NOMURA

Japan Economic Weekly

Global Markets Research
23 June 2026

Economics - Japan

The focus of attention has shifted to growth strategies and consumption tax cuts

The economy, prices, and financial conditions favor more rate hikes

1. Domestic policy (BOJ): The economy, prices, and financial conditions at the heart of monetary policy management (Kyohei Morita)

- The focus of the BOJ's monetary policy management is likely to be on the economy, prices, and financial conditions. It will take some time for an easing of the tensions in the Middle East to be reflected in an easing of quantitative and price-related supply constraints. Nevertheless, we think these three factors (the economy, prices, and financial conditions) favor more rate hikes.

2. Domestic policy (government): Focus in late June likely to be on growth strategies and consumption tax cuts (Kengo Tanahashi, Masaki Kuwahara)

- Now that the monetary policy meeting is over, we expect the focus of attention to shift from monetary policy to fiscal policy. By the end of this month we expect the government to finalize its growth strategies for this year and Prime Minister Takaichi to make a final decision on the consumption tax cuts.
- The Growth Strategy Council is reportedly envisioning public-private investment of around ¥370trn by FY40. It will be interesting to see how much public-sector support is provided and how it is funded.
- We think the government's proposal is likely to be a combination of a cut to the consumption tax for food to 1% from 2027 and cash handouts in the autumn of 2027 and 2028. However, the opposition parties have strongly objected to such a proposal, and it remains to be seen how it would be funded.

3. Japanese economy: Gradual easing of supply constraints stemming from Middle East, AI boom (Yuki Ito, Elias Liu)

- In this section, we identify key themes for the outlook for the economy. We focus on: (1) supply constraints stemming from the Middle East; (2) automobile exports; and (3) the AI boom.
- A number of statistics already show signs of an AI boom. Orders for computers and Chinese orders for machine tools have started to rise. The recent strength of orders may point to signs of growth in exports and capex in the near term.

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Key points for monetary policy

Our main scenario is that the BOJ hikes rates in June and December 2026 and June 2027.Since its April monetary policy meeting the BOJ's stance has been to "continue to raise the policy interest rate and adjust the degree of monetary accommodation, in accordance with economic activity, prices, and financial conditions." Looking ahead, we will keep a close eye on the BOJ's policy stance, focusing on: (1) the impact of the Middle East situation on the economy and prices; and (2) the Takaichi administration's management of fiscal policy.

Japanese report published on 19 June 2026

1. Domestic policy (BOJ): The economy, prices, and financial conditions at the heart of monetary policy management

Monetary policy meeting: (1) three points to note; (2) we retain our main scenario

The BOJ raised its policy rate from "around 0.75%" to "around 1.0%" on 16 June. The rate hike itself came as no surprise as it had been sufficiently priced in by the market (see our 16 June 2026 report *BOJ Watch*).

However, there were a number of noteworthy developments related to the rate hike decision. We see three main takeaways.

First, Policy Board member Toichiro Asada voted against a rate hike. Ayano Sato, who, like Mr Asada, was appointed to the Board by the Takaichi Cabinet, will take up office on 30 June as the successor to Policy Board member Junko Nakagawa. Given that Mr Asada voted against the rate hike, Ms Sato may also oppose rate hikes any time soon. The market is also interested in how the end of the terms of office for hawkish Policy Board members Hajime Takata and Naoki Tamura in July 2027 will affect the BOJ's policy stance. However, from a fundamental point of view, we think the current rate-hiking cycle is likely to end in mid- to late 2027, anyway.

Second, there were changes in the BOJ's assessment of the risks to the economy and prices. With respect to the economy, it said that "**the risk of a significant slowdown in the economy appears to have decreased compared with a while ago,**" while, with respect to prices, it warned that "**there is a risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent.**" Such a risk assessment provides justification for ongoing rate hikes.

Third, there were also changes to the wording on the future conduct of monetary policy. Whereas the BOJ had previously given "**real interest rates are at significantly low levels**" as a reason for continuing to raise the policy interest rate, this was replaced by "**financial conditions have been accommodative.**" At the press conference that followed the meeting, BOJ Deputy Governor Shinichi Uchida positioned this as a change not in the BOJ's assessment but in how it explains it. However, we think it would make more sense to see the removal of the phrase "significantly low" as an indication that the BOJ has lowered its assessment of the degree of monetary easing by one notch.

In view of the above three points, we think the BOJ may have passed the halfway mark of this rate-hiking cycle. Accordingly, our views on the outlook for monetary policy are as follows.

- **Main scenario:** a total of two rate hikes in December 2026 and June 2027
- **Risk scenario:** a total of three rate hikes in October 2026, Mar–Apr 2027, and Sep–Oct 2027

Economy: Crude oil import volumes and the degree of shipment delays in the manufacturing sector will be key points to watch as tensions in the Middle East ease

We identify two main takeaways from the BOJ's monetary policy stance.

(1) In view of the current accommodative monetary conditions, the BOJ will continue to raise its policy rate and adjust the degree of monetary easing in accordance with the economy, prices, and financial conditions.

(2) The BOJ will consider the timing and pace of any adjustments to the degree of monetary easing while keeping a close eye on the situation in the Middle East as well as on the likelihood of its median forecasts for the economy and prices proving to be accurate.

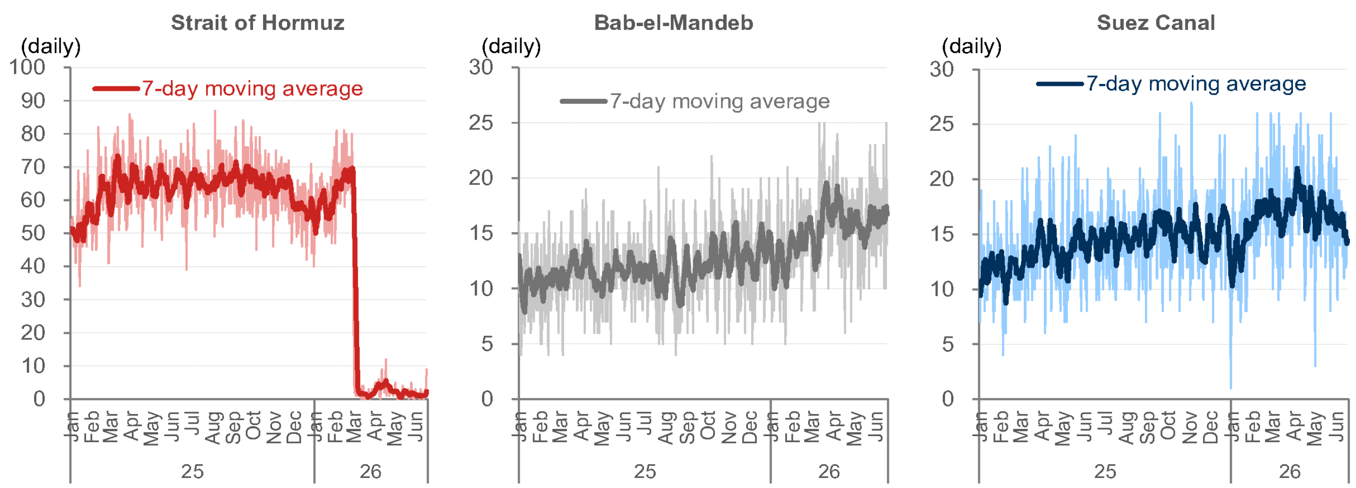
In view of these two points, we think that careful monitoring of (a) the economy, (b) prices, and (c) financial conditions will be key to assessing the outlook for BOJ policy management.

(a) With regard to the economy, the latest important development is that tensions in the Middle East have started to ease, with the US and Iran signing a memorandum of understanding on 18 June (US time).

However, in order for global economic activity to normalize, the Strait of Hormuz will need to be reopened and crude oil prices will need to stabilize. The number of tankers transiting the Strait of Hormuz has dwindled to more or less zero from 60–70 per day before the situation in the Middle East deteriorated (*Figure 1*). While the number of tankers transiting the nearby Bab-el-Mandeb has risen slightly since the second half of March, we can by no means say that alternative routes to the Strait of Hormuz have been established, even if we include the Suez Canal.

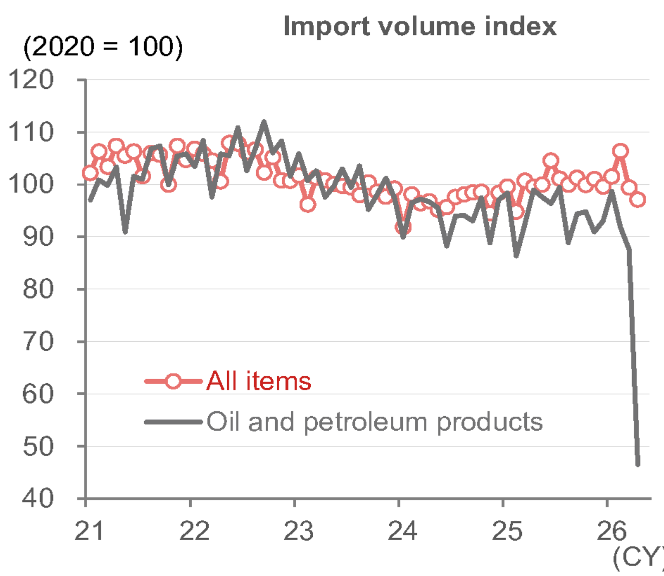
This suggests that it will take time for quantitative supply constraints, which have a direct bearing on the economy, to ease even as the situation in the Middle East eases. Looking ahead, we will need to keep a close eye on the extent of the recovery in petroleum and petroleum product import volumes (*Figure 2*) and on the extent of any delays to the procurement of raw materials faced by manufacturers in the major economies (*Figure 3*).

