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All Signal, No Noise

MARKET ANALYSIS

MNI BoJ Preview – September 2025

Meeting Date: Thursday September 18 to Friday September 19, 2025.

Statement Release Time: N/a

Link To Statement: https://www.BoJ.or.jp/en/mopo/mpmsche_minu/index.htm/

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MNI Point Of View: Maintain Cautious Stance On Hikes

The Bank of Japan (BoJ) is widely expected to keep monetary policy unchanged at its September 18–19 meeting, maintaining a cautious stance toward the timing of future rate hikes. Policymakers face a delicate balancing act between external risks, domestic economic signals, and political uncertainty. The decision-making process is shaped by three primary factors: corporate trends, U.S. economic conditions, and Japan's political outlook.

Corporate sentiment, especially in the manufacturing sector, remains under close watch due to its exposure to global tariff policies. The BoJ is awaiting fresh data, particularly the Tankan survey and the results of its branch managers' meeting in October, before signaling its next steps. These releases are expected to provide a clearer picture of corporate investment appetite, wage momentum, and overall confidence. Until then, the central bank is expected to refrain from strong guidance on the timing of rate hikes.

Attention has shifted away from purely domestic rate considerations toward global risks. Tariffs have emerged as a key concern, with the potential for larger-than-anticipated effects on both Japanese exporters and the broader U.S. economy. Recent commentary from Deputy Governor Ryozo Himino emphasized that the full impact of tariffs takes time to materialize and may ultimately be greater than currently forecast. This caution is reinforced by U.S. labor market concerns, which suggest the Federal Reserve itself is likely to act prudently. For Japan, the absence of overshooting inflation or broad-based price pressures in services further reduces the urgency for immediate action.

Market participants remain divided on the timing of the next rate adjustment. Some expectations for an October move are grounded in persistently high inflation near 3% and earlier hawkish signals from policymakers. However, these statements are seen by many as designed to prevent excessive yen depreciation rather than as a firm commitment to imminent tightening. The majority of BoJ board members are thought to prefer waiting for a more comprehensive understanding of tariff effects before taking further steps.

Adding to the complexity is Japan's shifting political landscape. Prime Minister Ishiba's resignation has injected uncertainty into the policy environment. A potential successor, Sanae Takaichi, has signaled support for aggressive fiscal stimulus alongside continued monetary easing. Opposition parties also lean toward accommodative measures such as tax cuts or low rates, suggesting little political appetite for near-term tightening. This backdrop further strengthens the BoJ's case for patience.

Looking ahead, differing assessments emerge on the likely path of policy. Some analysts argue that the central bank risks falling behind the curve as inflation remains elevated but acknowledge that downside risks tied to tariffs and global slowdown fears have constrained its hand. The next hike is therefore seen as highly conditional on external developments. While some institutions expect the BoJ to cautiously prepare the ground for a possible October move, others project a longer delay, pointing to 2026 as a more plausible window once next year's wage negotiations clarify the sustainability of inflation. Wages are considered critical in determining whether recent price rises can be maintained beyond imported cost pressures.

Communication from Governor Ueda is also shaping market perceptions. His careful, non-committal style has at times led investors to interpret the BoJ's stance as more dovish than intended. Earlier remarks highlighting progress toward the inflation target were undermined by his reluctance to give a firm timeline, which pressured both yields and the yen. A similar dynamic is anticipated in September, with Ueda expected to stress conditionality—keeping hikes on the table if the economy evolves as projected but avoiding any firm signal that might lock the bank into premature action.

In sum, the BoJ appears set to hold rates steady in September, with future moves hinging on data released in October and the trajectory of global risks. External conditions, wage dynamics, and political shifts will be decisive in shaping the path ahead. The central bank remains committed to a gradual and data-dependent approach, aiming to balance the risks of acting too soon against those of falling behind the curve.

Japan BoJ Meeting Times – 2024 / 2025

The table below outlines the BoJ meeting time outcomes going back to the start of 2024. The general rule of thumb remains that the later the release time the more likely that a policy shift will be announced.

