

Enhancement of Monetary Easing

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan made the following decisions, by a unanimous vote, regarding the Asset Purchase Program (hereafter referred to as "the Program") with a view to further enhancing monetary easing.

(1) The Bank decided to increase the total size of the Program by about 10 trillion yen, from about 70 trillion yen to about 80 trillion yen. The increase in the size of the Program corresponds with the size of additional purchases of treasury discount bills (T-Bills) by about 5 trillion yen and Japanese government bonds (JGBs) by about 5 trillion yen.

The increased purchases under the Program will be completed by around end-2013. Specifically, additional purchases of T-Bills and JGBs will be completed by around end-June 2013 and around end-2013, respectively. Through these measures, the amount outstanding of the Program will be about 65 trillion yen by around end-2012, about 75 trillion yen by around end-June 2013, and about 80 trillion yen by around end-2013.¹

(2) The Bank decided to remove the minimum bidding yield (currently 0.1 percent per annum) for the outright purchases of JGBs and corporate bonds in order to ensure their smooth purchase.

2. The Policy Board also 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.

3. Overseas economies have moved somewhat deeper into a deceleration phase. In global financial markets, while investors' risk aversion on the back of the European debt problem has abated somewhat, particular attention should be given to developments in these markets.

4. Japan's economy registered relatively high growth in the first half of 2012, supported by the firmness in domestic demand. Nonetheless, the pick-up in economic activity has come to a

¹ See Attachment for an overview of the Program.

pause, reflecting the aforementioned developments in overseas economies. The year-on-year rate of change in the CPI (all items less fresh food) is around 0 percent, while the earlier fall in crude oil prices has been exerting downward pressure. Against the backdrop of these developments, economic activity is expected to level off more or less and the year-on-year rate of change in the CPI to remain at around 0 percent for the time being.

Regarding risks, 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. Furthermore, attention should be paid to the effects of financial and foreign exchange market developments on economic activity and prices.

5. Based on these economic and price developments, the Bank of Japan judged it appropriate to expand the total size of the Program substantially by about 10 trillion yen and take the aforementioned measure to ensure the steady implementation of asset purchases. These measures in pursuit of powerful monetary easing will make financial conditions for such economic entities as firms and households even more accommodative by further encouraging a decline in longer-term market interest rates and a reduction in risk premiums. The Bank expects that, together with the cumulative effects of earlier policy measures, today's decision to enhance monetary easing will ensure the return of Japan's economy to a sustainable growth path with price stability.
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. It will proceed with the monetary easing in a continuous manner by steadily increasing the amount outstanding of the Asset Purchase Program. 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.

Size of the Asset Purchase Program

(trillion yen)

Intended timescale for completing the purchases	Program size at the time of establishment (October 2010)	Program size before today's decision		Program size after today's decision			Change in amount
	End-December 2011	End-December 2012	End-June 2013	End-December 2012	End-June 2013	End-December 2013	
			(A)			(B)	(B) - (A)
Total size ^[Note 1]	About 35	About 65	About 70	About 65	About 75	About 80	About +10
Asset purchases	5.0	40.0	45.0	40.0	50.0	55.0	+10.0
JGBs ^[Note 2]	1.5	24.0	29.0	24.0	29.0	34.0	+5.0
T-Bills	2.0	9.5	9.5	9.5	14.5	14.5	+5.0
CP	0.5	2.1	2.1	2.1	2.1	2.1	—
Corporate bonds	0.5	2.9	2.9	2.9	2.9	2.9	—
Exchange-traded funds (ETFs)	0.45	1.6	1.6	1.6	1.6	1.6	—
Japan real estate investment trusts (J-REITs)	0.05	0.12	0.12	0.12	0.12	0.12	—
Fixed-rate funds-supplying operation against pooled collateral	30.0	25.0	25.0	25.0	25.0	25.0	—

Notes: 1. The amount outstanding of the Program is 60.2 trillion yen as of September 10, 2012.

2. In addition to purchases under the Program, the Bank regularly purchases JGBs at the pace of 21.6 trillion yen per year.

(Reference)

Meeting hours:

September 18: 14:00-16:56

September 19: 9:00-12:39

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

Takehiro Sato

Takahide Kiuchi

(Others present)

September 18

From the Ministry of Finance:

Shinichi Sato, Deputy Vice Minister for Policy Planning and Co-ordination

(14:00-16:56)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (14:00-16:56)

September 19

From the Ministry of Finance:

Yukihiro Fujita, Senior Vice Minister of Finance (9:00-12:24,12:29-12:39)

From the Cabinet Office:

Hiroshi Ogushi, Parliamentary Secretary of Cabinet Office (9:00-12:24,12:29-12:39)

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

14:00 on Thursday, September 20 (Japanese)

16:30 on Friday, September 21 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Thursday, September 20

Release of the minutes:

8:50 on Thursday, October 11