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November 10, 2026

Bank of Japan

Summary of Opinions at the Monetary Policy Meeting[1,2]

on October 29 and 30, 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. In fiscal 2026, although the rise in energy and raw material prices is expected to push down economic activity, Japan's economy is expected to continue growing moderately, albeit at a decelerated rate, underpinned by factors such as the government's various measures, in addition to an increase in global AI-related demand. From fiscal 2027 onward, Japan's economic growth rate is likely to rise moderately, since it is projected that the adverse effects of high energy and raw material prices will wane.

- While AI-related demand has been a factor pushing up economic activity and prices, its impact on Japan's economy has been mainly through semiconductor raw materials, semiconductor production equipment, and data centers, and therefore the sustainability of its impact warrants attention.

- As seen, for example, in the decline in the Consumption Activity Index on average in the July-August period relative to the April-June quarter, private consumption lacks momentum. It can be assessed that private consumption has been resilient against the background of an improvement in the employment and income situation, but it is likely that it does not have the momentum to lead the overall economy.

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[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.

- Amid the global expansion in AI-related demand, heightened upward pressure on prices, and a shift in the global environment to a phase of policy interest rate hikes, the norm that brought about prolonged deflation in Japan has also been dispelled. Unlike in 2022-2023, Japan's economy has returned to being linked with economic developments abroad, and there has been a regime shift to a state where the economy is exposed to usual economic cycles as in other economies.

Prices

- In Japan, with the economy continuing to grow moderately, a sense of labor shortage has continued to be strong, and the mechanism in which wages and prices rise moderately in interaction with each other has been operating. Given developments in various indicators related to underlying CPI inflation and the economic and price developments that lie behind them, it can be judged that underlying CPI inflation is at a level that is generally consistent with the price stability target of 2 percent.

- The perspective of anchoring underlying CPI inflation at around 2 percent becomes important. In assessing this point, close attention is warranted on factors such as firms' price-setting behavior and consumers' reactions and whether wages and prices will rise in interaction with each other at a pace that is consistent with the price stability target. For the time being, the outcome of next year's annual spring labor-management wage negotiations warrants attention.

- There are voices from firms saying that they will raise wages next year at a rate similar to this year's rate. There is at least sufficient possibility that wage growth consistent with the price stability target of 2 percent will continue.

- It is unlikely that the wage growth rate for next year will rise significantly relative to this year, and the risk of the second-round effects of current price increases being exerted on wages is not high. Rather, it is necessary to monitor how the decline in consumer prices driven by government policy factors will affect future wage negotiations.

- Although the inflation rate has been rising recently against the backdrop of the rise in crude oil prices to date, it appears that the second-round effects of such price increases have been limited so far. Looking ahead, it will be necessary to carefully monitor whether underlying CPI inflation is anchored at a level consistent with the price stability target, taking into account factors such as wage developments.

- With the year-on-year rate of increase in the CPI having recently entered the range of 2-3 percent, there is a risk of underlying CPI inflation rising to a level above the price stability target of 2 percent. On the other hand, attention should also be paid to the risk of past policy interest rate hikes exerting downward pressure on economic activity and prices, with a time lag.

- In Japan, where underlying CPI inflation has risen from around 0 percent, the degree to which it is anchored at 2 percent is weaker than in Europe and the United States. There is thus concern that responses to exogenous shocks could become pronounced.

- Regarding the anchoring of underlying CPI inflation at the 2 percent level, it is necessary to monitor developments in inflation expectations. That said, given that the formation of inflation expectations in Japan is largely adaptive and that, as has been pointed out, consistently achieving 2 percent price stability in itself enhances the credibility of achieving the price stability target, it is also important to monitor actual CPI figures.

- The year-on-year rate of increase in the CPI (all items less fresh food) is projected to exceed 3 percent toward the end of the fiscal year.

II. Opinions on Monetary Policy

- With respect to financial conditions, it is appropriate to assess them using three measures: the real interest rate gap, corporate finance and the bank lending channel, and asset prices. In doing so, it is necessary to take into account the differences in the nature of each of these three measures. In particular, asset prices are not only affected by monetary policy as its transmission channel, but also substantially affected by other factors. For example, the rise in stock prices has been mainly led by the global expansion in AI-related demand, and it is thus necessary to bear in mind that factors other than monetary policy could also significantly change the situation in these prices.

