



Economic Activity, Prices, and Monetary Policy in Japan

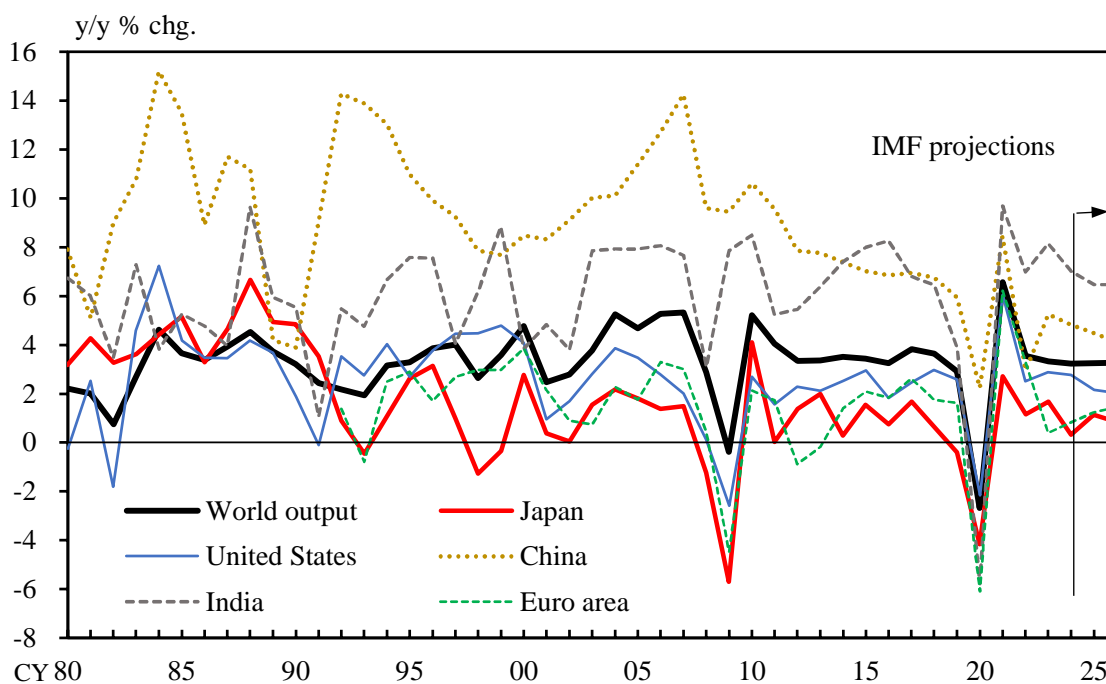
Speech at a Meeting with Local Leaders in Hiroshima

December 5, 2024

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Member of the Policy Board
Bank of Japan

Chart 1

IMF Projections in the *World Economic Outlook* (October 2024)



Source: IMF.

Forecasts of the Majority of the Policy Board Members

y/y % chg.

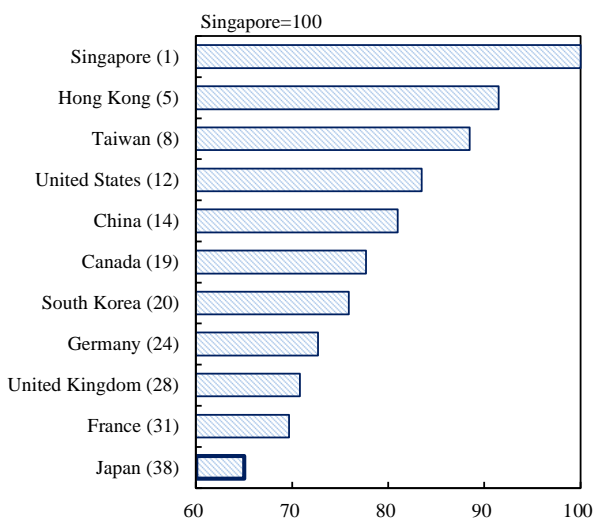
	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2024	+0.5 to +0.7 [+0.6]	+2.4 to +2.5 [+2.5]	+1.9 to +2.1 [+2.0]
Forecasts made in July 2024	+0.5 to +0.7 [+0.6]	+2.5 to +2.6 [+2.5]	+1.8 to +2.0 [+1.9]
Fiscal 2025	+1.0 to +1.2 [+1.1]	+1.7 to +2.1 [+1.9]	+1.8 to +2.0 [+1.9]
Forecasts made in July 2024	+0.9 to +1.1 [+1.0]	+2.0 to +2.3 [+2.1]	+1.8 to +2.0 [+1.9]
Fiscal 2026	+0.8 to +1.1 [+1.0]	+1.8 to +2.0 [+1.9]	+1.9 to +2.2 [+2.1]
Forecasts made in July 2024	+0.8 to +1.0 [+1.0]	+1.8 to +2.0 [+1.9]	+1.9 to +2.2 [+2.1]

- 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.

