



Economic Activity, Prices, and Monetary Policy in Japan

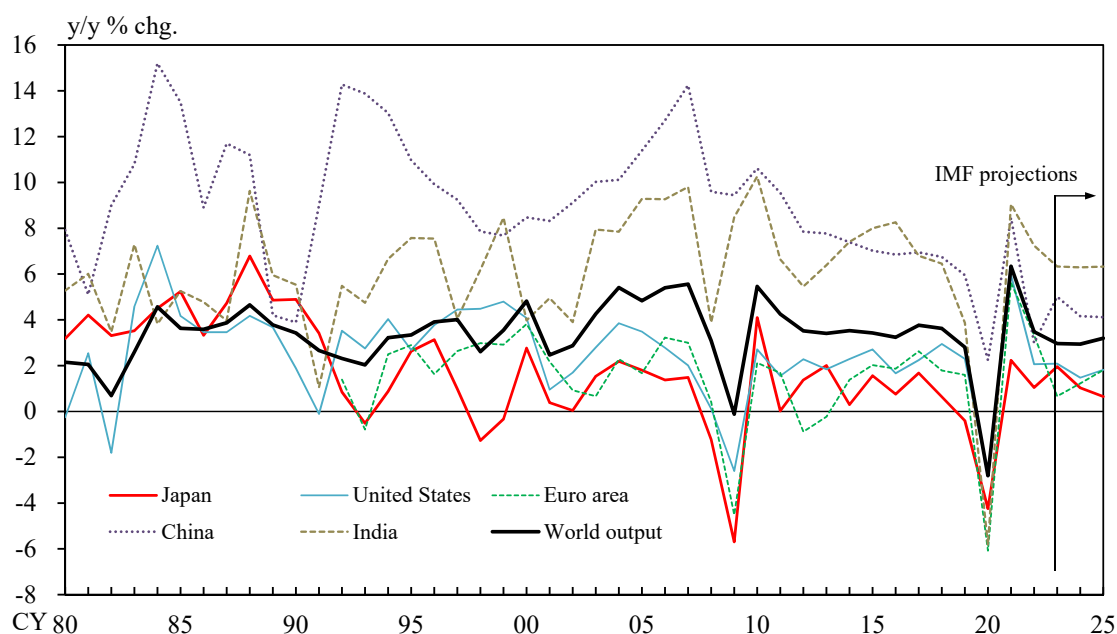
Speech at a Meeting with Local Leaders in Hyogo

November 30, 2023

NAKAMURA Toyoaki
Member of the Policy Board
Bank of Japan

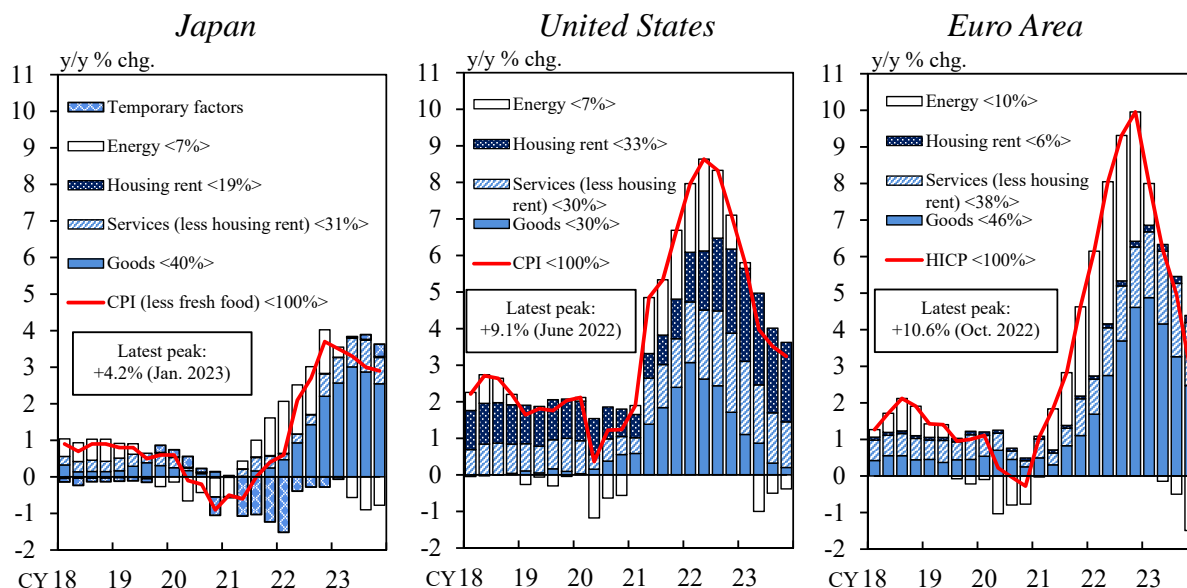
Chart 1

IMF Projections in the *World Economic Outlook* (October 2023)



Source: IMF.

Consumer Prices



Notes: 1. Figures for temporary factors for Japan are Bank staff estimates and consist of 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. Figures in angle brackets show the share of each component. Figures for 2023/Q4 are those for October.

Sources: Haver; Ministry of Internal Affairs and Communications.

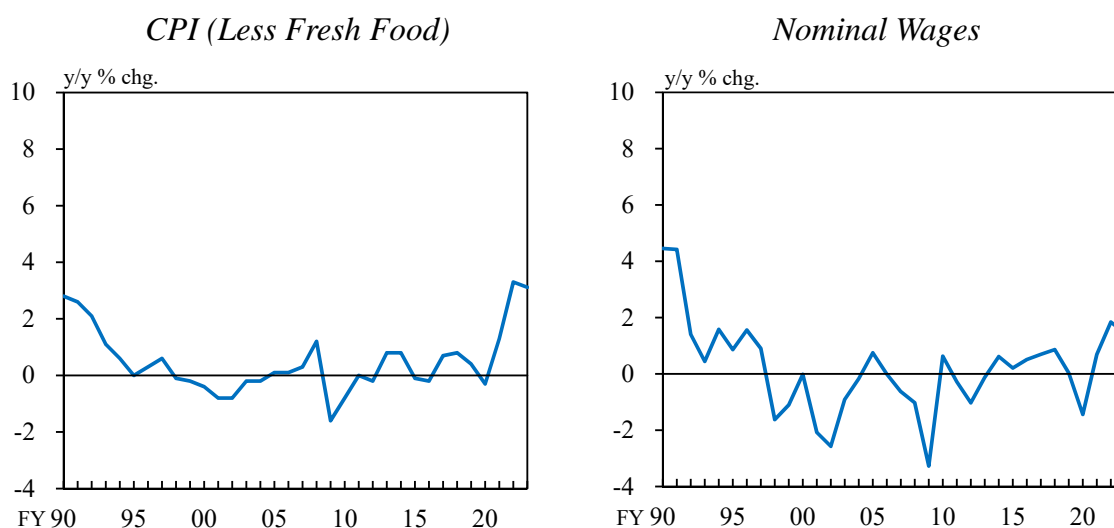
Forecasts of the Majority of the Policy Board Members

