

Challenges toward Financial Stability and the Policy Frontier

March 21, 2016

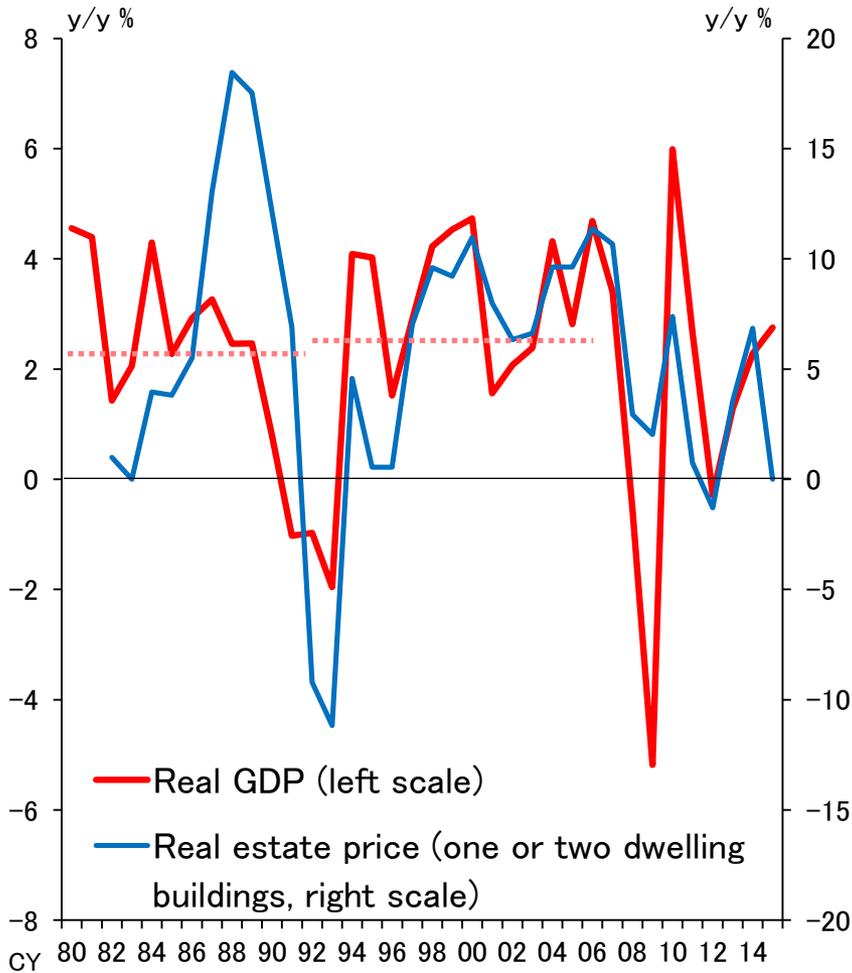
Speech at the IVA-JSPS Seminar in Stockholm

Hiroshi Nakaso

Deputy Governor of the Bank of Japan

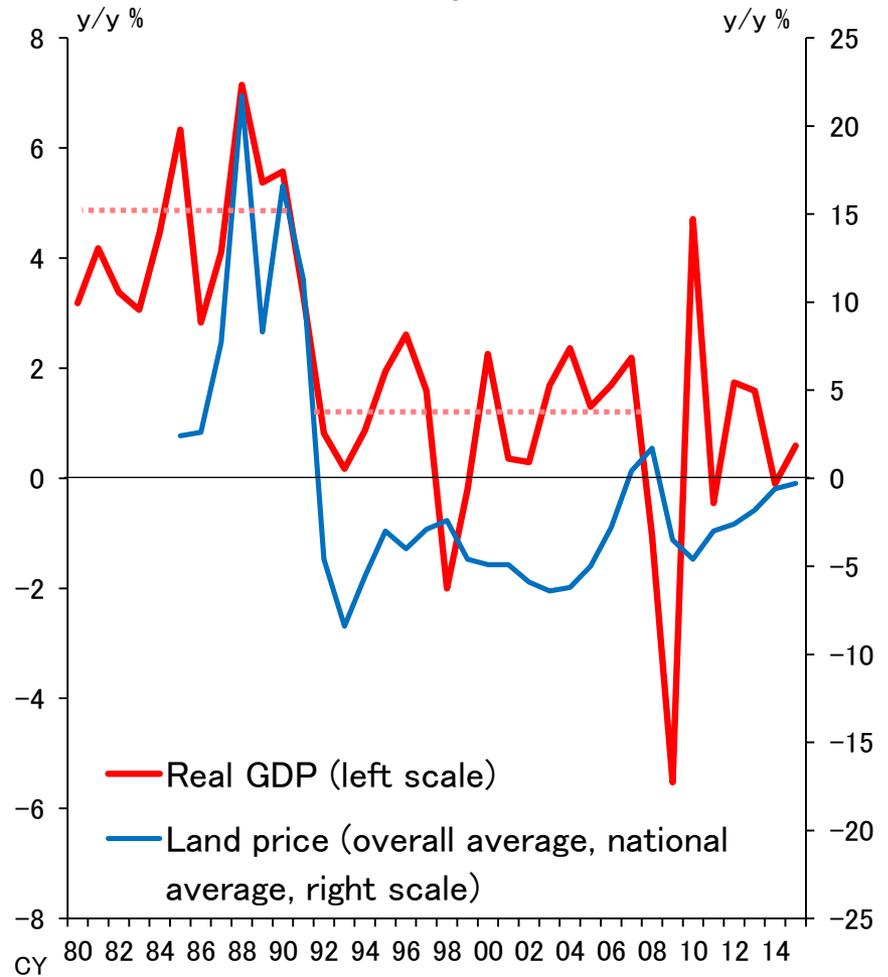
Chart 1. Economic growth after bursting of financial bubble

