

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Nagoya

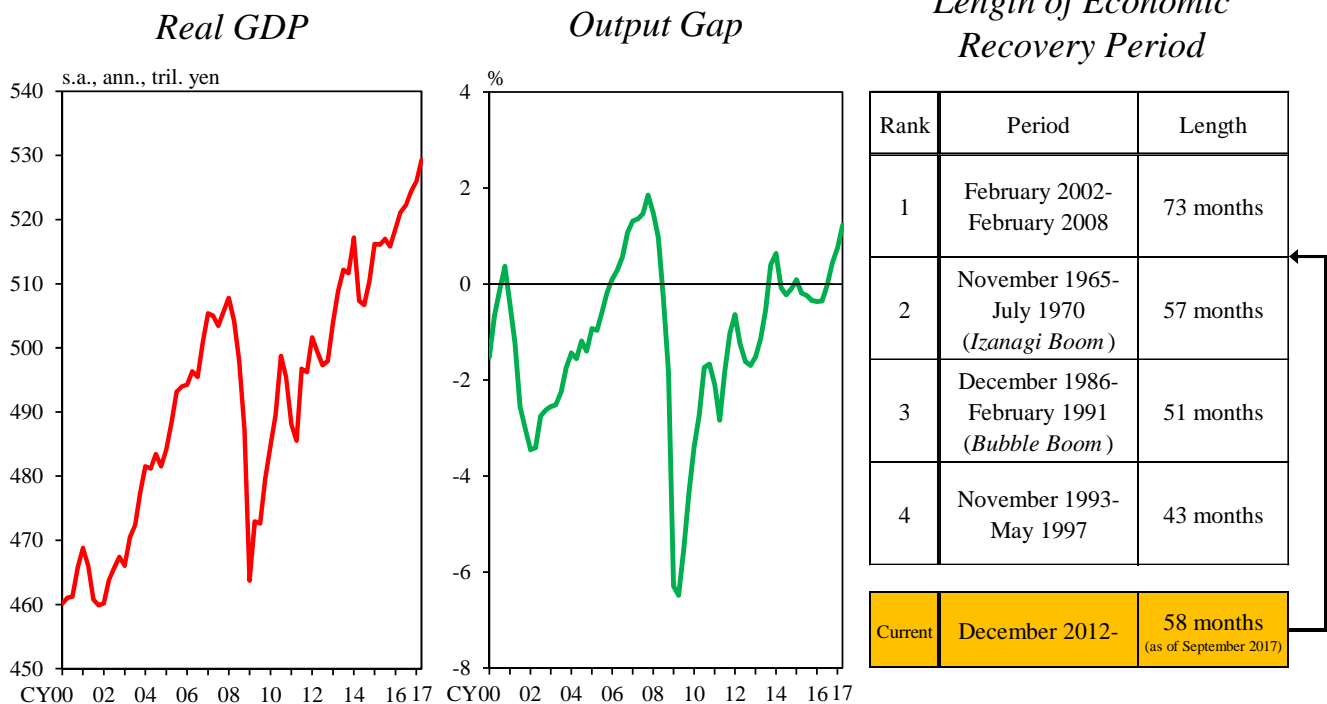
November 6, 2017

Haruhiko Kuroda

Governor of the Bank of Japan

Chart 1

Economic Recovery in Japan



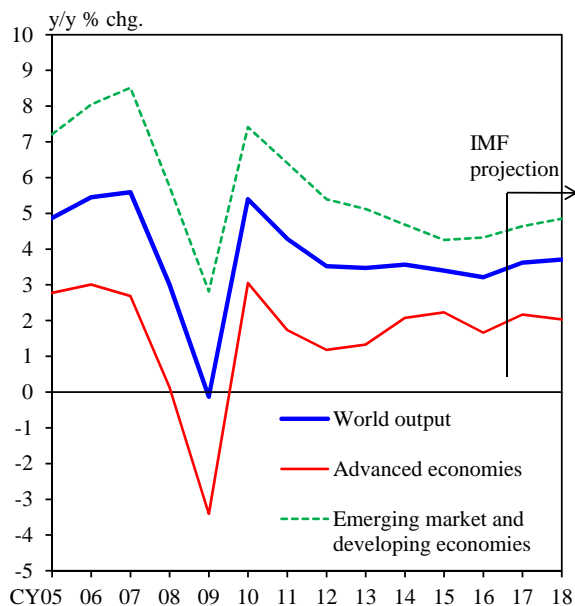
Notes: 1. The output gap is based on BOJ staff estimations.