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2023	+1.8 to +2.0 [+2.0]	+2.7 to +3.0 [+2.8]	+3.5 to +3.9 [+3.8]
Forecasts made in July 2023	+1.2 to +1.5 [+1.3]	+2.4 to +2.7 [+2.5]	+3.1 to +3.3 [+3.2]
Fiscal 2024	+0.9 to +1.4 [+1.0]	+2.7 to +3.1 [+2.8]	+1.6 to +2.1 [+1.9]
Forecasts made in July 2023	+1.0 to +1.3 [+1.2]	+1.8 to +2.2 [+1.9]	+1.5 to +2.0 [+1.7]
Fiscal 2025	+0.8 to +1.2 [+1.0]	+1.6 to +2.0 [+1.7]	+1.8 to +2.2 [+1.9]
Forecasts made in July 2023	+1.0 to +1.2 [+1.0]	+1.6 to +2.0 [+1.6]	+1.8 to +2.2 [+1.8]

Notes: 1. Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates).
 2. The forecasts of the majority of the Policy Board members are constructed as follows: each Policy Board member's forecast takes the form of a point estimate -- namely, the figure to which they attach the highest probability of realization. These forecasts are then shown as a range, with the highest figure and the lowest figure excluded. The range does not indicate the forecast errors.
 3. Each Policy Board member makes their forecasts taking into account the effects of past policy decisions and with reference to views incorporated in financial markets regarding the future conduct of policy.

Source: Bank of Japan.

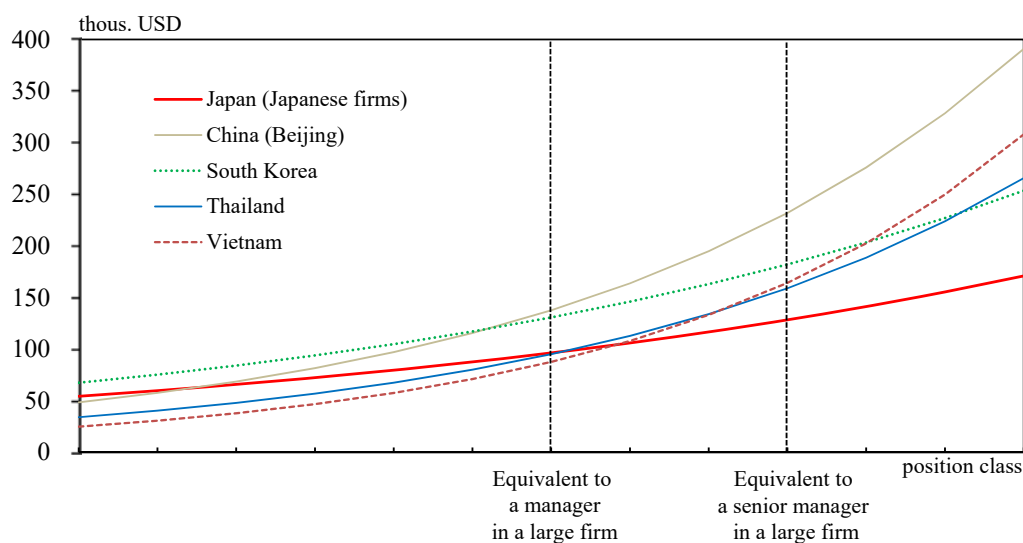
Prices and Wages



- Notes: 1. The CPI figures are Bank staff estimates and exclude the effects of consumption tax hikes, policies concerning the provision of free education, travel subsidy programs, and the reduction in mobile phone charges.
 2. Figures for nominal wages are for establishments with 30 or more employees for fiscal 1990, and with 5 or more employees from fiscal 1991 onward.
 3. Regarding figures for fiscal 2023, that for the CPI (less fresh food) is the April-October average; that for nominal wages is the April-September average.

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

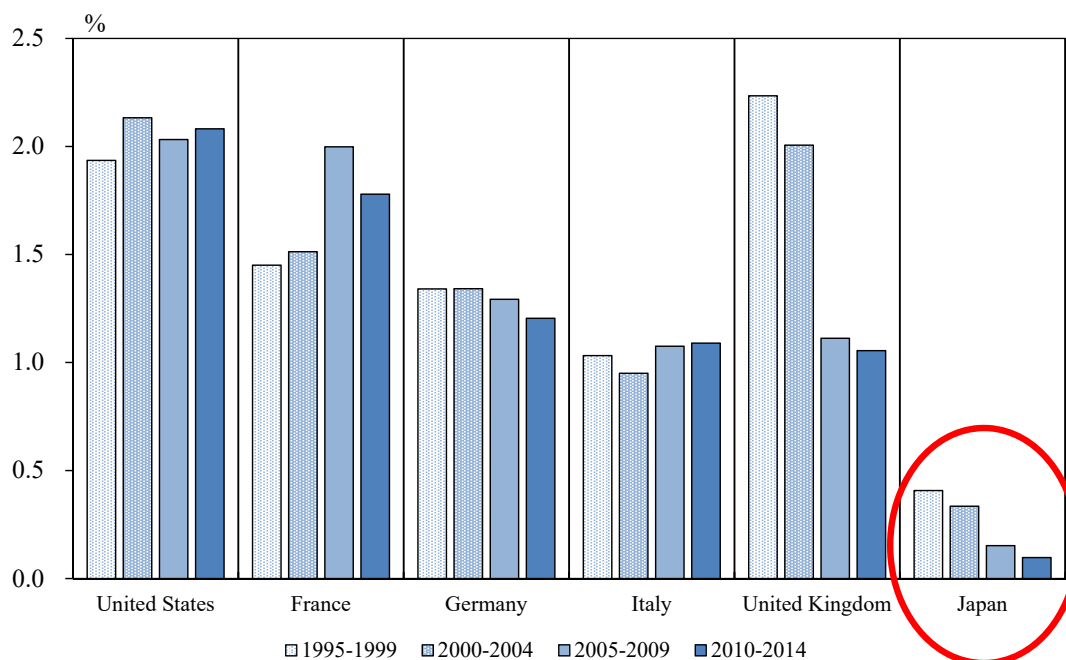
Annual Income: Comparison with Asian Economies (as of 2022)



- Notes: 1. The horizontal axis shows the level of the position class as defined by Mercer. The level of the position class lower than an executive in a large firm is shown in this chart; the further to the right, the higher the position class.
 2. Figures include incentives paid for 100 percent achievement of performance and are the medians for each position class.

