



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Business Leaders in Wakayama

February 8, 2018

Hitoshi Suzuki
Bank of Japan

Chart 1

Global Economy

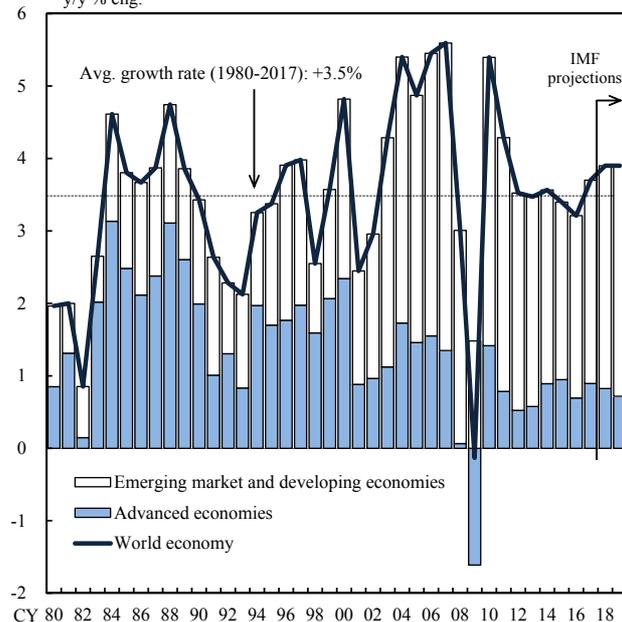
IMF Projections (as of January 2018)

CY	real GDP growth rate, y/y % chg.			
	2016	2017 estimates	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)
United Kingdom	1.9	1.7	1.5 (0.0)	1.5 (-0.1)
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)
Emerging and developing Asia	6.4	6.5	6.5 (0.0)	6.6 (0.1)
China	6.7	6.8	6.6 (0.1)	6.4 (0.1)
ASEAN	4.9	5.3	5.3 (0.1)	5.3 (0.0)
Russia	-0.2	1.8	1.7 (0.1)	1.5 (0.0)
Latin America and the Caribbean	-0.7	1.3	1.9 (0.0)	2.6 (0.2)

Source: International Monetary Fund.

Note: Figures in parentheses are the difference from the October 2017 *World Economic Outlook* projections.

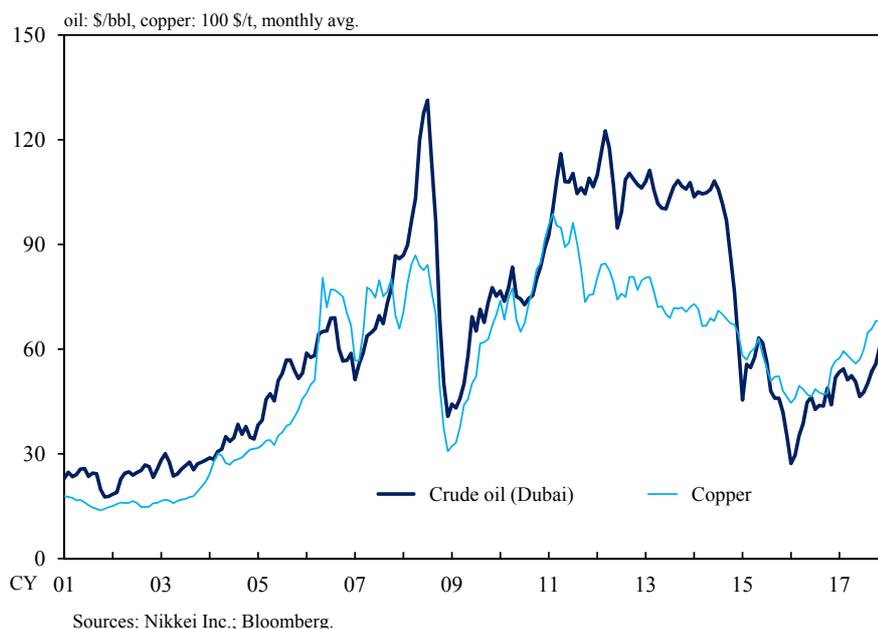
Real GDP Growth Rate of the World Economy



