



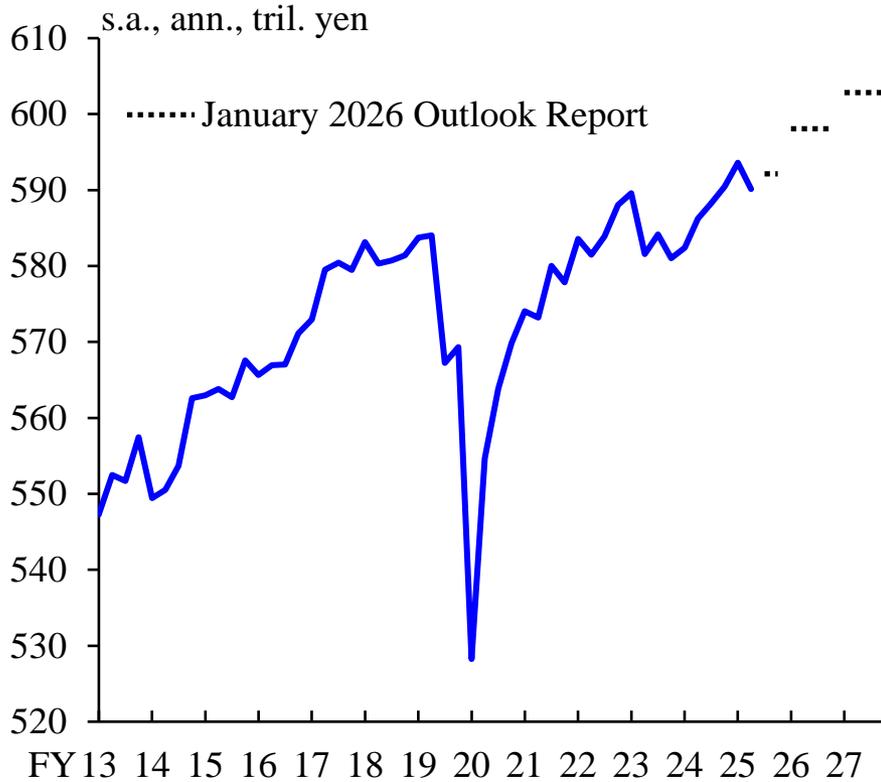
Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting Held by the Kanagawa Keizai Doyukai

February 13, 2026

TAMURA Naoki
Member of the Policy Board
Bank of Japan

The Bank's Forecasts for Real GDP

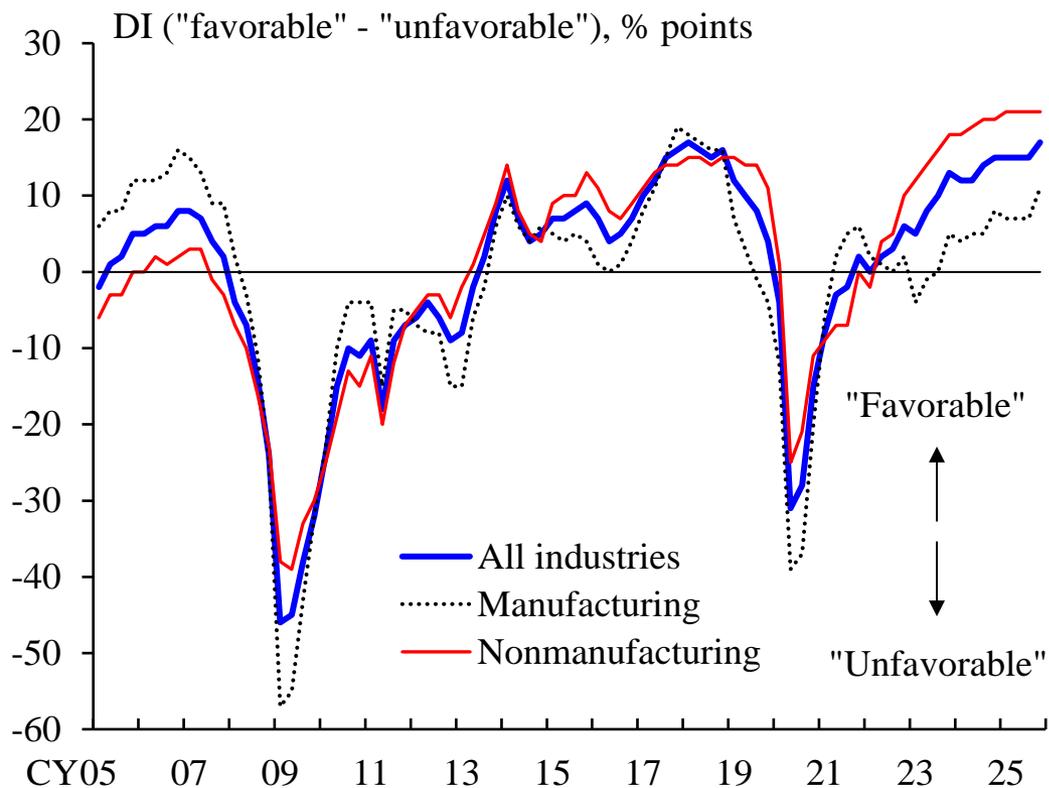


	Projected Growth Rate of Real GDP				
	January 2025	April 2025	July 2025	October 2025	January 2026
FY 2025	1.1%	0.5%	0.6%	0.7%	0.9%
FY 2026	1.0%	0.7%	0.7%	0.7%	1.0%
FY 2027	—	1.0%	1.0%	1.0%	0.8%

Note: Forecasts are the medians of the Policy Board members' forecasts. Real GDP values for 2025/Q4 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



	March 2025	June 2025	September 2025	December 2025
All industries	15	15	15	17
Manufacturing	7	7	7	11
Non-manufacturing	21	21	21	21

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

IMF Forecasts for Global Growth

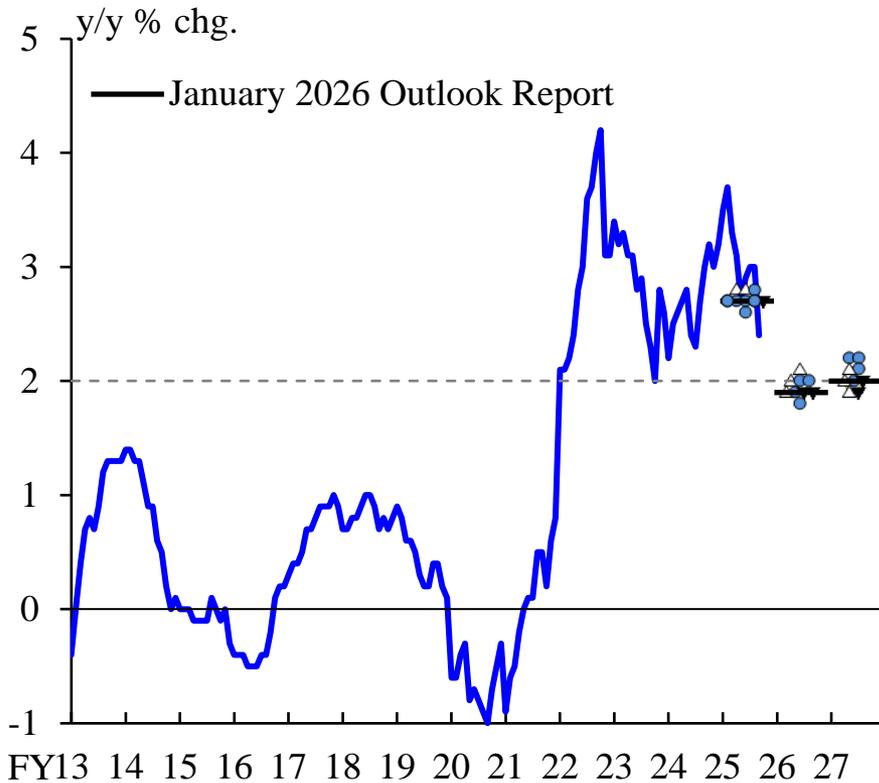
Major Economies' Real GDP Growth Rates

y/y % chg.

	CY 2024	CY 2025 [Projection (Jan.-Oct. 2025); Estimate (Jan. 2026)]					CY 2026 [Projection]				
		As of Jan. 2025	As of Apr. 2025	As of July 2025	As of Oct. 2025	As of Jan. 2026	As of Jan. 2025	As of Apr. 2025	As of July 2025	As of Oct. 2025	As of Jan. 2026
World	3.3	3.3	2.8	3.0	3.2	3.3	3.3	3.0	3.1	3.1	3.3
Advanced economies	1.8	1.9	1.4	1.5	1.6	1.7	1.8	1.5	1.6	1.6	1.8
United States	2.8	2.7	1.8	1.9	2.0	2.1	2.1	1.7	2.0	2.1	2.4
Euro area	0.9	1.0	0.8	1.0	1.2	1.4	1.4	1.2	1.2	1.1	1.3
United Kingdom	1.1	1.6	1.1	1.2	1.3	1.4	1.5	1.4	1.4	1.3	1.3
Japan	-0.2	1.1	0.6	0.7	1.1	1.1	0.8	0.6	0.5	0.6	0.7
Emerging market and developing economies	4.3	4.2	3.7	4.1	4.2	4.4	4.3	3.9	4.0	4.0	4.2
China	5.0	4.6	4.0	4.8	4.8	5.0	4.5	4.0	4.2	4.2	4.5
India	6.5	6.5	6.2	6.4	6.6	7.3	6.5	6.3	6.4	6.2	6.4

Source: IMF.

