

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Osaka

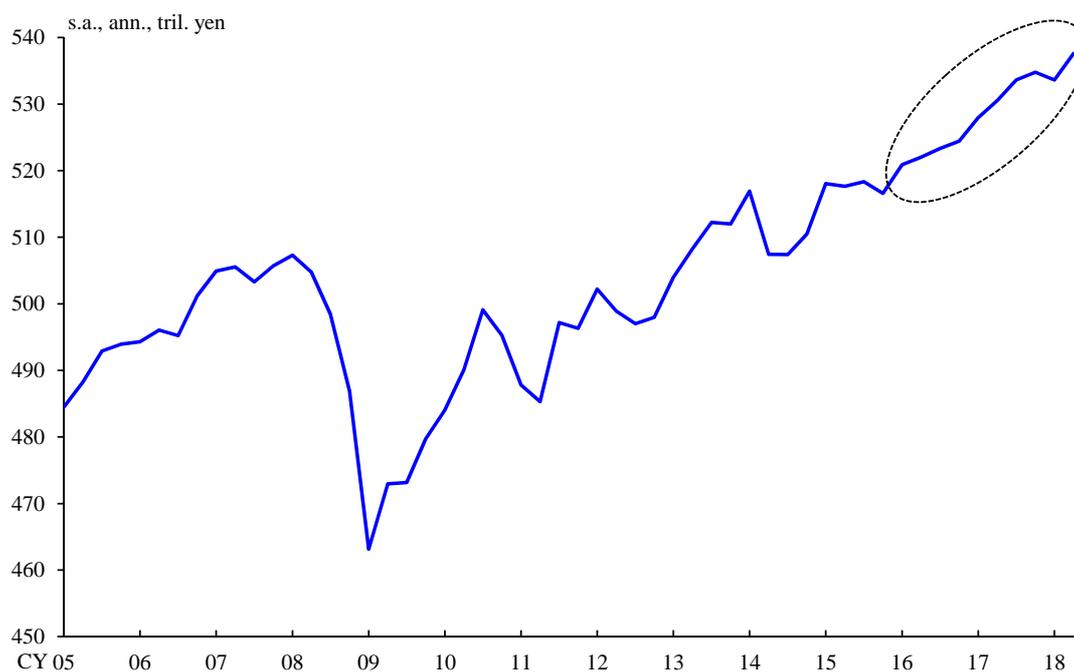
September 25, 2018

Haruhiko Kuroda
Governor of the Bank of Japan

Chart 1

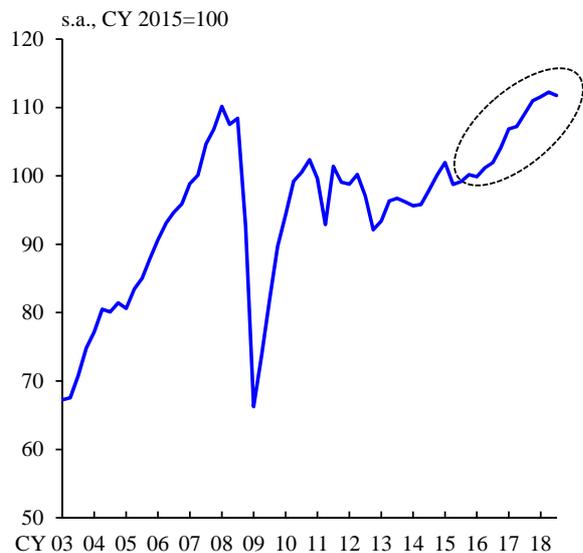
Japan's Economy

Real GDP



Exports and Overseas Economies

Real Exports



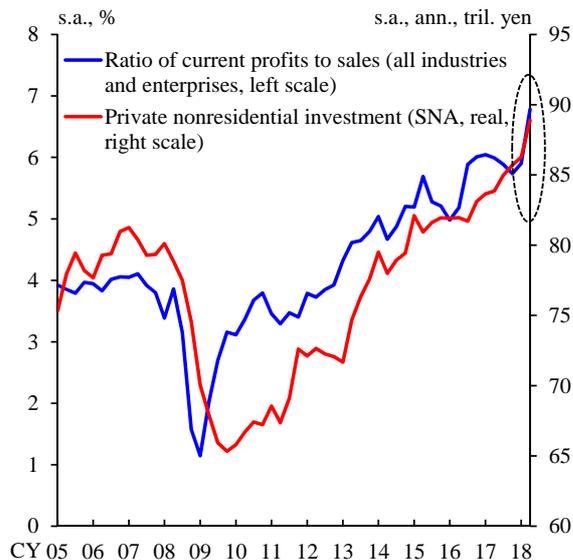
Projections for Major Economies (IMF)

