

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Okinawa

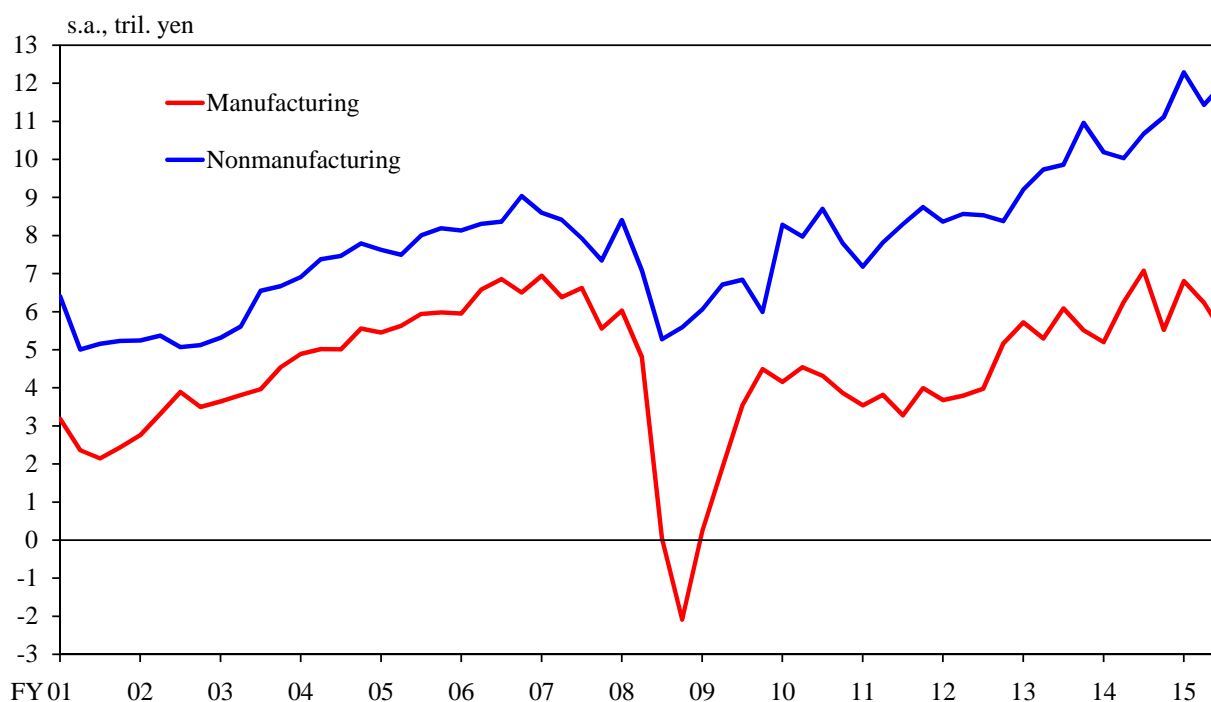
March 3, 2016

Hiroshi Nakaso

Deputy Governor of the Bank of Japan

Chart 1

Corporate Profits: Current Profits

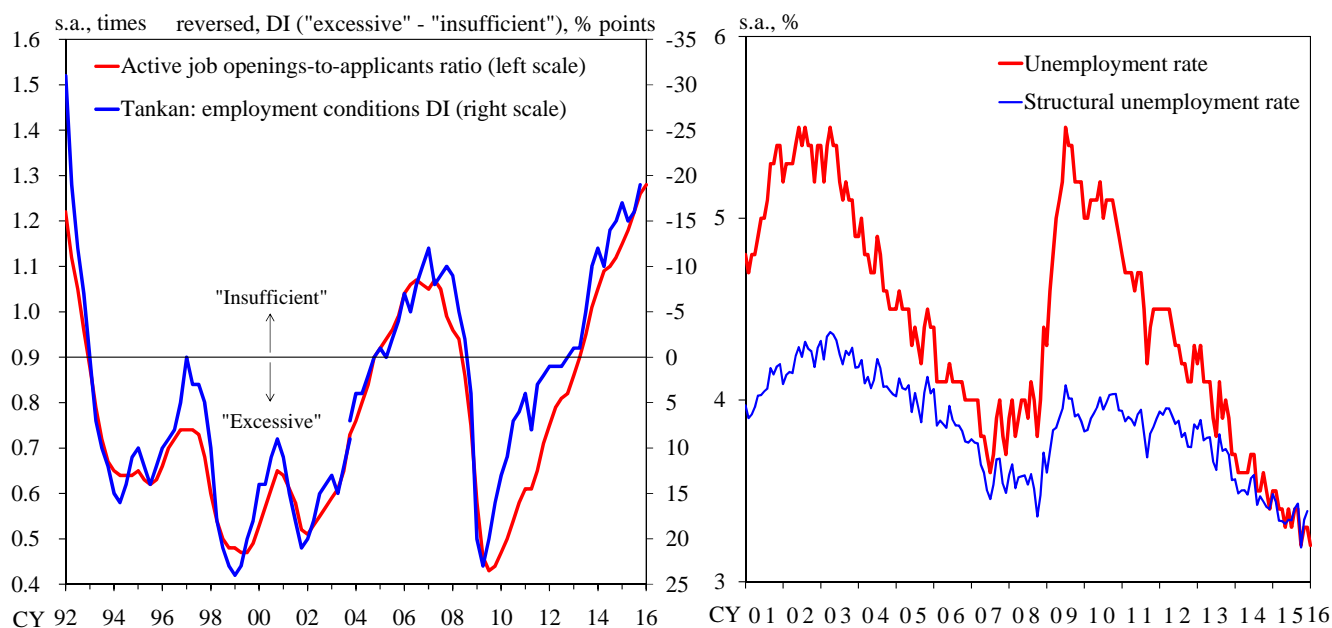


Note: Figures exclude those for the finance and insurance industries.
Source: Ministry of Finance.

Labor Market Conditions

Job Openings-to-Applicants Ratio and Employment Conditions DI

Unemployment Rate



Notes: 1. There is a discontinuity in the data in December 2003 for employment conditions DI due to a change in the survey framework.

2. The structural unemployment rate is estimated by the Research and Statistics Department, Bank of Japan.

3. The figure for 2016/Q1 is that of January.

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

2

Outlook for Economic Activity and Prices (as of January 2016)

y/y % chg.

