



Recent Economic and Financial Developments and Monetary Policy in Japan

Speech at a Meeting with Business Leaders in Nara

December 7, 2015

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Note: Charts are based on available data as of December 4, 2015 (2 p.m., Japan Standard Time).

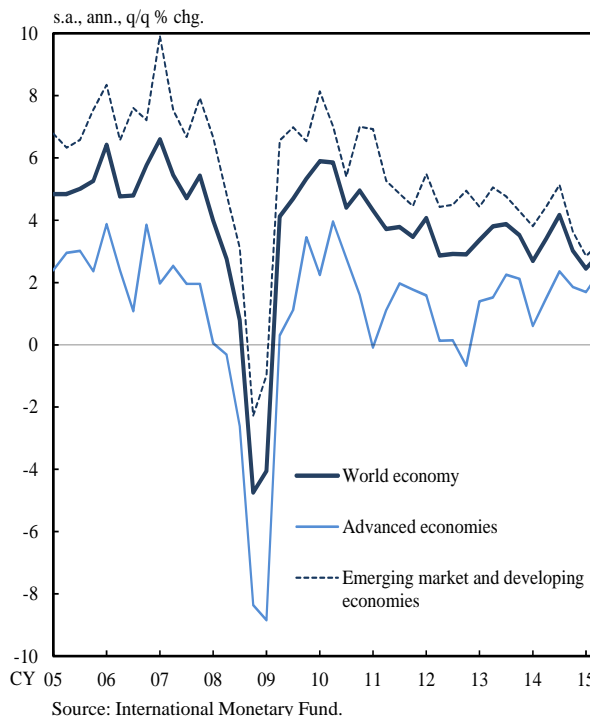
Global Economy

(1) IMF Projections (as of October 2015)

CY	real GDP growth rate, y/y % chg.			
	2014	2015 projection	2016 projection	2017 projection
World	3.4	3.1 (-0.2)	3.6 (-0.2)	3.8
Advanced economies	1.8	2.0 (-0.1)	2.2 (-0.2)	2.2
United States	2.4	2.6 (0.1)	2.8 (-0.2)	2.8
Euro area	0.9	1.5 (0.0)	1.6 (-0.1)	1.7
Japan	-0.1	0.6 (-0.2)	1.0 (-0.2)	0.4
Emerging market and developing economies	4.6	4.0 (-0.2)	4.5 (-0.2)	4.9
Emerging and developing Asia	6.8	6.5 (-0.1)	6.4 (0.0)	6.3
China	7.3	6.8 (0.0)	6.3 (0.0)	6.0
ASEAN	4.6	4.6 (-0.1)	4.9 (-0.2)	5.3
Russia	0.6	-3.8 (-0.4)	-0.6 (-0.8)	1.0
Latin America and the Caribbean	1.3	-0.3 (-0.8)	0.8 (-0.9)	2.3

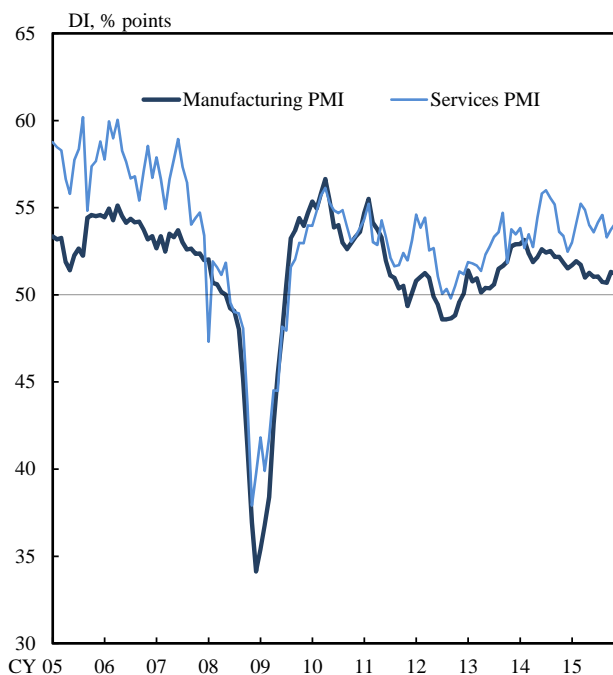
Notes: 1. Figures are calculated using GDP based on purchasing power parity (PPP) shares of the world total from the International Monetary Fund.
 2. Figures in parentheses are the difference from the July 2015 *World Economic Outlook* projections.
 Source: International Monetary Fund.

(2) Real GDP Growth Rate of the World Economy

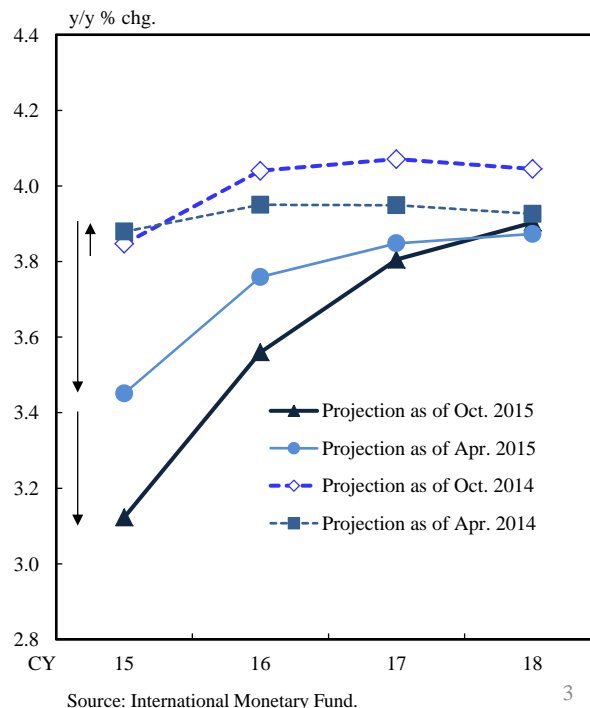


Global Economy (Continued)

