



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Business Leaders in Asahikawa (via webcast)

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IMF World Economic Outlook

(as of June 2020)

real GDP growth rate, y/y % chg.

CY	2018	2019	2020 projection	2021 projection
World	3.6	2.9	-4.9	5.4
Advanced Economies	2.2	1.7	-8.0	4.8
United States	2.9	2.3	-8.0	4.5
Euro Area	1.9	1.3	-10.2	6.0
United Kingdom	1.3	1.4	-10.2	6.3
Japan	0.3	0.7	-5.8	2.4
Emerging Market and Developing Economies	4.5	3.7	-3.0	5.9
Emerging and Developing Asia	6.3	5.5	-0.8	7.4
China	6.7	6.1	1.0	8.2
ASEAN-5	5.3	4.9	-2.0	6.2
Russia	2.5	1.3	-6.6	4.1
Latin America and the Caribbean	1.1	0.1	-9.4	3.7

Source: *World Economic Outlook Update*, International Monetary Fund (IMF).

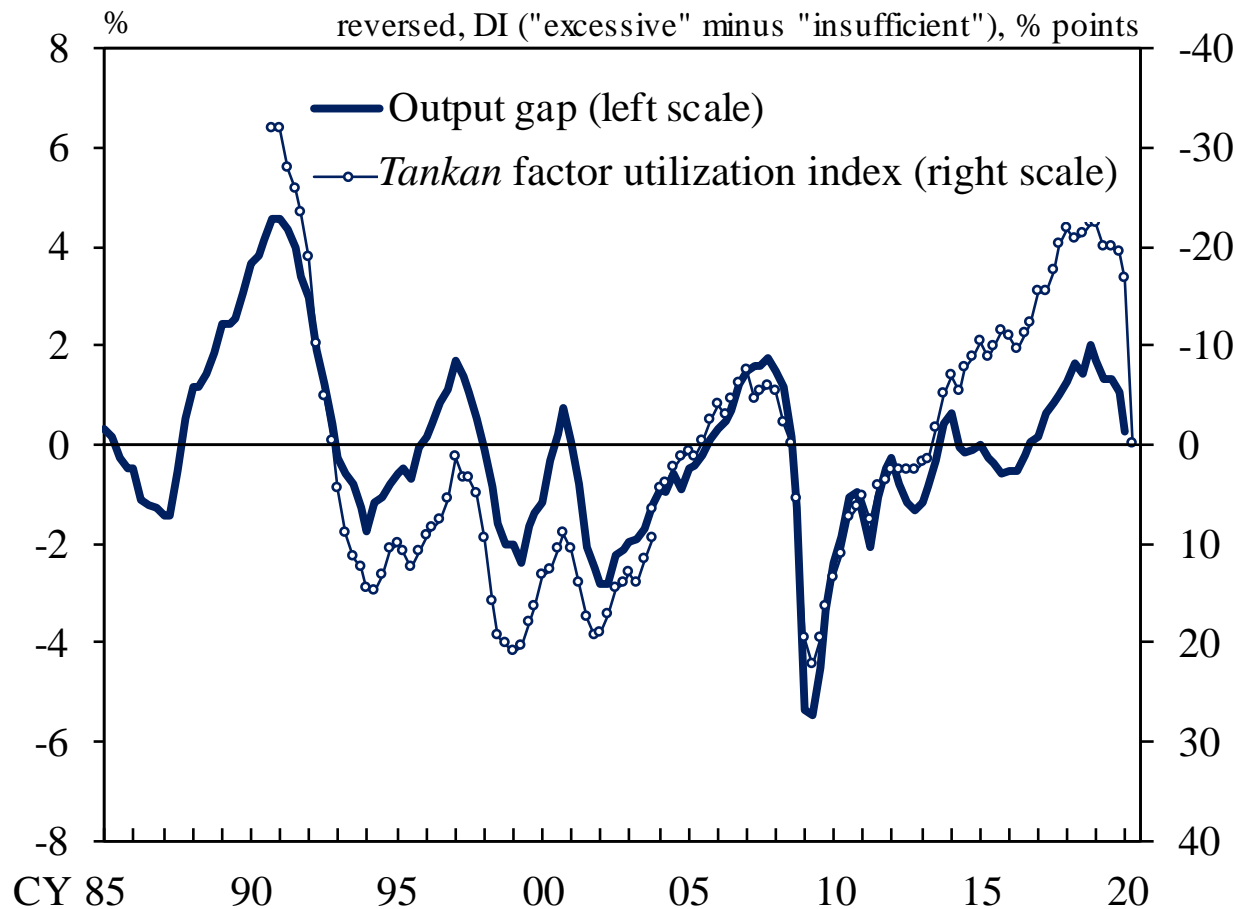
Japan's Real GDP

s.a., q/q % chg.

	2019		2020	
	Q3	Q4	Q1	Q2
Real GDP	0.0	-1.8	-0.6	-7.8
[ann., q/q]	[0.2]	[-7.0]	[-2.5]	[-27.8]
Private consumption	0.4	-2.9	-0.8	-8.2
Private non-resi. investment	0.2	-4.7	1.7	-1.5
Private residential investment	1.2	-2.2	-4.2	-0.2
Public demand	0.9	0.4	0.0	0.0
Exports of goods & services	-0.6	0.4	-5.4	-18.5

Source: Cabinet Office.

Output Gap



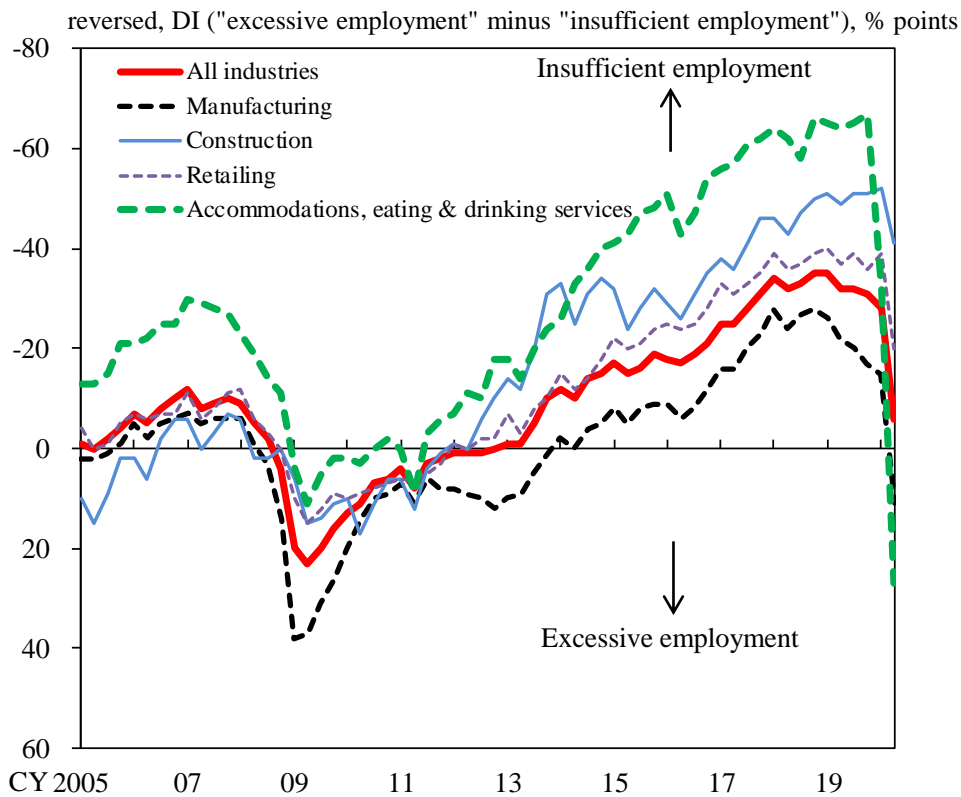
Source: Bank of Japan.

Notes: 1. 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. There is a discontinuity in the data in December 2003 due to a change in the survey framework.

