

# Speech at a Meeting with Business Leaders in Kochi by Takehiro Sato, Member of the Policy Board, Bank of Japan, on December 4, 2014

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Note: Charts are based on data released on or prior to November 28, 2014 (noon, Japan Standard Time).

Chart 1

## Global Economic Outlook

(1) IMF Projections (As of April 2014)

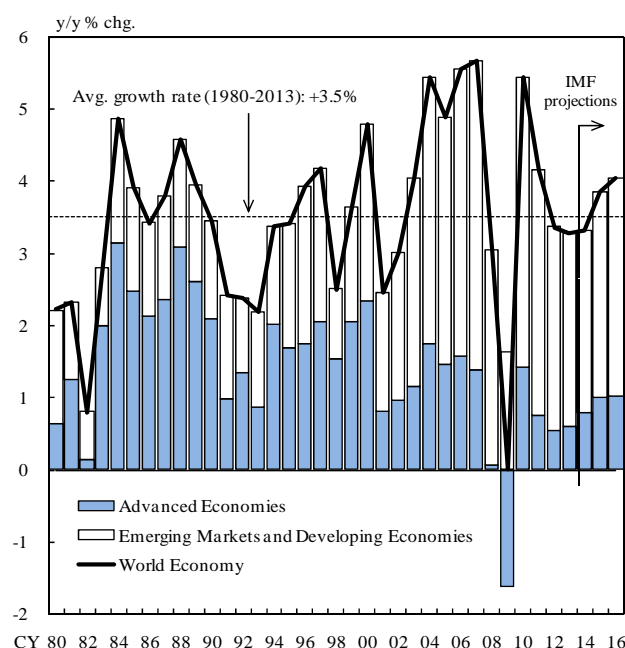
CY	real GDP growth rate, y/y % chg.			
	2012	2013	2014 projection	2015 projection
World	3.4	3.3	3.3 (-0.1)	3.8 (-0.2)
Advanced Economies	1.2	1.4	1.8 (0.0)	2.3 (-0.1)
United States	2.3	2.2	2.2 (0.5)	3.1 (0.0)
Euro Area	-0.7	-0.4	0.8 (-0.3)	1.3 (-0.2)
Japan	1.5	1.5	0.9 (-0.7)	0.8 (-0.2)
Emerging Market and Developing Economies	5.1	4.7	4.4 (-0.1)	5.0 (-0.2)
Emerging and Developing Asia	6.7	6.6	6.5 (0.1)	6.6 (0.0)
China	7.7	7.7	7.4 (0.0)	7.1 (0.0)
ASEAN	6.2	5.2	4.7 (0.1)	5.4 (-0.2)
Russia	3.4	1.3	0.2 (0.0)	0.5 (-0.5)
Latin America and the Caribbean	2.9	2.7	1.3 (-0.7)	2.2 (-0.4)

Notes: 1. Figures are calculated using GDP based on purchasing power parity (PPP) shares of the world total from the International Monetary Fund.

2. Figures in parentheses are the difference from the July 2014 *World Economic Outlook* projections.

Source: International Monetary Fund.

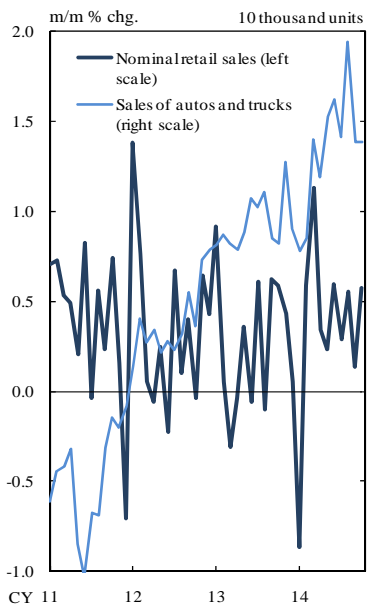
(2) Real GDP Growth Rate of the World Economy



Source: International Monetary Fund.

