



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting Held by the Kagoshima Keizai Doyukai

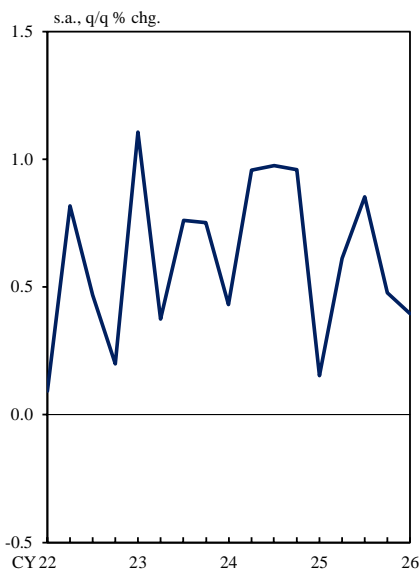
May 14, 2026

MASU Kazuyuki
Member of the Policy Board
Bank of Japan

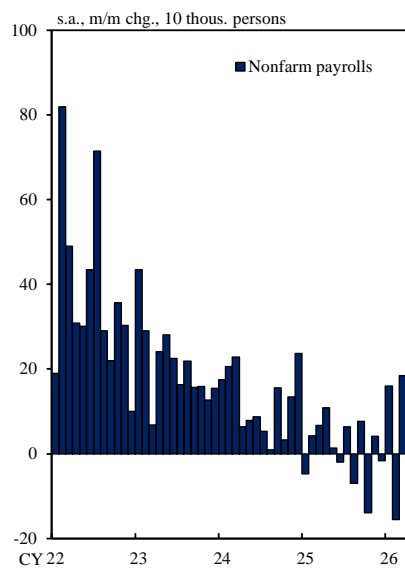
Chart 1

U.S. Economy

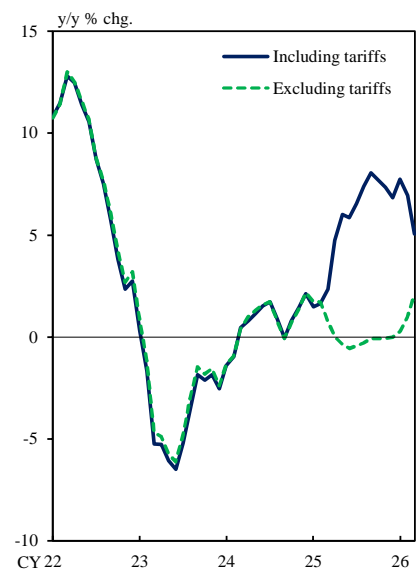
Real Private Consumption



Number of Employees



Import Prices



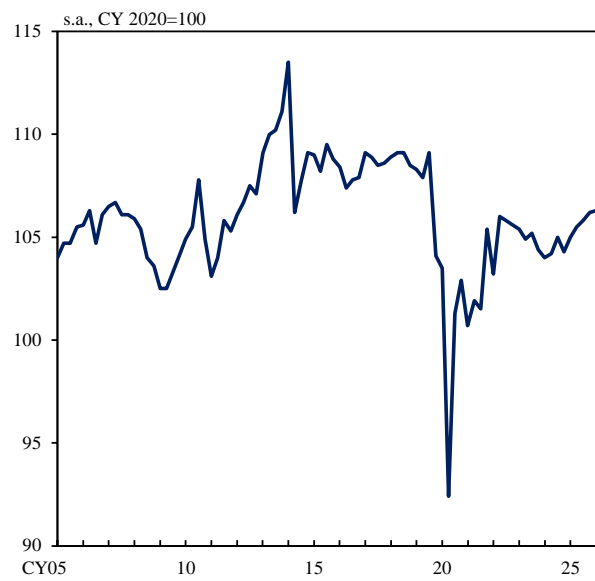
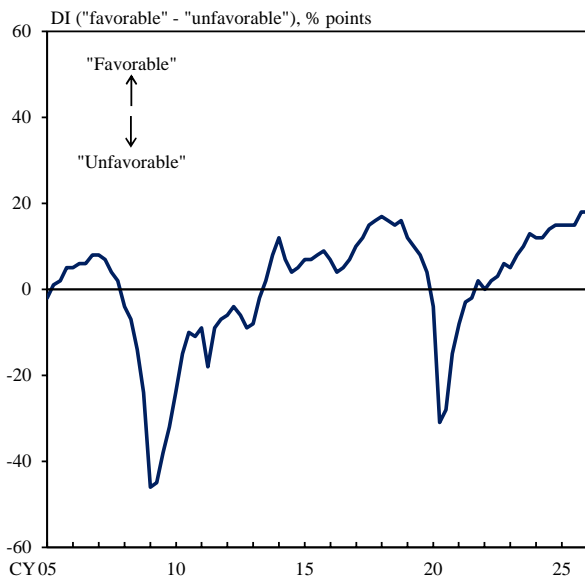
Note: In the right panel, figures for October 2025 are linearly interpolated using figures for September and November. Figures including tariffs are based on Bank staff calculations using published import price figures and the effective tariff rates.

