

Outlook for Japan's Economy and Challenges to Achieving the Price Stability Target of 2 Percent

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

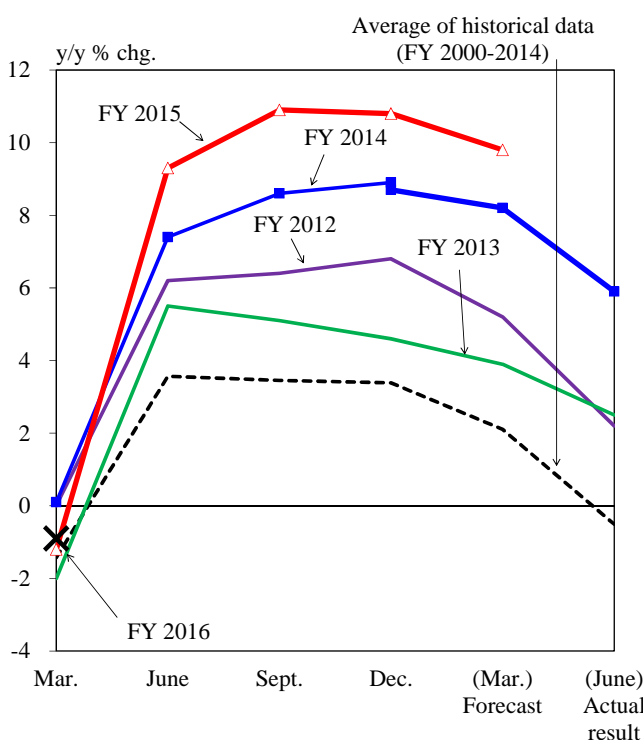
May 13, 2016

Haruhiko Kuroda
Governor of the Bank of Japan

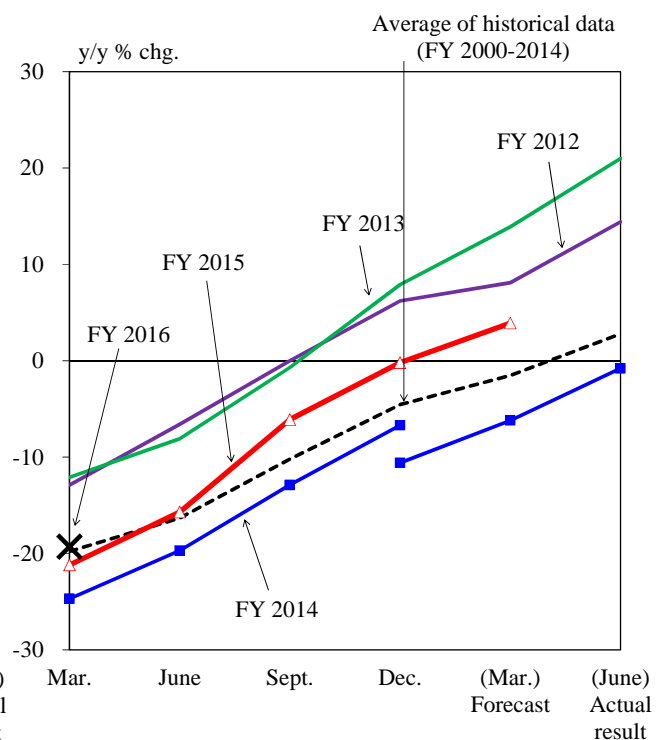
Chart 1

Tankan: Business Fixed Investment Plans

Large Enterprises



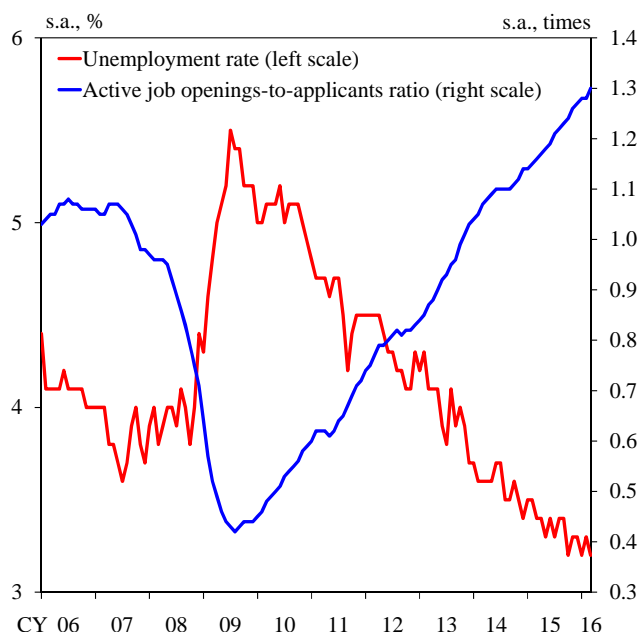
