



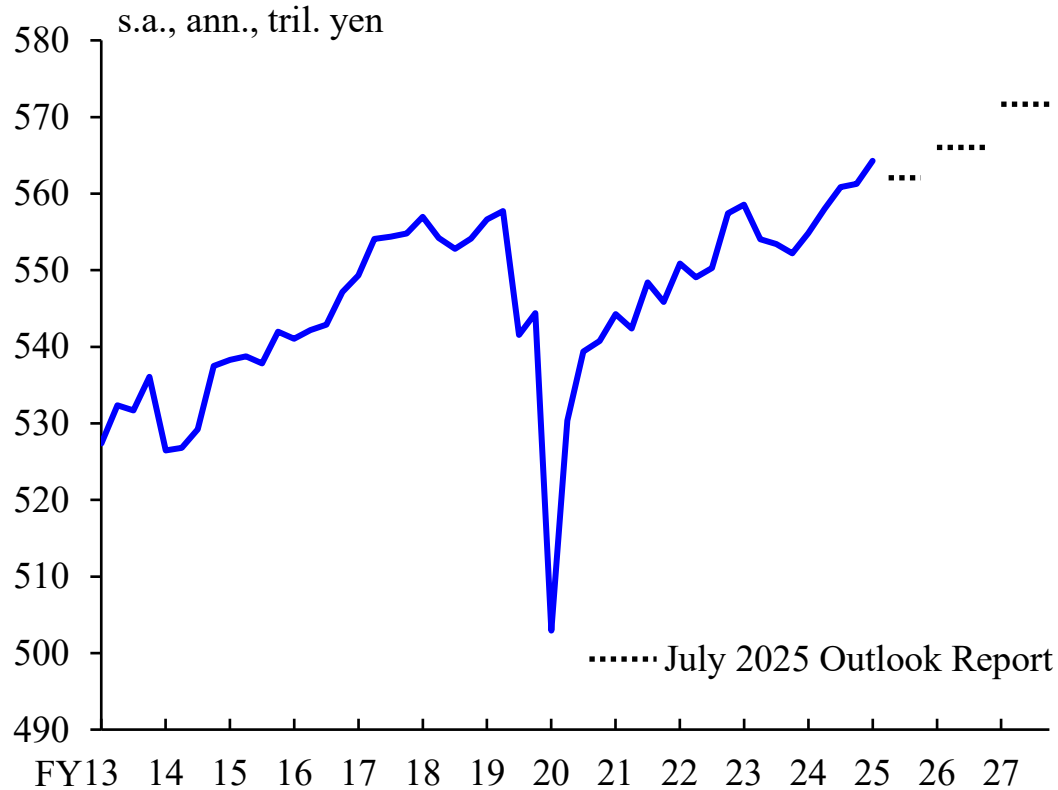
Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Okinawa

October 16, 2025

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Member of the Policy Board
Bank of Japan

The Bank's Forecasts for Real GDP

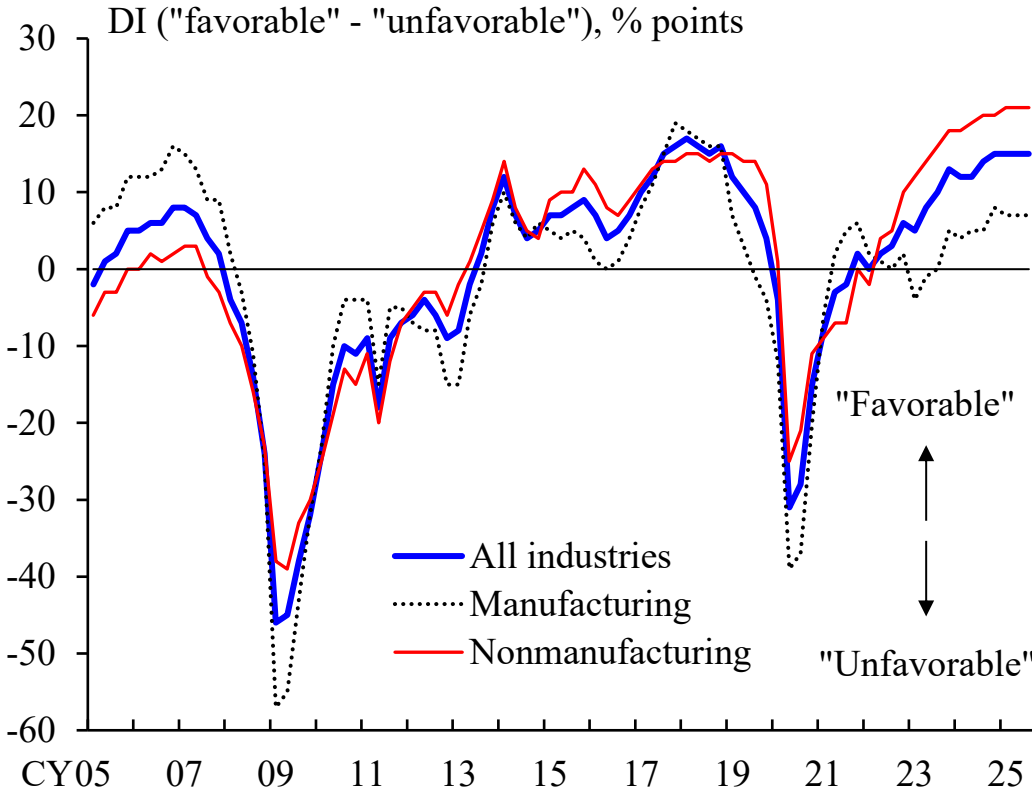


	Projected Growth Rate of Real GDP		
	January 2025	April 2025	July 2025
FY 2025	1.1%	0.5%	0.6%
FY 2026	1.0%	0.7%	0.7%
FY 2027	—	1.0%	1.0%

Note: Forecasts are the medians of the Policy Board members' forecasts. Real GDP values for 2025/Q3 onward are calculated by multiplying the actual figure for fiscal 2024 by all successive projected growth rates for each year.

Sources: Cabinet Office; Bank of Japan.

