



# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Niigata*

October 12, 2023

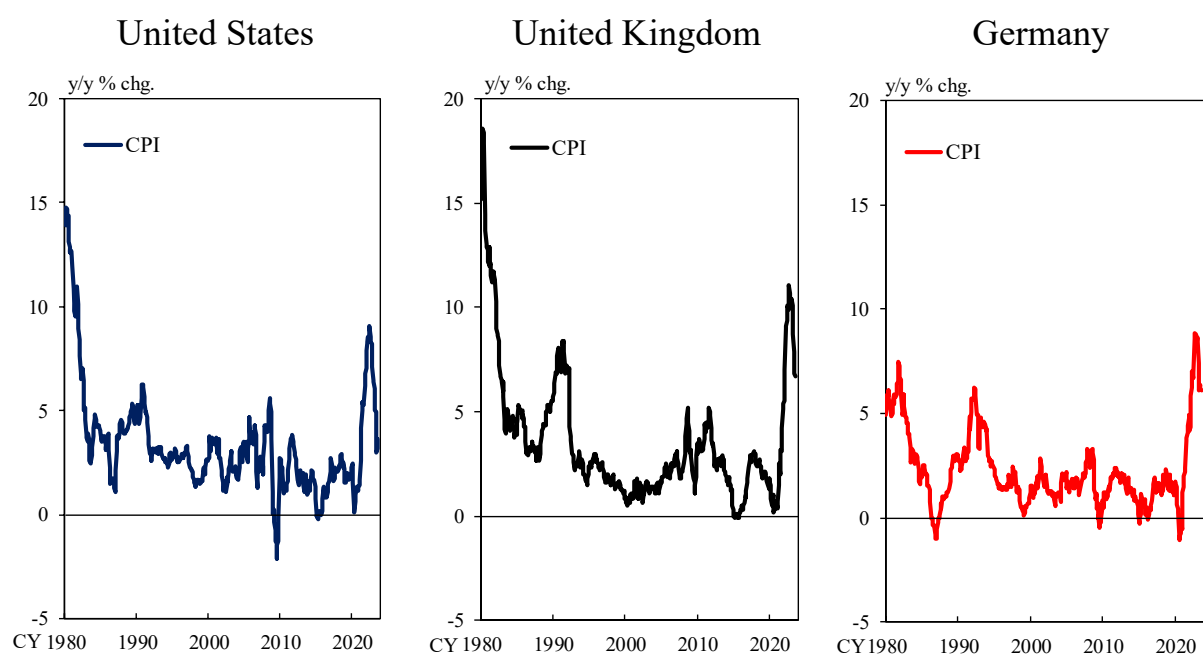
NOGUCHI Asahi

Member of the Policy Board

Bank of Japan

Chart 1

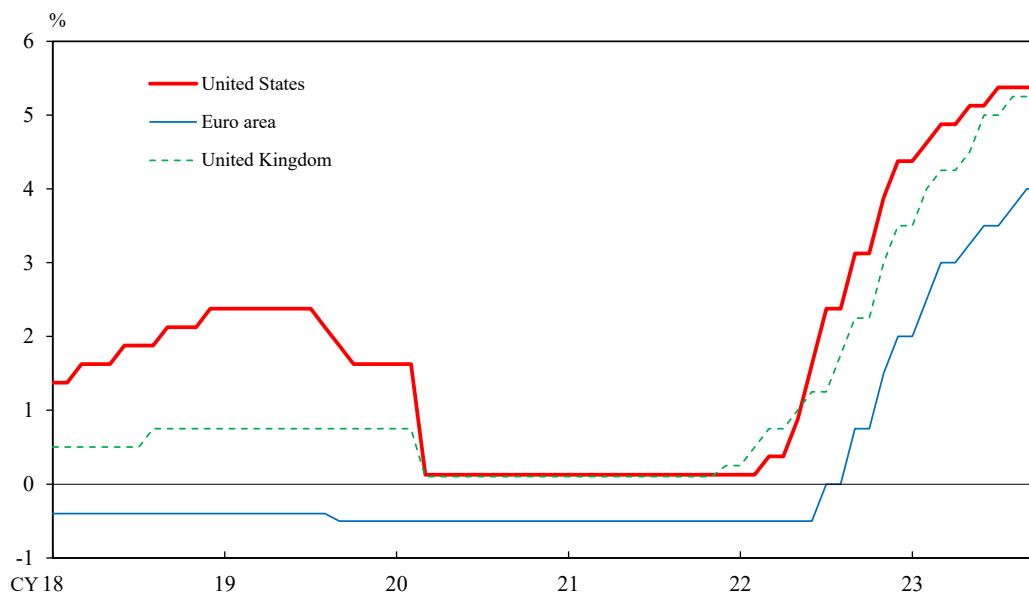
## High Inflation in the United States and Europe



Note: Figures for Germany prior to the reunification of the country are those for the former West Germany. Figures for the United Kingdom prior to 1989 are from "A millennium of macroeconomic data" compiled by the BOE, and those from 1989 onward are from Office for National Statistics (ONS) data.

