

Statement on Monetary Policy

1. At the Monetary Policy Meeting (MPM) 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 March 2022.

2. The Bank decided, by a unanimous vote, on the details of the Funds-Supplying Operations to Support Financing for Climate Change Responses (Climate Response Financing Operations), of which the preliminary outline was made public at the previous MPM.

3. Japan's economy has picked up as a trend, although it has remained in a severe situation due to the impact of the novel coronavirus (COVID-19) at home and abroad. Overseas economies have recovered on the whole, albeit with variation across countries and regions. In this situation,

exports and industrial production have continued to increase despite some exports and production having been affected by supply-side constraints. In addition, corporate profits and business sentiment have continued to improve on the whole. Business fixed investment has picked up, although weakness has been seen in some industries. The employment and income situation has remained weak due to the impact of COVID-19. Private consumption has remained stagnant due to continuing strong downward pressure on consumption of services, such as eating and drinking as well as accommodations. Housing investment has picked up. Public investment has continued on a moderate uptrend. Financial conditions have been accommodative on the whole, although weakness in firms' financial positions has been seen. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) has been at around 0 percent, mainly due to a rise in energy prices, despite being affected by COVID-19 and a reduction in mobile phone charges. Meanwhile, inflation expectations have been more or less unchanged.

4. Although the level of Japan's economic activity, mainly in the face-to-face services sector, is expected to be lower than that prior to the pandemic for the time being, the economy is likely to recover, with the impact of COVID-19 waning gradually, mainly due to progress with vaccinations, and supported by an increase in external demand, accommodative financial conditions, and the government's economic measures. Thereafter, as the impact subsides, it is projected to continue growing with a virtuous cycle from income to spending intensifying. The year-on-year rate of change in the CPI (all items less fresh food) is likely to turn slightly positive, mainly reflecting the rise in energy prices. Thereafter, it is expected to increase gradually, mainly on the back of continued improvement in economic activity and a dissipation of the effects of the reduction in mobile phone charges.
5. With regard to risks to the outlook, there have been high uncertainties over the consequences of COVID-19 and their impact on domestic and overseas economies. In addition, it is necessary to pay close attention to whether, while the impact of COVID-19 remains, firms' and households' medium- to long-term growth expectations will not decline substantially and the smooth functioning of financial intermediation will be ensured with financial system stability being maintained.
6. 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 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 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, Mr. SUZUKI Hitoshi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, Mr. NOGUCHI Asahi, and Ms. NAKAGAWA Junko. 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 encouraging firms to make active business fixed investment for the post-COVID-19 era.

^[Note 2] Mr. Kataoka dissented, considering that 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.

Reference

Meeting hours:

Tuesday, September 21: 14:00-15:43

Wednesday, September 22: 9:00-11:40

Policy Board members present:

Mr. KURODA Haruhiko, Chairman (Governor)

Mr. AMAMIYA Masayoshi (Deputy Governor)

Mr. WAKATABE Masazumi (Deputy Governor)

Mr. SUZUKI Hitoshi

Mr. KATAOKA Goushi

Mr. ADACHI Seiji

Mr. NAKAMURA Toyoaki

Mr. NOGUCHI Asahi

Ms. NAKAGAWA Junko

[Others present]

September 21

From the Ministry of Finance:

Mr. ONO Heihachiro, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:43)

From the Cabinet Office:

Mr. INOUE Hiroyuki, Vice-Minister for Policy Coordination (14:00-15:43)

September 22

From the Ministry of Finance:

Mr. NAKANISHI Kenji, State Minister of Finance (9:00-11:25, 11:34-11:40)

From the Cabinet Office:

Mr. AKAZAWA Ryosei, State Minister of Cabinet Office (9:00-11:25, 11:34-11:40)

Release dates and times:

Statement on Monetary Policy -- Wednesday, September 22 at 11:47

Summary of Opinions -- Friday, October 1 at 8:50

Minutes of the Monetary Policy Meeting -- Tuesday, November 2 at 8:50