Source: Mercer, 2022 Total Remuneration Survey.

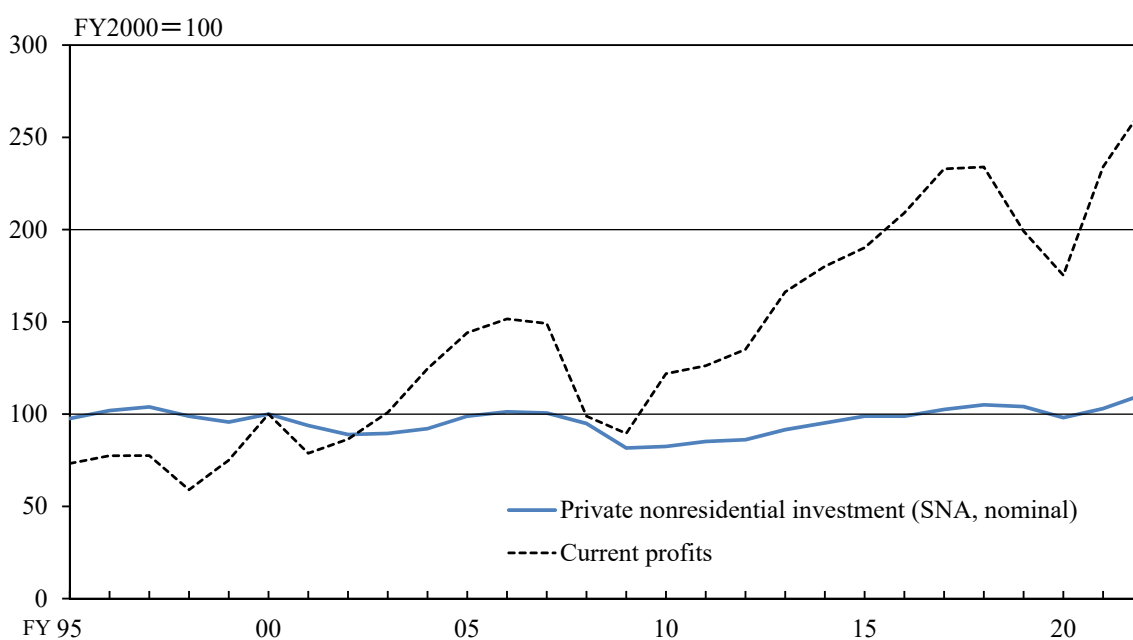
Ratio of Firms' Human Resource Development Costs to GDP



Note: Figures are estimated by Professor MIYAGAWA Tsutomu (Gakushuin University) based on the System of National Accounts (SNA) compiled by the Cabinet Office, Japan Industrial Productivity (JIP) Database, and INTAN-Invest Database.

Source: Ministry of Health, Labour and Welfare.

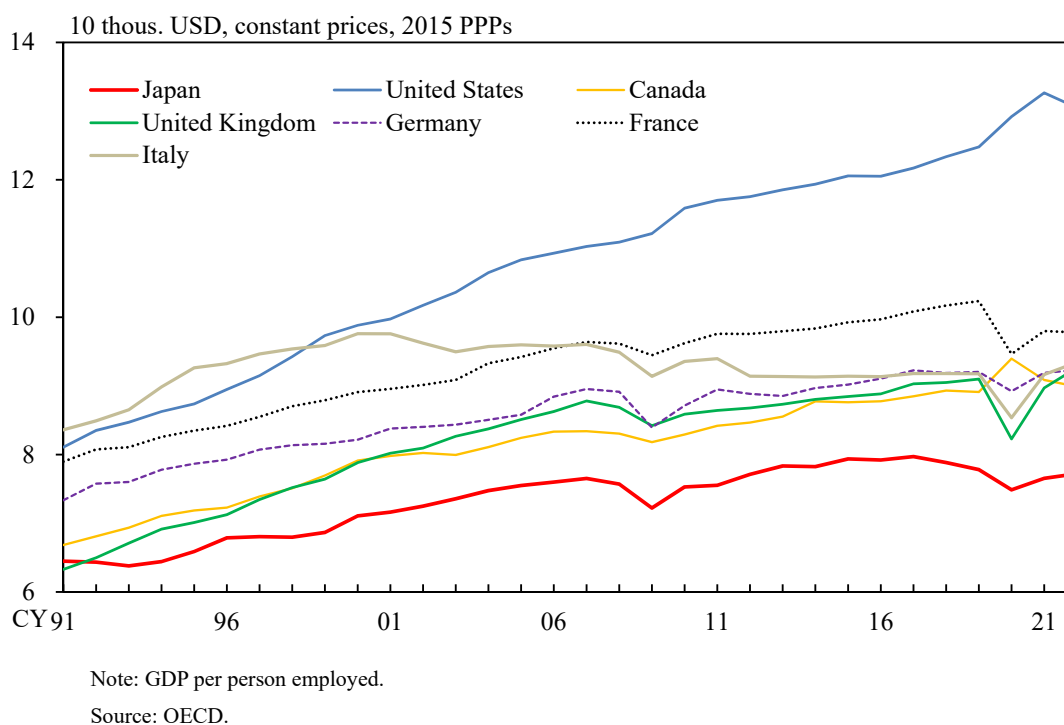
Business Fixed Investment and Business Performance



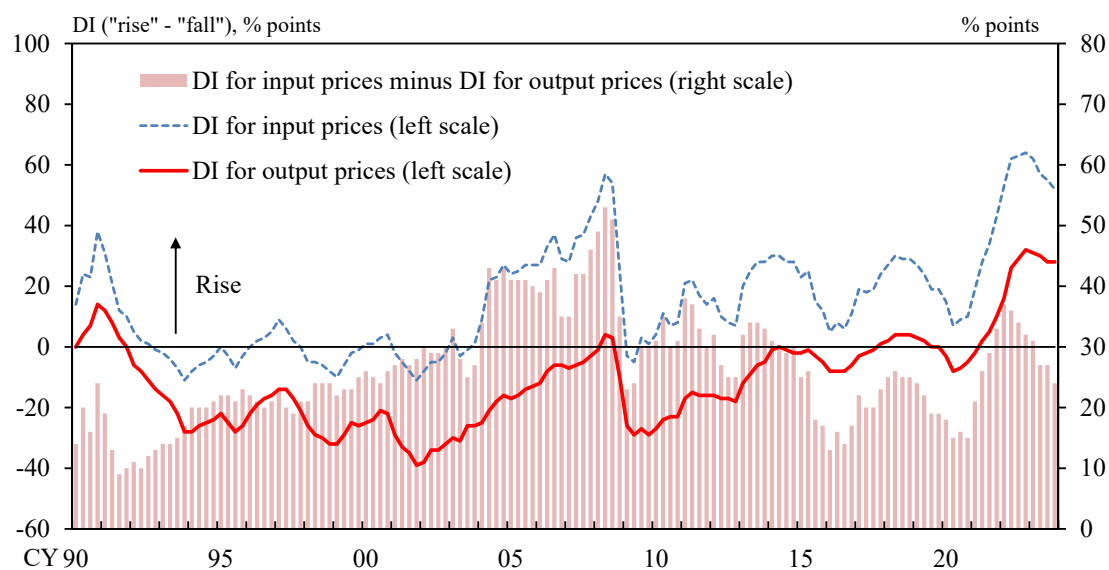
Note: Figures for current profits are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries.

