

# Toward a "Comprehensive Assessment" of the Monetary Easing

*Speech at a Meeting Hosted by  
the American Chamber of Commerce in Japan (ACCI) in Tokyo*

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Chart 1

## Enhancement of Monetary Easing (July 2016)

Against the backdrop of **the United Kingdom's vote to leave the European Union** and **the slowdown in emerging economies**, volatile developments have continued in the global financial markets.



The Bank will support proactive economic activities by **preventing a deterioration in business confidence and consumer sentiment** as well as **ensuring smooth funding in foreign currencies** by Japanese firms and financial institutions.

### Policy measures decided at the July 28-29 Monetary Policy Meeting

1. The Bank will purchase **ETFs** so that their amount outstanding will increase at an annual pace of about **6 trillion yen** (almost **double** the previous pace of about 3.3 trillion yen)

In order to **ensure smooth funding in foreign currencies**

2. For firms: **Double** the size of the Bank's lending program to support growth to **24 billion USD**

3. For financial institutions (FIs): Establish a new securities lending facility in which the Bank lends JGSs to FIs against their current account balances with the Bank. These JGSs can then be pledged as collateral for using the U.S. Dollar Funds-Supplying Operations



**In effect, FIs are allowed to pledge cash collateral for using the USD Funds-Supplying Operations**

# Bank of Japan's ETF Purchases

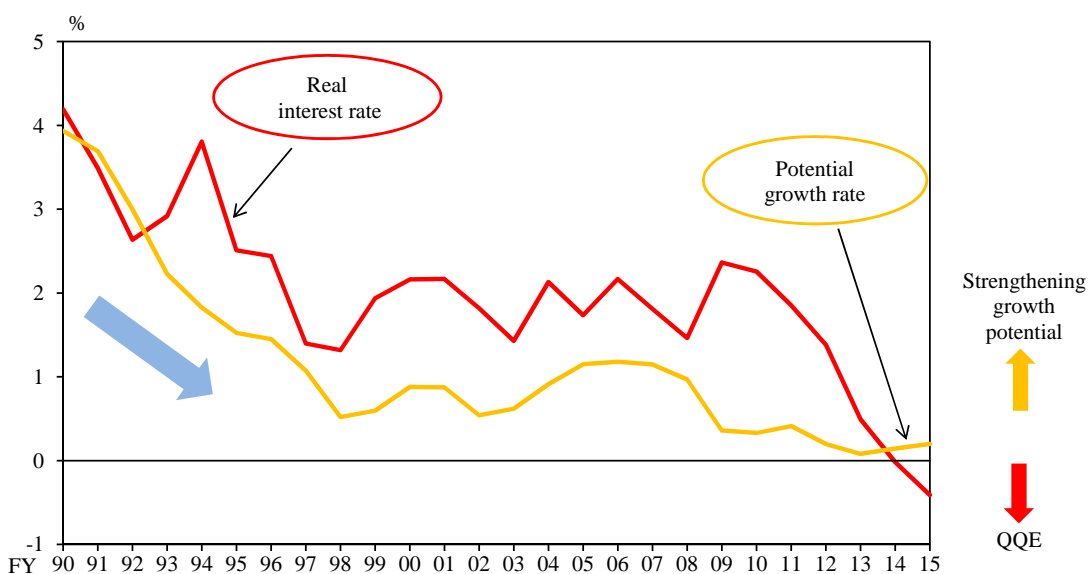
tril. yen

	BOJ's ETF Purchases	Net Purchases of Japanese Equities (A negative figure indicates net sales)			
		Households	Firms	Financial Institutions	Foreign Investors
CY 2013-2015 Total	5.4	-17.4	4.7	-0.1	15.7
Of which: CY 2015	3.1	-5.0	3.0	2.0	-0.3

**About 6 trillion yen**

Note: Net purchases of Japanese equities cover stocks listed on the first and second sections of the Tokyo Stock Exchange and the Nagoya Stock Exchange.  
Sources: Tokyo Stock Exchange; Bank of Japan.

