

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Ehime

March 9, 2015

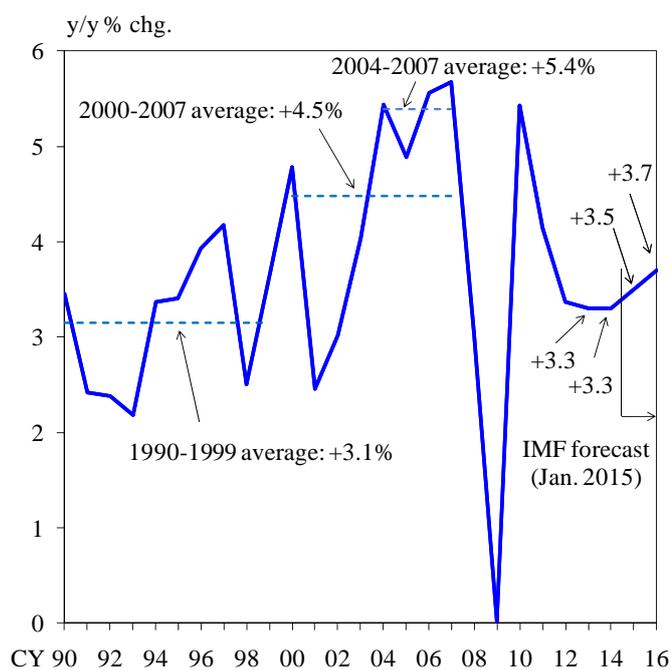
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Deputy Governor of the Bank of Japan

Chart 1

World Economy

Real GDP Growth Rate



Projections for Major Economies

y/y % chg.

	2013	2014	Projections	
			2015	2016
World	3.3	3.3	3.5 (-0.3)	3.7 (-0.3)
Advanced Economies	1.3	1.8	2.4 (0.1)	2.4 (0.0)
United States	2.2	2.4	3.6 (0.5)	3.3 (0.3)
Euro Area	-0.5	0.8	1.2 (-0.2)	1.4 (-0.3)
Japan	1.6	0.1	0.6 (-0.2)	0.8 (-0.1)
Emerging Market and Developing Economies	4.7	4.4	4.3 (-0.6)	4.7 (-0.5)
China	7.8	7.4	6.8 (-0.3)	6.3 (-0.5)

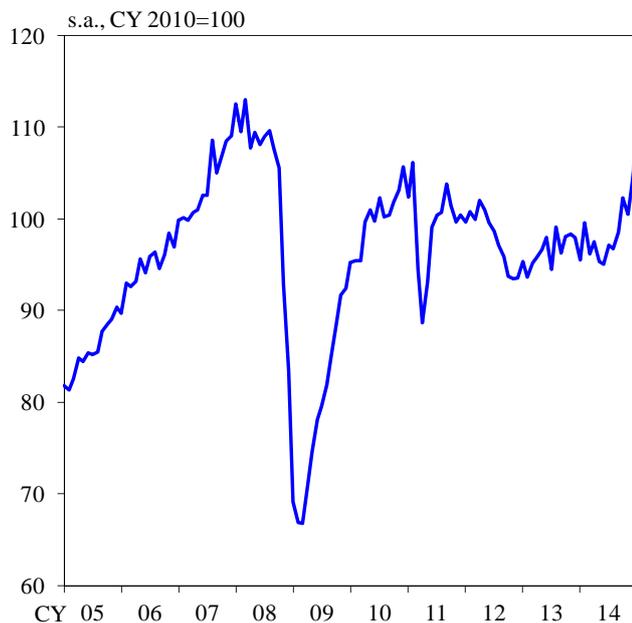
Note: Figures in parentheses are the difference from the October 2014 WEO projections.