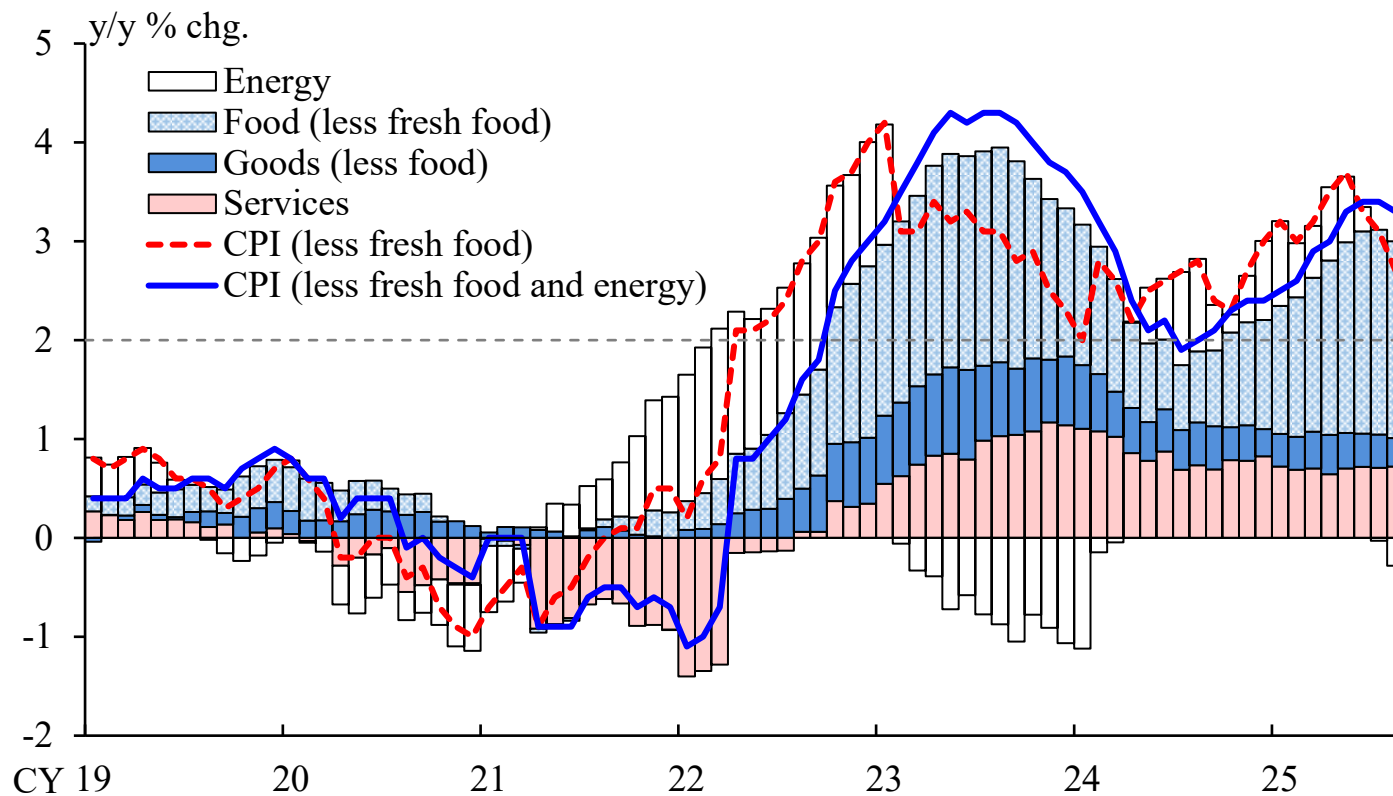
Business Conditions DI



	Dec. 2024	Mar. 2025	June 2025	Sept. 2025
All industries	15	15	15	15
Manufacturing	8	7	7	7
Non-manufacturing	20	21	21	21

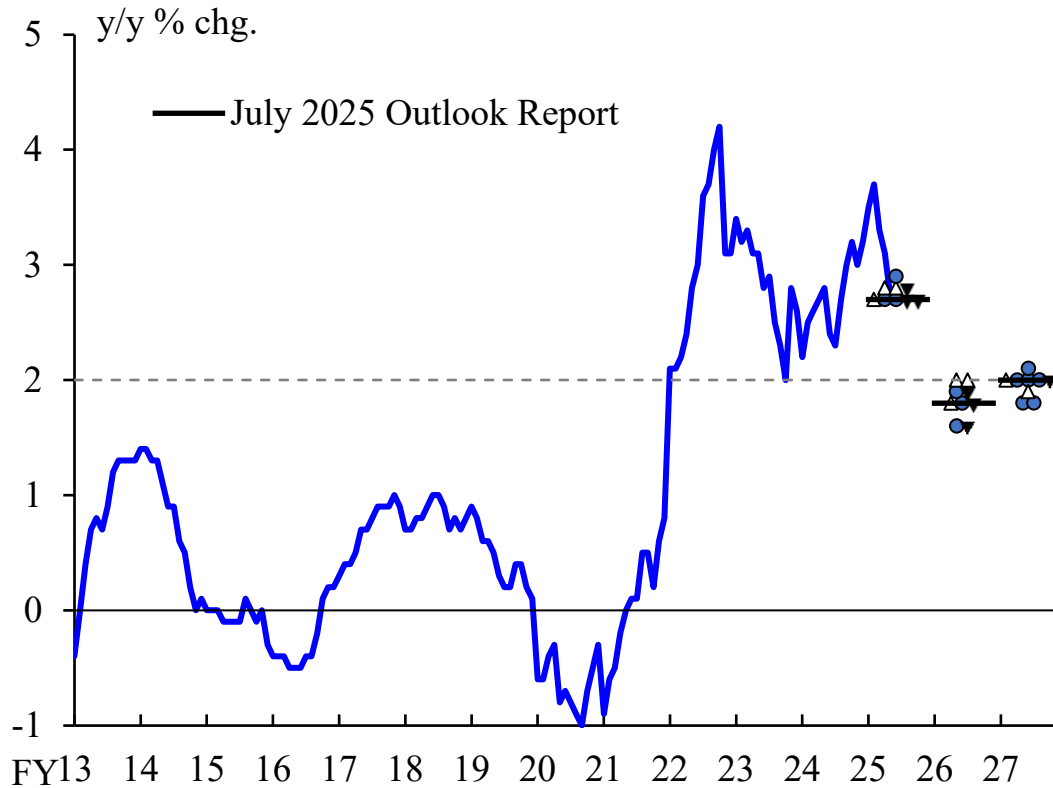
Note: Based on the *Tankan*. All enterprises.
Source: Bank of Japan.

Consumer Prices



Source: Ministry of Internal Affairs and Communications.

The Bank's Forecasts for the CPI



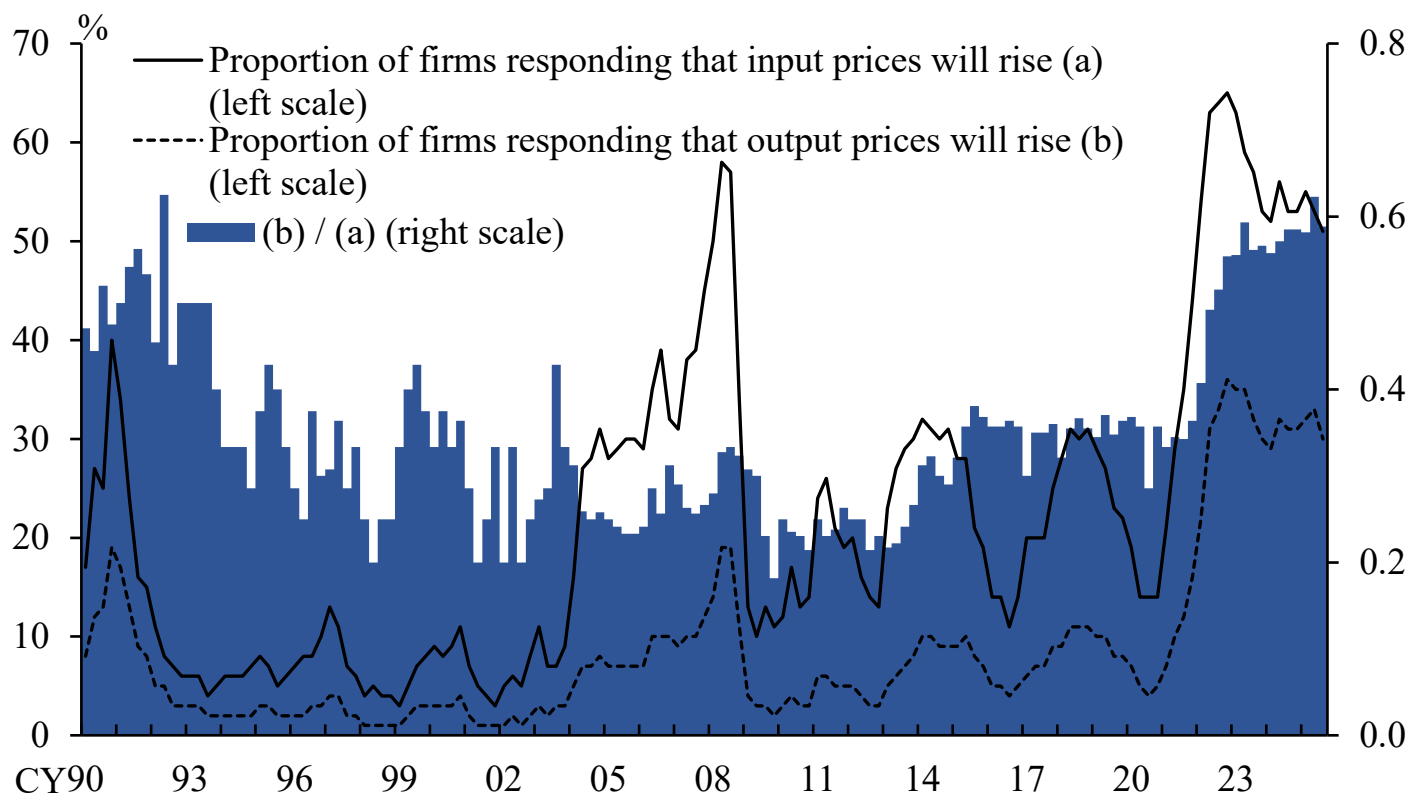
	Projected Rate of Increase in the CPI		
	January 2025	April 2025	July 2025
FY 2025	2.4%	2.2%	2.7%
FY 2026	2.0%	1.7%	1.8%
FY 2027	—	1.9%	2.0%

Notes: 1. Figures are the CPI for all items less fresh food, excluding the effects of consumption tax hikes.

