

Japan's Economy and Monetary Policy

Speech at the Kisaragi-kai Meeting in Tokyo

December 7, 2017

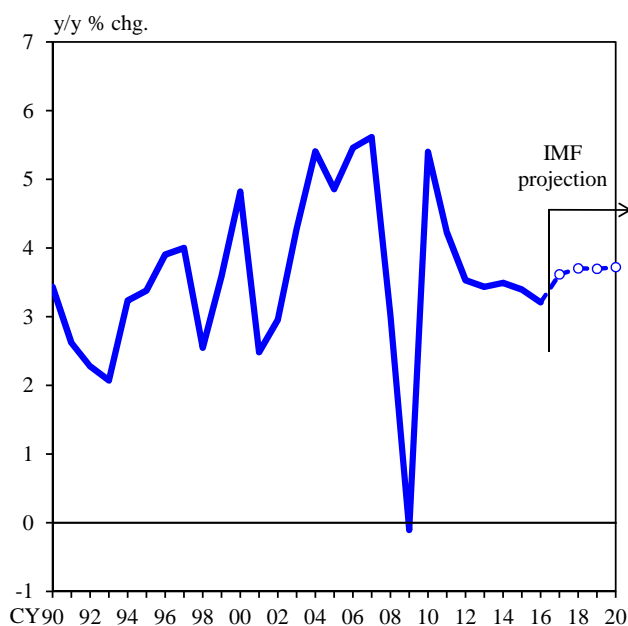
Haruhiko Kuroda

Governor of the Bank of Japan

Chart 1

Global Economy

Global Real GDP Growth



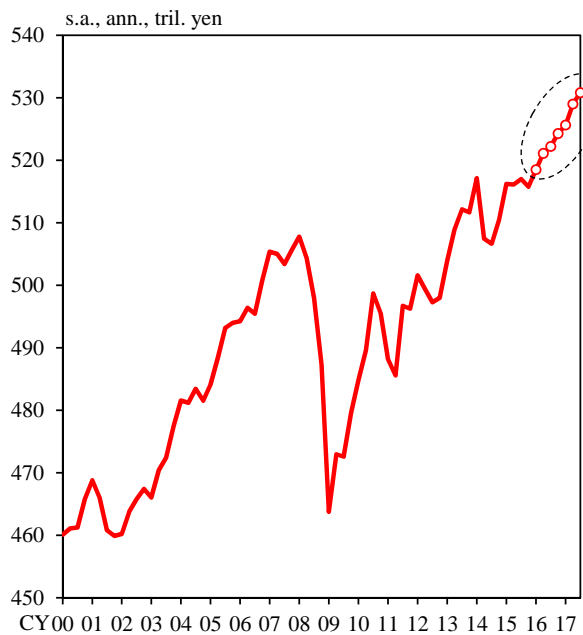
Projections of Real GDP Growth by Major Economies (as of October 2017)

	2015	2016	2017 [Projection]	2018 [Projection]
World	3.4	3.2	3.6 (+0.1)	3.7 (+0.1)
Advanced economies	2.2	1.7	2.2 (+0.2)	2.0 (+0.1)
United States	2.9	1.5	2.2 (+0.1)	2.3 (+0.2)
Euro area	2.0	1.8	2.1 (+0.2)	1.9 (+0.2)
Japan	1.1	1.0	1.5 (+0.2)	0.7 (+0.1)
Emerging market and developing economies	4.3	4.3	4.6 (0.0)	4.9 (+0.1)
China	6.9	6.7	6.8 (+0.1)	6.5 (+0.1)
ASEAN 5	4.9	4.9	5.2 (+0.1)	5.2 (0.0)

