



# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Kochi*

September 7, 2023

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Member of the Policy Board  
Bank of Japan

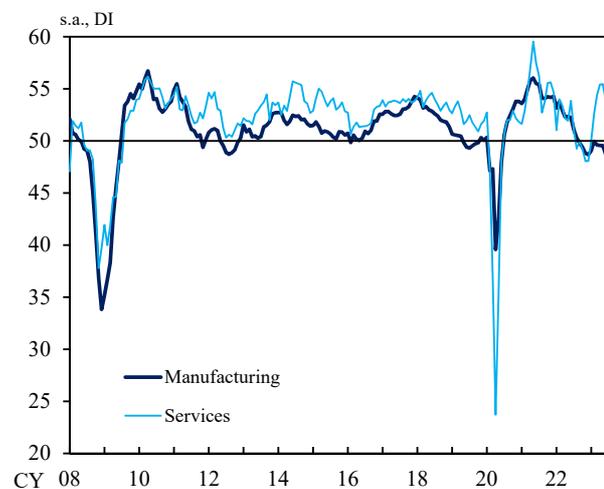
Chart 1

## Overseas Economies

World Economic Outlook



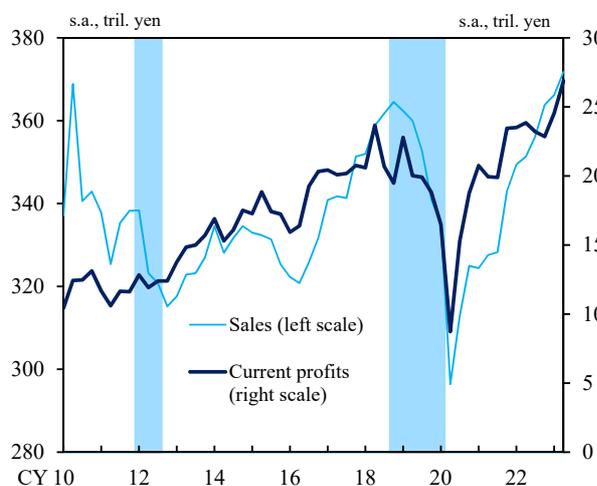
Global PMI



Note: Figures for manufacturing are the J.P.Morgan Global Manufacturing PMI. Figures for services are the J.P.Morgan Global Services Business Activity Index.  
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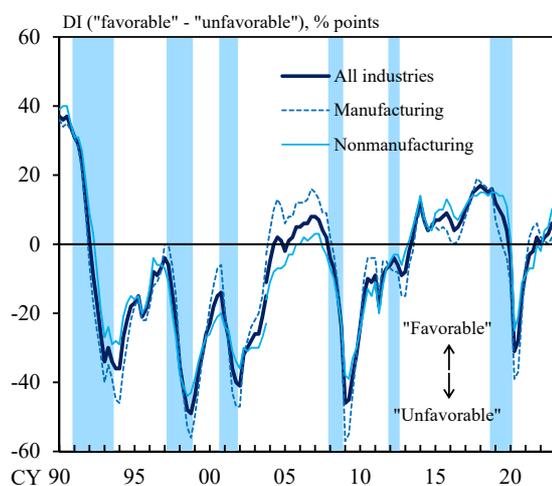
# Corporate Sector in Japan

## Corporate Profits



Notes: 1. Based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance."  
 2. Shaded areas denote recession periods.  
 Source: Ministry of Finance.

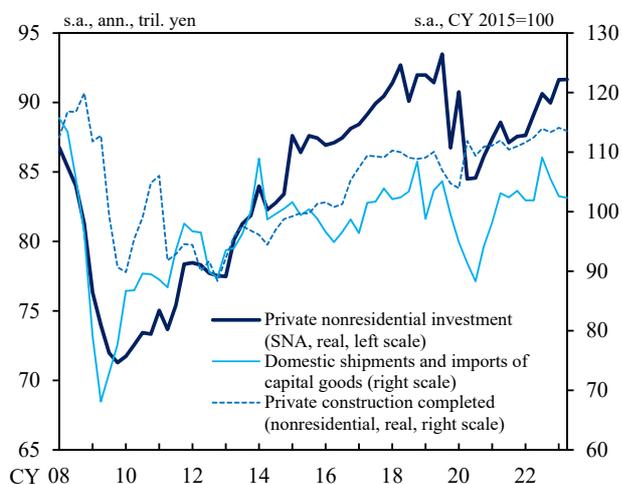
## Business Conditions



Notes: 1. Based on the *Tankan*. All enterprises. There is a discontinuity in the data for December 2003 due to a change in the survey framework.  
 2. Shaded areas denote recession periods.  
 Source: Bank of Japan.

