



Economic Activity, Prices, and Monetary Policy in Japan

— Speech at a Meeting with Business Leaders in Hyogo —

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Member of the Policy Board

Bank of Japan

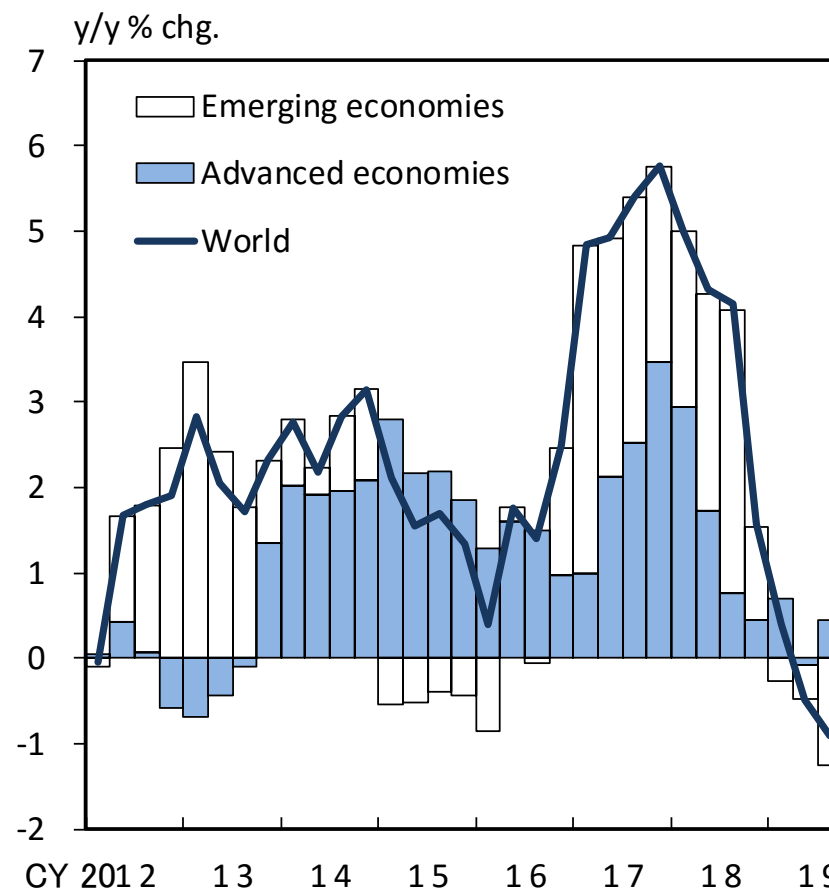
Global Economy

IMF growth projections (as of October 2019)

real GDP growth rate, y/y % chg., % points

	2017	2018	2019 projection	2020 projection
World	3.8	3.6	3.0 (-0.2)	3.4 (-0.1)
Advanced economies	2.5	2.3	1.7 (-0.2)	1.7 (0.0)
United States	2.4	2.9	2.4 (-0.2)	2.1 (+0.2)
Euro area	2.5	1.9	1.2 (-0.1)	1.4 (-0.2)
Japan	1.9	0.8	0.9 (0.0)	0.5 (+0.1)
Emerging market and developing economies	4.8	4.5	3.9 (-0.2)	4.6 (-0.1)
China	6.8	6.6	6.1 (-0.1)	5.8 (-0.2)
ASEAN 5	5.3	5.2	4.8 (-0.2)	4.9 (-0.2)

World trade volume

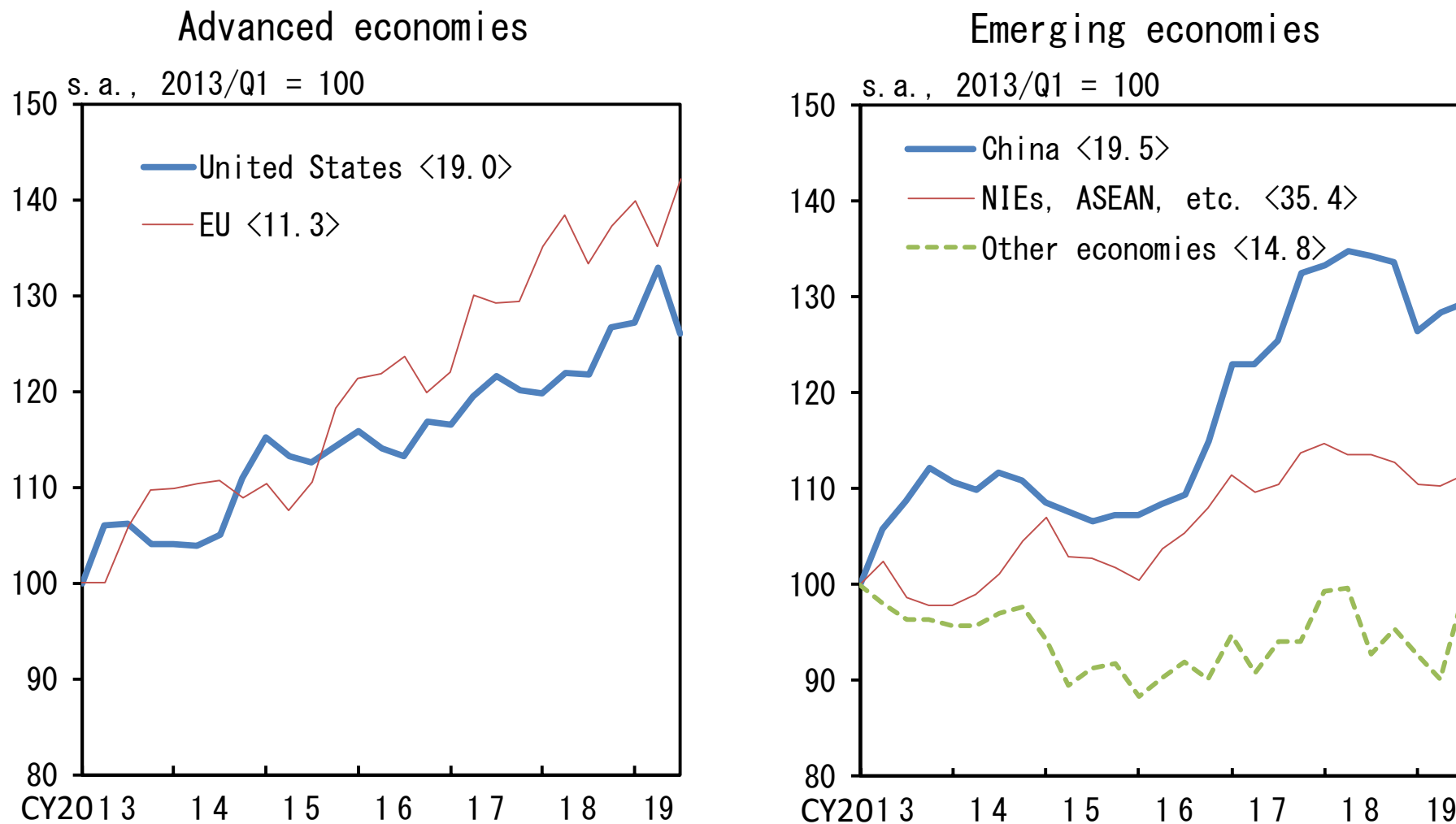


Notes: 1. In the left-hand chart, figures in parentheses are the difference from the July 2019 projections.

2. In the right-hand chart, figures are those for real imports. The figure for 2019/Q3 is the July–August average.

Sources: IMF; CPB Netherlands Bureau for Economic Policy Analysis, etc.

