

Introduction of "Quantitative and Qualitative Monetary Easing with a Negative Interest Rate"

Speech at the Kisaragi-kai Meeting in Tokyo

February 3, 2016

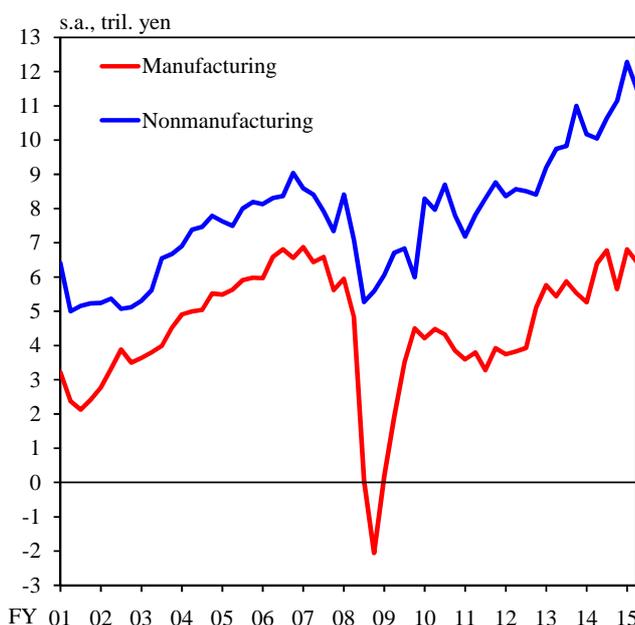
Haruhiko Kuroda

Governor of the Bank of Japan

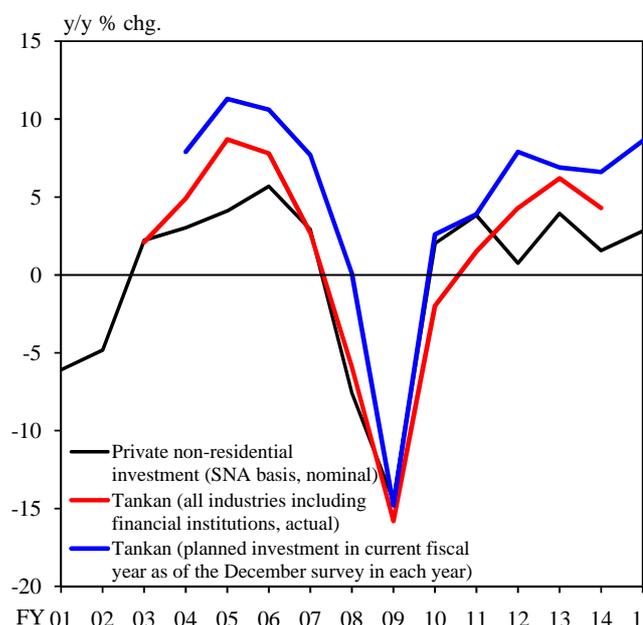
Chart 1

Corporate Profits and Business Fixed Investment

Current Profits



Planned and Actual Business Fixed Investment



Notes: 1. Figures for current profits exclude those for the finance and insurance industries.

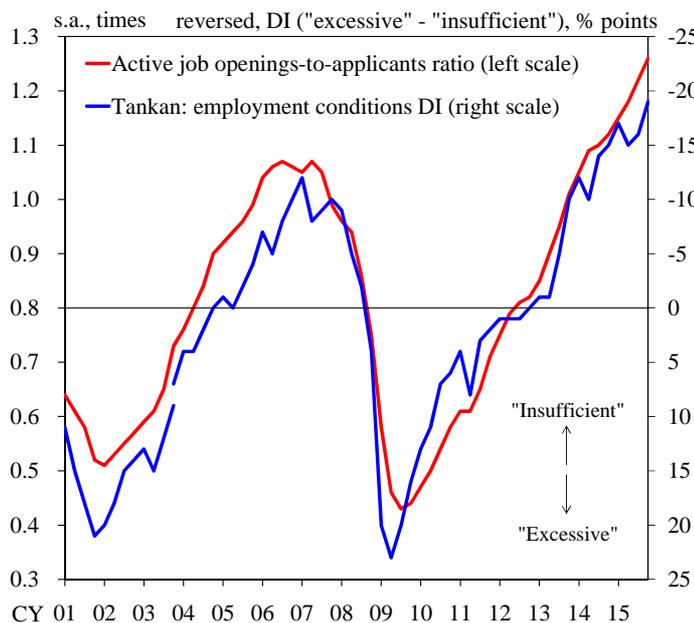
2. Figures for the Tankan include software investment and exclude land purchasing expenses.