Sources: BOE; OECD; ONS.

## Policy Interest Rates in the United States and Europe

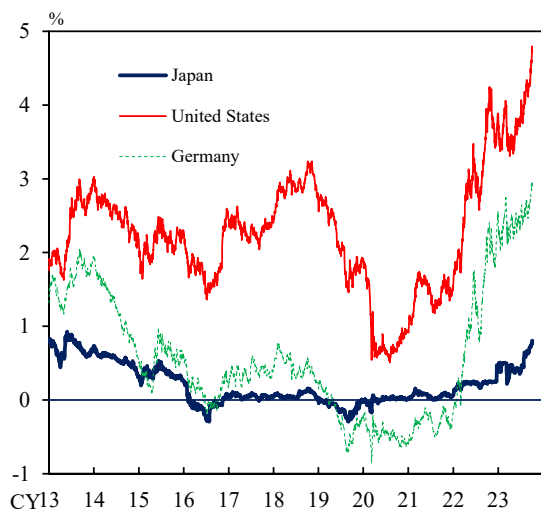


Note: Figures for the United States are the medians of the target ranges for the federal funds rate. Those for the euro area are the rates on the deposit facility.

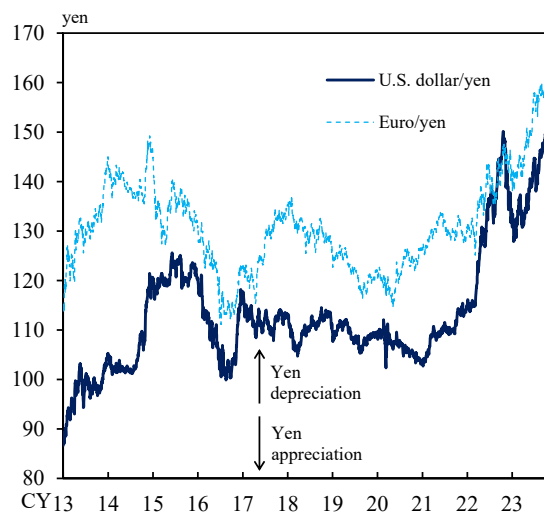
Sources: BIS; BOE; ECB; FRB.

## Developments in Financial Markets

10-Year Government Bond Yields



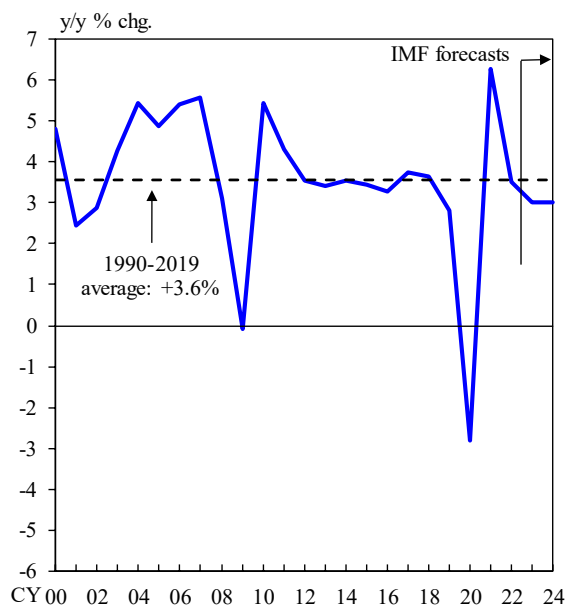
U.S. Dollar/Yen and Euro/Yen



Source: Bloomberg.

# IMF Forecasts for Global Growth

## Global Growth Rate



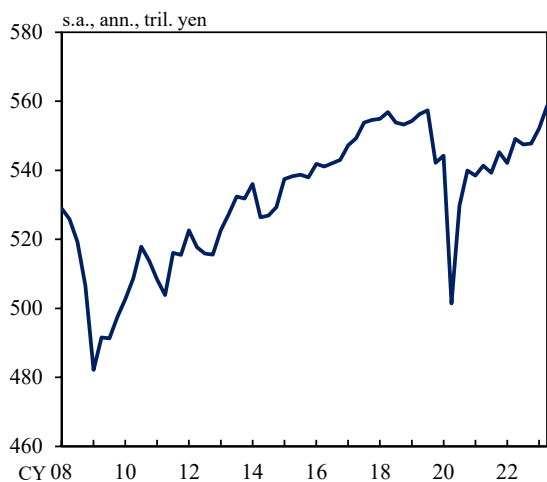
## Major Economies' Growth Rates

	y/y % chg.				
	CY 2020	CY 2021	CY 2022	CY 2023 [Forecast]	CY 2024 [Forecast]
World	-2.8	6.3	3.5	3.0	3.0
Advanced economies	-4.2	5.4	2.7	1.5	1.4
United States	-2.8	5.9	2.1	1.8	1.0
Euro area	-6.1	5.3	3.5	0.9	1.5
United Kingdom	-11.0	7.6	4.1	0.4	1.0
Japan	-4.3	2.2	1.0	1.4	1.0
Emerging market and developing economies	-1.8	6.8	4.0	4.0	4.1
China	2.2	8.4	3.0	5.2	4.5
India	-5.8	9.1	7.2	6.1	6.3
ASEAN-5	-4.4	4.0	5.5	4.6	4.5

