

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Akita

June 9, 2016

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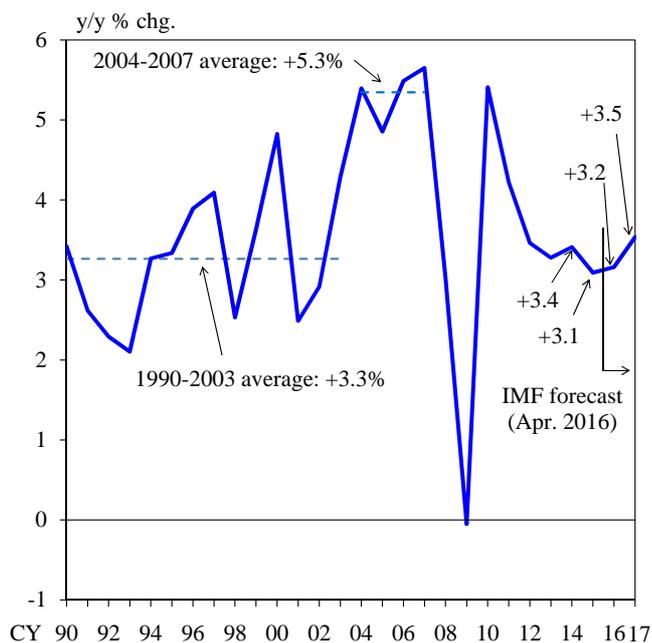
Deputy Governor of the Bank of Japan

Chart 1

World Economic Outlook Released by the IMF

Real GDP Growth Rate

Projections for Major Economies



	2014	2015	Projections	
			2016	2017
World	3.4	3.1	3.2 (-0.2)	3.5 (-0.1)
Advanced economies	1.8	1.9	1.9 (-0.2)	2.0 (-0.1)
United States	2.4	2.4	2.4 (-0.2)	2.5 (-0.1)
Euro area	0.9	1.6	1.5 (-0.2)	1.6 (-0.1)
Japan	0.0	0.5	0.5 (-0.5)	-0.1 (-0.4)
Emerging market and developing economies	4.6	4.0	4.1 (-0.2)	4.6 (-0.1)
China	7.3	6.9	6.5 (0.2)	6.2 (0.2)
ASEAN5	4.6	4.7	4.8 (0.0)	5.1 (0.0)

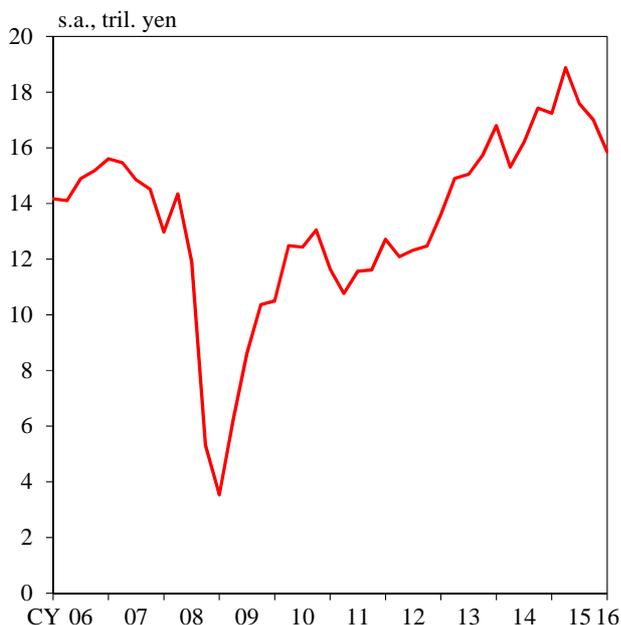
Notes: 1. Figures in parentheses are the differences from the January 2016 WEO projections.

2. ASEAN5 are Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.

Source: IMF.

