

# Japan's Economy and Monetary Policy

*Speech at a Meeting with Business Leaders in Aomori*

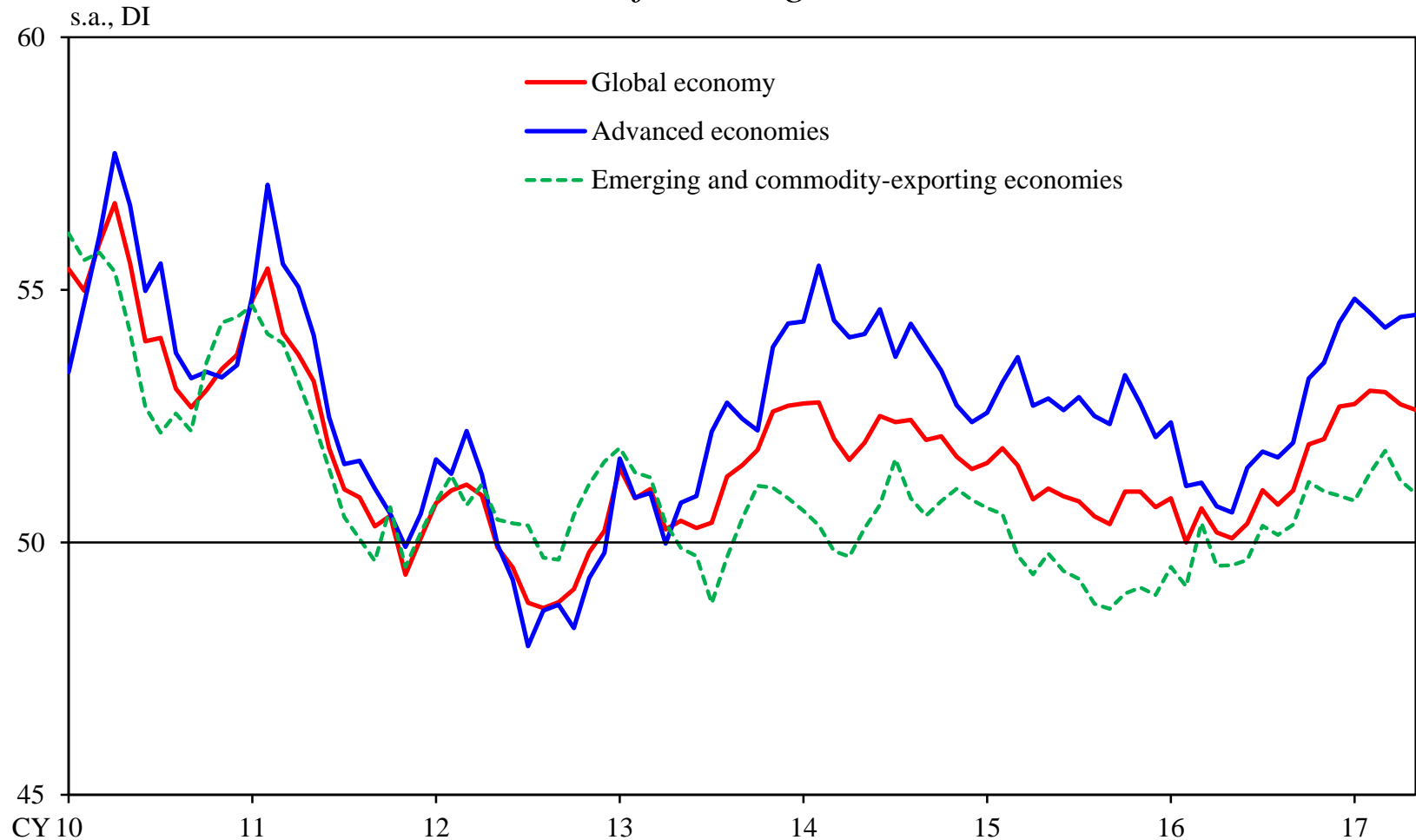
June 22, 2017

Kikuo Iwata

*Deputy Governor of the Bank of Japan*

# Overseas Economies

## *Manufacturing PMI*



Note: Figures for the global economy are the J.P.Morgan Global Manufacturing PMI. Figures for advanced economies as well as emerging and commodity-exporting economies are calculated as the weighted averages of the Manufacturing PMI using PPP-adjusted GDP shares of world total GDP from the IMF as weights. 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.

Sources: IMF; IHS Markit (© and database right IHS Markit Ltd 2017. All rights reserved.); Haver.

# World Economic Outlook Released by the IMF

*Projections for Major Economies  
(as of April 2017)*

y/y % chg.

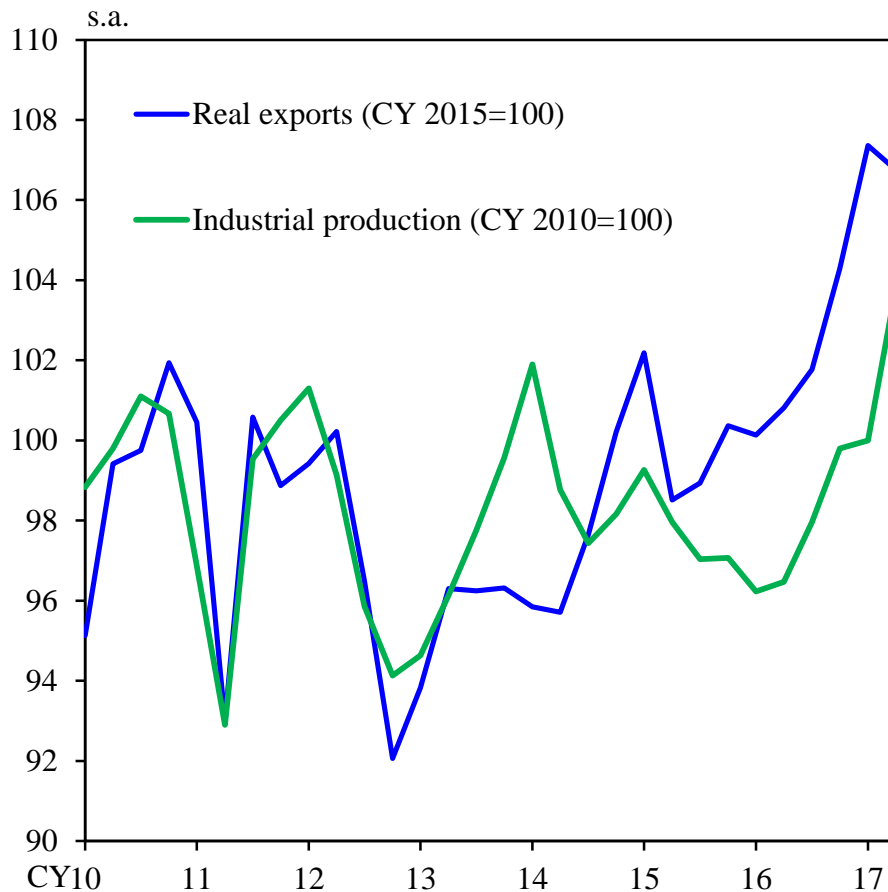
	2015	2016	2017 [Projections]	2018 [Projections]
World	3.4	3.1	3.5	3.6
Advanced Economies	2.1	1.7	2.0	2.0
United States	2.6	1.6	2.3	2.5
Euro Area	2.0	1.7	1.7	1.6
United Kingdom	2.2	1.8	2.0	1.5
Emerging Market and Developing Economies	4.2	4.1	4.5	4.8
China	6.9	6.7	6.6	6.2
ASEAN5	4.8	4.9	5.0	5.2

Note: ASEAN5 are Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam.