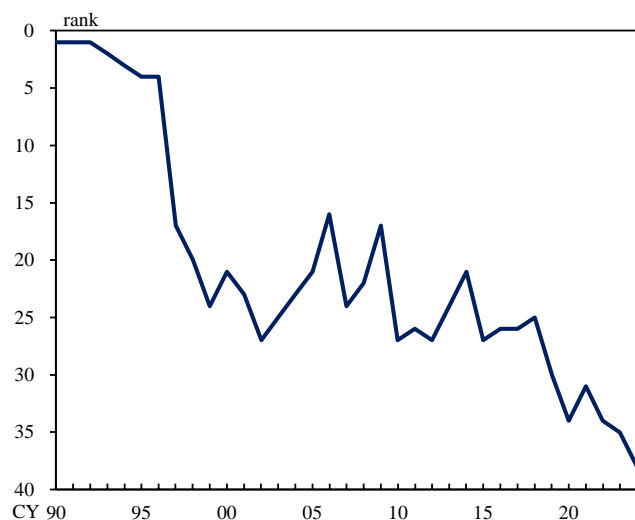
Source: Bank of Japan.

IMD World Competitiveness Ranking

Overall Score for 2024



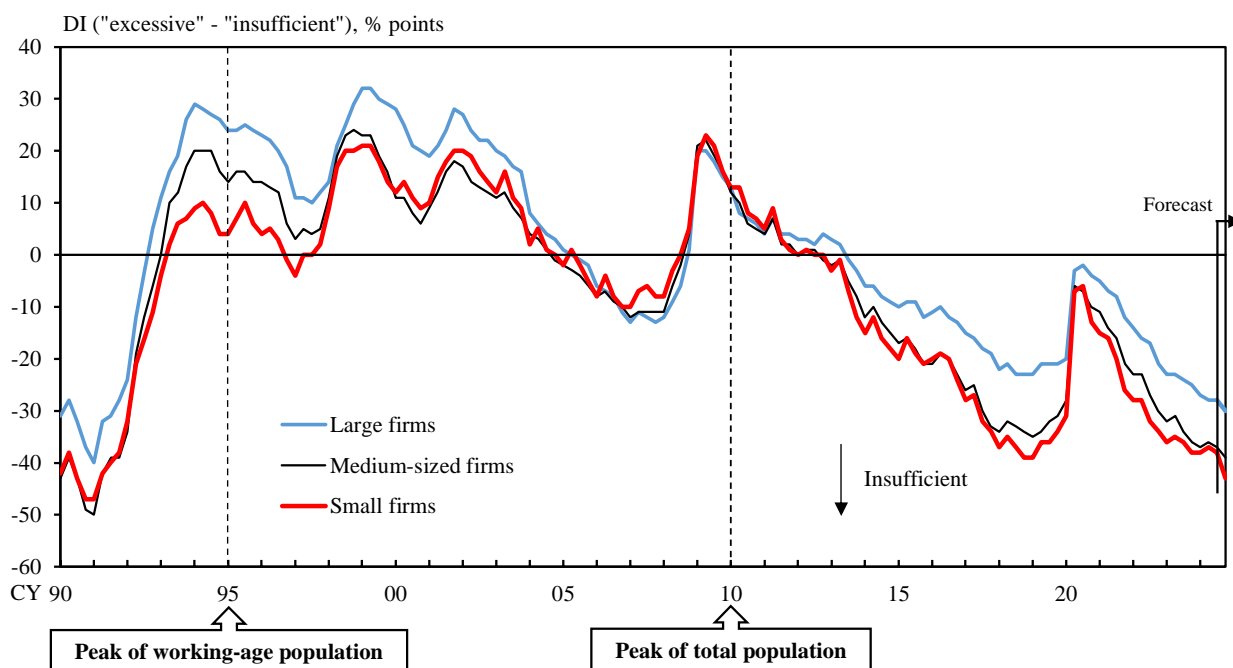
Japan's Ranking



- Notes: 1. In the left panel, figures in parentheses indicate the ranking of the economy out of all 67 economies analyzed.
 2. In the right panel, there is a discontinuity in the data for 1997 due to a change in the survey framework.

Source: IMD, "World Competitiveness Ranking 2024."