The Bank's Forecasts for the CPI



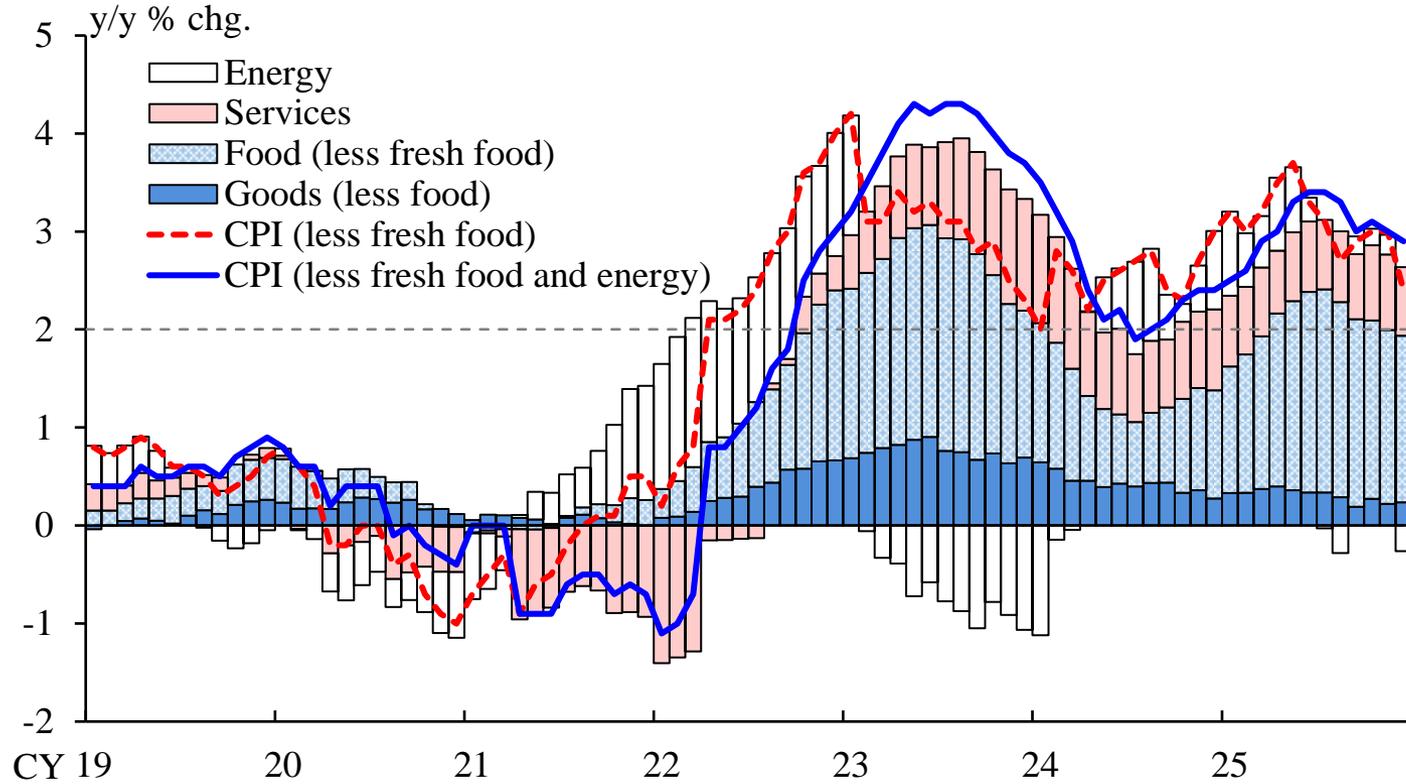
	Projected Rate of Increase in the CPI				
	January 2025	April 2025	July 2025	October 2025	January 2026
FY 2025	2.4%	2.2%	2.7%	2.7%	2.7%
FY 2026	2.0%	1.7%	1.8%	1.8%	1.9%
FY 2027	—	1.9%	2.0%	2.0%	2.0%

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.

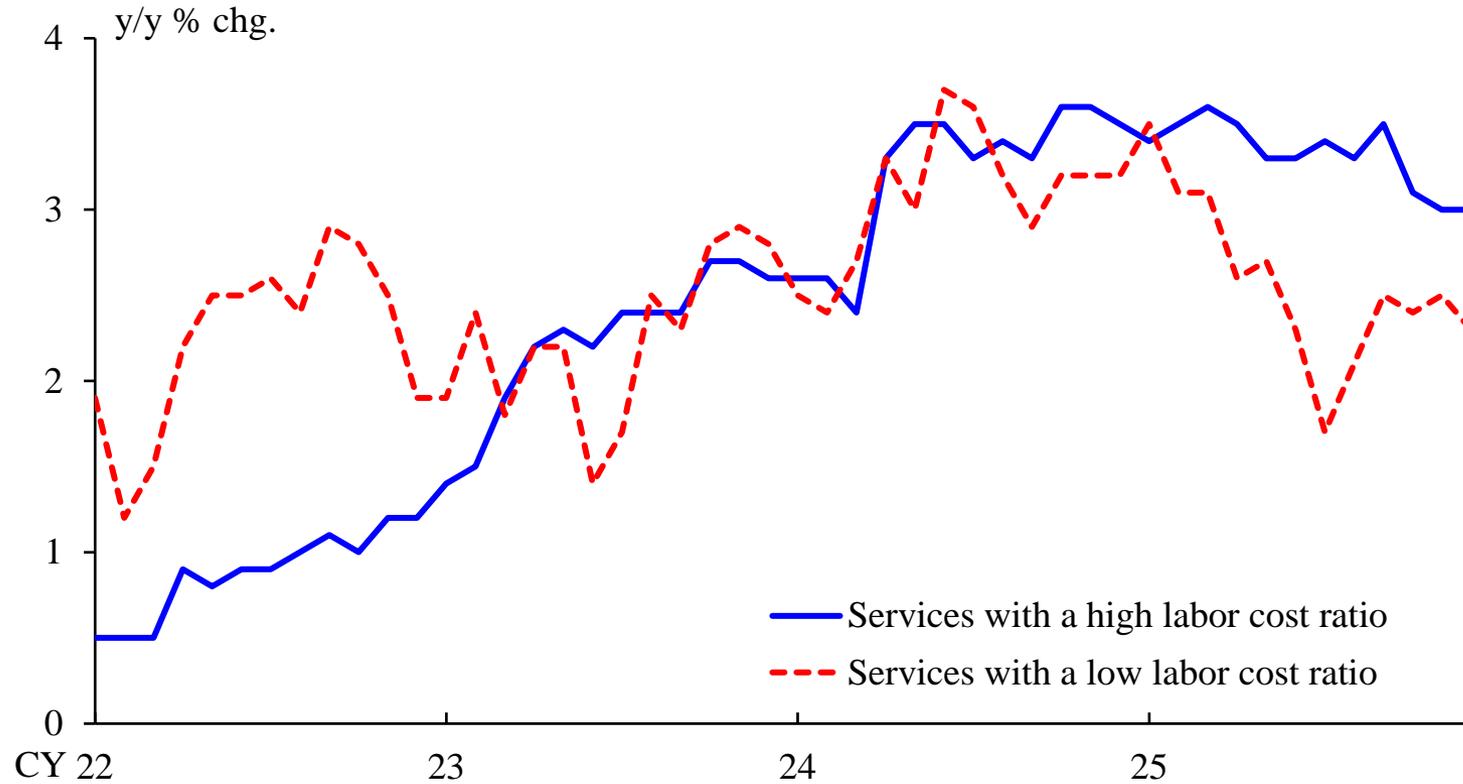
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Consumer Prices



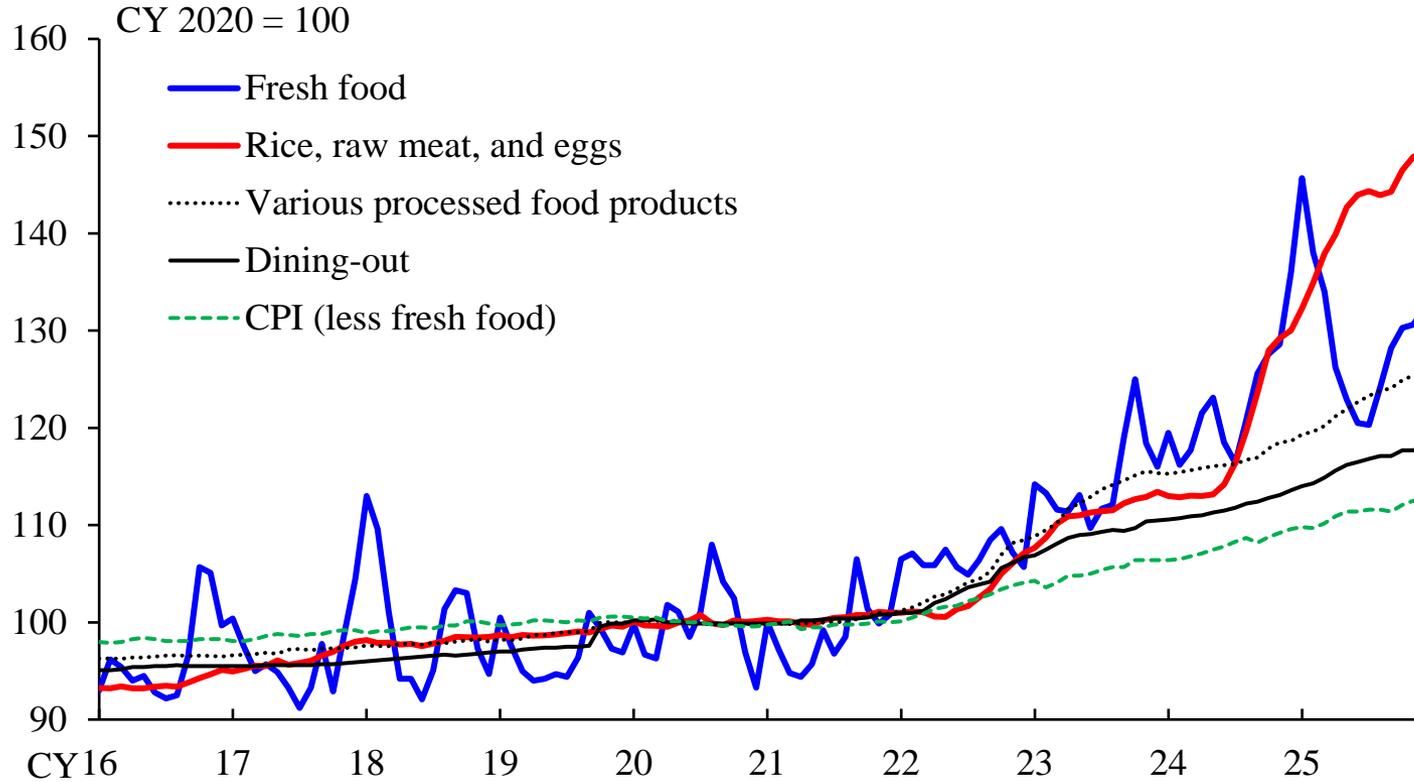
Source: Ministry of Internal Affairs and Communications.

