



Recent Economic and Financial Developments and Monetary Policy in Japan

Speech at a Meeting with Business Leaders in Kushiro

June 2, 2016

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Note: Charts are based on available data as of May 31, 2016 (2 p.m., Japan Standard Time).

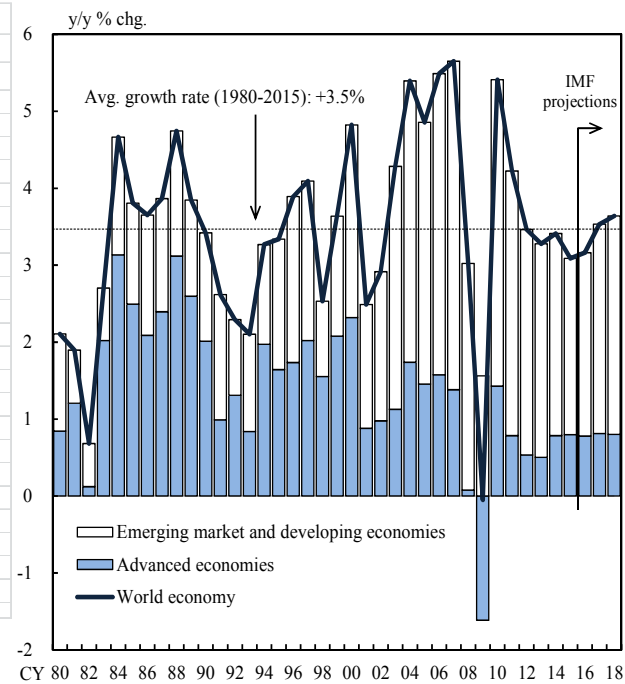
Global Economy

(1) IMF Projections (as of April 2016)

CY	real GDP growth rate, y/y % chg.			
	2015	2016 projection	2017 projection	2018 projection
World	3.1	3.2 (-0.2)	3.5 (-0.1)	3.6
Advanced economies	1.9	1.9 (-0.2)	2.0 (-0.1)	2.0
United States	2.4	2.4 (-0.2)	2.5 (-0.1)	2.4
Euro area	1.6	1.5 (-0.2)	1.6 (-0.1)	1.6
Japan	0.5	0.5 (-0.5)	-0.1 (-0.4)	0.4
Emerging market and developing economies	4.0	4.1 (-0.2)	4.6 (-0.1)	4.8
Emerging and developing Asia	6.6	6.4 (0.1)	6.3 (0.1)	6.3
China	6.9	6.5 (0.2)	6.2 (0.2)	6.0
ASEAN	4.7	4.8 (0.0)	5.1 (0.0)	5.2
Russia	-3.7	-1.8 (-0.8)	0.8 (-0.2)	1.0
Latin America and the Caribbean	-0.1	-0.5 (-0.2)	1.5 (-0.1)	2.1

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 January 2016 *World Economic Outlook* projections.
 Source: International Monetary Fund.

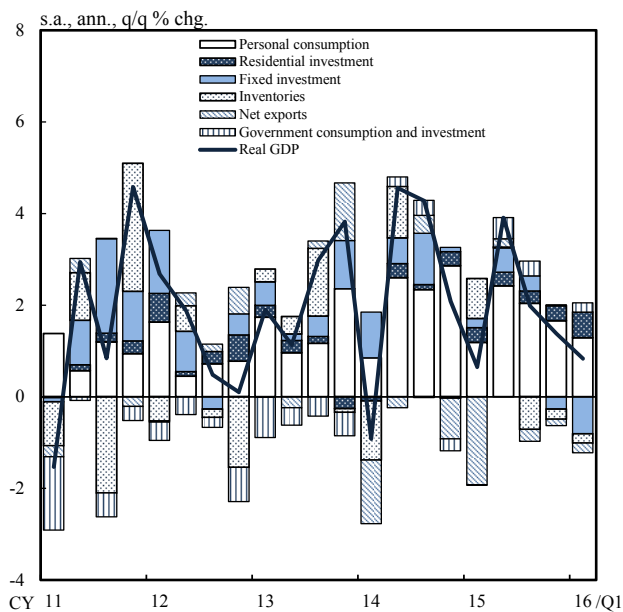
(2) Real GDP Growth Rate of the World Economy



Source: International Monetary Fund.

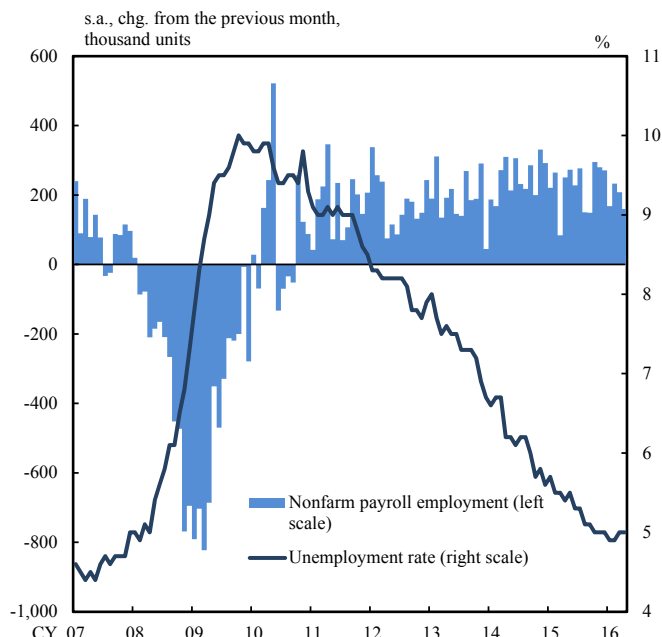
U.S. Economy

(1) Real GDP



Source: Bureau of Economic Analysis.

