



# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Ehime*

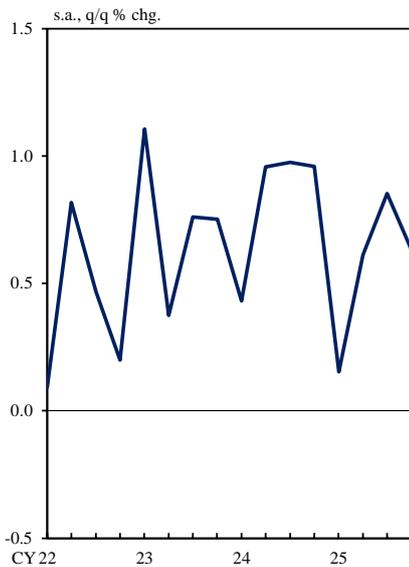
February 6, 2026

MASU Kazuyuki  
Member of the Policy Board  
Bank of Japan

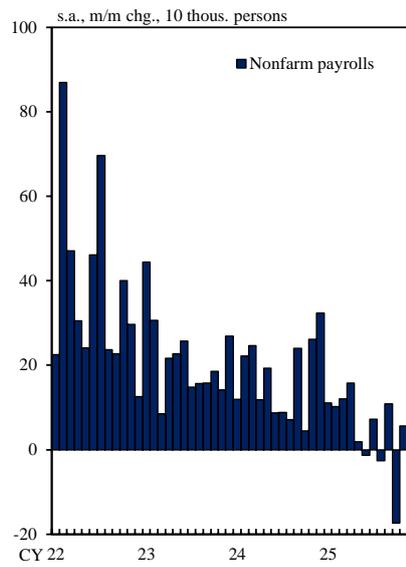
Chart 1

## U.S. Economy

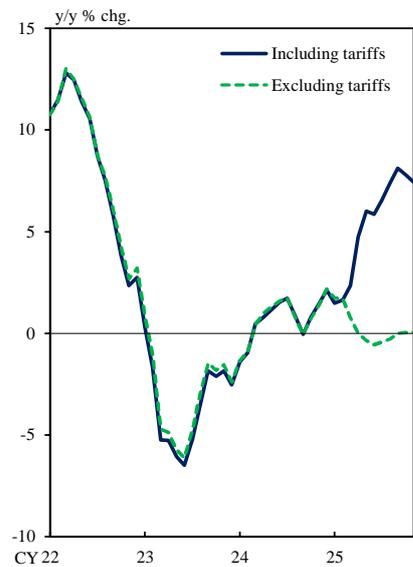
*Real Private Consumption*



*Number of Employees*



*Import Prices*



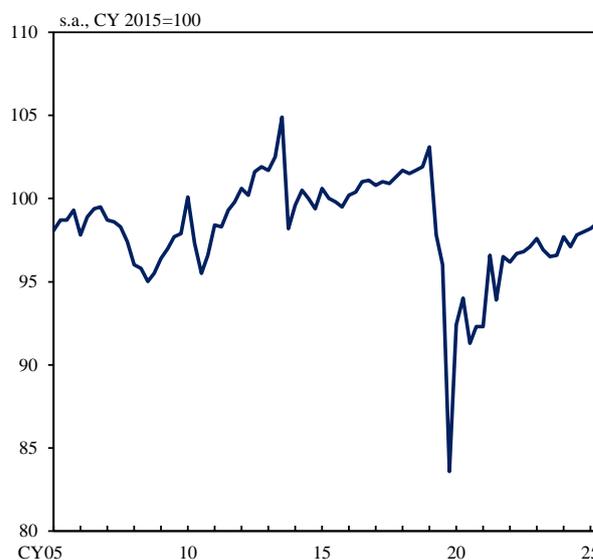
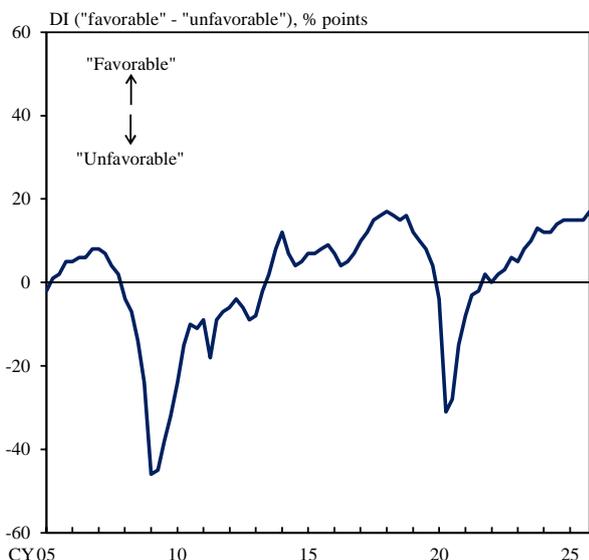
Note: In the right panel, figures for October 2025 are linearly interpolated using figures for September and November. Figures including tariffs are based on Bank staff calculations using published import price figures and the effective tariff rates.

