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June 23, 2021

Bank of Japan

Minutes of the Monetary Policy Meeting

on April 26 and 27, 2021

(English translation prepared by the Bank's staff based on the Japanese original)

A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Monday, April 26, 2021, from 2:00 p.m. to 3:54 p.m., and on Tuesday, April 27, from 9:00 a.m. to 11:53 a.m.[1]

Policy Board Members Present

Mr. KURODA Haruhiko, Chairman, Governor of the Bank of Japan

Mr. AMAMIYA Masayoshi, Deputy Governor of the Bank of Japan

Mr. WAKATABE Masazumi, Deputy Governor of the Bank of Japan

Ms. MASAI Takako

Mr. SUZUKI Hitoshi

Mr. KATAOKA Goushi

Mr. ADACHI Seiji

Mr. NAKAMURA Toyoaki

Mr. NOGUCHI Asahi

Government Representatives Present

Mr. NAKANISHI Kenji, State Minister of Finance, Ministry of Finance[2]

Mr. SHINKAWA Hirotsugu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance[3]

Mr. AKAZAWA Ryosei, State Minister of Cabinet Office, Cabinet Office[2]

Mr. TAWA Hiroshi, Vice-Minister for Policy Coordination, Cabinet Office[3]

Reporting Staff

Mr. UCHIDA Shinichi, Executive Director

Mr. YAMADA Yasuhiro, Executive Director

Ms. SHIMIZU Tokiko, Executive Director (Assistant Governor)

Mr. KAIZUKA Masaaki, Executive Director

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on June 17 and 18, 2021, as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

[2] Messrs. Nakanishi and Akazawa were present on April 27.

[3] Messrs. Shinkawa and Tawa were present on April 26.

Mr. SHIMIZU Seiichi, Director-General, Monetary Affairs Department

Mr. IIJIMA Kota, Head of Policy Planning Division, Monetary Affairs Department

Mr. MASAKI Kazuhiro, Director-General, Financial System and Bank Examination Department

Mr. OTANI Akira, Director-General, Financial Markets Department

Mr. KAMEDA Seisaku, Director-General, Research and Statistics Department

Mr. KAWAMOTO Takuji, Head of Economic Research Division, Research and Statistics Department

Mr. HIROSHIMA Tetsuya, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. NAKAJIMA Takeshi, Director-General, Secretariat of the Policy Board

Mr. HONDA Hisashi, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

Mr. ICHISE Yoshitaka, Senior Economist, Monetary Affairs Department

Mr. NAGAE Shinichiro, Senior Economist, Monetary Affairs Department

Mr. KADOGAWA Yoichi, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments[4]

A. Market Operations in the Intermeeting Period

In accordance with the short-term policy interest rate of minus 0.1 percent and the target level of the long-term interest rate, both of which were decided at the previous meeting on March 18 and 19, 2021, the Bank had been conducting purchases of Japanese government bonds (JGBs).[5] In this situation, 10-year JGB yields had been at around 0 percent, and the shape of the JGB yield curve had been consistent with the guideline for market operations.

With a view to supporting financing, mainly of firms, and maintaining stability in financial markets, the Bank had taken the following measures: purchases of CP and corporate bonds and conduct of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), both under the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19); flexible provision of ample funds, mainly through purchases of JGBs and conduct of the U.S. dollar funds-supplying operations; and purchases of exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

B. Recent Developments in Financial Markets

In the money market, interest rates on both overnight and term instruments generally had been in negative territory. With regard to interest rates on overnight instruments, the uncollateralized call rate had been in the range of around minus 0.01 to minus 0.04 percent; general collateral (GC) repo rates had been in the range of around minus 0.06 to minus 0.18 percent. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) had been more or less flat.

The Nikkei 225 Stock Average had declined against the background of stock selling for position adjustments by institutional investors, reflecting the rise in stock prices, and of recent concern over the reinstatement of the state of emergency. Long-term interest rates had been at around 0 percent under yield curve control. As for liquidity in the JGB market, the volume of spot transactions had been flat at a relatively high level compared with that for the

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[4] Reports were made based on information available at the time of the meeting.

[5] The target level of the long-term interest rate was as follows:

The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

second half of 2020. In the foreign exchange market, the yen had been appreciating somewhat against the U.S. dollar, with U.S. long-term interest rates declining to some degree, while it had been more or less flat against the euro.

C. Overseas Economic and Financial Developments

Overseas economies had recovered on the whole, albeit with variation across countries and regions. Business sentiment globally had improved further. In particular, in the manufacturing industry, the net improvement in the diffusion indexes (DIs) for business sentiment had marked the highest level in about 10 years, and the trade volume and production level continued to increase, registering record highs, although the effects of such factors as a shortage of semiconductors had been seen in part. That said, the pace of improvement continued to vary significantly across countries and regions. Specifically, in the United States, signs of acceleration had been seen, including in the face-to-face services industry -- which had been relatively weak to date -- on the back of the implementation of large-scale additional economic measures and progress with vaccinations. On the other hand, in many emerging economies as well as European economies, although activities in the manufacturing industry had gained momentum, those in the face-to-face services industry continued to be pushed down, with the number of confirmed new cases of COVID-19 being at a high level. In India and Brazil in particular, the number of confirmed new cases had surged recently, and moves to retighten public health measures had been seen. Meanwhile, the Chinese economy had returned to a recovery path recently, although somewhat weak economic indicators were seen around the Lunar New Year holidays, mainly affected by restrictions on movement. As for the outlook, with the impact of COVID-19 waning gradually, overseas economies were likely to continue recovering on the whole, partly supported by aggressive macroeconomic policies taken mainly in advanced economies. That said, the pace of recovery was highly likely to be uneven across countries, primarily due to the different paces in the vaccine rollout. In addition, there remained high uncertainties over the consequences of COVID-19 and their impact on the global economy.