Fig. 1: Number of tanker transits in the Middle East still a long way from returning to normal



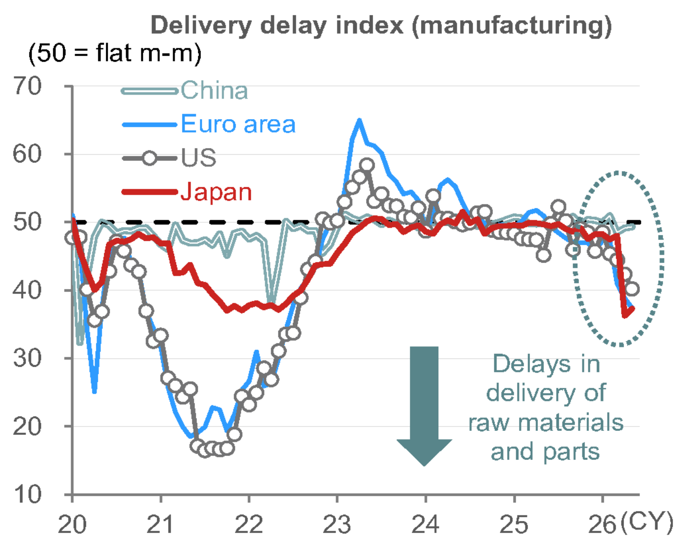
Note: Shows number of tanker transits per day. Latest data as of 18 June 2026.
Source: Nomura, based on Bloomberg data

Fig. 2: Sharp decline in imports of oil and petroleum products



Source: Nomura, based on MOF

Fig. 3: Delays in delivery of raw materials and parts



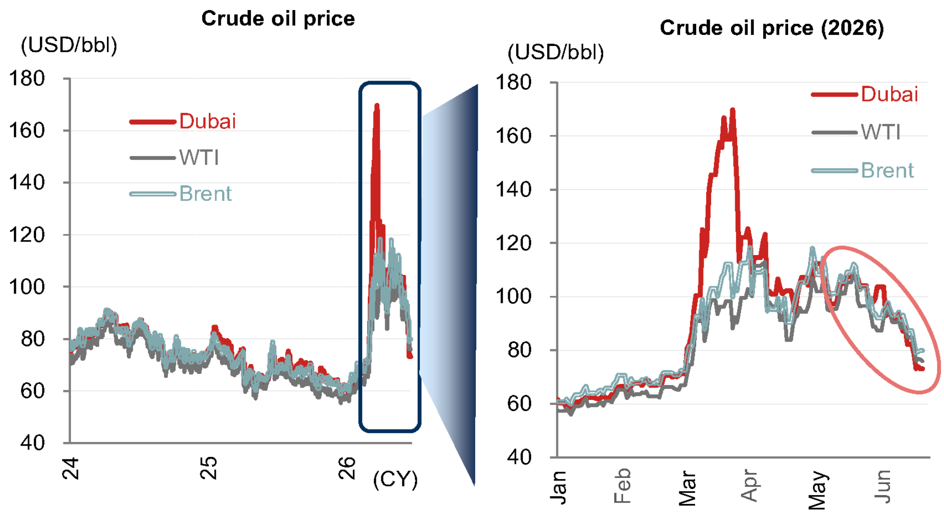
Source: Nomura, based on S&P Global data

Prices: We expect CPI inflation to peak in 2027 Q1

The second factor that will need to be monitored to see whether the BOJ is likely to continue to hike interest rates is (b) prices.

The main factor affecting price-related supply constraints is probably crude oil prices. The prices of the three main crudes (Dubai, WTI, and Brent) have been edging lower in anticipation of an easing of tensions in the Middle East (*Figure 4*). This suggests to us that, while quantitative supply constraints are likely to persist for a while longer, price-related supply constraints may ease first.

Fig. 4: Crude oil prices edging lower



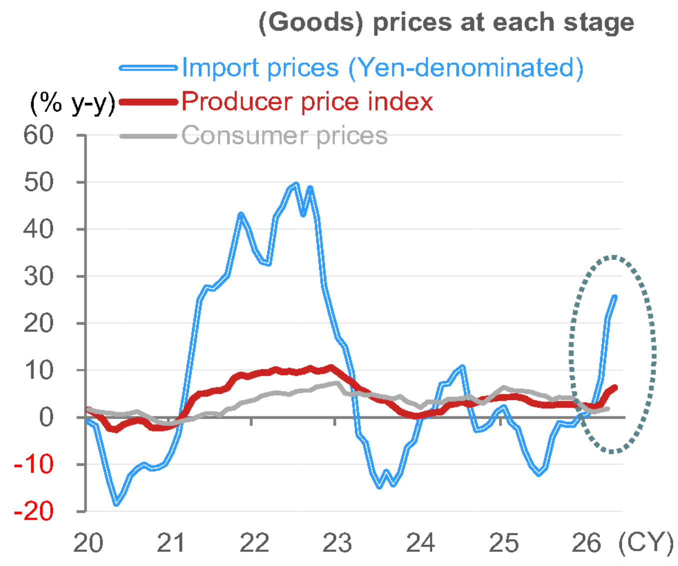
Source: Nomura, based on Bloomberg data

Even if they do, we think it may take until around mid-2027 for price-related supply constraints to spread downstream. This is because of the time it takes for upward pressure on prices to work its way from upstream in the supply chain to downstream.

Looking at goods prices, we see that yen-denominated import prices have risen sharply. This will now work its way down the supply chain from (B2B) producer prices (PPI) to (B2C) consumer prices (CPI) (*Figure 5*). We think it will take until Jan–Mar 2027 for downstream (y-y) consumer price (CPI) inflation to peak (*Figure 6*).

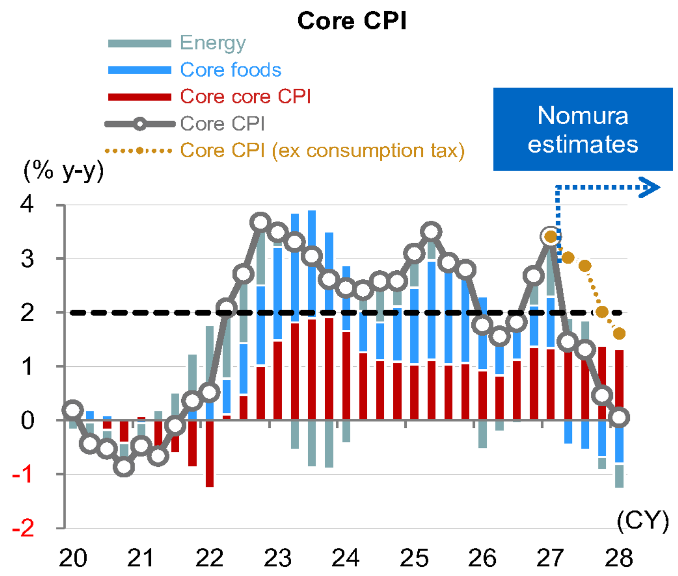
In the meantime, we expect the BOJ to remain on the lookout for upside risks to prices, a concern it expressed in its June monetary policy statement.

Fig. 5: Upward pressure on prices mounts upstream



Note: Data cover only goods.
Source: Nomura, based on Ministry of Internal Affairs and Communications and BOJ data

Fig. 6: Core CPI inflation expected to peak in 2027 Q1



Note: (1) The core CPI excludes fresh food. The core-core CPI excludes energy and core food (food less fresh food and alcoholic beverages). (2) We assume that the consumption tax rate on food and beverages will be reduced to zero in April 2027.
Source: Actual figures from Ministry of Internal Affairs and Communications, forecasts by Nomura

Financial conditions: Growth in lending justifies additional rate hikes

The third factor that will need to be monitored to see whether the BOJ is likely to continue to hike interest rates is (c) financial conditions.

Financial conditions can include a wide range of factors, including lending, exchange rates, and asset (eg, share) prices. Lending is of particular interest when it comes to gauging the size of any gap between the policy interest rate and the neutral rate of interest. This is because sustained growth in lending can be seen as evidence that the policy rate is lower than the neutral rate.

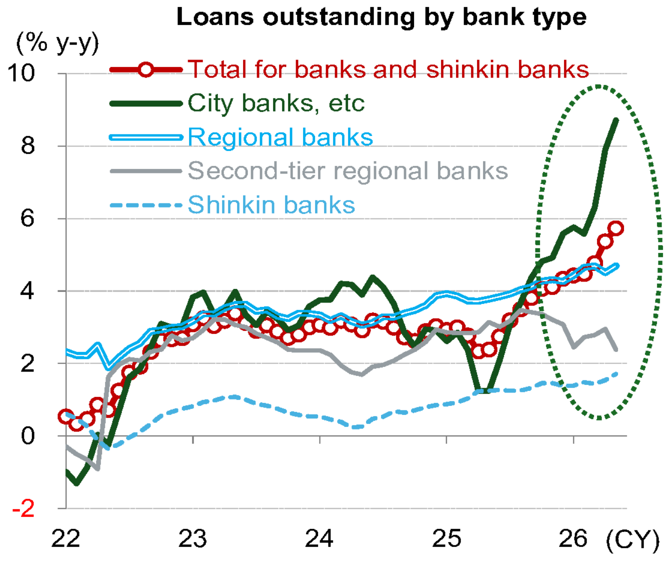
Loans outstanding at banks and shinkin banks are up 6% y-y, outpacing CPI inflation (*Figure 7*). Growth in lending by city banks is particularly marked.

Home loans have also been rising steadily. As the BOJ raises its policy interest rate, much is often made of the impact on home loan interest rates. However, home loans outstanding at private-sector financial institutions have continued to rise by 3-4% y-y, partly as a result of rising house prices (*Figure 8*). Moreover, the BOJ's housing loan demand DI (stronger - weaker) has turned positive. This shows that lenders are aware of the growing demand for home loans.

We have looked at the main aspects of the economy, prices, and financial conditions that will need to be monitored. It will take some time for an easing of the tensions in the Middle East to be reflected in an easing of quantitative and price-related supply constraints. Nevertheless, we think these three factors (the economy, prices, and financial conditions) currently favor more rate hikes.

