



Economic Activity, Prices, and Monetary Policy in Japan

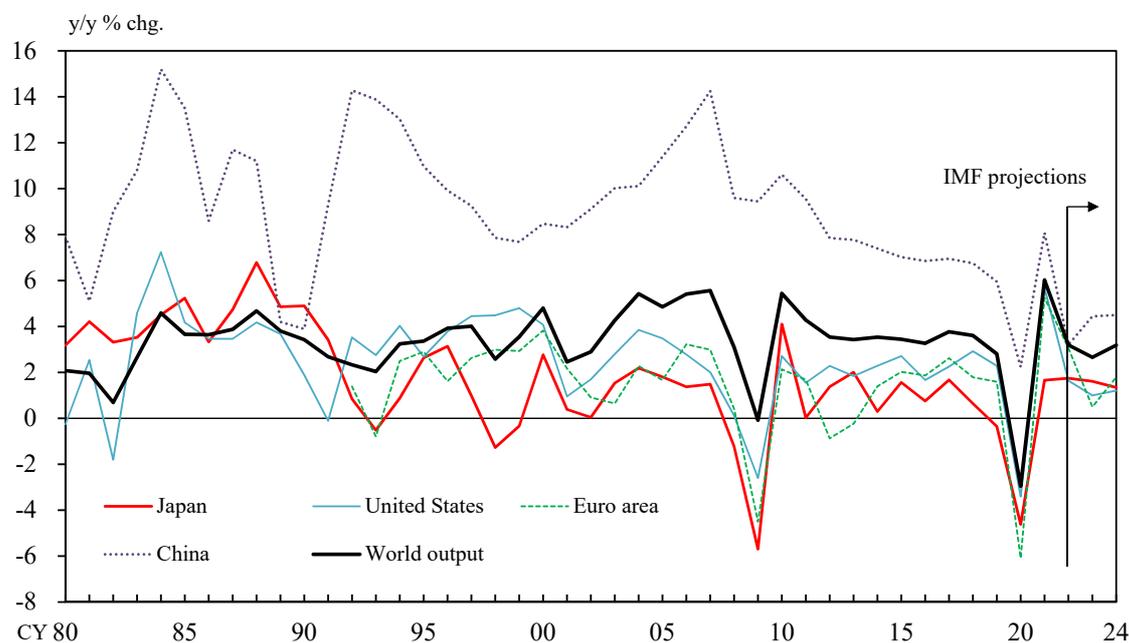
Speech at a Meeting with Local Leaders in Nagano

December 7, 2022

NAKAMURA Toyoaki
Member of the Policy Board
Bank of Japan

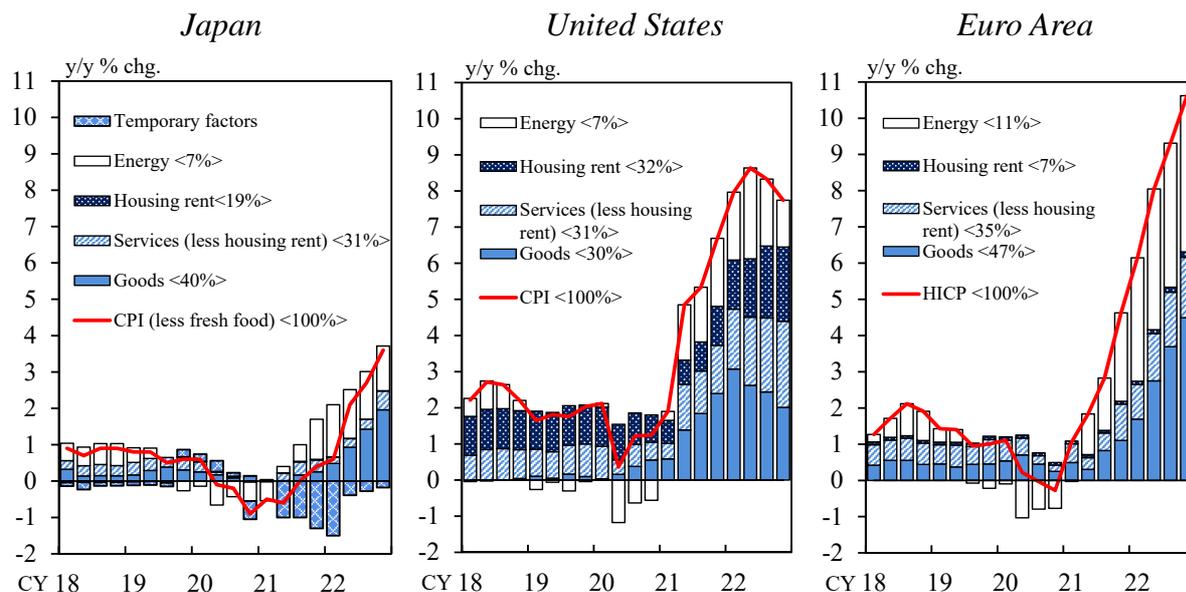
Chart 1

IMF Projections in the *World Economic Outlook* (October 2022)



Source: IMF.