Source: Haver.

Japan's Economy

Business Conditions

*Consumption Activity Index
(Travel Balance Adjusted)*

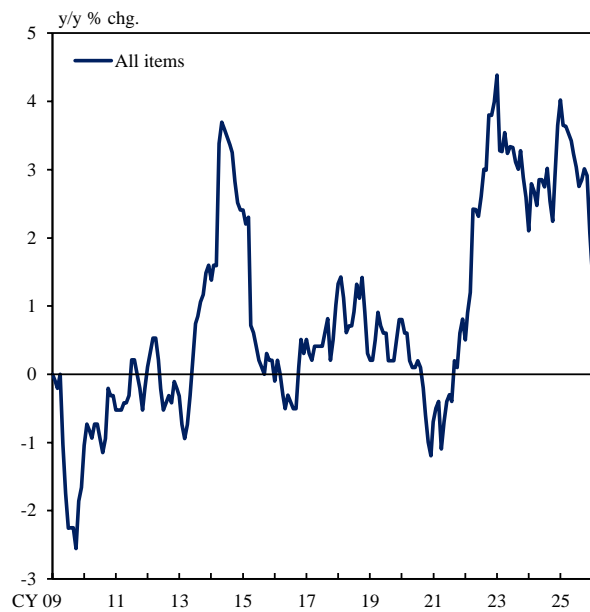


Notes: 1. In the left panel, figures are based on the *Tankan* and are for all industries and enterprises.

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

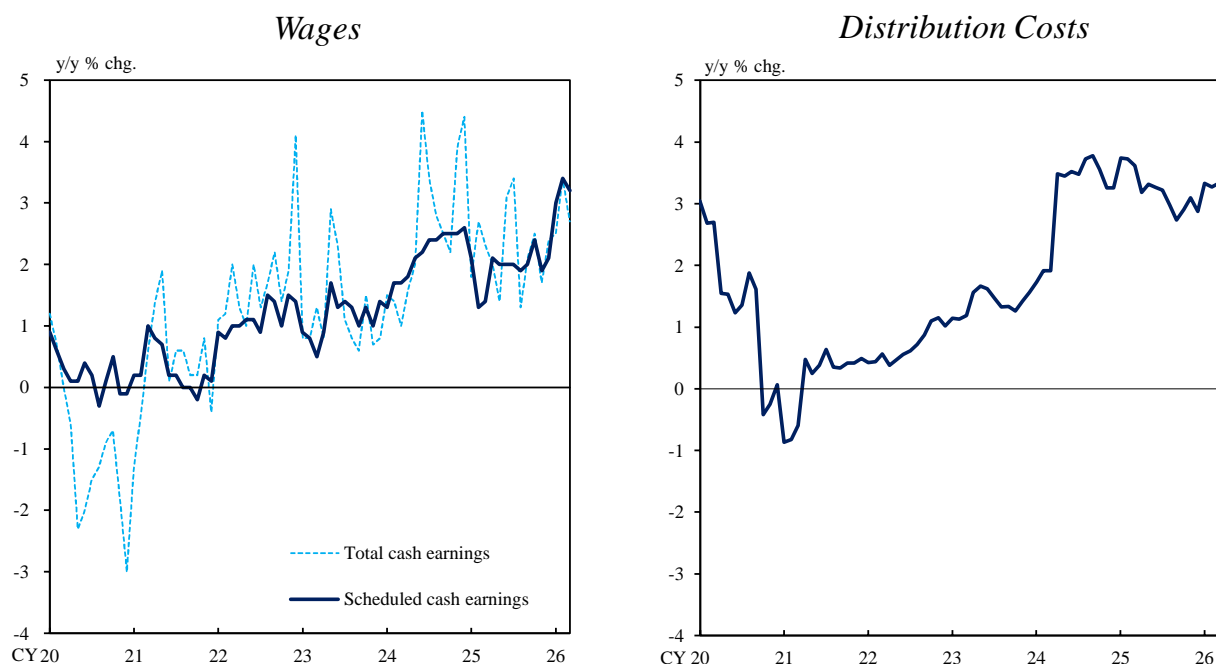
Source: Bank of Japan.

