Not to be released until 8:50 a.m. Japan Standard Time on Thursday, December 24, 2009.

December 24, 2009

Bank of Japan

Minutes of the Monetary Policy Meeting
on November 19 and 20, 2009

(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 Thursday, November 19, 2009, from 2:00 p.m. to 4:53 p.m., and on Friday, November 20, from 9:00 a.m. to 12:30 p.m.[1]

Policy Board Members Present

Mr. M. Shirakawa, Chairman, Governor of the Bank of Japan

Mr. H. Yamaguchi, Deputy Governor of the Bank of Japan

Mr. K. G. Nishimura, Deputy Governor of the Bank of Japan

Ms. M. Suda

Mr. A. Mizuno

Mr. T. Noda

Mr. S. Nakamura

Mr. H. Kamezaki

Government Representatives Present

Mr. Y. Noda, Senior Vice Minister of Finance, Ministry of Finance[2]

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

Mr. K. Tsumura, Parliamentary Vice-Minister, Cabinet Office[2]

Mr. K. Umetani, Deputy Director-General, Economic and Fiscal Management, Cabinet Office[3]

Reporting Staff

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

Mr. K. Ido, Executive Director

Mr. H. Nakaso, 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 December 17 and 18, 2009 as "a document describing an outline of the discussion at the meeting" stipulated in Article 20, paragraph 1 of the Bank of Japan Act of 1997. Those present are referred to by their titles at the time of the meeting.

[2] Messrs. Y. Noda and K. Tsumura were present on November 20.

[3] Messrs. S. Kagawa and K. Umetani were present on November 19.

Mr. T. Kato, Associate Director-General, Monetary Affairs Department

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

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

Mr. T. Sekine, Associate Director-General, Research and Statistics Department

Mr. H. Ono, Director-General, International Department

Secretariat of the Monetary Policy Meeting

Mr. Y. Iino, Director-General, Secretariat of the Policy Board

Mr. T. Tachibana, Director, Deputy Head of Secretarial Services for the Board, Secretariat of the Policy Board

Mr. A. Otani, Senior Economist, Monetary Affairs Department

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

I. Summary of Staff Reports on Economic and Financial Developments[4]

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 October 30, 2009.[5] The uncollateralized overnight call rate had been at around 0.1 percent.

With a view to ensuring market stability, the Bank continued to conduct money market operations in a flexible manner in response to changes in the market situation, as evidenced by its active purchases of Japanese government securities (JGSs) and CP under repurchase agreements. The Bank also continued to conduct outright purchases of CP and corporate bonds, special funds-supplying operations to facilitate corporate financing, and U.S. dollar funds-supplying operations against pooled collateral. In outright purchases of CP and corporate bonds and in U.S. dollar funds-supplying operations against pooled collateral, the bidding amounts had decreased further, as financial institutions' demand for liquidity had declined reflecting a recovery in market functioning. In particular, the recent trend of no bidding in outright purchases of CP continued and no bid was submitted to U.S. dollar funds-supplying operations against pooled collateral, for the first time, for a term of 70 days.

B. Recent Developments in Financial Markets

In Japan's money market, interest rates had been stable at low levels as there was a strong sense of an abundance of liquidity in the market. General collateral (GC) repo rates had been in the range of 0.10-0.15 percent. Interest rates on term instruments showed the following developments. Yields on government bills, including those with a one-year maturity, had been stable in the range of 0.1-0.2 percent. In the CP market, issuing conditions had been favorable: issuance rates on some high-rated CP had been below yields on government bills, and those on low-rated CP had been below their levels seen just before the failure of Lehman Brothers. Euroyen rates with longer maturities had been stable, albeit at relatively elevated levels compared with the yields on government bills.

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[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 0.1 percent.

Japanese stock prices had declined mainly due to concern about future business performance. The Nikkei 225 Stock Average had recently been in the range of 9,500-10,000 yen. Long-term interest rates in Japan temporarily increased somewhat mainly due to concern about possible increases in issuance of government bonds, but then declined. The benchmark rate had recently been at around 1.3 percent.

The yen had appreciated somewhat against the U.S. dollar and had recently been traded at around 89 yen to the dollar.

C. Overseas Economic and Financial Developments

The world economy was recovering moderately.