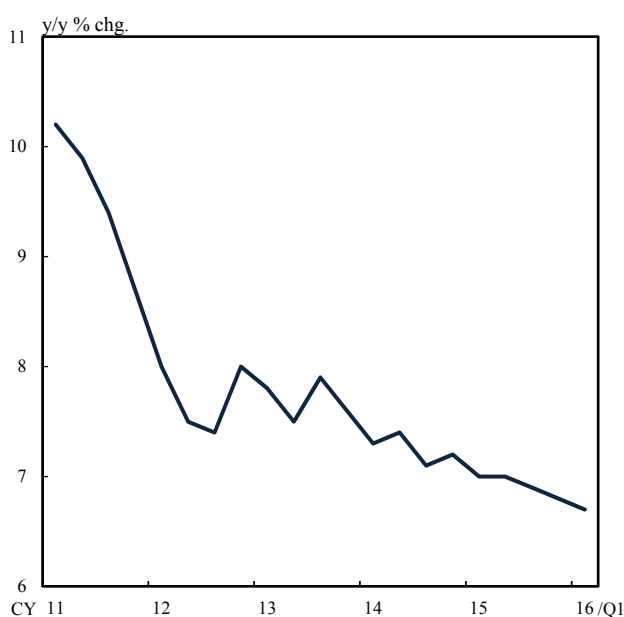
(2) Employment



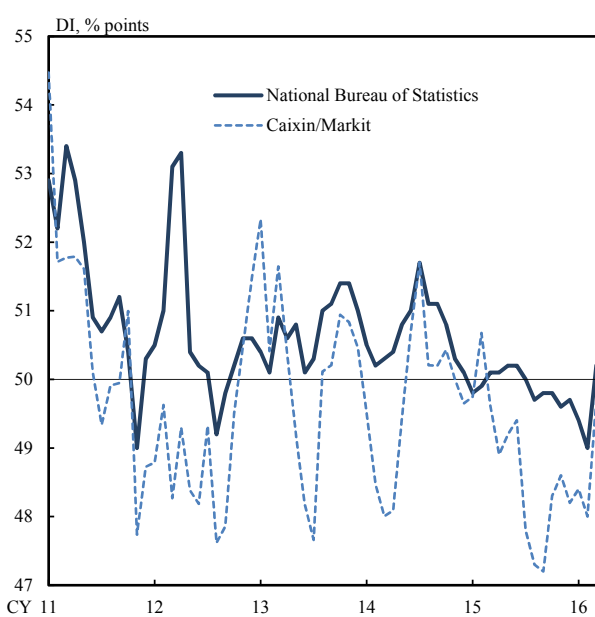
Source: Bureau of Labor Statistics.

Chinese Economy

(1) Real GDP



(2) Manufacturing PMI



Note: Figures for the Caixin/Markit is based on Caixin China General Manufacturing PMI.
Sources: CEIC Data; Markit (© and database right Markit Economics Ltd 2016. All rights reserved).

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Chart 4

"Outlook for Economic Activity and Prices" (April 2016)

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 2015	+0.7 to +0.7 [+0.7]	0.0	
Forecasts made in January 2016	+1.0 to +1.3 [+1.1]	0.0 to +0.2 [+0.1]	
Fiscal 2016	+0.8 to +1.4 [+1.2]	0.0 to +0.8 [+0.5]	
Forecasts made in January 2016	+1.0 to +1.7 [+1.5]	+0.2 to +1.2 [+0.8]	
Fiscal 2017	0.0 to +0.3 [+0.1]	+1.8 to +3.0 [+2.7]	+0.8 to +2.0 [+1.7]
Forecasts made in January 2016	+0.1 to +0.5 [+0.3]	+2.0 to +3.1 [+2.8]	+1.0 to +2.1 [+1.8]
Fiscal 2018	+0.6 to +1.2 [+1.0]	+1.0 to +2.1 [+1.9]	

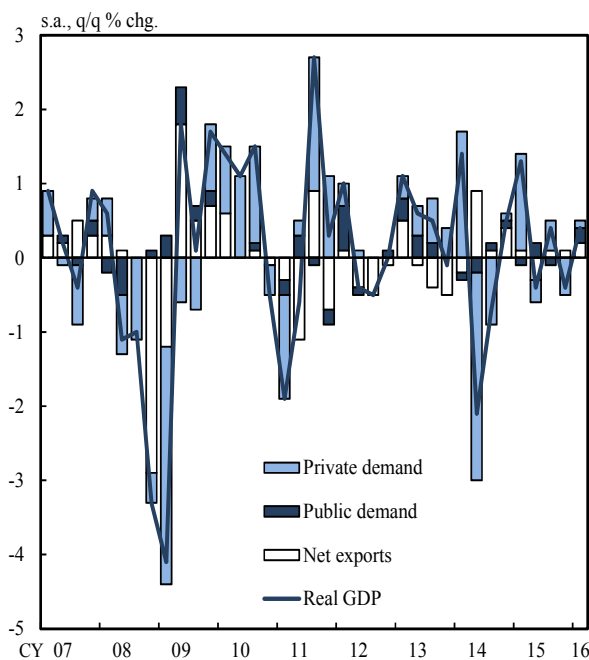
Notes: 1. Figures in brackets indicate the median of the Policy Board members' forecasts (point estimates).

2. Dubai crude oil prices are expected to rise moderately from the recent 35 U.S. dollars per barrel to the range of 45-50 dollars per barrel toward the end of the projection period; that is, fiscal 2018. 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 0.8 percentage point for fiscal 2016. More specifically, the contribution is expected to start to lessen in the second half of fiscal 2016 and reach around 0 percentage point around the middle of 2017.

Source: Bank of Japan.