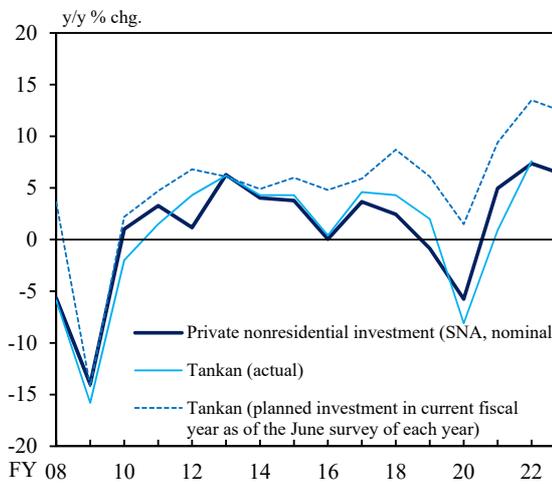
# Corporate Sector in Japan

## Coincident Indicators of Business Fixed Investment



Note: Figures for real private construction completed are based on Bank staff calculations using the construction cost deflators.  
 Sources: Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism.

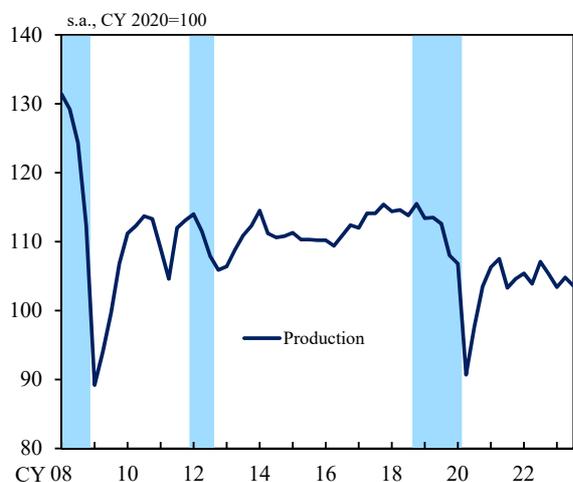
## Planned and Actual Business Fixed Investment



Notes: 1. The *Tankan* figures include software and R&D investments and exclude land purchasing expenses. R&D investment is not included before the March 2017 survey. The figures are for all industries including financial institutions.  
 2. The figure for private nonresidential investment for fiscal 2023 is that for 2023/Q2.  
 Sources: Cabinet Office; Bank of Japan.

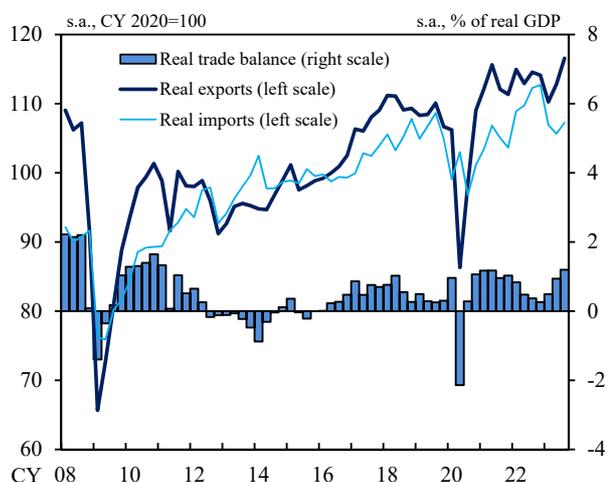
# Corporate Sector in Japan

## Industrial Production



Notes: 1. Shaded areas denote recession periods.  
 2. The figure for 2023/Q3 is that for July.  
 Source: Ministry of Economy, Trade and Industry.

