

September 7, 2011

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,<sup>1</sup> to set the following guideline for money market operations for the intermeeting period:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0 to 0.1 percent.

2. Japan's economic activity has been picking up steadily while the supply-side constraints caused by the earthquake disaster have been mostly resolved. Production and exports have continued to increase, almost recovering the pre-quake levels. In this situation, domestic private demand has been picking up. Meanwhile, financial conditions have generally continued to ease, albeit with weakness observed in the financial positions of some firms, mainly small ones. The year-on-year rate of change in the CPI (all items less fresh food) is around 0 percent, revised downward to reflect the base-year change.
3. Japan's economy is expected to return to a moderate recovery path from the second half of fiscal 2011, backed by an increase in exports reflecting firm overseas demand and by a rise in domestic demand for restoring capital stock. The year-on-year rate of change in the CPI is expected to remain at around 0 percent for the time being.
4. Regarding risks to the economic outlook, the effects of balance-sheet adjustments on the U.S. economy and the possible consequences of the sovereign debt problems in Europe continue to warrant attention. As for emerging and commodity-exporting economies, there remains a high degree of uncertainty about whether price stability and economic growth can be realized at the same time. It is necessary to carefully monitor how Japan's economy will be affected by the uncertainty regarding the developments overseas and the ensuing fluctuations in the foreign exchange and financial markets. Regarding risks to the price outlook, inflation could rise more than expected if international commodity prices increase, while there is also a

---

<sup>1</sup> Voting for the action: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Mr. S. Nakamura, Mr. H. Kamezaki, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, and Mr. K. Ishida.  
Voting against the action: None.

possibility that the rate of inflation will deviate downward from the Bank's baseline scenario due, for example, to a decline in medium- to long-term inflation expectations.

5. At the previous Monetary Policy Meeting, the Bank decided to increase the size of the Asset Purchase Program by about 10 trillion yen, based on the recognition that downside risks to the economic outlook called for closer attention. The Bank has subsequently been steadily implementing the decision, especially through the purchase of financial assets. The Bank also commits itself to continuing the virtually zero interest rate policy until it judges that price stability is in sight on the basis of the "understanding of medium- to long-term price stability."<sup>2</sup> In order for Japan's economy to overcome deflation and return to a sustainable growth path with price stability, the Bank will continue to consistently make contributions as the central bank by pursuing powerful monetary easing through the comprehensive monetary easing measures as described above, ensuring financial market stability, and providing support to strengthen the foundations for economic growth.

---

<sup>2</sup> The current understanding shows that "on the basis of a year-on-year rate of change in the CPI, it falls in a positive range of 2 percent or lower, centering around 1 percent."

(Reference)

Meeting hours:

September 6 : 14:00-16:49

September 7 : 9:00-12:16

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Seiji Nakamura

Hidetoshi Kamezaki

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

(Others present)

September 6

From the Ministry of Finance:

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

(14:00-16:49)

From the Cabinet Office:

Kenji Umetani, Director-General, Economic and Fiscal Management (14:00-16:49)

September 7

From the Ministry of Finance:

Yukihisa Fujita, Senior Vice Minister of Finance (9:00-12:06,12:12-12:16)

From the Cabinet Office:

Katsuyuki Ishida, Senior Vice Minister for Cabinet Office (9:00-12:06,12:12-12:16)

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

14:00 on Thursday, September 8 (Japanese)

16:30 on Friday, September 9 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Thursday, September 8

Release of the minutes:

8:50 on Thursday, October 13