

## PREVIEW: BoJ Announcement due Tuesday 28th April 2026 from 03:30BST / 22:30EDT (Monday)

- BoJ is widely expected to keep rates unchanged at 0.75% when it concludes its 2-day policy meeting on Tuesday.
- There was a significant unwinding of April rate hike bets following BoJ Governor Ueda's comments and source reports.
- BoJ will also release its latest Outlook Report, with the central bank said to be considering a sharp increase to its price forecast and potential cut to the growth outlook.

**OVERVIEW:** The Bank of Japan is widely expected to keep rates unchanged at the current level of 0.75% when it concludes its 2-day policy meeting on Tuesday as a recent Bloomberg survey showed around 80% of the more than 50 economists surveyed anticipate the BoJ will keep its policy rate unchanged, while money markets were pricing in a 99% likelihood for no change in rates, which was a dramatic shift from the market pricing of around a 70% chance for an April hike just earlier this month. The BoJ will also release its latest Outlook Report, which contains Board Members' median forecasts for Real GDP and Core CPI.

**BOJ KEPT RATES UNCHANGED AT THE LAST MEETING IN MARCH AND REITERATED A TIGHTENING BIAS:** The BoJ kept its short-term rates unchanged at the last meeting in March, as unanimously forecast, with the decision made by an 8-1 vote, as board member Takata voted for a 25bps hike. The BoJ refrained from any major surprises, reiterating that it will continue to raise policy rates if the economy and prices move in line with its forecasts and will conduct monetary policy as appropriate from the perspective of sustainably and stably achieving the 2% inflation target. Furthermore, it stated the economy is likely to continue growing moderately, and inflation expectations have risen moderately, while consumer inflation is likely to briefly slow below 2% and re-accelerate due to the impact of rising oil prices, with the price trend expected to be in line with the goal in the second half of the outlook. However, Takata and Tamura opposed the description regarding the outlook for inflation, as Takata suggested CPI had already generally reached the price stability target, while Tamura said CPI was likely to be at a level generally consistent with the price stability target from the beginning of fiscal 2026. The actual rate decision lacked any fireworks with a muted reaction seen across markets, although there was some strengthening seen in the yen during the press conference as Governor Ueda said the pace of inflation increase is expected to face upward pressure from higher oil prices and that a slight majority of Board Members had the view that upward pressure on prices was higher given the war in the Middle East. Furthermore, he stated that if there is a large enough risk, the BoJ could conduct policy by placing weight on that risk, while he also commented regarding preliminary wage data, that momentum at small and medium-sized firms could be better than in previous years.

**RECENT UNWINDING OF APRIL HIKE BETS DUE TO UEDA COMMENTS AND SEVERAL SOURCE REPORTS:** There was a recent unwinding of rate hike bets following comments by BoJ Governor Ueda at the IMF meetings in Washington, where he refrained from signalling prospects of a rate hike and instead suggested that Japan is facing inflationary pressures due to a "negative supply shock", which is more difficult to tackle with monetary policy than demand-driven inflation, but also noted Japan's real interest rate is currently low up to the medium-term zone of the yield curve and that Japan's financial environment is accommodative. Nonetheless, the lack of hints for a hike resulted in a significant pullback in hawkish expectations, while several BoJ source reports also pointed to the unlikelihood of a rate increase this month, including sources cited by Nikkei that the BoJ is to hold rates steady in April and is to make a decision in June after assessing the situation in the Middle East. Furthermore, sources cited by Bloomberg also noted that the BoJ is set to stay on hold in April but keep a hawkish stance, while some officials still favour increasing rates in April, as they expect the Middle East shock to push prices higher, although officials remain committed to further hikes when conditions allow. It was also suggested that a June move becomes more likely if the economy holds up.

**ANNOUNCEMENT:** There is no exact scheduled release time for the announcement, which can be any time after the start of the Tokyo lunch break from 03:30BST/22:30EDT. Aside from the rate decision, the attention will also be on the statement for clues on policy, and the Outlook Report for the latest board members' median projections, while BoJ Governor Ueda will conduct a post-meeting press conference at 07.30BST/02:20EDT. In terms of the Outlook Report, forecasts are likely to be influenced by the geopolitical situation in the Middle East, as well as the impact on shipping and oil prices. A recent source report noted that the BoJ is said to be considering a sharp increase to its price forecast this month and a possible growth outlook cut due to high oil prices.

### PRIOR OUTLOOK REPORT FORECASTS

#### Real GDP:

- Fiscal 2025 median forecast at 0.9%.
- Fiscal 2026 median forecast at 1.0%.
- Fiscal 2027 median forecast at 0.8%.

#### Core CPI:

- Fiscal 2025 median forecast at 2.7%.
- Fiscal 2026 median forecast at 1.9%.
- Fiscal 2027 median forecast at 2.0%.

