

Japan's Economic Performance in Fiscal 2012-14

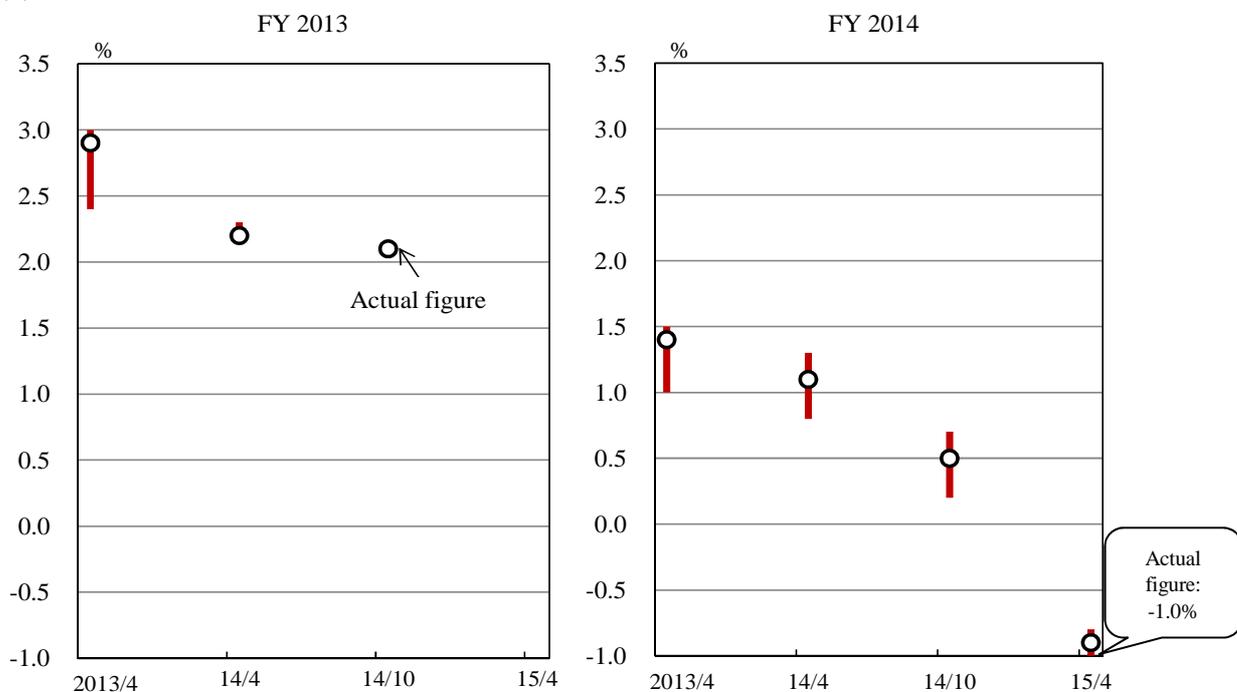
	FY 2012	FY 2013	FY 2014	Net/average change over FY 2013-14
Real GDP (yen)	+5.1 tril.	+10.8 tril.	-5.6 tril.	Net +5.2 tril.
Excluding the effects of the consumption tax hike		+8.1 tril.	+0.8 tril.	Net +8.9 tril.
Real GDP growth rate	+1.0%	+2.1%	-1.0%	Avg. +0.6%
Excluding the effects of the consumption tax hike		+1.6%	+0.2%	Avg. +0.8%
Real compensation of employees (yen)	+2.1 tril.	+0.9 tril.	-3.2 tril.	Net -2.3 tril.
(Reference) Nominal compensation of employees (yen)	+0.3 tril.	+2.4 tril.	+4.2 tril.	Net +6.6 tril.
Output gap (estimated by the Bank)	-2.2%	-0.7%	-0.2%	Avg. -0.5%
Change (% pts)	+0.2% pt	+1.5% pts	+0.5% pt	Net +2.0% pts
Rate of change in the GDP deflator	-0.9%	-0.3%	+1.1% (+2.5%)	Avg. +0.4%
Change (% pts)	+0.8% pt	+0.6% pt	+1.4 % pts (+2.8% pts)	Net +2.0% pts
Rate of change in the CPI	-0.2%	+0.8%	+0.8% (+2.8%)	Avg. +0.8%
Change (% pts)	-0.2% pt	+1.0% pt	0.0% pt (+2.0% pts)	Net +1.0% pt

Note: The output gap for fiscal 2014 is the average of 1Q-3Q. Figures in parentheses for the GDP deflator and CPI for fiscal 2014 include the direct effects of the consumption tax hike. The CPI refers to all items less fresh food.

