

The Battle Against Deflation: The Evolution of Monetary Policy and Japan's Experience

Speech at Columbia University in New York

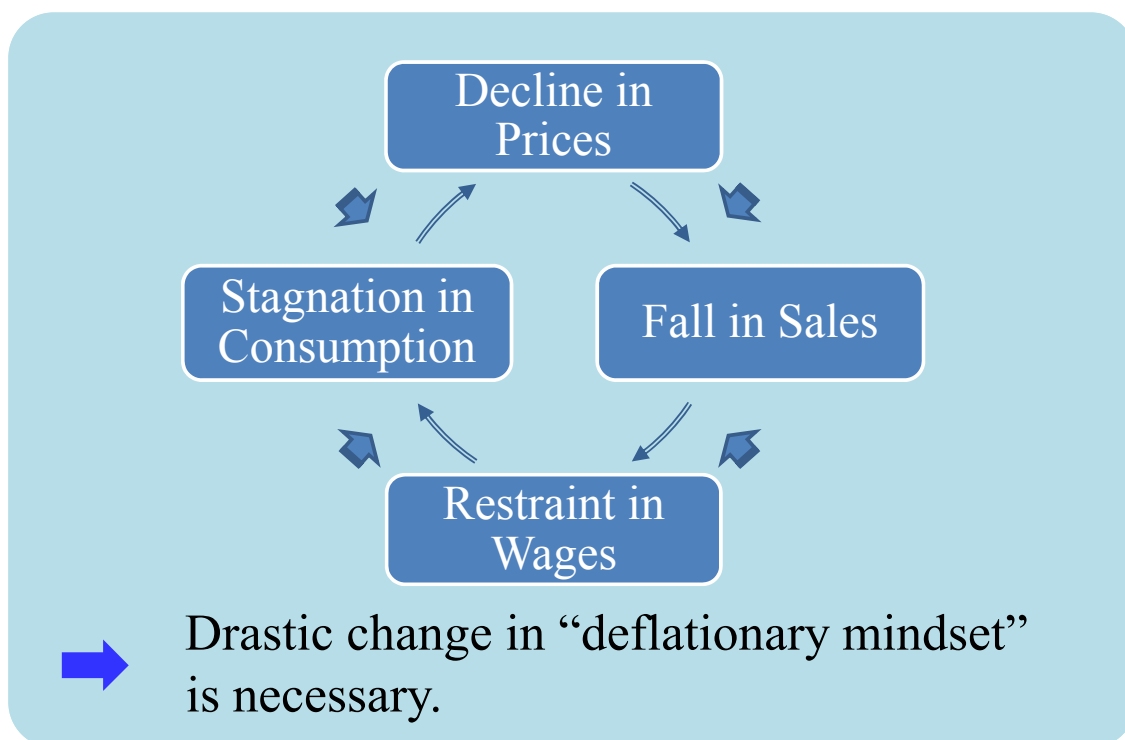
April 13, 2016

Haruhiko Kuroda

Governor of the Bank of Japan

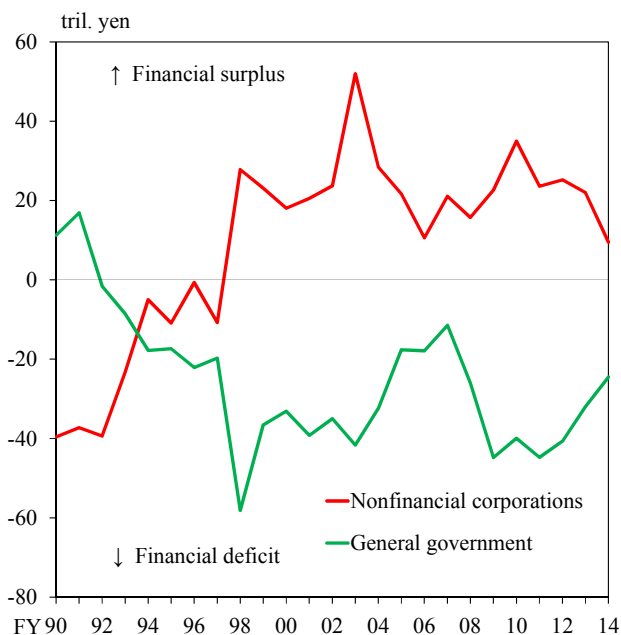
Chart 1

Vicious Cycle of Deflation

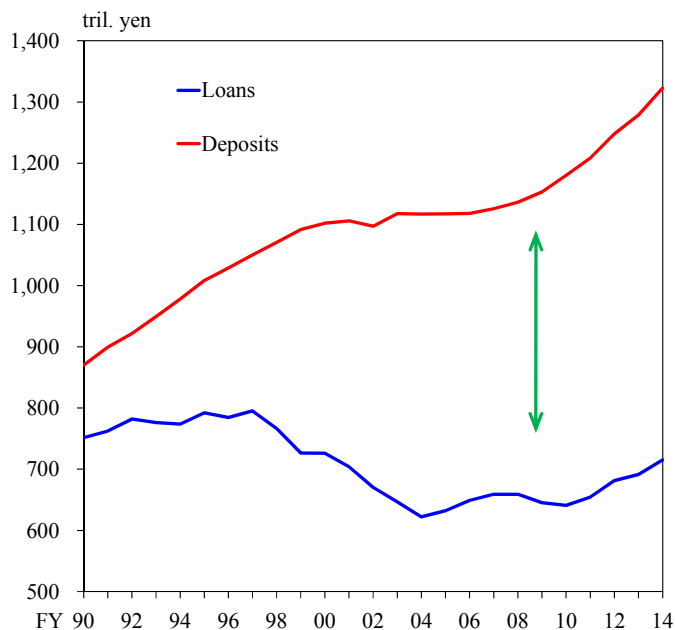


What Happened under Deflation?

