Not to be released until 8:50 a.m. Japan Standard Time on Tuesday, September 30, 2025.

September 30, 2025

Bank of Japan

Summary of Opinions at the Monetary Policy Meeting[1,2]
on September 18 and 19, 2025

I. Opinions on Economic and Financial Developments

Economic Developments

- Japan's economy has recovered moderately, although some weakness has been seen in part. Japan's economic growth is likely to moderate due to the effects of trade and other policies in each jurisdiction. Thereafter, however, Japan's economic growth rate is likely to rise, with overseas economies returning to a moderate growth path.

- The current situation of Japan's economy is relatively solid. The acceleration in price rises of food, including rice, has peaked out, and private consumption -- which had not followed a recovery path -- has finally started to see an upturn.

- An examination of the *Tankan* (Short-Term Economic Survey of Enterprises in Japan) and anecdotal information from firms is required to determine whether firms have maintained their active business stance.

- When assessing economic developments based on business fixed investment, attention is warranted on the fact that there may be a significant time gap between when firms make their plans to invest and when they actually undertake the investment, and that the situation could change accordingly.

- It is becoming more likely that the impact of U.S. tariff policy on the U.S. and global economies will emerge gradually over time, rather than being seen in the form of a sharp deterioration in inflation or employment.

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[1] English translation prepared by the Bank's staff based on the Japanese original.

[2] "Summary of Opinions at the Monetary Policy Meeting" is made through the following process: (1) each Policy Board member and government representative makes a summary of opinions that she/he presented at the Monetary Policy Meeting (MPM) under a certain word limit and submits this to the Governor of the Bank of Japan, who serves as the chairman of the MPM, and (2) the chairman edits those opinions as his responsibility.

- The largest risk to the outlook is future developments in the U.S. economy. Although uncertainty caused by U.S. tariff policy itself is likely to decline, if inflation due to tariffs has a significantly negative impact on the U.S. economy, there will also be an inevitable impact on Japan's economy.

Prices

- Underlying CPI inflation is likely to be sluggish, mainly due to the deceleration in the economy; thereafter, however, it is expected to increase gradually, as the economic growth rate rises. In the second half of the projection period of the *Outlook for Economic Activity and Prices* (Outlook Report), it is likely to be at a level that is generally consistent with the price stability target.

- Significant price increases in processed food have continued, and it seems that some firms have started to actively raise prices, even amid the levelling off of the rise in import prices. Depending on the situation in consumer purchasing behavior, there could be a change in the trend of price increases.

- Regarding the outlook for prices, three points warrant attention: the trend of import prices and raw material prices, such as rice prices; the extent to which the pass-through of cost increases to food prices continues; and the spread of the cost pass-through to the price of items other than food. There is a possibility that the price levels of branded rice will remain somewhat higher than expected. In addition, there seems to be a higher likelihood that the cost pass-through to food prices will continue, taking into account data and anecdotal information.

- A considerable portion of the rise in food prices is due to the price of rice, but factors other than rice prices also account for a significant portion.

- It can be considered that, although underlying inflation has been rising moderately toward 2 percent, it has not yet reached 2 percent. In this regard, if the rise in food prices persists for longer than expected, underlying inflation could be pushed up through inflation expectations. Meanwhile, if a deterioration in household sentiment affects private consumption, underlying inflation could be pushed down.

- It is difficult to determine whether underlying inflation has reached 2 percent or has been sluggish, because of measurement errors or latitude in estimation. On the other hand, it is necessary to carefully examine whether underlying inflation has remained at around 2 percent, and the Bank should monitor factors including implications from economic models.

- In addition to inflationary pressure stemming from domestic factors reflecting sustained wage increases, inflation expectations have risen. Given this, among other factors, it can be considered that the price stability target has been more or less achieved. There has already been a shift away from the deflationary norm, and inflation expectations have been rising. In this regard, the second-round effects of price increases are more likely to emerge, and there are upside risks to prices.

- The underlying trend in prices is highly likely to continue developing steadily toward remaining at 2 percent, and risks are skewed to the upside, including the effects of future fiscal policy.

II. Opinions on Monetary Policy

- If its outlook for economic activity and prices 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. In this regard, considering that high uncertainties remain, it is important for the Bank to judge whether the outlook will be realized, without any preconceptions.

