

# Japan's Economy and Monetary Policy

*Speech at a Meeting with Local Leaders in Kochi*

July 23, 2025

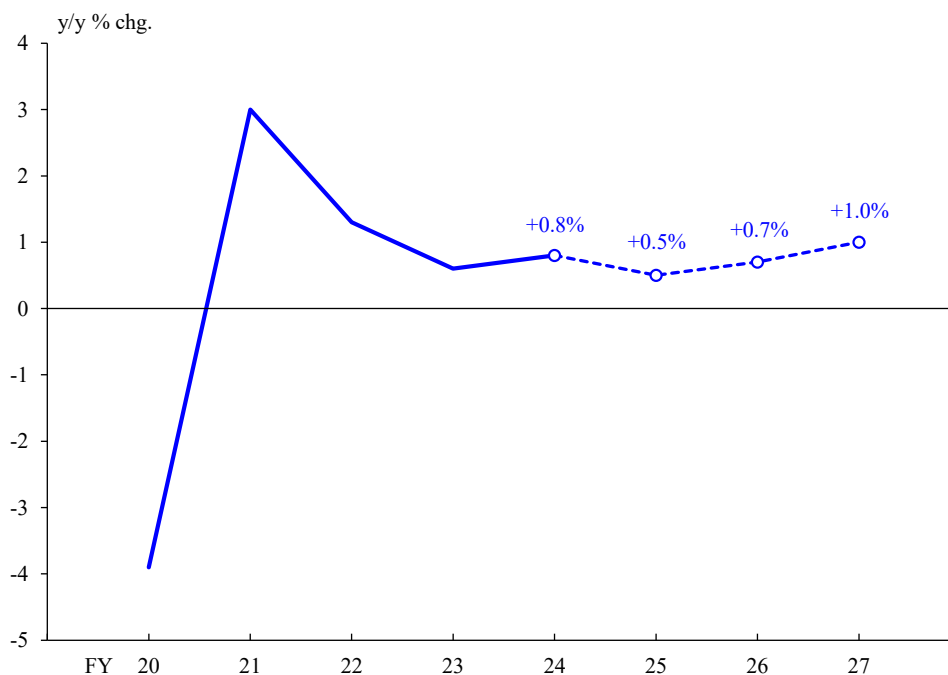
UCHIDA Shinichi

*Deputy Governor of the Bank of Japan*

## Introduction

- I. Current Situation of and Outlook for Economic Activity and Prices
- II. The Bank's Conduct of Monetary Policy
- III. Economy of Kochi Prefecture

## Real GDP

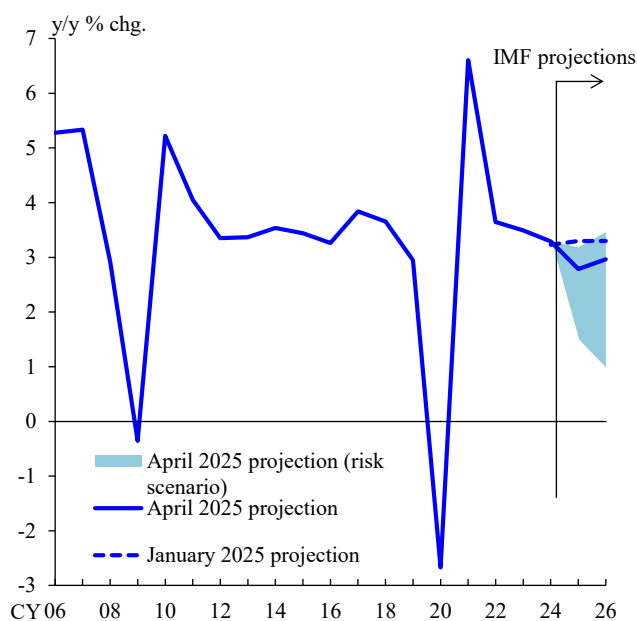


Note: The dotted line shows the medians of the Policy Board members' forecasts in the April 2025 Outlook Report.  
Sources: Cabinet Office; Bank of Japan.

## Global Economy

*Global Growth Rate  
(IMF Projections)*

*Projections by International Organizations  
IMF (April 2025)*



| y/y % chg.    | CY 2024 | CY 2025 [Projection] | CY 2026 [Projection] |
|---------------|---------|----------------------|----------------------|
| World         | 3.3     | 2.8 (-0.5)           | 3.0 (-0.3)           |
| United States | 2.8     | 1.8 (-0.9)           | 1.7 (-0.4)           |
| Euro area     | 0.9     | 0.8 (-0.2)           | 1.2 (-0.2)           |
| China         | 5.0     | 4.0 (-0.6)           | 4.0 (-0.5)           |

