



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Akita

December 1, 2022

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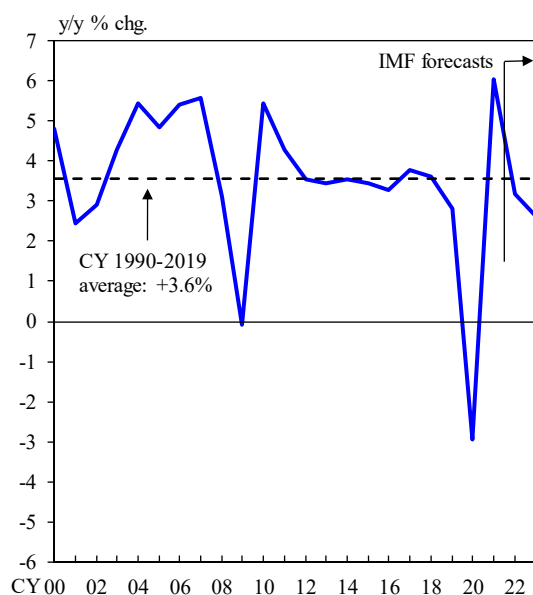
Member of the Policy Board

Bank of Japan

Chart 1

IMF Forecasts for Global Growth (October 2022 WEO)

Global Growth Rate

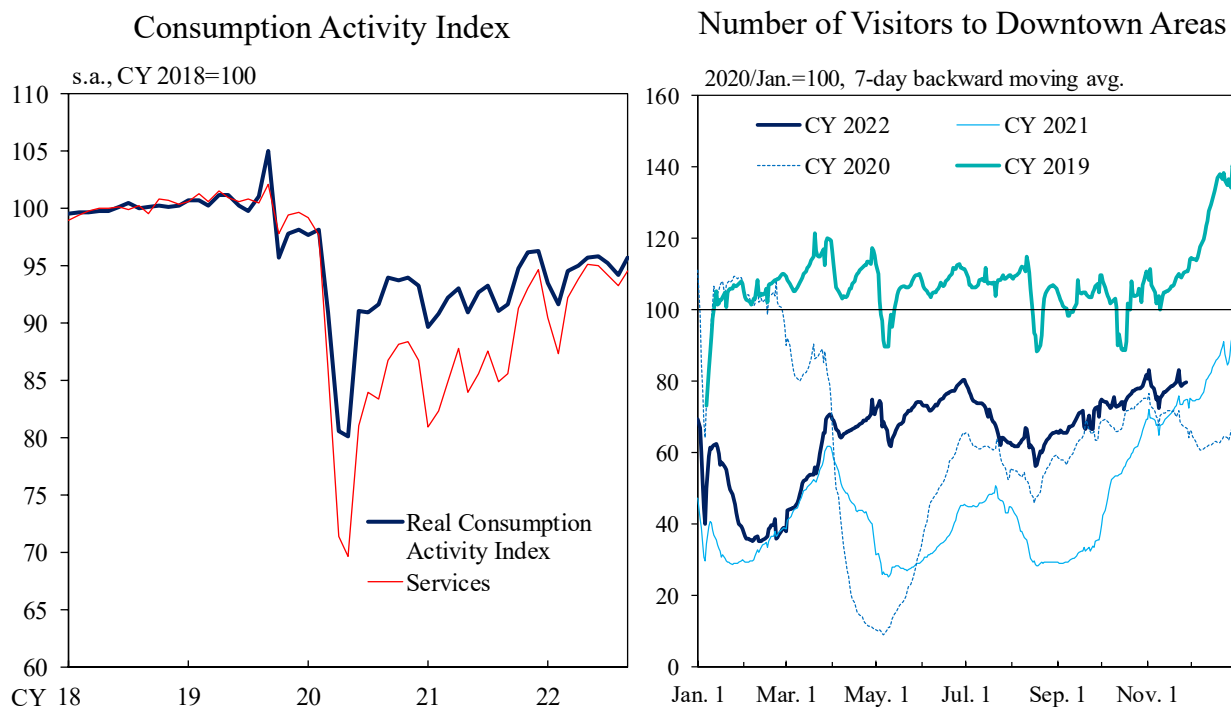


Major Economies' Growth Rates

	y/y % chg., % points			
	CY 2020	CY 2021	CY 2022 [Forecast]	CY 2023 [Forecast]
World	-3.0	6.0	3.2 (0.0)	2.7 (-0.2)
Advanced economies	-4.4	5.2	2.4 (-0.1)	1.1 (-0.3)
United States	-3.4	5.7	1.6 (-0.7)	1.0 (0.0)
Euro area	-6.1	5.2	3.1 (0.5)	0.5 (-0.7)
United Kingdom	-9.3	7.4	3.6 (0.4)	0.3 (-0.2)
Japan	-4.6	1.7	1.7 (0.0)	1.6 (-0.1)
Emerging market and developing economies	-1.9	6.6	3.7 (0.1)	3.7 (-0.2)
China	2.2	8.1	3.2 (-0.1)	4.4 (-0.2)
India	-6.6	8.7	6.8 (-0.6)	6.1 (0.0)
ASEAN-5	-3.4	3.4	5.3 (0.0)	4.9 (-0.2)

