayano

[Others present]

September 17

From the Ministry of Finance:

NAKAYAMA Mitsuteru, Deputy Vice-Minister for Policy Planning and Coordination (14:00-15:59)

From the Cabinet Office:

TSUTSUMI Masahiko, Director-General for Economic and Fiscal Management (14:00-15:59)

September 18

From the Ministry of Finance:

NAKATANI Shinichi, State Minister of Finance (9:00-11:25, 11:35-11:47)

From the Cabinet Office:

KIUCHI Minoru, Minister of State for Economic and Fiscal Policy (9:00-11:25, 11:35-11:47)

Release dates and times:

Change in the Guideline for Money Market Operations -- Friday, September 18 at 11:54

Summary of Opinions -- Thursday, October 1 at 8:50

Minutes of the Monetary Policy Meeting -- Thursday, November 5 at 8:50