

# Japan's Economy and Monetary Policy

*Speech at a Meeting with Business Leaders in Osaka*

September 24, 2019

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*Governor of the Bank of Japan*

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## Introduction

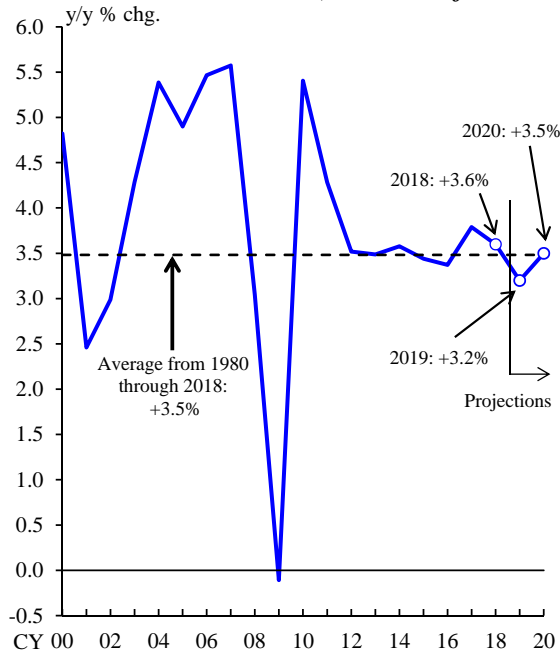
I. Economic Developments at Home and Abroad

II. Price Developments in Japan

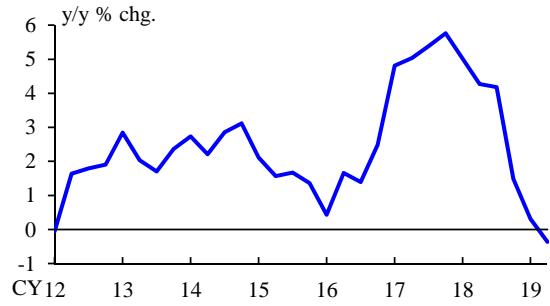
III. The Bank's Conduct of Monetary Policy

## Global Economy

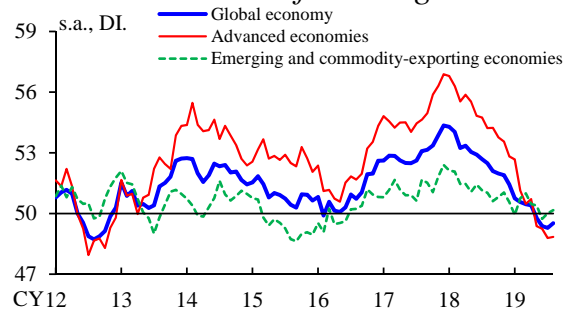
*Global Growth Rate (IMF Projections)*



*World Trade Volume*



*Global Manufacturing PMI*



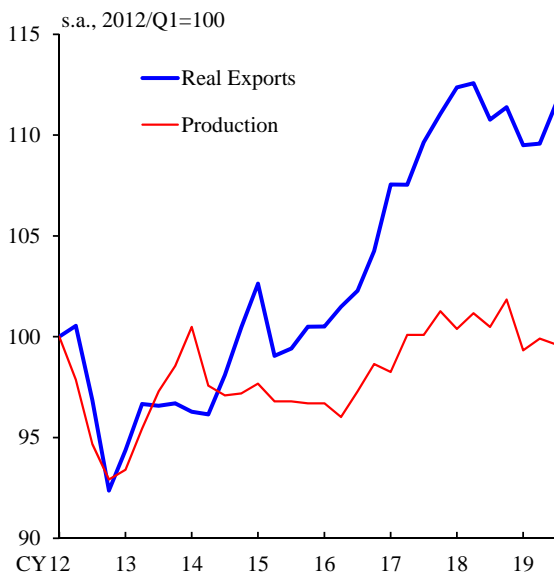
Notes: 1. In the left chart, figures for 2019 and 2020 are IMF's projections as of July 2019.  
2. In the upper right chart, figures are those for real imports.

3. In the lower right chart, figures for the global economy are the "J.P. Morgan Global Manufacturing PMI." Figures for advanced economies as well as emerging and commodity-exporting economies are calculated as the weighted averages of the Manufacturing PMI using GDP shares of world total GDP from the IMF as weights. Advanced economies consist of the United States, the euro area, the United Kingdom, and Japan. Emerging and commodity-exporting economies consist of 17 countries and regions, such as China, South Korea, Taiwan, Russia, and Brazil.