2. Economic peaks and troughs are judged based on discussions by experts after waiting for data accumulation. The current recovery phase, which started in December 2012, seems to have lasted for 58 consecutive months by September 2017. This represents the second longest period of economic recovery in the post-war era.

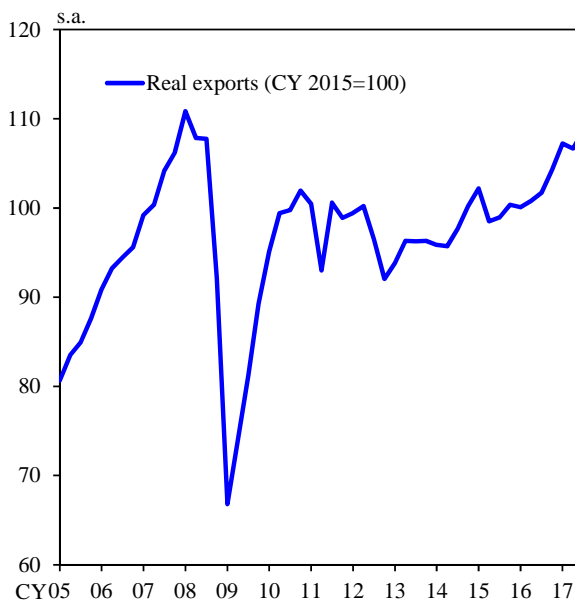
Sources: Cabinet Office; Bank of Japan.

Global Economy and Japan's Exports

Global Real GDP Growth



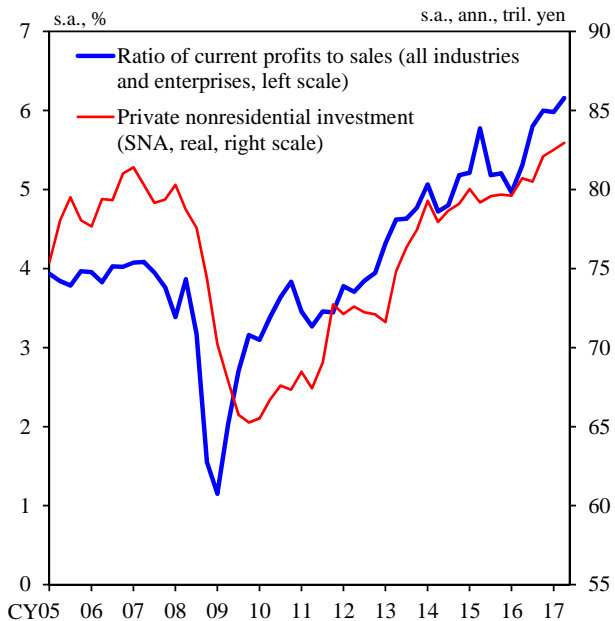
Japan's Exports



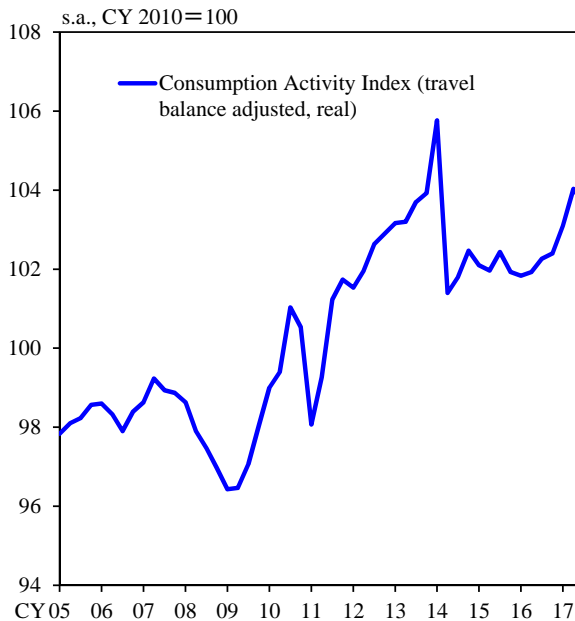
Sources: IMF; Bank of Japan; Ministry of Finance.

