



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Saga

April 18, 2024

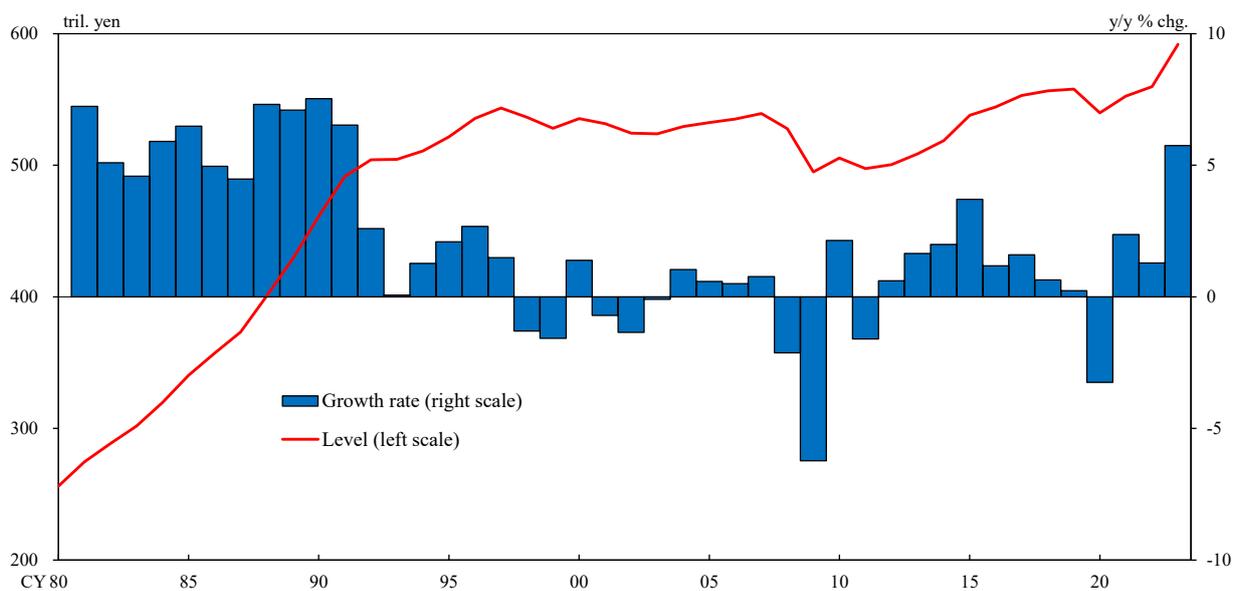
NOGUCHI Asahi

Member of the Policy Board

Bank of Japan

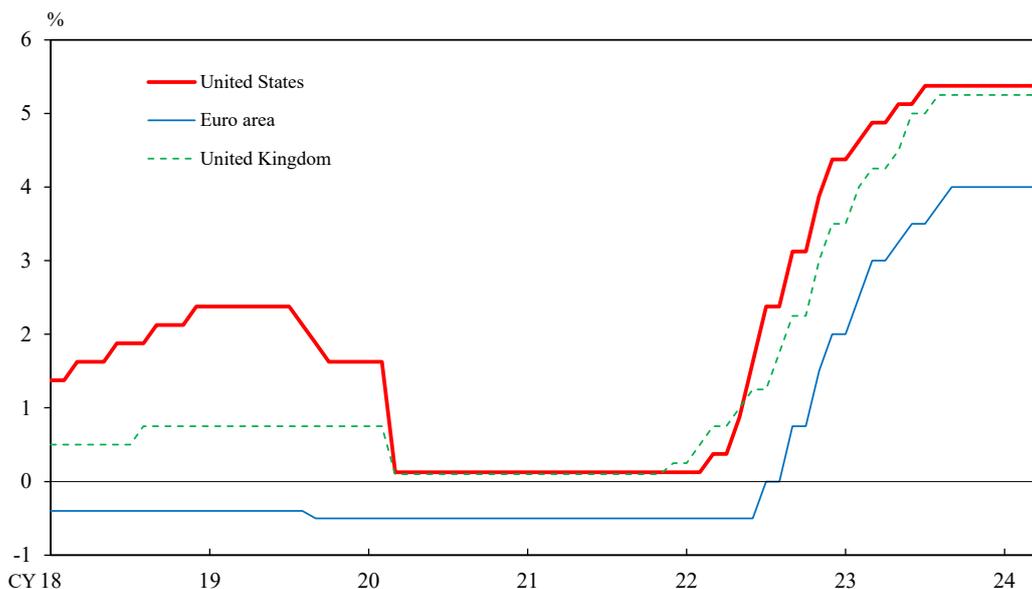
Chart 1

Nominal GDP



Source: Cabinet Office.

