

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Niigata

December 5, 2018

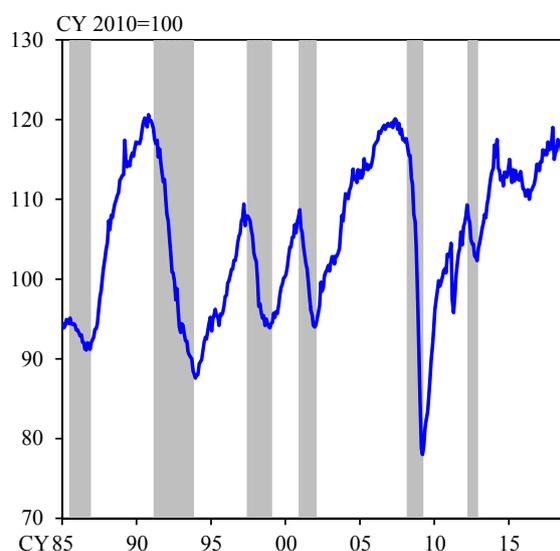
Masazumi Wakatabe

Deputy Governor of the Bank of Japan

Chart 1

Japan's Economy

Index of Business Conditions



Length of Economic Recovery Period

Rank	Period	Length
1	February 2002- February 2008	73 months
2	December 2012-	70 months (as of September 2018)
3	November 1965- July 1970 (<i>Izanagi Boom</i>)	57 months
4	December 1986- February 1991 (<i>Bubble Boom</i>)	51 months
5	November 1993- May 1997	43 months

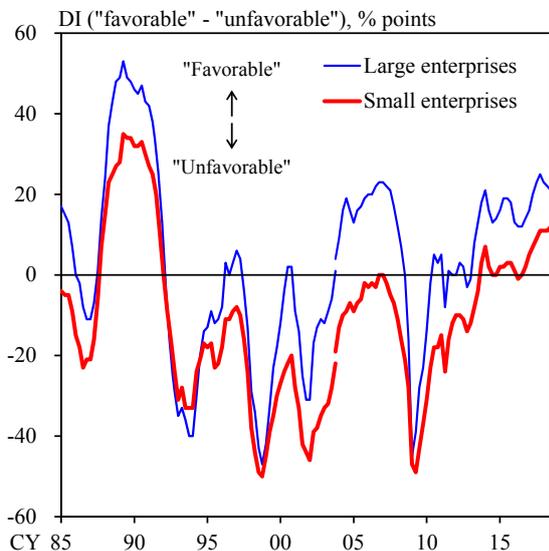
Notes: 1. The left chart shows the coincident index. Shaded areas indicate recession periods.

2. Business cycle peaks and troughs are determined in light of discussions by experts after economic data accumulation.

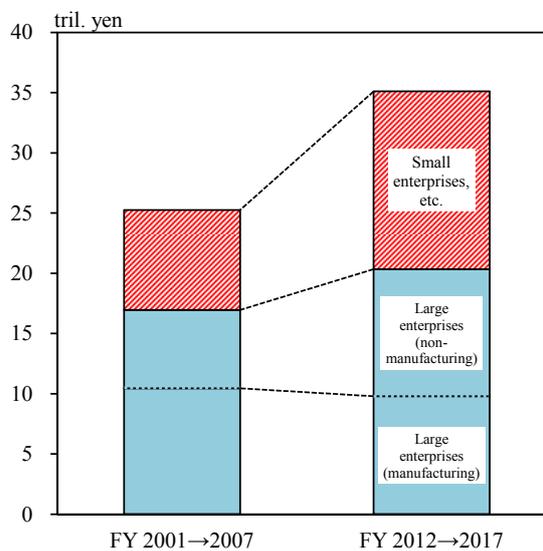
Sources: Cabinet Office, etc.