*OECD (June 2025)*

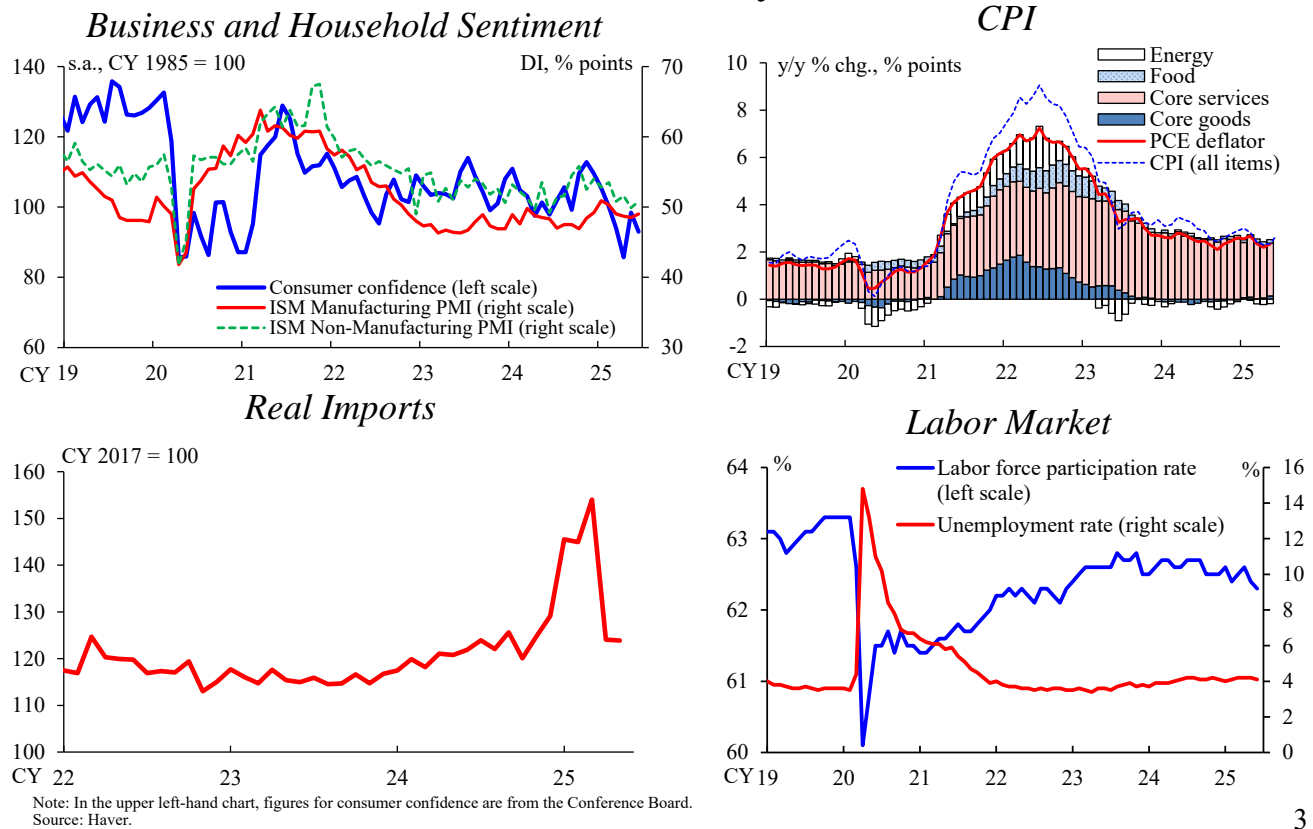
| y/y % chg. | CY 2024 | CY 2025 [Projection] | CY 2026 [Projection] |
|------------|---------|----------------------|----------------------|
| World      | 3.3     | 2.9 (-0.4)           | 2.9 (-0.4)           |

Notes: 1. In the left-hand chart, "April 2025 projection" shows the IMF's "reference forecast" in the April 2025 *World Economic Outlook* (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.

2. In the right-hand chart, figures in parentheses indicate changes from January 2025 projections for the IMF and December 2024 projections for the OECD.

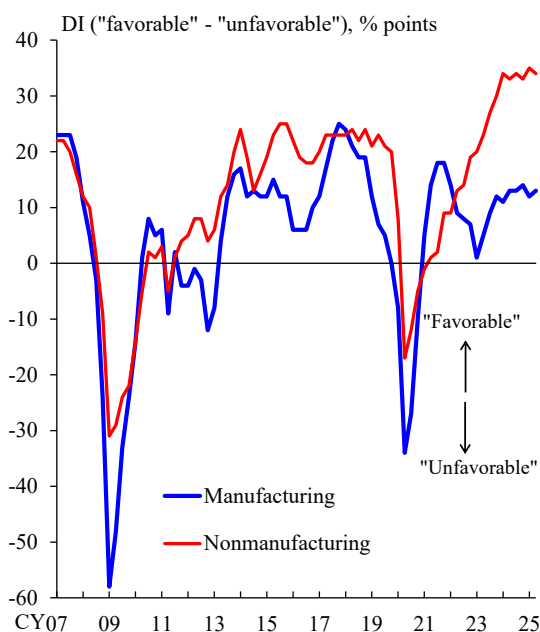
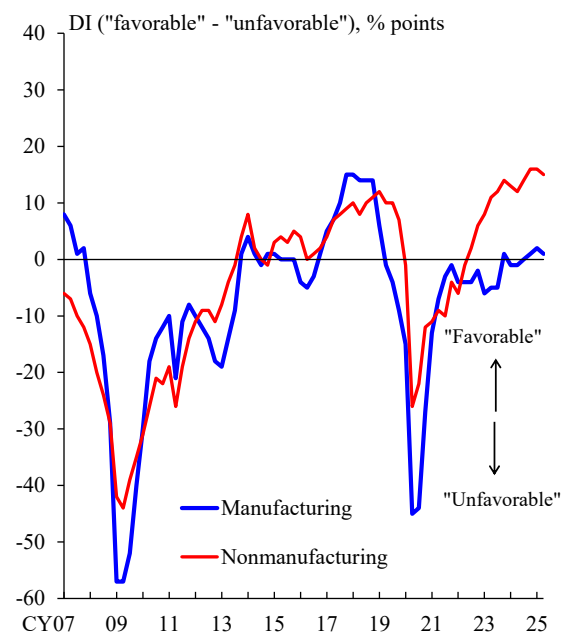
Sources: IMF; OECD.

