

# BoJ Monetary Policy Decision (27-28 April)

On hold amid oil-driven uncertainty; we keep our September hike call

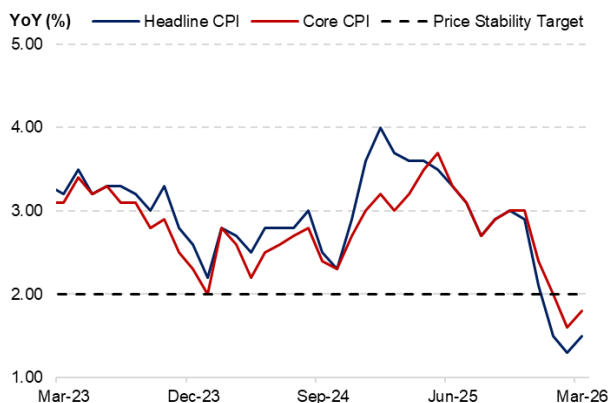
- Status quo with unusual split:** The Bank of Japan (BoJ) left its overnight call rate unchanged at 0.75% in a 6-3 vote, with inflation risks outweighing growth concerns amid Middle East tensions.
- Short-term rate (6-3 vote):** The BoJ held the policy rate at 0.75% while raising its core CPI forecast for fiscal 2026. Usual hawks Hajime Takata and Naoki Tamura were joined by Junko Nakagawa, who is leaving the board in June, in calling for a hike to 1.00%. Nakagawa cited upside price risks under still-accommodative conditions. Takata argued the price stability target had largely been achieved, with risks skewed higher. Tamura urged moving the rate closer to neutral amid rising upside price risks.
- Long-term rate:** The BoJ will continue tapering bond purchases, reducing monthly JGB buying by JPY400.0b per quarter to ~USD3.0t by March 2026.
- Asset purchase guidelines (unanimous):** The BoJ began selling its ETF and J-REIT holdings in February, shrinking its balance sheet at a measured pace to limit market disruption, consistent with September guidance. Annual sales total about USD330.0b at book value. A full exit would take decades, though the bank can pause sales during periods of market stress.
- Economic growth outlook:** Japan's economy is expected to slow to a median 0.5% in fiscal 2026 (down from 1.0% previously) as elevated crude prices from Middle East tensions worsen terms of trade, weighing on corporate margins and household real incomes. Growth should nonetheless remain modest, supported by government energy subsidies, accommodative financial conditions, and solid wage gains from this year's shuntō.
- Inflation outlook:** Core CPI is projected to rise to a median of 2.8% in fiscal 2026 (vs 1.9% in the January forecast), driven by higher energy and goods prices alongside wage pass-through, before easing to 2.3% in fiscal 2027 and 2.0% in fiscal 2028. Underlying inflation should stabilise near the BoJ's 2.0% target from second half of fiscal 2026. Risks remain skewed upward via stronger wage-price dynamics, though prolonged oil shocks could weaken consumption.
- BoJ remains in wait-and-see mode as geopolitical-driven energy shocks complicate policy**
  - Policy rate outlook:** While hawkish sentiment has grown, Nakagawa's June replacement by a dovish member likely reinforces caution. Governor Ueda remains data-dependent, balancing weaker growth risks against upside inflation pressures. He said that though temporary supply shocks are being overlooked for now, the BoJ stands ready to tighten if second-round effects intensify, particularly with shuntō wage gains exceeding 5.0%. **Despite higher CPI projections, June may come too soon for sufficient confirmation, leaving September as the base case for the next hike.**
  - FX outlook (USDJPY):** Yen weakness should persist as elevated energy costs pressure Japan's external balance and preserve wide rate differentials. While Ueda's hawkish bias and inflation upside risks offer some support, structural energy vulnerabilities continue to cap sustained yen appreciation. **Intervention rhetoric is likely to intensify near 160.0, but a durable yen recovery will require Middle East de-escalation, Fed easing, and further BoJ tightening.** We maintain our USDJPY end-2026 forecast at 150.0 (2025: 156.7), with geopolitical risks continuing to anchor rebounds from the 159.0 level.