Small Enterprises



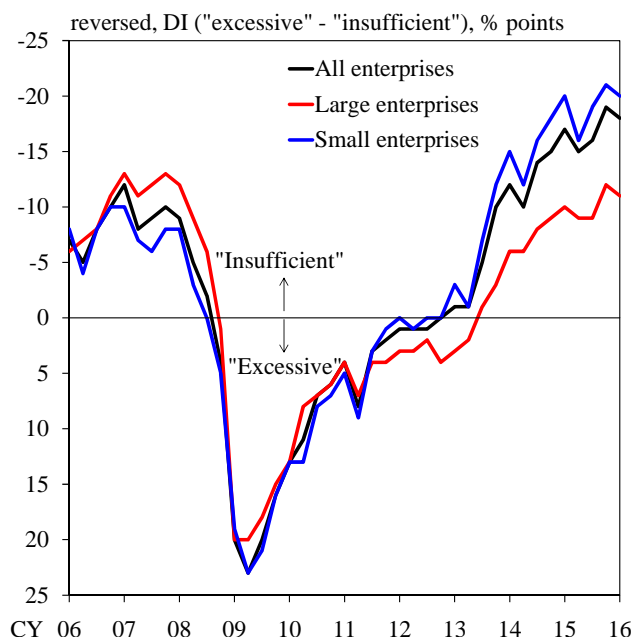
Note: Figures include land purchasing expenses and exclude software investment.
Source: Bank of Japan.

Labor Market Conditions

*Unemployment Rate and
Job Openings-to-Applicants Ratio*



Tankan: Employment Conditions DI

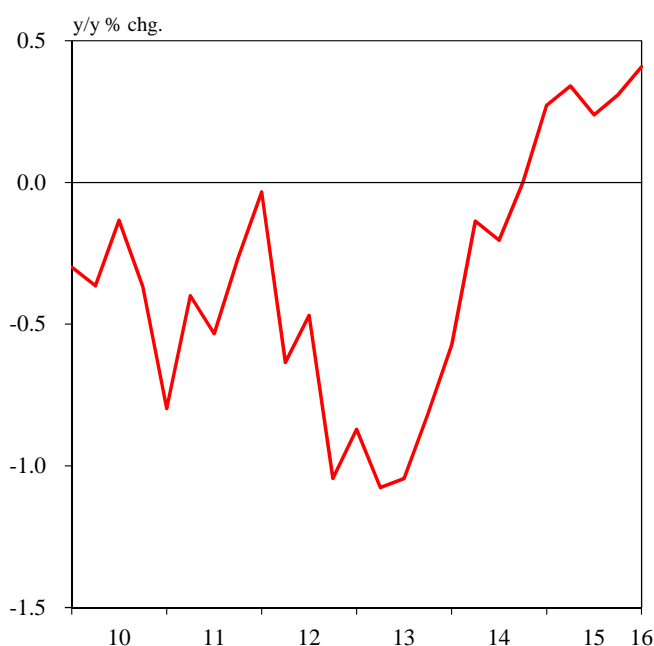


Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Bank of Japan.

