Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Osaka

October 3, 2025

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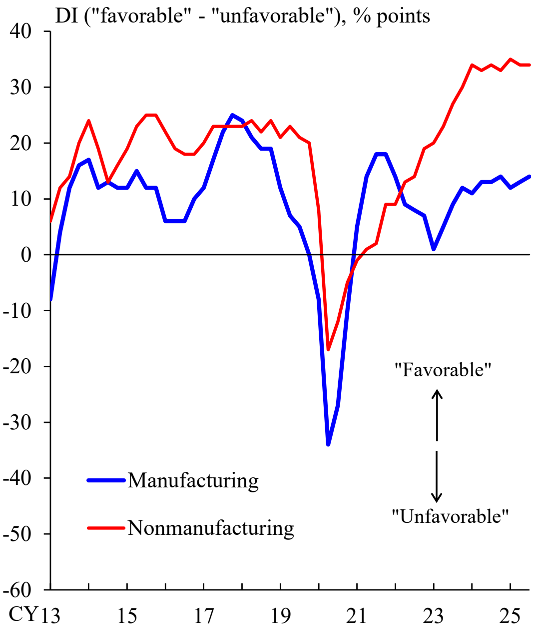
Governor of the Bank of Japan

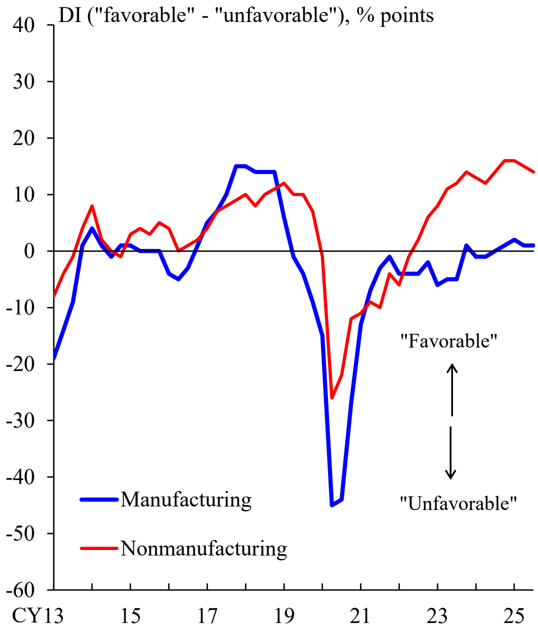
Corporate Sector (1)

Business Conditions (Tankan)

Large Enterprises



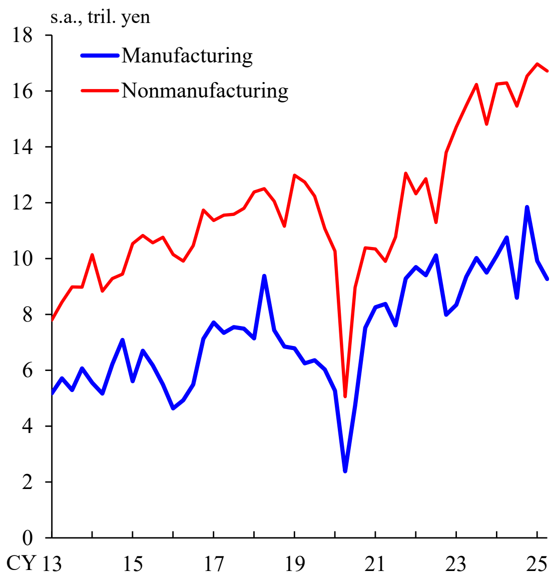
Small Enterprises



Source: Bank of Japan.

Corporate Sector (2)

Corporate Profits



Profit Projections (Tankan)

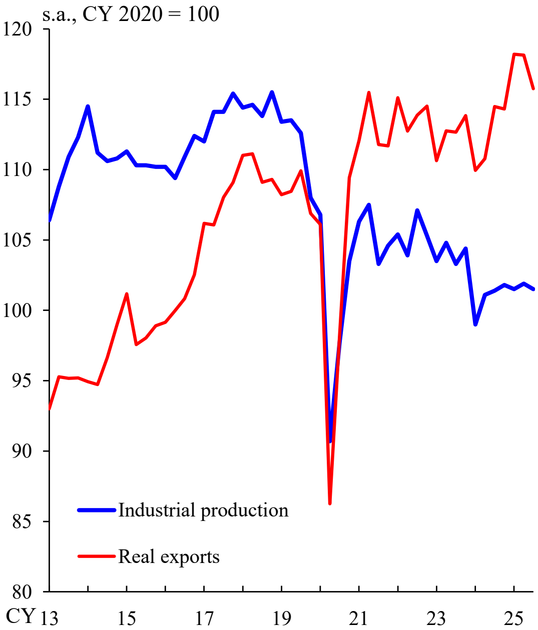
y/y % chg.

