

Not to be released until 8:50 a.m.
Japan Standard Time on Tuesday,
August 28, 2007.

August 28, 2007

Bank of Japan

Minutes of the Monetary Policy Meeting

on July 11 and 12, 2007

(English translation prepared by the Bank's staff based on the Japanese original)

Please contact the Bank of Japan at the address below in advance to request permission when reproducing or copying the content of this document for commercial purposes.

Secretariat of the Policy Board, Bank of Japan

C.P.O. Box 203, Tokyo 100-8630, Japan

Please credit the source when quoting, reproducing, or copying the content of this document.

A Monetary Policy Meeting of the Bank of Japan Policy Board was held in the Head Office of the Bank of Japan in Tokyo on Wednesday, July 11, 2007, from 2:00 p.m. to 4:37 p.m., and on Thursday, July 12, from 9:00 a.m. to 12:50 p.m.¹

Policy Board Members Present

Mr. T. Fukui, Chairman, Governor of the Bank of Japan

Mr. T. Muto, Deputy Governor of the Bank of Japan

Mr. K. Iwata, Deputy Governor of the Bank of Japan

Ms. M. Suda

Mr. A. Mizuno

Mr. K. G. Nishimura

Mr. T. Noda

Mr. S. Nakamura

Mr. H. Kamezaki

Government Representatives Present

Mr. K. Tanaka, Senior Vice Minister of Finance, Ministry of Finance²

Mr. M. Suzuki, Deputy Vice Minister for Policy Planning and Coordination, Ministry of Finance³

Mr. J. Hamano, Vice Minister for Policy Coordination, Cabinet Office

Reporting Staff

Mr. N. Inaba, Executive Director

Mr. A. Horii, Executive Director (Assistant Governor)

Mr. M. Amamiya, Director-General, Monetary Affairs Department

Mr. S. Uchida, Associate Director-General, Monetary Affairs Department

Mr. H. Nakaso, Director-General, Financial Markets Department

¹ The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on August 22 and 23, 2007 as "a document which contains an outline of the discussion at the meeting" stipulated in Article 20, Paragraph 1 of the Bank of Japan Law of 1997. Those present are referred to by their titles at the time of the meeting.

² Mr. K. Tanaka was present on July 12.

³ Mr. M. Suzuki was present on July 11.

Mr. K. Momma, Director-General, Research and Statistics Department

Mr. E. Maeda, Associate Director-General, Research and Statistics Department

Mr. T. Idesawa, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. K. Osugi, Director-General, Secretariat of the Policy Board

Mr. K. Shigyoh, Director, Deputy Head of Secretarial Services for the Board, Secretariat of the Policy Board

Mr. T. Sekine, Senior Economist, Monetary Affairs Department

Mr. S. Yamaguchi, Senior Economist, Monetary Affairs Department

Mr. K. Kamiyama, Senior Economist, Monetary Affairs Department

I. Summary of Staff Reports on Economic and Financial Developments⁴

A. Money Market Operations in the Intermeeting Period

The Bank conducted money market operations in accordance with the guideline decided at the previous meeting on June 14 and 15, 2007.⁵ The uncollateralized overnight call rate had been at around 0.5 percent.

B. Recent Developments in Financial Markets

In the money market, interest rates on term instruments, such as yields on financing bills (FBs) and treasury bills (TBs) and Euroyen rates, and interest rates on Euroyen futures had been more or less unchanged.

Japanese stock prices had risen, due mainly to investors' expectations of favorable corporate results. The Nikkei 225 Stock Average had recently been in the range of 18,000-18,500 yen.

Long-term interest rates had fluctuated, mainly reflecting developments in U.S. interest rates, and had recently been at around 1.90 percent.

The yen depreciated against the U.S. dollar, but then rebounded in response to the temporary fall in U.S. stock prices and the drop in U.S. long-term interest rates. It had recently been traded at around 122 yen to the dollar.

C. Overseas Economic and Financial Developments

The U.S. economy continued to be in a moderate adjustment phase. Housing investment continued to decrease. Business fixed investment remained on a gradual uptrend, although the pace of increase was decelerating. Private consumption had continued to increase, but against the background of higher energy prices, growth had been slowing from the rapid pace observed until recently. In this situation, the pace of increase in the number of employees had been showing a very moderate slowdown. As for prices, the consumer price index (CPI) for all items had been rising, reflecting higher energy prices. Although the year-on-year rate of increase in the core CPI (the CPI for all items less food

⁴ Reports were made based on information available at the time of the meeting.