Sweden



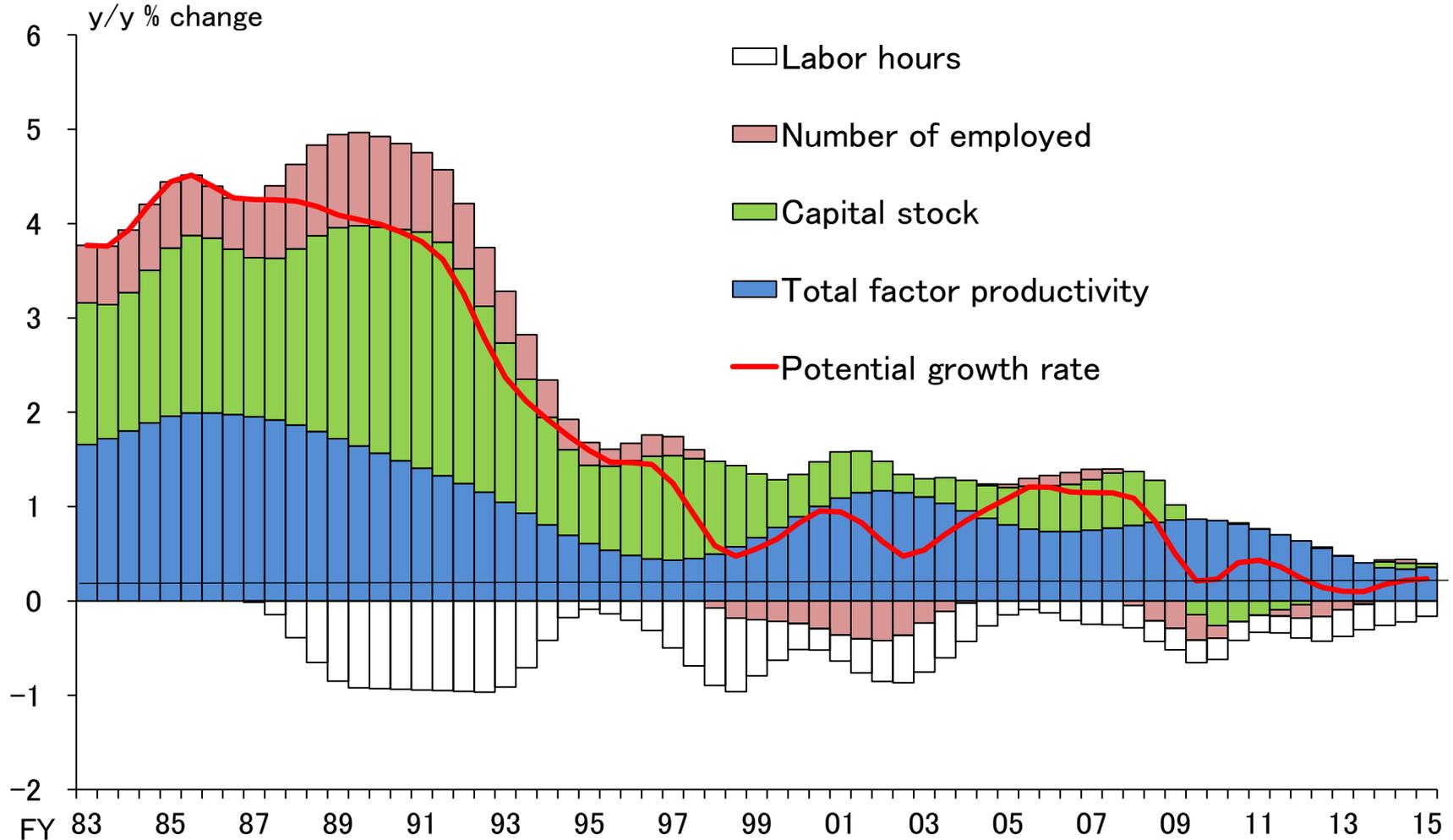
	1980~1992	1993~2007 (bursting of bubble~ the Lehman shock)
Real GDP (average)	2.2%	2.6%

