

Toward Stronger Growth: Challenges facing Japan's Economy

*Speech at a Meeting Held by
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Masaaki Shirakawa
Governor of the Bank of Japan

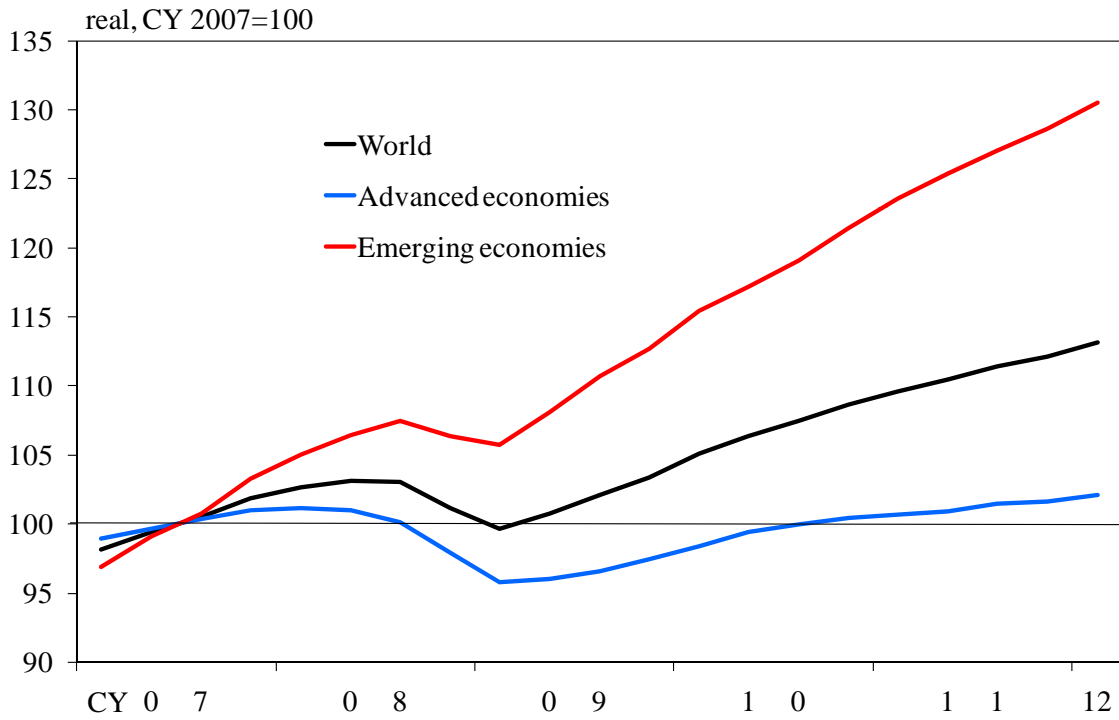
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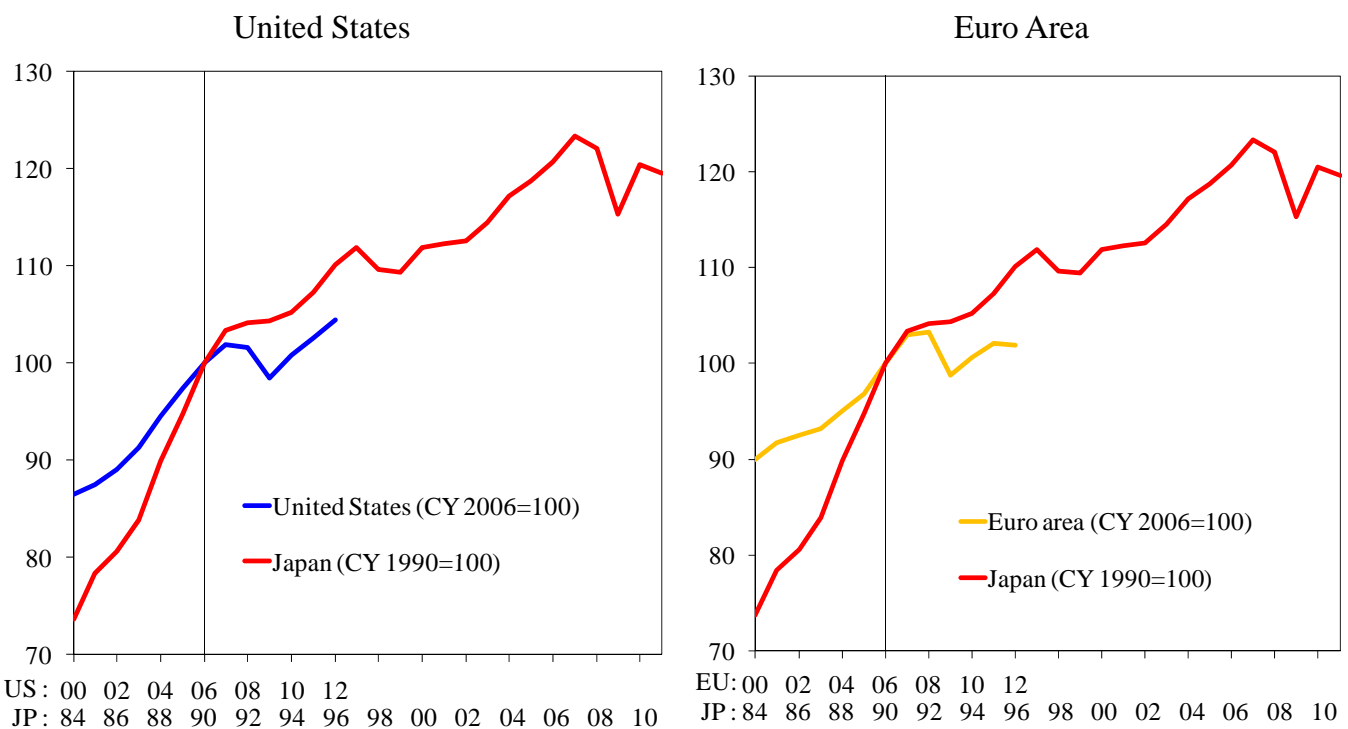
Concluding Remarks

World GDP



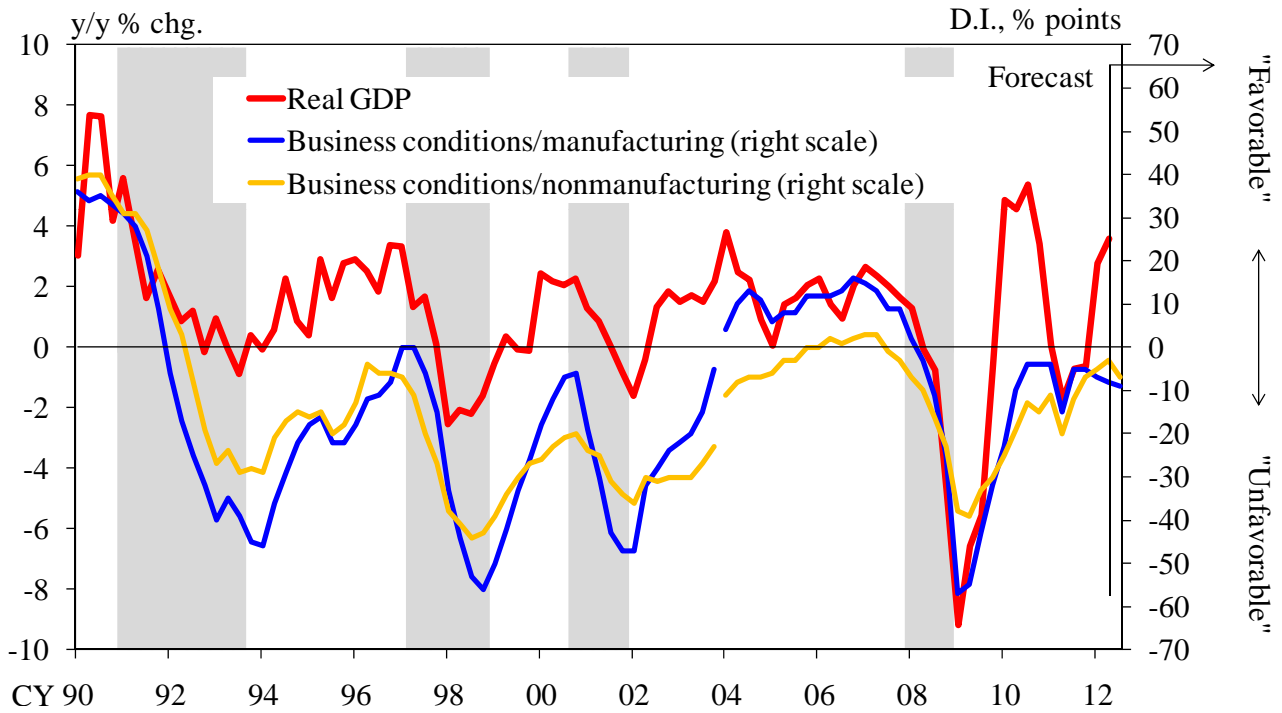
Source: IMF.

