

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Okayama

December 12, 2019

Masayoshi Amamiya

Deputy Governor of the Bank of Japan

Introduction

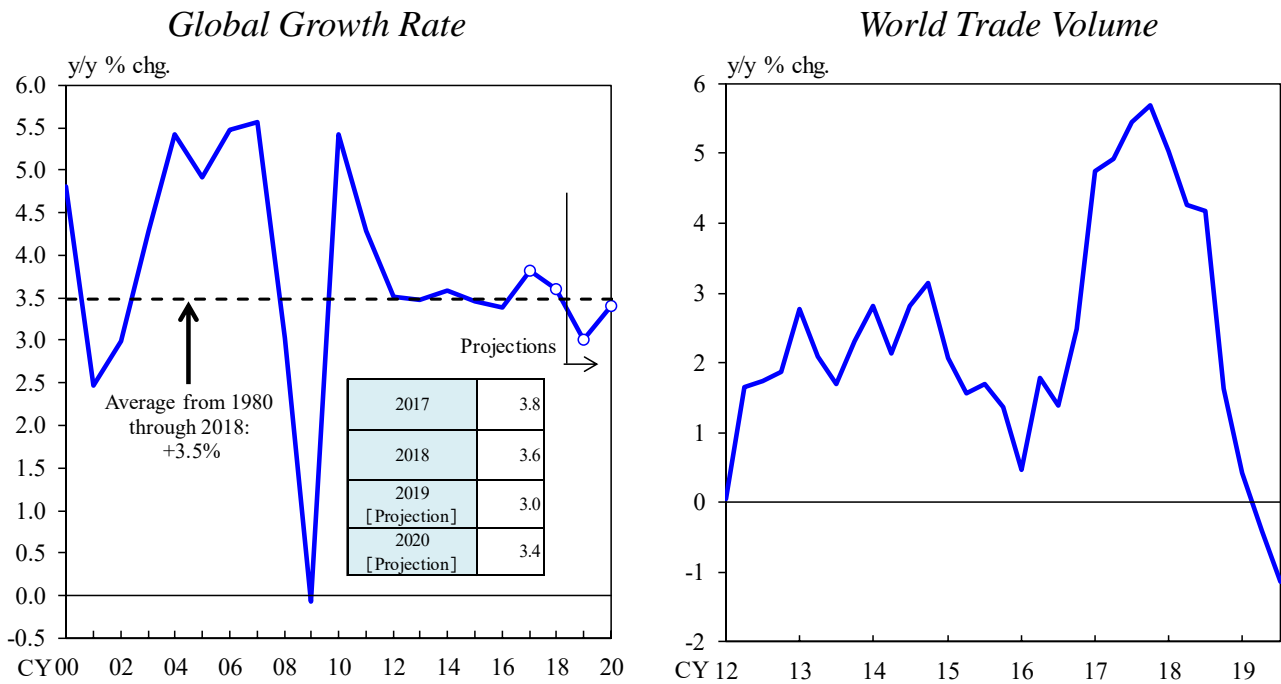
I. Financial and Economic Developments

II. Price Developments

III. The Bank's Conduct of Monetary Policy

Conclusion

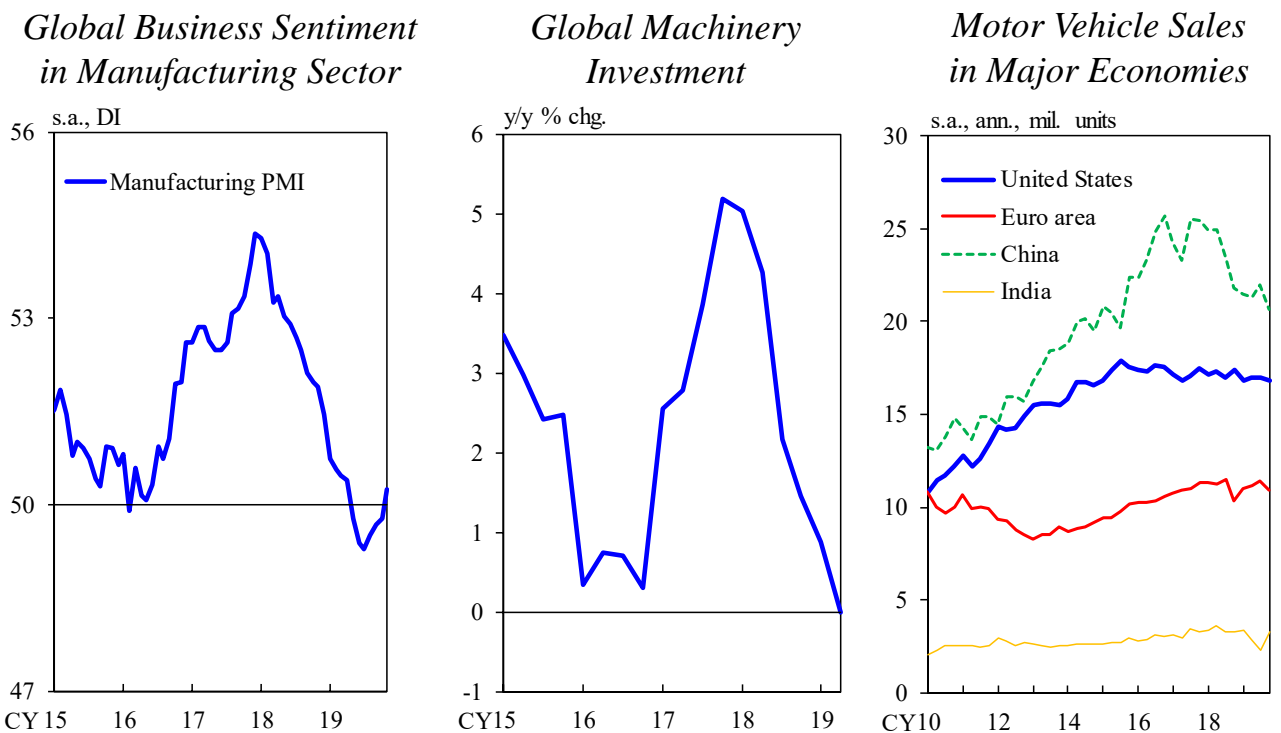
Global Economy's Growth Rate and Trade Volume



Notes: 1. In the left chart, figures for 2019 and 2020 are the IMF's projections as of October 2019.
 2. In the right chart, figures are for real imports.