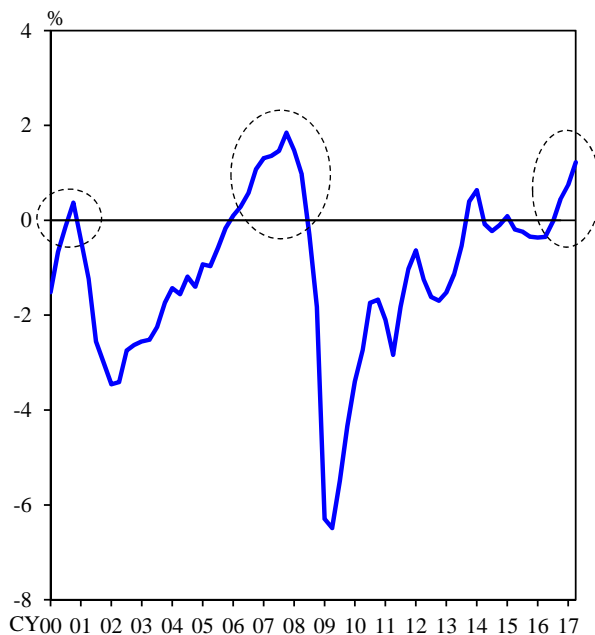
Note: Figures in parentheses in the right figure show differences from the projections as of July 2017 (% points).
Source: IMF.

Economic Recovery in Japan

Real GDP



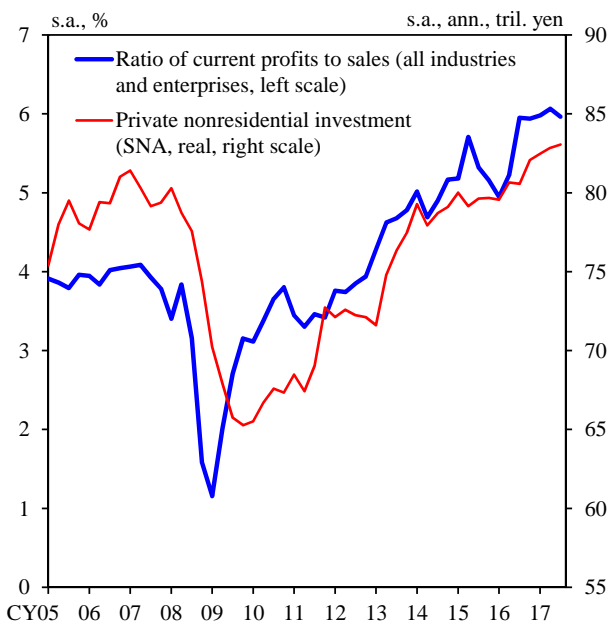
Output Gap



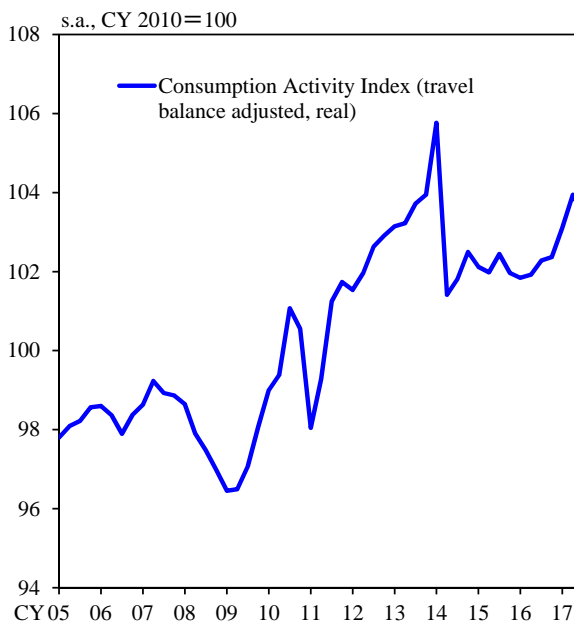
Note: Figures for output gap are based on BOJ staff estimations.
Sources: Cabinet Office; Bank of Japan.