With regard to developments in overseas economies by region, the U.S. economy had recovered. With vaccinations progressing and the number of confirmed new cases of COVID-19 decreasing, the pace of increase in private consumption had accelerated, including services consumption -- which had been constrained to date -- partly due to the effects of the government's economic measures. Housing investment had increased clearly, with mortgage rates staying at low levels. As for the corporate sector, business sentiment had improved further and production continued to increase. Under these circumstances, business fixed investment had picked up, mainly for machinery investment.

The European economy continued to be pushed down, mainly for the services industry. Private consumption remained under downward pressure, partly because public health measures had been retightened in some economies, with the number of confirmed new cases of COVID-19 being at a high level. With regard to the corporate sector, although business sentiment in the services industry remained in a state of deterioration, the net improvement in the DI for that in the manufacturing industry had expanded, and exports and production had also picked up. Under these circumstances, business fixed investment had started to pick up from a state of depression.

The Chinese economy continued to recover. Exports had increased. Private consumption had increased, mainly owing to an improvement in the employment and income situation, although the impact of COVID-19 remained in part. Fixed asset investment continued to rise in a wide range of industries on the back of recovery in demand at home and abroad and firm corporate profits. Under these circumstances, production also continued to increase.

Emerging economies other than China had picked up on the whole, albeit with variation across countries and regions. The NIEs had recovered, with exports increasing. The ASEAN countries had seen a moderate pick-up in economic activity on the whole, supported by an increase in exports, although domestic demand remained depressed, mainly reflecting a resurgence of COVID-19. The Russian economy had picked up. The pace of pick-up in the economies of India and Brazil had decelerated, particularly in domestic demand, mainly due to the resurgence of COVID-19.

With respect to overseas financial markets, in advanced economies, long-term interest rates had been rising at a rapid pace since the beginning of 2021, mainly due to an improvement in their economic outlook. However, since the previous meeting, with economic indicators generally in line with market expectations, long-term interest rates in the United States had declined somewhat while those in Europe were more or less unchanged. U.S. and European stock prices had risen, mainly reflecting favorable corporate results, with the rise in long-term interest rates coming to a pause. In the foreign exchange market, with the appreciation of the U.S. dollar also coming to a pause, currencies in many emerging economies had stopped depreciating. Crude oil prices remained more or less flat.

D. Economic and Financial Developments in Japan

1. Economic developments

Japan's economy had picked up as a trend, although it remained in a severe situation due to the impact of COVID-19 at home and abroad. Regarding the outlook, the economy was likely to head toward a recovery, supported by an increase in external demand, accommodative financial conditions, and the government's economic measures. However, the level of economic activity, mainly in the face-to-face services sector, was expected to be lower than that prior to the pandemic for the time being while vigilance against COVID-19 continued.

Exports and industrial production continued to increase. Looking at real exports by goods, the pace of increase in exports of automobile-related goods had leveled off recently, mainly affected by a peaking-out of pent-up demand and the shortage of semiconductors. IT-related exports had increased clearly because demand had been firm for a wide range of goods, including those related to smartphones and personal computers as well as parts for data centers and on-board equipment for motor vehicles. Exports of capital goods had increased, partly supported by a global increase in machinery investment and by firm exports of semiconductor production equipment that reflected an expansion in digital-related demand. As for the outlook, the pace of increase in exports and production was likely to decelerate for the time being, mainly for automobile-related goods, affected by such factors as the shortage of semiconductors. That said, exports and production were projected to continue increasing firmly, led mainly by capital goods and IT-related goods, supported by a global recovery in business fixed investment and the steady expansion in digital-related demand.

Corporate profits and business sentiment had improved on the whole, although weakness had been seen in some industries, such as face-to-face services. Business fixed investment had picked up, although weakness had been seen in some industries. On the back of improvement in corporate profits, the aggregate supply of capital goods -- a coincident indicator of machinery investment -- had picked up, mainly for digital-related goods such as personal computers and goods related to base stations and 5G networks. With large-scale Olympic Games-related construction having almost completed, private construction completed (nonresidential) -- a coincident indicator of construction investment -- remained on a moderate declining trend, also reflecting the effects of a decrease in construction of stores and accommodation facilities, mainly by the eating and drinking as well as accommodations industries. Machinery orders -- a leading indicator of machinery investment -- had shown a pick-up when fluctuations were smoothed out. By industry, orders had picked up for the manufacturing industry, reflecting increases in exports and production. Orders also had picked up on the whole for the nonmanufacturing industry, supported by investment related to base stations and 5G networks, digital-related investment, and labor-saving investment. Construction starts -- a leading indicator of construction investment -- had also picked up on the whole. This was because, although the construction of stores and accommodation facilities -- mainly by the eating and drinking as well as accommodations industries -- continued to decrease, construction starts had been supported by an increase in construction of such buildings as logistics facilities on the back of expansion in e-commerce and by progress in urban redevelopment projects that had been decided before the outbreak of COVID-19. As for the outlook, an uptrend in business fixed investment was expected to become clear, supported by improvement in corporate profits and accommodative financial conditions.

