

October 27, 2011

Bank of Japan

Enhancement of Monetary Easing

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by an 8-1 majority vote,¹ to enhance monetary easing by increasing the total size of the Asset Purchase Program by about 5 trillion yen, from about 50 trillion yen to about 55 trillion yen.² The increase in the Program is designated for the purchase of Japanese government bonds.³
2. The Policy Board also decided, by a unanimous vote,⁴ 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.

3. Japan's economic activity has continued picking up while the supply-side constraints have been gradually resolved. Meanwhile, financial conditions have continued to ease as issuing conditions for CP and corporate bonds have remained favorable and firms' funding costs have declined moderately. As for the outlook, although an adverse effect from a slowdown in overseas economies and the appreciation of the yen will continue for the time being, Japan's economy is expected to return to a moderate recovery path because the pace of recovery in overseas economies will subsequently

¹ Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Mr. S. Nakamura, Mr. H. Kamezaki, Mr. Y. Morimoto, Ms. S. Shirai, and Mr. K. Ishida. Voting against the action: Mr. R. Miyao.

² At today's meeting, Mr. Miyao proposed to increase the amount of the Asset Purchase Program by about 10 trillion yen, which would bring the total volume of the Program to about 60 trillion yen. The proposal was defeated by a majority vote. Voting for the proposal: Mr. R. Miyao. Voting against the proposal: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Mr. S. Nakamura, Mr. H. Kamezaki, Mr. Y. Morimoto, Ms. S. Shirai, and Mr. K. Ishida.

³ See Attachment for the allocation of the increase in the Program.

⁴ Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Mr. S. Nakamura, Mr. H. Kamezaki, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, and Mr. K. Ishida. Voting against the action: None.

pick up and the demand related to reconstruction after the earthquake disaster will gradually materialize.

4. However, some more time will be needed to confirm that price stability is in sight and due attention is needed for the risk that the economic and price outlook will further deteriorate depending on developments in global financial markets and overseas economies. While steadily implementing its decision in August to enhance monetary easing, especially through the purchase of financial assets, the Bank deemed it necessary to further enhance monetary easing so as to ensure a successful transition to a sustainable growth path with price stability.
5. For the purpose of further enhancing the spread of monetary easing effect throughout financial markets, the Bank judged it appropriate to designate the 5 trillion yen increase in the Asset Purchase Program for the purchase of Japanese government bonds in consideration of the aforementioned current financial conditions with generally smooth corporate funding. In addition to purchases under the Program, the Bank regularly purchases Japanese government bonds at the pace of 21.6 trillion yen per year with the aim of providing funds in a stable manner broadly consistent with a trend increase in banknote demand.
6. 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. For these measures by the Bank to contribute to the strengthening of Japan's growth potential in the medium to long term, it is important for concerned parties in both the private and government sectors to continue making efforts in their respective roles while making use of accommodative financial conditions.

Increase in the Asset Purchase Program

1. Allocation of the Increase

	(trillion yen)		
	Program size before the increase	Amount of increase	Program size after the increase
Total size	About 50	About +5	About 55
Asset Purchases	15.0	+5.0	20.0
Japanese government bonds ^[Note]	4.0	+5.0	9.0
Treasury discount bills	4.5	—	4.5
CP	2.1	—	2.1
Corporate bonds	2.9	—	2.9
Exchange traded funds (ETFs)	1.4	—	1.4
Japan real estate investment trusts (J-REITs)	0.11	—	0.11
Fixed-rate funds-supplying operation against pooled collateral	35.0	—	35.0
Three-month term	20.0	—	20.0
Six-month term	15.0	—	15.0

Note: In addition to purchases under the Asset Purchase Program, the Bank regularly purchases Japanese government bonds at the pace of 21.6 trillion yen per year.

2. The Bank intends to complete the increased purchases by around the end of 2012.

(Reference)

Meeting hours:

October 27 : 9:00-13:26

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Seiji Nakamura

Hidetoshi Kamezaki

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

(Others present)

From the Ministry of Finance:

Yukihisa Fujita, Senior Vice Minister of Finance (9:00-12:48,13:00-13:26)

From the Cabinet Office:

Hiroshi Ogushi, Parliamentary Secretary of Cabinet Office (9:00-12:48,13:00-13:26)

Release of the minutes:

8:50 on Monday, November 21