## U.S. Economy



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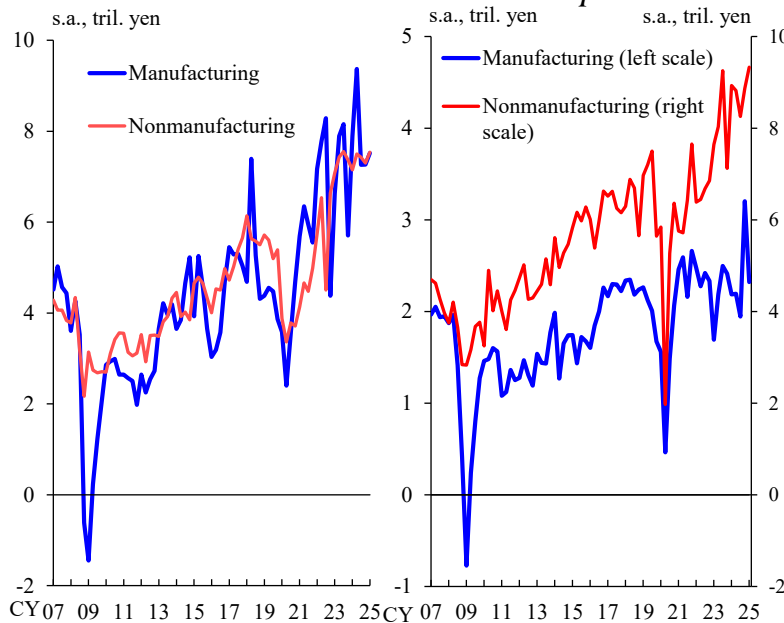
## Corporate Sector (1)

*Business Conditions (Tankan)**Large Enterprises**Small Enterprises*

## Corporate Sector (2)

## Corporate Profits

## Large Enterprises      Small and Medium-Sized Enterprises



## Profit Projections (Tankan)

|                                |                   | FY 2024 (Actual value) |               | FY 2025 (Projection) |               |
|--------------------------------|-------------------|------------------------|---------------|----------------------|---------------|
|                                |                   |                        | Revision rate |                      | Revision rate |
| All industries and enterprises |                   | 5.6                    | 3.9           | -5.7                 | -0.6          |
| Large enterprises              | Manufacturing     | 6.0                    | 3.3           | -8.4                 | -5.6          |
|                                | Non-manufacturing | 2.4                    | 2.8           | -1.3                 | 2.5           |

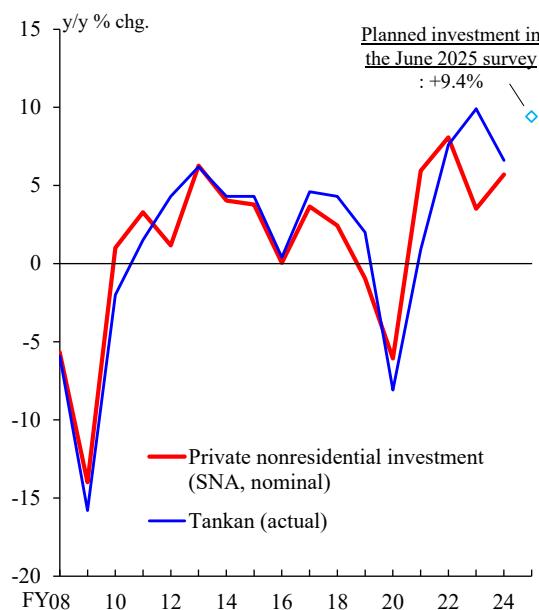
Note: In the left-hand and middle charts, figures are current profits based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies. In the right-hand chart, figures are current profits.

Sources: Ministry of Finance; Bank of Japan.