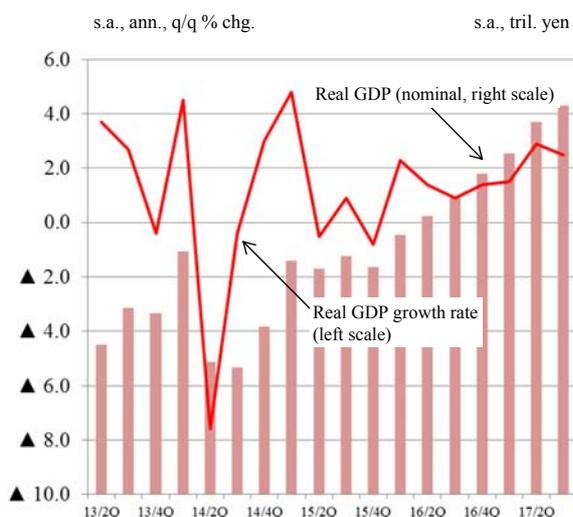
Source: International Monetary Fund.

Note: As of January 2018. Figures are calculated using GDP based on purchasing power parity (PPP) shares of the world total from the International Monetary Fund.

International Commodity Prices



Japan's Economy: Real GDP



Source: Cabinet Office.

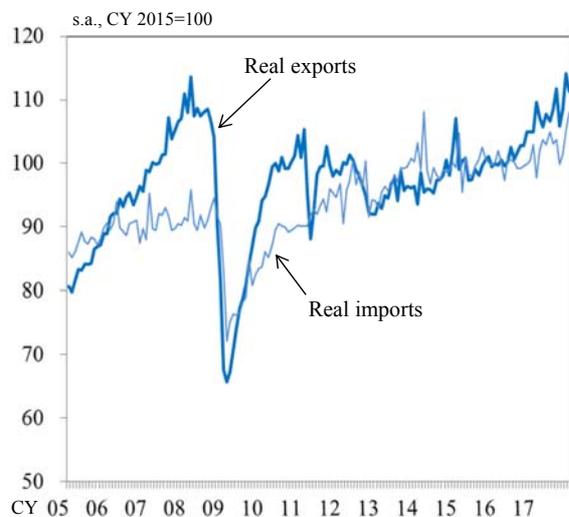
s.a., q/q % chg.

	2016		2017		
	3Q	4Q	1Q	2Q	3Q
Real GDP	0.2	0.3	0.4	0.7	0.6
[ann., q/q]	[0.9]	[1.4]	[1.5]	[2.9]	[2.5]
Private Consumption	0.4	0.1	0.4	0.9	-0.5
Private Non-Resi. Investment	-0.2	1.5	0.2	1.2	1.1
Private Residential Investment	3.0	0.2	0.9	1.3	-1.0
Public Demand	0.4	-0.7	0.2	1.1	-0.5
Exports of Goods & Services	2.1	3.0	1.9	-0.1	1.5

Source: Cabinet Office.

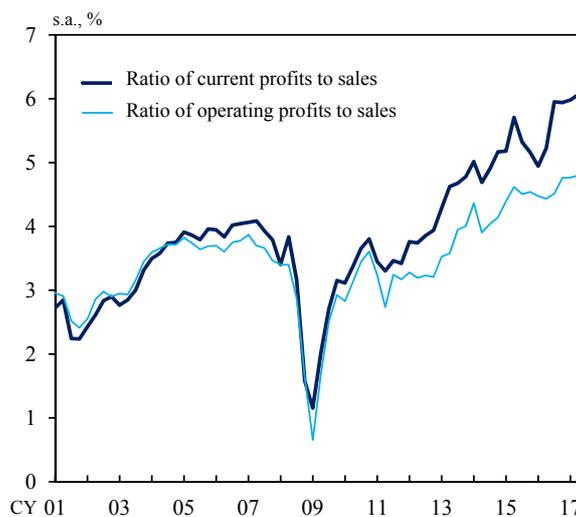
Exports and Corporate Profits

Real Exports and Real Imports



Source: Bank of Japan.

