

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Nagoya

December 2, 2013

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Governor of the Bank of Japan

Chart 1

Forecasts of the Majority of Policy Board Members

y/y % chg.

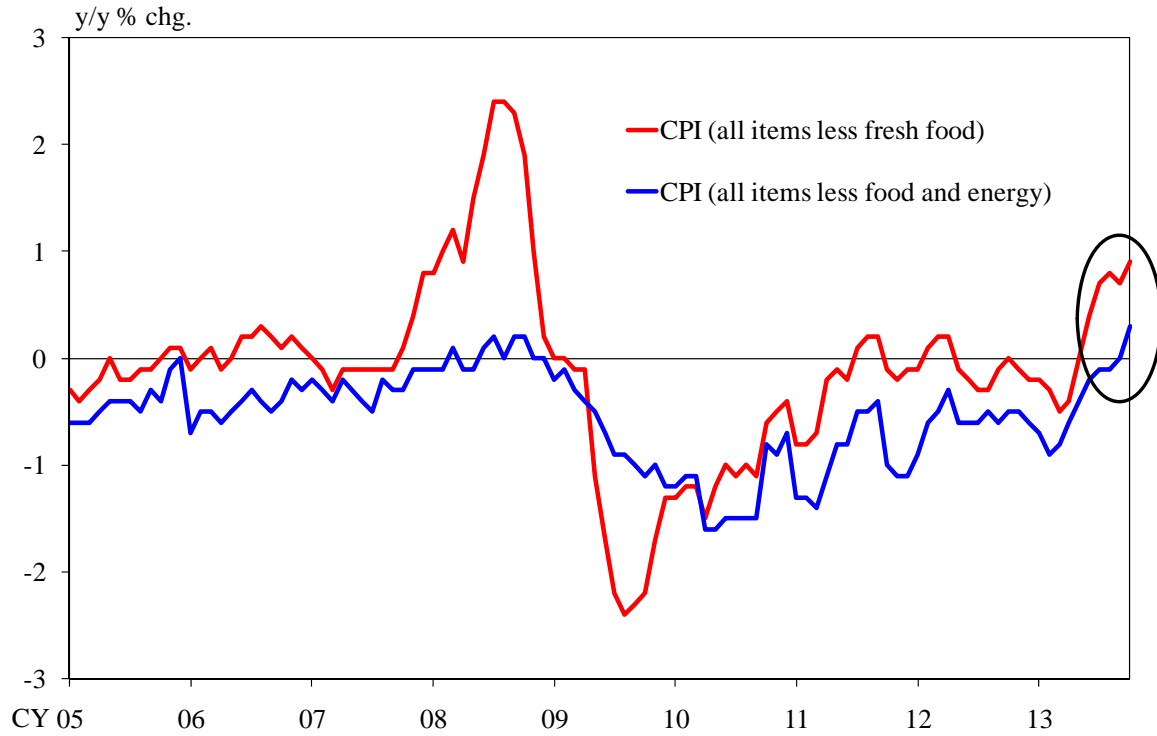
	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2013	+2.7 <+2.8>	+0.7 <+0.6>	
Fiscal 2014	+1.5 <+1.3>	+3.3 <+3.3>	+1.3 <+1.3>
Fiscal 2015	+1.5 <+1.5>	+2.6 <+2.6>	+1.9 <+1.9>

Notes: 1. Figures indicate the median of the Policy Board members' forecasts (point estimates).

2. Figures in angle brackets are the median forecasts made in July 2013.

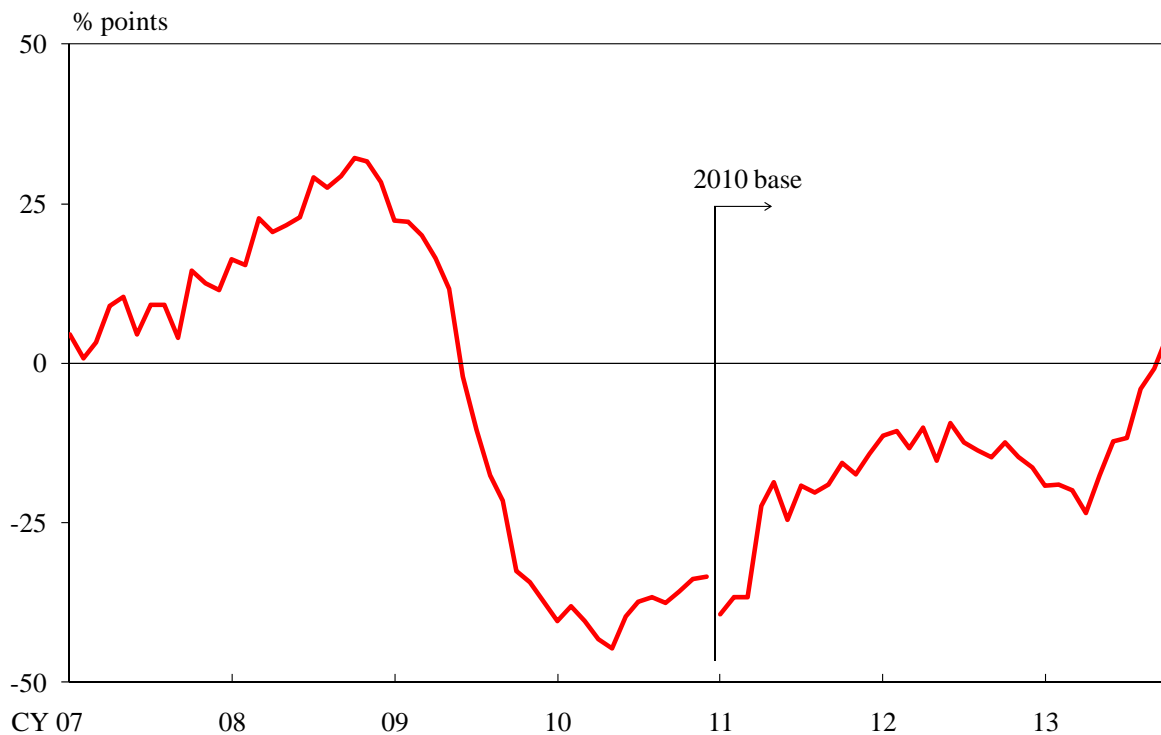
Source: Bank of Japan.

