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July 21, 2021  
Bank of Japan

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# **Minutes of the Monetary Policy Meeting**

on June 17 and 18, 2021

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

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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 Thursday, June 17, 2021, from 2:00 p.m. to 3:38 p.m., and on Friday, June 18, from 9:00 a.m. to 12:23 p.m.<sup>1</sup>

**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**

**Ms. MASAI Takako**

**Mr. SUZUKI Hitoshi**

**Mr. KATAOKA Goushi**

**Mr. ADACHI Seiji**

**Mr. NAKAMURA Toyoaki**

**Mr. NOGUCHI Asahi**

**Government Representatives Present**

Mr. NAKANISHI Kenji, State Minister of Finance, Ministry of Finance<sup>2</sup>

Mr. SHINKAWA Hirotsugu, Deputy Vice-Minister for Policy Planning and Coordination, Ministry of Finance<sup>3</sup>

Mr. TAWA Hiroshi, Vice-Minister for Policy Coordination, Cabinet Office

**Reporting Staff**

Mr. UCHIDA Shinichi, Executive Director

Ms. SHIMIZU Tokiko, Executive Director (Assistant Governor)

Mr. KAIZUKA Masaaki, Executive Director

Mr. SHIMIZU Seiichi, Director-General, Monetary Affairs Department

Mr. IJIMA Kota, Head of Policy Planning Division, Monetary Affairs Department

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<sup>1</sup> The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on July 15 and 16, 2021, 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.

<sup>2</sup> Mr. Nakanishi was present on June 18.

<sup>3</sup> Mr. Shinkawa was present on June 17.

Mr. OTANI Akira, Director-General, Financial Markets Department

Mr. KAMEDA Seisaku, Director-General, Research and Statistics Department

Mr. KAWAMOTO Takuji, Head of Economic Research Division, Research and Statistics Department

Mr. HIROSHIMA Tetsuya, Director-General, International Department

#### Secretariat of the Monetary Policy Meeting

Mr. NAKAJIMA Takeshi, Director-General, Secretariat of the Policy Board

Mr. HONDA Hisashi, Director, Deputy Head of Planning and Coordination Division, Secretariat of the Policy Board

Mr. FUKUDA Eiji, Deputy Director-General, Monetary Affairs Department<sup>4</sup>

Mr. HIGASHI Masato, Senior Economist, Monetary Affairs Department

Mr. KADOGAWA Yoichi, Senior Economist, Monetary Affairs Department

Mr. YANO Masayasu, Head of Market Operations Division, Financial Markets Department<sup>4</sup>

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<sup>4</sup> Messrs. Fukuda and Yano were present on June 18.

## **I. Summary of Staff Reports on Economic and Financial Developments<sup>5</sup>**

### **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 April 26 and 27, 2021, the Bank had been conducting purchases of Japanese government bonds (JGBs).<sup>6</sup> 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.

With a view to supporting financing, mainly of firms, and maintaining stability in financial markets, the Bank had taken the following measures: purchases of CP and corporate bonds and conduct of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19), both under the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19); flexible provision of ample funds, mainly through purchases of JGBs and conduct of the U.S. dollar funds-supplying operations; and purchases of exchange-traded funds (ETFs) and Japan real estate investment trusts (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.

### **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 0.01 to minus 0.04 percent; general collateral (GC) repo rates had been in the range of around minus 0.06 to minus 0.10 percent. As for interest rates on term instruments, yields on three-month treasury discount bills (T-Bills) had been more or less flat.

The Tokyo Stock Price Index (TOPIX) had risen slightly in tandem with U.S. and European stock prices. Long-term interest rates had been at around 0 percent under yield curve control. As for liquidity in the JGB market, a comparison of the May 2021 *Bond Market Survey* with the February survey showed that the diffusion index (DI) for the degree of bond market functioning (the proportion of institutions responding that bond market functioning

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<sup>5</sup> Reports were made based on information available at the time of the meeting.

<sup>6</sup> 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.

was "high" minus the proportion of those responding that it was "low") had declined slightly. In the foreign exchange market, the yen had been depreciating against both the U.S. dollar and the euro with market sentiment continuing to improve.

### **C. Overseas Economic and Financial Developments**

Overseas economies had recovered on the whole, albeit with variation across countries and regions. In advanced economies, the number of confirmed new cases of COVID-19 continued to decline on the back of progress with vaccinations. With economic activity resuming, private consumption in the United States had been improving further as a trend, partly reflecting the impact of additional economic measures implemented in March; in Europe, the pick-up in the face-to-face services industry -- which had been constrained -- had become evident. Meanwhile, in the United States, amid a rapid recovery in demand, there were some signs of bottlenecks on the supply side, such as a shortage of raw materials, a delay in deliveries, and heightening labor shortages in the face-to-face services industry. That said, many took the view that such developments at this point represented transitional friction arising during the process of economic activity resuming. Turning to the Chinese economy, both consumption and investment continued to increase firmly. The positive effects of the improvement in the advanced and Chinese economies had been spreading widely to emerging economies through the trade channel. However, India and some ASEAN countries in particular had been forced to tighten public health measures due to a surge in the number of confirmed new cases of COVID-19, and thus their domestic demand had been pushed down. As for the outlook, with the impact of COVID-19 waning gradually, overseas economies were likely to continue recovering on the whole, partly supported by aggressive macroeconomic policies taken mainly in advanced economies. That said, the pace of recovery was highly likely to be uneven across countries, primarily due to the different paces in the vaccine rollout. In addition, there remained high uncertainties over the consequences of COVID-19 and their impact on the global economy.

