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December 24, 2025

Bank of Japan

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# **Minutes of the Monetary Policy Meeting**

on October 29 and 30, 2025

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(English translation prepared by the Bank's staff based on the Japanese original)

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A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Wednesday, October 29, 2025, from 2:00 p.m. to 3:46 p.m., and on Thursday, October 30, from 9:00 a.m. to 12:08 p.m.<sup>1</sup>

**Policy Board Members Present**

**UEDA Kazuo, Chairman, Governor of the Bank of Japan**

**HIMINO Ryoza, Deputy Governor of the Bank of Japan**

**UCHIDA Shinichi, Deputy Governor of the Bank of Japan**

**NOGUCHI Asahi**

**NAKAGAWA Junko**

**TAKATA Hajime**

**TAMURA Naoki**

**KOEDA Junko**

**MASU Kazuyuki**

**Government Representatives Present**

NAKATANI Shinichi, State Minister of Finance, Ministry of Finance<sup>2</sup>

MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance<sup>3</sup>

KIUCHI Minoru, Minister of State for Economic and Fiscal Policy, Cabinet Office<sup>2</sup>

HAYASHI Sachihiko, Vice-Minister for Policy Coordination, Cabinet Office<sup>3</sup>

**Reporting Staff**

SHIMIZU Seiichi, Executive Director (Assistant Governor)

SUWAZONO Kenji, Executive Director

NAKAMURA Koji, Executive Director<sup>2</sup>

OKUNO Akio, Director-General, Monetary Affairs Department

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<sup>1</sup> The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on December 18 and 19, 2025, as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

<sup>2</sup> Present on October 30.

<sup>3</sup> Present on October 29.

IDE Joji, Head of Policy Planning Division, Monetary Affairs Department

SUZUKI Koichiro, Director-General, Financial System and Bank Examination  
Department

MINEGISHI Makoto, Director-General, Financial Markets Department

KAWAMOTO Takuji, Director-General, Research and Statistics Department

SUGO Tomohiro, Head of Economic Research Division, Research and Statistics  
Department

CHIKADA Ken, Director-General, International Department

#### Secretariat of the Monetary Policy Meeting

FUKUDA Eiji, Director-General, Secretariat of the Policy Board

MIURA Yukihiro, Director, Deputy Head of Planning and Coordination Division,  
Secretariat of the Policy Board

YAGI Tomoyuki, Senior Economist, Monetary Affairs Department

KITAHARA Jun, Senior Economist, Monetary Affairs Department

FUKUSHIMA Shunsuke, Senior Economist, Monetary Affairs Department

## **I. Summary of Staff Reports on Economic and Financial Developments<sup>4</sup>**

### **A. Market Operations in the Intermeeting Period**

The Bank had been conducting money market operations in accordance with the guideline for money market operations decided at the previous meeting on September 18 and 19, 2025.<sup>5</sup> The uncollateralized overnight call rate had been in the range of 0.476 to 0.478 percent.

Meanwhile, in September 2025, the Bank conducted Japanese government bond (JGB) purchases of about 3.7 trillion yen per month. In October 2025, it cut down the monthly purchase amount by about 400 billion yen, to about 3.3 trillion yen per month; this was in accordance with the JGB reduction plan decided at the June 2025 meeting.

### **B. Recent Developments in Financial Markets**

In the money market, the uncollateralized overnight call rate had been at around 0.5 percent. The general collateral (GC) repo rate had been at around the same level as the uncollateralized overnight call rate. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) were more or less unchanged.

The Tokyo Stock Price Index (TOPIX) had risen due to factors such as expectations for policies under Japan's new administration and the effects of a rise in U.S. stock prices. Yields on 10-year JGBs were more or less unchanged. The liquidity indicators in the JGB markets continued to improve on the whole. In the foreign exchange market, the yen had depreciated against both the U.S. dollar and the euro over the intermeeting period.

### **C. Overseas Economic and Financial Developments**

Overseas economies had grown moderately on the whole, although some weakness had been seen in part, reflecting trade and other policies in each jurisdiction. The U.S. economy maintained solid growth on the whole, although some weakness had been seen in part. European economies continued to be relatively weak on the whole, partly reflecting that exports had seen a reactionary decline following earlier front-loading. The Chinese economy had decelerated, mainly due to the impact of tariff increases and the gradually diminishing

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<sup>4</sup> Reports were made based on information available at the time of the meeting.

<sup>5</sup> The guideline was as follows:

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

effects of government policies, and as adjustment pressure continued in the real estate and other markets. Emerging and commodity-exporting economies other than China had improved moderately on the whole.

As for the outlook, although trade and other policies in each jurisdiction were expected to lead to a slowdown in overseas economies, these economies were projected to see a gradual acceleration in their growth rate thereafter, and then return to a moderate growth path. There were high uncertainties regarding the outlook, such as the impact of trade policy in each jurisdiction, developments in global AI-related demand, and developments in the Chinese economy.

With respect to overseas financial markets, despite continued attention to uncertainties over the global economy, market sentiment remained at an improved level. U.S. and European long-term interest rates had declined slightly, mainly due to concerns over U.S.-China trade negotiations. U.S. stock prices had declined temporarily, mainly reflecting those concerns; that said, they had risen slightly over the intermeeting period, supported by policy interest rate cuts by the Federal Reserve and expectations of an increase in AI-related demand. European stock prices had risen, moving in line with U.S. stock prices. Meanwhile, currencies in emerging economies had been more or less flat on the whole. Crude oil prices had declined, mainly on the back of an increase in oil production by OPEC Plus and uncertainties regarding U.S.-China trade negotiations; however, the rate of decline had subsequently decelerated, with the United States announcing the imposition of new sanctions on Russia.