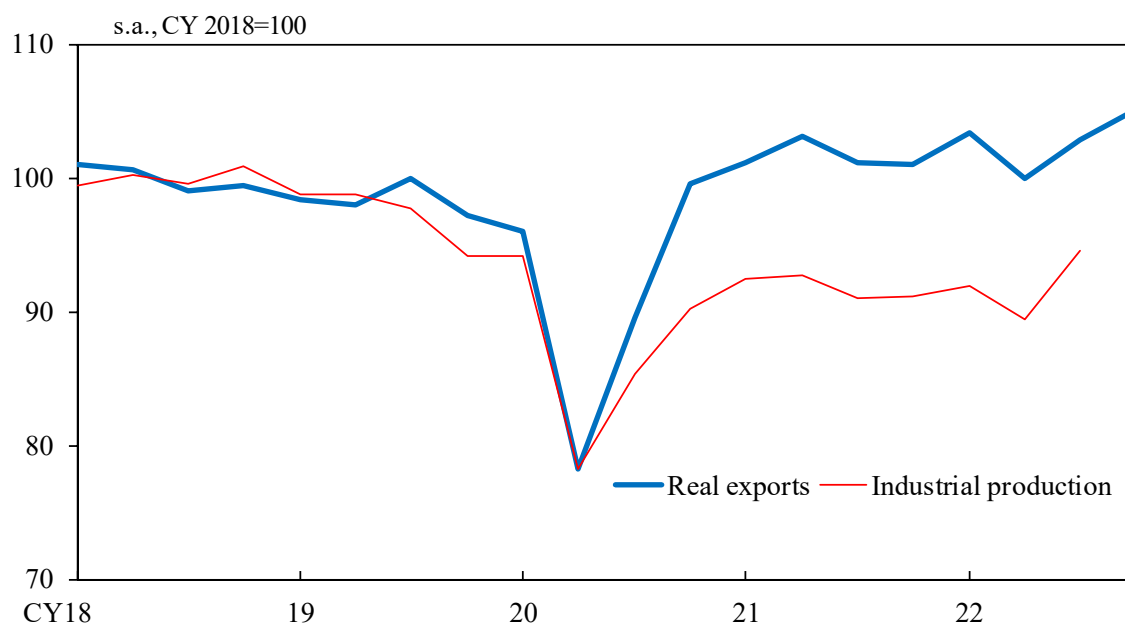
Note: In the table, figures in brackets are the differences from the forecasts in the July 2022 *World Economic Outlook* (WEO) Update.
Source: IMF.

Private Consumption



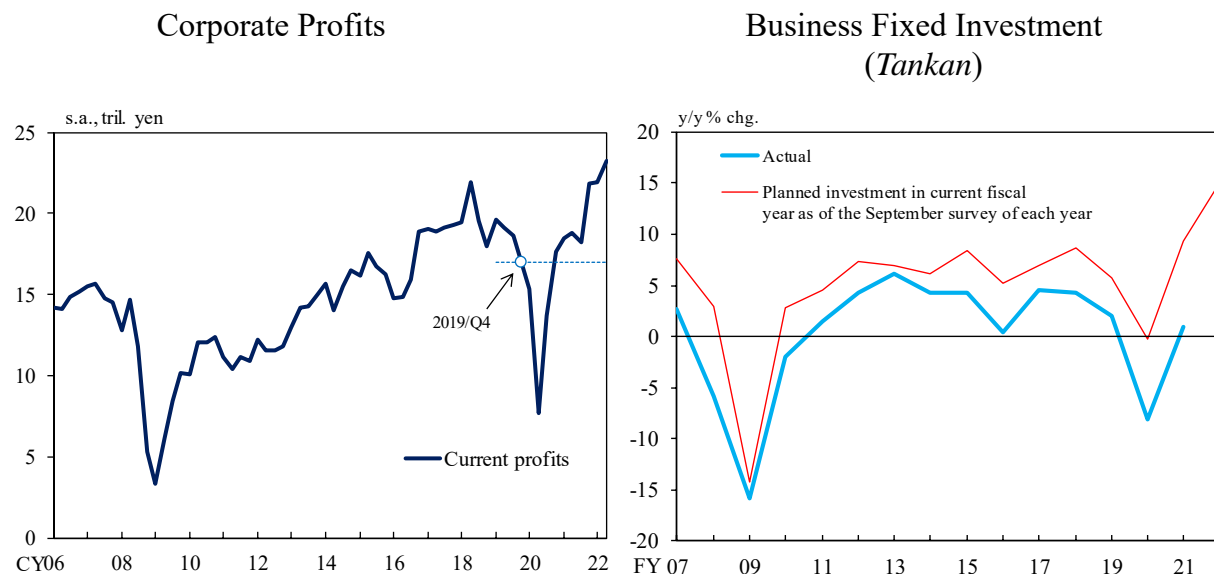
Notes: 1. In the left-hand chart, figures for real consumption activity index are travel balance adjusted.
 2. In the right-hand chart, figures are the sum of the differences in the number of visitors between 9 p.m. and 4 a.m. on the following day in 63 downtown areas.
 Sources: NTT DOCOMO, INC; DOCOMO InsightMarketing, INC; Bank of Japan.

Exports and Production



Note: Figures for real exports for 2022/Q4 are those for October.
 Sources: Ministry of Economy, Trade and Industry; Bank of Japan.

Corporate Profits and Business Fixed Investment



Notes: 1. In the left panel, 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.

2. In the right panel, figures are based on the *Tanken*, including software and R&D investments, but excluding land purchasing expenses. R&D investment is not covered as a survey item before the March 2017 survey. The figures are for all industries and enterprises including financial institutions.