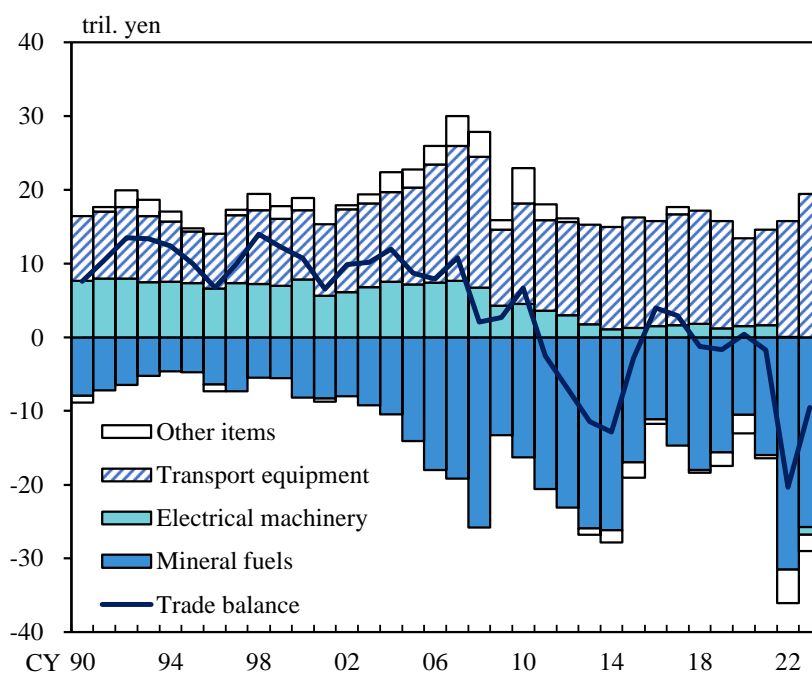
Diffusion Index (DI) for Employment Conditions



Note: Figures are for all industries, excluding financial institutions.

Source: Bank of Japan.

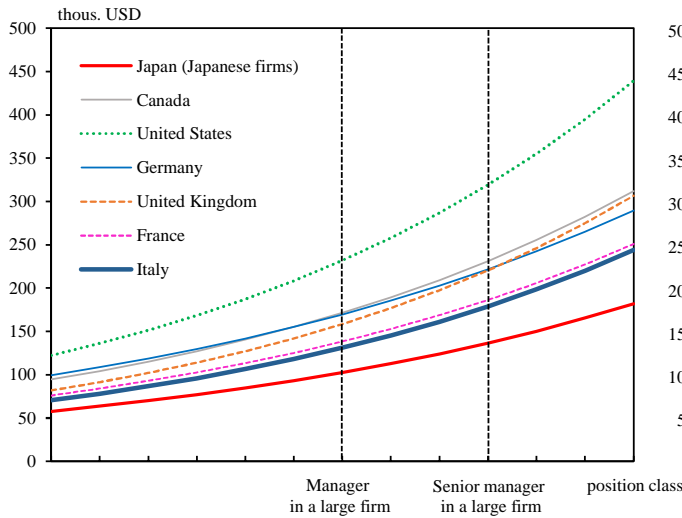
Nominal Trade Balance



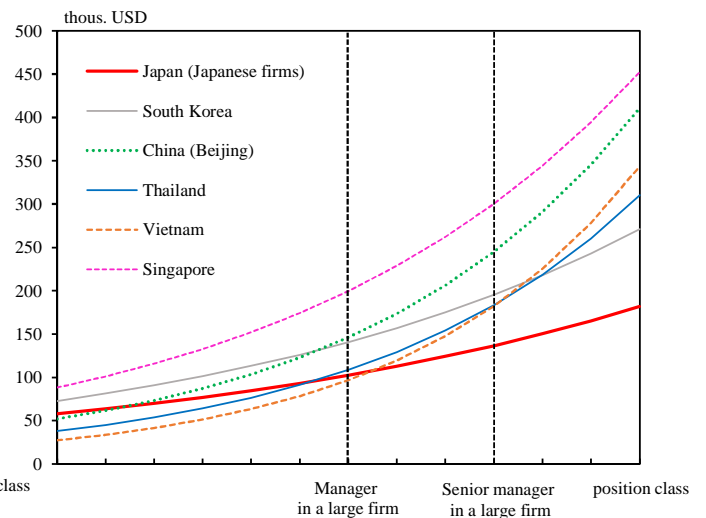
Source: Ministry of Finance.

Annual Pay Comparison (as of 2024)

G7 Countries



Asian Economies

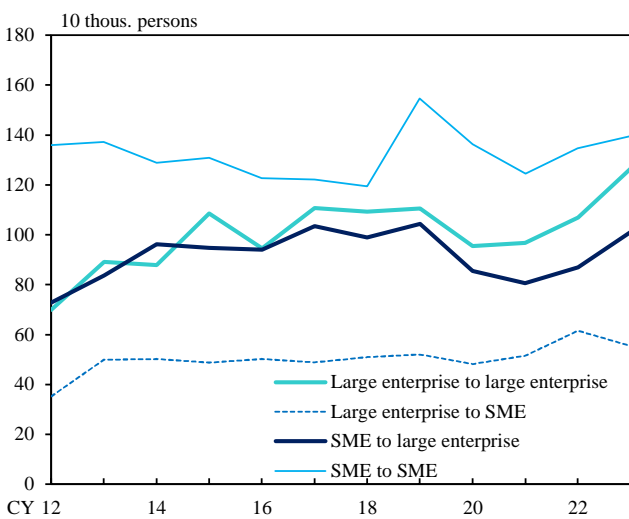


Notes: 1. The horizontal axis shows the level of the position class as defined by Mercer. Position classes below the executive level at large firms are shown in this chart. The further to the right, the higher the position class.
 2. Figures include incentives paid for 100 percent achievement of performance targets and are the medians for each position class.

