



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Business Leaders in Kumamoto

August 29, 2019

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Bank of Japan

Global Economy

IMF Projections (as of July 2019)

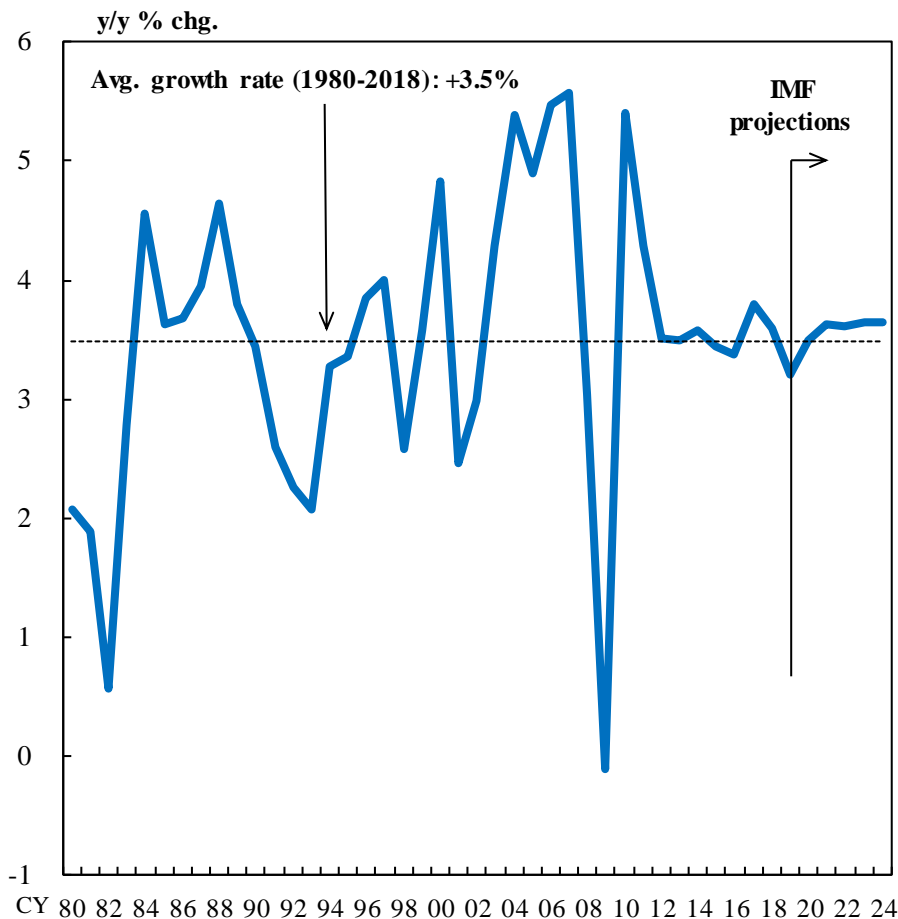
real GDP growth rate, y/y % chg., % points

CY	2017	2018	2019 projection	2020 projection
World	3.8	3.6	3.2 (-0.1)	3.5 (-0.1)
Advanced economies	2.4	2.2	1.9 (+0.1)	1.7 (0.0)
United States	2.2	2.9	2.6 (+0.3)	1.9 (0.0)
Euro area	2.4	1.9	1.3 (0.0)	1.6 (+0.1)
United Kingdom	1.8	1.4	1.3 (+0.1)	1.4 (0.0)
Japan	1.9	0.8	0.9 (-0.1)	0.4 (-0.1)
Emerging market and developing economies	4.8	4.5	4.1 (-0.3)	4.7 (-0.1)
Emerging and developing Asia	6.6	6.4	6.2 (-0.1)	6.2 (-0.1)
China	6.8	6.6	6.2 (-0.1)	6.0 (-0.1)
ASEAN	5.3	5.2	5.0 (-0.1)	5.1 (-0.1)
Russia	1.6	2.3	1.2 (-0.4)	1.9 (+0.2)
Latin America and the Caribbean	1.2	1.0	0.6 (-0.8)	2.3 (-0.1)

Source: *World Economic Outlook Update*, International Monetary Fund (IMF).

