

Japan's Economic and Price Developments and Future Prospects

*Speech at the Meeting of Councillors of
Nippon Keidanren (Japan Business Federation) in Tokyo*

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Introduction

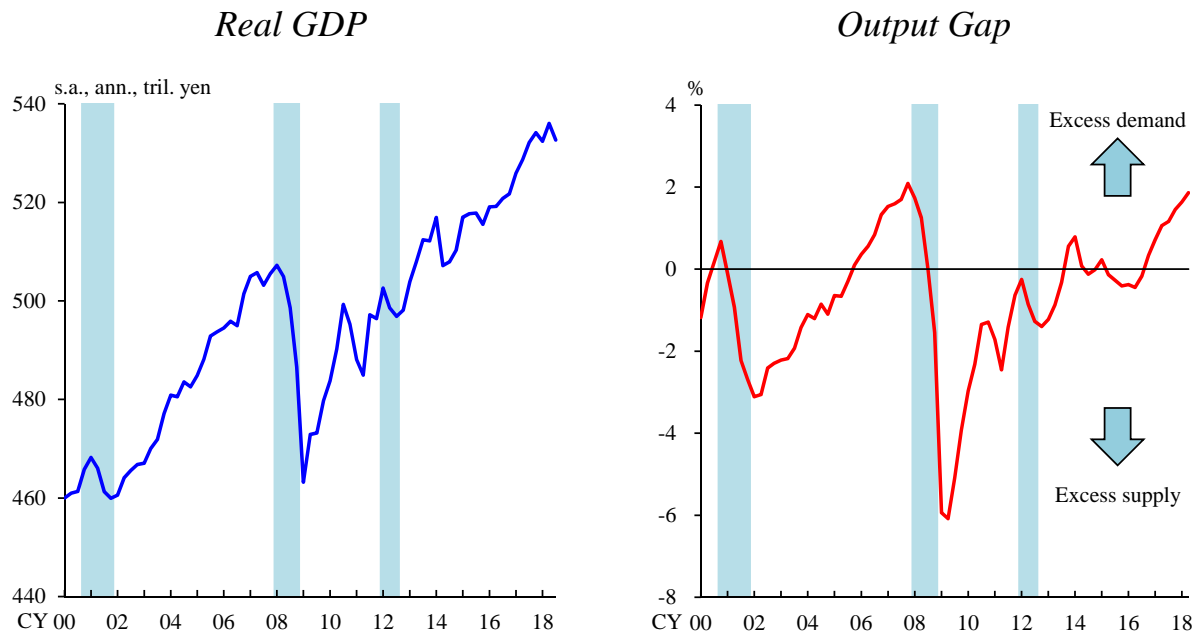
I. Japan's Economic and Price Developments

II. Efforts toward Improving Productivity

III. The Bank's Conduct of Monetary Policy

Conclusion

Japan's Economy

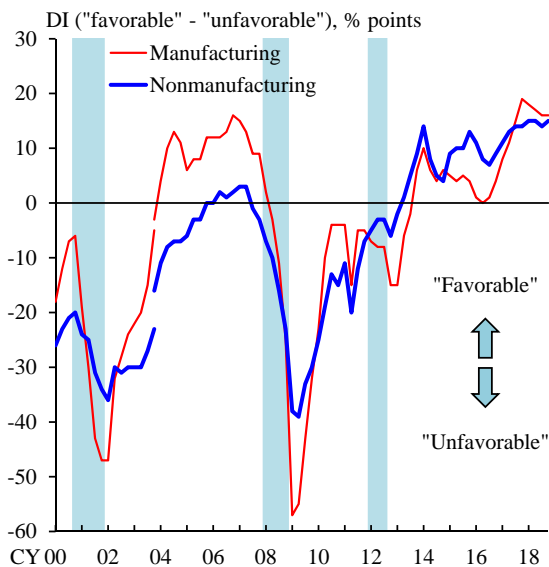


Notes: 1. Shaded areas indicate recession periods.
 2. The output gap is based on BOJ staff estimations.
 Sources: Cabinet Office; Bank of Japan.

