

## MNI BOJ Preview – March 2026

**Meeting Date:** Wednesday March 18 to Thursday March 19, 2026.

**Statement Release Time:** N/a

**Link To Statement:** [https://www.BOJ.or.jp/en/mopo/mpmsche\\_minu/index.htm/](https://www.BOJ.or.jp/en/mopo/mpmsche_minu/index.htm/)

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## MNI Point Of View: On Hold As War Complicates

The Bank of Japan (BOJ) is widely expected to keep policy on hold at the March 18–19 meeting, adopting a cautious wait-and-see approach as escalating Middle East tensions cloud the outlook. The “war in Iran has complicated the BOJ’s outlook,” particularly given Japan’s heavy reliance on imported energy, increasing the sensitivity of the economy to oil price shocks.

Prior to recent geopolitical developments, BOJ communication had pointed toward gradual tightening, with indications that “the distance to the next rate hike was narrowing.” This reflected concerns about falling behind the curve and arguments against excessive delays in assessing the impact of previous hikes. However, the outbreak of the Iran conflict has materially increased uncertainty, prompting a more cautious stance.

Governor Kazuo Ueda has acknowledged the dual-sided risks from higher energy prices, noting they could exert “downward pressure on the economy and the underlying inflation rate” in the near term, while also potentially lifting inflation over time by raising “inflation expectations.” At the upcoming meeting, he is expected to emphasise that the BOJ will “closely monitor the Middle East situation,” while maintaining that the broader rate hike path remains intact.

Policy communication is likely to stress gradualism, data dependence, and vigilance around financial conditions and exchange rate developments. Yen dynamics remain a key constraint, as excessive weakness risks amplifying imported inflation and undermining policy credibility, even as the BOJ seeks to avoid tightening prematurely into uncertainty.

Domestic fundamentals continue to provide a mixed but broadly supportive backdrop for eventual normalisation. Strong wage growth and stable underlying inflation suggest that “reflation dynamics remain on track.” However, policymakers are likely to wait for confirmation from the spring Shunto wage negotiations to ensure that wage-driven inflation is sustainable. While moderate increases in oil prices could reinforce reflation alongside yen weakness, a more severe oil shock raises the risk of “stagflation risks,” potentially delaying further tightening.

Inflation data has recently shown some moderation, with nationwide core CPI easing to +2.0% year-on-year in January and Tokyo core CPI to +1.8% in February. These trends are broadly consistent with the BOJ’s projection that inflation could dip below target before mid-2026. However, persistently elevated oil prices could reverse this trajectory, with estimates suggesting that recent energy moves could add between 0.3 and nearly 1 percentage point to inflation in the near term. The key uncertainty remains whether such pressures prove temporary or persistent.

Market pricing continues to reflect expectations of further tightening, with around a 60% probability of an April rate hike implied in overnight index swaps. As a result, market focus will centre on how strongly the BOJ signals openness to near-term tightening. Internal dynamics within the Policy Board will also be closely watched. Board member Hajime Takata is expected to again advocate for a hike, arguing that the “price stability target has been generally achieved,” while the likelihood of Naoki Tamura joining him is seen as lower given the lack of complete wage data. An increase in dissenting votes could nevertheless signal growing momentum toward tightening.

Looking ahead, there is a divergence of views on the timing of the next rate hike. Many analysts favour July, when additional data—including the March Tankan survey, April CPI, and more comprehensive information on small and medium-sized enterprise wage trends—will be available. These data points will be critical in assessing whether corporate profits and capital expenditure remain resilient, whether price revisions align with the BOJ’s inflation outlook, and whether wage growth is broad-based across the economy.

At the same time, uncertainty remains elevated, and risks are seen as two-sided. On one hand, sustained oil price increases and further yen weakness could push inflation higher and shift risks toward earlier tightening, potentially as soon as April or June. On the other hand, geopolitical instability and its impact on growth could delay action.

Political factors may also play a role, with the Takaichi administration's policy stance and potential influence over BOJ board composition possibly raising the hurdle for near-term hikes.