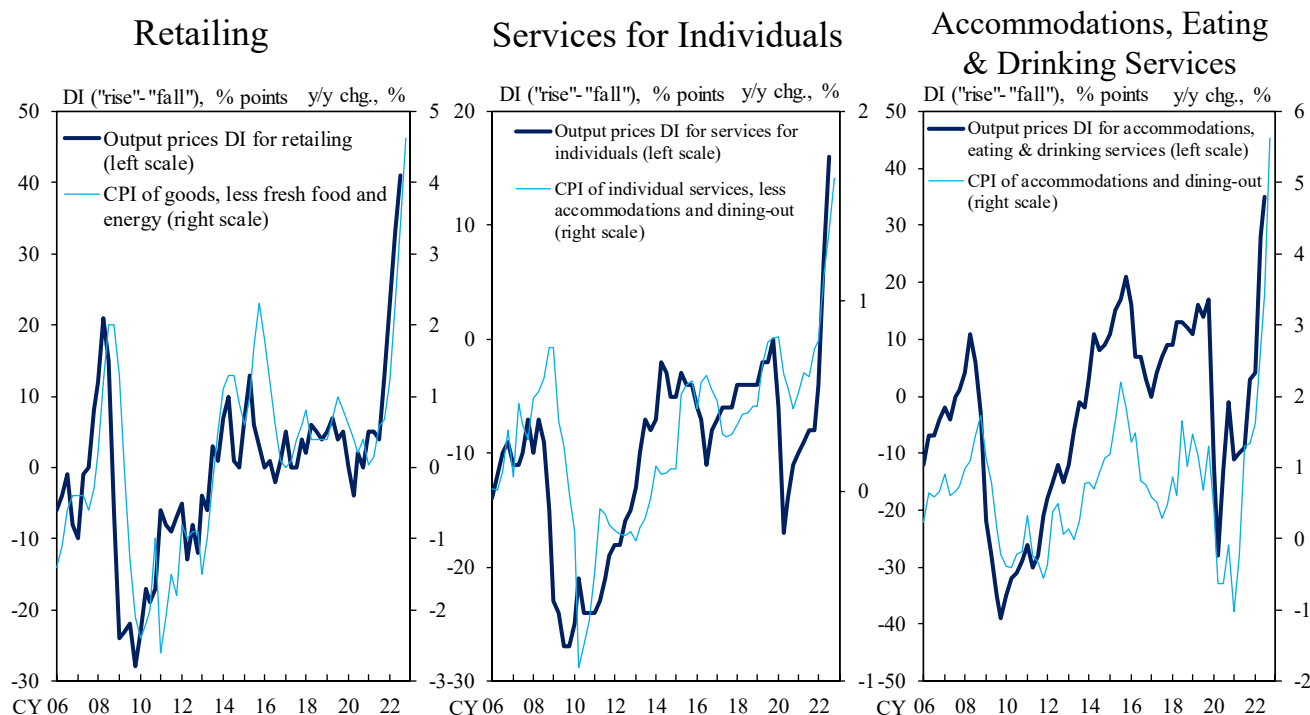
Sources: Ministry of Finance; Bank of Japan.

Consumer Prices

	y/y % chg.						
	22/Q1	Q2	Q3	22/July	August	September	October
CPI for all items	0.9	2.4	2.9	2.6	3.0	3.0	3.7
Less fresh food	0.6	2.1	2.7	2.4	2.8	3.0	3.6
Less fresh food and energy	-0.9	0.9	1.5	1.2	1.6	1.8	2.5
(Reference: contribution to the CPI for all items less fresh food)							
Energy	1.4	1.3	1.3	1.3	1.3	1.3	1.2
Food products	0.3	0.5	0.7	0.7	0.7	0.8	1.0
General services (less mobile phone charges)	0.2	0.3	0.4	0.3	0.4	0.4	0.4
Mobile phone charges	-1.5	-0.4	-0.3	-0.4	-0.2	-0.2	0.0

Source: Ministry of Internal Affairs and Communications.

Changes in Consumption-Related Firms' Price-Setting Stance



Notes: 1. Figures for output prices DI are based on the *Tankan* (all enterprises). Figures for CPI exclude the effects of the consumption tax hike, policies concerning the provision of free education, and travel subsidy programs.

2. In the middle chart, figures for CPI for individual services are adjusted figures less accommodations and dining-out, imputed rent, mobile phone charges, and package tours to overseas.

3. Figures for CPI for 2022/Q4 are those for October.

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

Active purchases of JGBs and T-Bills

U.S. Dollar Funds-Supplying Operations

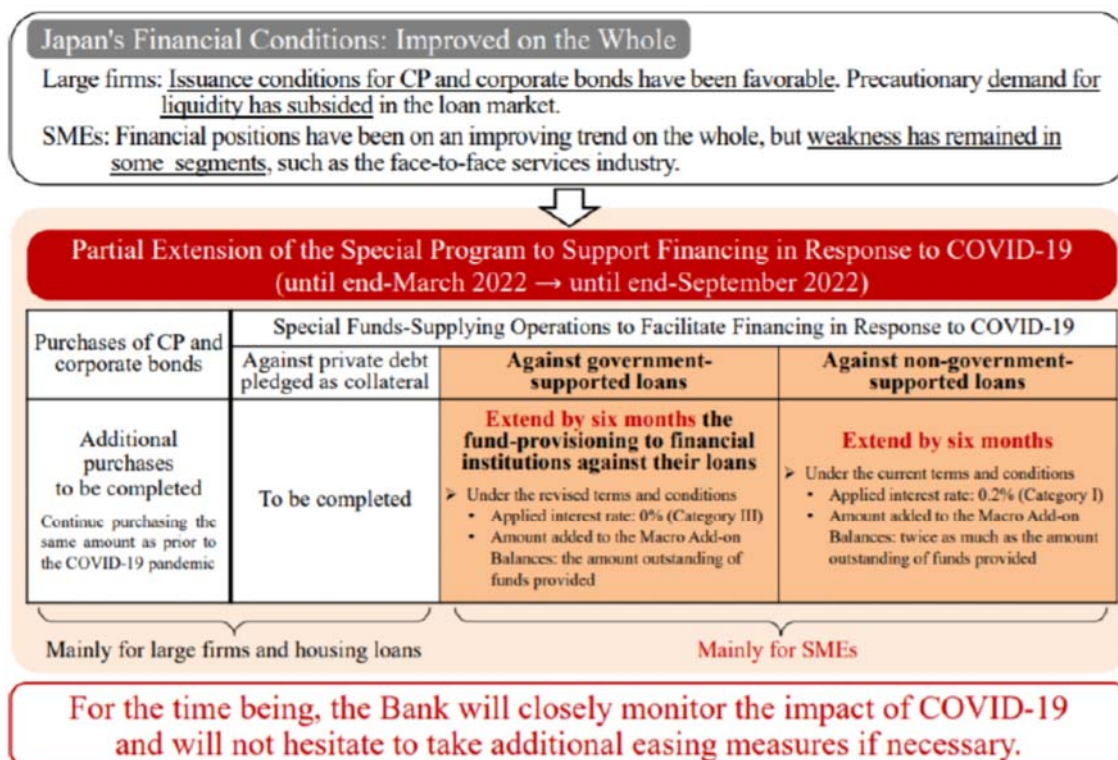
Lowering Risk Premia in Asset Markets

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

Revisions to the Bank's Measures to Support Corporate Financing (December 2021 MPM)



