



# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Okinawa*

June 22, 2023

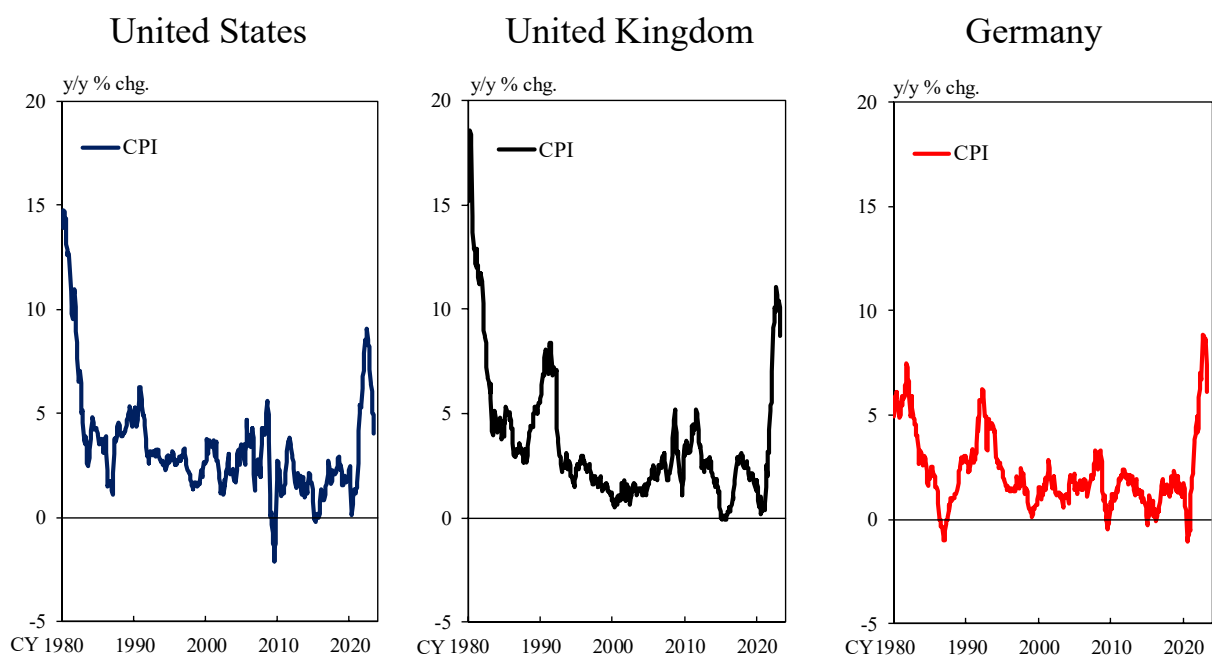
NOGUCHI Asahi

Member of the Policy Board

Bank of Japan

Chart 1

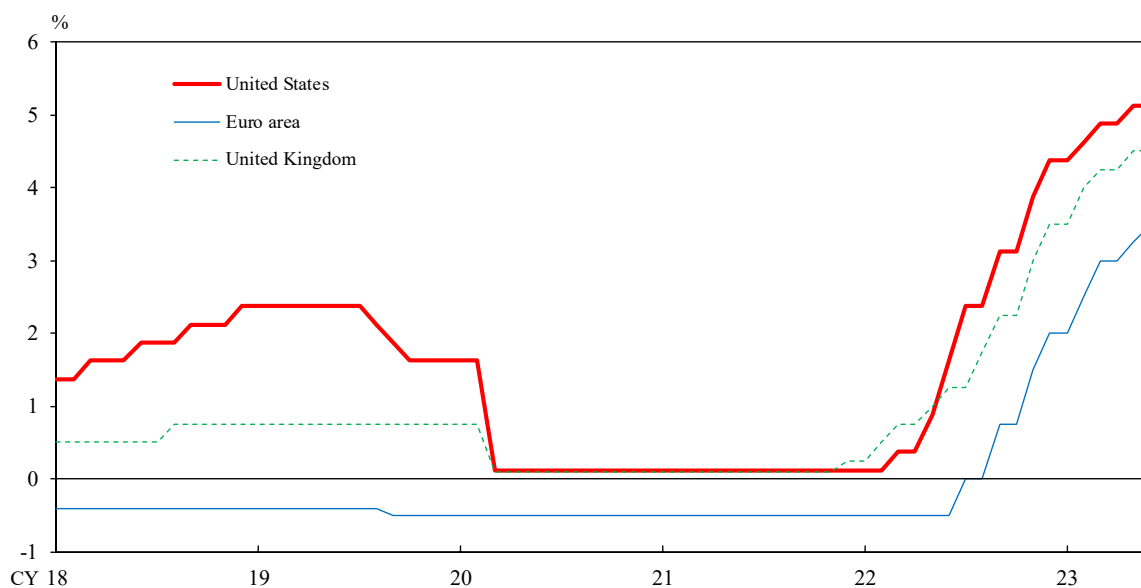
## High Inflation in the United States and Europe



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 the Bank of England's (BOE's) "A millennium of macroeconomic data" and those from 1989 onward are from the Office for National Statistics' (ONS') data.