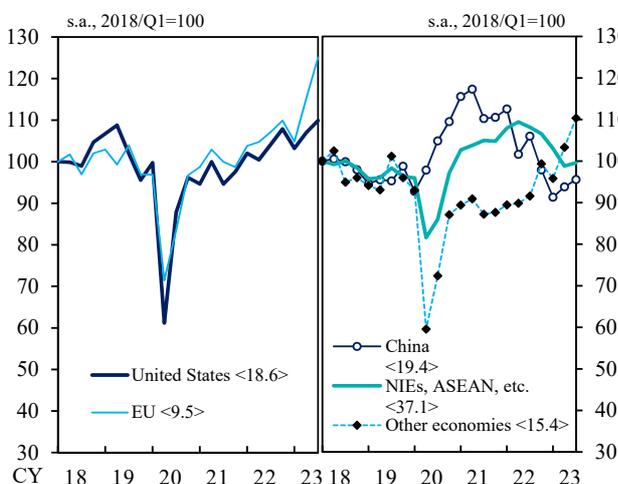
## Real Exports and Imports



Note: Based on Bank staff calculations. Figures for 2023/Q3 are those for July.  
 Sources: Cabinet Office; Ministry of Finance; Bank of Japan.

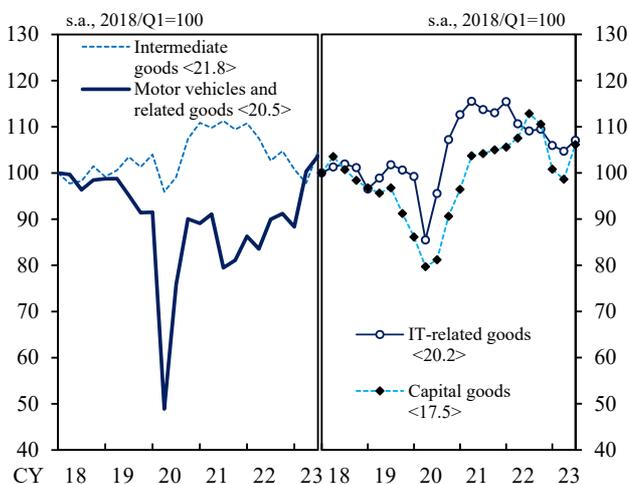
# Corporate Sector in Japan

## Real Exports by Region



Notes: 1. Based on Bank staff calculations. Figures in angular brackets show the share of each country or region in Japan's total exports in 2022. Figures for 2023/Q3 are those for July.  
 2. Figures for the EU exclude those for the United Kingdom for the entire period.  
 Sources: Ministry of Finance; Bank of Japan.

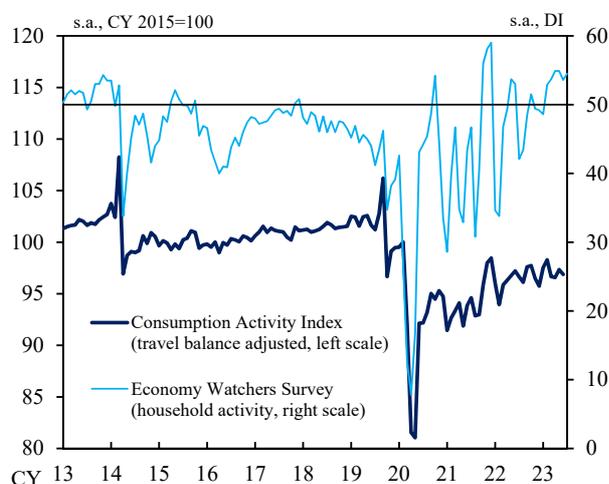
## Real Exports by Type of Goods



Note: Based on Bank staff calculations. Figures in angular brackets show the share of each type of goods in Japan's total exports in 2022. Figures for 2023/Q3 are those for July.  
 Sources: Ministry of Finance; Bank of Japan.