Japan's Real Exports

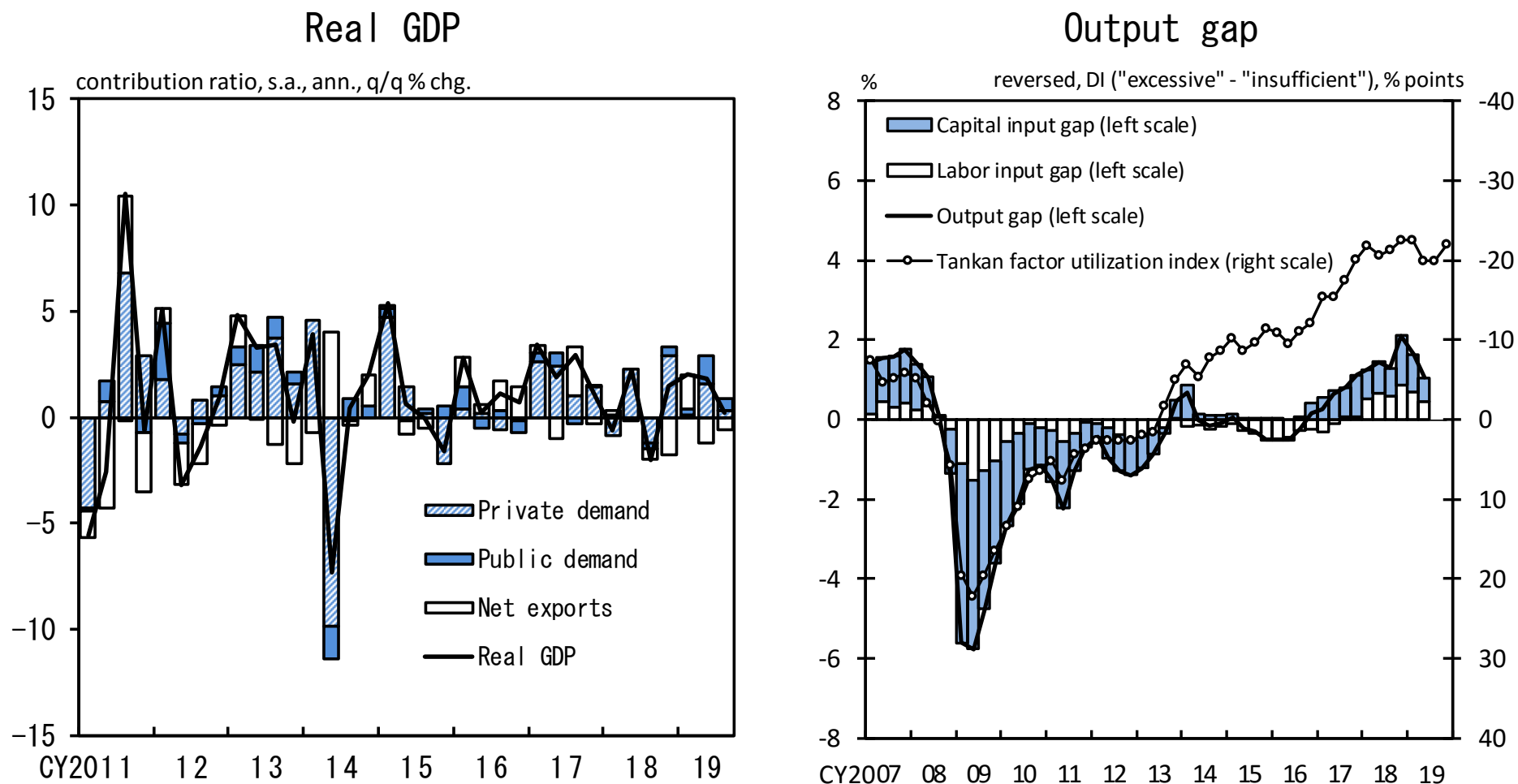


Notes: 1. Based on staff calculations.

2. Figures in angle brackets show the share of each country or region in Japan's total exports in 2018.

Sources: Ministry of Finance; Bank of Japan.

Growth Rate and Output Gap



Notes: 1. In the right-hand chart, the output gap is based on staff estimates.

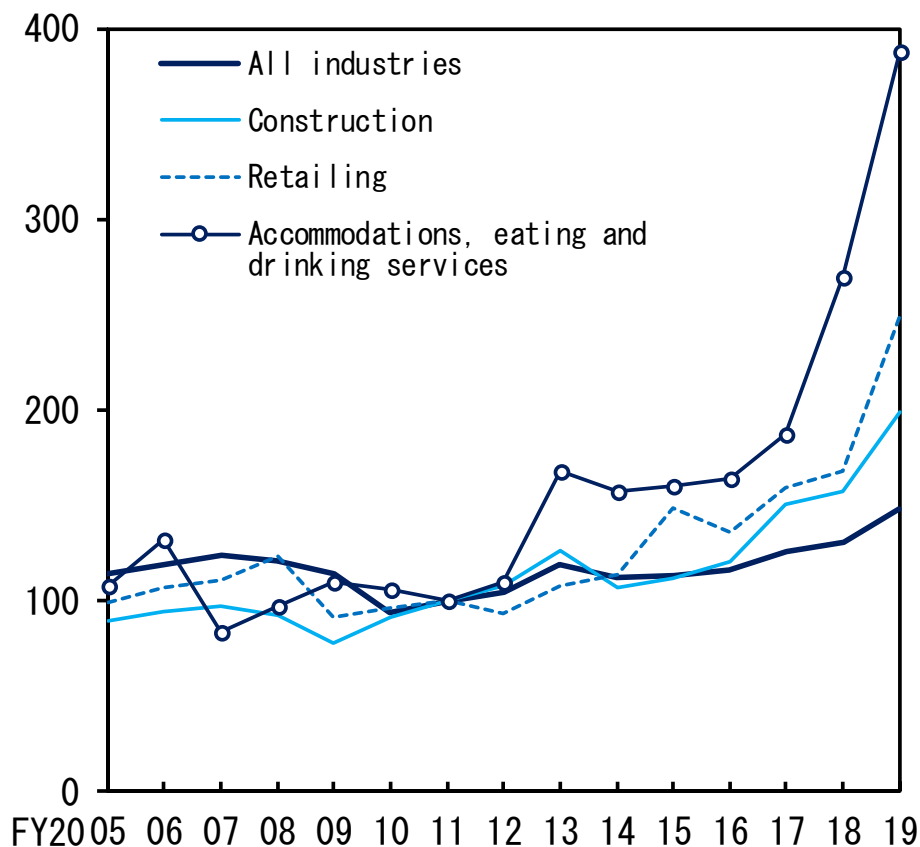
2. The *Tankan* factor utilization index is calculated as the weighted average of the production capacity DI and the employment conditions DI for all enterprises. The capital and labor shares are used as weights.

Sources: Cabinet Office; Bank of Japan.

