



## PREVIEW: BoJ announcement due Friday, 23rd January 2026; announcement due any time from the Tokyo lunch break

- The BoJ is expected to keep its short-term policy rate unchanged when it concludes its 2-day meeting on Friday.
- 100% of economists surveyed by Bloomberg expect no change, while markets are pricing a hold at 0.75% as the likely outcome.
- Recent source reports nevertheless suggest some policymakers see scope to raise rates sooner than markets expect, with Yen weakness a growing concern.

**OVERVIEW:** The Bank of Japan will conclude its two-day policy meeting on Friday, where the central bank is widely expected to keep its short-term policy rate unchanged at 0.75% following December's hike to a 30-year high. A Bloomberg survey showed all 52 economists expect no change, while money markets are priced for a hold, thus shifting the focus to guidance, rhetoric, and the press conference. A large majority of economists expect no change through March, with July seen as the most likely timing for the next hike.

**YEN WEAKNESS AND HAWKISH REPORTS:** While the BoJ is set to stand pat this month, recent Reuters source reports indicate that some policymakers see scope to raise rates sooner than markets anticipate, with April not ruled out if conditions warrant. Attention within the board has increasingly turned to the inflationary impact of a weak Yen, which risks widening cost-push pressures beyond food and energy at a time when companies are already passing on higher costs. This comes despite the BoJ's expectation that food-driven inflation will moderate and give way to more sustainable, wage-led price growth. Governor Ueda has previously signalled the need for caution, but continued Yen weakness could leave the BoJ behind the curve in controlling inflation, according to Bloomberg analysis, with a majority of economists already holding that view. Analysts at Citigroup see the risk of three BoJ hikes this year if JPY weakness persists, and say that if USD/JPY rises above 160.00, the BoJ will likely lift the overnight call rate by 25bps to 1.00% in April.

**OUTLOOK REPORT:** The central bank releases its quarterly "Outlook for Economic Activity and Prices" report immediately following the conclusion of specific Monetary Policy Meetings (MPMs) held in January, April, July, and October. A Bloomberg poll of economists shows the BoJ is expected to retain the same inflation outlook as in the previous report. However, a more recent Reuters source report suggested the BoJ is likely to raise its economic growth and inflation forecasts for FY26.

**SNAP ELECTIONS:** The outlook is further complicated by Japan's snap election, called by PM Takaichi, which has raised concerns over a potential clash between gradual monetary tightening and looser fiscal policy. Goldman Sachs warns that a stronger mandate for fiscal expansion could lift JGB term premia, tighten financial conditions, and exacerbate Yen volatility, increasing pressure on the BoJ to respond sooner than its baseline path. While there is no preset course for rates, further currency weakness that feeds into inflation could hasten the next move.

**ANNOUNCEMENT:** As usual, there is no fixed time for the decision on Friday, which is typically released after the start of the Tokyo lunch break from around 02:30GMT/21:30EST. The longer the delay, the more markets may speculate about extended deliberations. Beyond the rate decision, participants will closely scrutinise the policy statement and Governor Ueda's press conference for any shift in language on the yen, inflation risks, or the timing of the next hike, with guidance seen as key in shaping expectations for April versus the more widely expected mid-year/H2 move.

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