

# Japan's Economy and the Bank of Japan: Yesterday, Today, and Tomorrow

*Speech at the Economic Conference in Tokyo  
Co-Hosted by Keio University and Bocconi University  
to Commemorate the 150th Anniversary  
of Diplomatic Relationship between Italy and Japan*

May 23, 2016

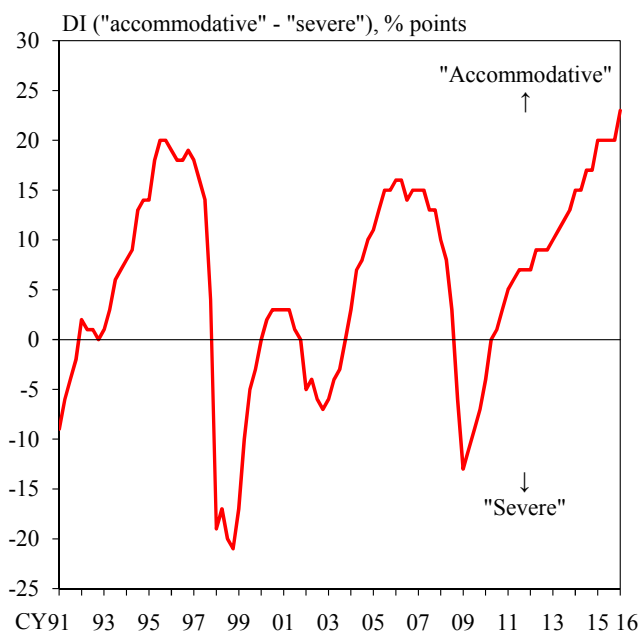
Hiroshi Nakaso

*Deputy Governor of the Bank of Japan*

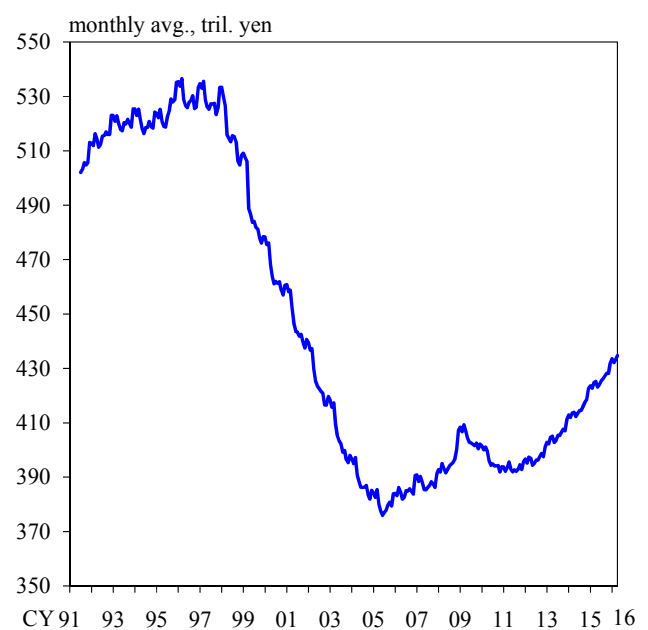
Chart 1

## Deleverage at the Banking Sector in Japan

*Tankan: Lending Attitude of  
Financial Institutions*

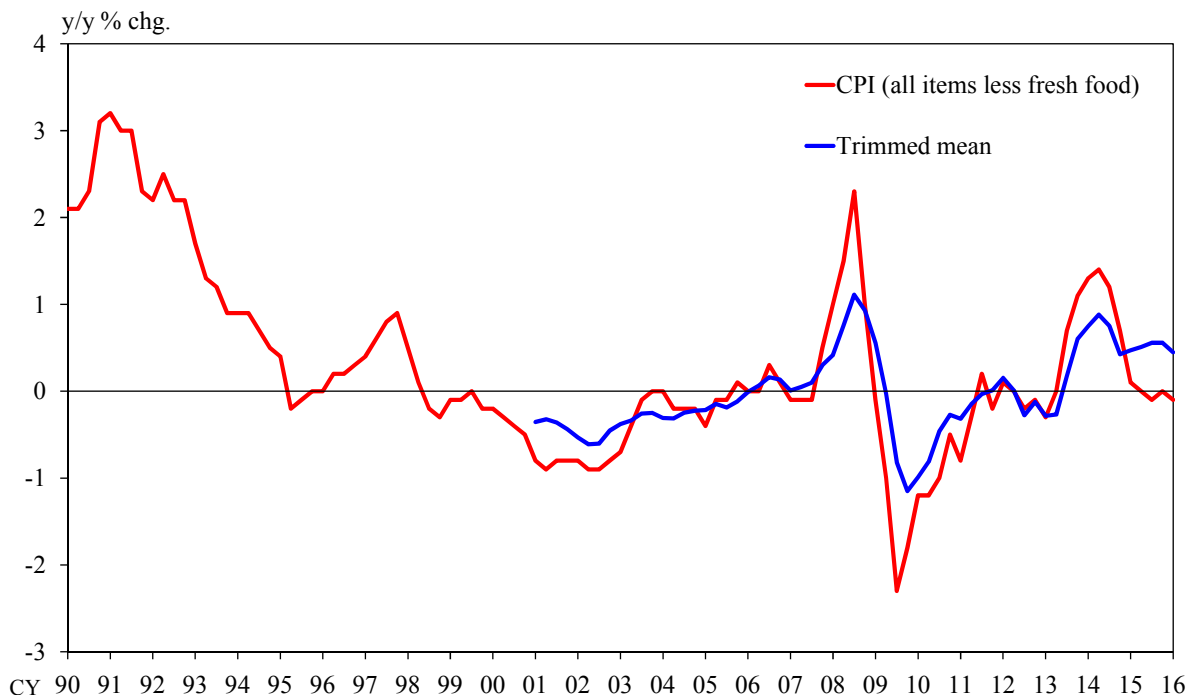


