May 17, 2019
Bank of Japan

Outlook for Economic Activity and Prices and Monetary Policy

Speech at a Meeting Held by the Naigai Josei Chosa Kai (Research Institute of Japan) in Tokyo

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(English translation based on the Japanese original)

Introduction

It is my pleasure to have the opportunity to address you today at the Naigai Josei Chosa Kai.

At the Monetary Policy Meeting (MPM) held at the end of last month, the Bank updated its projections for Japan's economic activity and prices through fiscal 2021 and released them in the April 2019 *Outlook for Economic Activity and Prices* (Outlook Report). In addition, with a view to making clearer its policy stance to persistently continue with powerful monetary easing, the Bank decided to take some additional monetary policy measures. Today, I would like to talk about the Bank's outlook for Japan's economic activity and prices based on the Outlook Report, as well as its current thinking behind the conduct of monetary policy, including the decision at the recent MPM.

I. Economic Developments

Developments in Overseas Economies

Let me start by talking about developments in overseas economies. Overseas economies have been growing moderately on the whole, but slowdowns have been observed recently (Chart 1). Unlike the synchronous growth of the global economy seen through the first half of last year, differences in growth rates among regions and industries have become evident. While the U.S. economy has continued to expand firmly, relatively weak developments increasingly have been observed in the Chinese economy because economic activity has been hampered by the trade friction between the United States and China as well as adjustments in the IT sector, in addition to the impact of authorities' measures to push forward with deleveraging. As for Europe, production has declined since the second half of last year, mainly in Germany, reflecting the tightening of gas emission regulations on automobiles within the European Union (EU), and weaker exports to Turkey and China also have been exerting downward pressure on the European economy recently. Under these circumstances, in the latest forecasts released by the International Monetary Fund (IMF) last month, the global economic growth rate for 2019 is projected to be 3.3 percent, which was further revised somewhat downward from the previous forecasts released in January. Thus, the growth rate for this year is likely to fall slightly below the long-term average since 1980 of 3.5 percent.

Current Situation of Japan's Economic Activity

With the global economy decelerating, Japan's exports and production have shown some weakness recently (Chart 2). Exports have decreased since the turn of the year, mainly in terms of capital goods and IT-related goods to China, and this has led to the weakness in production and deterioration in business sentiment in the manufacturing sector. However, weakness in overseas economies so far does not appear to have spread clearly to domestic demand. Business fixed investment has continued on an increasing trend, with corporate profits staying at favorable levels on the whole (Chart 3). According to our March *Tankan* (Short-Term Economic Survey of Enterprises in Japan), business fixed investment plans for fiscal 2019 showed relatively high growth for this time of the year, exceeding the past average. Private consumption also has been increasing moderately against the background of steady improvement in the employment and income situation. Meanwhile, demand from foreign visitors, which temporarily declined in the second half of last year due to the effects of the successive natural disasters, has recovered clearly again. Thus, in Japan, a virtuous cycle from income to spending has been maintained in both the corporate and household sectors, although some weakness has been observed in exports and production. On this basis, the Bank judges that Japan's economy has been on a moderate expanding trend.

As seen in the current economic phase, a situation where the slowdown in overseas economies pushes down Japan's economy also was observed from mid-2015 through the first half of 2016. Many people remember this as the so-called China shock, and not a few have pointed out its similarity with the current phase. However, looking more closely, there also seem to be some differences between then and now (Chart 4). First is the degree of the declines in exports and production. Unlike at the time of the China shock, exports and production fell significantly in the current phase. The fact that the assessment of the Indexes of Business Conditions released by the Cabinet Office this week turned to "worsening" for the first time since January 2013 is largely attributable to the recent declines in production-related indicators. Of course, on this point, it is necessary to take into consideration that these, to some extent, are reactionary declines to significant increases in exports and production in the past few years. In fact, although exports and production have decreased, their levels have remained higher than those during the China shock. Second, developments in financial and commodity markets at home and abroad differ between the two phases. Crude oil prices fell substantially to just below 30 dollars per barrel through February 2016; in the foreign exchange market, the yen rapidly appreciated against the dollar after the turn of 2016, from the range of 120-130 yen to below 100 yen. On the other hand, in the current phase, although crude oil prices and financial markets at home and abroad temporarily became unstable from last autumn through the year-end and the start of this year, they both subsequently have regained stability. We are at least not in a situation where developments in financial markets worsen firms' and households' sentiment and thereby push down economic activity. Third, as I mentioned earlier, domestic demand and business sentiment of the nonmanufacturing sector have been firm in the current phase on the back of favorable corporate profits and improvement in the employment and income situation. Under such circumstances, the output gap, which represents the utilization of capital and labor, exceeded the long-term average of 0 percent in the second half of 2016, and since then has remained clearly positive. Thus, it can be assessed positively that the robustness of Japan's economy against external shocks has been increasing steadily amid the economic expansion that is said to be the longest in the post-war era.

Outlook for Economic Activity

Next, I will talk about the outlook for Japan's economy. As shown in the Outlook Report, the Bank projects that Japan's economy is likely to continue on an expanding trend throughout the projection period -- that is, through fiscal 2021 -- despite being affected by the slowdown in overseas economies for the time being (Chart 5). In terms of the median of the Policy Board members' forecasts, the real GDP growth rate is projected to be 0.8 percent for fiscal 2019, 0.9 percent for fiscal 2020, and 1.2 percent for fiscal 2021.

There are two important points regarding this outlook for economic activity (Chart 6). First is future developments in overseas economies. Although slowdowns have been observed recently, the Bank does not consider that overseas economies will continue to deteriorate all the way. The U.S. economy -- the growth engine of the global economy -- is expected to maintain its expansion, mainly supported by expansionary fiscal policy. As for the Chinese economy, the effects of stimulus measures already have materialized in part, and such moves are likely to become more widespread. The European economy is projected to gradually move out of its deceleration phase as the effects of temporary factors such as the tightening of gas emission regulations on automobiles are likely to dissipate. Taking account of these developments, overseas economies are expected to start picking up, although slowdowns are likely to continue for the time being. What matters is the timing of the pick-up. On this point, the IMF forecasts that the global economic growth rate will start rising again in the second half of this year. According to our interviews of firms, not a few hold the view that global demand for IT-related goods will hit bottom in the second half of this year. As overseas economies pick up, Japan's exports are projected to return to their moderate increasing trend without much delay.

