

Japan's Economy and Monetary Policy

Speech at the Japan National Press Club

July 29, 2020

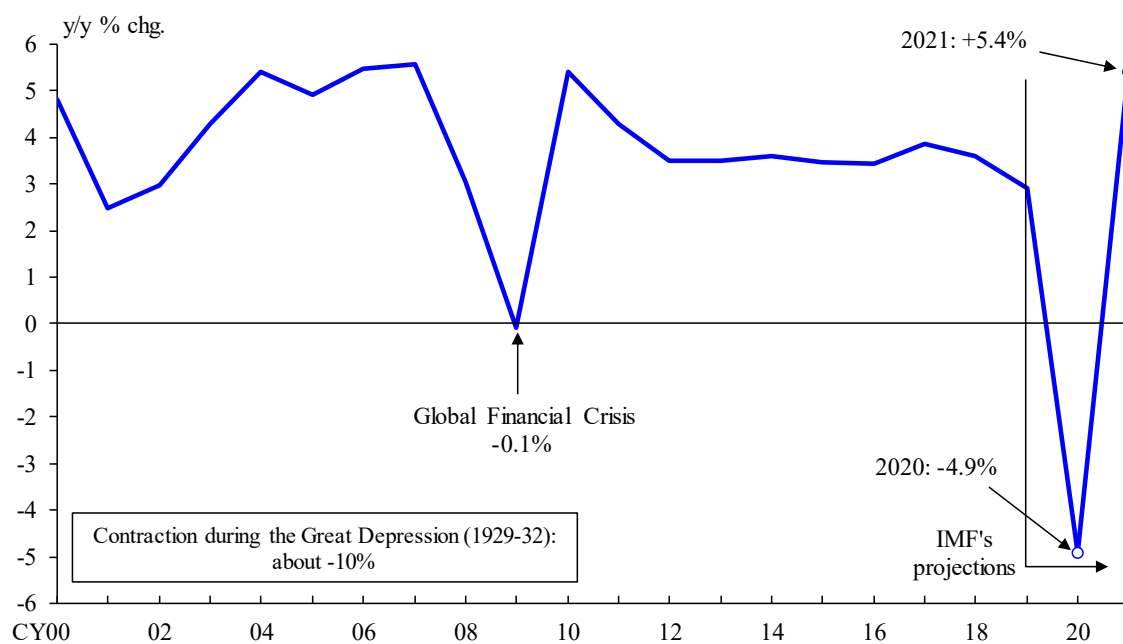
AMAMIYA Masayoshi

Deputy Governor of the Bank of Japan

I. Economic and Financial Developments

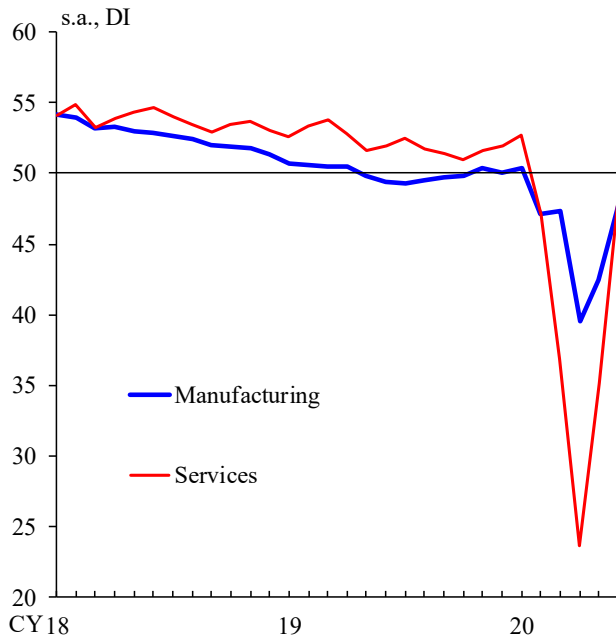
Chart 1

IMF's World Economic Outlook (June 2020)