A pick-up in private consumption had paused due to increased downward pressure on consumption of services, such as eating and drinking as well as accommodations. As for goods consumption, an increase in automobile sales had paused, mainly brought about by the effects of supply-side constraints due to the shortage of semiconductors. Sales of household electrical appliances maintained their moderate uptrend, mainly for personal computers, televisions, and white goods, on the back of an expansion in stay-at-home demand. Food and daily necessities remained firm due to an expansion in stay-at-home consumption. Services consumption had shown a relatively significant decline since the beginning of 2021, affected by the reinstatement of the state of emergency and a suspension of the "Go To Travel" campaign. Dining-out for January through February decreased further, reaching a level below that seen around summer 2020, due to business hour cuts that reflected the reinstatement of the state of emergency. As for travel, there was still almost no overseas travel due to continued travel restrictions. Domestic travel for January and February had also decreased due to the effects of the suspension of the "Go To Travel" campaign and the second declaration of the state of emergency, declining to the level seen around summer 2020. Based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators such as the number of people going outside, recent developments in private consumption were as follows. Overall private consumption for March seemed to have increased somewhat on a month-on-month basis as services consumption had picked up, albeit at a low level, reflecting a lifting of the state of emergency. However, services consumption seemed to have decreased again since the start of April, with the number of confirmed cases of COVID-19 increasing at a rapid pace. Although dining-out for March had increased somewhat from February on the back of an easing of requests to shorten operating hours, it had been pointed out -- particularly by owners of *izakaya* (Japanese-style bars) in areas where priority measures to prevent the spread of disease had been implemented -- that downward pressure on consumption had intensified again since the start of April. Domestic travel, mainly over short distances, for March had increased slightly compared with that for February, partly owing to travel and accommodation discounts aimed at local residents. However, travel demand had weakened again since April due to self-restraint from traveling, reflecting the resurgence of COVID-19, and reservations for Golden Week (the period from late April to early May that includes several national holidays) made through major travel agents appeared to be sluggish. In the outlook, private consumption, mainly face-to-face services consumption, was likely to remain sluggish, being at a relatively low level for the time being due to the effects of the increase in confirmed cases of COVID-19 and the resultant public health measures. Thereafter, it was expected to pick up again with vaccinations progressing and the impact of COVID-19 waning.

The employment and income situation remained weak due to the impact of COVID-19. As for the employment situation, according to the *Labour Force Survey*, the number of employed persons saw its year-on-year rate of change continue to register negative growth, but it had almost bottomed out, reflecting a pick-up in economic activity. The year-on-year rate of decline in total hours worked per employee had accelerated again, mainly for the accommodations as well as eating and drinking services industries, affected by the requests to shorten operating hours under the state of emergency. With regard to labor market conditions, the active job openings-to-applicants ratio had been more or less flat at a level slightly above 1, mainly due to an increase in job openings that reflected the pick-up in economic activity. The labor force participation rate had increased, recovering to the latest peak level seen around the end of 2019, with seniors and women returning to the labor market.

The unemployment rate remained more or less flat, at around 3 percent of late. Total cash earnings had declined, mainly due to decreases in special cash earnings (winter bonuses) and non-scheduled cash earnings. The year-on-year rate of change in scheduled cash earnings had been steady, being positive at around 0.0-0.5 percent. That in special cash earnings had been significantly negative, with deterioration in business performance spreading to winter bonuses and various allowances with a time lag. As for the outlook, the decline in employee income was likely to come to a halt, reflecting the pick-up in economic activity and improvement in business performance.

As for prices, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) had been slightly negative, mainly affected by COVID-19 and the past decline in crude oil prices. With regard to the outlook, it was likely to stay slightly negative for the time being, mainly affected by COVID-19 and a reduction in mobile phone charges. Inflation expectations were more or less unchanged.

2. Financial environment

Financial conditions had been accommodative on the whole, although weakness in firms' financial positions had been seen.

Firms' demand for funds that stemmed mainly from a decline in sales and a rise in precautionary demand, both of which were due to the impact of COVID-19, remained at a high level, although an increase in demand by large firms in particular had leveled off. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuing conditions for CP and corporate bonds had been favorable on the whole. Firms' funding costs had been hovering at extremely low levels. In this situation, the year-on-year rate of increase in the amount outstanding of bank lending had been positive at around 6 percent. That in the aggregate amount outstanding of CP and corporate bonds had been at a relatively high level, but partly due to the high growth registered a year before, the pace had slowed compared with a while ago. The environment for external funding remained accommodative owing to the Bank's and the government's measures, as well as efforts made by financial institutions. The number of bankruptcies of firms had also been at a low level. However, although firms' financial positions had improved moderately, they remained weak, mainly reflecting the decline in sales due to the impact of COVID-19.

The year-on-year rate of change in the monetary base had been positive at around 20 percent, and that in the money stock had been at around 9.5 percent.

3. Financial system

Japan's financial system was maintaining stability on the whole.

Profits of major banks had decreased relative to last year but had been progressing steadily when compared with the profit projections for the fiscal year, which had been revised taking account of the impact of COVID-19. Their credit costs had risen substantially relative to last year, but the pace of increase remained moderate, as shown in the October-December quarter figures, which are the latest available. Their capital adequacy ratios were more or less unchanged. Profits of regional banks had also decreased relative to last year but had been progressing steadily when compared with the profit projections for the fiscal year, which had been revised taking account of the impact of COVID-19. Their credit costs had increased in comparison to last year but remained within the range of the revised projections for the fiscal year. Their capital adequacy ratios had increased somewhat.

With regard to the financial cycle, of the 14 Financial Activity Indexes (FAIXs) that comprise the heat map in the *Financial System Report*, four FAIXs -- including one indicating the amount of aggregate credit relative to the size of the economy -- showed upward deviations from the trends. This was mainly the result of financial institutions responding to demand for working capital, mainly by firms, which had increased due to the impact of COVID-19, and therefore did not seem to show overheating of financial activities. It was necessary to pay close attention to whether debt repayment would proceed along with recovery in corporate profits and the amount of credit extended by financial institutions would return to a level consistent with real economic activity.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments and the April 2021 *Outlook for Economic Activity and Prices*

A. Economic Developments

Members agreed that sentiment in global financial markets continued on an improving trend due to heightened expectations for a recovery in the global economy, mainly on the back of progress with vaccinations and the additional economic measures taken in some advanced economies. That said, they shared the view that attention continued to be paid to various uncertainties in the markets, mainly due to concern over the resurgence of COVID-19. A few members pointed out that, as the impact of COVID-19 subsided, there could be temporary overheating and adjustments in the markets, and thus it was necessary to closely monitor such developments. One member said that attention should be paid to the possibility that differences among countries and regions in the pace of economic recovery, for example, would consequently cause financial market instability through a change in the flow of funds. Another member mentioned that, in the United States, risks regarding special purpose acquisition companies had materialized and an investment entity called "family office" had collapsed. This member expressed the view that attention should be paid to whether similar cases would happen again.

