



Economic Activity, Prices, and Monetary Policy in Japan

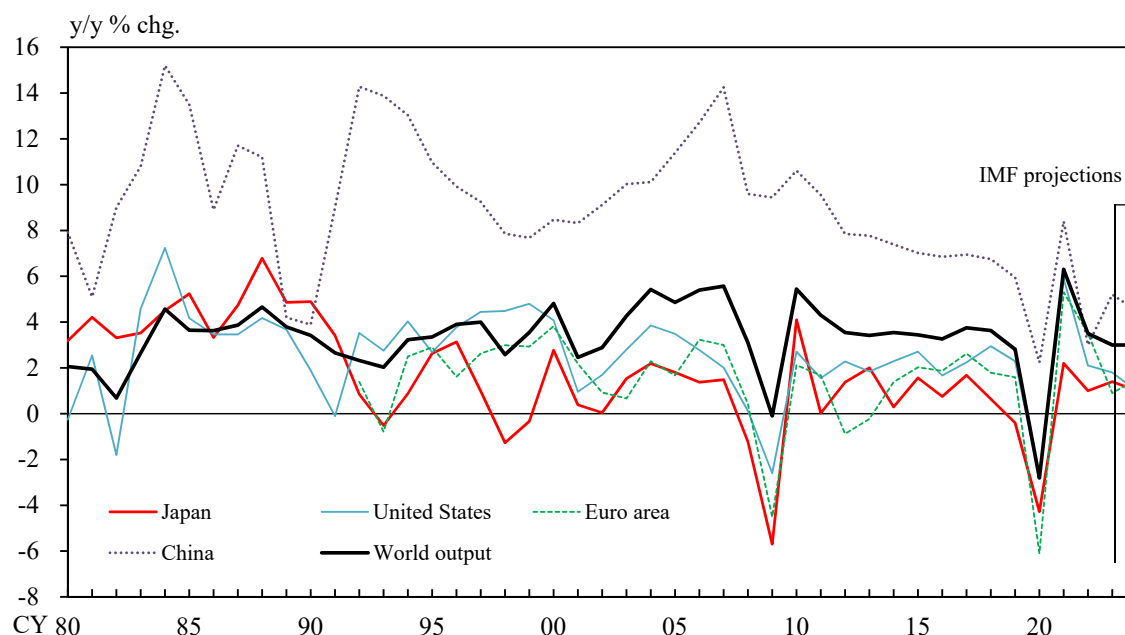
Speech at a Meeting with Local Leaders in Gifu

August 31, 2023

NAKAMURA Toyoaki
Member of the Policy Board
Bank of Japan

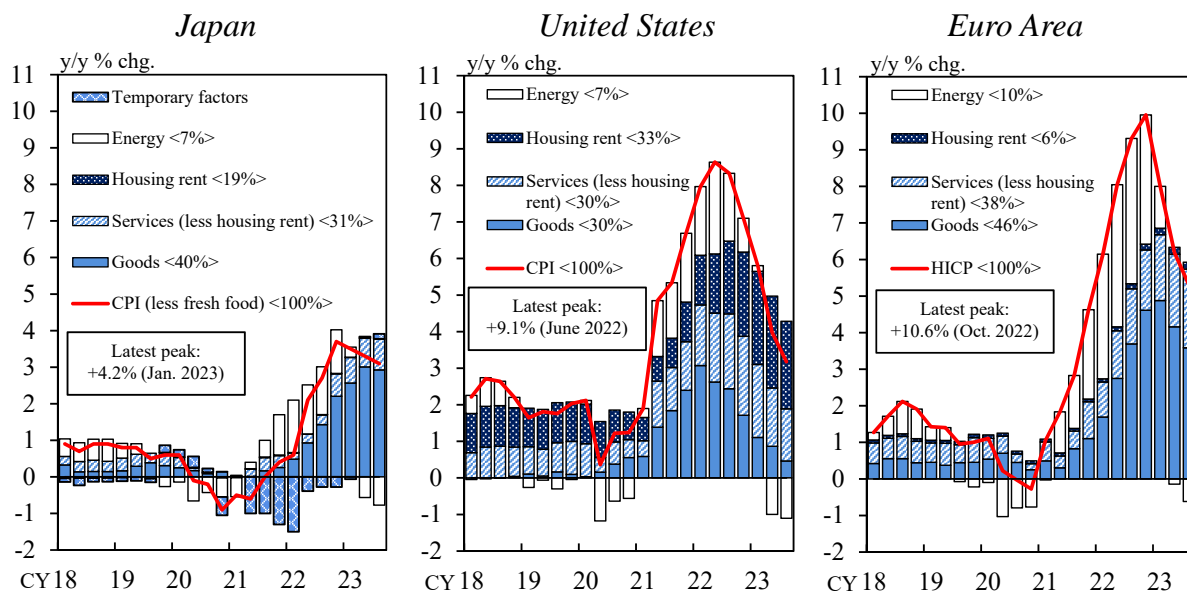
Chart 1

IMF Projections in the *World Economic Outlook Update* (July 2023)



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 2023/Q3 are those for July.
 Sources: Haver; Ministry of Internal Affairs and Communications.

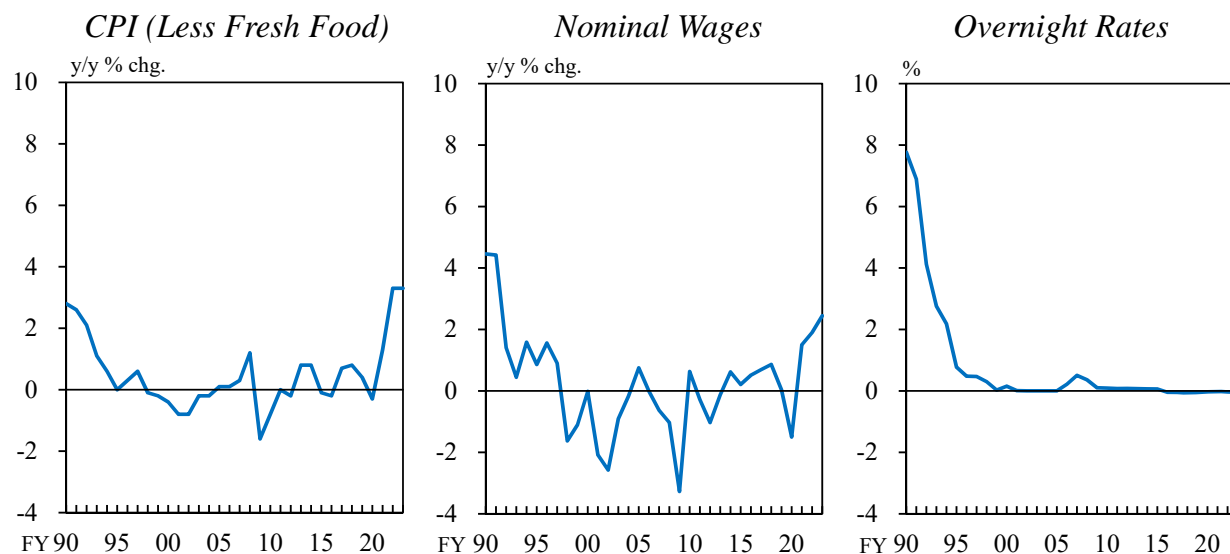
Forecasts of the Majority of the Policy Board Members