U.S. economic activity was picking up. Private consumption as a whole was increasing, albeit very moderately: car sales fell after the end of sales promotion measures by the government, but consumer spending other than car purchases had continued to rise. Housing investment had picked up, and the decline in home prices was coming to a halt. The rate of decrease in business fixed investment was slowing. Production had been increasing due to progress in inventory adjustments. In the labor market, although the unemployment rate had been rising, the pace of decrease in the number of employees was slowing. As for prices, the year-on-year rate of decline in the consumer price index (CPI) for all items moderated, as the effects of the drop in energy prices had abated. The year-on-year rate of increase in the CPI for all items less energy and food, or the core CPI, had risen moderately.

Economic conditions in the euro area had started to pick up. Private consumption had been relatively weak as a whole, while production had started to increase as exports improved and the pace of decline in business fixed investment moderated. As for prices, the year-on-year rate of change in the Harmonized Index of Consumer Prices (HICP) had declined moderately. Economic conditions in the United Kingdom had stopped worsening, partly reflecting a slower pace of decline in private consumption, a pick-up in production, and progress in housing market adjustments.

The Chinese economy had continued to grow at a relatively rapid pace, led mainly by domestic demand. Growth in private consumption had been firm, and fixed asset investment had been increasing strongly. Exports had started to increase. Under these circumstances, production had continued to increase. Economic conditions in the NIEs and the ASEAN countries were recovering. Exports and private consumption had risen. Business fixed investment in that region had generally picked up, although there were differences in the degree of improvement among countries, and production had increased. The Indian economy had also continued to grow at a relatively rapid pace. With regard to prices, the downward trend in the year-on-year rate of change in the CPI for all items had come to a halt in many Asian economies.

As for global financial markets, money markets were regaining stability, as evidenced by the fact that Treasury-Eurodollar (TED) spreads had been at around the levels seen in summer 2007. Credit spreads on corporate bonds had generally been on a decreasing trend, although those on low-rated bonds remained at high levels. In the United States and Europe, stock prices had risen, mainly reflecting better-than-expected corporate results. Long-term interest rates in the United States had been more or less unchanged, and those in Europe had also generally been unchanged.

D. Economic and Financial Developments in Japan

1. Economic developments

Exports had been rising, due to the improvement in overseas economic conditions, and were expected to continue increasing on the back of this improvement trend.

Public investment had been increasing, albeit with some fluctuations. It was likely to level off gradually, mainly reflecting the reduction in the first supplementary budget for fiscal 2009.

With regard to domestic private demand, the decline in business fixed investment, which mainly reflected weak corporate profits, had been coming to a halt. Although business fixed investment was expected to pick up gradually, it was likely to remain more or less unchanged for the time being, with corporate profits remaining at a low level and the sense of excessive capital stock being strong.

Private consumption, notably durable goods consumption, was picking up mainly due to policy measures, despite the continued severe employment and income situation. Meanwhile, indicators of consumer sentiment had been improving mainly due to the decline in retail prices and to various demand-boosting policy measures, but the pace of improvement had slowed recently. Private consumption, notably durable goods consumption, was likely to continue to pick up for the time being mainly due to policy measures, despite the severe employment and income situation.

Housing investment had decreased and was expected to continue decreasing for the time being, given the sluggishness in housing starts.

Production had been rising, reflecting progress in inventory adjustments and policy effects, both at home and abroad. It was expected to continue increasing for the time being, mainly due to the increase in demand for durable consumer goods both at home and abroad.

The employment and income situation had remained severe, with a high unemployment rate and a significant decrease in household income. Household income was likely to continue decreasing substantially for the time being, considering the lagged effects from developments in corporate profits and production.

On the price front, commodity prices, with some fluctuations, had generally been on a rising trend. The three-month rate of change in the domestic corporate goods price index (CGPI) had been slightly negative, mainly due to the slack in supply and demand conditions for products. The CGPI was likely to be soft for the time being due to the persistent slack in supply and demand conditions for products, although the rise in commodity prices was expected to exert an upward pressure. The year-on-year rate of change in the CPI (excluding fresh food) had declined, mainly due to the prices of petroleum products, which were lower than their high levels of a year before, in addition to the substantial slack persisting in the economy as a whole. The pace of decline in the CPI (excluding fresh food) was expected to moderate toward the year-end as the effects of the lower prices of petroleum products abated.

