



Recent Economic and Financial Developments and Monetary Policy in Japan

Speech at a Meeting with Business Leaders in Tokushima

March 1, 2017

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Bank of Japan

Global Economy

(1) IMF Projections (as of January 2017)

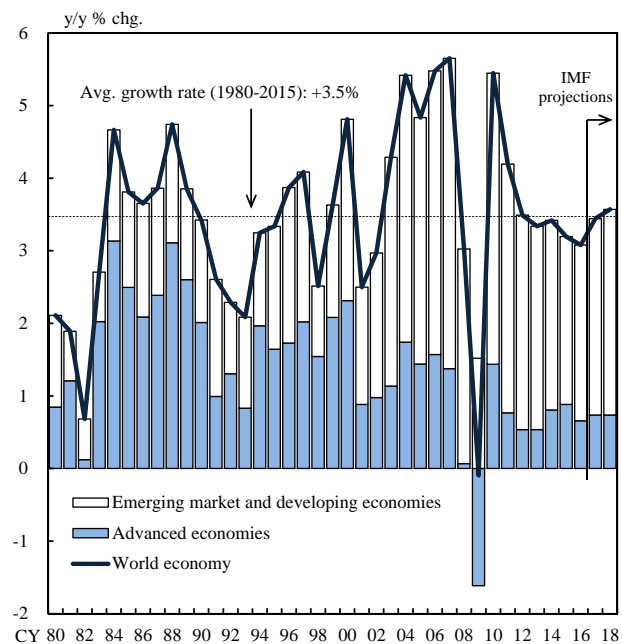
CY	real GDP growth rate, y/y % chg.			
	2015	2016 estimates	2017 projection	2018 projection
World	3.2	3.1	3.4 (0.0)	3.6 (0.0)
Advanced economies	2.1	1.6	1.9 (0.1)	2.0 (0.2)
United States	2.6	1.6	2.3 (0.1)	2.5 (0.4)
Euro area	2.0	1.7	1.6 (0.1)	1.6 (0.0)
United Kingdom	2.2	2.0	1.5 (0.4)	1.4 (-0.3)
Japan	1.2	0.9	0.8 (0.2)	0.5 (0.0)
Emerging market and developing economies	4.1	4.1	4.5 (-0.1)	4.8 (0.0)
Emerging and developing Asia	6.7	6.3	6.4 (0.1)	6.3 (0.0)
China	6.9	6.7	6.5 (0.3)	6.0 (0.0)
ASEAN	4.8	4.8	4.9 (-0.2)	5.2 (0.0)
Russia	-3.7	-0.6	1.1 (0.0)	1.2 (0.0)
Latin America and the Caribbean	0.1	-0.7	1.2 (-0.4)	2.1 (-0.1)

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 October 2016 *World Economic Outlook* projections.

Source: International Monetary Fund.

(2) Real GDP Growth Rate of the World Economy



Note: As of October 2016.

Source: International Monetary Fund.

"Outlook for Economic Activity and Prices" (January 2017)

Forecasts of the Majority of Policy Board Members

	y/y % chg.	
	Real GDP	CPI (all items less fresh food)
Fiscal 2016	+1.2 to +1.5 [+1.4]	-0.2 to -0.1 [-0.2]
Forecasts made in October 2016	+0.8 to +1.0 [+1.0]	-0.3 to -0.1 [-0.1]
Fiscal 2017	+1.3 to +1.6 [+1.5]	+0.8 to +1.6 [+1.5]
Forecasts made in October 2016	+1.0 to +1.5 [+1.3]	+0.6 to +1.6 [+1.5]
Fiscal 2018	+1.0 to +1.2 [+1.1]	+0.9 to +1.9 [+1.7]
Forecasts made in October 2016	+0.8 to +1.0 [+0.9]	+0.9 to +1.9 [+1.7]

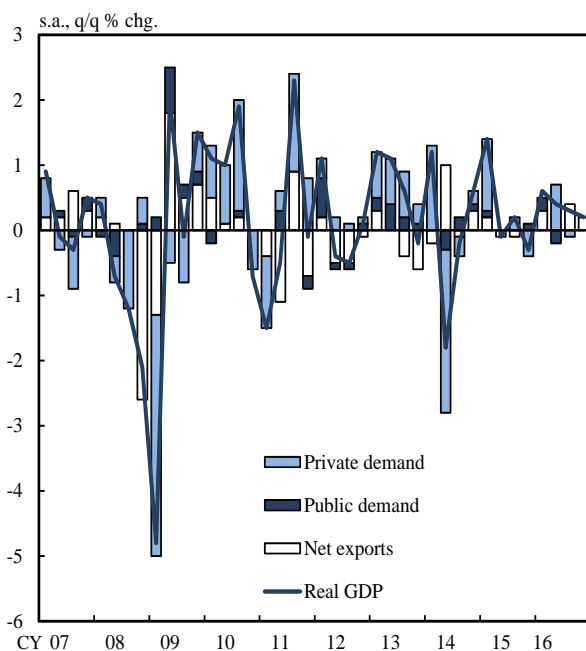
Notes: 1. Figures in brackets indicate the median of the Policy Board members' forecasts (point estimates).