Consumer Prices



Notes: 1. Figures for temporary factors for Japan are Bank staff estimates and consist of the effects of the reduction in mobile phone charges, the consumption tax hike, free education policies, and travel subsidy programs.
 2. Figures in angular brackets show the share of each component. Figures for 2022/Q4 are those for October.

Sources: Haver; Ministry of Internal Affairs and Communications.

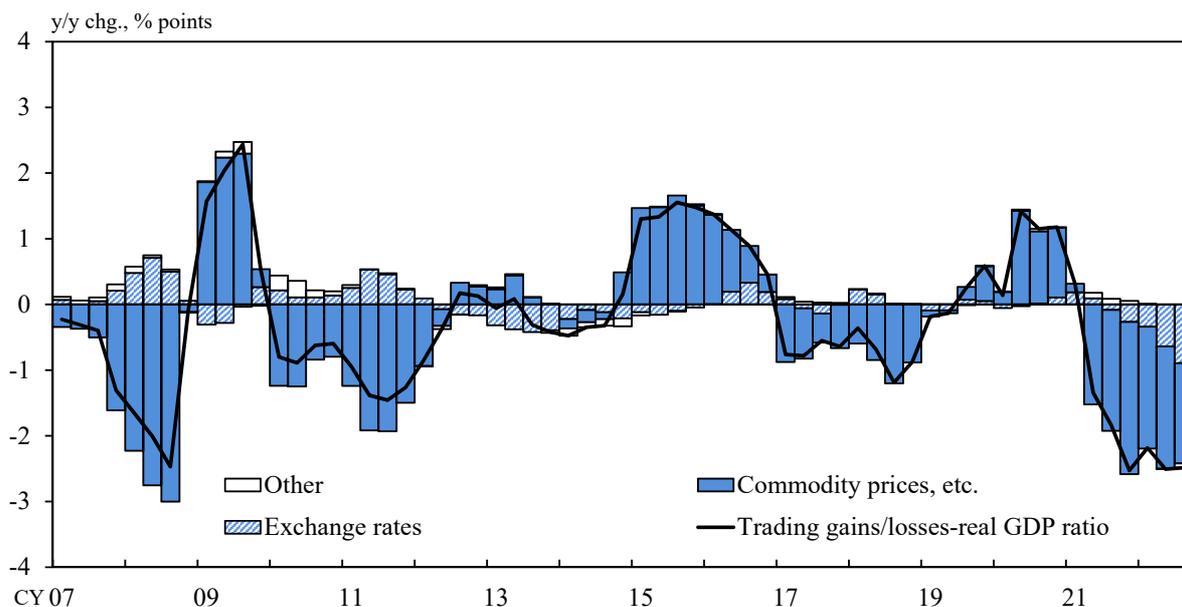
Forecasts of the Majority of the Policy Board Members

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2022	+1.8 to +2.1 [+2.0]	+2.8 to +2.9 [+2.9]	+1.8 to +1.9 [+1.8]
Forecasts made in July 2022	+2.2 to +2.5 [+2.4]	+2.2 to +2.4 [+2.3]	+1.2 to +1.4 [+1.3]
Fiscal 2023	+1.5 to +2.0 [+1.9]	+1.5 to +1.8 [+1.6]	+1.5 to +1.8 [+1.6]
Forecasts made in July 2022	+1.7 to +2.1 [+2.0]	+1.2 to +1.5 [+1.4]	+1.2 to +1.4 [+1.4]
Fiscal 2024	+1.3 to +1.6 [+1.5]	+1.5 to +1.9 [+1.6]	+1.5 to +1.8 [+1.6]
Forecasts made in July 2022	+1.1 to +1.5 [+1.3]	+1.1 to +1.5 [+1.3]	+1.4 to +1.7 [+1.5]

Notes: 1. Figures in brackets indicate the median 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 they attach 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. Each Policy Board member makes their forecasts taking into account the effects of past policy decisions and with reference to views incorporated in financial markets regarding the future conduct of policy.

Source: Bank of Japan.

Contribution to Changes in Trading Gains and Losses



Notes:1. The contribution of commodity prices, etc. is calculated using changes in export/import price indexes on a contract currency basis. The contribution of exchange rates is calculated using the difference between export/import price indexes on a yen basis and those on a contract currency basis. "Other" is the contribution of other factors such as changes in quantities.