2. The locations of ●, △, and ▼ in the chart indicate the figures for each Policy Board member's forecasts. The risk balance assessed by each Policy Board member is shown by the following shapes: ● indicates that a member assesses "upside and downside risks as being generally balanced," △ indicates that a member assesses "risks are skewed to the upside," and ▼ indicates that a member assesses "risks are skewed to the downside." The dotted black lines show the medians of the Policy Board members' forecasts.

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

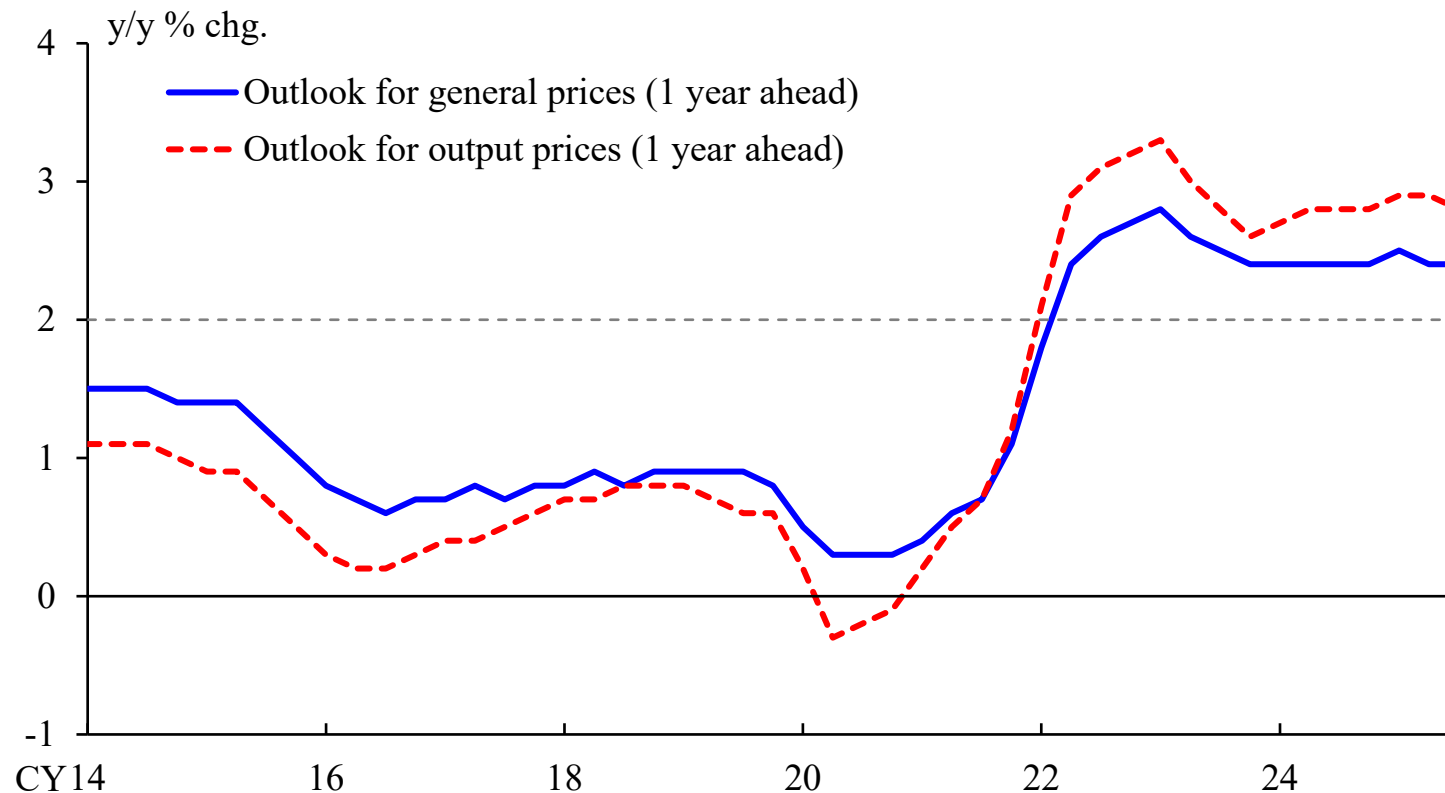
Changes in Firms' Price-Setting Behavior



Note: Figures are based on the *Tankan*, and are for all industries and enterprises. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

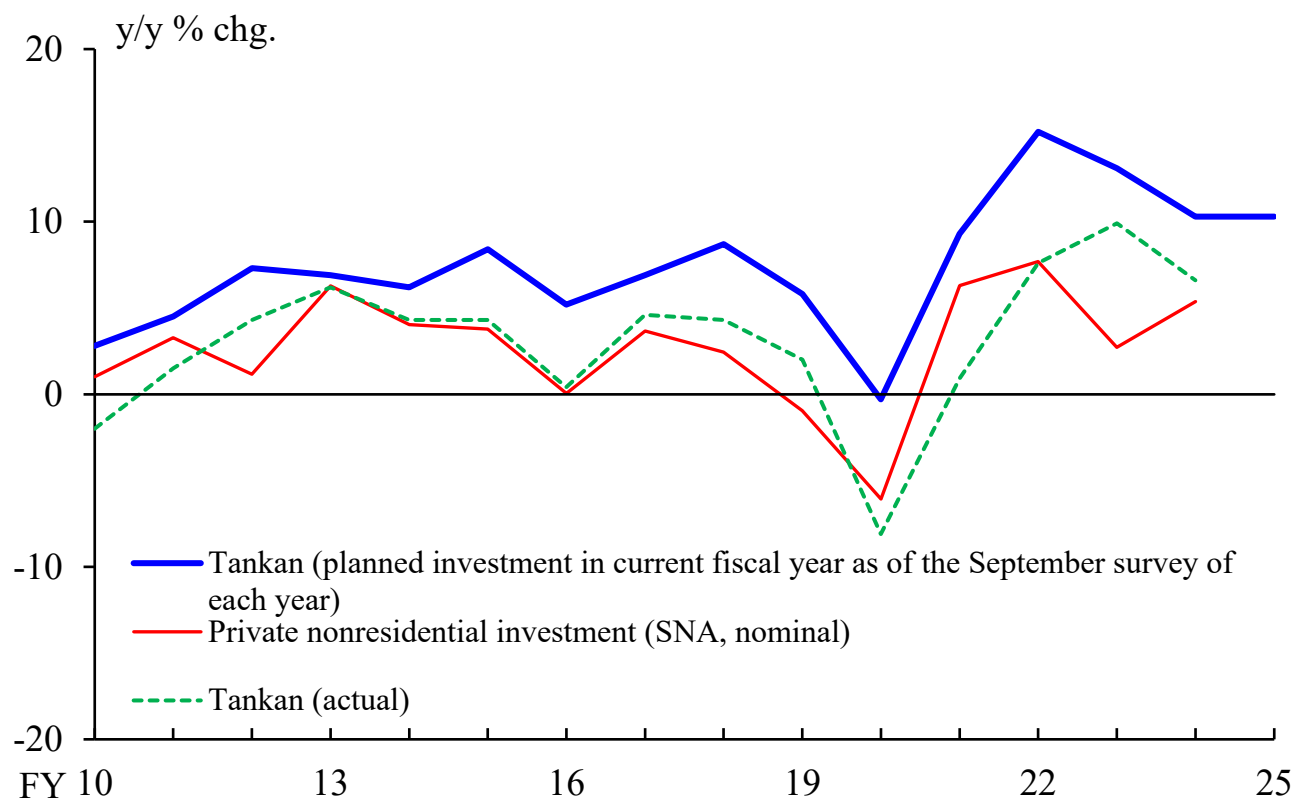
Source: Bank of Japan.

