

BOJ Governor Kuroda's Press Conference March 9, 2018

G: BOJ Governor Kuroda

Q: Reporters

(0:05)

Q: Are you ready?

G: Yes

Q: Thank you. I am Ando from NHK and will be the managing news company for today. I would like to ask the first question. Would you please begin by telling us what was decided at the policy meeting held today.

G: At the Monetary Policy Meeting held today, we decided to maintain the existing policy for monetary market adjustments under the long- and short-term rates manipulation, or so-called "Yield Curve Control," as before, by a majority vote. That is, in terms of the short-term policy interest rate, the Bank will apply a negative interest rate of minus 0.1% to the Policy-Rate Balances in current accounts held by financial institutions at the BOJ, and, at the same time, in terms of the long-term interest rate, the Bank will purchase Japanese government bonds (JGBs) so that 10-year JGB yields will remain at around zero percent. In addition, with regard to asset purchases other than JGBs, we have decided unanimously to continue the current purchase policy.

With respect to the current situation in Japan's economy, we judged that the economy is expanding moderately, with a virtuous cycle from income to spending operating. To provide a little more detail. Overseas economies have continued to grow firmly on the whole. In this situation, exports have been on an increasing trend. On the domestic demand side, business fixed investment has continued on an increasing trend with corporate profits and business sentiment improving. Private consumption has been increasing moderately, albeit with fluctuations, against the background of steady improvement in the employment and income situation. Housing investment has been weakening somewhat. Meanwhile, public investment has been more or less flat, remaining at a relatively high level. Reflecting these increases in demand both at home and abroad, industrial production has been on an increasing trend, and labor market conditions have continued to tighten steadily. In addition, financial conditions are highly accommodative.

With regard to the outlook, Japan's economy is likely to continue its moderate expansion. Domestic demand is likely to follow an uptrend, with a virtuous cycle from income to spending being maintained in both the corporate and household sectors, on the back of highly accommodative financial

conditions and underpinnings through the government's past stimulus measures. Exports are continued to their moderate increasing trend on the back of the firm growth in overseas economies. On the price front, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food) is around 1 percent. Inflation expectations have been more or less unchanged. With regard to the outlook, the year-on-year rate of change in the CPI is likely to continue on an uptrend and increase toward 2 percent, mainly on the back of an improvement in the output gap and a rise in medium- to long-term inflation expectations.

Risks to the outlook include the following: the U.S. economic policies and their impact on global financial markets; developments in emerging and commodity-exporting economies; negotiations on the United Kingdom's exit from the European Union (EU) and their effects; and geopolitical risks. The Bank will continue with "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control," aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. The Bank will make policy adjustments as appropriate, taking account of developments in economic activity and prices as well as financial conditions, with a view to maintaining the momentum toward achieving the price stability target.

(4:02)

- Q: Next, today's policy meeting was the last for this term. Would you please provide an assessment of the achievements of the past 5 years and what issues remain?
- G: As you have noted, 5 years ago in 2013 Japan had suffered a long period of deflation with a slump in the economy and quickly exiting deflation was the biggest issue we faced. With that in mind, in April of that year, the BOJ introduced Quantitative and Qualitative Monetary Easing and subsequently conducted the necessary policy measures in accordance with changes in the state of the economy and prices. The Japanese economy has considerably improved under this framework during the past 5 years. Corporate profits remain at record high levels or have risen to record levels and the labor market is virtually at full employment. There has also been definite increase in wages, albeit gradual. In terms of prices, the year-on-year rate of change in the CPI, all items less fresh food and energy, has remained positive for more than 4 years, since the autumn of 2013. Japan has already left deflation as defined as a continued decline in prices. So, Japan's economy and prices have considerably improved, yet the 2% inflation target has still not been reached at the current point in time. There was an impact from factors such as the large drop in the price of oil, but a bigger factor is the persistent deflationary sentiment that has arisen because of people's long exposure to deflation. It is taking time to change this sentiment.

