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February 2, 2026

Bank of Japan

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

on January 22 and 23, 2026

## I. Opinions on Economic and Financial Developments

### *Economic Developments*

- Japan's economy has recovered moderately, although some weakness has been seen in part. As for the outlook, with overseas economies returning to a growth path, Japan's economy is likely to continue growing moderately, 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.

- Regarding the U.S. economy, uncertainties remain about risks surrounding employment and about the direction of monetary policy given these risks. However, it appears that these uncertainties have been mitigated by robust IT-related demand, particularly that related to AI.

- Accommodative policies have been adopted around the world, on both the monetary and the fiscal front, and AI-related investment has been increasing. Against this backdrop, the global economy is expected to go through a shifting phase this year, where momentum toward recovery starts to operate.

- The rate of increase in energy and food prices is expected to decline gradually, and that in the consumer price index (CPI) is also likely to decline. It is therefore projected that the rate of change in real wages will finally turn positive and remain so.

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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.

- While the yen's depreciation pushes up the profits and wages of large firms, it pushes down those of small and medium-sized firms. Coupled with the yen's depreciation pushing up prices, this could lead to wider inequality.

***Prices***

- Underlying CPI inflation is likely to continue rising moderately, as the mechanism in which wages and prices rise moderately in interaction with each other is expected to be maintained. In the second half of the projection period of the *Outlook for Economic Activity and Prices*, underlying CPI inflation is expected to be at a level that is generally consistent with the price stability target. With regard to the balance of risks, upside and downside risks to prices are generally balanced.

- The pass-through of personnel expenses to prices has so far been moderate in areas other than food, dining-out, and accommodations, partly because of households' lack of financial leeway. It is necessary to closely monitor how the balance between prices, household income, and private consumption evolves, including the effects of income transfers to households due to the government's economic measures.

- The rise in rice prices was triggered by supply shortages, but with the addition of demand factors during the procurement of rice harvested last autumn, it is possible that the rise in prices was a result of a combination of multiple factors. Close attention continues to be warranted on whether price rises that cannot simply be explained by cost-push factors emerge in other goods.

- In addition to the past rise in food prices, housing rent has risen recently, mainly in urban areas. This is partly due to an increase in demand for rental housing, as housing prices have been pushed up by the rise in material prices, reflecting inflation overseas and the yen's depreciation, and by the rise in personnel expenses. While measures have been taken by national and local governments, close attention is required on developments in housing rent, given that it significantly affects the sense of economic well-being among households and their consumption behavior.

- In examining the extent to which underlying inflation has become entrenched, it is necessary to closely monitor factors such as the effects that the deceleration in the pace of the year-on-year increase in food prices and the government's measures to address rising prices have on the underlying trend in prices. That said, some indicators of long-term inflation expectations have already started to show stability.

- The main driver of price rises has shifted to personnel expenses, and inflation has started to become sticky. If (1) the annual spring labor-management wage negotiations, (2) developments in prices, and (3) inflation expectations evolve in line with the Bank's outlook, it can be judged as early as spring this year that the underlying trend in prices has reached 2 percent.

- In recent years in Japan, firms' price-setting behavior has been undergoing significant change, and the pass-through to prices of higher import prices caused by the yen's depreciation has become more pronounced. Given this, it is necessary to pay closer attention to the effects of foreign exchange rates on prices. If the yen depreciates further, it is possible that the rate of increase in the CPI will decline at a slower pace and start to rise.

- With the yen's depreciation, it appears that even low-priced imported goods have become less likely to push down prices. Moreover, dependence on imports has also been rising in domestic demand. Against this background, it has become more likely that exchange rate factors will push up prices.

- Given the change in the wage norm, and with growing expectations of a recovery in overseas economies, it is necessary to pay more attention to the upside risks to prices when considering the risk balance.

- With Japan's economy facing labor supply constraints, risks to prices have become more skewed to the upside, as seen in, for example, the pass-through to prices of the yen's depreciation, an expansion in demand driven by fiscal policies, and China's restrictions on exports to Japan.

## II. Opinions on Monetary Policy

- While not much time has passed since the policy interest rate hike in December last year, considering factors such as firms' and other entities' demand for funds, financial institutions' lending attitudes, and issuance conditions for CP and corporate bonds, financial conditions have continued to be accommodative since the rate hike.