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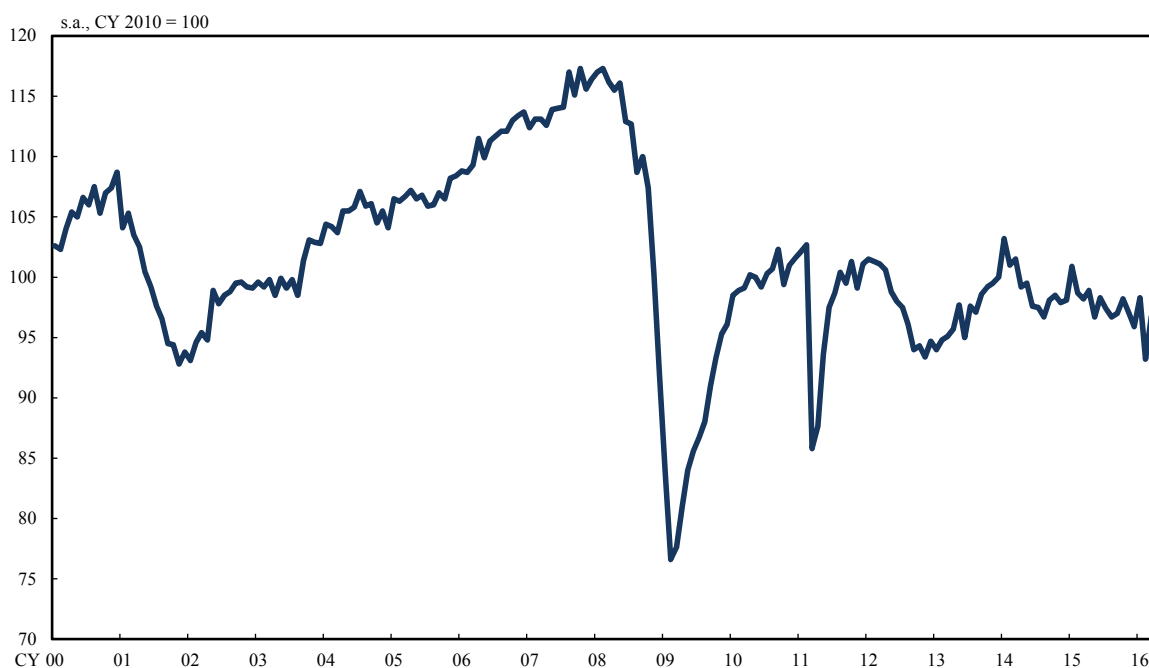
Japan's Economy: Real GDP



Source: Cabinet Office.

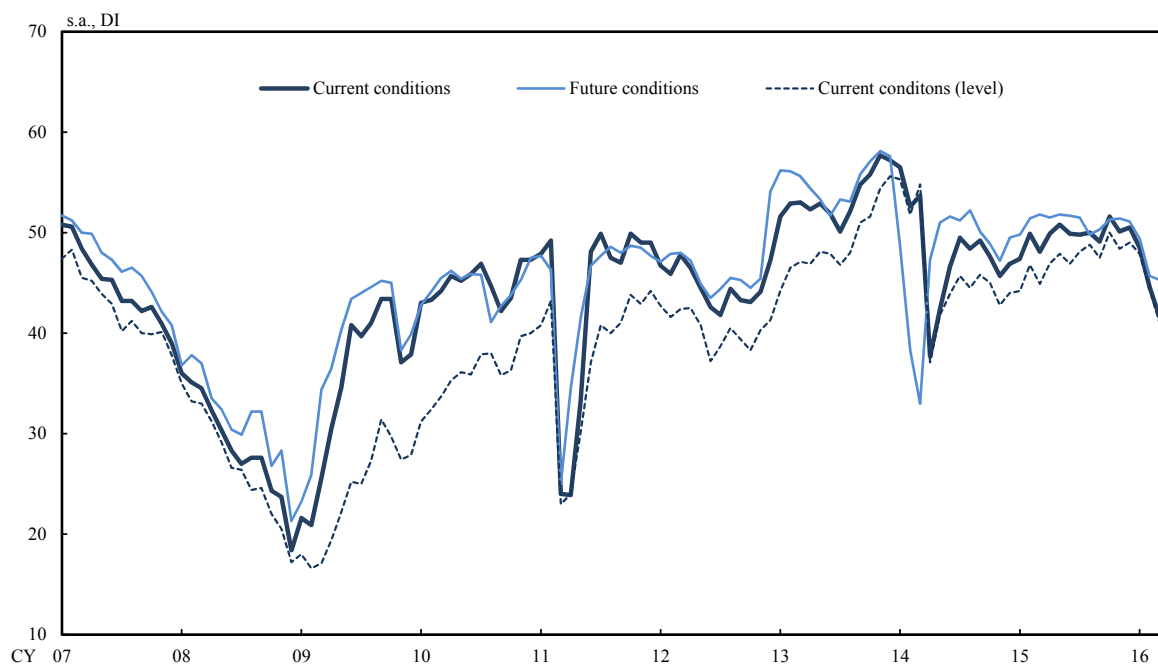
		s.a., q/q % chg.							
		2014			2015				2016
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Real GDP	a	-2.1	-0.7	0.5	1.3	-0.4	0.4	-0.4	0.4
Inventories	b	1.3	-0.6	-0.2	0.6	0.3	-0.1	-0.1	-0.0
Imports	c	0.9	-0.2	-0.2	-0.3	0.5	-0.3	0.2	0.1
Final demand	d = a - b - c	-4.3	0.1	0.9	1.0	-1.2	0.8	-0.5	0.3
Real GDP	e	-2.1	-0.7	0.5	1.3	-0.4	0.4	-0.4	0.4
Trading gains/losses	f	0.4	-0.1	0.2	0.7	0.4	0.2	0.2	0.5
Real GDI	g = e + f	-1.7	-0.8	0.8	2.1	-0.1	0.6	-0.2	1.0
Income from/to the rest of the world	h	0.1	0.5	0.8	-0.6	0.4	-0.1	0.3	-0.6
Real GNI	i = g + h	-1.6	-0.2	1.6	1.4	0.3	0.4	0.1	0.3
		y/y % chg.							
Real GDP		-0.3	-1.5	-1.0	-1.0	0.7	1.8	0.7	-0.0
Real GDI		-0.8	-2.1	-1.1	0.3	2.0	3.4	2.2	1.3
Real GNI		-1.3	-1.5	0.0	1.2	3.0	3.8	2.0	1.3

