

# Japan's Economy and Monetary Policy

*Speech at a Meeting with Business Leaders in Nagoya*

November 18, 2024

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*Governor of the Bank of Japan*

## Introduction

### I. Economic Activity and Prices

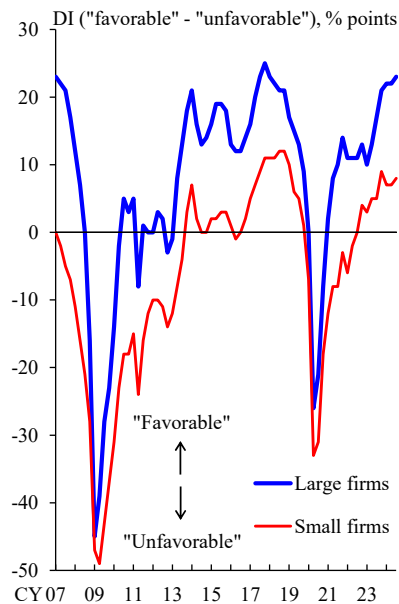
### II. Risks to Economic Activity and Prices

### III. The Bank's Conduct of Monetary Policy

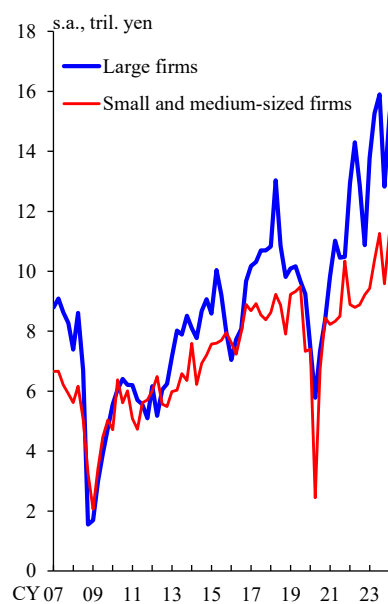
## Concluding Remarks

## Corporate Sector

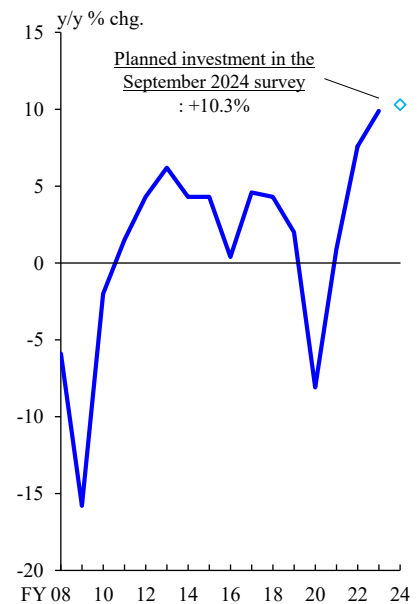
## Business Conditions (Tankan)



## Corporate Profits



## Business Fixed Investment



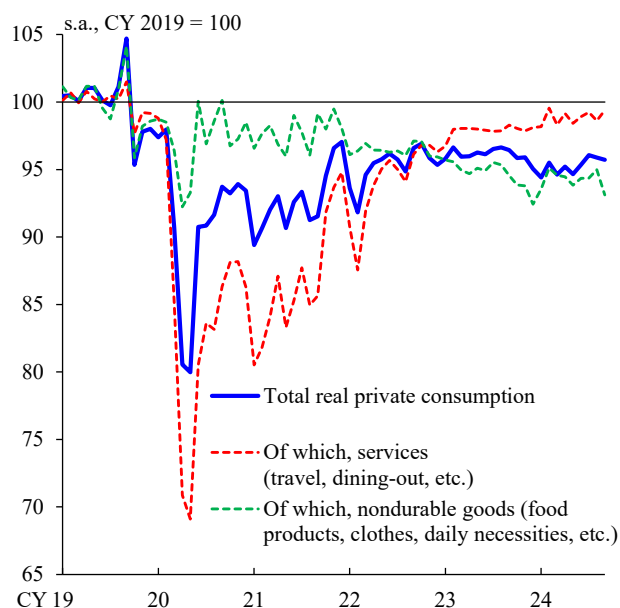
Notes: 1. In the middle chart, figures are current profits based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies.  
2. In the right-hand chart, figures are based on the *Tankan*, including software and R&D investments and excluding land purchasing expenses. R&D investment is not included before the March 2017 survey. Figures are for all industries including financial institutions.

Sources: Bank of Japan; Ministry of Finance.

