

# Japan's Economy and Monetary Policy

*Speech at a Meeting with Business Leaders in Nagoya*

December 1, 2025

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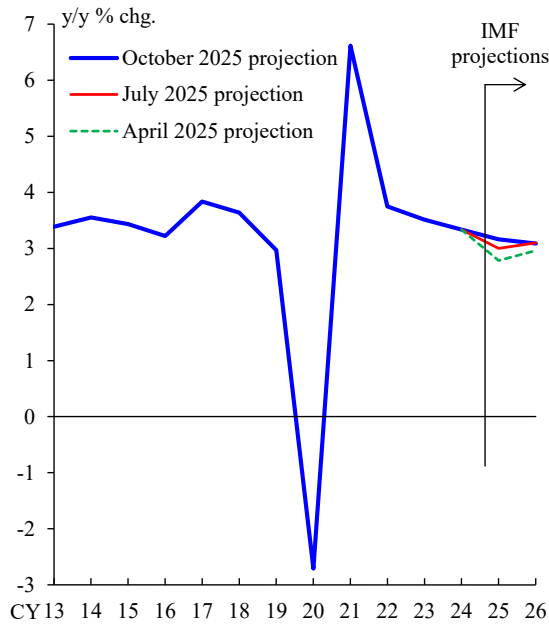
## Introduction

### I. Economic Activity and Prices

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

## Concluding Remarks

## Overseas Economies

Global Growth Rate  
(IMF Projections)Major Economies' Growth Rates  
(IMF Projections)

	CY 2024 [Actual]	CY 2025 [Projections at each point]				CY 2026 [Projections]
		Jan.	Apr.	July	Oct.	
World	3.3	3.3	2.8	3.0	3.2	3.1
United States	2.8	2.7	1.8	1.9	2.0	2.1
Euro area	0.9	1.0	0.8	1.0	1.2	1.1
China	5.0	4.6	4.0	4.8	4.8	4.2

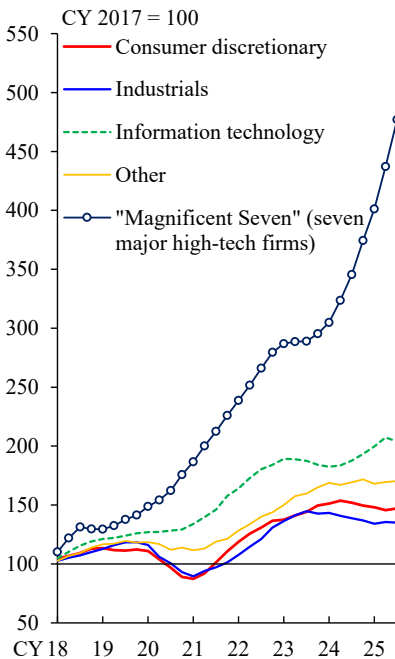
y/y % chg.

Source: IMF.

