

Japan's Economy and Monetary Policy

Speech at the Kisaragi-kai Meeting in Tokyo

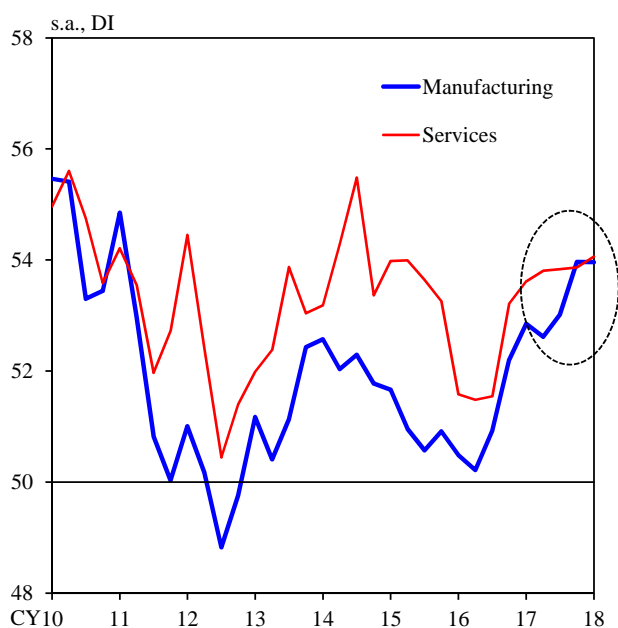
May 10, 2018

Haruhiko Kuroda
Governor of the Bank of Japan

Chart 1

Global Economy

Global PMI



IMF Projections of Real GDP Growth by Major Economies (as of April 2018)

	2016	2017	2018 [Projection]	2019 [Projection]
World	3.2	3.8	3.9 (+0.2)	3.9 (+0.2)
Advanced economies	1.7	2.3	2.5 (+0.5)	2.2 (+0.4)
United States	1.5	2.3	2.9 (+0.6)	2.7 (+0.8)
Euro area	1.8	2.3	2.4 (+0.5)	2.0 (+0.3)
Japan	0.9	1.7	1.2 (+0.5)	0.9 (+0.1)
Emerging market and developing economies	4.4	4.8	4.9 (0.0)	5.1 (+0.1)
China	6.7	6.9	6.6 (+0.1)	6.4 (+0.1)
ASEAN 5	5.0	5.3	5.3 (+0.1)	5.4 (+0.1)

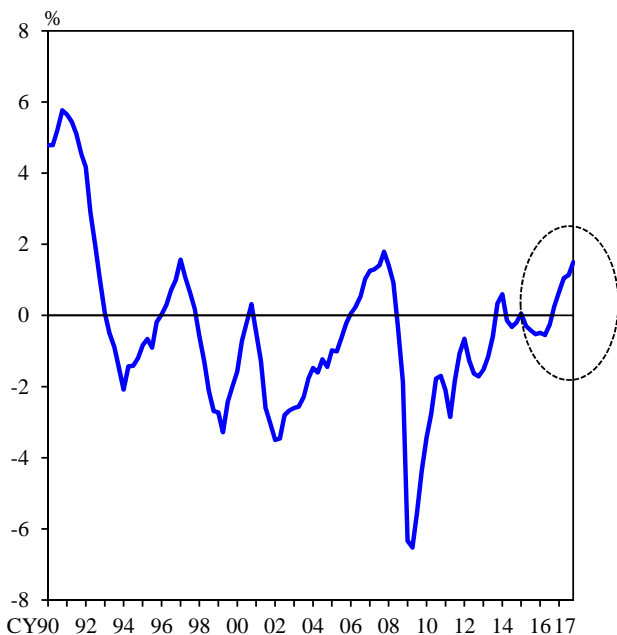
Notes: 1. Figures for the manufacturing PMI are the "J.P.Morgan Global Manufacturing PMI," and those for the services PMI are the business activity index of the "J.P.Morgan Global Services PMI."

