

Toward the Early Achievement of the 2 Percent Price Stability Target and Sustainable Growth of Japan's Economy

*Speech at the Keizai Doyukai
(Japan Association of Corporate Executives)
Members' Meeting in Tokyo*

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Haruhiko Kuroda
Governor of the Bank of Japan

Chart 1

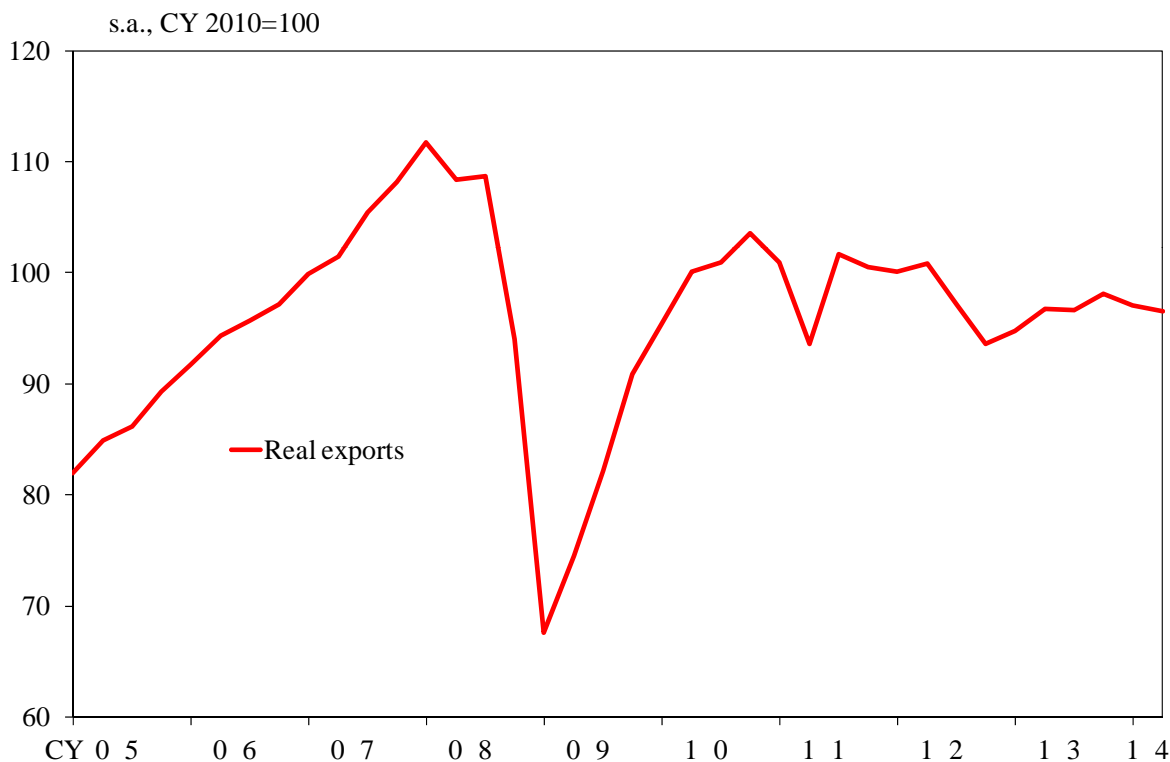
Outlook for Economic Activity and Prices (as of April 2014)

y/y % chg.

	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2013 (Actual)	+2.3	+0.8	
Forecasts made in January 2014	+2.7	+0.7	
Fiscal 2014	+1.1	+3.3	+1.3
Forecasts made in January 2014	+1.4	+3.3	+1.3
Fiscal 2015	+1.5	+2.6	+1.9
Forecasts made in January 2014	+1.5	+2.6	+1.9
Fiscal 2016	+1.3	+2.8	+2.1

Note: Figures indicate the median of the Policy Board members' forecasts (point estimates).
Source: Bank of Japan.

