



Economic Activity, Prices, and Monetary Policy in Japan

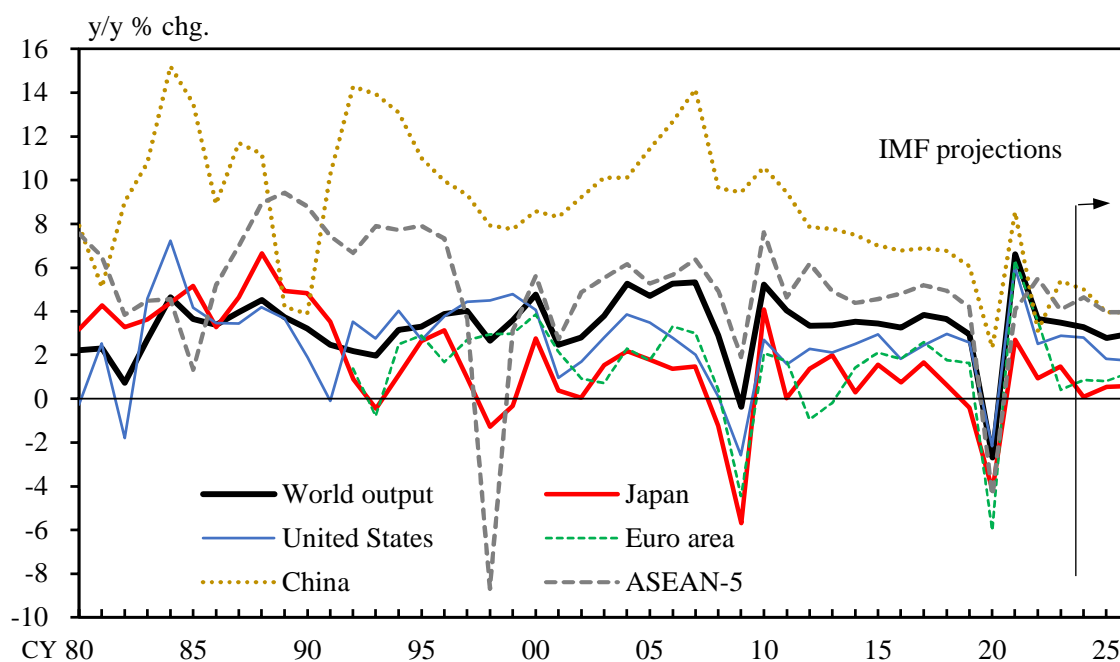
Speech at the Nishinippon Seikei Konwakai Meeting in Fukuoka

May 16, 2025

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Member of the Policy Board
Bank of Japan

Chart 1

IMF Projections in the *World Economic Outlook* (April 2025)



Note: ASEAN-5 comprises Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
Source: IMF.

Forecasts of the Majority of the Policy Board Members

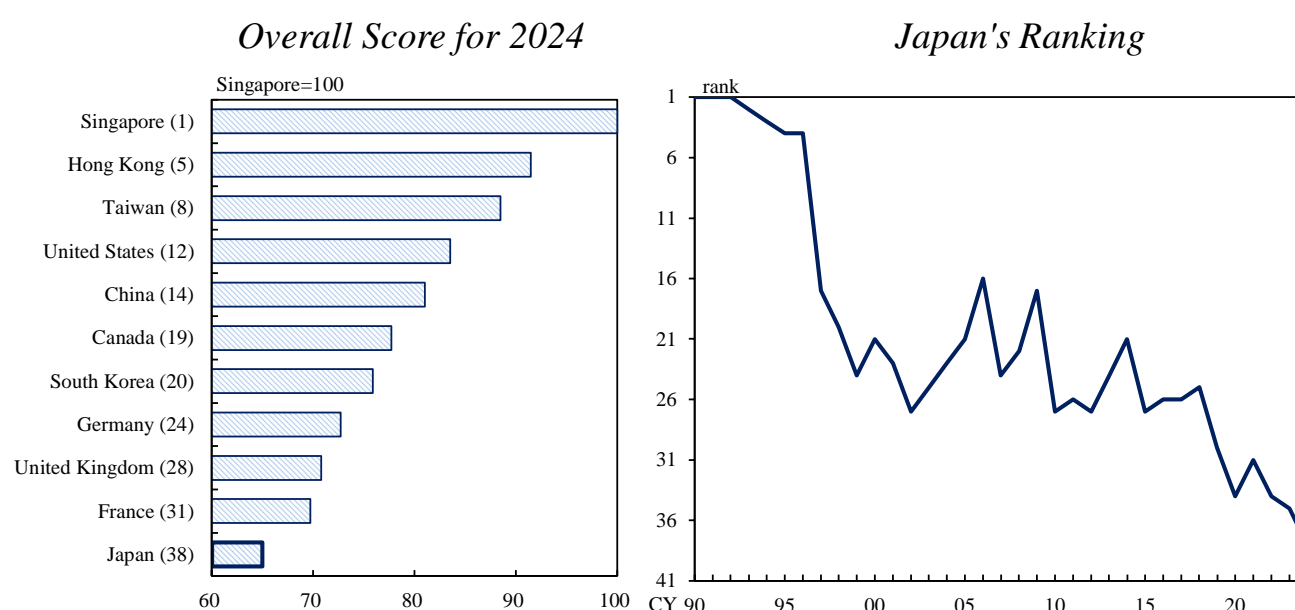
y/y % chg.

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2024	+0.7 to +0.7 [+0.7]	+2.7	+2.3
Forecasts made in January 2025	+0.4 to +0.6 [+0.5]	+2.6 to +2.8 [+2.7]	+2.1 to +2.3 [+2.2]
Fiscal 2025	+0.4 to +0.6 [+0.5]	+2.0 to +2.3 [+2.2]	+2.2 to +2.4 [+2.3]
Forecasts made in January 2025	+0.9 to +1.1 [+1.1]	+2.2 to +2.6 [+2.4]	+2.0 to +2.3 [+2.1]
Fiscal 2026	+0.6 to +0.8 [+0.7]	+1.6 to +1.8 [+1.7]	+1.7 to +2.0 [+1.8]
Forecasts made in January 2025	+0.8 to +1.0 [+1.0]	+1.8 to +2.1 [+2.0]	+1.9 to +2.2 [+2.1]
Fiscal 2027	+0.8 to +1.0 [+1.0]	+1.8 to +2.0 [+1.9]	+1.9 to +2.1 [+2.0]

- 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.
4. The CPI figures for fiscal 2024 are actual values.