With regard to developments in overseas economies by region, the U.S. economy had recovered. With vaccinations progressing and the number of confirmed new cases of COVID-19 decreasing, the pace of increase in private consumption had accelerated, including services consumption -- which had been constrained -- partly due to the effects of the government's economic measures. Housing investment had been on an increasing trend, with

mortgage rates staying at low levels, although such effects as of a shortage in building materials had been seen in part. As for the corporate sector, business sentiment kept improving clearly and production continued to increase. Under these circumstances, business fixed investment had increased, mainly for machinery investment. With regard to prices, both the year-on-year rate of change in the personal consumption expenditure (PCE) deflator for all items and that for all items excluding food and energy had been somewhat significantly above 2 percent due to the base effect of the previous year's declines and the impact of temporary bottlenecks on the supply side that reflected the rapid resumption of economic activity. The U.S. economy was likely to maintain relatively high growth amid progress in the resumption of economic activity.

The European economy had started to pick up from a state of being pushed down. Private consumption, including services consumption, had also started to pick up from such state, with vaccinations progressing and the number of confirmed new cases of COVID-19 decreasing. With regard to the corporate sector, business sentiment had improved, including in the services industry, and exports and production had followed a pick-up trend. Under these circumstances, business fixed investment had picked up. As for prices, the year-on-year rate of change in the Harmonized Index of Consumer Prices (HICP) for all items had been near the quantitative definition of price stability set by the European Central Bank (ECB) -- below, but close to, 2 percent -- mainly due to the base effect of the previous year's decline, while that for all items excluding energy, food, alcohol, and tobacco had been below this level. The European economy was likely to recover, with further progress made in containing the spread of COVID-19.

The Chinese economy continued to recover. Exports had increased. Private consumption had increased, mainly owing to an improvement in the employment and income situation, although the impact of COVID-19 remained in part. Fixed asset investment continued to rise in a wide range of industries on the back of recovery in demand at home and abroad and firm corporate profits. Under these circumstances, production also continued to increase. As for prices, the year-on-year rate of change in the consumer price index (CPI) had been below the government's target for 2021 of around 3 percent. The Chinese economy was expected to return to a stable growth path that was led by the private sector.

Emerging economies other than China maintained their pick-up trend on the whole, although domestic demand had been pushed down in some countries and regions due to a

resurgence of COVID-19. The NIEs had recovered, with exports increasing. The ASEAN countries had seen a moderate pick-up in economic activity on the whole, supported by an increase in exports, although downward pressure on domestic demand had been intensifying in some countries, mainly reflecting the resurgence of COVID-19. The Russian economy had picked up. The pace of pick-up in the Brazilian economy had decelerated, particularly in domestic demand, mainly due to the resurgence of COVID-19, although an increase in exports had been acting as an underpinning factor. The Indian economy had been pushed down significantly, reflecting the explosive increase in the number of COVID-19 cases since early spring.

With respect to overseas financial markets, in advanced economies, long-term interest rates had risen temporarily due to the fact that the U.S. CPI figures had turned out to be higher than market expectations. However, as communications by Federal Reserve officials had led to widespread anticipation that the Federal Reserve would continue with its monetary easing for a protracted period, long-term interest rates in the United States had declined somewhat and those in Europe were more or less unchanged throughout the intermeeting period. U.S. and European stock prices had risen throughout that period, reflecting favorable corporate results on the back of the reopening of the economy, although they had declined temporarily due to the rise in long-term interest rates. In the foreign exchange market, the U.S. dollar had depreciated against the background of anticipation that the Federal Reserve would continue with its monetary easing for a protracted period, and currencies in many emerging economies had appreciated. Crude oil prices had also risen, partly due to an improvement in the outlook for global demand.

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

##### **1. Economic developments**

Japan's economy had picked up as a trend, although it remained in a severe situation due to the impact of COVID-19 at home and abroad. Regarding the outlook, the economy was likely to head toward a recovery, supported by an increase in external demand, accommodative financial conditions, and the government's economic measures. However, the level of economic activity, mainly in the face-to-face services sector, was expected to be lower than that prior to the pandemic for the time being while vigilance against COVID-19 continued.