Members concurred that <u>overseas economies</u> had recovered on the whole, albeit with variation across countries and regions. Some members expressed the view that, although the global economy had been on a recovery trend, the pace varied across countries and regions, reflecting differences in the extent of progress with vaccinations and policy responses. These members continued that the impact of COVID-19 also varied depending on industries and attributes of each economic entity. One of these members said that the recovery, with gaps and unevenness, could be characterized as K-shaped.

With regard to overseas economies by region, members shared the recognition that the U.S. economy had recovered. Some members pointed out that this was partly due to the effects of the government's large-scale economic measures while vaccinations had progressed and the spread of COVID-19 had started to subside. One member said that services consumption, which had been constrained, had recently been recovering at an accelerated pace on the back of the widespread vaccinations.

Members shared the view that the European economy continued to be pushed down, mainly for the services industry. Some members pointed out that economic recovery had been relatively delayed, with the number of confirmed cases of COVID-19 remaining high or increasing. One member expressed the view that, if the current situation continued of the unemployment rate being high, particularly among the younger generations, there was a risk that the economy would experience "scarring effects."

Members concurred that the Chinese economy continued to recover. A few members said that not only external demand but also domestic demand had been recovering steadily. One member expressed the view that, although (1) the Chinese economy continued to recover, with that recovery becoming more widespread, and (2) high growth was expected, the tension between China and the United States and Europe had been a downside risk for the Chinese economy.

Members shared the recognition that emerging economies had picked up on the whole, albeit with variation across countries and regions. One member pointed out that their vulnerability had been increasing, since several countries had been facing the resurgence of COVID-19 while some had been left with less room for further fiscal policy actions.

Members concurred that financial conditions in Japan had been accommodative on the whole, although weakness in firms' financial positions had been seen.

Based on the above deliberations on economic and financial conditions abroad and financial conditions in Japan, members discussed the state of Japan's economy.

With regard to economic activity, members shared the view that the economy had picked up as a trend, although it remained in a severe situation due to the impact of COVID-19 at home and abroad. One member noted that, although face-to-face services consumption had been pushed down by the impact of COVID-19, Japan's economy had picked up, mainly for the manufacturing industry. One member expressed the view that the economy had become polarized, as seen in the fact that the face-to-face services industry remained in a severe situation but manufacturing and other nonmanufacturing industries continued to improve.

Members concurred that exports and production continued to increase. One member expressed the view that this reflected a recovery in overseas economies, although effects of supply-side constraints such as the shortage of semiconductors had been seen in part. A different member pointed out that exports of automobile-related goods had been affected by the peaking-out of pent-up demand and the shortage of semiconductors. This member continued, however, that exports continued to increase, led by capital goods and IT-related goods, reflecting a global recovery in business fixed investment demand and an expansion in digital-related demand.

Members shared the recognition that business fixed investment had picked up, although weakness had been seen in some industries. One member expressed the view that firms' fixed investment stance was becoming positive in the manufacturing industry and the nonmanufacturing industry, other than face-to-face services, particularly in the fields of information- and digitalization-related investments as well as investments to address environmental issues, and a recovery in spending was becoming evident on the back of improvement in corporate profits.

With regard to private consumption, members shared the view that its pick-up had paused due to increased downward pressure on consumption of services, such as eating and drinking as well as accommodations. One member expressed the view that private consumption had been sluggish on the whole; while goods consumption had been firm, as seen, for example, in the domestic shipments of white goods registering a record high for fiscal 2020, services consumption remained constrained. Furthermore, this member expressed the recognition that high-frequency indicators for the number of people going outside, which have a high correlation with selective expenditures for services, also showed that the level remained significantly lower than that prior to the pandemic, and consumption activity continued to be constrained.

Members concurred that the employment and income situation remained weak due to the impact of COVID-19. One member expressed the intent of continuing to pay close attention to developments in the labor-management wage negotiations held this spring; although wage increases for fiscal 2021 that included regular seniority-based wage increases had decelerated only marginally from fiscal 2020 so far, negotiations for small and medium-sized firms -- with many in industries affected strongly by COVID-19 -- had yet to take hold.

As for prices, members shared the recognition that, while the year-on-year rate of change in the CPI had been slightly negative, mainly affected by COVID-19 and the past decline in crude oil prices, inflation expectations were more or less unchanged. Some members expressed the recognition that price cuts that aimed at stimulating demand had not been observed widely. One of these members said that the year-on-year rate of decline in the CPI remained small compared with the decline in economic activity, and that inflation expectations had moved out of a weakening phase on the back of a rise in crude oil prices and firmness in actual prices.

B. Outlook for Economic Activity and Prices

In formulating the April 2021 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report), members shared the recognition that -- regarding the baseline scenario of the outlook for Japan's economic activity -- although the level of such activity, mainly in the face-to-face services sector, was expected to be lower than that prior to the pandemic for the time being, the economy was likely to recover, with the impact of COVID-19 waning gradually and supported by an increase in external demand, accommodative financial conditions, and the government's economic measures. They also shared the view that, thereafter, as the impact subsided, it was projected to continue growing with the virtuous cycle from income to spending intensifying.

Some members expressed the view that, although Japan's economy, mainly in the face-to-face services sector, was likely to remain susceptible to the situation surrounding COVID-19 for the time being, it was expected to recover as the impact of COVID-19 waned gradually. A few of these members said that, in the corporate sector, a virtuous cycle from income to spending had started to operate gradually, and as the impact of COVID-19 subsided, the virtuous cycle in Japan's economy as a whole was likely to intensify and the economy was expected to continue growing. One member noted that, in order to bring Japan's economy back onto a growth path early, it was important to have an acceleration in the pace of vaccinations while mitigating deterioration in consumer sentiment and volatile movements in financial markets. Members shared the recognition that it was appropriate in the April Outlook Report to assume that, while taking preventive measures against COVID-19 and improving economic activity simultaneously, the impact of COVID-19 would wane gradually and then almost subside in the middle of the projection period.