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

Global Economic Slowdown



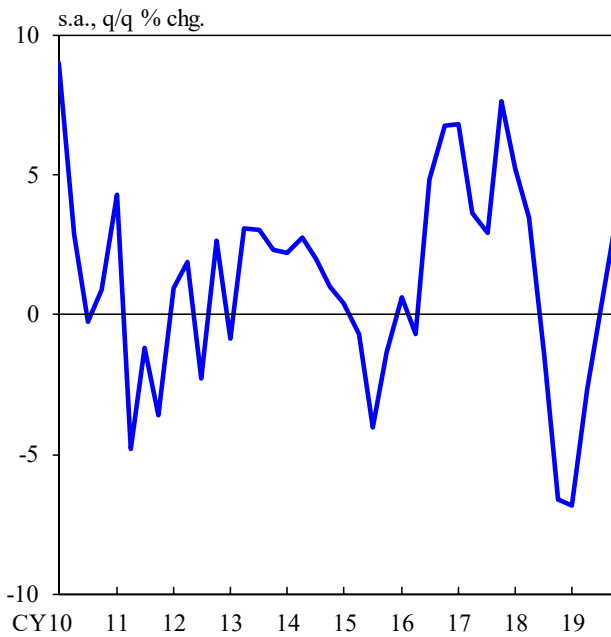
Notes: 1. In the left chart, figures are for the "J.P. Morgan Global Manufacturing PMI."

2. In the right chart, figures for the United States are based on motor vehicle sales excluding heavy trucks. Figures for the euro area are based on new passenger car registrations. Figures for China and India are based on passenger car sales.

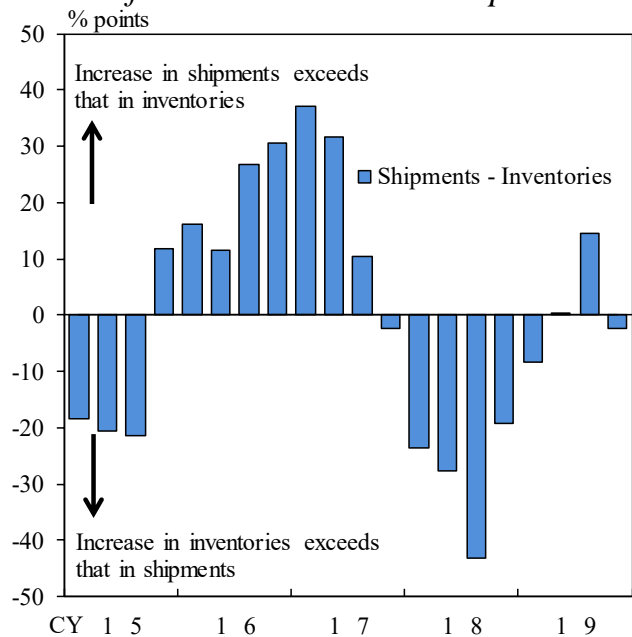
Sources: IHS Markit (© and database right IHS Markit Ltd 2019. All rights reserved.); IMF; BEA; ECB; CEIC.