Exports continued to increase steadily against the background of the recovery in overseas economies. Looking at real exports by goods, the pace of increase in exports of automobile-related goods -- primarily of automobiles to the United States -- had decelerated recently, mainly affected by a shortage of semiconductors. IT-related exports continued to increase clearly because demand had been firm for a wide range of goods. Exports of capital goods continued to see a solid rise, supported by a global increase in machinery investment and firm exports of semiconductor production equipment. As for the outlook, exports of automobile-related goods were likely to remain under downward pressure for the time being, affected by the shortage of semiconductors. That said, exports overall were projected to continue increasing steadily, led mainly by IT-related goods and capital goods, supported by a steady expansion in digital-related demand and a recovery in business fixed investment, both on a global basis.

Corporate profits and business sentiment had improved on the whole, although weakness had been seen in some industries, such as face-to-face services. Looking at the *Financial Statements Statistics of Corporations by Industry, Quarterly*, current profits for all industries and enterprises for the January-March quarter of 2021 (seasonally adjusted) registered improvement for the third consecutive quarter. Under these circumstances, business fixed investment had picked up, although weakness had been seen in some industries. On the back of improvement in corporate profits, the aggregate supply of capital goods -- a coincident indicator of machinery investment -- continued to increase, mainly for digital-related goods. Private construction completed (nonresidential) -- a coincident indicator of construction investment -- remained on a moderate declining trend. As for the outlook, an uptrend in business fixed investment was expected to become clear, supported by improvement in corporate profits and accommodative financial conditions.

Private consumption had been stagnant due to strong downward pressure on consumption of services, such as eating and drinking as well as accommodations. Consumption of durable goods continued to increase on the back of an expansion in stay-at-home demand and a demand shift from services. That of nondurable goods had been decreasing again since the turn of 2021, primarily due to waning demand brought about by the resurgence of COVID-19 and the implementation of public health measures. Services consumption had temporarily headed toward a pick-up in March, after having shown a relatively significant decline since the beginning of the year, affected by the resurgence of

COVID-19 and a suspension of the "Go To Travel" campaign; however, its pace of increase decelerated again in April due to the resurgence of COVID-19. Looking at recent developments in private consumption based on anecdotal information from firms, statistics published by industry organizations, and high-frequency indicators such as the number of people going outside, it seemed to have remained weak since the start of May, particularly for services consumption, with public health measures remaining in place. In the outlook, while the impact of COVID-19 lingered and the resultant public health measures continued, downward pressure, mainly on face-to-face services consumption, was expected to persist, and thus private consumption was likely to remain stagnant at a relatively low level. Thereafter, it was expected to pick up again with vaccinations progressing and the impact of COVID-19 waning.

Housing investment had stopped declining. The number of housing starts had declined due to the effects of the consumption tax hike and COVID-19 but had picked up recently. As for the outlook, with downward pressure stemming from these effects dissipating, housing investment was likely to head toward a pick-up, partly supported by accommodative financial conditions.

The employment and income situation remained weak due to the impact of COVID-19. As for the employment situation, according to the *Labour Force Survey*, the number of employed persons had bottomed out, reflecting a pick-up trend in overall economic activity; however, it remained at a relatively low level, mainly for non-regular employees in the face-to-face services industry. On the other hand, underpinned by the adoption since April 2020 of the guideline that ensured the provision of equal pay for equal work, the number of regular employees continued to increase moderately, mainly in industries with a strong sense of labor shortage -- that is, the information and communications as well as the medical, healthcare, and welfare services. With regard to labor market conditions, the active job openings-to-applicants ratio remained more or less flat at a level slightly above 1. The increase in the labor force participation rate had leveled off, partly due to a peaking-out of the return of seniors and women to the labor market. The unemployment rate remained more or less flat, at around 3 percent, albeit with fluctuations. The year-on-year rate of change in total cash earnings had turned positive due to the base effect of the previous year's decline and an increase in scheduled cash earnings in some industries. As for the outlook, employee income was likely

to stop declining and then head toward a pick-up, reflecting the pick-up in economic activity and improvement in business performance.

Industrial production continued to increase steadily on the back of a rise in domestic and external demand. It was projected to continue to do so, mainly supported by firm digital-related demand and a recovery in business fixed investment demand, both on a global basis, although it was likely to be pushed down for the time being by the effects of the shortage of semiconductors.

As for prices, the year-on-year rate of change in the CPI (all items less fresh food) had 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. With regard to the outlook, it was likely to be at around 0 percent in the short run. Thereafter, it was expected to increase, mainly on the back of economic recovery and the rise in energy prices, while being affected by the reduction in mobile phone charges. Inflation expectations were more or less unchanged.

## 2. Financial environment

Financial conditions had been accommodative on the whole, although weakness in firms' financial positions had been seen.