Well-Balanced Economic Recovery (by Industry)

Business Conditions DI (Tankan)

Manufacturing and Nonmanufacturing



Comparison of Peaks in the Previous Prolonged Economic Recovery Phase with Current Levels

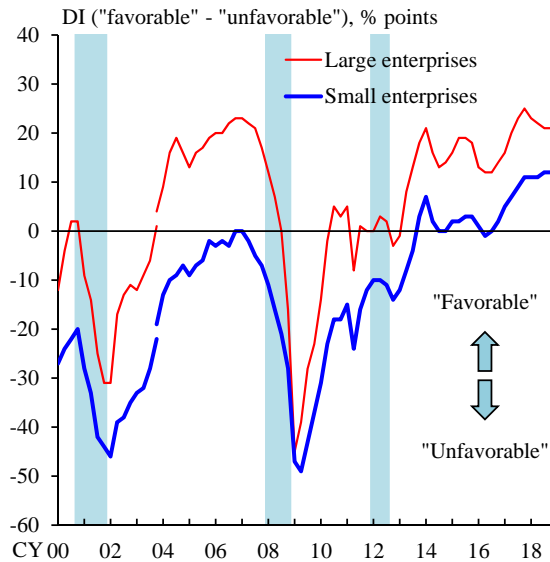
		DI ("favorable" - "unfavorable"), % points	
		Peak during Previous Prolonged Recovery	Current Recovery (CY 2018 Average)
Manufacturing	Iron and steel	55	34
	Motor vehicles	39	24
	General-purpose, production and business oriented machinery	38	33
	Ceramics, stone and clay	3	18
Non-manufacturing	Construction	-12	24
	Retailing	-3	1
	Wholesaling	6	10
	Transport and postal activities	5	13
	Services for individuals	6	10

Notes: 1. Shaded areas in the left chart indicate recession periods. There is a discontinuity in the data in December 2003 due to a change in the survey framework.

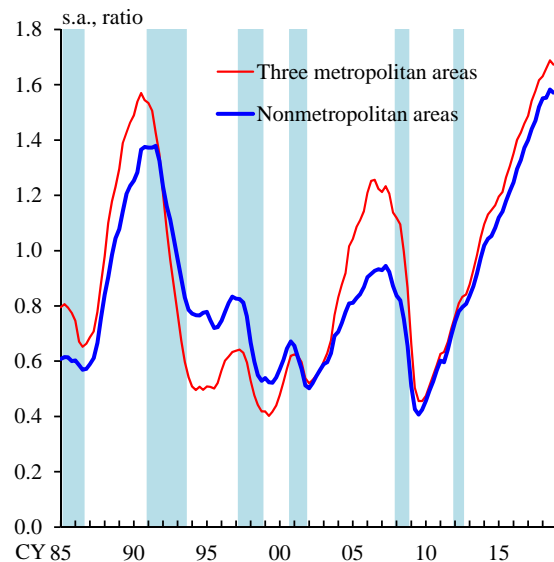
2. The figure for the peak during the previous prolonged recovery for "general-purpose, production and business oriented machinery" in the right chart is that for "industrial machinery."
 Source: Bank of Japan.

Well-Balanced Economic Recovery (by Enterprise Size and Area)

*Business Conditions DI
by Enterprise Size (Tankan)*



*Active Job Openings-to-Applicants
Ratio by Area*



Notes: 1. Shaded areas indicate recession periods.