Sources: Cabinet Office; Ministry of Finance.

Comparison of Labor Productivity in G7 Countries



DIs for Output and Input Prices



Notes: 1. Figures are for all industries and enterprises, excluding financial institutions.

2. Figures for the October-December quarter of 2023 are forecasts.

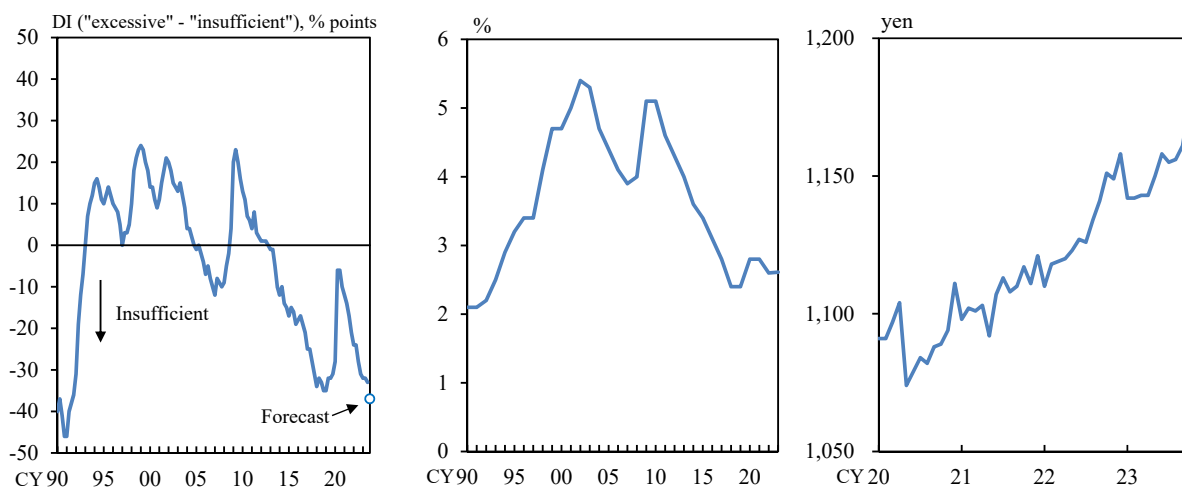
Source: Bank of Japan.

Labor Market Conditions

Employment Conditions DI

Unemployment Rate

Average Hourly Wage at Time of Recruitment



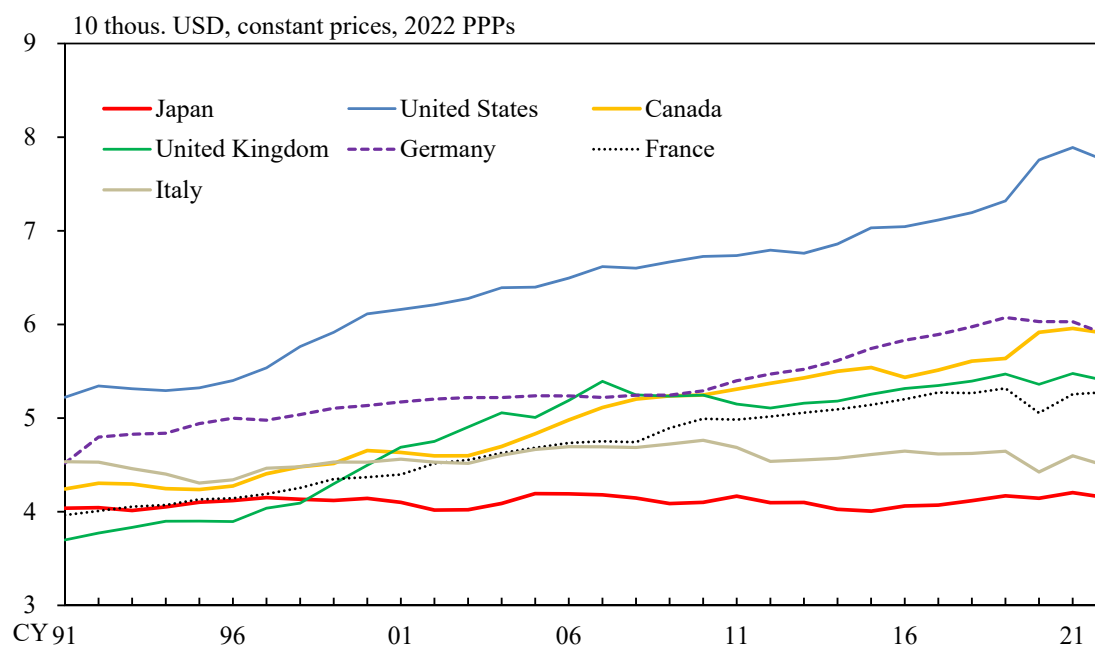
Notes: 1. Figures for the employment conditions DI are for all industries and enterprises, excluding financial institutions.

2. The figure for the unemployment rate for 2023 is the January-September average.

3. Figures for the average hourly wage at the time of recruitment are those for part-time jobs and cover the three largest metropolitan areas (the Tokyo metropolitan, Tokai, and Kansai areas).

Sources: Ministry of Internal Affairs and Communications; Recruit Co., Ltd., "Report on average hourly wages for part-time jobs at time of recruitment," https://jbrc.recruit.co.jp/data/data20231115_2967.html (available only in Japanese); Bank of Japan.