Members concurred that overseas economies were likely to continue growing, albeit with variation across countries and regions, partly supported by aggressive macroeconomic policies taken mainly in advanced economies. On this basis, they pointed to risks regarding the global economy. Some members expressed the view that, if the rise in U.S. long-term interest rates accelerated, the risk of capital outflows from emerging economies warranted vigilance. In addition, some members said that it was worth paying attention to the effects that the U.S.-China tension would have on the global economy and financial markets. One member expressed the recognition that, despite the progress with vaccinations, there were uncertainties as to how long it would take to achieve herd immunity. This member was of the view that there was some possibility that policy responses would be terminated prematurely and there also were political and geopolitical risks to a certain extent.

Members agreed that, although the pace of increase in Japan's goods exports was likely to decelerate for the time being, mainly for automobile-related goods, goods exports were projected to continue increasing firmly, supported by a global recovery in business fixed investment and an expansion in digital-related demand. In addition, they shared the recognition that inbound tourism consumption, which is categorized under services exports, was expected to remain subdued while entry and travel restrictions continued but likely to recover thereafter. Some members expressed the view that, on the back of a recovery in overseas economies, Japan's economy was expected to follow a recovery path, mainly led by external demand.

Members concurred that an uptrend in business fixed investment was expected to become clear, mainly for machinery and digital-related investments, with improvement in corporate profits and supported by accommodative financial conditions and the government's economic measures, although construction investment by the face-to-face services sector was projected to remain weak. One member expressed the view that business fixed investment was likely to increase, led mainly by machinery and digital-related investments, on the back of improvement in corporate profits.

Members agreed that private consumption, mainly of face-to-face services, was likely to remain sluggish, being at a relatively low level for the time being due to the impact of COVID-19, but then it was expected to pick up again with the impact waning gradually and supported also by the government's economic measures. Furthermore, they shared the view that, thereafter, as the impact of COVID-19 subsided, an uptrend in private consumption, including that of face-to-face services, was projected to become evident with employee income improving. One member expressed the view that, if COVID-19 subsided to a certain extent after the widespread vaccinations, demand for consumption that had been constrained to date was likely to materialize, and factors such as this might lead to a sustainable recovery in Japan's economy. One member said that, given the situation in countries such as the United States, forced savings could be withdrawn at a faster pace than expected. In addition, a different member expressed the view that the amount outstanding of cash and deposits held by households had increased by about 50 trillion yen over the past year, and thus considerable pent-up demand for services consumption was expected to materialize when the impact of COVID-19 subsided. Meanwhile, one member commented that attention was warranted on the possibility that savings would be built up voluntarily over a protracted period.

Members shared the view that the employment and income situation was likely to stop deteriorating, reflecting an improvement in corporate profits, and then increase moderately with a time lag following the recovery in domestic and external demand. One member said that attention was warranted on how an increase in the number of employed persons and a conversion to regular employment would be reflected in wages and consumption. On the other hand, a different member pointed out that, if bankruptcies of firms increased going forward, attention should be paid to the possibility that this would lead to deterioration in the employment and income situation.

Meanwhile, members agreed that public investment was projected to steadily increase, reflecting progress such as in construction related to restoration and reconstruction following natural disasters, as well as to building national resilience, and that thereafter, it was expected to be at a relatively high level. In addition, they shared the view that government consumption was likely to increase clearly for fiscal 2021, mainly reflecting enhancement of the medical treatment system and the testing and vaccination system, but see a lowering in its level thereafter.

Based on this discussion, members concurred that, compared with the previous projections in the January Outlook Report, the projected growth rates were higher, mainly for fiscal 2022, on the back of stronger domestic and external demand.

Members then discussed the baseline scenario of the outlook for Japan's price developments. They agreed that the year-on-year rate of change in the CPI (all items less fresh food) was likely to be slightly negative for the time being, mainly affected by COVID-19 and the reduction in mobile phone charges. That said, members concurred that the reduction was a temporary factor, and when its effects were excluded, the year-on-year rate of change in the CPI was expected to be steady. They also shared the view that, although weakness in demand amid the situation of COVID-19 was projected to have an impact on prices, firms' price cuts that aimed at stimulating demand had not been and were not likely to be observed widely, given that one of the reasons for the decrease in demand was vigilance against COVID-19 and that there had been supply-side constraints and cost increases because of having taken preventive measures against COVID-19. In addition, members agreed that the year-on-year rate of change in energy prices would likely turn positive on the back of a pick-up in crude oil prices since last autumn. Furthermore, they shared the view that, under these circumstances, medium- to long-term inflation expectations were likely to be more or less unchanged. A few members noted that the underlying trend in prices would remain difficult to discern for the time being, due mainly to the effects of the reduction in mobile phone charges and the "Go To Travel" campaign, as well as to the impact of the change in the base year for the CPI. These members said that, therefore, it was important to maintain a close grasp of firms' price-setting behavior, including information obtained from interviews.

Members agreed that, thereafter, the year-on-year rate of change in the CPI was likely to turn positive and then increase gradually, mainly on the back of economic activity continuing to improve and the effects of the reduction in mobile phone charges dissipating. In addition, they shared the view that medium- to long-term inflation expectations also were likely to rise again, and that the year-on-year rate of change in the CPI was likely to increase gradually toward achieving the price stability target, although it would take time. A few members commented that steadiness in the pace of inflation was expected to be insufficient, partly affected by the adaptive formation of inflation expectations, which was deeply entrenched based on the past experience of deflation. One member expressed the view that, in order to keep the pilot light on for inflation to ignite in the near future, expectations for wage increases should be maintained through the experience that a stable rise in wages could be secured even in a severe economic environment, as seen currently.

