



Bank of Japan
Quarterly Bulletin

November 2006

Quarterly Bulletin—Volume 14, Number 4

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ISSN 0919-1380

Printed in Japan on recycled paper

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Publications of the Monetary Policy Meeting on July 13 and 14, 2006

Minutes

Released on August 16, 2006

The Bank's View of Recent Economic and Financial Developments

Released on July 14, 2006

English translations prepared by the Bank's staff based on the Japanese originals

MINUTES OF THE MONETARY POLICY MEETING ON JULY 13 AND 14, 2006

A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Thursday, July 13, 2006, from 2:00 p.m. to 4:04 p.m., and on Friday, July 14, from 9:00 a.m. to 1:30 p.m.¹

Policy Board Members Present

Mr. T. Fukui, Chairman, Governor of the Bank of Japan
Mr. T. Muto, Deputy Governor of the Bank of Japan
Mr. K. Iwata, Deputy Governor of the Bank of Japan
Ms. M. Suda
Mr. H. Haru
Mr. T. Fukuma
Mr. A. Mizuno
Mr. K. G. Nishimura
Mr. T. Noda

Government Representatives Present

Mr. K. Akaba, Senior Vice Minister of Finance, Ministry of Finance²
Mr. K. Sugimoto, Deputy Vice Minister for Policy Planning and Coordination, Ministry of Finance³
Mr. Y. Nakajo, Vice Minister for Policy Coordination, Cabinet Office

Reporting Staff

Mr. A. Yamamoto, Executive Director
Mr. N. Inaba, Executive Director
Mr. A. Horii, Executive Director (Assistant Governor)
Mr. M. Amamiya, Director-General, Monetary Affairs Department
Mr. S. Uchida, Senior Economist, Monetary Affairs Department
Mr. H. Nakaso, Director-General, Financial Markets Department
Mr. H. Hayakawa, Director-General, Research and Statistics Department

Mr. W. Takahashi, Deputy Director-General,
International Department

Secretariat of the Monetary Policy Meeting

Mr. Y. Nakayama, Director-General, Secretariat of the Policy Board
Mr. T. Kozu, Adviser to the Governor, Secretariat of the Policy Board
Mr. K. Murakami, Director, Secretariat of the Policy Board
Mr. K. Kamiyama, Senior Economist, Monetary Affairs Department
Mr. N. Takeda, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments⁴

A. Money Market Operations in the Intermeeting Period

The Bank conducted money market operations in accordance with the guideline decided at the previous meeting on June 14 and 15, 2006.⁵ The uncollateralized overnight call rate was at effectively zero percent.

B. Recent Developments in Financial Markets

In the money market, interest rates on term instruments rose. Interest rates on Euroyen futures increased, reflecting firm economic indicators.

Japanese stock prices started rising from the latter half of June. The Nikkei 225 Stock Average was recently moving at around 15,000 yen.

Long-term interest rates rose against the background of the rise in Japanese stock prices and firm economic indicators. Recently they were moving at around 1.9 percent.

The yen fluctuated somewhat against the U.S. dollar, partly reflecting market participants' speculation regarding U.S. monetary policy. The yen was being traded approximately in the range of 114–115 yen to the dollar recently.

1. The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on August 10 and 11, 2006 as "a document which contains an outline of the discussion at the meeting" stipulated in Article 20, Paragraph 1 of the Bank of Japan Law of 1997. Those present are referred to by their titles at the time of the meeting.

2. Mr. K. Akaba was present on July 14.

3. Mr. K. Sugimoto was present on July 13.

4. Reports were made based on information available at the time of the meeting.

5. The guideline was as follows:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at effectively zero percent.

C. Overseas Economic and Financial Developments

The U.S. economy continued to expand at a pace around its potential growth rate, but the pace of growth in household spending and employment was moderating recently. As for prices, the pace of increase in the consumer price index (CPI) for all items was relatively fast due to high energy prices, and the core inflation rate (the CPI for all items less food and energy) increased moderately.

In the euro area, the momentum for economic recovery increased gradually as seen in the fact that exports, production, and business fixed investment were increasing and household spending had emerged from its weak situation against the background of the gradual improvement in the employment situation.

With regard to East Asian economies, in China both domestic and external demand continued to expand strongly. The NIEs and ASEAN economies continued to expand at a moderate pace on the whole, although negative effects of high energy prices could be seen in some economic activity.

In U.S. and European financial markets, both long-term interest rates and stock prices rose. Prices of assets including stocks rose also in emerging economies, partially reversing earlier declines.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had continued to increase against the background of the expansion of overseas economies, and were expected to continue to rise as overseas economies expanded further, particularly those of the United States and East Asia.

As for domestic private demand, business fixed investment had continued to increase, and was expected to keep increasing since the growth in domestic and external demand and the high level of corporate profits were likely to be maintained. Firms' forecasts of current profits and their plans for fixed investment, both for fiscal 2006, in the June *Tankan* (Short-Term Economic Survey of Enterprises in Japan) supported the view that business fixed investment would continue growing over a wider range of industries and firm size with the continuing high level of corporate profits.

With regard to sales indicators related to private consumption, retail sales data had been sluggish

due partly to adverse weather conditions, and some indicators for consumer sentiment were also somewhat weak. However, indicators related to services consumption were favorable on the whole.

Industrial production had continued to increase against the background of the growth in domestic and external demand. Production was expected to continue its uptrend, as overseas economies would continue to grow and the recovery in domestic demand would continue to be solid.

As for the employment and income situation, household income had continued rising moderately in a situation where various indicators were showing tighter labor market conditions. The gradual increase in household income was likely to continue against the background that firms were increasingly feeling a shortage of labor and the high level of corporate profits was being maintained.

The conditions of persistent excess supply had been dispersed, and the output gap seemed to have become positive. The weighted average of the *Tankan's* diffusion index for production capacity and the index for employment conditions suggested that the shortage in production factors was gradually increasing recently. The output gap was likely to continue to be positive.

On the price front, domestic corporate goods prices had continued to increase, mainly reflecting the rise in international commodity prices, and were expected to continue increasing. The year-on-year rate of change in the CPI (excluding fresh food, on a nationwide basis) had been on a positive trend, and this trend was projected to continue, as the output gap was likely to continue to be positive.

2. Financial environment

The environment for corporate finance was accommodative. The issuing environment for CP and corporate bonds was favorable, and the lending attitude of private banks had continued to be accommodative. Credit demand in the private sector had started increasing. Under these circumstances, the rate of increase in the amount outstanding of lending by private banks was accelerating, and the amount outstanding of CP and corporate bonds issued was around the previous year's level. Funding costs for firms had risen slightly. Meanwhile, the year-on-year growth rate of the money stock (M₂+CDs) had been at the 1.0–2.0 percent level.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments

A. Economic Developments

On the current state of Japan's economy, members concurred that, given economic indicators, including those in the June *Tankan*, that were released in the intermeeting period, the economy was expanding moderately, with domestic and external demand and also the corporate and household sectors well in balance, broadly in line with the Bank's projection presented in the April *Outlook for Economic Activity and Prices* (hereafter the Outlook Report), and they expected the economy to continue to expand moderately.

Members agreed that overseas economies taken as a whole continued to expand and were likely to keep expanding.

On the U.S. economy, many members said that it continued to expand. These members added that some indicators suggested a deceleration in housing investment and employment, and uncertainty about the future pace of economic expansion was increasing. Regarding price developments, many members said that the pace of the rise in the core CPI was gathering speed against the background of tight labor market conditions and the rise in prices of commodities including crude oil. These members commented that whether concerns about inflation would be contained in a situation where economic growth was decelerating was a focus of attention. One member pointed out that, although future developments in prices warranted attention, an increase in productivity had been reducing the rate of increase in unit labor costs and thus the pace of the rise in the core CPI had remained moderate to date.

With regard to East Asian economies, many members expressed the view that both domestic and external demand continued to expand strongly in China. On European economies, some members said that the momentum for a recovery had been increasing as seen in the fact that exports and production were growing and household spending was recovering. A few members said that economic fundamentals in emerging economies had been firm despite the decline in their stock prices. Based on the above discussion, members concurred that the global economy as a whole was continuing to expand, with growth gaining breadth geographically.

Regarding Japan's economy, members agreed that the increase in exports had continued, reflecting the expansion of overseas economies, and was likely to continue.

As for domestic private demand, members concurred that the strength in the corporate sector continued and this was benefiting the household sector.

With regard to developments in the corporate sector, members agreed that business fixed investment was likely to keep increasing, reflecting the growth in domestic and external demand and the continuing high level of corporate profits. Many members noted that corporate profits had been high on the whole according to the June *Tankan*, although high raw materials prices had adversely affected some materials-related industries. These members expected a continuation of growth in business fixed investment, given the clear upward revision of investment plans for fiscal 2006 in the June *Tankan* from the March survey and an increasing trend in leading indicators such as machinery orders. Meanwhile, one member commented that firms that had been focusing on restructuring and had thus been restraining fixed investment might become less cautious about conducting investment as excess production capacity had dissipated and there was growing expectation of a rise in interest rates.

Members shared the view that private consumption, which had been on an increasing trend, was likely to continue to increase, mainly reflecting a gradual increase in household income. Some members said that, while indicators related to services consumption continued to increase, some sluggishness was being observed in indicators related to retail sales and consumer sentiment. These members continued that, although this was due partly to temporary factors such as adverse weather conditions, developments in consumer sentiment needed to be watched closely. One of these members added that the fall in stock prices also seemed to have affected recent developments in consumption. Meanwhile, one member pointed out that the economic recovery might be affecting different income groups differently, and if this was the case, the positive influence of favorable business performance on private consumption might be weaker than expected.

Members agreed that production had continued to increase and was likely to increase further against the background of the growth in domestic and

external demand. Members also concurred that inventories had been more or less in balance with shipments in the industrial sector as a whole, and adjustments were progressing in inventories in materials industries, which had been relatively high. Some members said on electronic parts and devices that, although inventories did not seem especially large relative to shipments, attention should be paid to the risk of inventory adjustment, as the effects of temporary production adjustment mainly in East Asia were being seen. A few members said that, even if there were to be an inventory adjustment in this industry, it would only be small, partly because Japan's economy had learned from the experience of its temporary pause in 2004, which occurred together with an inventory adjustment. They continued, however, that attention should be paid to the risk of an inventory adjustment coinciding with an unexpected deceleration in the U.S. economy. One member said that, even though Japan's economy was likely to remain on an expanding trend, there might be small fluctuations in its growth that could lead to a temporary pause.

With regard to the employment and income situation, members agreed that household income had continued rising moderately in a situation where labor market conditions continued to tighten and the number of employees including full-time employees continued to increase steadily. Some members noted that the growth of wages was moderate as firms were still restraining labor costs. One member expressed the view that firms were increasingly feeling a shortage of labor and this would eventually affect wages, but it would take some time.

As for the level of economic activity, members concurred that it was appropriate to change the assessment of the current state of Japan's economy from "Japan's economy continues to recover steadily" to "Japan's economy is expanding moderately," given that the estimated output gap seemed to have become positive, and the perception among firms of having a shortage of labor and production capacity was likely to grow further, judging from the June *Tankan*. Members also agreed that the change in the wording of the assessment of the current state of Japan's economy was a response to the change in the level of economic activity and was not an upward revision of the assessment of the current pace of economic growth.

With regard to prices, members agreed that domestic corporate goods prices continued to increase rapidly due mainly to the rise in international commodity prices such as those of crude oil and non-ferrous metals, and were likely to continue to increase.

Members agreed that the year-on-year rate of change in the CPI (excluding fresh food, on a nationwide basis) was likely to continue to follow a positive trend, as the output gap continued to be positive. One member was of the view that there was no change in the uptrend in the CPI, because examination of the CPI excluding energy by goods and services showed that goods prices had been rising at a very moderate pace, and services prices continued to increase gradually reflecting the increase in labor costs and the fact that imputed rent of condominiums had stopped falling. Meanwhile, some members noted that recent surveys suggested that consumers' inflationary expectations might have recently undergone a relatively large upward revision.

B. Financial Developments

On the financial front, members concurred that the financial environment in terms of corporate finance, such as the lending attitude of private banks and the issuing environment for CP and corporate bonds, remained extremely accommodative. One member said that, with this accommodative financial environment, the rate of increase in the amount outstanding of lending by private banks was recently accelerating and credit demand in the private sector had started increasing.