	y/y % chg.			
	2016	2017	2018 Projection	2019 Projection
World	3.2	3.7	3.9	3.9
Advanced economies	1.7	2.4	2.4	2.2
United States	1.5	2.3	2.9	2.7
Euro area	1.8	2.4	2.2	1.9
Japan	1.0	1.7	1.0	0.9
Emerging market and developing economies	4.4	4.7	4.9	5.1
China	6.7	6.9	6.6	6.4
ASEAN-5	4.9	5.3	5.3	5.3

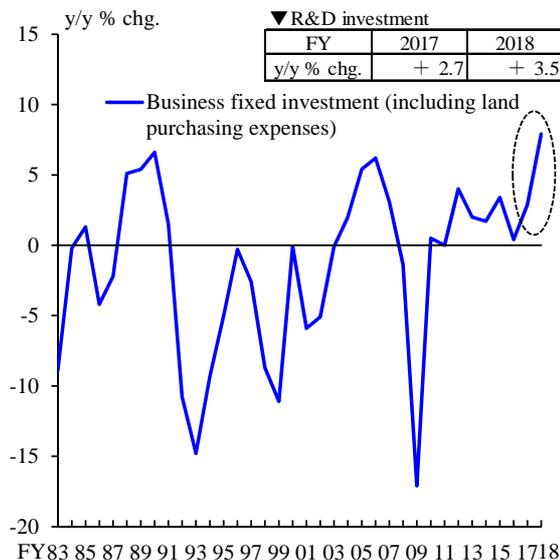
Notes: 1. The figure for real exports for 2018/Q3 is the July-August average.
 2. The post-2018 figures in the right table are based on July 2018 WEO projections.
 Sources: IMF; Ministry of Finance; Bank of Japan.

Corporate Profits and Business Fixed Investment

Corporate Profits



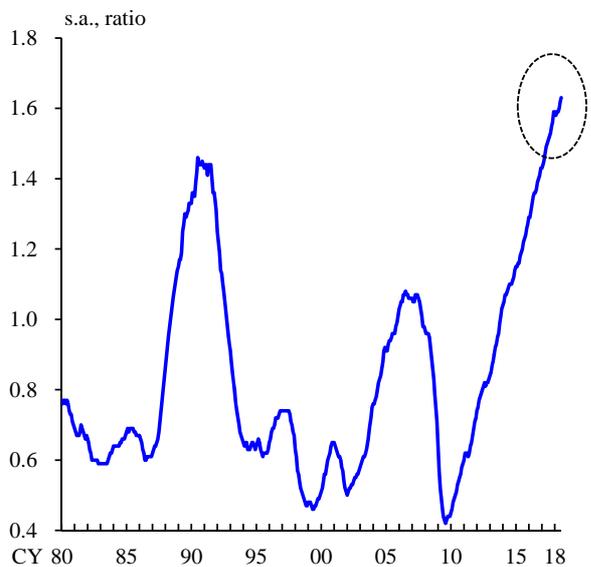
Business Fixed Investment Plans (June Tankan)



