

Novel Coronavirus (COVID-19): Economic and Financial Developments and the Responses Taken by the Bank of Japan

*Speech via Webcast Hosted by the Naigai Josei Chosa Kai
(Research Institute of Japan) in Tokyo*

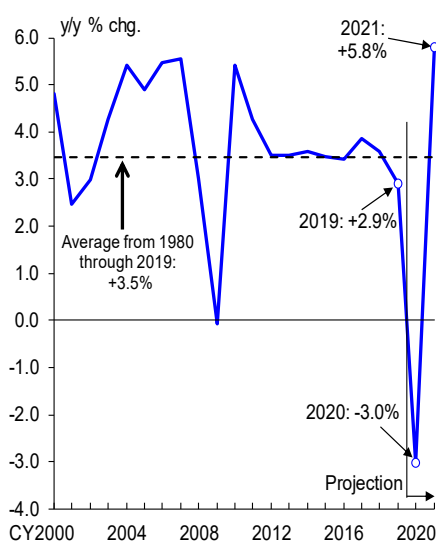
May 14, 2020

KURODA Haruhiko
Governor of the Bank of Japan

Chart 1

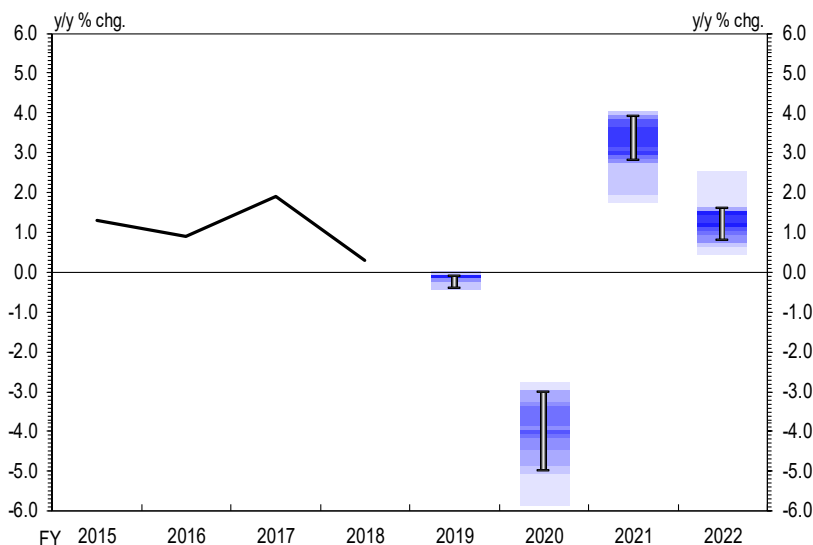
Economic Forecast

Global (IMF, April 2020)

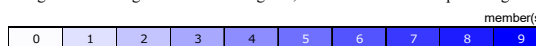


Note: Projection figures are those of the baseline scenario.
Source: IMF.

Japan (BOJ's Outlook Report, April 2020)



Note: The solid line represents actual figures. Shaded areas, which correspond to the color-coded distribution below, indicate the number of the Policy Board members who forecasted the same figure. (Figures are shown in units of 0.1 percentage point.) The vertical lines indicate the forecasts of the majority of the Policy Board members. These forecasts are shown as a range excluding four figures -- namely, the two highest figures and two lowest figures among the forecasts of the nine members. (If a member submits the same forecast figure for the highest and lowest figures, it is counted as two separate figures.)



Source: Bank of Japan.

Enhancement of Monetary Easing (March 16 and April 27)

Measures to Ensure Smooth Financing of Financial Institutions and Firms

Increase in Purchases of CP and Corporate Bonds <until End-September 2020>

- Increase the maximum amount of purchases from about 5 trillion yen to about 20 trillion yen in total and substantially raise the maximum amounts outstanding of a single issuer's CP and corporate bonds to be purchased

Establishment/Strengthening of the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) <until End-September 2020>

- Provide loans to financial institutions against private debt as collateral at the interest rate of 0 percent and apply a positive interest rate of 0.1 percent to the outstanding balances of current accounts held by financial institutions at the Bank corresponding to the amounts outstanding of loans
- Expand eligible counterparties to include member financial institutions of central organizations of financial cooperatives, which have a high proportion of loans to small and medium-sized firms

Swift Consideration of a New Measure to Provide Funds to Financial Institutions

- With the aim of further supporting financing, mainly of small and medium-sized firms, the Bank will consider a new measure taking account, for example, of the government's programs to support financing such as those in its emergency economic measures.

Measures to Maintain Stability in Financial Markets

Enhancement of the U.S. Dollar Funds-Supplying Operations <for the Time Being>

- In line with a coordinated action by six central banks, the Bank's operation was enhanced by lowering the loan rate, offering U.S. dollars with longer maturities, and increasing the frequency of the provision; the Bank has provided U.S. dollars worth more than 20 trillion yen.

Active Purchases of ETFs and J-REITs (Doubling the Purchasing Paces) <for the Time Being>

- Purchase ETFs and J-REITs at annual paces with the upper limit of about 12 trillion yen and about 180 billion yen, respectively

Further Active Purchases of JGBs and T-Bills

- Conduct further active purchases of both JGBs and T-Bills for the time being, with a view to maintaining stability in the bond market and stabilizing the entire yield curve at a low level
- Purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent