

Economic and Financial Developments and Monetary Policy in Japan

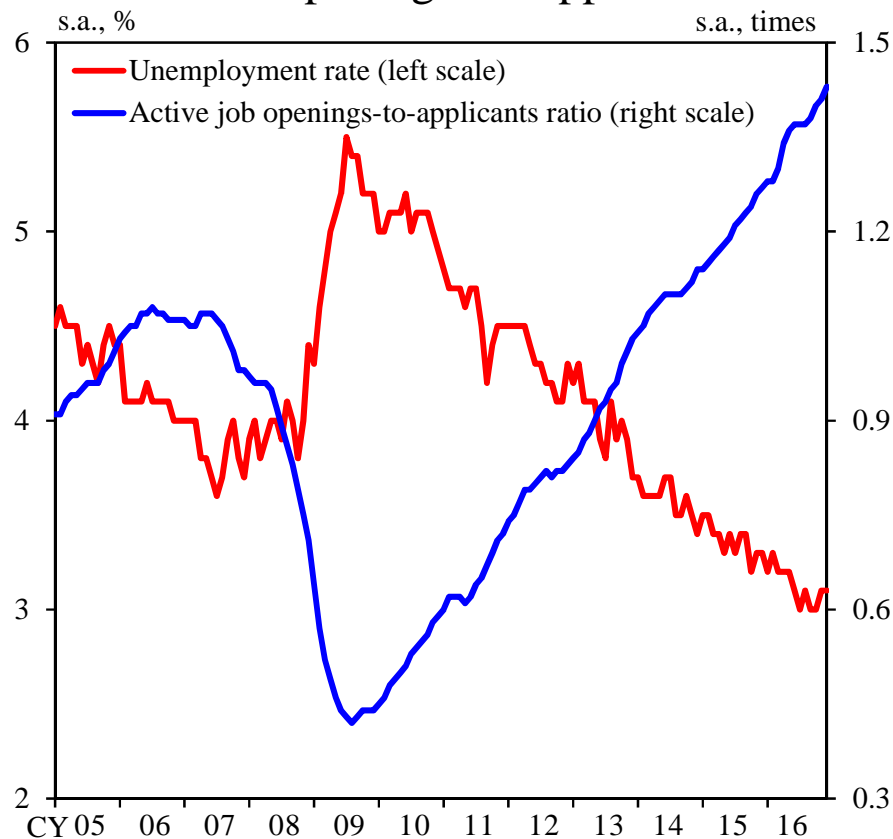
*Speech at a Seminar Hosted by the Embassy of Japan
in Switzerland (Zurich)*