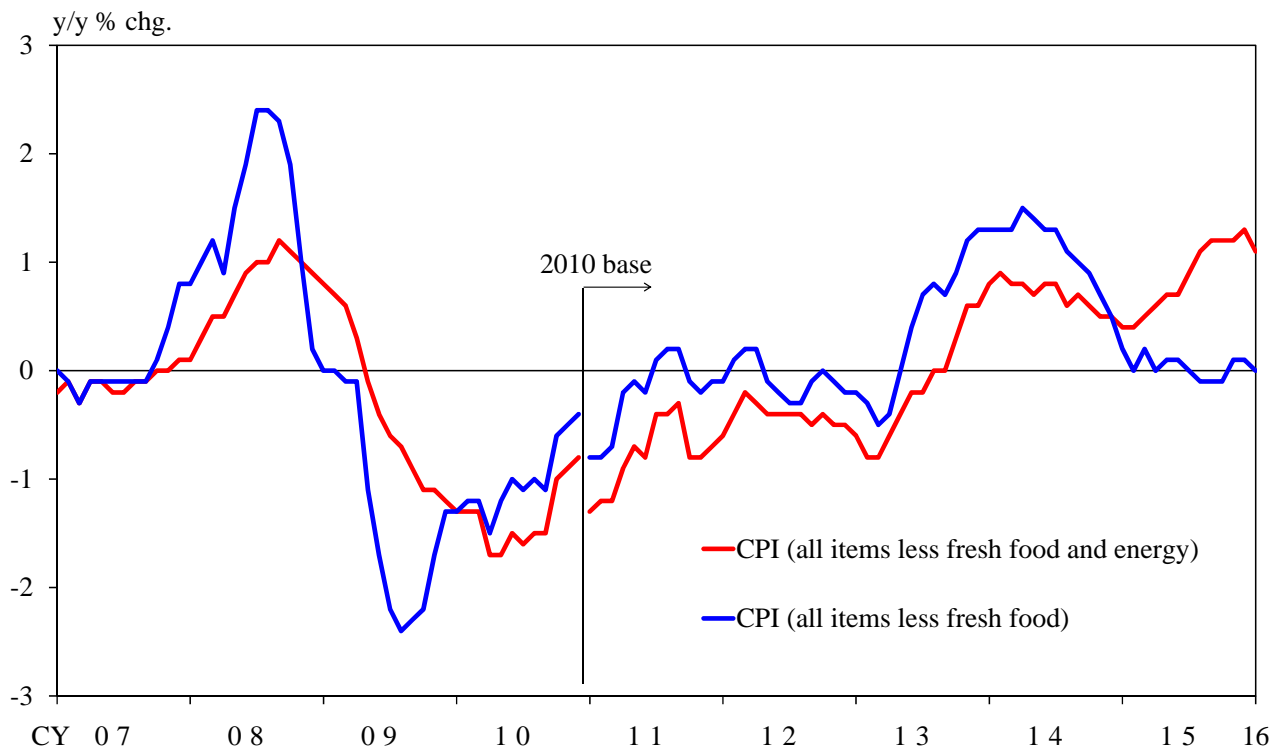
	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2015	+1.1	+0.1	
Forecasts made in October 2015	+1.2	+0.1	
Fiscal 2016	+1.5	+0.8	
Forecasts made in October 2015	+1.4	+1.4	
Fiscal 2017	+0.3	+2.8	+1.8
Forecasts made in October 2015	+0.3	+3.1	+1.8

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

Source: Bank of Japan.

