



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Fukui

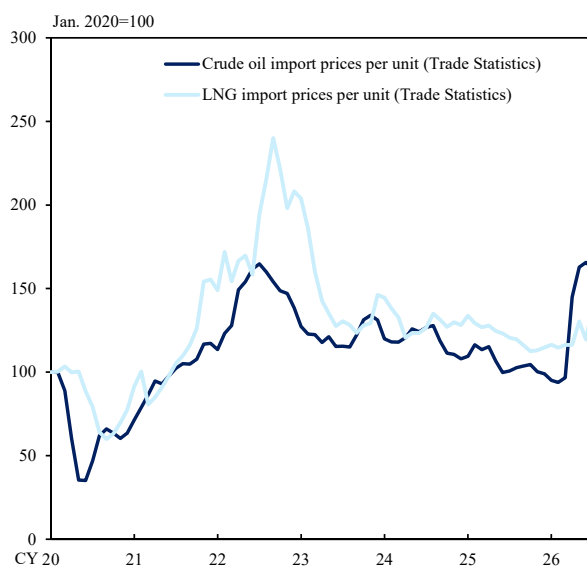
September 10, 2026

MASU Kazuyuki
Member of the Policy Board
Bank of Japan

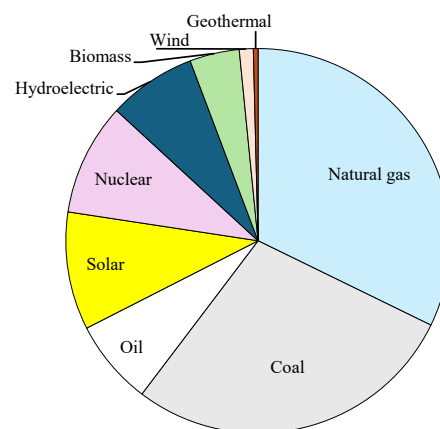
Chart 1

Energy Situation in Japan

Crude Oil and LNG Prices



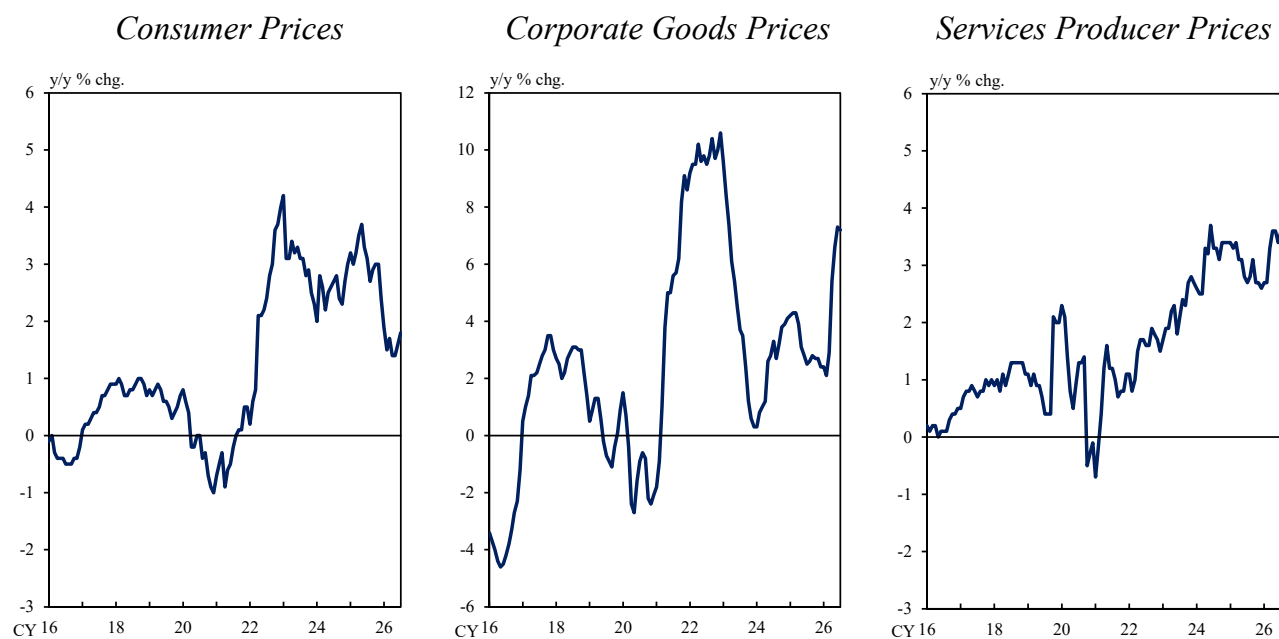
Japan's Energy Mix



Note: Figures in the left panel are adjusted for fluctuations in the U.S. dollar/yen exchange rate. Figures in the right pie graph are for fiscal 2024.

Sources: Agency for Natural Resources and Energy; Ministry of Finance; Bank of Japan.

