

# Japan's Economy and Monetary Policy

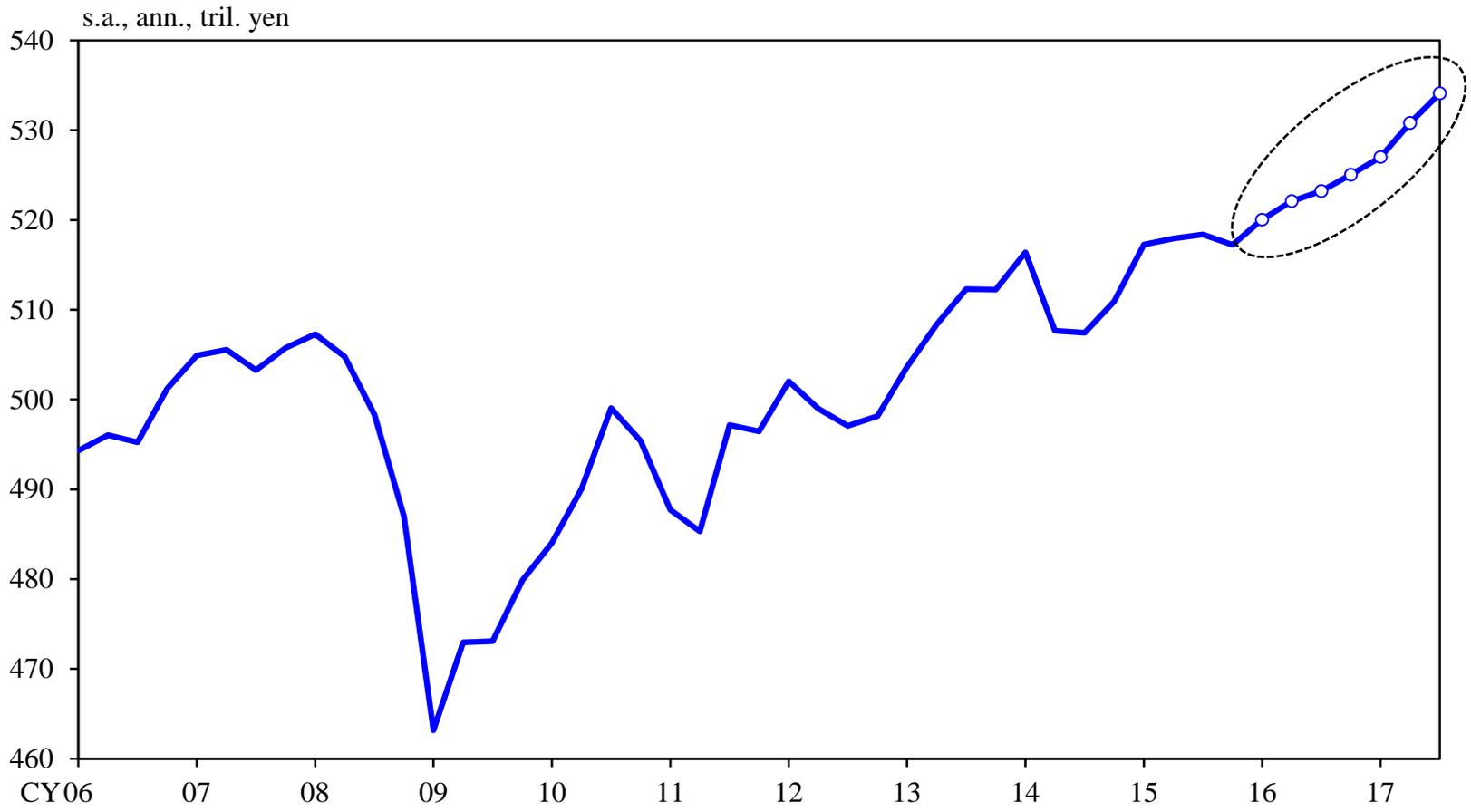
*Speech at a Meeting with Business Leaders in Oita*