Based on this discussion, members agreed that, compared with the previous projections in the January Outlook Report, the projected rate of increase in the CPI for fiscal 2021 was lower due to the effects of the reduction in mobile phone charges, but that for fiscal 2022 was more or less unchanged.

Members then exchanged views regarding <u>the financial conditions</u> on which the above outlook was based. They shared the recognition that, owing to the continuation of powerful monetary easing by the Bank, the government's measures, and efforts made by private financial institutions, financial conditions would remain accommodative and further downward pressure on the real economy from the financial side would be avoided. One member expressed the recognition that the environment surrounding corporate financing, including developments in bankruptcies of firms and discontinuation of businesses, had generally been stable, and that the industries affected strongly by COVID-19 had been limited. One member said that developments in firms' financial positions -- including the possibility of an increase in solvency risks -- continued to warrant close monitoring as such positions remained weak in the face-to-face services industry, despite having become less so on the whole, due mainly to an improvement in business conditions. A different member expressed the view that attention should be paid to whether or not the number of corporate bankruptcies would increase, with principal repayments of effectively interest-free and unsecured loans provided through private financial institutions starting in part.

Members then discussed developments in the financial system. They agreed that it was maintaining stability on the whole. However, members shared the recognition that, from a longer-term perspective, prolonged downward pressure on financial institutions' profits could create a risk of a gradual pullback in financial intermediation; on the other hand, under these circumstances, the vulnerability of the financial system could increase, mainly due to the search for yield behavior. On this basis, they shared the view that, although these risks were judged as not significant at this point, mainly because financial institutions had sufficient capital bases, it was necessary to pay close attention to future developments. One member expressed the view that financial system stability, which is the basis for achieving price stability, had been maintained on the whole and the smooth functioning of financial intermediation had been ensured. This member also said that, starting from this Monetary Policy Meeting, the Policy Board received an explanation on developments in the financial system from the Financial System and Bank Examination Department, and it was of great significance that these were regularly monitored at the Monetary Policy Meetings. Meanwhile, a different member pointed out that, with regard to the relationship between financial system stability and price stability, attention should also be paid to the one in which a decline in prices led to an increase in the effective burden of debt, thereby adversely affecting the financial system.

As for upside and downside risks to economic activity and prices, members then discussed those that required particular attention while the impact of the spread of COVID-19 remained.

First, with regard to risks to economic activity, members concurred that the outlook was highly unclear, since it could change depending on the consequences of COVID-19 and their impact on domestic and overseas economies. A few members said that, against the background of public health measures being tightened, attention needed to be paid to the consequences of COVID-19 and downside risks to economic activity and prices. A different member expressed the view that, if COVID-19 cases resurged repeatedly going forward, it was concerning that the recovery in the face-to-face services industry -- such as entertainment, dining-out, and travel -- could be delayed, and that the deterioration in consumer sentiment was likely to keep the savings rate for households at a high level.

Members also shared the recognition that it was assumed that the impact of COVID-19 would subside, mainly due to the vaccine rollout; however, the pace of such rollout and the effects of the vaccines entailed uncertainties, and thus there was a risk that downward pressure on economic activity would increase. One member expressed the recognition that progress with vaccinations was important, and if the vaccine rollout took time, downward pressure on economic activity and prices could persist due to the prolonged impact of COVID-19. One member said that, if vaccinations did not proceed smoothly in Japan, in contrast to the progress abroad, it was concerning that the country might be left behind even in terms of economic growth. On the other hand, members agreed that, with economic measures conducted particularly in advanced economies, such as those in response to the impact of COVID-19, the pace of recovery in domestic and overseas economies could be faster than expected. In addition, one member noted that the economy could be pushed up significantly after COVID-19 subsided, mainly due to the materialization of pent-up demand in consumption. One member said that risks to economic activity were likely to be balanced for the middle of the projection period onward, taking into account the possibility that the global economy as a whole would register higher growth than expected, due to aggressive macroeconomic policies taken in each economy, and consumption would see a large rebound.

Members also agreed that, while the impact of COVID-19 remained, growth expectations would not decline substantially and the smooth functioning of financial intermediation would be ensured; however, these premises entailed high uncertainties. Among these uncertainties, they discussed growth expectations in detail. One member expressed the recognition that business fixed investment plans for fiscal 2021 in the March *Tankan* (Short-Term Economic Survey of Enterprises in Japan) showed that, compared to developments observed during the Global Financial Crisis, firms' positive stance and growth expectations seemed to have been maintained, due mainly to the effects of measures taken by the government and the Bank. A different member noted that, according to the results of a survey on firms' forecast for Japan's economic growth rate, the rate had risen among listed firms compared with last year's survey, whereas it had declined slightly among small and medium-sized firms, indicating gaps across firms.

In addition to the above, one member expressed the view that, if firms' efforts toward growth and reform were postponed in reflection of a recovery in business performance, medium- to long-term economic growth and achievement of the price stability target might be adversely affected. One member expressed concern over the possibility that a vague sense of uneasiness about the future as well as anxiety about future tax increases against the background of deterioration in the fiscal balance would constrain improvement in consumer sentiment.

Regarding risks to prices, members shared the recognition that, if risks to economic activity materialized, prices also were likely to be affected accordingly. Based on this, they discussed risks specific to prices. Members agreed that, as the baseline scenario of the outlook for prices, firms' price cuts that aimed at stimulating demand had not been and were not likely to be observed widely; that said, including this aspect, firms' price-setting behavior entailed uncertainties. One member expressed the view that, although price cuts that would lead to a decline in value-added had not been observed widely thus far, attention should be paid to the risk of such a situation happening. One member said that it was worth noting the possibility that behavioral changes within firms and households during the COVID-19 pandemic would alter the existing price perception. The member drew attention to the cost burden incurred by infection prevention efforts, an increase in sales prices to provide high value-added services, and a rise in costs to reorganize supply chains and address climate-related risks. In addition to the above discussions, members shared the view that future developments in foreign exchange rates, international commodity prices, and import prices, as well as the effects of such developments on domestic prices continued to warrant attention since these risks might lead prices to deviate either upward or downward from the baseline scenario.