March 6, 2017

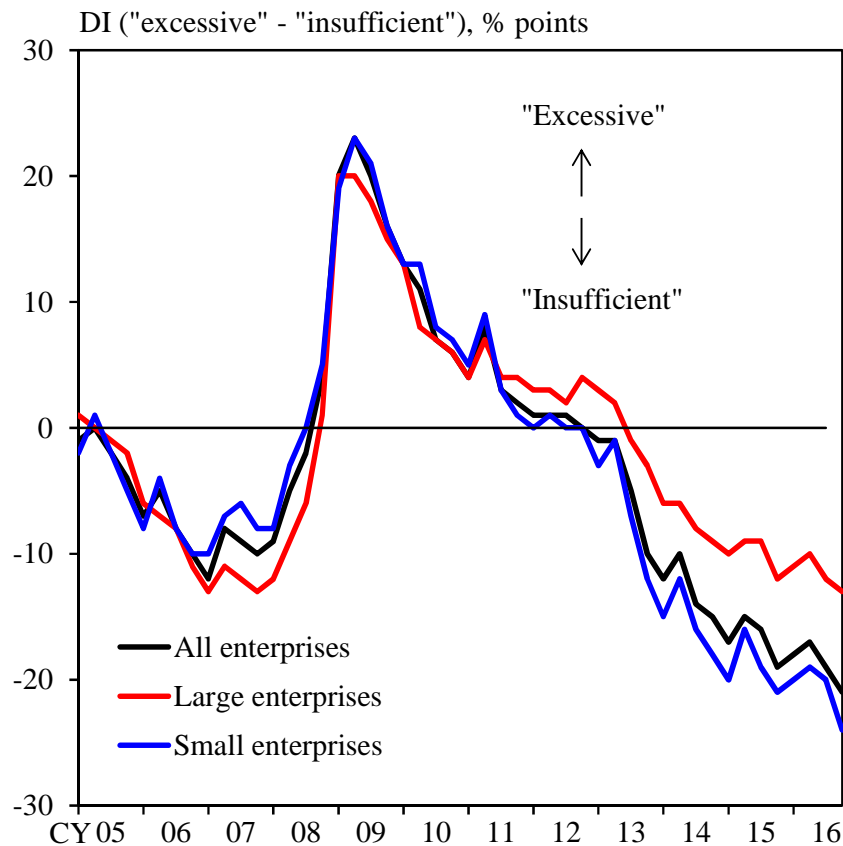
Takako Masai
Bank of Japan

Labor Market Conditions

(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



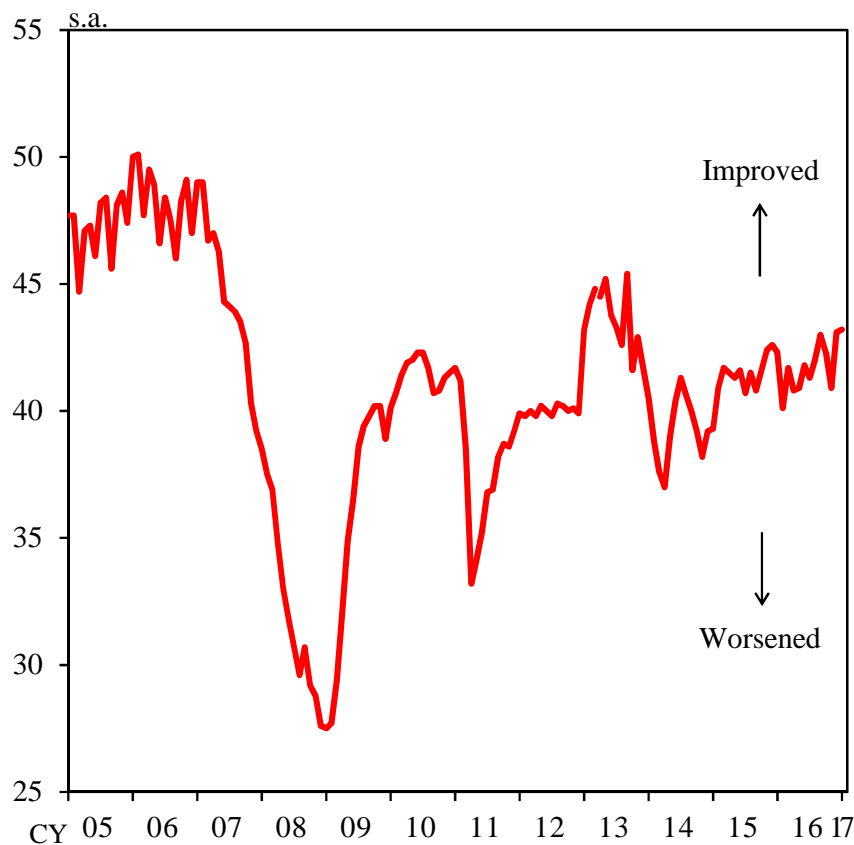
(2) *Tankan*: Employment Conditions DI



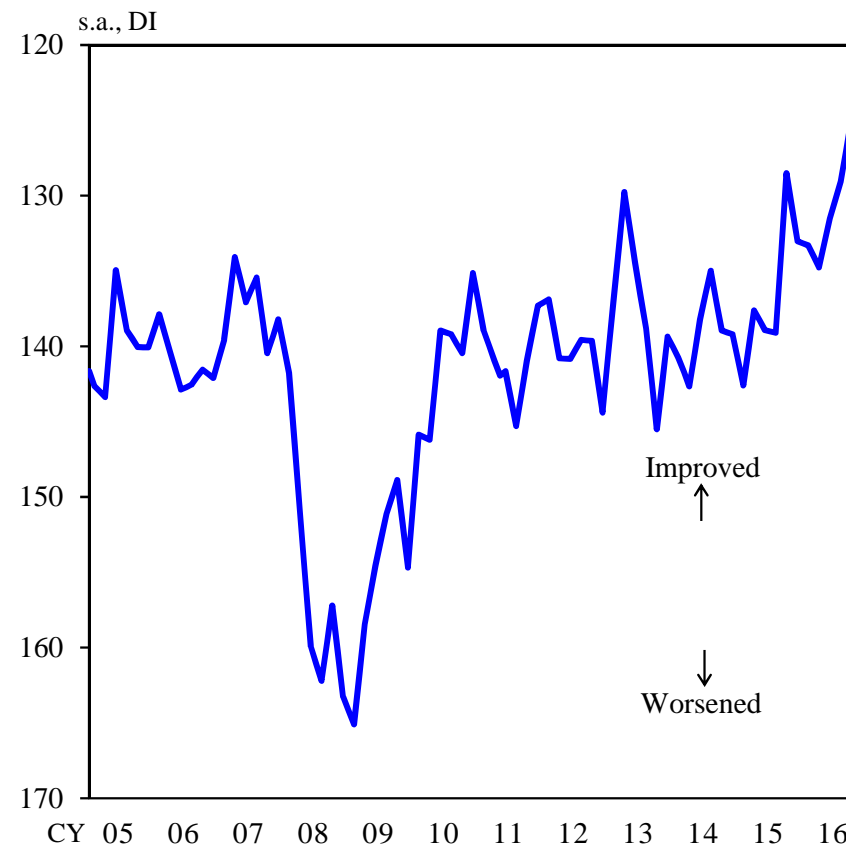
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Bank of Japan.