Revisions to the Bank's Measures to Support Corporate Financing (September 2022 MPM)



Policy Actions to Conduct Further Effective and Sustainable Monetary Easing

**Aim: Further effective and sustainable monetary easing
by "enhancing sustainability of monetary easing"
& "nimble responses to changes in the situation"**

1. Establishment of the Interest Scheme to Promote Lending

- Enable the Bank to cut short- and long-term interest rates more nimbly while considering the impact on the functioning of financial intermediation

2. Clarification of the range of fluctuations in long-term interest rates ($\pm 0.25\%$ from the target level)

- Strike a balance between securing effects of monetary easing and maintaining market functioning
- Introduction of "fixed-rate purchase operations for consecutive days"

3. New guideline for ETF and J-REIT purchases

- Purchase ETFs and J-REITs as necessary with upper limits of about 12 tril. yen and about 180 bil. yen, respectively, on annual paces of increase in their amounts outstanding (abolish the guideline for purchasing these assets, in principle, at annual paces of increase in their amounts outstanding of about 6 tril. yen and about 90 bil. yen, respectively)
- Purchase only ETFs tracking the TOPIX

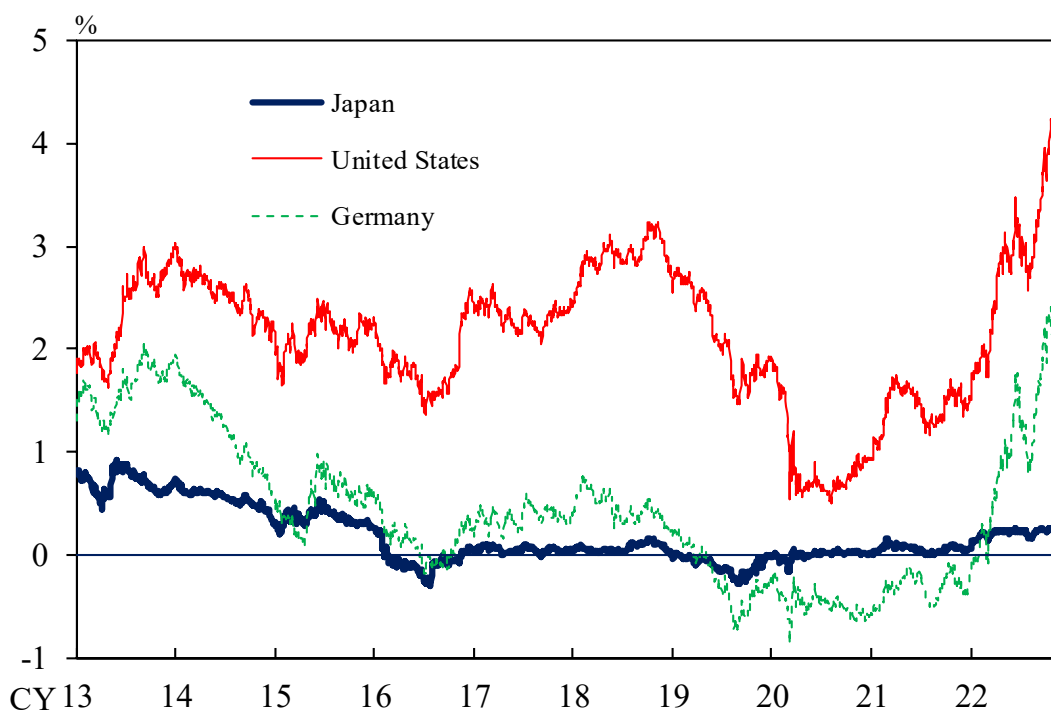
<Interest Scheme to Promote Lending>

- Apply incentives (linked to the short-term policy interest rate) to financial institutions' (FIs) current account balances, corresponding to the amount outstanding of funds provided through fund-provisioning measures to promote lending
 - Mitigate the impact on FIs' profits at the time of rate cuts depending on the amount of lending
 - The applied interest rates and the eligible fund-provisioning measures for each category will be changed as necessary at MPMs depending on the situation.

<Decision at the March 2021 MPM>

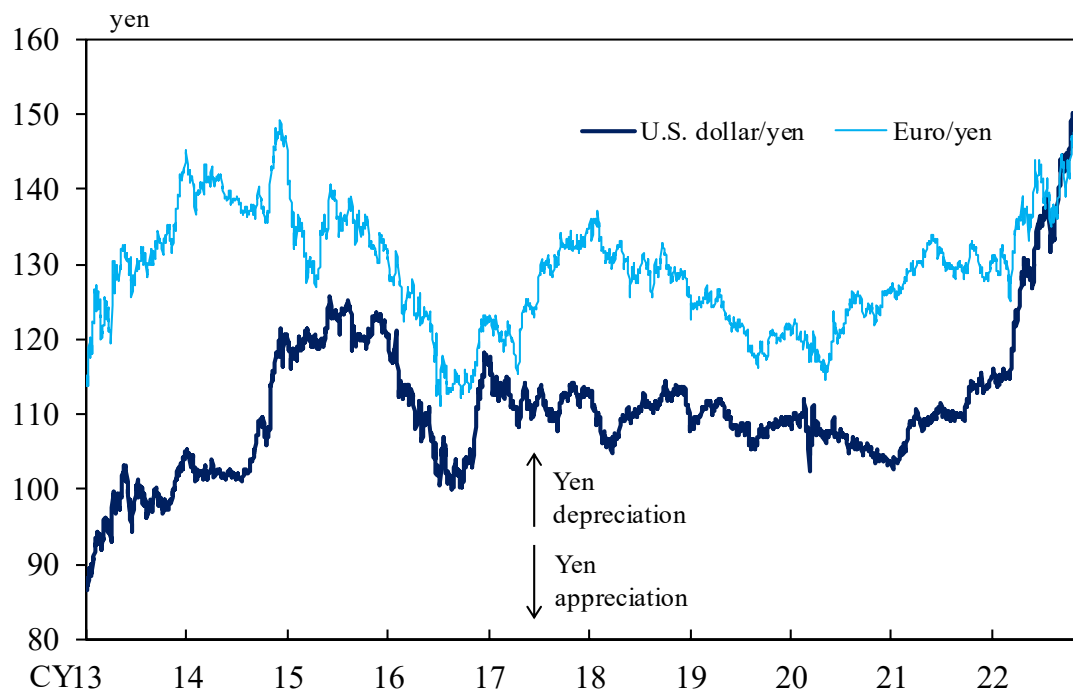
	Applied interest rates	Eligible fund-provisioning measures
Category I	0.2% Higher than the rate for Category II	<ul style="list-style-type: none"> • Special Operations in Response to COVID-19, when funds are provided against loans made by FIs on their own
Category II	0.1% Absolute value of the short-term policy interest rate	<ul style="list-style-type: none"> • Special Operations in Response to COVID-19, when funds are provided against loans other than those for Category I and against private debt pledged as collateral
Category III	0% Lower than the rate for Category II	<ul style="list-style-type: none"> • Loan Support Program • Operation to Support FIs in Disaster Areas