⁵ The guideline was as follows:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.5 percent.

and energy) had recently been declining moderately, the continued tightening of labor market conditions suggested that underlying inflation pressures had not subsided yet.

In the euro area, the economy continued to expand with domestic and external demand well in balance as exports continued to grow steadily and business fixed investment and private consumption remained on an upward trend. The U.K. economy continued to show relatively high growth, led mainly by domestic demand.

In China, both domestic and external demand continued to expand strongly, as seen in the fact that exports continued to show a substantial increase and the rate of increase in fixed asset investment remained high. The NIEs and ASEAN economies continued to expand at a moderate pace on the whole: exports continued to increase moderately, and domestic demand remained firm in most economies.

In financial markets, long-term interest rates in the United States had declined due to growing concerns about the subprime mortgage problem and the moderation in core inflation. Stock prices had been more or less unchanged since the previous meeting, partly reflecting the release of relatively strong economic data. In Europe, developments in long-term interest rates and stock prices had basically followed those in the United States. Stock prices in most emerging economies had trended upward.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had continued to increase against the background of the expansion of overseas economies. The average level of exports in April and May declined slightly from that in the January-March quarter due to a reaction to the relatively high growth in that quarter. Exports were expected to continue to rise as overseas economies taken as a whole continued to expand.

As for domestic private demand, business fixed investment had continued to increase, and was expected to keep increasing since the growth in domestic and external demand and the high level of corporate profits were likely to be maintained.

Private consumption had been firm. With regard to durable consumer goods, while the number of new passenger-car registrations had been on a downward trend, in the area of electrical appliances, sales of digital appliances such as flat-panel televisions had continued to be strong, and those of cellular phones and game consoles had also increased.

Sales at department stores and supermarkets, which primarily sold nondurable and semi-durable consumer goods, had continued to be susceptible to weather conditions, and sales in May, particularly those of summer apparel, rose due to favorable weather. As for services consumption, sales in the food service industry had continued to trend upward and outlays for travel had generally been firm. Private consumption was expected to follow a gradual uptrend, mainly reflecting the gradual increase in household income.

Production had continued to be on an increasing trend against the background of the growth in domestic and external demand, although it had been flat most recently. The average level of production in April and May was about the same as in the January-March quarter, when production decreased due largely to a reaction to the high growth in the previous quarter. Production was likely to remain on an upward trend, reflecting the rise in domestic and external demand. Inventories had been more or less in balance with shipments in the industrial sector as a whole, although inventories of electronic parts and devices had remained elevated relative to shipments.

As for employment and income, in a situation where various indicators had continued to show tighter labor market conditions, household income had continued rising moderately, supported by the increase in the number of employees. The gradual increase in household income was likely to continue against the background that firms were increasingly feeling a shortage of labor and corporate profits were expected to remain high.

On the price front, international commodity prices showed the following developments: crude oil prices had increased, mainly due to a heightening of concerns over geopolitical risks and the tightening of supply and demand conditions, while prices of nonferrous metals had been high on the whole, albeit with fluctuations. The three-month rate of change in the domestic corporate goods price index (CGPI) had been positive, mainly due to the rise in international commodity prices, and the CGPI was expected to continue increasing in the immediate future. The year-on-year rate of change in the CPI (excluding fresh food) had been around 0 percent, and it was expected to continue to be around 0 percent in the short run. From a longer-term perspective, however, it was projected to continue to follow a positive trend, as the output gap continued to be positive.

Reports at the meeting of general managers of the Bank's branches and the *Regional Economic Report* released on July 6, 2007 confirmed that the economy as a whole was expanding moderately as all the regional economies continued to improve, although

there were regional differences.

2. Financial environment

The environment for corporate finance was accommodative. The issuing environment for CP and corporate bonds was favorable, and the lending attitudes of private banks had continued to be accommodative. Credit demand in the private sector had been increasing, since firms' demand for funds for daily operations and fixed investment continued to increase. Under these circumstances, the amount outstanding of lending by private banks had been increasing moderately. The amount outstanding of CP and corporate bonds issued had been above the previous year's level. The year-on-year rate of growth in the money stock (M_2 +CDs) was in the range of 1.0-2.0 percent.