Corporate Profits and Business Fixed Investment

Current Profits



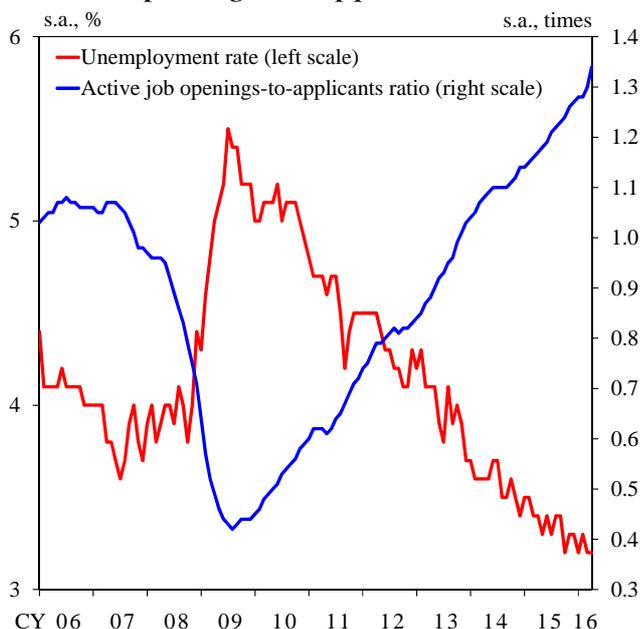
Tankan: Business Fixed Investment Plans

		y/y % chg.	
		FY2015 (Forecast)	FY2016 (Forecast)
Large enterprises	Manufacturing	+ 13.3	+ 3.1
	Nonmanufacturing	+ 8.1	- 2.9
	All industries	+ 9.8	- 0.9
Small enterprises	Manufacturing	+ 4.8	- 22.0
	Nonmanufacturing	+ 3.5	- 18.0
	All industries	+ 3.9	- 19.3
All enterprises	Manufacturing	+ 10.8	- 0.9
	Nonmanufacturing	+ 6.7	- 6.8
	All industries	+ 8.0	- 4.8

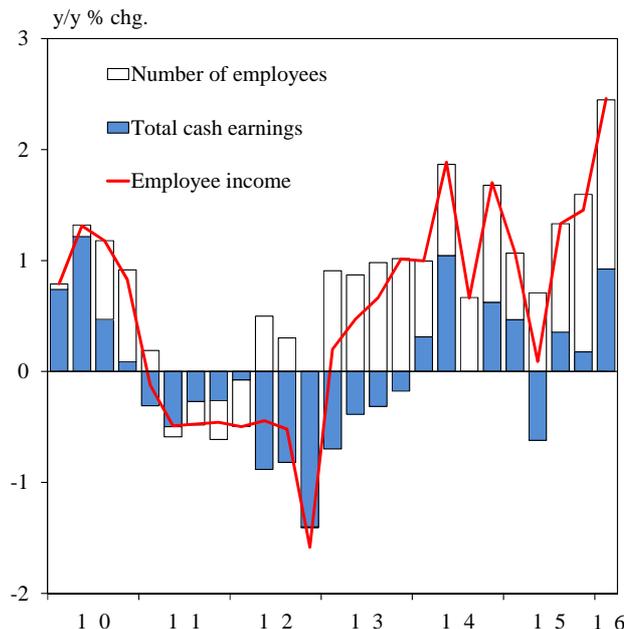
Note: Figures for business fixed investment plans of the *Tankan* include land purchasing expenses but exclude software investment.
Sources: Ministry of Finance; Bank of Japan.

