



Economic Activity, Prices, and Monetary Policy in Japan

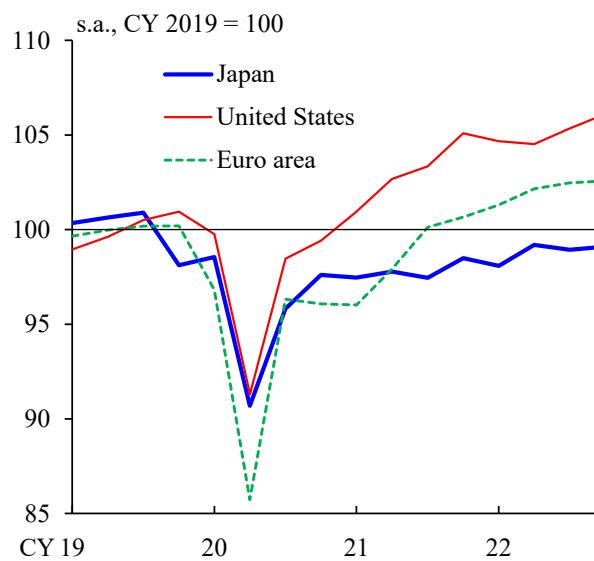
Speech at a Meeting with Local Leaders in Gunma

February 22, 2023

TAMURA Naoki
Member of the Policy Board
Bank of Japan

Chart 1

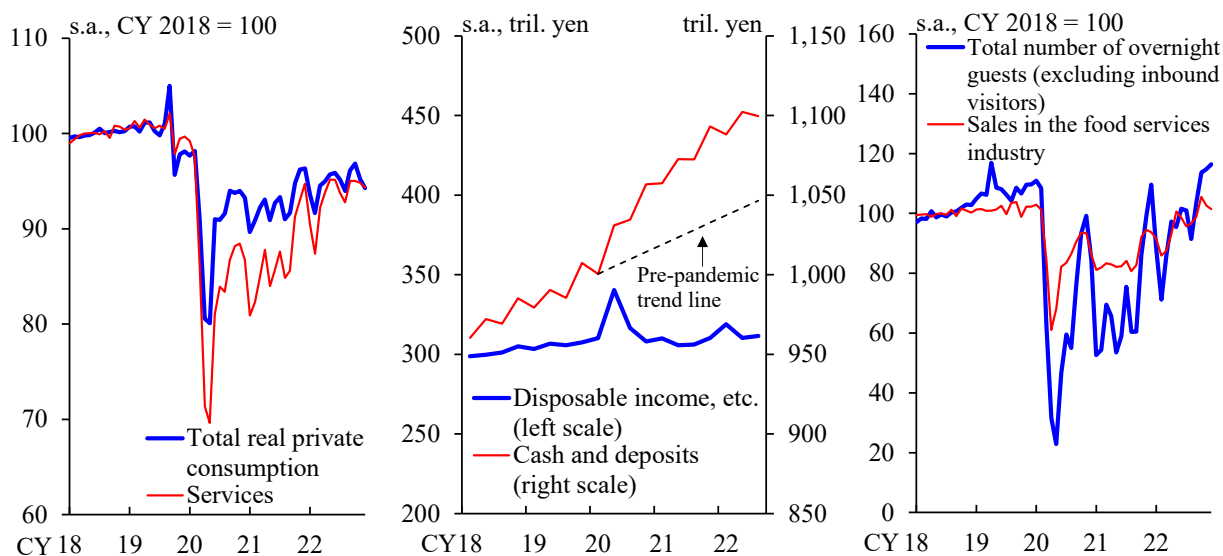
Real GDP in Major Economies



Sources: Cabinet Office; Eurostat; FRED.

