

A New Phase of the Global Economy and Challenges Facing Japan's Economy

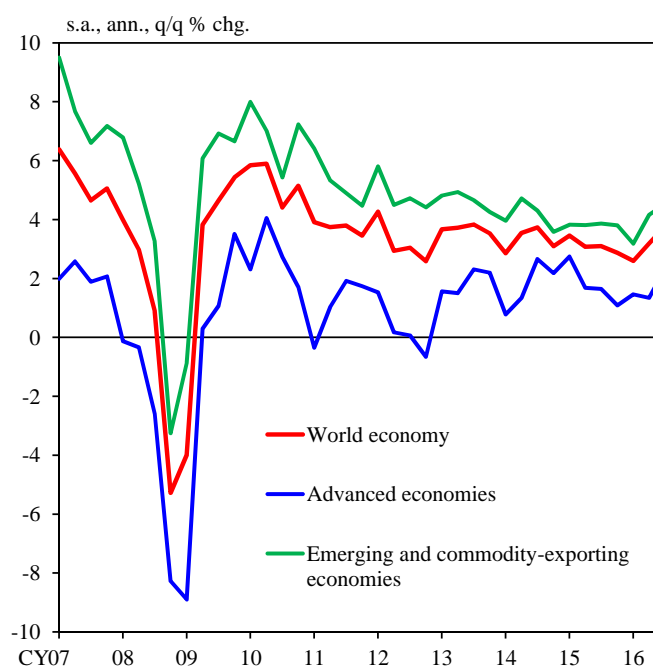
*Speech at the Meeting of Councillors of Nippon Keidanren
(Japan Business Federation) in Tokyo*

December 26, 2016

Haruhiko Kuroda
Governor of the Bank of Japan

Chart 1

World Economic Growth Rate

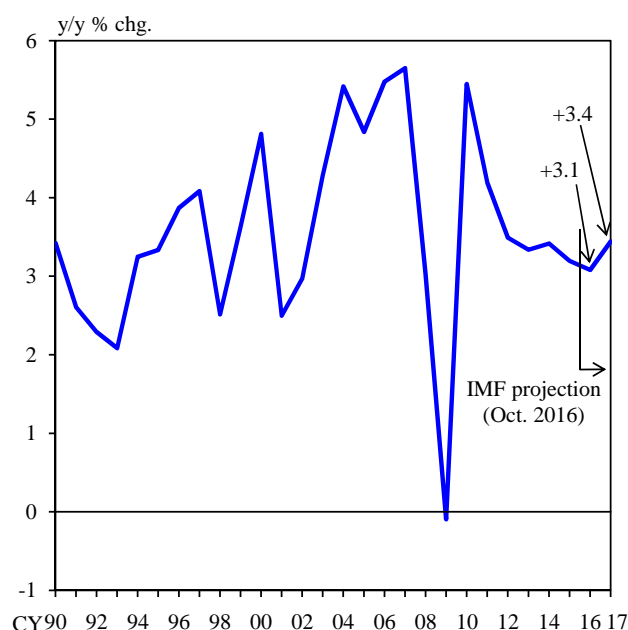


IMF World Economic Outlook

Projections for Major Economies (as of October 2016)

	2014	2015	y/y % chg. Projections	
			2016	2017
World	3.4	3.2	3.1 (0.0)	3.4 (0.0)
Advanced economies	1.9	2.1	1.6 (-0.2)	1.8 (0.0)
United States	2.4	2.6	1.6 (-0.6)	2.2 (-0.3)
Euro area	1.1	2.0	1.7 (0.1)	1.5 (0.1)
Japan	0.0	0.5	0.5 (0.2)	0.6 (0.5)
Emerging market and developing economies	4.6	4.0	4.2 (0.1)	4.6 (0.0)
China	7.3	6.9	6.6 (0.0)	6.2 (0.0)
ASEAN5	4.6	4.8	4.8 (0.0)	5.1 (0.0)