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2023	+1.2 to +1.5 [+1.3]	+2.4 to +2.7 [+2.5]	+3.1 to +3.3 [+3.2]
Forecasts made in April 2023	+1.1 to +1.5 [+1.4]	+1.7 to +2.0 [+1.8]	+2.5 to +2.7 [+2.5]
Fiscal 2024	+1.0 to +1.3 [+1.2]	+1.8 to +2.2 [+1.9]	+1.5 to +2.0 [+1.7]
Forecasts made in April 2023	+1.0 to +1.3 [+1.2]	+1.8 to +2.1 [+2.0]	+1.5 to +1.8 [+1.7]
Fiscal 2025	+1.0 to +1.2 [+1.0]	+1.6 to +2.0 [+1.6]	+1.8 to +2.2 [+1.8]
Forecasts made in April 2023	+1.0 to +1.1 [+1.0]	+1.6 to +1.9 [+1.6]	+1.8 to +2.0 [+1.8]

Notes: 1. Figures in brackets indicate the medians 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.

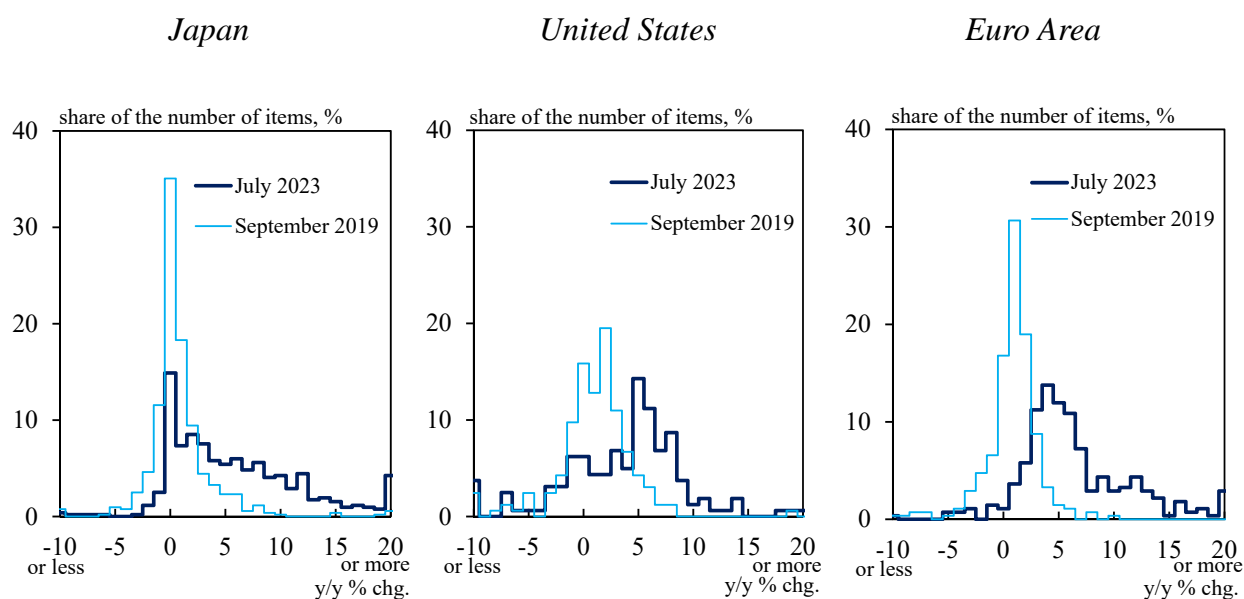
Three Economic and Financial Indicators



- Notes: 1. The CPI figures are Bank staff estimates and exclude the effects of consumption tax hikes, policies concerning the provision of free education, travel subsidy programs, and the reduction in mobile phone charges.
 2. Figures for nominal wages are for establishments with 30 or more employees for fiscal 1990, and with 5 or more employees from fiscal 1991 onward.
 3. Figures for overnight rates are annual averages of the uncollateralized overnight call rates.
 4. Regarding figures for fiscal 2023, those for the CPI (less fresh food) and overnight rates are April-July averages; that for nominal wages is the April-June average.

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

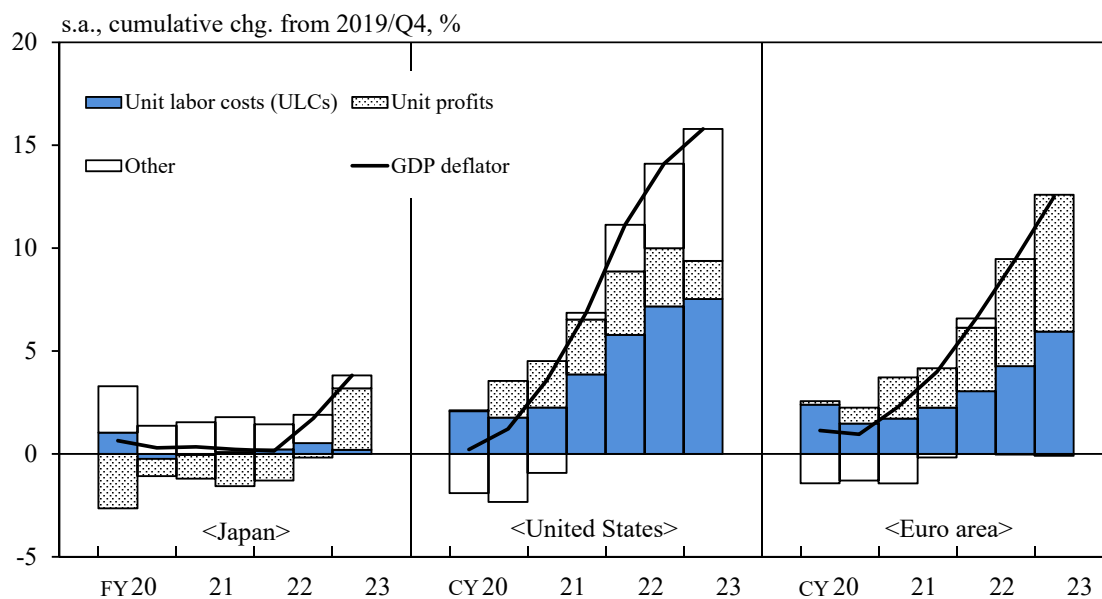
Distribution of Consumer Price Changes



Note: Figures for Japan are based on items excluding fresh food and energy. Those for the United States and the euro area are based on items excluding energy.

Sources: Eurostat; Ministry of Internal Affairs and Communications; U.S. Bureau of Labor Statistics (BLS).