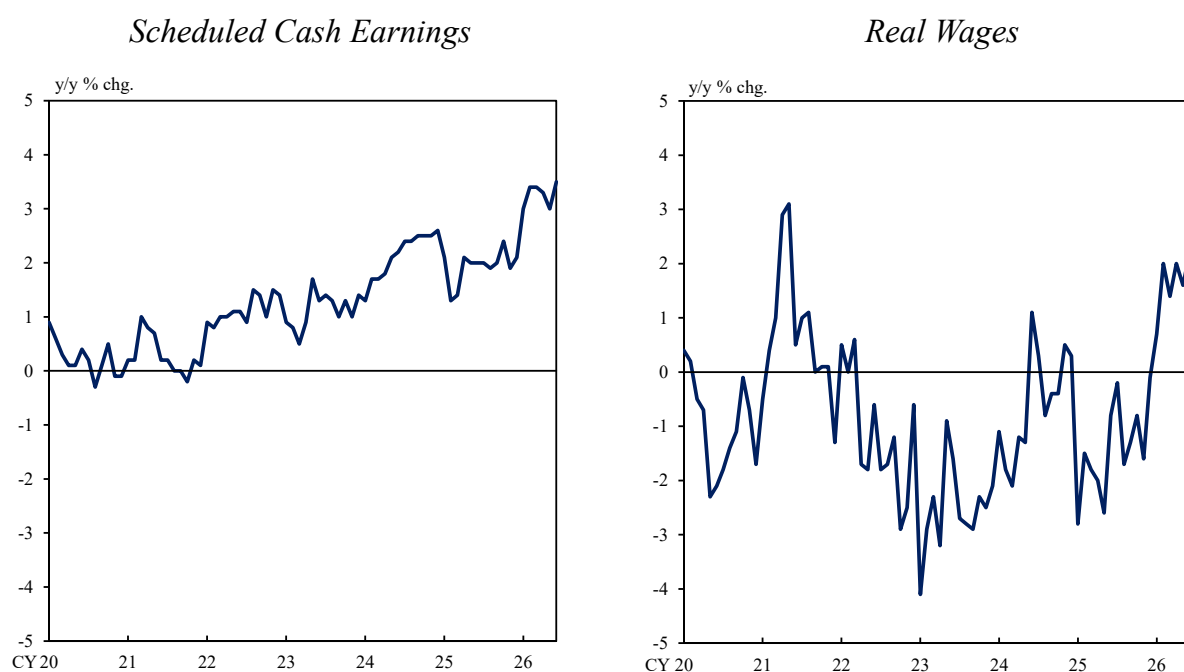
Price Developments



Note: Figures in the left panel show the CPI for all items less fresh food.

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

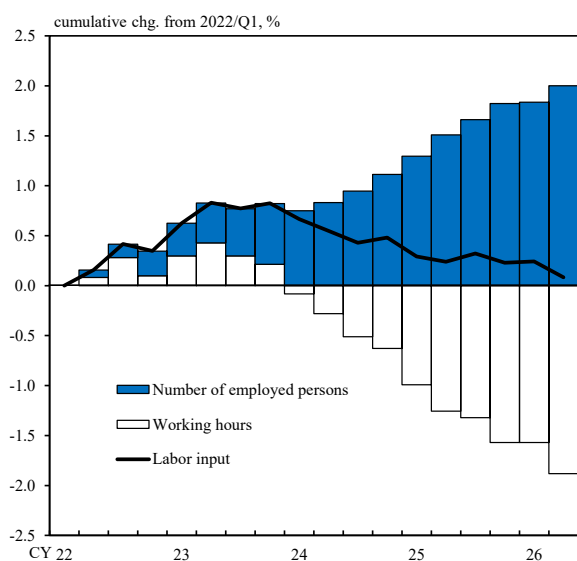
Wages



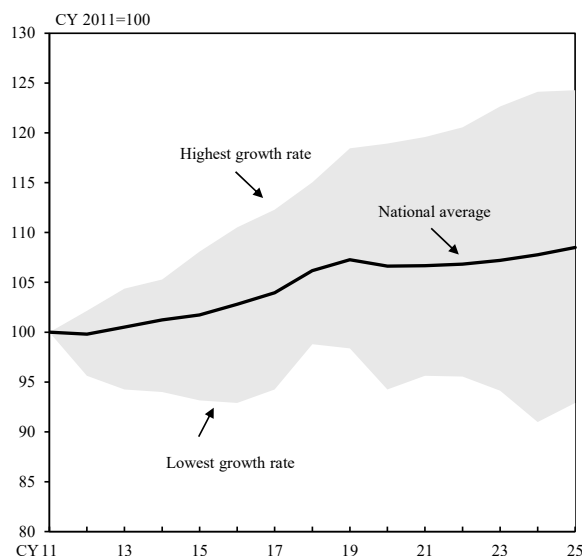
Source: Ministry of Health, Labour and Welfare.