II. Summary of Discussions by the Policy Board on Economic and Financial Developments

A. Economic Developments

On the current state of Japan's economy, members concurred that it continued to expand moderately.

Members agreed that overseas economies taken as a whole continued to expand, with momentum being gained across a wide range of economies, and were likely to keep expanding.

Members concurred that the U.S. economy continued to expand, but the pace of growth was decelerating moderately with the continuing adjustments in the housing market. A few members pointed out that, although business fixed investment was slowing, relevant leading indicators, which were on a moderate increasing trend, suggested that the downside risk to business fixed investment was smaller than projected in the April 2007 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report). Many members expressed the view that there was still uncertainty about adjustments in the housing market, including developments with regard to the subprime mortgage problem. One member said that the slowing of the increase in housing prices had reduced the availability of consumer credit, thus affecting consumption behavior. With regard to the subprime mortgage problem, some members said that if such problems seriously affected credit markets -- although this was not likely to happen -- the possibility could not be ruled out that the economic and

financial situation worldwide, including in Japan, would be negatively affected. These members expressed the view that due consideration should therefore continue to be given to developments with regard to the subprime mortgage problem. On the other hand, one member said that the adjustments in the U.S. housing market had become less important for Japan's monetary policy, as the issue had become a problem limited to certain areas of the financial sector rather than one involving economic fundamentals. As for prices, some members said that, although the rate of increase in the core CPI had been declining, it was too early to conclude that inflation pressures had subsided, since utilization of resources such as labor was at high levels and crude oil prices were rising. In view of the points made in the discussion, members shared the view concerning the outlook for the U.S. economy that, although it was likely to realize a soft landing toward the year-end, both upside and downside risks continued to warrant attention.

With regard to European economies, some members said that the economy of the euro area continued to expand with domestic and external demand well in balance. On the Chinese economy, some members expressed the view that both domestic and external demand continued to expand strongly. One member said that it was becoming more evident that Chinese asset markets were overheating and therefore they required careful monitoring.

With regard to crude oil prices, some members said that the recent rise reflected a heightening of concerns over geopolitical risks in addition to increasing global demand, and therefore there remained uncertainty regarding developments in crude oil prices.

Regarding Japan's economy, members concurred that exports had continued to increase, reflecting the expansion of overseas economies, and were likely to continue to increase. One member commented that, although it did not seem that exports to the United States had started to recover yet, their sluggishness had been offset by exports to other economies such as China. A different member said that the decline in exports in the April-May period, particularly in those of automobiles to the United States, was likely to have been a temporary reaction to the relatively high growth in the January-March quarter.

With regard to developments in the corporate sector, members agreed that profits had been high and business sentiment had remained generally favorable, as the June *Tankan* (Short-Term Economic Survey of Enterprises in Japan) had indicated. One member said that, in the June *Tankan*, exporters assumed that the yen's average exchange rate in fiscal

2007 would be in the range of 114-115 yen to the dollar, in other words they assumed a stronger yen than the current level, and this suggested that firms were maintaining a cautious stance in estimating their sales and profits for fiscal 2007. A different member expressed the view that the assumption of a yen stronger than the current level would result in higher-than-expected corporate profits. Some members said that attention should be paid to the fact that, according to the June *Tankan* and interviews, firms, particularly small ones, had been unable to fully pass on higher production costs resulting from the rise in materials prices and the depreciation of the yen to sales prices, and this seemed to be exerting downward pressure on profits. One of these members added that, in this situation, the number of bankruptcies of small firms had been increasing recently and thus required careful monitoring.

Members shared the view that business fixed investment continued to increase, and was likely to keep increasing. Some members said that, in the June *Tankan*, business fixed investment was projected to increase in fiscal 2007 for the fifth consecutive year, albeit at a slightly slower pace. This was in line with the Bank's projection in the April Outlook Report that business fixed investment was likely to keep rising but its rate of growth was likely to fall gradually. Citing machinery orders, which increased in May for the second consecutive month and had been stronger than expected, a few members said that data relating to business fixed investment had been regaining upward momentum recently. One member expressed the view that, although machinery orders had been more or less unchanged in recent months, this was because machinery makers had been holding back from accepting orders due to their limited production capacity, and that the underlying trend of business fixed investment was firm.