Global Cycle for IT-Related Goods

World Semiconductor Shipments



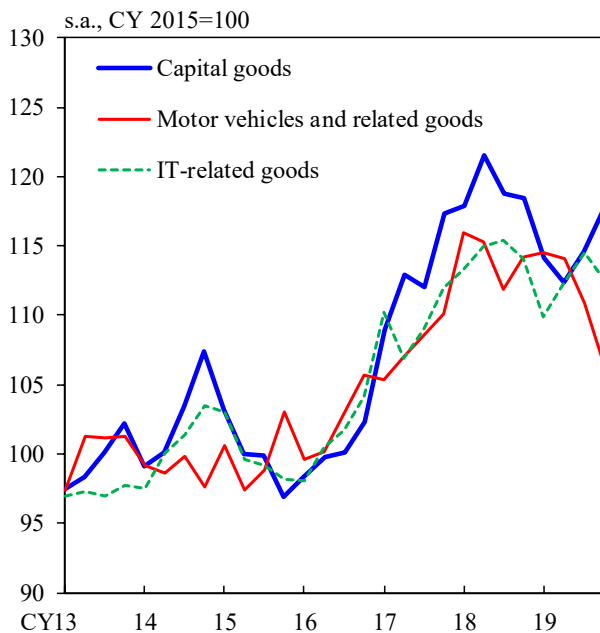
Shipments-Inventories Balance of IT-Related Goods in Japan



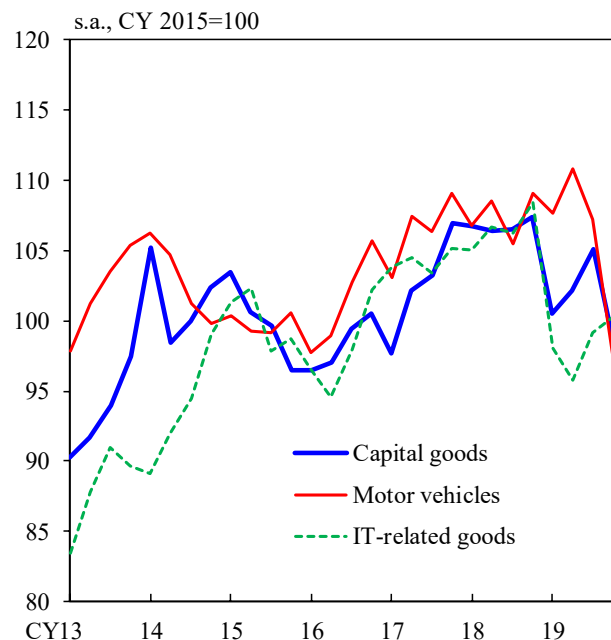
Notes: 1. In the left chart, figures are based on BOJ staff estimates using WSTS data.
2. In the right chart, figures are for electronic parts and devices.
Source: Ministry of Economy, Trade and Industry.

