

February 14, 2012

Bank of Japan

## Enhancement of Monetary Easing

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan made the following decisions.
  - (1) The Bank publishes "the price stability goal in the medium to long term" as the inflation rate consistent with price stability sustainable in the medium to long term.<sup>1</sup> The Bank judges "the price stability goal in the medium to long term" to be within a positive range of 2 percent or lower in terms of the year-on-year rate of change in the CPI and, more specifically, sets a goal at 1 percent for the time being.
  - (2) For the time being, the Bank will pursue powerful monetary easing by conducting its virtually zero interest rate policy and by implementing the Asset Purchase Program mainly through the purchase of financial assets, with the aim of achieving the goal of 1 percent in terms of the year-on-year rate of increase in the CPI. The Bank will continue pursuing the powerful easing until it judges that the 1 percent goal is in sight on the condition that the Bank does not identify any significant risk, including the accumulation of financial imbalances, from the viewpoint of ensuring sustainable economic growth.
  - (3) The Bank increases the total size of the Asset Purchase Program by about 10 trillion yen, from about 55 trillion yen to about 65 trillion yen. The increase in the Program is earmarked for the purchase of Japanese government bonds.<sup>2</sup> By fully implementing the Program including the additional expansion decided today, by the end of 2012, the amount outstanding of the Program will be increased by about 22 trillion yen from the current level of around 43 trillion yen.<sup>3</sup>
2. The Policy Board also decided, by a unanimous vote,<sup>4</sup> to set the following guideline for

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<sup>1</sup> See "[The Price Stability Goal in the Medium to Long Term](#)" for more details.

<sup>2</sup> See Attachment for the allocation of the increase in the Program.

<sup>3</sup> In addition to purchases under the Program, the Bank regularly purchases Japanese government bonds at the pace of 21.6 trillion yen per year.

<sup>4</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.

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.

3. Japan's economic activity has been more or less flat, mainly due to the effects of a slowdown in overseas economies and the appreciation of the yen. On the other hand, financial conditions in Japan have continued to ease. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) is around 0 percent.
4. The outlook for Japan's economy continues to entail high uncertainty regarding the prospects and outcomes of the European debt problem, the supply and demand balance of electricity and the effects of the yen's appreciation. Recently, however, tensions in global financial markets regarding the European debt problem have abated somewhat since around the end of 2011. Some improvement has recently been observed in the U.S. economy despite the burdens of balance-sheet repair. In Japan's economy, domestic demand has been firm due in part to reconstruction-related demand after the earthquake disaster.
5. Amid continued high uncertainty surrounding economic developments both at home and abroad, the Bank has judged it necessary to further support recent positive developments from the financial side and better ensure the economy's return to a moderate recovery path. For this purpose, the Bank has decided to clarify its monetary policy stance and to further enhance monetary easing at today's meeting in order to overcome deflation and achieve sustainable growth with price stability. The Bank will continue to pursue powerful monetary easing and will also engage in efforts to support strengthening the foundations for Japan's economic growth as a central bank. Meanwhile, the Bank will do its utmost to ensure that the European debt problem will not threaten the stable conditions in Japan's financial markets and, consequently, the financial system stability.
6. Japan's economy currently confronts the long-term and structural challenge of a declining trend in growth rates amid rapid population aging. Tackling such a challenge is indispensable in order to establish a new basis for economic growth. The goal of overcoming deflation will be achieved through such efforts to strengthen growth potential and support from the financial side. With this in mind, it is important for business firms, financial institutions, the government, and the central bank to continue making efforts in their respective roles.

### Increase in the Asset Purchase Program

#### 1. Allocation of the increase

(trillion yen)				
	Program size at the time of establishment	Program size before the increase	Amount of increase	Program size after the increase
<b>Total size</b>	<b>About 35</b>	<b>About 55</b>	<b>About +10</b>	<b>About 65</b>
Asset purchases	5.0	20.0	+10.0	30.0
Japanese government bonds <sup>[Note]</sup>	1.5	9.0	+10.0	19.0
Treasury discount bills	2.0	4.5	—	4.5
CP	0.5	2.1	—	2.1
Corporate bonds	0.5	2.9	—	2.9
Exchange-traded funds (ETFs)	0.45	1.4	—	1.4
Japan real estate investment trusts (J-REITs)	0.05	0.11	—	0.11
Fixed-rate funds-supplying operation against pooled collateral	30.0	35.0	—	35.0
Three-month term	20.0	20.0	—	20.0
Six-month term	10.0	15.0	—	15.0

Note: In addition to purchases under the Asset Purchase Program, the Bank regularly purchases Japanese government bonds at the pace of 21.6 trillion yen per year.

#### 2. The Bank intends to complete the increased purchases by around the end of 2012.

(Reference)

Meeting hours:

February 13 : 14:00-16:34

February 14 : 9:01-12:38

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)

February 13

From the Ministry of Finance:

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

(14:00-16:34)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (14:00-16:34)

February 14

From the Ministry of Finance:

Yukihisa Fujita, Senior Vice Minister of Finance (9:01-12:20,12:28-12:38)

From the Cabinet Office:

Katsuyuki Ishida, Senior Vice Minister for Cabinet Office (9:01-12:20,12:28-12:38)

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

14:00 on Wednesday, February 15 (Japanese)

16:30 on Thursday, February 16 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Wednesday, February 15

Release of the minutes:

8:50 on Friday, March 16