Employment and Income Situation

Unemployment Rate and Job Openings-to-Applicants Ratio



Employee Income



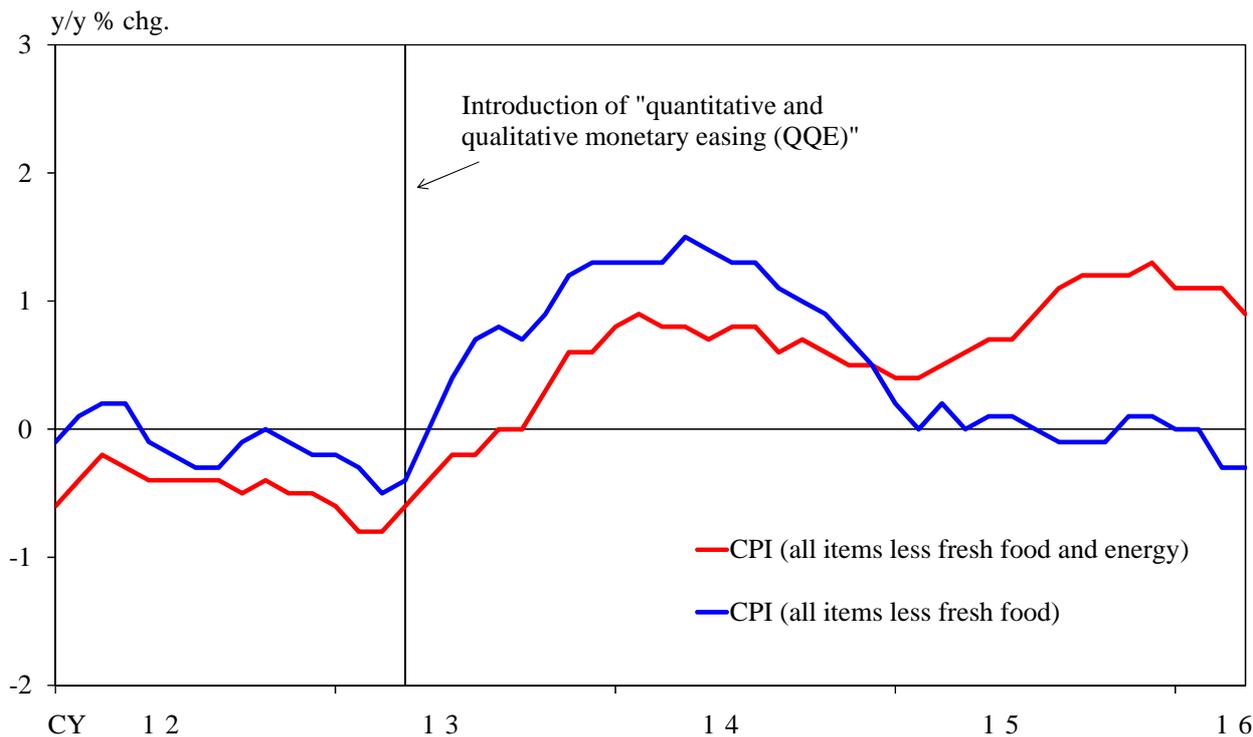
Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

Figures for 2016/Q1 are March-April averages.

2. Figures for "employee income" are calculated as the "number of employees" (Labour Force Survey) times "total cash earnings" (Monthly Labour Survey).