		FY 2024 (Actual value)	FY 2025 (Projection)	
				Revision rate
All industries and enterprises		5.6	-4.8	0.9
Large enterprises	Manufa-cturing	6.0	-8.6	-0.2
	Non-manufa-cturing	2.4	-0.7	0.6

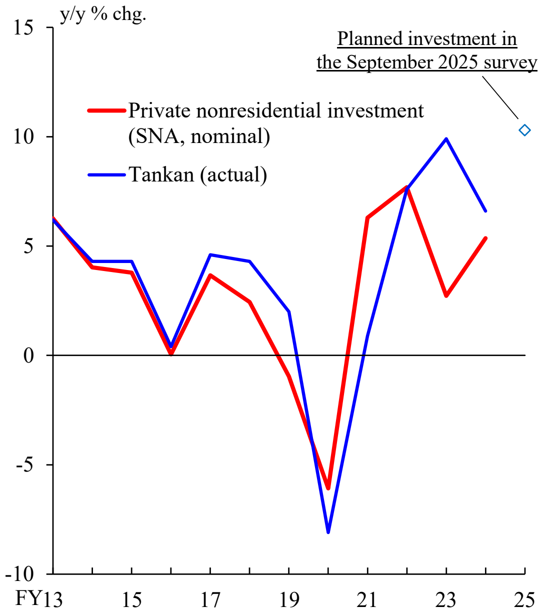
Note: In the left-hand chart, figures are current profits based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance" and "pure holding companies." In the right-hand chart, figures are current profits.
Sources: Ministry of Finance; Bank of Japan.

Corporate Sector (3)

Exports and Production



Business Fixed Investment

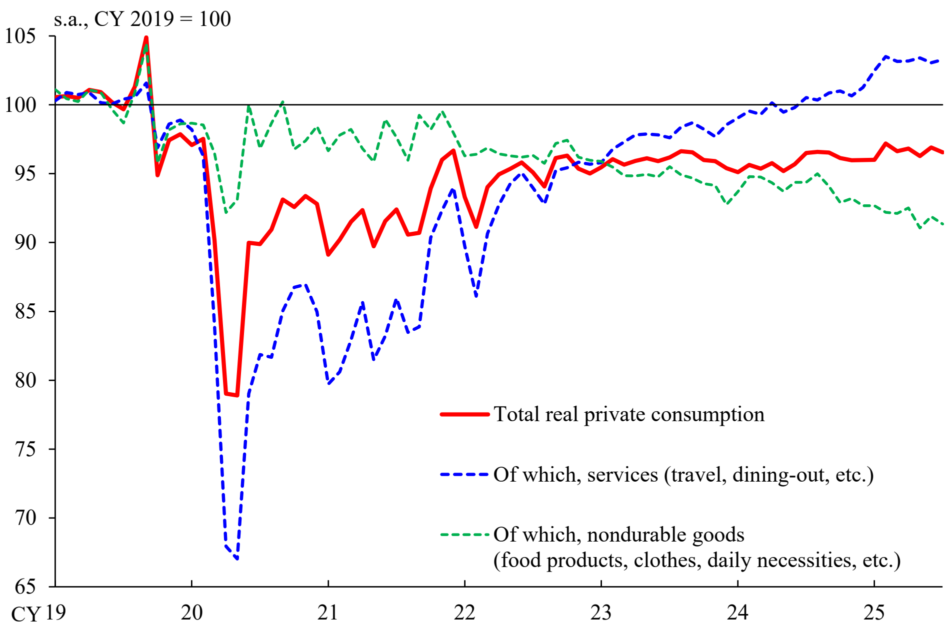


Notes: 1. In the left-hand chart, figures for 2025/Q3 are July-August averages.
2. In the right-hand chart, figures for *Tankan* (actual) include software and R&D investments and exclude land purchasing expenses. R&D investment is not included before the March 2017 survey. The figures are for all industries including financial institutions.

Sources: Ministry of Economy, Trade and Industry; Bank of Japan; Ministry of Finance; Cabinet Office.

