



PREVIEW: BoJ Announcement due Thursday, 19th March 2026 from 02:30GMT/22:30EDT

- BoJ is unanimously forecast to keep its short-term rates unchanged at 0.75%.
- BoJ will likely wait until April before mulling a rate hike to gauge price and wage adjustments.
- The war in Iran and oil price surge cloud the outlook, as Japan imports around 95% of its oil from the Middle East.

OVERVIEW: The BoJ is expected to refrain from any policy adjustments when it concludes its 2-day meeting on Thursday, with a recent Reuters poll showing all 64 economists surveyed forecast the BoJ to keep rates unchanged at 0.75% and with money markets currently pricing in a 92% chance that the central bank will remain on pause, although 60% of economists surveyed are expecting a hike by the end of June.

BOJ KEPT RATES UNCHANGED IN JANUARY AFTER HIKING IN DECEMBER: The BoJ refrained from any policy tweaks at the last meeting in January, which was widely expected, given that the central bank had only just hiked rates the month before in December, while its decision to pause in January was made through an 8-1 vote, as board member Takata voted for a 25bp hike. The BoJ reiterated that real interest rates remain significantly low and reaffirmed its intention to continue raising the policy rate and adjusting the degree of monetary accommodation if the outlook for growth and prices is realised, consistent with achieving the 2% inflation target in a sustainable and stable manner. Furthermore, BoJ Governor Ueda said during the post-meeting press conference that April price behaviour is a factor in mulling a rate hike. This is because April is when companies adjust prices, while they will also have a clearer picture of the results of the Shunto spring wage negotiations then, which supports the view that the central bank will likely wait until fiscal Q1 before any meaningful deliberation on whether to hike rates.

IRAN WAR AND RISING OIL PRICES CLOUD THE POLICY OUTLOOK: Another factor that would likely keep the central bank on pause at this meeting is the increased uncertainty due to the war in Iran, which has grounded shipping to a near-standstill in the Strait of Hormuz and triggered recent historic oil price volatility, which in turn has clouded the policy outlook for central banks globally. Therefore, policymakers may prefer to take a patient approach and gauge the impact of the war and oil price volatility on the domestic economy and inflation before making any interest rate adjustments, as the higher oil prices provide inflationary pressure and would likely have a negative impact on the domestic economy, given that Japan imports 95% of its oil from the Middle East.

ANNOUNCEMENT: The rate decision is due on Thursday with no exact scheduled time, although it tends to be anytime after the start of the Tokyo lunch break from 02:30GMT/22:30EDT. As a pause in rates is widely seen as a foregone conclusion, the attention will turn to the central bank's language for clues on future policy and when the BoJ may have a serious debate on resuming its rate normalisation. Participants will also be eyeing any rhetoric regarding the currency for signs of any willingness for currency intervention, given that USD/JPY is nearing the 160.00 territory, while Governor Ueda will be conducting a press conference that will begin at 06:30GMT/02:30EDT.

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