

Japan's Unconventional Monetary Policy and Initiatives toward Ensuring Stability of the Global Financial System

Remarks at an Economic Policy Symposium
Held by the Federal Reserve Bank of Kansas City

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Chart 1

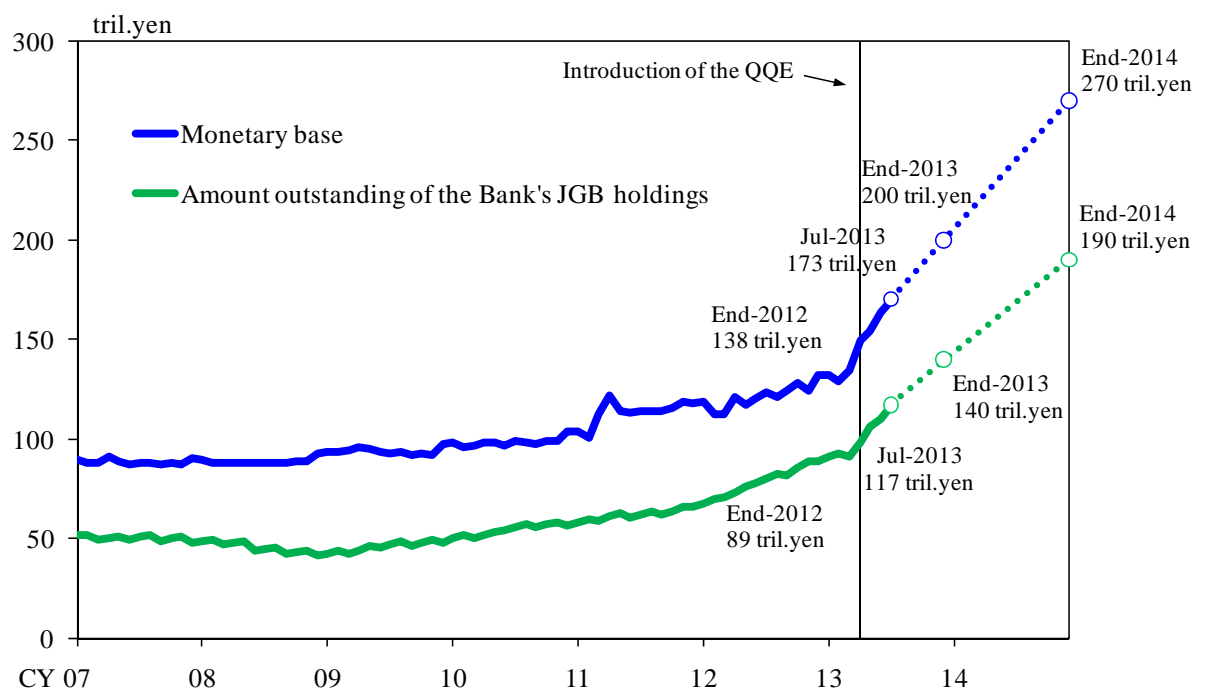
Outline

1. Unconventional monetary policy in Japan
2. Unconventional monetary policy, real interest rates,
and natural rate of interest
3. Unconventional monetary policy and global financial
markets

Quantitative and Qualitative Monetary Easing (QQE)

- Achieve price stability target of 2% in 2 years
- "Quantitative" increase
- "Qualitative" changes

Monetary Base and JGB Holdings

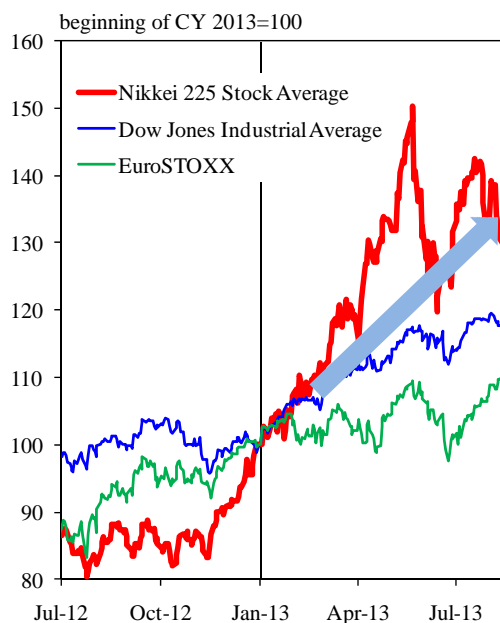


Assessment to Date: Three Favorable Turns

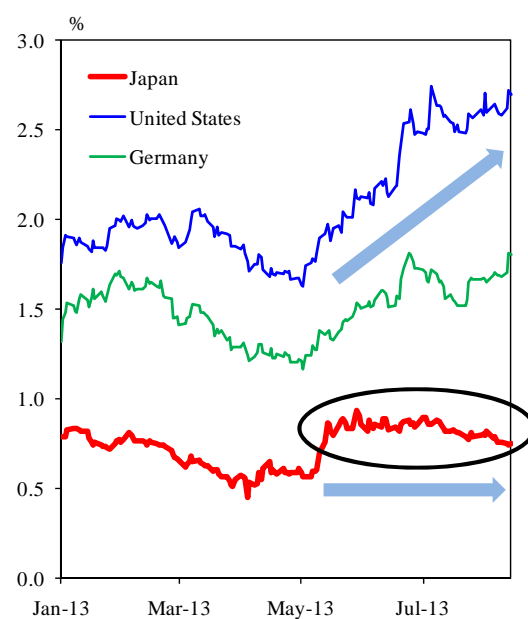
- Financial markets and corporate finance
- Expectations
- Economic activity and prices