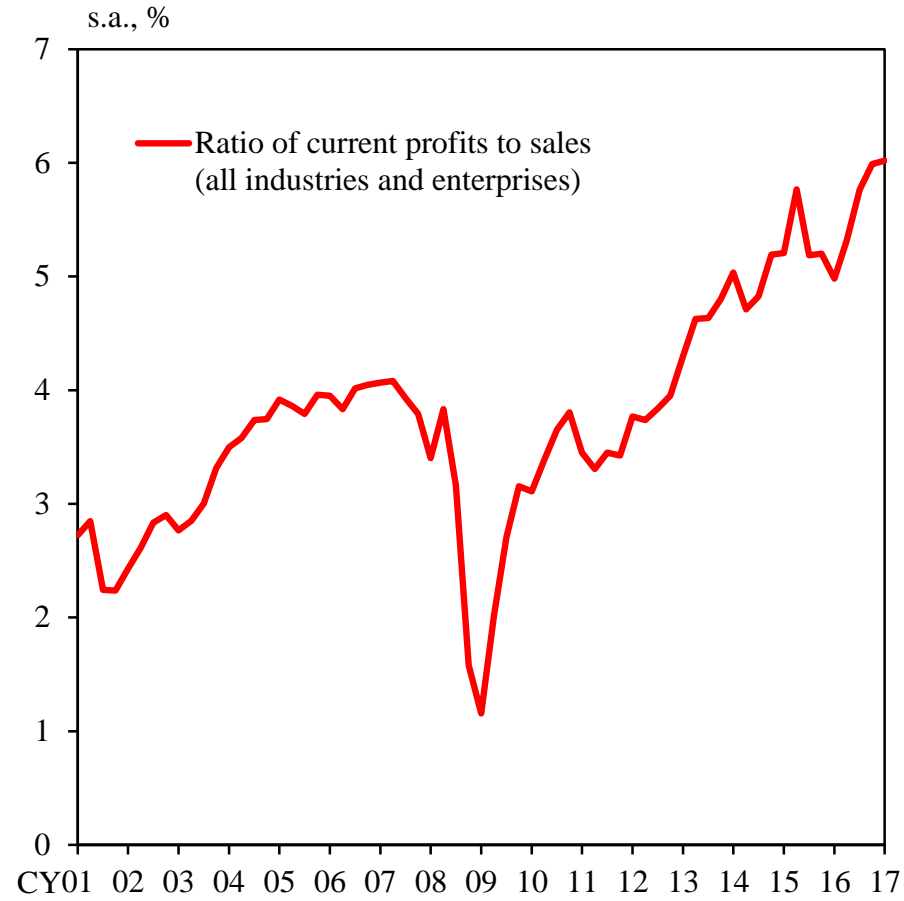
Source: IMF.

