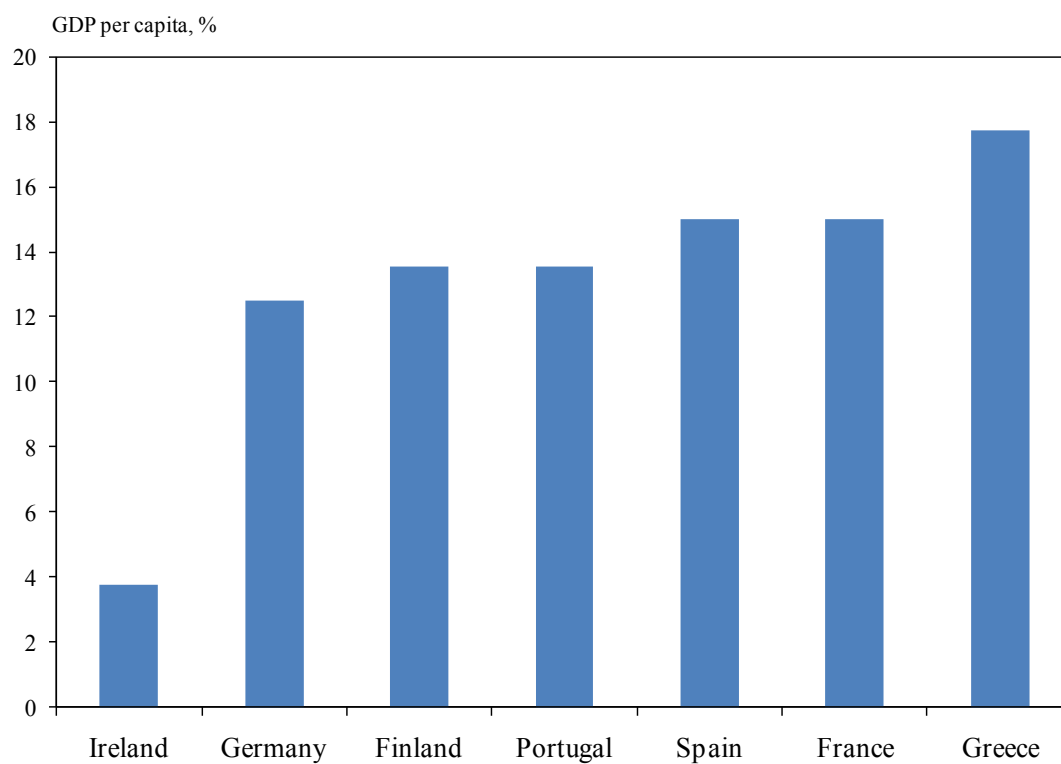


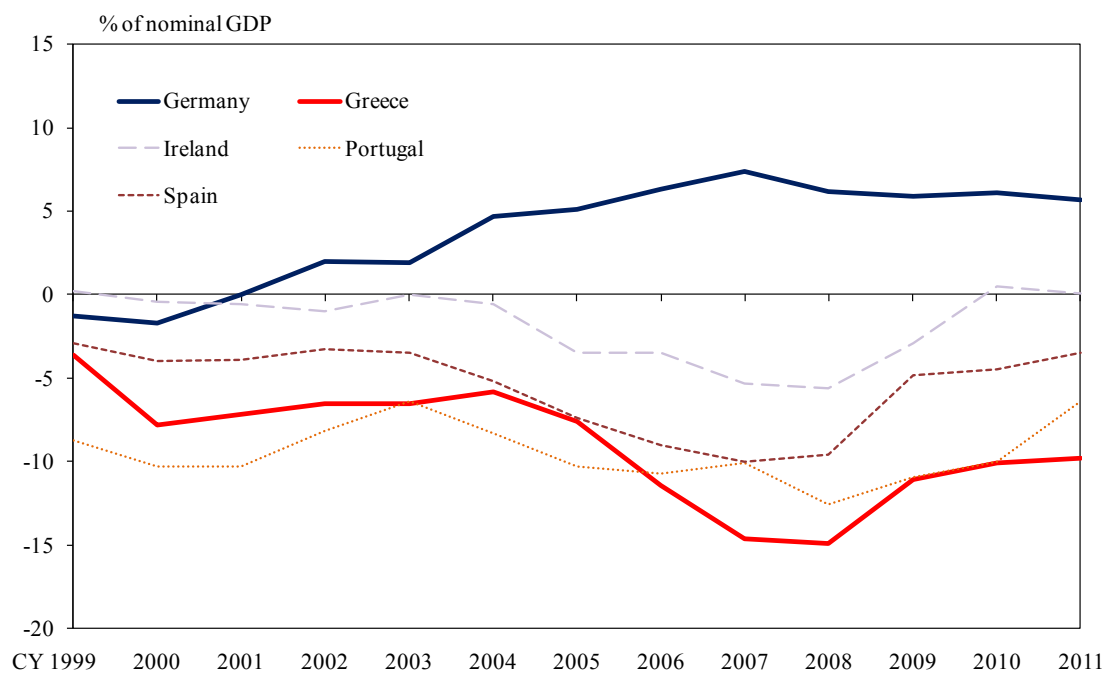
Potential Gains from the Reform Package



Note: The estimated cumulative GDP impact from structural reforms for ten years.

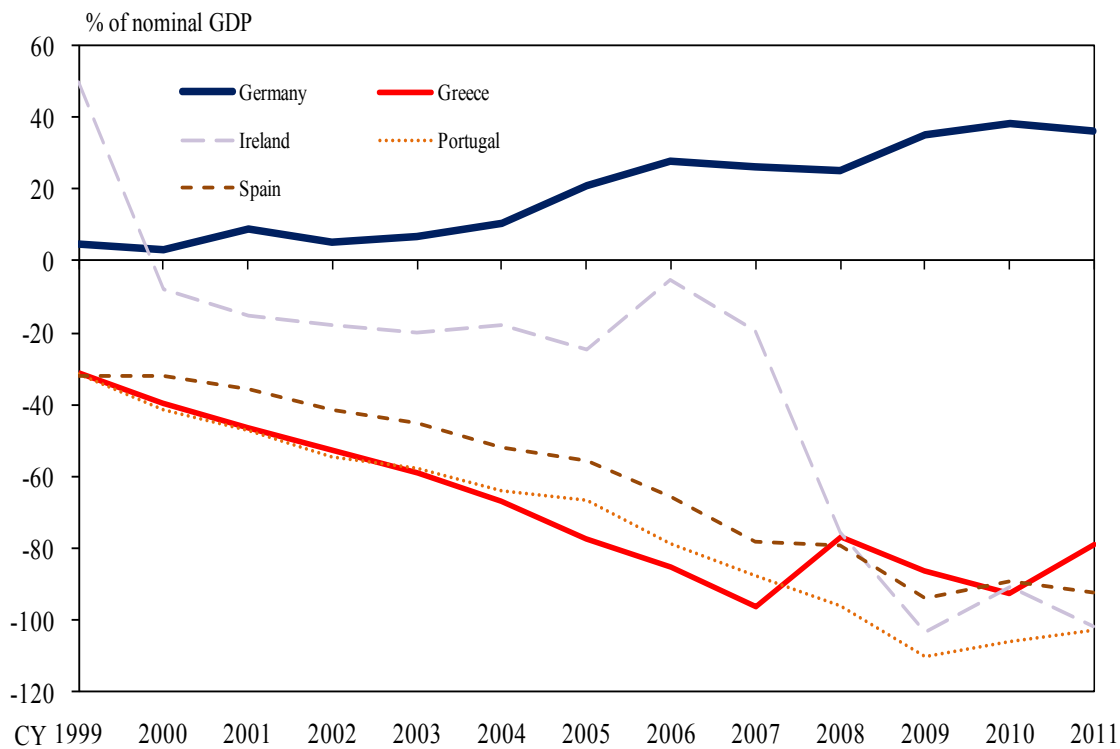
Source: OECD, "Economic Survey of the Euro Area 2012."

Current Account Balance



Source: Eurostat.

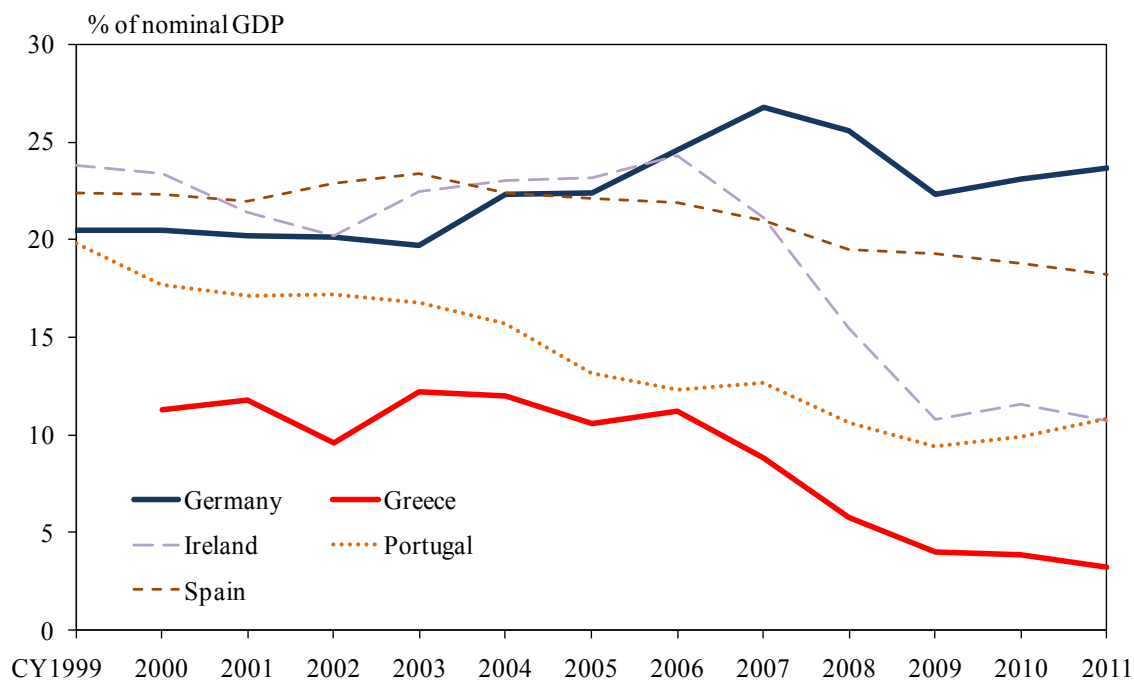
Net International Investment Position



Source: Eurostat.

