

Japan's Economy and Monetary Policy

*Speech at a Meeting with Business Leaders in Osaka
(via webcast)*

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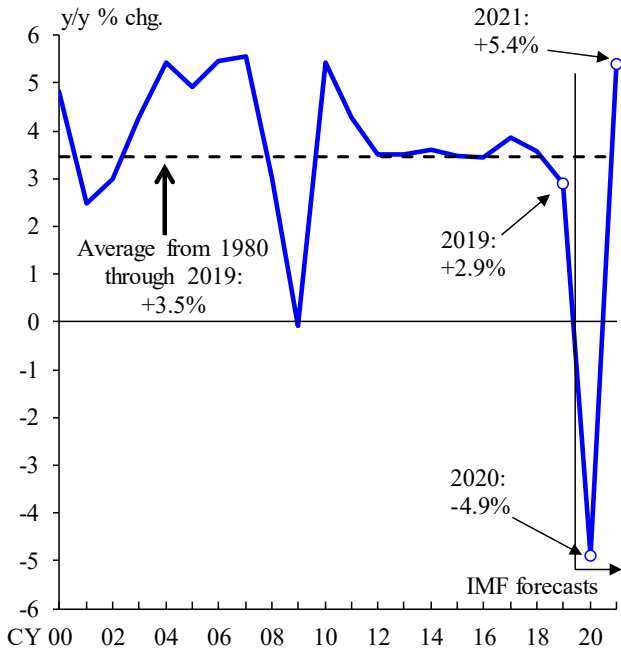
Introduction

I. Economic Developments at Home and Abroad

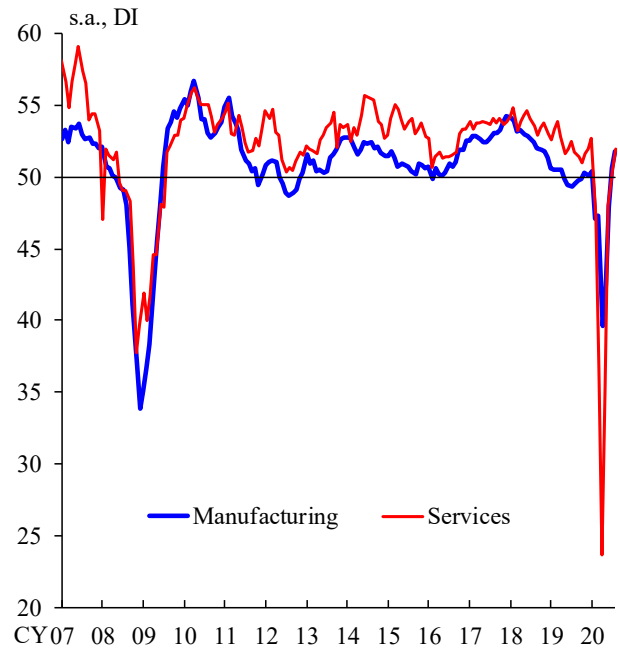
II. The Bank's Conduct of Monetary Policy

Global Economy

Global Growth Rate (IMF, June 2020)



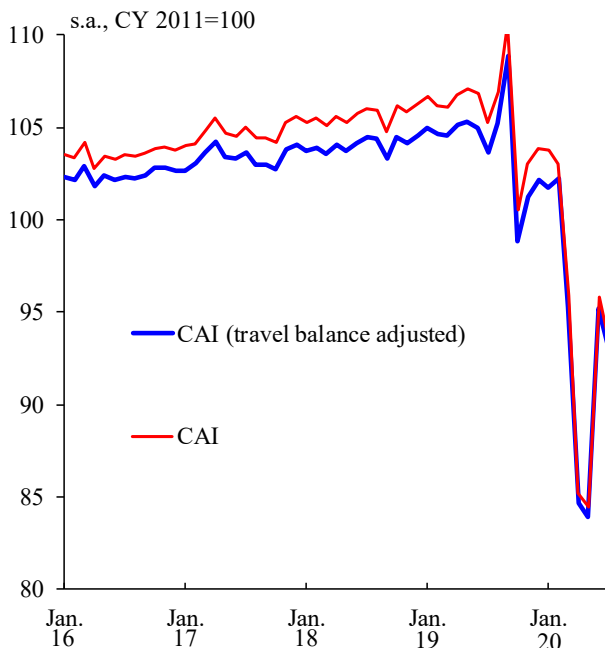
Global PMI



Note: In the right-hand chart, figures for manufacturing are the "J.P.Morgan Global Manufacturing PMI" and those for services are the "J.P.Morgan Global Services Business Activity Index."
Sources: IMF; IHS Markit (© and database right IHS Markit Ltd 2020. All rights reserved.).