Japan's Exports and Production

Exports



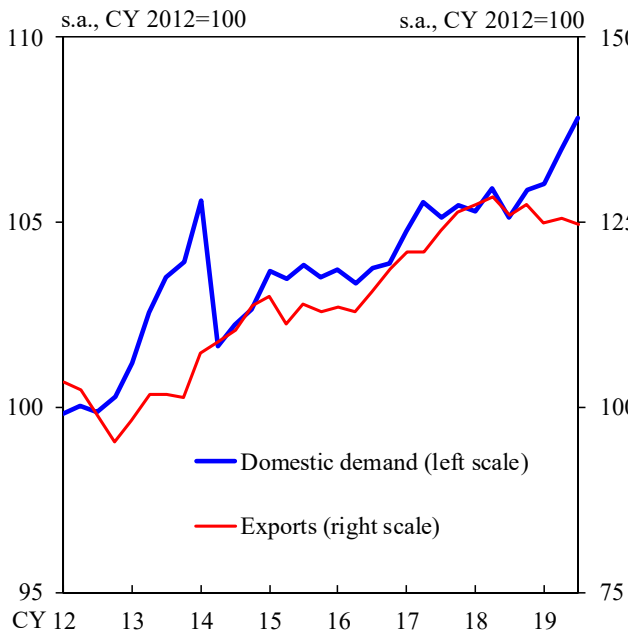
Industrial Production



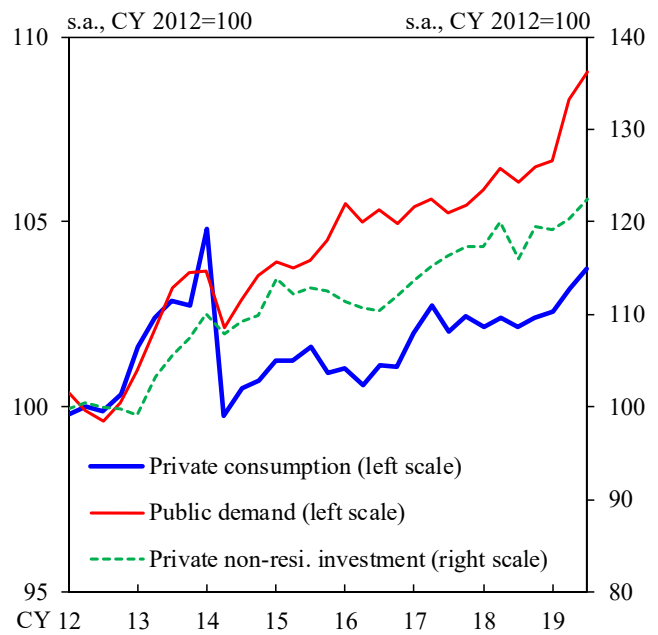
Note: In the right chart, figures for capital goods exclude those for transport equipment. Figures for IT-related goods are for electronic parts and devices.
Sources: Ministry of Economy, Trade and Industry; Ministry of Finance; Bank of Japan.

Domestic Demand

Domestic Demand and Exports



Breakdown of Domestic Demand



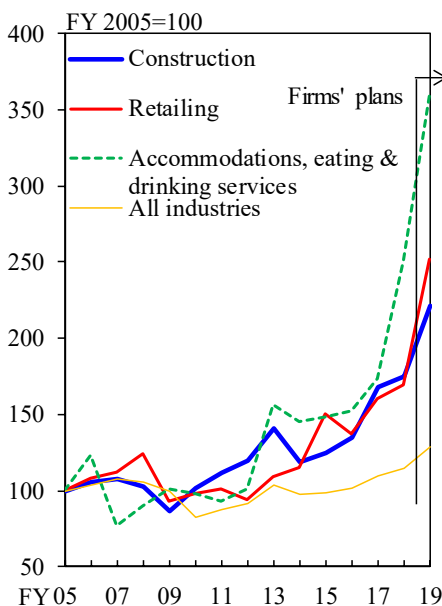
Notes: 1. In the left chart, figures for domestic demand are the sum of private consumption, private residential investment, private non-residential investment, and public demand (government consumption and public investment).

2. In the right chart, figures for public demand are the sum of government consumption and public investment.

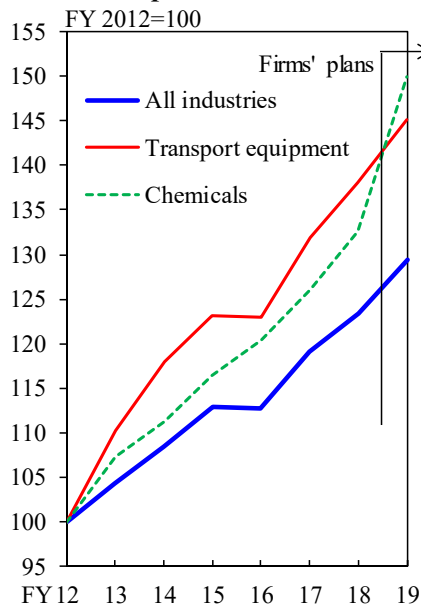
Source: Cabinet Office.

