日本銀行
BANK OF JAPAN

Quantitative and Qualitative Monetary Easing and the Financial System: Toward Realization of a Vigorous Financial System

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Haruhiko Kuroda
Governor of the Bank of Japan

Chart 1

Introduction of the "Quantitative and Qualitative Monetary Easing" (1)

Strong and Clear Commitment

- The Bank will achieve the price stability target of 2% at the earliest possible time, with a time horizon of about 2 years.

New Phase of Monetary Easing Both in Terms of Quantity and Quality

- Monetary base: Annual increase of about 60-70 tril. yen (x2 in 2 years).
- Amount outstanding of JGB holdings: Annual increase of about 50 tril. yen (more than x2 in 2 years).
- Average remaining maturity of the Bank's JGB purchases: Extended to about 7 years (more than x2 in 2 years).
- Amount outstanding of ETF holdings: Annual increase of about 1 tril. yen (more than x2 in 2 years).
- Amount outstanding of J-REIT holdings: Annual increase of about 30 bil. yen.

Introduction of the "Quantitative and Qualitative Monetary Easing" (2)

Intelligible Monetary Policy

- The Bank has terminated the Asset Purchase Program and synthesized purchasing methods of JGBs.
- It has adopted the monetary base as an indicator for quantitative easing.

Continuation of Monetary Easing

- The Bank will continue with the quantitative and qualitative monetary easing, aiming to achieve the price stability target of 2%, as long as it is necessary for maintaining that target in a stable manner.
- It will examine both upside and downside risks to economic activity and prices, and make adjustments as appropriate.

Effects of the "Quantitative and Qualitative Monetary Easing"

Encouraging a further decline in longer-term interest rates and lowering risk premia of asset prices

Portfolio rebalancing effect where investment in risk assets and lending increase

Drastically changing expectations of markets and economic entities

Chart 4

Forecasts of the Majority of Policy Board Members[1]

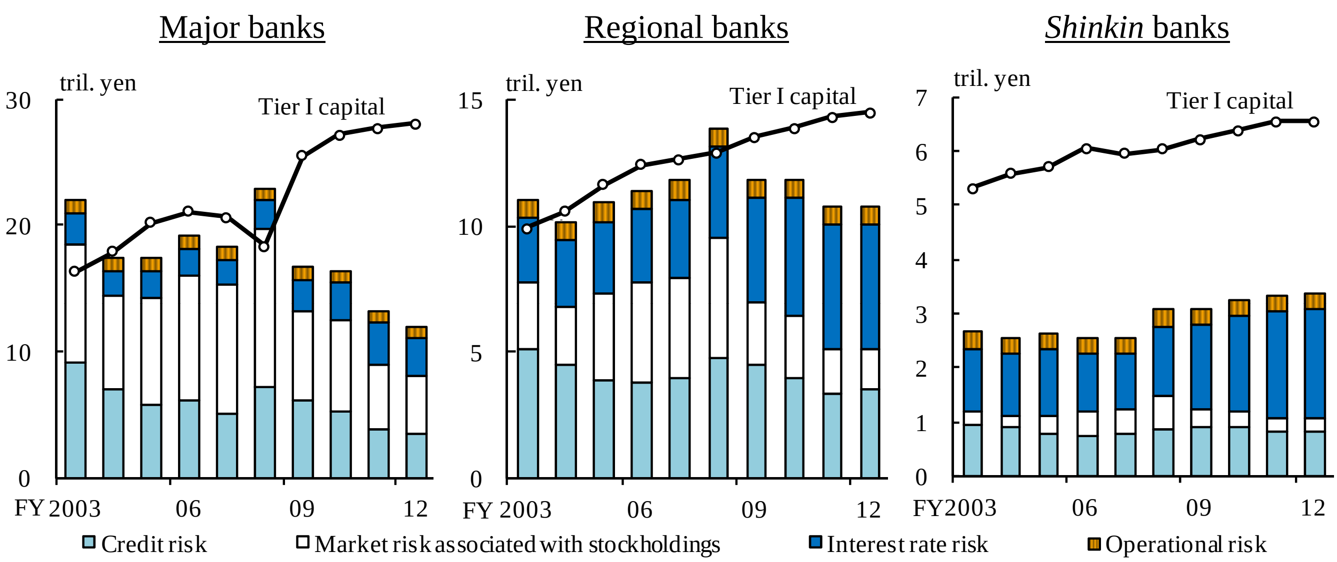
y/y % chg.