3. The figure for fiscal 2015 for private non-residential investment (SNA basis, nominal) is the April-September average.

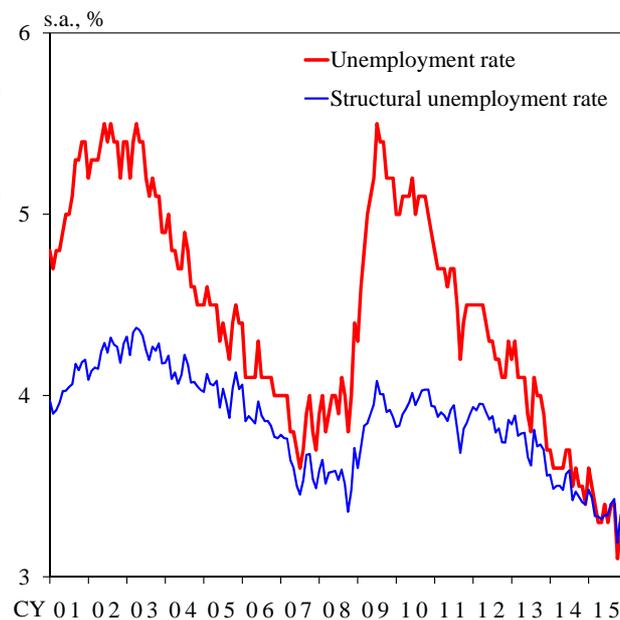
Sources: Bank of Japan; Ministry of Finance.

Labor Market Conditions

Job Openings-to-Applicants Ratio and Employment Conditions DI



Unemployment Rate



Notes: 1. There is a discontinuity in the data in December 2003 for employment conditions DI due to a change in the survey framework.

2. The structural unemployment rate is estimated by the Research and Statistics Department, Bank of Japan.

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

2

Outlook for Economic Activity and Prices (as of January 2016)

y/y % chg.

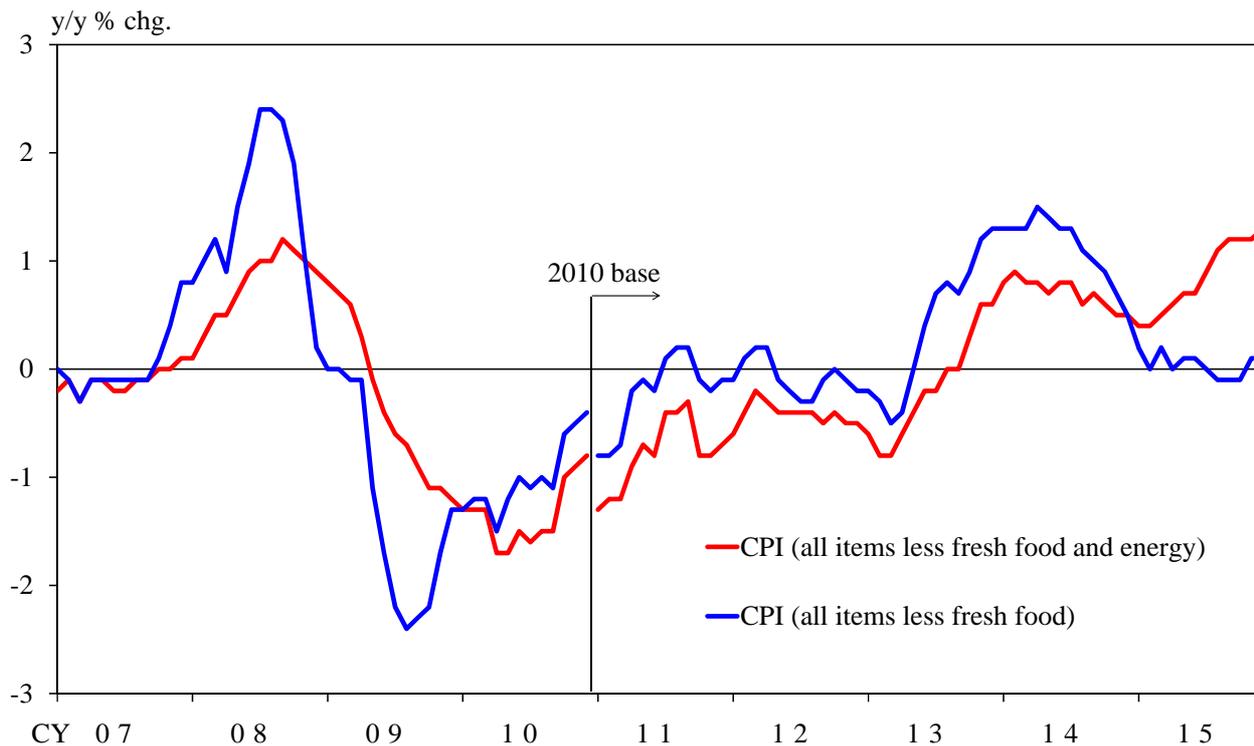
	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2015	+1.1	+0.1	
Forecasts made in October 2015	+1.2	+0.1	
Fiscal 2016	+1.5	+0.8	
Forecasts made in October 2015	+1.4	+1.4	
Fiscal 2017	+0.3	+2.8	+1.8
Forecasts made in October 2015	+0.3	+3.1	+1.8