Employment

Labor Input



Number of Employed Persons by Prefecture

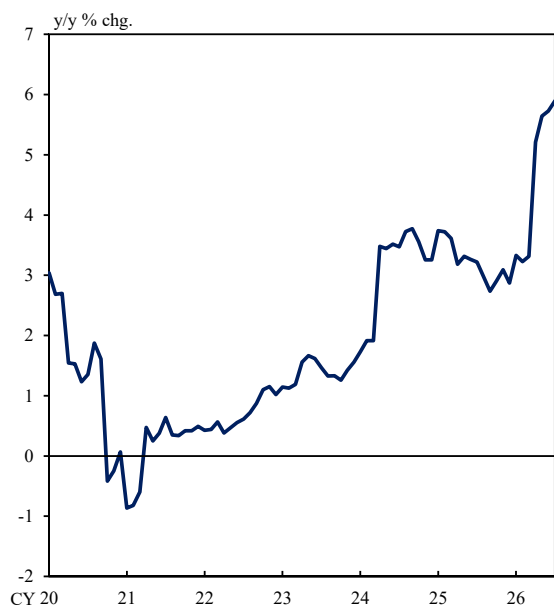


- Notes: 1. In the left panel, figures are 4-quarter backward moving averages. Labor input is calculated by multiplying the number of employed persons and working hours.
 2. In the right panel, the shaded area shows the range between the highest and lowest growth rates in the number of employed persons calculated for each prefecture.

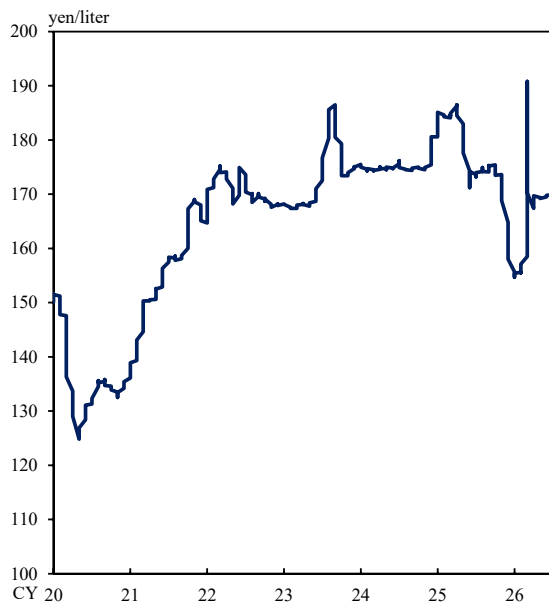
Source: Ministry of Internal Affairs and Communications.

Distribution Costs

Motor Freight Transportation Costs



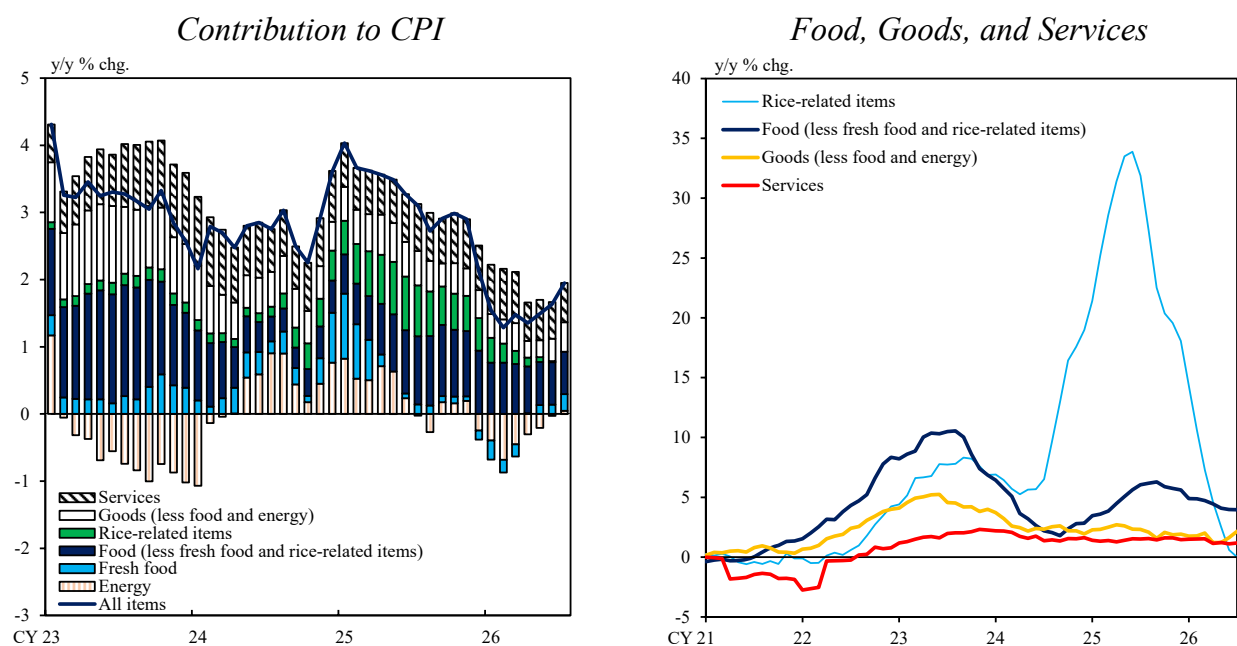
Gasoline Prices



- Notes: 1. In the left panel, figures are weighted averages of the following items in the SPPI: 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).
 2. In the right panel, figures are the retail prices of regular gasoline.