# Exports, Industrial Production, and Corporate Profits

## *Exports and Industrial Production*



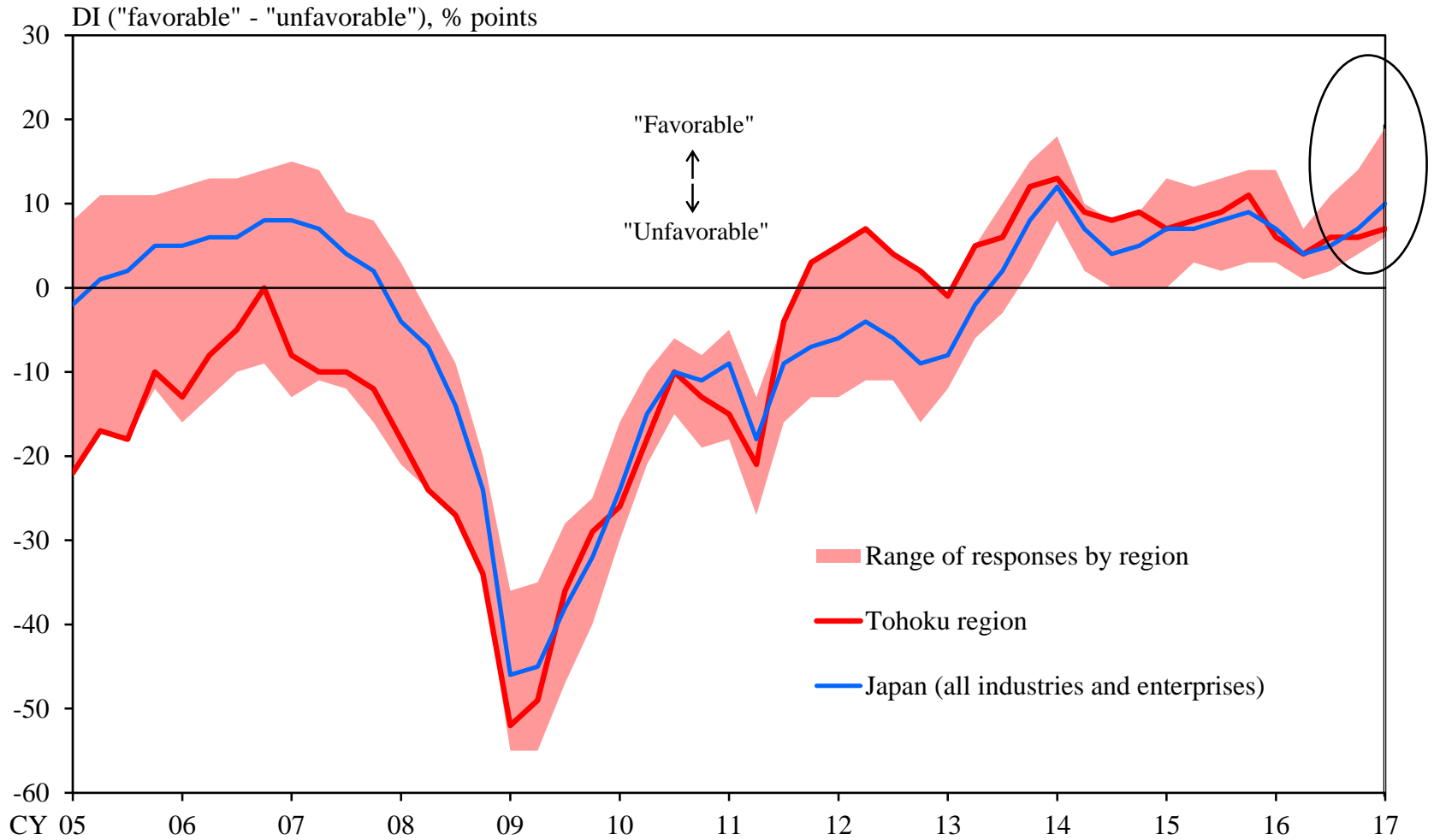
## *Corporate Profits*



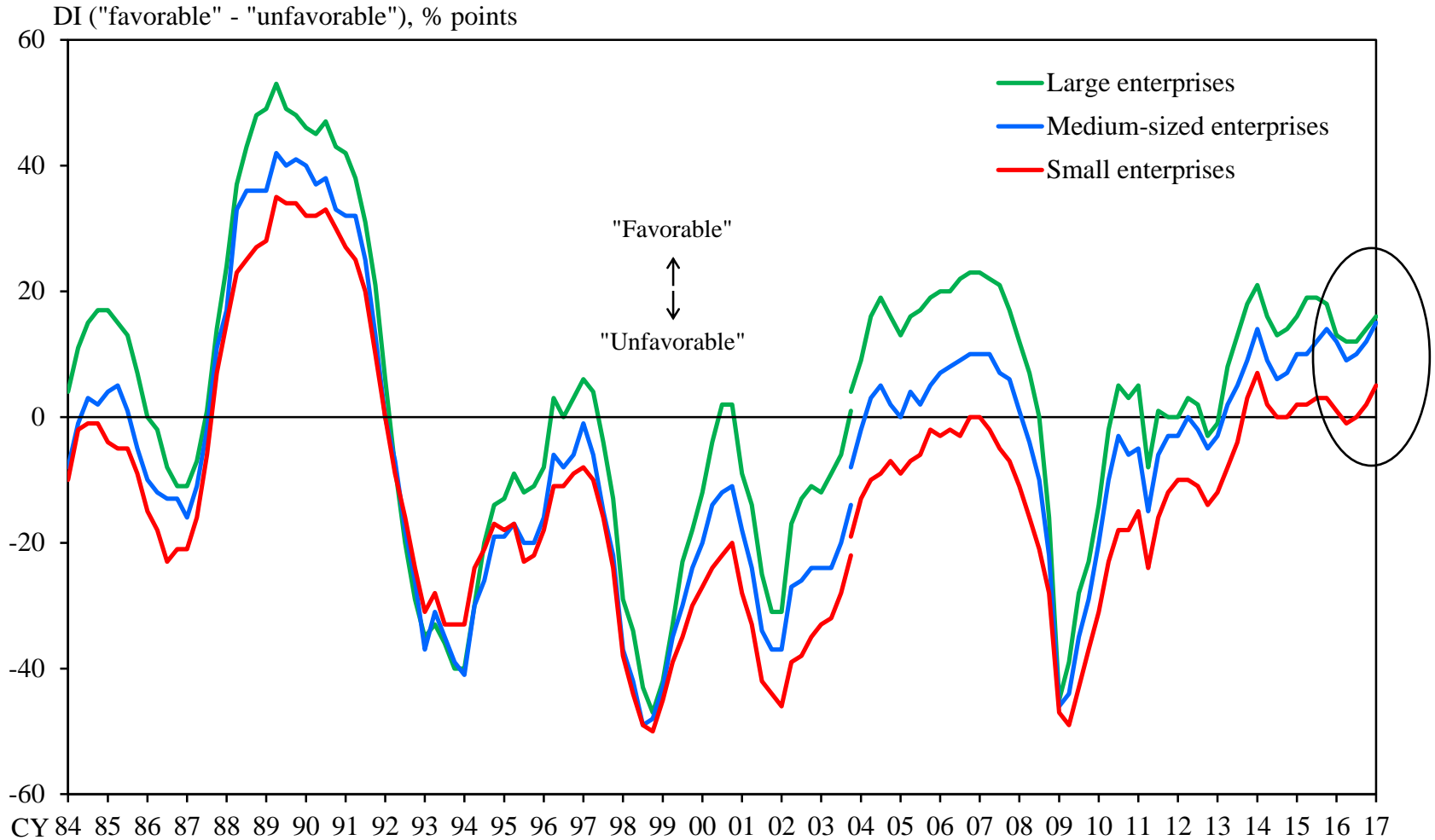
Note: Figures for corporate profits are based on the "Financial Statements Statistics of Corporations by Industry, Quarterly." Excluding "Finance and Insurance."

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

# Business Conditions by Region (*Tankan*)



# Business Conditions by Size of Enterprise (*Tankan*)

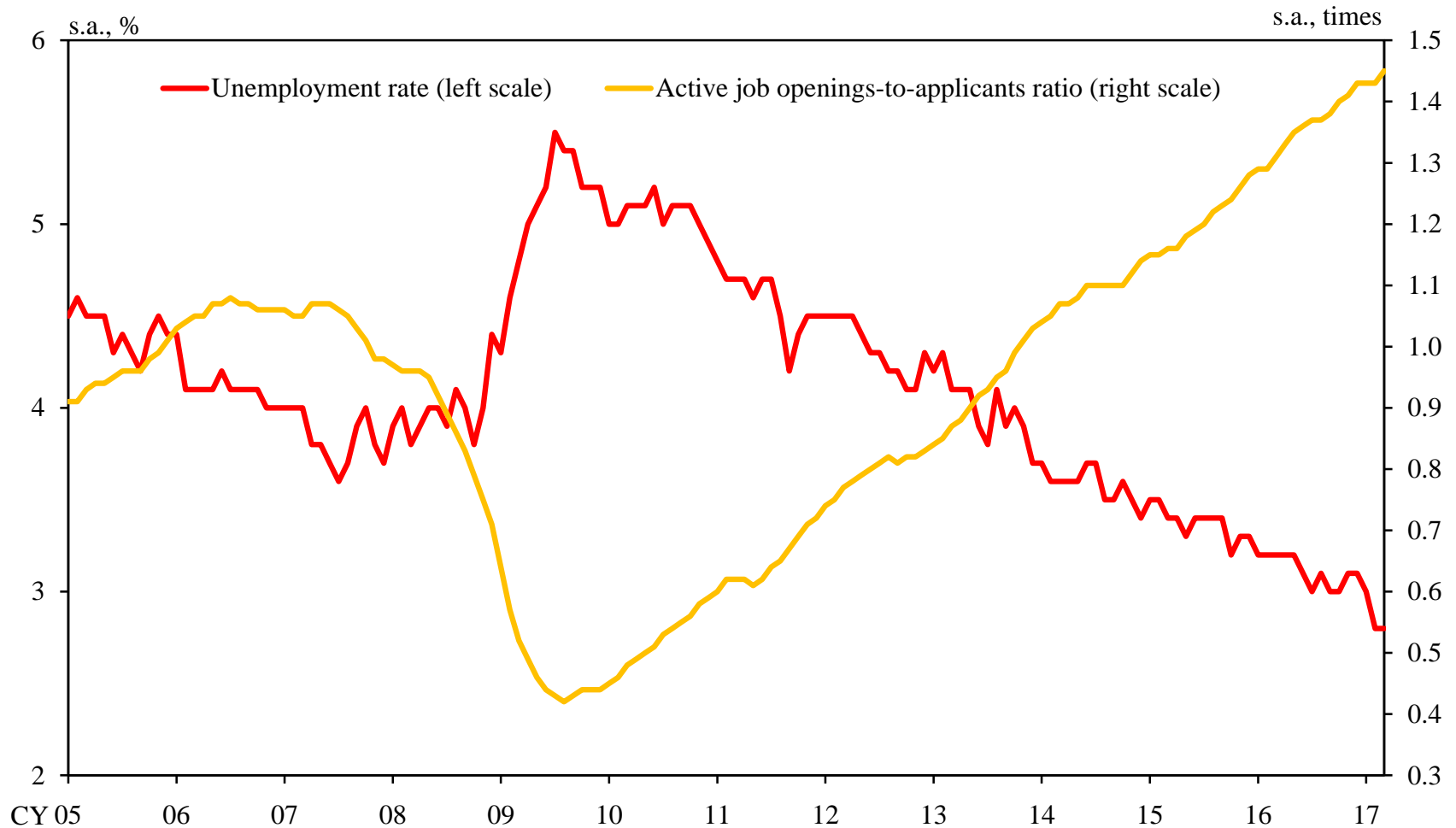


Note: There is a discontinuity in the data in December 2003 due to a change in the survey framework.

