

Chart 1

Common Features of Unconventional Monetary Policy Instruments
of the BOJ and ECB

	BOJ	ECB
Balance sheet policy (asset purchases)	<ul style="list-style-type: none"> (1) Government bonds (2) ETFs (3) J-REITs (4) CP, corporate bonds, etc. 	<ul style="list-style-type: none"> (1) Bonds issued by governments, etc. (2) Covered bonds (3) ABSs
Forward guidance	Future stance on the continuation of QQE	<ul style="list-style-type: none"> (1) Duration on maintaining the low policy interest rates (2) Future stance on the continuation of asset purchases
Conditional long-term lending facility	Stimulating Bank Lending Facility (twice the amount of the net increase in lending)	TLTROs (three times the amount of the net increase in lending)

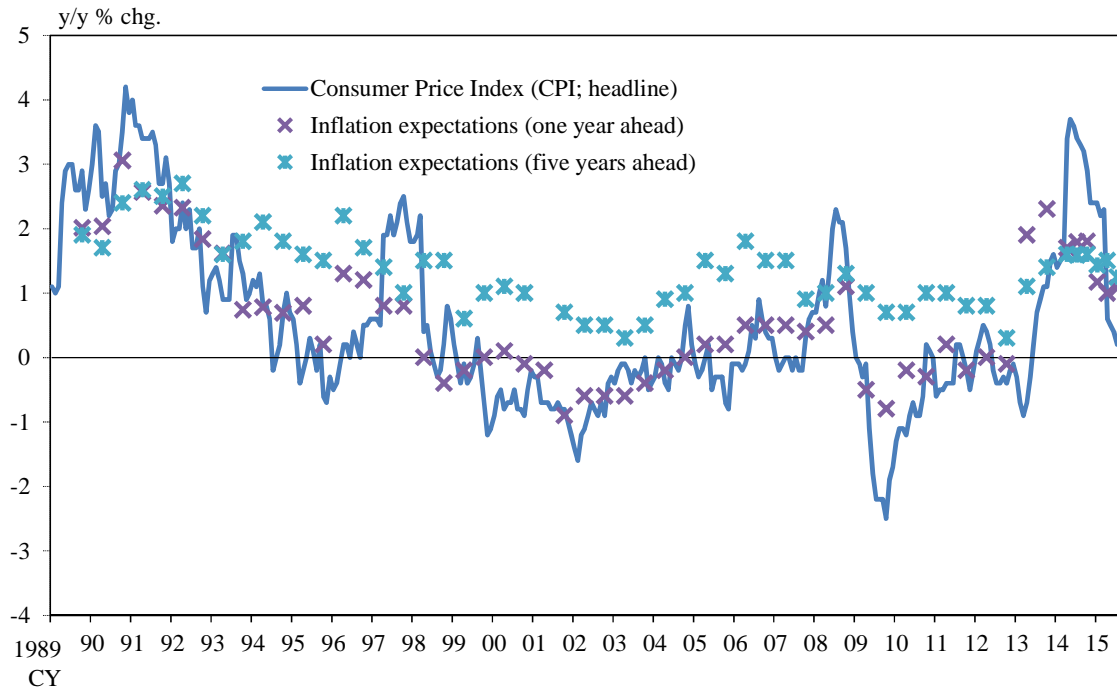
Chart 2

Differences between the Monetary Easing of the BOJ and ECB

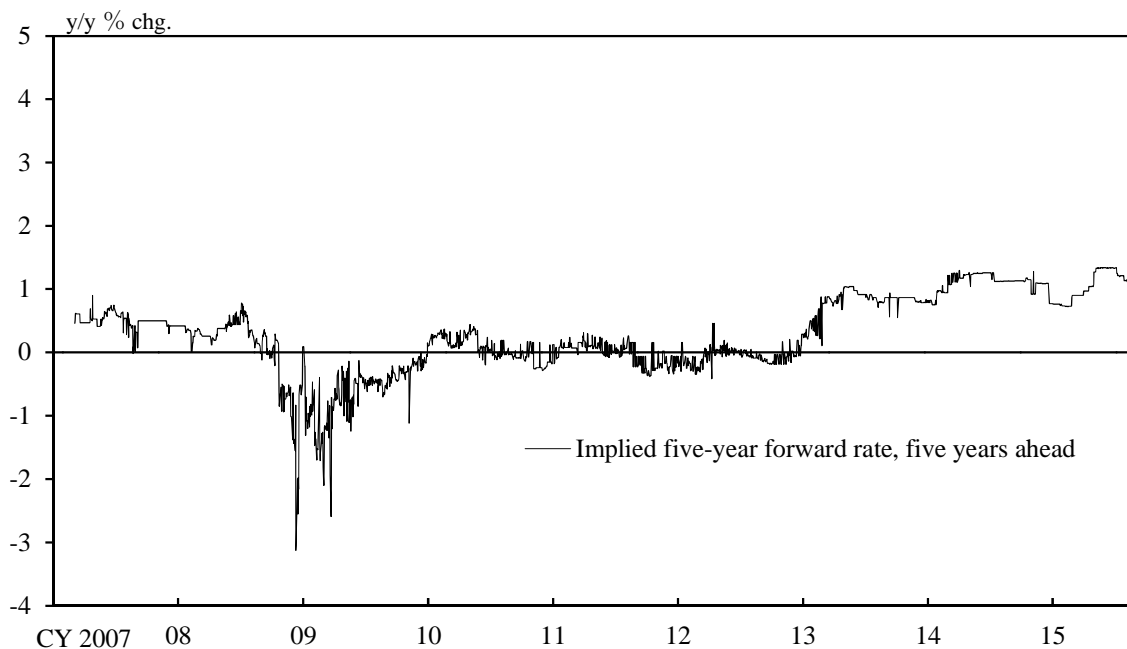
	BOJ	ECB
Deposit facility rate	Positive IOER (+0.1 percent)	Negative deposit rate (-0.2 percent)
Importance of credit easing	Less important	Remains important (TLTROs, ABSs)

Japan: Medium- to Long-Term Inflation Expectations

(1) Economists (Consensus Forecasts)



