

Economic Activity and Prices, and Monetary Policy in Japan

*Speech at a Meeting Held by the Naigai Josei Chosa Kai
(Research Institute of Japan)*

June 3, 2025

UEDA Kazuo

Governor of the Bank of Japan

Introduction

I. The Impact of Trade Policies and Economic
Activity and Prices

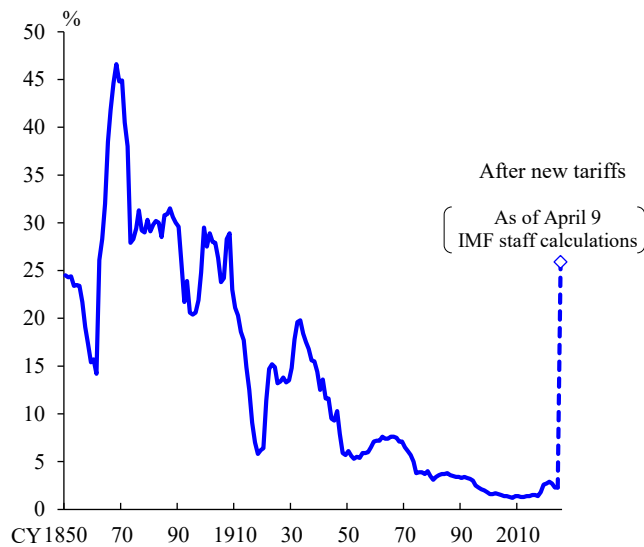
II. Risks Surrounding Trade Policies

III. The Bank's Conduct of Monetary Policy

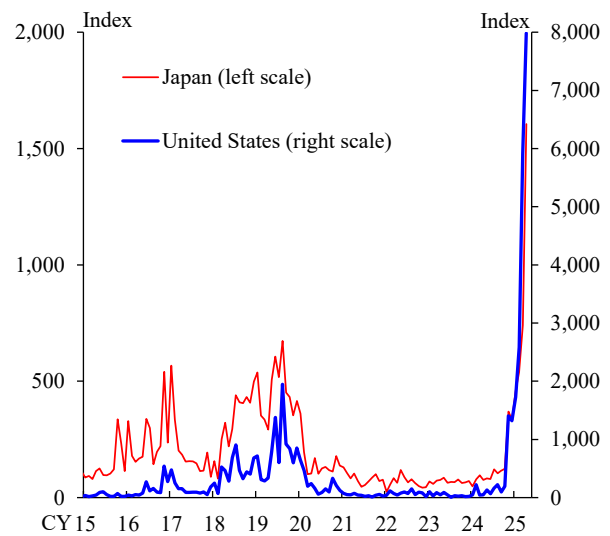
Concluding Remarks

Trade Policy

U.S. Effective Tariff Rate



Trade Policy Uncertainty Index



Notes: 1. Figures in the left-hand chart are IMF staff calculations. "After new tariffs" incorporates the tariffs announced as of April 9 (including a 90-day pause on reciprocal tariffs and 145 percent tariffs on China).

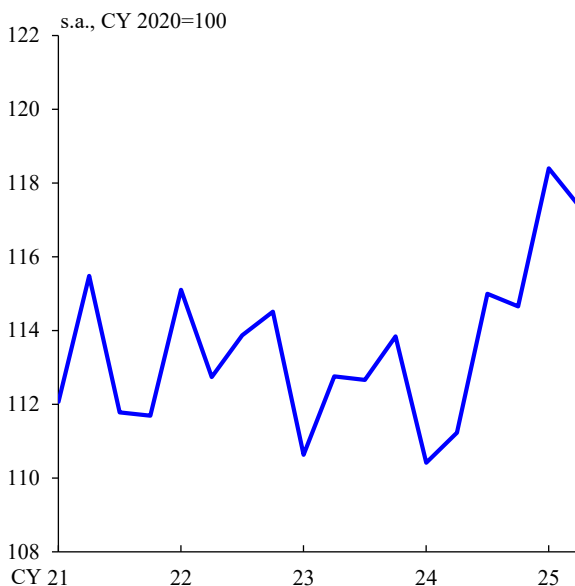
2. In the right-hand chart, the latest figures are for April 2025.