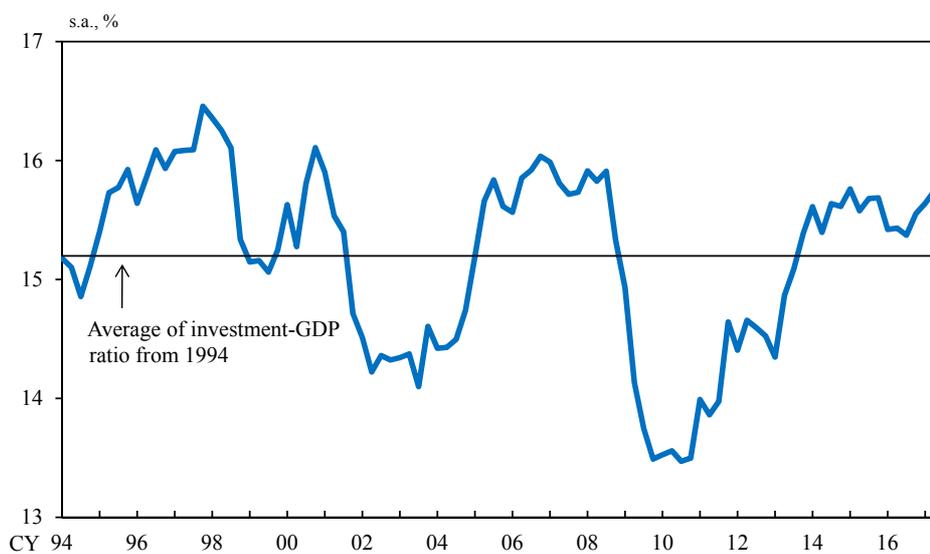
Corporate Profits



Source: Ministry of Finance.
 Note: Based on the "Financial Statements Statistics of Corporations by Industry, Quarterly." Excluding "finance and insurance."

Business Fixed Investment

Investment-GDP Ratio (Nominal)



Source: Cabinet Office.

Regional Economic Assessments

Chart 6

Comparison of Previous and Current Assessments by Region (Regional Economic Report)

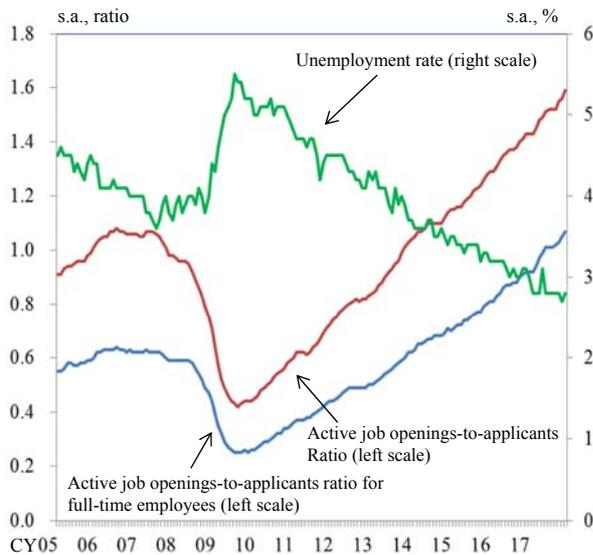
Region	Assessment in October 2017	Changes from the previous assessment	Assessment in January 2018
Hokkaido	The economy has been recovering.	→	The economy has been recovering.
Tohoku	The economy has continued its moderate recovery trend.	↗	The economy has continued to recover moderately.
Hokuriku	The economy has been expanding moderately.	↗	The economy has been expanding.
Kanto-Koshinetsu	The economy has been expanding moderately.	→	The economy has been expanding moderately.
Tokai	The economy has been expanding.	→	The economy has been expanding.
Kinki	The economy has been expanding moderately.	↗	The economy has been expanding moderately, with its growth becoming more solid.
Chugoku	The economy has been expanding moderately.	→	The economy has been expanding moderately.
Shikoku	The economy has continued to recover moderately.	→	The economy has continued to recover moderately.
Kyushu-Okinawa	The economy has been expanding moderately.	→	The economy has been expanding moderately.

Source: Bank of Japan.