Table 1: Policy Rates in Selected Countries

Rate (Last Change)	Country	Central Bank Interest Rate	Date
4.50% (-0.25%)	Philippines	Target Reverse Repurchase	Apr-26
4.10% (+0.25%)	Australia	Cash Rate	Mar-26
1.00% (-0.25%)	Thailand	Repo Rate	Feb-26
0.75% (+0.25%)	Japan	Overnight Call Rate	Dec-25
3.75% (-0.25%)	UK	Base Rate	Dec-25
3.50% - 3.75% (-0.25%)	USA	Funds Rate Target	Dec-25
2.25% (-0.25%)	New Zealand	Official Cash Rate	Oct-25
2.25% (-0.25%)	Canada	Overnight Rate	Oct-25
4.75% (-0.25%)	Indonesia	BI Rate	Sep-25
2.75% (-0.25%)	Malaysia	Overnight Policy Rate	Jul-25
2.00% (-0.25%)	Euro Area	Key Deposit Facility Rate	Jun-25
2.50% (-0.25%)	South Korea	Base Rate	May-25
3.00% (-0.10%)	China	Loan Prime Rate (1Y)	May-25

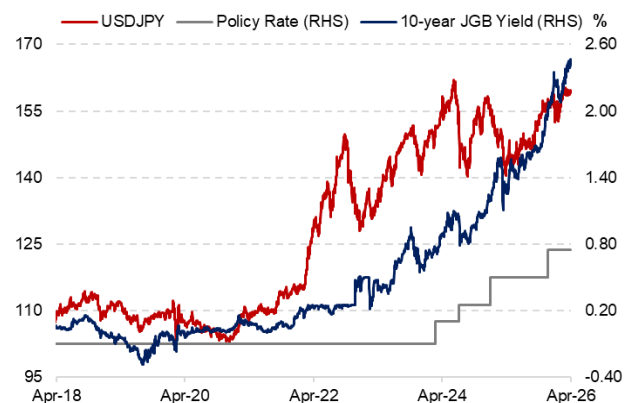
Source: Bloomberg, Kenanga Research

Graph 1: Headline and Core Inflation Rates



Source: Bloomberg, Kenanga Research

Graph 2: USDJPY and Policy Rates (short- and long-term)



Source: Bloomberg, Kenanga Research

29 April 2026

**Table 2: Bank of Japan Outlook for Economic Activity and Prices (YoY %)**

Forecasts made in	Real GDP		Core CPI	
	January 2026	April 2026	January 2026	April 2026
<b>Fiscal 2026</b>	+0.8 to +1.0 (+1.0)	+0.4 to +0.7 (+0.5)	+1.9 to +2.0 (+1.9)	+2.8 to +3.0 (+2.8)
<b>Fiscal 2027</b>	+0.8 to +1.0 (+0.8)	+0.6 to +0.8 (+0.7)	+1.9 to +2.2 (+2.0)	+2.3 to +2.4 (+2.3)
<b>Fiscal 2028</b>	-	+0.7 to +0.8 (+0.8)	-	+2.0 to +2.2 (+2.0)

Source: Bank of Japan, Kenanga Research

Note: Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates)

**Table 3: Bank of Japan Monetary Policy Meeting Schedule for 2026/ KIBB Outlook**

No.	Date		KIBB Research Outlook	BoJ Decision
1 <sup>st</sup>	22-23 January* (Thu and Fri)	☑	No change	No change
2 <sup>nd</sup>	18-19 March (Wed and Thu)	☑	No change	No change
3 <sup>rd</sup>	27-28 April * (Mon and Tue)	☑	No change	No change
4 <sup>th</sup>	15-16 June (Mon and Tue)	☐	No change	
5 <sup>th</sup>	30-31 July* (Thu and Fri)	☐	No change	
6 <sup>th</sup>	17-18 September (Thu and Fri)	☐	25 bps hike	
7 <sup>th</sup>	29-30 October* (Thu and Fri)	☐	No change	
8 <sup>th</sup>	17-18 December (Thu and Fri)	☐	No change	

Source: Bank of Japan, Kenanga Research

\*Meeting associated with The Bank's View (outlook for economic activity and prices)

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