2. Trading gains/losses = (Nominal net exports / Weighted average of export and import deflators) - Real net exports

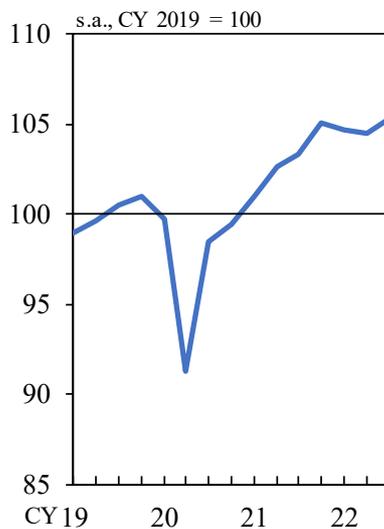
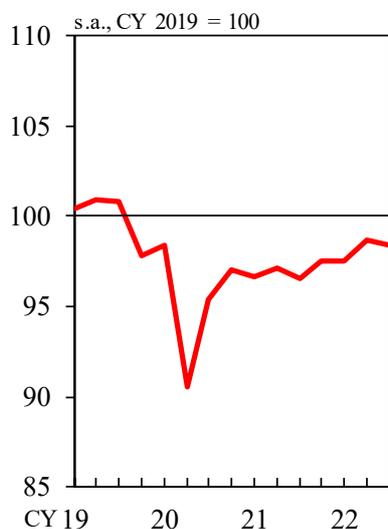
Sources: Cabinet Office; Bank of Japan.

Real GDP

Japan

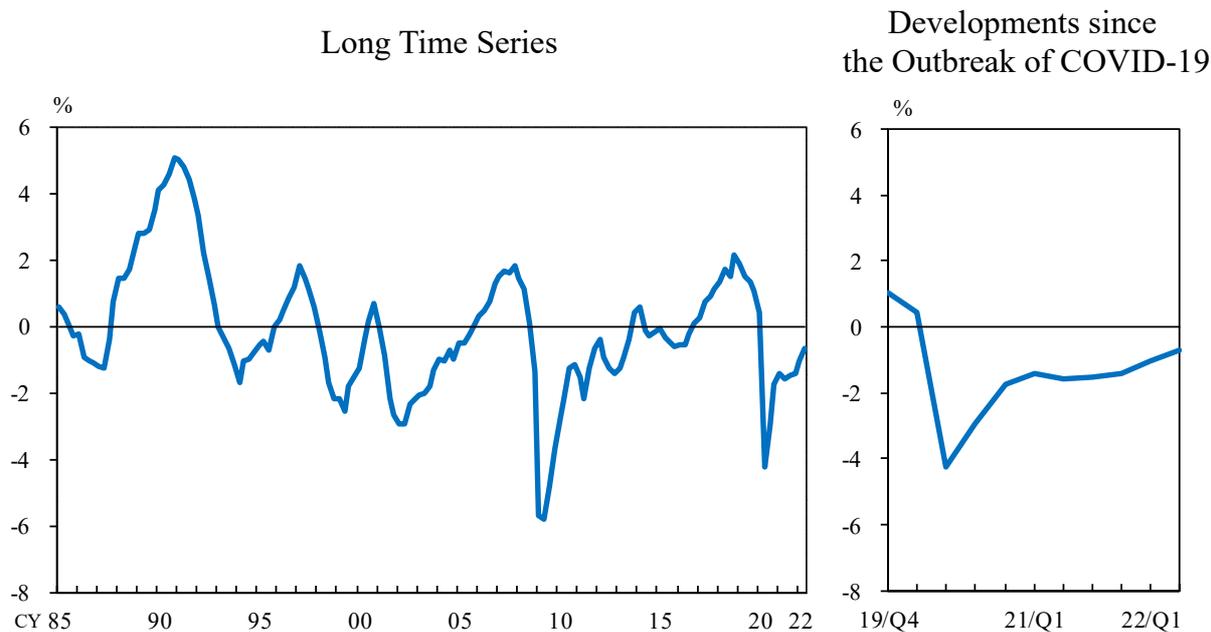
United States

Euro Area



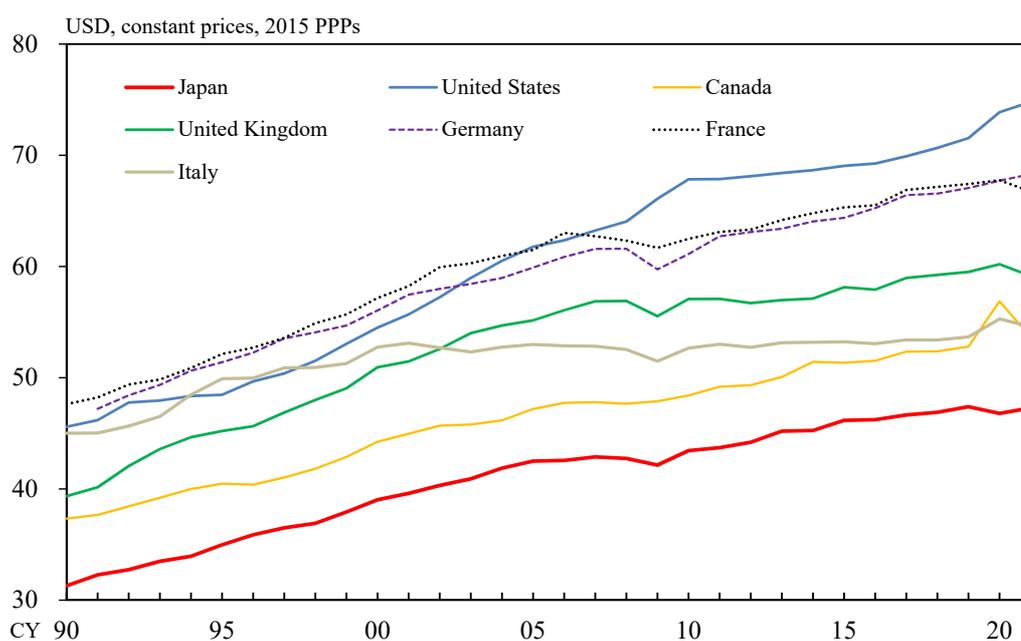
Sources: Cabinet Office; Haver.

