

November 19, 2014

Bank of Japan

## Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by an 8-1 majority vote, to set the following guideline for money market operations for the intermeeting period:<sup>[Note 1]</sup>

The Bank of Japan will conduct money market operations so that the monetary base will increase at an annual pace of about 80 trillion yen.

2. With regard to the asset purchases, the Bank decided, by an 8-1 majority vote, to continue with the following guidelines:<sup>[Note 2]</sup>
  - a) The Bank will purchase Japanese government bonds (JGBs) so that their amount outstanding will increase at an annual pace of about 80 trillion yen. With a view to encouraging a decline in interest rates across the entire yield curve, the Bank will conduct purchases in a flexible manner in accordance with financial market conditions. The average remaining maturity of the Bank's JGB purchases will be about 7-10 years.
  - b) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 3 trillion yen and about 90 billion yen respectively.
  - c) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen respectively.
3. Japan's economy has continued to recover moderately as a trend, although some weakness particularly on the production side has remained due mainly to the effects of the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike. Overseas economies -- mainly advanced economies -- have been recovering, albeit with a lackluster performance still seen in part. Exports have been more or less flat. Business fixed investment has been on a moderate increasing trend as corporate profits have improved. Public investment has more or less leveled off at a high level. Private consumption has remained resilient as a trend with the employment and income situation improving steadily, and the effects of the decline in demand following the front-loaded increase have been

waning on the whole. As for housing investment, the decline following the front-loaded increase has continued, while signs of bottoming out have been observed recently. Some weakness in industrial production has remained with continued inventory adjustments. Meanwhile, financial conditions are accommodative. On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food), excluding the direct effects of the consumption tax hike, is around 1 percent. Inflation expectations appear to be rising on the whole from a somewhat longer-term perspective.

4. With regard to the outlook, Japan's economy is expected to continue its moderate recovery trend, and the effects including those of the subsequent decline in demand following the front-loaded increase prior to the consumption tax hike are expected to dissipate gradually. The year-on-year rate of increase in the CPI is likely to be at around the current level for the time being.
5. Risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects regarding the debt problem and the risk of low inflation rates being protracted in Europe, and the pace of recovery in the U.S. economy.
6. Quantitative and qualitative monetary easing (QQE) has been exerting its intended effects, and the Bank will continue with the QQE, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will examine both upside and downside risks to economic activity and prices, and make adjustments as appropriate.<sup>[Note 3]</sup>

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<sup>[Note 1]</sup> Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, and Mr. T. Sato. Voting against the action: Mr. T. Kiuchi. The member voting against the action considered that the guideline for money market operations before the decision of the "Expansion of the Quantitative and Qualitative Monetary Easing" on October 31, 2014 was appropriate.

<sup>[Note 2]</sup> Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, and Mr. T. Sato. Voting against the action: Mr. T. Kiuchi. The member voting against the action considered that the guideline for asset purchases before the decision of the "Expansion of the Quantitative and Qualitative Monetary Easing" on October 31, 2014 was appropriate.

<sup>[Note 3]</sup> Mr. T. Kiuchi proposed that the Bank will aim to achieve the price stability target of 2 percent in the medium to long term and designate the QQE as an intensive measure with a time frame of about two years. The proposal was defeated by an 8-1 majority vote. Voting for the proposal: Mr. T. Kiuchi. Voting against the proposal: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, and Mr. T. Sato.

(Reference)

Meeting hours:

November 18: 14:00-16:05

November 19: 9:00-12:19

Policy Board members present:

Haruhiko Kuroda (Governor)

Kikuo Iwata (Deputy Governor)

Hiroshi Nakaso (Deputy Governor)

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

Takehiro Sato

Takahide Kiuchi

(Others present)

November 18

From the Ministry of Finance:

Makoto Nakagawa, Councilor (14:00-16:05)

From the Cabinet Office:

Akihiro Nakamura, Deputy Director-General, Economic and Fiscal Management  
(14:00-16:05)

November 19

From the Ministry of Finance:

Ichiro Miyashita, State Minister of Finance (9:00-11:54, 12:09-12:19)

From the Cabinet Office:

Mamoru Maekawa, Director-General, Economic and Fiscal Management  
(9:00-11:54, 12:09-12:19)

Release of the *Monthly Report of Recent Economic and Financial Developments*:

14:00 on Thursday, November 20 (Japanese)

16:30 on Friday, November 21 (English)

-- The English translation of the summary of the Monthly Report will be released at  
14:00 on Thursday, November 20

Release of the minutes:

8:50 on Thursday, December 25