

Japan's Economy and Monetary Policy

Speech at a Meeting with Local Leaders in Tokushima

December 8, 2021

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Deputy Governor of the Bank of Japan

Introduction

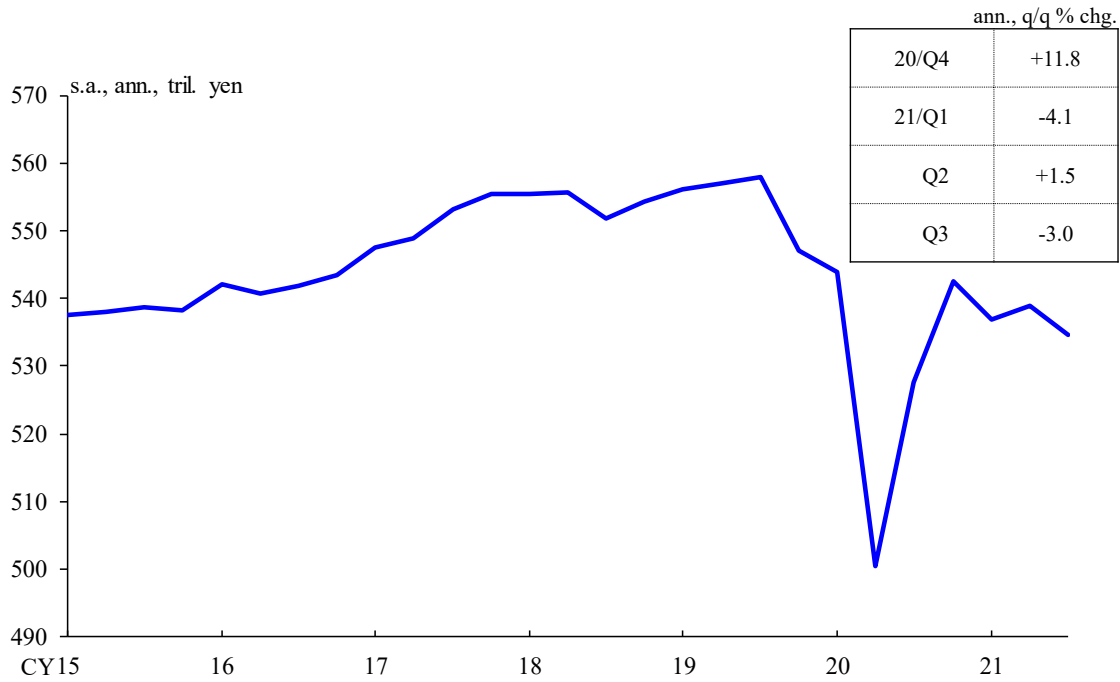
I. Economic Developments

II. Price Developments

III. Financial Conditions surrounding Firms and
the Bank's Conduct of Monetary Policy

IV. Current Situation of and Outlook for
Tokushima Prefecture's Economy

Real GDP

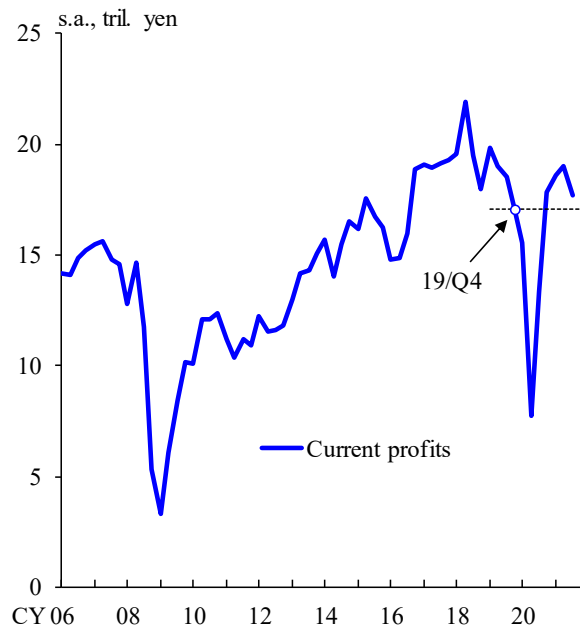