3

Consumer Prices

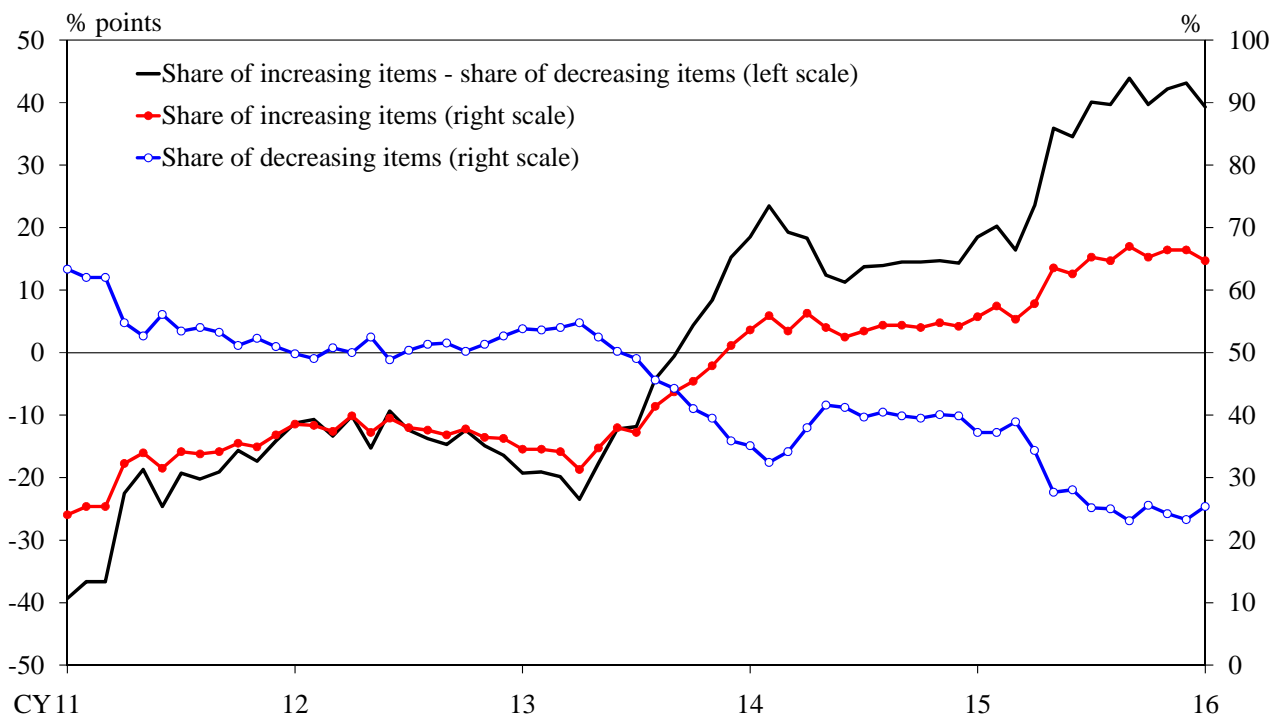


Note: Figures are adjusted to exclude the estimated effects of changes in the consumption tax rate.

Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.

Source: Ministry of Internal Affairs and Communications.

Price Hikes by Firms



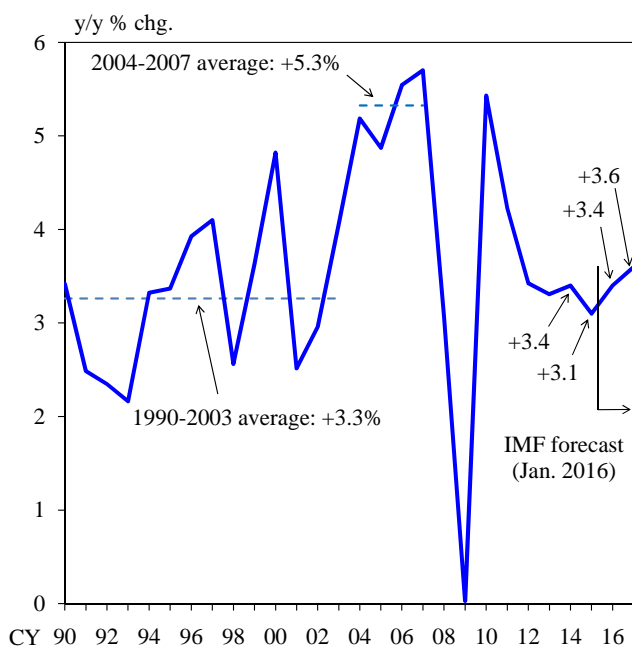
Note: The share of increasing/decreasing items is the share of items in the consumer price index (all items less fresh food) whose price indices increased/decreased from a year earlier. The price indices are adjusted to exclude the estimated effects of changes in the consumption tax rate.

Source: Ministry of Internal Affairs and Communications.