Private Consumption and Exports

Consumption Activity Index (CAI, Real)



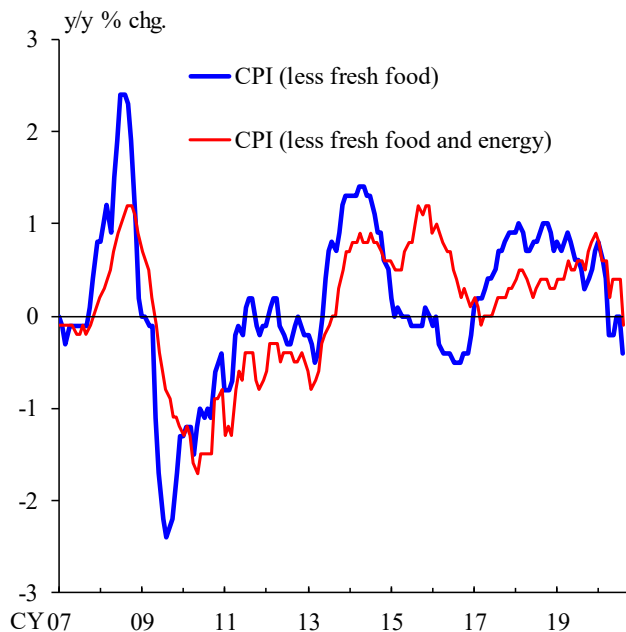
Real Exports



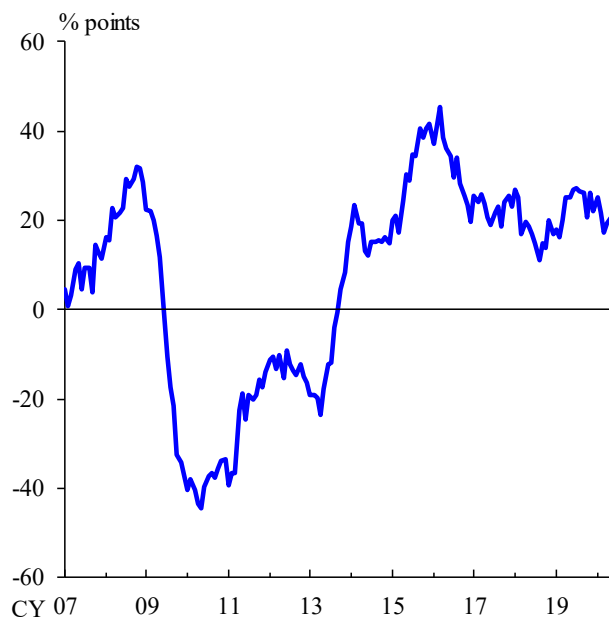
Note: Based on staff calculations. In the left-hand chart, figures for the CAI (travel balance adjusted) exclude inbound tourism consumption and include outbound tourism consumption.
Sources: Bank of Japan; Ministry of Finance, etc.

Consumer Prices

Consumer Price Index (CPI)



Diffusion Index of Price Changes



Notes: 1. In the left-hand chart, figures exclude the effects of the consumption tax hike in April 2014.

2. As for the right-hand chart, figures are defined as the share of increasing items in the CPI (all items less fresh food) minus the share of decreasing items. The share of increasing/decreasing items is the share of items for which price indices increased/decreased from a year earlier.