Japan's CPI Inflation



Source: Ministry of Internal Affairs and Communications.

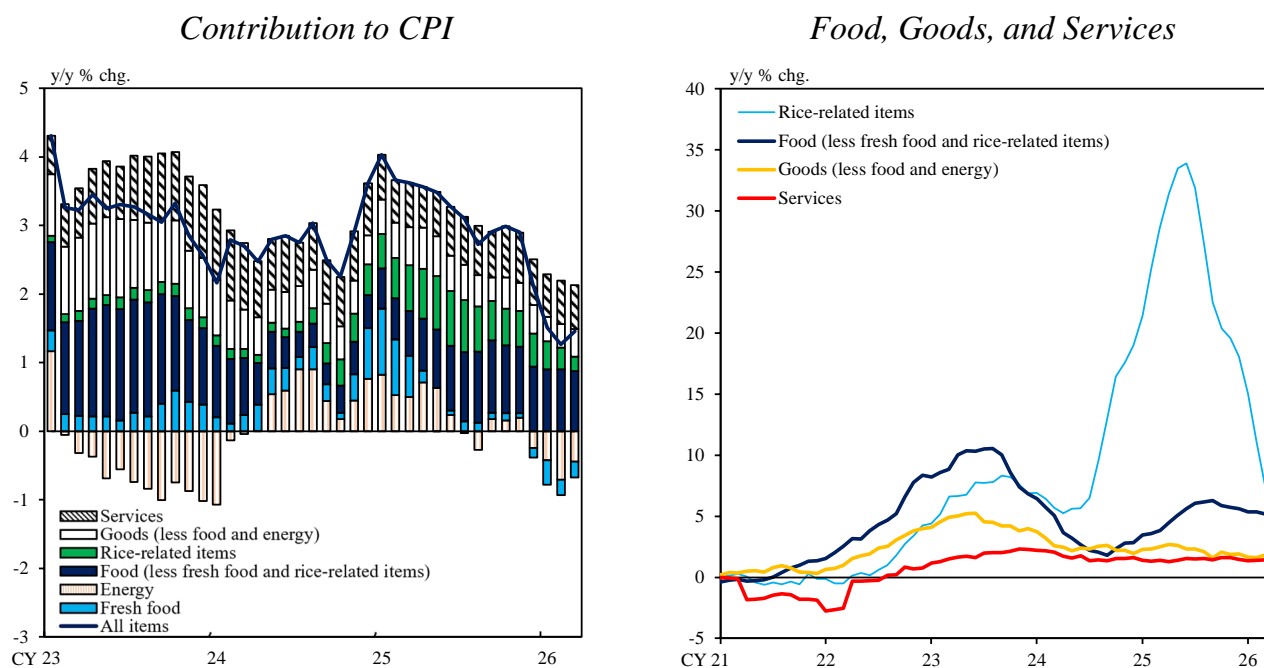
Wages and Distribution Costs in Japan



Note: In the right panel, figures for distribution costs are the weighted averages of the following items in the services producer price index: motor freight transportation (agriculture, forestry & fishery and food products), motor freight transportation (mineral and chemical products), motor freight transportation (metal and machinery products), and motor freight transportation (light and miscellaneous industrial products).

Sources: Ministry of Health, Labour and Welfare; Bank of Japan.