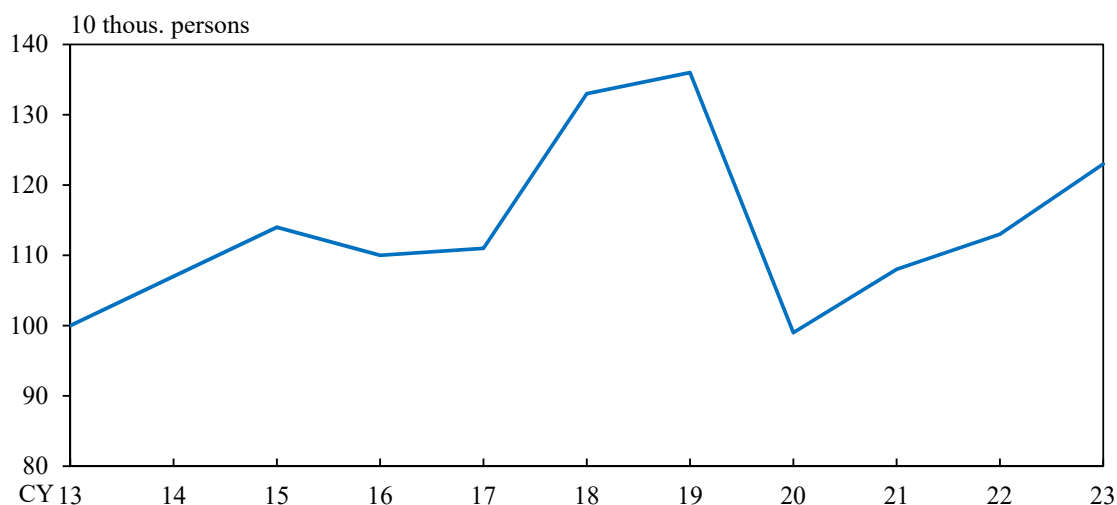
Comparison of Average Annual Wages in G7 Countries



Note: Average annual wages in full-time equivalent.

Source: OECD.

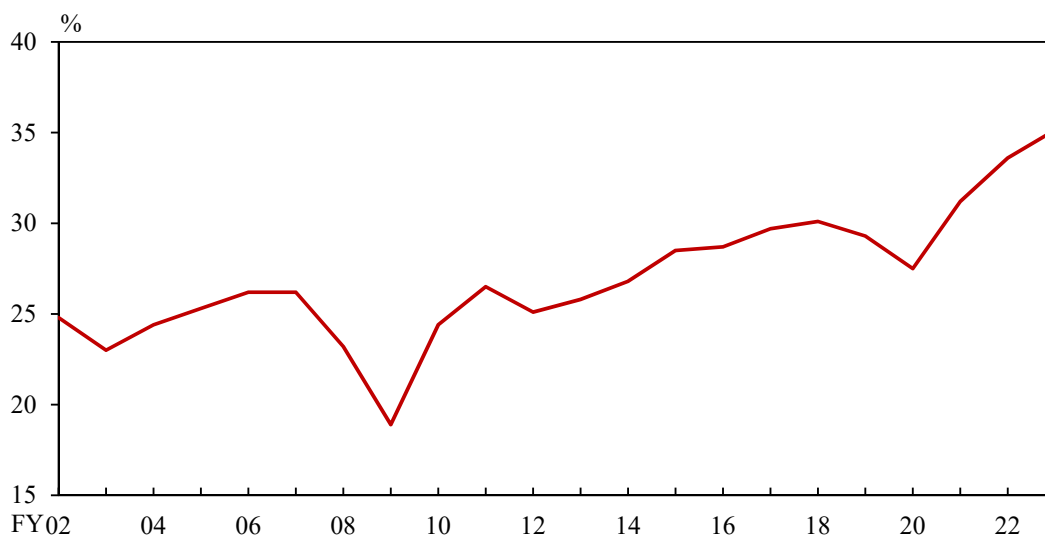
Number of Workers Who Changed Jobs in Search of Improved Employment Conditions



Notes: 1. Figures represent the number of workers who left their previous job within the past year and switched to a new one, and whose reason for leaving their previous job was "to find a job with better employment conditions."
 2. The figure for 2023 is the July-September average. Other figures are the October-December average of the respective year.

Source: Ministry of Internal Affairs and Communications.

Share of Workers Who Experienced a Wage Increase by 10 Percent or More after a Job Change

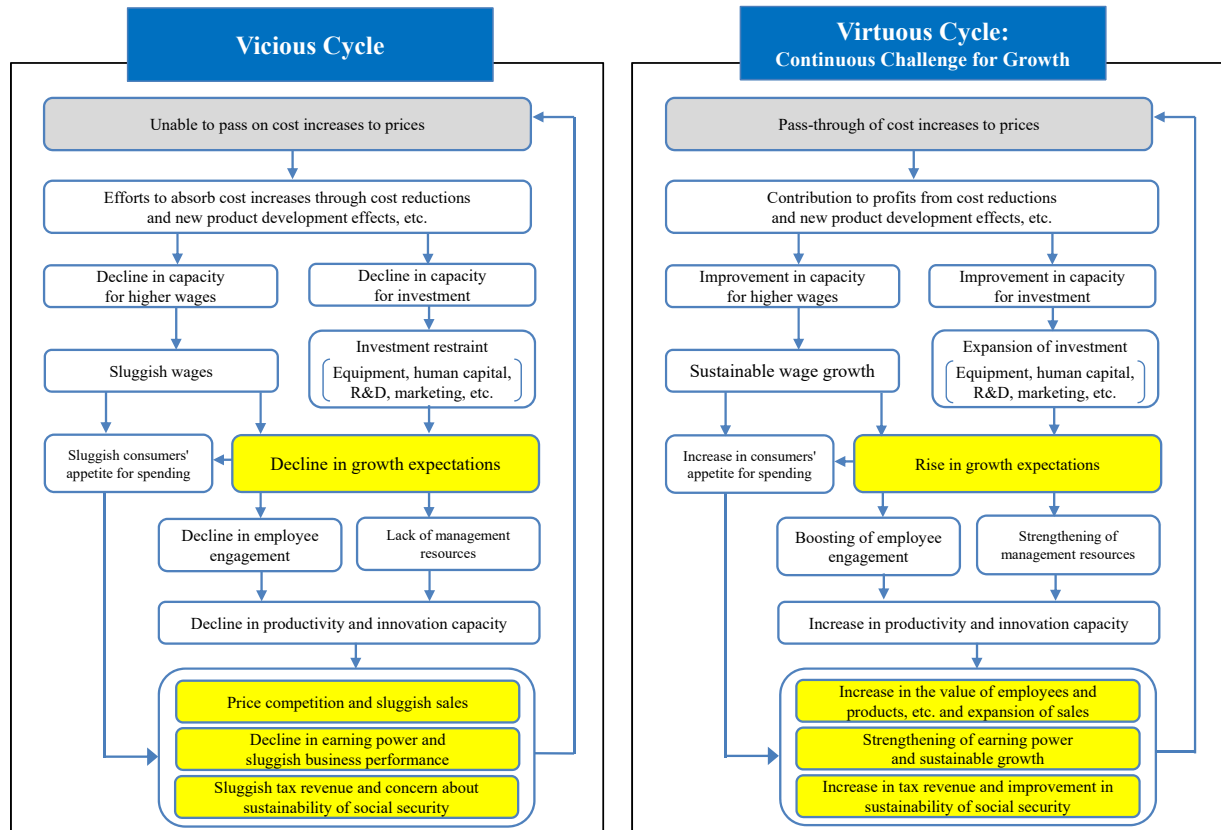


Notes: 1. Figures show the proportion of workers who experienced a clear wage increase of at least 10 percent after changing jobs to the total of workers who changed jobs.