Widespread Economic Recovery I: Corporate Sector – Improvement of Small Enterprises –

*Business Conditions
by Enterprise Size (Tankan)*



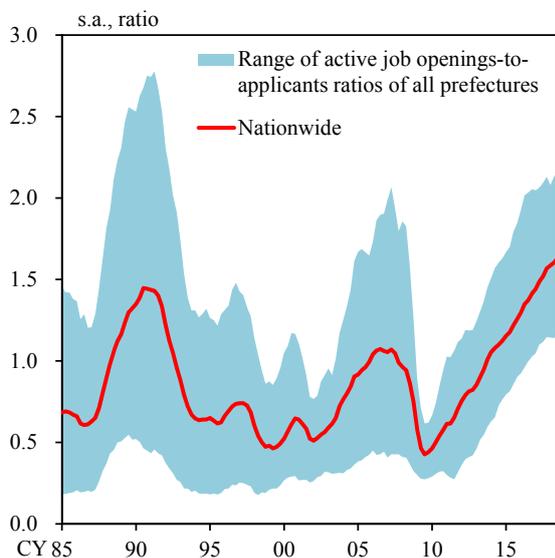
*Scale of Improvement in
Corporate Profits*



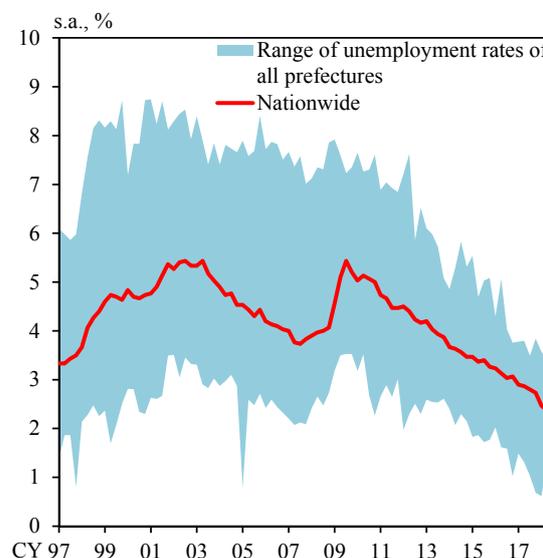
Notes: 1. Figures in the left chart are based on *Tankan*. There is a discontinuity in the data in December 2003 due to a change in the survey framework.
2. Figures in the right chart are based on current profits of the *Financial Statements Statistics of Corporations by Industry, Quarterly*. "Large enterprises" are enterprises with capital of 1 billion yen or more and "small enterprises, etc." are the rest. Excluding "finance and insurance."
Sources: Ministry of Finance; Bank of Japan.

Widespread Economic Recovery II: Labor Market (1)