- Some firms with super-long-term investment projects and some small and medium-sized firms may be facing a heavy interest burden. However, for firms as a whole, the increased interest burden has been absorbed by the current solid business conditions to a large extent. If the pace of policy interest rate hikes is not too rapid, the Bank need not be overly concerned about the impact on firms' business performance.

- Given that real interest rates are at significantly low levels, if the Bank's outlook for economic activity and prices will be realized, it is appropriate that the Bank, in accordance with improvement in economic activity and prices, continue to raise the policy interest rate and adjust the degree of monetary accommodation.
- The Bank has been examining the response of economic activity, prices, and financial conditions to each rate hike and has been raising the policy interest rate. It is appropriate for the Bank to continue to do so.
- Considering the recent depreciation of the yen, current financial conditions are still considerably accommodative relative to economic fundamental conditions. The underlying trend in prices has been steadily approaching 2 percent, and it will be necessary for the Bank to continue to adjust the degree of monetary accommodation at the appropriate timing.
- It cannot be said that the risk of the Bank falling behind the curve has necessarily become more evident, but it is becoming even more important for the Bank to conduct monetary policy carefully and in a timely manner.
- If overseas interest rate environments change this year, there is a risk that the Bank may unintentionally fall behind the curve. Japan's real policy interest rate is at the lowest level globally, and since foreign exchange market participants pay attention to real interest rate differentials, it is necessary for the Bank to adjust the significantly negative real policy interest rate.
- The depreciation of the yen and the rise in long-term interest rates largely reflect fundamentals, such as inflation expectations. In this situation, the only prescription from the monetary policy side is to raise the policy interest rate in a timely and appropriate manner.
- Given that addressing rising prices is an urgent priority in Japan, the Bank should not take too much time examining the impact of raising the policy interest rate, and should proceed with the next step, a rate hike, without missing the appropriate timing.
- It is appropriate for the Bank to raise the policy interest rate at intervals of a few months, while examining the impact of rate hikes on firms' and households' behavior through anecdotal information and assessing the current policy interest rate relative to the neutral rate.

- While the rise in long-term interest rates in the past few years can be regarded as part of the normalization of the Japanese government bond (JGB) markets and a factoring in of the achievement of the price stability target, the developments seen over the past two weeks or so have been a one-sided steepening of the yield curve, which warrants attention.

- Upward pressure on risk premiums of long-term interest rates, stemming from factors such as fiscal conditions and inflation, appears to have been partly offset by the stock effect from the Bank's JGB holdings. The Bank should continue to examine whether lenders and borrowers have been able to adapt to the recent pace of increase in long-term interest rates.

- As for JGB purchases, in line with its current thinking, the Bank should reduce the purchase amount, while responding to exceptional circumstances by, for example, increasing the purchase amount.

- Volatility in JGB markets, especially for super-long-term, has increased, and there continues to be concern about supply and demand conditions. It will therefore be necessary in exceptional circumstances to consider a flexible response, including purchases of JGBs.

- While the exact timing and scale cannot be determined, the possibility of a rise in volatility in Japan's bond markets, as seen recently, can be anticipated. When there is a rise in volatility, it is important for a central bank to examine whether market functioning is maintained. It is crucial that the Bank continue its efforts to promote understanding of its measures, which it adopts in accordance with its role and policy objectives.

## III. Opinions from Government Representatives

***Ministry of Finance***

- The government is closely monitoring recent fluctuations in global and Japanese markets with utmost vigilance.

- In the budget for fiscal 2026, the government kept the degree of overall budgetary dependence on government bonds at its lowest level since the global financial crisis subsided. The government will work to obtain approval from the Diet for the budget at the earliest possible time.

- 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***

- Embracing an approach of "responsible and proactive public finances," the Takaichi Cabinet will do its utmost to build a "strong Japanese economy" by, for example, undertaking initiatives related to comprehensive economic measures.

- Toward achieving both strong economic growth and stable inflation, it is extremely important that monetary policy be conducted 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 carefully examining economic and price developments and closely cooperating with the government in accordance with the spirit of the Bank of Japan Act and of the joint statement of the government and the Bank.