

# Quantitative and Qualitative Monetary Easing: Theory and Practice

*Speech at the Foreign Correspondents' Club of Japan*

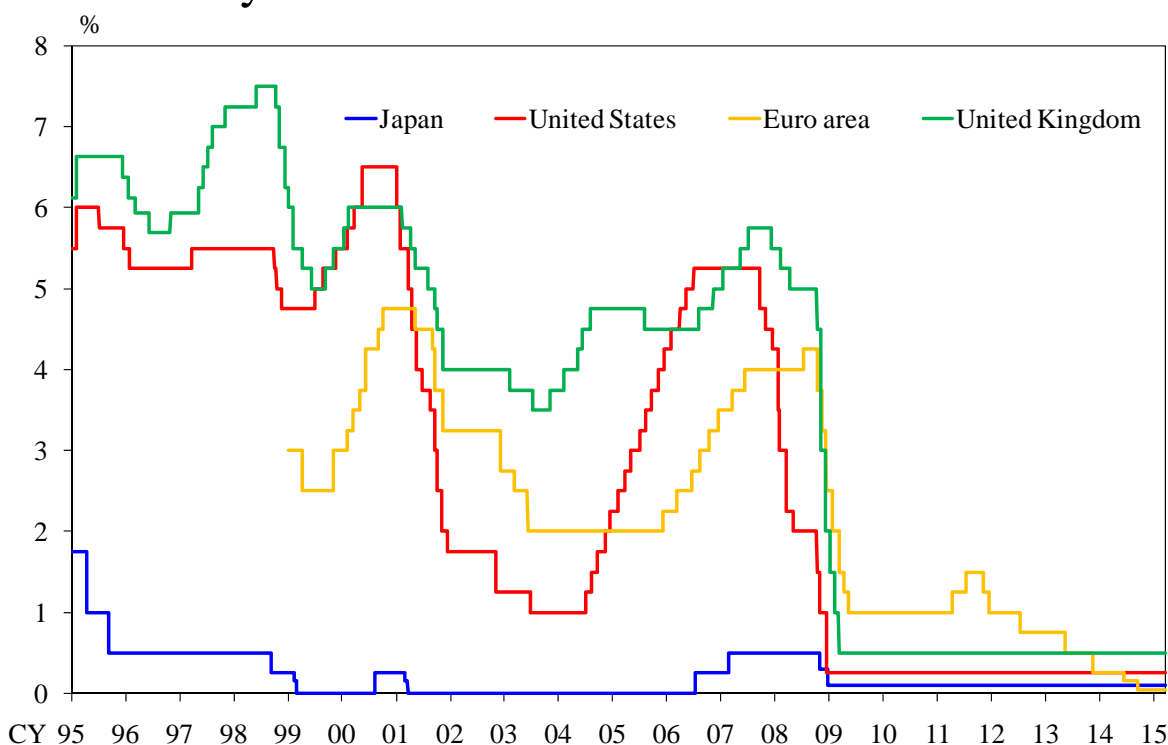
March 20, 2015

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*Governor of the Bank of Japan*