Policy Interest Rates in the United States and Europe

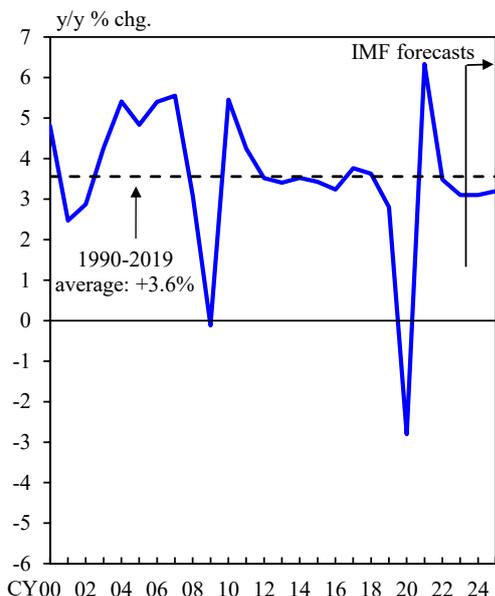


Note: Figures for the United States are the medians of the target ranges for the federal funds rate. Those for the euro area are the rates on the deposit facility.

Sources: BIS; BOE; ECB; FRB.

IMF Forecasts for Global Growth

Global Growth Rate



Major Economies' Growth Rates

	y/y % chg.			
	CY 2022	CY 2023 [Estimate]	CY 2024 [Forecast]	CY 2025 [Forecast]
World	3.5	3.1	3.1	3.2
Advanced economies	2.6	1.6	1.5	1.8
United States	1.9	2.5	2.1	1.7
Euro area	3.4	0.5	0.9	1.7
United Kingdom	4.3	0.5	0.6	1.6
Japan	1.0	1.9	0.9	0.8
Emerging market and developing economies	4.1	4.1	4.1	4.2
China	3.0	5.2	4.6	4.1
India	7.2	6.7	6.5	6.5
ASEAN-5	5.5	4.2	4.7	4.4

Note: Figures are as of January 2024.

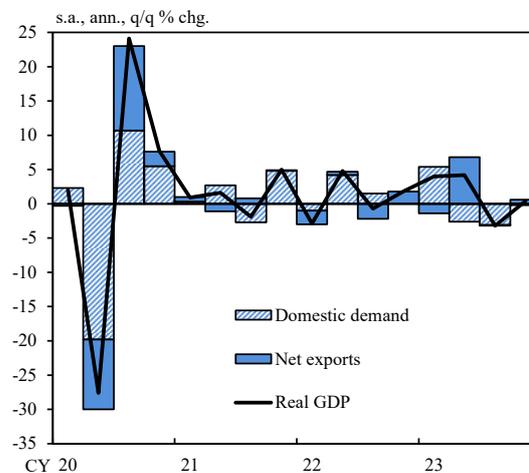
Source: IMF.

Real GDP

Level



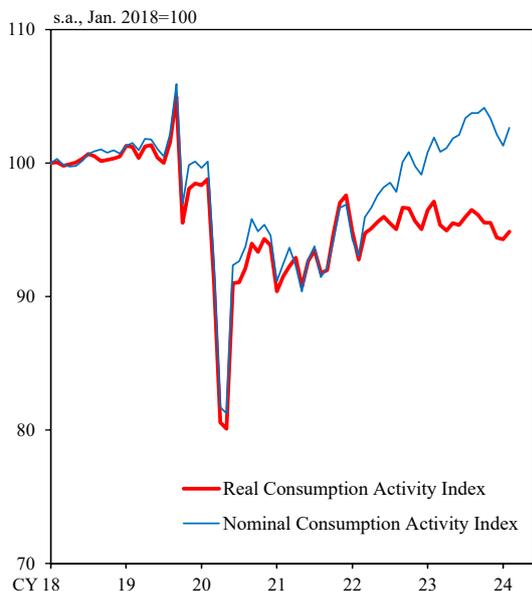
Annualized Quarterly Growth Rate



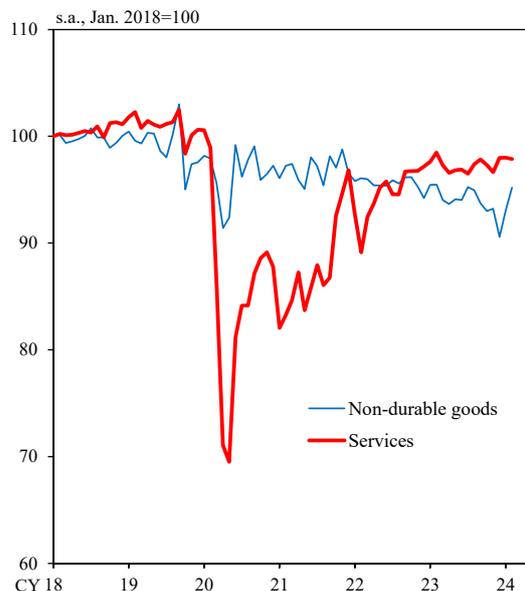
Source: Cabinet Office.