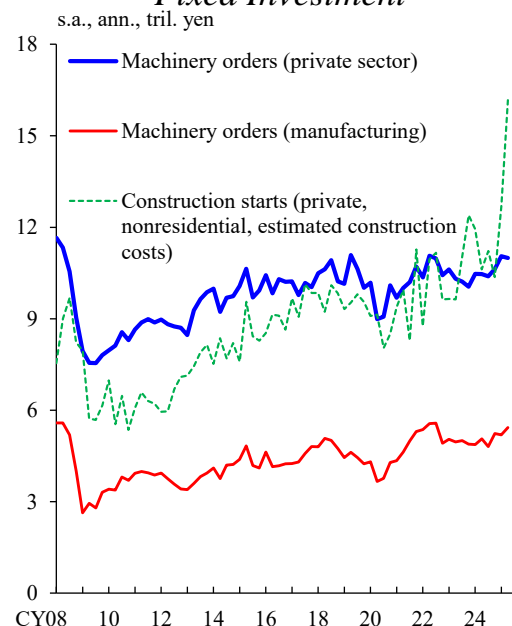
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## Corporate Sector (3)

## Business Fixed Investment Plans



## Leading Indicators of Business Fixed Investment



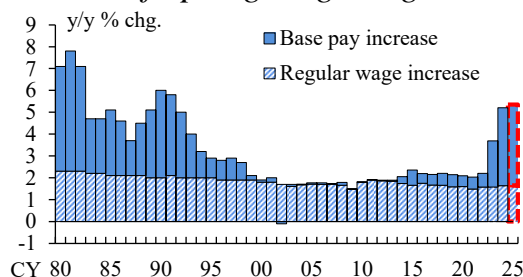
Notes: 1. In the left-hand chart, figures are based on the *Tankan*, including software and R&D investments and excluding land purchasing expenses. R&D investment is not included before the March 2017 survey. Figures are for all industries including financial institutions.  
2. In the right-hand chart, figures for machinery orders in the private sector exclude orders for ships and orders from electric power companies. Figures for 2025/Q2 are April-May averages.

Sources: Cabinet Office; Bank of Japan; Ministry of Land, Infrastructure, Transport and Tourism.

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## Wages

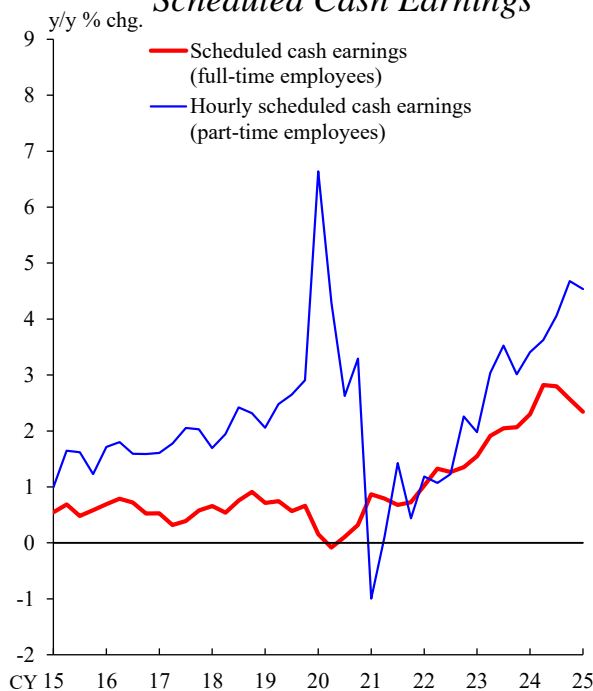
### Results of Spring Wage Negotiations



### Results by Type of Employment and Firm Size

| (persons)           | total wage increase      |                          |                     |
|---------------------|--------------------------|--------------------------|---------------------|
|                     | CY 2024<br>final results | CY 2025<br>final results | CY 2024→<br>CY 2025 |
| Regular employees   | 5.10%                    | 5.25%                    | +0.15%pt            |
| (1,000 or more)     | 5.24%                    | 5.39%                    | +0.15%pt            |
| (300 to 999)        | 4.98%                    | 5.08%                    | +0.10%pt            |
| (100 to 299)        | 4.62%                    | 4.76%                    | +0.14%pt            |
| (99 or less)        | 3.98%                    | 4.36%                    | +0.38%pt            |
| Part-time employees | 5.74%                    | 5.81%                    | +0.07%pt            |

