

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 (an 8-1 majority vote) ^[Note 1]

- a) The Bank decided 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 fixed-rate purchase operations for consecutive days

In order to implement the above guideline for market operations, the Bank will offer to purchase 10-year JGBs at 0.25 percent every business day through fixed-rate purchase operations, unless it is highly likely that no bids will be submitted.

- (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.

- 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 at about the same pace as prior to the novel coronavirus (COVID-19) pandemic, so that their amounts outstanding will

gradually return to pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

2. Japan's economy has picked up as a trend, although some weakness has been seen in part, mainly due to the impact of COVID-19 and a rise in commodity prices. Overseas economies have recovered on the whole, albeit with some weakness seen in part. Exports and industrial production have continued to increase as a trend, but the effects of supply-side constraints have intensified lately. Business sentiment has seen a pause in its improvement recently, mainly due to the impact of supply-side constraints and the rise in commodity prices. Corporate profits have been at high levels on the whole. Business fixed investment has picked up, although weakness has been seen in some industries. The employment and income situation has remained relatively weak on the whole, although improvement has been seen in some parts. Private consumption has picked up, particularly for services consumption, with the impact of COVID-19 waning. Housing investment has been more or less flat. Public investment has been relatively weak. Financial conditions have been accommodative on the whole, although weakness in firms' financial positions has remained in some segments. On the price front, with the effects of a reduction in mobile phone charges dissipating, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) has been at around 2 percent, mainly due to rises in energy and food prices. Meanwhile, inflation expectations, particularly short-term ones, have risen.
3. Japan's economy is likely to recover, with the impact of COVID-19 and supply-side constraints waning and with support from an increase in external demand, accommodative financial conditions, and the government's economic measures, although it is expected to be under downward pressure stemming from the rise in commodity prices due to factors such as the situation surrounding Ukraine. Thereafter, as the negative impact of high commodity prices wanes and a virtuous cycle from income to spending intensifies gradually, Japan's economy is projected to continue growing, albeit more slowly, at a pace above its potential growth rate. The year-on-year rate of increase in the CPI (all items less fresh food) is likely to be at around 2 percent for the time being due to the impact of rises in energy and food prices, but it is expected to decelerate thereafter because the positive contribution of the rise in energy prices to the CPI is likely to wane. Meanwhile, the year-on-year rate of change in the CPI (all items less fresh food and energy) is expected to moderately increase in positive territory on the back of improvement in the output gap and rises in medium- to long-term inflation expectations and wage inflation, and partly also of a pass-through of raw material cost increases.

4. Concerning risks to the outlook, there remain extremely high uncertainties for Japan's economy, including the course of COVID-19 at home and abroad and its impact, developments in the situation surrounding Ukraine, and developments in commodity prices and overseas economies. In this situation, it is necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices.
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.

For the time being, while closely monitoring the impact of COVID-19, the Bank will support financing, mainly of firms, and maintain stability in financial markets, and will not hesitate to take additional easing measures if necessary; it also 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:

Thursday, June 16: 14:00-15:59

Friday, June 17: 9:00-11:36

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]

June 16

From the Ministry of Finance:

Mr. SHINKAWA Hirotsugu, Director-General of the Minister's Secretariat (14:00-15:59)

From the Cabinet Office:

Mr. INOUE Hiroyuki, Vice-Minister for Policy Coordination (14:00-15:59)

June 17

From the Ministry of Finance:

Mr. OKAMOTO Mitsunari, State Minister of Finance (9:00-11:21, 11:30-11:36)

From the Cabinet Office:

Mr. KIKAWADA Hitoshi, State Minister of Cabinet Office (9:00-11:21, 11:30-11:36)

Release dates and times:

Statement on Monetary Policy -- Friday, June 17 at 11:43

Summary of Opinions -- Monday, June 27 at 8:50

Minutes of the Monetary Policy Meeting -- Tuesday, July 26 at 8:50