World Real GDP Growth Rate

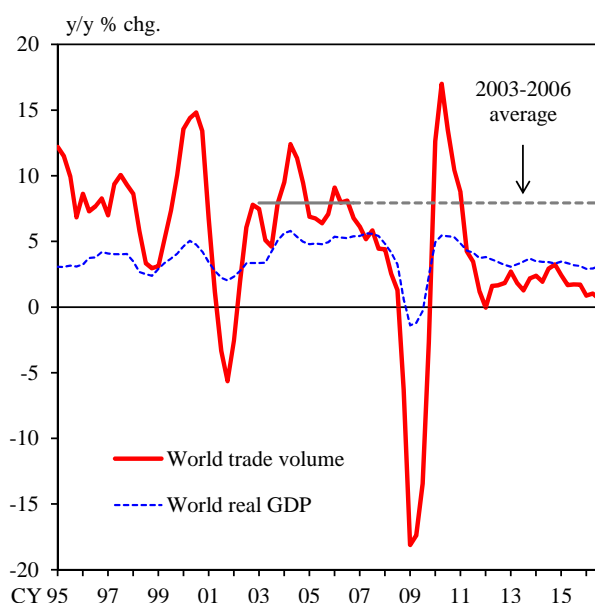


Notes: 1. ASEAN5 are Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.
2. Figures in parentheses are the differences from the July 2016 WEO projections.
Source: IMF.

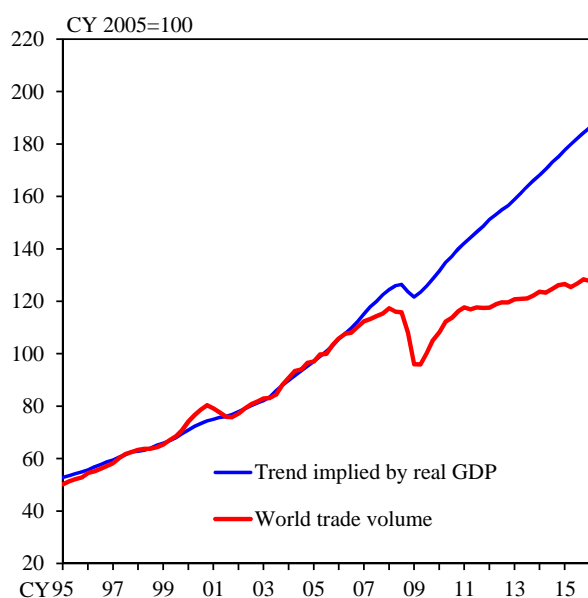
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World Trade Volume

Growth of World Trade Volume



Level of World Trade Volume

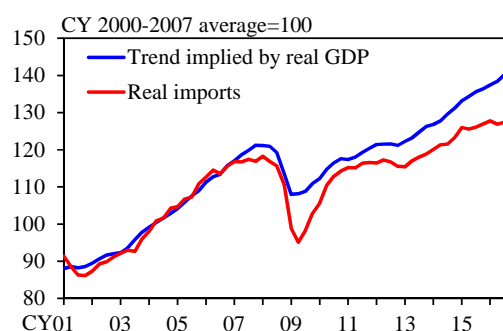


Notes: 1. The world trade volume is calculated by adding up real imports in each country.
2. The trend of world trade volume is estimated based on the regression of the world trade volume on the world real GDP for the period before 2007.
Sources: CPB Netherlands Bureau for Economic Policy Analysis; IMF; National statistics offices; Haver; Thomson Reuters Datastream; CEIC.

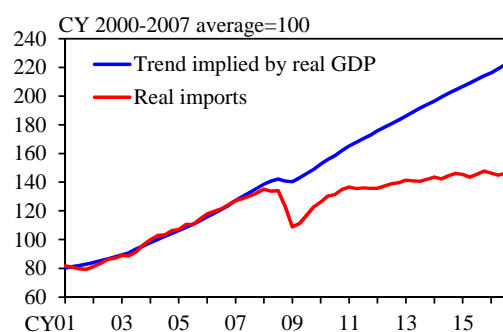
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Breakdown of World Trade Volume (Real Imports) by Region and Item