Services with High and Low Labor Cost Ratios



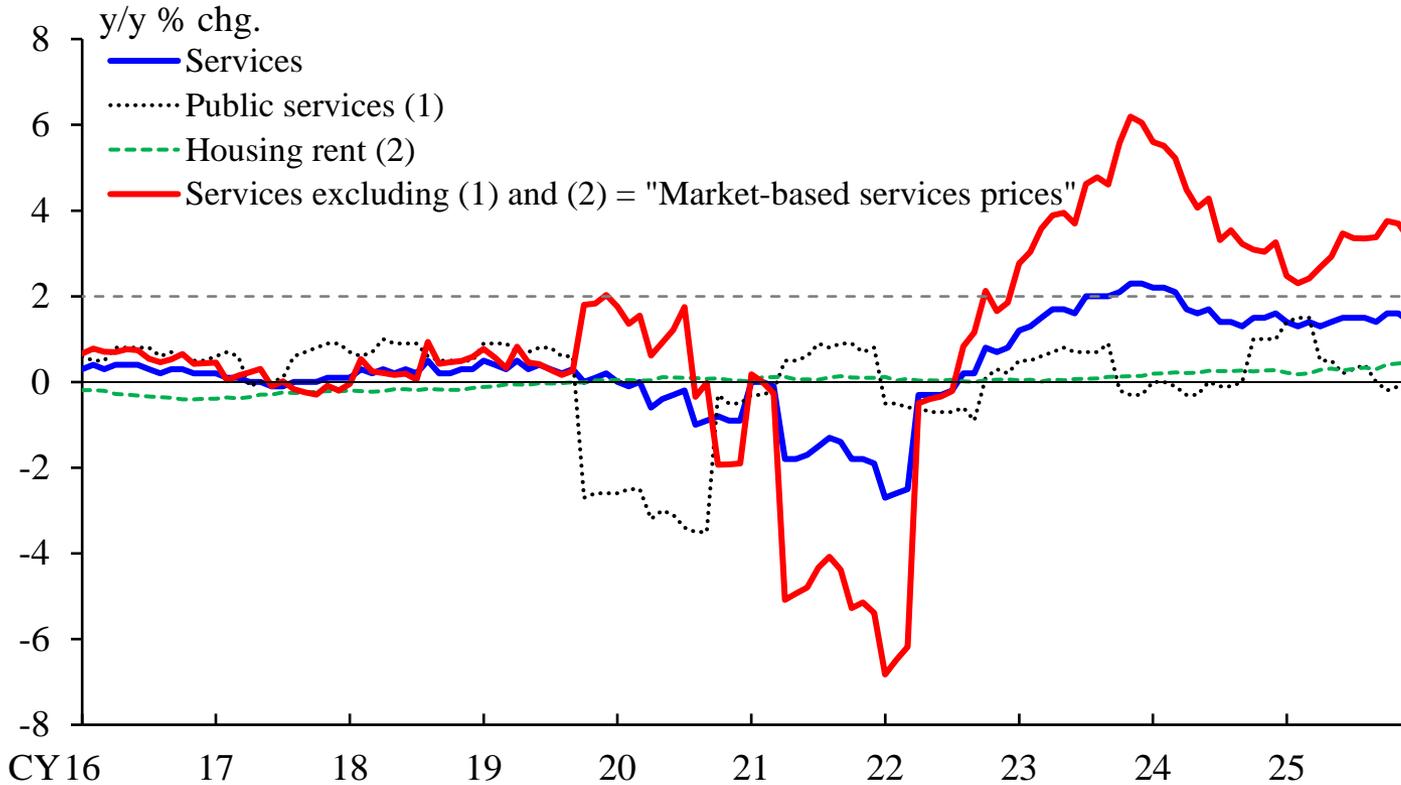
Source: Bank of Japan.

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.

Consumer Prices (Services)

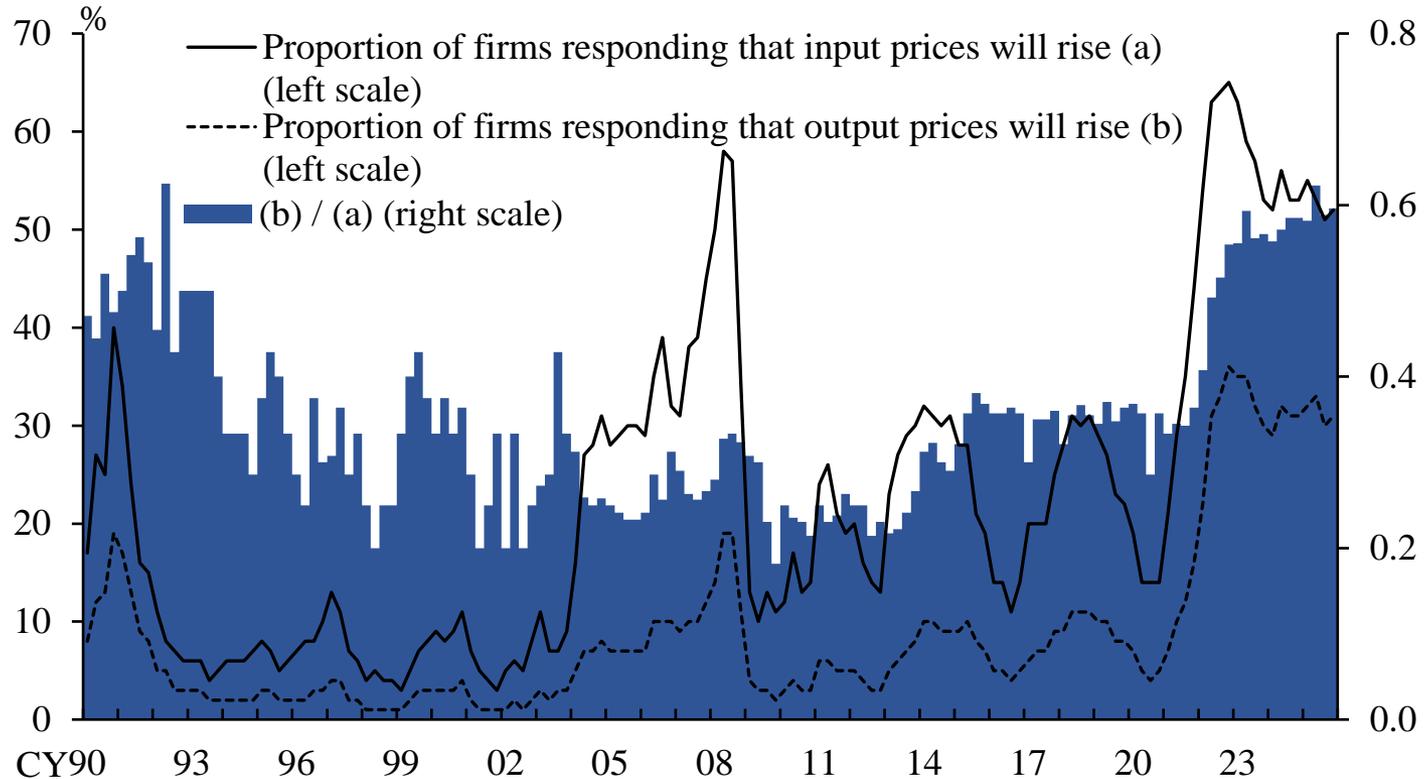


Notes: 1. "Public services" includes public housing rent, rent for the Urban Renaissance Agency, and rent for public corporations.

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

Source: Ministry of Internal Affairs and Communications.

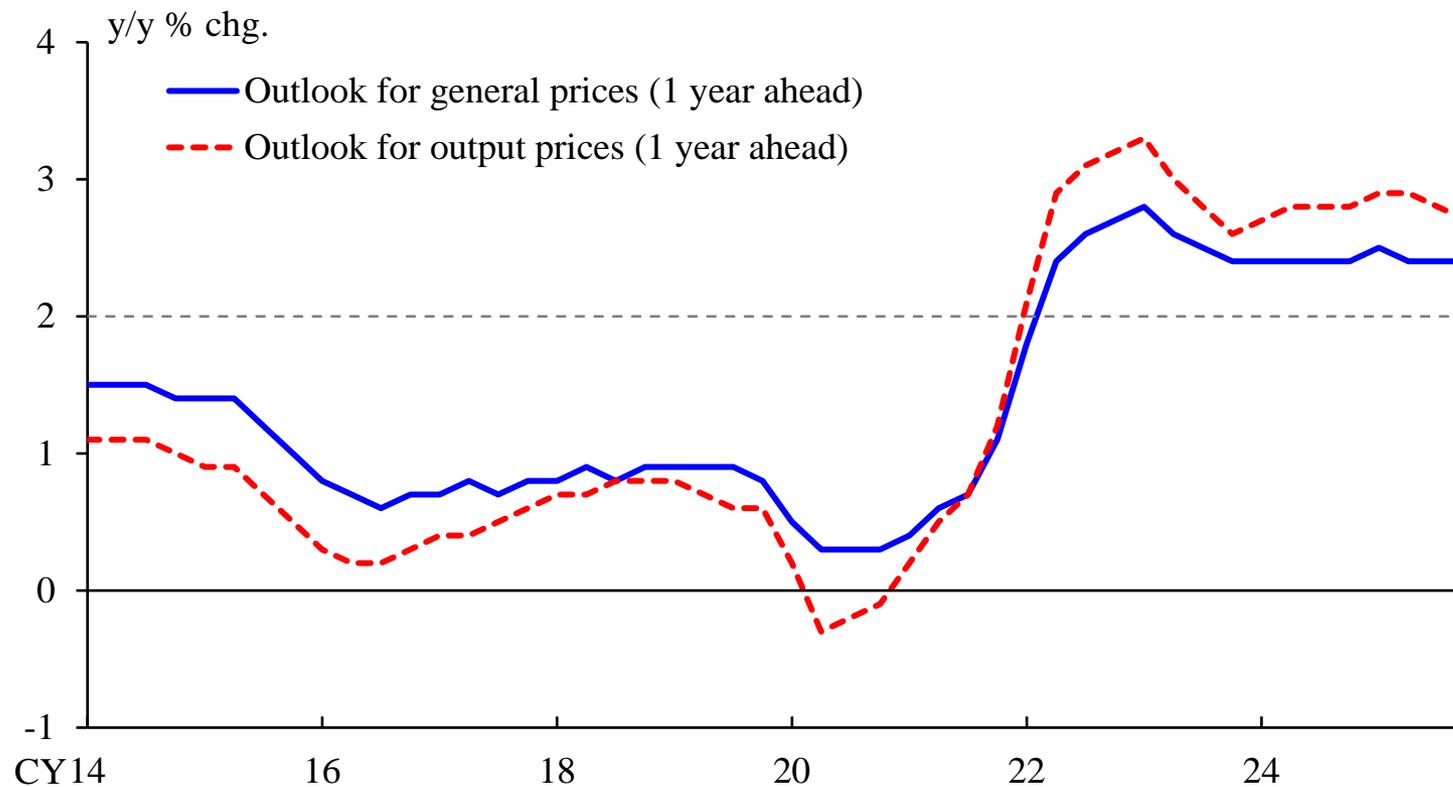
Changes in Firms' Price-Setting Behavior



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.

