



# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Kumamoto*

May 29, 2024

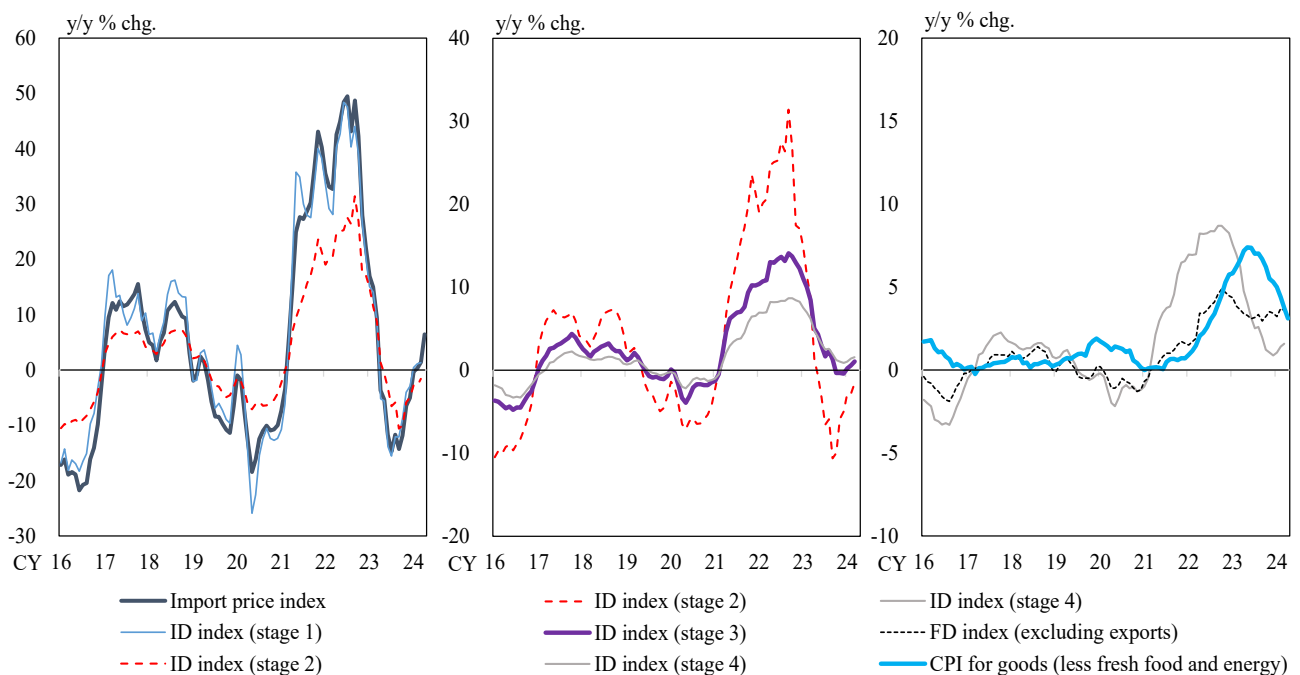
ADACHI Seiji

Member of the Policy Board

Bank of Japan

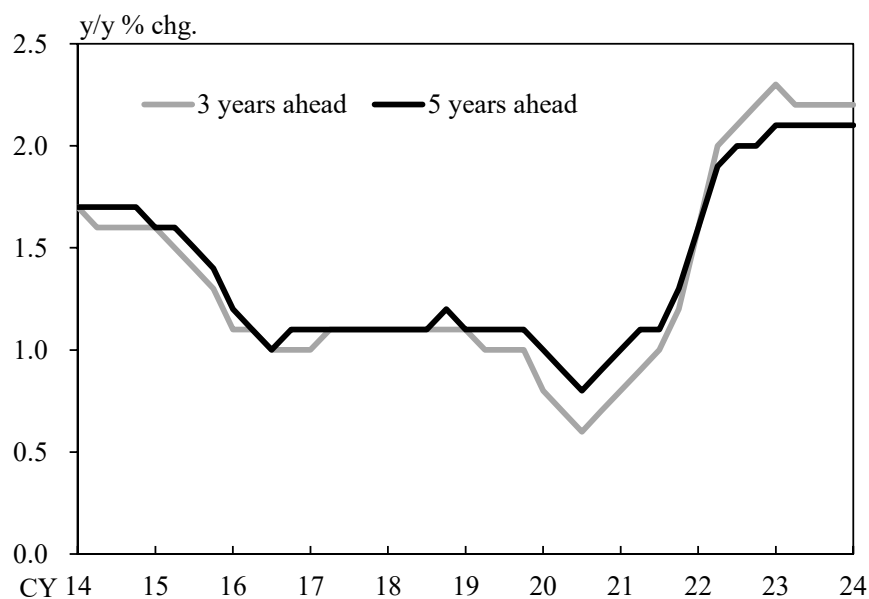
Chart 1

## Spillover Effects of Import Prices on the CPI for Goods



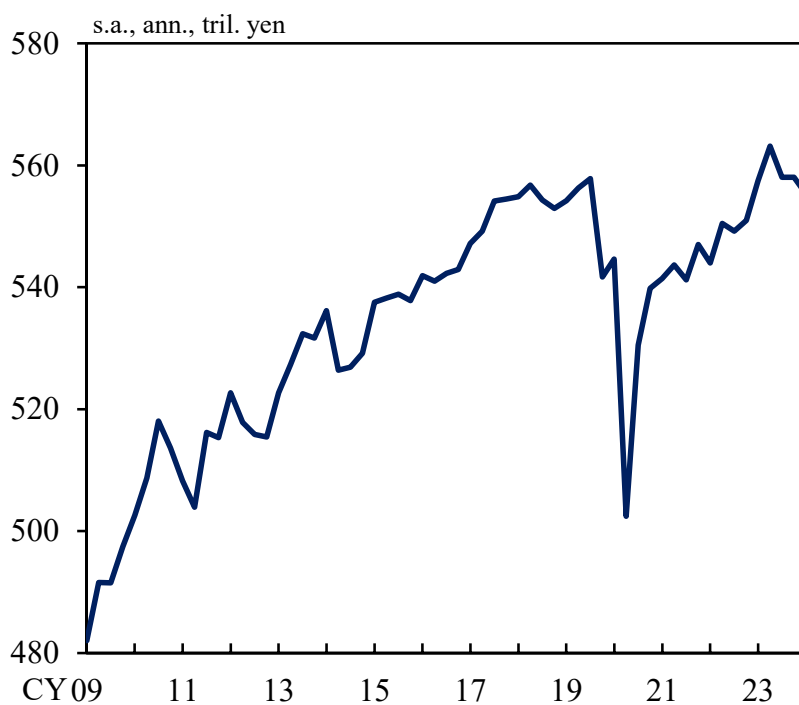
Note: The import price index is on a yen basis. The FD-ID price indexes divide demand into the final demand (FD) stage and four stages of intermediate demand (ID) based on the Input-Output Tables for Japan. Goods and services prices are then aggregated according to the stage to which they belong to compile the FD index and the ID indexes for stages 1 to 4, ranging from the upstream to downstream stages of the production process.  
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

