

Outlook for Economic Activity and Prices and Monetary Policy

*Speech at a Meeting Held by the Naigai Josei Chosa Kai
(Research Institute of Japan) in Tokyo*

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Introduction

I. Economic Developments

II. Price Developments

III. The Bank's Conduct of Monetary Policy

Conclusion

Overseas Economies

Projections for Major Economies (IMF)

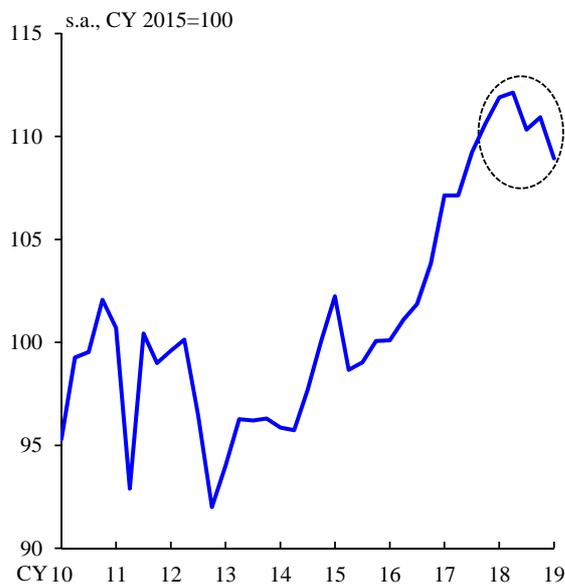
y/y % chg., % points

	2017	2018	2019 Projection	2020 Projection
World	3.8	3.6	3.3 (-0.2)	3.6 (0.0)
Advanced economies	2.4	2.2	1.8 (-0.2)	1.7 (0.0)
United States	2.2	2.9	2.3 (-0.2)	1.9 (0.1)
Euro area	2.4	1.8	1.3 (-0.3)	1.5 (-0.2)
Japan	1.9	0.8	1.0 (-0.1)	0.5 (0.0)
Emerging market and developing economies	4.8	4.5	4.4 (-0.1)	4.8 (-0.1)
China	6.8	6.6	6.3 (0.1)	6.1 (-0.1)
ASEAN-5	5.4	5.2	5.1 (0.0)	5.2 (0.0)
Latin America and the Caribbean	1.2	1.0	1.4 (-0.6)	2.4 (-0.1)

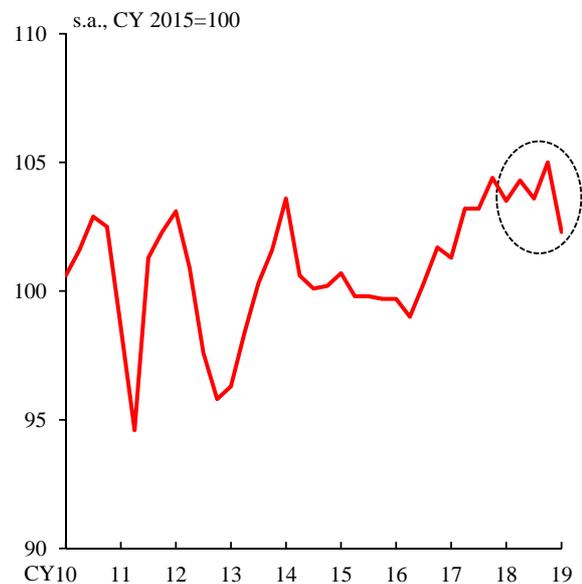
Note: The post-2019 figures are based on April 2019 WEO projections. Figures in parentheses show the differences from the January 2019 projections.
Source: IMF.

