

March 7, 2013

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, 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. While overseas economies remain in a deceleration phase, they have shown some signs of picking up. In global financial markets, investors' risk aversion remains abated, although developments require continued attention.
3. Japan's economy has stopped weakening. Exports appear to stop decreasing, mainly against the background of the aforementioned developments in overseas economies. Business fixed investment has shown some weakness on the whole, although resilience has been observed in nonmanufacturing. In contrast, public investment has continued to increase, and housing investment has generally been picking up. Private consumption has remained resilient. Reflecting these developments in demand both at home and abroad, industrial production has stopped decreasing. Meanwhile, financial conditions in Japan are accommodative. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) is around 0 percent.
4. With regard to the outlook, Japan's economy is expected to level off more or less for the time being, and thereafter, it will return to a moderate recovery path mainly against the background that domestic demand remains resilient partly due to the effects of various economic measures and overseas economies gradually emerge from the deceleration phase. For the time being, the year-on-year rate of change in the CPI is expected to turn negative due to the reversal of the previous year's movements in energy-related and durable consumer goods, and thereafter, it is likely to be around 0 percent again.
5. Regarding risks, there remains a high degree of uncertainty concerning Japan's economy, including the prospects for the European debt problem, the momentum toward recovery for the U.S. economy, the possibility of emerging and commodity-exporting economies making a

smooth transition to the sustainable growth path, and the effects of the recent bilateral relationship between Japan and China.

6. The Bank of Japan conducts monetary policy based on the principle that the policy shall be aimed at achieving price stability, thereby contributing to the sound development of the national economy, and is responsible for maintaining financial system stability. The Bank aims to achieve price stability on a sustainable basis, given that there are various factors that affect prices in the short run.

The Bank recognizes that the inflation rate consistent with price stability on a sustainable basis will rise as efforts by a wide range of entities toward strengthening competitiveness and growth potential of Japan's economy make progress. Based on this recognition, the Bank has set the price stability target at 2 percent in terms of the year-on-year rate of change in the CPI.

Under the price stability target specified above, the Bank will pursue monetary easing and aim to achieve this target at the earliest possible time. Taking into consideration that it will take considerable time before the effects of monetary policy permeate the economy, the Bank will ascertain whether there is any significant risk to the sustainability of economic growth, including from the accumulation of financial imbalances.

The Bank will pursue aggressive monetary easing, aiming to achieve the above-mentioned price stability target, through a virtually zero interest rate policy and purchases of financial assets, as long as the Bank judges it appropriate to continue with each policy measure respectively.^{1, 2} In addition, the Bank will provide support for financial institutions' efforts to strengthen the foundations for economic growth and to increase their lending.

¹ With regard to JGB purchases under the Asset Purchase Program, Ms. S. Shirai proposed to immediately put into effect the open-ended asset purchasing method and consolidate them with those conducted for facilitating money market operations. The proposal was defeated by a majority vote. Voting for the proposal: Ms. S. Shirai. Voting against the proposal: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Mr. R. Miyao, Mr. Y. Morimoto, Mr. K. Ishida, Mr. T. Sato, and Mr. T. Kiuchi.

² Mr. R. Miyao proposed to continue with a virtually zero interest rate policy until the Bank judges the achievement of the price stability target to be in sight. The proposal was defeated by a majority vote. Voting for the proposal: Mr. R. Miyao. Voting against the proposal: Mr. M. Shirakawa, Mr. H. Yamaguchi, Mr. K. G. Nishimura, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, Mr. T. Sato, and Mr. T. Kiuchi.

(Reference)

Meeting hours:

March 6: 14:00-16:38

March 7: 9:00-12:19

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

Takehiro Sato

Takahide Kiuchi

(Others present)

March 6

From the Ministry of Finance:

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

(14:00-16:38)

From the Cabinet Office:

Hiroaki Ishii, Director-General, Economic and Fiscal Management (14:00-16:38)

March 7

From the Ministry of Finance:

Shunichi Yamaguchi, Senior Vice Minister of Finance (9:00-12:02,12:14-12:19)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (9:00-12:02,12:14-12:19)

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

14:00 on Friday, March 8 (Japanese)

16:30 on Monday, March 11 (English)

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

Release of the minutes:

8:50 on Tuesday, April 9