

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, with a view to making clearer its policy stance to persistently continue with powerful monetary easing, the Policy Board of the Bank of Japan decided upon the following.

- (1) Clarification of forward guidance for policy rates ^[Note 1]

The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike.

- (2) Implementation of measures contributing to the continuation of powerful monetary easing

The Bank will implement the measures shown in the Attachment, including the expansion of eligible collateral for the Bank's provision of credit.

2. As for the guidelines for market operations and asset purchases, the Bank decided upon the following.

- (1) Yield curve control

The Bank decided, by a 7-2 majority vote, to set the following guideline for market operations for the intermeeting period. ^[Note 2]

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 Japanese government bonds (JGBs) so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.¹ With regard to the amount of JGBs to be purchased, the Bank will conduct

¹ In case of a rapid increase in the yields, the Bank will purchase JGBs promptly and appropriately.

purchases in a flexible manner so that their amount outstanding will increase at an annual pace of about 80 trillion yen.

(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) so that their amounts outstanding will increase at annual paces of about 6 trillion yen and about 90 billion yen, respectively. With a view to lowering risk premia of asset prices in an appropriate manner, the Bank may increase or decrease the amount of purchases depending on market conditions.
 - b) 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 is likely to continue on a moderate expanding trend, despite being affected by the slowdown in overseas economies for the time being. Although the year-on-year rate of change in the consumer price index (CPI) has continued to show relatively weak developments compared to the economic expansion and the labor market tightening, it is likely to increase gradually toward 2 percent, mainly due to the output gap remaining positive. However, there are high uncertainties regarding the outlook for economic activity and prices including developments in overseas economies. In addition, it is likely to still take time to achieve the price stability target.
 4. Based on the above recognition, the Bank decided to make clearer its stance to persistently continue with powerful monetary easing while examining uncertainties regarding economic activity and prices including the effects of the scheduled consumption tax hike and developments in overseas economies. Also, the Bank judged it appropriate to take such measures as the expansion of eligible collateral for the Bank's provision of credit, thereby contributing to smooth implementation of fund-provisioning and asset purchases as well as to securing market functioning. By continuing with powerful monetary easing and thereby maintaining the output gap within positive territory, the Bank will aim to achieve the price stability target at the earliest possible time, while securing stability in economic and financial conditions.

5. 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 examine the risks considered most relevant to the conduct of monetary policy and make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target.

^[Note 1] Mr. Y. Harada dissented, considering that, in revising forward guidance for policy rates, it was appropriate to further clarify its relationship with the price stability target. In order to achieve the price stability target of 2 percent at the earliest possible time, Mr. G. Kataoka dissented, considering that further coordination of fiscal and monetary policy was important, and that it was necessary for the Bank to make a commitment to taking additional easing measures if it revised downward its assessment of medium- to long-term inflation expectations.

^[Note 2] Voting for the action: Mr. H. Kuroda, Mr. M. Amamiya, Mr. M. Wakatabe, Mr. Y. Funo, Mr. M. Sakurai, Ms. T. Masai, and Mr. H. Suzuki. Voting against the action: Mr. Y. Harada and Mr. G. Kataoka. Mr. Y. Harada dissented, considering that allowing the long-term yields to move upward and downward to some extent was too ambiguous as the guideline for market operations decided by the Policy Board. Mr. G. Kataoka dissented, considering that, with a further heightening of uncertainties regarding developments in economic activity and prices going forward, it was desirable to strengthen monetary easing.

Measures Contributing to the Continuation of Powerful Monetary Easing²

1. Expanding eligible collateral for the Bank's provision of credit
 - (1) The Bank will relax the eligibility standards concerning creditworthiness regarding debt of companies based on the following principal policy.
 - a) With regard to debt of companies that have obtained an external credit rating, the companies should be rated BBB or higher by an eligible rating agency.
 - b) With regard to debt of companies that have not obtained an external credit rating, the companies should be classified as "normal" borrowers in the self-assessment by financial institutions.
 - (2) With respect to loans on deeds to municipal governments, the Bank will not require any procedures such as auction as the method of determining lending conditions. Regarding privately-placed municipal bonds, the Bank will not impose spread requirements on the coupon rates and issue prices in terms of differences from those of publicly-offered municipal bonds.
 - (3) The Bank will accept collateral such as loans on deeds to the government that financial institutions have acquired in the secondary market as eligible collateral.
2. Improving and promoting the use of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth
 - (1) Regarding the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, financial institutions will be able to receive the yen fund-provisioning within the limit set for each financial institution based on the amount of fund-provisioning in the past.
 - (2) Regarding the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth and the Fund-Provisioning Measure to Stimulate Bank Lending, the deadline for new loan disbursements will be extended to June 30, 2021.

² The above measures 1. through 3. will be implemented soon after necessary preparations are completed. As for measures 1. (1), (2), and 2., amendments to relevant principal terms and conditions will be necessary at a future Monetary Policy Meeting.

3. Relaxation of the terms and conditions for the Securities Lending Facility (SLF)

The Bank will relax the terms and conditions for the SLF, including the reduction of the minimum fee rate and abolition of the upper limit on the amount of sales per issue.

4. Introduction of Exchange-Traded Fund (ETF) Lending Facility

The Bank will consider the introduction of ETF Lending Facility, which will make it possible to temporarily lend ETFs that the Bank holds to market participants.

Reference

Meeting hours:

Wednesday, April 24: 14:00-15:58

Thursday, April 25: 9:00-12:20

Policy Board members present:

Haruhiko Kuroda, Chairman (Governor)

Masayoshi Amamiya (Deputy Governor)

Masazumi Wakatabe (Deputy Governor)

Yutaka Harada

Yukitoshi Funo

Makoto Sakurai

Takako Masai

Hitoshi Suzuki

Goushi Kataoka

[Others present]

April 24

From the Ministry of Finance:

Eiji Chatani, Deputy Vice-Minister for Policy Planning and Coordination (14:00-15:58)

From the Cabinet Office:

Akihiro Nakamura, Vice-Minister for Policy Coordination (14:00-15:58)

April 25

From the Ministry of Finance:

Kenichiro Ueno, State Minister of Finance (9:00-11:55, 11:59-12:20)

From the Cabinet Office:

Ryosei Tanaka, State Minister of Cabinet Office (9:00-11:55, 11:59-12:20)

Release dates and times:

Statement on Monetary Policy -- Thursday, April 25 at 12:27

Outlook for Economic Activity and Prices (Outlook Report)

The Bank's View -- Thursday, April 25 at 12:27

Full text -- Friday, April 26 at 14:00

Summary of Opinions -- Friday, May 10 at 8:50

Minutes of the Monetary Policy Meeting -- Tuesday, June 25 at 8:50