Of course, there are various uncertainties regarding this outlook. For example, Chinese authorities have been implementing stimulus measures that focus on such factors as tax cuts this time around while taking account of the balance between stimulating economic activity and deleveraging, based on the recognition that large-scale infrastructure investment after the global financial crisis subsequently led to the problems of excess production capacity and excess debt. Thus, whether the recent measures will have immediate effects as in the past may largely affect the timing of a pick-up in overseas economies going forward. Developments in demand for IT-related goods such as semiconductors remain highly uncertain, and there is a possibility that inventory adjustments on a global basis will take longer than expected. The final outcomes of such issues as the trade friction between the United States and China and negotiations on the United Kingdom's exit from the EU also remain unclear. Although there is no need to focus particularly on risk factors and become excessively cautious, the Bank considers it important to constantly examine risks to the outlook without preconception.

The second important point in forecasting future developments is the sustainability of domestic demand. In order for Japan's economy to continue expanding moderately without interruption, it is necessary to maintain firm domestic demand until overseas economies pick up. On this point, private consumption is expected to continue increasing moderately for the time being as the employment and income situation continues to improve steadily. The fact that public investment is expected to increase, mainly led by infrastructure investment reflecting policy measures for national resilience, also is likely to contribute to underpinning economic activity going forward. What holds the key is developments in business fixed investment. So far, the impact of the slowdown in overseas economies cannot be observed clearly in business fixed investment plans for this fiscal year, and in the nonmanufacturing sector where labor shortage has continued, many firms seem to have more active investment plans than last year, mainly regarding labor-saving investment. However, business fixed investment plans at this time of the year have a strong tendency to be based on rough estimates, and attention should be paid to the possibility that firms' investment stance will become cautious in mainly the manufacturing sector, if a pick-up in overseas economies takes longer than expected going forward. As I mentioned earlier, the robustness of Japan's economy has increased, mainly on the back of favorable corporate profits. Nevertheless, the Bank will closely monitor future developments as there is a possibility that firms' and households' sentiment will be affected depending on developments in overseas economies and financial markets.

II. Price Developments

Current Situation of Prices

Next, I will talk about price developments. The year-on-year rate of change in the consumer price index (CPI) has continued to show relatively weak developments compared to the economic expansion and the labor market tightening (Chart 7). However, the basic mechanism has been operating in which a positive output gap -- a rise in the level of economic activity -- results in moderate increases in wages and prices. For example, at this year's annual spring labor-management wage negotiations, the rate of increase in base pay started out lower than last year in early spring, mainly for large firms, but thereafter the rate of increase for small and medium-sized firms turned out to be relatively high, due to such factors as acute labor shortage. Eventually, the rate of increase in base pay as a whole was at about the same level as last year. The year-on-year rate of increase in hourly wages of part-time employees also has continued to mark relatively high growth in the range of 2-3 percent.

Such developments, together with a rise in prices of raw materials, will lead to an increase in costs for firms. Thus, firms have been proceeding with reflecting these rises in prices of their products and services, albeit slowly (Chart 8). Looking at the diffusion index (DI) for output prices in the *Tankan*, the situation has continued for over a year in which the proportion of enterprises answering that the output prices have risen exceeds the proportion of those answering that such prices have fallen. This has occurred for the first time in about 30 years since the bubble period. Prices of services traded in the corporate sector also have risen steadily, mainly against the background of an increase in distribution costs accompanying labor shortage. From consumers' perspective, moves to raise retail prices have been spreading recently, mainly in terms of food products. Of course, a rise in prices of food products and daily necessities is not favorable for households, if focusing only on the rise. What is important is that the employment and income situation improves to an extent that households can accept such price rises. The Bank's monetary policy also aims at creating a virtuous cycle in which the inflation rate rises moderately in line with increases in corporate profits and wages. With a view to further pushing forward with such a virtuous cycle, the Bank strongly hopes that positive efforts by both labor and management toward raising wages will become more widespread.

Outlook for Prices

Let me now move on to the outlook for prices. In the latest Outlook Report, the medians of the Policy Board members' forecasts of the year-on-year rate of change in the CPI excluding fresh food are 1.1 percent for fiscal 2019, 1.4 percent for fiscal 2020, and 1.6 percent for fiscal 2021, which is the end of the projection period (Chart 9).

As this shows, the pace of increase in the CPI in Japan is likely to remain moderate. While there are various reasons for this, one of them is that the mindset and behavior based on the assumption that wages and prices will not increase easily have been deeply entrenched, due mainly to the experience of prolonged low growth and deflation, and changing this is expected to take time. This past experience and people's cautious mindset based on it lead to a situation where prices in Japan will not rise easily, due mainly to two channels. The first is the possibility that firms' stance will not shift as much as theoretically expected toward further raising wages and prices, even when the output gap improves. Both labor and management in Japan still have a persistent tendency to place priority on the stability of employment over wage increases, due mainly to the experience of severe employment adjustments under deflation. One example of this situation is the fact that the pace of increase in wages has been sluggish compared to the degree of labor shortage. The second channel is that it is likely to take time for inflation expectations to rise. Per orthodox thinking, a mutual feedback between actual prices and inflation expectations is assumed to operate. That is, if actual prices increase, people's inflation expectations also will rise, and if inflation expectations rise, actual prices also will increase. If firms and households expect that wages and prices will not increase easily, this feedback will not operate smoothly. In this context, recent studies point out that people's inflation expectations tend to depend not only on developments in actual prices, but also individuals' experiences over a long period. Thus, there also is a possibility that average inflation expectations will not rise readily as the ratio of the generation that has spent much of their life under deflation increases.