Ultimately, the BOJ faces a complex balancing act between supporting growth, maintaining financial stability, and ensuring inflation remains anchored around target. Governor Ueda is likely to reiterate that "there is a possibility that the impact on the global and Japanese economies will be significant" depending on how events evolve, while reaffirming that "if economic and price conditions improve and the BOJ's baseline outlook is realized, we will continue to raise the policy rate and adjust the level of monetary easing."

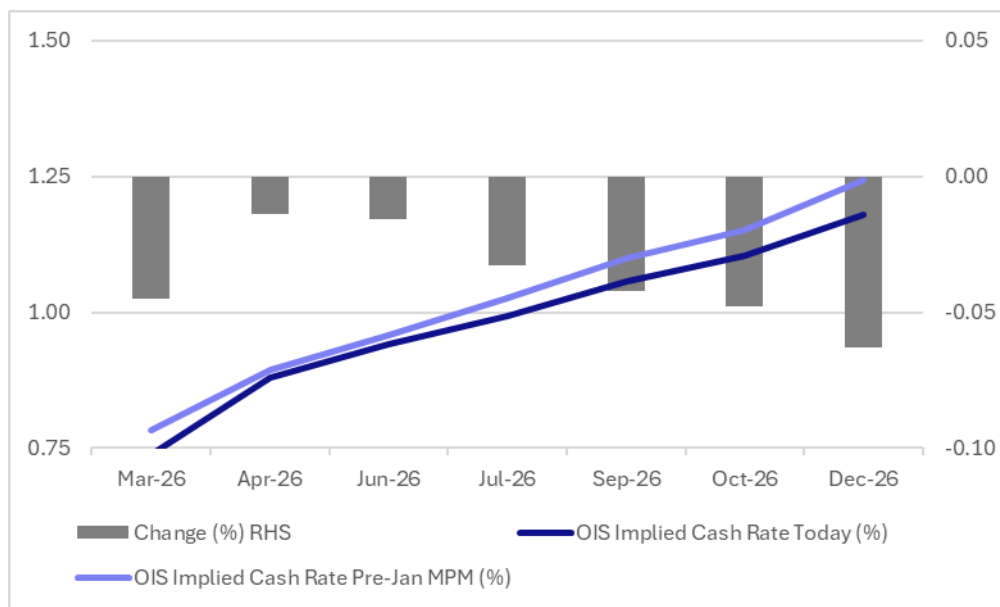
In sum, while the BOJ remains on a gradual normalisation path, heightened geopolitical uncertainty, volatile energy prices, and mixed domestic signals suggest that policymakers will proceed cautiously, keeping their options open as they await clearer evidence on both inflation dynamics and economic resilience.

## BOJ Market Pricing: Expecting On Hold At March Meeting

Currently, BOJ-dated OIS is slightly 2-8bps softer than pre-January MPM levels.

- This is a marked turnaround from mid-February, when the market was 1-5bps firmer than pre-January MPM levels.
- The BOJ is expected to hold rates in March, adopting a cautious stance as the “war in Iran has complicated the BOJ’s outlook,” reversing earlier signals that “the distance to the next rate hike was narrowing.”
- Governor Kazuo Ueda highlighted recently two-sided risks from energy prices—near-term “downward pressure on the economy and the underlying inflation rate” but longer-term upside via “inflation expectations”—with the BOJ set to “closely monitor the Middle East situation” while maintaining a tightening bias.
- Current pricing assigns a 4% probability of a 25bp hike in March, rising to 86% by June and 151% by October, signalling expectations for more than one hike by late 2026.

Figure 1: BOJ-Dated OIS – Current Vs. Pre-Jan 2026 Meeting



Source: Bloomberg Finance LP / MNI

## MNI POLICY: Board To Hold, Raise Growth Projection

By Hiroshi Inoue ,Mar 17, 2026

TOKYO - The Bank of Japan board will likely leave the policy rate unchanged at 0.75% at this week's meeting ending Thursday amid heightened uncertainty over the economy caused by the Middle East conflict, though board members will likely debate a hike as concerns grow over second-round effects from the weak yen and elevated crude oil prices.