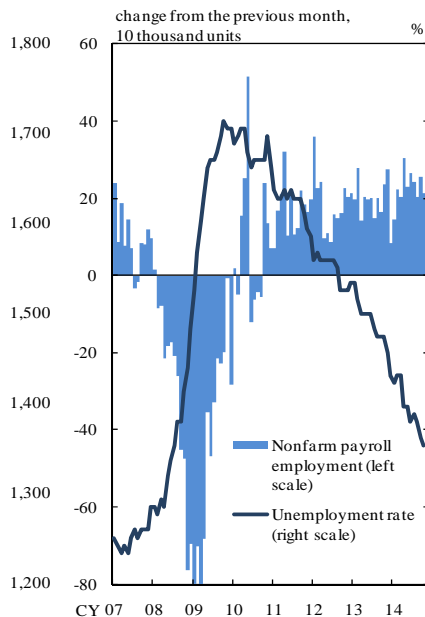
# U.S. Economy

(1) Private Consumption



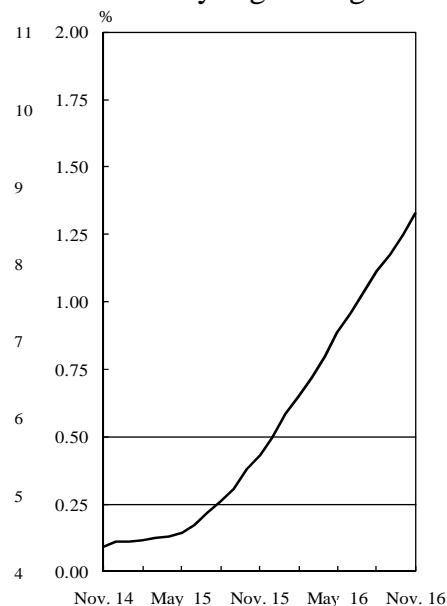
Note: Figures for nominal retail sales exclude motor vehicles, gasoline, and building materials.  
Sources: Census Bureau; Bureau of Economic Analysis.

(2) Employment



Source: Bureau of Labor Statistics.

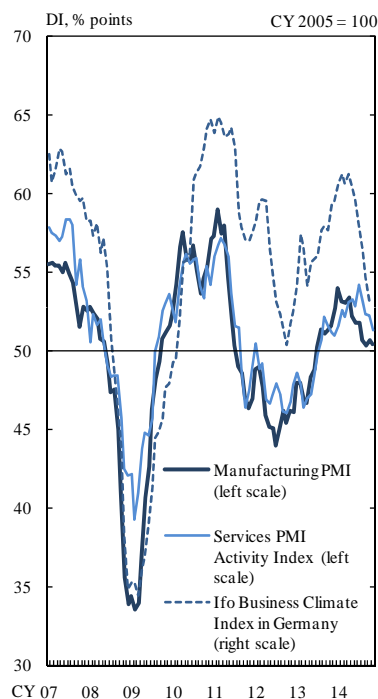
(3) Market's View on the Federal Reserve's Timing of Monetary Tightening



Note: Federal funds rate futures.  
Source: Bloomberg.

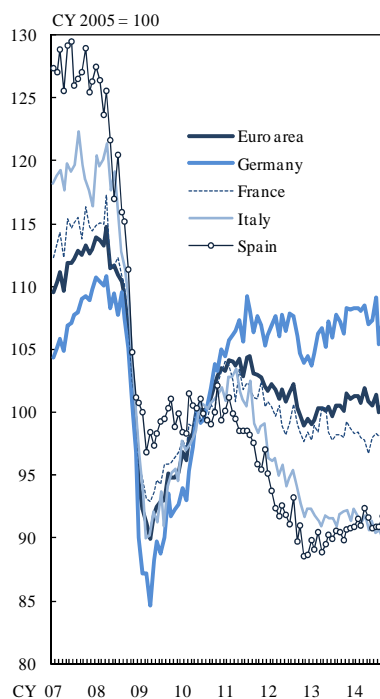
# European Economy

(1) Business Sentiment

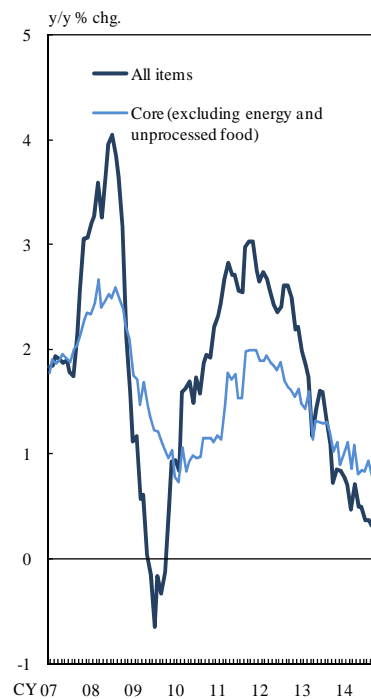


Sources: Markit (© and database right Markit Economics Ltd 2014. All rights reserved.); HAVER.