## **D. Economic and Financial Developments in Japan**

### **1. Economic developments**

Japan's economy had recovered moderately, although some weakness had been seen in part. Regarding the outlook, economic growth was likely to be modest as trade and other policies in each jurisdiction led to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions were expected to provide support.

Exports and industrial production continued to be more or less flat as a trend, although there had been some front-loading and a subsequent reactionary decline, due to the increase in U.S. tariffs. Regarding the outlook, exports and industrial production, mainly of automobiles and capital goods, were likely to show some weakness as the reactionary decline

following the front-loading due to the increase in U.S. tariffs materialized and overseas economies slowed as tariff hikes were increasingly passed on to selling prices.

Corporate profits remained at high levels on the whole, although downward effects due to tariffs had been seen in manufacturing, and business sentiment had stayed at a favorable level. In this situation, business fixed investment had been on a moderate increasing trend. With regard to the outlook, business fixed investment was likely to continue on an increasing trend, supported by moves to clear accumulated order backlogs and by strong demand for labor-saving investment; that said, growth momentum in business fixed investment was highly likely to slow gradually against the background of a decline in corporate profits and uncertainty regarding trade policies.

Private consumption had been resilient against the background of an improvement in the employment and income situation, although it had been affected by price rises. The consumption activity index (CAI; real, travel balance adjusted) had recently been more or less flat on the whole: the index had increased slightly for the April-June quarter of 2025, but then decreased on average for the July-August period, relative to that quarter, mainly due to developments in nondurable goods. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators, private consumption since September seemed to have been higher than in August, although consumers' increased thriftiness remained entrenched due to high food prices, such as rice. Consumer sentiment remained at a relatively low level, although it had recently picked up, mainly on the back of an increase in summer bonuses and the rise in stock prices. Regarding the outlook, although wage increases reflecting the rise in the rate of base pay increases and hikes in the minimum wage were expected to provide some support, private consumption was likely to be more or less flat, since, in addition to elevated food prices, the slower growth in winter bonuses reflecting a decline in corporate profits would push down consumption.

The employment and income situation had improved moderately. The number of employed persons continued to increase steadily, mainly for regular employees. Nominal wages per employee continued to increase steadily. With regard to the outlook, employee income was likely to continue to see a steady increase for the time being. However, as downward pressure on special cash earnings (bonuses, etc.) was likely to materialize due to a deterioration in corporate profits, the pace of increase in employee income was projected to decelerate.

As for prices, recent developments in international commodity markets showed that crude oil prices had been on a declining trend, albeit with fluctuations, while copper prices had increased. Meanwhile, market prices of food continued to rise moderately. The year-on-year rate of increase in the producer price index (PPI) had been on a decelerating trend, being in the range of 2.5-3.0 percent recently, mainly due to the effects of the past decline in crude oil prices and the yen's appreciation. The year-on-year rate of increase in the services producer price index (SPPI, excluding international transportation) had declined, being in the range of 2.5-3.0 percent recently, primarily because the impact of the previous year's price hikes had dissipated, although the rate itself remained relatively high, mainly on the back of a rise in personnel expenses. 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) had 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 had risen moderately. With regard to the outlook, the year-on-year rate of increase in the CPI was expected to decelerate toward the end of fiscal 2025, as the rise in food prices, such as rice prices, was likely to dissipate and as the effects of the yen's past appreciation were expected to exert downward pressure mainly on durable goods.

## 2. Financial environment

Japan's financial conditions had been accommodative.

Real interest rates had been negative. Firms' funding costs had increased. Firms' demand for funds had increased moderately on the back of, for example, the recovery in economic activity as well as mergers and acquisitions of firms. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuance conditions for CP and corporate bonds had been favorable. In this situation, the year-on-year rate of increase in the amount outstanding of bank lending had been in the range of 4.0-4.5 percent; that in the aggregate amount outstanding of CP and corporate bonds had been at around 7 percent. Firms' financial positions had been favorable. The number of bankruptcies of firms had been more or less flat.

Meanwhile, the year-on-year rate of change in the money stock had been at around 1.5 percent.

### 3. Financial system

Japan's financial system maintained stability on the whole.

Profits of major banks had increased, owing in particular to a rise in net interest income, mainly composed of interest on loans. Meanwhile, their credit costs had been at low levels. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

Profits of regional banks had increased, mainly on the back of the rise in net interest income. Meanwhile, their credit costs had been at low levels. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

With regard to the financial cycle, of the 14 Financial Activity Indexes (FAIXs) that comprise the heat map in the *Financial System Report*, 13 showed neither an overheating nor a contraction of financial activities. Regarding the financial gap, the positive gap remained narrower than a while ago, and there had been no overheating of financial activities overall. However, attention was warranted on developments in asset prices, such as real estate and stock prices, and it was necessary to continue paying close attention to whether financial activities would not significantly deviate from real economic activity. In addition, given that high uncertainties still remained regarding the impact of trade and other policies in each jurisdiction, it was necessary to carefully monitor the impact these policies had on the financial system through various channels.