In terms of the future, we believe with the definite improvement in the output gap that the attitude of

companies towards wages and price setting will gradually become more positive. The medium to long-term forecast inflation rates have already left their weak period and as actual price increases spread, we expect the forecast inflation rate will also rise. Therefore, the momentum towards achieving the 2% is firm. As far as the BOJ is concerned, we will be persistent in maintaining our current accommodative policy stance to ensure that this positive trend is maintained and that the 2% price stability target is achieved.

(6:34)

Q: Thank you very much. I have another question. Since the previous policy board meeting, there have been movements in the financial markets, such as the drop in the global stock market with the release of US employment figures and more recently, large movements in stock prices and foreign exchange markets due to the Trump administration's trade policies. Would you please tell us what you think of this sudden increase in volatility and what the impact will be on the economy?

G: In terms of the recent instability in the international financial markets, the market attributes this to having been triggered by the US economic and price situation exceeding expectations and the increased view that future pace of inflation will be faster than originally anticipated. This resulted in higher US yields and a correction in US stocks, which had reached record levels. This is said to have exacerbated investor aversion to risk and led to stock price falls around the world including Japan. As you have noted, recently there has been uncertainty in relation to US trade policy and it is said that this is a risk factor. We do not believe there has been any major change in the favorable fundamentals for the economy in Japan as well as in the US and Europe. We believe the forecast for corporate profits, which is the basis for stock prices, are also firm in both the domestic and international markets. Even so, stock markets fell across the world in early February with a sharp rise in volatility, and although it has subsequently subsided it remains higher than it was before. Nevertheless, to date, there has been limited impact on other capital markets and on each country's economy. At any rate, the impact on domestic and international interest rate markets and on Japanese economy and prices will be something that we continue to monitor closely.

Q: Thank you. That is all from us.

(09:01~)

Q: (Takahashi, from Jiji Press): Thank you very much. You are going to be reappointed. However, it was the last policy meeting for the two Deputy Governors, Mr. Iwata and Mr. Nakaso. Do you have anything you would like to say to them?

G: (laughing)

Q: If you have any memories or episodes regarding them, I would appreciate it very much if you could tell us some of them.

G: (still laughing) As you see, for the past five years, I have worked with the two Deputy Governors. In April 2013, the quantitative and qualitative easing (QQE) was introduced. Then, we had the expansion of the QQE in October 2014, and in January 2016 we introduced negative interest rates. After that, based on the Comprehensive Assessment, in September 2016 we introduced the QQE with yield curve control, which is still ongoing right now. We have done all of these together. Meanwhile, as I said earlier, the economic situation has improved significantly. Regrettably, the price stability target of 2% has not been achieved yet. In any case, the two Deputy Governors contributed to the decision-making and operation of the monetary policy through their useful and constructive discussions, taking advantage of their various experience and expertise.

(10:50)

Q: (Fujita from the Asahi Shimbun) I have two questions. One relates to the evaluation of the past five years, which we have just heard, especially, about the way in which monetary policy was conducted, and the method of communication. Do you have any regrets or reflections upon yourself, such as a feeling that you could have done better at some point? If you have any, I would appreciate it very much if you could tell us about that. One at a time, please.

G: Especially about how the central banks should communicate, I recently attended an international conference in Europe. I had a panel discussion with Ms. Yellen, the then-FED president, ECB President Mario Draghi, and Bank of England (BOE) Governor Mark Carney, just on that precise topic of how the central banks should communicate. Basically, all the panelists were of the same opinion. We all agreed that how to communicate with the markets and the public is extremely important for monetary policy, because, let me see how to describe it, in the case of fiscal policy, it's visible and understandable for the public in various ways, as the policy is specific, like how much is to be spent on healthcare. It's presented in a highly visible manner. On the other hand, monetary policy works through the financial markets, with the central banks carrying out various policies, and the effects spreading over the economy as a whole through the financial markets. That's the mechanism. Rather than specific, individual spending items that are visible, monetary policy is about what kind of effects can be exerted on the macro economy through financial markets as well as how the effects are reflected on the daily life of ordinary people or their economic situation. This is somewhat indirect, and difficult to see. Therefore, it is important to communicate what the central banks are doing, with what purpose, and through which channels the effects will spread, in order to ensure the monetary policy will be truly effective as economic policy. Based on this, let's think about what we call forward guidance, leading the way for the market by showing the direction of future monetary policy. In presenting an objective like "achieving the price stability target of 2% as soon as possible" it is good

