



# The Conquest of Japanese Deflation: Interim Report

June 19, 2014

Remarks at the Athens Symposium

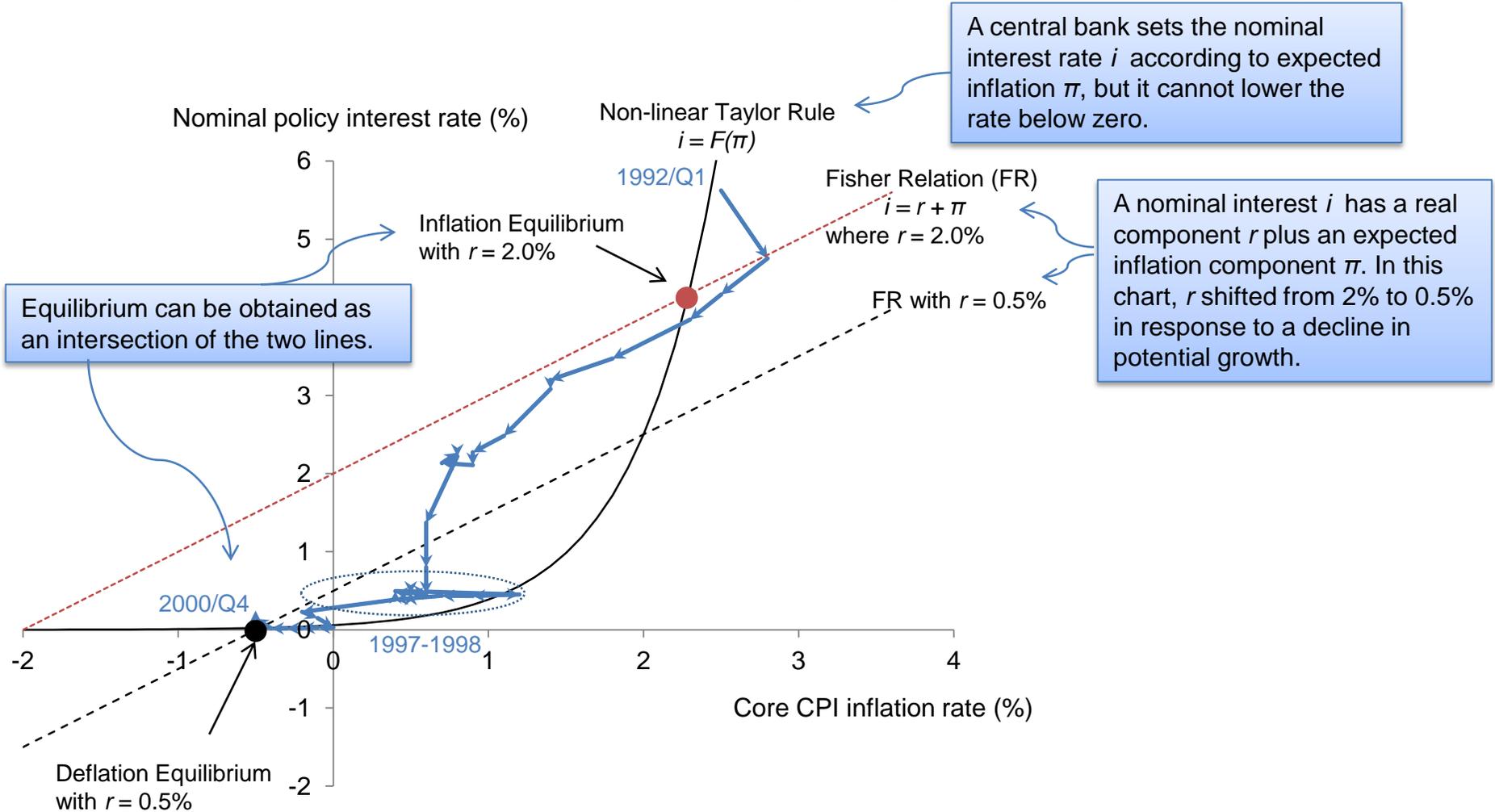
"Banking Union, Monetary Policy and Economic Growth"

