

June 15, 2012

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, 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. Overseas economies on the whole still have not emerged from a deceleration phase, but have shown some, albeit moderate, improvement. In global financial markets, some nervousness continues to be seen, mainly due to concern about the European debt problem. Particular attention should therefore be given to developments in these markets for the time being.
3. Japan's economic activity has started picking up moderately as domestic demand remains firm mainly supported by reconstruction-related demand. Public investment has been increasing. Business fixed investment has been on a moderate increasing trend with corporate profits improving. Against the background of improvement in consumer sentiment, private consumption has continued to increase moderately due to the effects of measures to stimulate demand for automobiles. Housing investment has generally been picking up. Exports have shown signs of a pick-up. Reflecting these developments in demand at home and abroad, production has started picking up moderately. Meanwhile, financial conditions in Japan have continued to ease. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) is around 0 percent.
4. As for the outlook, Japan's economy is expected to return to a moderate recovery path as domestic demand remains firm and overseas economies emerge from the deceleration phase. The year-on-year rate of change in the CPI is expected to remain at around 0 percent for the time being.

5. Regarding risks to the economic outlook, there remains a high degree of uncertainty about the global economy, including the prospects for the European debt problem, the momentum toward recovery for the U.S. economy, and the likelihood of emerging and commodity-exporting economies simultaneously achieving price stability and economic growth. Regarding risks to the price outlook, careful attention should be paid to future developments in international commodity prices and in medium- to long-term inflation expectations.
  
6. The Bank recognizes that Japan's economy faces the critical challenge of overcoming deflation and returning to a sustainable growth path with price stability. This challenge will be met through efforts by a wide range of economic agents to strengthen the economy's growth potential and support from the financial side. Based on this recognition, the Bank has been providing support to strengthen the foundations for economic growth and pursuing powerful monetary easing. The Bank continues to conduct monetary policy in an appropriate manner. The Bank will also do its utmost to ensure the stability of Japan's financial system, while giving particular attention to developments in global financial markets.

(Reference)

Meeting hours:

June 14 : 14:00-16:14

June 15 : 9:00-11:47

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

(Others present)

June 14

From the Ministry of Finance:

Shinichi Sato, Deputy Vice Minister for Policy Planning and Co-ordination  
(14:00-16:14)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (14:00-16:14)

June 15

From the Ministry of Finance:

Yukihisa Fujita, Senior Vice Minister of Finance (9:00-11:38,11:43-11:47)

From the Cabinet Office:

Katsuyuki Ishida, Senior Vice Minister for Cabinet Office(9:00-11:38,11:43-11:47)

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

14:00 on Monday, June 18 (Japanese)

16:30 on Tuesday, June 19 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Monday, June 18

Release of the minutes:

8:50 on Wednesday, July 18