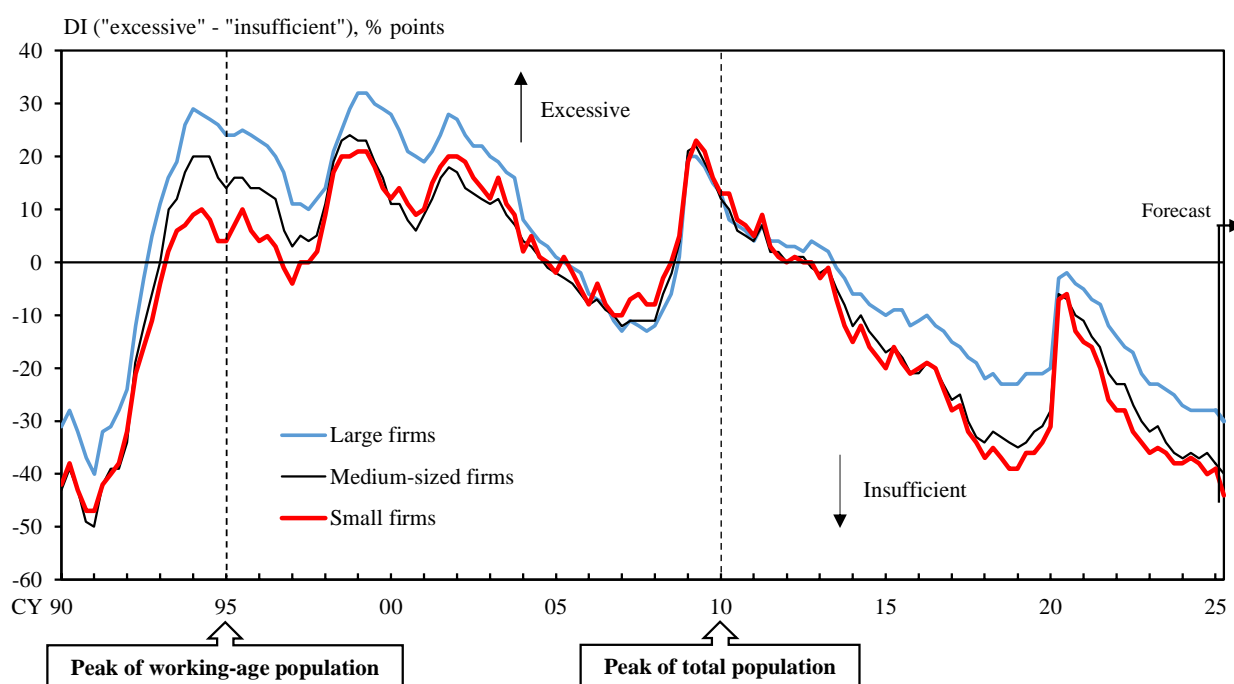
Source: Bank of Japan.

IMD World Competitiveness 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

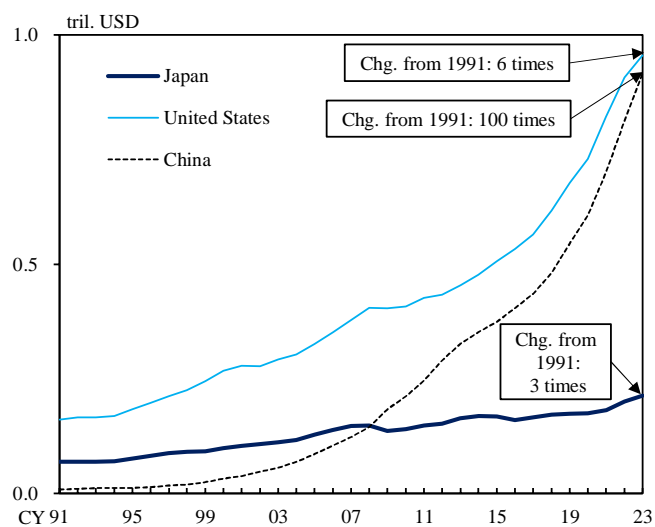


Note: Figures are for all industries, excluding financial institutions. Peaks of working-age population and total population are based on the *Population Census*.

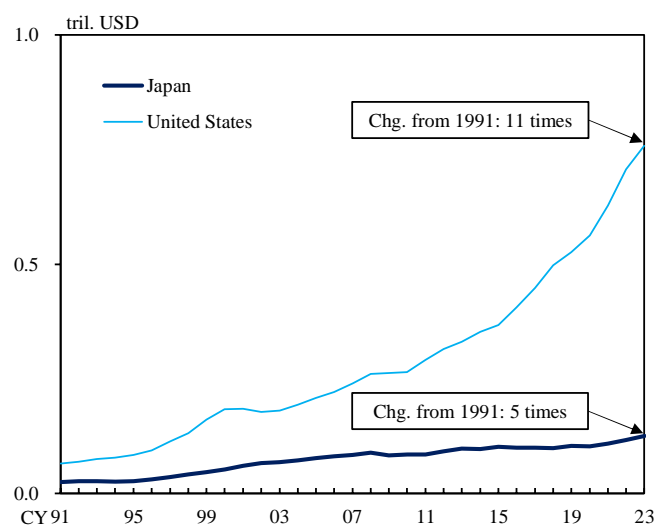
Source: Bank of Japan.

Investment in Innovation

R&D



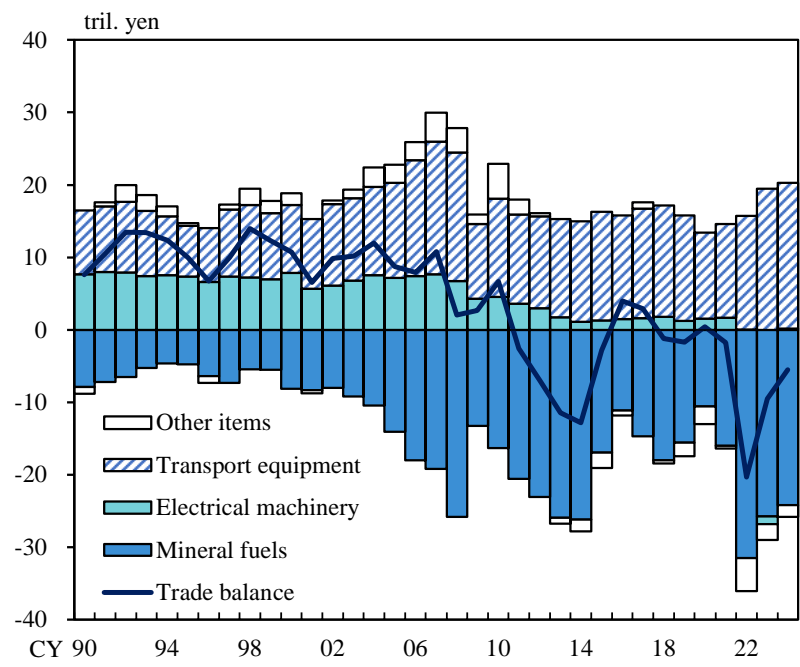
Software Investment



Note: Figures are nominal values denominated in U.S. dollars, converted using purchasing power parity (PPP).