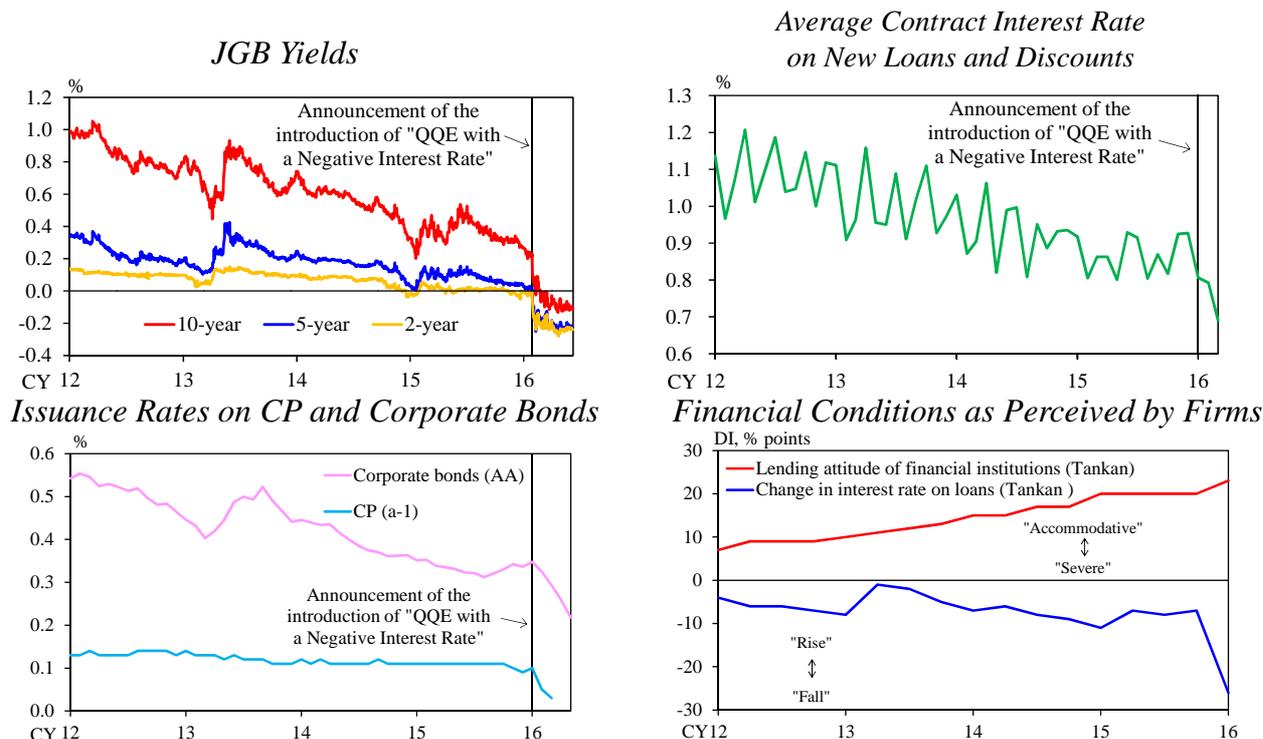
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

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.

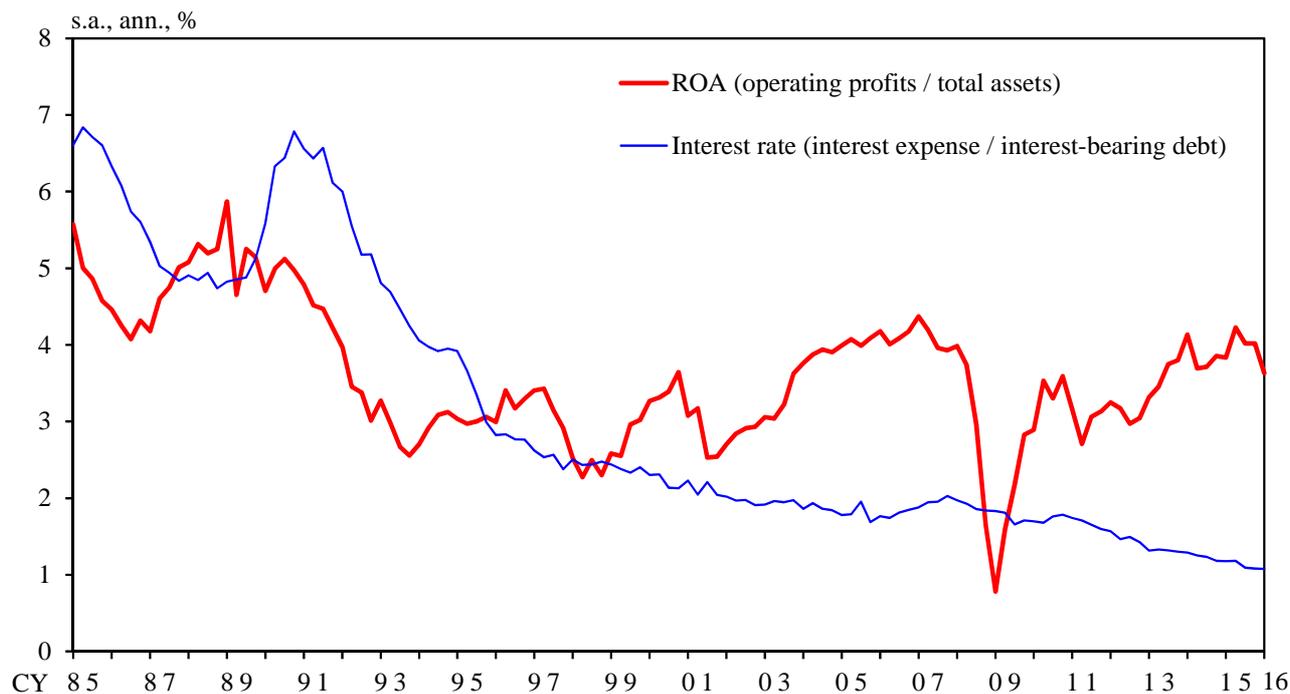
Effects of QQE with a Negative Interest Rate