Hiroshi Nakaso

Deputy Governor of the Bank of Japan

# (Chart 1)

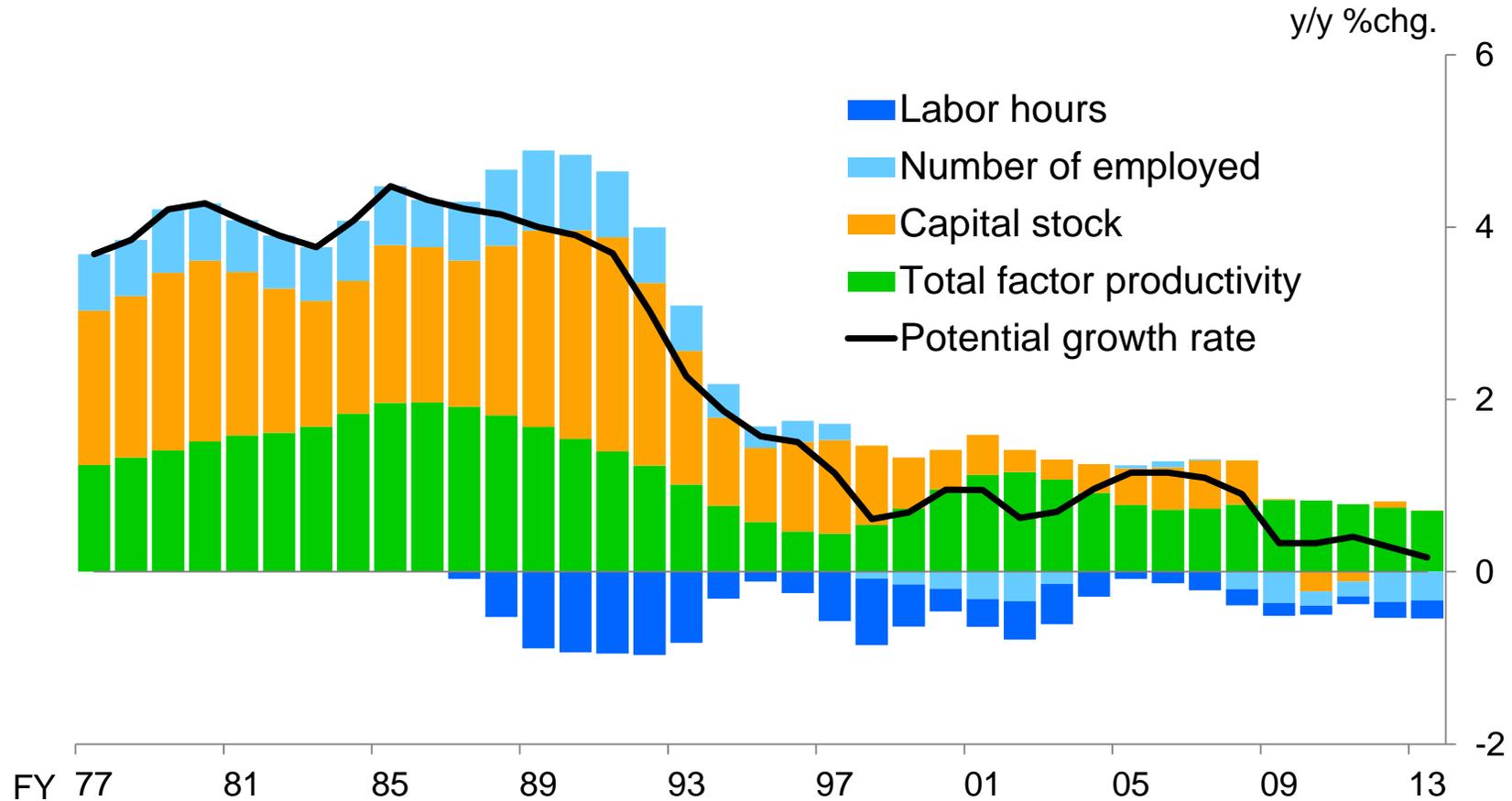
## Transition to the Deflationary Equilibrium in Japan



Note: Core CPI inflation rate, which is a proxy of expected inflation, is defined as CPI excluding food and energy.