Japan



	1980~1990	1991~2007 (bursting of bubble~ the Lehman shock)
Real GDP (average)	4.5%	1.3%

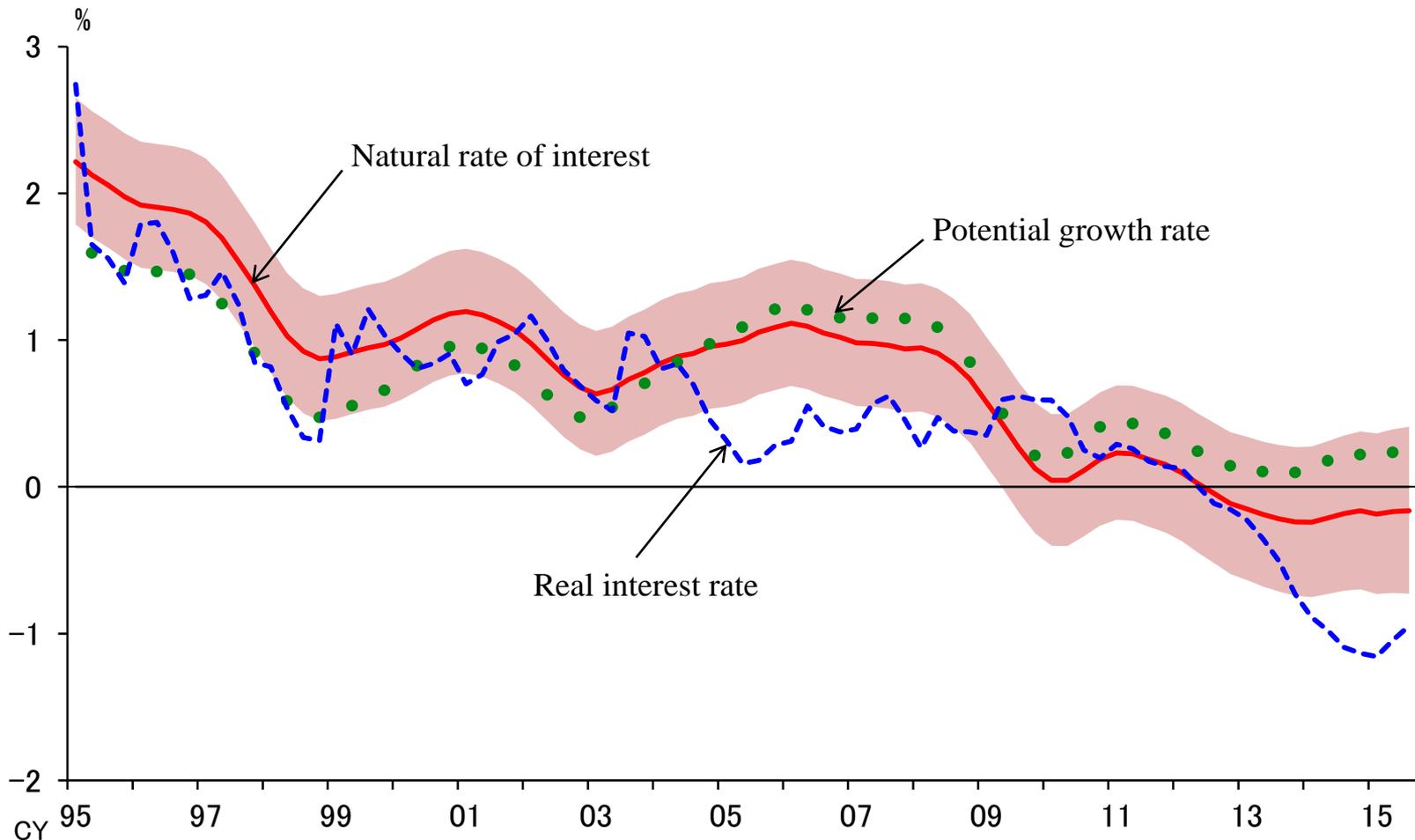
Chart 2. Potential growth rate of Japan



Notes: The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan.