Domestic Demand

Corporate Profits and Business Fixed Investment



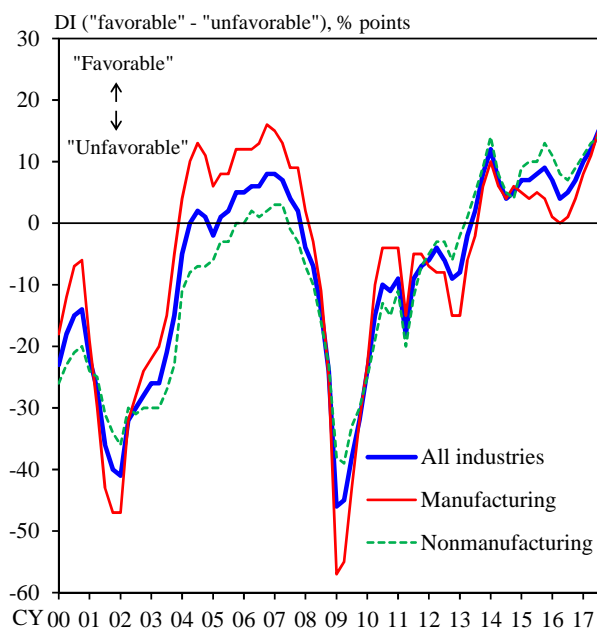
Private Consumption



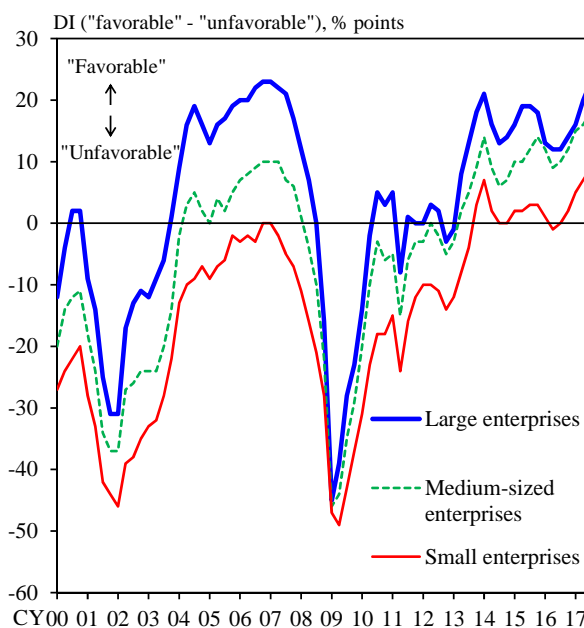
Notes: 1. Figures for corporate profits are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance."
 2. Figures for private consumption are based on BOJ staff calculations. Figures exclude inbound tourism consumption and include outbound tourism consumption. The figure for 2017/Q3 is the July-August average.
 Sources: Ministry of Finance; Cabinet Office; Bank of Japan.

Business Conditions DI (*Tankan*)