January 31, 2018

Kikuo Iwata

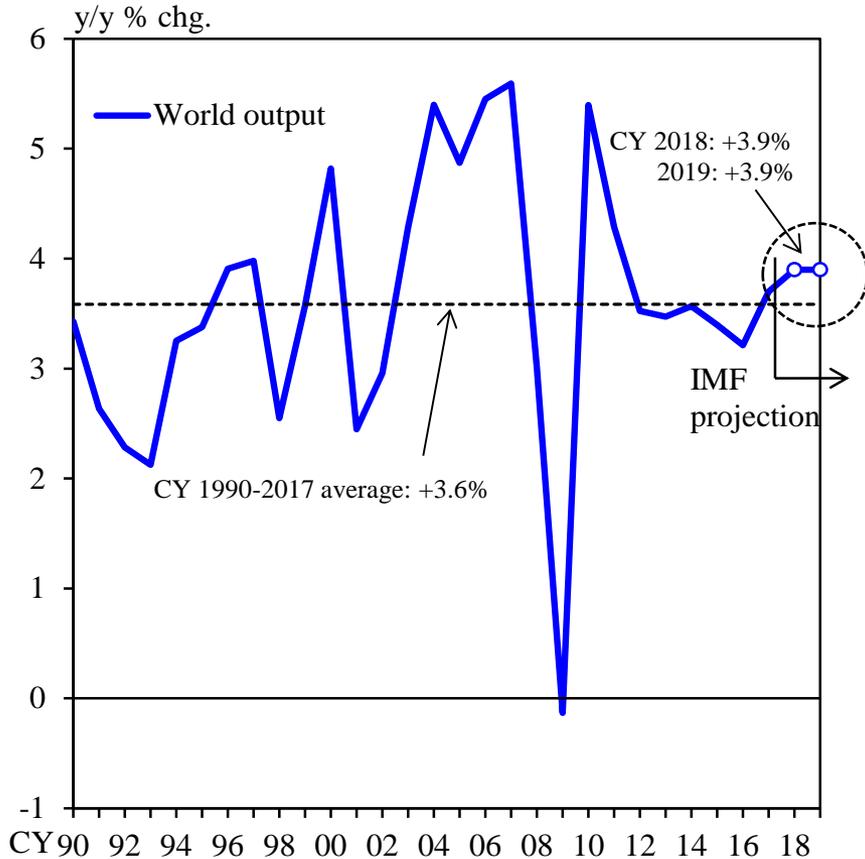
*Deputy Governor of the Bank of Japan*

# Real GDP



# Global Economy

*Global Real GDP Growth*



*Projections of Real GDP Growth by Major Economies (as of January 2018)*

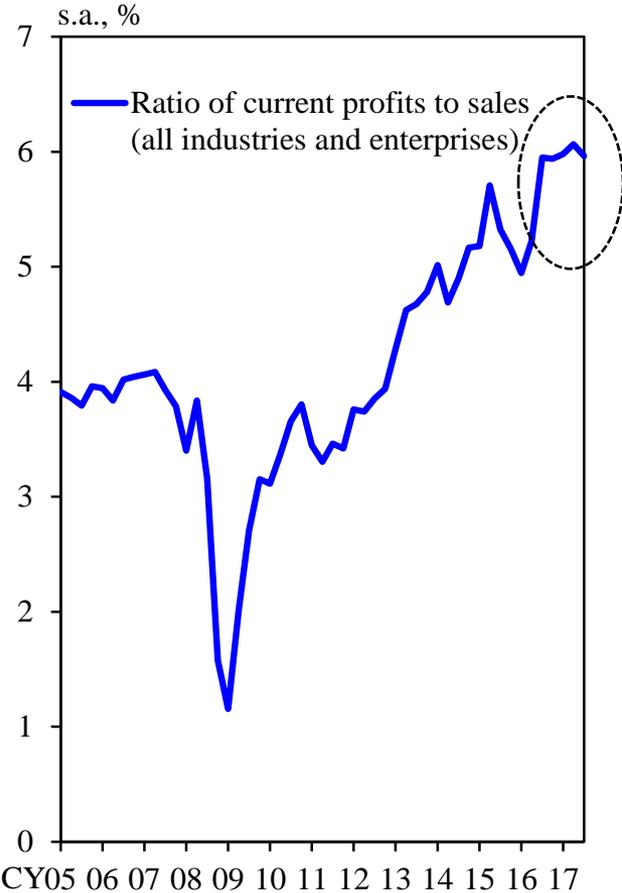
	y/y % chg.			
	2016	2017	2018 [Projection]	2019 [Projection]
World	3.2	3.7	3.9 (+0.2)	3.9 (+0.2)
Advanced economies	1.7	2.3	2.3 (+0.3)	2.2 (+0.4)
United States	1.5	2.3	2.7 (+0.4)	2.5 (+0.6)
Euro area	1.8	2.4	2.2 (+0.3)	2.0 (+0.3)
Japan	0.9	1.8	1.2 (+0.5)	0.9 (+0.1)
Emerging market and developing economies	4.4	4.7	4.9 (0.0)	5.0 (0.0)
China	6.7	6.8	6.6 (+0.1)	6.4 (+0.1)
ASEAN 5	4.9	5.3	5.3 (+0.1)	5.3 (0.0)

Note: The figure for 2017 is estimated value. Figures in parentheses in the right figure show differences from the projections as of October 2017 (% points).

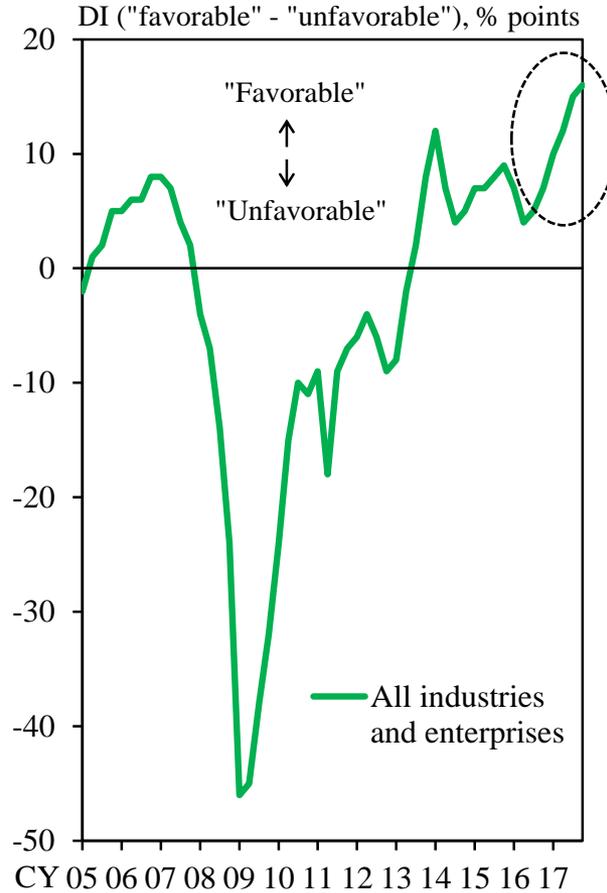
Source: IMF.