Source: IMF

Exports

Real Exports

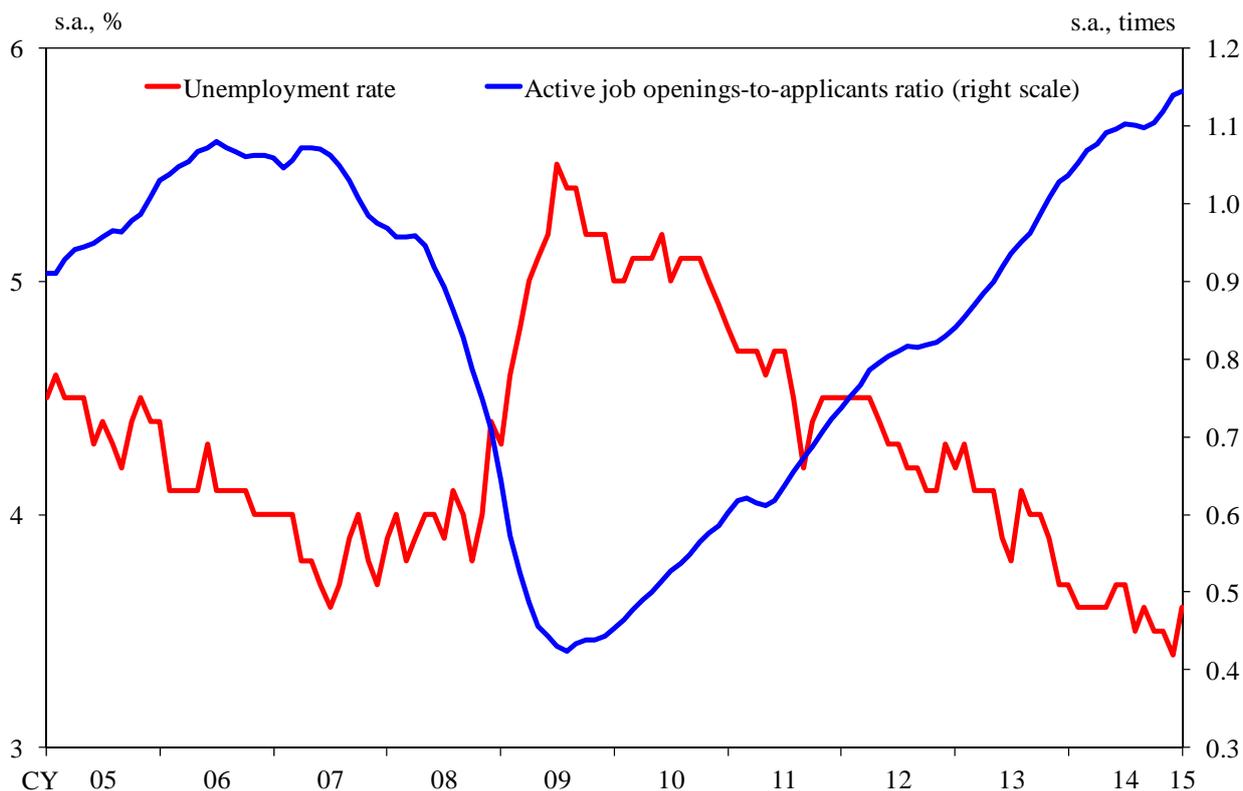
Real Exports by Region



	y/y % chg.		s.a.; q/q % chg.				
	2013	2014	2013 Q4	2014 Q1	Q2	Q3	Q4
United States <18.7>	2.8	1.6	-0.4	0.9	-2.3	-0.0	8.8
EU <10.4>	-3.6	5.0	2.2	0.6	0.5	-0.1	-2.1
East Asia <50.3>	-3.0	1.1	2.5	-1.5	-1.5	1.9	4.0
China <18.3>	-1.7	3.5	5.7	-3.9	-0.7	1.2	3.2
Others <20.7>	-5.0	0.9	-2.0	0.2	1.4	2.4	1.5
Real exports	-1.9	1.6	1.5	-1.0	-1.2	1.6	4.8