(2) Inflation Swap Rate

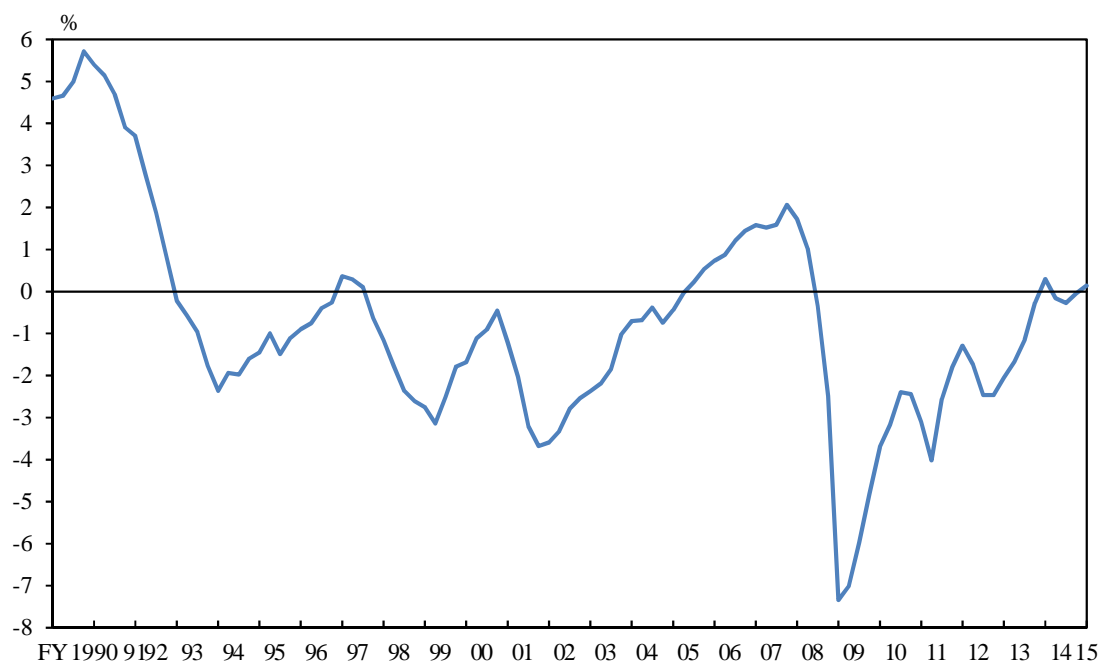


Note: The inflation swap rate is the fixed interest rate of the zero coupon inflation swap. The latest figure is as of August 31.

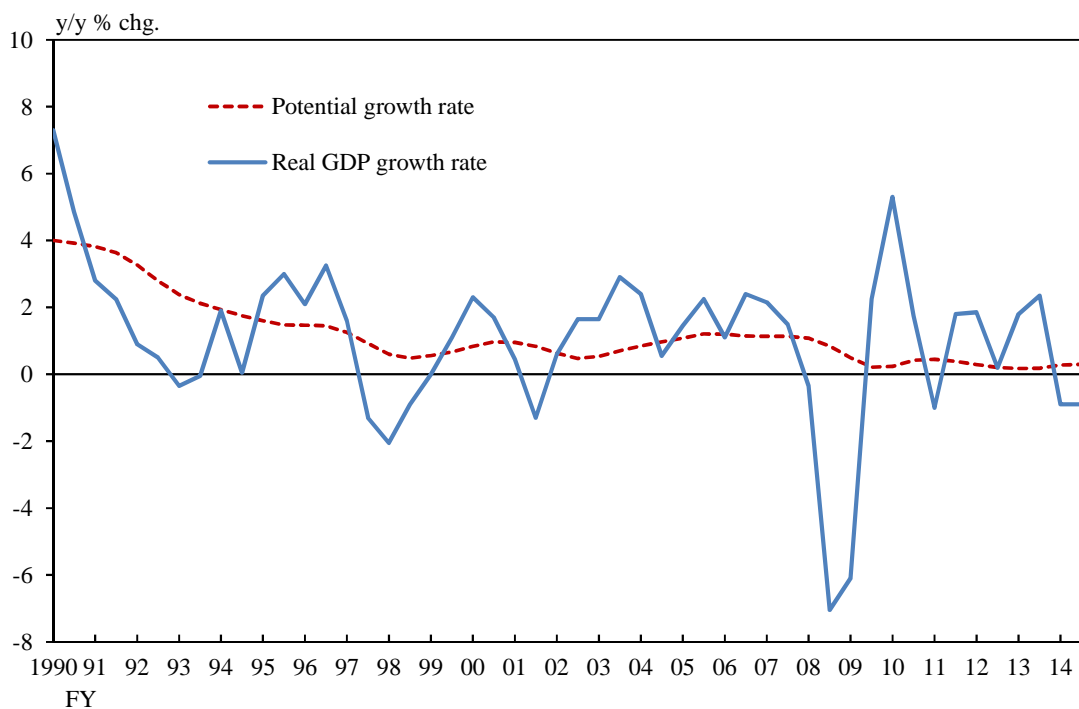
Sources: Consensus Economics Inc., "Consensus Forecasts;" Ministry of Internal Affairs and Communications; Bloomberg.