2. The contribution of energy items to the year-on-year rate of change in the CPI (all items less fresh food) is estimated to be approximately minus 0.6 percentage point for fiscal 2016 and reach around 0 percentage point in early 2017, becoming slightly positive thereafter.

Source: Bank of Japan.

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Japan's Economy: Real GDP



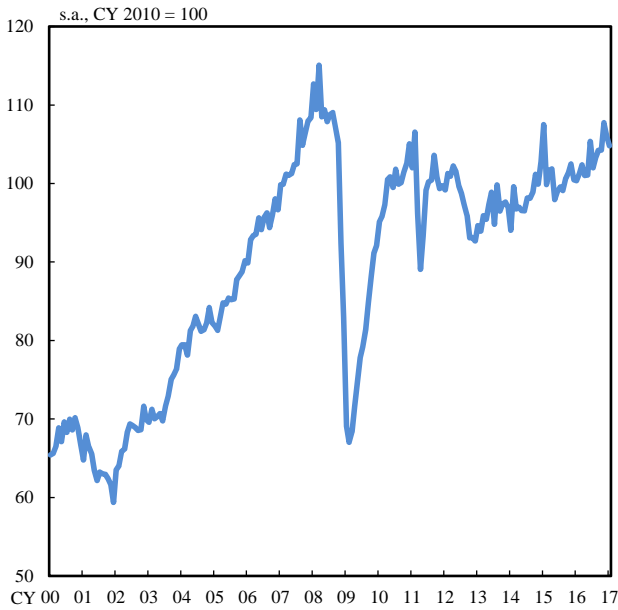
Source: Cabinet Office.

		s.a., q/q % chg.											
		2014			2015				2016				
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Real GDP	a	-1.8	-0.2	0.6	1.4	-0.1	0.2	-0.3	0.6	0.4	0.3	0.2	
Inventories	b	1.0	-0.4	-0.2	0.6	0.4	-0.2	-0.1	-0.2	0.2	-0.3	-0.1	
Imports	c	0.8	-0.3	-0.2	-0.1	0.5	-0.5	0.1	0.2	0.2	0.0	-0.2	
Final demand	d = a - b - c	-3.6	0.5	1.0	0.9	-1.0	0.9	-0.3	0.6	0.0	0.6	0.5	
Real GDP	e	-1.8	-0.2	0.6	1.4	-0.1	0.2	-0.3	0.6	0.4	0.3	0.2	
Trading gains/losses	f	0.2	0.1	0.3	0.8	0.1	0.3	0.1	0.5	0.2	-0.1	-0.2	
Real GDI	g = e + f	-1.6	-0.1	0.9	2.2	0.0	0.5	-0.2	1.1	0.6	0.2	0.1	
Income from/to the rest of the world	h	0.1	0.3	0.4	-0.4	0.3	0.0	0.1	-0.3	-0.3	-0.1	-0.1	
Real GNI	i = g + h	-1.4	0.2	1.3	1.7	0.3	0.5	-0.1	0.7	0.3	0.1	0.0	
		y/y % chg.											
Real GDP		-0.3	-1.1	-0.3	-0.1	1.8	2.1	1.1	0.3	0.9	1.1	1.7	
Real GDI		-0.5	-1.3	-0.1	1.4	3.1	3.7	2.4	1.5	2.0	1.8	2.0	
Real GNI		-0.9	-0.8	0.6	1.9	3.6	3.9	2.3	1.4	1.3	1.1	1.2	

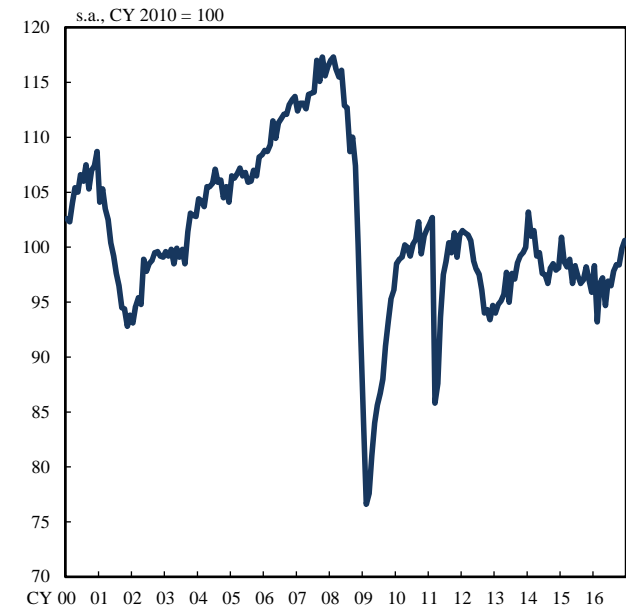
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Exports and Production