Source: OECD.

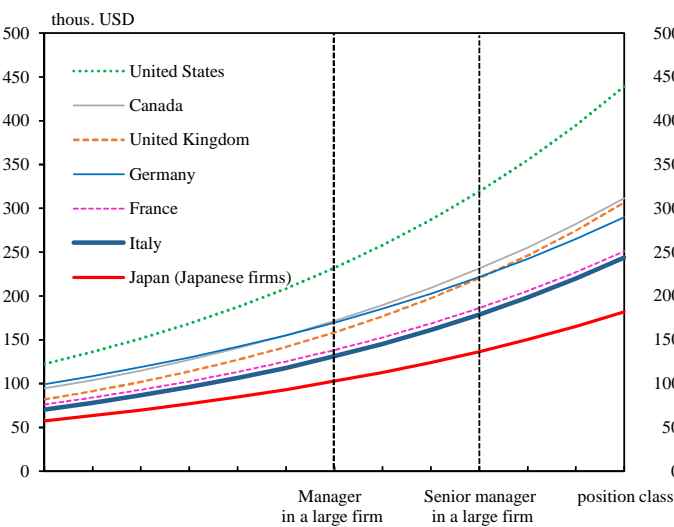
Nominal Trade Balance



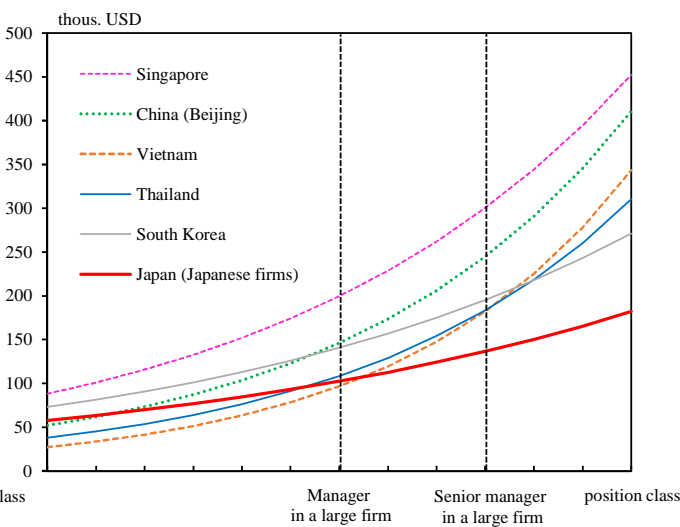
Source: Ministry of Finance.

Annual Pay Comparison (as of 2024)

G7 Countries

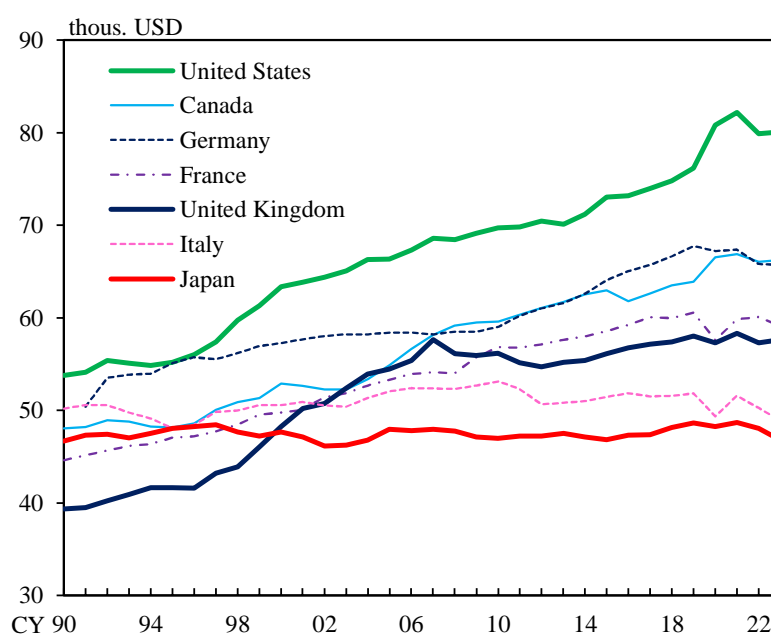


Asian Economies



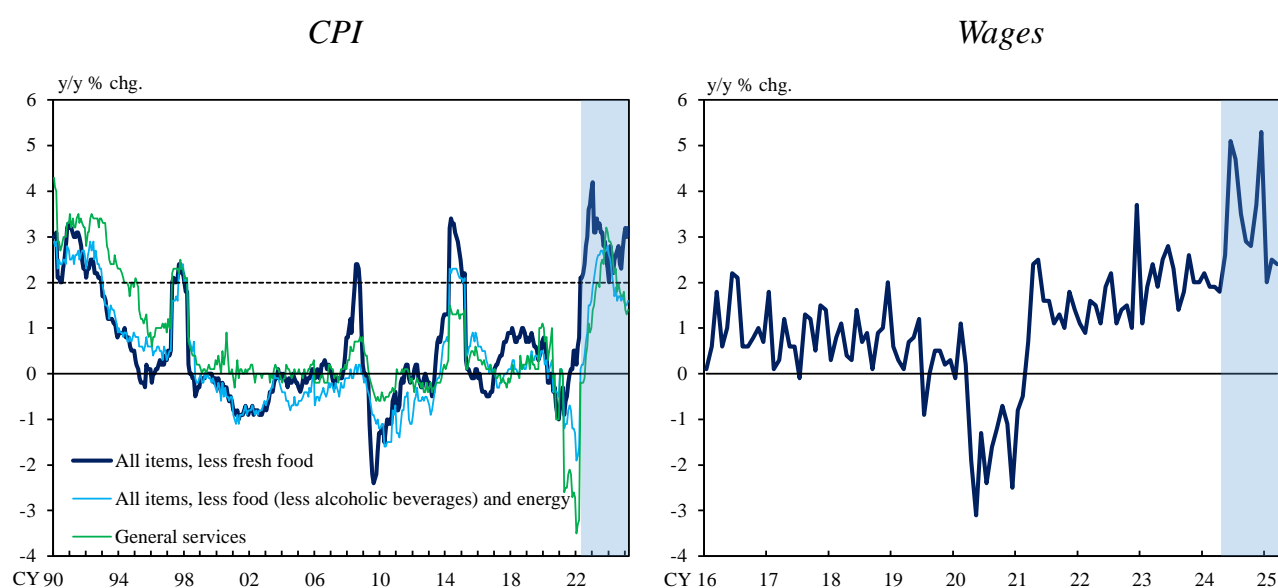
Notes: 1. The horizontal axis shows the level of position class as defined by Mercer. Position classes below the executive level at large firms are shown in this chart. The further to the right, the higher the position class.
2. Figures include incentives paid for 100 percent achievement of performance targets and are the medians for each position class.
Source: Mercer, 2024 Total Remuneration Survey.