Firms' demand for funds -- stemming mainly from a rise in precautionary demand due to the impact of COVID-19 -- had been at a high level on the whole, although some firms, particularly large ones, had started to repay loans by compressing their increased funds on hand. With regard to credit supply, financial institutions' lending attitudes as perceived by firms had been accommodative. Issuing conditions for CP and corporate bonds had been favorable on the whole. Firms' funding costs had been hovering at extremely low levels. In this situation, both the year-on-year rate of increase in the amount outstanding of bank lending and that in the aggregate amount outstanding of CP and corporate bonds had slowed, partly due to the relatively high growth registered a year before, and had been in the range of 2.0-2.5 percent and 7.0-7.5 percent, respectively. The environment for external funding remained 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 also been at a low level. However, although firms' financial positions had improved compared with a while ago, they remained weak, mainly reflecting a decline in sales due to the impact of COVID-19.

The year-on-year rate of increase in the monetary base had been in the range of 20-25 percent, and that in the money stock had been at around 8 percent.

## **II. Summary of Discussions by the Policy Board on Economic and Financial Developments**

### **A. Economic Developments**

Members shared the view that sentiment in global financial markets continued on an improving trend on the whole due to expectations for a recovery in the global economy that reflected progress with vaccinations. Under these circumstances, one member pointed out the need to be vigilant with respect to such factors as the risks of overheating in the markets, in case the impact of COVID-19 subsided early, and of capital outflows from some emerging economies that were experiencing macroeconomic vulnerability. A different member said that it was of concern that credit spreads on lower-rated products in the U.S. bond market had been at record low levels.

Members concurred that overseas economies had recovered on the whole, albeit with variation across countries and regions. One member expressed the view that, despite remaining uncertainties and unevenness, progress with vaccinations had made a recovery in the global economy more evident. One member pointed out that international organizations had successively revised upward their global economic outlooks. However, a different member said that attention should be paid to the fact that the situation regarding vaccinations varied across countries and regions. As for the outlook, members shared the recognition that, with the impact of COVID-19 waning gradually, overseas economies were likely to continue recovering on the whole, partly supported by aggressive macroeconomic policies taken mainly in advanced economies. That said, they continued that the pace of recovery was highly likely to be uneven across countries, primarily due to the different paces in the vaccine rollout. On this basis, many members expressed the view that this outlook entailed high uncertainties as there were various risks. Specifically, members pointed to the following risks: the consequences of COVID-19, including variants; the pace of the vaccine rollout; the effects of aggressive macroeconomic policies taken in each economy; and geopolitical risks, such as those concerning U.S.-China relations.

With regard to overseas economies by region, members shared the recognition that the U.S. economy had recovered. As for the outlook, they shared the view that it was likely

to maintain relatively high growth amid progress in the resumption of economic activity. Regarding price developments in the United States, some members expressed the recognition that, while demand had recovered rapidly, led by private consumption, mainly reflecting large-scale fiscal spending and progress with vaccinations, supply of some goods and services had not kept up with demand. These members continued that this situation had led to a rise in inflation. One of these members expressed the view that, as the labor market recovered gradually and supply-side constraints were resolved, the inflation rate would converge to around 2 percent. Another member was of the opinion that, considering that medium- to long-term inflation expectations had been relatively stable, the recent rise in inflation was likely to be temporary.

Members shared the view that the European economy had started to pick up from a state of being pushed down. Some members pointed out that vaccinations had progressed recently and moves to reopen the economy had been spreading. As for the outlook, members concurred that the economy was likely to recover, with further progress made in containing the spread of COVID-19. One member said that, amid the unemployment rate for the younger generations remaining high, there were uncertainties over such issues as Next Generation EU and the effectiveness of policies taken by the government of each country, and that the member held a cautious view regarding the future pace of economic recovery.

Members shared the recognition that the Chinese economy continued to recover and was expected to return to a stable growth path that was led by the private sector. One member pointed out that, although domestic demand -- including consumption and investment -- continued to increase firmly, China's political tension with the United States and Europe was a risk for its economy.

Members shared the view that emerging economies maintained their pick-up trend on the whole, although domestic demand had been pushed down in some countries and regions due to the resurgence of COVID-19. That said, a few members noted that, while it was still likely to take time for the pace of vaccinations in emerging economies to gain momentum, it was of concern that, in some countries and regions, the number of confirmed cases had been increasing and domestic demand had been sluggish.

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

With regard to economic activity, members agreed that the economy had picked up as a trend, although it remained in a severe situation due to the impact of COVID-19 at home and abroad. One member expressed the view that downward pressure on the face-to-face services sector had been strong, with public health measures remaining in place. This member continued that, on the other hand, economic activity in sectors other than face-to-face services was maintained to a considerable extent, mainly reflecting the recovery in overseas economies. A different member pointed out that a virtuous cycle in the economy had started to operate with the pace of vaccinations accelerating. That said, one member noted that, compared with Europe and the United States, the improvement in Japan's economic activity had lacked momentum, particularly for private consumption and business fixed investment. In addition, a different member said that it continued to warrant attention that the pace of improvement varied significantly across sectors; production had recovered to the pre-pandemic level while private consumption remained under downward pressure, mainly in the face-to-face services sector.