# Real Interest Rate and Potential Growth Rate

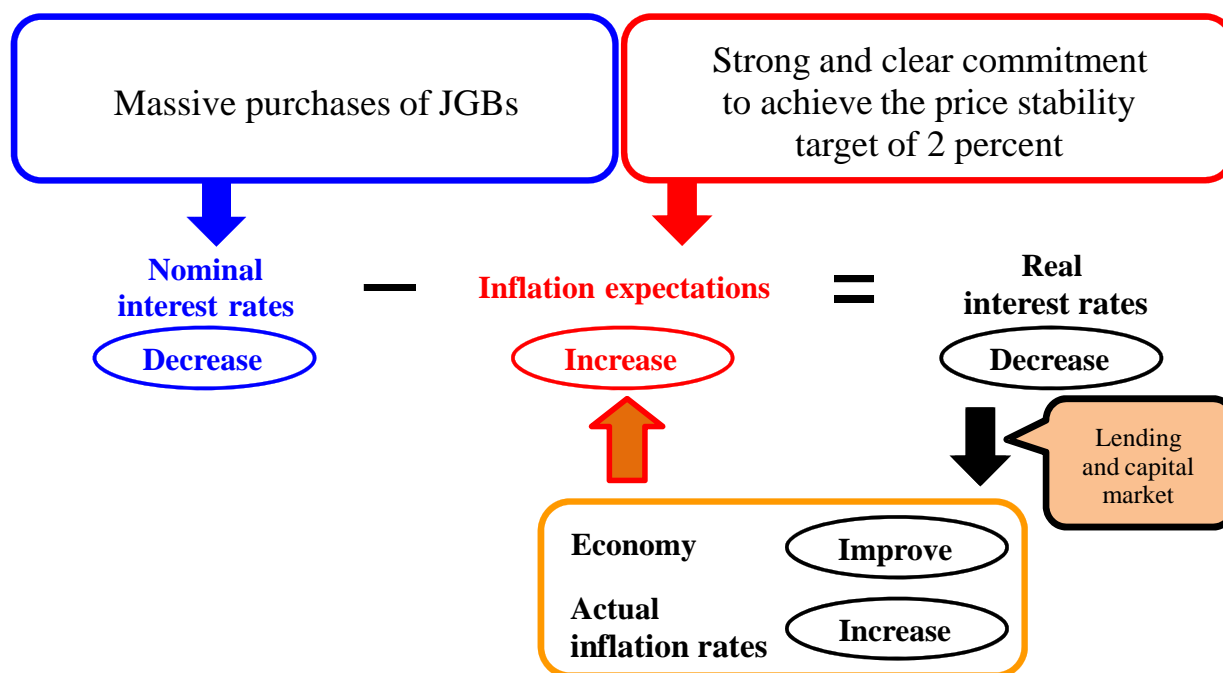


Notes: 1. Figures for the real interest rate are calculated by subtracting the year-on-year rate of change in the CPI (all items less food and energy) from the yield on 10-year JGBs.

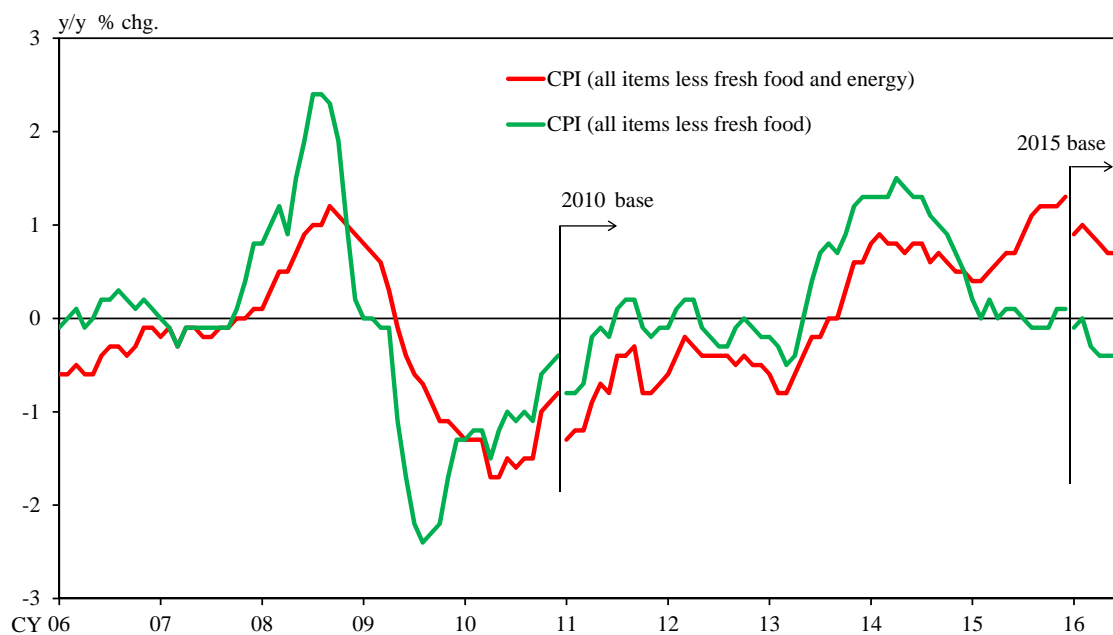
2. The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan.