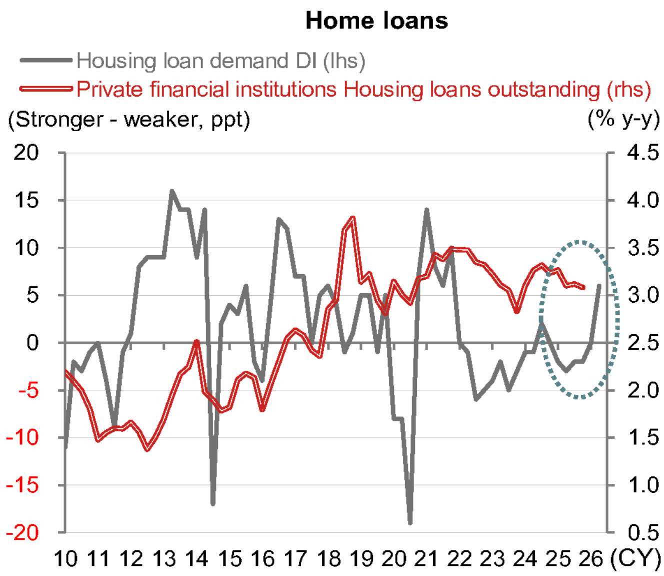
(Kyohei Morita)

Fig. 7: Rate of increase in loans outstanding rises, particularly at city banks



Note: City banks, etc. includes city banks and trust banks.
Source: Nomura, based on BOJ data

Fig. 8: Home loan demand on the rise



Source: Nomura, based on BOJ data

2. Domestic policy (government): Focus in late June likely to be on growth strategies and consumption tax cuts

Key points to watch in macroeconomic policy: Following BOJ meeting, focus likely to shift to fiscal policy management under Takaichi administration

Now that the June monetary policy meeting is over, we expect the focus of attention to shift from monetary policy to fiscal policy. We await the interim report on growth strategies, consumption tax cuts, and refundable tax credits later this month, while the Cabinet is expected to approve this year's Basic Policy in July. Both of these are important for gauging the outlook for the Japanese economy. It will also be interesting to see how "responsible" the Takaichi administration's fiscal management is.

Growth strategies: Media reports suggest public-private investment of around ¥370trn by FY40

NHK reported on 18 June that the Japan Growth Strategy Council is considering a total of around ¥370trn in public and private-sector investment in 17 strategic areas by FY40 (see our 19 June 2026 report *Fiscal Insight*).

By way of comparison, the government's green transformation (GX) policy, which started in 2023, called for public-private investment of around ¥150trn over 10 years. On an annual basis, this translates to ¥15trn in public-private investment and ¥2trn in support through GX economy transition bonds.

Assuming public-private investment of ¥370trn over the 14 years from FY27 to FY40, this growth strategy works out at around ¥26trn a year, around 1.8x the level of public-private investment envisioned in the GX policy. Assuming a 1.8x increase in public support per year, we estimate annual public-sector support of ¥3.5trn, for a total of ¥49trn over 14 years.

Of course, the ratio of public-sector support to required public-private investment will not necessarily be the same as for the GX policy. It will be interesting to see how much public-sector support is provided relative to public-private investment and how it is funded.

Consumption tax cuts: Opposition parties oppose LDP proposal, question mark against agreement by end-June

LDP Research Commission Chairman Itsunori Onodera submitted a draft proposal to the National Council on Social Security on 17 November as an indication of what to expect in the forthcoming interim report. Under the proposal, refundable tax credits will be fully introduced around autumn 2029, and in the meantime the government will: (1) lower the consumption tax rate on food and beverages to 1% from April 2027; and (2) provide cash handouts closely linked to income and worth in total the equivalent of 1% of consumption tax (around ¥600.0bn) in the autumn of 2027 and 2028. The ruling coalition pledged to lower the consumption tax rate to 0% in the February Lower House election and is now aiming to achieve the same effect by combining (1) and (2).

While discussions are likely to be based on the above proposal, final agreement has yet to be reached. The *Sankei Shimbun* reported on 17 June that opposition parties had expressed strong dissatisfaction at the National Council meeting. At present, the LDP has a two-thirds majority in the Lower House on its own, so even if all the opposition parties were to oppose the ruling coalition's tax cut bill in the Upper House, it would still be able to get the bill through the Lower House by putting it to a second vote. However, if the ruling coalition's bill does not adequately reflect discussions at the National Council, which is supposed to be a nonpartisan forum, forcing a bill through the Lower House in this way would create a bad impression.

The DPP, which has a relatively similar economic policy stance to the ruling coalition, has proposed the introduction of refundable (income/residents') tax and social insurance premium credits by FY27. In the meantime it is also calling for cash handouts of ¥50,000 each for around 10mn middle- and low-income workers. While the total amount of around ¥500.0bn is broadly in line with the ruling coalition's proposal, the DPP is calling for the handouts to be made before the end of this year, which is different from the ruling coalition's proposal that they be made in the autumn of 2027. It will be interesting to see whether the ruling coalition and the DPP can reconcile their differences from next week onwards.

Still not clear how consumption tax cuts will be funded, focus now on what proposals will be considered

The total cost of the consumption tax cuts, comprising a cut in the rate on food to 1% and handouts to households, will be about ¥5trn. While the ruling and opposition parties have indicated that they will not rely on deficit-financing bonds to fund such a move, they have not presented any definite proposals at the National Council.

One possibility would be to use surplus funds from the Foreign Exchange Fund Special Account (FEFSA). Around ¥5.4trn in surplus funds were generated in FY24, of which around ¥3.2trn was allocated to the general account for FY25. Of the remaining ¥2.2trn, ¥1.4trn is earmarked as foreign exchange funds and ¥800.0bn as FEFSA revenue for the following fiscal year. Every year the Ministry of Finance (MOF) earmarks a portion of the surplus as foreign exchange funds. In FY22, however, the amount normally earmarked for that purpose was instead allocated to the general account. If a similar approach is taken this time, around ¥1trn of surplus FEFSA funds could be used as an additional source of funding.

Another way to generate some of the necessary funds would be to overhaul the government's special taxation measures, subsidies, and funds. The government established an office for that purpose in the Cabinet Secretariat in November 2025. The *Sankei Shimbun* also reported on 17 June that the LDP is likely to recommend that the government review its subsidies and funds, including solar power subsidies and the use of the Children and Families Agency's budget. However, the amount that such a review might be able to generate might be quite small.

While we think it would be difficult to generate ¥5trn of funding simply by allocating funds from FEFSA or overhauling the government's special taxation measures, subsidies, and funds, the *Nikkei* reported on 2 June that the government has a proposal that would achieve this without having to increase new JGB issuance y-y.

When the FY25 supplementary budget was drafted, Prime Minister Takaichi claimed that her administration had observed fiscal discipline given that post-supplementary budget new JGB issuance under the general account was only ¥40.3trn, down from the FY24 post-supplementary budget figure of ¥42.1trn. In view of this, we think ¥40trn is likely to be seen as an acceptable amount for new JGB issuance (see our 2 June 2026 report *Fiscal Insight*). Based on MOF's fiscal impact assessment for the next few fiscal years, there could be roughly ¥6-7trn of headroom in FY27 before new JGB issuance reaches ¥40trn (*Figure 9*). However, even if there is enough headroom to cover the amount needed to fund the consumption tax cuts, new issuance will be higher than if there were no cuts. Therefore, if the ruling coalition's proposal is adopted, it will be seen as a tax cut funded by deficit-financing bonds.

Fig. 9: The government expects the gap between expenditure and tax revenue in FY27 to be around ¥33trn (giving ¥7trn of headroom for new JGB issuance)

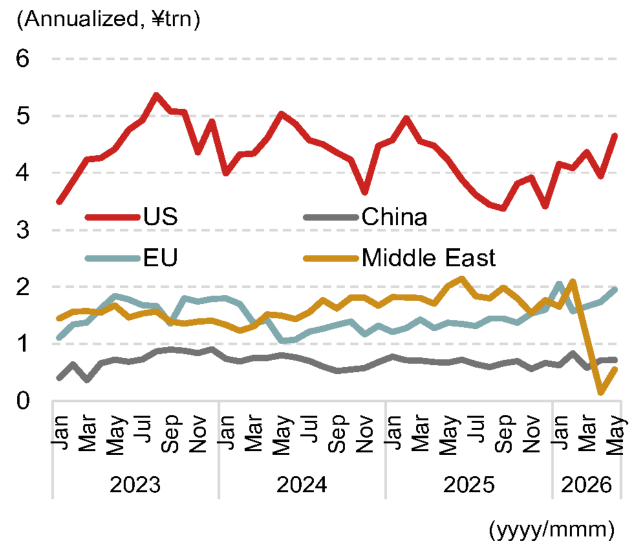
(¥trn)

(FY)	(a) Expenditure			(b) Tax revenue, etc			(a - b) Difference		
		3.0% growth scenario	1.5% growth scenario		3.0% growth scenario	1.5% growth scenario		3.0% growth scenario	1.5% growth scenario
2016	97			62			34		
2017	97			63			34		
2018	98			64			34		
2019	101			69			33		
2020	103			70			33		
2021	107			63			44		
2022	108			71			37		
2023	114			79			36		
2024	113			77			35		
2025	115			87			29		
2026	122			93			30		
2027		129	128		96	94		33	34
2028		135	133		100	97		34	36
2029		140	137		103	99		36	38

Note: Based on general account initial budget.
Source: Nomura, based on MOF

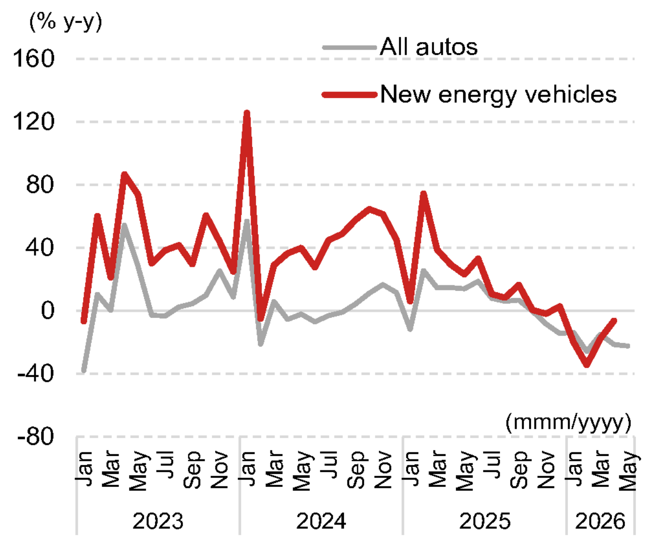
(Kengo Tanahashi, Masaki Kuwahara)

Fig. 10: Auto exports by region



Note: Adjusted for inflation and seasonal variation by Nomura.
Source: Nomura, based on MOF and BOJ data

Fig. 11: Auto sales volume in China



Note: Data cover passenger vehicles only. New energy vehicles include electric vehicles and plug-in hybrids.
Source: Nomura, based on China Passenger Cars Association (CPCA) data

We expect automobile exports to China to remain sluggish for the time being. Auto sales in China as a whole have been cooling as a result of reduced subsidies by the Chinese authorities (*Figure 11*). Moreover, the decline in sales of gasoline-powered vehicles, weighed down by high crude oil prices, has been more pronounced recently than the decline in electric vehicles. Both of these factors are likely to be negative for Japanese companies, which are strong in gasoline-powered vehicles.

