

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Nagoya

November 14, 2022

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Governor of the Bank of Japan

Introduction

I. Economic Developments

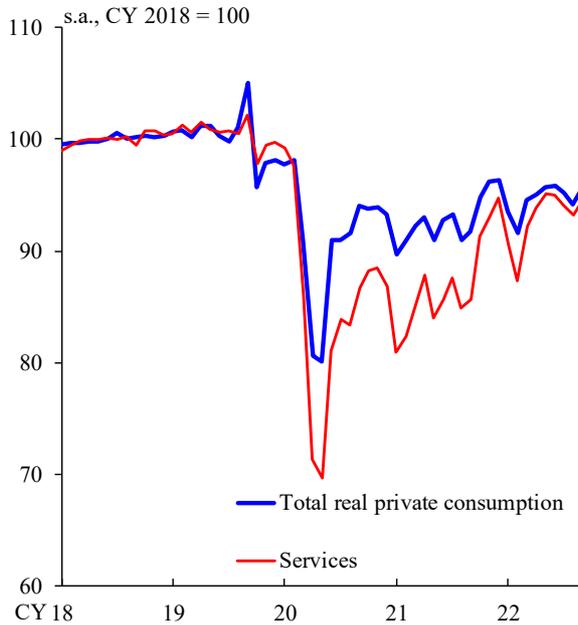
II. Price Developments

III. The Bank's Conduct of Monetary Policy

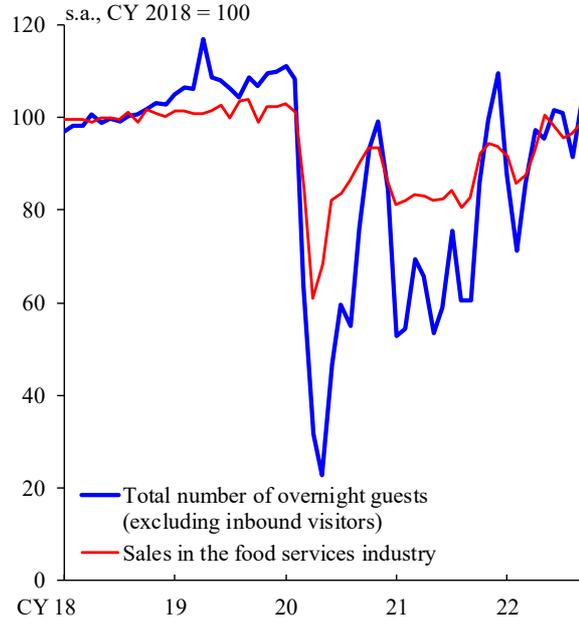
Concluding Remarks

Private Consumption

Consumption Activity Index



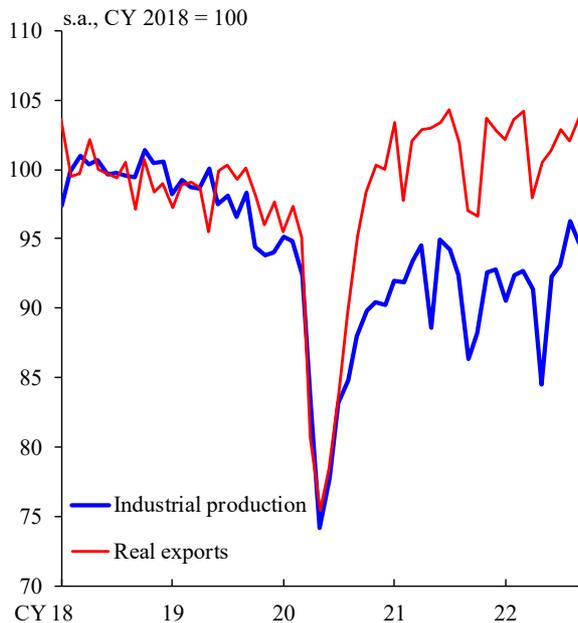
Consumption of Services



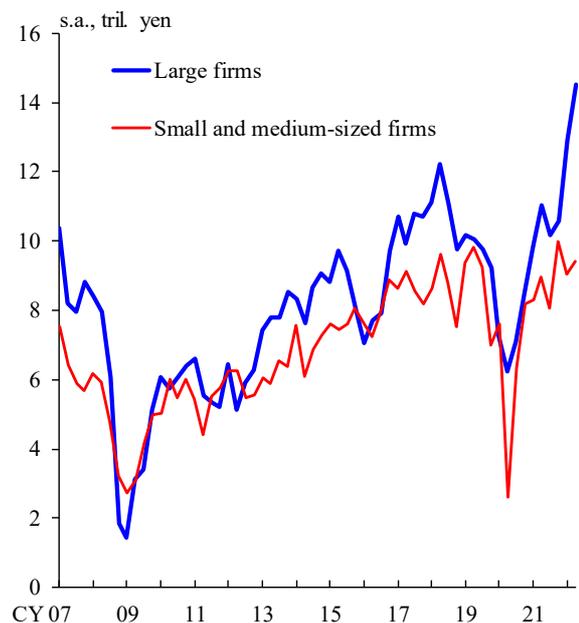
Note: In the left-hand chart, figures for total real private consumption are for the real Consumption Activity Index and are based on staff calculations. The figures exclude inbound tourism consumption and include outbound tourism consumption.
Sources: Bank of Japan; Japan Tourism Agency; Japan Foodservice Association, "Market Trend Survey of the Food Services Industry."