## Firms' Inflation Outlook for General Prices



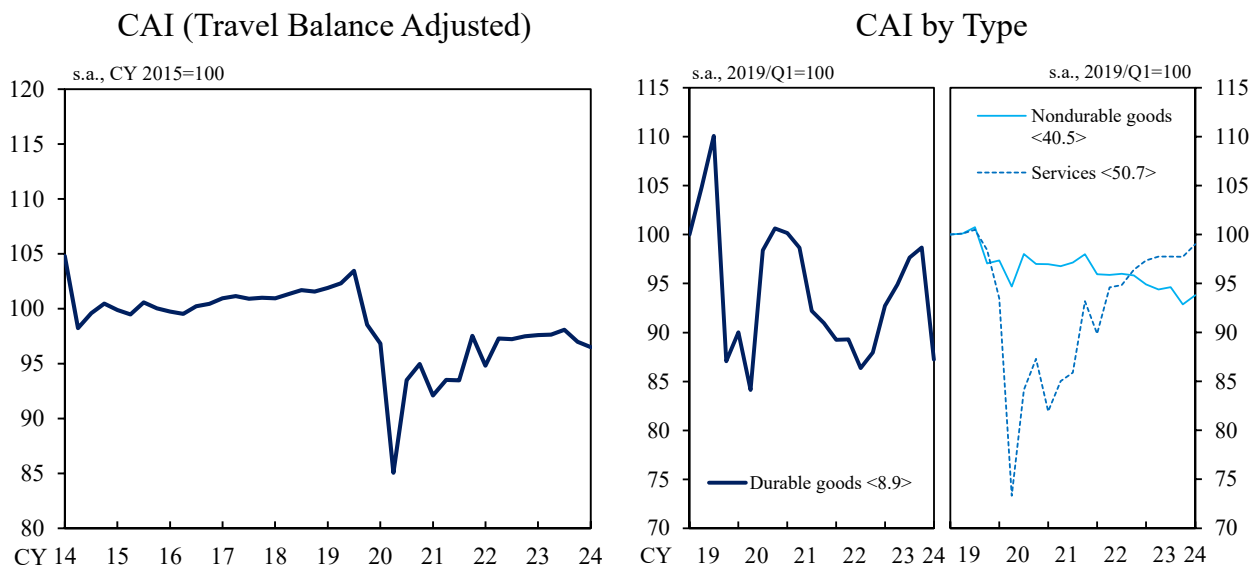
Note: Figures show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.  
Source: Bank of Japan.

## Real GDP



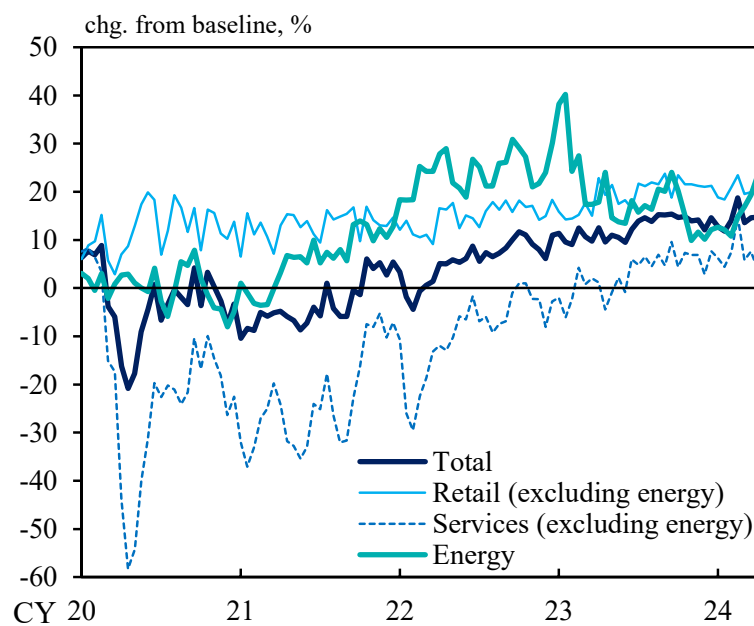
Source: Cabinet Office.

# Consumption Activity Index (CAI, Real)



Notes: 1. In the left panel, figures exclude inbound tourism consumption and include outbound tourism consumption, and are based on Bank staff calculations.  
 2. In the right panel, figures in angle brackets show the weights in the CAI. Figures are based on Bank staff calculations.  
 3. In the right panel, "nondurable goods" includes goods classified as semi-durable goods in the SNA.  
 Sources: Bank of Japan; etc.

