Notes on Financial Markets Vol.270

Summary of Opinions in March MPM—Vigilance against inflation

March 30, 2026

Introduction

The BOJ decided to maintain its policy rate unchanged in March MPM. Nevertheless, majority of comments suggested that the BOJ should take account of the risk of acceleration of inflation due to the obvious reason.

Assessment of economy

First line of comment confirmed the central scenario that the economic activity would maintain the moderate momentum thanks to global economic recovery and policy measures by the government. Meanwhile, following couple of comments pointed out the importance of spillover of wage rises to SMEs.

Three other lines of comments raised the implications of higher political tensions in the middle east.

One of them suggested that the BOJ should maintain the current central scenario of economy and prices, while it emphasized the need to monitor carefully the impacts of the rise in crude oil. The other couple of comments expressed more cautious views that it is a critical moment of time to have negative impacts on economy through deterioration of the terms of trade and more cautiousness of the sentiment.

Assessment of prices

First line of comment confirmed the central scenario that the underlying inflation would reaccelerate and converge to the inflation target in later period of the outlook. The comment also suggested that the BOJ needs to monitor the effects of the rise of oil price on the outlook of underlying inflation.

In contrast, following couple of comments expressed the benign view.

First of them pointed out that the inflation rates of core services/goods remained stabilized around 2%. Moreover, both of them confirmed the view that the underlying inflation rate appeared to remain below 2%. As a result, they either denied the upside risk of inflation or saw the risk was balanced in both direction.

Nevertheless, other five lines of comments expressed the concerns about the upside risk of inflation.

One of them expected that headline CPI inflation rate would re-accelerate due to the rise in energy prices. Following two comments referred to the spillover to the prices of broader goods and wages. One of them explained that utility prices would be affected as the price of import LNGs practically correlates with the price in crude oil in the middle east.

Other three of such comments suggested the view that the mechanism of “second-round effect” would be reinforced. One of such comments raised the structural difference of economy since the war in Ukraine started. The other referred to the factors including 1) inflation expectation close to 2%, 2) proactive behavior of price setting by firms, and 3) macro-economic shortage of supply. Moreover, the last of such comments suggested the inertia of the government policy to promote transfer of costs/rise in wages.

Regarding the JPY rate, a line of comment suggested that the pressure for deprecation would tend to reinforce, as there emerged growing view that the overseas major central banks would hike policy rates on the back of the lessons from the case of high inflation 2022.

Management of policy rate

First line of comment reiterated the idea that it would be appropriate to adjust monetary easing as long as the outlook of economy and prices realize. The following comment confirmed the view that monetary conditions remained accommodative, as higher yield has not prevented the decision to make domestic investments.

Following two lines of comments expressed the cautious views on the policy decision. One of them pointed out the higher uncertainties and associated deterioration of the market sentiment. The other insisted that close monitoring of the spillover of wage rises and the accommodative financial conditions would be warranted.

It should be noted that many other lines of comments suggested that more serious consideration of a policy rate hike would be necessary under the growing risk of acceleration of inflation.

One of them expressed the view that the next round of policy rate hike should be closer ahead, as the upward of trend of prices would be maintained under accommodative financial conditions, continuous wage hikes due to shortage of labor and high propensity to invest by firms. The other comment supported the idea of earlier rise in policy rate as continuous rise in underlying inflation beyond 2% should be avoided.

Following line of comment expressed more benign views, with reference to the case of look-through by monetary policy. Nevertheless, the comment pointed out the possibility of monetary tightening when cost-push inflation accelerates due to rapid depreciation of JPY or further wise in wages due to “second round effects”. The other comment agreed that acceleration in policy rate hike would be warranted.

Last couple of comments expressed clearer idea that the BOJ should focus on the upside risk in deciding the policy rate at the coming meetings.

One of them referred to the risk of “behind the curve” of monetary policy, with reference to the risk of higher underlying inflation as the “second-round effect”. It pointed out the factors including the enhanced pass-through of deprecation of JPY and the proactive behavior of price settings by firms. It also suggested that the BOJ should make policy decision against the upside risk of inflation.

Second of such comments reiterated the idea that the stabilization of prices with minimizing the downside risk of economy would be consistent with the policy mandate that the BOJ act delegates.

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