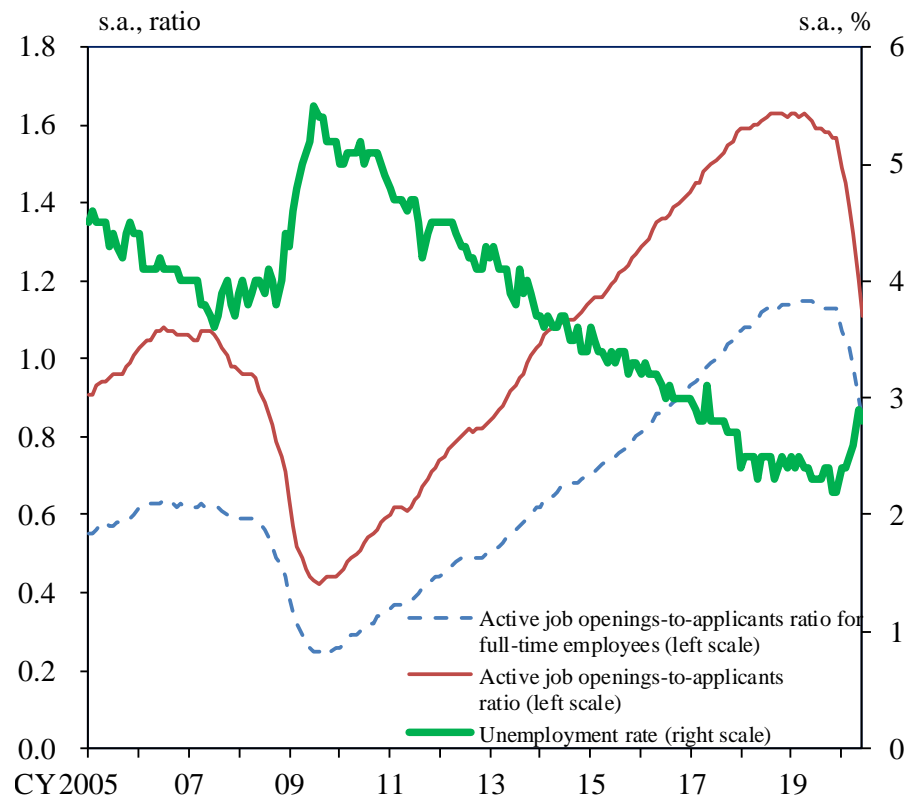
Labor Market Conditions

Diffusion Index (DI) for Employment Conditions



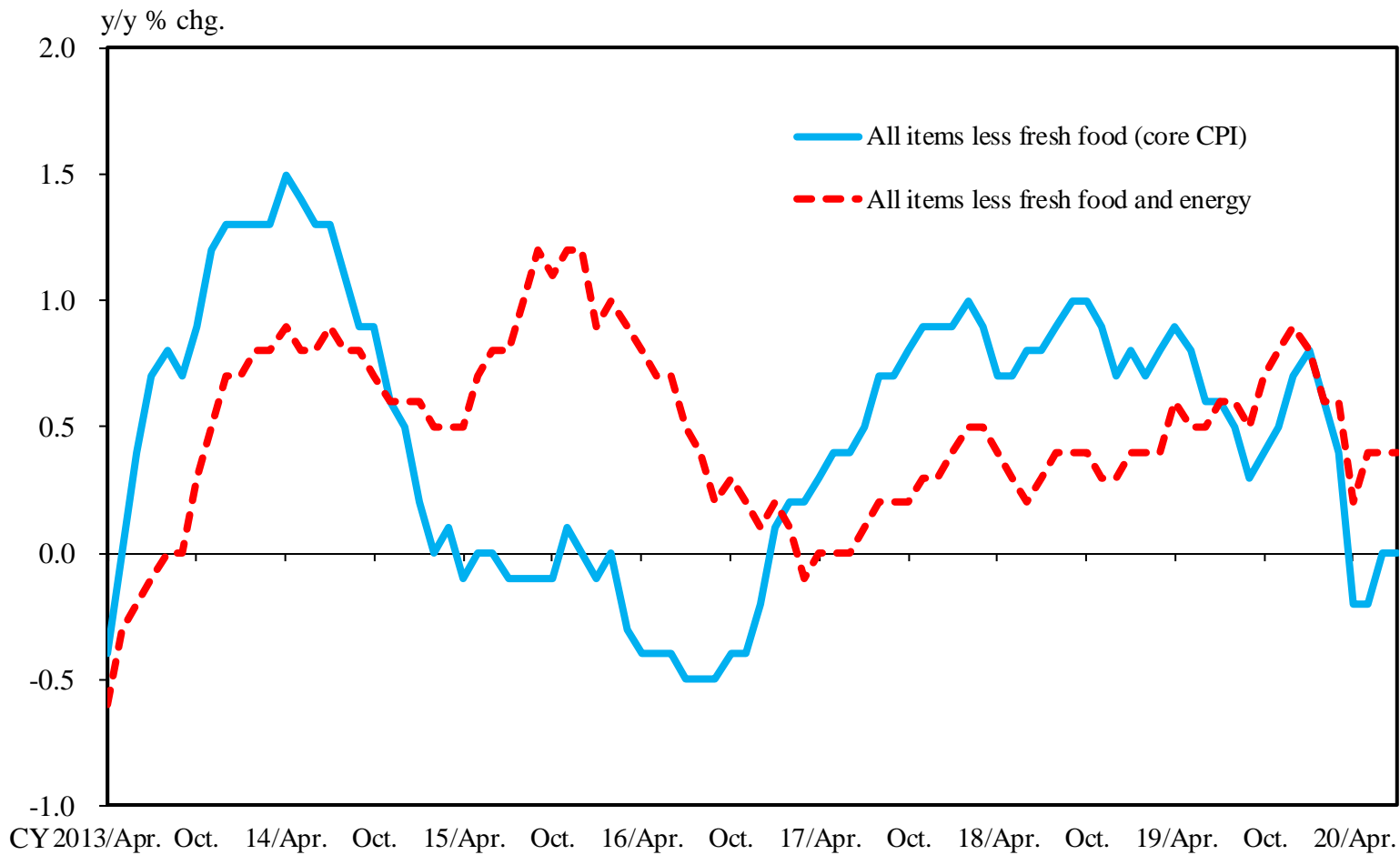
Source: *Tankan* (Short-Term Economic Survey of Enterprises in Japan), Bank of Japan.

Active Job Openings-to-Applicants Ratio and Unemployment Rate



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

CPI



Source: Ministry of Internal Affairs and Communications.

Note: Figures exclude the effects of the consumption tax hike in April 2014.

Outlook for Economic Activity and Prices as of July 2020

Forecasts of the Majority of Policy Board Members y/y % chg.

	Real GDP	CPI (all items less fresh food)
Fiscal 2020	-5.7 to -4.5 [-4.7]	-0.6 to -0.4 [-0.5]
Forecasts made in April 2020	-5.0 to -3.0	-0.7 to -0.3
Fiscal 2021	+3.0 to +4.0 [+3.3]	+0.2 to +0.5 [+0.3]
Forecasts made in April 2020	+2.8 to +3.9	0.0 to +0.7
Fiscal 2022	+1.3 to +1.6 [+1.5]	+0.5 to +0.8 [+0.7]
Forecasts made in April 2020	+0.8 to +1.6	+0.4 to +1.0

Source: July 2020 *Outlook for Economic Activity and Prices* (Outlook Report), Bank of Japan.

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 he or she attaches 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. In the April Outlook Report, each Policy Board member made their forecasts as a range and submitted two figures (i.e., the highest and lowest figures) within the range of 1.0 percentage point at most. The forecasts of the majority of the Policy Board members were shown as a range excluding four figures -- namely, the two highest figures and two lowest figures among the forecasts of the nine members. Thus, it should be noted that the definition of the forecasts of the majority of the Policy Board members in the April Outlook Report is different from that in the July Outlook Report.