The board held the policy rate steady when it last met in January, despite Governor Kazuo Ueda indicating that future rate hikes were likely without elaborating on the timing, with real interest rates remaining significantly low. (See MNI BOJ WATCH: Ueda Points To Hikes, Gives No Clues On Timing)

However, the Iran conflict has since clouded the bank's outlook, with officials increasingly vigilant about the risk of higher inflation expectations caused by the weak yen and elevated crude oil prices. They also fear the new dynamic could mean consumer prices will not fall as much as projected in January. High crude oil prices and yen weakness will also likely mitigate the impact of the government's subsidies aimed at lowering utility charges, adding weight to arguments in favour of raising the rate this week. (See MNI POLICY: BOJ's Renewed Price Focus Improves Hike Conditions)

Markets have priced in only a 4% chance of a rate hike this week. While the possibility is not fully ruled out, the high degree of uncertainty will likely allow the BOJ to adopt a wait-and-see stance until the April 27–28 meeting, when markets currently assign a 57.9% chance of a move higher and more data will be available.

### HIGH UNCERTAINTY

The BOJ will not release a formal medium-term economic growth and inflation outlook until the April meeting, but policymakers will scrutinise whether there is a need to adjust the baseline scenario and the balance of risks, which will influence the Bank's stance of gradual hikes.

The BOJ expects wages at major firms to rise at least as much as last year, reinforcing the foundation for achieving its 2% inflation target. However, high costs will make it difficult for smaller firms to raise wages. Bank officials are focused on the strength of corporate price revisions in April, as wage hikes put upward pressure on retail prices, which will dampen households' purchasing power, although rising nominal wages will somewhat ease the impact.

Officials expect the influence of the weak yen and high oil prices on inflation to emerge before the economy feels their full effect. However, the BOJ would be more concerned about downside risks to the economy than upside risks to prices if crude prices rise sharply, which would present the Bank with a severe challenge in dealing with inflation as higher rates could damage the economy and undermine wage increases.

Officials are also concerned the yen could weaken further if the BOJ leaves the policy rate unchanged, which would prompt overseas investors to question the Bank's inflation-fighting credibility.

Financial conditions remain accommodative even after the bank raised the policy rate by 25 basis points to 0.75% in December, continuing to support economic activity.

However, officials are focused on the March Tankan survey due on April 1 to assess how strongly heightened global uncertainty and higher crude oil prices are affecting business sentiment and capital investment plans.

With uncertainty rising, officials in charge of monetary policy are also struggling to draft Ueda's press conference remarks in a way that communicates smoothly with markets and the media. The key focus is how Ueda frames the outlook for monetary policy amid growing stagflation risks and which factors he emphasises in relation to achieving the bank's 2% inflation target.

## Sell-Side Views

**BNY:** BNY argues the Bank of Japan must proceed cautiously, highlighting Japan's "very high exposure to imported mineral fuels" and noting reserve releases signal "high levels of concern over domestic prices."

- They warn an oil shock would "damage Japan's balance of payments" and further weaken the yen. As USD/JPY nears 160, BNY sees intervention risk as "non-zero," with any pass-through to import prices likely requiring "a stronger response," while still balancing fiscal constraints.

**CBA:** CBA expects the Bank of Japan to keep its policy rate unchanged at 0.75%.

- They note that the "war in Iran has complicated the BOJ's outlook," given Japan's vulnerability as a large net energy importer. Market participants will closely watch Governor Ueda's comments for signals on the war's implications for monetary policy, with investors "closely watch[ing] Governor Ueda's comments for clues on the war's implications for monetary policy."

**Citibank:** Citibank expects the Bank of Japan to keep policy on hold at the March 18–19 meeting, adopting a wait-and-see stance amid escalating Middle East tensions.