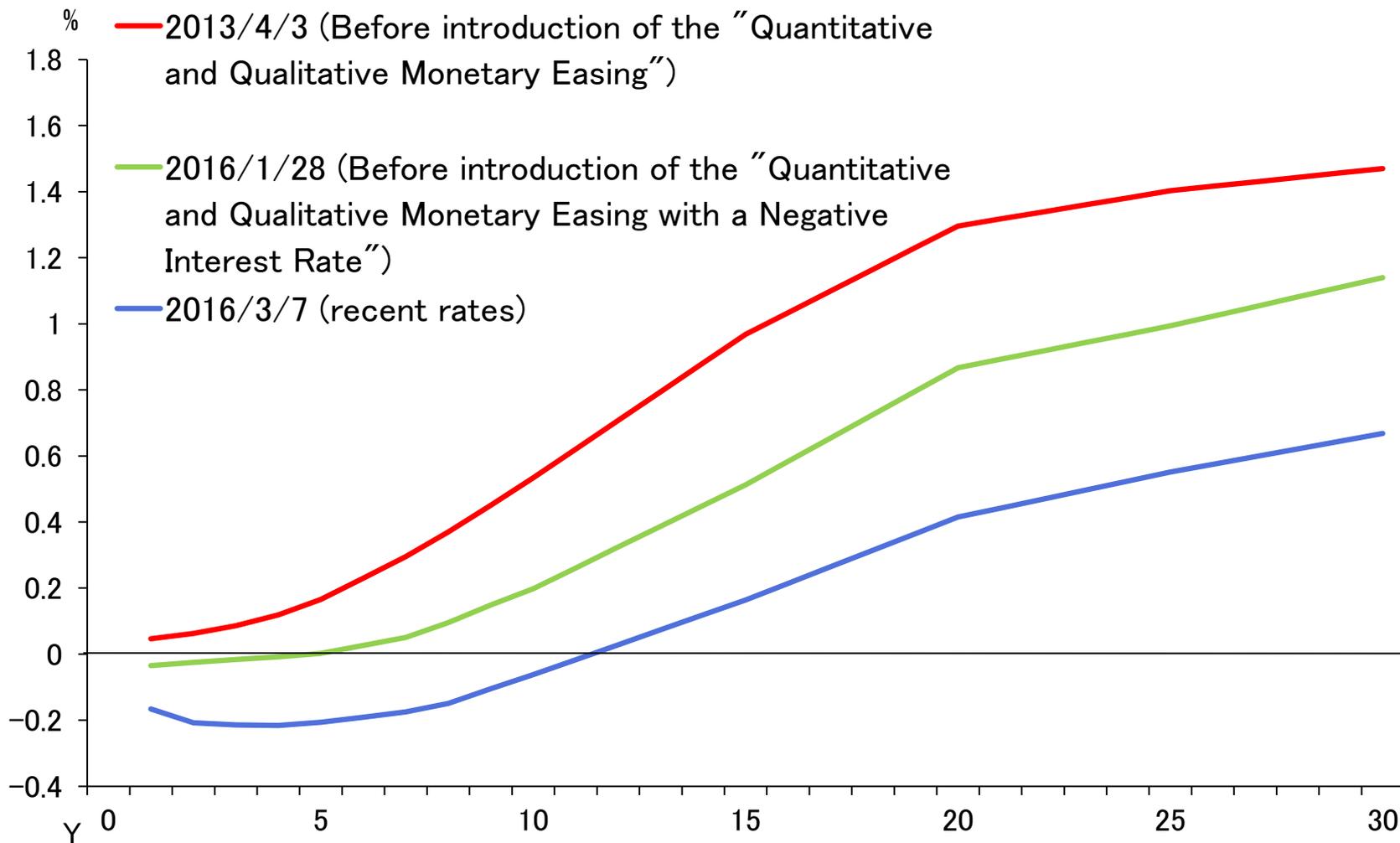
Sources: Bank of Japan; Cabinet Office; Ministry of Internal Affairs and Communications; Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Research Institute of Economy, Trade and Industry.

Chart 3. Natural rate of interest and real interest rate



- Notes: 1. The natural rate of interest and real interest rate are calculated based on 10-year government bond yields.
2. The shaded area indicates the 95 percent confidence interval for the natural rate of interest.
3. For details of the estimation procedures, see Imakubo et al. (2015), "The Natural Yield Curve: Its Concept and Measurement," Bank of Japan Working Paper Series, 15-E-5, and Hara et al. (2006), "The New Estimates of Output Gap and Potential Growth Rate," Bank of Japan Review Series, 2006-E-3.