*Amount Outstanding of Bank Lending*



Source: Bank of Japan.

## Consumer Prices



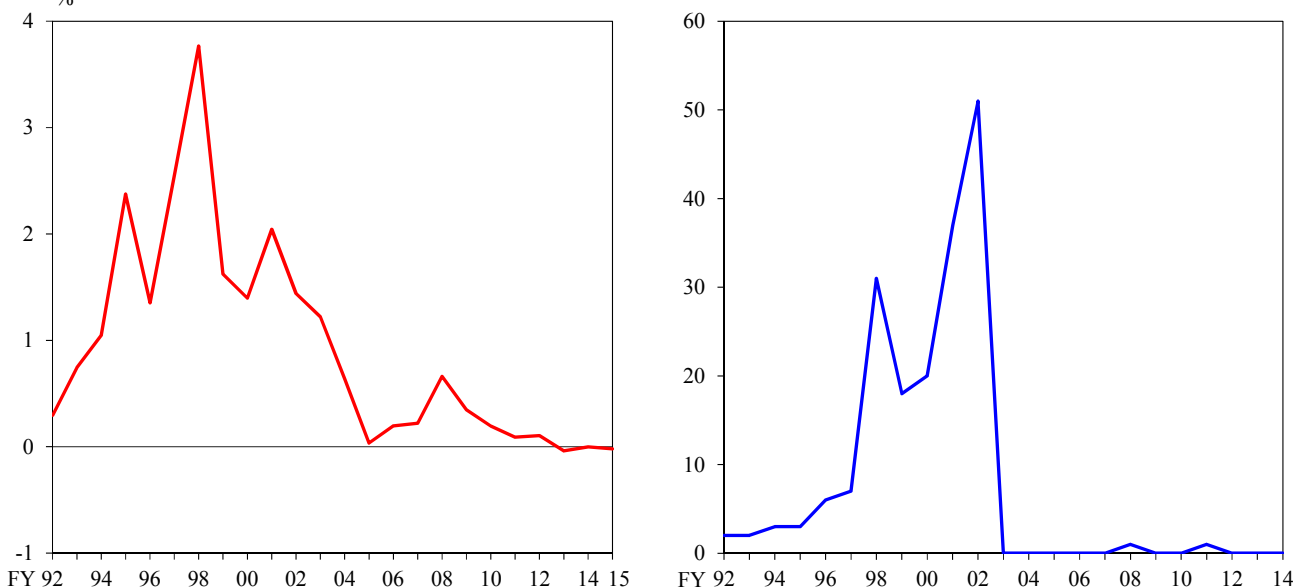
Notes: 1. Figures are adjusted to exclude the estimated effects of changes in the consumption tax rate.  
 2. Figures for the trimmed mean are the weighted averages of the year-on-year price changes in all individual items making up the CPI. Items are arranged in ascending order of their year-on-year rate of price change and those falling into the upper and lower 10 percent tails by weight are trimmed.  
 Source: Ministry of Internal Affairs and Communications.