# Consumption Developments Based on Credit Card Spending



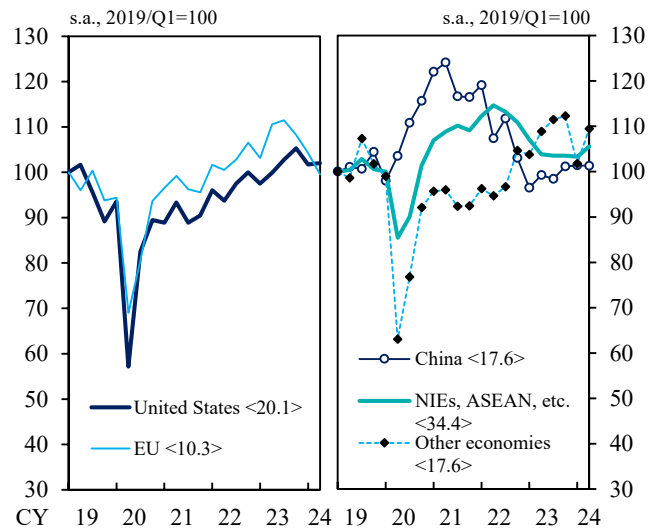
Notes: 1. Figures are from the reference series in *JCB Consumption NOW*, which take into account changes in the number of consumers. The baseline is the average for the corresponding half of the month for fiscal 2016 through fiscal 2018.  
 2. Figures for the total and for services exclude telecommunications, and figures for energy consist of those for fuel, electricity, gas, heat supply, and water. Figures are based on Bank staff calculations.  
 Source: Nowcast Inc./ JCB, Co., Ltd., "JCB Consumption NOW."

# Exports

Total Real Exports

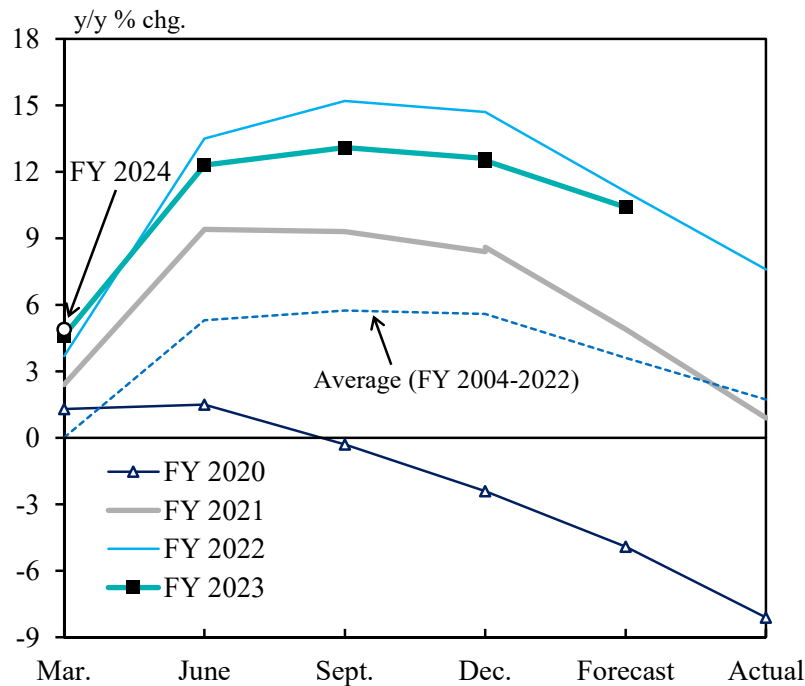


Real Exports by Region



Notes: 1. Figures are based on Bank staff calculations.  
 2. Figures for 2024/Q2 are those for April.  
 3. In the right panel, figures in angle brackets show the share of each country or region in Japan's total exports in 2023.  
 Figures for the EU exclude those for the United Kingdom for the entire period.  
 Sources: Ministry of Finance; Bank of Japan.

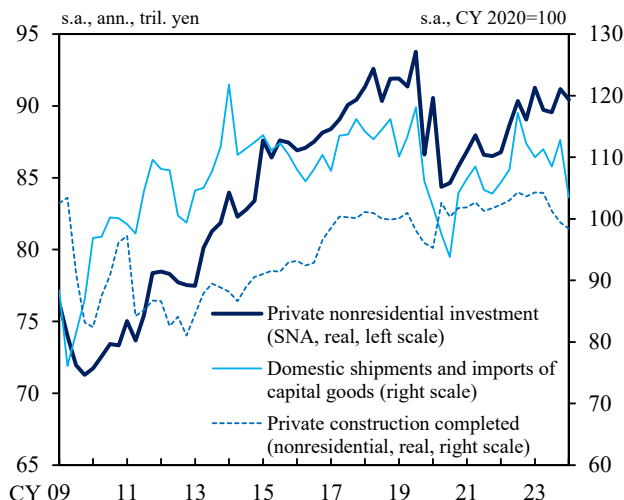
# Developments in Business Fixed Investment Plans



Notes: 1. Figures are based on the *Tankan* and are for all industries including financial institutions.  
 2. Figures include software and R&D investments but exclude land purchasing expenses. R&D investment is not covered as a survey item before the March 2017 survey.  
 3. There are discontinuities in the data for December 2021 and December 2023 due to changes in the survey sample.  
 Source: Bank of Japan.