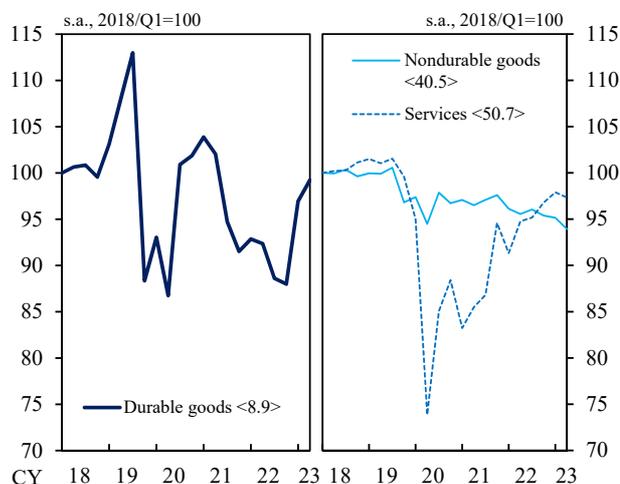
# Private Consumption in Japan

## Real Private Consumption and Confidence Indicator



Notes: 1. Figures for the Consumption Activity Index (CAI) are based on Bank staff calculations. The CAI figures (travel balance adjusted) exclude inbound tourism consumption and include outbound tourism consumption.  
 2. Figures for the *Economy Watchers Survey* are those for the current economic conditions DI.  
 Sources: Cabinet Office; Bank of Japan, etc.

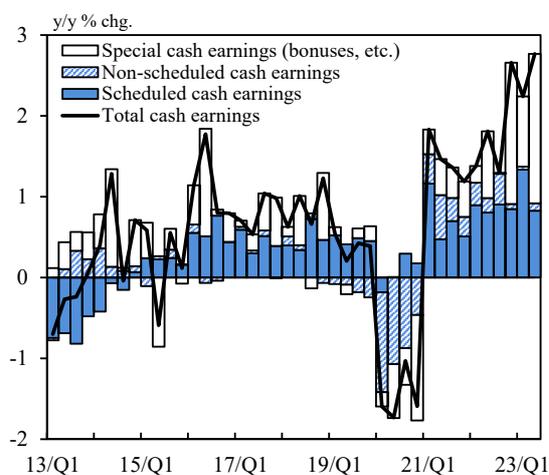
## Consumption Activity Index (CAI, Real)



Notes: 1. Based on Bank staff calculations. Figures in angular brackets show the weights in the CAI.  
 2. Nondurable goods include items classified as semi-durable goods in the SNA.  
 Sources: Bank of Japan, etc.

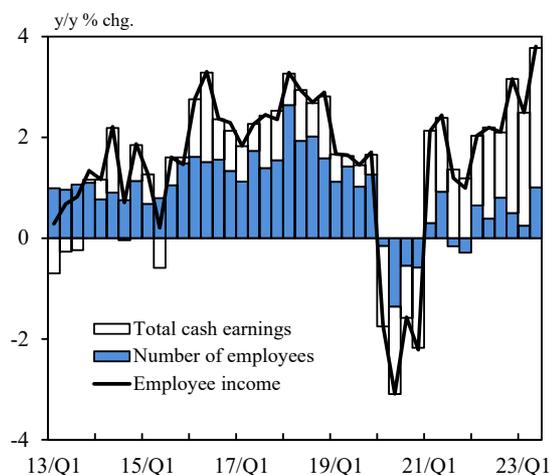
# Employment and Income Situation in Japan

## Nominal Wages



Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2023/Q2 are those for June.  
 2. Figures from 2016/Q1 onward are based on continuing observations.  
 Source: Ministry of Health, Labour and Welfare.

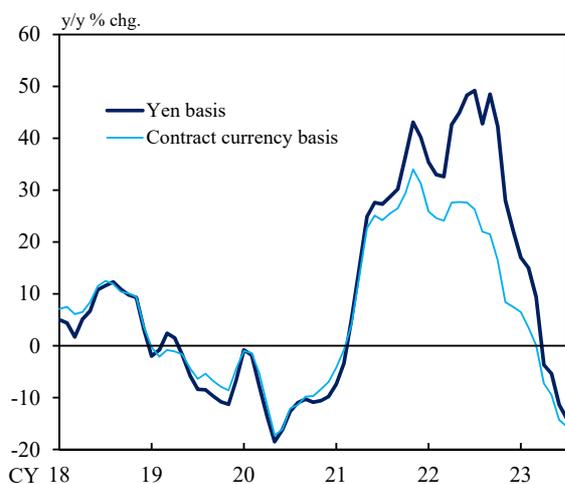
## Employee Income



Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2023/Q2 are those for June.  
 2. Employee income = Total cash earnings (*Monthly Labour Survey*) × Number of employees (*Labour Force Survey*)  
 3. Figures of the *Monthly Labour Survey* from 2016/Q1 onward are based on continuing observations.  
 Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