Source: Haver.

# Japan's Economy

*Business Conditions*

*Consumption Activity Index  
(Travel Balance Adjusted)*



Notes: 1. In the left panel, figures are based on the *Tankan* and are for all industries and enterprises.

2. In the right panel, figures exclude inbound tourism consumption and include outbound tourism consumption, and are based on Bank staff calculations.

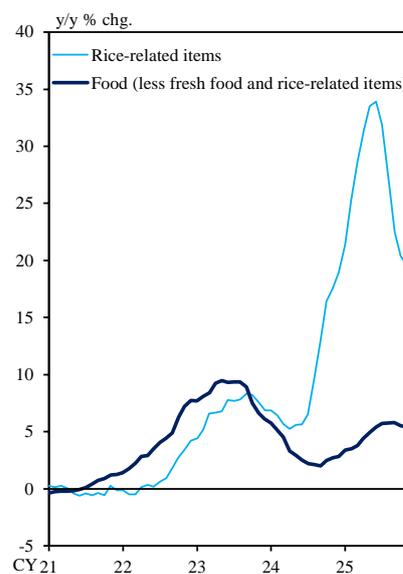
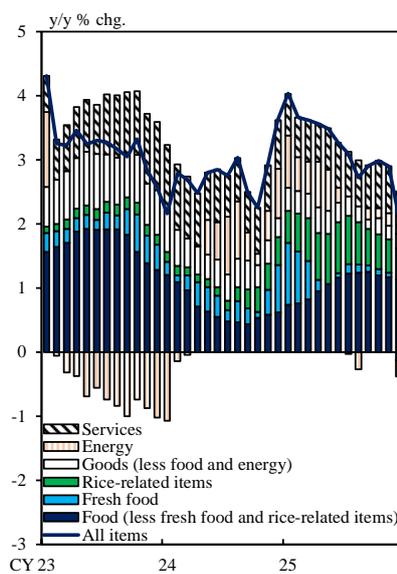
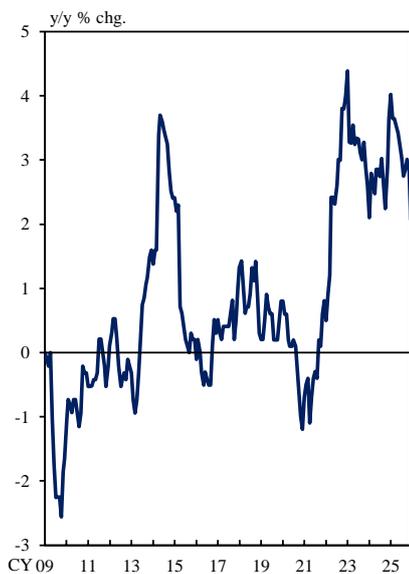
Source: Bank of Japan.