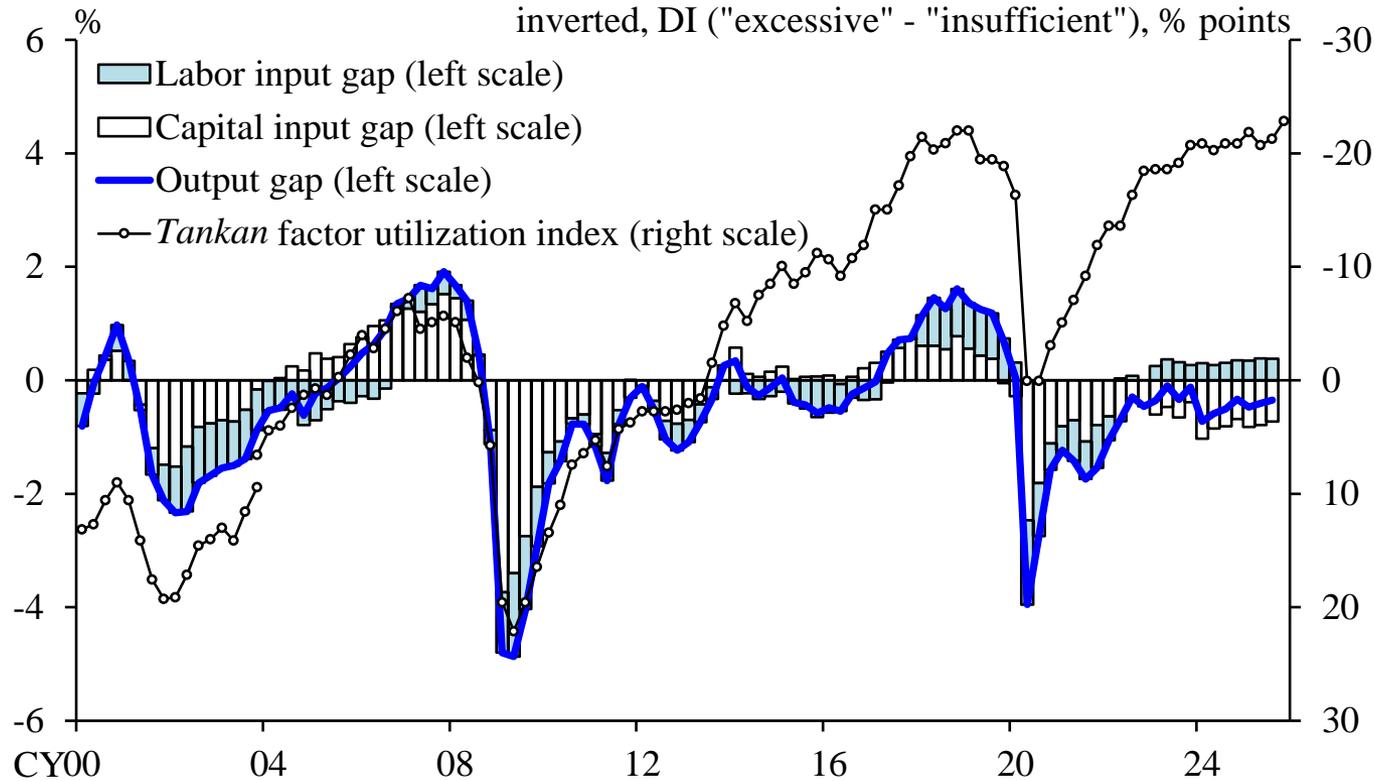
Firms' Inflation Outlook



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

Source: Bank of Japan.

Output Gap

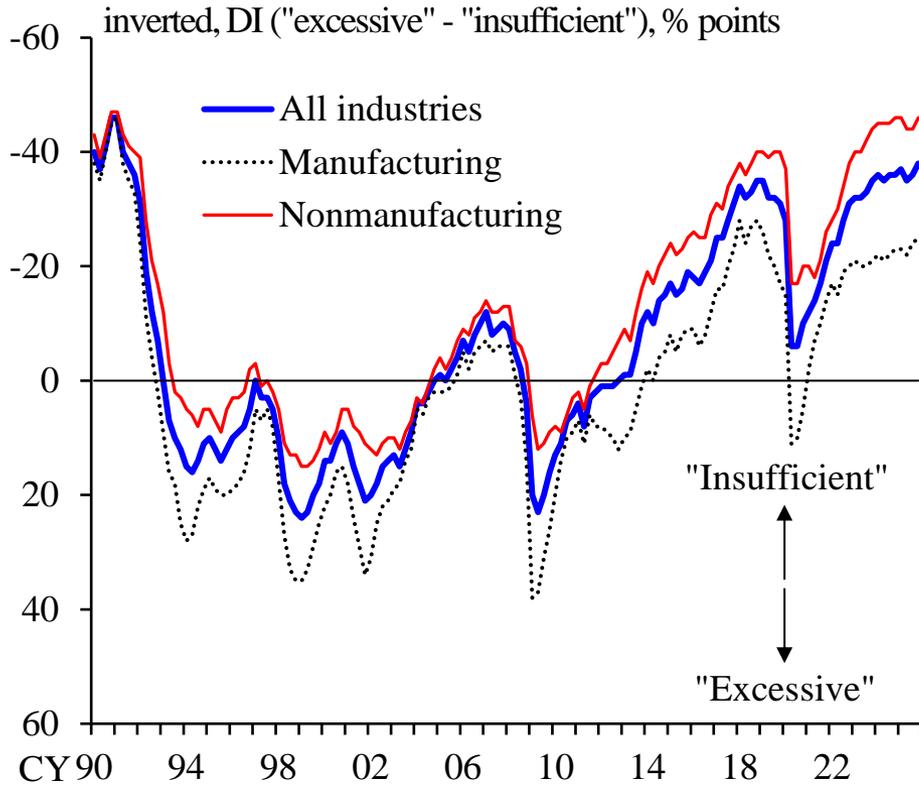


Notes: 1. Figures for the output gap are Bank staff estimates.

2. The *Tankan* factor utilization index is calculated as the weighted average of the production capacity DI and the employment conditions DI for all industries and enterprises. Capital and labor shares are used as weights. There is a discontinuity in the data for December 2003 due to a change in the survey framework.

Source: Bank of Japan.

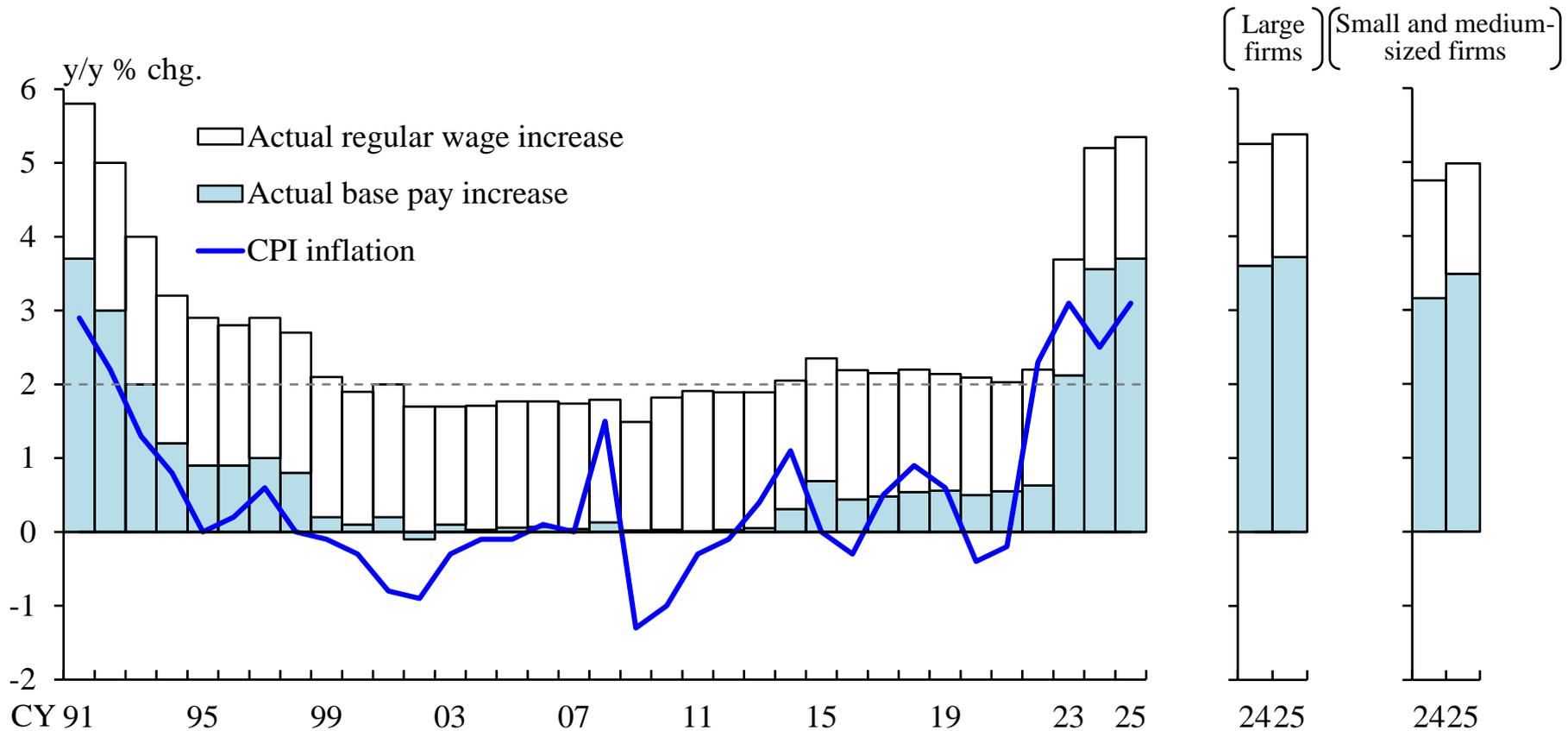
Employment Conditions DI



	March 2025	June 2025	September 2025	December 2025
All industries	-37	-35	-36	-38
Manufacturing	-23	-22	-24	-25
Non-manufacturing	-46	-44	-44	-46

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.

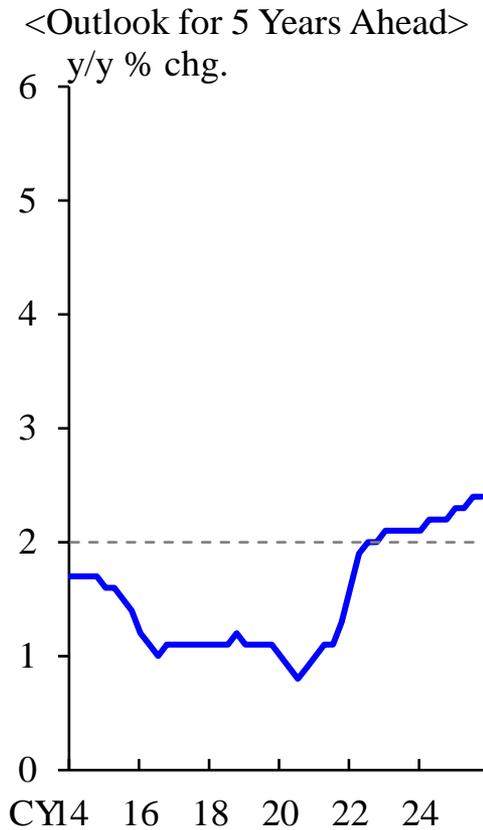
Results of the Annual Spring Labor-Management Wage Negotiations



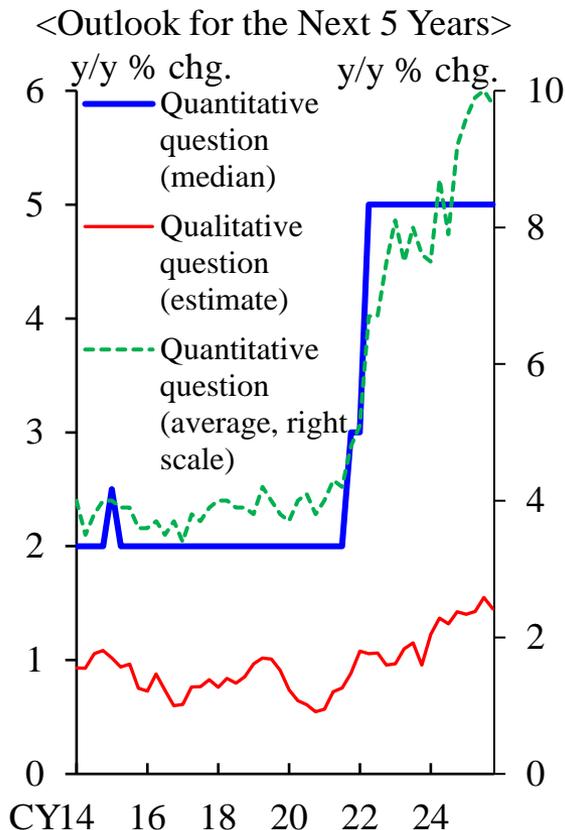
Notes: 1. Figures for CPI inflation are for all items less fresh food, excluding the effects of consumption tax hikes, on a calendar-year basis.
 2. Figures for actual base pay increase and actual regular wage increase from 1991 to 2014 are those published by the Central Labour Relations Commission, while those from 2015 to 2025 are figures released by the Japanese Trade Union Confederation (Rengo). Figures are based on the wage negotiation results of labor unions for which the base pay increase is clear.
 Sources: Central Labour Relations Commission; Ministry of Internal Affairs and Communications; Rengo.