Sources: RIETI ("Policy Uncertainty in Japan" by Elif C. Arbatli Saxegaard, Steven J. Davis, Arata Ito, and Naoko Miake); Economic Policy Uncertainty; IMF.

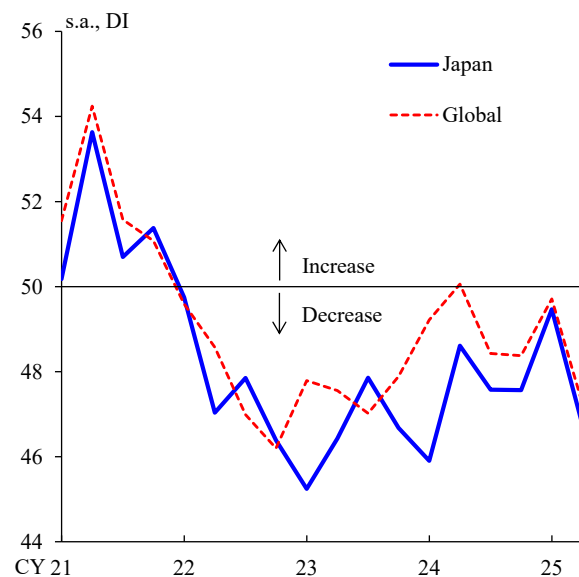
1

Exports

Real Exports



New Export Orders PMI (Manufacturing)



Notes: 1. In the left-hand chart, the latest figure is for 2025/Q2 (April).

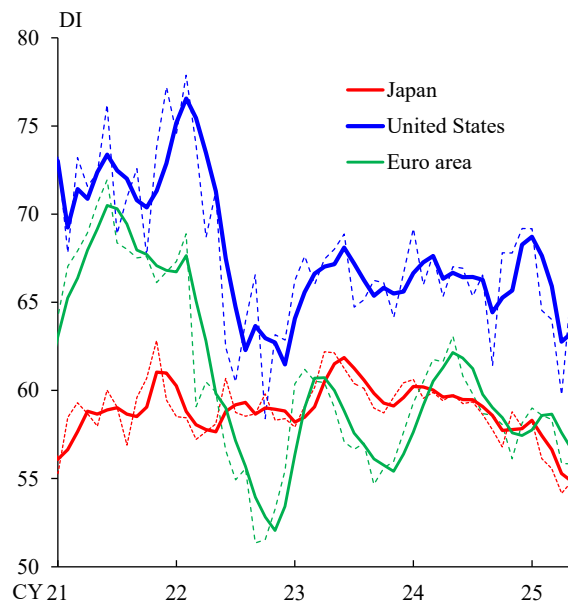
2. In the right-hand chart, figures for Japan are the au Jibun Bank Japan Manufacturing PMI (new export orders PMI). The latest figures are for 2025/Q2 (the figure for Japan is the April-May average and that for the global PMI is for April).

Sources: Ministry of Finance; Bank of Japan; Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

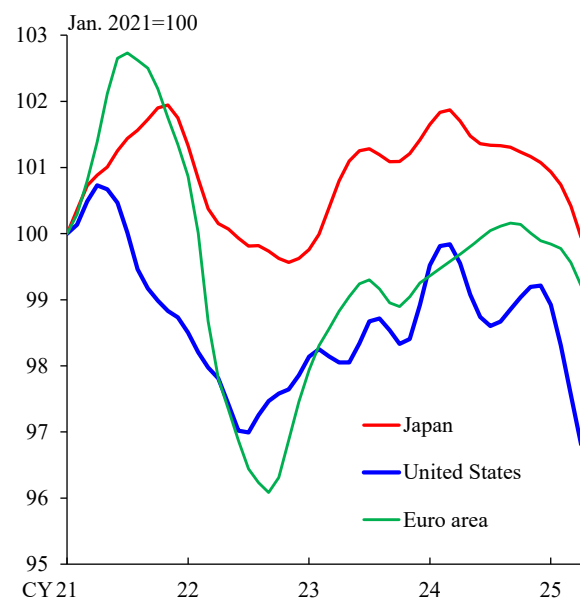
2

Business and Household Sentiment

Business Sentiment



Consumer Confidence



Notes: 1. In the left-hand chart, figures are for the composite PMI (year-ahead outlook for output) for each economy. Those for Japan are the au Jibun Bank Japan Composite PMI. The dotted lines show the original data, and the solid lines show 3-month backward moving averages. The latest figures are for May 2025.