Japan's CPI Inflation

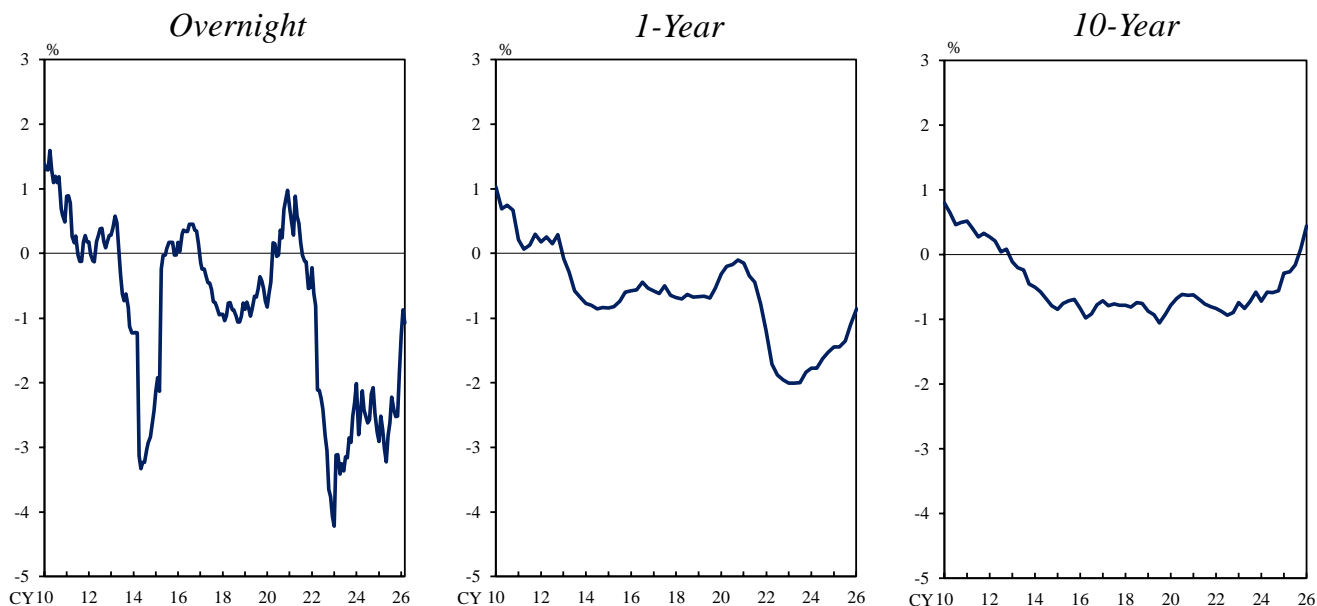


Note: "Rice-related items" consists of non-glutinous rice, mochi or rice cakes, *daifukumochi* or rice cakes stuffed with sweetened bean jam, *sembei* or Japanese crackers, sushi (box lunches), box lunches, rice balls, frozen cooked rice, and aseptic packaged cooked rice.

Source: Ministry of Internal Affairs and Communications.

Real Interest Rate in Japan

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

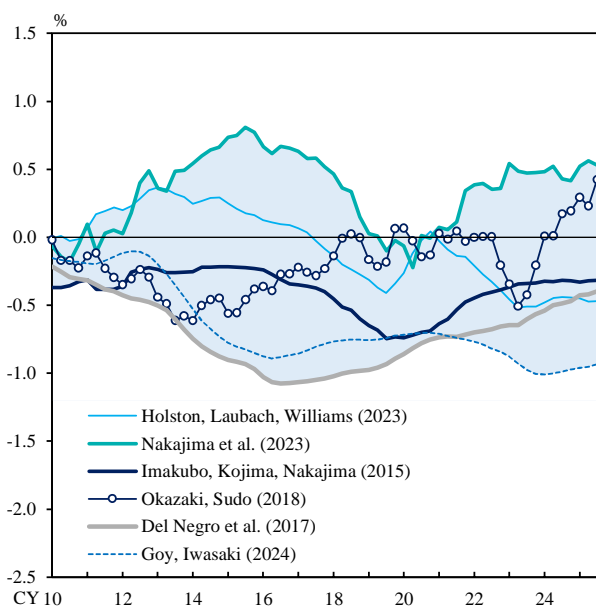


- Notes: 1. In the left panel, figures for the real interest rate are calculated by deducting the year-on-year rate of change in the CPI (less fresh food) from the uncollateralized overnight call rate.
 2. In the middle and right panels, figures for real interest rates are calculated by deducting inflation 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.

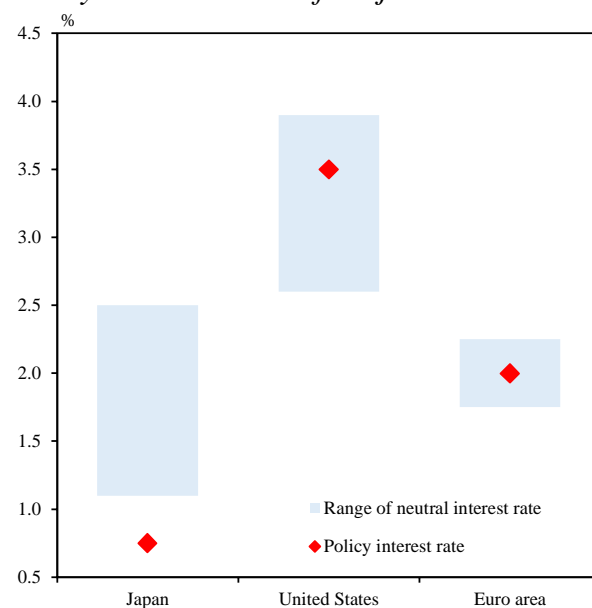
Sources: Bloomberg; Consensus Economics Inc., *Consensus Forecasts*; Ministry of Internal Affairs and Communications; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

