Not to be released until 8:50 a.m. Japan Standard Time on Wednesday, September 28, 2022.

September 28, 2022

Bank of Japan

# Minutes of the Monetary Policy Meeting

## on July 20 and 21, 2022

(English translation prepared by the Bank's staff based on the Japanese original)

A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Wednesday, July 20, 2022, from 2:00 p.m. to 3:45 p.m., and on Thursday, July 21, from 9:00 a.m. to 11:57 a.m.[1]

**Policy Board Members Present**

**Mr. KURODA Haruhiko, Chairman, Governor of the Bank of Japan**

**Mr. AMAMIYA Masayoshi, Deputy Governor of the Bank of Japan**

**Mr. WAKATABE Masazumi, Deputy Governor of the Bank of Japan**

**Mr. SUZUKI Hitoshi**

**Mr. KATAOKA Goushi**[2]

**Mr. ADACHI Seiji**

**Mr. NAKAMURA Toyoaki**

**Mr. NOGUCHI Asahi**

**Ms. NAKAGAWA Junko**

Government Representatives Present

Mr. OIE Satoshi, State Minister of Finance, Ministry of Finance[3]

Mr. OKU Tatsuo, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance[4]

Mr. KIKAWADA Hitoshi, State Minister of Cabinet Office, Cabinet Office[3]

Mr. INOUE Hiroyuki, Vice-Minister for Policy Coordination, Cabinet Office[4]

Reporting Staff

Mr. UCHIDA Shinichi, Executive Director

Ms. SHIMIZU Tokiko, Executive Director (Assistant Governor)

Mr. KAIZUKA Masaaki, Executive Director

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on September 21 and 22, 2022, as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

[2] Mr. Kataoka was present via conference call.

[3] Messrs. Oie and Kikawada were present on July 21.

[4] Messrs. Oku and Inoue were present on July 20.

Mr. SHIMIZU Seiichi, Executive Director

Mr. NAKAMURA Koji, Director-General, Monetary Affairs Department

Mr. KAWAMOTO Takuji, Head of Policy Planning Division, Monetary Affairs Department

Mr. MASAKI Kazuhiro, Director-General, Financial System and Bank Examination Department

Mr. FUJITA Kenji, Director-General, Financial Markets Department

Mr. OTANI Akira, Director-General, Research and Statistics Department

Mr. NAGANO Teppei, Head of Economic Research Division, Research and Statistics Department

Mr. HIROSHIMA Tetsuya, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. CHIDA Hidetsugu, Director-General, Secretariat of the Policy Board

Mr. KINOSHITA Takao, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

Mr. OBA Hidetada, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

Mr. NAGAE Shinichiro, Senior Economist, Monetary Affairs Department

Mr. YOSHIMURA Haruka, Senior Economist, Monetary Affairs Department

Mr. OSADA Mitsuhiro, Senior Economist, Monetary Affairs Department

## I. Summary of Staff Reports on Economic and Financial Developments[5]

### A. Market Operations in the Intermeeting Period

In accordance with the short-term policy interest rate of minus 0.1 percent and the target level of the long-term interest rate, both of which were decided at the previous meeting on June 16 and 17, 2022, the Bank had been conducting purchases of Japanese government bonds (JGBs).[6] Under the guideline for fixed-rate purchase operations for consecutive days decided at that meeting, it had also conducted outright purchases of 10-year JGBs at 0.25 percent through the fixed-rate method every business day. Moreover, the Bank had carried out fixed-rate purchase operations of the cheapest-to-deliver (CTD) issues every business day. In addition, it had implemented the relaxation of the terms and conditions for the Securities Lending Facility (SLF) for the CTD issues, in order to ensure stability in the market by easing excessive tightening in supply and demand conditions of Japanese government securities (JGSs) in the repo market. In this situation, 10-year JGB yields had been at around 0 percent, and the shape of the JGB yield curve had been consistent with the guideline for market operations.

The Bank had conducted operations to purchase exchange-traded funds (ETFs), Japan real estate investment trusts (J-REITs), CP, and corporate bonds in accordance with the guideline for asset purchases decided at the previous meeting. In addition, it had conducted the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) (the Special Operations to Facilitate Financing) to support financing, mainly of firms.

### B. Recent Developments in Financial Markets

In the money market, interest rates on both overnight and term instruments generally had been in negative territory. With regard to interest rates on overnight instruments, the uncollateralized call rate had been in the range of around minus 0.007 to minus 0.047 percent; general collateral (GC) repo rates had been in the range of around minus 0.087 to minus 0.233 percent. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) had increased somewhat.

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[5] Reports were made based on information available at the time of the meeting.

[6] The target level of the long-term interest rate was as follows:

The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

The Tokyo Stock Price Index (TOPIX) had risen from the level observed at the time of the previous meeting, mainly due to buybacks in view of a rise in U.S. stock prices. Long-term interest rates (10-year JGB yields) had been at around 0 percent under yield curve control. In the foreign exchange market, the yen had depreciated against the U.S. dollar, mainly against the background of the differing direction of monetary policy between the two countries and of dollar purchasing by Japanese importers. It had appreciated against the euro, amid growing concern over a slowdown in the euro area economy that was partly due to the issue of energy supply from Russia.

**C. Overseas Economic and Financial Developments**

Overseas economies had recovered on the whole, albeit with some weakness seen in part. Economic activity continued to resume in the United States and Europe while lockdowns and other public health measures had been eased in China. In emerging and commodity-exporting economies other than China, the resumption of economic activity had become full-fledged. However, with inflationary pressure continuing worldwide, policy rate hikes by central banks in advanced economies had started to put downward pressure on the global economy, and the prolonged impact of the situation surrounding Ukraine had also been exerting downward pressure on the economy, particularly in the euro area. As for the outlook, although overseas economies were expected to be under downward pressure, mainly from the situation surrounding Ukraine, they were likely to continue growing moderately on the whole as the impact of COVID-19 waned. That said, there were high uncertainties for the time being, mainly over the course of the situation surrounding Ukraine, global inflationary pressure, the effects of an acceleration in the pace of policy rate hikes by central banks in advanced economies, and the situation of the pandemic in China.