2. In the left chart, there is a discontinuity in the data in December 2003 due to a change in the survey framework.

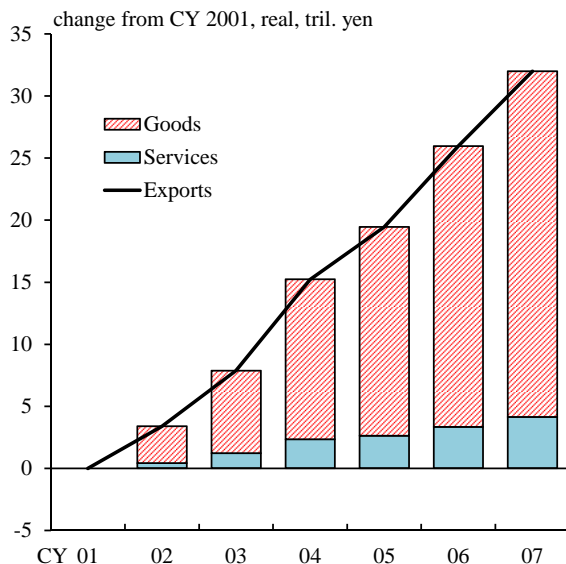
3. In the right chart, "three metropolitan areas" refer to the Tokyo area (Tokyo, Kanagawa, Saitama, Chiba, and Ibaraki prefectures), the Osaka area (Osaka, Hyogo, Kyoto, and Nara prefectures), and the Nagoya area (Aichi and Mie prefectures). "Nonmetropolitan areas" are areas other than the three metropolitan areas. Figures for 2018/Q4 are those for October.

Sources: Ministry of Health, Labour and Welfare; Bank of Japan.

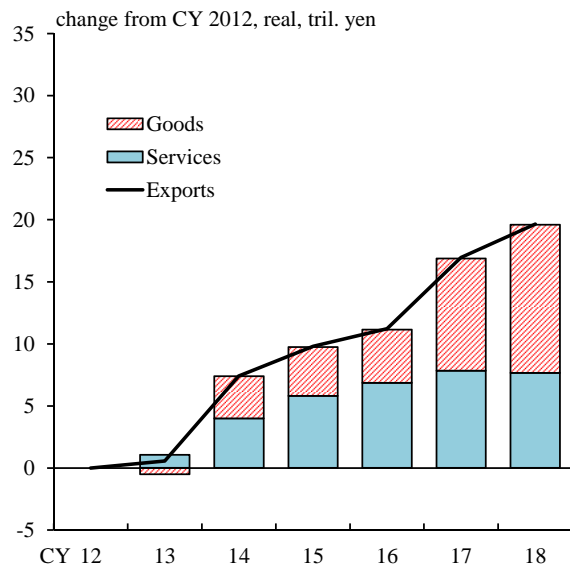
3

Diversification in Exports

*Previous Prolonged
Economic Recovery Phase
(February 2002 – February 2008)*



*Current Economic Recovery Phase
(December 2012 –)*

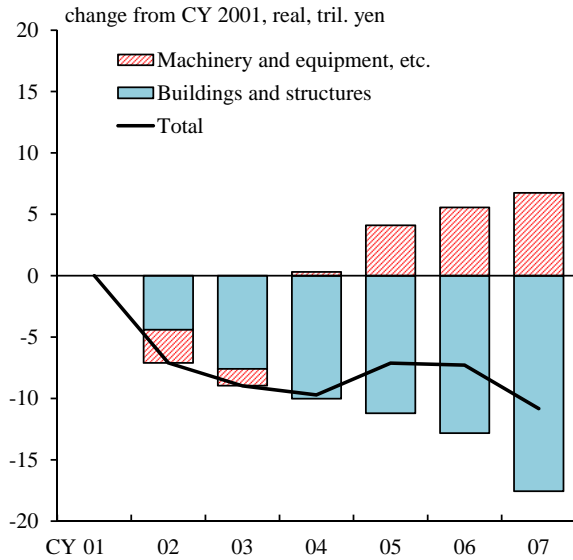


Note: Figures for 2018 are Q1 - Q3 averages on a seasonally adjusted annualized basis.
Source: Cabinet Office.

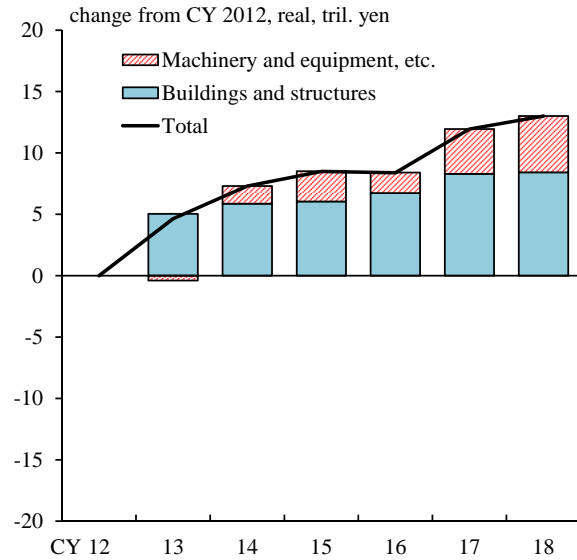
4

Diversification in Investment in Tangible Assets (Fixed Capital Formation)