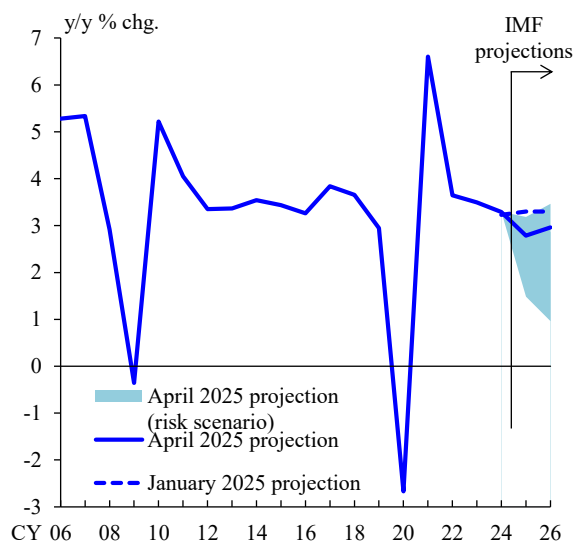
2. In the right-hand chart, figures are from the OECD. The latest figures are for April 2025.

Sources: Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved; OECD.

3

Global Economy and Trade

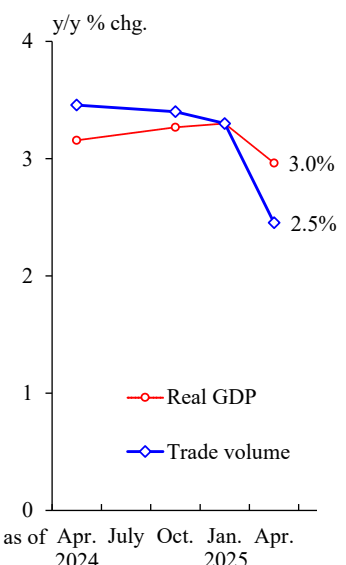
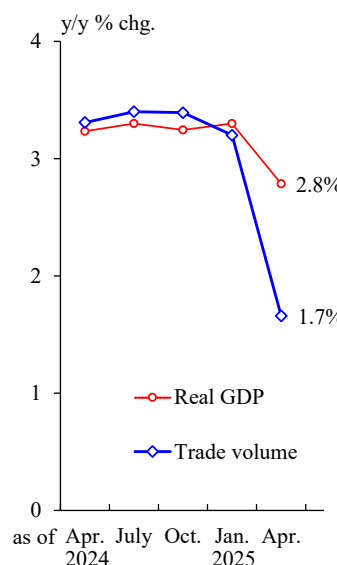
IMF Projections for Global Real Growth Rate



Revisions to the IMF's Projections

1. Projection for 2025

2. Projection for 2026



Note: In the left-hand chart, "April 2025 projection" shows the IMF's "reference forecast" in the April 2025 WEO. "April 2025 projection (risk scenario)" shows the range of projected outcomes should the upside and downside risks presented in the April 2025 WEO materialize.