(1) Global PMI

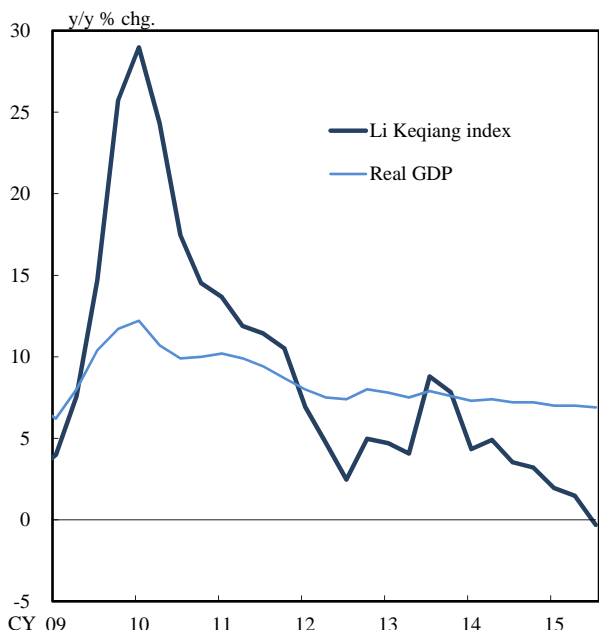


(2) Transition in IMF Projections



Structural Changes in the Chinese Economy

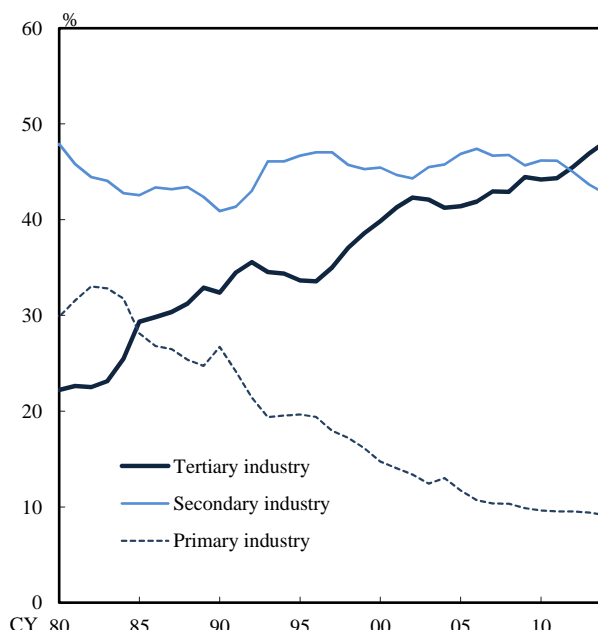
(1) Li Keqiang Index and Real GDP



Note: The Li Keqiang index is calculated by simply averaging the year-on-year changes of "Electricity consumption," "Medium- and long-term loans," and "Railway freight turnover."

Source: CEIC.

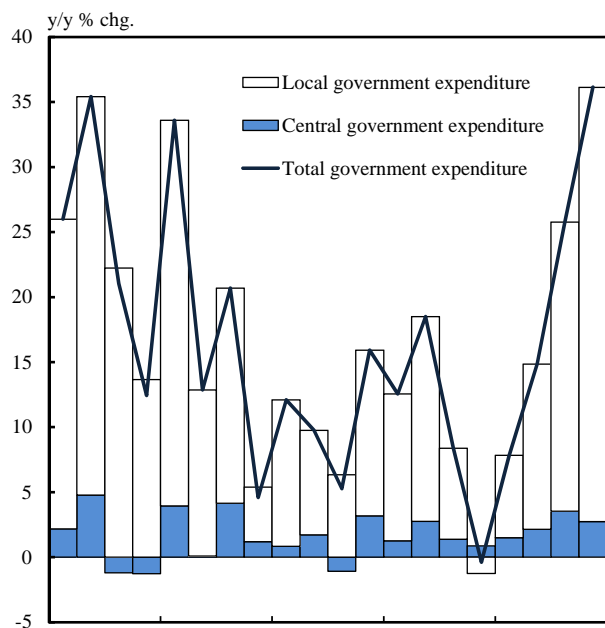
(2) Composition Ratio of Real GDP by Industry



Source: CEIC.

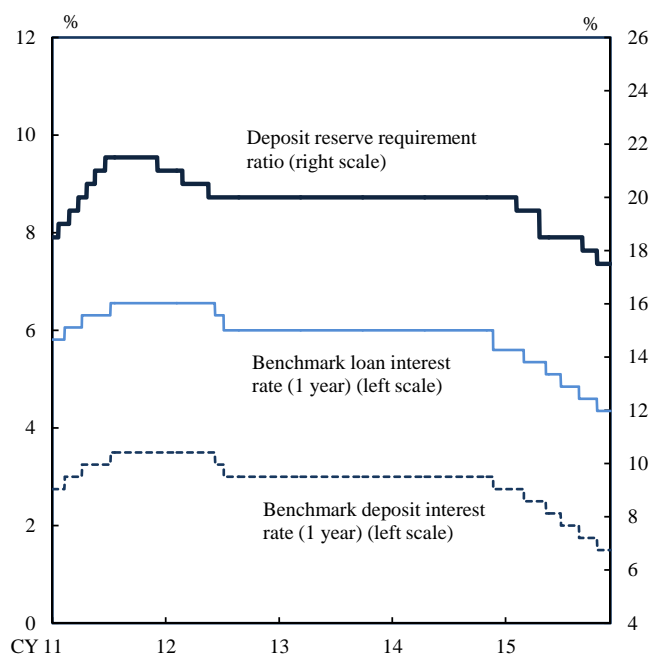
Policy Actions by the Chinese Authorities

(1) Government Expenditure



Source: CEIC.

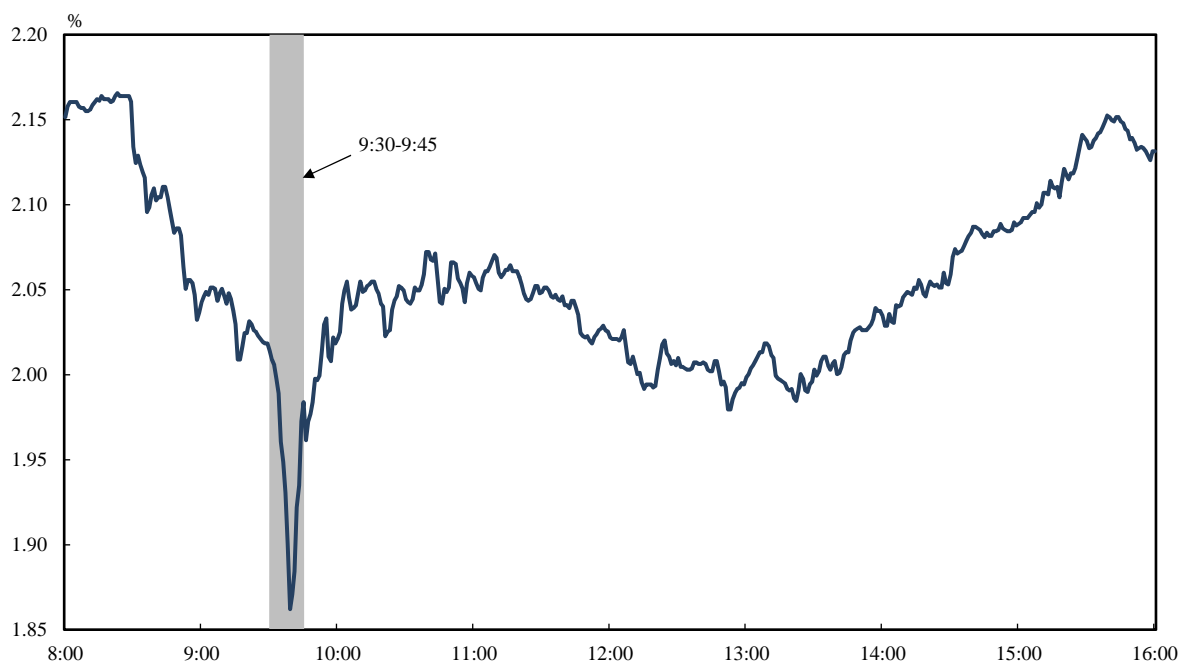
(2) Policy Rates and Deposit Reserve Requirement Ratio



Note: Figures for the deposit reserve requirement ratio are those for large depository institutions.

