



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting of the Okayama Club

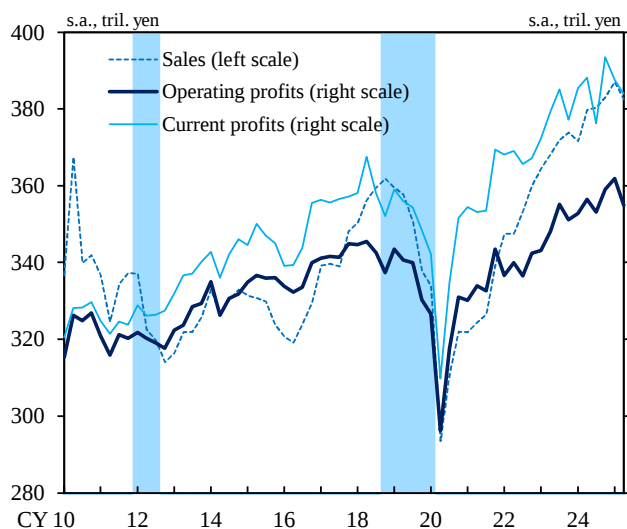
November 10, 2025

NAKAGAWA Junko
Member of the Policy Board
Bank of Japan

Chart 1

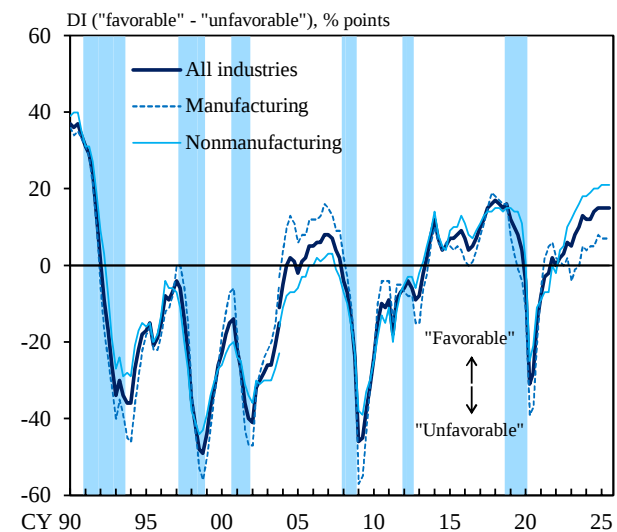
Corporate Sector

Corporate Profits



Notes: 1. Figures are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Figures exclude the finance and insurance industries and pure holding companies.
2. Shaded areas denote recession periods.
Source: Ministry of Finance.

Business Conditions



Notes: 1. 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.
2. Shaded areas denote recession periods.
Source: Bank of Japan.

Chart 2

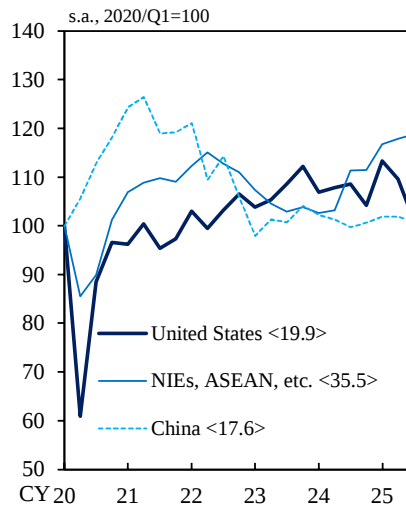
Corporate Sector

Real Exports

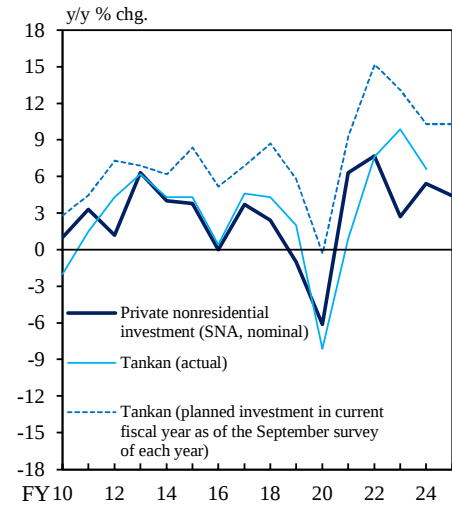


Note: Based on Bank staff calculations. Figures in angle brackets show the share of each country or region in Japan's total exports in 2024.
Sources: Ministry of Finance; Bank of Japan.