*Previous Prolonged
Economic Recovery Phase
(February 2002 – February 2008)*

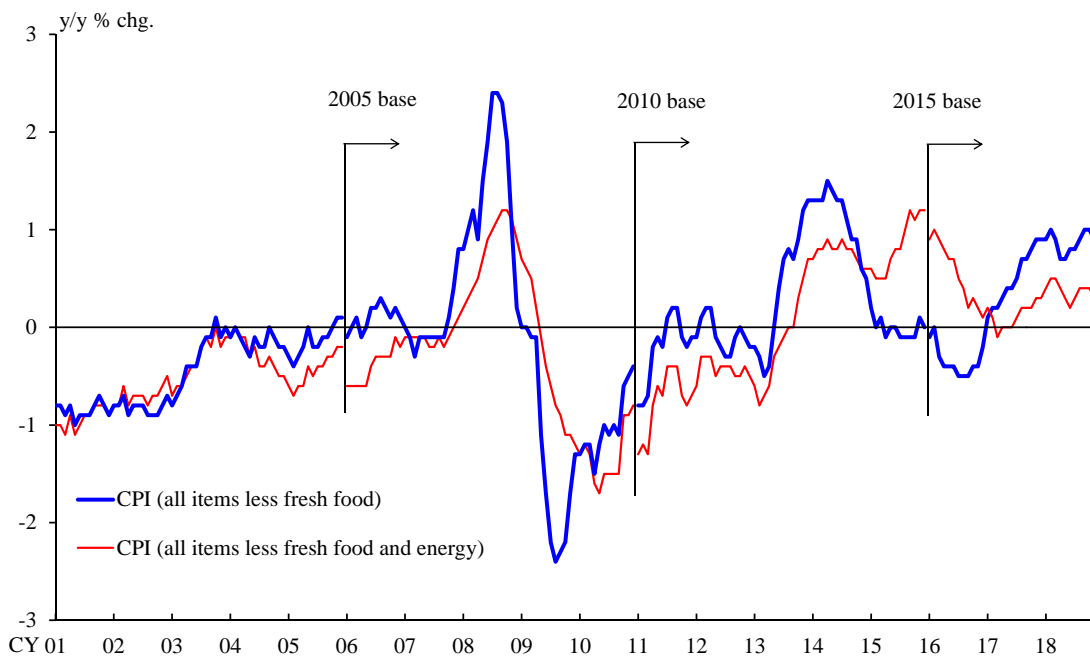


*Current Economic Recovery Phase
(December 2012 –)*



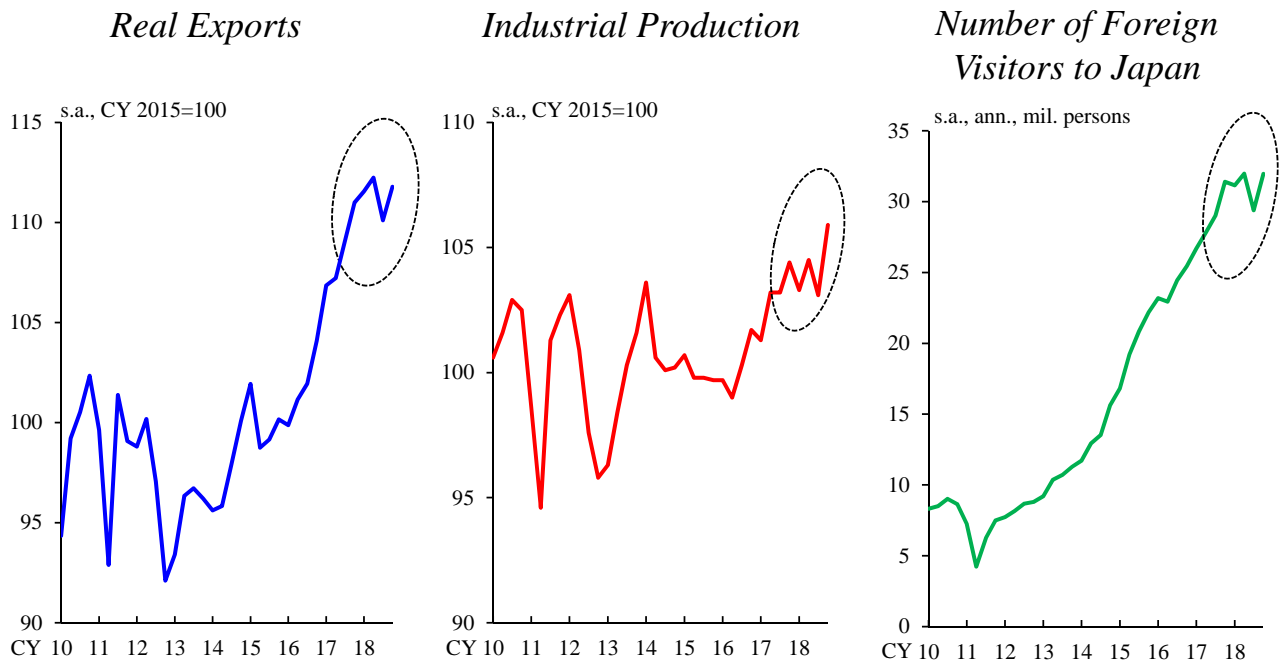
Note: Figures for 2018 are Q1 - Q3 averages on a seasonally adjusted annualized basis.
Source: Cabinet Office.

Consumer Prices



Note: Figures are adjusted for changes in the consumption tax rate.
Source: Ministry of Internal Affairs and Communications.

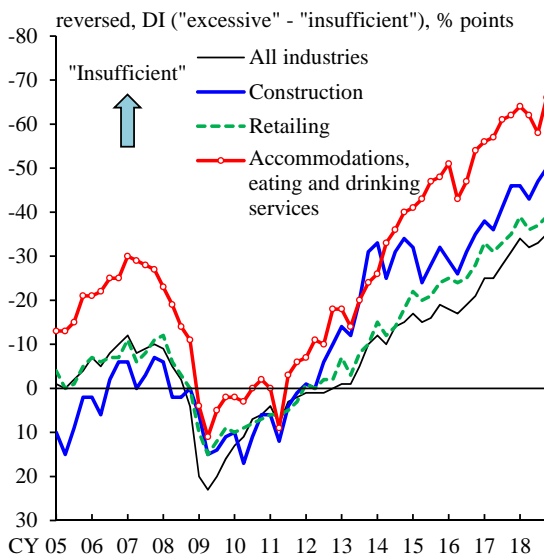