Japan: Output Gap and Potential Growth Rate

(1) Output Gap



(2) Real GDP Growth Rate and Potential Growth Rate

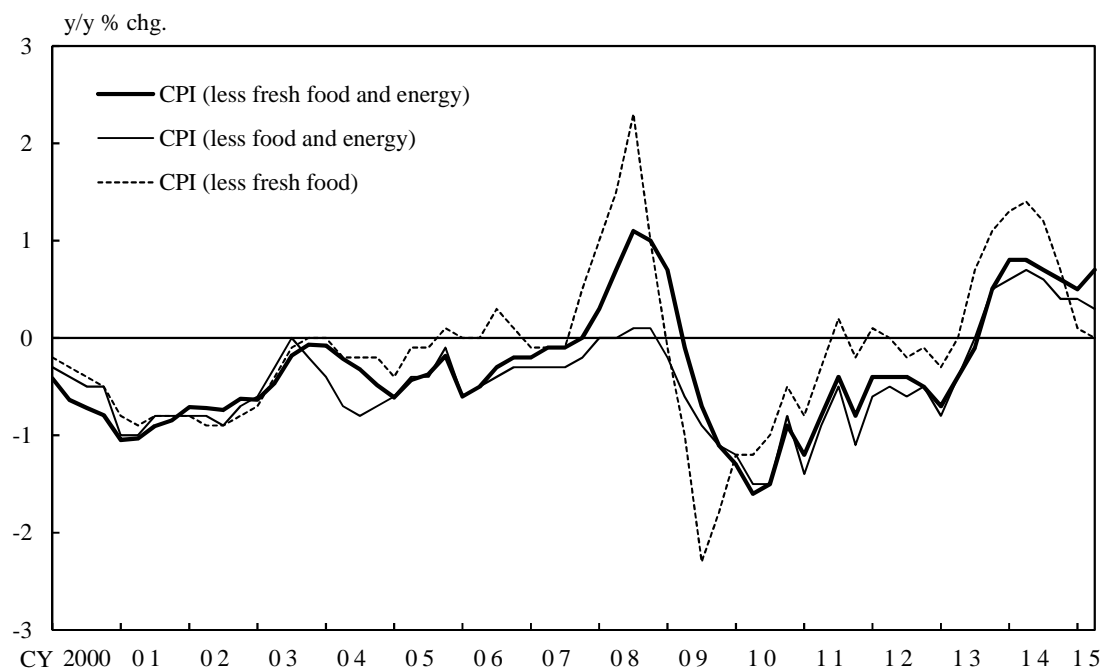


Note: The latest estimates are for October-December 2014 for the potential growth rate and for January-March 2015 for the output gap.

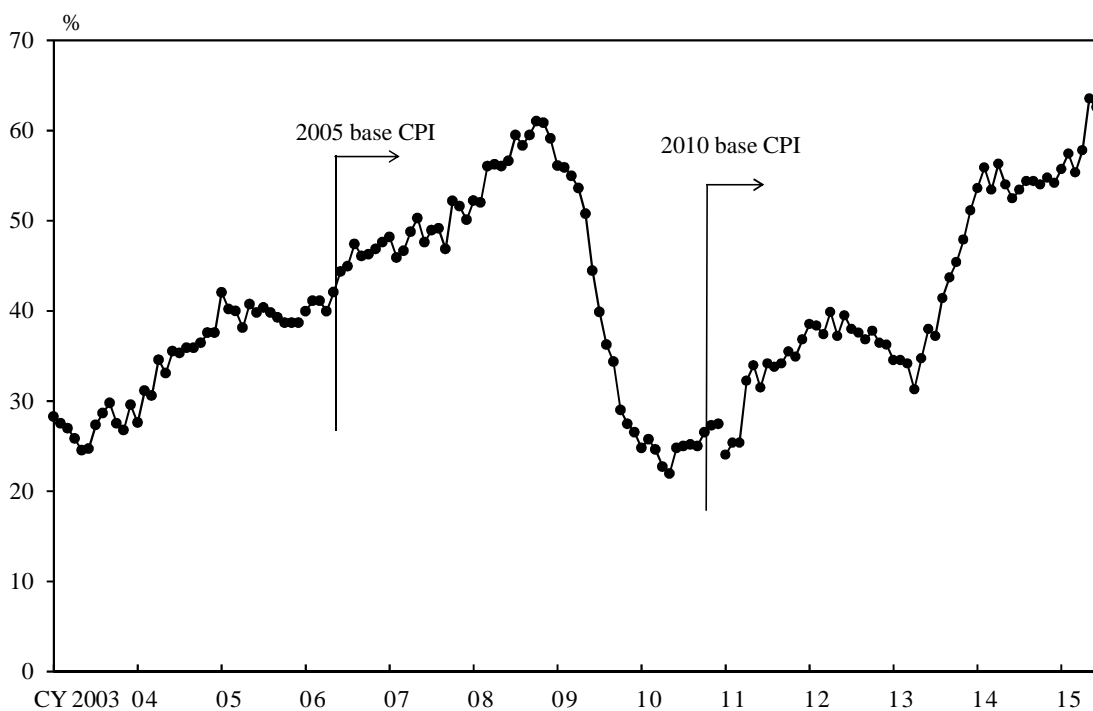
Source: Bank of Japan.

Japan: Price Developments

(1) Changes in CPI



(2) Ratio of Increasing Items (Core CPI)

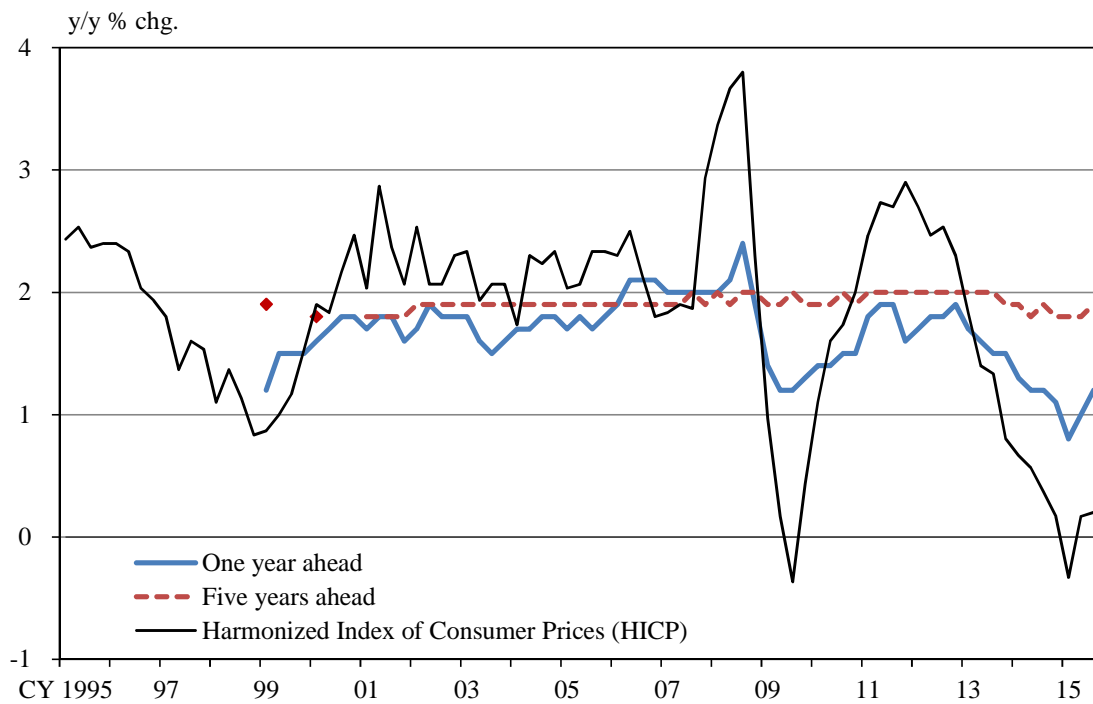


Note: Figures after April 2014 exclude the direct effects of the consumption tax hike.