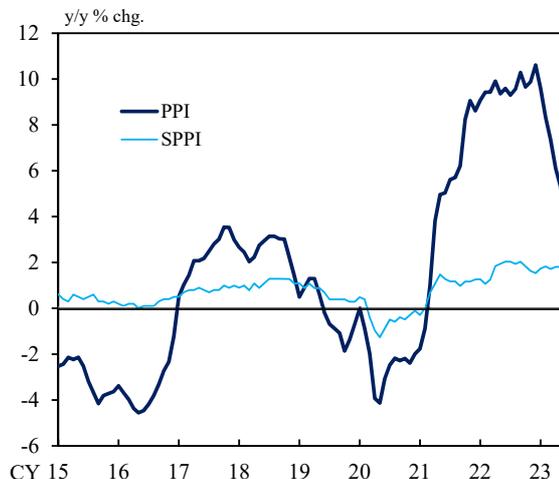
# Producer Prices

## Import Price Index



Source: Bank of Japan.

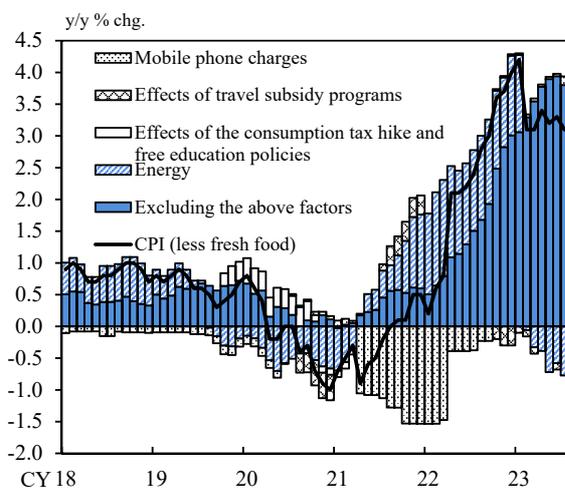
## Goods and Services Prices



Note: Figures exclude the effects of the consumption tax hike.  
Source: Bank of Japan.

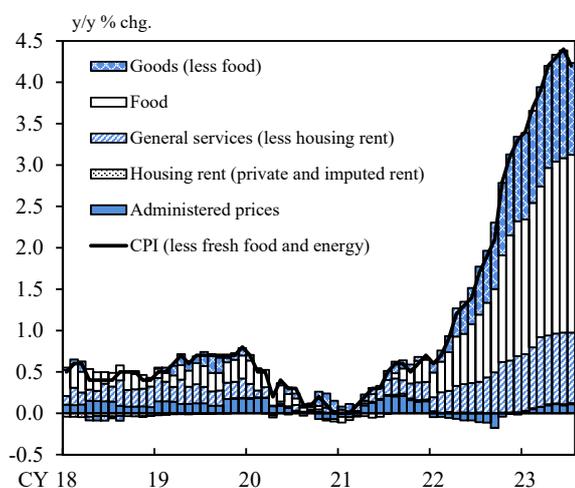
# Consumer Prices

## CPI (Less Fresh Food)



Notes: 1. Figures for "energy" consist of those for petroleum products, electricity, as well as manufactured and piped gas charges.  
2. Figures for the "effects of the consumption tax hike and free education policies" from April 2020 onward are Bank staff estimates and include the effects of measures such as free higher education introduced in April 2020.  
Source: Ministry of Internal Affairs and Communications.

## CPI (Excluding Temporary Factors)



Notes: 1. "Food" excludes fresh food and consists of "agricultural, aquatic, and livestock products" and "food products."  
2. "Administered prices" excludes energy prices and consists of public services and water charges.  
3. The CPI figures are Bank staff estimates and exclude the effects of the consumption tax hike, free education policies, travel subsidy programs, and changes in mobile phone charges.  
Source: Ministry of Internal Affairs and Communications.

## Outlook for Economic Activity and Prices (as of July 2023)

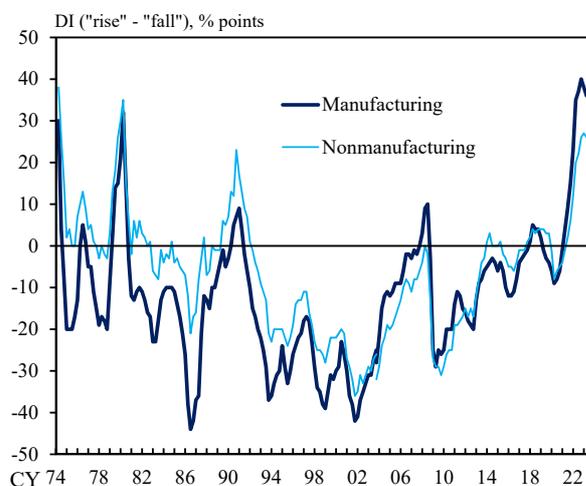
y/y % chg.