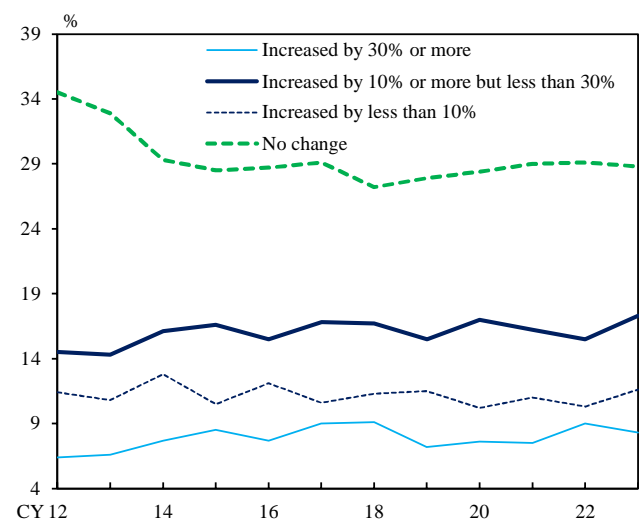
Source: Mercer, 2024 Total Remuneration Survey.

Labor Mobility and Wages

Number of Job Changers by Size of Enterprise



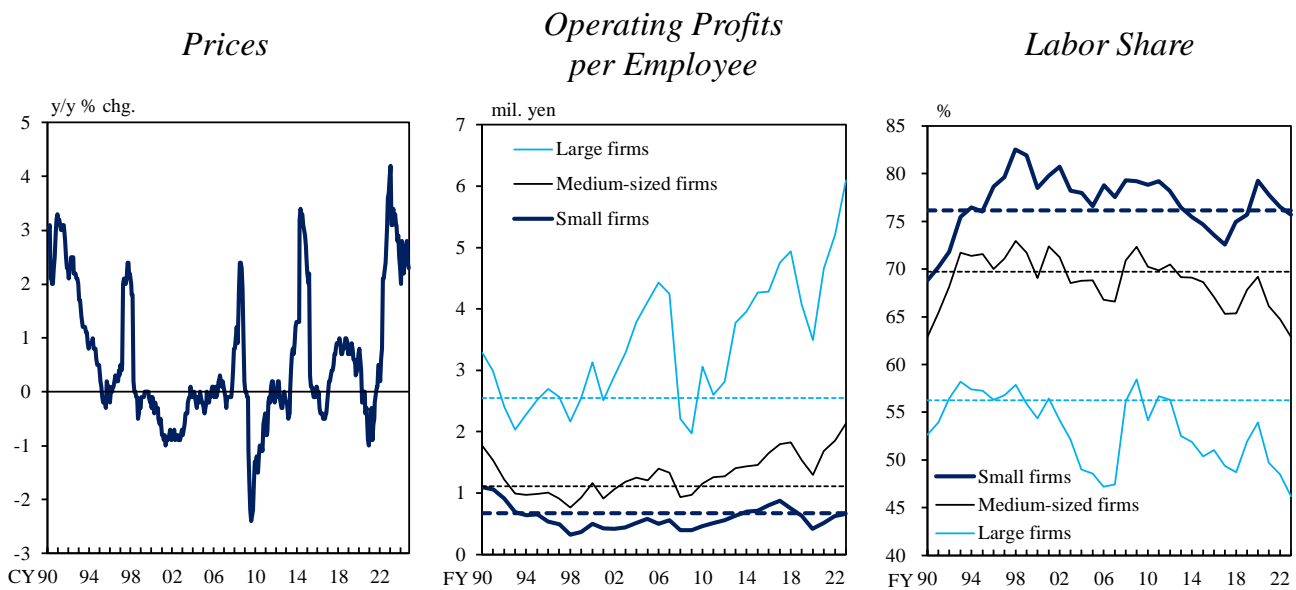
Share of Workers Who Experienced a Wage Increase after a Job Change



Note: In the left panel, small and medium-sized enterprises (SMEs) are enterprises with 5-299 employees. Large enterprises are those with 300 employees or more.

Source: Ministry of Health, Labour and Welfare.