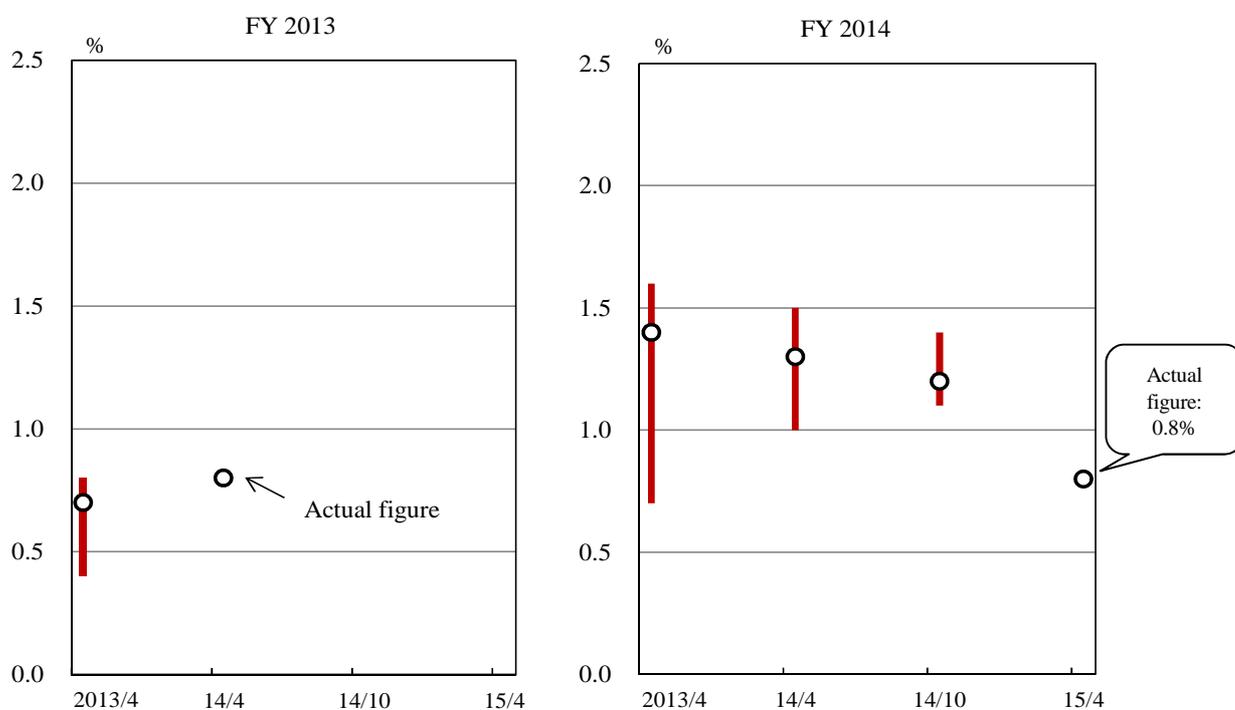
Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Bank of Japan.

The Bank's Outlook for Economic Activity and Prices for Fiscal 2013-14

(1) Real GDP Growth Rate



(2) CPI Inflation Rate

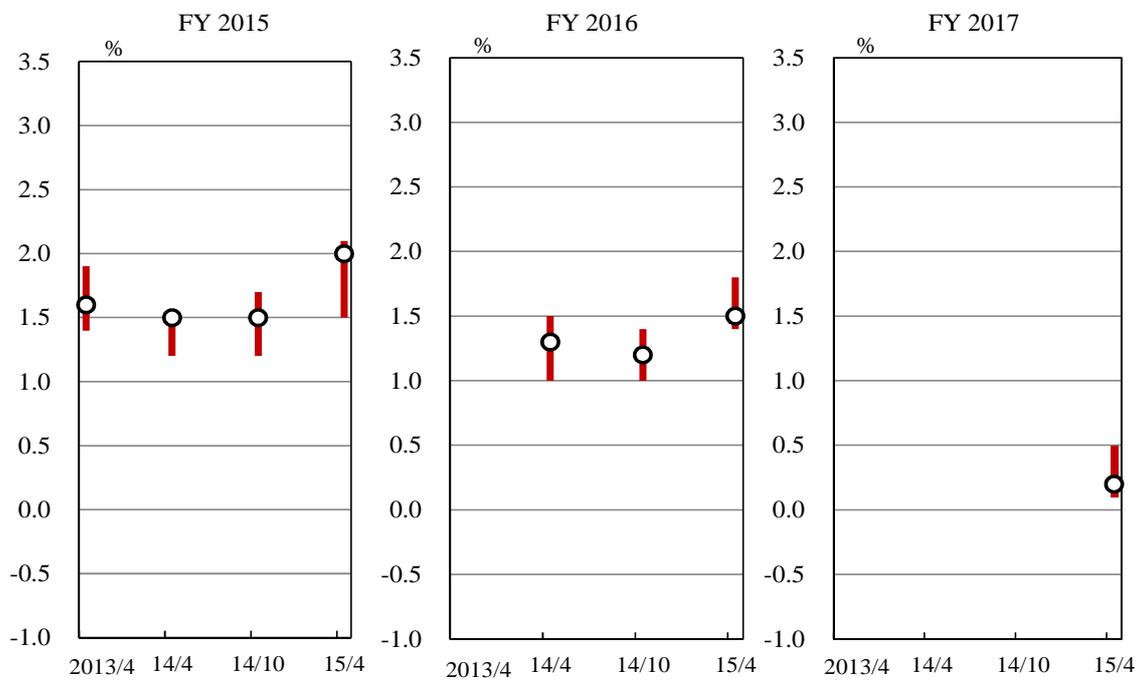


Note: The range and the median of majority forecasts of Policy Board members. Figures for fiscal 2014 exclude the direct effects of the consumption tax hike.