Notes: 1. Figures for the average contract interest rate on new loans and discounts are those of domestically licensed banks.
 2. Figures for issuance rates on CP are monthly weighted averages of CP with a maturity of three months. Figures for March 2016 are averages of weekly data up to March 18.
 3. Figures for issuance rates on corporate bonds are the averages for domestically issued bonds launched on a particular date. 6-month backward moving average. Bonds issued by banks and securities companies, etc., are excluded. Bonds are classified based on the highest rating among the ratings from Moody's, S&P, R&I, and JCR.

Sources: Bloomberg; Bank of Japan; Japan Securities Depository Center; Capital Eye; I-N Information Systems.

ROA and Interest Rate

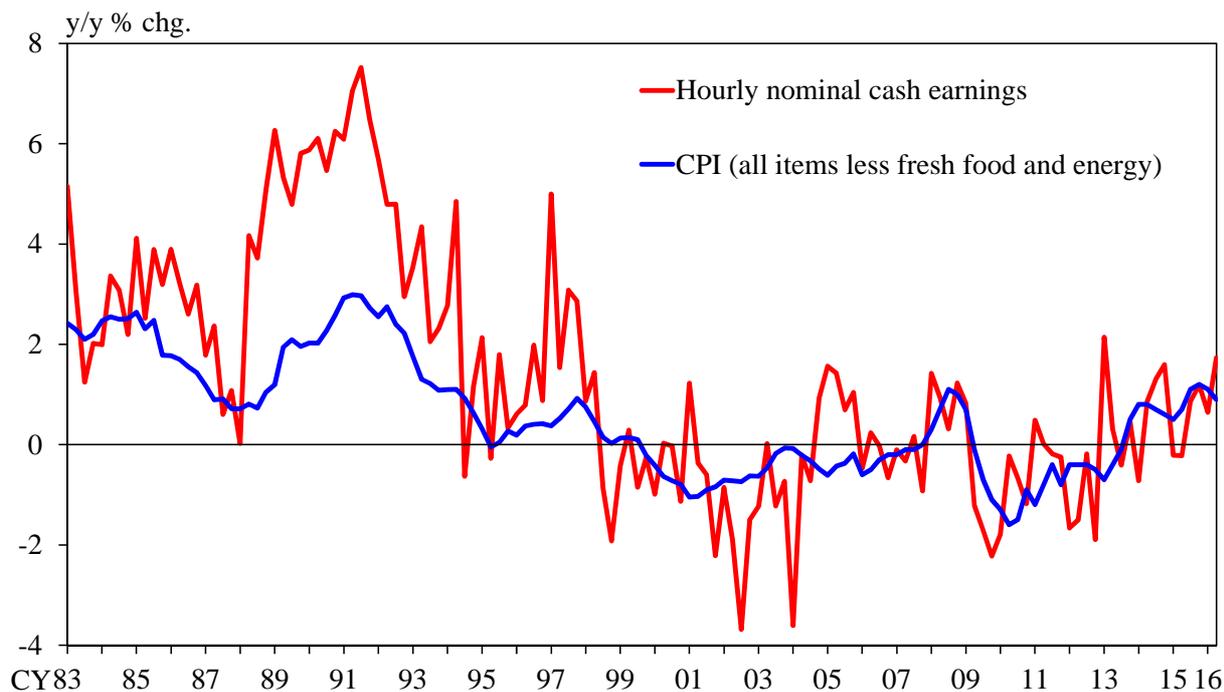


Note: Figures are taken from the "Financial Statements Statistics of Corporations by Industry, Quarterly," and are the total for enterprises of all sizes and in all industries. The finance and insurance industries are excluded. Interest-bearing debt is the sum of long- and short-term borrowings, corporate bonds, and bills receivable discounted outstanding.