## **II. Summary of Discussions by the Policy Board on Economic and Financial Developments and the October 2025 *Outlook for Economic Activity and Prices***

### **A. Current Situation of Economic Activity and Prices**

With regard to global financial and capital markets, members shared the view that, despite continued attention to uncertainties over the global economy, market sentiment remained at an improved level. Many members noted that U.S. stock prices had been renewing historical highs. As background to this, these members pointed out that uncertainty regarding the impact of tariff policies on the U.S. economy was declining and that there were higher expectations of an expansion in global AI-related demand and of a boost in productivity resulting from the use of AI. On this basis, some members noted that if revenue associated with AI did not increase as much as markets expected, this could bring about fluctuations in stock prices.

Members shared the recognition that overseas economies had grown moderately on the whole, although some weakness had been seen in part, reflecting trade and other policies in each jurisdiction. Some members pointed out that, although uncertainty remained high regarding overseas economies, particularly the United States, there had been an increasing number of views that the impact of tariff policies would materialize at a moderate pace and would be somewhat smaller than expected.

Members agreed that the U.S. economy maintained solid growth on the whole, although some weakness had been seen in part. Many members expressed the recognition that, while the negative impact of tariff policies remained limited so far in the United States, business fixed investment had increased, driven mainly by AI-related investment, and that private consumption had been resilient, supported by a rise in asset prices and other factors. One of these members said that retail sales remained solid. The member then pointed out that there were growing differences in consumption behavior across income groups; while consumption of daily necessities, such as food and beverages, had decreased, the rise in asset prices had supported consumption by the wealthy. Regarding the burden of costs arising from the imposition of tariffs, some members expressed the view that, while U.S. firms and exporters to the United States had absorbed the tariff costs to a considerable extent thus far, progress was likely to be made in the pass-through of these costs to consumers, albeit moderately. One of these members added that, if it was the case that U.S. firms had avoided price hikes for fear of standing out by raising prices and were therefore bearing the costs for now, selling prices would be affected eventually, possibly with a time lag. In addition, some members pointed out that attention was warranted on developments in the labor market, where the pace of increase in the number of employed persons had slowed. One of these members expressed the view that the slower growth in employment was in part caused by the downward pressure on corporate profits from tariff policies. The member continued that it might also be attributable to constrained investment in human capital as firms found it difficult to determine to what extent AI could substitute for labor, or to supply factors stemming from immigration policies. Meanwhile, one member expressed the recognition that, in the United States, with the administration shifting to policies that boost the economy, such as tax cuts and deregulation, it was unlikely that tariffs would cause further negative developments.

Members shared the view that European economies continued to be relatively weak on the whole, partly reflecting that exports had seen a reactionary decline following earlier front-loading.

Members shared the view that the Chinese economy had decelerated, mainly due to the impact of tariff increases and the gradually diminishing effects of government policies, and as adjustment pressure continued in the real estate and other markets. One member commented that, when projecting future developments in overseas economies, the risk of a deceleration in the Chinese economy warranted more attention than before.

Members shared the recognition that emerging and commodity-exporting economies other than China had improved moderately on the whole.

Members agreed that financial conditions in Japan had been accommodative. One member expressed the recognition that expansionary developments had started to be seen on the credit side, such as bank lending mainly for real estate and for mergers and acquisitions, and that this showed the effects of having significantly negative real interest rates. Meanwhile, a few members said that attention was warranted on developments in real estate prices, mainly of condominiums in urban areas. On this basis, these members pointed out that the recent rise in real estate prices could be attributed to some extent to the significantly negative real interest rates and an inflow of overseas funds driven mainly by the yen's depreciation, in addition to an increase in construction costs and supply-side constraints such as labor shortages.

Based on the above deliberations on economic and financial conditions abroad and financial conditions in Japan, members discussed the state of Japan's economic activity and prices.

With regard to economic activity, members shared the recognition that Japan's economy had recovered moderately, although some weakness had been seen in part. Many members expressed the recognition that, while U.S. tariff policy had negatively affected the profits of Japanese firms, so far there were no signs that the effects had spread to Japan's economy as a whole, including business fixed investment and employment and wage developments. One of these members said that Japan's economy maintained its moderate growth path, partly because the impact of U.S. tariff policy had so far been limited. Meanwhile, one member expressed the view that, while the output gap was estimated to be around 0 percent recently, this figure should be viewed with latitude to begin with; furthermore, given the positive labor input gap, labor supply constraints might have been

limiting the operation of production facilities despite firms' needs, and therefore the situation could not be explained simply by weak demand.

Members concurred that exports and industrial production continued to be more or less flat as a trend, although there had been some front-loading and a subsequent reactionary decline, due to the increase in U.S. tariffs. One member noted that, on the whole, real exports had not seen the kind of decline that deviated from the trend, although they had been somewhat weak in industries that were subject to sectoral tariffs introduced by the U.S. administration.

Members shared the recognition that business fixed investment had been on a moderate increasing trend, with corporate profits remaining at high levels on the whole despite being affected by tariff policies and with business sentiment staying at a favorable level. One member had been of the view that firms' stance on business fixed investment should not be judged solely based on actual figures for investment undertaken, given the time lag between when firms make their plans to invest and when they actually undertake the investment. That said, the member expressed the recognition that, considering that the September 2025 *Tankan* (Short-Term Economic Survey of Enterprises in Japan) showed that firms maintained their active business fixed investment plans on the whole, firms' business sentiment and investment stance did not seem to have been severely affected by U.S. tariff policy.