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

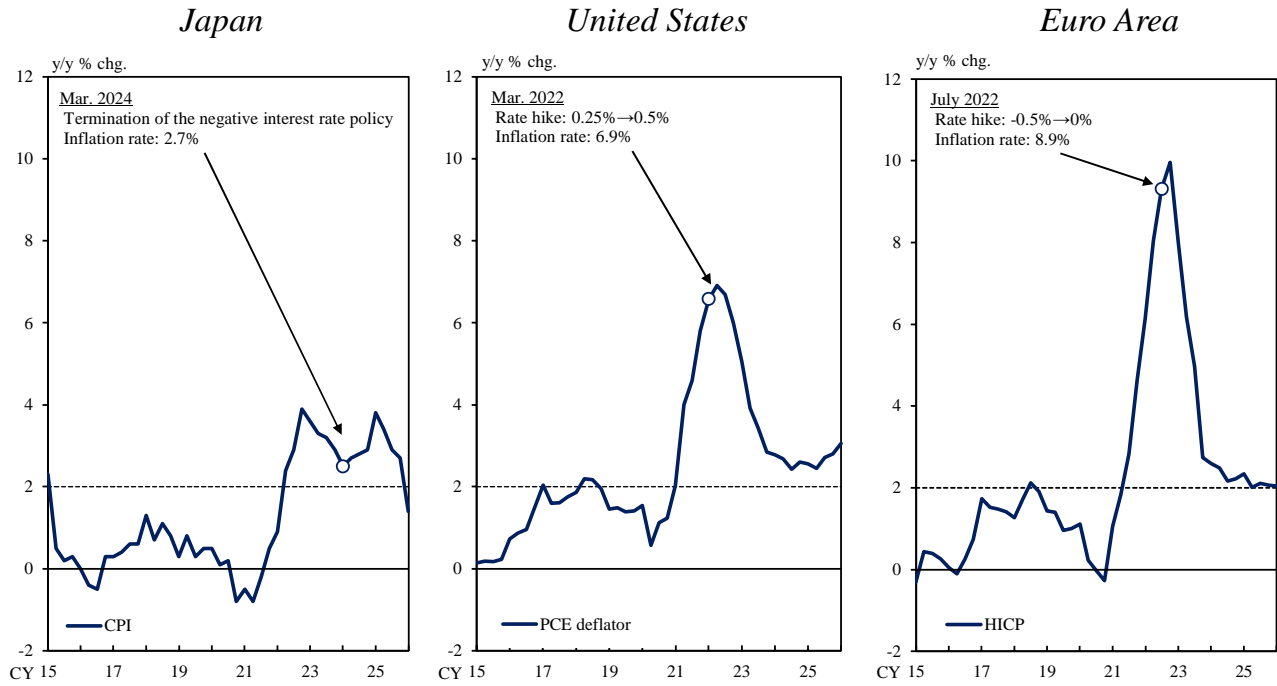


- Notes: 1. In the left panel, estimates are based on Bank staff calculations using the models proposed in the different papers listed. The shaded area shows the estimated range of the natural rate of interest.

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 March 2026 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.

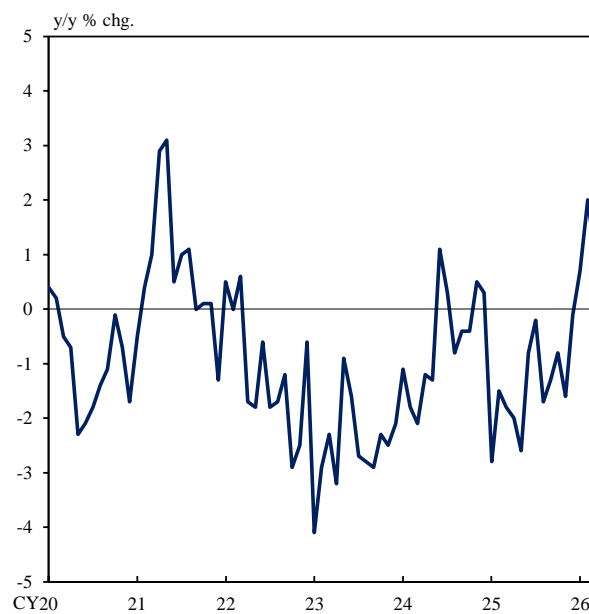
Inflation Rates



Note: Inflation rates are calculated based on consumer prices for all items. 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.