Real Private Consumption

Consumption Activity Index



Private Consumption by Type



Notes: 1. In the left panel, figures are travel balance-adjusted.
 2. In the right panel, figures are based on the real Consumption Activity Index.

Source: Bank of Japan.

Consumer Prices

y/y % chg.

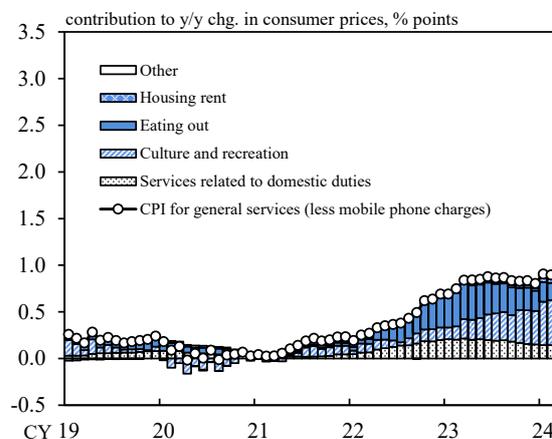
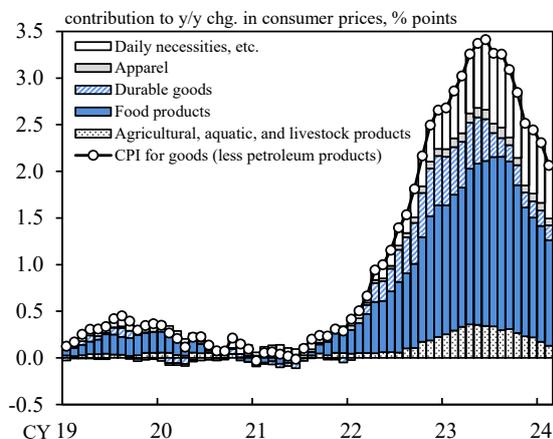
	22/Q1	Q2	Q3	Q4	23/Q1	Q2	Q3	Q4	24/January	February
CPI for all items	0.9	2.4	2.9	3.9	3.6	3.3	3.2	2.9	2.2	2.8
Less fresh food	0.6	2.1	2.7	3.7	3.5	3.3	3.0	2.5	2.0	2.8
Less fresh food and energy	-0.9	0.9	1.5	2.8	3.5	4.2	4.3	3.8	3.5	3.2
Reference: contribution to the CPI (all items less fresh food)										
Energy	1.4	1.3	1.3	1.2	0.3	-0.6	-0.9	-0.9	-1.1	-0.1
Food products	0.3	0.5	0.7	1.2	1.3	1.5	1.6	1.3	1.1	1.0
General services	-1.3	-0.1	0.1	0.4	0.6	0.7	0.9	1.1	1.1	1.1

Source: Ministry of Internal Affairs and Communications.

CPI for Goods and Services

Goods
(Less Petroleum Products)

General Services
(Less Mobile Phone Charges)



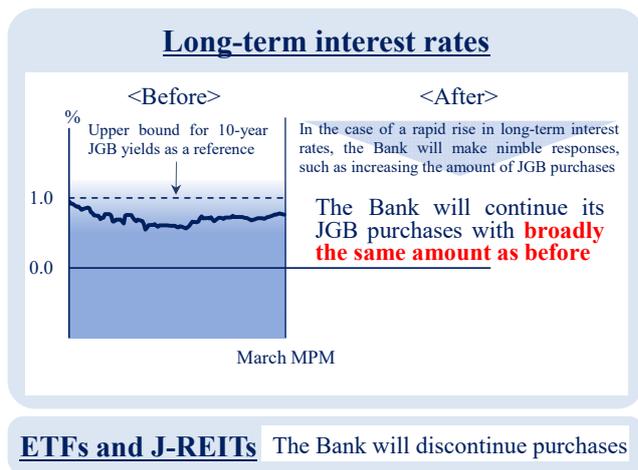
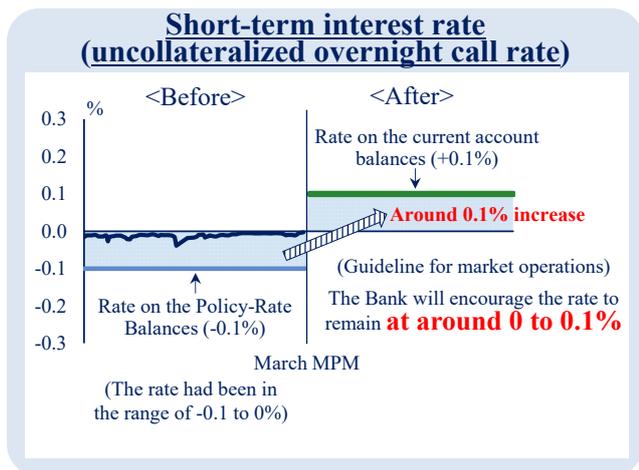
Notes: 1. Figures are the contribution to year-on-year changes in the CPI (less fresh food and energy). Figures are Bank staff estimates and exclude the effects of the consumption tax hike, policies concerning the provision of free education, travel subsidy programs, and the reduction in mobile phone charges.