(1) Real Exports

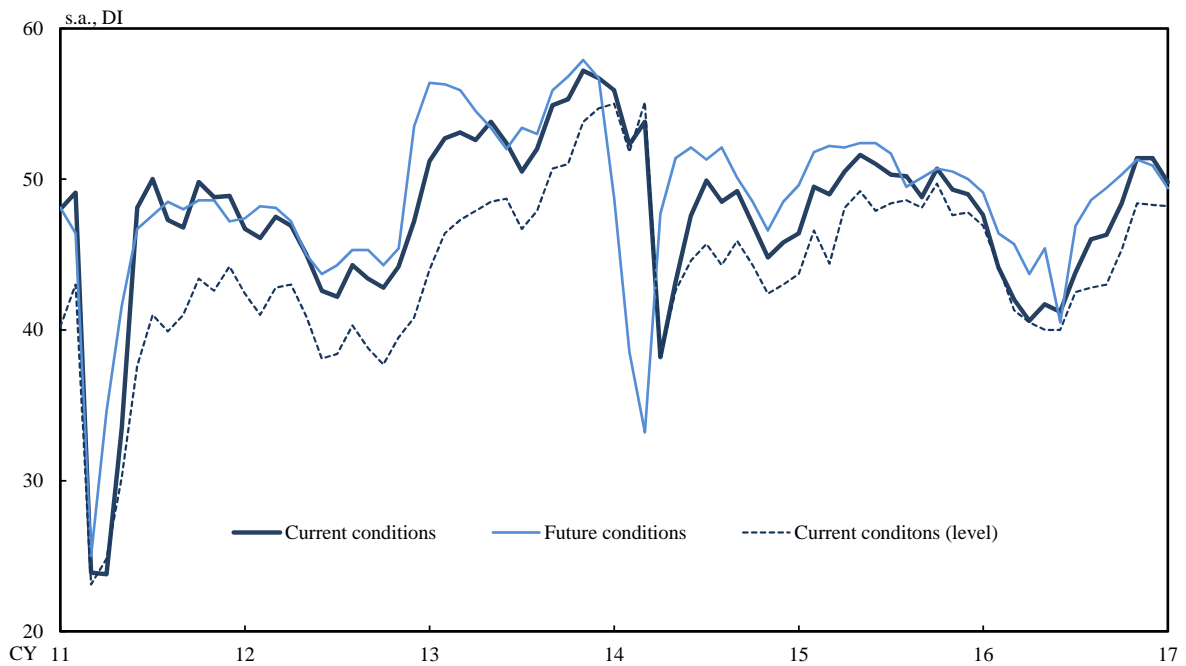


(2) Industrial Production



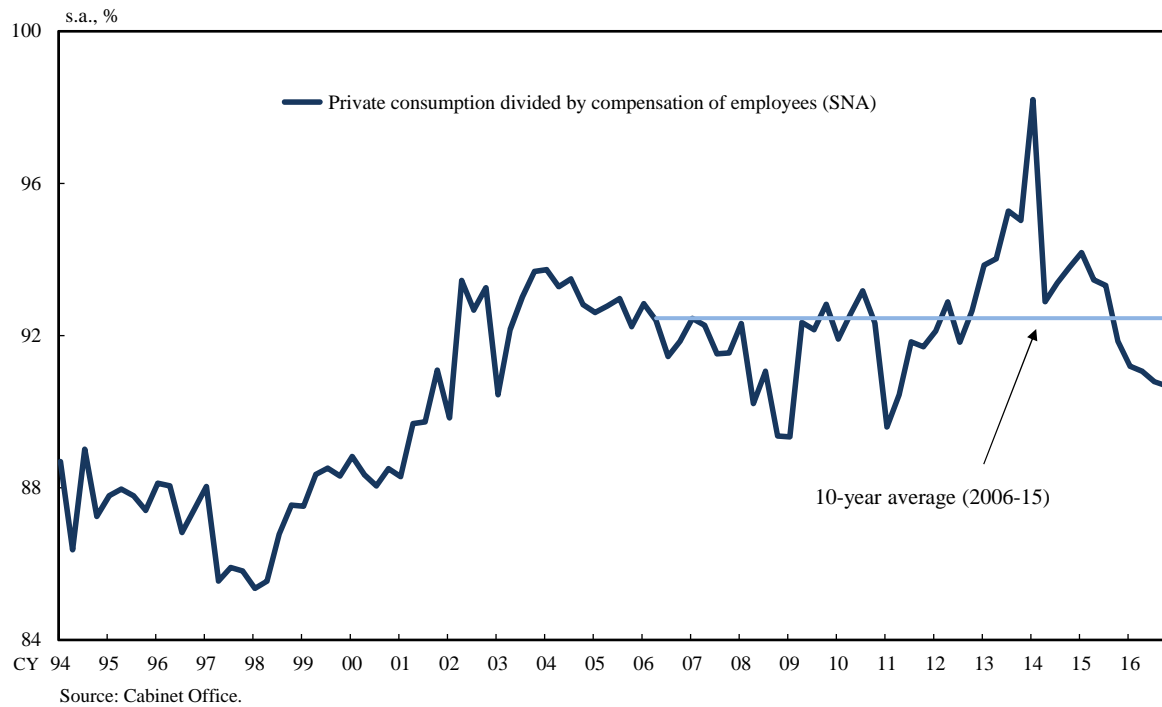
Sources: Ministry of Finance; Bank of Japan; Ministry of Economy, Trade and Industry.