2. Figures in parentheses in the right chart show the differences from the October 2017 projections (% points).

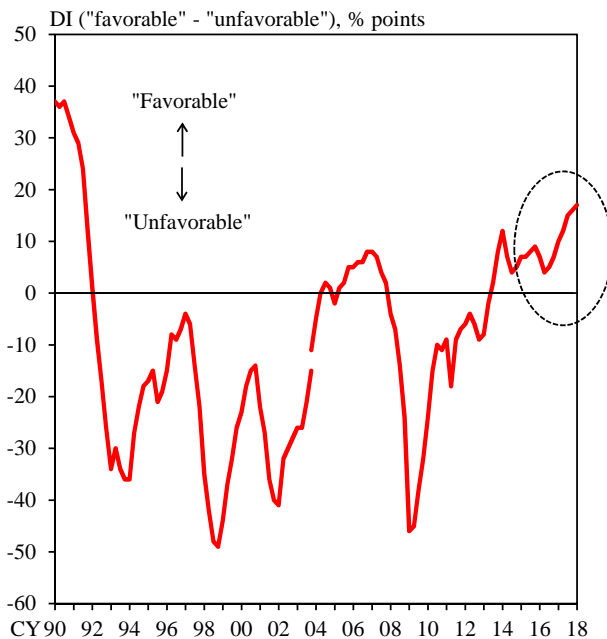
Sources: IHS Markit (© and database right IHS Markit Ltd 2018. All rights reserved.); IMF.

Japan's Economy

Output Gap



Business Conditions DI (Tankan)



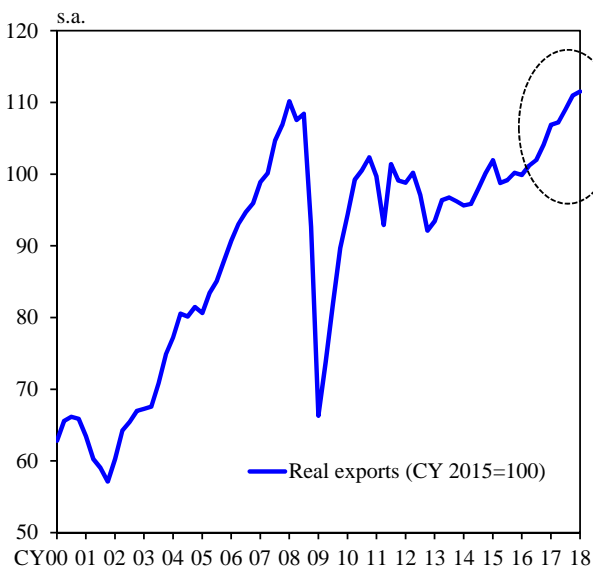
Notes: 1. Figures for the output gap are based on BOJ staff estimations.

2. Figures for the business conditions DI are those for all industries and enterprises. There is a discontinuity in the data in December 2003 due to a change in the survey framework.

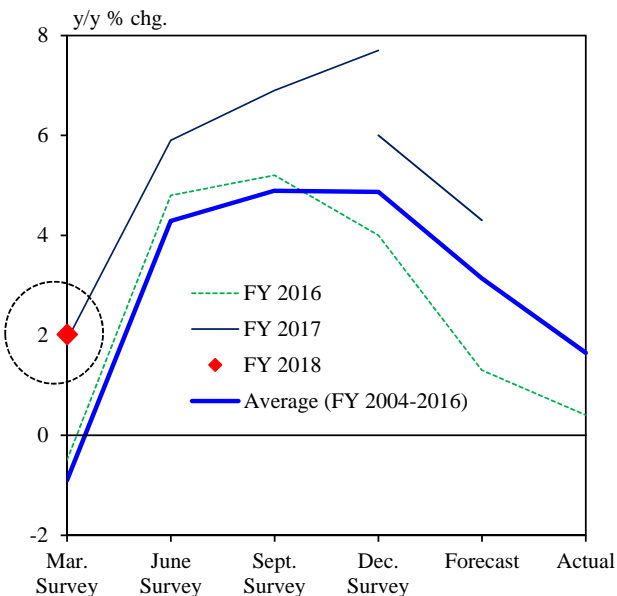
Source: Bank of Japan.