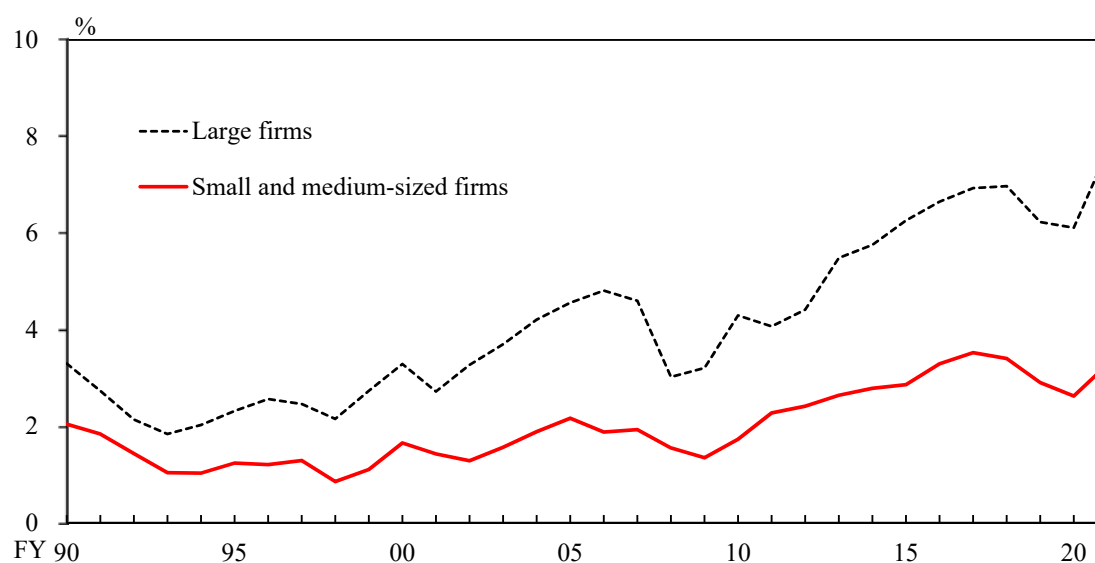
GDP Deflators



Note: Figures for Japan for the first half of fiscal 2023 are those for the April-June quarter. Figures for the United States and the euro area for the first half of 2023 are those for the January-March quarter.

Sources: Cabinet Office; Eurostat; U.S. Bureau of Economic Analysis (BEA).

Corporate Profitability

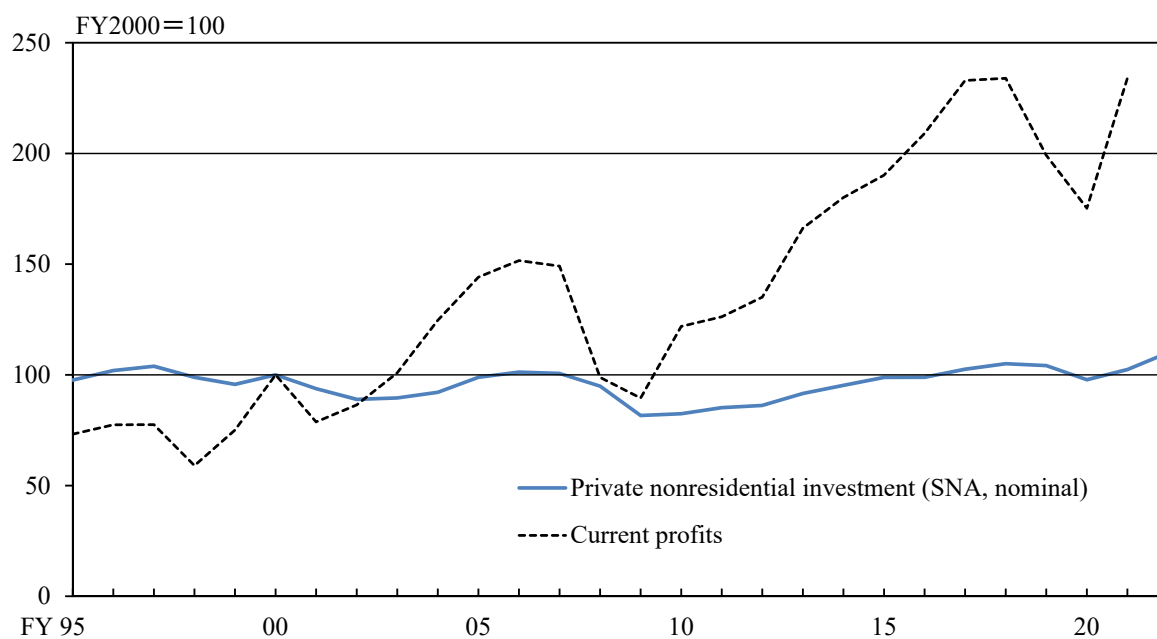


Notes: 1. Figures are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries.

2. Large firms are commercial corporations with capital of 100 million yen or more. Small and medium-sized firms are commercial corporations with capital of less than 100 million yen. Figures are the ratio of current profits to sales.

Source: Ministry of Finance.

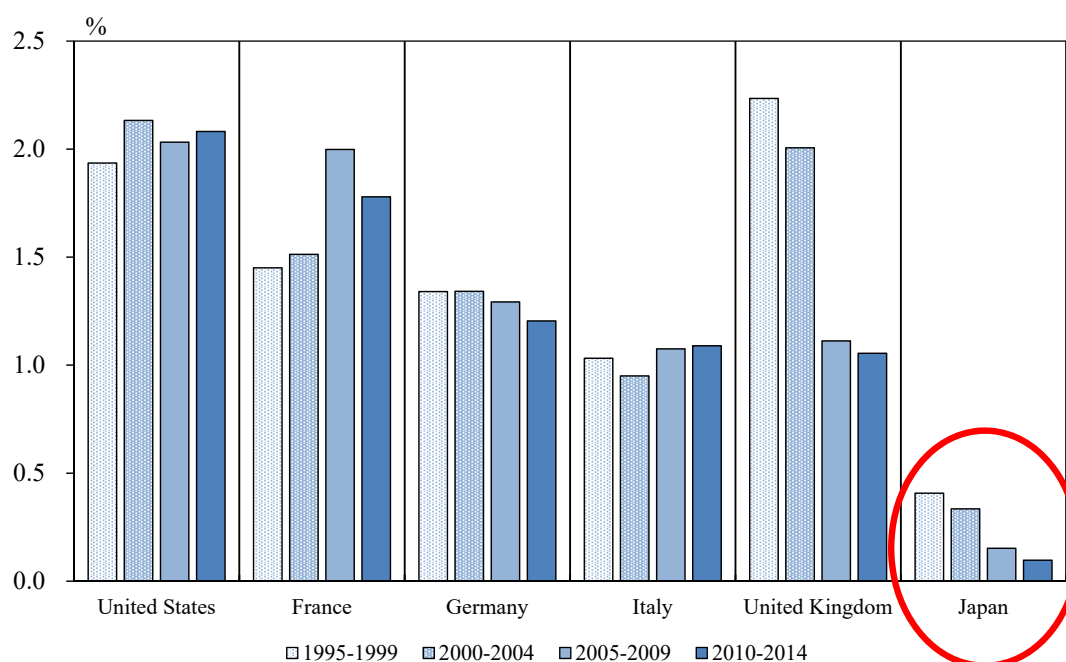
Business Fixed Investment and Business Performance



Note: "SNA" stands for the System of National Accounts. Figures for current profits are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries.

Sources: Cabinet Office; Ministry of Finance.