Wage Inflation Comparison among G7 Countries



Note: Figures are nominal values denominated in U.S. dollars, converted using PPP.
Source: OECD.

CPI and Wages

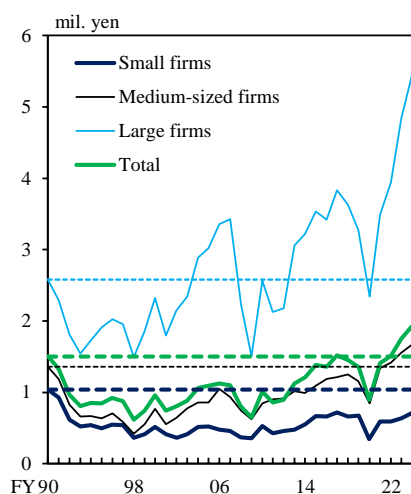


Note: In the right panel, figures are year-on-year percentage changes in total cash earnings based on continuing observations following the sample revisions of the *Monthly Labour Survey*.

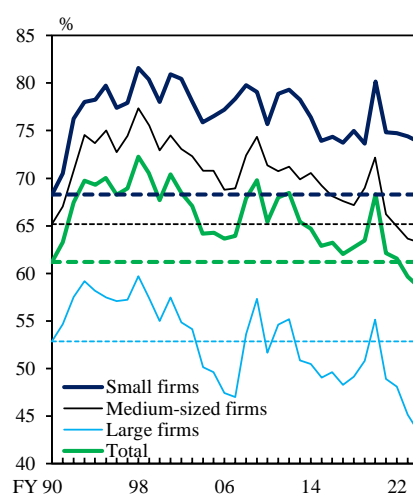
Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

Firms' Earning Power and Capacity for Raising Wages

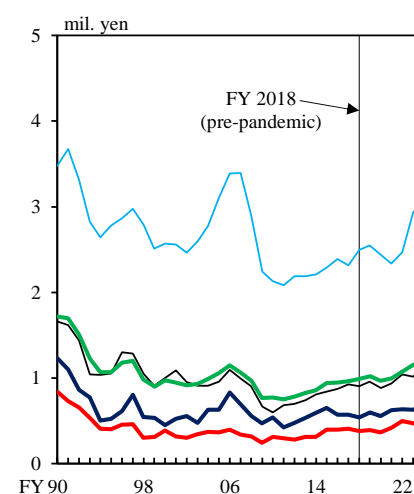
Operating Profits per Employee



Labor Share



Fixed Investment per Employee



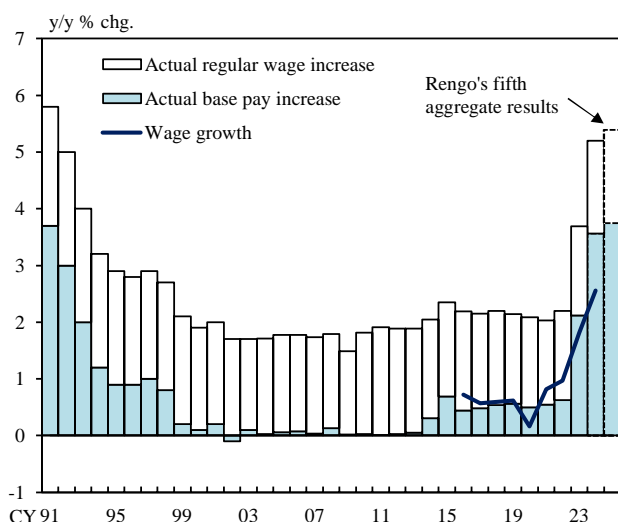
Notes: 1. Figures are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, and exclude the finance and insurance industries. Large firms are commercial corporations with capital of 1 billion yen or more. Medium-sized firms are commercial corporations with capital of 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. Figures for each fiscal year cover the April-December period. The dotted lines indicate the figures for the April-December period of 1990.

2. Labor share = personnel expenses / (operating profits + personnel expenses + depreciation expenses).

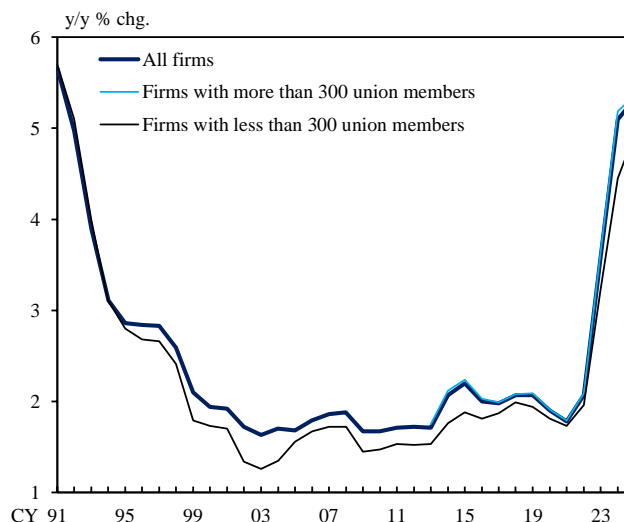
Source: Ministry of Finance.

Results of Annual Spring Labor-Management Wage Negotiations, Developments in Scheduled Cash Earnings

Breakdown of Wage Increases



Wage Increases by Firm Size



Notes: 1. In both panels, figures from 1991 to 2014 are those published by the Central Labour Relations Commission, while figures from 2015 to 2024 other than those for wage growth are figures released by Rengo. The figures for 2025 are from Rengo's fifth aggregate results. In the right panel, figures are for the total wage increase (the sum of the actual base pay increase and the actual regular wage increase).

2. In the left panel, figures for wage growth are monthly averages of year-on-year percent changes in scheduled cash earnings based on continuing observations following the sample revisions of the *Monthly Labour Survey*.

Sources: Central Labour Relations Commission; Ministry of Health, Labour and Welfare; Rengo.