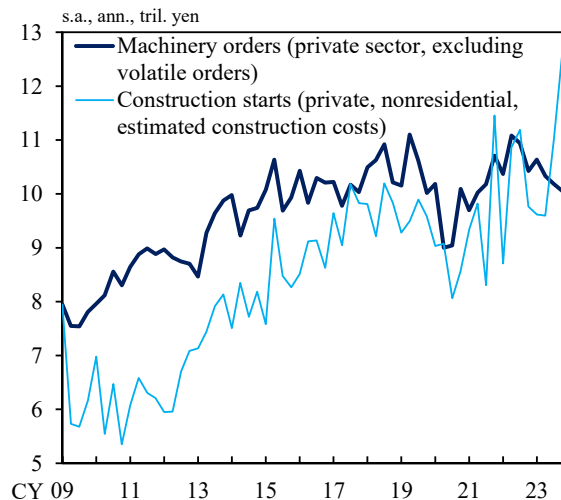
# Business Fixed Investment

### 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.

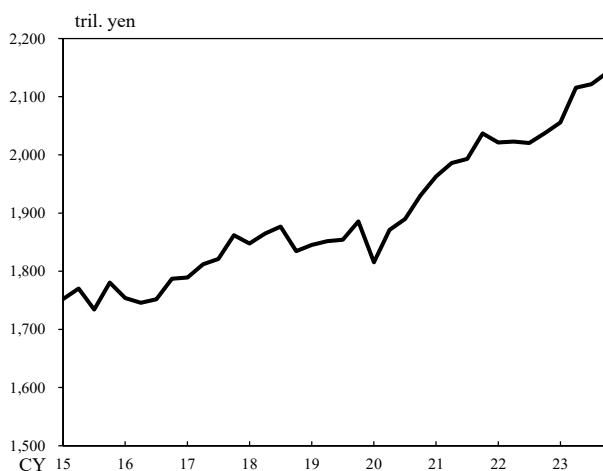
### Leading Indicators of Business Fixed Investment



Note: Volatile orders are orders for ships and those from electric power companies.  
Sources: Cabinet Office; Ministry of Land, Infrastructure, Transport and Tourism.

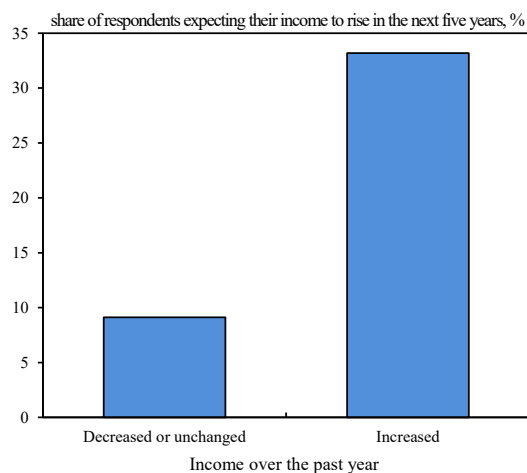
# Factors Affecting Future Private Consumption

### Households' Financial Assets



Source: Bank of Japan.