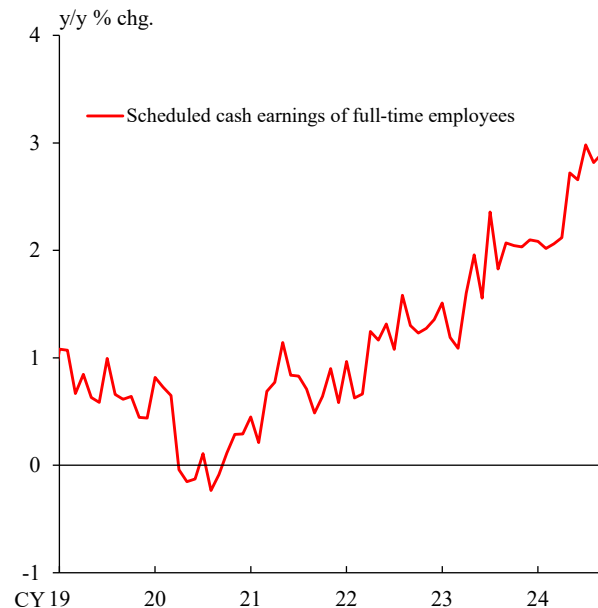
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## Household Sector

## Private Consumption



## Nominal Wages



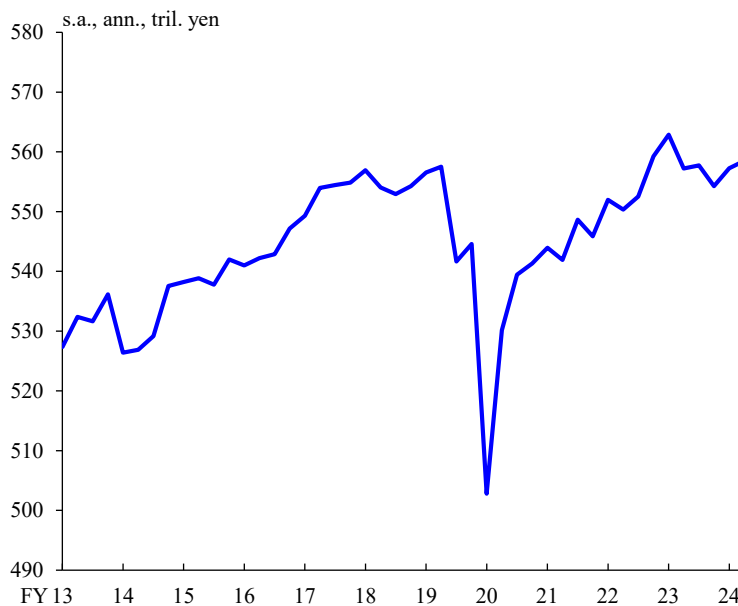
Notes: 1. In the left-hand chart, figures for total real private consumption are the real Consumption Activity Index (travel balance adjusted) based on staff calculations, which exclude inbound tourism consumption and include outbound tourism consumption.  
2. In the right-hand chart, figures are based on continuing observations following the sample revisions.

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

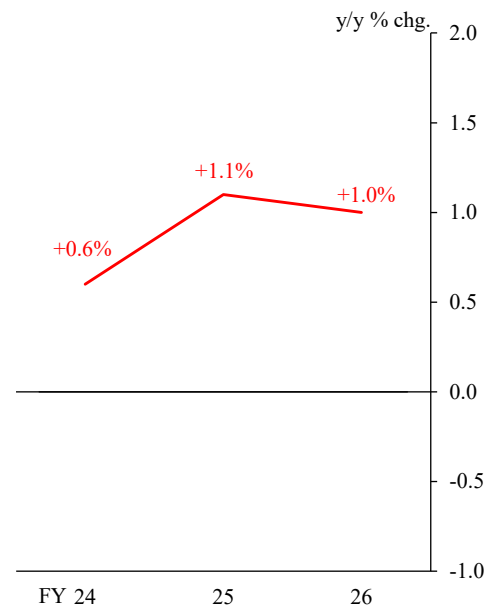
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## The BOJ's Forecasts for Real GDP (Oct. 2024 Outlook Report)