Output Gap



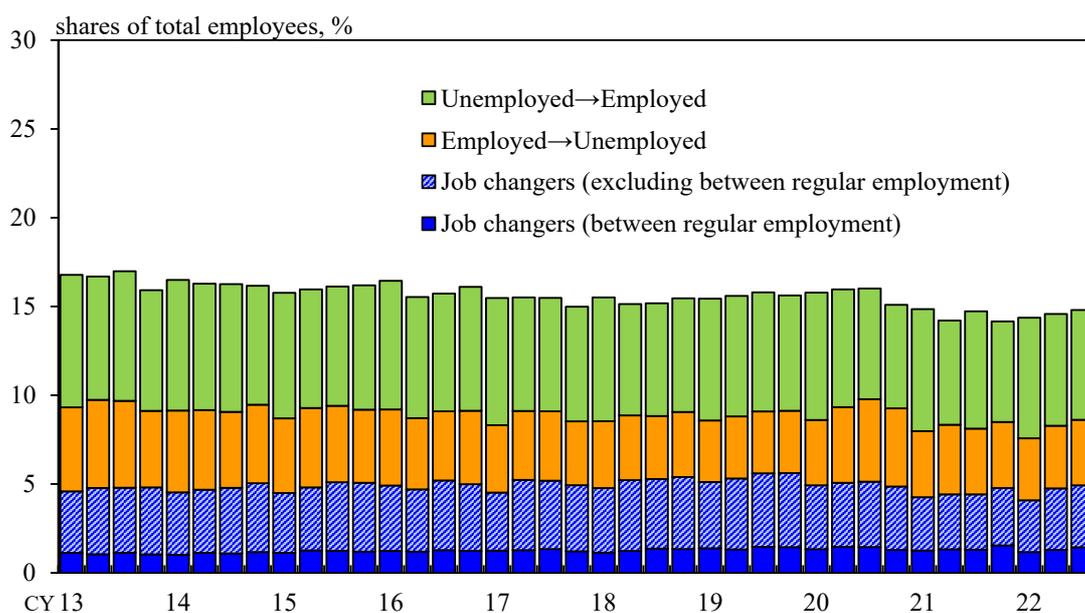
Note: The output gap is estimated by the Bank's Research and Statistics Department.
 Source: Bank of Japan.

Comparison of Labor Productivity in G7 Countries



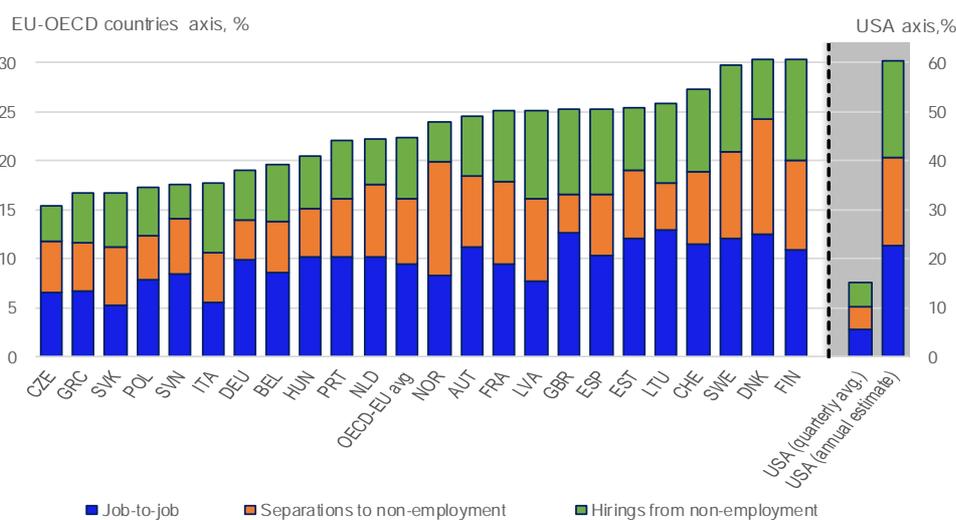
Note: GDP per hour worked.
 Source: OECD.

Labor Mobility in Japan



Note: Job changers are employees who have left their previous job in the past year and are currently employed.
 "Employed→Unemployed" refers to those who have left employment in the past year and are not currently employed.
 Source: Ministry of Internal Affairs and Communications.