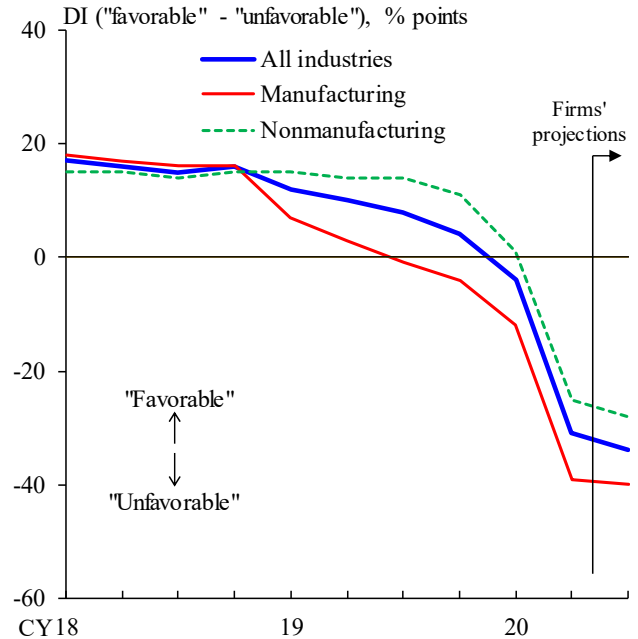


Business Sentiment

Global PMI



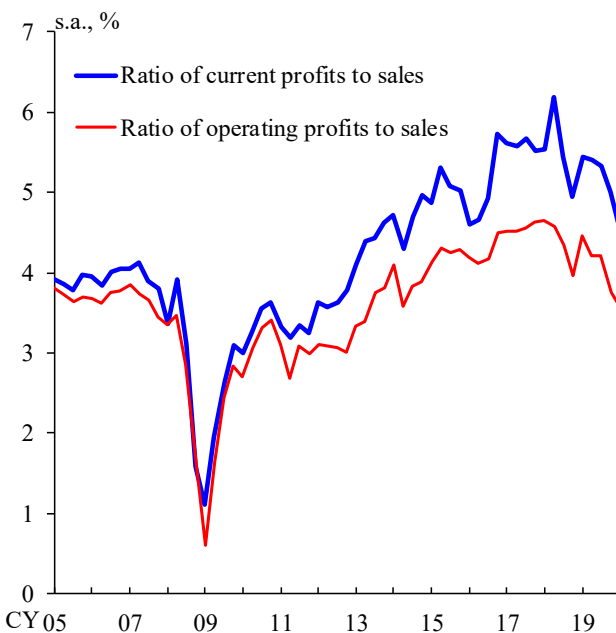
Business Conditions DI (Tankan)



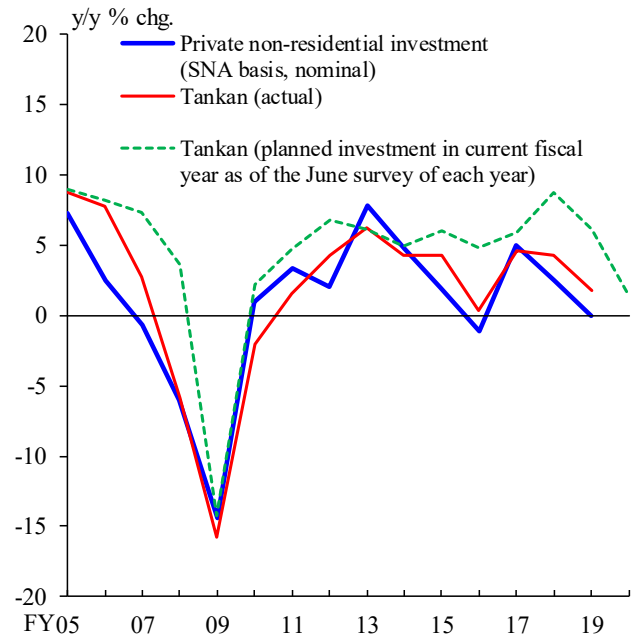
Note: In the left chart, figures for manufacturing are the "J.P.Morgan Global Manufacturing PMI" and those for services are the "J.P.Morgan Global Services Business Activity Index."
Sources: IHS Markit (© and database right IHS Markit Ltd 2020. All rights reserved.); Bank of Japan.