Private Consumption

Consumption Activity Index Household Income and Savings Consumption of Services

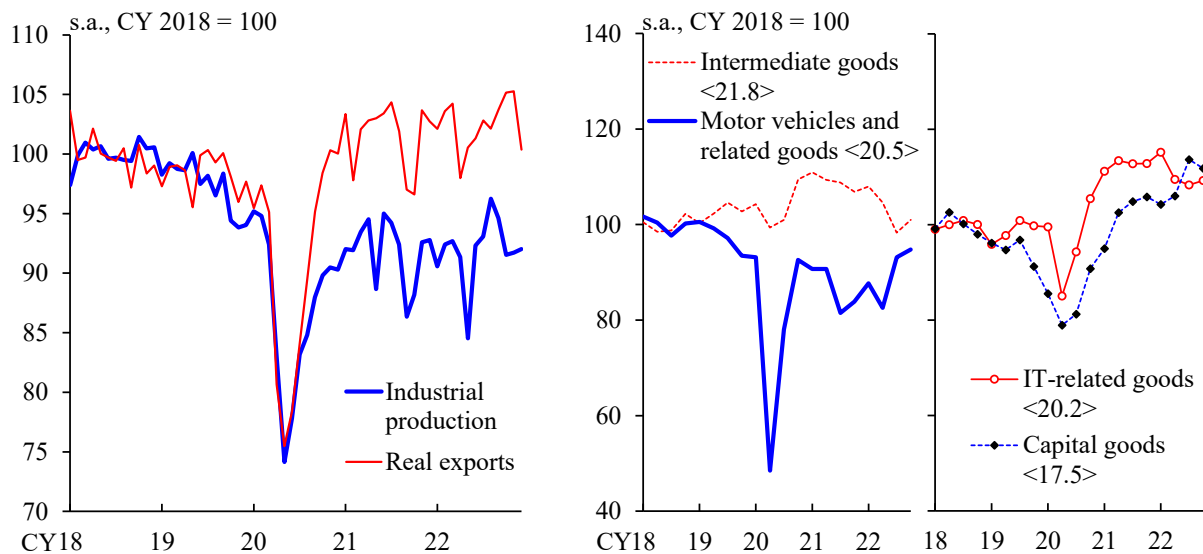


Notes: 1. In the left-hand chart, figures for "total real private consumption" are for the real Consumption Activity Index and are based on Bank staff calculations. The figures exclude inbound tourism consumption and include outbound tourism consumption.
 2. In the middle chart, figures for "disposable income, etc." consist of disposable income and adjustment for the change in pension entitlements. The pre-pandemic trend line is based on the average rate of increase for 2010 through 2019.
 Sources: Cabinet Office; Japan Foodservice Association, "Market Trend Survey of the Food Services Industry"; Japan Tourism Agency; Bank of Japan.

Exports and Production

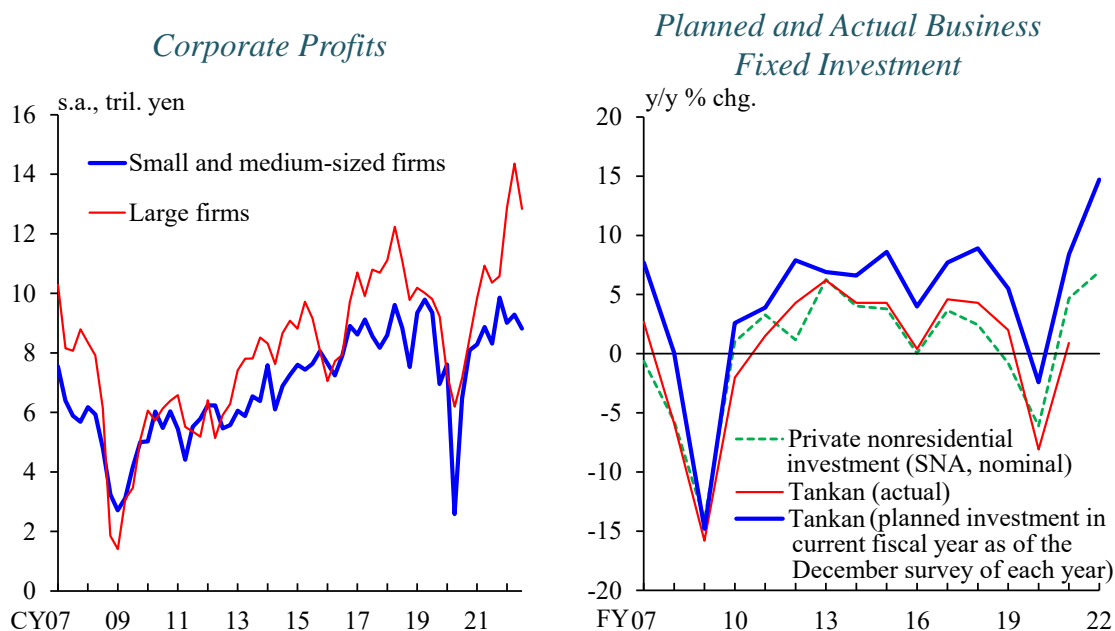
Real Exports and Industrial Production

Real Exports by Type of Goods



Note: Figures for real exports are based on Bank staff calculations. In the right-hand charts, figures in angular brackets show the share of each type of goods in Japan's total exports in 2022.
 Sources: Ministry of Economy, Trade and Industry; Ministry of Finance; Bank of Japan.