Confidence Indicators

(1) Consumer Confidence Index



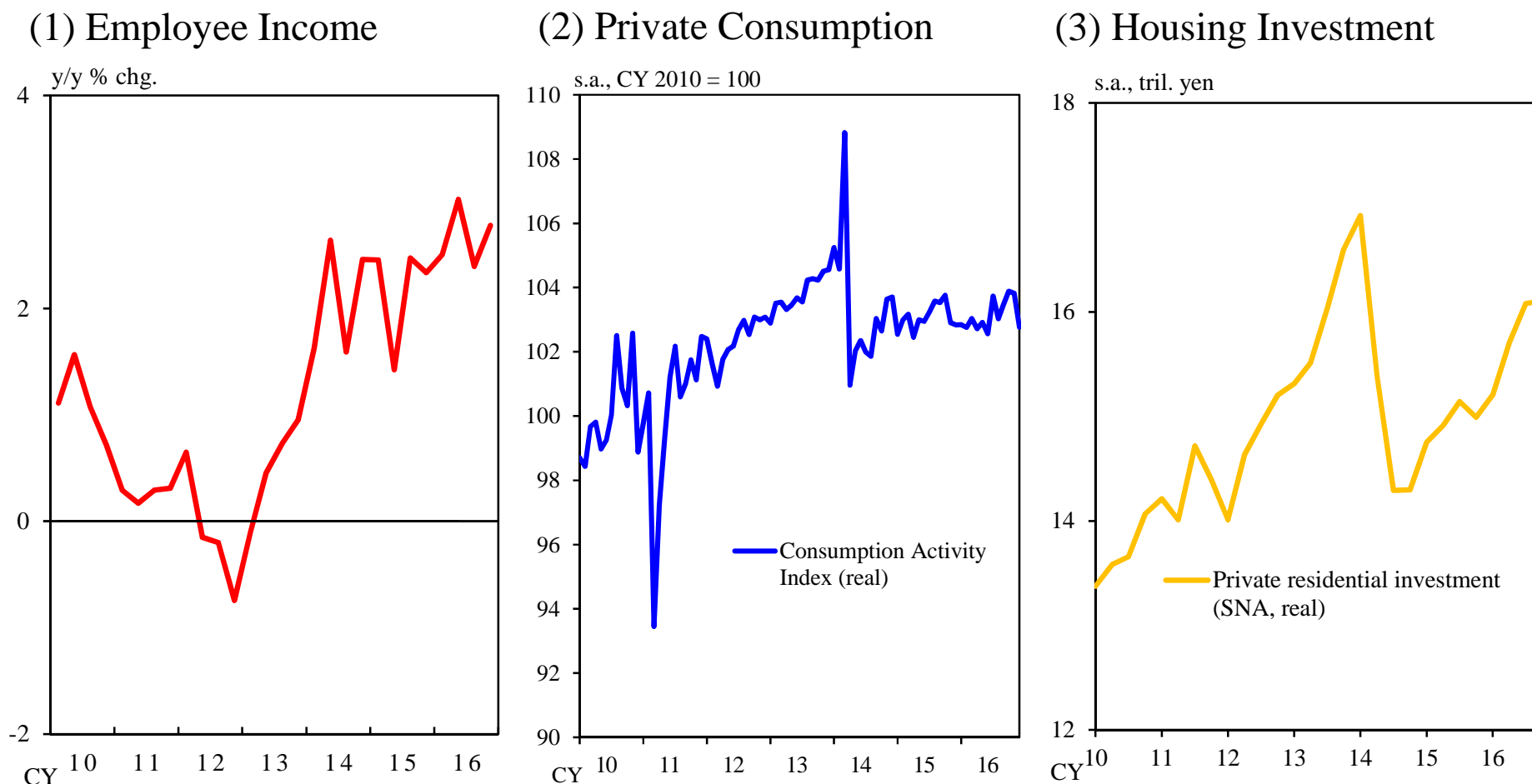
(2) NRI Consumer Sentiment Index



Note: There is a discontinuity in the data for the Consumer Confidence Index in April 2013 due to a change in the survey method.

Sources: Cabinet Office; Nippon Research Institute (NRI), "Consumer Sentiment Survey."

Employee Income and Household Spending



Notes: 1. Employee income (Monthly Labour Survey) = number of regular employees (Monthly Labour Survey) × total cash earnings.
 2. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

Sources: Ministry of Health, Labour and Welfare; Cabinet Office; Bank of Japan.

Outlook for Economic Activity and Prices (as of January 2017)

y/y % chg.

	Real GDP	CPI (all items less fresh food)
Fiscal 2016	+1.4	-0.2
Forecasts made in October 2016	+1.0	-0.1
Fiscal 2017	+1.5	+1.5
Forecasts made in October 2016	+1.3	+1.5
Fiscal 2018	+1.1	+1.7
Forecasts made in October 2016	+0.9	+1.7

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

Source: Bank of Japan.

Mechanism of QQE

Quantitative and Qualitative Monetary Easing (QQE)

