

MNI BoJ Preview – October 2025

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MNI POV (Point Of View): On Hold, Focus on Dec/Jan Hiking Risks

The sell-side economics consensus expects a steady 0.50% outcome for the BoJ policy meeting, although there are a handful of economists who are forecasting a 25bps rate hike tomorrow. The expected steady hand is in line with market pricing. OIS dated BOJ contracts see an implied rate shift tomorrow of only a little over 3bps. A full hike is not priced until around March next year, with an implied rate of 0.72%, versus a current effective policy rate of 0.477%.

Our bias also rests with the consensus, with no change likely tomorrow. Since the last policy meeting data outcomes have been mixed. The Tankan survey painted a resilient backdrop, while exports rebounded in September, although growth to the US (particularly on the auto side remains weak amidst higher tariff levels). Inflation outcomes have been relatively neutral in the sense that we remain elevated in y/y terms, but pressures (most notably in the services side) don't appear to be building strongly enough to suggest the BOJ is getting behind the inflation curve. Labor earnings have been weaker than forecast, which adds to the case for the central bank to wait and see at this policy meeting. By the time of the December board meeting decision, it is likely to have more information around company wage intentions for 2026. Note we will also get Q3 GDP (preliminary on Nov 17), which will help inform growth risks/US trade tariff fallout to date.

If the no change outcome is realized, the focus will be on hiking risks into year end/early 2026. A small minority of the BoJ board (we had two dissenters looking for a 25bps hike at the Sep meeting) sees the inflation goal as having already been met. However, the core part of the board isn't at this stage yet. It is likely we will have further dissents at tomorrow's policy meeting outcome, with board members Takata and Tamura maintaining hawkish stances since the September policy meeting outcome. A key focus point at tomorrow's decision is whether we see additional dissents joining Takata and Tamura.

If this outcome transpires it is likely that the market would price in greater risks of a December rate hike, as the broader consensus of the board risk shifting that way. If only two dissent the market may remain fairly split around when it next expects a hike (between December and January). This, as well as broader BOJ confidence around achieving its inflation target, will be closely watched by markets (particularly whether this confidence has risen since the last meeting).

Other considerations may be around USD/JPY. The pair is back to the 152.00 region. Such levels imply less of a downside impulse from import prices into year end, although into early 2026 that impulse may turn negative again given base effects. US Tsy Secretary Bessent has weighed in on the BOJ outlook during his recent trip to the country, noting that sound monetary policy is needed to ensure that inflation expectations are anchored and excessive FX volatility is avoided. Bessent added the Japan government's willingness to give the BOJ the space to do this will be key (via X).

It remains to be seen how much impression this has left on Japan government officials, but it does add to a hawkish outlook for the BOJ at the margins.

MNI BoJ WATCH: Board Likely To Hold, Dec Rate Hike Eyed

By Hiroshi Inoue
Oct 27, 2025

TOKYO - The Bank of Japan Board is likely to keep its policy rate unchanged at 0.50% at the meeting ending Thursday, with officials concerned that a slowing U.S. economy could weigh on Japan's growth and inflation.

While inflation remains above the 2% target, the BOJ sees no urgent need to hike, with downside economic risks dominating its risk-management approach. Inflation expectations have not accelerated, reinforcing a wait-and-see stance. (See [MNI POLICY: BOJ's Concerns Grow Over Slowing Price Hikes](#)) Policymakers believe it will not be too late to consider a move in December once they have reviewed fresh data.

The bank will reassess economic and price conditions at that meeting, closely watching developments in the U.S. economy and financial markets after the Federal Reserve's policy decisions. Officials judge that the outlook for achieving the 2% target is broadly on track, with the probability of meeting the goal increasing. They continue to expect the economy to achieve the target in the second half of the projection period.

The Board has held the policy rate steady [since January](#), with markets only pricing in a 10% chance of a move higher this week.

INFLATION CONSIDERATIONS

[Recent increases in food prices](#) appear to have peaked, with limited spillover into broader prices, and the decline in crude oil costs is easing upside risks. The Board's GDP growth forecast for this fiscal year is also expected to be revised up to around 1% from 0.6% in July.

The BOJ is also likely to keep its assessment that price risks are "balanced," with no substantial shift in board members' views to tilt the overall risk bias higher. (See [MNI POLICY: BOJ Board Likely To Maintain Price View](#))

Officials are focused on the degree of third-quarter GDP contraction, due Nov. 17, to gauge the impact of U.S. trade policy tariffs and refine their economic outlook. They believe wage momentum remains supported by labour shortages and high corporate profits, but are looking to upcoming corporate commentary on wage plans toward year-end.

TRADE UNCERTAINTY

Bank officials judge that the risk of a sharp U.S. downturn has diminished, but expect the pass-through of tariffs to selling prices to accelerate gradually, adding upward pressure to inflation. The BOJ has also flagged uncertainties over U.S. trade policy and domestic fiscal expansion, and is increasingly focused on the global implications of the artificial intelligence boom (AI) and high stock prices. Robust capital investment by the AI sector and strong spending by wealthy households are complicating assessments of U.S. economic resilience.