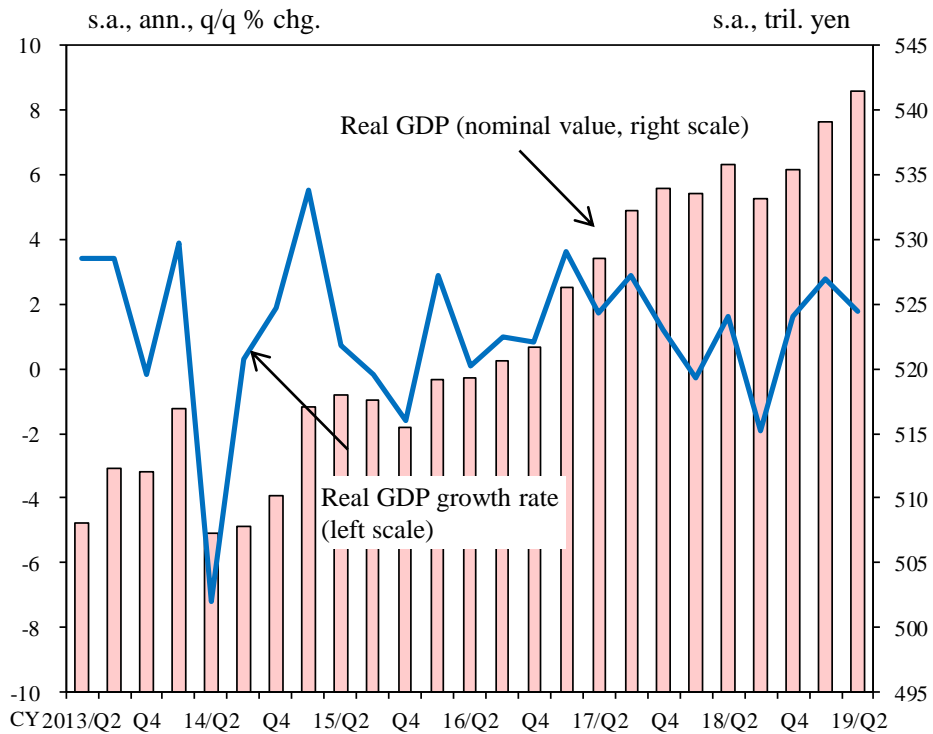
Note: Figures in parentheses are the difference from the April 2019 projections.

Real GDP Growth Rate



Source: IMF.

Japan's Real GDP



Source: Cabinet Office.










	2018			2019	
	Q2	Q3	Q4	Q1	Q2
Real GDP	0.4	-0.5	0.4	0.7	0.4
[ann., q/q]	[1.6]	[-1.9]	[1.6]	[2.8]	[1.8]
Private consumption	0.4	-0.1	0.4	0.1	0.6
Private non-resi. investment	2.5	-2.6	2.7	0.4	1.5
Private residential investment	-1.9	0.8	1.3	0.6	0.2
Public demand	-0.2	-0.2	0.3	0.2	0.9
Exports of goods & services	0.8	-2.1	1.2	-2.0	-0.1

Source: Cabinet Office.