Corporate Sector

Exports



Developments in Business Fixed Investment Plans (Tankan)

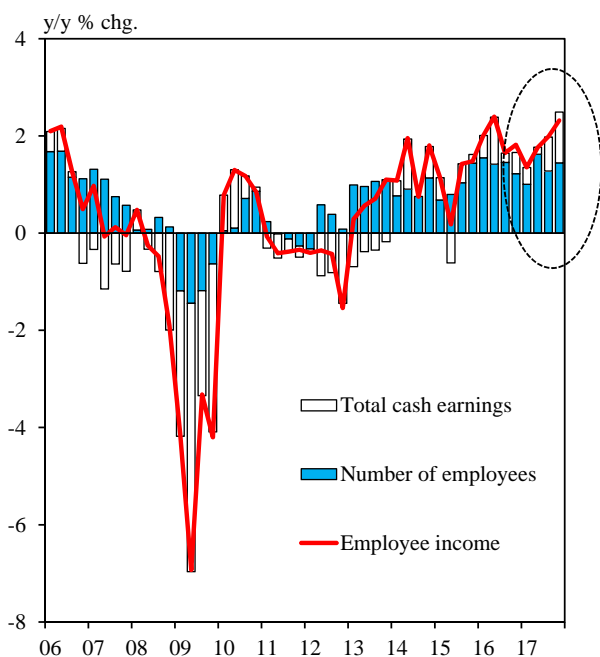


Note: The right chart indicates the revision patterns of fixed investment plans. The horizontal axis represents the point of time when the survey is conducted for each fiscal year. Namely, the first survey for each year (March survey) is on the left, and the last survey (June survey of the following year; actual result) is on the right. The vertical axis represents the year-on-year percent change. All industries including financial institutions. Including software and R&D investment and excluding land purchasing expenses (R&D investment is not included up until the December 2016 survey). There is a discontinuity in the data in December 2017 due to a change in the survey sample.

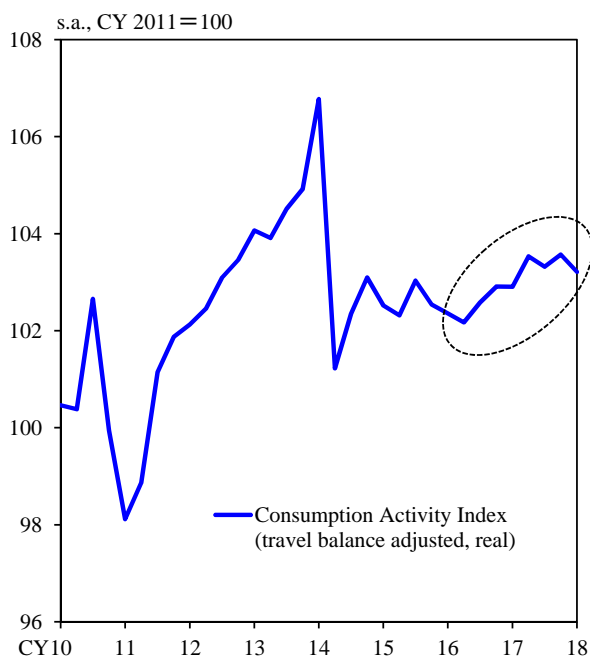
Sources: Bank of Japan; Ministry of Finance.

