



Preview: Bank of Japan Rate Decision & Outlook Report due Thursday 1st May 2025

- BoJ is expected to keep rates at 0.50% and will release its Outlook Report on Thursday.
- Rhetoric from officials and global trade uncertainty supports the likelihood of a pause.
- Sources stated the BoJ is likely to keep its rate-hike signal intact despite Trump tariff risks.

OVERVIEW: The Bank of Japan will conclude its latest two-day policy meeting on Thursday with the central bank widely expected to maintain its interest rate at 0.50% as a recent Reuters poll showed 84% of economists surveyed expect the BoJ to keep its key interest rate at the current level through to end-June, while the central bank will also release its latest Outlook Report containing Board Members' median forecasts for Real GDP and Core CPI.

BOJ KEPT RATES UNCHANGED AT THE LAST MEETING IN MARCH: The BoJ provided no surprises at the last meeting in March where it maintained rates at the 0.50% level which was widely expected, given that the central bank just hiked at the meeting before in January, while the decision on rates was made unanimously and the central bank refrained from providing any major clues on policy. It noted that Japan's economy is recovering moderately, albeit with some weak signs, and that consumption is increasing moderately as a trend and inflation expectations are heightening moderately. The BoJ also stated that it must be vigilant to the impact of financial and FX market moves on Japan's economy but added that Japan's economy is likely to continue growing above potential, while it expects underlying inflation to converge towards a level consistent with the price target in the latter half of the three-year period projected under the quarterly Outlook Report but noted that uncertainty surrounding Japan's economy and prices remains high. Furthermore, it acknowledged that risks include the trade policy of each country and its impact on overseas economies and prices.

RHETORIC FROM OFFICIALS AND GLOBAL TRADE UNCERTAINTY SUPPORTS A CONTINUED PAUSE: Recent rhetoric from officials continues to point to a lack of urgency to immediately raise rates. BoJ Governor Ueda said that Japan's economy is recovering moderately albeit with some weak signs, and that Japan's economy and prices are moving roughly in line with their forecasts but they must be vigilant to heightening uncertainty. Ueda also stated that Japan's real interest rates remain very low and that the BoJ is expected to keep raising interest rates if the economy and prices move in line with projections made in the quarterly report. Nonetheless, the central bank is anticipated to continue to refrain from making any immediate adjustments given the highly uncertain global trade environment and recent market volatility triggered by US President Trump's tariffs and occasional backtracking on policies.

ANNOUNCEMENT: The rate decision is due on Thursday with no exact scheduled release time but tends to be announced around the Tokyo lunch break which begins at 03:30BST/22:30EDT. Participants will also be eyeing the central bank's language and the latest projections, while sources recently stated that the BoJ is likely to keep its rate-hike signal intact at the meeting despite Trump tariff risks. Furthermore, sources noted the BoJ is said to cut its 2025 growth forecast in the quarterly report, although this wouldn't be much of a surprise given the global economic risks from US tariffs and the Sino-US trade war, while there is also potential for an upgrade to CPI forecasts given the recent hot Tokyo CPI data which serves as a leading indicator of nationwide price trends.

PRIOR OUTLOOK REPORT PROJECTIONS

Real GDP

- Fiscal 2024 median forecast at 0.5%.
- Fiscal 2025 median forecast at 1.1%.
- Fiscal 2026 median forecast at 1.0%.

Core CPI

- Fiscal 2024 median forecast at 2.7%.
- Fiscal 2025 median forecast at 2.5%.
- Fiscal 2026 median forecast at 2.0%.

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