

## Bank of Japan revises growth higher and inflation lower

In spite of being lowered, in our view, inflation forecasts still seem unrealistically high.



### Continued Japanese government bond purchases

The Bank of Japan made no changes to its qualitative and quantitative easing (programme at its latest meeting. Still insisting that its annual Japanese government bond purchase rate will be more or less JPY80tr annually, though the current rate is about half that. It depends on how loose your interpretation of “more or less” is - in the BoJ’s case, it appears to be very loose.

### Growth and inflation forecasts

More interestingly, they have put forward their new forecasts for growth and inflation. Both the 2017 and 2018 GDP forecasts were revised higher, the FY17 forecast shown below and the FY18 forecast being 1.4% (1.3% in April). However, both the 2017 and 2018 CPI forecast numbers were revised lower with FY17 shown below and FY18 being 1.4% (1.7% in April).

**1.8%** GDP FY17 forecast  
Previously 1.6%

**1.1%** CPI FY17 forecast  
Previously 1.4%

These forecasts are certainly in the right direction given the recent run of stronger GDP data and softer CPI figures. But we would still caution the CPI forecasts for both years seem unrealistically high, and the prospect that the combination of stronger growth and higher inflation enables the BoJ to extricate itself from its QQE programme slowly, seem very distant right now.

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