## Developments in the Financial System

*Credit Cost Ratio of Banks*



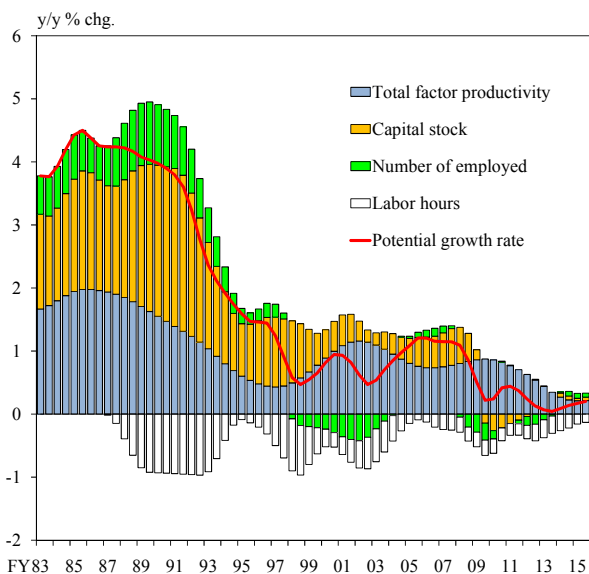
*Number of Failed Financial Institutions*



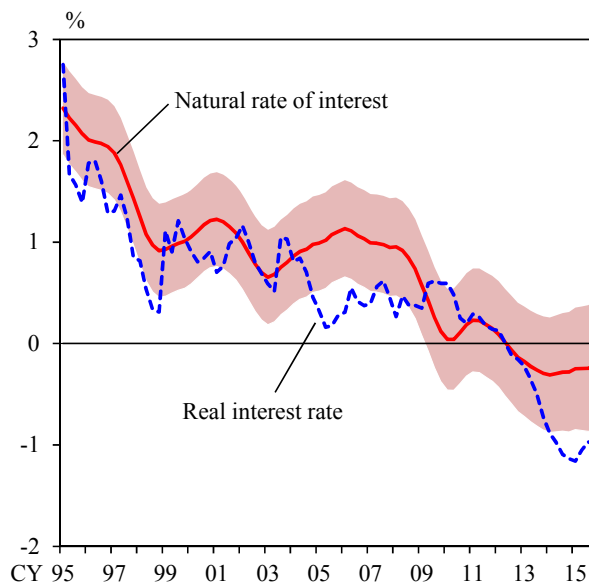
Notes: 1. Credit cost ratio for fiscal 2015 is as of the first half of fiscal 2015 (annualized).  
 2. The number of failed financial institutions is the total number of failed banks, *shinkin* banks, and credit cooperatives. Figures are based on the date when final measures for resolution, such as financial assistance by the Deposit Insurance Corporation of Japan, were implemented.  
 Sources: Bank of Japan; Deposit Insurance Corporation of Japan.