Regional Economic Assessments

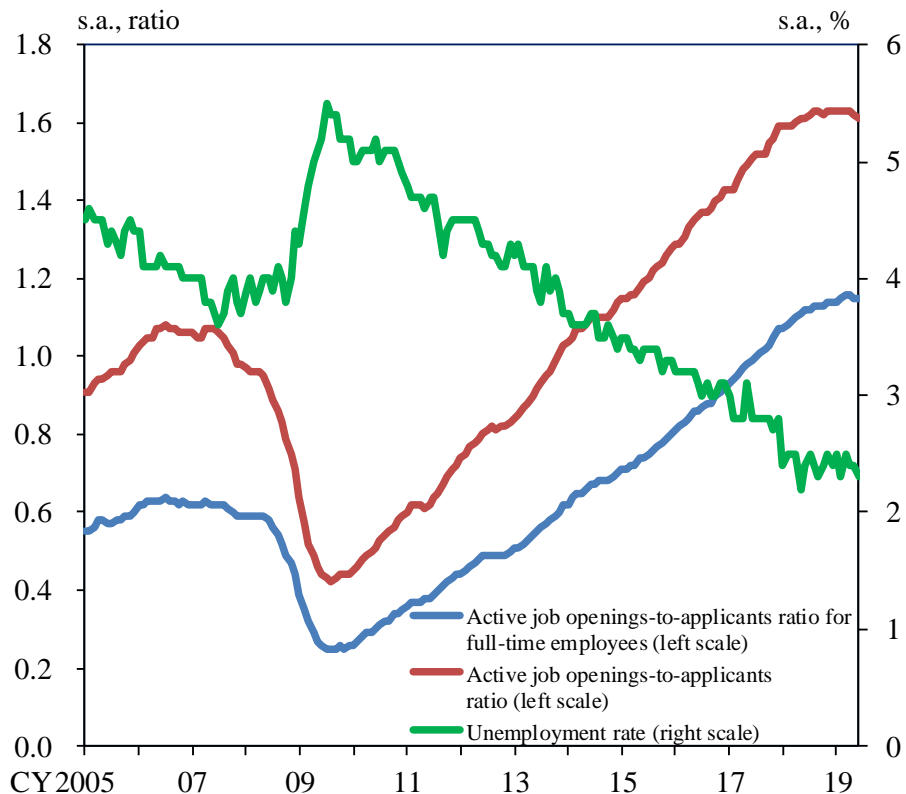
Chart 3

Comparison of Previous and Current Assessments by Region

Region	Assessment in April 2019	Changes from the previous assessment	Assessment in July 2019
Hokkaido	The economy has been recovering moderately.		The economy has been recovering moderately.
Tohoku	The economy has continued to recover moderately, although some weakness has been observed in part.		The economy has continued to recover moderately, although some weakness has been observed in part.
Hokuriku	The economy has been expanding moderately.		The economy has been expanding moderately.
Kanto-Koshinetsu	The economy has been expanding moderately, although exports and production have been affected by the slowdown in overseas economies.		The economy has been expanding moderately, although exports and production have been affected by the slowdown in overseas economies.
Tokai	The economy has been expanding.		The economy has been expanding.
Kinki	The economy has continued to expand moderately.		The economy has continued to expand moderately, although some weakness has been observed in part.
Chugoku	The economy has been expanding moderately.		The economy has been expanding moderately.
Shikoku	The economy has been recovering.		The economy has been recovering.
Kyushu-Okinawa	The economy has been expanding moderately.		The economy has been expanding moderately.

