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November 16, 2007

Bank of Japan

Minutes of the Monetary Policy Meeting

on October 10 and 11, 2007

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

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, October 10, 2007, from 2:00 p.m. to 4:53 p.m., and on Thursday, October 11, from 9:01 a.m. to 1:28 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. H. Moriyama, Senior Vice Minister of Finance, Ministry of Finance[2]

Mr. M. Suzuki, Deputy Vice Minister for Policy Planning and Coordination, Ministry of Finance[3]

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. K. Ido, Executive Director

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

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[1] The minutes of this meeting were approved by the Policy Board at the Monetary Policy Meeting held on November 12 and 13, 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. H. Moriyama was present on October 11.

[3] Mr. M. Suzuki was present on October 10.

Mr. M. Ayuse, Associate Director-General, Monetary Affairs Department[4]

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

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

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

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. Kato, Director, Head, Monetary Operations Planning, Monetary Affairs Department[4]

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

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

Mr. T. Miki, Director, Deputy Head of Market Infrastructure and Operations Planning, Financial Markets Department[4]

[4] Messrs. M. Ayuse, T. Kato, and T. Miki were present on October 11 from 9:01 a.m. to 9:21 a.m.

I. Summary of Staff Reports on Economic and Financial Developments[5]

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 September 18 and 19, 2007.[6] As a result, 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), had been more or less flat. Interest rates on Euroyen futures, particularly those with distant contract months, had inched up.

Japanese stock prices rose, mainly in response to the rise in U.S. stock prices. The Nikkei 225 Stock Average had recently been in the range of 17,000-17,500 yen.

Long-term interest rates increased, mainly in response to long-term interest rate movements in the United States and Europe, and had recently been at around 1.7 percent.

The yen, after remaining more or less unchanged against the U.S. dollar, depreciated and had recently been traded in the range of 116-118 yen.

C. Overseas Economic and Financial Developments

The U.S. economy continued to be in a moderate adjustment phase. Housing investment continued to decrease, and home sales had declined further recently. Business fixed investment remained on a gradual uptrend, although the pace of increase was decelerating. Private consumption had continued to increase, albeit at a slower pace. Indicators of business and consumer sentiment, however, had deteriorated slightly, mainly because the negative effects of the subprime mortgage problem had become widespread. As for prices, the year-on-year rate of increase in the consumer price index (CPI) for all items less food and energy, or the core CPI, had been slightly over 2 percent. Underlying inflation pressures remained as labor market conditions had continued to be tight.

In the euro area, the economy continued to expand with domestic and external

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[5] Reports were made based on information available at the time of the meeting.

[6] The guideline was as follows:

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

demand well in balance. Business fixed investment and private consumption remained on an upward trend while exports continued to grow steadily. Indicators of business and consumer sentiment, however, had deteriorated slightly. 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. Exports continued to show a substantial increase, and the rate of increase in fixed asset investment remained high. The year-on-year rate of increase in the CPI for all items had been at a high level due to the rise in food prices. India's economy continued to show high growth, led mainly by domestic demand. The NIEs and ASEAN economies continued to expand at a moderate pace on the whole.

In global financial markets, although widespread adjustments stemming from the U.S. subprime mortgage problem continued in the intermeeting period, conditions had improved somewhat compared with those at the time of the previous meeting. Credit spreads had remained wide on the whole, but some had narrowed, albeit marginally. In money markets, the tightness in the supply-demand conditions for funds had moderated to some extent and deterioration in the liquidity of some term instruments had decreased. Repricing of securitized products, however, had basically continued.

Under these circumstances, U.S. stock prices had risen, mainly in response to the reduction in the policy interest rate by the Federal Reserve. Long-term interest rates in the United States had also increased slightly compared with the levels at the time of the previous meeting. In Europe, developments in stock prices and long-term interest rates had basically followed those in the United States. In many emerging economies, currencies had appreciated and stock prices had recorded historical highs. Yield differentials between their sovereign bonds and U.S. Treasuries had narrowed somewhat, although they remained at a relatively high level.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had continued to increase against the background of the expansion of overseas economies. They remained more or less unchanged in the April-June quarter from the previous quarter due partly to the weakness in exports to the United States, but in July and August they returned to relatively high growth. Exports were expected to continue to rise against the background of the expansion of overseas economies as a whole.

