Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Nagoya

November 30, 2015

Haruhiko Kuroda
Governor of the Bank of Japan

Chart 1

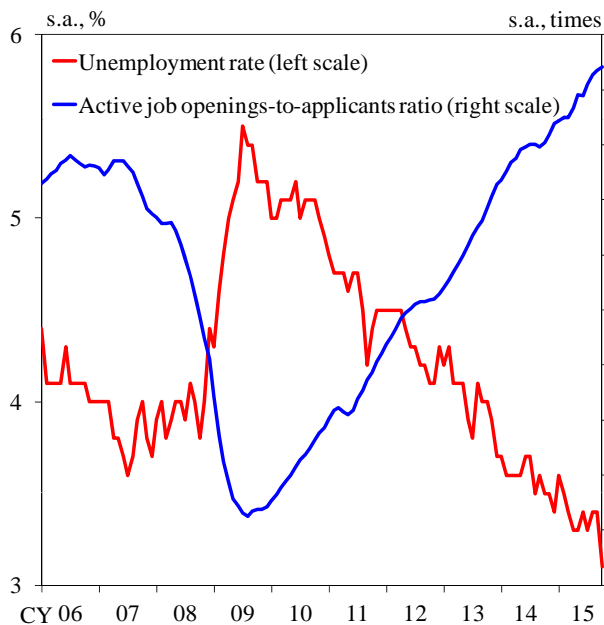## Outlook for Economic Activity and Prices
(as of October 2015)

y/y % chg.

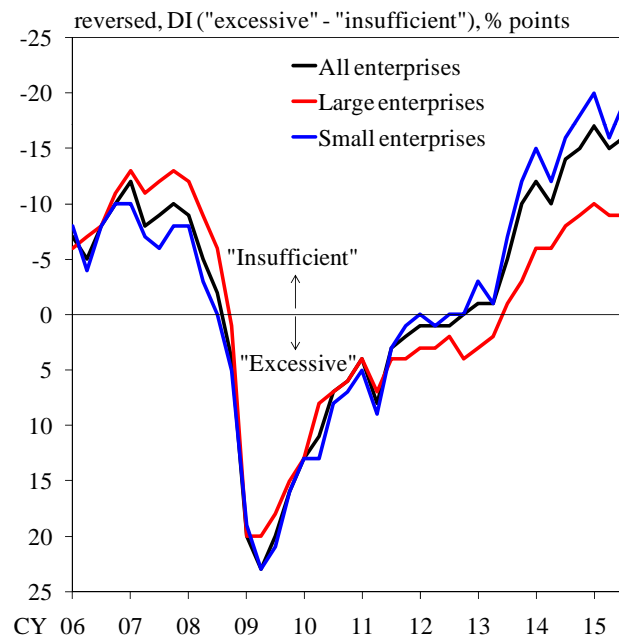|	Real GDP	CPI (all items less fresh food)	Excluding the effects of the consumption tax hikes
Fiscal 2015	＋1.2	＋0.1	
Forecasts made in July 2015	＋1.7	＋0.7	
Fiscal 2016	＋1.4	＋1.4	
Forecasts made in July 2015	＋1.5	＋1.9	
Fiscal 2017	＋0.3	＋3.1	＋1.8
Forecasts made in July 2015	＋0.2	＋3.1	＋1.8

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

Chart 2

# Labor Market Conditions

Unemployment Rate and Job Openings-to-Applicants Ratio

s.a., % | s.a., times

- Unemployment rate (left scale)
- Active job openings-to-applicants ratio (right scale)

Tankan: Employment Conditions DI

reversed, DI ("excessive" - "insufficient"), % points

- All enterprises
- Large enterprises
- Small enterprises

"Insufficient"

"Excessive"