Sources: BOE; OECD; ONS.

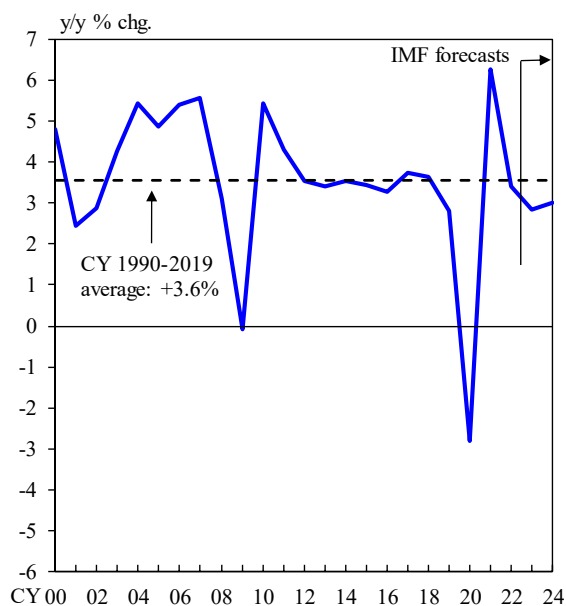
## Policy Interest Rates in the United States and Europe



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. The latest figures for June 2023 are as of June 15.  
Sources: BIS; BOE; ECB; FRB.