- Given that a little more examination of risks surrounding economic activity and prices and of developments in financial conditions is necessary, it is appropriate for the Bank to maintain the current policy interest rate at this MPM.

- While Japan's economy has recovered moderately of late on the whole, some weakness has been seen in part, and future developments in economic activity and prices warrant careful monitoring. It is appropriate for the Bank to maintain the current policy interest rate at this MPM to assess the cumulative effects of past rate hikes.

- Given that underlying CPI inflation is at a level that is generally consistent with the price stability target of 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.

- The Bank should decide on the next policy interest rate hike when it is possible without becoming overly cautious. In doing so, it is important to examine the resilience of the economy; for example, the underlying trend in consumption should be assessed, given structural factors stemming from the declining and aging population.

- With firms' resilience to rises in interest rates increasing, the effects of past rate hikes have yet to materialize, and financial conditions have remained accommodative. The current situation is considered to be a new phase in which the Bank needs to step up the pace of bringing the policy interest rate to the neutral interest rate.

- Underlying CPI inflation has already reached 2 percent, and the Bank needs to bring the policy interest rate to the neutral level soon. It is necessary to monitor financial conditions over the course of a few months after each policy interest rate hike and to "make haste slowly" in adjusting the degree of monetary accommodation.

- With underlying CPI inflation having reached the price stability target and the Bank being in a phase where it needs to anchor underlying CPI inflation at the 2 percent level, it is necessary for the Bank to make a regime shift to bring the policy interest rate to the level of the neutral interest rate at an early stage, so that it can make nimble responses when it comes to either raising or lowering the policy interest rate, depending on economic conditions at home and abroad.

- Under the premise that the Bank will continue to raise the policy interest rate, underlying CPI inflation is expected to be anchored at around 2 percent, even without hastily raising the policy interest rate to the level of the neutral interest rate. It is necessary for the Bank to explain to the public that a mechanism by which headline inflation converges to 2 percent will operate even if it temporarily deviates from that level.

- While financial conditions remain accommodative, the degree of accommodation is gradually diminishing. In addition, the policy interest rate has entered the level of the estimated range of the neutral interest rate. Against this backdrop, it is necessary to pay due attention to the risk

that a future policy interest rate hike will weigh on the economy and push down underlying CPI inflation.

- Given factors such as the potential growth rate and the value to which the short-term interest rate converges, it is likely that the neutral interest rate is considerably above 1 percent.

- The next policy interest rate hike could constrain business fixed investment and housing investment somewhat -- both of which are facing supply-side constraints; however, this will rather work toward improving the overall economic balance. The rate hike would have both positive and negative effects on private consumption and is unlikely to have a significant negative impact on a net basis.

- Looking ahead, it is the Bank's task to conduct monetary policy to contain price fluctuations as much as possible, even in the face of changes in the business cycle and exogenous shocks, so that prices remain stable at around 2 percent.

- Nearly a year has passed since the Bank started its sales of exchange-traded funds (ETFs) in January of this year, and the Bank has been conducting these sales smoothly while avoiding a major impact on the market. Meanwhile, the trading value in the stock market has been expanding. Considering these circumstances, it is appropriate for the Bank to change the pace of sales of ETFs at this juncture.

- It is desirable for the Bank to reassess the volume of sales of ETFs that would have the least possible disruptive effect, drawing on its experience of sales since January of this year, and change the pace of sales, while paying attention to factors such as the impact on corporate governance stemming from the holding of ETFs by a central bank.

III. Opinions from Government Representatives

Ministry of Finance

- Regarding the basic principles for the disposal of ETFs, the government considers that the proposal reflects factors such as developments in the Bank's disposals of ETFs thus far and expects the Bank to make decisions as appropriate.

- 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, paying due attention to factors such as economic developments at home and abroad, and communicating effectively with the market.

Cabinet Office

- The Japanese economy is now at a crossroads, where the question is whether it can step onto the path of a virtuous cycle of growth.
- The Bank presented its recognition that underlying CPI inflation is at a level that is consistent with the price stability target. The perspective of anchoring underlying CPI inflation at that level becomes important.
- Regarding the basic principles for the disposal of ETFs, the government considers that the proposal reflects factors such as developments in the Bank's disposals of ETFs thus far and expects the Bank to make decisions as appropriate.
- 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.