Chart 1

## Money Market Rates in Advanced Economies

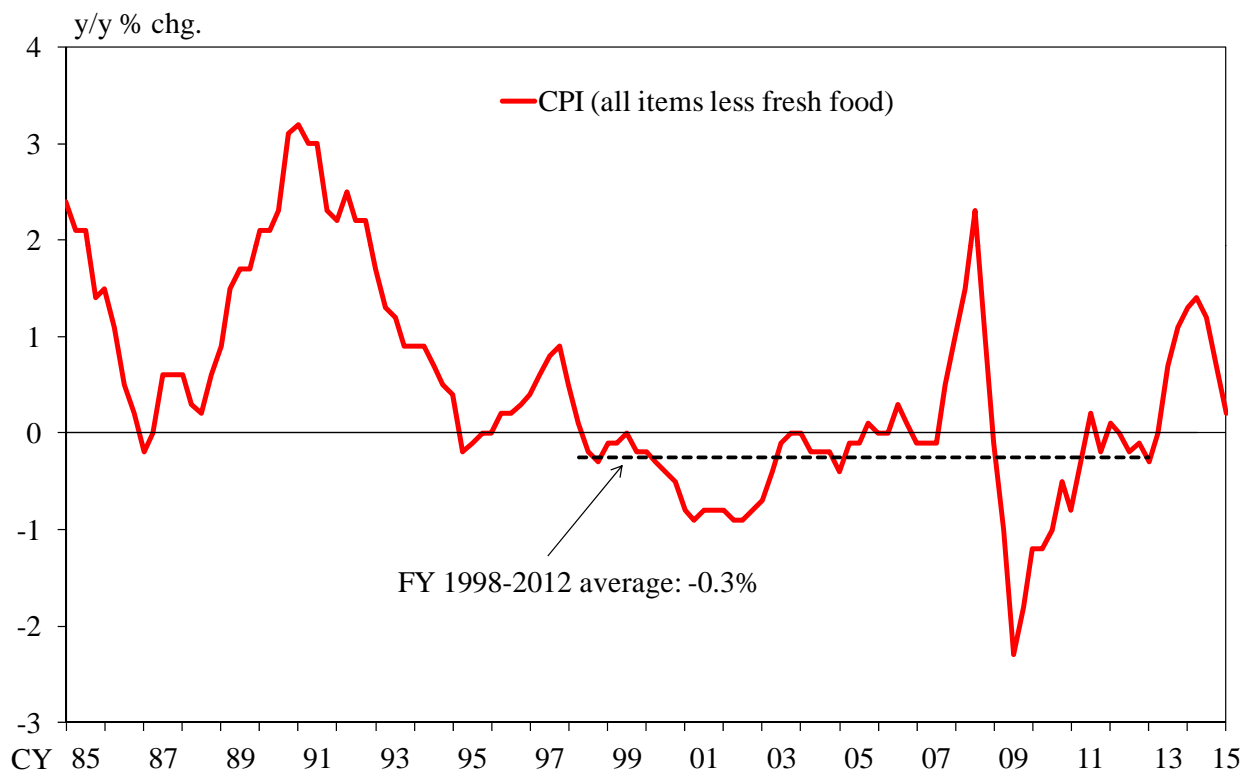


Notes: 1. In the United States, the target range for the federal funds rate has been 0 to 0.25 percent since December 16, 2008.

2. In Japan, the money market rate was zero percent during the period of "Quantitative Easing" (March 19, 2001-March 8, 2006), and 0.1 percent (the interest rate applied to the complementary deposit facility) during the period of "Comprehensive Monetary Easing" (October 5, 2010-April 3, 2013) and "Quantitative and Qualitative Monetary Easing" (since April 4, 2013).

Sources: Bank of Japan; Federal Reserve; European Central Bank; Bank of England.

