



# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Gunma*

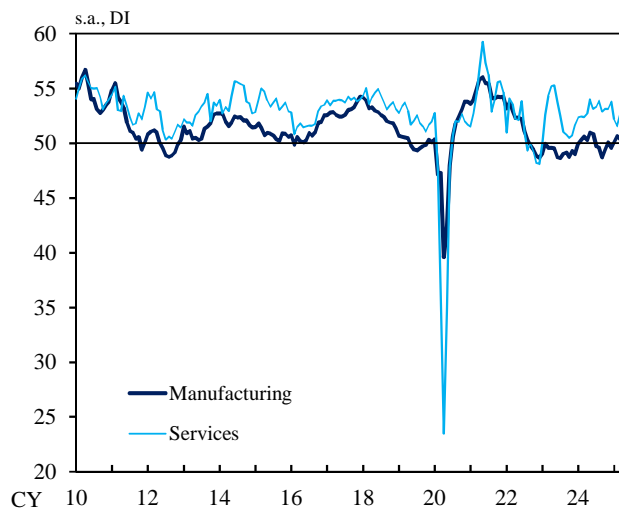
April 17, 2025

NAKAGAWA Junko  
Member of the Policy Board  
Bank of Japan

Chart 1

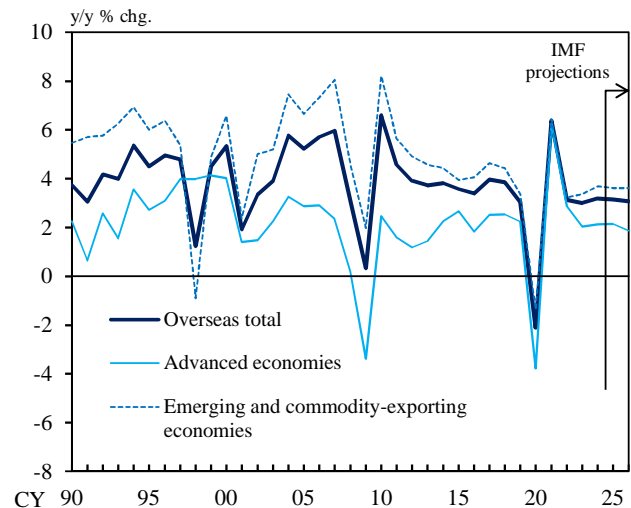
## Overseas Economies

Global PMI



Note: Figures for manufacturing are the J.P.Morgan Global Manufacturing PMI.  
Figures for services are the J.P.Morgan Global Services PMI Business Activity Index.  
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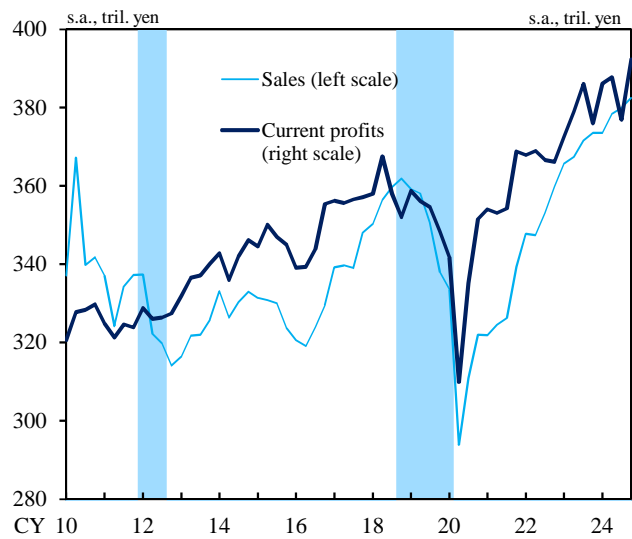
Outlook



Note: Figures are the weighted averages of real GDP growth rates using countries' share in Japan's exports as weights. The real GDP growth rates are compiled by the IMF, and the rates from 2025 onward are its projections in the October 2024 WEO and the January 2025 WEO Update. Figures for advanced economies are those for the United States, the euro area, and the United Kingdom. Figures for emerging and commodity-exporting economies are those for the rest of the world.  
Sources: IMF; Ministry of Finance.