10-Year Government Bond Yields



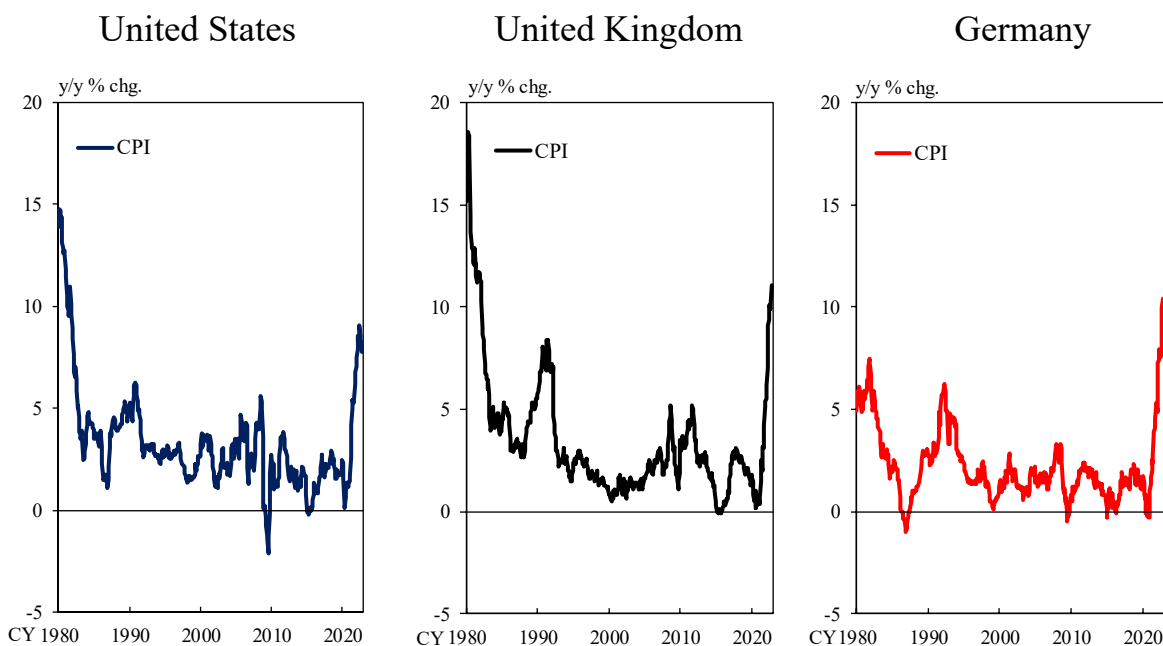
Source: Bloomberg.

U.S. Dollar/Yen and Euro/Yen



Source: Bloomberg.

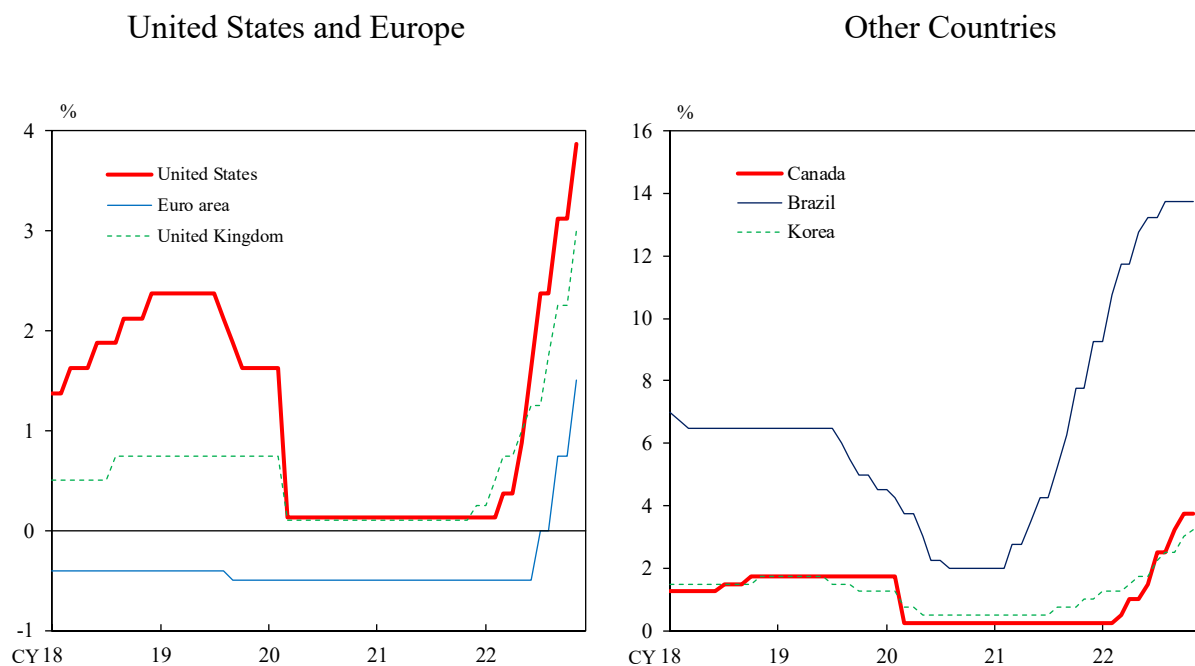
High Inflation in the United States and Europe