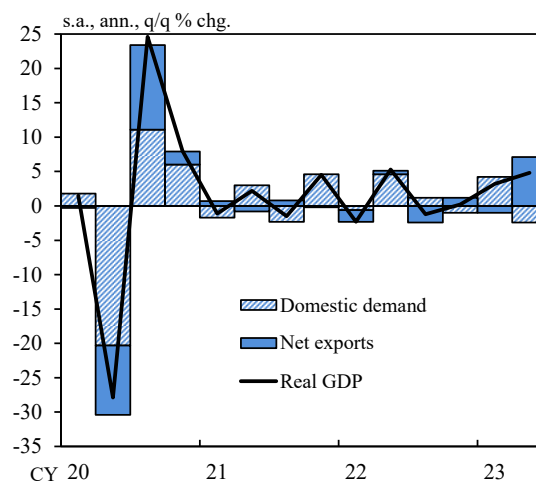
Note: Figures are as of July 2023.  
Source: IMF.

# Real GDP

## Level



## Annualized Quarterly Growth Rate



Source: Cabinet Office.

## Consumer Prices

	y/y % chg.							
	22/Q1	Q2	Q3	Q4	23/Q1	Q2	23/July	August
CPI for all items	0.9	2.4	2.9	3.9	3.6	3.3	3.3	3.2
Less fresh food	0.6	2.1	2.7	3.7	3.5	3.3	3.1	3.1
Less fresh food and energy	-0.9	0.9	1.5	2.8	3.5	4.2	4.3	4.3
(Reference: contribution to the CPI for all items less fresh food)								
Energy	1.4	1.3	1.3	1.2	0.3	-0.6	-0.8	-0.9
Food products	0.3	0.5	0.7	1.2	1.3	1.5	1.6	1.7
General services	-1.3	-0.1	0.1	0.4	0.6	0.7	0.9	0.9

Source: Ministry of Internal Affairs and Communications.

## Forecasts of the Majority of the Policy Board Members (as of July 2023)

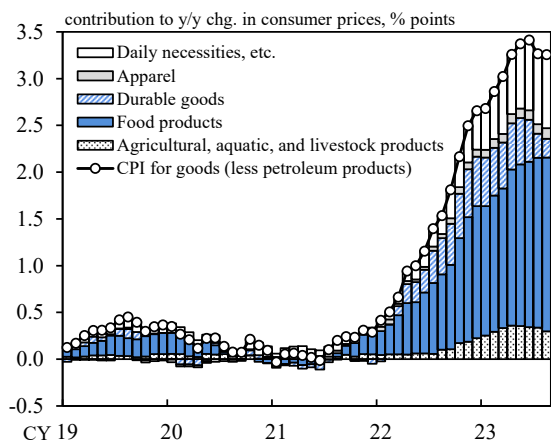
	y/y % chg.		
	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2023	+1.2 to +1.5 [+1.3]	+2.4 to +2.7 [+2.5]	+3.1 to +3.3 [+3.2]
Forecasts made in April 2023	+1.1 to +1.5 [+1.4]	+1.7 to +2.0 [+1.8]	+2.5 to +2.7 [+2.5]
Fiscal 2024	+1.0 to +1.3 [+1.2]	+1.8 to +2.2 [+1.9]	+1.5 to +2.0 [+1.7]
Forecasts made in April 2023	+1.0 to +1.3 [+1.2]	+1.8 to +2.1 [+2.0]	+1.5 to +1.8 [+1.7]
Fiscal 2025	+1.0 to +1.2 [+1.0]	+1.6 to +2.0 [+1.6]	+1.8 to +2.2 [+1.8]
Forecasts made in April 2023	+1.0 to +1.1 [+1.0]	+1.6 to +1.9 [+1.6]	+1.8 to +2.0 [+1.8]

Note: Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates).

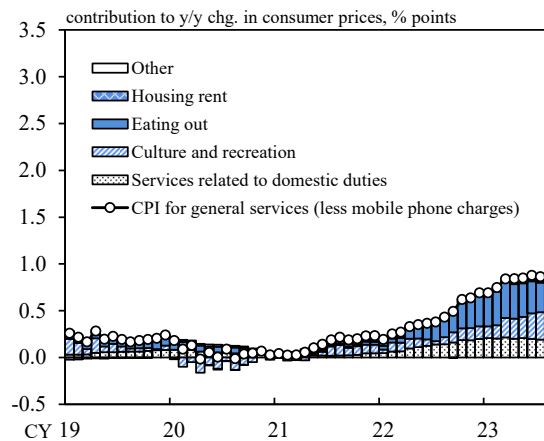
Source: Bank of Japan.