Real Exports by Region



Planned and Actual Business Fixed Investment (Nominal)

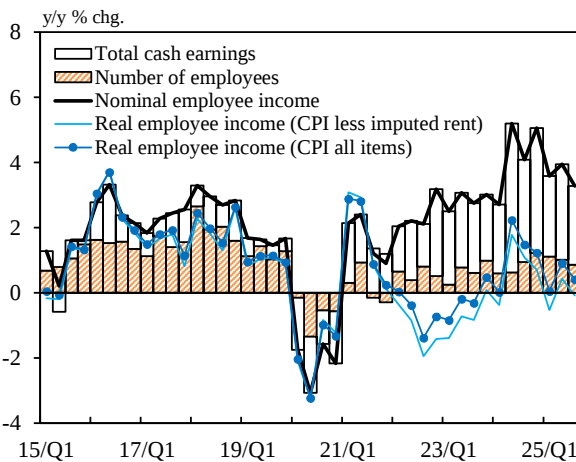


Notes: 1. The *Tankan* figures include software investment and research and development (R&D) investment but exclude land purchasing expenses. R&D investment is not included before the March 2017 survey. Figures are for all industries including financial institutions.
2. The figure for private nonresidential investment for fiscal 2025 is that for 2025/Q2.
Sources: Cabinet Office; Bank of Japan.

Chart 3

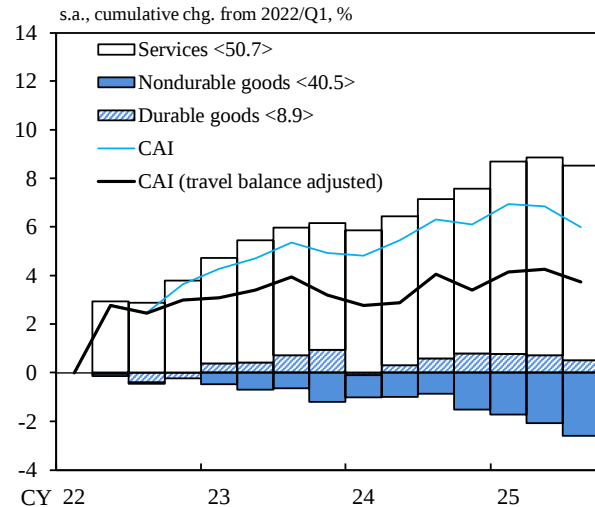
Household Sector

Employee Income



Notes: 1. Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures for 2025/Q3 are those for September.
2. Nominal employee income = Total cash earnings (*Monthly Labour Survey*) × Number of employees (*Labour Force Survey*)
3. Figures from 2016/Q1 onward are based on continuing observations following the sample revisions of the *Monthly Labour Survey*.
4. Figures for real employee income are based on Bank staff calculations using the price indicators shown in parentheses.
Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

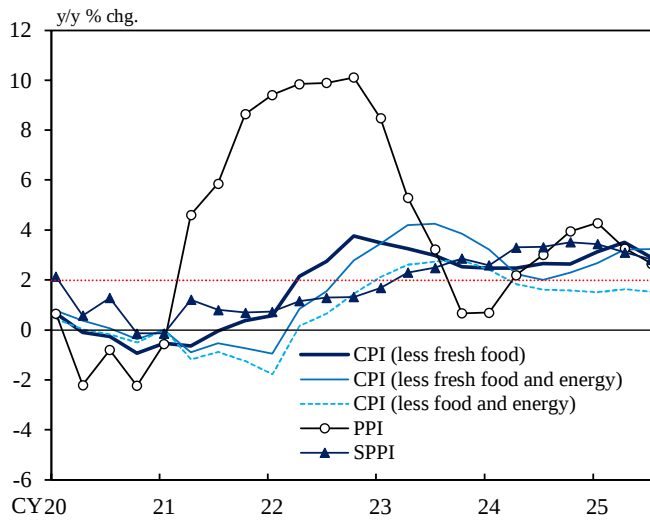
Real Private Consumption



Notes: 1. Based on Bank staff calculations. Figures for the Consumption Activity Index (CAI, travel balance adjusted) exclude inbound tourism consumption and include outbound tourism consumption. Figures for 2025/Q3 are July-August averages.
2. Nondurable goods include goods classified as semi-durable goods in the SNA.
3. Figures in angle brackets show the weights in the CAI.
Sources: Bank of Japan; etc.