Large-scale purchases of JGBs

Strong and clear commitment to achieve the price stability target of 2 percent

Decrease

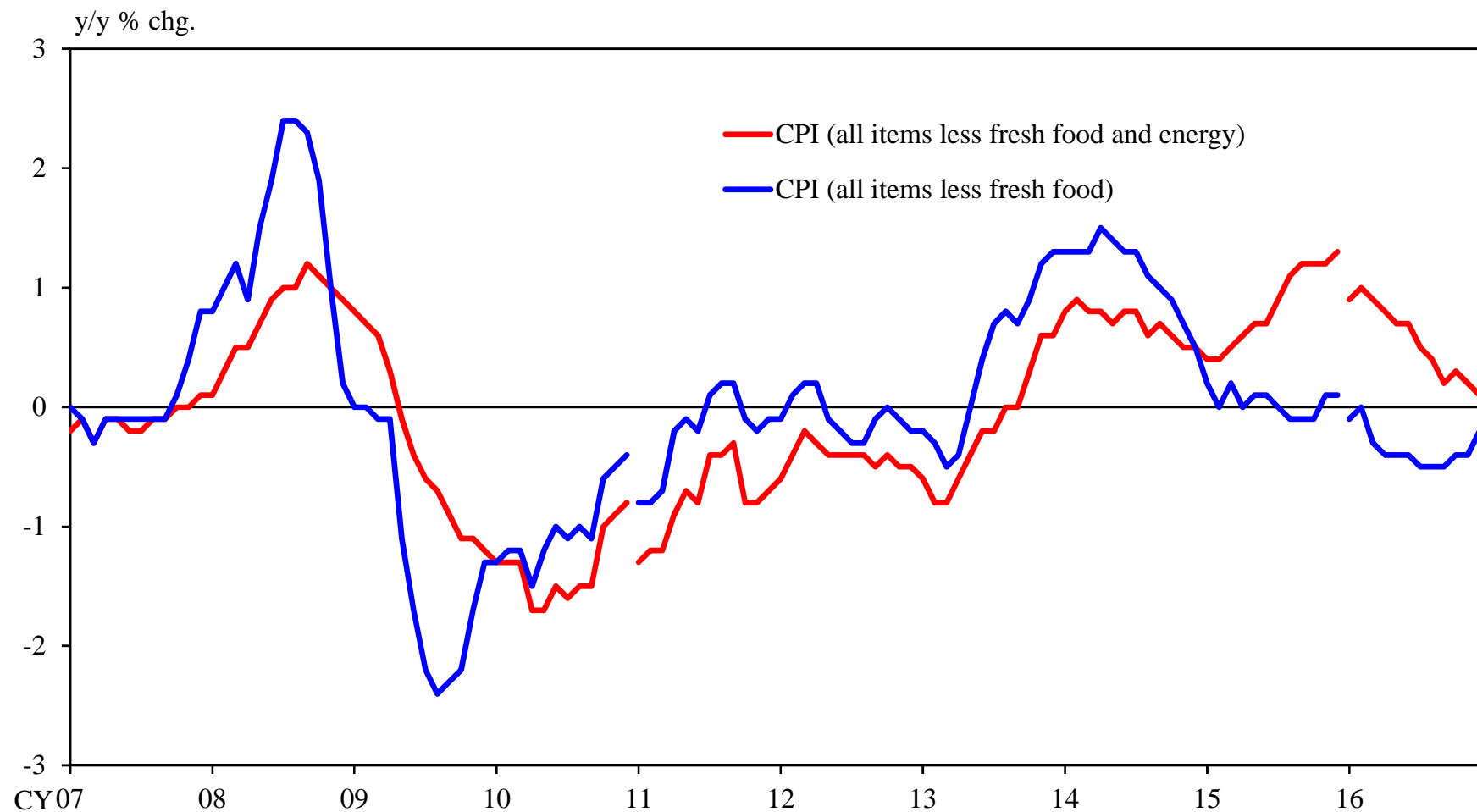
Increase

Nominal interest rates — Inflation expectations = Real interest rates

