



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Fukushima (via webcast)

December 3, 2020

SUZUKI Hitoshi
Bank of Japan

IMF World Economic Outlook

(as of October 2020)

real GDP growth rate, y/y % chg.

CY	2019	2020 projection	2021 projection
World	2.8	-4.4	5.2
Advanced Economies	1.7	-5.8	3.9
United States	2.2	-4.3	3.1
Euro Area	1.3	-8.3	5.2
United Kingdom	1.5	-9.8	5.9
Japan	0.7	-5.3	2.3
Emerging Market and Developing Economies	3.7	-3.3	6.0
Emerging and Developing Asia	5.5	-1.7	8.0
China	6.1	1.9	8.2
ASEAN-5	4.9	-3.4	6.2
Russia	1.3	-4.1	2.8
Latin America and the Caribbean	0.0	-8.1	3.6

Source: *World Economic Outlook*, IMF.

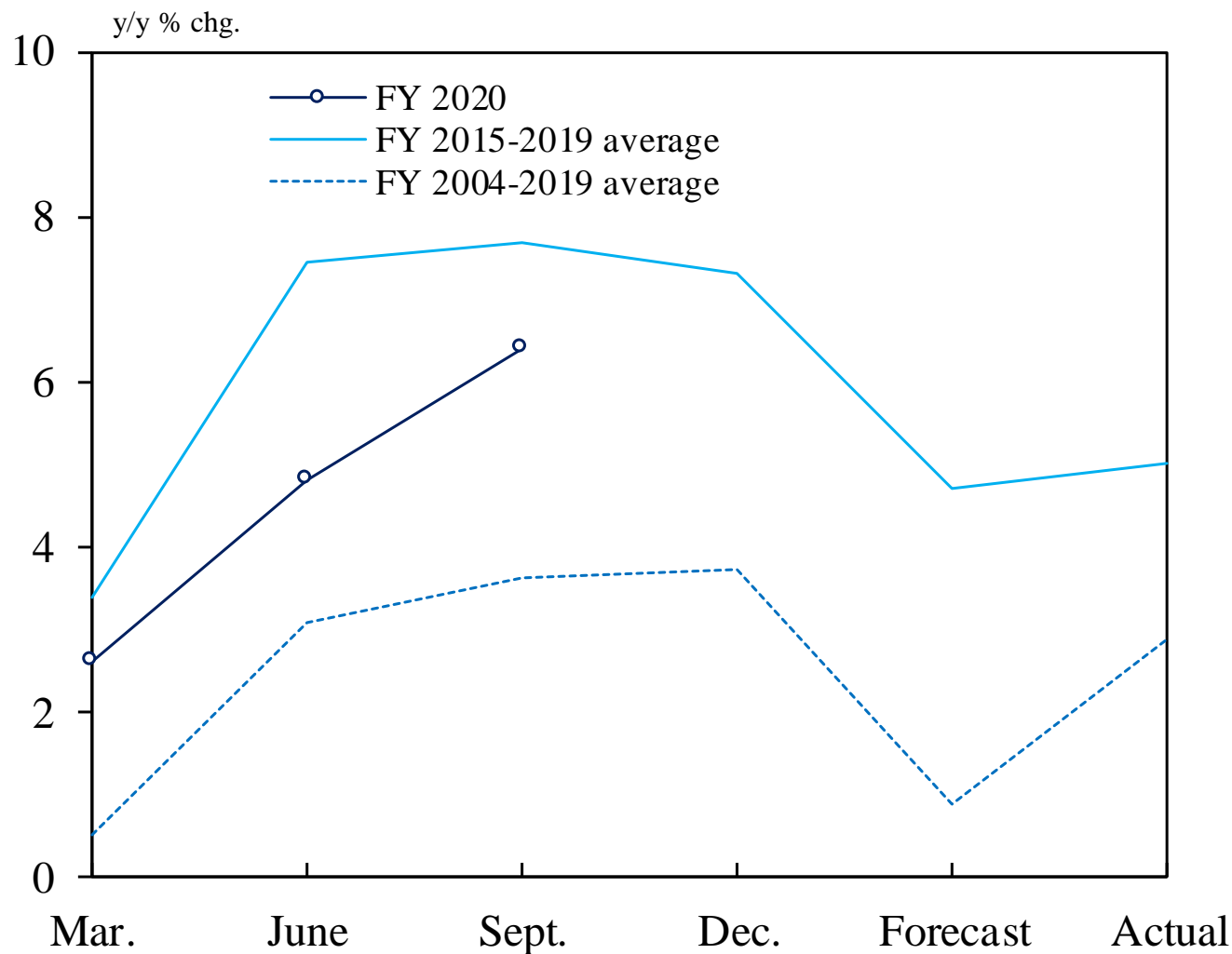
Japan's Real GDP

s.a., q/q % chg.

	2019		2020		
	Q3	Q4	Q1	Q2	Q3
Real GDP	0.0	-1.8	-0.6	-8.2	5.0
[ann., q/q]	[0.2]	[-7.1]	[-2.3]	[-28.8]	[21.4]
Private consumption	0.4	-2.9	-0.7	-8.1	4.7
Private non-resi. investment	0.2	-4.8	1.7	-4.5	-3.4
Private residential investment	1.3	-2.3	-4.0	-0.5	-7.9
Public demand	0.9	0.4	0.0	-0.1	1.9
Exports of goods & services	-0.6	0.4	-5.3	-17.4	7.0

Source: Cabinet Office.

Software Investment Plans (*Tankan*)

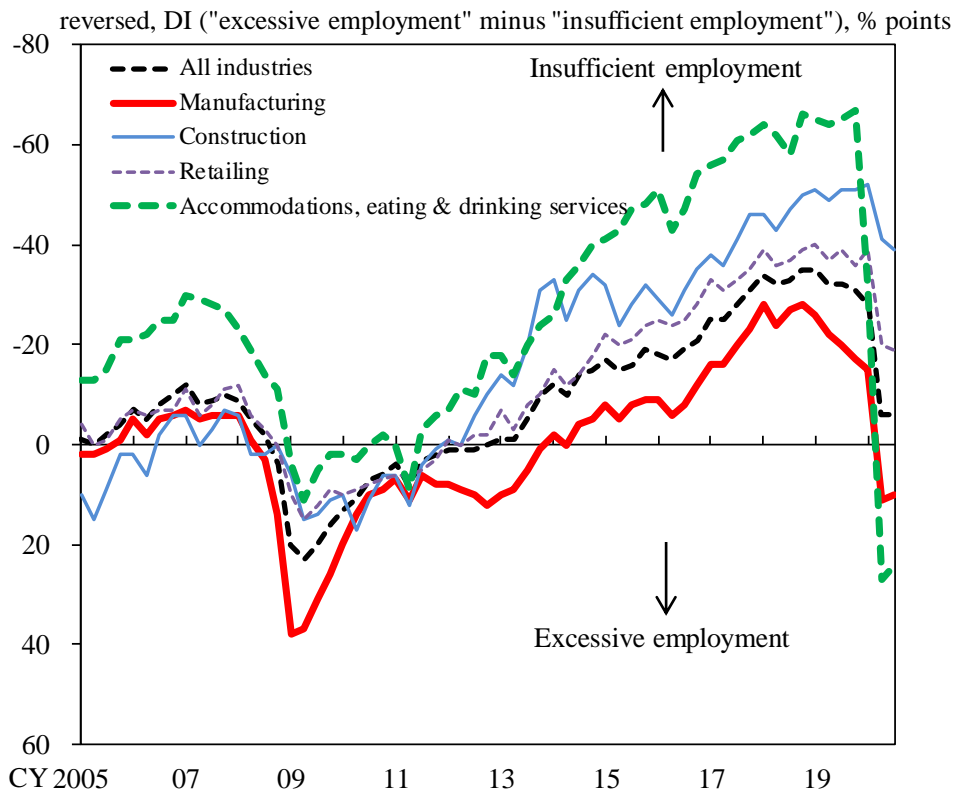


Source: Bank of Japan.