Corporate Sector

Corporate Profits



Business Fixed Investment Plan



Notes: 1. Figures in the left chart are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance." Figures from 2009/Q2 exclude "pure holding companies."

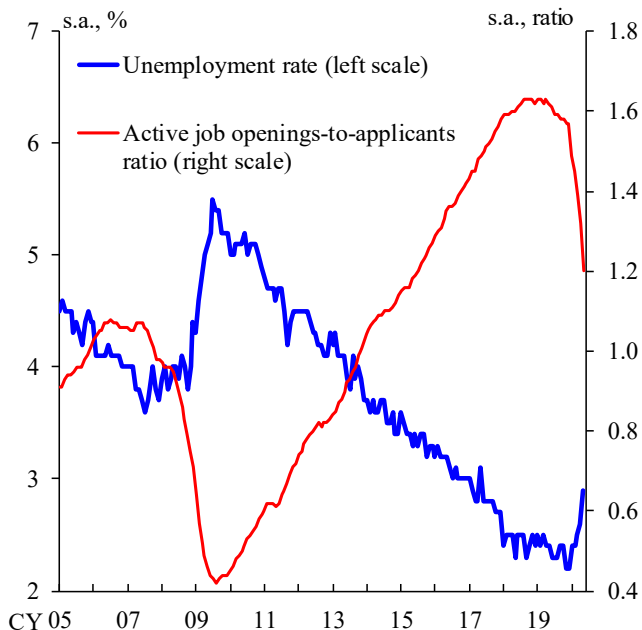
2. In the right chart, the *Tankan* figures include software and R&D investments and exclude land purchasing expenses (R&D investment is not included until the December 2016 survey).

The figures are for all industries including financial institutions and holding companies, etc. (figures up to the March 2020 survey exclude holding companies, etc.).

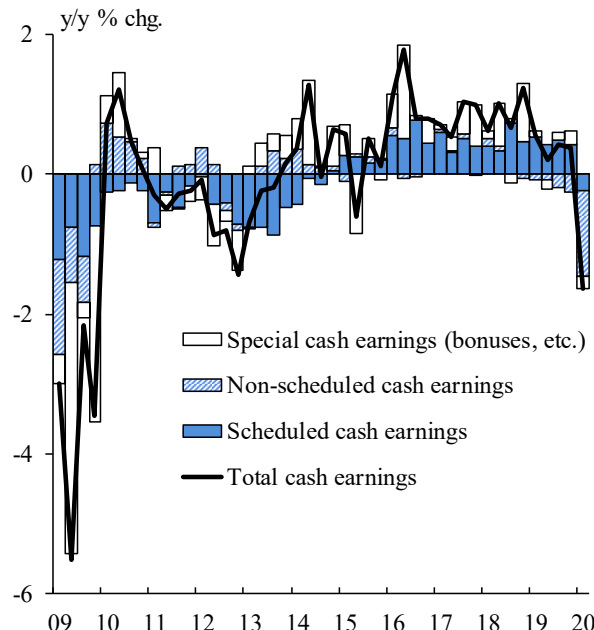
Sources: Ministry of Finance; Cabinet Office; Bank of Japan.

Household Sector

Labor Market Conditions



Nominal Wages



Note: In the right chart, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures from 2016/Q1 are based on continuing observations following the sample revisions.
Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