Corporate Profits and Business Fixed Investment

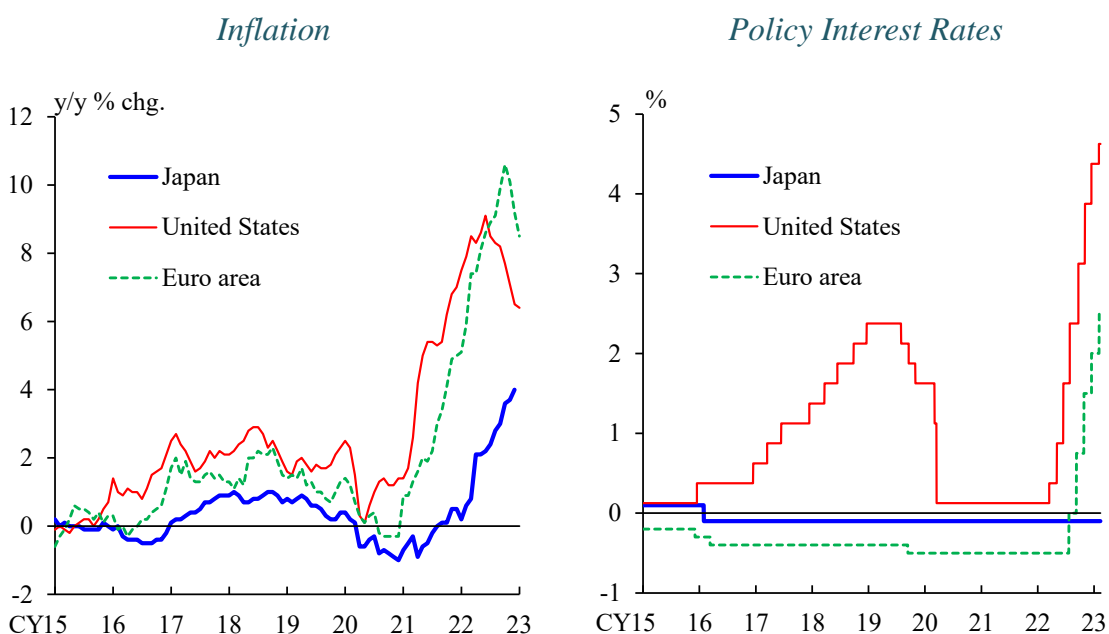


Notes: 1. In the left-hand chart, figures are current profits based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, and exclude "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies. Small and medium-sized firms are firms with a capitalization of 10 million yen or more but less than 1 billion yen, while large firms are firms with a capitalization of 1 billion yen or more.

2. In the right-hand chart, the *Tankan* figures include software and R&D investments and exclude land purchasing expenses. R&D investment is not included before the March 2017 survey. The figures are for all industries including financial institutions. The figure for private nonresidential investment for fiscal 2022 is the 2022/Q2-Q4 average.

Sources: Cabinet Office; Ministry of Finance; Bank of Japan.

Prices and Policy Interest Rates in Major Economies



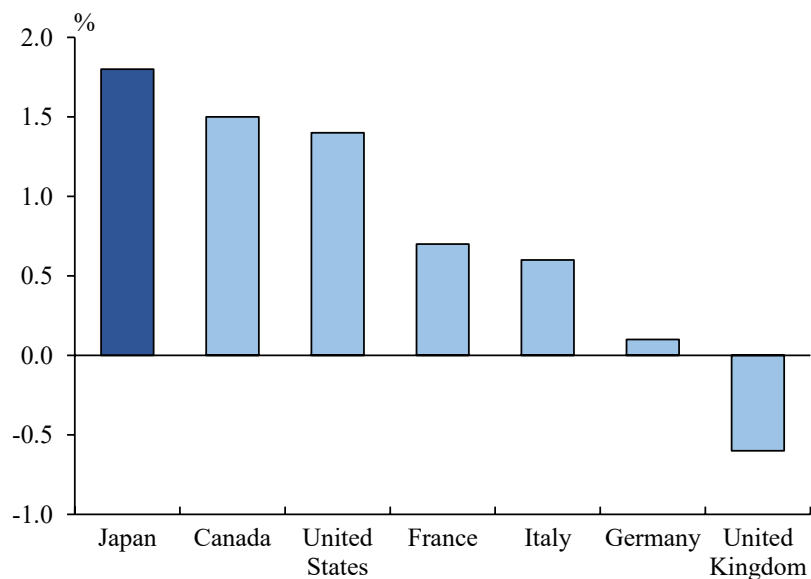
Notes: 1. In the left-hand chart, figures for Japan are the CPI for all items less fresh food, excluding the effects of the consumption tax hikes, etc. Those for the United States are the CPI for all items. Those for the euro area are the HICP for all items.

2. In the right-hand chart, figures for Japan are the rates applied to financial institutions' current accounts (the Policy-Rate Balances) at the Bank of Japan. Those for the United States are the medians of the target ranges for the federal funds rate. Those for the euro area are the rates on the deposit facility.

Sources: Bloomberg; Eurostat; Ministry of Internal Affairs and Communications; U.S. Bureau of Labor Statistics.

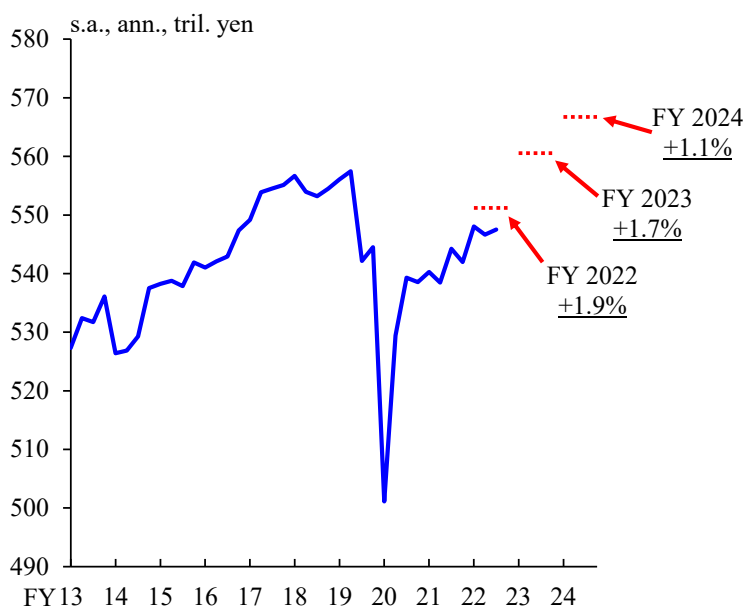
Forecasts for Economic Growth in G7 Countries

Real GDP Growth Rates for 2023 (IMF Forecasts)



Note: Figures are as of January 2023.
Source: IMF.