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Bank of Japan.
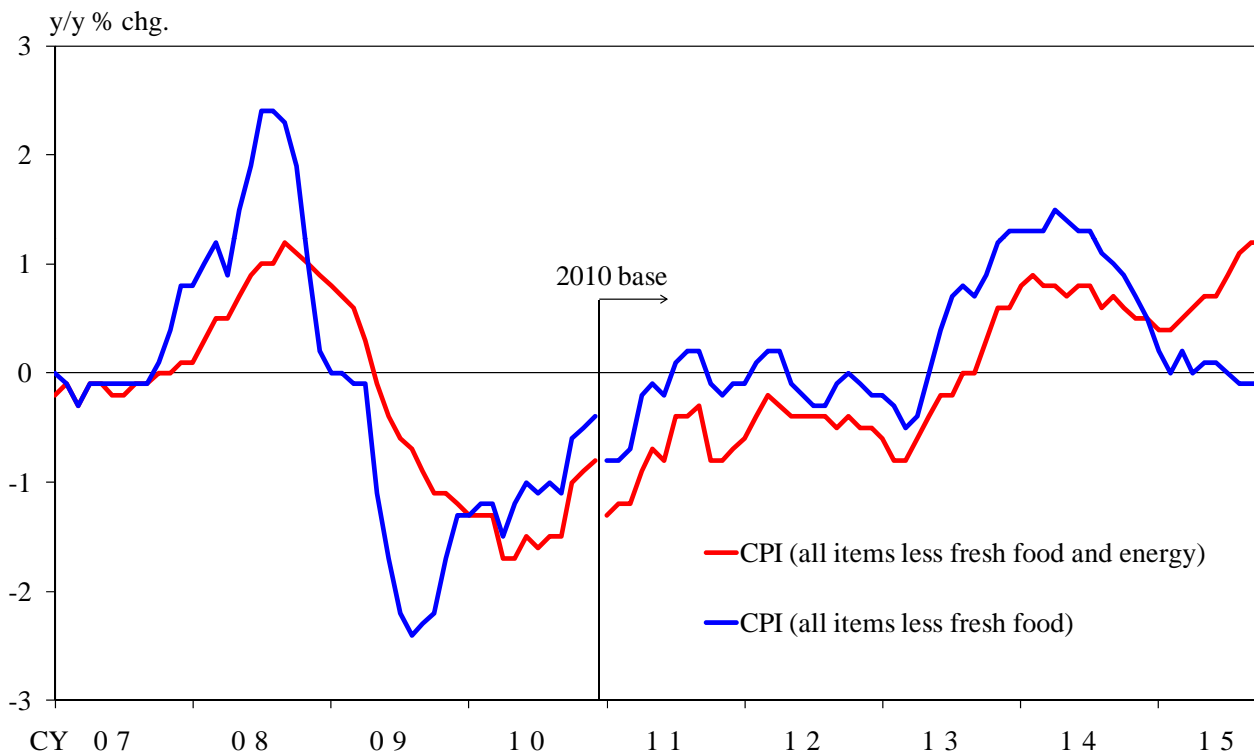
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Chart 3

Wages

Scheduled Cash Earnings

y/y % chg.

Summer Bonuses

y/y % chg.
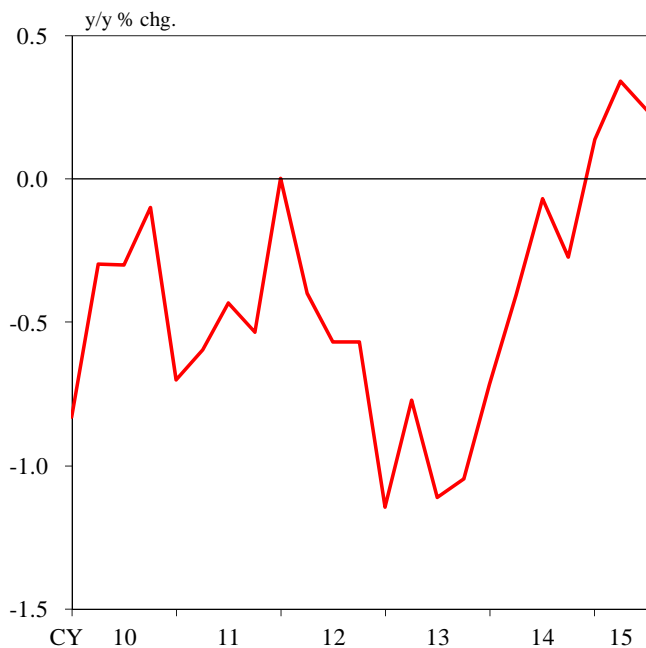
Survey conductor	FY2015 summer
Japan Business Federation (Keidanren)	2.8
Nikkei Inc.	2.1
The Institute of Labour Administration	3.0
Ministry of Health, Labour and Welfare	4.0

Sources: Ministry of Health, Labour and Welfare; Japan Business Federation (Keidanren); Nikkei Inc.; The Institute of Labour Administration.