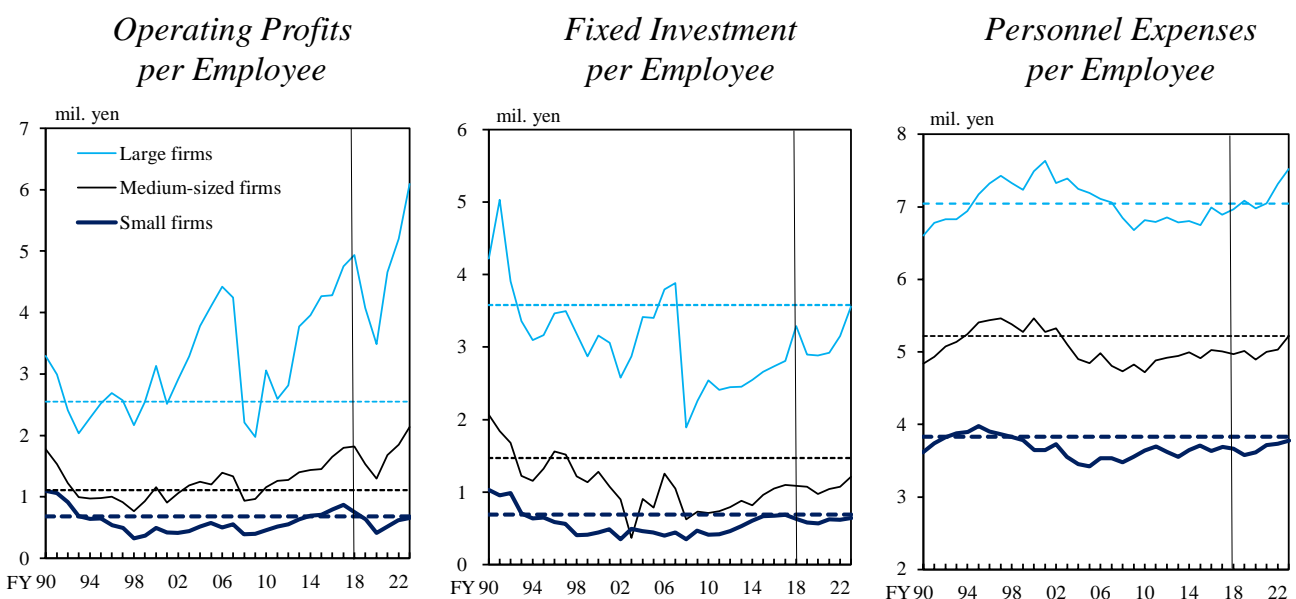
Three Indicators That Show Signs of Wage Increases



Notes: 1. Figures for prices are the CPI (all items less fresh food). Figures for operating profits per employee and labor share are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries. Large firms are commercial corporations with capital of 1 billion yen or more. Medium-sized firms are commercial corporations with capital of 100 million yen or more but less than 1 billion yen. Small firms are commercial corporations with capital of 10 million yen or more but less than 100 million yen. The dotted lines show the average values for the 1990s.
 2. Labor share = personnel expenses / (operating profits + personnel expenses + depreciation expenses).

Sources: Ministry of Finance; Ministry of Internal Affairs and Communications.

Recovery Status of Small and Medium-Sized Firms

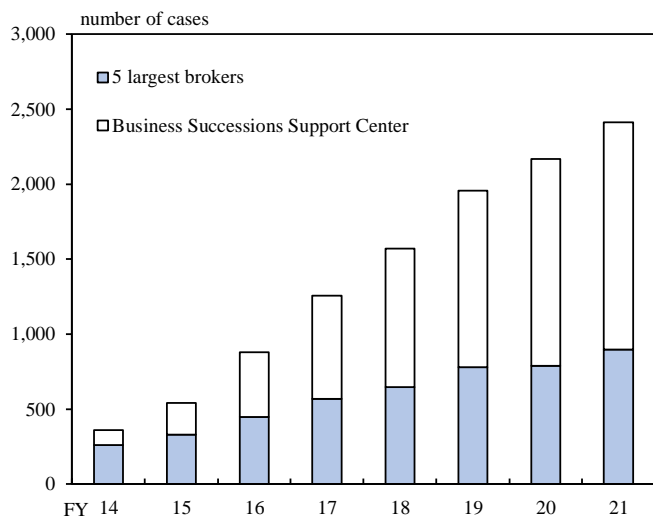


Notes: 1. Figures are based on the *Financial Statements Statistics of Corporations by Industry, Annually*, and exclude the finance and insurance industries. Large firms are commercial corporations with capital of 1 billion yen or more. Medium-sized firms are commercial corporations with capital of 100 million yen or more but less than 1 billion yen. Small firms are commercial corporations with capital of 10 million yen or more but less than 100 million yen. The dotted lines show the average values for the 1990s.
 2. Personnel expenses include salaries and wages, bonuses, and welfare expenses.

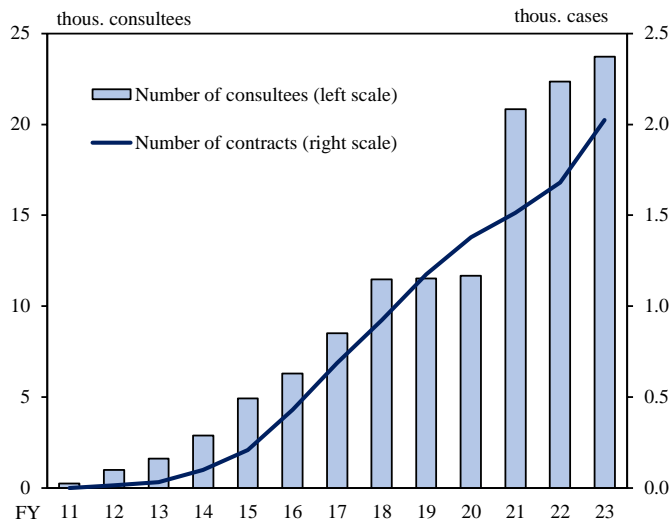
Source: Ministry of Finance.

