

June 16, 2009

Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by a unanimous vote,^[Note] 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 0.1 percent.

2. Japan's economic conditions, after deteriorating significantly, have begun to stop worsening. Domestic private demand has continued to weaken against the background of declining corporate profits and the worsening employment and income situation. On the other hand, exports and production have begun to turn upward, and public investment has also increased. In the coming months, Japan's economy is likely to show clearer evidence of leveling out over time. Meanwhile, financial conditions have generally remained tight, although there have been signs of improvement. CPI inflation (excluding fresh food) has recently moderated reflecting the declines in the prices of petroleum products and the stabilization of food prices, and, with increasing slackness evident in supply and demand conditions, will likely become negative.
3. With inventory adjustments having proceeded both at home and abroad, economic activity will be greatly influenced by developments in final demand. The Bank's baseline scenario through fiscal 2010, in which expectations of both medium- to long-term growth and inflation are assumed to remain generally unchanged, projects that the economy will start recovering and the rate of decline in prices will moderate from the latter half of fiscal 2009, supported partly by the positive effects of measures to stabilize the financial system and of fiscal and monetary policy measures, in addition to a recovery in overseas economies and improvements in conditions in global financial markets. If these developments continue, there are prospects for Japan's economy to return to a sustainable growth path with price stability in the longer run. However, the outlook is attended by a significant level of uncertainty stemming mainly

^[Note] Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. A. Mizuno, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki. Voting against the action: None.

from developments in overseas economies and global financial markets.

4. With regard to risk factors, those that demand attention in the area of economic activity are the continued high downside risks to the economy stemming from future developments in the global financial and economic situation, changes in medium- to long-term growth expectations, and financial conditions in Japan. Regarding the outlook for prices, there is a possibility that inflation will decline more than expected, if the downside risks to the economy materialize or medium- to long-term inflation expectations decline.
5. The Bank, paying attention for the time being to the downside risks to economic activity and prices, will continue to exert its utmost efforts as the central bank to facilitate the return of Japan's economy to a sustainable growth path with price stability.

(Reference)

Meeting hours:

June 15: 14:00-16:54

June 16: 9:00-12:29

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Atsushi Mizuno

Tadao Noda

Seiji Nakamura

Hidetoshi Kamezaki

(Others present)

June 15

From the Ministry of Finance:

Chikara Kawakita, Deputy Vice Minister for Policy Planning and Co-ordination
(14:00-16:54)

From the Cabinet Office:

Bunshichi Fujioka, Vice-Minister for Policy Coordination (14:00-16:54)

June 16

From the Ministry of Finance:

Wataru Takeshita, Senior Vice Minister of Finance (9:00-12:20,12:24-12:29)

From the Cabinet Office:

Bunshichi Fujioka, Vice-Minister for Policy Coordination (9:00-12:20,12:24-12:29)

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

14:00 on Wednesday, June 17 (Japanese)

16:30 on Thursday, June 18 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Wednesday, June 17

Release of the minutes:

8:50 on Tuesday, July 21