With regard to developments in overseas economies by region, the U.S. economy had recovered. Private consumption continued to increase, amid the withdrawal of accumulated savings and with a shift in consumption patterns from goods to services being observed. Housing investment remained at a high level, although signs of deceleration had been seen in reflection of policy rate hikes by the Federal Reserve. While the number of employees continued to rise, the labor market remained tight, with the labor force participation rate recovering at only a moderate pace and the job openings-to-applicants ratio and turnover rates still being high. As for the corporate sector, sentiment kept improving and fixed investment continued to increase. Regarding price developments, the personal consumption expenditure (PCE) deflator had marked a high increase in the range of 6.0-6.5 percent on a year-on-year basis, mainly due to the effects of tight supply and demand conditions.

European economies had recovered as a trend. Despite downward pressure from a rise in energy prices, private consumption had recovered as a trend, particularly for services consumption, on the back of continued resumption of economic activity. With regard to the corporate sector, although sentiment kept improving on the whole and fixed investment had also risen as a trend, indicators of new orders in the manufacturing industry had shown weakness. As for prices, the year-on-year rate of increase in the Harmonized Index of Consumer Prices (HICP) had been high at around 8.5 percent, mainly due to the rise in energy prices.

The Chinese economy had started picking up from the state of being pushed down as the impact of strict public health measures to address the spread of COVID-19 had waned. Private consumption had started picking up from a deeply depressed level while such effects as of movement restrictions had eased. As for the corporate sector, exports and production had picked up as corporate activity and the logistics situation had gradually normalized. Fixed asset investment had picked up as a trend, supported in part by infrastructure investment.

Emerging and commodity-exporting economies other than China had picked up on the whole, although some economies had been pushed down by the impact of the situation surrounding Ukraine. The NIEs and the ASEAN economies had recovered because exports continued to increase on the whole, despite some weakness being seen in exports to China, and domestic demand kept improving on the back of progress in the resumption of economic activity.

With respect to overseas financial markets, long-term interest rates in advanced economies had declined significantly, mainly due to growing concern over a future economic slowdown, while central banks in these economies had accelerated the pace of policy rate hikes. Stock prices had risen, underpinned by the decline in interest rates. Crude oil prices had fallen, partly reflecting concern over an economic slowdown. In the foreign exchange market, currencies in emerging and commodity-exporting economies, particularly the latter, had depreciated while commodity prices had generally declined.

**D. Economic and Financial Developments in Japan**

1. Economic developments

Japan's economy had picked up with the impact of COVID-19 waning, despite being affected by factors such as a rise in commodity prices. Regarding the outlook, the economy was likely to recover with the impact of COVID-19 and supply-side constraints waning, although it was expected to be under downward pressure stemming from the rise in commodity prices due to factors such as the situation surrounding Ukraine.

Exports continued to increase as a trend, but they had been affected by supply-side constraints, and industrial production had been under strong downward pressure due to the effects of such constraints. Developments in real exports by goods were as follows. IT-related exports had recently been affected by constraints on shipments to China caused by the lockdowns, although demand for semiconductors seemed to have been firm. The level of exports of automobile-related goods had decreased, affected by parts procurement difficulties due to the lockdowns in China, in addition to the tight global supply and demand conditions for semiconductors. In contrast, exports of capital goods -- despite declining for those to China -- had been at high levels, supported by steady machinery investment on a global basis and by strong demand for semiconductor production equipment that reflected the expansion in demand for digital-related goods. With regard to the outlook, it was highly likely that exports and industrial production would remain susceptible to supply-side constraints in the short run, mainly because the semiconductor shortage and disruptions in distribution networks due to the lockdowns in China were projected to continue having an impact. Thereafter, they were likely to increase, mainly for automobile-related goods, for which supply-side constraints were expected to wane, and for digital-related goods, which had seen the expansion in global demand.

Corporate profits had been at high levels on the whole. Business sentiment was more or less unchanged. According to the *Tankan* (Short-Term Economic Survey of Enterprises in Japan), the diffusion index (DI) for business conditions for all industries and enterprises had deteriorated slightly for the March survey but improved slightly for the June survey. With regard to manufacturing, the DI had deteriorated for two consecutive quarters, against the background of business sentiment of a wide range of manufacturers being affected by raw material cost increases and of supply-side constraints due to the lockdowns in China. On the other hand, the DI for overall nonmanufacturing had improved; while the impact of raw material cost increases had been seen in part, the DIs for industries such as services for individuals, accommodations as well as eating and drinking services, and transport and postal activities had improved clearly with the impact of COVID-19 waning.

Business fixed investment had picked up, although weakness had been seen in some industries. With regard to the outlook, as corporate profits remained at high levels on the whole despite being pushed down by the impact of the rise in commodity prices, an uptrend in business fixed investment was expected to become clear on the back of accommodative financial conditions and the waning of supply-side constraints. Looking at leading indicators of such investment, machinery orders (private sector, excluding orders for ships and those from electric power companies) had increased, albeit with fluctuations, and construction starts (in terms of planned expenses for private and nonresidential construction) had also increased when fluctuations were smoothed out. Looking at the business fixed investment plan in the June 2022 *Tankan*, business fixed investment -- including software and research and development (R&D) investments but excluding land purchasing expenses, for all industries and enterprises including financial institutions -- showed a year-on-year rate of increase of 0.9 percent for fiscal 2021. The figure was only slightly positive, mainly due to supply-side constraints on capital goods and the impact of COVID-19. On the other hand, the plan for fiscal 2022 showed that the year-on-year rate of increase in such investment was expected to be 13.5 percent, which would mark a clear increase.

