

October 5, 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 have moved somewhat deeper into a deceleration phase. In global financial markets, while investors have remained somewhat less risk averse on the back of the European debt problem, particular attention should be given to developments in these markets.
3. Japan's economic activity is leveling off more or less. Exports and industrial production have been relatively weak as overseas economies have moved somewhat deeper into the deceleration phase. On the other hand, domestic demand has been resilient, mainly supported by reconstruction-related demand. Specifically, public investment has continued to increase, and housing investment has generally been picking up. Private consumption has been resilient with the employment situation on an improving trend. Business fixed investment has been on a moderate increasing trend as corporate profits have improved on the whole. As for business sentiment, firms have turned somewhat cautious mainly against the background of the deceleration in overseas economies. Financial conditions in Japan are accommodative. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) is around 0 percent.
4. With regard to the outlook, Japan's economy is expected to level off more or less for the time being, and thereafter, it will return to a moderate recovery path as domestic demand remains resilient and overseas economies gradually 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, 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.
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.

(Reference)

Meeting hours:

October 4: 14:00-17:04

October 5: 8:59-12:09

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)

October 4

From the Ministry of Finance:

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

(14:00-17:04)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (14:00-17:04)

October 5

From the Ministry of Finance:

Koichi Takemasa, Senior Vice Minister of Finance (8:59-12:00,12:04-12:09)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (8:59-10:56)

Seiji Maehara, Minister of State for Economic and Fiscal Policy

(10:57-12:00,12:04-12:09)

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

14:00 on Tuesday, October 9 (Japanese)

16:30 on Wednesday, October 10 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Tuesday, October 9

Release of the minutes:

8:50 on Friday, November 2