2. Financial environment

The financial environment, with some lingering severity, had continued to show signs of improvement. The overnight call rate had remained at an extremely low level, and firms' funding costs had remained more or less unchanged at low levels. However, the stimulative effects from low interest rates had been limited given the low levels of economic activity and corporate profits. With regard to credit supply, although many firms still saw financial institutions' lending attitudes as severe, firms as a whole regarded the situation as improving. Issuing conditions for CP and corporate bonds had remained favorable, except for low-rated corporate bonds. As for credit demand, firms' need to fund working capital and fixed investment had declined, and some firms had reduced the on-hand liquidity that they had accumulated. Against this backdrop, the pace of increase in bank lending had slowed. The amount outstanding of corporate bonds had exceeded the previous year's level, while that of CP had declined. In these circumstances, although many firms, mainly small ones, still saw their financial positions as weak, on the whole firms' financial positions had continued to improve. Meanwhile, the year-on-year rate of change in the money stock had been in the range of 3.0-3.5 percent.

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

A. Economic Developments

Members shared the view that overseas economies were recovering moderately and this trend was likely to continue. Many members said that economic recovery in emerging economies was somewhat stronger than expected, and raised the following as reasons for such developments. First, the need for balance-sheet adjustments in emerging economies was limited, and consequently the impact of vigorous stimulus measures was strong. Second, capital inflow from advanced economies that maintained their accommodative monetary policy stance had increased, and asset prices had also risen. And third, many emerging economies had adopted fixed or nearly fixed exchange rate systems, and this brought about additional monetary easing effects on these economies.

Regarding risks to the outlook for overseas economies, many members said that the pace and sustainability of economic recovery after the effects of the policy measures had abated remained highly uncertain.

Many members expressed the view that the state of global financial markets had been improving. One member commented that spreads on U.S. dollar-denominated term instruments had narrowed to close to the level seen just before the BNP Paribas shock.

Many members said that U.S. economic activity was picking up and was likely to continue improving. These members commented that private consumption as a whole was increasing, albeit very moderately, as evidenced by the fact that, although car sales fell after the end of sales promotion measures by the government, consumer spending other than car purchases had risen. However, they were of the opinion that the momentum for economic recovery was still weak, noting that labor market conditions remained severe with a continued rise in the unemployment rate and bank lending continued to decrease substantially. As for the outlook, many members said that the momentum to support self-sustaining recovery in private demand after the effects of policy measures had abated warranted conservative forecasting, considering the severe employment and income situation as well as adjustment pressures on the balance sheets of households and financial institutions.

With regard to the economy of the euro area, many members shared the view that economic conditions had started to pick up on the back of a recovery in exports to outside the euro area and stimulus measures by governments in the area. Some members, however, expressed the opinion that, with the unemployment rate at a high level, consumer spending other than car purchases and business fixed investment had remained weak. One member commented that the vulnerability in the financial sector and developments in European emerging economies continued to pose a significant downside risk to the economy of the euro area.

As for emerging economies, many members said that the Chinese economy had continued to grow at a relatively rapid pace, led mainly by domestic demand, and economic conditions in the NIEs and the ASEAN countries were recovering reflecting the increase in exports to China. Some members said that there might be an overheating in part of the Chinese economy, as seen in the form of surging asset prices and excessive production capacity, partly due to the effects of stimulus measures.

Based on the above discussions on economic and financial conditions abroad, members discussed the state of Japan's economy. Given the preliminary GDP estimates for the July-September quarter and monthly economic data, many members were of the view that Japan's economy was picking up, in that private consumption, notably durable goods consumption, was picking up and the decline in business fixed investment had been coming to a halt. These members, however, attributed the pick-up in the economy to large-scale demand-boosting policy measures and progress in inventory adjustments, both at home and abroad, and said that there was not yet sufficient momentum to support self-sustaining recovery in domestic private demand. A few members commented that the level of production and other economic activity remained low, despite the pick-up in the economy. Following this discussion, many members said that the Bank, in the statement to be released immediately after the meeting, should present not only its view on the direction of Japan's economy -- namely, that it was picking up -- but also indicate the Bank's cautious view of economic conditions by including, for example, observations that economic activity was being supported by various policy measures taken both at home and abroad and that domestic private demand remained weak.