# Japan's Economy

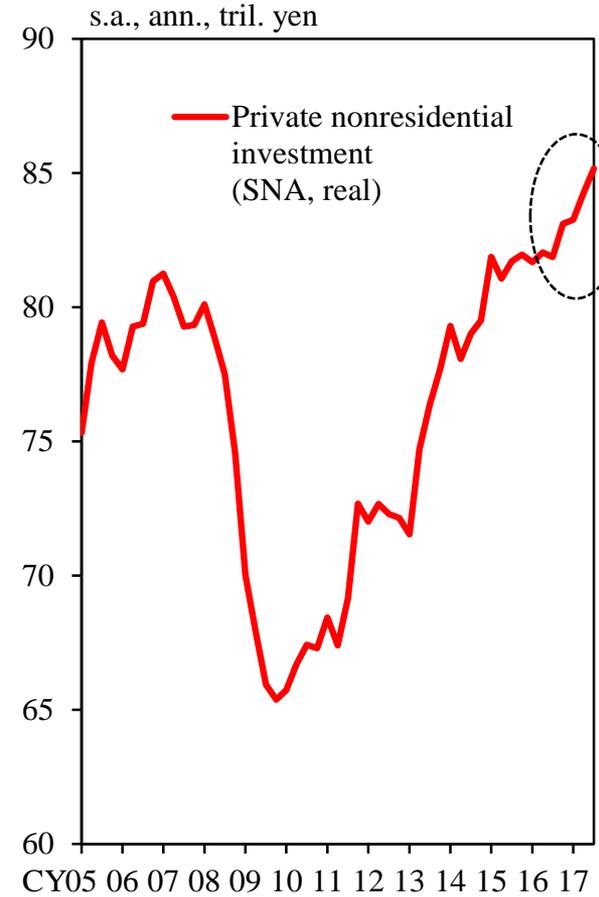
## Corporate Profits



## Business Conditions DI (Tankan)



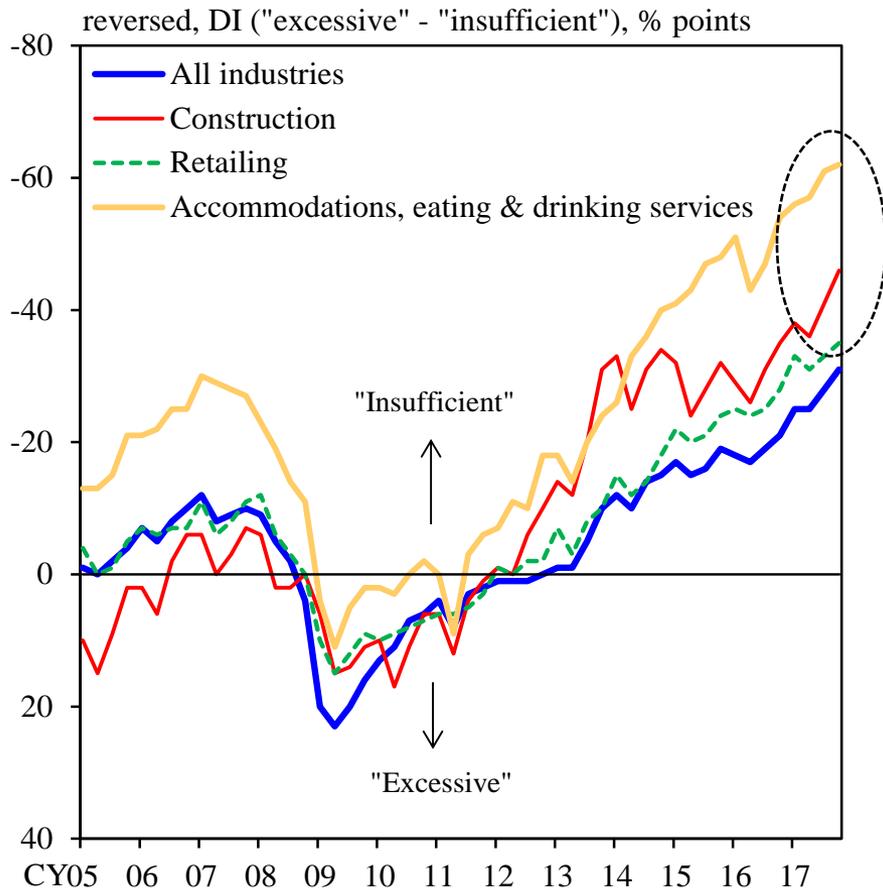
## Business Fixed Investment



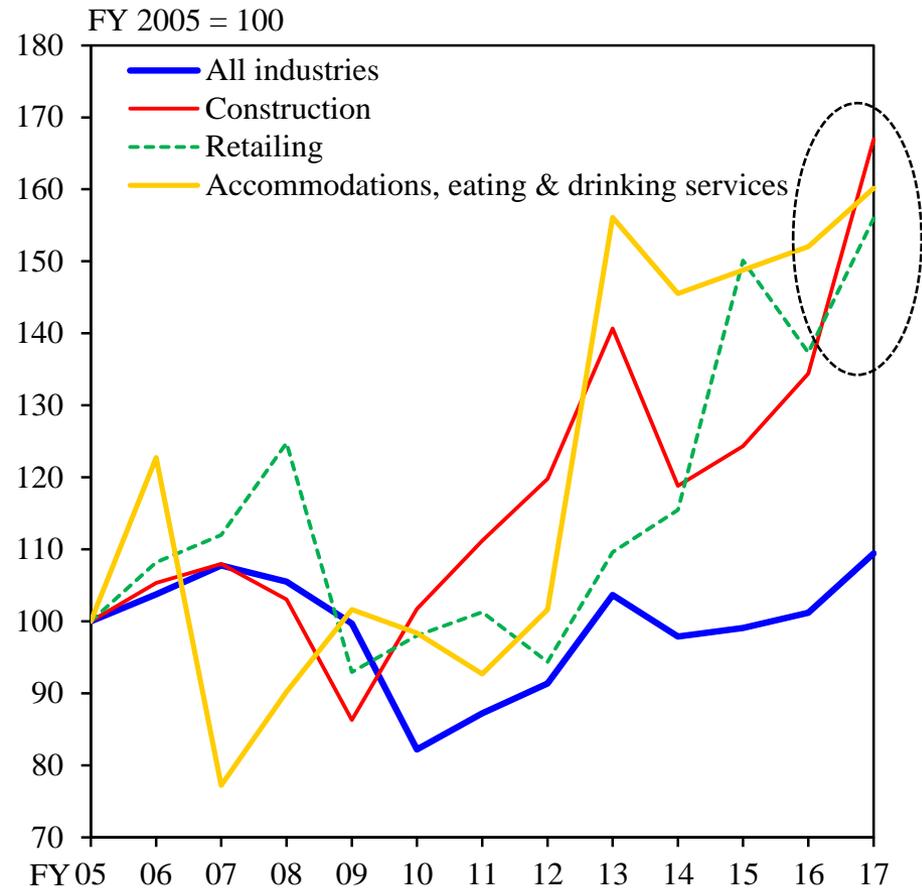
Note: Figures for corporate profits are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance."  
Sources: Ministry of Finance; Bank of Japan; Cabinet Office.

# Labor Market Conditions and Software Investment

*Employment Conditions DI (Tankan)*



*Software Investment (Tankan)*

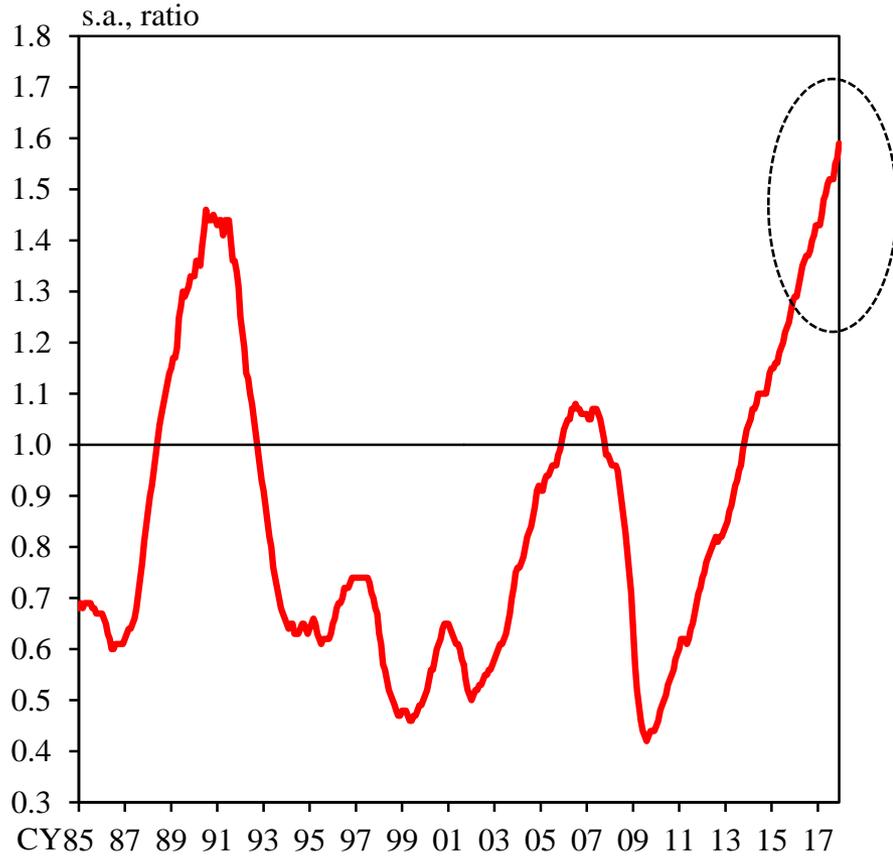


Note: Figures for the software investment plans for fiscal 2017 are forecasts from the December 2017 *Tankan* survey.