Consumer Price Index



Source: Ministry of Internal Affairs and Communications.

Ratio of Increasing and Decreasing Items (Consumer Price Index)

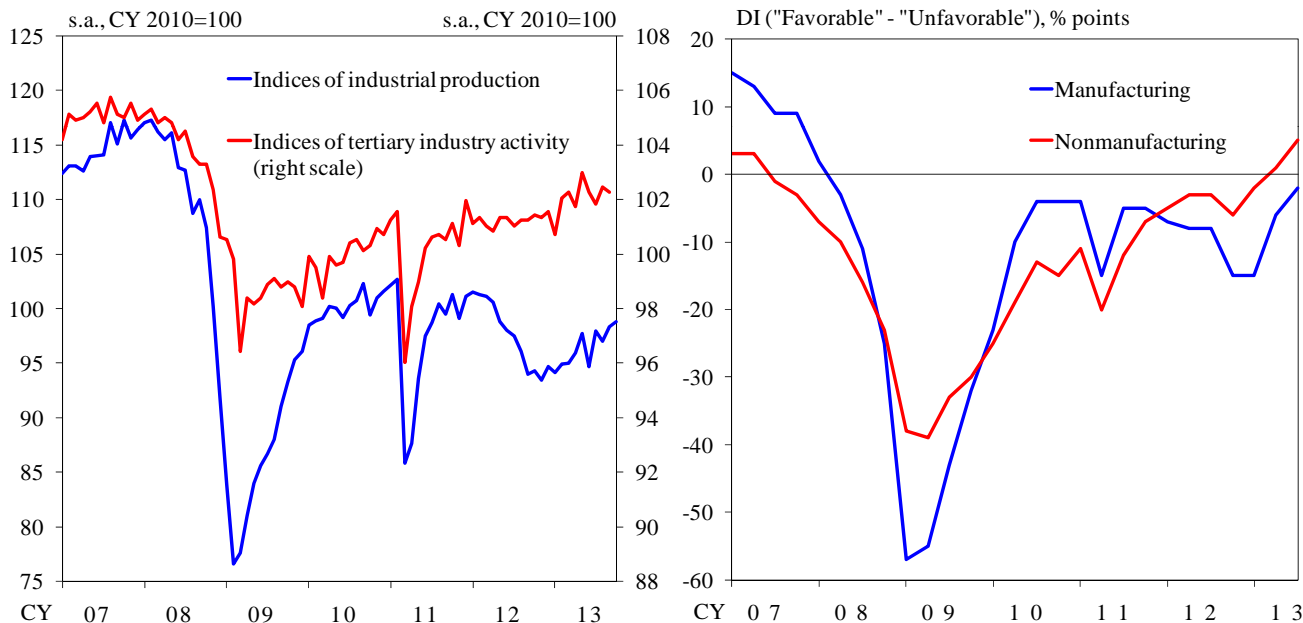


Note: Proportion of items whose year-on-year rates of price change increased/decreased. All items less fresh food.
Source: Ministry of Internal Affairs and Communications.