As for the outlook for economic activity, members shared the recognition that, although the level of Japan's economic activity, mainly in the face-to-face services sector, was expected to be lower than that prior to the pandemic for the time being, the economy was likely to recover, with the impact of COVID-19 waning gradually and supported by the increase in external demand, accommodative financial conditions, and the government's economic measures. They also shared the view that, thereafter, as the impact subsided, it was projected to continue growing with a virtuous cycle from income to spending intensifying. One member expressed the view that, as vaccinations had been progressing rapidly of late, the economy was expected to recover to a certain extent in the short run, mainly due to an expansion in pent-up demand for consumption of face-to-face services, such as eating and drinking as well as accommodations. A different member said that, with public health measures expected to be eased in part, if the spread of COVID-19 continued to be contained, services-related consumption was likely to gradually regain its pace of recovery. In addition, this member noted that an acceleration in vaccinations was positive news for future developments in economic activity. One member expressed the view that, as vaccinations progressed and the impact of COVID-19 almost subsided, the economy could be expected to grow at a pace above its potential growth rate. A different member commented that, given

that economic activity in Europe and the United States had recovered rapidly as vaccinations progressed, it was expected that a similar recovery would be seen in Japan.

Turning to current developments in exports and production, members shared the recognition that these continued to increase steadily. A few members noted that, although the increase in those of automobile-related goods had paused, those of IT-related goods and capital goods had been a driving force for overall developments. As for the outlook, members shared the view that exports and production of automobile-related goods were likely to remain under downward pressure for the time being, affected by the shortage of semiconductors; that said, exports and production overall were projected to continue increasing steadily, led mainly by IT-related goods and capital goods, supported by a steady expansion in digital-related demand and a recovery in business fixed investment, both of which had been seen on a global basis. One member expressed the view that downward pressure on production from the shortage of semiconductors was likely to remain for longer than expected.

Members shared the recognition that business fixed investment had picked up, although weakness had been seen in some industries. One member pointed out that, although business fixed investment of the manufacturing industry had expanded, that of the nonmanufacturing industry remained weak. In addition, one member said that it was important to carefully monitor responses made by firms and financial institutions to see whether or not increased corporate debt had weighed on those facing severe business conditions in terms of implementing business fixed investment for growth. As for the outlook, members shared the view that an uptrend in business fixed investment was expected to become clear, supported by improvement in corporate profits and accommodative financial conditions. One member expressed the opinion that, when comparing Japan with Europe and the United States, there was a wide gap in the amount of digital-related investment that had accumulated over the past 20 years, and thus it was important for Japanese firms to further accelerate digitalization in view of enhancing their productivity.

With regard to private consumption, members agreed that it had been stagnant due to strong downward pressure on consumption of services, such as eating and drinking as well as accommodations. As for the outlook, they shared the view that, while the impact of COVID-19 lingered and the resultant public health measures continued, downward pressure, mainly on face-to-face services consumption, was expected to persist, and thus private

consumption was likely to remain stagnant at a relatively low level; thereafter, it was expected to pick up again with vaccinations progressing and the impact of COVID-19 waning. One member noted that, on the back of progress with vaccinations, there had been positive signs in the outlook for consumption, as evidenced by the fact, for example, that the DI for future economic conditions in the *Economy Watchers Survey* for May showed increases among a wide range of industries, including face-to-face services. In addition, many members expressed the view that, if vigilance against COVID-19 eased along with, for example, progress with vaccinations, withdrawal of the so-called forced savings might push up private consumption. Nevertheless, one of these members still held a cautious view regarding the outlook for private consumption as there continued to be no effective medicines for COVID-19.

Members concurred that the employment and income situation remained weak due to the impact of COVID-19. With regard to the outlook, they shared the view that employee income was likely to stop declining and then head toward a pick-up, reflecting the pick-up in economic activity and improvement in business performance. One member, while noting that the year-on-year rate of change in total cash earnings had turned positive, said that this was partly due to the fact that a decrease in the number of non-regular employees had pushed up the average wage level, and that therefore it was necessary to carefully assess the employment and income situation.

As for prices, members agreed that the year-on-year rate of change in the CPI had been at around 0 percent recently due to the rise in energy prices, despite being affected by COVID-19 and the reduction in mobile phone charges. They also shared the view that inflation expectations were more or less unchanged. One member expressed the recognition that firms' price cuts to stimulate demand had not become widespread, and that prices had been firm compared with the decline in economic activity. A few members said that attention should be paid to the fact that indicators for capturing the underlying trend in prices continued to show relatively weak developments.