(2) Production

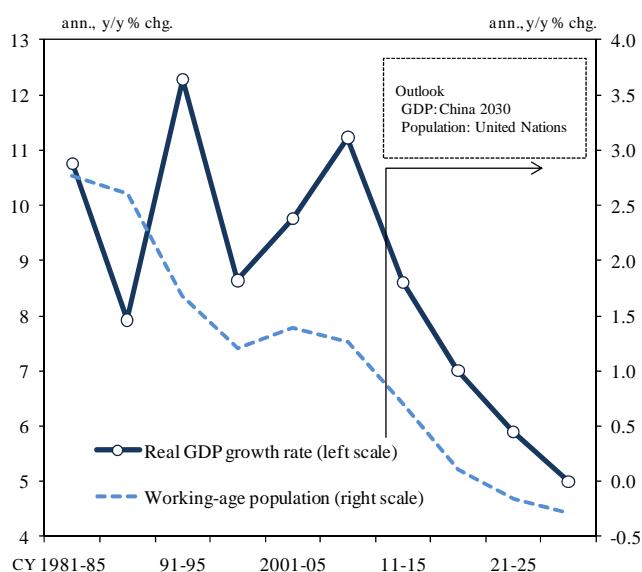


(3) HICP

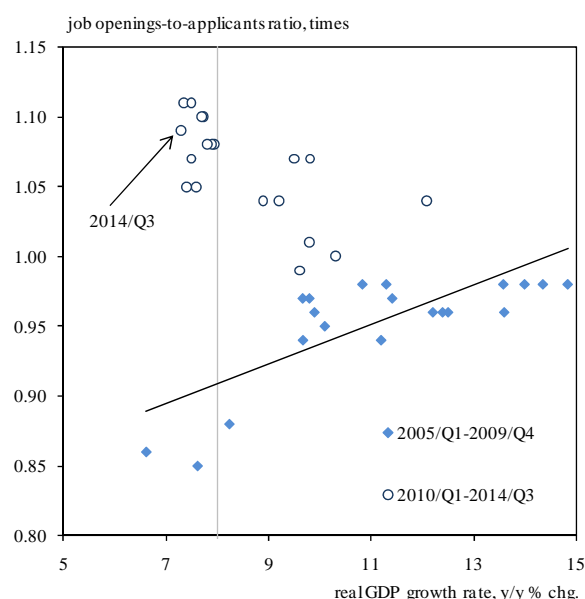


# Chinese Economy

(1) Long-Term Economic Outlook ("China 2030")



(2) GDP and Employment



Note: Solid line is the regression line of 2005/Q1-2009/Q4 data.

Sources: The World Bank; Development Research Center of the State Council, People's Republic of China; United Nations; CEIC Data.

## Direction of Trade for Major Economies

		Exporters		
		United States	Euro area	China
	NAFTA	33.4	12.9	19.3
	United States	-	10.5	16.7
	EU	16.7	32.8	15.3
	Euro area	12.7	-	11.0
Importers	China, Hong Kong	10.4	7.1	17.4
	China	7.7	5.9	-
	Japan	4.1	2.1	6.8
	Others	35.4	45.1	41.2
Total		100.0	100.0	100.0

Source: International Monetary Fund.

# Developments in International Financial Regulations

	Compliance date	Overview of regulations
Leverage ratio requirements	January 2018	Tier 1/on- and off-balance sheet exposures $\geq$ 3 percent The final calibration, and any further adjustments to the definition, will be completed by 2017 (in the United States, the enhanced requirements will be applied to the eight SIFIs).
U.S. Volcker Rule	July 2015	Restrictions on proprietary trading and fund investments.
U.S. Foreign Banking Organization Rule	July 2016	Requirement for foreign banking organizations in the United States with over a certain size of assets to establish intermediate holding companies (IHCs) over their U.S. subsidiaries. For IHCs or branches of foreign banking organizations, liquidity requirements are applied, and for the former, capital and leverage ratio requirements that are applicable to U.S. bank holding companies are also applied.
OTC derivatives reforms	December 2015	Margin requirements for uncleared OTC derivatives.