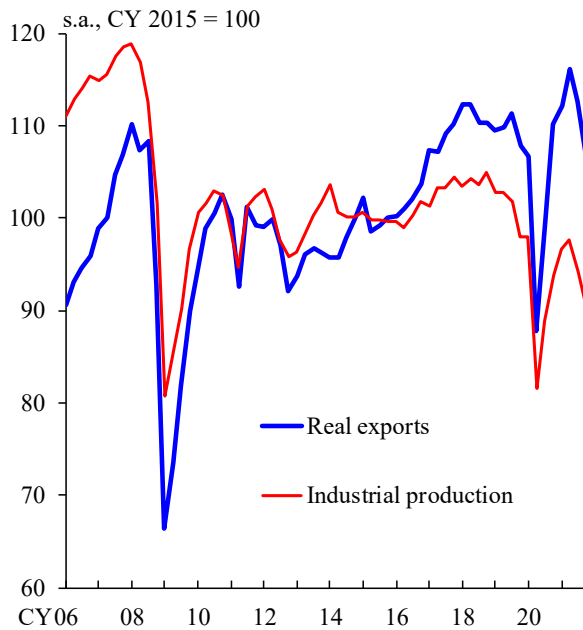


Note: Figures are based on the first preliminary estimates for the July – September quarter of 2021.
Source: Cabinet Office.

Corporate Sector

Exports and Production

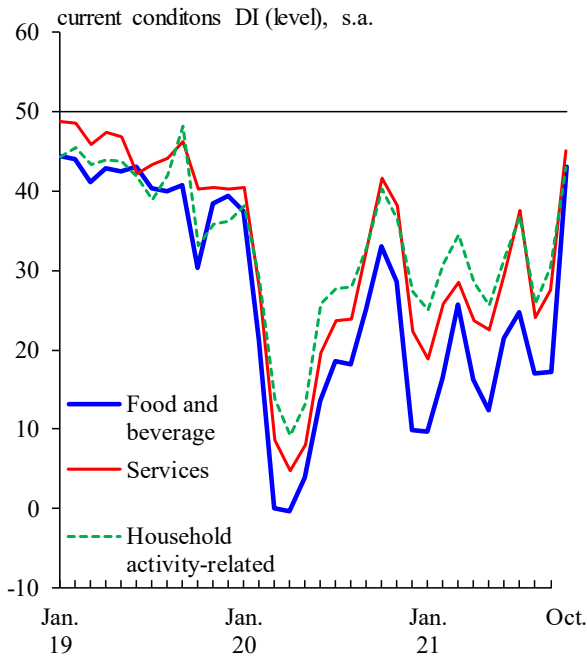
Corporate Profits



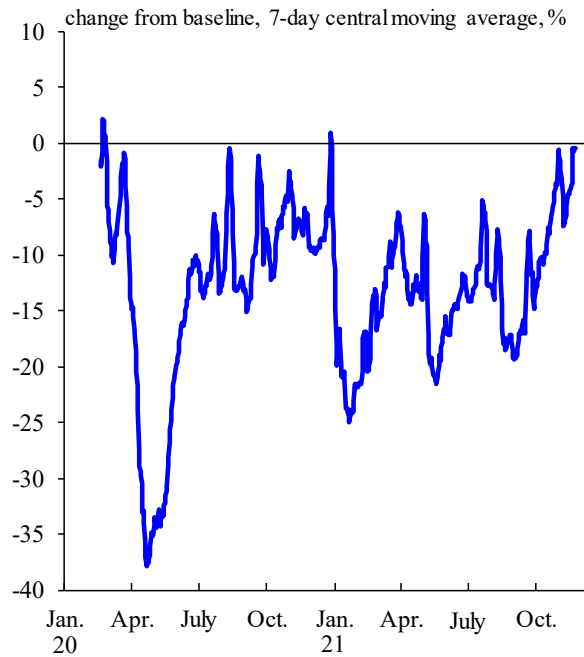
Note: In the right-hand chart, figures are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies.
Sources: Ministry of Finance; Ministry of Economy, Trade and Industry; Bank of Japan.