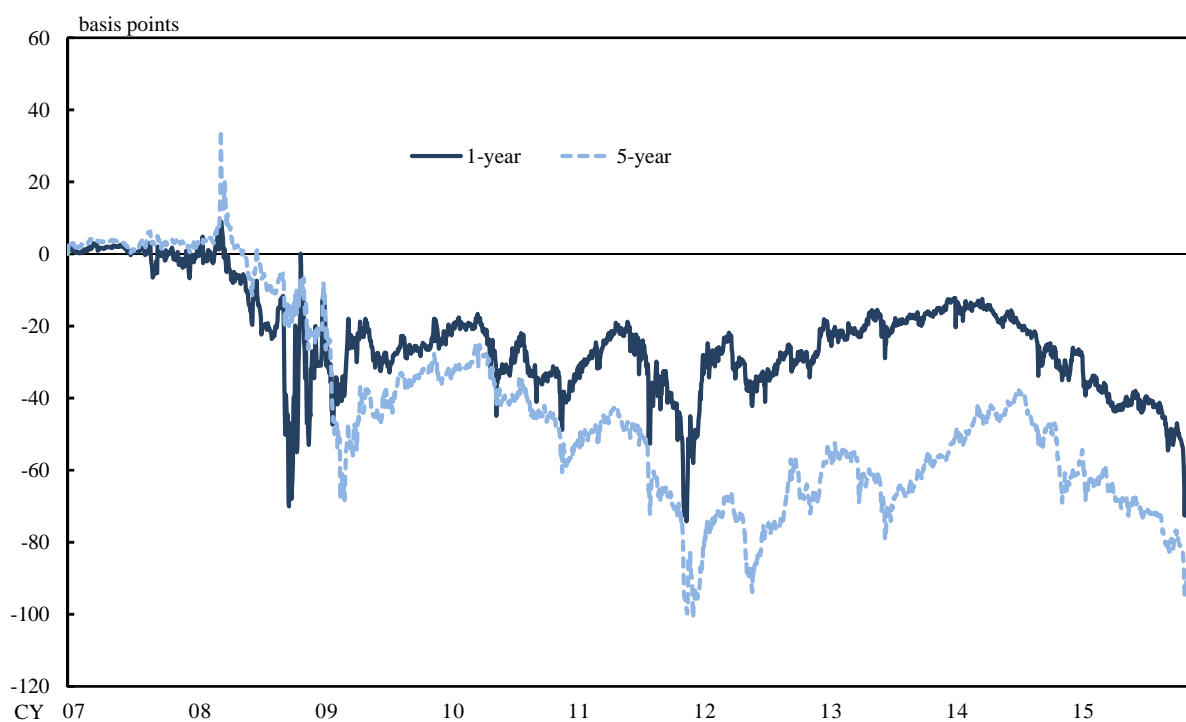
Source: CEIC.

"Flash Rally" in the U.S. Treasury Market



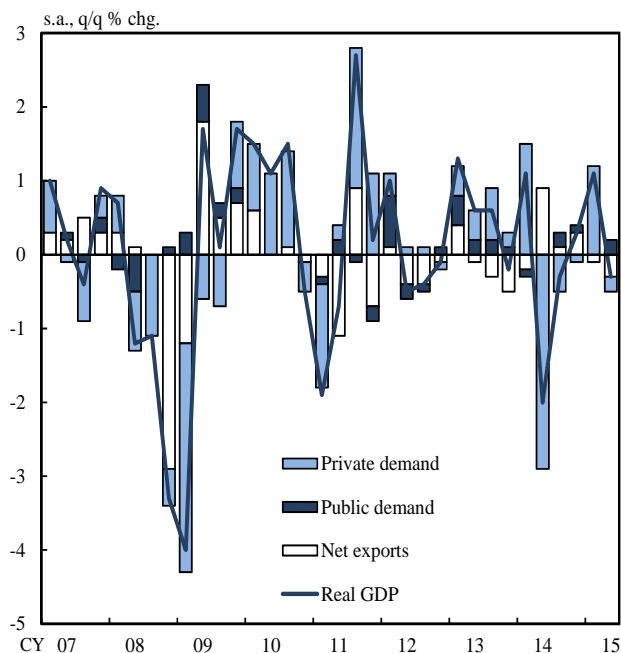
Note: Figures are those for the U.S. 10-year Treasury yield on October 15, 2014.
 Source: Bloomberg.

Yen-Dollar Basis Swap Spread



Source: Bloomberg.

Japan's Economy: Real GDP



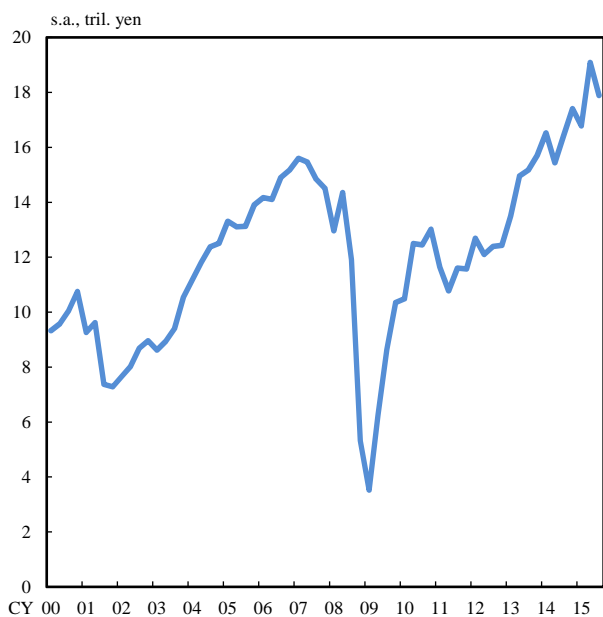
Source: Cabinet Office.