World Economic Outlook Released by the IMF

Real GDP Growth Rate

Projections for Major Economies



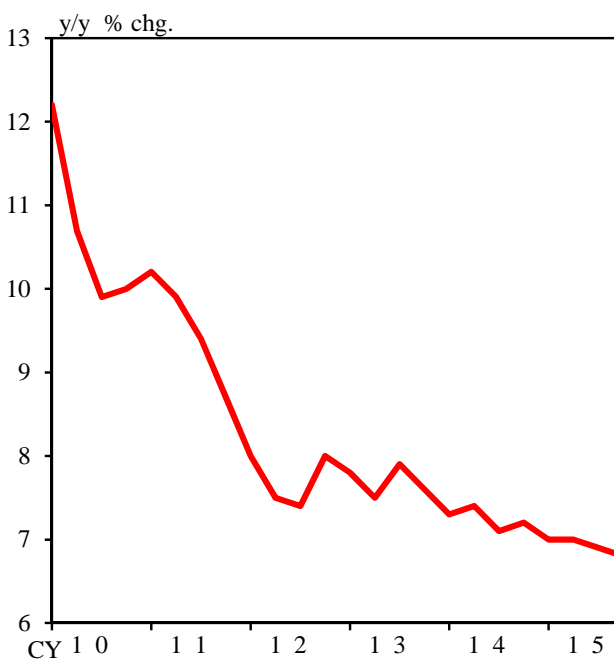
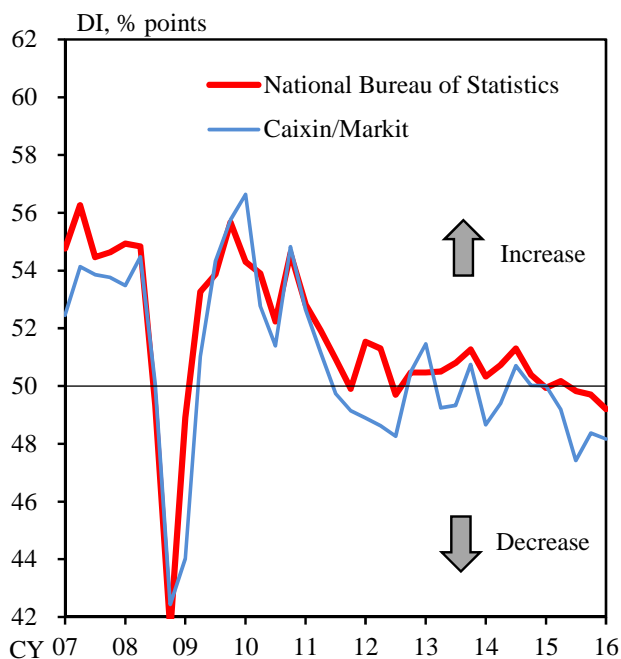
	y/y % chg.			
	2014	2015	Projections	
			2016	2017
World	3.4	3.1	3.4	3.6
Advanced Economies	1.8	1.9	2.1	2.1
United States	2.4	2.5	2.6	2.6
Euro Area	0.9	1.5	1.7	1.7
Japan	0.0	0.6	1.0	0.3
Emerging Market and Developing Economies	4.6	4.0	4.3	4.7
China	7.3	6.9	6.3	6.0
ASEAN5	4.6	4.7	4.8	5.1

Notes: 1. Figures for 2015 are estimates.
 2. ASEAN5 are Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.
 Source: IMF.