Household Sector

*Confidence Indicator
(Economy Watchers Survey)*

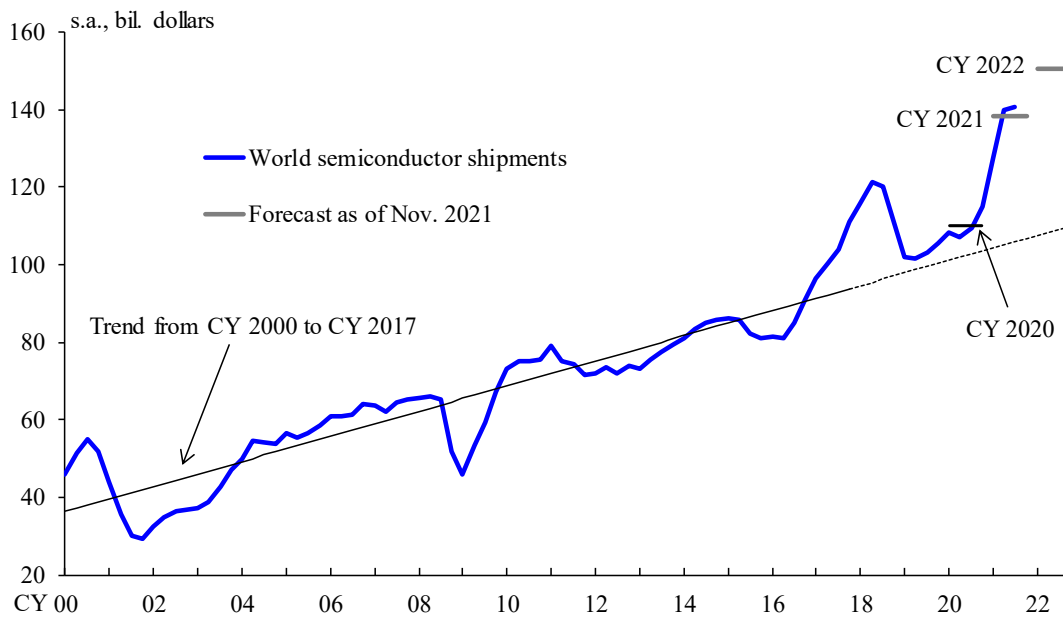


Mobility Trends Based on Location Data



Note: In the right-hand chart, the baseline is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020. Figures are mobility trends for places such as restaurants, shopping centers, and theme parks.
Sources: Cabinet Office; Google LLC "Google COVID-19 Community Mobility Reports." <https://www.google.com/covid19/mobility/>. Accessed: December 1, 2021.