Note: Figures for Germany prior to the reunification of the country are those for the former West Germany. Figures for the United Kingdom prior to 1989 are from the Bank of England's (BOE's) "A millennium of macroeconomic data" and those from 1989 onward are from the Office for National Statistics' (ONS') data.

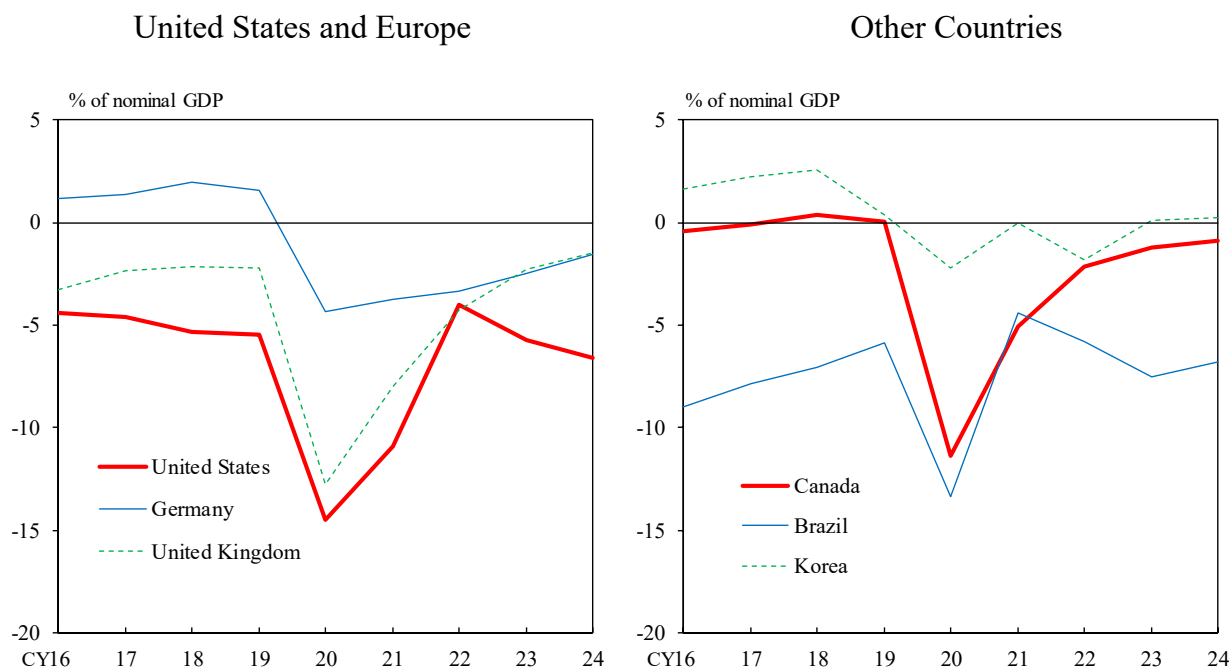
Sources: BOE; OECD; ONS.

Policy Interest Rates



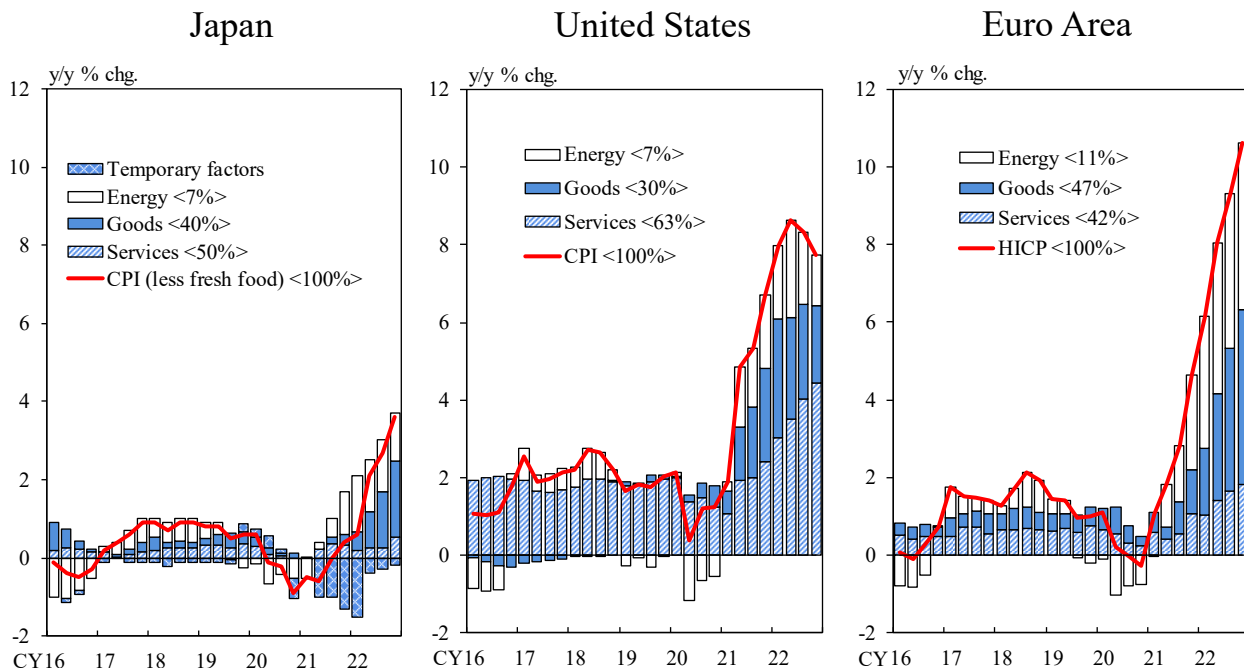
Note: In the left-hand chart, figures for the United States are the medians of the target ranges for the federal funds rate. Those for the euro area are the rates on the deposit facility.
Sources: BIS; ECB.