to clarify the objective of the overall monetary policy. It's good to clarify that the monetary policy is carried out toward that objective. However, when it comes to explicitly showing specific monetary policy tools of the future, in a form of forward guidance and to lead the market, opinions vary on whether it is effective, necessary, or appropriate to do so. I think the most important things are to show the objective of the central bank, how such objective is to be achieved, and the channel through which the effects will achieve the objective.

(15:34)

Q: (Echizenya, the Yomiuri Shimbun) I have two questions. One is about the pace of purchasing long-term JGBs. Currently, the guideline is ¥80 trn for now, but in fact, at the Diet meeting you said that it's around ¥50 trn. The difference is significant. Some market participants pointed out it's "stealth tapering." How do you, yourself, view the fact that such difference exists? I would appreciate it very much if you could explain. The second question includes the above-mentioned points. It is difficult to see the BOJ's stance toward the exit. I think you have consistently said in the past that you would not talk about this throughout fiscal 2018. However, your mentioning that you would consider it in fiscal 2019 actually moved the interest rates in the markets. Market reactions are highly sensitive. So around this, I'd appreciate it very much if you could talk about how the BOJ intends to respond and communicate with the markets.

G: In relation to your first question, just as I kept repeating, we decided on the present framework of the QQE with Yield Curve Control in September 2016, and we have kept deciding to continue this policy at every policy meeting since then. I said at that time, and I also repeat myself now, the target of the operation is not the purchase amount, as in the past. Absolutely, the target is interest rates. If I use the present example, the short-term rate of negative 0.1%, and the 10-year JGB rate of around 0%. We have an interest rate target. The purchase pace is fundamentally in accordance with what is necessary and sufficient to achieve the interest rate target, that is, the objective in the yield curve. When we say the guideline is around the level of purchase at status quo, that's fundamentally a guideline. The absolute objective is to formulate an appropriate yield curve, including short-term and long-term rates, by setting the interest rate targets at two points. So, now the objective is the interest rate. In response to your second question, I keep saying the same thing at every press conference. At the present point in time, as shown in the Outlook Report published in January, it is likely that prices will reach the 2% target around fiscal 2019. This is the basic outlook for prices. At the same time, the Outlook Report shows that in future years, for the mid-to-long term, the downside risk is significant with certain uncertainty. Based on this, even if the outlook materializes in the future, that does not automatically mean that the fiscal 2019 will see the exit. In the first place, we will have to discuss how to carry out the exit, utilizing various tools. At any rate, we still have a long way to go before achieving the price stability target. It is not the time yet to discuss the exit. This is what I have kept saying again and again.

(19:54)

Q: (Takami of Nikkei Shimbun) I would like to ask about the way of communication as an add on to the previous question. What happened in the market after the introduction of QQE with Yield Curve Control in September 2016 was first a decline in bond purchases and second a rise in the excessively large negative interest rate. In other words, I believe rising interest rates and decreased purchase amounts means normalization. At that time, I believe you described it as enhancement of monetary easing. I believe people attribute such difficulty in understanding to the observation of monetary policy normalization and suspicions about the BOJ. One thing I would like to ask is if you think your communication describing the introduction of QQE as enhancement of monetary easing was appropriate. Secondly, it will be twenty years since implementation of the revised Bank of Japan Act in April. One of the major features of the revised Bank of Japan Act was to give independence to the BOJ, I believe. Regarding such independence, candidate for Deputy Governor Mr Wakatabe, says it is how the BOJ secures its independency in operating measures within its given targets. In other words, it is independency of measures, as he said during his Diet hearing. Now that the BOJ and the government are issuing a joint statement, I would like to ask if the 2% price target is set by the BOJ independently and that the BOJ and the government issued such joint statement based on the target. I would also like to hear your view on whether the independence of the BOJ includes the target or only the measures.