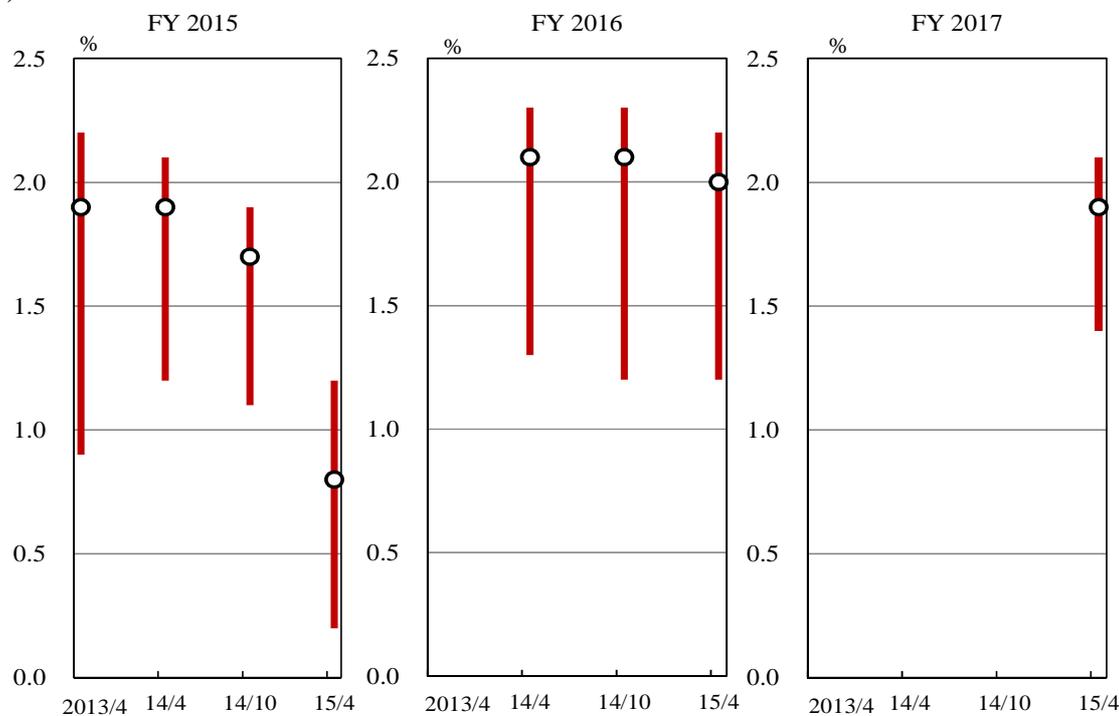
Source: Bank of Japan.

The Bank's Outlook for Economic Activity and Prices for Fiscal 2015-17

(1) Real GDP Growth Rate



(2) CPI Inflation Rate

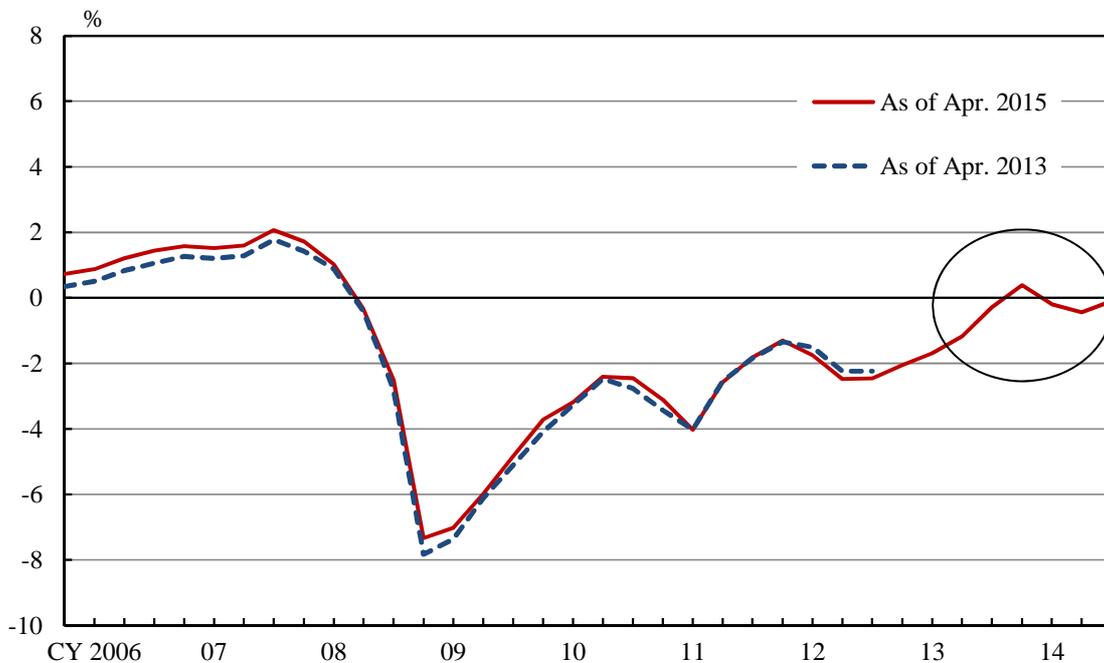


Note: The range and the median of majority forecasts of Policy Board members. Figures for fiscal 2017 exclude the direct effects of the consumption tax hike.

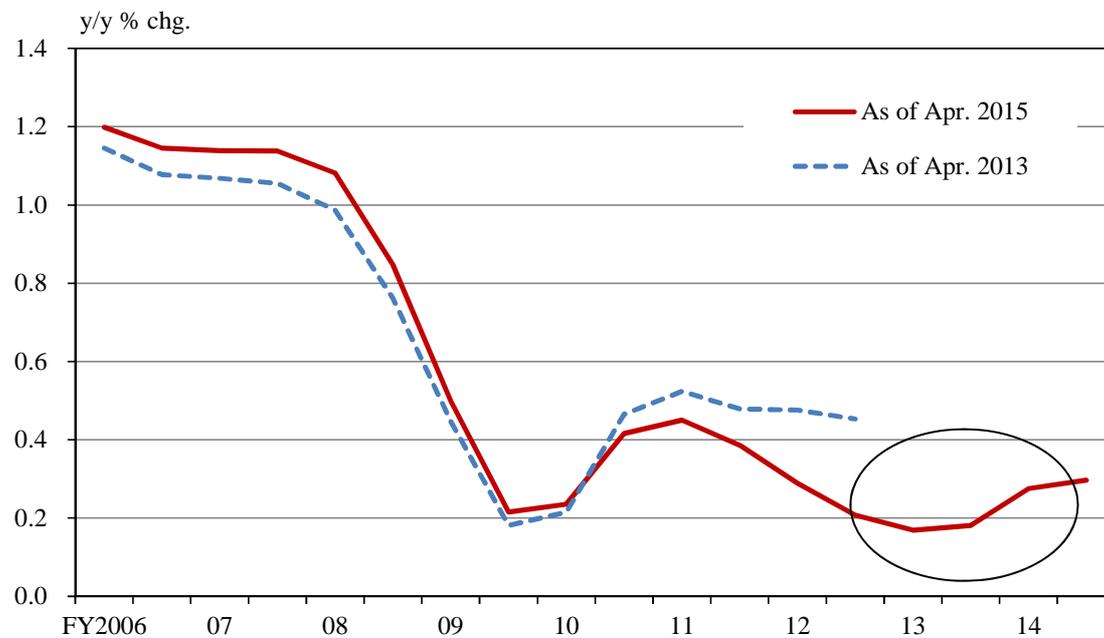
Source: Bank of Japan.

