



Not to be released until 8:50 a.m.  
Japan Standard Time on Tuesday,  
May 12, 2026.

May 12, 2026

Bank of Japan

## Summary of Opinions at the Monetary Policy Meeting<sup>1,2</sup> on April 27 and 28, 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, Japan's economic growth is likely to decelerate due to factors such as a deterioration in the terms of trade reflecting the rise in crude oil prices. However, the economy is expected to continue growing moderately, since it is likely to be underpinned by factors such as the government's various measures and accommodative financial conditions. From fiscal 2027 onward, Japan's economic growth rate is expected to rise moderately, since it is projected that the adverse effects of high crude oil prices will wane.
- The increased burden caused by a deterioration in the terms of trade has been shared between firms, households, and the government, through, for example, the pass-through of cost increases to selling prices by firms and the provision of gasoline subsidies by the government. With high levels of profits having been accumulated in the corporate sector and expectations for wage hikes as a result of the annual spring labor-management wage negotiations, Japan's economy appears to be reasonably resilient to downward pressure.
- Regarding the deterioration in the terms of trade, while import prices in the petroleum and chemical industries have risen significantly due to the impact of the situation in the Middle East, yen-based export prices in the IT industry have risen on the back of strong global demand.

---

<sup>1</sup> English translation prepared by the Bank's staff based on the Japanese original.

<sup>2</sup> "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.

As seen from such developments, the situation differs between industries, and it is therefore necessary to examine the situation throughout Japan.

- The impact of the situation in the Middle East on Japan's economy depends not only on the extent and duration of supply-side constraints for crude oil and products derived from crude oil, but also to a considerable extent on the effects on the supply of other commodities as damage spreads across the Middle East.
- There is a possibility that quantitative constraints on petrochemical products will emerge, and while it is difficult to project the extent to which these constraints might push down Japan's economy, they could even affect Japan's core industries.

### *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 and remain at around that level thereafter.
- The impact of the situation in the Middle East on the underlying trend in prices will not be significant if crude oil prices return swiftly to previous levels. However, if the pace of recovery in the supply of crude oil and other commodities is moderate, this could either push up or push down the underlying trend in prices. If the situation becomes prolonged, risks to underlying inflation will be skewed to the upside, but if it is accompanied by significant disruptions in supply chains, downward pressure is likely to be greater than upward pressure.
- Given that inflation expectations in Japan tend to be formed in an adaptive manner, the price rises in the current fiscal year, which reflect the situation in the Middle East, could lead to underlying CPI inflation deviating upward from the baseline scenario.
- A further rise in domestic distribution costs due to the surge in fuel costs cannot be avoided, and this could bring forward the timing for underlying CPI inflation to reach 2 percent.
- It can be considered from the experience of the past oil crises that, unlike during the 1979 oil crisis, when the surge in inflation was contained, the current financial and fiscal conditions and developments in the pass-through of price and wage increases appear to be more prone to inducing second-round effects stemming from the rise in crude oil prices.

- As it will take time for the Strait of Hormuz to become commercially navigable, the scenario of crude oil prices remaining elevated for a while should also be considered.
- Depending on the future course of the situation in the Middle East, crude oil prices could remain elevated for longer than expected. If this is the case, it is possible that corporate profits and households' real income will be significantly lower than expected, which could weaken the mechanism in which wages and prices rise moderately in interaction with each other. That said, in practice, the rise in crude oil prices is expected to skew risks to prices to the upside by pushing up not only energy prices but also prices of a wide range of items.
- Even if high crude oil prices exerted downward pressure on Japan's economy, it would take time for the pressure to materialize. Given that the economy has also been supported by the overseas macroeconomic environment, it is highly likely that, in terms of timing, prices and inflation expectations would rise first.
- With the outlook for prices being revised significantly upward, uncertainty regarding the situation in the Middle East remains high, and all scenarios point to further upside risks to prices. Moreover, supply-side constraints, if they materialize, will exert extremely strong upward pressure on prices.
- For many years, all available policy measures from both monetary and fiscal sides have been mobilized to overcome deflation. Against this backdrop, the government's various measures have become established, and inertia in wage increases and in the pass-through of cost increases to selling prices is in effect, giving rise to the risk of higher inflation due to the rise in crude oil prices.

