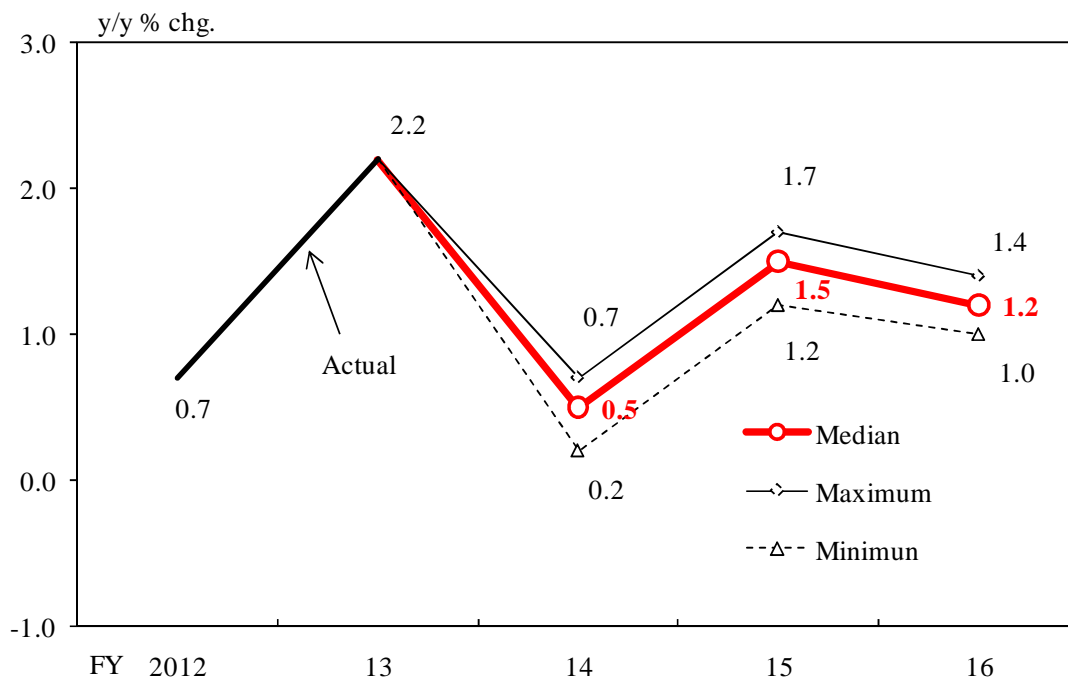
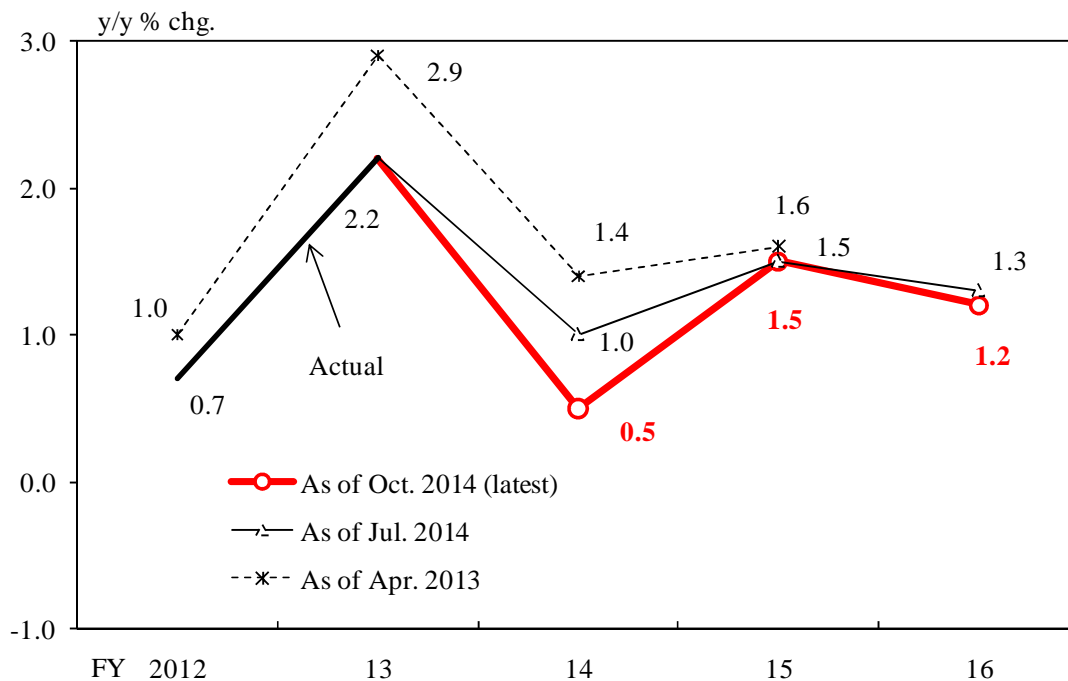