Chart 4

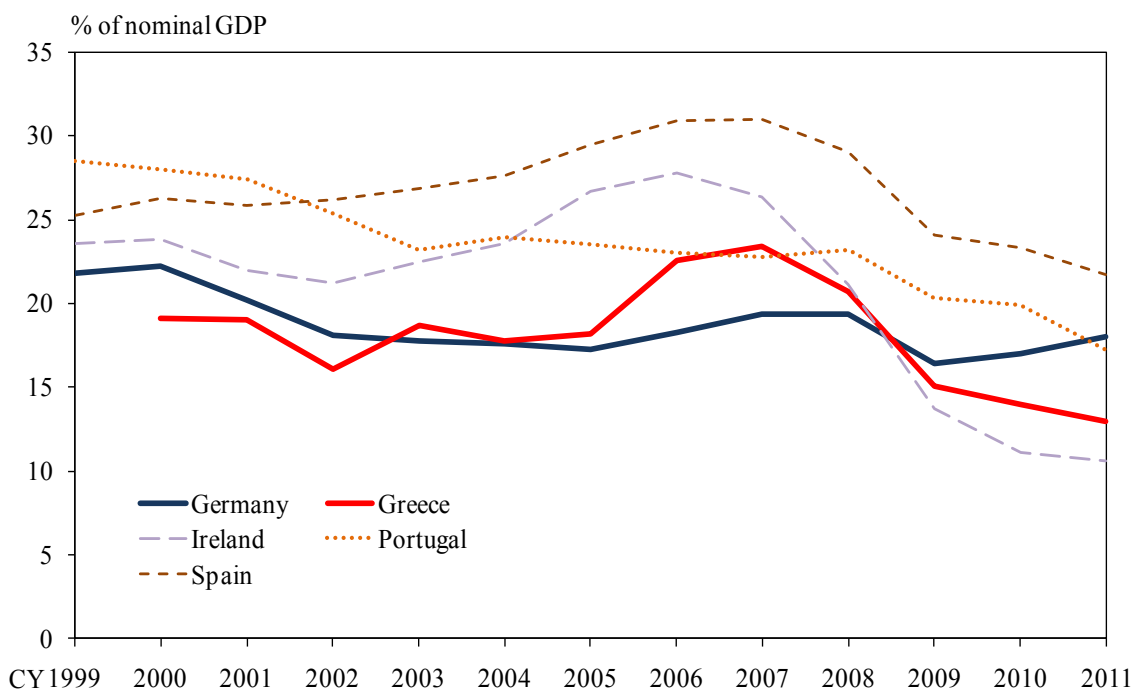
National Saving Rate



Source: Eurostat.

Chart 5

National Investment Rate

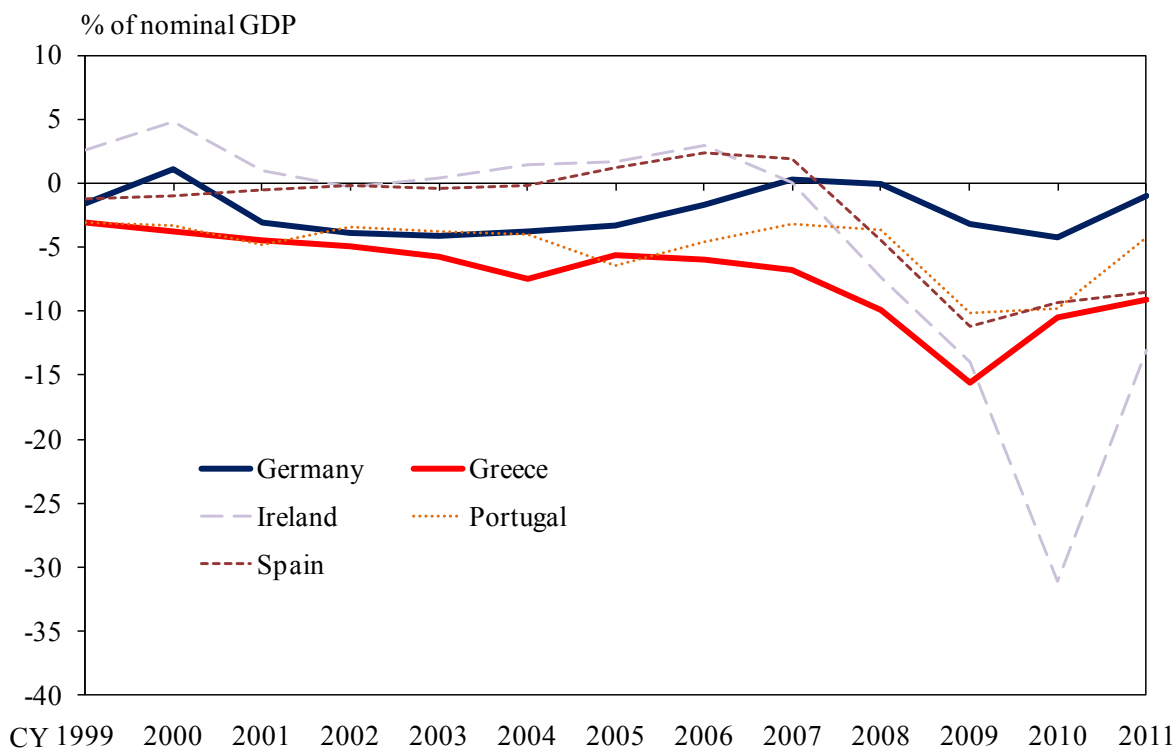


Note: National investment (gross) = national saving (gross) - current account balance.

Source: Eurostat.

Chart 6

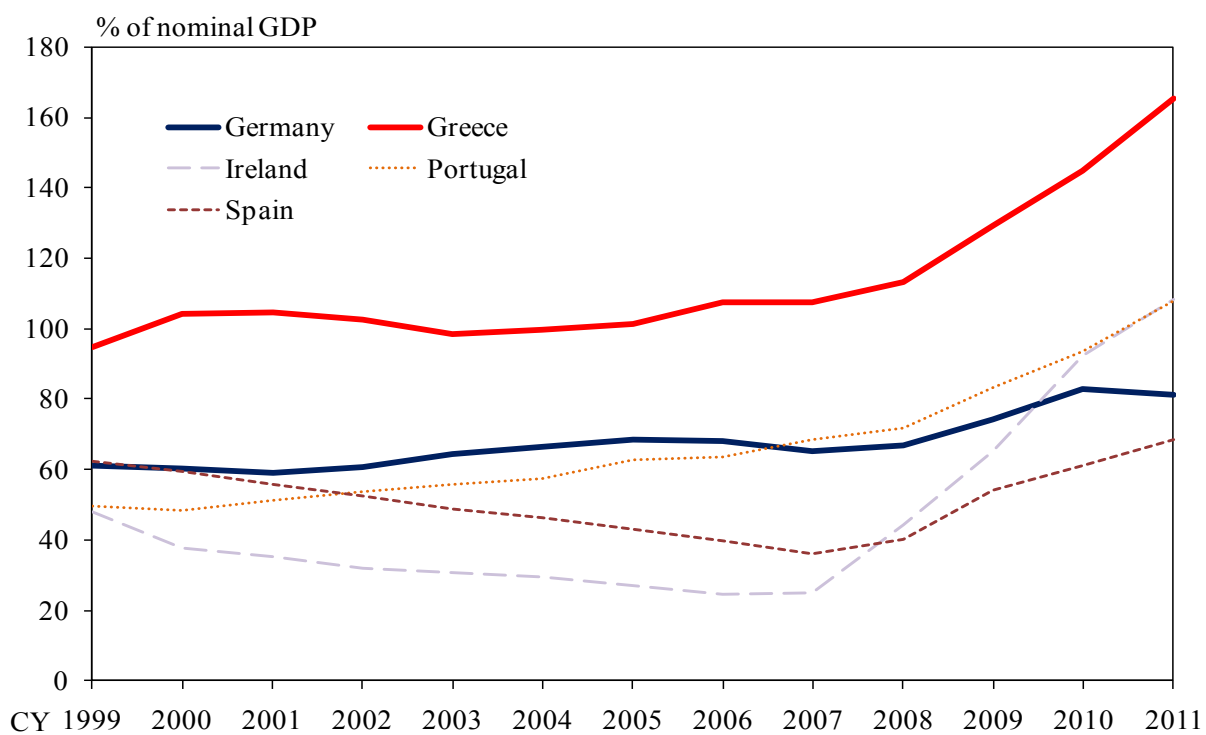
Fiscal Balance



Source: Eurostat.