Firms' Inflation Outlook



Note: Figures are based on the *Tankan*, and are averages of all industries and enterprises.
Source: Bank of Japan.

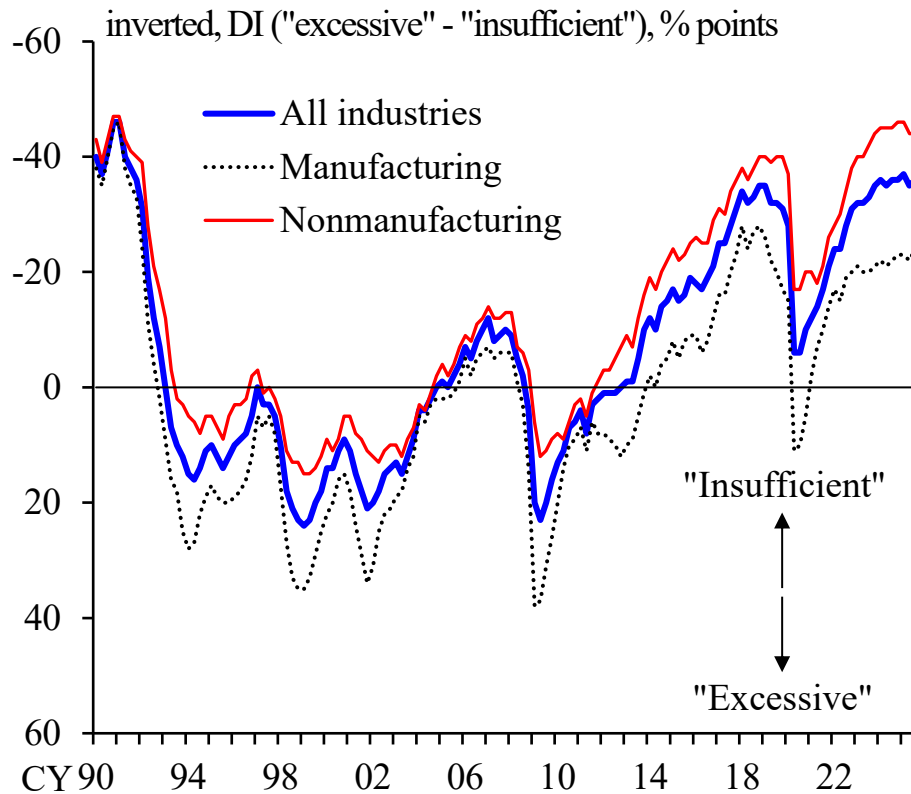
Business Fixed Investment



Note: The *Tankan* figures 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: Cabinet Office; Bank of Japan.

Employment Conditions DI

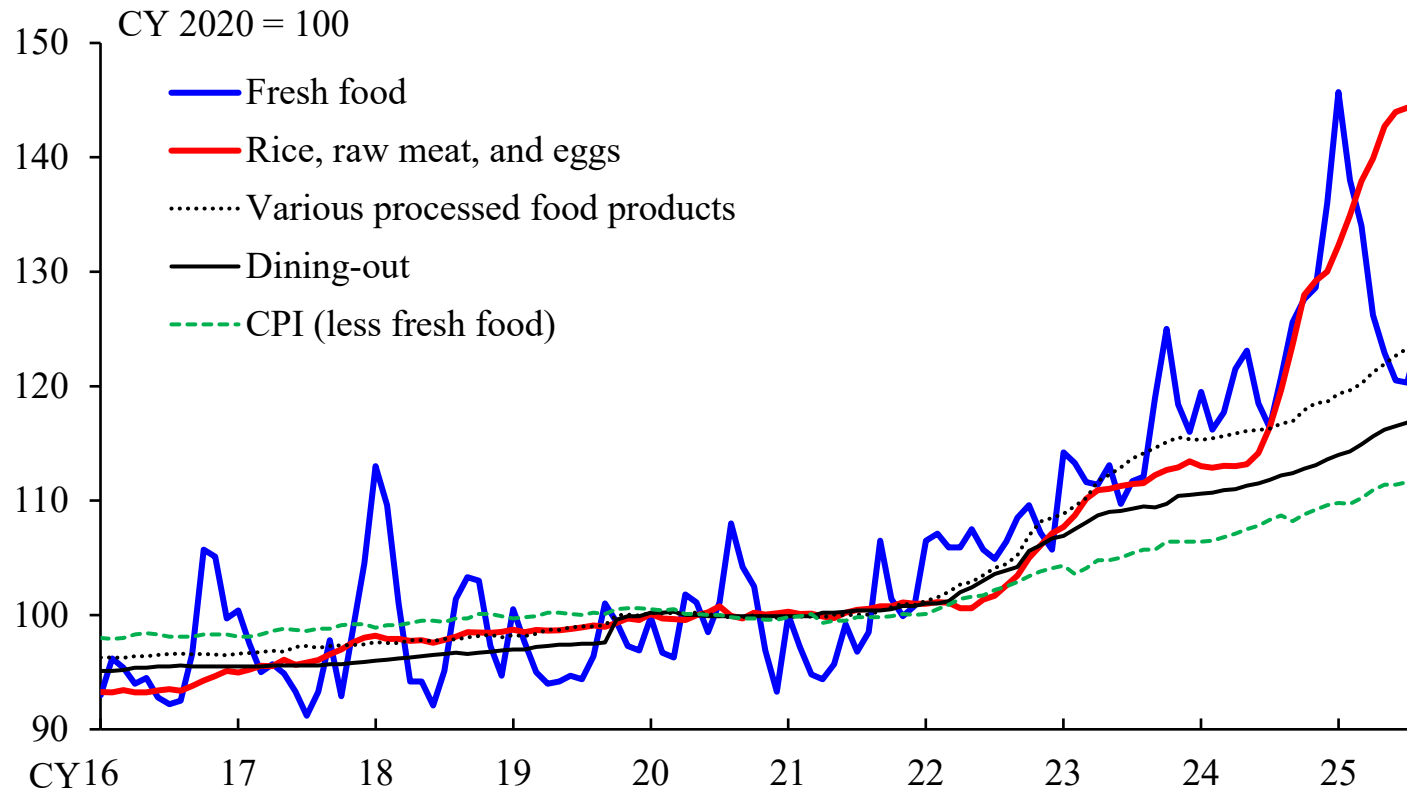


	Dec. 2024	Mar. 2025	June 2025	Sept. 2025
All industries	-36	-37	-35	-36
Manufacturing	-23	-23	-22	-24
Non-manufacturing	-46	-46	-44	-44

Note: Figures are based on the *Tankan*, and are for all enterprises. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

Source: Bank of Japan.