# Japan's Potential Growth Rate and Natural Rate of Interest

*Potential Growth Rate*



*Natural Rate of Interest*

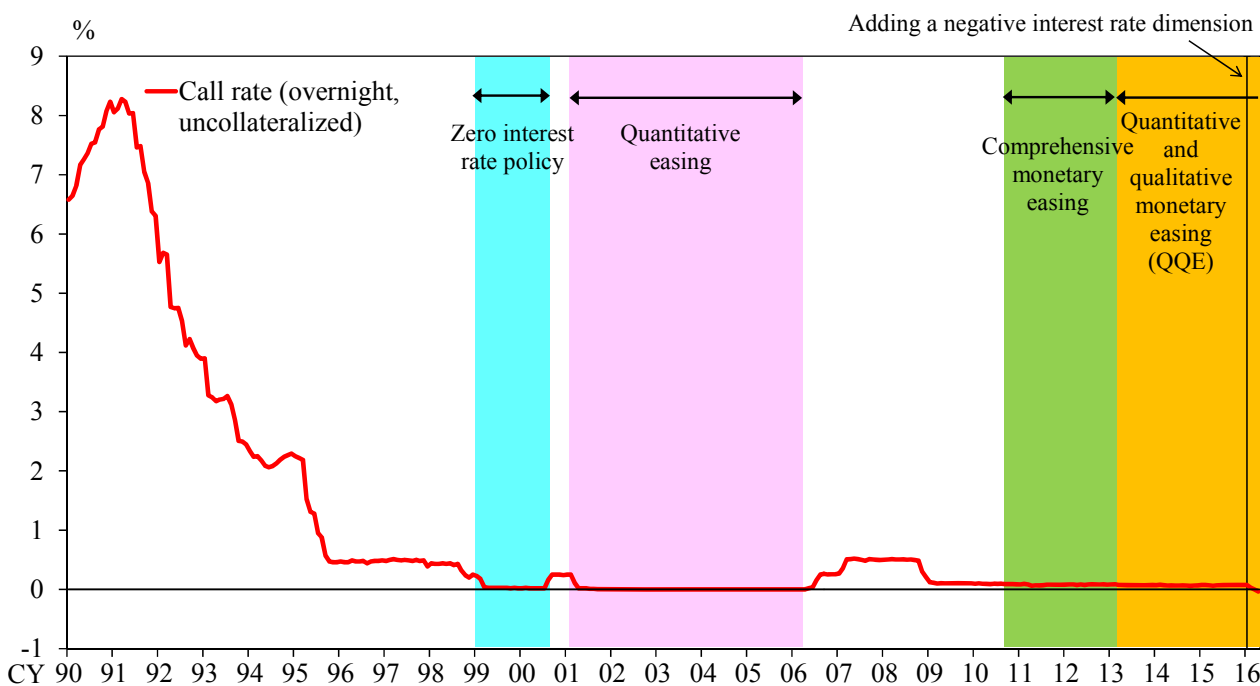


Notes: 1. The potential growth rate is estimated by the Research and Statistics Department, Bank of Japan. Figures for the second half of fiscal 2015 are those of 2015/Q4.

2. The natural rate of interest and real interest rate are calculated based on 10-year government bond yields. The shaded area indicates the 95 percent confidence interval for the natural rate of interest. 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.

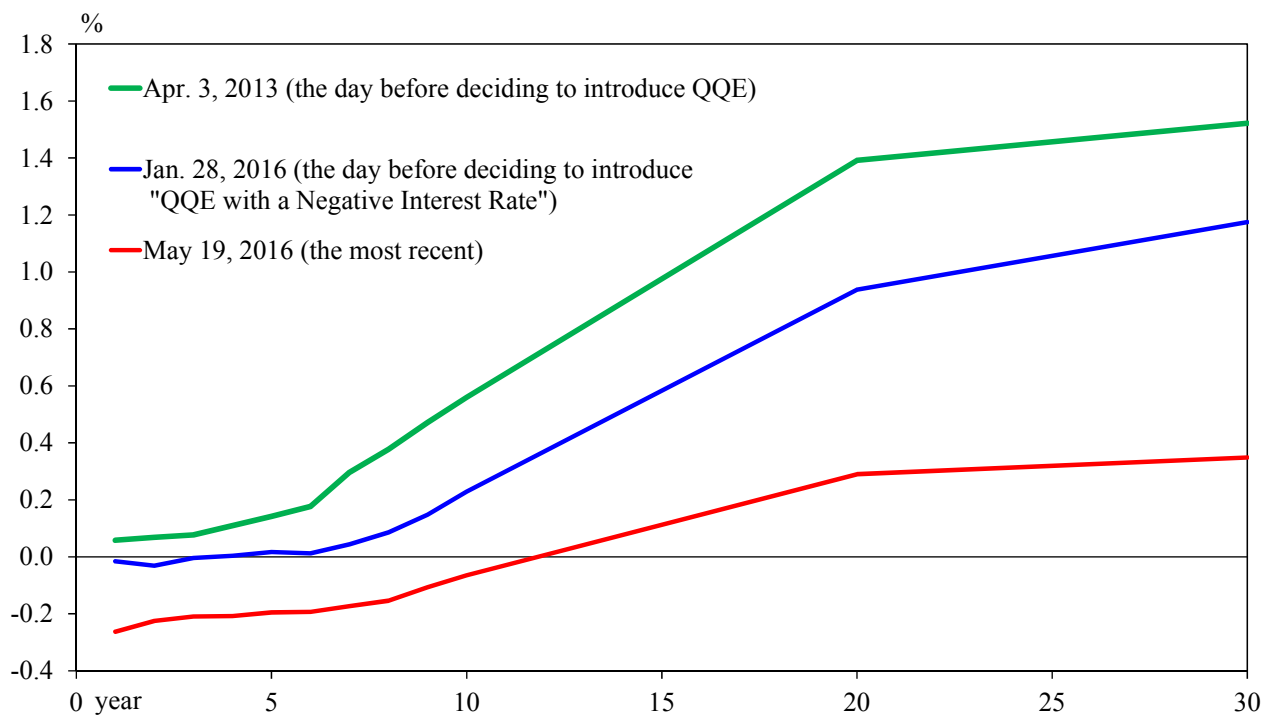
Sources: Cabinet Office; Bank of Japan; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Ministry of Economy, Trade and Industry; Research Institute of Economy, Trade and Industry; Bloomberg.