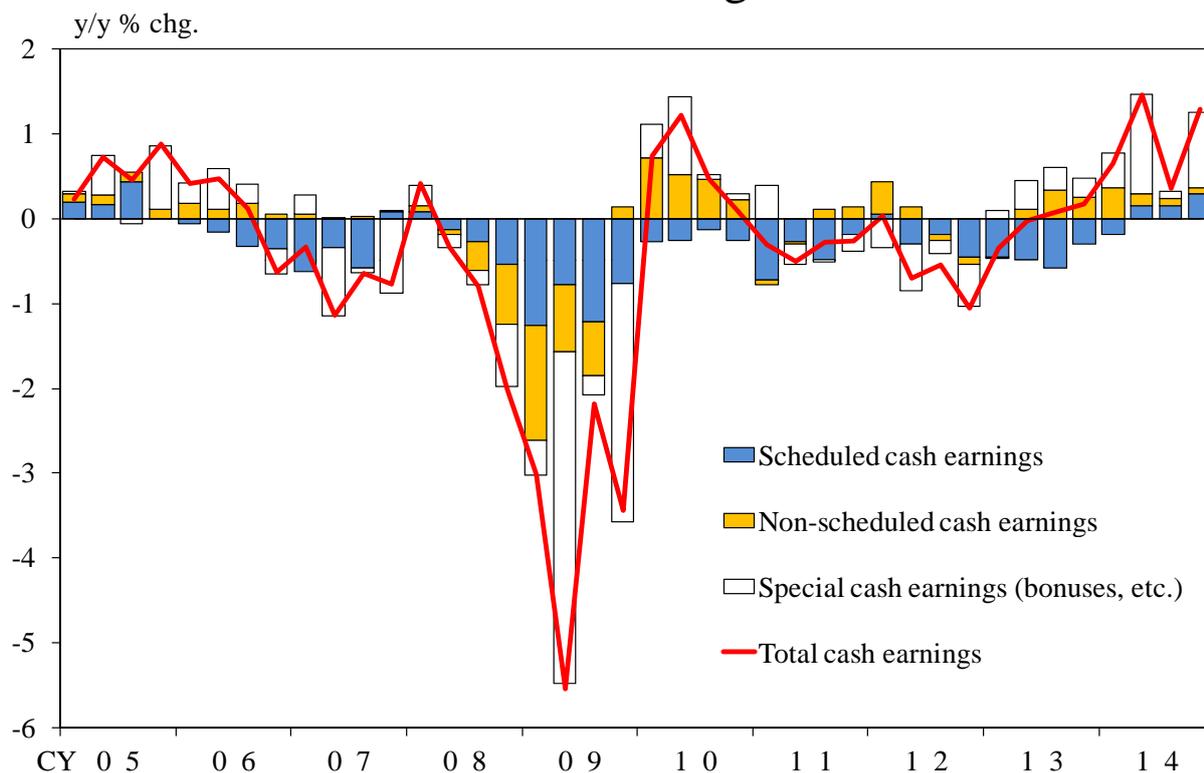
Note: Figures in angular brackets are shares of each region in 2014.
Sources: Ministry of Finance; Bank of Japan.