Labor Mobility in Europe and the United States (as of 2019)

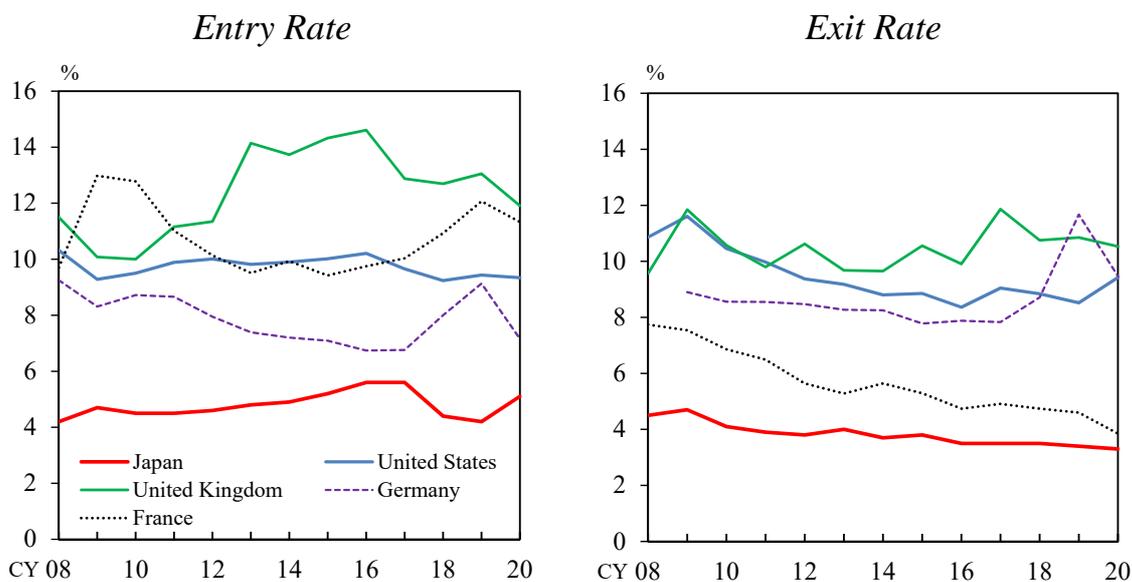


Notes: 1. Figures for Europe are percentages of those whose employment status has changed from the previous year relative to the number of all employed persons. Non-employment refers to the status of being unemployed or inactive in the labor force. Figures for Norway are based on data for 2018.

2. Figures for the United States are percentages of those whose employment status has changed from the previous quarter relative to the number of all employed persons. Non-employment refers to non-employment that has lasted for more than one quarter. Quarterly average is the average over four quarters. Annual estimate is the cumulative total of four quarters.

Source: Causa, O., Luu, N., and Abendschein, M., "Labour market transitions across OECD countries: Stylised facts," *OECD Economics Department Working Papers*, No.1692, 2021.

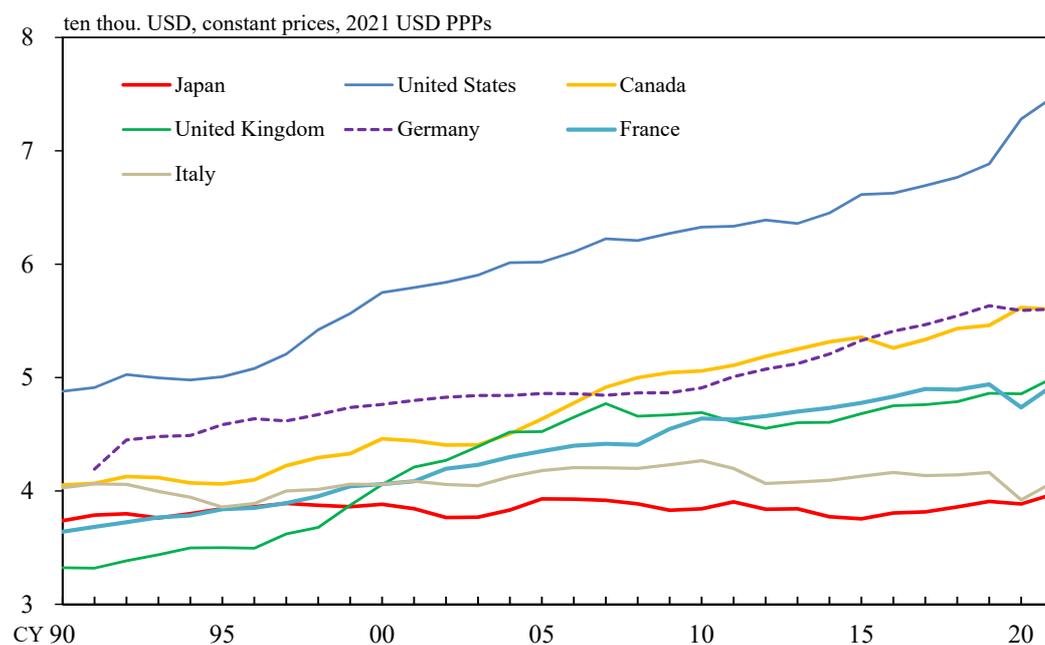
International Comparison of Entry and Exit Rates



Note: Figures for Japan are on a fiscal-year basis.