# Japan's CPI Inflation

*All Items*

*Contribution to CPI*

*Food*

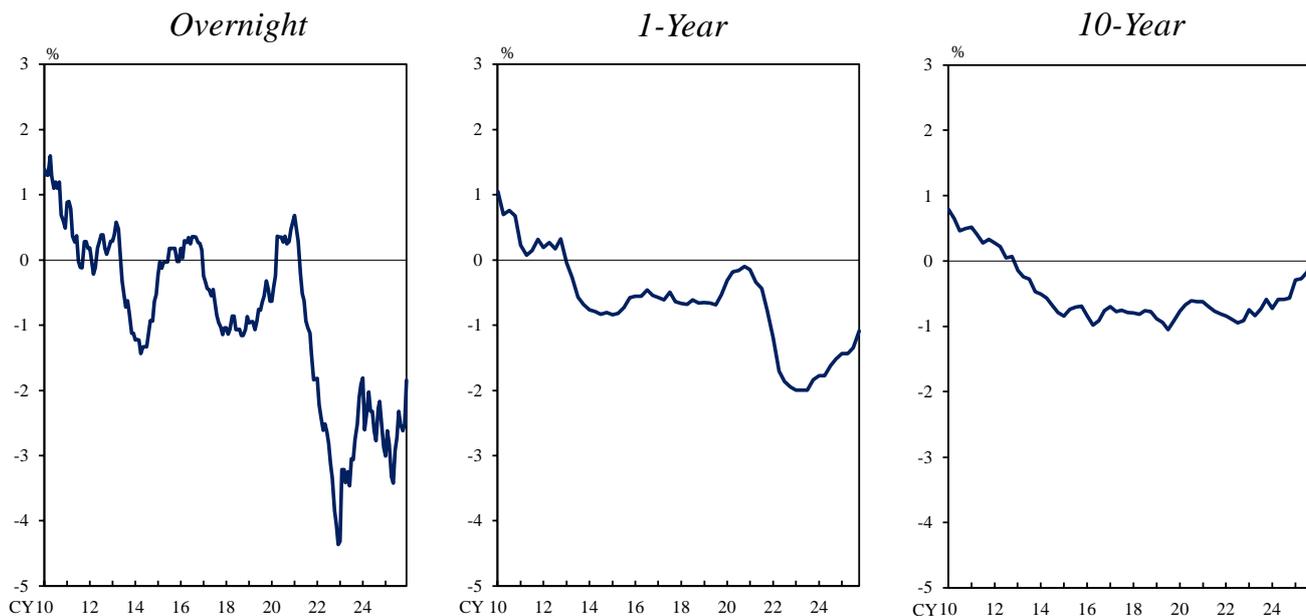


Note: "Rice-related items" consists of non-glutinous rice, mochi or rice cakes, *daifukumochi* or rice cakes stuffed with sweetened bean jam, *sembei* or Japanese crackers, sushi (box lunches), box lunches, rice balls, frozen cooked rice, and aseptic packaged cooked rice.

Source: Ministry of Internal Affairs and Communications.

# Real Interest Rate in Japan

(Real interest rate = Nominal interest rate – Inflation rate)

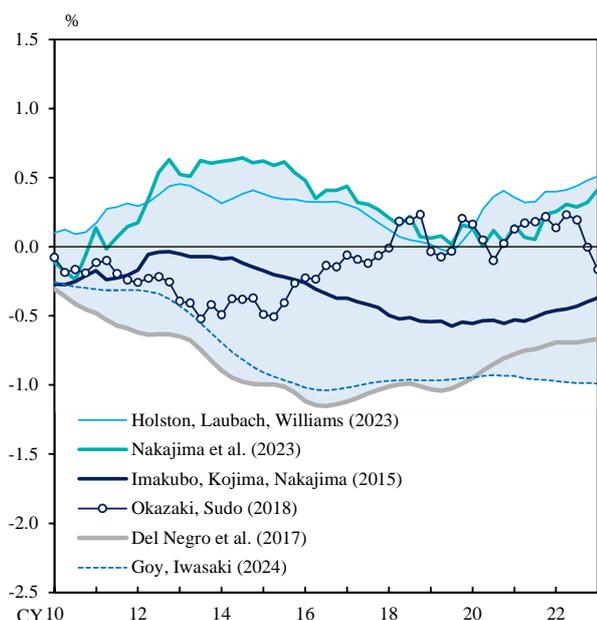


Notes: 1. In the left panel, figures for the real interest rate are calculated by deducting the year-on-year rate of change in the CPI (less fresh food) from the uncollateralized overnight call rate. Figures for the CPI exclude the effects of consumption tax hikes.  
 2. In the middle and right panels, figures for real interest rates are calculated by deducting inflation expectations from JGB yields for each maturity. Figures for inflation expectations are based on Bank staff calculations using the expectations of various economic entities (firms, households, and experts) at different horizons. Specifically, data used in the calculations are as follows: for firms, the *Tankan*; for households, the *Opinion Survey on the General Public's Views and Behavior*; for experts, the *QUICK Survey*, the *Consensus Forecasts*, and inflation swap rates.