Private consumption had increased moderately, particularly for services consumption, with the impact of COVID-19 waning. The consumption activity index (CAI; real, travel balance adjusted) had increased by 2.3 percent for the April-May period relative to the January-March quarter, mainly led by services consumption. By type, services consumption, particularly of dining-out and domestic travel, had increased with the impact of COVID-19 waning. Nondurable goods consumption -- after having been relatively weak, mainly due to a waning of stay-at-home demand, such as for food and daily necessities -- had been firm recently, as seen in an increase in consumption of clothes and personal effects. On the other hand, durable goods consumption had been at a somewhat low level due to downward pressure from supply-side constraints.

Recent developments in private consumption based on anecdotal information from firms and high-frequency indicators suggested that goods consumption had improved, as some effects of supply-side constraints due to the lockdowns in China had started to wane.

Services consumption also seemed to have continued on an uptrend. Meanwhile, confidence indicators related to private consumption had deteriorated somewhat, partly reflecting the impact of price rises. Regarding the outlook, private consumption was expected to be affected by rises in prices, mainly of energy and food. However, on the back of improvement in the employment situation, it was projected to continue increasing because pent-up demand was likely to materialize, supported by household savings that had accumulated as a result of pandemic-related restrictions, as the resumption of consumption activities progressed gradually while public health was being protected.

The employment and income situation had improved moderately on the whole, although some weakness had been seen in part. Regarding the number of employed persons in the *Labour Force Survey*, that of non-regular employees remained at a relatively low level, mainly in the face-to-face services industry. However, the number of regular employees had increased moderately, mainly in the medical, healthcare, and welfare services industry as well as the information and communications industry, both of which had faced a severe labor shortage. The employment conditions DI in the June *Tankan* continued to show an expanding trend in net "insufficient." Total cash earnings per employee, particularly scheduled cash earnings, had increased moderately, reflecting the pick-up in overall economic activity. With regard to the outlook, nominal employee income was likely to increase along with economic improvement. In real terms, however, the year-on-year rate of change in employee income was highly likely to be negative for the time being, reflecting price rises.

As for prices, international commodity prices remained at high levels due to factors such as the situation surrounding Ukraine, but had declined recently, mainly reflecting concern over a global economic slowdown. The rate of change in the producer price index (PPI) relative to three months earlier remained clearly positive, reflecting developments in international commodity prices and foreign exchange rates. The year-on-year rate of change in the consumer price index (CPI, all items less fresh food) had been at around 2 percent, mainly due to the rises in energy and food prices. That in the CPI (all items less fresh food and energy) had been in the range of 1.0-1.5 percent when excluding temporary factors such as the effects of the reduction in mobile phone charges. Meanwhile, inflation expectations had risen. Specifically, short-term inflation expectations had increased clearly on the whole. Medium- to long-term expectations had also risen moderately. Firms' inflation expectations both for general prices and output prices in the June *Tankan* had risen for all time horizons -- namely, one year ahead, three years ahead, and five years ahead. With regard to the outlook, the year-on-year rate of change in the CPI (all items less fresh food) was likely to increase toward the end of 2022 due to the rises in prices of such items as energy, food, and durable goods. Thereafter, the rate of increase was expected to decelerate because the positive contribution of the rise in energy prices to the CPI was likely to wane.

2. Financial environment

Japan's financial conditions had been accommodative on the whole, although weakness in firms' financial positions remained in some segments.

Firms' demand for funds was more or less unchanged on the whole, as precautionary demand for liquidity due to the impact of COVID-19 had generally subsided, although demand for working capital had been seen, reflecting raw material cost increases. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuance conditions for CP had been favorable. Those for corporate bonds also had been favorable on the whole. Firms' funding costs had been hovering at extremely low levels. In this situation, the year-on-year rates of increase in the amount outstanding of bank lending and the aggregate amount outstanding of CP and corporate bonds had been at around 1.5 percent and around 9 percent, respectively; their amounts outstanding remained at high levels. The environment for external funding was still accommodative owing to the Bank's and the government's measures, as well as efforts made by financial institutions. The number of bankruptcies of firms had been at a low level. Firms' financial positions continued on an improving trend, including for small and medium-sized firms, on the back of the pick-up in the economy, although weakness remained in some segments.

The year-on-year rate of change in the monetary base had decelerated compared with a while ago, being positive at around 4 percent recently. That in the money stock also had been positive, in the range of 3.0-3.5 percent.

3. Financial system

Japan's financial system was maintaining stability on the whole.

Profits of major banks had been firm, mainly due to the loans outstanding being at a high level and to an increase in net income from fees and commissions. Their credit costs had been at low levels on the whole, although factors such as loan-loss provisioning due to the impact of the situation surrounding Ukraine had been seen. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

Profits of regional banks and *shinkin* banks had also been firm, mainly owing to the amount outstanding of loans related to COVID-19 being at a high level. Their credit costs had been at low levels. Their capital adequacy ratios remained sufficiently above the regulatory requirements.

With regard to the financial cycle, of the 14 Financial Activity Indexes (FAIXs) that comprise the heat map in the *Financial System Report*, four -- including one indicating the amount of financial institutions' credit relative to real economic activity -- showed deviations from the trends toward overheating. Nevertheless, this was mainly the result of financial institutions responding to demand for working capital, particularly by firms, which had increased due to the impact of COVID-19, and therefore did not signal any overheating of financial activities. It was necessary to continue paying close attention to whether debt repayment would proceed along with recovery in corporate profits and the amount of credit extended by financial institutions would return to a level consistent with real economic activity.