Decrease

Improvement in the economy
and increase in prices

Consumer Prices



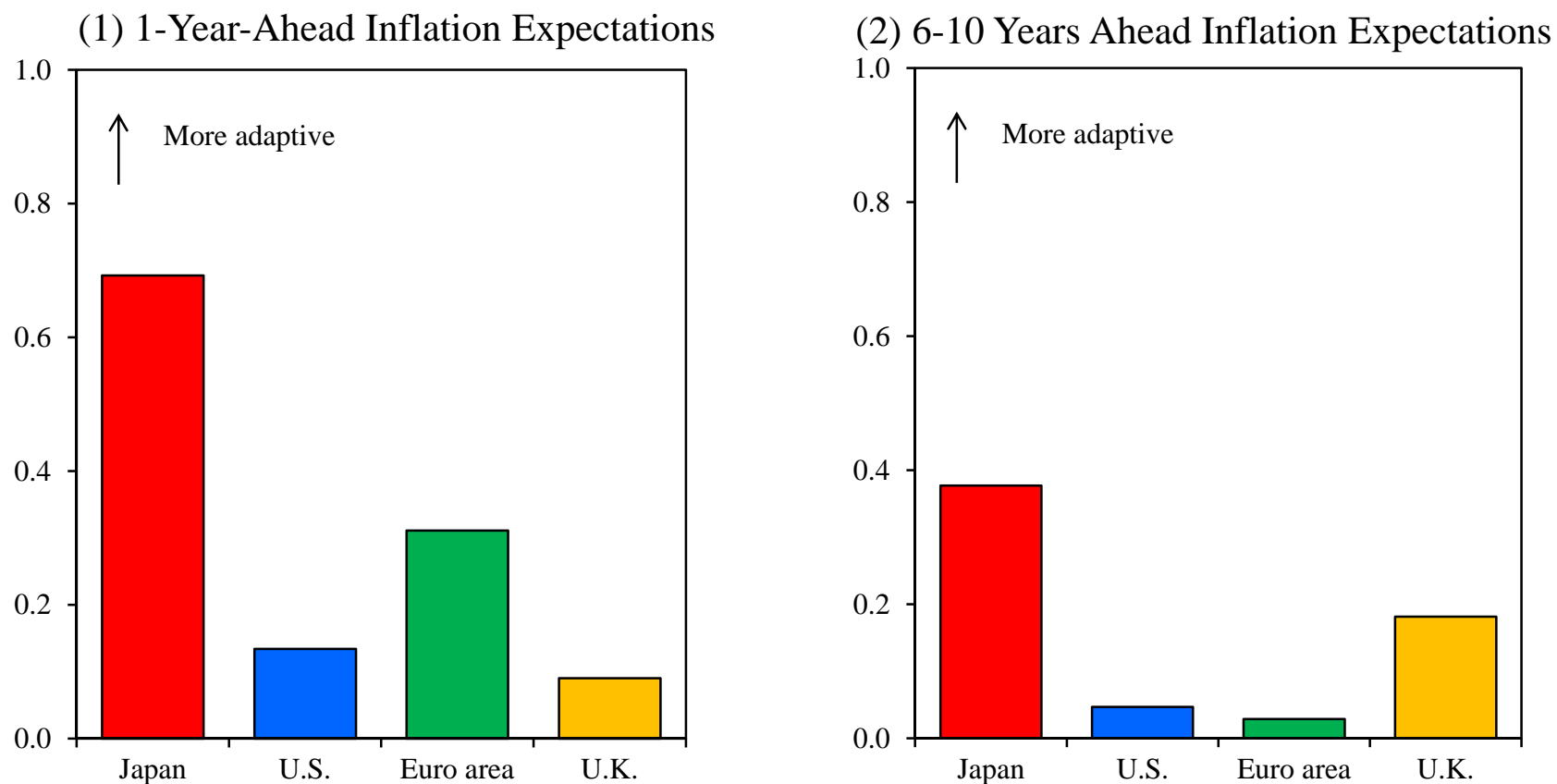
Notes: 1. Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.