Industrial Production



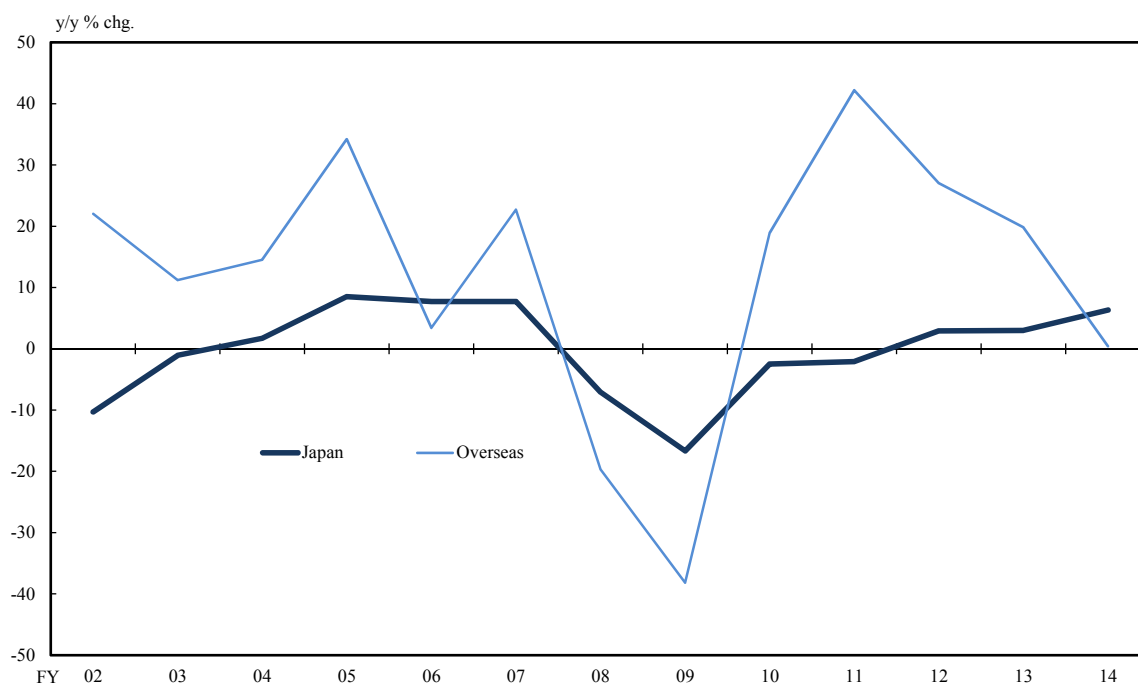
Source: Ministry of Economy, Trade and Industry.

Economy Watchers Survey



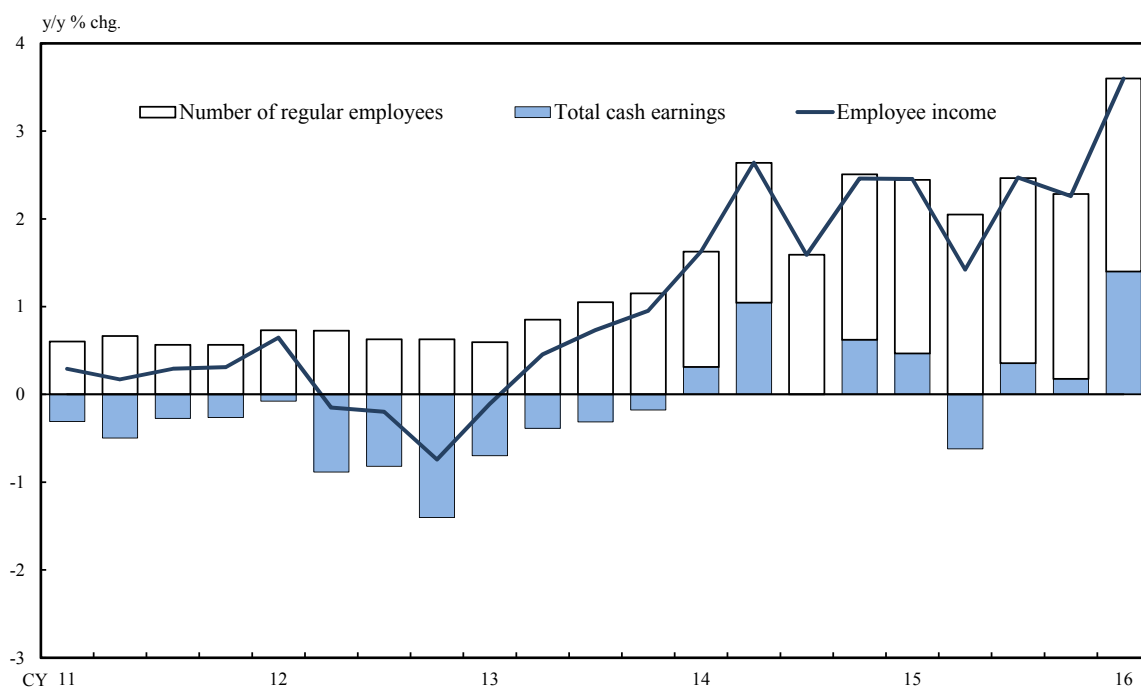
Source: Cabinet Office.