# CPI for Goods and Services

## Goods (Less Petroleum Products)



## General Services (Less Mobile Phone Charges)

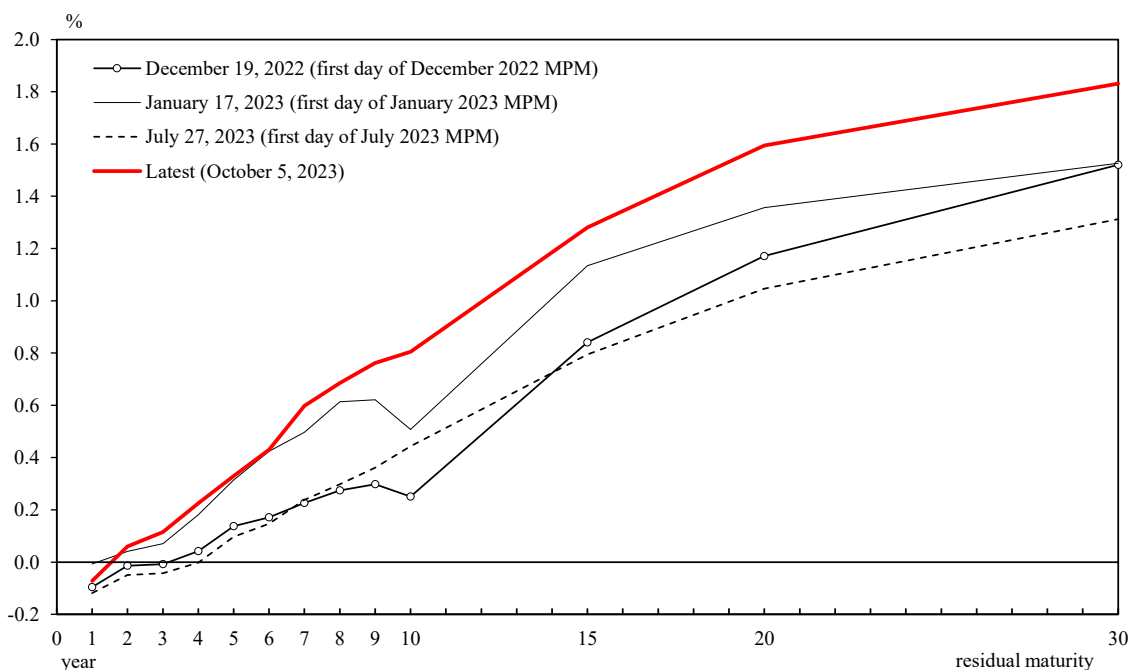


Notes: 1. Figures are the contribution to year-on-year changes in the CPI (less fresh food and energy). Figures are Bank staff estimates and exclude the effects of the consumption tax hike, policies concerning the provision of free education, travel subsidy programs, and the reduction in mobile phone charges.

2. In the right panel, figures for services related to domestic duties include services related to housing repairs and maintenance.

Source: Ministry of Internal Affairs and Communications.

# JGB Yield Curves

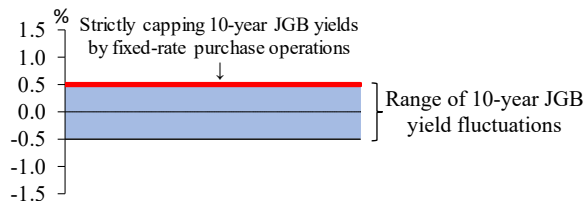


Source: Bloomberg.

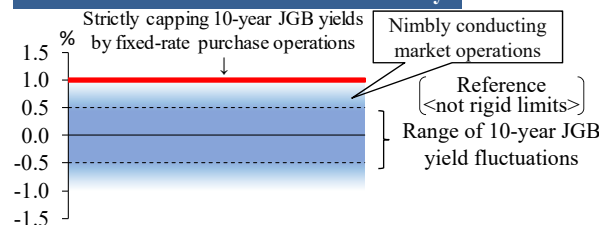
## Conducting Yield Curve Control (YCC) with Greater Flexibility

- The Bank judges that sustainable and stable achievement of the price stability target of 2 percent has not yet come in sight, and thus patiently continues with monetary easing.
- With extremely high uncertainties for economic activity and prices, the Bank enhances the sustainability of monetary easing by conducting YCC with greater flexibility.

### Previous Conduct of YCC



### Conduct of YCC with Greater Flexibility

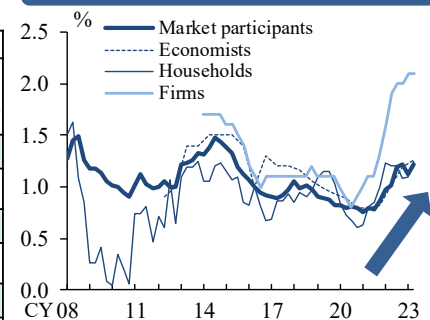


### Outlook for Prices

	y/y % chg.	
	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2023	+2.5	+3.2
Forecasts made in Apr. 2023	+1.8	+2.5
Fiscal 2024	+1.9	+1.7
Forecasts made in Apr. 2023	+2.0	+1.7
Fiscal 2025	+1.6	+1.8
Forecasts made in Apr. 2023	+1.6	+1.8

Note: Figures indicate the medians of the Policy Board members' forecasts (point estimates).

