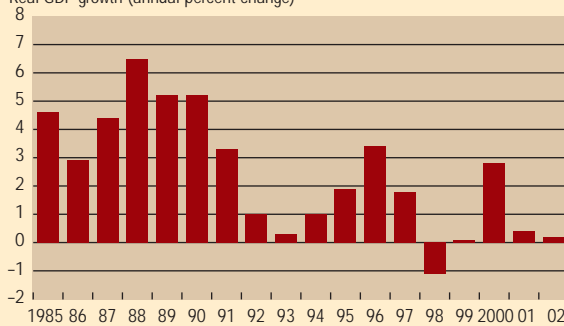


Japan

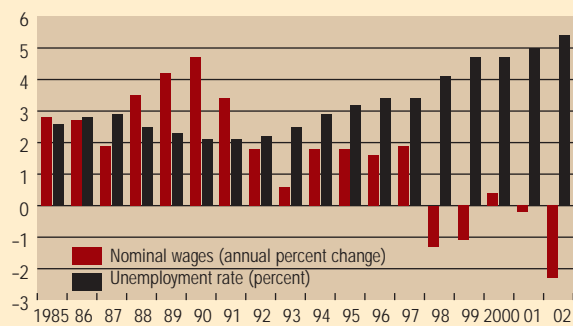
A tale of stubborn deflation and weak growth

Growth has been weak in recent years . . .

Real GDP growth (annual percent change)

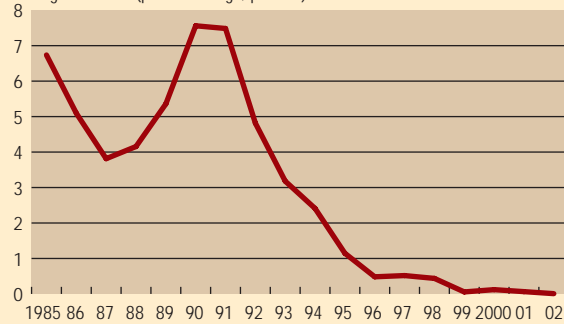


. . . and the unemployment rate has risen to record highs, with nominal wages falling.



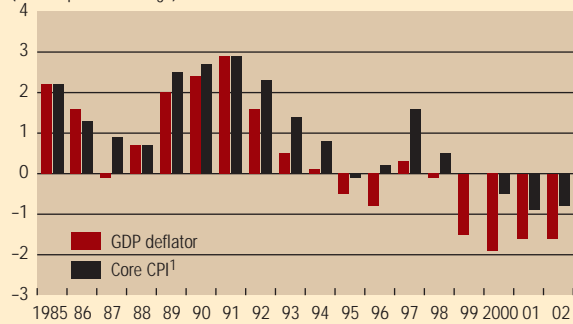
Short-term interest rates have declined to zero . . .

Overnight call rate (period average; percent)



. . . but deflation has continued nonetheless.

(annual percent change)



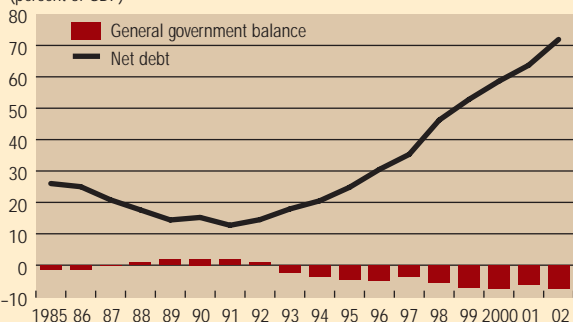
Equity prices have fallen to 20-year lows.

Stock prices (TOPIX) (Jan. 4, 1968 = 100)



Meanwhile, public debt has risen.

(percent of GDP)



Sources: Global Insight, Inc., Nomura Database, Ministry of Finance, and IMF staff estimates.
 ¹Excludes fresh food and energy.