Chart 7

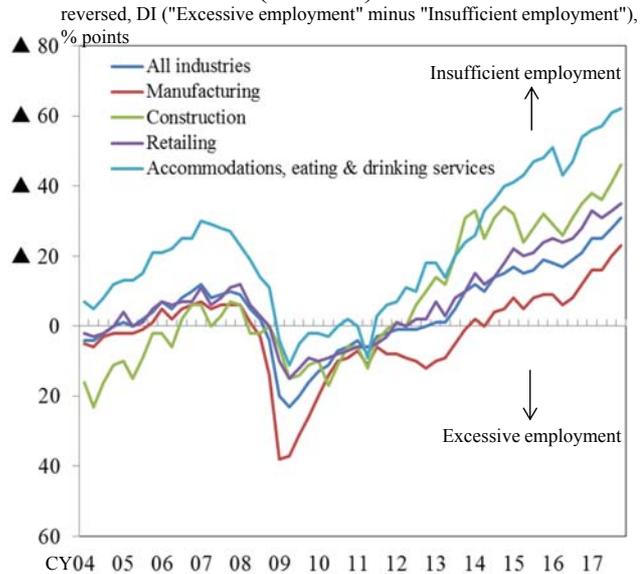
Labor Market Conditions

Unemployment Rate and Active Job Openings-to-Applicants Ratio



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

Diffusion Index of Employment Conditions (*Tankan*)



Source: Bank of Japan.

"Outlook for Economic Activity and Prices" (January 2018)

Forecasts of the Majority of Policy Board Members

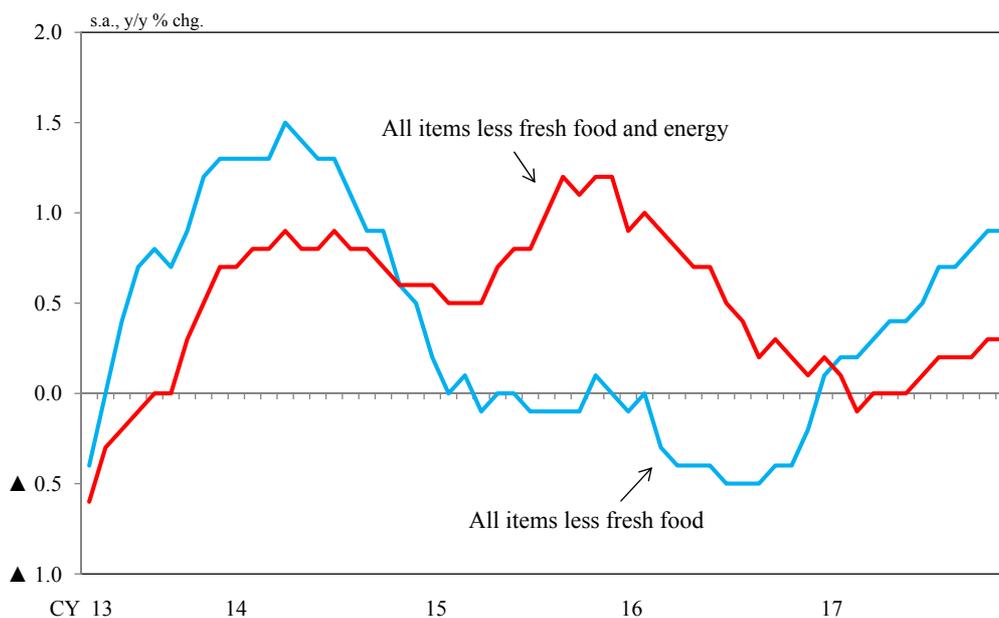
y/y % chg.

	Real GDP	CPI (all items less fresh food)
Fiscal 2017	+1.8 to +2.0 [+1.9]	+0.7 to +1.0 [+0.8]
Forecasts made in October 2017	+1.7 to +2.0 [+1.9]	+0.7 to +1.0 [+0.8]
Fiscal 2018	+1.3 to +1.5 [+1.4]	+1.3 to +1.6 [+1.4]
Forecasts made in October 2017	+1.2 to +1.4 [+1.4]	+1.1 to +1.6 [+1.4]
Fiscal 2019	+0.7 to +0.9 [+0.7]	+1.5 to +2.0 [+1.8]
Forecasts made in October 2017	+0.7 to +0.8 [+0.7]	+1.5 to +2.0 [+1.8]

Source: Bank of Japan.