Sources: Agency for Natural Resources and Energy; Bank of Japan.

CPI Inflation

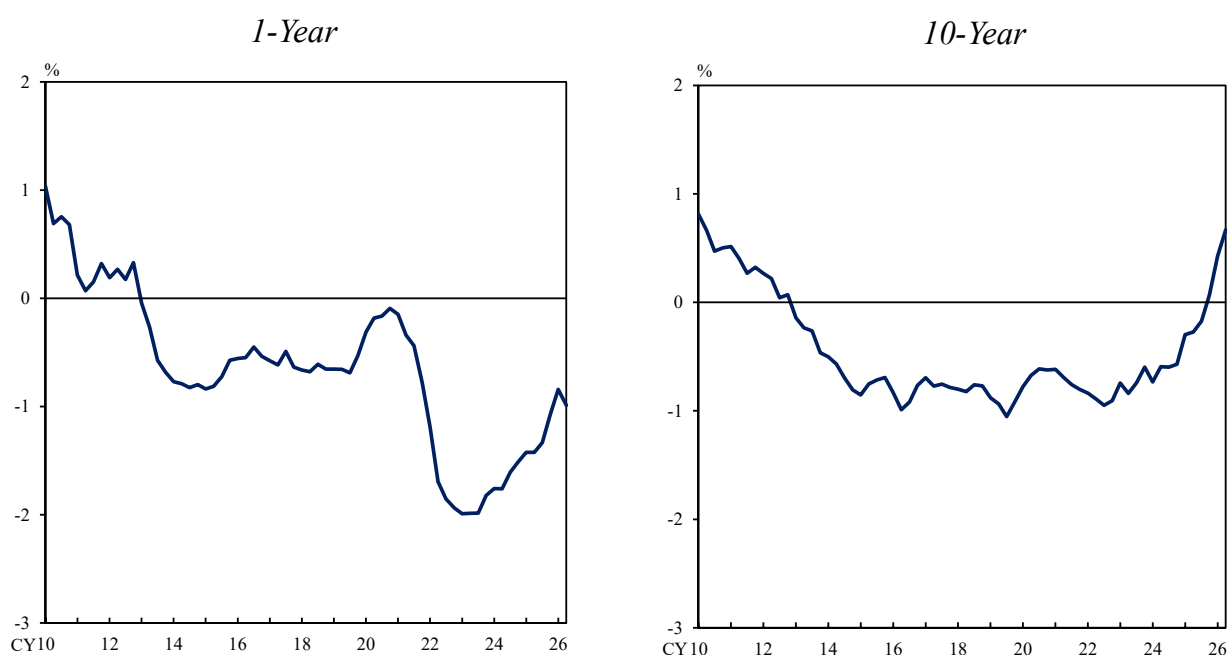


Note: "Rice-related items" consists of non-glutinous rice, mochi or rice cakes, *daifukumochi* or rice cakes stuffed with sweetened bean jam, *sembei* or Japanese crackers, sushi (box lunches), box lunches, rice balls, frozen cooked rice, and aseptic packaged cooked rice.

Source: Ministry of Internal Affairs and Communications.

Real Interest Rate

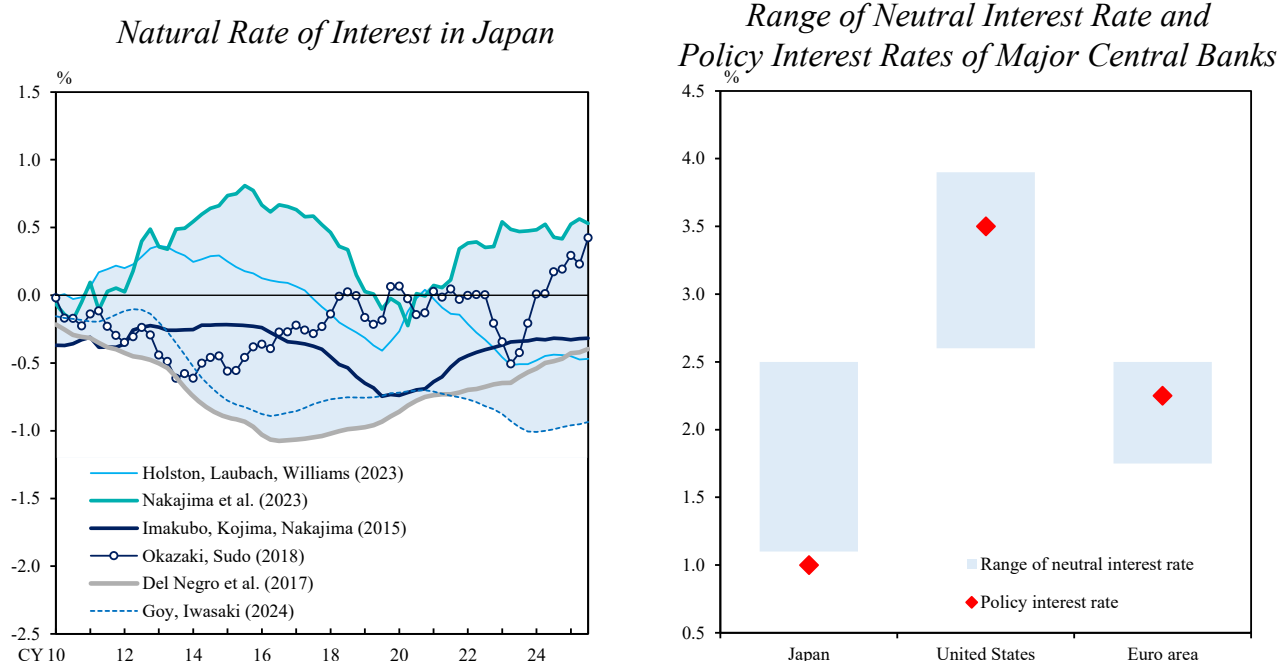
(Real interest rate = Nominal interest rate – Inflation rate)