Members concurred that private consumption had been resilient against the background of the improvement in the employment and income situation, although it had been affected by price rises. One member stated that, although private consumption as a whole had been resilient, consumers' increased thriftiness and so-called price increase fatigue seemed to be in place for nondurable goods, such as food and clothes. The member then pointed out that the benefits of wage increases varied across age groups, and this was reflected in differences in consumption behavior, as confirmed by data.

Members shared the view that the employment and income situation had improved moderately. One member expressed the recognition that, despite real disposable income being flat due to inflation, there had been steady wage hikes in 2025, partly as an effect of the rise in the minimum wage. A different member expressed the view that, although recently the unemployment rate had risen somewhat at times, this was due to an increase in the number of people who left their jobs voluntarily in pursuit of higher wages.

As for prices, members agreed that, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the CPI (all items less fresh food) had been at around 3 percent recently, due to the effects of the rise in food prices, such as rice prices, and other factors. In addition, they concurred that inflation expectations had risen moderately. One member said that, while the effects of the rise in food prices had been pronounced, changes in firms' price-setting behavior in other areas had been moderate. On this point, the member expressed the view that higher spending on food had led to consumers' increased thriftiness. The member then continued that it was therefore important to closely monitor developments in wages and household income. A different member expressed the view that the significant increase in food prices reflected some firms' active stance toward raising prices, in addition to the rise in personnel expenses, distribution costs, and import prices. In relation to this, one member pointed out that the rise in rice and other food prices could not be explained solely by cost-push factors. The member then expressed the recognition that firms that were unable to raise prices under the zero norm, in which prices do not rise, might have taken this opportunity together to raise prices simultaneously. In relation to this, a different member noted that it was necessary to continue to carefully examine how long cost-push based inflation led by food prices would continue, to what extent inflation had been driven by demand shocks, and the degree to which these developments would influence inflation expectations.

## **B. Outlook for Economic Activity and Prices**

In formulating the October 2025 *Outlook for Economic Activity and Prices* (Outlook Report), members discussed the baseline scenario of the outlook for Japan's economic activity. Most members shared the recognition that (1) Japan's economic growth was likely to be modest as trade and other policies in each jurisdiction led to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, although factors such as accommodative financial conditions were expected to provide support; and (2) thereafter, Japan's economic growth rate was likely to rise, with overseas economies returning to a moderate growth path.

Many members expressed the recognition that the impact of U.S. tariff policy on Japan's economy was likely to be smaller than initially expected, and thus uncertainty over the outlook had declined. One of these members pointed out that, even if the impact of U.S.

tariff policy became pronounced, the expected scale of the impact had become smaller than it was before. The member continued that it was therefore also likely that Japan's economic growth would not be too modest. A different member expressed the recognition that, given Japan's high levels of corporate profits, the direct downward effects of the tariffs on the profits of domestic exporting firms could be sufficiently absorbed overall, even if estimated conservatively. Another member expressed the recognition that the impact of U.S. tariff policy on business performance in export-related manufacturing industries had been considerable, but major firms and medium-sized firms had adapted their economic activities and business strategies to take the tariffs into account. On this basis, the member continued that, while it was possible that the tariff policy might have further impact or that the policy could change, the fog surrounding the outlook had begun to clear, compared with July. Based on these discussions, some members expressed the view that Japan's economy was likely to continue to grow at a pace above its potential growth rate in both fiscal 2025 and fiscal 2026, despite being affected by U.S. tariff policy.

Most members shared the recognition that Japan's exports and industrial production were likely to show some weakness, against the background of the slowdown in overseas economies, but were projected to return to an uptrend thereafter, with overseas economies following a moderate growth path, partly due to the increase in global AI-related demand.

Most members shared the recognition that the growth rate of business fixed investment was likely to decelerate, affected by the slowdown in overseas economies, although it was expected that investment to address labor shortages, digital-related investment, research and development (R&D) investment related to growth areas and decarbonization, and investment associated with strengthening supply chains would continue and that accommodative financial conditions would provide support. In addition, these members shared the view that, thereafter, as corporate profits were likely to improve with an increase in domestic and external demand, business fixed investment was projected to continue on an increasing trend, partly due to investment for capacity expansion to address the rise in demand. One member expressed the recognition that downside risks to business fixed investment were low because (1) it was confirmed in the September *Tankan* that investment plans had been firm for the manufacturing industry, which is susceptible to the impact of tariffs, and (2) it was reported at the meeting of the general managers of the Bank's branches that investment plans for firms in the automobile industry had generally been solid. A different member

expressed the view that, based on sources such as past trends and actual data, business fixed investment plans were expected to be revised downward through the second half of fiscal 2025. The member continued that these investment plans were nevertheless expected to remain solid, taking into account, for example, the current levels and anecdotal information from firms.

Members agreed that, although private consumption was expected to be more or less flat for the time being due to the remaining impact of price rises, it was projected to gradually return to a moderate increasing trend, with a continued rise in employee income. They shared the recognition that, thereafter, private consumption was likely to increase moderately as employee income continued to rise. One member pointed out that the year-on-year rate of change in real wages was expected to turn positive, provided that the effects of the rise in food and energy prices waned and the CPI inflation rate decelerated. Based on this, the member continued that these developments would significantly underpin a rise in consumption.