### Inflation Expectations



Note: Figures for market participants, economists, households, and firms are from the QUICK Monthly Market Survey, the ESP Forecast, the Opinion Survey on the General Public's Views and Behavior, and the Tankan (Short-Term Economic Survey of Enterprises in Japan), respectively.

### Enhancing the sustainability of monetary easing by conducting YCC with greater flexibility

- If upside risks to Japan's economic activity and prices materialize

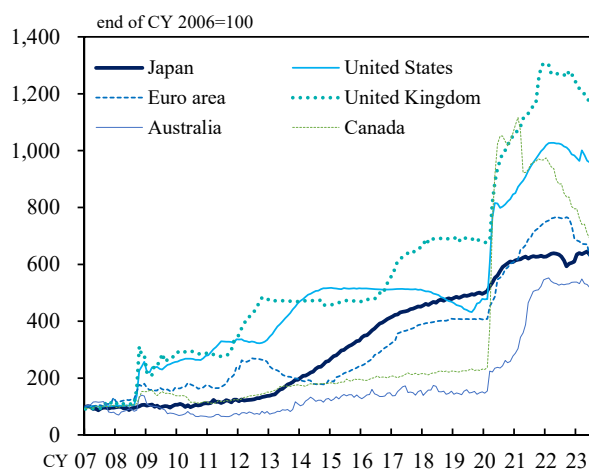
- Decline in real interest rates
- Mitigating the effects on the functioning of bond markets, etc.

- If downside risks to Japan's economic activity and prices materialize

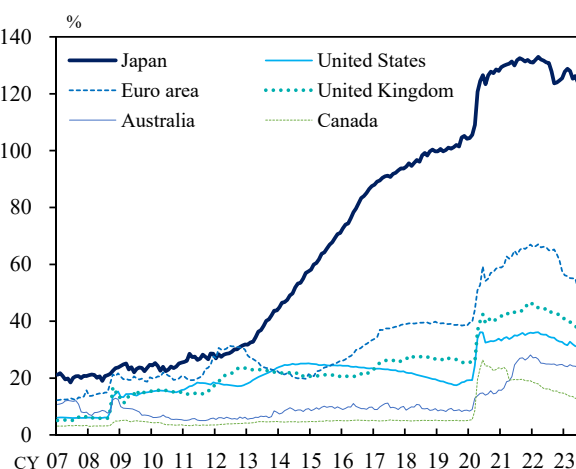
- Decline in long-term interest rates

## Central Bank Balance Sheets

### Level



### Ratio to Nominal GDP

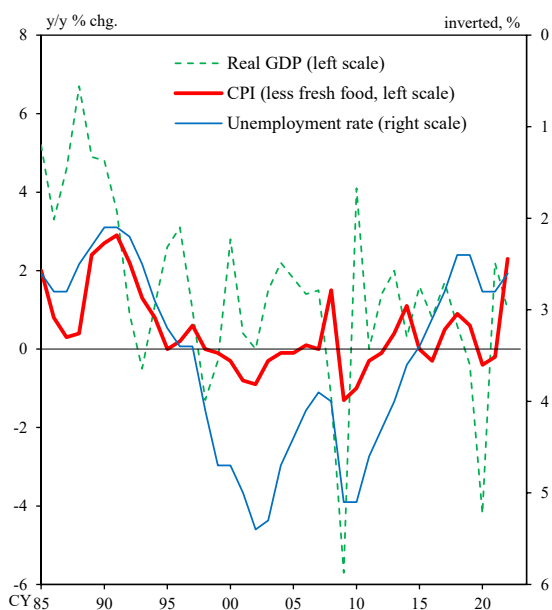


Note: Figures for the United Kingdom until September 2014 are for total assets; from October 2014, they are for the sum of the main components of assets.

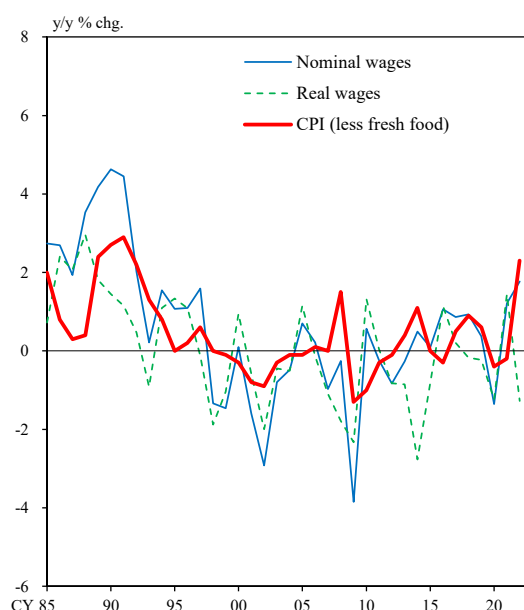
Sources: Data from central banks and statistical authorities; Haver.