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Chart 4

Consumer Prices

y/y % chg.

2010 base →

CPI (all items less fresh food and energy)

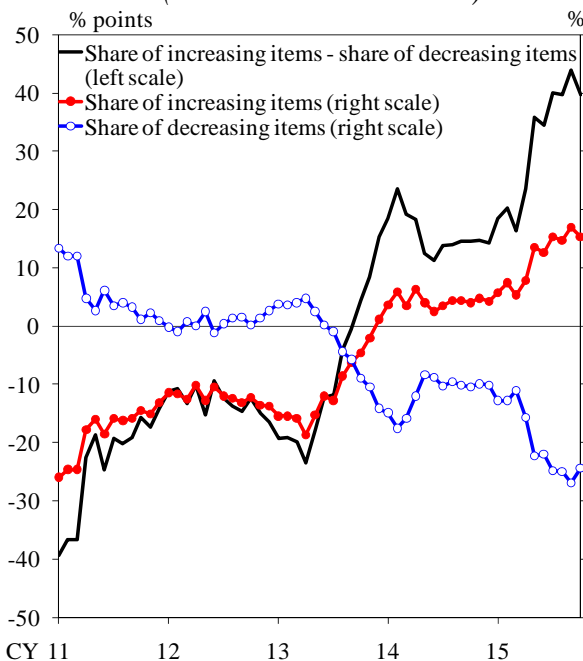CPI (all items less fresh food)

CY 07 08 09 10 11 12 13 14 15

Note: Figures are estimated by adjusting the direct effects of the consumption tax hike in April 2014.
　　　Figures for the CPI (all items less fresh food and energy) are calculated by the Research and Statistics Department, Bank of Japan.
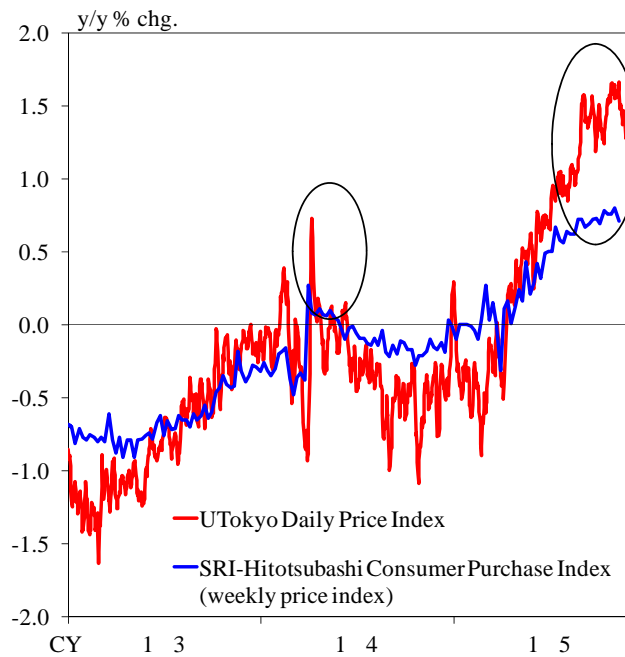Source: Ministry of Internal Affairs and Communications.

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Chart 5

Price Developments

Share of Increasing and Decreasing Items
(Consumer Price Index)

% points ... %

Share of increasing items - share of decreasing items (left scale)
Share of increasing items (right scale)
Share of decreasing items (right scale)

CY 11 12 13 14 15

UTokyo Daily Price Index and
SRI-Hitotsubashi Consumer Purchase Index

y/y % chg.

