

December 1, 2009

Bank of Japan

Enhancement of Easy Monetary Conditions

1. At the unscheduled Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided to further enhance easy monetary conditions by introducing a new funds-supplying operation to encourage a further decline in longer-term interest rates.
2. While Japan's economy is picking up, there is not yet sufficient momentum to support self-sustaining recovery in business fixed investment and private consumption. As for the outlook, the pace of economic improvement is likely to remain moderate until around the middle of fiscal 2010. On the price front, downward pressures on prices are expected to remain even after the year-on-year decline in the CPI (excluding fresh food) becomes fairly moderate toward the beginning of next year. On the financial front, corporate finance, with some lingering severity, has continued to show signs of improvement. However, there is a risk that recent international financial developments and foreign exchange market instability might pose adverse effects on economic activity through impacts on business sentiment and others, and this warrants attention.
3. The Bank has judged that, in supporting the economic recovery from the financial side, it is most effective at present to further spread the strong effects of monetary easing and encourage a further decline in longer-term interest rates in the money market through provision of ample longer-term funds at an extremely low interest rate. Therefore, the Policy Board of the Bank of Japan decided, by a unanimous vote,¹ to introduce a new funds-supplying operation as follows.
 - a. Loan rate: Fixed interest rate (the target for the uncollateralized overnight call rate: 0.1 percent).
 - b. Duration: Three months.

¹ Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. A. Mizuno, Mr. S. Nakamura, and Mr. H. Kamezaki. Voting against the action: None. Absent: Mr. T. Noda.

c. Collateral: Any eligible collateral for the Bank's funds-supplying operations, such as Japanese government securities, corporate bonds, CP, and loans on deeds (pooled collateral).

4. The Policy Board of the Bank of Japan decided, by a unanimous vote,² 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.

5. The Bank believes that the decision made today, together with the government's efforts, will firmly support Japan's economic developments toward recovery.
6. The Bank recognizes that it is a critical challenge for Japan's economy to overcome deflation and return to a sustainable growth path with price stability. To this end, the Bank will continue to do its utmost as central bank.

² Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. A. Mizuno, Mr. S. Nakamura, and Mr. H. Kamezaki. Voting against the action: None. Absent: Mr. T. Noda.

(Reference)

Meeting hours:

December 1: 14:00-15:33

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Atsushi Mizuno

Seiji Nakamura

Hidetoshi Kamezaki

(Others present)

December 1

From the Ministry of Finance:

Shunsuke Kagawa, Deputy Vice Minister for Policy Planning and Co-ordination
(14:00-15:24,15:30-15:33)

From the Cabinet Office:

Kenji Umetani, Deputy Director-General, Economic and Fiscal Management
(14:00-15:24,15:30-15:33)

Release of the minutes:

8:50 on Friday, January 29