Members shared the recognition that employee income was likely to continue to see a steady increase for the time being. They continued that the pace of the increase could however decelerate temporarily, mainly due to downward pressure on special cash earnings (bonuses, etc.) caused by the deterioration in corporate profits. Members shared the view that, thereafter, the growth momentum in employee income was likely to increase, as the nominal wage growth rate was expected to accelerate again in reflection of the recovery in corporate profits. Some members were of the view that wage hikes in the 2026 annual spring labor-management wage negotiations could be expected to be at a similar level to those in 2025, taking into account factors in 2025 such as price developments, high levels of corporate profits, tightening of labor market conditions due to labor shortages, and the increase in the minimum wage. One of these members added that, while moves to reduce costs had been observed among some exporting firms, including automakers, Japanese firms as a whole were likely to maintain their active wage-setting stance. A few members expressed the recognition that, as firms had implemented high wage hikes for the third consecutive year, they had started to become accustomed to revising wages every year in line with price rises. These members continued that such a mindset had been reflected in firms' medium-term management plans. A different member noted that there was a strong tendency for Japanese firms to keep in line with their competitors when setting wages; therefore, given the economic conditions thus far,

it was expected that fairly high wage hikes would be achieved in the 2026 annual spring labor-management wage negotiations. The member continued that it was necessary however to reexamine whether similar wage hikes would also be achieved from 2027 onward.

Based on these discussions, most members shared the recognition that, comparing the projections with those in the July 2025 Outlook Report, the projected real GDP growth rates were more or less unchanged. These members continued that the basic view on future economic developments was unchanged. Some members expressed the recognition that the likelihood of the baseline scenario being realized had been rising gradually, given that, for example, domestic corporate profit projections had stayed at favorable levels despite being affected by tariff policies, and that uncertainty regarding the U.S. economy had declined.

Members then discussed the baseline scenario of the outlook for Japan's price developments. Most members shared the view that the year-on-year rate of increase in the CPI (all items less fresh food) was 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. In addition, most members shared the view that underlying CPI inflation was likely to be sluggish, mainly affected by the growth pace of the economy. These members continued that thereafter, however, since it was projected that a sense of labor shortage would grow as the economic growth rate rose and that medium- to long-term inflation expectations would rise, it was expected that underlying CPI inflation and the rate of increase in the CPI (all items less fresh food) would increase gradually and, in the second half of the projection period of the October 2025 Outlook Report, be at a level that was generally consistent with the price stability target. In response, one member expressed the recognition that it was highly likely that it could be judged in spring 2026, when wage hikes could be expected to be at a level in line with the target for the third consecutive year, that the price stability target had been achieved. In addition, a different member expressed the recognition that, given recent developments in financial and capital markets and firms' active wage- and price-setting behavior, it could be judged with more certainty that the price stability target had been more or less achieved.

Regarding projections for the CPI (all items less fresh food), one member expressed the view that, as observed in rice prices, firms' price-setting behavior could continue to reflect their efforts to make up for not having been able to raise prices in the past. The member continued that even so, the year-on-year rate of increase in the CPI was likely to decelerate

for a while and to fall below 2 percent temporarily in fiscal 2026. One member noted that in examining price developments, it would be necessary to closely monitor, for example, whether food manufacturers maintain their active stance toward raising prices and how consumer purchasing behavior reacts to this. Meanwhile, a different member expressed the recognition that the expected deceleration in the inflation rate through the first half of fiscal 2026 was largely due to the effects of a decline in energy prices, along with the waning effects of the rise in food prices.

Regarding underlying inflation, some members expressed the view that, given recent developments in various indicators, although underlying inflation had been rising moderately toward 2 percent, it had not yet reached 2 percent. One of these members expressed the opinion that, even if the downward effects of U.S. tariff policy materialized, it was likely that Japan's economic conditions would be maintained to a considerable extent, mainly on the back of an improvement in real wages reflecting the decline in the inflation rate, and that the underlying trend in prices would continue rising moderately toward 2 percent. One member pointed out that underlying inflation was likely to be about 2 percent, mainly taking into account the measurement errors or latitude in estimation of various indicators. The member continued that, however, in relation to the price stability target, it was more important to examine the extent to which underlying inflation had become entrenched. A different member expressed the view that, with medium- to long-term inflation expectations rising, it was expected that firms would maintain their active business stance, and that the mechanism by which wages and prices rise in interaction with each other would continue operating. The member continued that, given this, underlying inflation was likely to continue rising, although the pace could moderate. Meanwhile, one member expressed the view that, with a shrinking equilibrium mindset remaining in place, it had been necessary for the Bank to discuss headline inflation separately from underlying inflation; however, with the norm in Japan changing -- as evidenced by, for example, housing and office rents beginning to rise, both of which are sticky relative to other prices -- straightforward communication that emphasizes developments in headline inflation was now desirable. In addition, a different member noted that the Bank should carefully explain that, when making monetary policy decisions, it would take into account underlying mechanisms -- such as supply and demand conditions, wages, and inflation expectations -- and special factors, rather than simply whether the headline CPI was above or below 2.0 percent.

Based on these discussions, most members shared the recognition that, comparing the projections with those in the July 2025 Outlook Report, the baseline scenario of the outlook for prices was more or less unchanged.

Members then discussed upside and downside risks to economic activity and prices. They shared the view that there were various risks to the outlook; in particular, it still remained highly uncertain how overseas economic activity and prices would react to trade and other policies in each jurisdiction. Members continued that it was 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.