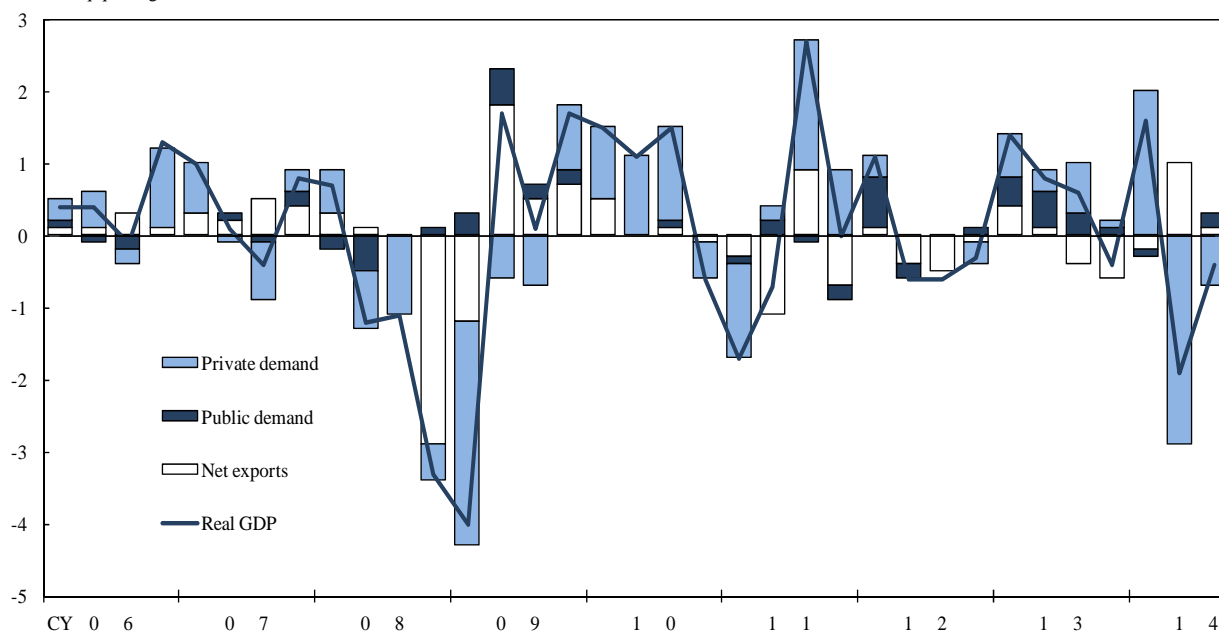
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Chart 7-1

## Japan's Economy

### (1) Developments in Real GDP

s.a.; q/q % chg.

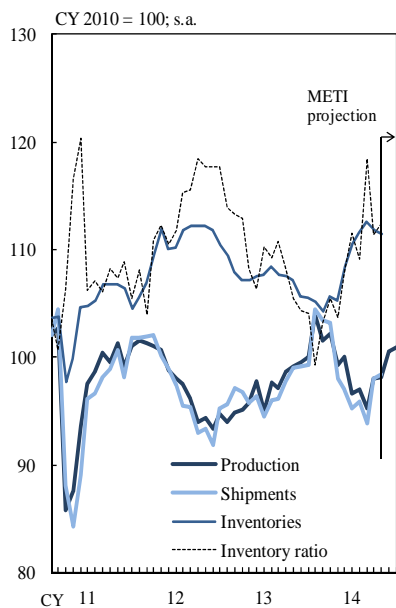


Source: Cabinet Office.

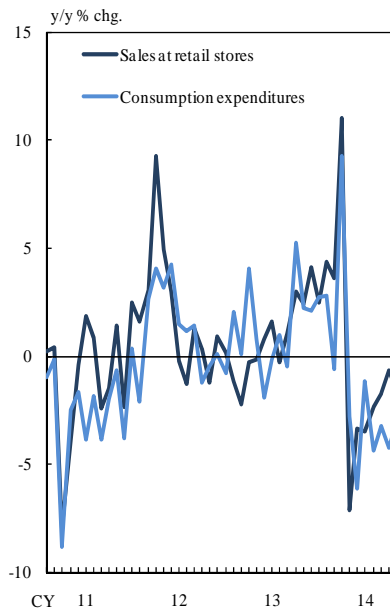
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# Japan's Economy (Continued)