Exports and Production

Real Exports



Industrial Production

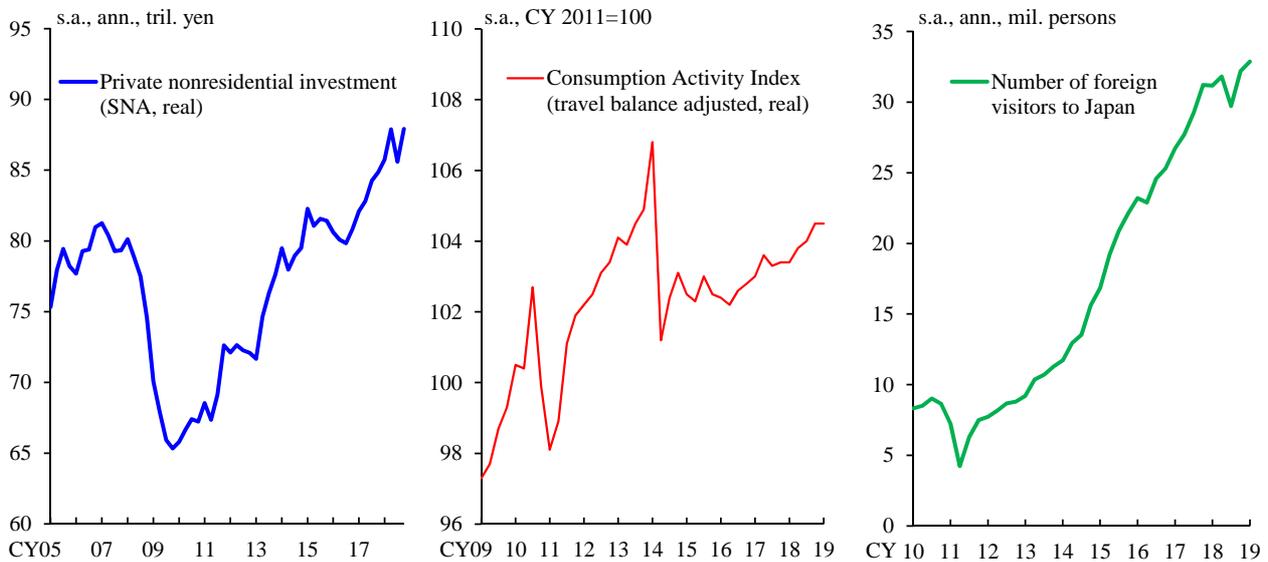


Business Fixed Investment and Private Consumption, etc.

Business Fixed Investment

Private Consumption

Inbound Tourism Demand



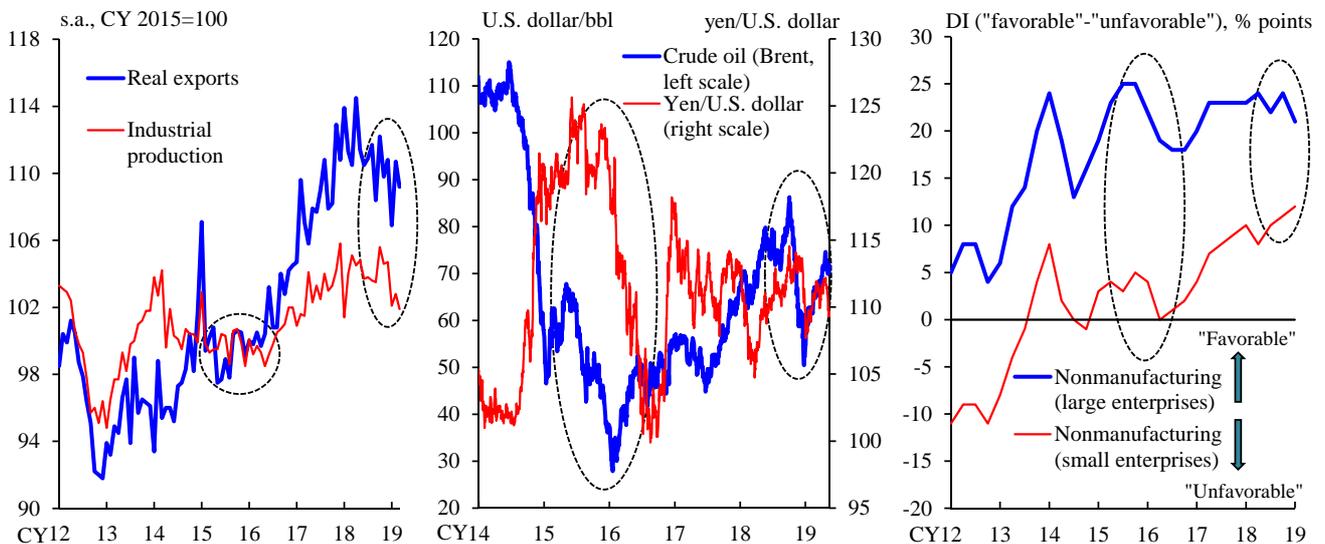
Notes: 1. In the middle chart, figures for the Consumption Activity Index exclude inbound tourism consumption and include outbound tourism consumption.
 2. In the right chart, seasonally adjusted figures are BOJ staff estimates.
 Sources: Cabinet Office; Bank of Japan; JAPAN NATIONAL TOURISM ORGANIZATION, etc.