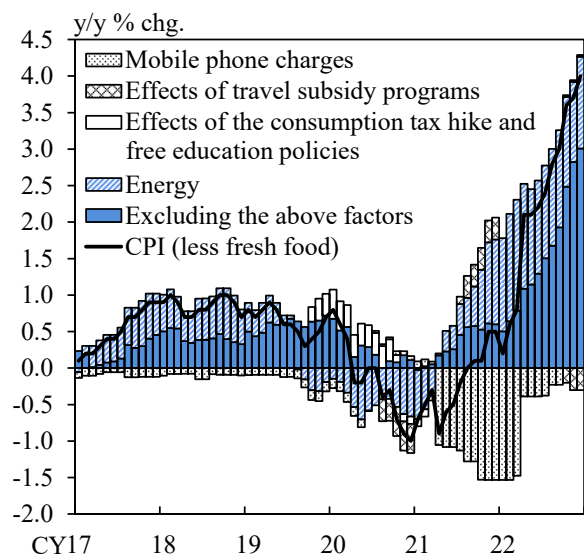
BOJ Forecasts for Real GDP



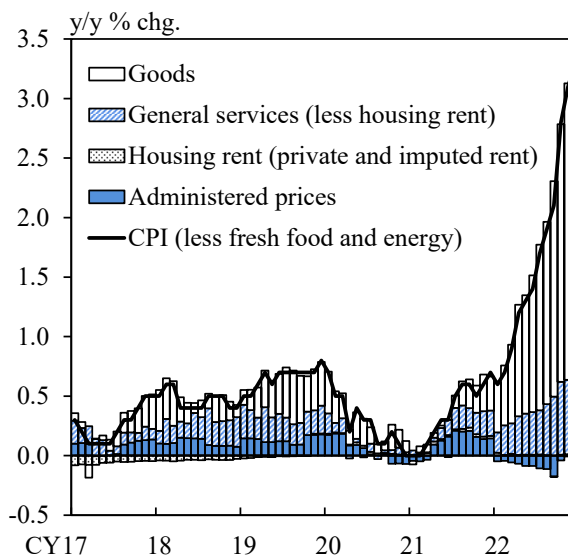
Note: The forecasts presented are the medians of the Policy Board members' forecasts in the January 2023 Outlook Report. The values of real GDP for fiscal 2022 onward are calculated by multiplying the actual figure for fiscal 2021 by all successive projected growth rates for each year.
Sources: Cabinet Office; Bank of Japan.

Consumer Prices

CPI (Less Fresh Food)



CPI (Less Fresh Food and Energy, Excluding Temporary Factors)

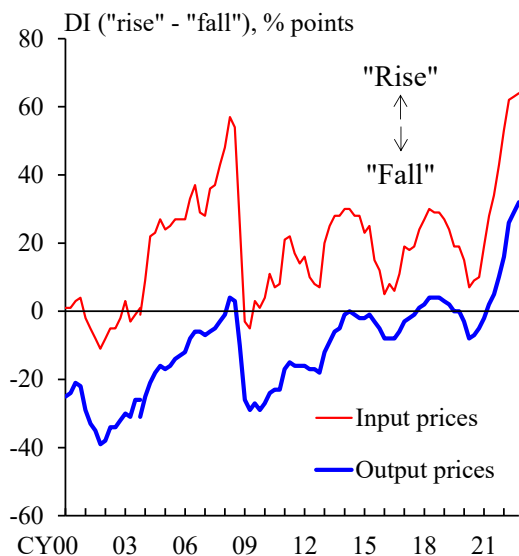


- Notes: 1. In the left-hand chart, figures for "energy" consist of those for petroleum products, electricity, and gas, manufactured & piped.
 2. In the left-hand chart, figures for the "effects of the consumption tax hike and free education policies" from April 2020 onward are Bank staff estimates and include the effects of measures such as free higher education introduced in April 2020.
 3. In the right-hand chart, the CPI figures are staff estimates and exclude mobile phone charges and the effects of the consumption tax hike, policies concerning the provision of free education, and travel subsidy programs. Figures for "administered prices" (less energy) consist of those for public services and water charges.