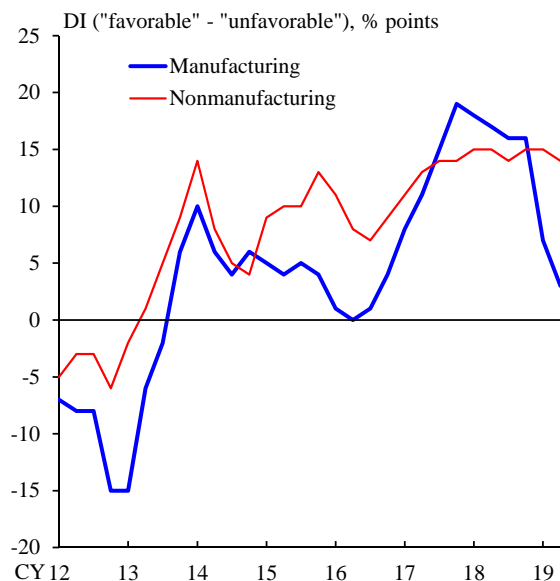
Sources: CPB Netherlands Bureau for Economic Policy Analysis; IHS Markit (© and database right IHS Markit Ltd 2019. All rights reserved.); IMF, etc.

## Exports, Production, and Business Sentiment

*Exports and Production*

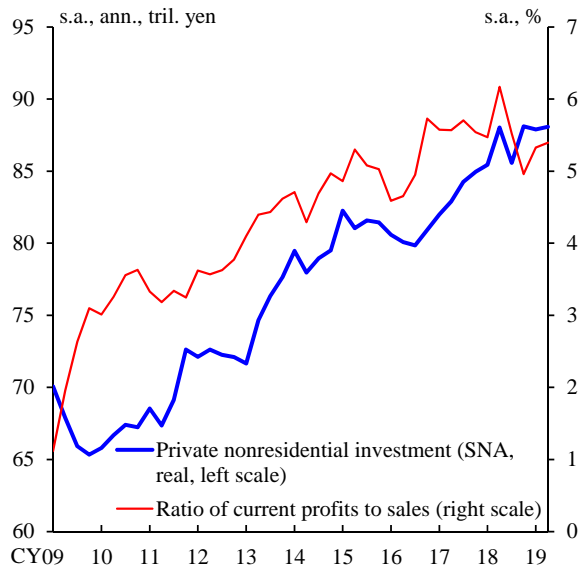


*Business Conditions DI (Tankan)*

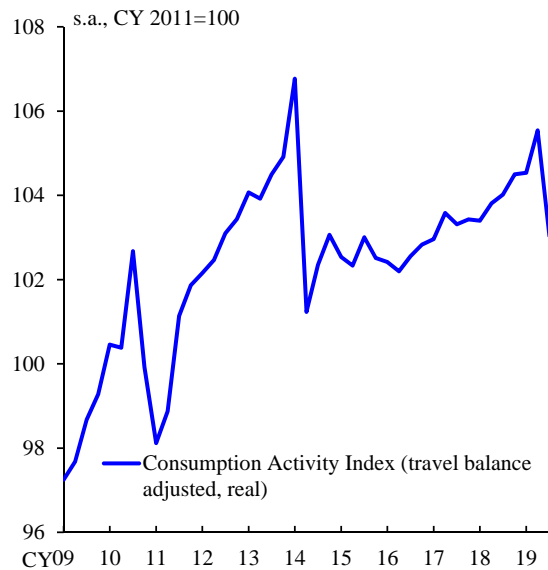


## Domestic Demand

*Business Fixed Investment and Corporate Profits*



*Private Consumption*



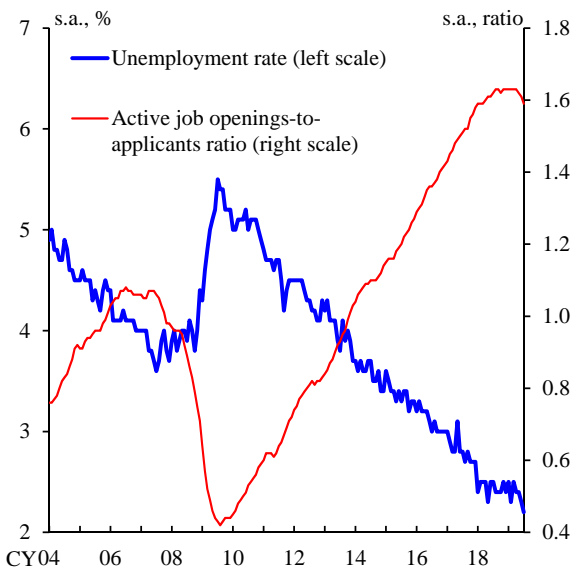
Notes: 1. In the left chart, figures for the ratio of current profits to sales are based on the "Financial Statements Statistics of Corporations by Industry, Quarterly." Excluding "finance and insurance." Figures from 2009/Q2 exclude "pure holding companies."

2. In the right chart, figures for the Consumption Activity Index exclude inbound tourism consumption and include outbound tourism consumption.