Potential Growth Rate and Output Gap Estimated by the Bank

(1) Output Gap



(2) Potential Growth Rate

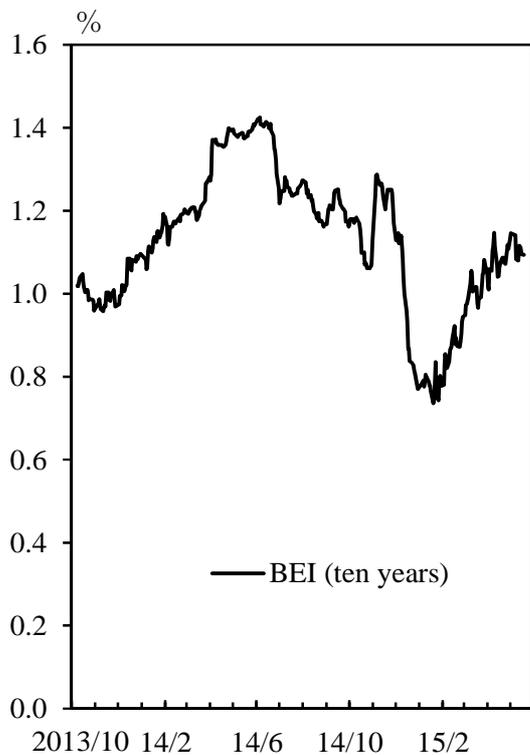


Note: The latest estimates are for the second half of fiscal 2014 for the potential growth rate and for October-December 2014 for the output gap.

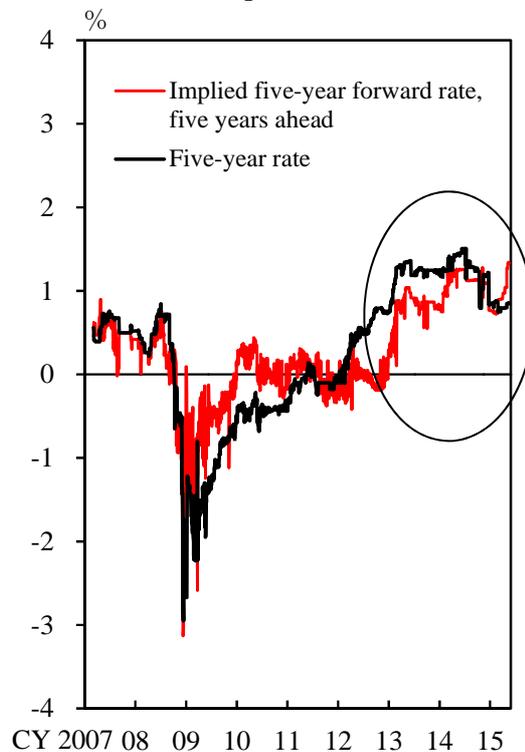
Source: Bank of Japan.

Medium- to Long-Term Inflation Expectations <1>
(Market-Based Indicators and Market Participants' Survey)

