

Public Policy Study and Monetary Policy Management

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Outline

- I. Progress in Public Policy Study
- II. Changes in Monetary Policy Management
- III. Ideas of the QQE
- IV. Future of Public Policy Study

Inflation Rate and Growth Rate in Advanced Economies

	1980s (CY 1980 – 1989)	1990s (CY 1990 – 1999)	2000s (CY 2000 – 2007) <Pre-"Lehman crisis">
Inflation rate (CPI all items)	6.5%	2.9%	2.1%
Real GDP growth rate	3.1%	2.8%	2.6%

Source: IMF.

Quantitative and Qualitative Monetary Easing (QQE)

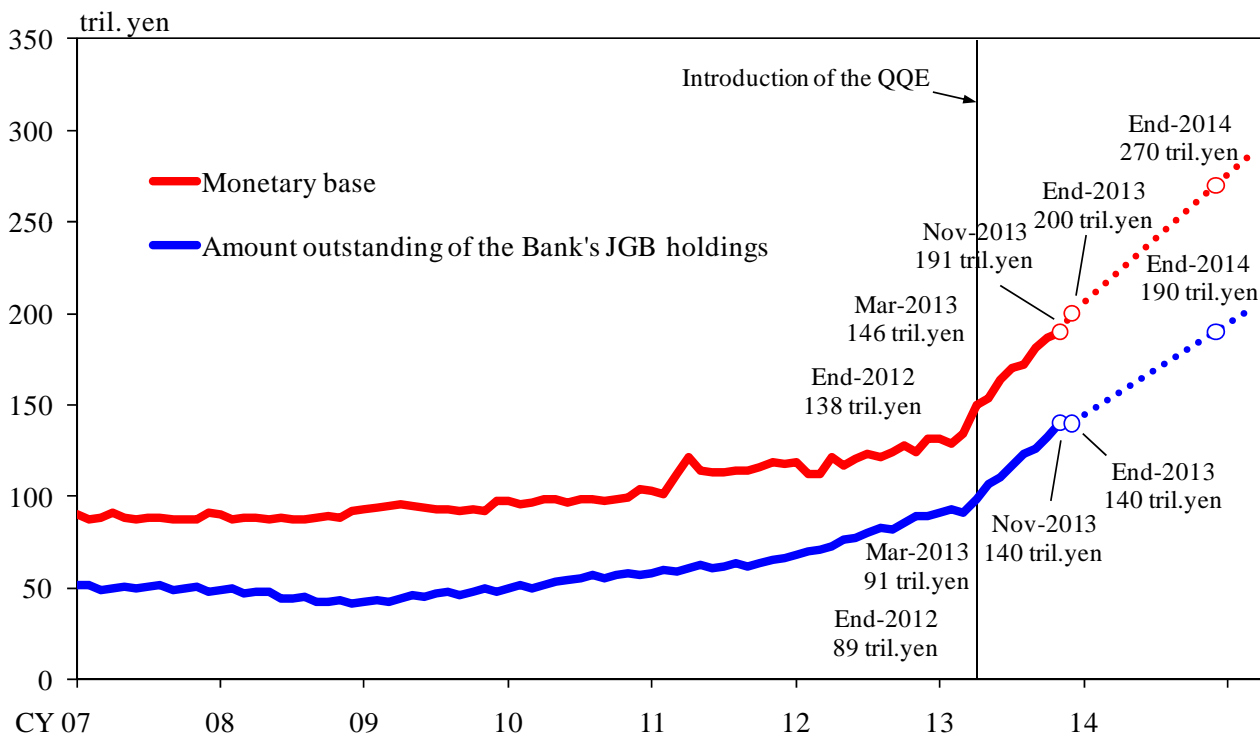
Strong and Clear Commitment

- Achieve the price stability target of 2%, at the earliest possible time with a time horizon of about 2 years.