		2014			2015		
		Q2	Q3	Q4	Q1	Q2	Q3
Real GDP	a	-2.0	-0.3	0.3	1.1	-0.2	-0.2
Inventories	b	1.2	-0.5	-0.3	0.5	0.3	-0.5
Imports	c	0.9	-0.2	-0.2	-0.4	0.6	-0.4
Final demand	$d = a - b - c$	-4.1	0.4	0.8	1.0	-1.1	0.7
Real GDP	e	-2.0	-0.3	0.3	1.1	-0.2	-0.2
Trading gains/losses	f	0.5	-0.2	0.1	0.9	0.4	-0.1
Real GDI	$g = e + f$	-1.6	-0.5	0.4	2.2	0.2	-0.3
Income from/to the rest of the world	h	0.2	0.5	1.0	-0.9	0.5	-0.1
Real GNI	$i = g + h$	-1.3	0.0	1.4	1.2	0.7	-0.4

		y/y % chg.					
Real GDP		-0.4	-1.4	-0.9	-0.8	1.0	1.0
Real GDI		-0.9	-2.0	-1.1	0.5	2.3	2.6
Real GNI		-1.3	-1.5	0.1	1.5	3.3	3.1

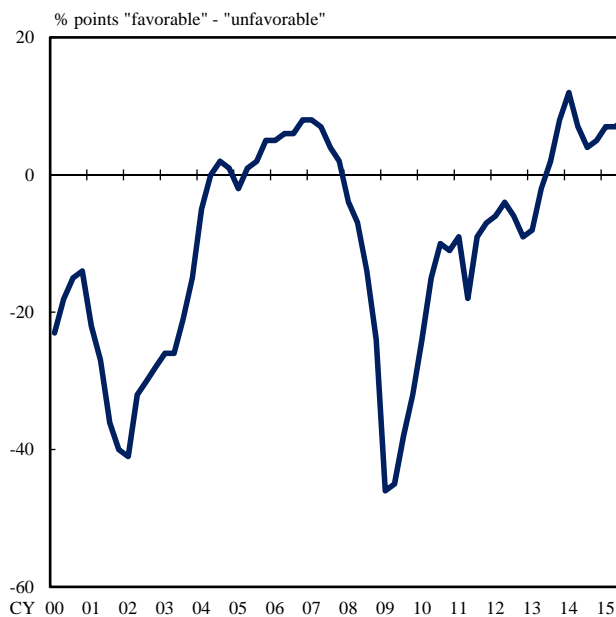
Corporate Profits and Business Conditions DI (*Tankan*)

(1) Current Profits



Note: Figures are those for all industries and enterprises (excluding the finance and insurance industry).
Source: Ministry of Finance.

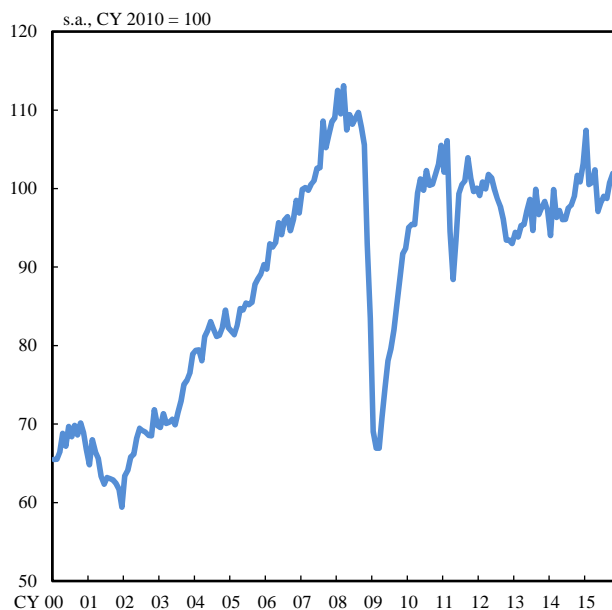
(2) Business Conditions DI (*Tankan*)



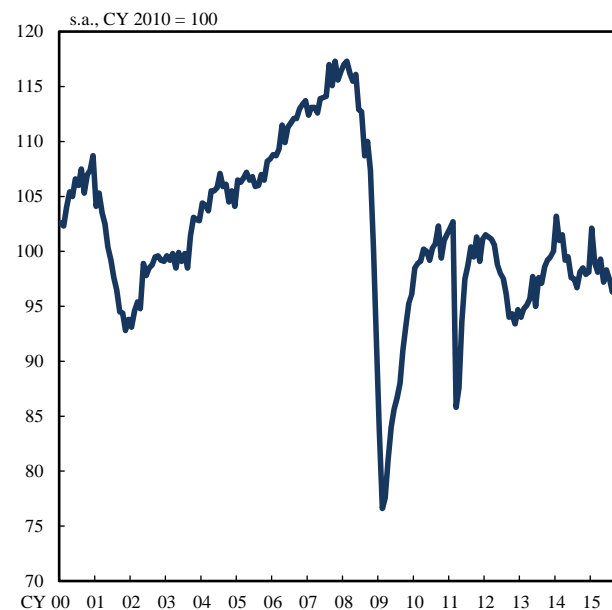
Note: Figures are those for all industries and enterprises.
Source: Bank of Japan.

