

The Bank of Japan's Efforts toward Overcoming Deflation

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Chart 1

"Outlook for Economic Activity and Prices" (January 2015)

Forecasts of the Majority of Policy Board Members

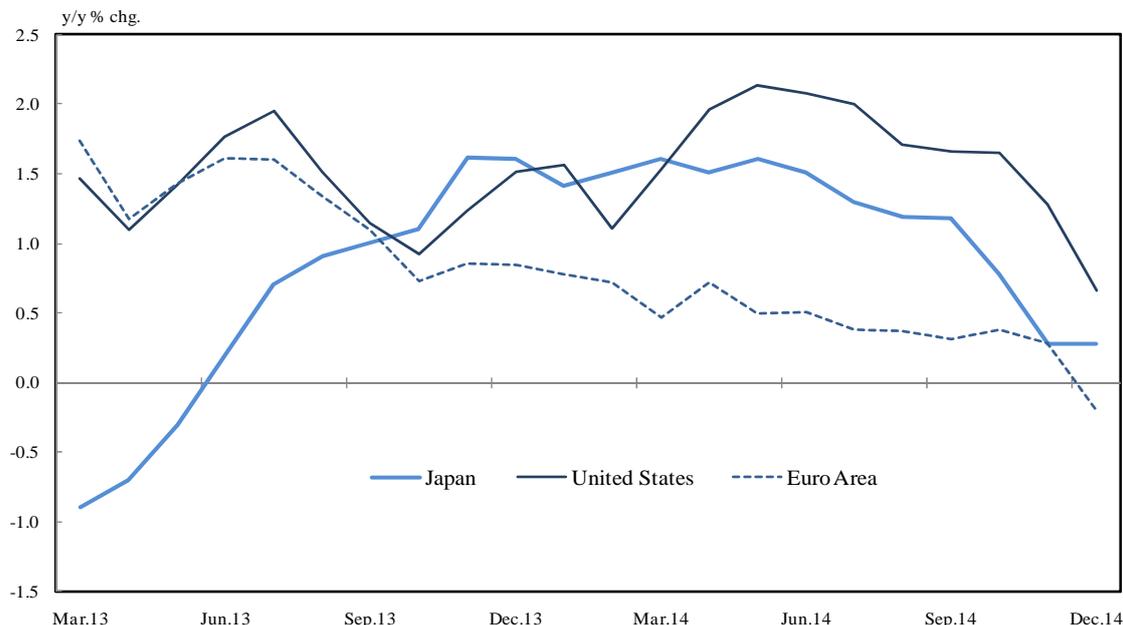
y/y % chg.

	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2014	-0.6 to -0.4 [-0.5]	+2.9 to +3.2 [+2.9]	+0.9 to +1.2 [+0.9]
Forecasts made in October 2014	+0.2 to +0.7 [+0.5]	+3.1 to +3.4 [+3.2]	+1.1 to +1.4 [+1.2]
Fiscal 2015	+1.8 to +2.3 [+2.1]	+0.4 to +1.3 [+1.0]	
Forecasts made in October 2014	+1.2 to +1.7 [+1.5]	+1.8 to +2.6 [+2.4]	+1.1 to +1.9 [+1.7]
Fiscal 2016	+1.5 to +1.7 [+1.6]	+1.5 to +2.3 [+2.2]	
Forecasts made in October 2014	+1.0 to +1.4 [+1.2]	+1.9 to +3.0 [+2.8]	+1.2 to +2.3 [+2.1]

Note: Figures in brackets indicate the median of the Policy Board members' forecasts (point estimates).
Source: Bank of Japan.