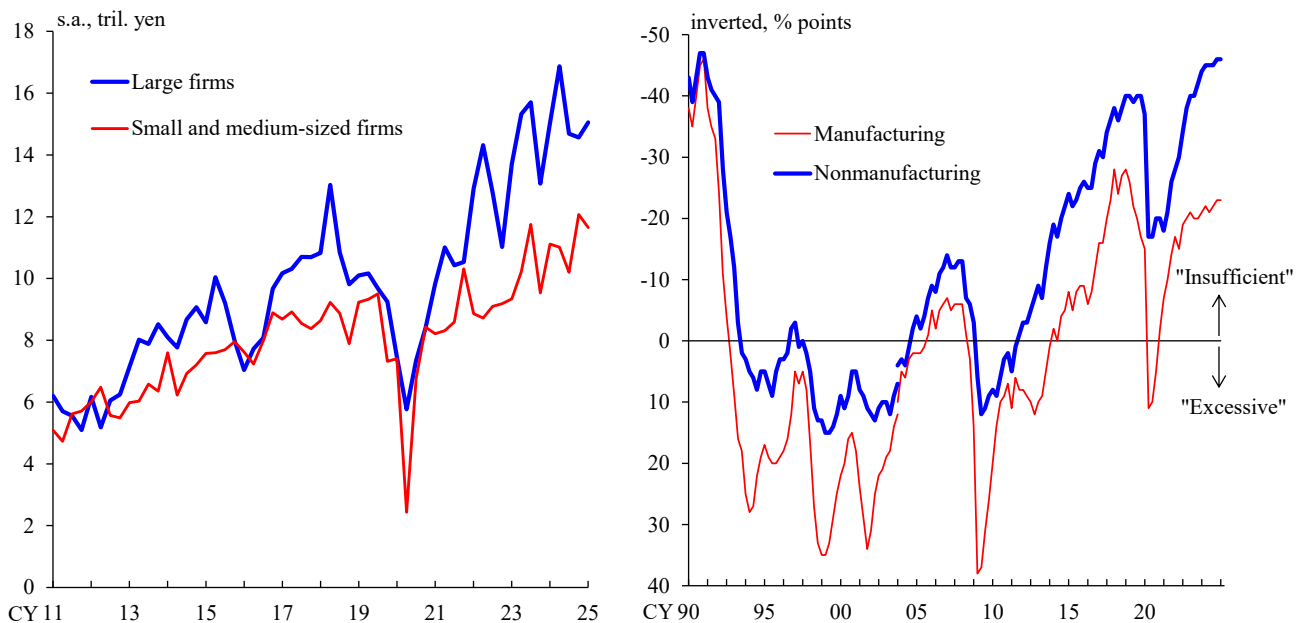
Source: IMF.

4

Corporate Profits and Labor Market Conditions

Corporate Profits

Employment Conditions DI



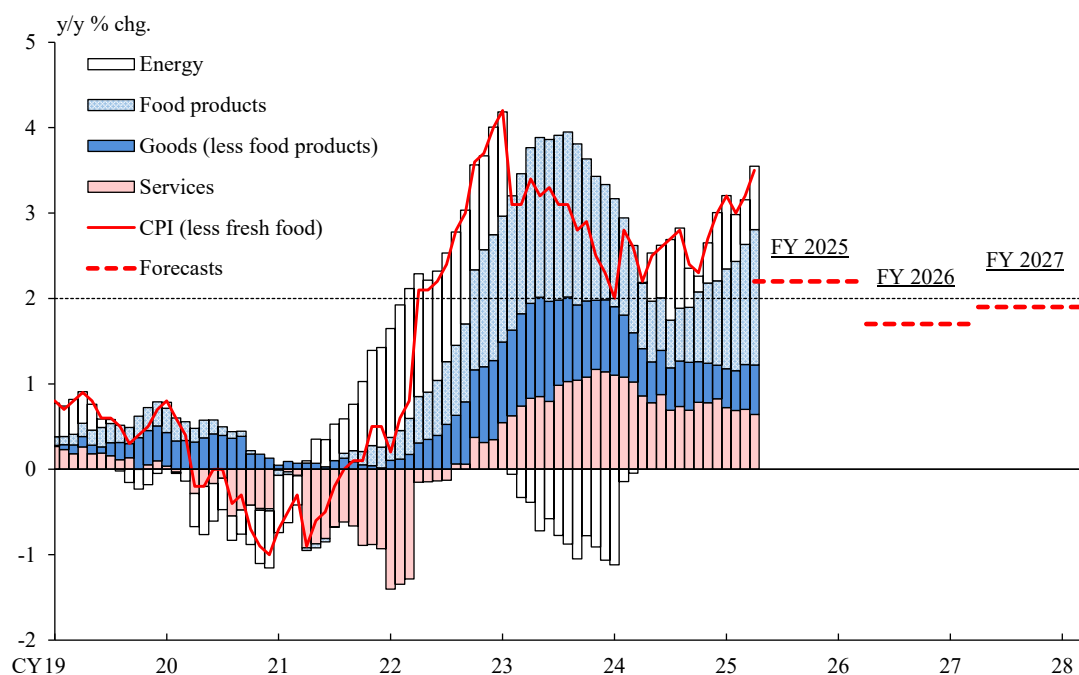
Notes: 1. In the left-hand chart, figures are current profits based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance" and "pure holding companies."

