

Japan central bank keeps interest rate near zero

TOMOKO A. HOSAKA - Associated Press - Associated Press

Japan's central bank on Wednesday kept its key interest rate at virtually zero to help the economy weather a global slowdown, a strong yen and the recent flooding in Thailand.

The Bank of Japan's nine-member policy board voted unanimously at a two-day meeting to maintain the overnight call rate target at 0 to 0.1 percent.

It lowered its assessment of Japan's economy, describing it as picking up but at a "more moderate pace mainly due to effects of a slowdown in overseas economies."

The central bank noted potential risks from the U.S. and Europe's debt problems. It also expressed concerns about emerging economies and their ability to control inflation amid rapid growth.

The Bank of Japan maintained its view that Japan's economy would eventually return to moderate growth. But for the time being, the economy would be hurt by global headwinds.

The yen has hit multiple historic highs against the dollar this year as investors flock to the Japanese currency as a relatively safe haven. The strong yen, which reduces the value of repatriated overseas earnings, has unnerved export-reliant Japan.

Major exporters like Panasonic Corp. and Nissan Motor Co. have announced plans to shift some production out of Japan. Prime Minister Yoshihiko Noda has said he is worried about a hollowing out of Japanese industry.

The recent flooding in Thailand has also hit Japanese manufacturers, who had staged a quick recovery from the March 11 earthquake and tsunami. Companies like Toyota Motor Corp. and Honda Motor Co. were forced to cut output due to flooded factories and supply shortages.

The Bank of Japan pledged to leave interest rates at virtually zero until prices stabilize from a prolonged period of deflation.

It said it is steadily buying financial assets through a fund it expanded last month in an effort to further loosen monetary policy.

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