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

Source: Bank of Japan.

3

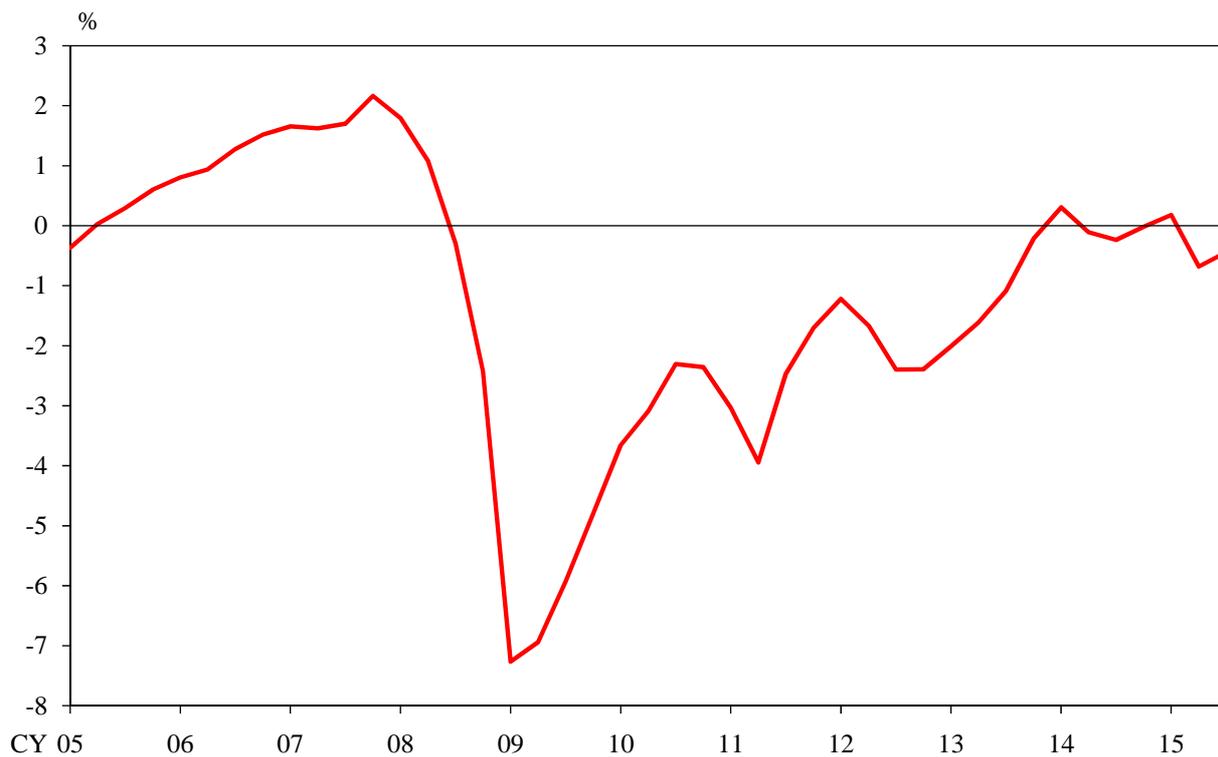
Consumer Prices



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.