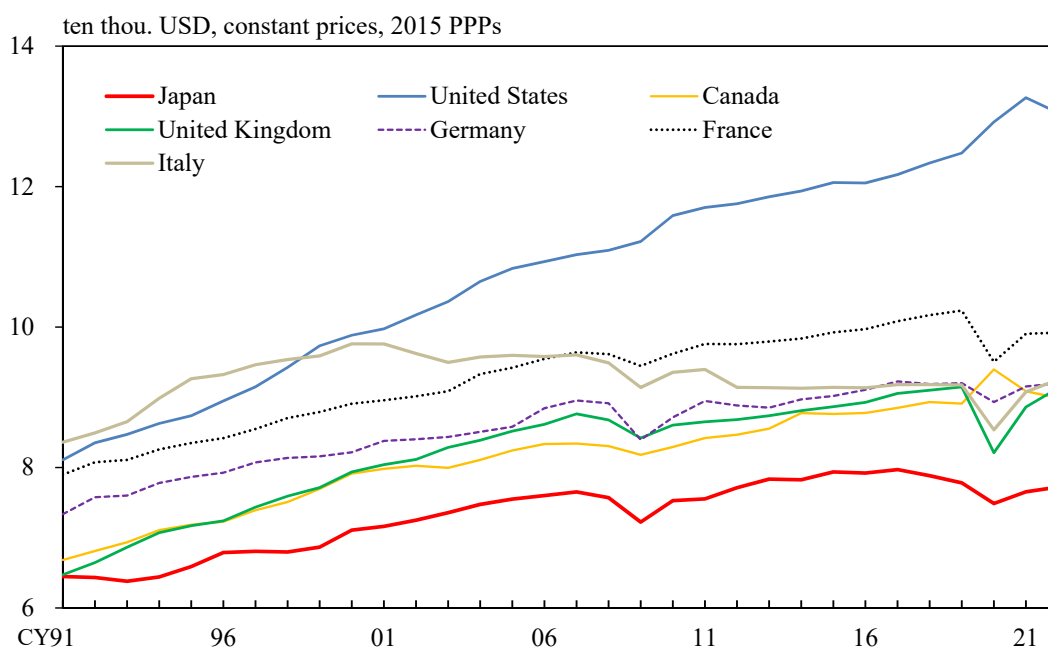
Ratio of Firms' Human Resource Development Costs to GDP



Note: Figures are estimated by Professor MIYAGAWA Tsutomu (Gakushuin University) based on the SNA compiled by the Cabinet Office, JIP Database, and INTAN-Invest Database.

Source: Ministry of Health, Labour and Welfare.

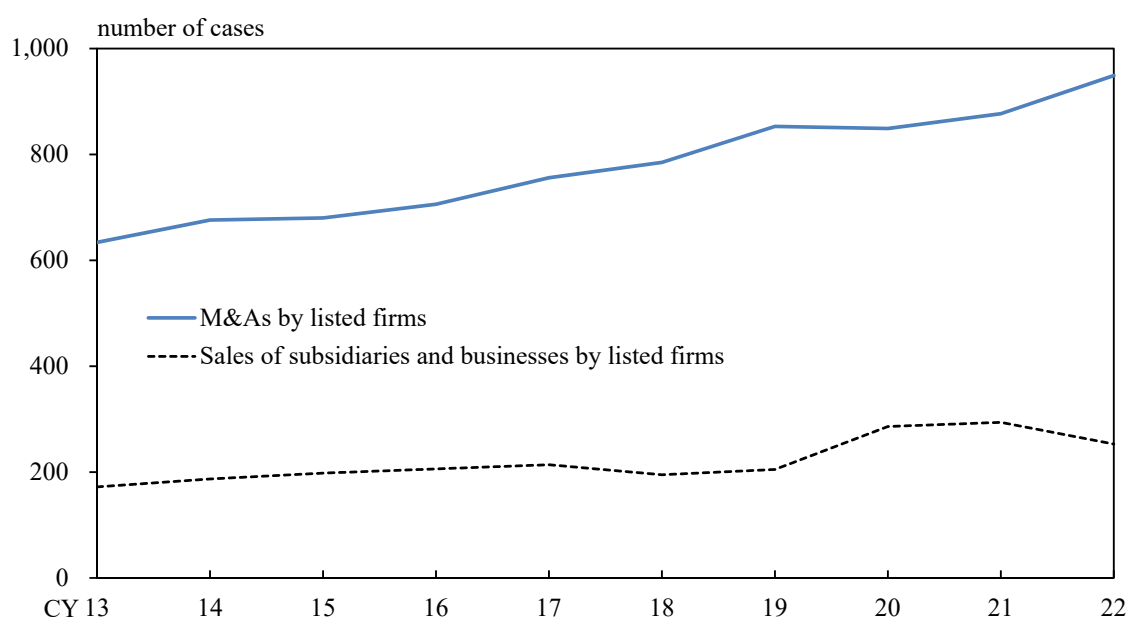
Comparison of Labor Productivity in G7 Countries



Note: GDP per person employed.

Source: OECD.

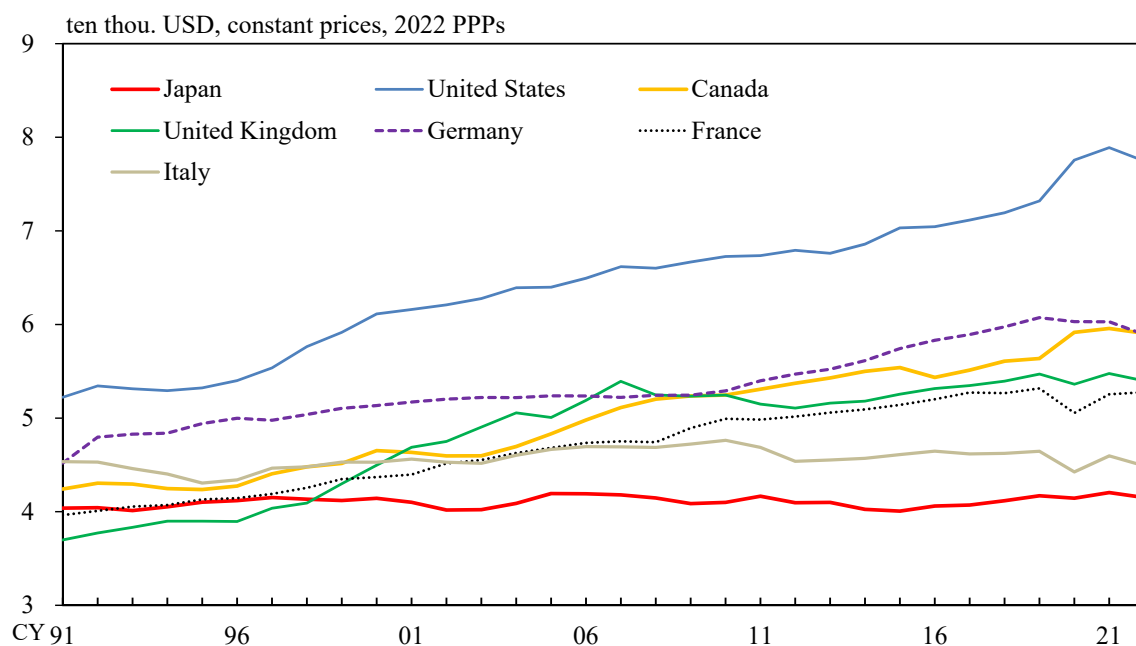
Number of M&As and Sales of Subsidiaries and Businesses



Note: Compiled based on data provided by the Japan Exchange Group. M&As are those involving the transfer of management rights (excluding intra-group restructuring).