Features of the Current Economic Recovery

Industrial Production and Tertiary Industry Activity

Business Conditions
<Tankan>

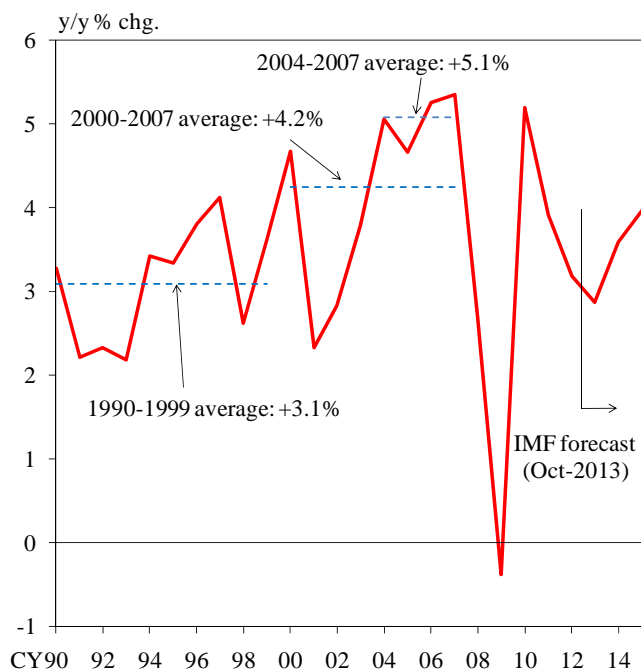


Sources: Ministry of Economy, Trade and Industry; Bank of Japan.

World Economy

Real GDP Growth Rate

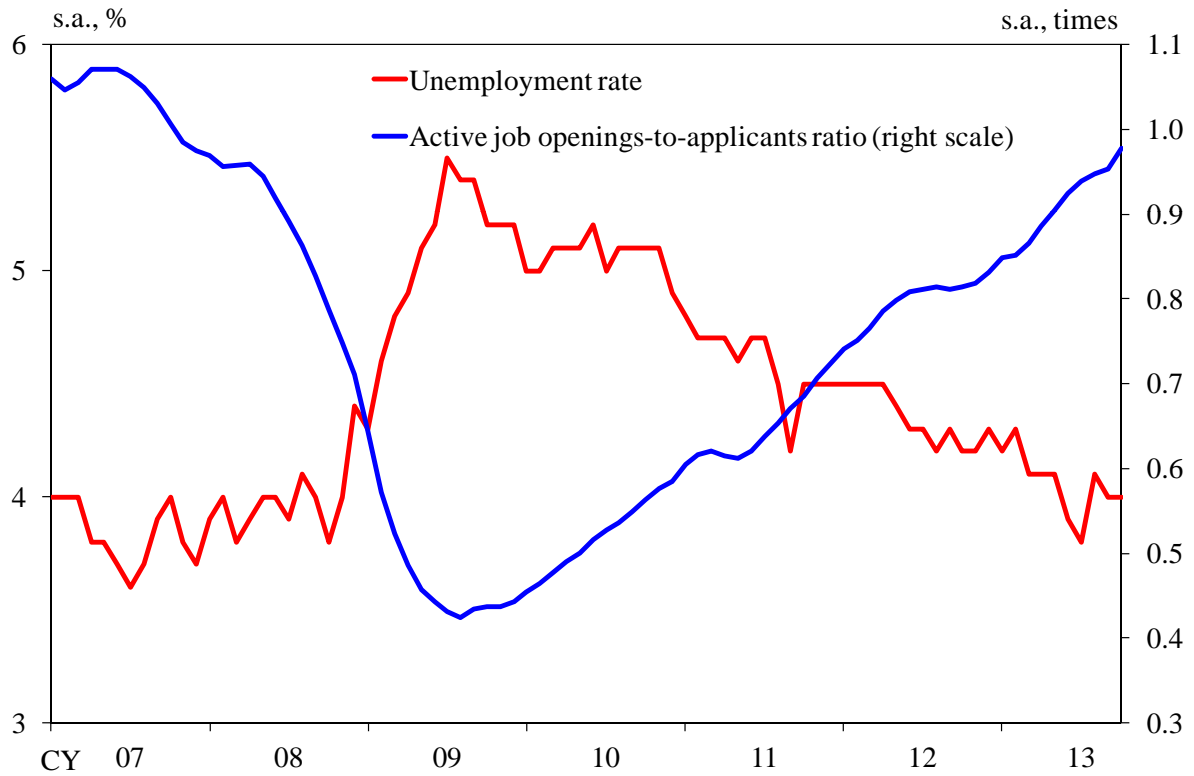
Projections for Major Economies



	2011	2012	Projections		
			2013	2014	2015
World	3.9	3.2	2.9 (-0.3)	3.6 (-0.2)	4.0
Advanced Economies	1.7	1.5	1.2 (0.0)	2.0 (0.0)	2.5
United States	1.8	2.8	1.6 (-0.1)	2.6 (-0.2)	3.4
Euro Area	1.5	-0.6	-0.4 (0.1)	1.0 (0.0)	1.4
Japan	-0.6	2.0	2.0 (-0.1)	1.2 (0.1)	1.1
Emerging Market and Developing Economies	6.2	4.9	4.5 (-0.5)	5.1 (-0.4)	5.3
Developing Asia	7.8	6.4	6.3 (-0.6)	6.5 (-0.5)	6.6
China	9.3	7.7	7.6 (-0.2)	7.3 (-0.4)	7.0
Brazil	2.7	0.9	2.5 (0.0)	2.5 (-0.7)	3.2