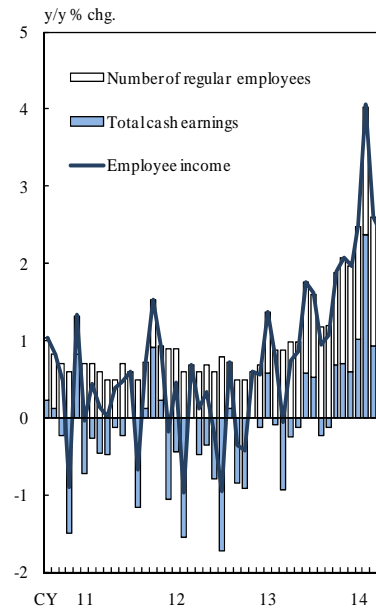
(2) Production



(3) Consumption



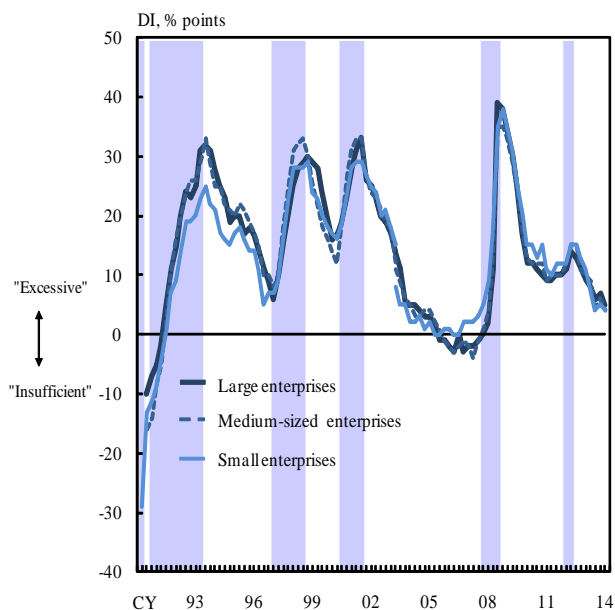
(4) Employee Income



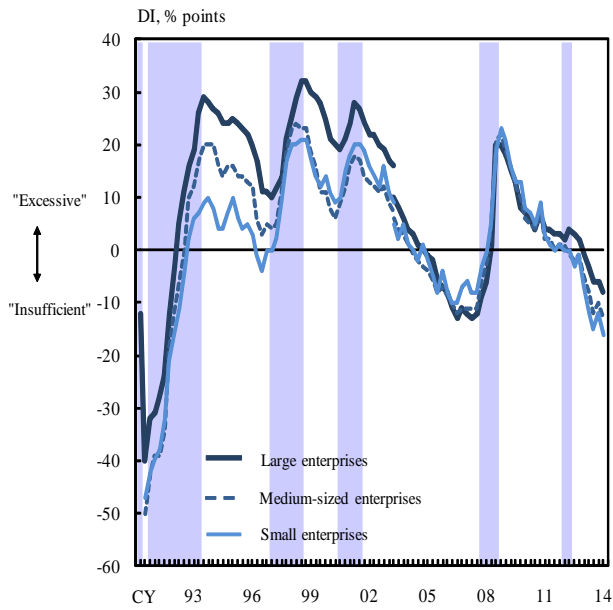
Notes: 1. Figures for consumption expenditures are based on two-or-more-person households. Figures for sales at retail stores and consumption expenditures are calculated on a nominal basis, while those for April 2014 and onward are estimated after adjusting for the direct effects of the consumption tax hike.  
 2. Employee income is calculated as the number of regular employees times total cash earnings.  
 Sources: Ministry of Economy, Trade and Industry; Ministry of Internal Affairs and Communications; Ministry of Health, Labor and Welfare.

# Business Sentiment (*Tankan*)

(1) Production Capacity (Manufacturing)

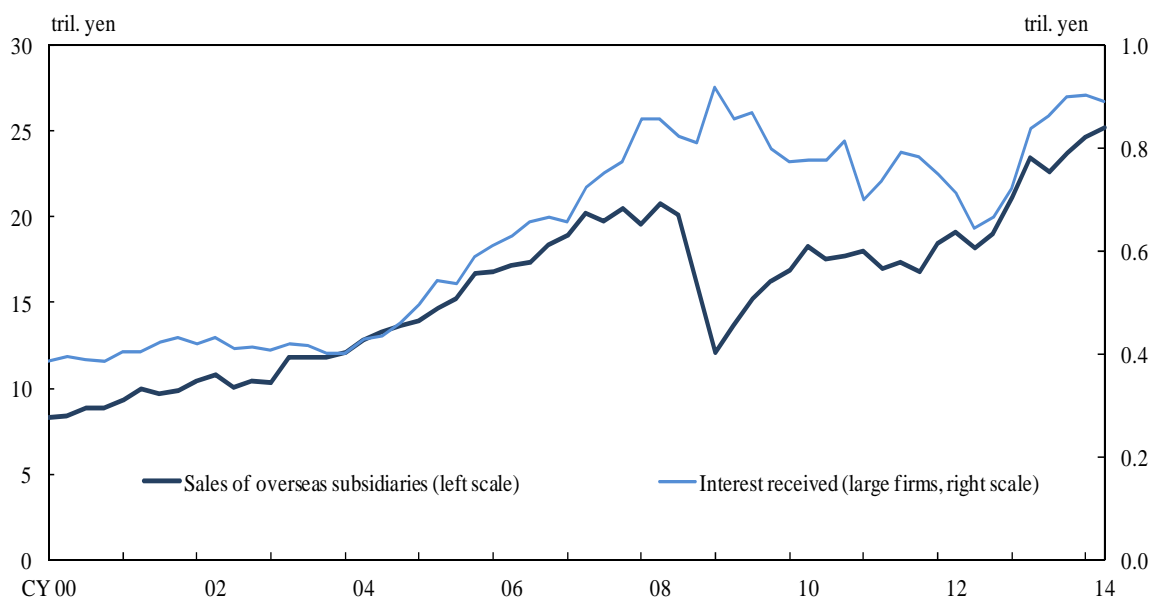


(2) Employment Conditions (All Industries)



Note: Shaded areas indicate periods of recession (according to the Cabinet Office).  
 Source: Bank of Japan.

