Not to be released until 8:50 a.m. Japan Standard Time on Monday, March 25, 2024.

March 25, 2024

Bank of Japan

Minutes of the Monetary Policy Meeting

on January 22 and 23, 2024

(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, January 22, 2024, from 2:00 p.m. to 4:17 p.m., and on Tuesday, January 23, from 9:00 a.m. to 12:02 p.m.[1]

Policy Board Members Present

UEDA Kazuo, Chairman, Governor of the Bank of Japan
HIMINO Ryozo, Deputy Governor of the Bank of Japan
UCHIDA Shinichi, Deputy Governor of the Bank of Japan
ADACHI Seiji
NAKAMURA Toyoaki
NOGUCHI Asahi
NAKAGAWA Junko
TAKATA Hajime
TAMURA Naoki

Government Representatives Present

AKAZAWA Ryosei, State Minister of Finance, Ministry of Finance[2]
SAKAMOTO Motoru, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance[3]
IBAYASHI Tatsunori, State Minister of Cabinet Office, Cabinet Office[2]
INOUE Hiroyuki, Vice-Minister for Policy Coordination, Cabinet Office[3]

Reporting Staff

SHIMIZU Tokiko, Executive Director (Assistant Governor)
KAIZUKA Masaaki, Executive Director
KOUGUCHI Hirohide, Executive Director
SHIMIZU Seiichi, 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 March 18 and 19, 2024, 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] Present on January 23.

[3] Present on January 22.

MASAKI Kazuhiro, Director-General, Monetary Affairs Department

IIJIMA Kota, Deputy Director-General, Monetary Affairs Department[4]

NAGANO Teppei, Head of Policy Planning Division, Monetary Affairs Department

KAIHATSU Sohei, Head of Policy Studies Division, Monetary Affairs Department[4]

NAKAMURA Koji, Director-General, Financial System and Bank Examination Department

FUJITA Kenji, Director-General, Financial Markets Department

OTANI Akira, Director-General, Research and Statistics Department

NAGAHATA Takashi, Head of Economic Research Division, Research and Statistics Department

KAMIYAMA Kazushige, Director-General, International Department

Secretariat of the Monetary Policy Meeting

KURAMOTO Katsuya, Director-General, Secretariat of the Policy Board

KINOSHITA Takao, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

TSUCHIKAWA Akira, Head of Policy Infrastructure Division, Monetary Affairs Department[4]

ANDO Masatoshi, Senior Economist, Monetary Affairs Department

MARUO Yuji, Senior Economist, Monetary Affairs Department

KITAHARA Jun, Senior Economist, Monetary Affairs Department

[4] Present on January 22 from 3:13 p.m. to 4:17 p.m.

I. Summary of Staff Reports on Economic and Financial Developments[5]

A. Market Operations in the Intermeeting Period

The Bank had been conducting market operations, including purchases of Japanese government bonds (JGBs), in accordance with the guideline for market operations and the guideline for conduct of yield curve control, both of which were decided at the previous meeting on December 18 and 19, 2023.[6] As for the Bank's conduct of nimble market operations, it had reduced the amount of its scheduled JGB purchases, for example, mainly taking into account interest rate developments and supply and demand conditions in the JGB markets. With these market operations, long-term interest rates had been at levels consistent with the Bank's guideline and the shape of the JGB yield curve continued to be generally smooth.

The Bank had conducted operations to purchase exchange-traded funds (ETFs), Japan real estate investment trusts (J-REITs), CP, and corporate bonds in accordance with the guidelines for asset purchases decided at the previous meeting.

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 0.009 to minus 0.039 percent; general collateral (GC) repo rates had been in the range of around minus 0.087 to minus 0.207 percent. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) were generally unchanged.

The Tokyo Stock Price Index (TOPIX) had risen, mainly owing to the yen's depreciation and expectations of an inflow of funds into the stock market reflecting the introduction of the new Nippon Individual Savings Account (NISA) program, coupled with trend-following purchases by foreign investors in particular. Long-term interest rates (10-year

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

[6] 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 JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

JGB yields) had declined slightly, and had been in the range of around 0.555 to 0.665 percent. While the liquidity indicators in the JGB markets had deteriorated in December 2023, the daily price range to transaction volume ratio of JGB futures, for which data were available for subsequent developments in January 2024, had seen an improvement. In the foreign exchange market, the yen had depreciated against the U.S. dollar while the yield differential between Japan and the United States had drawn attention. The yen had also depreciated against the euro.

C. Overseas Economic and Financial Developments

The pace of recovery in overseas economies had slowed. The U.S. economy had been firm, mainly led by private consumption, although it had been affected by policy interest rate hikes by the Federal Reserve. European economies kept slowing moderately as they continued to be affected by factors such as policy interest rate hikes by the European Central Bank (ECB). The Chinese economy remained on a moderate slowing trend, mainly owing to the effects of a slowdown in external demand and adjustments in the real estate market, but signs of a pick-up had been observed in some aspects, such as private consumption. Emerging and commodity-exporting economies other than China had improved moderately on the whole, as signs of a pick-up had been seen in exports.

As for the outlook, the pace of recovery in overseas economies was projected to remain slow for the time being. Thereafter, they were expected to grow moderately, albeit with variation across countries and regions. There were considerably high uncertainties regarding the outlook, such as the impact of past policy interest rate hikes by central banks, developments in the Chinese economy, and how geopolitical tensions would unfold.

With respect to overseas financial markets, in the United States, long-term interest rates had risen, and stock prices had been more or less flat. In Europe, long-term interest rates had also risen, mainly reflecting the active issuance of bonds in European markets. Stock prices in Europe were more or less unchanged. Meanwhile, currencies in emerging economies and crude oil prices were generally unchanged.