# Major Economic Indicators

## CPI, Real GDP, and Unemployment Rate



## CPI and Wages

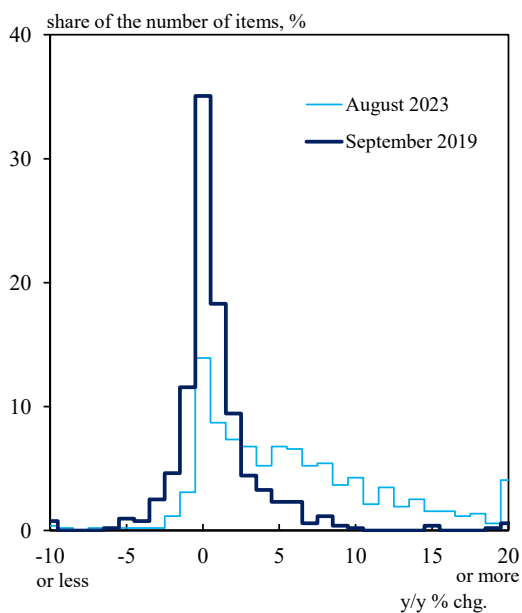


Note: Figures for the CPI (less fresh food) exclude the effects of consumption tax hikes. In the right panel, figures for nominal wages and real wages from 2016 onward are based on continuing observations following the sample revisions.

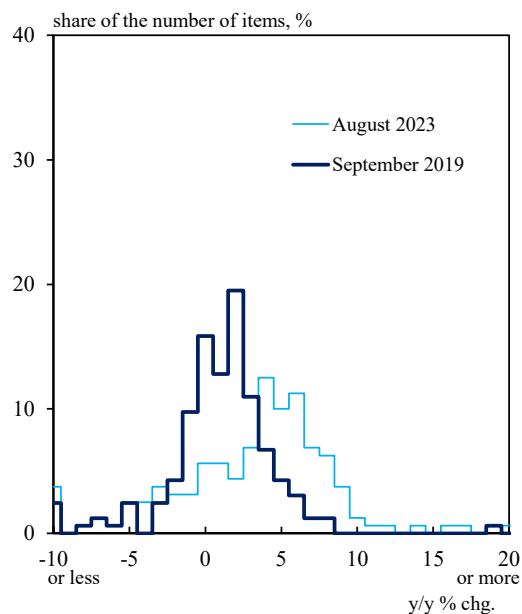
Sources: Cabinet Office; Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

# Distribution of Consumer Price Changes

## Japan



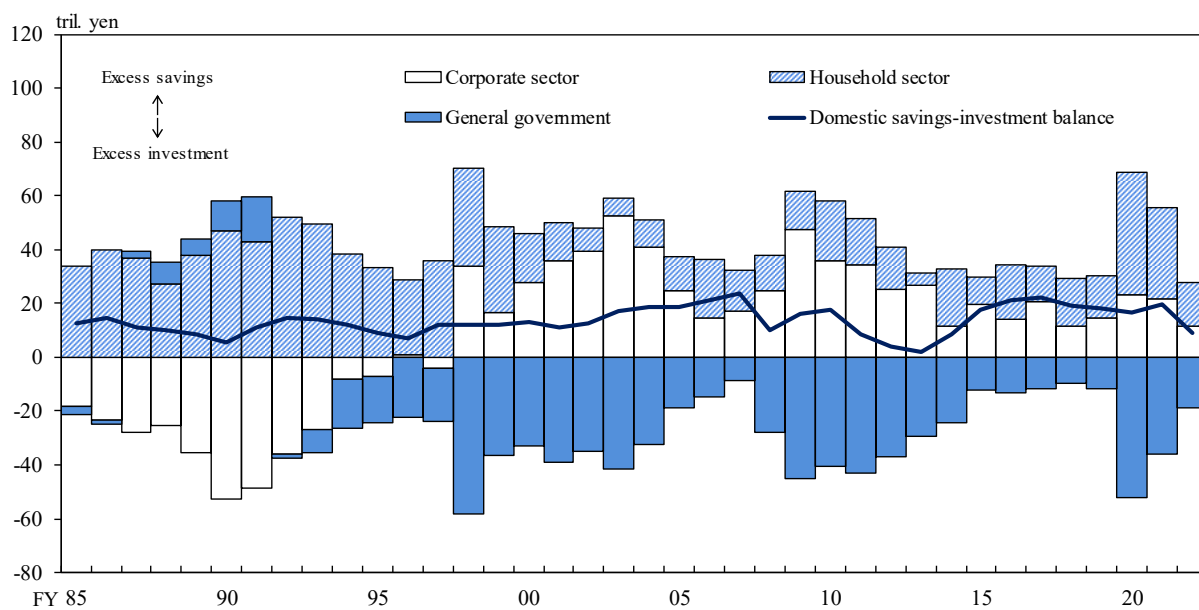
## United States



Note: Figures for Japan are based on items excluding fresh food and energy. Those for the United States are based on items excluding energy.