Exports and Production

(1) Real Exports

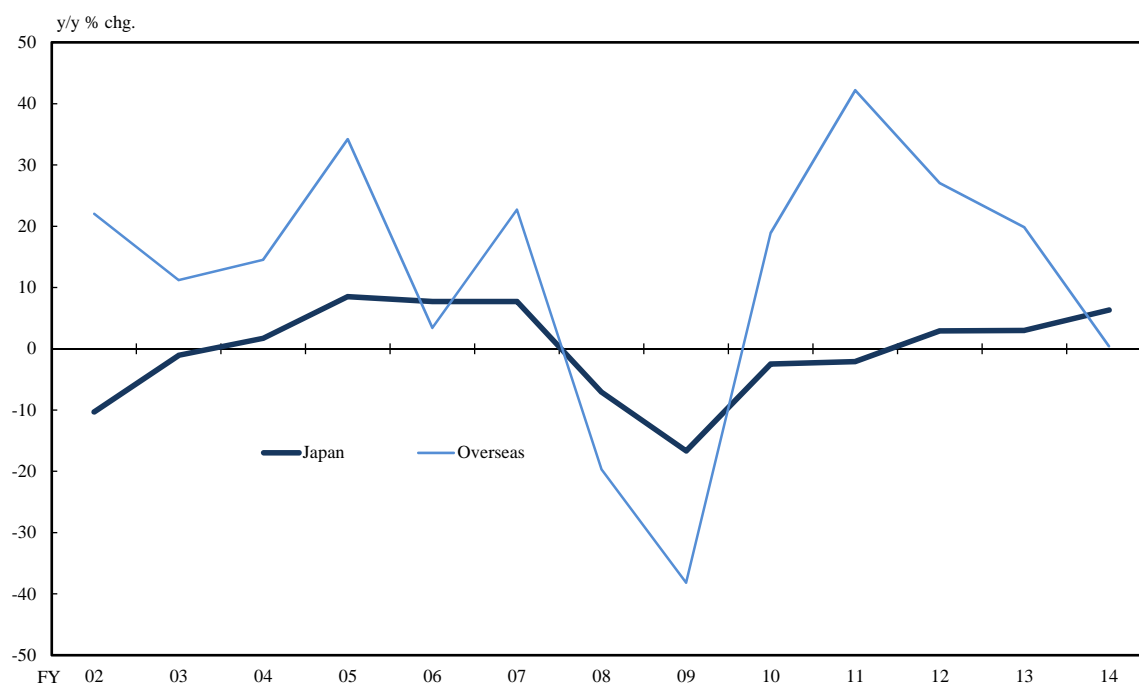


(2) Industrial Production



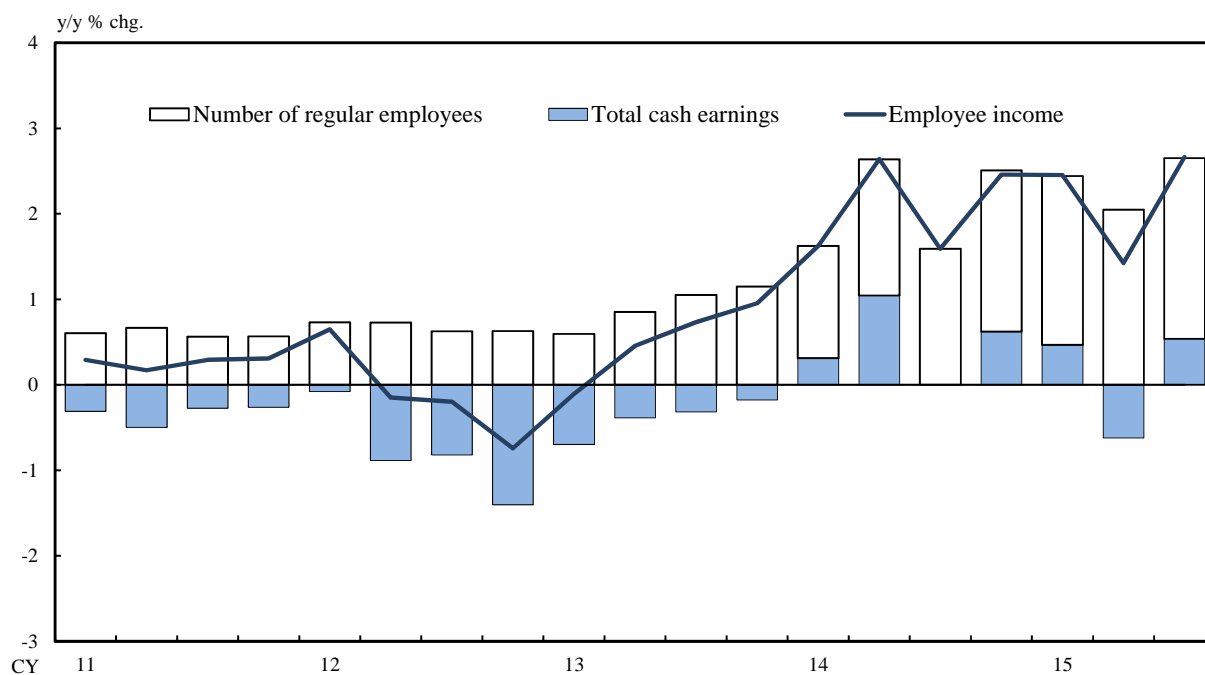
Sources: Ministry of Finance; Bank of Japan; Ministry of Economy, Trade and Industry.

Business Fixed Investment in Japan and Overseas



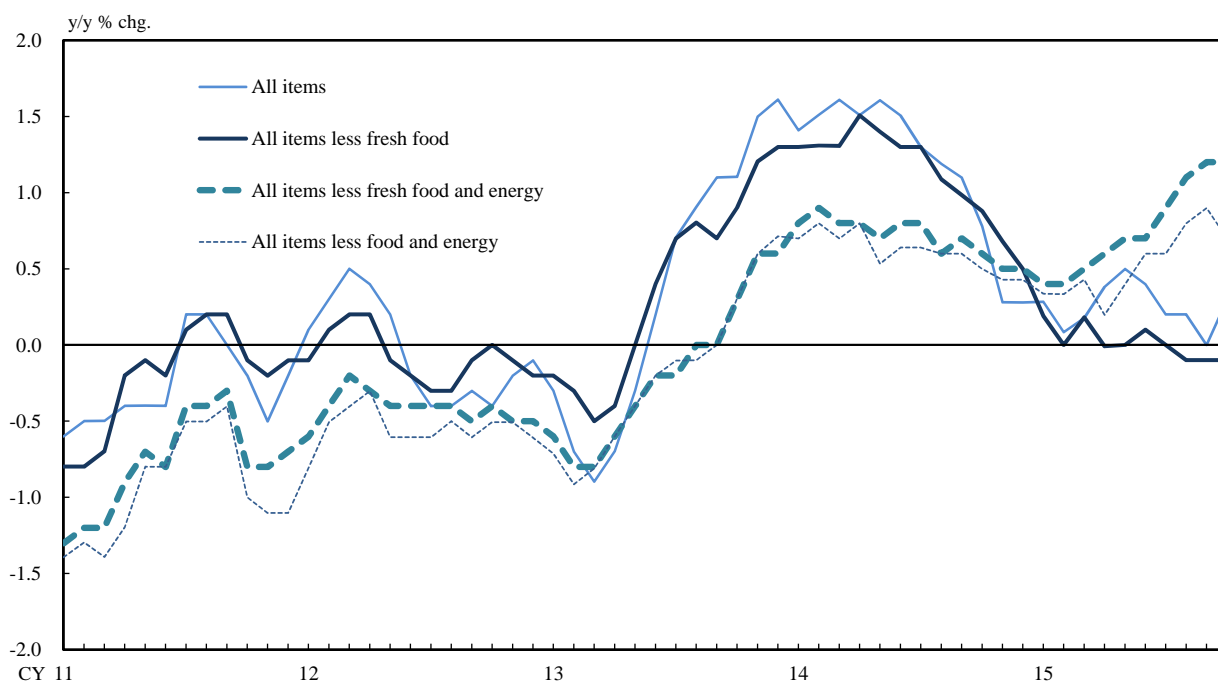
Source: Development Bank of Japan.