Inflation Expectations

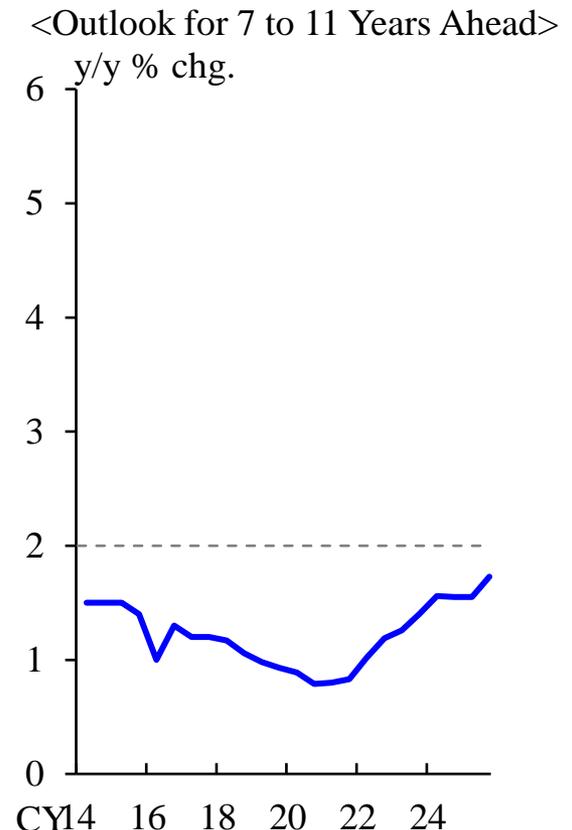
Firms



Households



Economists



Notes: 1. Figures for firms in the left panel are based on the *Tankan*, and are averages of all industries and enterprises.

2. Figures for households in the middle panel are based on the *Opinion Survey on the General Public's Views and Behavior*. Figures for the quantitative question 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.

Sources: JCER, *ESP Forecast*; Bank of Japan.

Desired State of the Economy

Price Stability

A state where various economic agents including households and firms may make decisions regarding such economic activities as consumption and investments without being concerned about the fluctuations in the general price level.

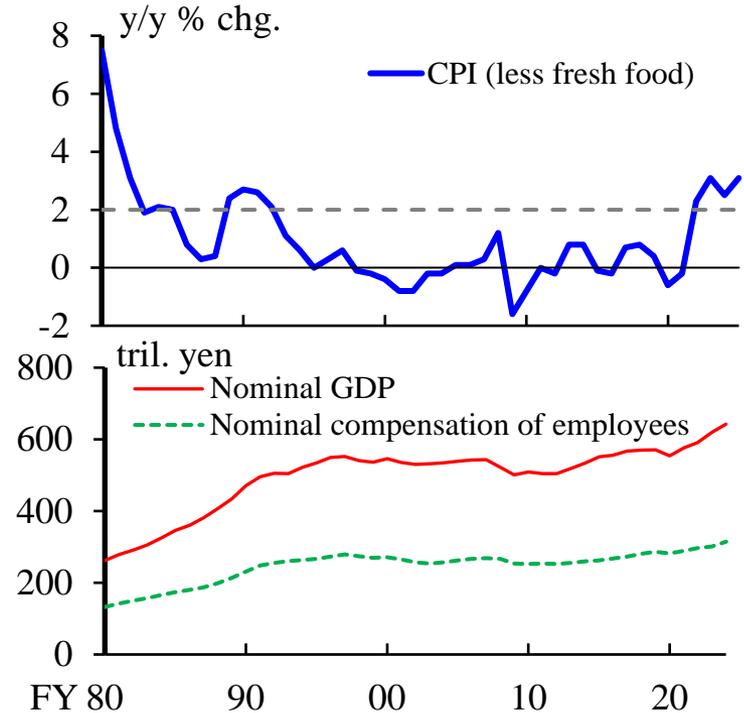
Virtuous Cycle of Japan's Economy

An environment where the economy improves in a balanced and sustainable manner, accompanied by increases in employment, wages, and corporate profits, consequently leading to moderate inflation.

Reasons for Aiming at 2 Percent Inflation

- (1) The measurement bias in the CPI (upward bias)
- (2) The safety margin that acts as a buffer against the risk of a vicious cycle of declining prices and deteriorating economic activity (ensuring room to reduce interest rates)
- (3) 2 percent as a global standard

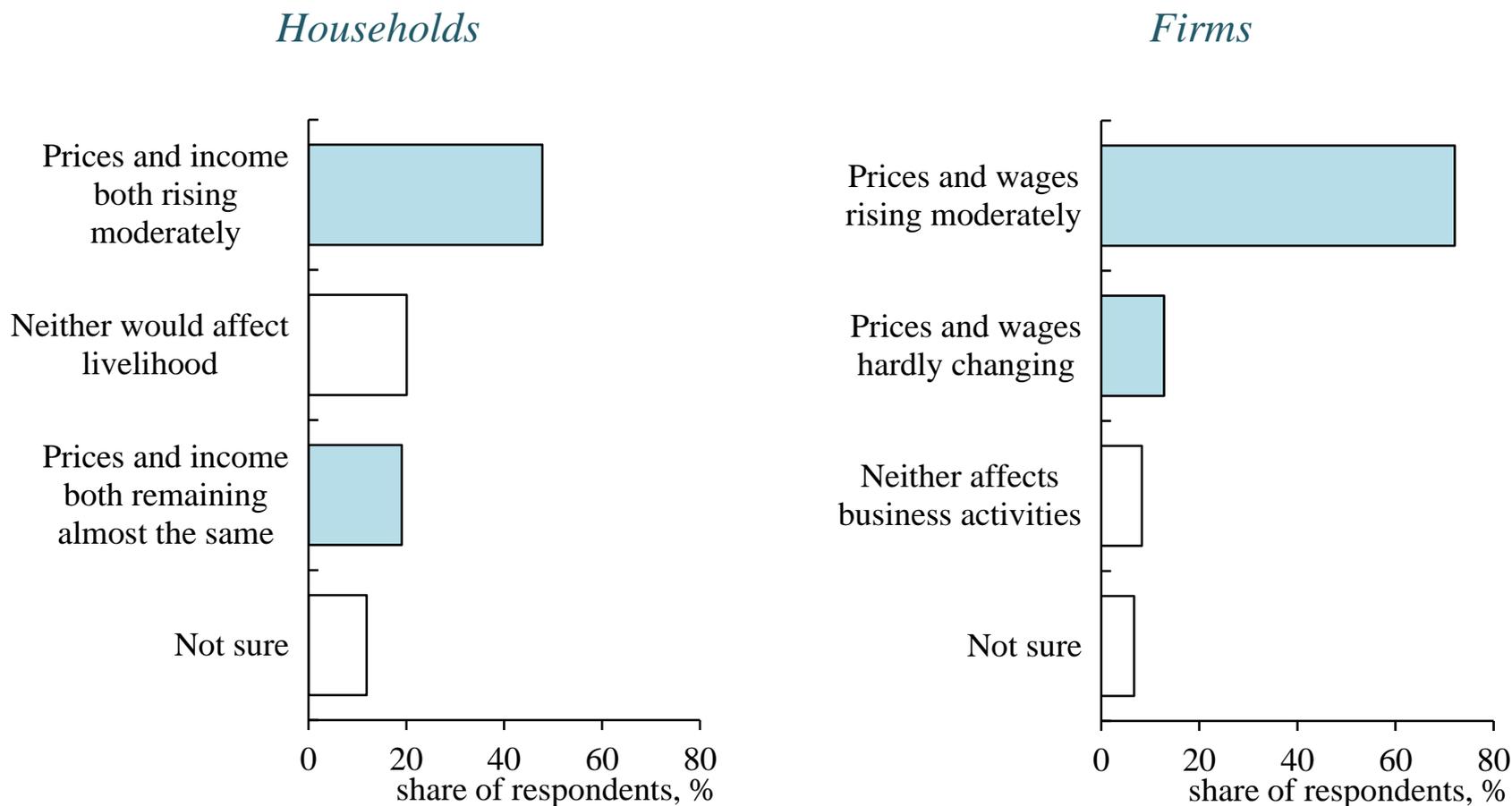
Prices, GDP, and Income



Note: Figures for the CPI (less fresh food) exclude the effects of consumption tax hikes, etc.

Sources: Cabinet Office; Ministry of Internal Affairs and Communications.

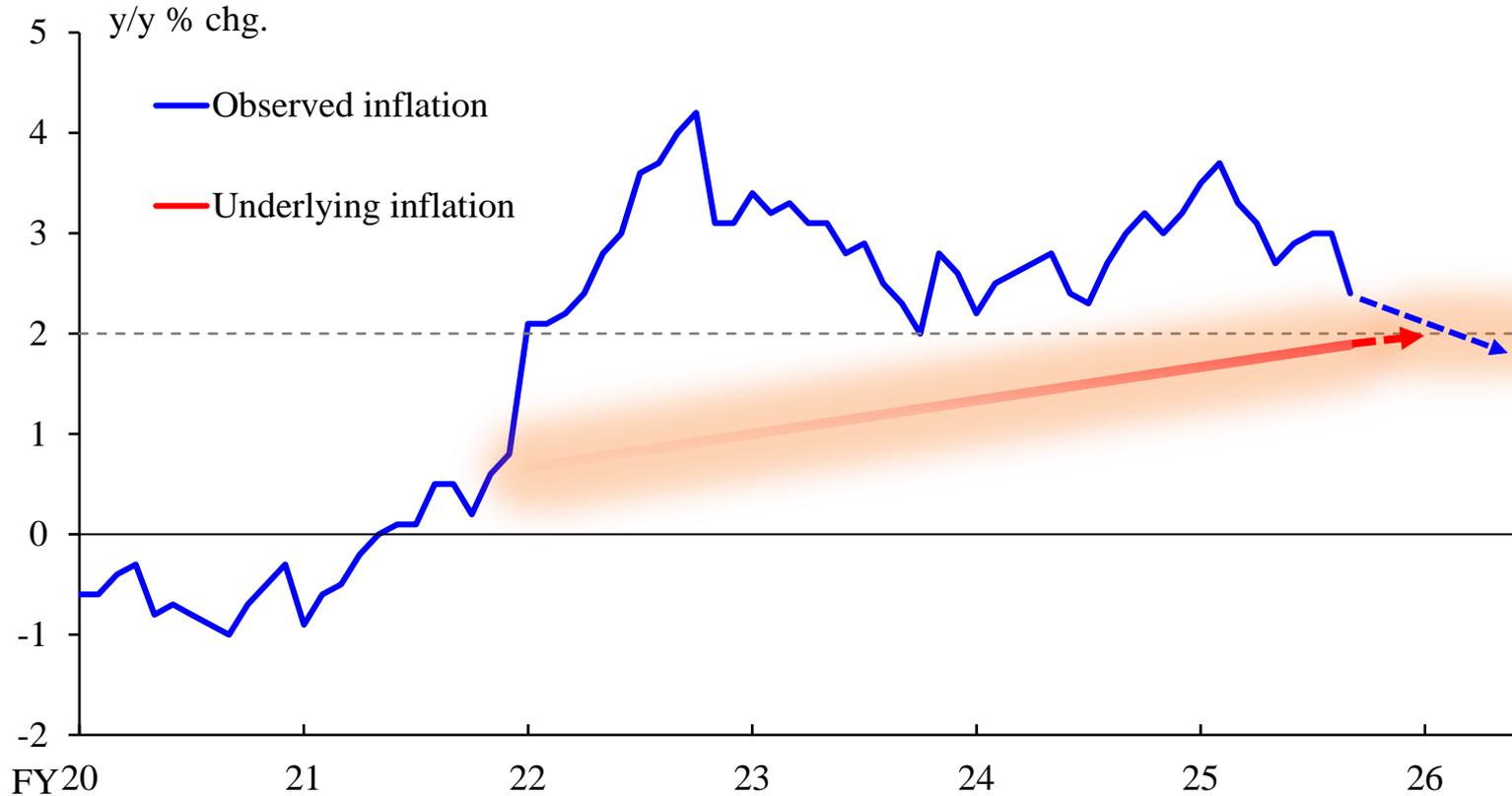
Preferences regarding Prices, Income, and Wages