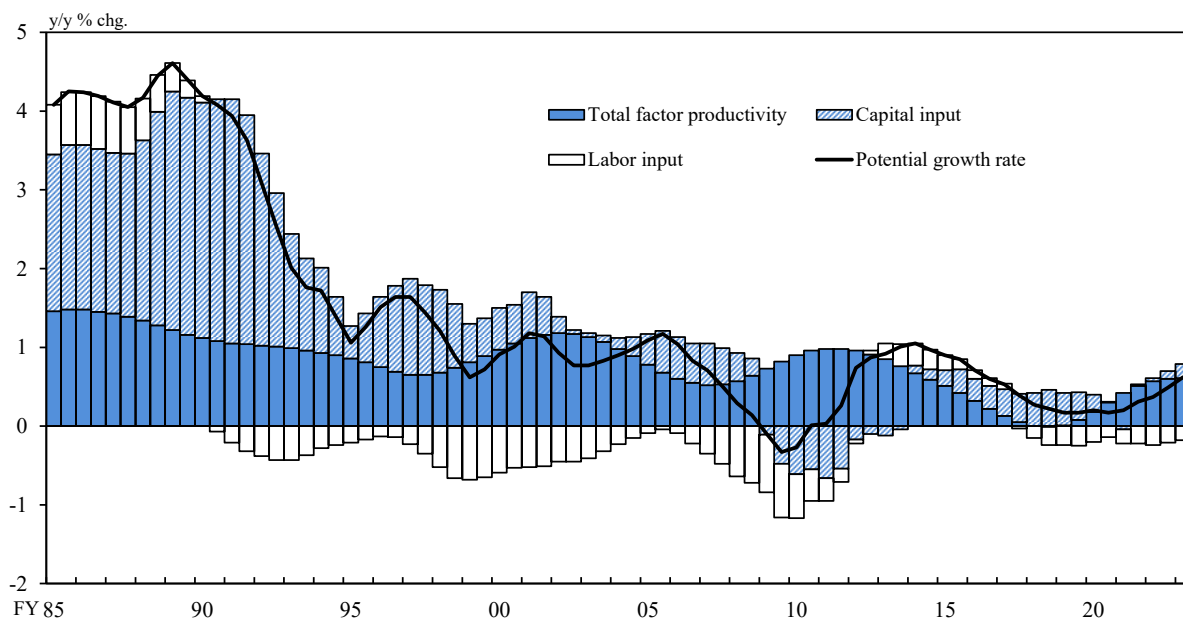
Sources: Ministry of Internal Affairs and Communications; U.S. Bureau of Labor Statistics.

## Savings-Investment Balance in Japan



Source: Bank of Japan.

## Potential Growth Rate in Japan

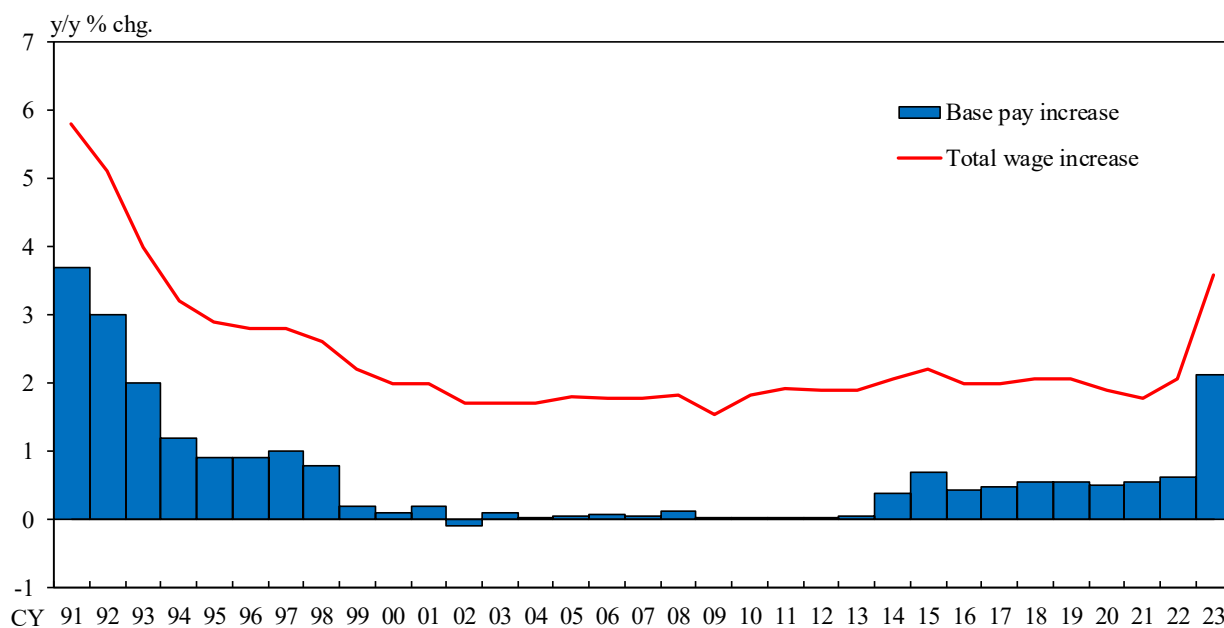


Note: Figures are Bank staff estimates.

Source: Bank of Japan.