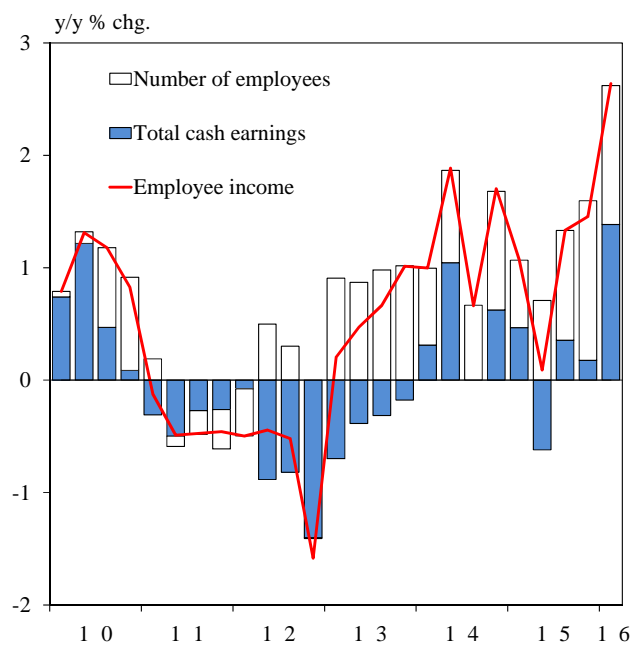
2

Wages

Scheduled Cash Earnings



Employee Income



Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2016/Q1 are those of March.

2. Figures for "employee income" are calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

3

Outlook for Economic Activity and Prices (as of April 2016)

y/y % chg.

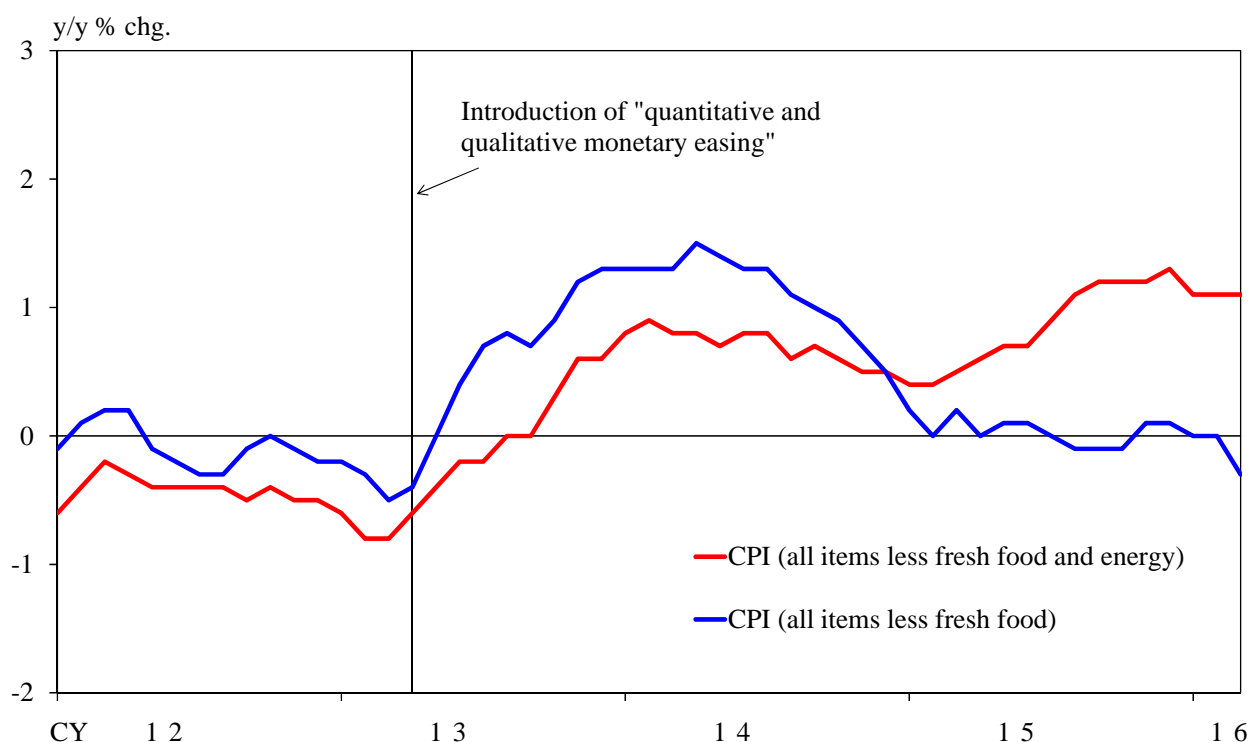
	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2015	+0.7	0.0	
Forecasts made in January 2016	+1.1	+0.1	
Fiscal 2016	+1.2	+0.5	
Forecasts made in January 2016	+1.5	+0.8	
Fiscal 2017	+0.1	+2.7	+1.7
Forecasts made in January 2016	+0.3	+2.8	+1.8
Fiscal 2018	+1.0	+1.9	

