

Bank Of Japan Signals Possible Rate Hikes After Pausing to Gauge US Tariffs

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A senior Bank of Japan (BOJ) official has signaled that the central bank could resume raising interest rates after taking a short break to assess the impact of new United States tariffs. The remarks suggest that Japan's policymakers are determined to slowly move away from years of ultra-loose monetary policy as inflation shows firmer signs of taking hold.

According to Reuters, BOJ board member Hajime Takata made the comments during a Thursday speech. He said Japan is steadily progressing toward meeting the BOJ's longstanding goal of achieving 2 percent inflation. He pointed to strong corporate earnings

and chronic labor shortages pushing wages higher, factors he described as creating “home-made inflation.”

Still, Takata stressed the need for caution, as the full impact of US trade policy under President Donald Trump remains uncertain. He explained that while the central bank has paused its rate hikes to watch how tariffs unfold, it should be prepared to shift policy “nimble” if conditions change.

“My view is that the Bank of Japan (BOJ) is currently only pausing its policy interest rate hike cycle and should continue to make a gear shift after a certain period of ‘wait and see,’” Takata said.

The Bank of Japan ended its massive stimulus program last year and raised short-term rates to 0.5 percent in January, the first hike in over a decade. However, introducing US tariffs led policymakers to lower their growth forecasts in May.

Takata remains optimistic that domestic inflation pressures are strengthening in a way Japan has not seen in years. He noted that medium- and long-term price expectations are rising, supported by higher import costs and sustained wage gains at home.

“Japan is finally seeing signs of home-made inflation, a prerequisite for rate hikes,” he said.

Yet he also warned that the new US tariffs could hurt exports, slow capital spending, and weaken companies’ willingness to boost pay. For this reason, he said the Bank of Japan (BOJ) must weigh these risks carefully before deciding on further tightening measures.

When asked about the timing of the next rate hike, Takata declined to offer specifics, saying uncertainty about US economic policy remains high.

He also pointed out that if the US Federal Reserve cuts rates to support America’s economy, the gap between US and Japanese monetary policy could push up the yen, potentially squeezing Japanese exporters’ profits.

Despite these challenges, Takata expressed hope that Japan’s recovery will not be another “false dawn” that fades. “I expect that Japan will see a ‘true dawn’ this time,” he concluded, urging the Bank of Japan (BOJ) to move gradually and cautiously in lifting rates.