2. Figures for the CPI are adjusted to exclude the estimated effects of changes in the consumption tax rate.

Source: Ministry of Internal Affairs and Communications.

"Adaptive" Mechanism of Inflation Expectation Formation

Contribution of Observed Inflation to Inflation Expectations



Notes: 1. The observed inflation rates used in the estimation are CPI (all items).

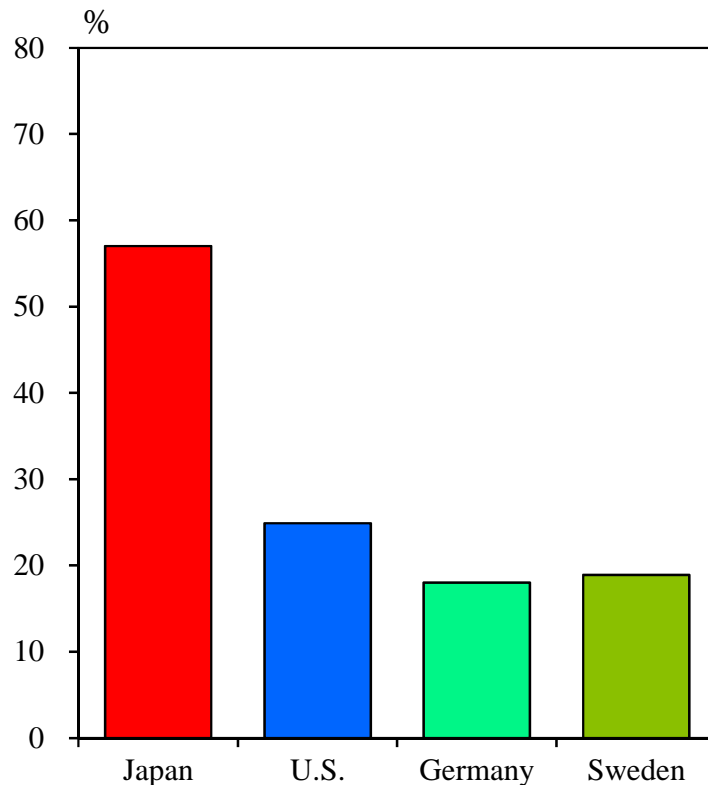
2. For the estimation method, see Appendix Chart 3 in "Comprehensive Assessment: Developments in Economic Activity and Prices as well as Policy Effects since the Introduction of Quantitative and Qualitative Monetary Easing (QQE)" published by the Bank of Japan on September 21, 2016.