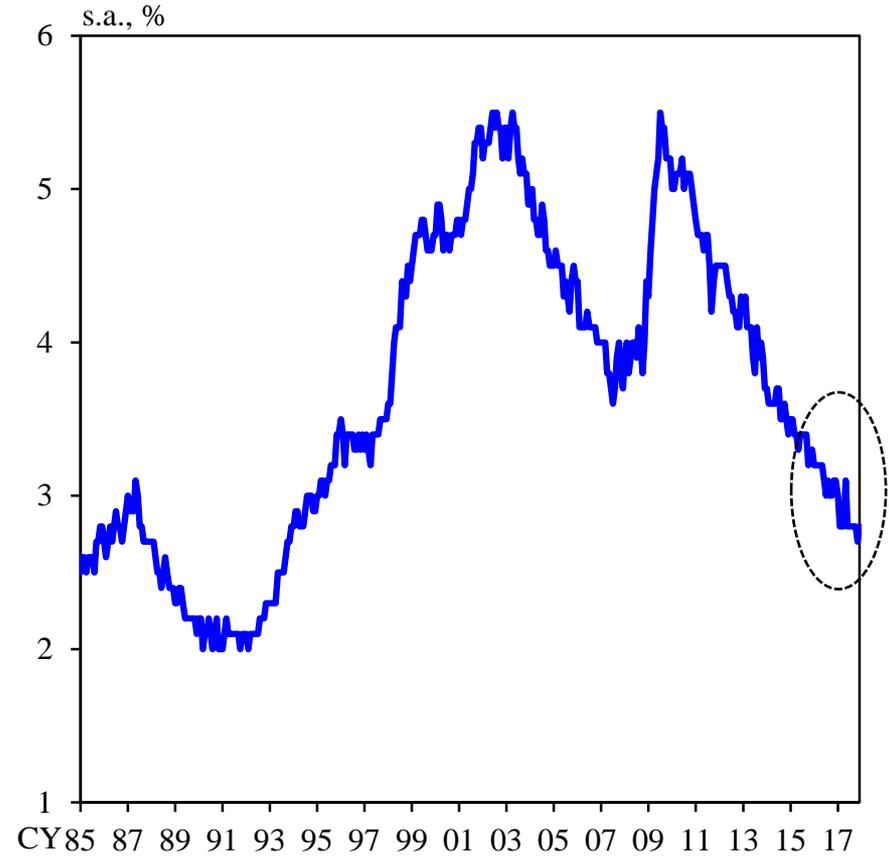
Source: Bank of Japan.