Real GDP in the United States and Euro Area: Comparison with Japan



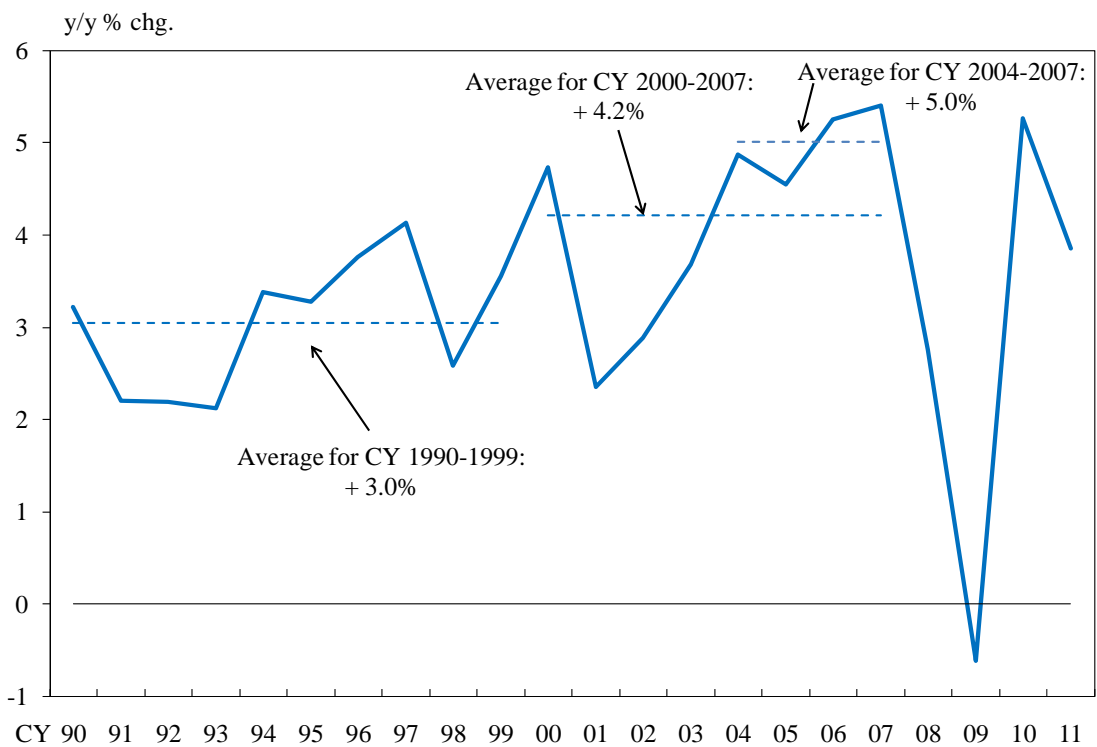
Sources: BEA; Eurostat; Cabinet Office.

Japan's GDP Growth Rate and Business Conditions



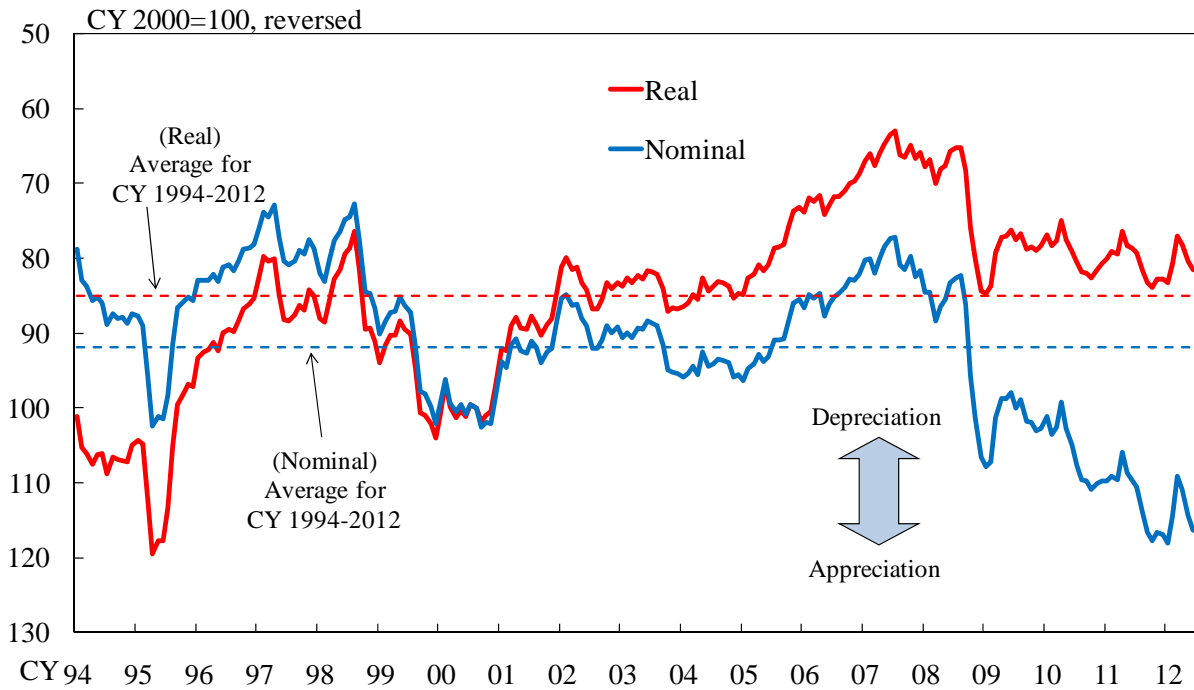
Notes: 1. Shaded areas indicate periods of recession (according to the Cabinet Office).
 2. Figures for business conditions are based on the *Tankan*, aggregates of all business sizes.
 Sources: Cabinet Office; Bank of Japan.

Real GDP Growth Rate of the Global Economy



Note: Figures are calculated using GDP based on purchasing power parity (PPP) shares of the world total from the IMF.
 Source: IMF.

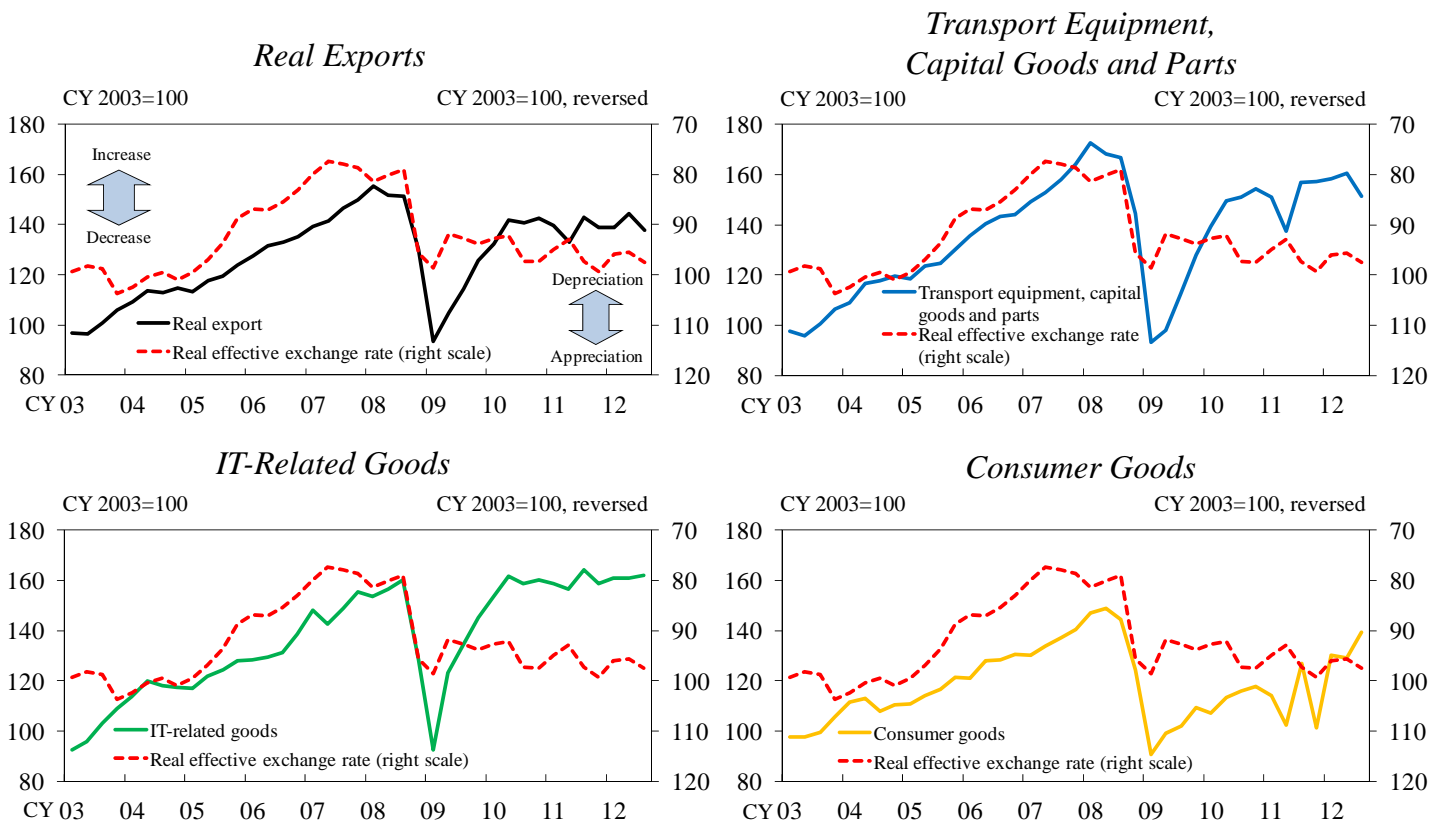
Effective Exchange Rates of the Yen



Notes: 1. The nominal effective exchange rate is an indicator that measures the overall value of individual currencies. It is derived by calculating the weighted average of each currency's exchange rate against other currencies using the annual value of each country's trade with its counterparties as its weights.
 2. The real effective exchange rate is an indicator of a country's overall international competitiveness, calculated as follows. First, each of the exchange rates of the country's currency against other currencies (i.e., nominal exchange rates) is deflated by the price indices of those countries to calculate the real exchange rate. Then, the weighted average of the real exchange rates is calculated using the annual value of the country's trade with its counterparties as its weights.