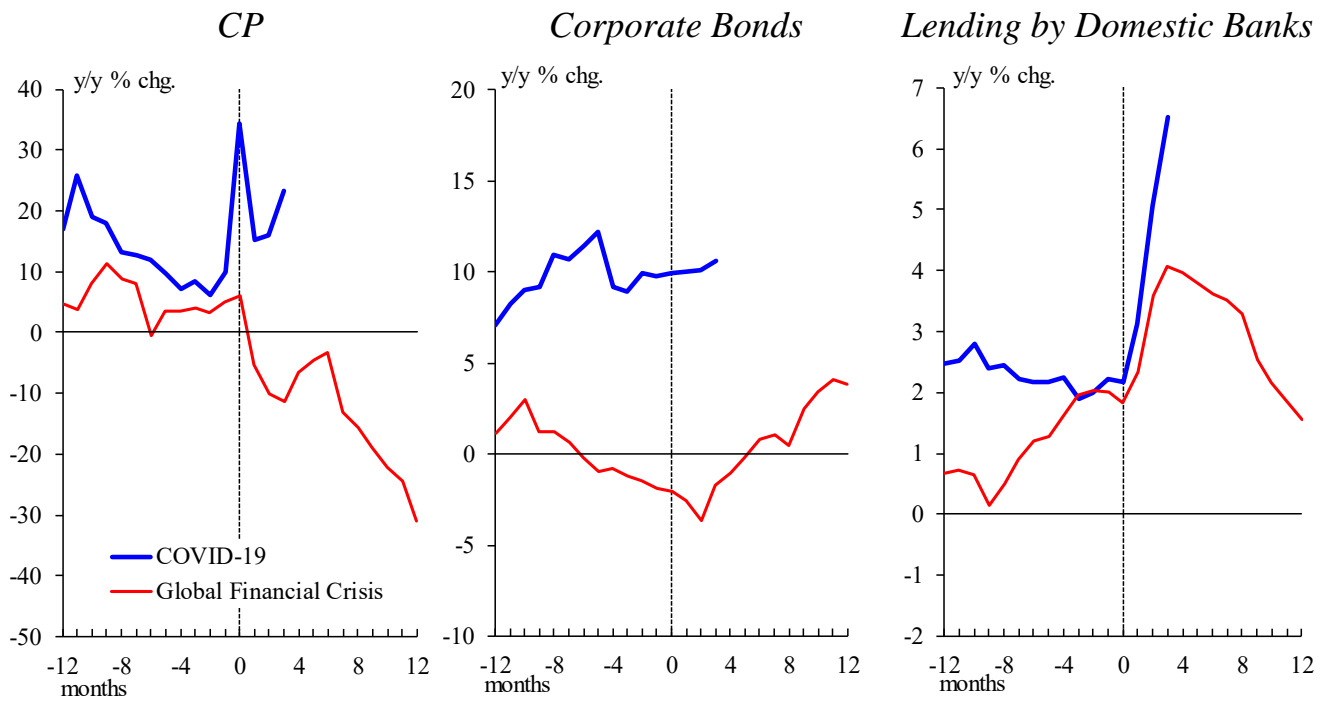
The Bank's Forecasts for Economic Activity and Prices (July 2020 Outlook Report)

	Real GDP	CPI (all items less fresh food)
Fiscal 2020	-5.7 to -4.5 [-4.7]	-0.6 to -0.4 [-0.5]
Forecasts made in April 2020	-5.0 to -3.0	-0.7 to -0.3
Fiscal 2021	+3.0 to +4.0 [+3.3]	+0.2 to +0.5 [+0.3]
Forecasts made in April 2020	+2.8 to +3.9	0.0 to +0.7
Fiscal 2022	+1.3 to +1.6 [+1.5]	+0.5 to +0.8 [+0.7]
Forecasts made in April 2020	+0.8 to +1.6	+0.4 to +1.0

Notes: 1. These figures show the forecasts of the majority of the Policy Board members and those in brackets indicate the medians. The forecasts are constructed as follows: each Policy Board member's forecast takes the form of a point estimate -- namely, the figure to which she or he attaches the highest probability of realization. These forecasts are then shown as a range, with the highest figure and the lowest figure excluded. In the April Outlook Report, each Policy Board member made their forecasts as a range and submitted two figures within the range of 1.0 percentage point at most.
2. The direct effects of the October 2019 consumption tax hike on the CPI for fiscal 2020 are estimated to be 0.5 percentage point.
The direct effects of policies concerning the provision of free education on the CPI for fiscal 2020 are estimated to be around minus 0.4 percentage point.