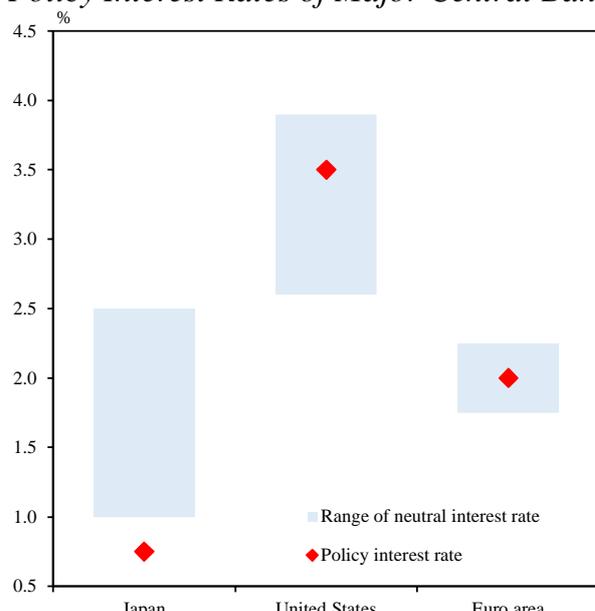
Sources: Bloomberg; Consensus Economics Inc., *Consensus Forecasts*; Ministry of Internal Affairs and Communications; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

# Natural Rate of Interest, Neutral Interest Rate, and Policy Interest Rates

*Natural Rate of Interest in Japan*



*Range of Neutral Interest Rate and Policy Interest Rates of Major Central Banks*

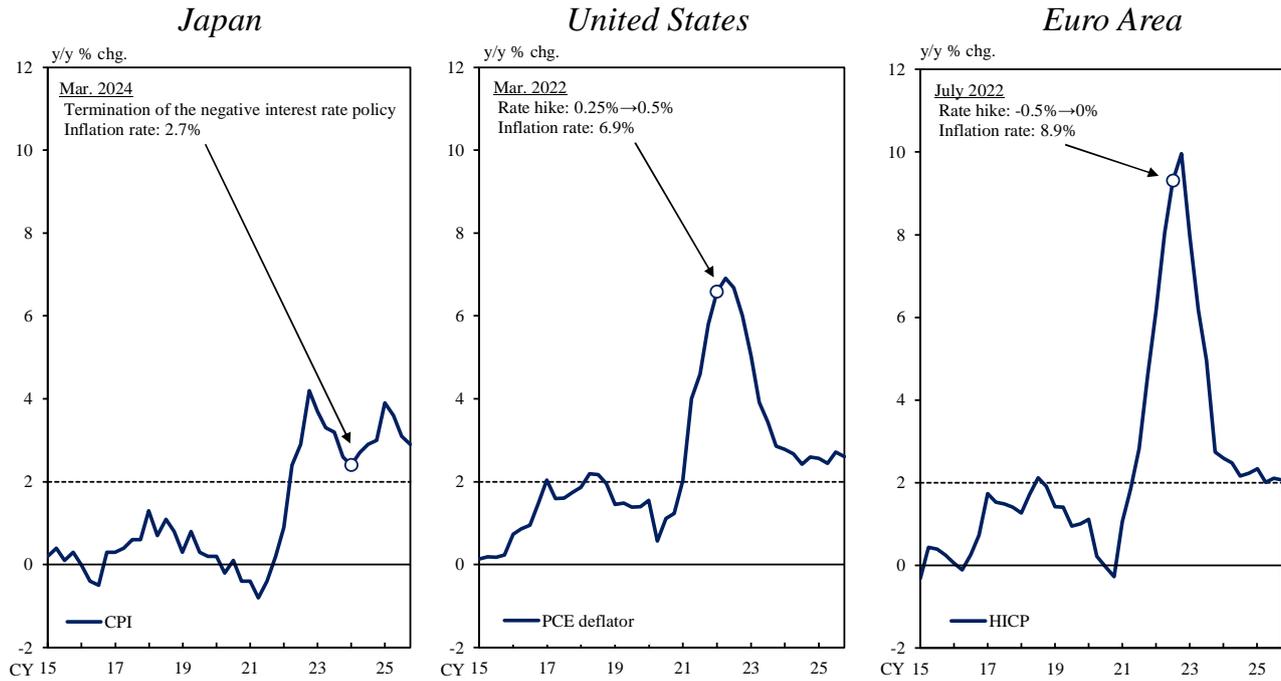


Notes: 1. In the left panel, estimates are based on Bank staff calculations using the models proposed in the different papers listed. The shaded area shows the estimated range of the natural rate of interest.

2. In the right panel, as the Federal Reserve does not officially publish the range of the neutral interest rate, the range for the United States is based on the Federal Open Market Committee (FOMC) members' longer-run projections for the federal funds rate in the Summary of Economic Projections released after the December 2025 FOMC meeting. The estimated range of the neutral interest rate for the euro area refers to the figures in the European Central Bank's (ECB's) *Economic Bulletin*, Issue 1, 2025.