	Local Time	BST	AEST	US EST
Jan 23 (2024)	12:09PM	03:09AM	2:09PM	10:09PM
Mar 19	12:36PM	03:36AM	2:36PM	11:36PM
Apr 26	12:22PM	04:22AM	1:22PM	11:22PM
Jun 14	12:23PM	04:23AM	1:23PM	11:23PM
Jul 31	12:56PM	04:56AM	1:56PM	11:56PM
Sep 20	11:52AM	03:52AM	12:52PM	10:52PM
Oct 31	11:48AM	02:48AM	1:48PM	10:48PM
Dec-19	11:52AM	02:52AM	1:52PM	9:52PM
Jan 24 (2025)	12:23PM	03:23AM	2:23PM	10:23PM
Mar 19	11:25AM	02:25AM	1:25PM	10:25PM
May 1	12:02PM	04:02AM	1:02PM	11:02PM
Jun 17	12:31PM	04:31AM	1:31PM	11:31PM
Jul-31	11:57AM	03:57AM	12:57PM	10:57PM

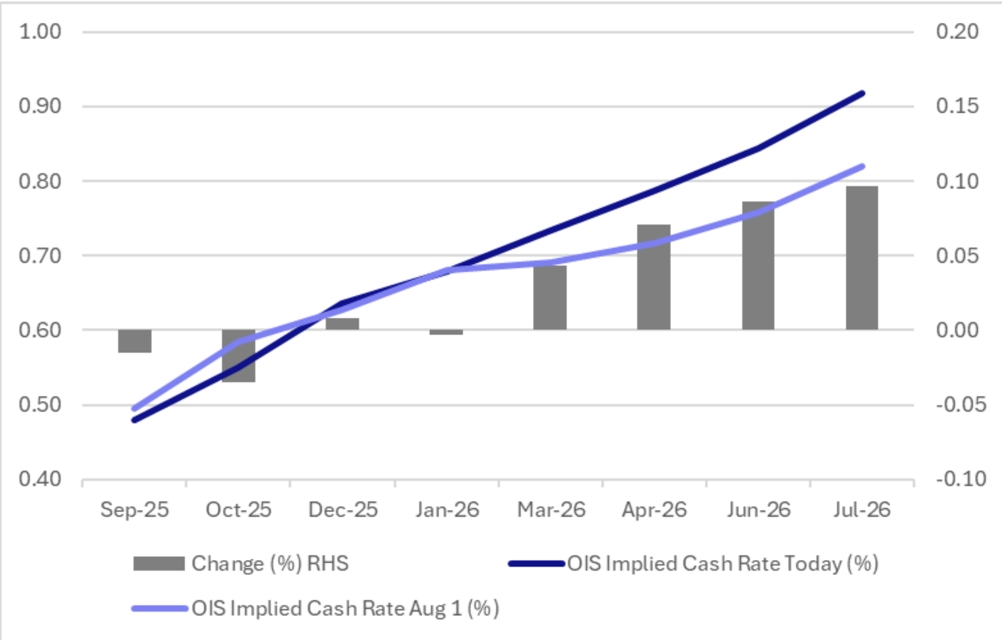
Source: Bloomberg Finance LP / MNI

BoJ Market Pricing: Full 25bps Hike Not Priced Till March

At the time of writing, BoJ-dated OIS pricing was little across 2025 meetings compared to early August levels. Pricing is, however, firmer for 2026 meetings out to July.

- As far as this week's meeting is concerned, markets are positioned for a cautious, wait-and-see approach from the BoJ at this meeting.
- Current OIS pricing implies just a 1% probability of a 25bp hike this week, rising to 29% by October and 63% by December.
- A full 25bps hike is not fully priced until March 2026.

Figure 1: BoJ-Dated OIS – Today Vs. August 1



Source: Bloomberg Finance LP / MNI

MNI BoJ WATCH: Board To Hold, Focus On CPI, Trade

By Daniel O'Leary
Sep 15, 2025

TOKYO - The Bank of Japan board is likely to keep its policy rate unchanged at 0.50% at the two-day meeting ending Friday as it assesses the impact of tariffs on the U.S. and Japanese economies.

The BOJ is expected to maintain its July assessment that price risks are broadly balanced, giving officials leeway to hold off on another hike despite elevated inflation. Markets see little chance of action at this week's meeting, pricing only around a 30% probability of hikes at the October and December decisions. The BOJ has held rates steady since its 25bp increase in January. (See MNI BOJ WATCH: Ueda Says To Gradually Raise Rates)

Officials judge CPI developments as broadly in line with July projections, though services prices remain too weak to sustain 2% inflation, even as firms continue to pass higher labour and distribution costs onto sales prices.

TARIFF UNCERTAINTY

Uncertainty over tariffs eased following the July 22 trade deal between Japan and the U.S., but risks to the American and global outlook persist. BOJ economists are closely monitoring U.S. demand to gauge the depth of its slowdown and the spillover to Japanese exports and production. (See MNI POLICY: BOJ 2025 Hike Chances Weak On Wages, U.S. Concerns)

July's real export index and industrial output declined, and officials will track developments through the July-September quarter to judge underlying trends.