By Industry



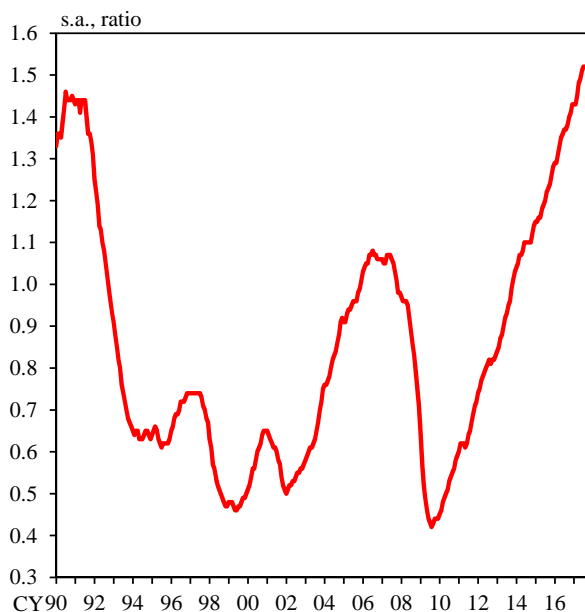
By Firm Size



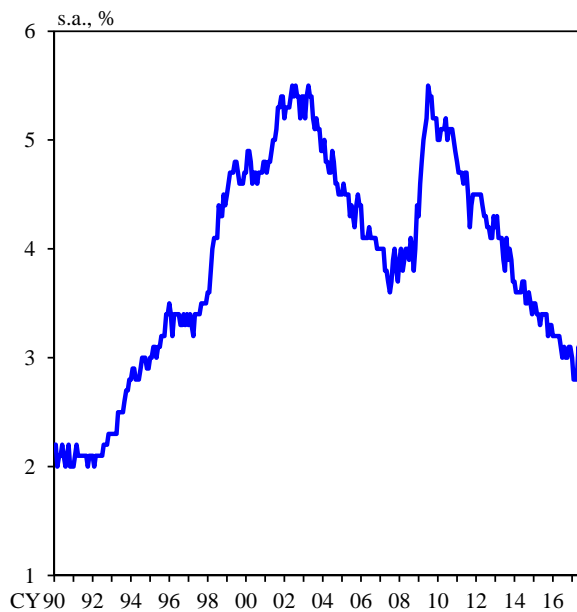
Source: Bank of Japan.

Labor Market Conditions

Active Job Openings-to-Applicants Ratio



Unemployment Rate



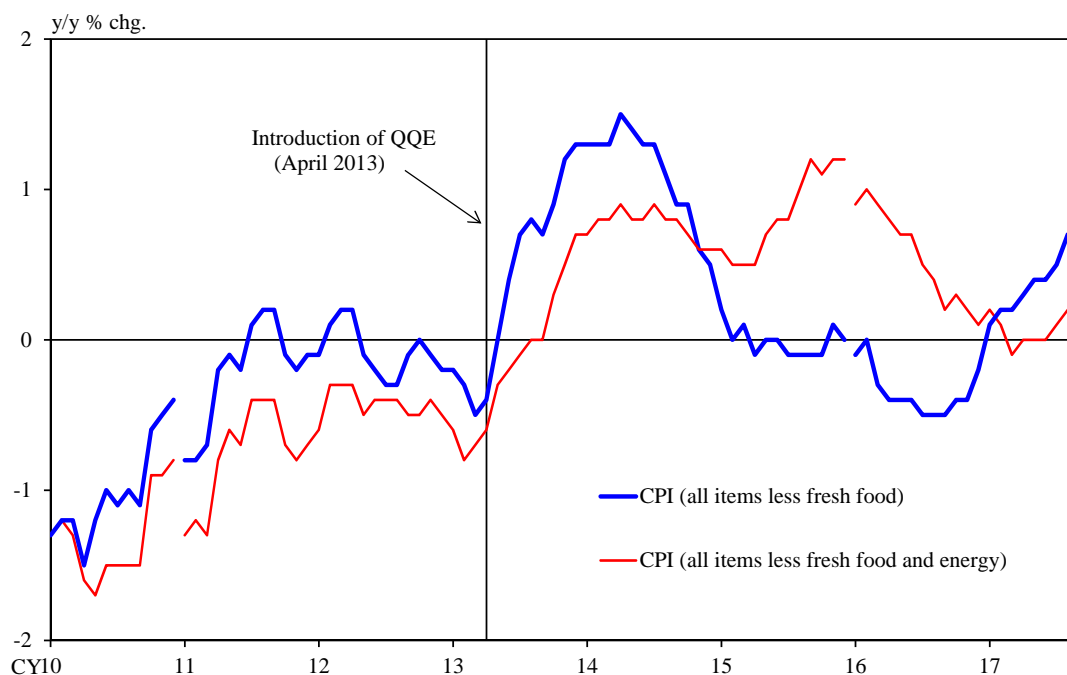
Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