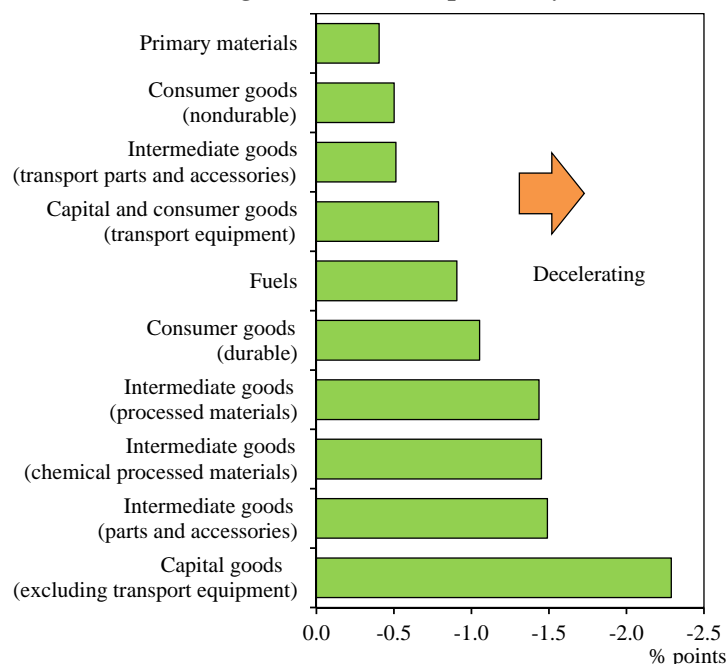
Real Imports of Advanced Economies



Real Imports of Emerging Economies



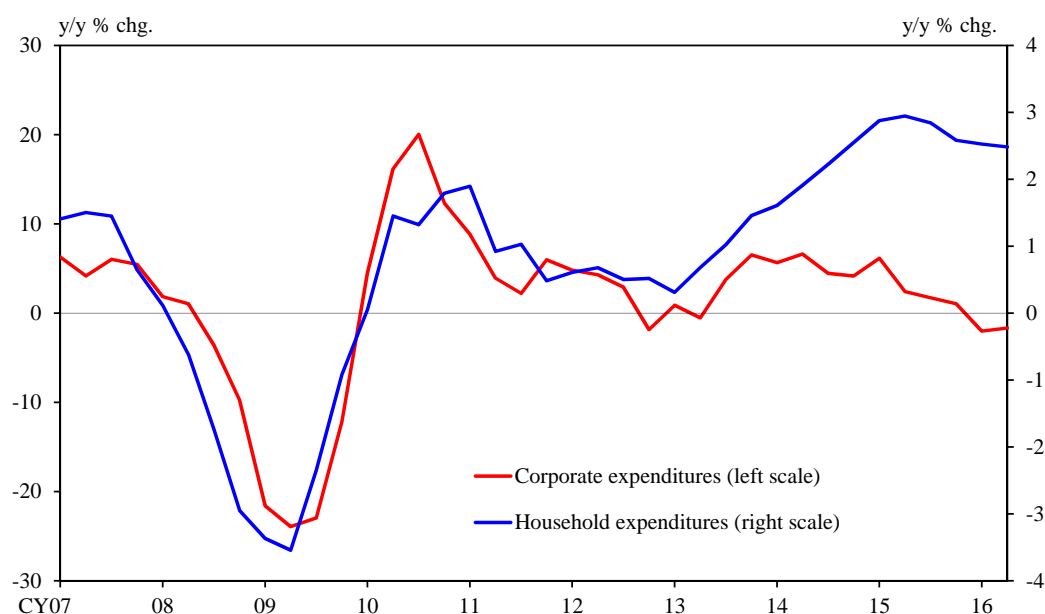
Changes in Real Imports by Item



Note: Figures are contributions to the difference in the growth rate of world trade volume between 2012-2014 and 2004-2006.

Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver; CEIC; UN Comtrade.