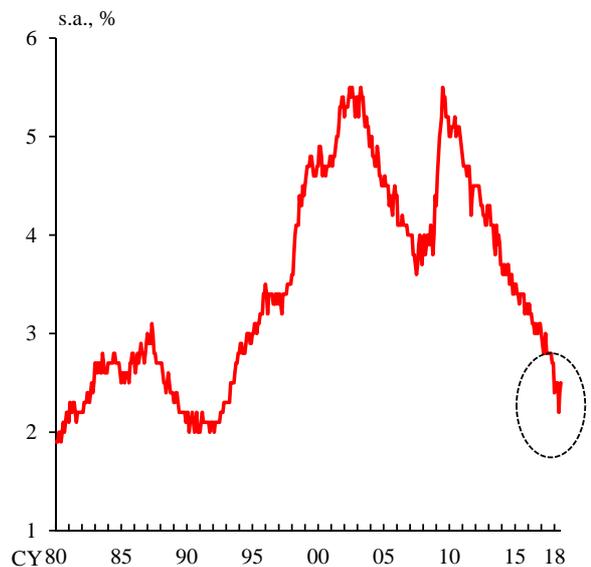
Notes: 1. Figures for ratio of current profits to sales are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance."
 2. Figures for business fixed investment (including land purchasing expenses) and R&D investment are based on the plans as of June Tankan in each fiscal year (all enterprises).
 Sources: Ministry of Finance; Cabinet Office; Bank of Japan.

