

October 31, 2014

Bank of Japan

Expansion of the Quantitative and Qualitative Monetary Easing

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided upon the following measures.

(1) Accelerating the pace of increase in the monetary base by a 5-4 majority vote^[Note 1]

The Bank will conduct money market operations so that the monetary base will increase at an annual pace of about 80 trillion yen (an addition of about 10-20 trillion yen compared with the past).

(2) Increasing asset purchases and extending the average remaining maturity of Japanese government bond (JGB) purchases by a 5-4 majority vote^[Note 2]

a) The Bank will purchase JGBs so that their amount outstanding will increase at an annual pace of about 80 trillion yen (an addition of about 30 trillion yen compared with the past). With a view to encouraging a decline in interest rates across the entire yield curve, the Bank will conduct purchases in a flexible manner in accordance with financial market conditions. The average remaining maturity of the Bank's JGB purchases will be extended to about 7-10 years (an extension of about 3 years at maximum compared with the past).

b) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) so that their amounts outstanding will increase at an annual pace of about 3 trillion yen (tripled compared with the past) and about 90 billion yen (tripled compared with the past), respectively. The Bank will make ETFs that track the JPX-Nikkei Index 400 eligible for purchase.¹

2. Japan's economy has continued to recover moderately as a trend and is expected to continue growing at a pace above its potential. However, on the price front, somewhat weak developments in demand following the consumption tax hike and a substantial decline in crude oil prices have been exerting downward pressure recently. A temporary weakness in

¹ As for CP and corporate bonds, the Bank will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively (as in the past).

demand has already started to wane, and the decline in crude oil prices will have positive effects on economic activity from a somewhat longer-term perspective and will push up prices. Nevertheless, if the current downward pressure on prices remains, albeit in the short term, there is a risk that conversion of deflationary mindset, which has so far been progressing steadily, might be delayed. To pre-empt manifestation of such risk and to maintain the improving momentum of expectation formation, the Bank judged it appropriate to expand the quantitative and qualitative monetary easing (QQE).

3. The Bank will continue with the QQE, aiming to achieve the price stability target of 2 percent, 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.² [Note 3]

[Note 1] Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, and Ms. S. Shirai. Voting against the action: Mr. Y. Morimoto, Mr. K. Ishida, Mr. T. Sato, and Mr. T. Kiuchi. The members voting against the action considered that it was appropriate to maintain the guideline for money market operations as before.

[Note 2] Voting for the action: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, and Ms. S. Shirai. Voting against the action: Mr. Y. Morimoto, Mr. K. Ishida, Mr. T. Sato, and Mr. T. Kiuchi. The members voting against the action considered that it was appropriate to maintain the guideline for asset purchases as before.

[Note 3] Mr. T. Kiuchi proposed that the Bank will aim to achieve the price stability target of 2 percent in the medium to long term and designate the QQE as an intensive measure with a time frame of about two years. The proposal was defeated by an 8-1 majority vote. Voting for the proposal: Mr. T. Kiuchi. Voting against the proposal: Mr. H. Kuroda, Mr. K. Iwata, Mr. H. Nakaso, Mr. R. Miyao, Mr. Y. Morimoto, Ms. S. Shirai, Mr. K. Ishida, and Mr. T. Sato.

² In line with this, the Bank pursues the QQE in an open-ended manner. On the condition that the Bank continues money market operations and asset purchases based on decisions made at this meeting, the attachment shows (1) the Bank's balance sheet projection for end-2014 and (2) the pace of annual increase in the outstanding balance of assets purchased from now on.

The Bank's Balance Sheet Projection

(trillion yen)

	End-2013 (actual)	End-2014 (projected)	The pace of annual increase
Monetary base	202	275	About 80 trillion

Breakdown of the Bank's Balance Sheet

	JGBs	142	200	About 80 trillion
	CP	2.2	2.2	Maintain the outstanding balance
	Corporate bonds	3.2	3.2	Maintain the outstanding balance
	ETFs	2.5	3.8	About 3 trillion
	J-REITs	0.14	0.18	About 90 billion
Total assets (including others)		224	297	--
	Banknotes	90	93	--
	Current deposits	107	177	--
Total liabilities and net assets (including others)		224	297	--

(Reference)

Meeting hours:

October 31 : 9:00-13:39

Policy Board members present:

Haruhiko Kuroda (Governor)

Kikuo Iwata (Deputy Governor)

Hiroshi Nakaso (Deputy Governor)

Ryuzo Miyao

Yoshihisa Morimoto

Sayuri Shirai

Koji Ishida

Takehiro Sato

Takahide Kiuchi

(Others present)

From the Ministry of Finance:

Ichiro Miyashita, State Minister of Finance (9:00-12:46, 12:52-13:39)

From the Cabinet Office:

Mamoru Maekawa, Director-General, Economic and Fiscal Management
(9:00-12:46, 12:52-13:39)

Release of the minutes:

8:50 on Tuesday, November 25