## IMF Forecasts for Global Growth

Global Growth Rate

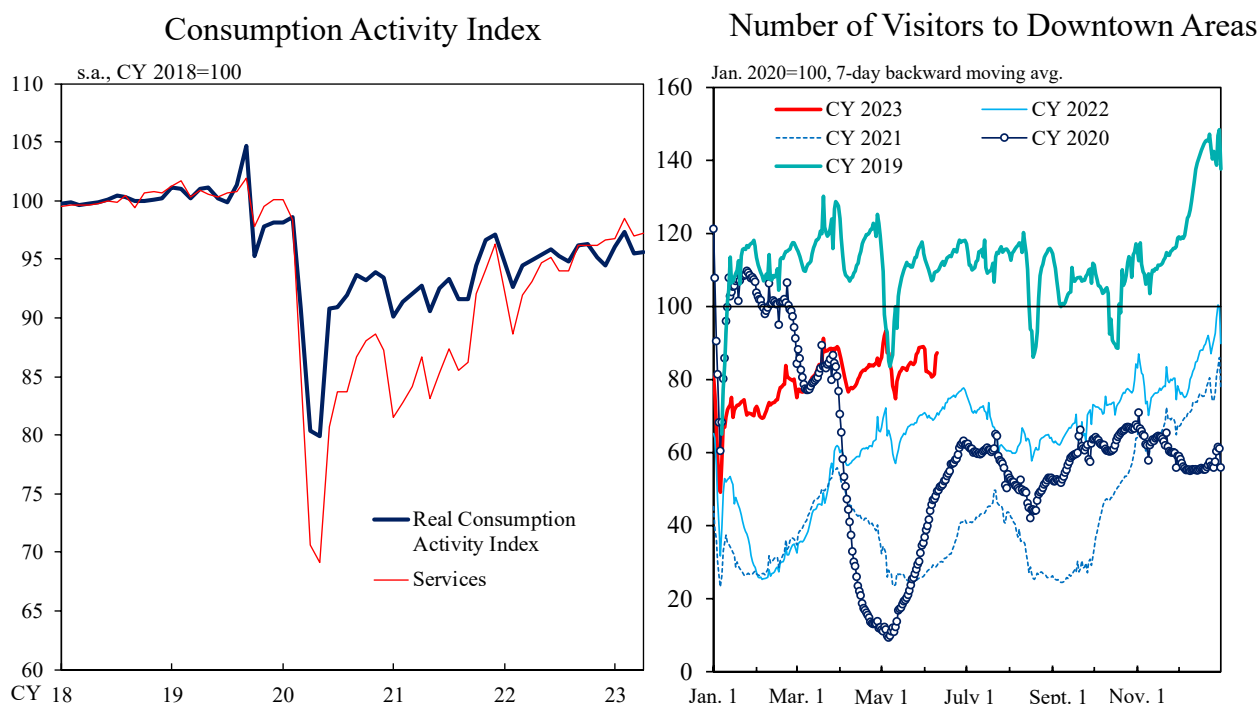


Major Economies' Growth Rates

	y/y % chg., % points				
	CY 2020	CY 2021	CY 2022	CY 2023 [Forecast]	CY 2024 [Forecast]
World	-2.8	6.3	3.4	2.8	3.0
Advanced economies	-4.2	5.4	2.7	1.3	1.4
United States	-2.8	5.9	2.1	1.6	1.1
Euro area	-6.1	5.4	3.5	0.8	1.4
United Kingdom	-11.0	7.6	4.0	-0.3	1.0
Japan	-4.3	2.1	1.1	1.3	1.0
Emerging market and developing economies	-1.8	6.9	4.0	3.9	4.2
China	2.2	8.5	3.0	5.2	4.5
India	-5.8	9.1	6.8	5.9	6.3
ASEAN-5	-4.4	4.0	5.5	4.5	4.6

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

# Private Consumption



Notes: 1. In the left chart, figures for the real Consumption Activity Index are travel balance adjusted.  
 2. In the right chart, figures are the sum of the differences in the number of visitors between 9 p.m. and 4 a.m. on the following day in 53 downtown areas.  
 Sources: AGOOP Corp.; Bank of Japan.

## Financial Difficulties Experienced by U.S. and European Banks

<p>March 2023</p>	<ul style="list-style-type: none"> <li>● Collapse of Silicon Valley Bank (U.S.) on March 10</li> <li>● Collapse of Signature Bank (U.S.) on March 12</li> <li>● Acquisition of Credit Suisse (Switzerland) by UBS on March 18</li> </ul>
<p>May 2023</p>	<ul style="list-style-type: none"> <li>● Collapse of First Republic Bank (U.S.) on May 1</li> </ul>

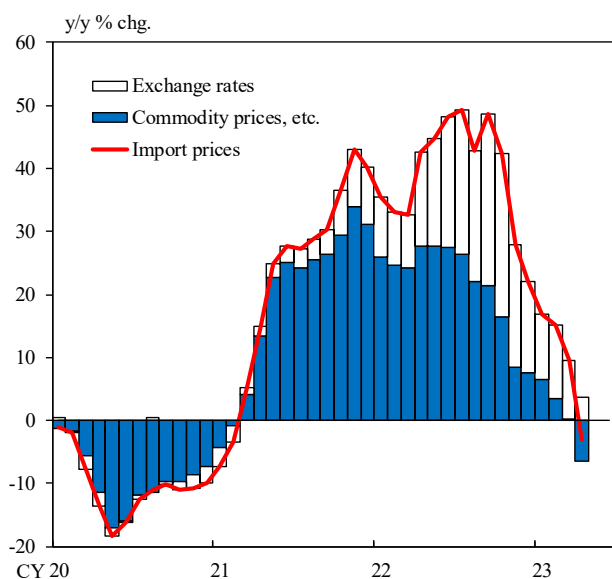
# Consumer Prices

	y/y % chg.							
	22/Q2	Q3	Q4	23/Q1	23/January	February	March	April
CPI for all items	2.4	2.9	3.9	3.6	4.3	3.3	3.2	3.5
Less fresh food	2.1	2.7	3.7	3.5	4.2	3.1	3.1	3.4
Less fresh food and energy	0.9	1.5	2.8	3.5	3.2	3.5	3.8	4.1
(Reference: contribution to the CPI for all items less fresh food)								
Energy	1.3	1.3	1.2	0.3	1.2	-0.1	-0.3	-0.4
Food products	0.5	0.7	1.2	1.3	1.2	1.3	1.3	1.5
General services	-0.1	0.1	0.4	0.6	0.5	0.6	0.7	0.7

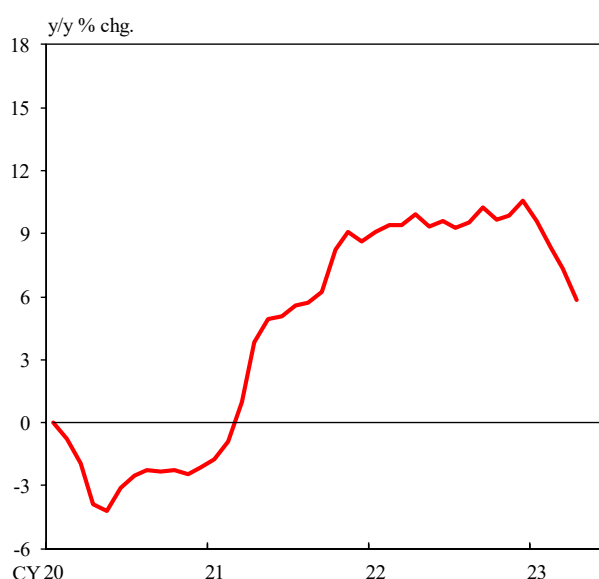
Source: Ministry of Internal Affairs and Communications.