Domestic Demand

Corporate Profits and Business Fixed Investment



Private Consumption



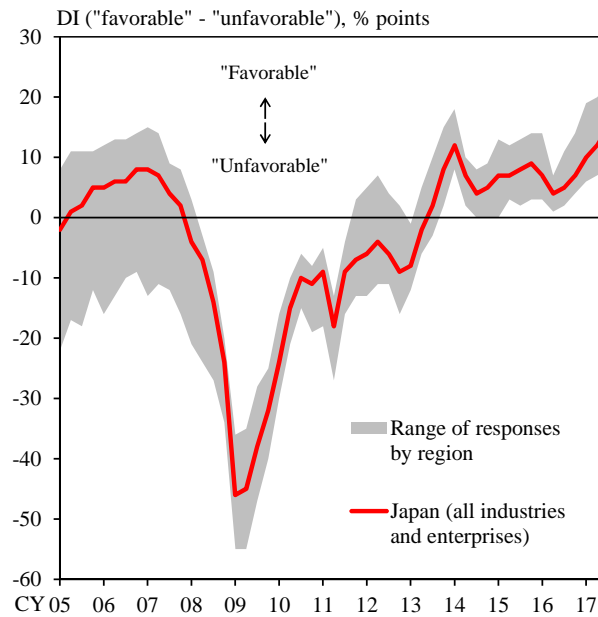
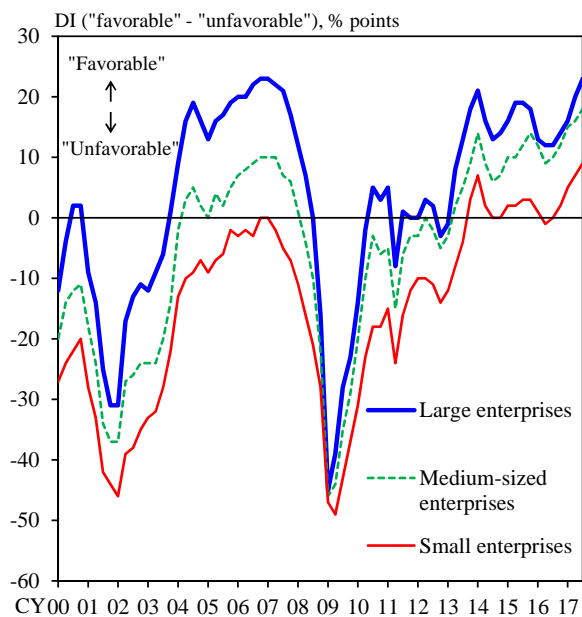
Notes: 1. Figures for corporate profits are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance."

2. Figures for private consumption are based on BOJ staff calculations. Figures exclude inbound tourism consumption and include outbound tourism consumption.
Sources: Ministry of Finance; Cabinet Office; Bank of Japan.

Business Conditions DI (*Tankan*)