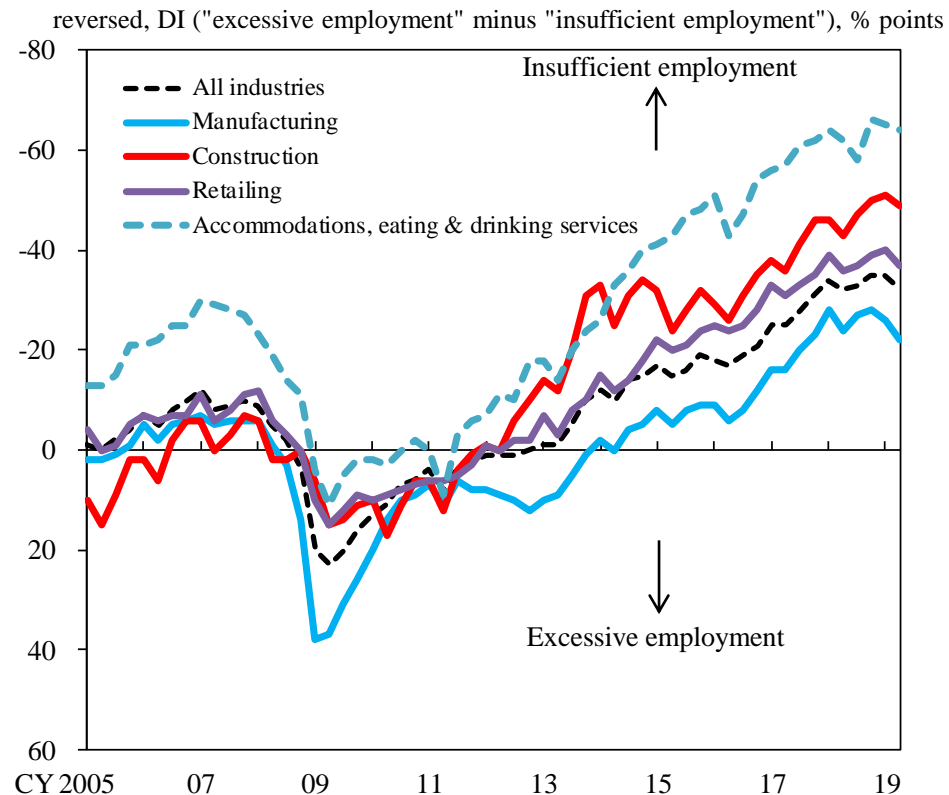
Labor Market Conditions

Unemployment Rate and Active Job Openings-to-Applicants Ratio



Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

Diffusion Index (DI) for Employment Conditions



Source: *Tankan* (Short-Term Economic Survey of Enterprises in Japan), Bank of Japan.

Outlook for Economic Activity and Prices as of July 2019

Forecasts of the Majority of Policy Board Members

y/y % chg.