Source: Bank of Japan.

# Labor Market Conditions

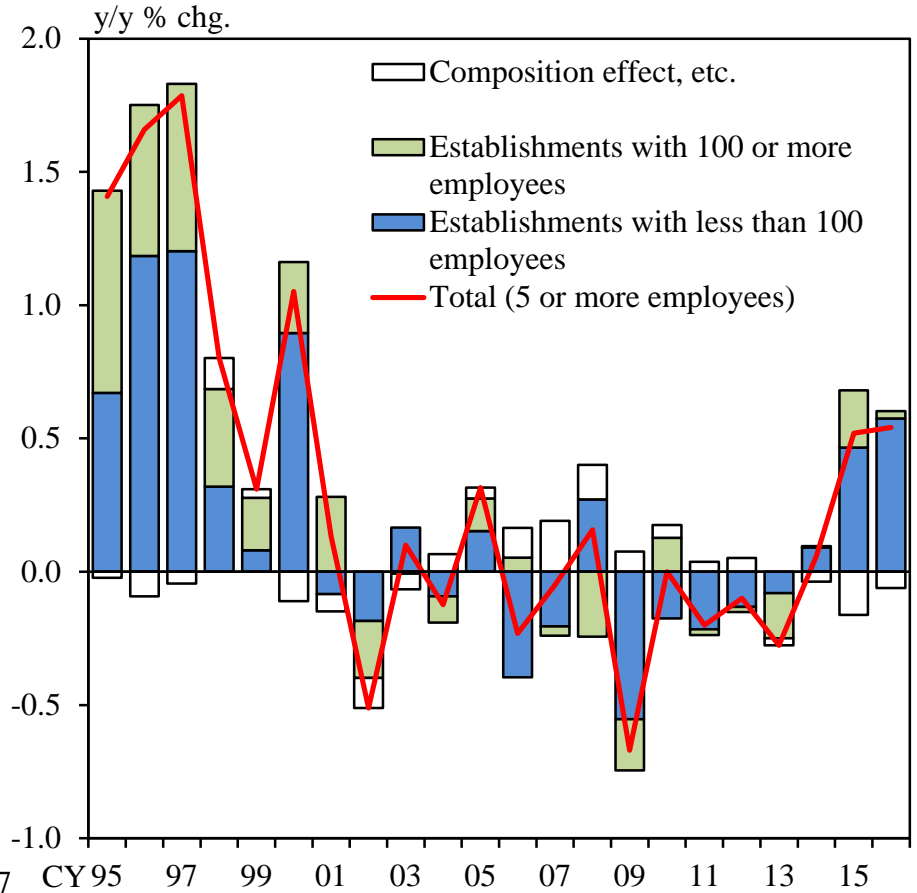
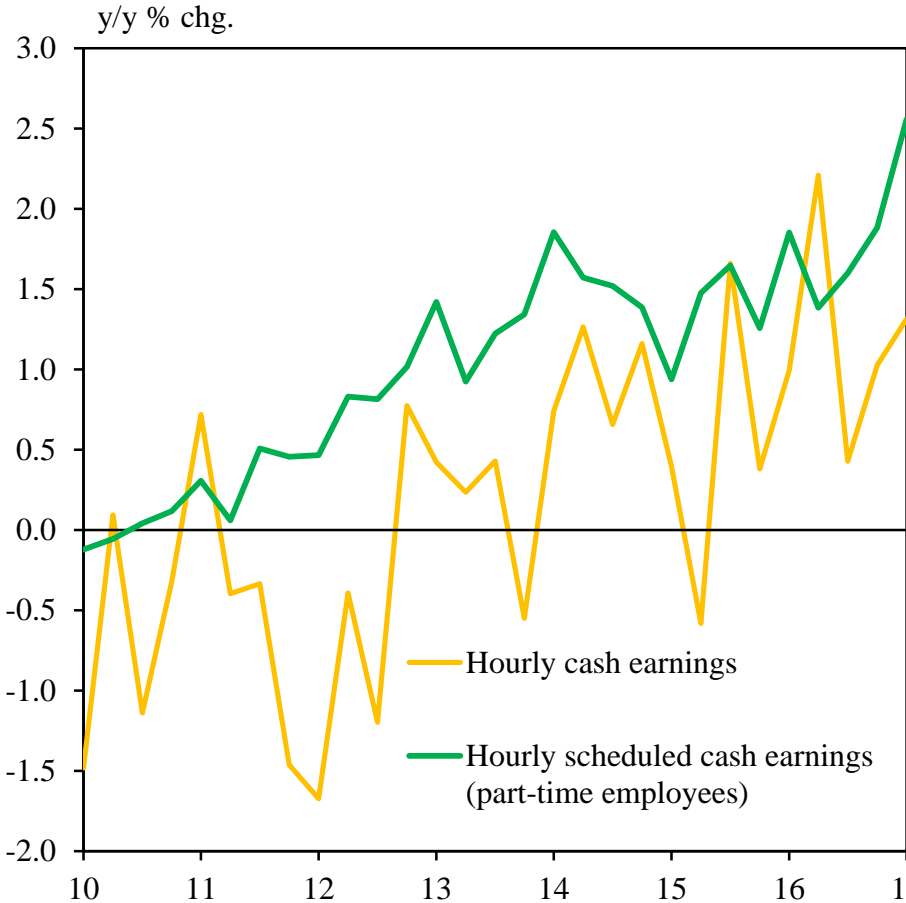
## *Unemployment Rate and Active Job Openings-to-Applicants Ratio*