- U.S. tariffs will still have an impact on Japan's economy, even after the rate was reduced to 15 percent, and the outlook for the economy remains unchanged, namely that economic growth is likely to moderate temporarily. On the price front, the year-on-year rate of increase in the CPI is likely to be below 2 percent in fiscal 2026, as cost-push pressure with respect to food is expected to wane. In this situation, the Bank should, at this point, maintain accommodative financial conditions with the current interest rate level and thereby firmly support the economy.

- Judging solely from the perspective of Japan's economic conditions, it may be time to consider raising the policy interest rate again, given that it has been more than six months since the last rate hike. That said, since the degree of slowdown in the U.S. economy remains uncertain, it is appropriate for the Bank to maintain its current stance regarding the conduct of monetary policy for the time being.

- A policy interest rate hike at this point, which would come as a surprise to the market, should be avoided.

- One characteristic of Japan's economy is that domestic demand tends to be vulnerable to negative external shocks. In the process of normalizing the policy interest rate, it would not be too late even if the Bank makes decisions after assessing a little more hard data.

- In conducting monetary policy, it will be necessary to closely monitor the following three factors: the impact on the global economy of trade policy in each jurisdiction, the direction of U.S. monetary policy and of foreign exchange rates, and the outlook for prices and wages in Japan.

- Although additional insight could be gained by waiting to observe how developments in the U.S. economy unfold, the costs of waiting will gradually increase for prices in Japan. Therefore, it will be necessary to weigh up the costs and benefits of waiting and the associated risks.

- If economic activity and prices remain in line with the Bank's outlook and do not deviate considerably from the path anticipated, the Bank should adjust the policy interest rate level at somewhat regular intervals. Looking ahead, a wide range of information, mainly regarding the impact of U.S. tariffs, will become available, such as (1) financial results for the first half of fiscal 2025 and the financial outlook for the fiscal year of firms whose fiscal year ends in March, and (2) the results of the *Tankan*.

- The concerns that emerged following the imposition of reciprocal tariffs by the United States have been abated, and constraints from overseas factors on realizing the outlook for prices are being resolved. Given this, the Bank may return to its monetary policy stance to raise the policy interest rate, and adjust the level of real interest rates that are currently low compared with overseas economies.

- The impact of the Bank's policy interest rate hikes to 0.5 percent on Japan's economy as a whole has been extremely limited. Given that there are 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 set the policy interest rate a little closer to the neutral rate to prevent future shocks arising from possible rapid policy interest rate hikes.

- The Bank successfully completed the disposal of the stocks it had purchased from financial institutions. It is therefore appropriate for the Bank to start selling exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) in the same way, without undue delay.

- In order to proceed with policy normalization in a balanced manner in terms of both quantity and interest rate, the Bank may prioritize the normalization of its balance sheet at this MPM. It may be time for the Bank to begin the disposal of ETFs and J-REITs, as time has passed since the termination of the negative interest policy and the start of the reduction of the purchase amount of Japanese government bonds (JGBs).

- It is not desirable that there continues to be a significant amount of stocks that could be released to the market. It is appropriate for the Bank to begin to dispose of ETFs and J-REITs on a scale that does not have a major impact on the stock market.

- As long as the Bank disposes of ETFs and J-REITs, which it purchased to have an impact on risk premiums in the markets, in a way that does not have a major market impact, it is inevitable that the disposal will take considerable time.

- In disposing of ETFs and J-REITs, the Bank should ensure flexibility to support stability in the financial markets by, for example, enabling a temporary adjustment in the sales amount or a suspension of sales, in response to changes in financial market conditions.

- While risk premiums in the stock market have been normalized, those in the J-REIT market are still high. Given this, it is desirable to moderate considerably the pace of sales of J-REITs.

III. Opinions from Government Representatives

Ministry of Finance

- In formulating the budget for fiscal 2026, the government will work toward achieving both economic revitalization and fiscal consolidation, in line with the Basic Policy on Economic and Fiscal Management and Reform 2025.

- Regarding the basic principles for the disposal of ETFs and J-REITs, the government expects the Bank to make decisions as appropriate, while closely monitoring market conditions and making flexible responses if deemed necessary.

- The government expects 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.

Cabinet Office

- The government will implement the agreement reached in tariff negotiations between Japan and the United States. Meanwhile, it will do its utmost to ensure sound economic and fiscal management, while taking necessary measures with respect to the tariff measures that are still in place. In addition, the government will press forward with efforts to achieve growth in real wages and an increase in the minimum wage.

- Regarding the Bank's sales of ETFs and J-REITs, the government expects the Bank to make flexible responses if deemed necessary, depending on the situation, while communicating with the market as appropriate. The government expects 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.