However, there is no need to be too pessimistic about the current situation. It is a significant change in Japan's economy that the year-on-year rate of change in the CPI excluding fresh food has remained at a level close to 1 percent for more than one year, owing to an improvement in the output gap. The behavior and mindset under deflation also have been changing gradually, as evidenced by the fact that base pay increases have been conducted for six consecutive years (Chart 10). Under such circumstances, although inflation expectations have remained more or less unchanged on the whole, those of mainly households recently have risen somewhat. As people have gained the collective experience of increases in wages and prices in the past few years, it is likely to contribute to pushing up inflation expectations going forward. In this way, the momentum toward achieving the price stability target has been maintained, whereby a positive output gap results in an increase in actual prices, leading to a rise in inflation expectations. The Bank projects that the year-on-year rate of change in the CPI is likely to increase gradually toward 2 percent, although this will still take time.

III. The Bank's Conduct of Monetary Policy

Now, I would like to explain the Bank's conduct of monetary policy. The Bank currently adopts the policy framework of "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control." Under the framework, it sets the short-term policy interest rate at minus 0.1 percent and the target level of 10-year JGB yields at around zero percent, and has conducted purchases of Japanese government bonds (JGBs) in the market so that the yield curve would be formed in line with this guideline (Chart 11). By conducting this operation, short- and long-term interest rates in financial markets have been stable at low levels and lending rates for firms as well as issuance rates for corporate bonds also have remained at extremely low levels. The Bank aims at achieving the price stability target of 2 percent at the earliest possible time through powerful monetary easing centered on yield curve control. Meanwhile, at the MPM held at the end of last month, Policy Board members shared the recognition that there are high uncertainties regarding the outlook for economic activity and prices in Japan, including developments in overseas economies, and that it is likely to still take time to achieve the price stability target.

Based on this recognition, the Bank judged it important to make it clearer that its policy stance to persistently continue with the current powerful monetary easing toward achieving the price stability target has not changed (Chart 12). Thus, it decided at the April MPM to clarify forward guidance for policy rates introduced in July 2018. Forward guidance is a measure that makes clear the stance on future policy rates in advance in order to strengthen market confidence and expectations regarding monetary policy. Specifically, a part of the existing guidance was revised, thereby making clear that the Bank would "maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the scheduled consumption tax hike." The point of this revision is that a specific period of "at least through around spring 2020" was added to clarify the meaning of "for an extended period of time," during which the Bank intends to maintain the current interest rate levels. This takes into consideration that (1) pick-ups in overseas economies and the global cycle for IT-related goods are expected to be seen in the second half of this year or onward and (2) it is projected to take some time to examine the effects of the scheduled consumption tax hike after its implementation. On this basis, I would like to reemphasize that the current forward guidance is a framework in which the Bank makes judgments depending on economic and price developments by using data and information available at the time, as it says that the Bank will make judgments, taking into account uncertainties regarding economic activity and prices. While economic activity and prices are likely to remain in a state where the current extremely low levels of short- and long-term interest rates would be appropriate, at least through around spring 2020, the Bank considers that there is a fair possibility that the current low interest rates will be maintained beyond this period depending on future developments.

In addition, the Bank also decided at the MPM held at the end of last month to implement various measures contributing to the continuation of the current powerful monetary easing. Specifically, it decided on such measures as expanding the range of eligible collateral for such purposes as the Bank's lending to financial institutions, and relaxing the terms and conditions for the facility of temporarily lending Japanese government securities (JGSs) held by the Bank. In addition, the Bank decided to consider the introduction of a facility for lending exchange-traded funds (ETFs) that it holds to market participants. While I will not explain these measures in detail today, they all will provide support for continuing with powerful monetary easing through the Bank's smooth fund-provisioning and securing of market functioning. In combination with the clarification of forward guidance, these measures likely will strengthen public confidence in continuing with powerful monetary easing, thereby contributing to further ensuring the achievement of the price stability target and leading to stability in financial markets.

Given economic developments in Japan, where prices and inflation expectations have not risen easily, the Bank considers it necessary to maintain a positive output gap for as long as possible by keeping interest rates at sufficiently low levels for a prolonged time, in order to achieve the price stability target. Some measures that I outlined earlier also are based on such thinking. In this way, central banks always consider the most appropriate monetary policies for their respective situations, with a view to achieving their objective of price stability. This does not only apply to Japan. For instance, the U.S. Federal Reserve has been proceeding with monetary policy normalization for the past few years, such as through incrementally raising its policy interest rate. After the turn of the year, however, it temporarily stopped raising the policy interest rate due to such factors as the slowdown in the global economy, even though interest rate levels still have been quite low compared to the time before the global financial crisis. In addition, central banks abroad, including the Federal Reserve, recently have worked on reviewing their monetary policies after the global financial crisis and discussing new monetary policy frameworks as well as specific tools. In my understanding, the background to such moves is that (1) the real interest rate neutral to economic activity, or the natural rate of interest, has been on a declining trend in many advanced economies in recent years, mainly reflecting a decrease in the potential growth rate and a constant excess of funds, and (2) difficulties in enhancing the effectiveness of monetary policy under such circumstances have been taken into consideration. Of course, Japan and economies such as the United States cannot be treated in the same way. However, many central banks currently face a common fundamental challenge of how to achieve the price stability target while securing stability in economic and financial conditions, in a situation where room for monetary policy responses has been narrowing compared to the past due to low growth and low inflation. While continuously keeping this challenge in mind, the Bank deems it necessary to follow developments in discussions abroad as appropriate.

Conclusion

So far, I have explained economic and price developments in Japan and the Bank's thinking behind the conduct of monetary policy based on such developments. I would like to close my speech today by adding a few words.

