

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Shizuoka

July 23, 2014

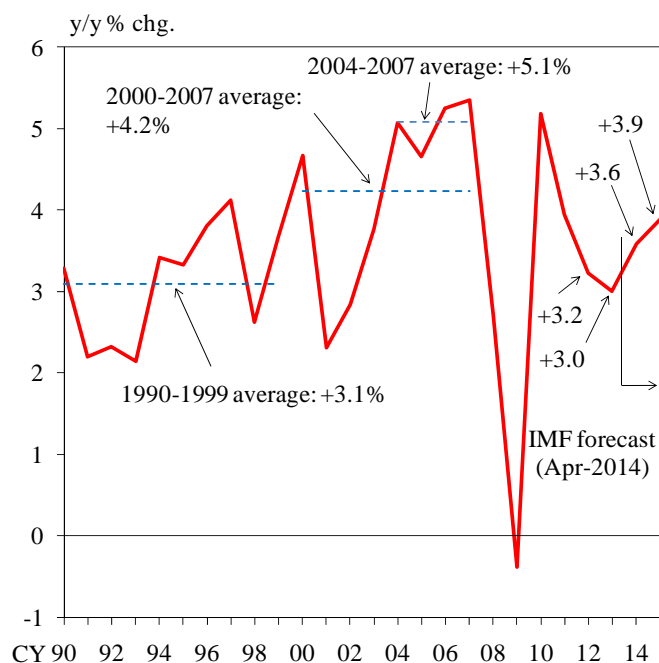
Hiroshi Nakaso

Deputy Governor of the Bank of Japan

Chart 1

World Economy

Real GDP Growth Rate

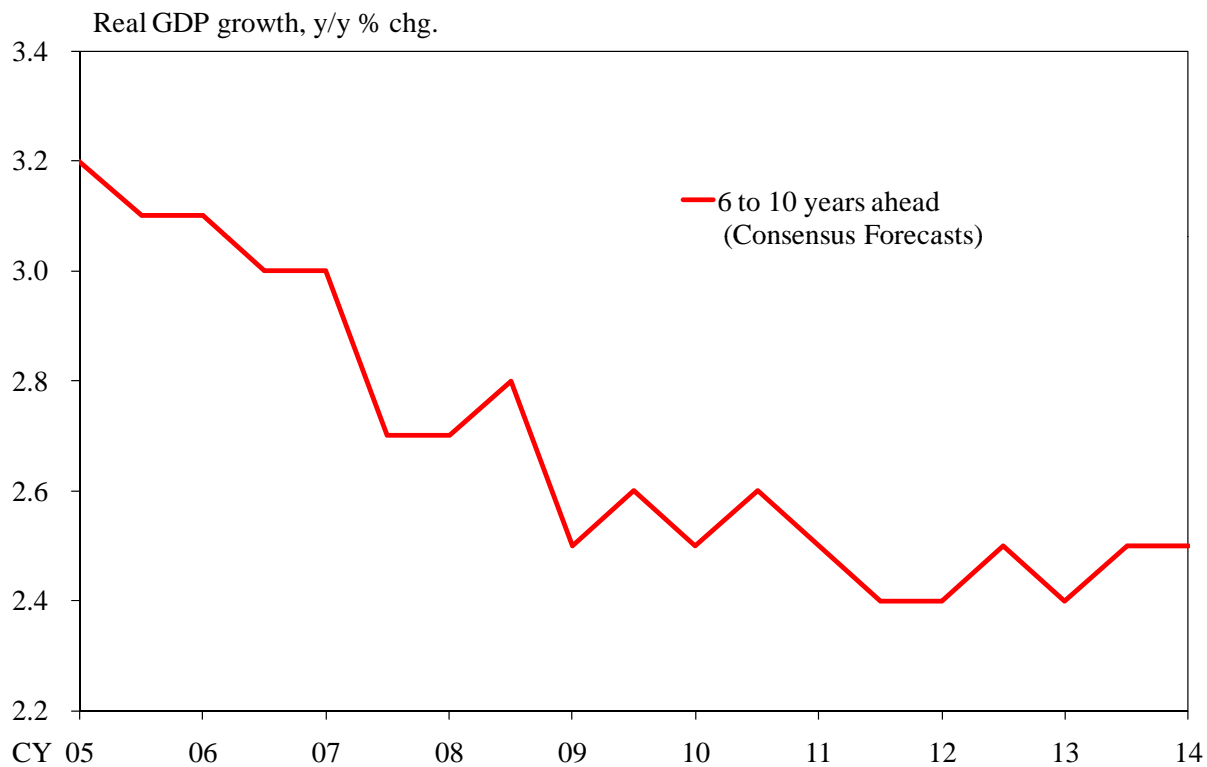


Projections for Major Economies

	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)

