



# PREVIEW: BoJ Policy Decision Scheduled on Tuesday 23rd January 2024 Anytime From 02:30GMT/21:30EST

- **BoJ is expected to maintain policy settings with forecasts unanimous for no exit yet from NIRP.**
- **Expectation for rate cuts this year by global central banks lessens the pressure on the BoJ to normalise.**
- **BoJ will release its latest Outlook Report and participants will also eye clues on the timing of a future exit.**

**OVERVIEW:** The BoJ will conclude its 2-day policy meeting on Tuesday where the central bank is expected to maintain its policy settings of negative rates at -0.10% as a recent poll by Reuters showed that all economists surveyed were unanimous in their view that the BoJ will not end negative rates this month. The central bank will also likely maintain QQE with YCC to flexibly target 10yr JGB yields at around 0% with a 1% upper bound reference rate for market operations and it will also release its latest Outlook Report containing board members' median forecasts for real GDP and core CPI.

**PRIOR MEETING:** The BoJ disappointed outside bets that it could make some sort of policy tweak at the last meeting in December and instead opted to keep policy settings unchanged, as well as reiterated its dovish forward guidance and pledge that it will not hesitate to take additional easing measures if necessary. BoJ Governor Ueda said the likelihood of achieving the inflation target is slightly higher than before but he still wants to look at more data and when it comes to exit from NIRP, he said the BoJ does not have a detailed picture of what policies would be taken in what order. Furthermore, Ueda said it is difficult to present a firm picture regarding policy exit and that accommodative conditions would be maintained for an unspecified period after the lifting of negative rates, while he added that there was not much data before the January meeting and little chance for BoJ to say that it will change policy this month.

**OUTLOOK REPORT WILL BE EYED, WHILE EXPECTATIONS FOR GLOBAL RATE CUTS LESSEN PRESSURE FOR THE BOJ:** The BoJ will also release its Outlook Report which contains board members' latest projections with the central bank reportedly considering lowering its price outlook for FY24 to the mid-2% range, although sources have stated that the BoJ is expected to broadly maintain its projections for trend inflation to stay near the 2% target in the coming years and although it is seen cutting its FY24 core inflation forecast, it is likely to make no major changes to the forecast that "core core" inflation will hit 1.9% in both FY24 and FY25. Furthermore, expectations for a rate cut this year by key global central banks such as the Fed and ECB effectively lessens the pressure for the BoJ to normalise policy although it is still expected to exit the world's last negative rate with most economists forecasting April as the most likely month for the central bank to scrap NIRP.

**ANNOUNCEMENT:** There is no exact scheduled release time for the BoJ's decision which can occur anytime after the start of the Tokyo lunch break which begins at 02:30GMT/21:30EST. As the upcoming policy announcement is unlikely to involve any policy tweaks, participants will be eyeing the central bank's statement for clues regarding future policy and if they support the current view by 82% of economists surveyed by Reuters who expect the BoJ to end negative rates this year with April seen as the most likely choice.

## Prior Outlook Report Forecasts:

### Real GDP

- Fiscal 2023 median forecast was seen at 2.0%.
- Fiscal 2024 median forecast was seen at 1.0%.
- Fiscal 2025 median forecast was seen at 1.0%

### Core CPI

- Fiscal 2023 median forecast was seen at 2.8%.
- Fiscal 2024 median forecast was seen at 2.8%.
- Fiscal 2025 median forecast was seen at 1.7%.



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