November 20, 2012

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. Overseas economies remain in a deceleration phase. In global financial markets, while investors' risk aversion on the back of the European debt problem has abated somewhat, particular attention should be given to developments in these markets.

3. Japan's economy has been weakening somewhat. Exports and industrial production have decreased mainly due to the aforementioned development in overseas economies. Business fixed investment has shown some weakness in manufacturing mainly due to the effects of the deceleration in overseas economies, while it has been on a moderate increasing trend. In private consumption, car sales have recently fallen back due to the ending of some measures to stimulate demand for automobiles, while it has remained resilient. Meanwhile, public investment has continued to increase, and housing investment has generally been picking up. Financial conditions in Japan are accommodative. On the price front, the year-on-year rate of change in the CPI (all items less fresh food) is around 0 percent.

4. With regard to the outlook, Japan's economy is expected to remain relatively weak for the time being, and thereafter, it will return to a moderate recovery path as domestic demand remains resilient on the whole and overseas economies gradually emerge from the deceleration phase. The year-on-year rate of change in the CPI is expected to remain at around 0 percent for the time being.

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 spreading effects of the recent bilateral relationship between Japan and China. Furthermore, attention should continue to be paid to the effects of financial and foreign exchange market developments on economic activity and prices.

6. The Bank recognizes that Japan's economy faces the critical challenge of overcoming deflation as early as possible and returning to the sustainable growth path with price stability. This challenge will be met through the combination of efforts by a wide range of economic agents to strengthen the economy's growth potential and support from the financial side. Based on this recognition, while the Bank will provide support for financial institutions' efforts to strengthen the foundations for economic growth and to increase their lending, it will pursue aggressive monetary easing in a continuous manner by conducting its virtually zero interest rate policy as well as steadily increasing the amount outstanding of the Asset Purchase Program. The Bank continues to conduct monetary policy in an appropriate manner. The Bank will also do its utmost to ensure the stability of Japan's financial system, while giving particular attention to developments in global financial markets.

(Reference)

Meeting hours:

November 19: 14:00-16:38

November 20: 9:00-12:09

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)

November 19

From the Ministry of Finance:

Shinichi Sato, Deputy Vice Minister for Policy Planning and Co-ordination (14:00-16:38)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (14:00-16:38)

November 20

From the Ministry of Finance:

Koichi Takemasa, Senior Vice Minister of Finance (9:00-12:02,12:05-12:09)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (9:00-11:03)

Seiji Maehara, Minister of State for Economic and Fiscal Policy (11:05-12:02,12:05-12:09)

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

14:00 on Wednesday, November 21 (Japanese)

16:30 on Thursday, November 22 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Wednesday, November 21

Release of the minutes:

8:50 on Wednesday, December 26