The Bank's Outlook for Economic Activity (Real GDP)

(1) Majority Forecasts of the Policy Board Members



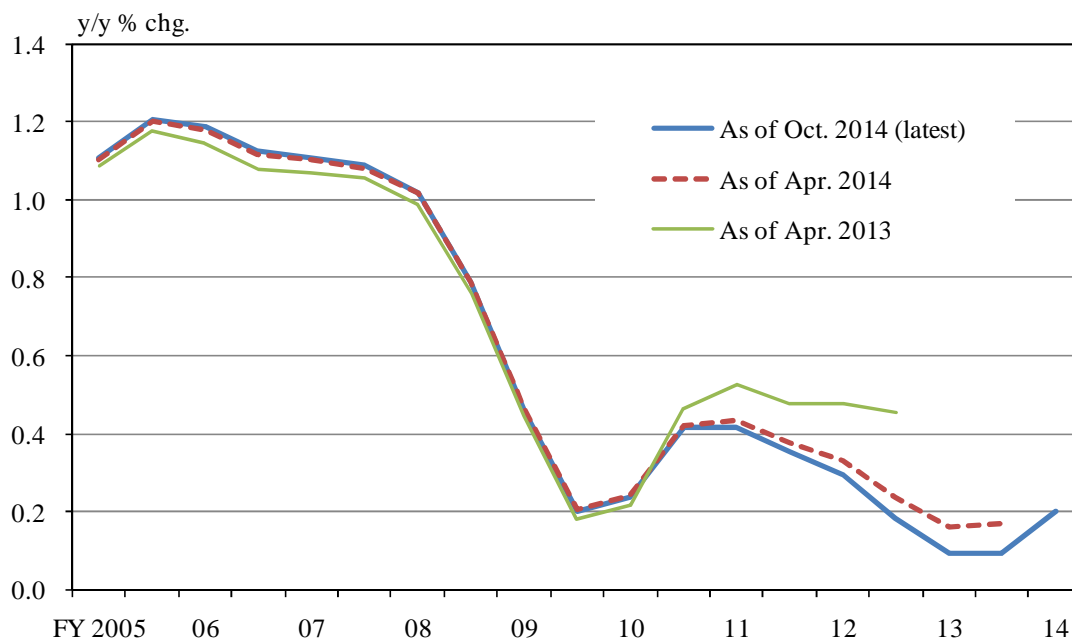
(2) Median of the Policy Board Members' Forecasts



Note: The forecasts as of October 2014 are based on information available by end-October 2014 and incorporate the expected effects of the expansion of quantitative and qualitative monetary easing.

Source: Bank of Japan.

Potential Growth Rate (The Bank's Estimate)



Source: Bank of Japan.