Comparison between the Present and around 2015-2016

Exports and Production

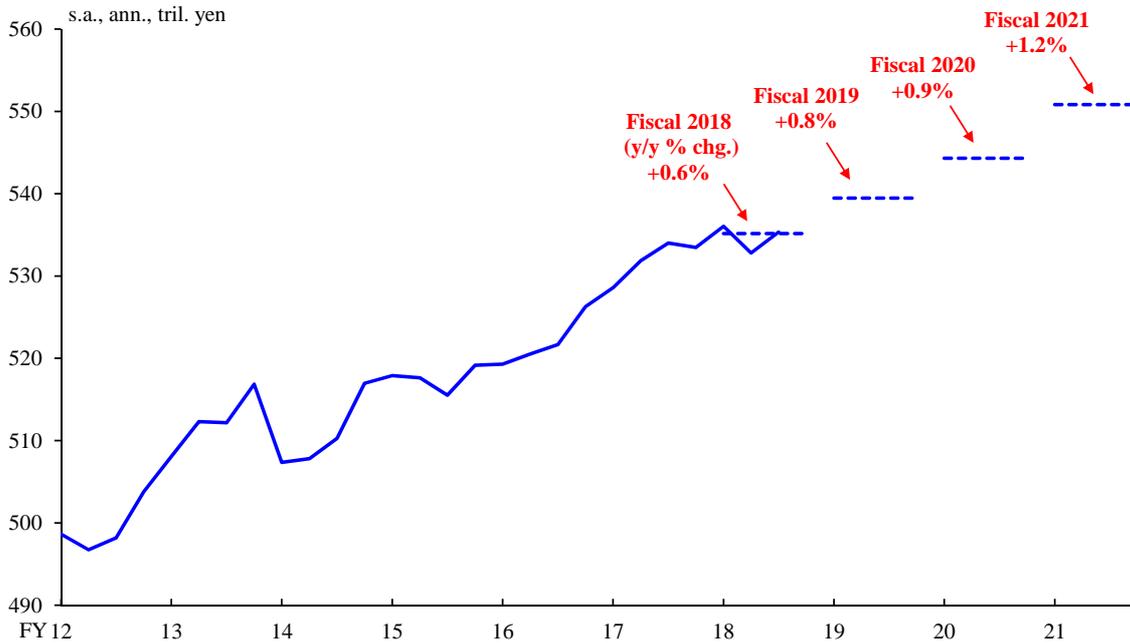
Crude Oil Prices and Yen/U.S. Dollar

Business Conditions DI (Nonmanufacturing Sector)



Sources: Ministry of Finance; Bank of Japan; Ministry of Economy, Trade and Industry; Bloomberg.

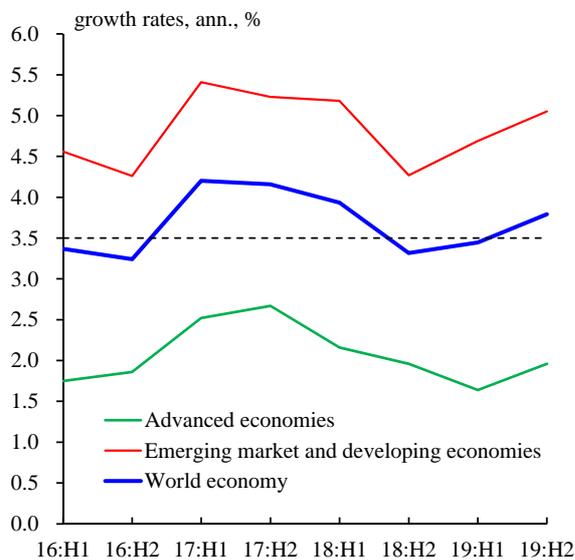
BOJ's Forecasts of Real GDP (April 2019 Outlook Report)