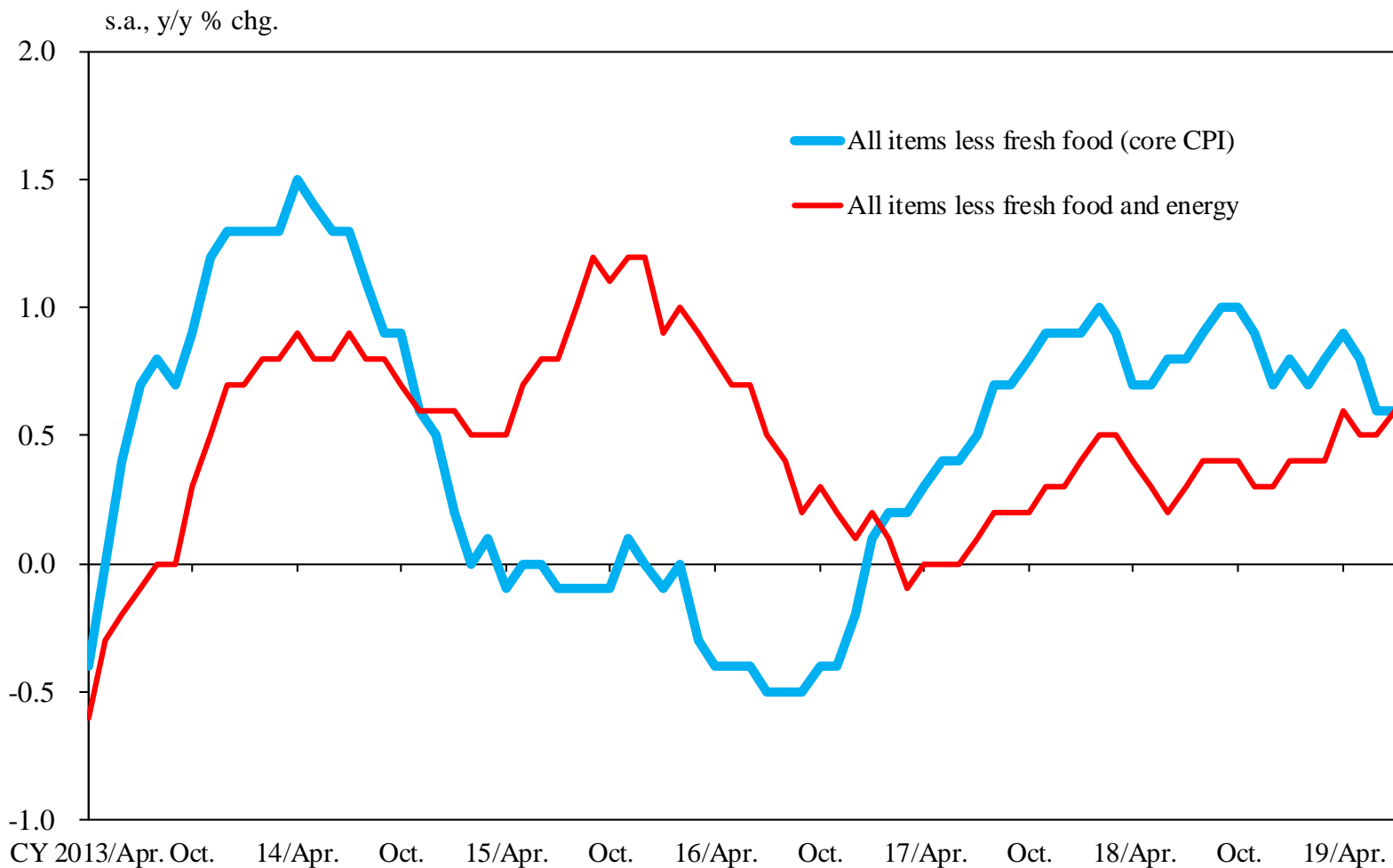
	Real GDP	CPI (all items less fresh food)
Fiscal 2019	+0.6 to +0.9 [+0.7]	+0.8 to +1.1 [+1.0]
Forecasts made in April 2019	+0.7 to +0.9 [+0.8]	+0.9 to +1.2 [+1.1]
Fiscal 2020	+0.8 to +1.0 [+0.9]	+1.1 to +1.4 [+1.3]
Forecasts made in April 2019	+0.8 to +1.1 [+0.9]	+1.2 to +1.5 [+1.4]
Fiscal 2021	+0.9 to +1.2 [+1.1]	+1.3 to +1.7 [+1.6]
Forecasts made in April 2019	+0.9 to +1.2 [+1.2]	+1.4 to +1.7 [+1.6]