Economy Watchers Survey

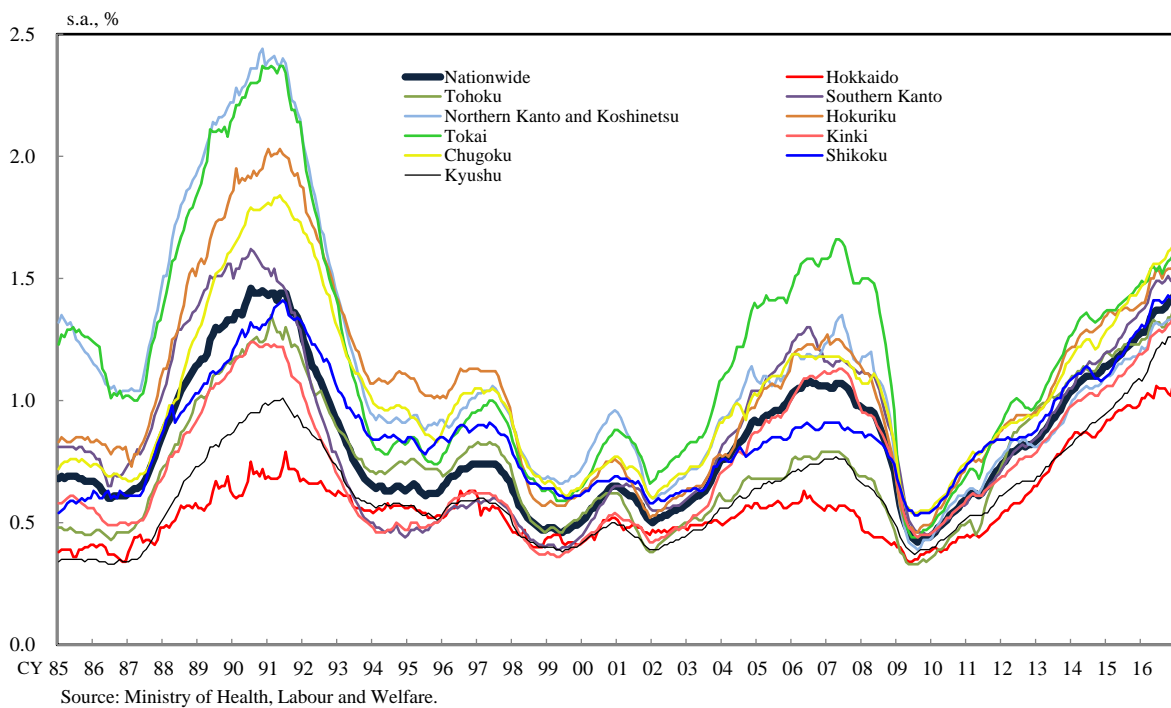


Source: Cabinet Office.

Propensity to Consume on Compensation of Employees Basis



Active Job Openings-to-Applicants Ratio by Region



Active Job Openings-to-Applicants Ratio by Job Type

times, 10 thousand people

	Active job openings-to-applicants ratio			[reference]
	(including part-time employees)	Effective job offers	Effective job seekers	Active job openings-to-applicants ratio (excluding part-time employees)
Clerical	0.42	20	47	0.38
General clerical	0.33	13	40	0.29
Service	3.28	57	17	2.67
Professional and engineering	2.20	45	20	2.19
Sales	1.92	27	14	1.67
Manufacturing process	1.48	21	14	1.40
Transport and machine operation	2.21	11	5	2.14
Construction and mining	3.84	9	2	4.03
Carrying, cleaning, packaging and related	0.73	20	27	0.49
Total (including others)	1.36	220	162	1.27
Nursing care-related	3.60	26	7	2.97