Many members described the unstable movement of stock prices since the middle of May as an adjustment caused by investors' reassessment of their portfolio risks in a situation where monetary policy was becoming less accommodative worldwide. They also said that the rapidity of the adjustment was due mainly to an overreaching observed since the second half of 2005. Members agreed that, although stock prices worldwide seemed to have been regaining stability since the latter half of June, market developments at home and abroad required careful monitoring as the recently heightened geopolitical risks had brought new uncertainty.

C. Interim Assessment

Given the above assessment of economic activity, prices, and financial developments in Japan, members agreed on the following interim assessment in relation

to the outlook presented in the April Outlook Report. First, Japan's economy was expected to be broadly in line with the outlook. Second, domestic corporate goods prices in fiscal 2006 were expected to deviate above the outlook, reflecting the rise in international commodity prices, primarily crude oil prices. The rate of increase in fiscal 2007 was projected to be broadly in line with the outlook. And third, consumer prices were projected to be broadly in line with the outlook.

III. Summary of Discussions on Monetary Policy for the Immediate Future

On the monetary policy stance for the immediate future, members agreed that, based on their assessment of the economic and financial situation, it was appropriate to raise the uncollateralized overnight call rate target from effectively zero percent to around 0.25 percent.

Members concurred that the stimulus from monetary policy had been gradually amplified as economic activity and prices improved steadily in line with the projection presented in the April Outlook Report, and thus maintaining the zero interest rate environment might result in large swings in economic activity and prices in the future. One member pointed out that the difference between the trend of the real GDP growth rate and the real call rate indicated that monetary policy had gradually become more stimulative recently. Another member said that, although there had not been overinvestment to date, attention should be paid to the risk that it might occur in some sectors in the long term.

Given this situation, members agreed that it would be appropriate to adjust the level of the policy interest rate at this juncture so that a desirable course of economic activity and prices would be maintained, and this policy decision would contribute to price stability and sustainable growth in the long term. One member said that adjustment of the policy interest rate at this time should be considered not as a measure to cool an overheating economy but as one to underpin economic growth by reducing the volatility of economic activity and prices in the long term. A few other members pointed out that there was very little need for the Bank to maintain the unusual zero interest rate environment when the economic situation was returning to normal, and allowing natural formation

of interest rates would support sustainable growth with price stability in the medium to long term. Some members added that, since market participants already expected that the Bank would bring the zero interest rate environment to an end in July, raising the overnight call rate target to 0.25 percent at this meeting was unlikely to disturb financial markets.

Members discussed what level the basic loan rate of the complementary lending facility should be. Many members expressed the opinion that it would be appropriate to raise the rate to 0.4 percent when the uncollateralized overnight call rate target was raised to 0.25 percent. Against this opinion, some members said that the appropriate level for the rate would be 0.5 percent.

The members who advocated raising the basic loan rate to 0.5 percent noted that the complementary lending facility had been heavily used recently because the current spread between the overnight call rate and the basic loan rate was too narrow. They were of the view that setting the latter at a relatively high level would encourage interest arbitrage and eventually contribute to restoring the proper functioning of the money market. One of these members added that the Bank should ensure stability of market sentiment not by limiting the extent of the raise of the basic loan rate but by communicating appropriately to market participants about the future conduct of monetary policy.

Meanwhile, many members were of the opinion that, while in the long run a wider spread was necessary to restore the proper functioning of the market, at this point the Bank should exercise the utmost care in controlling the call rate to keep it stable in the current situation where market functioning was still not fully restored despite its gradual recovery since the termination of the quantitative easing policy. Therefore, they supported the raise of the basic loan rate to 0.4 percent.

Members agreed that, when referring to the rate applied to the complementary lending facility, the Bank should as far as possible use the official term "the basic loan rate" instead of "the official discount rate," which was not the official term but had been widely used, since the latter gave the impression that it was still the policy interest rate, even though it no longer played the role of indicating the basic stance of monetary policy.

Members agreed that the outright purchases of long-term interest-bearing Japanese government

bonds should be continued at the current amounts and frequency for some time, with due regard for the future condition of the Bank's balance sheet.

Regarding the future path of monetary policy, members said that the Bank would conduct monetary policy by carefully assessing economic activity and prices. Members concurred that, if developments in economic activity and prices followed the Bank's projection presented in the Outlook Report, it was likely that the Bank would be able to conduct monetary policy in line with the thinking described in it. In other words, the Bank would adjust the level of the policy interest rate gradually in the light of developments in economic activity and prices, and in this process, an accommodative monetary environment ensuing from very low interest rates would probably be maintained for some time.

Members agreed that given that more market participants were coming to understand the Bank's basic thinking regarding the future course of monetary policy through its communication to date, the Bank should continue to take every opportunity to explain that there was no change to its thinking. In this connection, some members said that it was important that the Bank did not give the impression that it was rushing to raise the policy interest rate. One of these members said that the Bank should avoid giving the impression that it would carry out successive raises of the policy interest rate like the Federal Reserve. One member said that the Bank should explain more clearly at this point that it would adjust the level of the policy interest rate gradually. The member added, however, that the Bank should also explain that this approach was conditional on developments in economic activity and prices following the Bank's projection presented in the Outlook Report. A few members commented that the Bank's communication of its thinking regarding the future conduct of monetary policy should be based on that indicated in the Outlook Report so as not to restrict its future conduct of monetary policy unduly.

IV. Submission of Policy Proposals

Based on the above discussions, the chairman formulated the following three policy proposals to reflect the majority view: (1) the guideline for money market operations; (2) a change in the basic discount rate and the basic loan rate; and (3) release of a public statement concerning the change in the guideline for money market operations.

One member, however, said that the member would like to propose that the Bank should change the basic discount rate and the basic loan rate to 0.5 percent for the reasons the member had given earlier.

The Chairman's Policy Proposal on the Guideline for Money Market Operations:

1. The guideline for money market operations for the intermeeting period ahead will be as follows, effective immediately from the announcement of the decision.

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

2. A public statement will be decided separately.

The Chairman's Policy Proposal on a Change in the Basic Discount Rate and the Basic Loan Rate:

1. The basic discount rate for discounting of bills pursuant to Article 33, Paragraph 1, Section 1 of the Bank of Japan Law and the basic loan rate for loans made pursuant to Article 33, Paragraph 1, Section 2 of the Law will be as follows, effective immediately from the announcement of the decision.

The basic discount rate and the basic loan rate will be changed to 0.4 percent.

2. A public statement will be decided separately.

The Chairman's Policy Proposal on Release of a Public Statement concerning a Change in the Guideline for Money Market Operations:

The decision concerning a change in the guideline for money market operations will be made public by the attached statement (see Attachment).

Mr. A. Mizuno submitted a policy proposal to change the basic discount rate and the basic loan rate to 0.5 percent, effective immediately from the announcement of the decision.

V. Remarks by Government Representatives

Following the chairman's proposal to change the guideline for money market operations, the representatives from the Ministry of Finance (MOF) and the Cabinet Office requested the chairman to

adjourn the meeting because they needed to discuss the government's stance on the proposal and might need to contact the Minister of Finance and the Minister of State for Economic and Fiscal Policy. The chairman approved the request. (The meeting adjourned at 12:39 p.m. and reconvened at 1:00 p.m.)

After the meeting reconvened, the representative from the MOF made the following remarks.

- (1) Japan's economy was recovering. Although the economy had not overcome deflation, a comprehensive review of developments in prices suggested that the price situation was improving steadily, and the overcoming of deflation seemed to be gradually coming into prospect.
- (2) The chairman had submitted a proposal to bring to an end the zero interest rate environment. Since there was currently no concern about inflation, the government considered that it was important that the Bank continued to firmly support the economy from the financial side, and also considered that it did not necessarily need to rush in bringing the zero interest rate environment to an end.
- (3) However, if the Bank decided that it should come to an end, the government considered that, in terms of the real economy, it was important to firmly support economic activity thereafter by maintaining a sufficiently accommodative financial environment, in order to ensure the sustainability of the economic recovery. At the same time, it was also important to secure market stability. Specifically, the government would like the Bank to clearly explain its thinking and the future course of monetary policy, given that financial markets could become unstable due to speculation. In particular, the government would like the Bank to communicate clearly to the markets that it did not intend to carry out successive raises of the policy interest rate. In addition, the government considered it necessary that the Bank closely monitor developments in overall interest rates including long-term interest rates, and that it continue its outright purchases of long-term Japanese government bonds at the current amounts.
- (4) The government would respect the Bank's decision on the timing of ending the zero interest rate environment based on careful examination of the economic situation at home and abroad as well as developments in financial markets, since the

discussions and the policy proposals at this meeting showed that the Bank shared the government's views. The government would like the Bank to continue to support the economy from the financial side responsibly, thereby ensuring the sustainability of the economic recovery, secure the stability of financial markets, and implement appropriate monetary policy consistent with the government's economic policy.

The representative from the Cabinet Office made the following remarks.

- (1) The Cabinet had decided the text of "Basic Policies for Economic and Fiscal Management and Structural Reform 2006" on July 7, 2006. In accordance therewith, the government would pursue the enhancement of the economy's growth capacity and competitiveness, sound public finance, realization of a safe and reassured, flexible, and diverse society, and accelerate and deepen structural reforms.
- (2) Although Japan's economy was recovering, a close watch needed to be kept on price movements. In order to ensure the overcoming of deflation during the concentrated consolidation period and achieve sustainable economic growth led by private demand with price stability, the government would like the Bank to implement effective monetary policy that was consistent with the government's policy efforts and with its outlook for the economy while paying due consideration to developments in financial markets, and thereby support the economy from the financial side responsibly.
- (3) At this meeting the chairman had submitted a proposal to bring to an end the zero interest rate environment. The government would like the Bank to carefully examine Japan's economy as well as the global economy, and developments, for example, in financial markets at home and abroad including those in stock markets, in deciding whether to bring the zero interest rate environment to an end. If the Bank decided to do so, the government would like the Bank to make it clear to the public that it would maintain an accommodative monetary environment ensuing from very low interest rates for some time. Moreover, to prevent financial markets from becoming unstable due to uncertainty about the Bank's future conduct of monetary policy, the government would like the Bank to

clearly explain its outlook for economic activity and prices as well as the future course of monetary policy, so as to make it easier for market participants and the public to form an economic outlook.

VI. Votes

The following three policy proposals submitted by the chairman and one submitted by Mr. A. Mizuno were put to the vote: (1) the guideline for money market operations, proposed by the chairman; (2) a change in the basic discount rate and the basic loan rate, proposed by Mr. A. Mizuno; (3) a change in the basic discount rate and the basic loan rate, proposed by the chairman; and (4) the release of a public statement concerning a change in the guideline for money market operations, proposed by the chairman.

The chairman's policy proposal on the guideline for money market operations was approved, by a unanimous vote.

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. H. Haru, Mr. T. Fukuma, Mr. A. Mizuno, Mr. K. G. Nishimura, and Mr. T. Noda.

Votes against the proposal: None.

Mr. A. Mizuno's policy proposal on a change in the basic discount rate and the basic loan rate was defeated by a 6–3 majority vote.

Votes for the proposal: Ms. M. Suda, Mr. A. Mizuno, and Mr. T. Noda.

Votes against the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Mr. H. Haru, Mr. T. Fukuma, and Mr. K. G. Nishimura.

The chairman's policy proposal on a change in the basic discount rate and the basic loan rate was approved by a 6–3 majority vote.

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Mr. H. Haru, Mr. T. Fukuma, and Mr. K. G. Nishimura.

Votes against the proposal: Ms. M. Suda, Mr. A. Mizuno, and Mr. T. Noda.

Ms. M. Suda dissented from the above proposal mainly for the following reasons. First, a relatively

wide spread between the uncollateralized overnight call rate and the loan rate of the complementary lending facility should be set so that the facility would be used in line with the initial purpose, which was to prevent market rates from surging, for example, on the day of book closings or after some kind of shock, and thereby stabilize the rates. And second, a relatively wide spread would promote restoration of the proper functioning of the money market by encouraging interest arbitrage.

Mr. A. Mizuno dissented from the proposal, arguing that, unless a relatively wide spread was set, financial institutions would make heavy use of the complementary lending facility especially at times when many of them expected higher interest rates, and as a result it would become difficult for the Bank to control the pace at which financial institutions satisfied reserve requirements during a reserve maintenance period. He added that restoration of the proper functioning of the money market was likely to be delayed unless a relatively wide spread was set.