D. Economic and Financial Developments in Japan

1. Economic developments

Japan's economy had recovered moderately. Regarding the outlook, it was likely to continue to do so for the time being, supported by the materialization of pent-up demand, as well as by factors such as accommodative financial conditions and the government's economic measures, although it was expected to be under downward pressure stemming from the slowdown in the pace of recovery in overseas economies. Meanwhile, with respect to the impact of the 2024 Noto Peninsula Earthquake, there were factories in the affected areas that had extended production suspension beyond their halt in production during the New Year holidays. Thereafter, however, efforts to resume production had been progressing. It would be necessary for the Bank to assess the impact of the earthquake on such factors as local tourism and households' and firms' sentiment.

Although exports and production had been affected by the slowdown in the pace of recovery in overseas economies, they had been more or less flat. Regarding the outlook, exports and production were projected to continue showing similar developments for the time being. Thereafter, as overseas economies grew moderately, albeit with variation across countries and regions, they were likely to return to an uptrend.

Corporate profits and business sentiment had improved. In this situation, business fixed investment had been on a moderate increasing trend. With regard to the outlook, such investment was expected to continue on an increasing trend, mainly on the back of improvement in corporate profits and accommodative financial conditions.

Private consumption continued to increase moderately, despite being affected by price rises. The consumption activity index (CAI; real, travel balance adjusted) had increased for the July-September quarter of 2023, partly owing to a rise in sales of seasonal merchandise due to the hot weather. It then declined for the October-November period as a result of a combination of factors such as weather conditions, in addition to the impact of high prices. With regard to private consumption since December 2023, based on anecdotal information from firms and high-frequency indicators, the mechanism behind a moderate increase seemed to have been maintained, partly owing to the firmness in demand for festive gatherings and travel from late December through early January, as well as in New Year sales. However, some firms continued to point out an intensified thriftiness among households that reflected price rises. Consumer sentiment had seen an improvement recently. Regarding the outlook, although private consumption was expected to be affected by price rises, it was projected to keep increasing moderately with nominal employee income continuing to improve, and partly supported by household savings that had accumulated as a result of pandemic-related restrictions.

The employment and income situation had improved moderately. Regarding the number of employed persons, that of regular employees had been on a moderate uptrend, albeit with fluctuations, mainly in the medical, healthcare, and welfare services industry, as well as the information and communications industry, with both these industries facing severe labor shortages. With economic activity normalizing, the number of non-regular employees had risen moderately, mainly in the wholesale and retail trade as well as the face-to-face services industries. Nominal wages per employee had increased moderately, reflecting the recovery in economic activity and the results of the 2023 annual spring labor-management wage negotiations. With regard to the outlook, nominal employee income was likely to continue to see a clear increase in reflection of an acceleration in nominal wage growth. The year-on-year rate of decline in real employee income was projected to follow a decelerating trend; thereafter, the rate of change was likely to gradually turn positive.

As for prices, commodity prices had been more or less flat. The rate of change in the producer price index (PPI) relative to three months earlier had been slightly positive recently, mainly due to the impact of the rise in crude oil prices during summer 2023. The negative contribution of energy prices to the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) had been relatively large, partly due to the government's economic measures. That said, the rate of increase in the CPI had been in the range of 2.0-2.5 percent recently, mainly on the back of the fact that, despite waning, the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices remained, and services prices had increased moderately. Inflation expectations had risen moderately. With regard to the outlook, the year-on-year rate of increase in the CPI (all items less fresh food) was likely to be above 2 percent through fiscal 2024, due to factors such as the effects, albeit waning, of the pass-through to consumer prices of cost increases led by the past rise in import prices and a waning of the effects of the government's economic measures pushing down CPI inflation of the previous year.

2. Financial environment

Japan's financial conditions had been accommodative.

With a high level of demand for working capital stemming from elevated raw material costs, firms' demand for funds had increased moderately on the back of, for example, the recovery in economic activity as well as mergers and acquisitions of firms. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuance conditions for CP and corporate bonds had been favorable. 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 at around 3.5 percent. That in the aggregate amount outstanding of CP and corporate bonds had been at around 1.5 percent. Firms' financial positions had been favorable. The number of bankruptcies of firms had increased.

Meanwhile, the year-on-year rate of change in the monetary base had been at around 8 percent. That in the money stock had been in the range of 2.0-2.5 percent.

3. Financial system

Japan's financial system maintained stability on the whole. With respect to the impact of the 2024 Noto Peninsula Earthquake, there had been automated teller machines (ATMs) in the affected areas that had stopped operating and branches of local financial institutions that had suspended their business operations. That said, there had been no impact on the payment and settlement systems and networks, or on financial institutions' financing. Going forward, it was necessary to monitor developments in funds related to reconstruction.

Profits of major banks had been firm, mainly owing to increases in interest on loans, as well as income from fees and commissions. Meanwhile, their credit costs had been at low levels on the whole. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

Profits of regional banks had been firm as the amount outstanding of bank lending continued to increase, although they had decreased relative to last year, partly owing to a decline in profits from investment trusts due to cancellations. Meanwhile, their credit costs had been at low levels. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

With regard to the financial cycle, all of the 14 Financial Activity Indexes (FAIXs) that comprise the heat map in the *Financial System Report* had shown neither an overheating nor a contraction of financial activities. Neither an overheating in real investment nor an excessive rise in asset prices had been observed overall, indicating that there had been no overheating of financial activities. However, some real estate-related indicators had exhibited relatively intense developments. It was necessary to continue paying close attention to whether financial activities would not significantly deviate from real economic activity.