While the U.S. Federal Reserve is expected to cut rates at its meeting ending Wednesday, BOJ officials are watching the Fed's policy outlook and its market impact.

DOMESTIC FACTORS

Domestically, officials are paying attention to regular price revisions from October, with consumption still sluggish. Price rises linked to higher labour and logistics costs are expected to continue, while government-mandated minimum wage hikes will lift pay for non-regular workers at smaller firms.

Officials are also watching how tariffs have squeezed major manufacturers' profits in the first half of the fiscal year and how this affects winter bonus payments, a foundation for wage talks in fiscal 2026. Despite tariff pressures, profits remain at high levels, and officials believe wage-hike momentum is intact.

Looking ahead, the September Tankan, due Oct. 1, and the Oct. 6 branch managers' meeting will be key for assessing profit and investment plans under the trade deal.

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Sell-Side Views

CBA: "We expect the Bank of Japan (BoJ) to keep its policy rate unchanged at 0.5%. The BoJ is likely to remain concerned about the impact of high US tariffs on the economy. Elevated uncertainty about the future of Japan's government and concerns about fiscal expansion can also make the BoJ wary of tightening policy in the near term."

Daiwa: Daiwa expects the Bank of Japan (BoJ) to leave monetary policy unchanged at its September 18–19 Monetary Policy Meeting, while maintaining a cautious stance on the timing of future rate hikes. The firm highlights three factors that will shape the BoJ's decision-making: "corporate trends, mainly in the manufacturing sector, which is susceptible to impact from tariff policies," U.S. economic conditions, and Japan's political outlook.

- According to Daiwa, the BoJ will likely wait for additional data before signaling its next move. In particular, "the BoJ Tankan and the results of the branch managers' meeting, which will both be released in October, will be crucial for determining corporate trends." As such, Daiwa expects the central bank to avoid "overly aggressive remarks regarding rate hikes" in September.
- At the post-meeting press conference, Daiwa predicts the BoJ will "reiterate its policy of raising rates while also acknowledging that great uncertainty remains." These uncertainties include mounting concerns about a "weakening US labour market" and Japan's political situation, especially the Liberal Democratic Party presidential election on October 4. While Daiwa believes the BoJ will refrain from commenting directly on politics, it stresses that markets should "pay particular attention to any changes in its assessment of the US economy."

Citi: Citi expects the Bank of Japan (BoJ) to keep policy unchanged at its September 18–19 meeting, with Governor Ueda unlikely to sound optimistic on rate hikes this year. The focus has shifted from domestic rate uncertainty to external risks: "the BoJ's uncertainty concerns have shifted to the global economic impact of tariffs," especially given elevated downside risks to U.S. employment.

- Deputy Governor Ryozo Himino, in a September 2 speech, stressed that tariff effects take time to emerge, warning that "at the moment, the risk of a larger-than-expected impact may deserve greater attention." Citi estimates U.S. firms have so far absorbed 60–70% of tariff costs. Since this is "unsustainable," firms may raise consumer prices or cut jobs, potentially triggering a U.S. slowdown. This could force the Fed into "aggressive cuts," leading to yen appreciation and weaker Japanese exports.
- Despite market expectations for an October hike, driven by inflation near 3% and hawkish BoJ commentary, Citi thinks leadership is cautious, using such remarks mainly "as a deterrent to one-way yen depreciation." The majority of board members still see tariff effects as incomplete, echoing Himino's warning. Moreover, the Fed's concerns about U.S. labour markets reinforce the BoJ's patience, particularly with no inflation overshoot or services inflation pickup in Japan. Unless the yen weakens sharply to around ¥160/USD, Citi does not expect a hike this year. Instead, it forecasts the next move in **January 2026**, with risks tilted toward further delay.
- Citi also argues that the BoJ's caution reflects doubts over whether 2% inflation is firmly entrenched. "Society has not shifted away sufficiently from the basin of attraction of low inflation equilibrium," and with consumers still favouring deflation, a tariff shock could drag expectations back down. Finally, growth data do not justify urgency: Q2 GDP rose 2.2% annualized, but gains were driven by temporary consumption boosts and inventories. With weak consumption indicators and potential export softness, Citi concludes, "backward-looking GDP data give the BoJ no reason to hike early."