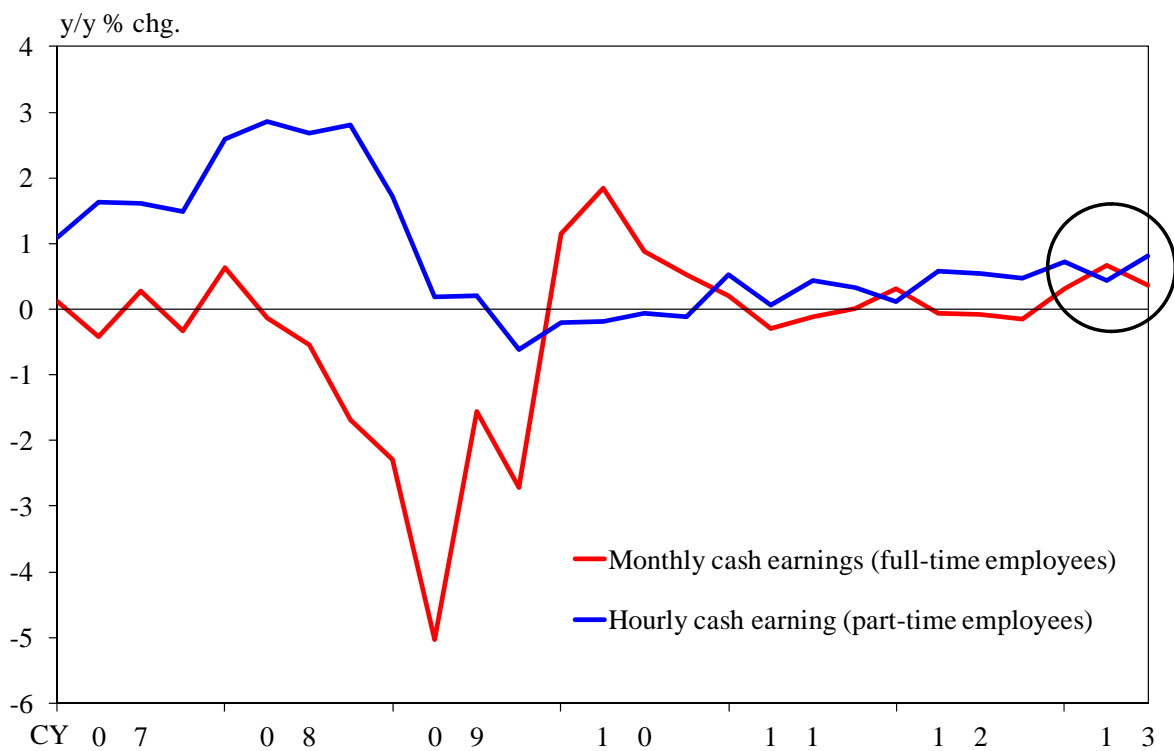
Note: Figures in parentheses are the difference from the July 2013 WEO.
Source: IMF, "World Economic Outlook, October 2013."