## **II. Opinions on Monetary Policy**

- Given that underlying CPI inflation has been approaching 2 percent and real interest rates are at significantly low levels, it is appropriate that the Bank 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.
- While Japan's economic growth rate is expected to be at around the same level as the potential growth rate for the time being, the Bank may need to address the risk of prices deviating upward. Considering such circumstances, with regard to the guideline for the conduct of monetary policy, it is desirable to revise the previous wording, "in accordance with improvement in economic activity and prices."

- It is difficult to foresee the impact of the situation in the Middle East, and the Bank needs to adopt a wait-and-see approach at this meeting.
- Given that inflation expectations in Japan are considered to be adaptive to some degree, the Bank should maintain the current policy interest rate at this meeting, with the year-on-year rate of increase in the CPI (all items less fresh food) for March remaining below 2 percent due in part to the waning of the past rise in food prices.
- At this juncture, a policy interest rate hike that prioritizes the containment of inflation is highly likely to have adverse effects on economic developments, including employment and production. On the other hand, the Bank is also not in a situation where a policy interest rate cut is possible. Given that the future course of the situation in the Middle East is unclear, it is most appropriate for the Bank to maintain its current monetary policy.
- The situation in the Middle East remains unclear, and the current circumstances do not suggest a pressing need to quickly raise the policy interest rate. However, given that the impact on Japan's economy will become apparent to some degree, it is quite possible that the Bank will raise the policy interest rate from the next MPM onward, even if the future course of the situation in the Middle East remains unclear.
- It is unlikely at present that a strong wage-price spiral will emerge in domestic industries, and given the current level of underlying inflation, there is no need to take hasty action at this point. However, barring evident signs of an economic slowdown, the Bank should raise the policy interest rate soon.
- Although it seems unlikely that the impact of the situation in the Middle East will be limited and ease in the short term, market sentiment as observed in stock prices has remained solid despite the rise in crude oil prices. Firms' price-setting behavior in response to rising prices has become more active, and risks to prices are skewed to the upside. It is appropriate for the Bank to adjust the degree of monetary accommodation in line with its mandate of achieving price stability from the perspective of safeguarding people's livelihoods and contributing to their peace of mind.
- Japan's real policy interest rate is by far at the lowest level globally, and it is necessary for the Bank to continue to adjust the negative real interest rate in preparation for the second-round effects of price rises.

- While downside risks to economic activity and upside risks to prices could both heighten, in conducting monetary policy, it is necessary to pay due attention, in particular, to keep the risk of inflation significantly deviating upward from materializing and thereby exerting an adverse impact on the economy afterward.
- Since the main risk factor for a downward deviation in economic activity is a rise in prices, the Bank should make it a priority to carry out its mission as the "guardian of price stability" and thereby contain a downward deviation of economic activity.
- In a situation where the potential growth rate remains resilient and Japan's economy recovers moderately, it is appropriate for the Bank to proceed further with the normalization of the policy interest rate by raising the policy rate when the real interest rate declines reflecting price rises.
- The policy interest rate is still some way from the neutral interest rate, and it will be necessary for the Bank to continue to raise the policy interest rate at intervals of a few months. Furthermore, in the case where upside risks to prices increase, it will be necessary to accelerate the pace of rate hikes without hesitation.
- If recovery in crude oil supply comes in sight, it will be appropriate for the Bank to return to the previous pace of rate hikes. Meanwhile, if tension over the situation in the Middle East becomes prolonged, there will be a need to raise the policy interest rate to the level of the neutral interest rate at an earlier timing to prevent underlying inflation from deviating upward. That said, if disruptions in supply chains become significant, it will be desirable for the Bank to maintain accommodative financial conditions without raising the policy interest rate.
- It is not desirable for the Bank to be perceived as always signaling a policy interest rate hike in advance. It is necessary for the Bank to explore how best to communicate its policies.

### **III. Opinions from Government Representatives**

#### ***Ministry of Finance***

- With regard to the situation in the Middle East, the government is making every effort to minimize the impact on economic activity, with close cooperation between relevant Cabinet members.
- 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, including the impact of the situation in the Middle East on Japan's economy, and communicating effectively with the market.

*Cabinet Office*

- Given the situation in the Middle East, the government has carried out emergency measures to curb dramatic price fluctuations and has worked to ensure a stable supply and the smooth distribution of crude oil and critical materials, and it will do its utmost to ensure sound economic and fiscal management.
- Toward achieving both strong economic growth and stable inflation, it is 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 paying due attention to factors such as economic developments at home and abroad 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.