# Producer Prices

## Import Price Index



## Producer Price Index

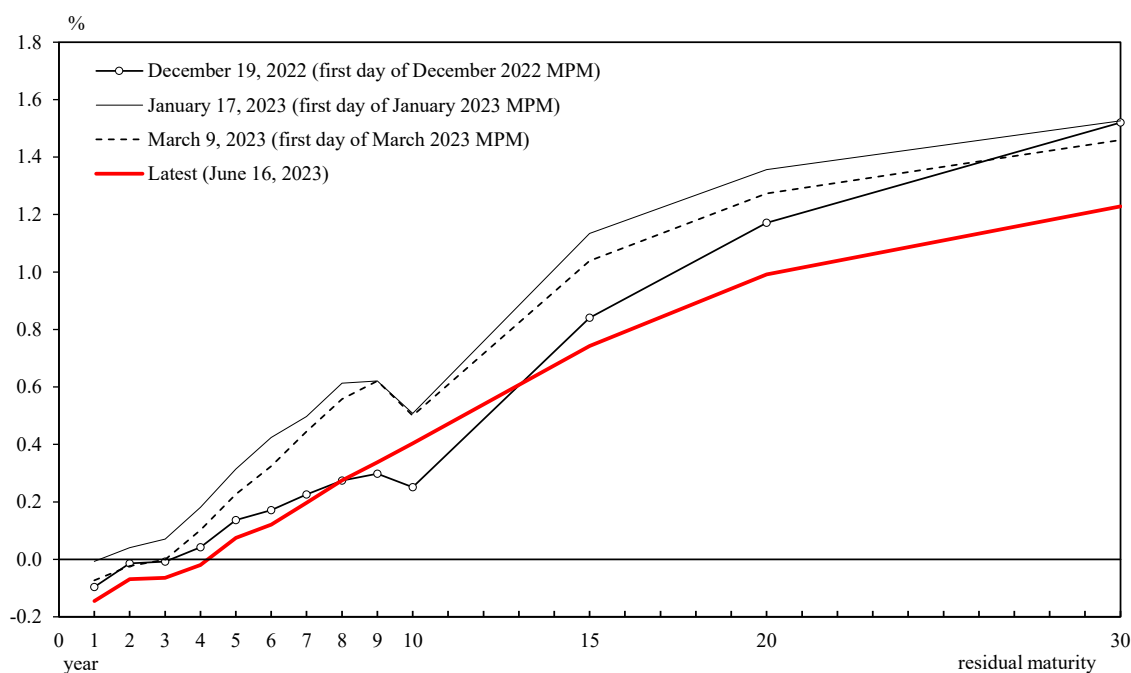


Notes: 1. In the left chart, the contribution of changes in commodity prices, etc., is calculated using changes in the import price index on a contract currency basis. The contribution of changes in exchange rates is calculated using the difference between the index on a yen basis and that on a contract currency basis.

2. In the right chart, figures are adjusted to exclude the effects of the consumption tax hike.

Source: Bank of Japan.

## JGB Yield Curves



Source: Bloomberg.

## The Bank's Policy Responses to COVID-19

### Supporting Corporate Financing

#### Special Program to Support Financing in Response to COVID-19

**Purchases of CP and corporate bonds: amount outstanding of about 20 tril. yen at maximum (previous amount outstanding of about 5 tril. yen)**

**Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19**

### Stabilizing Financial Markets

#### Ample and Flexible Provision of Yen and Foreign Currency Funds

**Active purchases of JGBs and T-Bills**

**U.S. Dollar Funds-Supplying Operations**

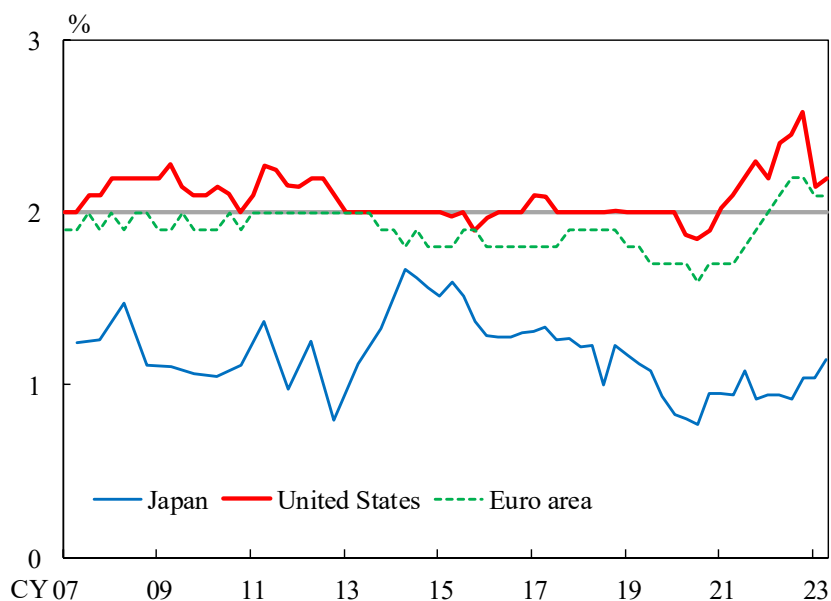
### Lowering Risk Premia in Asset Markets

