

Japan's Economy and Monetary Policy

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

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Introduction

I. Developments in Economic Activity and
Prices

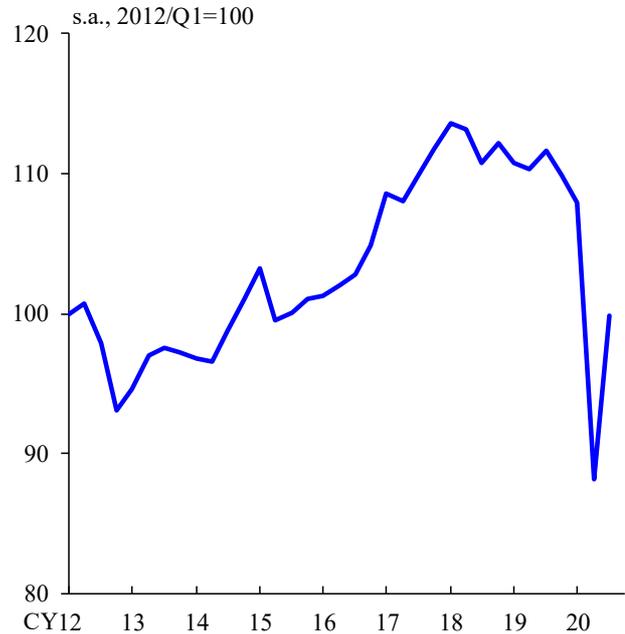
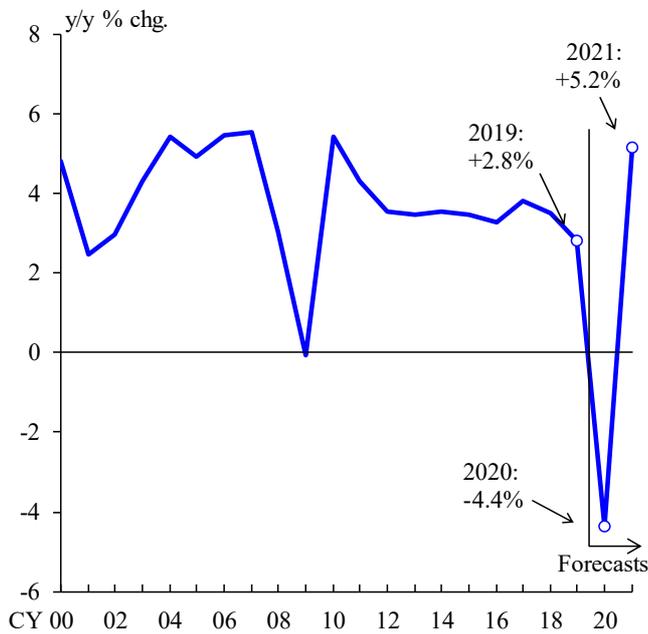
II. The Bank's Conduct of Monetary Policy

Conclusion

Global Economy and External Demand

Global Growth Rate (IMF, October 2020)

Real Exports

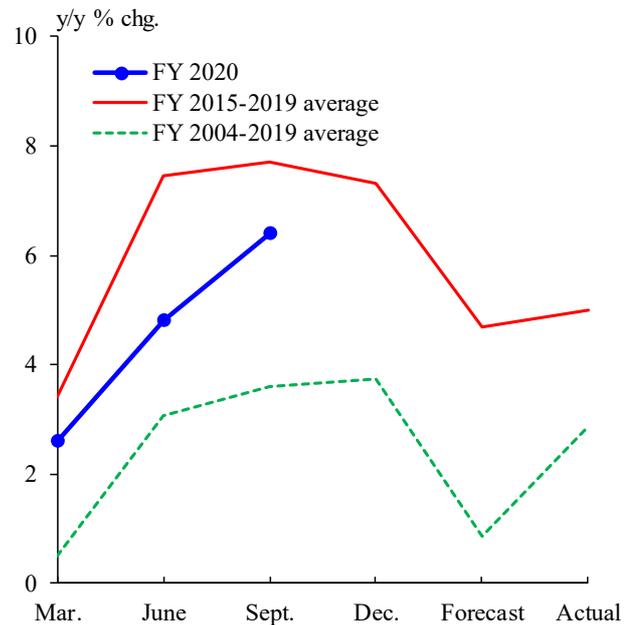
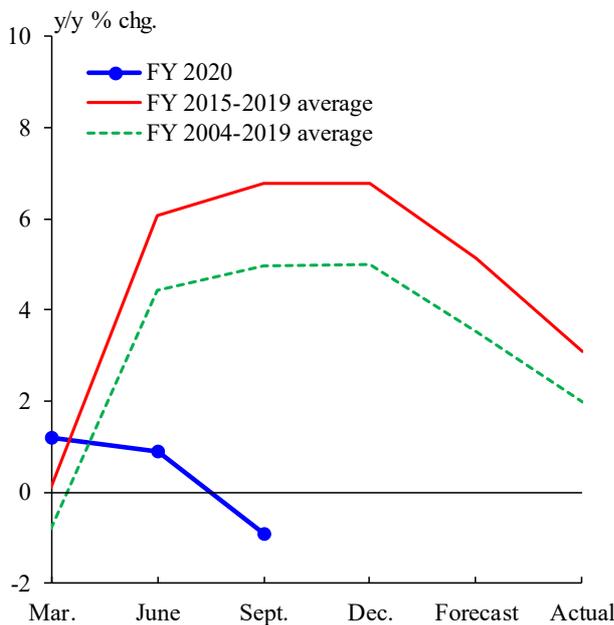