Chart 4. Yield curve rates of JGBs



Source: Bloomberg.

Chart 5. Interest margin on loans in the domestic business sector

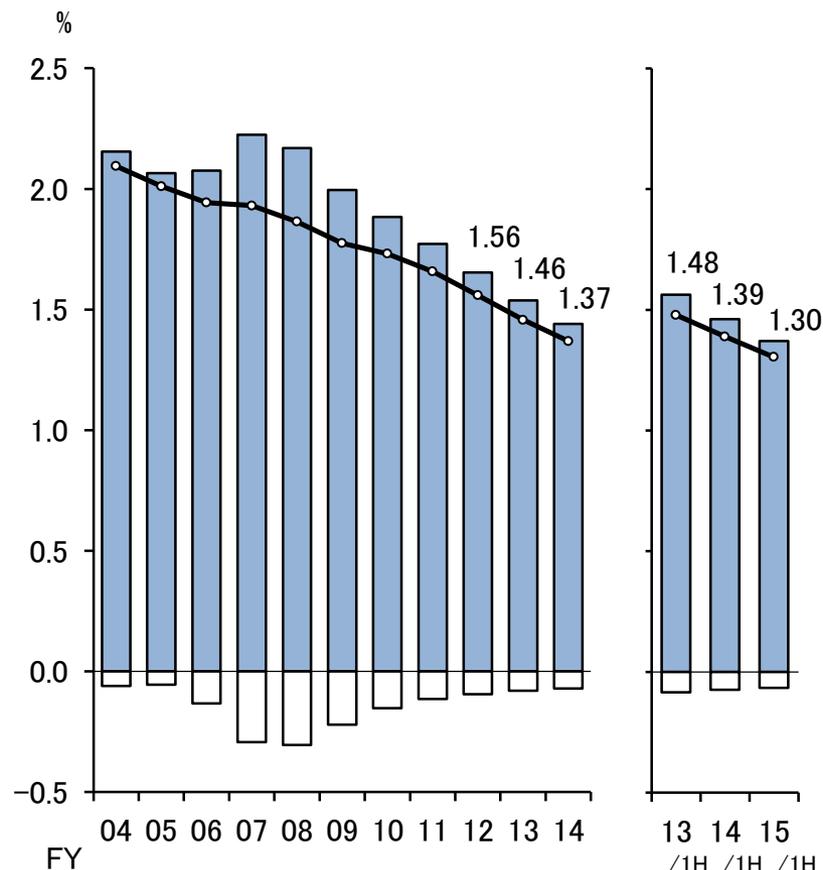
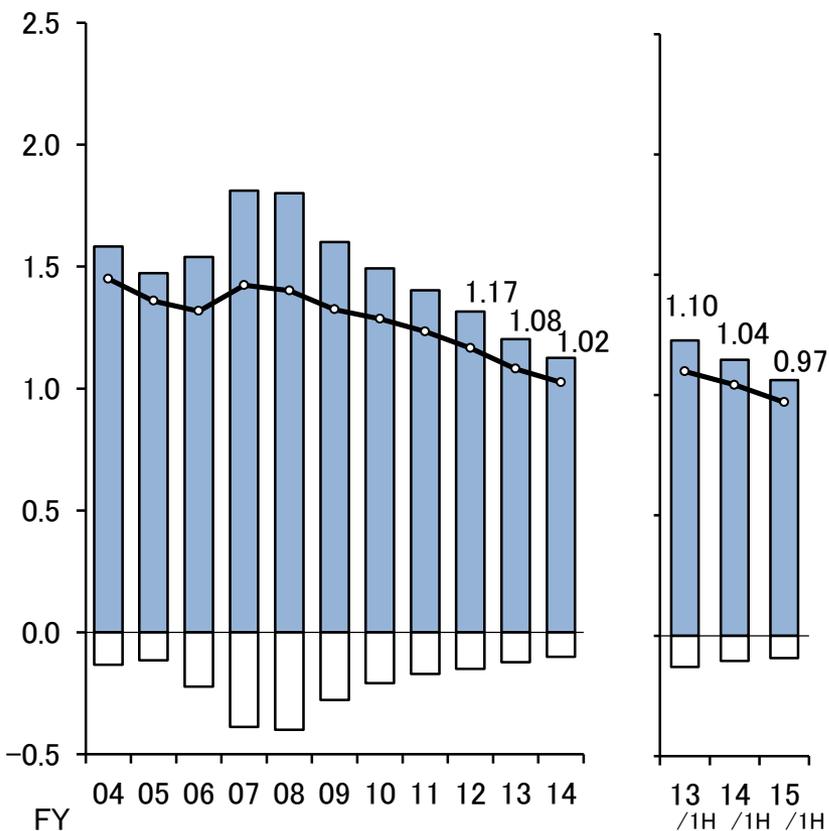
Major banks