II. Summary of Staff Reports and Discussions by the Policy Board on the *Review of Monetary Policy from a Broad Perspective*

A. Staff Reports

As part of the *Review of Monetary Policy from a Broad Perspective*, relevant departments were working together in conducting a research project that looked back on the positive and side effects of the Bank's unconventional monetary policy measures that had been implemented over the past 25 years.

From this research project currently underway, staff from the Monetary Affairs Department reported on the following: (1) a look back on monetary policy implemented over the past 25 years; (2) a summary of discussions on the academic front and within the central bank community regarding the positive and side effects of unconventional monetary policy measures, as well as the results of analyses with respect to their effects on economic activity and prices; and (3) discussions, in addition to challenges and issues to be considered, regarding individual policy measures. The impact that unconventional monetary policy measures had on financial markets, the behavior of financial institutions, and the financial system over the same period would be reported on another occasion.

The past 25 years were divided into the following three phases, and the level of monetary accommodation during each phase was examined: (1) 1999 to 2006, when the non-performing loan problem in Japan's banking sector exerted downward pressure on the economy (Phase 1); (2) 2008 to 2012, when the economy was affected by the Global Financial Crisis (Phase 2); and (3) 2013 and after, when policy responses to deflation were strengthened (Phase 3). With regard to Phases 1 and 2, the level of monetary accommodation tended to rise throughout the phases; however, there had been times when the level of accommodation lowered as real interest rates rose, reflecting a decline in inflation expectations. During Phase

3, the level of accommodation had been noticeably higher compared with Phases 1 and 2, with higher inflation expectations and lower nominal interest rates for both short- and long-term rates.

With regard to the discussions on the academic front and within the central bank community, while many studies made at home and abroad noted that unconventional monetary policy had brought about monetary easing effects, there were also studies that pointed to large uncertainties regarding such effects. In addition, some indicated the possibility that unconventional monetary policy would have side effects on factors such as economic activity, prices, and the financial system, and thereby inhibit the efficacy of monetary policy.

A counterfactual analysis that was newly conducted in this project suggested that the Bank's unconventional monetary policy had produced a certain level of monetary easing effect. In particular, during Phase 3, it had contributed to creating a situation where the economy was no longer in deflation. The Bank would deepen its understanding of such matters as the formation mechanism of inflation expectations and conduct a comprehensive analysis.

The easing effects of unconventional monetary policy are brought about by combining various policy measures. The judgement on which measures to adopt should be made based on an examination of the balance between the positive effects and the potential side effects, mainly on financial markets and the financial system. Further discussions on specific policy measures would be made based on the analyses and surveys that were being conducted from a wide perspective.

With regard to the analyses of individual research conducted in this project, these were expected to be released in the form of research papers, such as the *Bank of Japan Working Paper Series*, and the staff would exchange views on the findings with experts, making use of occasions such as workshops.

B. Discussions by the Policy Board

Based on the above staff reports, members discussed the positive and side effects of the Bank's unconventional monetary policy.

With regard to the positive effects, many members expressed the view that, based mainly on the results of the newly conducted counterfactual analysis in this project, the policy seemed to have been effective in firmly pushing up economic activity and prices, especially after the introduction of quantitative and qualitative monetary easing (QQE) in 2013. One of these members added that the results of the analysis conducted in this project were robust, as they were generally in line with those of past simulations using a macroeconomic model. A different member pointed out the possibility of the effects of the unconventional monetary policy on inflation expectations being insufficient amid a persistent view that wages and prices would not increase easily, although the effects of the policy in lowering nominal long-term interest rates had been obvious. In relation to this, a few members expressed the recognition that it was necessary to take into consideration that, although it had taken time, the effects on inflation expectations had started to be seen recently, due to changes in circumstances such as global inflation and tightening labor market conditions in Japan. A different member said that whether it could be said that the introduction of QQE had changed the monetary policy regime and whether such change had enhanced policy effects were also matters to be discussed. Meanwhile, one member expressed the view that, while households and firms had held excess savings, the positive effects from a marginal decline in real interest rates seemed to have been limited; however, it was necessary to analyze and explain the extent of effects that the decline had actually exerted. In addition, a different member expressed the recognition that, in this project, it was necessary to refer to the transmission of monetary policy through stock and foreign exchange markets, and also to assess the policy that had focused on the monetary base, as well as expectations.

Some members expressed the view that it was also important to assess the cumulative impact of the unconventional monetary policy given that such policy had been conducted for a prolonged period. One of these members pointed out that prolonged monetary easing had not only created demand in the short term but might have positively affected the growth potential of Japan's economy, mainly through hysteresis effects. This member continued that, on the other hand, it could have lowered the growth path due to structural side effects, mainly on the financial system. In addition, a few members expressed the view that, in comparing the positive and side effects of policy measures, it was necessary to take into account the costs that could arise in the process of normalization of such measures. One of these members noted that, in addition to collectively assessing the unconventional monetary policy measures as a whole, it was important to examine the positive and side effects of each measure individually.

In relation to the side effects, some members pointed out that the unconventional monetary policy had negatively affected financial markets and financial institutions in some aspects, and that it was necessary to assess this point. One of these members pointed out that banks had been reluctant to take risks that would burden them with monitoring costs, given that their interest margins had been suppressed, and this had created a structure in which real estate-related loans in particular had increased. In addition, a different member said that the continuation of the unconventional monetary policy seemed to have affected the situation where businesses and firms with low productivity survived and the fiscal deficit expanded. In response to this, one member pointed out that, although the low interest rate environment might have given the government more room to expand its debt, it was up to the government and the Diet to decide whether to utilize such room, and it could not necessarily be said that expansionary fiscal policy had been unnecessary given the economic and price situation at that time. One member expressed the view that, if the Bank had not introduced the unconventional monetary policy, economic activity would have been at a lower level. The member continued that it was unlikely that the enhancement of growth potential, mainly due to a rise in productivity, and the improvement in fiscal conditions would be greater in that case.

