

June 18, 2021

Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting (MPM) held today, the Policy Board of the Bank of Japan decided upon the following.

(1) Extension of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19)

The Bank decided by an 8-0 majority vote, with 1 abstention, to extend the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19) by 6 months until the end of March 2022 with a view to continuing to support financing, mainly of firms, given that such financing is likely to remain under stress due to the impact of the novel coronavirus (COVID-19), although it has improved compared with a while ago. ^[Note 1]

(2) Yield curve control

The Bank decided by a 7-1 majority vote, with 1 abstention, 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 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.

(3) Guidelines for asset purchases

With regard to asset purchases other than JGB purchases, the Bank decided by an 8-0 majority vote, with 1 abstention, to set the following guidelines. ^[Note 1]

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.
2. Japan's economy has picked up as a trend, although it has remained in a severe situation due to the impact of COVID-19 at home and abroad. Overseas economies have recovered on the whole, albeit with variation across countries and regions. In this situation, exports and industrial production have continued to increase steadily. In addition, corporate profits and business sentiment have improved on the whole. Business fixed investment has picked up, although weakness has been seen in some industries. The employment and income situation has remained weak due to the impact of COVID-19. Private consumption has been stagnant due to strong downward pressure on consumption of services, such as eating and drinking as well as accommodations. Housing investment has stopped declining. Public investment has continued to increase moderately. Financial conditions have been accommodative on the whole, although weakness in firms' financial positions has been seen. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) has been at around 0 percent recently due to a rise in energy prices, despite being affected by COVID-19 and a reduction in mobile phone charges. Meanwhile, inflation expectations have been more or less unchanged.
 3. Although the level of Japan's economic activity, mainly in the face-to-face services sector, is expected to be lower than that prior to the pandemic for the time being, the economy is likely to recover, with the impact of COVID-19 waning gradually and supported by an increase in external demand, accommodative financial conditions, and the government's economic measures. Thereafter, as the impact subsides, it is projected to continue growing with a virtuous cycle from income to spending intensifying. The year-on-year rate of change in the CPI (all items less fresh food) is likely to be at around 0 percent in the short run. Thereafter, it is expected to increase gradually, mainly on the back of continued improvement in economic activity, the rise in energy prices, and a dissipation of the effects of the reduction in mobile phone charges.
 4. With regard to risks to the outlook, there have been high uncertainties over the consequences of COVID-19 and their impact on domestic and overseas economies. In addition, it is necessary to pay close attention to whether, while the impact of COVID-19 remains, firms' and households' medium- to long-term growth expectations will not decline substantially and the smooth functioning of financial intermediation will be ensured with financial system stability being maintained.

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 3]

6. Climate change issues could exert an extremely large impact on developments in economic activity and prices as well as financial conditions from a medium- to long-term perspective. The Bank considers that supporting the private sector's efforts on the issues from a central bank's standpoint will contribute to stabilizing the macroeconomy in the long run. In taking actions from the monetary policy side, the Bank deems it important to give consideration to market neutrality. Against this background, in order to support private financial institutions' various efforts in the field related to climate change, the Bank judged it appropriate to introduce a new fund-provisioning measure, through which it provides funds to financial institutions for investment or loans that they make to address climate change issues based on their own decisions. This new measure will be a successor to the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth. Although loan disbursement under the existing measure will continue to be made through June 2022 as scheduled, the Bank will launch the new measure likely within 2021. It will make public the preliminary outline of the measure at the next July MPM.

[Note 1] Voting for the action: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. SUZUKI Hitoshi, Mr. KATAOKA Goushi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, and Mr. NOGUCHI Asahi. Abstaining: Ms. MASAI Takako. Ms. Masai also abstained from voting on this policy statement.

[Note 2] Voting for the action: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. SUZUKI Hitoshi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyoaki, and Mr. NOGUCHI Asahi. Voting against the action: Mr. KATAOKA Goushi. Abstaining: Ms. MASAI Takako. 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 3] 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 17: 14:00-15:38

Friday, June 18: 9:00-12:23

Policy Board members present:

Mr. KURODA Haruhiko, Chairman (Governor)

Mr. AMAMIYA Masayoshi (Deputy Governor)

Mr. WAKATABE Masazumi (Deputy Governor)

Ms. MASAI Takako

Mr. SUZUKI Hitoshi

Mr. KATAOKA Goushi

Mr. ADACHI Seiji

Mr. NAKAMURA Toyoaki

Mr. NOGUCHI Asahi

[Others present]

June 17

From the Ministry of Finance:

Mr. SHINKAWA Hirotosugu, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:38)

From the Cabinet Office:

Mr. TAWA Hiroshi, Vice-Minister for Policy Coordination (14:00-15:38)

June 18

From the Ministry of Finance:

Mr. NAKANISHI Kenji, State Minister of Finance (9:00-12:05, 12:15-12:23)

From the Cabinet Office:

Mr. TAWA Hiroshi, Vice-Minister for Policy Coordination (9:00-12:05, 12:15-12:23)

Release dates and times:

Statement on Monetary Policy -- Friday, June 18 at 12:30

Summary of Opinions -- Monday, June 28 at 8:50

Minutes of the Monetary Policy Meeting -- Wednesday, July 21 at 8:50