



November 27, 2025

Bank of Japan

**Economic Activity, Prices,
and Monetary Policy in Japan**

Speech at a Meeting with Local Leaders in Oita

NOGUCHI Asahi

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(English translation based on the Japanese original)

I. Economic Activity and Prices

A. Economic Developments at Home and Abroad

Please allow me first to express my deepest sympathy for the loss of life in the large-scale fire that occurred in Saganoseki, Oita City and to offer my sincere condolences to all those affected.

I will begin my speech by talking about recent economic developments at home and abroad. It can be said that Japan's economy is currently in a transitional period, where the economy is shifting from a deflationary or zero-inflation economy that lasted for several decades from the collapse of the bubble economy in the early 1990s until the onset of the COVID-19 pandemic, to an economy that grows while both prices and wages continue to rise. In this context, new developments that have not been seen before are starting to emerge in the economy, such as progress in wage hikes on the back of labor shortages owing to an expansion in employment, rising stock prices based on an increase in corporate profits, and growth in new businesses fueled by diversified business opportunities. On the other hand, high prices stemming from cost-push factors that emerged with the end of the pandemic have placed a heavy burden on households, thereby pushing down private consumption. Therefore, for Japan's economy to genuinely return to a growth path, it is essential that people's wages and income continue to grow in a way that exceeds price increases.

The pandemic that first broke out in 2020, and subsequent global inflation, posed a significant challenge for Japan. At the same time, they ultimately played a role in strongly pushing the country to exit from a zero-inflation economy. The greatest challenge Japan currently faces is the tariff policy of the second Trump administration in the United States. While the impact of that policy is not yet fully clear, it is first necessary for Japan's economy to weather this challenge so that it can return to a growth path.

The new tariff policy unveiled by the Trump administration starting in early spring 2025 caused great concern around the world. This was because it virtually overturned the long-held principle of free trade -- the idea that more open trade fosters greater prosperity for people. In the long term, tariffs impair the international division of labor based on comparative advantage, thereby reducing global production efficiency. In the short term, tariffs lead to a

contraction in trade, thereby pushing down the economy of many countries and regions. On top of this impact, in the case of the United States, higher imported goods prices due to tariffs, and the consequent decline in consumption, would likely cause even greater economic deterioration.

Following the announcement of the new U.S. tariff policy, international organizations, including the International Monetary Fund (IMF), initially revised their growth projections for the global economy substantially downward, particularly for the United States. However, these organizations have gradually revised their subsequent projections upward (Chart 1). One reason behind these revisions is that, so far, the downward effects of tariffs on the U.S. economy have remained smaller than initially expected.

The main factor behind the lower-than-expected impact on the U.S. economy is the extremely slow pass-through of tariffs to selling prices. For example, many automakers have lowered their export prices to avoid an increase in selling prices in the United States -- meaning that the exporting side has absorbed the tariff costs. However, such cases have been mostly limited to automobiles, and for many other items, tariff costs have been borne by the United States, the importing side. Even in that case, a substantial portion of the costs has been borne by firms rather than households.¹ This is likely due to many U.S. firms intentionally passing on tariff costs to selling prices slowly, perhaps to avoid drawing attention to the burden on consumers as much as possible. While it is expected that the pass-through of tariffs to selling prices will gradually progress, shifting the burden from firms to households, this process will likely take considerable time. This means that price rises due to tariffs will progress with a significant time lag in the United States, and consequently downward pressure on consumption will also occur later than initially expected.

Another factor that has supported the U.S. economy is a rise in growth expectations driven by the AI sector. This has likely contributed significantly to the continued rise in U.S. stock prices despite tariffs exerting downward pressure on economic conditions. While private

¹ At a press conference held on September 17, 2025, Federal Reserve Chair Powell stated that what seems to be happening is that tariffs are mostly not being paid by exporters but by the companies that sit between the exporter and the consumer.

consumption in the United States has indicated firmness even amid price rises due to tariffs, it is considered that high stock prices led by the AI sector have partly boosted consumption, particularly among the wealthy. In fact, resilient AI-related investment has played an important role in underpinning U.S. economic growth.

As I have described, the U.S. economy has been firm despite developments in tariff policy, and the global economy has also shown no change on the whole. Japan's economy therefore has maintained stability. While weakness has been seen in domestic demand due to price rises, the annualized quarter-on-quarter real GDP growth rate continued to grow moderately through the April-June quarter of 2025. For the July-September quarter, however, it registered negative growth for the first time in six quarters, due to factors such as a drop in automobile exports from Japan to the United States as well as a decline in housing investment against the background of revisions to the Building Standards Act and the Energy Saving Act (Chart 2). It is necessary to carefully monitor to what extent these components recover.

B. Price Developments

Turning to domestic price developments, the year-on-year rate of change in the consumer price index (CPI) has continued to exceed the target of 2 percent since spring 2022, following the global inflation that arose after the pandemic (Chart 3). That said, factors contributing to this inflation have varied somewhat, depending on the period. Initially, against the backdrop of a rapid rise in import prices, higher energy and food prices accounted for a particularly sizable contribution to the inflation (Chart 4). After that, the rate of increase in import prices became moderate, in line with subsiding global inflation, and the pace of increase in energy and food prices started to stabilize. As a result, the year-on-year rate of increase in the CPI declined to the range of 2.0-2.5 percent around the middle of 2024. However, the CPI inflation rate has since accelerated again, primarily due to the rise in food prices, especially rice prices. One of the causes of the higher inflation is the rise in the price of imported beverages and foods, mainly due to developments in international commodity prices for food. Another factor contributing to the rise in CPI inflation is the price hikes of rice resulting from supply shortages that began in 2024 (Chart 5).