Source: M&A Online.

Comparison of Average Annual Wages in G7 Countries

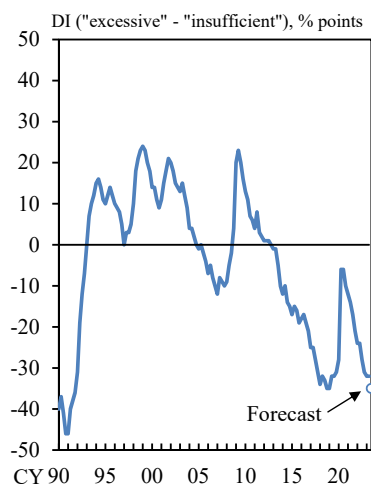


Note: Average annual wages in full-time equivalent.

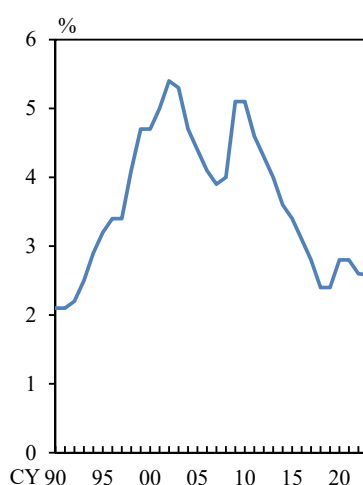
Source: OECD.

Labor Market Conditions

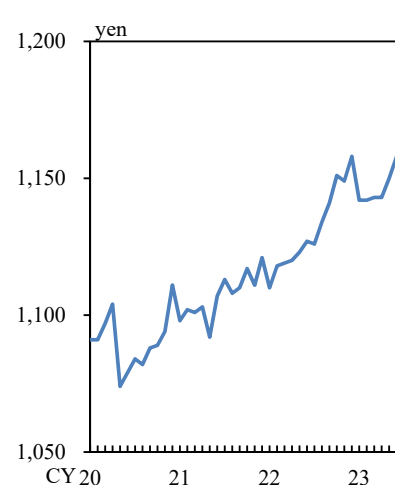
Employment Conditions DI



Unemployment Rate



Average Hourly Wage at Time of Recruitment



Notes: 1. The figure for the unemployment rate for 2023 is the average of the January-June period.

2. Figures for the average hourly wage at the time of recruitment are those for part-time jobs and cover the three largest metropolitan areas (the Tokyo metropolitan, Tokai, and Kansai areas).

Sources: Ministry of Internal Affairs and Communications; Recruit Co., Ltd., "Report on Average Hourly Wages for Part-Time Jobs at Time of Recruitment" (available only in Japanese); Bank of Japan.

Promoting a Virtuous Cycle by Strengthening the Earning Power of Firms

Chart 14

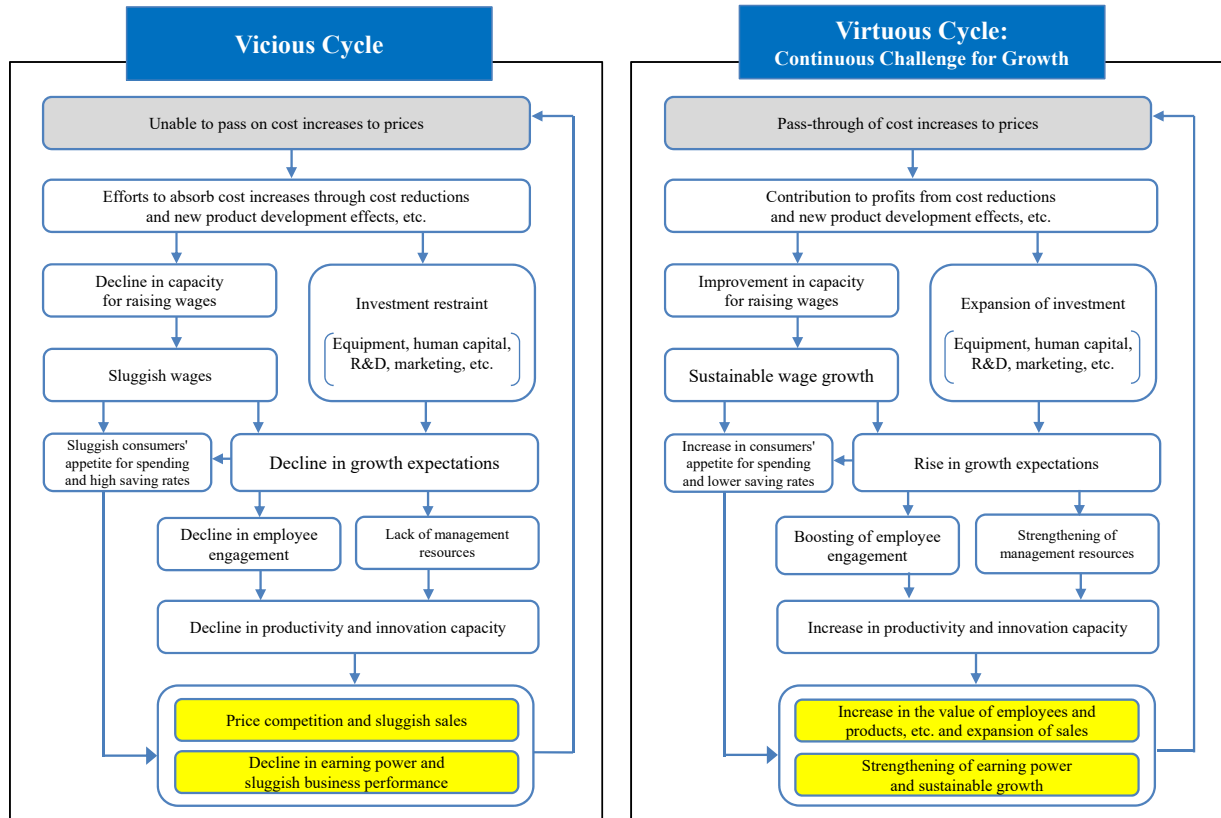
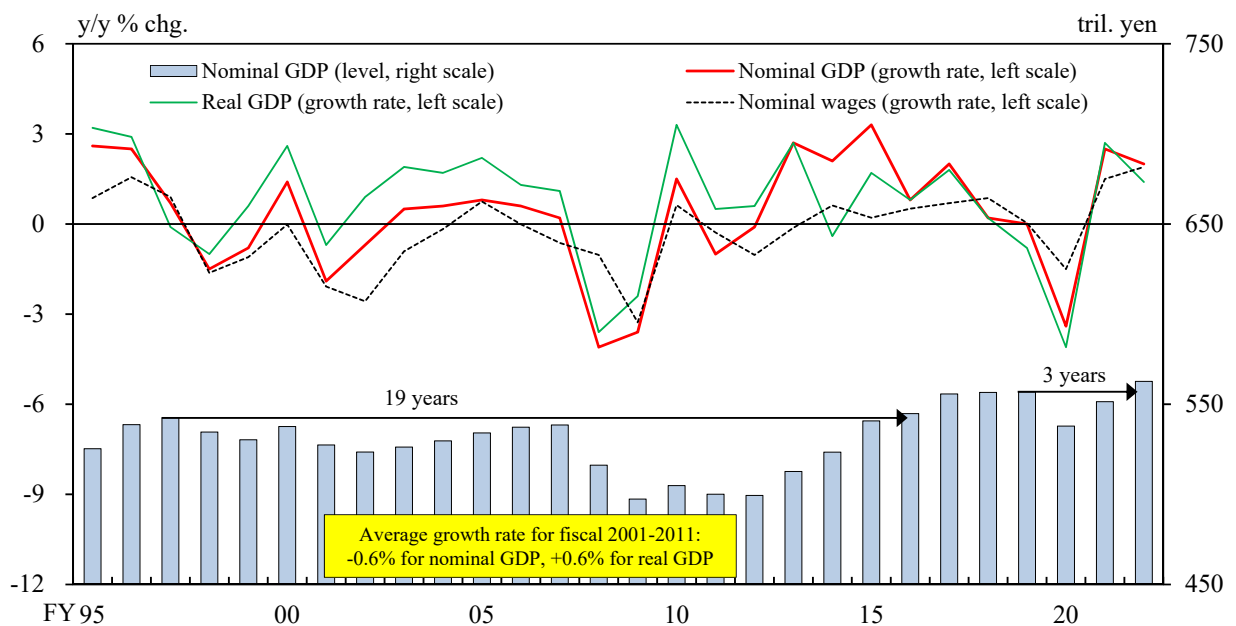