Exports, Production, and Current Profits

Exports and Production

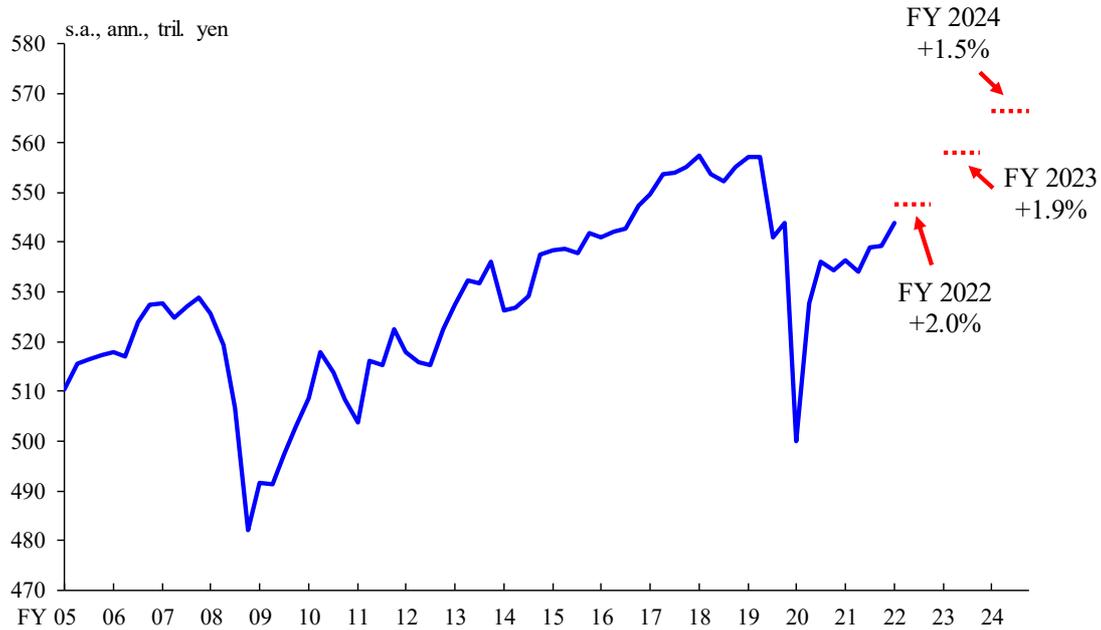


Current Profits



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

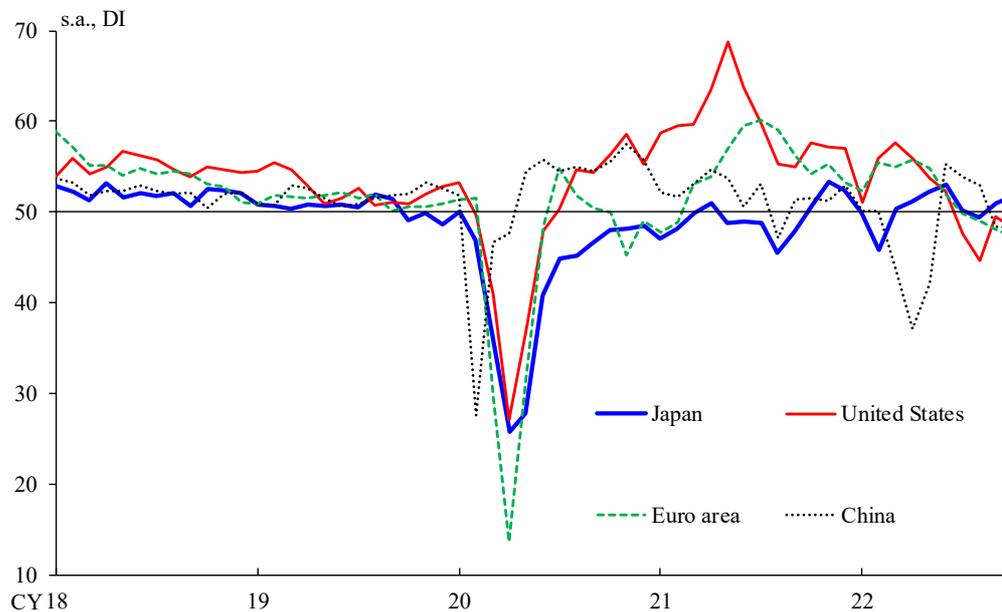
The BOJ's Forecasts for Real GDP (October 2022 Outlook Report)



Note: The forecasts presented are the medians of the Policy Board members' forecasts. The values of real GDP for fiscal 2022 onward are calculated by multiplying the actual figure for fiscal 2021 by all successive projected growth rates for each year.