*Active Job Openings-to-Applicants Ratio
(by Prefecture)*



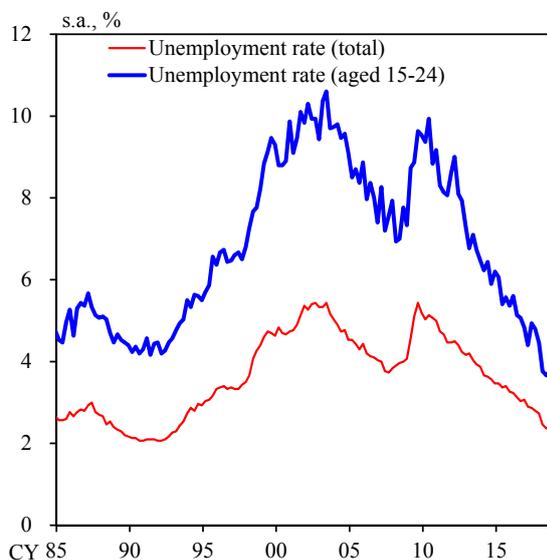
*Unemployment Rate
(by Prefecture)*



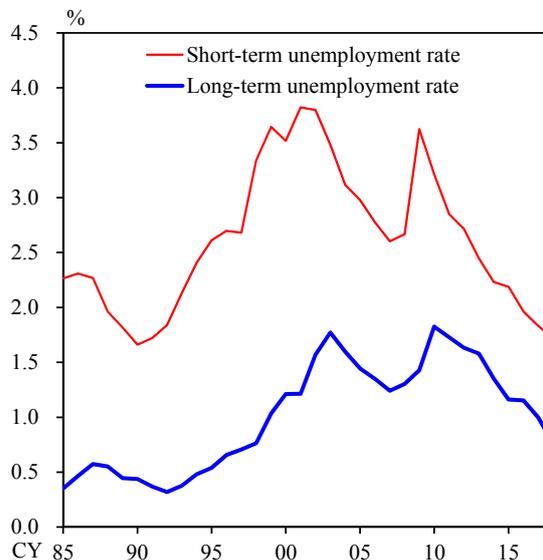
Note: Seasonally adjusted figures for unemployment rates of all prefectures are based on BOJ staff estimations.
Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

Widespread Economic Recovery III: Labor Market (2)

Youth Unemployment Rate



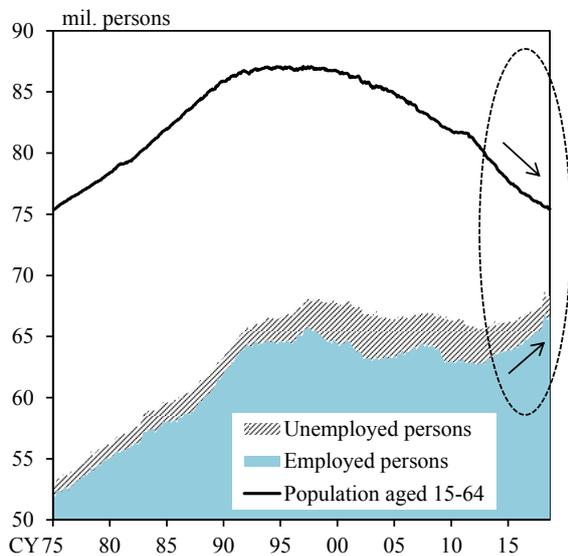
Unemployment Rate (Long- and Short-Term)



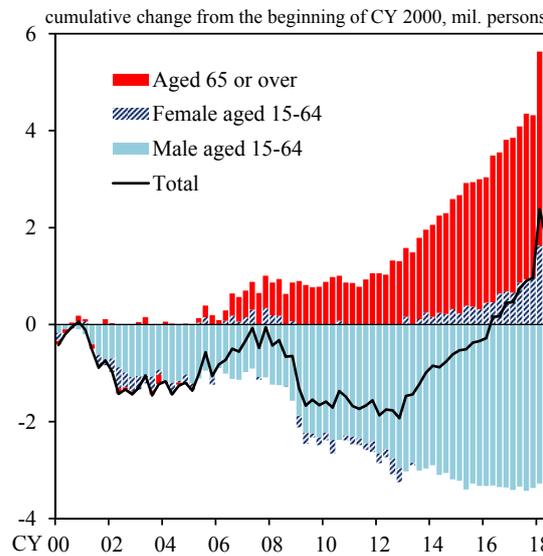
Note: In the right chart, long- and short-term unemployment rates are the ratios to labor force of those who have been unemployed for one year or over and less than one year, respectively. Figures for 2018 are January-September averages. Source: Ministry of Internal Affairs and Communications.