Based on these discussions, members shared the recognition that it was appropriate to continue to discuss the positive and side effects of the unconventional monetary policy, while taking into account the staff's additional analyses and examinations.

III. Extension of the Duration of the Fund-Provisioning Measure to Stimulate Bank Lending

A. Staff Report

The amount outstanding of loans disbursed under the Fund-Provisioning Measure to Stimulate Bank Lending kept increasing; the measure thus continued to contribute to keeping financial conditions accommodative. Under such circumstances, the Bank could amend the Principal Terms and Conditions for the Loan Support Program and other related rules and extend by one year the deadline for loan disbursements under the measure.

B. Discussion by the Policy Board and Vote

Members voted unanimously to approve the amendment. It was confirmed that this would be made public after the meeting.

IV. Summary of Discussions by the Policy Board on Economic and Financial Developments and the January 2024 *Outlook for Economic Activity and Prices*

A. Current Situation of Economic Activity and Prices

With regard to global financial and capital markets, members concurred that, although attention continued to be drawn to uncertainties over the outlook for the global economy, market sentiment remained at an improved level compared to around last autumn. One member noted that, while U.S. interest rates had risen recently, attention needed to be paid to the point that the markets continued to factor in a scenario where the Federal Reserve would reduce its policy interest rate at a faster pace than its projections.

Members shared the recognition that the pace of recovery in overseas economies had slowed.

Members agreed that the U.S. economy had been firm, mainly led by private consumption, although it had been affected by policy interest rate hikes by the Federal Reserve. Many members pointed out that, despite remaining uncertainties regarding developments surrounding prices and other factors, U.S. economic indicators, mainly those related to private consumption, had been firm overall, and that expectations for a soft landing had heightened.

Members shared the recognition that European economies kept slowing moderately as they continued to be affected by factors such as policy interest rate hikes by the ECB. Some members expressed the view that the deceleration in these economies was partly attributable to weakness in exports to China.

Members shared the view that the Chinese economy remained on a moderate slowing trend, mainly owing to the effects of the slowdown in external demand and adjustments in the real estate market, but signs of a pick-up had been observed in some aspects, such as private consumption. Some members expressed the view that the slowing trend in the economy had come to a halt recently, partly due to the government's expansion of policy responses. One of these members added that it was highly likely that the government would continue to support the economy through fiscal policy measures. On this basis, a few members expressed the opinion that the Chinese economy faced various structural problems, particularly concerning the real estate market, and that fundamentally resolving these problems was important.

Regarding emerging and commodity-exporting economies other than China, members shared the recognition that these economies had improved moderately on the whole, as signs of a pick-up had been seen in exports.

Members agreed that financial conditions in Japan had been accommodative. In addition, they shared the view that firms' funding costs had been hovering at extremely low levels.

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

With regard to economic activity, members agreed that Japan's economy had recovered moderately.

Members shared the recognition that, although exports and production had been affected by the slowdown in the pace of recovery in overseas economies, they had been more or less flat. One member pointed out that, while IT-related external demand had bottomed out, its rebound at this point had been weak. One member said that it was of concern that firms continued to revise their production plans downward, while noting that such revisions were largely attributable to factors specific to individual firms and industries.

Members agreed that business fixed investment had been on a moderate increasing trend, with corporate profits and business sentiment improving. One member expressed the view that, as background to the fact that investment had seen somewhat of a delay in its progress relative to plans, it was possible that many firms had been hesitant to invest, partly due to high uncertainties, both upside and downside, regarding overseas economies. On the other hand, one member pointed out that there had been moves to resume business fixed investment plans that had been postponed, reflecting the fact that the impact of the past rise in material prices had subsided recently. In addition, a different member was of the view that there was no change in the trend of improvement in firms' sentiment and appetite for investment, supported by low levels of real interest rates and high levels of profits.

Members concurred that private consumption continued to increase moderately, despite being affected by price rises. Some members pointed out that the recently released private consumption-related indicators had been somewhat weak. One member noted that there were views that households' spending behavior had become more defensive, reflecting price rises. On this basis, a few members said that, according to recent anecdotal information, private consumption had been firm, particularly for services consumption, and that confidence indicators had shown signs of improvement. As background to these developments, one member expressed the view that, even amid price rises, the employment and income situation had improved moderately and the effects of the government's various measures, such as those to address rising prices, had materialized.

Members shared the view that the employment and income situation had improved moderately. One member pointed out that nominal employee income had increased by more than the rise in wages, reflecting an increase in the number of employees.

As for prices, members agreed that the negative contribution of energy prices to the year-on-year rate of increase in the CPI (all items less fresh food) had been relatively large, partly due to the government's economic measures. That said, they continued that the rate of increase in the CPI had been in the range of 2.0-2.5 percent recently, mainly on the back of the fact that, despite waning, the effects of the pass-through to consumer prices of cost increases led by the past rise in import prices remained, and services prices had increased moderately. Some members pointed out that, while the deceleration in the rate of increase in goods prices was gradually becoming evident, services prices had increased moderately, reflecting factors such as a rise in wage growth. Meanwhile, members agreed that inflation expectations had risen moderately. One member noted that medium- to long-term inflation expectations of households, firms, and economists remained on an uptrend even amid a decline in inflation. The member then expressed the recognition that, as 10 years had passed since the introduction of QQE, a clear change was emerging in inflation expectations. One member pointed out that, in addition to indicators of inflation expectations, various estimates of the trend inflation rate had been rising.