On this basis, members noted the following three factors as major risks to economic activity: (1) developments in overseas economic activity and prices under the impact of trade and other policies in each jurisdiction, (2) developments in import prices, and (3) the impact of various changes in the environment surrounding Japan on firms' and households' medium- to long-term growth expectations and on Japan's potential growth rate. Some members expressed the recognition that AI-related demand could pose either an upside or downside risk to the global economy, along with factors such as changes in asset prices, depending on how global AI-related demand develops. A few members pointed out that, if the U.S. labor market lost its current "curious kind of balance," whereby both labor supply and demand were slowing, there was a risk that its economy would come under increased downward pressure. One member pointed out that, as had been the case during the pandemic, Europe, the United States, and China and other emerging economies had all leaned toward accommodative policies on both the fiscal and monetary fronts due to a global sense of risk regarding the impact of tariffs. The member continued that, against this backdrop, the global economy could be pushed up or experience inflationary pressure, leading to higher-than-expected economic growth. Meanwhile, with regard to the Japanese government's new cabinet that took office the previous week, one member noted that it was difficult to say at this time that there was sufficient information regarding the direction or details of the government's policies, and that the possible impact of these policies had not been incorporated into the outlook for economic activity and prices. The member then expressed the recognition that fiscal factors were important elements to consider when developing the outlook.

Regarding risks to prices, members concurred that, if the aforementioned risks to economic activity materialized, prices would be affected, and that the following factors

warranted attention as risks specific to prices: (1) firms' wage- and price-setting behavior and its impact on inflation expectations, and (2) future developments in foreign exchange rates and import prices, including international commodity prices, as well as the extent to which such developments would spread to domestic prices. One member said that inflation expectations of firms and households had already reached approximately 2 percent, an inflationary norm had been established, and that upside risks to prices warranted attention. The member then continued that, in fact, although households' perceived inflation had fallen recently, their inflation expectations for five years ahead had risen. A different member pointed out that, when prices were rising following the pandemic, inflation caused by second-round effects was unlikely to occur due to the deflationary norm; however, in the current phase, it was necessary to pay more attention to the upside risks to prices when considering the risk balance, since the deflationary norm had already been dispelled and upward pressure on wages had also increased. In response, one member expressed the recognition that, although attention was warranted on the risk of the rise in food prices spreading to prices of a wider range of items, food price increases might not necessarily lead to an overall increase in prices because they would increase consumers' thriftiness in other areas if improvement in the income situation was insufficient. Meanwhile, some members expressed the recognition that, with firms' behavior shifting more toward raising wages and prices, the yen's depreciation would more likely push up prices through factors such as rising import prices.

With regard to the risk balance, members shared the recognition that, judging each member's risk assessments as a whole, (1) risks to economic activity were skewed to the downside for fiscal 2026, and (2) risks to prices were generally balanced.

### **III. Summary of Discussions on Monetary Policy**

Based on the above assessment of economic and financial developments, members discussed monetary policy.

As for the stance on monetary policy conduct for the time being, members concurred that, given that real interest rates were at significantly low levels, if the outlook for economic activity and prices was realized, the Bank, in accordance with improvement in economic activity and prices, would in principle continue to raise the policy interest rate and adjust the degree of monetary accommodation. In this regard, they agreed that, considering that high uncertainties still remained regarding the impact of trade and other policies in each

jurisdiction, it was important for the Bank to carefully examine factors such as developments in economic activity and prices as well as in financial markets at home and abroad, and judge whether the outlook would be realized, without any preconceptions.

Based on this thinking, with respect to the guideline for money market operations for the intermeeting period, most members shared the view that it was appropriate for the Bank to maintain the guideline that it would encourage the uncollateralized overnight call rate to remain at around 0.5 percent.

Many members expressed the view that, although the likelihood of the baseline scenario for economic activity and prices being realized had been rising gradually, it was appropriate for the Bank to maintain its current stance regarding the conduct of monetary policy, considering that a little more time was necessary to determine whether Japanese firms' active wage-setting behavior would remain intact amid high uncertainties still remaining regarding overseas economies. One of these members expressed the opinion that, although the timing at which the Bank should raise the policy interest rate was getting closer, it was appropriate to take a little more time to examine the situation, taking into account, for example, that uncertainty regarding U.S. tariff policy remained high and the direction of the economic policy of Japan's new administration was not yet fully clear. One member noted that it might be desirable to raise the policy interest rate sooner, considering the risk of prices in Japan being pushed up significantly through, for example, the yen's depreciation on the back of an overheating of the U.S. economy due to factors such as income tax refunds. The member continued that, however, the risk of greater-than-expected downward pressure being exerted on Japan's prices and economic activity could not yet be ruled out, which could be caused by the U.S. labor market starting to lose its "curious kind of balance" and U.S. capital markets entering an adjustment phase; it was therefore appropriate to take some time to examine the situation before making a decision. A different member expressed the recognition that, although it was likely that conditions for taking a further step toward the normalization of the policy interest rate had almost been met, the Bank needed to examine to what extent the underlying inflation rate had become entrenched.