#### Purchases of ETFs and J-REITs

**ETFs: annual pace with an upper limit of about 12 tril. yen**

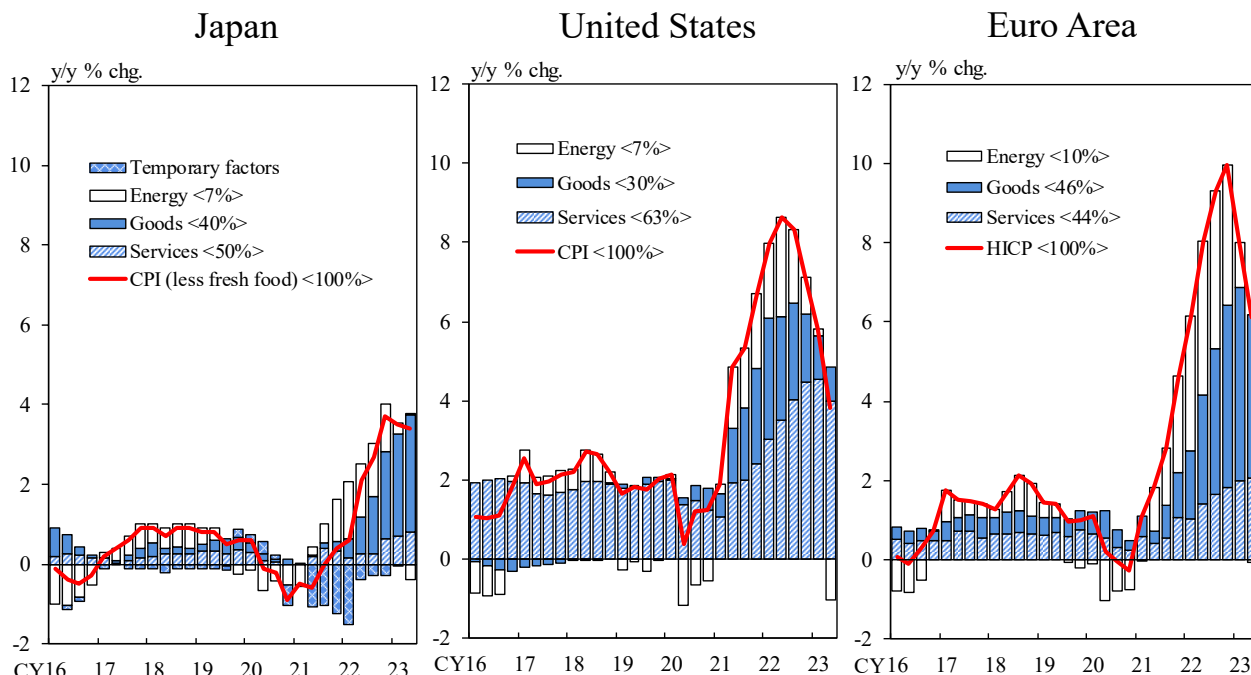
**J-REITs: annual pace with an upper limit of about 180 bil. yen**