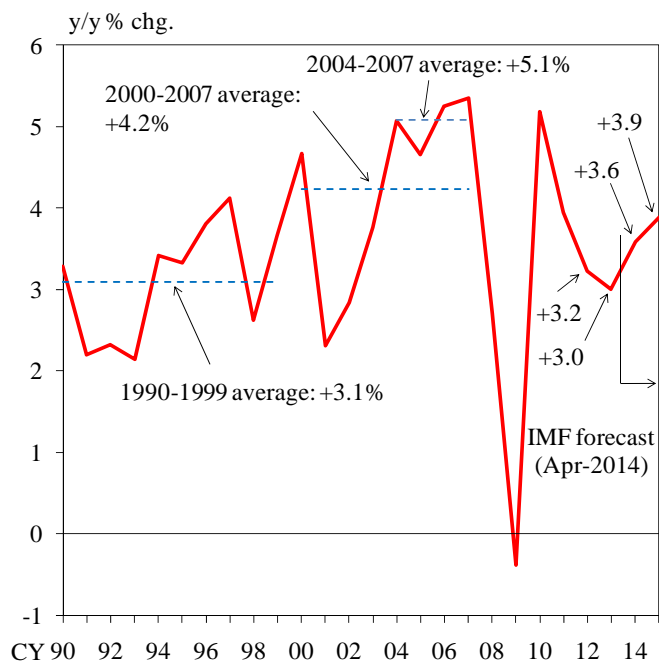
Exports



Note: The figure for 2014/Q2 is the April-May average.
Sources: Ministry of Finance; Bank of Japan.

World Economy

Real GDP Growth Rate



Projections for Major Economies

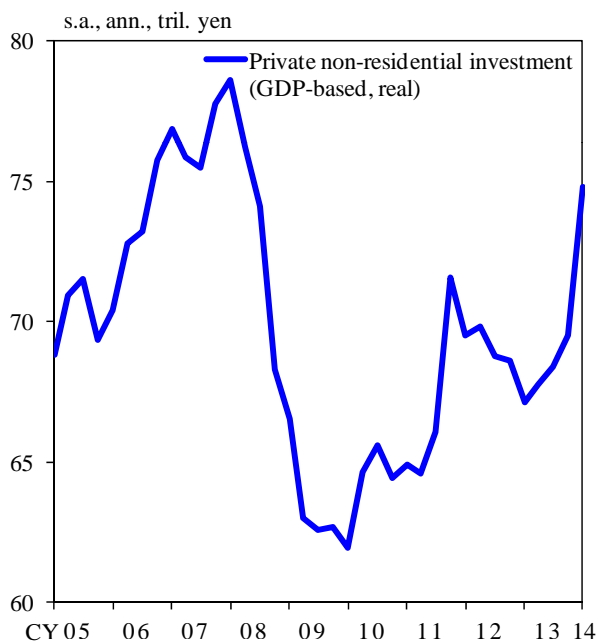
y/y % chg.

	2012	2013	Projections	
			2014	2015
World	3.2	3.0	3.6 (-0.1)	3.9 (-0.1)
Advanced Economies	1.4	1.3	2.2 (0.0)	2.3 (0.0)
United States	2.8	1.9	2.8 (0.0)	3.0 (0.0)
Euro Area	-0.7	-0.5	1.2 (0.1)	1.5 (0.1)
Japan	1.4	1.5	1.4 (-0.3)	1.0 (0.0)
Emerging Market and Developing Economies	5.0	4.7	4.9 (-0.2)	5.3 (-0.1)
Developing Asia	6.7	6.5	6.7 (0.0)	6.8 (0.0)
China	7.7	7.7	7.5 (0.0)	7.3 (0.0)
ASEAN	6.2	5.2	4.9 (-0.2)	5.4 (-0.2)
Latin America and the Caribbean	3.1	2.7	2.5 (-0.4)	3.0 (-0.3)

