

February 15, 2011

Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by a unanimous vote,¹ to set the following guideline for money market operations for the intermeeting period:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0 to 0.1 percent.

2. Japan's economy is gradually emerging from the current deceleration phase. As the growth rate of the global economy has started increasing again led by emerging and commodity-exporting economies, Japan's exports and production are showing signs of resuming an uptrend. Business fixed investment has started to pick up. The employment and income situation has remained severe, but the degree of severity has eased somewhat. As for private consumption, demand for some goods has suffered a reverse after the sharp increase seen previously. Housing investment has started to pick up. Meanwhile, financial conditions have continued to ease further. The year-on-year rate of decline in the CPI (excluding fresh food) has continued to slow as a trend.
3. According to the Bank's baseline scenario, Japan's economy is expected to emerge from the current deceleration phase and return to a moderate recovery path. As for prices, the year-on-year rate of decline in the CPI is expected to continue slowing.
4. In the area of economic activity, there are some upside risks such as faster growth in emerging and commodity-exporting economies due to robust domestic demand and capital inflows from overseas. However, there are downside risks associated with continued uncertainties about the outlook for the U.S. and European economies and developments in global financial markets. Regarding the outlook for prices, there is a possibility that inflation will rise more than expected if commodity prices increase further due to high growth rates in emerging and commodity-exporting economies, while there is also a risk that the rate

¹ Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. T. Noda, Mr. S. Nakamura, Mr. H. Kamezaki, Mr. R. Miyao, and Mr. Y. Morimoto.
Voting against the action: None.

of inflation will deviate downward from the Bank's baseline scenario due, for example, to a decline in medium- to long-term inflation expectations.

5. In order for Japan's economy to overcome deflation and return to a sustainable growth path with price stability, the Bank will continue to consistently make contributions as the central bank through the three-pronged approach of pursuing powerful monetary easing consisting of comprehensive monetary easing, ensuring financial market stability, and providing support to strengthen the foundations for economic growth. The Bank will continue to carefully examine the outlook for economic activity and prices, and take policy actions in an appropriate manner.

(Reference)

Meeting hours:

February 14 : 14:00-16:21

February 15: 9:01-12:32

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Tadao Noda

Seiji Nakamura

Hidetoshi Kamezaki

Ryuzo Miyao

Yoshihisa Morimoto

(Others present)

February 14

From the Ministry of Finance:

Yasushi Kinoshita, Deputy Vice Minister for Policy Planning and Co-ordination
(14:00-16:21)

From the Cabinet Office:

Kenji Umetani, Director-General, Economic and Fiscal Management (14:00-16:21)

February 15

From the Ministry of Finance:

Mitsuru Sakurai, Senior Vice Minister of Finance (9:01-12:22,12:28-12:32)

From the Cabinet Office:

Yoshinori Suematsu, Senior Vice Minister for Economic and Fiscal Policy
(9:01-12:22,12:28-12:32)

Release of the *Monthly Report of Recent Economic and Financial Developments*:

14:00 on Wednesday, February 16 (Japanese)

16:30 on Thursday, February 17 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Wednesday, February 16

Release of the minutes:

8:50 on Friday, March 18