Note: Figures show the amount of newly recorded software investment under intangible fixed assets. Figures are for all industries and enterprises.

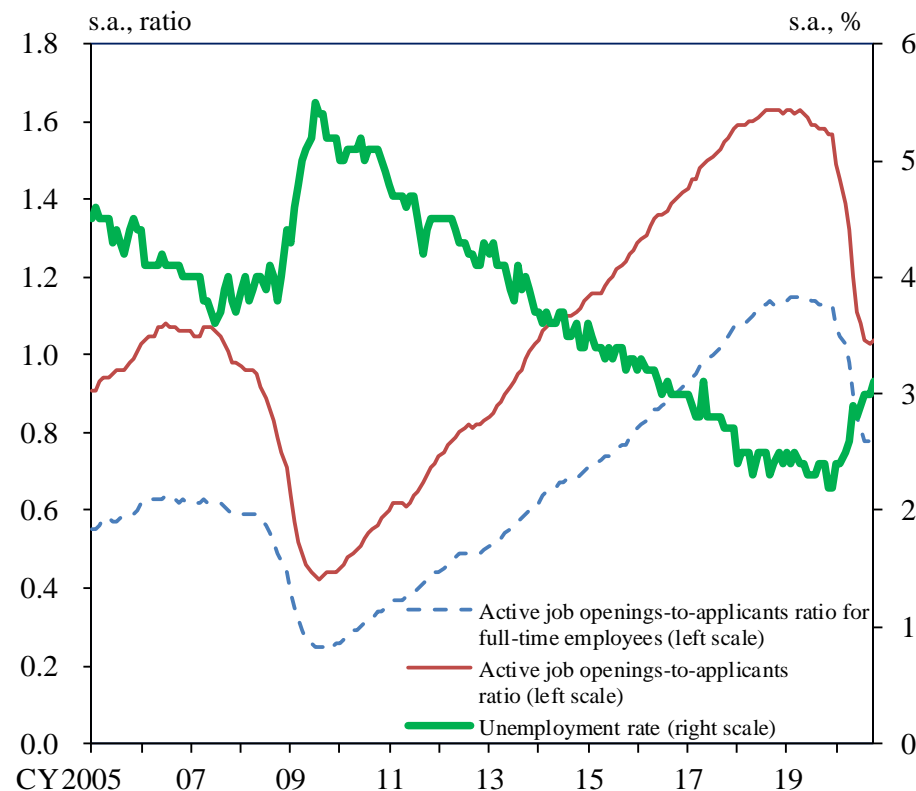
Labor Market Conditions

Employment Conditions DI (*Tankan*)