## Sales of Overseas Subsidiaries and Interest and Dividends Received



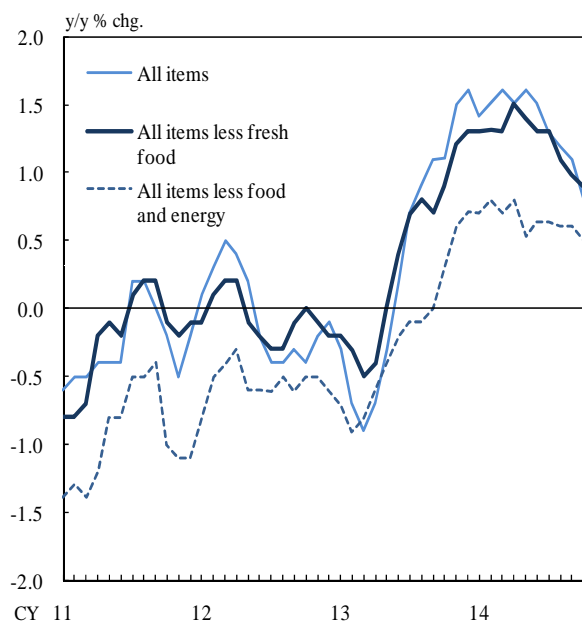
Notes: 1. Figures for sales of overseas subsidiaries exclude sales to Japan.

2. Figures for interest received are four-quarter backward moving averages and include dividend income.

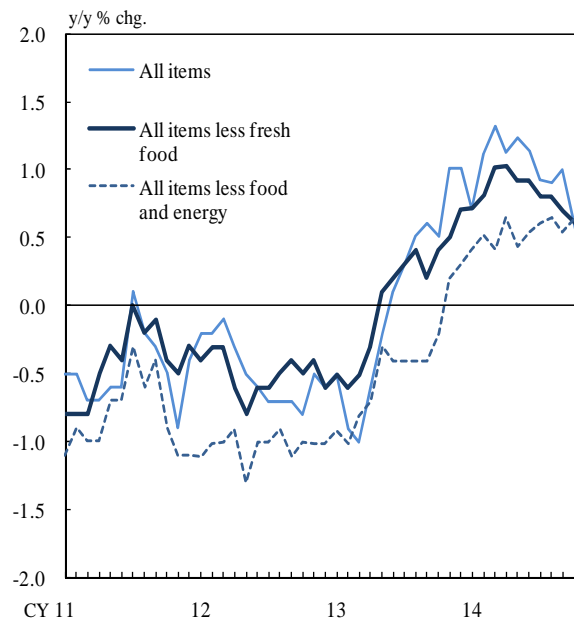
Sources: Ministry of Finance; Ministry of Economy, Trade and Industry.