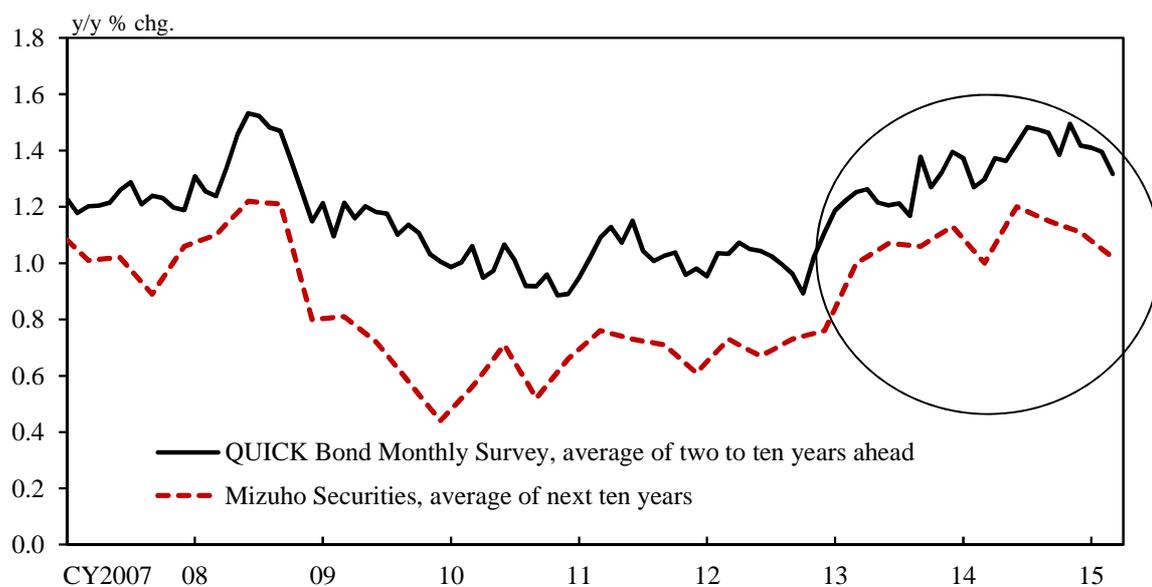
(1) Break-Even Inflation (BEI) Rate



(2) Inflation Swap Rate



(3) Bond Market Participants



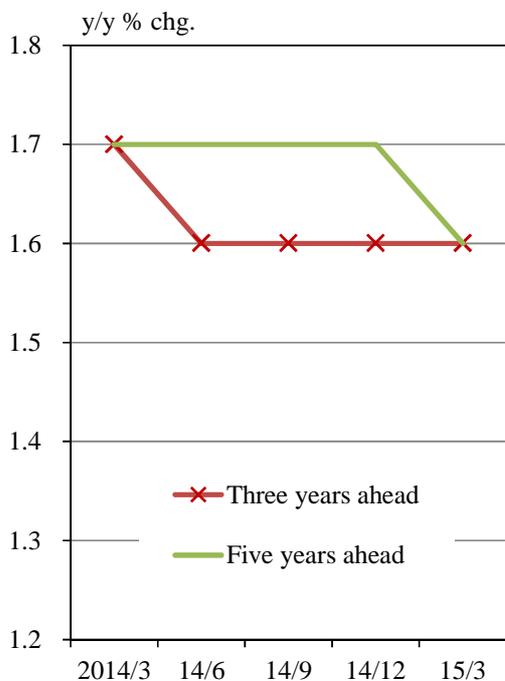
Note: The inflation swap rate is the fixed interest rate of the zero coupon inflation swap. The QUICK Bond Monthly Survey began including the effects of the consumption tax hike from the September 2013 survey. The survey by Mizuho Securities excludes the effects of the consumption tax hike.

Sources: Bloomberg; Mizuho Securities; QUICK.

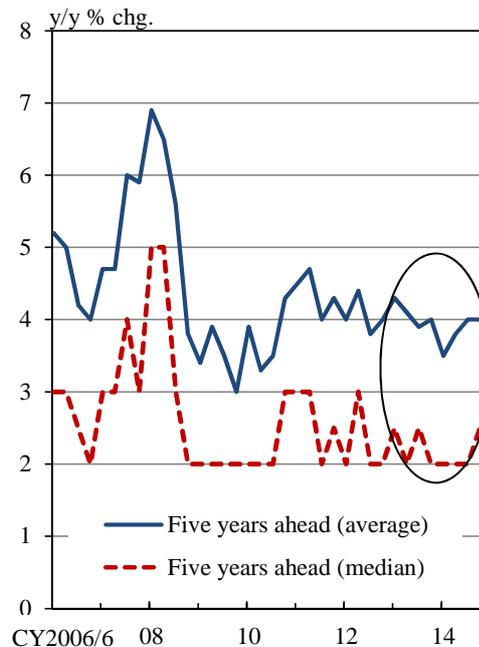
Medium- to Long-Term Inflation Expectations <2>

(Firms, Households, and Economists)

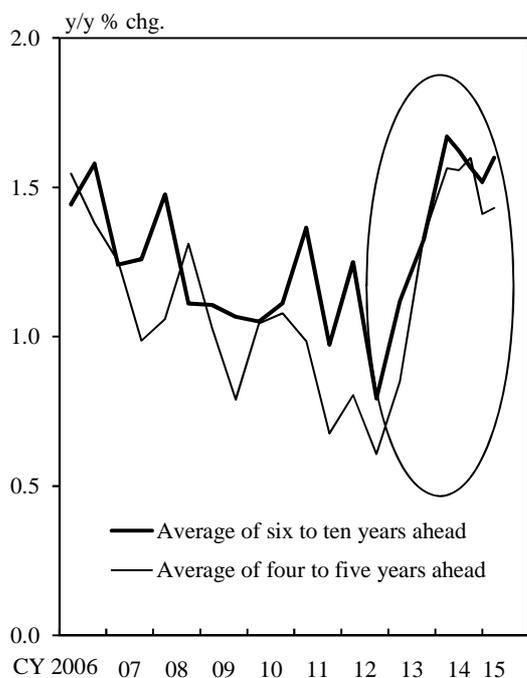
(1) Firms (*Tankan*, All Firms, All Industries)



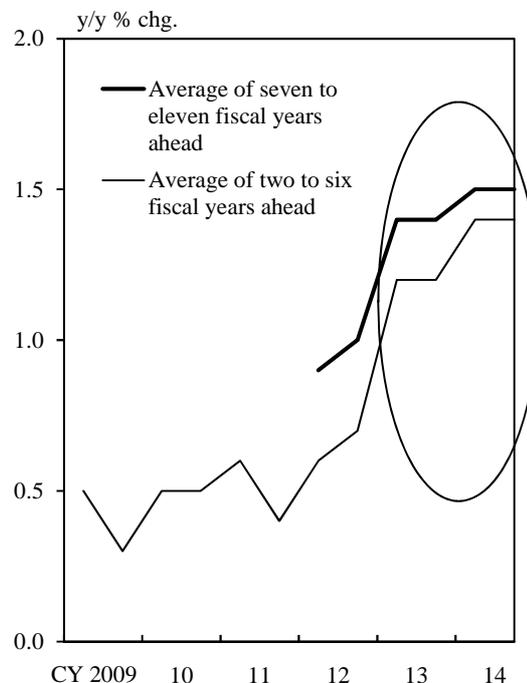
(2) Households (Opinion Survey on the General Public's Views and Behavior)



(3) Economists (Consensus Forecast)



(4) Economists (ESP Forecast)