(Chart 2)

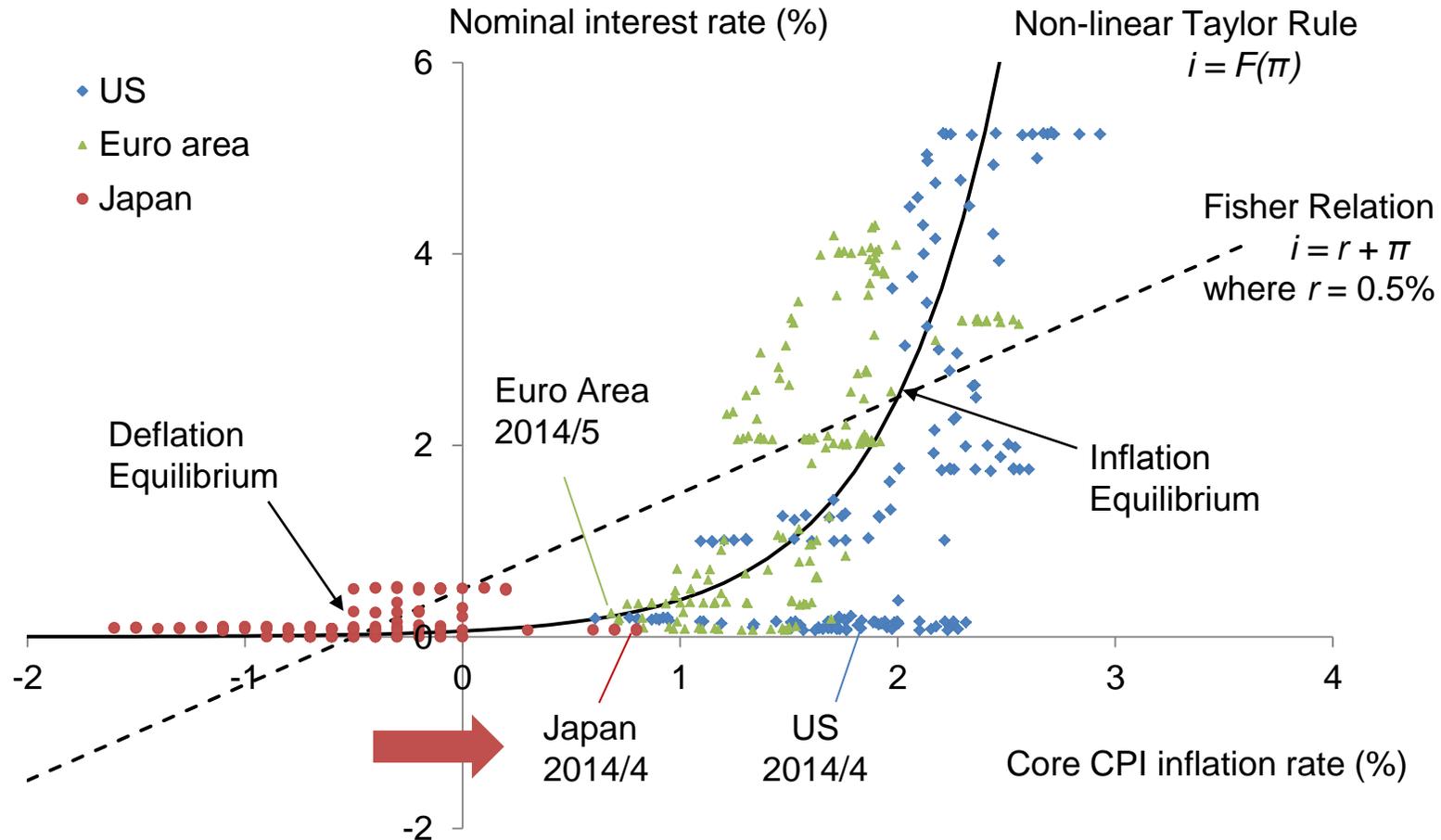
# Potential Growth



Source: BOJ staff estimate.