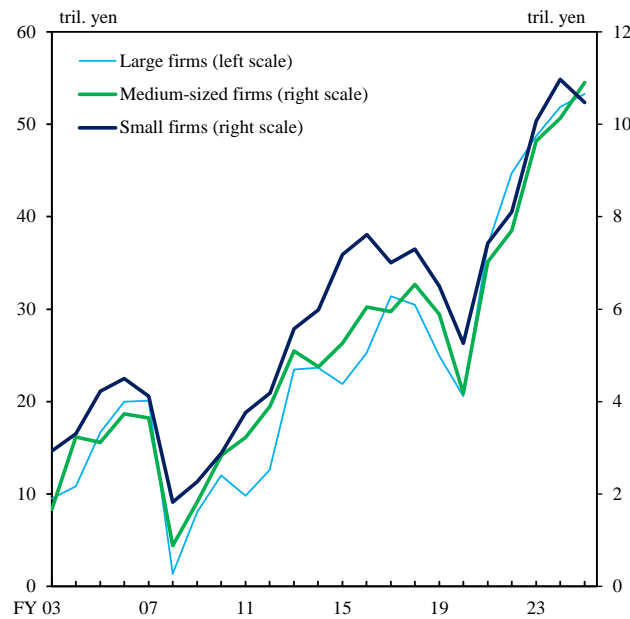
Sources: Haver; Ministry of Internal Affairs and Communications.

Japan's Real Wages



Source: Ministry of Health, Labour and Welfare.

Net Income of Japanese Firms

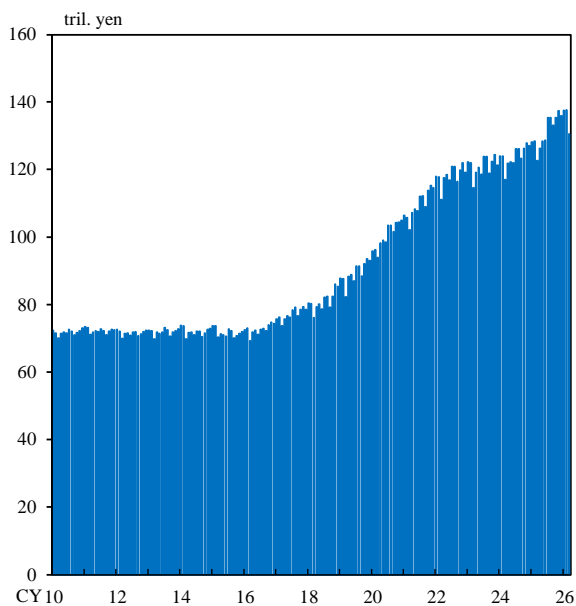


Note: Figures are based on the *Tankan* and are for all industries excluding financial institutions. Figures for fiscal 2025 are estimates as of March 2026.

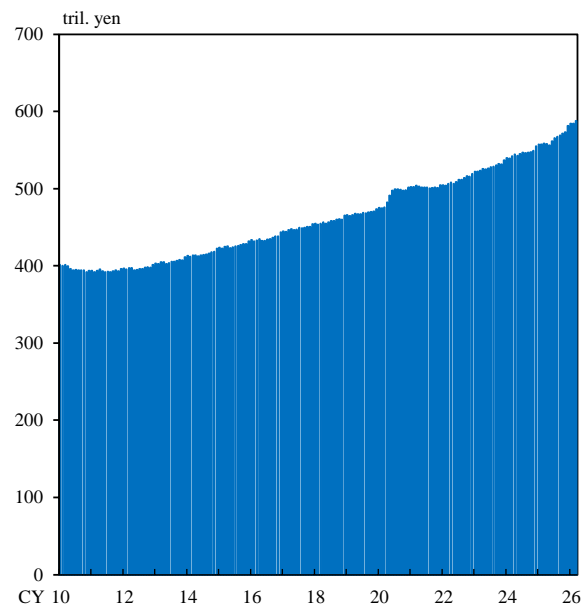
Source: Bank of Japan.