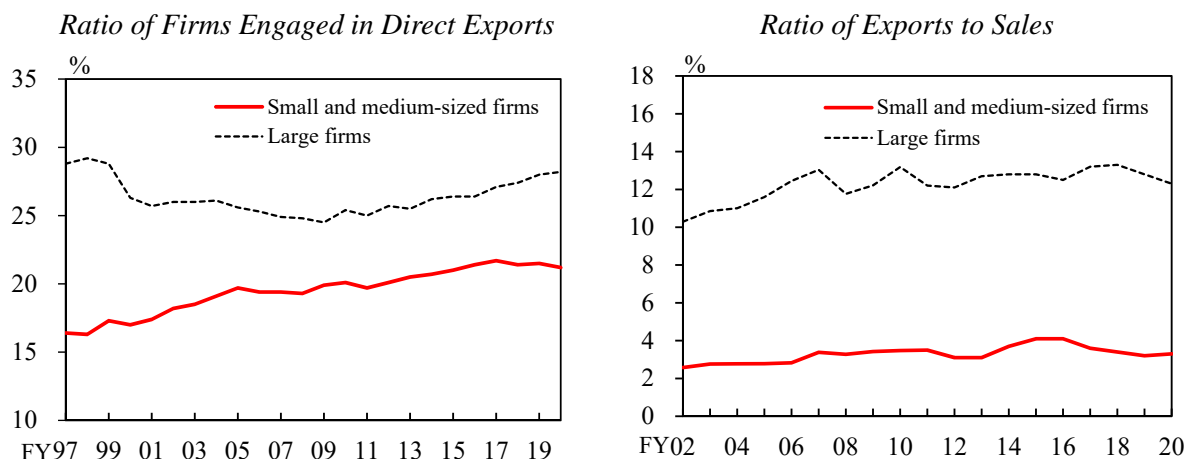
Chart 15

Nominal GDP and Nominal Wages



Sources: Cabinet Office; Ministry of Health, Labour and Welfare.

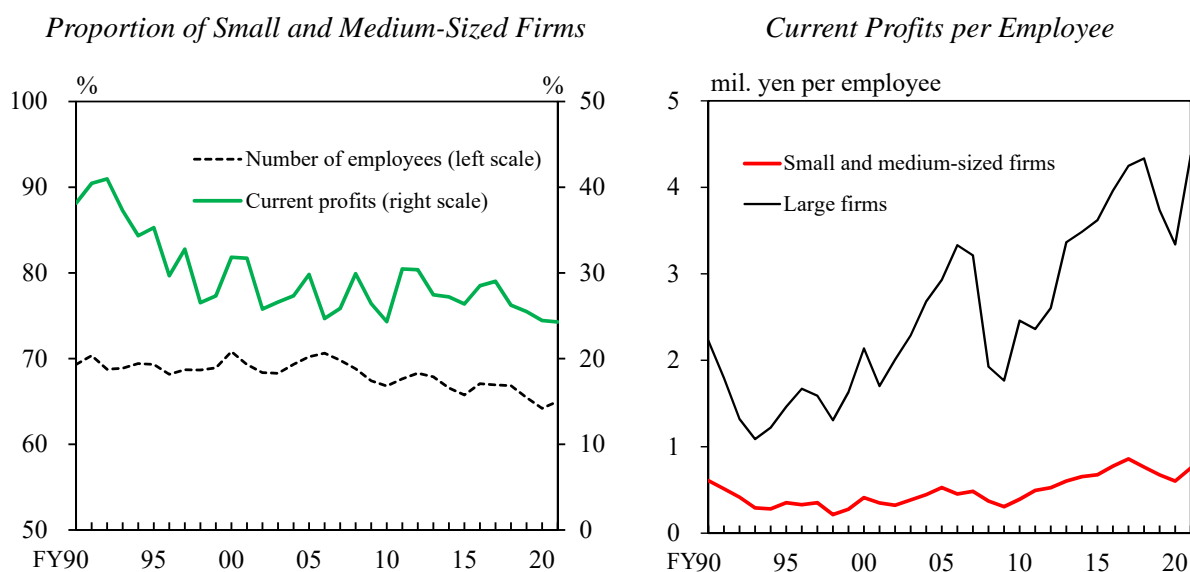
Exports by Firms



- Notes: 1. Firms engaged in direct exports are those which directly conduct transactions with foreign firms.
 2. The ratio of exports to sales is calculated by dividing the value of exports by sales. Data before fiscal 2011 are based on the *2016 White Paper on Small and Medium Enterprises in Japan* compiled by the Small and Medium Enterprise Agency, and those from fiscal 2011 onward are based on the Cabinet Office's publication on Japan's economy from 2022 to 2023.
 3. Figures are compiled by the Cabinet Office and the Small and Medium Enterprise Agency using the questionnaire information of the *Basic Survey of Japanese Business Structure and Activities* by the Ministry of Economy, Trade and Industry.

Sources: Cabinet Office; Small and Medium Enterprise Agency.