2. In the right panel, figures for services related to domestic duties include services related to housing repairs and maintenance.

Source: Ministry of Internal Affairs and Communications.

Changes in the Monetary Policy Framework (March 2024)

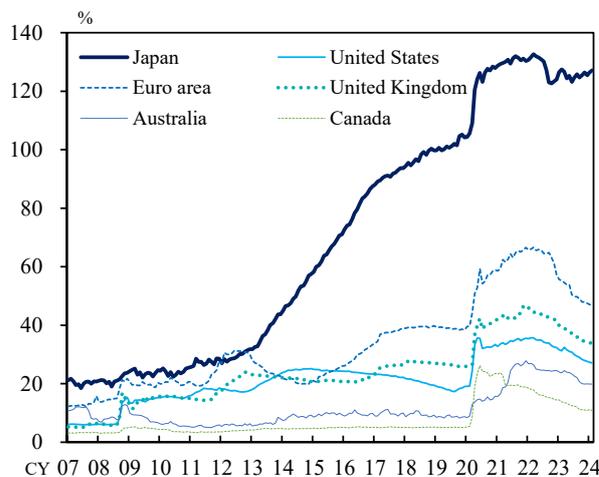
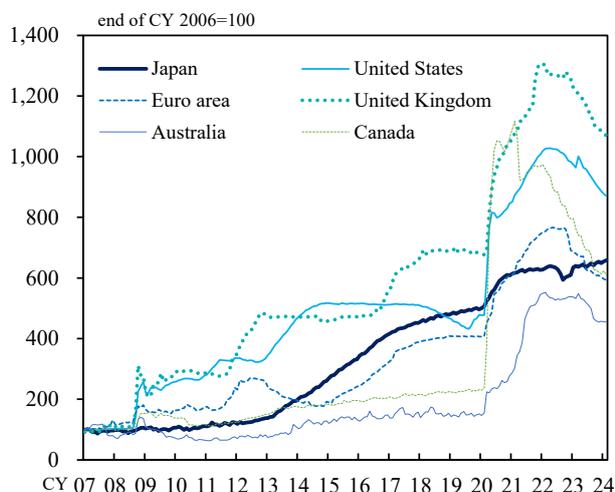
- As recent data and anecdotal information have gradually shown that the virtuous cycle between wages and prices has become more solid, the Bank judged **it came in sight that the price stability target of 2 percent would be achieved in a sustainable and stable manner** toward the end of the projection period of the January 2024 Outlook Report. It considers that **its large-scale monetary easing measures have fulfilled their roles**, including the negative interest rate policy and the yield curve control.
- With the price stability target, the Bank will conduct monetary policy as appropriate, **guiding the short-term interest rate as a primary policy tool**, in response to developments in economic activity and prices as well as financial conditions from the perspective of sustainable and stable achievement of the target. Given the current outlook for economic activity and prices, it anticipates that **accommodative financial conditions will be maintained for the time being.**