Investment

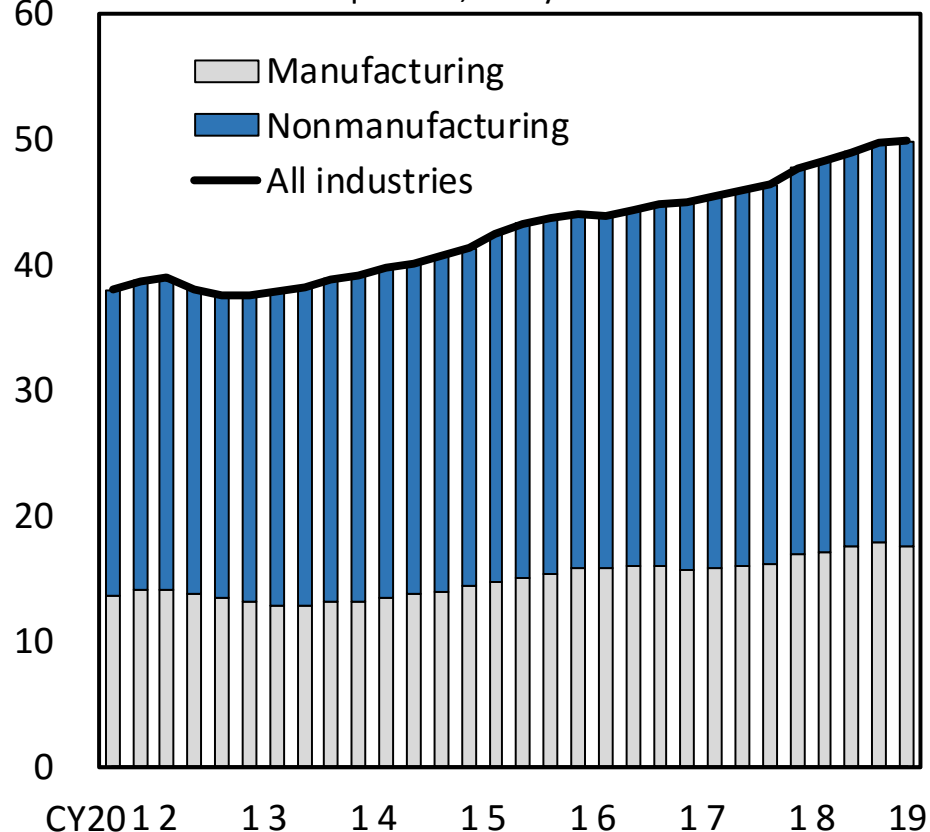
Software investment (*Tankan*)

FY 2011 = 100



Business fixed investment by industry

sum of the latest 4 quarters, tril. yen



Notes: 1. In the left-hand chart, figures up through fiscal 2018 are actual results. Figures for fiscal 2019 are forecasts from the September 2019 survey.

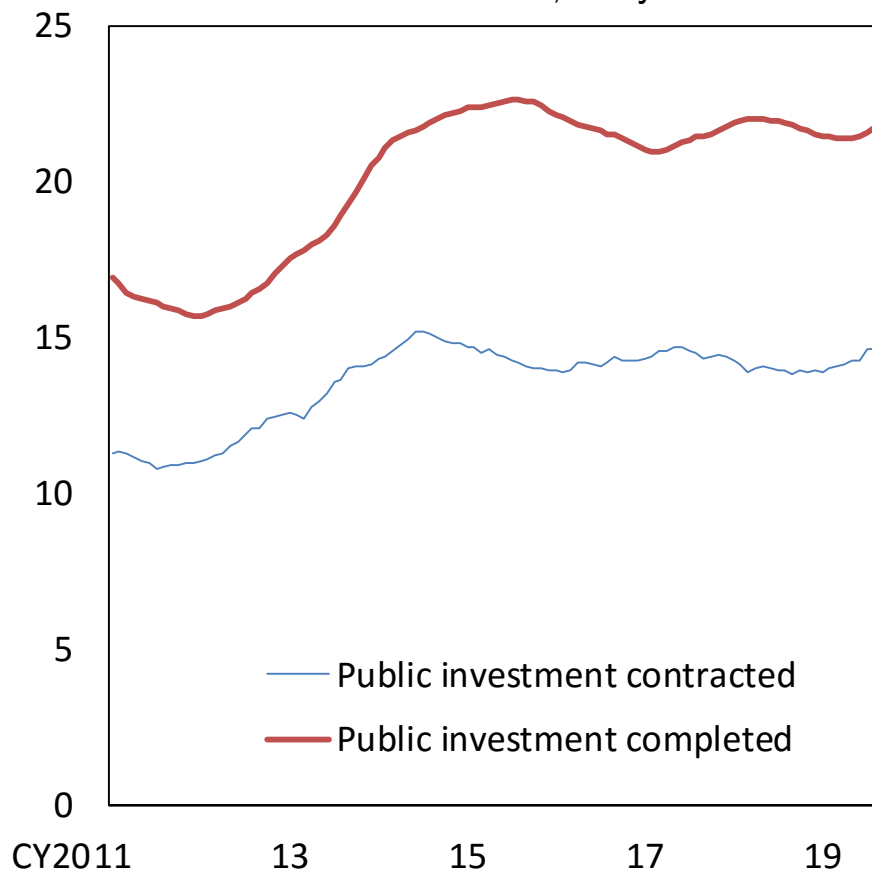
2. In the right-hand chart, figures include software investment.

Sources: Bank of Japan; Ministry of Finance.

Investment (continued)

Public investment

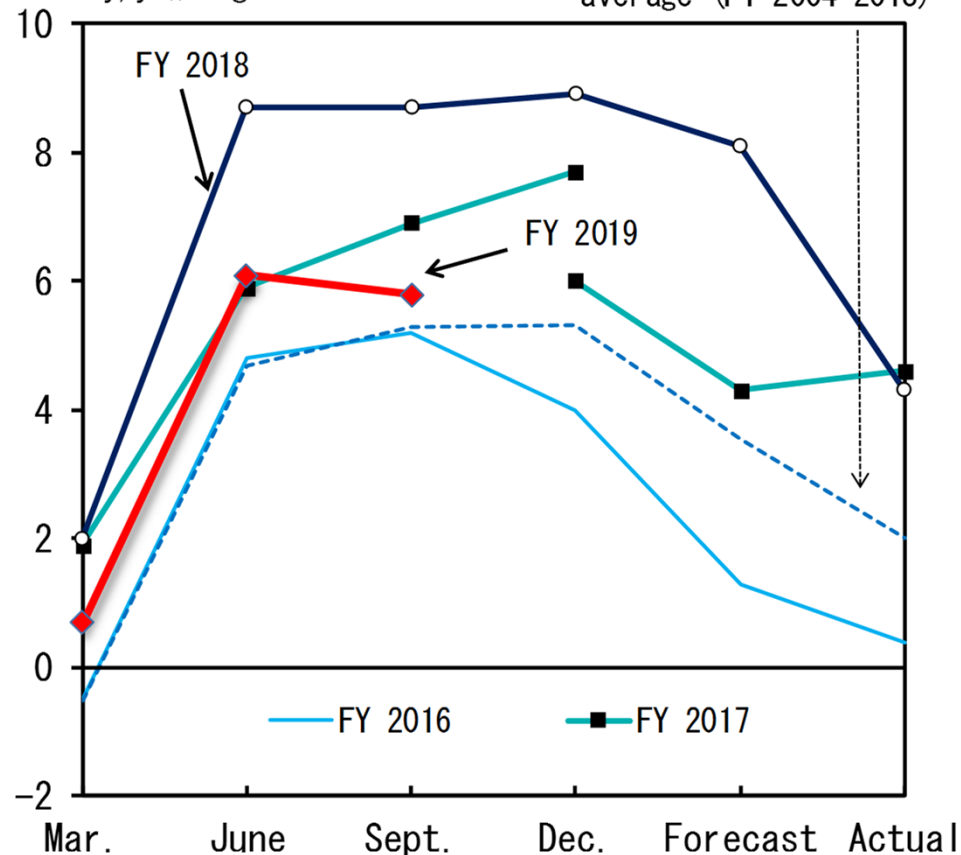
sum of the latest 12 months, tril. yen



Developments in business fixed investment plans

y/y % chg.