Mr. T. Noda dissented from the proposal for the following reasons. First, the fact that financial institutions were making heavy use of the complementary lending facility in a situation where the financial system had regained stability was undesirable from the viewpoint of market discipline, as it could hinder natural formation of market interest rates. And second, a relatively wide spread would encourage interest arbitrage and thereby contribute to restoring proper functioning of the money market.

The chairman's policy proposal on the release of a public statement concerning a change in the guideline for money market operations was approved, by a unanimous vote.

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. H. Haru, Mr. T. Fukuma, Mr. A. Mizuno, Mr. K. G. Nishimura, and Mr. T. Noda.

Votes against the proposal: None.

Government representatives made the following points in comments after the votes. First, the government considered that the Bank shared its view that it was important to continue to firmly support the economy and to secure market stability, and hoped that the Bank would continue to implement appropriate monetary policy consistent with the

government's economic policy. And second, the government considered it important that the Bank explain clearly the background regarding its decision at this meeting, and also explain that an accommodative monetary environment ensuing from very low interest rates would be maintained for some time. The representatives added that they planned to make public later in the day the government's response at this meeting to the Bank's decision.

VII. Discussion on the Bank's View of Recent Economic and Financial Developments

Members discussed "The Bank's View" in the

Monthly Report of Recent Economic and Financial Developments (consisting of "The Bank's View" and "The Background"), and put it to the vote.

The Policy Board decided, by a unanimous vote, the text of "The Bank's View." It was confirmed that "The Bank's View" would be published on July 14, 2006 and the whole report on July 18, 2006.⁶

VIII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of June 14 and 15, 2006 for release on July 20, 2006.

Attachment

July 14, 2006
Bank of Japan

Change in the Guideline for Money Market Operations

1. At the Monetary Policy Meeting held today, the Bank of Japan decided, by a unanimous vote, to change the guideline for money market operations for the intermeeting period, effective immediately from the announcement of the decision.

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

2. With respect to the complementary lending facility, the Bank decided, by a 6-3 majority vote, to change the basic loan rate^[Note] applicable under the facility to 0.4 percent, effective immediately from the announcement of the decision, and maintain the temporary waiver of add-on rates for frequent users of the facility. With respect to the outright purchases of long-term interest-bearing Japanese government bonds, purchases will continue at the current amounts and frequency for some time, with due regard for future conditions of the balance sheet of the Bank.

[Note] The basic loan rate is stipulated in Article 15, Paragraph 1, Clause 2 of the Bank of Japan Law. The basic discount rate in Clause 1 in the same paragraph is also set at 0.4 percent (Discounting bills has been suspended).

3. Japan's economy continues to expand moderately, with domestic and external demand and also the corporate and household sectors well in balance. The economy is likely to expand for a sustained period. Developments are broadly in line with the projection in the *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) released on April 28, 2006. The year-on-year rate of change in consumer prices is projected to continue to follow a positive trend.
4. The Bank has maintained zero interest rates for an extended period, and the stimulus from monetary policy has been gradually amplified against the backdrop of steady improvements in economic activity and prices. In this environment, maintaining the previous level of the policy interest rate may result in large swings in economic activity and prices in the future. Taking account of the current assessment of economic activity and prices from the two perspectives outlined in the New Framework for the Conduct of Monetary Policy (March 2006), the Bank judged it appropriate to adjust the level of the policy interest rate at this juncture so that a desirable course of economic activity and prices was to be maintained. Today's policy decision will contribute to ensuring price stability and achieving sustainable growth in the medium to long term.
5. On the future path of monetary policy, the Bank will conduct monetary policy by carefully assessing economic activity and prices. The Bank will adjust the level of the policy interest rate gradually in the light of developments in economic activity and prices if they follow the projection presented in the Outlook Report. In this process, an accommodative monetary environment ensuing from very low interest rates will probably be maintained for some time.

THE BANK'S VIEW OF RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS⁷

Japan's economy is expanding moderately.

Exports have continued to increase, while public investment has been on a downtrend. Business fixed investment has continued to increase against the background of high corporate profits and favorable business sentiment. Household income has also continued rising moderately. In this situation, private consumption has been on an increasing trend. Housing investment has increased moderately. With the rise in demand both at home and abroad, production has also been increasing. Meanwhile, the conditions of persistent excess supply have been dispersed, and the output gap seems to have become positive.

Japan's economy is expected to continue expanding moderately.

Exports are expected to continue rising against the background of the expansion of overseas economies. Domestic private demand is likely to continue increasing against the background of high corporate profits and the moderate rise in household income. In light of these increases in demand both at home and abroad, production is also expected to follow an increasing trend. Public investment, meanwhile, is projected to remain on a downtrend.

On the price front, domestic corporate goods prices have continued to increase, mainly reflecting the rise in international commodity prices. The year-on-year rate of change in consumer prices (excluding fresh food) has been on a positive trend.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international

commodity prices. The year-on-year rate of change in consumer prices is projected to continue to follow a positive trend, as the output gap continues to be positive.

As for the financial environment, the environment for corporate finance is accommodative. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks has continued to be accommodative. Credit demand in the private sector has started increasing. Under these circumstances, the rate of increase in the amount outstanding of lending by private banks is accelerating. The amount outstanding of CP and corporate bonds issued is around the previous year's level. Funding costs for firms have risen slightly. Meanwhile, the year-on-year growth rate of the money stock has been at the 1.0–2.0 percent level. As for developments in financial markets, in the money markets, the overnight call rate has been effectively zero percent under the Bank of Japan's guideline for money market operations. Interest rates on term instruments have risen compared with last month. In the foreign exchange and capital markets, long-term interest rates and stock prices have risen compared with last month, while the yen's exchange rate against the U.S. dollar has been around the same level as last month.

Japan's economy is expected to be broadly in line with the outlook presented in the *Outlook for Economic Activity and Prices* (the Outlook Report) released in April. As for prices, domestic corporate goods prices in fiscal 2006 are expected to deviate above the outlook, reflecting the rise in international commodity prices, primarily in crude oil prices. The rate of increase in fiscal 2007 is projected to be broadly in line with the outlook. Meanwhile, consumer prices are projected to be broadly in line with the outlook.

7. The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on July 13 and 14, 2006. It is based on information available at the time of the meeting.

Publications of the Monetary Policy Meeting on August 10 and 11, 2006

Minutes

Released on September 13, 2006

The Bank's View of Recent Economic and Financial Developments

Released on August 11, 2006

English translations prepared by the Bank's staff based on the Japanese originals

MINUTES OF THE MONETARY POLICY MEETING ON AUGUST 10 AND 11, 2006

A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Thursday, August 10, 2006, from 2:00 p.m. to 4:13 p.m., and on Friday, August 11, from 9:00 a.m. to 12:11 p.m.¹

Policy Board Members Present

Mr. T. Fukui, Chairman, Governor of the Bank of Japan
Mr. T. Muto, Deputy Governor of the Bank of Japan
Mr. K. Iwata, Deputy Governor of the Bank of Japan
Ms. M. Suda
Mr. H. Haru
Mr. T. Fukuma
Mr. A. Mizuno
Mr. K. G. Nishimura
Mr. T. Noda

Government Representatives Present

Mr. K. Akaba, Senior Vice Minister of Finance, Ministry of Finance²
Mr. E. Katsu, Deputy Vice Minister for Policy Planning and Coordination, Ministry of Finance³
Mr. J. Hamano, Vice Minister for Policy Coordination, Cabinet Office

Reporting Staff

Mr. A. Yamamoto, Executive Director
Mr. N. Inaba, Executive Director
Mr. A. Horii, Executive Director (Assistant Governor)
Mr. M. Amamiya, Director-General, Monetary Affairs Department
Mr. S. Uchida, Senior Economist, Monetary Affairs Department
Mr. H. Nakaso, Director-General, Financial Markets Department
Mr. H. Hayakawa, Director-General, Research and Statistics Department

Mr. E. Maeda, Deputy Director-General, Research and Statistics Department
Mr. T. Idesawa, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. Y. Nakayama, Director-General, Secretariat of the Policy Board
Mr. Y. Iino, Adviser to the Governor, Secretariat of the Policy Board
Mr. K. Murakami, Director, Secretariat of the Policy Board
Mr. S. Yamaguchi, Senior Economist, Monetary Affairs Department
Mr. K. Suzuki, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments⁴

A. Money Market Operations in the Intermeeting Period

The Bank conducted money market operations in accordance with the guideline decided at the previous meeting on July 13 and 14, 2006.⁵ The uncollateralized overnight call rate rose temporarily after that meeting, but the market calmed swiftly due partly to the Bank's flexible conduct of funds-supplying operations. The rate had been at around 0.25 percent since late July.

B. Recent Developments in Financial Markets

In the money market, interest rates on term instruments and Euroyen futures had been more or less unchanged.

Japanese stock prices declined temporarily, but rose thereafter mainly due to a rise in U.S. stock prices. The Nikkei 225 Stock Average was recently moving at around 15,500 yen.

Long-term interest rates had been more or less unchanged, although they had fluctuated slightly. Recently they were moving at around 1.9 percent.

1. The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on September 7 and 8, 2006 as "a document which contains an outline of the discussion at the meeting" stipulated in Article 20, Paragraph 1 of the Bank of Japan Law of 1997. Those present are referred to by their titles at the time of the meeting.

2. Mr. K. Akaba was present on August 11.

3. Mr. E. Katsu was present on August 10.

4. Reports were made based on information available at the time of the meeting.

5. The guideline was as follows:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

The yen temporarily depreciated against the U.S. dollar to the 117–118 yen range, but appreciated thereafter, mainly reflecting market participants' speculation regarding U.S. monetary policy. The yen was being traded in the range of 114–116 yen to the dollar recently.

C. Overseas Economic and Financial Developments

The U.S. economy continued to expand, as evidenced, for example, by continuous increases in business fixed investment and production. The pace of economic expansion was, however, decelerating, as housing investment was decreasing and the pace of growth in household spending and employment was moderating. As for prices, the consumer price index (CPI) for all items, as well as the core CPI and the core personal consumption expenditures (PCE) deflator, both of which excluded food and energy, increased moderately. The rate of increase in unit labor costs edged up.

In the euro area, the momentum for economic recovery increased, as seen in the fact that exports, production, and business fixed investment were increasing and household spending was recovering gradually against the background of the gradual improvement in the employment situation.

With regard to East Asian economies, in China both domestic and external demand continued to expand strongly, and the pace of economic growth increased further. The NIEs and ASEAN economies continued to expand at a moderate pace on the whole, although negative effects of high energy prices could be seen in some economic activity.

In U.S. and European financial markets, long-term interest rates declined and stock prices rose. In many emerging economies, stock prices continued to rise, reversing the decline until June.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had continued to increase against the background of the expansion of overseas economies, and were expected to continue to rise as overseas economies expanded further, particularly those of the United States and East Asia.

As for domestic private demand, business fixed investment had continued to increase, and was expected to keep increasing since the growth in

domestic and external demand and the high level of corporate profits were likely to be maintained.

Private consumption had been on an increasing trend. With regard to sales indicators, retail sales data had been sluggish due partly to adverse weather conditions, and some indicators for consumer sentiment were also somewhat weak. However, indicators related to services consumption were favorable on the whole. Private consumption was likely to continue to increase steadily with the gradual increase in household income.

Industrial production had continued to increase on the whole against the background of the growth in domestic and external demand, although production of electronic parts and devices decreased slightly. It was expected to continue its uptrend, as overseas economies would continue to grow and domestic demand would keep expanding.

As for the employment and income situation, household income had continued rising moderately in a situation where various indicators continued to show tighter labor market conditions. The gradual increase in household income was likely to continue against the background that firms were increasingly feeling a shortage of labor and the high level of corporate profits was being maintained.

On the price front, domestic corporate goods prices had continued to increase, mainly reflecting the rise in international commodity prices, and were expected to continue increasing. The year-on-year rate of change in the CPI (excluding fresh food, on a nationwide basis) had been on a positive trend, and this trend was projected to continue, as the output gap was likely to continue to be positive.