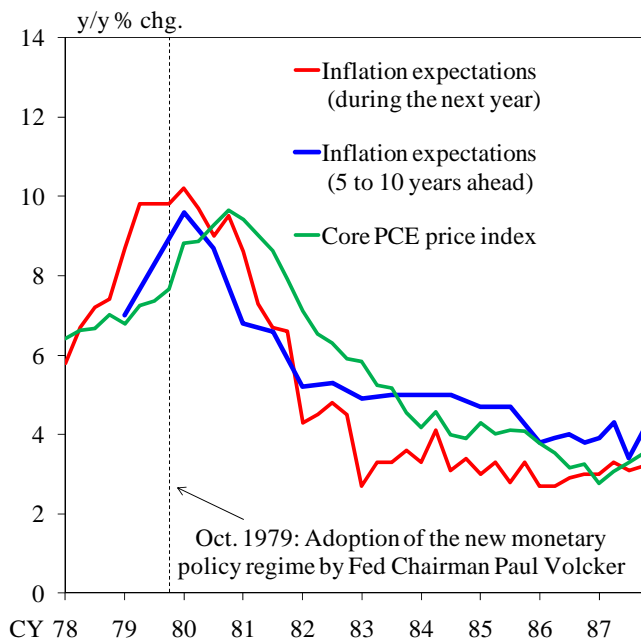
## Deflation in Japan



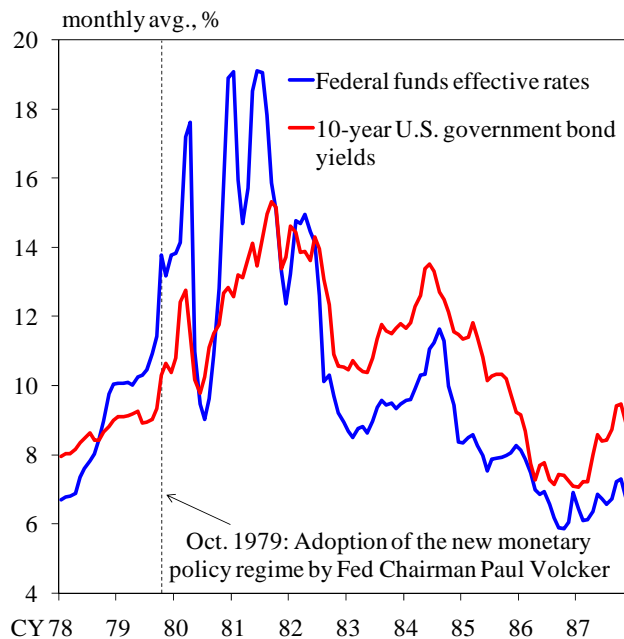
Note: Figures are adjusted to exclude the effect of changes in the consumption tax rate.  
 Source: Ministry of Internal Affairs and Communications.