Note: Figures indicate the median of the Policy Board members' forecasts (point estimates).

Source: Bank of Japan.

4

Consumer Prices



Note: Figures are adjusted to exclude the estimated effects of changes in the consumption tax rate.

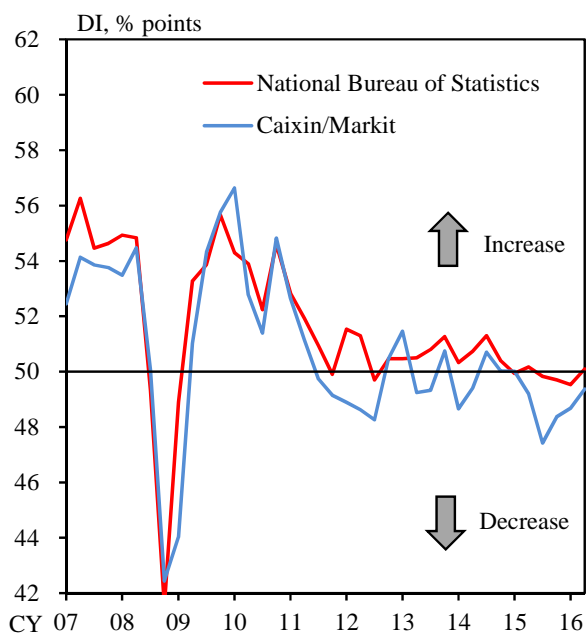
Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.

Source: Ministry of Internal Affairs and Communications.

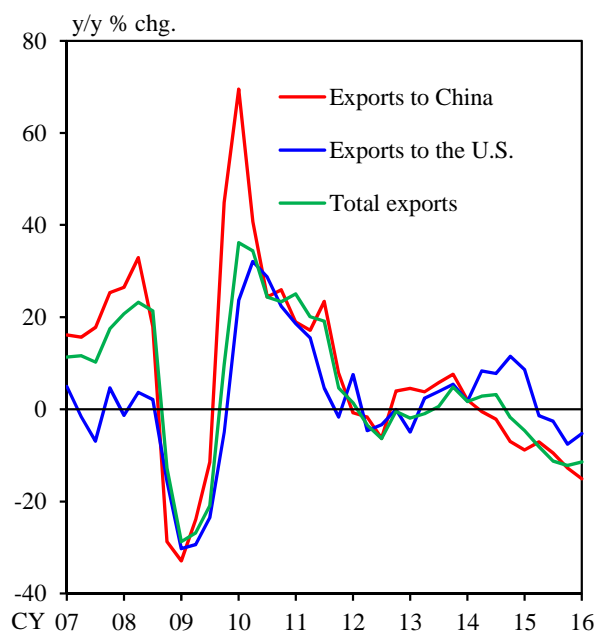
5

China's PMI and Exports from NIEs and ASEAN

China's PMI (Manufacturing)



Exports from NIEs and ASEAN



Notes: 1. Figures for China's PMI for 2016/Q2 are those of April.