## II. Summary of Discussions by the Policy Board on Economic and Financial Developments and the July 2022 *Outlook for Economic Activity and Prices*

### A. Current Situation of Economic Activity and Prices

With regard to global financial markets, members shared the view that market sentiment remained cautious because there had been growing concern over a slowdown in the global economy, with acceleration in the pace of reduction in monetary accommodation, mainly in the United States and Europe, reflecting continued high inflation globally. One member pointed out that, in the context of the global economy, market attention had started to focus not only on inflation but also on a recession that could be caused by containing inflation. A different member noted that prices of commodities, including grains, had declined recently, due in part to concern over a slowdown in the global economy.

Members concurred that overseas economies had recovered on the whole, albeit with some weakness seen in part. One member was of the view that the economies continued to see strong private demand supported by household savings that had accumulated during the pandemic, although it was taking time for supply-side constraints to be resolved. Some members pointed out that the prolonged situation surrounding Ukraine, the global rise in inflation, and policy rate hikes by central banks in major economies had exerted downward pressure on the global economy.

With regard to overseas economies by region, members shared the recognition that the U.S. economy had recovered. One member said that, despite high prices pushing down real income, private consumption maintained its high level, accompanied by the shift in consumption patterns from goods to services. On the other hand, a different member noted that signs of a slowdown had started to be observed in the housing market against the background of the rise in interest rates. Many members stated that it was necessary to bear in mind that the U.S. economy could decelerate by more than expected due to the acceleration in the pace of policy rate hikes by the Federal Reserve.

Members shared the view that European economies had recovered as a trend. Many members expressed the recognition that the effects of the rise in energy prices and supply-side constraints, both stemming from the prolonged situation surrounding Ukraine, had been observed in these economies. A few of these members pointed out that attention should be paid to whether constraints on or disruptions in economic activity would intensify in economies that were shifting from dependency on energy resources from Russia.

Members agreed that the Chinese economy had started picking up from the state of being pushed down. Some members commented that the lockdowns in Shanghai had been lifted and the resumption of economic activity had progressed, but voiced concern over the resurgence of COVID-19 in some parts of the country while the zero-COVID policy remained in place. A few members noted that attention was warranted not only on the course of the zero-COVID policy but also on other factors, such as adjustments in the real estate market and deterioration in the employment situation.

Members shared the recognition that emerging and commodity-exporting economies other than China had picked up on the whole. One member was of the view that commodity-exporting economies had been firm, and that the NIEs and the ASEAN economies were also expected to recover.

Members concurred that financial conditions in Japan had been accommodative on the whole, although weakness in firms' financial positions remained in some segments. Many members expressed the view that the impact of COVID-19 on corporate financing had been waning; this was suggested by the fact that firms' financial positions had improved as a trend

-- including those of small and medium-sized firms in the face-to-face services industry, which is susceptible to the impact of COVID-19 -- and that the amount outstanding of loans provided through the Special Operations to Facilitate Financing had decreased steadily. One of these members noted that, at present, no particular problems had arisen in terms of firms' financial positions, especially their working capital, and that the number of bankruptcies had been at a low level.

Based on the above deliberations on economic and financial conditions abroad and financial conditions in Japan, members discussed the state of Japan's economic activity and prices.

With regard to economic activity, members shared the view that Japan's economy had picked up with the impact of COVID-19 waning, despite being affected by factors such as the rise in commodity prices. Some members pointed out that, with the economy on its way to recovery from the pandemic, it had been under downward pressure due to an outflow of income from Japan caused by commodity prices remaining high and to supply-side constraints. One of these members noted that the downward pressure from supply-side constraints had become more prolonged than expected -- which reflected the impact of the lockdowns in China, together with the semiconductor shortage since 2021 -- and had affected not only exports but also business fixed investment and durable goods consumption. Some members, including these members, expressed the recognition that, despite being under downward pressure, Japan's economy had picked up, particularly in terms of consumption; these developments were roughly in line with the scenario presented in the April 2022 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report).

As for exports and production, members agreed that exports continued to increase as a trend but had been affected by supply-side constraints, and that industrial production had been under strong downward pressure due to the effects of such constraints. Some members expressed the view that supply-side constraints stemming mainly from the semiconductor shortage had affected a wide range of sectors, including the automobile sector.

Members shared the recognition that business fixed investment had picked up, although weakness had been seen in some industries. Some members said that the June *Tankan* also indicated that firms seemed to have become increasingly active in their fixed investment stance. On this point, one of these members pointed out that firms' expectations for future sales growth might have been rising.

Members agreed that private consumption had increased moderately, particularly for services consumption, with the impact of COVID-19 waning. One member commented that the recovery in private consumption had been supported by pent-up demand for the eating and drinking as well as accommodations industries in particular, as the resumption of economic activity had progressed while public health was being protected. On this basis, the member also referred to the point that the rises in prices of daily necessities such as food and energy had led to deterioration in consumer sentiment.

As for prices, members agreed that the year-on-year rate of change in the CPI (all items less fresh food) had been at around 2 percent, mainly due to the rises in energy and food prices. One member said that various indicators for capturing the underlying trend in the CPI continued to exhibit a moderate rise. Some members pointed out that price hikes by firms had been observed in a wider range of items. One of these members expressed the view that a change might have arisen in the conventional mindset among firms toward raising prices.

Members concurred that inflation expectations had risen. One member noted that the shape of the distribution of firms' responses on medium- to long-term inflation expectations in the June *Tankan* had changed; the degree of concentration at around 0 percent had declined considerably while the tail in positive territory had thickened.