Sources: Bloomberg; Cabinet Office; Consensus Economics Inc., *Consensus Forecasts*; ECB; Federal Reserve; Ministry of Finance; Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications; Bank of Japan.

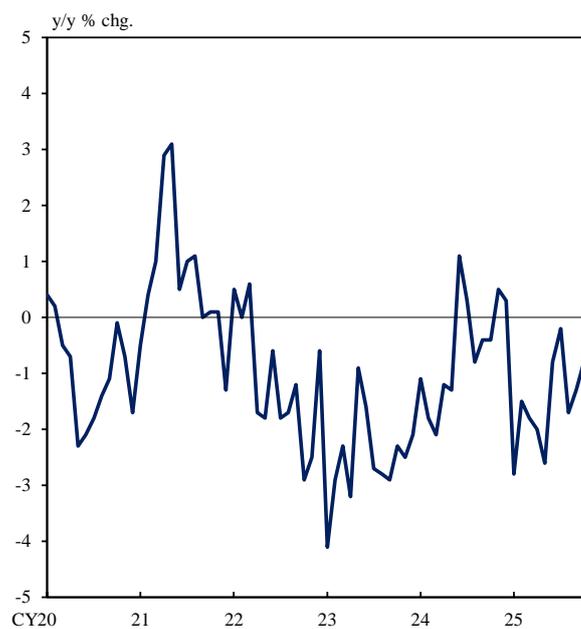
## Inflation Rates



Note: Inflation rates are calculated based on consumer prices for all items. CPI figures are Bank staff estimates and exclude the effects of the consumption tax hike and policies concerning the provision of free education. The policy interest rate for the United States is the upper limit of the federal funds target range. The rate for the euro area is the ECB deposit facility rate.

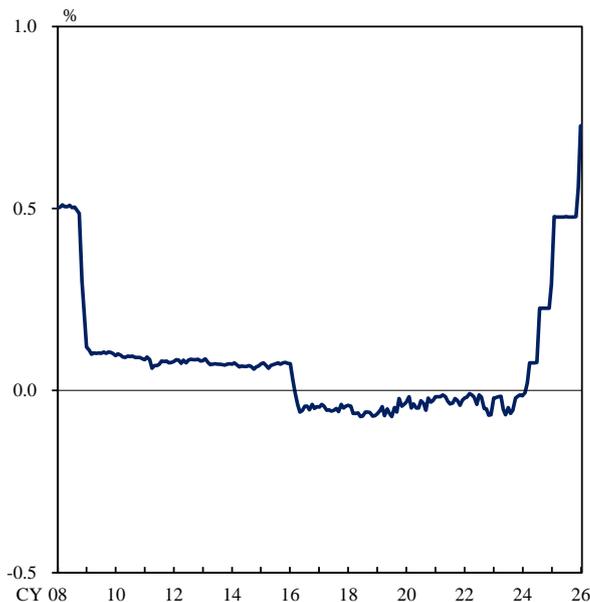
Sources: Haver; Bank of Japan.

## Japan's Real Wages



Source: Ministry of Health, Labour and Welfare.

## Japan's Policy Interest Rate

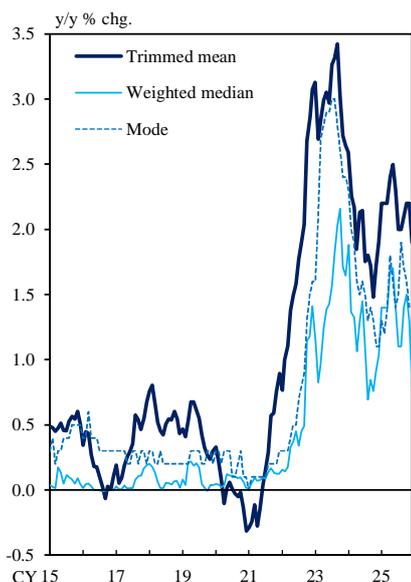


Note: Figures are the uncollateralized overnight call rate.

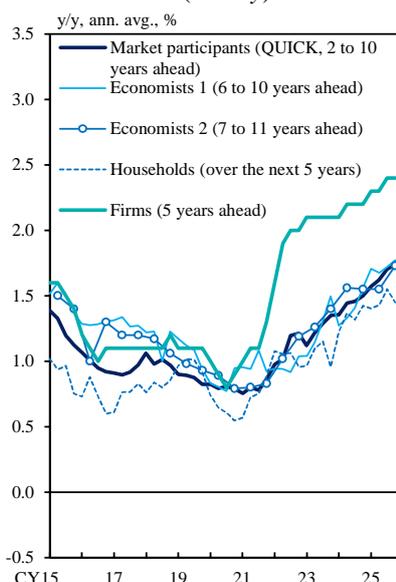
Source: Bank of Japan.