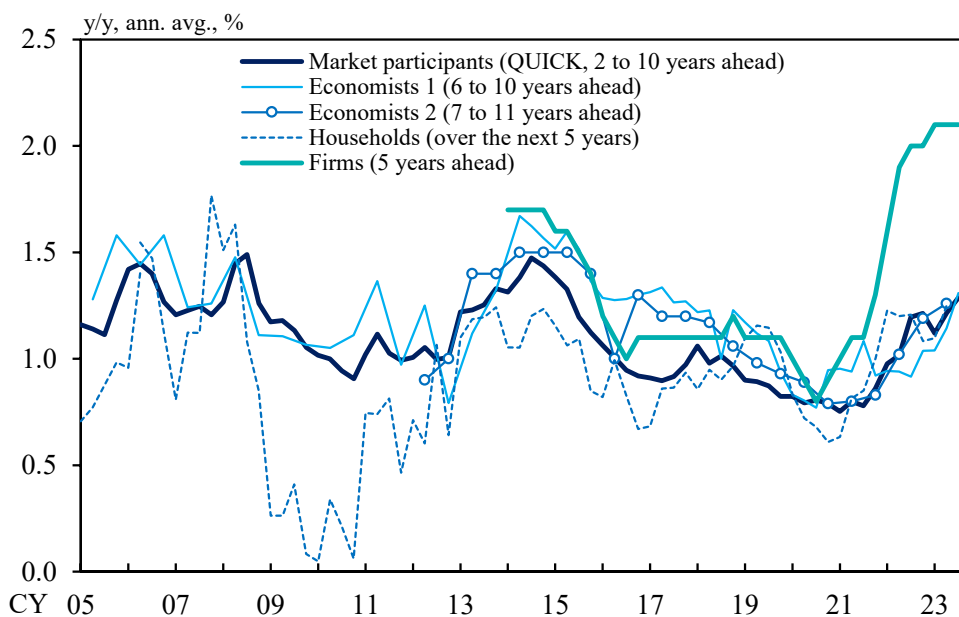


## Wage Increases in Spring Wage Negotiations



Sources: Central Labour Relations Commission; Japanese Trade Union Confederation (Rengo).

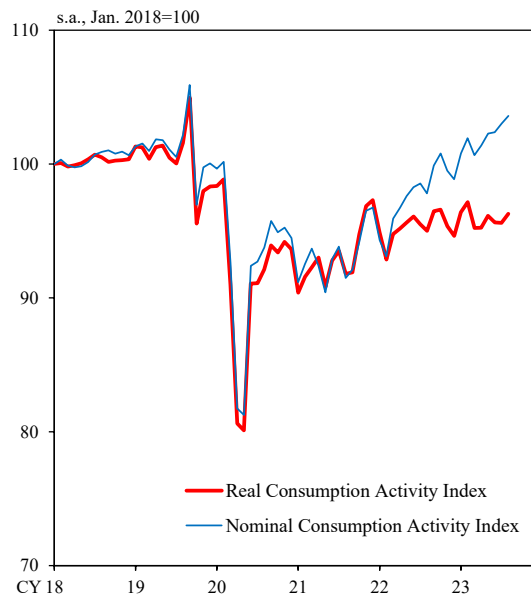
## Inflation Expectations



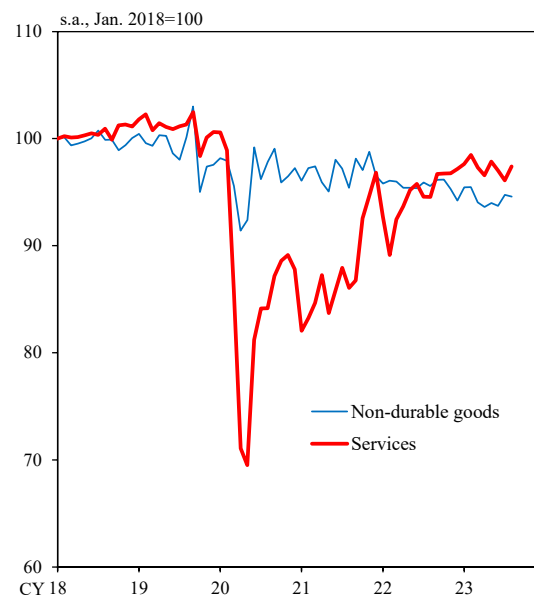
Notes: 1. "Economists 1" shows the forecasts of economists in the *Consensus Forecasts*. "Economists 2" shows the forecasts of those surveyed for the *ESP Forecast*.  
 2. Figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method for a 5-choice question.  
 3. Figures for firms show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.  
 Sources: Consensus Economics Inc., *Consensus Forecasts*; Japan Center for Economic Research (JCER), *ESP Forecast*; QUICK, *QUICK Monthly Market Survey (Bonds)*; Bank of Japan.

# Real Private Consumption in Japan

## Consumption Activity Index



## Private Consumption by Type



Notes: 1. In the left panel, figures for the Consumption Activity Index are travel balance adjusted.  
 2. In the right panel, figures are based on the real Consumption Activity Index.

Source: Bank of Japan.