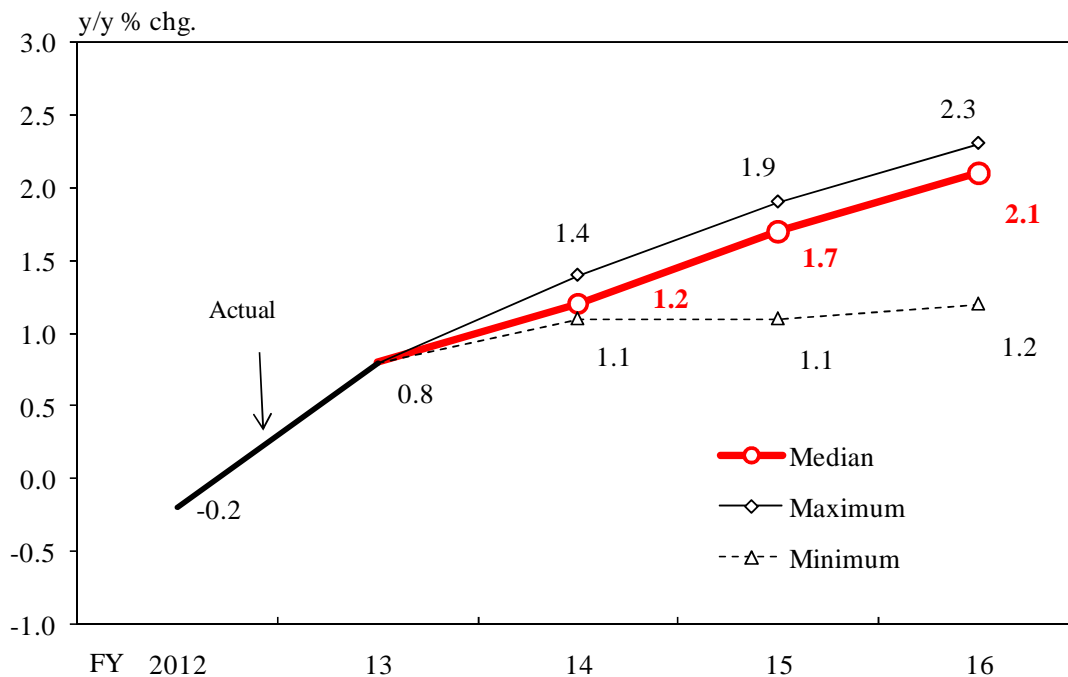
Actual Real GDP Growth Rate in Japan



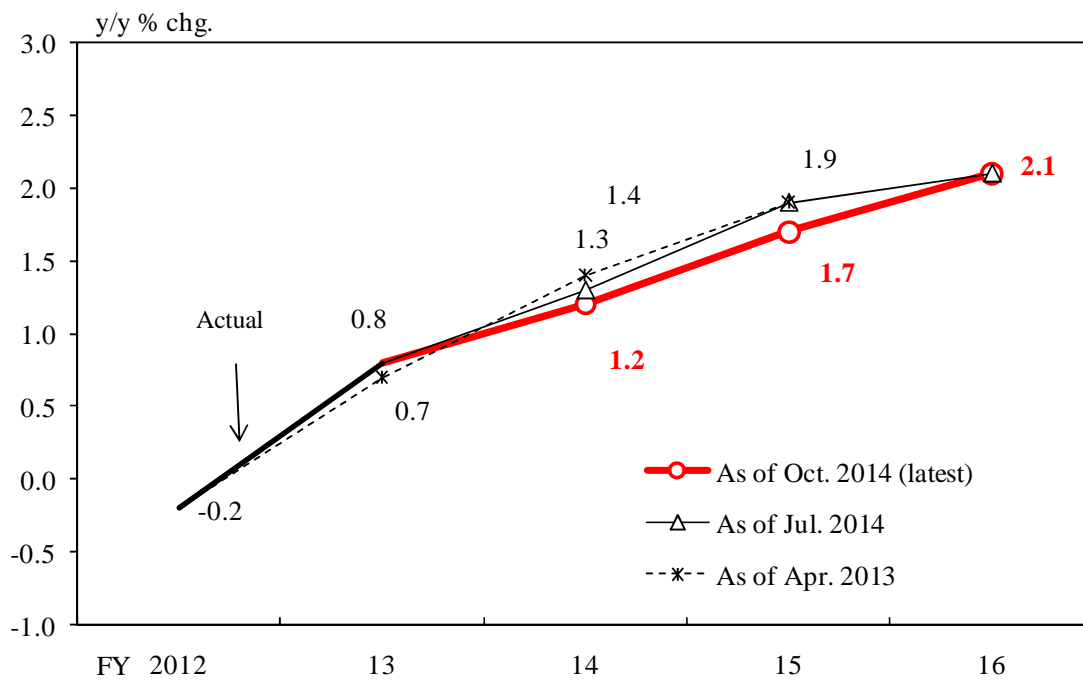
Source: Cabinet Office.