- Governor Ueda is expected to say the BOJ will "closely monitor the Middle East situation," while reiterating that the future path of rate hikes remains unchanged. A key focus will be whether Board Member Naoki Tamura joins Board Member Hajime Takata in calling for a hike; an increase to two dissenters could signal a potential shift toward earlier tightening.
- Citi's base case remains a semiannual tightening cycle, with the next hike in July. While earlier risks had tilted toward an April move, the deterioration in the Middle East has likely reduced near-term hawkish pressure. Citi notes that surging oil prices may deprive the BOJ of an early hike option, with some additional yen depreciation potentially tolerated. However, Middle East developments are currently viewed as more decisive than FX alone.
- On inflation, nationwide core CPI eased to +2.0% YoY in January and Tokyo core to +1.8% YoY in February, broadly consistent with the BOJ's outlook that inflation could fall below 2% before mid-2026. If oil prices remain elevated, however, core inflation could rise with a six- to twelve-month lag, potentially undermining consumption, business investment, and exports.
- Prolonged uncertainty would likely keep the BOJ in wait-and-see mode. Nonetheless, if Middle East tensions subside and upcoming wage data and the April 1 Tankan survey are strong, an April hike cannot be ruled out.

**Daiwa:** Daiwa notes that earlier BOJ communications suggested "the distance to the next rate hike was narrowing," citing concerns about falling behind the curve and arguments that the BOJ should not spend excessive time verifying the impact of hikes.

- However, the outbreak of the Iran war has increased uncertainty. Governor Kazuo Ueda acknowledged that Middle East tensions could exert "downward pressure on the economy and the underlying inflation rate," while also noting that over the medium to long term it could push up inflation by raising "inflation expectations."
- With this new supply shock, Daiwa expects the Bank of Japan to keep policy unchanged at the March meeting, but to add new language referencing "the impact of the Middle East situation on Japan's economy and prices through channels such as resource prices."
- Board member Hajime Takata is expected to again propose a hike, arguing that the "price stability target has been generally achieved." In contrast, the likelihood of board member Naoki Tamura proposing a hike is seen as low, given that key wage data will not yet be available.

- Daiwa believes the key focus will be how the BOJ communicates the timing and pace of future hikes and whether it can sustain market expectations. However, without de-escalation, it will likely be difficult to specify timing while the macro impact remains uncertain.
- By April, new data — including spring wage results, the BOJ Tankan survey, and branch manager hearings — should allow the BOJ to reassess its outlook and make a clearer judgment on the timing of the next rate hike.

**DBS:** DBS expects the Bank of Japan to keep its policy rate unchanged at 0.75%, noting that strong wage data and stable underlying inflation “suggest that reflation dynamics remain on track,” supporting gradual policy normalisation.

- However, DBS indicates the BOJ may wait for the outcome of spring Shunto wage negotiations to confirm sustainability. They argue that a moderate rise in oil prices alongside yen weakness could reinforce reflation and allow further rate increases, whereas a sharp oil price shock could create “stagflation risks” and delay additional hikes. An April hike is “not yet a done deal,” with June–July seen as a more appropriate window.

**Danske:** Danske notes that Japan remains an outlier as it continues on a hiking cycle. While real wage growth “turning positive for the first time in over a year in January” supports further rate increases, the bank cautions that surging energy prices are “threatening to undermine the recent purchasing power recovery.”

- Overall, Danske suggests that although domestic wage dynamics are improving and provide a case for continued normalisation, external energy shocks pose a risk to household income and could complicate the outlook for further monetary tightening.

**Goldman Sachs:** Goldman Sachs expects the Bank of Japan to keep policy unchanged at the March meeting, stating that although trends are broadly aligned with the BOJ’s outlook, there is “insufficient data and information...for the BOJ to judge that it has greater conviction” and that “uncertainty surrounding crude oil prices is high.”

- Goldman notes recent indicators support the outlook: real GDP grew “+1.3% qoq annualized,” driven by domestic demand, while services inflation in the 3% range suggests “the pass-through of labor costs to prices is spreading.” Shunto wage demands are also strong, with base pay increases in the “mid-4% range,” and large firms expected to deliver high responses amid structural labour shortages.
- However, Governor Ueda has indicated that rate hikes require sufficient conviction in the outlook. Goldman believes it is “premature to judge that the Bank’s conviction has increased,” reinforcing its expectation of no change in March.
- Goldman continues to see the next hike in July, when additional data will be available, including the March Tankan, April CPI, and information on SME wage trends. It highlights three key factors: whether the Tankan confirms resilient capex and profits; whether April price revisions align with the BOJ’s inflation path; and whether SME wage increases remain strong. Goldman emphasises that uncertainty over timing is high, but conviction is unlikely to be sufficient until mid-year.

