

May 22, 2015

Bank of Japan

Statement on Monetary Policy

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

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

2. With regard to the asset purchases, the Bank decided, by an 8-1 majority vote, to continue with the following guidelines:^[Note 1]
 - a) The Bank will purchase Japanese government bonds (JGBs) so that their amount outstanding will increase at an annual pace of about 80 trillion yen. With a view to encouraging a decline in interest rates across the entire yield curve, the Bank will conduct purchases in a flexible manner in accordance with financial market conditions. The average remaining maturity of the Bank's JGB purchases will be about 7-10 years.
 - b) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at annual paces of about 3 trillion yen and about 90 billion yen respectively.
 - c) As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen respectively.
3. Japan's economy has continued to recover moderately. Overseas economies -- mainly advanced economies -- have been recovering, albeit with a lackluster performance still seen in part. In this situation, exports have been picking up. Business fixed investment has been on a moderate increasing trend as corporate profits have improved. Public investment has entered a moderate declining trend, although at a high level. Private consumption has been resilient against the background of steady improvement in the employment and income situation. Housing investment has bottomed out and shown some signs of picking up. Reflecting these developments in demand both at home and abroad, industrial production has been picking up. Meanwhile, financial conditions are accommodative. On the price front,

the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food), excluding the direct effects of the consumption tax hike, is about 0 percent. Inflation expectations appear to be rising on the whole from a somewhat longer-term perspective.

4. With regard to the outlook, Japan's economy is expected to continue recovering moderately. The year-on-year rate of increase in the CPI is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices.
5. Risks to the outlook include developments in the emerging and commodity-exporting economies, the prospects regarding the debt problem and the momentum of economic activity and prices in Europe, and the pace of recovery in the U.S. economy.
6. Quantitative and qualitative monetary easing (QQE) has been exerting its intended effects, and the Bank will continue with QQE, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will examine both upside and downside risks to economic activity and prices, and make adjustments as appropriate.^[Note 2]

^[Note 1] Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, Mr. T. Sato, and Mr. Y. Harada. Voting against the action: Mr. T. Kiuchi. Mr. T. Kiuchi proposed that the Bank will conduct money market operations and asset purchases so that the monetary base and the amount outstanding of its JGB holdings will increase at an annual pace of about 45 trillion yen, respectively. The proposal was defeated by a majority vote.

^[Note 2] Mr. T. Kiuchi proposed that the Bank will, with the aim to achieve the price stability target of 2 percent in the medium to long term, continue with asset purchases and a virtually zero interest rate policy as long as each of these policy measures is deemed appropriate under flexible policy conduct based on the examination from the two perspectives of the monetary policy framework. The proposal was defeated by an 8-1 majority vote. Voting for the proposal: Mr. T. Kiuchi. Voting against the proposal: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, Mr. T. Sato, and Mr. Y. Harada.

(Reference)

Meeting hours:

May 21 : 14:00-16:09

May 22 : 9:00-11:44

Policy Board members present:

Haruhiko Kuroda (Governor)
Kikuo Iwata (Deputy Governor)
Hiroshi Nakaso (Deputy Governor)
Yoshihisa Morimoto
Sayuri Shirai
Koji Ishida
Takehiro Sato
Takahide Kiuchi
Yutaka Harada

(Others present)

May 21

From the Ministry of Finance:

Hidenori Sakota, Deputy Vice Minister for Policy Planning and Co-ordination
(14:00-16:09)

From the Cabinet Office:

Mamoru Maekawa, Director-General, Economic and Fiscal Management (14:00-16:09)

May 22

From the Ministry of Finance:

Ichiro Miyashita, State Minister of Finance (9:00-11:27, 11:39-11:44)

From the Cabinet Office:

Mamoru Maekawa, Director-General, Economic and Fiscal Management
(9:00-11:27, 11:39-11:44)

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

14:00 on Monday, May 25 (Japanese)

16:30 on Tuesday, May 26 (English)

-- The English translation of the summary of the Monthly Report will be released at
14:00 on Monday, May 25

Release of the minutes:

8:50 on Wednesday, June 24