Household Sector

Real Private Consumption

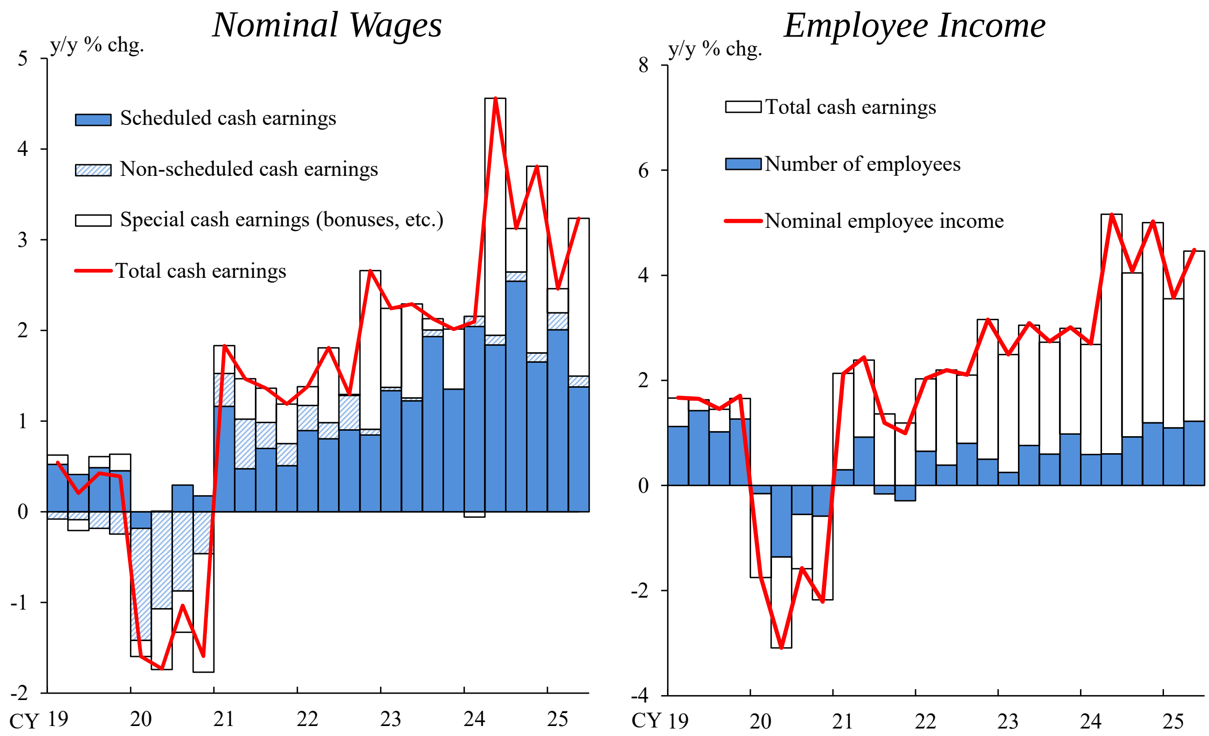


Note: Figures for total real private consumption are the real Consumption Activity Index (travel balance adjusted) based on staff calculations, which exclude inbound tourism consumption and include outbound tourism consumption.

Source: Bank of Japan.

