

January 24, 2025

Bank of Japan

Change in the Guideline for Money Market Operations

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: ^[Note]

The Bank will encourage the uncollateralized overnight call rate to remain at around 0.5 percent.¹

2. In accordance with the change in the guideline for money market operations, the Bank decided to change the interest rates applied to its measures, by an 8-1 majority vote.² ^[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 0.5 percent.³

- (2) Basic loan rate⁴

The basic loan rate applicable under the complementary lending facility will be 0.75 percent.

3. Regarding the Fund-Provisioning Measure to Stimulate Bank Lending, new loan disbursements will not be made after June 30, 2025, as scheduled. With the aim of facilitating the smooth termination of the measure, the Bank decided, as a transitional measure, to allow counterparties to roll over up to 50 percent of the amount of loans maturing between July 1 and December 31, 2025, into one-year loans (a unanimous vote).

¹ The new guideline for money market operations will be effective from January 27, 2025.

² The new interest rate applied to the complementary deposit facility and the new basic loan rate will be effective from January 27, 2025.

³ 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 continue to be the interest rate applied to the complementary deposit facility.

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 0.75 percent (discounting of bills is currently suspended).

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), and the likelihood of realizing the outlook has been rising. Japan's economy has recovered moderately, although some weakness has been seen in part. Regarding wages, with a continued improving trend in corporate profits and a growing sense of labor shortage, there have been many views expressed by firms stating that they will continue to raise wages steadily in this year's annual spring labor-management wage negotiations, following the solid wage increases last year. On the price front, underlying CPI inflation has been increasing gradually toward the price stability target of 2 percent. With wages continuing to rise, there has been an increase in moves to reflect higher costs, such as increased personnel expenses and distribution costs, in selling prices. In this situation, although the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices have waned, the year-on-year rate of increase in the CPI (all items less fresh food) is likely to be in the range of 2.5-3.0 percent for fiscal 2024 and then be at around 2.5 percent for fiscal 2025, partly due to higher import prices stemming from factors such as the recent depreciation of the yen. In the meantime, while attention has been drawn to various uncertainties, global financial and capital markets have been stable on the whole, as overseas economies have followed a moderate growth path.

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 January 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 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, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and TAMURA Naoki. Voting against the action: NAKAMURA Toyoaki. Nakamura Toyoaki dissented, considering that the Bank should decide on changing the guideline for money market operations after confirming a rise in firms' earning power from sources such as the *Financial Statements Statistics of Corporations by Industry* at the next MPM.

Reference

Meeting hours:

Thursday, January 23: 14:00-15:53

Friday, January 24: 9:00-12:16

Policy Board members present:

UEDA Kazuo, Chairman (Governor)

HIMINO Ryoza (Deputy Governor)

UCHIDA Shinichi (Deputy Governor)

ADACHI Seiji

NAKAMURA Toyoaki ¹

NOGUCHI Asahi

NAKAGAWA Junko

TAKATA Hajime

TAMURA Naoki

¹ NAKAMURA was present via conference call.

[Others present]

January 23

From the Ministry of Finance:

TERAOKA Mitsuhiro, Deputy Vice-Minister for Policy Planning and Coordination
(14:00-15:53)

From the Cabinet Office:

HAYASHI Sachihiko, Vice-Minister for Policy Coordination (14:00-15:53)

January 24

From the Ministry of Finance:

SAITO Hiroaki, State Minister of Finance (9:00-11:55, 12:02-12:16)

From the Cabinet Office:

SETO Takakazu, State Minister of Cabinet Office (9:00-11:55, 12:02-12:16)

Release dates and times:

Change in the Guideline for Money Market Operations -- Friday, January 24 at 12:23

Outlook for Economic Activity and Prices (Outlook Report)

The Bank's View -- Friday, January 24 at 12:23

Full text -- Monday, January 27 at 14:00

Summary of Opinions -- Monday, February 3 at 8:50

Minutes of the Monetary Policy Meeting -- Tuesday, March 25 at 8:50