Outlook for Economic Activity and Prices (as of October 2017)

		y/y % chg.	
		Real GDP	CPI (all items less fresh food)
Fiscal 2017		+1.9	+0.8
	Forecasts made in July 2017	+1.8	+1.1
Fiscal 2018		+1.4	+1.4
	Forecasts made in July 2017	+1.4	+1.5
Fiscal 2019		+0.7	+1.8
	Forecasts made in July 2017	+0.7	+1.8

Note: Figures indicate the medians of the Policy Board members' forecasts (point estimates). Figures for the CPI (all items less fresh food) exclude the effects of the consumption tax hike.
Source: Bank of Japan.

Consumer Prices

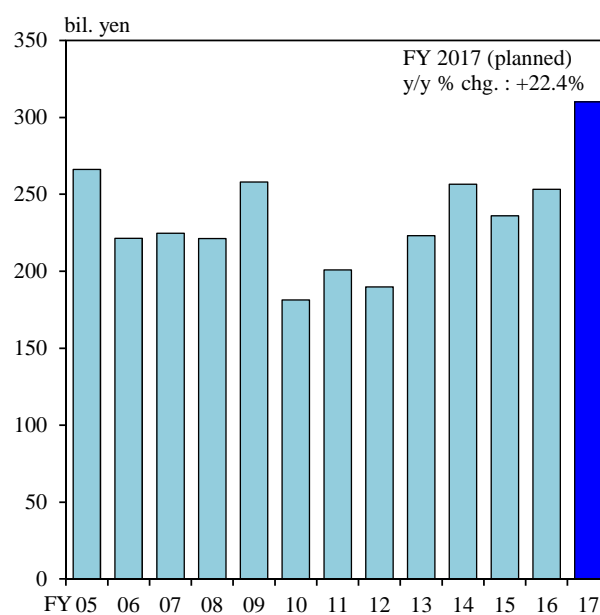
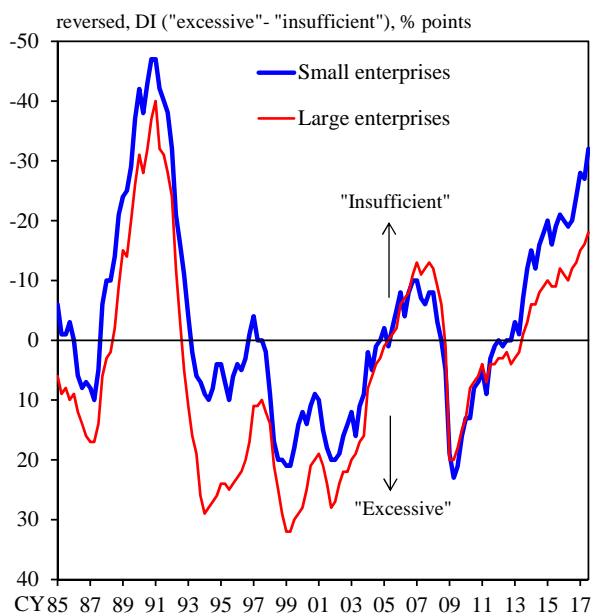


Note: Figures are adjusted for changes in the consumption tax rate.
Source: Ministry of Internal Affairs and Communications.