The Bank's Measures in Response to COVID-19

Supporting Corporate Financing

Special Program to Support Financing in Response to COVID-19: total size of about 120 tril. yen + α

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

Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19: about 100 tril. yen

Stabilizing Financial Markets

Ample and Flexible Provision of Yen and Foreign Currency Funds

Further active purchases of JGBs and T-Bills: unlimited

Enhancement of the U.S. Dollar Funds-Supplying Operations: unlimited

Lowering Risk Premia in Asset Markets

Active Purchases of ETFs and J-REITs

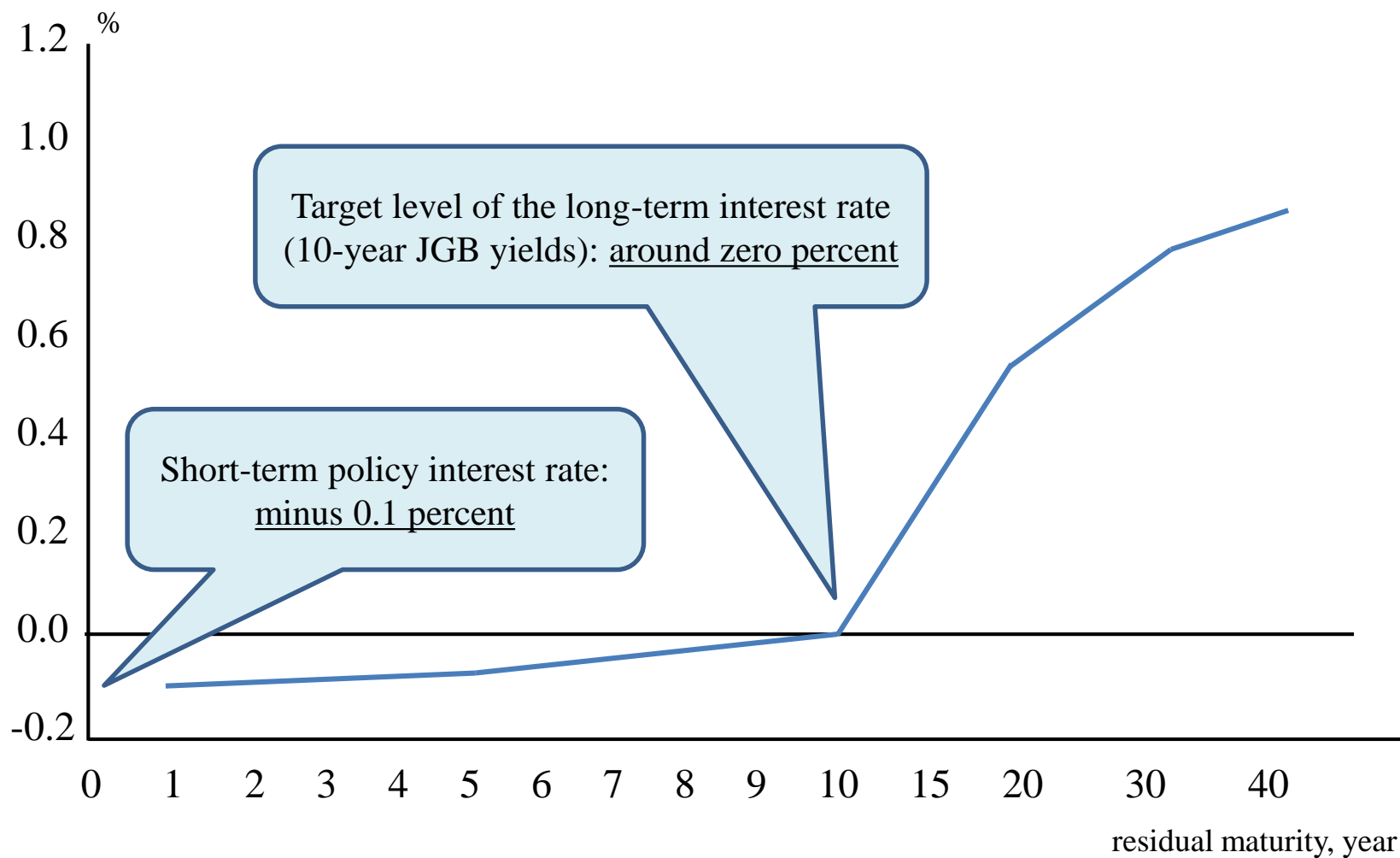
ETFs: annual pace of about 6 tril. yen

→ annual pace with the upper limit of about 12 tril. yen for the time being

J-REITs: annual pace of about 90 bil. yen

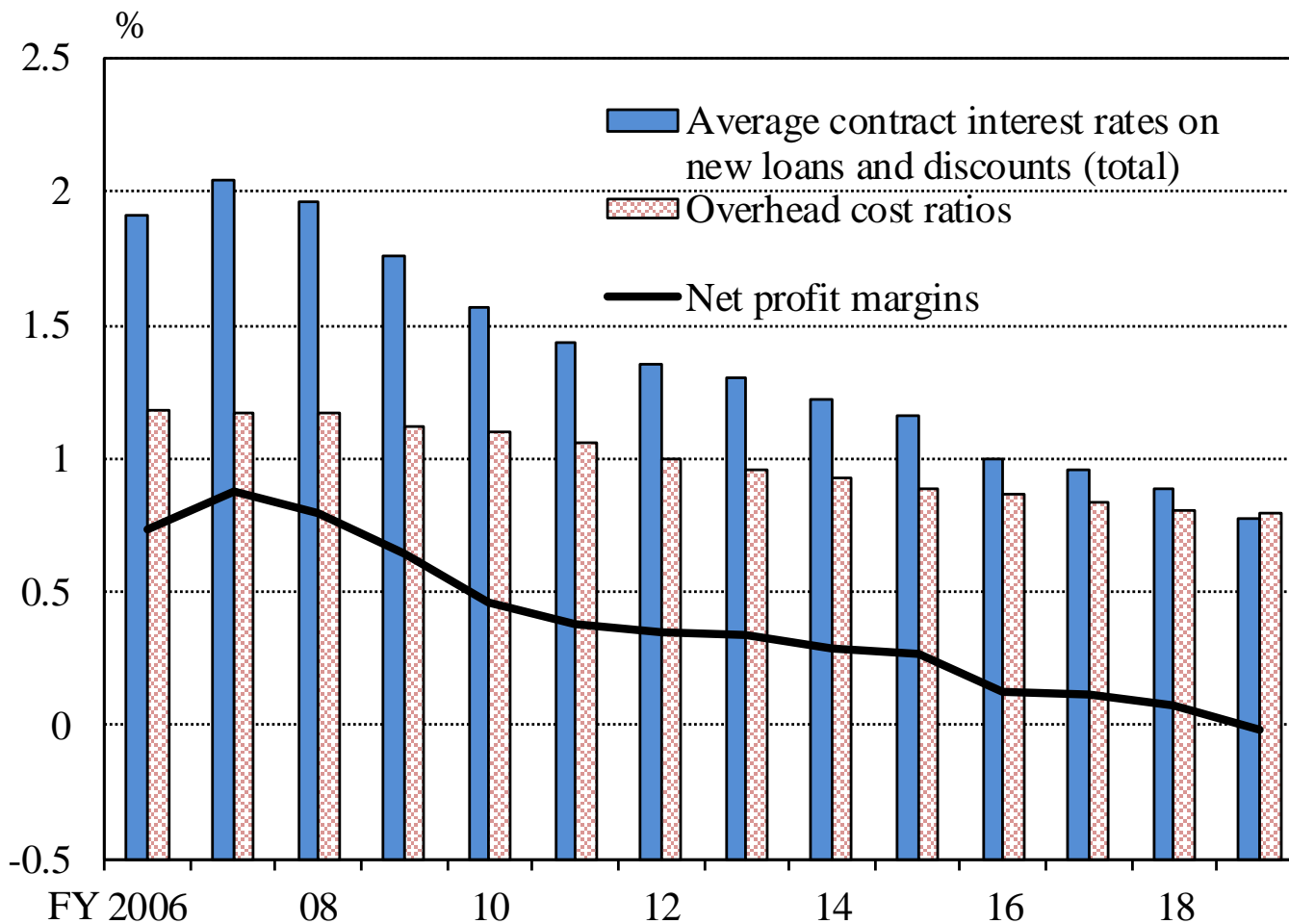
→ annual pace with the upper limit of about 180 bil. yen for the time being