Sources: Ministry of Internal Affairs and Communications; Bloomberg; Cabinet Office; Bank of Japan; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Research Institute of Economy, Trade and Industry.

## Transmission Mechanism of QQE



## Consumer Prices

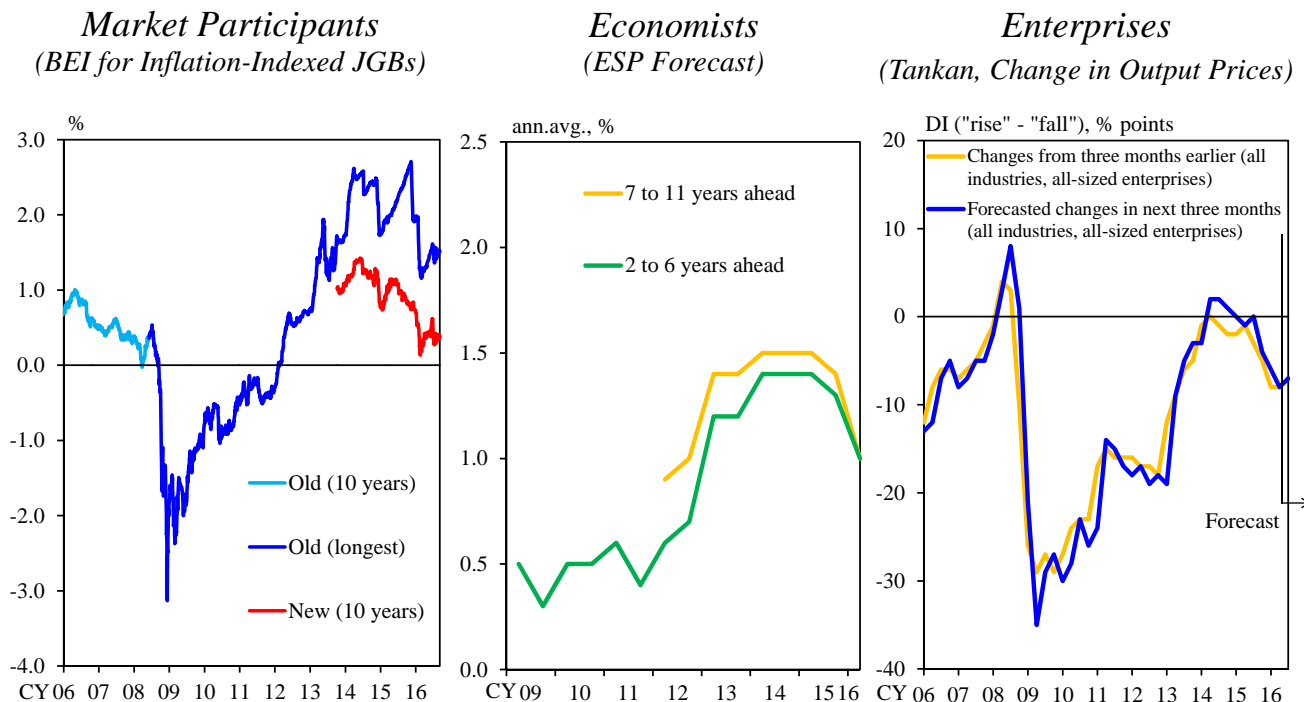


Notes: 1. Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.