UTokyo Daily Price Index

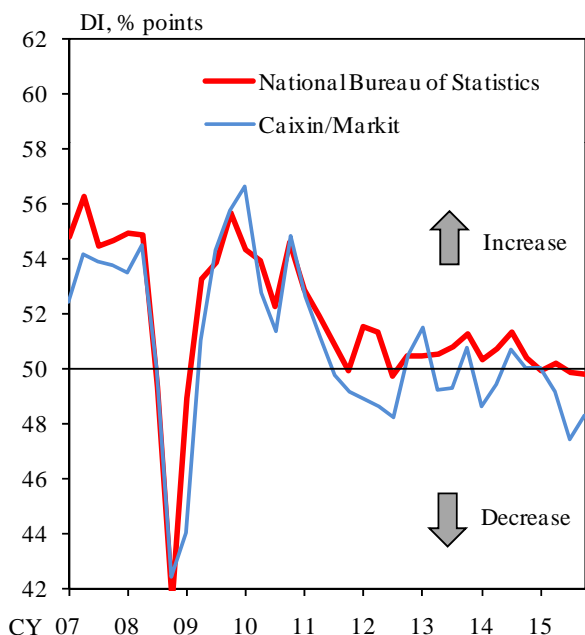SRI-Hitotsubashi Consumer Purchase Index (weekly price index)

CY 13 14 15

Notes: 1. The share of increasing/decreasing items is the share of items in the consumer price index (all items less fresh food) whose price indices increased/decreased from a year earlier. The price indices are estimated by adjusting the direct effects of the consumption tax hike in April 2014.
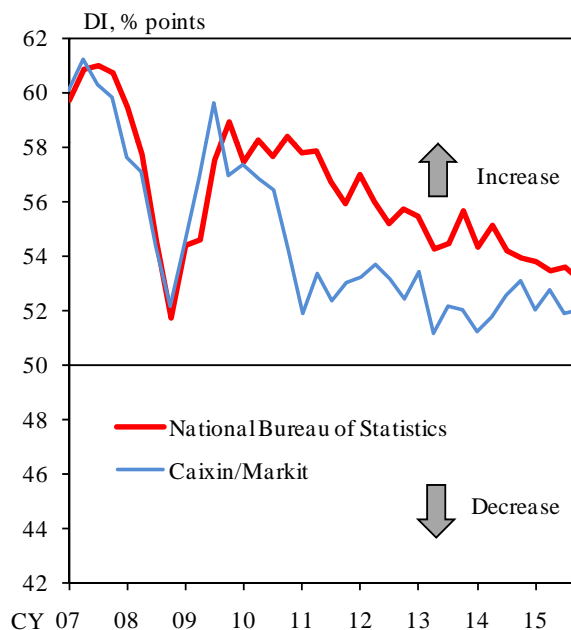　　　2. The UTokyo Daily Price Index is a 7-day backward moving average.
Sources: Ministry of Internal Affairs and Communications; UTokyo Daily Price Index Project; Research Center for Economic and Social Risks, Institute of Economic Research, Hitotsubashi University.

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Chart 6

China's PMI

Manufacturing

DI, % points

National Bureau of Statistics
Caixin/Markit

↑ Increase

↓ Decrease

CY 07 08 09 10 11 12 13 14 15

Nonmanufacturing

DI, % points

↑ Increase

National Bureau of Statistics
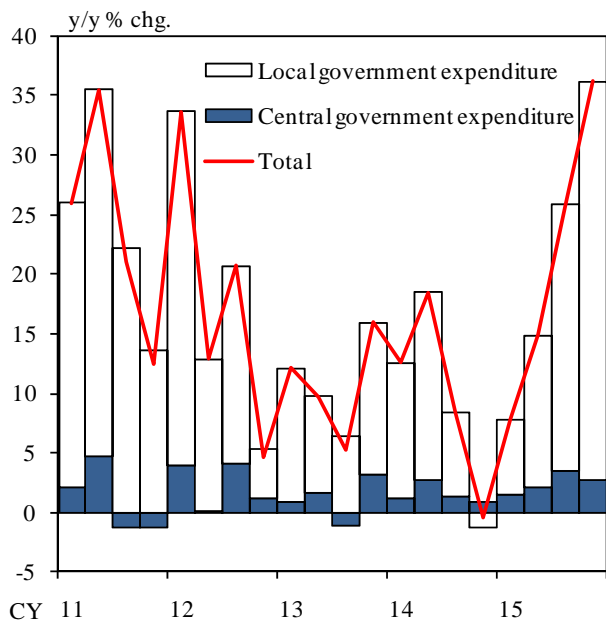Caixin/Markit