With regard to the outlook, members shared the recognition that the year-on-year rate of change in the CPI was likely to be at around 0 percent in the short run and thereafter was 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. Many members expressed the view that the producer price index

(PPI) had also risen, reflecting an increase in international commodity prices, and that such developments could push up the CPI. One of these members was of the view that, from the second half of 2021, the environment surrounding prices was expected to improve and the inflation rate was likely to increase as pent-up demand started materializing. Another member expressed the recognition that, although inflation was expected to see contributions from the rise in international commodity prices and improvement in domestic demand, its pace was likely to be somewhat subdued, considering that firms' moves to pass on cost increases to prices were expected to be limited in circumstances where inflation expectations had not risen. A different member expressed the view that prices could be pushed up depending on the situation regarding vaccinations, but such inflationary pressure was expected to be only transitory, partly due to an entrenched deflationary mindset. Meanwhile, one member said that, in order for an economic recovery to lead to a sustained rise in the CPI, it was important that accommodative financial conditions be maintained amid fiscal support being provided and that households and firms allocate their excess funds to consumption or investment.

As for risks to economic activity and prices, members agreed that there had been high uncertainties over the consequences of COVID-19 and their impact. They also shared the view that it was necessary to pay close attention to whether, while the impact of COVID-19 remained, growth expectations would not decline substantially and the smooth functioning of financial intermediation would be ensured. One member pointed out that progress with vaccinations might lead to economic developments such that the impact of COVID-19 subsiding would become the likely scenario earlier than had been initially envisaged. The member then expressed the view that there was a possibility that prices -- services prices in particular -- would be pushed up when pent-up demand materialized. At the same time, this member said that there was also a risk that prices would be pushed down, with high uncertainties regarding wage developments. A different member expressed the opinion that economic activity was expected to improve along with progress with vaccinations, but that it was necessary to continue to pay attention to the consequences of COVID-19, including variants, and downside risks to economic activity and prices. Moreover, some members pointed out that prices had risen for a wide range of items on the back of a recovery in the global economy due to the widespread vaccinations and of a resultant expansion in demand, but that Japan's economy, and even prices, could be pushed down through deterioration in the terms of trade if this situation continued for a prolonged period and firms' moves to pass on

cost increases to prices did not make sufficient progress. One member noted that, taking into account such factors as the characteristics of the formation mechanism of inflation expectations in Japan, the economy was still in a phase where downside risks to prices warranted close attention.

## **B. Financial Developments**

Members concurred that financial conditions in Japan had been accommodative on the whole, although weakness in firms' financial positions had been seen. They shared the view that financial positions, mainly of firms, had improved compared with a while ago, but that weakness continued to be seen due to the impact of COVID-19. Meanwhile, one member expressed the view that financial results of domestically licensed banks for fiscal 2020 showed that they had managed to avoid the realization of an initial concern; namely, a significant deterioration in profits stemming from a surge in credit costs due to the impact of COVID-19. The member continued that it therefore could be considered that financial system stability was being maintained.

## **III. Summary of Discussions on Monetary Policy**

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

Members shared the view that the three monetary easing measures -- namely, (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, and (3) purchases of ETFs and J-REITs -- had been exerting their intended effects. Regarding the Bank's basic stance on conducting monetary policy for the time being, they shared the recognition that it was important for the Bank to continue to support financing, mainly of firms, and maintain stability in financial markets through the three monetary easing measures. Members also shared the view that, for the time being, the Bank would closely monitor the impact of COVID-19 and not hesitate to take additional easing measures if necessary.

Members discussed a possible extension of the duration of the Special Program, which was set to expire at the end of September 2021. A few members noted that developments in the amount outstanding of bank lending and the results of various surveys, among others, suggested that demand for funds was still high in some sectors. One member

expressed the recognition that, although the environment for external funding remained favorable, financial positions, mainly of firms, remained weak, primarily in the face-to-face services industry. Members shared the recognition that financing, mainly of firms, would remain under stress as it was likely to take some more time for the impact of COVID-19 to subside. On this basis, one member expressed the view that it was important to steadily continue with the current policy responses until it became certain that the impact of COVID-19 had subsided. One member said that, given that there remained for the time being a risk that concern over financing would emerge, it was appropriate to extend the duration of the Special Program, which had been effective in mitigating the number of corporate bankruptcies. A different member expressed the view that, if the Bank decided to extend the duration of the Special Program at this meeting, it could indicate its direction to financial institutions early and give a sense of security, mainly to firms that received loans from these institutions. Based on this discussion, members concurred that it was appropriate for the Bank to decide at this meeting to extend the duration of the Special Program by six months until the end of March 2022, thereby continuing to support financing, mainly of firms.

Furthermore, members discussed possible monetary policy actions regarding climate change issues. Some members expressed the recognition that, since such 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, they were relevant to the mandates of central banks. Some members noted that central banks were exploring responses to climate change issues under their respective mandates. Many members were of the opinion that, against this background, it was time for the Bank to examine how it could make a contribution in addressing these issues in terms of monetary policy and indicate its direction.