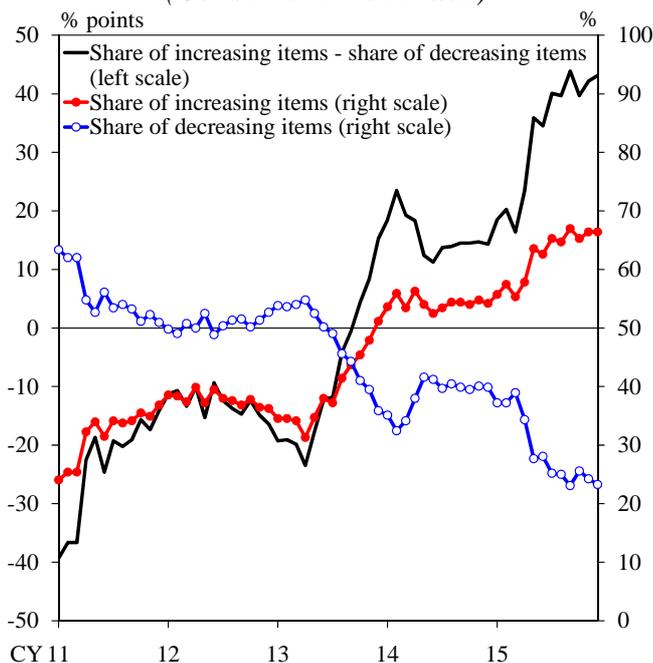
Output Gap



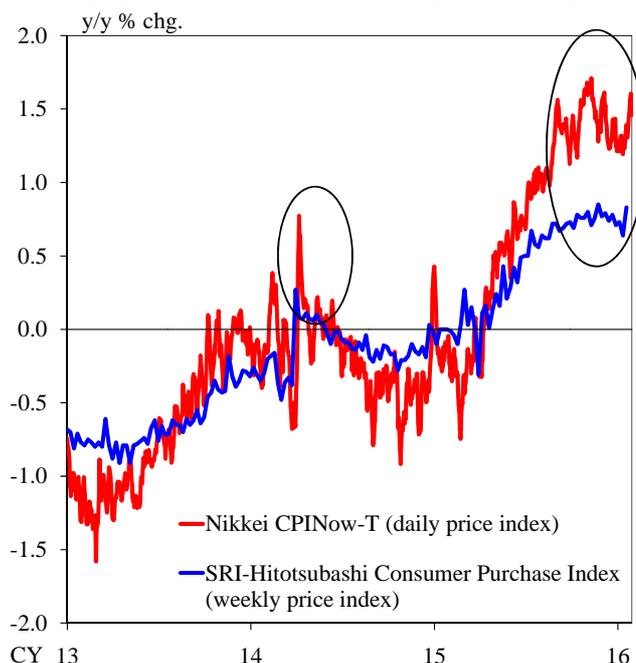
Note: The output gap is estimated by the Research and Statistics Department, Bank of Japan.
 Sources: Cabinet Office; Ministry of Economy, Trade and Industry, etc.

Price Developments

Share of Increasing and Decreasing Items (Consumer Price Index)



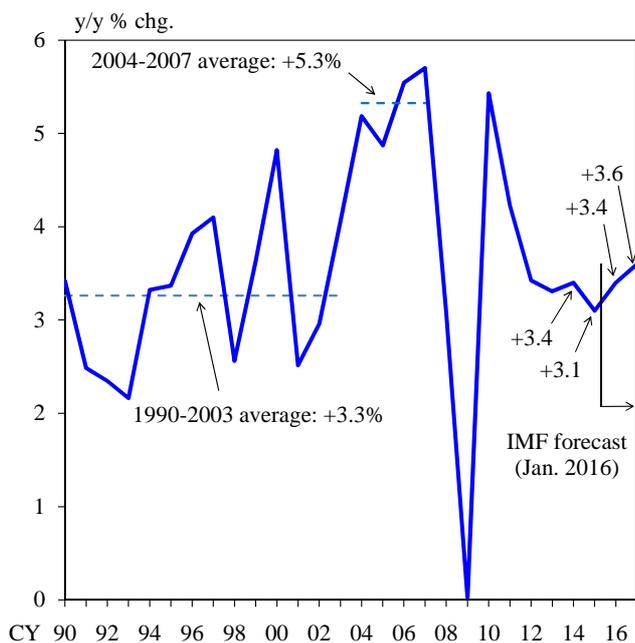
Nikkei CPINow and SRI-Hitotsubashi Consumer Purchase Index



Notes: 1. The share of increasing/decreasing items is the share of items in the consumer price index (all items less fresh food) whose price indices increased/decreased from a year earlier. The price indices are adjusted to exclude the estimated effects of changes in the consumption tax rate.
 2. The Nikkei CPINow-T is a 7-day backward moving average.
 Sources: Ministry of Internal Affairs and Communications; Nowcast; Research Center for Economic and Social Risks, Institute of Economic Research, Hitotsubashi University.