average (FY 2004–2018)

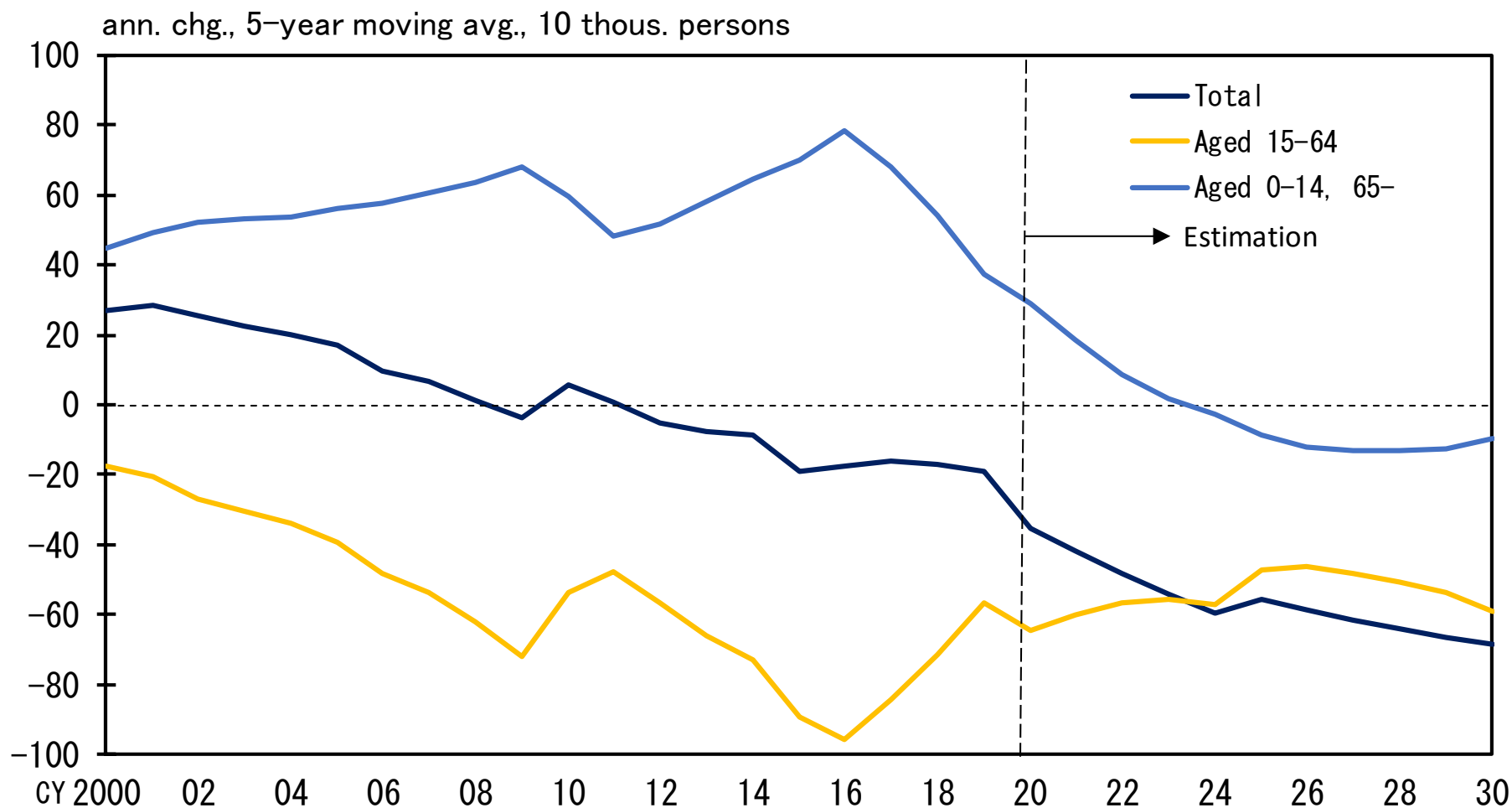


Notes: 1. In the right-hand chart, figures are based on the *Tankan*. All industries, including financial institutions.

2. Including software and research and development (R&D) investment and excluding land purchasing expenses (R&D investment is not included until the December 2016 survey).

Sources: Bank of Japan; Ministry of Land, Infrastructure, Transport and Tourism; East Japan Construction Surety Company, Ltd.

Population Change by Age Group



Note: As of October 1 for all years. Figures for 2019 are estimates, and those from 2020 onward are calculated using medium-fertility and medium-mortality assumptions presented in the population projections released by the National Institute of Population and Social Security Research (IPSS).

Sources: Ministry of Internal Affairs and Communications; IPSS.

Outlook for Economic Activity and Prices as of October 2019 Forecasts of the Policy Board Members

y/y % chg.

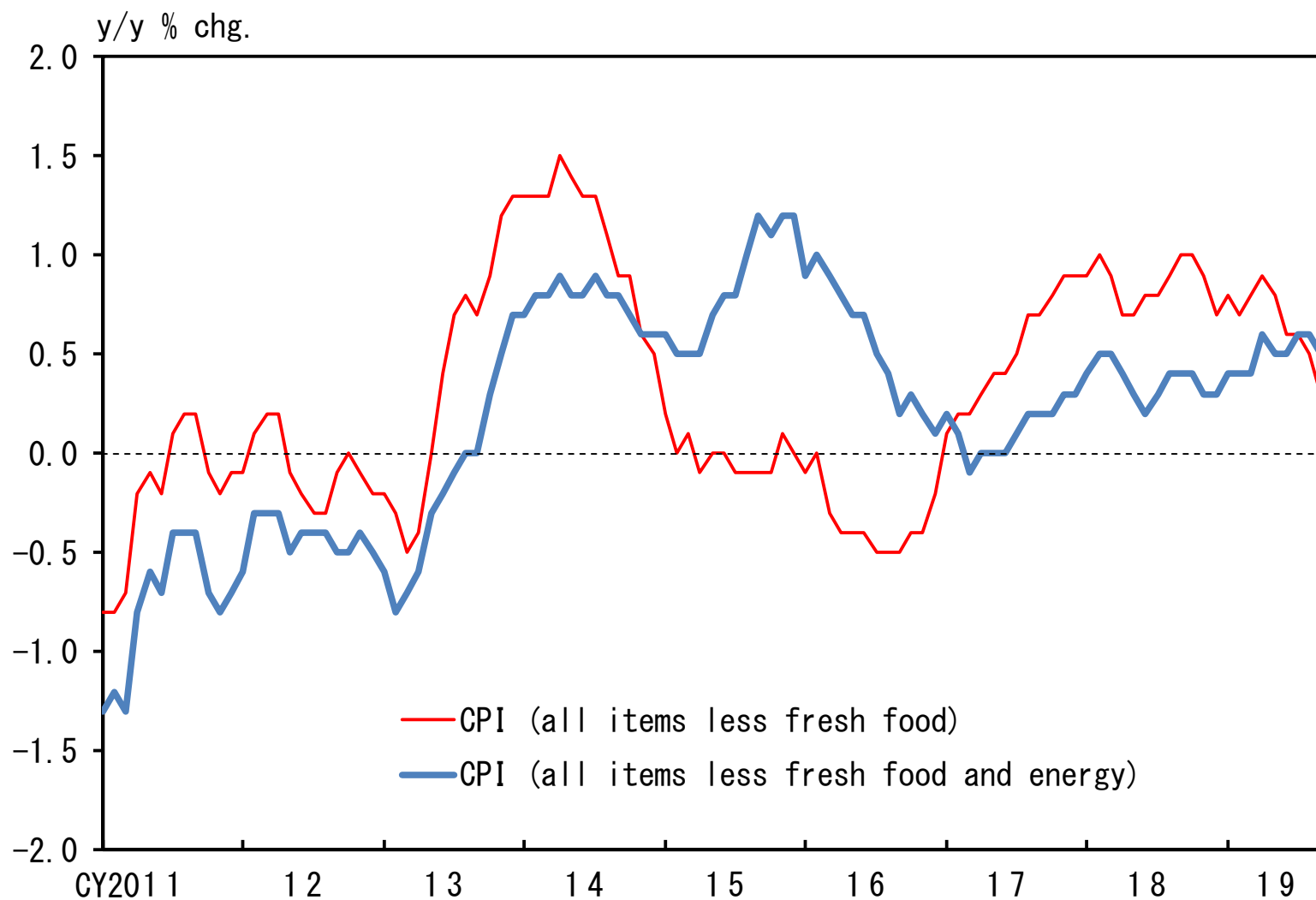
	Real GDP	CPI (all items less fresh food)
FY 2019	+0.6	+0.7
Forecasts made in July 2019	+0.7	+1.0
FY 2020	+0.7	+1.1
Forecasts made in July 2019	+0.9	+1.3
FY 2021	+1.0	+1.5
Forecasts made in July 2019	+1.1	+1.6

