

Japan's Economy and Monetary Policy

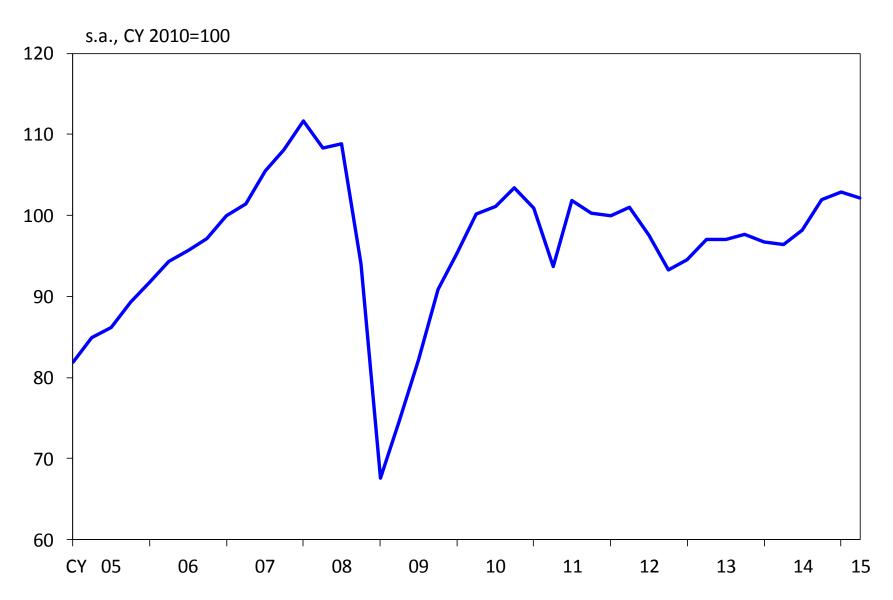
Speech at a Meeting with Business Leaders in Sapporo

May 27, 2015

Kikuo Iwata

Deputy Governor of the Bank of Japan

Real Exports



Note: The figure for 2015/Q2 is that of April.

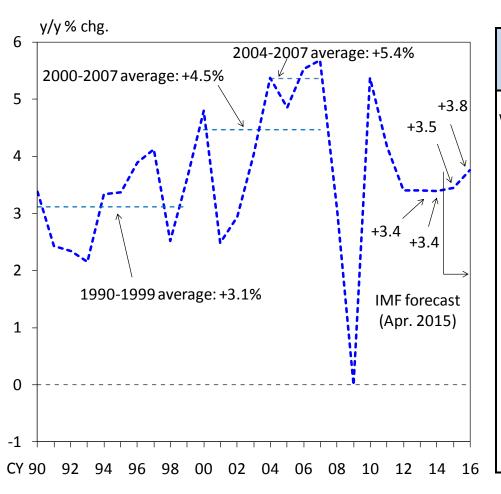
Sources: Ministry of Finance, "Trade Statistics"; Bank of Japan, "Corporate Goods Price Index."

World Economy

Real GDP Growth Rate

Projections for Major Economies

y/y % chg.

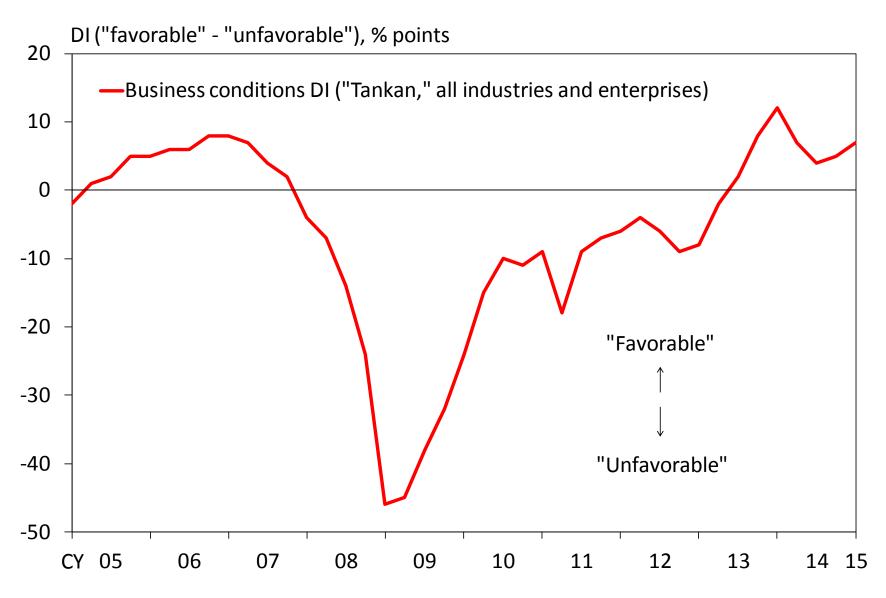


						y/y /o crig.	
			2012	2014	Projec	ojections	
			2013	2014	2015	2016	
World		٦	3.4	3.4	3.5	3.8	
		u			(0.0)	(0.1)	
	^	dyancad Economics	1 /	1 0	2.4	2.4	
E	Advanced Economies		1.4	1.8	(0.0)	(0.0)	
		United States	2.2	2.4	3.1	3.1	
					(-0.5)	(-0.2)	
		Euro Area	-0.5	0.9	1.5	1.6	
					(0.3)	(0.2)	
		Japan	1.6	-0.1	1.0	1.2	
					(0.4)	(0.4)	
	Emerging Market and Developing Economies		5.0	4.6	4.3	4.7	
					(0.0)	(0.0)	
		China	7.8	7.4	6.8	6.3	
					(0.0)	(0.0)	

Note: Figures in parentheses are the difference from the January 2015 WEO projections.