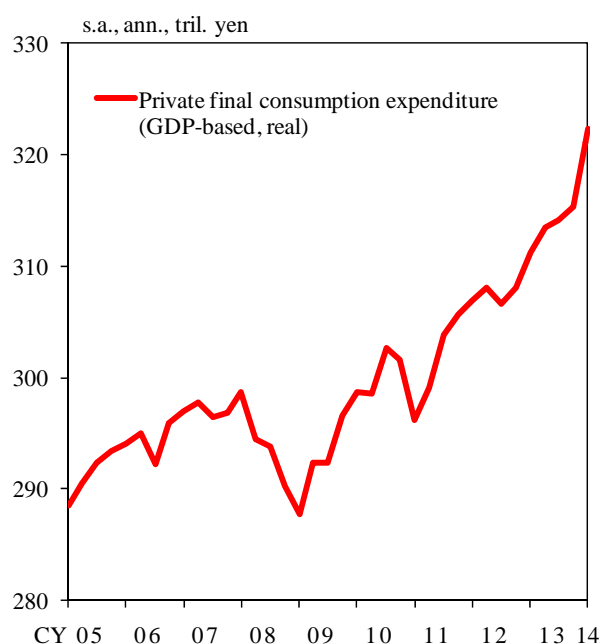
Note: Figures in parentheses are the difference from the January 2014 WEO.
Source: IMF, "World Economic Outlook, April 2014."

Domestic Demand

Business Fixed Investment

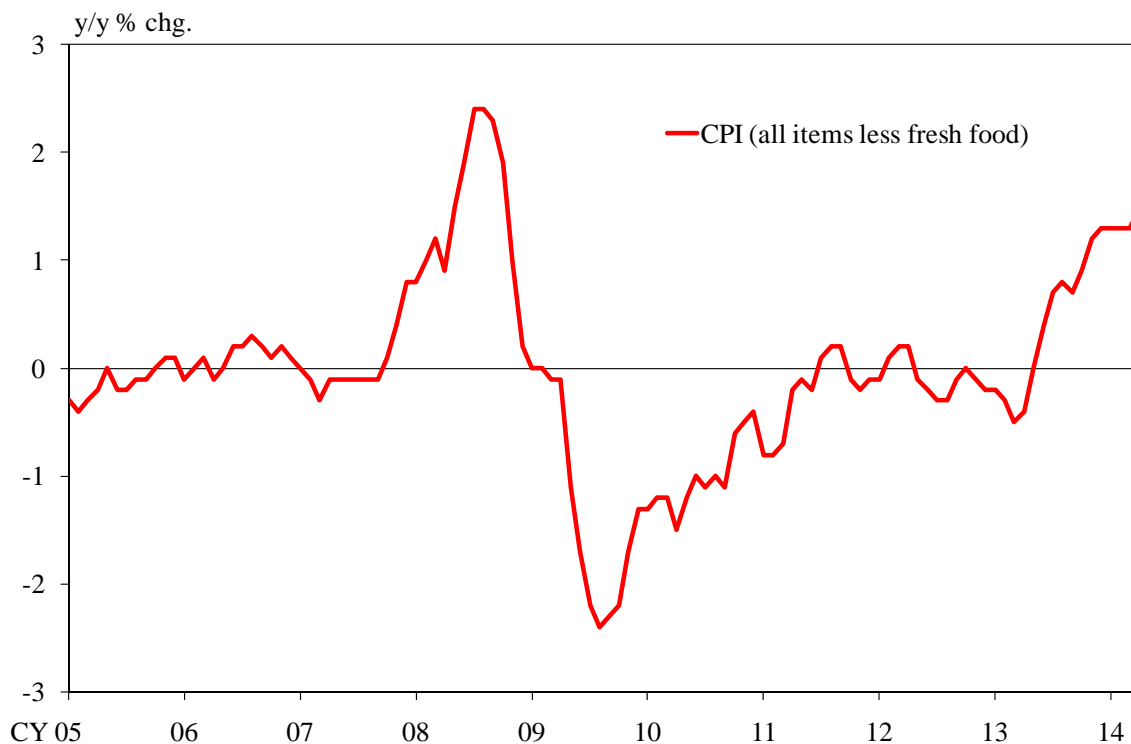


Private Consumption



Source: Cabinet Office.