Such a rise in food prices can naturally be attributed to the increasing cost of imported food and other items. Although the direct trigger of the rise in rice prices is supply shortages, the underlying cause can also be considered to be an increase in production costs, due to a surge in the price of materials such as fertilizer, fuel, and agricultural machinery. The pass-through of these cost increases to prices is beginning to become increasingly evident in a number of areas. As I will discuss later, this may be understood as a trend to recover all at once the cost increases that have been accumulated to date, as the "zero norm" -- the widespread belief that prices do not rise -- dissipates.

II. Monetary Policy

A. Policy Interest Rate Adjustments

Next, I will discuss the Bank of Japan's policy conduct. Judging that the probability of achieving the price stability target of 2 percent in a sustainable and stable manner had become sufficiently high, the Bank decided, at the Monetary Policy Meeting (MPM) held in March 2024, to change its large-scale monetary easing framework and shift back to a conventional policy framework, in which the degree of monetary accommodation is adjusted by guiding the money market rate as the policy interest rate. Subsequently, the Bank raised the target level of the money market rate from 0.1 percent to 0.25 percent in July 2024, followed by a hike to 0.5 percent in January 2025.

After the January 2025 MPM, and through to the most recent October MPM, the Bank decided to maintain the guideline for money market operations. The main reason for this is that it was necessary for the Bank to carefully examine the effects of U.S. tariff policy, which had started to become clear in April. That said, as I mentioned earlier, the impact of U.S. tariffs has been limited so far. While there is a possibility that progress in the pass-through of tariffs to prices could result in stronger downward effects on the economy, the general view at this point is that these effects are unlikely to be very severe. This means that the Bank will return to its basic policy stance first presented in March 2024, that is, if economic activity and prices develop in line with the Bank's outlook, the Bank will gradually adjust the degree of monetary accommodation. I will elaborate on the specifics of how monetary policy should be conducted and the underlying rationale later.

B. Balance-Sheet Adjustments

With a view to restoring the functioning of the Japanese government bond (JGB) market, which had declined under the large-scale monetary easing policy, the Bank decided at the July 2024 MPM on a plan for the reduction in its JGB purchases for the period until March 2026. Specifically, this plan involves reducing the planned amount of monthly purchases of JGBs by about 400 billion yen each calendar quarter, in principle. At the June 2025 MPM, the Bank conducted an interim assessment of the plan. It made a decision to maintain the plan and also decided on a new plan for the period from April 2026 until March 2027, to reduce the planned amount of its monthly purchases of JGBs by about 200 billion yen each calendar quarter, in principle (Chart 6). If the Bank reduces its purchases in line with these plans, the amount of monthly JGB purchases will decline to about 2.1 trillion yen in January 2027. Moreover, with JGB redemptions at maturity outpacing the Bank's purchases, the amount outstanding of its JGB holdings is projected to see a roughly 16-17 percent decrease in March 2027 compared to the amount in June 2024, before the start of the reduction in JGB purchases. At the June 2026 MPM, the Bank is scheduled to conduct another interim assessment of the reduction plan, covering the period until March 2027. It will also discuss a guideline for its JGB purchases from April 2027 and announce the results.

At the September 2025 MPM, the Bank decided on a guideline for selling its holdings of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) to the respective markets. Specifically, the guideline sets out that the Bank will sell ETFs at a pace of about 330 billion yen per year and J-REITs at a pace of about 5 billion yen per year, both based on prices formed in the markets. As part of the large-scale monetary easing policy introduced in April 2013, the Bank had been conducting ETF and J-REIT purchases for the purpose of making financial conditions even more accommodative by encouraging a reduction in the risk premiums of asset prices. At the March 2024 MPM, the Bank decided to discontinue purchases of ETFs and J-REITs, as the achievement of its price stability target was in sight. That said, the details of the disposal of these assets were to be determined upon subsequent considerations by the Bank. The decisions made at the September MPM were based on the results of these considerations.

The decisions made at the MPMs since last year will likely bring about a gradual reduction of the Bank's balance sheet over a sufficient period of time toward the minimum level required to ensure ample reserve balances, in the sense that the Bank is able to firmly control the money market rate, which is the policy interest rate.² Given that the current size of the Bank's balance sheet remains very large, it is only natural that it should be reduced. Fundamentally, a central bank is allowed to intervene in markets only to the extent that this is necessary for the fulfillment of its basic mandate of maintaining price and financial market stability. In this regard, it is desirable for a central bank to basically keep the size of its balance sheet close to the minimum required. On the other hand, given that the sale of central bank assets could also in some cases disrupt the markets, asset sales should be carried out through a method and on a scale that minimizes the risk of market disruptions as much as possible.

III. Policy Conduct toward Achieving the 2 Percent Price Stability Target

A. Prospects for Achieving the Price Stability Target

The Bank has continued with monetary easing in terms of maintaining sufficiently low real interest rates, aiming to achieve the price stability target of 2 percent in a sustainable and stable manner. Meanwhile, the year-on-year rate of change in Japan's CPI has continued to exceed the target of 2 percent since spring 2022. The Bank has continued with monetary easing in this context based on the assessment that the rise in inflation is largely due to exogenous factors and is not necessarily sustainable. What is needed for inflation to be sufficiently sustainable and stable is steady expansion in demand and an accompanying sustained increase in nominal wages.