Sources: Eurostat; Ministry of Health, Labour and Welfare; Small and Medium Enterprise Agency; U.K. Office for National Statistics; U.S. Census Bureau.

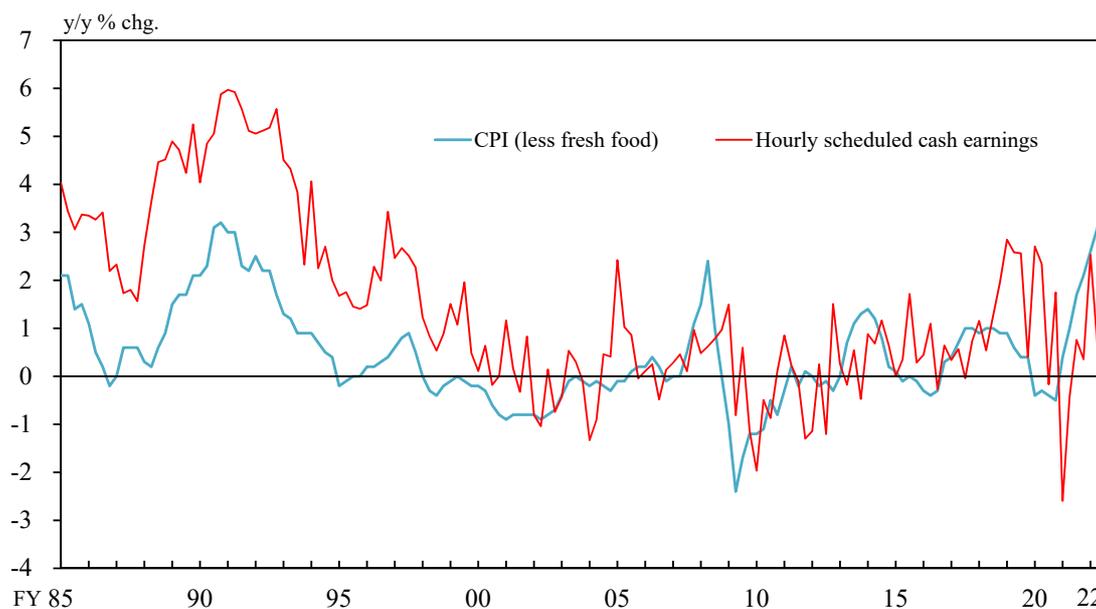
Comparison of Average Annual Wages in G7 Countries



Note: Average annual wages in full time equivalent.

Source: OECD.