By Firm Size

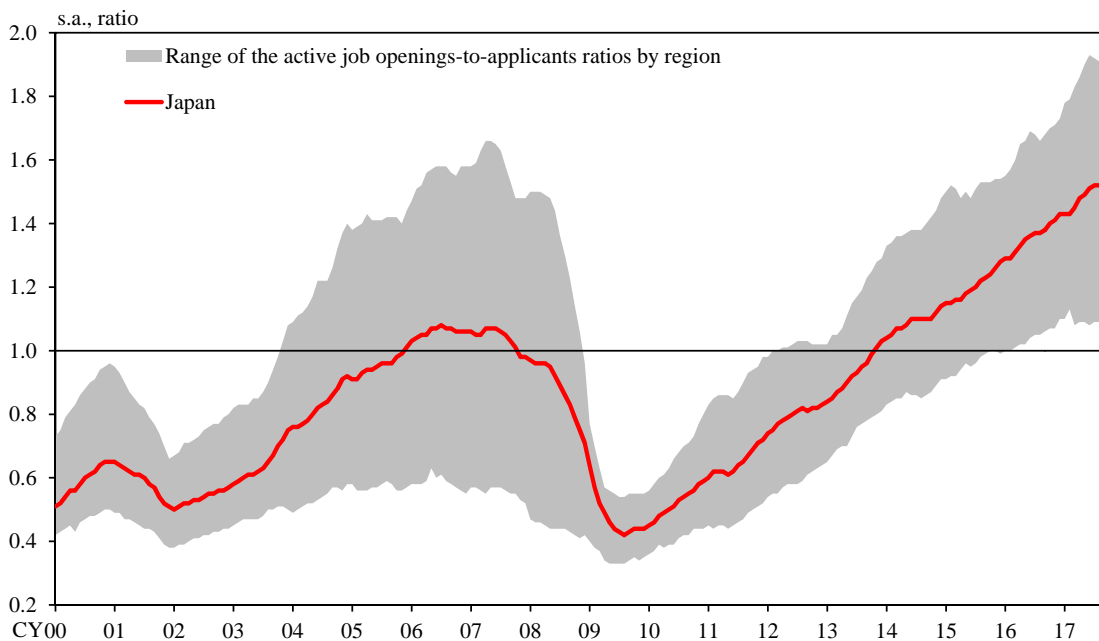
By Region



Source: Bank of Japan.