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

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II. The Bank's Conduct of Monetary Policy

The Bank's Measures in Response to COVID-19

Supporting Corporate Financing

**Special Program to Support Financing in Response to COVID-19:
total size of about 130 tril. yen + α**

Purchases of CP and corporate bonds: amount outstanding of about 20 tril. yen at maximum (previous amount outstanding of about 5 tril. yen)

Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19: about 110 tril. yen

Stabilizing Financial Markets

Ample and Flexible Provision of Yen and Foreign Currency Funds

Further active purchases of JGBs and T-Bills: unlimited

Enhancement of the U.S. Dollar Funds-Supplying Operations: unlimited

Active Purchases of ETFs and J-REITs

ETFs: annual pace of about 6 tril. yen

→ annual pace with the upper limit of about 12 tril. yen (for the time being)

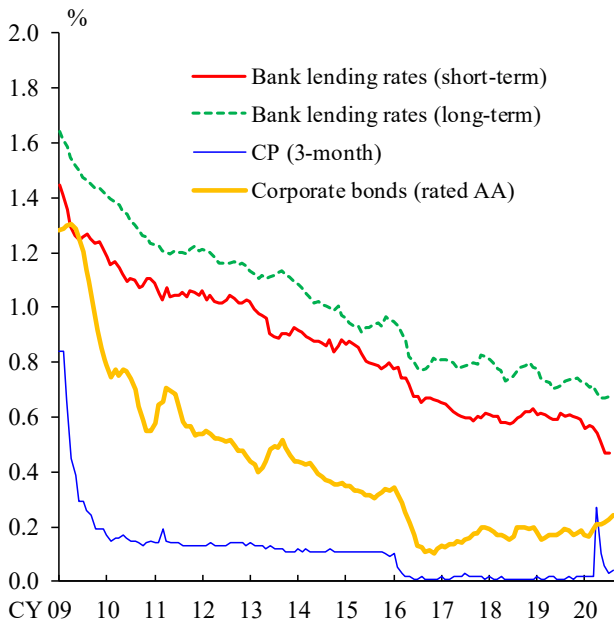
J-REITs: annual pace of about 90 bil. yen

→ annual pace with the upper limit of about 180 bil. yen (for the time being)

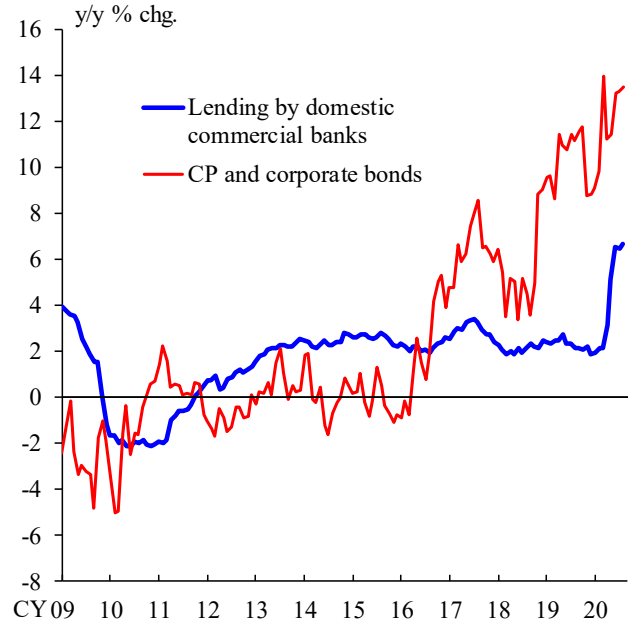
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Financial Conditions

Funding Costs



Amount Outstanding of Bank Lending, CP, and Corporate Bonds



Notes: 1. In the left-hand chart, figures for issuance yields for CP up to September 2009 are the averages for CP (3-month, rated a-1 or higher). Those from October 2009 are the averages for CP (3-month, rated a-1). Figures for issuance yields for corporate bonds are the averages for domestically issued bonds launched on a particular date. Bonds issued by banks and securities companies, etc., are excluded. Figures for bank lending rates and issuance yields for corporate bonds show 6-month backward moving averages.

2. In the right-hand chart, figures for lending by domestic commercial banks are monthly averages. Figures for CP and corporate bonds are those at the end of period. Lending by domestic commercial banks includes loans to firms, individuals, and local governments.

Sources: Bloomberg; Bank of Japan; Japan Securities Depository Center; Capital Eye; I-N Information Systems.