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*.

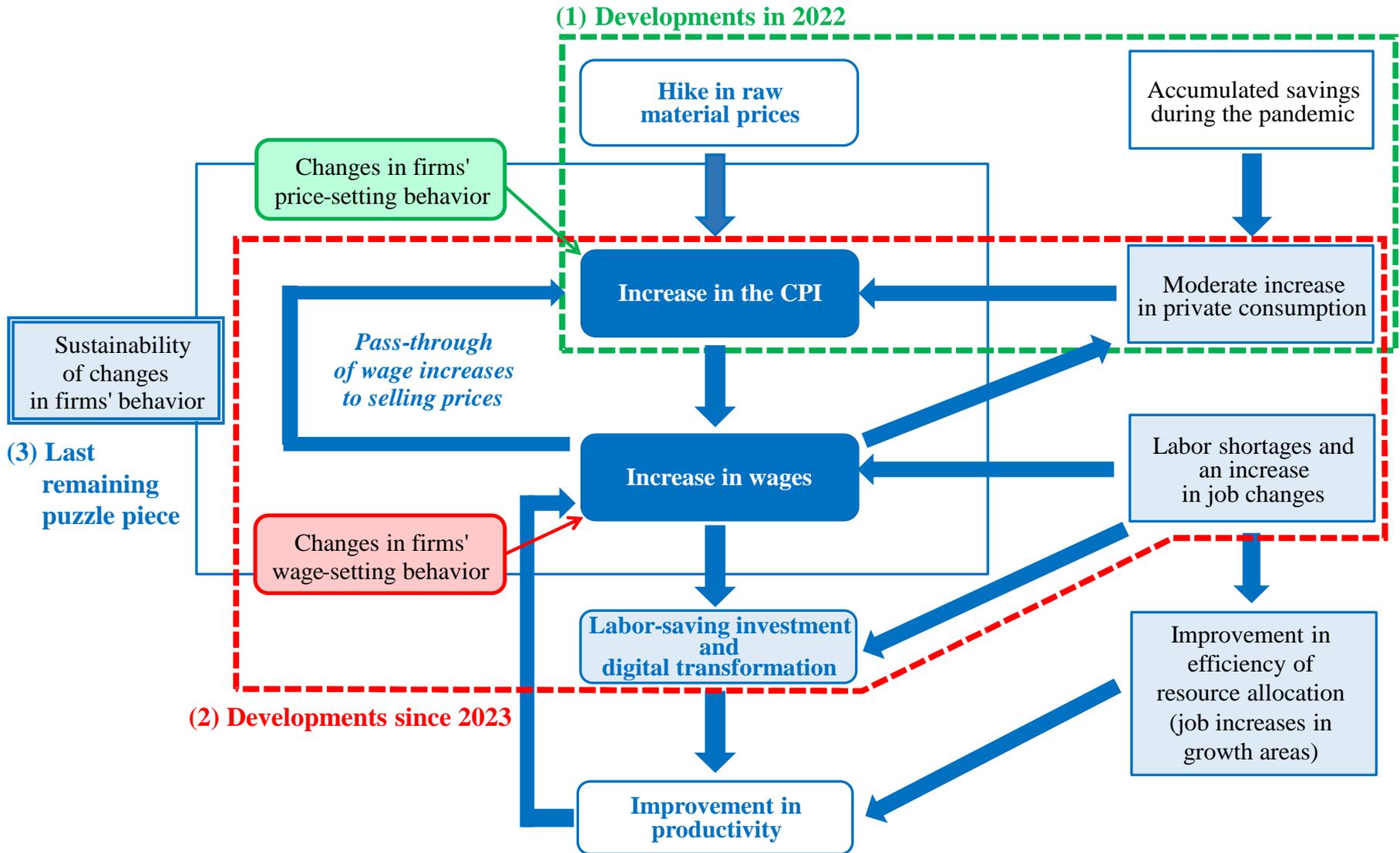
Source: Bank of Japan.

Observed and Underlying Inflation: A Visual Overview

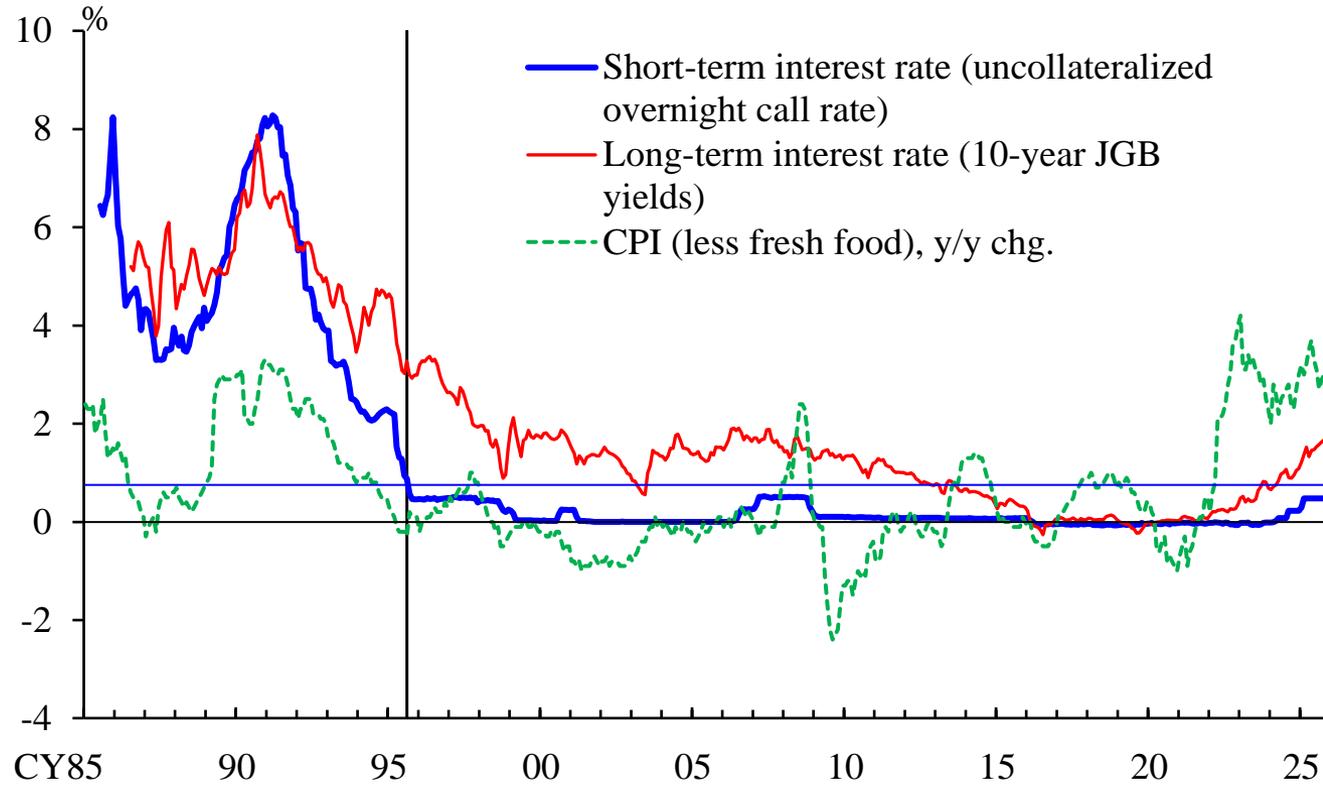


Note: Figures for observed inflation are the CPI for all items less fresh food.
 Source: Ministry of Internal Affairs and Communications.

Mechanism in Which Wages and Prices Interact with Each Other



Interest Rates and Consumer Prices

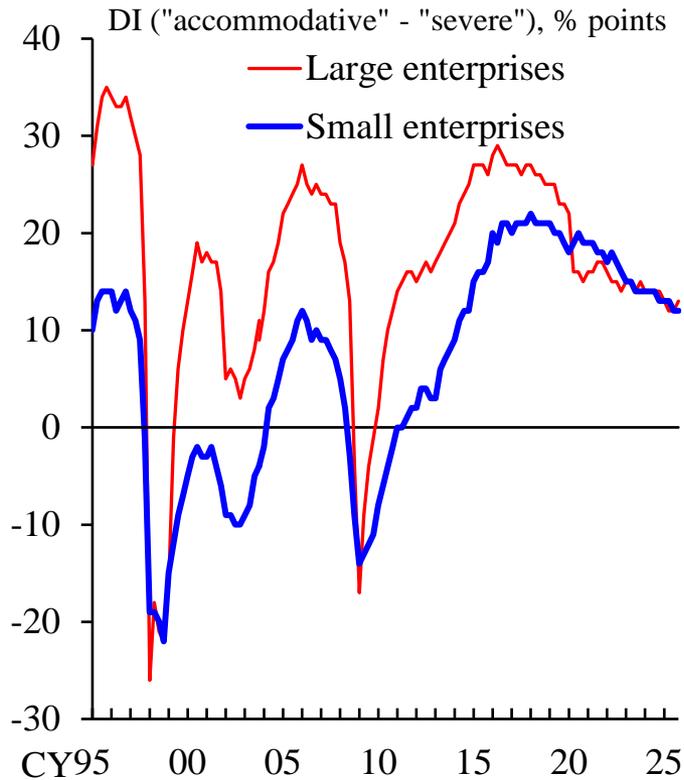


Note: Figures for the CPI (less fresh food) exclude the effects of consumption tax hikes.