# Employment Situation

*Active Job Openings-to-Applicants Ratio*

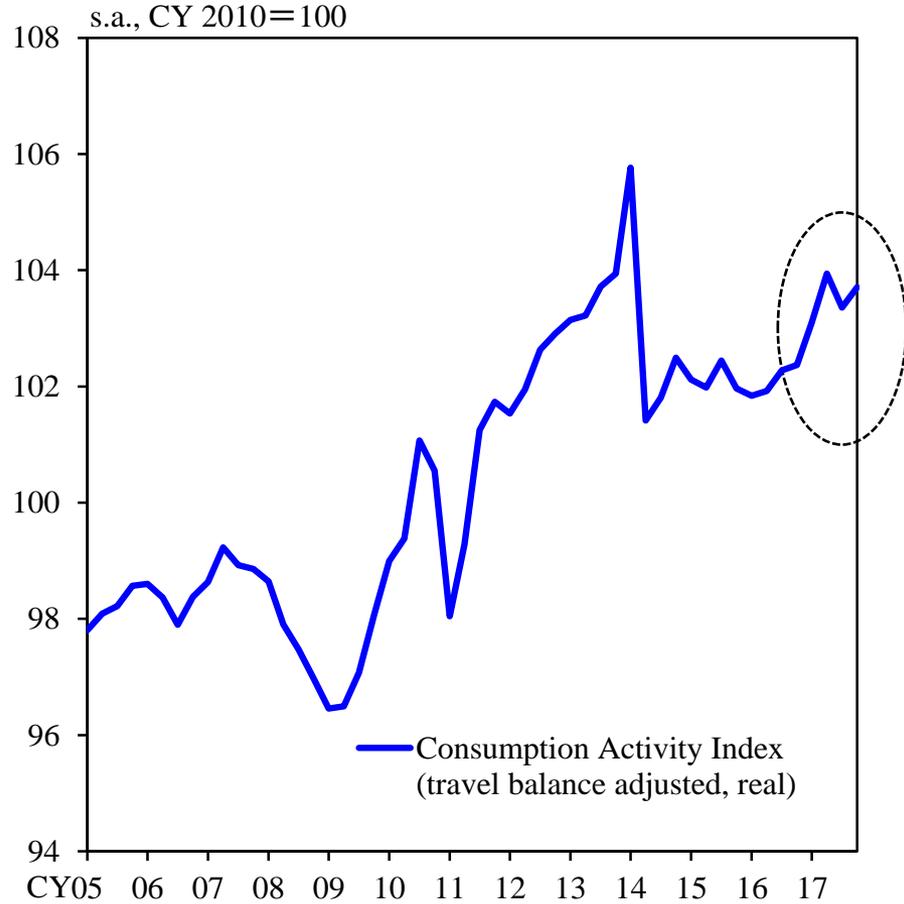


*Unemployment Rate*

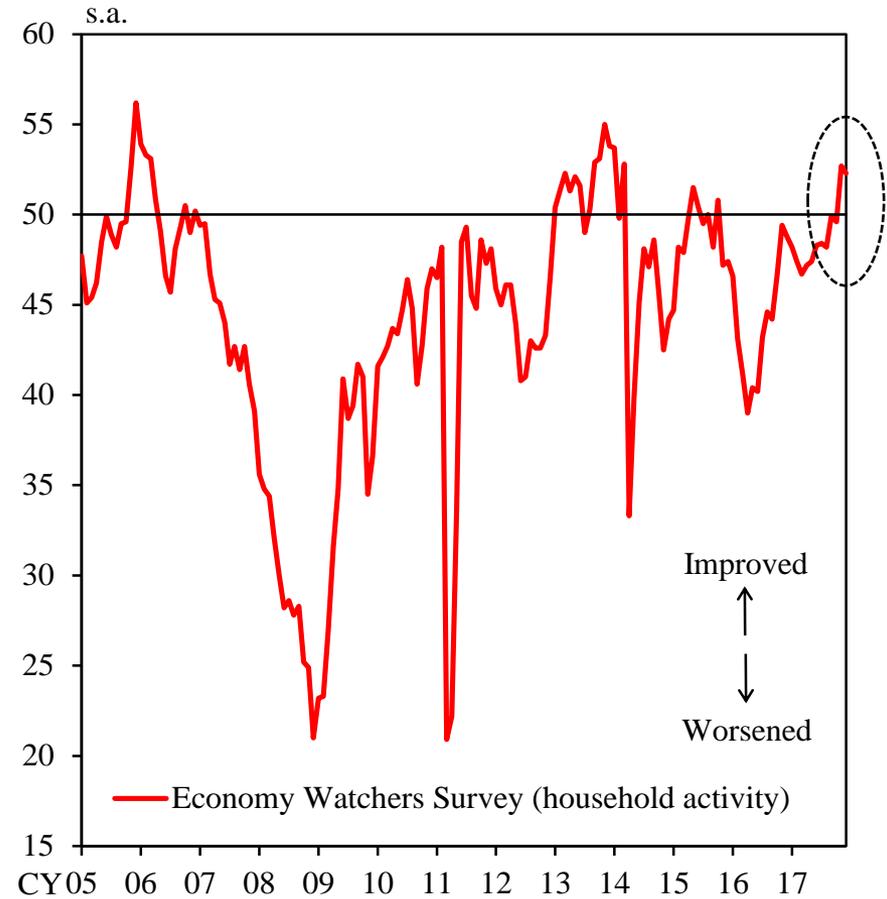


# Private Consumption

*Consumption Activity Index*



*Confidence Indicator Related to Private Consumption*



Notes: 1. The Consumption Activity Index is based on BOJ staff calculations. Figures for the Consumption Activity Index (travel balance adjusted) exclude inbound tourism consumption and include outbound tourism consumption. The figure for 2017/Q4 is the October-November average.

2. Figures for the "Economy Watchers Survey" are those for the current economic conditions DI.

Sources: Bank of Japan; Cabinet Office.

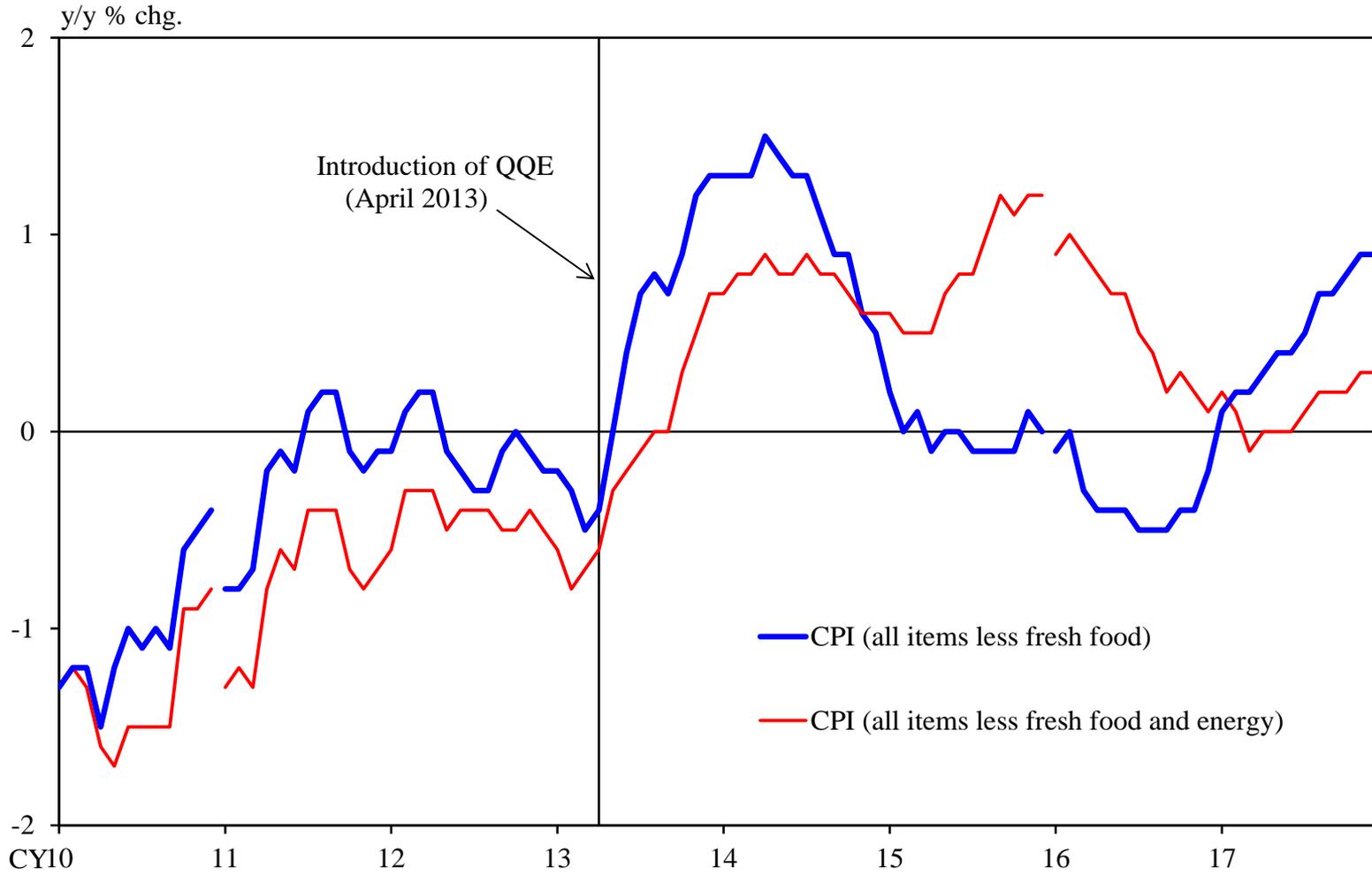
# Outlook for Economic Activity and Prices (as of January 2018)

y/y % chg.

	Real GDP	CPI (all items less fresh food)
Fiscal 2017	+1.9	+0.8
Forecasts made in October 2017	+1.9	+0.8
Fiscal 2018	+1.4	+1.4
Forecasts made in October 2017	+1.4	+1.4
Fiscal 2019	+0.7	+1.8
Forecasts made in October 2017	+0.7	+1.8

Note: Figures indicate the medians of the Policy Board members' forecasts (point estimates). Figures for the CPI (all items less fresh food) exclude the effects of the consumption tax hike.  
Source: Bank of Japan.