### Scheduled Cash Earnings

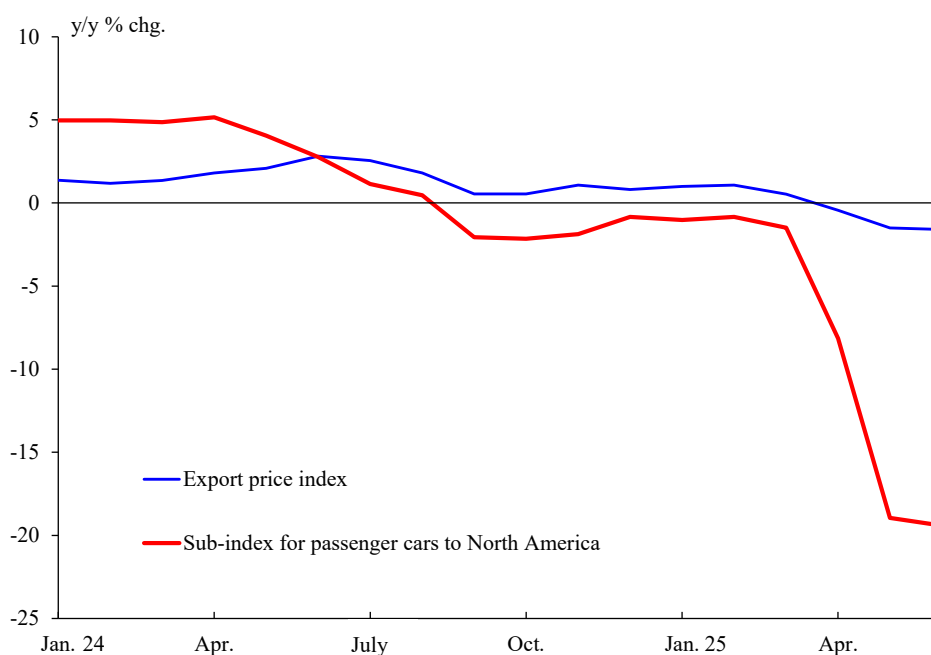


Notes: 1. In the upper left-hand chart, figures from 1980 to 2014 are those published by the Central Labour Relations Commission, while those from 2015 to 2025 are figures released by Rengo. Figures for base pay increase and regular wage increase are aggregated values of the wage negotiation results of labor unions for which the base pay increase is clear.  
2. In the right-hand chart, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures from 2016/Q1 onward are based on continuing observations following the sample revisions.

Sources: Ministry of Health, Labour and Welfare; Japanese Trade Union Confederation (Rengo); Central Labour Relations Commission.

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## Export Prices

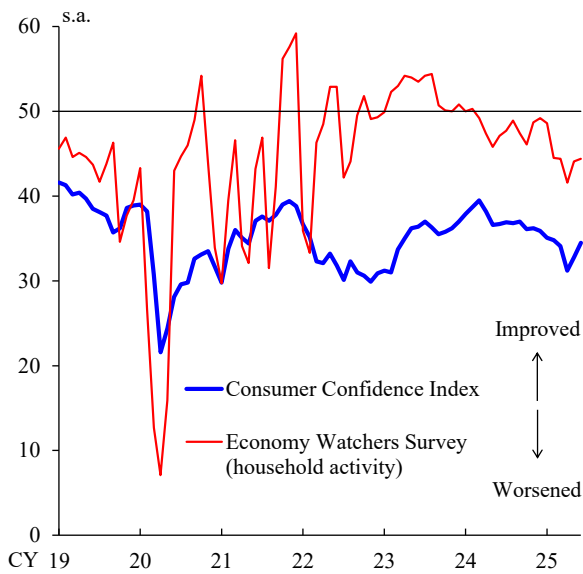


Note: Figures are on a contract currency basis.  
Source: Bank of Japan.

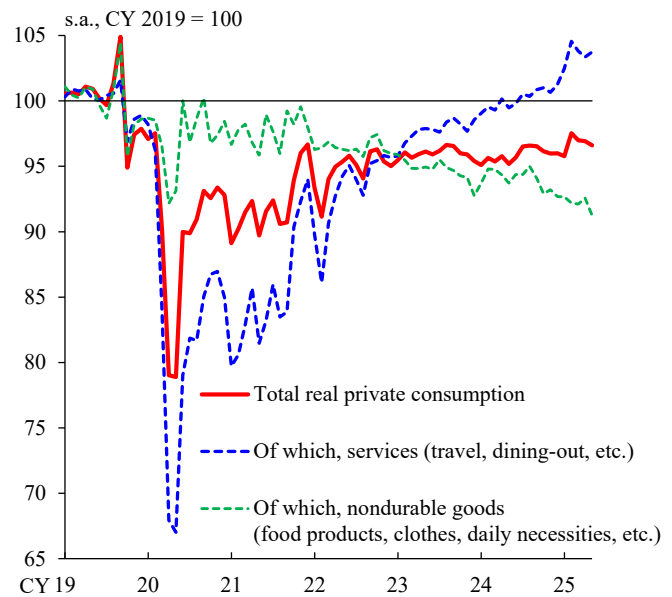
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## Household Sector