**The Bank's Outlook for Prices (CPI)**  
 (Excluding the Direct Effects of the Consumption Tax Hikes)

(1) Majority Forecasts of the Policy Board Members



(2) Median of the Policy Board Members' Forecasts

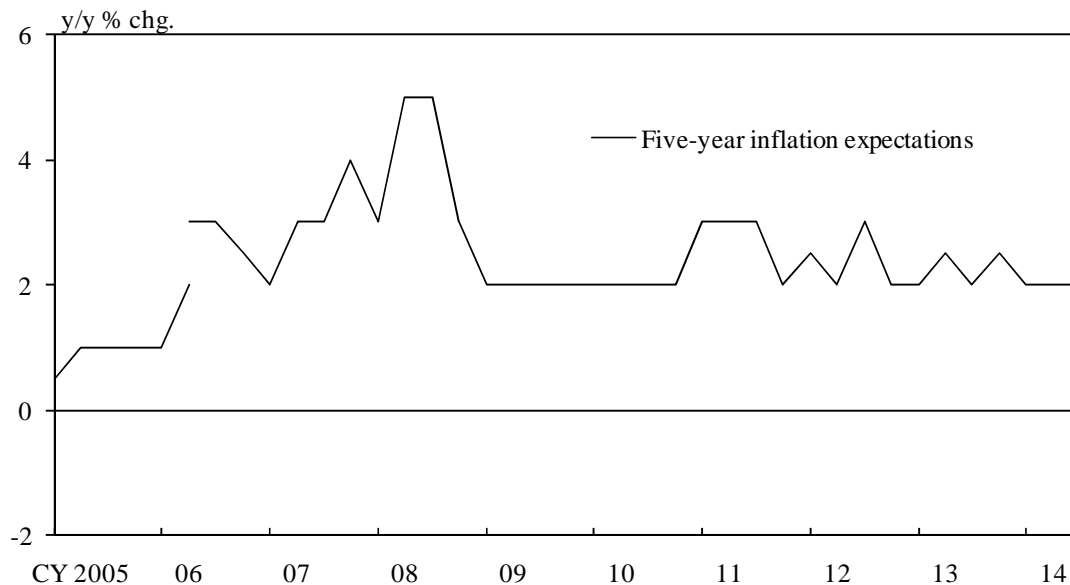


Note: The forecasts as of October 2014 are based on information available by end-October 2014 and incorporate the expected effects of the expansion of quantitative and qualitative monetary easing.

Source: Bank of Japan.

### Medium- to Long-Term Inflation Expectations (1)

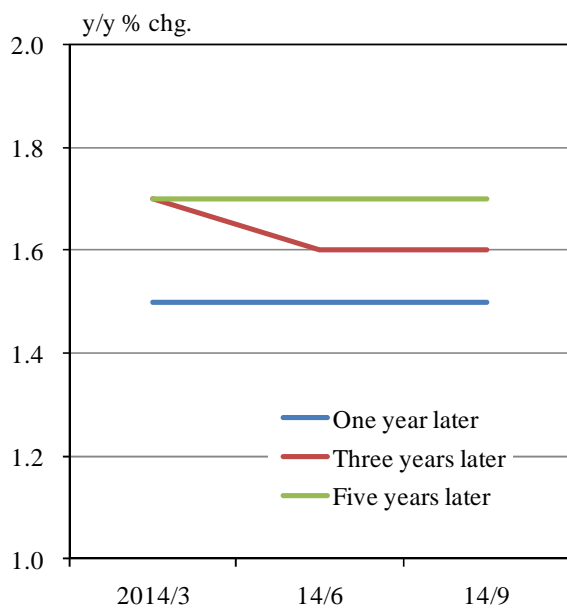
(1) Households (Excluding the Effects of the Consumption Tax Hikes<sup>Note</sup>)