Regional banks

□ Interest rate on interest-bearing liabilities

■ Interest rate on loans

○— Interest margin on loans

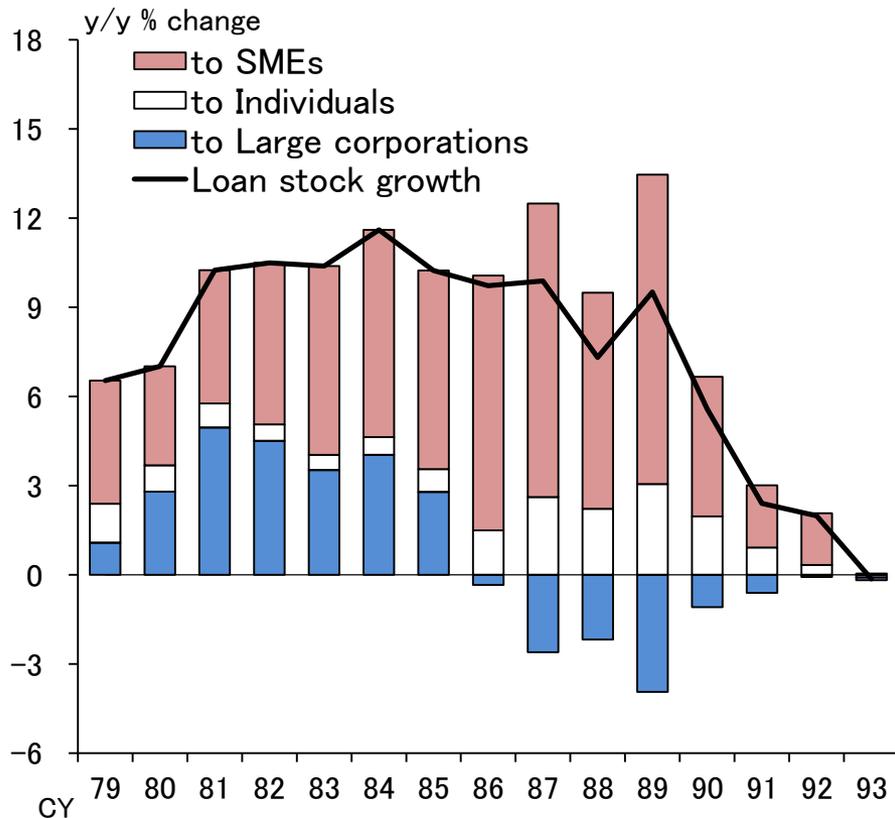


Note: Interest rate swaps are subtracted from funding costs. Domestic business sector.

Source: BOJ.

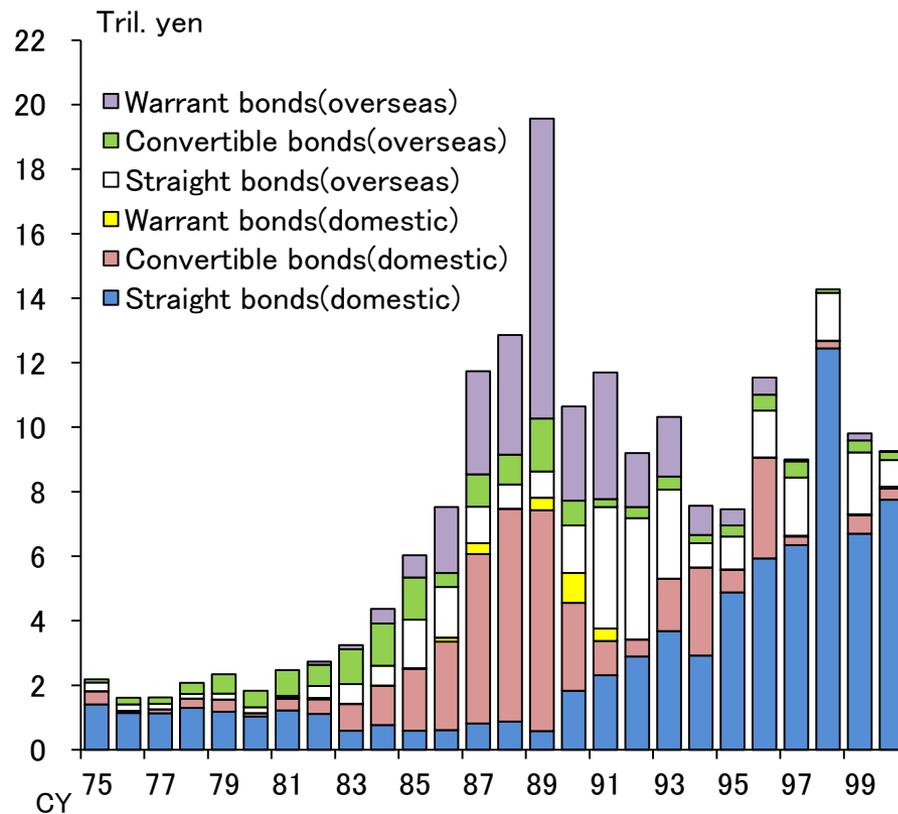
Chart 6. Bank lending and corporate finance during the bubble economy