Members then discussed points to be considered when taking monetary policy actions regarding climate change issues. Some members expressed the recognition that it was important for the Bank to (1) act in line with its mandate and (2) give consideration to market neutrality and avoid direct involvement in micro-level resource allocation as much as possible. Also, a few members expressed the opinion that (3) the new measure should be flexible since the external environment surrounding these issues was fluid.

In relation to the Bank's mandate, a few members expressed the view that providing support from the financial side for the private sector's efforts on climate change issues from a central bank's standpoint would contribute, in the long run, to stabilizing the macroeconomy

and thereby ensuring price stability. These members continued that such support was consistent with the monetary policy mission to achieve price stability, thereby contributing to the sound development of the national economy. One member noted the possibility that the private sector's efforts on climate change issues would lead to a rise in the potential growth rate of the economy by yielding new innovation opportunities, and said that it was appropriate for the Bank to provide support for these efforts. Meanwhile, one member expressed the view that it was necessary to carefully design the new policy measure because there were many points that had not been fully discussed, such as the specifics of the private sector's efforts on climate change issues and the impact of those issues on developments in economic activity and prices. A different member said that, in taking actions on climate change issues from the monetary policy side, it was necessary to thoroughly examine how this could affect price developments, among other factors.

With respect to giving consideration to market neutrality, some members expressed the recognition that the Bank's judgment of whether individual firms or businesses qualified as contributing to the green society would imply its direct involvement in micro-level resource allocation, and should therefore be avoided as much as possible. One of these members pointed out that implementing climate change-related policy measures that went so far as to involve such allocation was basically the role of the government and the Diet. Another member said that, while there was room for governments or central banks to take actions on climate change issues, as these tended to involve market failure, it would be desirable in taking actions to seek an appropriate division of roles between the two entities.

As for flexibly responding to changes in the external environment, some members pointed out that there were ongoing international discussions surrounding climate change issues, such as regarding taxonomy, and the situation could change significantly in the future. One member noted that the impact of climate change issues, mainly on developments in economic activity and prices as well as financial conditions, would become evident from a medium- to long-term perspective. The member then expressed the recognition that, given this point, it was desirable for the Bank to take actions at an early stage while ensuring that the new measure would enable flexible responses, rather than to wait for some consensus to be reached about discussions on such topics as taxonomy and the mechanism through which climate change issues would exert an impact.

On this basis, members discussed the specifics of a possible policy measure. One member expressed the view that, by applying the scheme of the existing Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth, the Bank, through the new fund-provisioning measure, could provide funds to financial institutions for various investment or loans that they make to address climate change issues based on their own decisions. The member continued that, in this case, the Bank could respond flexibly to changes in circumstances, such as in taxonomy, while avoiding direct involvement in micro-level resource allocation. A few members were of the opinion that, if the Bank adopted such a measure, it could request that financial institutions publicly disclose information, mainly about their investment or loans to address climate change issues, with a view to exerting discipline. Based on this discussion, members agreed that, in taking monetary policy actions regarding climate change issues, it was appropriate for the Bank to introduce the new fund-provisioning measure, through which it would provide funds to financial institutions for investment or loans that they make to address climate change issues. In addition, they shared the view that it was appropriate to regard this new measure as the successor to the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth and terminate loan disbursement under the existing measure by the end of June 2022 as scheduled. One member commented that, while the main aim of the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth was to demonstrate the importance of taking initiatives for strengthening Japan's growth potential, efforts by financial institutions had progressed and the recognition of the importance of strengthening such potential had prevailed as more than 10 years had now passed since its introduction.

A few members said that the Bank should consider the details of the new fund-provisioning measure that would support private financial institutions' efforts on climate change issues, taking account of views exchanged with mainly financial institutions and other related parties. Therefore, members shared the recognition that, with regard to the introduction of the new fund-provisioning measure, it was appropriate to include this in the Statement on Monetary Policy of this meeting and make public its preliminary outline at the next July Monetary Policy Meeting, based on views exchanged with related parties. One member expressed the recognition that, when it was ready to be put in place, the Bank would start the fund-provisioning under the measure, likely within 2021.

Members also discussed various points to take into account in relation to the conduct of monetary policy. One member, while pointing out that there had been an internationally shared recognition regarding the necessity of sustaining policy support toward an economic recovery, said that it was important to persistently continue with monetary easing in Japan as well. One member expressed the view that it was important for the Bank to take advantage of a tailwind of the expected economic recovery and strengthen the monetary easing stance so as to achieve the price stability target of 2 percent. In addition, one member noted that the Bank should enhance its external communication in order to carry out its mandate of achieving the price stability target of 2 percent. A different member expressed the recognition that, given the widespread use of tools such as social media, through which the Bank could directly provide information to the public, it was becoming increasingly important for the Bank to thoroughly disseminate information, mainly taking account of the various situations in which the recipients of such information were placed. Meanwhile, one member pointed out that it was important to push forward with reforming the economic structure, which had been delayed due to the impact of COVID-19. The member continued that the Bank needed to devise various ways to improve policy responses that could contribute to the sound development of Japan's economy, taking into account the global trend of economic and social structures changing toward the post-COVID-19 era.