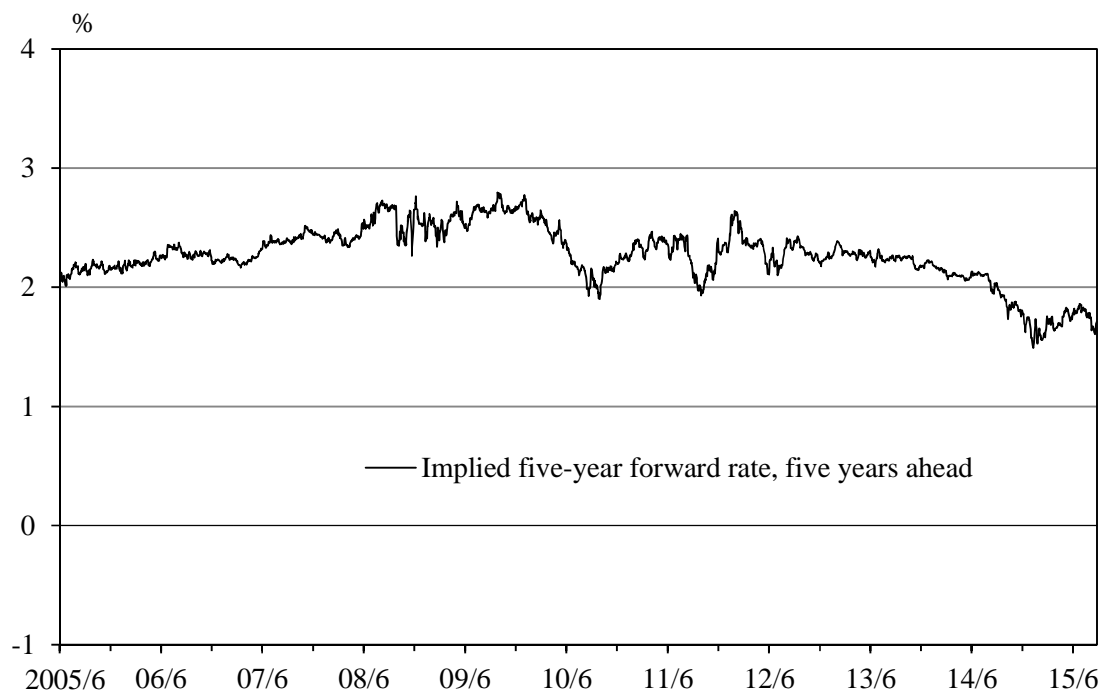
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Euro Area: Medium- to Long-Term Inflation Expectations

(1) Economists (ECB SPF)



(2) Inflation Swap Rate

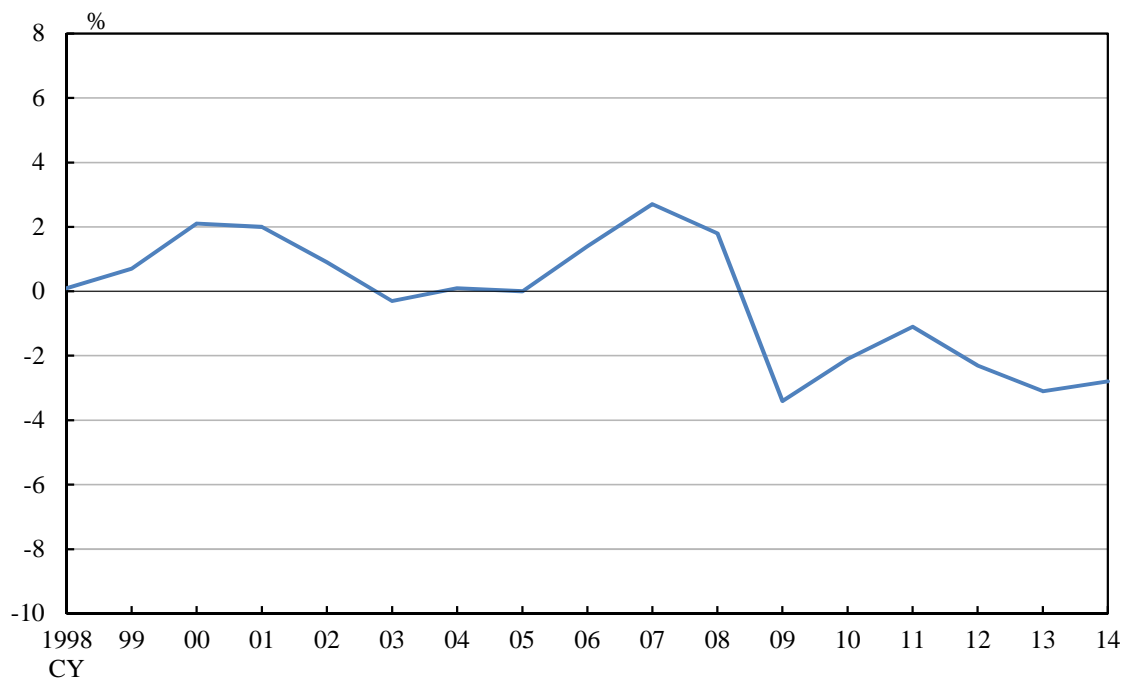


Note: The latest figure for inflation swap rate is as of August 31.