Note: 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*; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

Natural Rate of Interest, Neutral Interest Rate, and Policy Interest Rates Chart 8

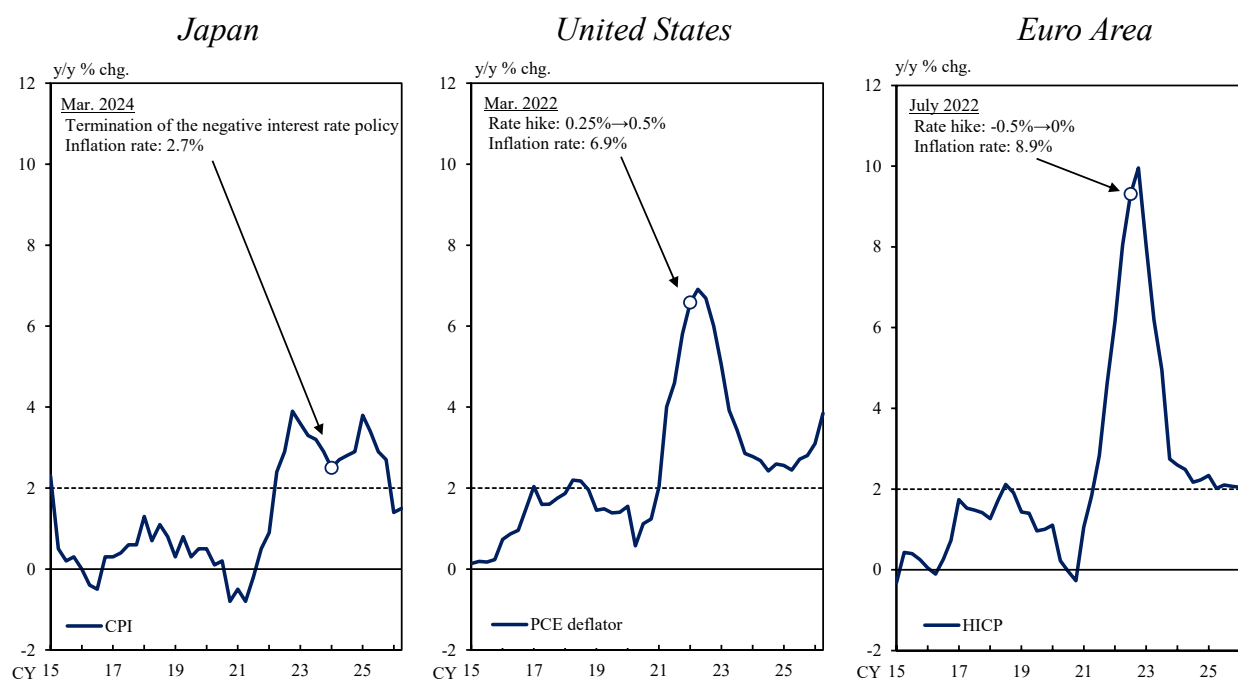


Notes: 1. In the left panel, estimates are based on Bank staff calculations using the models proposed in the different papers listed. The shaded area shows the estimated range of the natural rate of interest.
 2. In the right panel, as the Federal Reserve does not officially publish the range of the neutral interest rate, the range for the United States is based on the FOMC members' longer-run projections for the federal funds rate in the Summary of Economic Projections released after the June 2026 FOMC meeting. The estimated range of the neutral interest rate for the euro area refers to the figures mentioned in a recent speech by Philip R. Lane, a member of the Executive Board of the ECB.

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.