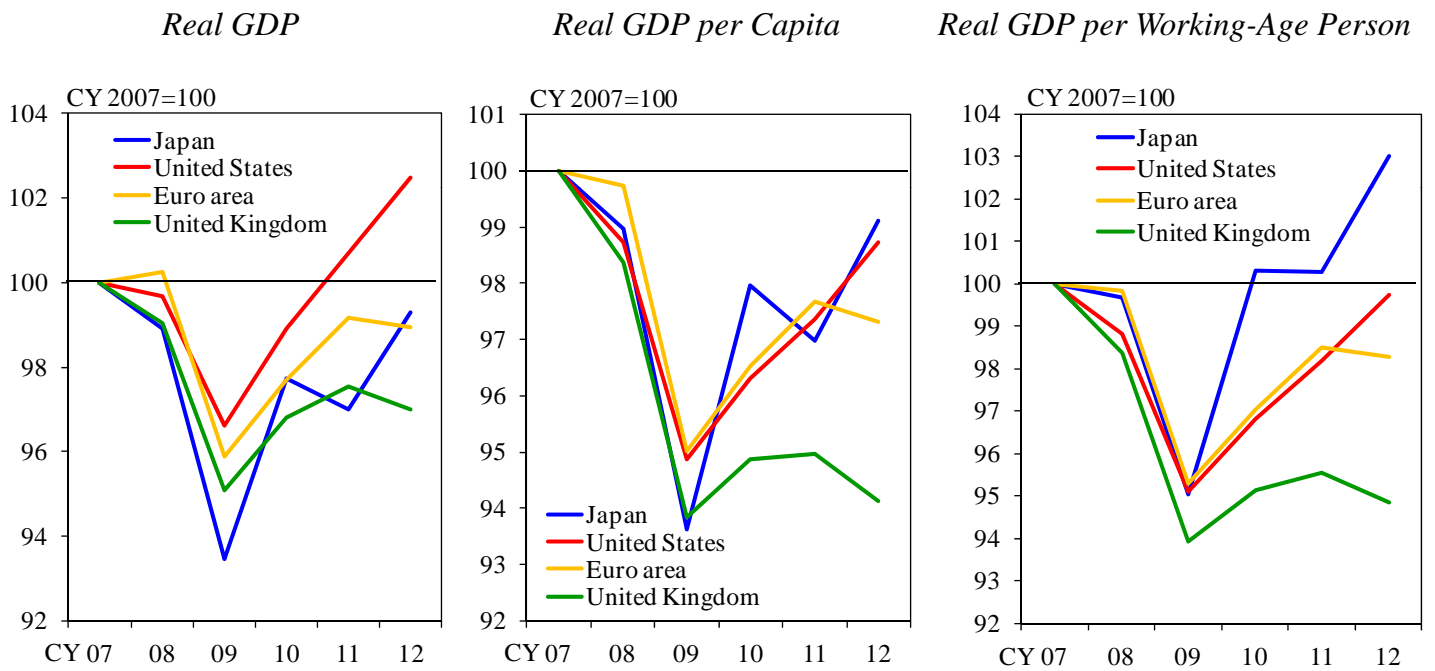
Source: BIS.

Exchange Rate and Real Exports



Sources: BIS; Ministry of Finance; Bank of Japan.

GDP of Advanced Economies

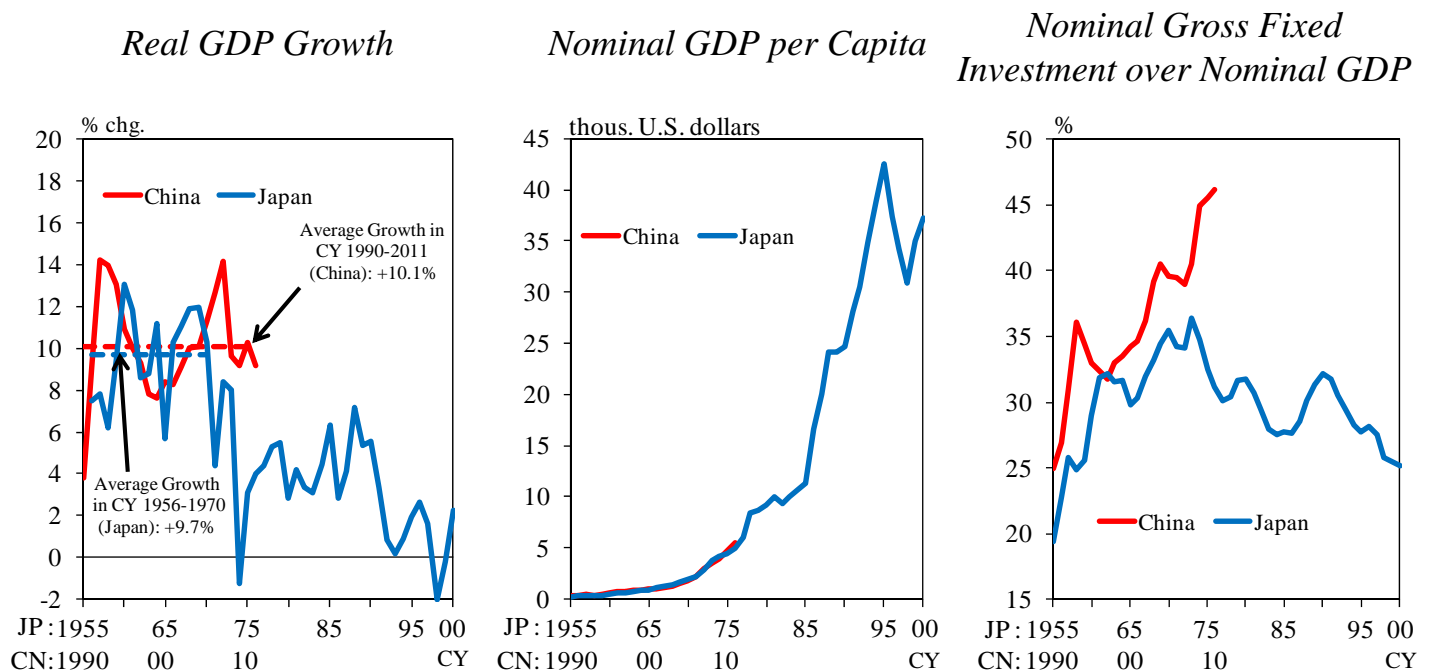


Notes: 1. A working-age person refers to those between 15 and 64 years old.

2. Figures for 2012 are January-June averages. Figures for the population for 2012 are calculated using the growth rate for 2011.

Sources: World Bank; BEA; Eurostat; ONS; Cabinet Office.

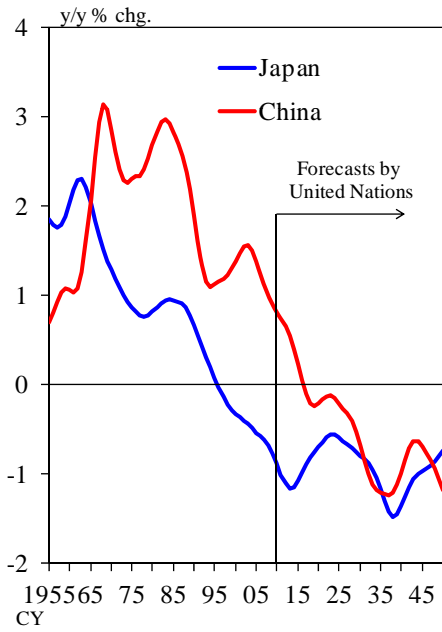
GDP of Japan and China



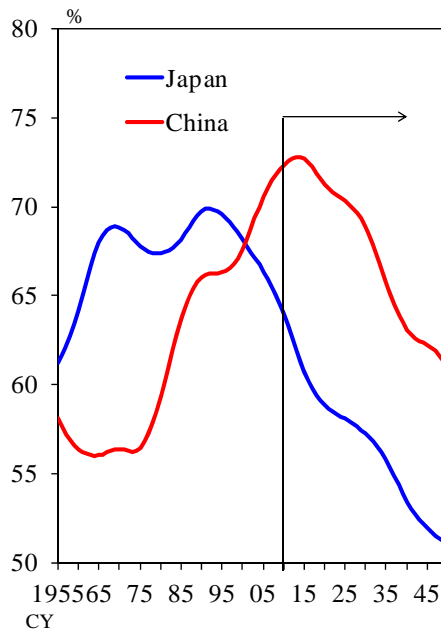
Sources: Cabinet Office; National Bureau of Statistics of China.