The Bank released the latest *Outlook for Economic Activity and Prices* (Outlook Report) in October 2025. It shows that the median of the Policy Board members' forecasts for the year-on-year rate of increase in the CPI for all items excluding fresh food is 2.7 percent for fiscal 2025, 1.8 percent for fiscal 2026, and 2.0 percent for fiscal 2027 (Chart 7). In other words, many Policy Board members project that growth in the CPI will decline temporarily through

² Ample reserve balances are necessary to firmly control the money market rate through the interest rate on reserve balances. On this point, see Noguchi, A., "Transformation of the Global Economy and Developments in Monetary Policy," speech at a meeting held by the Sapporo Chamber of Commerce and Industry, September 29, 2025, Section C of Chapter III.

fiscal 2026 as cost-push factors subside, but will start to rise again toward the 2 percent target through fiscal 2027, partly as wage hikes become widespread.

I generally share this outlook. However, although growth in the CPI will likely decline overall, I believe that a chain reaction of price hikes could occur in certain areas, as has happened with food, including rice. This is because, if cost increases continue, prices will inevitably rise. As Japanese consumers' aversion to price hikes was extremely strong, it became common practice for many firms to avoid raising prices as much as possible, even when faced with a certain degree of higher costs, relying instead on measures such as wage restraints. This is what is referred to as the zero norm with regard to wages and prices. However, as is evident in the surge in the prices of some food items including rice -- which had barely risen for a long time -- once tightness in supply and demand conditions begins to generate upward momentum, it is not rare at all for prices to continue rising as firms compensate for previous delays in passing on costs. Such price hikes to make up for past cost increases may continue to occur in certain areas.

According to the outlook I have described, even if there are transitory price hikes, CPI inflation itself will decline for the time being. The question is whether or not underlying inflation will continue to rise steadily toward the 2 percent target even in such a scenario. This will depend entirely on whether the momentum of wage increases is sustained and whether this momentum spreads to small and medium-sized firms and regional economies.

Regarding wage developments, attention is warranted first to moves leading up to the 2026 annual spring labor-management wage negotiations. The basic stance on the labor union side has already been outlined in the policy of the Japanese Trade Union Confederation (Rengo) for the spring 2026 wage negotiations, released at the end of October 2025. As a norm for future wage hikes, the policy calls for raising wages by at least 3 percent through base pay increases, or by at least 5 percent if an increase in regular salaries is included -- in other words, real wage hikes of around 1 percent assuming 2 percent inflation. Indeed, if nominal wage growth stabilizes at around 3 percent, and as long as CPI inflation remains at around 2 percent, real wage hikes will be sustained at around 1 percent -- roughly equivalent to Japan's labor

productivity growth rate to date. This is likely to be the steady state Japan's economy will reach once it achieves the 2 percent price stability target.

I personally believe that, while it may be difficult to reach this point in the first half of the projection period of the October 2025 Outlook Report, the economy will probably do so in the second half of the projection period -- that is, from the second half of fiscal 2026 through fiscal 2027. However, this is based on the assumption that the downward effects of U.S. tariffs will not become significantly severe and that no new geopolitical or other risks emerge. If such risks were to materialize, realization of this outlook would probably be further delayed.

B. Policy Adjustments until the Price Stability Target Is Achieved

If the assumption is that the price stability target will be achieved in the second half of the projection period of the October 2025 Outlook Report, the Bank should adjust the policy interest rate at an appropriate pace to align with that timeline. This means raising the policy interest rate at a pace that will make it possible to smoothly reach the neutral interest rate -- in the sense that this is the rate at which the inflation rate will stabilize at close to the target level -- when the target is achieved. Problems are likely to arise if the pace of policy adjustment is either too fast or too slow.

The problem that arises if the pace of policy adjustment is too fast is that there would be a significant delay in achieving the price stability target or, in the worst-case scenario, achievement of the target would become uncertain. Although the CPI has already exceeded the 2 percent target for more than three years, recent developments in particular have been heavily influenced by the contribution of the rise in food prices stemming from higher prices of rice and imported food. Furthermore, higher CPI inflation strongly reflects efforts by firms to make up for not being able to pass on higher costs to selling prices in the past. In other words, these are essentially transitory price hikes driven by cost-push factors. Therefore, although higher inflation has persisted longer than anticipated, it should subside once the cost pass-through has peaked out. On the other hand, with wage hikes becoming widespread, the mechanism of a rise in underlying inflation, in which wages and prices continue to rise in interaction with each other, is gradually strengthening. However, hastily raising the policy

interest rate carries the risk of robbing wage increases of their momentum and putting the 2 percent target further out of reach.

Another reason for the Bank to be cautious in making policy adjustments is the persistently strong zero-norm inertia resulting from a prolonged period of deflation and zero inflation in Japan, which will likely take a considerable amount of time to resolve. While a wide range of items in Japan's economy are currently experiencing the kind of price rises I referred to earlier, with firms making up for past cost increases, there are still some items such as housing rent that, on the whole, have barely risen (Chart 8). Once 2 percent inflation fully takes hold, the prices of these items, whose rate of change has tended to remain unchanged, as solid as bedrock near 0 percent, should also begin to rise by factoring in such rooted inflation. In fact, rents for both houses and offices have already started to climb in metropolitan areas, although it seems that this has not yet become a nationwide trend.

The impact of prolonged deflation and zero inflation in the past is most clearly evident in trends in inflation expectations. Throughout the inflationary phase following the pandemic, various indicators of inflation expectations in Japan have gradually risen (Chart 9). However, despite prices rising by more than 2 percent for more than three years, inflation expectations have yet to reach 2 percent. This suggests that the effects of the past several decades of deflation or zero inflation prior to the pandemic remain in people's inflation expectations. Time is still needed for these effects to dissipate and for inflation expectations to be anchored at around 2 percent.