Employee Income



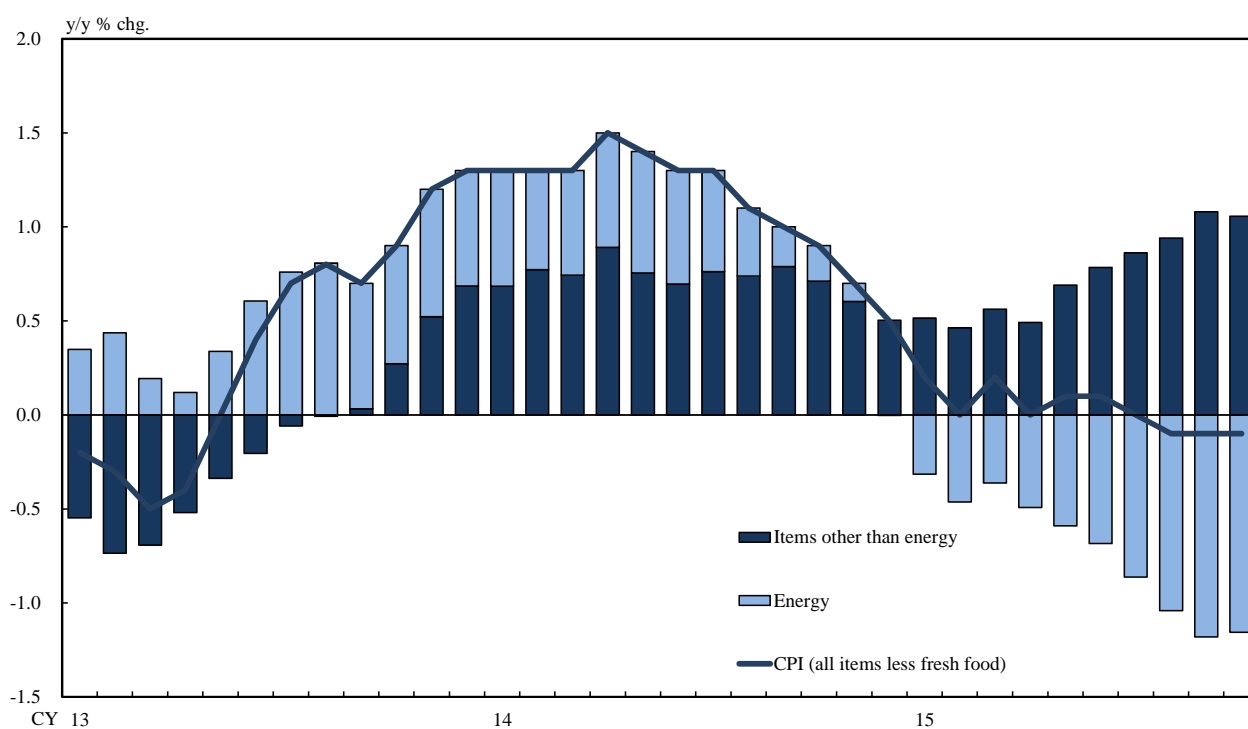
Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 2. Employee income is calculated as the "number of regular employees" times "total cash earnings." Figures are those for establishments with at least five employees.
 Source: Ministry of Health, Labour and Welfare.

Consumer Prices



Note: Figures from April 2014 onward are estimated by adjusting the direct effects of the consumption tax hike.
 Source: Ministry of Internal Affairs and Communications.

Consumer Prices (Continued)



Note: Figures from April 2014 onward are estimated by adjusting the direct effects of the consumption tax hike.
Source: Ministry of Internal Affairs and Communications.

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

Forecasts of the Majority of Policy Board Members

	Real GDP	CPI (all items less fresh food)	
			Excluding the effects of the consumption tax hikes
Fiscal 2015	+0.8 to +1.4 [+1.2]	0.0 to +0.4 [+0.1]	
Forecasts made in July 2015	+1.5 to +1.9 [+1.7]	+0.3 to +1.0 [+0.7]	
Fiscal 2016	+1.2 to +1.6 [+1.4]	+0.8 to +1.5 [+1.4]	
Forecasts made in July 2015	+1.5 to +1.7 [+1.5]	+1.2 to +2.1 [+1.9]	
Fiscal 2017	+0.1 to +0.5 [+0.3]	+2.5 to +3.4 [+3.1]	+1.2 to +2.1 [+1.8]
Forecasts made in July 2015	+0.1 to +0.5 [+0.2]	+2.7 to +3.4 [+3.1]	+1.4 to +2.1 [+1.8]

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

2. Dubai crude oil prices are expected to rise moderately from the recent 50 U.S. dollars per barrel to the range of 60-65 dollars per barrel toward the end of the projection period. Under this assumption, the contribution of energy items to the year-on-year rate of change in the CPI (all items less fresh food) is estimated to be around minus 0.9 percentage point for fiscal 2015, and around minus 0.2 percentage point for fiscal 2016. More specifically, this negative contribution is expected to lessen from the turn of 2016, and in the second half of fiscal 2016, the contribution is estimated to be around 0 percentage point.

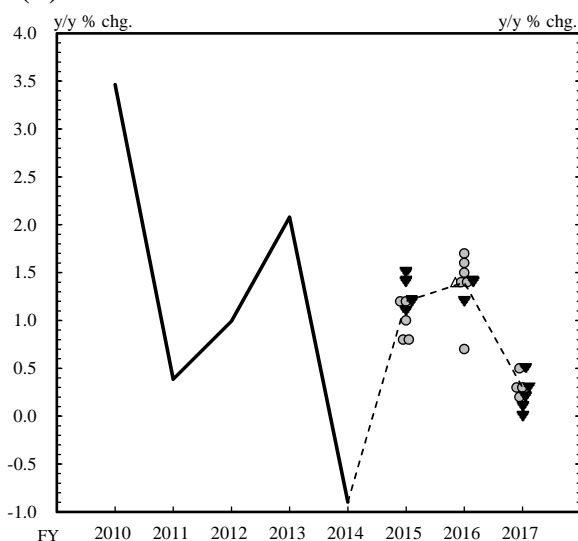
Source: Bank of Japan.