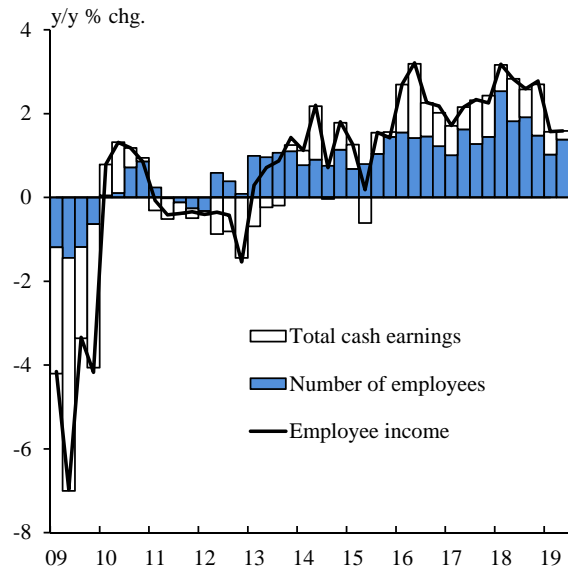
Sources: Ministry of Finance; Cabinet Office; Bank of Japan, etc.

## Employment and Income Situation

*Labor Market Conditions*



*Employee Income*

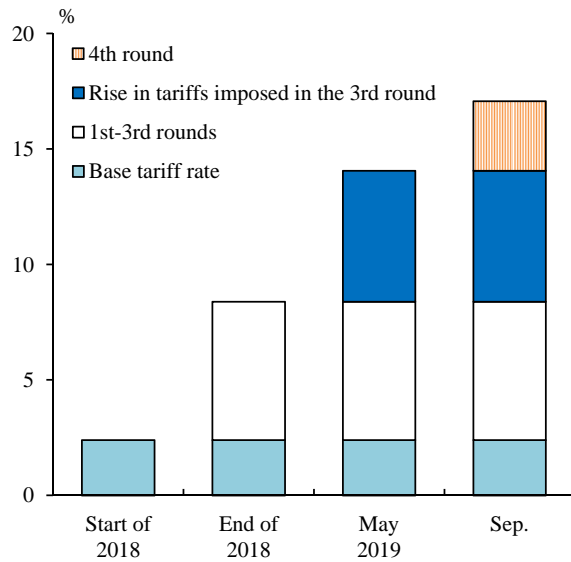


Note: In the right chart, figures for the employee income, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Employee income = total cash earnings ("Monthly Labour Survey") × number of employees ("Labour Force Survey"). Figures for the "Monthly Labour Survey" from 2013/Q1 are based on corrected figures adjusted for establishments in Tokyo with 500 or more employees. Figures from 2016/Q1 are based on continuing observations following the sample revisions of the "Monthly Labour Survey."

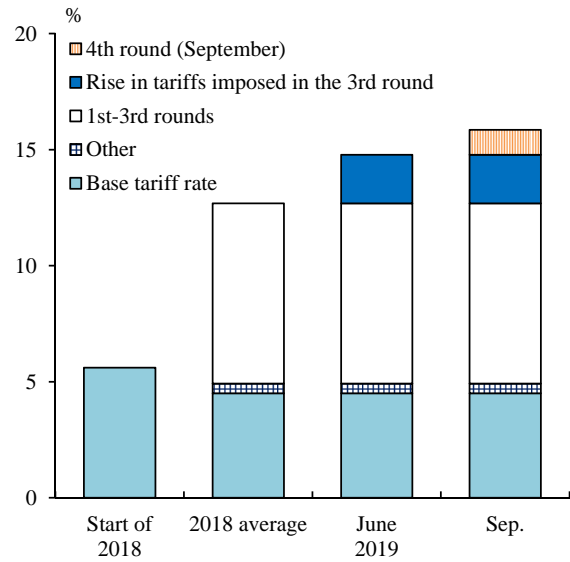
Sources: Ministry of Health, Labour and Welfare; Ministry of Internal Affairs and Communications.

