

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) Quantity Dimension: The guideline for money market operations

The Bank 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) Quality Dimension: The guidelines for asset purchases

With regard to the asset purchases, the Bank decided, by an 8-1 majority vote, to set 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 7-12 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 3.3 trillion yen¹ 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.

¹ Of about 3.3 trillion yen, 300 billion yen is used in line with the implementation of a program for purchasing ETFs composed of stocks issued by firms that are proactively investing in physical and human capital, as decided at the MPM held in December 2015.

(3) Interest-Rate Dimension: The policy rate

The Bank decided, by a 7-2 majority vote, to continue applying a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank.^[Note 2]

2. In addition, with a view to supporting financial institutions in disaster areas affected by the Kumamoto Earthquake in their efforts toward meeting demand for funds for restoration and rebuilding, the Bank decided by a unanimous vote to introduce a funds-supplying operation for these financial institutions. The specifics of this operation are the following: the total amount of loans is set at 300 billion yen; the Bank will provide loans at a zero interest rate; and twice as much as the amount outstanding of financial institutions' borrowing through this operation will be added to their Macro Add-on Balances, to which a zero interest rate is applied.

^[Note 1] Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. K. Ishida, Mr. T. Sato, Mr. Y. Harada, Mr. Y. Funo, and Mr. M. Sakurai. 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] Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. K. Ishida, Mr. Y. Harada, Mr. Y. Funo, and Mr. M. Sakurai. Voting against the action: Mr. T. Sato and Mr. T. Kiuchi. Mr. T. Sato and Mr. T. Kiuchi dissented considering that an interest rate of 0.1 percent should be applied to current account balances excluding the amount outstanding of the required reserves held by financial institutions at the Bank, because negative interest rates would impair the functioning of financial markets and financial intermediation as well as the stability of the JGB market.

(Reference)

Meeting hours:

Wednesday, April 27: 14:00-16:01

Thursday, April 28: 9:00-11:54

Policy Board members present:

Haruhiko Kuroda (Governor)

Kikuo Iwata (Deputy Governor)

Hiroshi Nakaso (Deputy Governor)

Koji Ishida

Takehiro Sato

Takahide Kiuchi

Yutaka Harada

Yukitoshi Funo

Makoto Sakurai

(Others present)

April 27

From the Ministry of Finance:

Mitsuru Ota, Deputy Vice Minister for Policy Planning and Co-ordination (14:00-16:01)

From the Cabinet Office:

Masao Nishikawa, Vice-Minister for Policy Coordination (14:00-16:01)

April 28

From the Ministry of Finance:

Manabu Sakai, State Minister of Finance (9:00-11:21, 11:31-11:54)

From the Cabinet Office:

Masao Nishikawa, Vice-Minister for Policy Coordination (9:00-11:21, 11:31-11:54)

Release Dates and Time:

Statement on Monetary Policy -- Thursday, April 28 at 12:01

Outlook for Economic Activity and Prices (The Bank's View) -- Thursday, April 28 at 12:01

Release Schedule:

Outlook for Economic Activity and Prices (Outlook Report, full text including The Background) -- Friday, April 29 at 14:00

Summary of Opinions -- Thursday, May 12 at 8:50

Minutes -- Tuesday, June 21 at 8:50