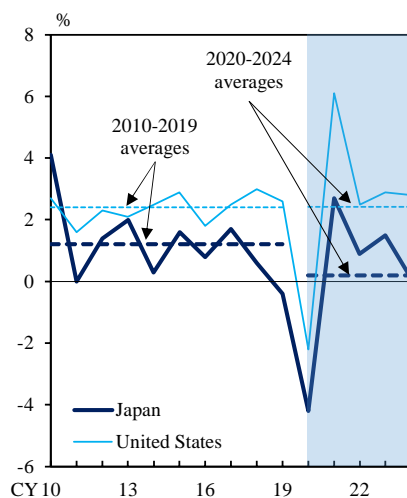
Impact of Trade Policies on Japan's Economic Activity and Prices

Channel	GDP	Inflation
(1) Weaker global demand	↓	↓
(2) Decrease in exports	↓	↓
(3) Decrease in corporate profits	↓	↓
(4) Exchange rate fluctuations	↑ ↓	↑ ↓
(5) Supply-chain disruptions, etc.	↓	↑

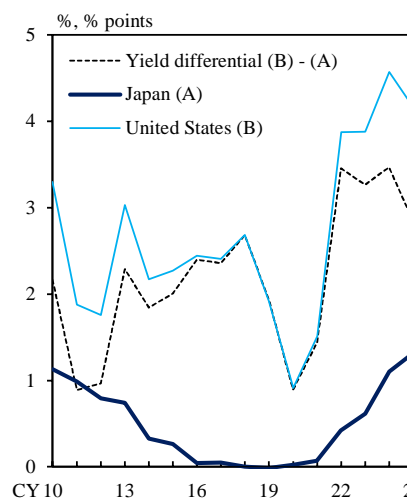
Source: Bank of Japan.

Macro Financial and Economic Indicators

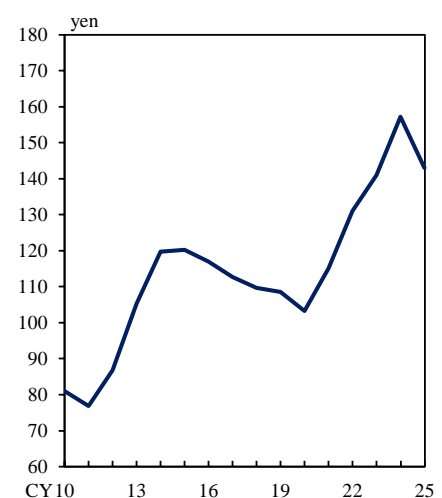
Real GDP



10-Year Government Bond Yields



U.S. Dollar/Yen

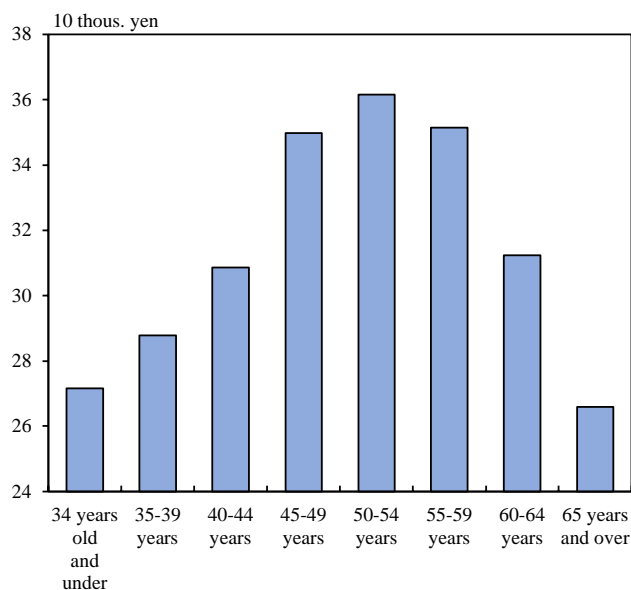


Note: In the center and right panels, latest data are as of end-April 2025.

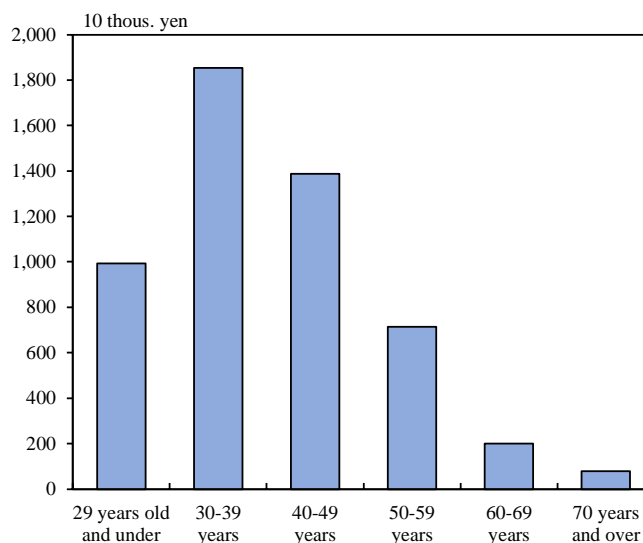
Sources: Bloomberg; Cabinet Office; U.S. Bureau of Economic Analysis (BEA).

Household Circumstances by Age Group of Head

Consumption Expenditure (as of 2024)



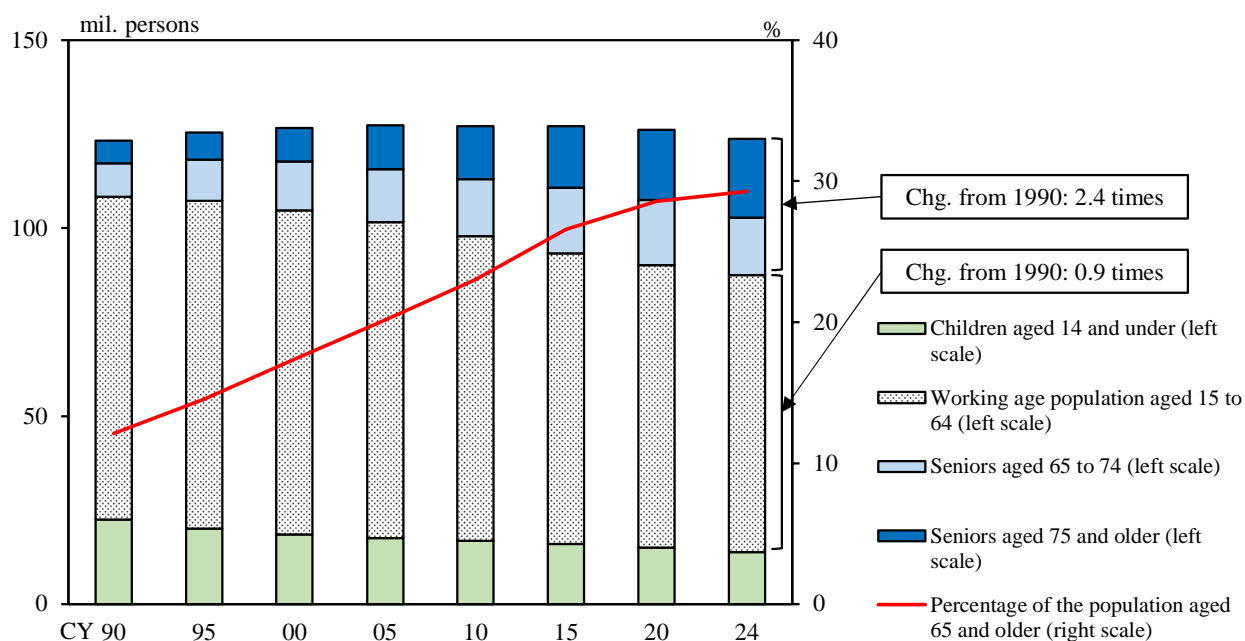
Debt Balance (as of 2023)