Progress in Structural Reforms by Small Firms

M&A Cases



Number of Business Successions



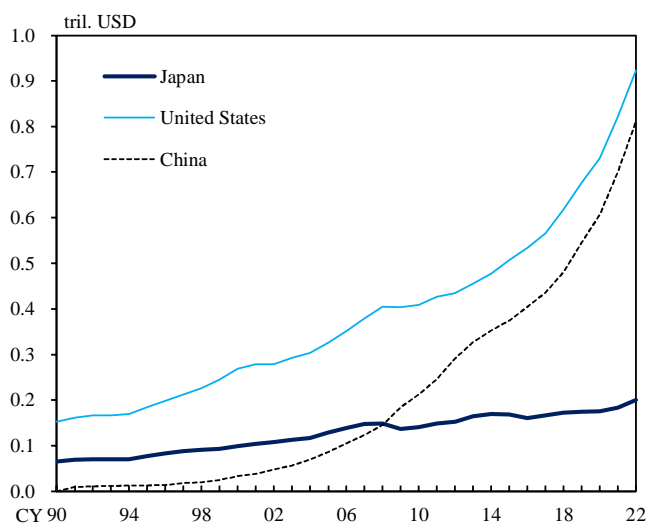
Notes: 1. The left panel is based on data from the report regarding the promotion of M&As among small firms released by the Small and Medium Enterprise Agency on June 21, 2022.

2. The right panel shows the number of consultees and the number of contracts concluded at the Business Successions Support Center.

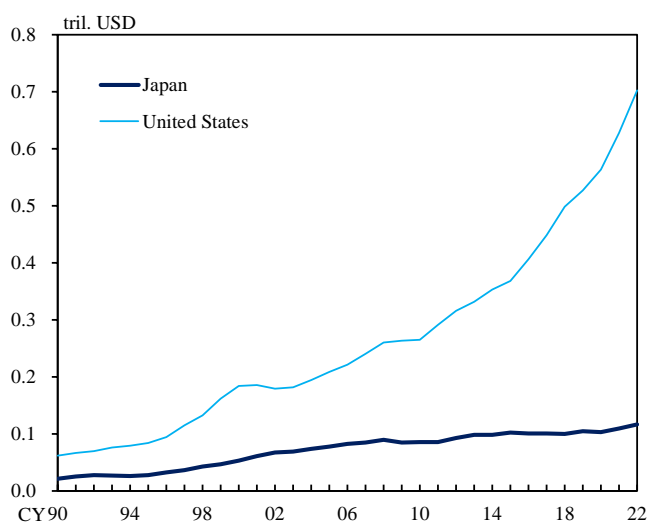
Source: Small and Medium Enterprise Agency.