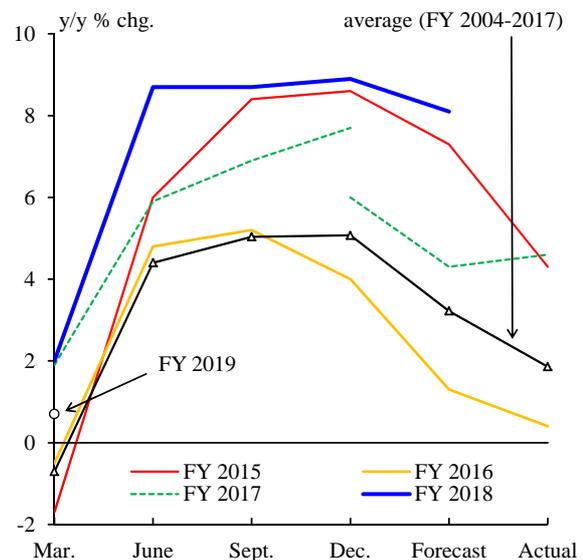
Note: Forecasts are the medians of the Policy Board members' forecasts (point estimates).
Sources: Cabinet Office; Bank of Japan.

Key Points for the Future

Developments in Overseas Economies (IMF World Economic Outlook)



Domestic Demand Sustainability (Business Fixed Investment Plans in the Tankan)

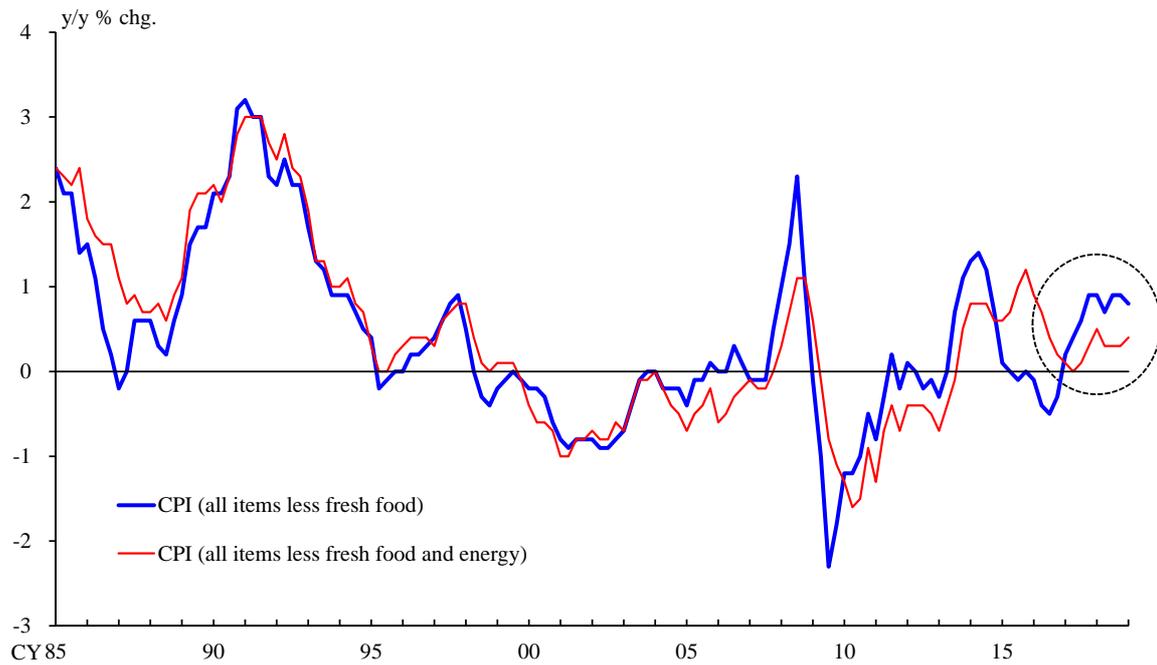


Notes: 1. In the left chart, figures for the world economy are calculated as the weighted averages of growth rates of advanced economies as well as emerging market and developing economies using GDP shares of world total GDP from the IMF as weights.