Chart 5

Employment and Income Situation

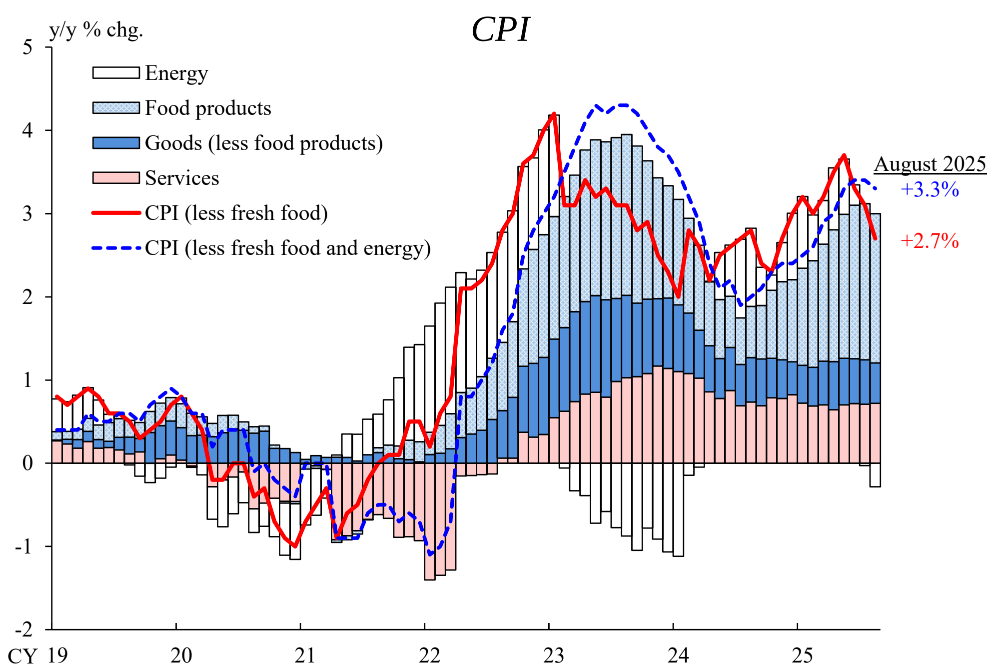


Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures in the left-hand chart and figures for "total cash earnings" in the right-hand chart are based on continuing observations following the sample revisions. Figures for 2025/Q2 are June-July averages.
2. Nominal employee income = Total cash earnings (*Monthly Labour Survey*) × Number of employees (*Labour Force Survey*)

Source: Ministry of Health, Labour and Welfare.

Chart 6

Price Developments



Source: Ministry of Internal Affairs and Communications.

I. Economic Activity and Prices

Chart 7

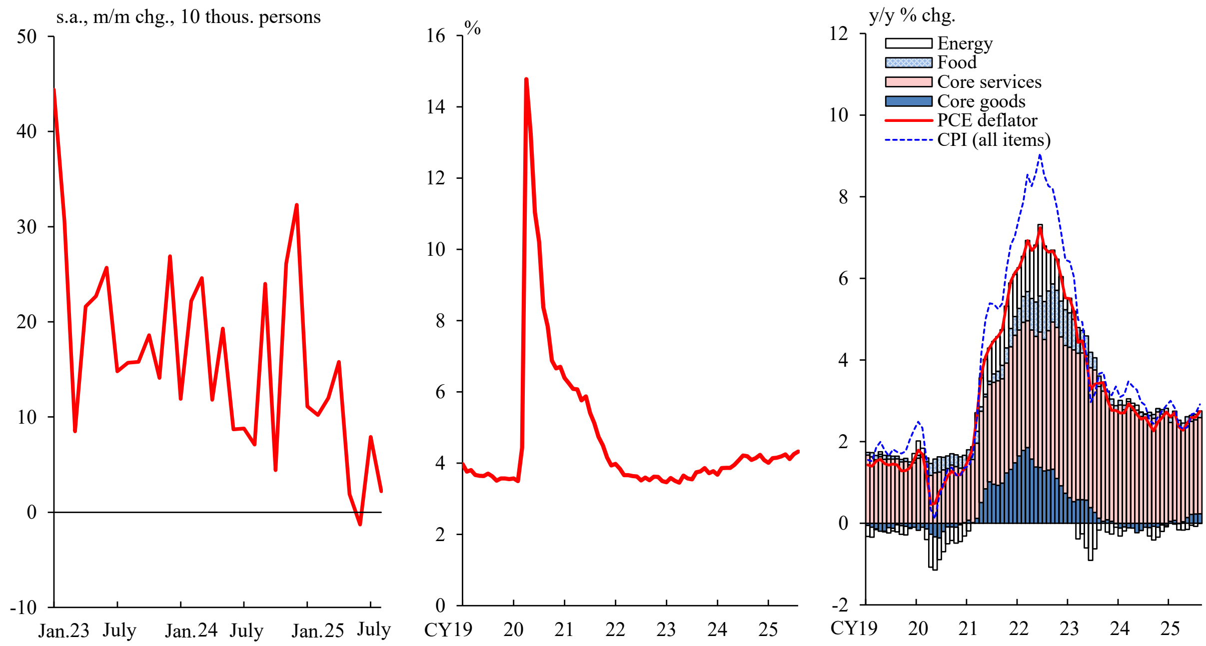
U.S. Economy

Labor Market

Number of Employees

Unemployment Rate

Consumer Prices



Note: In the left-hand chart, figures are for nonfarm payroll employment.
Source: Haver.

II. The Bank's Conduct of Monetary Policy

Chart 8

Future Conduct of Monetary Policy

July 2025 Outlook Report

- As for the conduct of monetary policy, given that real interest rates are at significantly low levels, if the aforementioned outlook for economic activity and prices will be realized, the Bank, in accordance with improvement in economic activity and prices, will continue to raise the policy interest rate and adjust the degree of monetary accommodation.

- In this regard, considering that high uncertainties remain regarding the future course of trade and other policies in each jurisdiction and the impact of these policies, it is important for the Bank to carefully examine factors such as developments in economic activity and prices as well as in financial markets at home and abroad, and judge whether the outlook will be realized, without any preconceptions.

- With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.