As for the outlook, members agreed that the pace of improvement of the economy was likely to remain moderate until around the middle of fiscal 2010. Many members said that, as stated in the October 2009 *Outlook for Economic Activity and Prices* (hereafter the Outlook Report), balance-sheet adjustments in the United States and Europe and pressures to adjust employment and wages in Japan were likely to remain for the time being. These members expressed the opinion that growth in GDP and production in Japan might temporarily slow until around the middle of fiscal 2010 since the effects of various demand-boosting policy measures and inventory adjustments, both at home and abroad, were likely to wane. Some members -- noting that the GDP growth rate private-sector economists projected for fiscal 2010 was broadly the same as the rate the Bank presented in the October Outlook Report -- said the view that the momentum of economic growth might weaken temporarily until around the middle of fiscal 2010 was basically shared by the Bank and the private sector.

Many members said that, while stock prices in advanced and emerging economies were generally on a rising trend against the backdrop of improvement in economic conditions and business performance, only those in Japan continued to be relatively weak. On this point, some members commented that Japanese stock prices might have been influenced in some way by market views about growth strategies and the medium- to long-term growth potential of Japanese firms and Japan's economy as a whole. A different member raised the possibility that the weakness in stock prices might have reflected market concerns that Japanese firms might be unable to successfully attract demand from emerging economies. One member, however, expressed the opinion that stock prices tended to fluctuate widely in the short term, and thus caution should be taken before concluding that the recent developments in stock prices reflected economic fundamentals. A different member, noting that after the bursting of the economic bubble there were some phases when Japanese stock prices rose to some extent, said that attention should be paid to the sustainability of the rise in stock prices in the United States and Europe, where balance-sheet adjustments continued.

Regarding developments in each demand component, members agreed that exports had been rising, mainly due to the improvement in overseas economic conditions, and were likely to continue increasing.

Members shared the view that public investment had been increasing, albeit with some fluctuations, but was likely to level off gradually.

Many members were of the view that the decline in business fixed investment, which mainly reflected weak corporate profits, had been coming to a halt. Some members commented that manufacturers' performance had been better than expected. Many members noted that the figure for business fixed investment in the preliminary GDP estimates increased in the July-September quarter, albeit marginally, and machinery orders and construction starts in terms of floor area -- the leading indicators of business fixed investment -- had almost stopped declining.

Members expressed the view that private consumption, notably durable goods consumption, was picking up mainly due to policy measures, despite the continued severe employment and income situation, and this trend was likely to continue for the time being. Many members, however, referred to the possibility that, as shown in the October Outlook Report, private consumption as a whole might become weak again after the policy effects had waned. One member noted that attention should be paid to the downside risk that the positive influence of the strength in the corporate sector might not feed through into the household sector.

Members agreed that production had been rising, reflecting progress in inventory adjustments and policy effects, both at home and abroad. As for the outlook, they shared the view that production was likely to continue increasing for the time being, mainly due to the increase in demand for durable consumer goods both at home and abroad. Some members said that interviews with firms suggested that, although production would continue increasing in the October-December quarter, firms were still cautious regarding future developments with respect to production in 2010 onward, and concluded that the pace and sustainability of improvement remained highly uncertain. One member commented that firms' cautious views mainly reflected their concerns about developments after the effects of various demand-boosting policy measures had waned, but also might reflect the fact that they had not yet been able to find a way to achieve medium- to long-term growth.

Members concurred that the employment and income situation had remained severe. Some members commented that wages continued to decline substantially and firms' perception of excess labor remained strong. A few members said that firms retained many otherwise potentially unemployed workers as this allowed them to take advantage of employment adjustment subsidies, and as a result labor productivity had declined. These members added that it would take time for the number of recruits to increase since firms would give priority to restoring their labor productivity even with a continued pick-up in the economy.

Many members said that the year-on-year rate of change in the CPI (excluding fresh food) had declined, mainly due to the prices of petroleum products, which were lower than their high levels of a year before, in addition to the substantial slack persisting in the economy as a whole. Some members were of the view that the impact of the deterioration in the supply and demand balance had been observed as an increase in the number of items for which prices had declined and a continuation of the year-on-year decline in the CPI for all items less energy and food. As for the outlook, many members agreed that the pace of decline in the CPI (excluding fresh food) was likely to moderate significantly, to a range of minus 1.0 to minus 1.5 percent, toward the year-end as the effects of the lower prices of petroleum products abated. These members said that, thereafter, deceleration in the decline in the CPI was likely to slow, given the merely gradual improvement in the supply and demand balance and weak wage growth. One member, however, commented that price declines had been limited despite the unprecedented degree of the slackness in the supply and demand balance around the globe, and uncertainty about the relationship between the economic slack and prices was extremely high. A different member said that hourly wages, which were closely related to prices, had been stable and thus downward pressure on prices from wages might still be small.