## Volcker Disinflation

### *Inflation Indicators*

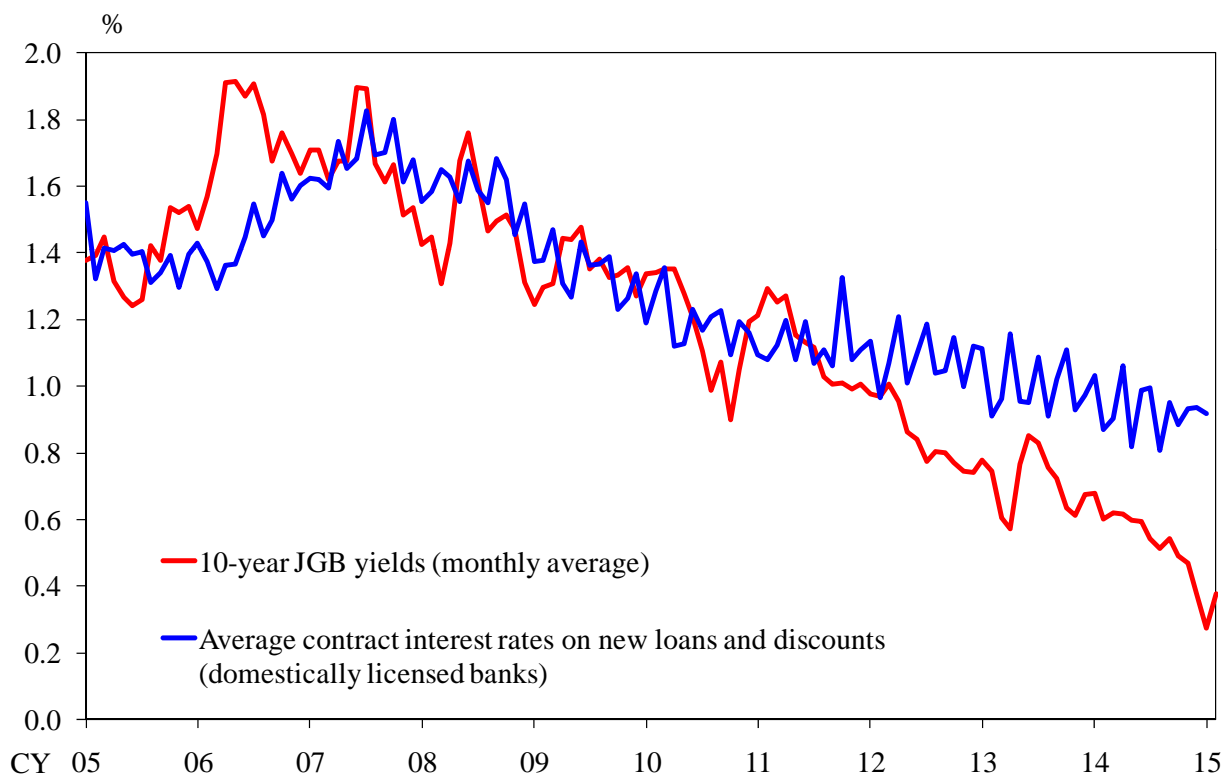


### *Interest Rate Indicators*



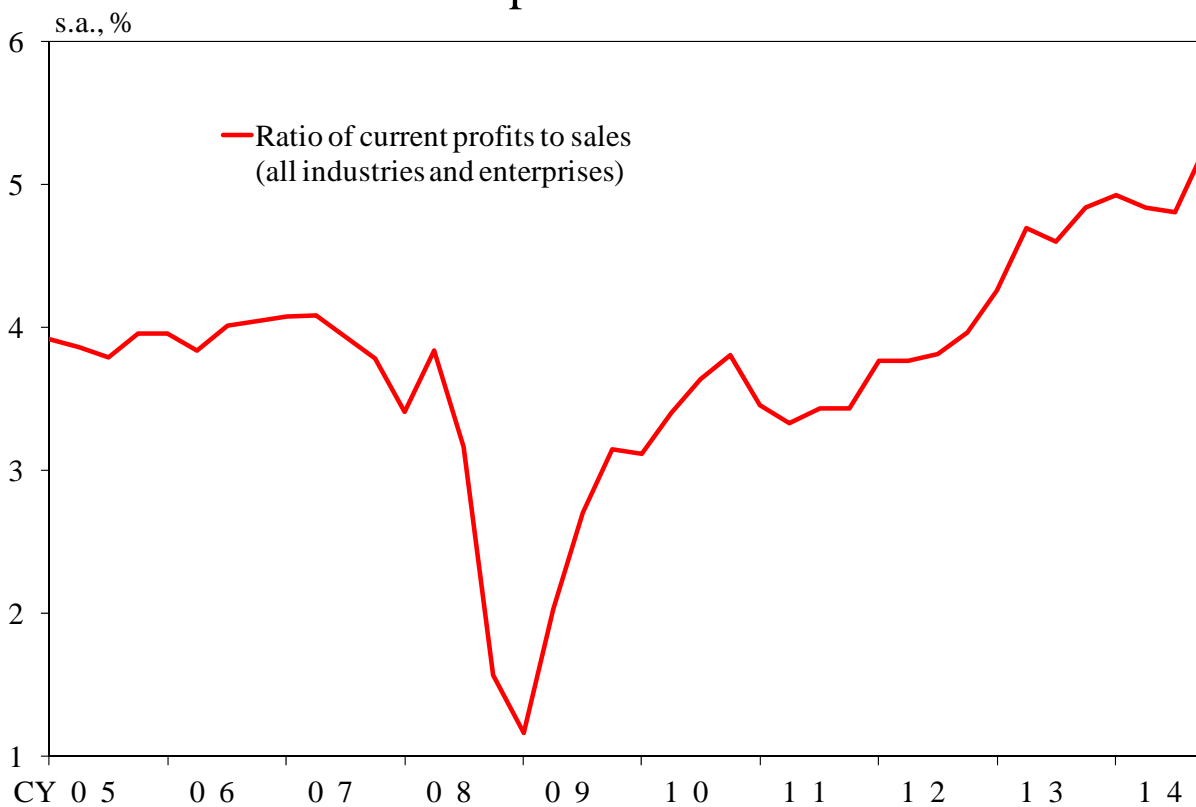
Note: Figures for inflation expectations are taken from the "Surveys of Consumers" conducted by the Michigan University.  
 Missing values are linearly interpolated.  
 Sources: BEA; Michigan University; Bloomberg.

## Nominal Interest Rates



Sources: Bank of Japan; Bloomberg.