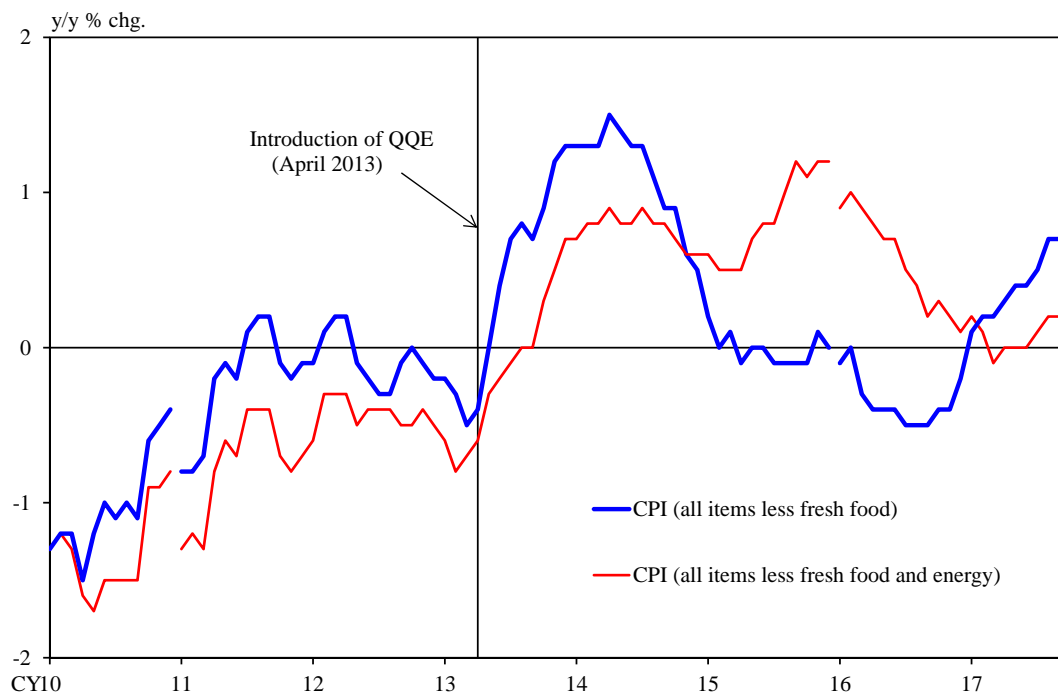
Employment Situation

Active Job Openings-to-Applicants Ratio by Region



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

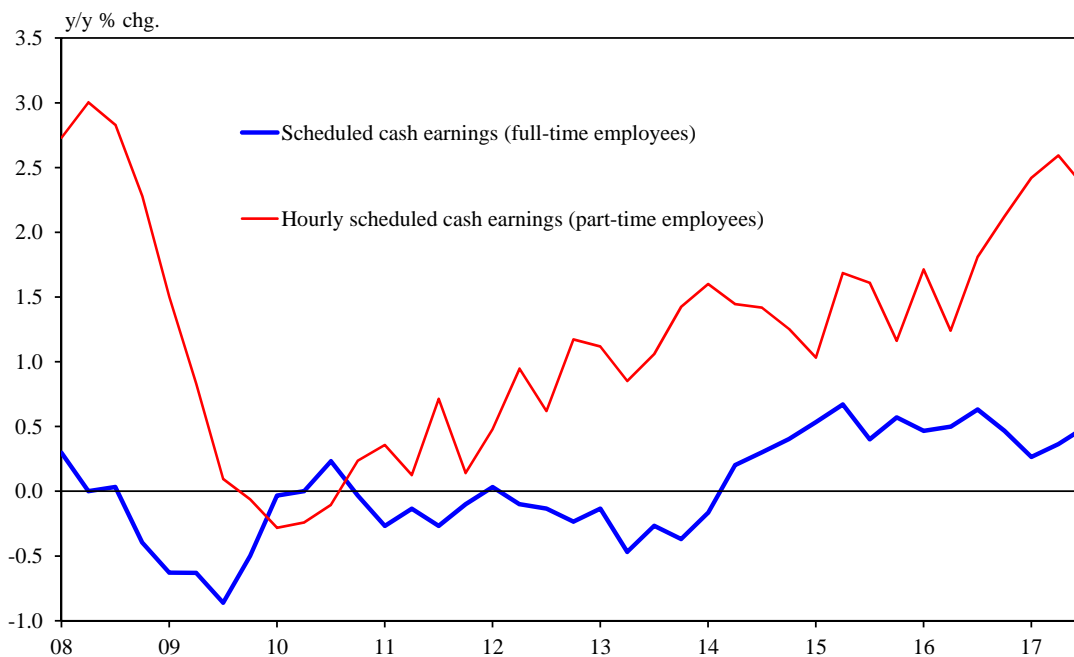
Consumer Prices



Note: Figures are adjusted for changes in the consumption tax rate.
Source: Ministry of Internal Affairs and Communications.

Income Situation

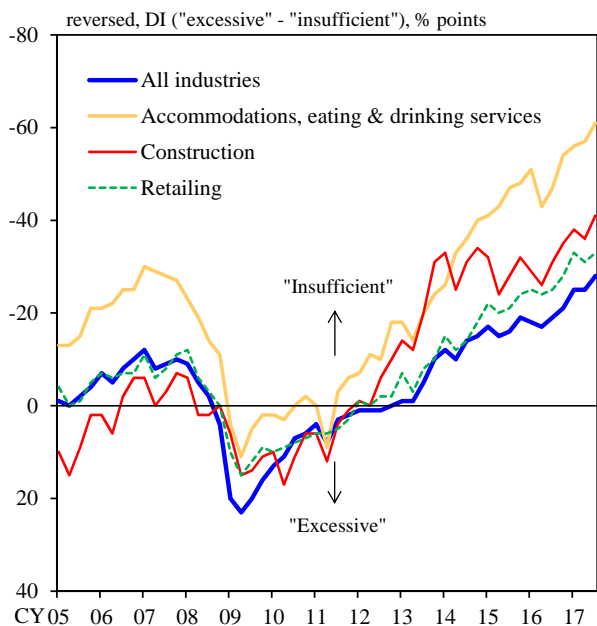
Wages of Full-Time and Part-Time Employees