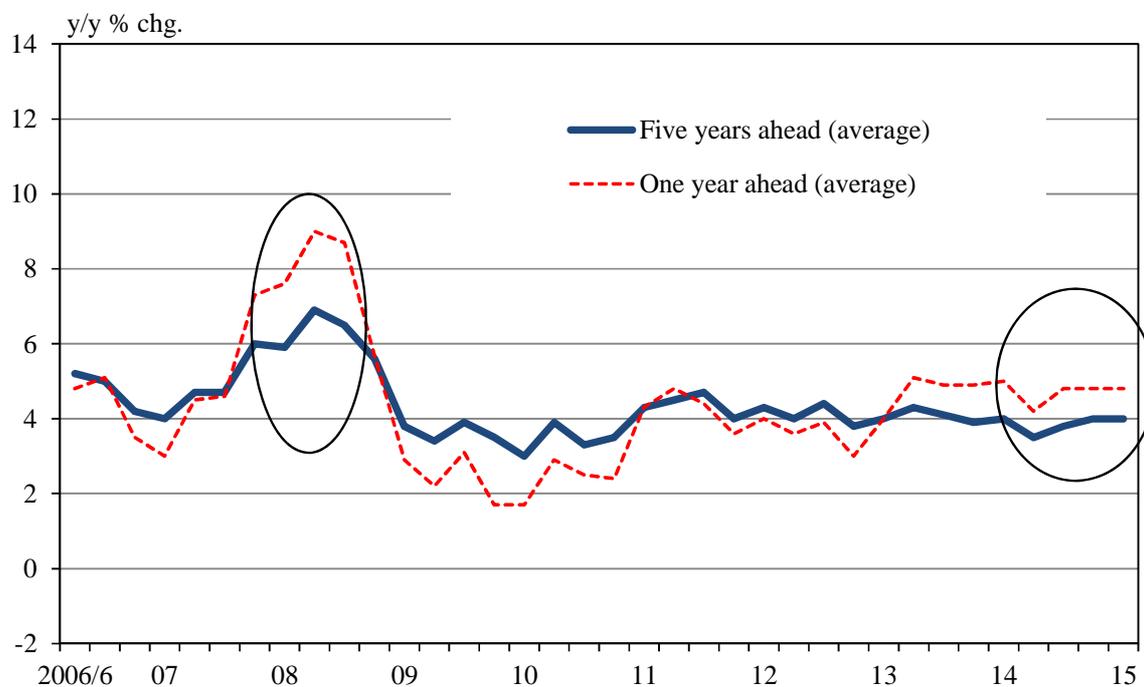


Note: Survey respondents are asked to exclude the effects of the consumption tax hike for the whole period for the *Tankan*, from the June 2013 survey for the household survey, and from the October 2013 survey for the ESP forecast. The effects are irrelevant for the Consensus Forecasts.

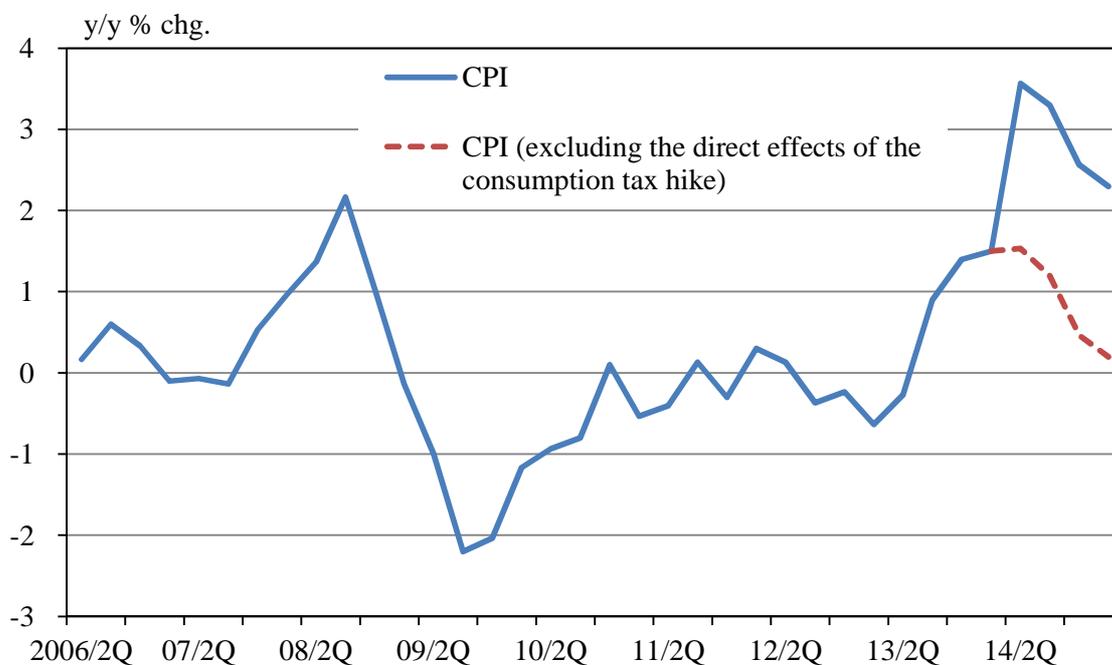
Sources: Consensus Economics Inc., "Consensus Forecasts"; Japan Center for Economic Research (JCER); Bank of Japan.