AI boom: Providing scope for growth in exports and capex in related industries

Outside of Japan, momentum behind the AI boom has been building, particularly in the US and China. The Japanese economy also stands to benefit not only from AI investment itself but also from: (1) increased exports of semiconductor-related products (such as semiconductors and other electronic parts and SPE); and (2) moves to encourage capex to increase production capacity for these products.

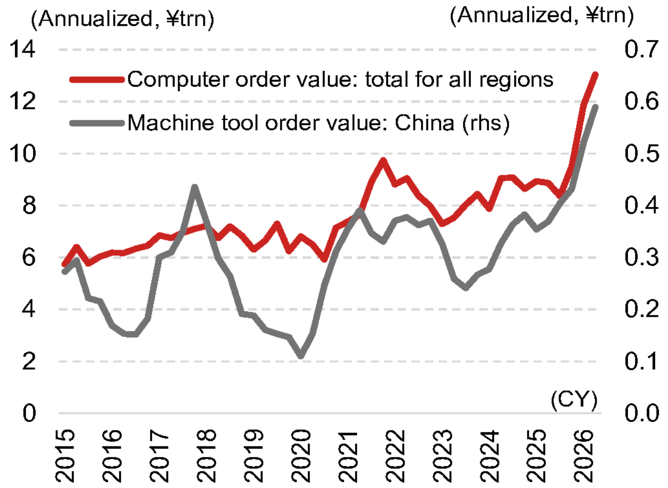
A number of statistics already show signs of an AI boom, including in Japan. A breakdown of machinery orders by category shows that orders for computers, etc have started to rise (*Figure 12*). These are indispensable for data centers that handle data processing and analysis for AI.

Moreover, machine tool orders from users in mainland China have continued to rise (*Figure 12*). In China, investment in related areas such as semiconductors, ICT, and IT services has been growing strongly since the start of this year as a result of rising AI demand (*Figure 13*). The demand for Japanese-made equipment and machinery has also been strong in these industries. We surmise that increased investment demand in China is linked to the boost to Japanese machinery orders.

There is a certain time lag between machinery orders, production, and shipments. The recent strength of orders may point to signs of growth in exports and capex in the near term.

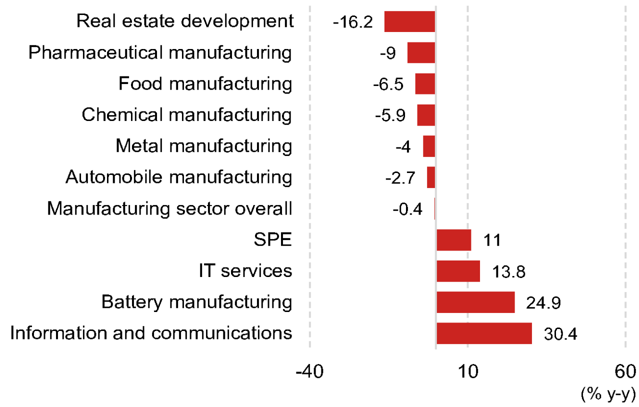
(Yuki Ito, Elias Liu)

Fig. 12: Machinery orders



Note: Seasonally adjusted by Nomura.
Source: Nomura, based on Japan Machine Tool Builders' Association data

Fig. 13: Fixed asset investment in China by sector



Note: Based on actual data for Jan–May 2026.
Source: Nomura, based on National Bureau of Statistics of China data

4. Digest of recent reports

BOJ Watch - Outcome of the BOJ's June Monetary Policy Meeting

(issued 16 June 2026)

Japan trade statistics: May 2026 - Hints of easing of supply constraints from the volume side

(issued 17 June 2026)

Japan: June 2026 BOJ Tankan preview - We forecast deterioration in corporate sentiment, particularly at materials-related manufacturing sectors

(issued 17 June 2026)

ESG: EU ETS review underway - Efforts being made to reduce costs, such as by enhancing free allocations

(issued 17 June 2026)

All-Japan CPI: May 2026 - Flat m-m; impact of higher crude oil prices still limited

(issued 19 June 2026)

Japan Inflation Monitor (June) – CPI inflation flat m-m in May, impact of higher crude oil prices still limited

(issued 22 June 2026)

5. The week ahead

26 June (Friday): June Tokyo ku-area CPI (all items less fresh food) (previous actual: +1.3% y-y; Nomura forecast: +1.7%)

We estimate June 2026 **Tokyo ku-area all-item CPI** inflation of +1.7%, which would be up from +1.4% in May 2026. We expect core CPI (all items less fresh food) inflation of +1.7%, up from +1.3% the previous month. We forecast the **BOJ's version of core-core CPI inflation** (all items, less energy and fresh food) at +1.9%, accelerating from the previous month (+1.6%).

We think policy factors will significantly push up CPI inflation in June. The Tokyo Metropolitan Government's scrapping of basic water charges for a limited time will likely dent CPI levels in May–Aug 2026. However, as these measures were implemented in June 2025 as well, the dent to y-y inflation will drop from the picture in June 2026. We also expect inflation figures to reflect hikes to medical fees from June 2026. We estimate that these factors will boost core CPI inflation by around 0.3ppt in total.

We estimate that inflation for **core foods** (food excluding fresh food and alcoholic beverages) came in at +4.1%, down from +4.4% in May. We estimate **energy** inflation at -2.3%, versus -3.7% a month earlier. Prices of energy-related items were broadly flat between May and June 2026, but we take into account price movements between May and June 2025. As a result, we estimate the **MIC's measure of core-core CPI** (all items less food (ex alcoholic beverages) and energy) at +1.1%, up from +0.7% in May. We take into account the impact of scrapping basic water charges and hiking medical fees, as noted above. However, we think price hikes in response to rising tensions in the Middle East remained limited. (Uichiro Nozaki)

24 June (Wednesday): Speech by BOJ Governor Ueda (read on his behalf by Deputy Governor Himino) at Shinkin Bank Annual Meeting (Wednesday)

Although the speech is to be read by a deputy, this will be BOJ Governor Kazuo Ueda's first public statement since the June monetary policy meeting. However, this speech is conducted every year and is short. While he will give a simple explanation of the decision at the June monetary policy meeting (MPM) and the views on the economy and prices that underpin it, we think he is unlikely to say anything new. (Uichiro Nozaki)

25 June (Thursday): Speech by Policy Board member Naoki Tamura at a meeting with business leaders in Hyogo Prefecture

At the June MPM Mr Tamura: (1) said that **underlying inflation was already nearing levels consistent with the price stability target**, and (2) voted against ending tapering of JGB purchases. We take this to mean that he is more hawkish than the Policy Board's consensus view and favors early normalization from large-scale monetary easing. We expect Mr Tamura to not only give a speech about the decision at the June monetary policy meeting, but also express his own views. We view this is important material for gauging the extent to which hawkish opinions are being expressed at the MPM. (Uichiro Nozaki)

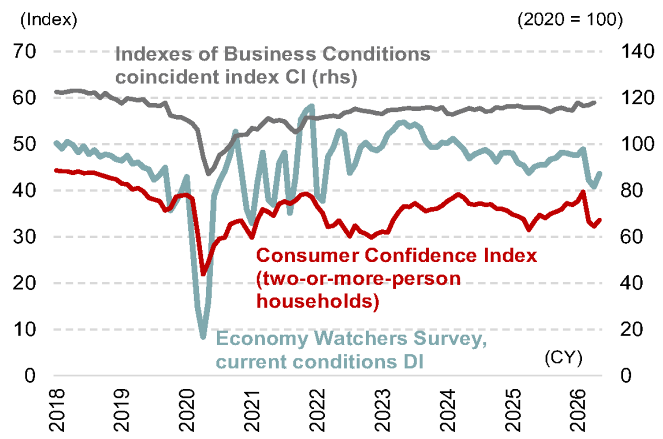
Fig. 14: Economic data and events in the week ahead

Monday 22 June		Period	Units	Prev	Last	Nomura
	No indicators					
Tuesday 23 June						
9:30	PMI Manufacturing	Jun	Index	55.1	54.5	n.a.
Wednesday 24 June						
8:50	Summary of Opinions at the MPM (15-16 Jun)					
8:50	SPPI	May	% y-y	3.3	3.0	n.a.
15:40	Speech by Governor UEDA at a National Association of Shinkin Banks Meeting (reading by BOJ Deputy Governor Himino)					
Thursday 25 June						
10:00	Speech by Board Member TAMURA at a meeting with local leaders in Hyogo					
Friday 26 June						
8:30	Ku-area of Tokyo Core CPI	Jun	% y-y	1.5	1.3	1.7