# Nominal Wages

## Hourly Cash Earnings

## Scheduled Cash Earnings (Full-Time Employees)



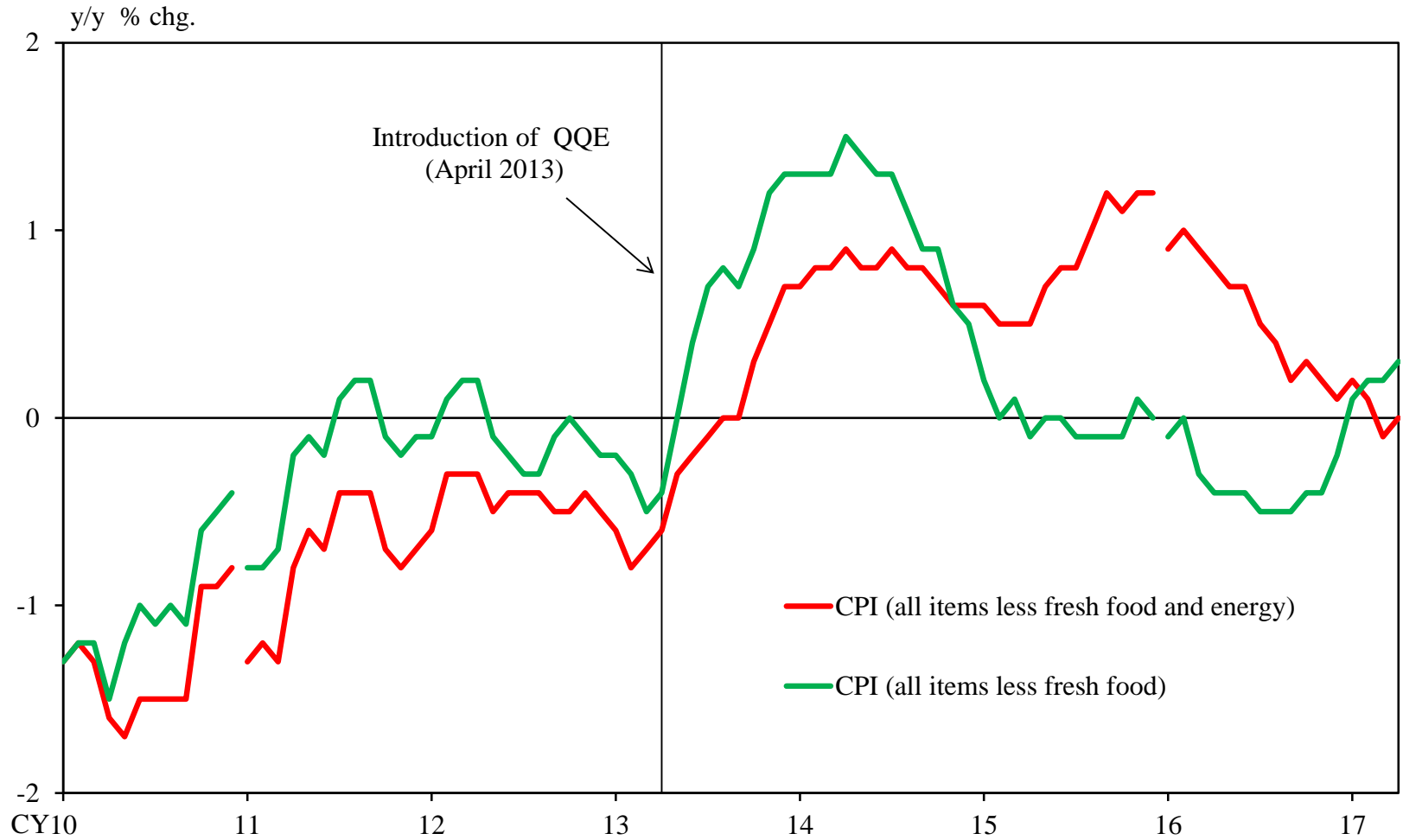
Note: For hourly cash earnings, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.

Figures for 2017/Q1 are those of March-April averages.

Source: Ministry of Health, Labour and Welfare.



# Consumer Prices

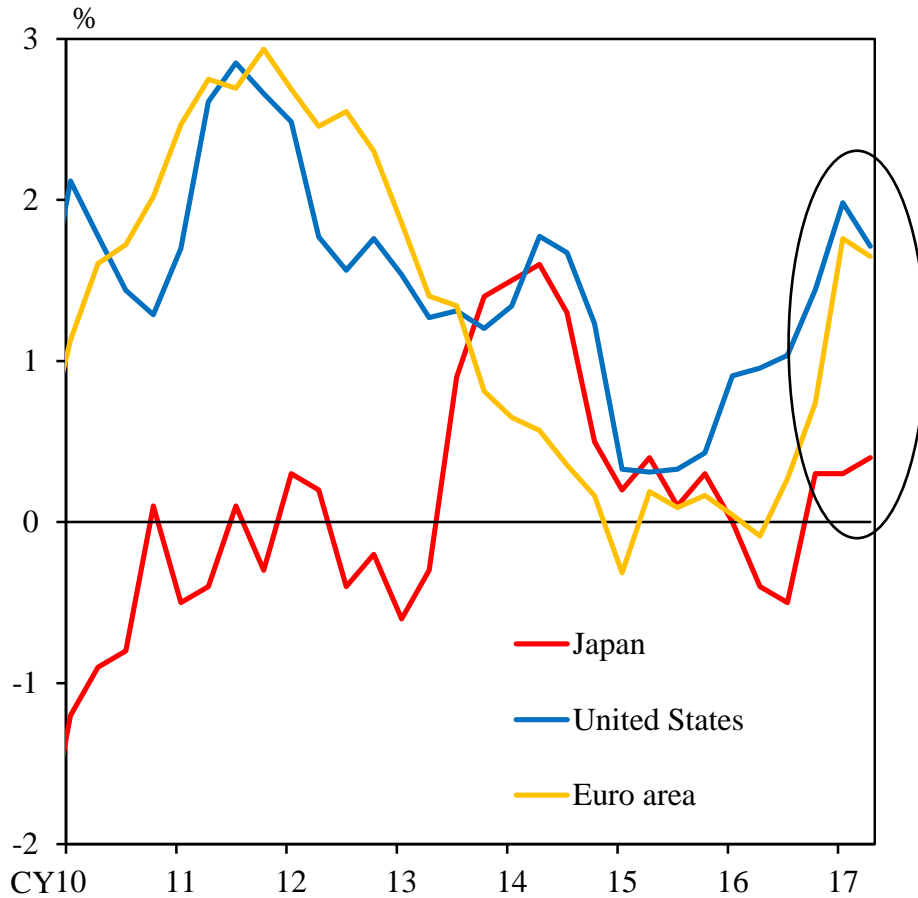


Note: Figures for the CPI are adjusted to exclude the estimated effects of changes in the consumption tax rate.

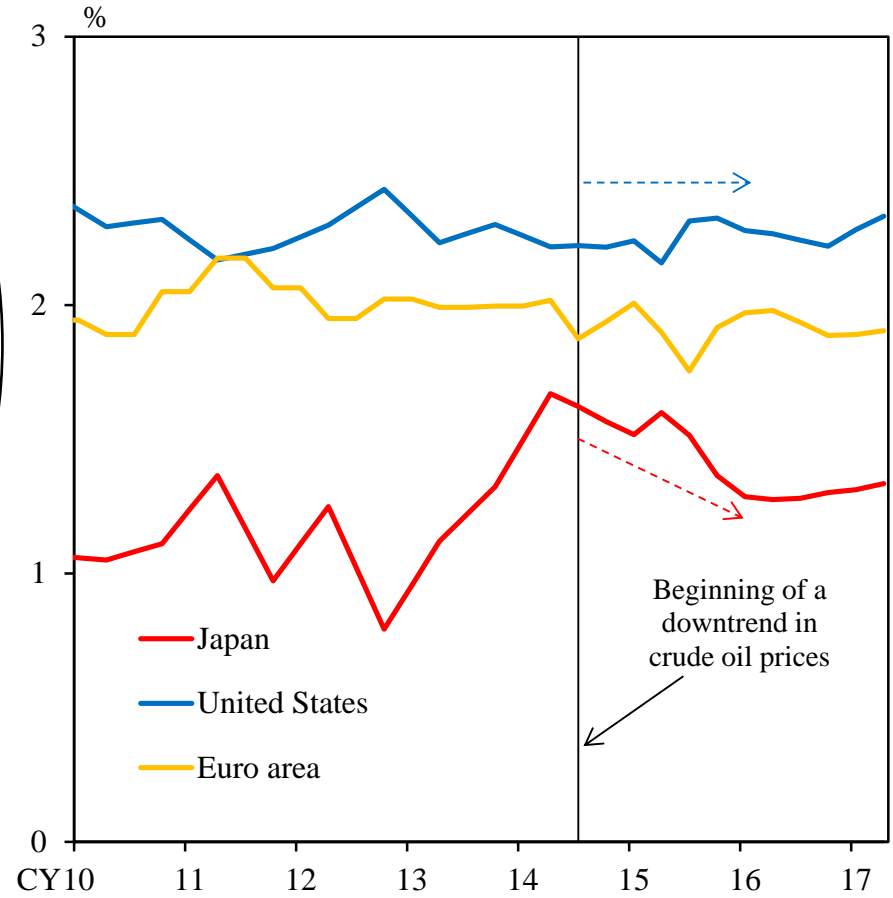
Source: Ministry of Internal Affairs and Communications.