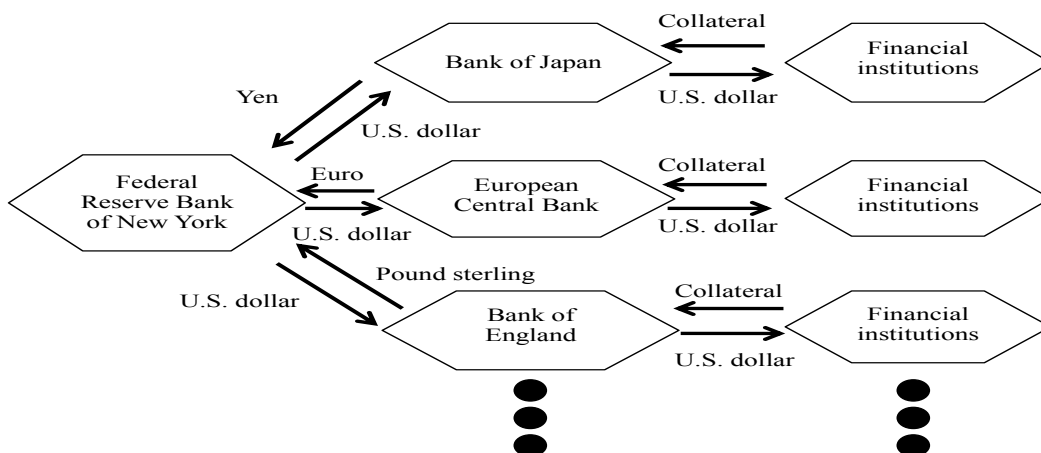
Chart 7

Government Debt



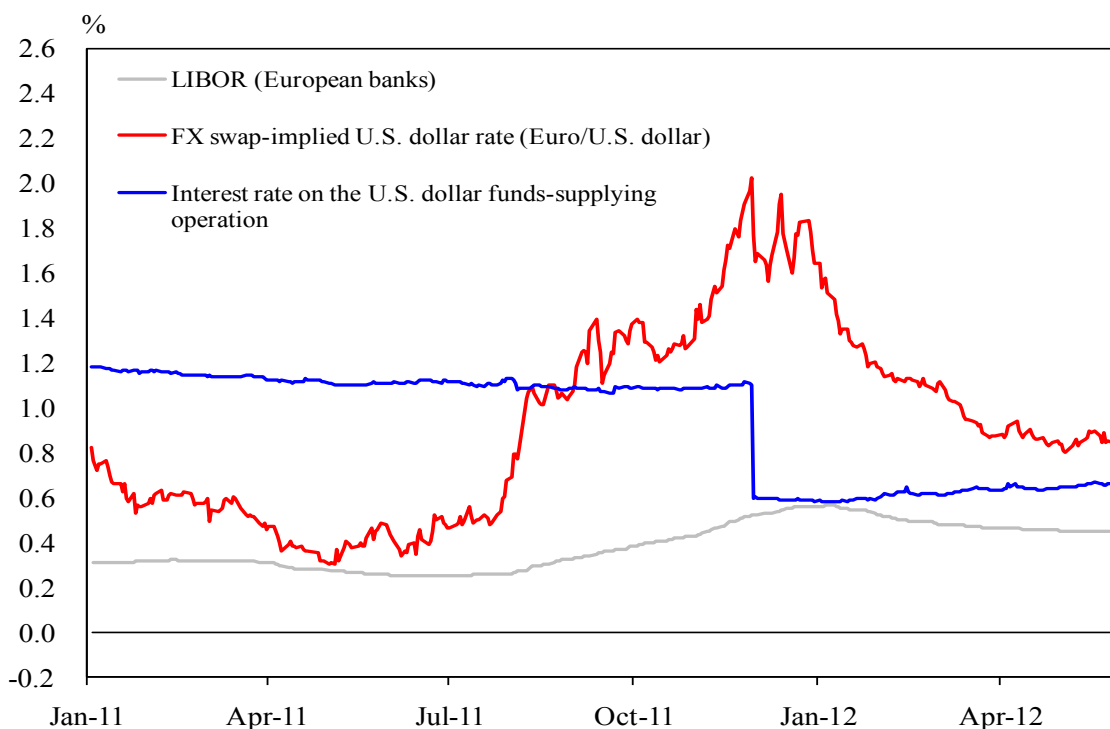
Source: Eurostat.

Basic Scheme of U.S. Dollar Funds-Supplying Operations



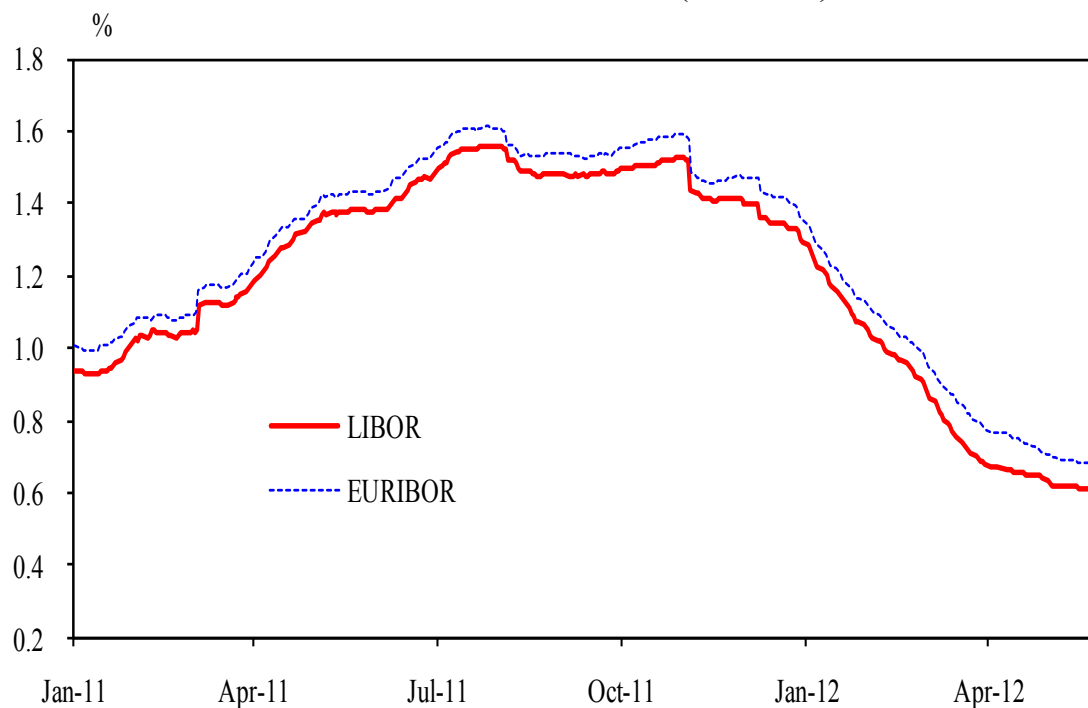
- A coordinated measure among six central banks in the United States, Japan, the United Kingdom, Europe, Switzerland, and Canada.
- Introduced in September 2008 immediately after the Lehman shock and ended in February 2010.
- Reestablished in May 2010 in response to the increased strains in U.S. dollar short-term funding markets in Europe.
- On September 15, four central banks in the United Kingdom, Europe, Switzerland, and Japan announced the conduct of U.S. dollar liquidity-providing operations.
- On November 30, six central banks agreed to lower the pricing on this operation by 50 basis points.

European Banks' U.S. Dollar Funding Costs (3-Month)



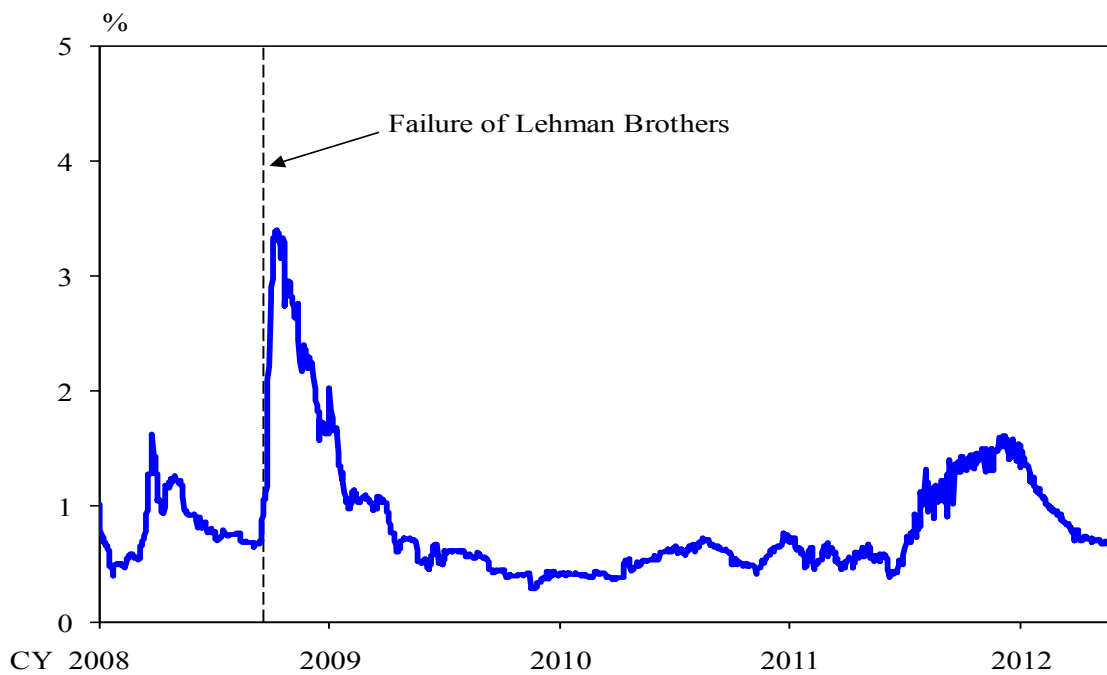
Source: Bloomberg.

Euro Term Instruments (3-Month)



Source: Bloomberg.

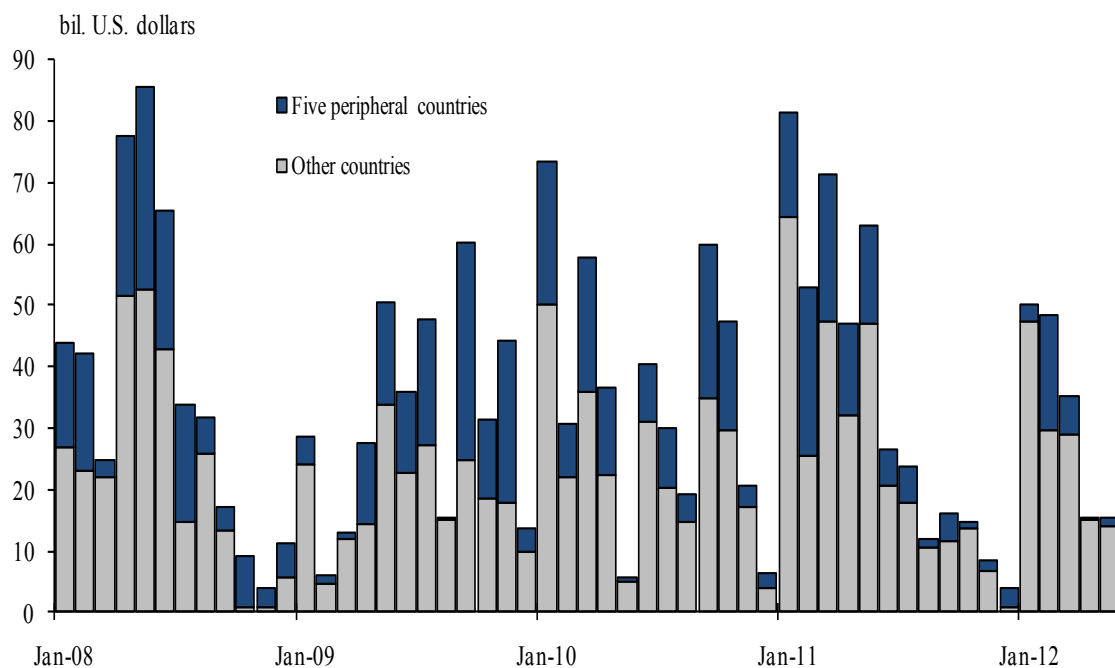
Spread on the Short-Term Interest Rate in Europe



Note: The spread on the short-term interest rate is 3-month LIBOR minus yield on 3-month government securities. Data for German government securities are used.