Major Central Banks' Balance Sheets

Level

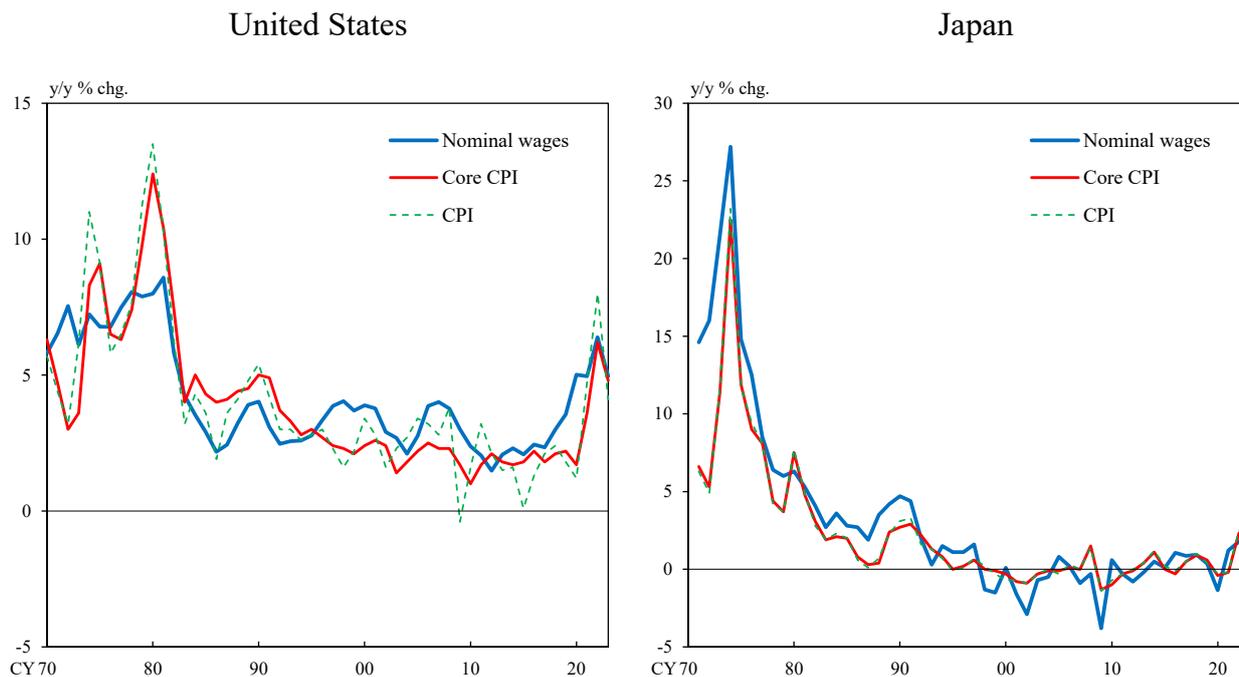
Ratio to Nominal GDP



Note: Figures for the United Kingdom until September 2014 are for total assets; from October 2014, they are for the sum of the main components of assets.

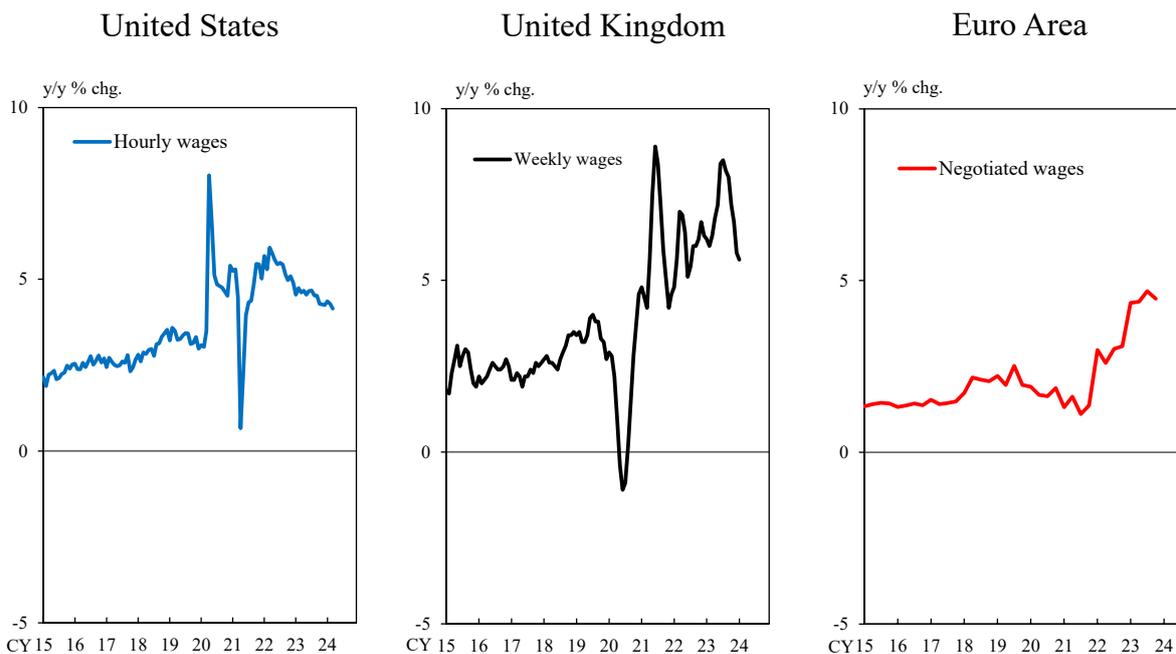
Sources: Data from central banks and statistical authorities; Haver Analytics.