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

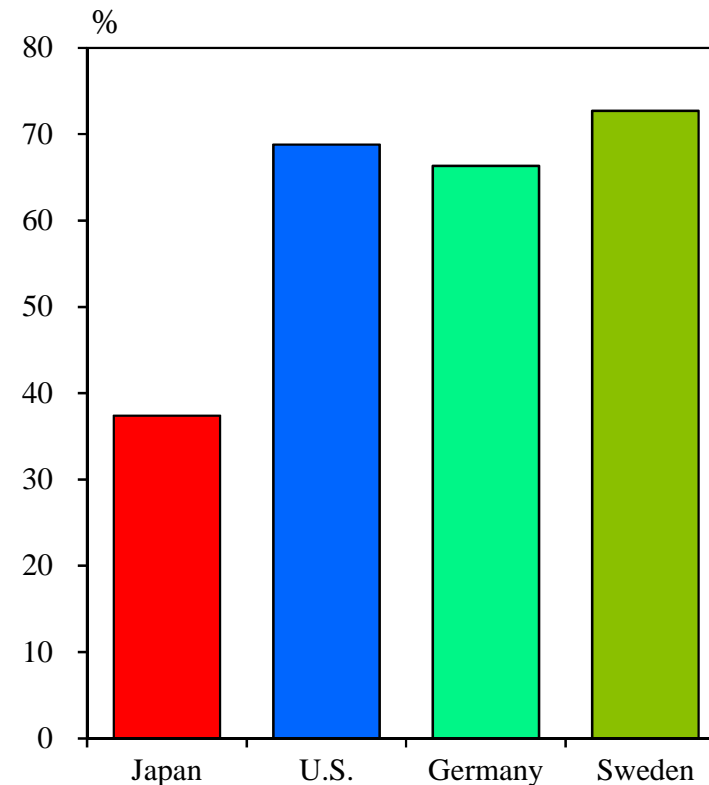
Concerns among Elderly about Retirement (1)

Asked If They Have Enough Savings and Assets to Provide for Retirement

(1) Percentage of Elderly Who Consider That They *Do Not Have Enough*



(2) Percentage of Elderly Who Consider That They *Have Enough*



Notes: 1. Population of the survey: males and females who are aged 60 years and older (excluding those in nursing care facilities).

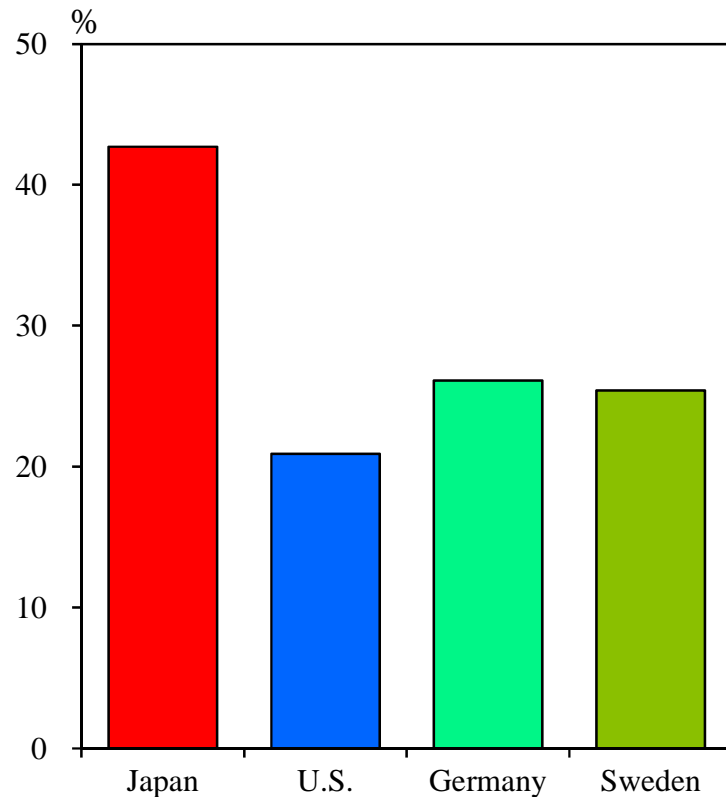
2. "Do not have enough" comprises "do not have so much" and "have far from enough." "Have enough" comprises "have enough" and "have only just enough." Elderly who considered neither that they "do not have enough" nor that they "have enough" responded either "no need to have assets, as social security should cover expenses for basic daily life" or "don't know."