Members concurred that private consumption had been firm and was likely to follow a gradual uptrend, mainly reflecting the gradual increase in household income. One member commented that, although sales indicators had been showing mixed developments, interviews with firms suggested that sales during the summer bonus season had made a good start. A few members said that careful attention should be paid to whether consumer confidence was negatively affected by the following factors: (1) discontinuation of the special income tax reduction; (2) the increase in the local tax burden; (3) problems related to the pension system; and (4) concerns over higher gasoline prices.

As for housing investment, a few members referred to the fact that housing starts

had been relatively weak recently, and expressed the view that this reflected developers' difficulty in purchasing land for condominium development mainly due to the rise in land prices, especially in central Tokyo. One of these members added that housing investment was likely to be firm, against the background of the rise in household income and favorable financial conditions.

Members agreed that, although production had been flat most recently, it had continued to be on an increasing trend and was likely to remain so reflecting the rise in domestic and external demand. Some members said that, although production data had recently been relatively weak partly due to a fall in ship production, which tended to fluctuate substantially, interviews with firms suggested that production was likely to increase in the July-September quarter. Members concurred that, while inventories had been more or less in balance with shipments in the industrial sector as a whole, inventories of electronic parts and devices had remained at a high level. Many members said that inventory adjustment in IT-related sectors had continued somewhat longer than expected but was proceeding steadily toward completion. A few members expressed the view that such progress in inventory adjustment was also evident in the June *Tankan*, in which the data on the inventory level in the electrical machinery sector had improved. A few other members added that despite the progress in inventory adjustment, developments in global supply and demand conditions of IT-related goods still required close monitoring since there was a high degree of uncertainty with regard to them.

As for employment and income, members concurred that, in a situation where various indicators had continued to show tighter labor market conditions, household income had continued rising moderately, supported by the increase in the number of employees. They also agreed that the gradual increase in household income was likely to continue against the background that firms were increasingly feeling a shortage of labor and corporate profits were expected to remain high. Many members referred to the sluggishness in wages per worker. Some members noted the following as factors behind it: a change in the composition of the workforce due to retirements in the baby-boomer generation; a reduction in salaries of local government employees; and a decline in working hours per worker due to the increase in part-time employment. A few of these members were of the view that the impact of retirements in the baby-boomer generation on the year-on-year rate of change in wages per worker was likely to level off this summer. A

different member said that the decline in the unemployment rate to below 4 percent for two consecutive months might have been due to not only a cyclical factor but also a structural one, and the latter could be restraining wages from rising despite the decline in the unemployment rate.

One member expressed the view that, as confirmed in the reports on regional economies at the July meeting of general managers of the Bank's branches, all the regional economies continued to improve although there remained differences in business conditions according to firm size, industry, and region.

As for prices, members said that the three-month rate of change in the CGPI had been positive, mainly due to the rise in international commodity prices, and the CGPI was expected to continue increasing in the immediate future.

Members concurred that the year-on-year rate of change in the CPI (excluding fresh food) was likely to be around 0 percent in the short run, but from a longer-term perspective it was likely to continue to follow a positive trend as the output gap continued to be positive. One member said that firms continued to have difficulty in passing on higher costs to retail prices and thus it was uncertain when the inflation rate would show a clear rise. A different member expressed the view that, given the fact that firms' capacity to absorb higher costs had lessened, attention should be paid to a risk that inflation pressures might start to grow stronger than expected.

B. Financial Developments

On the financial front, members concurred that the financial environment remained accommodative as seen in the fact that the lending attitudes of private banks and the issuing conditions in capital markets were favorable. A few members noted that the yen had been depreciating against other major currencies and its real effective exchange rate was currently as low as that recorded when the Plaza Accord was concluded in 1985, and said that firms favored stability in the foreign exchange market and some were highly concerned about the risk of an abrupt appreciation of the yen.

