

December 19, 2024

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, by an 8-1 majority vote, to set the following guideline for money market operations for the intermeeting period:<sup>[Note]</sup>

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

2. Japan's economy has recovered moderately, although some weakness has been seen in part. Overseas economies have grown moderately on the whole. Exports and industrial production have been more or less flat. Corporate profits have been on an improving trend and business sentiment has stayed at a favorable level. In this situation, business fixed investment has been on a moderate increasing trend. The employment and income situation has improved moderately. Private consumption has been on a moderate increasing trend despite the impact of price rises and other factors. Housing investment has been relatively weak. Public investment has been more or less flat. Financial conditions have been accommodative. On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food) has been in the range of 2.0-2.5 percent recently, as services prices have continued to rise moderately, reflecting factors such as wage increases, although the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices have waned. Inflation expectations have risen moderately.

Japan's economy is likely to keep growing at a pace above its potential growth rate, with overseas economies continuing to grow moderately and as a virtuous cycle from income to spending gradually intensifies against the background of factors such as accommodative financial conditions. With regard to the CPI (all items less fresh food), while the effects of the pass-through to consumer prices of cost increases led by the past rise in import prices are expected to wane, underlying CPI inflation is expected to increase gradually, since it is projected that the output gap will improve and that medium- to long-term inflation expectations will rise with a virtuous cycle between wages and prices continuing to intensify. In the second half of the projection period of the October 2024 *Outlook for Economic Activity and Prices*, underlying CPI inflation is likely to be at a level that is generally consistent with the price

stability target. Through fiscal 2025, it is also expected that a dissipation of the effects of the government's measures pushing down inflation will make a positive contribution to the year-on-year rate of increase in the CPI (all items less fresh food), whereas factors such as the past decline in crude oil and other resource prices will make a negative contribution.

Concerning risks to the outlook, there remain high uncertainties surrounding Japan's economic activity and prices, including developments in overseas economic activity and prices, developments in commodity prices, and domestic firms' wage- and price-setting behavior. Under these circumstances, it is necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices. In particular, with firms' behavior shifting more toward raising wages and prices recently, exchange rate developments are, compared to the past, more likely to affect prices.

3. At this MPM, the Bank completed the "Review of Monetary Policy from a Broad Perspective," which it had been conducting since April 2023. In the review, the Bank examined the effects and side effects of unconventional monetary policy and laid out the implications for the future conduct of monetary policy, considering the developments in Japan's economic activity and prices as well as financial conditions over the past 25 years. While making use of the findings of the review, the Bank, with the price stability target of 2 percent, will continue to conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.

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<sup>[Note]</sup> Voting for the action: UEDA Kazuo, HIMINO Ryoza, UCHIDA Shinichi, ADACHI Seiji, NAKAMURA Toyoaki, NOGUCHI Asahi, NAKAGAWA Junko, and TAKATA Hajime. Voting against the action: TAMURA Naoki. Tamura Naoki considered that, with economic activity and prices developing in line with the Bank's outlook, risks to prices had become more skewed to the upside, and proposed that the Bank set the guideline for money market operations as follows: the Bank would encourage the uncollateralized overnight call rate to remain at around 0.5 percent. The proposal was defeated by a majority vote.

## Reference

### Meeting hours:

Wednesday, December 18: 14:00-16:00

Thursday, December 19: 9:00-11:45

### 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]

### December 18

From the Ministry of Finance:

TERAOKA Mitsuhiro, Deputy Vice-Minister for Policy Planning and Coordination  
(14:00-16:00)

From the Cabinet Office:

HAYASHI Sachihiko, Vice-Minister for Policy Coordination (14:00-16:00)

### December 19

From the Ministry of Finance:

SAITO Hiroaki, State Minister of Finance (9:00-11:27, 11:35-11:45)

From the Cabinet Office:

SETO Takakazu, State Minister of Cabinet Office (9:00-11:27, 11:35-11:45)

### Release dates and times:

Statement on Monetary Policy -- Thursday, December 19, 2024 at 11:52

Summary of Opinions -- Friday, December 27, 2024 at 8:50

Minutes of the Monetary Policy Meeting -- Wednesday, January 29, 2025 at 8:50