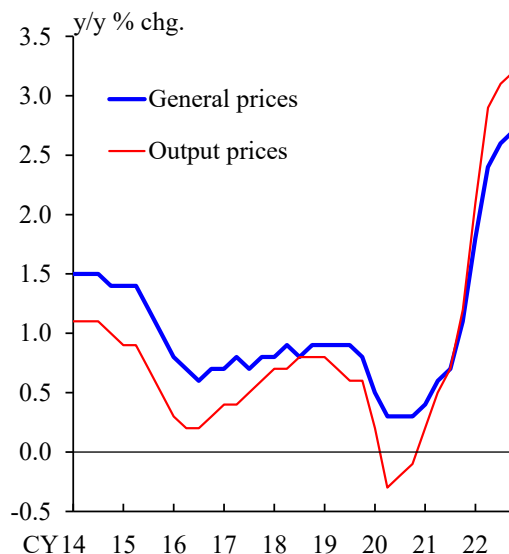
Source: Ministry of Internal Affairs and Communications.

Changes in Firms' Price-Setting Stance

DIs for Prices (Tankan)



Firms' Inflation Outlook One Year Ahead (Tankan)

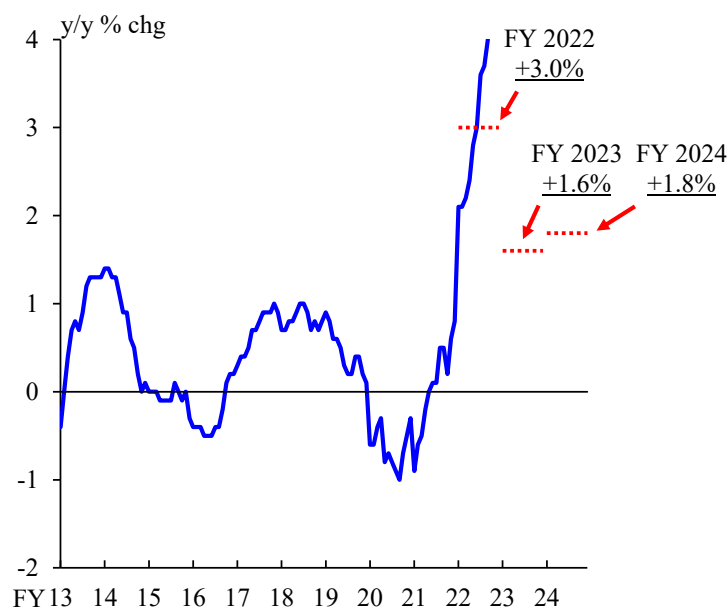


- Notes: 1. In the left-hand chart, figures are for all industries and enterprises. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

2. In the right-hand chart, figures are averages of all industries and enterprises.

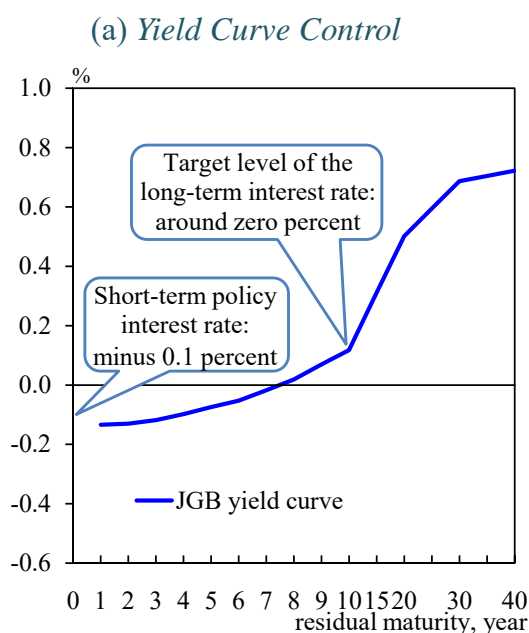
Source: Bank of Japan.

BOJ Forecasts for the CPI



Note: Figures are the CPI for all items less fresh food, excluding the effects of the consumption tax hikes, etc. The forecasts presented are the medians of the Policy Board members' forecasts in the January 2023 Outlook Report.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

QQE with Yield Curve Control (1)



(b) Inflation-Overshooting Commitment

The Bank will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds the price stability target of 2 percent and stays above the target in a stable manner.