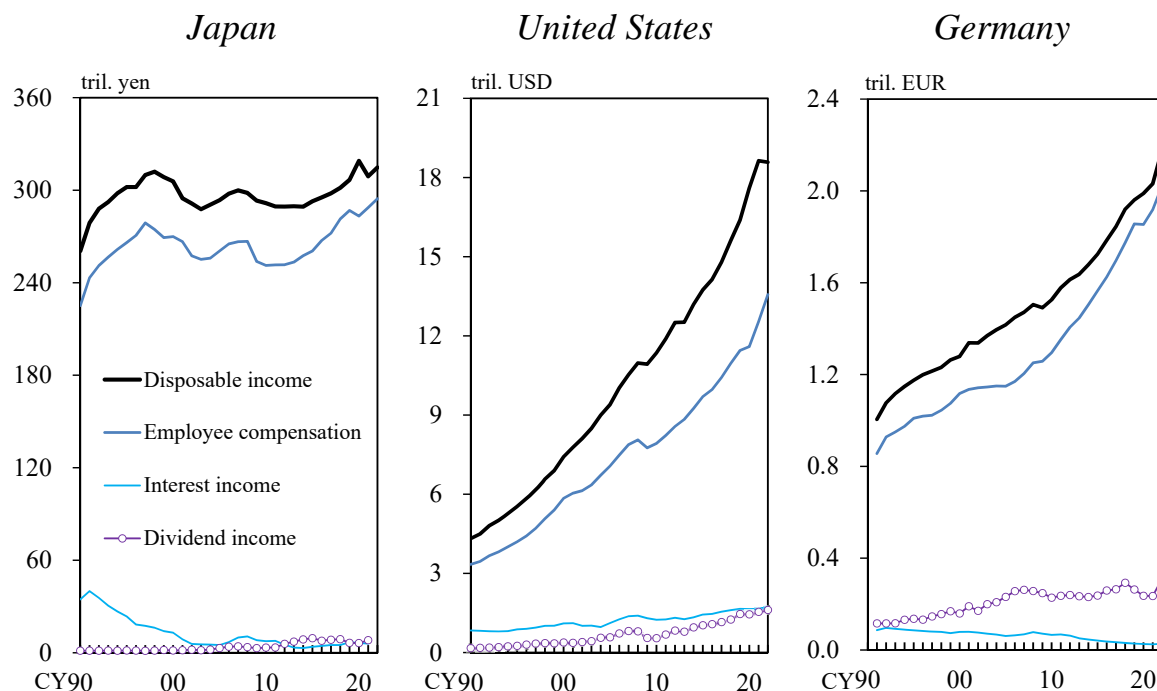
Earning Power of Small and Medium-Sized Firms



- Notes: 1. Figures for current profits are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries.
 2. Large firms are commercial corporations with capital of 100 million yen or more. Small and medium-sized firms are commercial corporations with capital of less than 100 million yen.
 3. The proportion of small and medium-sized firms is that among all firms.

Source: Ministry of Finance.

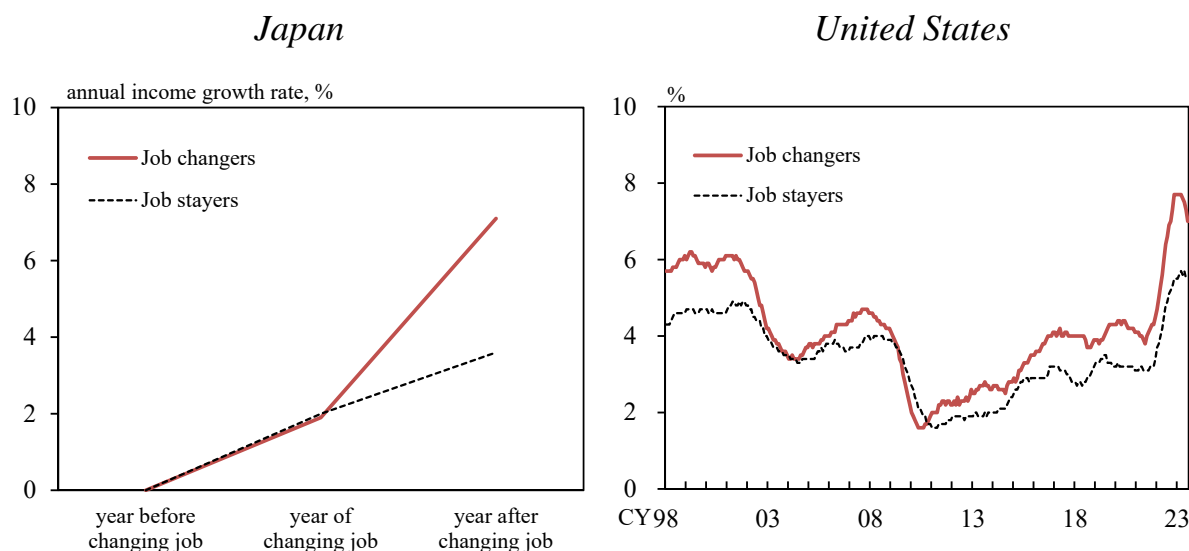
Household Disposable Income



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: BEA; Cabinet Office; Statistisches Bundesamt.

Wages of Job Changers/Stayers

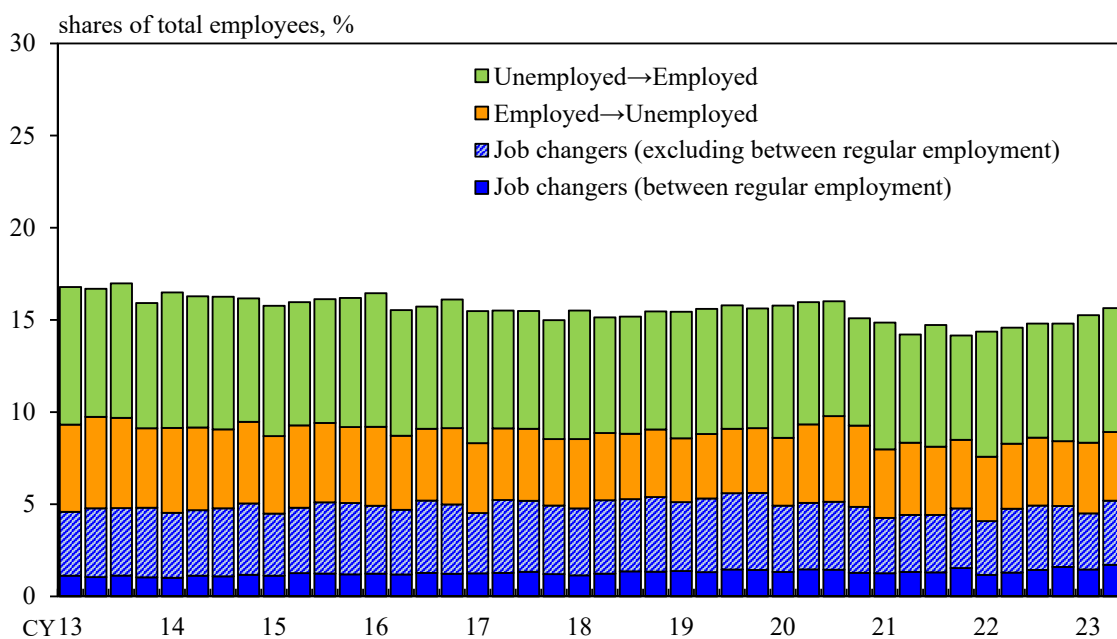


Notes: 1. The left panel shows an analysis from the Cabinet Office's publication on Japan's economy from 2022 to 2023, using the survey data for the period of 2016-2022 from the *Japanese Panel Study of Employment Dynamics* released by the Recruit Works Institute. The annual income growth rate is the rate of increase from the year before the job change.