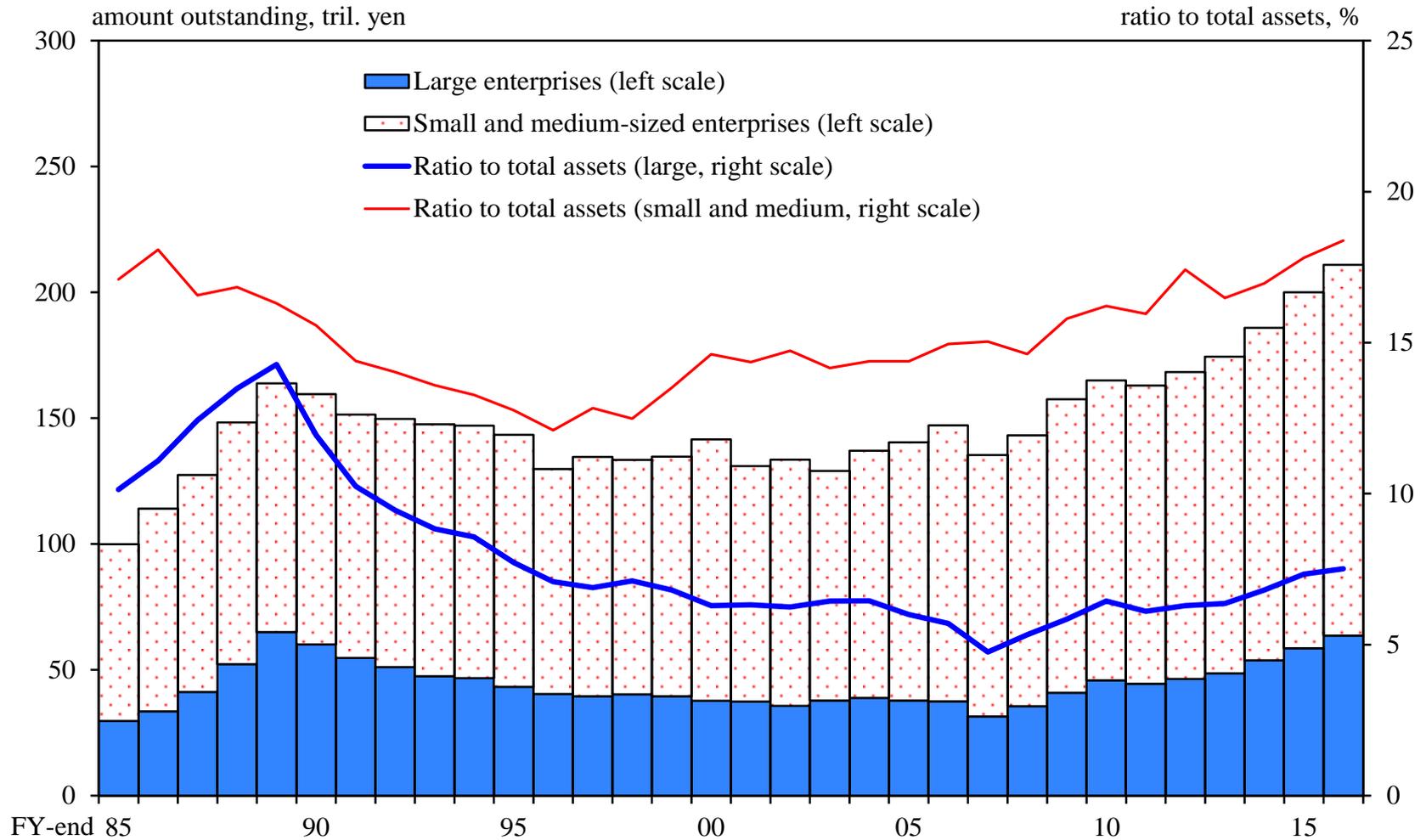
# Consumer Prices



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

# Corporate Savings

## *Amount Outstanding of Cash and Deposits by Firm Size*

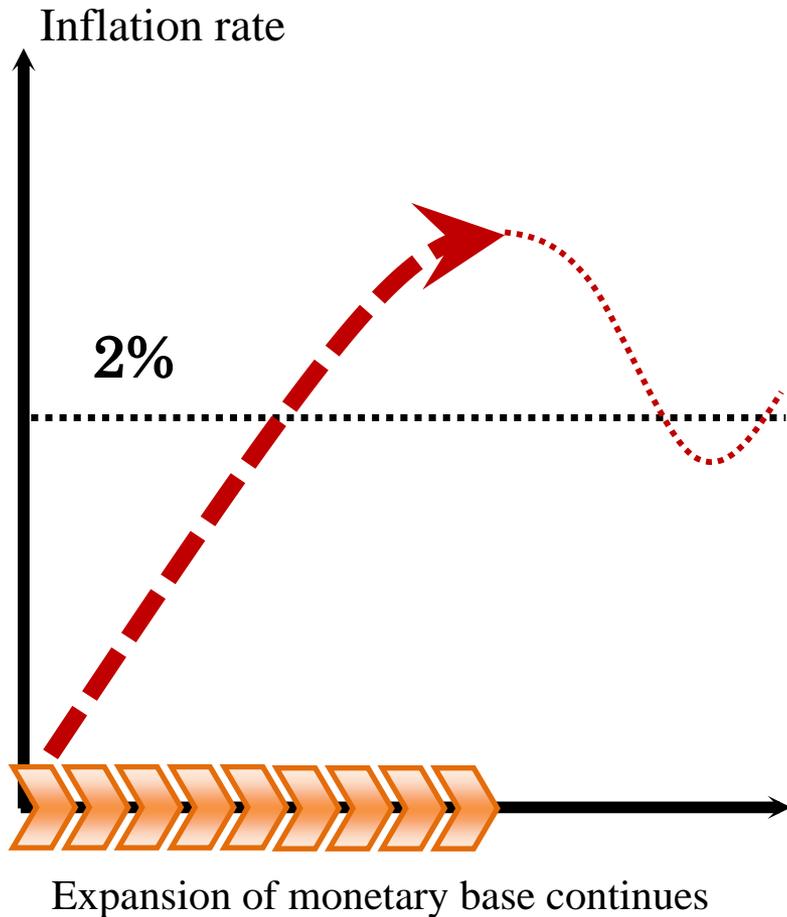


Note: Based on the *Financial Statements Statistics of Corporations by Industry, Annually*. Excluding "finance and insurance." Large enterprises are defined as enterprises with a capitalization of 1 billion yen or more, and small and medium-sized enterprises are defined as enterprises with a capitalization of less than 1 billion yen.