↓ Decrease

CY 07 08 09 10 11 12 13 14 15

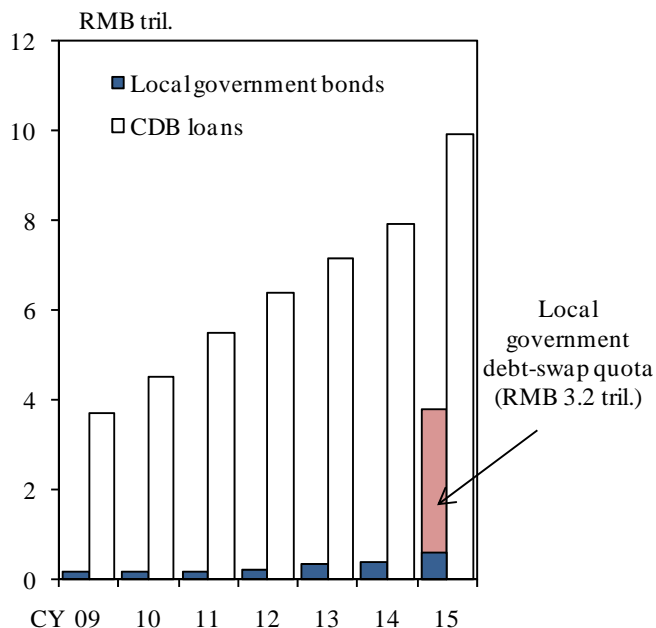Note: Figures for 2015/Q4 are those of October.
Sources: CEIC; Markit (© and database right Markit Economics Ltd 2015. All rights reserved.)

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Chart 7

China's Fiscal Position

Government Expenditure

y/y % chg.

☐ Local government expenditure
■ Central government expenditure
— Total

CY 11 12 13 14 15

Local Government Bond Issuance and China Development Bank Loans

RMB tril.

■ Local government bonds
☐ CDB loans

Local government debt-swap quota (RMB 3.2 tril.)

