

Japan's Growth Potential and Quantitative and Qualitative Monetary Easing

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Two Pillars of the QQE

Quantitative and Qualitative Monetary Easing

Commitment

Clear commitment that the BoJ "will achieve the price stability target of 2 % at the earliest possible time, with a time horizon of about 2 years."

Actions

- **Increase in Quantity**
Increase monetary base at annual pace of about ¥60-70 trillion (mainly through purchases of JGBs)
- **Change in Quality**
Purchasing assets with higher risk profile (JGBs with longer duration, ETFs and J-REITs)

Chart 2

Transmission Channels of the QQE

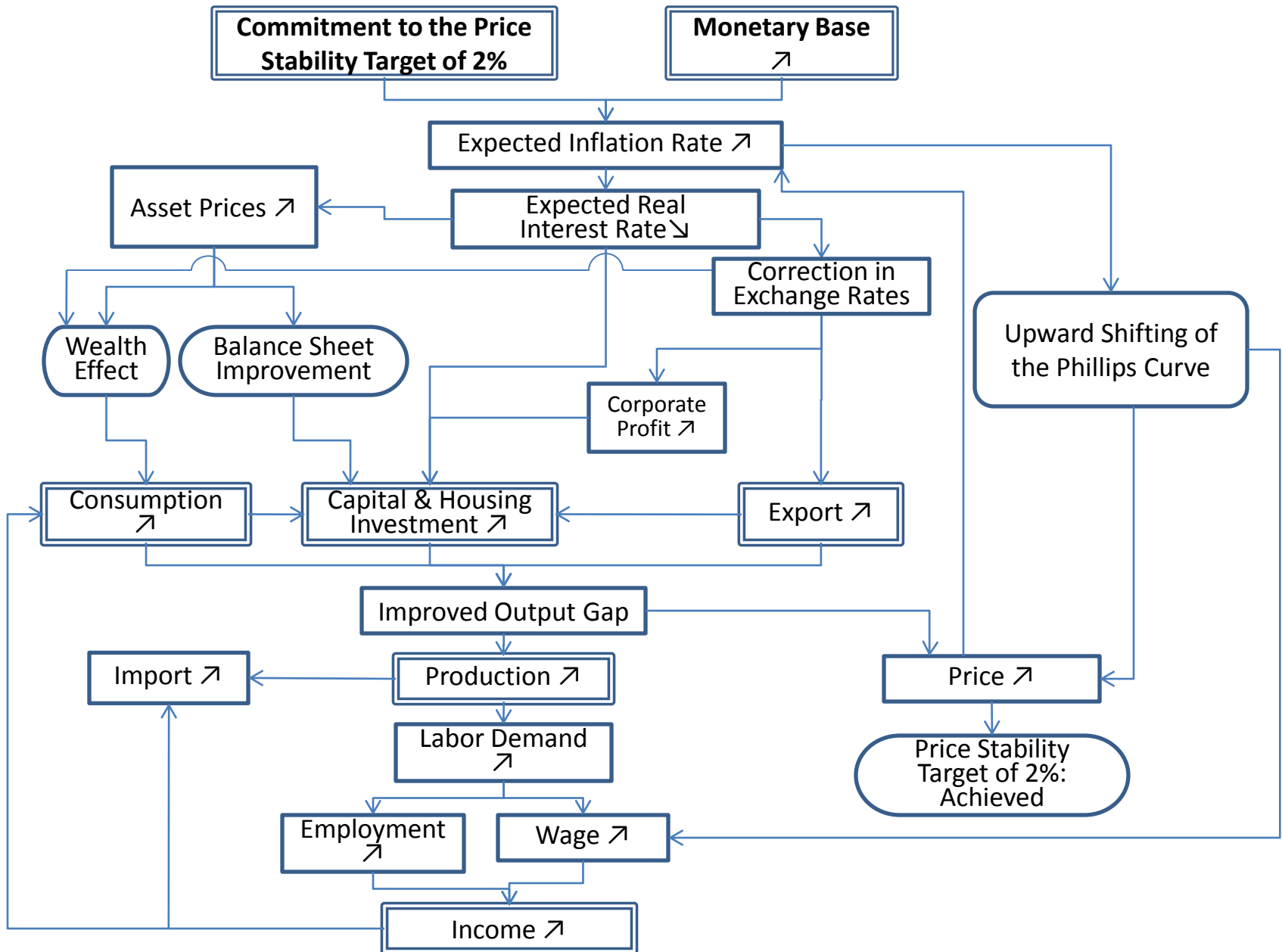
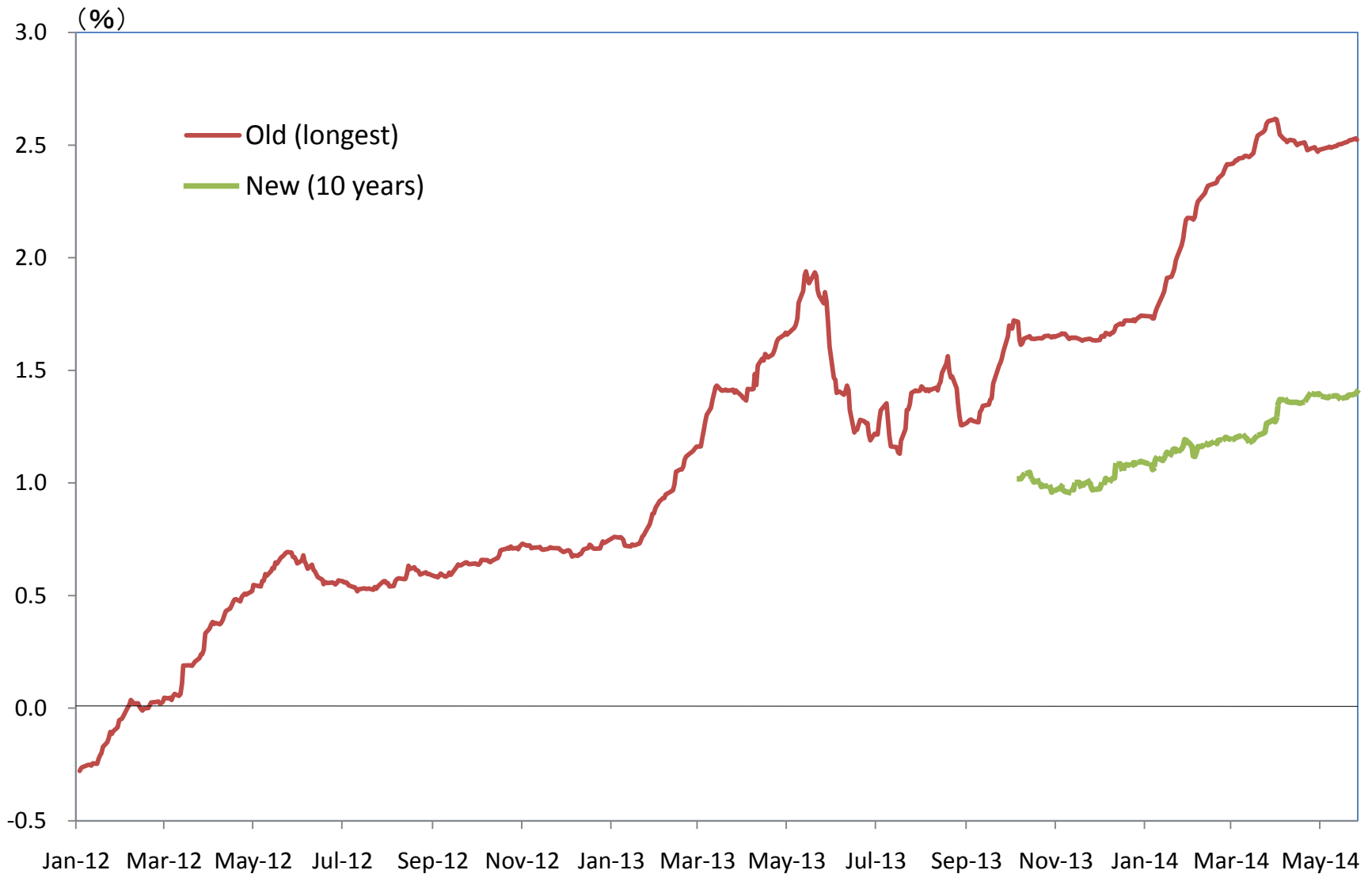