# (Chart 3)

## Inflation and Deflation Equilibrium

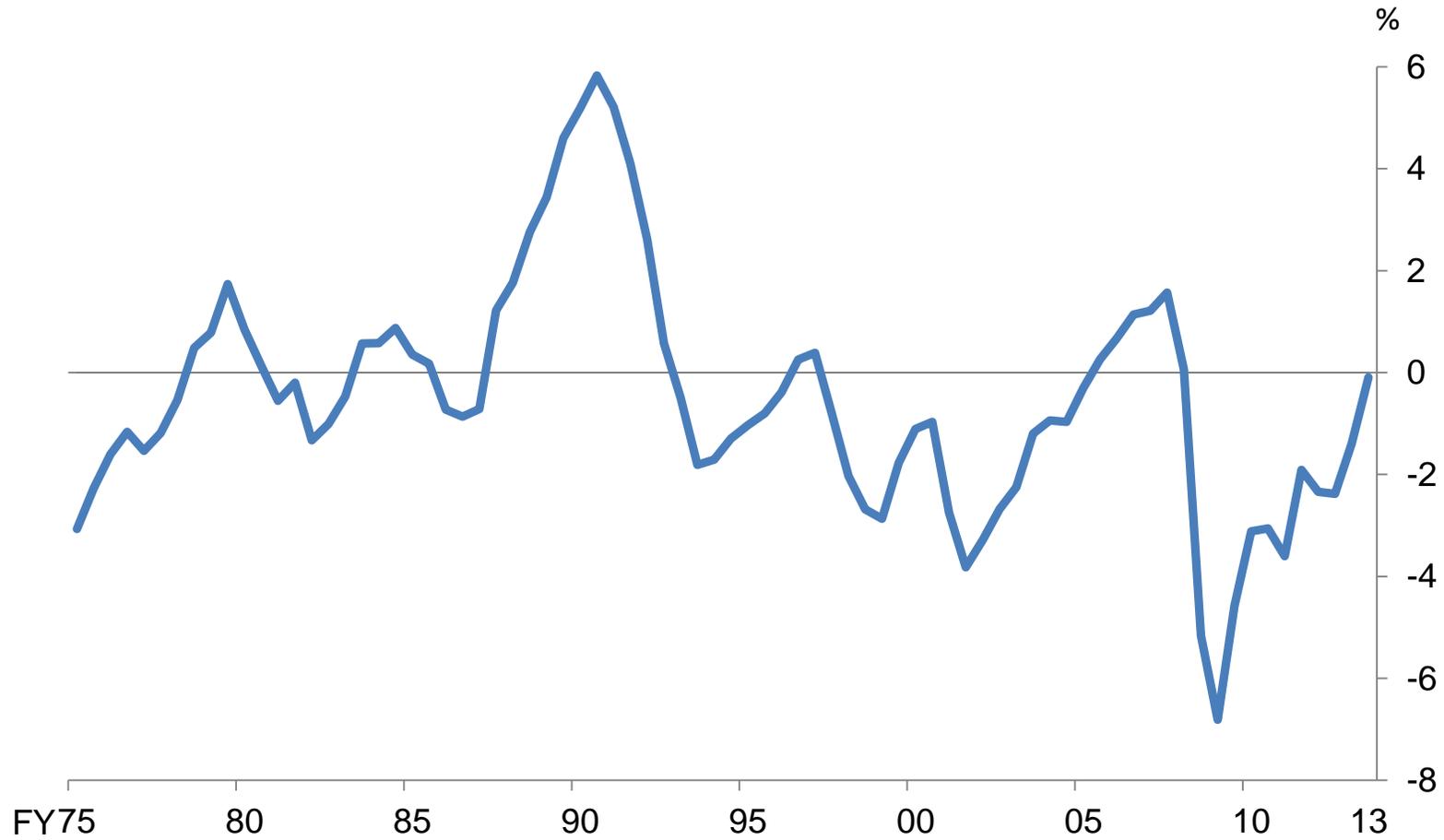


Note: Dots are data plots of nominal interest rate and core CPI inflation rate from January 2002 to April/May 2014. Core inflation is defined as CPI excluding food and energy.

Source: Bullard, J. (2010): "Seven Faces of 'The Peril'," *Federal Reserve Bank of St. Louis Review*, September/October, pp.339-352

(Chart 4)

# Output Gap



Source: BOJ staff estimate.