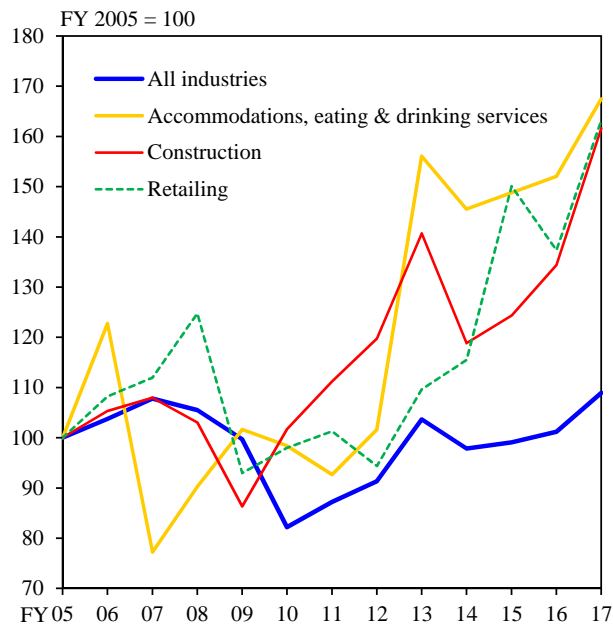
Note: Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. The figure for 2017/Q3 is that for September.
Source: Ministry of Health, Labour and Welfare.

Firms' Efforts to Address Labor Shortage

Employment Conditions DI (Tankan)



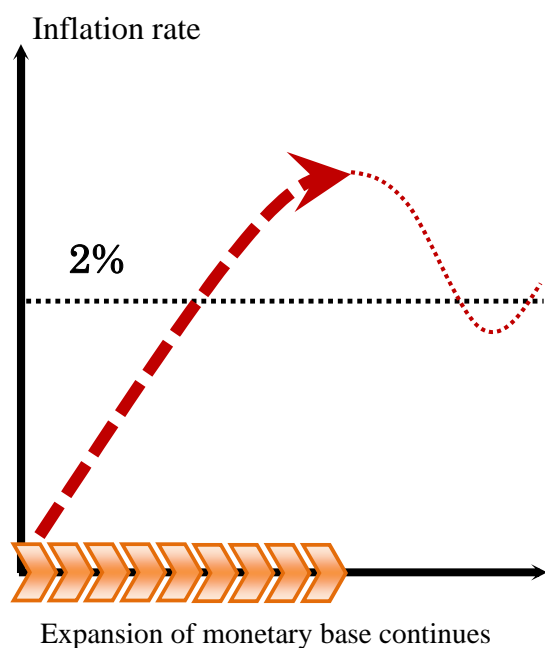
Software Investment (Tankan)



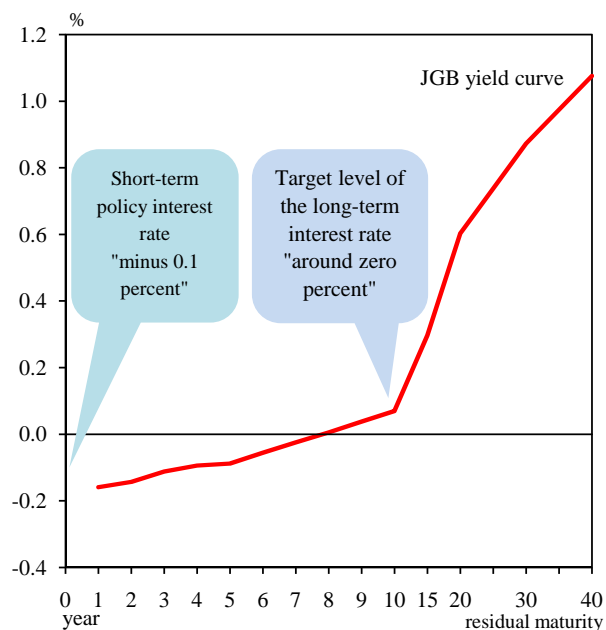
Note: Figures for the software investment plans for fiscal 2017 are forecasts from the September 2017 *Tankan* survey.
Source: Bank of Japan.