2. In the right panel, figures are hourly data of 12-month backward moving averages of median wage growth.

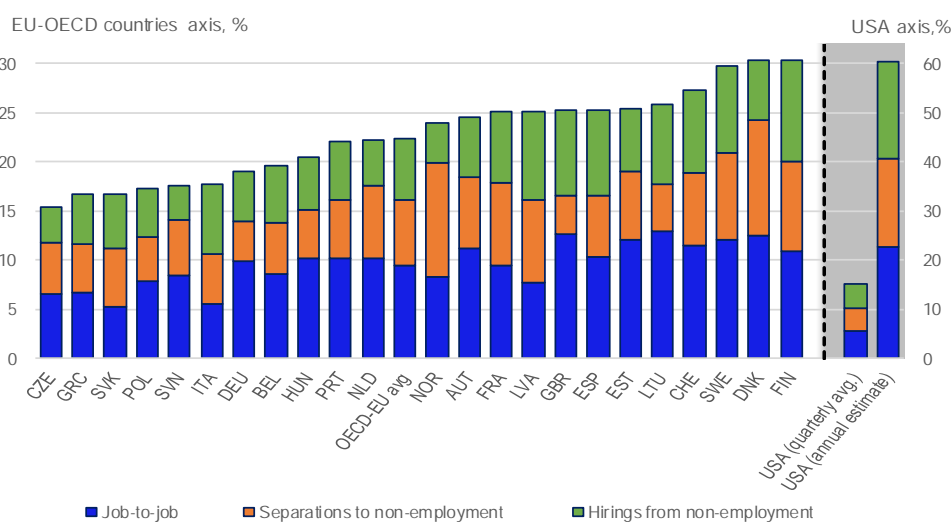
Sources: Cabinet Office; Federal Reserve Bank of Atlanta.

Labor Mobility in Japan



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

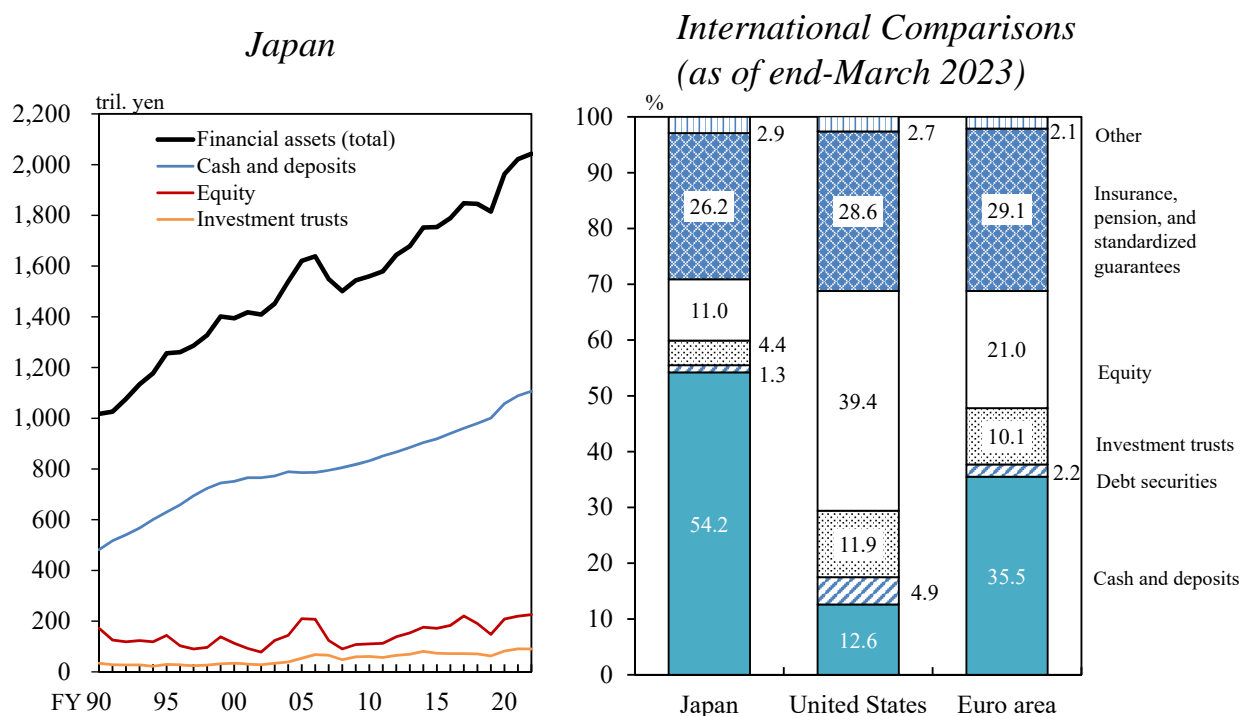
Labor Mobility in the United States and Europe (as of 2019)



Notes: 1. Figures for Europe are percentages of those for which 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 for which 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.

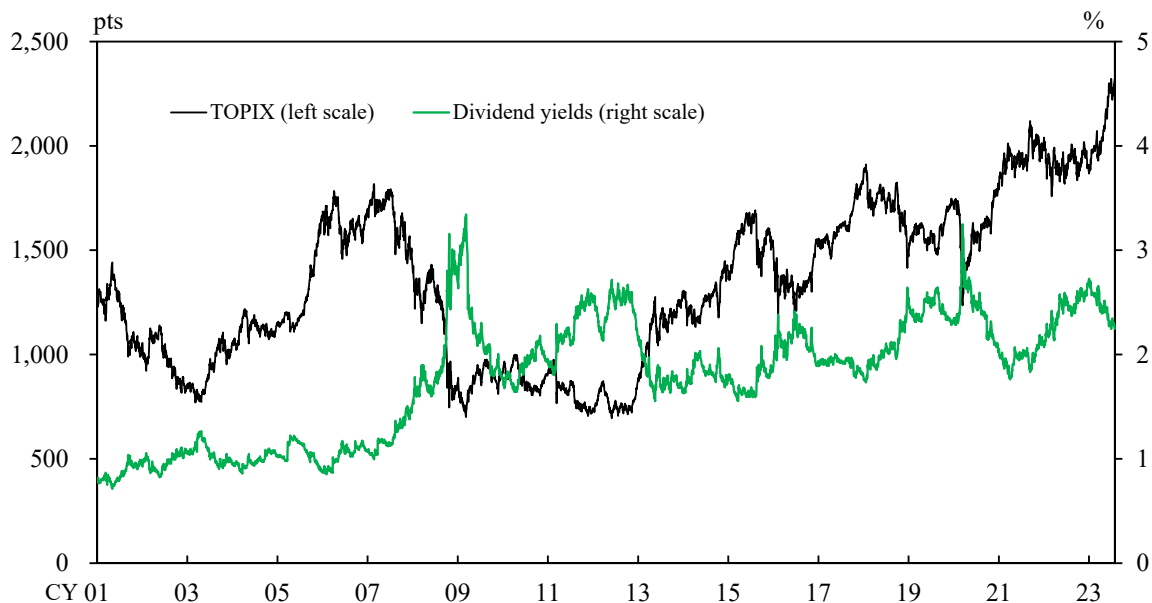
Household Financial Assets



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 on August 25, 2023.

Source: Bank of Japan.

TOPIX and Dividend Yields



Notes: 1. The latest data are as of July 31, 2023.
2. Dividend yields are calculated by dividing the total dividend per stock that became an ex-dividend stock within the last 12 months by the latest stock prices.

Source: Bloomberg.