Source: Ministry of Finance.

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Wages and Prices



Notes: 1. Figures for hourly nominal cash earnings up through 1990/Q4 are for establishments with 30 or more employees.

2. Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan. Those are adjusted to exclude the estimated effects of changes in the consumption tax rate.

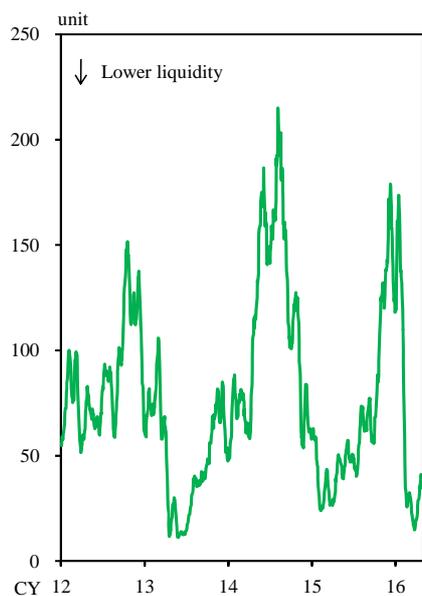
3. Figures for 2016/Q2 are those of April.

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

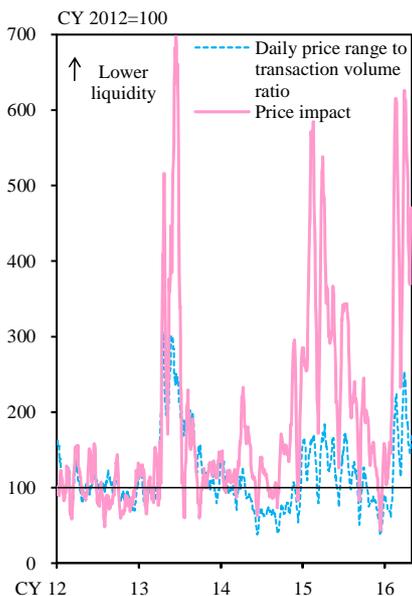
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Liquidity in the JGB Market

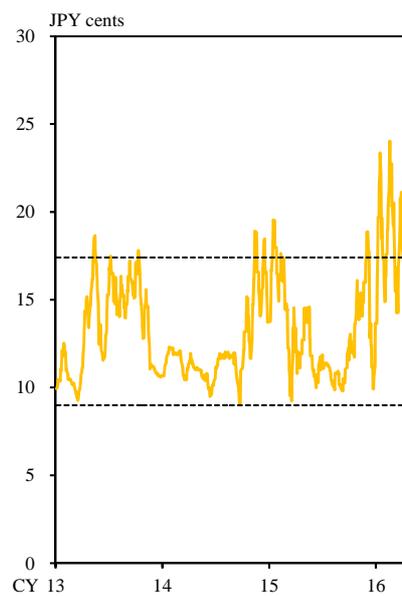
Volume of Limit Orders at the Best-Ask Price (JGB Futures)



Price Impact (JGB Futures)



Bid-Ask Spreads in the Dealer-to-Client Market (10-Year JGB Cash)



Notes: 1. 10-day backward moving averages.

2. Figures for volume of limit orders are calculated by taking the median of the volume of limit orders at the best-ask price with a 1-minute frequency within each business day. Figures for price impact are calculated by taking the average of each business day. In the chart of bid-ask spreads, dotted lines indicate the first/third quartile spreads between Jan. 2010 and Mar. 2013. For details of each indicator, see Kurosaki *et al.* (2015), "Liquidity in JGB Markets: An Evaluation from Transaction Data," Bank of Japan Working Paper Series, 15-E-2.

Sources: Nikkei Inc.; QUICK; Osaka Exchange, Inc.; Thomson Reuters.