## U.S.-China Trade Friction

*U.S. Average Tariffs on Chinese Goods*



*China's Average Tariffs on U.S. Goods*

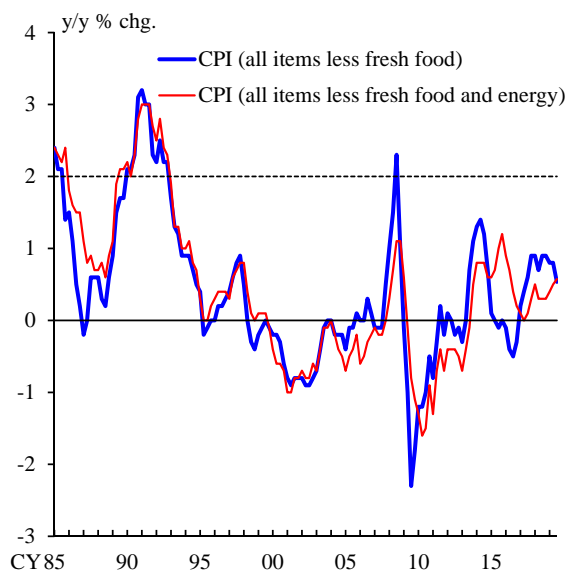


Note: Average tariffs are BOJ staff estimates based on such factors as the tariff rates under most-favored-nation treatment at the start of 2018, additional tariffs by goods, and the trade value between the U.S. and China in 2017.

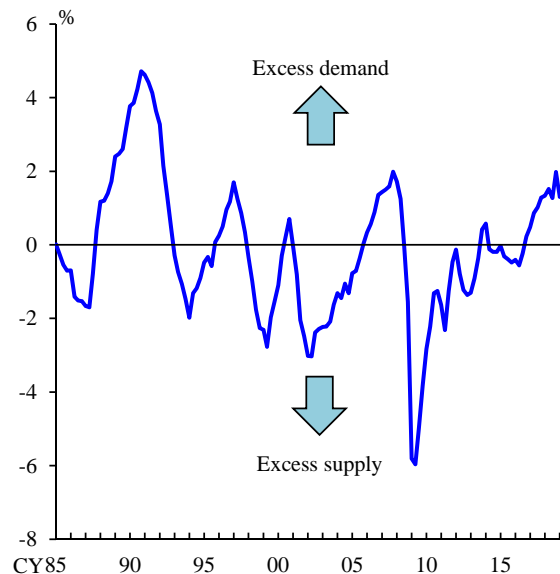
Sources: Census Bureau; U.S. government; WTO; UN Comtrade; Chinese government; Bown, Chad P. 2019. US-China Trade War: The Guns of August. *PIIE Trade and Investment Policy Watch blog, Peterson Institute for International Economics (August 26)*.

## Consumer Prices and Output Gap

*Consumer Prices*



*Output Gap*



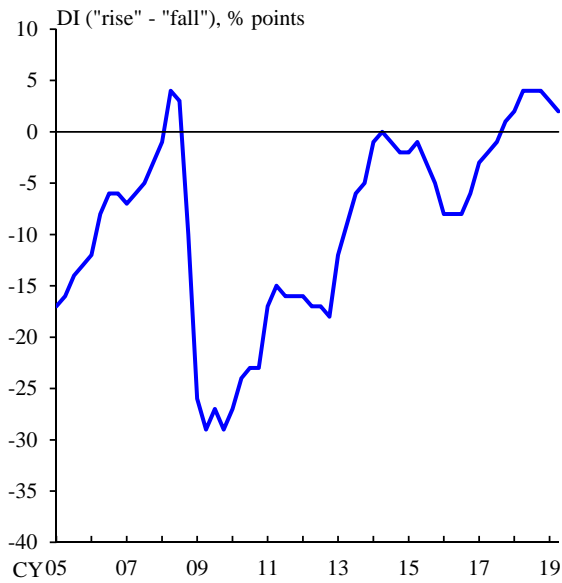
Notes: 1. In the left chart, figures are adjusted for changes in the consumption tax rate.