**B. Outlook for Economic Activity and Prices**

In formulating the July 2022 Outlook Report, members discussed the baseline scenario of the outlook for Japan's economic activity. They concurred that, toward the middle of the projection period, Japan's economy was 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 was expected to be under downward pressure stemming from the rise in commodity prices due to factors such as the situation surrounding Ukraine. Some members expressed the view that, with the impact of COVID-19 and supply-side constraints waning, economic recovery supported by pent-up demand was likely to continue for the time being. Members shared the recognition that, from the middle of the projection period, the economy was projected to continue growing at a pace above its potential growth rate as a virtuous cycle from income to spending intensified gradually. One member said that, although pent-up demand was likely to run out from fiscal 2023 onward, the virtuous cycle from income to spending was expected to intensify during that time.

Members concurred that overseas economies were expected to continue recovering on the whole toward the middle of the projection period, despite downward pressure from factors such as the situation surrounding Ukraine. They also shared the view that, thereafter, these economies were projected to continue growing moderately.

Members agreed that Japan's exports and production were likely to increase, mainly for automobile- and digital-related goods, due in part to a waning of the effects of supply-side constraints.

Members concurred that the uptrend in business fixed investment was expected to become clear as accommodative financial conditions provided support and supply-side constraints waned. One member said that planned investments, for which implementation had been postponed due to the pandemic, were expected to take place. Members shared the view that, from the middle of the projection period, business fixed investment was likely to continue increasing, including machinery investment to address labor shortage, digital-related investment, and R&D investment related to growth areas and decarbonization.

Members agreed that, although private consumption was expected to be under downward pressure from the real income side due to price rises, it was projected to continue increasing. They said that this was mainly because pent-up demand was likely to materialize, supported by household savings that had accumulated as a result of pandemic-related restrictions, as the resumption of consumption activities progressed while public health was being protected. With regard to pent-up demand, one member expressed the view that, while private consumption was projected to continue recovering, mainly for event-related consumption, it was difficult to expect consumers to immediately withdraw much of said savings, given the impact of price rises and changes in people's behavioral patterns drawn from their experience of the pandemic. Members shared the view that, from the middle of the projection period, private consumption was expected to keep increasing steadily, although the materialization of pent-up demand was likely to slow.

Members shared the view that employee income was projected to continue increasing moderately on the back of a rise in the number of non-regular employees associated with a recovery in the face-to-face services sector, and of an increase in wage growth that reflected improvement in labor market conditions. One member pointed out that household income was expected to increase given, for example, that (1) the outcome of the annual spring labor-management wage negotiations suggested that wage growth -- including that at small and medium-sized firms -- for fiscal 2022 had exceeded that of the previous fiscal year, and (2) a survey targeting large firms indicated that summer bonuses had increased by more than 10 percent. Regarding this point, the member said that upward pressure on wages had heightened, reflecting the impact of price rises in daily necessities stemming from a surge in prices of imported raw materials, and of structural labor shortages. A different member expressed the opinion that rises in firms' expected growth rate of Japan's economy and in inflation expectations could be increasing room for wage increases.

Comparing the above projections with those in the April 2022 Outlook Report, members agreed that the projected growth rate for fiscal 2022 was lower due to the effects of such factors as a slowdown in overseas economies and intensification of supply-side constraints; however, the projected growth rates thereafter were somewhat higher, partly owing to a rebound from the lower projection for fiscal 2022.

Members then discussed the baseline scenario of the outlook for Japan's price developments. They agreed that the year-on-year rate of change in the CPI (all items less fresh food) was likely to increase toward the end of 2022 due to rises in prices of such items as energy, food, and durable goods; thereafter, the rate of increase was expected to decelerate because the positive contribution of the rise in energy prices to the CPI was likely to wane. Some members said that the increase in consumer prices was mainly attributable to the rise in prices of imported raw materials. On this basis, these members expressed the view that, unless commodity prices continued to rise, the CPI inflation rate was expected to decline from fiscal 2023 onward.

In terms of inflation excluding energy, for which prices fluctuate significantly, members shared the view that the year-on-year rate of change in the CPI (all items less fresh food and energy) was expected to increase moderately in positive territory on the back of improvement in the output gap and rises in medium- to long-term inflation expectations and in wage growth. However, a few members commented that, at present, it was unlikely that the rate of increase would reach 2 percent within the projection period.

As background factors to this outlook for prices, members shared the view that the output gap, which captures the utilization of labor and capital, was currently slightly negative; however, with Japan's economy following a growth path that outpaced its potential growth rate, the gap was projected to turn positive around the second half of fiscal 2022 and then continue to expand moderately. In addition, they concurred that medium- to long-term inflation expectations had risen, albeit at a moderate pace relative to short-term ones. On this basis, members shared the view that, given that the formation of inflation expectations in Japan was largely adaptive, an increase in actual inflation was expected to bring about a rise in households' and firms' medium- to long-term inflation expectations and, through changes in firms' price- and wage-setting stance and in labor-management wage negotiations, lead to a sustained rise in prices accompanied by wage increases. Regarding this point, one member said that, in order to realize a more widespread and sustained rise in prices, it was extremely important to achieve a sustained increase in wages that reflected economic growth. On this basis, this member expressed the view that sustained wage hikes and an increase in value-added were becoming important issues for business management. The member continued that a virtuous cycle between wages and prices was expected to operate through, for example, investment in human capital, an increase in job changes aimed at increasing income, and the growth of startups. In addition, a different member pointed out that it was becoming highly likely that the following three changes would bring about a sustained rise in prices: the rise in medium- to long-term inflation expectations, improvement in firms' expected growth rate of Japan's economy, and the growing perception of labor shortage among firms. This member then said that it might be more likely than before that these changes would promote a transformation in firms' business models and in turn alter the norm for prices through a virtuous cycle between wages and prices.

Comparing the above projections with those in the April 2022 Outlook Report, members agreed that the projected rates of increase in the CPI were higher, mainly for the near term, reflecting the impact of the rise in import prices and of a pass-through of that rise to consumer prices.