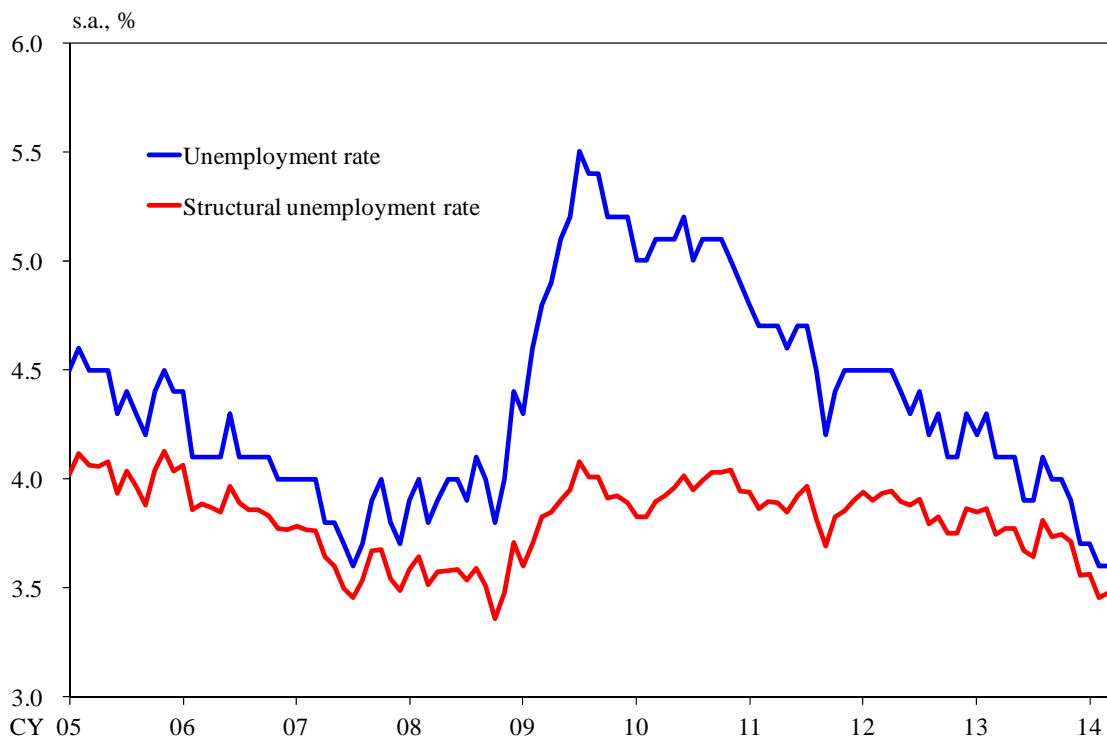
Consumer Prices



Note: The effects of the consumption tax hike (from 5 percent to 8 percent) are calculated as having pushed up the year-on-year rate of change in the CPI for April 2014 by 1.7 percentage points for all items less fresh food.

Source: Ministry of Internal Affairs and Communications.