Widespread Economic Recovery IV: Labor Market (3)

Population Aged 15-64 and Number of Employed Persons



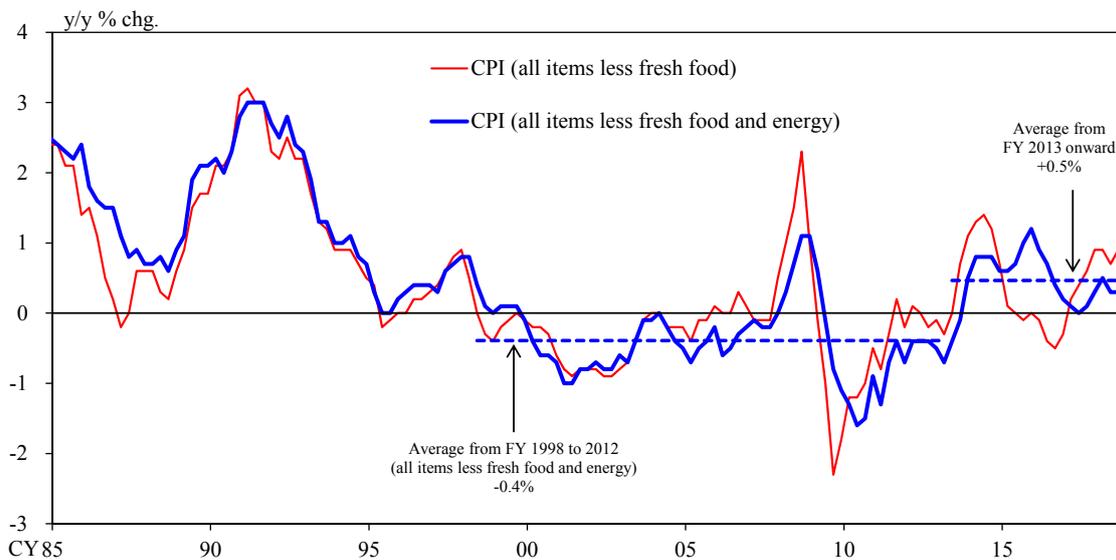
Number of Employed Persons



Source: Ministry of Internal Affairs and Communications.

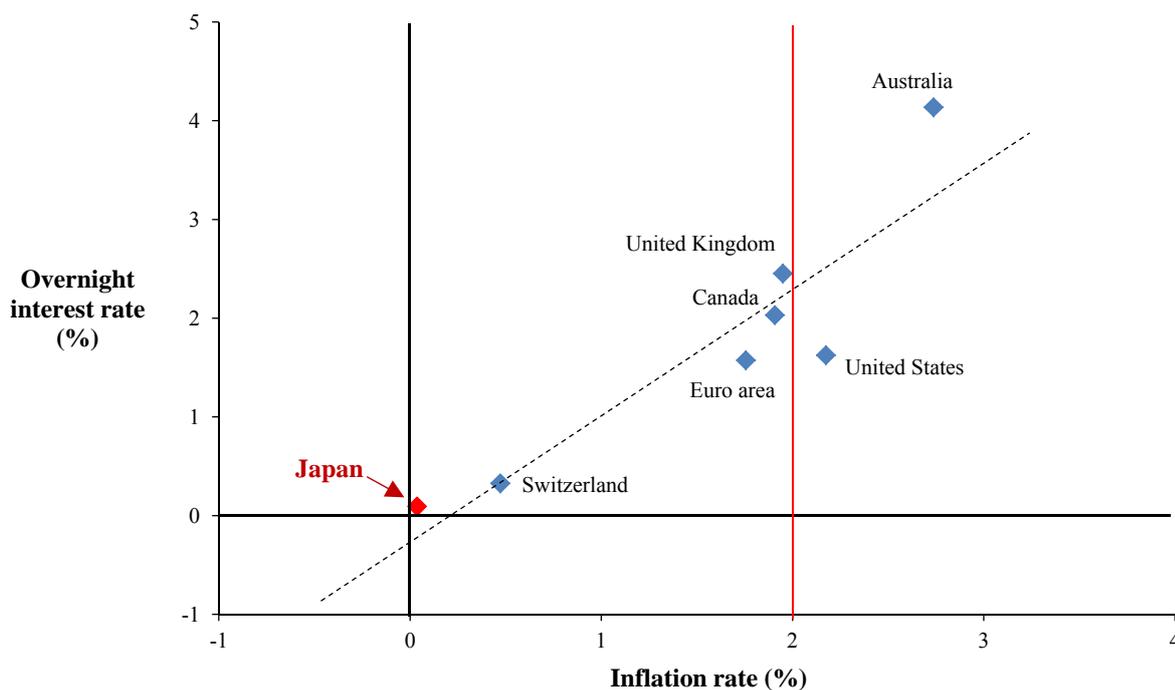
Developments in Prices

Consumer Prices



Note: The CPI figures are adjusted for changes in the consumption tax rate. Figures for 2018/Q4 are those for October.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