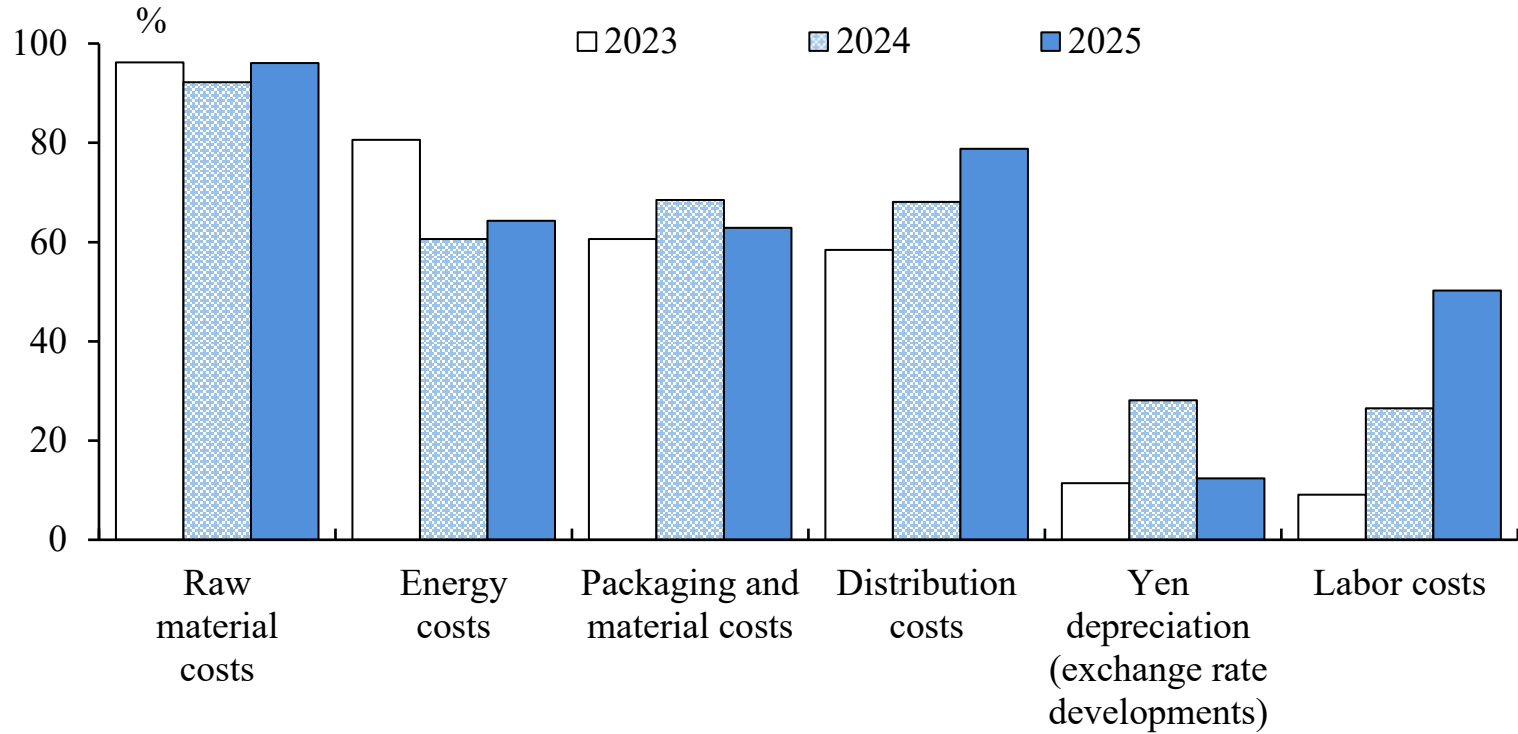
Consumer Prices (Food)



Note: "Various processed food products" consists of food excluding fresh food, rice, raw meat, eggs, and dining-out.

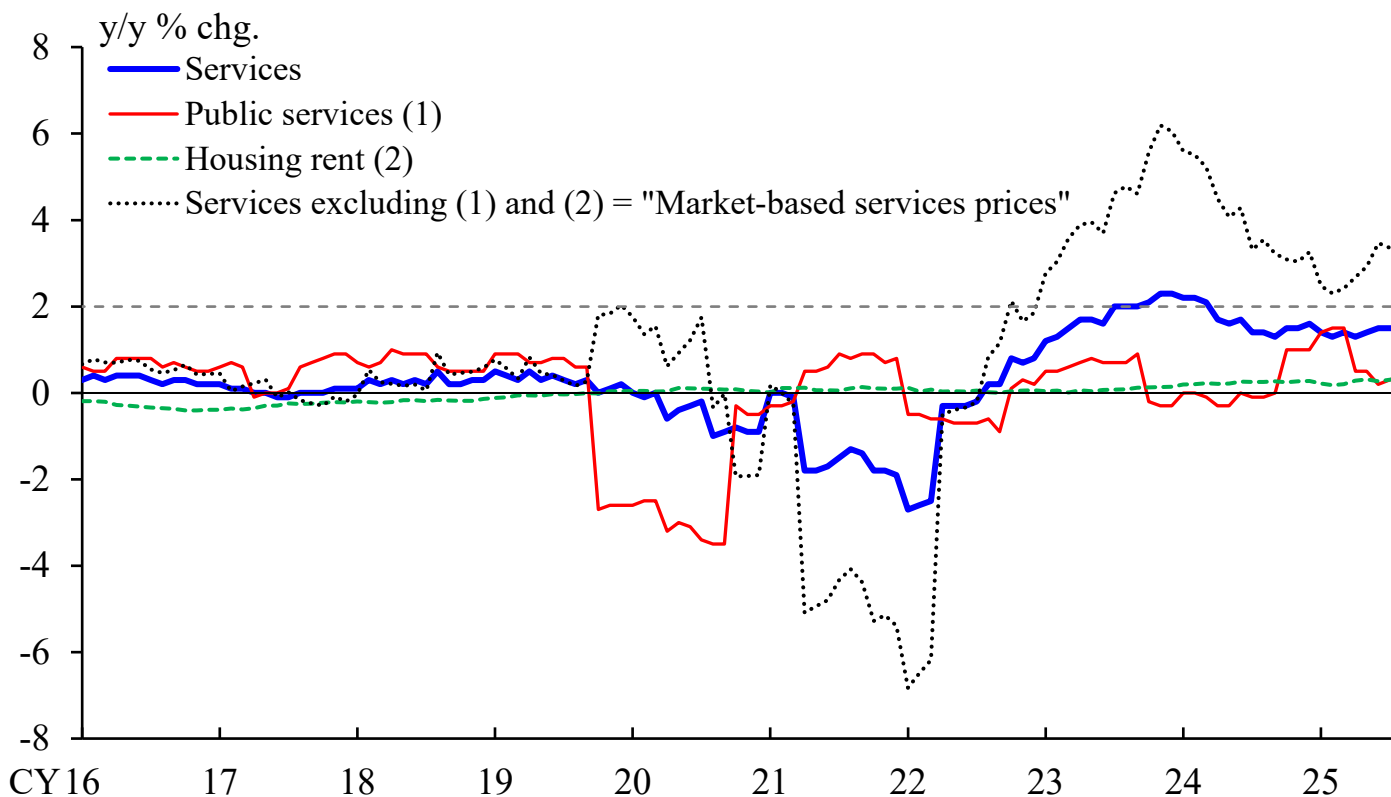
Source: Ministry of Internal Affairs and Communications.

Reasons for Food Price Increases



Source: Teikoku Databank.

Consumer Prices (Services)



Notes: 1. "Public services" includes public housing rent, rent for Urban Renaissance Agency, and rent for public corporation.