Based on these discussions, members shared the recognition that, with regard to the risk balance, risks to economic activity were skewed to the downside for the time being, mainly due to the impact of COVID-19, but were generally balanced for the middle of the projection period onward. They also concurred that risks to prices were skewed to the downside.

III. Summary of Discussions on Monetary Policy

Based on the above assessment of economic and financial developments, members discussed monetary policy.

Regarding the Bank's basic stance on conducting monetary policy for the time being, members agreed that the three monetary easing measures -- namely, (1) the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits, and (3) purchases of ETFs and J-REITs -- had been exerting their intended effects. They shared the recognition that it was important for the Bank to continue to support financing, mainly of firms, and maintain stability in financial markets through the three monetary easing measures, as weakness in firms' financial positions continued to be seen and there were various uncertainties in financial markets. One member expressed the recognition that, under the third state of emergency, the face-to-face services sector in particular had been under downward pressure again, and continued that, with regard to the conduct of monetary policy for the time being, the Bank should comprehensively take into consideration this situation and firmly focus on addressing the impact of COVID-19. Another member was of the view that, for the time being, it was necessary to persistently continue to provide support with both monetary and fiscal policies in order for COVID-19 to subside and in turn for economic activity to normalize. A different member noted that a variation in the pace of recovery was likely to remain across industries until the impact of COVID-19 subsided, and that macroeconomic policies, which affect the overall economy, were important in supporting the transfer of economic resources between different sectors.

On this basis, members concurred that, for the time being, the Bank would closely monitor the impact of COVID-19 and not hesitate to take additional easing measures if necessary. One member expressed the view that, while taking into account such factors as the environmental changes surrounding corporate financing, it was necessary to proceed with discussions on whether to extend the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), which at present was until the end of this September. A different member stated that, although vaccinations would serve as the key measure until COVID-19 subsided, support from macroeconomic policies was still important.

Members then discussed the markets' response to the further effective and sustainable monetary easing decided by the Bank in March. One member expressed the recognition that the market reaction to the Bank's policy actions taken based on its assessment had been generally calm, and financial institutions' responses also had been more or less within expectations. A different member said that market developments to date suggested that the Bank's intention to enhance the sustainability and nimbleness of monetary policy had been interpreted without misunderstanding.

Members also expressed their opinions on various points to take into account in relation to the conduct of monetary policy. One member said that, in view of the post-COVID-19 era, it was necessary to continue to carefully consider the path toward achieving the price stability target of 2 percent. This member added that, under the current policy framework, close cooperation between fiscal and monetary policies would contribute to achievement of the price stability target. Another member expressed the view that the large-scale fiscal support conducted around the world was starting to have a significant impact on the macroeconomy, and that, in the medium to long run, it was necessary to consider, while closely cooperating with the government, how monetary and fiscal policies could be adjusted with a view to achieving stable economic growth. Meanwhile, one member expressed the recognition that achieving the price stability target was not easy; therefore, in the conduct of monetary policy, it was necessary for the Bank to take advantage of a tailwind of the expected economic recovery and enhance monetary easing so as to achieve the target. A few members noted that it was extremely important for the Bank to have effective communication with the general public so that people could advance their understanding of monetary policy. One member said that it was necessary to further deepen the understanding of how the financial economy and the effects of monetary policy would evolve as COVID-19 brought about a further acceleration in digitalization of the economy and in turn progress with a shift in firms' assets from tangible to intangible. A different member pointed out that climate change was an important issue, in that it could affect the economy and the financial system, and thus the Bank should continue to enhance interdepartmental cooperation and consider necessary responses in line with its mandate as the central bank.

With respect to yield curve control, members shared the recognition that the JGB yield curve had been formed smoothly in a manner consistent with the guideline for market operations.

Based on the above discussions, regarding the guideline for market operations for the intermeeting period, most members expressed the view that it was appropriate for the Bank to maintain the following guideline. First, as for the short-term policy interest rate, it would apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank. Second, as for the long-term interest rate, the Bank would purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields would remain at around 0 percent.

On this point, one member expressed the opinion that it was desirable to further strengthen monetary easing by lowering short- and long-term interest rates, with a view to responding to an increase in downward pressure on prices and encouraging firms to make active business fixed investment for the post-COVID-19 era.

With regard to asset purchases other than JGB purchases, members shared the recognition that it was appropriate for the Bank to implement the following guideline. First, it would purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding. Second, the Bank would purchase CP and corporate bonds with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of September 2021.

With respect to the Bank's stance on its future conduct of monetary policy, members shared the view that it would (1) continue with Quantitative and Qualitative Monetary Easing with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it was necessary for maintaining that target in a stable manner, and (2) continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeded 2 percent and stayed above the target in a stable manner.

With regard to the measures that the Bank had introduced and strengthened since March 2020 in response to the impact of COVID-19, members concurred that it would continue to support financing, mainly of firms, and maintain stability in financial markets through (1) the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, and (3) purchases of ETFs and J-REITs with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

Regarding its policy stance for the time being, members agreed that the Bank would closely monitor the impact of COVID-19 and not hesitate to take additional easing measures if necessary. Based on this, most members shared the view that, as for policy rates, it would expect short- and long-term interest rates to remain at their present or lower levels.

On this point, one member was of the opinion that, in order to avoid Japan's economy returning to deflation, further coordination of fiscal and monetary policy was necessary and it was appropriate for the Bank to revise the forward guidance for the policy rates to relate it to the price stability target, thereby committing itself to conducting monetary policy based on concrete conditions.

IV. Remarks by Government Representatives

The representative from the Ministry of Finance made the following remarks.