Chinese Economy

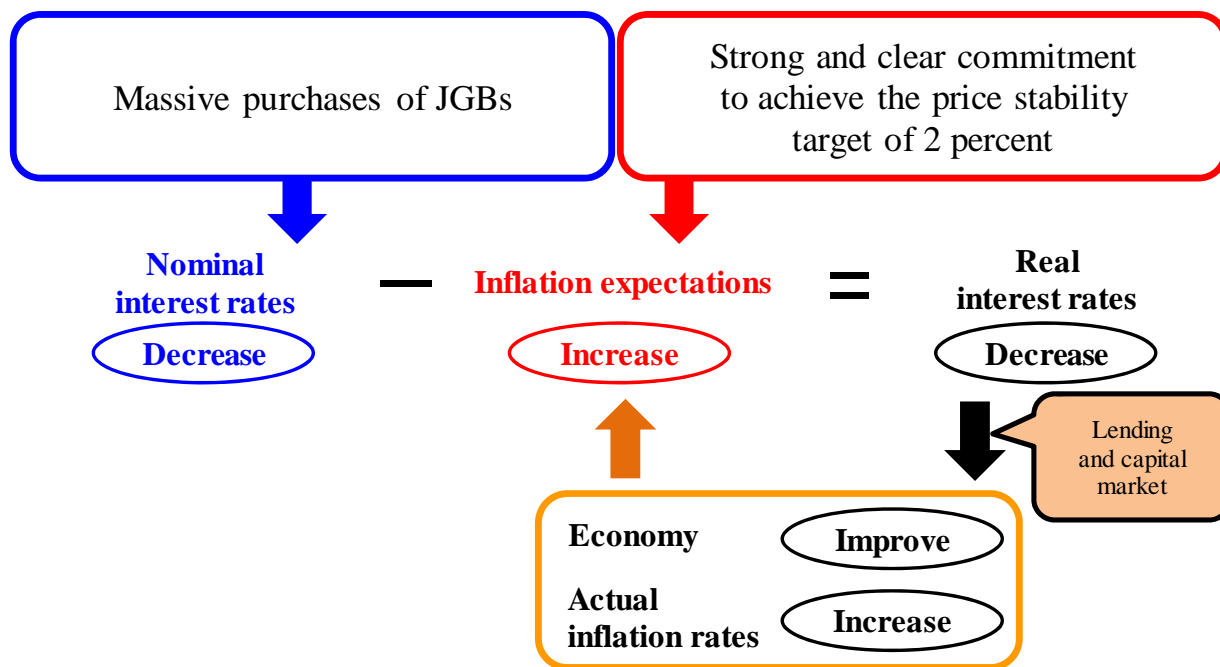
(1) Manufacturing PMI

(2) Real GDP Growth Rate

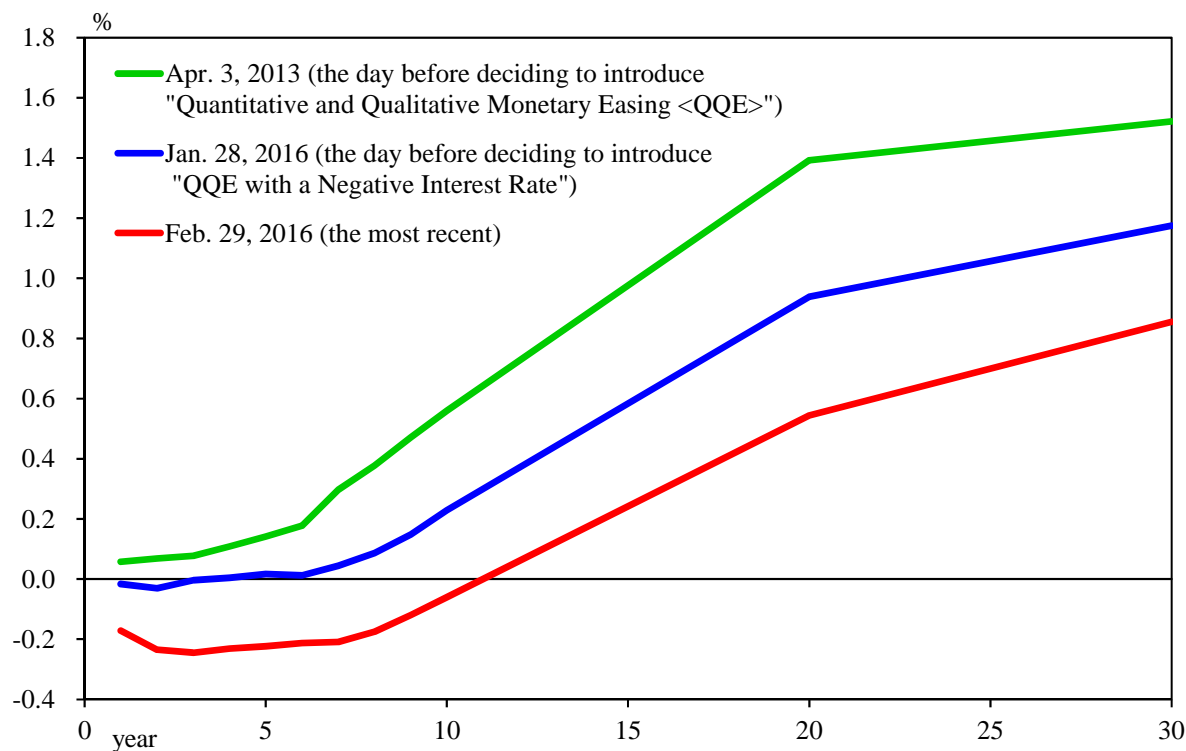


Notes: 1. Figures for Caixin/Markit are based on the Caixin China General Manufacturing PMI.
 2. Figures for 2016/Q1 are January-February averages.
 Sources: Markit (© and database right Markit Economics Ltd 2016. All rights reserved.); CEIC.

