

**Statement by Haruhiko Kuroda, Governor of the Bank of Japan, concerning the Bank's *Semiannual Report on Currency and Monetary Control* before the Committee on Financial Affairs, House of Councillors, on April 23, 2015**

**Introduction**

The Bank of Japan submits to the Diet its *Semiannual Report on Currency and Monetary Control* in June and December. I am pleased to have this opportunity today to talk about developments in Japan's economy and present an overall review of the Bank's conduct of monetary policy.

**I. Economic and Financial Developments in Japan**

First, I will explain economic and financial developments in Japan.

Japan's economy has continued its moderate recovery trend. With regard to the corporate sector, in the March *Tankan* (Short-Term Economic Survey of Enterprises in Japan) released this month, business sentiment has generally stayed at a favorable level. Corporate profits for fiscal 2015 are projected to remain at a high level, and in this situation, firms have maintained their positive investment stance. Exports have been picking up, and production has been picking up as well, due in part to the progress in inventory adjustments. The employment and income situation has continued to improve steadily as wage increases by many firms including rises in base pay are likely to take place at this year's annual wage negotiations -- the so-called spring offensive -- as was the case last year, and private consumption as a whole has remained resilient. As seen in these developments, a virtuous cycle from income to spending has been operating steadily in both the corporate and household sectors. Looking ahead, Japan's economy is expected to continue its moderate recovery trend.

Financial conditions, which support such economic activity, are accommodative. Firms' funding costs have been hovering at low levels, and the amount outstanding of bank lending has been rising moderately.

On the price front, the year-on-year rate of increase in the consumer price index (CPI, all items less fresh food), excluding the direct effects of the consumption tax hike, is about 0 percent. Looking ahead, the year-on-year rate of increase is likely to be about 0 percent for the time being, due to the effects of the decline in energy prices. Nevertheless, the underlying trend in inflation is likely to rise steadily against the background of an improvement in the output gap and a rise in medium- to long-term inflation expectations. Based on the assumption that crude oil prices are expected to rise moderately from the recent levels, the year-on-year rate of increase in the CPI is likely to accelerate as the effects of the decline in crude oil prices dissipate, and reach around 2 percent in or around fiscal 2015. It should be noted, however, that the timing of reaching 2 percent could be somewhat sooner or later to some extent, depending on developments in crude oil prices.

## **II. Conduct of Monetary Policy**

Next, I will explain the Bank's conduct of monetary policy.

In April 2013, the Bank introduced quantitative and qualitative monetary easing (QQE) to achieve the price stability target of 2 percent at the earliest possible time, with a time horizon of about two years. In October last year, the Bank further decided to expand QQE. QQE has been exerting its intended effects, and conversion of the deflationary mindset has been progressing steadily.

The Bank will continue with 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.

Thank you.