**JPM:** JPMorgan expects a low likelihood of policy change at the upcoming meeting, noting that the Iran war gives the Bank of Japan a strong incentive to “wait and see until conditions stabilize.” Market attention will therefore focus on how supportive the BOJ sounds toward an April rate hike, which is still roughly 60% priced in the OIS market.

- JPM argues it will be difficult for the BOJ to materially step back from its normalization stance, stating that after previous delays it would be hard to soften its position. While higher energy prices, market volatility, and supply-chain risks pose downside risks, fiscal measures to support energy costs could partially offset the impact. More importantly, yen weakness remains a key constraint, as softening the hiking bias could risk further depreciation. JPM suggests it would be difficult for the BOJ to back away given these currency dynamics.
- They expect the BOJ to communicate that it “maintains the normalization path,” will “assess uncertainties related to the Iran war,” and “will not raise rates amid market instability.” This framing avoids pre-committing to April while keeping the option open if conditions stabilise, with “stabilization” likely assessed in part through yen movements.
- JPM also highlights that unlike the Fed and ECB, Japan’s policy remains highly accommodative, meaning delays could stand out and add downward pressure on the yen. While April timing is uncertain, they see a low likelihood of prolonged postponement of rate hikes and will focus on how clearly the BOJ signals this stance.

**Mizuho:** Mizuho expects the Bank of Japan to keep policy unchanged at the March meeting, while acknowledging that economic activity, prices, and wages are “on track,” which would support continued normalisation.

- On growth, Japan expanded by +0.3% QoQ (+1.3% annualised) in Q4, driven by private consumption (+0.3%) and capital investment (+1.3%), suggesting domestic demand remains resilient and that the economy is on a “moderate growth trajectory.”
- On inflation, January CPI showed headline inflation at +1.5% YoY, with core at +2.0% and core-core at +2.6% YoY. While inflation is cooling, this largely reflects base effects and temporary factors. Mizuho expects core-core inflation to remain in the upper half of the 1% range for now.
- On wages, spring 2026 negotiations show demands averaging 5.94%, described as “at a historically high level,” with early indications of broad willingness to raise pay. This suggests wage growth likely remains near last year’s strong outcome of around 5%.
- Despite this supportive backdrop, rising Middle East tensions and higher energy prices increase uncertainty and raise the risk of stagflation-like conditions. Mizuho notes it may be difficult for the BOJ to clearly assess the ultimate impact, and argues the Bank should highlight risks on both sides while maintaining flexibility.
- Given these uncertainties and post-December policy assessment, Mizuho sees rates likely left at 0.75% in March, though the decision may not be unanimous, with some members more hawkish.
- Looking ahead, meetings from April onward may be “live,” but prolonged geopolitical tensions could force the BOJ into a policy dilemma between controlling inflation and supporting demand.

**Scotiabank:** Scotiabank expects markets to focus on whether the Bank of Japan keeps open the option of another rate hike at the April 28 meeting, while noting that “no material chance of action is priced” for the current meeting.

- Scotiabank highlights past BOJ research suggesting that a 15% oil price move adds 0.1–0.3 percentage points to inflation within a year. Given the recent oil move is roughly three times that size, this could imply, “all else equal,” an inflation impact of 0.3 to nearly 1% in the near term before fading. However, the key issue is persistence, and Scotiabank argues it is “highly premature” for the BOJ to assume oil-driven inflation is permanent, especially as futures markets do not signal such expectations.
- Despite energy uncertainty, the case for further tightening remains supported by wage dynamics. Spring Shunto negotiations are underway, with unions reporting average wage increases “of over 5%,” extending the multi-year pattern of strong gains. This reinforces gradual policy normalisation.

- Scotiabank also notes that some degree of monetary sterilisation may be needed given PM Takaichi's fiscal plans, adding another consideration for future policy calibration. Overall, the bank sees the BOJ maintaining optionality for future hikes while assessing whether oil-driven inflation proves temporary or more persistent.