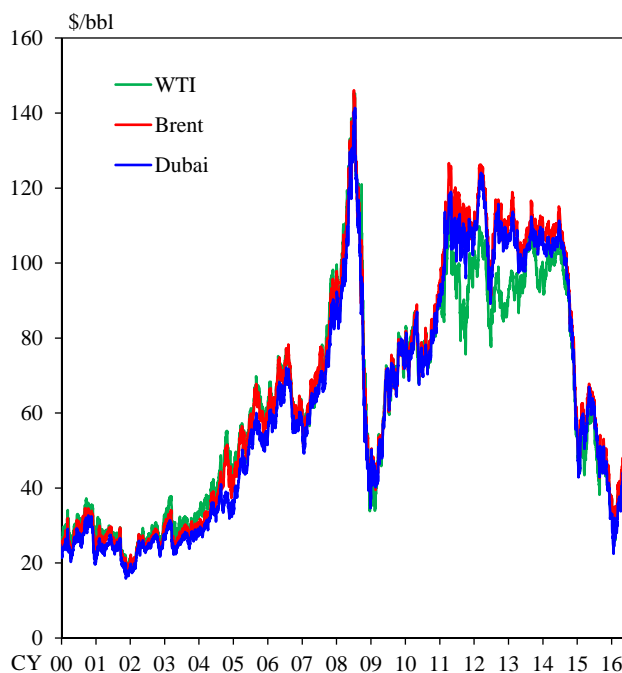
2. Figures for exports from NIEs and ASEAN are based on nominal dollars.

Sources: CEIC; Markit (© and database right Markit Economics Ltd 2016. All rights reserved.)

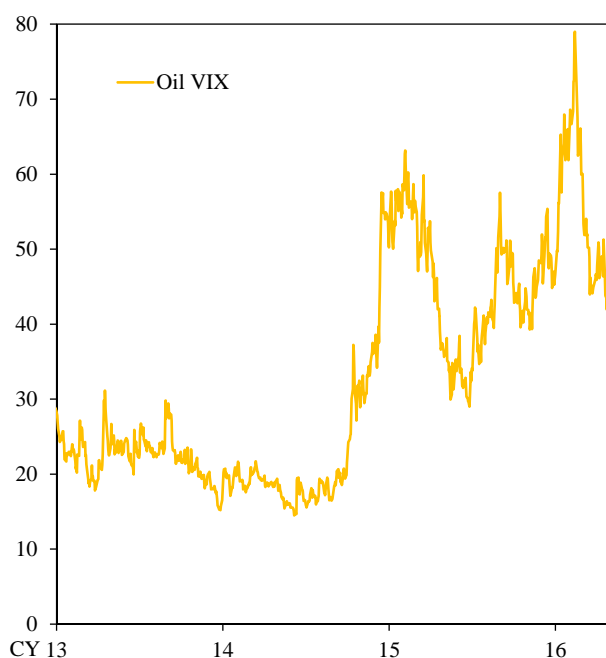
6

Crude Oil Markets

Crude Oil Prices



Volatility Index

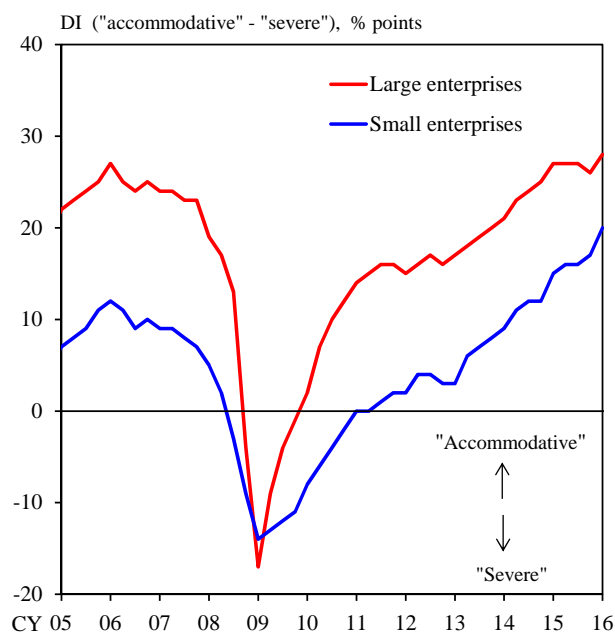


Source: Bloomberg.