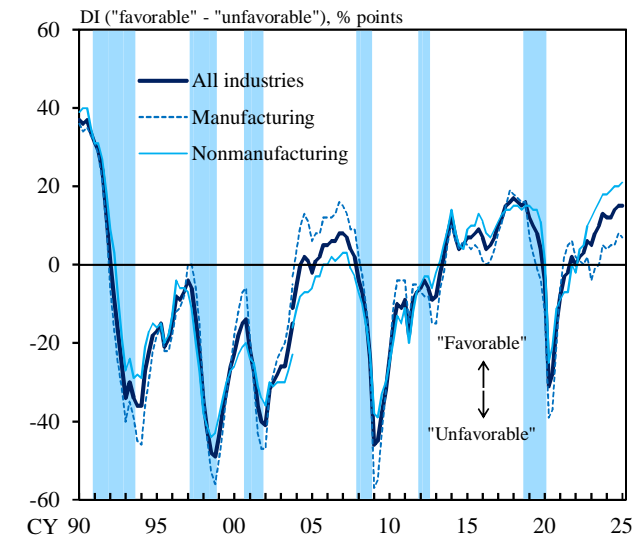
# Corporate Sector in Japan

## Corporate Profits



Source: Ministry of Finance.

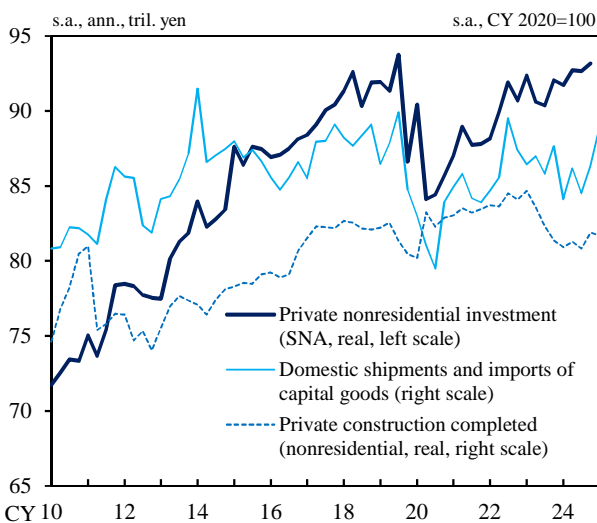
## Business Conditions



Source: Bank of Japan.

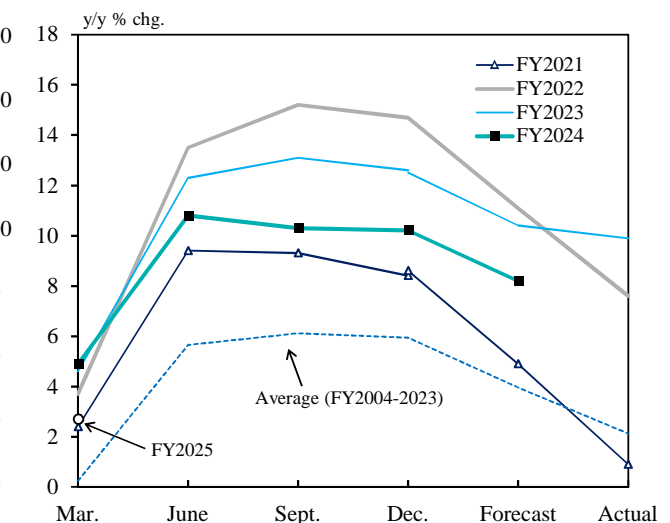
# Corporate Sector in Japan

## Coincident Indicators of Business Fixed Investment



Sources: Cabinet Office; Ministry of Economy, Trade and Industry; Ministry of Land, Infrastructure, Transport and Tourism.

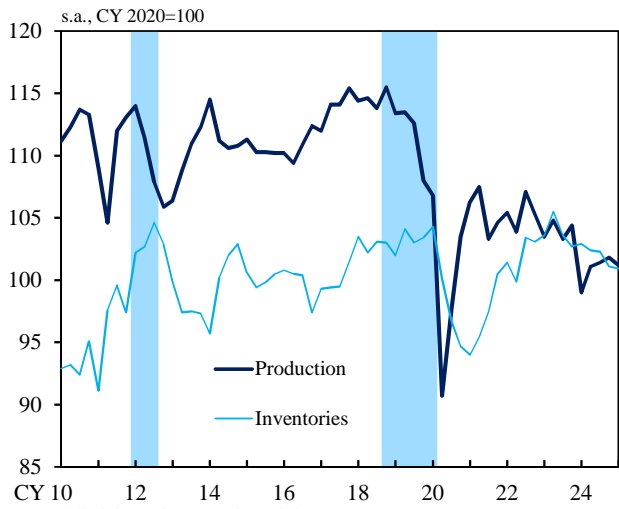
## Business Fixed Investment Plans



Source: Bank of Japan.