(1) The Japanese economy had shown weakness in some components recently, although it had been picking up while remaining in a severe situation due to the impact of COVID-19.

(2) The government would continue to make appropriate responses to COVID-19 by, for example, steadily implementing the budget for fiscal 2021, which was approved by the Diet on March 26. In addition, while aggressively inducing private investment in fields such as digitalization and the green society, it would realize a virtuous economic cycle through transformation of the economic structure, improvement in productivity, and sustained wage increases.

(3) The government expected the Bank to conduct necessary measures appropriately, including responses to COVID-19, while cooperating with the government.

The representative from the Cabinet Office made the following remarks.

(1) Although the Japanese economy had been picking up while remaining in a severe situation, attention should be paid to downside risks. The government had declared a state of emergency for four prefectures. It would make the utmost efforts to contain the spread of COVID-19 by taking thorough preventive measures with respect to dining-out and constraining people's movements.

(2) The government would carry out targeted and effective support measures for those severely affected, such as by providing new cooperation money, mainly to large-scale facilities, and by increasing the Local Revitalization Grant for the Novel Coronavirus Disease.

(3) Based on the situation surrounding COVID-19 and the impact on the economy and people's livelihoods, the government would continue to make swift and nimble responses as necessary by also making use of emergency funds totaling 5 trillion yen. In addition, it would continue to ask the Bank to closely cooperate with it while sharing a sense of tension.

V. Votes

A. Vote on the Guideline for Market Operations

Based on the above discussions, to reflect the majority view of the members, the chairman formulated the following proposal on the guideline for market operations and put it to a vote.

The Policy Board decided the proposal by a majority vote.

The Chairman's Policy Proposal on the Guideline for Market Operations:

The guideline for market operations for the intermeeting period will be as follows.

1. The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

2. The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

Votes for the proposal: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Ms. MASAI Takako, Mr. SUZUKI Hitoshi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, and Mr. NOGUCHI Asahi.

Votes against the proposal: Mr. KATAOKA Goushi.

Mr. Kataoka dissented, considering that it was desirable to further strengthen monetary easing by lowering short- and long-term interest rates, with a view to responding to an increase in downward pressure on prices and encouraging firms to make active business fixed investment for the post-COVID-19 era.

B. Vote on the Guideline for Asset Purchases

To reflect the view of the members, the chairman formulated the following proposal on the guideline for asset purchases and put it to a vote.

The Policy Board decided the proposal by a unanimous vote.

The Chairman's Policy Proposal on the Guideline for Asset Purchases:

The guideline for asset purchases other than JGB purchases will be as follows.

1. The Bank will purchase ETFs and J-REITs as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

2. The Bank will purchase CP and corporate bonds with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of September 2021.

Votes for the proposal: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Ms. MASAI Takako, Mr. SUZUKI Hitoshi, Mr. KATAOKA Goushi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, and Mr. NOGUCHI Asahi.

Votes against the proposal: None.

C. Discussion on the Statement on Monetary Policy

On the basis of the above discussions, members discussed the Statement on Monetary Policy. Mr. Kataoka expressed the opinion that, in order to avoid Japan's economy returning to deflation, further coordination of fiscal and monetary policy was necessary and it was appropriate for the Bank to revise the forward guidance for the policy rates to relate it to the price stability target.

Based on this discussion, the chairman formulated the Statement on Monetary Policy and put it to a vote. The Policy Board decided the text by a unanimous vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment).

VI. Discussion regarding the Outlook Report

Members discussed the draft of "The Bank's View" in the April 2021 Outlook Report (consisting of "The Bank's View" and "The Background"). To reflect the view of the members, the chairman formulated a proposal on "The Bank's View" and put it to a vote. The Policy

Board decided the text of "The Bank's View" by a unanimous vote. It was confirmed that "The Bank's View" would be released immediately after the meeting. It also was confirmed that the full text of the Outlook Report would be made public on April 28.

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of March 18 and 19, 2021, for release on May 6.

Attachment
April 27, 2021
Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided upon the following.

   (1) Yield curve control

   The Bank decided, by an 8-1 majority vote, to set the following guideline for market operations for the intermeeting period. [Note 1]

   The short-term policy interest rate:
   The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.

   The long-term interest rate:
   The Bank will purchase a necessary amount of Japanese government bonds (JGBs) without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

   (2) Guidelines for asset purchases

   With regard to asset purchases other than JGB purchases, the Bank decided, by a unanimous vote, to set the following guidelines.

   a) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

   b) The Bank will purchase CP and corporate bonds with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of September 2021.

2. The Bank will continue with Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, 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 continue expanding the monetary base until the year-on-year rate of increase in the observed consumer price index (CPI, all items less fresh food) exceeds 2 percent and stays above the target in a stable manner.

The Bank will continue to support financing mainly of firms and maintain stability in financial markets through (1) the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), (2) an ample provision of yen and foreign currency funds without setting upper limits mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, and (3) purchases of ETFs and J-REITs with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

For the time being, the Bank will closely monitor the impact of the novel coronavirus (COVID-19) and will not hesitate to take additional easing measures if necessary, and also it expects short- and long-term policy interest rates to remain at their present or lower levels. [Note 2]

[Note 1] Voting for the action: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Ms. MASAI Takako, Mr. SUZUKI Hitoshi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, and Mr. NOGUCHI Asahi. Voting against the action: Mr. KATAOKA Goushi. Mr. Kataoka dissented, considering that it was desirable to further strengthen monetary easing by lowering short- and long-term interest rates, with a view to responding to an increase in downward pressure on prices and encouraging firms to make active business fixed investment for the post-COVID-19 era.

[Note 2] Mr. Kataoka dissented, considering that, in order to avoid Japan's economy returning to deflation, further coordination of fiscal and monetary policy was necessary and it was appropriate for the Bank to revise the forward guidance for the policy rates to relate it to the price stability target.