2. In the right-hand chart, figures are based on the *Tanken*. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

Sources: Ministry of Finance; Bank of Japan.

5

Inflation

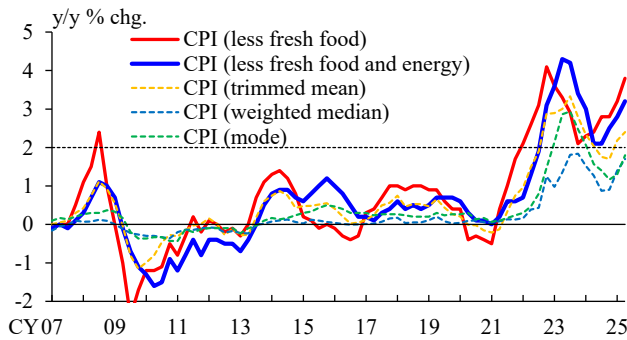


Note: The forecasts presented are the medians of the Policy Board members' forecasts in the April 2025 Outlook Report.
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

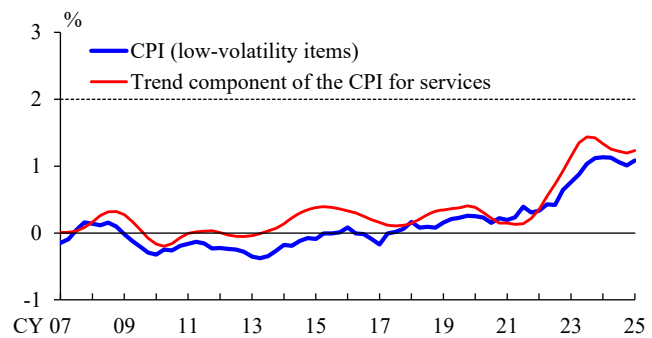
6

Indicators Related to Underlying Inflation

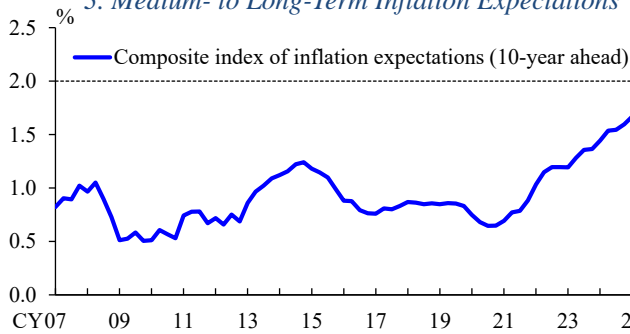
1. Price Indicators Excluding Highly Volatile Items



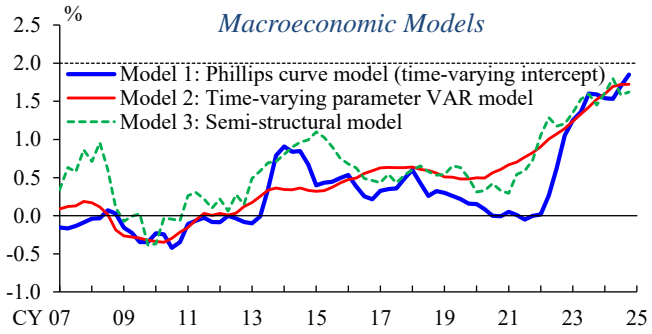
2. Indicators Likely Reflecting Wage Developments