As for domestic private demand, business fixed investment had continued to trend upward and was expected to continue to do so 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, the number of new passenger-car registrations, which previously were declining, had picked up since August, supported mainly by strong sales of new models, and in the area of electrical appliances, sales of digital appliances such as flat-panel televisions had continued to be strong, while those of cellular phones and game consoles had also been on an increasing trend, aided by the introduction of new products. Sales at department stores, which primarily sold nondurable and semi-durable consumer goods, had been firm, albeit with fluctuations caused by the weather. Sales at supermarkets, on the other hand, had been somewhat lackluster. As for services consumption, sales in the food service industry had continued to trend upward, albeit with large fluctuations caused by the weather, and outlays for travel had generally been firm. Indicators of consumer sentiment had generally been at favorable levels, although some had shown a slight deterioration most recently. Private consumption was expected to follow a gradual uptrend, reflecting the gradual increase in household income.

As for housing investment, housing starts had recently dropped sharply, affected by the revised Building Standard Law coming into force. Housing investment was likely to be sluggish for the time being, but was expected to regain its firmness in due course against the background of the rise in household income and the accommodative financial environment.

Production had continued to be on an increasing trend and was expected to continue to increase, 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 somewhat elevated relative to shipments.

As for employment and income, in a situation where labor market conditions had continued to tighten, household income had continued rising moderately, supported by the increase in the number of employees. Nominal wages per worker had recently been somewhat weak. 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 been high, mainly due to a heightening of concerns over geopolitical risks and to the tightening of supply and demand conditions for petroleum products in the United States, while prices of nonferrous metals had also been high on the whole, albeit with some 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 likely to continue increasing for the time being, although the pace of increase was expected to slow. 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.

2. Financial environment

The environment for corporate finance was accommodative. Credit demand in the private sector had been more or less flat lately, since ample cash flow had slowed the increase in corporate demand for external funds and some weakness in credit demand had been observed in, for example, consumer finance companies. However, the issuing environment for CP and corporate bonds had been favorable, and the lending attitudes of private banks had continued to be accommodative. Under these circumstances, the amount outstanding of lending by private banks had been increasing moderately, and the amount outstanding of CP and corporate bonds issued had been above the previous year's level. Funding costs for firms had risen slightly. The year-on-year rate of growth in the money stock (M_2+CDs) was around 2 percent.

II. Amendment to Guidelines on Eligible Collateral

A. Staff Proposal

The staff proposed that the Bank make necessary amendments to its Guidelines on Eligible Collateral and the principal terms and conditions for repo operations and securities lending in view of the introduction of 40-year Japanese government bonds and the results of the Bank's review conducted annually on appropriate margins reflecting recent developments in financial markets. This proposal was put forward with a view to maintaining the soundness of the Bank's assets and efficiency in market participants' use of collateral.

B. Discussion by the Policy Board and Vote

Members voted unanimously to approve the proposal and agreed that the decision should be made public.

III. 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, and was likely to continue its sustained expansion with a virtuous circle of growth in production, income, and spending in place. They also agreed, however, that developments in global financial markets and the global economy continued to warrant attention because global financial markets remained unstable on the whole, albeit with some improvement, and there was uncertainty regarding global economic developments, for example, downside risks to the U.S. economy.

Members agreed that overseas economies taken as a whole continued to expand with momentum being gained across a wide range of economies.

Members shared the view that global financial markets continued to be unstable on the whole, although some improvement had been seen. A few members noted that in credit markets the decline in the amount outstanding of asset-backed commercial paper (ABCP) was coming to a halt and credit spreads, such as those on corporate bonds, were narrowing somewhat. Some members said, however, that transactions in credit markets, especially markets for securitized products, remained sluggish, and this suggested a slow recovery of proper functioning. A few members commented that money market conditions in the United States and Europe had improved somewhat as seen in the fact that it became easier for term instrument deals to be made compared with some time ago, but market participants, especially in the euro area, remained nervous about counterparty risk. Some members expressed the opinion that market participants viewed favorably the release by some U.S. and European financial institutions of earnings reports and forecasts in which they revealed or forecasted their subprime mortgage-related losses, and this, coupled with the reduction in the policy interest rate by the Federal Reserve, had contributed to financial markets regaining some stability. In relation to this, a few members were of the view that it would be some time before the overall picture of the losses incurred by financial institutions became available because the process of repricing in financial markets was still ongoing and it was difficult to accurately assess prices of financial assets such as securitized products. Based on the discussion, members agreed that close attention should continue to be paid to developments in global financial markets, and also how they might affect economic activity.

