The BOJ expands purchases and eases further

The Bank of Japan (BOJ) on Monday became the latest major central bank to take further easing measures in the face of the challenges posed by the Covid-19 pandemic and its impact on the global economy. In a surprise move, the BOJ said it would expand the corporate financing facility by 108 trillion yen, bringing the total to 1.98 quadrillion yen. This is equivalent to around 10% of Japan’s GDP. The facility is designed to help small and medium-sized enterprises (SMEs) by allowing them to borrow directly from the BOJ at a lower cost than traditional bank loans.

Adding up the monetary and fiscal measures, JPMorgan Chase estimates that the total stimulus package is worth around 22% of Japan’s GDP, making it one of the largest in the world. This is in line with the BOJ’s goal of boosting economic growth and inflation to 2% in a sustainable manner.

In addition to the corporate financing facility, the BOJ also expanded its quantitative easing programme. It said it would purchases more government bonds, bringing the total to 80 trillion yen per year, up from 53 trillion yen previously. This is in line with the BOJ’s goal of making buying and selling of government bonds a more active part of its monetary policy.

The BOJ’s measures are likely to provide some relief to the economy, which has been hit hard by the pandemic. The BOJ said it would also consider further measures if needed to support the economy.

In our view, enhancing the Special Funds-Supplying Operations will provide more incentive for corporates and households to continue spending and investing. We expect the BOJ to continue to take further actions if needed to support the economy.