Financial Balance

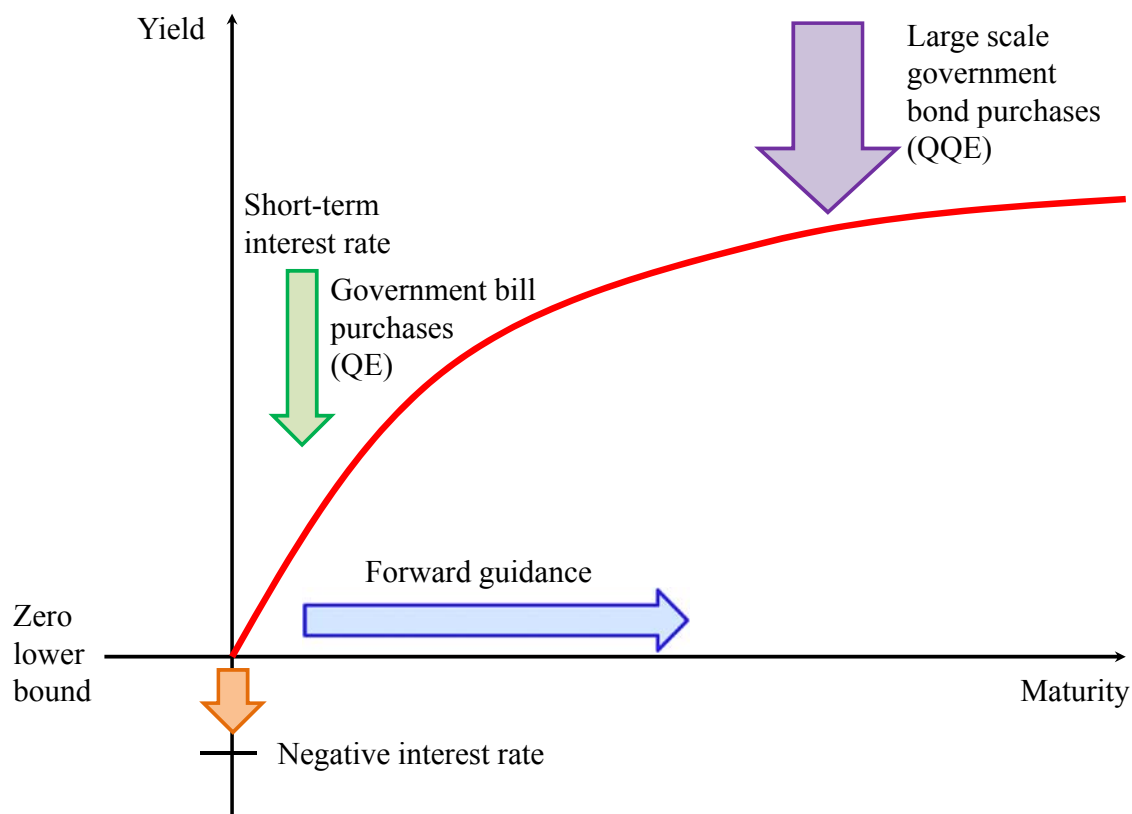


Amount Outstanding of Loans and Deposits of Depository Corporations

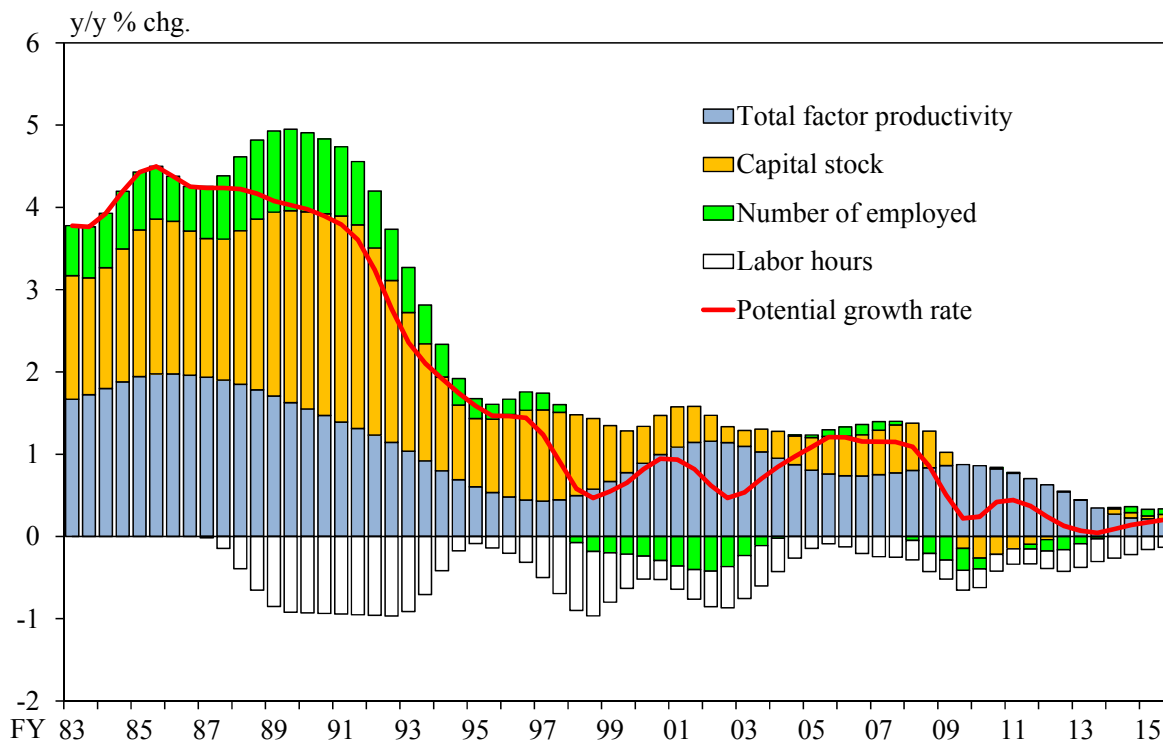


Source: Bank of Japan.