Business Fixed Investment in Japan and Overseas



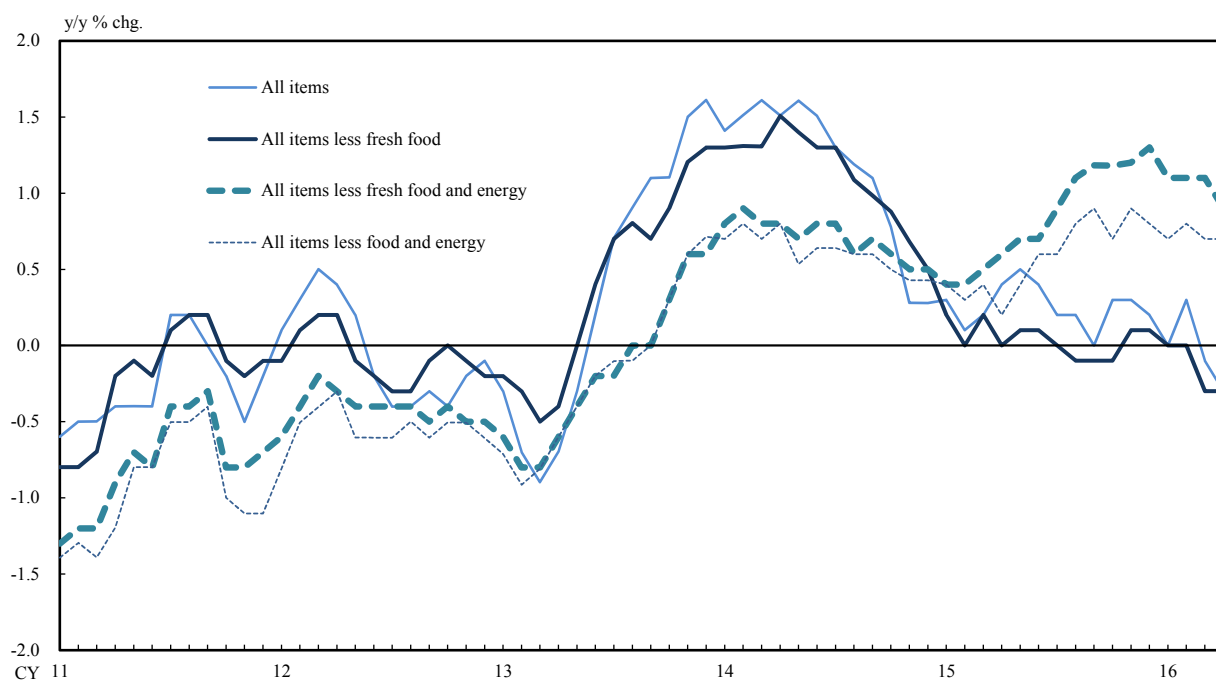
Source: Development Bank of Japan.

Employee Income



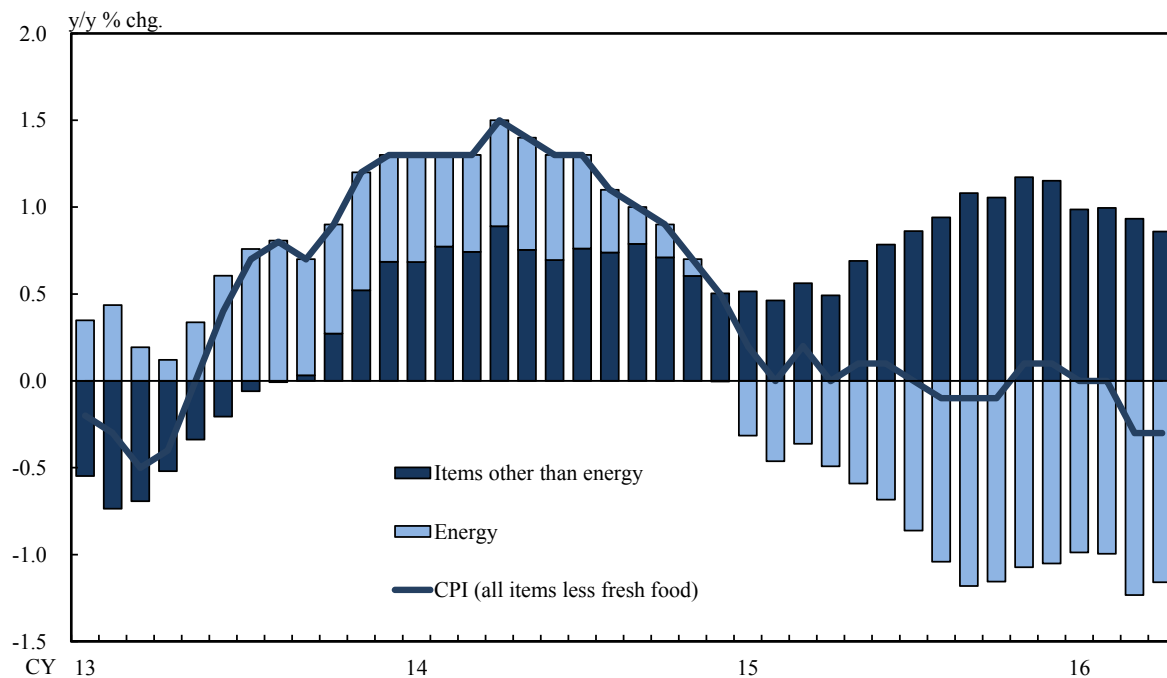
Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.
 2. Employee income is calculated as the "number of regular employees" times "total cash earnings." Figures are those for establishments with at least five employees.
 Source: Ministry of Health, Labour and Welfare.

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.

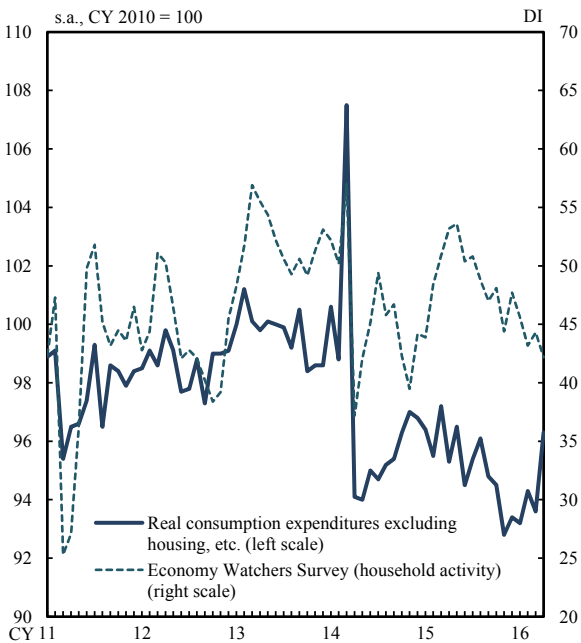
Consumer Prices (Continued)



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.