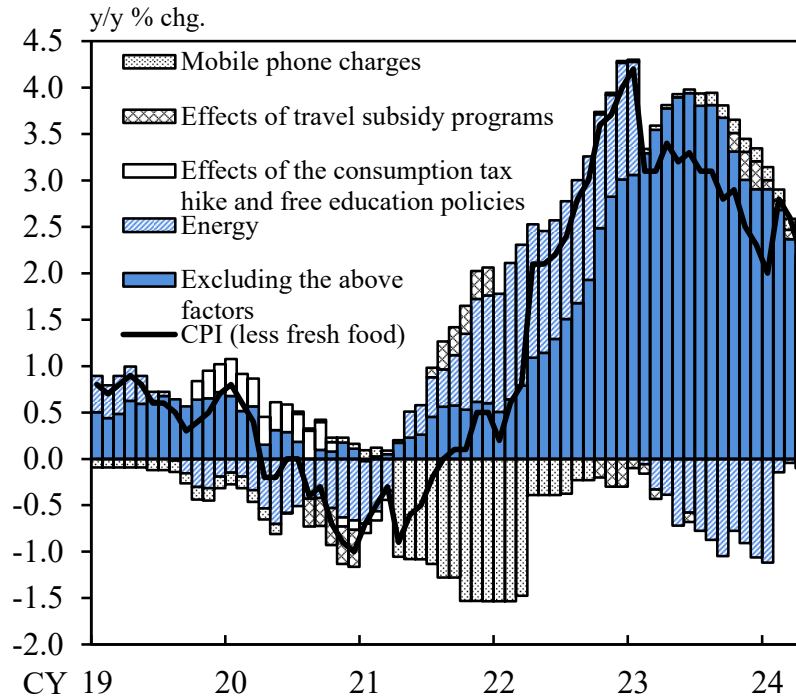
### Wage Increases and Households' Income Outlook



Note: The vertical axis shows the share of respondents who answered that they expected their wages in five years to be considerably or somewhat higher than the current wages of those five years their senior in the same company. The bar labeled "increased" shows this share for respondents who replied that their income had increased over the past year, while the bar labeled "decreased or unchanged" shows the share for respondents who replied that their income had decreased or remained unchanged over the past year. Figures are based on the April 2023 survey.

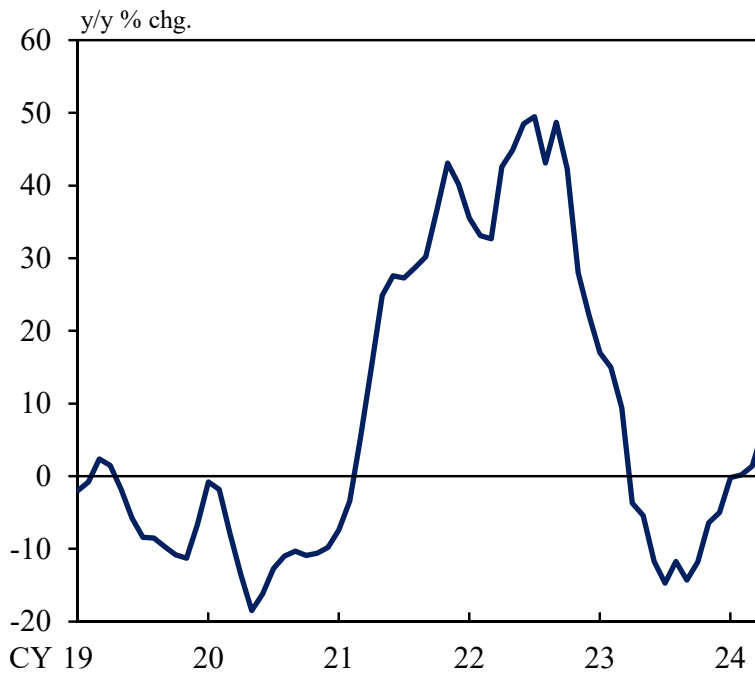
Source: JTUC Research Institute for Advancement of Living Standards.

## CPI for All Items 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.

## Import Price Index (Yen Basis)

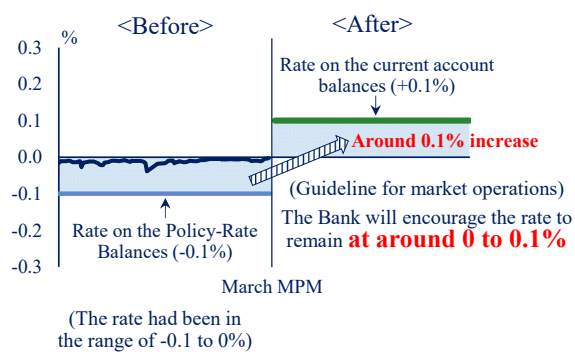


Source: Bank of Japan.

