

July 31, 2024

Bank of Japan

**Change in the Guideline for Money Market Operations and Decision on the Plan
for the Reduction of the Purchase Amount of Japanese Government Bonds**

1. At the Monetary Policy Meeting (MPM) held today, the Policy Board of the Bank of Japan decided, by a 7-2 majority vote, to set the following guideline for money market operations for the intermeeting period: [Note]

The Bank will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.¹

2. Regarding the reduction of its purchase amount of Japanese government bonds (JGBs), the Bank decided, by a unanimous vote, on a plan to reduce the amount of its monthly outright purchases of JGBs so that it will be about 3 trillion yen in January-March 2026. The amount will be cut down by about 400 billion yen each calendar quarter in principle (see Attachment).²
3. In accordance with the change in the guideline for money market operations, the Bank made the following decisions, including changes to the interest rates applied to its measures, by a 7-2 majority vote.³ [Note]

(1) Interest rate applied to the complementary deposit facility

The interest rate applied to the complementary deposit facility (the interest rate applied to current account balances held by financial institutions at the Bank, excluding required reserve balances) will be 0.25 percent.

(2) Basic loan rate⁴

The basic loan rate applicable under the complementary lending facility will be 0.5 percent.

¹ The new guideline for money market operations will be effective from August 1, 2024.

² Regarding purchases of CP and corporate bonds, the Bank will conduct the purchases in accordance with the decisions made at the March 2024 MPM.

³ The new interest rate applied to the complementary deposit facility and the new basic loan rate will be effective from August 1, 2024. With a view to further facilitating money market operations, the Bank also decided to introduce a fixed-rate method for sales of Japanese government securities (JGSs) with repurchase agreements.

⁴ The basic loan rate is stipulated in Article 15, paragraph 1, item (ii) of the Bank of Japan Act. The basic discount rate in item (i) in the same paragraph also will be 0.5 percent (discounting of bills is currently suspended).

- (3) Interest rates applied to new loan disbursements under the Fund-Provisioning Measure to Stimulate Bank Lending etc.

The interest rates applied to the Funds-Supplying Operation to Support Financial Institutions in Disaster Areas and the Funds-Supplying Operations to Support Financing for Climate Change Responses will be 0.25 percent. Regarding the Fund-Provisioning Measure to Stimulate Bank Lending, the Bank will provide the loans on a floating rate basis.⁵

4. Japan's economic activity and prices have been developing generally in line with the outlook presented in the previous *Outlook for Economic Activity and Prices* (Outlook Report). In the corporate sector, business fixed investment has been on a moderate increasing trend, with corporate profits improving. In the household sector, private consumption has been resilient despite the impact of price rises and other factors. On the wage side, moves to raise wages not only have been seen for large firms, which achieved wage increases that were significantly higher than those seen in the previous year in this year's annual spring labor-management wage negotiations, but also have been spreading across regions, industries, and firm sizes. On the price front, although the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices have waned, services prices have continued to rise moderately, with a strengthening of moves to reflect wage increases in selling prices. Inflation expectations of firms and households have risen moderately. The year-on-year rate of change in import prices has turned positive again, and upside risks to prices require attention.

In view of these circumstances, the Bank judged it appropriate to adjust the degree of monetary accommodation from the perspective of sustainable and stable achievement of the price stability target of 2 percent. Real interest rates are expected to remain significantly negative after the change in the policy interest rate, and accommodative financial conditions will continue to firmly support economic activity.

5. As for the future conduct of monetary policy, while it will depend on developments in economic activity and prices as well as financial conditions going forward, given that real interest rates are at significantly low levels, if the outlook for economic activity and prices presented in the July Outlook Report will be realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation. With the price stability target of 2 percent, it will conduct monetary policy as appropriate, in response to developments in

⁵ The interest rate on the loans shall be the average of the interest rates applied to the complementary deposit facility during the period in which the loans are extended.

economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.