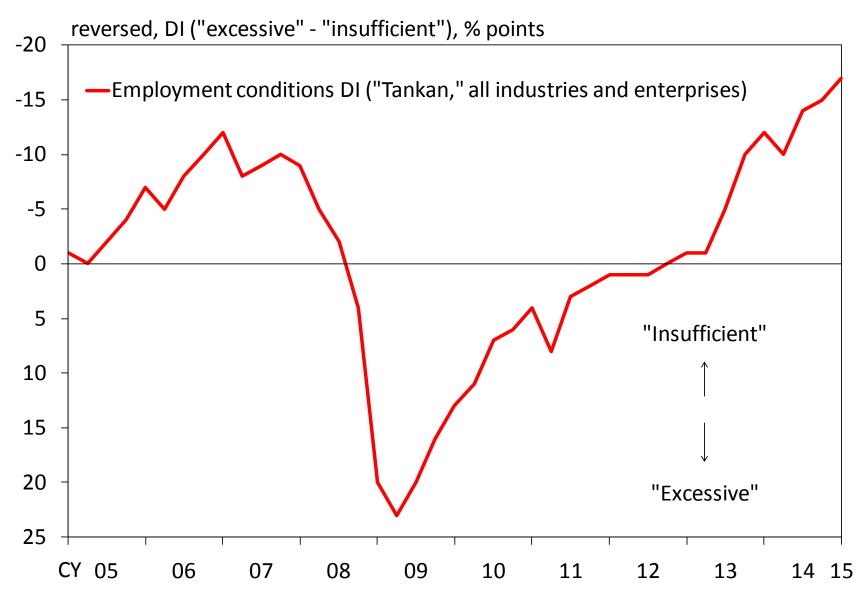
Source: IMF, "World Economic Outlook."

Business Sentiment



Source: Bank of Japan, "Tankan, Short-Term Economic Survey of Enterprises in Japan."

Firms' View on Employment



Source: Bank of Japan, "Tankan, Short-Term Economic Survey of Enterprises in Japan."

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

y/y % chg.

	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes		
Fiscal 2015	Fiscal 2015 +2.0		+0.8		
Forecasts made in January 2015	+2.1	+1.0			
Fiscal 2016	+1.5	+2	2.0		
Forecasts made in January 2015	+1.6	+2.2			
Fiscal 2017	+0.2	+3.2	+1.9		

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

Source: Bank of Japan.

Tangibility of "Policy Regime Change"

Quantitative and Qualitative Monetary Easing

Since Apr. 2013

Commitment

Clear commitment that the BOJ "will achieve the price stability target of 2% at the earliest possible time, with a time horizon of about 2 years."

Actions

Increase in Quantity

Increase the monetary base* at an annual pace of about ¥80 trillion (particularly through purchases of JGBs).

Change in Quality

Purchases of riskier assets (JGBs with longer remaining maturities, ETFs and J-REITs).

Since Oct. 2014

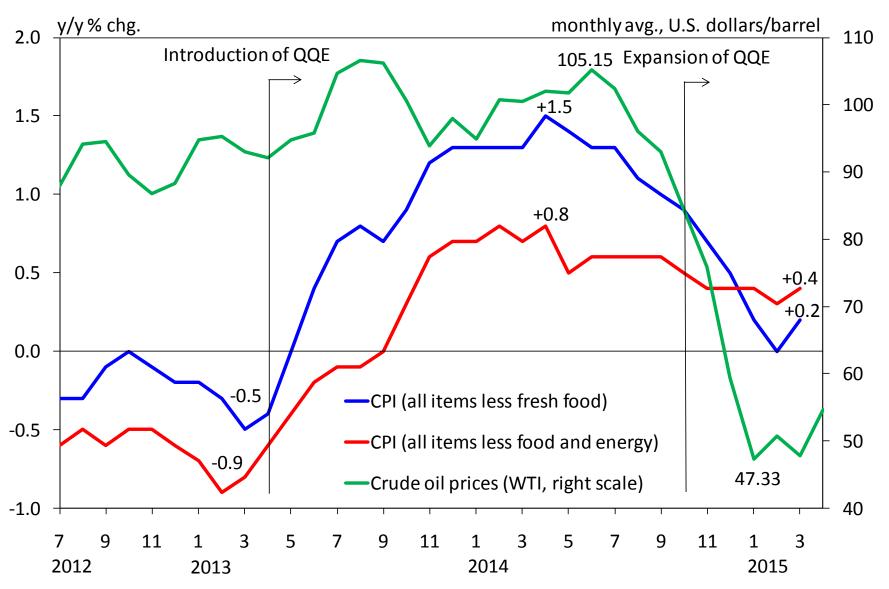
Expansion

Expansion

^{*} Money supplied directly from the central bank to the financial system.

Chart 7

Consumer Prices and Crude Oil Prices



Note: Figures for the CPI from April 2014 onward are calculated to adjust the direct effects of the consumption tax hike. Sources: Ministry of Internal Affairs and Communications, "Consumer Price Index"; Bloomberg.