Labor-Saving Investment of Small Enterprises

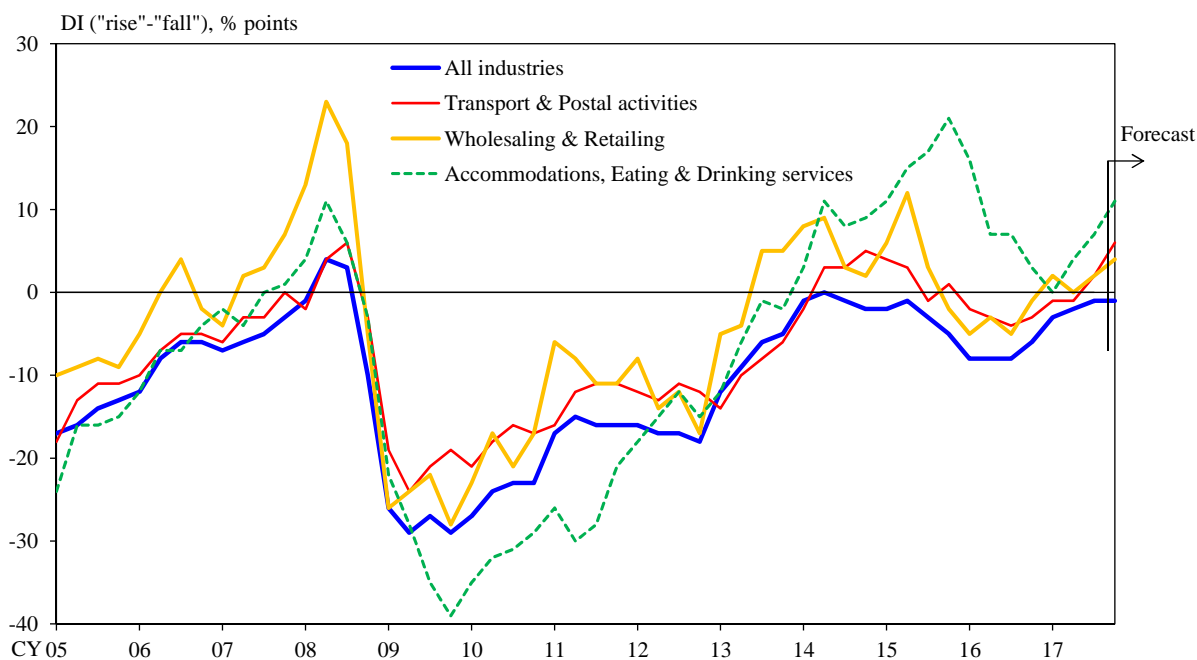
Employment Conditions DI (Tankan)

Software Investment of Small Enterprises (Tankan)



Note: The figure for the software investment plans for fiscal 2017 is from the September 2017 *Tankan* survey.
Source: Bank of Japan.

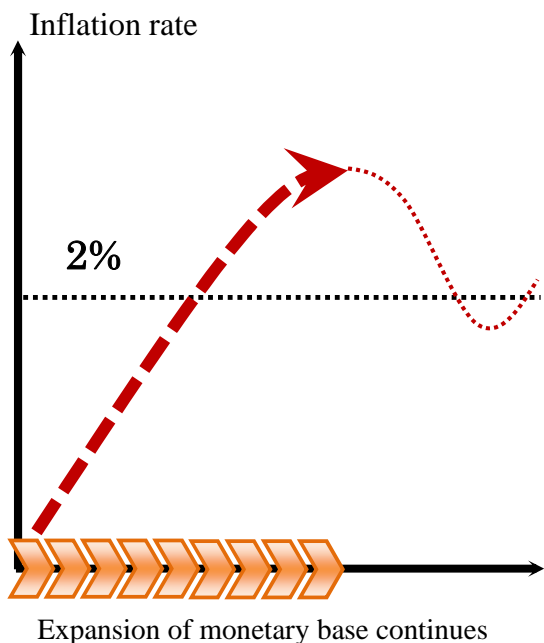
Change in Output Prices DI (Tankan)