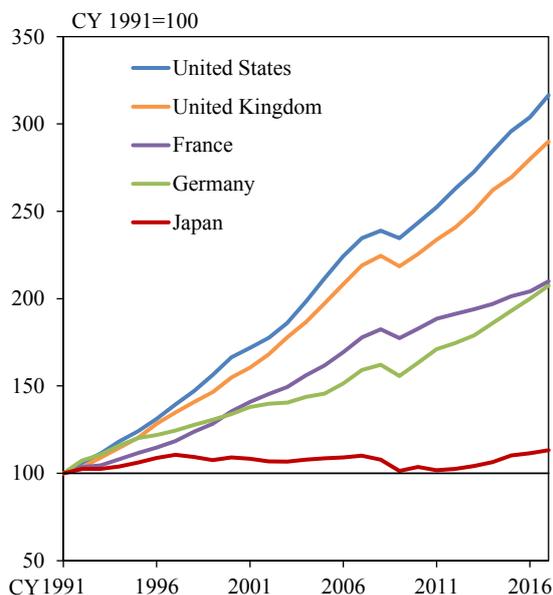
Inflation Rates and Interest Rate Levels



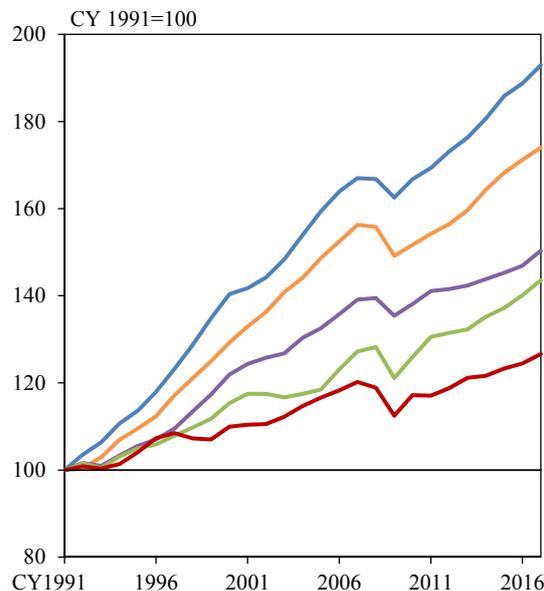
Note: Figures for the inflation rate and the overnight interest rate are averages from 2000 to 2017.
Source: OECD.

Economic Growth of Major Economies

Nominal GDP Growth



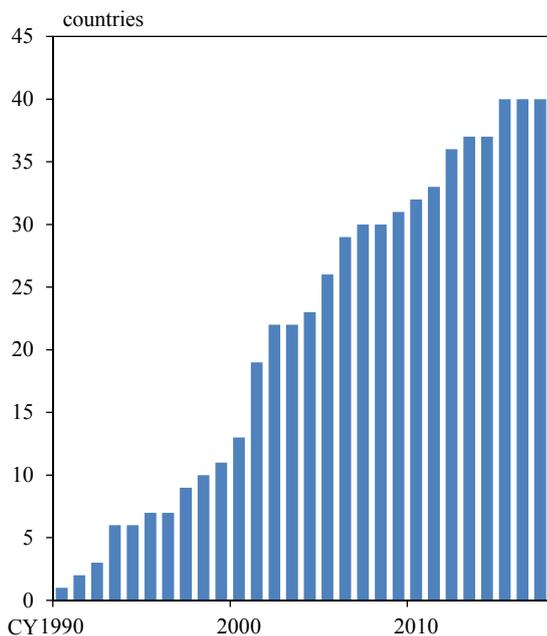
Real GDP Growth



Source: IMF.