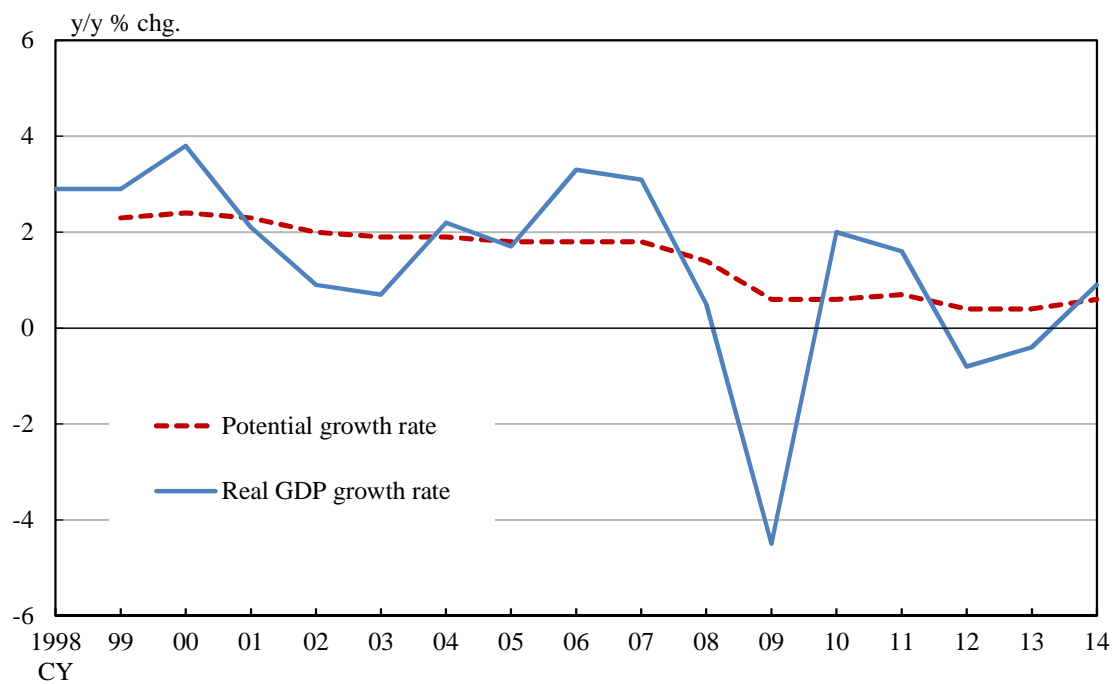
Sources: ECB; Eurostat; Barclays Live.

Euro Area: Output Gap and Potential Growth Rate

(1) Output Gap



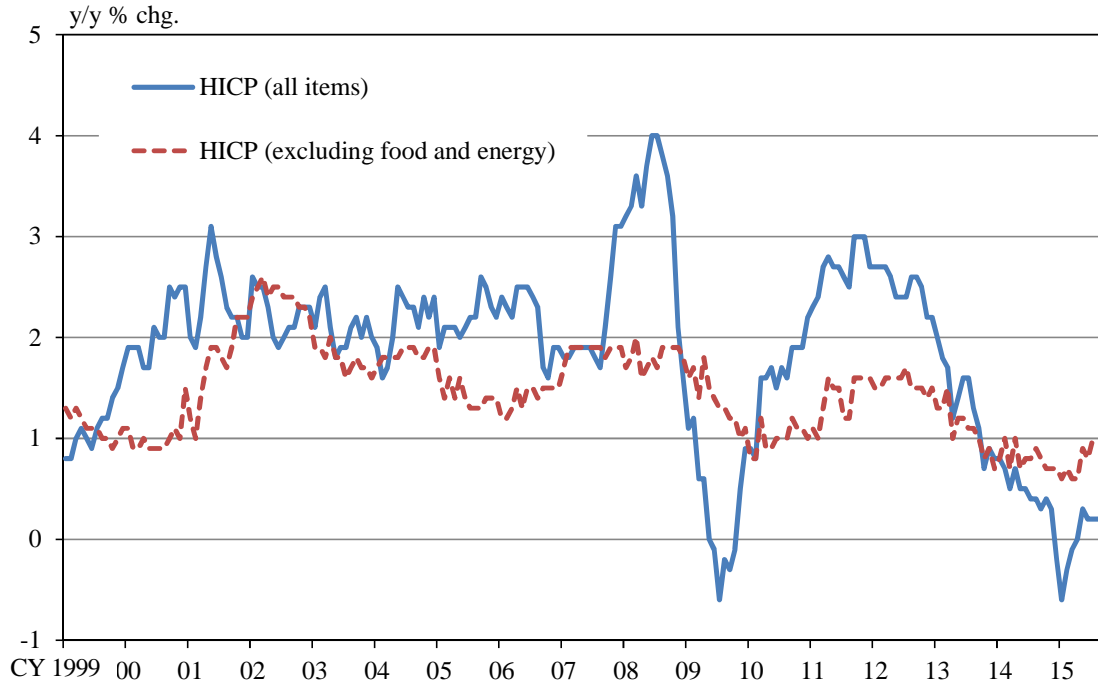
(2) Real GDP Growth Rate and Potential Growth Rate



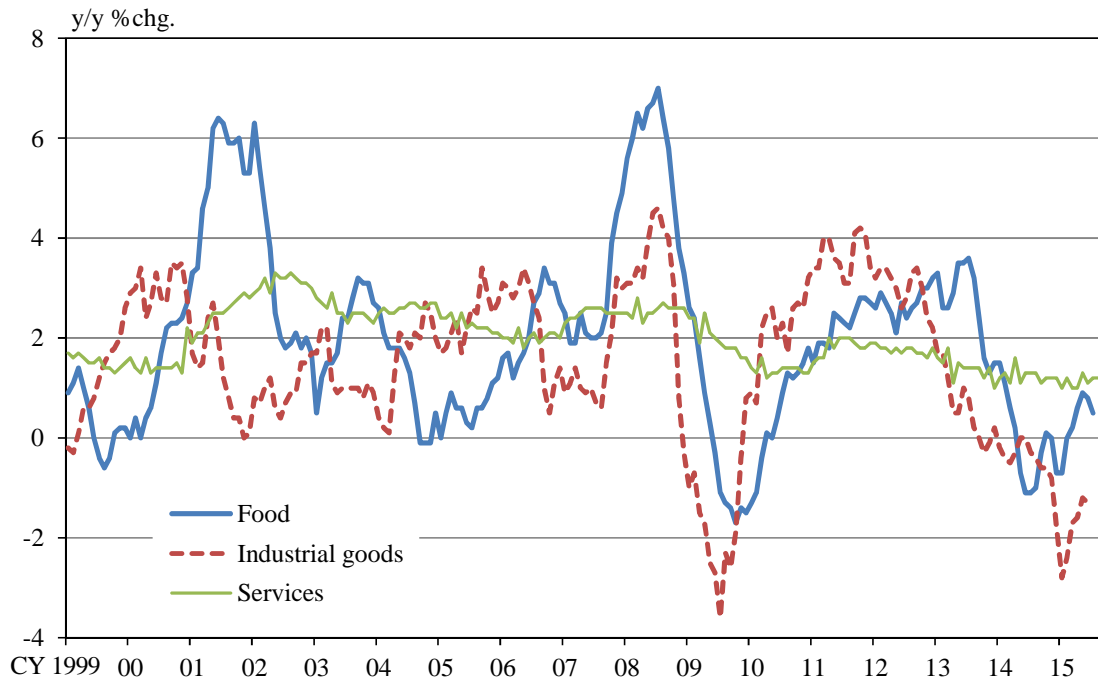
Source: European Commission.