Investment in Innovation

R&D



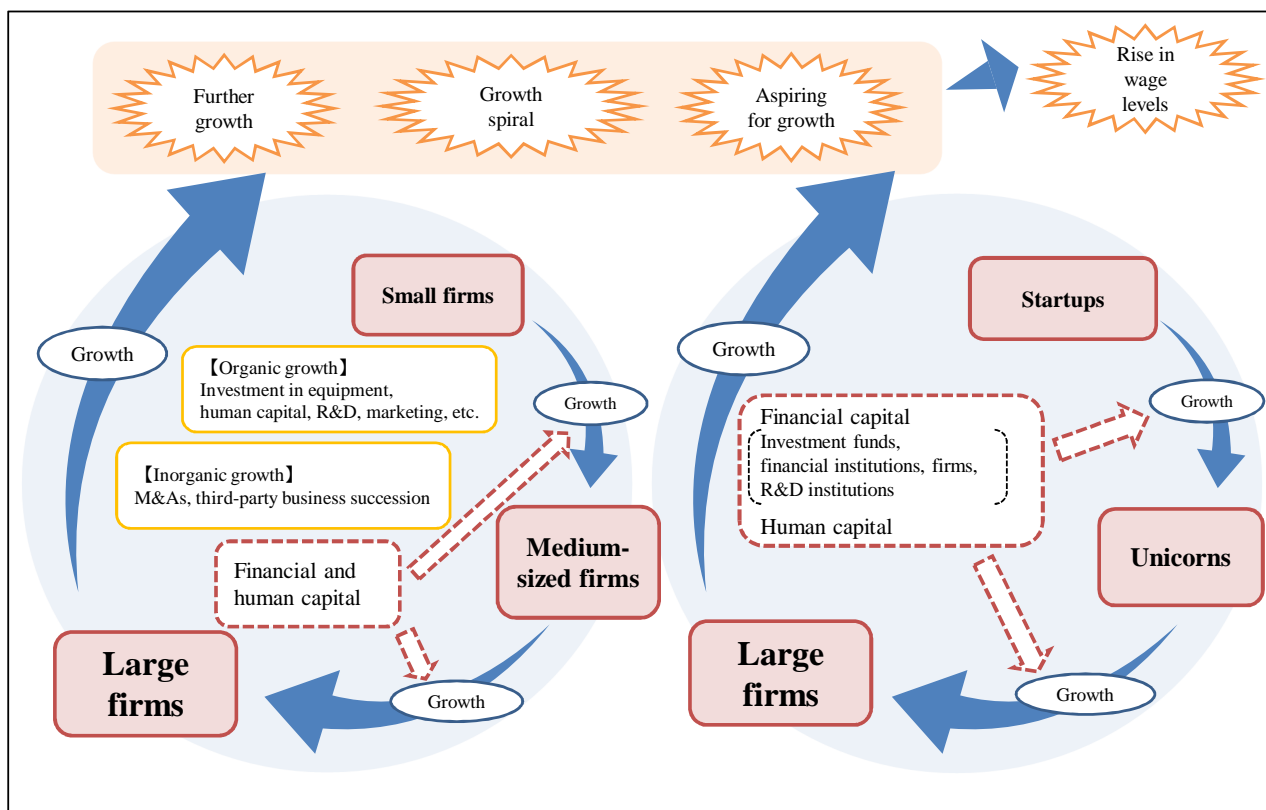
Software Investment



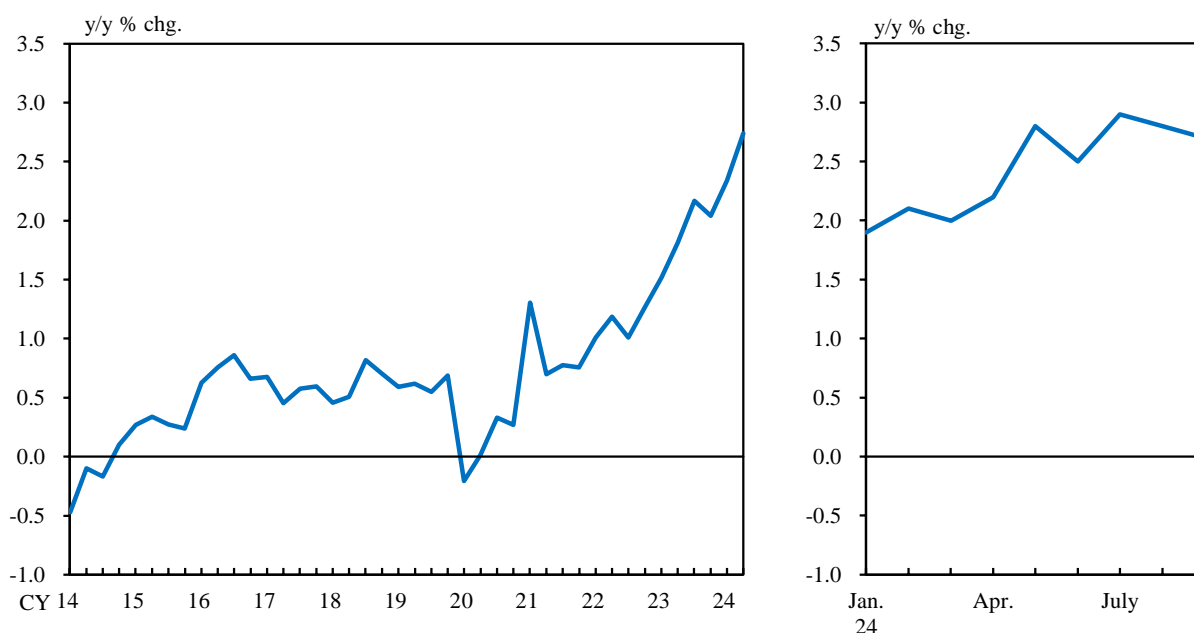
Note: Figures are based on nominal values denominated in U.S. dollars.

Source: OECD.

