

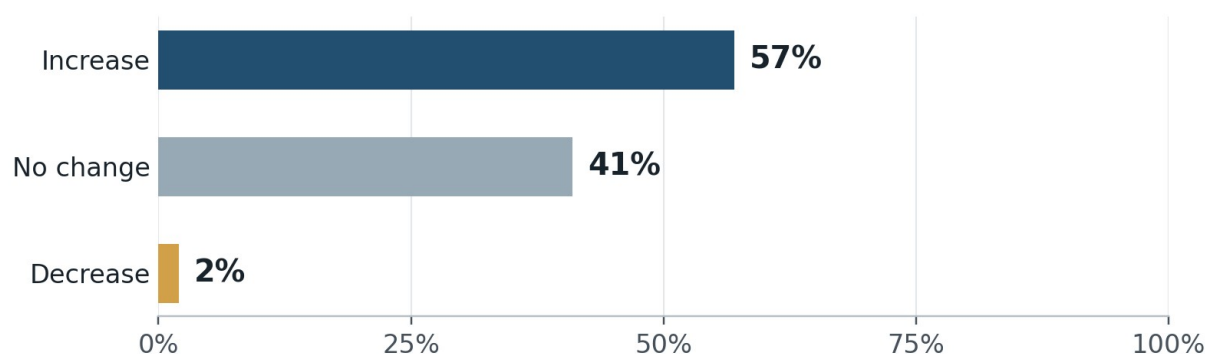
Azea Research

BOJ December 2026 forecast

Japan policy outlook • 5 October 2026 • Information as of 13:30 UTC

Will the Bank of Japan raise rates again in December? Our forecast is 57% for an increase, 41% for no change and 2% for a cut at the December 17–18 meeting. A further increase is slightly more likely than a pause. The strongest reason to avoid a confident call is the October meeting: the BOJ may act before December.

The BOJ lifted its policy rate to 1.25% in September by a 7–2 vote and retained guidance toward further rate increases. Wage growth and corporate resilience support that direction. Household spending remains weak, however, and the latest Tokyo inflation jump contains substantial special effects. These facts support a modest lean toward a December hike, rather than a high-conviction forecast. [S01–S07]



Azea Research estimates, rounded to whole percentages. These are judgment-based probabilities, not statistically calibrated model results.

October changes the December question

Under our scenario tree, the chance of a December increase is 65% if October holds and 35% if October hikes. An October increase both advances tightening and provides evidence that inflation pressure is persistent. We allow for both effects. The same tree gives a 73% chance of at least one increase across the October and December meetings; that is a different event from a December increase.

The market comparison is approximate

Polymarket displays about 61% for its 25-basis-point increase category (0.25 percentage points); our matching estimate is about 56%. Its main page shows \$10,471 of cumulative turnover. The outcome page shows \$10,312 and different tail prices. Both were retrieved on October 5 without a verified quote timestamp or order-book depth. This is a potentially stale benchmark, not evidence of an executable five-point advantage or a broad professional consensus. [S13–S14]

For a Japan travel budget or business plan, the useful output is a set of costs that can survive either decision. Pages 4–5 identify what would change the forecast and how to stress-test those costs.

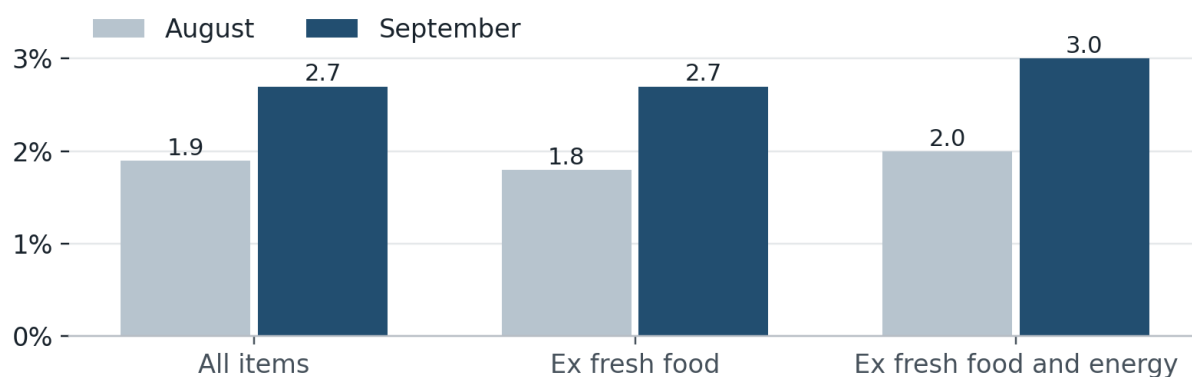
The evidence is stronger on direction than timing

A central bank still willing to tighten

September's formal guidance says the BOJ will continue raising rates as activity, prices and financial conditions develop. The October 1 summary of that meeting contains arguments for faster adjustment if inflation overshoots, alongside arguments against haste. These are anonymous individual opinions, not an October vote or a promise by the governor. [S01–S02]

The latest inflation jump needs decomposition

August national CPI was 1.7% excluding fresh food and 1.9% excluding both fresh food and energy. September Tokyo readings, released October 2, were 2.7% and 3.0%. Tokyo is an earlier regional signal, not September's national result. [S03–S04]



Tokyo ku-area CPI, year-on-year %. Same geography and definitions in both months. Source S04, page 1.