Mechanism of "Quantitative and Qualitative Monetary Easing"

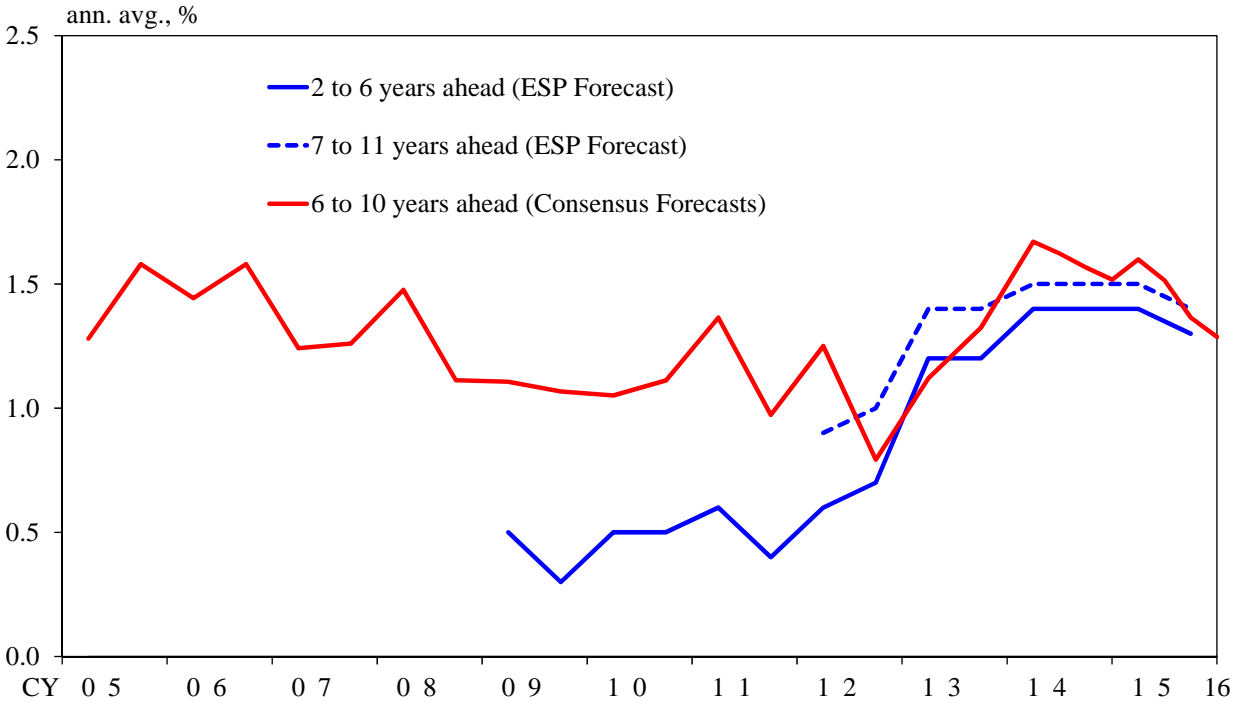


JGB Yield Curve



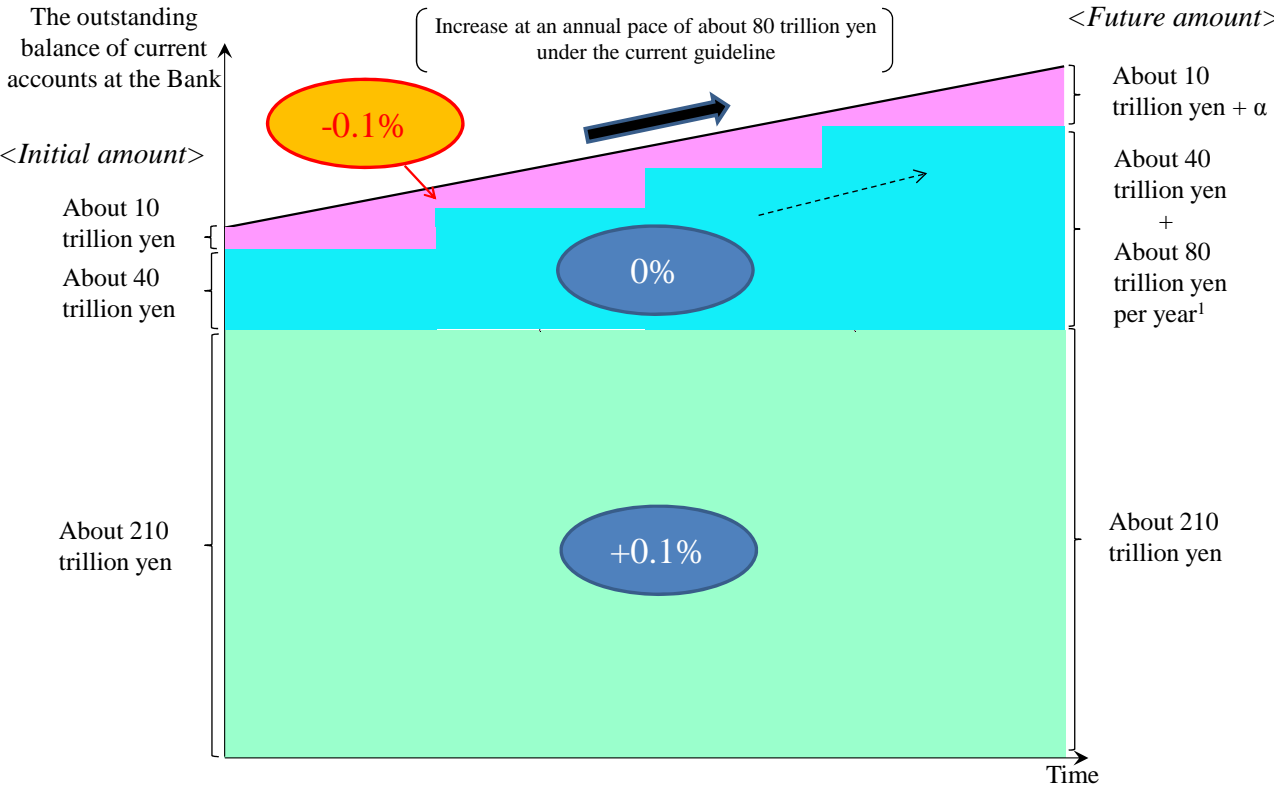
Source: Bloomberg.

Inflation Expectations



Note: Figures for the ESP Forecast exclude the effects of the consumption tax hikes.
Sources: Consensus Economics Inc., "Consensus Forecasts"; JCER, "ESP Forecast."

Three-Tier System



Note: 1. Assuming that the Bank will increase the amount outstanding of the tier to which a zero interest rate is applied at the same pace as the increase in the total outstanding balances of current accounts that financial institutions hold at the Bank, the pace of increase will be about 80 trillion yen per year.

Summary of Negative Interest Rate Policies in Europe

	Euro area	Denmark	Switzerland	Sweden
Policy rate	Rate on deposit facility, etc.	Certificates of deposit rate	Swiss franc Libor (3M)	Repo rate ¹
Timing when the decision was made	June 2014	July 2012 September 2014	December 2014	February 2015
Central bank's debt to which interest is applied, and its rate	Minimum reserve: 0.05% Deposit facility, etc.: -0.3%	Current account deposit Under or at the limit: 0% Over the limit ² : -0.65%	Current account deposit Under or at the limit: 0% Over the limit: -0.75%	Main operation with the certificates: -0.5% Fine-tuning operation: -0.6% Deposit facility: -1.25%

Notes: 1. The Riksbank issues Riksbank certificates at the same rate as the repo rate.

2. Current account deposits exceeding the individual limits are converted into certificates of deposit issued by the Danmarks Nationalbank.

Sources: Central banks of respective areas and countries.