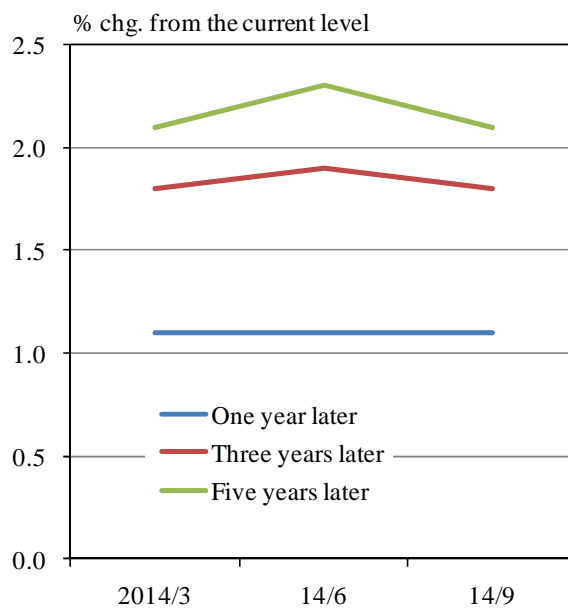
Note: The responses exclude the effects of the consumption tax hikes from the June 2013 survey.  
Source: Bank of Japan.

(2) Firms (Excluding the Effects of the Consumption Tax Hikes<sup>Note</sup>)

(a) Outlook for general prices



(b) Outlook for sales prices

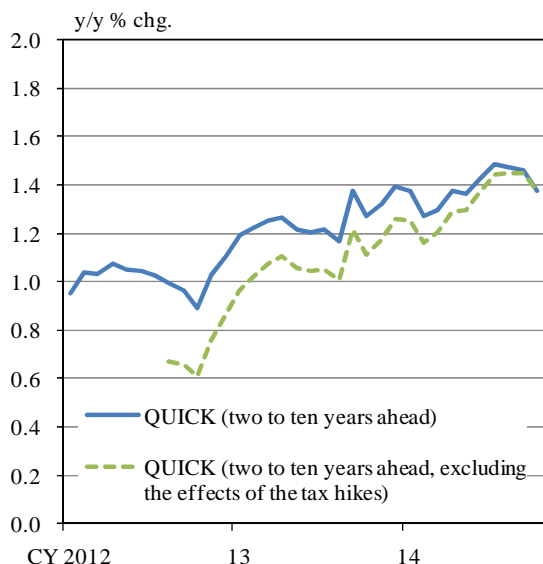


Note: The responses exclude the effects of the consumption tax hikes.  
Source: Bank of Japan.

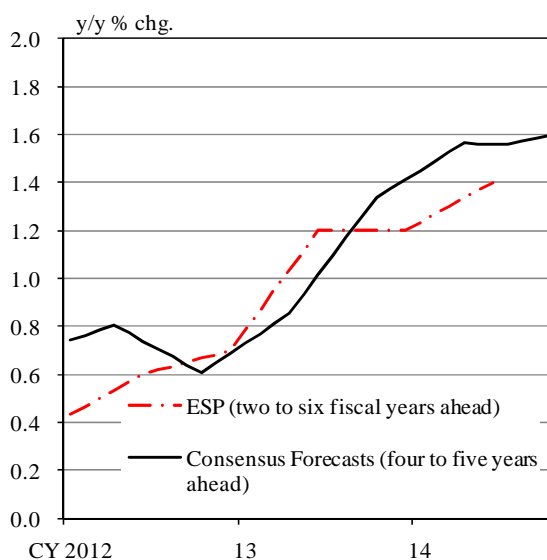
## Medium- to Long-Term Inflation Expectations (2)

