

## BOJ's "Outlook Report"

The Bank of Japan (BOJ) issues the "Outlook for Economic Activity and Prices" (Outlook Report) which presents BOJ's outlook for developments in economic activities and prices, carefully assessing upside and downside risks, and outlines its views on the future course of monetary policy. The "Outlook Report" is an extremely important source to predict BOJ's monetary policy as it forecasts the timing when the annual growth rate of Consumer Price Index (CPI) (excluding fresh food) reaches the "Price Stability Target" at 2%.

### Point 1

#### Published twice a year in the April and October Monetary Policy Meeting (MPMs)

#### BOJ makes interim assessments in the January and July MPMs

- The "Outlook Report" issued in the April and October MPMs are published as the "Bank's View" containing four parts; 1) Baseline Scenario of the Outlook for Economic Activity and Prices in Japan, 2) Upside and Downside Risks, 3) Conduct of Monetary Policy and 4) Appendix (Forecasts of the Majority of Policy Board Members, etc.). On the next business day, a detailed "full report including the background" will be issued. In the January and July MPMs, BOJ announces its "interim assessments" of their outlook based on changes in the environment since the release of the latest "Outlook Report".

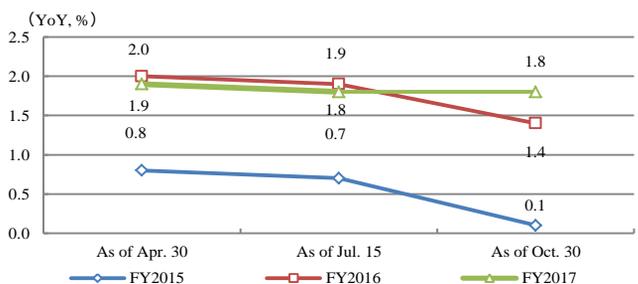
### Point 2

#### Focus is on CPI forecast

#### Timing of achieving their target is also important

- The market focus is on the majority forecast of the policy board members in the Bank's View and interim assessments, especially on YoY change of CPI (excluding fresh food).
- BOJ is also aiming to achieve the "Price Stability Target" at 2% and the timing of achieving this is forecasted in the Bank's View. Therefore, downward revision of the price forecast and postponement of the timing to achieve the target tends to create expectation of additional monetary easing in the market.

Chart 1: CPI Forecast of BOJ's Policy Board Member



(Note) Forecast is a median of BOJ's policy board member. Consumer price index is all items less fresh food. Excluding the effects of the consumption tax hikes for FY2017.  
(Source) SMAM, based on BOJ data.

### Future Outlook

#### "Outlook Report" will become more important next year

- From 2016, the "Outlook Report" will be released four times a year (January, April, July and October), increased from twice, immediately after each MPM. At the same time, the outlook for economy and prices as well as risk assessments of all policy board members will be released. The "Outlook Report" will become more important to forecast the monetary policy.

Table 1: Achieving Timing Forecast of "Price Stability Target"

BOJ Governor Kudora's statement at press conference on July 15, 2015	"the Bank's View" of Outlook Report on October 30, 2015
On the assumption of crude oil prices moderately moving up from the recent level, the timing of reaching around 2% is projected to be <b>around the first half of 2016</b> .	Although the timing of reaching around 2% depends on developments in crude oil prices, it is projected to be <b>around the second half of fiscal 2016</b> , assuming that crude oil prices will rise moderately from the recent level.

(Note) July 15, 2015 was the date "interim assessments" of Outlook Report was released.  
(Source) SMAM, based on BOJ materials.

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