Source: July 2019 *Outlook for Economic Activity and Prices*, Bank of Japan.

Notes: 1. Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates).

2. The forecasts assume the following: (1) the consumption tax will be raised to 10 percent in October 2019 and a reduced tax rate will be applied to food and beverages -- excluding alcohol and dining out -- and newspapers, and (2) with regard to policies concerning the provision of free education, free early childhood education and such measures as free higher education will be introduced in October 2019 and April 2020, respectively.

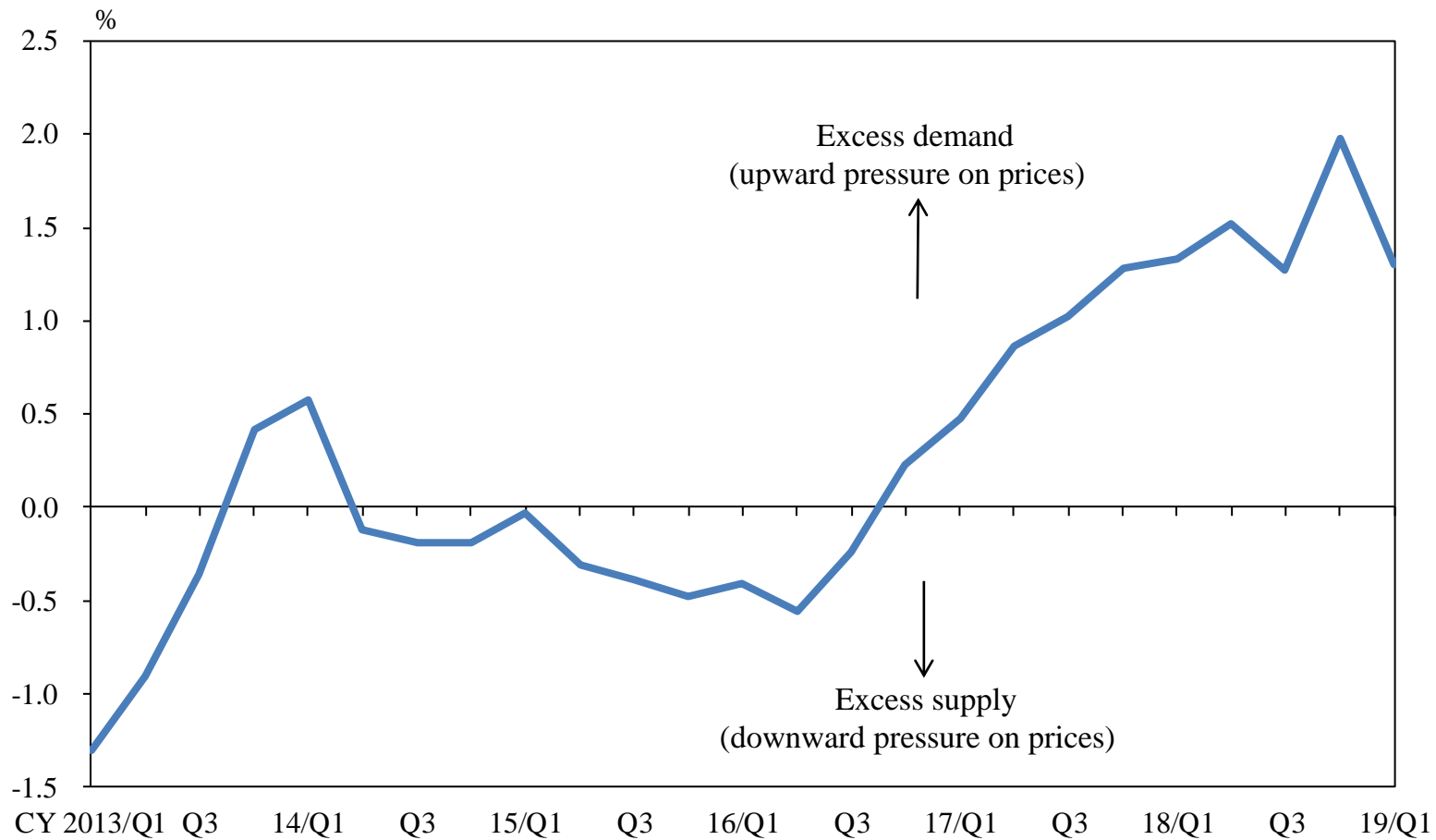
CPI



Source: Ministry of Internal Affairs and Communications.

Note: Figures are adjusted for the effects of consumption tax hikes.

Output Gap



Source: Bank of Japan.
 Note: Based on staff estimations.