Conversely, the problem with the pace of policy adjustment being too slow is that it increases the risk of destabilizing economic activity and prices. If a central bank chooses not to conduct any policy interest rate hikes at all until prices reach the target point, inflation would be uncontrollable unless the central bank raised its policy interest rate all at once, from the lower bound to the neutral rate, when the target was achieved. In the real world, however, it is almost impossible to pinpoint the exact neutral rate that would stabilize inflation at each point in time. The most realistic approach to actual policy conduct is to set a certain benchmark as the range where the neutral interest rate is thought to lie, based on various estimations of the natural rate of interest, and then conduct policy interest rate hikes incrementally over time

while monitoring the impact this has on economic activity and prices. If, as a result, price stability is judged to be achieved at some point, this means that the policy interest rate has reached the neutral rate. This is what I consider to be the measured, step-by-step approach to policy adjustments that the Bank should pursue.

If the pace of a central bank's policy adjustment ends up being too slow and the real interest rate remains lower than the neutral level, this would cause the inflation rate to deviate from the target level. Indeed, in the United States and the United Kingdom, high inflation continued after the pandemic, fueled by wage hikes stemming from tightening labor market conditions (Chart 10). Since the central banks of these countries initially deemed this to be temporary inflation induced by cost-push factors, they were slow to make policy adjustments and, as a result, had to conduct sharper policy interest rate hikes afterward.

High inflation caused by high wage increases, as seen in the United States and the United Kingdom, is less likely to occur immediately in Japan, as the country's labor market structure differs significantly from that of these countries. That said, if the real interest rate remains too low for too long, the impact will likely be reflected in exchange rates and in asset prices, such as land prices and stock prices. Of course, the sole objective of monetary policy is to achieve price stability, and policy should not be directed toward stabilizing exchange rates or asset prices per se. At the same time, exchange rates and asset prices are also important transmission channels for monetary policy. In fact, if the yen depreciates, this exerts an upward force on economic activity and prices through exports and imports. Moreover, higher asset prices, such as land prices and stock prices, also contribute to an upswing in economic activity and prices in terms of, for example, expanded consumption through the wealth effect and increased investment spurred by credit easing.

The important point is that whether or not the effects of these channels contribute to economic and price stability varies significantly depending on economic conditions at the time. A typical example is the period around 2013, when the Bank introduced large-scale monetary easing: in an economic environment where a high unemployment rate and price declines persist, factors such as the yen's depreciation and rising stock prices can undoubtedly play a significant role in restoring employment and preventing deflation. However, the positive

effects on economic stability diminish as the economy approaches full employment and as the output gap narrows. Eventually, with an intensification of supply-side constraints at the macroeconomic level, the positive effects of economic growth almost disappear, and are replaced by negative effects that merely push inflation higher than necessary. Naturally, therefore, it is necessary for the Bank, as a central bank, to carefully examine how various economic channels ultimately affect economic activity and prices and to use the policy interest rate as a tool to adjust the degree of monetary accommodation as appropriate.

C. Japan's Economy in Transition

As I mentioned at the outset, Japan's economy is currently in a transitional period, shifting from a state in which growth in wages and prices remains flat to one in which both continue to rise moderately. In more general terms, it can be said that the economy is now in the midst of transitioning from one steady-state equilibrium to another. In the period of zero inflation leading up to the pandemic, it was widely believed that prices, wages, and interest rates do not rise, and firms and households constantly acted under that assumption. Now, however, there is growing recognition that it is natural, rather, for these to rise, and this is starting to bring about major changes, mainly in corporate management and household asset management.

The Bank's role at this juncture is to minimize as much as possible the friction and confusion that result from this economic transition by making appropriate policy adjustments, and to guide the economy onto a new growth path. That said, just as the riskiest moments of a flight are takeoff and landing, carrying out the necessary adjustments will likely entail various risks and challenges. Once these are overcome, however, I am convinced that Japan will see a new economic landscape.

Thank you.



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Oita

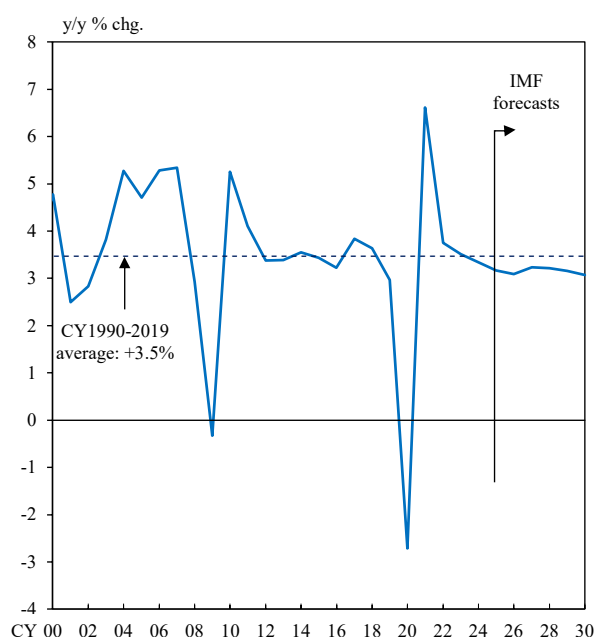
November 27, 2025

NOGUCHI Asahi
Member of the Policy Board
Bank of Japan

Chart 1

IMF Forecasts for Global Growth

Global Growth Rate



Major Economies' Growth Rates

	CY2024	CY2025 [Forecast]				CY2026 [Forecast]
		As of January	As of April	As of July	As of October	
World	3.3	3.3	2.8	3.0	3.2	3.1
Advanced economies	1.8	1.9	1.4	1.5	1.6	1.6
United States	2.8	2.7	1.8	1.9	2.0	2.1
Euro area	0.9	1.0	0.8	1.0	1.2	1.1
United Kingdom	1.1	1.6	1.1	1.2	1.3	1.3
Japan	0.1	1.1	0.6	0.7	1.1	0.6
Emerging market and developing economies	4.3	4.2	3.7	4.1	4.2	4.0
China	5.0	4.6	4.0	4.8	4.8	4.2
India	6.5	6.5	6.2	6.4	6.6	6.2
ASEAN-5	4.6	4.6	4.0	4.1	4.2	4.1