Demographic Changes in Japan and China

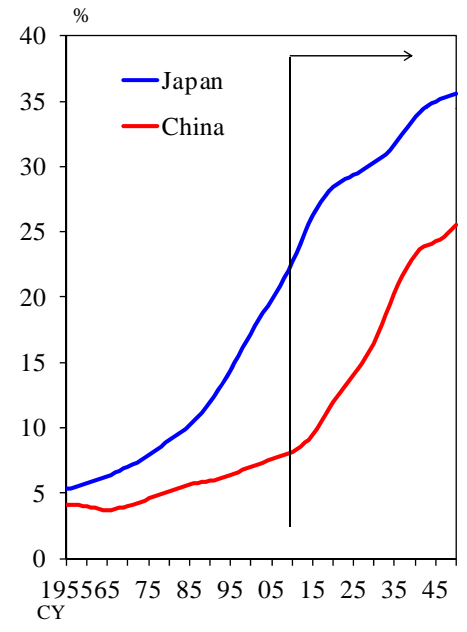
Growth of Working-Age Population



Share of Working-Age Population



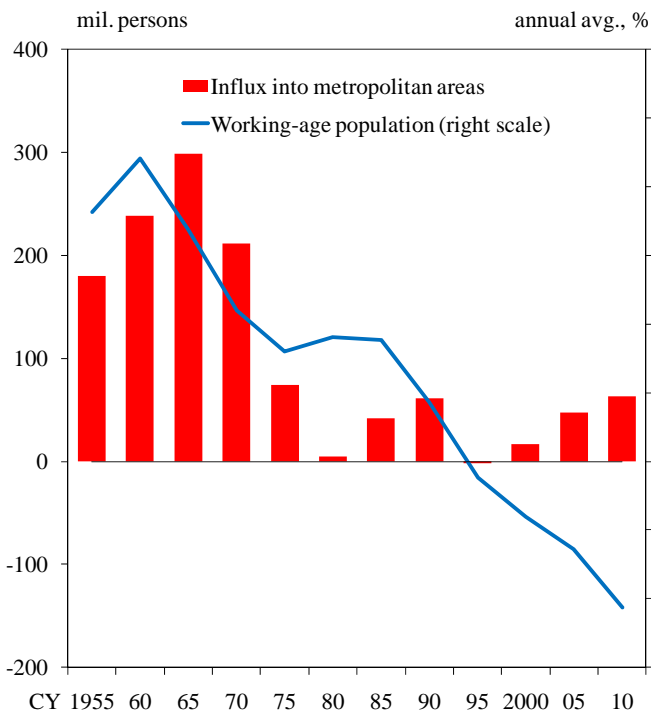
Share of Population over 65



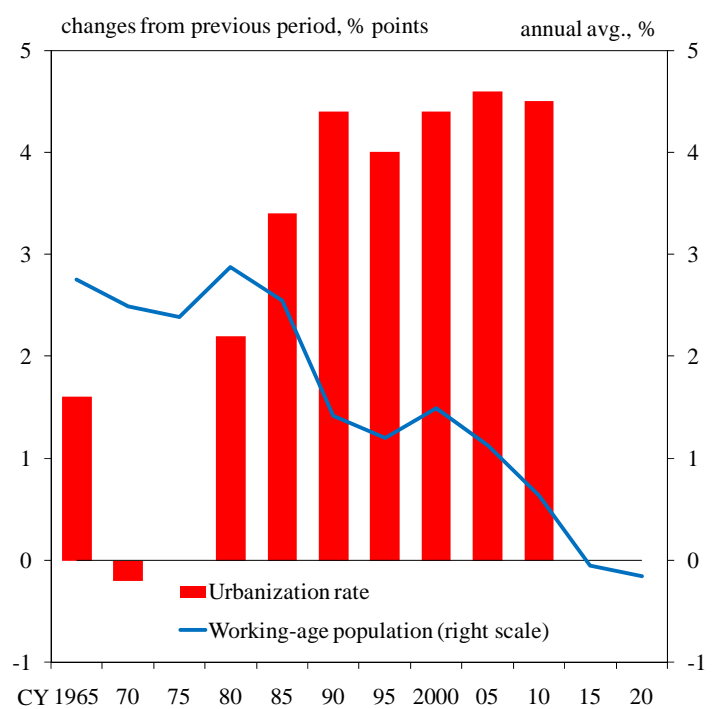
Source: United Nations.

