

BOJ: Stick With Accommodative Policy

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The Bank of Japan (BOJ) held its key policy rates unchanged and decided to continue supportive policies at the March Meeting.

Monetary Policy Details

The Bank stated to continue with "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control," **holding its short-term interest rates unchanged at minus 0.1%**. It will **continue expanding the monetary base** until the 2% target inflation has been achieved and stably maintained above the target.

It will continue to purchase a necessary amount of 10-year Japanese Government Bond (JGB) without setting an upper limit to keep its yields around zero.

The BOJ will continue its asset purchases at the current pace, keeping the upper limit of ETFs purchases at about 12 trillion yen and about 180 billion yen for J-REITs.

It will end additional purchases of CP (commercial paper) and corporate bonds at the end of March as planned and scaled back to pre-pandemic levels from April onwards, namely, about 2 trillion yen for CP and about 3 trillion yen for corporate bonds.

The bank also committed an ample provision of yen and foreign currency funds without setting upper limits, mainly by purchasing JGBs and conducting the U.S. dollar funds-supplying operations, aiming to support corporate financing.

Perspectives and Risks

Japan's economy has picked up though some parts remained weak due to the resurgence of Covid-19. While Exports and Industrial Production have continued to improve, pickups in Private Consumption and Investment have paused due to the sluggish job market and weak income. Rising prices in energy and commodities have put downward pressure on services consumption and risen inflation expectations.

DE View

Facing heightened uncertainties over the impacts of the Ukraine War on Japan's economy, the BOJ is expected to stick with its supportive policy to boost demand and maintain an accommodative financial condition.