# Inflation Expectations



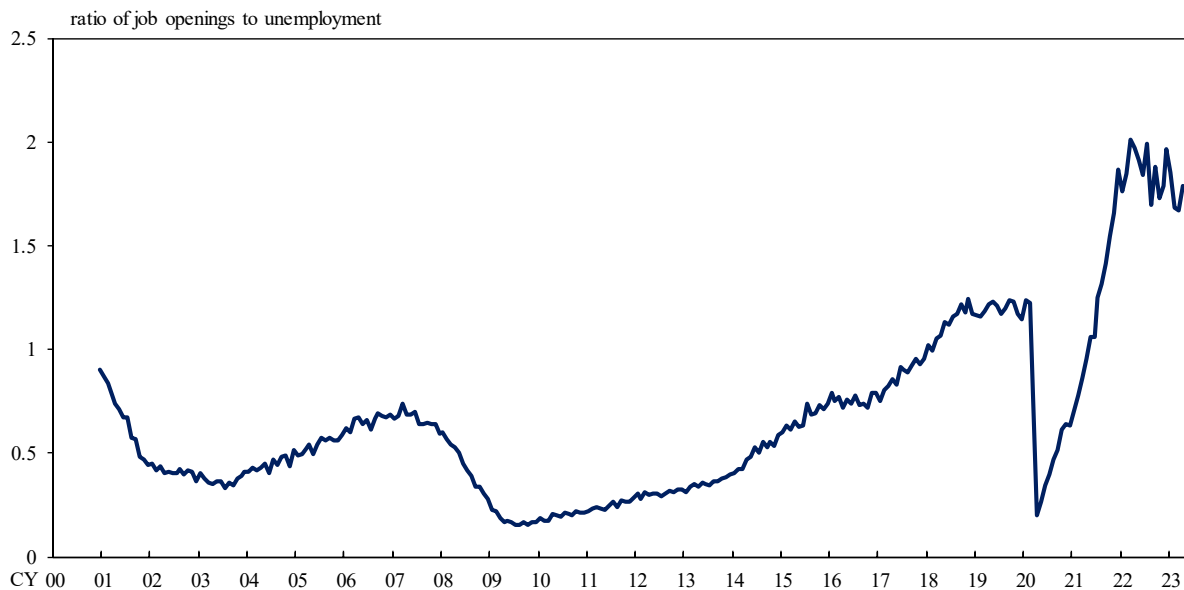
Note: Figures are medium- to long-term inflation expectations of economists. Figures for Japan are based on the Consensus Forecasts (CPI inflation, 6 to 10 years ahead), those for the United States are based on the Survey of Professional Forecasters (PCE inflation, 10 years ahead), and those for the euro area are based on the Survey of Professional Forecasters (CPI inflation, long run).  
Sources: Consensus Economics Inc.; ECB; Federal Reserve Bank of Philadelphia.

# Decomposition of Changes in Consumer Prices



Notes: 1. Figures for temporary factors for Japan are Bank staff estimates and consist of (1) the effects of the consumption tax hike and policies concerning the provision of free education, (2) the effects of travel subsidy programs, and (3) mobile phone charges.  
2. Figures in angular brackets show the share of each component.  
Sources: Haver Analytics; Ministry of Internal Affairs and Communications.

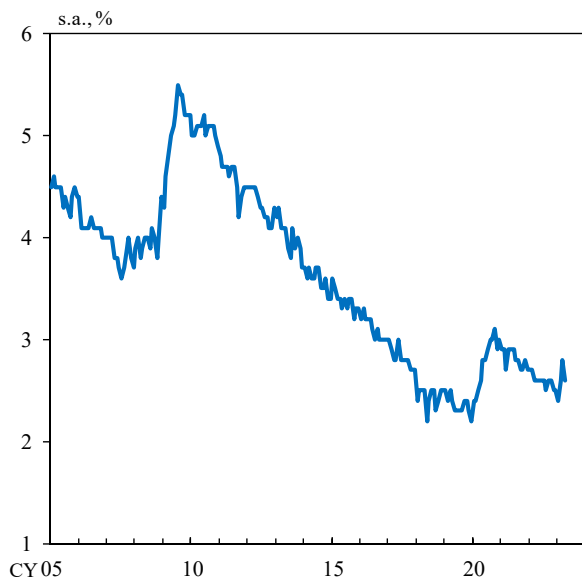
# Labor Market Conditions in the United States



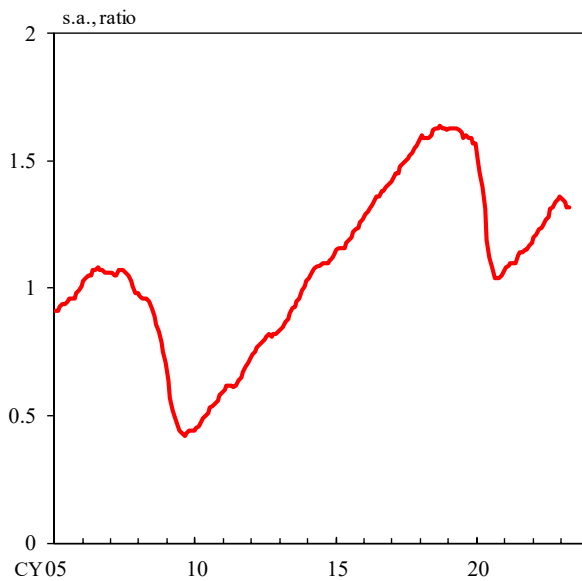
Source: Bureau of Labor Statistics.