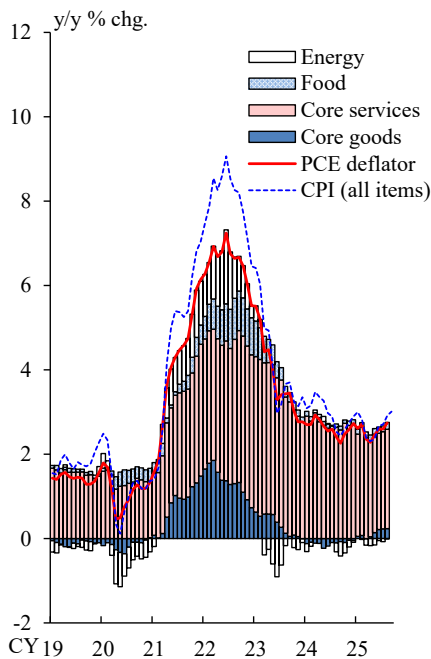
1

## U.S. Economy

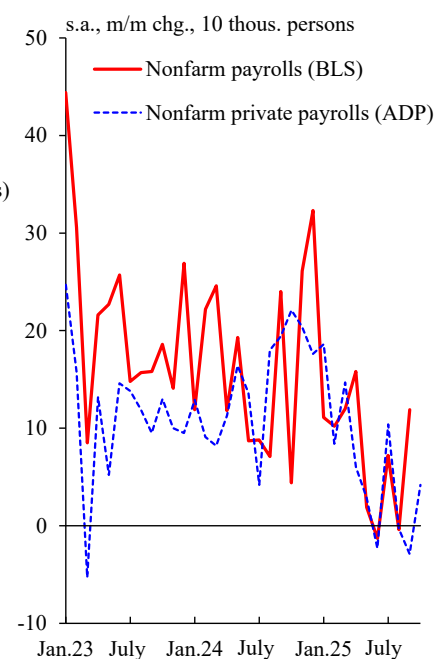
Business Fixed Investment



Consumer Prices



Number of Employees

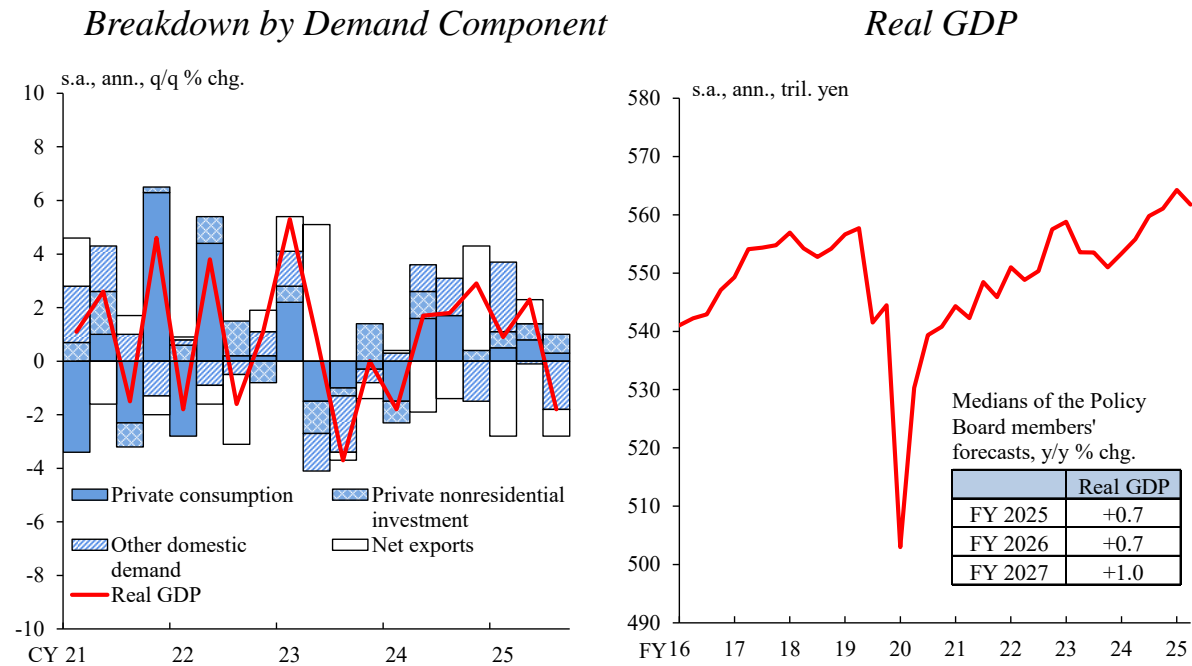


Note: In the left-hand chart, figures are accounting information for firms included in the Russell 3000 at each point. Business fixed investment is the sum of capital spending and R&D expenses. Figures show one-year backward moving averages.