G: For the first part, I believe there is definitely strong monetary easing by maintaining strong monetary easing. As I have been saying and as shown in detail in the Comprehensive Assessment, what has a strong influence on the economy and prices is actually short, medium and long-term interest rates that have a large impact on lending and corporate bonds rather than super-long term interest rates. On the other hand, it cannot be expected that lower super-long interest rates significantly stimulate business activities. Conversely, if super-long interest rates decline too much, yields of managers with super-long term horizons such as pension funds and life insurers would decline. If that leads to concerns for pension funds and future pension payments, it may have a negative impact on sentiment. Therefore, as I have been saying, we decided on targets of minus 0.1% for short term policy interest rates and around zero % for 10-year government bonds and we have operated aiming for an appropriate yield curve in general. By that, I believe monetary easing has been very effective. In addition, as I explained at that time, if price expectations increase, real interest rates which are nominal interest rates minus expected inflation would decline. Through such operation and by conducting yield curve control, the impact of monetary easing is strengthened. We have explained such points in considerable detail at the time of the Comprehensive Assessment, when we introduced QQE with Yield Curve Control. QQE with Yield Curve Control is a long name and it has been pointed out that it is difficult to say. But the name represents the contents very well and I believe it is definitely a form of monetary easing. Note that, as I have been saying, it is important that control

target is not the purchase amount of government bonds, but the yield curve.

As for second point, it is very clear in the 1998 Bank of Japan Act. In deciding monetary policy, the BOJ is independent from the government in deciding monetary policy at its Monetary Policy Meetings. The Act assures that. As for the 2% price stability target, we decided at the Monetary Policy Meeting in January 2013 and it was included in the joint statement. Note that the BOJ maintains independence in both specific targets and the measures to achieve them. Most central banks in advanced nations, excluding the Bank of England, decide specific price stability targets and measures to achieve those independently from government. However, the Bank of Japan Act describes achieving price stability as the most important priority of the BOJ's mandate. In the case of the US Fed, as you know, job creation and price stability are specified in the law governing the Fed. Its basic mission is set by US Congress but, generally speaking, I believe specific policy targets and measures to achieve those are mandated to central banks, including the BOJ.

(27:34)

Q: (Ohe of TV Tokyo) As I have two questions, I'm pleased if you answer one by one. Starting from a simple question. Why have you accepted another term?

G: Well, it is difficult to answer because it is a personal matter. In this important stage, it is a fact that the economy has significantly improved during the last five years, but regrettably the 2% price stability target has still not been achieved. As I've heard that government is willing to re-appoint me, on this occasion, after I am approved by the Diet and appointed by the Cabinet, and I accept, I want to achieve price stability target with all my efforts.

Q: I believe you will continue trying to achieve the 2% price target for the next five years. A consumption tax hike is scheduled for October 2019 and it can affect prices. I'm wondering if you are confident that the 2% price target will be achieved around FY2019. Are you considering another monetary easing if the pace of price increases slows down?

G: As we have already announced, as shown in Outlook for Economic Activity and Prices, we have discussed at Monetary Policy Meetings and announced the outlook for the economy and prices and described the timing for when the 2% price target is expected to be achieved. As I said previously, the 2% price stability target will likely be achieved at around FY2019, which is median of expectations by member of Monetary Policy Meeting. However, as I said previously, as there is downside risk that the 2% price stability target may not be achieved, we will look at conditions carefully and operate monetary policy accordingly. We show in the statement every time that we will adjust policies as necessary to maintain momentum toward the price stability target given economic, price and financial conditions. Therefore, if we find momentum is not maintained, we will definitely consider additional

monetary easing.