Tokyo's headline inflation rose 0.8 percentage points. Water fees contributed 0.24 points to that acceleration; nursery fees becoming less negative contributed 0.29. Together, these explain 0.53 points. That arithmetic does not produce a clean measure of underlying inflation. It does show why the entire jump should not be treated as a fresh wage-driven surge. [S04, p 3]

Income gains have yet to deliver clear spending strength

July's final wage release shows total cash earnings up 4.3% and real earnings up 2.0% year on year, revised down from 2.4% initially. Scheduled earnings at establishments surveyed in both years rose 3.1%. Yet July real spending by households of two or more people fell 3.6% year on year. These surveys cover different units; they are not contradictory measures of the same thing. [S05–S06]

September Tankan large-manufacturer sentiment rose from 22 to 24, while large nonmanufacturers fell from 37 to 35. Large accommodation and food-service firms fell from 46 to 38. September consumer confidence, released October 5, slipped 0.1 point to 35.4. Business resilience and labor pressure can coexist with cautious consumers. [S07–S08]

How the probability is built

We use a transparent judgment tree. It separates the remaining scheduled meetings instead of assuming that every signal of tightening belongs to December. The weights below are our assessments of the evidence, not fitted coefficients or frequencies estimated from a large sample.

October decision	Scenario chance	December hike	December hold	December cut
Hold	74%	65%	33%	2%
Increase	25%	35%	63%	2%
Decrease	1%	10%	50%	40%

Weighting the conditional probabilities by the October scenarios gives a 57% chance of a December increase. The calculation is $74\% \times 65\% + 25\% \times 35\% + 1\% \times 10\%$, rounded to 57%. Almost all hike probability falls in the 25 bp rate-change category.

Why these weights

October holding has the largest weight because September's move only took effect on September 24, household demand is mixed, and there is room to examine subsequent data. We still put one chance in four on an October hike because the BOJ's guidance is active and inflation risk remains salient. If October holds, another two months of wages and prices make December a plausible next adjustment date.

The 35% December-hike probability after an October hike allows for persistent inflation acceleration. Setting it near zero would ignore why the BOJ might have moved early. A cut receives a small tail weight because the current policy direction is upward; a serious growth or financial shock could change that quickly.

A small historical anchor

2026 meeting	Jan	Mar	Apr	Jun	Jul	Sep
Rate after decision	0.75%	0.75%	0.75%	1.00%	1.00%	1.25%

Two of six meetings delivered increases. The June-to-September interval was three months, but six observations do not establish a quarterly rule. We use this path as a check against assuming a hike at every meeting, not as a 33% December base probability. [S01, S15a–e]

How sensitive is the conclusion

Alternative judgment	December hike
Dovish: Oct hold/hike/cut 79/20/1; Dec hike given each 50/25/10	45%
Central: 74/25/1; conditional 65/35/10	57%
Hawkish: 69/30/1; conditional 75/50/10	67%

This 45–67% span is a sensitivity exercise over stated inputs, not a confidence interval. The forecast is close enough to even odds that reasonable changes in the timing assumptions can reverse the headline lean.

What would change the forecast

The next decision point is October 30. Once its result is known, the corresponding scenario on page 3 becomes our starting point for December. The reason matters: a hold caused by a deteriorating economy differs from a hold that simply gives the BOJ more time.

Predeclared evidence tests

These are Azea Research's thresholds for reconsidering the forecast, not a formula used by the BOJ. We will assess the latest available data and explain any change in view without counting the same evidence twice.

Observable test before December	Proposed December hike probability
National CPI excluding fresh food and energy is at least 2.5% in both September and October; common-establishment scheduled wages are at least 3.0% in both August and September; average real household-spending growth for August–September exceeds –1% y/y	75% after an October hold; 55% after an October hike
National CPI excluding fresh food and energy is at most 1.5% in both September and October, OR common-establishment scheduled wages are below 2% and real spending is at most –3% in both August and September	35% after an October hold; 15% after an October hike

We would raise the estimate only if market-priced service categories also strengthen broadly and public-charge, subsidy or base effects do not explain most of the acceleration. If neither evidence test is met, the conditional starting point remains unless new BOJ guidance or a material shock changes the outlook. An October cut would require a fresh assessment. Any revised probabilities would still total 100%.