Note: Figures in the left panel are average monthly expenditures for two-or-more-person households; those in the right panel are debt balances for two-or-more-person households.

Source: Ministry of Internal Affairs and Communications.

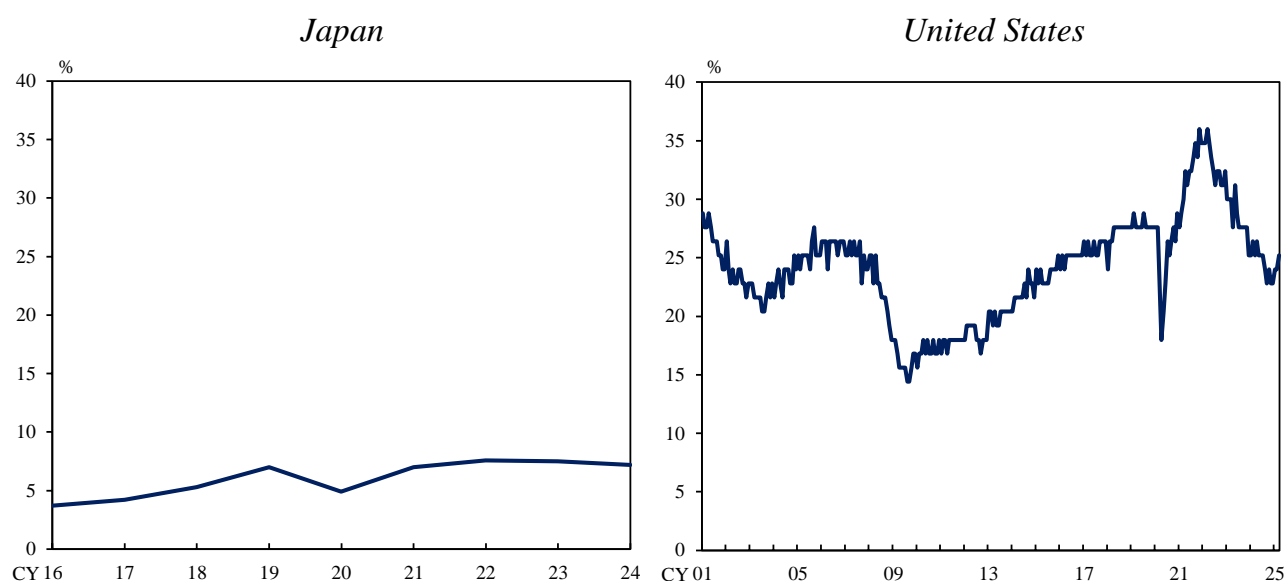
Japan's Demographic Composition



Note: Figures through 2020 are based on the *Population Census* and those for 2024 are based on the provisional estimates of *Population Estimates* (as of December 1, 2024).

Source: Ministry of Internal Affairs and Communications.

Job-Switching Rates

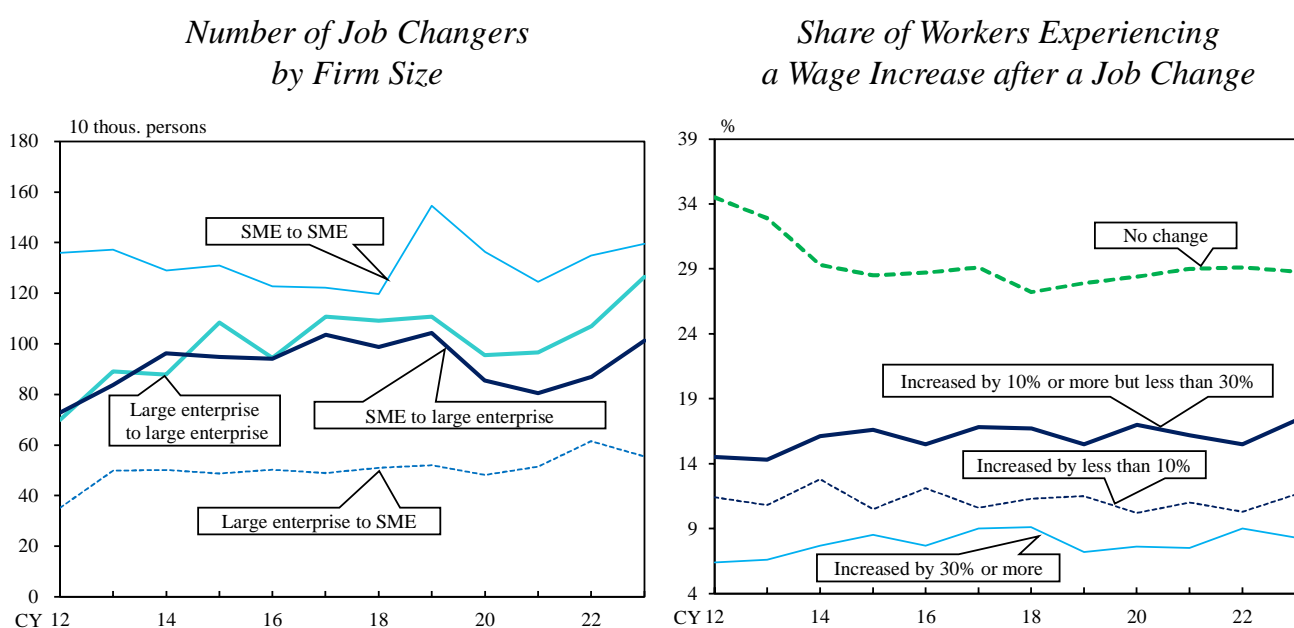


Notes: 1. The left panel shows the share of regular employees in their 20s to 50s who switched jobs in the past year.

2. The right panel shows annualized figures for the number of monthly quits as a percent of employment.

Sources: Mynavi, *Job Change Trends Survey 2025 (2024 Results)*; U.S. Bureau of Labor Statistics (BLS).