### (3) Bond Market Participants and Economists<sup>Note</sup>

(a) Bond market participants



(b) Economists

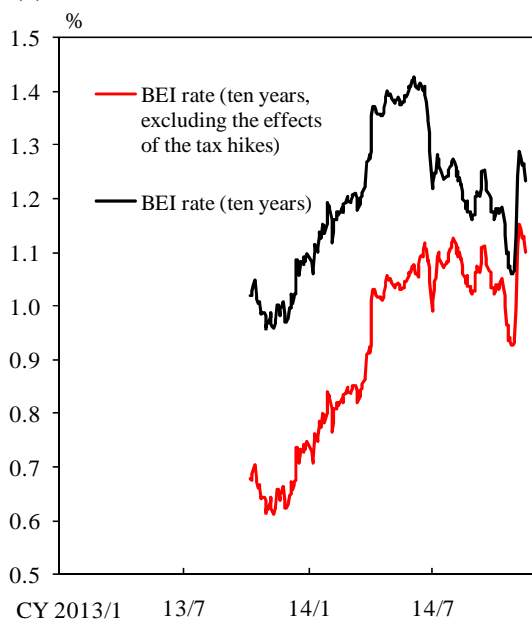


Note: The QUICK Bond Monthly Survey includes the tax effects from the September 2013 survey. The green dotted line in the chart is drawn by mechanically removing the tax effects, assuming that these effects are fully incorporated in the market prices since the passage of the law in the Diet in August 2012. The ESP Forecast Survey excludes the tax effects from the October 2013 survey. The tax effect is irrelevant for the period "four to five years ahead" in Consensus Forecasts.

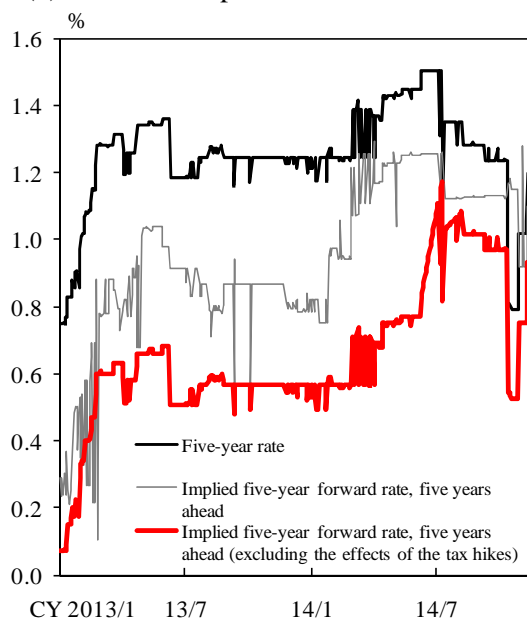
Sources: Consensus Economics Inc.; Japan Center for Economic Research (JCER); QUICK; Bank of Japan.