Note: In the right-hand chart, figures are based on staff calculations.
Sources: IMF; Ministry of Finance; Bank of Japan.

Business Fixed Investment

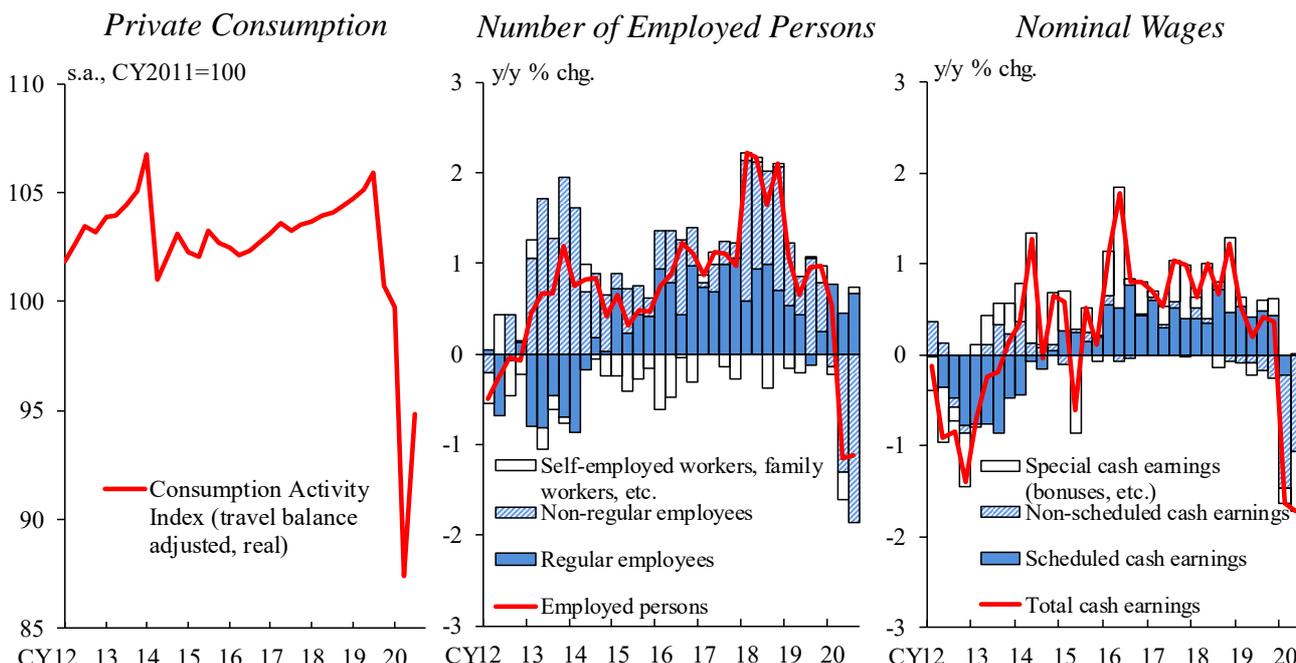
Business Fixed Investment Plans (Tankan)

Software Investment Plans (Tankan)



Notes: 1. Figures are for all industries and enterprises.
2. In the left-hand chart, figures include software and R&D investments and exclude land purchasing expenses (R&D investment is not included before the March 2017 survey).
3. In the right-hand chart, figures show the amount of newly recorded software investment under intangible fixed assets.
Source: Bank of Japan.