Household Sector

Employee Income



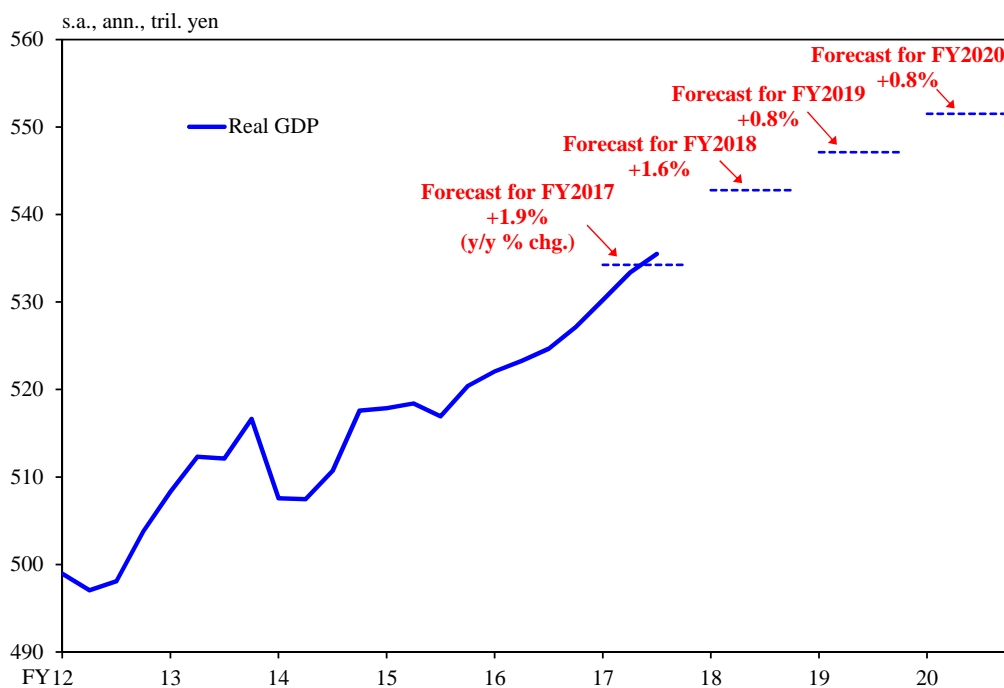
Private Consumption



Notes: 1. For employee income, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 2. Employee income = total cash earnings ("Monthly Labour Survey") × number of employees ("Labour Force Survey")
 3. Figures for the Consumption Activity Index exclude inbound tourism consumption and include outbound tourism consumption (BOJ staff calculations).
 Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications; Bank of Japan.

BOJ's Forecasts of the Real GDP

(April 2018 Outlook Report)



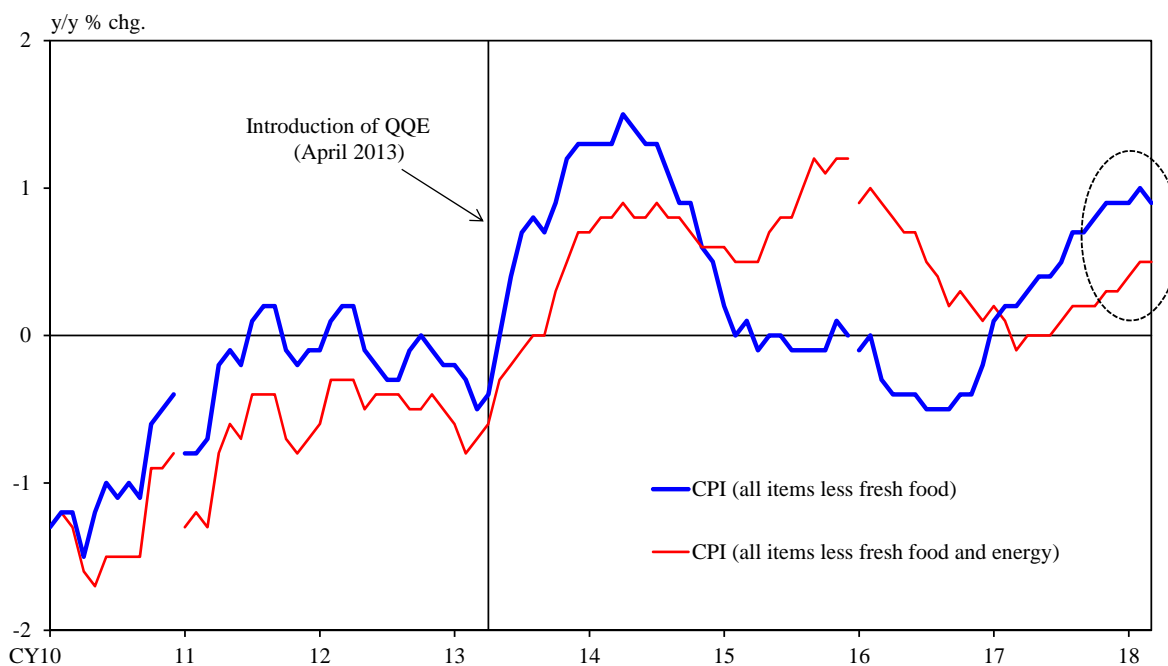
Note: Forecasts are the medians of the Policy Board members' forecasts (point estimates).
 Sources: Cabinet Office; Bank of Japan.