2. In the right chart, figures are all industries including financial institutions. Including software and R&D investment and excluding land purchasing expenses (R&D investment is not included until the December 2016 survey). There is a discontinuity in the data in December 2017 due to a change in the survey sample.

Sources: IMF; Bank of Japan.

Consumer Prices

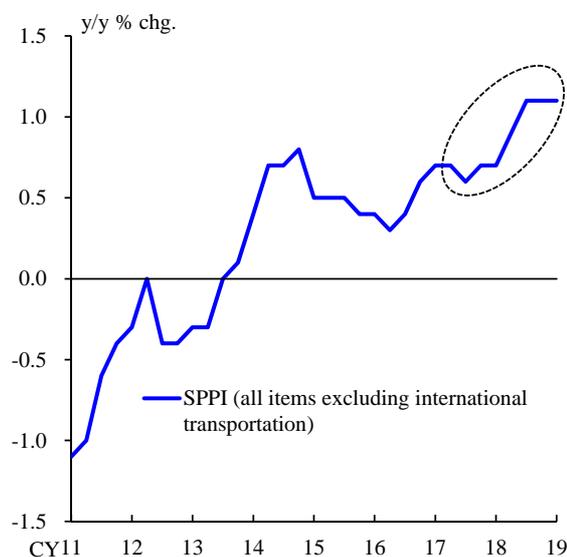
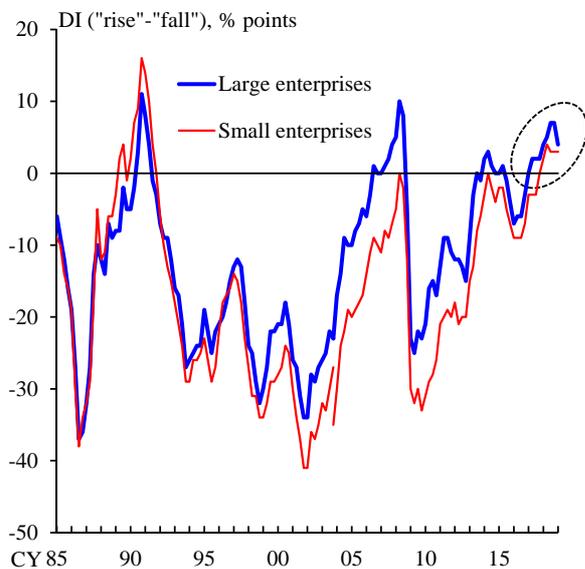


Note: Figures are adjusted for changes in the consumption tax rate.
Source: Ministry of Internal Affairs and Communications.

Firms' Price-Setting Stance

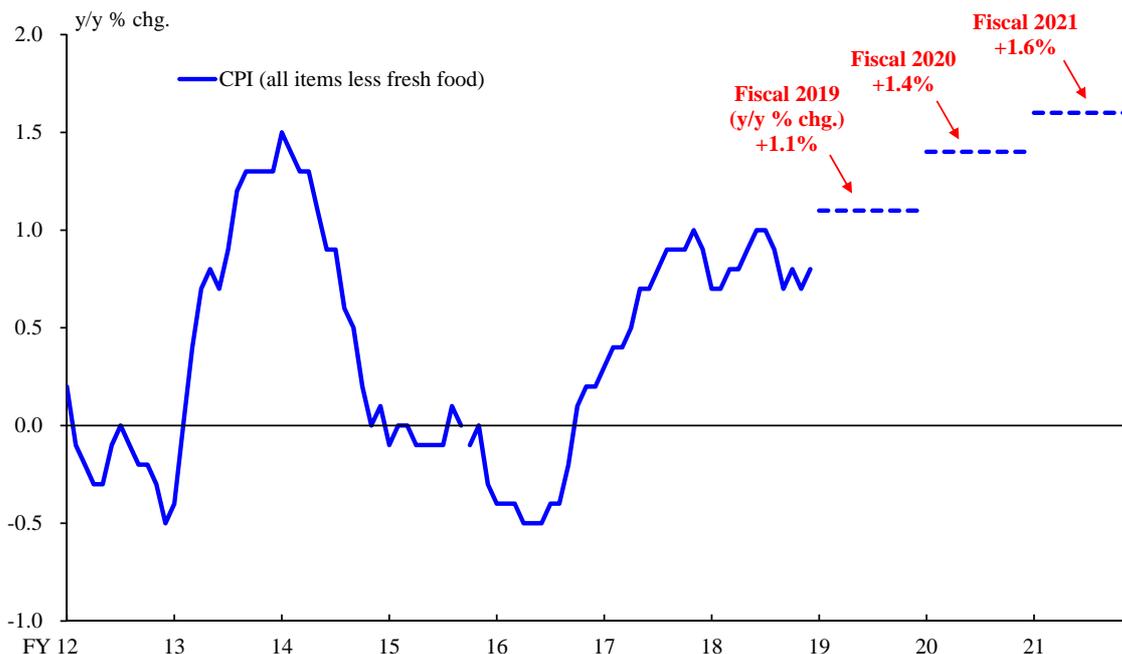
Output Prices DI (Tankan)