Business Fixed Investment

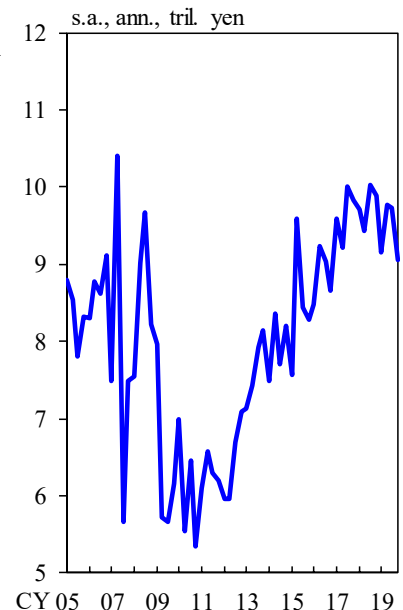
Software Investment



Research and Development Investment



Construction Investment



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

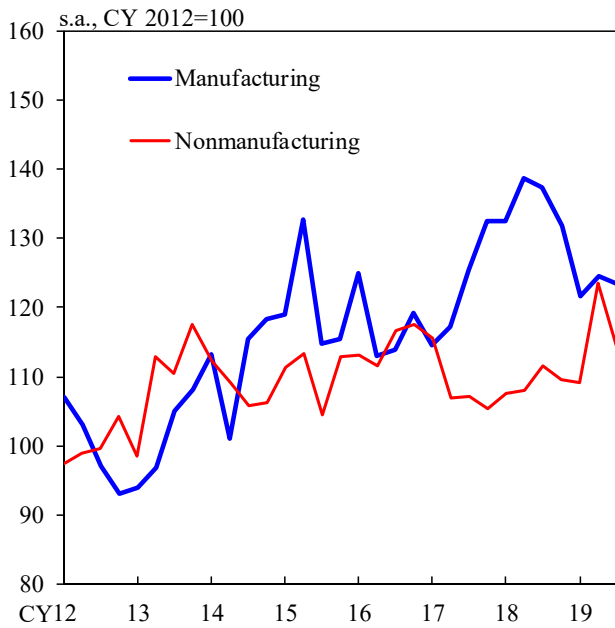
2. In the middle chart, figures are for firms with capital of 1 billion yen or more on a consolidated basis. Figures for fiscal 2019 are based on BOJ staff calculations adjusted for average changes from planned to actual expenditure for fiscal 2012-2018.

3. In the right chart, figures are the estimated construction costs of private nonresidential buildings.

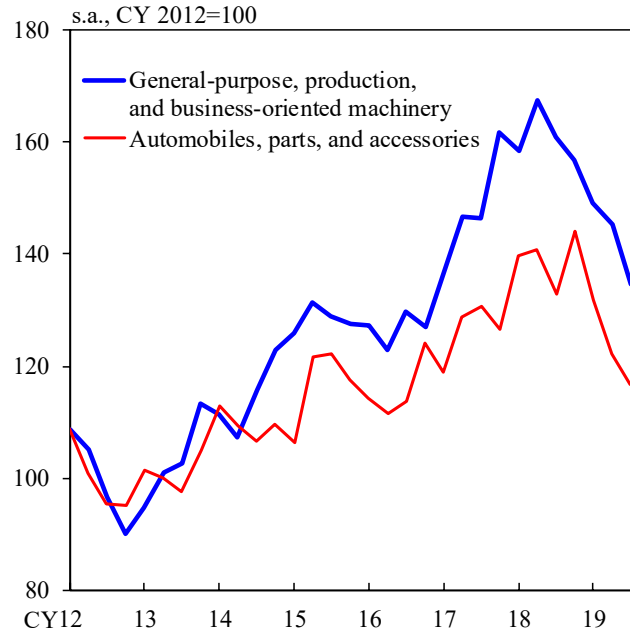
Sources: Development Bank of Japan; Ministry of Land, Infrastructure, Transport and Tourism; Bank of Japan.