Source: Bloomberg.

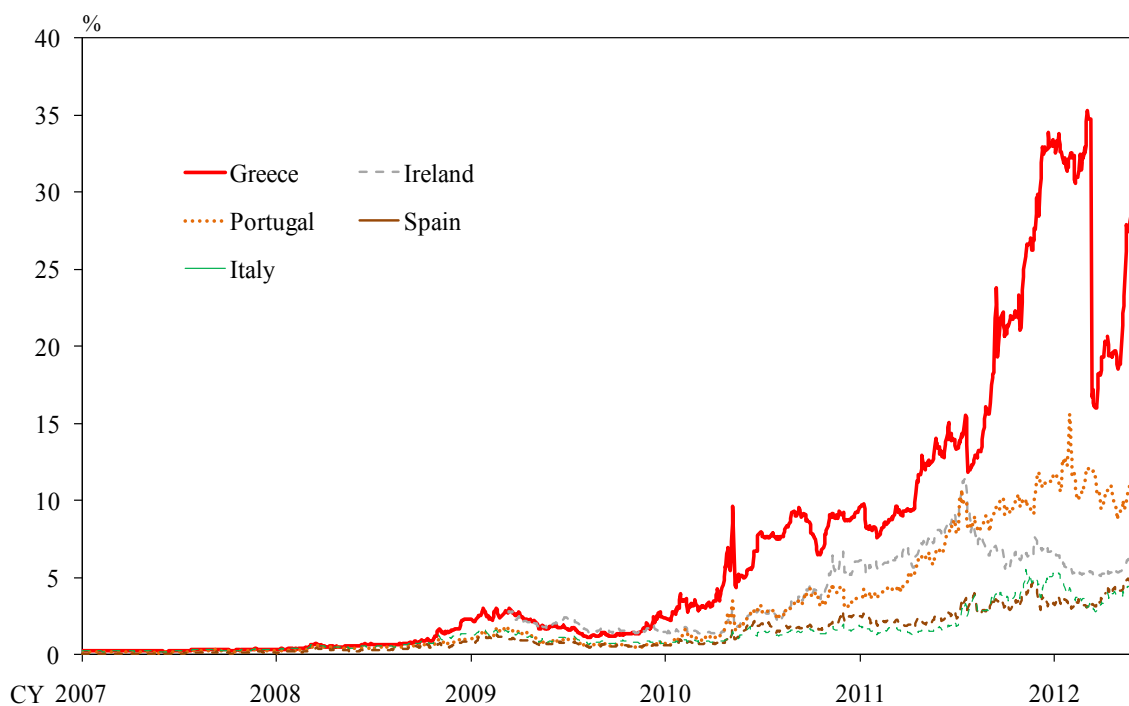
Volume of Bond Issuance by European Banks



Note: Five peripheral countries are Greece, Ireland, Portugal, Spain, and Italy.

Sources: Markit; Thomson ONE.

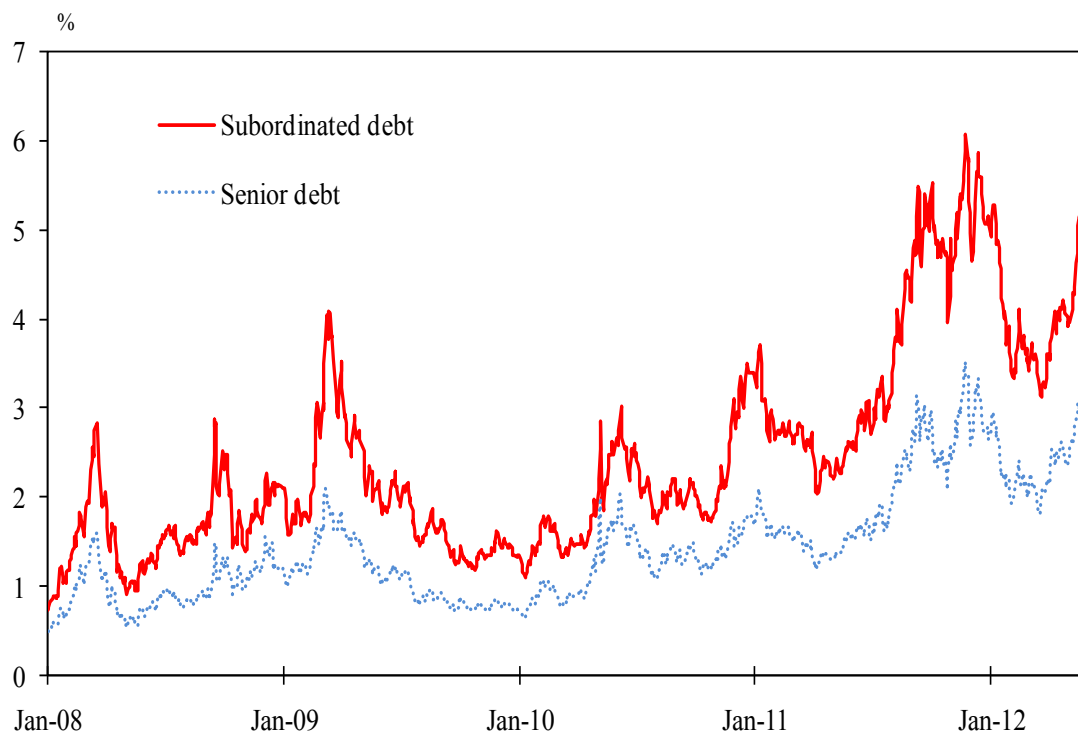
Government Bond Yields in Five Peripheral Countries



Note: 10-year spreads over German government bond yields.

Source: Bloomberg.

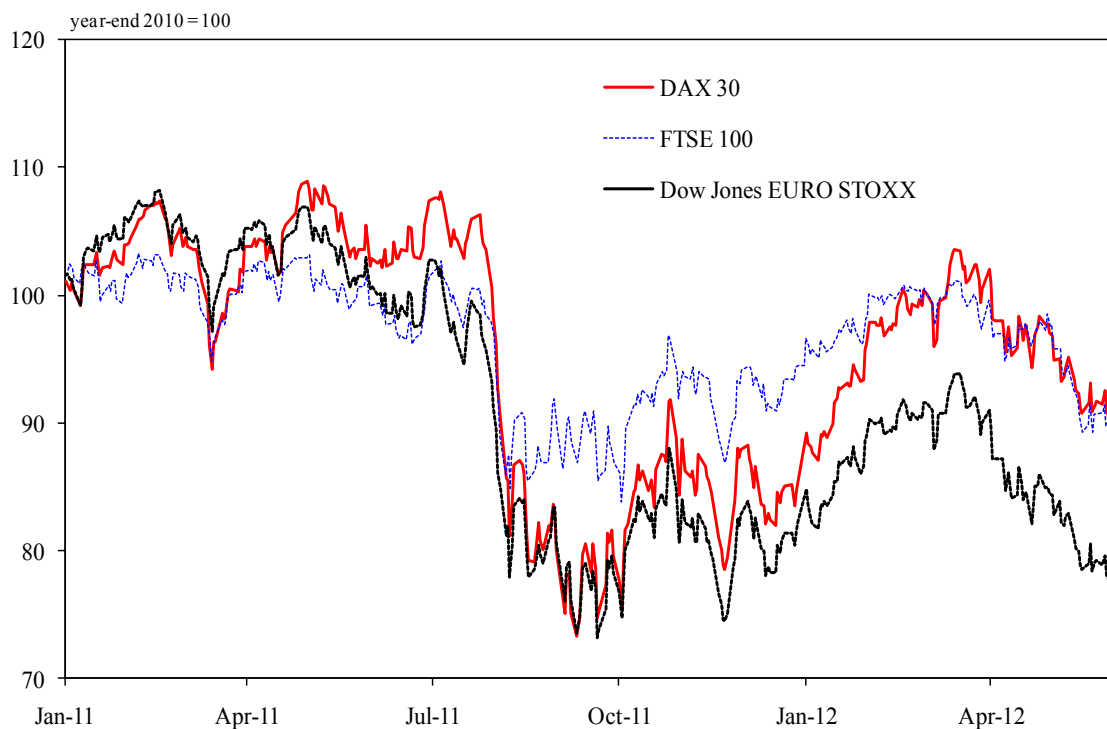
Credit Spreads of European Bank Debentures in Five Peripheral Countries



Note: Credit default swap (CDS) spreads for European banks.

Sources: Markit; Thomson ONE.