## Underlying CPI Inflation

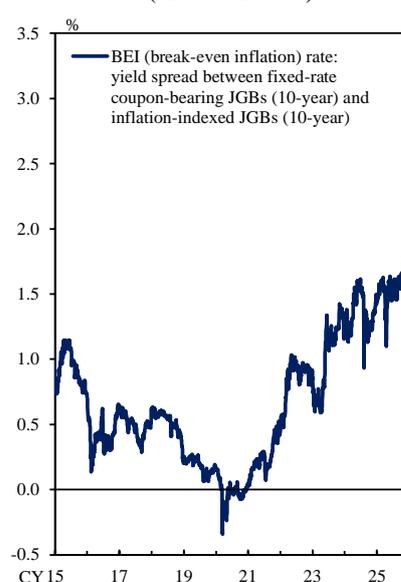
Trimmed Mean, etc.



Inflation Expectations (Survey)



Inflation Expectations (Market-Based)



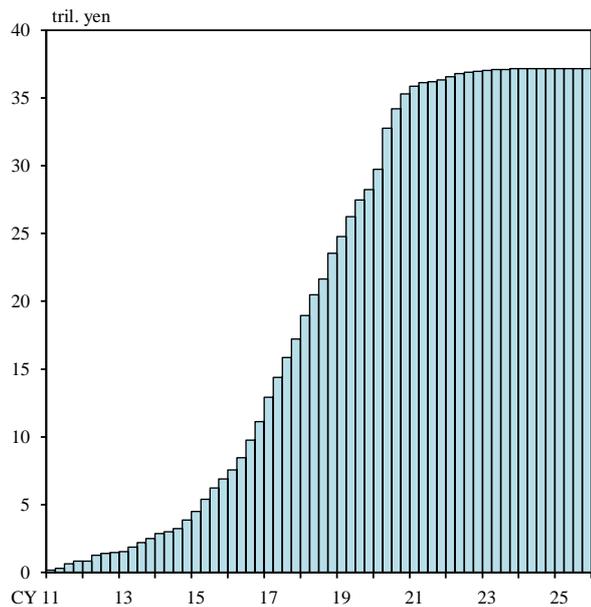
Notes: 1. In the left panel, figures are based on Bank staff calculations using the CPI excluding the effects of the consumption tax hike, policies concerning the provision of free education, and travel subsidy programs. CPI figures from April 2020 onward are Bank staff estimates and exclude the effects of measures such as free higher education.

2. In the middle panel, "Economists 1" shows the forecasts of economists in the *Consensus Forecasts*. "Economists 2" shows the forecasts of forecasters surveyed for the *ESP Forecast*. Figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method for 5-choice questions. Figures for firms show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.

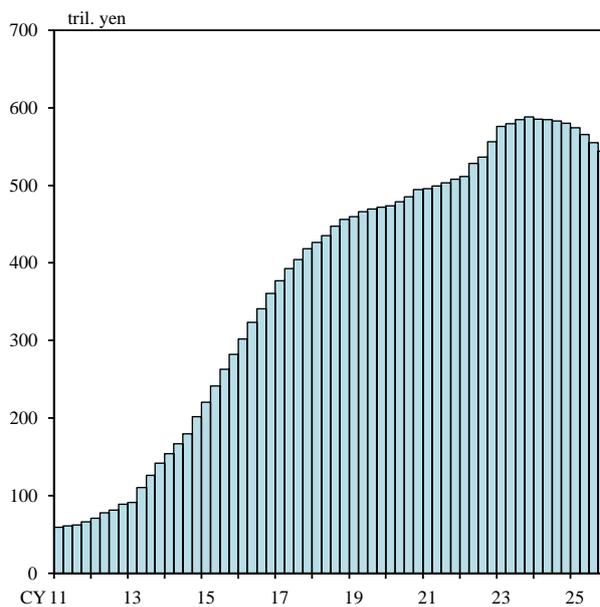
Sources: Bloomberg; Consensus Economics Inc., *Consensus Forecasts*; JCER, *ESP Forecast*; Ministry of Internal Affairs and Communications; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

# The Bank's Balance Sheet

*ETF Holdings*



*JGB Holdings*



Source: Bank of Japan.