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October 21, 1983

To: Members of the Executive Board  
From: The Secretary  
Subject: Japan - Discount Rate

The Secretary has received the following memorandum dated October 21, 1983 from Mr. Hirao:

I have received the following communication from the Bank of Japan, which I would like to ask you to circulate to the members of the Executive Board for their information.

The Bank of Japan today decided to lower its official discount rate by 0.5 percentage point to 5.0 percent effective October 22, 1983.

While economic activities on the whole have been recovering gradually, domestic demand still remains weak. At the same time, prices have been quite stable. The yen exchange rate has generally firmed, reflecting the surplus in our balance of payments and the recent moderate decline in overseas interest rates.

It is against these developments that the Bank decided to lower the discount rate. It expects that this decision will lead to a reduction in the general level of interest rates and, together with the Government's measures, have a favorable influence on the domestic activities, thus augmenting the effects of the policies so far implemented.

The Bank has carefully examined recent economic conditions as well as the firming trend of the yen exchange rate. However, future developments in the exchange market depend upon many uncertain factors. The Bank is determined to take any step which it deems necessary, including interest rate policy measures, should the stability of the yen rate be adversely affected in future.

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