Inflation Indicators

Inflation Indicators

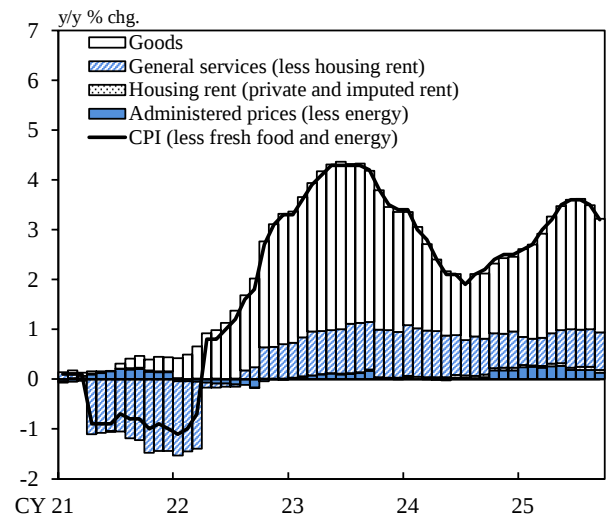


Notes: 1. Figures for the producer price index (PPI) are adjusted for the hike in electric power charges during the summer season. Figures for the services producer price index (SPPI) exclude international transportation.

2. Figures for "food" in the CPI exclude alcoholic beverages.

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

CPI (Less Fresh Food and Energy)



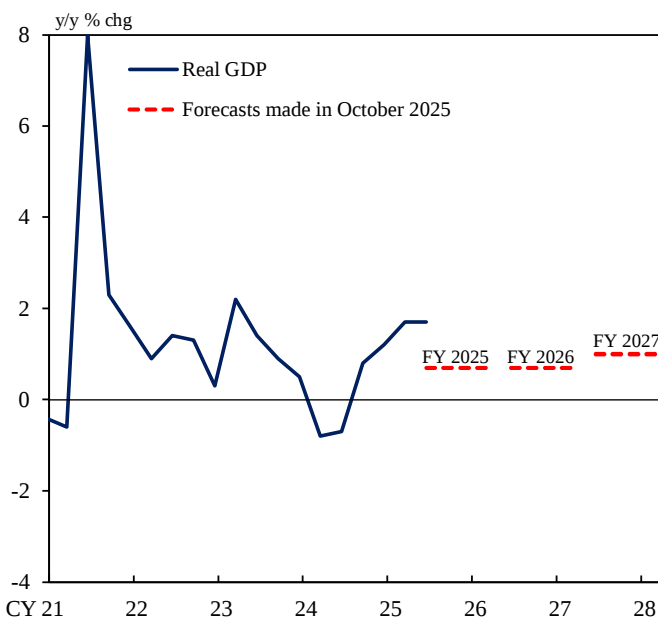
Notes: 1. Administered prices (less energy) consist of public services and water charges.

2. CPI figures are Bank staff estimates and exclude the effects of the consumption tax hike, free education policies, and travel subsidy programs.

Source: Ministry of Internal Affairs and Communications.

