



Not to be released until 8:50 a.m.
Japan Standard Time on Thursday,
October 1, 2026.

October 1, 2026

Bank of Japan

Summary of Opinions at the Monetary Policy Meeting^{1,2} on September 17 and 18, 2026

I. Opinions on Economic and Financial Developments

Economic Developments

- Japan's economy has recovered moderately, although some weakness has been seen in part, partly due to the impact of the situation in the Middle East. Regarding the outlook, Japan's economy is expected to continue growing moderately. This is because, although the impact of the situation in the Middle East is expected to push down economic activity, the economy is likely to be underpinned by factors such as the government's various measures, in addition to an increase in global AI-related demand.
- The somewhat weak figures for domestic demand in the April-June GDP statistics are considered to be attributable to technical factors regarding the treatment of, for example, the sale of patent rights abroad and the provision of free school lunches. Overall, both economic activity and prices have been developing generally in line with the projections made in the July 2026 *Outlook for Economic Activity and Prices*, and attention continues to be warranted on upward deviations in prices, more so than on downward deviations in economic activity.
- Although the real GDP growth rate for the April-June quarter was positive, the breakdown shows that the growth rate for domestic demand was negative, and while external demand was positive, this was merely the result of a decrease in imports reflecting supply-side constraints stemming from the situation in the Middle East. Thus, it cannot be said that the economy is growing in a strong and sound manner.

¹ English translation prepared by the Bank's staff based on the Japanese original.

² "Summary of Opinions at the Monetary Policy Meeting" is made through the following process: (1) each Policy Board member and government representative makes a summary of opinions that she/he presented at the Monetary Policy Meeting (MPM) under a certain word limit and submits this to the Governor of the Bank of Japan, who serves as the chairman of the MPM, and (2) the chairman edits those opinions as his responsibility.

- With concerns over an economic slowdown subsiding in reflection of factors such as the global expansion in AI-related demand, there has been a significant regime shift in financial conditions surrounding Japan, as seen, for example, in heightened upward pressure on prices and the accompanying rise in inflation expectations, and a shift in the global environment to a phase of policy interest rate hikes. Over the past few months, this regime shift has become increasingly evident.

Prices

- Underlying CPI inflation is likely to increase gradually, as the mechanism in which wages and prices rise moderately in interaction with each other is expected to be maintained. Underlying CPI inflation is expected to come to a level that is generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027.
- Underlying CPI inflation has been fairly close to 2 percent. Among the relevant indicators, there are some exceeding 2 percent and others falling below it. However, it is difficult to determine conclusively whether underlying CPI inflation has reached 2 percent based on an analysis of these indicators. Instead, the discussion should be premised on underlying CPI inflation being around 2 percent, focusing on how to anchor it at 2 percent. In this regard, attention is warranted on price developments and subsequent developments in wage increases.
- Underlying CPI inflation has generally reached 2 percent. Developments in prices since the previous MPM have further supported this view.
- In addition to the rise in the prices of items such as packaging materials and food trays, the recent acceleration in distribution costs is expected to facilitate firms' pass-through of cost increases to selling prices and encourage price hikes in final consumer goods.
- Regarding the impact of the situation in the Middle East, concerns initially raised over a significant deterioration in economic activity have not materialized, partly due to the use of petroleum reserves and progress in securing alternative sources of supply. Meanwhile, upside risks to prices continue to be high, reflecting factors such as higher import prices.
- Taking into account the most recent developments, it is necessary to consider the outlook for prices while keeping in mind that crude oil prices could remain high.

- Within the CPI, the year-on-year rate of increase in services prices has been rising gradually thus far, but it appears that the pace of increase has been more or less unchanged recently. In addition, private consumption has remained subdued.
- Although the year-on-year rate of increase in the CPI has been rising moderately, the rates of increase in both the CPI (all items less fresh food) and the CPI (all items less fresh food and energy) have remained in the range of 1.5-2.0 percent recently, partly reflecting the effects of government measures.

II. Opinions on Monetary Policy

- Japan's economic activity and prices have been developing generally in line with the baseline scenario, and underlying CPI inflation has been approaching 2 percent. Under these circumstances, financial conditions have been accommodative, and attention is warranted on upside risks to prices. In view of such developments, it is appropriate for the Bank to raise the policy interest rate and adjust the degree of monetary accommodation.
- It is appropriate for the Bank to raise the policy interest rate, since (1) economic and price developments are largely on track; (2) the references used to determine the timing of the rate hike -- namely, the situation in the Middle East, AI-related demand, and developments in foreign exchange rates -- continue to warrant attention as factors that could drive up prices; and (3) financial conditions have shown no significant change since the previous rate hike and appear to be in accommodative territory.
- While various factors have been cited in the market as reasons for raising the policy interest rate, it is necessary for the Bank to explain clearly that the rate has been raised at this MPM in light of developments in Japan's economic activity and prices as well as financial conditions.
- If a policy interest rate hike is decided at this MPM, it will be the first one in the three months since June, and the interval between rate hikes will be shorter than before. This is because economic conditions have been more resilient than expected.
- Given that the year-on-year rate of increase in the CPI has been below 2 percent, and it cannot necessarily be said that the recent economic situation is strong, it is desirable for the Bank to maintain the current policy interest rate at this MPM.