Length of Economic Recovery Period

Rank	Period	Duration
1	February 2002-February 2008	73 months
2	December 2012-(Current)	64 months
3	November 1965-July 1970 (Izanagi boom)	57 months
4	December 1986-February 1991 (Heisei boom)	51 months
5	November 1993-May 1997	43 months

Note: Economic peaks and troughs are judged based on discussions by experts after waiting for data accumulation. The current recovery phase, which started in December 2012, seems to have lasted for 64 consecutive months by March 2018.
Sources: Cabinet Office, etc.

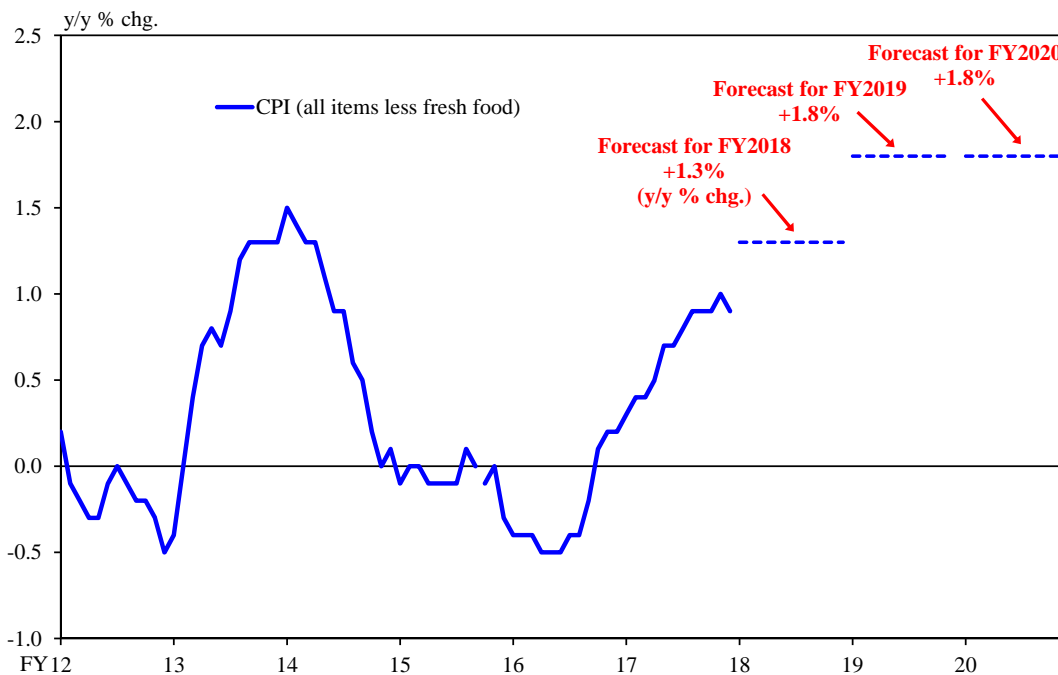
Consumer Prices



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

BOJ's Forecasts of the CPI

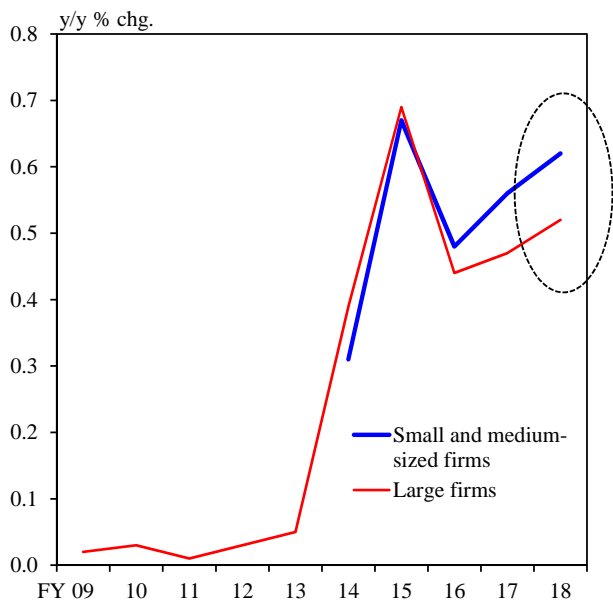
(April 2018 Outlook Report)



Note: Actual figures are adjusted for changes in the consumption tax rate. Forecasts are the medians of the Policy Board members' forecasts excluding the effects of the scheduled consumption tax hike (point estimates).
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