Inflation Expectations

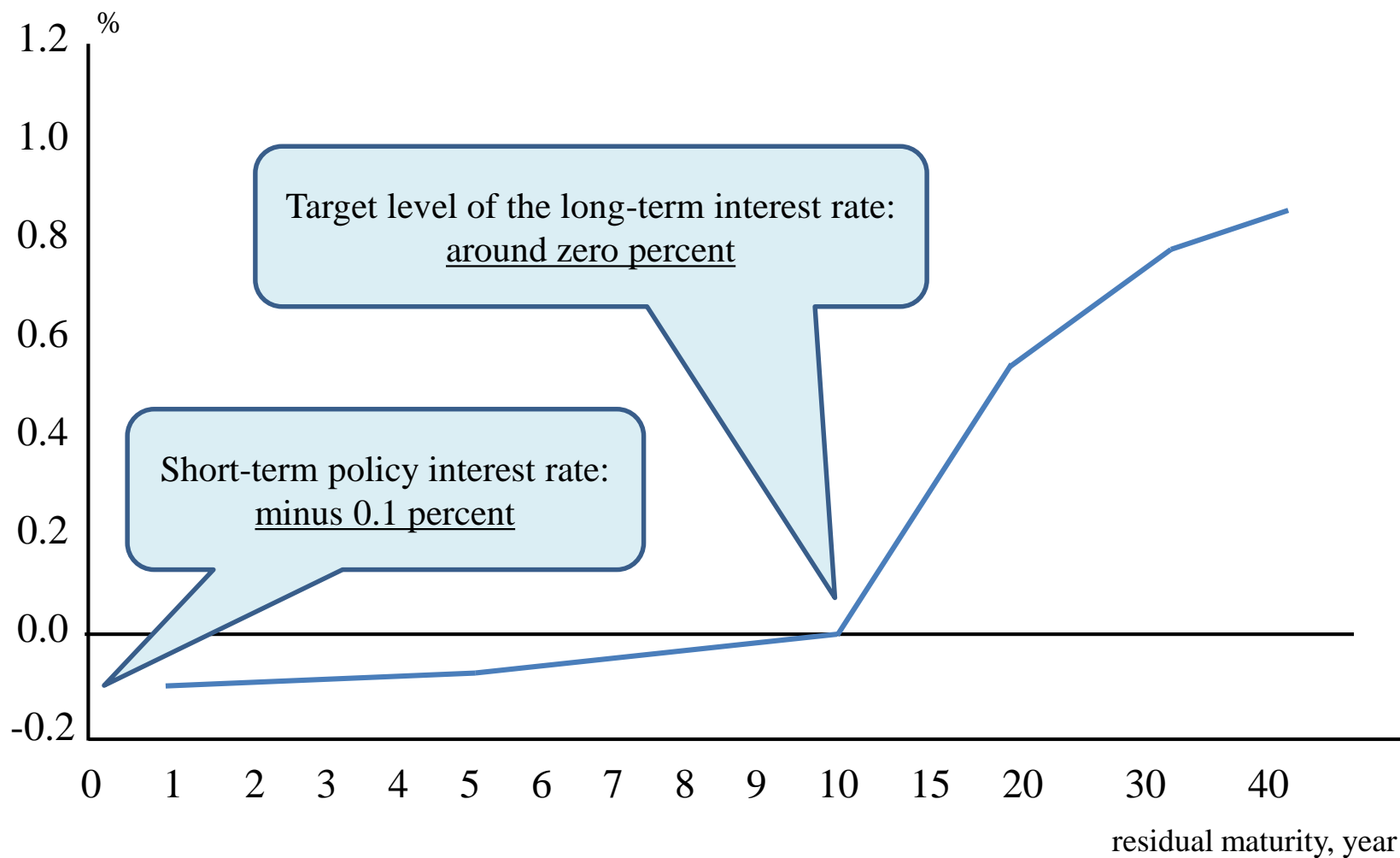


Source: Bank of Japan.

