

January 22, 2013
Cabinet Office
Ministry of Finance
Bank of Japan

**Joint Statement of the Government and the Bank of Japan
on Overcoming Deflation and Achieving Sustainable Economic Growth**

The Government and the Bank of Japan decided to release the attached statement jointly. They will strengthen their policy coordination in order to overcome deflation and achieve sustainable economic growth.

Joint Statement of the Government and the Bank of Japan
On Overcoming Deflation and Achieving Sustainable Economic Growth

1. In order to overcome deflation early and achieve sustainable economic growth with price stability, the Government and the Bank of Japan will strengthen their policy coordination and work together as follows.

2. The Bank of Japan conducts monetary policy based on the principle that the policy shall be aimed at achieving price stability, thereby contributing to the sound development of the national economy, and is responsible for maintaining financial system stability. The Bank aims to achieve price stability on a sustainable basis, given that there are various factors that affect prices in the short run.

The Bank recognizes that the inflation rate consistent with price stability on a sustainable basis will rise as efforts by a wide range of entities toward strengthening competitiveness and growth potential of Japan's economy make progress. Based on this recognition, the Bank sets the price stability target at 2 percent in terms of the year-on-year rate of change in the consumer price index.

Under the price stability target specified above, the Bank will pursue monetary easing and aim to achieve this target at the earliest possible time. Taking into consideration that it will take considerable time before the effects of monetary policy permeate the economy, the Bank will ascertain whether there is any significant risk to the sustainability of economic growth, including from the accumulation of financial imbalances.

3. The Government will, in order to revitalize Japan's economy, not only flexibly manage macroeconomic policy but also formulate measures for strengthening competitiveness and growth potential of Japan's economy, and promote them strongly under the leadership of the Headquarters for Japan's Economic Revitalization. Those measures include all possible decisive policy actions for reforming the economic structure, such as concentrating resources on innovative research and development, strengthening the foundation for innovation, carrying out bold regulatory and institutional reforms and better utilizing the tax system.

In addition, in strengthening coordination between the Government and the Bank of Japan, the Government will steadily promote measures aimed at establishing a sustainable fiscal structure with a view to ensuring the credibility of fiscal management.

4. The Council on Economic and Fiscal Policy will regularly review the progress in the conduct of macroeconomic policies including monetary policy, the current condition and future prospects of prices in the context of the price stability target under those policies, economic and fiscal situation including employment conditions, and progress in economic structural reform.