Machinery Orders

Manufacturing and Nonmanufacturing



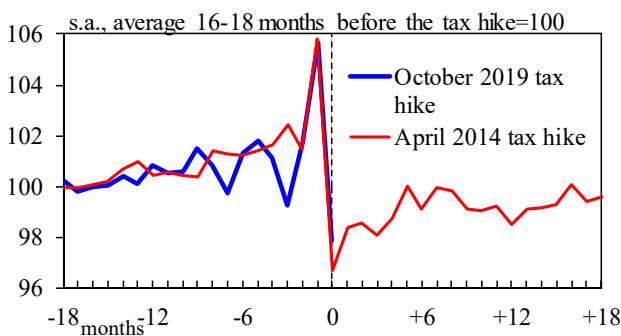
Capital Goods-Related Industries and Automobile-Related Industries



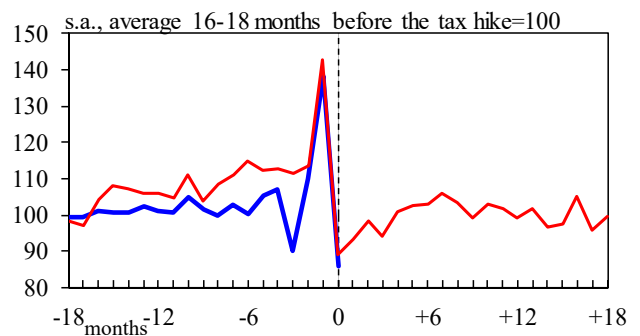
Note: In the left chart, figures for nonmanufacturing exclude those for ships and electric power companies.
Source: Cabinet Office.

Developments in Consumption Prior to and After the Tax Hikes

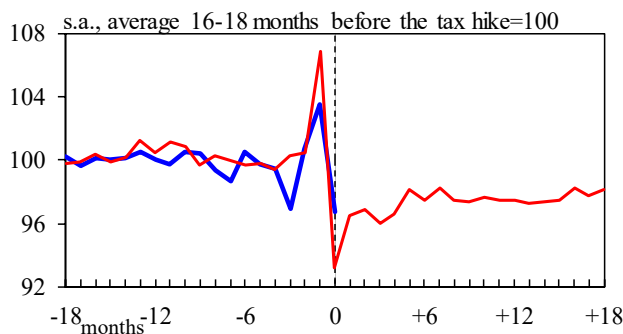
Overall



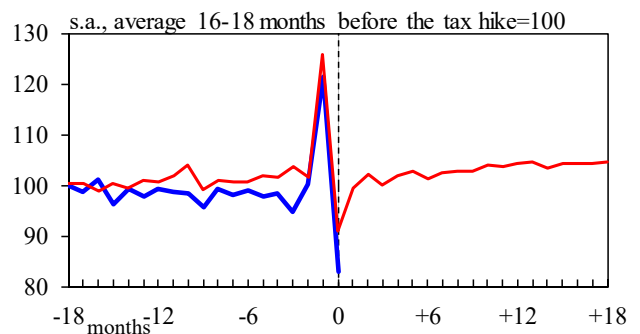
Household Electrical Appliances



Nondurable Goods



Department Stores



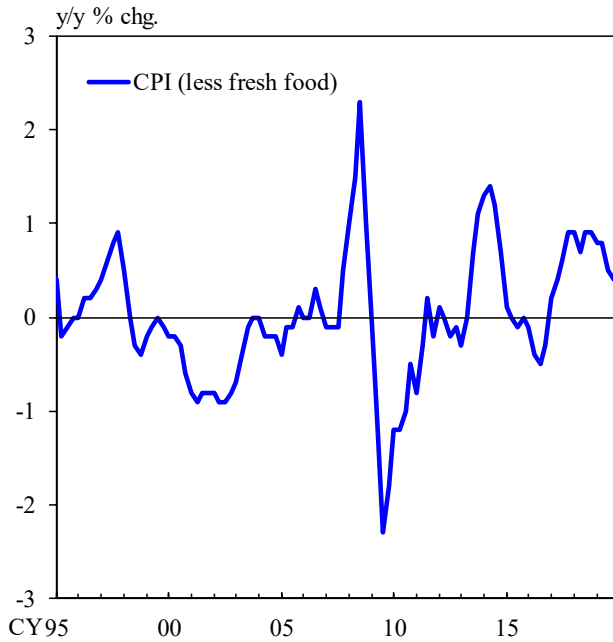
Notes: 1. Month 0 is the month in which the consumption tax rate was raised -- namely, April 2014 or October 2019.

2. In the upper charts and lower left chart, figures are for the Consumption Activity Index (real, travel balance adjusted only for the upper left chart). In the lower right chart, figures are from the "Current Survey of Commerce" (nominal).