Evolution of Monetary Policy



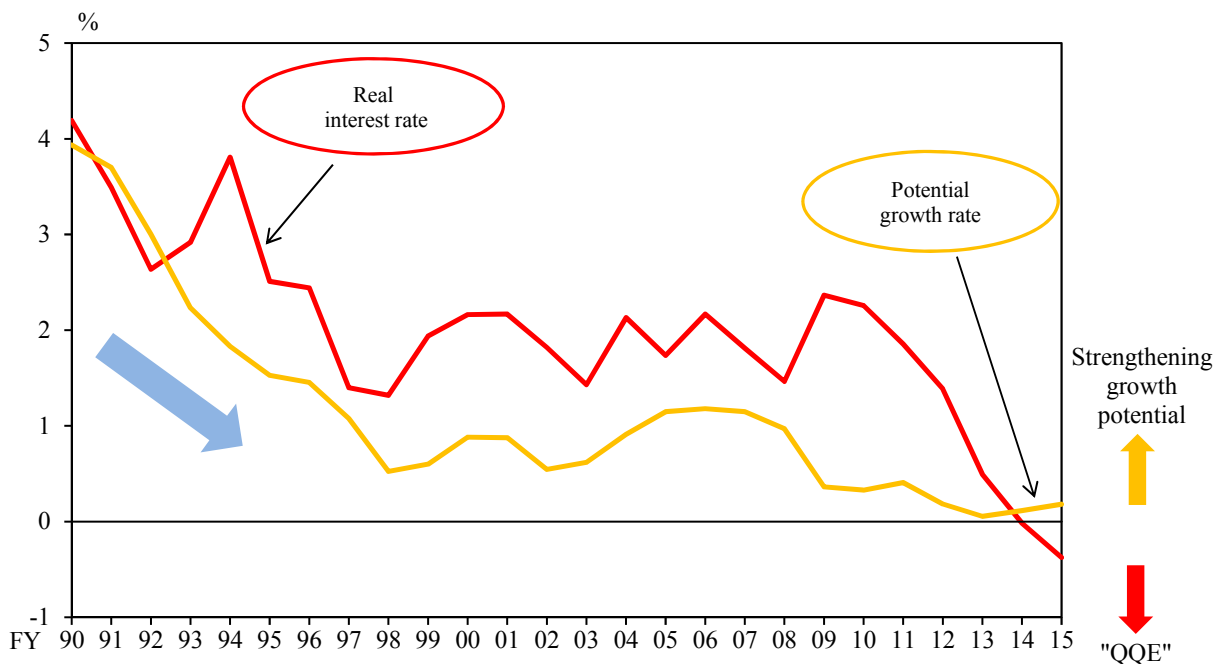
Potential Growth Rate



Note: The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan. Figures for the second half of fiscal 2015 are those of 2015/Q4.

Sources: Cabinet Office; Bank of Japan; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Research Institute of Economy, Trade and Industry.

Real Interest Rate and Potential Growth Rate

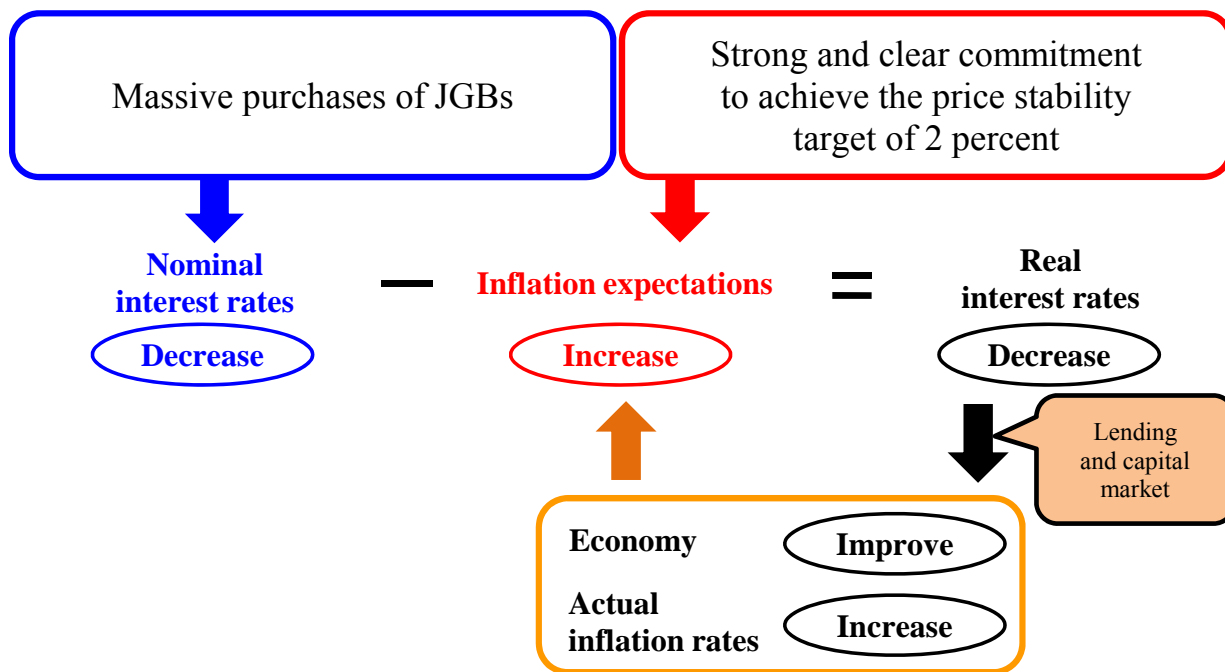


Notes: 1. Figures for the real interest rate are calculated by subtracting the year-on-year rate of change in the CPI (all items less food and energy), adjusting the direct effects of the consumption tax hike, from the yield on 10-year Japanese government bonds. The figure for the real interest rate for fiscal 2015 is the April 2015-February 2016 average.