Consumer Sentiment



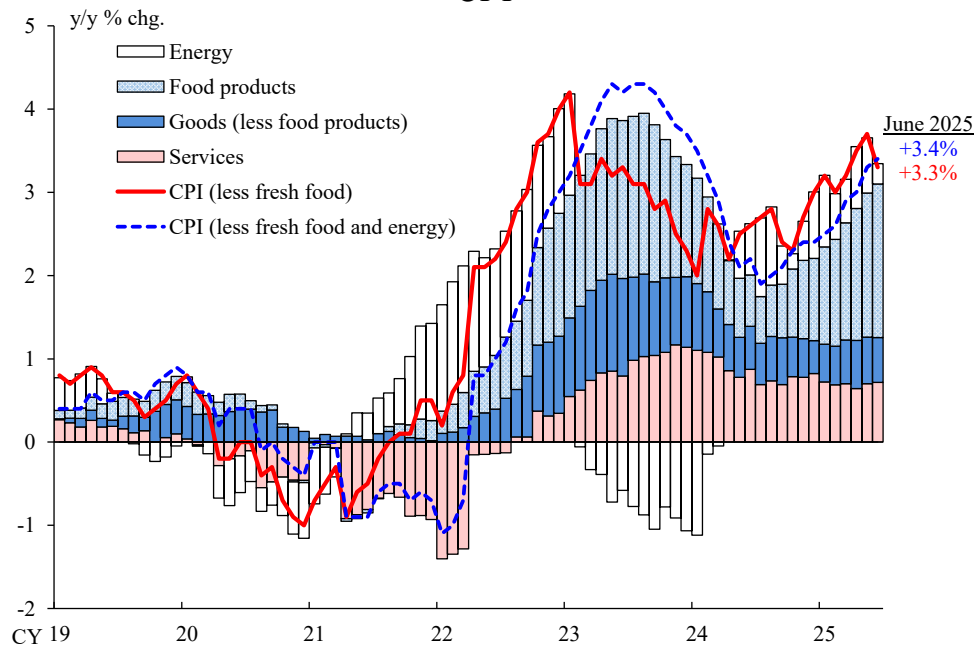
Real Private Consumption



Notes: 1. In the left-hand chart, figures for the *Economy Watchers Survey* are those for the current economic conditions DI.  
2. In the right-hand chart, figures for total real private consumption are based on the Consumption Activity Index (Real).  
Sources: Bank of Japan; Cabinet Office.

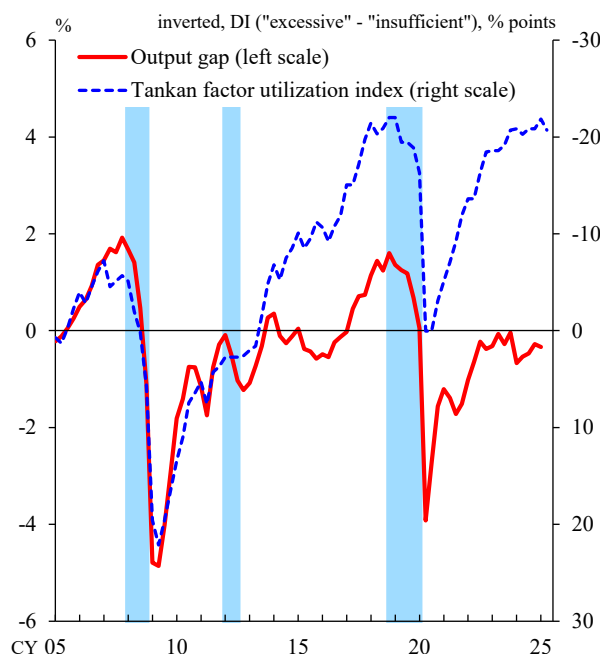
## Prices

CPI

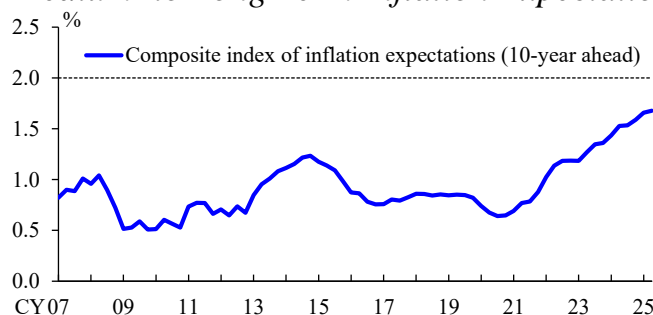


## Output Gap and Inflation Expectations

### Output Gap



### Medium- to Long-Term Inflation Expectations



### Medians of the Policy Board Members' Forecasts

|  | y/y % chg.    |               |         |
|--|---------------|---------------|---------|
|  | FY 2025       | FY 2026       | FY 2027 |
| CPI (all items less fresh food)            | 2.2<br>(-0.2) | 1.7<br>(-0.3) | 1.9     |
| CPI (all items less fresh food and energy) | 2.3<br>(+0.2) | 1.8<br>(-0.3) | 2.0     |

#### Assumptions:

1. Negotiations between jurisdictions will progress to some extent.
2. Significant disruptions of global supply chains will be avoided.

Notes: 1. In the left-hand chart, figures for the output gap are staff estimates. The Takan factor utilization index is calculated as the weighted average of the production capacity DI and the employment conditions DI for all industries and enterprises. The capital and labor shares are used as weights. Shaded areas denote recession periods.  
2. For details of the approach used in the upper right-hand chart, see Box 4 of the April 2024 Outlook Report.  
3. In the lower right-hand table, figures in parentheses indicate changes from the January 2025 Outlook Report.