Distribution of borrowers of bank loans



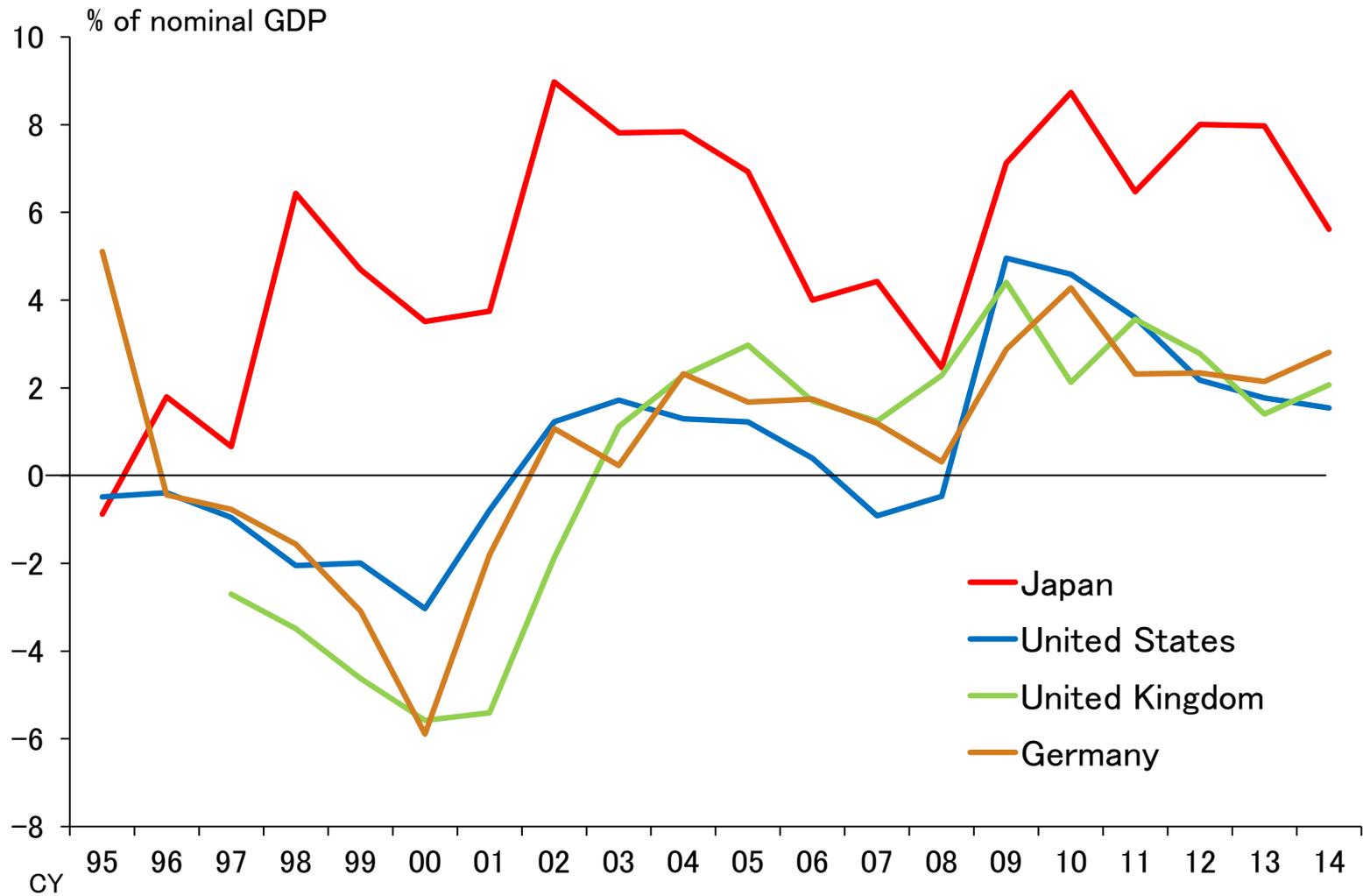
Source: BOJ.