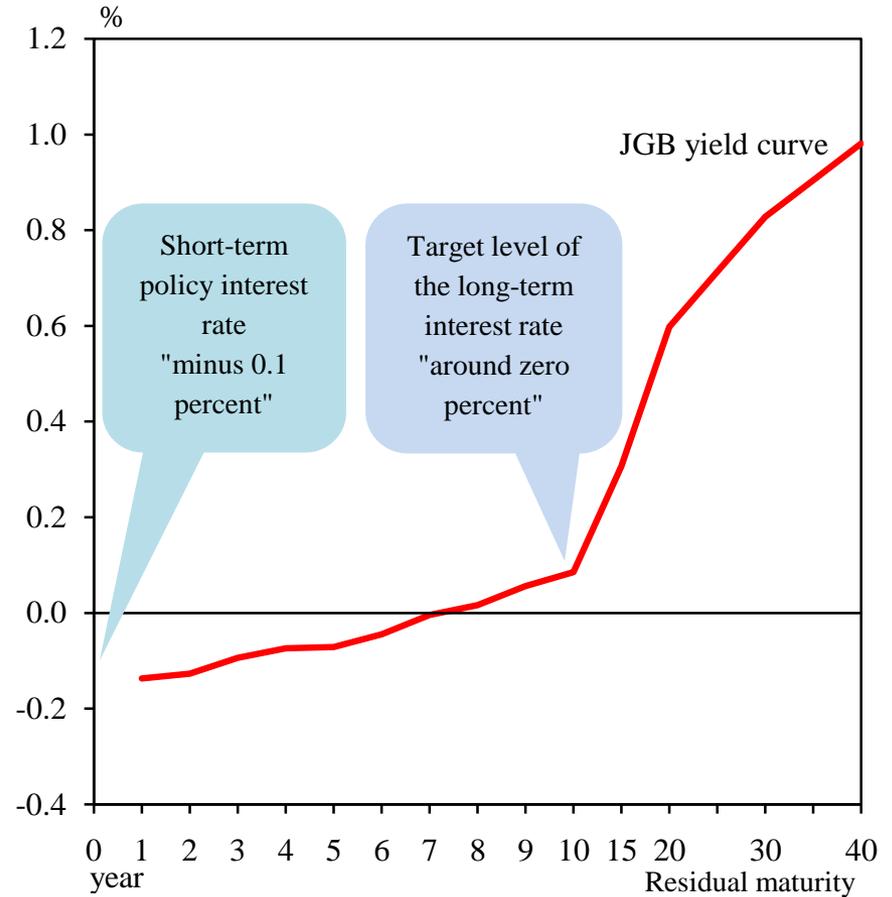
Source: Ministry of Finance.