### Developments over Time



### Forecasts

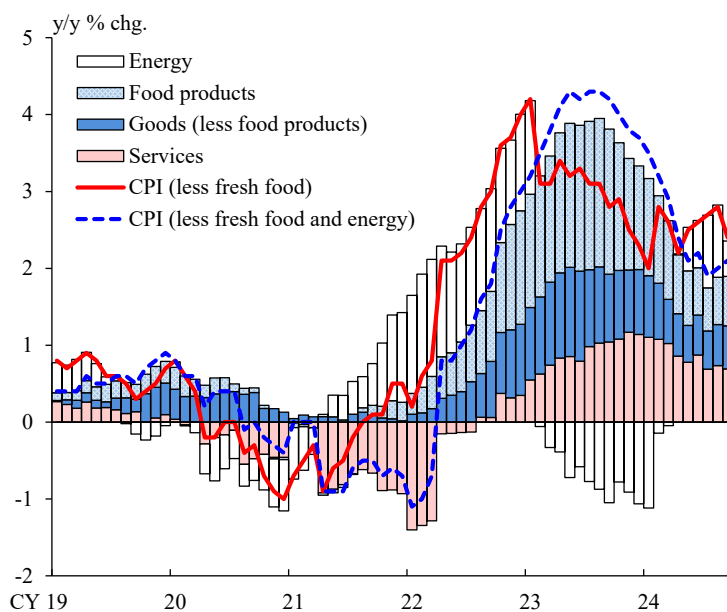


Note: In the right-hand chart, the forecasts presented are the medians of the Policy Board members' forecasts.  
Sources: Cabinet Office; Bank of Japan.

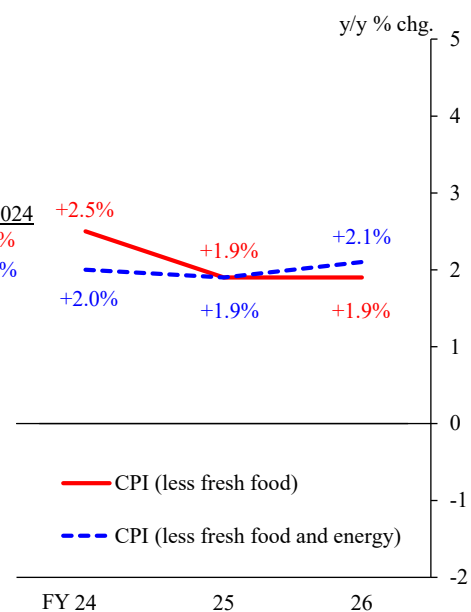
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## Developments in Consumer Prices

### Developments over Time



### Forecasts

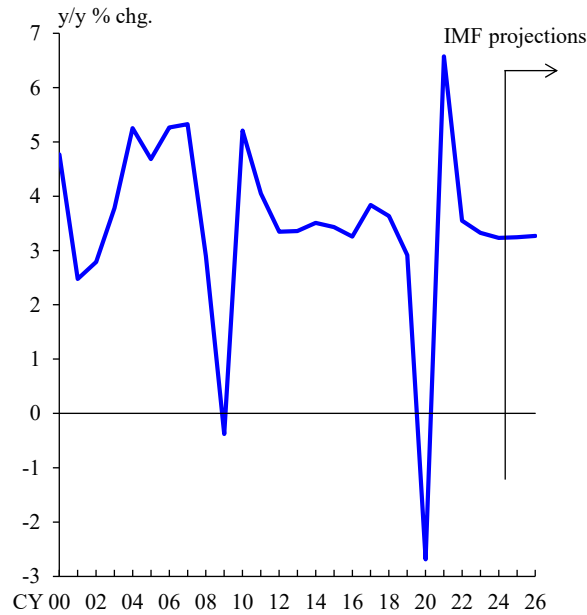


Note: In the right-hand chart, the forecasts presented are the medians of the Policy Board members' forecasts in the October 2024 Outlook Report.  
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

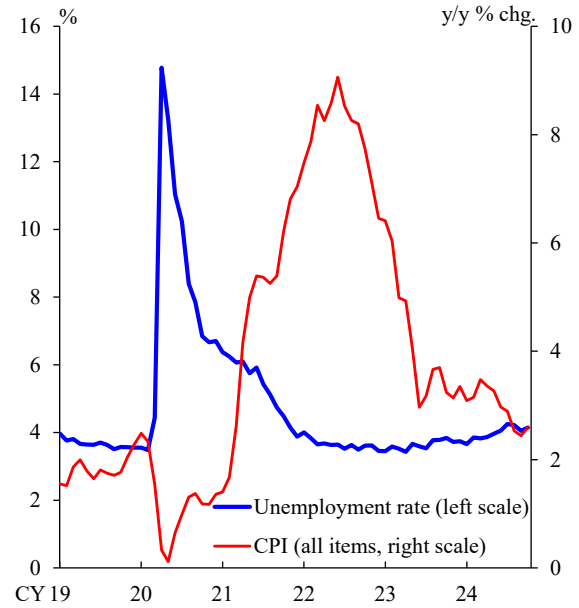
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## Overseas Economies