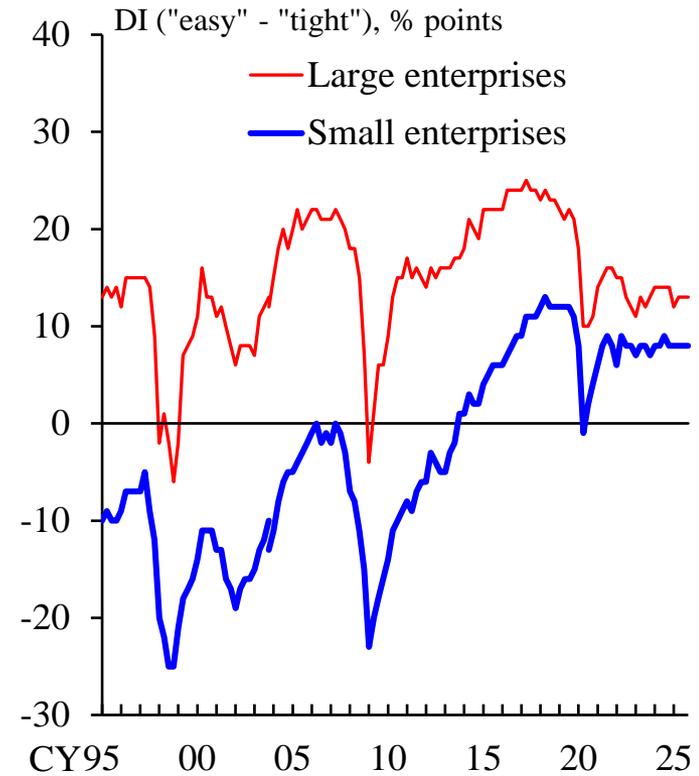
Sources: Ministry of Finance; Ministry of Internal Affairs and Communications; Bank of Japan.

Lending Attitudes of Financial Institutions and Firms' Financial Positions

*Lending Attitudes of Financial Institutions
as Perceived by Firms*



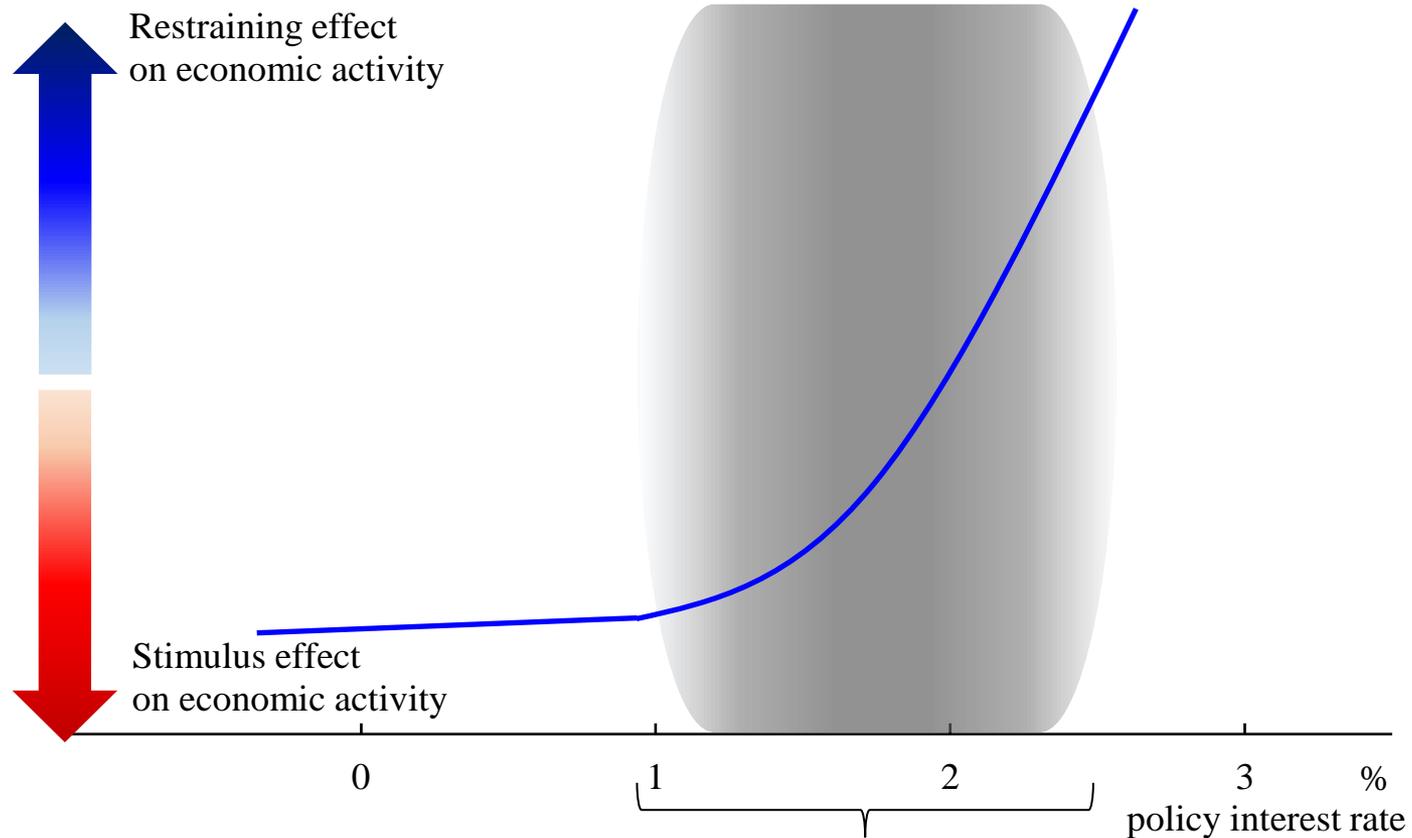
Firms' Financial Positions



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.

Effects of the Policy Interest Rate on Economic Activity: A Visual Overview Based on Experience as a Financial Practitioner



Identifying the level of the neutral interest rate requires examining the response of economic activity and prices.

Side Effects Relating to Interest Rate Functions in a State without Meaningful Interest Rates

(1) Weakening of the hurdle rate function of interest rates

The hurdle rate function acts to urge firms to concentrate their business resources to businesses with high added value that generate profitability that is higher than borrowing interest rates, thereby improving the efficiency of resource allocation.

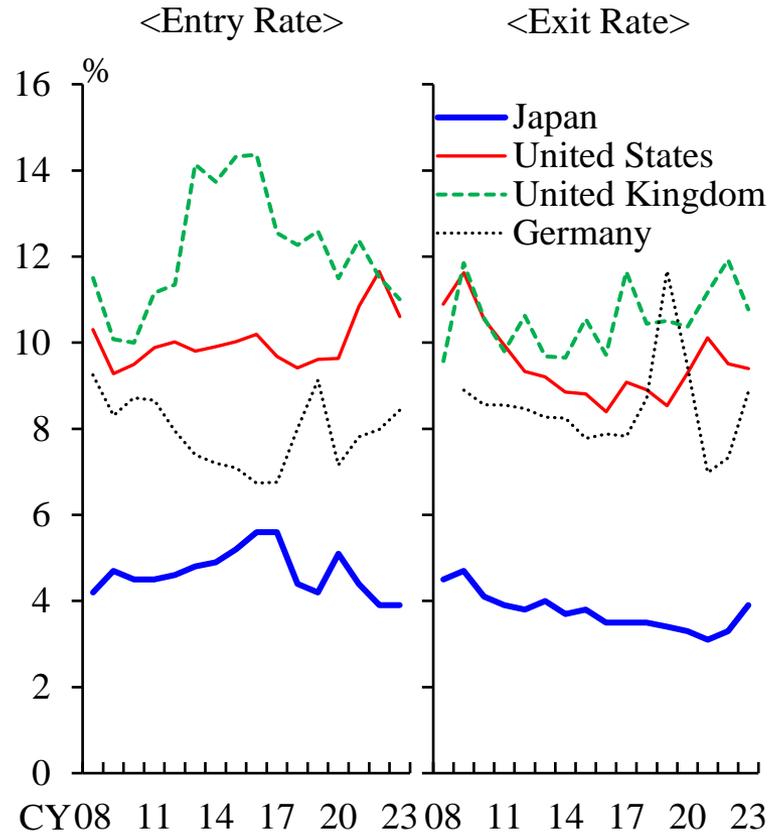
⇒ In a state without meaningful interest rates, it is likely that the channeling of funds into businesses with relatively low productivity has impeded improvement in the efficiency of resource allocation.

(2) Weakening of the signaling effects of interest rates

The level of long-term yields on JGBs and how it changes provide a signal for how the market sees factors such as the future state of economic activity and prices and the government's fiscal condition.

⇒ The signaling effects have not been fully exerted.

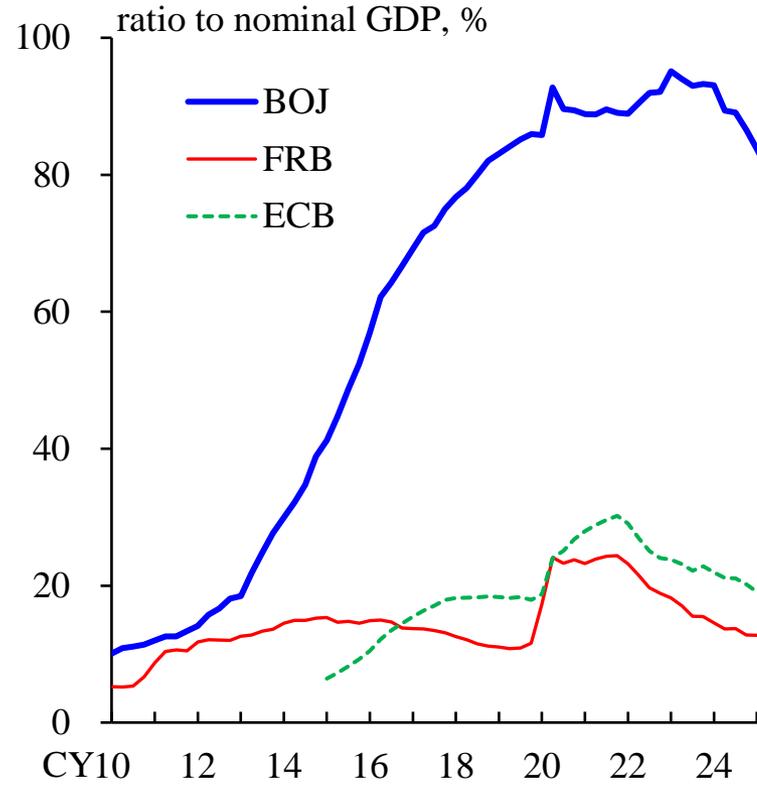
Entry and Exit Rates in Major Economies



Note: Figures for Japan are on a fiscal-year basis. There is a discontinuity between the figures for Germany up to 2020 and those from 2021 onward due to changes to the definition.