More than two weeks have passed since the Heisei era drew to a close and the Reiwa era has started. While monetary policy is not classified in terms of the imperial era, I think that the Heisei era can be characterized by a continuous battle against deflation when looking back from the perspective of a central bank. In the situation of a prolonged economic downturn after the so-called bubble burst, it became difficult to further reduce short-term interest rates in order to stimulate the economy after around 1998 -- about a decade following the start of the Heisei era. Incidents such as the global financial crisis and the Great East Japan Earthquake also were tough challenges for Japan's economy, which was seeking to move out of deflation. In order to overcome the zero lower bound on short-term interest rates amid such challenges, the Bank has worked on conducting unconventional monetary policies ahead of many other economies, such as introducing forward guidance and purchasing a variety of assets. Six years ago, the Bank introduced QQE, which is a more powerful measure than before, and has persistently continued with powerful monetary easing. Under such circumstances, Japan's economy has improved significantly over the past few years and successfully reached the end of the Heisei era in a situation where the economy was no longer in deflation in the sense of a sustained decline in prices.

While the imperial era has changed, the Bank's mandate of aiming at achieving price stability, thereby contributing to the sound development of the national economy, has not. Going forward, the Bank will continue to make its utmost efforts as the central bank of Japan with a view to fulfilling this mandate while responding appropriately to the constantly changing developments in economic activity and prices.

Thank you very much for your attention.

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Overseas Economies

Projections for Major Economies (IMF)

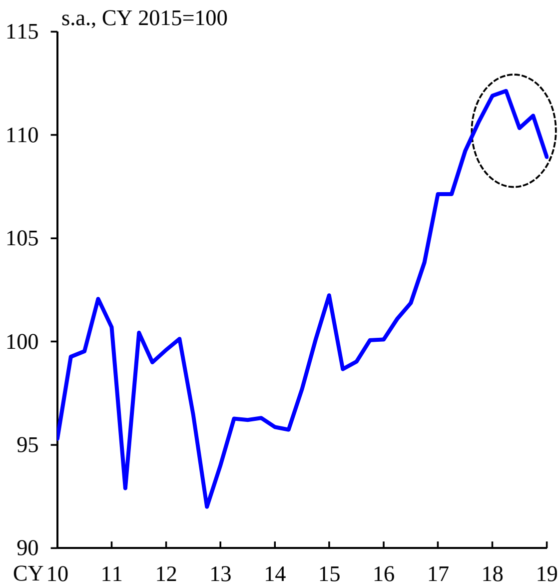
y/y % chg., % points

	2017	2018	2019 Projection	2020 Projection
World	3.8	3.6	**3.3 (-0.2)**	**3.6 (0.0)**
Advanced economies	2.4	2.2	1.8 (-0.2)	1.7 (0.0)
United States	2.2	2.9	2.3 (-0.2)	1.9 (0.1)
Euro area	2.4	1.8	1.3 (-0.3)	1.5 (-0.2)
Japan	1.9	0.8	1.0 (-0.1)	0.5 (0.0)
Emerging market and developing economies	4.8	4.5	4.4 (-0.1)	4.8 (-0.1)
China	6.8	6.6	6.3 (0.1)	6.1 (-0.1)
ASEAN-5	5.4	5.2	5.1 (0.0)	5.2 (0.0)
Latin America and the Caribbean	1.2	1.0	1.4 (-0.6)	2.4 (-0.1)

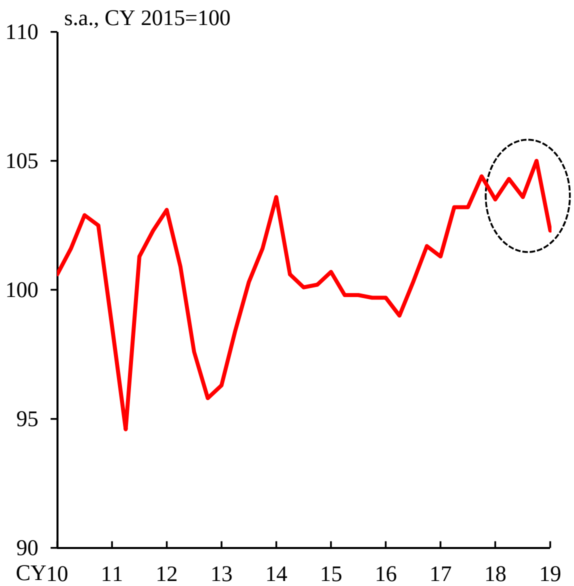
Note: The post-2019 figures are based on April 2019 WEO projections. Figures in parentheses show the differences from the January 2019 projections.
Source: IMF.

Exports and Production

Real Exports



Industrial Production

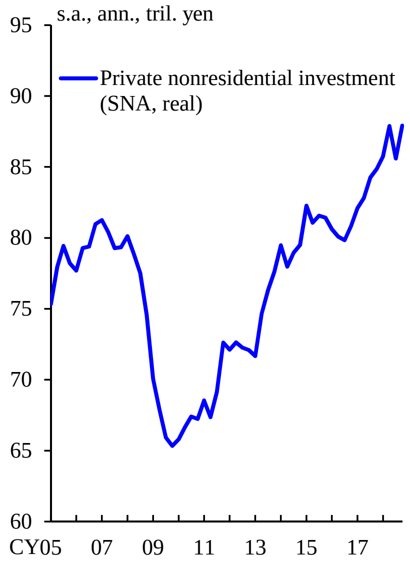


Sources: Ministry of Finance; Bank of Japan; Ministry of Economy, Trade and Industry.

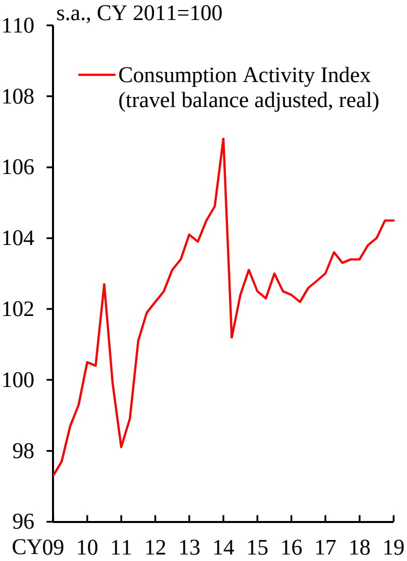
Chart 3

Business Fixed Investment and Private Consumption, etc.