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

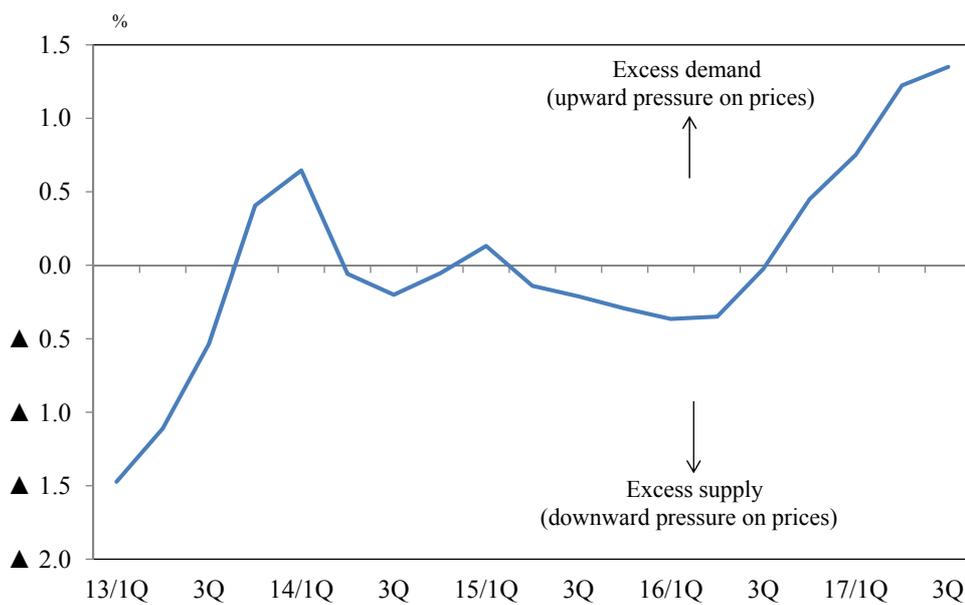
CPI



Source: Ministry of Internal Affairs and Communications.

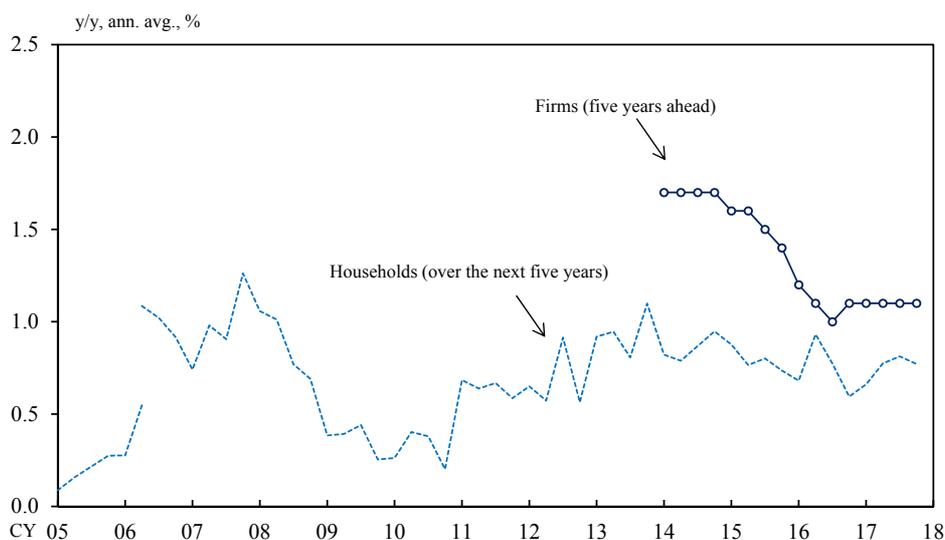
Note: Figures are adjusted for changes in the consumption tax rate.

Output Gap



Source: Bank of Japan.
 Note: Based on staff estimations.

