

August 30, 2010

Bank of Japan

Enhancement of Easy Monetary Conditions

1. At an unscheduled Monetary Policy Meeting held today, the Policy Board of the Bank of Japan newly introduced a six-month term in the fixed-rate funds-supplying operation against pooled collateral and substantially increased the amount of funds to be provided through the operation. With this, the Bank will encourage a decline in market interest rates and further enhance easy monetary conditions.¹
2. Japan's economy shows further signs of a moderate recovery, and it is likely to be on a recovery trend. With regard to prices, the year-on-year rate of decline in the CPI (excluding fresh food) has been slowing and is expected to continue to slow. In the meantime, uncertainty about the future, especially for the U.S. economy, has heightened more than before, and the foreign exchange and stock markets have recently been unstable. In these circumstances, the Bank judged it necessary to pay more attention to the downside risks to the outlook for Japan's economic activity and prices.
3. 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.

4. The Bank believes that the monetary easing measure, together with the government's

¹ In the main text, Ms. M. Suda dissented from the introduction of a six-month term in the fixed-rate funds-supplying operation against pooled collateral and a substantial increase of the amount of funds to be provided through the operation.

² Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Ms. M. Suda, Mr. T. Noda, Mr. S. Nakamura, Mr. H. Kamezaki, Mr. R. Miyao, and Mr. Y. Morimoto. Voting against the action: None.

efforts, will be effective in further ensuring Japan's economic recovery.

5. The Bank recognizes that Japan's economy faces the critical challenge of overcoming deflation and returning to a sustainable growth path with price stability. With such recognition, the Bank has been striving to pursue powerful monetary easing, ensure financial market stability, and support strengthening the foundations for economic growth. The Bank will continue to consistently make its utmost contributions as central bank.

(Reference)

Meeting hours:

August 30: 9:00-12:06

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Tadao Noda

Seiji Nakamura

Hidetoshi Kamezaki

Ryuzo Miyao

Yoshihisa Morimoto

(Others present)

From the Ministry of Finance:

Motohisa Ikeda, Senior Vice Minister of Finance (9:00-11:50,11:56-12:06)

From the Cabinet Office:

Hideo Hiraoka, Senior Vice Minister for Economic and Fiscal Policy
(9:00-11:50,11:56-12:06)

Release of the minutes:

8:50 on Friday, October 8