

The Puzzle of Japan's Low-for-Long

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Mr. Nakaso discussed the Japanese economy's real GDP growth rate, expounding on expectations about a gradual slowdown that is predicted to continue through FY2019 as the effects of the slowdown in overseas economies take hold. This will be followed by a moderate growth trajectory at around the level of the potential growth rate. He considered some solid indicators of economic growth like corporate earnings, capital expenditures, and the unemployment rate in his discussion. He also gave a comprehensive overview of the Bank of Japan's monetary policy transition from 1999 through the present day, with especial attention to quantitative and qualitative monetary easing (QQE) with a negative interest rate. In considering the impact of low interest rates on regional banks, he opined that regional banks will either have to change their models or consolidate. Mr. Nakaso described the various reasons for why a rise in inflation takes time, including downward pressure from intensifying competition, Japanese firms' hesitance to raise both wages and prices, and the improvement in Japanese labor productivity.