On the other hand, a few members expressed the view that it was desirable for the Bank to raise the policy interest rate to around 0.75 percent at this meeting. One of these members noted that a slowdown in the U.S. economy due to the impact of tariff policies seemed unlikely. The member then expressed the recognition that the Bank might return to

its monetary policy stance to raise the policy interest rate, and adjust the level of real interest rates that were currently low compared with overseas economies, given that the price stability target was considered to have already been more or less achieved in Japan and that attention was currently warranted on upside risks to prices stemming from the yen's depreciation. A different member expressed the view that, given that there were currently both upside and downside risks, the Bank should not immediately raise the policy interest rate to a restrictive level; that said, with risks to prices being skewed to the upside, the Bank should adjust the degree of monetary accommodation and set the policy interest rate a little closer to the neutral interest rate to prevent future shocks arising from possible rapid policy interest rate hikes.

In relation to the future conduct of monetary policy, many members expressed the view that it was important to examine whether the mechanism in which both wages and prices rise moderately had been maintained by analyzing developments in firms' wage-setting stance and wage trends, using constantly updated sources such as anecdotal information. One of these members noted that firms' profit projections, which would take into account the tariff rate of 15 percent, would be fixed in the near future; thus firms' wage-setting behavior -- which would be based on these upcoming profit projections -- particularly the momentum of initial moves toward the 2026 annual spring labor-management wage negotiations, would be an important factor. A different member pointed out that, in conducting monetary policy, it would be necessary to continue to closely monitor the following three factors: (1) the impact on the global economy of trade policy in each jurisdiction, (2) the direction of U.S. monetary policy and of foreign exchange rates, and (3) the outlook for prices and wages in Japan. On this basis, the member expressed the recognition that, given uncertainty regarding the impact of tariffs and developments in the global economy, particularly the U.S. economy, whether Japanese firms maintain their active wage-setting behavior was especially important. One member expressed the view that the impact of tariff policies was taking time to materialize, and accommodative financial conditions would be maintained even after the next policy interest rate hike. The member continued that, given these factors, if there was no negative news regarding the global economy or financial markets, and if it was confirmed that firms' active wage-setting behavior would be maintained -- judging from, for example, moves by both labor and management in the initial stages toward the annual spring labor-management wage negotiations -- this was likely to lead to a policy change. Meanwhile, one member noted that, despite expectations for wage hikes in 2026, it seemed that the burden on people in their

daily lives had increased, judging from, for example, the change in consumption behavior due to price rises, and from the rise in construction costs and housing prices mainly reflecting a surge in material prices and the increase in personnel expenses. The member then said that the recent growth in bank lending also warranted attention. In this regard, this member expressed the recognition that, while uncertainties remained, the Bank would be in a situation where it should adjust the policy interest rate depending on the outlook for economic activity and prices and on the likelihood of achieving the outlook.

Some members pointed out that, given that the neutral interest rate was higher than the current policy interest rate, adjusting the degree of monetary accommodation in accordance with improvement in economic activity and prices would lead to achieving economic and price stability in the long run. One of these members noted that raising the policy interest rate at this point could be considered part of the process of normalizing the policy interest rate, through which the Bank would curb economic distortions for the future and gradually return the policy interest rate to a state of equilibrium. One member pointed out that Japan's policy interest rate was lower than the neutral rate, unlike in the United States and Europe. The member continued that it was possible that financial and capital markets, such as the stock market, would become unstable. This member then expressed the view that, while the current situation might not require immediate action, the Bank should not miss the timing to raise the policy interest rate, while continuing to provide appropriate information. A different member added that, if no adjustments were made to the policy interest rate at all until the inflation rate reached the target, it would then be necessary to raise the policy interest rate to the neutral interest rate level all at once when the target was achieved. The member continued that, however, since the neutral rate at each point in time cannot be specifically identified, it was considered almost impossible to successfully implement such an approach. Meanwhile, one member said that the Bank's basic stance remained unchanged in that it would gradually raise the policy interest rate at an appropriate timing, in line with developments in the global economy and financial markets, as well as the outlook for Japan's economic activity and prices reflecting these developments. The member then expressed the view that, in order to preserve the smooth transmission of monetary policy effects while ensuring market stability, it was necessary for the Bank to maintain close communication with the market to avoid any suspicion that the Bank's policy reaction function had changed.

In light of the above discussions, the chairman requested that the staff present possible descriptions of the future conduct of monetary policy to include in the October 2025 Outlook Report. The staff reported that the descriptions could be as follows. First, as for the conduct of monetary policy, given that real interest rates were at significantly low levels, if the outlook for economic activity and prices discussed at this meeting was realized, the Bank, in accordance with improvement in economic activity and prices, would continue to raise the policy interest rate and adjust the degree of monetary accommodation. Second, in this regard, considering that high uncertainties still remained regarding the impact of trade and other policies in each jurisdiction, it was important for the Bank to carefully examine factors such as developments in economic activity and prices as well as in financial markets at home and abroad, and judge whether the outlook would be realized, without any preconceptions. Third, with the price stability target of 2 percent, the Bank would 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.

In response to the staff's explanation, members shared the view that the descriptions presented by the staff were appropriate.

#### **IV. Remarks by Government Representatives**

The representative from the Cabinet Office made the following remarks.