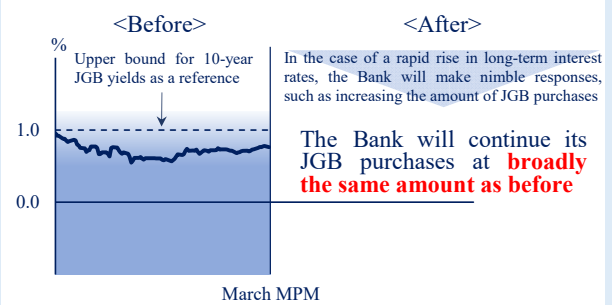
## Changes in the Monetary Policy Framework (March 2024)

- As recent data and anecdotal information have gradually shown that the virtuous cycle between wages and prices has become more solid, the Bank judged that **it was now within sight that the price stability target of 2 percent would be achieved in a sustainable and stable manner**. 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.

### Short-term interest rate (uncollateralized overnight call rate)

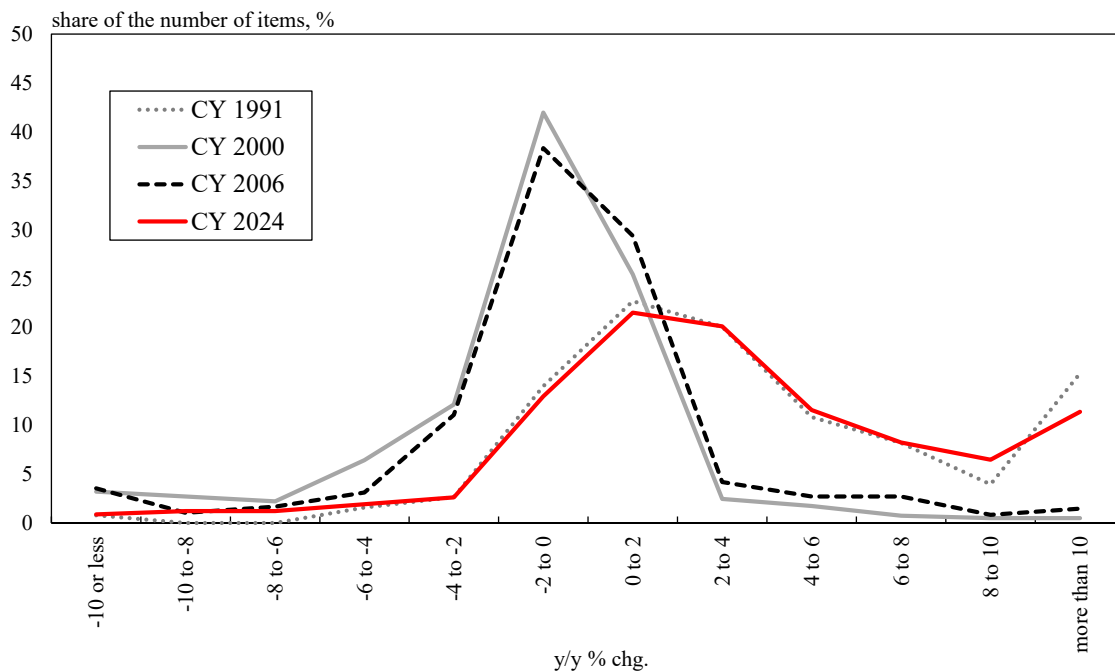


### Long-term interest rates



**ETFs and J-REITs** The Bank will discontinue purchases

## CPI Price Change Distributions



Notes: 1. Figures are calculated using long-term time series data for each item in Japan's CPI (2020-base).  
 2. Figures for CY 1991 are for January 1991. Figures for CY 2000, CY 2006, and CY 2024 are for July 2000, February 2006, and February 2024, respectively; these are the months preceding the months in which a change in monetary policy was introduced.  
 Source: Ministry of Internal Affairs and Communications.