Population Influx into Metropolitan Areas and Working-Age Population

Japan

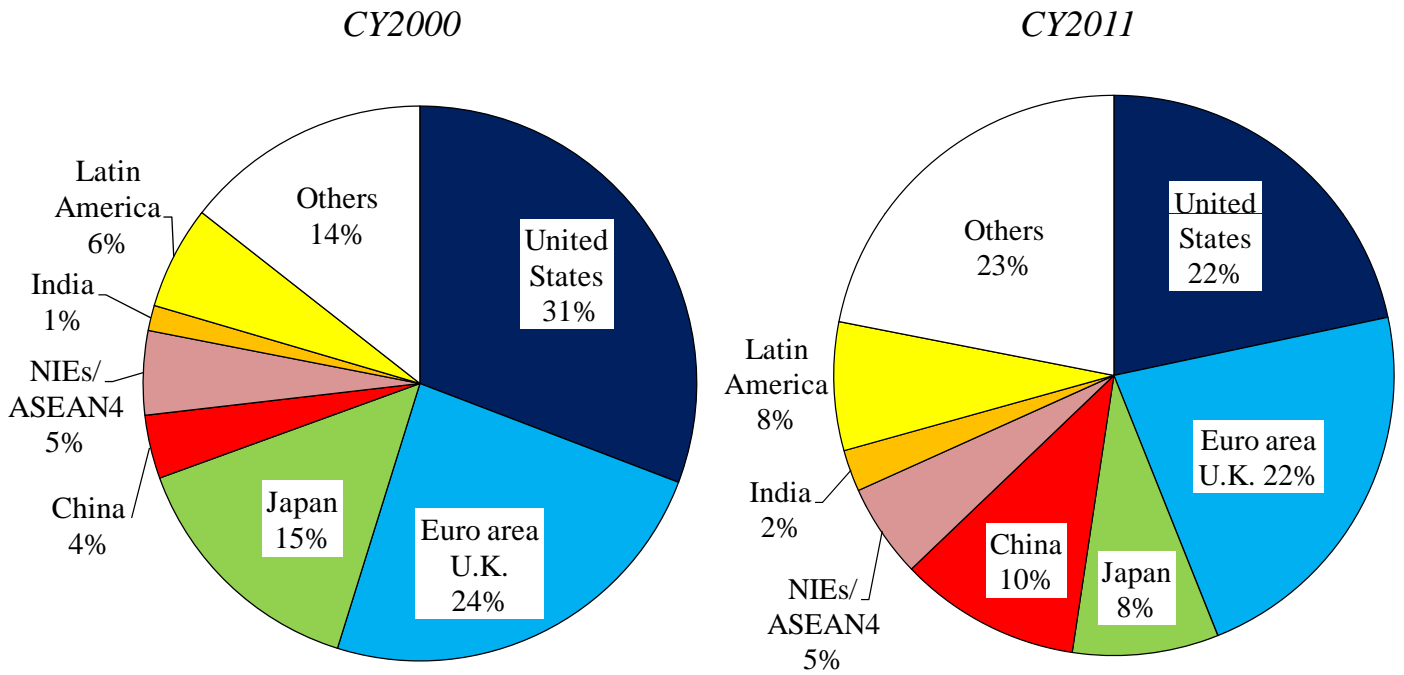


China



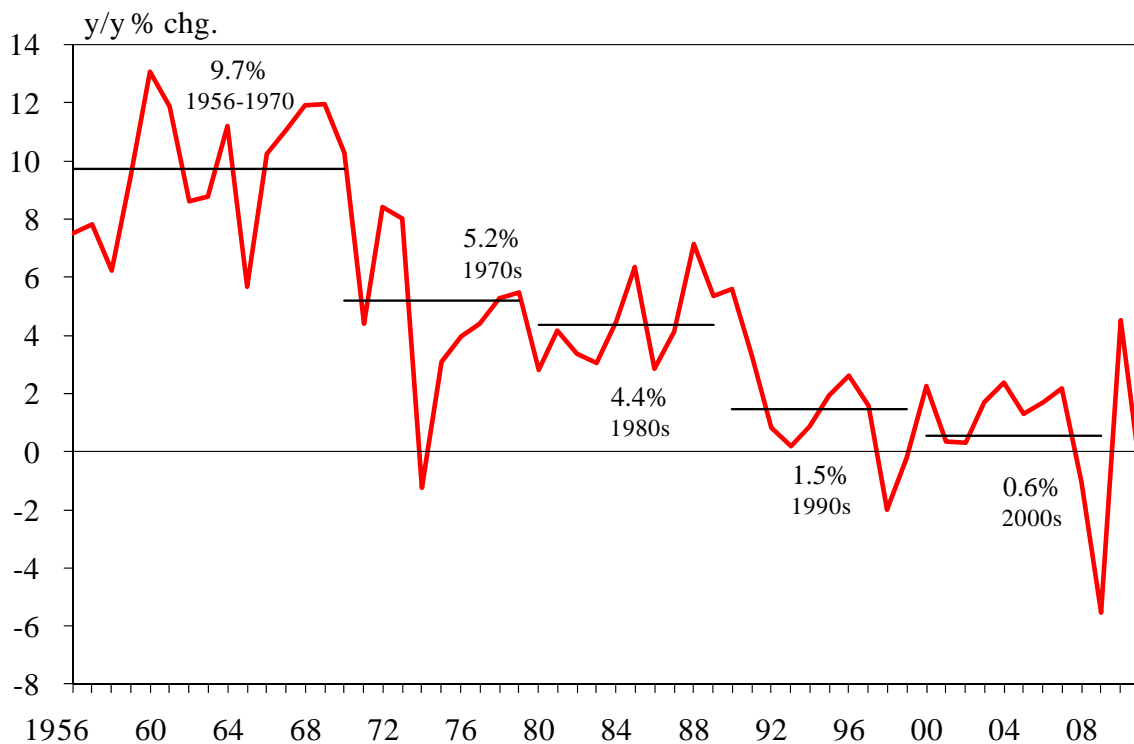
Sources: World Bank; United Nations; National Institute of Population and Social Security Research.

Share of Countries in World GDP



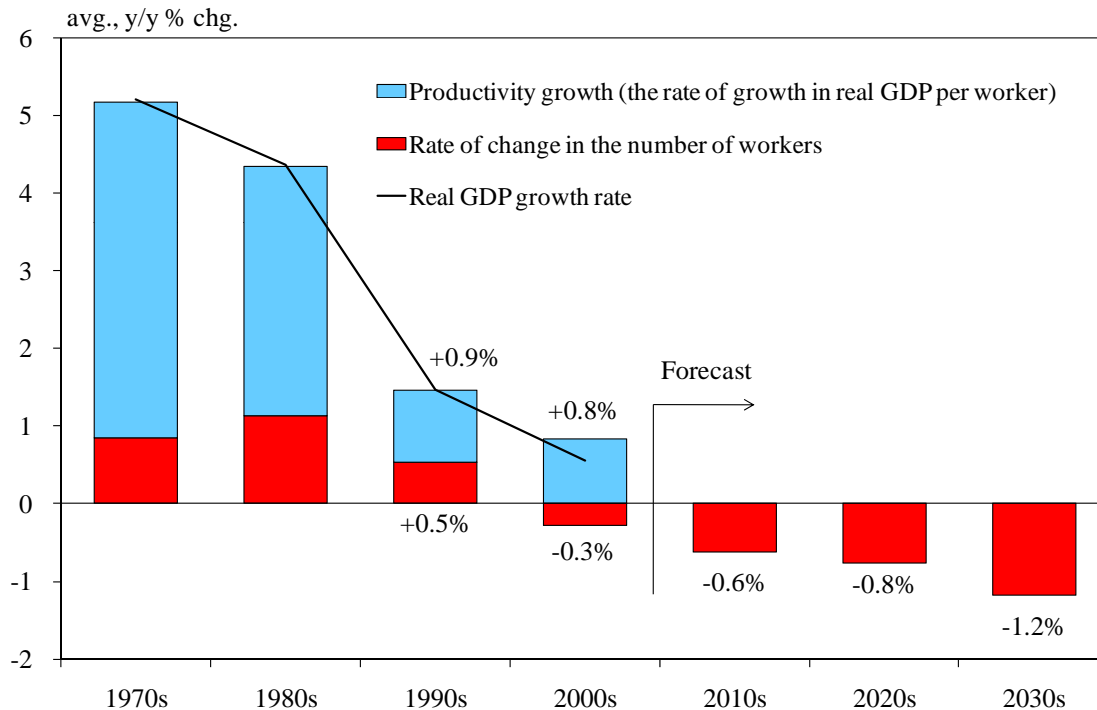
Notes : 1. Converted by market nominal exchange rates.
 2. Euro area is based on EU17.
 3. The NIEs consist of South Korea, Taiwan, Hong Kong, and Singapore. ASEAN4 refers to Thailand, Indonesia, Malaysia, and the Philippines.
 4. Latin America refers to Brazil, Mexico, Argentina, Colombia, Chile, Peru, and Venezuela.
 Source: IMF.

Developments in Japan's Real GDP



Source: Cabinet Office.

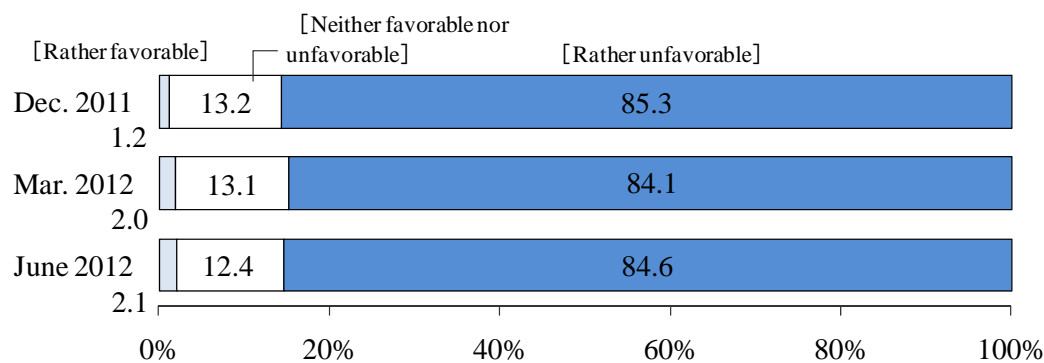
Decomposition of Real GDP Growth in Japan



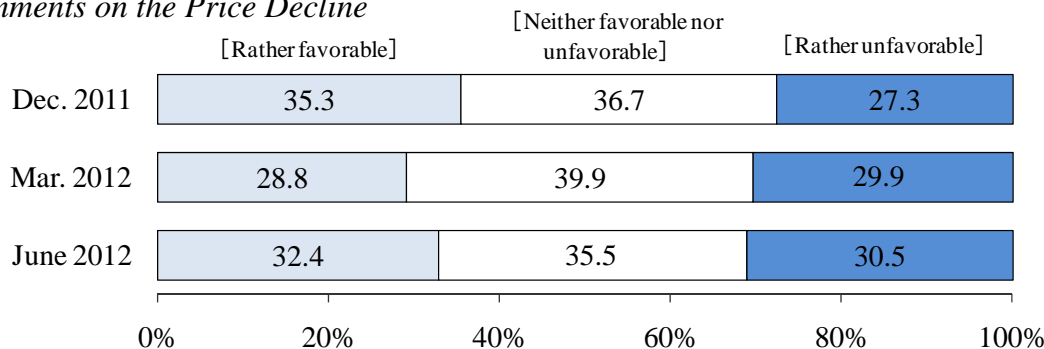
Note: The rates of change in the number of workers from fiscal 2011 onward are calculated using the projected future population (medium variant) and the projected labor force participation rates (assuming that the labor force participation rates in each age/sex group remain the same as those in 2010).
Sources: Cabinet Office; Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research.

Comments on Prices in the *Opinion Survey on the General Public's Views and Behavior*