# Corporate Sector in Japan

## Industrial Production

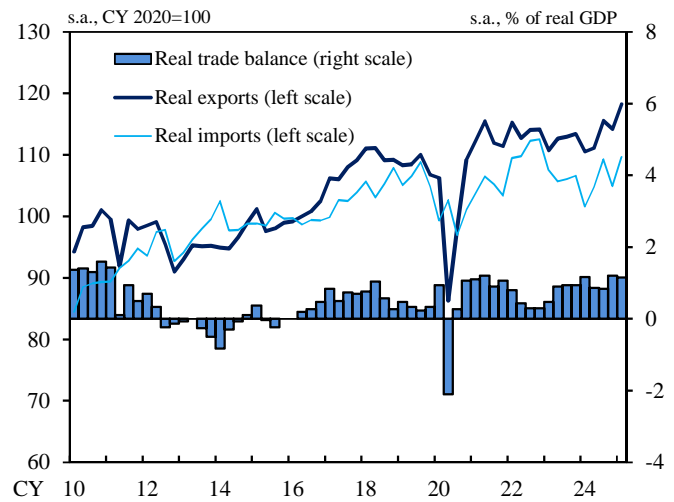


Notes: 1. Shaded areas denote recession periods.

2. The production figure for 2025/Q1 is the January-February average. The inventories figure for 2025/Q1 is that for February.

Source: Ministry of Economy, Trade and Industry.

## Real Exports and Imports

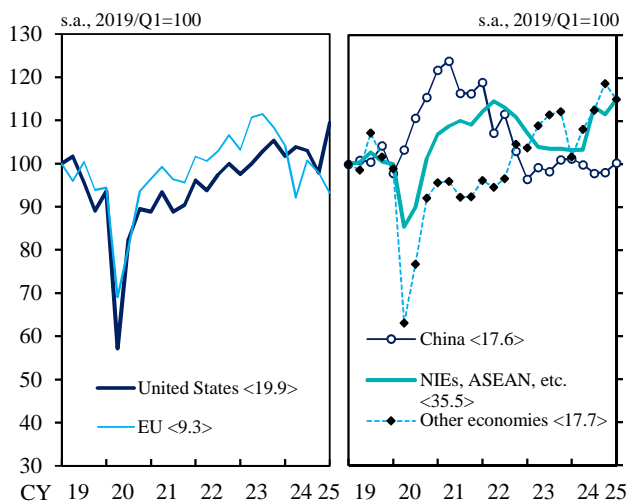


Note: Based on Bank staff calculations. Figures for 2025/Q1 are January-February averages.

Sources: Cabinet Office; Ministry of Finance; Bank of Japan.

# Corporate Sector in Japan

## Real Exports by Region

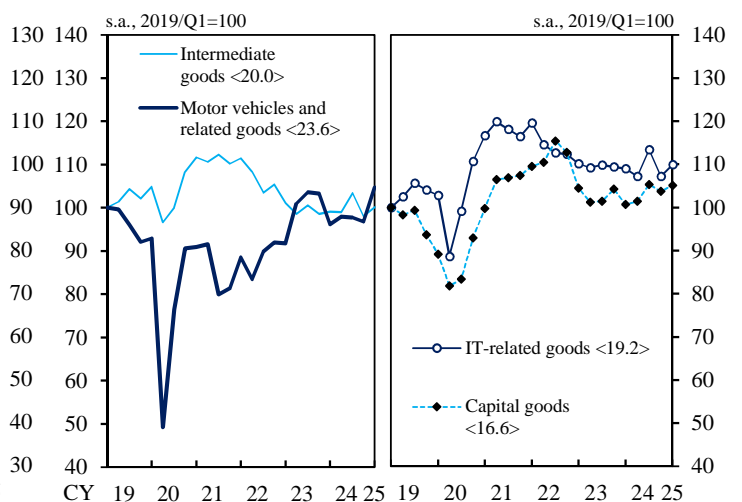


Notes: 1. Based on Bank staff calculations. Figures in angle brackets show the share of each country or region in Japan's total exports in 2024. Figures for 2025/Q1 are January-February averages.