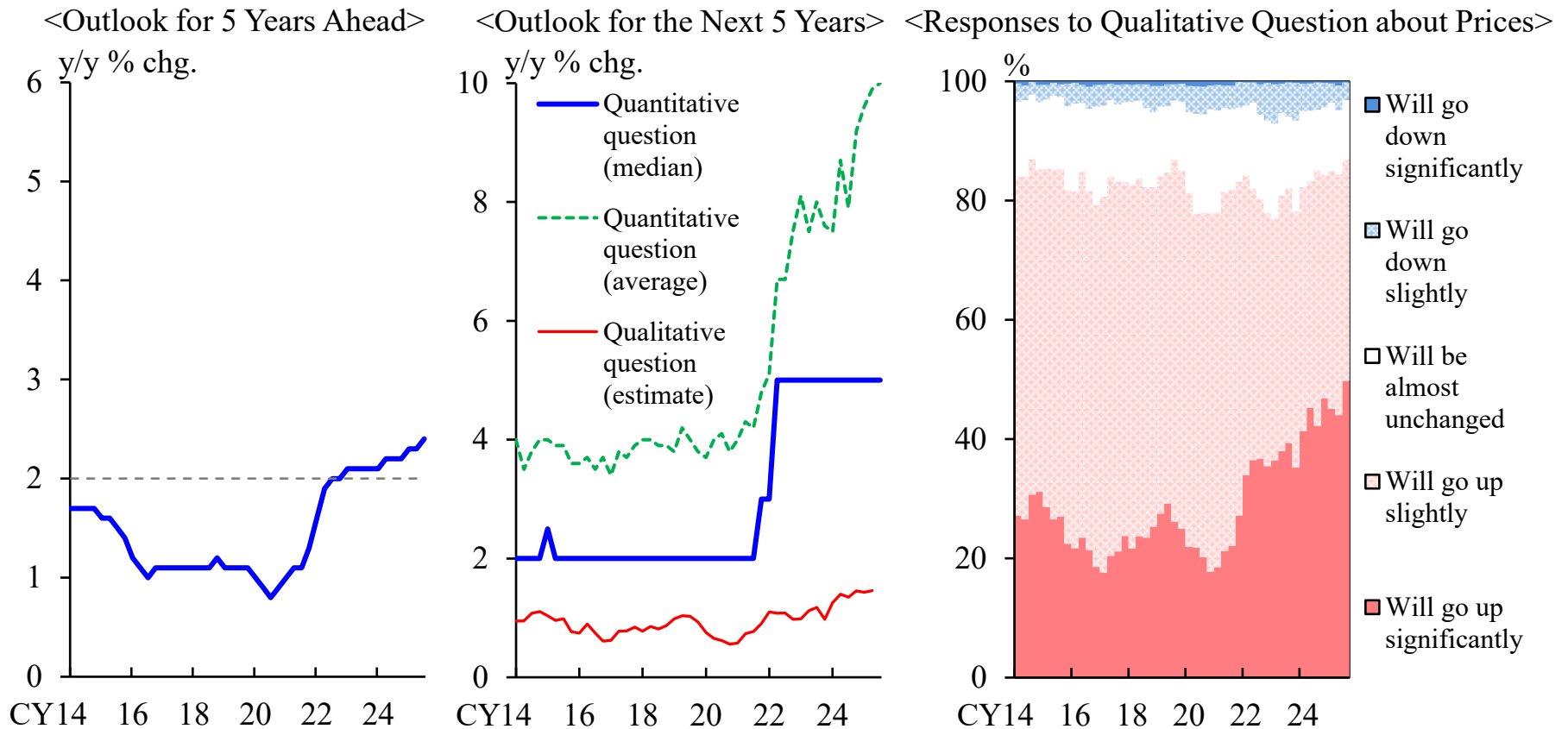
2. "Housing rent" consists of private housing rent and imputed rent.

Source: Ministry of Internal Affairs and Communications.

Inflation Expectations

Firms (Tankan)

Households (Opinion Survey on the General Public's Views and Behavior)



Notes: 1. Figures for firms in the left panel are averages of all industries and enterprises.

2. Figures for the quantitative question in the middle panel are based on numerical values for expected inflation rates provided by respondents, and the average of those is calculated by excluding 0.5 percent of the highest and lowest figures, respectively, in order to avoid extremes. Figures for the qualitative question are estimated using the modified Carlson-Parkin method, quantifying the results of the 5-choice question, asking respondents their expectations for whether and to what degree prices will go up or down.

Source: Bank of Japan.

Decisions on Disposal of ETFs and J-REITs (September 2025 MPM)

Fundamental principles for the disposal

The Bank should dispose of its holdings of ETFs and J-REITs for adequate prices, taking into account the condition of the financial markets.

The Bank should avoid incurring losses as much as possible.

The Bank should avoid inducing destabilizing effects on the financial markets as much as possible.

Experience of the sales of the "stocks purchased from financial institutions"

The Bank completed in July 2025 the sales of the stocks purchased for financial stability purposes, while avoiding major market impact.

1. The Bank will sell its holdings of ETFs and J-REITs to the market at a scale generally equivalent to that of the sales of the "stocks purchased from financial institutions."

		Stocks (completed)	ETFs	J-REITs
Pace of sales (amount per year)*	Book value (Market value)	About 150 billion yen (About 620 billion yen)	About 330 billion yen (About 620 billion yen)	About 5 billion yen (About 5.5 billion yen)
Proportion to the trading value		About 0.05%	About 0.05%	About 0.05%

* The Bank will sell each ETF and J-REIT at the amount approximately proportionate to the share of each asset in its holdings, with consideration to spreading out the timing of the sales.

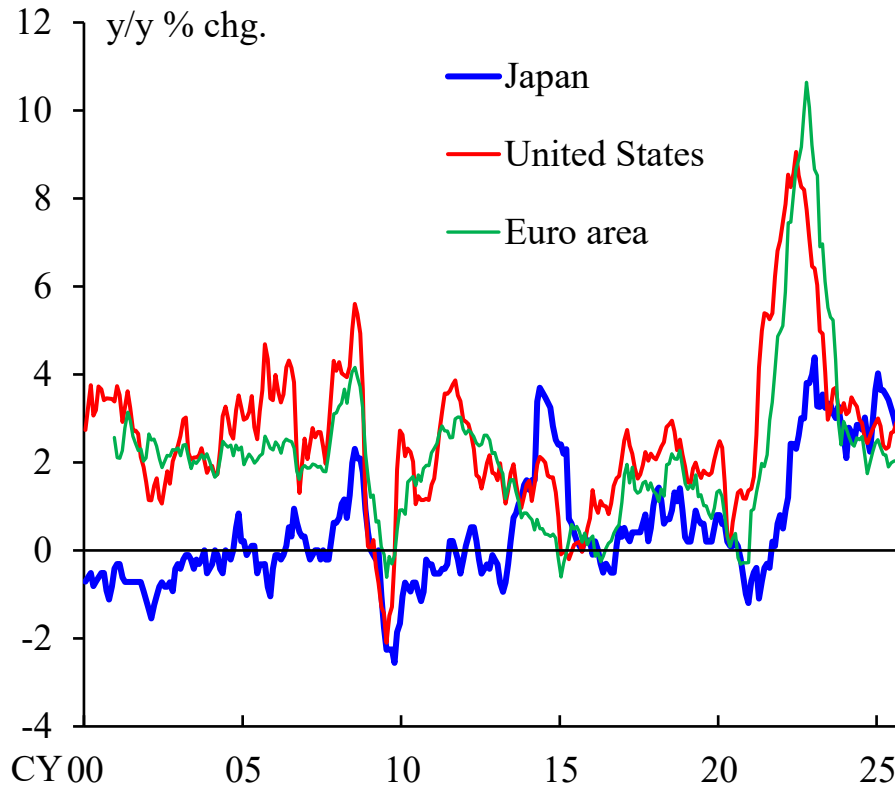
2. A framework supporting the stability in the financial markets will be provided.