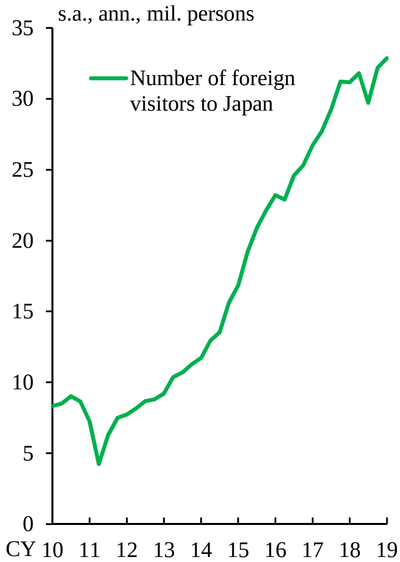
Business Fixed Investment



Private Consumption



Inbound Tourism Demand

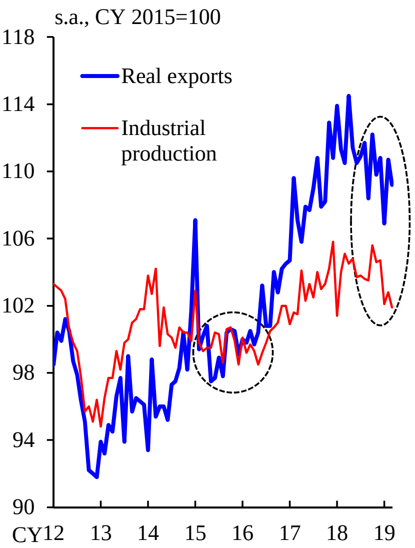


Notes: 1. In the middle chart, figures for the Consumption Activity Index exclude inbound tourism consumption and include outbound tourism consumption.
2. In the right chart, seasonally adjusted figures are BOJ staff estimates.
Sources: Cabinet Office; Bank of Japan; JAPAN NATIONAL TOURISM ORGANIZATION, etc.

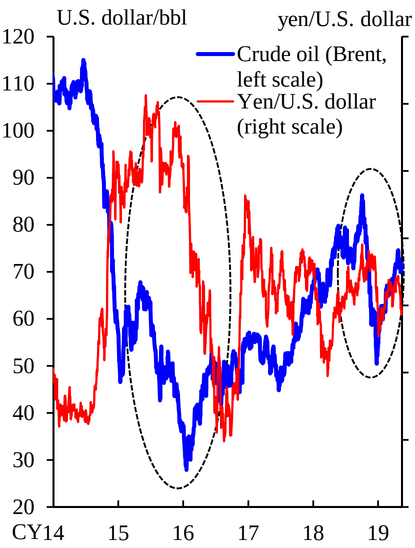
Chart 4

Comparison between the Present and around 2015-2016

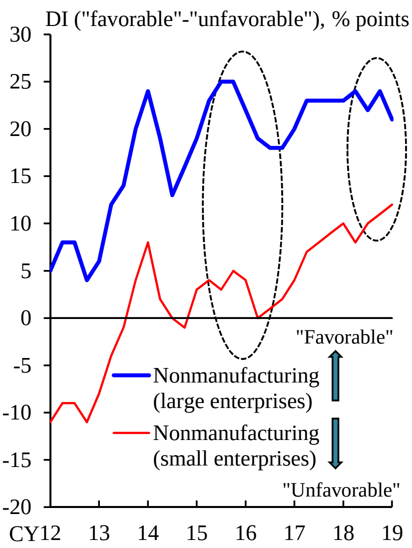
Exports and Production



Crude Oil Prices and Yen/U.S. Dollar



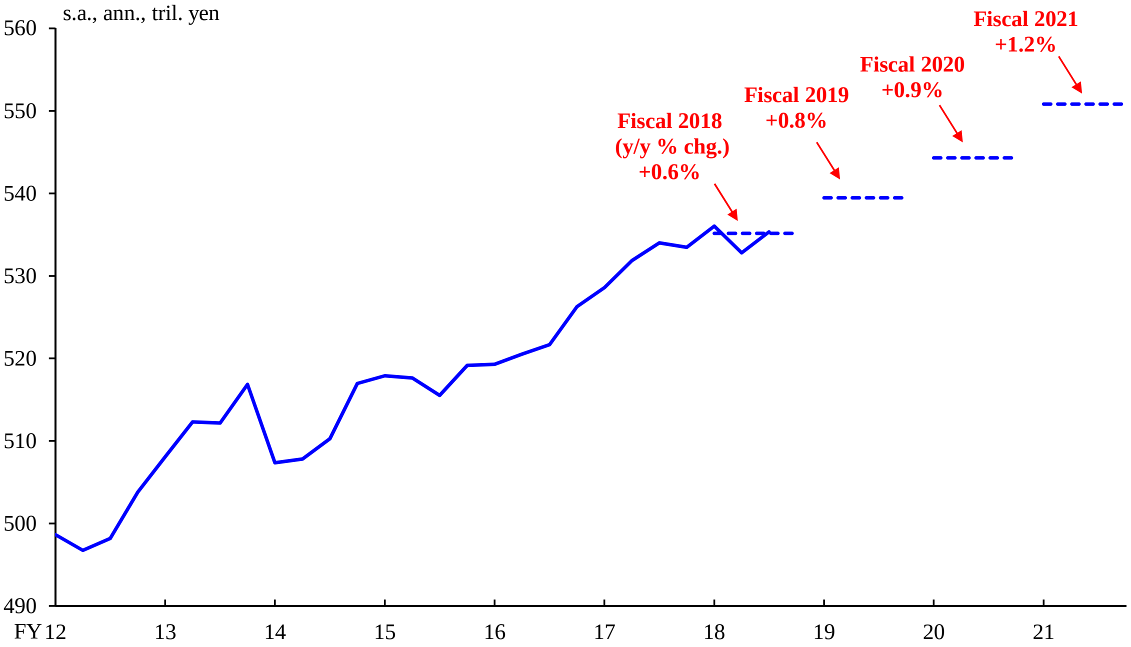
Business Conditions DI (Nonmanufacturing Sector)



Sources: Ministry of Finance; Bank of Japan; Ministry of Economy, Trade and Industry; Bloomberg.