Chart 9

Inflation Rates

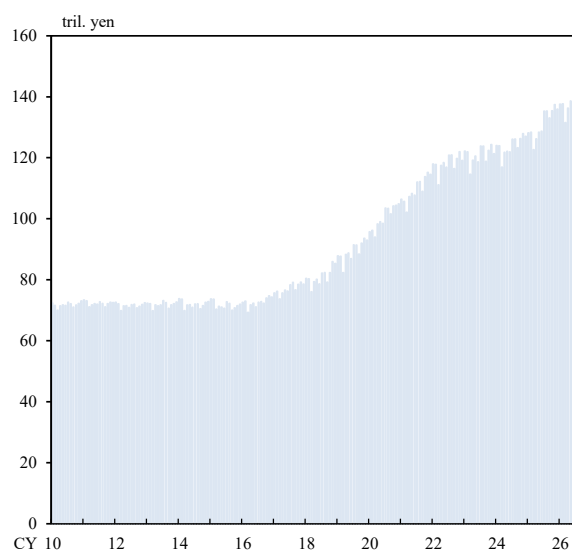


Note: Inflation rates are calculated based on consumer prices for all items. The policy interest rate for the United States is the upper limit of the federal funds target range. The rate for the euro area is the ECB deposit facility rate.

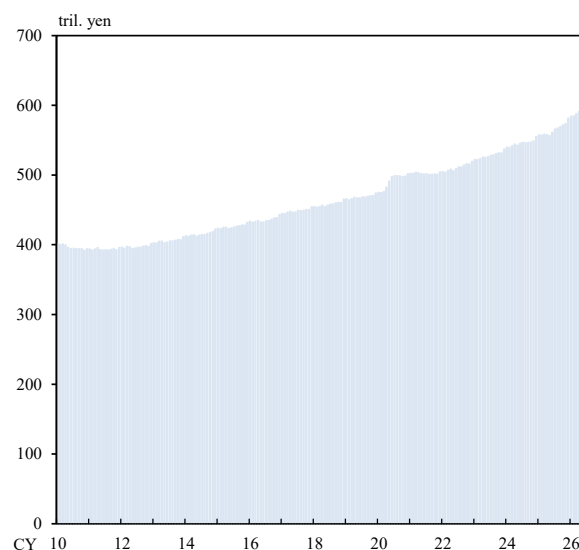
Sources: Haver; Ministry of Internal Affairs and Communications.

Amounts Outstanding of CP, Corporate Bonds, and Bank Lending

CP and Corporate Bonds



Lending by Domestic Commercial Banks

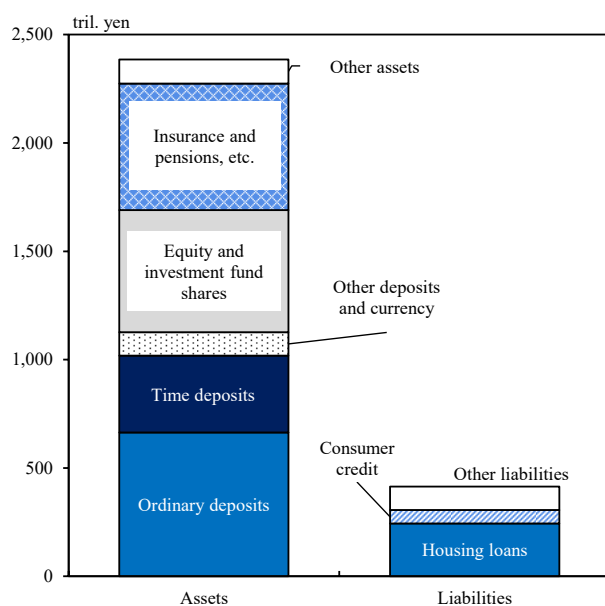


Note: Figures in the left panel are as of the end of the period. Figures in the right panel are monthly averages.

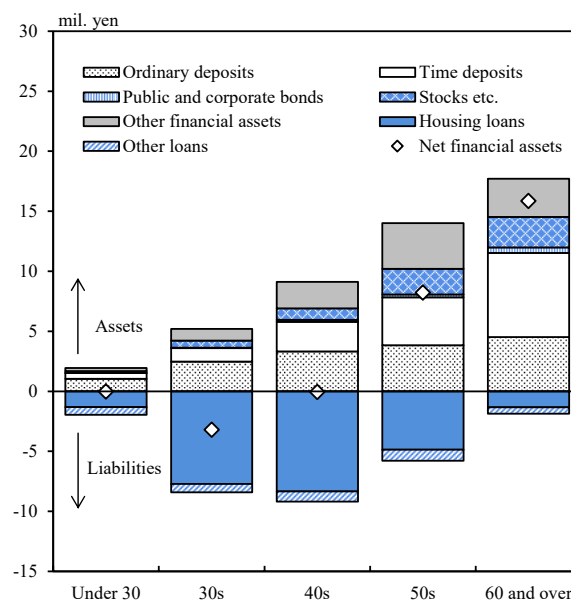
Sources: I-N Information Systems; Japan Securities Dealers Association; Japan Securities Depository Center; Bank of Japan.