Recent Exports of Goods, Production, and Number of Foreign Visitors



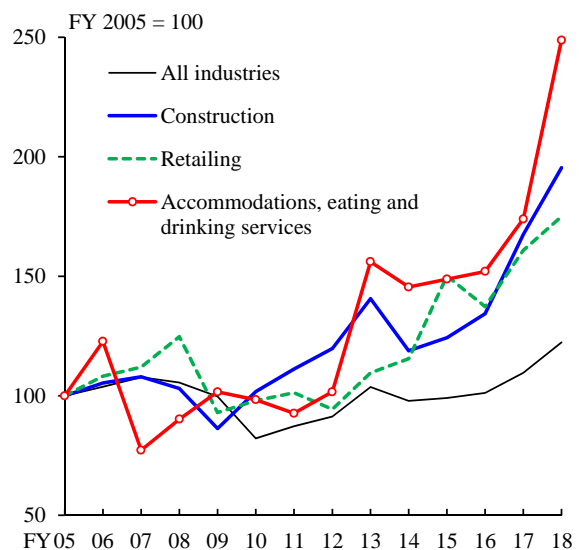
Notes: 1. The figure for real exports for 2018/Q4 is the October-November average.
 2. The figure for industrial production for 2018/Q4 is that for October.
 3. The figure for the number of foreign visitors to Japan for 2018/Q4 is the October-November average. Seasonally adjusted figures are BOJ staff estimates.
 Sources: Ministry of Finance; Ministry of Economy, Trade and Industry; JAPAN NATIONAL TOURISM ORGANIZATION; Bank of Japan.