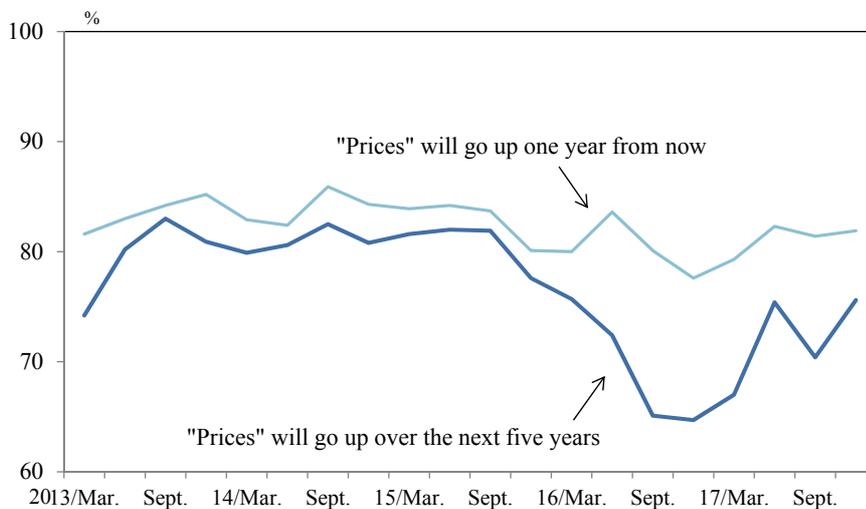
Inflation Expectations (Survey)



Source: Bank of Japan.
 Notes: 1. Figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method.
 2. Figures for firms are "Outlook for General Prices (*Tankan*, all Industries and enterprises, average)."

Outlook for Price Levels

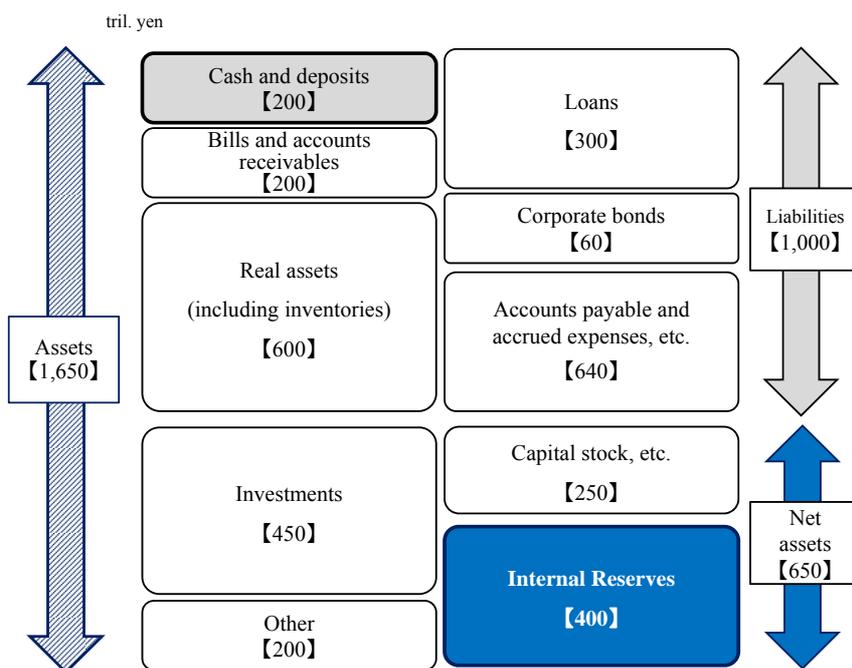
Results of the 72nd *Opinion Survey on the General Public's Views and Behavior*
(December 2017 Survey)



Source: Bank of Japan.

Note: Figures for both one year from now and over the next five years comprise the choices "will go up significantly" and "will go up slightly" that are found in the questionnaire.

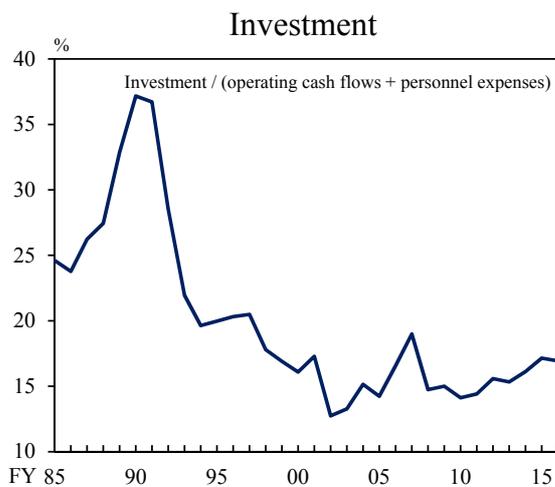
Balance Sheet of Nonfinancial Corporations



Source: Ministry of Finance; Bank of Japan; Japan Securities Dealers Association.