C. Interim Assessment

Given the above assessment of economic activity, prices, and financial developments, most members said that the economy had developed broadly in line with the

Bank's projection presented in the April Outlook Report. Meanwhile, one member said that, although there had been no change to the underlying mechanism for economic expansion -- sustained expansion with a virtuous circle of production, income, and spending in place -- the economic growth rate had been higher than projected due to stronger-than-expected demand, both domestic and external. As for the outlook, members agreed that Japan's economy was likely to evolve broadly in line with the projection presented in the April Outlook Report.

Regarding prices, members agreed that the rate of increase in domestic corporate goods prices in fiscal 2007 was likely to turn out higher than the projection in the April Outlook Report, mainly due to the rise in international commodity prices, while the projection for fiscal 2008 remained broadly the same.

Members also agreed that consumer prices in both fiscal 2007 and 2008 were likely to evolve broadly in line with the projection in the April Outlook Report. One member added the member's view that consumer prices had been slightly weaker than the April projection but had not deviated significantly from the projection, and therefore the wording that consumer prices were "expected to evolve broadly in line with the projection in the Outlook Report" was acceptable.

III. Summary of Discussions on Monetary Policy for the Immediate Future

Given the economic and financial situation, members concurred that their basic thinking remained unchanged on the monetary policy stance for the immediate future: while confirming that Japan's economy remained likely to follow a path of sustainable growth under price stability in light of the "understanding of medium- to long-term price stability" and assessing relevant risk factors, the Bank would adjust the level of interest rates gradually in accordance with improvements in the economic and price situation.

On the guideline for money market operations for the intermeeting period ahead, one member said that it would be appropriate to raise the uncollateralized overnight call rate target from around 0.5 percent to around 0.75 percent as the member considered that the raise was justified by economic conditions.

Against this view, most members said that it would be appropriate to maintain the current guideline for money market operations that the Bank would encourage the uncollateralized overnight call rate to remain at around 0.5 percent. They were of the view

that, although developments in the economy and prices had been broadly in line with the projection presented in the April Outlook Report, the Bank should continue to examine various indicators and other relevant information carefully to be more certain whether the projection was likely to materialize and identify the risk factors. Some members raised developments in the U.S. economy, domestic production, particularly of IT-related goods, wages, and the environment surrounding prices as some of the key factors that should be watched at present, but expressed the view that the Bank should not focus on any specific indicator or areas of the economy since the economic and financial situation changed constantly. Most members agreed that the Bank should, with a wide-ranging perspective, continue to examine whether the projection was likely to materialize and to monitor risk factors. A few members said that excessive importance should not be attached to the Monetary Policy Meetings where the interim assessment of the projection was made because the Bank examined whether the economy and prices were developing in line with the projection at every Monetary Policy Meeting. Members said that, since there was growing speculation among market participants and the media about a raise in the policy interest rate target in the near future, it was important to explain at every opportunity the Bank's basic thinking on the conduct of monetary policy and continue to clearly explain its assessment of both current and future developments in economic activity and prices, thereby preventing the formation of preconceived ideas about the timing of a policy change.

IV. Remarks by Government Representatives

The representative from the Ministry of Finance made the following remarks.

- (1) Japan's economy continued to recover. However, as there was still some weakness in wages and in production of certain goods, for example, electronic parts and devices, close attention should continue to be paid to developments in these areas and also in overseas economies.
- (2) In view of the fact that the year-on-year rate of change in the CPI (excluding fresh food) had been negative for four consecutive months, price conditions also required careful monitoring to see whether upward pressure on prices developed.
- (3) Given the current developments in economic activity and prices, the government would like the Bank to continue to support the economy from the financial side based on the Bank's current guideline for money market operations so as to ensure the sustainability

of the ongoing economic recovery.

- (4) The government would like the Bank to explain thoroughly to market participants and the public, based on its interim assessment of the April Outlook Report at this meeting, its assessment of economic activity and prices. In addition, it would like the Bank to give due consideration to overall financial market developments. In order to prevent financial markets from becoming unstable due to speculation regarding the future conduct of monetary policy, the government would also like the Bank to clearly explain its thinking on the future conduct of monetary policy.

The representative from the Cabinet Office made the following remarks.