# Consumer Prices and Inflation Expectations in Advanced Economies

*Consumer Prices  
(All Items)*



*Inflation Expectations  
(Long-term)*



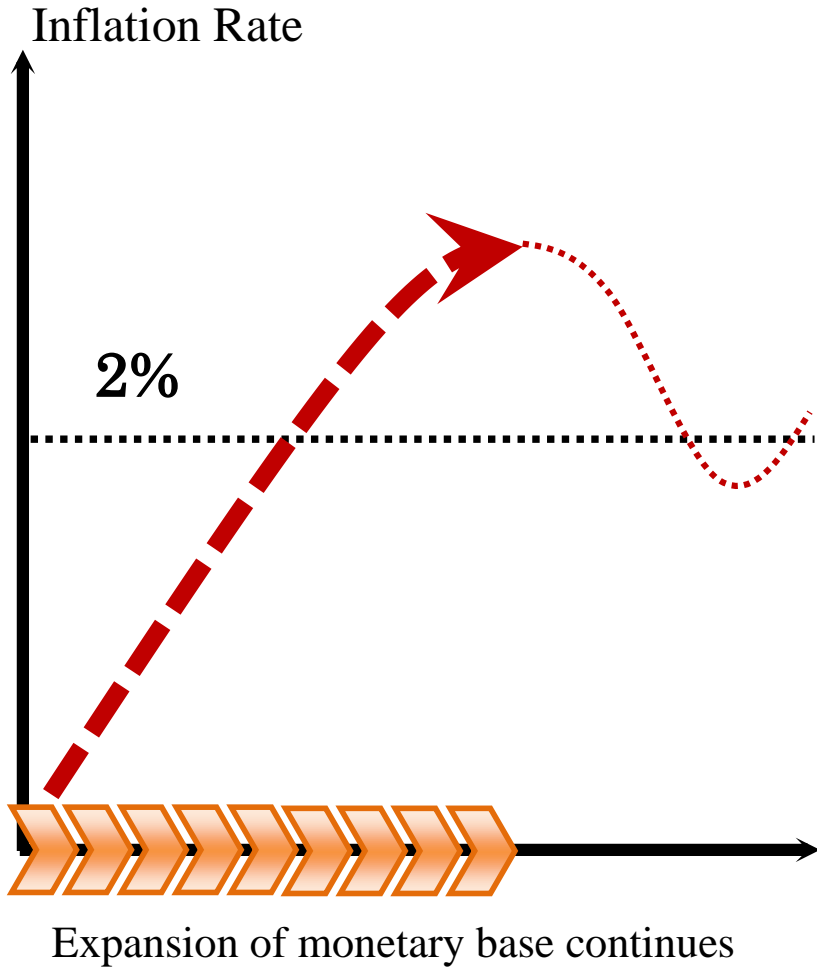
Notes: 1. Figures for Japan's CPI (all items) are adjusted to exclude the estimated effects of changes in the consumption tax rate.

2. Figures for inflation expectations (long-term) are 6-10 years ahead expectations in the "Consensus Forecasts."

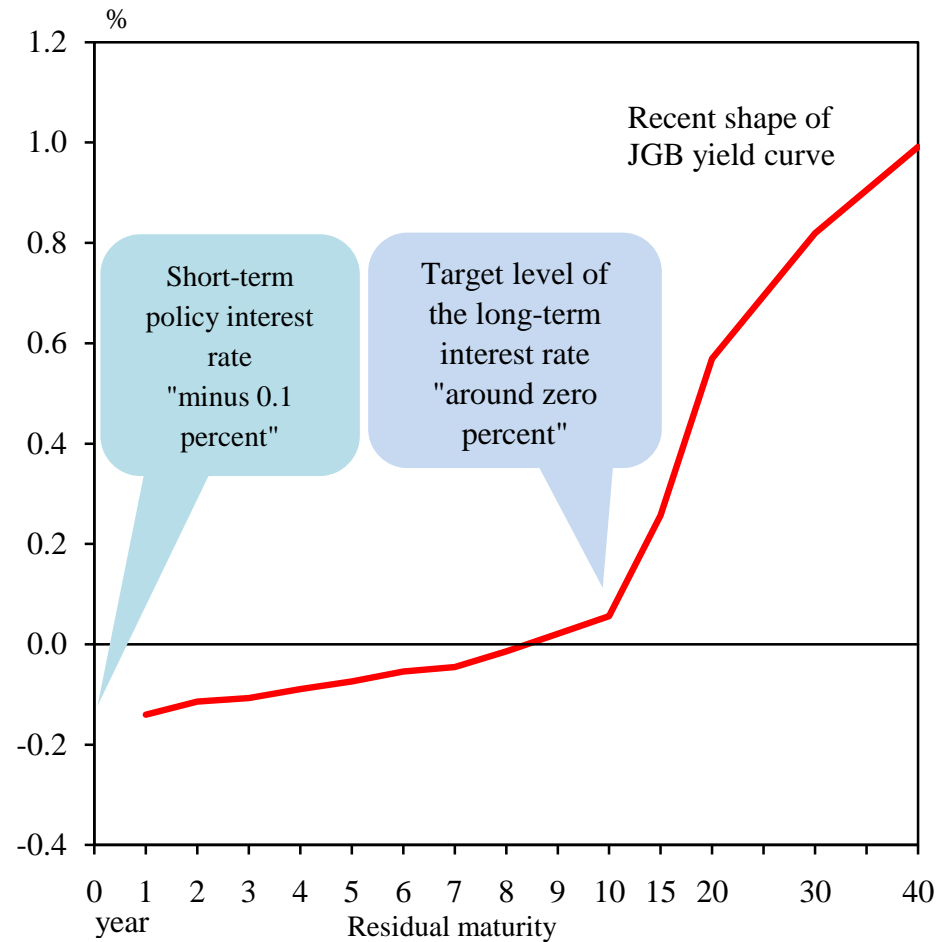
Sources: Ministry of Internal Affairs and Communications; BEA; Eurostat; Consensus Economics Inc., "Consensus Forecasts."