Source: Cabinet Office, "International Comparison Survey of the Daily Life and Attitudes of Elderly Persons," 2015 (available only in Japanese).

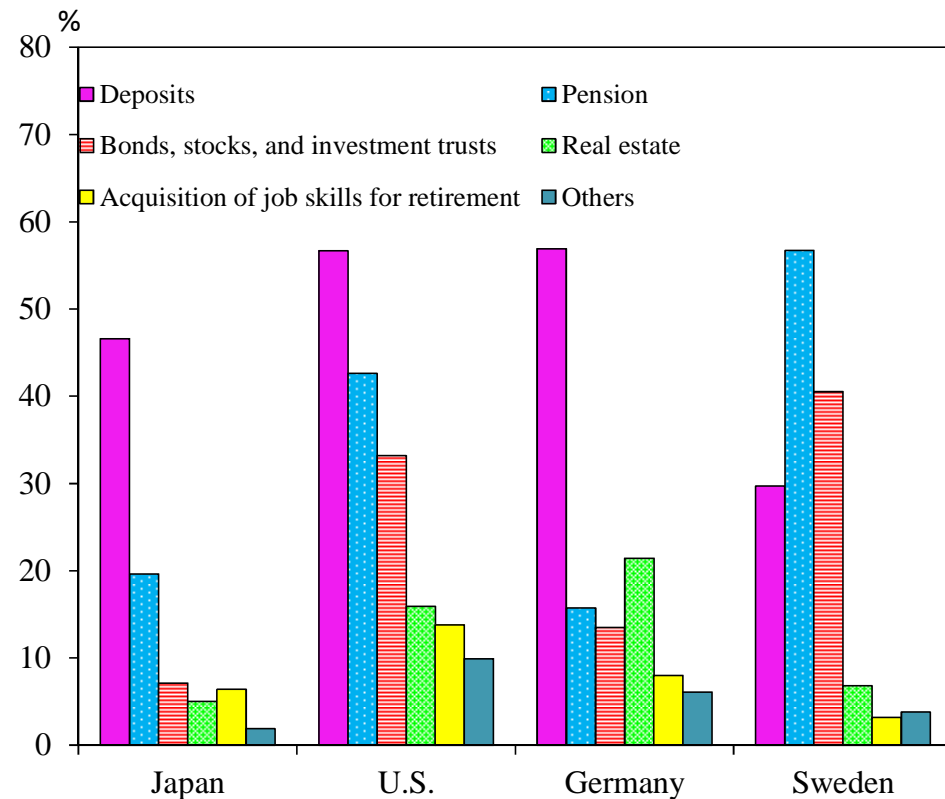
Concerns among Elderly about Retirement (2)

Asked How They Prepared for Retirement before They Reached 60 Years of Age

(1) Percentage of Elderly Who Responded That They *Had Made No Special Effort to Prepare*



(2) How Elderly Prepared for Retirement



Notes: 1. Population of the survey: males and females who are aged 60 years and older (excluding those in nursing care facilities).

2. Multiple answers were allowed for the question of how they prepared for retirement.

Source: Cabinet Office, "International Comparison Survey of the Daily Life and Attitudes of Elderly Persons," 2015 (available only in Japanese).

The 10 Strategic Public-Private Joint Projects toward GDP of 600 Trillion Yen

1. The fourth industrial revolution
2. Toward a world leading healthcare country
3. Overcoming environmental and energy constraints and expanding investments
4. Changing sports to a growth industry
5. Revitalizing markets for transaction of existing houses and reform
6. Improving productivity in the service industry
7. Bringing about revolution among small and medium-sized firms and micro firms
8. Promoting proactive agriculture, forestry and fishery, as well as reinforcing exports
9. Realizing Japan as a tourism-oriented country
10. Taking measures to stimulate domestic consumer sentiment

Source: "Japan Revitalization Strategy 2016" (Cabinet Decision, June 2, 2016)