## Consumer Prices

(1) Japan

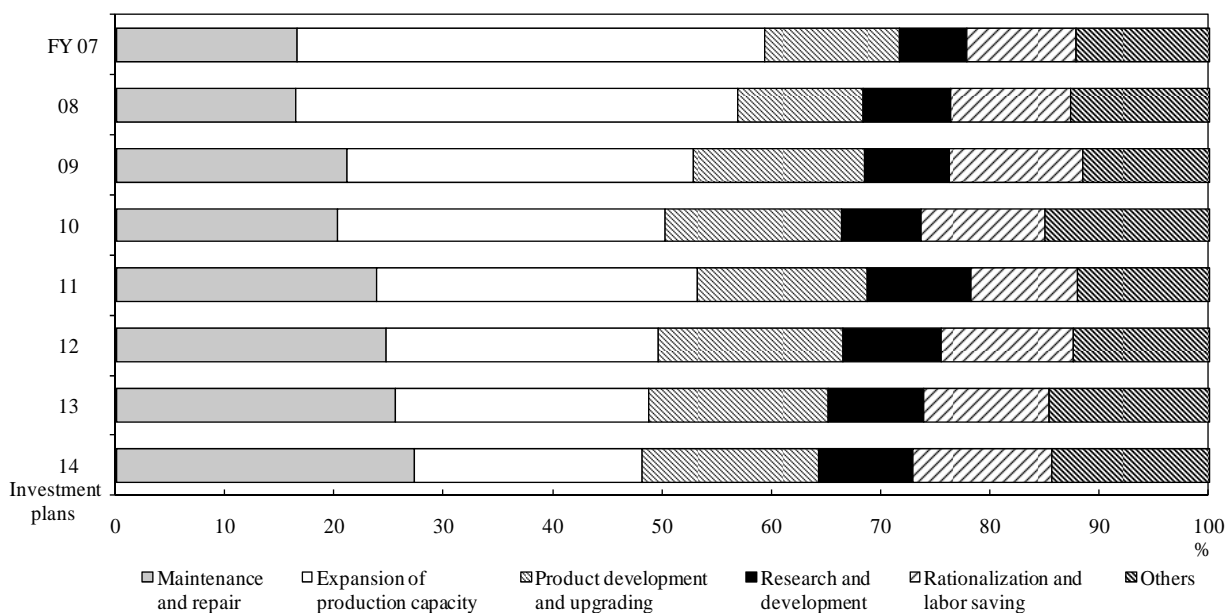


(2) Tokyo (23 Wards)



Note: Figures for April 2014 and onward are estimated after adjusting for the direct effects of the consumption tax hike.  
Source: Ministry of Internal Affairs and Communications.

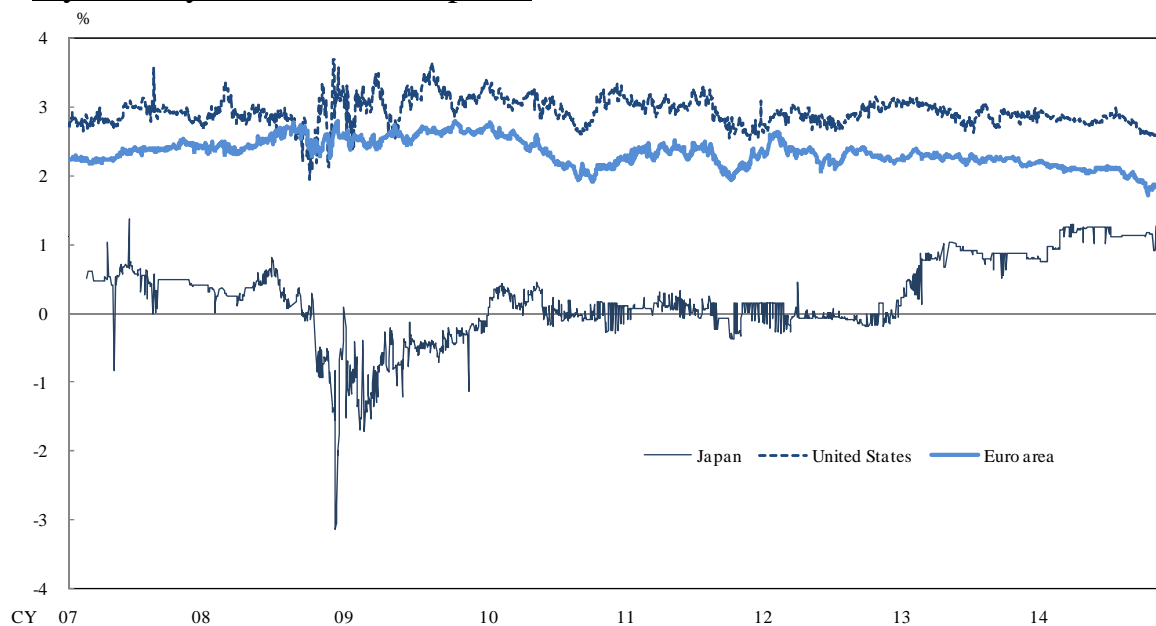
# Reasons for Business Fixed Investment in the Manufacturing Sector



Source: Development Bank of Japan.