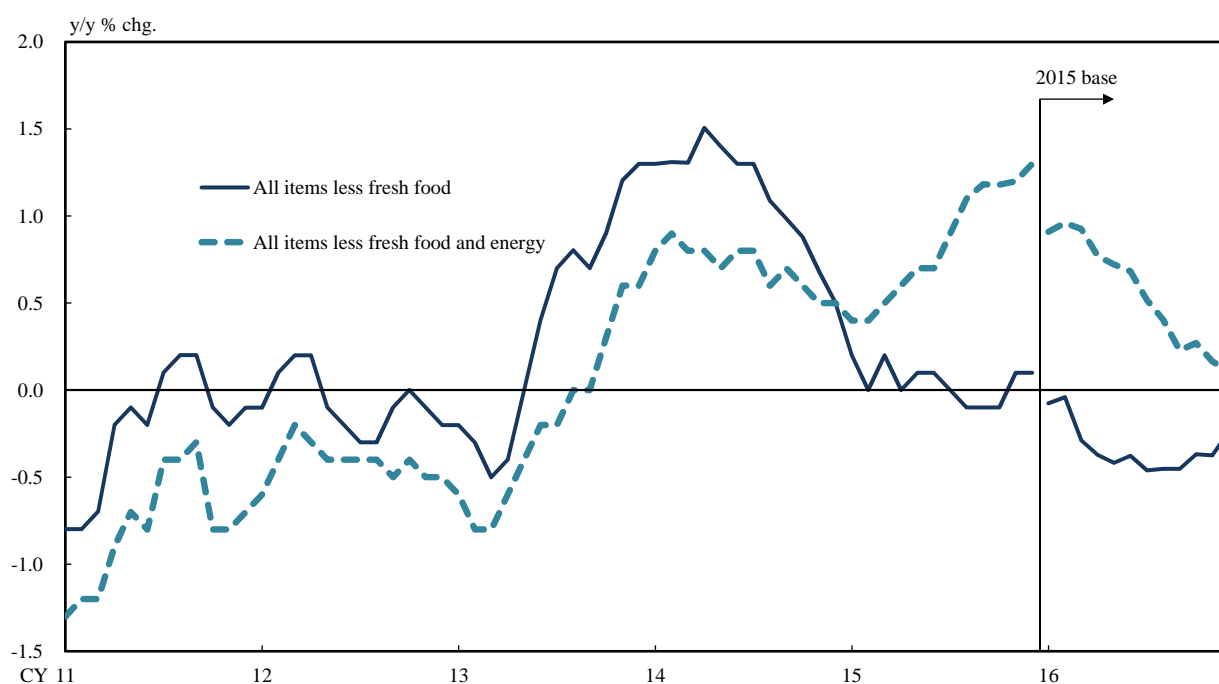
Notes: 1. Figures are those for regular workers that refer to either work without a fixed employment term or work with a fixed term of more than four months (excluding seasonal work). They are as of December 2016, and not seasonally adjusted.

2. "Nursing care-related" consists of "Welfare facility guidance professionals," "Other social welfare specialist professionals," "Housekeepers, home helpers," and "Care service workers."

Source: Ministry of Health, Labour and Welfare.

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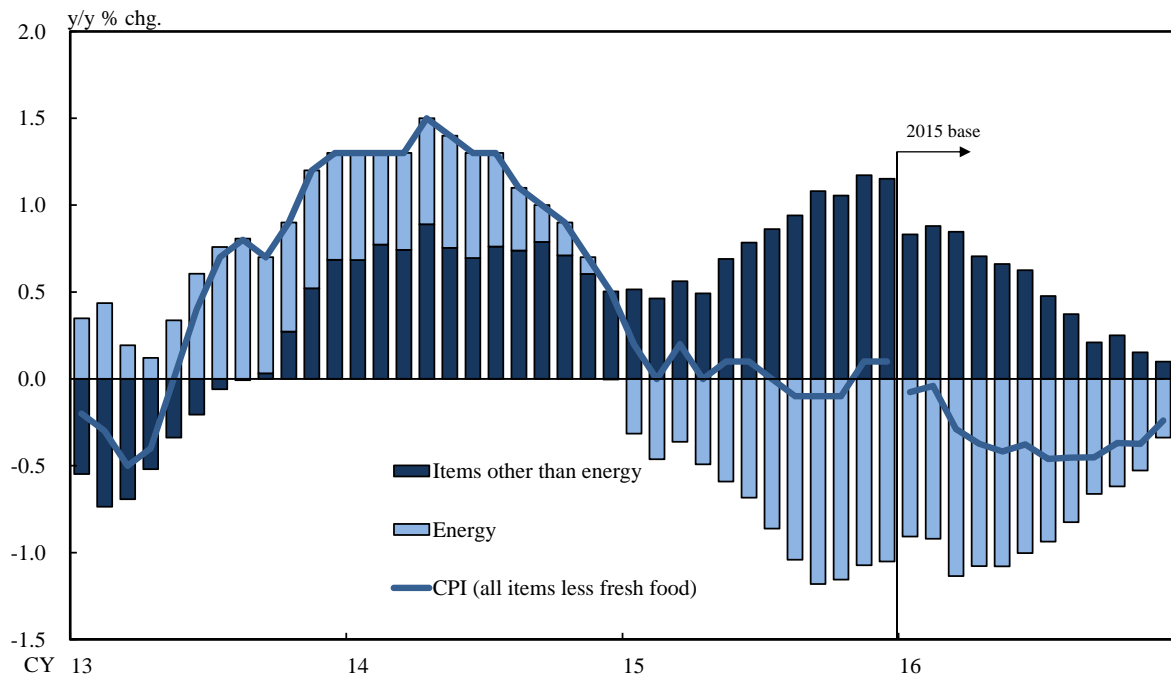
Consumer Prices