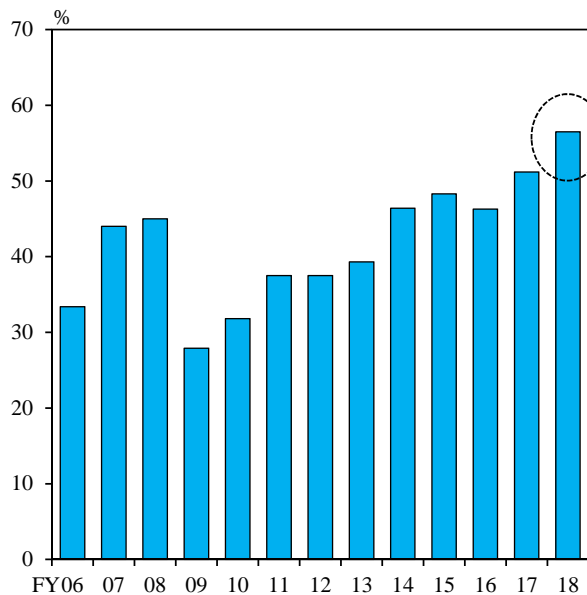
Firms' Wage-Setting Stance

Base Pay Increase



Wage Increases for Full-Time Employees

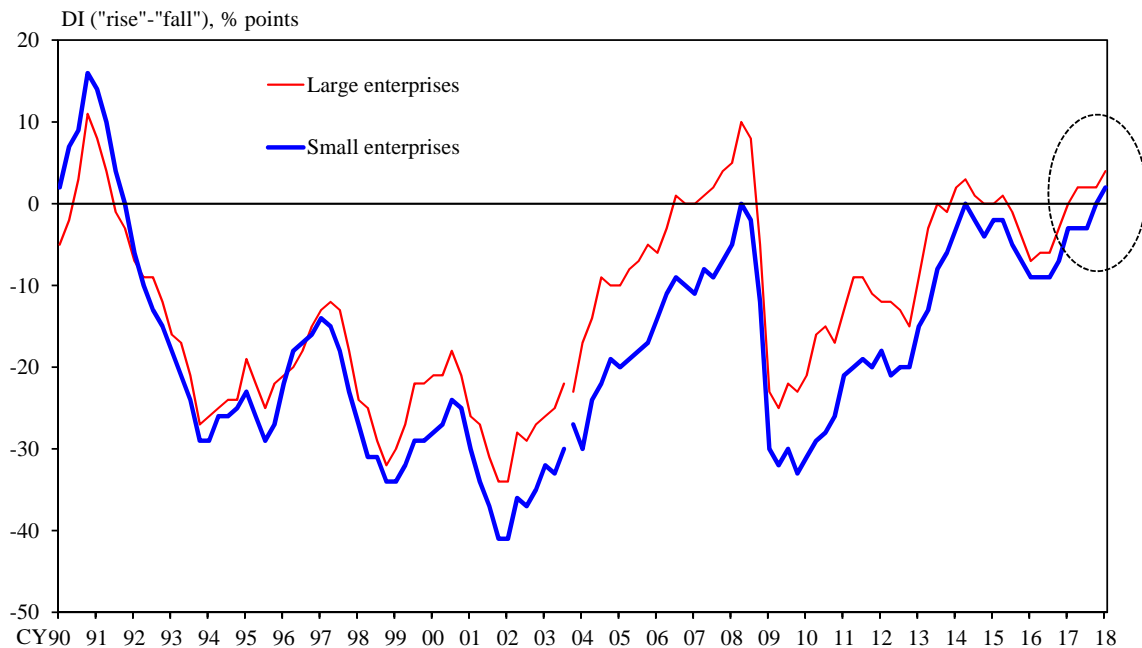
(Ratio of Firms Planning to Increase Wages)



Notes: 1. Figures for the base pay increase up to fiscal 2013 are based on the survey by the Central Labour Relations Commission, and those from fiscal 2014 onward are based on the survey by the Japanese Trade Union Confederation (Rengo). Large firms up to fiscal 2013 are defined as firms with 1,000 or more employees, and those from fiscal 2014 onward are defined as firms with 300 or more employees. Figures for fiscal 2018 are based on the fourth aggregate results as of mid-April.
2. Figures for wage increases for full-time employees are based on the survey results concerning firms' wage-setting stance (increases in base pay, bonuses, and lump-sum payments).
Sources: Central Labour Relations Commission; Japanese Trade Union Confederation (Rengo); Teikoku Databank, Ltd.