Euro Area: Price Developments

(1) Changes in HICP

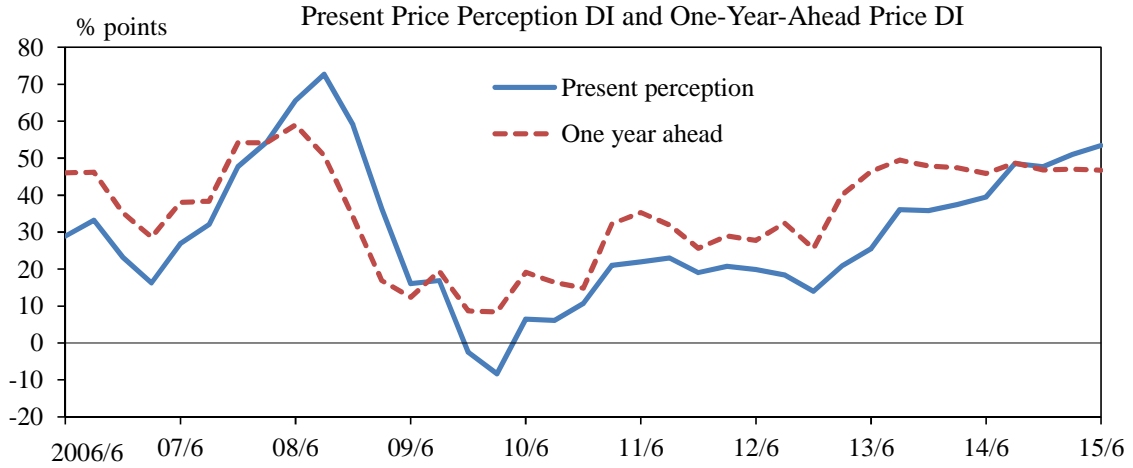


(2) Food, Industrial Goods, and Services

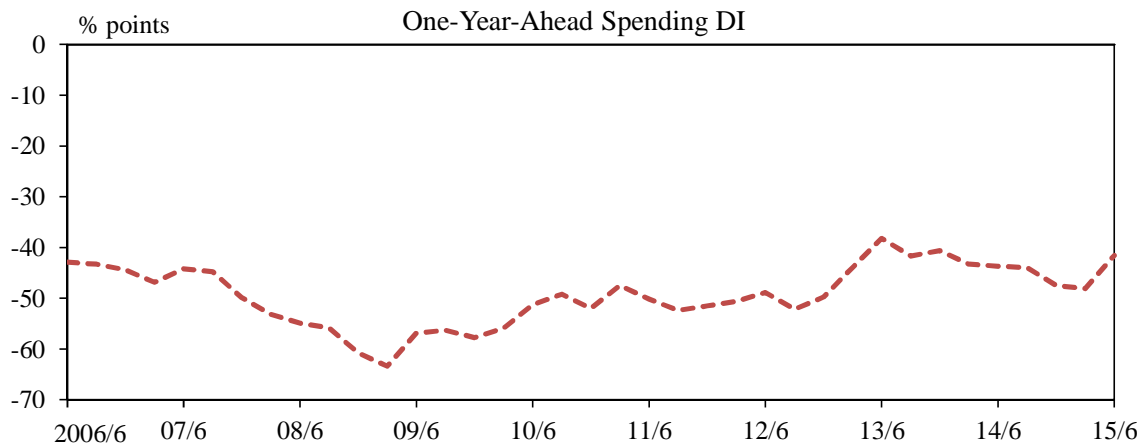
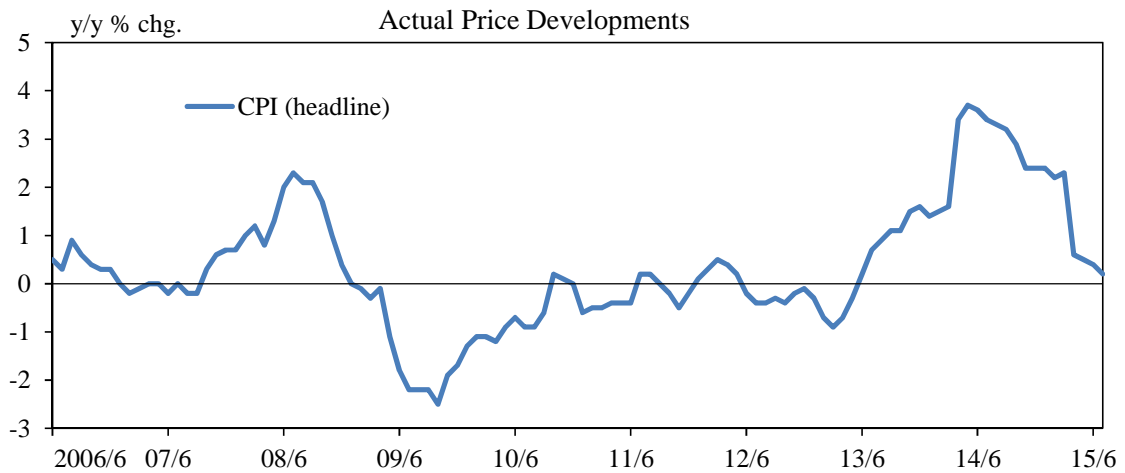


Source: Eurostat.