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

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Consumer Prices (Continued)

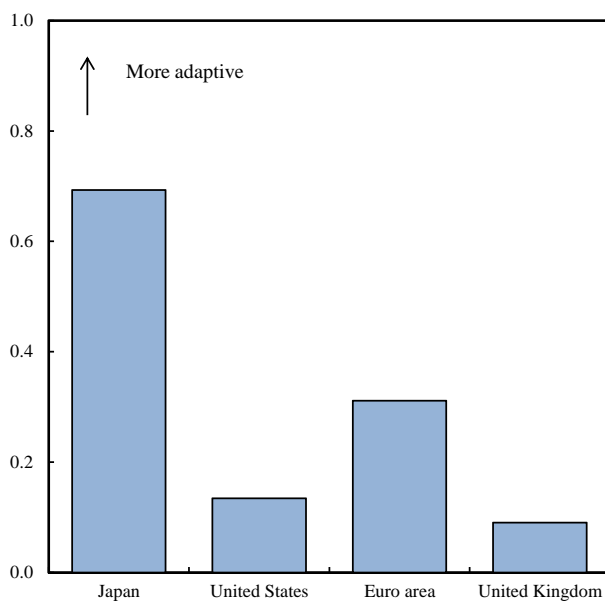


Note: Figures from April 2014 onward are estimated by adjusting the direct effects of the consumption tax hike.
Source: Ministry of Internal Affairs and Communications.

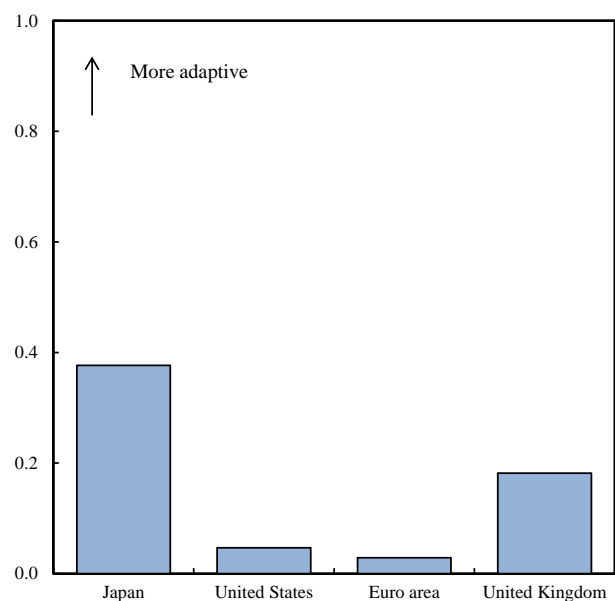
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Contribution of the Observed Inflation to Inflation Expectations in Advanced Economies

(1) Contribution of the observed inflation to inflation expectations 1 year ahead



(2) Contribution of the observed inflation to inflation expectations 6-10 years ahead

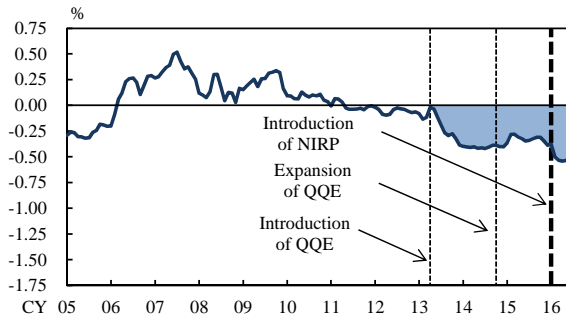


Sources: Bank of Japan; Consensus Economics Inc., "Consensus Forecasts"; Ministry of Internal Affairs and Communications; BLS; Eurostat; ONS.