Households' Balance Sheets

Total Amount



By Age of Household Head

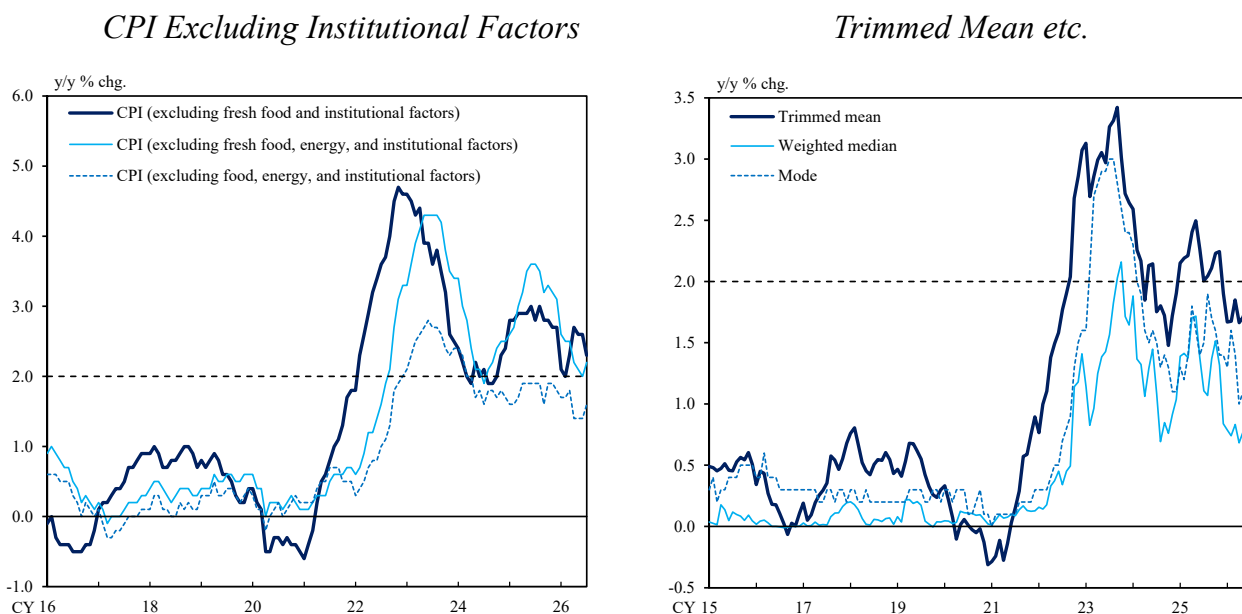


Notes: 1. In the left panel, figures are as of the end of March 2026. The figure for equity and investment fund shares is the amount outstanding of equity and investment trust beneficiary certificates (based on market values).

2. In the right panel, figures show the average balance sheet per household for each age group as of 2019.

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

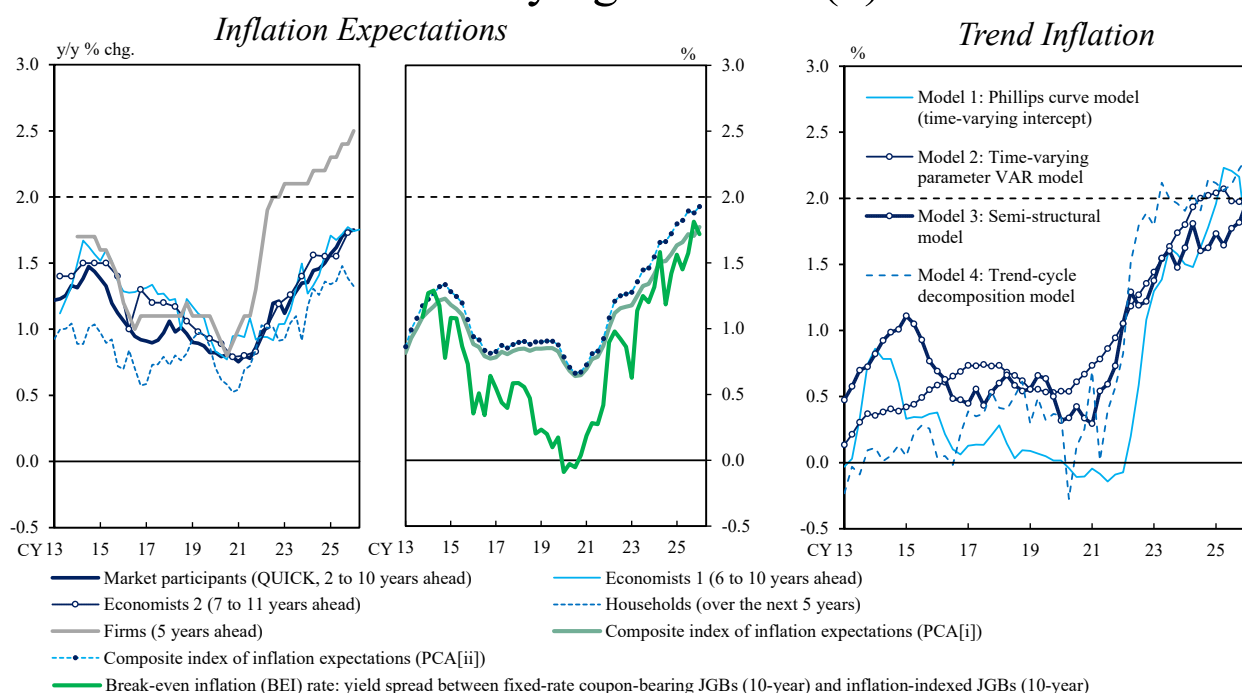
Underlying Inflation (1)