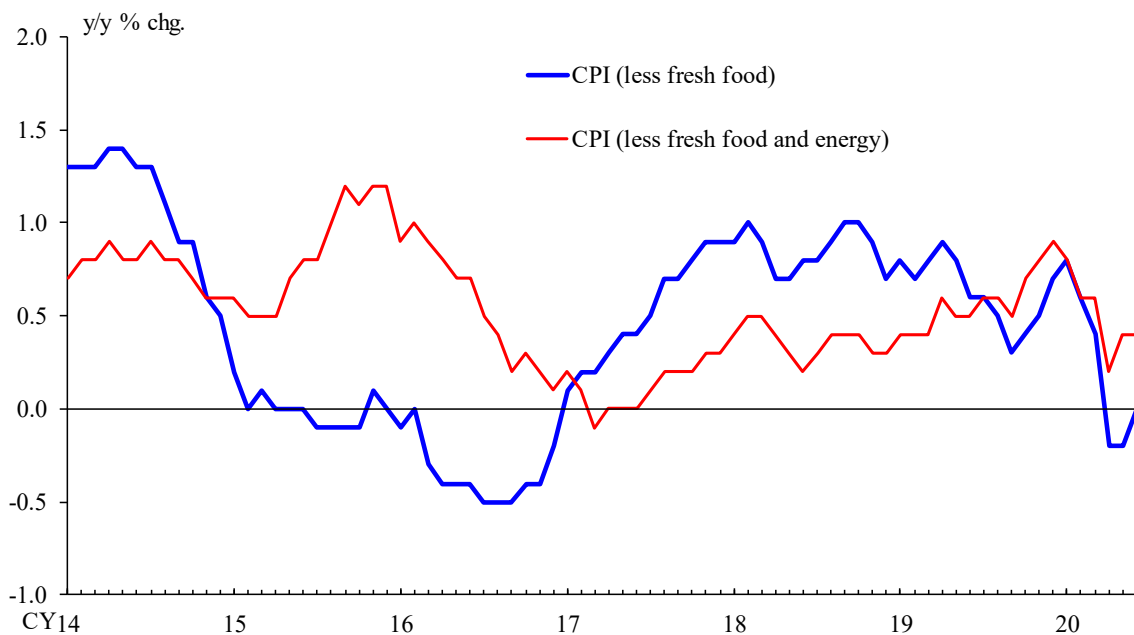
Source: Bank of Japan.

Corporate Financing



Notes: 1. Month 0 is March 2020 for figures for COVID-19 and September 2008 for those for the Global Financial Crisis.
 2. Figures for CP and corporate bonds are the amounts outstanding at the end of month. Figures for lending by domestic banks are monthly averages of the amount outstanding.
 Sources: Japan Securities Depository Center; Japan Securities Dealers Association; I-N Information Systems; Bank of Japan.

Consumer Prices



Note: Figures exclude the effects of the consumption tax hike in April 2014.
 Source: Ministry of Internal Affairs and Communications.

The Bank's Measures in Response to COVID-19

Supporting Corporate Financing

Special Program to Support Financing in Response to COVID-19: total size of about 120 tril. yen + α

Purchases of CP and corporate bonds: amount outstanding of about 20 tril. yen at maximum (previously amount outstanding of about 5 tril. yen)

Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19: about 100 tril. yen

Stabilizing Financial Markets

Ample and Flexible Provision of Yen and Foreign Currency Funds

Further active purchases of JGBs and T-Bills: unlimited

Enhancement of the U.S. Dollar Funds-Supplying Operations: unlimited

Lowering Risk Premia in Asset Markets

Active Purchases of ETFs and J-REITs

ETFs: annual pace of about 6 tril. yen

→ annual pace with the upper limit of about 12 tril. yen (for the time being)

J-REITs: annual pace of about 90 bil. yen

→ annual pace with the upper limit of about 180 bil. yen (for the time being)