

Policy Stance and Agenda for Comprehensive Countermeasures Against the Yen Appreciation

August 29th, 2011
Review Meeting on the State of the Economy

In the context of the European sovereign risk and the downside risk of European and the U.S. economies, the yen has rapidly appreciated, heightening concerns of the people and firms about the economic outlook in addition to the damages caused by the Great East Japan Earthquake and the nuclear disaster.

The Government will keep a closer watch over the market developments and close exchange of information. In addition, the current cabinet has decided to lay out the policy stance and agenda for comprehensive measures against the yen appreciation in what follows, in order to allow the next cabinet to immediately work out, considering the development in the foreign exchange market.

I. Basic Policy Stance

- The Government, with all the efforts, will work through the reconstruction from the great earthquake, based on “Basic Guidelines for Reconstruction in response to the Great East Japan Earthquake,” and do its best to secure the Japanese people and firms facing the whirlwind of the international financial market. By doing this, the government will definitely prevent the people’s confidence from deteriorating and the economy from falling into a vicious cycle.
- Therefore, the Government, based on the following principles, will immediately work with comprehensive countermeasures against the yen appreciation, considering the development in the foreign exchange market.
 - i. The concerns of those directly hit by the yen appreciation, including exporting companies, small and medium sized enterprises, and workers, should be relieved by measures for SMEs, early realisation of reconstruction demand, front-loading of domestic demand, strengthening the competitiveness of business locations, and so on.
 - ii. The Government clearly shows people that appreciation of yen has merits too. The merits of the yen appreciation should be “visualised” and thoroughly maximised.

II. Issues to Be Considered

1. Mitigating the “pain” of the yen appreciation and preventing outflows of employment
 - Supporting employment, Providing support for financing etc. to SMEs, Supporting tourist industry, subsidizing high-value-added companies that choose Japan as their bases for R&D and production, Promoting front-loading new demand (concerning energy saving and new energy etc.), and others
2. Making the maximum use of the merits of the yen appreciation
 - Promoting foreign direct investment (M&A) and acquisition of natural resources, Inviting researchers from abroad mainly in the frontier field, Encouraging studying abroad, Promoting to pass to the people and consumers the merits of the yen appreciation, and others

Furthermore, the Government will continue to closely watch the foreign exchange market developments and take decisive actions if necessary. Also, the Government expects the Bank of Japan to keep close exchange of information and collaboration with the Government and take appropriate and decisive policy response.