B. Financial Developments

Members agreed that the financial environment, with some lingering severity, had continued to show signs of improvement.

Members concurred that issuing conditions for CP and corporate bonds had remained favorable, except for low-rated corporate bonds, and also were stable after the Bank's decision made at the previous meeting on its outright purchases of CP and corporate bonds and special funds-supplying operations to facilitate corporate financing. One member said that issuing conditions for CP had remained favorable, even for low-rated CP, and that those for corporate bonds as a whole had also remained favorable.

Some members noted that interest rates on term instruments had been stable, as seen in the low level of the risk premium embedded in those maturing beyond the year-end. However, a few members said that some market participants regarded the market situation after the fiscal year-end as highly uncertain, and that the Bank's money market operations should be conducted very carefully.

As for firms' financial positions, members agreed that many small firms still saw their financial positions as weak.

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

Regarding the guideline for money market operations for the intermeeting period ahead, members agreed that, given the above assessment of economic activity and prices, it was appropriate to maintain the current guideline that the Bank would encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

As for the future conduct of monetary policy, many members expressed the view that, since Japan's economy was still in a phase of picking up and would continue to require close monitoring for the time being, the Bank should aim to maintain the extremely accommodative financial environment, thereby providing steady support for the economy to return to a sustainable growth path with price stability.

In relation to the decision made at the previous meeting on the manner of dealing with various temporary measures, many members expressed the view that financial markets had subsequently been stable. These members were of the opinion that the Bank should continue to explain the following points clearly to the public. First, the Bank would maintain its stance of responding promptly to changes in the market situation, as it had made clear in the statement released immediately after the previous meeting that it would adopt the most effective method for money market operations that conformed to changes in financial markets. And second, the Bank recognized that its continuous conduct of various temporary measures had been producing a negative side effect of hampering market functioning. Some members said that the Bank explicitly stated in the same statement that it would maintain the extremely accommodative financial environment for some time by holding interest rates at their current low levels and providing ample funds sufficient to meet demand in financial markets, with a view to making clear that any changes regarding various temporary measures decided at the meeting would not immediately lead to a shift in the Bank's stance of maintaining the accommodative financial environment. These members added that the Bank continued to firmly maintain this stance.

Members discussed the Bank's communication regarding its assessment of prices. One member noted that, since the Bank provided a forecast in the October Outlook Report of continued price declines through fiscal 2011, "deflation" had predictably become a hot topic. Many members expressed the view that, as the Bank had described previously, "deflation" could be defined in different ways -- as a continued decline in prices of goods and services, a severe economic situation, and a fall in asset prices, for example -- and the Bank should therefore be extremely careful when using the term. Some members said that, while this view was correct, expressing it might give an impression that the Bank was avoiding use of the term. One member said that if "deflation" was defined as a continued decline in prices, the Bank should explain to the public that such a situation was in line with the Bank's assessment of price developments presented in the October Outlook Report. A different member added that, when the Bank took up the issue of deflation in its communication to the public, it should use care to ensure such an action itself did not negatively affect public sentiment.

A few members were of the opinion that the Bank should explain clearly to the public that the underlying cause of the continued decline in prices was the slack in the economy -- in other words, the weakness in demand. These members added that to improve the situation it was essential to create an environment whereby final demand -- specifically, business fixed investment and private consumption -- could achieve self-sustaining growth, and for this purpose it was most important to alleviate households' concerns about the future and underpin firms' expectations of future economic growth.

IV. Remarks by Government Representatives

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

(1) The Japanese economy had been picking up but the recovery was not autonomous, and the situation remained difficult as evidenced by the high unemployment rate. As for short-term prospects, attention should be given to the factors that posed downside risks

to the economy -- for example, the further worsening of the employment situation and the possibility of weaker-than-expected growth of overseas economies. Regarding price developments, the Bank presented in the October Outlook Report its grim outlook that the rate of inflation was likely to be negative for an extended period.

(2) The government decided to formulate measures to support the economy, taking account of the current economic and employment situation.

(3) The government expected the Bank to continue to support the economy from the financial side by conducting monetary policy in an appropriate and flexible manner, based on the aforementioned assessment of economic conditions and the government's responses.

The representative from the Cabinet Office made the following remarks.

(1) The Japanese economy had been picking up, but the situation remained difficult. As for short-term prospects, attention should be given to the risks of, for example, a further worsening of the employment situation.

(2) In view of Japan's severe economic conditions, the government would promote emergency employment measures and immediately formulate a policy package to support the economy, focusing especially on employment and ecological concerns.

(3) Given that the rate of growth in nominal GDP had been lower than that in real GDP and that prices were likely to continue declining, the government took the view that the Japanese economy was entering a deflationary phase. Deflation would be a significant risk factor with respect to the stability of the Japanese economy.

(4) The government expected the Bank to pay due attention to the risk of deflation and continue to support the economy through the conduct of monetary policy. The government also considered it important that the Bank clearly explain to the public and market participants its strategy over the medium to long term to achieve sustainable growth with price stability.

V. Votes

Based on the above discussions, 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 0.1 percent.

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

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

1. The guideline for money market operations for the intermeeting period ahead will be as follows.

   The Bank of Japan will encourage the uncollateralized overnight call rate to remain at around 0.1 percent.

2. A public statement will be decided separately.

Votes for the proposal: 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.

Votes against the proposal: None.

VI. Discussion on the Statement on Monetary Policy

Members discussed the Statement on Monetary Policy, and put it to a vote. The Policy Board decided the text by a unanimous vote. It was confirmed that the statement would be released immediately after the meeting (see Attachment 1).

VII. Approval of the Minutes of the Monetary Policy Meeting

The Policy Board approved unanimously the minutes of the Monetary Policy Meeting of October 30, 2009 for release on November 26, 2009.

VIII. Approval of Changes in the Scheduled Dates Related to the Monetary Policy Meetings in July 2009-June 2010

The Policy Board approved changes in the dates related to the Monetary Policy Meetings in the period July 2009-June 2010 for immediate release (see Attachment 2).

Attachment 1

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,[6] 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

[6] 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.

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.

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.

Attachment 2

November 20, 2009

Bank of Japan

Scheduled Dates of Monetary Policy Meetings in July 2009-June 2010

Revised

Dates underlined are revised dates (those crossed-out are previously released on June 16, 2009).

	Date of MPM	Publication of MPM Minutes	Publication of Outlook Report (The Bank's View)	(Reference) Publication of Monthly Report
July 2009	14 (Tue.), 15 (Wed.)	Aug. 14 (Fri.)	--	16 (Thur.)
Aug.	10 (Mon.), 11 (Tue.)	Sep. 25 (Fri.)	--	12 (Wed.)
Sep.	16 (Wed.), 17 (Thur.)	Oct. 19 (Mon.)	--	18 (Fri.)
Oct.	13 (Tue.), 14 (Wed.)	Nov. 5 (Thur.)	--	15 (Thur.)
	30 (Fri.)	Nov. 26 (Thur.)	30 (Fri.)	--
Nov.	19 (Thur.), 20 (Fri.)	Dec. 24 (Thur.)	--	24 (Tue.)
Dec.	17 (Thur.), 18 (Fri.)	Jan. 29 (Fri.)	--	21 (Mon.)
Jan. 2010	25 (Mon.), 26 (Tue.)	Feb. 23 (Tue.)	--	27 (Wed.)
Feb.	17 (Wed.), 18 (Thur.)	Mar. 23 (Tue.)	--	19 (Fri.)
Mar.	16 (Tue.), 17 (Wed.)	Apr. 12 (Mon.)	--	18 (Thur.)
Apr.	6 (Tue.), 7 (Wed.)	May 10 (Mon.) ~~May 6 (Thur.)~~	--	8 (Thur.)
	30 (Fri.) ~~27 (Tue.)~~	May 26 (Wed.)	30 (Fri.) ~~27 (Tue.)~~	--
May	20 (Thur.), 21 (Fri.)	June 18 (Fri.)	--	24 (Mon.)
June	14 (Mon.), 15 (Tue.)	To be announced	--	16 (Wed.)

Note: The time of release will be, in principle, as follows.

MPM Minutes will be released at 8:50 a.m.

Outlook for Economic Activity and Prices (Outlook Report):

"The Bank's View" in the Outlook Report will be released at 3:00 p.m., and the full text at 2:00 p.m. on the next business day. As an exception to this principle, the full text of *the April 2010 Outlook Report* will be released at 2:00 p.m. on May 1 (Sat.), 2010.

Monthly Report of Recent Economic and Financial Developments (Monthly Report):

The Japanese original and the English translation for summary will be released at 2:00 p.m. (the English translation for the full text will be published at 4:30 p.m. on the next business day).