Nominal Wages and CPI in the United States and Japan



Notes: 1. In the left panel, figures for nominal wages are for average hourly earnings of production and nonsupervisory employees.
 2. In the right panel, figures for nominal wages are for total cash earnings. Those from 2016 onward are based on continuing observations following the sample revisions. Figures for the CPI and the core CPI exclude the effects of consumption tax hikes.
 Sources: BLS; Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

Nominal Wages in the United States and Europe

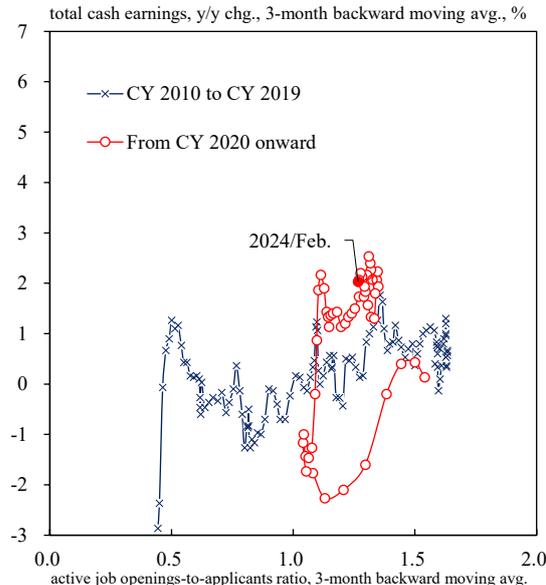
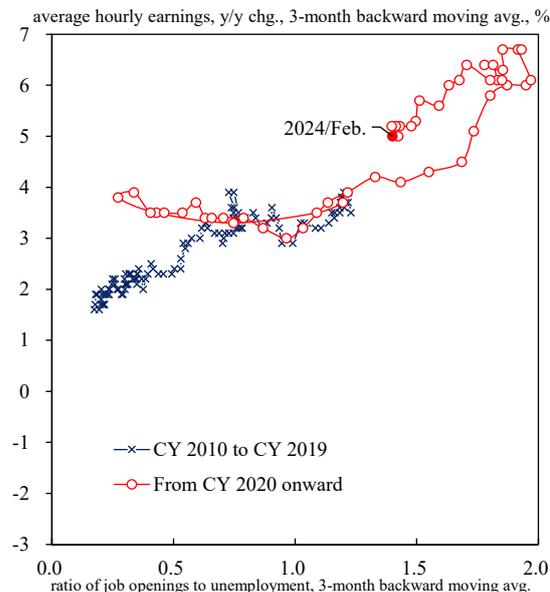


Note: Figures in the middle panel are 3-month backward moving averages.
 Sources: BLS; ECB; ONS.

Labor Market Conditions and Wage Growth in the United States and Japan

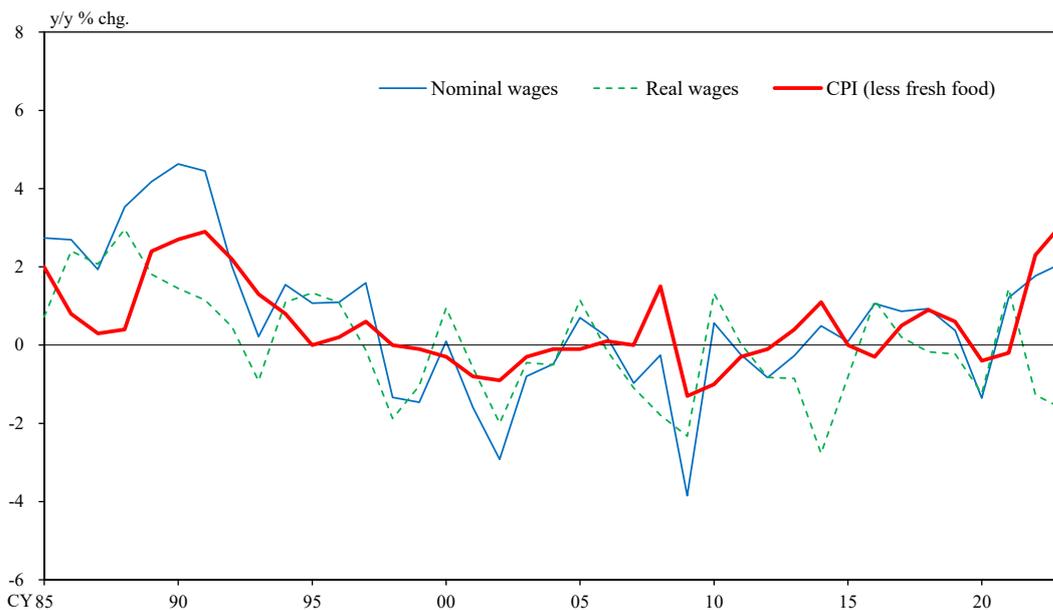
United States (Average Hourly Earnings)