# QQE with Yield Curve Control

*Inflation-Overshooting Commitment*

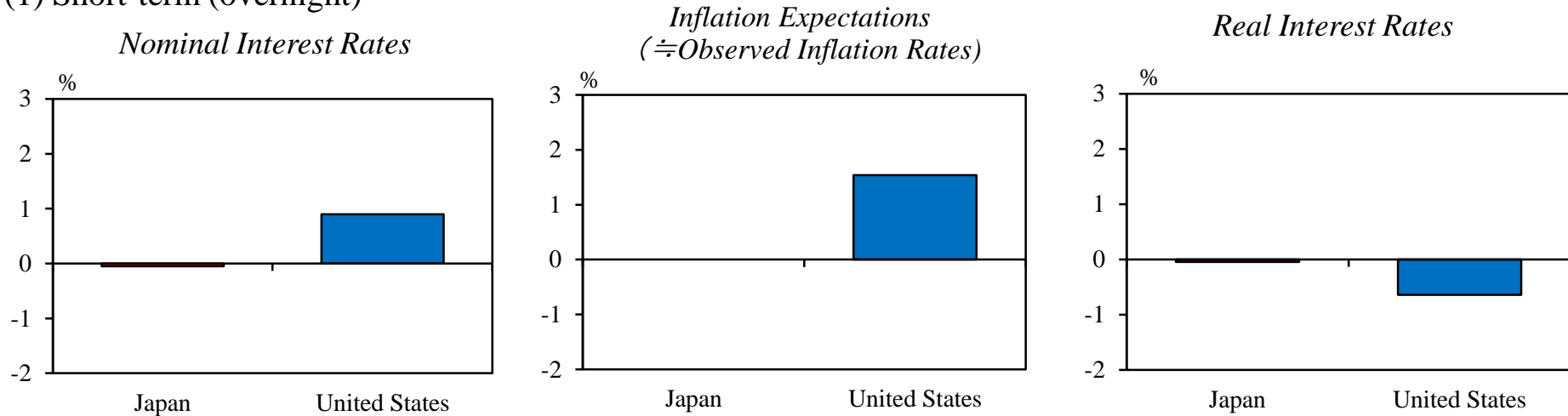


*Yield Curve Control*

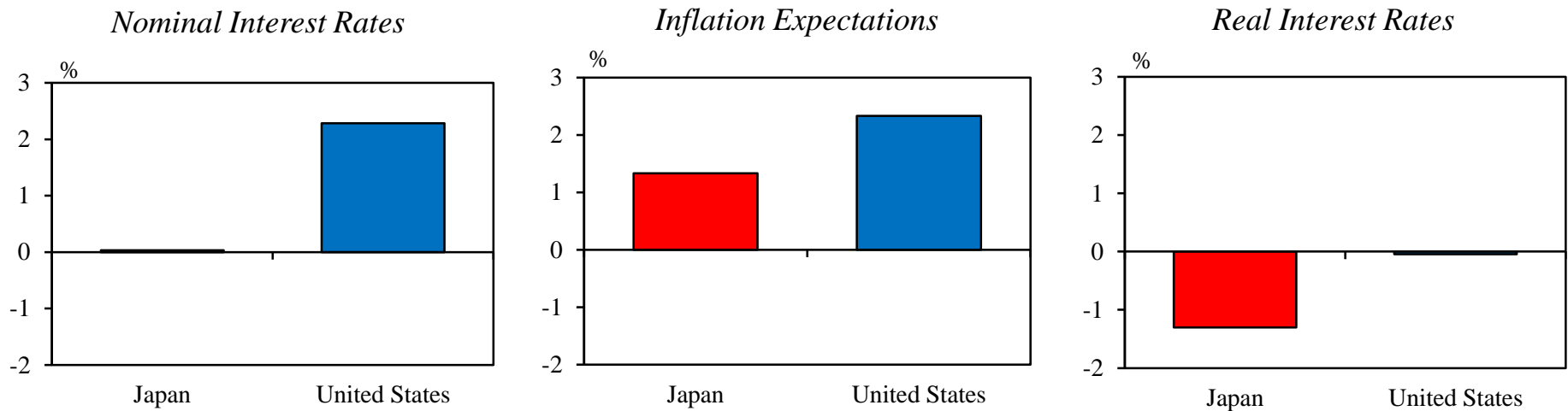


# Nominal and Real Interest Rates (the Most Recent)

## (1) Short-term (overnight)



## (2) Long-term (10-year)



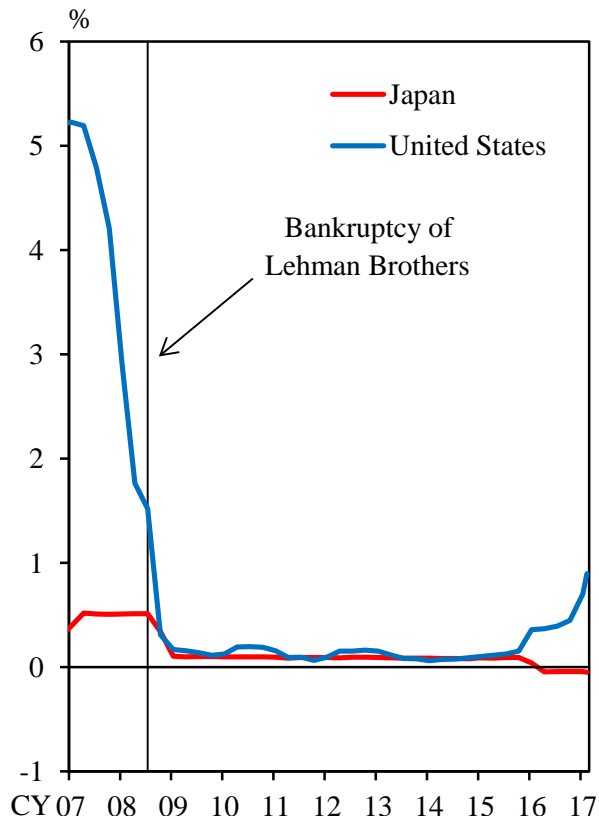
Notes: 1. Figures are those of April 2017. Figures for observed inflation rates are the CPI (all items less fresh food and energy) for Japan and the PCE deflator (all items less food and energy) for the United States.

2. Figures for long-term inflation expectations are 6-10 years ahead expectations in the "Consensus Forecasts."

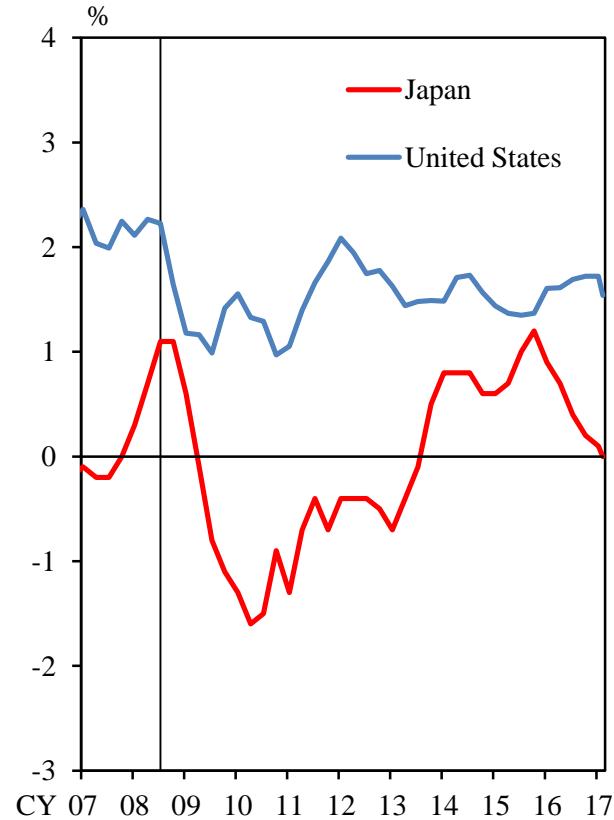
Sources: Ministry of Internal Affairs and Communications; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg; BEA.