### (4) Market Data-Based Inflation Expectations<sup>Note</sup>

(a) BEI rates



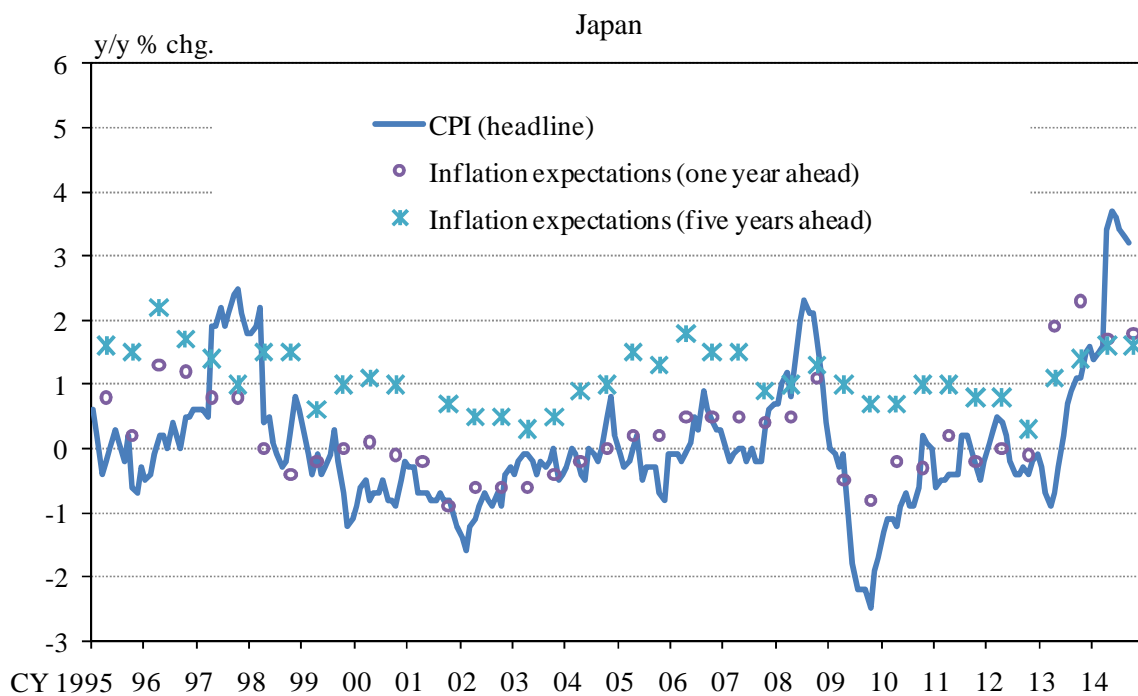
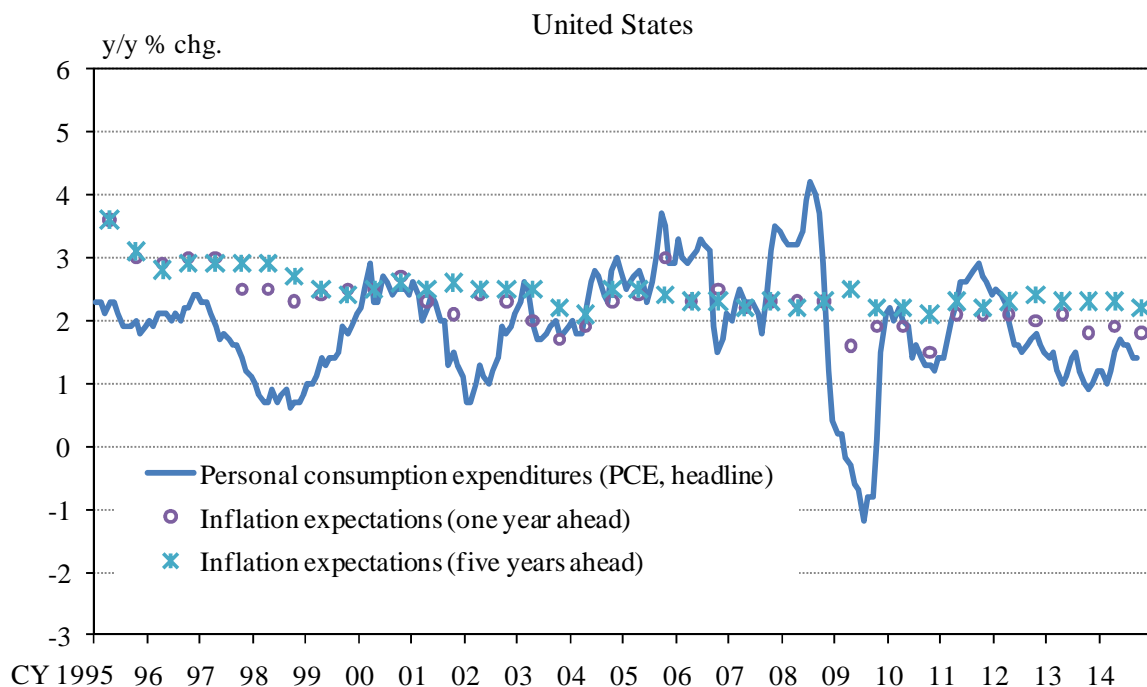
(b) Inflation swap rates



Note: The lines for those "excluding the effects of the tax hikes" mechanically remove the tax effects assuming that these effects are fully incorporated in the market prices.

Source: Bloomberg.