2. Financial environment

The environment for corporate finance was accommodative. The issuing environment for CP and corporate bonds was favorable, and the lending attitude of private banks had continued to be accommodative. Credit demand in the private sector had been increasing. In this situation, the rate of increase in the amount outstanding of lending by private banks was accelerating, and the amount outstanding of CP and corporate bonds issued was around the previous year's level. Funding costs for firms had risen slightly. The year-on-year rate of change in the money stock (M₂+CDs) was at the 0.0–1.0 percent level.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments

A. Economic Developments

On the current state of Japan's economy, members concurred that, taking into account economic indicators that were released in the intermeeting period, the economy was expanding moderately, with domestic and external demand and also the corporate and household sectors well in balance, broadly in line with the Bank's projection presented in the April *Outlook for Economic Activity and Prices* (hereafter the Outlook Report), and they expected the economy to continue to expand moderately.

Members agreed that overseas economies taken as a whole continued to expand and were likely to keep expanding. They added, however, that they should watch carefully how adjustment in the U.S. economy toward a soft landing was proceeding.

On the U.S. economy, members concurred that, although it continued to expand, the pace of expansion was decelerating. Members also agreed that inflation pressures persisted as seen in continued rises in the core CPI and the core PCE deflator. Many members said that hourly earnings were rising and the revised data for U.S. productivity and costs confirmed acceleration of the rate of increase in unit labor costs. They commented that more attention should therefore be paid to whether the slowing of the U.S. economy would swiftly lead to containment of inflation pressures. In relation to the assessment of productivity, one member commented that, given the deceleration in the rate of increase in business fixed investment, particularly in high-tech equipment, it seemed too optimistic to expect that productivity would keep rising at its recent pace.

With regard to East Asian economies, some members noted that both domestic and external demand continued to expand strongly in China. On European economies, one member said that the momentum for a recovery had been increasing as seen in the fact that exports and production were growing and household spending was recovering. A few members commented that economic fundamentals in emerging economies had been firm.

Many members expressed the view that one factor behind the recent rises in crude oil prices was heightened geopolitical risks as well as the strength in global demand, and therefore members should

be mindful that the geopolitical risks had the potential to destabilize the world economy.

Regarding Japan's economy, members agreed that the increase in exports had continued, reflecting the expansion of overseas economies, and was likely to continue.

As for domestic private demand, members concurred that the strength in the corporate sector continued and this was benefiting the household sector.

With regard to developments in the corporate sector, members agreed that, with the continuing growth in domestic and external demand and the high level of corporate profits, business fixed investment was likely to keep increasing as suggested by the upward trend of leading indicators, such as machinery orders. Based on this view, some members said that it was necessary to examine carefully whether there was a possibility of business fixed investment becoming excessive, eventually precipitating a larger economic downturn, and whether strong investment plans, especially those of IT-related firms, were consistent with projected corporate profits and demand. A different member commented that, if firms' investment plans were generally revised further upward, it might suggest that either the potential growth rate of the economy was higher than expected, or that the economic expansion would mature later than expected, and at present the latter seemed more likely.

Members shared the view that private consumption, which had been on an increasing trend, was likely to continue to increase, mainly reflecting a gradual increase in household income. Some members noted that, while indicators related to services consumption continued to increase, some sluggishness was being observed in indicators related to retail sales and consumer sentiment. They commented that the sluggishness seemed to be basically due to adverse weather conditions and the weakening of consumer sentiment resulting, for example, from the fall in stock prices, but developments in private consumption needed to be watched closely. Meanwhile, one member pointed out that the economic recovery might be affecting different income groups differently, and if this was the case, the positive influence of favorable business performance on private consumption might be weaker than expected.

Members agreed that production had continued to increase and was likely to increase further against the background of the growth in domestic and external demand. Members also concurred that inventories had been more or less in balance with shipments in the industrial sector as a whole. In the case of electronic parts and devices, however, many members pointed out that while production had decreased, inventories were recently accumulating somewhat relative to shipments. They said that this was partly due to temporary production adjustment mainly in East Asia and postponement of the introduction of new products, but given the rapid pace of expansion globally in supply of IT-related goods, the risk of larger-scale adjustment should be noted.

With regard to the employment and income situation, members agreed that household income had continued rising moderately in a situation where labor market conditions continued to tighten and the number of employees, particularly full-time employees, continued to increase steadily.

Some members said that corporate profits were generally high, even though favorable business performance in the April–June quarter was partly a result of the weaker yen. A different member commented that forecasts of corporate profits for fiscal 2006 needed to be examined cautiously, taking into account the effects of, for example, developments in the U.S. economy, high materials prices, and increased depreciation expenses. The member continued that it should be borne in mind that, unlike in fiscal 2005, forecasts might not continue to be revised upward this year.

Members agreed that the first preliminary estimates of GDP statistics for the April–June quarter indicated steady growth in private consumption and business fixed investment, although the growth rate of real GDP was somewhat lower than expected, and this confirmed that Japan's economy was expanding steadily led by domestic private demand.

With regard to prices, members agreed that domestic corporate goods prices continued to increase rapidly, due mainly to the rise in prices of international commodities such as crude oil and nonferrous metals, and were likely to continue to increase.

Members agreed that the year-on-year rate of change in the CPI (excluding fresh food, on a nationwide basis) was likely to continue to follow a positive trend, as the output gap continued to be

positive. One member said that it should be noted that the rate of increase in prices of goods other than those that were energy-related was relatively low. Another member pointed out, however, that an increasing number of items were contributing to the rise in the CPI. Regarding the revised CPI to be released later in the month, many members commented that the Bank would not need to change its current assessment of price developments if the degree of divergence from the 2000 base-year figure was basically in line with its expectations. One member pointed out that some survey results suggested that the inflation rate expected by consumers was rising, and commented that developments in consumers' expectations required close monitoring.

As for land prices, one member pointed out that, in terms of the appraised value of land facing a thoroughfare, the year-on-year rate of change in the average land price nationwide had turned positive for the first time in 14 years. The member expressed the view that although land prices seemed to be generally consistent with the expected return, careful monitoring was required of developments.

B. Financial Developments

On the financial front, members concurred that the financial environment in terms of corporate finance, such as the lending attitude of private banks and the issuing environment for CP and corporate bonds, remained extremely accommodative. One member said that the pace of increase in the amount outstanding of lending by private banks was accelerating due to an increase in credit demand in the private sector against the background of economic expansion. The member continued that, despite this acceleration, the pace of increase in the money stock (M₂+CDs) was decelerating partly due to the ongoing shift of funds from bank deposits to other types of financial assets in a situation where the rate of return on financial assets other than bank deposits was improving and the Japanese financial system had regained stability. The member expressed the view that the slower pace of increase in the money stock was compatible with moderate price increases and sustainable economic growth.

Some members commented that stock prices had regained stability after the unstable movements that started in the middle of May, but possible effects of geopolitical risks continued to warrant careful attention.

III. Summary of Discussions on Monetary Policy for the Immediate Future

On the monetary policy stance for the immediate future, members agreed that, based on their assessment of the economic and financial situation, it was appropriate to maintain the current guideline for money market operations that the Bank would encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

Members concurred that financial markets had been generally stable since the policy change in July. Members agreed that the Bank had been smoothly controlling the levels of interest rates in the money market overall, although the uncollateralized overnight call rate had risen temporarily in July. As the background to this, they noted that financial institutions had gradually become more active in extending credit thereafter and the Bank's flexible money market operations had been effective. Some members noted that interest rates on term instruments and long-term interest rates had also been stable.

Regarding a factor that contributed to the generally smooth policy shift in July, many members expressed the view that the new framework for the conduct of monetary policy introduced in March had functioned effectively in communication with market participants, and the Bank's message stated in, for example, the Outlook Report had been understood well by market participants.

Many members said, however, that the functioning of the money market was still not fully restored. Some of these members commented that, to improve the situation, credit lines needed to be established and expanded further and same-day-start collateralized transactions needed to be used more frequently. Some members said that yen-carry trades might have been affecting the formation of interest rates in the money market, and thus the Bank should gather information about developments in yen-carry trades, although it was difficult to obtain an accurate picture.

Many members said that the Bank should maintain the basic loan rate of the complementary lending facility at 0.4 percent as at present in view of the level of use of the facility and developments in the general collateral (GC) repo rate.

Regarding the future path of monetary policy, members said that the Bank would conduct monetary policy by carefully assessing economic activity and prices. Members concurred that, if developments

in economic activity and prices followed the Bank's projection presented in the April Outlook Report, it would be appropriate to conduct monetary policy in line with the thinking described in it. In other words, the Bank would adjust the level of the policy interest rate gradually in the light of developments in economic activity and prices, and in this process, an accommodative monetary environment ensuing from very low interest rates would probably be maintained for some time.

One member said that given that the growth of demand and supply in the economy was balanced and excess demand seemed unlikely to expand in the near future, the current level of the policy interest rate was appropriate and the Bank should adjust the level gradually.

With regard to the Bank's communication of its thinking regarding the future conduct of monetary policy, members agreed that since the new framework for the conduct of monetary policy had been effective, the Bank should continue to communicate its assessment of developments in economic activity and prices and its thinking about the conduct of monetary policy based on this framework through, for example, its Outlook Report. Some members noted that the public was focusing on whether the Bank would raise the level of the policy interest rate in 2006. They said that it was important that the Bank explain carefully that the timing of any policy change depended on developments in economic activity and prices and that it had no predetermined view regarding the future path of monetary policy at this point.

IV. Remarks by Government Representatives

The representative from the Ministry of Finance made the following remarks.

- (1) Japan's economy was recovering. However, attention should be paid to the effects of developments in crude oil prices on domestic and overseas economies. A comprehensive review of developments in prices suggested that the overcoming of deflation was coming into prospect.
- (2) Since there was currently no concern about inflation, the government considered that it was important that the Bank firmly supported the economy from the financial side.
- (3) The government would therefore like the Bank to maintain the current guideline for money market

operations for the immediate future, while carefully monitoring economic activity and prices.

- (4) In order to prevent financial markets from becoming unstable due to speculation regarding future monetary policy, the government would like the Bank to give due consideration to developments in financial markets and clearly explain its thinking regarding the future course of monetary policy to market participants and the public in line with the decision at the previous meeting.

The representative from the Cabinet Office made the following remarks.

- (1) Although Japan's economy was recovering, a close watch needed to be kept on price movements. According to the first preliminary estimates of GDP for the April–June quarter released on August 11, the real GDP growth rate was 0.2 percent on a quarter-on-quarter basis, and 0.8 percent on an annualized quarter-on-quarter basis. The nominal GDP growth rate was 0.3 percent on a quarter-on-quarter basis, and 1.1 percent on an annualized quarter-on-quarter basis. The GDP deflator continued to exhibit a year-on-year decrease.
- (2) In order to ensure the overcoming of deflation during the concentrated consolidation period and achieve sustainable economic growth led by private demand with price stability, it was important for the government and the Bank to make joint efforts. The government would accelerate and deepen structural reforms based on “Basic Policies for Economic and Fiscal Management and Structural Reform 2006.” It would like the Bank to implement effective monetary policy that was consistent with the government's policy efforts and with its outlook for the economy while paying due consideration to developments in financial markets, and thereby support the economy from the financial side responsibly.
- (3) As for the future path of monetary policy, the Bank had stated that an accommodative monetary environment ensuing from very low interest rates would probably be maintained for some time. To prevent financial markets from becoming unstable due to uncertainty about the Bank's future conduct of monetary policy, the government would like the Bank to clearly explain

its outlook for economic activity and prices as well as the future course of monetary policy, so as to make it easier for market participants and the public to form an economic outlook.

V. Votes

Based on the above discussions, members agreed that it was appropriate to maintain the current guideline for money market operations, which encouraged the uncollateralized overnight call rate to remain at around 0.25 percent.

To reflect this view, the chairman formulated the following proposal and put it to the vote.

The Chairman's Policy Proposal on the Guideline for Money Market Operations:

The guideline for money market operations for the intermeeting period ahead will be as follows, and will be made public by the attached statement (see Attachment).

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. H. Haru, Mr. T. Fukuma, Mr. A. Mizuno, Mr. K. G. Nishimura, and Mr. T. Noda.

Votes against the proposal: None.

VI. Discussion on the Bank's View of Recent Economic and Financial Developments

Members discussed “The Bank's View” in the *Monthly Report of Recent Economic and Financial Developments* (consisting of “The Bank's View” and “The Background”), and put it to the vote.

The Policy Board decided, by a unanimous vote, the text of “The Bank's View.” It was confirmed that “The Bank's View” would be published on August 11, 2006 and the whole report on August 14, 2006.⁶

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of July 13 and 14, 2006 for release on August 16, 2006.

6. The English version of the whole report was published on August 15, 2006.

Attachment

August 11, 2006
Bank of Japan

At the Monetary Policy Meeting held today, 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 0.25 percent.