Source: Nomura, based on various materials

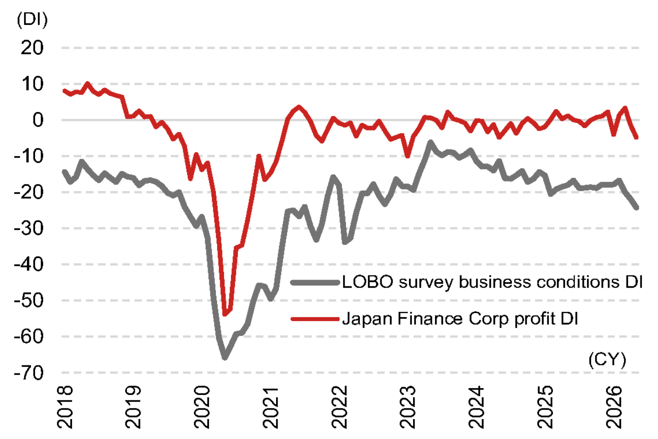
6. Japanese macroeconomic indicators

Fig. 15: Economy-related indicators



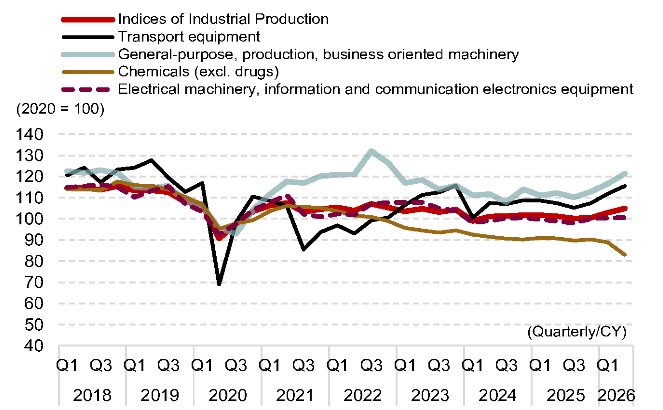
Source: Nomura, based on Cabinet Office data

Fig. 16: Indicators of business sentiment at SMEs



Source: Nomura, based on Japan Finance Corporation, Japan Chamber of Commerce and Industry data

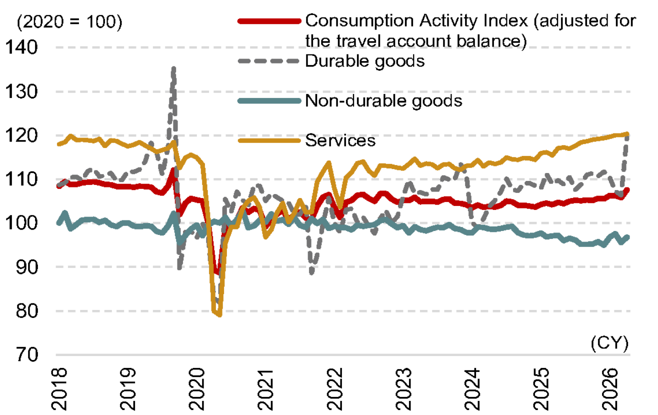
Fig. 17: Industrial production by sector



Note: May and June data within 2026 Q2 are based on production plans adjusted using average realization and amendment rates over past three months.

Source: Nomura, based on METI data

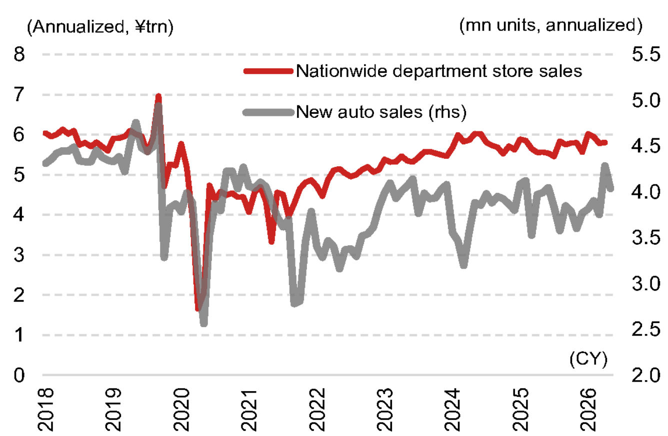
Fig. 18: Consumption Activity Index



Note: In order to align this with the definition of private consumption in the GDP statistics, we use figures adjusted for the travel account balance, which subtract inbound consumption.

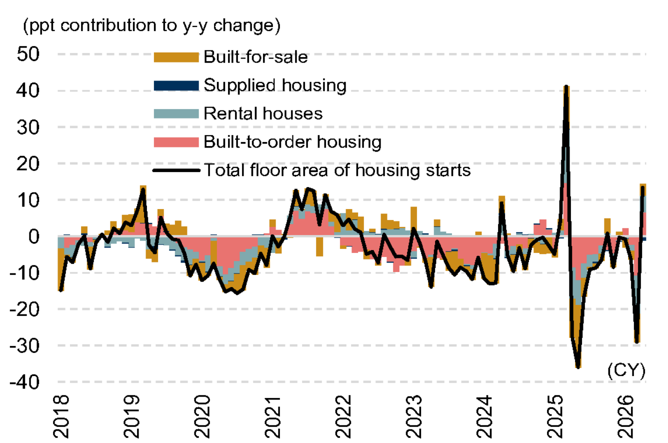
Source: Nomura, based on BOJ data

Fig. 19: Consumption-related industry statistics



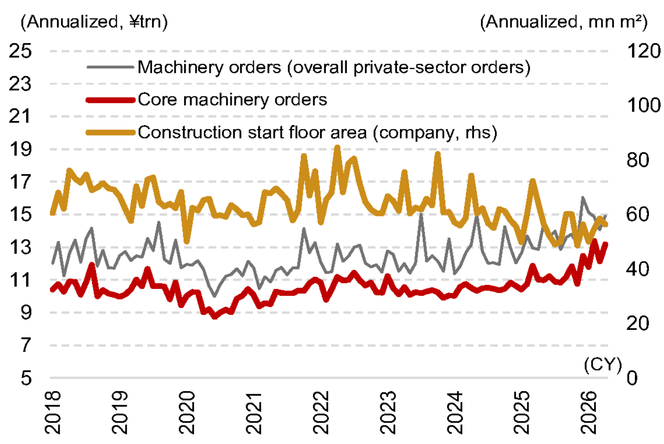
Source: Nomura, based on Japan Department Stores Association, Japan Automobile Dealers Association (JADA), Japan Light Motor Vehicle and Motorcycle Association data

Fig. 20: Floor area of housing starts by use



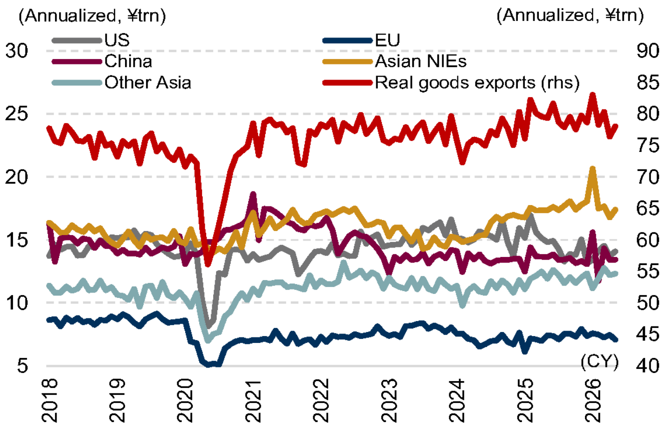
Source: Nomura, based on Ministry of Land, Infrastructure, Transport and Tourism data

Fig. 21: Leading indicators of capex



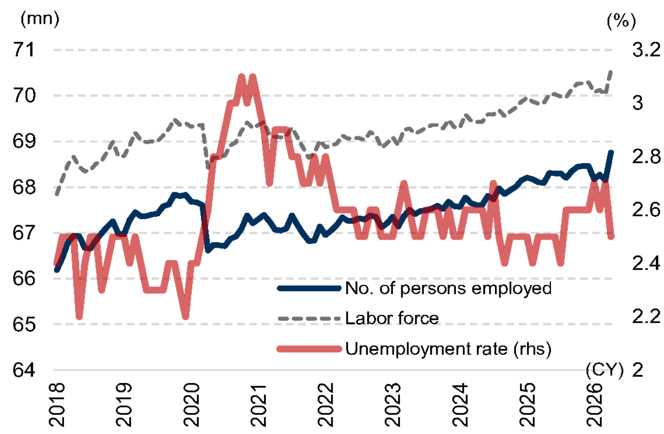
Source: Nomura, based on Cabinet Office, Ministry of Land, Infrastructure, Transport and Tourism data

Fig. 22: Real exports by region



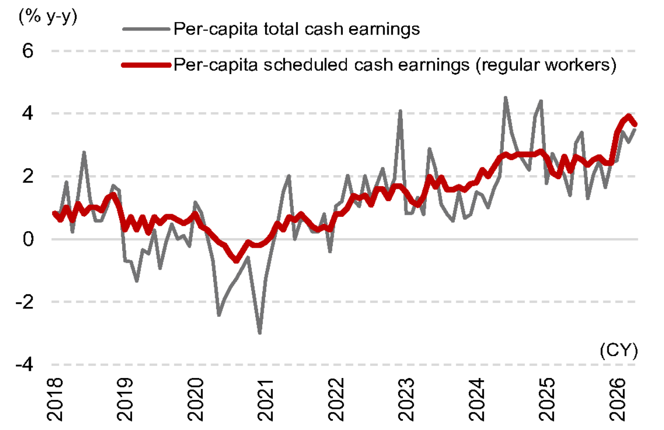
Note: (1) EU exports are on a 27-country basis (28-country basis including the UK through February 2020). (2) Asian NIEs include Taiwan, Hong Kong, South Korea and Singapore. (3) Adjustments for seasonal factors and inflation are by Nomura. Price series for exports and imports are indexed to 2020.
Source: Nomura, based on MOF and BOJ data

