Bank of Japan may reportedly double lending program

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By MarketWatch

More easing moves likely, though board members said to be divided on issue

TOKYO (MarketWatch) -- The Bank of Japan's discussions on additional monetary easing at a two-day policy board meeting starting Tuesday will likely focus on a proposal to double the scale of a lending facility introduced in December, according to a report Friday.

The main proposal under consideration is expansion of the bank's newest funds-supplying operation, which gives three-month loans to financial institutions at the bank's benchmark 0.1% interest rate, the Nikkei business daily reported.

The central bank had lent close to its target of 10 trillion yen ($111 billion) through the facility by the end of February. The policy board is expected to consider raising the level to 20 trillion yen, Nikkei said.

A separate lending facility that allows financial institutions to borrow against commercial paper and other types of corporate debt is now scheduled to expire on March 31.

A growing number within the central bank contend the board should forge ahead with new easing measures to show its commitment to pulling Japan out of deflation, but others are calling for more time to assess the situation. Depending on which side prevails, the board may delay action until next month's meeting or later, the report said.

On Thursday, the Japanese government revised fourth-quarter gross domestic product growth down, and also tweaked down a gauge measuring prices to show record-deep deflation. See full story on Japan's revised GDP.

The GDP deflator, a key gauge of deflation, was revised to a 2.8% year-on-year decline, compared with an initially reported decline of 3.0%, which some analysts said added pressure to the Bank of Japan to adopt more liquidity-boosting steps to counter deflation.
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