Fiscal Balances



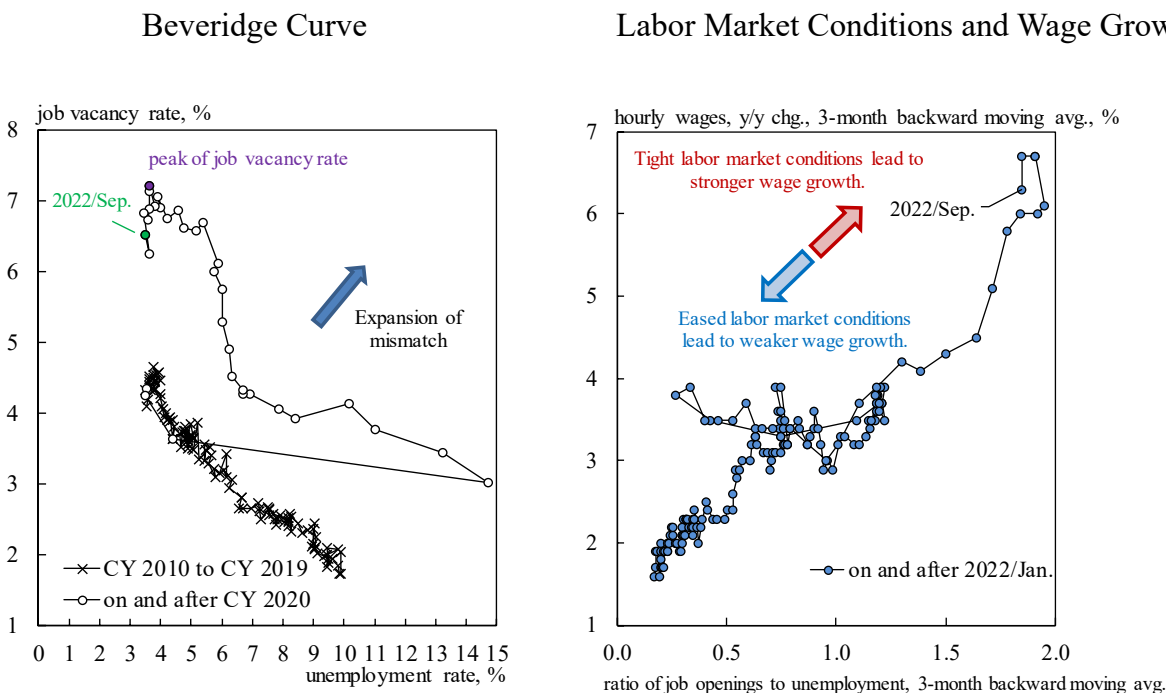
Note: Figures after 2021 are IMF projections.
Source: IMF.

Decomposition of Changes in Consumer Prices



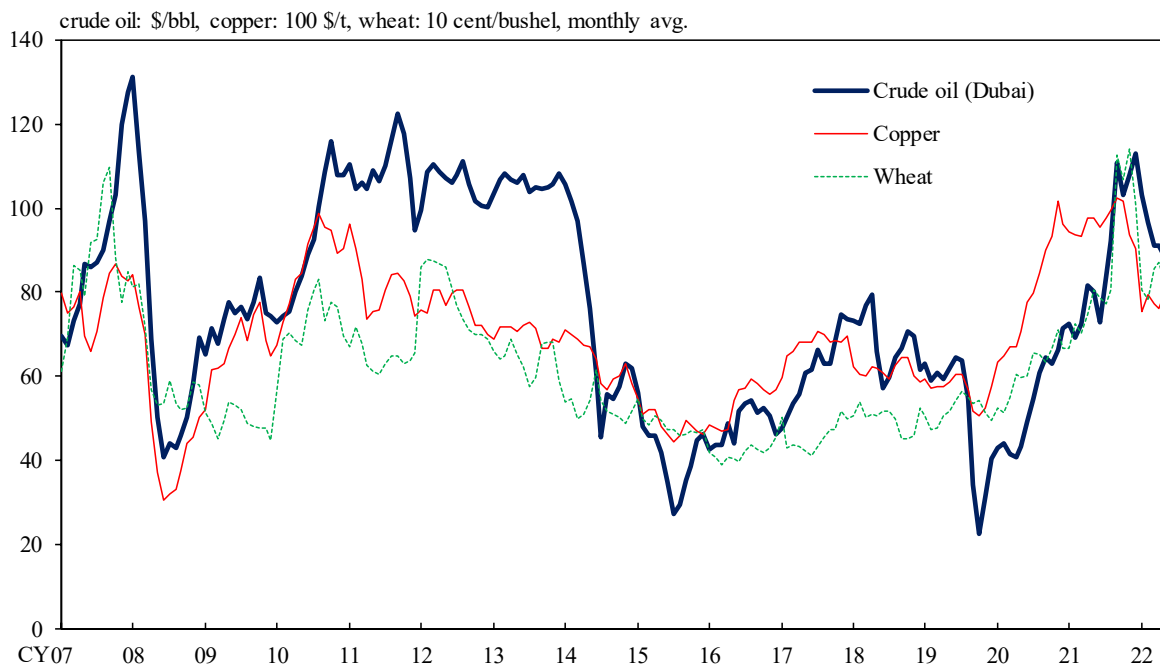
Notes: 1. Figures for temporary factors for Japan are Bank staff estimates and consist of the effects of the consumption tax hike and policies concerning the provision of free education, travel subsidy programs, and mobile phone charges.
 2. Figures in angular brackets show the share of each component. Figures for 2022/Q4 are for October.
 Sources: Haver Analytics; Ministry of Internal Affairs and Communications.