Note: Figures in brackets are the amount outstanding of each component at the end of fiscal 2016 (approximation).

Investment and Personnel Expenses



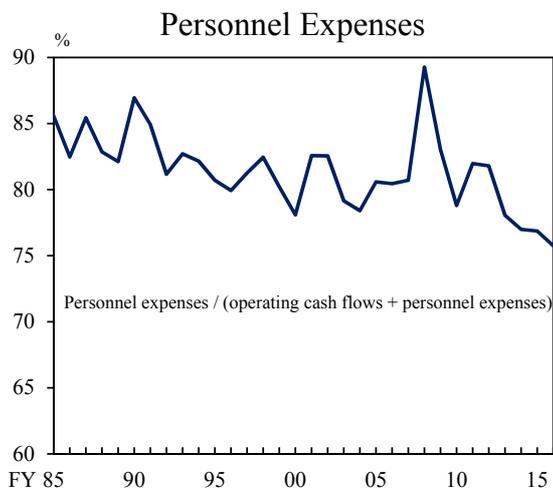
Source: Ministry of Finance.

Notes: 1. Figures for "operating cash flows," "personnel expenses," and "investment" are based on the "Financial Statements Statistics of Corporations by Industry, Annually." Excluding "finance and insurance."

2. Operating cash flows are defined as follows:

Operating cash flows = net income – dividends + depreciation expenses + Δprovisions – Δinventories – Δtrade credits – Δnet amount of other current assets.

3. Investment includes land purchasing expenses and excludes software and R&D investment.

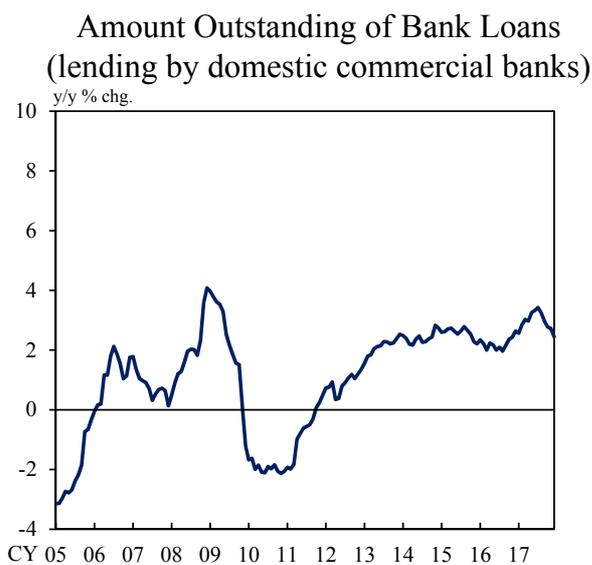


Source: Ministry of Finance.

Notes: 1. Based on the "Financial Statements Statistics of Corporations by Industry, Annually." Excluding "finance and insurance."

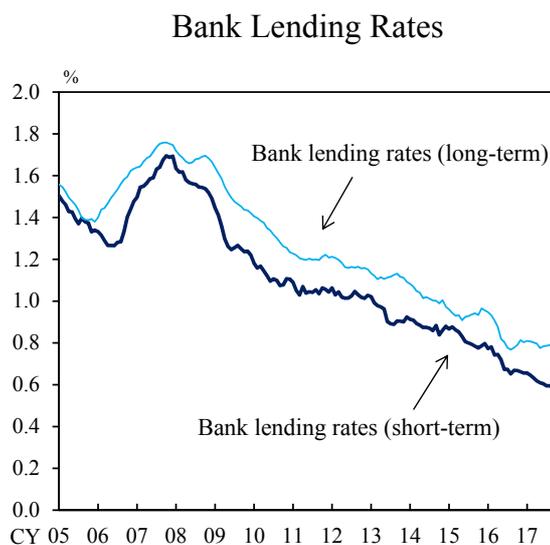
2. The definition of operating cash flows is the same as in the left chart.

Bank Lending



Source: Bank of Japan.

Note: Figures are year-on-year percent changes in the monthly average of the amount outstanding.



Source: Bank of Japan.

Note: Figures are 6-month backward moving averages.