QQE with Yield Curve Control

Inflation-Overshooting Commitment

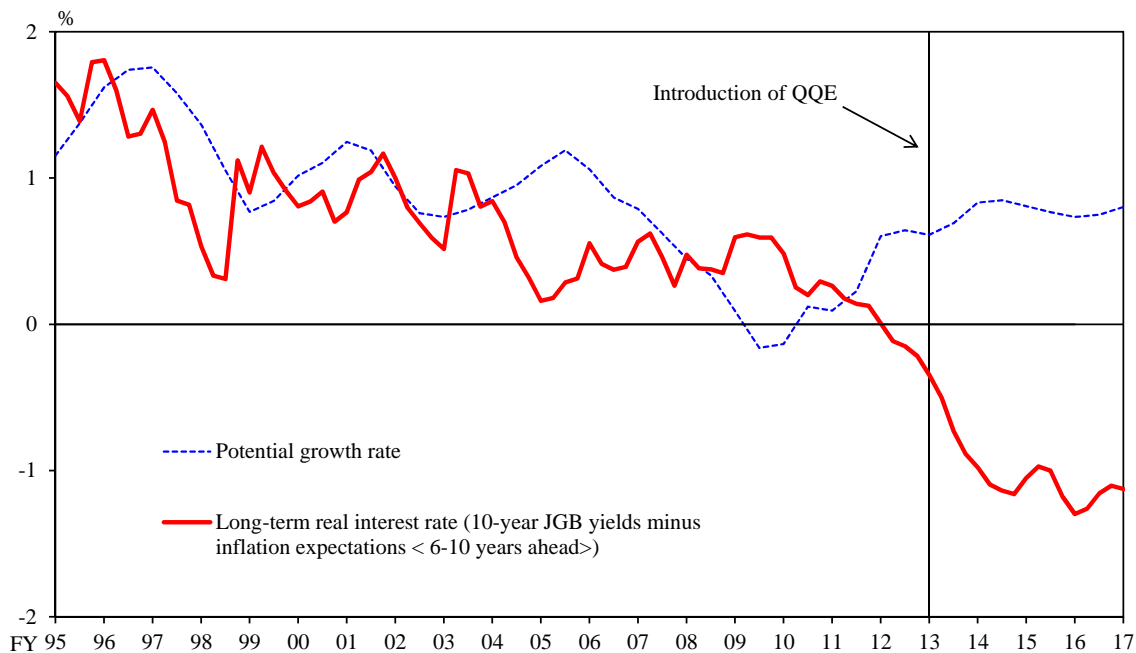


Yield Curve Control



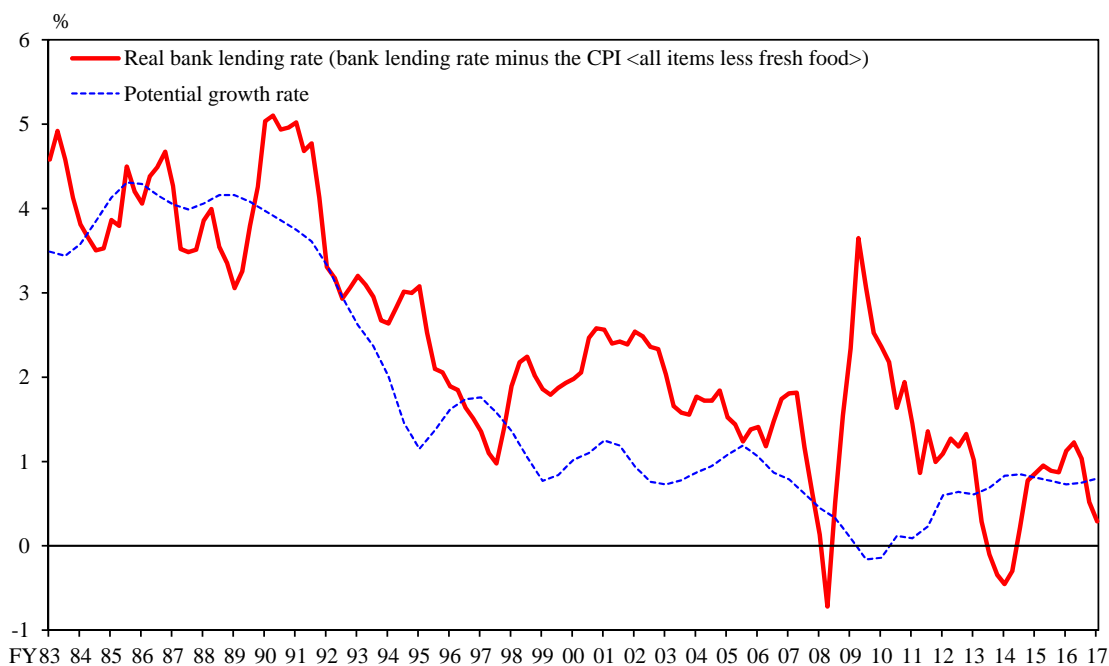
Source: Bloomberg.