Labor Market Conditions



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

Cash Earnings



Note: Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

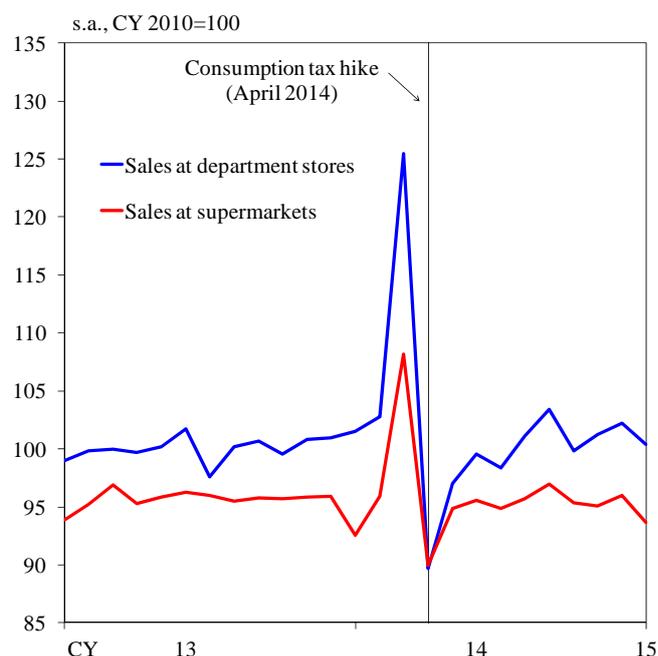
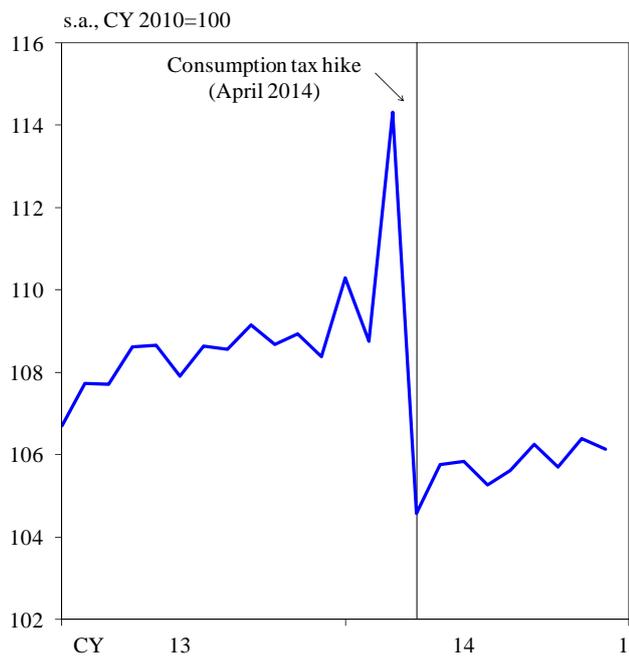
Figures for 2014/Q4 are December-January averages.

Source: Ministry of Health, Labour and Welfare.

Private Consumption

Synthetic Consumption Index (Real)

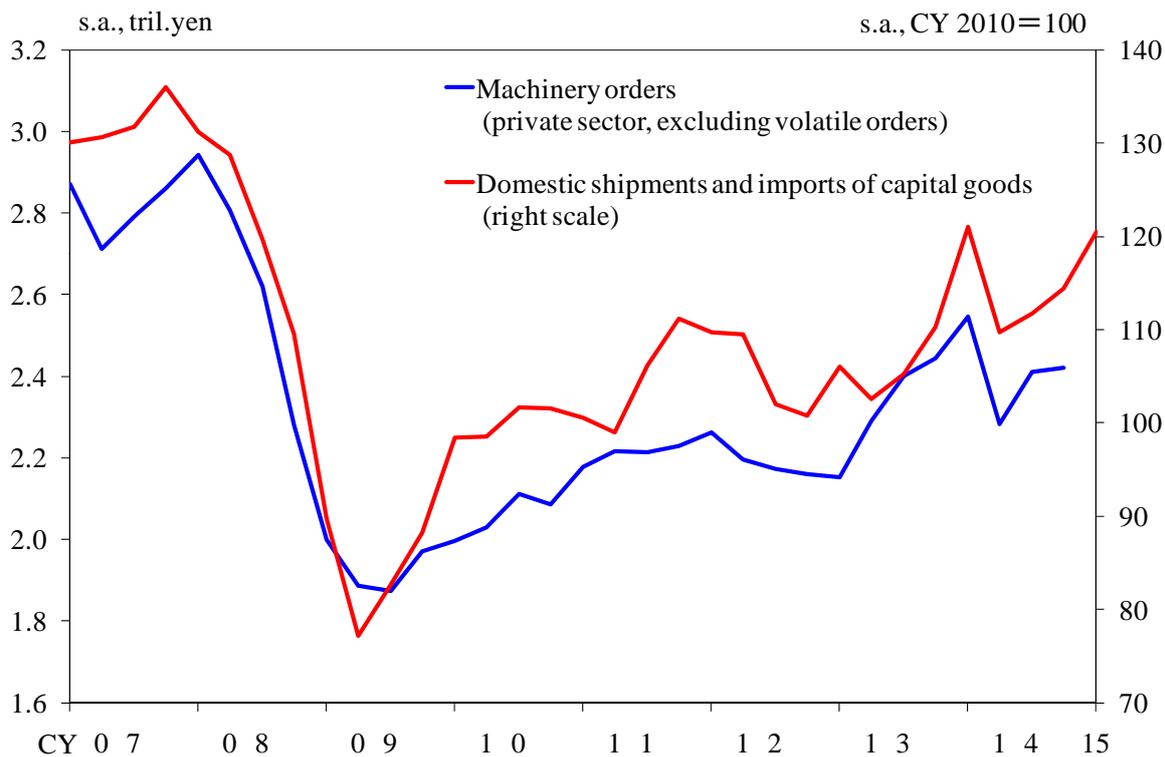
Sales at Retail Stores (Nominal)