Comments on the Price Rise

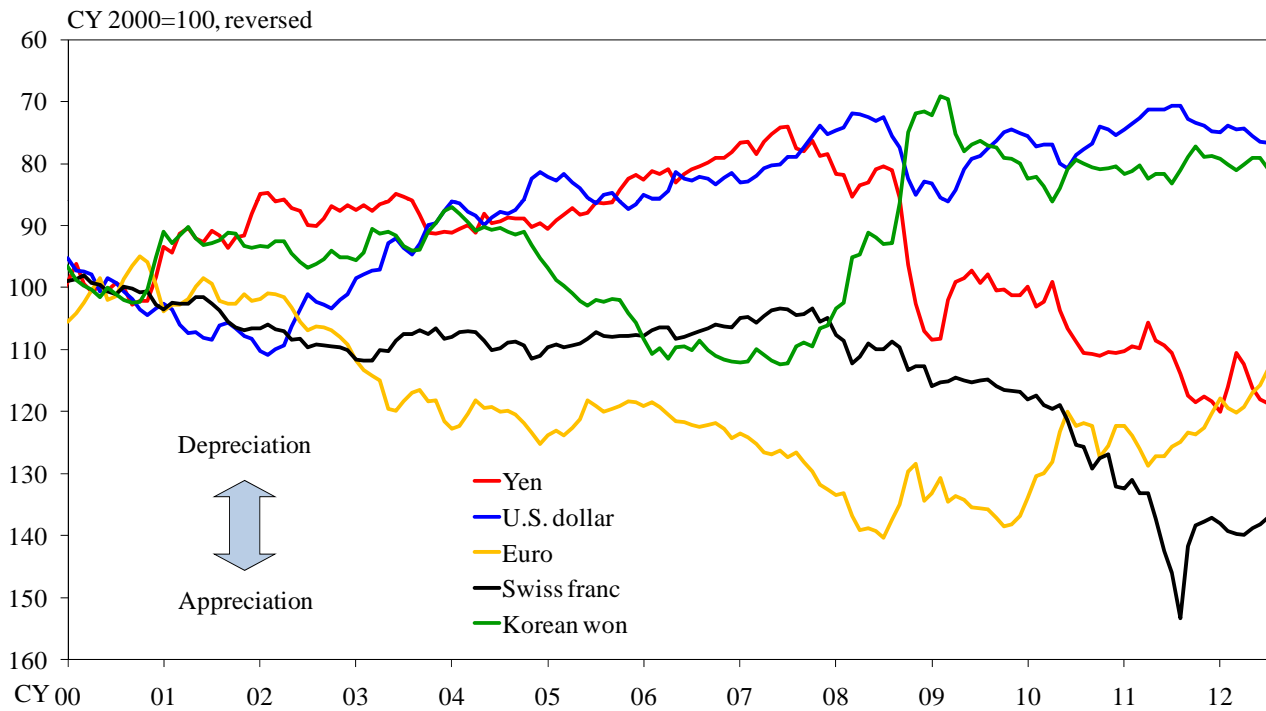


Comments on the Price Decline



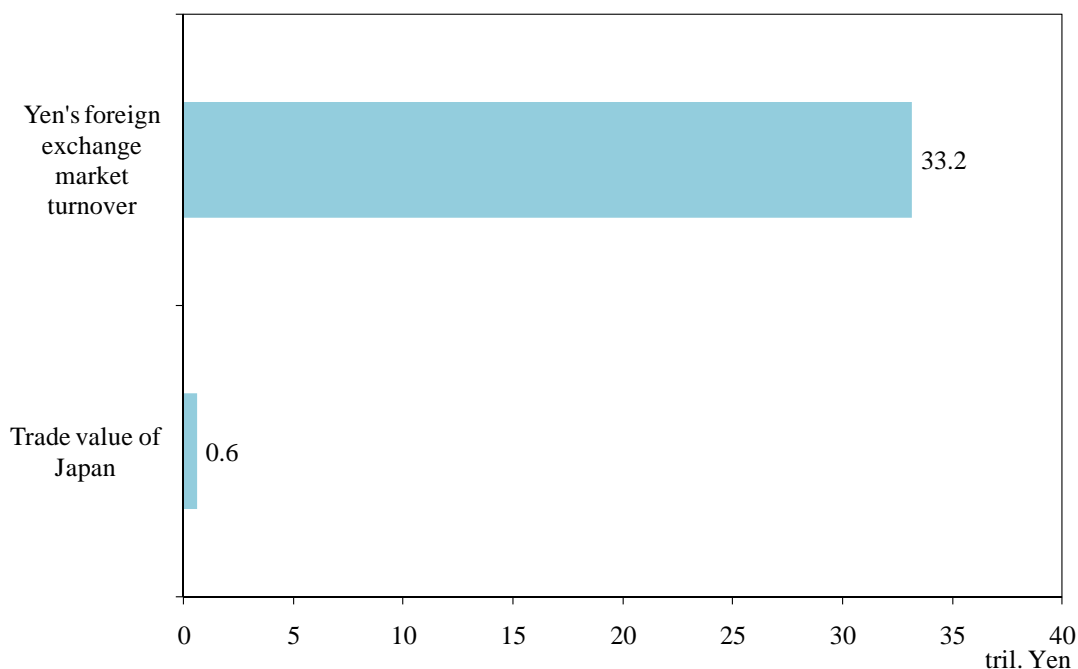
Note: The Bank conducts its quarterly *Opinion Survey on the General Public's Views and Behavior* in order to grasp how the public's current impression of household circumstances and changes in financial and economic conditions affect their perceptions and actions.
Source: Bank of Japan.

Nominal Effective Exchange Rates



Note: The nominal effective exchange rate is an indicator that measures the overall value of individual currencies. It is derived by calculating the weighted average of each currency's exchange rate against other currencies using the annual value of each country's trade with its counterparties as its weights.
Source: BIS.

Foreign Exchange Transactions and Trade Volume



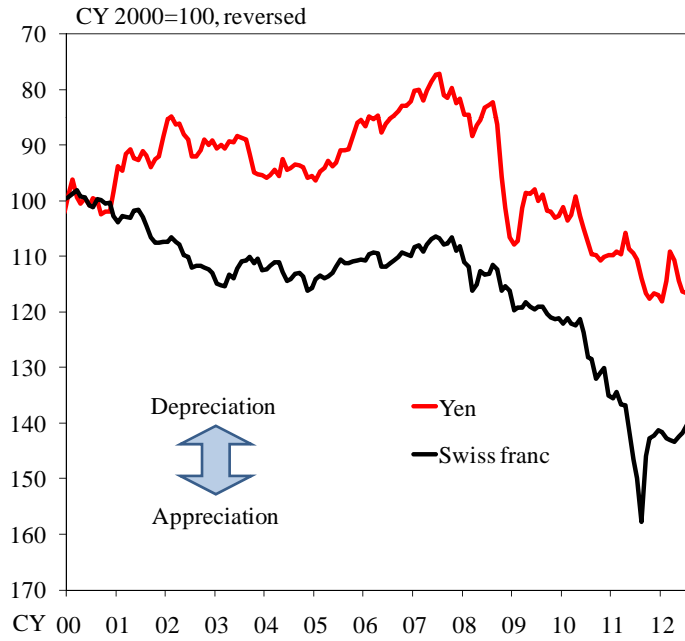
Notes: 1. Figures are as of fiscal 2010. The foreign exchange market turnover is the transaction value of the yen. The trade value is that of Japan's exports and imports based on its nominal GDP.

2. Daily averages. The trade value is calculated by dividing the total value for 2010 by the number of business days (20 business days times 12 months).

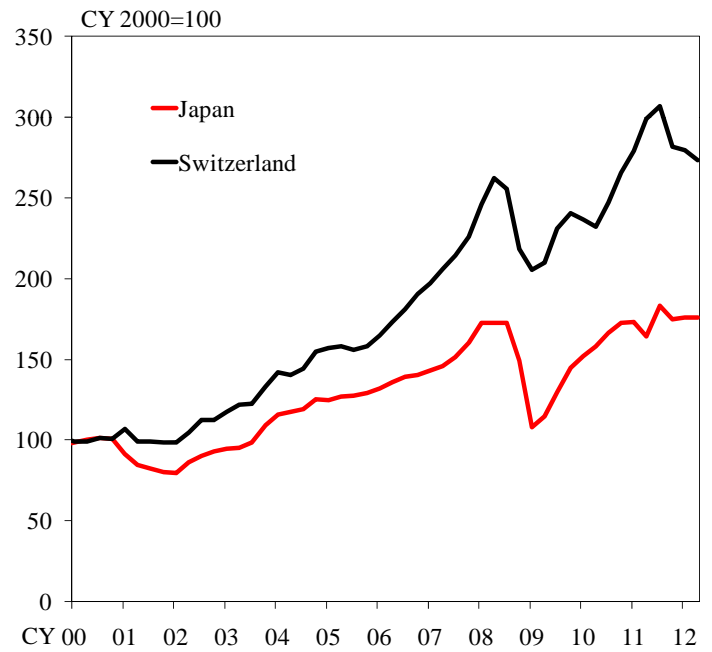
Sources: BIS; Cabinet Office; Bloomberg.