Amounts Outstanding of CP, Corporate Bonds, and Bank Lending

CP and Corporate Bonds



Lending by Domestic Commercial Banks

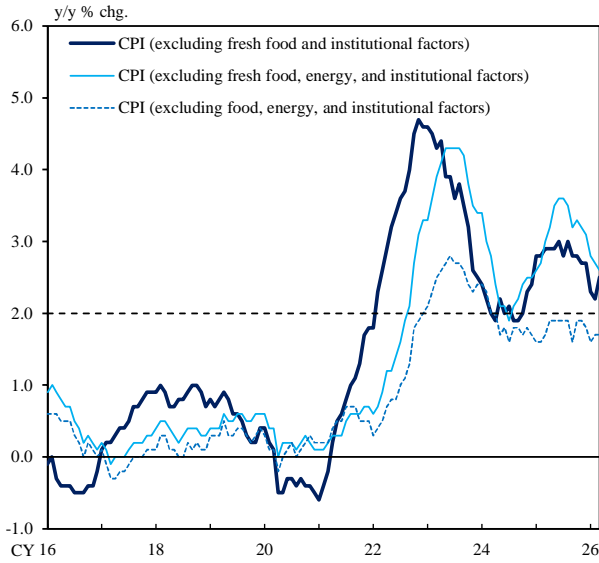


Note: Figures in the left panel are those at the end of the period. Figures in the right panel are monthly averages.

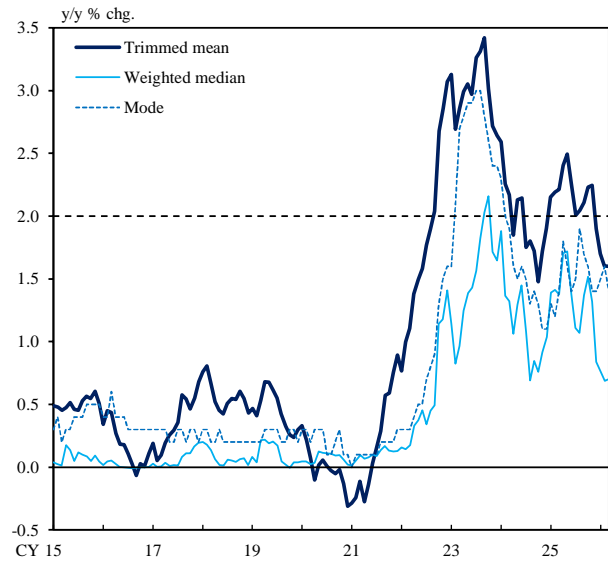
Sources: I-N Information Systems; Japan Securities Dealers Association; Japan Securities Depository Center; Bank of Japan.

Underlying Inflation (1)

CPI Excluding Institutional Factors



Trimmed Mean etc.

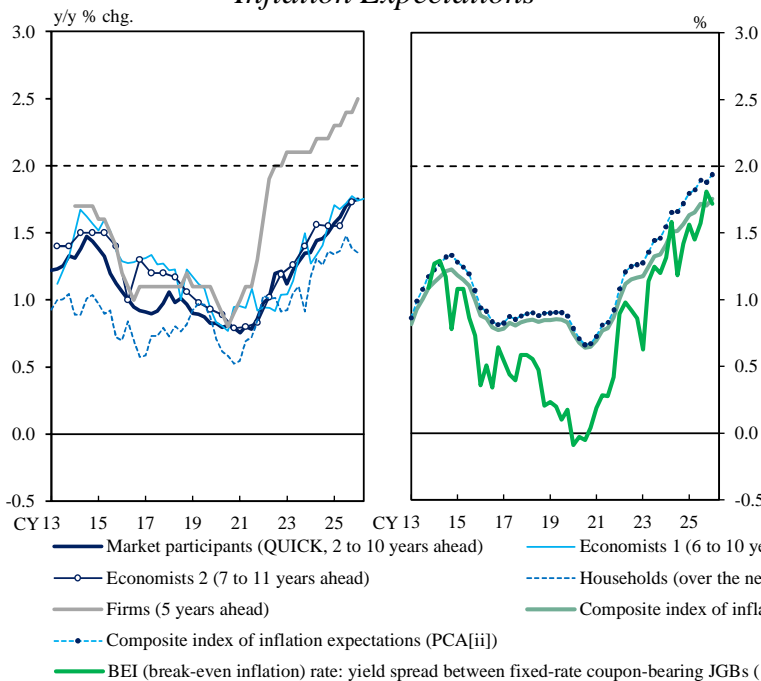


Note: Institutional factors include the effects of the consumption tax hike, policies concerning the provision of free education, measures to reduce the energy cost burden (such as gasoline prices, electricity charges, and gas charges), the reduction in mobile phone charges in 2021, and travel subsidy programs. Figures are Bank staff estimates.