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

2

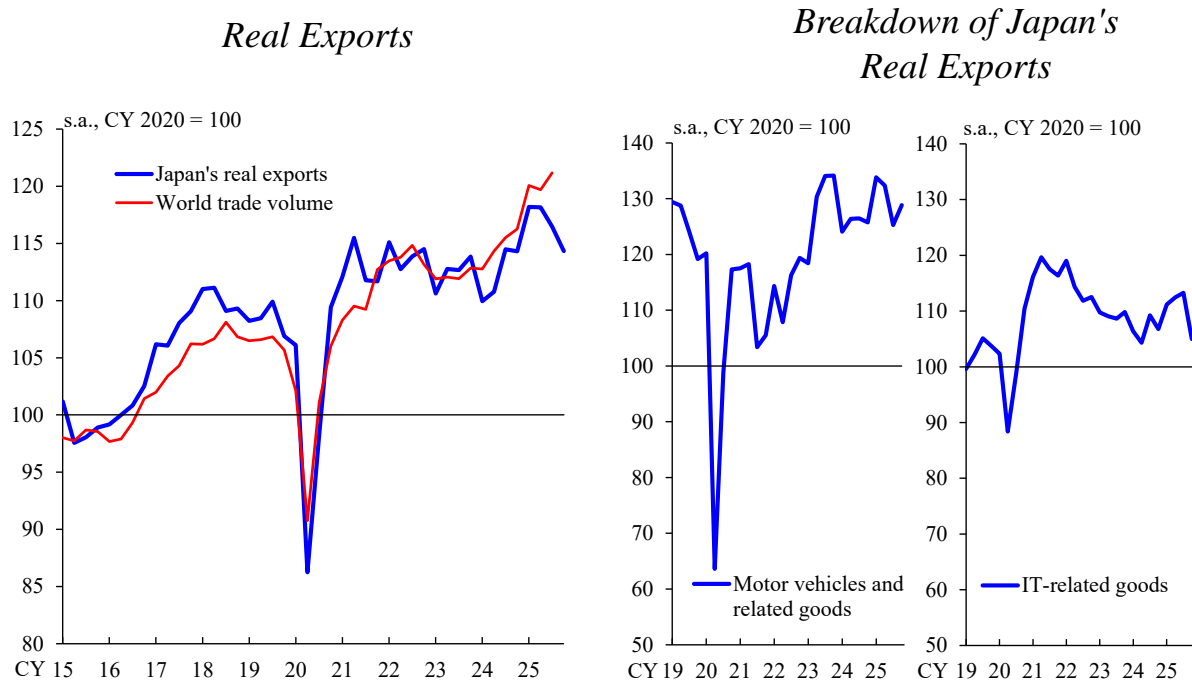
## Real GDP in Japan



Sources: Cabinet Office; Bank of Japan.

3

## Corporate Sector (1): Exports

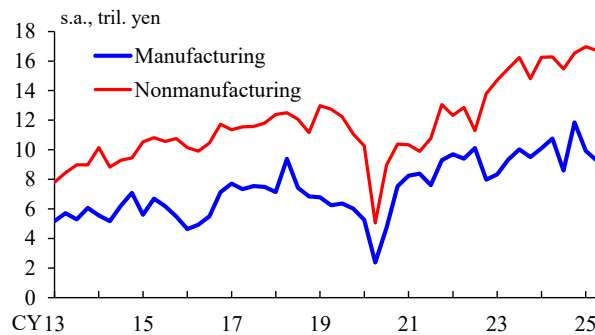


Note: Figures for Japan's real exports for 2025/Q4 are for October. In the left-hand chart, figures for the world trade volume are for real imports.  
Sources: Ministry of Finance; Bank of Japan; CPB Netherlands Bureau for Economic Policy Analysis.

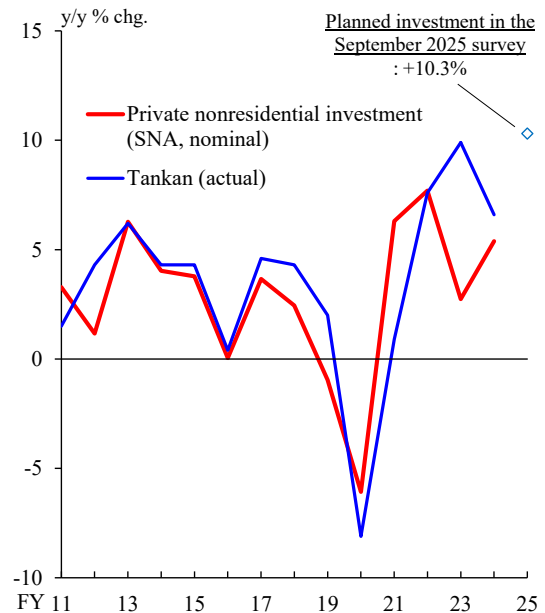
4

## Corporate Sector (2): Profits and Fixed Investment

### Corporate Profits



### Business Fixed Investment



### First-Half Financial Results and Full-Year Projections of Listed Firms

	FY25 first-half results	FY25 full-year projections	
			Revision rate
All industries	-1.7	-2.4	2.7
Manufacturing	-9.4	-5.6	2.1
Nonmanufacturing	10.2	2.6	3.4