New Phase of Monetary Easing Both in Terms of Quantity and Quality

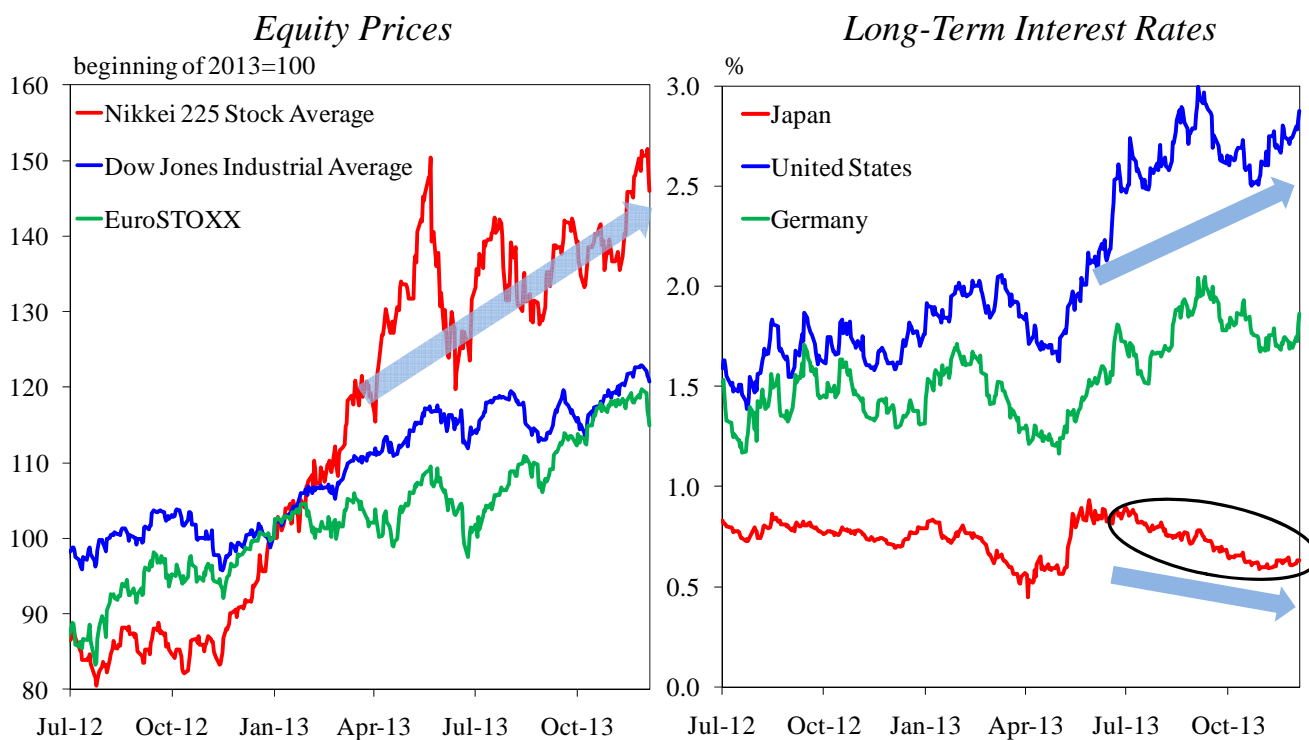
- Monetary base: Annual increase of about 60-70 tril. yen (x2 in 2 years).
- Amount outstanding of the Bank's JGB holdings: Annual increase of about 50 tril. yen (more than x2 in 2 years).
- Average remaining maturity of the Bank's JGB purchases: Extended to about 7 years (more than x2).
- Amount outstanding of ETF holdings: Annual increase of about 1 tril. yen (more than x2 in 2 years).

Expansion in the Monetary Base and JGB Holdings



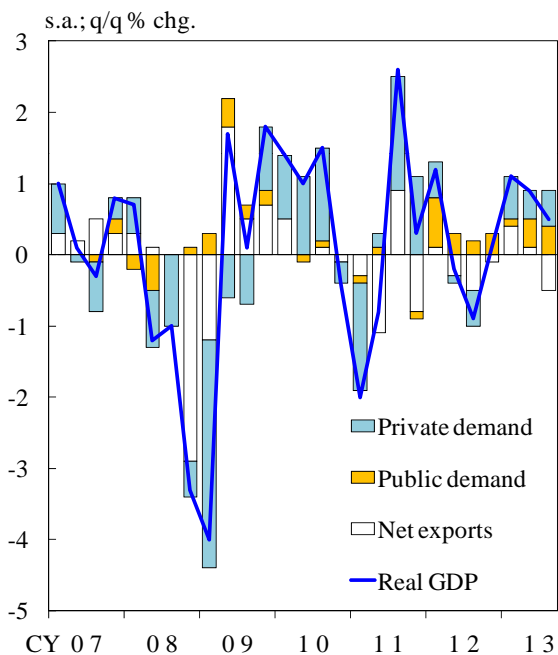
Source: Bank of Japan.

Financial Markets



Source: Bloomberg.