B. Outlook for Economic Activity and Prices

In formulating the January 2024 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report), members discussed the baseline scenario of the outlook for Japan's economic activity. They shared the recognition that Japan's economy was likely to continue recovering moderately for the time being, supported by the materialization of pent-up demand, as well as by factors such as accommodative financial conditions and the government's economic measures, although it was expected to be under downward pressure stemming from the slowdown in the pace of recovery in overseas economies; thereafter, pent-up demand and the effects of the economic measures were projected to wane, but the economy was expected to continue growing at a pace above its potential growth rate as a virtuous cycle from income to spending gradually intensified in the overall economy. With respect to the impact of the 2024 Noto Peninsula Earthquake, many members noted that, first and foremost, making progress in restoring the social infrastructure of the affected areas was desirable. These members then expressed the recognition that it also was necessary to closely research and analyze the impact of the earthquake on Japan's economy. One member expressed the view that, although it was rather unlikely that Japan's entire supply chain had been significantly affected by the earthquake, its impact on such factors as households' and firms' sentiment and local tourism warranted attention because it would take some time to assess. A different member said that the macroeconomic effects of the earthquake were highly likely to be limited.

Members agreed that exports and production were projected to be more or less flat for the time being, affected by the slowdown in the pace of recovery in overseas economies; subsequently, they were likely to return to an uptrend, mainly due to moderate growth in these economies, albeit with variation across countries and regions, and to a pick-up in global demand for IT-related goods. In addition, they shared the view that inbound tourism demand, which is categorized under services exports, was expected to continue increasing. One member expressed the view that developments in production were likely to be led mainly by firmness in production of automobile-related goods for the time being. The member continued that production was likely to see a clearer recovery trend from around the second half of fiscal 2024, backed by Europe and the United States shifting to a rate-cut cycle and by China's economic measures becoming full-fledged. One member pointed out that Japan's economy had not broken away from the low value-added structure due to a delay in the transformation of Japan's business models from ones that put emphasis on efficiency into ones that focus on creating value-added. The member then expressed the view that it was important that new export industries be fostered, larger firms as well as small and medium-sized firms with a relatively large-scale business operation grew, and startups made great advancements that would lead to creating and strengthening unicorns.

Members concurred that, as corporate profits kept improving and accommodative financial conditions provided support, business fixed investment was likely to continue on an increasing trend, including investment to address labor shortages, digital-related investment, research and development (R&D) investment related to growth areas and decarbonization, and investment associated with strengthening supply chains.

Members agreed that, although private consumption was expected to be affected by price rises, it was projected to keep increasing moderately for the time being; this was because pent-up demand was likely to materialize, partly supported by household savings that had accumulated as a result of pandemic-related restrictions, and because factors such as improvement in consumer sentiment, which mainly reflected the rise in wage growth, were expected to provide support. They also shared the view that, thereafter, although private consumption was likely to be affected by a slowdown in the materialization of pent-up demand and a waning of the positive contribution of the government's various measures, it was expected to keep increasing moderately, supported by the rise in employee income. One member expressed the recognition that private consumption had started to shift toward a moderate and stable increasing trend. Meanwhile, one member expressed the view that there was a risk of private consumption becoming sluggish, considering, for example, that the real wage growth rate remained negative and the saving rate had declined.

Members shared the view that employment was likely to continue rising, but the pace of increase was projected to moderate gradually; this was because it would become more difficult for labor supply to increase, with labor force participation of women and seniors having advanced to a high degree thus far. They continued that, nevertheless, as these developments would lead to an increased tightening of labor market conditions during the course of the economic recovery, wage growth was expected to increase as a trend, partly reflecting price rises, and employee income was projected to continue increasing.

Based on this discussion, members shared the recognition that, comparing the projections with those in the October 2023 Outlook Report, the projected real GDP growth rate for fiscal 2023 was somewhat lower, mainly reflecting the actual data showing that the rate of change in business fixed investment had been lower than was previously projected; the projected growth rate for fiscal 2024 was somewhat higher. They continued, however, that the basic view on future economic developments was unchanged.

Members then discussed <u>the baseline scenario of the outlook for Japan's price developments</u>. They agreed that the year-on-year rate of increase in the CPI (all items less fresh food) was likely to be above 2 percent through fiscal 2024, due to factors such as the effects, albeit waning, of the pass-through to consumer prices of cost increases led by the past rise in import prices and the waning of the effects of the government's economic measures pushing down CPI inflation of the previous year; as for fiscal 2025, the rate of increase was projected to decelerate owing to dissipation of these factors. In addition, they shared the view that, toward the end of the projection period, underlying CPI inflation was likely to increase gradually toward achieving the price stability target, as the output gap turned positive and as medium- to long-term inflation expectations and wage growth rose.

Members shared the recognition that, comparing the projections with those in the October 2023 Outlook Report, the projected year-on-year rate of increase in the CPI (all items less fresh food) for fiscal 2024 was lower, mainly due to the effects of the recent decline in crude oil prices. One member added that views regarding underlying inflation were unchanged from October 2023.