Members concurred that the U.S. economy continued to expand moderately, led mainly by private consumption and business fixed investment, although the pace of growth was decelerating. Many members noted that growth in employment continued, albeit at a slower pace, as evidenced by the upward revision of nonfarm payroll employment for August and the increase in September. Most members expressed the view that, although the scenario that the U.S. economy was likely to realize a soft landing and gradually move onto a sustainable growth path remained valid so far, the risk that growth in the U.S. economy might be slower than expected had been increasing. Some members attributed the increasing risk to a protracted correction in the housing market, in view of the further deterioration in housing market conditions, for example, declines in home sales and housing starts. A few members were of the view that, depending on the extent of decline in housing prices, the effects of the correction on overall economic activity might become significant via a decrease in the value of household assets and a tightening of lending standards by financial institutions due to deterioration in their balance sheets. A different member said that growth in sales tax revenue tended to be slower in those states where the rate of decline in housing prices was faster, and this might indicate that the decline in housing prices had started to have an adverse effect on private consumption. As for prices, a few members commented that, although the year-on-year rate of change in the core CPI had recently been declining moderately, it was too early to conclude that underlying inflation pressures had subsided as labor market conditions had continued to be tight.

With regard to European economies, members shared the view that the economy of the euro area continued to expand with domestic and external demand well in balance and that the U.K. economy also continued to show relatively high growth. Many members expressed the opinion, however, that global financial markets continued to be unsettled and therefore due attention should be paid to the impact on economic activity. Some members said that surveys conducted by the Bank of England and the European Central Bank showed that financial institutions had tightened their lending stance, and added that this might adversely affect economic activity.

On Asian economies, members concurred that in China both domestic and external demand continued to expand strongly, and that the NIEs and ASEAN economies continued to expand at a moderate pace on the whole.

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. Some members said that real exports, including those to the United States, had shown a high rate of growth most recently after a pause in the April-June quarter due partly to a decrease in real exports to the United States. One member said that the effects of correction in the U.S. housing market on Japan's economy were likely to be limited for the following reasons: the input-output structure of U.S. industries suggested that the adverse effects were likely to be contained within the United States; Japan's exports were diversified in terms of destinations and types of goods; and there was still room for further policy actions to be taken in various countries.

As for domestic private demand, members agreed that business fixed investment continued to increase, and was likely to keep increasing reflecting the ongoing growth in domestic and external demand and also the continuing high level of corporate profits. Based on the September *Tankan* (Short-Term Economic Survey of Enterprises in Japan), members also shared the view that business sentiment had remained generally favorable although it had become cautious in some sectors. Many members, however, noted that small firms had been facing downward pressure on their profits as they had been unable to pass on the earlier rise in production costs to sales prices. They said that this could have a bearing on the slower pace of upward revisions to small firms' fixed investment plans compared with the average of recent years and on the slight deterioration in the business sentiment of small firms.

Members concurred that private consumption had been firm and was likely to follow a gradual uptrend, reflecting the gradual increase in household income. One member expressed the view that, although sales at department stores had fluctuated in recent months due to the weather, private consumption as a whole had been firm as seen in the fact that sales of passenger cars had picked up supported by the introduction of new models and services consumption, for example in the food service industry, had continued to increase.

Members agreed that housing investment had temporarily dropped sharply, affected by the revised Building Standard Law coming into force. One member said that some in the real estate industry were saying that housing demand was peaking out, and continued that careful attention should be paid to developments in housing investment after the effects of this special factor had dissipated.

Members agreed that production, which was flat in the first half of the year, had started to increase again and was likely to be on an upward trend reflecting the rise in domestic and external demand. A few members expressed the view that the inventory-shipment balance of electronic parts and devices had been improving and this had been reducing adjustment pressures on production.

As for employment and income, members concurred that, in a situation where labor market conditions had continued to tighten, 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 said that although the year-on-year rate of change in wages per worker turned positive in August, the rate of increase in that month was marginal and growth in wages per worker had remained relatively weak on the whole. A few members commented that growth in wages paid by small firms in particular had been weak.

Members discussed how to interpret, from a macroeconomic viewpoint, the fact that there were many indicators, such as business fixed investment plans, profits, and wages, showing weaker developments in small firms compared with the average of all sizes of firms. One member expressed the view that this comparative sluggishness was due to the structural factor whereby small firms tended to benefit less from economic globalization than large ones and this had gradually become evident during the current phase of economic expansion. A different member said that the weaker developments in production and sales of small firms were due not only to firm size, but also to the fact that they made up a large proportion of firms in the industries whose performance was poor. Some members expressed the view that small firms accounted for a relatively small share in the fixed investment and profits of the whole corporate sector but a large share in the number of employees and total wages, and therefore developments in small firms affected the whole economy mainly through employment and income.

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

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 since resource utilization had been rising. Some members noted that opinion surveys showed an increase in the proportion of consumers who felt that prices had risen or expected that prices would rise. One of these members said that this consumer perception differed from the developments in price indices. This member expressed the view that this probably reflected the fact that, while price rises had been spreading mainly among goods and services related closely to the everyday life of consumers, price indices had not been rising due to the large decline in goods that were purchased less frequently, for example, digital appliances and personal computers. A few members said that in a situation where consumers' perception of price developments had been changing, firms' capacity to absorb higher costs had been approaching its limit, and therefore prices might rise higher than expected depending on developments in, for example, materials prices.