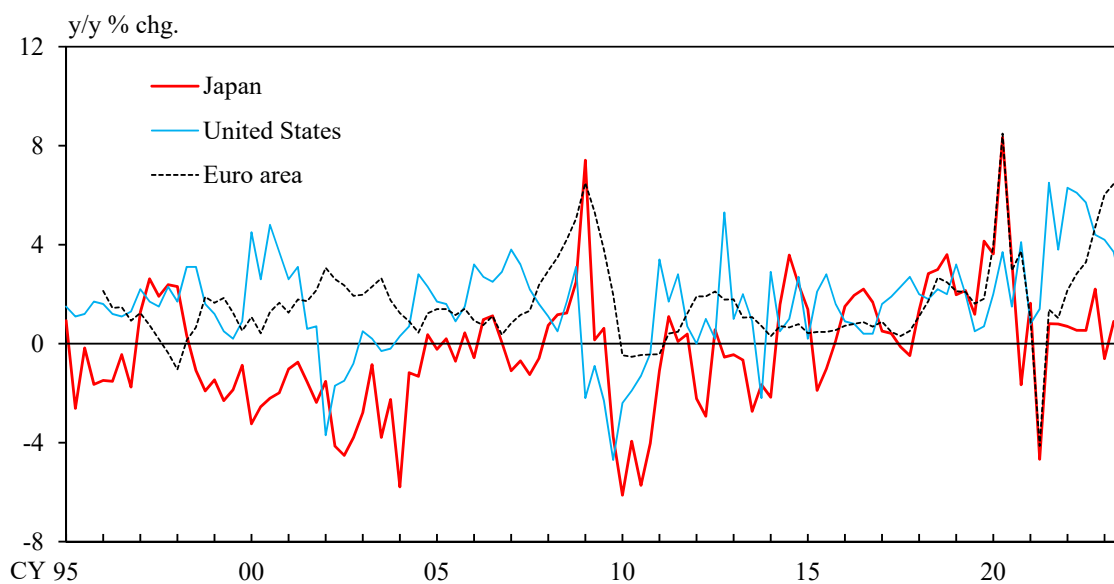
2. The figure for fiscal 2023 is the average of the April-June quarter and the July-September quarter.

Source: Recruit Co., Ltd., "Developments in wage changes upon switching jobs," https://www.recruit.co.jp/newsroom/pressrelease/2023/1102_12718.html (available only in Japanese).

Promoting a Virtuous Cycle by Strengthening the Earning Power of Firms

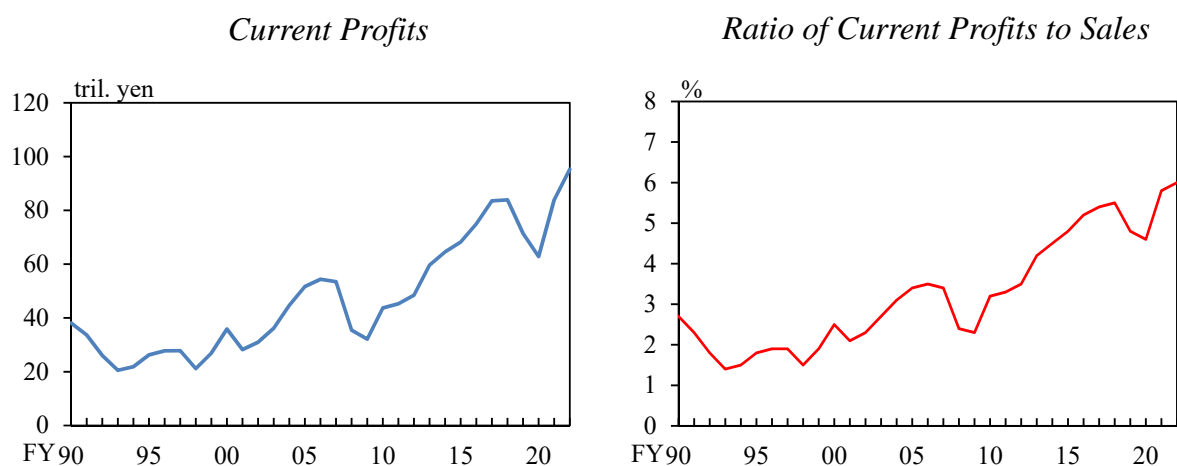


Unit Labor Costs



Sources: Cabinet Office; Haver; U.S. Bureau of Labor Statistics (BLS).

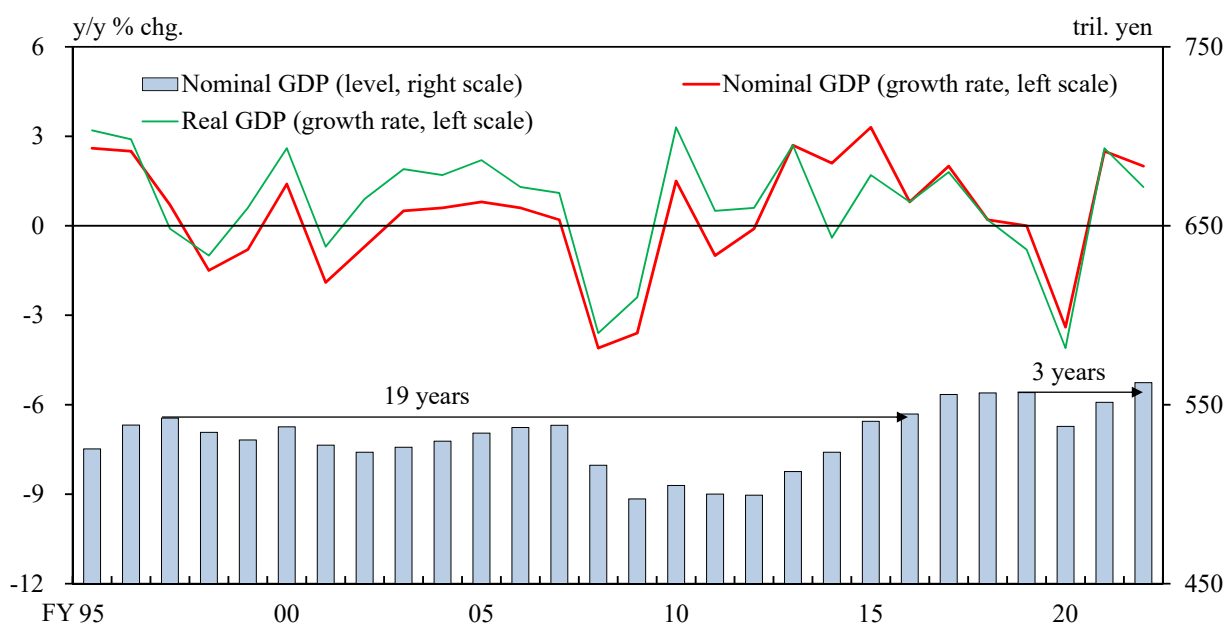
Earning Power of Firms



Note: Figures are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries.