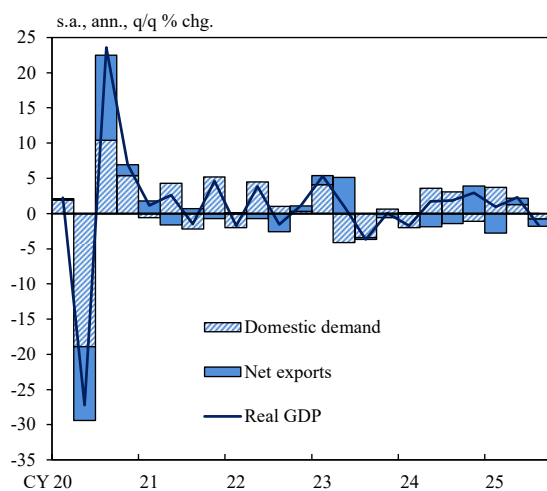
Note: Figures are as of October 2025.

Source: IMF.

Real GDP

Annualized Quarterly Growth Rate

Quarter-on-Quarter Changes



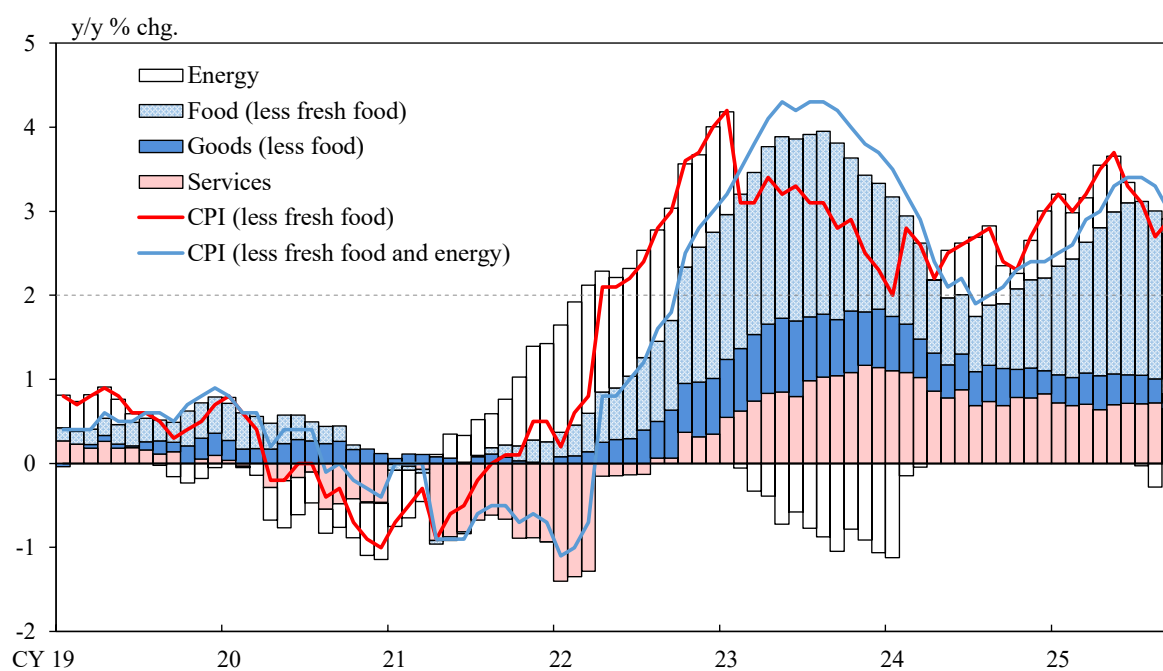
s.a., q/q % chg.

	2024				2025		
	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.
GDP	-0.5	0.4	0.4	0.7	0.2	0.6	-0.4
Domestic demand	-0.5	0.9	0.8	-0.3	0.9	0.3	-0.2
Private demand	-0.7	0.7	1.1	-0.3	1.3	0.5	-0.4
Private consumption	-0.7	0.7	0.8	0.0	0.3	0.4	0.1
Private residential investment	-3.2	1.5	0.8	-0.1	1.3	0.3	-9.4
Private non-resi. investment	-1.2	1.4	-0.0	0.6	0.9	0.8	1.0
Public demand	0.0	1.3	-0.1	-0.0	-0.1	-0.1	0.5
Exports of goods & services	-4.1	0.7	2.0	2.0	-0.4	2.3	-1.2
Imports of goods & services	-3.9	2.7	3.3	-2.2	2.5	1.3	-0.1

Source: Cabinet Office.