Inflation Rates in Major Economies

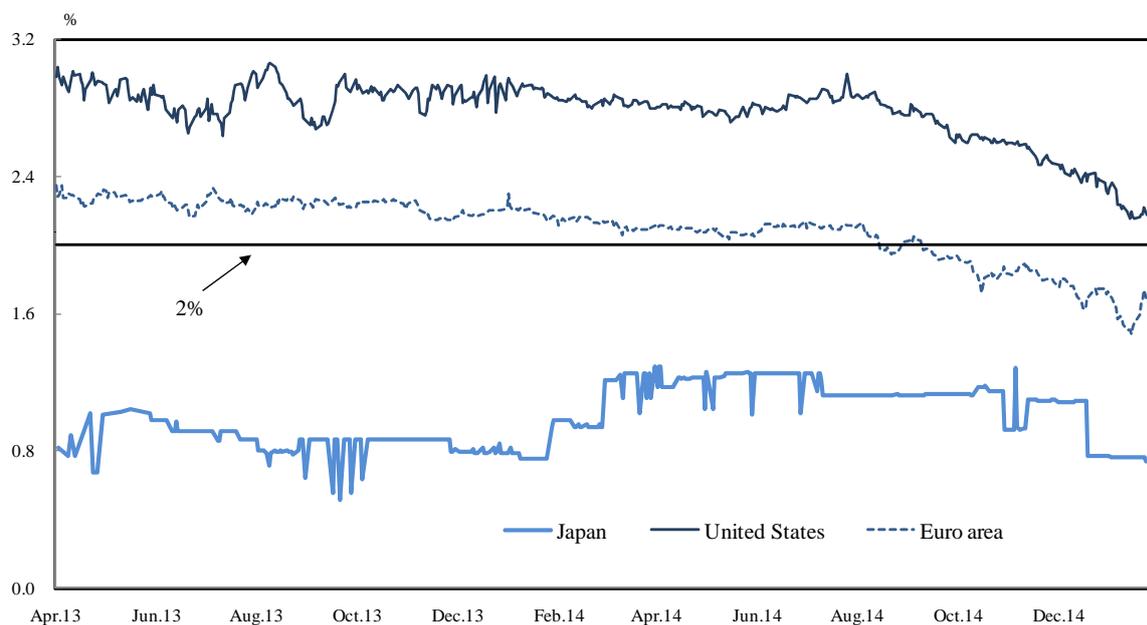
CPI Headline Inflation Rates



Note: Figures for Japan for April 2014 and onward are estimated after adjusting for the direct effects of the consumption tax hike.
Sources: Bloomberg.

Medium- to Long-Term Inflation Expectations in Major Economies

5-year / 5-year inflation swap rate

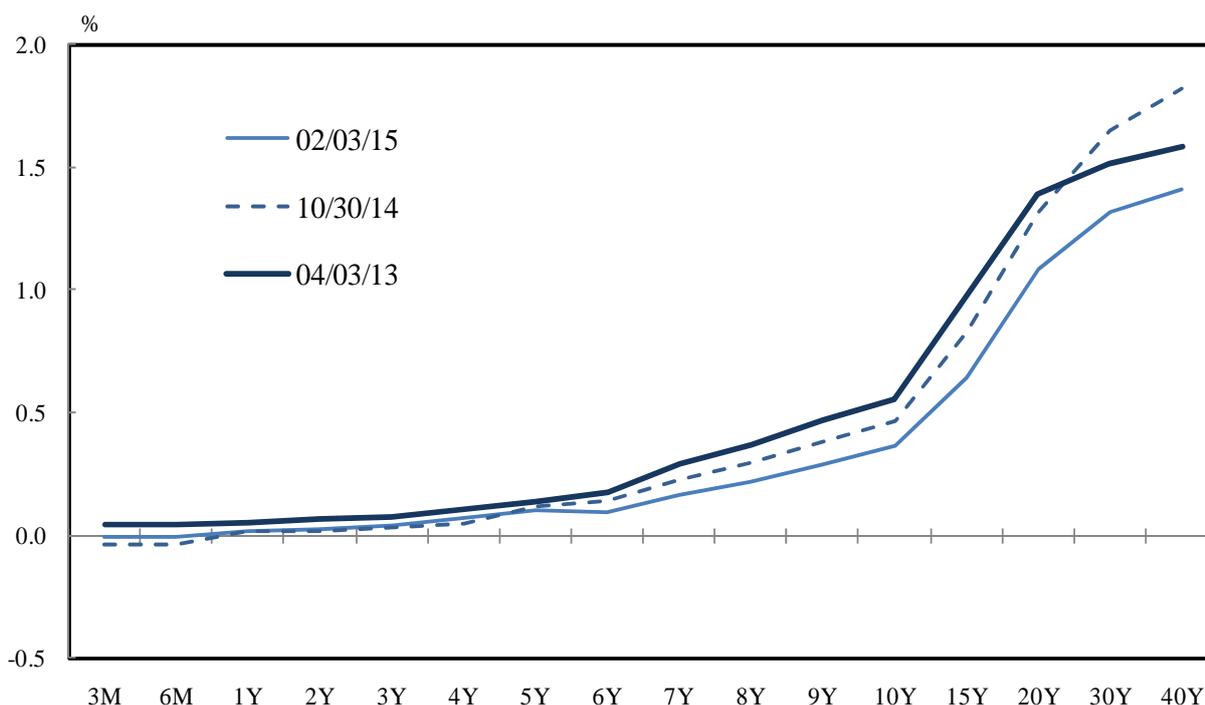


Source: Bloomberg.

Expansion of the Quantitative and Qualitative Monetary Easing (QQE)

- Accelerating the annual pace of increase in the monetary base from about 60-70 trillion yen to about 80 trillion yen.
- Increasing the annual pace of the Bank's JGB holdings from about 50 trillion yen to about 80 trillion yen.
- Extending the average remaining maturity of JGB purchases from about 7 years to about 7-10 years.
- Increasing the Bank's holdings of ETFs and J-REITs so that the annual paces of increase are tripled to about 3 trillion yen and about 90 billion yen, respectively.

