

March 18, 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

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. From April onward, it will purchase these assets 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. Overseas economies have recovered on the whole,

albeit with variation across countries and regions. However, in the wake of Russia's invasion of Ukraine, global financial and capital markets have been volatile and prices of commodities such as crude oil have risen significantly, and future developments warrant attention. In this situation, Japan's exports and industrial production have continued to increase as a trend, despite the remaining effects of 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 relatively weak on the whole, although improvement has been seen in some parts. A pick-up in private consumption has paused due to increased downward pressure stemming from a resurgence of COVID-19, particularly on services consumption. Housing investment has been more or less flat. Public investment has been relatively weak, albeit at a high level. Financial conditions have been accommodative on the whole, although weakness in firms' financial positions has remained in some segments. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food), despite being affected by a reduction in mobile phone charges, has been at around 0.5 percent, reflecting price rises of energy and other items. Meanwhile, inflation expectations have risen moderately.

3. Japan's economy, although expected to be affected by a rise in commodity prices, is likely to recover, with downward pressure stemming from COVID-19 on services consumption and the effects of supply-side constraints waning and with support from an increase in external demand, accommodative financial conditions, and the government's economic measures. The year-on-year rate of change in the CPI (all items less fresh food) is likely to increase clearly in positive territory for the time being due to a significant rise in energy prices, a pass-through of raw material cost increases, and dissipation of the effects of the reduction in mobile phone charges. Meanwhile, the underlying inflationary pressure is projected to increase, mainly on the back of improvement in the output gap and a rise in medium- to long-term inflation expectations.
4. Concerning risks to the outlook, the course of COVID-19, including variants, and its impact on domestic and overseas economies continue to warrant attention. In addition, there are extremely high uncertainties over how the situation surrounding Ukraine will affect Japan's economic activity and prices, mainly through developments in global financial and capital markets, commodity prices, and overseas economies.
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 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:

Thursday, March 17: 14:00-15:52

Friday, March 18: 9:00-11:44

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]

March 17

From the Ministry of Finance:

Mr. ONO Heihachiro, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:52)

From the Cabinet Office:

Mr. INOUE Hiroyuki, Vice-Minister for Policy Coordination (14:00-15:52)

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From the Ministry of Finance:

Mr. OKAMOTO Mitsunari, State Minister of Finance (9:00-11:30, 11:38-11:44)

From the Cabinet Office:

Mr. KIKAWADA Hitoshi, State Minister of Cabinet Office (9:00-11:30, 11:38-11:44)

Release dates and times:

Statement on Monetary Policy -- Friday, March 18 at 11:51

Summary of Opinions -- Tuesday, March 29 at 8:50

Minutes of the Monetary Policy Meeting -- Monday, May 9 at 8:50