Japan: Households' DIs on Prices and Spending



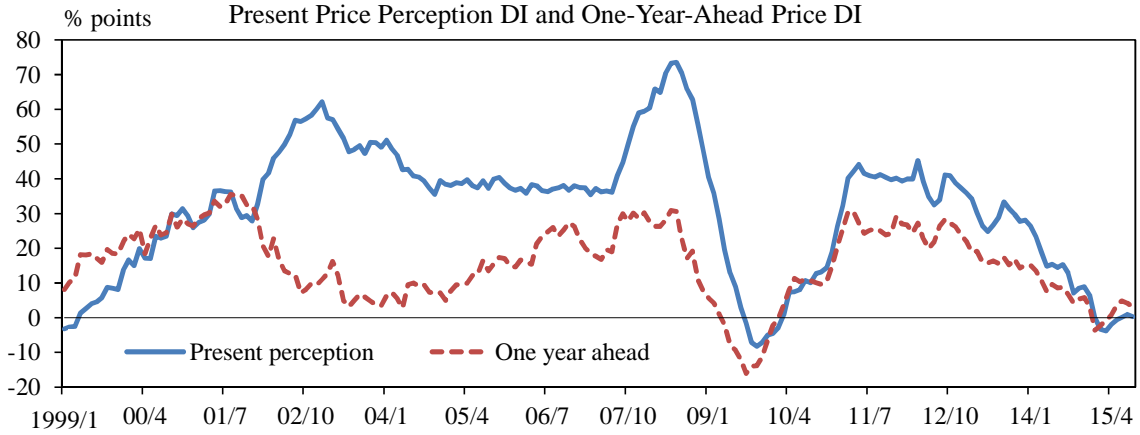
Note: DI = ("have gone up [will go up] significantly"*1 + "have gone up [will go up] slightly"*0.5) - ("have gone down [will go down] slightly"*0.5 + "have gone down [will go down] significantly"*1)



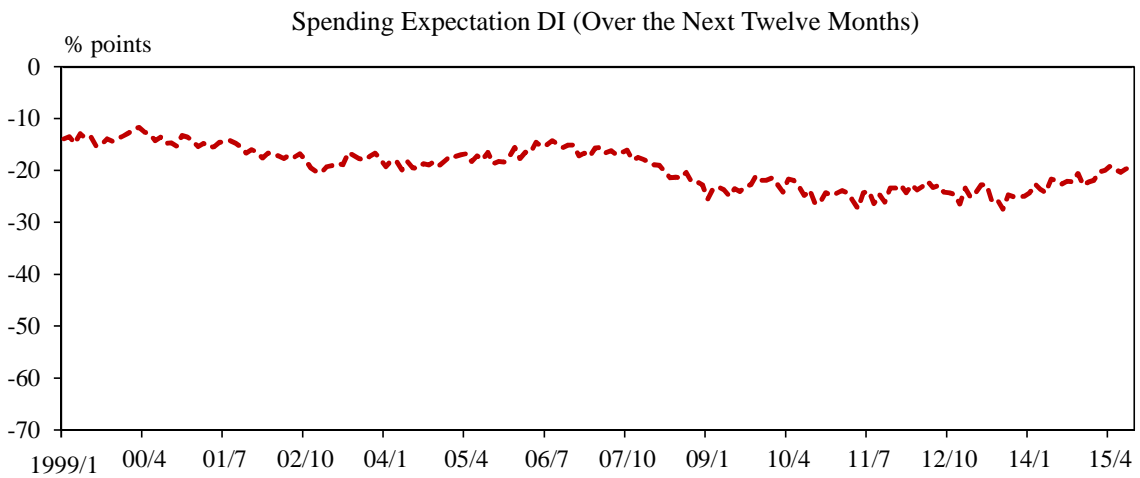
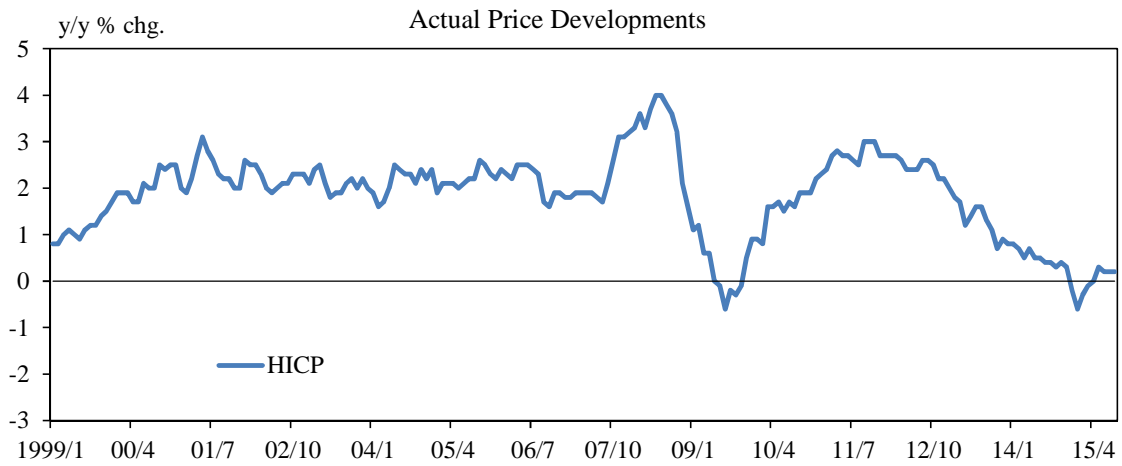
Note: DI = "increase" - "reduce"

Sources: Bank of Japan; Ministry of Internal Affairs and Communications.

Euro Area: Households' DIs on Prices and Spending



Note: DI = ("risen a lot [increase more rapidly]"*1 + "risen moderately [increase at the same rate]"*0.5) - ("stayed about the same [increase at a slower rate]"*0.5 + "fallen [fall]"*1)