Sources: Cabinet Office; Bank of Japan.

Developments in the Global Economy

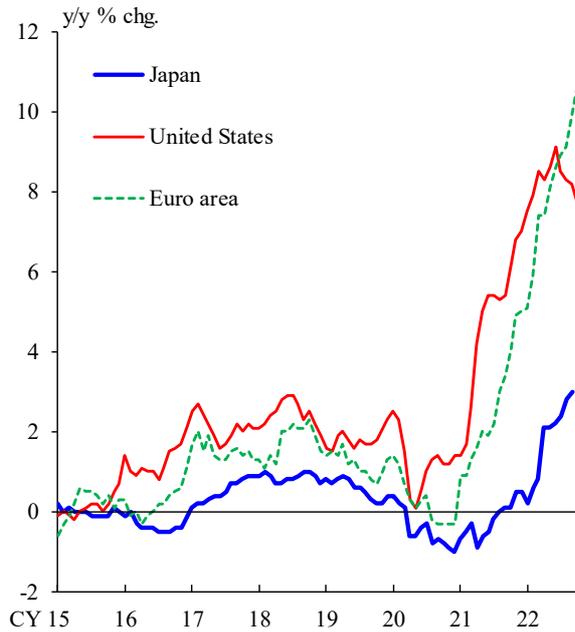
Composite PMIs for Major Economies



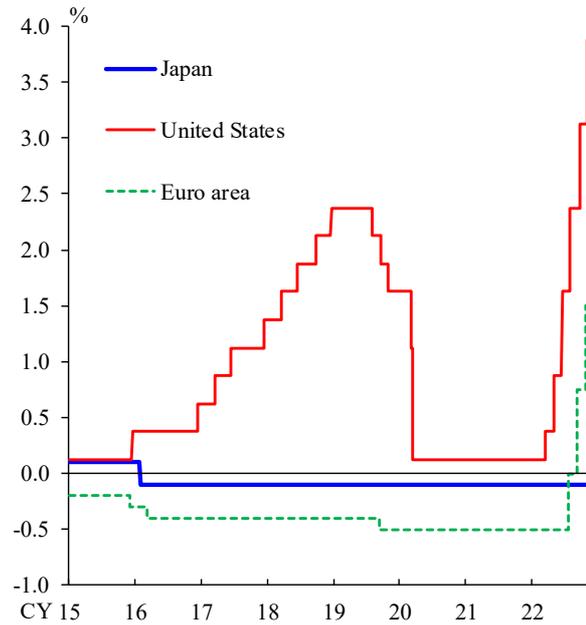
Note: The Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. Figures for Japan are the au Jibun Bank Japan PMI. Those for China are the Caixin China PMI.
Source: Copyright © 2022 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