Dynamism of Firms and Employment



Scheduled Cash Earnings



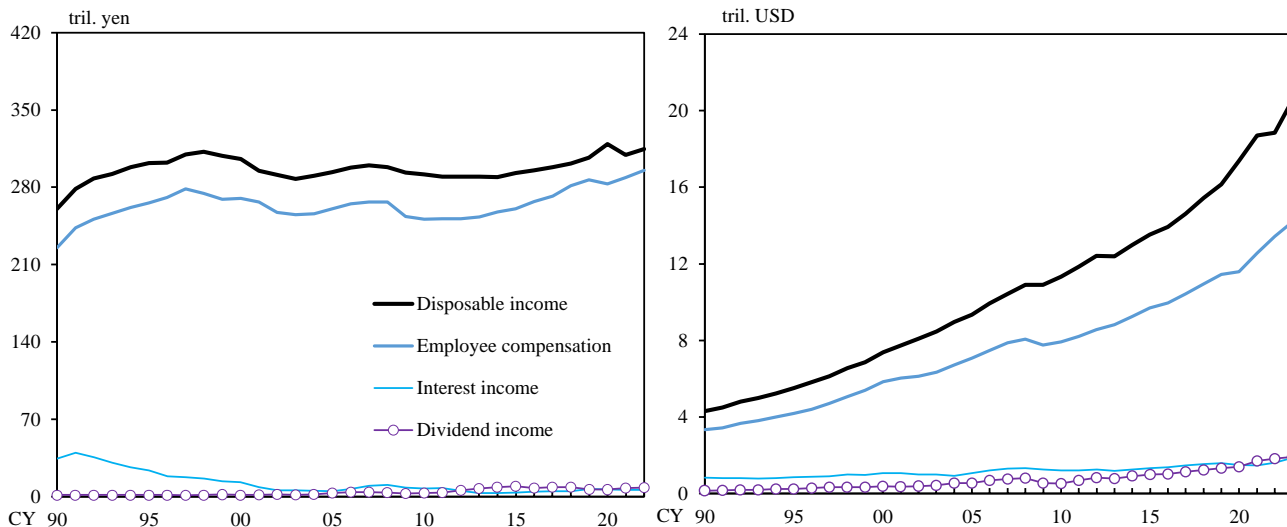
Notes: 1. In the left panel, Q1=March-May, Q2=June-August, Q3=September-November, Q4=December-February.
 2. Figures from fiscal 2016 onward are based on continuing observations following the sample revisions.

Source: Ministry of Health, Labour and Welfare.

Household Disposable Income

Japan

United States



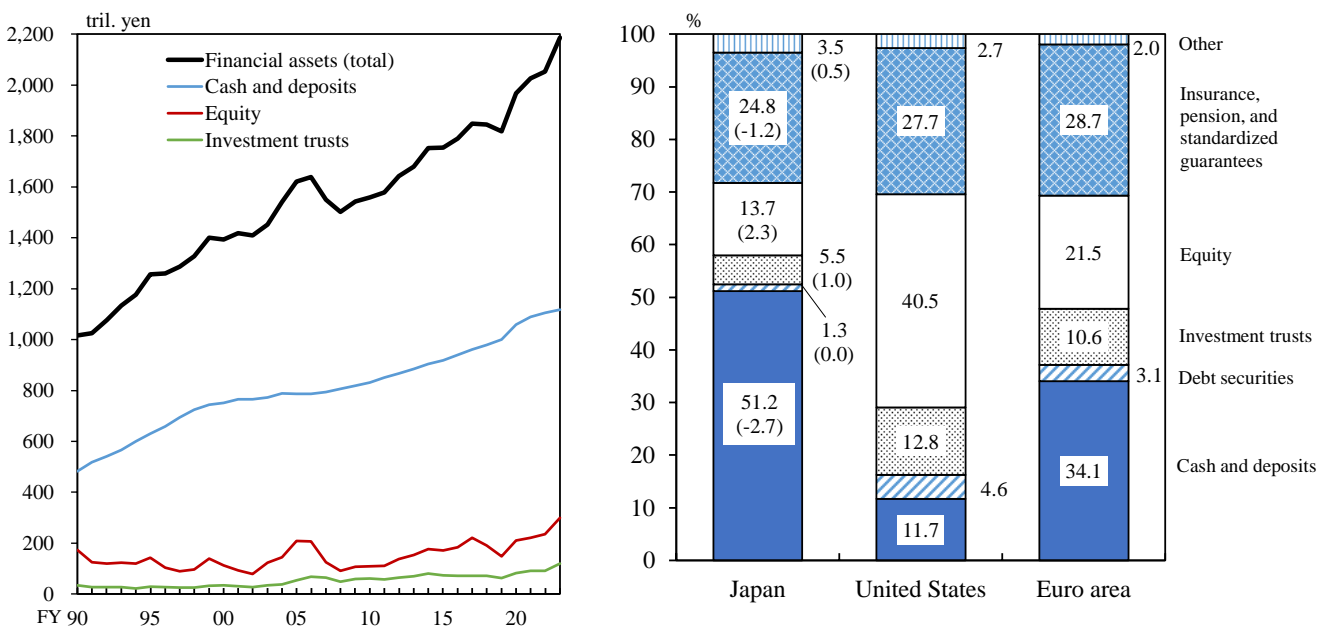
Note: Figures for Japan before 1994 are calculated using year-on-year changes in each item based on the benchmark year of 2000.

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

Household Financial Assets

Japan

International Comparisons



Note: In the right panel, figures are as of end-March 2024. Figures for the United States and the euro area are based on "Flow of Funds: Overview of Japan, the United States, and the Euro area," released by the Bank's Research and Statistics Department on August 30, 2024. Figures for Japan in parentheses indicate changes from the previous fiscal year (% points).

Source: Bank of Japan.

Dynamism of Households

