Summary of Opinions at September MPM—Gyration of views

September 29, 2025

Introduction

The BOJ decided to maintain its policy rate at 0.5% at September MPM, with two dissent votes. Overall impression of the discussion suggests the gyration of views moved toward a next rate hike.

Assessment of economy

First three lines of comments confirmed the moderately constructive view. One of them appreciated the gradual recovery of consumption. The other expected to confirm the resiliency of business investment by the results of the forthcoming TANKAN survey. And the rest of them reiterated the medium-term positive outlook.

In contrast, the three other lines of comments expressed the cautious views. First of them warned the potential divergence between the plans and the implementations of business investment. The other raised the risk of laggard domestic impacts by the US tariffs. And their last comment referred to the potential negative spillover by the risk of deceleration of the US economy due to higher rate of inflation.

Assessment of prices

First line of comment confirmed the central scenario with reference to the expected re-acceleration of underlying inflation as the economic growth rate recovers after its stagnation.

Following three lines of comments pointed out the signs of persistently high inflation. One of them explained that some firms remained active in raising the prices of processed foods despite deceleration of their import prices. The other referred to the bullish price outlook of newly harvested rice, which could enhance the sustainability of high prices of overall food items. The third comment suggested that the factors other than rice price were significant for overall food price.

In contrast, two line of comments expressed the cautious view. Its first line of comment confirmed the view that underlying inflation has not achieved the 2% target. It also argued that high inflation of food prices longer than expected could rather undermine consumption due to deterioration of household sentiment. Its second comment reiterated the technical difficulty of estimating underlying inflation, and claimed that the BOJ should watch carefully whether it has achieved the target.

Looking forward, two lines of comments raised the upside risks. One of such comments expressed the view that the inflation has achieved the goal. Moreover, it pointed out the upside risk in consideration of changing attitude of firms against prices and rising expectation of inflation. Another line of comment referred to the potential expansion of fiscal expenditure as a risk factor.

Management of policy rate

First line of comment confirmed the central view of policy normalization as far as the economy and prices would evolve in line with the outlook, while it pointed out the needs to make judgment without any prejudice.

Interestingly, following lines of comments expressed various view of a next policy action as well as its rationale.

On the one hand, four lines of comments suggested the importance of cautiousness about making the decision of a next rate hike.

One of such comment argued that the BOJ should maintain the accommodative policy stance, with reference to the current outlook that economic activities would be affected by the US tariffs, and inflation would decelerate to below 2% in FY2026 due to diminishing impacts of food prices.

Other couple of comments suggested that the cost of wait-and-see stance remained low. One of such comments raised the vulnerability of domestic demand against external shocks. The other insisted that the BOJ should watch carefully 1) impacts of the US tariffs on the global economy, 2) evolution of the US monetary and foreign exchange rates, and 3) outlook of the domestic inflation and wages.

On the other hand, other four lines of comments suggested that conditions for a next rate hike may be satisfied.

One of such comments argued that balance of costs by waiting for clarity of the US economy were changing due to the evolution of domestic inflation. Another line of comments claimed that the condition for correcting relatively low real interest rate may be satisfied because of diminishing constraints by overseas economic factors.

Other couple of comments raised the pace of policy normalization. One of such comments expressed the view that the BOJ should adjust policy rate at some regular interval as far as the economy and the prices are on track of the outlook. The other claimed that the policy rate should be closer to the neutral level in order to avoid raising rate in accelerated manner in later years.

Between these two lines of thoughts, a line of comment expressed the neutral view. It agreed to maintain the current policy stance because of remaining uncertainties about the US economy, while it suggested that it may be appropriate to consider a next hike taking account of domestic economy.

Disposal of ETFs

Regarding the policy decision on the disposal of ETFs, many lines of comments supported the proposal by the staff.

Two lines of comment appreciated the timing of policy decision with reference to the successful completion of disposal of stocks (purchased from banks during the domestic financial crisis) and the interval since the start of the QT. Moreover, another couple of comments supported the idea of very gradual pace of the disposal in order to avoid its market impacts. The other line of comment insisted the importance of the flexibility of disposal in consideration of evolving situation of the market.

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