# Monetary Policy since the 1990s



Source: Bank of Japan.

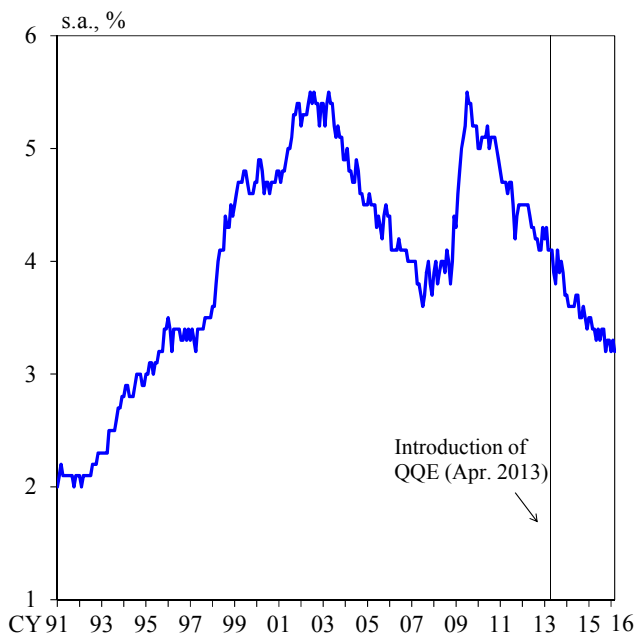
# JGB Yield Curve



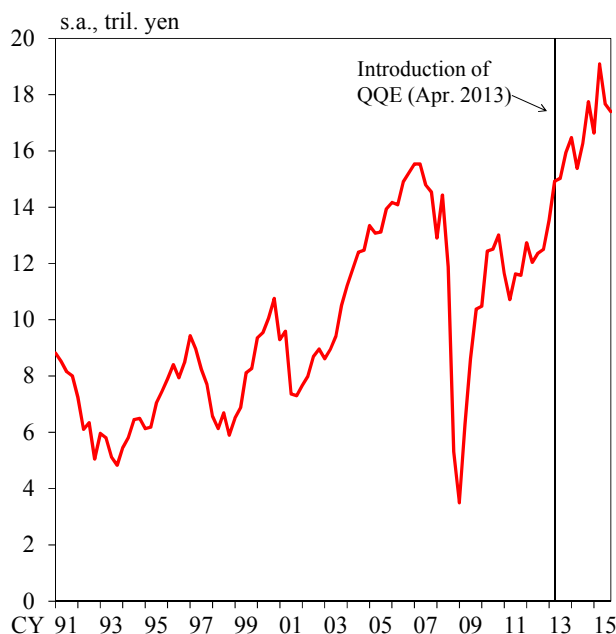
Source: Bloomberg.