2. Figures for the CPI are adjusted to exclude the estimated effects of changes in the consumption tax rate.

Source: Ministry of Internal Affairs and Communications.

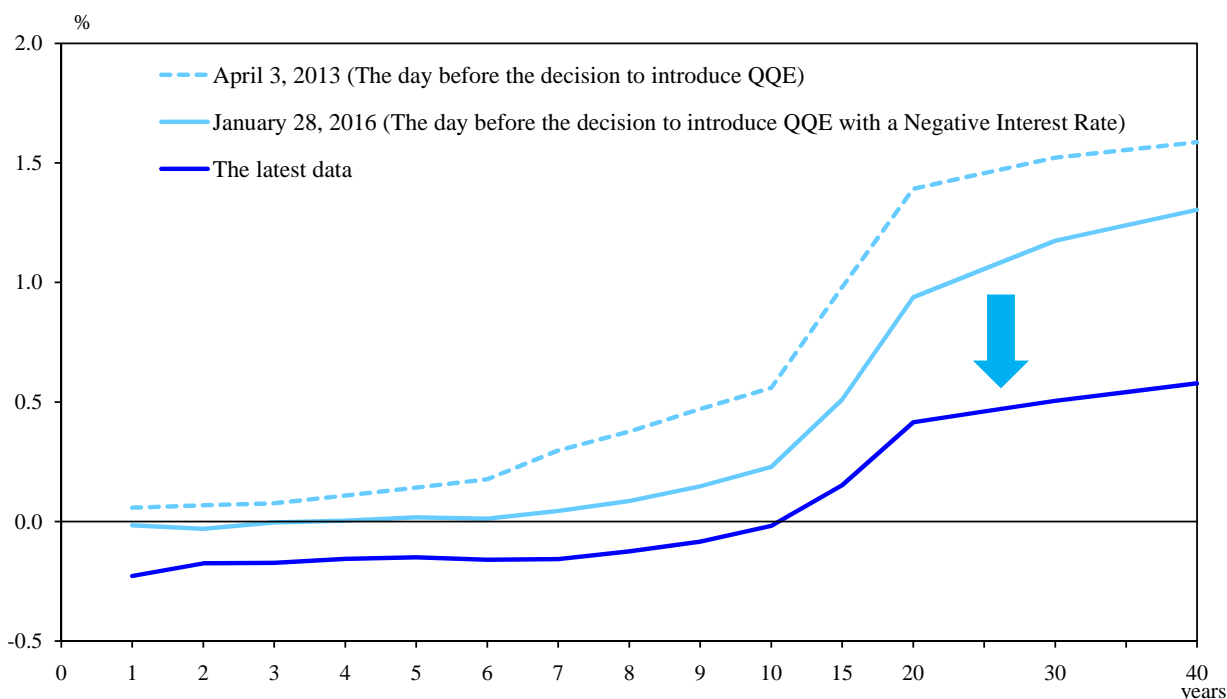
# Inflation Expectations



Notes: 1. BEI (break-even inflation) rates are yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Inflation-indexed JGBs issued since October 2013 are designated as "new," while the rest are designated as "old." Figures for "old (longest)" are calculated using yield data for issue No. 16 of inflation-indexed JGBs, which matures in June 2018.  
 2. Figures for the "ESP Forecast" are compiled every June and December, and exclude the effects of the consumption tax hikes.