3. Medium- to Long-Term Inflation Expectations



4. Indicators Estimated Based on Macroeconomic Models



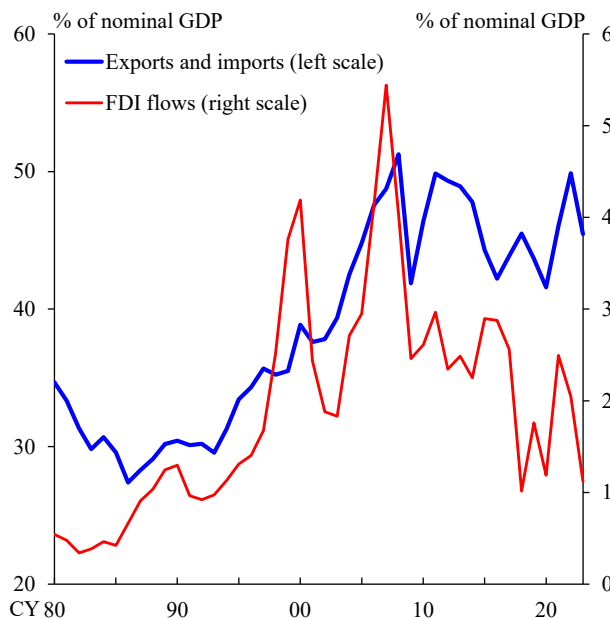
Note: For details of each approach, see Box 4 of the April 2024 Outlook Report. In the upper left chart, figures for the CPI (less fresh food) and the CPI (less fresh food and energy) are staff estimates and exclude mobile phone charges and the effects of the consumption tax hikes, policies concerning the provision of free education, and travel subsidy programs. Figures for 2025/Q2 are those for April.

Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; Cabinet Office; Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg; Google Trends.

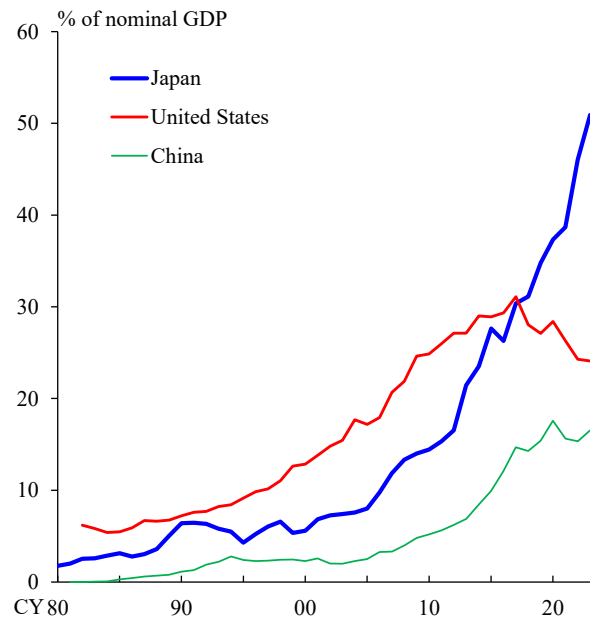
7

Globalization

Global Trade and Outward Foreign Direct Investment (FDI)