THE BANK'S VIEW OF RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS⁷

Japan's economy is expanding moderately.

Exports have continued to increase, while public investment has been on a downtrend. Business fixed investment has continued to increase against the background of high corporate profits. Household income has also continued rising moderately. In this situation, private consumption has been on an increasing trend. Housing investment has increased moderately. With the rise in demand both at home and abroad, production has also been increasing.

Japan's economy is expected to continue expanding moderately.

Exports are expected to continue rising against the background of the expansion of overseas economies. Domestic private demand is likely to continue increasing against the background of high corporate profits and the moderate rise in household income. In light of these increases in demand both at home and abroad, production is also expected to follow an increasing trend. Public investment, meanwhile, is projected to remain on a downtrend.

On the price front, domestic corporate goods prices have continued to increase, mainly reflecting the rise in international commodity prices. The year-on-year rate of change in consumer prices (excluding fresh food) has been on a positive trend.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices. The year-on-year rate of change in consumer prices is projected to continue to follow a positive trend, as the output gap continues to be positive.

As for the financial environment, the environment for corporate finance is accommodative. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks has continued to be accommodative. Credit demand in the private sector has started increasing. Under these circumstances, the rate of increase in the amount outstanding of lending by private banks is accelerating. The amount outstanding of CP and corporate bonds issued is around the previous year's level. Funding costs for firms have risen slightly. Meanwhile, the year-on-year rate of change in the money stock is at the 0.0–1.0 percent level. As for developments in financial markets, in the money markets, the overnight call rate has been moving at around 0.25 percent, and interest rates on term instruments have been around the same level as last month. In the foreign exchange and capital markets, stock prices have risen compared with last month, while the yen's exchange rate against the U.S. dollar and long-term interest rates have been around the same level as last month.

7. The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on August 10 and 11, 2006. It is based on information available at the time of the meeting.

Publications of the Monetary Policy Meeting on September 7 and 8, 2006

Minutes

Released on October 18, 2006

The Bank's View of Recent Economic and Financial Developments

Released on September 8, 2006

English translations prepared by the Bank's staff based on the Japanese originals

MINUTES OF THE MONETARY POLICY MEETING ON SEPTEMBER 7 AND 8, 2006

A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Thursday, September 7, 2006, from 2:00 p.m. to 4:18 p.m., and on Friday, September 8, from 9:00 a.m. to 12:32 p.m.¹

Policy Board Members Present

Mr. T. Fukui, Chairman, Governor of the Bank of Japan
Mr. T. Muto, Deputy Governor of the Bank of Japan
Mr. K. Iwata, Deputy Governor of the Bank of Japan
Ms. M. Suda
Mr. H. Haru
Mr. T. Fukuma
Mr. A. Mizuno
Mr. K. G. Nishimura
Mr. T. Noda

Government Representatives Present

Mr. K. Akaba, Senior Vice Minister of Finance, Ministry of Finance²
Mr. E. Katsu, Deputy Vice Minister for Policy Planning and Coordination, Ministry of Finance³
Mr. B. Fujioka, Director General for Economic and Fiscal Management, Cabinet Office

Reporting Staff

Mr. N. Inaba, Executive Director
Mr. K. Ido, Executive Director
Mr. M. Amamiya, Director-General, Monetary Affairs Department
Mr. S. Uchida, Senior Economist, Monetary Affairs Department
Mr. H. Nakaso, Director-General, Financial Markets Department
Mr. H. Hayakawa, Director-General, Research and Statistics Department

Mr. E. Maeda, Deputy Director-General, Research and Statistics Department
Mr. T. Idesawa, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. Y. Nakayama, Director-General, Secretariat of the Policy Board
Mr. Y. Iino, Adviser to the Governor, Secretariat of the Policy Board
Mr. K. Murakami, Director, Secretariat of the Policy Board
Mr. N. Oda, Senior Economist, Monetary Affairs Department
Mr. K. Suzuki, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments⁴

A. Money Market Operations in the Intermeeting Period

The Bank conducted money market operations in accordance with the guideline decided at the previous meeting on August 10 and 11, 2006.⁵ The uncollateralized overnight call rate had been at around 0.25 percent.

B. Recent Developments in Financial Markets

In the money market, interest rates on term instruments had been more or less unchanged. Interest rates on Euroyen futures fell, particularly for those with distant contract months.

Japanese stock prices rose partly reflecting favorable corporate results, but then declined due mainly to a fall in U.S. stock prices. The Nikkei 225 Stock Average was recently at around 16,000 yen.

Long-term interest rates fell, and were at around 1.7 percent recently.

The yen had been more or less unchanged against the U.S. dollar. It was being traded in the range of 115–117 yen to the dollar recently.

1. The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on October 12 and 13, 2006 as “a document which contains an outline of the discussion at the meeting” stipulated in Article 20, Paragraph 1 of the Bank of Japan Law of 1997. Those present are referred to by their titles at the time of the meeting.

2. Mr. K. Akaba was present on September 8.

3. Mr. E. Katsu was present on September 7.

4. Reports were made based on information available at the time of the meeting.

5. The guideline was as follows:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

C. Overseas Economic and Financial Developments

The U.S. economy continued to expand, as evidenced, for example, by continuous increases in business fixed investment and production. The pace of economic expansion was, however, decelerating, as the pace of growth in private consumption and employment was moderating and housing investment was decreasing gradually. As for prices, the pace of increase in the consumer price index (CPI) for all items was relatively fast due to high energy prices, and the core inflation rate (the CPI for all items less food and energy) increased moderately. The rate of increase in unit labor costs edged up.

In the euro area, economic recovery had generally become evident. The pace of growth in business fixed investment was accelerating with the continued increases in exports and production. In addition, private consumption was recovering, as the employment situation continued to improve gradually reflecting high corporate profits.

With regard to East Asian economies, in China the pace of economic growth was increasing recently, as both domestic and external demand continued to expand strongly. The NIEs and ASEAN economies continued to expand at a moderate pace on the whole, although negative effects of high energy prices could be seen in some economic activity.

In U.S. and European financial markets, long-term interest rates declined and stock prices rose. In many emerging economies, financial markets generally remained firm, as evidenced, for example, by the rise in stock prices.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had continued to increase against the background of the expansion of overseas economies, and were expected to continue to rise as overseas economies taken as a whole continued to expand.

As for domestic private demand, business fixed investment had continued to increase, and was expected to keep increasing since the growth in domestic and external demand and the high level of corporate profits were likely to be maintained.

Private consumption had been on an increasing trend. With regard to sales indicators, retail sales data had been sluggish due partly to adverse weather conditions, and some indicators for consumer

sentiment were also somewhat weak. However, indicators related to services consumption were favorable on the whole. Private consumption was likely to continue to increase steadily with the gradual increase in household income.

Production as a trend had continued to increase against the background of the growth in domestic and external demand. Industrial production was flat in July compared to the monthly average of the April-June quarter, but this was due to a temporary fall in production of items that tended to fluctuate substantially. The upward trend was expected to continue, as overseas economies continued to grow and domestic demand kept expanding. Inventories had been in balance with shipments as a whole.

As for the employment and income situation, household income had continued rising moderately, in a situation where various indicators continued to show tighter labor market conditions. The gradual increase in household income was likely to continue against the background that firms were increasingly feeling a shortage of labor and the high level of corporate profits was being maintained.

On the price front, domestic corporate goods prices had continued to increase, mainly reflecting the rise in international commodity prices, and were expected to continue increasing. The year-on-year rate of change in the CPI (excluding fresh food, on a nationwide basis) remained on a positive trend, although the recent rebasing of the index caused divergence of the new 2005 base-year series from the 2000 base-year series. The positive trend was projected to continue, as the output gap was likely to continue to be positive.

2. Financial environment

The environment for corporate finance was accommodative. The issuing environment for CP and corporate bonds was favorable, and the lending attitude of private banks had continued to be accommodative. Credit demand in the private sector had started to increase. In this situation the amount outstanding of lending by private banks had been increasing, and the amount outstanding of CP and corporate bonds issued was around the previous year's level. Funding costs for firms had risen slightly. The year-on-year rate of change in the money stock (M₂+CDs) was at the 0.0-1.0 percent level.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments

A. Economic Developments

On the current state of Japan's economy, members concurred that, taking into account economic indicators that were released in the intermeeting period, the economy was expanding moderately, with domestic and external demand and also the corporate and household sectors well in balance, broadly in line with the Bank's projection presented in the April *Outlook for Economic Activity and Prices* (hereafter the Outlook Report) and the interim assessment made public in July. They also agreed that the economy was likely to continue to expand moderately, in an environment in which a virtuous cycle of production, income, and expenditure would operate.

Members agreed that overseas economies taken as a whole continued to expand and were likely to keep expanding. They added, however, that they should watch carefully how adjustment toward a soft landing was proceeding in the U.S. economy.

On the U.S. economy, members concurred that, although it continued to expand, the pace of expansion was decelerating. Many members noted that the decrease in housing investment was becoming more evident. Some of these members expressed the view that these developments were generally in line with expectations and the economy was in the process of adjustment toward a soft landing. Some other members commented that developments in housing investment warranted attention since a substantial decrease could be a downside risk to the economic outlook. With regard to prices, members agreed that inflation pressures persisted as seen in continued rises in the core CPI and the core personal consumption expenditures (PCE) deflator. Some members pointed out that the increase in unit labor costs continued to exert inflation pressure, and commented that they would also pay attention to how the fall in energy prices affected general prices. Many members said that whether the slowing of the U.S. economy contained inflation pressures should continue to be watched closely.

With regard to European economies, some members said that economic recovery had become evident, as seen in the fact that private consumption was recovering as exports and production increased. On East Asian economies, some members noted that

both domestic and external demand continued to expand strongly in China. One member commented that the NIEs and ASEAN economies continued to expand at a moderate pace on the whole.

Many members pointed out that crude oil prices had recently started to fall partly because geopolitical risks had ceased to heighten further. They noted, however, that crude oil prices remained at high levels due partly to continuing uncertainty about the geopolitical situation and the strength in global demand, and expressed the view that the effects of high crude oil prices on the world economy continued to warrant attention.

Regarding Japan's economy, members agreed that the increase in exports had continued, reflecting the expansion of overseas economies, and was likely to continue.

As for domestic private demand, members concurred that the strength in the corporate sector continued and this was benefiting the household sector.

With regard to developments in the corporate sector, members agreed that business fixed investment was likely to keep increasing, reflecting the continuing growth in domestic and external demand and the high level of corporate profits. Some members commented that this forecast was supported by figures for the April-June quarter in the *Financial Statements Statistics of Corporations by Industry, Quarterly*. One member said that the firmness in business fixed investment was seen in a wide range of industries. Based on these assessments, a few members commented that they would continue to pay attention to whether there was a possibility of an acceleration of business fixed investment causing large economic swings. One member said that it was necessary to watch carefully whether strong investment plans, especially those of IT-related firms, were consistent with projected corporate profits and demand. A different member noted that business fixed investment of small and medium-sized firms was not as strong as that of large firms, and said that the member would watch carefully developments in business fixed investment, including the results of the September *Tankan* (Short-Term Economic Survey of Enterprises in Japan).

Members shared the view that private consumption, which had been on an increasing trend, was likely to continue to increase, mainly reflecting a gradual increase in household income. Some

members noted that, while indicators related to services consumption, such as outlays for travel and sales in the food service industry, continued to increase, some sluggishness was being observed in indicators related to retail sales and consumer sentiment. They pointed out that the sluggishness seemed to be largely due to temporary factors such as adverse weather conditions, and commented that developments in private consumption after these factors fell off warranted attention. Many members said that the strength in the corporate sector had been relatively slow in benefiting the household sector to date.

Members agreed that production had continued to increase and was likely to increase further against the background of the growth in domestic and external demand. Some members referred to industrial production for July and said that it was not necessary to change the assessment that production was on an uptrend. Members also concurred that inventories had been more or less in balance with shipments in the industrial sector as a whole. In the case of electronic parts and devices, however, many members expressed the view that close monitoring was still necessary of developments in their inventories, which were accumulating somewhat relative to shipments. On this point, some members said that inventories of electronic parts and devices had increased partly because firms had accumulated them in anticipation of future demand, for example, Christmas sales. A few members commented that, compared to past adjustment phases of IT-related goods, current fluctuations in their shipments were not especially large. One member noted that the correlation between developments in inventories of electronic parts and devices and those of other goods had become weak, and expressed the view that the risk of inventory adjustment of electronic parts and devices spreading to other industries was small.