Fig. 23: Employment-related indicators



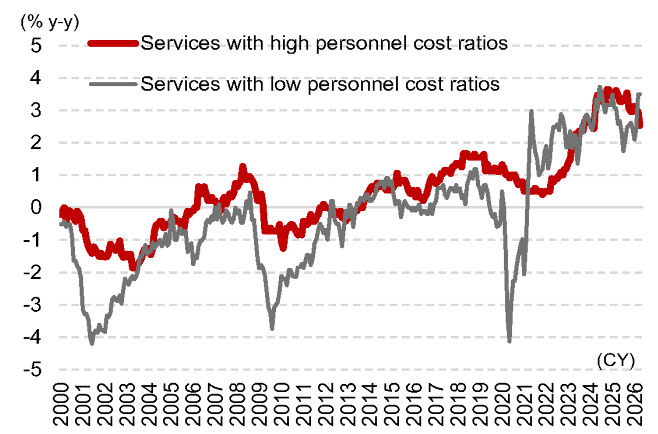
Source: Nomura, based on Ministry of Internal Affairs and Communications data

Fig. 24: Per-capita wage increases



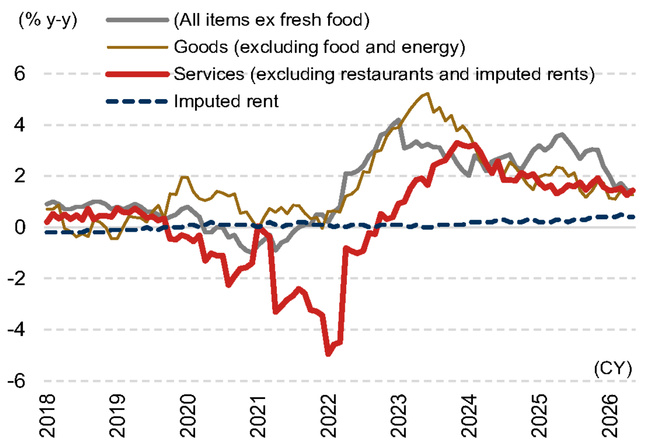
Note: Data for establishments with five or more employees.
Source: Nomura, based on Ministry of Health, Labour, and Welfare data

Fig. 25: Services Producer Price Index by personnel cost ratio



Note: Excludes impact of consumption tax hikes.
Source: Nomura, based on BOJ data

Fig. 26: Items included in CPI



Note: Core CPI = CPI for all items, excluding fresh food. Goods in figure include alcoholic beverages. Services exclude imputed rents and restaurants.
Source: Nomura, based on Ministry of Internal Affairs and Communications data

7. Calendar of world events in 2026

Fig. 27: Calendar of world events in 2026 (1)

		Japan		International organizations in US, Europe, China, etc	
2026	Apr	1	Scrapping of provisional surcharge on diesel delivery tax	3	US: FY27 President's Budget announced
		1	Threshold for cutting pension benefits to workers aged over 65 to be increased to ¥620,000/month	13	IMF and World Bank spring meetings (Washington, through 18 Apr)
		1	Companies above a certain size to be required to publish gender pay gap data and percentage of female managers	16	G20 meeting of finance ministers and central bank governors
		1	Start of Child and Childcare Support Contribution System	20	Hannover Messe (through 24 Apr)
		1	Revised GX Promotion Act comes into force	29	US: FOMC Meeting (from 28th)
		1	Start of special defense corporation tax	30	Eurozone: ECB Governing Council meeting (29 Apr)
		1	High school tuition to become effectively free	30	UK: BoE Monetary Policy Committee meeting
		3	Rengo publishes third set of results of 2026 spring wage negotiations	30	US and Eurozone: 2026 Q1 preliminary GDP data
		6	BOJ branch manager meeting		
		7	Government passes FY26 budget		
		13	Speech by BOJ Governor Kazuo Ueda at Trust and Banking Conference (read by Deputy Governor Ryozo Himino)		
		27	Government's council of experts scheduled to meet to discuss revisions to three key national security policy documents		
		28	BOJ Monetary Policy Meeting (from 27 Apr, Outlook Report)		
	May	11	US Treasury Secretary Scott Bessent visits Japan (through 13 May)	3	Asian Development Bank Annual Meeting (Uzbekistan, through 6 May)
		14	Speech by BOJ Policy Board member Kazuyuki Masu at Kagoshima Keizai Doyukai	14	US President Trump visits China
		16	Speech by BOJ Deputy Governor Ryozo Himino at meeting of Japan Society of Monetary Economics	15	US Fed Chair Jerome Powell's term ends
		19	Cabinet Office: 2026 Q1 first preliminary GDP estimates	18	Meeting of G7 finance ministers and central bank governors (France, through 19 May)
		19	Prime Minister Takaichi to visit South Korea (through 20 May)		
		21	Speech by BOJ Policy Board member Junko Koeda at a meeting with business leaders in Fukuoka Prefecture		
		29	METI to publish results of Basic Survey on Overseas Business Activities		
	Jun	3	Speech by BOJ Governor Ueda at Kisaragi-kai meeting	7	OPEC Plus ministerial meeting
		3	Submission of FY26 supplementary budget to Diet	11	Eurozone: ECB Governing Council meeting
		13	Prime Minister Takaichi due to visit the UK, Italy, and France (through 18 June)	15	G7 Summit (France, through 17 Jan)
		16	BOJ Monetary Policy Meeting (from 15th)	17	US: FOMC meeting (through 16 Jun, release of Summary of Economic Projections)
		24	Speech by BOJ Governor Kazuo Ueda at a National Association of Shinkin Banks meeting (reading by BOJ Deputy Governor Ryozo Himino)	18	UK: BoE Monetary Policy Committee meeting
		25	Speech by BOJ Policy Board member Naoki Tamura at a meeting with business leaders in Hyogo Prefecture		
		29	BOJ Policy Board member Junko Nakagawa's term ends		
		Within month	Cabinet expected to approve growth strategy, basic policy, and regulatory reform plans		
		Within month	Government: Interim report on consumption tax cuts (expected)		

Source: Nomura, based on various sources and news reports

Fig. 28: Calendar of world events in 2026 (2)

		Japan		International organizations in US, Europe, China, etc	
2026	Jul	1	National Tax Agency announces roadside land prices as of 1 January	4	US: 250th anniversary of Declaration of Independence
		3	Rengo publishes final set of results of 2026 spring wage negotiations	7	NATO Summit (Turkey, through 8 Jul)
		17	Special session of the Diet expected to end	23	Eurozone: ECB Governing Council meeting
		31	BOJ monetary policy meeting (Outlook Report publication, from 30th)	29	US: FOMC Meeting (from 28th)
		Within month	MOF: Overview of FY25 results (expected)	30	US and Eurozone: 2026 Q1 preliminary GDP data
		Within month	Cabinet Office releases Economic and Fiscal Projections for Medium to Long Term Analysis	30	UK: BoE Monetary Policy Committee meeting
		Within month	Cabinet Office releases Mid-Year Economic Projection	Within month	IMF: Global Economic Outlook update
		Within month	Cabinet approves budget request guidelines		
	Aug	17	Cabinet Office: 2026 Q2 first preliminary GDP estimates	27	Jackson Hole symposium (US, through 29 Jun)
		Within month	MHLW to set minimum wage yardstick for FY26	Within month	China: Beidaihe meeting
		Within month	Ministries and agencies to submit tax reform requests		
		Within month	Government budget request deadline		
	Sep	18	BOJ Monetary Policy Meeting (from 17 Sep)	8	General Debate of the 81st session of the UN General Assembly (US, through 22 Jun)
		19	Silver Week (through 23 Sep)	10	Eurozone: ECB Governing Council meeting
				12	BRICs Summit (India, through 13 June)
				16	US: FOMC meeting (through 16 Sep, release of Summary of Economic Projections)
				17	UK: BoE Monetary Policy Committee meeting
				23	Asian Infrastructure Investment Bank annual meeting (Qatar, through 24 Sep)
	Oct	1	New minimum wage levels come into force	1	China: National Day holidays (through 7 Oct)
		30	BOJ monetary policy meeting (publication of Outlook Report, meeting to start on 29 October)	12	IMF and World Bank annual meetings (Bangkok, through 18 Oct)
		Late or beyond	Major companies to announce wage hike policies ahead of spring 2027 wage negotiations	28	US: FOMC Meeting (from 27th)
		Within month	Rengo to publishes basic concept for spring 2027 wage negotiations	29	Eurozone: ECB Governing Council meeting
		Within month	MHLW to publishes results of 2026 Survey on Wage Increase	29	US: 2026 Q3 preliminary GDP data
				30	Eurozone: 2026 Q3 preliminary GDP data
	Nov	16	Cabinet Office: 2026 Q3 first preliminary GDP estimates	3	US midterm elections
		Within month	Rengo to publish policy for spring 2027 wage negotiations	5	UK: BoE Monetary Policy Committee meeting
		Within month	Changes to tax-free shopping system for overseas visitors to Japan	9	COP31 (Turkey, through 20 Nov)
				18	APEC summit (China) (through 19 Nov)
				27	Black Friday
	Dec	18	BOJ Monetary Policy Meeting (from 17th)	9	US: FOMC meeting (through 8 Dec, release of Summary of Economic Projections)
		Within month	Speech by BOJ Governor Kazuo Ueda at Keidanren	14	G20 Summit (US, through 25 Dec)
		Within month	Cabinet Office: Basic policy for drafting FY27 budget	17	Eurozone: ECB Governing Council meeting
		Within month	Government: Supplementary budget bill (expected)	17	UK: BoE Monetary Policy Committee meeting
		Within month	Cabinet expected to approve FY27 tax reform bill and tax reform proposals	Within month	China: Central Economic Working Conference (CEWC)
		Within month	Cabinet expected to approve FY27 budget		
		Within month	Cabinet Office to disclose economic outlook and basic stance towards management of economy and public finances		
		Within month	Review of three key defense policy documents		

Source: Nomura, based on various sources and news reports

8. Economic forecasts for Japan

Fig. 29: Key points of our economic outlook

- We retain our main scenario of interest rate hikes in December 2026 and June 2027 amid the BOJ voicing concerns about upside risks to prices.
- We assess the risks posed by the BOJ's scenarios while keeping a close eye on: (1) an easing of tensions in the Middle East; and (2) fiscal-related events in Jun–Jul.
- In terms of fiscal policy, our focus is on Jun–Jul, including: (1) the Basic Policy; (2) the interim report on consumption tax cuts at the National Council; and (3) growth strategies.
- We assess the impact of the situation in the Middle East on the economy and inflation while keeping a close eye on the extent to which operations return to normal in the Strait of Hormuz and the stability of crude oil prices.