Chart 3

BEI for Inflation-Indexed JGBs



Source: Bloomberg.

Note: Yield spreads between fixed-rate coupon-bearing JGBs and inflation-indexed JGBs. Inflation-indexed JGBs issued since October 2013 are designated as “new,” while the rest as “old.” Figures for “old (longest)” are calculated using yield data for issue No. 16 of the inflation-indexed JGBs, which matures in June 2018.

Chart 4

Real GDP Growth

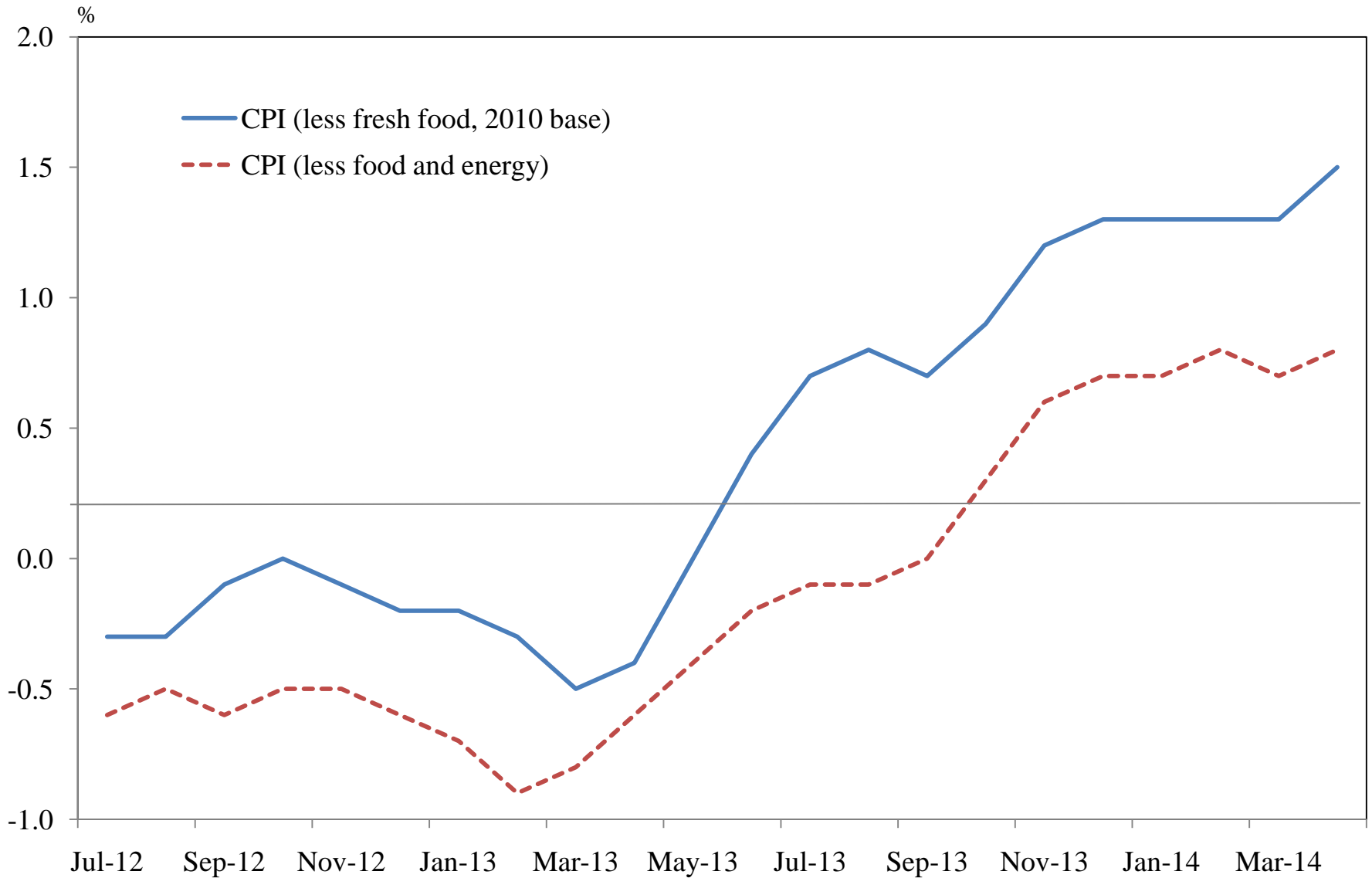
s.a.; q/q % chg.

	2013				2014
	Q1	Q2	Q3	Q4	Q1
Real GDP	1.2	0.9	0.3	0.1	1.5
<Annual rate>	<4.9>	<3.5>	<1.3>	<0.3>	<5.9>
Private Consumption	1.0	0.7	0.2	0.4	2.1
Residential Investment	1.8	0.8	3.3	4.3	3.1
Non-Resi. Investment	▲2.0	1.0	0.7	1.4	4.9
Government Consumption	0.9	0.7	0.2	0.3	0.1
Public Investment	4.5	6.4	6.9	1.2	▲2.4
Exports	4.3	2.9	▲0.7	0.5	6.0
Imports	1.1	1.8	2.4	3.7	6.3

Source: Cabinet Office, "National Accounts."

Chart 5

Consumer Prices



Source: Ministry of Internal Affairs and Communications, "Consumer Price Index."

Note: Figures for April 2014 exclude the direct effects of the consumption tax hike.

Chart 6

Respective Roles of Monetary Policy and Growth Strategy

