

November 20, 2009

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,¹ 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.

2. Japan's economy is picking up mainly due to various policy measures taken at home and abroad, although the momentum of self-sustaining recovery in domestic private demand remains weak. Public investment has been increasing, albeit with some fluctuations, and exports and production have also been rising against a backdrop of progress in inventory adjustments both at home and abroad as well as an improvement in overseas economies, especially a recovery in emerging economies. The decline in business fixed investment, which mainly reflects weak corporate profits, has been coming to a halt. Private consumption, notably durable goods consumption, is picking up mainly due to policy measures, despite the continued severe employment and income situation. Meanwhile, the financial environment, with some lingering severity, has continued to show signs of improvement. The year-on-year rate of change in the CPI (excluding fresh food) has declined, mainly due to the prices of petroleum products, which are lower than their high levels a year ago, in addition to the substantial slack persisting in the economy as a whole.
3. The Bank's baseline scenario projects that the pace of improvement of the economy is likely to remain moderate until around the middle of fiscal 2010. Thereafter, as improvements in the corporate sector originating from exports are likely to spill over to the household sector, the growth rate of the economy is likely to gradually rise. With regard to prices, assuming that medium- to long-term inflation expectations remain stable, the year-on-year rate of decline in the CPI (excluding fresh food) is likely to moderate as the effects of the changes in the prices of petroleum products abate.

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

4. With regard to economic activity, while there are some upside risks, such as economic developments in emerging and commodity-exporting economies, there are still downside risks, although somewhat diminished, with risk factors including the possible consequences of balance-sheet adjustments in the United States and Europe or potential changes in firms' medium- to long-term growth expectations. With regard to prices, there is a possibility that inflation will rise more than expected due to a rise in commodity prices brought about by higher growth rates in emerging and commodity-exporting economies. On the other hand, there is a risk that the rate of inflation might decline due, for example, to a decline in medium- to long-term inflation expectations.
5. In the conduct of monetary policy, the Bank will aim to maintain the extremely accommodative financial environment. The Bank will provide steady support for Japan's economy to return to a sustainable growth path with price stability.

(Reference)

Meeting hours:

November 19: 14:00-16:53

November 20: 9:00-12:30

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Atsushi Mizuno

Tadao Noda

Seiji Nakamura

Hidetoshi Kamezaki

(Others present)

November 19

From the Ministry of Finance:

Shunsuke Kagawa, Deputy Vice Minister for Policy Planning and Co-ordination
(14:00-16:53)

From the Cabinet Office:

Kenji Umetani, Deputy Director-General, Economic and Fiscal Management (14:00
-16:53)

November 20

From the Ministry of Finance:

Yoshihiko Noda, Senior Vice Minister of Finance(9:00-12:21,12:25-12:30)

From the Cabinet Office:

Keisuke Tsumura, Parliamentary Vice-Minister (9:00-12:21,12:25-12:30)

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

14:00 on Tuesday, November 24 (Japanese)

16:30 on Wednesday, November 25 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Tuesday, November 24

Release of the minutes:

8:50 on Thursday, December 24