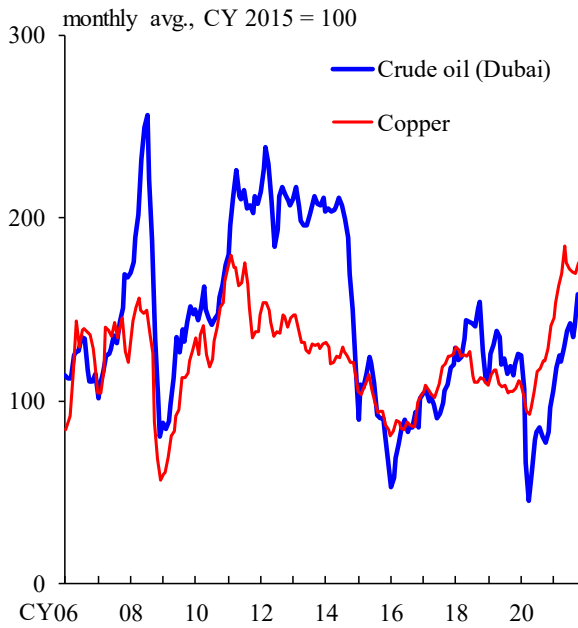
World Semiconductor Demand



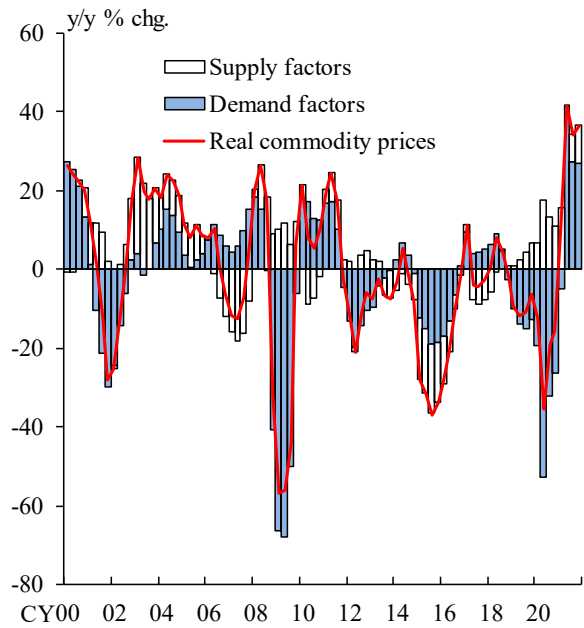
Note: Figures are based on staff calculations using World Semiconductor Trade Statistics (WSTS) data. Forecasts are by WSTS.

Commodity Prices

Commodity Prices



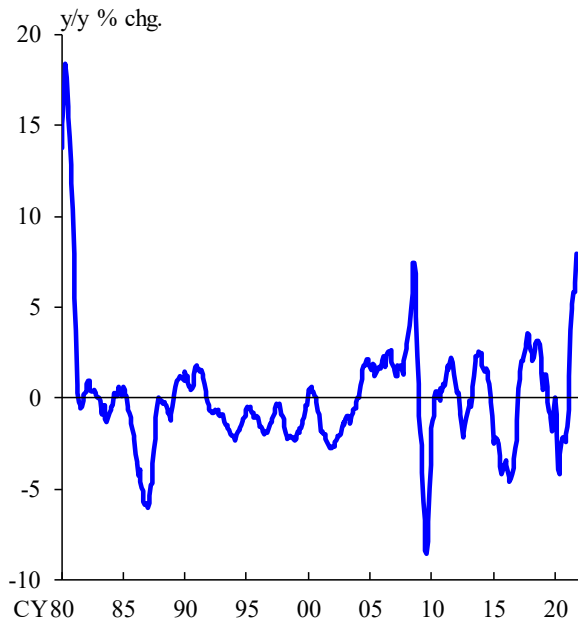
Decomposition of Changes in Commodity Prices



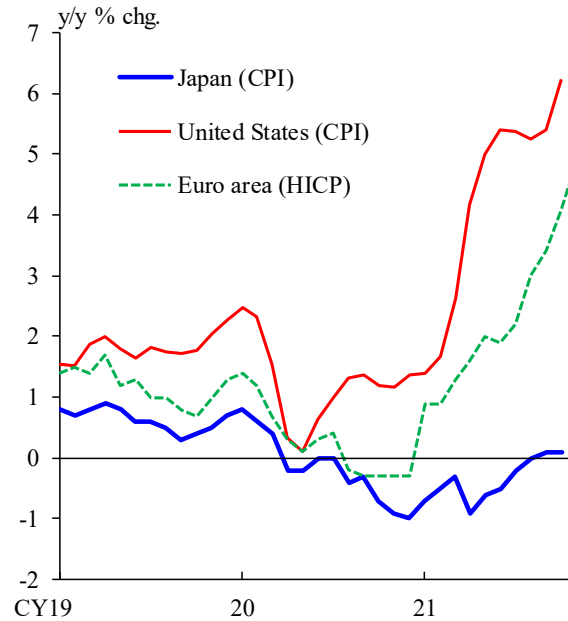
Note: Regarding details for the right-hand chart, see Box 2 "Effects of Rising International Commodity Prices on Corporate Profits" in the July 2021 Outlook Report.
Sources: Bloomberg; OECD; Haver.