- Under the pace of sales described above, the trustee may temporarily adjust the sales amount or suspend the sales, in response to changes in the condition of the financial markets.
- The pace of sales may be modified at future MPMs, based on the fundamental principles and the experience from the sales to be conducted.

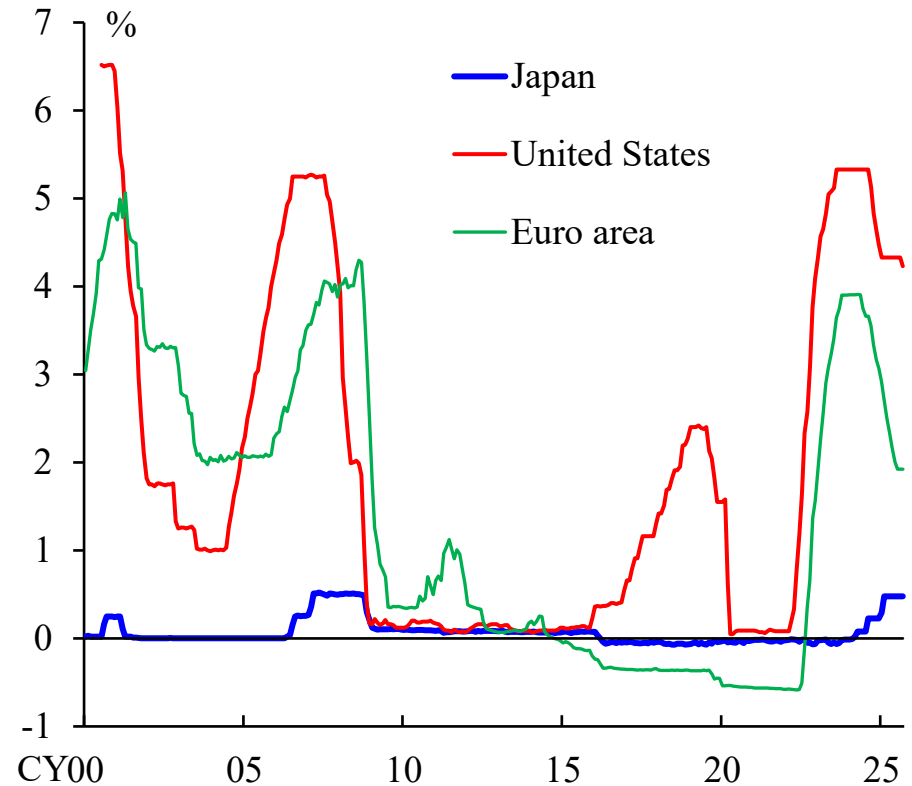
3. The disposal will begin once necessary operational preparations are completed.

Consumer Price Inflation and Policy Interest Rates in Japan, the United States, and the Euro Area

Consumer Price Inflation



Policy Interest Rates

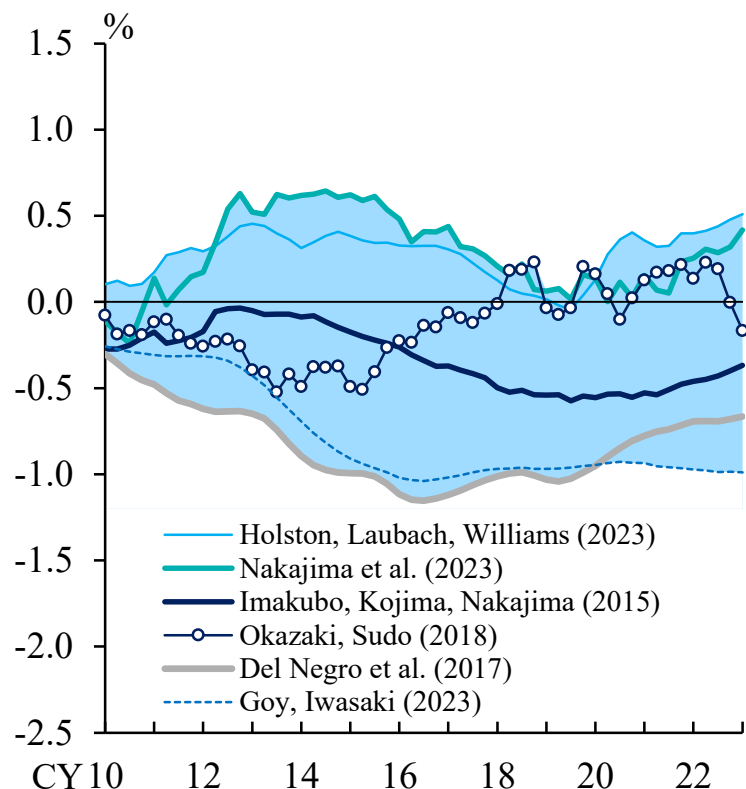


- Notes: 1. In the left panel, figures for Japan are the CPI (all items, excluding the effects of consumption tax hikes). Those for the United States and the euro area are the CPI (all items) and the HICP (all items), respectively.
2. In the right panel, figures for each economy are as follows: for Japan, the uncollateralized overnight call rate; for the United States, the effective federal funds rate; for the euro area, EONIA before 2020, and €STR thereafter.

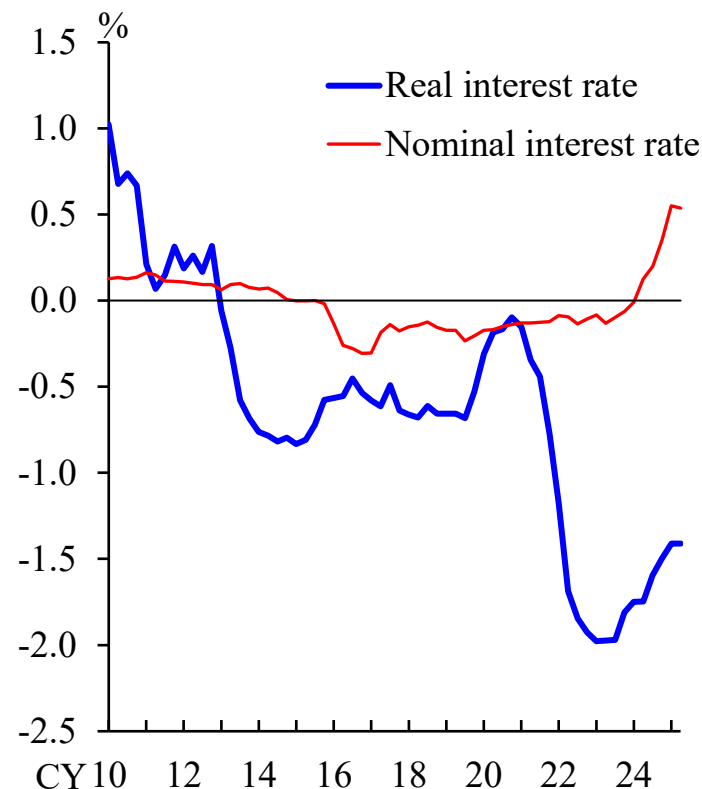
Sources: BLS; ECB; Eurostat; FRED; Ministry of Internal Affairs and Communications; Bank of Japan.