Source: Nomura

Fig. 30: Key points for monetary policy

We expect BOJ rate hikes in December 2026 and June 2027

Dec 2026
Increase in policy rate (from 1.00% to 1.25%)

Apr 2027
End of JGB purchase reductions

Jun 2027
Increase in policy rate (from 1.25% to 1.50%)

Source: Nomura

Fig. 31: Summary of our forecasts for the Japanese economy (1)

	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2	26Q3	26Q4	27Q1	27Q2	27Q3	27Q4	CY25	CY26	CY27
	(seas adj, annualized, % q-q)														
Real GDP	**2.0**	**1.1**	**-2.3**	**0.7**	**1.8**	2.0	-1.4	0.8	0.7	2.0	0.6	0.5			
	(seas adj, % q-q)														
Real GDP	**0.5**	**0.3**	**-0.6**	**0.2**	**0.5**	0.5	-0.4	0.2	0.2	0.5	0.2	0.1	**1.1**	0.6	0.7
Private consumption	**0.6**	**0.2**	**0.5**	**0.1**	**0.3**	0.3	0.1	0.0	0.0	0.7	0.0	0.2	**1.3**	1.0	0.8
Private-sector capex	**1.2**	**1.0**	**-0.1**	**1.2**	**-0.7**	0.3	0.3	0.5	0.5	0.5	0.5	0.5	**2.1**	0.7	1.8
Residential fixed investment	**-0.5**	**0.0**	**-8.0**	**5.0**	**0.9**	-0.5	-0.7	-0.1	-0.4	-0.5	-0.5	-0.5	**-2.5**	-0.5	-1.7
Government expenditure	**-0.3**	**0.6**	**0.1**	**0.4**	**0.3**	0.0	0.1	0.1	0.1	0.1	0.1	0.1	**0.9**	0.9	0.4
Public investment	**-0.8**	**0.4**	**-1.0**	**-0.1**	**1.5**	-0.8	-0.8	-0.8	-0.6	0.8	0.6	-0.6	**-0.4**	-0.2	-1.1
Exports of goods & services	**-0.6**	**1.6**	**-1.6**	**0.2**	**1.8**	0.3	-1.8	1.3	1.1	1.0	1.0	0.5	**2.5**	1.2	2.7
Imports of goods & services	**2.2**	**1.1**	**-0.2**	**0.0**	**0.4**	-2.4	1.2	0.9	1.3	1.2	0.9	0.7	**3.8**	-0.4	3.6
	(seas adj, ppt q-q)														
Contributions to GDP															
Domestic final sales	**0.4**	**0.5**	**-0.1**	**0.6**	**0.3**	-0.1	0.2	0.1	0.2	0.5	0.1	0.2	**1.1**	0.6	0.8
Inventories	**0.7**	**-0.3**	**-0.2**	**-0.4**	**-0.1**	0.1	0.0	0.0	0.0	0.0	0.0	0.0	**0.3**	-0.3	0.0
Net trade	**-0.6**	**0.1**	**-0.3**	**0.0**	**0.3**	0.5	-0.5	0.1	0.0	0.0	0.0	0.0	**-0.3**	0.3	-0.1
	(% q-q)														
Industrial production	**0.0**	**-0.5**	**-1.1**	**0.3**	**2.5**	0.7	0.2	0.5	0.4	0.7	0.3	0.2	**-0.3**	2.8	1.9
Unemployment rate	**2.5**	**2.5**	**2.5**	**2.6**	**2.7**	2.6	2.6	2.6	2.5	2.5	2.4	2.4	**2.5**	2.6	2.5
	(% y-y)														
Consumer prices	**3.8**	**3.4**	**2.9**	**2.7**	**1.4**	1.6	1.8	2.6	3.4	1.2	1.1	0.3	**3.2**	1.9	1.5
CPI (excl fresh foods)	**3.1**	**3.5**	**2.9**	**2.8**	**1.8**	1.6	1.8	2.7	3.4	1.5	1.3	0.5	**3.1**	1.9	1.6
CPI (excl fresh foods and energy)	**2.7**	**3.2**	**3.2**	**3.0**	**2.5**	1.9	2.0	2.3	2.5	1.2	1.0	0.8	**3.0**	2.2	1.3
CPI (excl foods (ex alcoholic beverages) and energy)	**1.5**	**1.6**	**1.5**	**1.5**	**1.4**	1.2	1.7	2.0	2.0	2.3	2.1	2.1	**1.6**	1.6	2.1
Fiscal balance (% of GDP)													-3.3	-3.3	-3.3
Current account balance (% of GDP)	**4.4**	**4.3**	**6.6**	**4.2**	**5.6**	4.8	3.9	2.7	3.5	4.0	5.4	3.6	**4.9**	4.2	4.1
Policy rate (%)	**0.50**	**0.50**	**0.50**	**0.75**	**0.75**	1.00	1.00	1.25	1.25	1.50	1.50	1.50	**0.75**	1.25	1.50
5-year JGB yield (%)	**1.10**	**0.98**	**1.23**	**1.55**	**1.77**	1.95	1.95	2.00	2.00	2.05	2.05	2.05	**1.55**	2.00	2.05
10-year JGB yield (%)	**1.49**	**1.42**	**1.65**	**2.06**	**2.35**	2.70	2.75	2.70	2.70	2.70	2.70	2.70	**2.06**	2.70	2.70
USD/JPY	**150.0**	**144.0**	**147.9**	**156.7**	**158.7**	157.5	155.0	152.5	150.0	147.5	145.0	145.0	**156.7**	152.5	145.0

Note: (1) Interest rates and currencies are end-of-period levels. (2) Actual values shown in bold; others are Nomura forecasts. (3) Unemployment rate is percentage of labor force. (4) Fiscal balance is FY basis (April through March of following year), general account basis. (5) Economic forecasts as of 8 June 2026 and interest rate forecasts as of 19 June 2026. (6) We assume that the consumption tax rate for food (excluding alcoholic beverages and restaurants) will be lowered from 8% at present to 0% in April 2027. We estimate the impact on the all-Japan CPI, the all-Japan CPI excluding fresh food, and the all-Japan CPI excluding fresh food and energy at -1.8ppt, -1.5ppt, and 1.7ppt respectively.

Source: Cabinet Office, MIC, MOF, BOJ, and Nomura

Fig. 32: Summary of our forecasts for the Japanese economy (2)

[As of 8 June 2026]

		FY25	FY26 E	FY27 E	CY25	CY26 E	CY27 E
Gross domestic product	Real GDP growth	0.8	0.6	0.8	1.1	0.6	0.7
	Contribution of domestic demand (ppt)	0.9	0.4	1.0	1.4	0.3	0.9
	Private-sector demand (ppt)	0.8	0.3	0.9	1.2	0.1	0.8
	Public-sector demand (ppt)	0.1	0.1	0.1	0.2	0.2	0.0
	Contribution of external demand (ppt)	-0.1	0.2	-0.1	-0.3	0.3	-0.1
	Private final consumption	1.3	0.8	0.9	1.3	1.0	0.8
	Private housing investment	-3.4	-0.2	-1.7	-2.5	-0.5	-1.7
	Private-sector capital expenditure	2.0	0.9	1.9	2.1	0.7	1.8
	Private-sector inventories (contribution)	-0.1	-0.1	0.0	0.3	-0.3	0.0
	Government consumption	0.8	0.6	0.4	0.9	0.9	0.4
	Public fixed capital formation	-0.5	-1.3	-0.3	-0.4	-0.2	-1.1
	Goods/services exports	2.0	0.9	3.2	2.5	1.2	2.7
	Goods/services imports	2.5	-0.5	4.2	3.8	-0.4	3.6
	Nominal GDP growth	4.1	2.2	2.6	4.5	2.3	2.9
	GDP deflator	3.3	1.6	1.8	3.4	1.7	2.2
Production/ prices	Industrial production	-0.2	3.0	1.8	-0.3	2.8	1.9
	Domestic coroporate goods prices	2.8	5.7	1.6	3.2	4.8	3.0
	Consumer price index	2.6	2.3	0.6	3.2	1.9	1.5
	Excluding fresh foods	2.7	2.4	0.8	3.1	1.9	1.6
	Excluding fresh foods and energy	3.0	2.2	0.9	3.0	2.2	1.3
	Excluding foods (ex alcoholic beverages) and energy	1.5	1.7	2.1	1.6	1.6	2.1
	Unemployment rate (%)	2.6	2.6	2.4	2.5	2.6	2.5
External balances	Trade balance (¥trn)	1.4	-6.7	-5.0	-0.6	-4.0	-5.4
	Trade/services balance (¥trn)	-2.5	-10.3	-9.1	-4.0	-7.8	-9.6
	Current account balance (¥trn)	34.5	25.4	30.2	32.2	28.8	28.8

Note: (1) % y-y unless otherwise noted. Where value = -0.0, this is shown as 0.0. (2) We assume that the consumption tax rate for food (excluding alcoholic beverages and restaurants) will be lowered from 8% at present to 0% in April 2027. We estimate the impact on the all-Japan CPI, the all-Japan CPI excluding fresh food, and the all-Japan CPI excluding fresh food and energy at -1.8ppt, -1.5ppt, and -1.7ppt respectively.

