



PREVIEW: BoJ Policy Announcement on Tuesday 17th June 2025

- BoJ is expected to keep rates at 0.50% on Tuesday, according to all 60 economists polled by Reuters.
- Global trade and geopolitical uncertainty supports the likelihood of a pause.
- Participants will be eyeing any clues on tapering plans at the upcoming meeting, given recent source reports.

OVERVIEW: The BoJ is likely to maintain its short-term interest rate at the current 0.50% level. A recent Reuters poll showed all 60 economists surveyed were unanimous in their forecasts for no rate increase and money markets also heavily price no change in rates. Focus on bond buying plans, sources look for a slower taper from 2026.

BOJ KEPT RATES UNCHANGED AT THE LAST MEETING IN MAY: As a reminder, the BoJ left its short-term interest rate unchanged at 0.50% in the last meeting with the decision made unanimously, and reiterated the rhetoric that it will continue to raise the policy rate if the economy and prices move in line with its forecast. Despite the central bank maintaining its rate hike signal, the accompanying language was dovish-leaning as it noted that Japan's economic growth is likely to moderate, with underlying consumer inflation at a level generally consistent with the 2% target in the second half of the projection period. The BoJ also acknowledged that uncertainty surrounding Japan's economy and prices remains high, assessed risks to the economic outlook and inflation as being skewed to the downside. On wages, the statement highlighted if there was a period of high uncertainties regarding trade and other policies it could lead firms to focus more on cost-cutting, potentially impacting wage developments. Furthermore, the Outlook Report projections were lowered with the Real GDP median forecast for Fiscal 2025 cut to 0.5% from 1.1% and for Fiscal 2026 was cut to 0.7% from 1.0%, while the Core CPI median forecast for Fiscal 2025 was cut to 2.2% from 2.4% and for Fiscal 2026 was cut to 1.7% from 2.0%.

Since May, the language from the central bank has continued to reinforce the rate hike signal. Governor Ueda recently affirmed that the BoJ will raise interest rates if it has enough confidence that underlying inflation nears or moves around 2%. In the context of real interest rates being negative, Ueda acknowledged that if the economy and prices come under strong downward pressure the BoJ has limited room to underpin growth with rate cuts

BOND TAPER PLANS: Extensive market focus on the taper plans, particularly with reference to the long-end amid deteriorating market functionality and after a handful of poor auctions. Bloomberg sources report that the BoJ is said to consider smaller reductions to its bond-buying with the debate centring on quarterly cuts of JPY 200bln-400bln, while the new bond-buying plan would last to March 2027. Reuters sources also noted the BoJ is mulling slowing the pace of bond tapering next year with the central bank likely to roughly maintain its taper plan through to March but the new programme beyond April 2026 may see a slowdown. However, it was also stated that there was no consensus yet, with the final decision to be made at the upcoming policy meeting. On the magnitude, Nikkei reports the BoJ is considering easing the pace of its taper to JPY 200bln a quarter from the current JPY 400bln quarterly pace, effective April 2026. The proposal to be discussed at the Monday-Tuesday policy meeting and expected to gain majority board support.

As a reminder, the Ministry of Finance will be holding a meeting with primary dealers on June 20th, a gathering which could pave the way for an adjustment to issuance plans to favour the short end amid the referenced recent long-end performance.

ANNOUNCEMENT: The rate decision is due on Tuesday 17th June 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 given the global economic risks from US tariffs and the Sino-US trade war, and now the Israel-Iran war. Ueda to hold a press conference from 07:30BST/02:30EDT.

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