Note: Figures for sales at retail stores are adjusted to exclude the effects of the increase in the number of stores.

Sources: Cabinet Office; Ministry of Economy, Trade and Industry.

Business Fixed Investment



Note: The figure for domestic shipments and imports of capital goods for 2015/Q1 is that of January. Volatile orders are orders for ships and those from electric power companies.

Sources: Cabinet Office; Ministry of Economy, Trade and Industry.

Production



Source: Ministry of Economy, Trade and Industry.

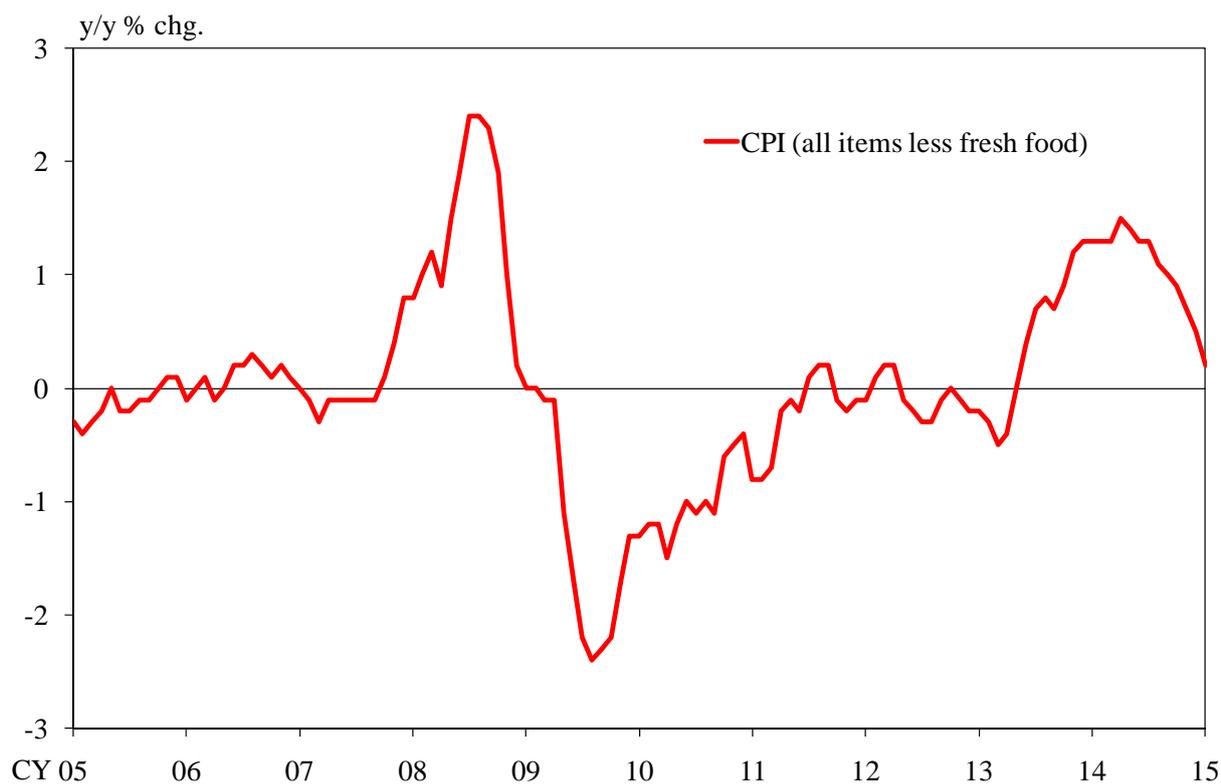
Outlook for Economic Activity and Prices (as of January 2015)