Services Producer Price Index (SPPI)



Notes: 1. In the left chart, there is a discontinuity in the data in December 2003 due to a change in the survey framework.
2. In the right chart, figures are adjusted for changes in the consumption tax rate.
Source: Bank of Japan.

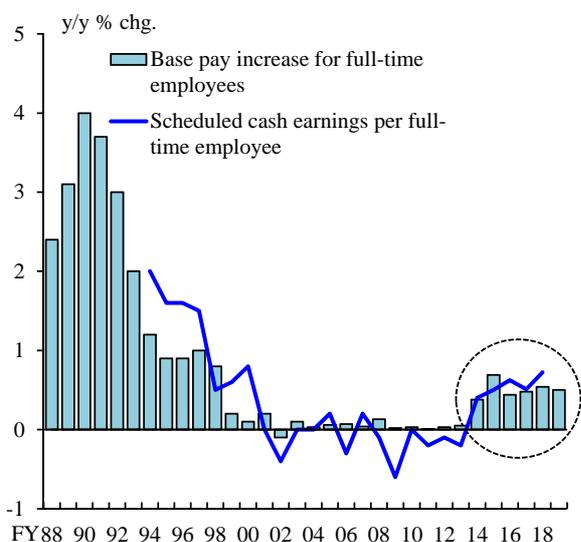
BOJ's Forecasts of the CPI (April 2019 Outlook Report)



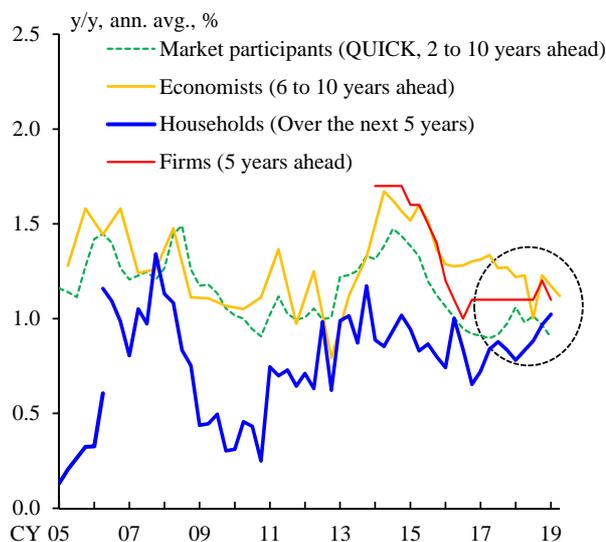
Notes: 1. Forecasts are the medians of the Policy Board members' forecasts (point estimates). The actual figures exclude the direct effects of the consumption tax hike in April 2014.
 2. The direct effect of the scheduled consumption tax hike on the CPI for fiscal 2019 and fiscal 2020 is estimated to be 0.5 percentage point for each year. The direct effects of policies concerning the provision of free education on the CPI for fiscal 2019 and fiscal 2020 are estimated to be minus 0.3 percentage point and minus 0.4 percentage point, respectively.
 Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Environment Surrounding Prices