# QQE with Yield Curve Control

*Inflation-Overshooting Commitment*

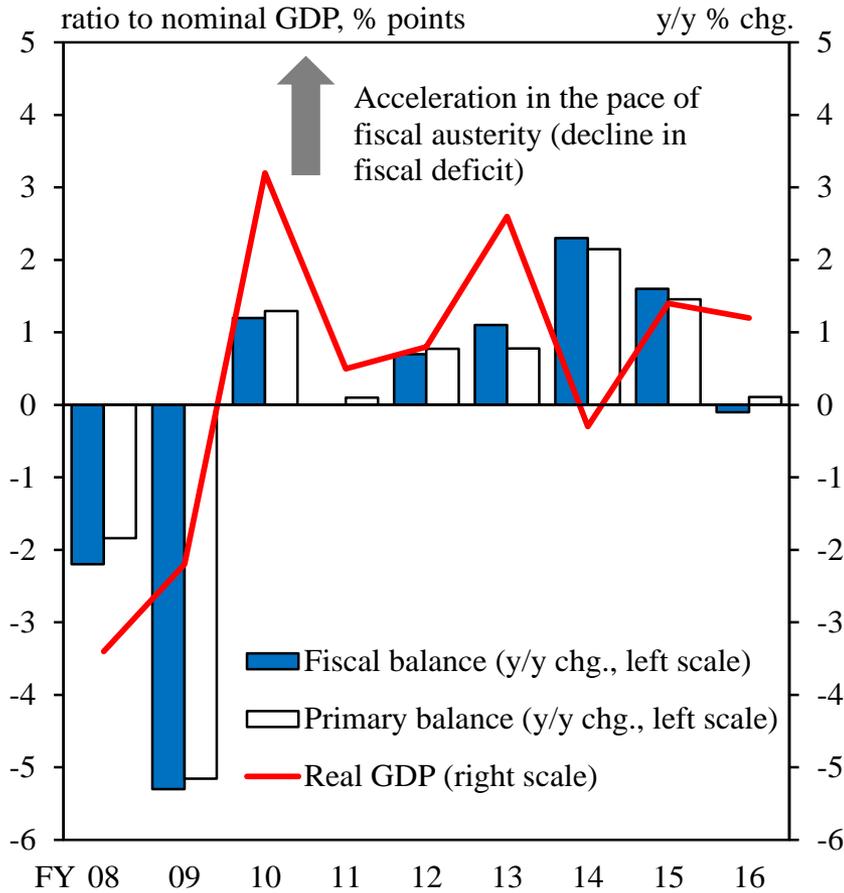


*Yield Curve Control*

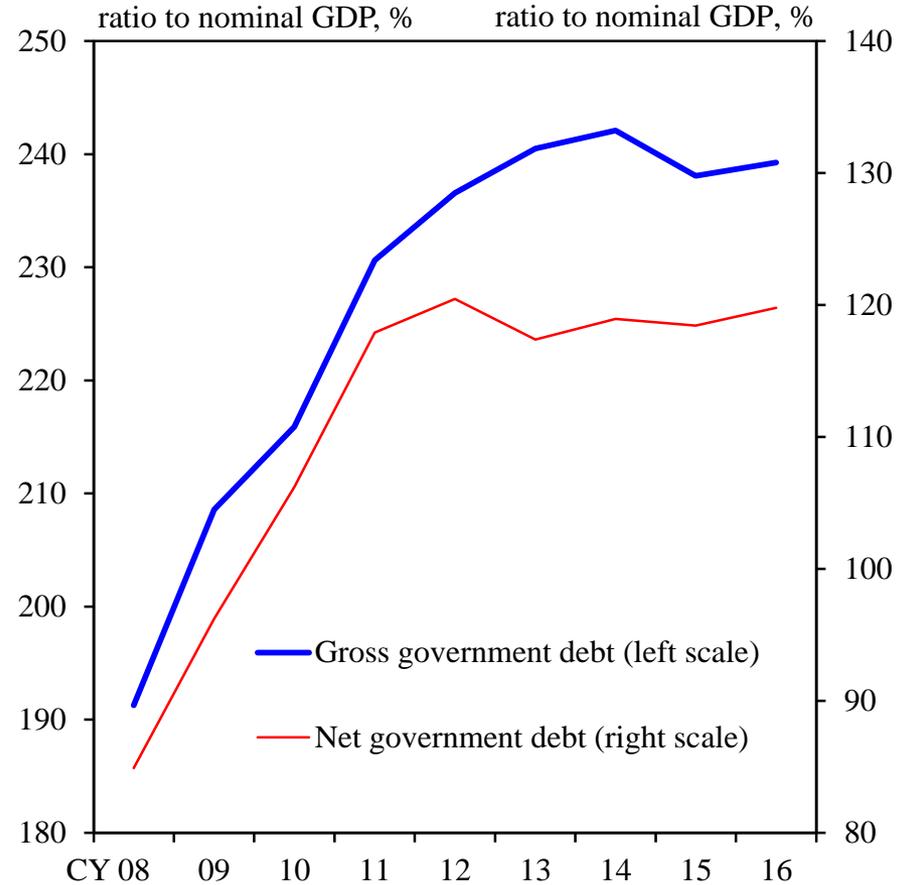


# Fiscal Conditions in Japan

## *Fiscal Balance and Primary Balance*



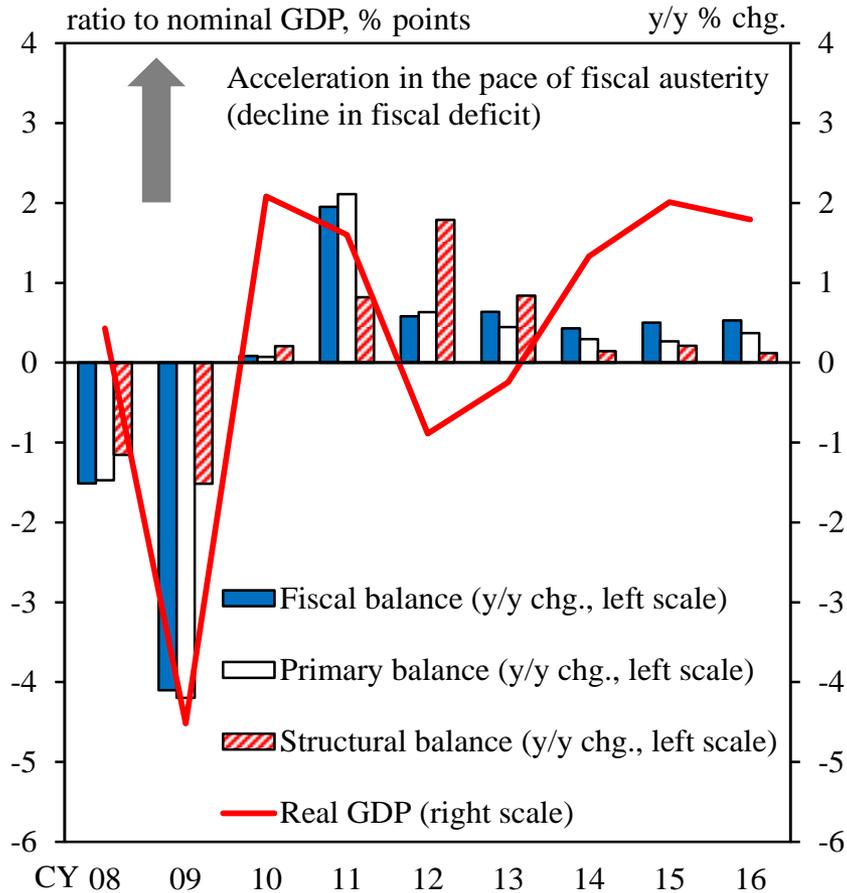
## *Amount Outstanding of Government Debt*



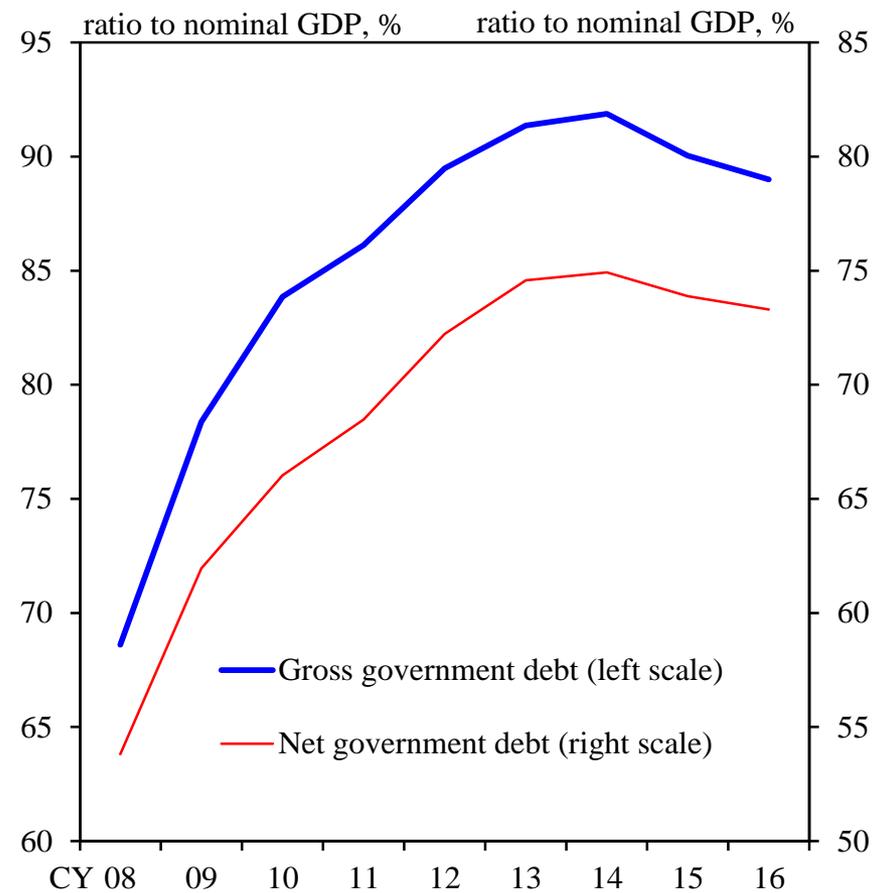
Note: The primary balance is BOJ staff calculations.  
Sources: Cabinet Office; IMF, etc.

# Fiscal Conditions in the Euro Area

*Fiscal Balance, Primary Balance, and Structural Balance*



*Amount Outstanding of Government Debt*



Note: The structural balance is the year-on-year rate of change in the structural balance-to-potential GDP ratio.  
Source: IMF.