

Kazuo Ueda: The Bank's Semiannual Report on Currency and Monetary Control

Statement by Mr Kazuo Ueda, Governor of the Bank of Japan, before the Committee on Financial Affairs, House of Councillors, Tokyo, 17 April 2025.

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Introduction

The Bank of Japan submits to the Diet its Semiannual Report on Currency and Monetary Control every June and December. I am pleased to have this opportunity today to talk about recent economic and financial developments and about the Bank's conduct of monetary policy.

I. Economic and Financial Developments

I will first explain recent economic and financial developments.

Japan's economy has recovered moderately, although some weakness has been seen in part. Exports and industrial production have been more or less flat. With an improving trend in corporate profits, business fixed investment has been on a moderate increasing trend. The employment and income situation has improved moderately. Private consumption has been on a moderate increasing trend despite the impact of price rises and other factors.

The year-on-year rate of increase in the consumer price index (CPI) for all items excluding fresh food has been at around 3 percent recently, as services prices have continued to rise moderately, reflecting factors such as wage increases, and as the government's measures to reduce the household burden of higher energy prices have been scaled back, although the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices have waned. Although underlying inflation, excluding the direct effects of the cost-push, is below 2 percent at this point, it has been increasing gradually, with wages continuing to rise.

Japan's economic activity and prices have so far been developing generally in line with the outlook presented in the Outlook for Economic Activity and Prices (Outlook Report). That said, it is necessary to pay due attention to risks to the outlook, particularly to the recent heightened uncertainties regarding the future course of trade and other policies in each jurisdiction. Meanwhile, Japan's financial system has maintained stability on the whole. The Bank judges that, even in the case of an adjustment in the real economy at home and abroad and in global financial markets, the financial system is likely to remain highly robust on the whole, mainly because Japanese financial institutions have sufficient capital bases.

II. Conduct of Monetary Policy

Next, I will explain the Bank's conduct of monetary policy.

At the March Monetary Policy Meeting (MPM), the Bank decided to maintain the guideline for money market operations, in which it would encourage the uncollateralized overnight call rate to remain at around 0.5 percent. As for the future conduct of monetary policy, while it will depend on developments in economic activity and prices as well as financial conditions going forward, given that real interest rates are at significantly low levels, if the outlook for economic activity and prices presented in the January 2025 Outlook Report is realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation. In this regard, it will be necessary for the Bank to examine at each MPM whether the outlook will be realized, without any preconceptions. The Bank will carefully examine developments in economic activity and prices as well as in financial markets at home and abroad, including the impact of U.S. tariff policy, and will make policy decisions as appropriate, based on its assessment of the outlook for economic activity and prices, the risks surrounding them, and the likelihood of realizing the outlook.

With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.

Thank you.