		y/y % chg.		
		Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2014		-0.5	+2.9	+0.9
	Forecasts made in October 2014	+0.5	+3.2	+1.2
Fiscal 2015		+2.1	+1.0	
	Forecasts made in October 2014	+1.5	+2.4	+1.7
Fiscal 2016		+1.6	+2.2	
	Forecasts made in October 2014	+1.2	+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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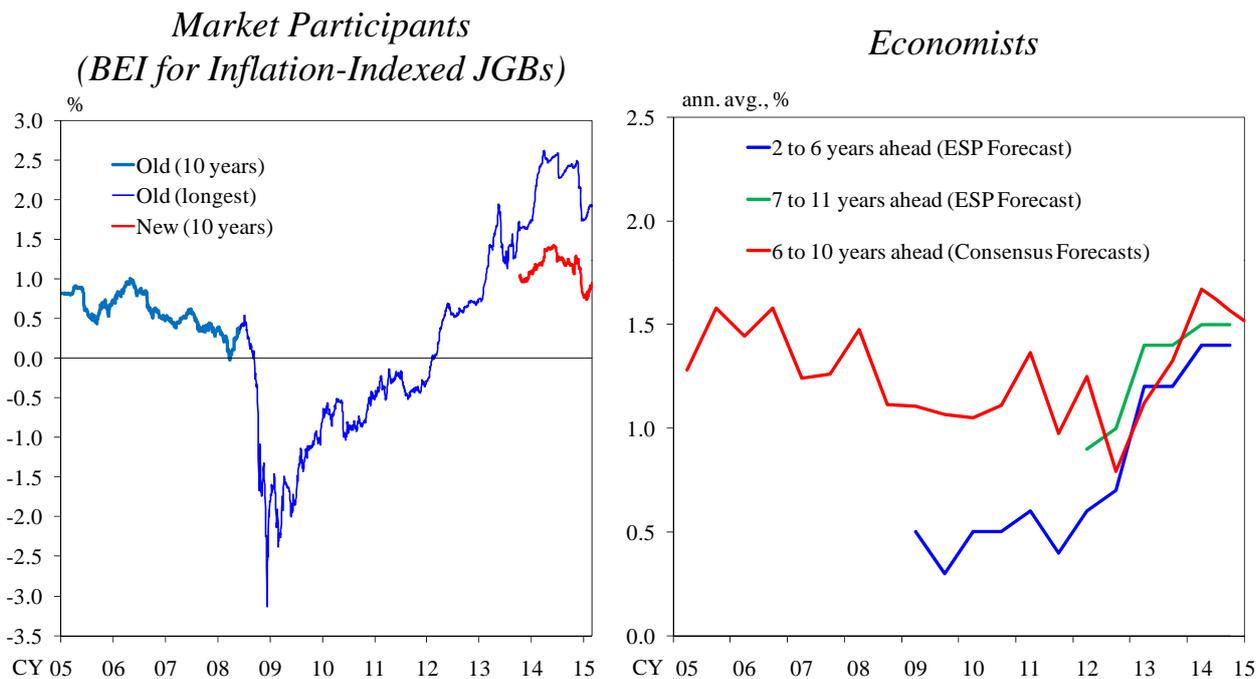
Consumer Prices