BOJ's Forecasts of Real GDP

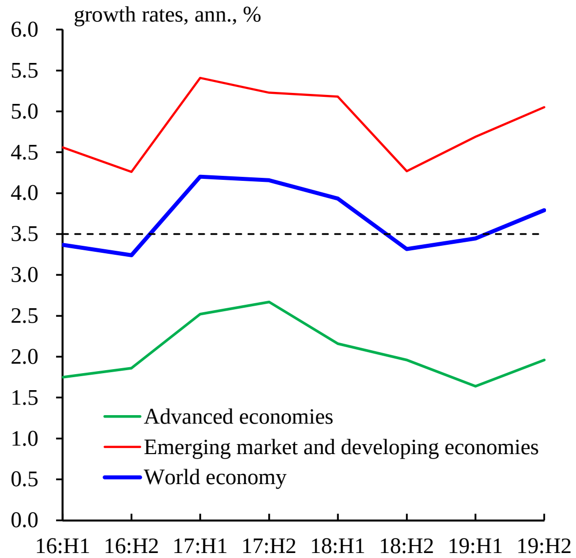
(April 2019 Outlook Report)



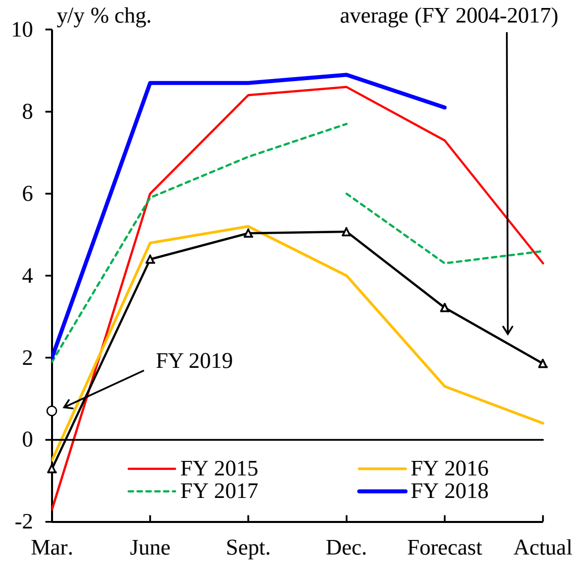
Note: Forecasts are the medians of the Policy Board members' forecasts (point estimates).
Sources: Cabinet Office; Bank of Japan.

Key Points for the Future

Developments in Overseas Economies (IMF World Economic Outlook)



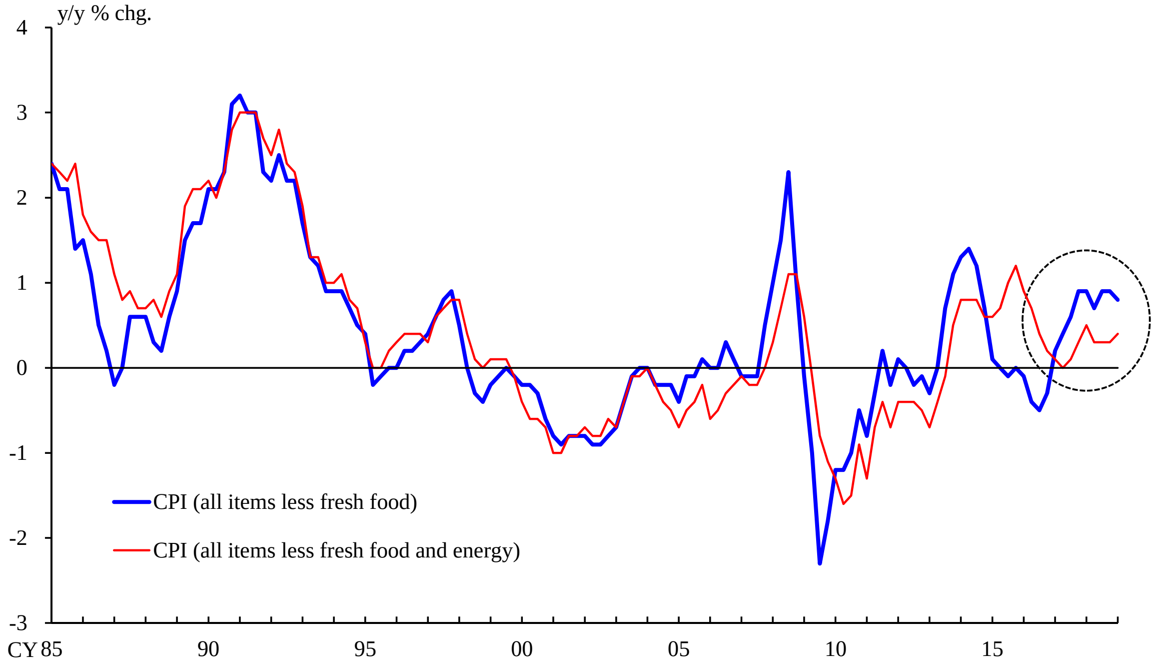
Domestic Demand Sustainability (Business Fixed Investment Plans in the Tankan)



Notes: 1. In the left chart, figures for the world economy are calculated as the weighted averages of growth rates of advanced economies as well as emerging market and developing economies using GDP shares of world total GDP from the IMF as weights.
2. In the right chart, figures are all industries including financial institutions. Including software and R&D investment and excluding land purchasing expenses (R&D investment is not included until the December 2016 survey). There is a discontinuity in the data in December 2017 due to a change in the survey sample.
Sources: IMF; Bank of Japan.