Notes: 1. Figures indicate the medians of the Policy Board members' forecasts (point estimates).

2. CPI forecasts incorporate the expected effects of the October 2019 consumption tax hike and policies concerning the provision of free education.

Source: Bank of Japan.

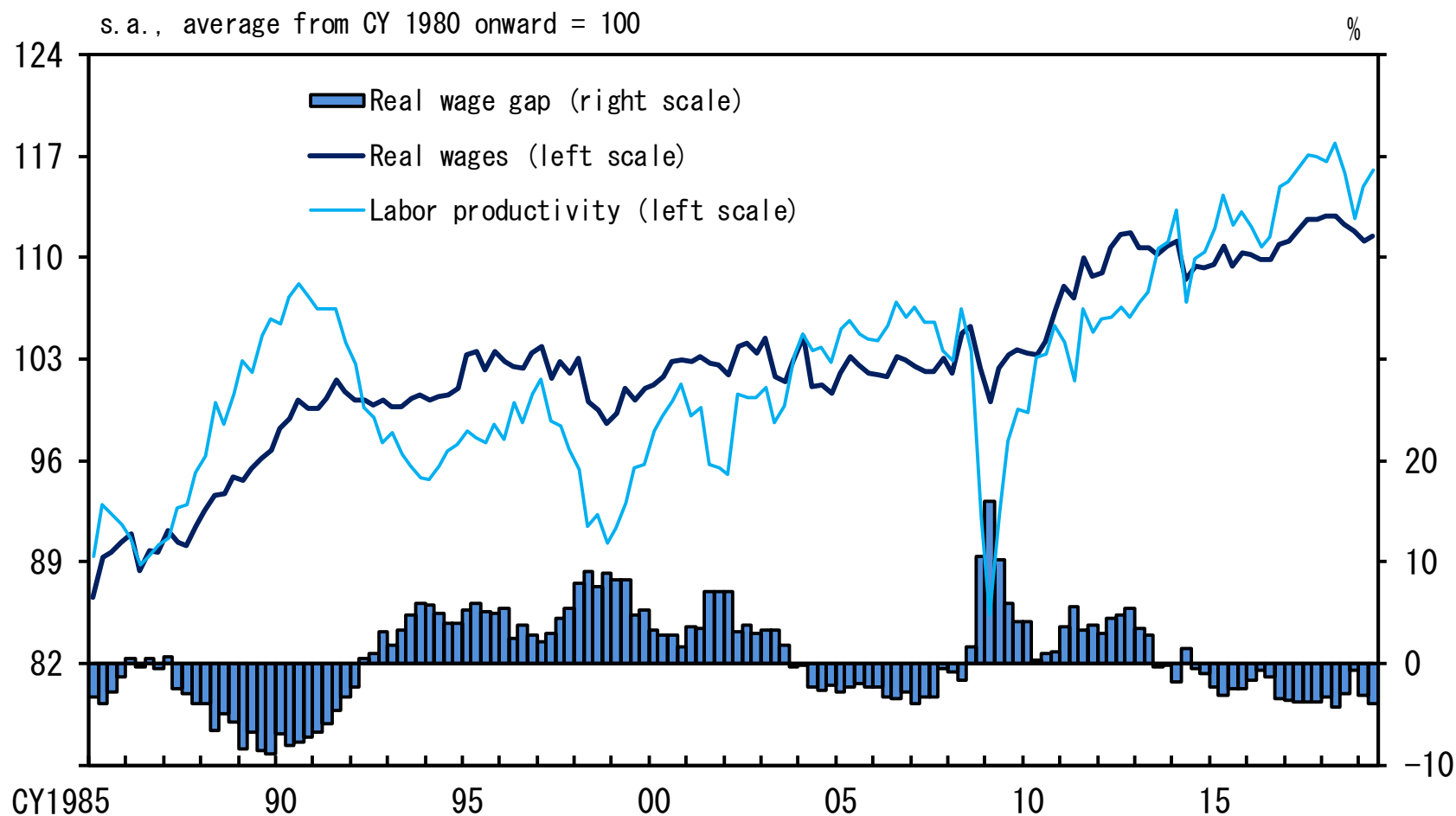
CPI



Note: Figures are adjusted for changes in the consumption tax rate.

Source: Ministry of Internal Affairs and Communications.

Real Wage Gap

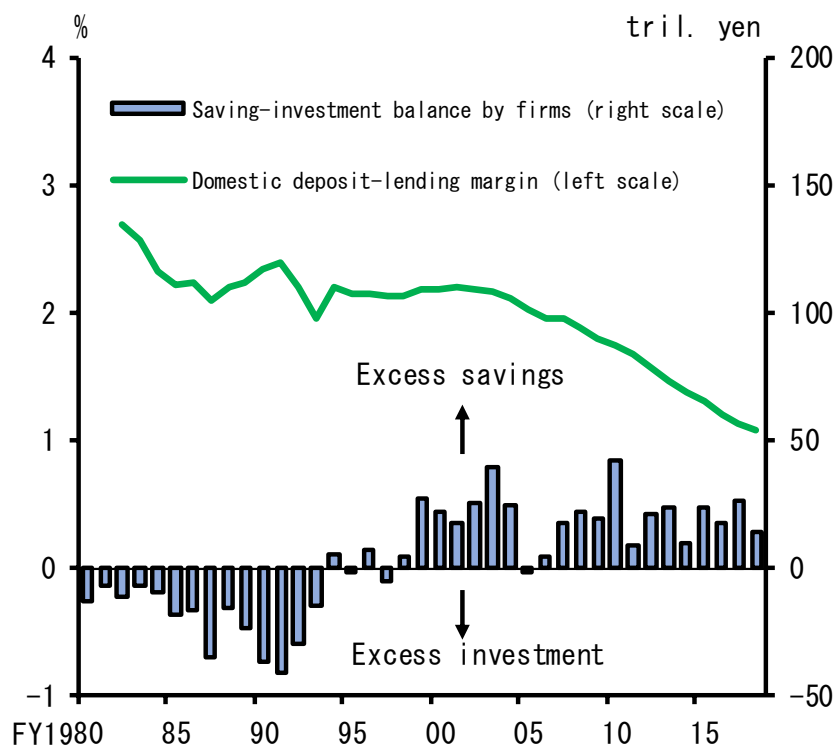


- Notes:
1. Real wages = personnel expenses / number of workers / GDP deflator
 2. Labor productivity = (operating profits + personnel expenses + depreciation expenses) / number of workers / GDP deflator
 3. Variables such as personnel expenses are based on the "Financial Statements Statistics of Corporations by Industry, Quarterly" and exclude "finance and insurance."
 4. Figures from 2009/Q2 exclude "pure holding companies."