2. The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan. The figure for fiscal 2015 is the April-December average.

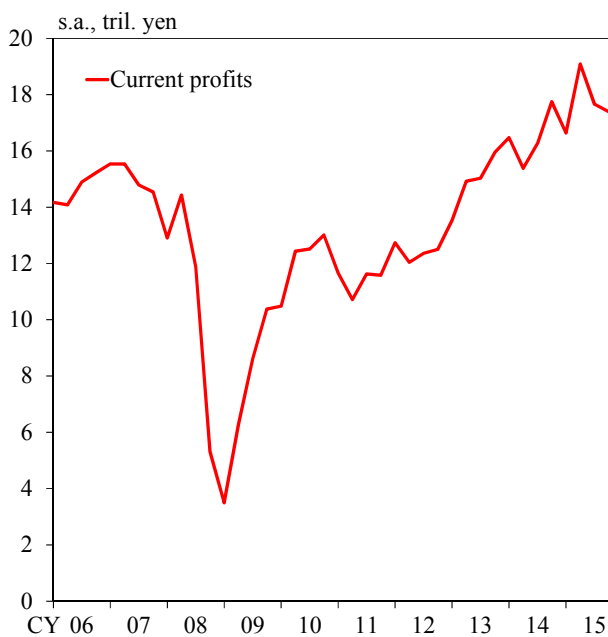
Sources: Ministry of Internal Affairs and Communications; Bloomberg; Cabinet Office; Bank of Japan; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Research Institute of Economy, Trade and Industry.

Mechanism of "Quantitative and Qualitative Monetary Easing"