Labor Mobility and Wages

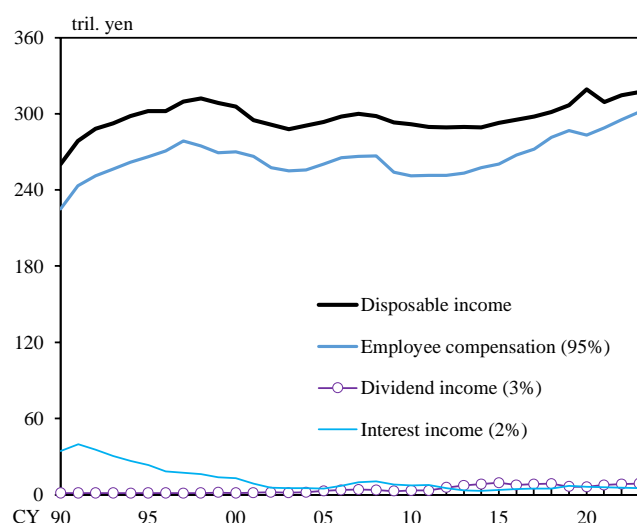


Note: In the left panel, small and medium-sized enterprises (SMEs) are firms with 5-299 employees. Large enterprises are firms with 300 employees or more.

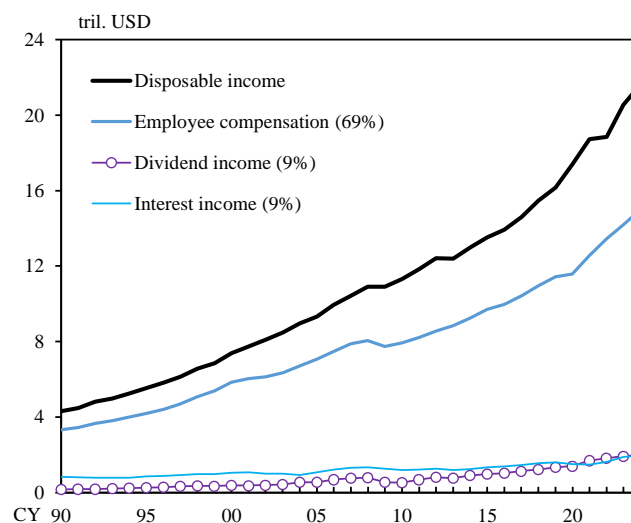
Source: Ministry of Health, Labour and Welfare.

Household Disposable Income

Japan



United States

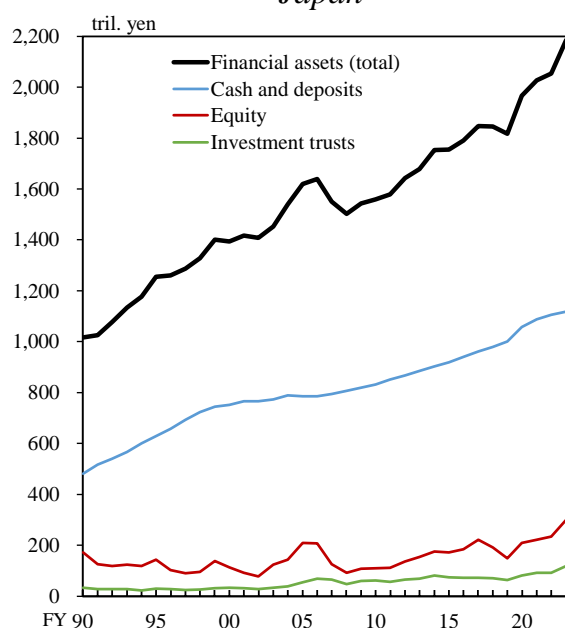


Note: Figures for Japan before 1994 are calculated using year-on-year percentage changes in each item based on the benchmark year of 2000. Figures in parentheses represent the ratio to disposable income, and are as of 2023 for Japan and as of 2024 for the United States.

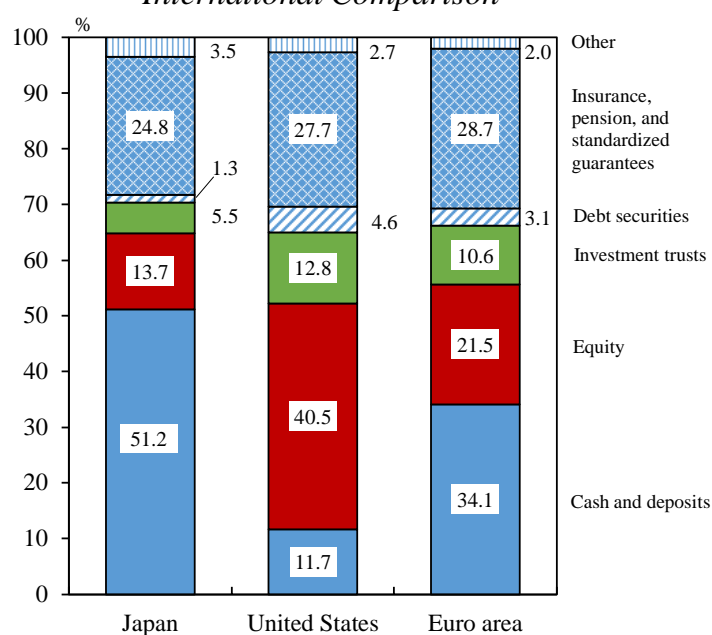
Sources: BEA; Cabinet Office.