- (1) Although Japan's economy was recovering, production in some sectors had been weak, and a comprehensive review of developments in prices suggested that the economy had not yet overcome deflation.
- (2) With regard to the outlook for economic activity and prices, the government considered that particular attention should be paid to downside rather than upside risks, since one of the key factors for the future course of Japan's economy would be the effects of developments in overseas economies. The government would like the Bank to fulfill its accountability to the public by giving, in its interim assessment of the April Outlook Report, a clear explanation of, and also the basis for, its view regarding the economy's path toward price stability, including its view regarding the deviation of economic activity and prices from the Bank's previous projection.
- (3) The Cabinet decided on June 19, 2007 the text of "Economic and Fiscal Reform 2007," which was aimed at enhancing growth potential, establishing an administrative and fiscal system suitable for the 21st century, and realizing a sustainable and safe society. In accordance therewith, the government would accelerate and deepen the reforms. In order to ensure sustainable economic growth led by private demand and achieve a stable inflation rate that would be compatible with that growth, it was important for the government and the Bank to implement their policies based on the shared basic perspective on macroeconomic management described in "Economic and Fiscal Reform 2007." The government would like to request the Bank to implement effective monetary policy that was consistent with the government's policy efforts and outlook for the economy, and to firmly support the economy from the financial side in a

responsible manner to ensure price stability by maintaining the accommodative financial conditions ensuing from very low interest rates, taking into account downside risks to the outlook for economic activity and prices.

V. Votes

Based on the above discussions, most members agreed that it was appropriate to maintain the current guideline for money market operations, which encouraged the uncollateralized overnight call rate to remain at around 0.5 percent.

One member, however, said that the member would like to propose that the Bank should raise the uncollateralized overnight call rate target from around 0.5 percent to around 0.75 percent.

As a result, the following proposal was submitted and put to the vote.

Mr. A. Mizuno proposed the following guideline for money market operations for the intermeeting period ahead:

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.75 percent.

The proposal was defeated by a majority vote.

Votes for the proposal: Mr. A. Mizuno.

Votes against the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. K. G. Nishimura, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki.

To reflect the majority view, the chairman formulated the following proposal and put it to the vote.

The Chairman's Policy Proposal on the Guideline for Money Market Operations:

The guideline for money market operations for the intermeeting period ahead will be as follows, and will be made public by the attached statement (see Attachment).

The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.5 percent.

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. K. G. Nishimura, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki.

Votes against the proposal: Mr. A. Mizuno.

Mr. A. Mizuno dissented from the above proposal for the following reasons. First, economic developments had deviated slightly above or at least been in line with the projection in the April Outlook Report, and in addition, the probability that the downside risks mentioned in the Outlook Report would materialize remained low. And second, the Bank should promptly decide on and implement policy changes when justified by economic conditions.

VI. Discussion on the Bank's View of Recent Economic and Financial Developments

Members discussed "The Bank's View" in the *Monthly Report of Recent Economic and Financial Developments* (consisting of "The Bank's View" and "The Background"), and put it to the vote.

The Policy Board decided, by a majority vote, the text of "The Bank's View." It was confirmed that "The Bank's View" would be published on July 12, 2007 and the whole report on July 13, 2007.⁶

Votes for the proposal: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. K. G. Nishimura, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki.

Votes against the proposal: Mr. A. Mizuno.

Mr. A. Mizuno dissented from the above proposal for the following reason. Although there had been no change to the underlying mechanism for economic expansion presented in the April Outlook Report, economic data released since the publication of the Outlook Report suggested that Japan's economy had deviated slightly upward from the Bank's projection in the Outlook Report due to greater-than-expected strength in the

⁶ The English version of the whole report was published on July 17, 2007.

corporate, household, and external sectors.

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of June 14 and 15, 2007 for release on July 18, 2007.

Attachment

July 12, 2007

Bank of Japan

At the Monetary Policy Meeting held today, the Bank of Japan decided, by an 8-1 majority vote,^[Note] 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 0.5 percent.

^[Note] Voting for the action: Mr. T. Fukui, Mr. T. Muto, Mr. K. Iwata, Ms. M. Suda, Mr. K. G. Nishimura, Mr. T. Noda, Mr. S. Nakamura, and Mr. H. Kamezaki.
Voting against the action: Mr. A. Mizuno.