On this basis, members shared the view that the likelihood of realizing the outlook that underlying CPI inflation would increase gradually toward achieving the price stability target continued to gradually rise. One member said that, while there were uncertainties, achievement of the price stability target had started to come in sight. Moreover, one member expressed the view that various information that had come out since the previous meeting had shown that (1) wage hikes could be expected, including among small and medium-sized firms, and (2) the rate of increase in services prices remained high, reflecting a rise in personnel expenses. The member continued that, given this, it could be assessed that the likelihood of achieving a virtuous cycle between wages and prices had risen further in a steady manner. In response, some members pointed out that, given such factors as the rise in services prices, inflationary pressure stemming from wage increases seemed to be rising; however, achievement of the price stability target was not yet envisaged with sufficient certainty. One of these members added that it was necessary to observe whether the virtuous cycle between wages and prices would intensify further.

Members shared the recognition that developments in the 2024 annual spring labor-management wage negotiations would be important when examining the intensification of the virtuous cycle between wages and prices. Many members expressed the recognition that, considering, for example, reports at the January 2024 meeting of general managers of the Bank's branches and recent communication by labor and management, the possibility of a certain degree of wage hikes being achieved in this year's annual spring labor-management wage negotiations had heightened. As background to this, some members pointed out that the various factors that affected wage negotiations, such as labor market conditions, corporate profits, and the observed CPI inflation on a calendar-year basis, had improved compared with at this time in 2023. One member noted that, with the labor share declining significantly, business managers had been aware of the increasing requests by society for wage increases. On this basis, the member expressed the recognition that the government, labor, and management had broadly aligned their views on wage increases. A few members pointed out that, with intensifying labor shortages, there was a growing view among firms, including small and medium-sized ones, that they would need to increase wages in order to recruit and retain employees. A different member expressed the view that, as labor market conditions had been tightening structurally, due in part to demographic changes, the economy would enter a phase in which firms that found it difficult to raise wages in view of developments in their profits and other factors would be forced to withdraw from the market. Taking account of such situation, some members said that it was highly likely that the wage growth to be agreed in this year's wage negotiations would exceed that agreed last year. However, one of these members pointed out that there were still uncertainties with regard to the extent to which wages would increase, since there were many firms -- mainly small and medium-sized ones -- that were waiting to see the situation for their competitors regarding the degree of wage increases.

Members also discussed spillovers from wage increases to prices. Some members expressed the view that, considering the moderate rise in services prices and anecdotal information, the pass-through of wage increases to selling prices had been progressing to a certain extent. One member said that, if the degree of wage increases demanded by labor unions was realized, it was highly likely that the rate of increase in sticky prices, such as services prices, would reach a level approximately equivalent to the average seen from the 1980s to the first half of the 1990s. On the other hand, a few members pointed out that, compared to the pass-through of higher raw material prices to selling prices, for many industries and firms, the pass-through of wage increases had not necessarily been easy. On this basis, these members added that the idea had been entrenched that an increase in wage costs should be absorbed by improvement in productivity achieved through firms' efforts, and that it was important to observe how this idea would change. In relation to this, one member expressed the view that, if wage growth rose at major firms -- whose wage levels had been a benchmark for others thus far -- it would be easier for such firms to accept the higher delivery prices of their suppliers that reflected the suppliers' wage increases. The member then said that, if moves to raise annual income became more active not only among major firms but also among suppliers, it could be expected that a virtuous economic cycle in which prices rise in line with an increase in demand would emerge. A different member expressed the view that the idea that an increase in wage costs should be absorbed by firms' efforts was one that assumed a period of deflation or zero inflation, and that it could not be applied when prices and wages were rising in nominal terms. The member continued that this recognition needed to take hold in society, and that it was necessary for firms to factor in personnel expenses when revising prices. One member said that, with price rises continuing for more than two years, firms had pointed out that they had recognized the benefits of continued nominal growth on their businesses. On this basis, the member continued that firms' wage- and price-setting behavior seemed to be clearly changing.

Members then discussed upside and downside risks to economic activity and prices. They concurred that there were extremely high uncertainties surrounding Japan's economic activity and prices, including developments in overseas economic activity and prices, developments in commodity prices, and domestic firms' wage- and price-setting behavior. Moreover, members shared the view that, under these circumstances, it was necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices.

On this basis, members noted the following three factors as major risks to economic activity: (1) developments in overseas economic activity and prices and in global financial and capital markets; (2) developments in import prices, particularly those of commodities, including grains; and (3) firms' and households' medium- to long-term growth expectations.

Regarding risks to prices, members concurred that, if the aforementioned risks to economic activity materialized, prices would be affected, and that the following factors warranted attention as risks specific to prices: (1) firms' wage- and price-setting behavior, and (2) future developments in foreign exchange rates and international commodity prices, as well as the extent to which such developments would spread to import prices and domestic prices.

With regard to the risk balance, members shared the recognition that risks to both economic activity and prices were generally balanced. Members agreed that, in terms of prices, it should be noted that, mainly due to the experience of prolonged low growth and deflation, the behavior and mindset based on the assumption that wages and prices would not increase easily had taken hold in society. They continued that, considering this, it was important to closely monitor whether the virtuous cycle between wages and prices would intensify.

V. Summary of Discussions on Monetary Policy

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

With regard to the Bank's basic stance on its future conduct of monetary policy, members agreed that sustainable and stable achievement of the price stability target was not yet envisaged with sufficient certainty at this point, and thus the Bank needed to patiently continue with monetary easing under yield curve control, aiming to support Japan's economic activity and thereby facilitate a favorable environment for wage increases. On this basis, they shared the recognition that the likelihood of realizing the outlook that the underlying CPI inflation would increase gradually toward achieving the price stability target continued to gradually rise, and that, going forward, if the virtuous cycle between wages and prices was confirmed and achievement of the target came in sight, the Bank would likely determine whether to continue with its large-scale monetary easing measures, including the negative interest rate policy. In this situation, some members expressed the view that, with the pass-through of the past rise in import prices to consumer prices peaking out clearly, the upside risk of the inflation rate being significantly above 2 percent had decreased. These members continued that there would be enough time to examine such factors as wage conditions.