Private Consumption, Employment, and Income



Notes: 1. In the left-hand chart, figures exclude inbound tourism consumption and include outbound tourism consumption. Based on staff calculations. Figures for 2020/Q3 are July-August averages.
 2. As for the middle chart, "self-employed workers, family workers, etc." includes executives of companies or corporations. Figures prior to 2014 are based on the "detailed tabulation" in the *Labour Force Survey*. Figures for 2020/Q3 are July-August averages.
 3. In the right-hand chart, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures from 2016/Q1 onward are based on continuing observations following the sample revisions.
 Sources: Bank of Japan; Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

The Bank's Forecasts for Economic Activity and Prices (October 2020 Outlook Report)

Forecasts of the Majority of the Policy Board Members

Risk Factors

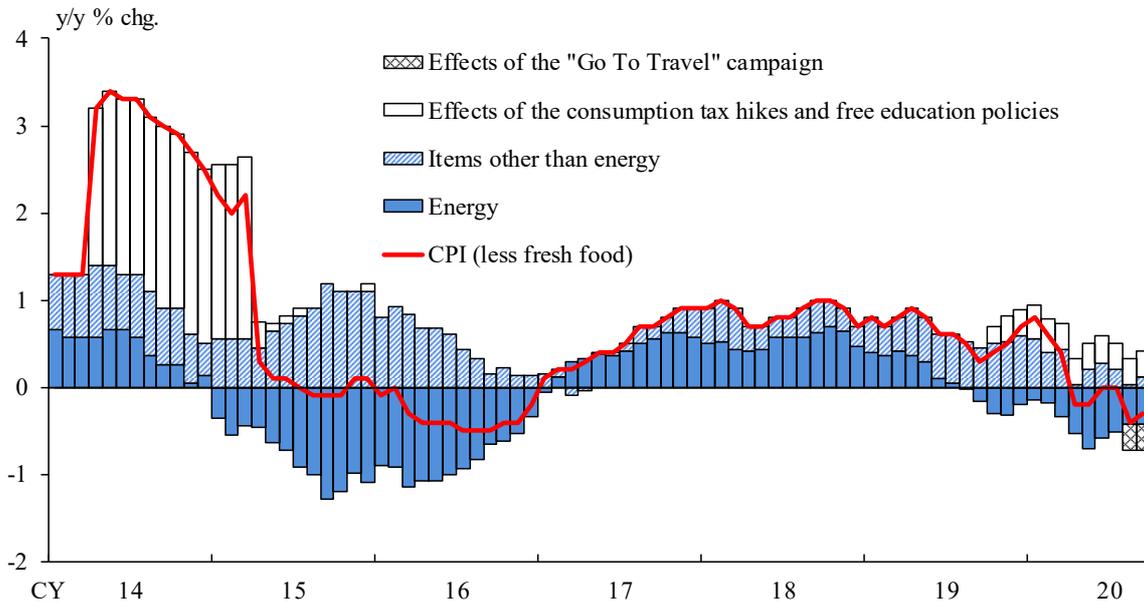
	Real GDP	CPI (all items less fresh food)
Fiscal 2020	-5.6 to -5.3 [-5.5]	-0.7 to -0.5 [-0.6]
Forecasts made in July 2020	-5.7 to -4.5 [-4.7]	-0.6 to -0.4 [-0.5]
Fiscal 2021	+3.0 to +3.8 [+3.6]	+0.2 to +0.6 [+0.4]
Forecasts made in July 2020	+3.0 to +4.0 [+3.3]	+0.2 to +0.5 [+0.3]
Fiscal 2022	+1.5 to +1.8 [+1.6]	+0.4 to +0.7 [+0.7]
Forecasts made in July 2020	+1.3 to +1.6 [+1.5]	+0.5 to +0.8 [+0.7]

Risks are skewed to the downside, mainly due to the impact of COVID-19

- Impact of COVID-19 on domestic and overseas economies
 - ✓ The outlook is based on the assumptions that, with progress in efforts to take preventive measures against COVID-19 and improve economic activities simultaneously, COVID-19 will not spread again on such a large scale that the wide-ranging public health measures will need to be reinstated.
- Firms' and households' medium- to long-term growth expectations
- Developments in the financial system

Notes: 1. These figures show the forecasts of the majority of the Policy Board members and those in brackets indicate the medians. The forecasts are constructed as follows: each Policy Board member's forecast takes the form of a point estimate -- namely, the figure to which she or he attaches the highest probability of realization. These forecasts are then shown as a range, with the highest figure and the lowest figure excluded.
 2. The direct effects of the October 2019 consumption tax hike on the CPI for fiscal 2020 are estimated to be 0.5 percentage point. In addition, based on a specific assumption, the direct effects of policies concerning the provision of free education on the CPI for fiscal 2020 are estimated to be around minus 0.4 percentage point. The direct effects of the "Go To Travel" campaign on the CPI are estimated to be minus 0.2 percentage point for fiscal 2020 and 0.2 percentage point for fiscal 2021.
 Source: Bank of Japan.

Consumer Prices



Notes: 1. Energy consists of petroleum products, electricity, and gas, manufactured & piped.

2. Figures for the "effects of the consumption tax hikes and free education policies" from April 2020 onward are based on staff estimations and include the effects of measures such as free higher education introduced in April 2020.

Source: Ministry of Internal Affairs and Communications.

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 130 tril. yen + α

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: about 110 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

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)