Inflation and Policy Interest Rates in Major Economies

Inflation



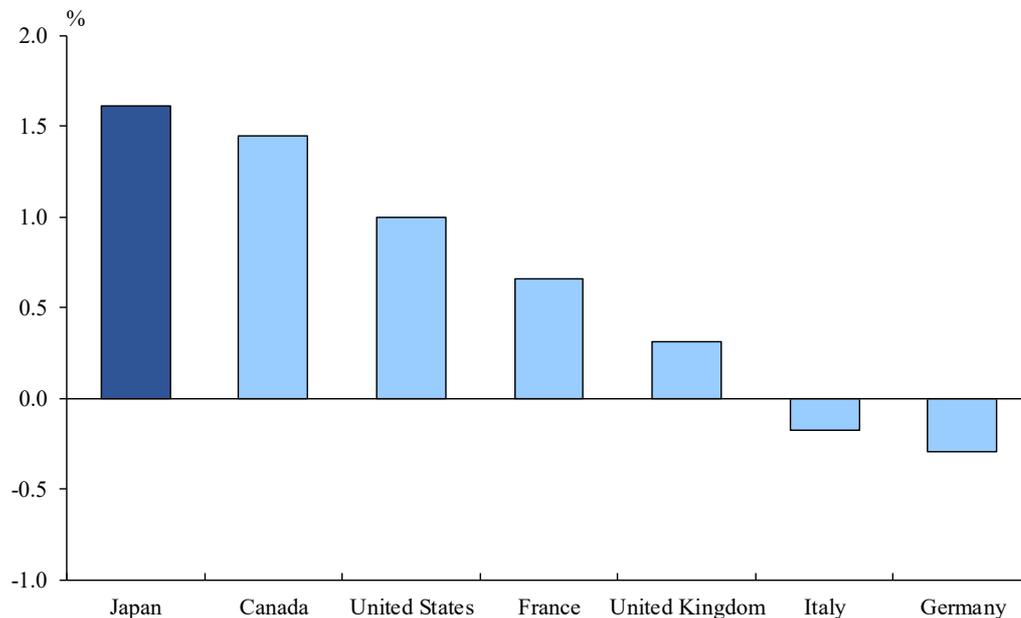
Policy Interest Rates



Notes: 1. In the left-hand chart, figures for Japan are the CPI for all items less fresh food, excluding the effects of the consumption tax hikes, etc. Those for the United States are the CPI for all items. Those for the euro area are the HICP for all items.
 2. In the right-hand chart, figures for Japan are the rates applied to financial institutions' current accounts (the Policy-Rate Balances) at the Bank of Japan. Those for the United States are the medians of the target ranges for the federal funds rate. Those for the euro area are the rates on the deposit facility.
 Sources: Ministry of Internal Affairs and Communications; Haver; Bloomberg.

IMF Forecasts (October 2022 *World Economic Outlook*)

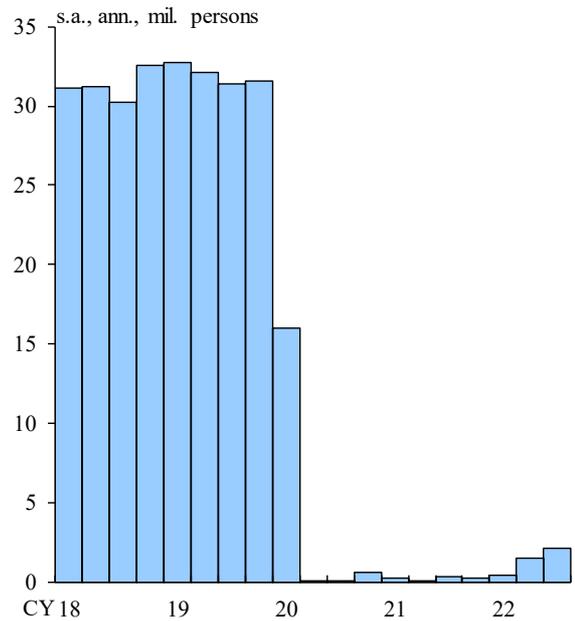
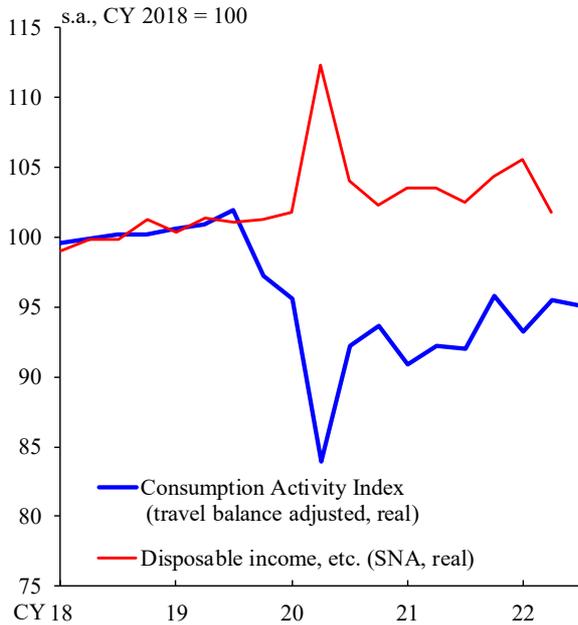
Growth Rate Forecasts for 2023 for the G7 Economies