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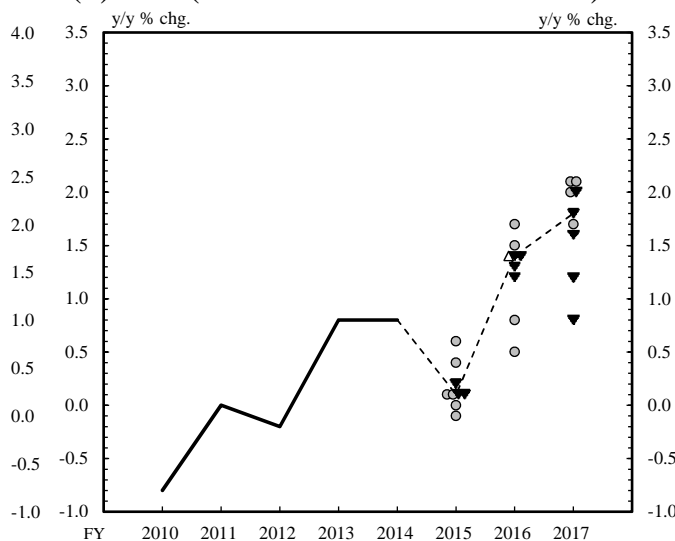
"Outlook for Economic Activity and Prices" (Continued) (October 2015)

Policy Board Members' Forecasts and Risk Assessments

(1) Real GDP

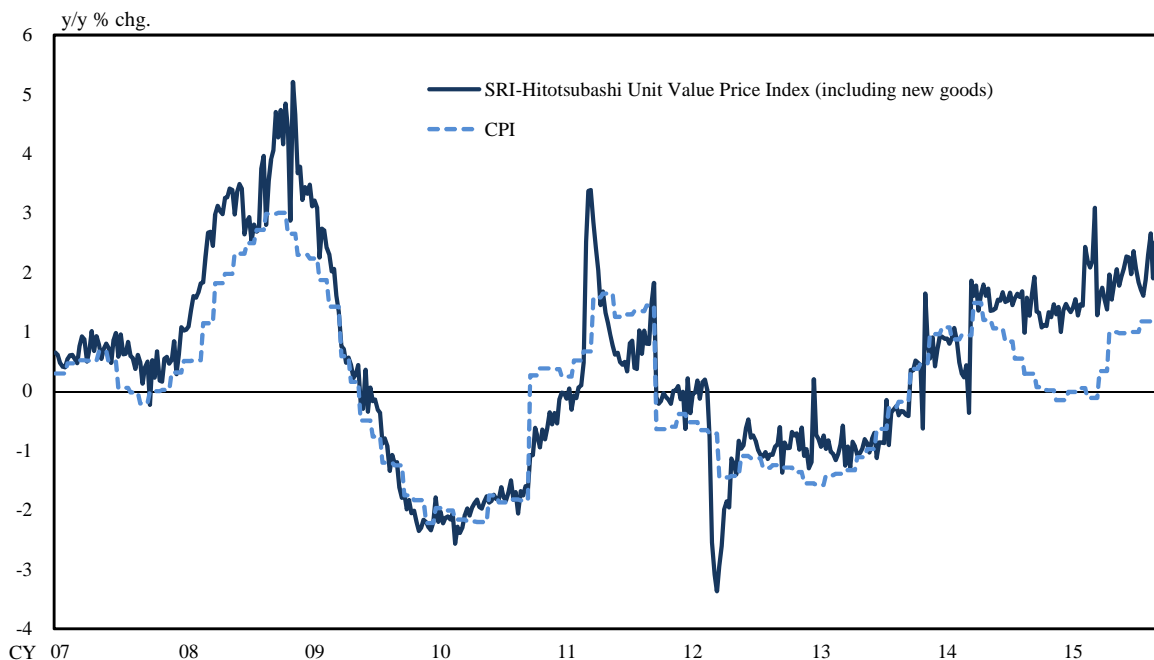


(2) CPI (All Items Less Fresh Food)



Notes: 1. Solid lines show actual figures, while dotted lines show the medians of the Policy Board members' forecasts (point estimates).
 2. The locations of ○, △, and ▼ in the charts indicate the figures for each Policy Board member's forecasts to which he or she attaches the highest probability. The risk balance assessed by each Policy Board member is shown by the following shapes: ○ indicates that a member assesses "upside and downside risks as being generally balanced," △ indicates that a member assesses "risks are skewed to the upside," and ▼ indicates that a member assesses "risks are skewed to the downside."
 3. Figures for the CPI exclude the direct effects of the consumption tax hikes.
 Source: Bank of Japan.

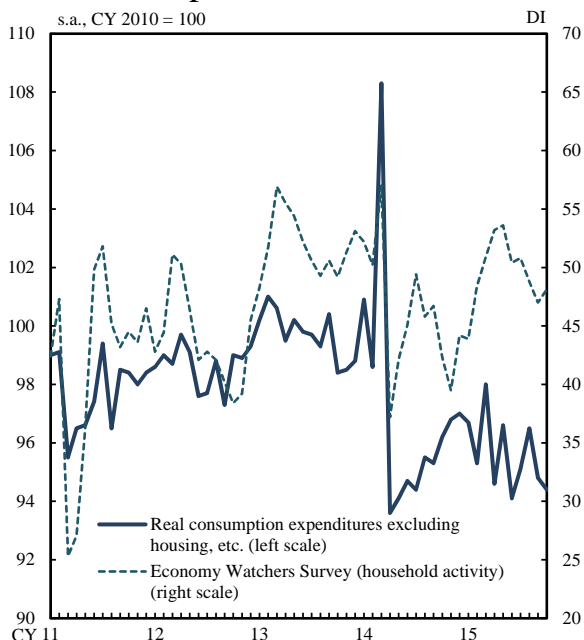
SRI-Hitotsubashi Unit Value Price Index (Comparison of the Unit Value Price Index Including New Goods and the CPI)



Note: Figures are those for supermarkets. The CPI is calculated based on the same items covered by the SRI-Hitotsubashi Unit Value Price Index. For details, see Naohito Abe, "Saikin no Kakaku Shisuu no Doukou to Shin Shohin no Eikyo ni tsuite (Recent Developments in Price Indexes and Effects of New Goods)," Newsletter No. 3, the Research Center for Economic and Social Risks (RCESR), Institute of Economic Research, Hitotsubashi University, March 2015 (available only in Japanese), and Naohito Abe *et al.*, "Effects of New Goods and Product Turnover on Price Indexes," RCESR Discussion Paper Series No. DP15-2, March 2015.
 Sources: Hitotsubashi University; New Supermarket Association of Japan; Intage Inc.

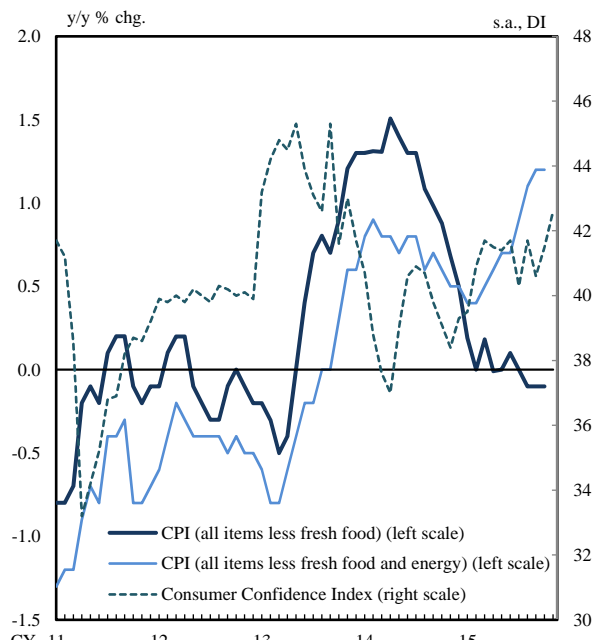
Consumer Confidence in Relation to Private Consumption and Prices

(1) Consumer Confidence and Private Consumption



Sources: Ministry of Internal Affairs and Communications; Cabinet Office.