As for the employment and income situation, members agreed that labor market conditions continued to tighten and the number of employees, particularly full-time employees, continued to increase steadily. Regarding wages, some members referred to the fact that regular payments had been somewhat weak recently, and said that this was against the background that firms were still restraining labor costs. In this regard, a few members commented that firms were increasingly feeling

a shortage of labor and that this might affect regular payments in the future. Members agreed that wages as a whole, including overtime payments and special payments, were likely to continue increasing gradually.

With regard to prices, members agreed that domestic corporate goods prices were increasing due mainly to the rise in prices of international commodities such as crude oil and nonferrous metals, and were likely to continue to increase.

Members agreed that the year-on-year rate of change in the CPI (excluding fresh food, on a nationwide basis) had been on a positive trend in the 2005 base-year series as in the 2000 base-year series, and that it was likely to continue to follow a positive trend, as the output gap continued to be positive. One member expressed the view that, looking at price movements by item, inflation pressures were not strengthening for goods other than energy-related ones. Another member, on the other hand, said that prices of an increasing number of items were rising. Members commented on the revision of the CPI from the 2000 base-year series to the 2005 base-year series that negative divergence from the 2000 base-year series in the year-on-year rate of change was somewhat larger than generally expected, but agreed that the Bank's basic assessment of prices did not need to be changed following the revision. With regard to the causes of the larger-than-expected negative divergence, some members pointed out that, although the effects of re-indexing and of including new items in the CPI basket were basically within the expected range, the effects of changes in the calculation of indices for existing items in the CPI basket, such as mobile telephone charges, might have been significant. These members continued that most of the effects on the CPI of the changes in the calculation of indices for existing items were likely to cease one year after those effects had started to appear. One member commented that the rebasing of the CPI had increased the weights of items undergoing rapid technological innovation and deregulation in the CPI basket, and the member would pay attention to how this increase affected developments in the CPI. Another member said that, compared to the 2000 base-year series, the year-on-year rate of change in the CPI was lower in the 2005 base-year series, but the uptrend in the year-on-year rate of change since the beginning of 2006 was more evident.

B. Financial Developments

On the financial front, members concurred that the financial environment in terms of corporate finance, such as the lending attitude of private banks and the issuing environment for CP and corporate bonds, remained accommodative. Some members said that the amount outstanding of lending by private banks continued to increase in a situation where credit demand in the private sector had started increasing. A few members commented that the pace of increase in the money stock (M₂+CDs) was relatively slow despite the increase in lending, partly due to the ongoing shift of funds from bank deposits to other types of financial assets in a situation where the rate of return on these assets was improving and the Japanese financial system had regained stability. They expressed the view that the slow pace of increase in the money stock was compatible with moderate price increases and sustainable economic growth. One member said that the financial environment could also be considered accommodative given that the level of real interest rates was low relative to the real GDP growth rate.

III. Summary of Discussions on Monetary Policy for the Immediate Future

On the monetary policy stance for the immediate future, members agreed that, based on their assessment of the economic and financial situation, it was appropriate to maintain the current guideline for money market operations that the Bank would encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

Members concurred that financial markets had been generally stable since the previous meeting. Members agreed that interest rates in the money market had been kept smoothly under control overall, as evident in the weighted average of the uncollateralized overnight call rate, which moved in a range of a few basis points below and above 0.25 percent. As the background to this, some members noted that the Bank's flexible money market operations had been effective, and concerns about market financing had eased. A few members said that market participants had become accustomed to trading in the current financial environment. One member pointed out that there was limited use of the complementary lending facility in the intermeeting period, and commented that this was due to the fact that the

general collateral (GC) repo rate had generally been at around 0.3 percent, well below the current 0.4 percent loan rate applied to the facility (the basic loan rate).

Regarding the future path of monetary policy, members said that the Bank would conduct monetary policy by carefully assessing economic activity and prices. Members concurred that, if developments in economic activity and prices followed the Bank's projection presented in the April Outlook Report, it would be appropriate to conduct monetary policy in line with the thinking described in it. They also agreed that it was important that the Bank explain carefully that the timing of any policy change depended on developments in economic activity and prices and that it had no predetermined view regarding the future path of monetary policy at this point.

As for the effect of the recent rebasing of the CPI, members affirmed that the "understanding of medium- to long-term price stability" in the new framework for the conduct of monetary policy should not be affected by the rebasing, because the understanding covered the medium to long term.

With regard to the Bank's communication of the outlook for prices, one member said that it would be beneficial to use the chain-weighted CPI as well, because it was less affected by re-indexing. Some members expressed the view that, although use of the chain-weighted CPI might have some advantages, the Bank had to consider such disadvantages as the fact that its release lagged behind the currently used fixed-weight CPI and it was relatively unfamiliar to the public.

IV. Remarks by Government Representatives

The representative from the Ministry of Finance made the following remarks.

(1) Japan's economy was recovering. The corporate sector showed strength as seen in firmness in business fixed investment, but some indicators related to private consumption were sluggish due partly to adverse weather conditions. Attention should be paid to the effects on the economy of developments in crude oil prices and overseas economies. A comprehensive review of developments in prices suggested that the overcoming of deflation was coming into prospect.

- (2) In the current situation where there was no concern about inflation and figures for the year-on-year rate of increase in the CPI had been revised downward due to the recent rebasing of the CPI, the government considered that it was important that the Bank maintain the current guideline for money market operations and firmly support the economy in order to ensure the sustainability of the economic recovery.
- (3) The government would like the Bank to give due consideration to developments in financial markets. In order to prevent the markets from becoming unstable due to speculation regarding future monetary policy, the government would like the Bank to clearly explain its thinking regarding the future course of monetary policy to market participants and the public and to promote proper formation of expectations.

The representative from the Cabinet Office made the following remarks.

- (1) Although Japan's economy was recovering, a close watch needed to be kept on price movements.
- (2) In order to ensure the overcoming of deflation during the concentrated consolidation period and achieve sustainable economic growth led by private demand with price stability, it was important for the government and the Bank to make joint efforts. The government would accelerate and deepen structural reforms based on "Basic Policies for Economic and Fiscal Management and Structural Reform 2006." It would like the Bank to implement effective monetary policy that was consistent with the government's policy efforts and with its outlook for the economy while paying due consideration to developments in financial markets, and thereby support the economy from the financial side responsibly.
- (3) As for the future path of monetary policy, the Bank had stated that an accommodative monetary environment ensuing from very low interest rates would probably be maintained for some time. To prevent financial markets from becoming unstable due to uncertainty about the Bank's future conduct of monetary policy, the government would like the Bank to clearly explain its outlook for economic activity and prices as well as the future course

of monetary policy, so as to make it easier for market participants and the public to form an economic outlook.

V. Votes

Based on the above discussions, members agreed that it was appropriate to maintain the current guideline for money market operations, which encouraged the uncollateralized overnight call rate to remain at around 0.25 percent.

To reflect this view, the chairman formulated the following proposal and put it to the vote.

The Chairman's Policy Proposal on the Guideline for Money Market Operations:

The guideline for money market operations for the intermeeting period ahead will be as follows, and will be made public by the attached statement (see Attachment 1).

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.25 percent.

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. H. Haru, Mr. T. Fukuma, Mr. A. Mizuno, Mr. K. G. Nishimura, and Mr. T. Noda.

Votes against the proposal: None.

VI. Discussion on the Bank's View of Recent Economic and Financial Developments

Members discussed "The Bank's View" in the *Monthly Report of Recent Economic and Financial Developments* (consisting of "The Bank's View" and "The Background"), and put it to the vote.

The Policy Board decided, by a unanimous vote, the text of "The Bank's View." It was confirmed that "The Bank's View" would be published on September 8, 2006 and the whole report on September 11, 2006.⁶

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of August 10 and 11, 2006 for release on September 13, 2006.

6. The English version of the whole report was published on September 12, 2006.

VIII. Approval of the Scheduled Dates of the Monetary Policy Meetings in October 2006– March 2007

At the end of the meeting, the Policy Board
approved the dates of the Monetary Policy Meetings

to be held in the period October 2006–March 2007,
for immediate release (see Attachment 2).

Attachment 1

September 8, 2006
Bank of Japan

At the Monetary Policy Meeting held today, 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 0.25 percent.

Attachment 2

September 8, 2006
Bank of Japan

Scheduled Dates of Monetary Policy Meetings in October 2006–March 2007

	Date of MPM	Publication of Monthly Report (The Bank's View)	Publication of MPM Minutes
Oct. 2006	12 (Thur.), 13 (Fri.)	13 (Fri.)	Nov. 21 (Tue.)
	31 (Tue.)	—	Dec. 22 (Fri.)
Nov.	15 (Wed.), 16 (Thur.)	16 (Thur.)	Dec. 22 (Fri.)
Dec.	18 (Mon.), 19 (Tue.)	19 (Tue.)	Jan. 23 (Tue.)
Jan. 2007	17 (Wed.), 18 (Thur.)	18 (Thur.)	Feb. 26 (Mon.)
Feb.	20 (Tue.), 21 (Wed.)	21 (Wed.)	Mar. 26 (Mon.)
Mar.	19 (Mon.), 20 (Tue.)	20 (Tue.)	To be announced

Note: "The Bank's View" in the *Monthly Report of Recent Economic and Financial Developments* (Monthly Report) is scheduled to be published at 3:00 p.m. (this schedule is subject to change on certain grounds such as late closing of the meeting).

Full text of the Monthly Report will be published at 2:00 p.m. on the next business day of the publication of "The Bank's View" (English translation will be published at 4:30 p.m. on the second business day of the publication of "The Bank's View").

"The Bank's View" in the *Outlook for Economic Activity and Prices* (October 2006) will be published at 3:00 p.m. on Tuesday, October 31, 2006 (the whole report including the background will be published at 2:00 p.m. on Wednesday, November 1).

THE BANK'S VIEW OF RECENT ECONOMIC AND FINANCIAL DEVELOPMENTS⁷

Japan's economy is expanding moderately.

Exports have continued to increase, while public investment has been on a downtrend. Business fixed investment has continued to increase against the background of high corporate profits. Household income has also continued rising moderately. In this situation, private consumption has been on an increasing trend. Housing investment has been increasing moderately with some fluctuations. With the rise in demand both at home and abroad, production has also been increasing.

Japan's economy is expected to continue expanding moderately.

Exports are expected to continue rising against the background of the expansion of overseas economies. Domestic private demand is likely to continue increasing against the background of high corporate profits and the moderate rise in household income. In light of these increases in demand both at home and abroad, production is also expected to follow an increasing trend. Public investment, meanwhile, is projected to remain on a downtrend.

On the price front, domestic corporate goods prices have continued to increase, mainly reflecting the rise in international commodity prices. The

year-on-year rate of change in consumer prices (excluding fresh food) has been on a positive trend.

Domestic corporate goods prices are expected to continue increasing for the time being, mainly due to the effects of the rise in international commodity prices. The year-on-year rate of change in consumer prices is projected to continue to follow a positive trend, as the output gap continues to be positive.

As for the financial environment, the environment for corporate finance is accommodative. The issuing environment for CP and corporate bonds is favorable. Also, the lending attitude of private banks has continued to be accommodative. Credit demand in the private sector has started increasing. Under these circumstances, the amount outstanding of lending by private banks has been increasing. The amount outstanding of CP and corporate bonds issued is around the previous year's level. Funding costs for firms have risen slightly. Meanwhile, the year-on-year rate of change in the money stock is at the 0.0–1.0 percent level. As for developments in financial markets, in the money markets, the overnight call rate has been moving at around 0.25 percent, and interest rates on term instruments have been around the same level as last month. In the foreign exchange and capital markets, long-term interest rates have fallen compared with last month, while the yen's exchange rate against the U.S. dollar and stock prices have been around the same level as last month.

7. The text of "The Bank's View" was decided by the Policy Board at the Monetary Policy Meeting held on September 7 and 8, 2006. It is based on information available at the time of the meeting.

Financial System Report (Preface)

The full text in English can be accessed at the Bank's web site (<http://www.boj.or.jp/en/index.htm>).

Preface

The Bank of Japan began the publication of the *Financial System Report* last year. The purpose of this report can be summarized as follows:

- To present a comprehensive analysis and assessment of the stability and the functioning of the Japanese financial system and to highlight and examine potential risks to financial system stability.
- To facilitate communication with concerned parties on maintaining the stability and enhancing the functioning of the financial system and thereby contribute to long-term financial stability and the sound development of the economy.