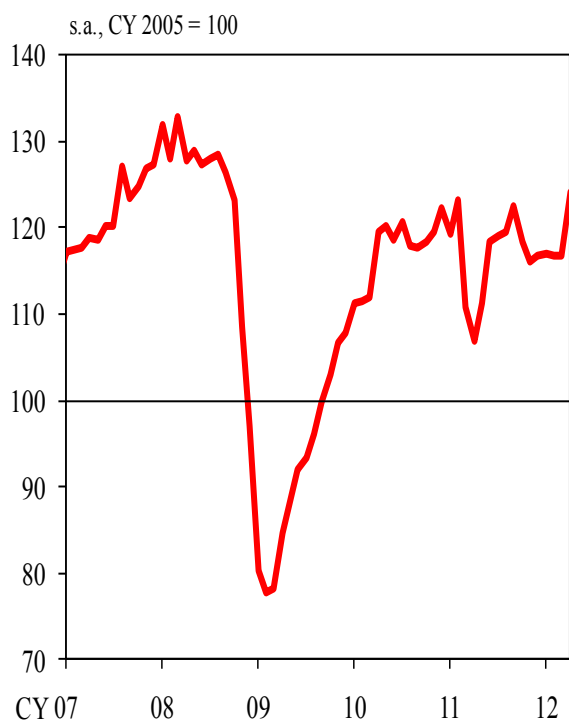
Stock Prices in Europe



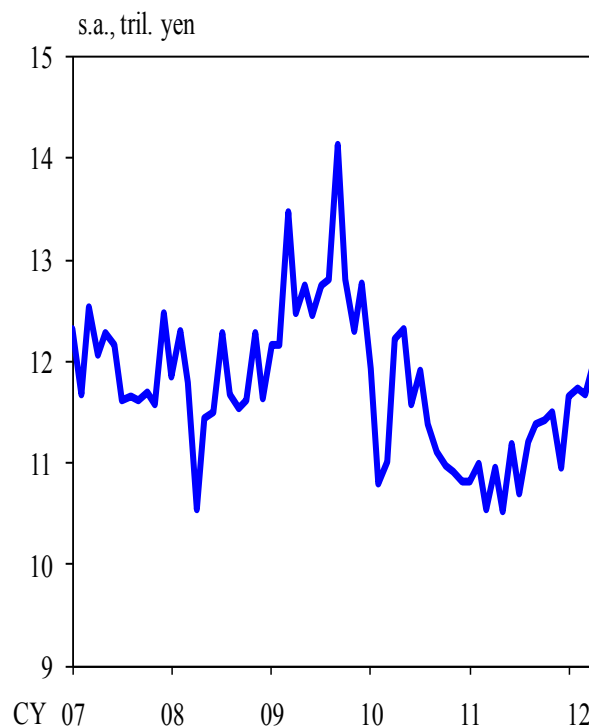
Source: Bloomberg.

Recent Developments in Japan's Economy

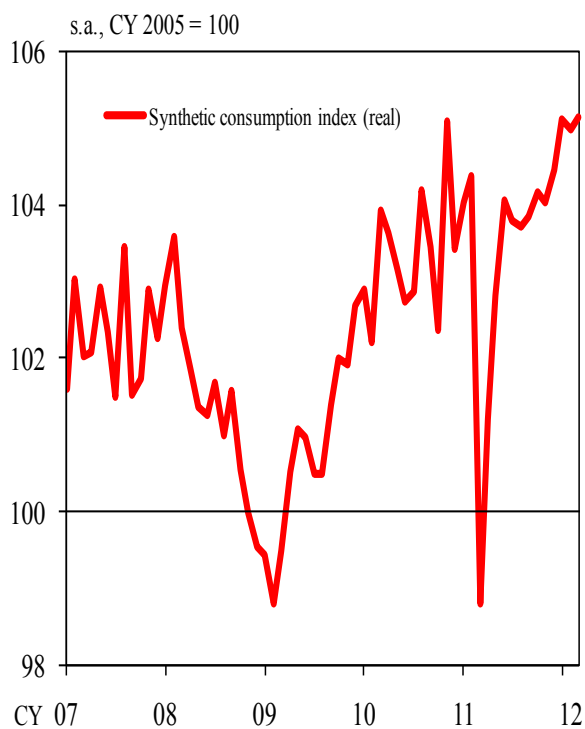
(1) Real Exports



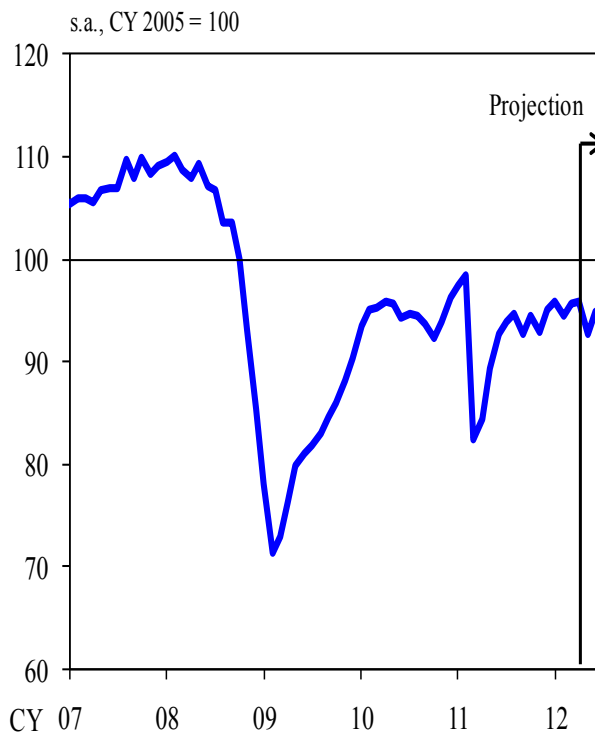
(2) Value of Public Works Contracted



(3) Private Consumption



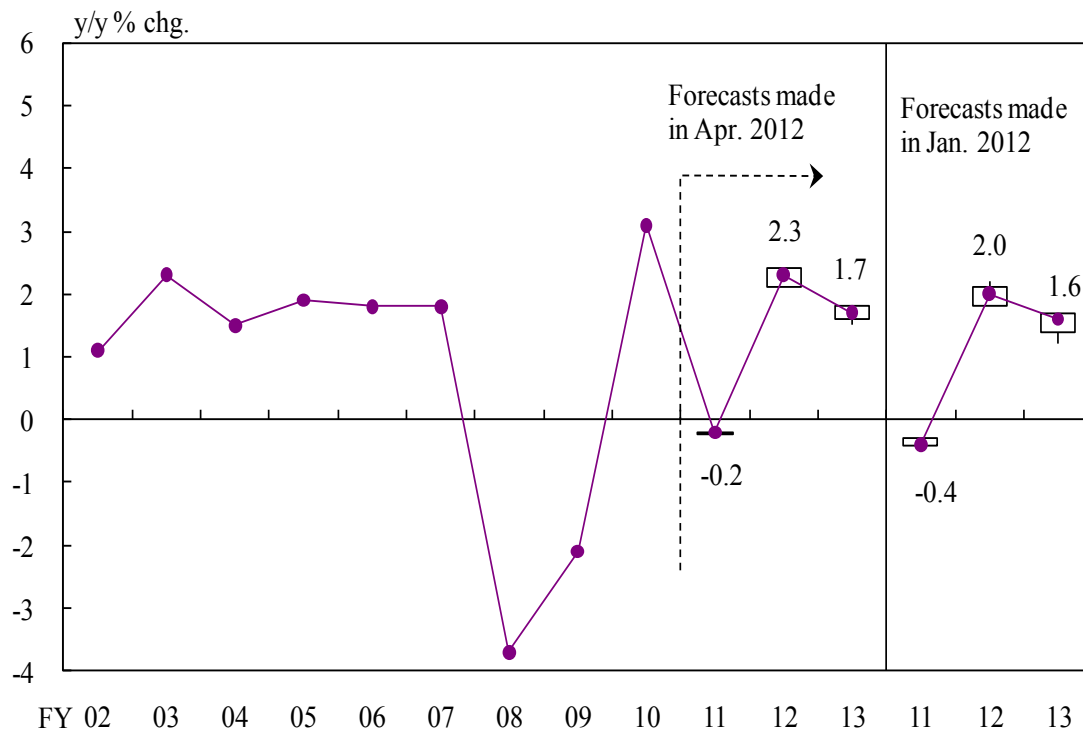
(4) Industrial Production



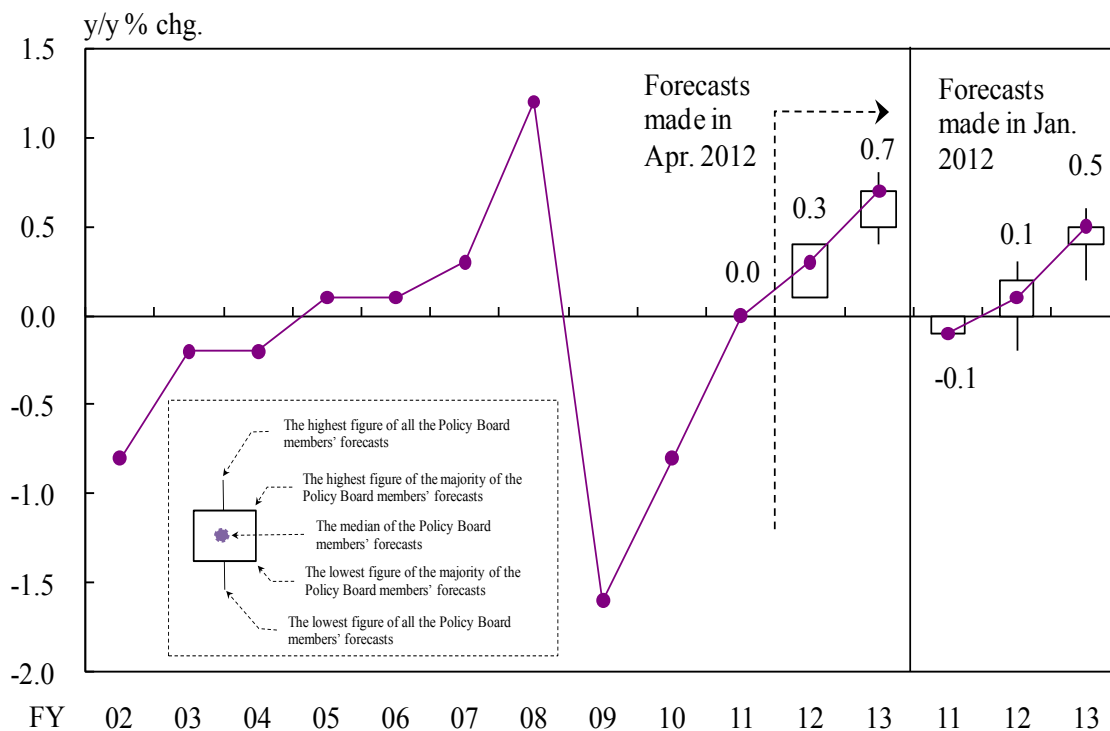
Sources: Cabinet Office; Ministry of Economy, Trade and Industry; East Japan Construction Survey; Bank of Japan.