(31:05)

Q: (Tsumimura of Kyodo Press) I have two questions. Firstly, although it overlaps with the previous question about the exit strategy, as you said earlier, yield curve control has both the effect of monetary easing and monetary tightening. In this context, if price expectations increase, for example, even if the nominal target is raised, the effect of easing would not change. In the exit strategy or when we enter the exit phase, I'm wondering if there may be logic that it is actually not an exit because even if the target is slightly raised, the effect of easing is unchanged. I would like to hear your view.

G: I believe it stands in theory, but we are not thinking about that now. As I have been saying, when price expectations increase, the effect of easing would be strengthened. As we aim to consolidate the path toward the 2% price target, at this juncture, we are not considering such issues at all.

Q: My second point concerns the *Shunto* Spring Wage Offensive. Although the results of the Spring Wage Offensive have not yet been finalized, I believe the outcome will be a key factor in achieving the 2% price target. Please tell us your thinking or what expectations you have.

G: Of course, as it is still being discussed between labor and management, I believe it is inappropriate for me to talk about something specific. However, generally speaking, the BOJ is not saying that it is fine if only price increases, but we aim to create virtuous cycle in which prices shall gradually increase alongside higher corporate profits and wage increases. Actually, as corporate profits are hovering at record levels, the labor market has tightened, and CPI ex-food inflation is reaching 1% yoy, I believe wage pressure is steadily increasing. In addition, the government is also backing strong wage hikes by companies with its implementation of various measures including taxes. The BOJ strongly hopes for more widespread efforts on behalf of both labor and management to realize a virtuous cycle utilizing such economic condition

(34:22)

Q: (Atsumi of Tokyo Shimbun) I have two questions about the last five years. I'm pleased if you answer one by one. First, when you introduced monetary policy for the first time, you set a target of doubling the monetary base, doubling the holdings of long-term government bonds and doubling the ETF holding. I think you said it is a policy of different dimension referring to the size. At this moment after five years, holdings of long-term government bond have increased five-fold and ETF holdings increased more than ten-fold. You mentioned the doubling of holdings as constituting a different dimension, I'm wondering what term you would use to refer to the current situation.

G: Well, I believe different dimension still applies. What shall I say, regarding ongoing monetary policy,

we introduced QQE in spring 2013 and we explained the specific measures. We introduced negative interest rates in January 2016, making a policy of QQE with negative interest rate, and explained the details. Then in September 2016, we changed the framework significantly by introducing QQE with Yield Curve Control and we showed specific details. Our policy framework is QQE or QQE with Yield Curve Control. Referring to those as bold monetary easing, strong monetary easing, or monetary easing of different dimension is a vague way to show our operation of strong monetary easing in general. Even now, I'm frequently referring to the terms bold and strong, but as for specific monetary policy, as I said earlier, we are saying QQE with Yield Curve Control to show the monetary policy or monetary easing policy framework although it is a rather long name.

Q: My second question concerns an idea surrounding monetary financing which was frequently mentioned during Diet hearings. We always hear your motivation that bond purchase is not aiming at monetary financing. But, in reality, as the BOJ's holding in government bond is more than 40% of the total issued, I believe it has been well noted that the role of monetary policy is gradually shifting from increasing prices to monetary financing. Can you definitely say there has not been a shift in monetary policy?