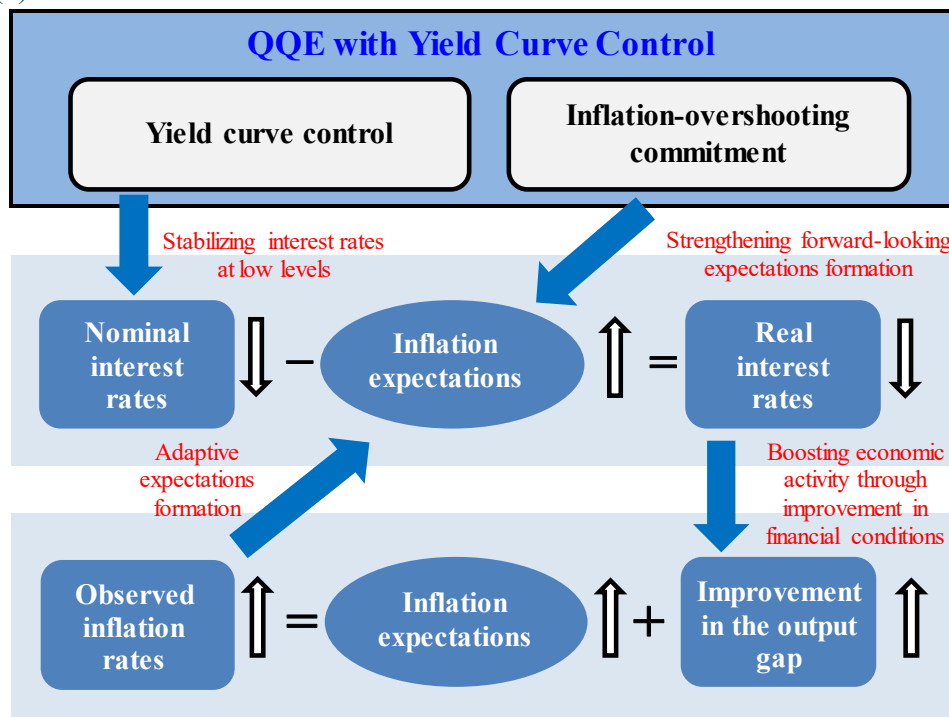
Achieving the price stability target means attaining a situation where the inflation rate is 2 percent on average over the business cycle.

(Statement released after the MPM in Sept. 2016)

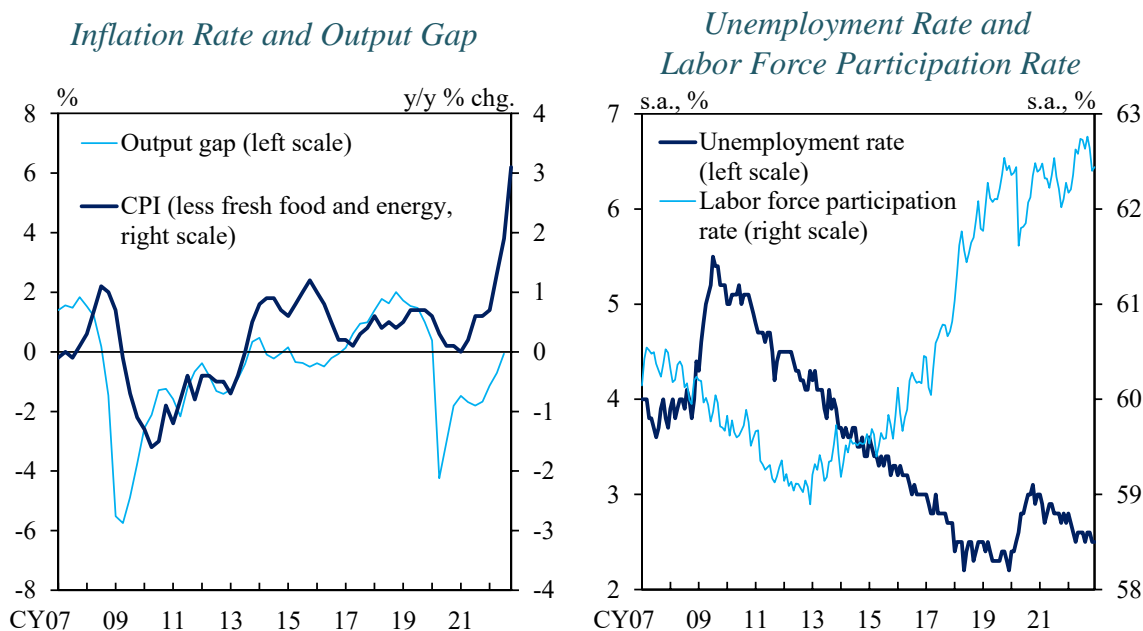
Note: In the left-hand chart, the JGB yield curve shows the most recent shape for when the Bank conducted an assessment for further effective and sustainable monetary easing on March 19, 2021.
Sources: Bloomberg; Bank of Japan.

QQE with Yield Curve Control (2)