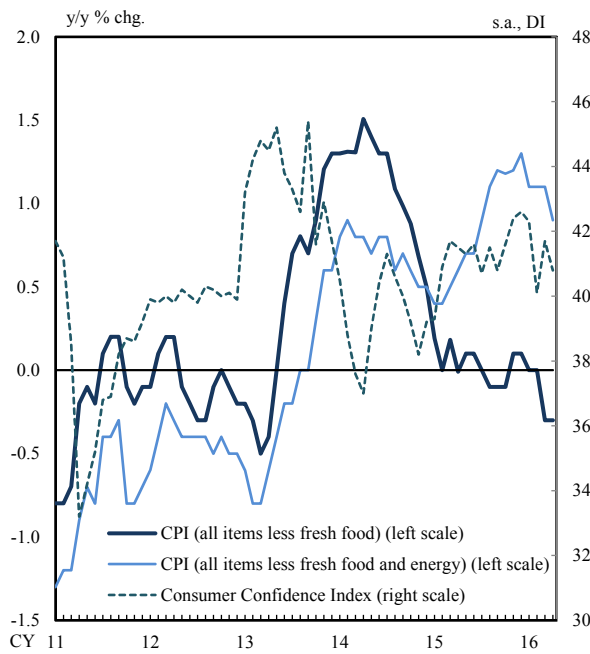
Consumer Confidence in Relation to Private Consumption and Prices

(1) Consumer Confidence and Private Consumption



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

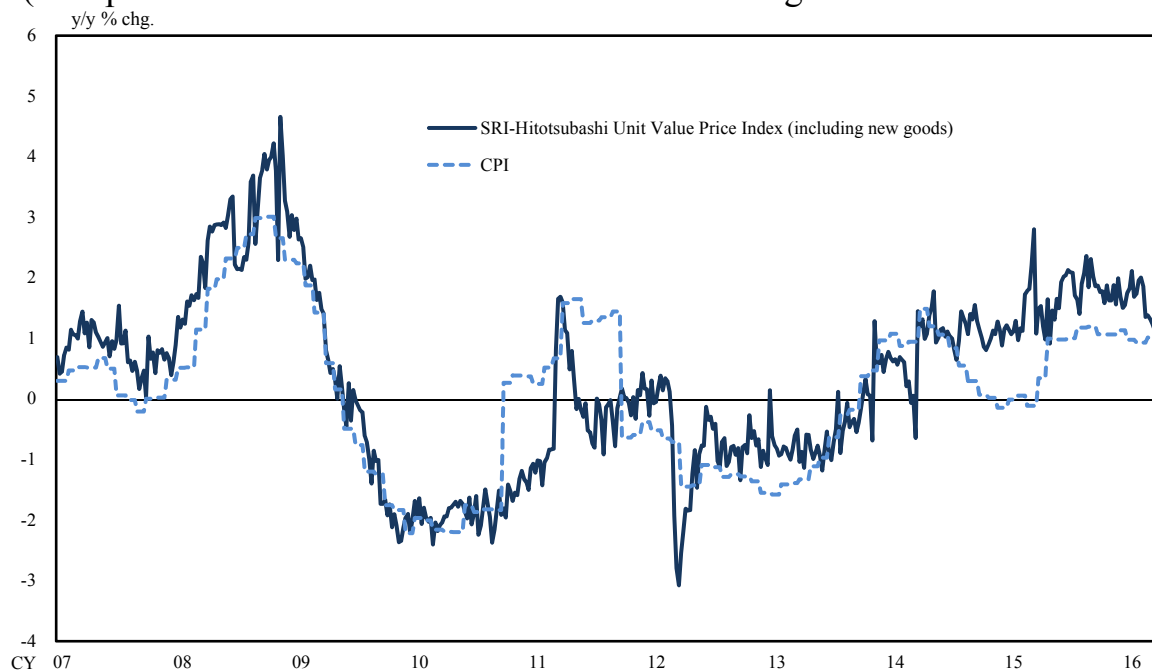
(2) Consumer Confidence and Prices



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.

SRI-Hitotsubashi Unit Value Price Index

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

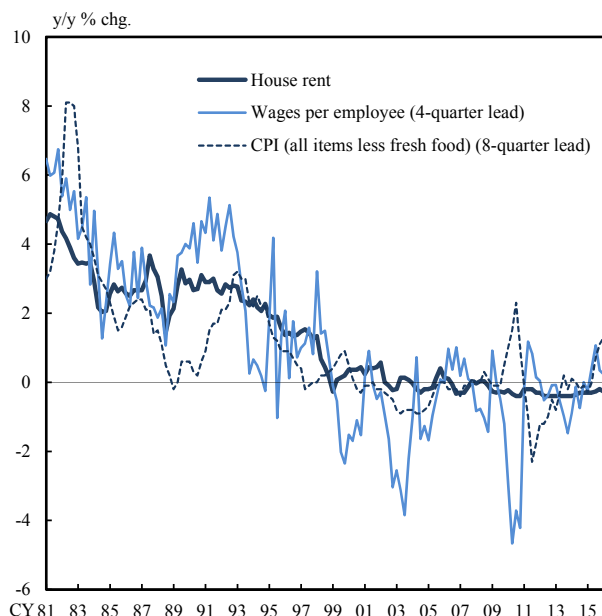


Note: The CPI is calculated based on the same items covered by the SRI-Hitotsubashi Unit Value Price Index. For details, see Naohito Abe, "Saikin no Kakaku Shisuu no Doukou to Shin Shohin no Eikyo ni tsuite (Recent Developments in Price Indexes and Effects of New Goods)," Newsletter No. 3, the Research 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.

