

JAP: BoJ maintains its interest rate at 1.25%

October 30, 2026

Written by: Janneth Quiroz Zamora
Alan Daniel Olivares Chan

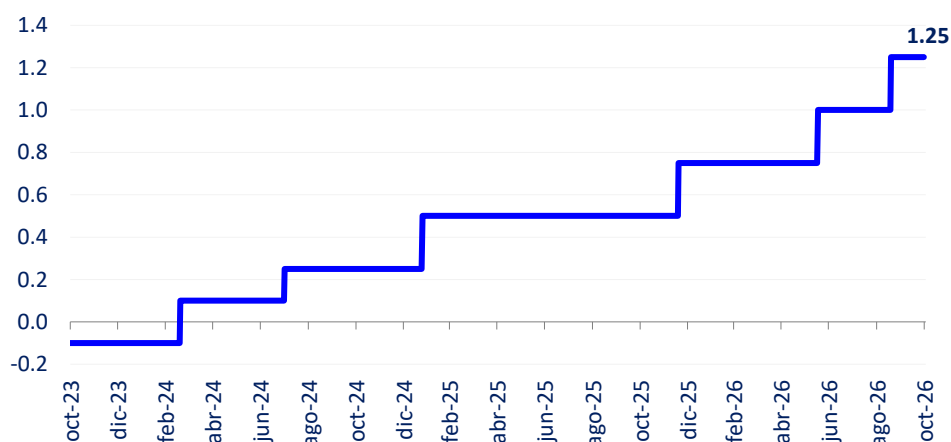
analisis@monex.com.mx

- The Bank of Japan (BoJ) kept its interest rate unchanged at 1.25%, in a decision approved by an 8-1 majority.
- Core inflation remains around the 2.0% target, although the balance of risks for inflation remains skewed to the upside, in part due to higher energy prices.
- Going forward, the BoJ anticipates that the conduct of monetary policy will continue to be guided by the evolution of economic activity, inflation and its determinants.

The Bank of Japan (BoJ) kept its benchmark interest rate unchanged at 1.25%, in line with market expectations, after increasing it by 25 basis points (bps) at the September meeting. The measure was approved by an 8-1 majority, the dissenting vote favoring a 25 bps increase. The decision was in response to the Committee's assessment that core inflation remains at levels consistent with the 2.0% target, although upside risks to prices remain. In particular, it highlighted that companies continue to pass on higher labor costs to final prices, while rising energy prices, the accumulated depreciation of the yen, and the strength of global demand linked to artificial intelligence are generating additional inflationary pressures. Regarding the economic outlook, the Bank pointed out that the Japanese economy maintains a moderate expansion, supported by accommodative financial conditions, government support measures and the growth of global demand related to artificial intelligence, despite the negative impact derived from the increase in the price of energy, raw materials and technological inputs.

Regarding its forecasts, the BoJ revised its growth estimate for fiscal 2026 slightly upwards, from 0.6% to 0.7%, while it marginally reduced that for 2027, from 0.8% to 0.7%, keeping the 2028 estimate unchanged at 0.8%. In contrast, it raised its inflation forecasts and now expects the CPI excluding fresh food to register advances of 2.5% in 2026, 2.6% in 2027 and 2.0% in 2028.

BoJ Benchmark Interest Rate (%)



Source: Own elaboration with Bloomberg data.

Going forward, the BoJ anticipates that the economy will continue to grow moderately and that inflation will gradually converge towards levels close to 2.0% once the effects of high energy prices dissipate. However, it warned that risks to inflation remain skewed to the upside, so future monetary policy decisions will depend on the evolution of economic activity, inflationary pressures and external factors such as the situation in the Middle East, the demand associated with artificial intelligence and the evolution of the exchange rate.

Disclaimer

The shared reports contain certain current and forward-looking statements and information that are based on public information, obtained from sources believed to be reliable, however, there is no warranty, explicit or implicit, of their reliability, so MONEX does not offer any guarantee as to their accuracy or completeness.

The information presented may be subject to future and uncertain events, which could have a material impact on it.

The public who has access to these reports should be aware that the content of this report does NOT constitute an offer or recommendation by MONEX to buy or sell securities or currencies, or to carry out specific operations. Likewise, it does not imply for any reason the certification of the goodness of the value or the solvency of the issuer.