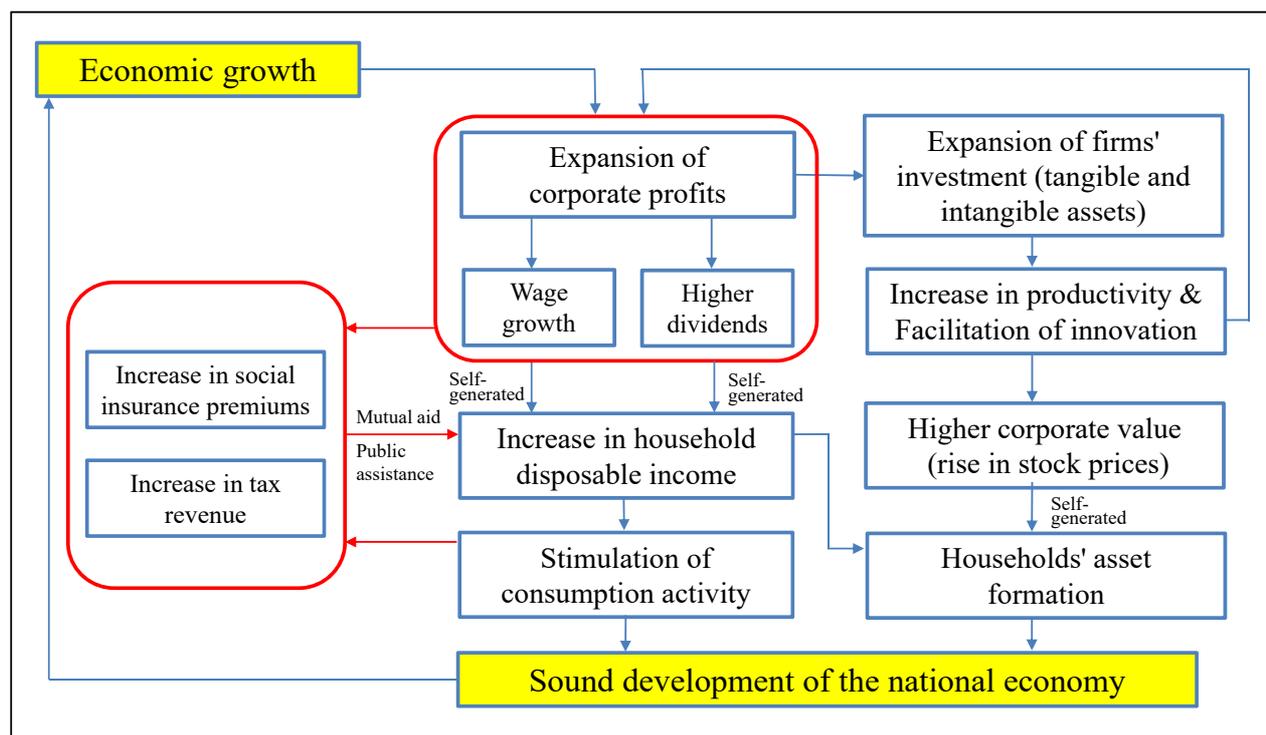
Prices and Wages



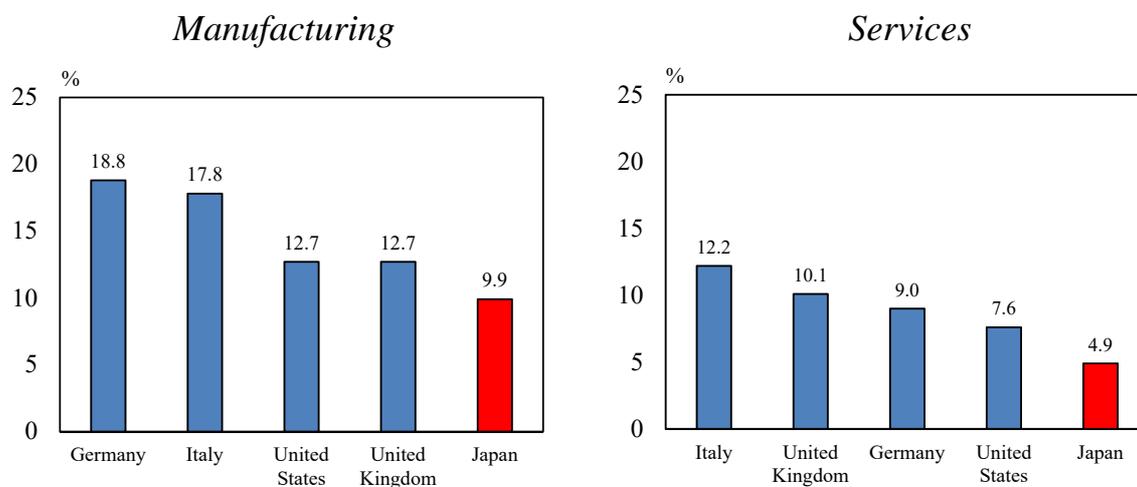
Notes: 1. For hourly scheduled cash earnings, Q1=March-May, Q2=June-August, Q3=September-November, and Q4=December-February. Figures are for full-time and part-time employees before fiscal 1994 and for full-time employees thereafter.
 2. The CPI figures are Bank staff estimates and exclude the effects of the decline in mobile phone charges, consumption tax hikes, free education policies, and travel subsidy programs.

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

Virtuous Cycle from Income to Spending



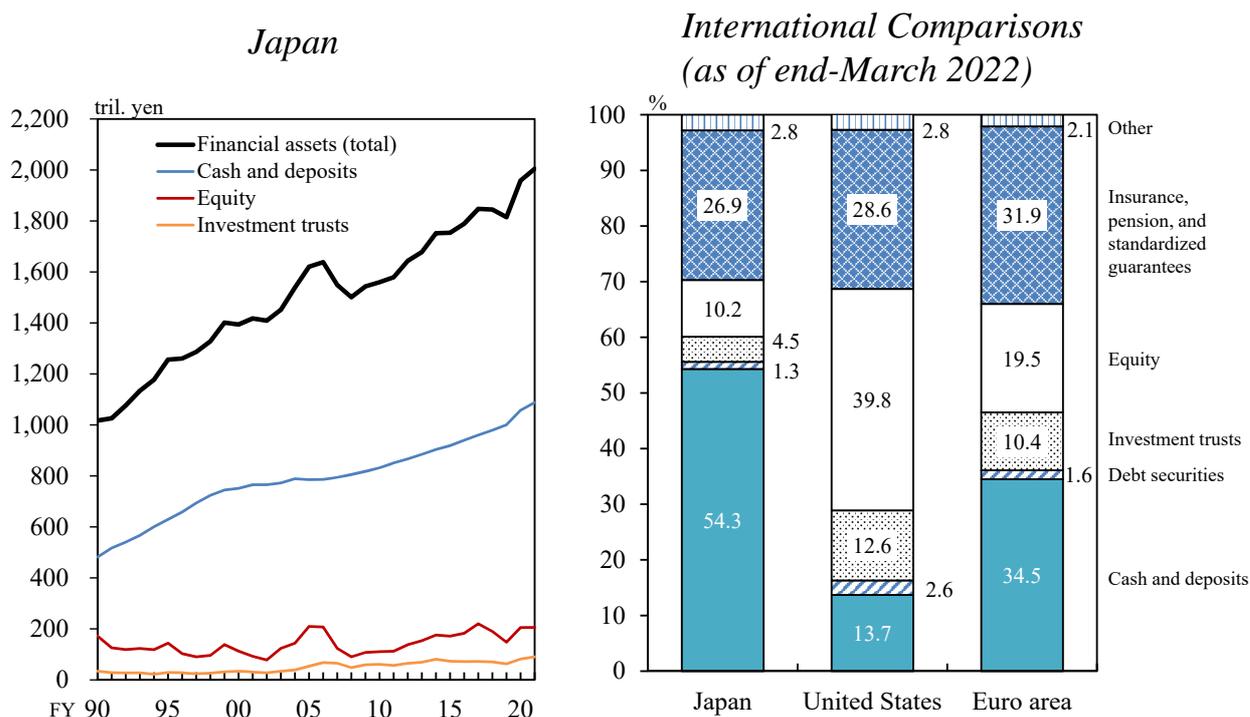
New-to-Market Product Innovators: International Comparison