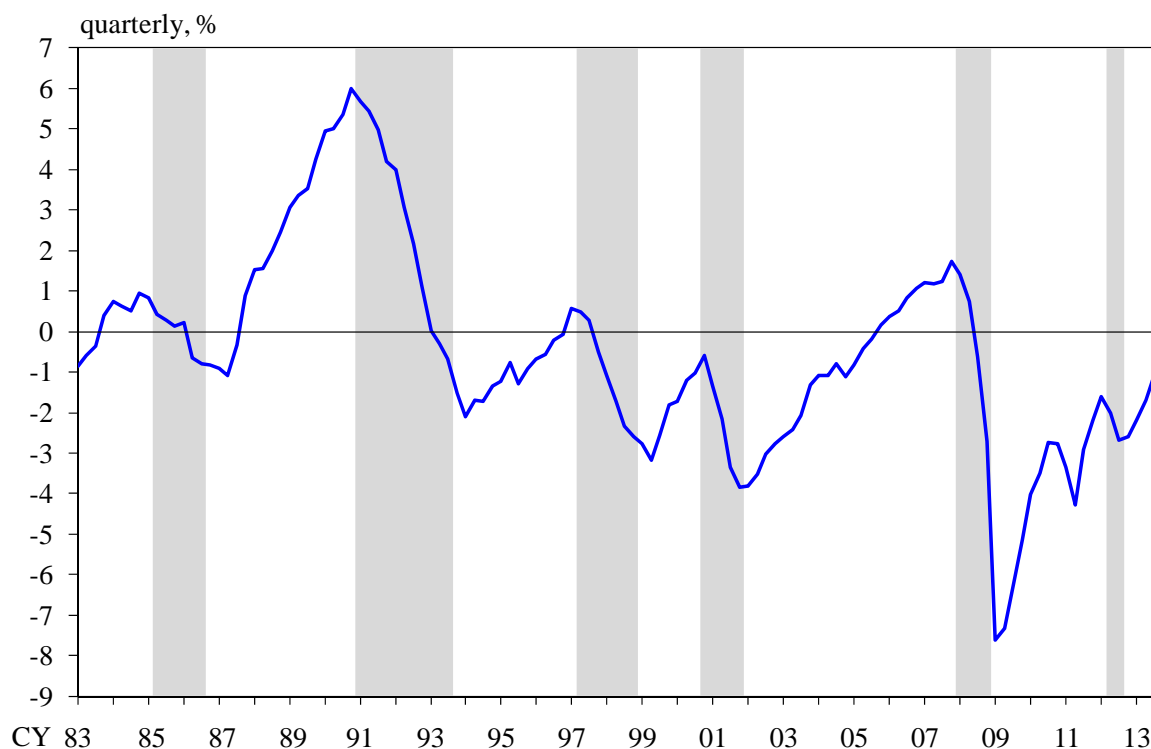
Labor Supply and Demand



Note: The structural unemployment rate is defined as the level of the unemployment rate where the number of vacancies equals that of the unemployed, given the empirical relationship between job vacancies and unemployment (estimation by the Research and Statistics Department, Bank of Japan). It captures frictional unemployment and unemployment caused by the mismatch between supply and demand in the labor market.

Source: Ministry of Internal Affairs and Communications.

Output Gap



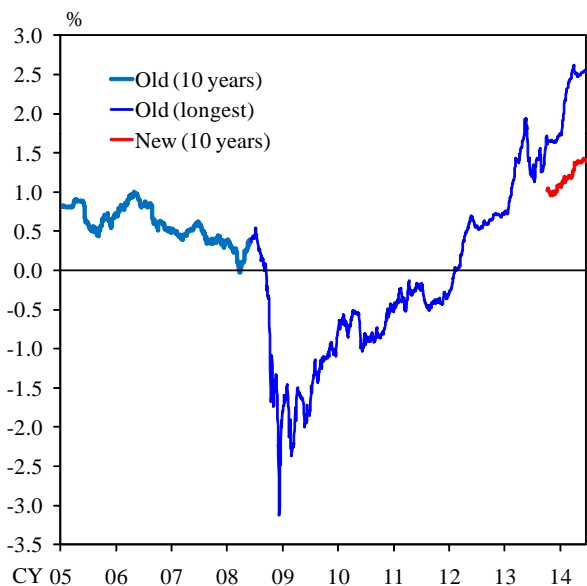
Notes: 1. The output gap is estimated by the Research and Statistics Department, Bank of Japan. For the estimation procedures, see "The New Estimates of Output Gap and Potential Growth Rate," Bank of Japan Review Series, 2006-E-3.