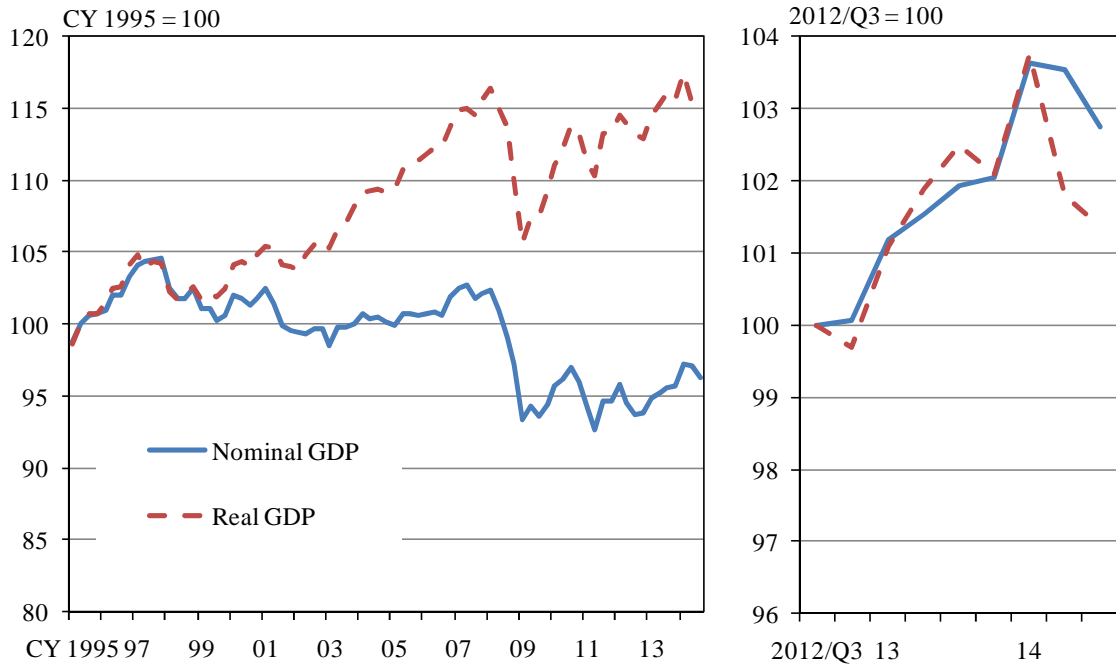
Actual Inflation and Inflation Expectations in the United States and Japan



Sources: Bloomberg; Consensus Economics Inc.

Chart 6

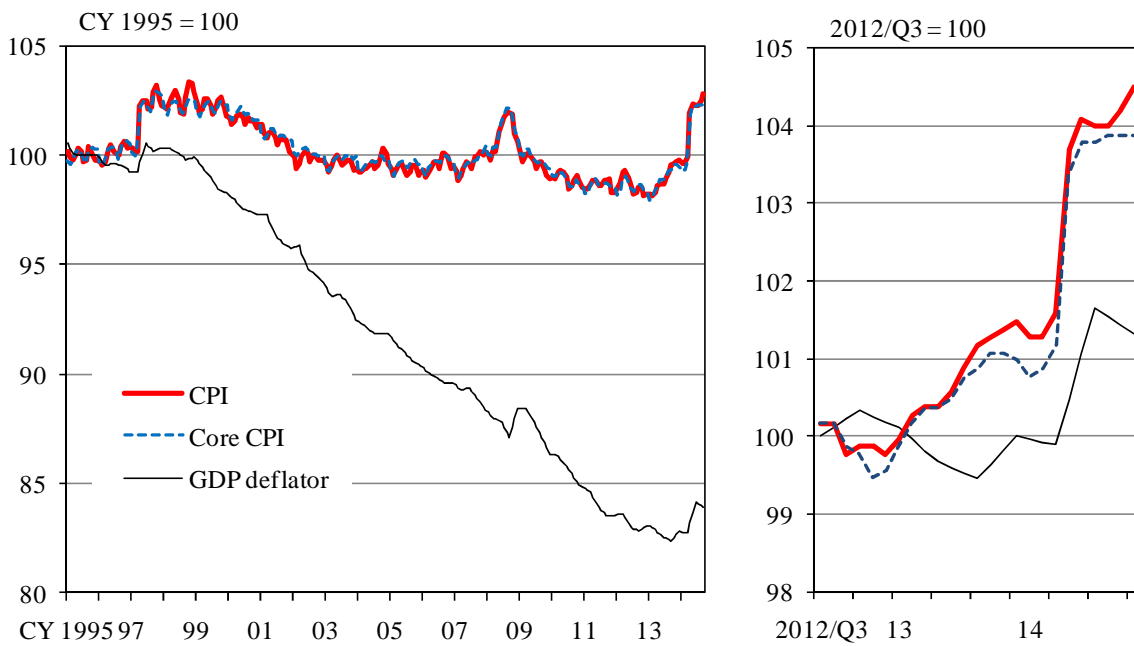
### Japan's GDP



Source: Cabinet Office.

Chart 7

### GDP Deflator and CPI



Sources: Ministry of Internal Affairs and Communications; Cabinet Office.