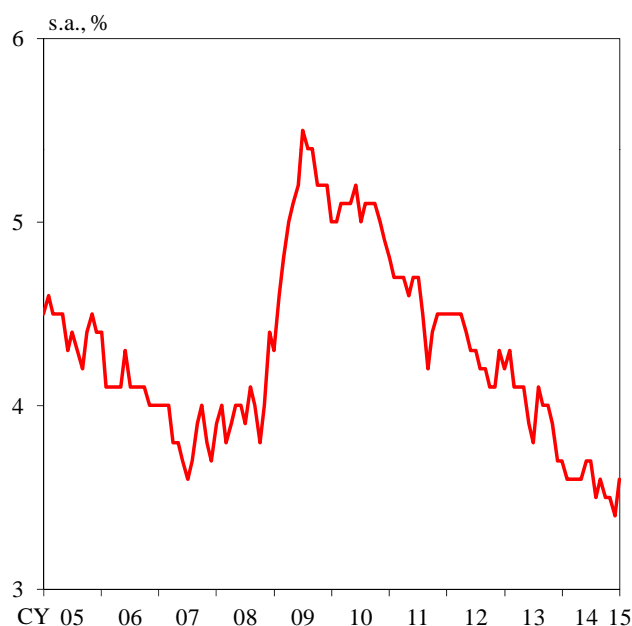
## Corporate Profits



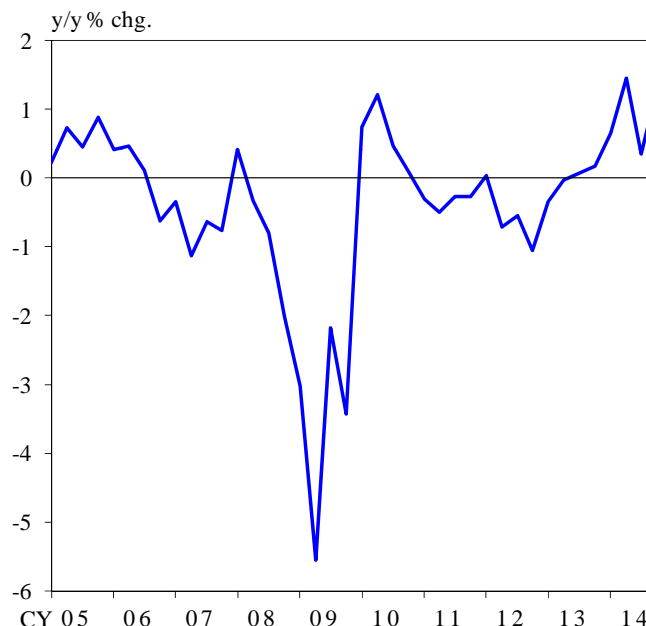
Source: Ministry of Finance.

## Employment and Income Situation

### Unemployment Rate



### Cash Earnings



Note: The followings apply to cash earnings: Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
The figure for 2014/Q4 is the December-January average.

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

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## Outlook for Economic Activity and Prices (as of January 2015)

	Real GDP	CPI (all items less fresh food)	
			Excluding the effects of the consumption tax hikes
Fiscal 2014	-0.5	+2.9	+0.9
Fiscal 2015	+2.1	+1.0	
Fiscal 2016	+1.6	+2.2	

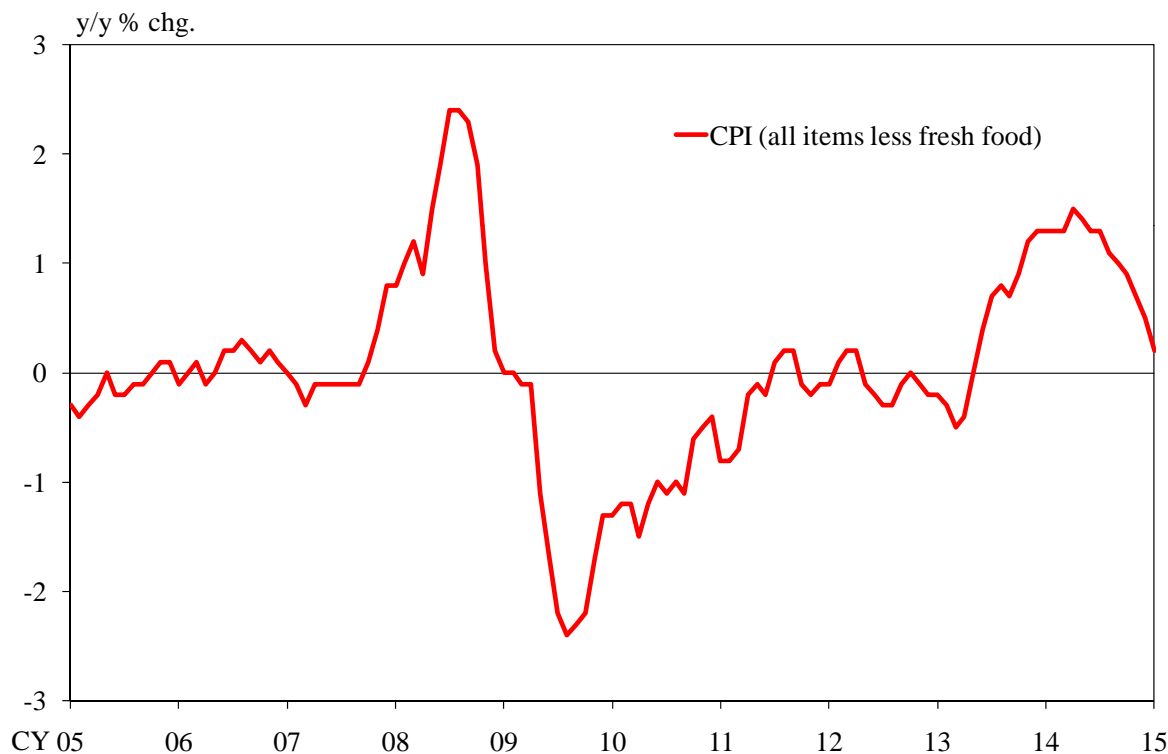
Notes: 1. Figures indicate the median of the Policy Board members' forecasts (point estimates).

