

Ryozo Himino: The Bank of Japan's Semiannual Report on Currency and Monetary Control

Statement by Mr Ryozo Himino, Deputy Governor of the Bank of Japan, before the Committee on Financial Affairs, House of Representatives, Tokyo, 19 June 2026.

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Introduction

The Bank of Japan submits to the Diet its *Semiannual Report on Currency and Monetary Control* every June and December. I am pleased to have this opportunity today to talk about recent economic and financial developments and about the Bank's conduct of monetary policy.

I. Economic and Financial Developments

I will first explain recent economic and financial developments.

Japan's economy has recovered moderately, although some weakness has been seen in part, partly due to the impact of the situation in the Middle East. Exports and industrial production have continued to be more or less flat as a trend. With corporate profits at high levels, business fixed investment has been on a moderate increasing trend. Private consumption has been resilient against the background of an improvement in the employment and income situation, although weakness has been seen in household sentiment. With regard to the outlook, while higher crude oil prices are likely to exert downward pressure on economic activity, Japan's economy is expected to be supported by factors such as high levels of corporate profits. In addition, progress is being made in various government measures and in securing alternative sources of raw materials. Japan's economy is thus expected to continue growing moderately, albeit at a decelerated rate.

On the price front, the year-on-year rate of increase in the consumer price index (CPI) for all items excluding fresh food has recently been at around 1.5 percent, due to factors such as the effects of the government's measures to reduce the household burden of higher energy prices. However, the rate of increase is likely to accelerate to a level clearly above 2 percent, as the rise in crude oil prices is expected to push up prices, mainly of energy and goods. Meanwhile, underlying CPI inflation is expected to increase gradually, coming to a level that is generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027.

There are various risks to the outlook. For the time being, it is necessary to pay particular attention to the impact of the future course of the situation in the Middle East on financial and foreign exchange markets and on Japan's economic activity and prices. In addition, it is necessary to pay attention to the effects of developments in global AI-related demand and of future developments in foreign exchange rates on Japan's economic activity and prices. Meanwhile, Japan's financial system has maintained stability on the whole. The Bank judges that, even in the case of an adjustment in the real economy at home and abroad and in global financial markets, the

financial system is likely to remain highly robust on the whole, mainly because Japanese financial institutions have sufficient capital bases.

II. Conduct of Monetary Policy

Next, I will explain the Bank's conduct of monetary policy.

At the Monetary Policy Meeting (MPM) held this week, the Bank decided to raise the policy interest rate to around 1.0 percent. As mentioned earlier, Japan's economy is expected to continue growing moderately, albeit at a decelerated rate. On the price front, there appears to be a risk that price increases stemming from high crude oil prices will spread across a wide range of items, as well as a risk that underlying CPI inflation will deviate upward to a level above the price stability target of 2 percent. The Bank judged it appropriate to adjust the degree of monetary accommodation in light of these developments.

As for the future conduct of monetary policy, given that underlying CPI inflation has been approaching 2 percent and financial conditions have been accommodative, the Bank will continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. In this regard, it will consider the timing and pace of adjustment, while closely monitoring the impact of the future course of the situation in the Middle East on Japan's economic activity and prices and examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook.

At this week's MPM, the Bank also reviewed the developments in and functioning of the Japanese government bond (JGB) markets, and discussed its approach to future JGB purchases. As a result, the Bank decided that, through March 2027, it would maintain the existing reduction plan decided in June 2025 and that, from April 2027, it would keep the amount of its monthly JGB purchases at about 2 trillion yen.

With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the target.

Thank you.