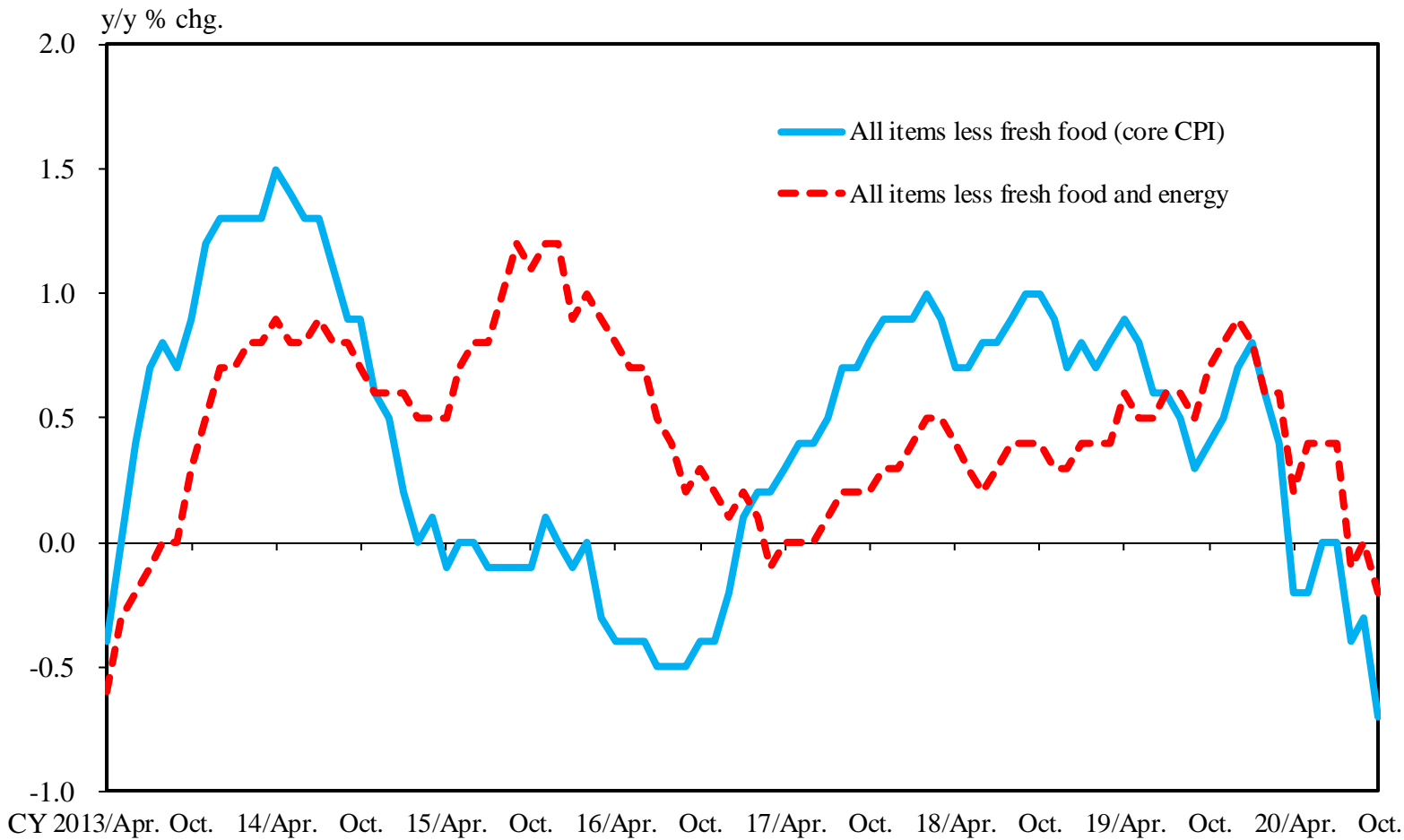
Source: Bank of Japan.