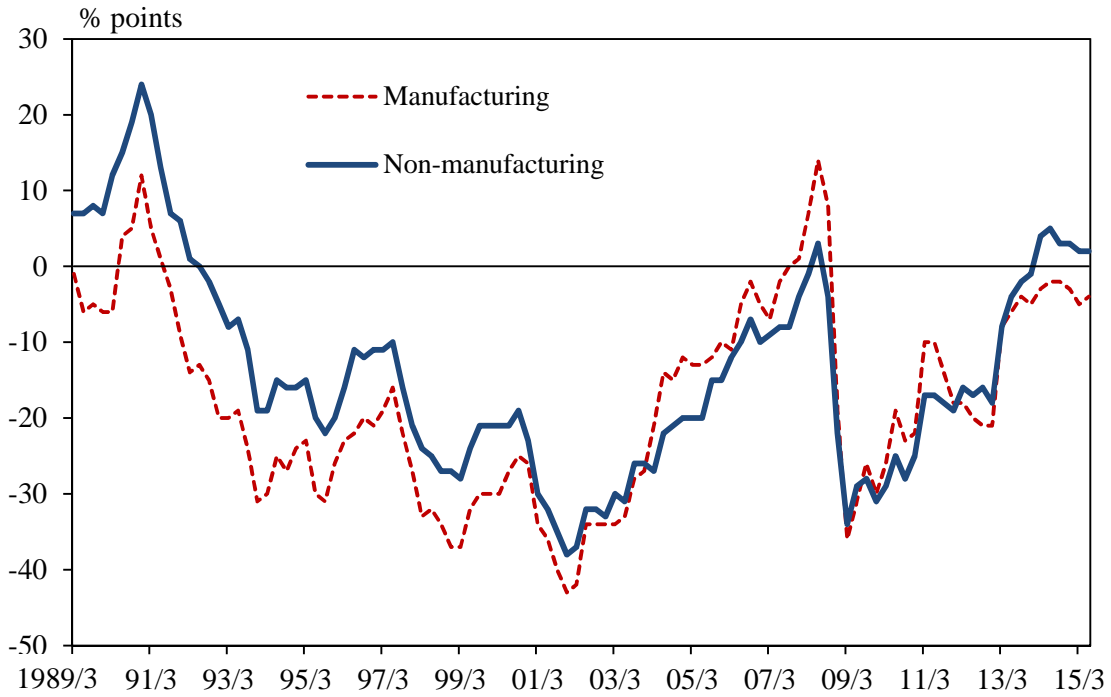


Note: DI = ("much more"*1 + "a little more"*0.5) - ("a little less"*0.5 + "much less"*1)

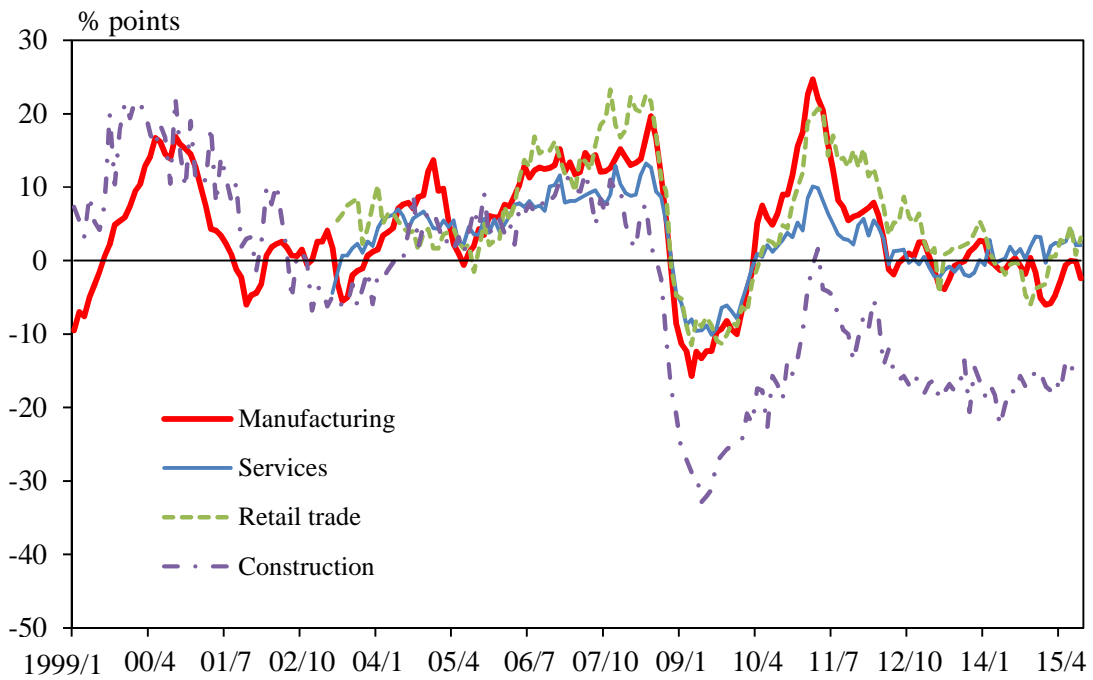
Sources: European Commission; Eurostat.

Japan and Euro Area: Firms' Sales Price Expectation DIs

(1) Japan: Three Months Ahead



(2) Euro Area: Three Months Ahead



Sources: Bank of Japan; European Commission.

Monetary Policy Measures of the ECB and BOJ

		ECB	BOJ
Asset purchases	Types of assets	(1) Euro-denominated securities issued by euro area governments and agencies and European institutions —Maturity between 2-30 years —Basically, investment-grade securities (above BBB-) (2) ABSs (3) Covered bonds	(1) Japanese government bonds (JGBs) —All maturities including 40-year bonds are eligible for purchase. —Average remaining maturity of about 7-10 years (2) ETFs (3) J-REITs (4) CP and corporate bonds (with the amount outstanding maintained at about 2.2 trillion yen and about 3.2 trillion yen, respectively)
	Purchase amounts	—Combined monthly purchases of public- and private-sector securities of 60 billion euros	— <u>JGBs</u> : An annual pace of increase of about 80 trillion yen — <u>ETFs</u> : An annual pace of increase of about 3 trillion yen — <u>J-REITs</u> : An annual pace of increase of about 90 billion yen
	Effective period	—From March 2015, until at least September 2016 (covered bond purchases from October 2014, and ABS purchases from November 2014) —It will be conducted until the ECB sees a sustained adjustment in the path of inflation which is consistent with its aim of achieving inflation rates below, but close to, 2 percent over the medium term.	—From April 2013, expanded in October 2014 —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.
Other policy measures	Measures to support bank lending	—TLTROs (the interest rate on the main refinancing operations has been applied from March 2015)	— Fund-Provisioning Measure to Stimulate Bank Lending (0.1 percent) — Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth (0.1 percent)
	Major policy rates	—Main refinancing operations (0.05percent) —Marginal lending facility (0.3 percent) —Deposit facility (minus 0.2 percent)	<u>Guideline for money market operations:</u> Increase the monetary base at an annual pace of about 80 trillion yen. —Fund-Supplying Operations against Pooled Collateral (0.1 percent) —Basic loan rate (0.3 percent) —Complementary deposit facility (0.1 percent)

Note: Figures in parentheses are the applicable interest rates.

Sources: Bank of Japan; ECB.