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

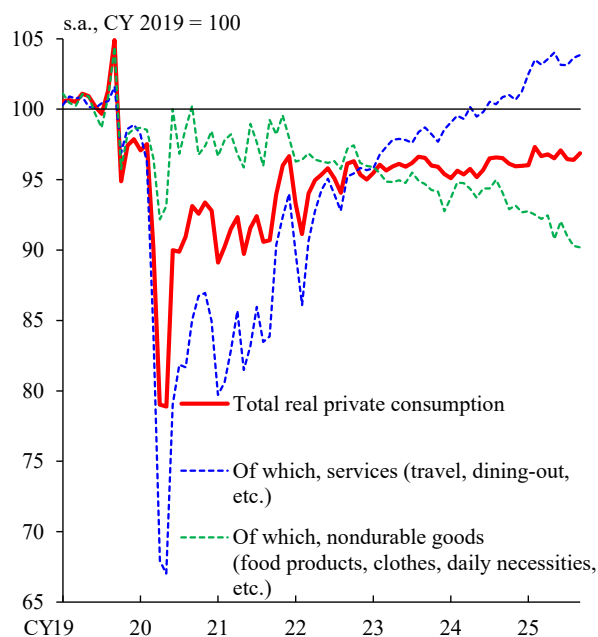
2. Figures in the lower left-hand table are operating profits based on firms' financial results, excluding the finance and insurance industries. The figures are calculated from available data for firms listed on the Tokyo Stock Exchange Prime Market with fiscal years ending in March. Revision rates are changes from previous projections.

3. Figures for *Tankan* (actual) in the right-hand chart 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.

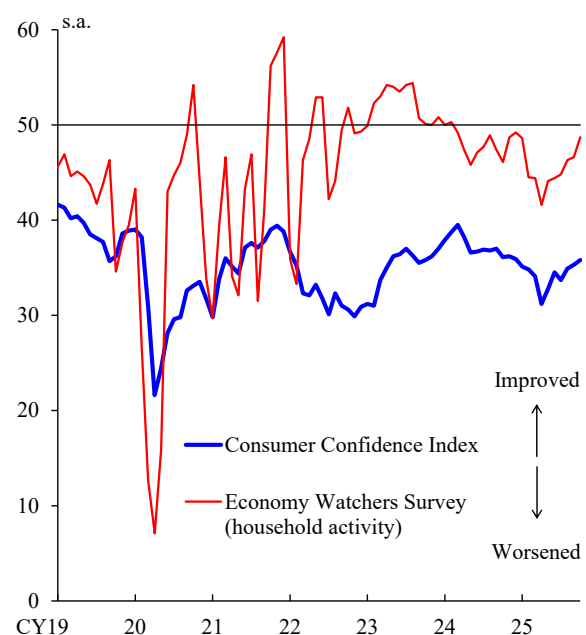
Sources: Ministry of Finance; Bank of Japan; Cabinet Office; LSEG Workspace; QUICK.