The Bank of Japan's Economic and Price Forecasts

(1) Real GDP



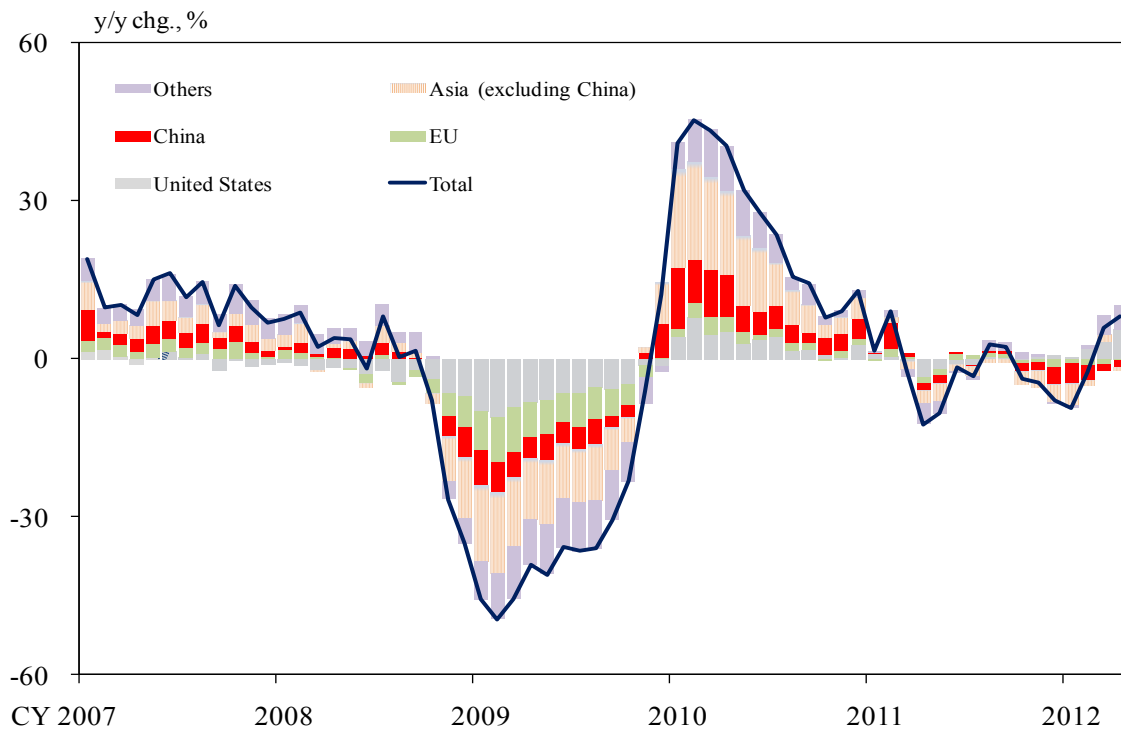
(2) CPI (All Items Less Fresh Food)



Note: The figures for real GDP for fiscal 2011, 2012, and 2013, and the CPI (all items less fresh food) for fiscal 2012 and 2013 are the Policy Board members' estimates.

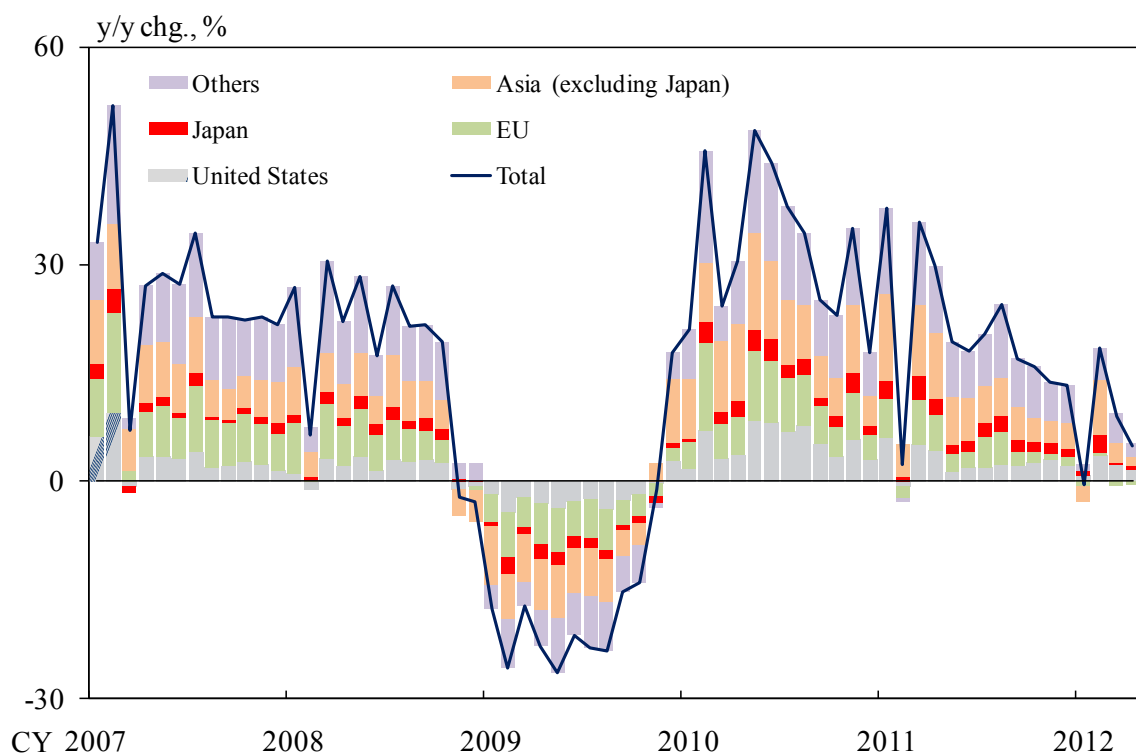
Source: Bank of Japan, "Outlook for Economic Activity and Prices."

Japan's Nominal Exports



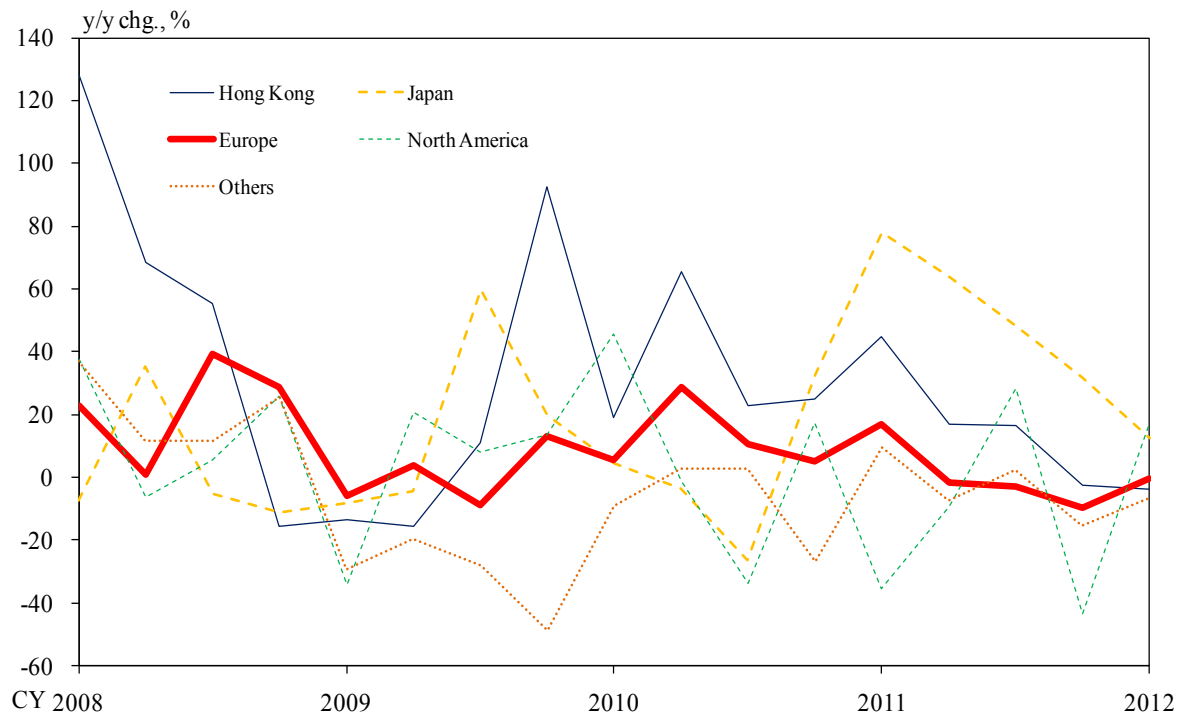
Source: Ministry of Finance.

China's Nominal Exports



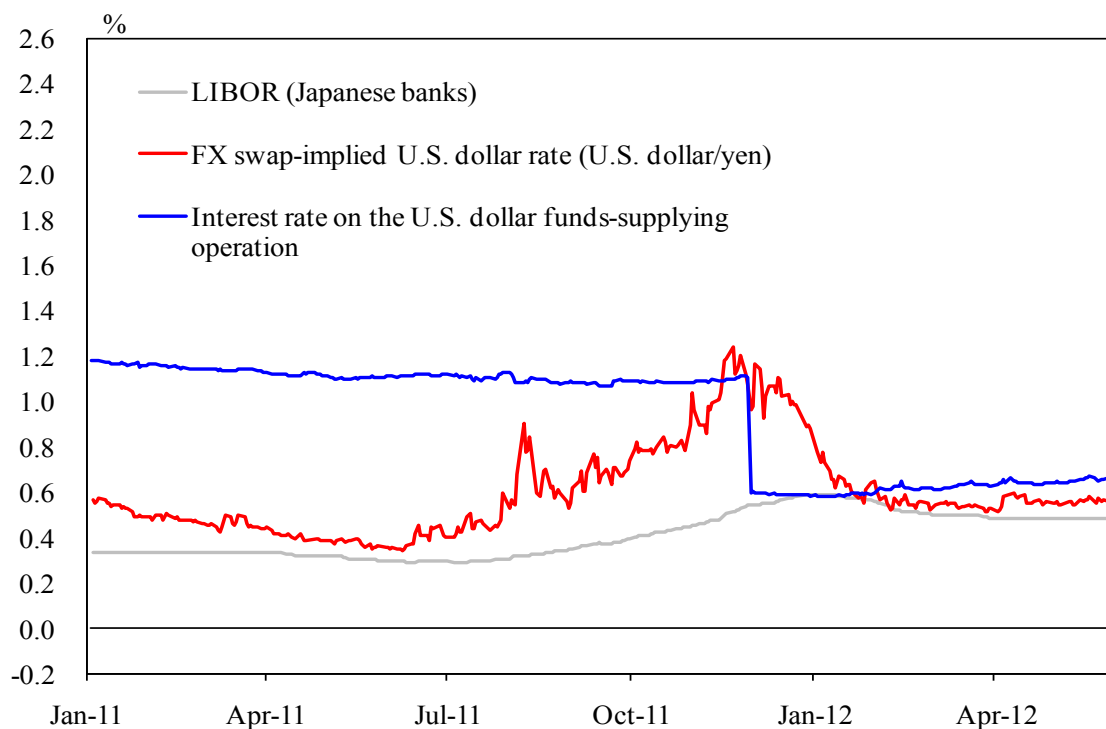
Source: CEIC.