Meanwhile, members also exchanged views regarding <u>the financial conditions</u> on which the outlook for economic activity and prices was based. They shared the recognition that such conditions were likely to remain accommodative as the Bank pursued Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, and that this was expected to support an increase in private demand. A few members expressed the view that the effects of monetary easing could be strengthening recently, mainly against the background of a decline in real interest rates.

Members then discussed upside and downside risks to economic activity and prices.

First, concerning risks to economic activity, members concurred that the impact of COVID-19 at home and abroad on private consumption, as well as on firms' export and production activities, warranted attention. They shared the recognition that, if vigilance against COVID-19 persisted in Japan, particularly among seniors, there was a risk that upward pressure from pent-up demand would weaken by more than expected and private consumption would deviate downward from the baseline scenario. A few members, pointing to the recent resurgence of COVID-19, expressed the view that services consumption, for example, could be pushed down again. A different member said that the increasing trend in private consumption might be maintained, given that the number of severe cases of COVID-19 had so far been restrained and that the government had announced that it would not impose any pandemic-related restrictions. On the other hand, members shared the view that, if vigilance against COVID-19 lessened significantly, household savings that had accumulated as a result of pandemic-related restrictions could be withdrawn by more than expected and private consumption could deviate upward from the baseline scenario. In the meantime, they shared the recognition that, if COVID-19 resurged at home and abroad while the global semiconductor shortage continued, this could lead supply-side constraints to become prolonged and amplified through, for example, supply-chain disruptions; Japan's exports and production consequently could be pushed down and the adverse impact could even spill over to goods consumption and business fixed investment. Some members expressed the view that particular attention should be paid to the signs of resurgence of COVID-19 being observed in China.

In addition, members agreed that developments in the situation surrounding Ukraine and the associated developments in prices of commodities, including grains, warranted attention. Specifically, they shared the view that, depending on the course of the situation, overseas economies, particularly the euro area, could deviate downward from the baseline scenario, and that there was also a risk that prices of commodities, including grains, would rise or remain high for a prolonged period. On this basis, members said that a rise in these prices due to supply factors puts greater downward pressure on economies of commodity importers like Japan through an increase in import costs. They shared the recognition that, for this reason, in Japan, if prices of commodities, including grains, remained high and this resulted in prolonged deterioration in the terms of trade, wage increases would not catch up with overall price rises and the economy could deviate downward from the baseline scenario. On the other hand, members concurred that, if these prices declined significantly, the economy could deviate upward.

Furthermore, members agreed that attention was warranted on developments in overseas economic activity and prices and in global financial and capital markets. Specifically, they shared the recognition that, amid a continued rise in inflation, mainly in advanced economies, central banks had accelerated the pace of policy rate hikes, and that there was concern in global financial and capital markets over whether it was possible to contain inflation and maintain economic growth simultaneously. On this basis, members shared the view that there was a risk that global financial conditions would tighten further through adjustments in asset prices, fluctuations in foreign exchange markets, and capital outflows from emerging economies, eventually leading overseas economies to deviate downward from the baseline scenario. Regarding this point, many members said that attention was warranted on whether the U.S. economy could avoid a severe economic recession and realize a soft landing while the Federal Reserve had proceeded with policy rate hikes to contain inflation. One member noted that the driving force of inflation in the United States had shifted from prices of goods facing strong supply-side constraints to services prices, which are susceptible to changes in wages. The member then expressed the view that, in this situation, there was a possibility that high inflation would be prolonged, thereby creating the need for stronger monetary tightening. Moreover, regarding the euro area, one member expressed the opinion that attention should be paid to whether sovereign debt problems would reemerge in peripheral European countries due to policy rate hikes in the area. As for emerging economies, some members commented that attention was warranted on the following risks: currency depreciation and capital outflows -- both incurred by the acceleration in the pace of policy rate hikes in advanced economies -- as well as the economic and social impacts of the rise in inflation. Members agreed that, taking this risk into account, it was necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices.

Moreover, as a risk factor considered from a somewhat long-term perspective, members agreed that firms' and households' medium- to long-term growth expectations warranted attention. They noted that efforts made in view of the post-COVID-19 era, digitalization, and decarbonization were expected to change Japan's economic structure and people's working styles, and that the heightened geopolitical risks could change the trend of globalization, which had supported the growth of the global economy to date. Members then shared the view that, depending on how households and firms would react to these changes, their medium- to long-term growth expectations, the potential growth rate, and the output gap could go either upward or downward. One member assessed that it was encouraging that firms had been making their decisions to respond to changes in the external environment and to promote investment for growth, despite high uncertainties that reflected various factors.

Regarding risks to prices, members shared the view that, if the aforementioned risks to economic activity materialized, prices would be affected. On this basis, they also discussed risks specific to prices.

Members concurred that there were high uncertainties over firms' price- and wage-setting behavior, which could exert either upward or downward pressure on prices. They shared the view that, depending on the degree of upward pressure from raw material costs and on developments in firms' inflation expectations, the pass-through of cost increases could accelerate by more than expected and lead prices to deviate upward from the baseline scenario; on the other hand, given that the behavior and mindset based on the assumption that prices and wages would not increase easily were deeply entrenched in Japan, there was a risk that moves to increase wages would not strengthen and prices would deviate downward from the baseline scenario. One member pointed out that changes such as the spread of price hikes by firms could alter people's mindset regarding prices through the adaptive formation of inflation expectations. On the other hand, a different member said that it was difficult at this point to judge whether the recent price rises would lead to such a change in people's mindset, and that it was also quite possible that the inflation rate would show sluggishness after the contribution of the rise in import prices dissipated.