Households' Inflation Expectations and Actual Inflation

(1) Households' Inflation Expectations



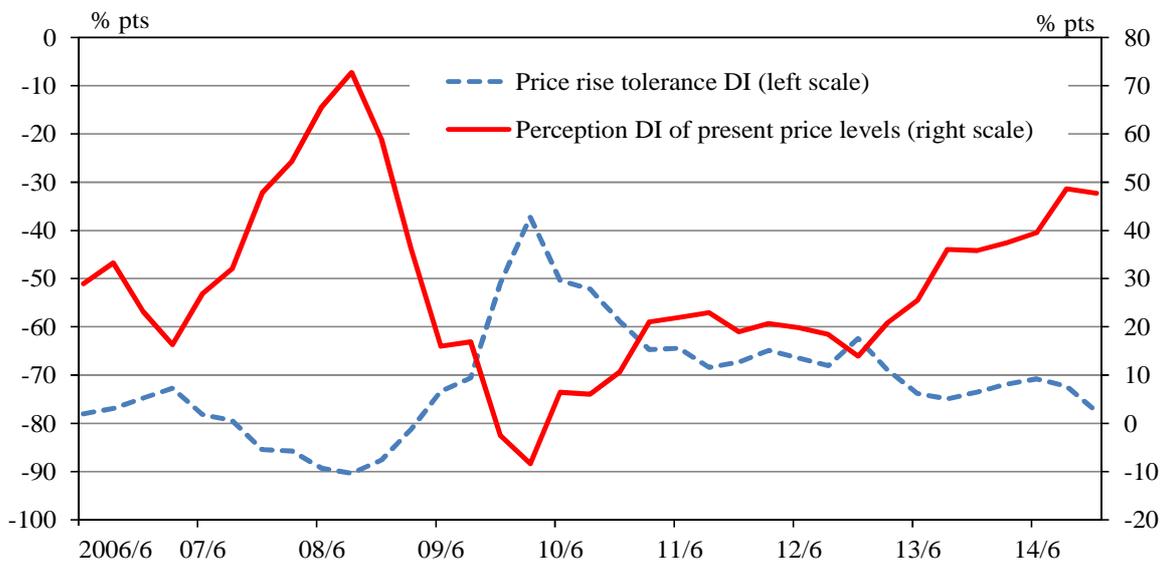
(2) Actual Inflation



Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Chart 6-1

Households' Price Rise Tolerance DI



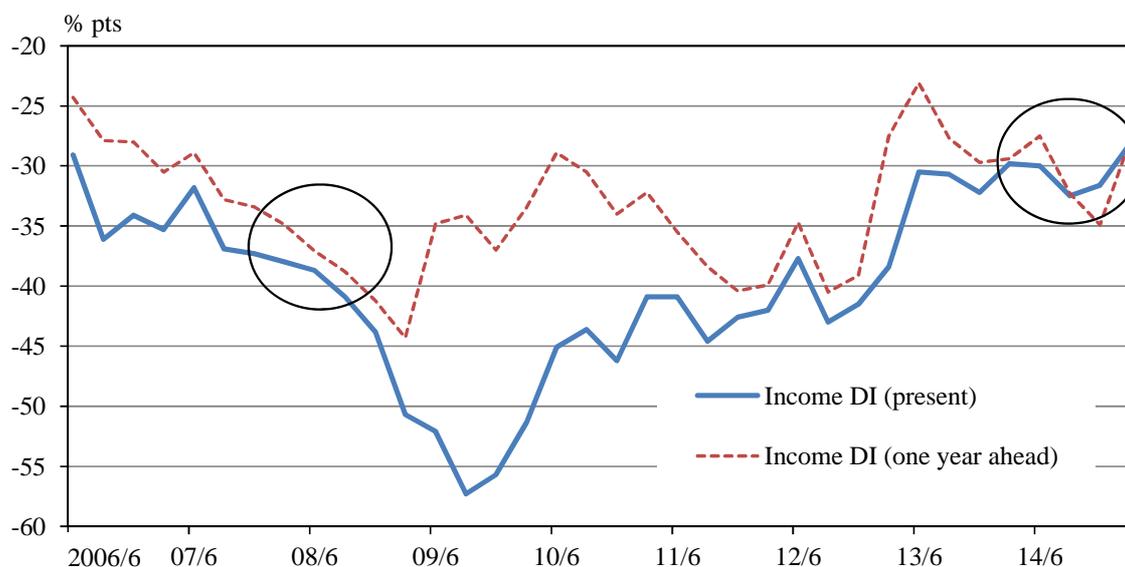
Notes: 1. Price rise tolerance DI = ("price rise is rather favorable" and "price decline is rather unfavorable" respondent ratio - "price rise is rather unfavorable" and "price decline is rather favorable" respondent ratio) / (valid respondent ratio - "have remained almost unchanged" respondent ratio).

2. Perception DI of present price levels = ("have gone up significantly" * 1 + "have gone up slightly" * 0.5) - ("have gone down slightly" * 0.5 + "have gone down significantly" * 1).