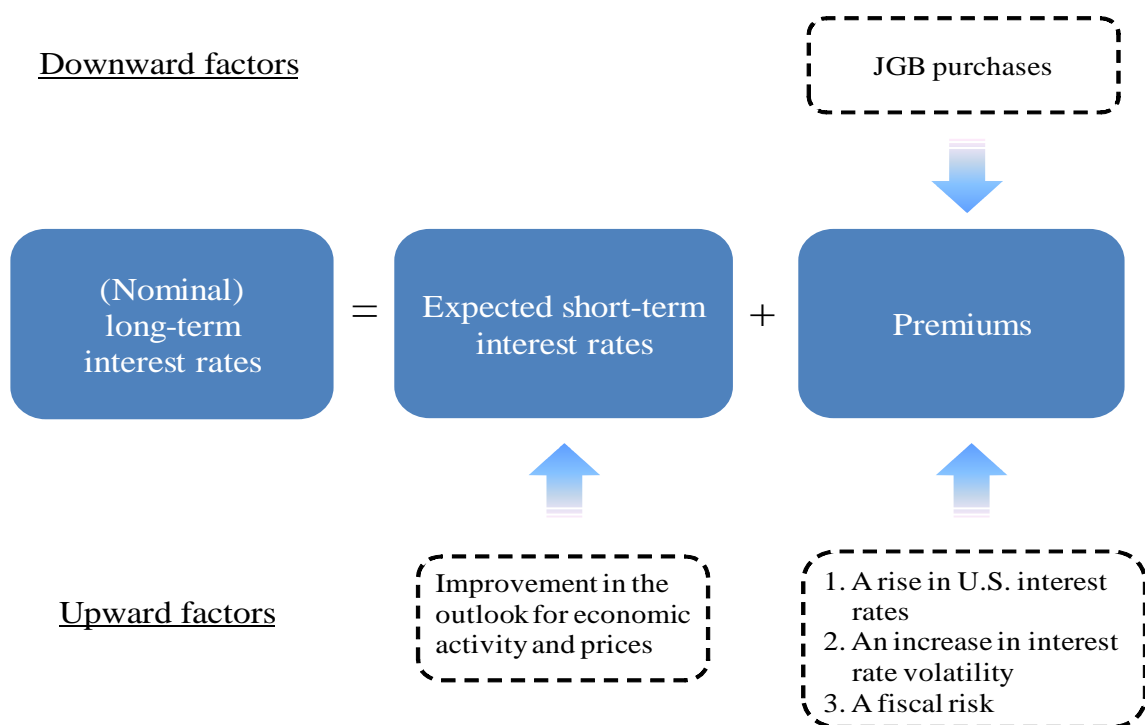
# Medium- to Long-Term Inflation Expectations in Major Economies

## 5-year / 5-year inflation swap rate



Source: Bloomberg.

# Factors Affecting Long-Term Interest Rates



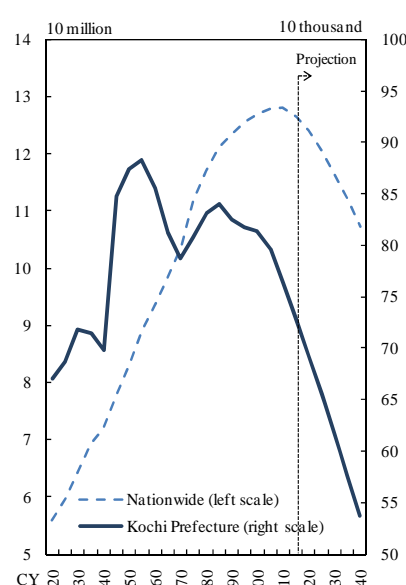
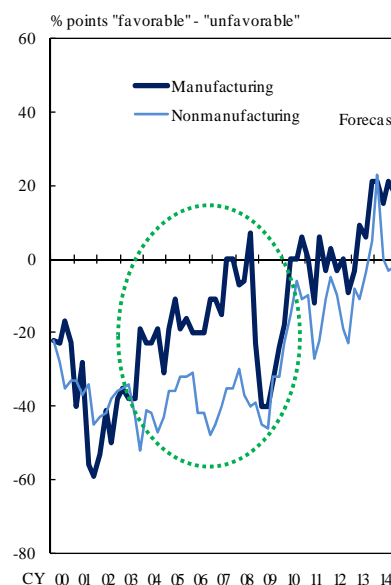
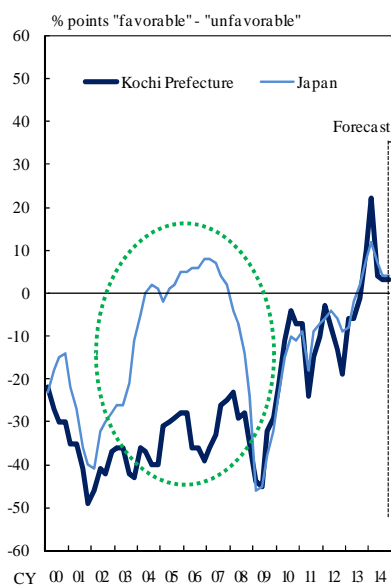
# Economic Activity in Kochi Prefecture

(1) Business Conditions DI (*Tankan*)

(2) Long-term Changes in Population

All Industries

Kochi Prefecture



Sources: Bank of Japan; Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research.