Chart 7

Consumer Prices

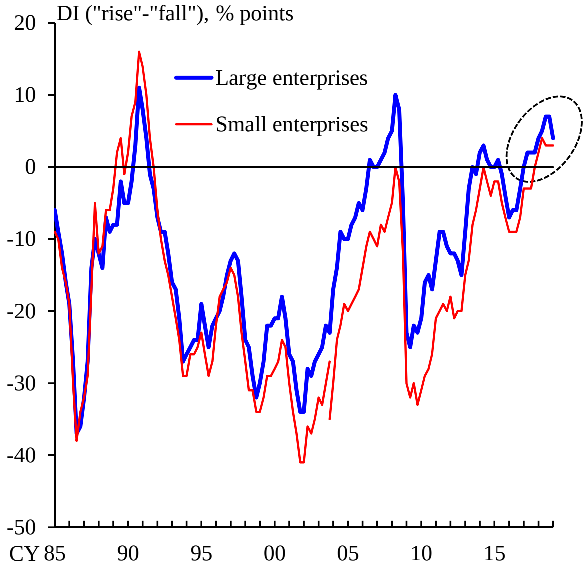


Note: Figures are adjusted for changes in the consumption tax rate.
Source: Ministry of Internal Affairs and Communications.

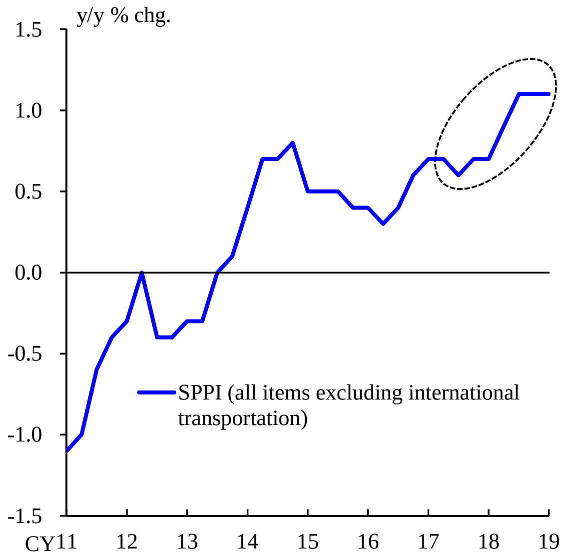
Chart 8

Firms' Price-Setting Stance

Output Prices DI (Tankan)



Services Producer Price Index (SPPI)

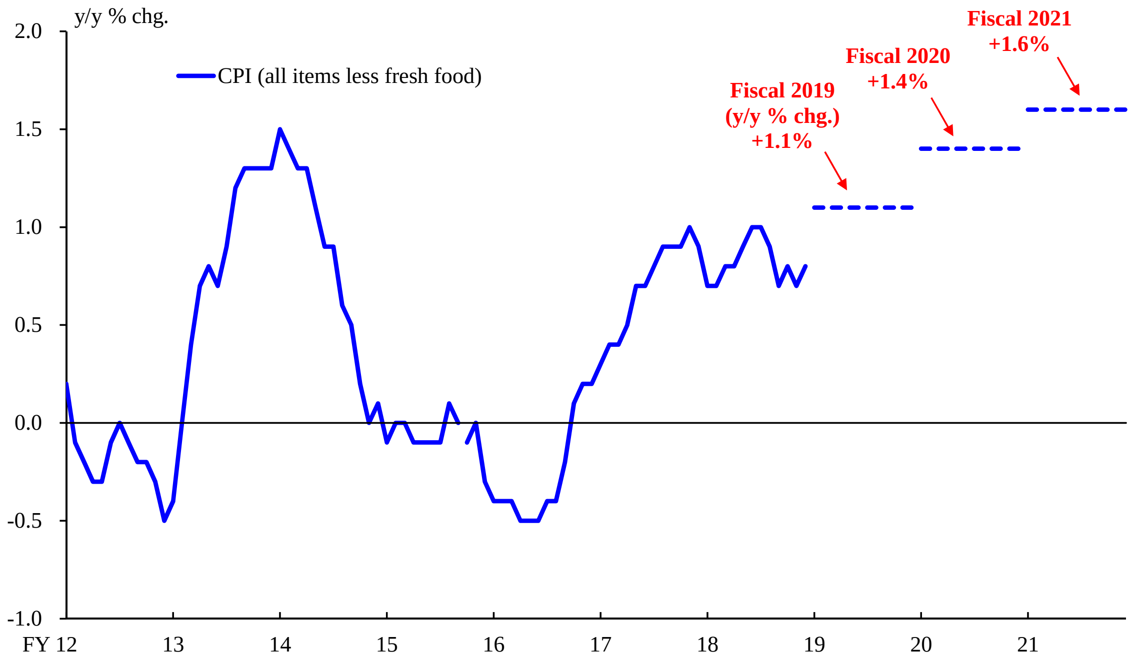


Notes: 1. In the left chart, there is a discontinuity in the data in December 2003 due to a change in the survey framework.
2. In the right chart, figures are adjusted for changes in the consumption tax rate.
Source: Bank of Japan.

Chart 9

BOJ's Forecasts of the CPI

(April 2019 Outlook Report)

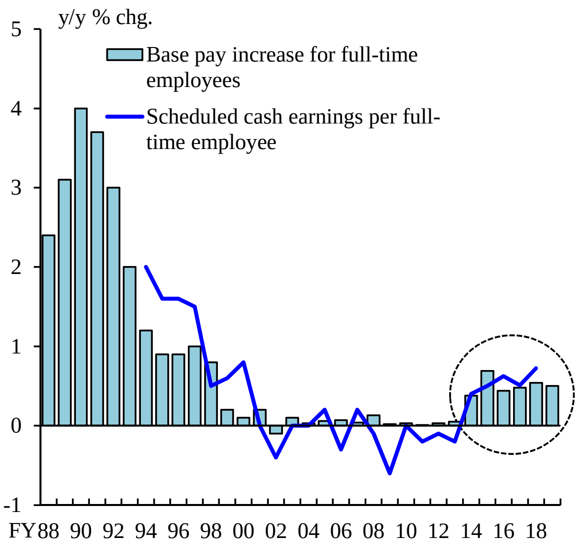


Notes: 1. Forecasts are the medians of the Policy Board members' forecasts (point estimates). The actual figures exclude the direct effects of the consumption tax hike in April 2014.
2. The direct effect of the scheduled consumption tax hike on the CPI for fiscal 2019 and fiscal 2020 is estimated to be 0.5 percentage point for each year. The direct effects of policies concerning the provision of free education on the CPI for fiscal 2019 and fiscal 2020 are estimated to be minus 0.3 percentage point and minus 0.4 percentage point, respectively.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