Foreign Direct Investment in China



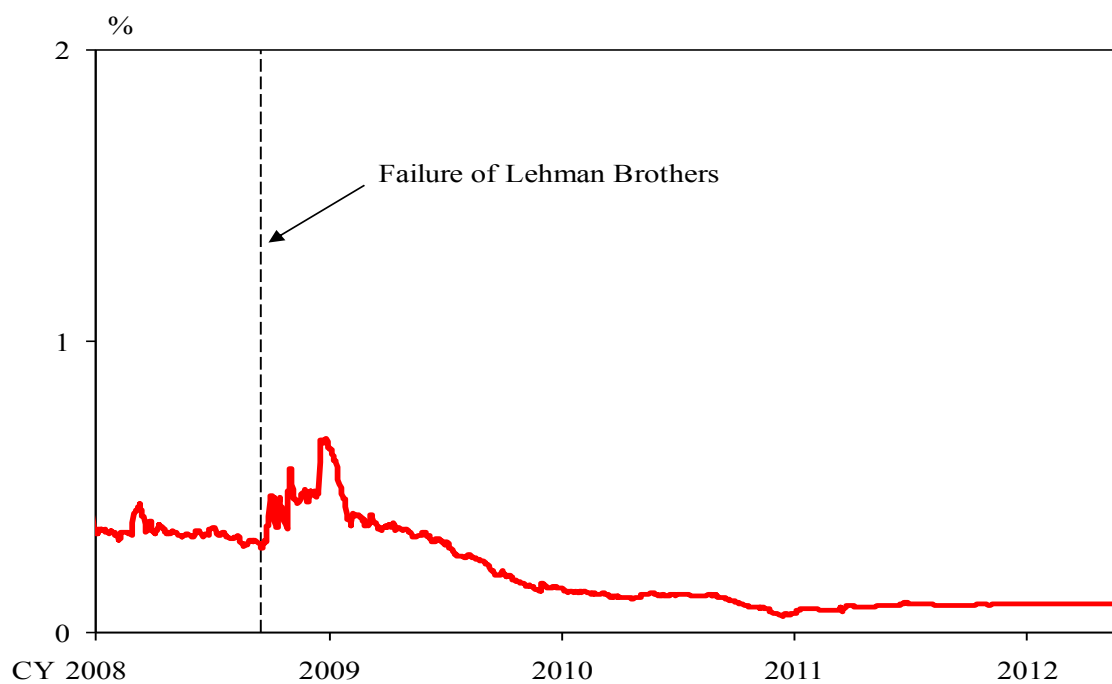
Source: CEIC.

Japanese Banks' U.S. Dollar Funding Costs (3-Month)



Source: Bloomberg.

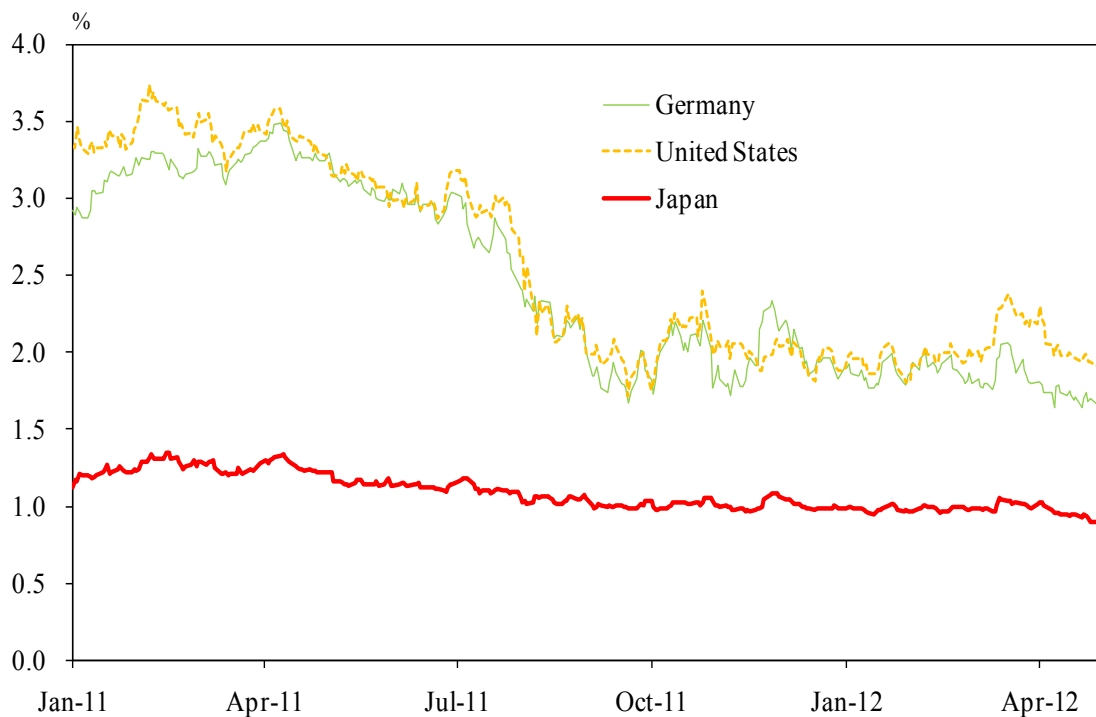
Spread on the Short-Term Interest Rate in Japan



Note: The spread on the short-term interest rate is 3-month LIBOR minus yield on 3-month government securities.

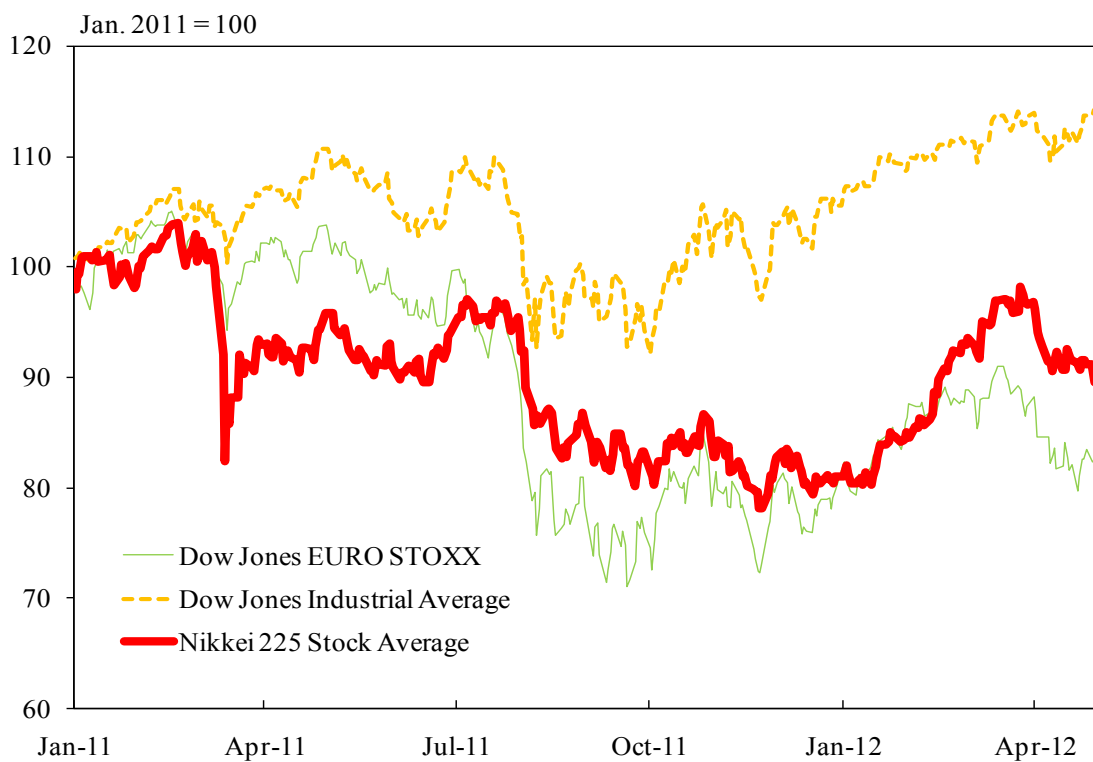
Source: Bloomberg.