Price Developments (1)

Producer Prices in Japan



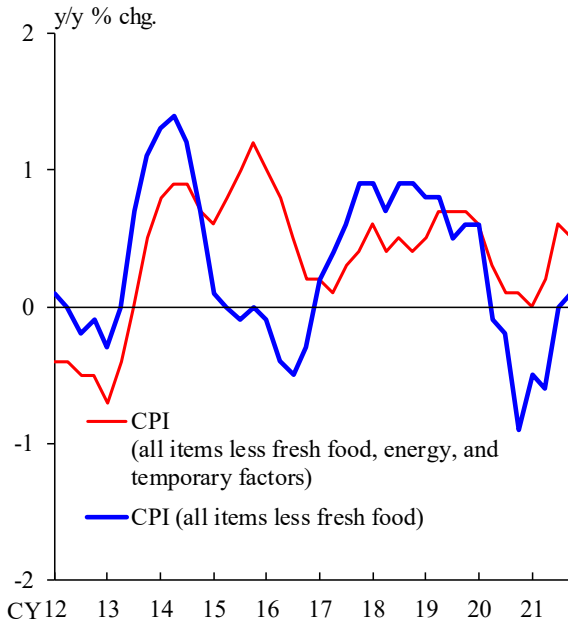
Consumer Prices in Japan, United States, and Europe



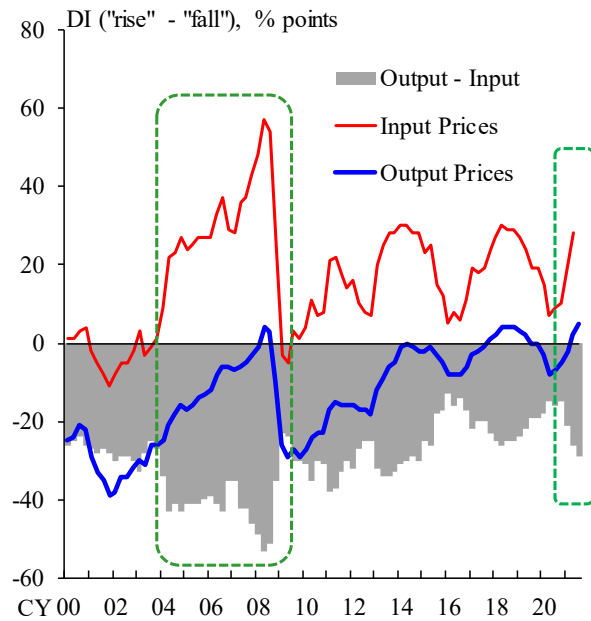
Notes: 1. In the left-hand chart, figures are the producer price index (PPI) for all commodities (adjusted to exclude the effects of the consumption tax hikes).
2. In the right-hand chart, figures for the United States and the euro area are the overall CPI and overall HICP, respectively. Figures for Japan are the CPI for all items excluding fresh food.
Sources: Bank of Japan; Haver; Ministry of Internal Affairs and Communications.

Price Developments (2)

*Japan's CPI
Excluding Temporary Factors*



Output and Input Prices (Tankan)



Notes: 1. In the left-hand chart, figures for CPI (all items less fresh food) exclude the direct effects of the consumption tax hike in April 2014. Figures for CPI (all items less fresh food, energy, and temporary factors) are staff estimates and exclude (1) energy, (2) the effects of policies concerning the provision of free education, (3) the effects of the "Go To Travel" campaign, which covers a portion of domestic travel expenses, and (4) mobile phone charges, from the CPI (all items less fresh food).
2. In the right-hand chart, figures are for all industries and enterprises.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