As another risk specific to prices, members agreed that future developments in foreign exchange rates and international commodity prices, as well as the extent to which such developments would spread to import and domestic prices, might lead prices to deviate either upward or downward from the baseline scenario. In particular, members noted that fluctuations in international commodity prices had been significant, reflecting high uncertainties over, for example, developments in the situation surrounding Ukraine, while globally elevated inflation rates and sharp fluctuations in foreign exchange markets had been observed. They shared the view that how these factors would affect Japan's prices required due attention. One member said that there was a possibility that downward pressure on the yen would be alleviated if a slowdown in the global economy brought about declines in inflation rates and long-term interest rates worldwide. A different member expressed the view that the current phase of the yen's depreciation could even shift to a phase of appreciation if shocks to the global economy occurred.

With regard to the risk balance, members agreed that risks to economic activity were skewed to the downside for the time being but generally balanced thereafter. They also shared the recognition that risks to prices were skewed to the upside for the time being but generally balanced thereafter.

As one of the risks considered most relevant to the conduct of monetary policy, members discussed developments in Japan's financial system. They agreed that it was maintaining stability on the whole. Some members expressed the view that, with repayments of effectively interest-free and unsecured loans gathering pace, it was necessary to note that discontinuations of businesses and bankruptcies of small and medium-sized firms, including very small ones, could grow in number, and that credit costs of regional financial institutions could increase. That said, members shared the recognition that, from a longer-term perspective, if downward pressure on financial institutions' profits became prolonged, there would be risks of both a gradual pullback in financial intermediation activities and of increased vulnerability of the financial system, mainly due to the search for yield behavior; however, these risks were not significant at this point. In relation to this, one member said that due attention continued to be warranted on the risk that the side effects of monetary easing would materialize at some point in the future and affect the financial system.

## III. Summary of Discussions on Monetary Policy

Based on the above assessment of economic and financial developments, members discussed monetary policy.

Regarding the Bank's response to COVID-19, members agreed on the policy stance that, for the time being, while closely monitoring the impact of COVID-19, the Bank would support financing, mainly of firms, and maintain stability in financial markets, and would not hesitate to take additional easing measures if necessary. They shared the view that it was appropriate for the Bank to decide on the treatment of the Special Operations to Facilitate Financing from October 2022 onward at the next meeting, to be held in September, based on careful examination of the future course of the pandemic and how it would affect financing, mainly of small and medium-sized firms. A few members commented that the impact of COVID-19 on corporate financing seemed to have been waning and the amount outstanding of loans provided through the Special Operations to Facilitate Financing had decreased steadily. One member added that, although the Special Operations to Facilitate Financing had had their intended effects and seemed to be finishing their role, the decision regarding the operations should not be made at this meeting in the face of the resurgence of COVID-19. Many members, noting that the recent resurgence was extremely rapid, expressed the recognition that it was necessary to carefully examine how this would affect financial positions, mainly of small and medium-sized firms.

Members then discussed the Bank's basic stance on its future conduct of monetary policy. They shared the recognition that Japan's economy was on its way to recovery from the pandemic and had been under downward pressure due to the outflow of income from Japan caused by high commodity prices; thus, it was appropriate for the Bank to persistently continue with its large-scale monetary easing. One member expressed the view that, given that a rise in some determinants of underlying inflation, such as services prices, and CPI inflation exceeding 2 percent in a stable manner had not come in sight, it was natural to continue with the current monetary easing. Some members expressed the recognition that, from the viewpoint of achieving the price stability target in a sustainable and stable manner, it was important for wages to increase. On this basis, these members commented that it was appropriate for the Bank to continue with the current monetary easing. One member added that, as the output gap had been negative for more than two years, the Bank should persistently continue with the current monetary easing, which supported an expansion in demand and sustained wage increases. A few members expressed the opinion that it was necessary to accurately assess wage developments, including changes in wage distribution, using statistics and other information. Meanwhile, one member said that the Bank should strengthen its monetary easing stance with a view to improving the output gap and inflation expectations, and thereby achieve an economic recovery and the price stability target early.

Regarding the Bank's communication to the public with respect to monetary policy conduct, a few members noted that it was necessary to explain more carefully than before to the public the Bank's thinking that, while the latest actual inflation rate, as well as the outlook for fiscal 2022, would exceed 2 percent, the price stability target of 2 percent should be achieved in a sustainable and stable manner, and it was therefore appropriate to conduct monetary policy based on examination of the underlying trend in prices. One of these members pointed out that explanations using various price-related indicators tended to be technical and thus were somewhat complicated. On this basis, the member expressed the opinion that it was crucial for the Bank to clearly communicate its basic thinking to the public that the Bank's aim was to achieve a virtuous cycle between wages and prices, which would lead to improvement in people's living standards, and since there was still a long way to go to achieve the objective at this point, it was necessary to support economic activity by continuing with monetary easing. One member expressed the view that the Bank needed to explain carefully the effects of monetary easing observed thus far, and pointed out that the large-scale monetary easing had brought about an increase in employment, a rise in hourly real wages, improvement in non-wage benefits, and a rise in real GDP growth per capita.

With respect to yield curve control, members shared the recognition that the JGB yield curve had been formed smoothly in a manner consistent with the guideline for market operations. A few members expressed the view that the recent rise in inflation expectations, with nominal interest rates remaining low under yield curve control, had strengthened the effects of monetary easing through the decline in real interest rates, and that this seemed to have led to, for example, firms' increasingly active stance on fixed investment. One member expressed the opinion that making changes to the Bank's current yield curve control policy would be inappropriate because it would put downward pressure on the economy through, for example, an upswing in long-term interest rates and thereby make it more difficult to achieve the price stability target in a sustainable and stable manner. The member added that there had been speculation that the Bank would make changes to its yield curve control policy soon in response to policy rate hikes by other central banks; nevertheless, such speculation had receded recently. One member said that the Bank needed to closely monitor the impact that the recent increase in its JGB purchases to contain upward pressure on interest rates would have on the functioning of the JGB market.