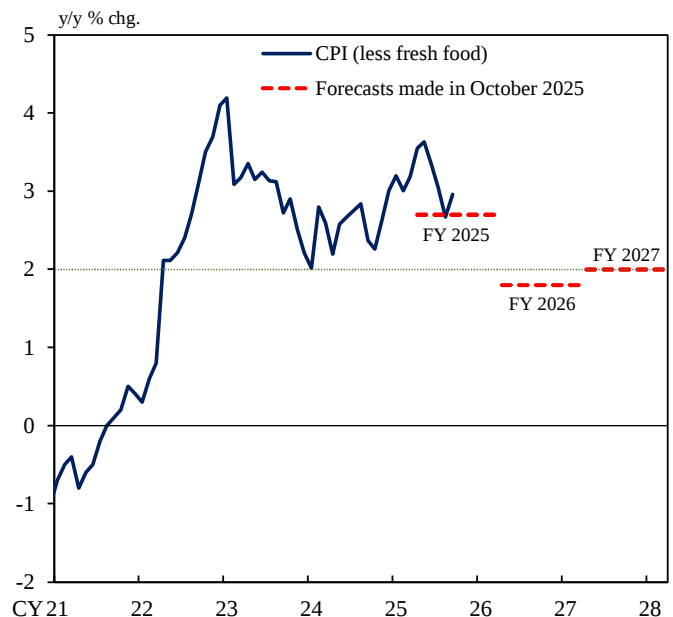
Outlook for Economic Activity and Prices (October 2025)

Real GDP



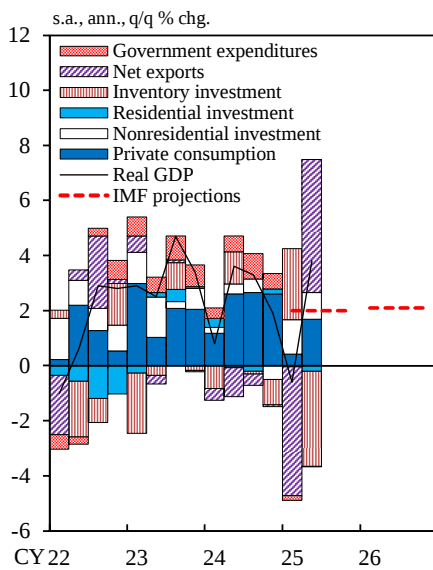
Note: Forecasts presented are the medians of the Policy Board members' forecasts.
Sources: Cabinet Office; Ministry of Internal Affairs and Communications; Bank of Japan.

CPI (Less Fresh Food)

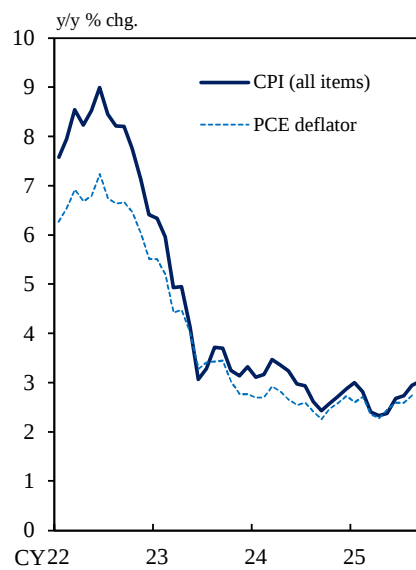


U.S. Economy

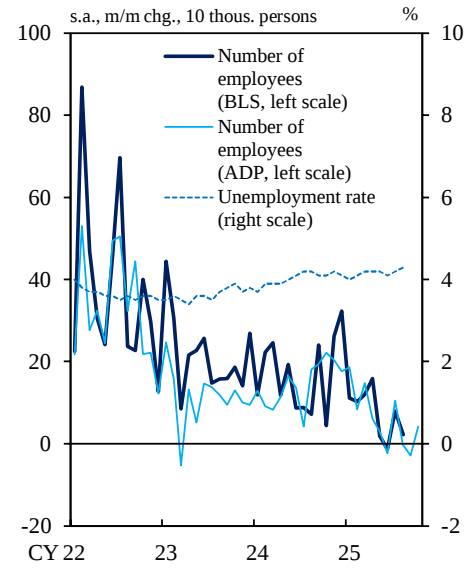
Real GDP



Consumer Prices



Labor Market



Notes: 1. In the left panel, IMF projections are those as of October 2025.

2. In the right panel, number of employees refers to nonfarm payroll employment figures from the Bureau of Labor Statistics (BLS) and total nonfarm private payroll employment figures from Automatic Data Processing, Inc. (ADP).

Sources: ADP; Bureau of Economic Analysis; BLS; IMF.