2. Shaded areas indicate recession periods.

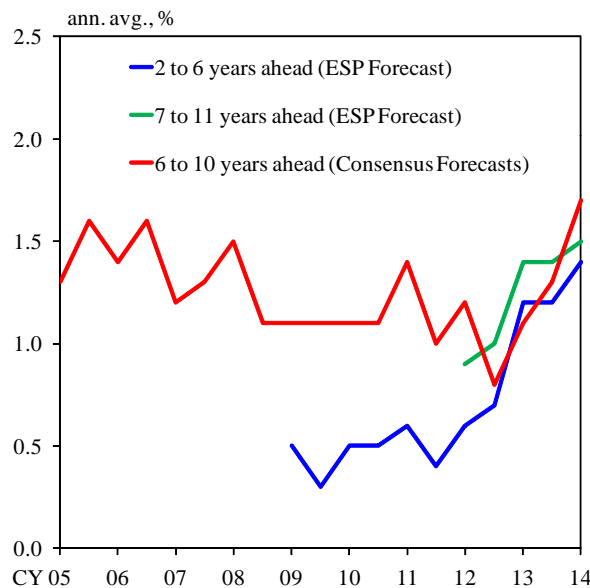
Sources: Bank of Japan, etc.

Inflation Expectations

Market Participants
(BEI for Inflation-Indexed JGBs)



Economists

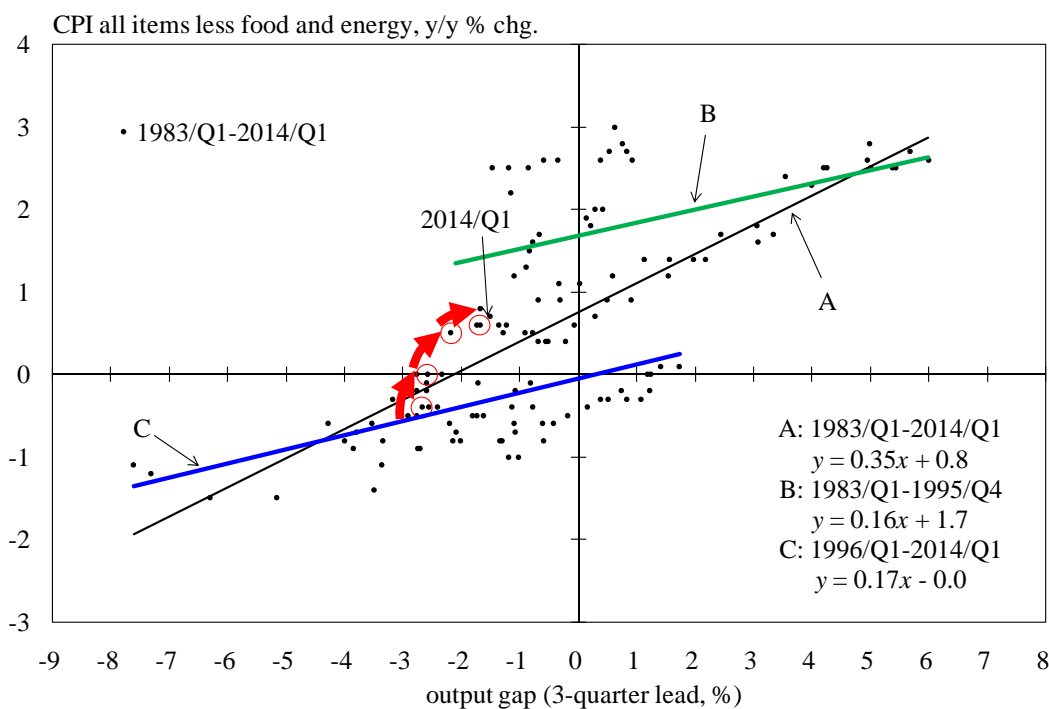


Notes: 1. BEI (break-even inflation) rates are yield spreads between fixed-rate coupon-bearing JGBs and inflation indexed JGBs. Inflation-indexed JGBs issued since October 2013 are designated as "new," while the rest are designated as "old." Figures for "old (longest)" are calculated using yield data for issue No.16 of the inflation-indexed JGBs, which matures in June 2018.