DBS: DBS expects the Bank of Japan (BoJ) to keep the overnight call rate at 0.50% at its upcoming meeting. August CPI is likely to show headline inflation easing slightly to 2.8% yoy, while core CPI remains elevated at 3.3% yoy, which “should bolster the BoJ’s confidence in achieving its 2% inflation target.” However, August trade data is expected to show a fourth consecutive month of export contraction, around -2% yoy, prompting the BoJ to remain cautious on growth and monitor the impact of US tariffs, despite the recent Japan-US trade agreement.

- Political uncertainty following Prime Minister Ishiba’s resignation adds further complexity. A potential successor, Sanae Takaichi, favours “aggressive fiscal expansion and continued monetary easing,” while opposition parties also support tax cuts or low interest rates. The influence of a new prime minister on monetary policy remains uncertain. DBS notes that if fiscal stimulus is implemented aggressively, it could support growth and “create room for further BoJ rate hikes,” but may also increase JGB market volatility and necessitate a slower pace of quantitative tightening.

Goldman Sachs: Goldman Sachs expects the Bank of Japan (BoJ) to keep policy unchanged at its September meeting, citing weakening exports, production, and manufacturer profits as tariff impacts begin to show. From a “risk management perspective,” the BoJ is likely to stay cautious in the near term.

- Goldman maintains its base case that the next rate hike will come in January 2026, once the BoJ has more clarity on wage momentum from next year’s *shunto* spring wage negotiations, which it sees as critical for policy direction. As the bank explains, the BoJ places “a high importance” on wage data in judging whether inflation is sustainable.
- That said, Goldman also outlines alternative scenarios. A December 2025 hike is possible if early corporate wage hike announcements—already emerging among firms eager to attract new graduates—spread widely enough to confirm strong wage momentum. Conversely, if momentum proves insufficient, a hike could be delayed beyond January. Goldman adds that while “an October rate hike could not be ruled out” in the event of rapid yen depreciation, the probability remains low.
- Overall, Goldman sees the BoJ’s path as data-dependent, with wage trends and currency stability as key triggers for the timing of the next move.

JPM: JPMorgan expects no policy changes at the Bank of Japan’s upcoming meeting, aligning with market consensus, but stresses that “the focus is on the timing and conditions for the next rate hike.” JPM argues that recent economic and inflation data suggest the BoJ is “starting to fall behind the curve,” yet policymakers have been constrained by downside risks tied to U.S. tariffs and broader global economic uncertainty. Evaluating how the BoJ weighs these risks will be crucial in gauging its proximity to another hike.

- The Fed’s policy decision, announced just before the BoJ’s meeting, will play a key role. While rate cuts in the U.S. have not significantly pressured USDJPY, JPM notes that “if the BoJ interprets these cuts as a sign of rising US recession risk, it could be a factor prolonging its wait-and-see stance.”
- Domestic politics also add nuance. Prime Minister Ishiba’s resignation has delayed some rate-hike expectations, but JPM argues that the quick October 4 LDP leadership election should not directly hinder policy. Still, communicating a potential October hike could prove difficult, as speeches by Deputy Governor Uchida (October 2) and Governor Ueda (October 3) fall just before the election. Ueda’s post-meeting press conference is likely to face pointed questions about political timing.
- Beyond near-term moves, JPM is focused on the BoJ’s longer-term signaling. Market expectations currently price in a 1% terminal rate, which JPM sees as too low. “Absent a global recession, the 1% terminal rate currently priced in by the market is too low, and we expect the BoJ will eventually begin to signal a higher terminal rate.”
- Overall, JPM expects the BoJ to remain cautious in September, balancing risks from U.S. tariffs, global growth, and domestic politics. However, it continues to forecast an October hike, contingent on global conditions not deteriorating further, and believes the BoJ will gradually shift toward signaling a higher endpoint for rates.

Mizuho: Mizuho expects the Bank of Japan (BoJ) to keep its policy rate unchanged at 0.5% at the upcoming meeting, citing the need to assess the impact of Trump's tariffs before considering further tightening. As they put it, the BoJ is "still in the process of assessing the degree to which Trump tariffs might end up impacting on the domestic economy and inflation," and is unlikely to act before the October 1 Tankan survey and the October 6 branch managers' meeting**.**