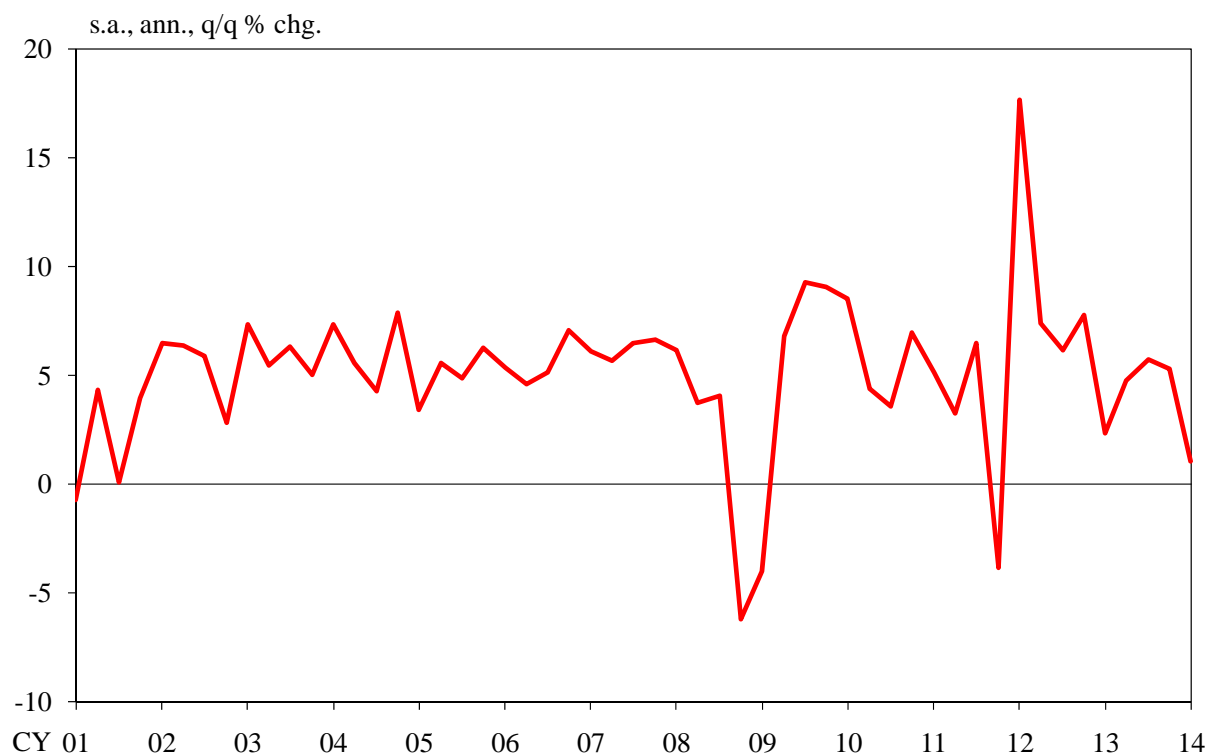
Note: Figures in parentheses are the difference from the January 2014 WEO.
 Source: IMF, "World Economic Outlook, April 2014."

Medium to Long-Term Growth Outlook for the U.S.



Source: Consensus Economics Inc.

Real GDP Growth Rate of the ASEAN Economies



Note: Figures are calculated using GDP growth rates based on purchasing power parity (PPP) shares of the world total from the IMF.
Sources: CEIC; IMF.