(c) *Transmission Mechanism*

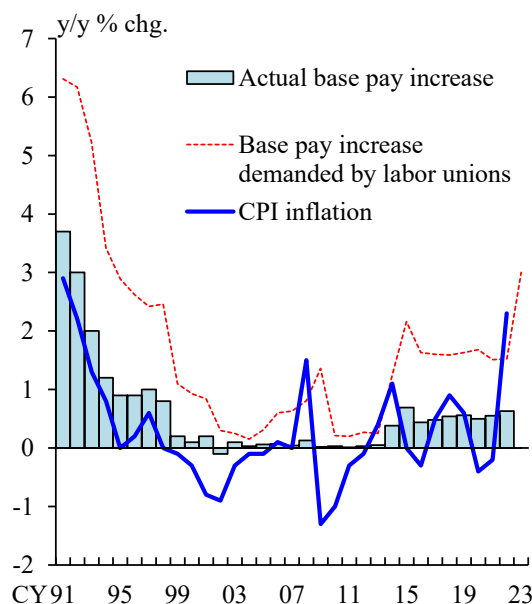


Japan's Economy under the Large-Scale Monetary Easing



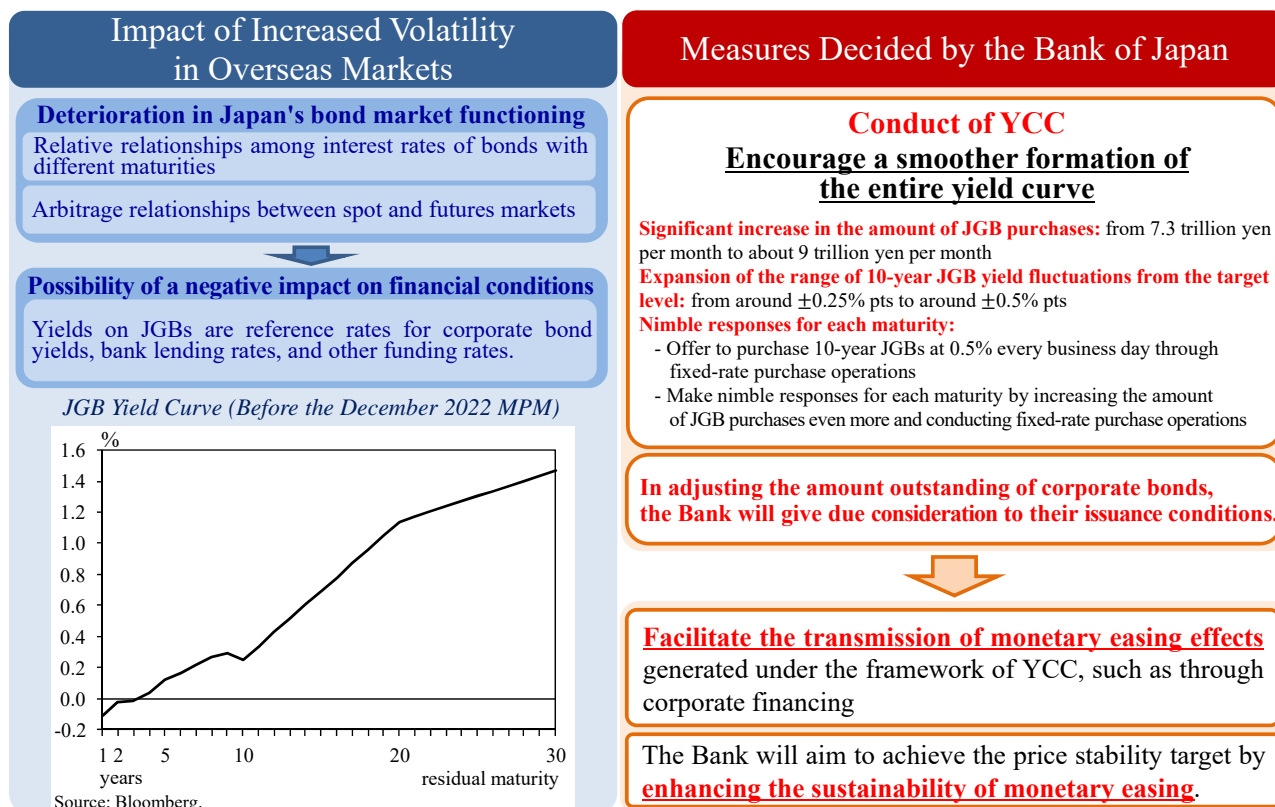
Note: In the left-hand chart, CPI figures are Bank staff estimates and exclude mobile phone charges and the effects of the consumption tax hikes, policies concerning the provision of free education, and travel subsidy programs. Figures for the output gap are Bank staff estimates.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Prices and Labor-Management Wage Negotiations



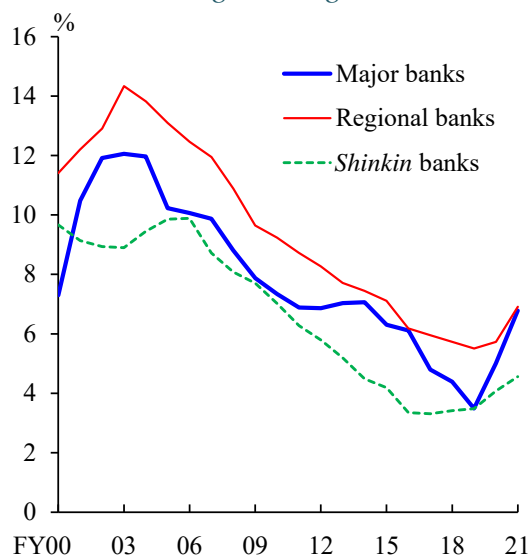
Notes: 1. Figures for CPI inflation are for all items less fresh food, excluding the effects of the consumption tax hikes, etc.
 2. Figures for actual base pay increase from 1991 to 2013 are those published by the Central Labour Relations Commission, while those from 2014 to 2022 are figures released by Rengo. Figures for the base pay increase demanded by labor unions before 2023 are calculated by subtracting seniority-related wage increases from the total increase in wages demanded. The figure for 2023 is from Rengo's policy for the spring 2023 wage negotiations.
 Sources: Central Labour Relations Commission; Japanese Trade Union Confederation (Rengo); Ministry of Internal Affairs and Communications.