Employment Situation



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

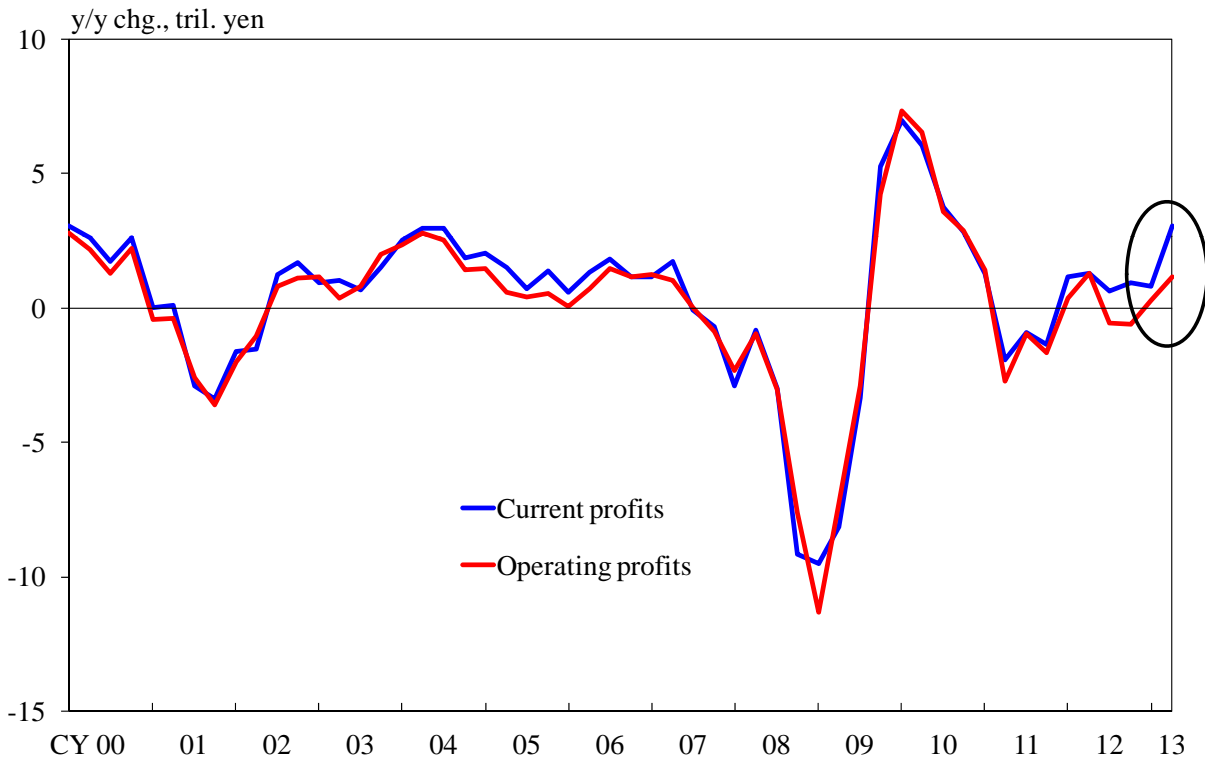
Cash Earnings



Note: Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2013/Q3 are those of September.

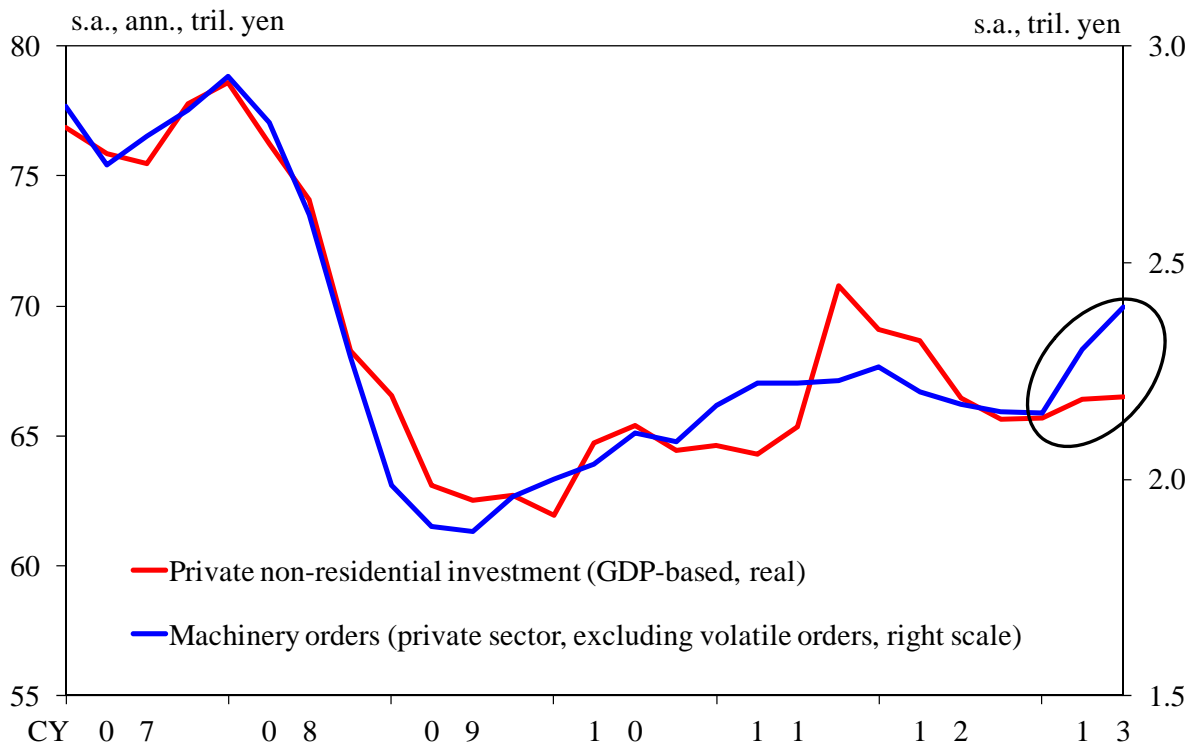
Source: Ministry of Health, Labor and Welfare.

Corporate Profits



Note: Taken from the "Financial Statements Statistics of Corporations by Industry, Quarterly." Figures are based on all enterprises except finance and insurance.
 Source: Ministry of Finance.