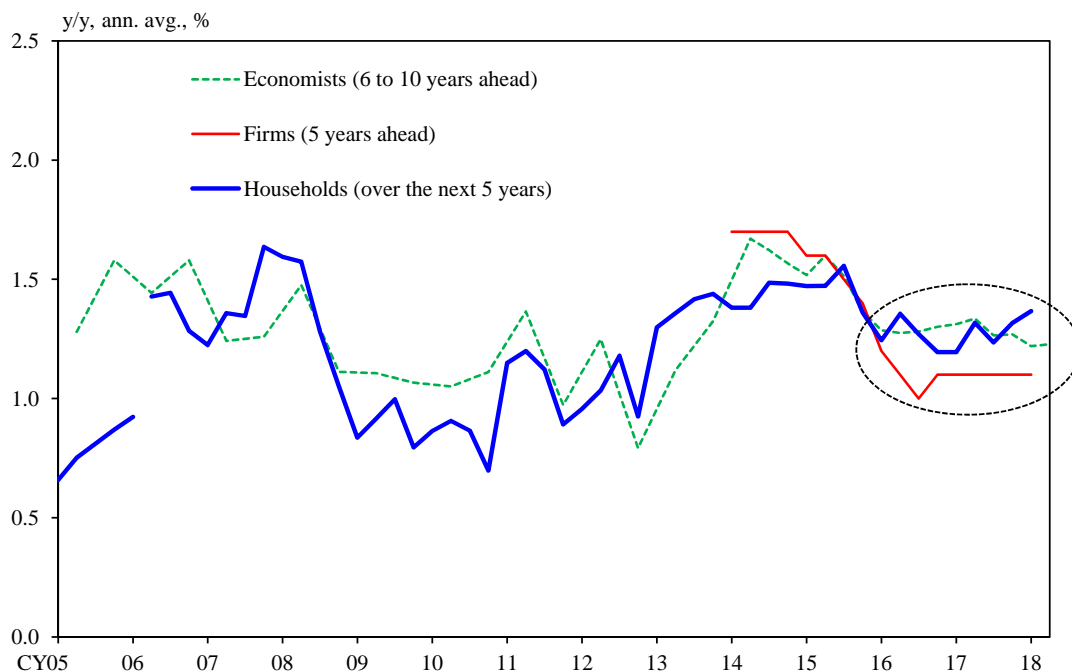
Firms' Price-Setting Stance

Change in Output Prices DI (Tankan)



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

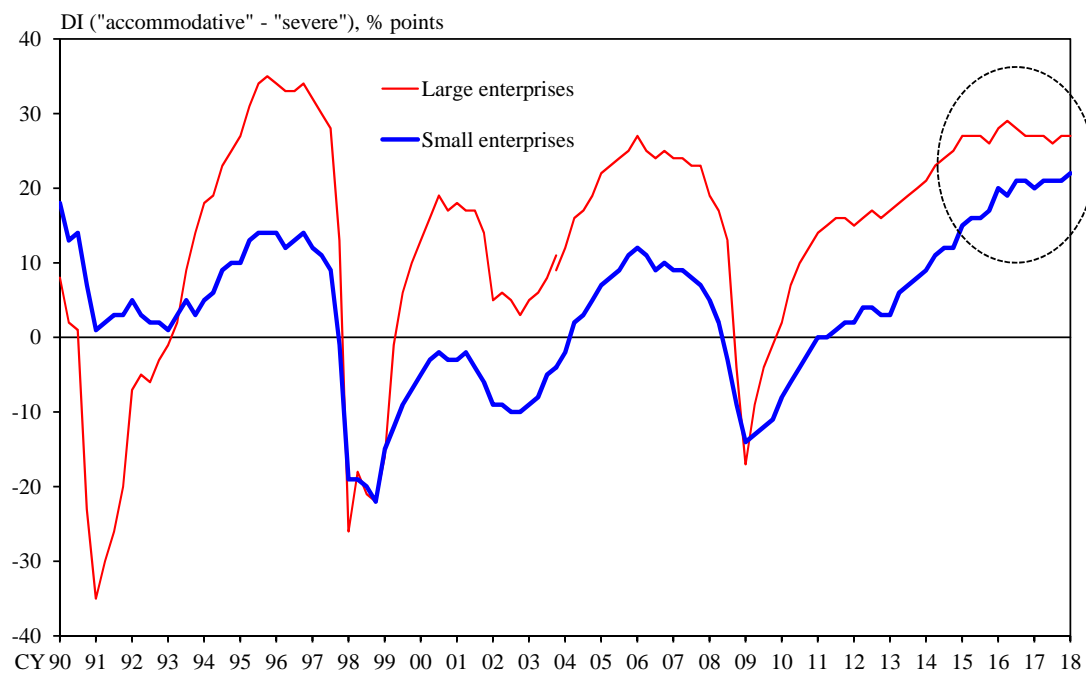
Inflation Expectations



Notes: 1. Figures for economists are from the "Consensus Forecasts," those for firms are "Outlook for General Prices" in the *Tankan* survey (all industries and enterprises, average), and those for households are from the "Opinion Survey on the General Public's Views and Behavior."
 2. Figures for households exclude inflation expectations by respondents whose annual inflation expectations were $\pm 5\%$ or greater.
 Sources: Consensus Economics Inc., "Consensus Forecasts"; Bank of Japan.

Financial Intermediation

Lending Attitude DI of Financial Institutions (Tankan)



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