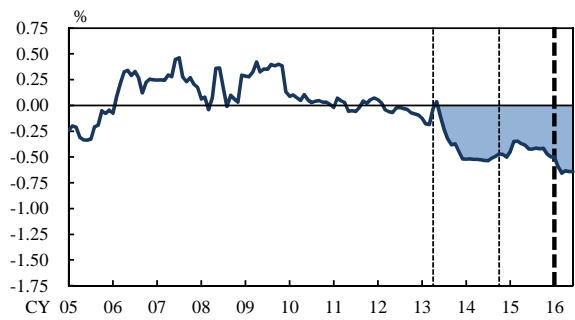
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The Impact of the Negative Interest Rate Policy (NIRP) and JGB Purchases on Interest Rates

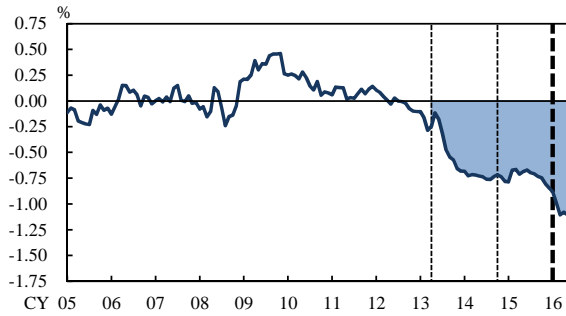
(1) 2-year JGB Yields



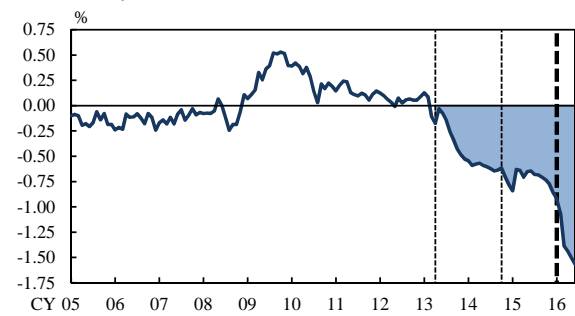
(2) 5-year JGB Yields



(3) 10-year JGB Yields



(4) 20-year JGB Yields

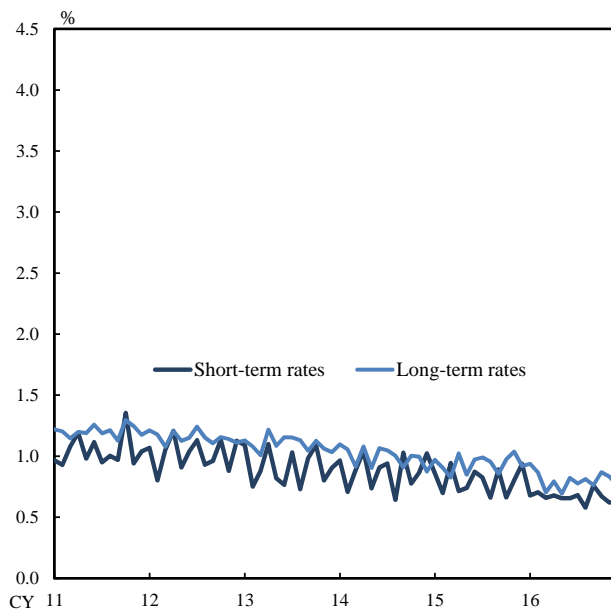


Note: The graphs show the residuals obtained when regressing JGB yields (for 2 years, 5 years, 10 years, and 20 years) on 10-year U.S. Treasury bond yields, the year-on-year rate of change in the CPI (all items less fresh food), and the active job openings-to-applicants ratio as a proxy for the output gap.