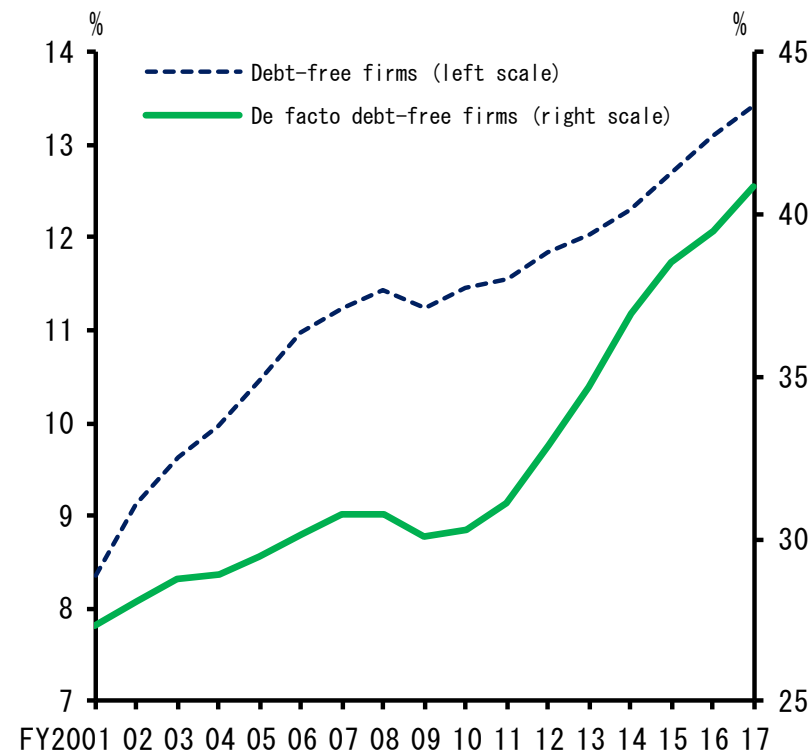
Sources: Ministry of Finance; Cabinet Office.

Corporate Funding

Deposit-lending margins and excess savings by firms



Share of debt-free firms



Notes: 1. In the left-hand chart, "savings-investment balance by firms" covers private nonfinancial corporations.

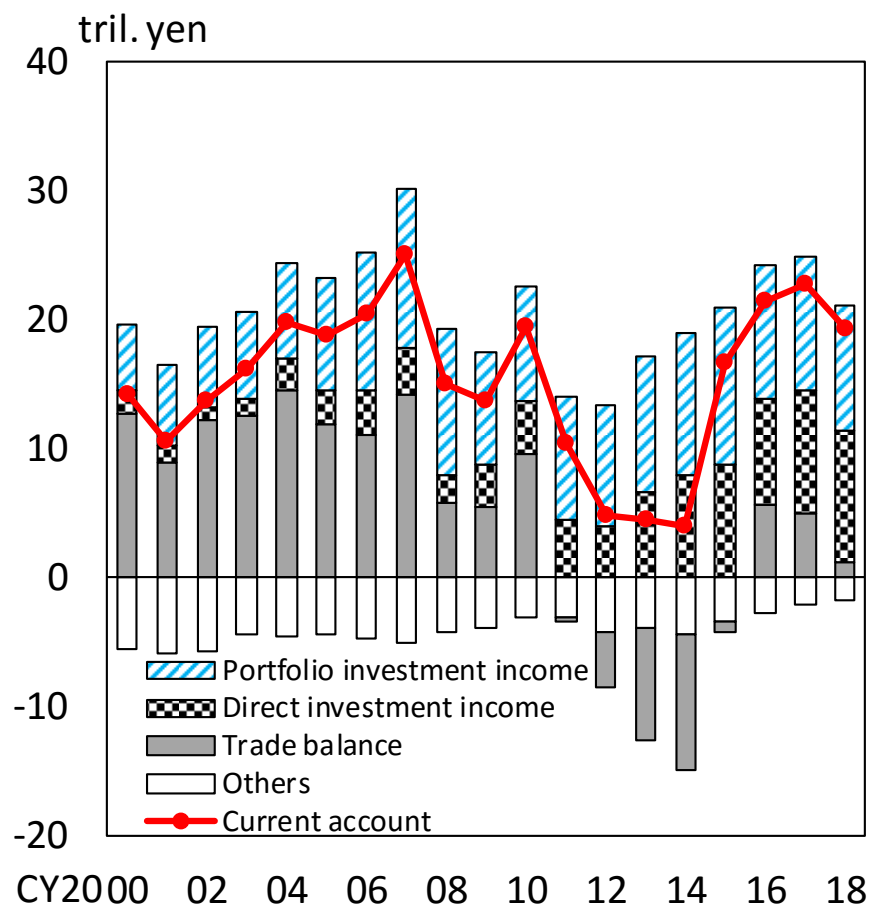
"Domestic deposit-lending margins" covers regional banks.

2. In the right-hand chart, "debt-free firms" is defined as firms without borrowings. "De facto debt-free firms" is defined as firms whose cash and deposits exceed their total amount of borrowings.

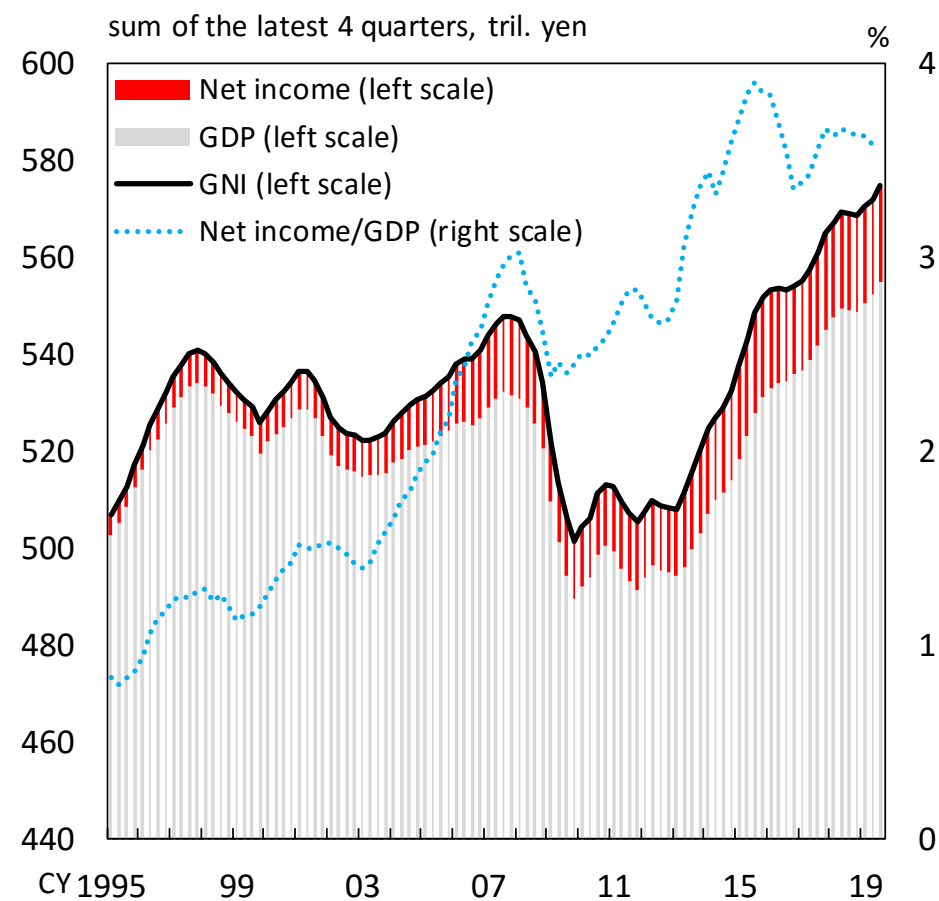
Sources: Bank of Japan; Teikoku Databank.