Progress in Labor-Saving Investment

Employment Conditions DI (Tankan)



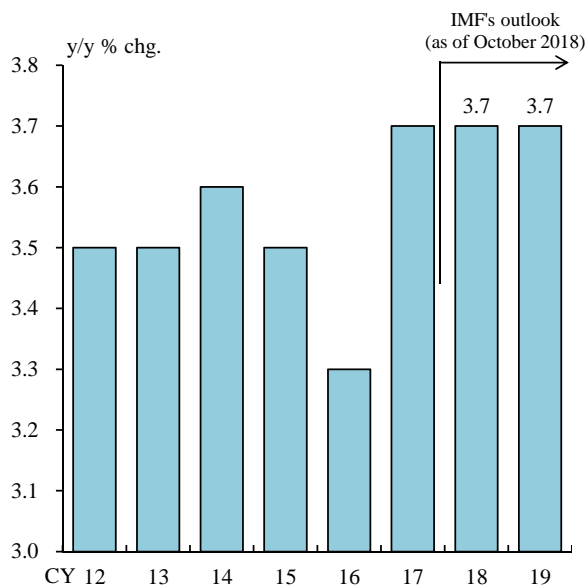
Software Investment (Tankan)



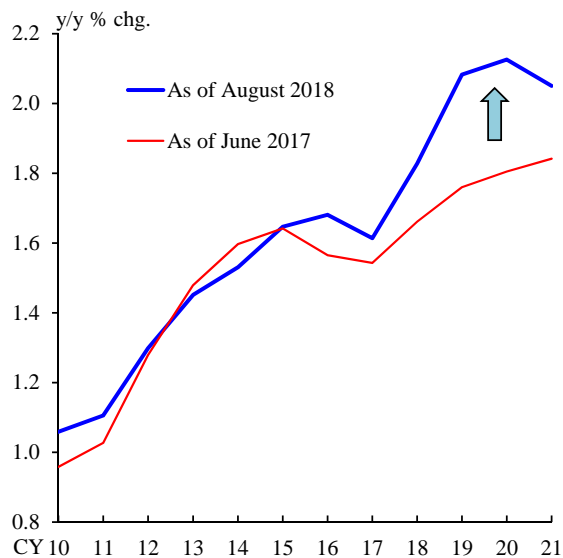
Note: Figures for software investment for fiscal 2018 are based on plans in the December 2018 survey.
 Source: Bank of Japan.

Global Economy

Growth Rate of the Global Economy



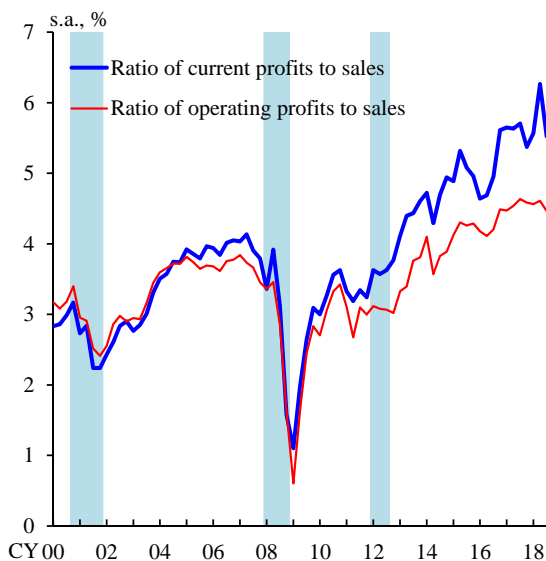
Potential Growth Rate of the U.S. Economy (Estimates)