Officials note that the pass-through of tariffs to U.S. consumer prices has been moderate so far, helping sustain household spending. But if corporate profits fall short of stock market expectations, global equity prices could face downward pressure, dragging on the U.S. and global economies.

The bank does not expect the AI boom to burst soon, but warns that a sharp correction could trigger significant market turbulence and destabilise global growth.

Sell-Side Views

ANZ (unchanged): “We expect the Bank of Japan (BoJ) to keep its policy rate unchanged at next week’s monetary policy meeting (MPM). At least two Board members, Tamura and Takata, are likely to dissent in favour of a 25bp hike. We think the BoJ will raise rates by 25bp in January 2026 and again in April 2026. The BoJ is likely to revise up both its GDP growth and inflation forecasts for fiscal year (FY) 2025. Critically, we do not expect much of a revision to the FY 2026 inflation outlook. We expect this forecast to show inflation remaining below 2%, which would not give the central bank confidence in sustaining its price target. BoJ Governor Ueda is likely to remain cautious about the outlook given trade policy uncertainty remains elevated.

BNY Mellon: (unchanged): “The BoJ is expected to keep its target rate unchanged at 0.50%. Repeated comments by BoJ member surrounding the need for further hikes have gone unheeded as the market continues to digest the policies of the new government and how it interacts with the central bank. We expect such discussions to dominate the post-decision press conference with Governor Ueda. Although the new finance minister has expressed a preference for a stronger JPY, squaring such hopes with her call for a “big” stimulus could prove difficult. Commentary on BoJ independence and policy has been limited for now but tensions could arise down the line.”

Citibank (unchanged): “We are in line with consensus for no change in policy at the October 29-30 MPM. We expect the BoJ to watch and wait given difficulties in assessing US economic risk and the risk of renewed trade friction between the US and China, but we also think there may be hawkish notes in BoJ communications in the face of yen weakness. We forecast rate hikes in January and July 2026 but also see December 2025 as a possibility if the USDJPY were close to ¥160/\$ or more board members vote against the rates status quo. We see communications management as the October MPM challenge for the BoJ given a softer yen. We presume board members Hajime Takata and Naoki Tamura will vote against rate status quo again, but financial markets have already discounted this and will disregard it. However, a dissenting vote from Asahi Noguchi, who recently delivered a hawkish speech, could be a powerful deterrent to yen depreciation in our view. Three dissenters in the nine-person board would be just one short of a majority, and as the leadership (governor and deputy governors) would not want to be in the minority we think a December hike would become more likely in this case.”

Goldman Sachs (unchanged): “While near-term BOJ hike expectations have been revised lower on BOJ guidance—in line with our economists longstanding view that next week’s meeting will see an unchanged policy rate—the market has built back some confidence on the longevity of the hiking cycle; we continue to see value in Oct25/Jan26 OIS steepeners but tighten stops to 15bp. As we had flagged earlier, greater conviction on BOJ hikes and higher belly forward yields have brought further relief to the long end of the curve, with 10s30s flattening the most amongst the G4 from an elevated starting point alongside a pursuit for carry.”

ING (unchanged): “BoJ expected to hold the policy rate. The Bank of Japan is expected to keep its policy rate at 0.5% on 30 October. We believe the division among board members remains, but it has not influenced a shift in the majority's stance. We also believe that inflation has been firmly up, while the economy has shown resilience despite headwinds from US tariffs. Thus, this should support the BoJ's rate hike cycle. But because most board members are wary of premature tightening, a rate increase could be pushed to December. Supporting this view, we expect Tokyo's consumer price index to rise 2.5% year-on-year in October and for monthly activity data such as industrial production and retail sales to recover.”

Wells Fargo: “The Bank of Japan (BoJ) is set to deliver its latest monetary policy assessment next week, where we expect the central bank to hold its policy rate steady at 0.50%, in line with consensus expectations. While no change in the policy rate is anticipated, we and market participants will be closely monitoring for any shifts in the BoJ's broader policy stance. Attention will also be focused on the BoJ's updated economic projections and forward guidance for any signals of a potential rate hike before year-end. Japan's economic performance in 2025 has been mixed: Sentiment surveys have generally been constructive, growth has remained solid, and inflation continues to run above the central bank's target. However, wage growth has been moderating, complicating the monetary policy outlook. Given this backdrop, we expect a 25 bps rate hike to 0.75% at the BoJ's December

meeting. That said, we acknowledge the risk that tightening could be delayed into next year, particularly if political dynamics or softer wage data weigh on the bank's decision-making."

Westpac (Unchanged): "BoJ Policy Decision (%) Oct 31, Last: 0.50, Westpac f/c: 0.50, Market f/c: 0.50 Despite recent hawkish remarks from some committee members, we expect the Bank of Japan to keep its policy rate unchanged at 0.50%. Recent data suggests increased downside risks to the BoJ's forecasts: wage growth is slowing, and consumer spending remains subdued. The Q3 Tankan survey showed little change from Q2, with firms still cautious about the outlook. Combined with recent market volatility, these factors point to a 'hawkish hold', as the BoJ reiterates its readiness for further rate hikes."