(2) Consumer Confidence and Prices

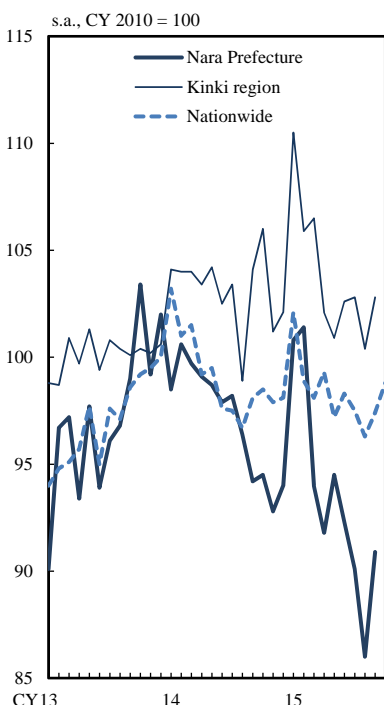


Note: Figures from April 2014 onward are estimated by adjusting the direct effects of the consumption tax hike.

Sources: Ministry of Internal Affairs and Communications; Cabinet Office.

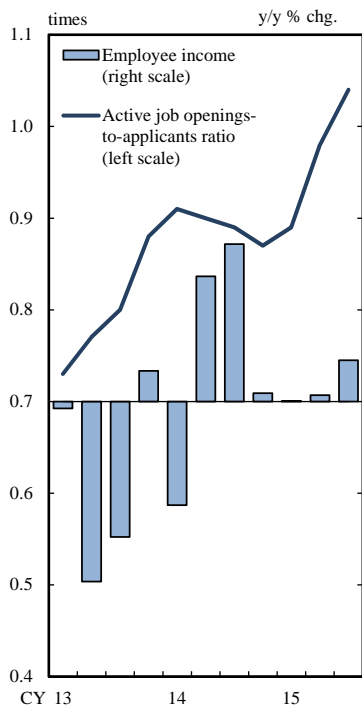
Economic Activity in Nara Prefecture

(1) Industrial Production

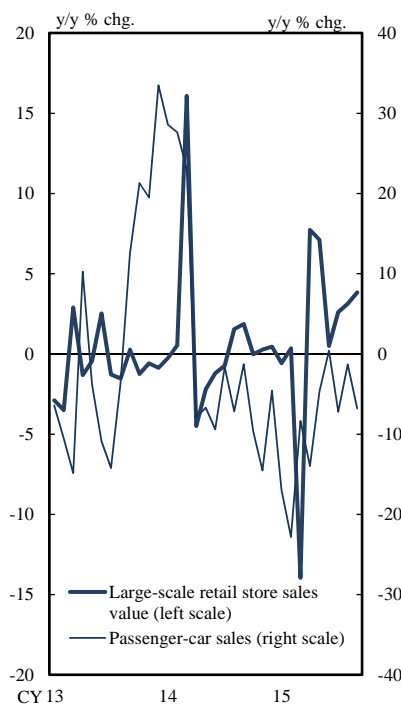


Sources: Ministry of Economy, Trade and Industry; Ministry of Health, Labour and Welfare; Japan Automobile Dealers Association; Japan Light Motor Vehicle and Motorcycle Association.

(2) Employment

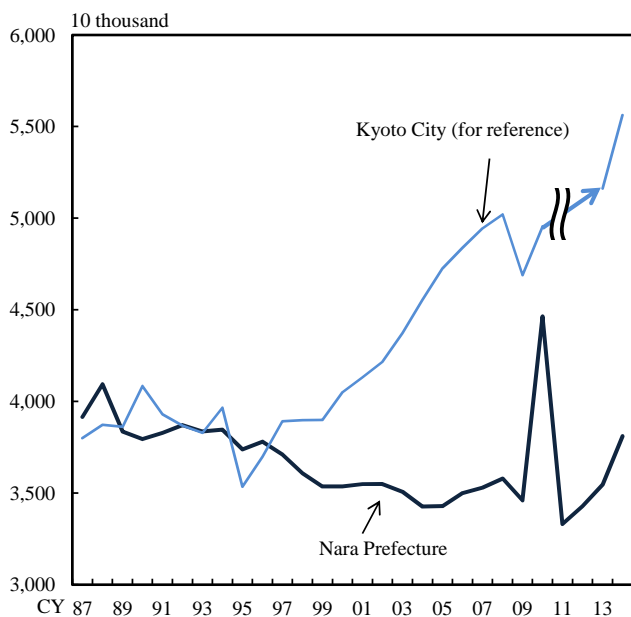


(3) Consumption

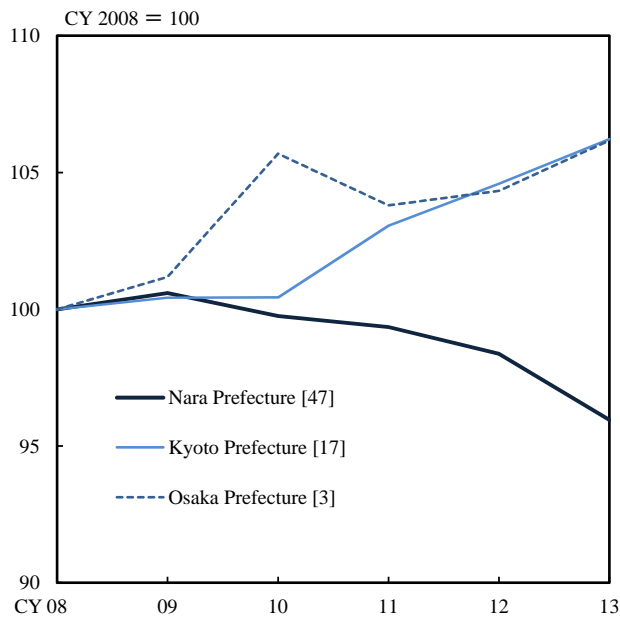


Economic Activity in Nara Prefecture (Continued)

(1) Number of Visitors



(2) Number of Hotel Rooms



Notes: 1. There are no figures for Kyoto City as of 2011 and 2012 on "Number of visitors" because surveys were not conducted.

2. Figures in brackets on "Number of hotel rooms" indicate the ranking by prefecture.

Sources: Japan Tourism Agency; Nara Prefecture; Kyoto City; Ministry of Health, Labour and Welfare.