## Household Sector

### Private Consumption



### Consumer Sentiment

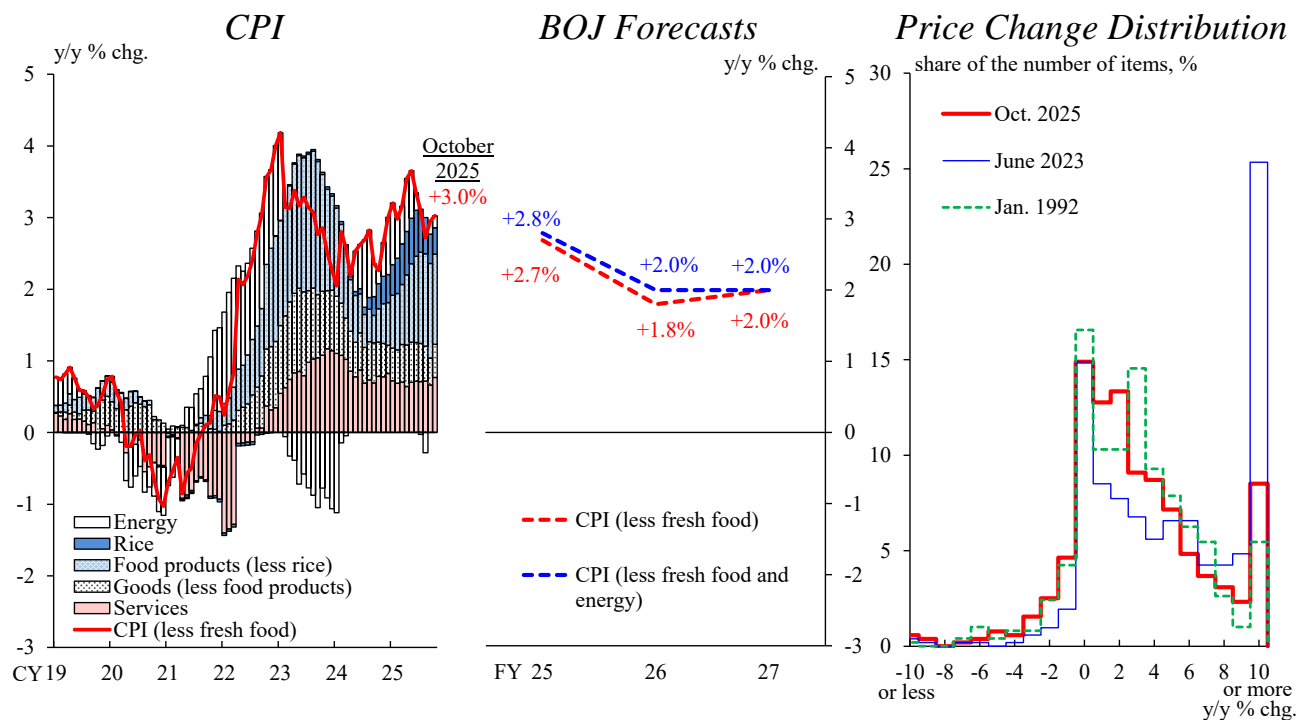


Notes: 1. In the left-hand chart, figures for total real private consumption are the real Consumption Activity Index (travel balance adjusted) based on staff calculations, which exclude inbound tourism consumption and include outbound tourism consumption.

2. In the right-hand chart, figures for the *Economy Watchers Survey* are those for the current economic conditions DI.

Sources: Bank of Japan; Cabinet Office.