Japan's financial system has almost overcome the nonperforming-loan (NPL) problem that it has been grappling with for over ten years since the bursting of the asset price bubble and is now entering a new phase. The environment surrounding the Japanese financial system has also been changing

significantly: financial markets have become increasingly global, financial activities have been deregulated, and technology and its application in financial services have made further substantial progress. In this new phase, the main players, such as private financial institutions and the central bank, need to respond proactively to the changing environment and take necessary action to further enhance the stability and the efficiency of Japan's financial system. This is crucial to achieve a sound development of Japan's economy.

The Bank of Japan will continue to analyze and evaluate the stability and the efficiency of the financial system and to make its assessment publicly known. Furthermore, the Bank will take appropriate policy measures. Through these activities, the Bank will contribute to maintaining the stability and enhance the efficiency of the financial system.

Public Statement by the Bank of Japan

July-September 2006

September 29, 2006

Bank of Japan

Statistical Releases and Publications Scheduled for the Next Six Months from October 2006 to March 2007¹

Notice

- “International Investment Position of Japan (Preliminary Estimate),” “International Investment Position of Japan (Revised Estimate),” and “International Investment Position of Japan (Annual Figures)” are jointly released by the Ministry of Finance and the Bank of Japan.

The schedule for releases is added to “Statistical Releases and Publications Scheduled for the Next Six Months.” (September 29, 2006)

Statistics

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Business Survey							
Tankan (Short-Term Economic Survey of Enterprises in Japan)²							
Summary ³ and Outline	8:50 a.m. (Quarterly)	(Sep. Survey) 2 (Mon.)	—	(Dec. Survey) 15 (Fri.)	—	—	—
Figures by Industry and The Comprehensive Data Set	8:50 a.m. (Quarterly)	(Sep. Survey) 3 (Tue.)	—	(Dec. Survey) 18 (Mon.)	—	—	—
Currency							
Money Stock (Preliminary Figures)	8:50 a.m. (Monthly)	(For Sep.) 12 (Thur.)	(For Oct.) 9 (Thur.)	(For Nov.) 8 (Fri.)	(For Dec.) 12 (Fri.)	(For Jan.) 8 (Thur.)	(For Feb.) 8 (Thur.)
Monetary Survey ⁴	8:50 a.m. (Monthly)	(For Aug.) 16 (Mon.)	(For Sep.) 15 (Wed.)	(For Oct.) 14 (Thur.)	(For Nov.) 18 (Thur.)	(For Dec.) 15 (Thur.)	(For Jan.) 14 (Wed.)
Issuance of New Series Bank of Japan Notes ⁴	3:00 p.m. (Monthly)	(For Sep.) 4 (Wed.)	(For Oct.) 6 (Mon.)	(For Nov.) 5 (Tue.)	(For Dec.) 9 (Tue.)	(For Jan.) 5 (Mon.)	(For Feb.) 5 (Mon.)
Receipts and Payments of Banknotes and Coins ⁴	8:50 a.m. (Annually)	—	—	—	—	(CY 2006) 14 (Wed.)	—

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Bank of Japan							
Sources of Changes in Current Account Balances at the Bank of Japan and Market Operations (Final Figures)	1:00 p.m. (Monthly)	(For Sep.) 2 (Mon.)	(For Oct.) 1 (Wed.)	(For Nov.) 1 (Fri.)	(For Dec.) 4 (Thur.)	(For Jan.) 1 (Thur.)	(For Feb.) 1 (Thur.)
Sources of Changes in Current Account Balances at the Bank of Japan (Projections)	8:50 a.m. (Monthly)	(For Oct.) 3 (Tue.)	(For Nov.) 2 (Thur.)	(For Dec.) 4 (Mon.)	(For Jan.) 9 (Tue.)	(For Feb.) 2 (Fri.)	(For Mar.) 2 (Fri.)
Sources of Changes in Current Account Balances at the Bank of Japan and Market Operations (Preliminary Figures)	Around 7:30 p.m. (Monthly)	(For Oct.) 31 (Tue.)	(For Nov.) 30 (Thur.)	(For Dec.) 29 (Fri.)	(For Jan.) 31 (Wed.)	(For Feb.) 28 (Wed.)	(For Mar.) 30 (Fri.)
Sources of Changes in Current Account Balances at the Bank of Japan and Market Operations (Final Results)	Around 10:00 a.m. (Daily)	Every business day					
Sources of Changes in Current Account Balances at the Bank of Japan and Market Operations (Provisional Results)	Around 6:00 p.m. ⁵ (Daily)	Every business day					
Sources of Changes in Current Account Balances at the Bank of Japan and Market Operations (Projections)	Around 6:00 p.m. ⁵ (Daily)	Every business day					
Japanese Government Bonds Held by the Bank of Japan	Around 5:00 p.m. (Monthly)	(For Sep.) 3 (Tue.)	(For Oct.) 2 (Thur.)	(For Nov.) 4 (Mon.)	(For Dec.) 5 (Fri.)	(For Jan.) 2 (Fri.)	(For Feb.) 2 (Fri.)
TBs and FBs Purchased by the Bank of Japan	Around 5:00 p.m. (Monthly)	(For Sep.) 3 (Tue.)	(For Oct.) 2 (Thur.)	(For Nov.) 4 (Mon.)	(For Dec.) 5 (Fri.)	(For Jan.) 2 (Fri.)	(For Feb.) 2 (Fri.)

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Collateral Accepted by the Bank of Japan	Around 5:00 p.m. (Monthly)	(For Sep.) 3 (Tue.)	(For Oct.) 2 (Thur.)	(For Nov.) 4 (Mon.)	(For Dec.) 5 (Fri.)	(For Jan.) 2 (Fri.)	(For Feb.) 2 (Fri.)
Changes in the Amount Outstanding of Japanese Government Bonds Held by the Bank of Japan ^{4,6}	Undecided (Annually)	—	—	—	—	—	—
Figures on Reserves	Around 7:00 p.m. (Monthly)	(For Sep.) 13 (Fri.)	(For Oct.) 15 (Wed.)	(For Nov.) 15 (Fri.)	(For Dec.) 15 (Mon.)	(For Jan.) 15 (Thur.)	(For Feb.) 15 (Thur.)
Results of Bid for Money Market Operations Conducted by the Bank of Japan	After the announcement of the results of auctions (Daily)	The day the money market operation is conducted					
Bank of Japan Operations in the Money Markets	Undecided (Monthly)	(For Sep.) 2 (Mon.)	(For Oct.) 1 (Wed.)	(For Nov.) 1 (Fri.)	(For Dec.) 4 (Thur.)	(For Jan.) 1 (Thur.)	(For Feb.) 1 (Thur.)
Monetary Base	8:50 a.m. (Monthly)	(For Sep.) 3 (Tue.)	(For Oct.) 2 (Thur.)	(For Nov.) 4 (Mon.)	(For Dec.) 5 (Fri.)	(For Jan.) 2 (Fri.)	(For Feb.) 2 (Fri.)
Monetary Base and the Bank of Japan's Transactions	8:50 a.m. (Monthly)	(For Sep.) 6 (Fri.)	(For Oct.) 8 (Wed.)	(For Nov.) 7 (Thur.)	(For Dec.) 11 (Thur.)	(For Jan.) 7 (Wed.)	(For Feb.) 7 (Wed.)
Bank of Japan's Transactions with the Government	8:50 a.m. (Monthly)	(For Sep.) 6 (Fri.)	(For Oct.) 8 (Wed.)	(For Nov.) 7 (Thur.)	(For Dec.) 11 (Thur.)	(For Jan.) 7 (Wed.)	(For Feb.) 7 (Wed.)
Bank of Japan Accounts	10:00 a.m. (Every ten days)	6 (Fri.) 12 (Thur.) 24 (Tue.)	2 (Thur.) 14 (Tue.) 22 (Wed.)	4 (Mon.) 12 (Tue.) 22 (Fri.)	5 (Fri.) 12 (Fri.) 23 (Tue.)	2 (Fri.) 14 (Wed.) 22 (Thur.)	2 (Fri.) 13 (Tue.) 23 (Fri.)
Principal Figures of Bank of Japan Accounts (Banknotes, Loans and Discounts, and Government Securities) ^{4,6}	Next business day 11:00 a.m. (Daily)	Every business day					

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Deposits and Loans Market							
Average Interest Rates Posted at Financial Institutions by Type of Deposit	8:50 a.m. (Weekly)	4 (Wed.) 12 (Thur.) 18 (Wed.) 25 (Wed.)	1 (Wed.) 8 (Wed.) 15 (Wed.) 22 (Wed.) 29 (Wed.)	6 (Wed.) 13 (Wed.) 20 (Wed.) 27 (Wed.)	9 (Tue.) 11 (Thur.) 17 (Wed.) 24 (Wed.) 31 (Wed.)	7 (Wed.) 15 (Thur.) 21 (Wed.) 28 (Wed.)	7 (Wed.) 14 (Wed.) 22 (Thur.) 28 (Wed.)
Average Contracted Interest Rates on Loans and Discounts	8:50 a.m. (Monthly)	—	(For Sep.) 24 (Fri.) (For Oct.) 30 (Thur.)	(For Nov.) 29 (Fri.)	(For Dec.) 30 (Tue.)	—	(For Jan.) 1 (Thur.) (For Feb.) 30 (Fri.)
Principal Figures of Financial Institutions (Preliminary Figures)	8:50 a.m. (Monthly)	(For Sep.) 12 (Thur.)	(For Oct.) 9 (Thur.)	(For Nov.) 8 (Fri.)	(For Dec.) 12 (Fri.)	(For Jan.) 8 (Thur.)	(For Feb.) 8 (Thur.)
Data on Commitment Lines Extended by Japanese Banks	8:50 a.m. (Monthly)	(For Sep.) 31 (Tue.)	(For Oct.) 30 (Thur.)	(For Nov.) 29 (Fri.)	(For Dec.) 31 (Wed.)	(For Jan.) 28 (Wed.)	(For Feb.) 30 (Fri.)
Loans Syndicated and Loans Transferred	8:50 a.m. (Quarterly)	(For July-Sep.) 31 (Tue.)	—	—	(For Oct.-Dec.) 31 (Wed.)	—	—
Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks ⁷	8:50 a.m. (Quarterly)	(Oct. Survey) 23 (Mon.)	—	—	(Jan. Survey) Late in the month	—	—
Deposits, Vault Cash, and Loans and Discounts Outstanding of Domestically Licensed Banks by Prefecture ⁴	8:50 a.m. (Monthly)	—	(For Sep.) 1 (Wed.)	(For Oct.) 4 (Mon.)	(For Nov.) 4 (Thur.) (For Dec.) 31 (Wed.)	—	(For Jan.) 1 (Thur.) (For Feb.) 30 (Fri.)
Flow of Funds Accounts							
Flow of Funds Accounts (Preliminary Figures) ⁷	8:50 a.m. (Quarterly)	—	—	(For 3rd Quarter) 18 (Mon.)	—	—	(For 4th Quarter) Late in the month
Flow of Funds Accounts (Revised Figures) ⁷	8:50 a.m. (Quarterly)	—	—	(For 2nd Quarter) 18 (Mon.)	—	—	(For 3rd Quarter) Late in the month

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Short-Term Money Market							
Uncollateralized Overnight Call Rate (Provisional Results)	Around 5:15 p.m. ⁸ (Daily)	Every business day					
Uncollateralized Overnight Call Rate (Final Results)	Next business day Around 10:00 a.m. (Daily)	Every business day					
Amounts Outstanding in the Call Money Market ⁴	3:00 p.m. (Monthly)	(For Sep.) 6 (Fri.)	(For Oct.) 8 (Wed.)	(For Nov.) 7 (Thur.)	(For Dec.) 11 (Thur.)	(For Jan.) 7 (Wed.)	(For Feb.) 7 (Wed.)
Repo Rate (Indication, Aggregated)	Around 5:30 p.m. (Daily)	Every business day					
Foreign Exchange Market							
Foreign Exchange Rates	5:00 p.m. (Monthly)	(For Sep.) 2 (Mon.)	(For Oct.) 1 (Wed.)	(For Nov.) 1 (Fri.)	(For Dec.) 4 (Thur.)	(For Jan.) 1 (Thur.)	(For Feb.) 1 (Thur.)
Clearing							
Payment and Settlement Statistics ⁷	11:00 a.m. (Monthly)	(For Aug.) 10 (Tue.) or 11 (Wed.)	(For Sep.) 9 (Thur.) or 10 (Fri.)	(For Oct.) 8 (Fri.) or 11 (Mon.)	(For Nov.) 12 (Fri.) or 15 (Mon.)	(For Dec.) 8 (Thur.) or 9 (Fri.)	(For Jan.) 8 (Thur.) or 9 (Fri.)
Figures on Settlement of Japanese Government Bonds	4:30 p.m. (Monthly)	(For Sep.) 12 (Thur.)	(For Oct.) 13 (Mon.)	(For Nov.) 12 (Tue.)	(For Dec.) 16 (Tue.)	(For Jan.) 13 (Tue.)	(For Feb.) 12 (Mon.)
Prices							
Monthly Report on the Corporate Goods Price Index	8:50 a.m. (Monthly)	(For Sep.) 13 (Fri.)	(For Oct.) 13 (Mon.)	(For Nov.) 12 (Tue.)	(For Dec.) 16 (Tue.)	(For Jan.) 13 (Tue.)	(For Feb.) 12 (Mon.)
Monthly Report on the Corporate Service Price Index	8:50 a.m. (Monthly)	(For Sep.) 26 (Thur.)	(For Oct.) 27 (Mon.)	(For Nov.) 26 (Tue.)	(For Dec.) 26 (Fri.)	(For Jan.) 23 (Fri.)	(For Feb.) 27 (Tue.)
Monthly Report on the Input-Output Price Index of the Manufacturing Industry by Sector	8:50 a.m. (Monthly)	(For Sep.) 17 (Tue.)	(For Oct.) 15 (Wed.)	(For Nov.) 14 (Thur.)	(For Dec.) 18 (Thur.)	(For Jan.) 15 (Thur.)	(For Feb.) 14 (Wed.)