With regard to land prices, one member said that close attention should continue to be paid to the fact that the upward trend in both commercial and residential land prices in the three major metropolitan areas (Tokyo, Osaka, and Nagoya) was becoming more evident, while pointing out that in some areas where rises in land prices had been observed, the pace of increase had been decelerating since the turn of the year.

B. Financial Developments

On financial developments in Japan, members concurred that despite the emergence of the subprime mortgage problem and the instability in the global financial markets, 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. One member said that credit spreads, such as those on corporate bonds, had been more stable than in the United States and Europe, and the issuing environment for corporate bonds and CP had continued to be favorable. The member particularly referred to the issuance of corporate bonds in September, which marked the highest level in six years. This member added that the September *Tankan* confirmed that the lending attitudes of private banks had continued to be accommodative.

IV. 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.

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 expressed the following view: economic indicators suggested that Japan's economy was likely to continue sustainable growth under price stability broadly in line with the projection presented in the April 2007 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report); however, global financial markets continued to be unstable on the whole, albeit with some signs of improvement, and there was uncertainty regarding global economic developments due mainly to downside risks to the U.S. economy; and therefore the Bank should continue to examine upcoming economic indicators and other relevant information as well as financial market conditions carefully.

A few members said that although Japan's economy was likely to continue sustainable growth under price stability and any policy change should be made in accordance with improvements in the economic and price situation, at present there was time to carefully assess developments in financial markets and the global economy as well as their effects on Japan's economy. One of these members added that price and economic developments had so far been in line with the projection, but near the lower end of it. A different member said that once the Bank became confident with reasonable certainty, judging from economic indicators and other supporting evidence, that the baseline scenario was likely to materialize, the Bank should not hesitate to implement a policy change. Another member commented that the upcoming Outlook Report was important in terms of the Bank's communication with the market, since market participants were keenly interested in it as there remained uncertainty regarding developments in global financial markets and the global economy. The member said that members should therefore discuss the Outlook Report in depth at the next meeting.

V. Remarks by Government Representatives

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

(1) Private consumption and production had been improving, while the unemployment rate had risen somewhat recently. The results of the September *Tankan* suggested that the performance of the corporate sector, whose sentiment had deteriorated somewhat as a whole, had remained strong. Japan's economy as a whole continued to experience a sustained recovery, although some weaknesses had been seen recently. The CGPI had been increasing albeit at a slower pace recently, while the CPI had been more or less unchanged.

(2) 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 so as to ensure the sustainability of the ongoing economic recovery.

(3) The subprime mortgage problem, which had begun to be resolved, still required careful monitoring. The government would like the Bank to carefully monitor developments in the Japanese and the global economy, particularly the U.S. economy, and also in financial markets, and continue to react appropriately to changes in trends. The Ministry of Finance would also give due consideration to developments in the economy and financial markets, both at home and abroad.

(4) Furthermore, the government would like the Bank to clearly explain to market

participants and the public its view regarding the current situation and future course of Japan's economy and its thinking on the future conduct of monetary policy.

The representative from the Cabinet Office made the following remarks.

(1) Japan's economy was recovering, although some weaknesses had been seen recently. A comprehensive review of developments in prices suggested that the economy had not yet overcome deflation. The year-on-year rate of change in the CPI had recently been negative, and inflation pressures stemming from domestic factors had still been weak. The rate of change in the CPI was likely to eventually turn positive, and therefore price developments should be monitored carefully, paying close attention to when the upturn occurred.

(2) Due attention should be paid to downside risks to Japan's economy such as the possibility that developments in overseas economies, particularly in the United States, and in crude oil prices might negatively affect Japan's economy. 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.

(3) 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 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.

VI. 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, developments in Japan's economy had been in line with the projection in the April Outlook Report. Second, a change in the projection for Japan's economy was not necessary because swings in financial markets triggered by the U.S. subprime mortgage problem were at present only one of the risks to Japan's economy. Third, as a side effect of maintaining very low interest rates for a long time, signs of an asset price bubble were becoming increasingly evident. And fourth, the consistency between the Bank's assessment that developments in Japan's economy had been broadly in line with the projection in the April Outlook Report and the policy decision maintaining the current policy guideline would be difficult for market participants to understand.

VII. 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 unanimous vote, the text of "The Bank's View." It was confirmed that "The Bank's View" would be published on October 11, 2007 and the whole report on October 12, 2007.[7]

[7] The English version of the whole report was published on October 15, 2007.

Attachment

October 11, 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.