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

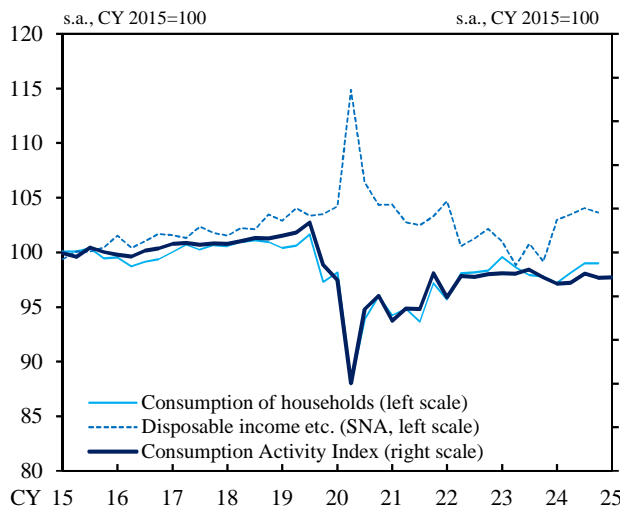


Note: Based on Bank staff calculations. Figures in angle brackets show the share of each type of goods in Japan's total exports in 2024. Figures for 2025/Q1 are January-February averages.

Sources: Ministry of Finance; Bank of Japan.

# Private Consumption in Japan

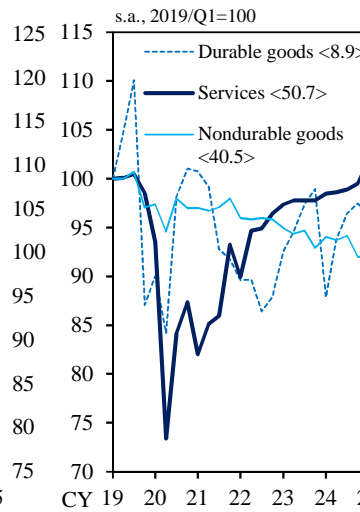
## Real Private Consumption



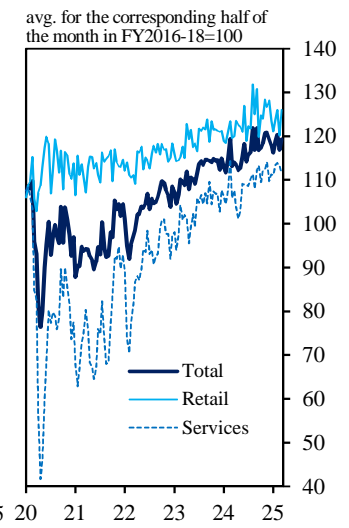
Notes: 1. Figures for the Consumption Activity Index (CAI) are based on Bank staff calculations. The CAI figures are travel balance adjusted; i.e., they exclude inbound tourism consumption and include outbound tourism consumption. The figure for 2025/Q1 is the January-February average.  
2. Figures for consumption of households exclude imputed rent.  
3. "Disposable income etc." consists of disposable income and adjustment for the change in pension entitlements, and real values are obtained using the deflator of consumption of households.  
Sources: Cabinet Office; Bank of Japan, etc.

## Private Consumption by Type

### 1. Consumption Activity Index (CAI, Real)



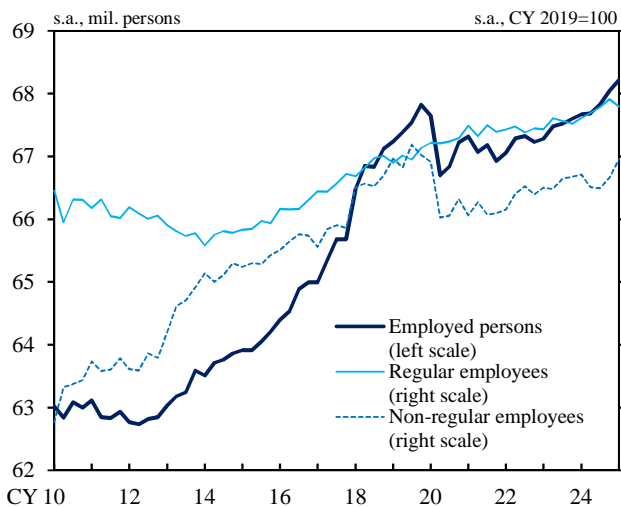
### 2. Credit Card Spending (Nominal)



Notes: 1. Figures in both panels are based on Bank staff calculations.  
2. In the left panel, figures in angle brackets show the weights in the CAI. Nondurable goods include goods classified as semi-durable goods in the SNA. Figures for 2025/Q1 are January-February averages.  
3. In the right panel, figures are from the reference series in *JCB Consumption NOW*, which take into account changes in the number of consumers. Figures exclude telecommunications and energy (fuel, electricity, gas, heat supply, and water).  
Sources: Cabinet Office; Nowcast Inc./ JCB, Co., Ltd., "JCB Consumption NOW"; Bank of Japan, etc.