Stock Prices and Long-Term Interest Rates

Stock Prices

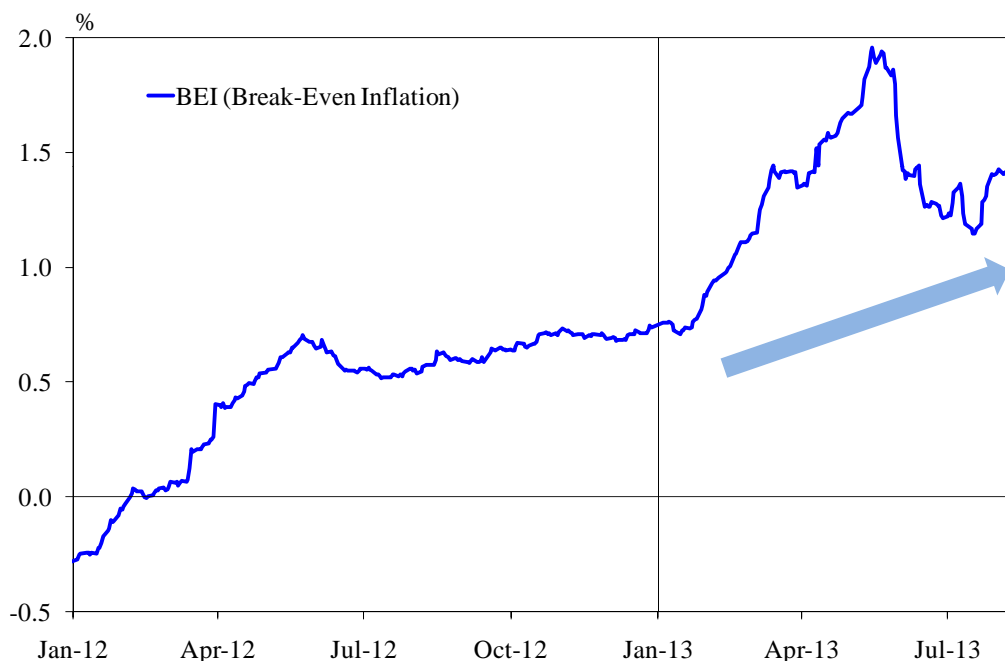


Long-Term Interest Rates



Source: Bloomberg.

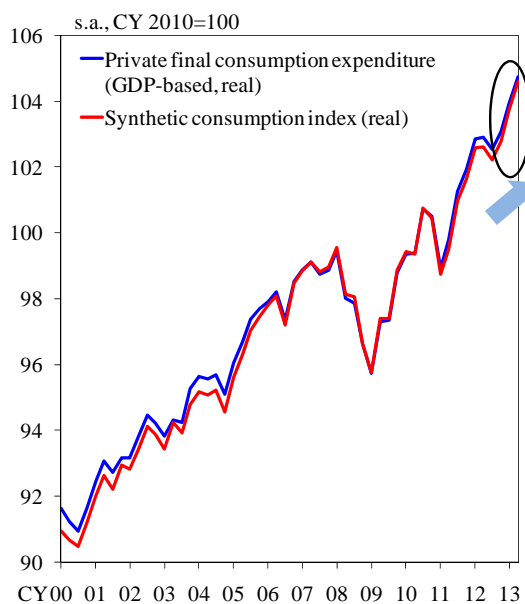
Inflation Expectations of Market Participants



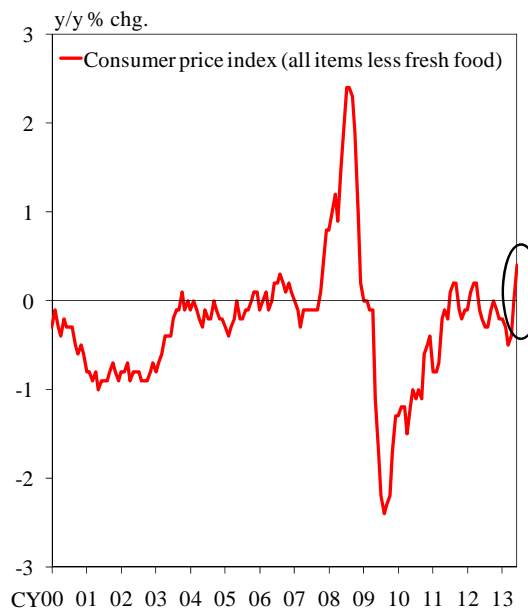
Note: BEI is the yield spread between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Figures are calculated using yield data for the inflation-indexed JGBs with the longest maturity at each period that corresponds to 5 years recently.
 Source: Bloomberg.

Private Consumption and Prices

Private Consumption



Consumer Prices



Sources: Cabinet Office; Ministry of Internal Affairs and Communications.

Unconventional Monetary Policy, Real Interest Rates, and Natural Rate of Interest

- Lowering real interest rates
- Increase in the natural rate of interest

Unconventional Monetary Policy and Global Financial Markets

- Unconventional monetary policy and cross-border capital flows
- International coordination among central banks