

For Immediate Release

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(Code: 8303, TSE First Section)

**Issuance of the FY2018 - FY2021 “Japanese Economy Outlook”  
(Thirteenth Issue, Q3 2018 GDP (1st Preliminary), November 27, 2018 edition)**  
*- The transmission mechanism of monetary easing other than “front-loading of future demand” -*

Tokyo (Tuesday, November 27, 2018) --- Shinsei Bank, Limited announced today its issuance of fiscal year 2018 to fiscal year 2021 “Japanese Economy Outlook” (Thirteenth Issue, Q3 2018 GDP (1st Preliminary), November 27, 2018 edition).

**Highlights:**

- There is a view in financial markets that monetary easing is just “front-loading of future demand”.
- This view is based on the idea that reduction of policy interest rates will generate “direct and alternative effects” which directly increase current consumption while decreasing future consumption.
- However, lower interest rates can generate “indirect and income effects” whereby households indirectly increase consumption through expanded employment and income.
- Monetary easing has been improving employment situation and income levels, but has not led to greater consumption. Hence, it will need to be coordinated with fiscal policy in order to demonstrate its effects through “indirect and income effects”.

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