

BOJ's Kuroda sees inflation remaining short of 2% target



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FILE PHOTO: Bank of Japan (BOJ) Governor Haruhiko Kuroda attends a news conference at the BOJ headquarters in Tokyo

By Leika Kihara

TOKYO (Reuters) -Japan is unlikely to see inflation hitting a central bank target of 2%, even accounting for rising energy costs, Bank of Japan Governor Haruhiko Kuroda said on Thursday, making the case for keeping monetary policy ultra-easy.

His remark highlights the widening divergence between the BOJ's dovish stance and the U.S. Federal Reserve, which raised interest rates on Wednesday for the first time since 2018 and laid out plans to keep hiking borrowing costs.

"It will take more time to achieve our 2% inflation target in a stable manner, so it's too early to debate specifics on how to exit from easy policy," Kuroda told parliament.

Analysts expect Japan's core consumer inflation, which hit 0.2% in January, to accelerate to near 2% from April as the effect of cellphone fee cuts dissipate.

The recent spike in energy and commodity prices, driven by the war in Ukraine and sanctions on Russia, adds to inflationary pressures with the impact likely to persist for most of this year.

Kuroda, however, played down the chance that inflation will hit 2% long enough to warrant withdrawing monetary stimulus.

"I don't think Japan is in a condition where inflation stably hits 2%, even when the impact of cellphone fee cuts taper off and energy prices rise further," he said.

When 2% inflation is achieved, the BOJ will consider exiting ultra-easy policy and disclose its plans, Kuroda said.

"In doing so, we will guide monetary policy to ensure markets including those for Japanese government bonds remain stable," he added.

At its two-day meeting ending on Friday, the BOJ is widely expected to policy steady and warn of heightening economic risks from the Ukraine crisis.

(Reporting by Leika KiharaEditing by Shri Navaratnam and Kim Coghill)