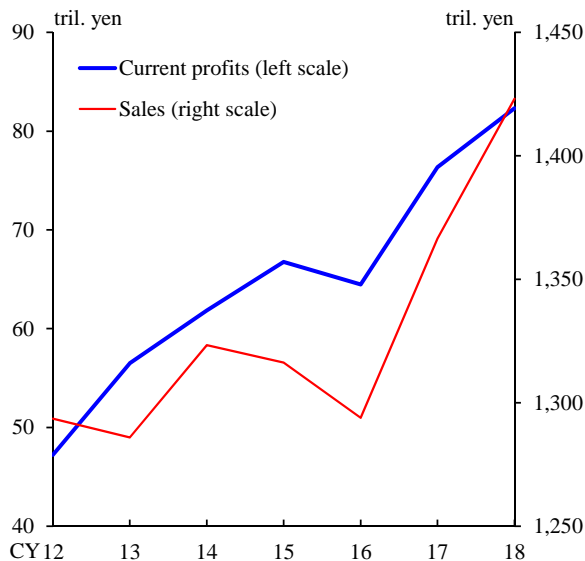
Sources: IMF; CBO.

Changes in Corporate Profits

Profitability



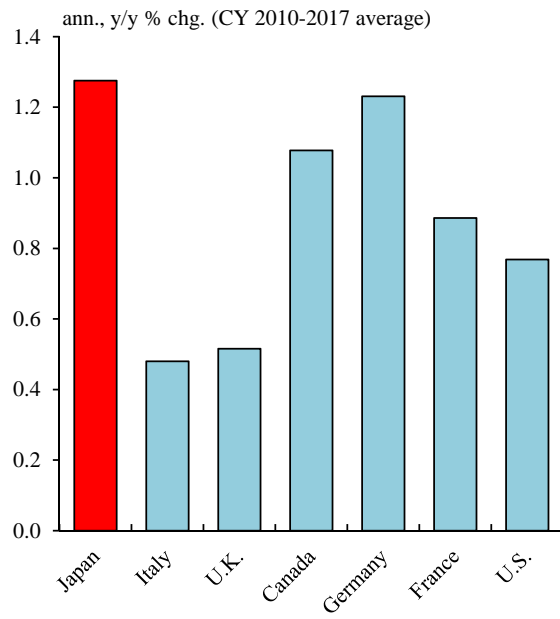
Profits and Sales



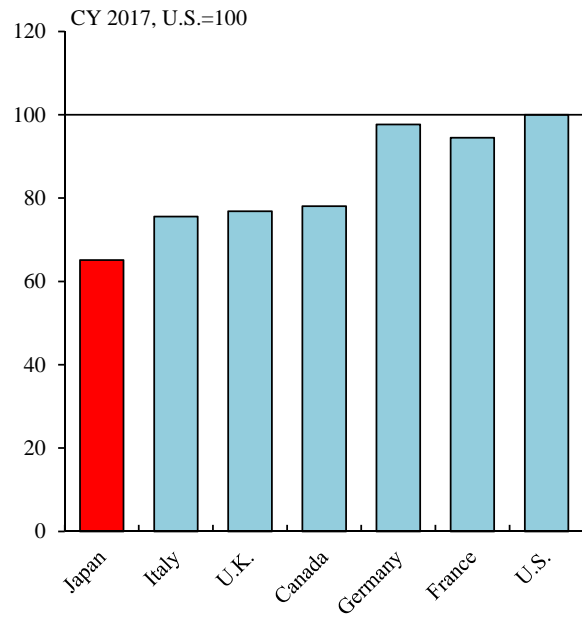
Notes: 1. Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance." Figures from 2009/Q2 exclude "pure holding companies."
 2. Shaded areas in the left chart indicate recession periods.
 3. Figures for 2018 in the right chart are Q1 - Q3 averages on a seasonally adjusted annualized basis (BOJ staff estimates).
 Source: Ministry of Finance.

International Comparison of Labor Productivity

Growth Rate of Labor Productivity



Level of Labor Productivity



Note: The charts are based on PPP-adjusted real labor productivity per hour.
Source: Conference Board.