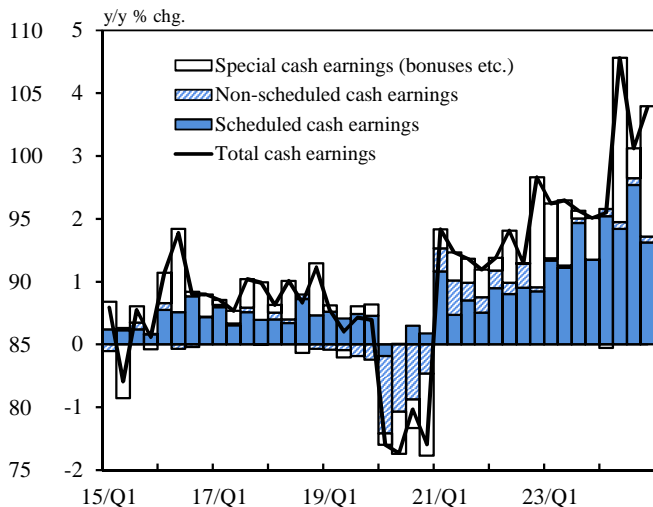
# Employment and Income Situation in Japan

## Number of Employed Persons



Note: Figures for regular employees and non-regular employees prior to 2013 are based on the "detailed tabulation" in the *Labour Force Survey*. Figures for 2025/Q1 are January-February averages.  
Source: Ministry of Internal Affairs and Communications.

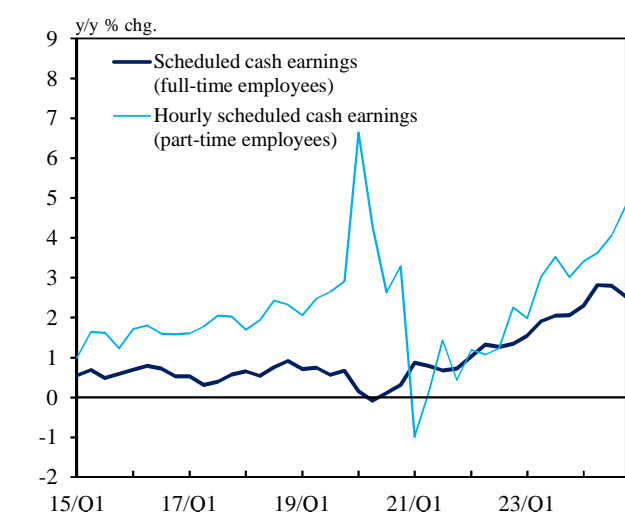
## Nominal Wages per Employee



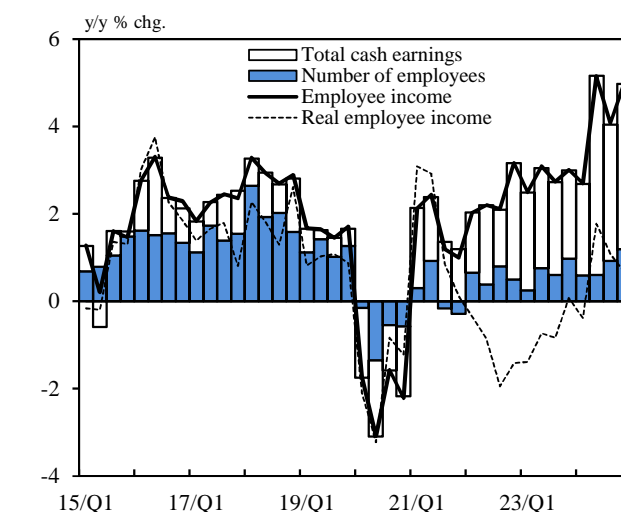
Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February.  
2. Figures from 2016/Q1 onward are based on continuing observations following the sample revisions.  
Source: Ministry of Health, Labour and Welfare.