2. Dubai crude oil prices are expected to rise moderately from 55 U.S. dollars per barrel to about 70 dollars per barrel toward the end of the projection period. In this case, the contribution of energy items to the CPI (all items less fresh food) is estimated to be mostly in the range of minus 0.7 to minus 0.8 percentage point for fiscal 2015, and mostly in the range of plus 0.1 to plus 0.2 percentage point for fiscal 2016.

Source: Bank of Japan.

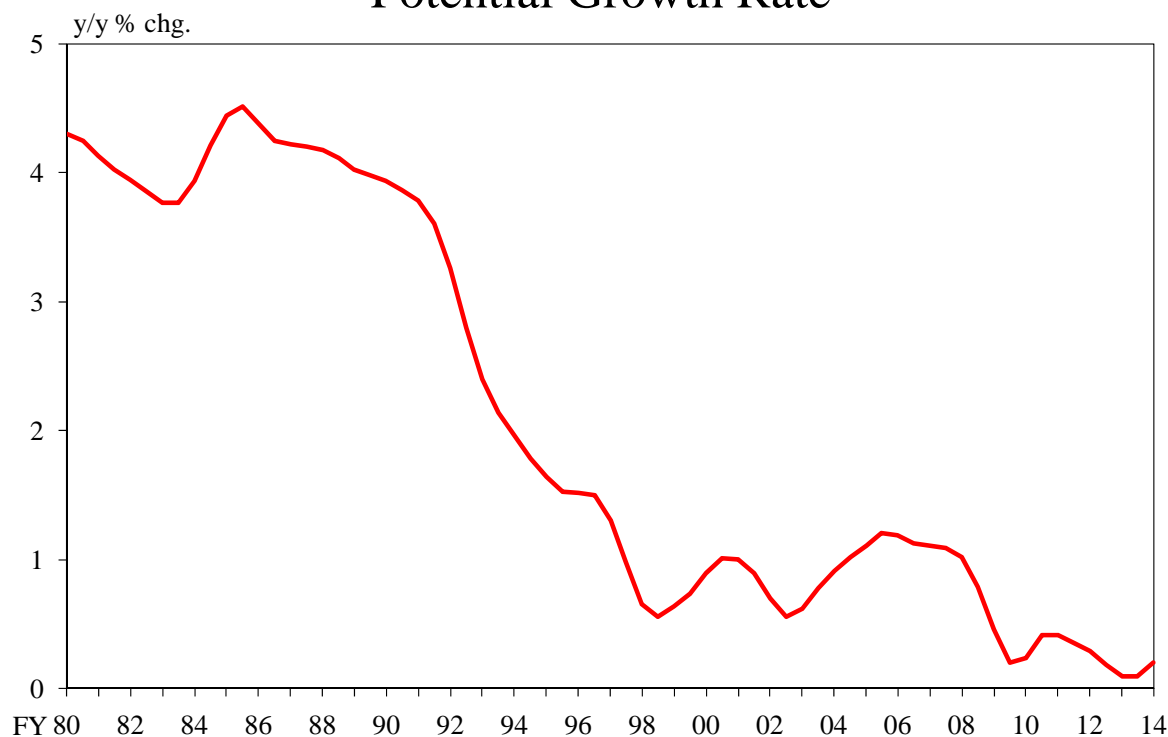
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## Consumer Prices



Note: Figures from April 2014 onward are calculated to adjust the direct effects of the consumption tax hike.  
 Source: Ministry of Internal Affairs and Communications.

## Potential Growth Rate



Note: The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan. For the estimation procedures, see "The New Estimates of Output Gap and Potential Growth Rate," Bank of Japan Review Series, 2006-E-3. Figures for the first half of fiscal 2014 are those of 2014/Q2.

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