Japan (Total Cash Earnings)



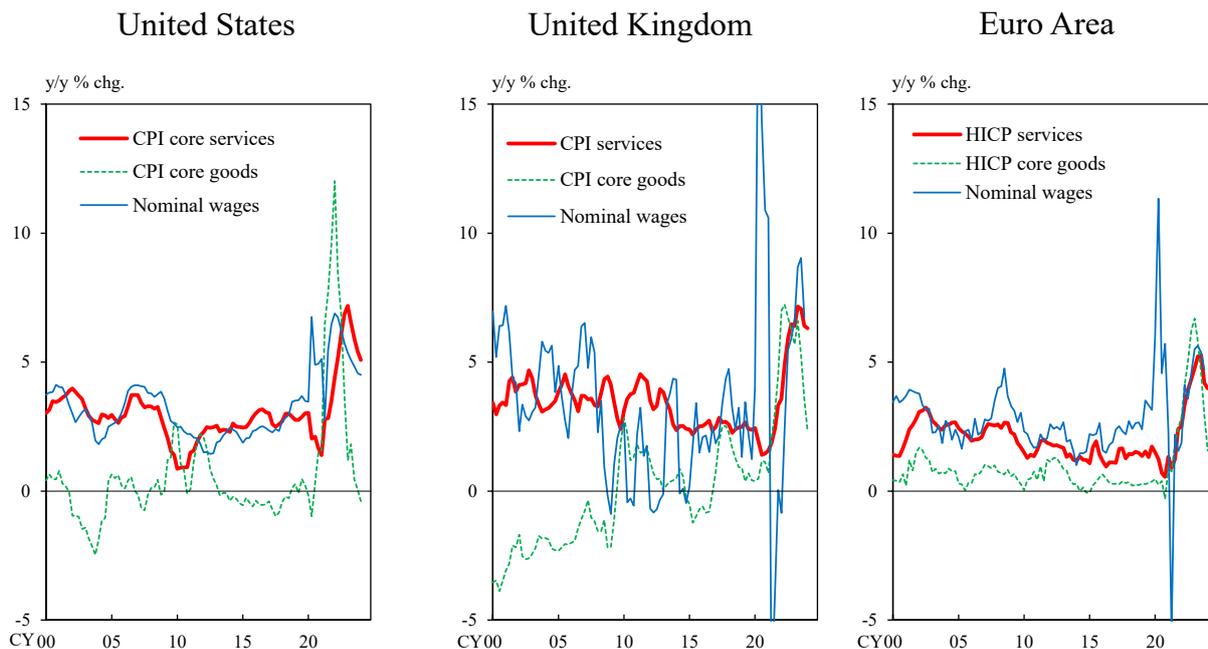
Notes: 1. In the left panel, figures for average hourly earnings are from the Atlanta Fed's Wage Growth Tracker.
 2. In the right panel, figures for total cash earnings are for all employees. Figures from 2016 onward are based on continuing observations following the sample revisions.
 Sources: Haver Analytics; Ministry of Health, Labour and Welfare.

Wages and CPI



Note: Figures for the CPI (less fresh food) exclude the effects of consumption tax hikes. Figures for nominal wages and real wages from 2016 onward are based on continuing observations following the sample revisions.
 Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

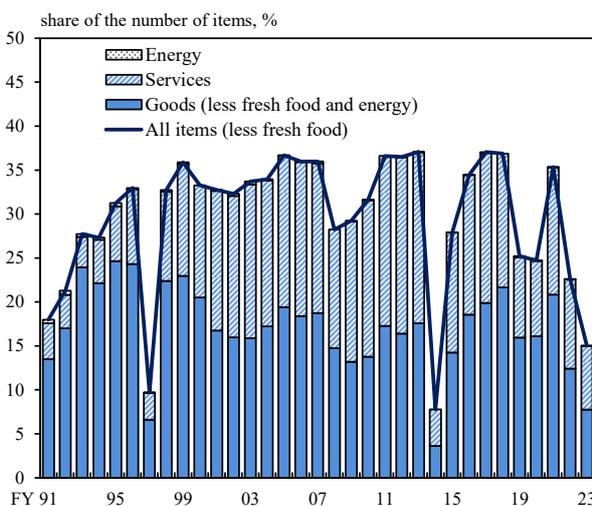
Nominal Wages, Services Prices, and Goods Prices in the United States and Europe