# Labor Market Conditions and Corporate Profits

*Unemployment Rate*



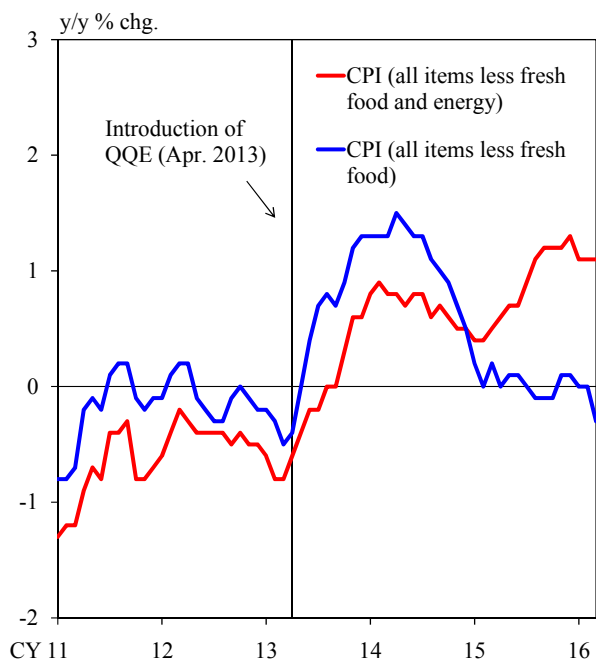
*Current Profits*



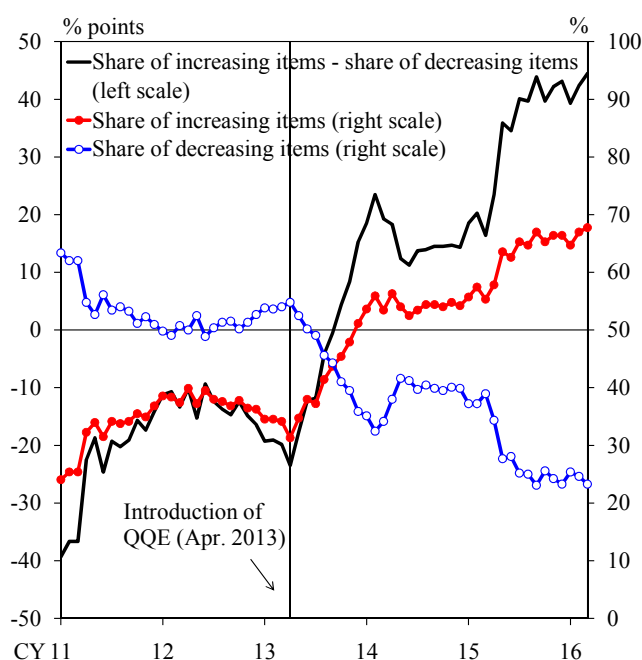
Sources: Ministry of Internal Affairs and Communications; Ministry of Finance.

# Price Developments

## Consumer Price Index



## Share of Increasing and Decreasing Items

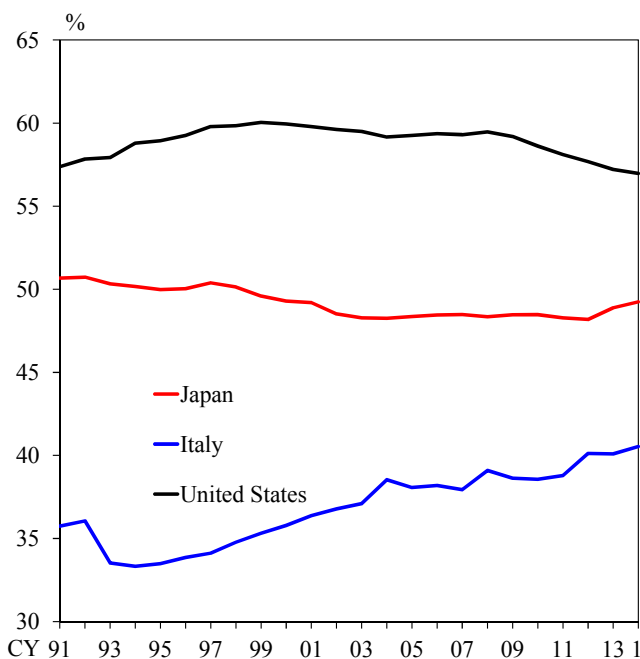


- Notes: 1. Figures are adjusted to exclude the estimated effects of changes in the consumption tax rate.
- 2. Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.
- 3. The share of increasing/decreasing items is the share of items in the CPI (all items less fresh food) whose price indices increased/decreased from a year earlier.