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.

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.

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 with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of March 2022.

With respect to the Bank's stance on its future conduct of monetary policy, members shared the view that it would (1) continue with Quantitative and Qualitative Monetary Easing 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.

With regard to the measures that the Bank had introduced and strengthened since March 2020 in response to the impact of COVID-19, members shared the view that it would continue to support financing, mainly of firms, and maintain stability in financial markets through (1) the Special Program, (2) an ample provision of yen and foreign currency funds without setting upper limits, and (3) purchases of ETFs and J-REITs.

Regarding its policy stance for the time being, members shared the recognition that the Bank would closely monitor the impact of COVID-19 and not hesitate to take additional easing measures if necessary. Based on this, most members concurred that, as for policy rates, it 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**

Based on the above discussions, the government representatives requested that the chairman adjourn the meeting. The chairman approved the request. (The meeting adjourned at 11:36 a.m. and reconvened at 11:58 a.m.)

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

- (1) The government recognized that the extension of the duration of the Special Program was an indication of the Bank's stance of doing its utmost, such as to ensure smooth corporate

financing. It also recognized that the Bank's deliberation on taking actions on climate change issues was a positive move, since such issues were a matter of significant interest to the government. It expected the Bank to consider the extension of the duration of the program and climate change issues appropriately.

- (2) The Basic Policy on Economic and Fiscal Management and Reform 2021 (hereafter the Basic Policy) would be compiled on June 18. The government would do its utmost to make responses to COVID-19 and work on matters such as boosting private demand for growth areas, including the green society and digitalization, increasing labor productivity, and encouraging continuous income increases. In addition, it would firmly undertake reforms from both the expenditure and revenue sides.
- (3) The government expected the Bank to continue to conduct necessary measures appropriately, including responses to COVID-19, while cooperating with the government.

The representative from the Cabinet Office made the following remarks.

- (1) While the government decided on June 17 to lift the state of emergency for nine prefectures, it would accelerate vaccinations and continue to thoroughly implement measures that gave top priority to the containment of the spread of COVID-19. The government would also continue to provide targeted and effective support for those severely affected.
- (2) Under the Basic Policy, the government aimed at achieving strong growth by focusing investment on four matters: the green society, digitalization, local revitalization, and support for children. The Basic Policy gave a picture of the course of action through which the government would utilize these initiatives to promote bold investments and innovation by the private sector, thereby bringing about the transformation of economic and social structures.
- (3) The government recognized that the Bank's proposals at this Monetary Policy Meeting had been made in a timely manner. It expected the Bank to continue to closely cooperate with the government and conduct appropriate monetary policy.

## **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:**

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.

Votes for the proposal: Mr. KURODA Haruhiko, Mr. AMAMIYA Masayoshi, Mr. WAKATABE Masazumi, Mr. SUZUKI Hitoshi, Mr. ADACHI Seiji, Mr. NAKAMURA Toyooki, and Mr. NOGUCHI Asahi.

Votes against the proposal: Mr. KATAOKA Goushi.

Abstention: 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.

Ms. Masai abstained, stating that she would like to refrain from exercising her voting rights of her own will, from the standpoint of making clearer the neutrality and fairness of the Bank's decision making regarding monetary policy, as it was made public that she was a candidate for the board of directors of a private firm. For this reason, Ms. Masai also abstained from voting on the following: B. Vote on the Guideline for Asset Purchases; C. Vote on "Amendment to 'Principal Terms and Conditions of the Special Funds-Supplying Operations

to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)"; and D. Discussion on the Statement on Monetary Policy.

#### **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 majority 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 with an upper limit on the amount outstanding of about 20 trillion yen in total until the end of March 2022.

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, and Mr. NOGUCHI Asahi.

Votes against the proposal: None.

Abstention: Ms. MASAI Takako.

#### **C. Vote on "Amendment to 'Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19)'"**

"Amendment to 'Principal Terms and Conditions of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19),' which presented the content of the extension of the duration of the Special Program to Support Financing in Response to the Novel Coronavirus (COVID-19), was put to a vote. Members approved the proposal by a majority vote.

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, and Mr. NOGUCHI Asahi.

Votes against the proposal: None.

Abstention: Ms. MASAI Takako.

#### **D. 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 majority vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment).

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, and Mr. NOGUCHI Asahi.

Votes against the proposal: None.

Abstention: Ms. MASAI Takako.

#### **VI. Approval of the Minutes of the Monetary Policy Meeting**

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of April 26 and 27, 2021, for release on June 23.

## 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.<sup>[Note 1]</sup>

- (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.<sup>[Note 2]</sup>

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.<sup>[Note 1]</sup>

- 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. <sup>[Note 3]</sup>

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.

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[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.