PREVIEW: BoJ Policy Decision Scheduled for Friday 28th April 2023 after 03:30BST/22:30EDT

- **The BoJ is expected to keep policy settings unchanged with rates at -0.10% and QQE with YCC to flexibly target 10yr JGB yields at 0% at the first meeting under new Governor Ueda.**
- **Latest Reuters survey shows 24/27 economists expect no policy tweaks, while source reports also noted the central bank is likely to maintain ultra-loose monetary policy and dovish guidance, but may engage in a more lively debate at June and July meetings.**
- **BoJ Governor Ueda's rhetoric suggests no rush to exit until the price target is stably and sustainably achieved, as well as warning against a sudden normalisation of policy.**
- **Aside from the rate and YCC decisions, participants will be eyeing clues on timing for a monetary policy review or exit from ultra-easy policy, while attention will also turn to the latest Outlook Report.**

OVERVIEW: The Bank of Japan will announce the decision from its first policy meeting under the leadership of newly appointed Governor Ueda on Friday, which will also be the first for Deputy Governors Uchida and Himino, with the central bank expected to maintain current settings of rates at -0.10% and QQE with YCC to flexibly target 10yr JGB yields at 0% within a +/- 50bps tolerance range, according to 24 out of 27 economists surveyed by Reuters. Furthermore, source reports noted that the BoJ is likely to maintain ultra-loose monetary policy and dovish guidance with the central bank said to be wary of tweaking yield curve control this month. However, the BoJ could consider a change in guidance, while it was separately reported that the Bank is open to tweaking YCC this year if wage momentum holds and although there is no current consensus on how soon to phase out YCC, the central bank may engage in a more lively debate at the June and July meetings.

RHETORIC FROM NEW BOJ GOVERNOR SUGGESTS NO HURRY TO EXIT FROM EASY POLICY: Comments from the new BoJ Governor imply no rush to exit from ultra-accommodation as Ueda has repeated it will continue monetary easing until the price target is stably and sustainably achieved, as well as noting that tightening now could push down inflation in the future which is already likely to slow on dissipating effects of import costs. In addition, Ueda said if they see the risk of runaway inflation, they must normalise monetary policy, but added that they see a bigger risk of inflation undershooting forecast than overshooting which is why the BoJ must maintain easy policy for now, while he also previously warned against a sudden normalisation of policy.

MIXED DATA SUPPORTS A PATIENT APPROACH: Recent data releases have been mixed which supports a patient approach, including the quarterly Tankan survey as the large manufacturers' sentiment index deteriorated for the 5th consecutive quarter and fell to its lowest since December 2020, but the large non-manufacturers sentiment index printed at its highest level in more than 3 years. Furthermore, household spending disappointed, but machinery orders topped forecasts and the latest national inflation metrics largely matched consensus with headline CPI at 3.2% and Core CPI at 3.1%, but showed an unexpected acceleration in nationwide Ex. Fresh Food & Energy CPI to 3.8% (prev. 3.5%). Despite the surge in "core core" inflation, it is unlikely to compel the central bank to move in the immediate term as Governor Ueda anticipates that inflation will likely slow back below 2% towards the latter half of this FY.

ANNOUNCEMENT AND LATEST OUTLOOK REPORT: There is no exact scheduled release time for the BoJ policy decision which can occur anytime from the start of the Tokyo lunch break at 03:30BST/22:30EDT, while the focus will also be on any clues for when the central bank could begin exiting ultra-loose policy or conduct a review of its monetary policy which economists anticipate may occur sometime this year. The BoJ will also release its latest Outlook Report containing Board members' median forecasts for Real GDP and Core CPI, with the current estimates for growth at 1.9%, 1.7% and 1.1% for fiscal years 2022, 2023 and 2024, respectively, while core inflation is seen at 3.0%, 1.6% and 1.8% for the respective aforementioned years. In addition, a recent press report stated that the central bank is mulling CPI projections for FY25 between 1.6%-1.9%, which would remain below the 2% price goal and support the case for a delayed exit from easy policy.

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