Labor Market Conditions in the United States



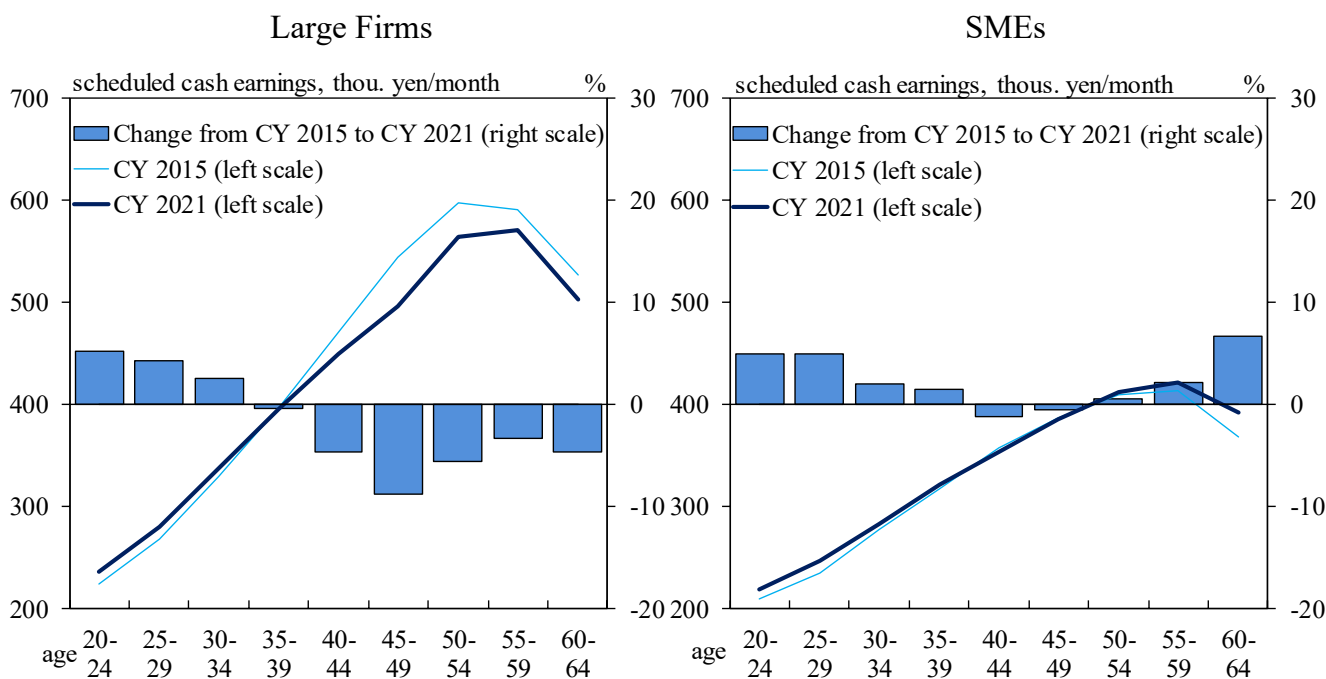
Note: In the left chart, hourly wages are those of the Atlanta Fed's Wage Growth Tracker.
 Source: Haver Analytics.

International Commodity Prices



Sources: Bloomberg; Nikkei Inc.

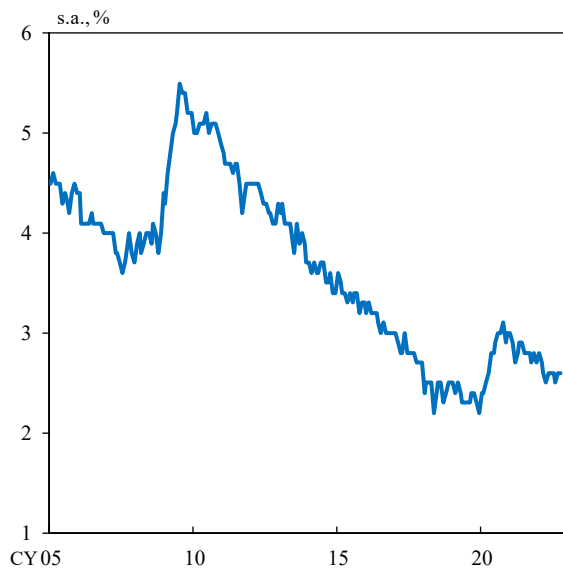
Wage Curve of Regular Employees



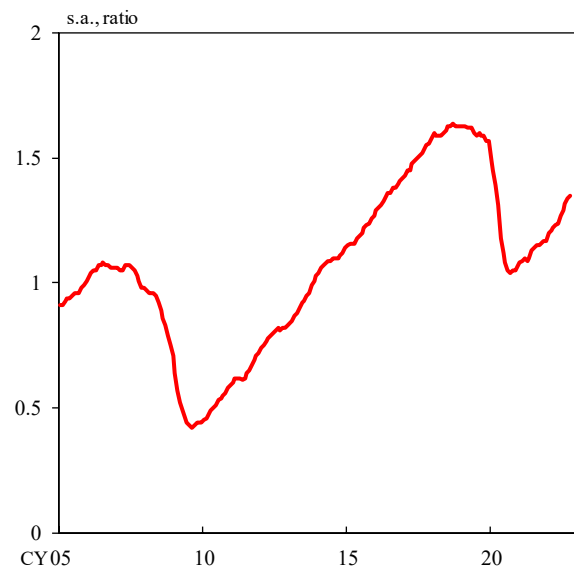
Note: Private firms hire more than 10 regular employees (large firms: more than 1,000; SMEs:10-99).
 Source: Ministry of Health, Labour and Welfare.

Unemployment Rate and Job Openings-to-Applicants Ratio

Unemployment Rate



Job Openings-to-Applicants Ratio



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