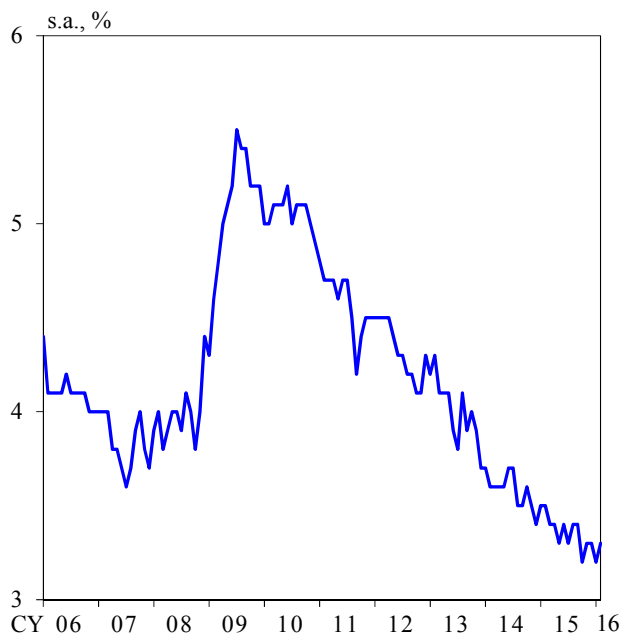


Japan's Economic Fundamentals

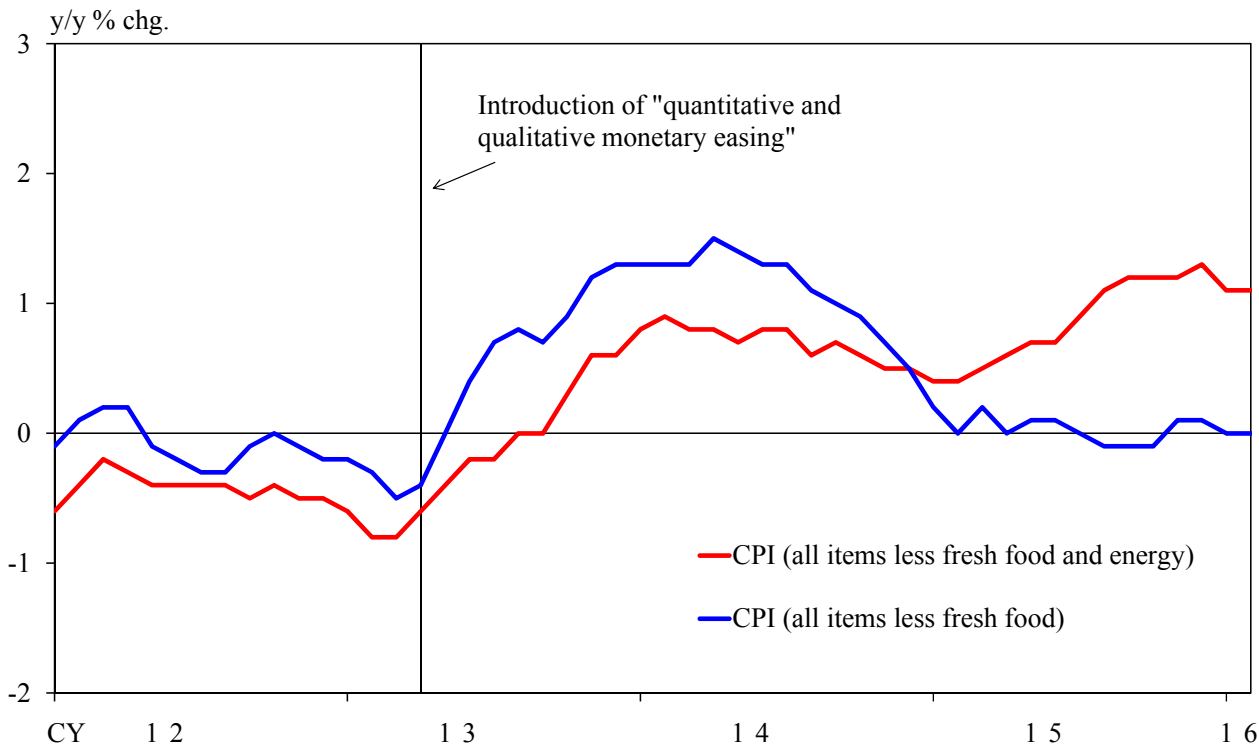
Corporate Profits



Unemployment Rate

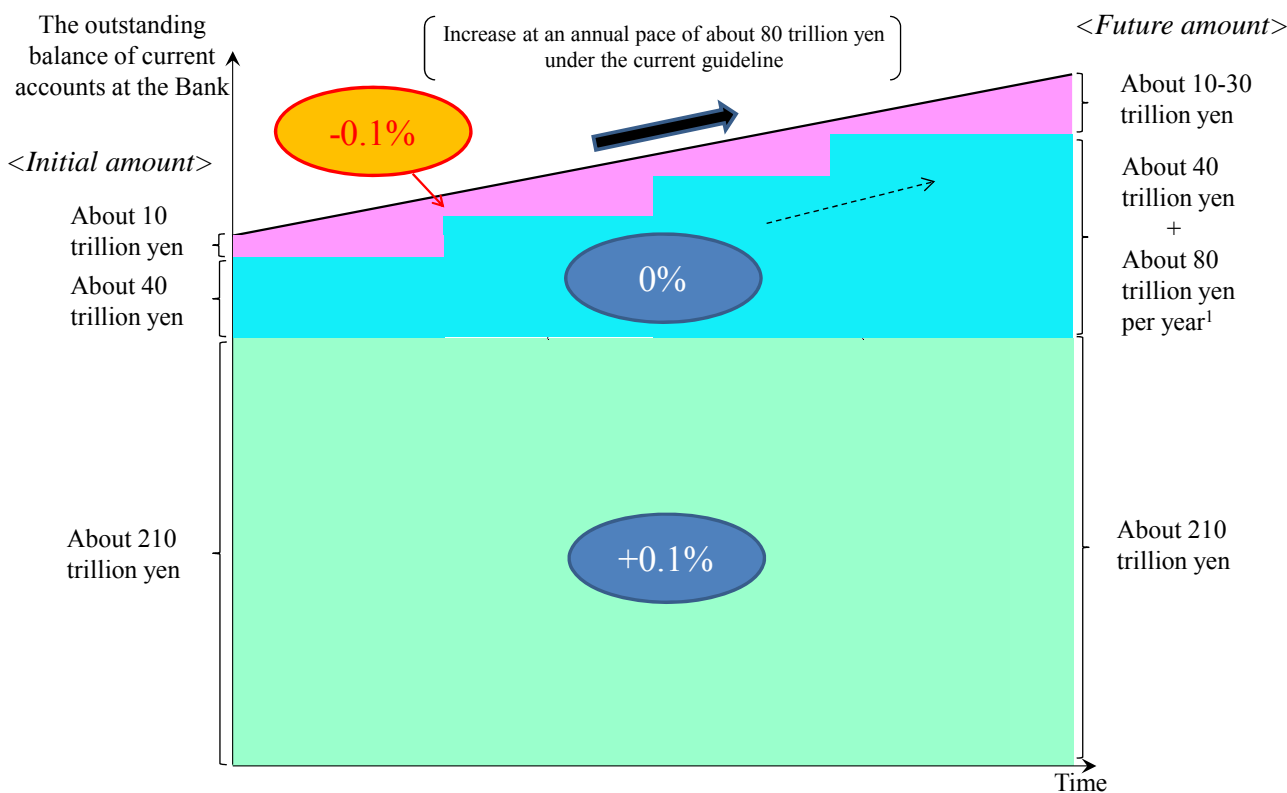


Consumer Prices



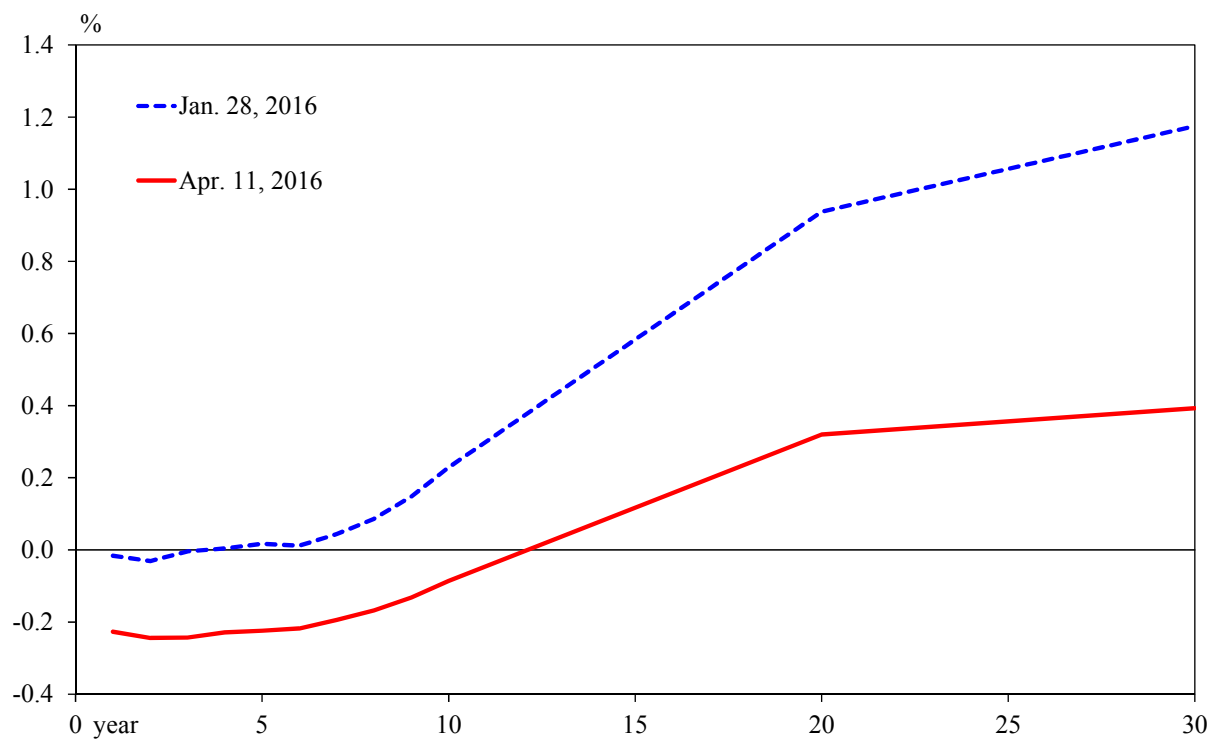
Note: Figures are adjusted to exclude the estimated effects of changes in the consumption tax rate.
 Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.
 Source: Ministry of Internal Affairs and Communications.

Framework of the Three-Tier System



Note: 1. As the Bank will increase the amount outstanding of the tier to which a zero interest rate is applied at the same pace as the increase in the total outstanding balances of current accounts that financial institutions hold at the Bank, the pace of increase will be about 80 trillion yen per year.

JGB Yield Curve



Source: Bloomberg.