# Employment and Income Situation in Japan

## Scheduled Cash Earnings



## Employee Income



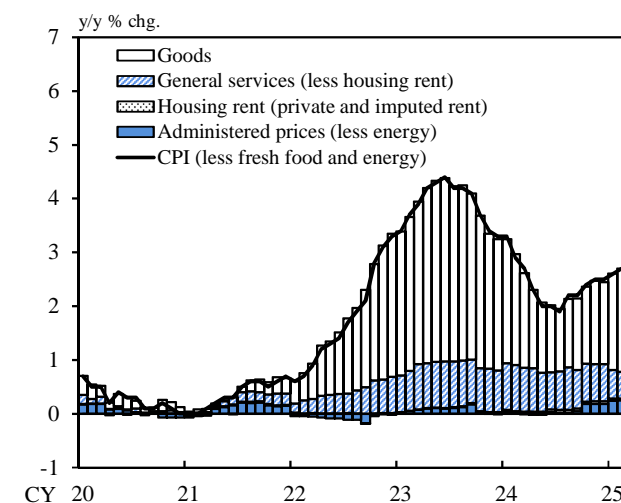
# Inflation Indicators

## Inflation Indicators

	y/y % chg.			
	24/Q2	24/Q3	24/Q4	25/Q1
<b>CPI</b>				
Less fresh food	2.4	2.6	2.6	3.1
Excluding temporary factors	2.4	2.8	2.8	3.2
Less fresh food and energy	2.2	2.0	2.3	2.6
Excluding temporary factors	2.1	2.1	2.5	2.7
<b>PPI</b>	1.9	2.9	3.8	4.1
<b>SPPI</b>	2.8	3.0	3.2	3.2
<b>GDP Deflator</b>	3.1	2.4	2.9	
Domestic demand deflator	2.6	2.2	2.4	

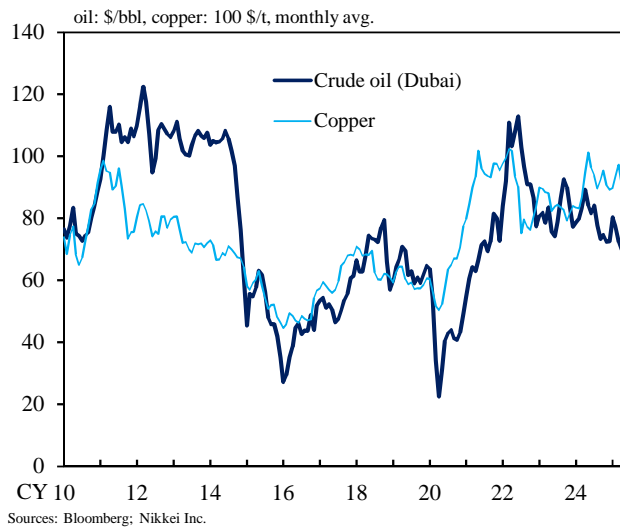
Notes: 1. Figures for the PPI are adjusted for the hike in electric power charges during the summer season. Figures for the SPPI exclude international transportation.  
2. The CPI figures excluding temporary factors are Bank staff estimates and exclude the effects of free education policies, travel subsidy programs, and mobile phone charges.  
3. Figures for 2025/Q1 are January-February averages, except for the PPI.  
Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Bank of Japan.