Chart 3

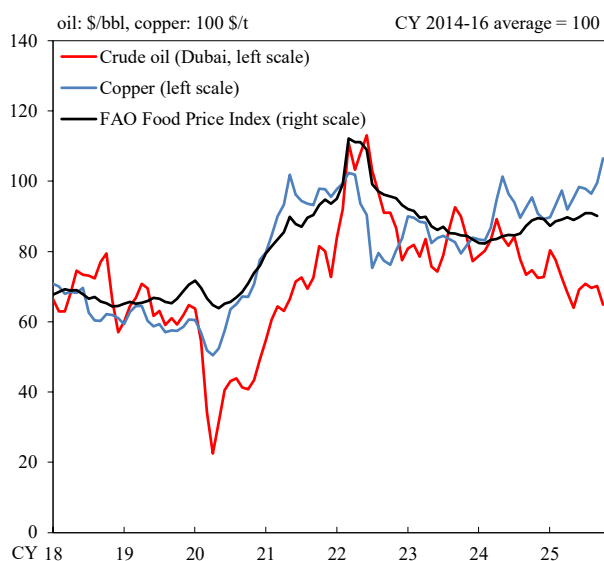
Consumer Prices



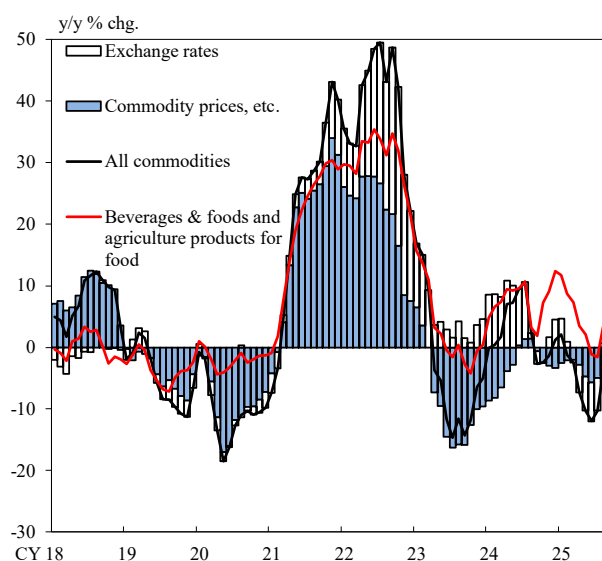
Source: Ministry of Internal Affairs and Communications.

International Commodity Prices and Import Prices

International Commodity Prices



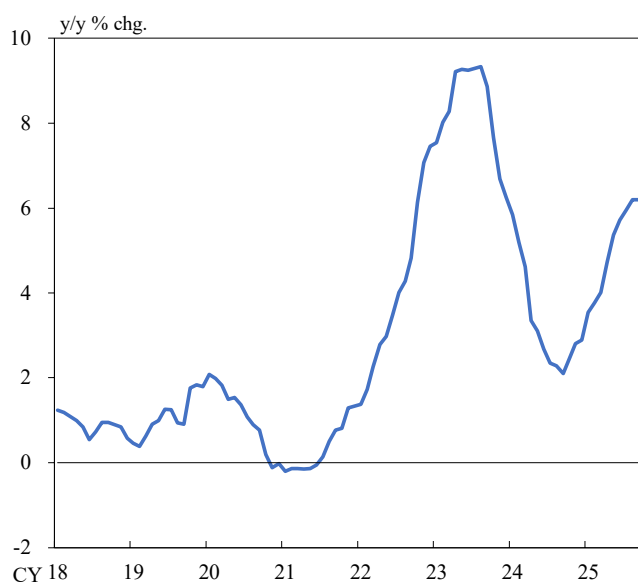
Import Price Index (Yen Basis)



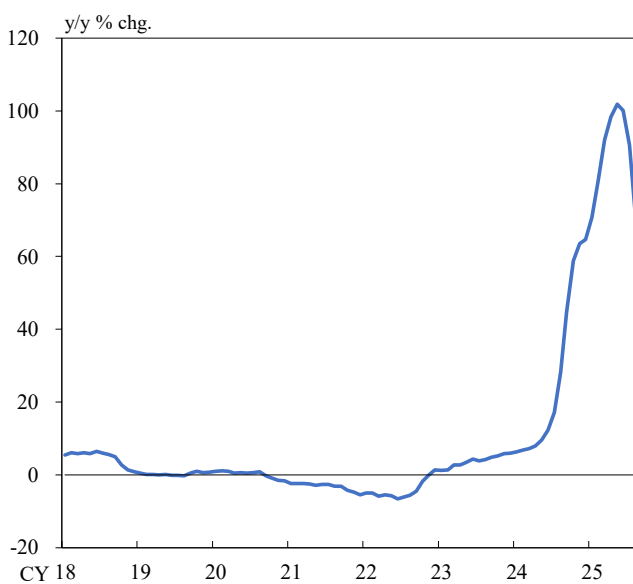
Note: Figures for crude oil (Dubai) and copper are the monthly average. Figures for "beverages & foods and agriculture products for food" exclude tobacco.
Sources: Bloomberg; FAO; Nikkei Inc.; Bank of Japan.

CPI

Food (Less Fresh Food and Rice)



Rice

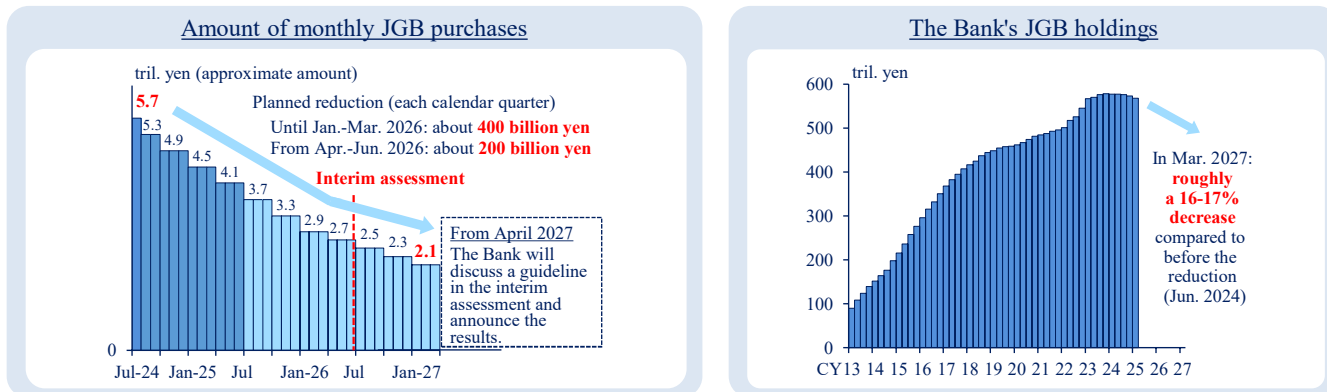


Source: Ministry of Internal Affairs and Communications.

