

For Immediate Release

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**Issuance of the FY2018 - FY2021 “Japanese Economy Outlook”  
(Ninth Issue, Q1 2018 GDP (1st Preliminary), May 24, 2018 edition)**

*- Government and the Bank of Japan are likely to be  
“Wait and see mode” with current monetary easing -*

Tokyo (Thursday, May 24, 2018) --- Shinsei Bank, Limited today announced its issuance of fiscal year 2018 to fiscal year 2021 “Japanese Economy Outlook” (Ninth Issue, Q1 2018 GDP (1st Preliminary), May 24, 2018 edition).

**Highlights:**

- Last year, there were two strategies that the BOJ should take (1) “Wait and see mode” with current monetary easing, and (2) “Coordination with fiscal policy”.
- There were two surprises in the BOJ Monetary Policy Meeting held in April (Apr BOJ MPM); (1) deletion of the timing when the CPI will reach 2%, and (2) reconfirmation of the joint statement.
- The current CPI is positive, but its degree of inflation is getting weakening, even with the recovery in the US economy which should support Japan’s inflation.
- In order to stabilize Japanese economy, it is important to achieve the inflation target. The government and the BOJ should take further measures to achieve the target

In May 2017, two strategies were recommended on the BOJ’s conference as follows.

- How the households and firms form the price forecast may have significant impact on the real economy.
- The reason for delay of the BOJ’s achievement of the inflation target is that many Japan’s households and firms expect inflation in backward looking manner.
- As a result, there are two strategies for the BOJ: (1) “Wait and see mode” with current monetary easing, and (2) “Coordination with fiscal policy”.

In the Apr BOJ MPM, (1) “the CPI reaching around 2 percent will likely be around fiscal 2019” was deleted from the outlook and (2) “The government and the Bank recently reconfirmed that they will commit to the joint statement,” which implies that they won’t change the joint statement in near future.

The US economic recovery and oil price surge may contribute to the Japan’s inflation. The unemployment rate is staying at a very low level, near 2.5%, and wage also starts to rise. Still, degree of inflation is diminishing in the current CPI.

We think the current macroeconomic policies may be insufficient for households and firms to increase consumption and investment. Further expansionary monetary and fiscal policy may contribute to achieve the inflation target.

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