Pent-Up Demand and Inbound Tourism Demand

Private Consumption and Disposable Income

Number of Inbound Visitors

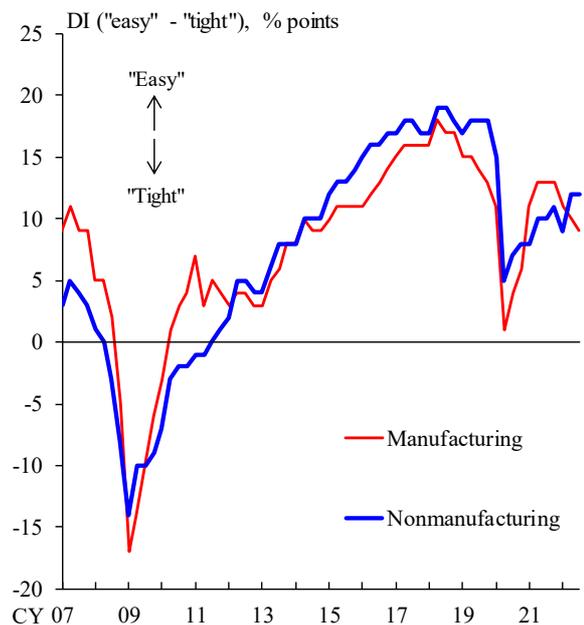
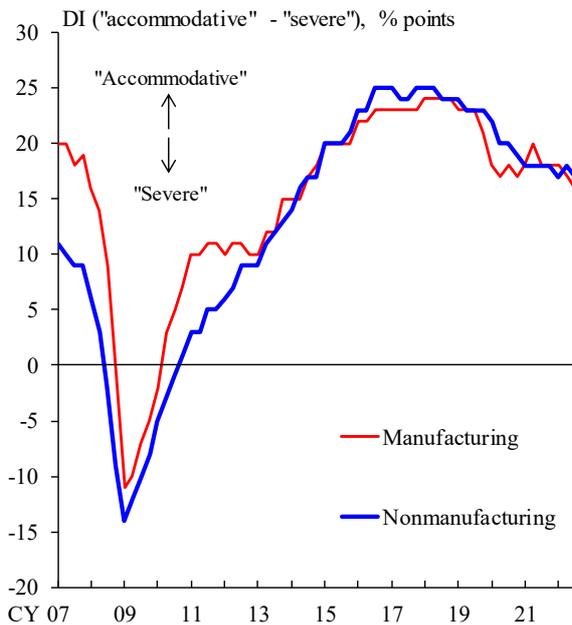


Note: In the left-hand chart, figures for the Consumption Activity Index (travel balance adjusted) are based on staff calculations. The figures exclude inbound tourism consumption and include outbound tourism consumption. "Disposable income, etc." consists of disposable income and adjustment for the change in pension entitlements, and the real values for it are obtained using the deflator of consumption of households.
Sources: Bank of Japan; Cabinet Office; Japan National Tourism Organization (JNTO).