# Labor Market Conditions in Japan

Unemployment Rate

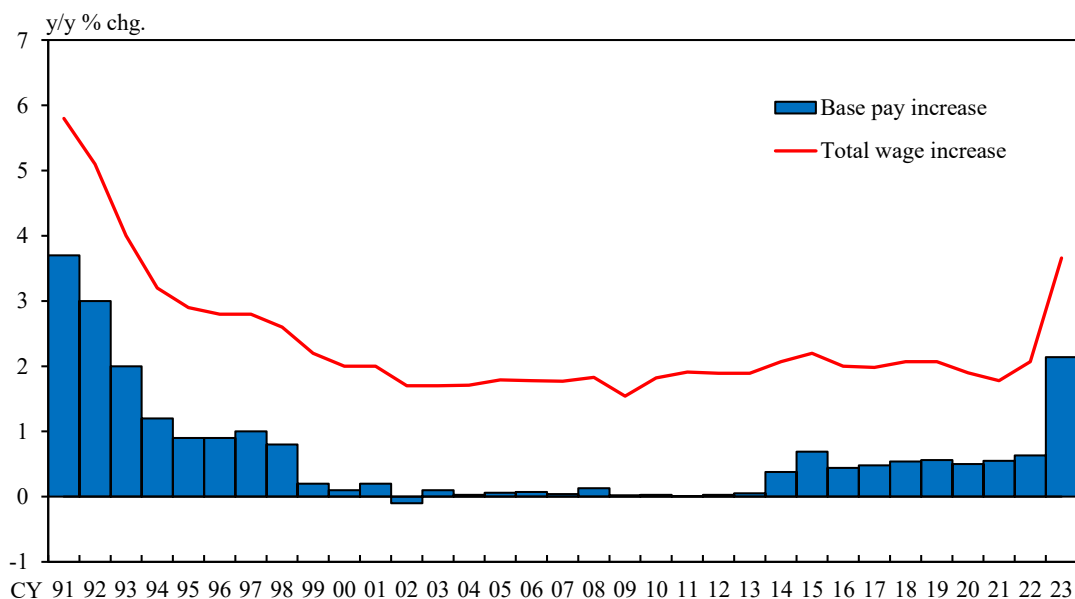


Job Openings-to-Applicants Ratio



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

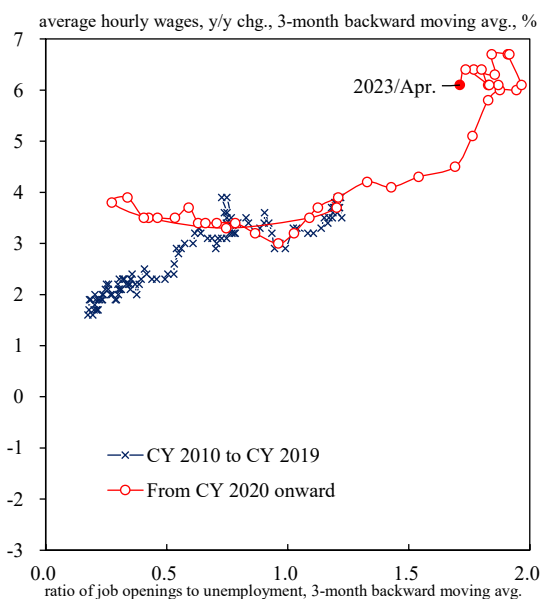
## Wage Increases in Spring Wage Negotiations



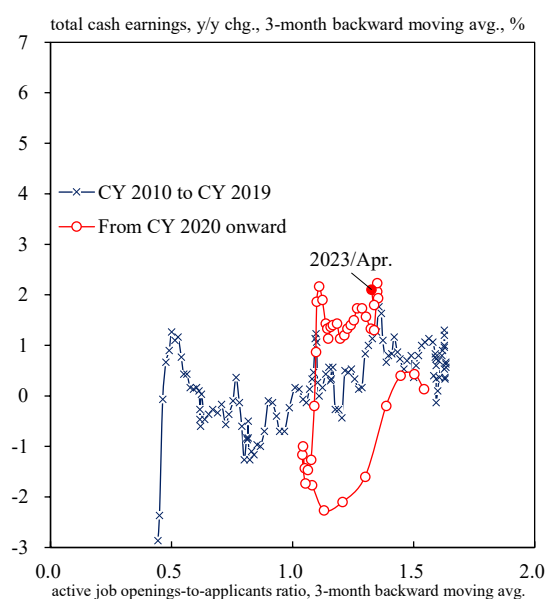
Note: Figures for 2023 are from Rengo's sixth aggregation.  
Sources: Japanese Trade Union Confederation (Rengo); Central Labour Relations Commission.