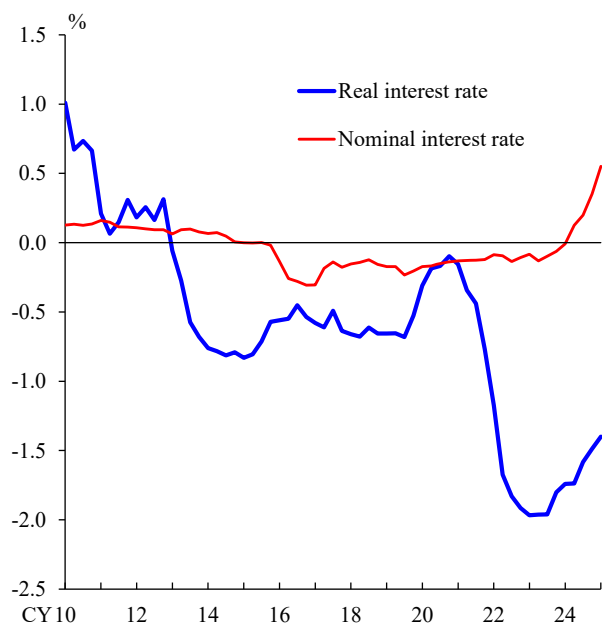


Outward FDI Stock

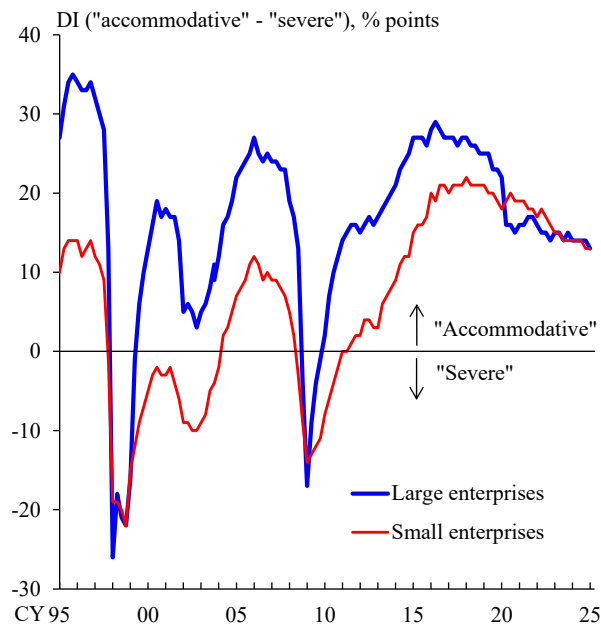


Financial Conditions

Real Interest Rate (1-Year)



Lending Attitudes of Financial Institutions as Perceived by Firms



Notes: 1. In the left-hand chart, figures for the real interest rate are calculated as government bond yields (1-year) minus the composite index of inflation expectations (staff estimates).
 2. In the right-hand chart, figures are based on the *Tankan* and are for all industries. There is a discontinuity in the data for December 2003 due to a change in the survey framework.
 Sources: Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg.

9

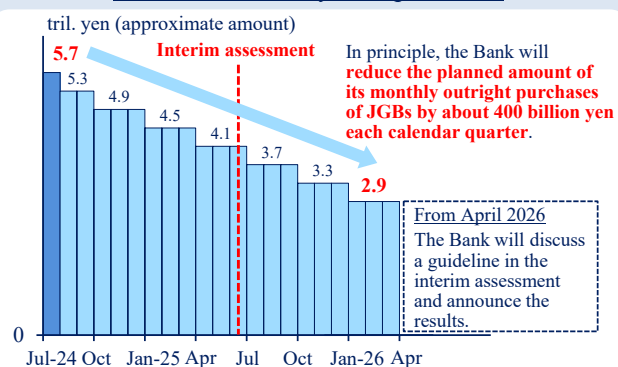
Plan for the Reduction of the Purchase Amount of JGBs (Decision at the July 2024 MPM)

The concept of the plan for the reduction until March 2026

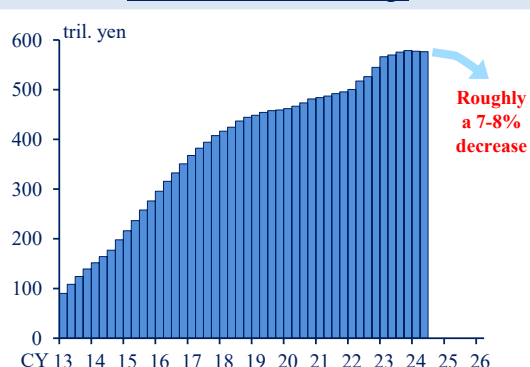
1. Long-term interest rates: to be formed in financial markets in principle
2. JGB purchases: appropriate for the Bank to **reduce its purchase amount of JGBs in a predictable manner**, while **allowing enough flexibility** to support stability in the JGB markets

Reduction in a Predictable Manner

Amount of monthly JGB purchases



The Bank's JGB holdings



Allowing Enough Flexibility

1. The Bank will **conduct an interim assessment of the plan at the June 2025 MPM**.
2. In the case of a rapid rise in long-term interest rates, the Bank will make nimble responses by, for example, increasing the amount of JGB purchases.
3. The Bank is prepared to amend the plan at the MPMs, if deemed necessary.

10