Price Stability Target

Number of Countries Adopting Inflation Targeting



Price Stability in Advanced Economies

Country/Region	Definition	Indicator Numerical expression (y/y chg.)
United States (FRB)	Longer-run goal	PCE deflator 2%
Euro area (ECB)	Quantitative definition	HICP Below, but close to, 2%
United Kingdom (BOE)	Target	CPI 2%
Japan (BOJ)	Price stability target	CPI 2%

Note: PCE is personal consumption expenditures; HICP and CPI are consumer price indexes.

Sources: Gregorio, Eichengreen, Ito, and Wyplosz (2018); Bank of Japan; Federal Reserve Board; European Central Bank; Bank of England.

Households' Views

Comments on the Price Rise



Comments on the Price Decline



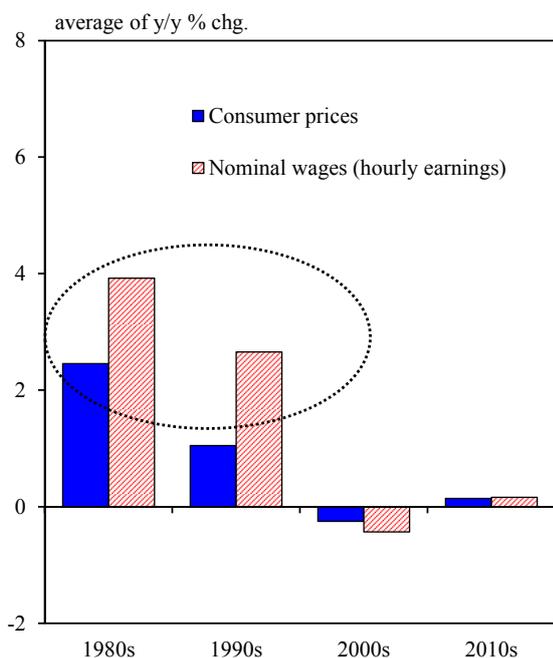
Recognition of the Price Stability Target of 2 Percent



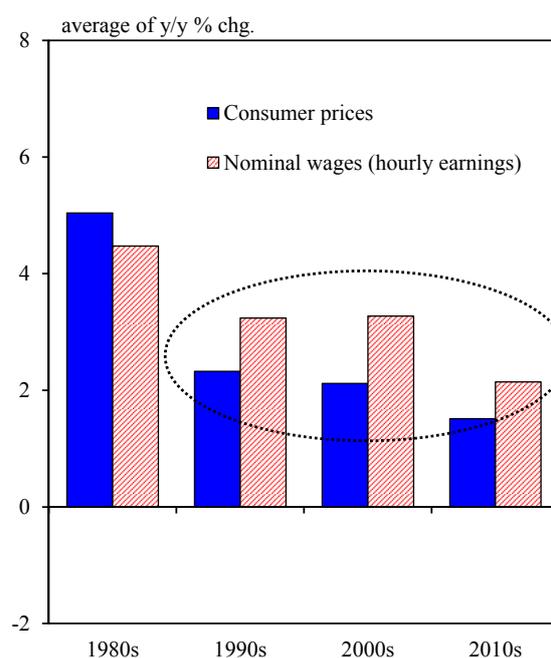
Source: Bank of Japan, *Opinion Survey on the General Public's Views and Behavior* (September 2018 survey).

Prices and Wages

Japan



United States



Note: Figures for the 2010s are averages from 2010 to 2017. Consumer prices are CPI (all items, adjusted for changes in the consumption tax rate) for Japan, and PCE deflator (all items) for the United States.

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Bank of Japan; Haver.