[Note] Voting for the action: UEDA Kazuo, HIMINO Ryoza, UCHIDA Shinichi, ADACHI Seiji, NAKAGAWA Junko, TAKATA Hajime, and TAMURA Naoki. Voting against the action: NAKAMURA Toyoaki and NOGUCHI Asahi. Nakamura Toyoaki dissented, considering that the Bank should decide on changing the guideline for money market operations after assessing sources such as the *Financial Statements Statistics of Corporations by Industry* at the next MPM, and that therefore it was desirable to only indicate this approach at this MPM. Noguchi Asahi dissented, considering that it was necessary to more carefully assess how the economic situation had improved with wage hikes becoming widespread, based on relevant data.

Plan for the Reduction of the Purchase Amount of Japanese Government Bonds

In principle, long-term interest rates are to be formed in financial markets, and it is appropriate for the Bank to reduce its purchase amount of Japanese government bonds (JGBs) in a predictable manner, while allowing enough flexibility to support stability in the JGB markets. Taking this into account, the Bank will conduct the outright purchases of JGBs until March 2026 as follows.

1. The Bank will reduce the planned amount of its monthly purchases of JGBs so that it will be about 3 trillion yen in January-March 2026. The amount will be cut down by about 400 billion yen each calendar quarter in principle (see Annex).
2. At the June 2025 Monetary Policy Meeting (MPM), the Bank will conduct an interim assessment of the plan for the reduction of its purchase amount of JGBs. In principle, the Bank intends to maintain the plan for the reduction after the assessment, while it may modify the plan as appropriate, if deemed necessary after reviewing the developments in and functioning of the JGB markets. At the meeting, it will also discuss a guideline for its JGB purchases from April 2026 and announce the results.
3. In the case of a rapid rise in long-term interest rates, it will make nimble responses by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations of JGBs -- both of which can be done regardless of the monthly schedule of JGB purchases -- and the Funds-Supplying Operations against Pooled Collateral.
4. The Bank is prepared to amend the plan for the reduction of its purchase amount of JGBs at the MPMs, if deemed necessary.

Amount of Monthly Outright Purchases of Japanese Government Bonds

	Amount of outright purchases of Japanese government bonds (JGBs)
July 2024 (amount purchased)	About 5.7 trillion yen
August-September 2024	About 5.3 trillion yen
October-December 2024	About 4.9 trillion yen
January-March 2025	About 4.5 trillion yen
April-June 2025	About 4.1 trillion yen
July-September 2025	About 3.7 trillion yen
October-December 2025	About 3.3 trillion yen
January-March 2026	About 2.9 trillion yen

Note: The schedule of the outright purchases of JGBs, including the purchase size per auction by residual maturity and dates, will be continued to be announced in "Quarterly Schedule of Outright Purchases of Japanese Government Bonds (Competitive Auction Method)."

Reference

Meeting hours:

Tuesday, July 30: 14:00-15:51

Wednesday, July 31: 9:00-12:49

Policy Board members present:

UEDA Kazuo, Chairman (Governor)

HIMINO Ryoza (Deputy Governor)

UCHIDA Shinichi (Deputy Governor)

ADACHI Seiji

NAKAMURA Toyoaki

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

[Others present]

July 30

From the Ministry of Finance:

TERAOKA Mitsuhiro, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:51)

From the Cabinet Office:

HAYASHI Sachihiko, Vice-Minister for Policy Coordination (14:00-15:51)

July 31

From the Ministry of Finance:

AKAZAWA Ryosei, State Minister of Finance (9:00-12:26, 12:35-12:49)

From the Cabinet Office:

IBAYASHI Tatsunori, State Minister of Cabinet Office (9:00-12:26, 12:35-12:49)

Release dates and times:

Change in the Guideline for Money Market Operations and Decision on the Plan for the Reduction of the Purchase Amount of Japanese Government Bonds -- Wednesday, July 31 at 12:56

Outlook for Economic Activity and Prices (Outlook Report)

The Bank's View -- Wednesday, July 31 at 12:56

Full text -- Thursday, August 1 at 14:00

Summary of Opinions -- Thursday, August 8 at 8:50

Minutes of the Monetary Policy Meeting -- Thursday, September 26 at 8:50