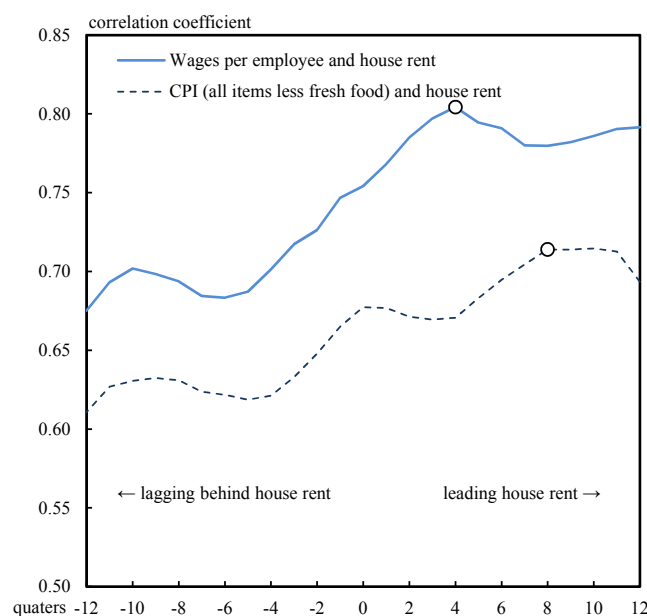
Correlation between Wages and House Rent

(1) Wages per Employee and House Rent



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

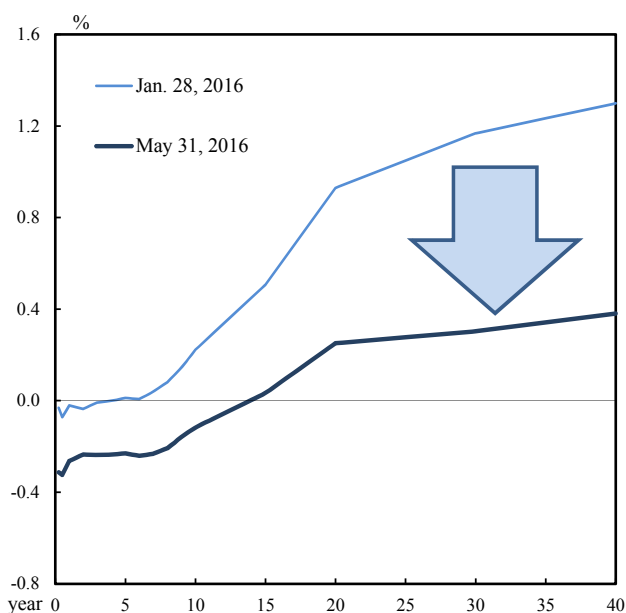
(2) Time-Lag Correlation



Note: Figures are calculated using data between 1981/1Q to 2016/1Q. Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

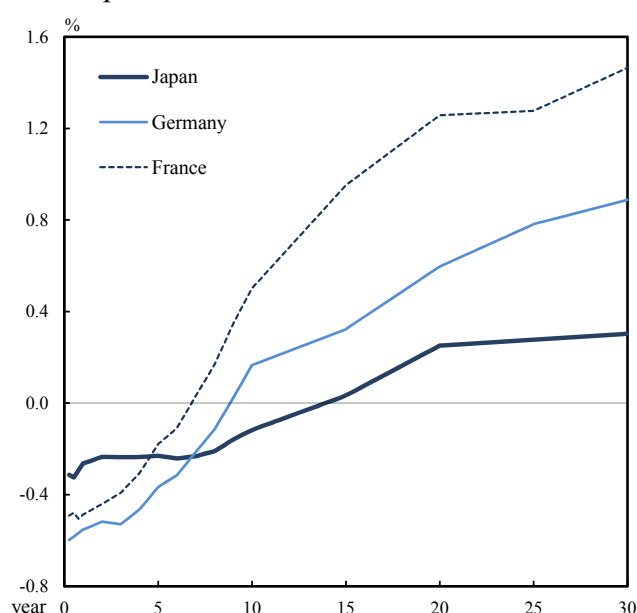
Government Bond Yield Curves

(1) JGB Yield Curve



Source: Bloomberg.

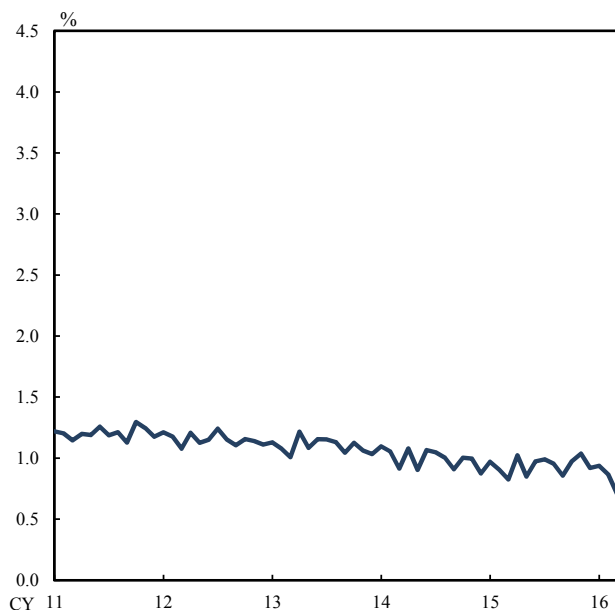
(2) Government Bond Yield Curves in Japan and Euro Area



Note: Figures are as of May 31, 2016.
Source: Bloomberg.