Employment Situation

Active Job Openings-to-Applicants Ratio

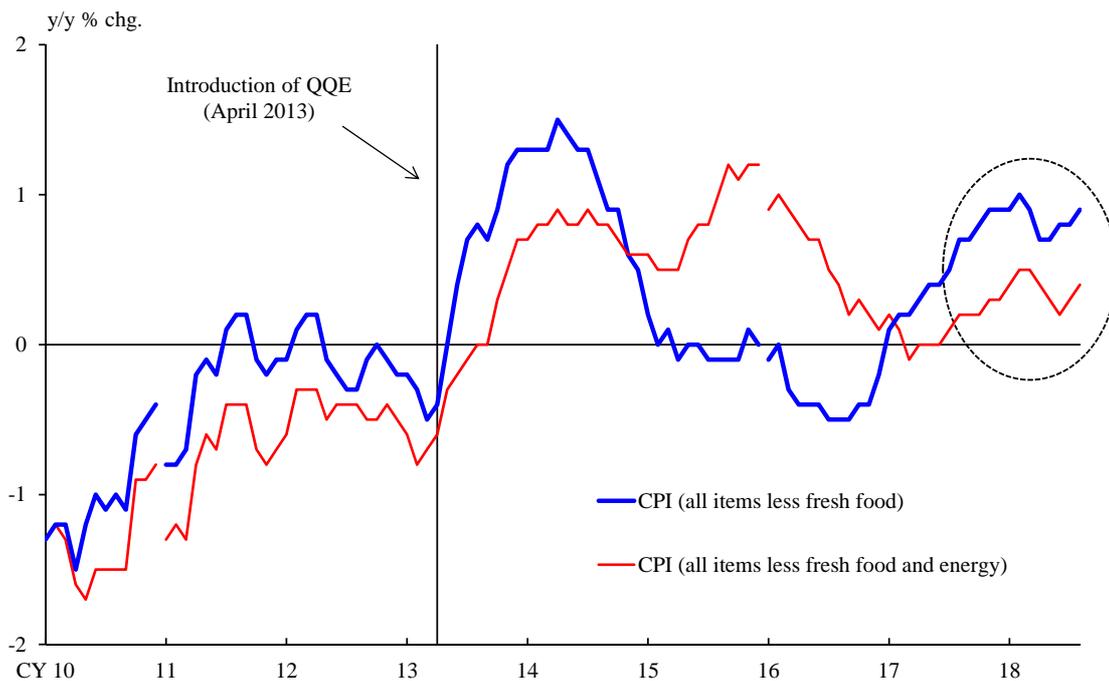


Unemployment Rate



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

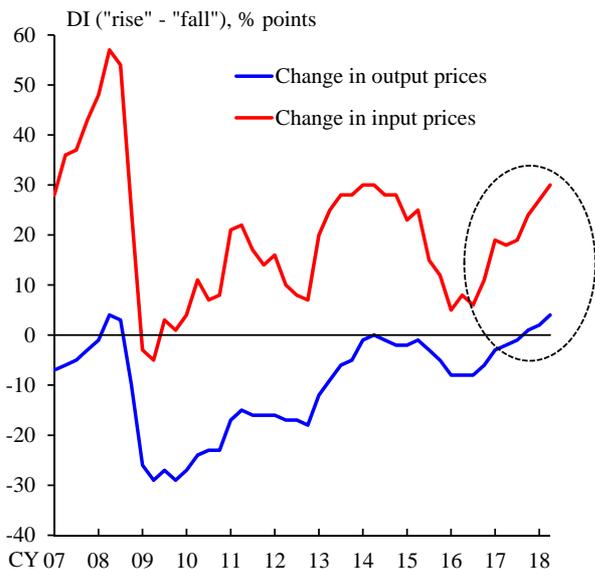
Consumer Prices



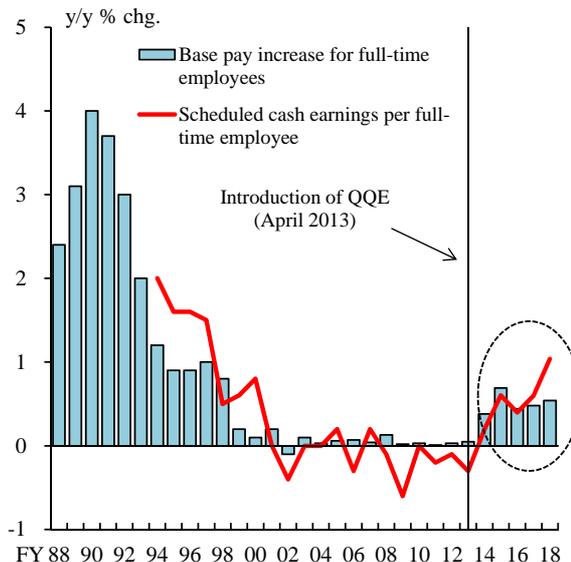
Note: The CPI figures are adjusted for changes in the consumption tax rate.
Source: Ministry of Internal Affairs and Communications.

Environment Surrounding Prices

Changes in Prices (Tankan)



Nominal Wages

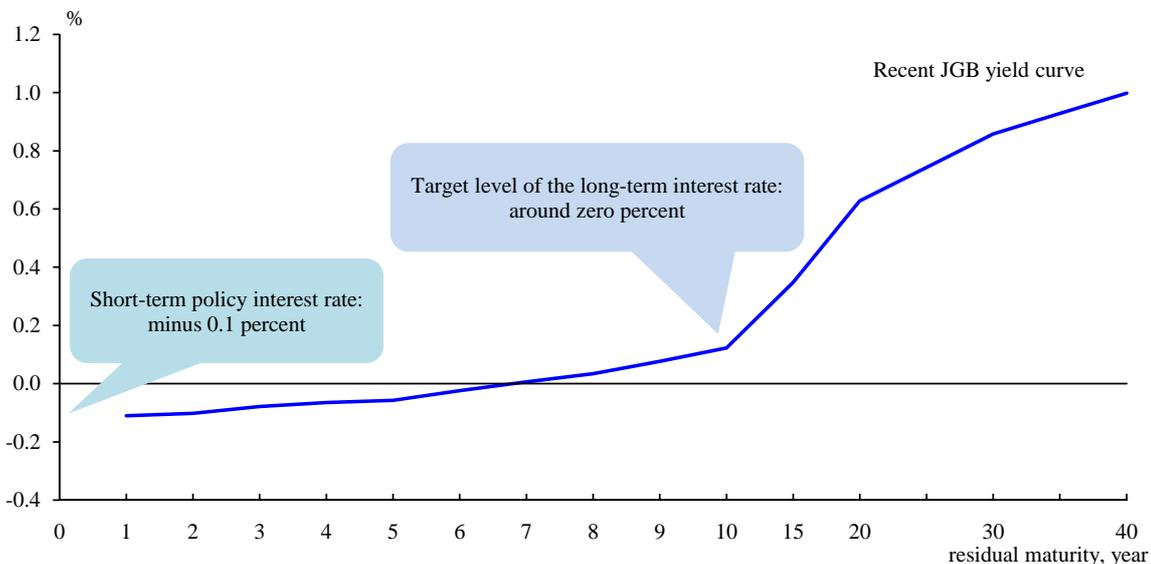


Notes: 1. Figures in the left chart are those of all enterprises.