## Developments in Consumer Prices

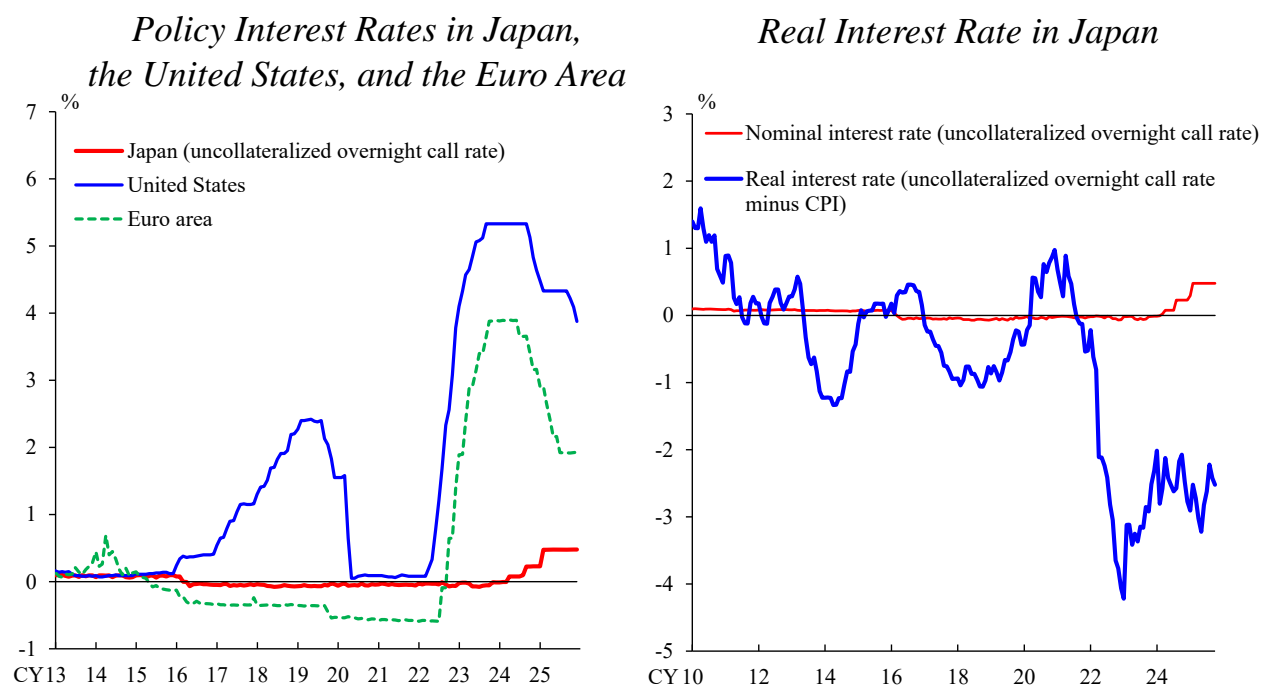


Notes: 1. In the middle chart, figures are the medians of the Policy Board members' forecasts in the October 2025 Outlook Report.  
 2. In the right-hand chart, items subject to aggregation are those adopted in each base year. Figures indicate the CPI for all items excluding fresh food and energy. Figures are staff estimates and exclude the effects of policies concerning the provision of free education and the effects of travel subsidy programs.

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

7

## Policy Interest Rates



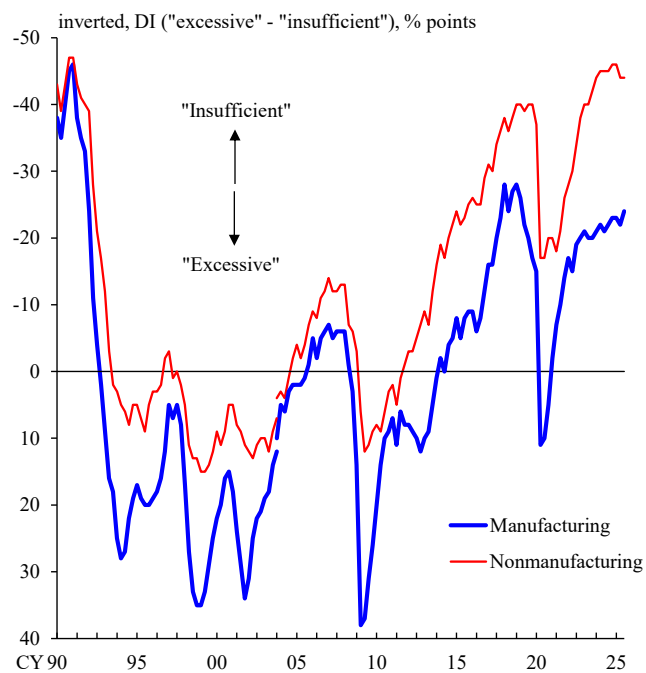
Notes: 1. In the left-hand chart, figures for the United States are the effective federal funds rate. Figures for the euro area are the Euro Overnight Index Average (EONIA) prior to October 2019 and the euro short-term rate (ESTR) thereafter.  
 2. In the right-hand chart, CPI indicates the year-on-year rate of increase in the CPI for all items excluding fresh food. Figures for the CPI exclude the effects of consumption tax hikes.

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

8

# Environment and Developments Surrounding Wages

## Employment Conditions DI



## Annual Spring Labor-Management Wage Negotiation Stance

Figures in parentheses indicate base pay increase rates

	Rengo Wage increase target	Keidanren Positioning of wage increase	Actual wage increase
CY 2023	Around 5% (Around 3%)	Starting point	3.58% (2.12%)
CY 2024	5% or more (3% or more)	Acceleration	5.10% (3.56%)
CY 2025	5% or more (3% or more)	Anchoring	5.25% (3.70%)
CY 2026	5% or more (3% or more)	Further anchoring	—

Notes: 1. In the left-hand chart, figures are based on the *Tankan*. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

2. In the right-hand table, figures for actual wage increases are aggregate figures released by Rengo.

Sources: Bank of Japan; Japanese Trade Union Confederation (Rengo); Japan Business Federation (Keidanren).