Financial Conditions

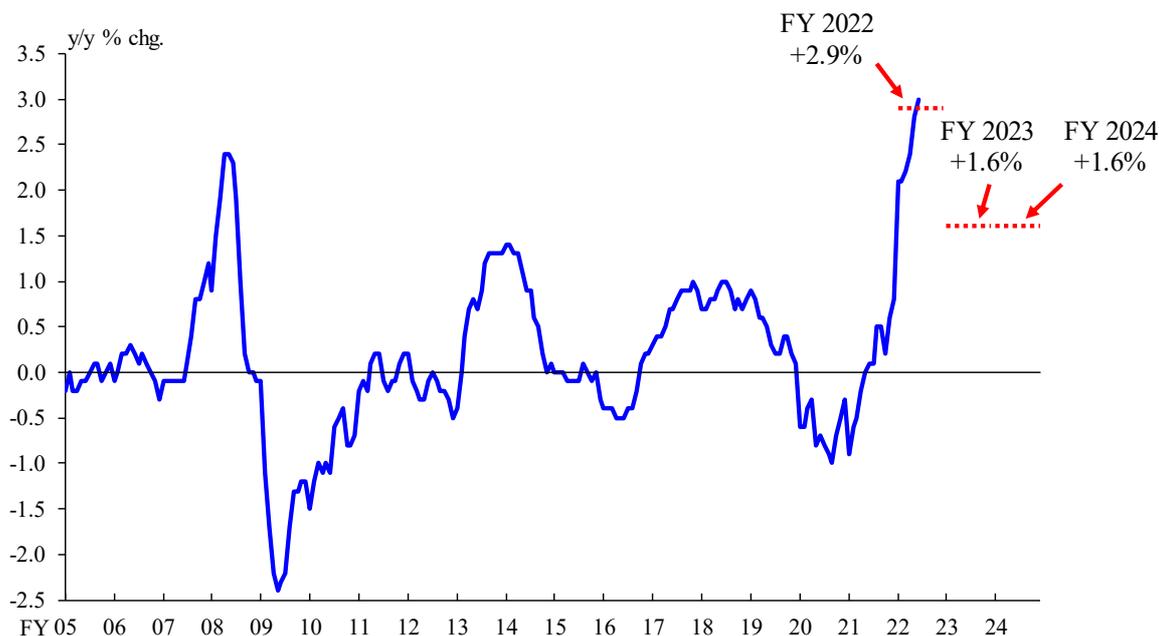
Lending Attitudes of Financial Institutions

Firms' Financial Positions



Source: Bank of Japan.

The BOJ's Forecasts for the CPI (October 2022 Outlook Report)



Note: Figures are the CPI for all items less fresh food, excluding the effects of the consumption tax hikes, etc. The forecasts presented are the medians of the Policy Board members' forecasts.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

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Forecasts for Japan's CPI by the IMF, Private-Sector Economists, and the BOJ

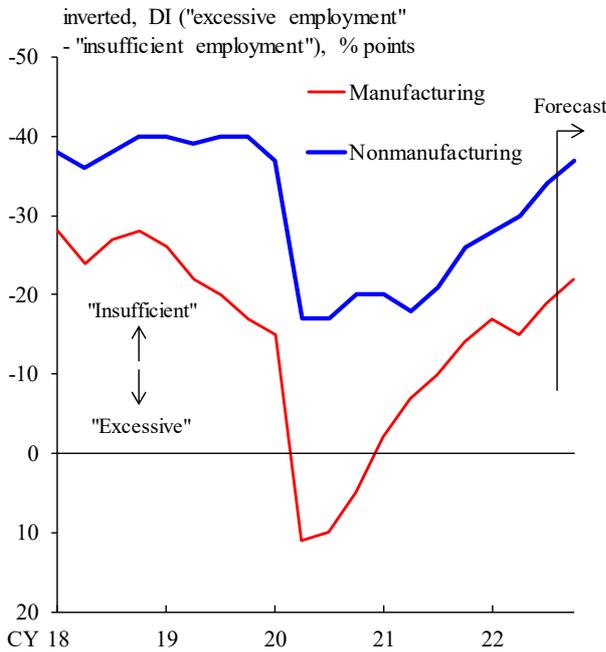
	y/y % chg.		
	2022	2023	2024
IMF (All items, calendar year)	+2.0	+1.4	+1.0
Private-sector economists (Less fresh food, fiscal year)	+2.7	+1.5	+1.0
Bank of Japan (Less fresh food, fiscal year)	+2.9	+1.6	+1.6

Note: Figures for the IMF and the Bank of Japan are forecasts as of October 2022. Those for private-sector economists are forecasts as of November. Figures for the IMF, private-sector economists, and the Bank of Japan are from the *World Economic Outlook*, the ESP Forecast, and the Outlook Report, respectively.
Sources: IMF; Japan Center for Economic Research, "ESP Forecast"; Bank of Japan.