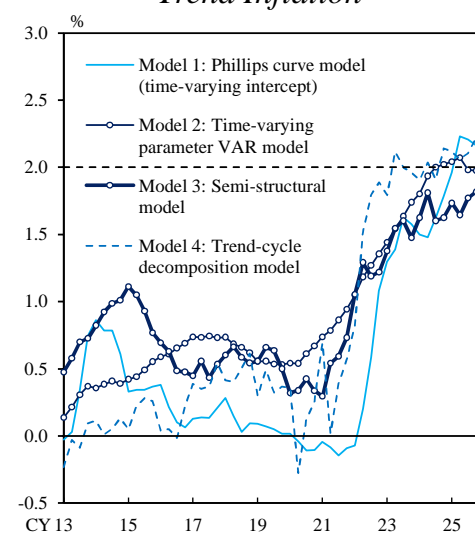
Sources: Ministry of Internal Affairs and Communications; etc.

Underlying Inflation (2)

Inflation Expectations



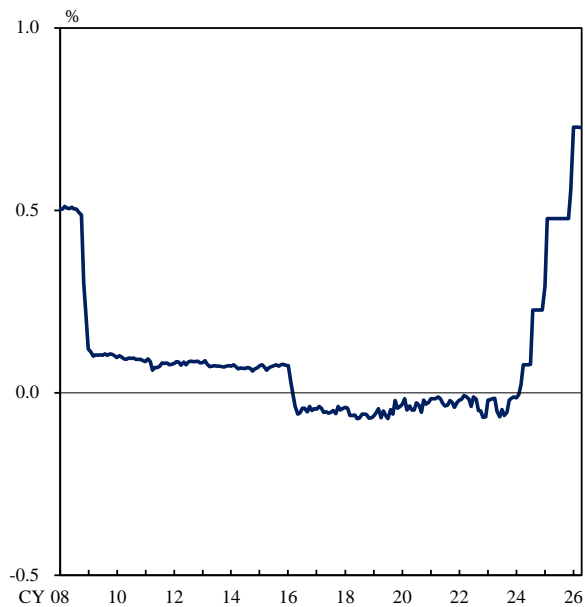
Trend Inflation



Notes: 1. In the left 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*.
2. In the middle panel, composite indexes of inflation expectations are for 10-year-ahead expectations. They are calculated using principal component analysis (PCA).

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

Japan's Policy Interest Rate

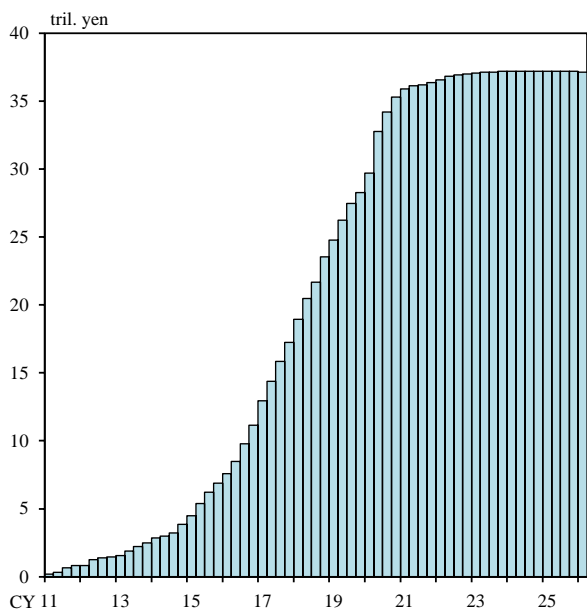


Note: Figures are the uncollateralized overnight call rate.

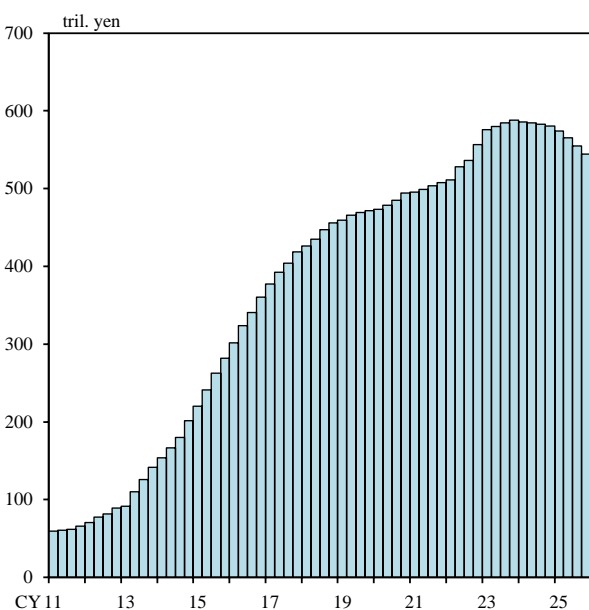
Source: Bank of Japan.

The Bank's Balance Sheet

ETF Holdings



JGB Holdings



Source: Bank of Japan.