Real GDP Growth Rate in Japan

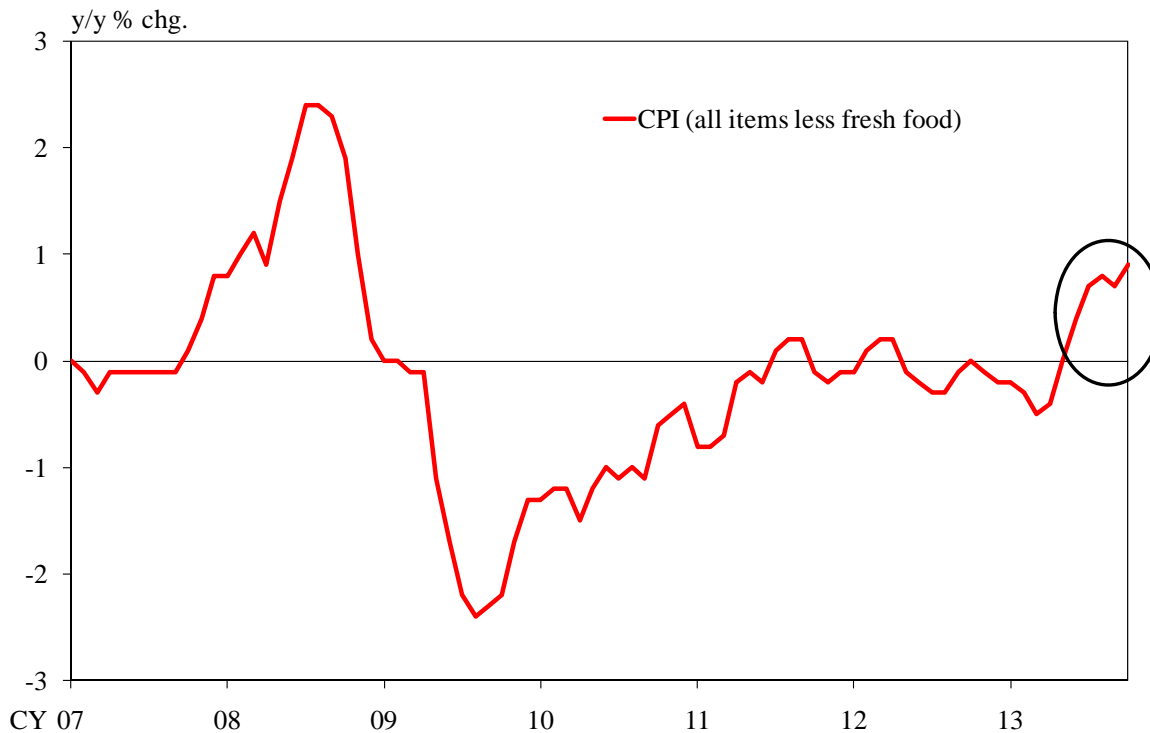


	2012		2013		
	3Q	4Q	1Q	2Q	3Q
Real GDP	-0.9	0.1	1.1	0.9	0.5
[Annual rate]	[-3.7]	[0.6]	[4.3]	[3.8]	[1.9]
Domestic demand	-0.4	0.3	0.7	0.8	0.9
Private demand	-0.5	0.0	0.6	0.4	0.5
Private consumption	-0.2	0.2	0.5	0.4	0.1
Non-Resi. Investment	-0.4	-0.2	0.0	0.1	0.0
Residential investment	0.0	0.1	0.1	0.0	0.1
Private inventory	0.0	-0.2	-0.0	-0.1	0.4
Public demand	0.2	0.3	0.1	0.4	0.4
Public investment	0.1	0.2	0.1	0.2	0.4
Net exports of goods and services	-0.5	-0.1	0.4	0.1	-0.5
Exports	-0.6	-0.4	0.6	0.4	-0.1
Imports	0.0	0.3	-0.2	-0.3	-0.4
Nominal GDP	-1.2	0.2	0.7	1.1	0.4

s.a.; q/q % chg.

Note: Figures of components in real GDP indicate contributions to changes in GDP.
Source: Cabinet Office.

Consumer Price Index



Source: Ministry of Internal Affairs and Communications.

Forecasts of Policy Board Members

y/y % chg.

	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2013	+2.7 <+2.8>	+0.7 <+0.6>	
Fiscal 2014	+1.5 <+1.3>	+3.3 <+3.3>	+1.3 <+1.3>
Fiscal 2015	+1.5 <+1.5>	+2.6 <+2.6>	+1.9 <+1.9>

Notes: 1. Figures indicate the median of the Policy Board members' forecasts (point estimates).

2. Figures in angle brackets are the median forecasts made in July 2013.

Source: Bank of Japan.