

31 October 2024

## Ueda asserts the BOJ's independence

### Key takeaways

- In his remarks following the Bank of Japan's (BOJ) policy board meeting, Governor Ueda Kazuo sounded more positive about Japan's economic outlook and stressed the importance of following the data in the bank's decision making.
- Ueda gave little indication that Japan's political situation is weighing on the bank's thinking, suggesting that a weaker government could bolster the BOJ's independence.

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If Bank of Japan (BOJ) Governor Ueda Kazuo is troubled by the [prospect](#) of a weaker Japanese government, he did not show in his press conference following the BOJ's policy board meeting on Thursday, 31 October. Instead, unlike in previous pronouncements when he sought to downplay the impression that the bank is rushing to curb monetary easing, stating that the BOJ "has enough time," Ueda used his remarks Thursday both to reassert that the BOJ's decisions will be based on its assessment of the data at each policy board meeting and to suggest that the bank is relatively sanguine about the outlook for wages, prices, and Japan's economy more broadly, increasingly the possibility of an additional rate hike when the policy board meets on 18-19 December.

Indeed, Ueda not only pushed back against the notion that the political situation could impact the BOJ's decision making – he said that political uncertainty would not have a direct impact on the outlook for prices, though he allowed that major policies could have an impact – but suggested that the task for the BOJ now is to "explain and maintain" the bank's stance of adjusting monetary accommodation in response to economic conditions. The upshot is that with the prime minister's authority weakened, Ueda may

have seen an opportunity to defend the BOJ's independence and argue that the bank should be prepared to adjust policies to what the data says.

Thus, even as the BOJ left its policies unchanged following this week's meeting – maintaining its policy rate at 0.25% – Ueda struck a more hawkish note. In contrast to September's meeting when he [warned](#) of the impact of a possible US slowdown, he sounded more positive about the outlook for the US economy; he sounded relatively optimistic about outlook for consumption and wages, including the impact of wage increases on prices; and he sounded a cautionary note on the impact that yen weakness could have on domestic prices, especially noteworthy given the yen's losses since late September. Ueda did warn of possible risks from the US presidential election – indeed, he seemed more concerned about risks emanating from US politics than from Japanese politics – suggesting that there is still room for caution about what the BOJ will do at its next meeting. However, on the whole, Ueda appears determined to disregard comments from politicians (including both Ishiba and Democratic Party for the People leader Tamaki Yūichirō) about the timing of additional rate hikes, asserting multiple times that the BOJ wants to adjust its policies on the basis of data, what Ueda described as a “return to the normal way of conducting monetary policy.”

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