External Demand-Driven Growth and Outward Investment

Current account

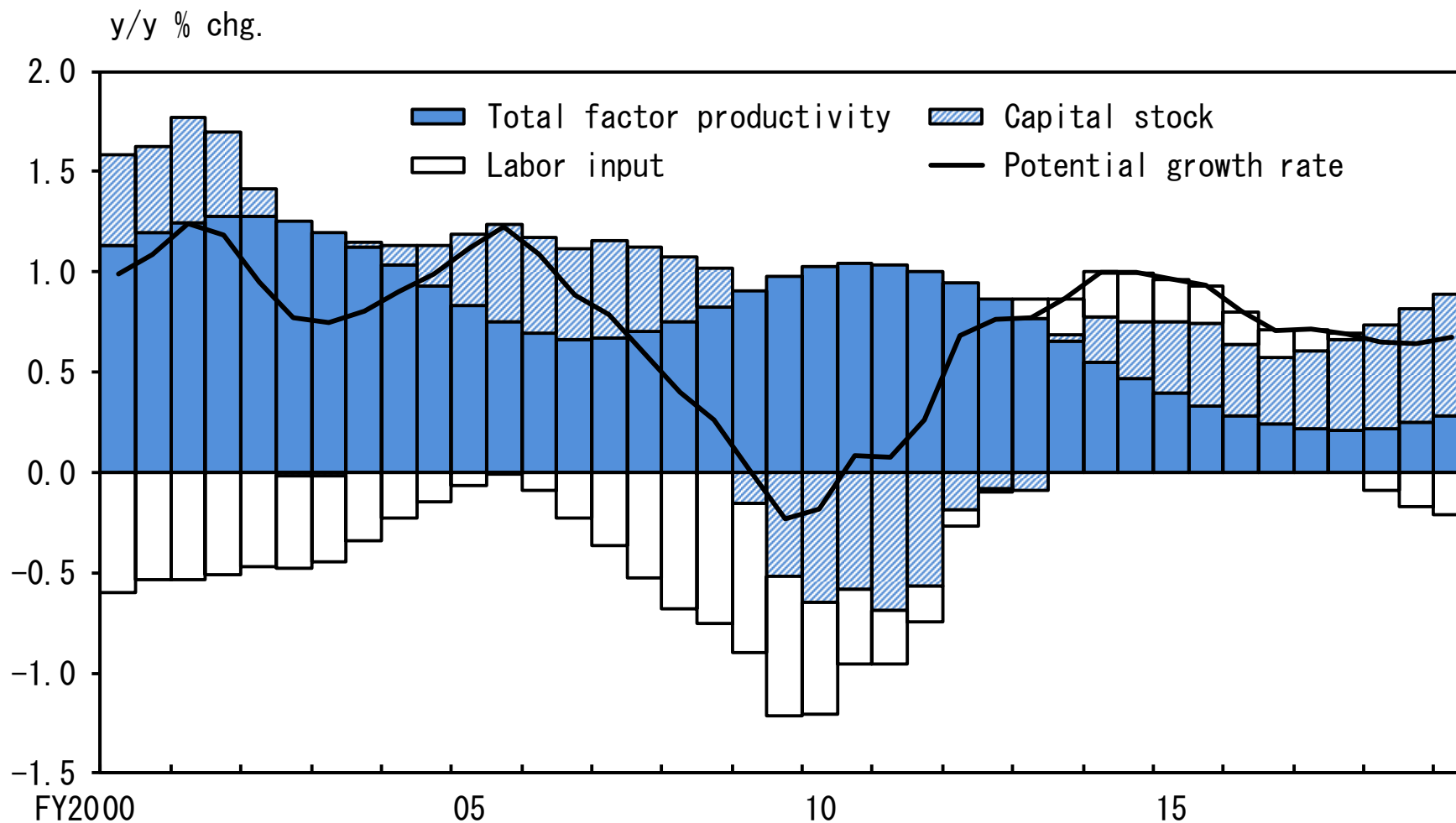


GNI



Note: In the right-hand chart, GDP and GNI are nominal.
Sources: Cabinet Office; Ministry of Finance; Bank of Japan.

Potential Growth Rate

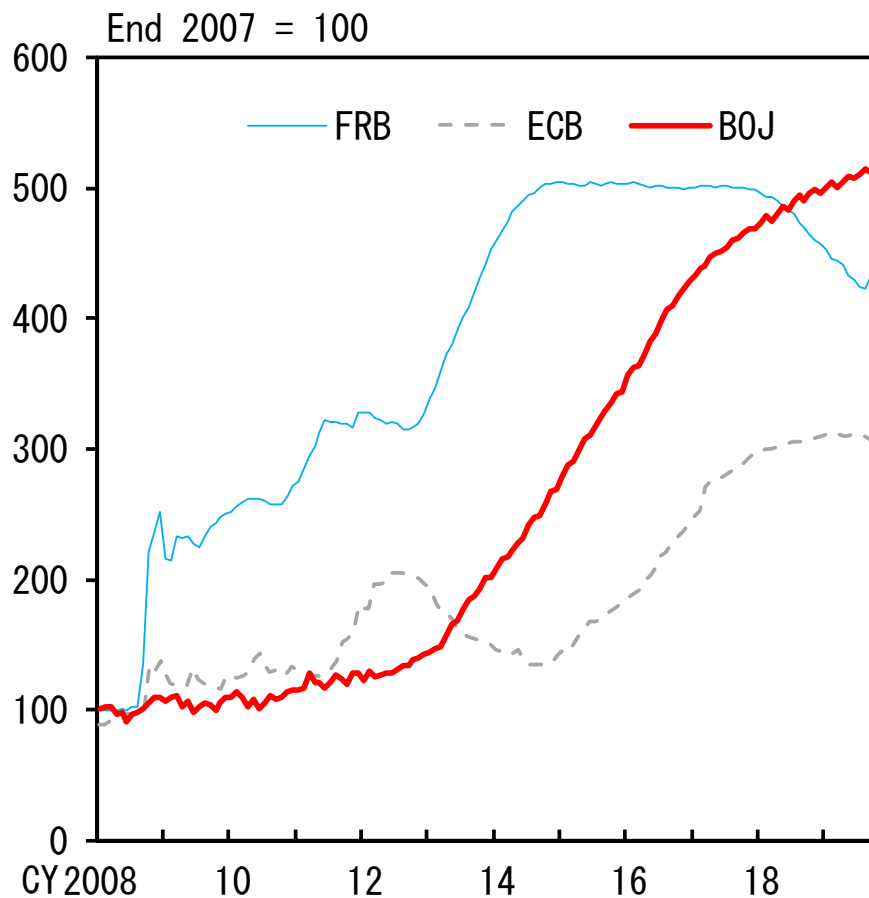


Note: Based on staff estimates. The figure for the first half of 2019 is that for 2019/Q2.