Meanwhile, a few members -- noting that the impact of the Noto Peninsula Earthquake, which struck at the beginning of 2024, had been an uncertain factor -- expressed the view that a situation had been nearing where sustainable and stable achievement of the price stability target was in sight. One of these members was of the view that, once the Bank was able to assess that the degree of macroeconomic effects of the earthquake was not significant, by monitoring developments in its aftermath for about the next one or two months, the Bank was highly likely to reach a point where it could consider normalizing monetary policy. The member then added that, in order to proceed deliberately along the path of monetary policy normalization in response to developments in economic activity and prices, the Bank needed to decide on the termination of the negative interest rate policy at an appropriate timing as a first step toward the normalization. The member continued that a delay in making this decision could create the risk of undermining achievement of the 2 percent target and of necessitating rapid monetary tightening. One member expressed the view that, if overseas central banks headed toward policy interest rate cuts, the flexibility of monetary policy in Japan could be reduced. The member said that now was a golden opportunity for a change in monetary policy, and the Bank's policy decisions needed to take into account that, if it missed the policy revision opportunity and continued with the current monetary policy, the accompanying side effects would remain until the next recovery phase, particularly that of overseas economies. One member expressed the recognition that, in order to sustain price rises accompanied by wage increases, it was necessary that firms (1) strengthen their earning power by enhancing core businesses and (2) design business models that increase the value of human resources and thereby improve customer satisfaction. The member continued that it was important for data that focused on progress with these efforts to be incorporated in the Bank's decision making.

Members shared the recognition that, in determining whether to continue with large-scale monetary easing measures, including the negative interest rate policy, when sustainable and stable achievement of the price stability target came in sight, the Bank would decide on the specifics as to what measures and which sequence of steps would be appropriate based on developments in economic activity, prices, and financial conditions at that time. On this basis, they agreed that, in light of the fact that achievement of the price stability target was becoming more realistic, it was important that the Bank organize its basic thinking on points to take into account when changing its existing policy measures, as well as on its policy conduct thereafter. Many members expressed the recognition that, given the current outlook for economic activity and prices, it was highly likely that accommodative financial conditions would be maintained even if policy actions such as the termination of the negative interest rate policy were implemented. One member commented that it was necessary for the Bank to indicate that, even if its highly accommodative monetary policy measures to date were revised slightly, this would not lead to a change in accommodative financial conditions. In relation to this point, one member referred to a historical episode in the United States, in which a marginal change in monetary policy during its recession in 1937 had resulted in a substantial change in economic entities' behavior. The member then pointed out that, in considering a policy revision, the Bank should not allow for misinterpretation that the revision would be another change in the monetary policy regime. Meanwhile, one member expressed the view that, while the sequence of steps that the Bank would take in proceeding with policy change depended on developments in economic activity and prices as well as financial conditions at each point in time, a basic principle was that measures with large side effects were revised first.

With regard to the termination of the negative interest rate policy, one member noted that, if the Bank were to return to the situation that existed before introducing this policy, this would mean that it would apply a 0.1 percent interest rate to current accounts held by financial institutions at the Bank, encouraging the uncollateralized call rate to hover in the range of 0 to 0.1 percent. One member expressed the view that, given uncertainties surrounding the natural rate of interest and inflation expectations, it was difficult to determine in advance the terminal level of the policy interest rate and the rate path toward this level, and the Bank needed to consider these in response to developments in economic activity and prices as well as financial conditions at each point in time. Some members pointed out that the state of Japan's economic activity and prices differed significantly from the conditions faced by the United States and Europe a few years ago when policy interest rate hikes began in those economies. These members continued that, therefore, it was not required in Japan to conduct rapid monetary tightening such as that pursued in the United States and Europe. One of these members added that some market participants, mainly foreign investors, had misinterpreted this point.

Some members expressed the view that, regardless of whether the yield curve control framework would be terminated or be continued in some way, the Bank would continue JGB purchases. One of these members noted that, in this sense, the conduct of yield curve control and subsequent JGB purchases were part of a continuing process. On this basis, the member said that the Bank needed to devise both communication and market operations so that interest rates would not rise rapidly in a manner that created discontinuity before and after policy change. One member expressed the view that, in doing so, it was necessary for the Bank to revise its conduct of JGB purchases and thereby make more effective use of market functions. A different member pointed out the need for the Bank to prevent substantial confusion in the market, taking into account, for example, the enormous presence that it had in the JGB markets. On this point, one member said that, in revising yield curve control, the Bank needed to consider some measures to curb a rapid rise in long-term interest rates. Meanwhile, one member expressed the view that it was necessary that the Bank also deliberate on the inflation-overshooting commitment.

Some members expressed the recognition that, since the Bank's purchases of ETFs and J-REITs had been conducted as part of its large-scale monetary easing, it was appropriate for the Bank to discontinue these purchases once sustainable and stable achievement of the 2 percent target came in sight. One of these members expressed the view that the Bank needed to take time to consider the treatment of its ETF holdings even if it were to discontinue new purchases.

Based on the above discussions, members agreed that it was important for the Bank to explain the following to the public on occasions such as the governor's press conference: (1) going forward, if achievement of the price stability target came in sight, the Bank would determine whether to continue with its large-scale monetary easing measures, including the negative interest rate policy; (2) in doing so, even if the Bank revised various monetary easing measures, financial conditions were highly likely to remain accommodative, given the current outlook for economic activity and prices; and (3) in revising various monetary easing measures, the Bank would take account of, for example, market developments and work to avoid creating discontinuity before and after policy change.

