

Bank of Japan Monetary Policy Meeting (March 2026)

Policy interest rate held steady as expected by the market

March 23, 2026

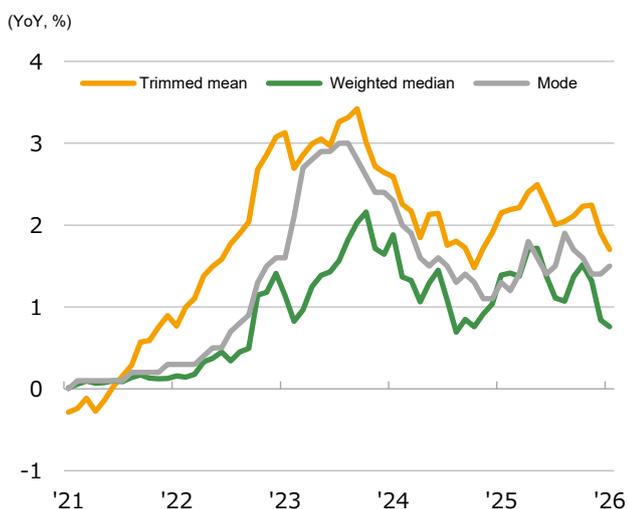
Bank of Japan Governor Ueda Does Not Rule Out April Rate Hike, Will Monitor Impact of Middle East Situation

The BOJ (Bank of Japan) held its Monetary Policy Meeting on March 18–19 and, as expected by the market, decided to keep the policy interest rate—the unsecured overnight call rate—at 0.75%. The decision to hold off on a rate hike was driven by the need to assess the impact of last December’s rate hike on the domestic economy and prices, as well as the necessity to adopt a cautious stance amid the uncertain outlook for the military conflict between the US, Israel, and Iran.

Amid the de facto blockade of the Strait of Hormuz due to the escalating tensions in the Middle East, Brent crude oil futures prices have remained high, hovering around \$110 per barrel. Combined with the weak Yen, concerns are growing in Japan—a country highly dependent on energy imports—about stagflation, where an economic downturn and a price hike occur simultaneously. Consequently, attention has been focused on the Bank of Japan’s future monetary policy management.

At a press conference, Governor Ueda stated that, prior to the escalation of tensions in the Middle East, core inflation had been rising toward the 2% target. He further indicated that, even amid heightened domestic and international economic uncertainty stemming from the Middle East crisis, the Bank intends to maintain its current course of interest rate hikes. He also noted that many board members had pointed out the possibility of core inflation rising above target due to inflation expectations, driven by more aggressive pricing behavior by companies. While he avoided making a clear statement on the timing of the next rate hike, saying the decision would be based on data from branch office hearings and other sources as it accumulates, his remarks suggest he has not ruled out the possibility of an additional rate hike at the April meeting.

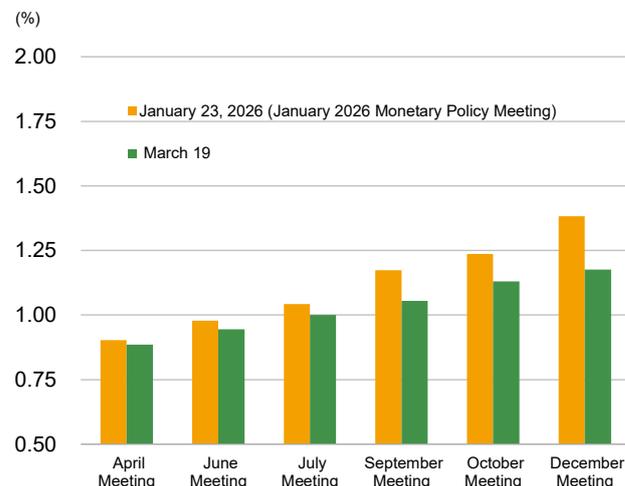
Indicators for Capturing Core Inflation



※Latest value as of January 2026

Source: Bank of Japan; compiled by Daiwa Asset Management

Policy Rate Level Priced in by the Market



Source: Bloomberg; compiled by Daiwa Asset Management

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