Note: Figures are from a survey targeting firms, indicating proportion of firms that answered that they launched new products and services (including the addition of new features or significant improvements in application) during 2012-2014.

Source: OECD, "OECD Science, Technology and Industry Scoreboard 2017," November 2017.

Household Financial Assets

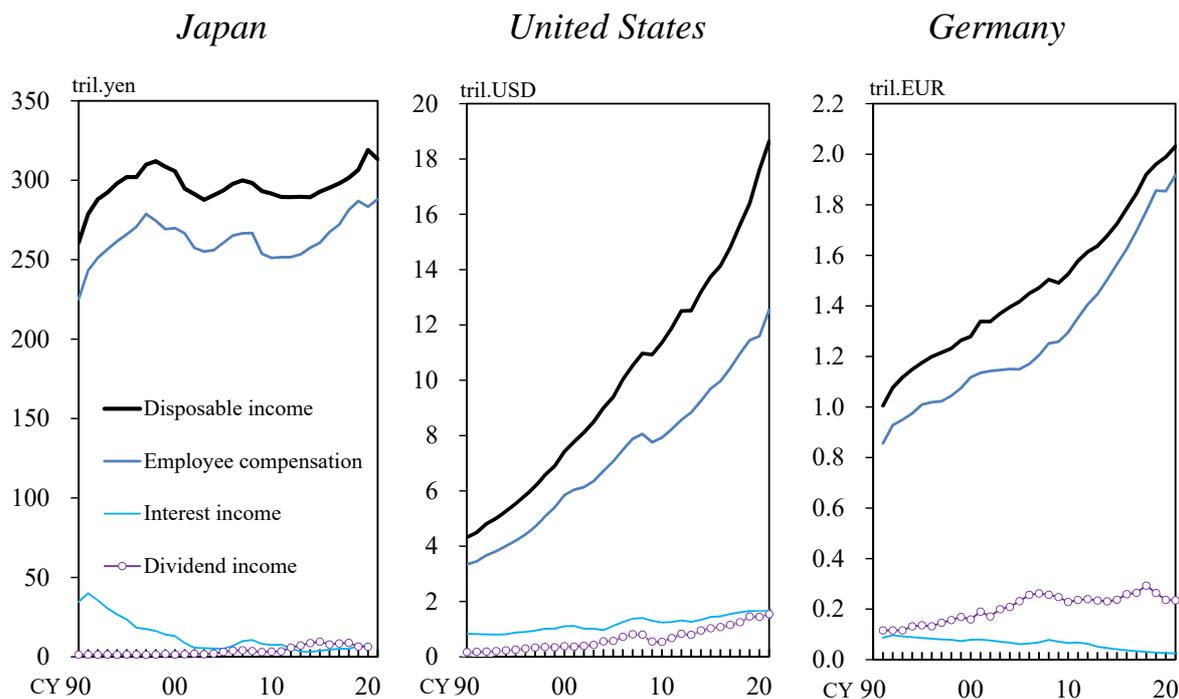


Notes: 1. In the right panel, "Other" is the residual after deducting "Cash and deposits," "Debt securities," "Investment trusts," "Equity," and "Insurance, pension, and standardized guarantees" from total financial assets.

2. Also in the right panel, figures are from "Flow of Funds: Overview of Japan, the United States, and the Euro area," released by the Bank's Research and Statistics Department in August 2022.

Source: Bank of Japan.

Household Disposable Income



Notes: 1. Figures for Japan before 1994 are calculated using year-on-year changes in each item in the GDP statistics based on the benchmark year of 2000.
 2. Figures for interest income and dividend income in Germany are "other interests, rents" and "distributed income of corporations," respectively.

Sources: Bureau of Economic Analysis (BEA); Cabinet Office; Statistisches Bundesamt.