Modification of the Conduct of Yield Curve Control (YCC)



Financial Institutions' Profitability

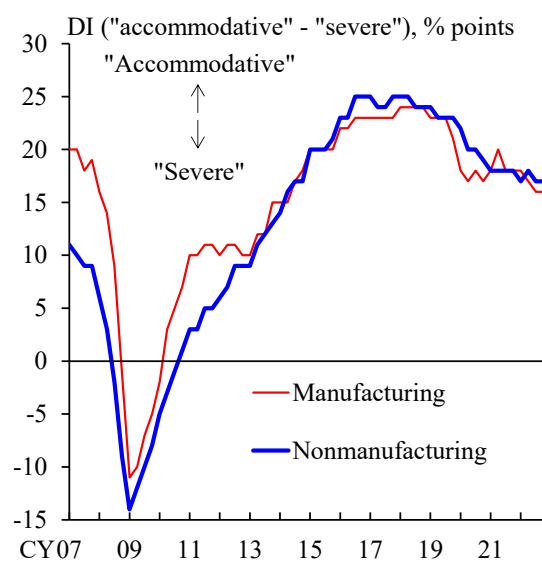
*Return on Equity Based on Pre-Provision Net Revenue
Excluding Trading Income*



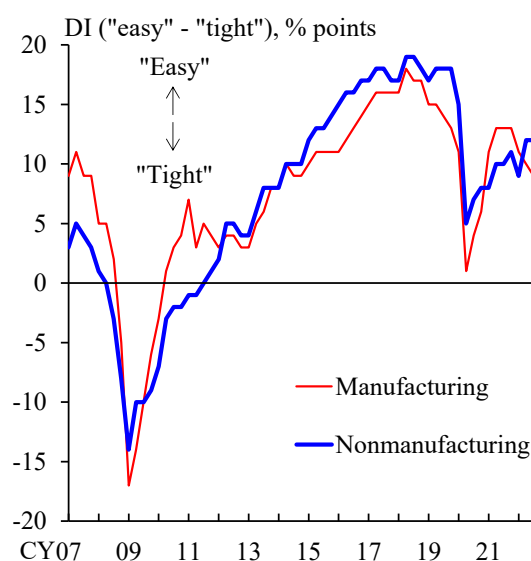
Note: From fiscal 2012, profits and losses from investment trusts due to cancellations are excluded.
Source: Bank of Japan.

Financial Conditions

*Lending Attitudes of Financial Institutions
(Tankan)*



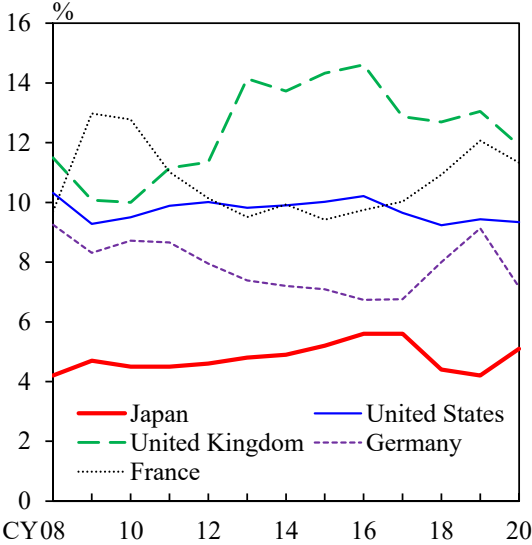
*Firms' Financial Positions
(Tankan)*



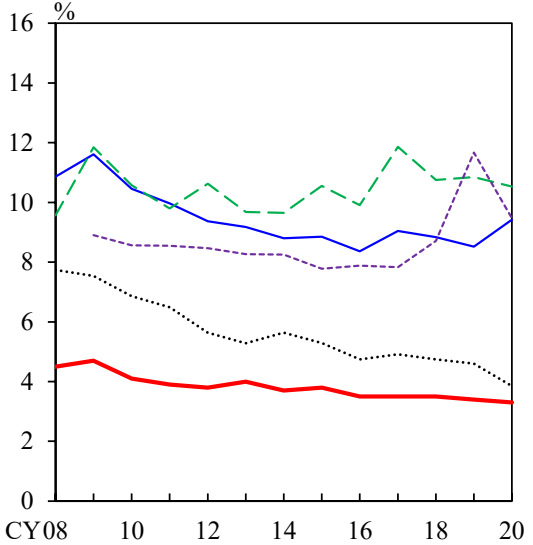
Note: Figures are for all enterprises.
Source: Bank of Japan.

Entry and Exit Rates in Major Economies

Entry Rate



Exit Rate



Note: Figures for Japan are on a fiscal-year basis.
Sources: Eurostat; Ministry of Health, Labour and Welfare; Small and Medium Enterprise Agency; U.K. Office for National Statistics; U.S. Census Bureau.