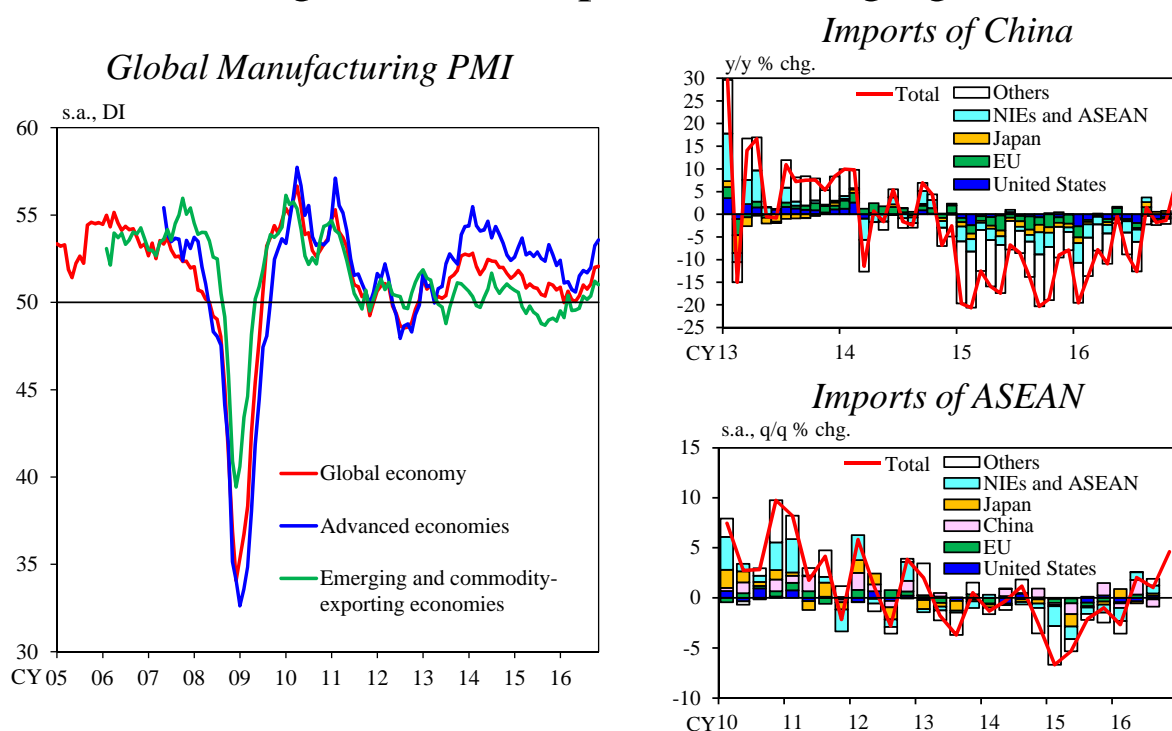
Corporate and Household Expenditures in Advanced Economies



Note: Advanced economies consist of the United States, the United Kingdom, and the euro area. Corporate expenditures are business fixed investment and inventory investment. Household expenditures are private consumption and private residential investment. Corporate expenditures for the euro area are gross fixed capital formation.

Source: Haver.