## CPI (Excluding Temporary Factors)

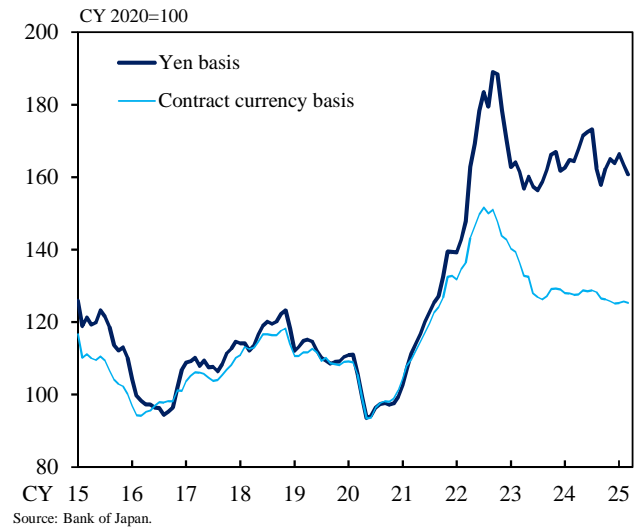


# Factors Affecting Consumer Prices

## International Commodity Prices

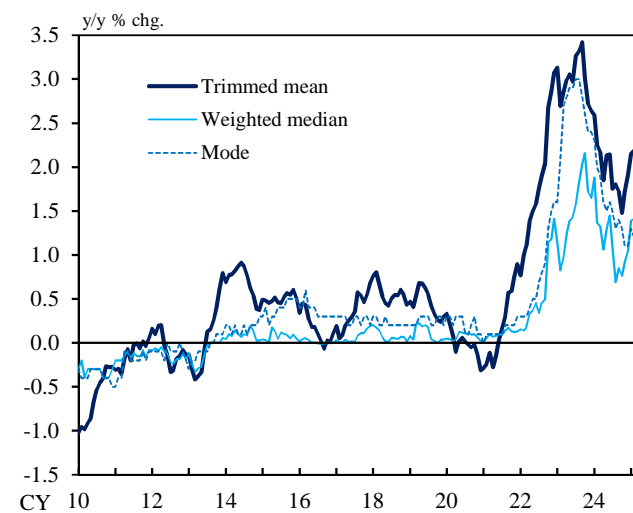


## Import Price Index



# Measures of Underlying Inflation

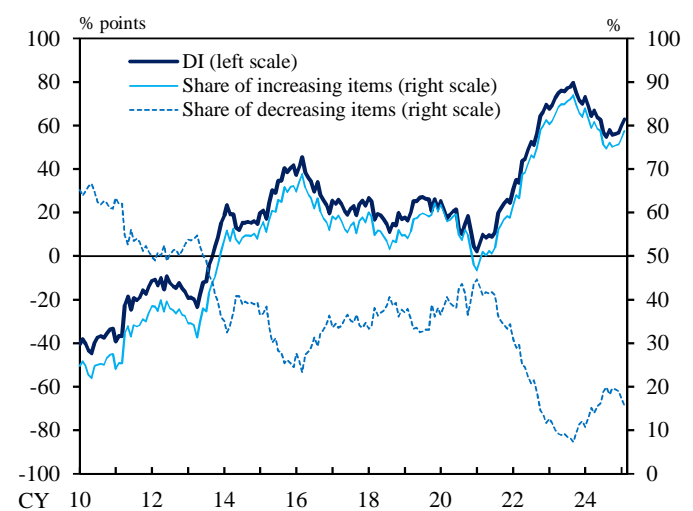
## CPI: Trimmed Mean etc.



Note: Based on Bank staff calculations using the CPI excluding the effects of the consumption tax hikes, free education policies, and travel subsidy programs. The CPI figures from April 2020 onward are Bank staff estimates and exclude the effects of measures such as free higher education.

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

## DI of Price Changes

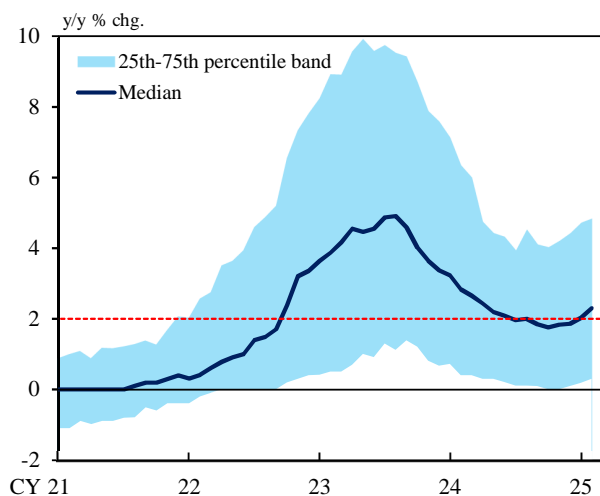


Note: The DI is defined as the share of increasing items minus the share of decreasing items. The share of increasing/decreasing items is the share of items for which price indices increased/decreased from a year earlier. Based on Bank staff calculations using the CPI (less fresh food) excluding the effects of the consumption tax hikes, free education policies, and travel subsidy programs. The CPI figures from April 2020 onward are Bank staff estimates and exclude the effects of measures such as free higher education.