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
<b>Fiscal 2023</b>	<b>+1.2 to +1.5</b> [+1.3]	<b>+2.4 to +2.7</b> [+2.5]	<b>+3.1 to +3.3</b> [+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]
<b>Fiscal 2024</b>	<b>+1.0 to +1.3</b> [+1.2]	<b>+1.8 to +2.2</b> [+1.9]	<b>+1.5 to +2.0</b> [+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]
<b>Fiscal 2025</b>	<b>+1.0 to +1.2</b> [+1.0]	<b>+1.6 to +2.0</b> [+1.6]	<b>+1.8 to +2.2</b> [+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]

Note: Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates).  
Source: Bank of Japan.

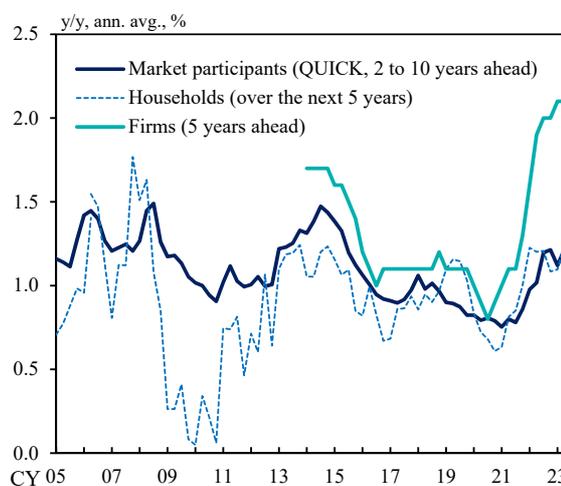
## Environment Surrounding Prices

### Output Prices



Note: Based on the *Tankan*. All enterprises. There is a discontinuity in the data for December 2003 due to a change in the survey framework.  
Source: Bank of Japan.

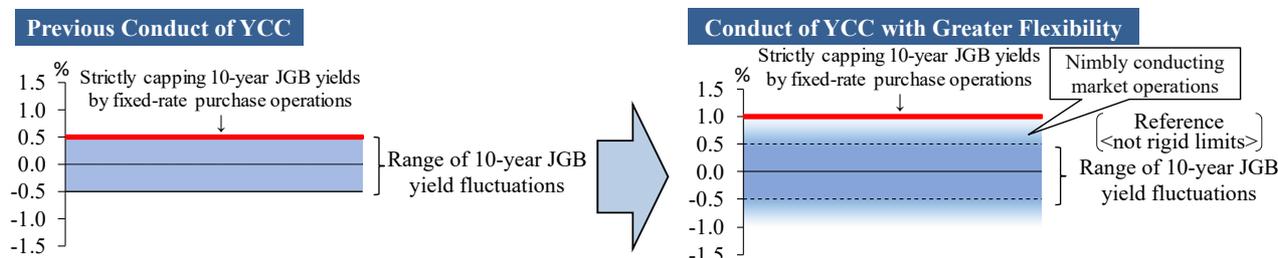
### Inflation Expectations



Notes: 1. Figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method for a five-choice question.  
2. Figures for firms show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.  
Sources: QUICK, "QUICK Monthly Market Survey <Bonds>"; Bank of Japan.

# Conducting Yield Curve Control (YCC) with Greater Flexibility

- The Bank judges that sustainable and stable achievement of the price stability target of 2 percent has not yet come in sight, and thus patiently continues with monetary easing.
- With extremely high uncertainties for economic activity and prices, the Bank enhances the sustainability of monetary easing by conducting YCC with greater flexibility.



**Enhancing the sustainability of monetary easing** by conducting YCC with greater flexibility

- If upside risks to Japan's economic activity and prices materialize
  - Decline in real interest rates
  - Mitigating the effects on the functioning of bond markets, etc.
- If downside risks to Japan's economic activity and prices materialize
  - Decline in long-term interest rates