	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2013	+2.4 to +3.0 [+2.9]	+0.4 to +0.8 [+0.7]	
Fiscal 2014	+1.0 to +1.5 [+1.4]	+2.7 to +3.6 [+3.4]	+0.7 to +1.6 [+1.4]
Fiscal 2015	+1.4 to +1.9 [+1.6]	+1.6 to +2.9 [+2.6]	+0.9 to +2.2 [+1.9]

Note: *1*. Figures in brackets indicate the median of the Policy Board members' forecasts (point estimates).

Chart 5

Risks and Tier I Capital[1,2]



Notes: *1*. The latest data are as of end-September 2012.
2. For *shinkin* banks, figures for Tier I capital, the amount outstanding of stockholdings, and credit risks in fiscal 2012 are assumed to be unchanged from end-March 2012, and those for gross profits are assumed to be unchanged from fiscal 2011.
Source: BOJ.

Chart 6

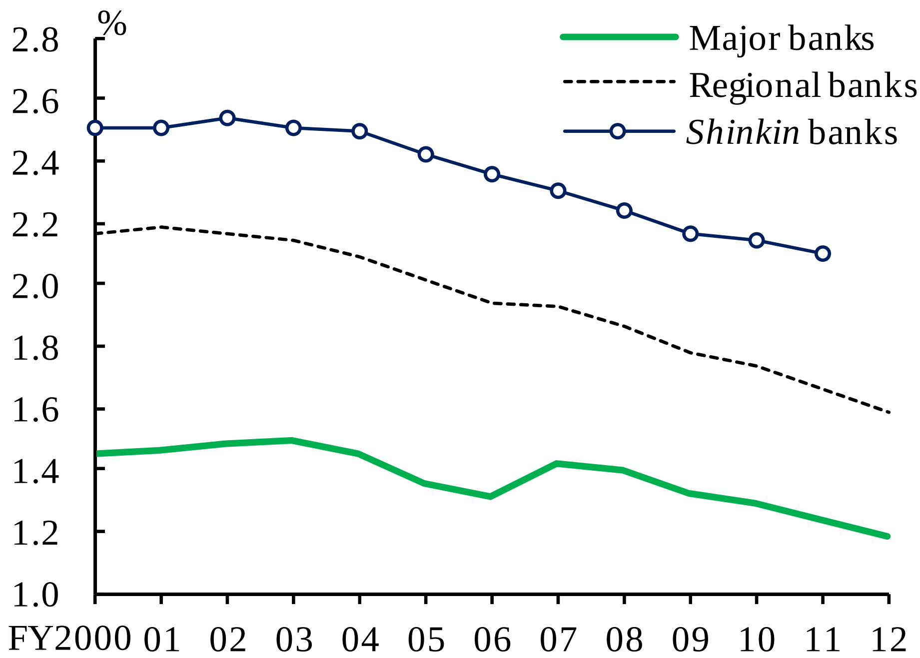
Effects of a Rise in Interest Rates on Tier I Capital Ratio[1,2,3]

			Base point	Upward shift		
				1 % pt	2 % pts	3 % pts
Steepening scenario	Tier I capital ratio (%)		13.4	13.9	13.9	13.5
		Changes (% pts)	–	0.5	0.5	0.0
Parallel shift scenario	Tier I capital ratio (%)		13.4	13.6	12.7	12.4
		Changes (% pts)	–	0.1	-0.7	-1.1

Notes: *1*. Effects on internationally active banks.
2. Changes indicate the Tier I capital ratio at end-March 2014 under each scenario minus that at the base point (end-March 2013).
3. For the estimate of the Tier I capital ratio, profits, unrealized gains on securities holdings, and the tax effects are taken into account.
Source: BOJ.

Chart 7

Net Interest Margin



Source: BOJ.