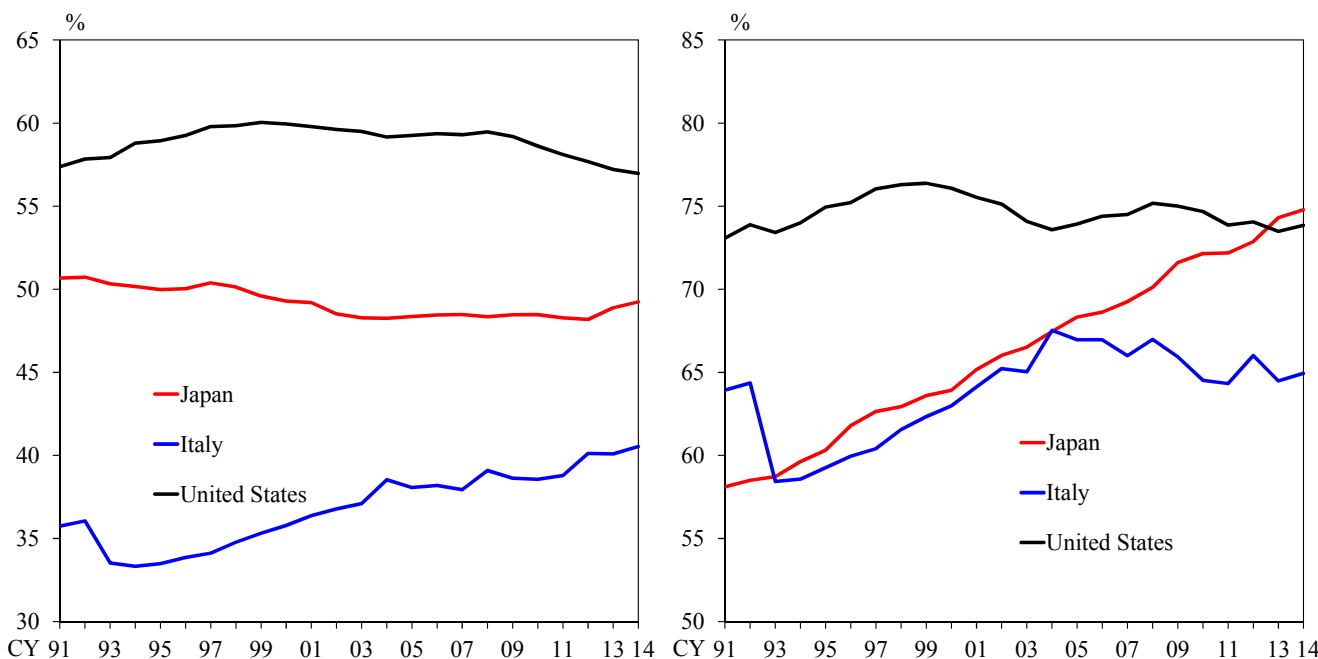
Source: Ministry of Internal Affairs and Communications.

# Labor Force Participation Rate of Women

## Total



## Aged 25 to 34



Source: OECD.

# IT-Related Sector and Labor Productivity

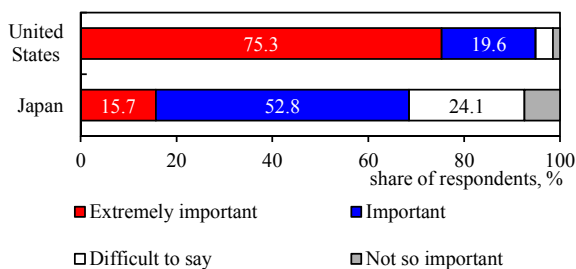
## Growth Rate of Labor Productivity

annual growth rate from CY 1998 to CY 2013, % chg.