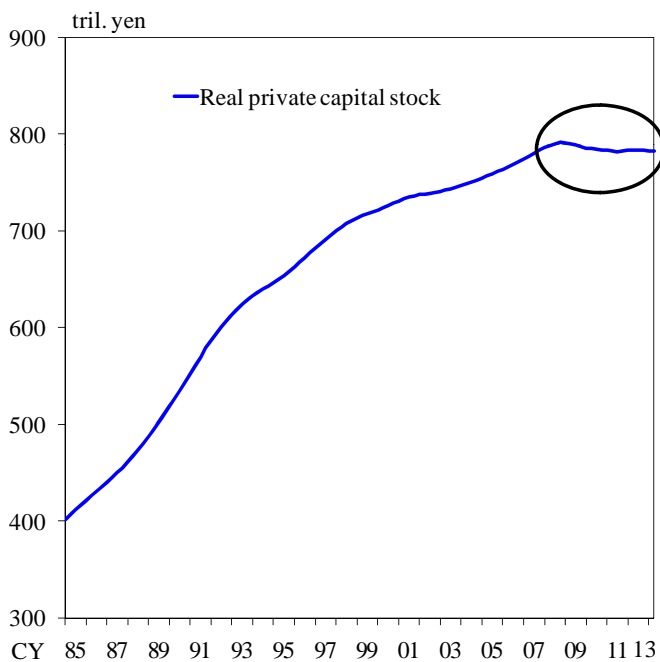
Business Fixed Investment



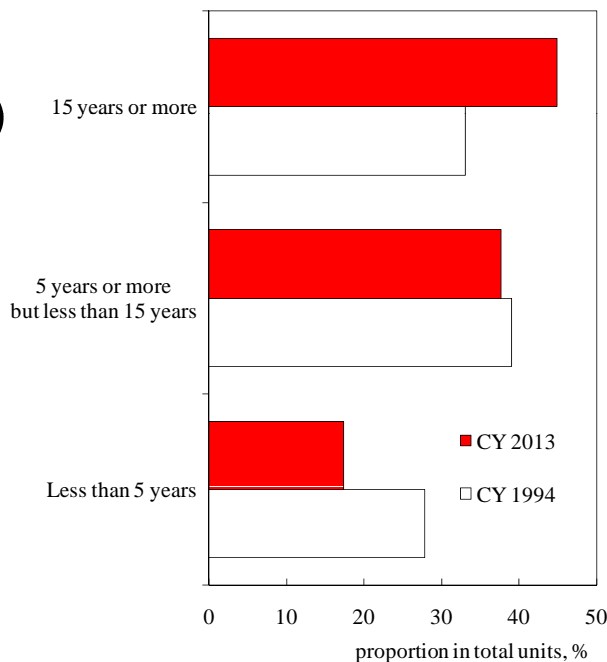
Note: Volatile orders: Orders for ships and those from electric power companies.
 Source: Cabinet Office.

Factors Supporting Business Fixed Investment

Capital Stock

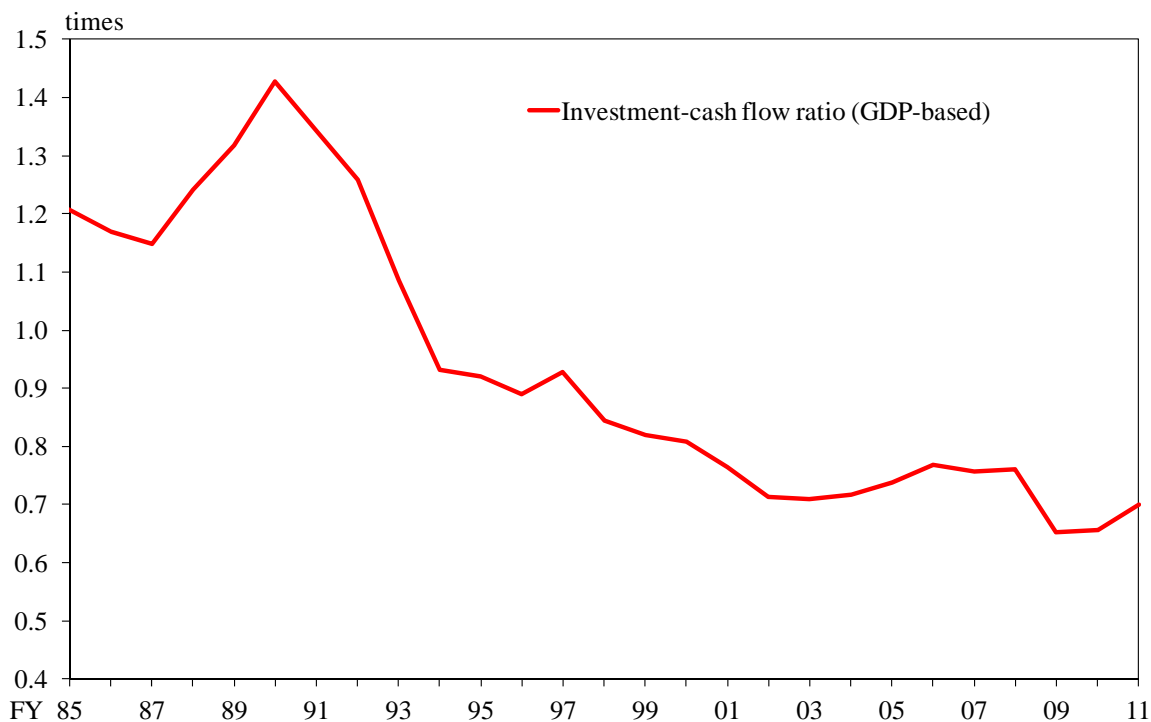


Holding Periods of Production Facilities (Manufacturing)