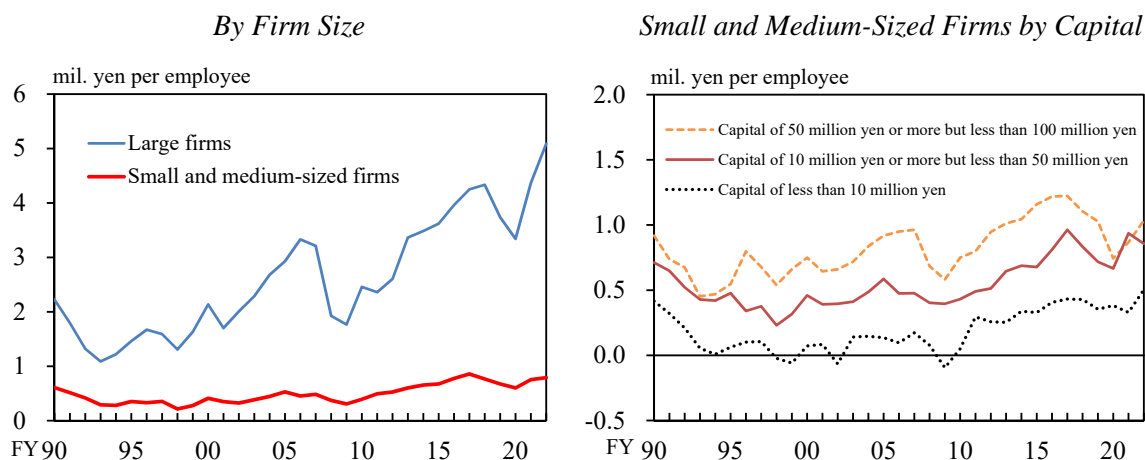
Source: Ministry of Finance.

Nominal GDP



Source: Cabinet Office.

Capacity for Higher Wages and Investment (Current Profits per Employee)

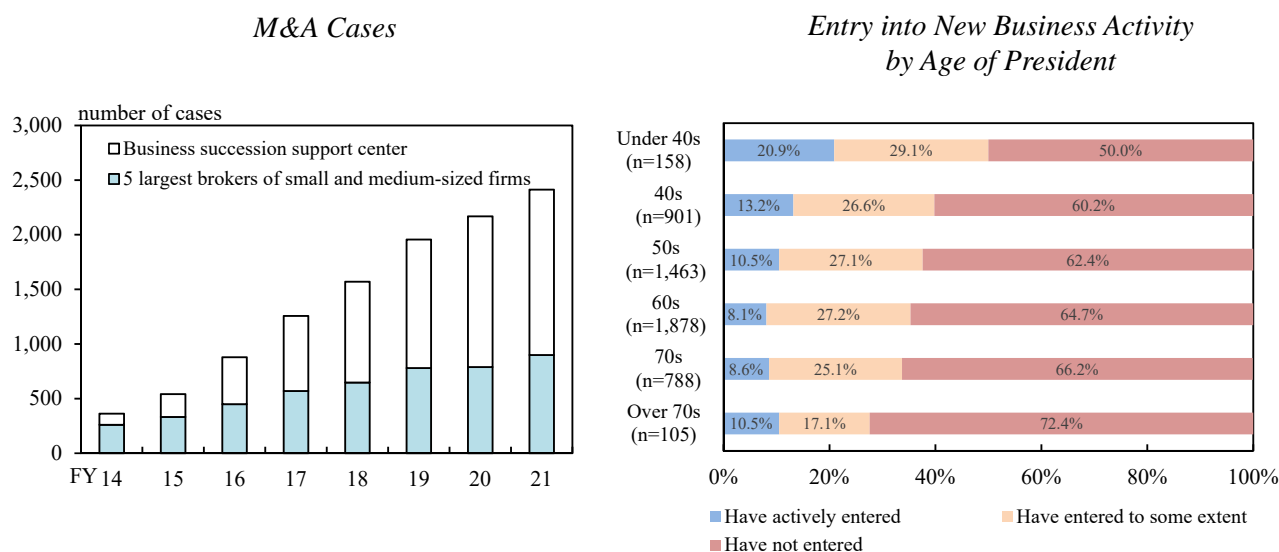


Notes: 1. Figures are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries.

2. Large firms are commercial corporations with capital of 100 million yen or more. Small and medium-sized firms are commercial corporations with capital of less than 100 million yen.

Source: Ministry of Finance.

Progress in Structural Reforms by Small and Medium-Sized Firms



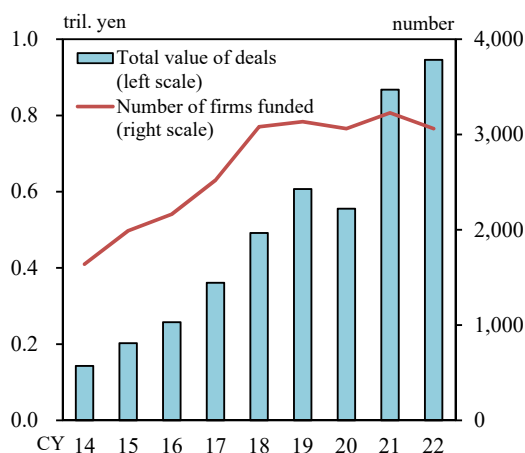
Notes: 1. The left panel is based on data from the report regarding the promotion of M&As among small and medium-sized firms released by the Small and Medium Enterprise Agency on June 21, 2022.

2. The right panel is based on data from Figure 1-1-89 in the *2022 White Paper on Small Enterprises in Japan*, and shows the entry into new business activity after the outbreak of COVID-19 (available only in Japanese).

