

March 19, 2025

Bank of Japan

Statement on Monetary Policy

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

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

2. Japan's economy has recovered moderately, although some weakness has been seen in part. Overseas economies have grown moderately on the whole. Exports and industrial production have been more or less flat. With an improving trend in corporate profits, business fixed investment has been on a moderate increasing trend. The employment and income situation has improved moderately. Private consumption has been on a moderate increasing trend despite the impact of price rises and other factors. Housing investment has been relatively weak. Public investment has been more or less flat. Financial conditions have been accommodative. On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been in the range of 3.0-3.5 percent recently, as services prices have continued to rise moderately, reflecting factors such as wage increases, and as the government's measures to reduce the household burden of higher energy prices have been scaled back, although the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices have waned. Inflation expectations have risen moderately.

Japan's economy is likely to keep growing at a pace above its potential growth rate, with overseas economies continuing to grow moderately and as a virtuous cycle from income to spending gradually intensifies against the background of factors such as accommodative financial conditions. With regard to the CPI (all items less fresh food), while the effects of the pass-through to consumer prices of cost increases led by the past rise in import prices are expected to wane, underlying CPI inflation is expected to increase gradually, since it is projected that, with a growing sense of labor shortage, the output gap will improve and medium- to long-term inflation expectations will rise with a virtuous cycle between wages and prices continuing to intensify. In the second half of the projection period of the January 2025 *Outlook for Economic Activity and Prices*, underlying CPI inflation is likely to be at a level that is generally consistent with the price stability target. Through fiscal 2025, rice prices are

likely to be at high levels and the effects of the government's measures pushing down inflation will dissipate, and these factors are expected to make a positive contribution to the year-on-year rate of increase in the CPI (all items less fresh food).

Concerning risks to the outlook, there remain high uncertainties surrounding Japan's economic activity and prices, including the evolving situation regarding trade and other policies in each jurisdiction and developments in overseas economic activity and prices under such situation, developments in commodity prices, and domestic firms' wage- and price-setting behavior. Under these circumstances, it is necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices. In particular, with firms' behavior shifting more toward raising wages and prices recently, exchange rate developments are, compared to the past, more likely to affect prices.

Reference

Meeting hours:

Tuesday, March 18: 14:00-15:42

Wednesday, March 19: 9:00-11:18

Policy Board members present:

UEDA Kazuo, Chairman (Governor)

HIMINO Ryoza (Deputy Governor)

UCHIDA Shinichi (Deputy Governor)

ADACHI Seiji

NAKAMURA Toyoaki

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

[Others present]

March 18

From the Ministry of Finance:

TERAOKA Mitsuhiro, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:42)

From the Cabinet Office:

HAYASHI Sachihiro, Vice-Minister for Policy Coordination (14:00-15:42)

March 19

From the Ministry of Finance:

SAITO Hiroaki, State Minister of Finance (9:00-11:06, 11:11-11:18)

From the Cabinet Office:

SETO Takakazu, State Minister of Cabinet Office (9:00-11:06, 11:11-11:18)

Release dates and times:

Statement on Monetary Policy -- Wednesday, March 19 at 11:25

Summary of Opinions -- Friday, March 28 at 8:50

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