2. Figures for the ESP Forecast exclude the effects of the consumption tax hikes.

Sources: Bloomberg; Consensus Economics Inc.; JCER.

Phillips Curve



Notes: 1. The red circled marks are the latest four positions.

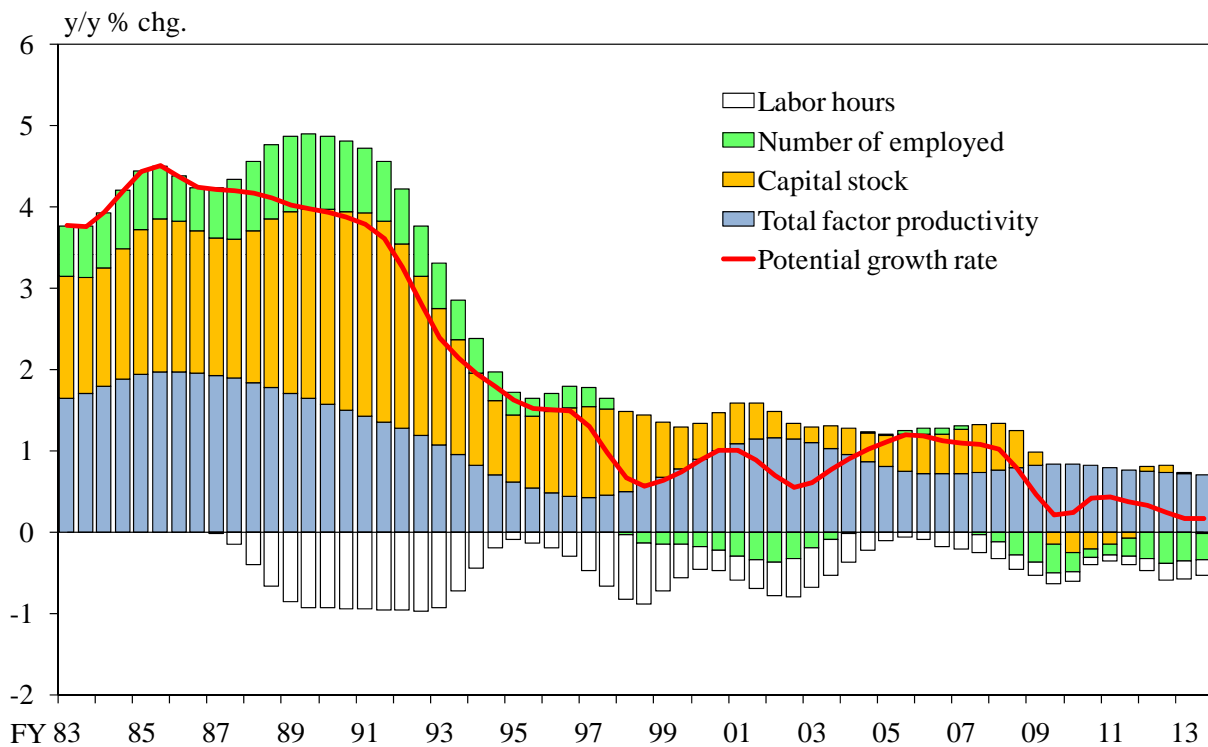
2. Figures for the CPI are adjusted to exclude the effect of changes in the consumption tax rate.

3. The output gap is estimated by the Research and Statistics Department, Bank of Japan. For the estimation procedures, see "The New Estimates of Output Gap and Potential Growth Rate," Bank of Japan Review Series, 2006-E-3.

4. The number of lags is chosen so that the cross-correlation between the output gap and the CPI is maximized.

Sources: Ministry of Internal Affairs and Communications; Cabinet Office; Bank of Japan, etc.

Potential Growth Rate



Note: The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan. Figures for the second half of fiscal 2013 are those of 2013/Q4.

Sources: Cabinet Office; Bank of Japan; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry, etc.