## Labor Market Conditions and Wage Growth

### United States (Hourly Wages)



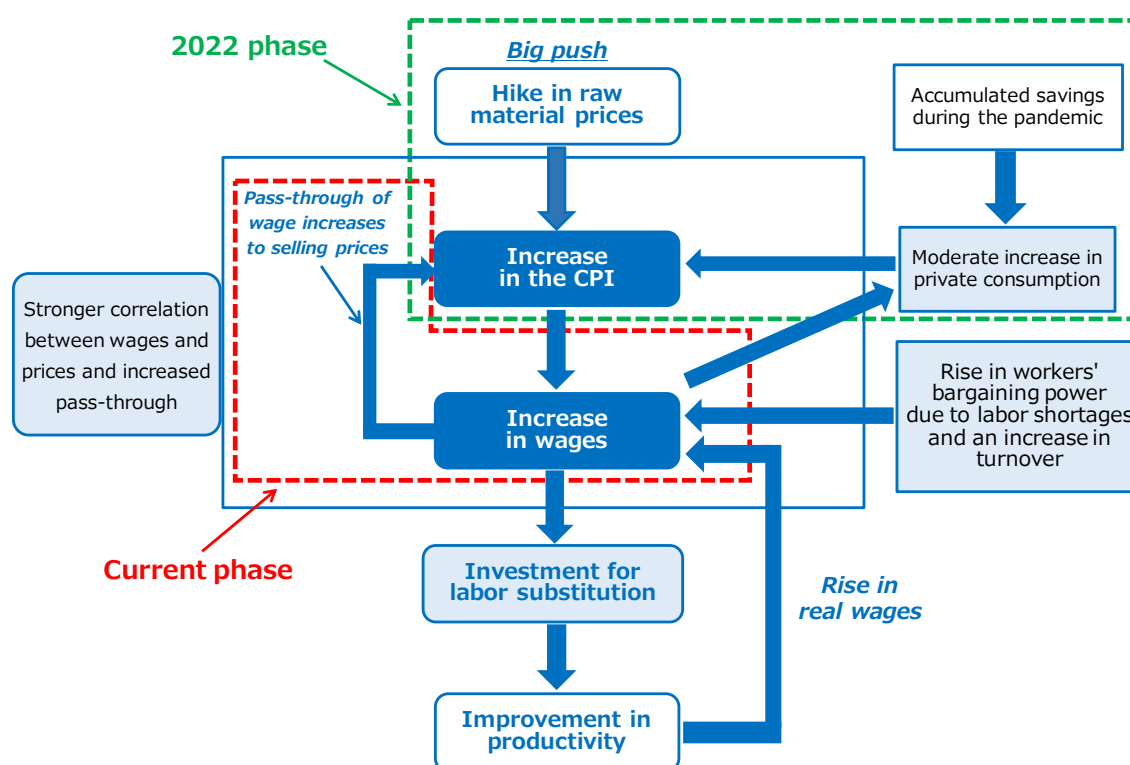
### Japan (Total Cash Earnings)



Notes: 1. In the left chart, figures for average hourly wages are from the Atlanta Fed's Wage Growth Tracker.  
2. In the right chart, figures for total cash earnings are for all employees. Figures from 2016 onward are based on continuing observations following the sample revisions.  
Sources: Haver Analytics; Ministry of Health, Labour and Welfare.



## Correlation between Wages and Prices



## Decomposition of Economic Growth in Japan and the United States

$$\text{GDP} = \text{Total population} \times \underbrace{\frac{\text{Employed persons}}{\text{Total population}} \times \frac{\text{Total hours worked}}{\text{Employed persons}}}_{\text{GDP per capita}} \times \frac{\text{GDP}}{\text{Total hours worked}}$$

(a) (b) (c) (d)

### Japan

	GDP	Total population	GDP per capita	Employed persons/ Total population	Hours worked per person	GDP per hour worked
	(a)	(a)	(b)	(c)	(d)	(d)
1990s	1.6	0.3	1.3	0.1	-1.2	2.4
2000s	0.5	0.1	0.4	-0.2	-0.5	1.0
2010s	1.2	-0.1	1.3	0.6	-0.4	1.2

average, %

### United States

	GDP	Total population	GDP per capita	Employed persons/ Total population	Hours worked per person	GDP per hour worked
	(a)	(a)	(b)	(c)	(d)	(d)
1990s	3.2	1.2	2.0	0.1	-0.0	1.9
2000s	1.9	1.0	1.0	-0.5	-0.4	1.9
2010s	2.3	0.7	1.6	0.5	0.1	1.0

average, %

Sources: Cabinet Office; Ministry of Internal Affairs and Communications; OECD.