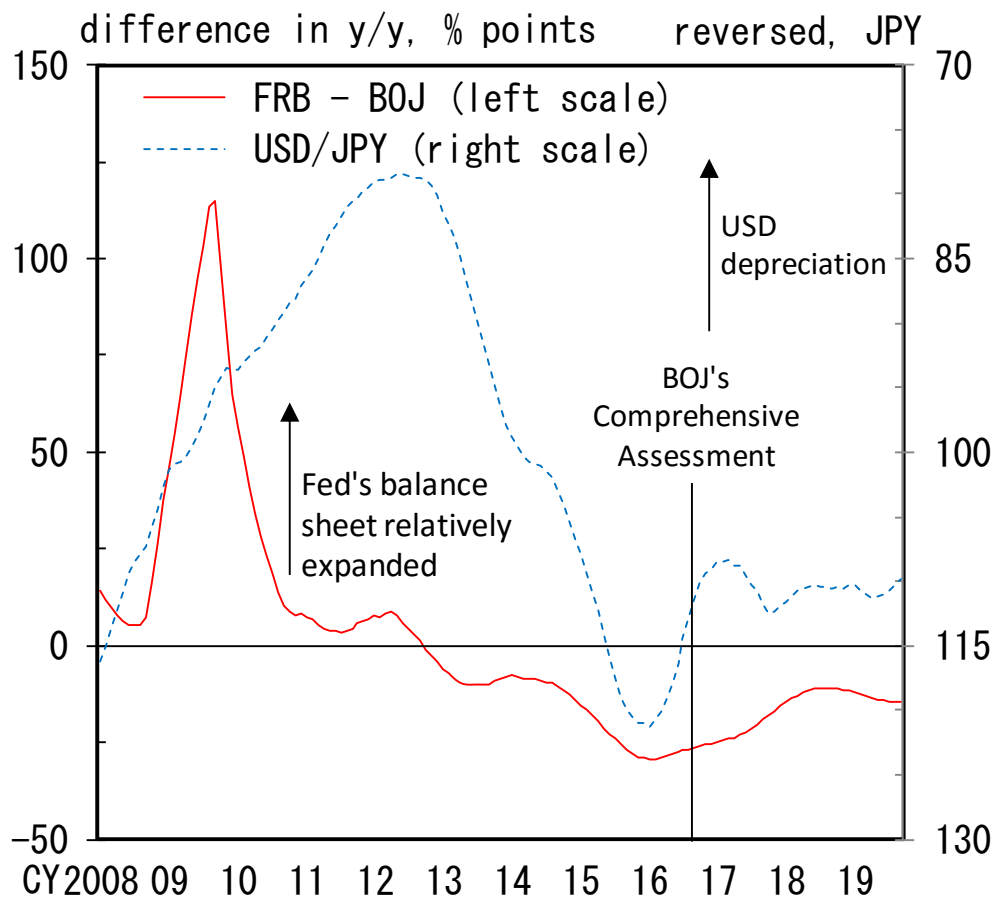
Source: Bank of Japan.

Monetary Policy Similarities

Central bank balance sheets



Relative change in balance sheets

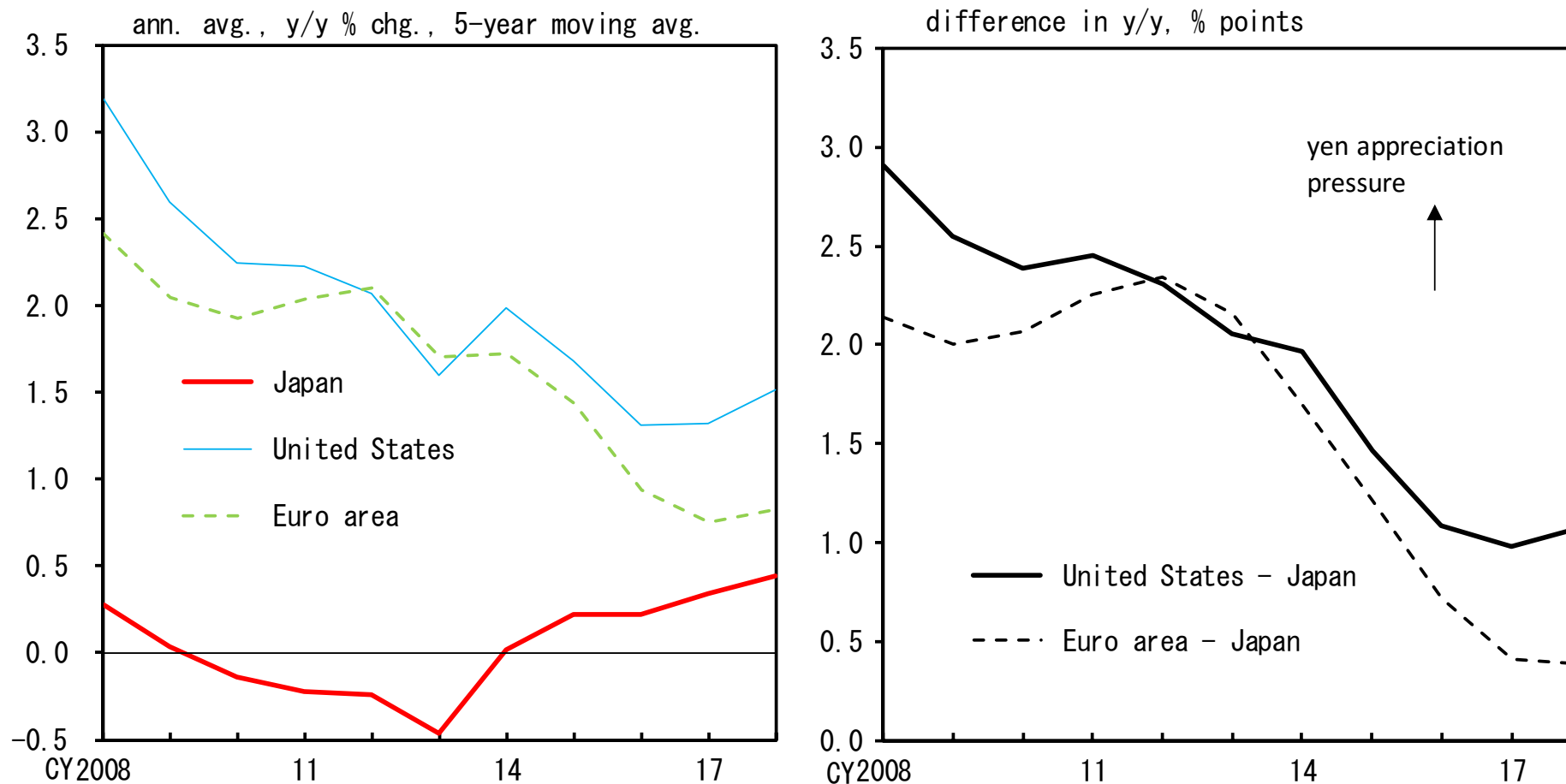


Notes: 1. In the left-hand chart, figures represent total assets.

2. The red line in the right-hand chart shows the year-on-year difference in the gap in balance sheet size between the FRB and the Bank of Japan.

Sources: FRB; ECB; Bank of Japan; Bloomberg.

Developments in Inflation Rates



Notes: 1. Japan's inflation rate incorporates the effects of the October 2019 consumption tax hike. Those of the United States and euro area are based on the IMF's *World Economic Outlook*.

2. The right-hand chart shows the gap in inflation rates between the United States and Japan, and between the euro area and Japan.

Sources: Ministry of Internal Affairs and Communications; IMF.