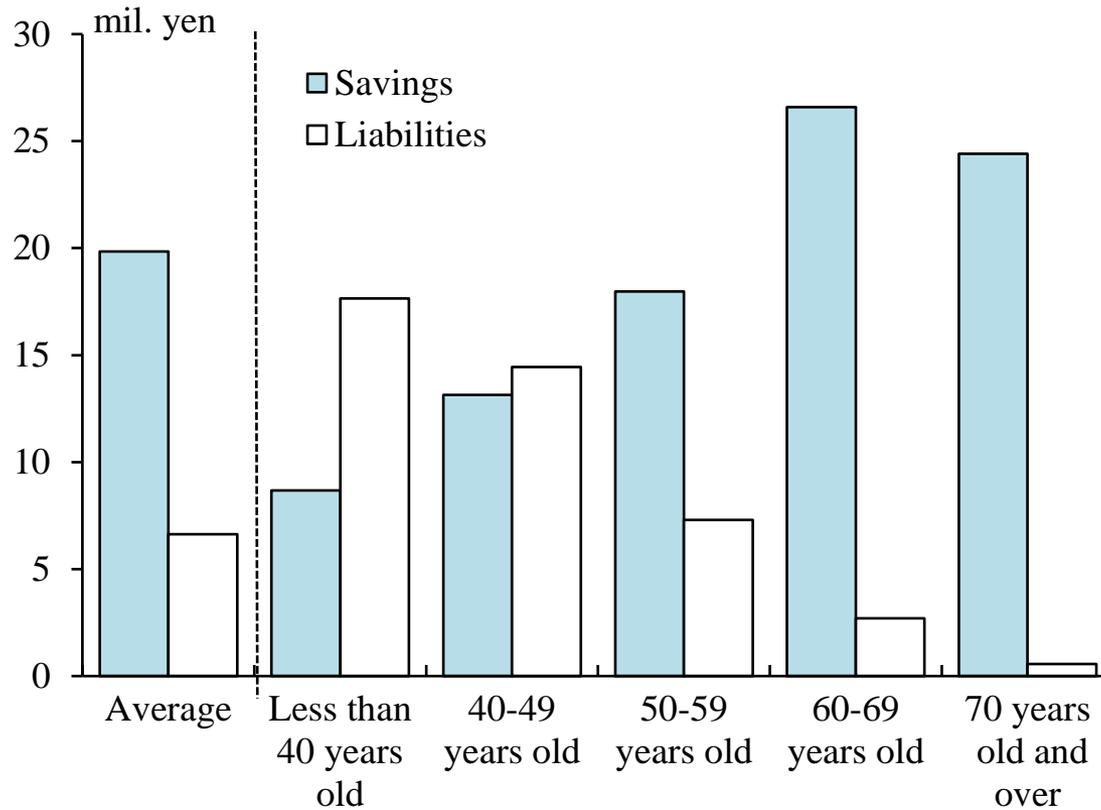
Sources: Eurostat; Small and Medium Enterprise Agency; U.K. Office for National Statistics; U.S. Census Bureau.

Government Bond Holdings of Major Central Banks



Sources: Cabinet Office; Eurostat; Federal Reserve Board; U.S. Bureau of Economic Analysis; Bank of Japan.

Household Savings and Liabilities

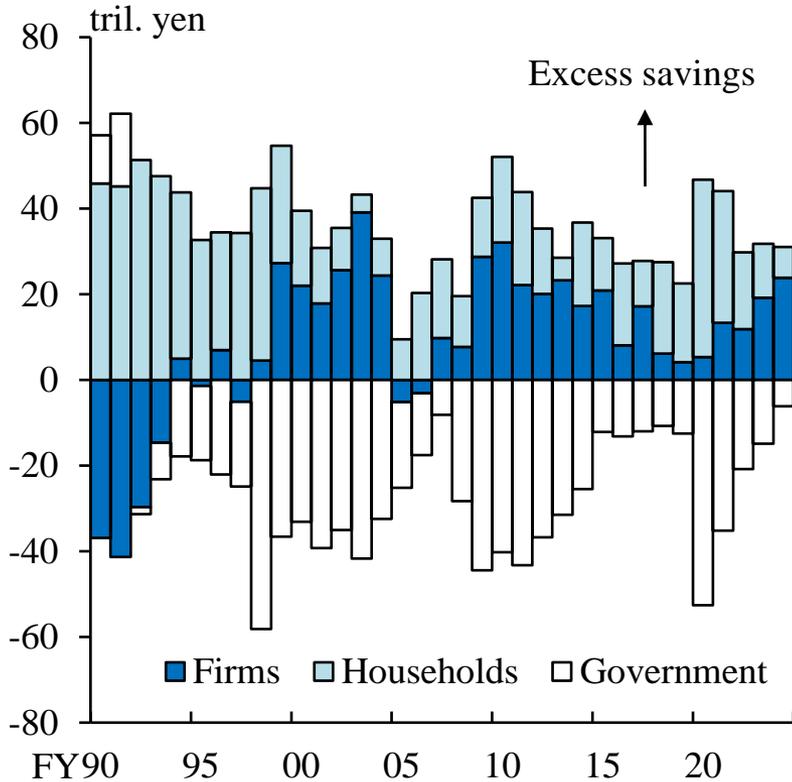


Note: Figures are 2024 averages for two-or-more-person households.

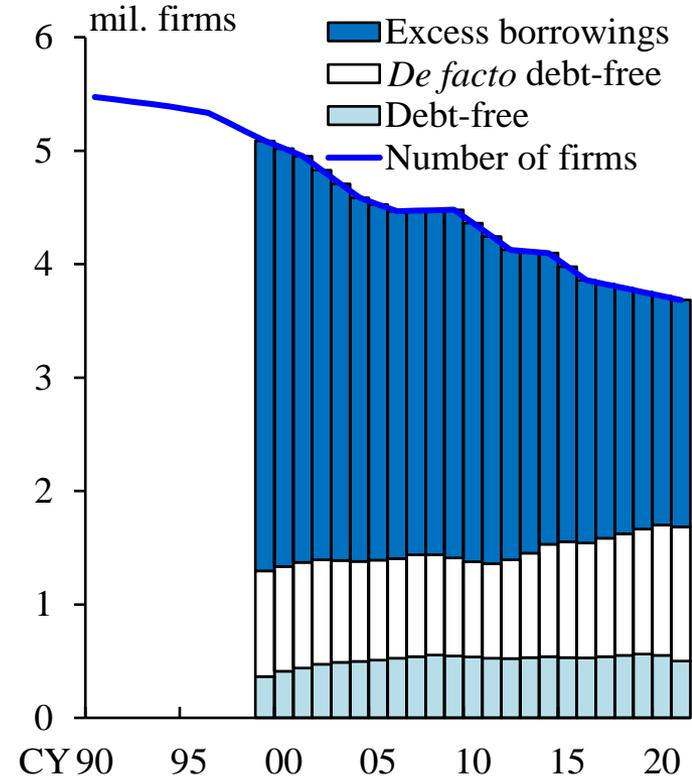
Source: Ministry of Internal Affairs and Communications.

Firms' Financial Condition

Savings-Investment Balance



Number of Firms

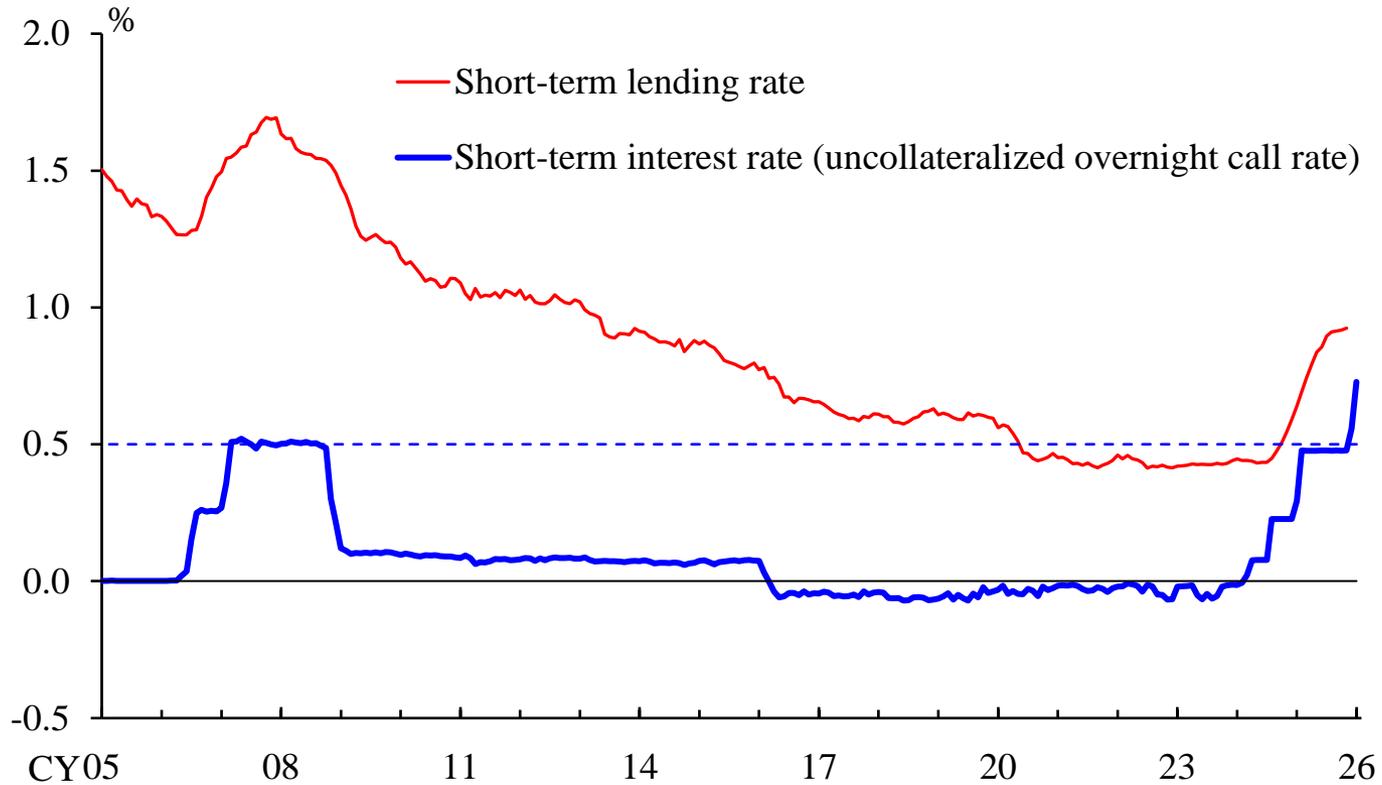


Notes: 1. In the left panel, figures are based on the *Flow of Funds Accounts*.

2. In the right panel, figures show the number of privately owned establishments from the *Economic Census for Business Frame* and the *Economic Census for Business Activity* (figures up until 2006 are from the *Establishment and Enterprise Census*), interpolated for years with no data; the number is decomposed using the shares of each category of firm for each year based on data from Teikoku Databank. Figures cover privately owned establishments (single-unit establishments and head offices).

Sources: Ministry of Internal Affairs and Communications; Small and Medium Enterprise Agency; Teikoku Databank; Bank of Japan.

Market Interest Rates and Lending Rates



Note: Lending rates indicate average contract interest rates on new loans and discounts of domestically licensed banks (6-month backward moving averages). Figures are yen-denominated loans on the banking book, excluding loans to financial institutions.
Source: Bank of Japan.