Active Job Openings-to-Applicants Ratio and Unemployment Rate



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

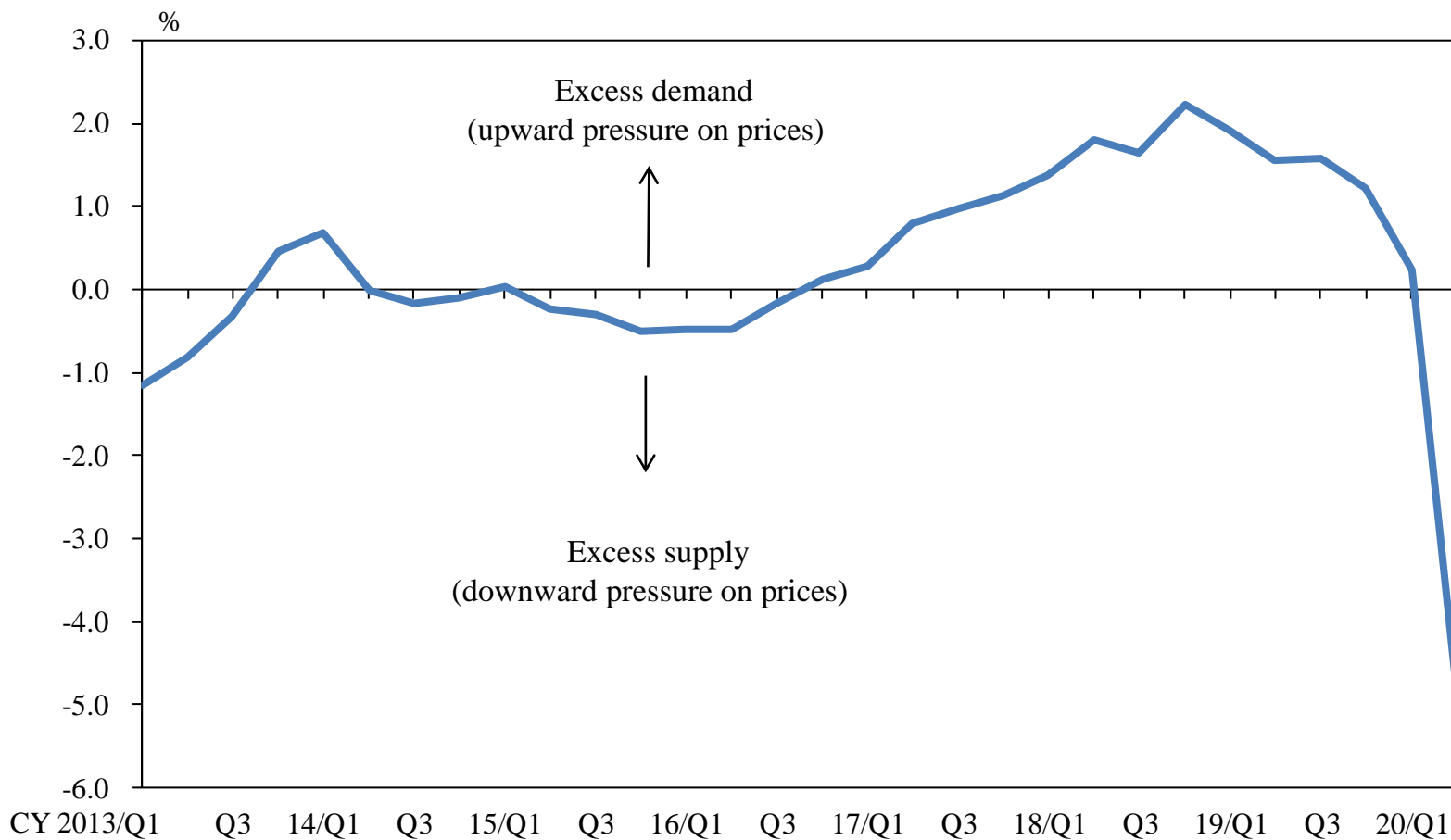
CPI



Source: Ministry of Internal Affairs and Communications.

Note: Figures exclude the effects of the consumption tax hike in April 2014.