Note: Figures from April 2014 onward are calculated to adjust the direct effects of the consumption tax hike.
Source: Ministry of Internal Affairs and Communications.

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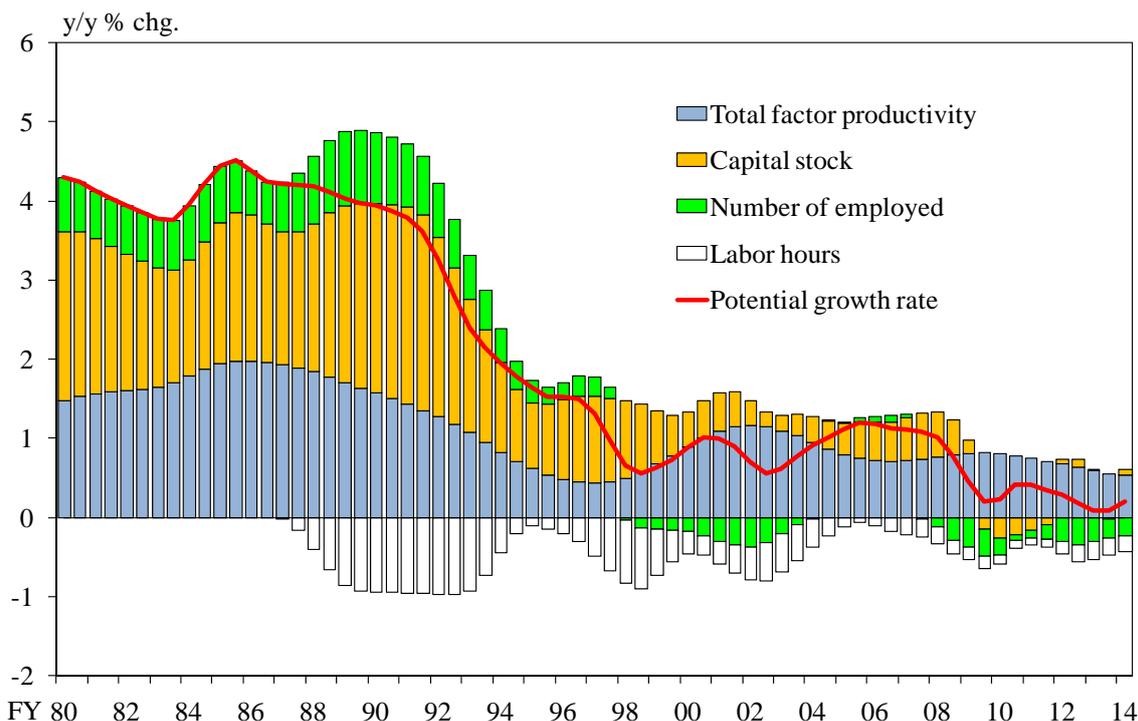
Inflation Expectations



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 Consensus Forecasts are compiled every January, April, July, and October. Those up through April 2014 are compiled every April and October.
 3. Figures for the ESP Forecast are compiled every June and December, and exclude the effects of the consumption tax hikes.

Sources: Bloomberg; Consensus Economics Inc.; JCER.

Potential Growth Rate



Note: The potential growth rate 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. Figures for the first half of fiscal 2014 are those of 2014/Q2.

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.