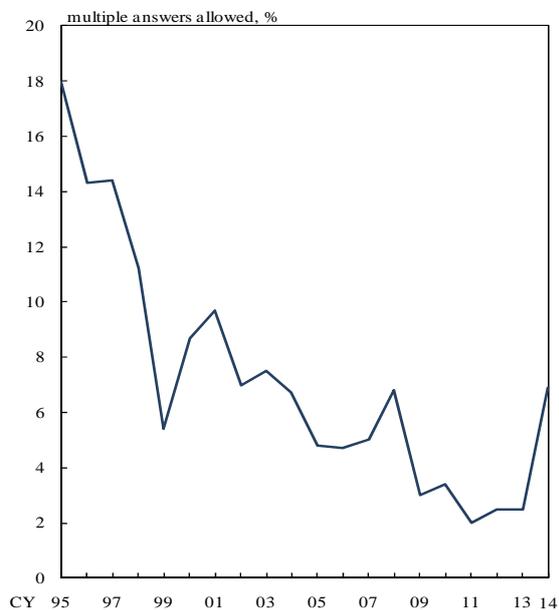
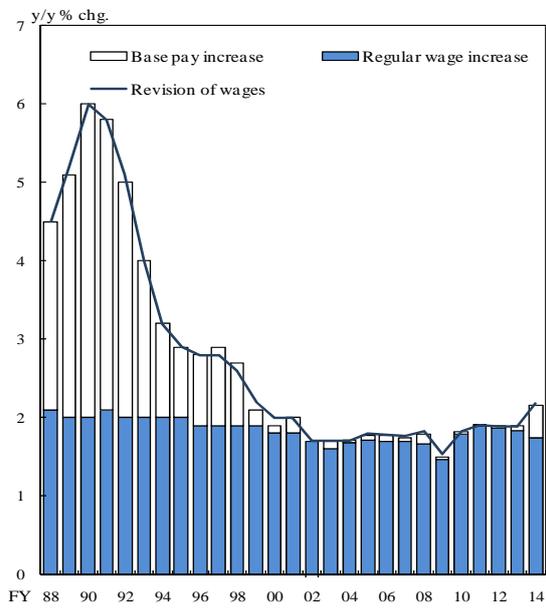
Changes in the yield curve



Source: Bloomberg.

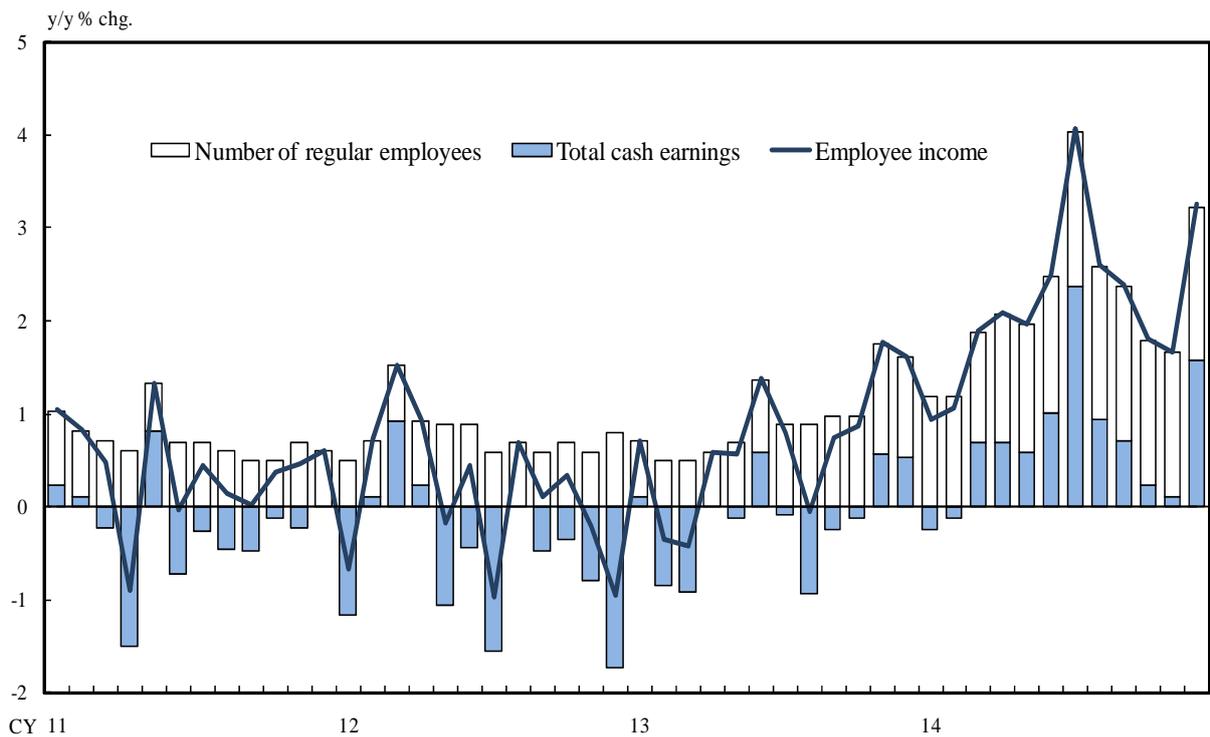
Increases in Wages

- (1) Base Pay and Regular Wage increase (2) The percentage which emphasized the inflation rate at the time of wage increase



Source: Ministry of Health, Labor and Welfare.

Employee Income



Note: Employee income is calculated as the number of regular employees times total cash earnings.
Source: Ministry of Health, Labor and Welfare.

Factors Affecting Long-Term Interest Rates