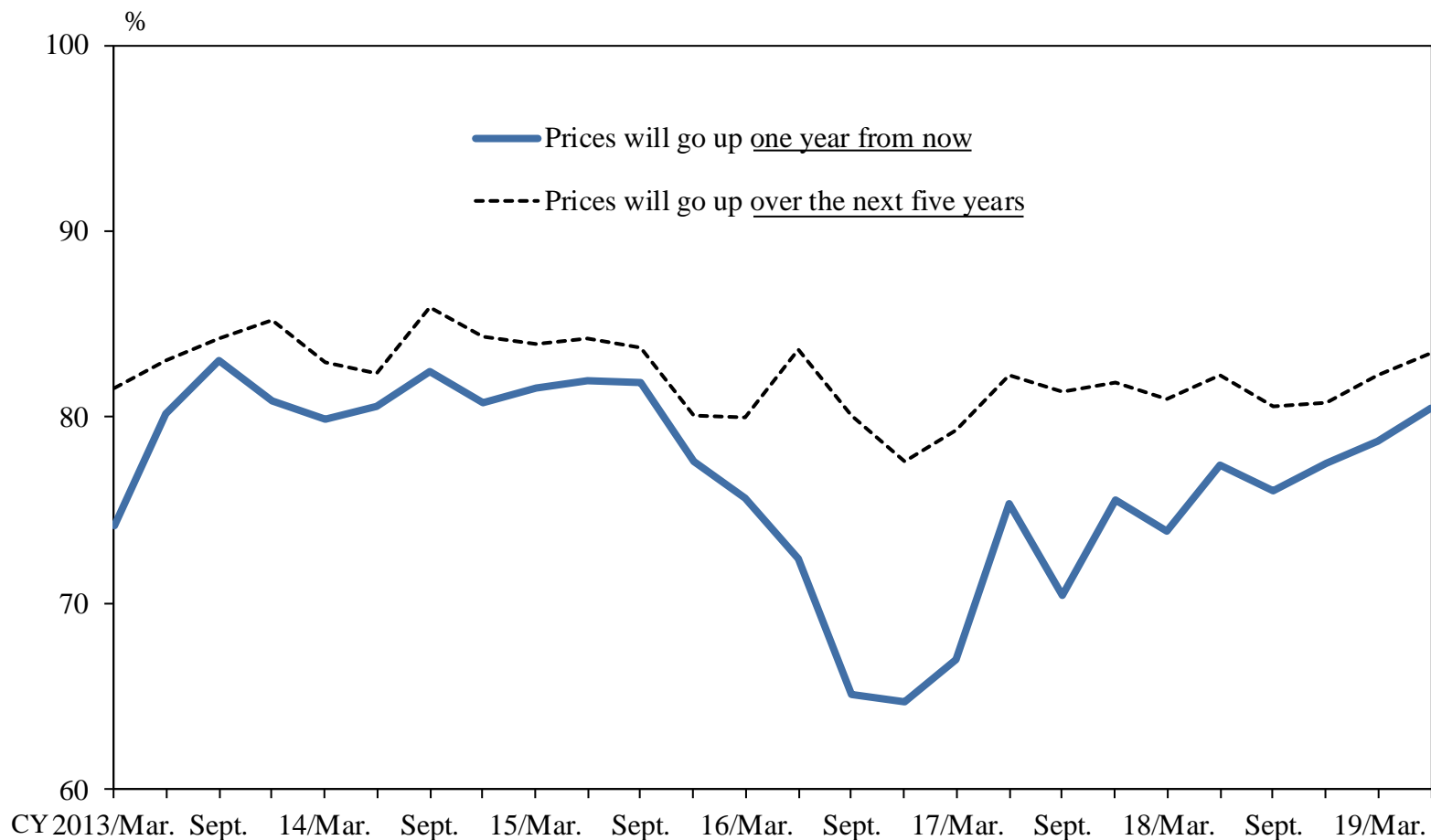
Notes: 1. Figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method.

2. Figures for firms are from the *Tankan* (General Prices, summary of "Inflation Outlook of Enterprises," all industries and all enterprises).

Yield Curve Control



Outlook for Price Levels



Source: *Opinion Survey on the General Public's Views and Behavior*, Bank of Japan.

Notes: 1. Disregarding the effects of consumption tax hikes.

2. Figures for both comprise respondents who chose either "will go up significantly" or "will go up slightly" in the questionnaire.

Strengthening the Framework for Continuous Powerful Monetary Easing

Likely to take time to achieve the price stability target of 2%

Appropriate to maintain the positive output gap for as long as possible

Persistently Continuing with Powerful Monetary Easing

Forward guidance for policy rates

"The Bank intends to maintain the current extremely low levels of short- and long-term interest rates for an extended period of time, at least through around spring 2020, taking into account uncertainties regarding economic activity and prices including developments in overseas economies and the effects of the consumption tax hike."

Yield curve control and ETF purchases

The long-term interest rate: The Bank will purchase JGBs so that 10-year JGB yields will remain at around zero percent. While doing so, the yields may move upward and downward to some extent mainly depending on developments in economic activity and prices.

ETF purchases: The Bank will purchase ETFs so that their amount outstanding will increase at an annual pace of about 6 trillion yen. The Bank may increase or decrease the amount of purchases depending on market conditions.

Achieving the price stability target of 2% at the earliest possible time while securing stability in economic and financial conditions