Plan for the Reduction of the Purchase Amount of JGBs (June 2025 MPM)

1. Long-term interest rates: to be formed in financial markets in principle
 2. JGB purchases: appropriate for the Bank to **reduce its purchase amount of JGBs in a predictable manner**, while **allowing enough flexibility** to support stability in the JGB markets
- In principle, the Bank will reduce the planned amount of its monthly purchases of JGBs each calendar quarter as follows.
- Until January-March 2026 : about **400 billion yen** (the reduction plan decided in July 2024 will be maintained)
 - From April-June 2026 to January-March 2027: about **200 billion yen**
- The Bank will **gradually reduce** its purchase amount so that it can improve the functioning of the JGB markets in a manner that supports stability in the markets.

Reduction in a Predictable Manner



Allowing Enough Flexibility

1. The Bank will **conduct an interim assessment of the plan at the June 2026 MPM**.
2. In the case of a rapid rise in long-term interest rates, the Bank will make nimble responses by, for example, increasing the amount of JGB purchases.
3. The Bank is prepared to amend the plan at the MPMs, if deemed necessary.

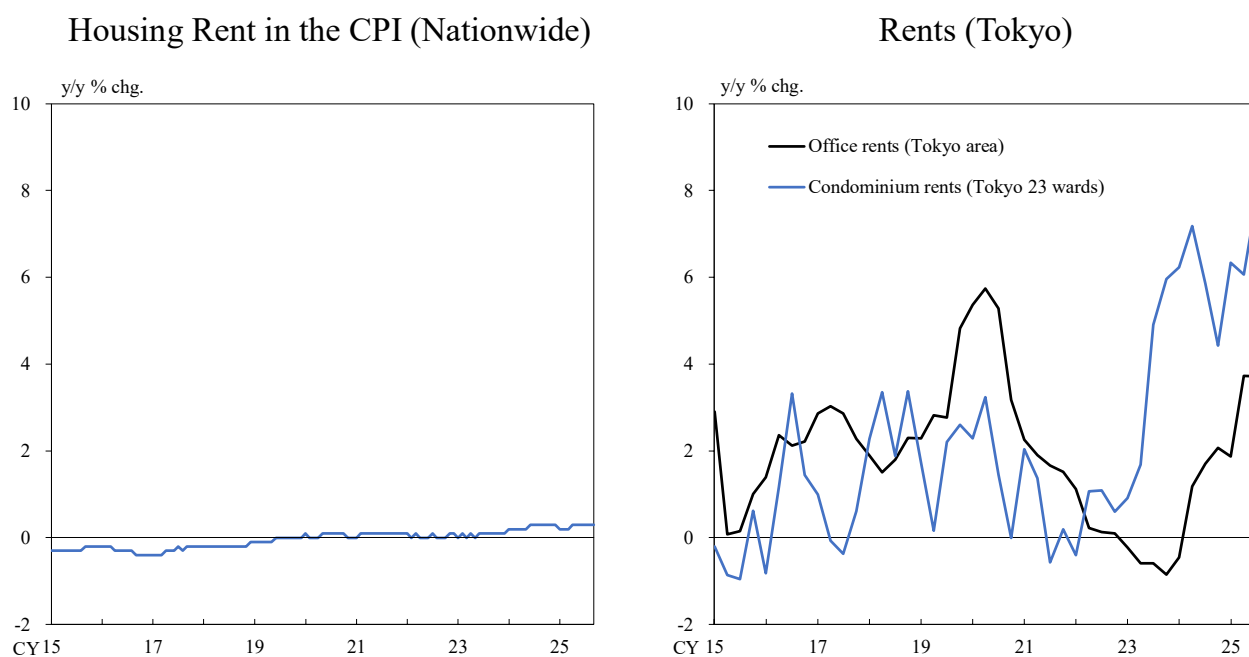
Forecasts of the Majority of the Policy Board Members (as of October 2025)

		y/y % chg.	
	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2025	+0.6 to +0.8 [+0.7]	+2.7 to +2.9 [+2.7]	+2.8 to +3.0 [+2.8]
Forecasts made in July 2025	+0.5 to +0.7 [+0.6]	+2.7 to +2.8 [+2.7]	+2.8 to +3.0 [+2.8]
Fiscal 2026	+0.6 to +0.8 [+0.7]	+1.6 to +2.0 [+1.8]	+1.8 to +2.2 [+2.0]
Forecasts made in July 2025	+0.7 to +0.9 [+0.7]	+1.6 to +2.0 [+1.8]	+1.7 to +2.1 [+1.9]
Fiscal 2027	+0.7 to +1.1 [+1.0]	+1.8 to +2.0 [+2.0]	+2.0 to +2.2 [+2.0]
Forecasts made in July 2025	+0.9 to +1.0 [+1.0]	+1.8 to +2.0 [+2.0]	+2.0 to +2.1 [+2.0]

Note: Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates).

Source: Bank of Japan.