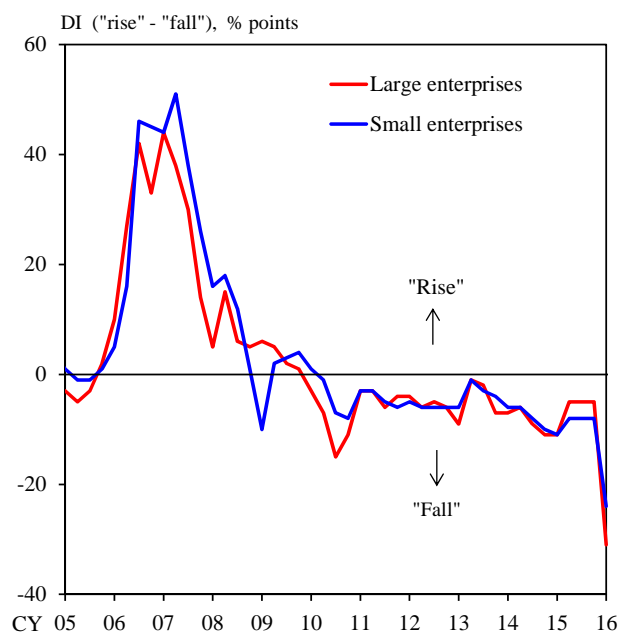
7

Funding Conditions (1)

Tankan: Lending Attitude of Financial Institutions



Tankan: Change in Interest Rate on Loans

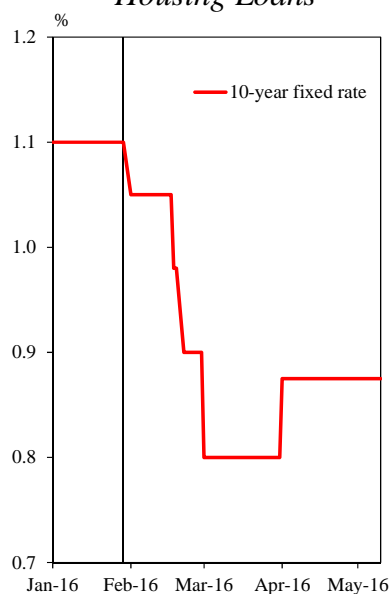


Source: Bank of Japan.

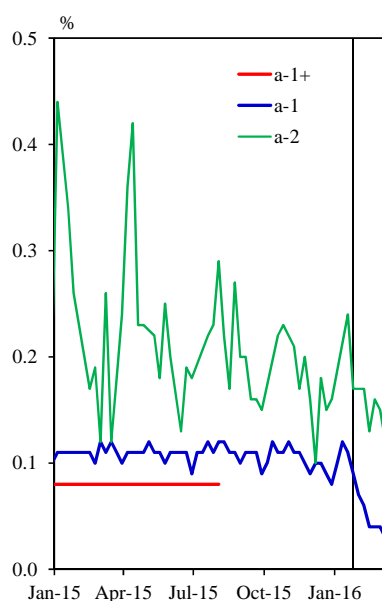
8

Funding Conditions (2)

Lending Rates on Housing Loans



Issuance Rates on CP



Issuance Rates on Corporate Bonds



Notes: 1. The vertical lines in the charts indicate the announcement of the introduction of "QQE with a Negative Interest Rate."