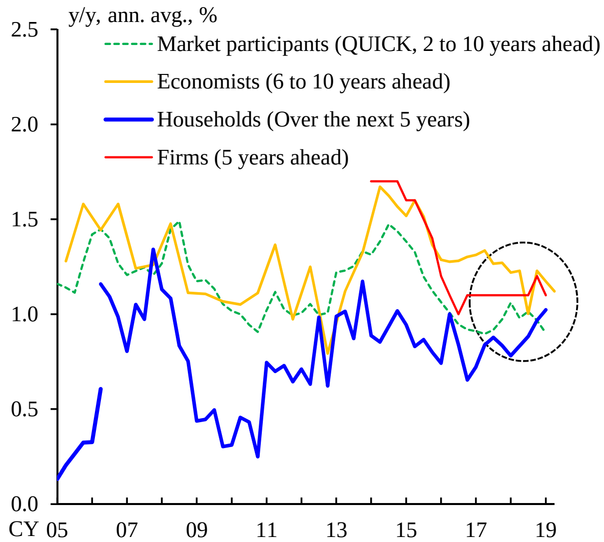
Chart 10

Environment Surrounding Prices

Nominal Wages

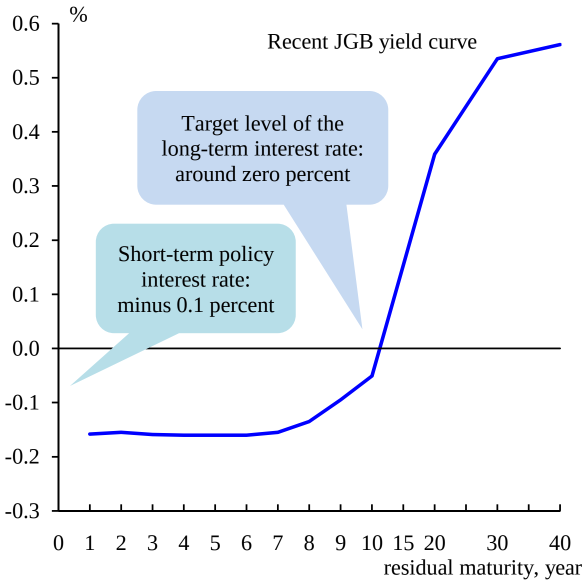


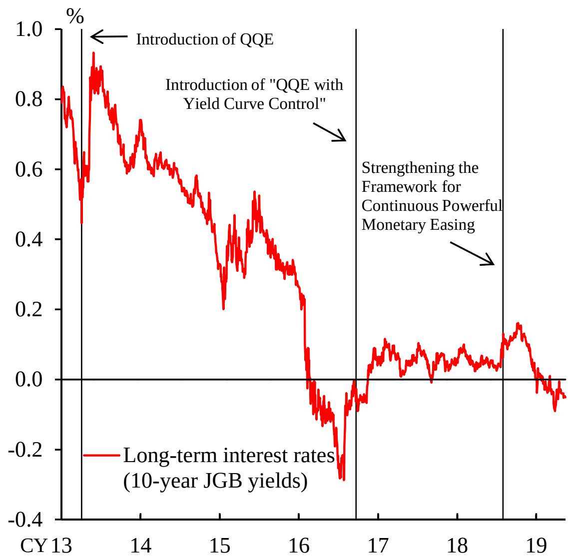
Inflation Expectations



Notes: 1. In the left chart, figures for scheduled cash earnings from fiscal 2013 are based on corrected figures adjusted for establishments in Tokyo with 500 or more employees, and from fiscal 2016 are based on continuing observations following the sample revisions of the "Monthly Labour Survey."
2. In the right chart, figures for economists are from the "Consensus Forecasts." Figures for households are from the "Opinion Survey on the General Public's Views and Behavior," estimated using the modified Carlson-Parkin method. Figures for firms are "Outlook for General Prices (*Tankan*, all industries and enterprises, average)."
Sources: Ministry of Health, Labour and Welfare; Central Labour Relations Commission; Japanese Trade Union Confederation (Rengo); Bank of Japan; QUICK, "QUICK Monthly Market Survey (Bonds)"; Consensus Economics Inc., "Consensus Forecasts."

Yield Curve Control





Source: Bloomberg.

Continuation of Powerful Monetary Easing (April 2019)

- High uncertainties regarding economic activity and prices including developments in overseas economies
- Still taking time to achieve the price stability target

Making clearer the Bank's policy stance to persistently continue with powerful monetary easing

Clarification of forward guidance for policy rates

July 2018	"The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices including the effects of the consumption tax hike scheduled to take place in October 2019."
April 2019	"The Bank intends to maintain the current extremely low levels of short- and long-term interest rates **for an extended period of time, at least through around spring 2020**, taking into account uncertainties regarding economic activity and prices including **developments in overseas economies** and the effects of the scheduled consumption tax hike."

Implementation of measures contributing to the continuation of powerful monetary easing

Smooth implementation of fund-provisioning and asset purchases

(1) Expanding eligible collateral for the Bank's provision of credit

(2) Improving the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth

Securing market functioning

(3) Relaxation of the terms and conditions for the Securities Lending Facility (SLF)

(4) Introduction of Exchange-Traded Fund (ETF) Lending Facility