Exchange Rates and Exports of Switzerland and Japan

Nominal Effective Exchange Rate

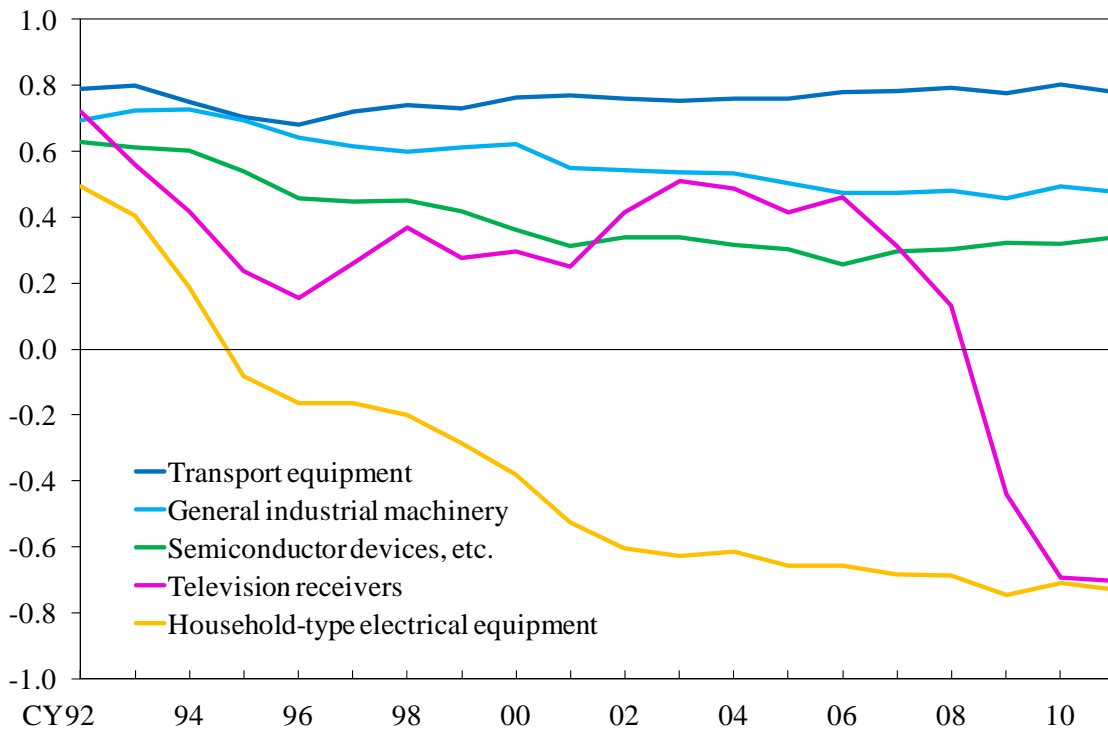


Value of Exports



Note: Value of exports is calculated on a U.S. dollar basis.
Sources: Cabinet Office; Eurostat; Bloomberg; BIS.

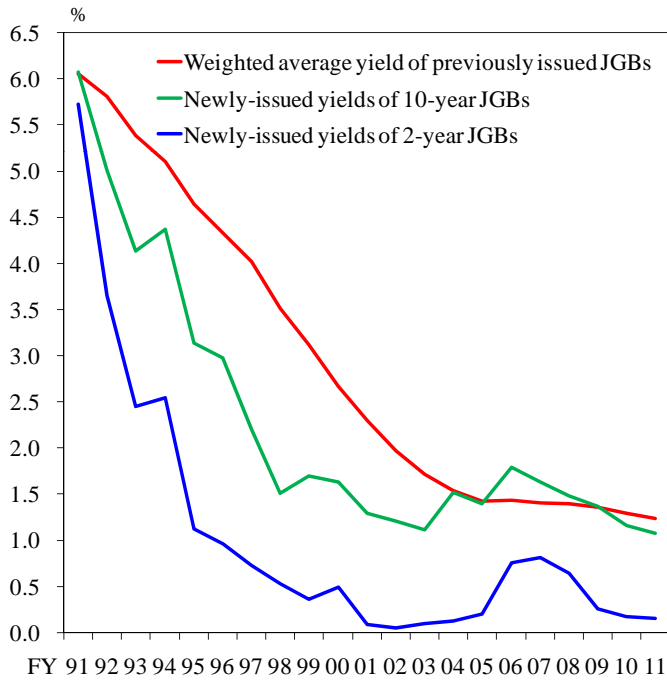
International Competitiveness Coefficient



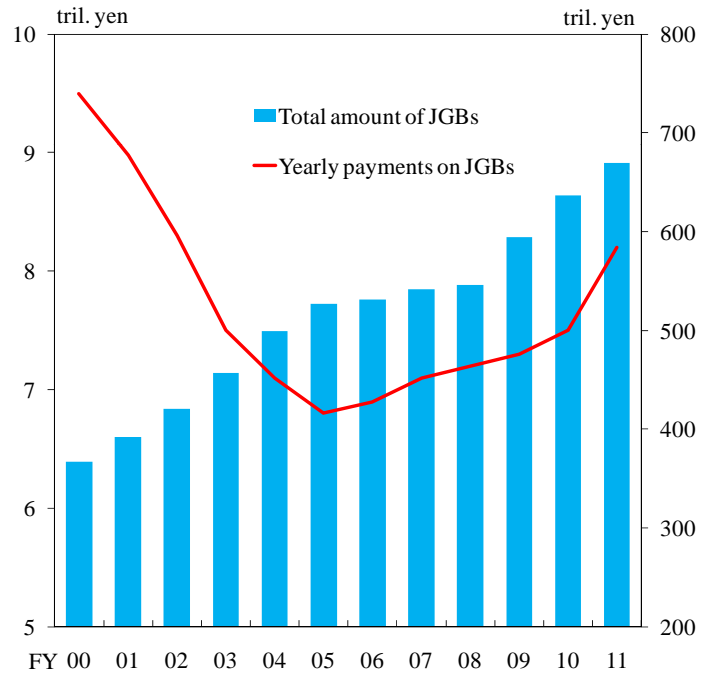
Note: International Competitiveness Coefficient (ICC) equals net export value divided by the sum of export value and import value. The closer the value of ICC is to one, the greater the competitiveness.
Source: United Nations.

JGB Yields and Interest Payments on JGBs

JGB Yields



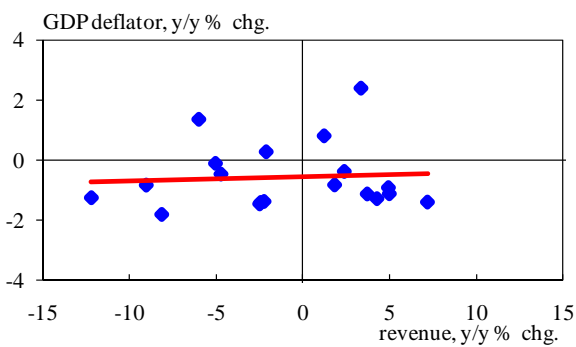
Interest Payments on JGBs



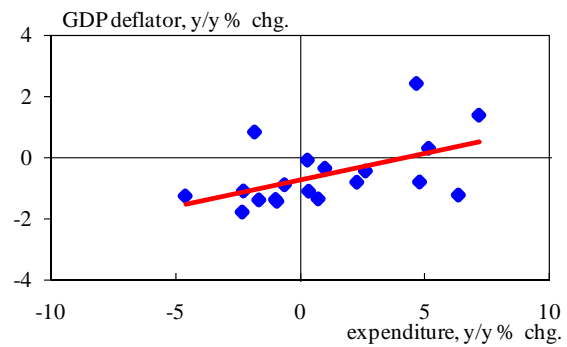
Source: Ministry of Finance.

Japan's Fiscal Revenue/Expenditure, Inflation, and Real GDP Growth

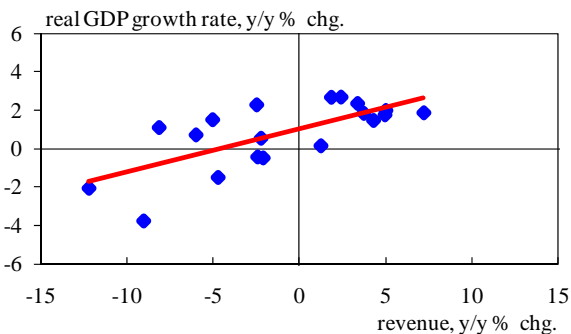
< GDP Deflator and Revenue >



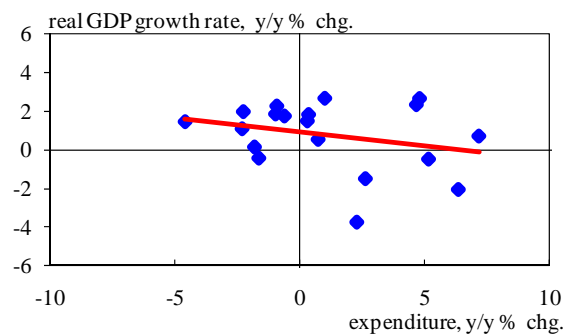
< GDP Deflator and Expenditure >



< Real GDP Growth Rate and Revenue >



< Real GDP Growth Rate and Expenditure >

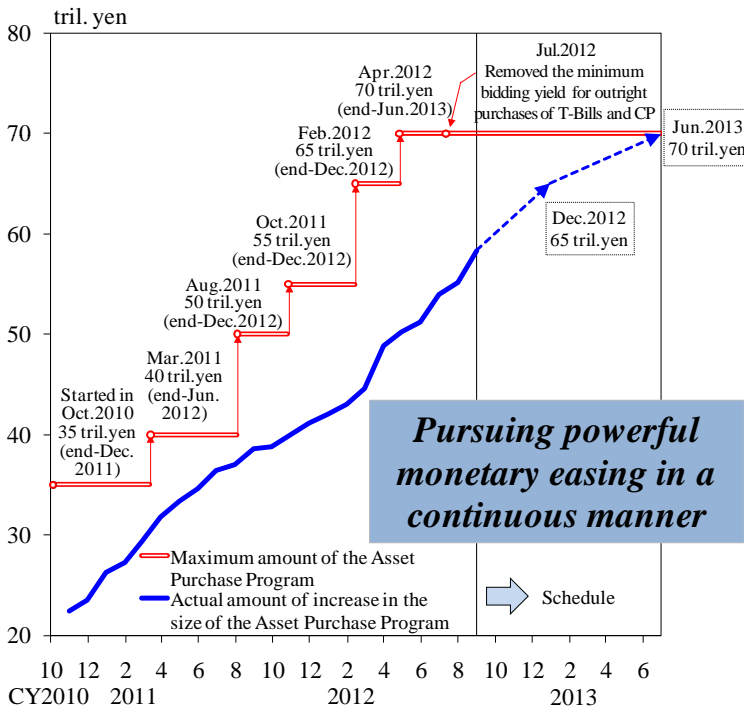


Note: The sample period is since fiscal 1991. Figures for revenues and expenditures are those of central and local governments, which include the payment/receivable of interest.