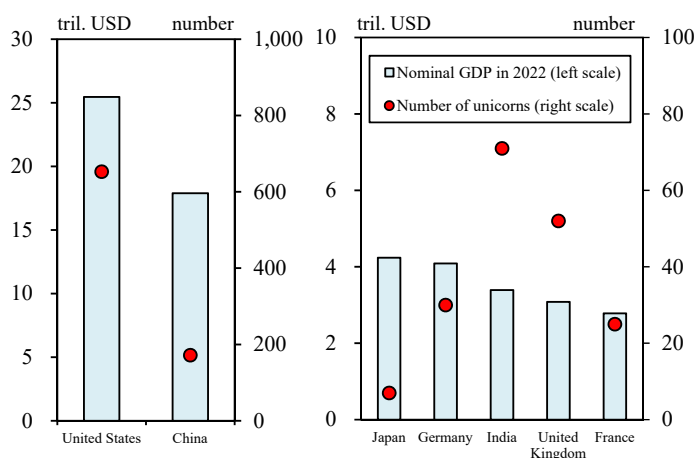
Source: Small and Medium Enterprise Agency.

Startups

*Startup Funding in Japan:
Total Value and Number of Firms Funded*



GDP Size and Number of Unicorns

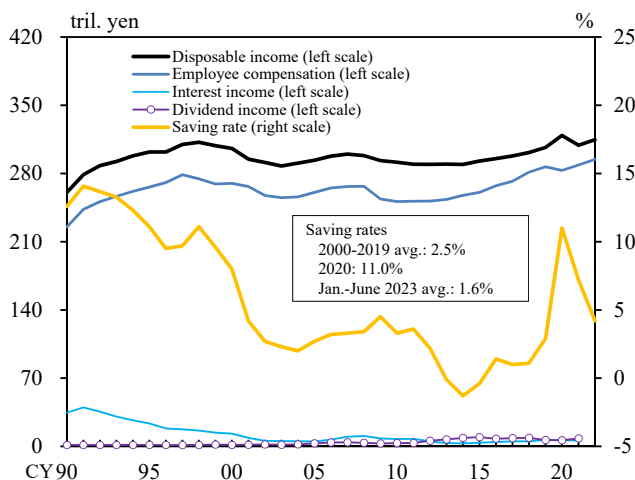


Notes: 1. In the left panel, the total value of deals is defined as follows: for unlisted startups, the amount of funds raised since their establishment to the time of the survey, in terms of equity or other financial instruments that may be converted into equity; for startups that launched initial public offerings (IPOs), the amount of funds raised immediately before the IPO.
2. In the right panel, the number of unicorns is calculated based on CB Insights, "Global Unicorn Club: Private Companies Valued at \$1B+ (as of October 19th, 2023)," <https://www.cbinsights.com/research-unicorn-companies>.

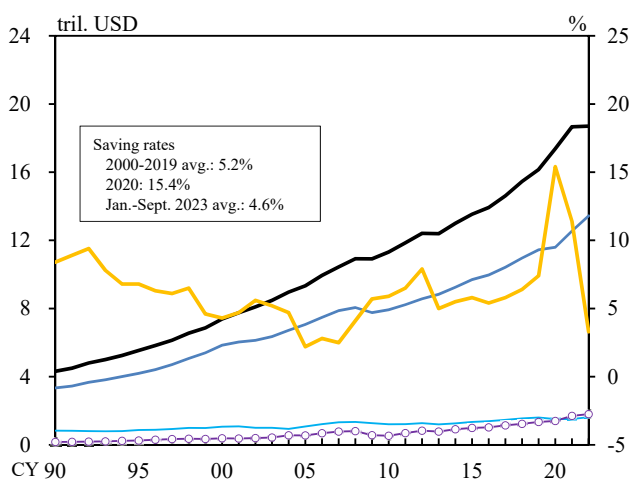
Sources: CB Insights; IMF; INITIAL, "H1 2023 Analysis: Pandemic-Era Funding Trends Reversing."

Household Disposable Income and Saving Rates

Japan



United States

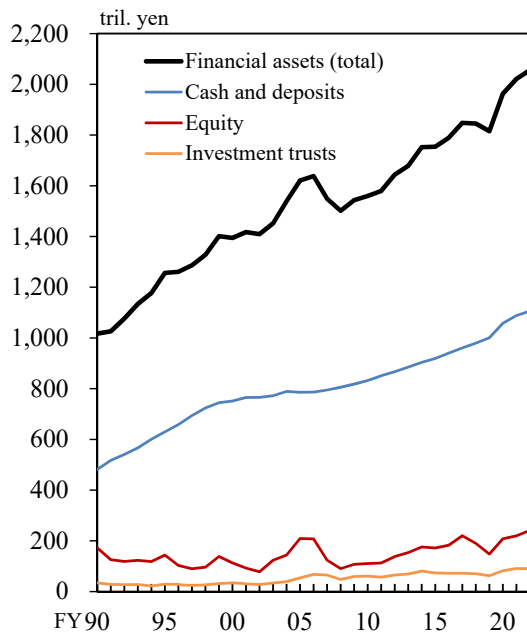


Note: In the left panel, figures before 1994 are calculated using year-on-year changes in each item based on the benchmark year of 2000.

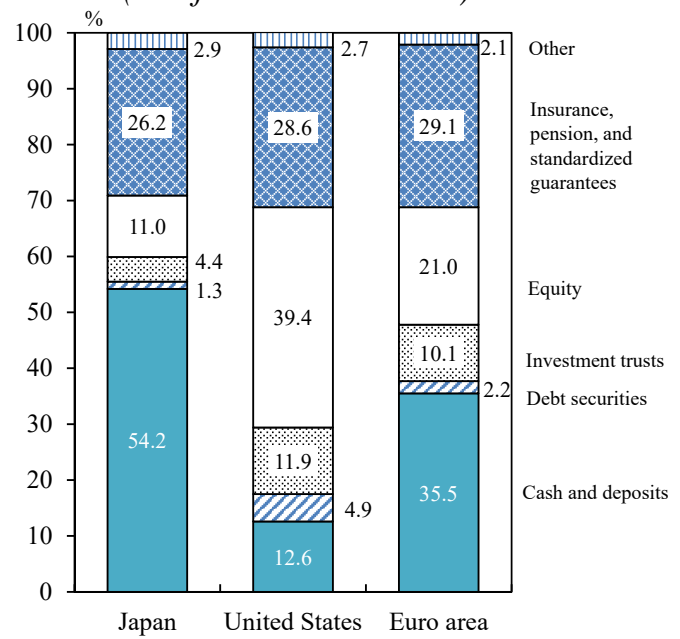
Sources: Cabinet Office; U.S. Bureau of Economic Analysis (BEA).

Household Financial Assets

Japan



International Comparisons (as of end-March 2023)



Note: In the right panel, figures are from "Flow of Funds: Overview of Japan, the United States, and the Euro area," released by the Bank's Research and Statistics Department on August 25, 2023.

Source: Bank of Japan.