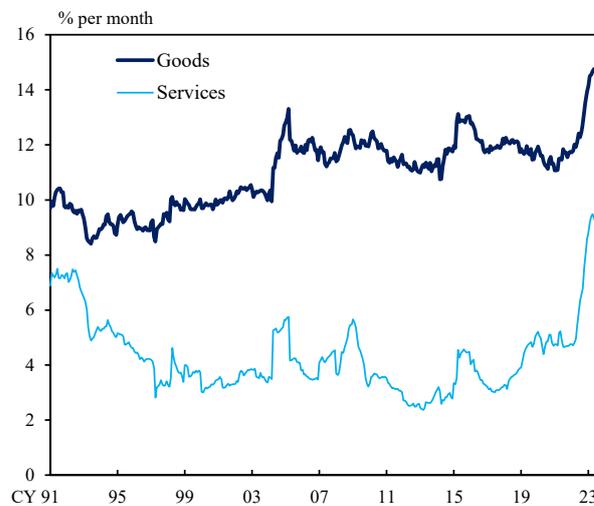
Note: Nominal wages are average hourly earnings. In the left panel, figures for U.S. nominal wages are for production and nonsupervisory employees. Sources: BLS; Haver Analytics.

Price Revisions

Share of Items for Which Prices Were Unchanged



Frequency of Price Revisions

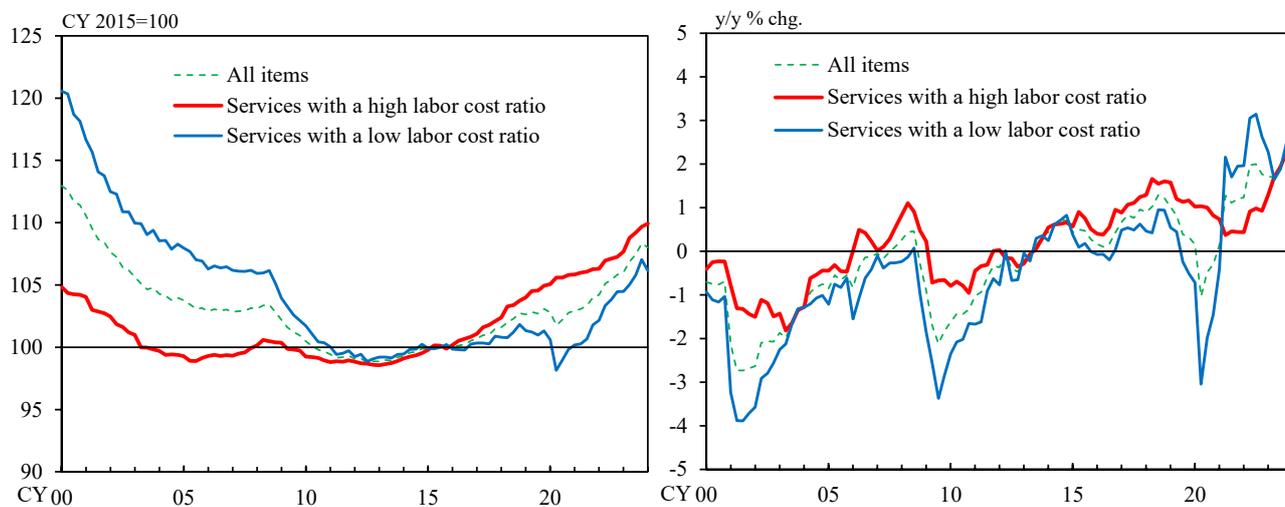


Notes: 1. In the left panel, figures are the share of items for which year-on-year price changes were within plus or minus 0.5 percent. 2. In the right panel, figures are calculated based on the proportion of cities where the average price of individual items changed from the previous month (12-month backward moving averages). Data exclude fresh food, electricity, manufactured and piped gas, water charges, and housing rent. Temporary price changes due to, for example, consumption tax hikes and special sales are not incorporated. Source: Ministry of Internal Affairs and Communications.

Services Producer Prices

Index

Year-on-Year Change



Notes: 1. Figures exclude the effects of consumption tax hikes.

2. Figures for services are estimated based on the classification in the Bank's research paper "Final Draft of the Rebasing of the Services Producer Price Index to the Base Year 2020" released in February 2024 (available only in Japanese).

Source: Bank of Japan.