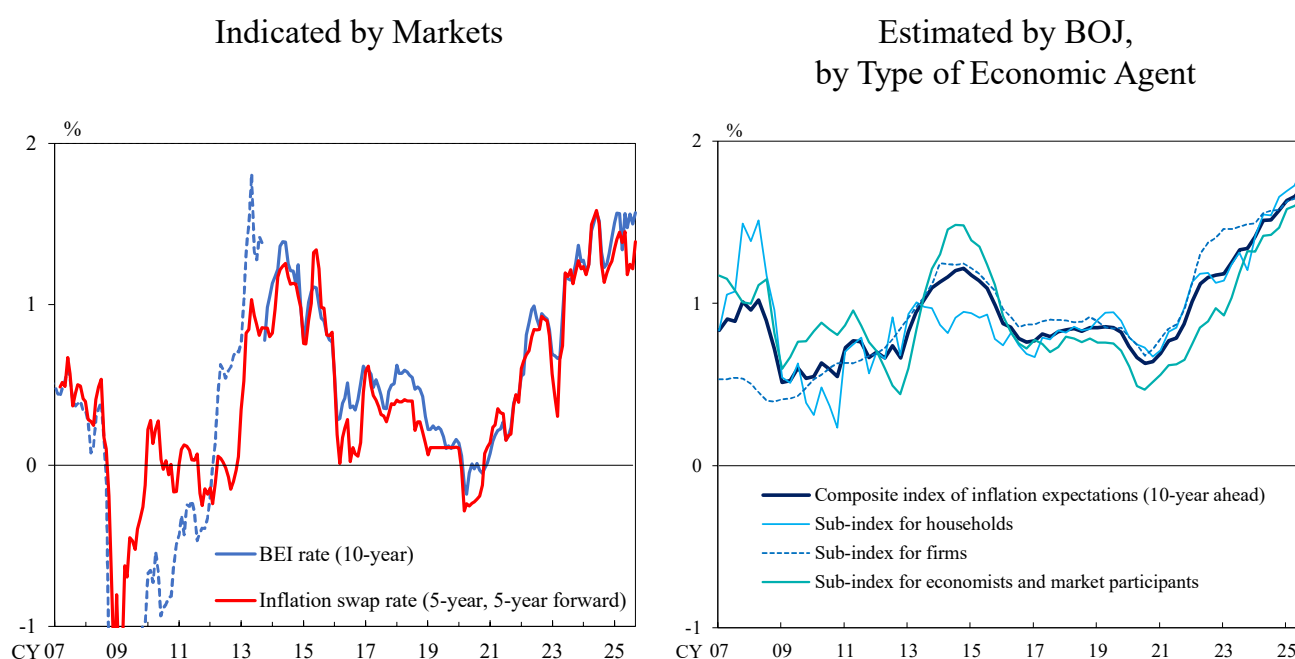
Housing Rent



Note: Figures for office rents are based on the Services Producer Price Index. Figures for condominium rents are calculated using the average rents under new contracts.

Sources: Ministry of Internal Affairs and Communications; Real Estate Information Network for East Japan; Bank of Japan.

Inflation Expectations

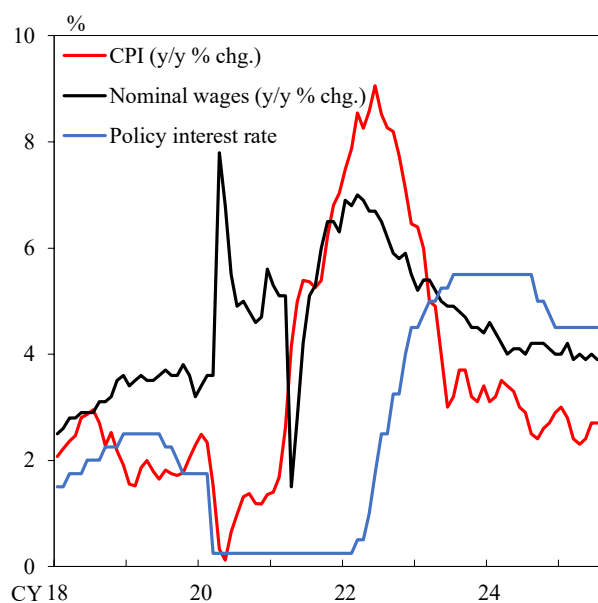


Note: In the left panel, the BEI (break-even inflation) rate is the yield spread between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. The dotted line represents the rate calculated based on inflation-indexed JGBs issued before October 2013.

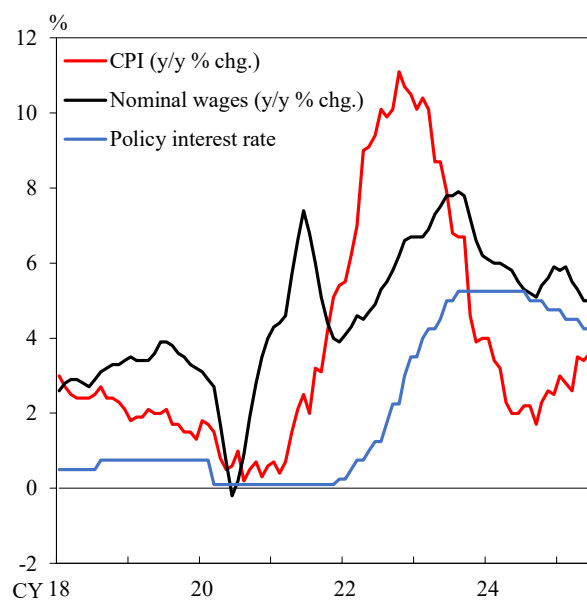
Sources: Bloomberg; Consensus Economics Inc., *Consensus Forecasts*; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

Prices, Nominal Wages, and Policy Interest Rates

United States



United Kingdom



Note: Figures for nominal wages for the United States are for hourly wages, and those for the United Kingdom are for weekly wages (excluding bonuses).

Sources: BLS; BOE; FRB; OECD; ONS.