G: There has definitely not. Although the definition of monetary policy is vague, it is generally defined as a central bank underwriting government bond issuance to ease financing of budget deficits using seigniorage of central bank. But our operation is just the purchase of government bonds from the market, aimed at monetary easing. For example, the BOJ is also purchasing corporate bonds and CPs, but it is not aiming to help finance particular companies. In the case of government bonds, it is a risk-free long-term interest rate and in the case of corporate bonds it is a long-term interest rate with certain risks. We are purchasing those to lower real interest rates by lowering the market interest rates combined with increased price expectations. We are not aiming to ease the finance of issuers, or monetary financing in the case of a nation.

(39:11)

Q: (Fujioka from Bloomberg News) At the Diet hearing, you stated that it would be inconceivable to soften the current monetary easing policy before the 2% inflation target is achieved and that the BOJ will tenaciously conduct the policy. Meanwhile, you also said that this does not mean the BOJ will not change anything before the target is achieved. I do not think your remark is strange considering what you have mentioned about real interest rates. When you use the word "exit policy," do you include the adjustment of the yield curve or raising long-term interest rates?

G: It is impossible to define the meaning in an abstract manner. According to today's BOJ statement, "The Bank will continue with 'Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control,' aiming to achieve the price stability target of 2%, as long as it is necessary for maintaining

that target in a stable manner.” Moreover, “It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2% and stays above the target in a stable manner.” I ask you to consider that neither of these remarks means the BOJ will downgrade monetary easing policy when prices get close to the 2% target. The BOJ has changed details of our policy measures, but I have no intention to change the current monetary policy framework, such as the yield curve control or the inflation-overshooting commitment, and do not plan to soften the monetary easing policy before the price target is achieved.

Q: (Fujioka from Bloomberg News) Another question. There is spreading concern about trade wars due to the recent tariff policy measure taken by the United States. You engaged in tariff policy when you were a Ministry of Finance official. What do you think about the current situation and the possible impact on the economy?

G: The US government recently decided to apply Section 232 of the Trade Expansion Act to limit imports of steel and aluminum. From the position of a central bank, I refrain from commenting on the trade policy of a specific country. However, the international community, including the G7, G20, WTO and IMF, recognizes the importance of free trade in common. Moreover, protectionism has its disadvantage in preventing imports of goods needed for the country, so based on that stance, I do not think protectionist moves will spread worldwide. As each nation's trade policy can affect not only the country itself but also the world economy and the international financial market, I will continue to watch trade policy moves carefully.

(43:28)

Q: (Shimizu from Nikkei Shimbun) A question about your five years as head of the BOJ. You took office as BOJ Governor after considerable experience in the international field, including as MOF Vice Minister for International Affairs and Asian Development Bank President. I understand that there is certain significance in a person with such career taking the helm of the BOJ. Actually, when the Japanese government picked you as BOJ head, it explained: As a bold monetary easing policy may be criticized by foreign countries as being a way for Japan to try and guide the yen lower, it is desirable to select a person able to persuasively argue against such possible criticism. In fact, after you took the helm of the BOJ, you frequently visited foreign countries. You also mentioned the negotiations for Basel III at the recent Diet hearing. What do you think about the significance of a person such as yourself and with your international career having steered the BOJ for five years?

G: Of course each central bank chief has his/her character and background, so I do not think that an international background is indispensable. However, in the circumstances where both the economy and finance have become international, there is possibility of a spill-over or spill-back that a specific country's monetary policy affects the economy and finance of others in various ways and the reaction

flows back to the country itself to affect its economy and finance. This is the case even though it is stressed at the G20 and others that the role of a central bank should be domestically oriented, and its policy should be stability of prices. Such international repercussions and interactions have become much more important, so discussing and exchanging opinions about them is almost indispensable. As the Basel accord is more related to financial regulations than monetary policy, the Financial Service Agency oversees that in Japan. But as the BOJ is a member of the Basel Committee, we expressed our opinions about the financial regulations and took part in the negotiations. Moreover, the BIS holds and hosts meetings of central bank chiefs six times a year. The meetings, joined by only central bank chiefs, discuss various issues, such as the effects and interactions of monetary policies. The meetings are very advisable and useful in conducting one's own monetary policy and frank discussions can be made there by a central bank informing that it is conducting a certain policy with a particular purpose and show the various effects internally and internationally.