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

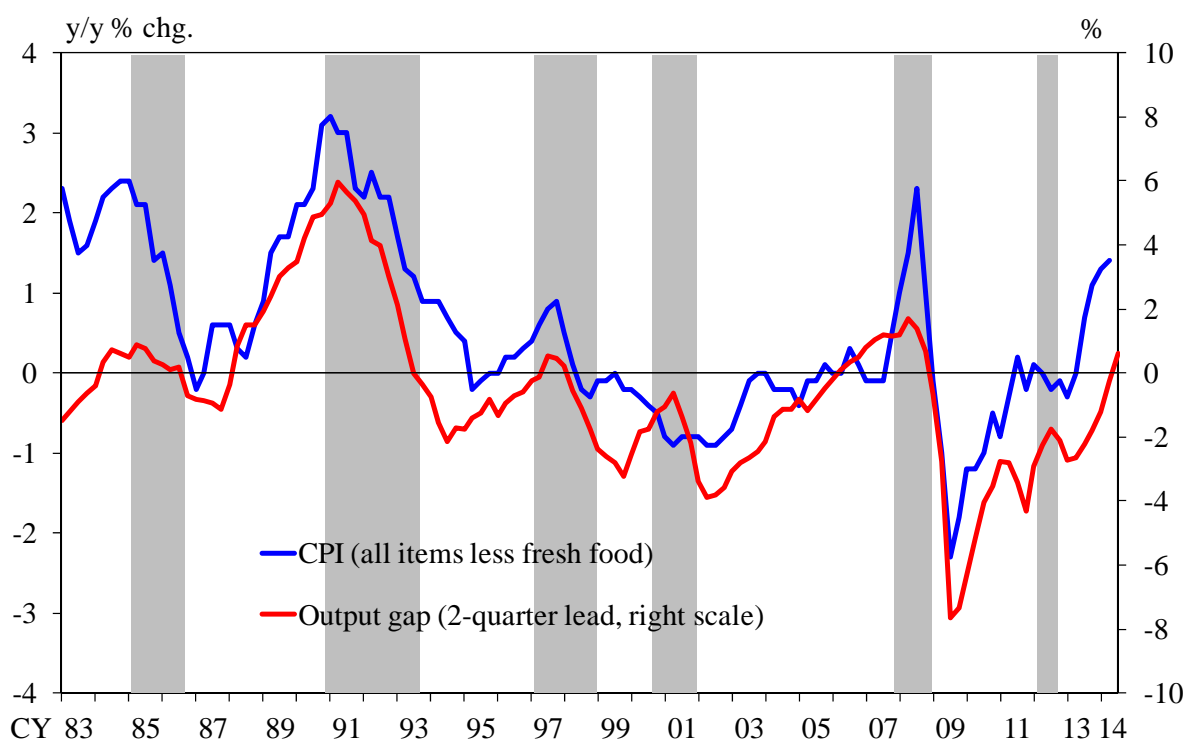
		y/y % chg.		
		Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2014		+1.0	+3.3	+1.3
	Forecasts made in April 2014	+1.1	+3.3	+1.3
Fiscal 2015		+1.5	+2.6	+1.9
	Forecasts made in April 2014	+1.5	+2.6	+1.9
Fiscal 2016		+1.3	+2.8	+2.1
	Forecasts made in April 2014	+1.3	+2.8	+2.1

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

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Chart 5

Output Gap and Inflation Rate



Notes: 1. Shaded areas indicate recession periods.

2. 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.

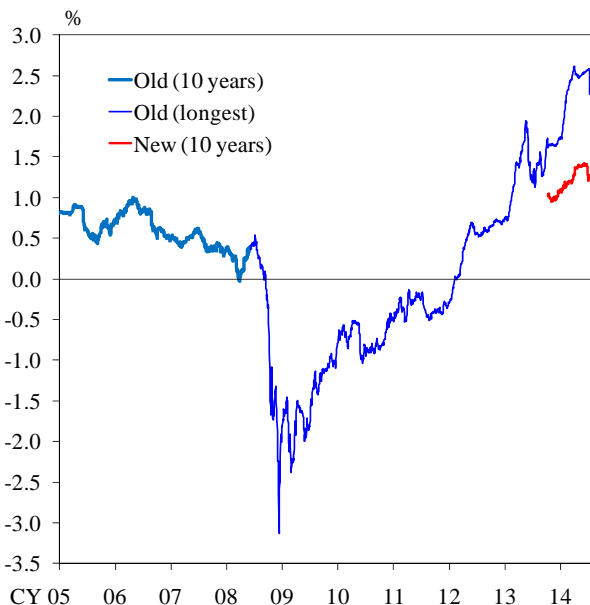
3. Figures for the CPI are adjusted to exclude the effect of changes in the consumption tax rate. The figure for 2014/Q2 is the April-May average.

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

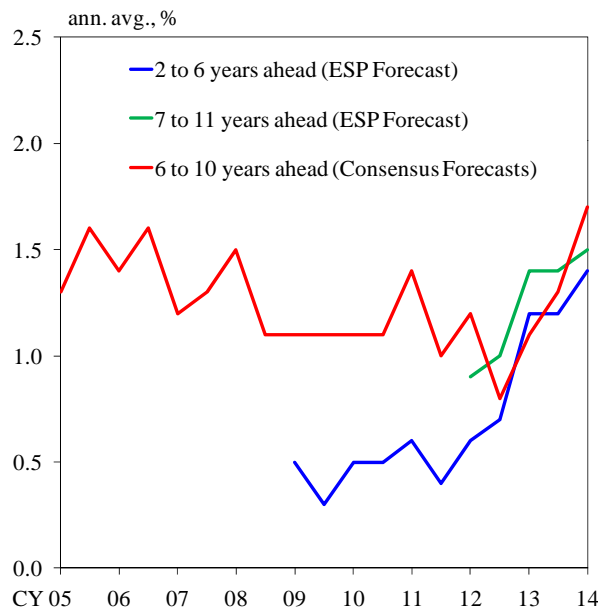
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Inflation Expectations

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.