*Global Growth Rate  
(IMF's October 2024 WEO)*



*U.S. Economy*

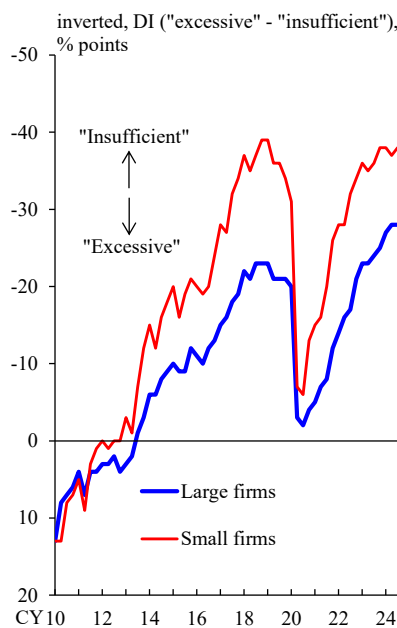


Sources: IMF; Haver.

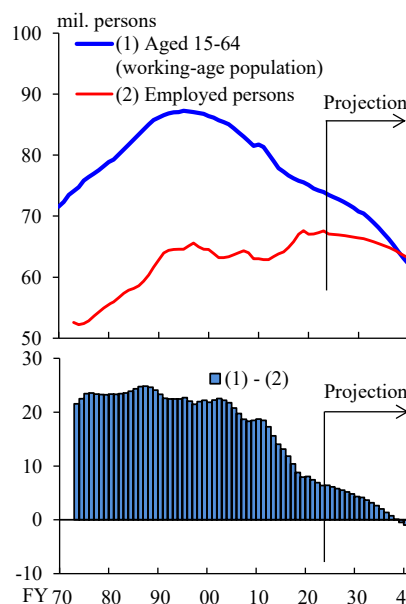
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## Environment Surrounding Wages

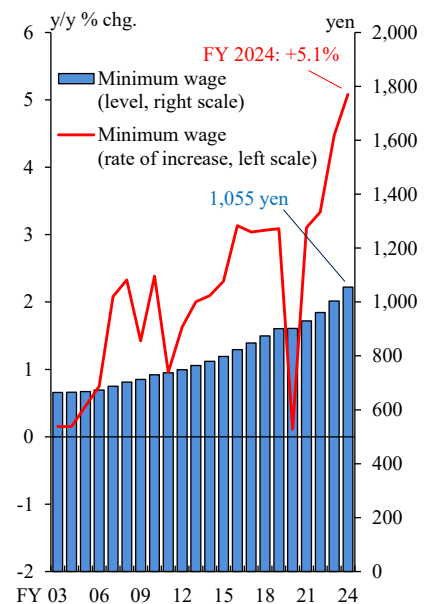
*Labor Market Conditions*



*Projection for Labor Input*



*Developments in the Minimum Wage*



Notes: 1. In the left-hand chart, figures are the employment conditions DI in the *Tanken*.

2. In the middle chart, the projection for the working-age population is by the National Institute of Population and Social Security Research. The projection for the number of employed persons is calculated based on projections by the Japan Institute for Labour Policy and Training.

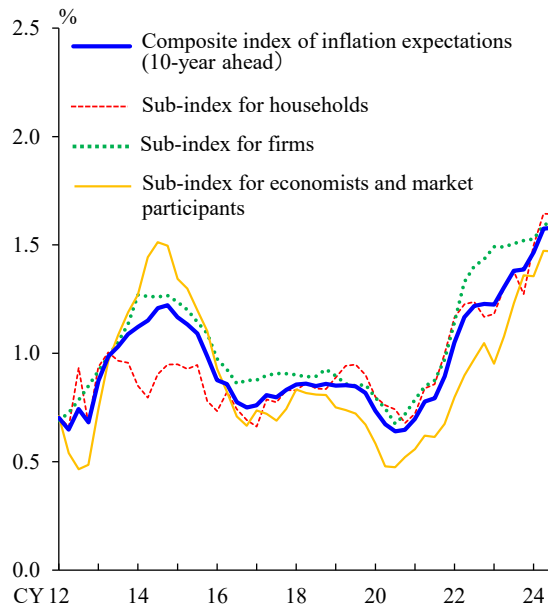
3. In the right-hand chart, figures for the minimum wage are national weighted averages.