With respect to yield curve control, members agreed that long-term interest rates had been at levels consistent with the guideline for market operations, as the Bank had been conducting yield curve control in accordance with the guideline decided at the previous meeting.

Based on the above discussions, regarding the guideline for market operations for the intermeeting period, members agreed that it was appropriate for the Bank to maintain the current guideline. In addition, they shared the recognition that it was appropriate for the Bank to continue with its current conduct of yield curve control.

Members concurred that it was appropriate to maintain the current guidelines for asset purchases other than JGB purchases.

With respect to the future conduct of monetary policy, members shared the basic stance that, with extremely high uncertainties surrounding economies and financial markets at home and abroad, the Bank would patiently continue with monetary easing while nimbly responding to developments in economic activity and prices as well as financial conditions, and that, by doing so, it would aim to achieve the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases. On this basis, they shared the view that the Bank would (1) continue with QQE with Yield Curve Control, aiming to achieve the price stability target, 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. In addition, members agreed that the Bank would continue to maintain the stability of financing, mainly of firms, and financial markets, and would not hesitate to take additional easing measures if necessary.

VI. Remarks by Government Representatives

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

(1) The government was preparing to submit the budget for fiscal 2024 to the upcoming ordinary session of the Diet. With this budget, it aimed to effectively address structural issues facing Japan, such as by promoting initiatives toward achievement of wage increases that could keep up with price rises.

(2) In addition, as a response to the 2024 Noto Peninsula Earthquake, the government had decided to increase the amount of general reserve funds to 1 trillion yen.

(3) The government expected the Bank to conduct appropriate monetary policy toward achieving the price stability target in a sustainable and stable manner while closely cooperating with the government.

The representative from the Cabinet Office made the following remarks.

(1) The government would seamlessly take initiatives for restoration and reconstruction of areas hit by the Noto Peninsula Earthquake, such as rebuilding the lives and livelihoods of people affected by it.

(2) The government would carry out all possible measures to achieve wage increases that exceeded price rises, such as new guidelines on the pass-through of labor costs,

enhancement of the tax system promoting wage hikes, and support for labor-saving investment.

(3) The government expected the Bank to conduct appropriate monetary policy toward achieving the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases, taking account of developments in economic activity and prices as well as financial conditions.

VII. Votes

A. Vote on the Guideline for Market Operations

Based on the above discussions, to reflect the 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 unanimous 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 0 percent.

Votes for the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, ADACHI Seiji, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and TAMURA Naoki.

Votes against the proposal: None.

B. Vote on the Conduct of Yield Curve Control

To reflect the view of the members, the chairman formulated the following proposal on the conduct of yield curve control and put it to a vote.

The Policy Board decided the proposal by a unanimous vote.

The Chairman's Policy Proposal on the Conduct of Yield Curve Control:

The conduct of yield curve control for the intermeeting period will be as follows.

> The Bank will regard the upper bound of 1.0 percent for 10-year JGB yields as a reference in its market operations, and in order to encourage the formation of a yield curve that is consistent with the guideline for market operations, it will continue with large-scale JGB purchases and make nimble responses for each maturity by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations and the Funds-Supplying Operations against Pooled Collateral.
>
> Votes for the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, ADACHI Seiji, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and TAMURA Naoki.
> Votes against the proposal: None.

C. 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 maintain the amount outstanding of CP at about 2 trillion yen. It will purchase corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amount outstanding will gradually return to the pre-pandemic level of about 3 trillion yen. In adjusting the amount outstanding of

corporate bonds, the Bank will give due consideration to their issuance conditions.

Votes for the proposal: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, ADACHI Seiji, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and TAMURA Naoki.
Votes against the proposal: None.

D. Discussion on the Statement on Monetary Policy

On the basis of the above discussions, members discussed the Statement on Monetary Policy. 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).

VIII. Discussion regarding the Outlook Report

Members discussed the draft of "The Bank's View" in the January 2024 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 January 24.

IX. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of December 18 and 19, 2023, for release on January 26, 2024.

Attachment
January 23, 2024
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

   a) The Bank decided, by a unanimous vote, to set the following guideline for market operations for the intermeeting period.

   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.

   b) Conduct of yield curve control (a unanimous vote)

   The Bank will regard the upper bound of 1.0 percent for 10-year JGB yields as a reference in its market operations, and in order to encourage the formation of a yield curve that is consistent with the above guideline for market operations, it will continue with large-scale JGB purchases and make nimble responses for each maturity by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations and the Funds-Supplying Operations against Pooled Collateral.[7]

   (2) Guidelines for asset purchases (a unanimous vote)

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

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[7] The Bank will determine the offer rate for fixed-rate purchase operations each time, taking account of market rates and other factors.

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 maintain the amount outstanding of CP at about 2 trillion yen. It will purchase corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amount outstanding will gradually return to the pre-pandemic level of about 3 trillion yen. In adjusting the amount outstanding of corporate bonds, the Bank will give due consideration to their issuance conditions.

2. The Bank decided, by a unanimous vote, to extend by one year the deadline for loan disbursement under the Fund-Provisioning Measure to Stimulate Bank Lending.

3. With extremely high uncertainties surrounding economies and financial markets at home and abroad, the Bank will patiently continue with monetary easing while nimbly responding to developments in economic activity and prices as well as financial conditions. By doing so, it will aim to achieve the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases.

   The Bank will continue with Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, aiming to achieve the price stability target, 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 maintain the stability of financing, mainly of firms, and financial markets, and will not hesitate to take additional easing measures if necessary.