Household Financial Assets

Japan



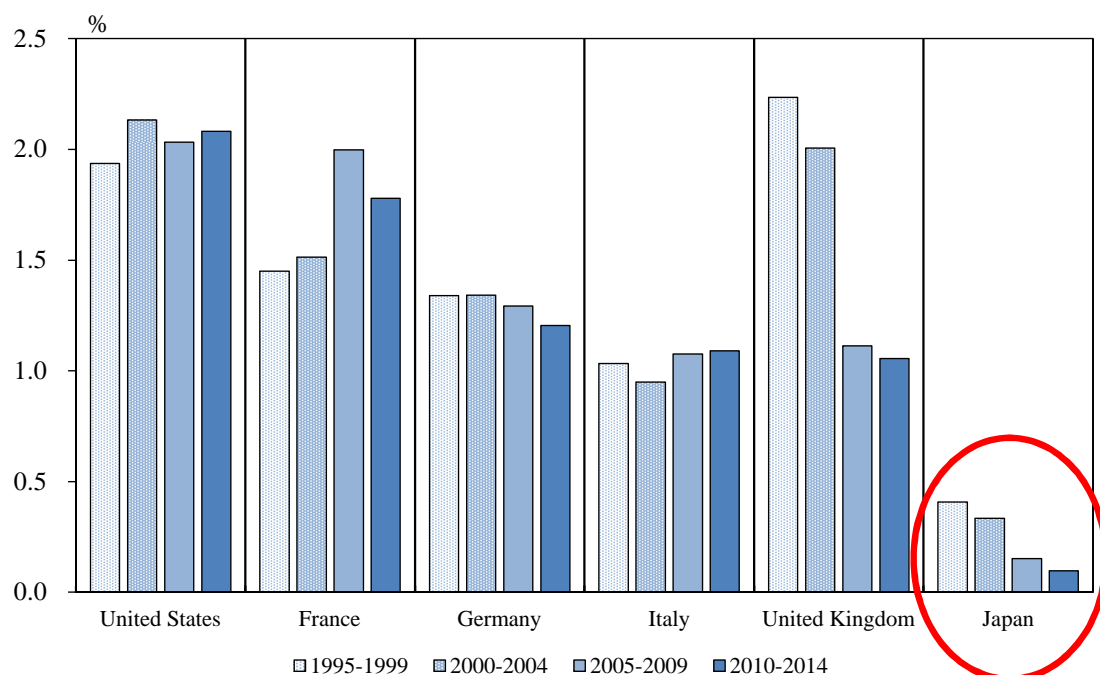
International Comparison



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.

Source: Bank of Japan.

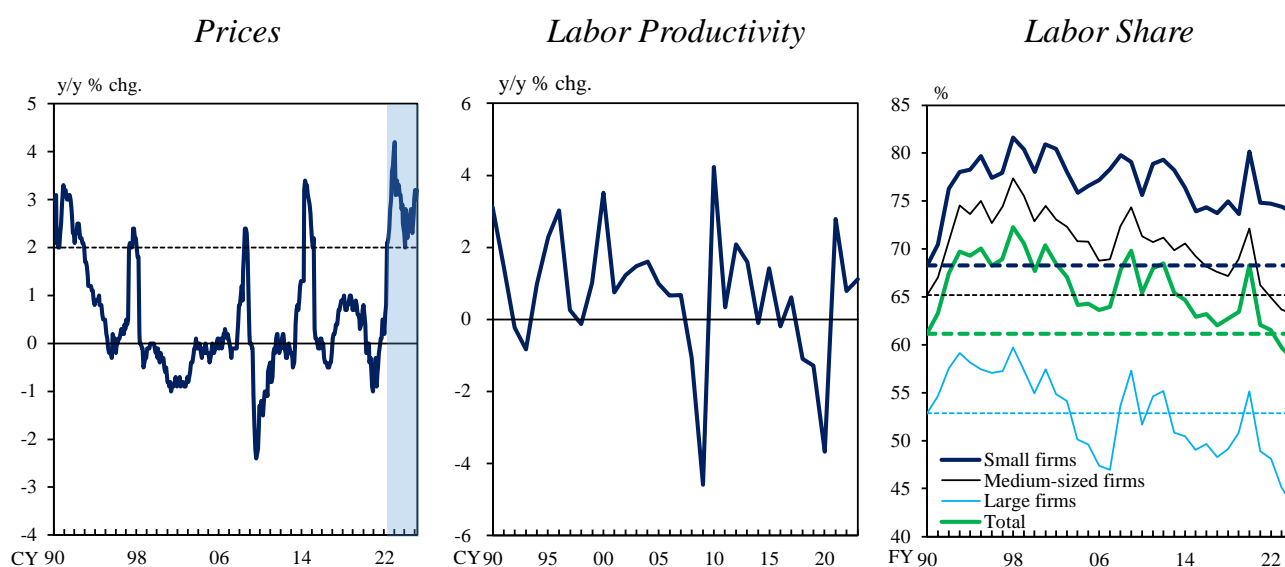
Ratio of Firms' Human Resource Development Costs to GDP



Note: Figures are estimated by Professor MIYAGAWA Tsutomu (Gakushuin University) based on the System of National Accounts (SNA) compiled by the Cabinet Office, Japan Industrial Productivity (JIP) Database, and INTAN-Invest Database.

Source: Ministry of Health, Labour and Welfare.

Components of Wage Growth



Notes: 1. Figures for prices are the CPI (all items less fresh food). Figures for labor productivity are GDP per person employed.

Figures for labor share are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*, 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.

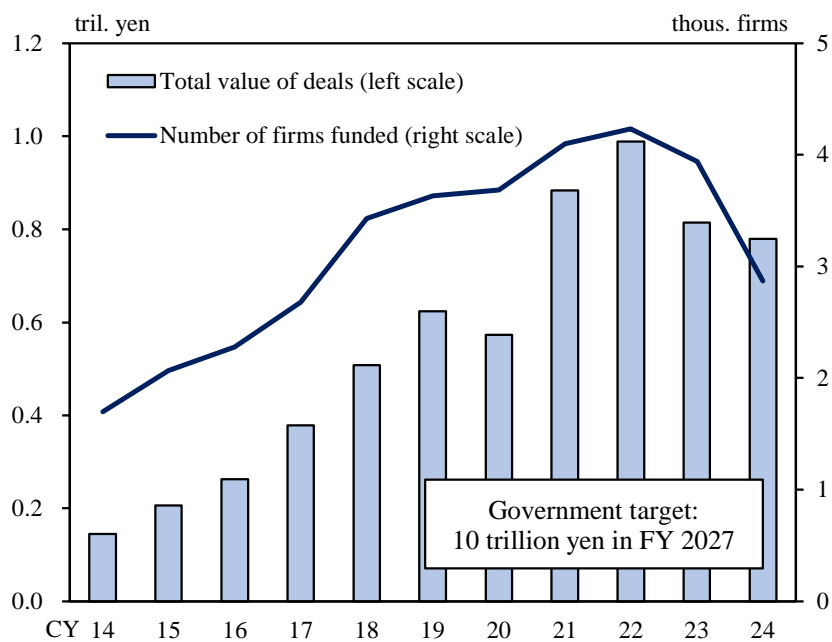
Small firms are commercial corporations with capital of 10 million yen or more but less than 100 million yen. Figures for

each fiscal year cover the April-December period. The dotted lines indicate the figures for the April-December period of 1990.

2. Labor share = personnel expenses / (operating profits + personnel expenses + depreciation expenses).

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

Startup Funding in Japan



Note: The total value of deals is defined as follows: for unlisted startups, the amount of funds raised since their establishment to the time of the survey, in terms of equity or other financial instruments that may be converted into equity; for startups that launched initial public offerings (IPOs), the amount of funds raised immediately before the IPO.

Source: Speeda, *Japan Startup Funding Report 2024*.