Sources: Ministry of Internal Affairs and Communications; National Institute of Population and Social Security Research; Japan Institute for Labour Policy and Training; Bank of Japan; Ministry of Health, Labour and Welfare.

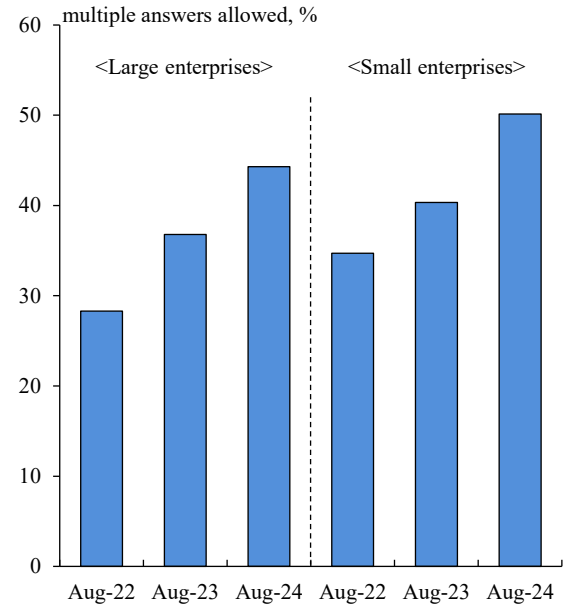
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## Changes in Firms' and Households' Mindset Regarding Wages and Prices

### Inflation Expectations



### Share of Establishments That Are Planning to "Improve Wages" to Address Labor Shortages



Notes: 1. For details of the approach on which the left-hand chart is based, see Box 4 of the April 2024 Outlook Report.

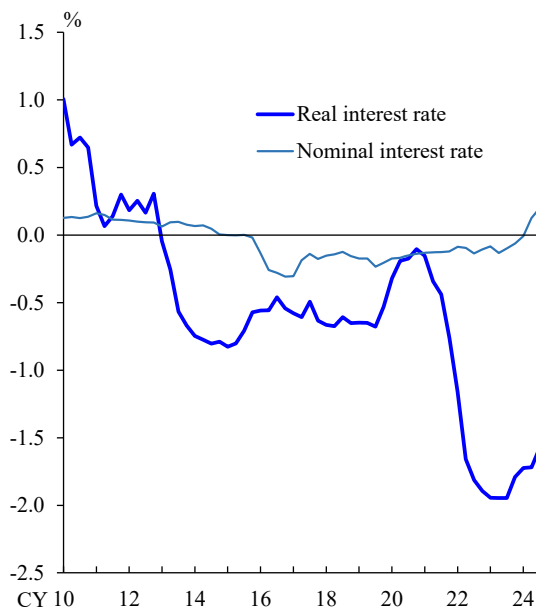
2. In the right-hand chart, figures are based on the *Survey on Labour Economy Trend*. Figures represent the share of establishments that answered that they are planning to "improve working conditions (wages) of current employees" as a measure to address labor shortages for the year ahead. Large enterprises are enterprises with 1,000 or more employees. Small enterprises are enterprises with 30 to 299 employees.

Sources: Ministry of Health, Labour and Welfare; Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg.

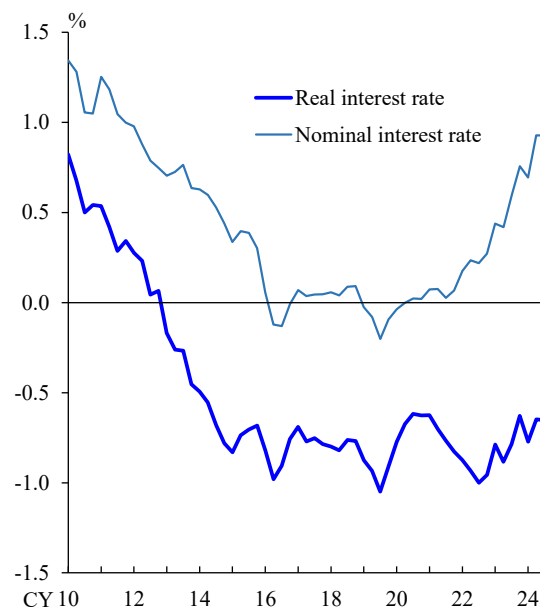
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## Financial Conditions

### Real Interest Rate (1-Year)



### Real Interest Rate (10-Year)



Note: Figures for the real interest rate for each maturity are calculated as government bond yields minus the composite index of inflation expectations (staff estimates) for the corresponding maturity.

Sources: Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg.

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