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: Bank of Japan; etc.

Underlying Inflation (2)

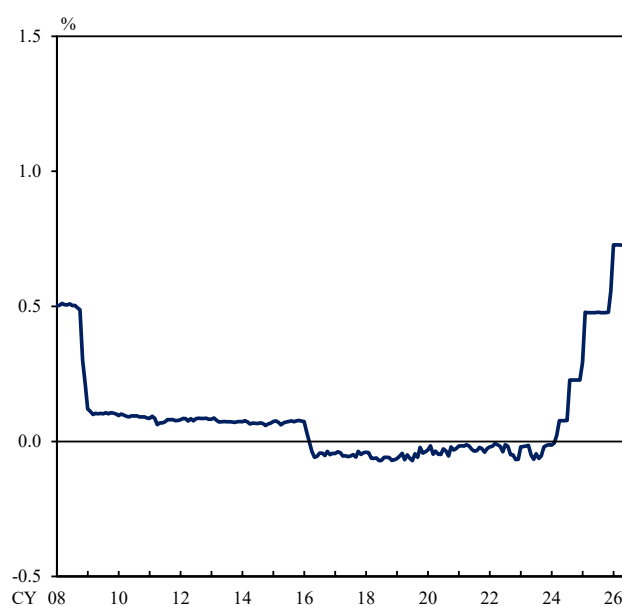


Notes: 1. In the left panel, "Economists 1" shows the forecasts of economists in the *Consensus Forecasts*. "Economists 2" shows the forecasts of forecasters surveyed for the *ESP Forecast*. Figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using 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; Cabinet Office; Consensus Economics Inc., *Consensus Forecasts*; Google Trends; JCER, *ESP Forecast*; Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications; QUICK, *QUICK Monthly Market Survey <Bonds>*; Bank of Japan.

Policy Interest Rate



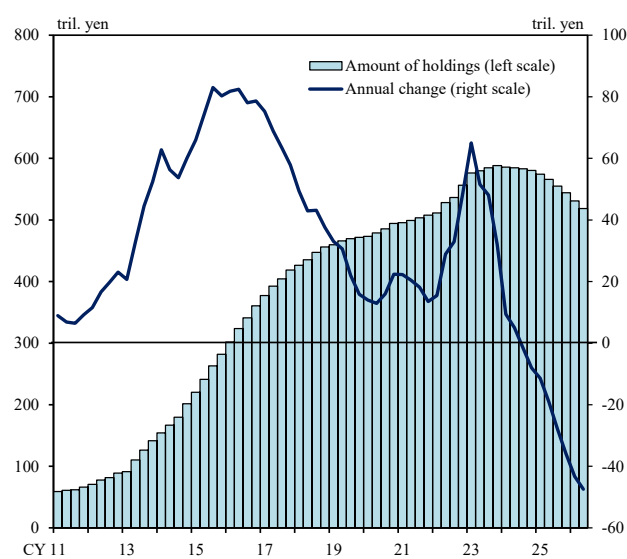
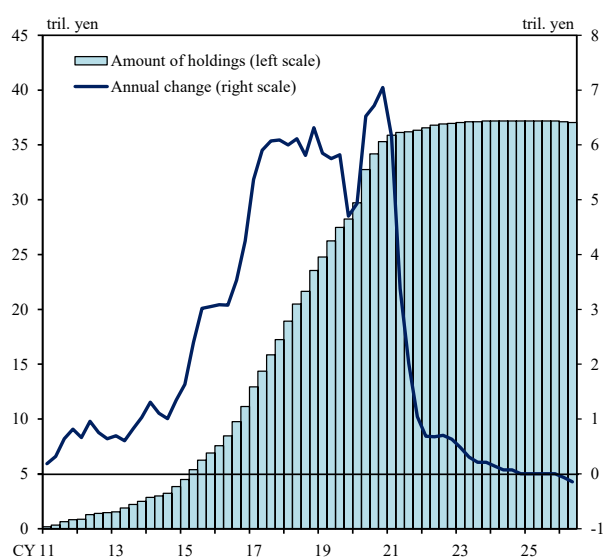
Note: Figures are the uncollateralized overnight call rate.

Source: Bank of Japan.

The Bank's Balance Sheet

ETFs

JGBs



Source: Bank of Japan.