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Statistics Related to BIS							
Results of the Regular Derivatives Market Statistics in Japan (Yoshikuni Statistics)⁷	8:50 a.m. (Semiannually)	—	—	—	—	(For Dec.) Undecided	—
Central Bank Survey of Foreign Exchange and Derivatives Market Activity⁷	Undecided (Triennially)	The latest turnover and outstanding amount survey results for April and June 2004 were released on September 29, 2004 and December 6, 2004, respectively. The next survey is scheduled to be conducted in 2007.					
Results of Locational International Banking Statistics and Consolidated International Banking Statistics in Japan⁷	8:50 a.m. (Quarterly)	—	—	(For Sep.) Late in the month	—	—	(For Dec.) Late in the month
Balance of Payments ⁹							
Balance of Payments (Preliminary Figures)	8:50 a.m. (Monthly)	(For Aug.) 12 (Thur.)	(For Sep.) 13 (Mon.)	(For Oct.) 13 (Wed.)	(For Nov.) 17 (Wed.)	(For Dec.) 14 (Wed.)	(For Jan.) 12 (Mon.)
Balance of Payments (Revised Figures)	8:50 a.m. (Quarterly)	(For Apr.-June) 12 (Thur.)	—	—	(For July-Sep.) 17 (Wed.)	—	—
Regional Balance of Payments	8:50 a.m. (Quarterly)	—	(For 2Q/2006) 13 (Mon.)	—	—	(For 3Q/2006) 14 (Wed.)	—
Gross External Debt Position of Japan (Preliminary Estimate)	8:50 a.m. (Quarterly)	—	—	(For Sep.) 13 (Wed.)	—	—	(For Dec.) 12 (Mon.)
Gross External Debt Position of Japan (Revised Estimate [end-Dec. figures are final figures])	8:50 a.m. (Quarterly)	—	—	(For June) 13 (Wed.)	—	—	(For Sep.) 12 (Mon.)
International Investment Position of Japan (Preliminary Estimate)	8:50 a.m. (Quarterly)	—	—	(For Sep.) 13 (Wed.)	—	—	(For Dec.) 12 (Mon.)

	Release time (frequency of release)	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
International Investment Position of Japan (Revised Estimate [end-Dec. figures are final figures])	8:50 a.m. (Quarterly)	—	—	(For June) 13 (Wed.)	—	—	(For Sep.) 12 (Mon.)
International Investment Position of Japan (Annual Figures)	Undecided (Annually)	—	—	—	—	—	—
Others							
Real Exports and Real Imports (Preliminary Figures)^{4,7}	2:00 p.m. (Monthly)	(For Sep.) Late in the month	(For Oct.) Late in the month	(For Nov.) Late in the month	(For Dec.) Late in the month	(For Jan.) Late in the month	(For Feb.) Late in the month
Business Conditions DI in the Kanto Koshinetsu Region^{4,7}	Undecided (Quarterly)	(For Oct.) 19 (Thur.)	Data for the remaining quarters will be released on the day of the Bank's branch managers' meeting				
Business Conditions DI in the Tokai Region^{4,7}	Undecided (Quarterly)	(For Oct.) 19 (Thur.)	Data for the remaining quarters will be released on the day of the Bank's branch managers' meeting				

- Notes: 1. The Bank aims to release statistics and statistical publications immediately on completion. However, the release may be postponed to a later date in case of system problems or any other unexpected disruption. Changes to the schedule will be announced on the Bank's web site (<http://www.boj.or.jp/en/index.htm>).
The schedule for releases from January to June 2007 will be available at 4:30 p.m. on December 25, 2006.
2. The questionnaires for the December survey will be mailed to respondents on November 10, 2006. The questionnaires for the March survey will be mailed to respondents on February 23, 2007.
3. The "TANKAN Summary (Number of employees basis)" will be released one business day after the release of the "TANKAN Summary."
4. Available only in Japanese.
5. "Sources of Changes in Current Account Balances at the Bank of Japan and Market Operations (Provisional Results)" and "Sources of Changes in Current Account Balances at the Bank of Japan (Projections)" are released at around 7:00 p.m. on the last business day of the month.
6. Not available on the Bank's web site. For further information, please contact +81-3-3279-1111 (ext. 4641).
7. Where no release date is given, the date will be announced in "Releases Scheduled for the Next Four Weeks" as soon as it has been decided.
8. "Uncollateralized Overnight Call Rate (Provisional Results)" is released at around 6:15 p.m. on the last business day of the month.
9. Balance of payments data are compiled jointly by the Ministry of Finance and the Bank of Japan.

Publications¹

	Release time on the Bank's web site	Oct. 2006	Nov.	Dec.	Jan. 2007	Feb.	Mar.
Financial and Economic Statistics Monthly	8:50 a.m. ²	(Oct. Issue) 26 (Thur.)	(Nov. Issue) 28 (Tue.)	(Dec. Issue) 26 (Tue.)	(Jan. Issue) 30 (Tue.)	(Feb. Issue) 27 (Tue.)	(Mar. Issue) 27 (Tue.)
Bank of Japan Statistics	8:50 a.m.	—	(Autumn Issue) 14 (Tue.)	—	—	(Winter Issue) 14 (Wed.)	—
Price Indexes Monthly	8:50 a.m.	(For Aug.) 4 (Wed.)	(For Sep.) 6 (Mon.)	(For Oct.) 5 (Tue.)	(For Nov.) 9 (Tue.)	(For Dec.) 5 (Mon.)	(For Jan.) 5 (Mon.)
TANKAN: The Comprehensive Data Set³	Around 8:50 a.m.	(Sep. Survey) 10 (Tue.)	—	(Dec. Survey) 22 (Fri.)	—	—	—

Notes: 1. "Balance of Payments Monthly" is released early in the month after that in which preliminary balance of payments data are released.

2. The PDF format typically will be available every business day on the Bank's web site.

3. The MS-Excel format will be available on the Bank's web site one business day after the release of the "TANKAN Summary" and "TANKAN Outline."

Information about the Bank's Web Site

- The Bank of Japan Web Site
- The Bank of Japan E-Mail Service
- Speeches and Research Papers

The Bank of Japan Web Site

The Bank of Japan provides information through its web site (<http://www.boj.or.jp/en/index/htm>). The image below shows where and how to find the information you need.

This provides basic information about the Bank of Japan, including *Functions and Operations of the Bank of Japan* and the Bank of Japan Law.

“Outline of the Bank” gives the information such as the Bank’s objectives, capital, and history.

“Organization” gives the information such as the organization chart of the Bank, the list of the members of the Policy Board, and the addresses and phone numbers of the overseas representative offices.

“PR Services” gives the information on the Bank’s public relations activities, the lists of the Bank’s releases of statistics and other materials and publications, and the guide for subscription.

This gives users a hint as to where various statistics and data are located and how to make the best use of them. Users can directly access major statistics from this menu.

This gives the full text (PDF file) of each issue of the *Annual Review*, beginning with the fiscal 1995 issue.



Information is sorted by basic categories of policy and operations conducted by the Bank.

Information is sorted by document type, such as “Speeches and Statements,” “Research Papers,” and “Statistics.”

This gives the list of articles and speeches published in the *Bank of Japan Quarterly Bulletin* since the February 1993 issue. The full text (PDF file) of the *Bank of Japan Quarterly Bulletin* is available, beginning with the February 2006 issue.

The Bank of Japan E-Mail Service

We have an e-mail service to notify you when new information is uploaded on the Bank of Japan's web site. If you wish to receive this service, please register your e-mail address at the English version of the Bank's web site (<http://www.boj.or.jp/en/index.htm>).

Speeches and Research Papers

Speeches and research papers released on the Bank's web site between August and October 2006 are listed below. To reach the documents through the Internet, access the Bank's web site (<http://www.boj.or.jp/en/index.htm>).

Title	Speaker	Venue	Date of speech	Date of release
■ Speeches/Summaries of Speeches by Bank Executives				
Recent Financial and Economic Developments and Monetary Policy	Atsushi Mizuno (Member of the Policy Board)	Meeting with Business Leaders (Fukuoka)	August 2, 2006	September 4, 2006
Recent Conduct of Monetary Policy	Toshiro Muto (Deputy Governor)	Yomiuri International Economic Society (Tokyo)	July 21, 2006	October 16, 2006

Title	Author(s)	Category	Date of release
■ Bank of Japan Research Papers/Working Paper Series¹			
Panel Analysis of Chinese Corporate Debt—How Far Have Market Mechanisms Penetrated?	Hideto Sakashita and Ko Nakayama	Working Paper Series	August 11, 2006
Japan's Balance of Payments for 2005²	International Department	Research Papers	August 18, 2006
Japan's International Investment Position at Year-End 2005²	International Department	Research Papers	August 18, 2006
Results of the 26th Opinion Survey on the General Public's Views and Behavior	Public Relations Department	Research Papers	August 29, 2006
Money Market Operations in Fiscal 2005²	Financial Markets Department	Research Papers	August 31, 2006
Monetary Policy Responses to the Exchange Rate: Empirical Evidence from Three East Asian Inflation-Targeting Countries	Naoto Osawa	Working Paper Series	September 1, 2006
Discussions and Issues Related to Estimation Method of "Travel"	Maiko Wada	Working Paper Series	September 8, 2006
The Use of the Black Model of Interest Rates as Options for Monitoring the JGB Market Expectations	Yoichi Ueno, Naohiko Baba, and Yuji Sakurai	Working Paper Series	September 22, 2006
Monetary Policy and the Yield Curve at Zero Interest: The Macro-Finance Model of Interest Rates as Options	Hibiki Ichiue and Yoichi Ueno	Working Paper Series	September 27, 2006

Notes: 1. The Bank introduced the series to invite comments on working papers written by the Bank's staff and outside researchers.
2. A summary of the paper is published in the *Bank of Japan Quarterly Bulletin*.

Speeches and Research Papers (continued)

Title	Author(s)	Category	Date of release
■ Bank of Japan Research Papers/Working Paper Series ¹ (continued)			
Evaluating Japanese Monetary Policy under the Non-Negativity Constraint on Nominal Short-Term Interest Rates	Koichiro Kamada and Tomohiro Sugo	Working Paper Series	October 3, 2006
The Role of Trade Credit for Small Firms: An Implication from Japan's Banking Crisis	Shin-ichi Fukuda, Munehisa Kasuya, and Kentaro Akashi	Working Paper Series	October 12, 2006
Japan's Next-Generation RTGS	Payment and Settlement Systems Department	Research Papers	October 25, 2006

Note: 1. The Bank introduced the series to invite comments on working papers written by the Bank's staff and outside researchers.