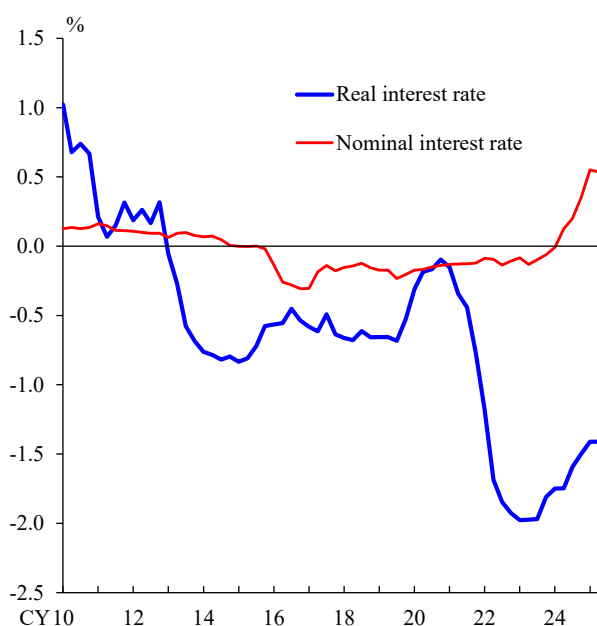
Sources: Bank of Japan; Cabinet Office; QUICK, "QUICK Monthly Market Survey <Bonds>"; Consensus Economics Inc., "Consensus Forecasts"; Bloomberg.

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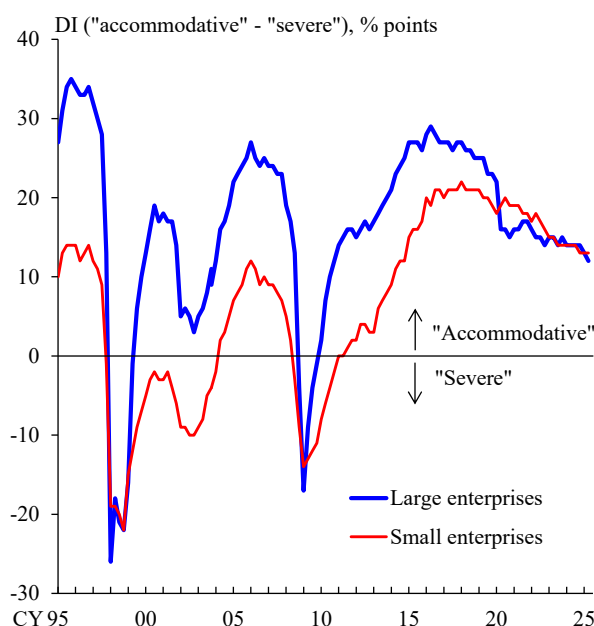
## II. The Bank's Conduct of Monetary Policy

## 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 Takan 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.

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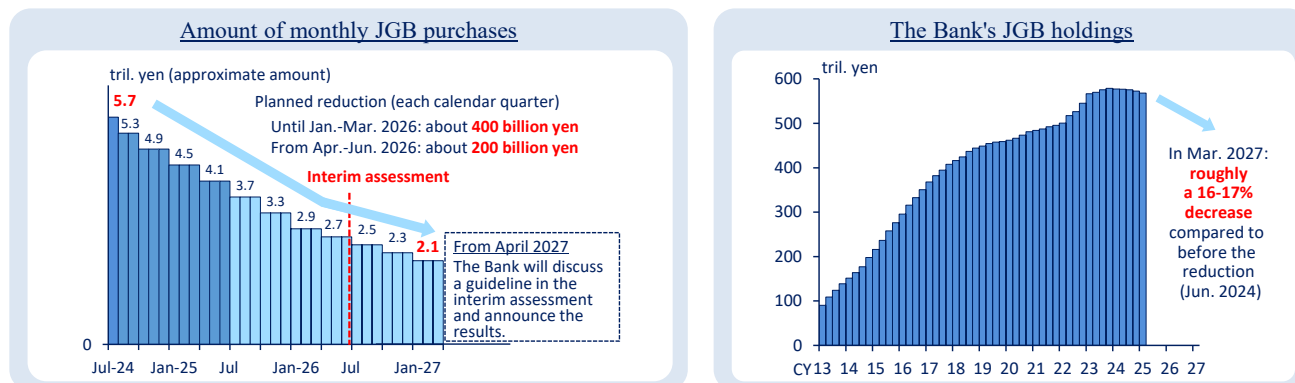
## Plan for the Reduction of the Purchase Amount of JGBs (June 2025 MPM)

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

In principle, the Bank will reduce the planned amount of its monthly purchases of JGBs each calendar quarter as follows.

- Until January-March 2026 : about **400 billion yen** (the reduction plan decided in July 2024 will be maintained)
- From April-June 2026 to January-March 2027 : about **200 billion yen**
- The Bank will **gradually reduce** its purchase amount so that it can improve the functioning of the JGB markets in a manner that supports stability in the markets.