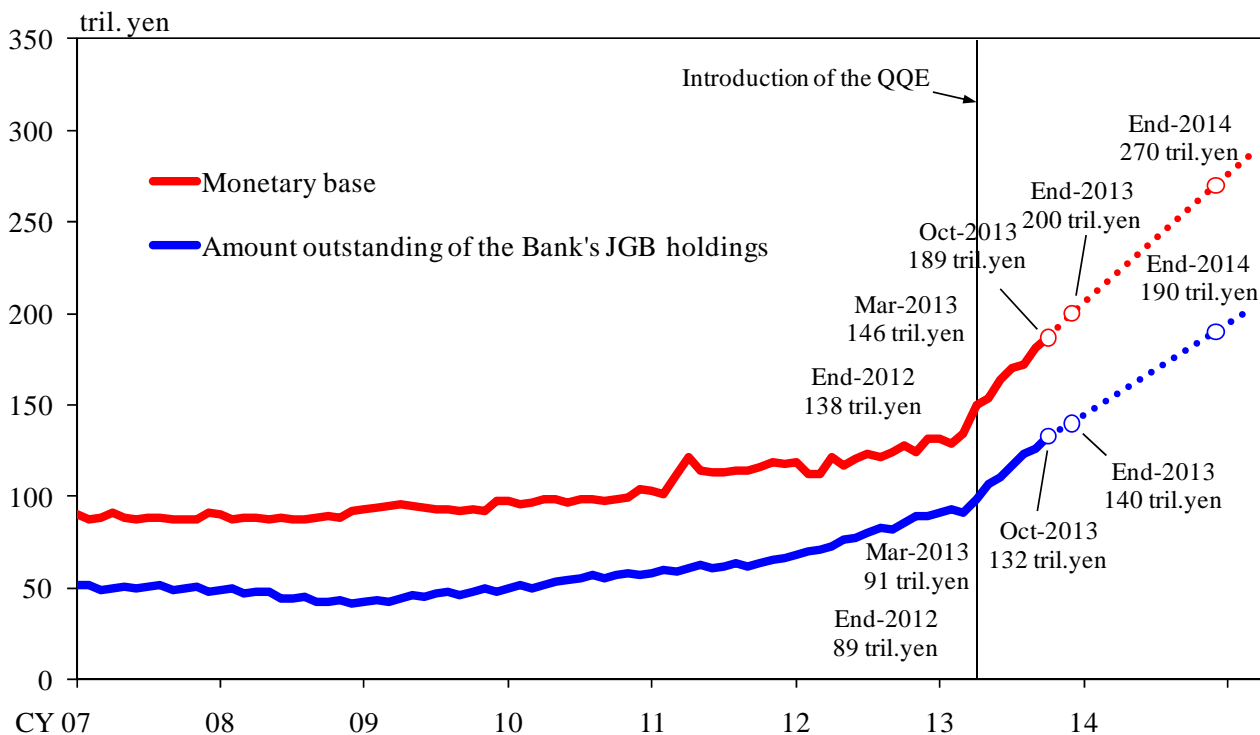
Sources: Ministry of Economy, Trade and Industry; RIETI, etc.

Investment-Cash Flow Ratio



Note: Cash flow = consumption of fixed capital + (operating surplus + net property income) / 2
 Source: Cabinet Office.