The next releases that can settle the argument

Release date in Japan	Evidence available
7 October	August wages, preliminary; normally 08:30 JST
9 October	August household spending
23 October	September national CPI; August final wages
30 October	October BOJ decision and Outlook; October Tokyo CPI
6 and 10 November	September preliminary wages; September household spending
20 and 27 November	October national CPI; November Tokyo CPI
8 December	October preliminary wages and household spending
18 December	November national CPI and expected BOJ decision

Official schedules S05, S10–S12. November national CPI falls on decision day, so it should not be excluded from the information set merely because it is late. The BOJ has not promised a fixed decision-release hour. Schedules may be revised.

A weaker yen alone will not mechanically flip the forecast. We would check whether it is feeding into broad prices and the BOJ's assessment. The official October 5 17:00 JST dollar/yen quote was 157.65–157.67. [S09]

How to use the forecast in a Japan budget

Keep the interest-rate decision and the exchange-rate assumption separate. A hike that is already expected can leave the yen little changed; global rates, risk sentiment and the accompanying guidance also matter. The following are budget sensitivities, not forecasts for the yen.

Illustrative dollar yen rate	USD cost of a fixed ¥300000 bill	Change versus 157.66
150	\$2000	+5.1%
157.66 reference	\$1903	0%
165	\$1818	-4.4%

Calculation: yen bill ÷ yen per US dollar; reference is the midpoint of S09. Card spreads, fees and changes in Japanese prices are excluded. Use the same formula with the reader's own currency quote.

For a business with an unchanged ¥100 million balance of fully floating debt over a full year after repricing, a 25 bp increase passed through in full adds ¥250,000 a year, or about ¥20,833 a month. A 50 bp move adds ¥500,000 a year. Actual exposure depends on reset dates, the floating share, margins and contractual caps. This is enough to identify whether financing costs deserve attention without predicting hotel demand from a rate decision.

What exactly counts as a December increase

Our event follows the change in the uncollateralized overnight call-rate target attributable to the December meeting, measured against the target immediately before it. If October raises the target to 1.50%, December holding at 1.50% is No Change. A rate range uses its upper bound. An unrelated emergency adjustment is excluded. [S10, S14]

For the five rate-change categories, a nonzero change of less than 25 bp in magnitude enters the 25 bp category in the same direction. Larger changes round to the nearest 25 bp, with halfway cases away from zero; for example, +37.5 bp maps to 50+ bp. If the meeting is postponed, its decision counts only before the next scheduled meeting begins; cancellation or no decision by that point maps to No Change. The next meeting is scheduled for January 21–22, 2027. Azea Research will evaluate the forecast using these definitions, which follow the market rules available when this report was prepared. [S10, S14]

How this forecast will be judged

After the official decision, Azea Research will evaluate this forecast against the definitions above. The Brier score measures the squared difference between a predicted probability and the outcome: 1 if an increase occurs, 0 otherwise. For the five rate-change categories, the score is half the sum of their squared errors. Lower scores are better. Scoring uses the unrounded probabilities. We retain the original probabilities and dated revisions, so later changes do not rewrite the initial forecast.

A fair comparison with the market requires prices recorded at the same time and matching event definitions. Those prices could not be verified, so we cannot make a reliable performance comparison. One forecast can be scored after resolution; it cannot establish calibration or skill. This report supports economic understanding and budget planning; it is not investment or trading advice.

Sources and scope

This report uses information available by 5 October 2026 at 13:30 UTC / 22:30 JST. Each linked source below shows its publication date or, for changing web pages, the date it was checked. The observation month can differ from the publication month.

[S01 September policy decision](#) | 2026-09-18

[S02 September Summary of Opinions](#) | 2026-10-01

[S03 August national CPI](#) | 2026-09-18

[S04 September Tokyo CPI](#) | 2026-10-02

[S05 July wages final and release calendar](#) | 2026-09-28

[S06 July household spending](#) | 2026-09-04

[S07 September Tankan](#) | 2026-10-01

[S08 September consumer confidence](#) | 2026-10-05

[S09 October 5 official FX quotation](#) | 2026-10-05

[S10 BOJ meeting calendar](#) | Accessed 2026-10-05

[S11 CPI release calendar](#) | 2026-01-23

[S12 Household spending calendar](#) | Accessed 2026-10-05

[S13 Polymarket event snapshot](#) | Retrieved 2026-10-05 13:31 UTC

[S14 Market outcome and rule snapshot](#) | Retrieved 2026-10-05

[S15a 2026-01-23](#) [S15b 2026-03-19](#) [S15c 2026-04-28](#) [S15d 2026-06-16](#) [S15e 2026-07-31](#)

How to read the estimates

The probabilities express Azea Research's judgment as of the stated date. The assumptions and evidence tests are set out on pages 3–4, and the event definitions on page 5. The English and Traditional Chinese editions use the same forecast and evidence.

Limits of the market comparison

The market rules were available in an earlier copy of the platform's own page, but we could not confirm that the current version is unchanged. Azea Research therefore uses the explicit definitions on page 5 to evaluate this forecast. Any later difference in platform rules should be considered separately. The platform's automated commentary was not used as economic evidence.