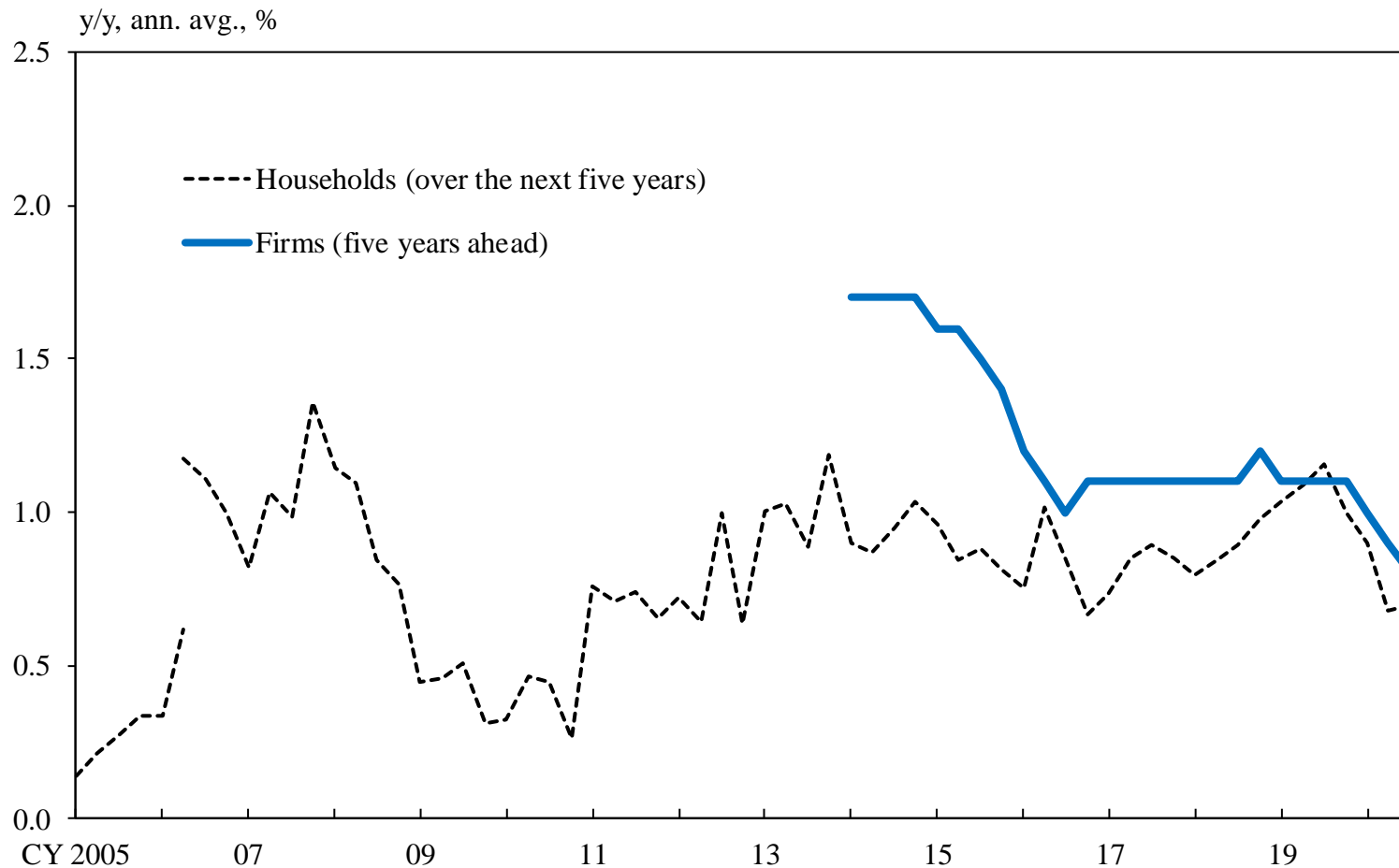
Output Gap



Source: Bank of Japan.

Note: Based on staff estimates.

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 those for the Average of Enterprises' Inflation Outlook for all industries and enterprises in the *Tankan*.

Outlook for Economic Activity and Prices as of October 2020

Forecasts of the Majority of Policy Board Members

y/y % chg.

	Real GDP	CPI (all items less fresh food)
Fiscal 2020	-5.6 to -5.3	-0.7 to -0.5
	[-5.5]	[-0.6]
Forecasts made in July 2020	-5.7 to -4.5	-0.6 to -0.4
Fiscal 2021	+3.0 to +3.8	+0.2 to +0.6
	[+3.6]	[+0.4]
Forecasts made in July 2020	+3.0 to +4.0	+0.2 to +0.5
Fiscal 2022	+1.5 to +1.8	+0.4 to +0.7
	[+1.6]	[+0.7]
Forecasts made in July 2020	+1.3 to +1.6	+0.5 to +0.8

Source: October 2020 *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 of the majority of the Policy Board members are constructed as follows: each Policy Board member's forecast takes the form of a point estimate -- namely, the figure to which he or she attaches the highest probability of realization. These forecasts are then shown as a range, with the highest figure and the lowest figure excluded. The range does not indicate the forecast errors.

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 140 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 120 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)

Yield Curve Control