Manufacturing PMI and Imports of Emerging Economies

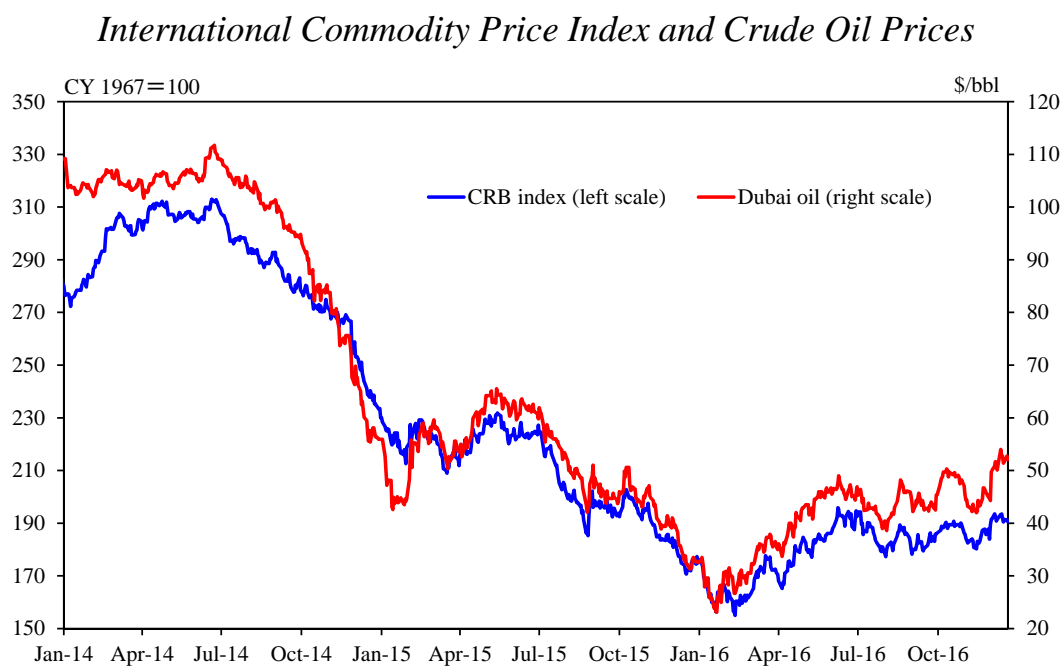


Notes: 1. Figures for the global economy are the J.P.Morgan Global Manufacturing PMI. Figures for the advanced economies PMI as well as the emerging and commodity-exporting economies PMI are calculated as the weighted averages of the Manufacturing PMI using PPP-adjusted GDP shares of world total GDP released by the IMF. Advanced economies consist of the United States, the euro area, the United Kingdom, and Japan. Emerging and commodity-exporting economies consist of 17 countries and regions, including China, South Korea, Taiwan, Russia, and Brazil.

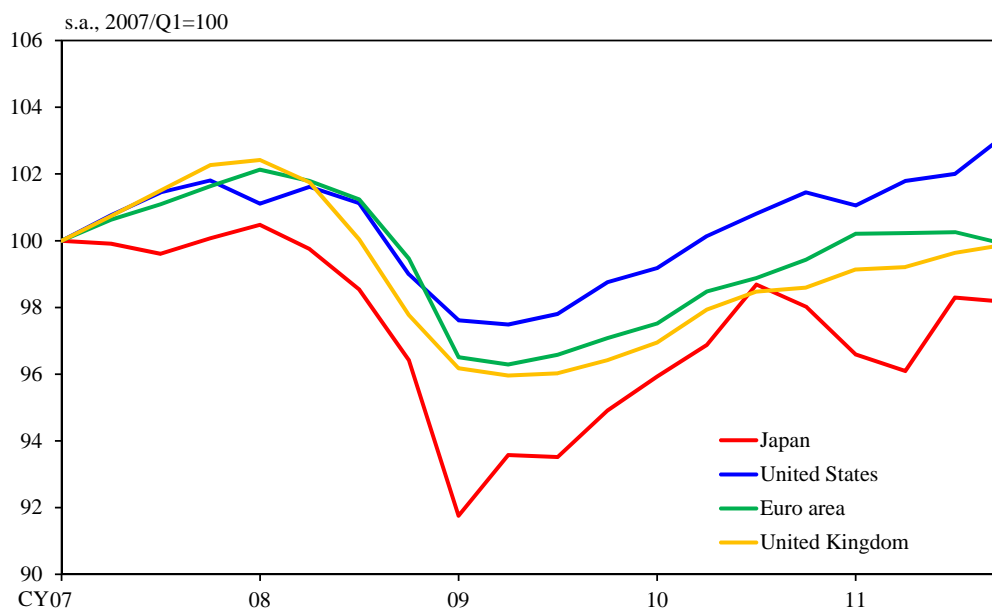
2. Figures for imports show the breakdown by country and region of origin.

Sources: IMF; IHS Markit (© and database right IHS Markit Ltd 2016. All rights reserved.); Haver; CEIC.

Commodity Prices



Real GDP Developments in Advanced Economies after the Global Financial Crisis



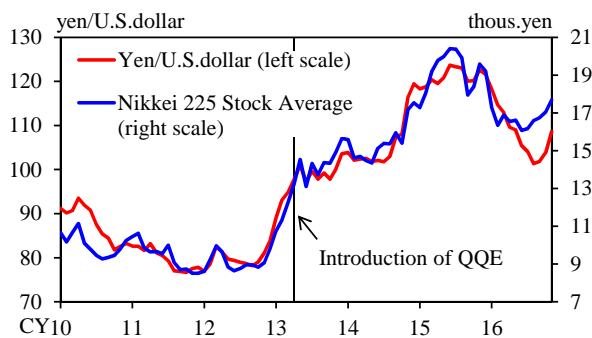
Sources: Cabinet Office; Haver.