- Current economic and price developments do not appear to have substantially accelerated compared to before, and in this context, it is not appropriate for the Bank to raise the policy interest rate at this time.
- As for the future conduct of monetary policy, given that underlying CPI inflation has been approaching 2 percent and financial conditions have been accommodative, it is appropriate for the Bank to continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions.
- With underlying CPI inflation considered to be below 2 percent, the aim of monetary policy thus far has been to push it upward. However, underlying CPI inflation is now getting closer to 2 percent, and the perspective of stabilizing it at a level around 2 percent thus becomes important in order to keep the risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent from materializing and thereby exerting an adverse impact on the economy afterward. In that sense, it is considered that there has been a shift in the phase of monetary policy.
- It is necessary for the Bank to shift from the current stance of encouraging a rise in underlying inflation and to demonstrate to the market its determination to prevent upward deviations in prices through a nimble response to overseas economic environments and to price developments, while giving consideration to the impact stemming from foreign exchange markets.
- If, (1) prices continue to develop in a manner consistent with the price stability target of 2 percent, and (2) financial conditions remain accommodative, it will be necessary for the Bank to continue to adjust the degree of monetary accommodation by raising the policy interest rate. If signs of an upward deviation in prices are observed, the Bank will need to accelerate the pace of rate hikes.
- With regard to the future conduct of monetary policy, it is desirable for the Bank to bring the policy interest rate closer to the approximate goal relatively soon and ensure there is room for nimble adjustment in either direction, so that it can respond flexibly to unexpected movements in economic activity and prices and to changes in the economic environment.
- Underlying CPI inflation is expected to reach 2 percent before long. It does not seem to be accelerating at a speed that could lead the Bank to fall behind the curve, so there is no need to

take hasty action. However, the Bank should conduct monetary policy as appropriate to prevent excessive and persistent price increases.

- When deciding on a future policy interest rate hike, although it is important to keep in mind the estimated range of the neutral interest rate, the Bank should continue to act in a timely manner without becoming overly cautious, while broadening the scope and improving the granularity of its analysis, given that there is a certain degree of risk of price increases.
- Depending on developments overseas, the neutral interest rate may deviate upward from prior estimates or the levels anticipated by the market. Rather than making *a priori* assumptions about the neutral interest rate, it is necessary to examine the degree of monetary accommodation after each policy interest rate hike by observing factors such as the behavior of firms, households, and financial institutions, and financial conditions.
- Firms' views are important in assessing financial conditions. At present, most firms report that the impact of past policy interest rate hikes and near-term potential further rate hikes is limited, and only a very few firms report that they will refrain from fixed investment due to interest burdens. The purpose of policy interest rate hikes is to stabilize prices by influencing demand, and it is necessary to continue to comprehensively consider various views and assess the degree of monetary accommodation as a whole.
- Financial conditions have remained accommodative. This is partly attributable to the easing effects of the monetary accommodation to date being amplified through asset prices.
- Communication with market participants needs to be conducted effectively, in order to prevent one-sided monetary policy expectations from being factored into the market.

III. Opinions from Government Representatives

Ministry of Finance

- The government expects the Bank to conduct monetary policy as appropriate toward sustainable and stable achievement of the price stability target of 2 percent, while closely cooperating with the government.
- On this basis, regarding the proposal on the change in the policy interest rate, the government expects the Bank to make decisions at this MPM as appropriate, and to explain its policy intention carefully to the market and other stakeholders.

- Moreover, with a view to the future conduct of monetary policy, the government expects the Bank to carefully examine factors such as the impact of the change in the policy interest rate at this MPM on economic activity and prices.

Cabinet Office

- The government expects the Bank to fulfill its accountability regarding the decisions at this MPM and to examine carefully the cumulative effects of past policy interest rate hikes. Looking ahead, it may be necessary for the Bank to take into consideration its estimates of the neutral interest rate. It is important for the Bank to take proactive and appropriate action in the event of excessive fluctuations in economic activity and in the market.
- The government expects the Bank to conduct monetary policy as appropriate toward achieving the price stability target of 2 percent in a sustainable and stable manner, while closely cooperating with the government.