(47:37)

Q: (Sugeno from Nikkei Shimbun): Just one question about voting at the Monetary Policy Meeting. At the Diet hearing, the two candidates for Deputy Governors, Mr. Amamiya and Mr. Wakatabe, seemed to have fairly different opinions about the direction of additional monetary easing and side effects. I know you won't comment on that, so I would likely to ask a question in line with a general aspect. Do you think that the BOJ Executives, namely the Governor and Deputy Governors, should take one and the same voting action at policy meetings? Ten years ago or so, the Governor and a Deputy Governor took different voting actions and then Governor Fukui commented that it was not desirable. If there is such a situation in the future, do you think it is undesirable in light of the BOJ's governance because the Bank of Japan Act provides that the Deputy Governors shall administer the business of the Bank assisting the Governor? Or is it better to secure the freedom of speech like at the Bank of England where a Governor's proposal may be denied?

G: As stated by the Bank of Japan Act, each member of the nine-member Policy Board, of which three are the Governor and Deputy Governors and the remaining six are the Board members, shall express his/her opinion as an independent individual. The Act guarantees that there may be differences of voting actions among the three Executives as well as the nine Board members. Meanwhile, the Act provides that the Deputy Governors shall assist the Governor. Exercising the policy decided at the policy meeting or, as you know, there are nearly 5,000 employees at the BOJ and most of them conduct duties of the central bank, such as issuance of bank notes and settlements, and they are far more than the number of officials related to monetary policy, such as planning and markets. So, the decision and exercise of the monetary policy and functions as the central bank supporting the decision and exercise of the policy shall be conducted under full support by the Deputy Governors. Though it is desirable under normal circumstances that the Governor and Deputy Governors join as one with the same decision and that they head in the same direction, the Act does

not prevent them from standing on different positions.

(52:00)

Q: (Takemoto from Reuters): I have two questions. At the parliamentary hearing, you said you were surprised to hear the unemployment rate was at 2.4%. Apart from discussions on reflation, I guess you opt for the full employment situation or more. Do you feel concern over reflation? The other question is about the expected inflation rate. Though the rate is still far from the 2% target, it seems to be anchored at around 1%. It seems, at least, there is very little possibility that the rate falls below 0%. What is your opinion?

G: As the unemployment rate stood at 2.7% in the previous month, I was astonished to see the large drop to 2.4%. I thought that there was almost a full employment situation when the rate was at 2.7%, but the big decline from the level was a surprise. It is a desirable result and I will watch future trends carefully. As the US and European officials believe, Japan also thinks it important that the expected inflation rate is anchored at around 2% to maintain the price target in a stable manner. So, the state of the expected inflation rate anchored at around 1%, despite being better than 0% or negative, is not desirable in achieving and maintaining the 2% price target.

(54:23)

Q: (Mikoda from NHK): Recently there was discussion about the limit of monetary policy. I guess that you are of the opinion that there is no limit to monetary policy. There was a remark in the discussion that the BOJ has collected 400 trillion yen in JGBs and there is still 500 trillion yen's worth in the market. What is your opinion about the limit of the policy?

G: In monetary policy as in fiscal policy, citing a specific figure beforehand is not so productive. It is a matter of policy, so it does not make sense if you compare a particular policy measure that you have in mind with unfeasible measures. It is not constructive if you discuss advantages and disadvantages of a policy measure in comparison with alternative measures, and conditions are limitless, but then set limits with figures beforehand, such as limiting JGB purchases to particular amounts or lowering interest rates to only particular levels. An economically meaningful limit is significant, rather than setting a meaningless limit beforehand. And it is better to discuss a policy measure in comparison with alternative ones and ponder advantages and disadvantages, so called cost performance. It is not constructive to only point out the impossible aspects of a policy measure.

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