2. In the right chart, the figure for scheduled cash earnings per full-time employee for FY 2018 is the April-July average. That for base pay increase for FY 2018 is as of July 6, 2018.
Sources: Ministry of Health, Labour and Welfare; Central Labour Relations Commission; Japanese Trade Union Confederation (Rengo); Bank of Japan.

Quantitative and Qualitative Monetary Easing with Yield Curve Control

Yield Curve Control



Source: Bloomberg.

Strengthening the Framework for Continuous Powerful Monetary Easing

Taking more time than expected to achieve the price stability target of 2 percent.
 Maintaining the output gap as long as possible within positive territory is appropriate.



Persistently Continuing with Powerful Monetary Easing

Forward guidance for policy rates

"The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, taking into account uncertainties regarding economic activity and prices including the effects of the consumption tax hike scheduled to take place in October 2019."
 ⇒ Strengthening the commitment to achieving the price stability target

Enhancing the sustainability of "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control"

Long-term interest rate: The Bank maintains the target level of around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.

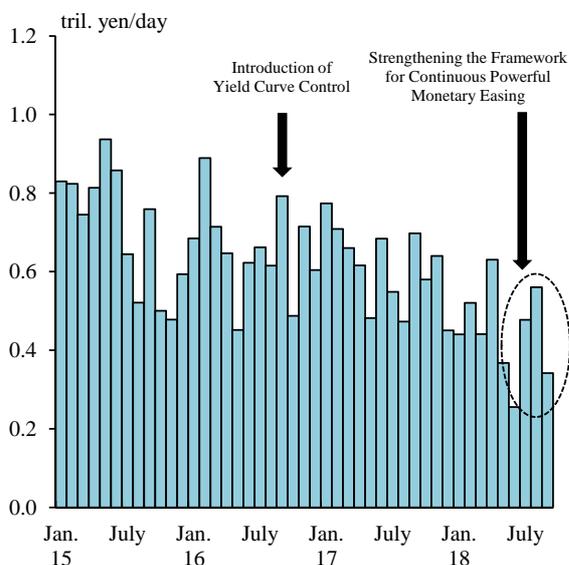
Purchases of ETFs: The Bank maintains the annual pace of increase in the amount outstanding of about 6 trillion yen. While doing so, the Bank may increase or decrease the amount of purchases depending on market conditions. etc.



Achieving the price stability target of 2 percent at the earliest possible time while securing stability in economic and financial conditions.

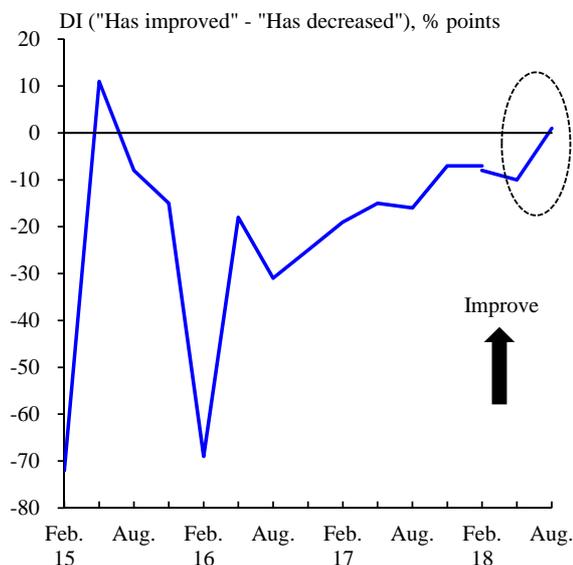
JGB Market

Transaction Volume for JGBs



Bond Market Survey

Degree of Bond Market Functioning (Change from Three Months Ago)



Notes: 1. The left chart shows the trading volume via the Japan Bond Trading. Excluding T-bills, etc. The figure for September 2018 is the September 1-20 average.
 2. In the right chart, the survey from February 2018 onward includes responses from major insurance companies, asset management companies, etc., in addition to those from eligible institutions for the Bank's outright purchases and sales of JGBs. The latest survey was conducted from August 8-16, 2018.
 Sources: QUICK; Bank of Japan.