The Bank's Measures in Response to COVID-19

Supporting Corporate Financing

Special Program to Support Financing in Response to COVID-19

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

Stabilizing Financial Markets

Ample and Flexible Provision of Yen and Foreign Currency Funds

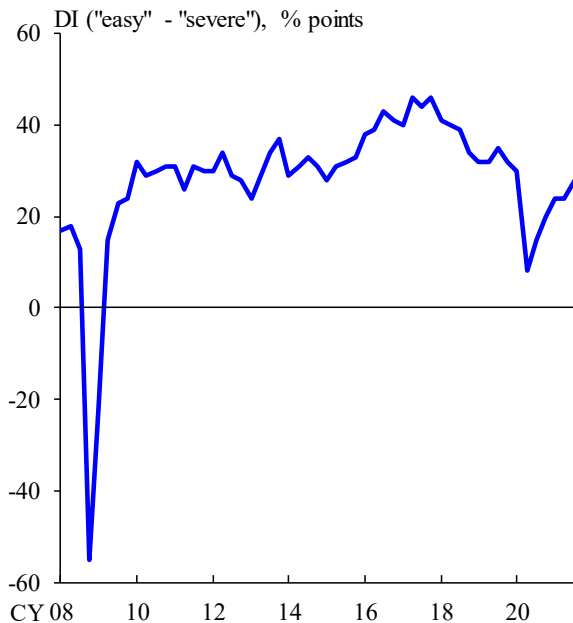
Purchases of ETFs and J-REITs

ETFs: annual pace with an upper limit of about 12 tril. yen

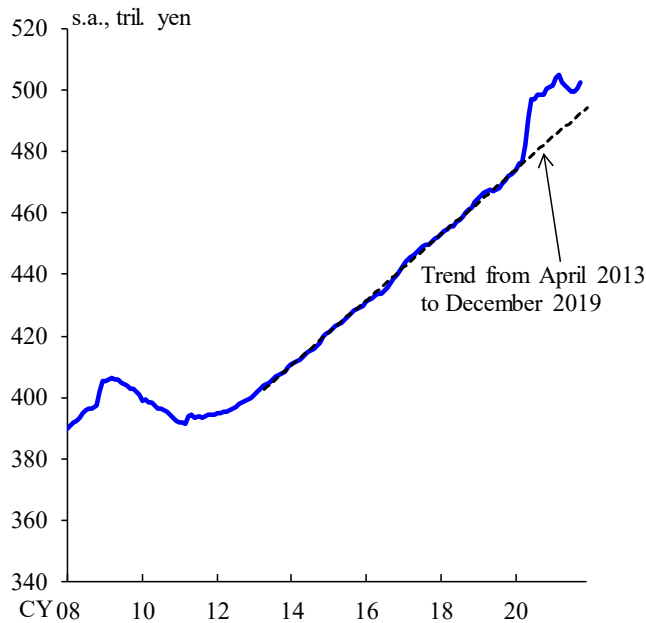
J-REITs: annual pace with an upper limit of about 180 bil. yen

Financial Conditions (1)

Issuance Conditions for CP as Perceived by Firms (Tankan)