Long-Term Real Interest Rate



Notes: 1. Figures for inflation expectations (y/y, ann. avg., %) are from the "Consensus Forecasts." Those for the potential growth rate (y/y % chg.) are based on BOJ staff estimations.
 2. Figures for fiscal 2017 are those for 2017/Q2.
 Sources: Consensus Economics Inc., "Consensus Forecasts"; Bloomberg; Bank of Japan.

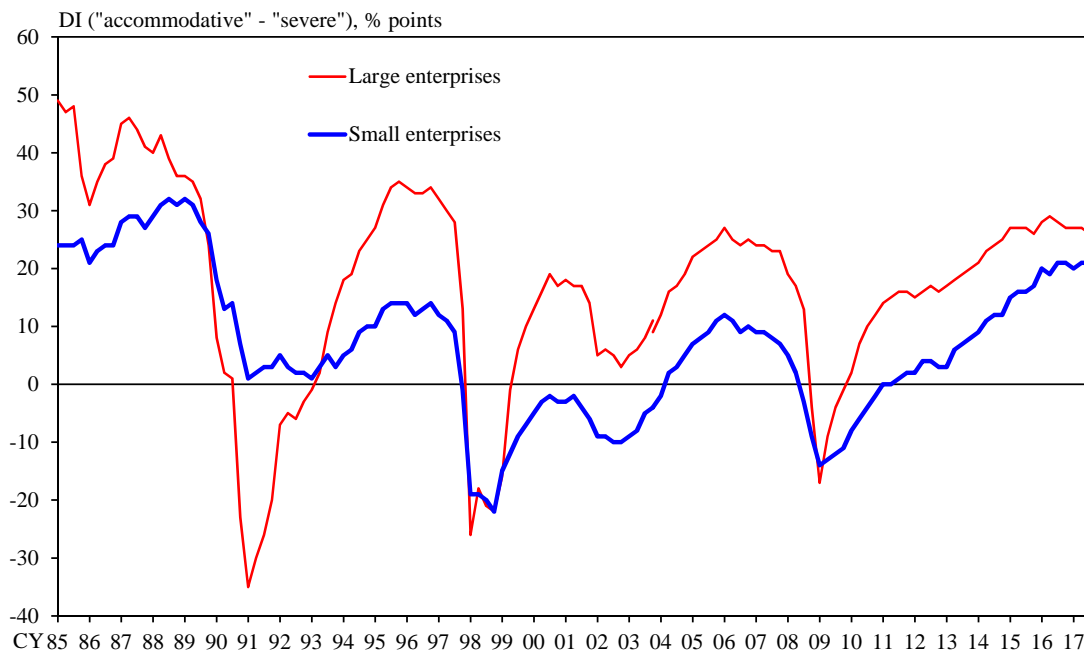
Bank Lending Rate



Notes: 1. Figures for the bank lending rate are the average contract interest rate on new loans and discounts (total). The CPI figures (y/y % chg.) are adjusted for changes in the consumption tax rate. Figures for the potential growth rate (y/y % chg.) are based on BOJ staff estimations.
 2. Figures for fiscal 2017 are those for 2017/Q2.
 Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Corporate Finance

Lending Attitude of Financial Institutions (Tankan)



Note: There is a discontinuity in the data in December 2003 due to a change in the survey framework.
Source: Bank of Japan.