Expansion in the Monetary Base and JGB Holdings



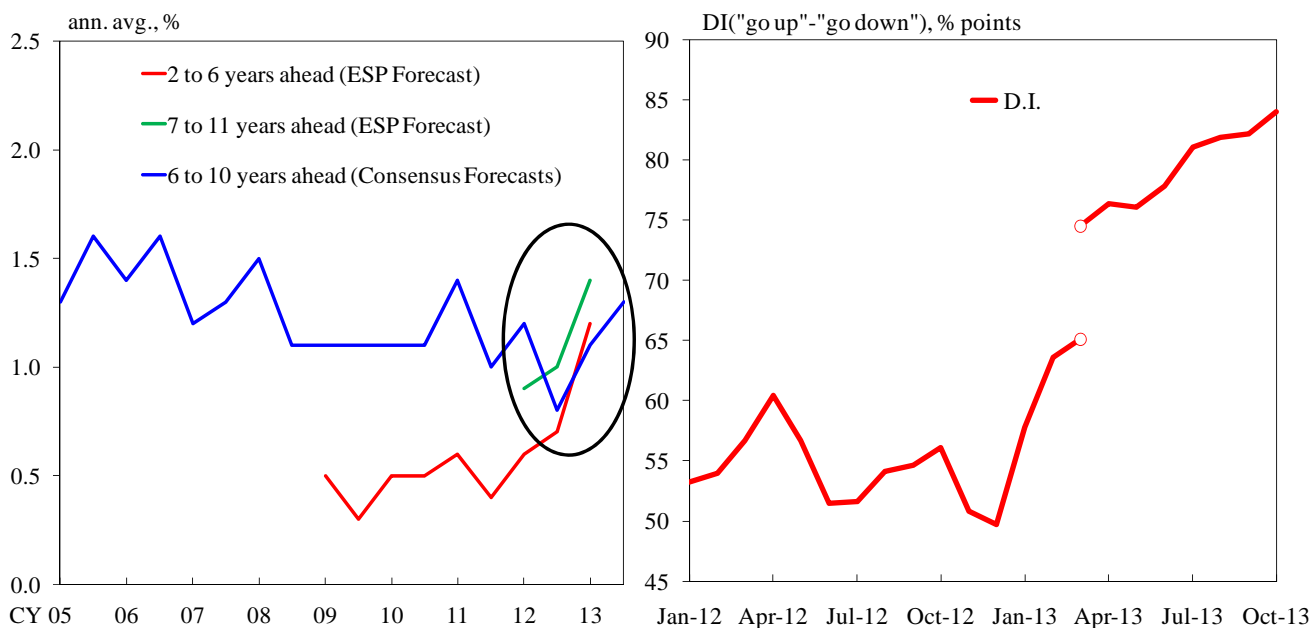
Source: Bank of Japan.

Inflation Expectations

Economists

Households

(Consumer Confidence Survey)

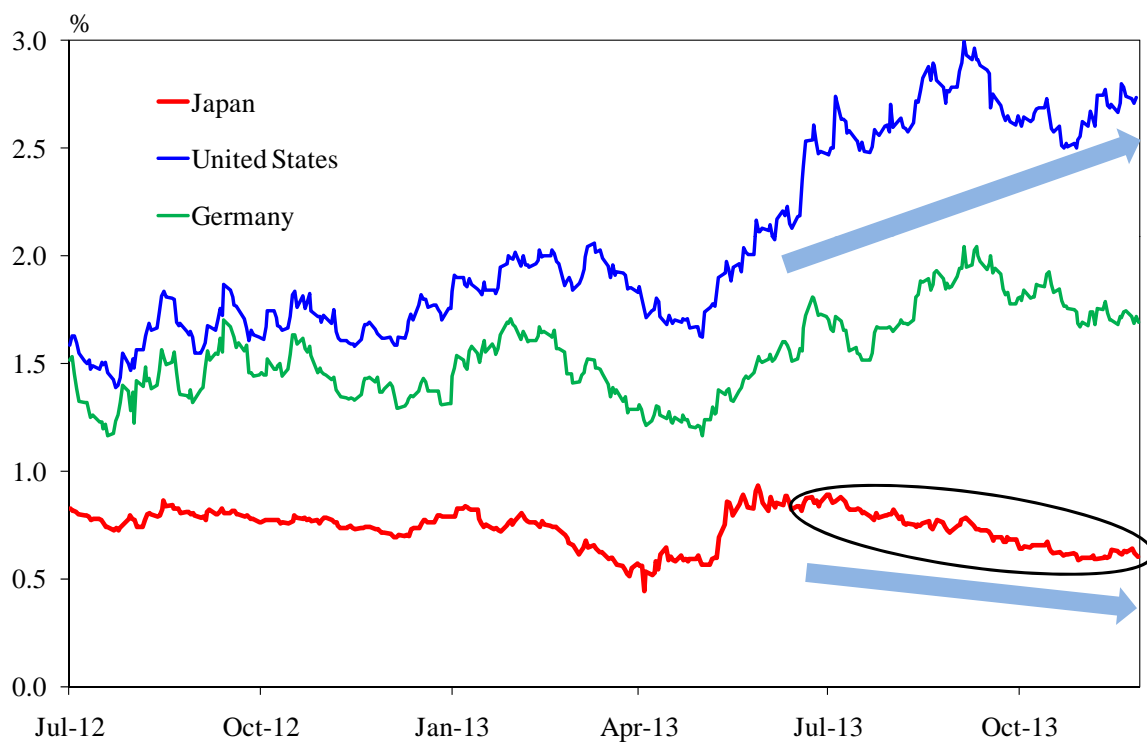


Notes: 1. Figures for the ESP Forecast exclude the effects of the scheduled consumption tax hikes.

2. In the Consumer Confidence Survey, there is a discontinuity between figures up to March 2013 and those thereafter due to the change in the survey method in April 2013. Figures for March 2013 via the new survey method are reference values obtained from the examination survey.

Sources: Consensus Economics Inc.; JCER; Cabinet Office.

Long-Term Interest Rates



Source: Bloomberg.