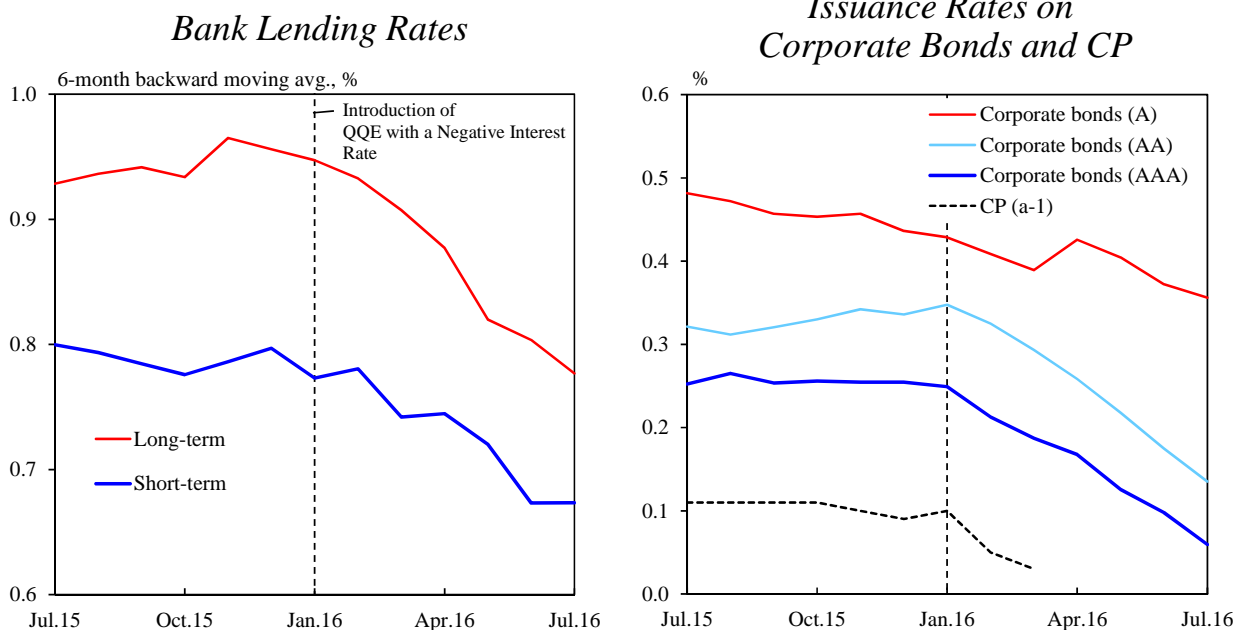
Sources: Bloomberg; JCER; Bank of Japan.

# Changes in JGB Yield Curve since the Introduction of the Negative Interest Rate Policy



Source: Bloomberg.

# Bank Lending Rates and Yields on Corporate Bonds and CP

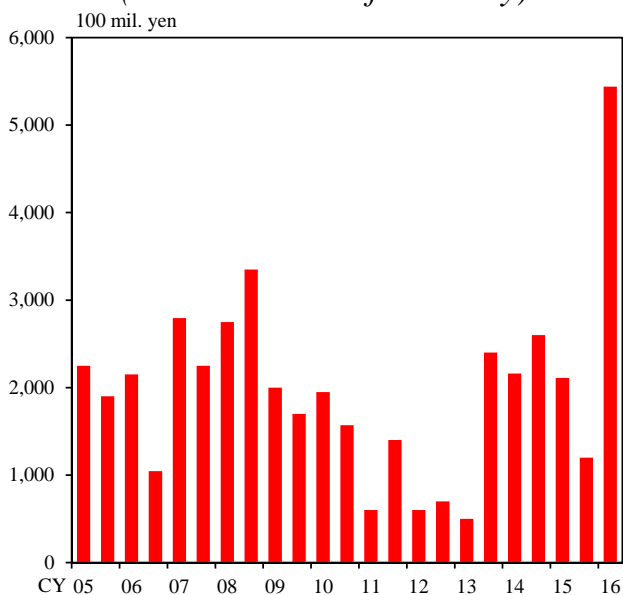


Notes: 1. Figures for bank lending rates are average contract interest rates on new loans and discounts.  
 2. Figures for the issuance rates on corporate bonds are the averages for domestically issued bonds classified based on the highest ratings among those from Moody's, S&P, R&I, and JCR. 6-month backward moving average. Bonds issued by banks and securities companies, etc., are excluded.  
 3. Figures for issuance rates on CP are monthly averages of CP with a maturity of three months. Figures for March 2016 are averages of weekly data up to March 18.