Natural Rate of Interest and Real Interest Rate

Estimates of the Natural Rate of Interest



Real Interest Rate (1-Year)



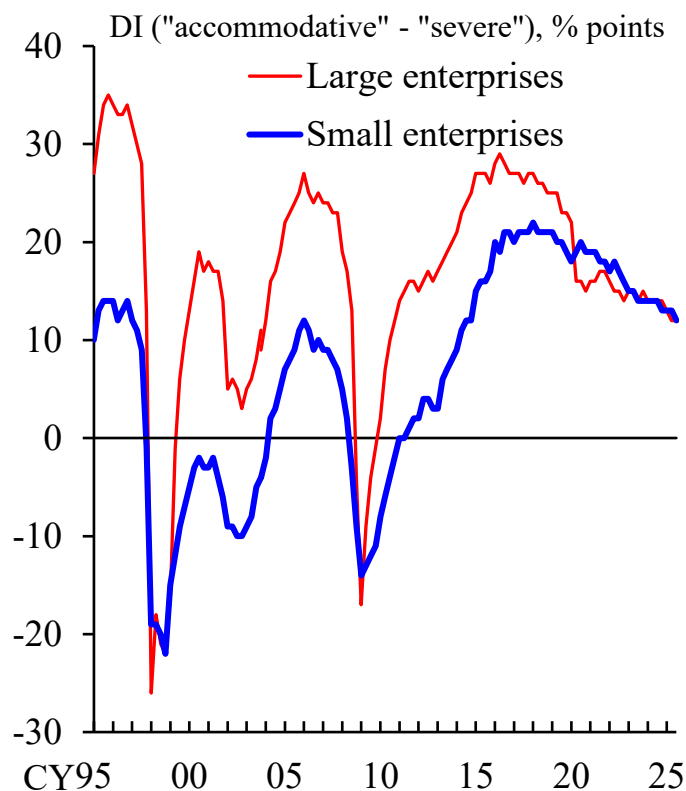
Notes: 1. In the left panel, natural interest rate estimates are based on Bank staff calculations using models proposed in the respective papers. The shaded area indicates the range of natural interest rate estimates from the minimum to the maximum.

2. In the right panel, the real interest rate is calculated as 1-year government bond yields minus the composite index of inflation expectations (Bank staff estimates).

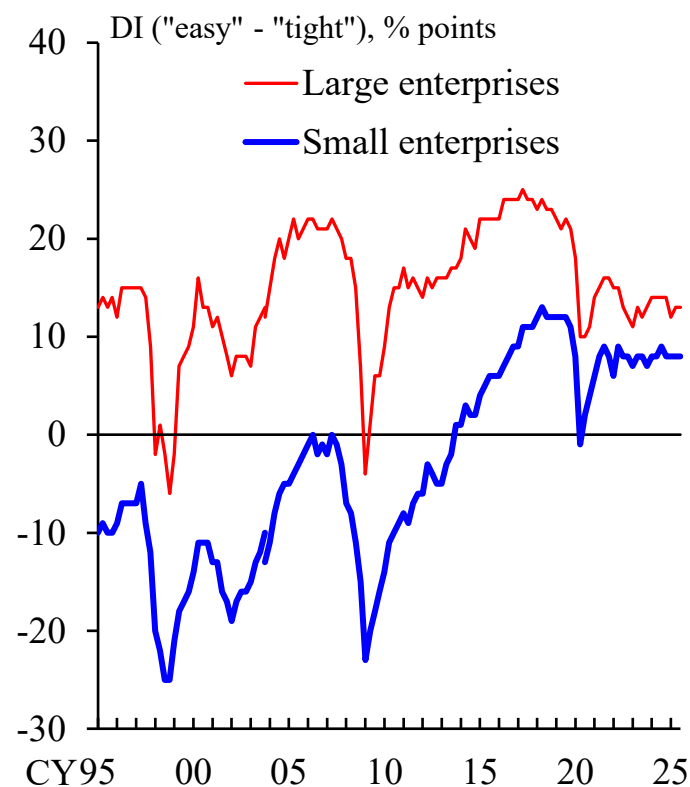
Sources: Bloomberg; Cabinet Office; Consensus Economics Inc., *Consensus Forecasts*; Ministry of Finance; Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

Lending Attitudes of Financial Institutions and Firms' Financial Positions

*Lending Attitudes of Financial Institutions
as Perceived by Firms*



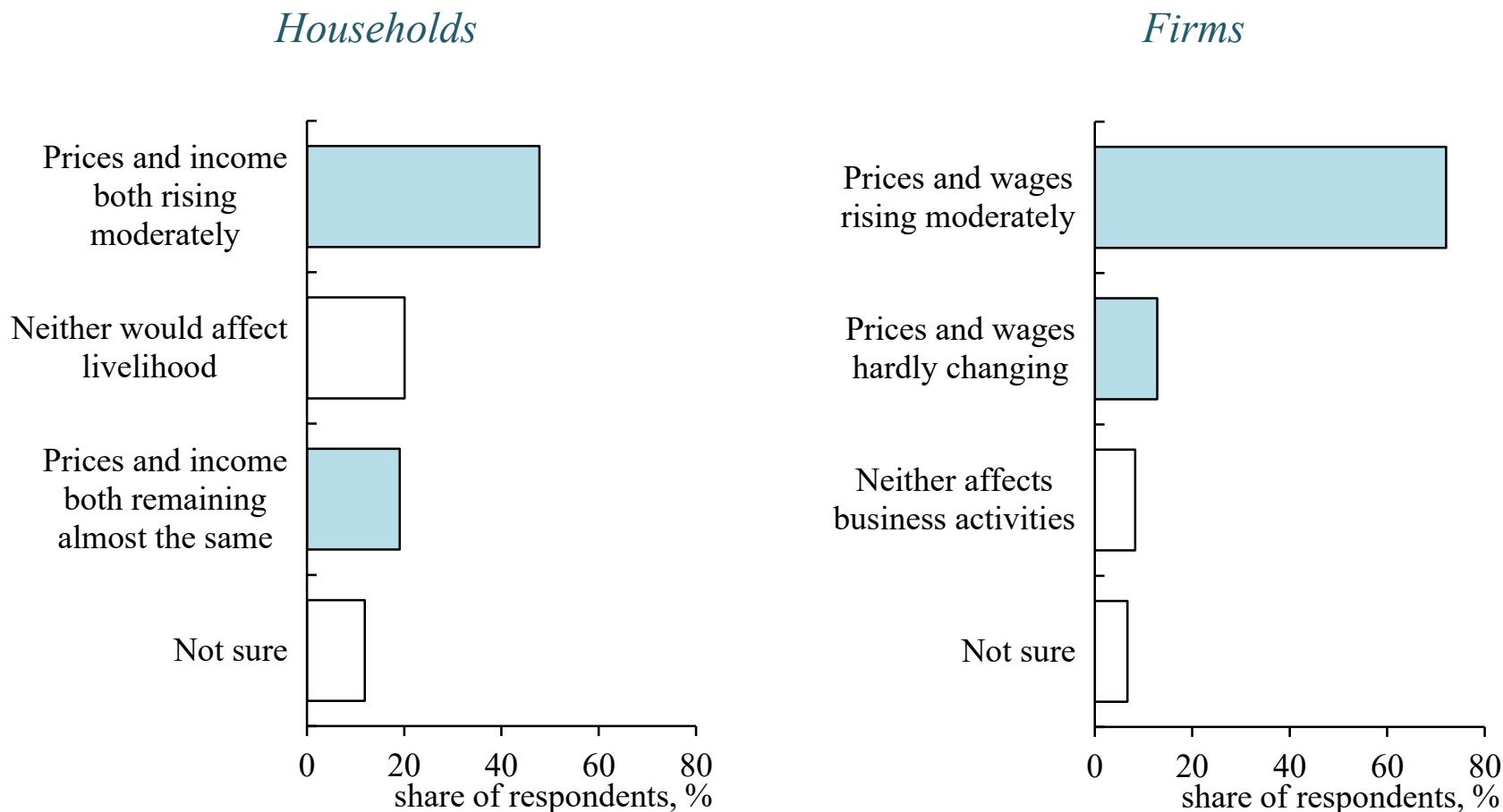
Firms' Financial Positions



Note: 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.

Source: Bank of Japan.

Preferences regarding Prices, Income, and Wages



Note: Figures for households are based on the *Opinion Survey on the General Public's Views and Behavior* (September 2024 Survey). Those for firms are based on the *Survey regarding Corporate Behavior since the Mid-1990s*.

Source: Bank of Japan.