## Reduction in a Predictable Manner



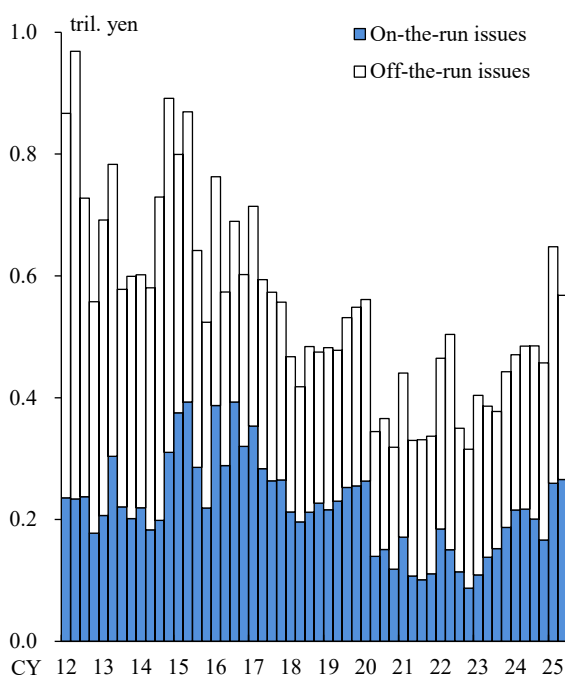
## Allowing Enough Flexibility

1. The Bank will **conduct an interim assessment of the plan at the June 2026 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.

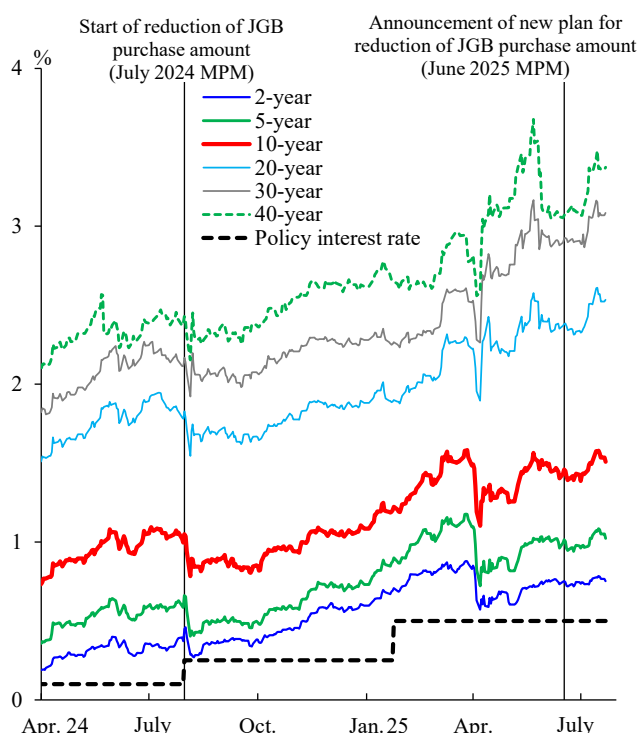
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## Functioning of and Developments in the JGB Markets

## Inter-Dealer Transaction Volume



## JGB Yields



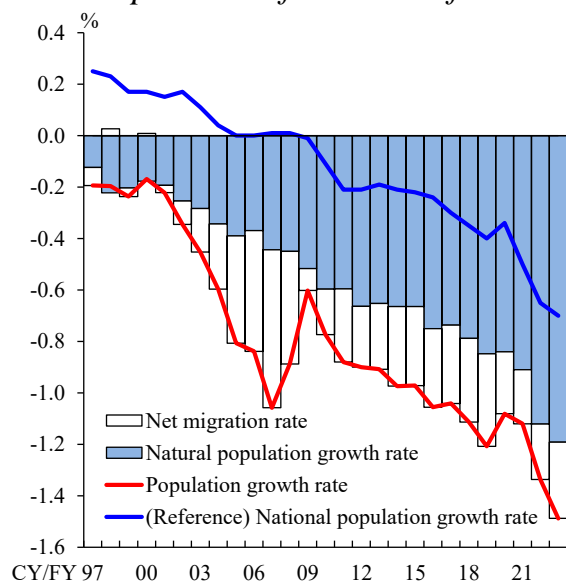
Note: In the left-hand chart, figures are the sum of daily transaction volumes of 2-year, 5-year, 10-year, 20-year, 30-year, and 40-year JGBs via Japan Bond Trading.  
 Sources: Japan Securities Dealers Association; QUICK; Japan Bond Trading; Bank of Japan; Bloomberg.

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## Economy of Kochi Prefecture

*Population of Kochi Prefecture*



*Saga District Tsunami Evacuation Tower*



Note: In the left-hand chart, figures from fiscal 2012 onward are based on Japanese residents. Data are aggregated by fiscal year for years before 2013 and by calendar year from 2013 onward.

Sources: Ministry of Internal Affairs and Communications; Kuroshio Town Tourism Network.