Based on the above discussions, regarding the guideline for market operations for the intermeeting period, most members expressed the view that it was appropriate for the Bank to maintain the following guideline. First, as for the short-term policy interest rate, it would 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. Second, as for the long-term interest rate, the Bank would purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields would remain at around 0 percent. These members continued that, in order to implement this guideline for market operations, it was appropriate that the Bank offer to purchase 10-year JGBs at 0.25 percent every business day for an unlimited amount through the fixed-rate method, unless it was highly likely that no bids would be submitted.

On this point, one member expressed the opinion 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.

With regard to asset purchases other than JGB purchases, members shared the recognition that it was appropriate for the Bank to implement the following guideline. First, it would purchase ETFs and 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. Second, the Bank would purchase CP and corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amounts outstanding would gradually return to pre-pandemic levels, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

With respect to the future conduct of monetary policy, members shared the view that the Bank would (1) continue with QQE with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it was necessary for maintaining that target in a stable manner, and (2) continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeded 2 percent and stayed above the target in a stable manner.

Regarding its policy stance for the time being, members agreed that, while closely monitoring the impact of COVID-19, the Bank would support financing, mainly of firms, and maintain stability in financial markets, and would not hesitate to take additional easing measures if necessary. Based on this, most members shared the view that, as for policy rates, the Bank would expect short- and long-term interest rates to remain at their present or lower levels.

On this point, one member was of the opinion 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.

**IV. Remarks by Government Representatives**

The representative from the Ministry of Finance made the following remarks.

(1) At the Group of Twenty (G20) meeting in July 2022, participants discussed topics such as the situation where Russia's aggression against Ukraine had led to concerns about food and energy supplies and thereby added to rising inflation.

(2) To counter rising prices, the government had so far seamlessly taken steps, such as the package of economic measures compiled in November 2021, the largest-ever initial budget, the comprehensive emergency measures compiled in April 2022, and the supplementary budget. It would take swift and comprehensive measures tailored to the situation in terms of both prices and economic conditions, including the flexible use of reserve funds already set aside under the supplementary budget.

(3) The government expected the Bank to conduct appropriate monetary policy toward achieving the price stability target in a sustainable and stable manner while taking the impact of the situation surrounding Ukraine and COVID-19 into account and cooperating with the government.

The representative from the Cabinet Office made the following remarks.

(1) The Japanese economy was expected to show movements of picking up. However, full attention should be given to the downside risks, mainly due to rising raw material prices, supply-side constraints, and fluctuations in the financial and capital markets, while there were concerns regarding the effects of the prolonged situation surrounding Ukraine and of constrained economic activity in China.

(2) The government would swiftly and steadily implement the package of economic measures compiled in 2021 and the comprehensive emergency measures compiled in April 2022. Under the Task Force on Prices, Wages, and Daily Living, it would work seamlessly to take swift and comprehensive measures, including the flexible use of reserve funds.

(3) In a time of ongoing price increases, the government would press forward with comprehensive efforts so that the trend of wage hikes would become more reliable and continual.

(4) The government expected the Bank to continue to conduct appropriate monetary policy based on due consideration of developments in economic activity and prices as well as financial conditions, while cooperating with the government.

## V. Votes

### A. Vote on the Guideline for Market Operations

Based on the above discussions, to reflect the majority view of the members, the chairman formulated the following proposal on the guideline for market operations and put it to a vote.

The Policy Board decided the proposal by a majority vote.

**The Chairman's Policy Proposal on the Guideline for Market Operations:**

1. The guideline for market operations for the intermeeting period will be as follows.
   (1) 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.
   (2) The Bank will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent.

2. 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 for an unlimited amount through the fixed-rate method, unless it is highly likely that no bids will be submitted.

Votes for the proposal: 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.
Votes against the proposal: 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.

**B. Vote on the Guideline for Asset Purchases**

To reflect the view of the members, the chairman formulated the following proposal on the guideline for asset purchases and put it to a vote.

The Policy Board decided the proposal by a unanimous vote.

**The Chairman's Policy Proposal on the Guideline for Asset Purchases:**

The guideline for asset purchases other than JGB purchases will be as follows.

1. The Bank will purchase ETFs and 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.

2. The Bank will purchase CP and corporate bonds at about the same pace as prior to the 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.

Votes for the proposal: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. SUZUKI Hitoshi, Mr. KATAOKA Goushi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, Mr. NOGUCHI Asahi, and Ms. NAKAGAWA Junko.

Votes against the proposal: None.

**C. Discussion on the Statement on Monetary Policy**

On the basis of the above discussions, members discussed the Statement on Monetary Policy. Mr. Kataoka expressed the opinion 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.

Based on this discussion, the chairman formulated the Statement on Monetary Policy and put it to a vote. The Policy Board decided the text by a unanimous vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment).

### VI. Discussion regarding the Outlook Report

Members discussed the draft of "The Bank's View" in the July 2022 Outlook Report (consisting of "The Bank's View" and "The Background"). To reflect the view of the members, the chairman formulated a proposal on "The Bank's View" and put it to a vote. The Policy Board decided the text of "The Bank's View" by a unanimous vote. It was confirmed that "The Bank's View" would be released immediately after the meeting. It also was confirmed that the full text of the Outlook Report would be made public on July 22.

### VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of June 16 and 17, 2022, for release on July 26.

### VIII. Approval of the Scheduled Dates of the Monetary Policy Meetings

The Policy Board approved unanimously the dates of the Monetary Policy Meetings to be held in 2023 and agreed to make this public after the meeting.

Attachment
July 21, 2022
Bank of Japan

**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. 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 consumer price index (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]

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[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.