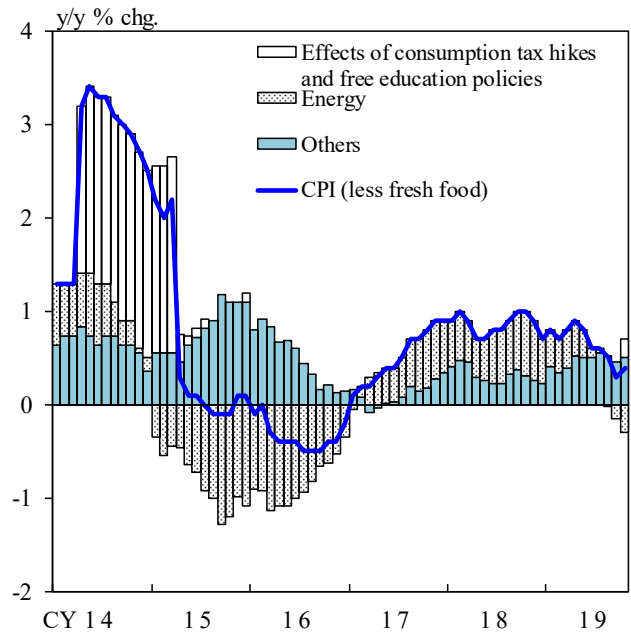
Sources: Ministry of Economy, Trade and Industry; Bank of Japan, etc.

