

### Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Bank of Japan decided, by a unanimous vote,<sup>[Note]</sup> 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 0.3 percent.

2. Economic activity has been increasingly sluggish due to the effects of earlier increases in energy and materials prices and the decrease in exports, and this situation will likely persist over the next several quarters. The CPI inflation rate (excluding fresh food), currently around 2.5 percent, is expected to moderate reflecting the declines in the prices of petroleum products and stabilization in the prices of food. In the longer run, the economy is most likely to return onto a sustainable growth path with price stability. However, the outlook remains highly uncertain and given the slowdown in overseas economies and the turmoil in global financial markets, it will likely take some time for the necessary conditions for Japan's economic recovery to be satisfied.
3. With regard to risk factors, attention needs to be paid to the further downside risks to economic activity depending on financial conditions in the United States and Europe as well as developments in overseas economies. In addition, if financial conditions, as reflected in lending attitudes of financial institutions and issuing conditions in the corporate bond and CP markets, should increase in severity, pressures acting to depress economic activity from the financial side may become more marked. Turning to prices, upside risks have decreased compared with the past, while there is a possibility that the inflation rate will decline further if downside risks to economic activity materialize or commodity prices fall further.
4. The Bank will carefully assess the future outlook for economic activity and prices, closely considering the likelihood of its projections as well as factors posing upside or downside risks, and will implement monetary policy appropriately. In addition, the Bank, while monitoring developments in global financial markets, will continue to make efforts to ensure market stability by conducting appropriate money market operations such as the provision of sufficient funds over the year-end and the fiscal year-end.

Given the aforementioned financial conditions, the Bank will carry out purchases of CP under repurchase agreements more flexibly to facilitate corporate financing. Also, in this regard, the Chairman has instructed Bank staff to swiftly examine and report at the Monetary Policy Meeting possible changes in the treatment of corporate debt as collateral, as well as possible ways to enhance flexibility in funds-supplying operations collateralized by corporate debt.

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<sup>[Note]</sup> 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.

(Reference)

Meeting hours:

November 20: 14:00-16:33

November 21: 9:00-12:29

Policy Board members present:

Masaaki Shirakawa (Governor)

Hirohide Yamaguchi (Deputy Governor)

Kiyohiko G. Nishimura (Deputy Governor)

Miyako Suda

Atsushi Mizuno

Tadao Noda

Seiji Nakamura

Hidetoshi Kamezaki

(Others present)

November 20

From the Ministry of Finance:

Chikara Kawakita, Deputy Vice Minister for Policy Planning and  
Co-ordination (14:00-16:33)

From the Cabinet Office:

Bunshichi Fujioka, Vice-Minister for Policy Coordination (14:00-16:33)

November 21

From the Ministry of Finance:

Wataru Takeshita, Senior Vice Minister of Finance (9:00-12:16,12:22-12:29)

From the Cabinet Office:

Bunshichi Fujioka, Vice-Minister for Policy Coordination  
(9:00-12:16,12:22-12:29)

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

14:00 on Tuesday, November 25 (Japanese)

16:30 on Wednesday, November 26 (English)

-- The English translation of the summary of the Monthly Report will be  
released at 14:00 on Tuesday, November 25

Release of the minutes:

8:50 on Thursday, December 25