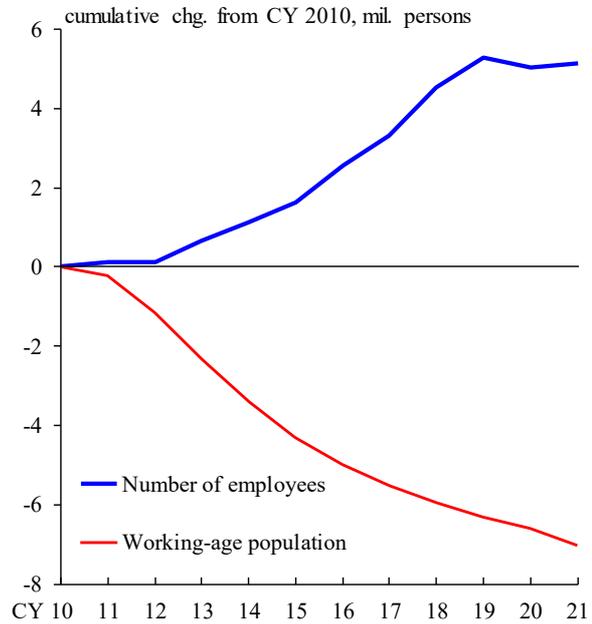
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Employment Situation

DIs for Employment Conditions



Working-Age Population and Number of Employees



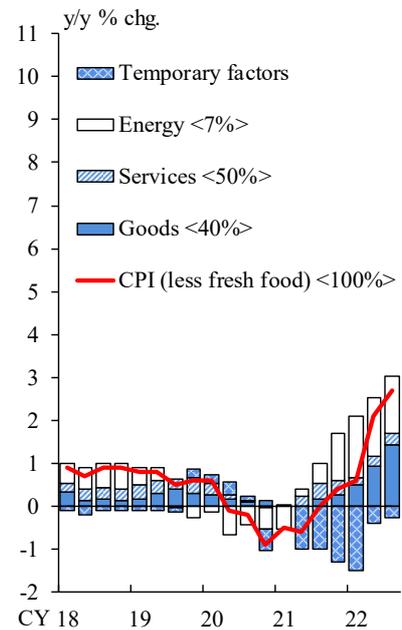
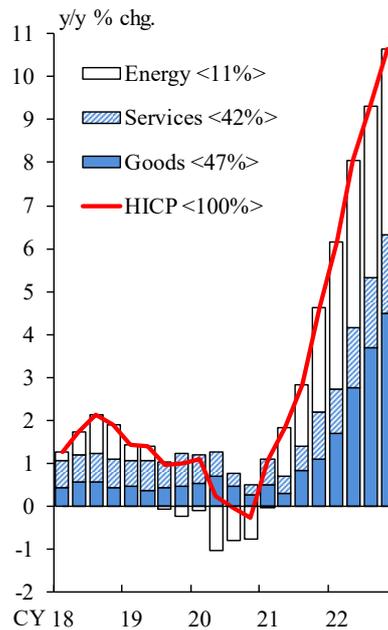
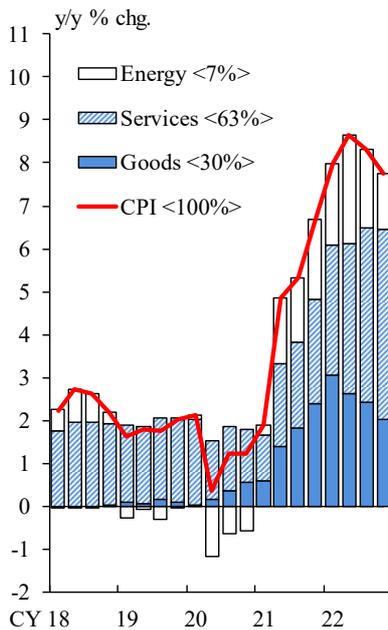
Sources: Bank of Japan; Ministry of Internal Affairs and Communications.

Inflation in Major Economies

United States

Euro Area

Japan



Note: Figures for temporary factors for Japan are staff estimates and consist of mobile phone charges and the effects of the consumption tax hike, policies concerning the provision of free education, and the "Go To Travel" campaign, which covers a portion of domestic travel expenses. Figures in angular brackets show the share of each component. Figures for the United States and the euro area for 2022/Q4 are those for October.

Sources: Haver; Ministry of Internal Affairs and Communications.