Yield Curve Control



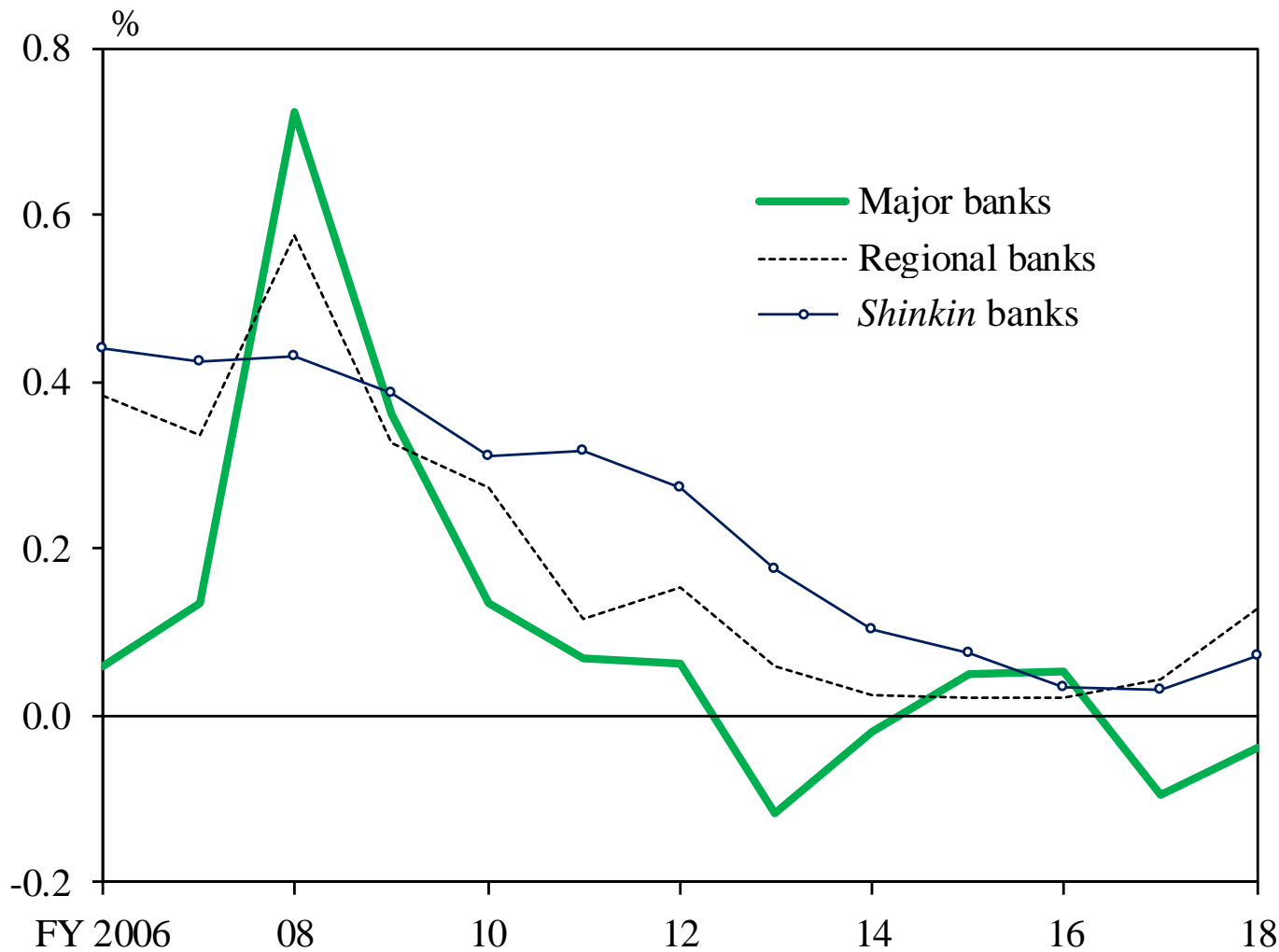
Net Profit Margins

Member Banks of the Regional Banks Association of Japan



Sources: Bank of Japan; Regional Banks Association of Japan.

Credit Cost Ratios



Source: Bank of Japan.