Chart 7

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

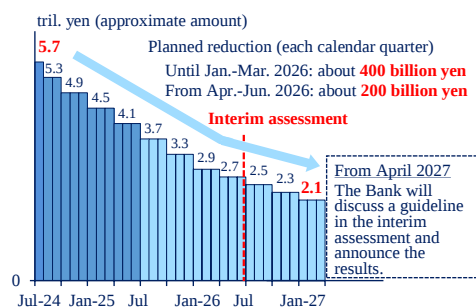
1. Long-term interest rates: to be formed in financial markets in principle
2. JGB purchases: appropriate for the Bank to **reduce its purchase amount of JGBs in a predictable manner**, while **allowing enough flexibility** to support stability in the JGB markets

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

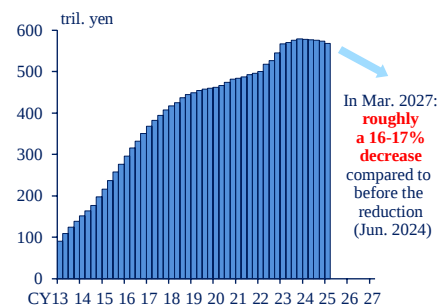
- Until January-March 2026 : about **400 billion yen** (the reduction plan decided in July 2024 will be maintained)
- From April-June 2026 to January-March 2027: about **200 billion yen**
- The Bank will **gradually reduce** its purchase amount so that it can improve the functioning of the JGB markets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

Reduction in a Predictable Manner

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 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.

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.

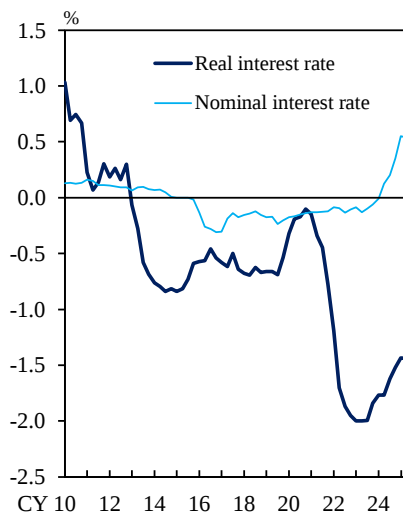
- Under the pace of sales described above, the trustee may temporarily adjust the sales amount or suspend the sales, in response to changes in the condition of the financial markets.
- The pace of sales may be modified at future MPMs, based on the fundamental principles and the experience from the sales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

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

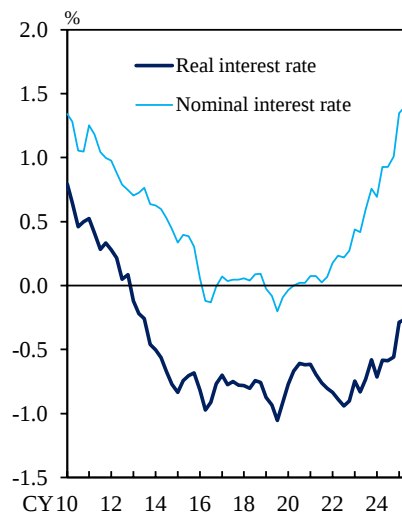
Financial Conditions

Real Interest Rates

1-Year

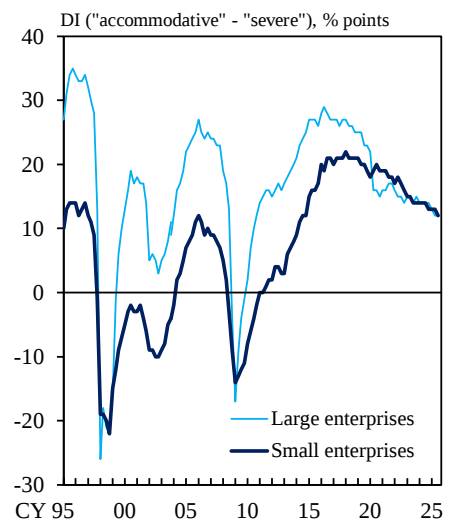


10-Year



Note: Figures for real interest rates are calculated as government bond yields for the corresponding maturity minus the composite index of inflation expectations (Bank staff estimates).
Sources: Bloomberg; Consensus Economics Inc., Consensus Forecasts; QUICK, QUICK Monthly Market Survey <Bonds>; Bank of Japan.

Lending Attitudes of Financial Institutions



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.