2. In the right chart, figures are based on BOJ staff estimations.

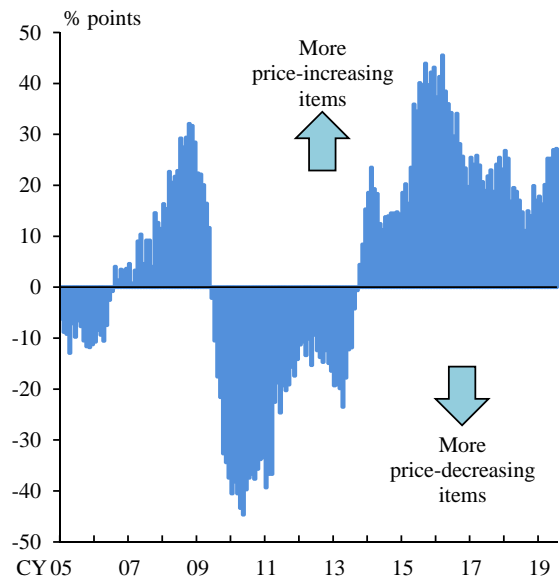
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

## Situation Surrounding Consumer Prices

Changes in Output Prices (Tankan)

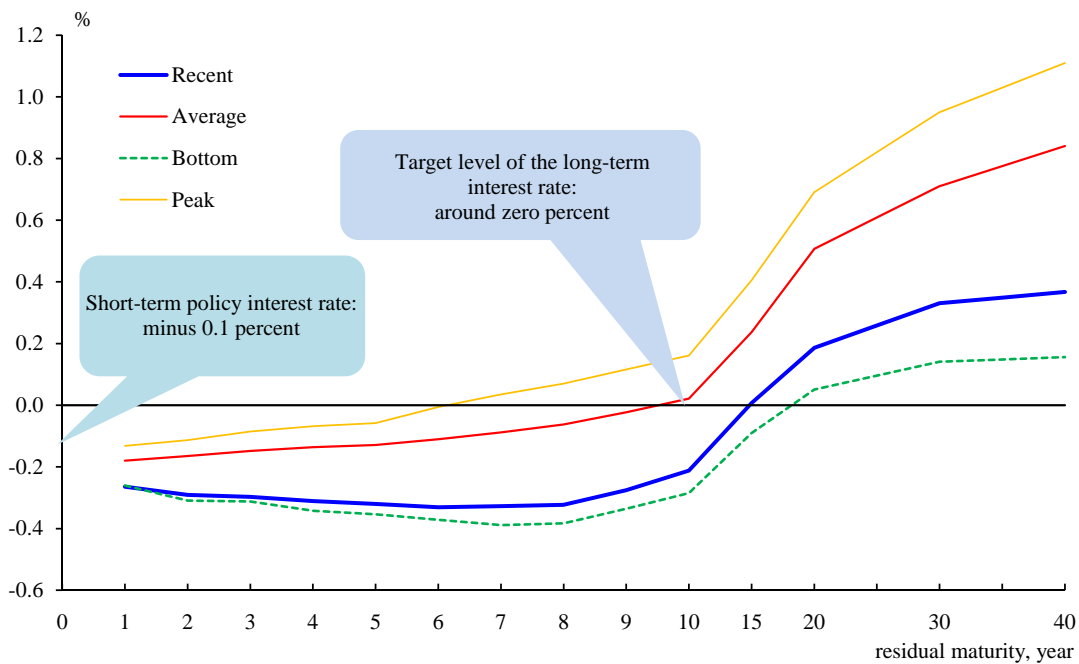


Diffusion Index of Price Changes



Note: In the right chart, the diffusion index is defined as the share of price-increasing items minus the share of price-decreasing items. The share of price-increasing/decreasing items is the share of items in the CPI (less fresh food, consumption tax adjusted) for which price indices increased/decreased from a year earlier.  
Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

## Yield Curve Control



Note: Figures for average, bottom, and peak are of JGB yields since the introduction of yield curve control (Sep. 21, 2016). Those for bottom and peak are of 10-year JGB yields.  
Source: Bloomberg.