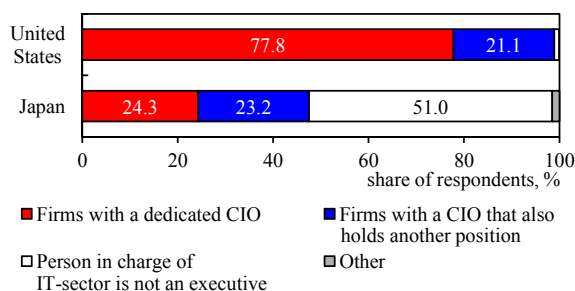
IT-producing sector		IT-using sector	
Japan	United States	Japan	United States
+ 7.5	+ 9.3	+ 0.7	+ 1.2

## State of IT Management

### IT-Users' Perception of IT Investment



### Whether Firms Have a CIO

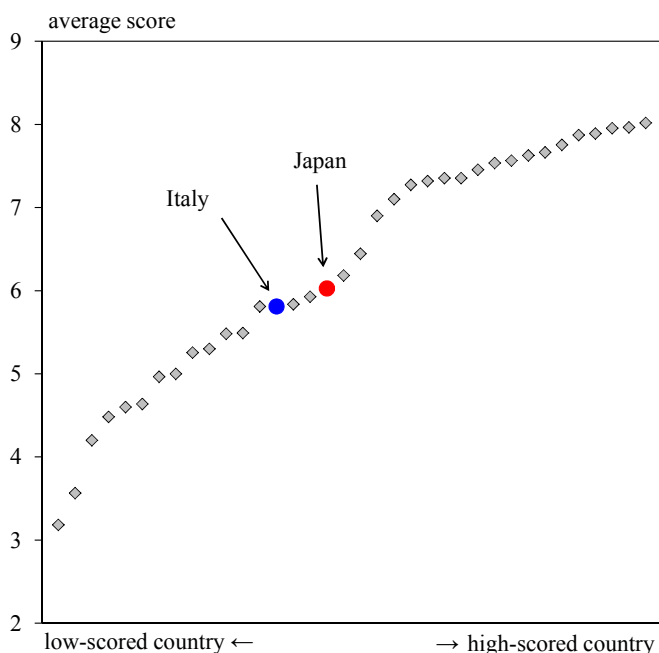


Notes: 1. IT-producing sector consists of "electrical machinery, equipment and supplies," "machinery," and "precision instruments." IT-using sector consists of "wholesale and retail trade," "information and communications," and "service activities."  
 2. Figures on the "state of IT management" are based on a survey conducted by JEITA and IDC Japan in June and July 2013. The figures are taken from conference material presented by JEITA at the CEATEC JAPAN 2015 (with some adjustment by the Bank of Japan). CIO stands for chief information officer.

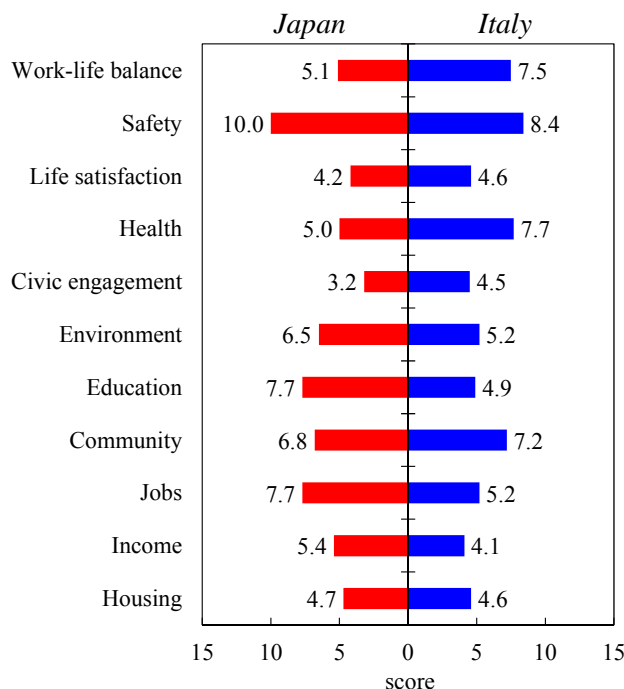
Sources: Cabinet Office; Bureau of Economic Analysis; Japan Electronics and Information Technology Industries Association (JEITA); IDC Japan.

# Better Life Index

## Average Scores for OECD Countries



## Score of Each Topic for Japan and Italy



Notes: 1. The average score for each country is the average of scores of eleven topics that comprise the Better Life Index (2015 edition).

2. Countries in the left chart include Brazil and Russia other than OECD countries.

Source: OECD.