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

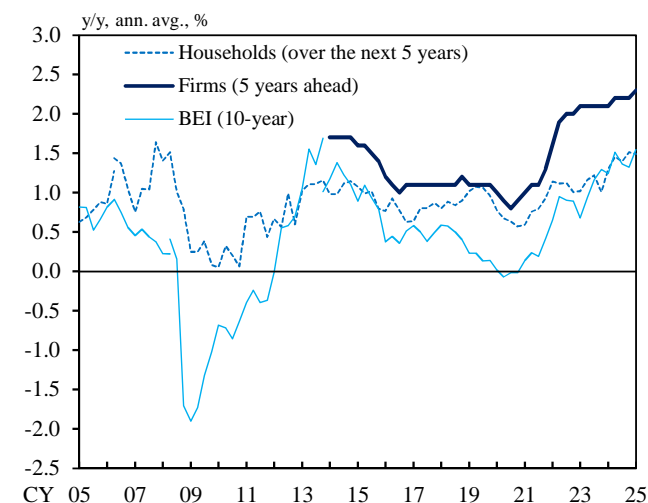
# Inflation Expectations

## Distribution of Actual Price Changes



Note: Figures are based on the year-on-year price changes for each CPI item.  
Source: Ministry of Internal Affairs and Communications.

## Survey Results and BEI



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 5-choice question.  
2. Figures for firms show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.  
3. The BEI (break-even inflation) rate is the quarterly average of the yield spread between fixed-rate coupon-bearing Japanese government bonds (JGBs) and inflation-indexed JGBs. Figures from 2008/Q2 to 2013/Q4 are calculated using yield data for issue No. 16 of inflation-indexed JGBs, which matured in June 2018.

Sources: Bloomberg; Bank of Japan.

# Outlook for Economic Activity and Prices (as of January 2025)

y/y % chg.

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
<b>Fiscal 2024</b>	<b>+0.4 to +0.6</b> [+0.5]	<b>+2.6 to +2.8</b> [+2.7]	<b>+2.1 to +2.3</b> [+2.2]
Forecasts made in October 2024	+0.5 to +0.7 [+0.6]	+2.4 to +2.5 [+2.5]	+1.9 to +2.1 [+2.0]
<b>Fiscal 2025</b>	<b>+0.9 to +1.1</b> [+1.1]	<b>+2.2 to +2.6</b> [+2.4]	<b>+2.0 to +2.3</b> [+2.1]
Forecasts made in October 2024	+1.0 to +1.2 [+1.1]	+1.7 to +2.1 [+1.9]	+1.8 to +2.0 [+1.9]
<b>Fiscal 2026</b>	<b>+0.8 to +1.0</b> [+1.0]	<b>+1.8 to +2.1</b> [+2.0]	<b>+1.9 to +2.2</b> [+2.1]
Forecasts made in October 2024	+0.8 to +1.1 [+1.0]	+1.8 to +2.0 [+1.9]	+1.9 to +2.2 [+2.1]

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

## Decision at the January 2025 MPM

Japan's economic activity and prices have been **developing generally in line with the Bank's outlook**, and **the likelihood of realizing the outlook has been rising**.

### Medians of the Policy Board Members' Forecasts (y/y % chg.)

	Fiscal 2024	Fiscal 2025	Fiscal 2026
Real GDP	0.5 (-0.1)	1.1 (—)	1.0 (—)
CPI (all items less fresh food)	2.7 (+0.2)	2.4 (+0.5)	2.0 (+0.1)
CPI (all items less fresh food and energy)	2.2 (+0.2)	2.1 (+0.2)	2.1 (—)

Note: Figures in parentheses indicate changes from the October 2024 Outlook Report.

### Wages

- Firms have expressed the view that they will **continue to raise wages steadily**, following the solid wage increases last year.

### Prices

- With wages continuing to rise, **underlying CPI inflation has been increasing gradually toward 2 percent**.
- CPI inflation is likely to be at around 2.5 percent for fiscal 2025, due to the higher import prices stemming from the yen's depreciation etc.

### Overseas economies

- Global financial and capital markets have been **stable on the whole**, while attention has been drawn to various uncertainties.

Adjusting the degree of monetary accommodation from the perspective of sustainable and stable achievement of the price stability target of 2 percent

## Short-term interest rate: raised to "around 0.5%"

(uncollateralized overnight call rate)

(previously "around 0.25%")

- Real interest rates are expected to remain significantly negative, and accommodative financial conditions will continue to **firmly support economic activity**.
- If the outlook presented in the January Outlook Report will be realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation.