

May 22, 2013

Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided, by a unanimous vote, to set the following guideline for money market operations for the intermeeting period:

The Bank of Japan will conduct money market operations so that the monetary base will increase at an annual pace of about 60-70 trillion yen.

2. With regard to the asset purchases, the Bank will continue with the following guidelines:
 - a) The Bank will purchase Japanese government bonds (JGBs) so that their amount outstanding will increase at an annual pace of about 50 trillion yen, and that the average remaining maturity of the Bank's JGB purchases will be about seven years.
 - b) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at an annual pace of about 1 trillion yen and about 30 billion yen respectively.
 - c) As for CP and corporate bonds, the Bank will continue with those asset purchases until their amounts outstanding reach 2.2 trillion yen and 3.2 trillion yen respectively by end-2013; thereafter, it will maintain those amounts outstanding.
3. Japan's economy has started picking up. Exports have stopped decreasing as overseas economies have been moving out of the deceleration phase that had continued since last year and are gradually heading toward a pick-up. Business fixed investment continues to show resilience in nonmanufacturing and appears to have stopped weakening on the whole. Public investment has continued to increase, and housing investment has generally been picking up. Private consumption has seen increased resilience, assisted by the improvement in consumer sentiment. Reflecting these developments in demand both at home and abroad, industrial production has stopped decreasing and signs of picking up have become increasingly evident. Meanwhile, financial conditions are accommodative. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) has been negative, due to the reversal of the previous year's movements in

energy-related and durable consumer goods. Some indicators suggest a rise in inflation expectations.

4. With regard to the outlook, Japan's economy is expected to return to a moderate recovery path, mainly against the background that domestic demand remains resilient due to the effects of monetary easing as well as various economic measures, and that growth rates of overseas economies gradually pick up. The year-on-year rate of change in the CPI is expected to register smaller declines for the time being, and thereafter is likely to gradually turn positive.
5. Regarding risks, there remains a high degree of uncertainty concerning Japan's economy, including the prospects for the European debt problem and the growth momentum of the U.S. economy as well as the emerging and commodity-exporting economies.
6. The Bank will continue with quantitative and qualitative monetary easing, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will examine both upside and downside risks to economic activity and prices, and make adjustments as appropriate.^[Note]

Such conduct of monetary policy will support the positive movements in economic activity and financial markets, contribute to a rise in inflation expectations, and lead Japan's economy to overcome deflation that has lasted for nearly 15 years.

^[Note] Mr. T. Kiuchi proposed that the Bank will aim to achieve the price stability target of 2 percent in the medium to long term and designate quantitative and qualitative monetary easing as an intensive measure with a time frame of about two years. The proposal was defeated by an 8-1 majority vote. Voting for the proposal: Mr. T. Kiuchi. Voting against the proposal: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, and Mr. T. Sato.

(Reference)

Meeting hours:

May 21: 14:00-16:26

May 22: 9:00-12:02

Policy Board members present:

Haruhiko Kuroda (Governor)

Kikuo Iwata (Deputy Governor)

Hiroshi Nakaso (Deputy Governor)

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

Takehiro Sato

Takahide Kiuchi

(Others present)

May 21

From the Ministry of Finance:

Shinichi Sato, Deputy Vice Minister for Policy Planning and Co-ordination

(14:00-16:26)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (14:00-16:26)

May 22

From the Ministry of Finance:

Shunichi Yamaguchi, Senior Vice Minister of Finance (9:00-11:47,11:56-12:02)

From the Cabinet Office:

Kenji Matsuyama, Vice-Minister for Policy Coordination (9:00-11:47,11:56-12:02)

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

14:00 on Thursday, May 23 (Japanese)

16:30 on Friday, May 24 (English)

-- The English translation of the summary of the Monthly Report will be released at 14:00 on Thursday, May 23

Release of the minutes:

8:50 on Friday, June 14