World Economic Outlook Released by the IMF

Real GDP Growth Rate

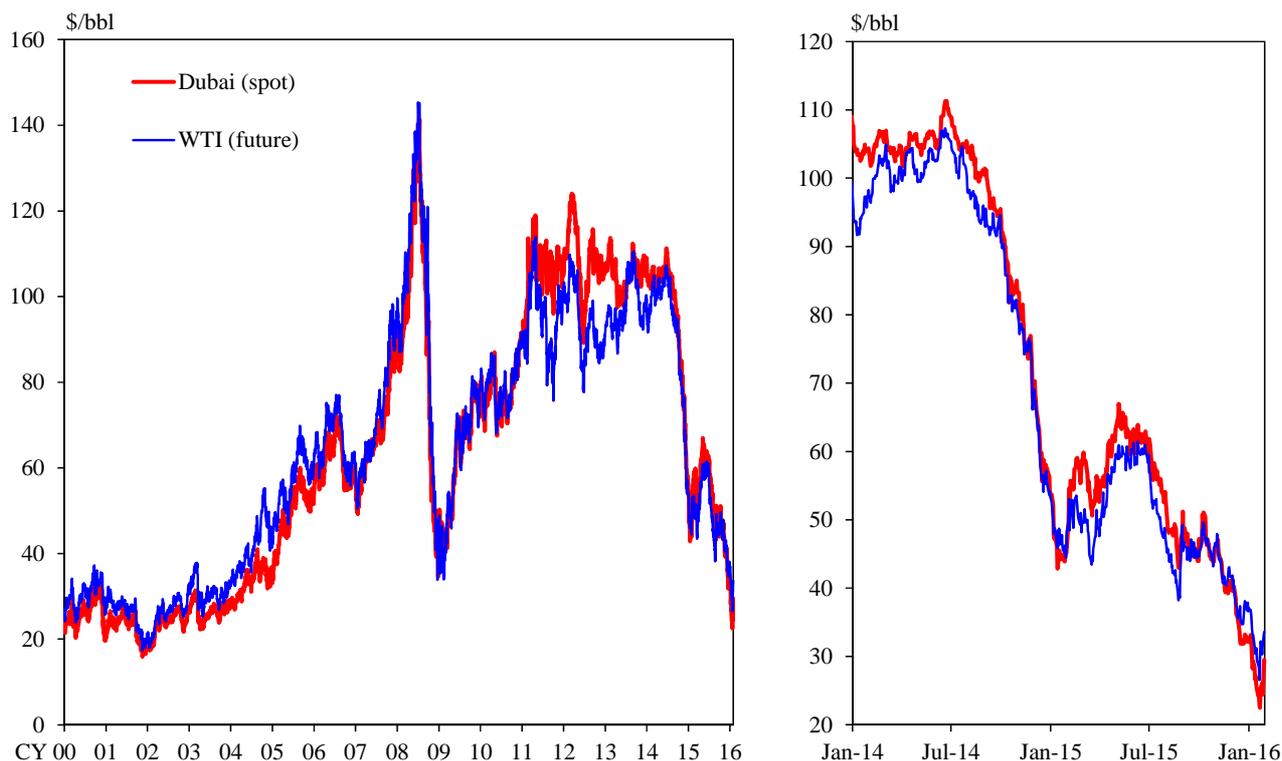


Projections for Major Economies

	y/y % chg.			
	2014	2015	Projections	
			2016	2017
World	3.4	3.1	3.4	3.6
Advanced Economies	1.8	1.9	2.1	2.1
United States	2.4	2.5	2.6	2.6
Euro Area	0.9	1.5	1.7	1.7
Japan	0.0	0.6	1.0	0.3
Emerging Market and Developing Economies	4.6	4.0	4.3	4.7
China	7.3	6.9	6.3	6.0
ASEAN5	4.6	4.7	4.8	5.1

Notes: 1. Figures for 2015 are estimates.
 2. ASEAN5 are Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.
 Source: IMF.

Crude Oil Prices



Source: Bloomberg.

8

Quantitative and Qualitative Monetary Easing with a Negative Interest Rate

It is designed to enable the Bank to pursue additional monetary easing
in terms of three dimensions,
combining a negative interest rate with quantity and quality.

The Bank will apply a negative interest rate of
minus 0.1 percent
to current accounts that financial institutions hold at the Bank.



The Bank will exert further downward pressure on interest rates across the entire yield curve, in combination with large-scale purchases of JGBs.

9

Scope for Additional Monetary Easing in Terms of Three Dimensions