# Short-term Interest Rates (O/N) after the Global Financial Crisis

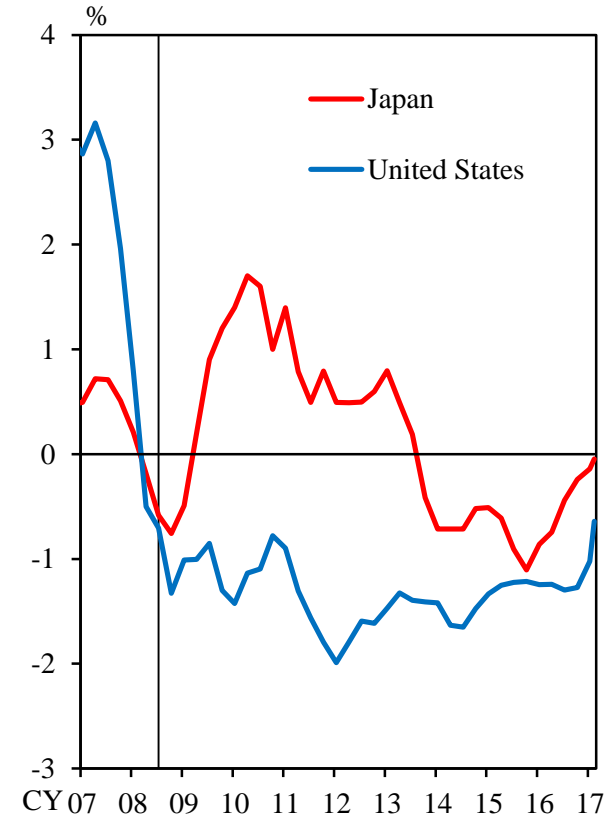
## Nominal Interest Rates



## Inflation Expectations ( $\div$ Observed Inflation Rates)



## Real Interest Rates

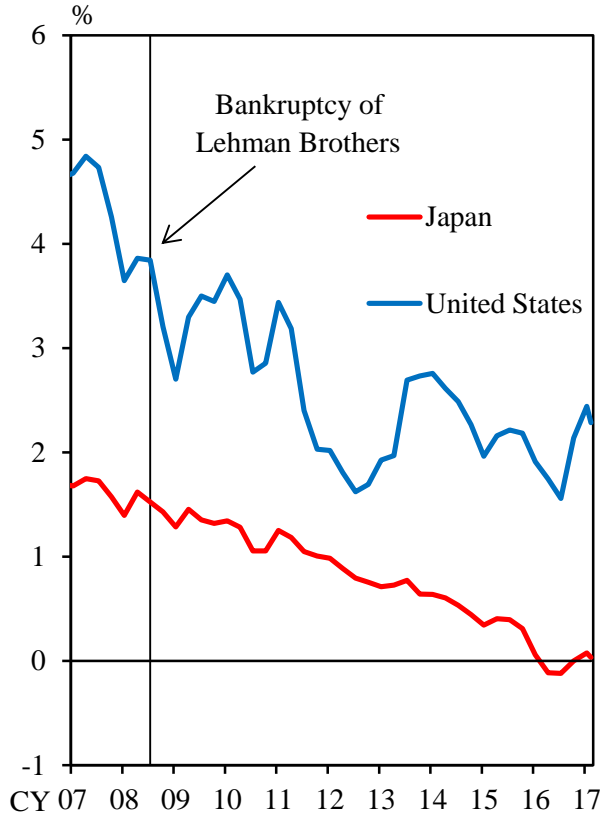


Note: Figures for observed inflation rates are the CPI (all items less fresh food and energy, adjusted to exclude the estimated effects of changes in the consumption tax rate) for Japan and the PCE deflator (all items less food and energy) for the United States.

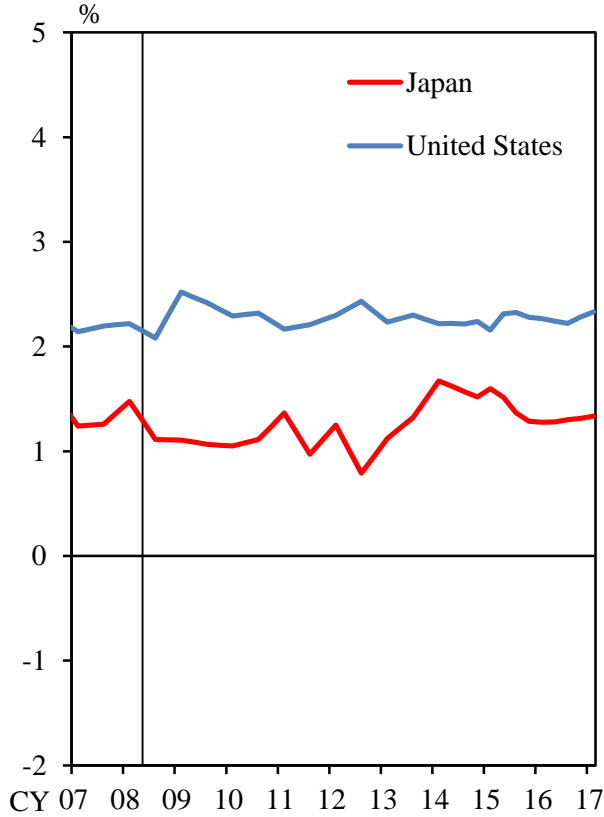
Sources: Bloomberg; Ministry of Internal Affairs and Communications; BEA.

# Long-term Interest Rates (10-Year) after the Global Financial Crisis

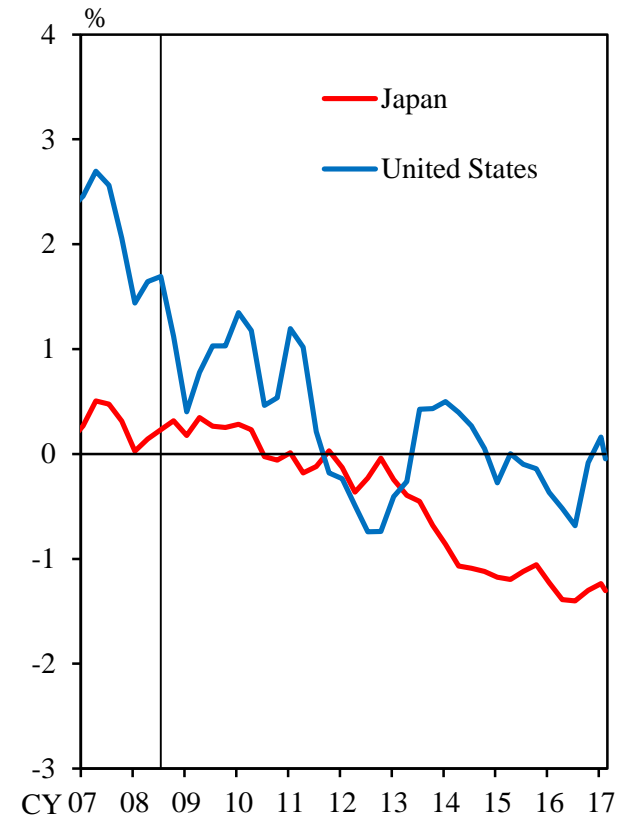
*Nominal Interest Rates*



*Inflation Expectations*



*Real Interest Rates*



Note: Figures for inflation expectations are 6-10 years ahead expectations in the "Consensus Forecasts."

Sources: Bloomberg; Consensus Economics Inc., "Consensus Forecasts."

# Developments in Real GDP after the Global Financial Crisis