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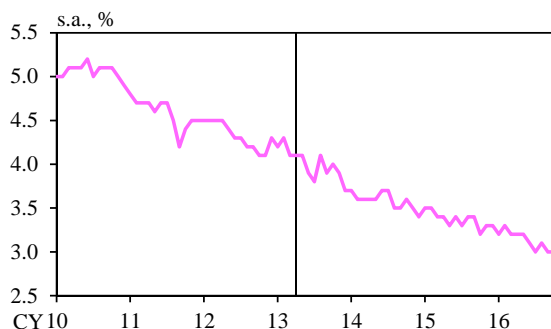
Chart 9

Economic and Price Developments after the Introduction of Quantitative and Qualitative Monetary Easing (QQE)

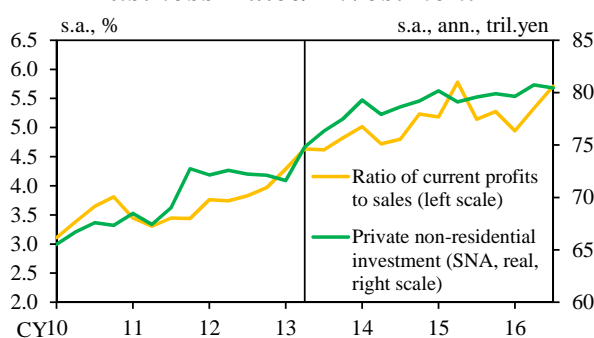
Exchange Rates and Stock Prices



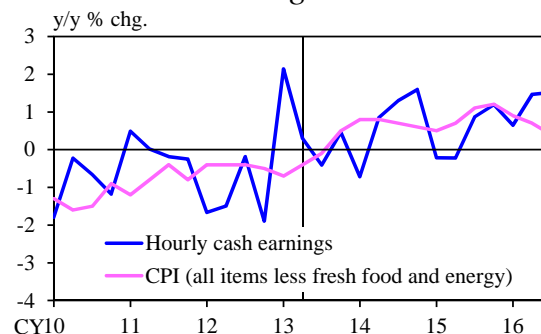
Unemployment Rate



Corporate Profits and Business Fixed Investment



Nominal Wages and Prices

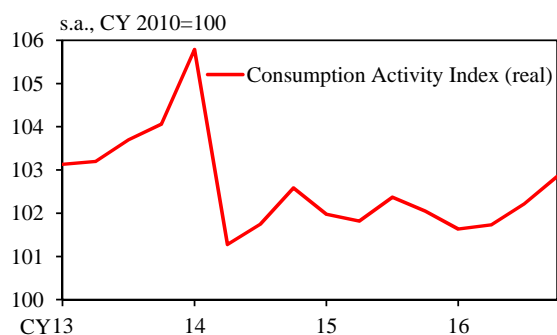


Sources: Bloomberg; Ministry of Finance; Cabinet Office; Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

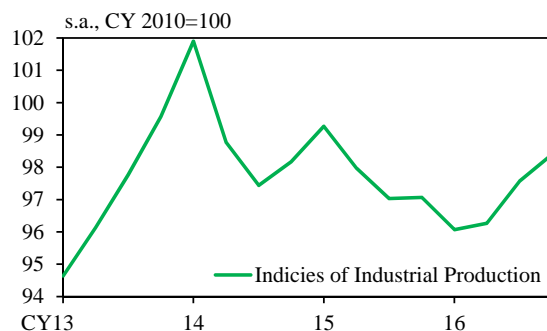
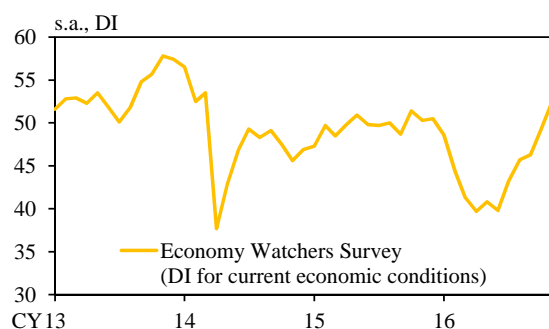
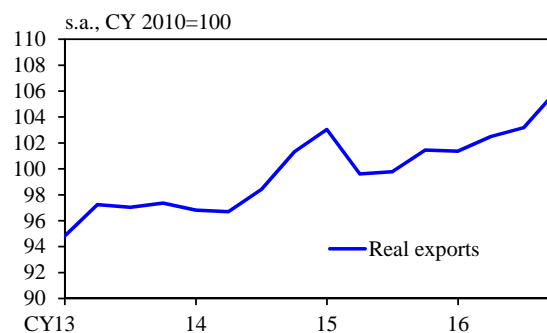
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Current Economic Activity in Japan

Indicators related to Private Consumption



Indicators related to Exports and Industrial Production



Note: The Consumption Activity Index is adjusted for travel balance.

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