- (1) The Japanese economy was recovering at a moderate pace, while the effects of trade and other policies in the United States had been seen mainly in the automotive industry.
- (2) Embracing an approach of "responsible and proactive public finances" and based on the principle of "a sound economy is the foundation of fiscal health," the government would formulate an economic policy package consisting of three pillars: tackling rising prices, conducting strategic investments that enhance growth strategies and resilience against potential crises, and building up Japan's diplomatic capacity and defense capabilities.
- (3) The government expected the Bank to conduct monetary policy as appropriate toward achieving the price stability target of 2 percent in a sustainable and stable manner, while closely cooperating with the government in accordance with the spirit of the Bank of Japan Act and of the joint statement of the government and the Bank.

The representative from the Ministry of Finance made the following remarks.

- (1) The government's stance was that it would work to tackle rising prices immediately and formulate economic policy that restores strength to the Japanese economy. The government would formulate comprehensive economic measures and compile the supplementary budget, based on the prime minister's instructions given on October 21, 2025.
- (2) The government expected the Bank to conduct monetary policy as appropriate toward sustainable and stable achievement of the price stability target of 2 percent, while closely cooperating with the government, paying due attention to factors such as economic developments at home and abroad, and communicating effectively with the market.

## **V. Votes**

### **A. Vote on the Guideline for Money Market Operations**

Based on the above discussions, to reflect the majority view of the members, the chairman formulated the following proposal on the guideline for money market operations.

#### **The Chairman's Policy Proposal on the Guideline for Money Market Operations:**

The guideline for money market operations for the intermeeting period will be as follows.

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

However, Takata Hajime considered that there had been a shift away from the deflationary norm and the price stability target had been more or less achieved, and Tamura Naoki considered that, with risks to prices becoming more skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate. They each proposed separately the following.

### **Takata Hajime and Tamura Naoki's Policy Proposals on the Guideline for Money Market Operations:**

The guideline for money market operations for the intermeeting period will be as follows.

The Bank will encourage the uncollateralized overnight call rate to remain at around 0.75 percent.

Takata Hajime and Tamura Naoki's policy proposals on the guideline for money market operations were defeated by majority votes.

Votes for the proposals: TAKATA Hajime and TAMURA Naoki.

Votes against the proposals: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki.

The chairman's policy proposal on the guideline for money market operations was decided by a majority vote.

Votes for the proposal: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki.

Votes against the proposal: TAKATA Hajime and TAMURA Naoki.

### **B. Discussion on the Statement on Monetary Policy**

The chairman formulated the Statement on Monetary Policy and put it to a vote. The Policy Board decided the text by a unanimous vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment).

### **VI. Discussion regarding the Outlook Report**

Members discussed the draft of "The Bank's View" in the October 2025 Outlook Report (consisting of "The Bank's View" and "The Background") and formed a majority view.

Takata Hajime, however, formulated a proposal that included the following points. First, with respect to the outlook for economic activity, he proposed the description stating

that, "with the impact of trade and other policies in each jurisdiction dissipating, the economy is projected to continue growing at a pace above its potential growth rate, supported by factors such as accommodative financial conditions." Second, with regard to the outlook for prices, he proposed the descriptions "underlying CPI inflation is likely to remain solid" and "the level of the rate of increase in the CPI, including underlying CPI inflation, already seems to have generally reached the price stability target." The proposal was then put to a vote, and was defeated by a majority vote.

Votes for the proposal: TAKATA Hajime.

Votes against the proposal: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki.

Tamura Naoki formulated a proposal that included the following points. First, with respect to the outlook for the year-on-year rate of increase in the CPI (all items less fresh food and energy), he proposed the description stating that "the rate is likely to fall to around 2 percent because it is projected that the effects of the rise in food prices, such as rice prices, will gradually wane and that this CPI will be affected by factors such as the growth pace of the economy. Thereafter, the rate is likely to be at around 2 percent as the economic growth rate rises." Second, with regard to the outlook for underlying CPI inflation, he proposed the description, "despite being affected mainly by the growth pace of the economy, underlying CPI inflation is likely to increase gradually with medium- to long-term inflation expectations, which have risen to date, and from the middle of the projection period, be at a level that is generally consistent with the price stability target." The proposal was then put to a vote, and was defeated by a majority vote.

Votes for the proposal: TAMURA Naoki.

Votes against the proposal: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, KOEDA Junko, and MASU Kazuyuki.

To reflect the majority view, the chairman formulated a proposal on "The Bank's View" and put it to a vote. The Policy Board decided the text of "The Bank's View" by a majority vote. It was confirmed that "The Bank's View" would be released immediately after the meeting. It also was confirmed that the full text of the Outlook Report would be made public on October 31.

Votes for the proposal: UEDA Kazuo, HIMINO Ryoza, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki.

Votes against the proposal: TAKATA Hajime and TAMURA Naoki.

## **VII. Approval of the Minutes of the Monetary Policy Meeting**

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of September 18 and 19, 2025, for release on November 5.

### **Statement on Monetary Policy**

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: <sup>[Note]</sup>

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

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<sup>[Note]</sup> Voting for the action: UEDA Kazuo, HIMINO Ryozi, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, KOEDA Junko, and MASU Kazuyuki. Voting against the action: TAKATA Hajime and TAMURA Naoki. Takata Hajime considered that there had been a shift away from the deflationary norm and the price stability target had been more or less achieved. Tamura Naoki considered that, with risks to prices becoming more skewed to the upside, the Bank should set the policy interest rate a little closer to the neutral rate. They proposed that the Bank set the guideline for money market operations as follows: the Bank would encourage the uncollateralized overnight call rate to remain at around 0.75 percent. The proposals were defeated by majority votes.