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

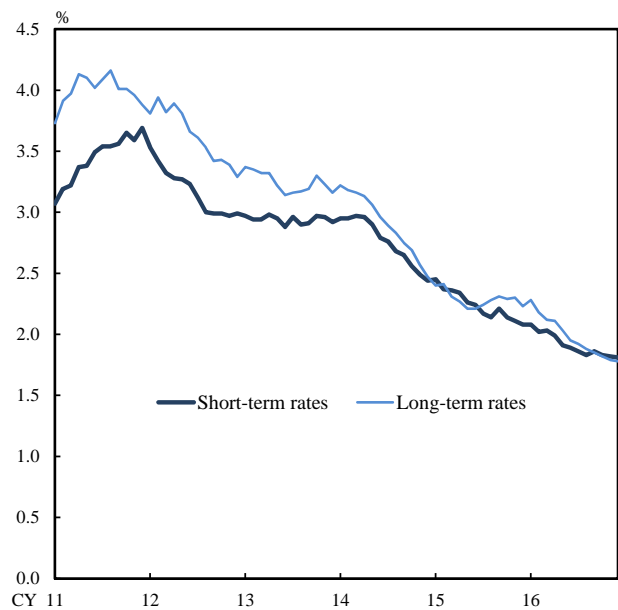
Bank Lending Rates

(1) Japan



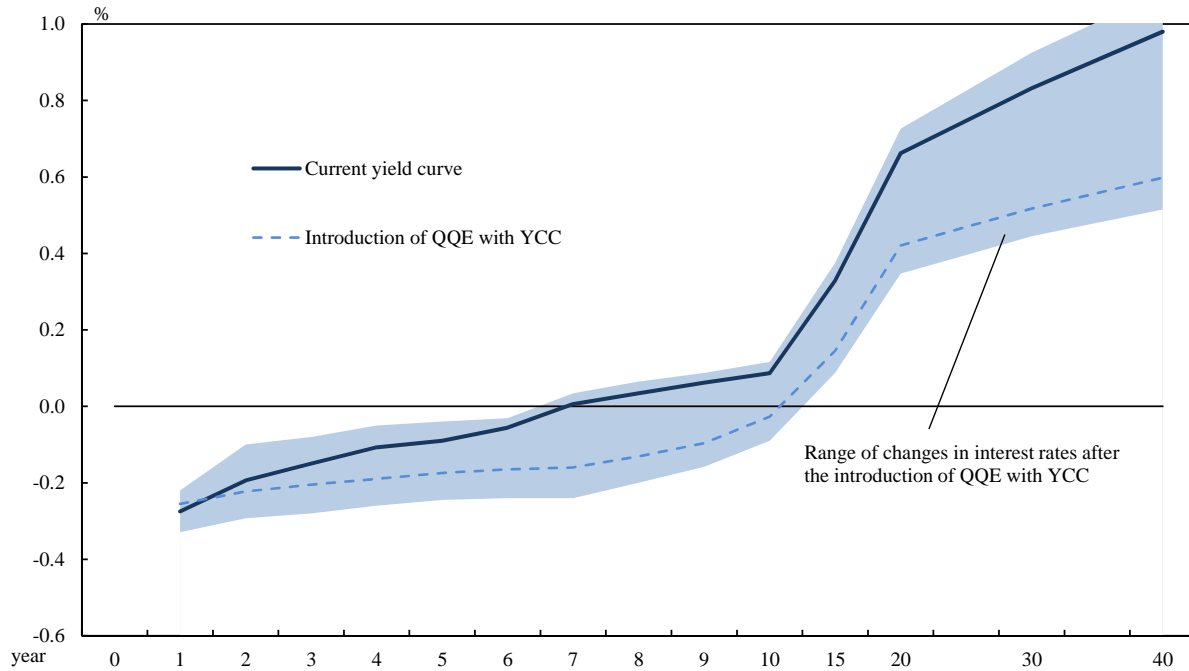
Note: Figures are domestically licensed banks' average contract interest rates on new loans and discounts.
Source: Bank of Japan.

(2) Euro Area



Note: Figures are interest rates on new loans.
Source: European Central Bank.

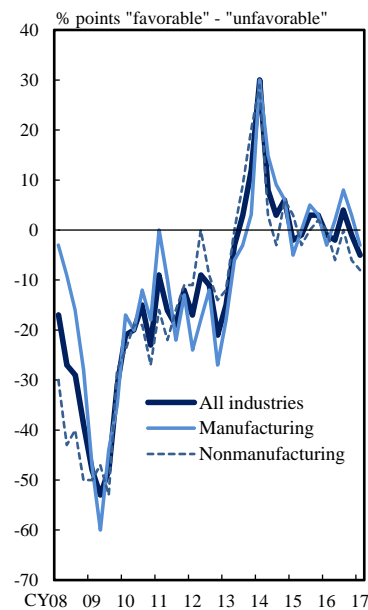
Yield Curve Control (YCC)



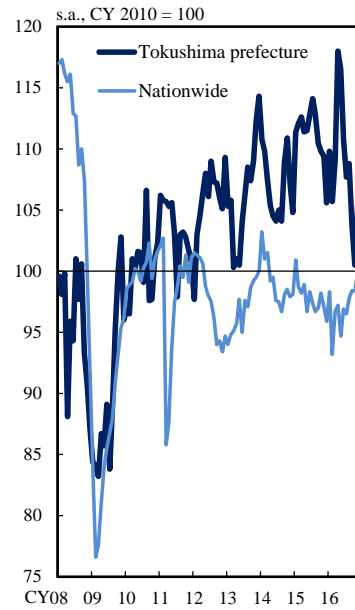
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Economic Activity in Tokushima Prefecture

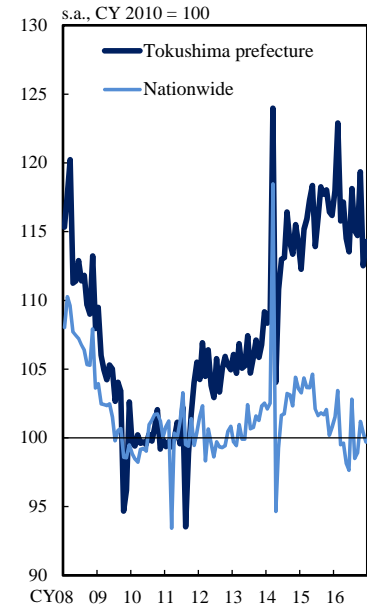
(1) Business Conditions DI
(*Tankan*)



(2) Industrial Production



(3) Sales at department stores and supermarkets



Sources: Bank of Japan; Ministry of Economy, Trade and Industry; Shikoku Bureau of Economy, Trade and Industry; Tokushima Prefectural Government.

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