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Chart 6-2

Households' Income DI

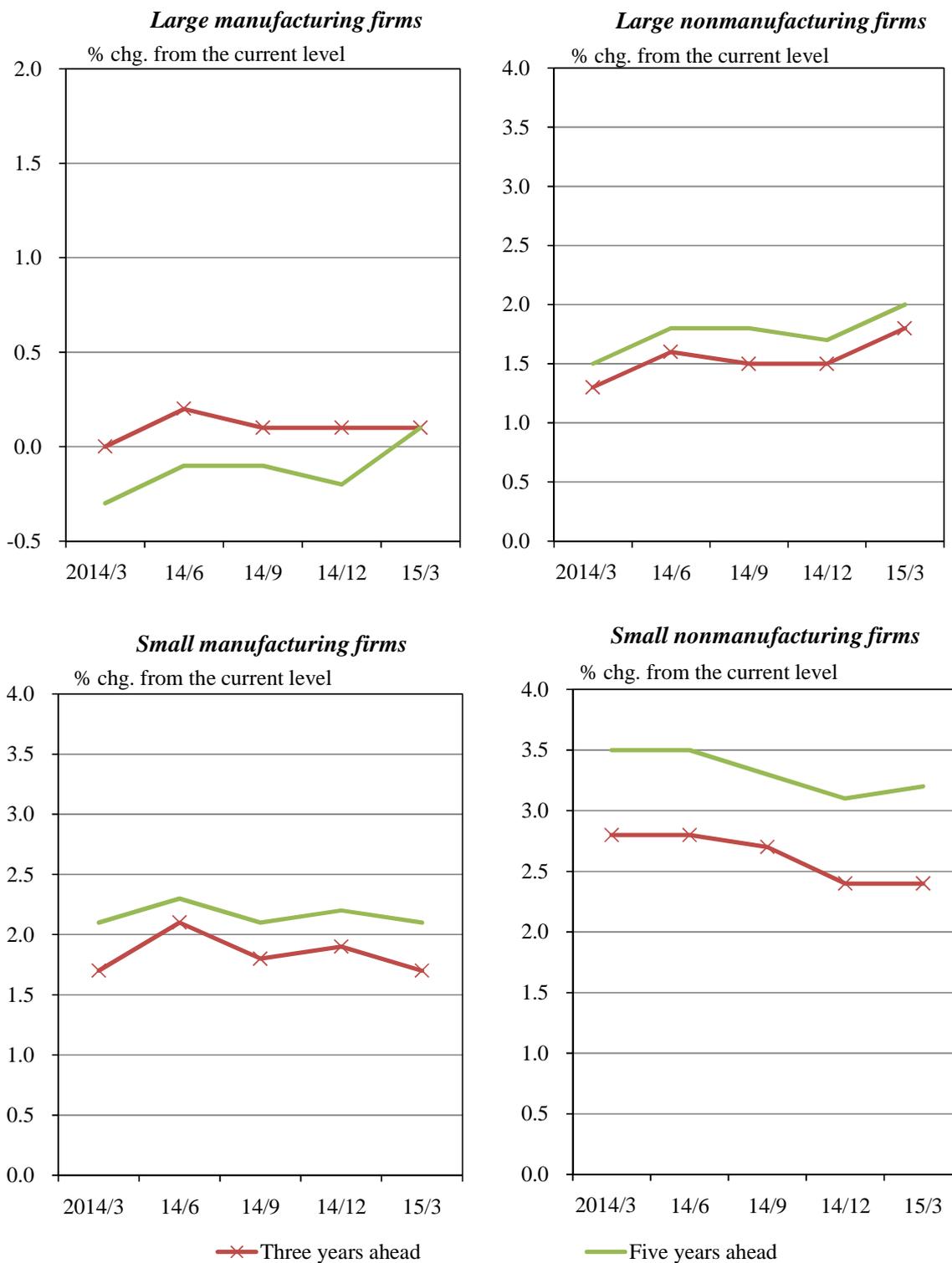


Notes: 1. Income DI = "will increase (has increased)" - "will decrease (has decreased)"

2. Income DI (present) refers to present income compared with a year ago, and income DI (one year ahead) refers to income of one year ahead compared with present income.

Source: Bank of Japan.

Firms' Outlook for Sales Prices: Medium to Long Term (Average)

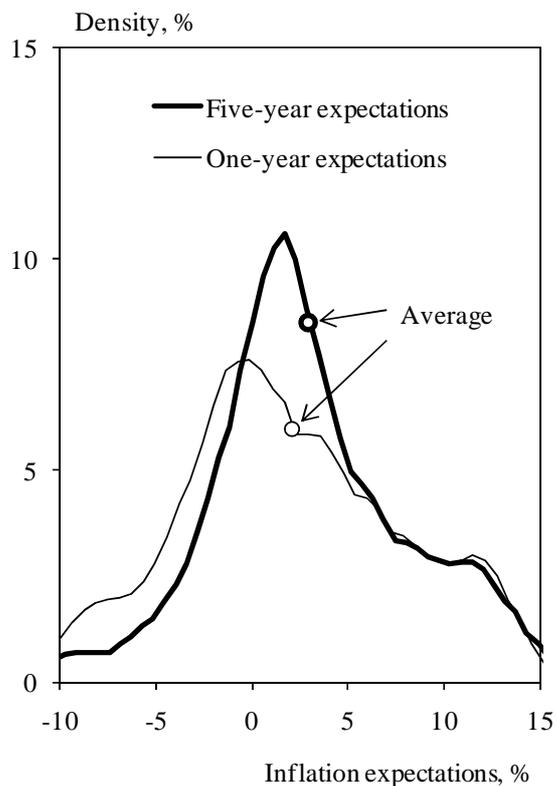


Note: The *Tankan* explicitly asks respondents to disregard the effects of the consumption tax hike. Figures for March 2015 are those based on sample firms after the March 2015 revision.

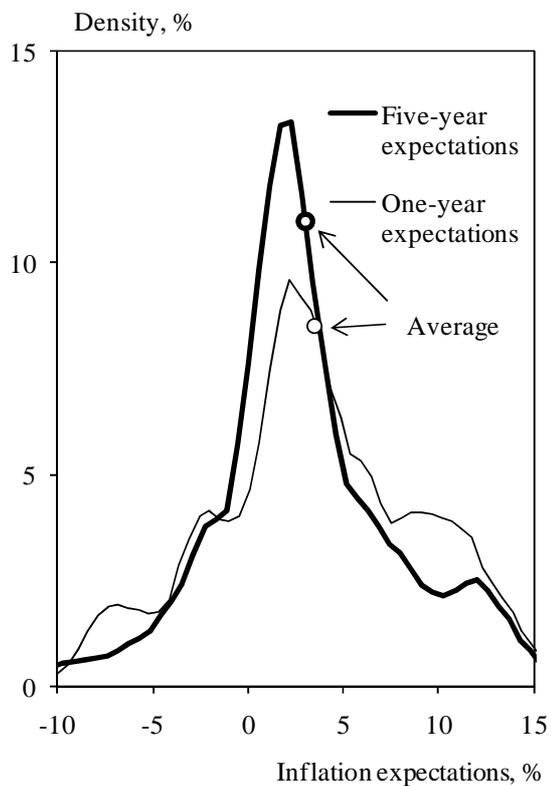
Source: Bank of Japan.

Distribution of Households' Inflation Expectations
(After Adjusting for Reporting Biases)

(1) Distribution of Expectations in 2012



(2) Distribution of Expectations in 2013



Source: Bank of Japan.