Nominal Wages

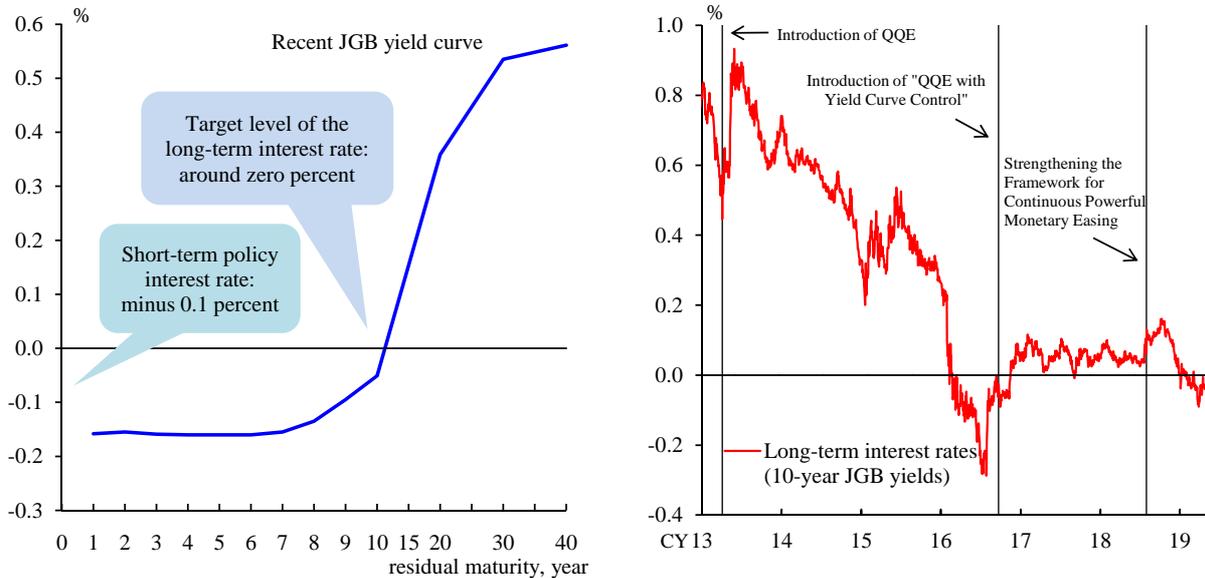


Inflation Expectations



Notes: 1. In the left chart, figures for scheduled cash earnings from fiscal 2013 are based on corrected figures adjusted for establishments in Tokyo with 500 or more employees, and from fiscal 2016 are based on continuing observations following the sample revisions of the "Monthly Labour Survey."
 2. In the right chart, figures for economists are from the "Consensus Forecasts." Figures for households are from the "Opinion Survey on the General Public's Views and Behavior," estimated using the modified Carlson-Parkin method. Figures for firms are "Outlook for General Prices (*Tankan*, all industries and enterprises, average)."
 Sources: Ministry of Health, Labour and Welfare; Central Labour Relations Commission; Japanese Trade Union Confederation (Rengo); Bank of Japan; QUICK, "QUICK Monthly Market Survey (Bonds)"; Consensus Economics Inc., "Consensus Forecasts."

Yield Curve Control



Source: Bloomberg.

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Continuation of Powerful Monetary Easing (April 2019)

- High uncertainties regarding economic activity and prices including developments in overseas economies
- Still taking time to achieve the price stability target



Making clearer the Bank's policy stance to persistently continue with powerful monetary easing

Clarification of forward guidance for policy rates

- July 2018: "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."
- April 2019: "The Bank intends to maintain the current extremely low levels of short- and long-term interest rates **for an extended period of time, at least through around spring 2020**, taking into account uncertainties regarding economic activity and prices including **developments in overseas economies** and the effects of the scheduled consumption tax hike."

Implementation of measures contributing to the continuation of powerful monetary easing

Smooth implementation of fund-provisioning and asset purchases

- (1) Expanding eligible collateral for the Bank's provision of credit
- (2) Improving the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth

Securing market functioning

- (3) Relaxation of the terms and conditions for the Securities Lending Facility (SLF)
- (4) Introduction of Exchange-Traded Fund (ETF) Lending Facility

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