Long-Term Interest Rates



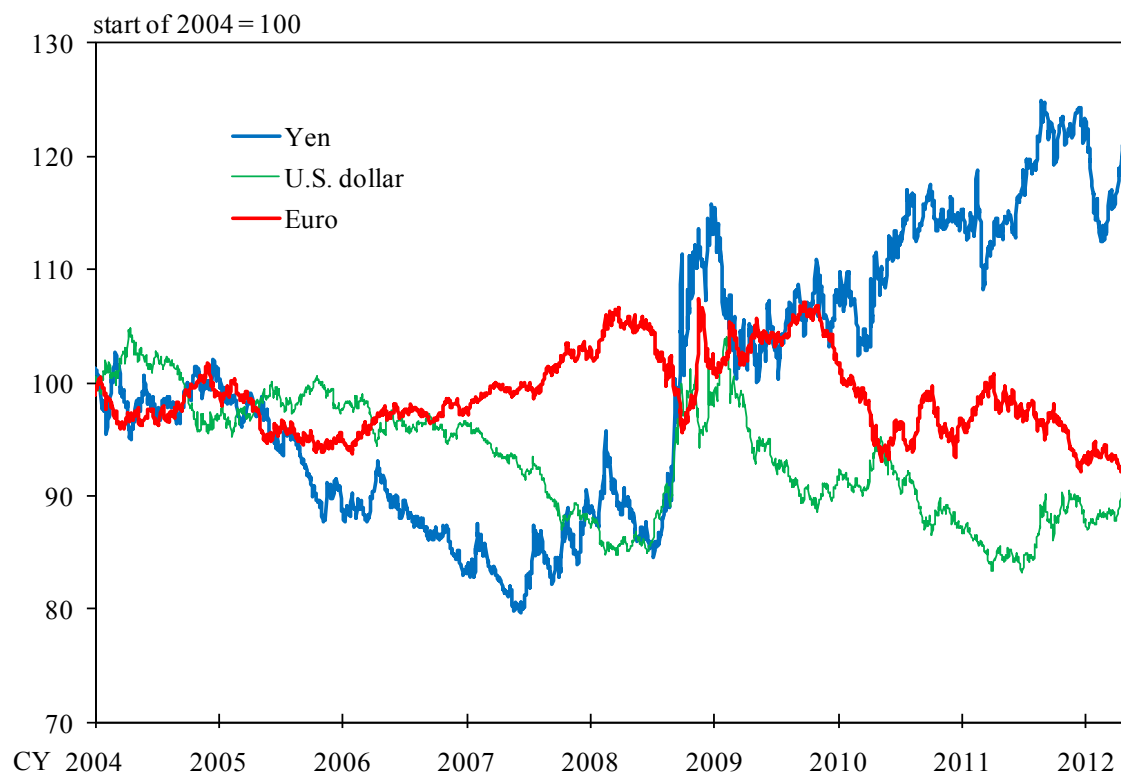
Source: Bloomberg.

Stock Prices



Source: Bloomberg.

Nominal Effective Exchange Rates



Sources: Bank of Japan; European Central Bank.

The Bank of Japan's Conduct of Monetary Policy

1. Introduction of “the Price Stability Goal in the Medium to Long Term”

- ✓ The inflation rate consistent with price stability sustainable in the medium to long term.
- ✓ A positive range of 2 percent or lower in terms of the year-on-year rate of change in the consumer price index (CPI). A goal of 1 percent is set for the time being.

2. Clarification of the Bank's Determination to Pursue Monetary Easing

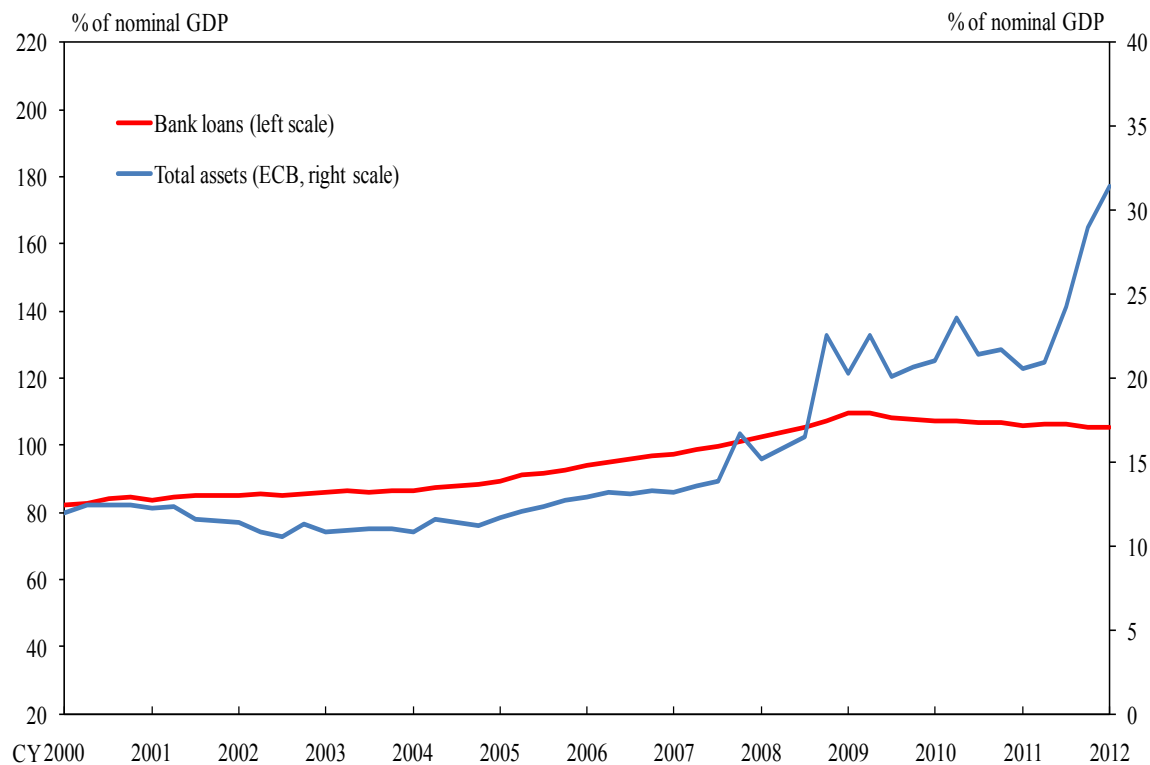
- ✓ Aiming at achieving the goal of 1 percent in terms of the year-on-year rate of increase in the CPI.
- ✓ Pursuing powerful monetary easing by conducting the Bank's virtually zero interest rate policy and by implementing the Asset Purchase Program mainly through the purchase of financial assets until the Bank judges that the 1 percent goal is in sight.
 - On condition that the Bank identifies no significant risk to the sustainability of economic growth, including from the accumulation of financial imbalances.

3. Increase in the Asset Purchase Program

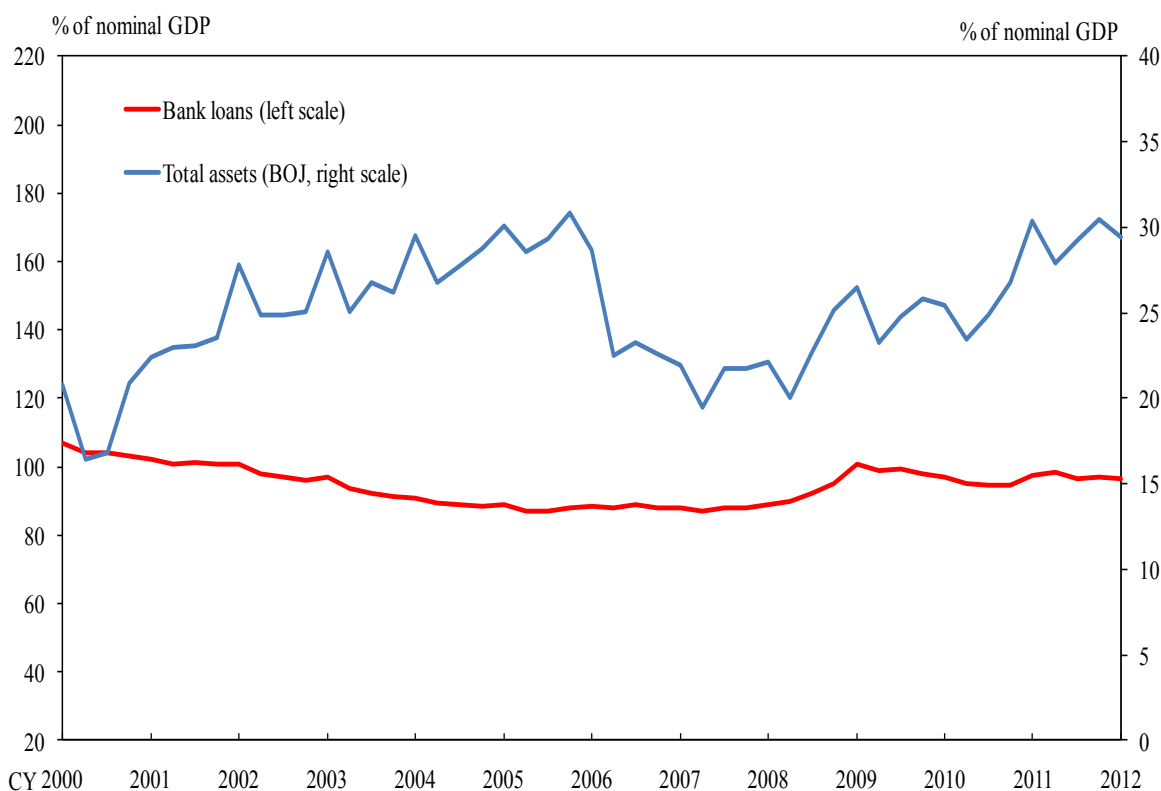
- ✓ About 55 trillion yen (Oct. 2011) → about 65 trillion yen (Feb. 2012) → about 70 trillion yen (April 2012)
- In addition to purchases under the Program, the Bank regularly purchases Japanese government bonds at the pace of 21.6 trillion yen per year.

Central Bank Assets and Bank Loans

(1) Euro Area



(2) Japan



Sources: Bank of Japan; European Central Bank.

Enhancement of the Growth-Supporting Funding Facility

The Bank decided to substantially enhance the Growth-Supporting Funding Facility to support strengthening the foundations for economic growth both in terms of the yen and a foreign currency.

Provision of funds to financial institutions, equivalent to the actual amount of lending and investment carried out with a view to strengthening the foundations for economic growth, over a long term (maximum duration of four years) and at a low rate (currently 0.1 percent)

1. Main Rules

- ✓ 3.0 trillion yen ⇒ 3.5 trillion yen (eligible investments and loans: 10 million yen or more)

2. Special Rules for Small-Lot Investments and Loans

- ✓ 0.5 trillion yen newly added (eligible investments and loans: 1 million yen or more but less than 10 million yen)

3. Special Rules for a New U.S. Dollar Lending Arrangement (April 2012)

- ✓ 1.0 trillion yen (12 billion U.S. dollars) newly added (eligible investments and loans: denominated in foreign currencies)

With special rules for asset-based lending (ABL) (eligible investments and loans: equity investments and ABL), the total amount is 5.5 trillion yen. The deadline for applications for new loans is March 2014.