Consumer Prices

Long-Term Developments

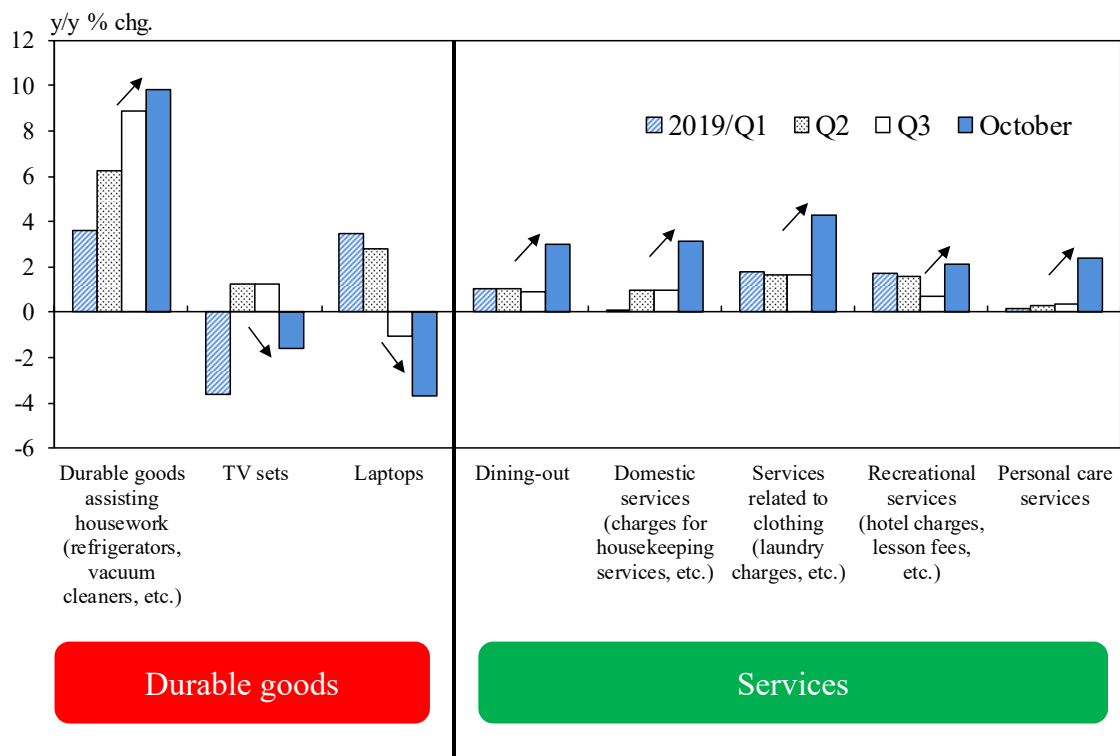


Recent Developments



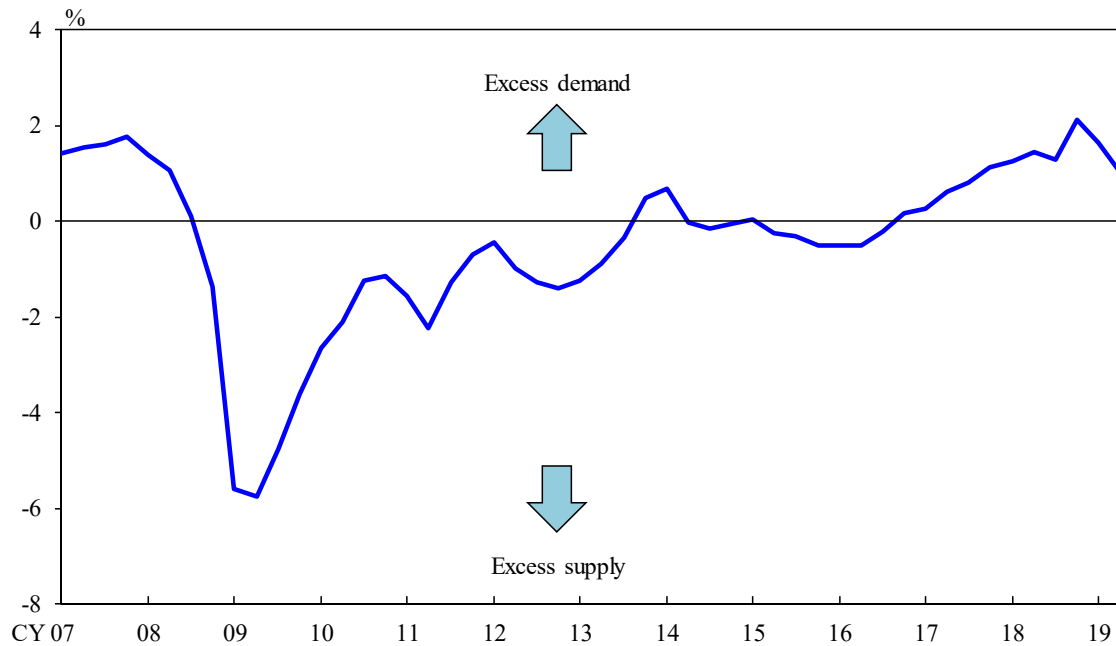
Note: In the left chart, figures are adjusted for the effects of the consumption tax hike in April 2014.
Source: Ministry of Internal Affairs and Communications.

Developments in Prices Prior to and After the Tax Hike



Source: Ministry of Internal Affairs and Communications.

Output Gap

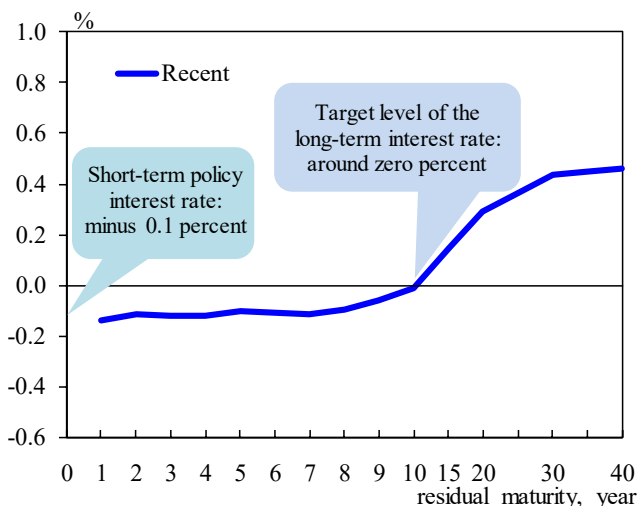


Note: Figures are based on BOJ staff estimates.
Source: Bank of Japan.

BOJ's Conduct of Monetary Policy

Yield Curve Control

Taking account of developments in economic activity and prices as well as financial conditions, the Bank facilitates the formation of the yield curve that is considered most appropriate for maintaining the momentum toward achieving the price stability target of 2 percent.



Source: Bloomberg.

Stance of Monetary Policy Conduct and Forward Guidance

(Stance of Monetary Policy Conduct)

- In a situation where downside risks to economic activity and prices, mainly regarding developments in overseas economies, are significant, the Bank will not hesitate to take additional easing measures if there is a greater possibility that the momentum toward achieving the price stability target will be lost.

(Forward Guidance for the Policy Rates)

- As for the policy rates, the Bank expects short- and long-term interest rates to remain at their present or lower levels as long as it is necessary to pay close attention to the possibility that the momentum toward achieving the price stability target will be lost.