Bond issuance by listed companies



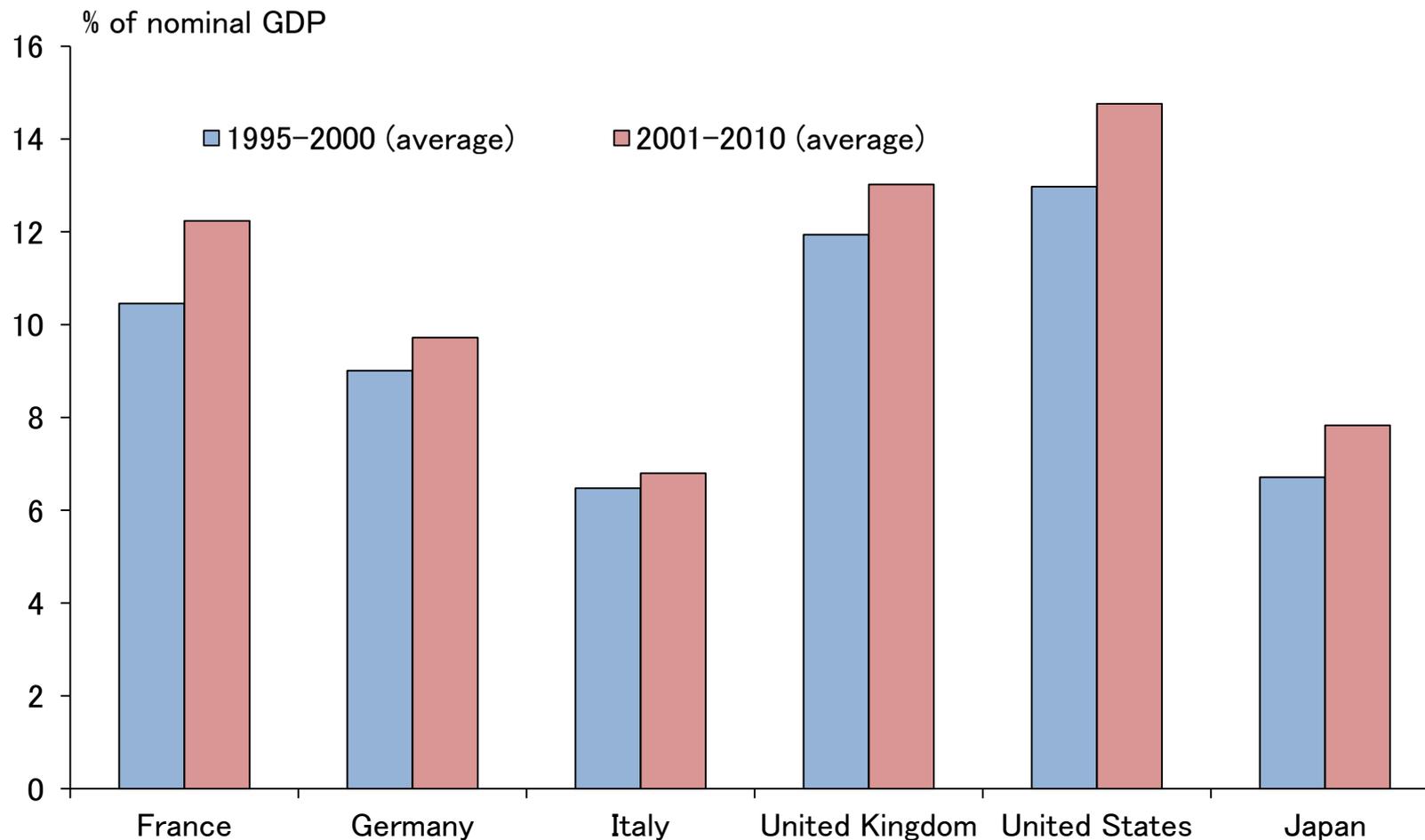
Source: Tokyo Stock Exchange.

Chart 7. Savings surplus by corporate sector



Source: Haver Analytics.

Chart 8. International comparison of intangible asset investments



Sources: Cabinet Office; INTAN-Invest Database; Research Institute of Economy, Trade and Industry.