CY 09 10 11 12 13 14 15

Notes: 1. Figures for 2015/Q4 are those of October.
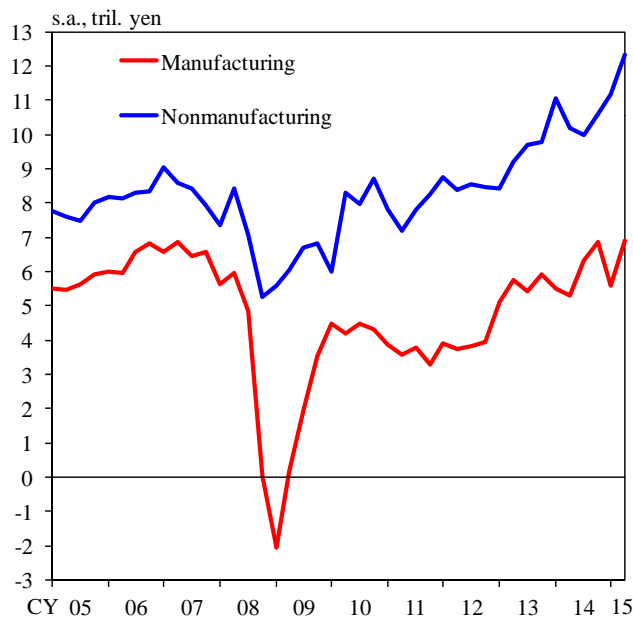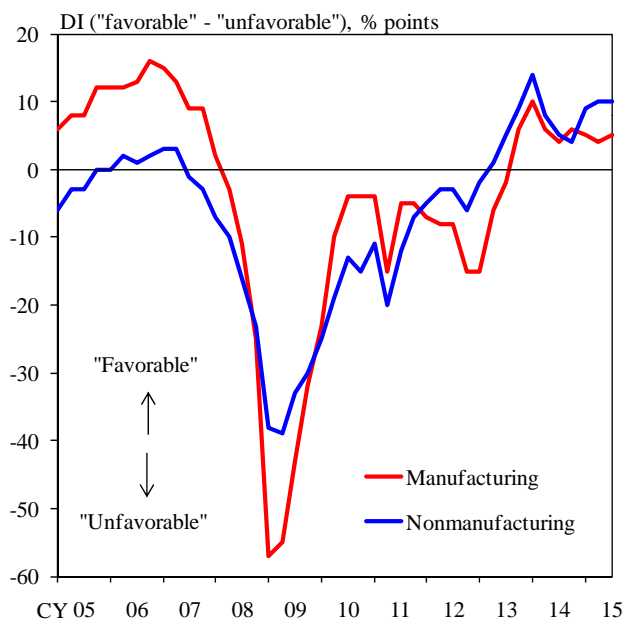   2. The amount of local government bonds for 2015 is based on the budget draft, and the amount outstanding of CDB loans
      is based on the prospect by Chinese authority.
Sources: CEIC; Ministry of Finance of the People's Republic of China; China Development Bank.
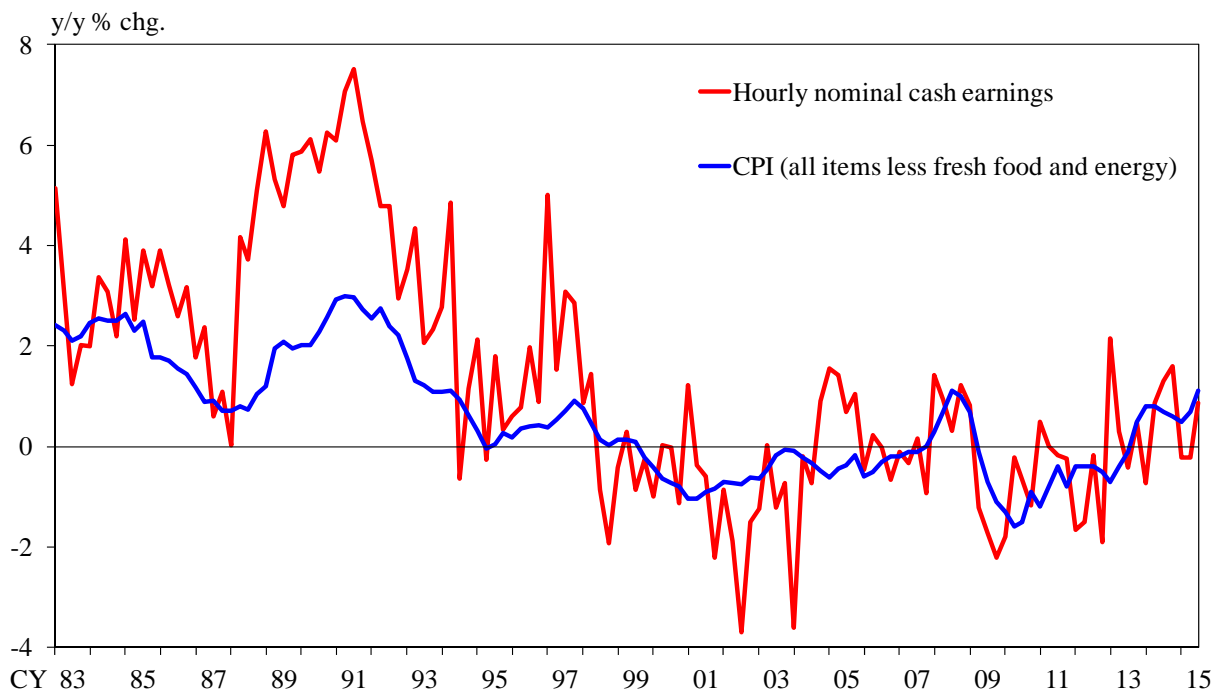
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Chart 8

Business Sentiment and Corporate Profits

Tankan: Business Conditions DI   *Current Profits*

DI ("favorable" - "unfavorable"), % points

"Favorable"

↑
↓

"Unfavorable"

Manufacturing
Nonmanufacturing

s.a., tril. yen

Manufacturing
Nonmanufacturing

Note: Figures for current profits exclude those for the finance and insurance industry.
Sources: Bank of Japan; Ministry of Finance.

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Chart 9

Wages and Prices

y/y % chg.

Hourly nominal cash earnings

CPI (all items less fresh food and energy)

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 effect of changes in the consumption tax rate.
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

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