Sources: Japan Securities Depository Center; Capital Eye; I-N Information Systems; Bloomberg; Bank of Japan.

# Corporate Finance

*Volume of Super-Long-Term Corporate Bond Issuance (Over 10 Years of Maturity)*



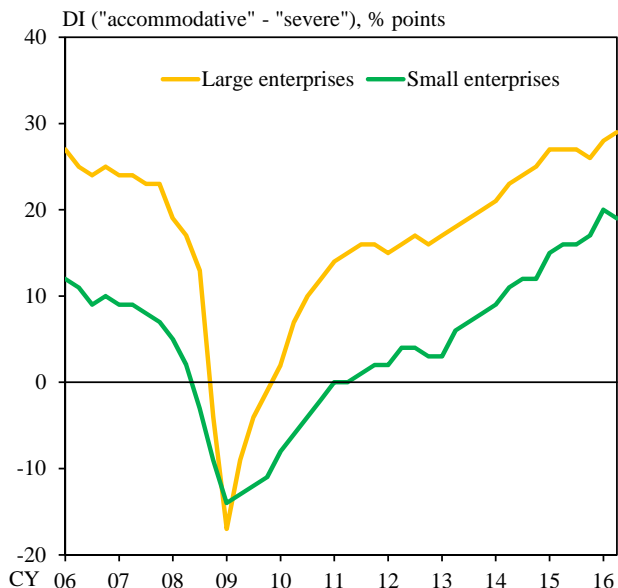
*Selected Examples of Super-Long-Term Corporate Bond Issuance*

Issuer's Sector	Dates when bond issuance conditions are decided	Maturity (years)	Coupon	Issuance Volume (100 mil. yen)
Petroleum and coal products manufacturing	2016/7/22	20	0.830%	100
Pharmaceutical manufacturing	2016/7/15	30	1.200%	250
Land transportation	2016/6/3	30	0.608%	100
Transportation equipment manufacturing	2016/5/27	20	0.343%	200
Food and beverage manufacturing	2016/2/25	20	0.939%	250
Land transportation	2016/2/19	40	1.575%	100

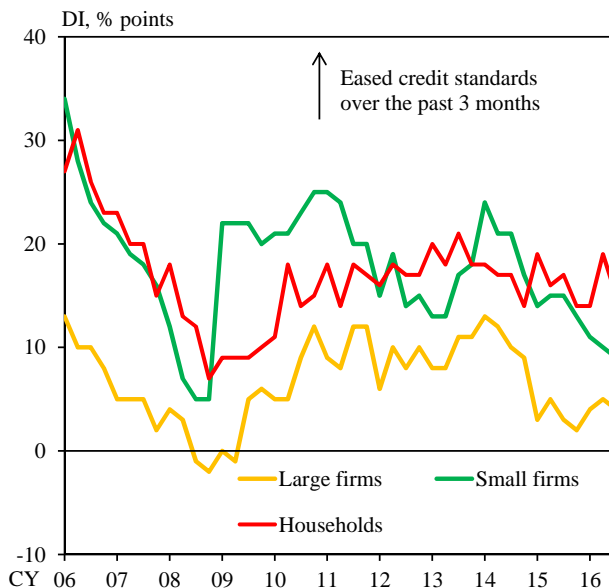
Note: Volume of super-long-term corporate bond issuance excludes that of bonds for which first call dates are within 10 years from the issuance dates and that of bonds issued by banks and securities companies.  
 Source: I-N Information Systems.

# Financial Conditions

*Lending Attitude of Financial Institutions as Perceived by Firms (Tankan)*



*Lending Policies of Large Banks (Senior Loan Officer Opinion Survey on Bank Lending Practices at Large Japanese Banks)*



Notes: 1. Data from the *Tankan* are based on all industries.

2. DI for credit standards is calculated as follows.

$$DI = ( \text{percentage of respondents selecting "eased considerably"} + \text{percentage of respondents selecting "eased somewhat"} \times 0.5 ) - ( \text{percentage of respondents selecting "tightened considerably"} + \text{percentage of respondents selecting "tightened somewhat"} \times 0.5 )$$

Source: Bank of Japan.