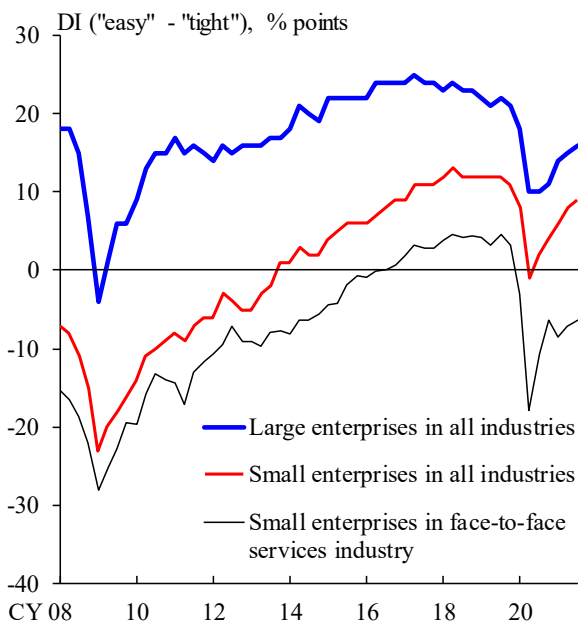
Amount Outstanding of Bank Lending



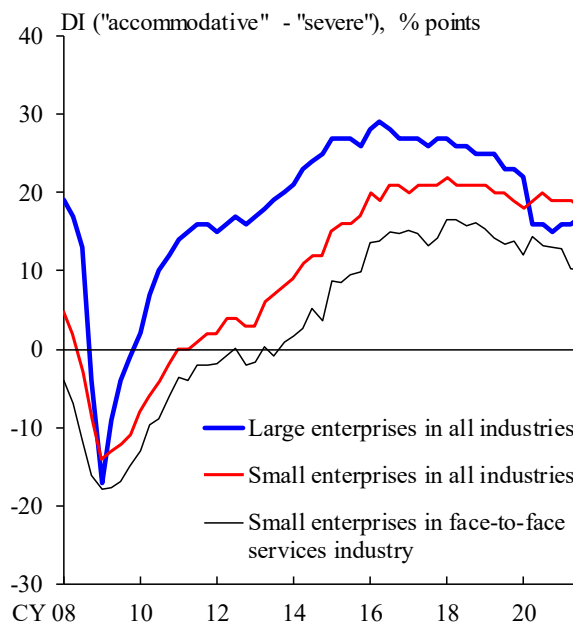
Note: In the left-hand chart, figures are for CP-issuing enterprises (all industries).
Source: Bank of Japan.

Financial Conditions (2)

Firms' Financial Positions (Tankan)

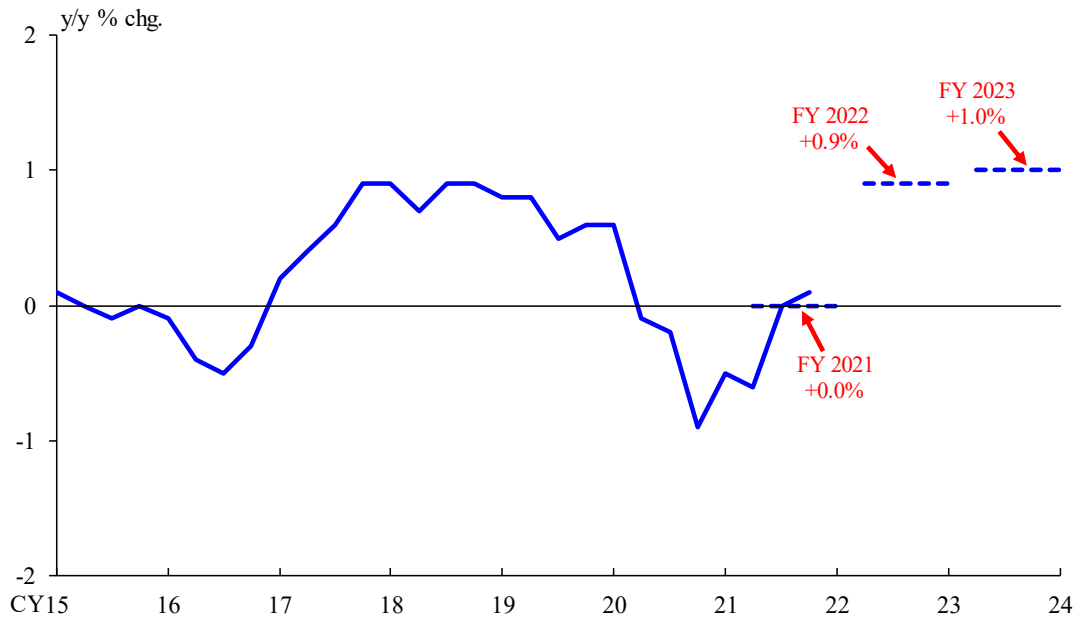


Lending Attitudes of Financial Institutions as Perceived by Firms (Tankan)



Note: Figures for small enterprises in the face-to-face services industry are the weighted averages of the DI for retailing, transport & postal activities, services for individuals, and accommodations, eating & drinking services.
Source: Bank of Japan.

The Bank's CPI Forecasts



Note: Figures are the CPI (all items less fresh food) excluding the direct effects of the consumption tax hike in April 2014. Percentage figures indicate the medians of the Policy Board members' forecasts (point estimates) presented in the October 2021 Outlook Report.
 Sources: Ministry of Internal Affairs and Communications; Bank of Japan.