Source: Cabinet Office.

Asset Purchase Program

Maximum Amount and Actual Amount of Increase in the Size of the Asset Purchase Program



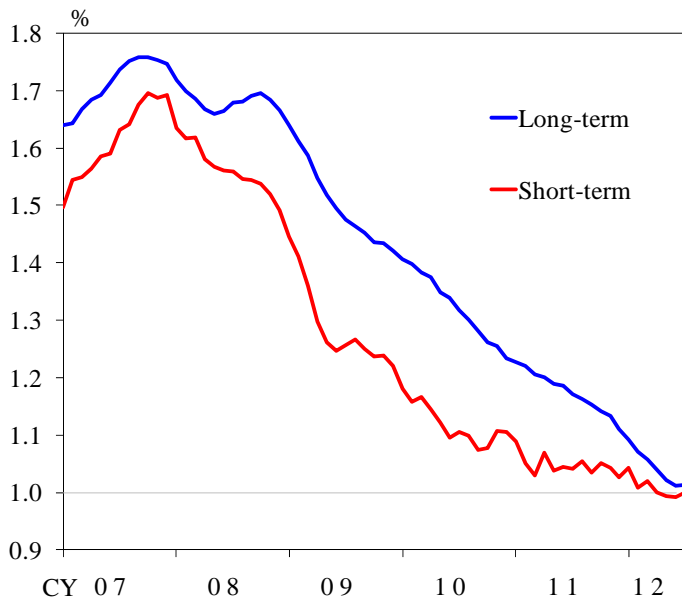
Breakdown of the Asset Purchase Program

	Started in Oct.2010 (End-Dec 2011)	Latest Jul.2012 (End-Jun 2013)	Cumulative change in amount (B) - (A)
Total size	About 35	About 70	About +35
Asset purchases	5.0	45.0	+40.0
JGBs	1.5	29.0	+27.5
T-Bills	2.0	9.5	+7.5
CP	0.5	2.1	+1.6
Corporate bonds	0.5	2.9	+2.4
ETFs	0.45	1.6	+1.15
J-REITs	0.05	0.12	+0.07
Fixed-rate operation	30.0	25.0	- 5.0
Three-month term	20.0	—	—
Six-month term	10.0	—	—

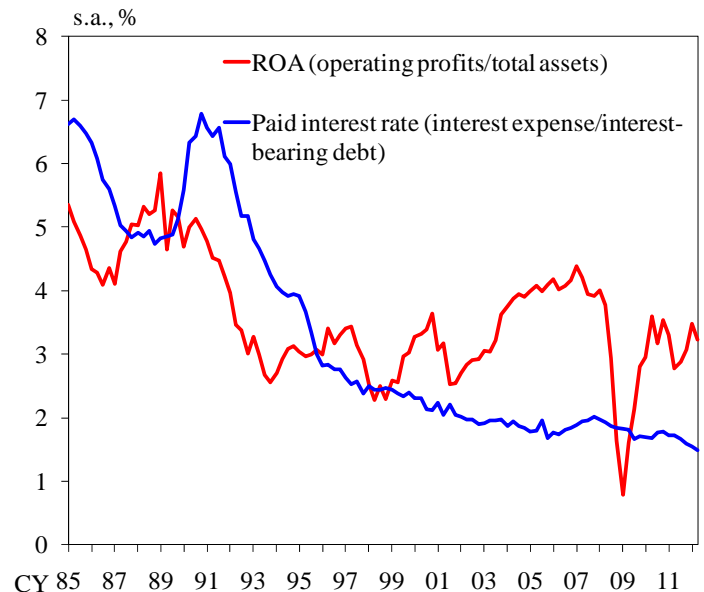
Note: Dates in parentheses indicate the intended timescale for completing the increase.

Japan's Corporate Financial Conditions

Domestic Banks' Average Contracted Interest Rates



ROA and Paid Interest Rate of Japanese Firms

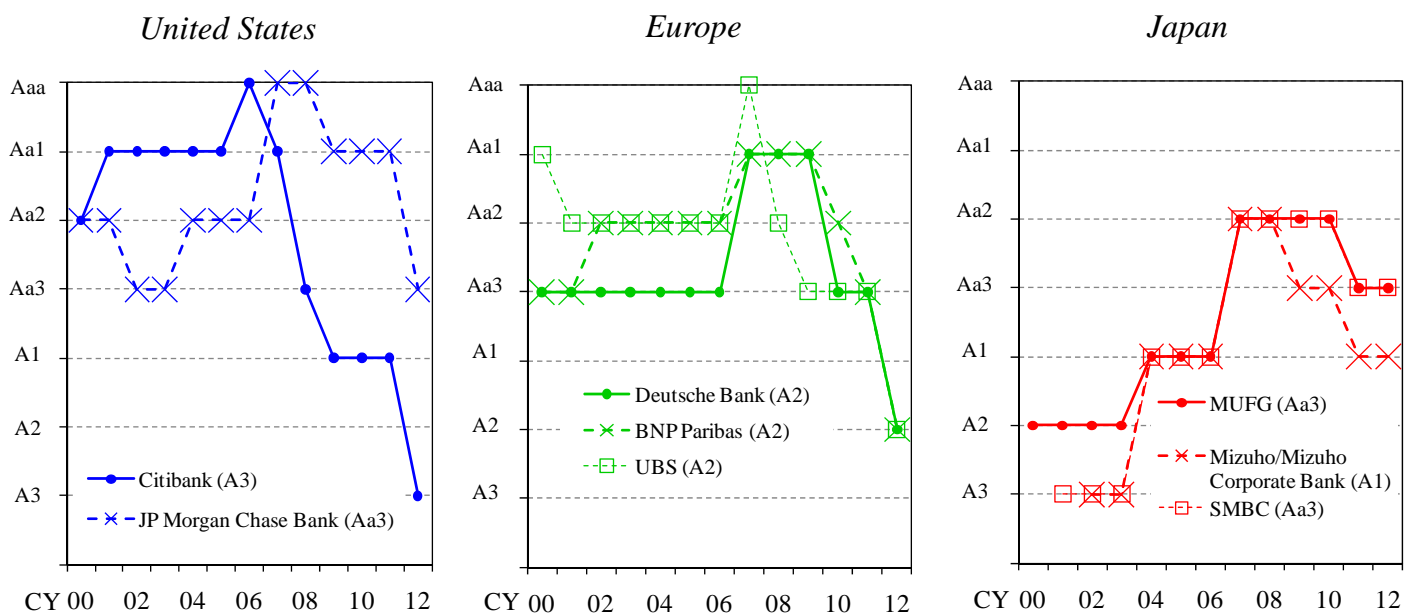


Note: Average contracted interest rates are the six-month backward moving averages on new loans.
Sources: Ministry of Finance; Bank of Japan.

Fund Provisioning to Support Strengthening the Foundations for Economic Growth (Total Size: 5.5 tril. yen)

	Main rules	Special rules for equity investments and asset-based lending	Special rules for small-lot investments and loans	Special rules for U.S. dollar lending arrangements
Time of establishment	June 2010	June 2011	March 2012	April 2012
Maximum amount outstanding	3.5 tril. yen	0.5 tril. yen	0.5 tril. yen	12 bil. U.S. dollars
Maximum amount of loans to each counterparty	150 bil. yen (when combined with small-lot investments and loans)	50 bil. yen	150 bil. yen (when combined with investments and loans made under main rules)	1 bil. U.S. dollars
Eligible investments and loans	Those with a size of 10 mil. yen or more	Equity investments and ABL with a size of 1 mil. yen or more	Those with a size of 1 mil. yen or more but less than 10 mil. yen	Those denominated in foreign currencies with a size of 100 thous. U.S. dollars or more
Duration of loans	Maximum 4 years (including rollovers)	Maximum 4 years (including rollovers)	Maximum 4 years (including rollovers)	Maximum 4 years (including rollovers)
Loan rates	The Bank's target for the policy rate (0.1 percent per annum)	The Bank's target for the policy rate (0.1 percent per annum)	The Bank's target for the policy rate (0.1 percent per annum)	6-month U.S. dollar LIBOR
Deadline for applications for new loans	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014
Amount outstanding (as of August 31, 2012)	3,131.4 bil. yen	106.9 bil. yen	3 bil. yen	---

Credit Ratings of Financial Institutions



Notes: 1. Ratings are based on long-term credit ratings issued by Moody's.
 2. Ratings in parentheses are most recent ratings.
 Source: Moody's.