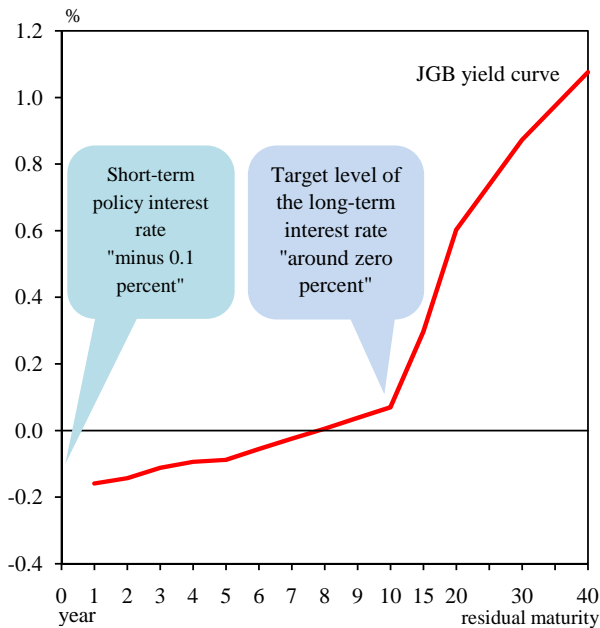
Source: Bank of Japan.

QQE with Yield Curve Control

Inflation-Overshooting Commitment



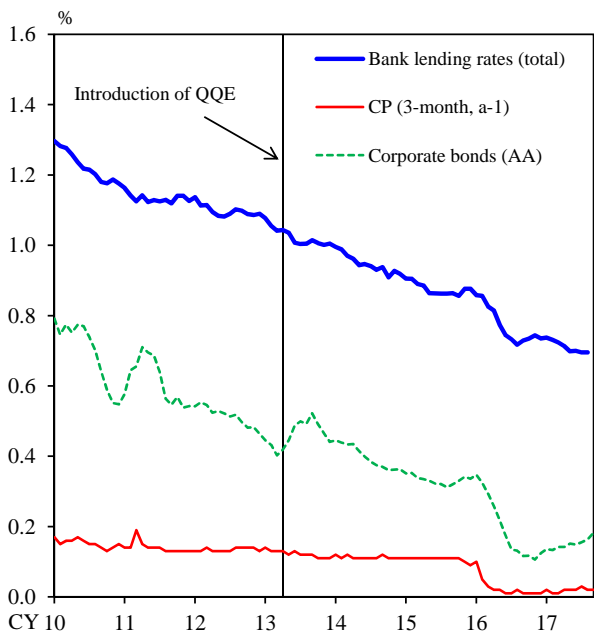
Yield Curve Control



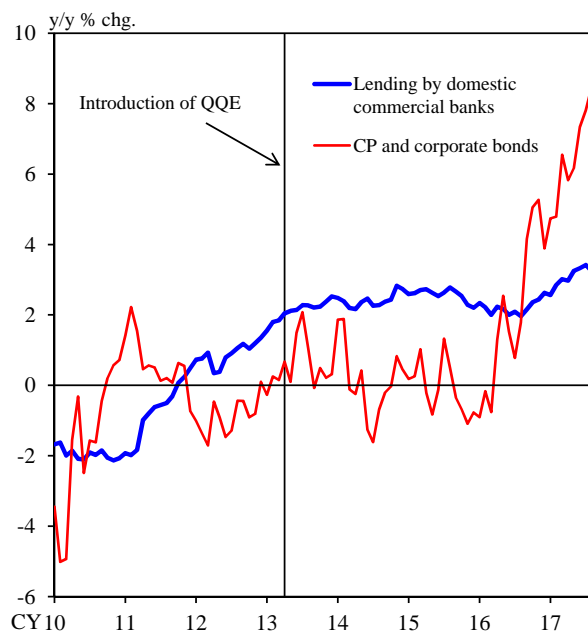
Source: Bloomberg.

Effects of Monetary Policy

Bank Lending Rates and Issuance Yields for CP and Corporate Bonds



Amount Outstanding of Bank Lending, CP, and Corporate Bonds



Notes: 1. Figures for issuance yields for corporate bonds are the averages for domestically issued bonds launched on a particular date. Bonds issued by banks and securities companies, etc., are excluded. Figures for bank lending rates and issuance yields for corporate bonds show 6-month backward moving averages.
 2. Figures for lending by domestic commercial banks are monthly averages. Figures for CP and corporate bonds are those at the end of period.
 Sources: Bank of Japan; Japan Securities Depository Center; Capital Eye; I-N Information Systems; Bloomberg; Japan Securities Dealers Association.