- Governor Ueda's communication style is also under scrutiny. In July, his post-meeting remarks highlighted progress toward the BoJ's inflation scenario, but markets reacted dovishly as he avoided committing to specific timing. Mizuho expects a similar outcome this time, with Ueda reiterating the intention to proceed with hikes "if things remain on track," while preserving flexibility. This vagueness could again leave markets perceiving "a general lack of hawkishness," putting renewed downward pressure on domestic interest rates and the yen.
- Looking ahead, Mizuho sees an October hike as its base case, provided data confirm that "the mechanism in which wages and prices rise in interaction with each other remains intact." Still, the BoJ is seen as increasingly attentive to the U.S. economy, with reports suggesting it may prioritize global risks over domestic conditions. If the tariff impact proves greater than expected, or political uncertainty persists, the next move could be delayed until December 2025 or even January 2026. Importantly, the BoJ does not currently believe it faces a high risk of falling "behind the curve."
- Domestic politics are viewed as a secondary factor. With a new administration likely in place by the October 29–30 meeting, political uncertainty should ease. However, Mizuho warns that if figures like Sanae Takaichi become prime minister, or if coalition partners such as Ishin **or the** Democratic Party for the People join government, the hurdle for further hikes could rise. Both parties are considered more dovish than the current ruling framework.
- In summary, Mizuho expects the September meeting to be a holding pattern, with October seen as the first "live" opportunity for a hike. However, global uncertainties—particularly around U.S. growth and tariffs—along with political dynamics, mean that policy normalization could be delayed into late 2025 or beyond.

Scotiabank: Scotiabank expects the Bank of Japan (BoJ) to leave its target rate at 0.5% on Friday, in line with consensus, while markets are "leaning toward pricing a hike by the December meeting or later." The bank notes that the BoJ is likely to maintain "an ongoing tightening bias," but uncertainties remain.

- A key issue is the trend in core inflation. The Tokyo core CPI was "quite strong in earlier months before pressures subsided in June, July and August," raising questions about the durability of price momentum. Additional factors, such as yen fluctuations, tariff impacts, and oil prices, will also shape inflation dynamics.
- Scotiabank argues the BoJ may prefer to wait for more clarity on spring Shunto wage negotiations and to assess policy signals from the government following Prime Minister Ishiba's resignation. Greater guidance is expected in the BoJ's next full forecast update on October 30**.**

Societe Generale: Société Générale expects the Bank of Japan to hold steady at its September meeting, despite inflation dynamics supporting a hike. They note that "inflation data has already provided a green light for raising the policy rate to 0.75%," citing stronger price pass-through to both goods and services and medium- to long-term expectations nearing 2%.

- However, the BoJ remains cautious about potential "negative effects of tariff hikes," and Société Générale stresses that October will be critical. They highlight the upcoming Tankan survey and branch managers' meeting as decisive: "If these raise no issues, the BoJ will likely believe it is possible to raise rates in October."

- Still, political and external risks could delay tightening. Domestically, if Sanae Takaichi wins the 4 October Liberal Democratic Party leadership election, a hike may be off the table since “she does not want monetary tightening.” Externally, U.S. developments loom large: should the Fed cut rates in September and again in October amid a weakening labor market, the BoJ may hesitate to diverge.
- In short, Société Générale sees the September meeting as a pause, with October offering the next real chance for action—provided domestic politics and U.S. policy do not intervene.

UniCredit: UniCredit sees the BoJ in a bind following PM Shigeru Ishiba’s resignation. While “inflation in Japan is still well above the BoJ’s 2% target, with labour cash earnings accelerating,” political uncertainty could delay tightening. A hike next week is “not completely out of the question, but its likelihood is now low.”

- Looking ahead, UniCredit expects a “25bp rate hike in October or in December up to 0.75%” as plausible, with the BoJ ultimately needing to reach 1.00%, the lower bound of its estimated neutral rate. On FX, they argue that “higher policy rates in Japan and lower such rates in the US favour a weaker USD-JPY,” forecasting a move below 145 by 4Q25 and under 140 by 4Q26.

TD: TD notes that with “no new set of forecasts from this BoJ meeting,” attention will be on commentary about U.S. tariff risks—“a key factor that has kept the BoJ on the sidelines”—and domestic politics. While political uncertainty is in focus, TD stresses that “politics should not be an issue to hike this year,” aligning with Bloomberg’s report. They maintain their expectation of a rate increase in October.

Westpac: Westpac expects the BoJ to “keep policy unchanged at its September meeting,” while updating its risk assessment. Japan’s economy grew 0.5% in Q2, a “solid start to FY25,” and inflation pressures remain firm, with Tokyo’s core CPI at 3.0% in August, “underscoring persistent price pressures—particularly from food.”

- Despite this backdrop, the BoJ is likely to remain cautious. Westpac highlights that “a further rate hike in 2025 remains a possibility, contingent on continued economic progress,” but notes that weak investment should “prompt the BoJ to maintain a neutral stance” for now.