**Société Générale:** Société Générale expects the Bank of Japan to keep policy unchanged at its March meeting amid rising uncertainty in domestic and global conditions, driven by escalating Middle East tensions and financial market volatility.

- On communication, Société Générale expects the BOJ to say it is “closely monitoring the impact” of high oil prices on the economy and inflation, while reserving a more detailed assessment for the April Outlook Report if geopolitical risks persist.
- Attention will also focus on whether any board members propose a rate hike, following Board Member Takata's proposal at the previous meeting, and whether Board Member Tamura submits one this time.
- At Governor Ueda's press conference, the bank expects him to reiterate that, depending on developments, “there is a possibility that the impact on the global and Japanese economies will be significant” via energy prices and financial markets. He is also likely to maintain that, “if economic and price conditions improve and the BOJ's baseline outlook is realized, we will continue to raise the policy rate and adjust the level of monetary easing,” signalling continued commitment to normalisation while monitoring risks.
- Looking ahead, Société Générale continues to expect a rate hike in April, supported by several factors: potential geopolitical de-escalation, government measures to cap fuel prices that may require additional fiscal support, the risk of further yen depreciation amid expectations of active fiscal policy and a weaker trade balance, and growing BOJ concern over the impact of yen weakness on underlying inflation.

**TD:** TD expects the Bank of Japan to keep rates unchanged, placing emphasis on Governor Ueda's press conference and his response regarding the BOJ's price outlook in light of the oil shock.

- TD notes that while policy is likely to remain on hold, there is a risk of an earlier rate hike in April. This reflects firming wage momentum emerging from ongoing wage negotiations. The bank suggests the BOJ may need to act to safeguard price stability and avoid being perceived as “behind the curve,” particularly if wage-driven inflation pressures persist alongside energy-related price risks.

**Wells Fargo:** Wells Fargo expects the Bank of Japan to keep rates unchanged at this meeting, while reinforcing its normalization bias. Although March remains “in play” in market pricing, the BOJ is more likely to emphasise gradualism, data dependence, and vigilance around FX and financial conditions.

- Wells Fargo notes that business activity has improved, with manufacturing and services indicators firming. However, household demand remains fragile as real wage growth is only slowly stabilizing. Inflation has eased from recent peaks, but core and underlying measures remain at or above target, which leaves the BOJ comfortable that “underlying inflation dynamics are broadly consistent with its objective.”
- Key constraints include yen weakness and JGB volatility. The BOJ is sensitive to the risk that prolonged inaction could “reignite currency depreciation and undermine policy credibility.” That said, with the yen relatively range-bound and markets calmer, immediate urgency has diminished.
- Wells Fargo continues to expect one additional rate hike later this year, likely skewed toward October. An earlier move would require clearer signs of renewed yen dislocation or faster services inflation and wage growth. Conversely, delays would be more likely if growth softens or inflation persistence fades.
- Overall, a hold with hawkish-leaning guidance should limit near-term downside in the yen, but without concrete tightening, the currency may remain on a depreciating trend due to terms-of-trade pressures, fiscal dynamics, and a still-wide rate gap with the US.

**UniCredit:** UniCredit expects the Bank of Japan to remain on hold, while keeping the door open to further policy normalisation and stepping up FX-related rhetoric.

- Following the outbreak of the Iran conflict, USD/JPY rose toward 160 as risk aversion increased and the dollar outperformed other safe-haven currencies. However, UniCredit does not expect the BOJ to raise rates before conducting a thorough assessment of Prime Minister Sanae Takaichi's new fiscal plan.
- The bank notes that stronger FX rhetoric or even intervention would likely come into play if the yen weakens further, recalling that USD-JPY previously reached levels near 162 in July 2024. Governor Kazuo Ueda has already signalled readiness to resume tightening if inflation pressures rise, supporting the view that policy normalisation remains in progress.
- Looking ahead, UniCredit sees scope for the policy rate to rise to 1.25–1.50% by the fourth quarter of 2027, up from the current 0.75%, indicating a gradual but continuing tightening cycle rather than an abrupt shift.