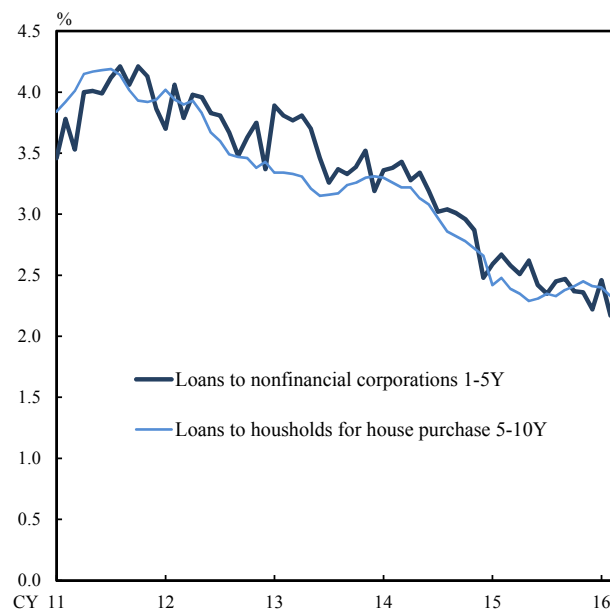
Bank Lending Rates

(1) Japan



Note: Figures are domestically licensed banks' average contract interest rates on new loans and discounts (long-term).
Source: Bank of Japan.

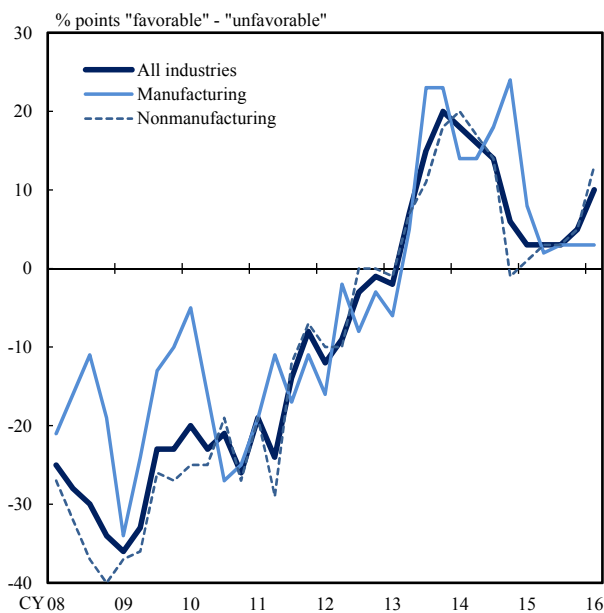
(2) Euro Area



Note: Figures are interest rates on new loans.
Sources: HAVER; ECB.

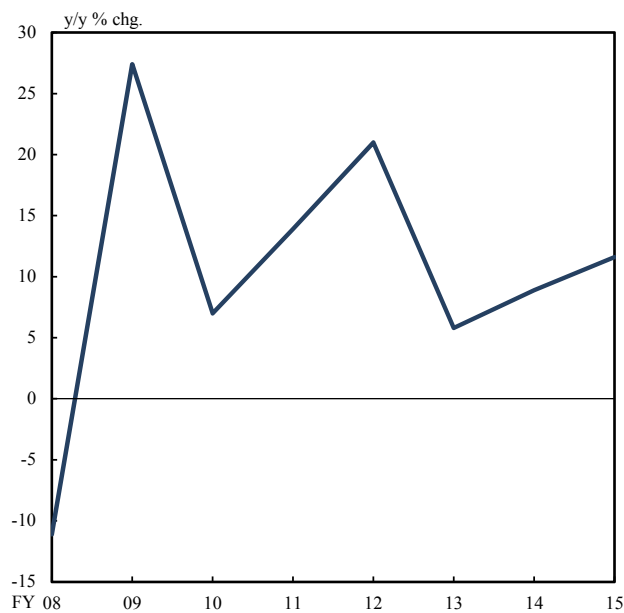
Economic Activity in Eastern Hokkaido

(1) Business Conditions DI (*Tankan*)



Note: Figures are those for enterprises of all business sizes within the region covered by the Bank of Japan Kushiro Branch.
Source: Bank of Japan.

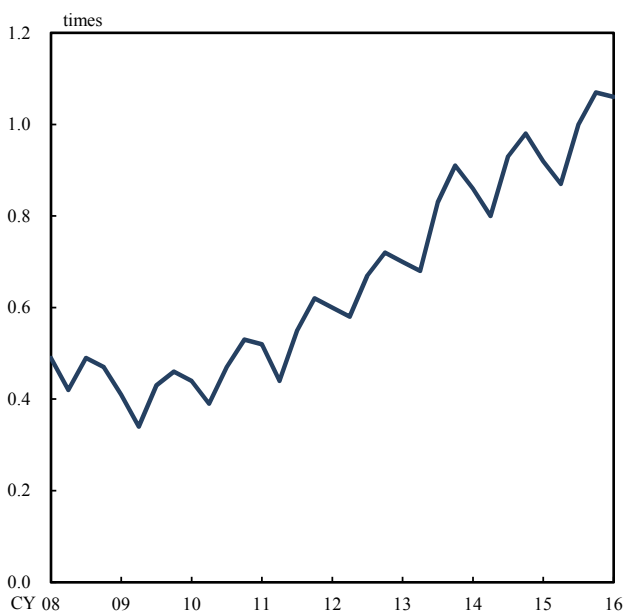
(2) Current Profits (*Tankan*)



Note: Figures are those for enterprises of all business sizes and industries within the region covered by the Bank of Japan Kushiro Branch.
Source: Bank of Japan.

Economic Activity in Eastern Hokkaido (Continued)

(3) Active Job Openings-to-Applicants Ratio



Sources: Public Employment Security Offices in Kushiro, Nemuro, and Obihiro.

(4) Sales at Major Retail Stores



Note: Figures are those for retail stores of 17 firms within the region covered by the Bank of Japan Kushiro Branch.
Source: Bank of Japan.