Source: Nomura, based on Cabinet Office, Ministry of Internal Affairs and Communications (MIC), Ministry of Economy, Trade & Industry (METI), MOF, and BOJ data

Fig. 33: Assumptions on which our economic forecasts are based

	FY26	FY27
$/¥ rate (FY-end)	150.0	145.0
Consumption tax rate (at FY-end, %)	10	10
of which, lower consumption tax rate on food	8	0
Crude oil price (North Sea Brent, FY-end, $/bbl)	82.8	76.6

Source: Nomura

Fig. 34: Our assessment of key Japanese economic data (updated weekly)

Item	2026 Apr–Jun Nomura forecast	2026 Apr–Jun Current assessment	Details
Consumer spending	0.3	In line	The April real CTI macro (Total Consumption Trend Index) rose 0.3% versus Jan–Mar.
Private housing investment	-0.5	In line	Housing starts in April were down 3.2% from the Jan–Mar average.
Capex	0.3	In line	Private-sector machinery orders in April showed a solid +5.8% m-m increase.
Public investment	-0.8	In line	Construction orders (central and regional total) fell 11.6% q-q in 2026 Q1.
Exports	0.3	In line	Real goods exports in April 2026 were down 5.1% versus the Jan–Mar 2026 average. By contrast, nominal service receipts rose sharply (+21.4%).
Imports	-2.4	In line	Real goods imports in April 2026 were down 8.2% versus the Jan–Mar 2026 average. Nominal service payments were also down (1.1%).
Prices	1.6	In line	All-Japan core inflation came in at +1.4% in May, unchanged from April.
Wages	3.2	In line	Per-capita total cash earnings (preliminary) increased by 3.5% y-y in April, up from a 3.1% rise in March.
Summary	We expect real GDP to continue to rise q-q in Apr–Jun on: (1) a sharp rise in service exports in April; (2) solid domestic demand, particularly for consumer spending and capex; and (3) a decline in real imports, particularly crude oil.		

Note: (1) "Nomura forecast" refers to our economic forecasts as of 8 June. Items of demand are expressed on a q-q basis and prices and wages on a y-y basis. (2) "Current assessment" is our assessment of risk that takes into account general view of "Nomura forecast" or details of latest economic data based on that. Our assessment is based on five categories: "upside," "slight upside," "in line," "slight downside," and "downside". (3) If relevant indicators for the given quarter have not yet been released, we give an overview of our current-FY forecasts. (4) Red font indicates change from previous report. For prices, we use core CPI (all items less fresh food).
Source: Nomura

9. Policy stance of BOJ Policy Board

Fig. 35: Policy stance of the members of the BOJ's Policy Board

Note: Our assessment of each member's stance is an overall assessment based on how he/she has voted at past MPMs, and what he/she has said in speeches, at press conferences or in interviews, including during period before he/she became a member of the Policy Board. We have rated members as either "hawkish," "slightly hawkish," "moderate," "slightly dovish," or "dovish."

Source: Nomura

Fig. 36: Policy stance and main comments of members of the BOJ's Policy Board

Name (position, present position to)	Stance	
Toichiro Asada (Member of the Policy Board, –March 2031)	Slightly dovish	Normally, lowering interest rates is considered easing and raising interest rates is not considered easing - this is tautological reasoning. The Bank has raised the policy interest rate several times, albeit very slowly, so according to the general definition raising interest rates is not considered easing. I set aside any value judgments about whether this is good or bad. (press conference, 1 April 2026, translation by Nomura)
		When a deflationary recession continues for a long time, this is a policy of aiming for slightly positive inflation such as a 2% inflation target in order to ultimately escape from the recession, which I believe is what the Bank of Japan implemented during Governor Kuroda's era. I have supported and evaluated that policy from the beginning, so I don't feel any discomfort about being called a reflationist in that sense. (press conference, 1 April 2026, translation by Nomura)
Kazuyuki Masu (Member of the Policy Board, –June 2030)	Neutral	In our country's case, we are in an even more complicated position in that, even if a rapid response to inflation becomes necessary, monetary policy is still accommodative. By firmly bringing the policy interest rate within the estimated range of the neutral rate, we can establish a system that allows for flexible policy measures in either direction. I believe that further rate hikes are therefore required in order to fully complete the process of normalizing monetary policy. (speech, 14 May 2026, translation by Nomura)
		I myself judged at the April MPM that the situation did not warrant a hasty policy rate hike. That said, if statistical data do not indicate clear signs of an economic downturn, I believe it is desirable to raise the policy rate at the earliest stage possible. (speech, 14 May 2026, translation by Nomura)
Shinichi Uchida (Deputy Governor, –March 2028)	Neutral	We decided at today's MPM that it would be appropriate to raise the policy rate and adjust the degree of monetary accommodation in line with the Conduct of Monetary Policy section of the April Outlook Report, because although the risk of a significant economic downturn has decreased and the economy has been progressing roughly in line with our baseline outlook since the previous MPM, we have taken into account factors such as the risk that price increases could spread to a wide range of items and that underlying CPI inflation could trend upward (press conference, 17 June, translation by Nomura).
		Regarding the continuation of 2 trillion yen of JGB purchases, there is no predetermined timeline for how long this will continue or when we will review it. However, if circumstances change, I believe the Policy Board will be able to modify this approach while giving due consideration to predictability (press conference, 17 June, translation by Nomura).
Ryozo Himino (Deputy Governor, –March 2028)	Neutral	As I mentioned earlier, the inflation gap remains slightly negative at present but is expected to approach zero in the future. This would suggest that, while the Bank's policy remains somewhat accommodative, it should gradually shift to a more neutral stance through moderate policy rate hikes. (speech, 2 March 2026)
		As to whether underlying inflation has reached the price stability target of 2 percent, however, while one might broadly assess that it is already close to 2 percent, I feel that asserting that the rate has reached 2 percent for certain may still be premature. (speech, 2 March 2026).
		I do not rule out the possibility that the BOJ might change its monetary policy during periods of high market volatility, and it is not necessarily the case that it would never change its policy in response to high market volatility (press conference, March 2 2026, translation by Nomura)
Junko Nakagawa (Member of the Policy Board, –June 2026)	Neutral	The year-on-year rate of increase in the CPI is likely to decelerate temporarily as inflationary pressures wane over time. However, it is likely that the mechanism by which wages and prices rise moderately in interaction with each other will be maintained. Thereafter, the rate of increase in the CPI is expected to accelerate gradually, alongside the rise in medium- to long-term inflation expectations, since it is projected that a sense of labor shortage will grow more acute as the economic growth rate rises. (speech, 10 November 2025, translation by Nomura).
		With regard to the future conduct of monetary policy, given the current level of real interest rates shown in Chart 9, if its outlook for economic activity and prices is realized, the Bank will continue to raise the policy interest rate and adjust the degree of monetary accommodation in response to improvement in economic and price developments. (speech, 10 November 2025, translation by Nomura)
Kazuo Ueda (Governor, –April 2028)	Neutral	I think that, while the Bank should be attentive to downside risks to economic activity, it should be more vigilant about the risk of a significant upward deviation in inflation materializing, which could exert an adverse impact on the economy afterward.(speech, 3 June 2026)
		Meanwhile, even if the situation remains unclear, should it be judged that upside risks to prices outweigh downside risks to economic activity, it will be necessary to thoroughly discuss the pros and cons of raising the policy interest rate, from the perspective of preventing adverse effects on the economy and financial markets and achieving the price stability target of 2 percent in a sustainable and stable manner.(speech, 3 June 2026)
Junko Koeda (Member of the Policy Board, –March 2020)	Slightly hawkish	We think there is a possibility that the underlying inflation rate will exceed 2% going forward in response to the situation in the Middle East. In fact, long-term inflation expectations have recently risen slightly, in both survey-based indicators and market-based indicators, and we are monitoring this closely. We believe it remains necessary to continue assessing the degree to which the underlying inflation rate is becoming entrenched. (speech, 21 May 2026, translation by Nomura)
		I therefore believe it is reasonable for the Bank to raise the policy interest rate at an appropriate pace to address high inflation while also considering the trade-offs for the economy. (speech, 21 May 2026)
		When inflation and inflation expectations rise going forward, real interest rates could diverge further in the negative direction relative to the natural rate of interest. I therefore believe it will become more important to proceed with interest rate normalization through rate hikes. (speech, 21 May 2026, translation by Nomura)
Hajime Takata (Member of the Policy Board, –July 2027)	Hawkish	I believe that... Japan's economy is at a stage where the price stability target is almost achieved. (speech, 20 October 2025, translation by Nomura)
		Given that some participants in foreign exchange markets have recently paid attention to not only nominal but also real interest rate differentials, it is necessary to monitor price developments transmitted through exchange rates. (speech, 26 February 2026)
		I believe it is necessary to closely examine developments in the JGB market, as the annual change in the outstanding amount of JGBs for fiscal 2025 is estimated to exceed the record high level in the early 2000s. (speech, 26 February 2026)
Naoki Tamura (Member of the Policy Board, –July 2027)	Hawkish	Underlying CPI inflation has recently reached approximately 2 percent, and I believe it is quite possible that, as early as this spring, the price stability target of 2 percent can be judged to have been achieved if it is confirmed with a high degree of certainty that wage growth in 2026 will be in line with the price stability target for the third consecutive year. (speech, 13 February 2026)
		This is a simple representation of my understanding, based on my perceptions as a financial practitioner before becoming a member of the Bank's Policy Board and on my experience over the past few years. When the policy interest rate is below 1 percent, a rate hike will only very marginally affect the waning of the economic stimulus effect of monetary easing. As the policy interest rate exceeds around 1 percent, the stimulus effect begins to gradually weaken, and once it exceeds the neutral interest rate, the restraining effect on economic activity gradually gains strength. (speech, 13 February 2026)

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Source: Nomura, based on BOJ, various materials

Appendix A-1

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