

March 19, 2026

Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by an 8-1 majority vote, to set the following guideline for money market operations for the intermeeting period: ^[Note 1]

The Bank will encourage the uncollateralized overnight call rate to remain at around 0.75 percent.

2. Japan's economy has recovered moderately, although some weakness has been seen in part. Overseas economies have grown moderately on the whole, although some weakness has been seen in part, reflecting trade and other policies in each jurisdiction. Exports and industrial production have continued to be more or less flat as a trend. Corporate profits have remained at high levels on the whole, although downward effects due to tariffs have been seen in manufacturing. In this situation, business fixed investment has been on a moderate increasing trend. Private consumption has been resilient against the background of an improvement in the employment and income situation, although it has been affected by price rises. On the other hand, housing investment has been on a declining trend. Meanwhile, public investment has continued to be more or less flat. Financial conditions have been accommodative. On the price front, with moves to pass on wage increases to selling prices continuing, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been above 2 percent, partly due to the effects of the rise in food prices, such as rice prices; however, the rate of increase has recently fallen to around 2 percent due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. Inflation expectations have risen moderately.

Japan's economy is likely to continue growing moderately, with overseas economies returning to a growth path, and as a virtuous cycle from income to spending gradually intensifies, supported by factors such as the government's economic measures and accommodative financial conditions, while the economy is projected to be affected by trade and other policies in each jurisdiction. However, in the wake of increased tension over the situation in the Middle East, global financial and capital markets have been volatile and crude oil prices have risen significantly; future developments warrant attention. The year-on-year rate of increase in the

CPI (all items less fresh food) is likely to temporarily decelerate to a level below 2 percent, with the waning of the effects of the rise in food prices, such as rice prices, and partly due to the effects of government measures to address rising prices. The rate of increase is then expected to come under upward pressure, affected by the recent rise in crude oil prices. Meanwhile, the mechanism in which wages and prices rise moderately in interaction with each other is likely to be maintained. Thereafter, it is projected that a sense of labor shortage will grow as the economy continues to improve and that medium- to long-term inflation expectations will rise. In this situation, underlying CPI inflation is expected to increase gradually and, in the second half of the projection period of the January 2026 *Outlook for Economic Activity and Prices* (Outlook Report), be at a level that is generally consistent with the price stability target.^[Note 2] Attention should also be paid to the impact of the rise in crude oil prices on the outlook for underlying CPI inflation.

Risks to the outlook include the future course of the situation in the Middle East as well as developments in crude oil prices, developments in overseas economic activity and prices under the impact of trade and other policies in each jurisdiction, wage- and price-setting behavior of firms, and developments in financial and foreign exchange markets, and it is necessary to pay due attention to the impact of these risks on Japan's economic activity and prices.

3. As for the conduct of monetary policy, given that real interest rates are at significantly low levels, if the outlook for economic activity and prices presented in the January Outlook Report will be realized, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation. With the price stability target of 2 percent, it will conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.

^[Note 1] Voting for the action: UEDA Kazuo, HIMINO Ryoza, UCHIDA Shinichi, NOGUCHI Asahi, NAKAGAWA Junko, TAMURA Naoki, KOEDA Junko, and MASU Kazuyuki. Voting against the action: TAKATA Hajime. Takata Hajime considered that the price stability target had been more or less achieved and that risks to prices in Japan were skewed to the upside due to the second-round effects of price rises stemming from overseas developments. He proposed that the Bank set the guideline for money market operations as follows: the Bank would encourage the uncollateralized overnight call rate to remain at around 1.0 percent. The proposal was defeated by a majority vote.

^[Note 2] Takata Hajime opposed the description regarding the outlook for prices, considering that the level of the rate of increase in the CPI, including underlying CPI inflation, already had generally reached the price stability target. Tamura Naoki opposed the description regarding the outlook for underlying CPI inflation, considering that underlying CPI inflation was likely to be at a level that was generally consistent with the price stability target from the beginning of fiscal 2026.

Reference

Meeting hours:

Wednesday, March 18: 14:00-15:53

Thursday, March 19: 9:00-11:39

Policy Board members present:

UEDA Kazuo, Chairman (Governor)
HIMINO Ryoza (Deputy Governor)
UCHIDA Shinichi (Deputy Governor)¹
NOGUCHI Asahi
NAKAGAWA Junko
TAKATA Hajime
TAMURA Naoki
KOEDA Junko
MASU Kazuyuki

¹ UCHIDA was present via conference call.

[Others present]

March 18

From the Ministry of Finance:

MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:53)

From the Cabinet Office:

HAYASHI Sachihiko, Vice-Minister for Policy Coordination (14:00-15:53)

March 19

From the Ministry of Finance:

MAEDA Tsutomu, Deputy Vice-Minister for Policy Planning and Coordination
(9:00-11:24, 11:31-11:39)

From the Cabinet Office:

MIZUTA Yutaka, Deputy Director General for Economic and Fiscal Management (9:00-9:44)
KIUCHI Minoru, Minister of State for Economic and Fiscal Policy (9:45-11:24, 11:31-11:39)

Release dates and times:

Statement on Monetary Policy -- Thursday, March 19 at 11:46

Summary of Opinions -- Monday, March 30 at 8:50

Minutes of the Monetary Policy Meeting -- Thursday, May 7 at 8:50