2. Figures for lending rates on housing loans are the medians of lending rates of 6 large banks. The 6 large banks are Mizuho Bank, The Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, Resona Bank, Sumitomo Mitsui Trust Bank, and Shinsei Bank.

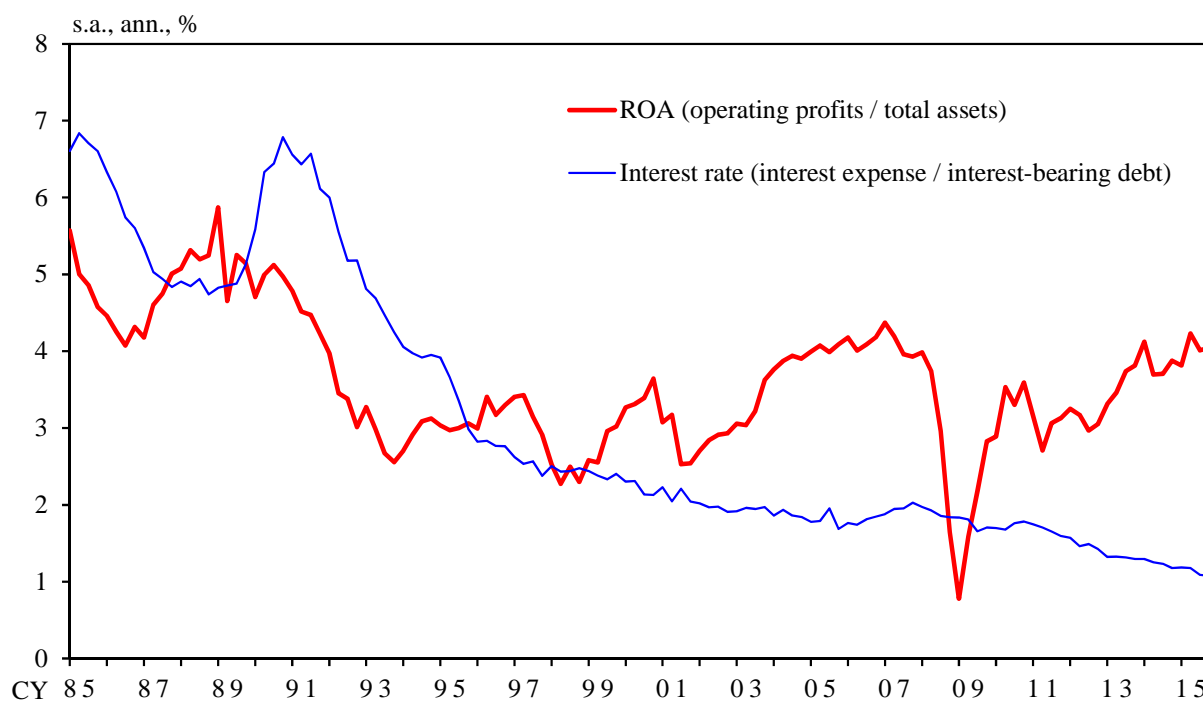
3. Figures for issuance rates on CP are weekly weighted averages. Rating information is obtained basically from R&I. CP issued by financial institutions and ABCP are excluded.

4. Figures for issuance rates on corporate bonds are the averages for domestically issued bonds launched on a particular date. Bonds issued by banks and securities companies, etc., are excluded. Bonds are classified based on the highest rating among the ratings from Moody's, S&P, R&I, and JCR. Breaks in a line indicate periods when bonds were not issued for six or more months.

Sources: Related private banks' web sites; Japan Securities Depository Center; Capital Eye; I-N Information Systems.

9

ROA and Interest Rate



Note: Figures are taken from the "Financial Statements Statistics of Corporations by Industry, Quarterly," and are the total for enterprises of all sizes and in all industries. The finance and insurance industries are excluded. Interest-bearing debt is the sum of long- and short-term borrowings, corporate bonds, and bills receivable discounted outstanding.

Source: Ministry of Finance.