

Japan's Economy and Monetary Policy

Speech at a Meeting with Business Leaders in Nagoya

November 15, 2021

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Governor of the Bank of Japan

Introduction

I. Economic Developments

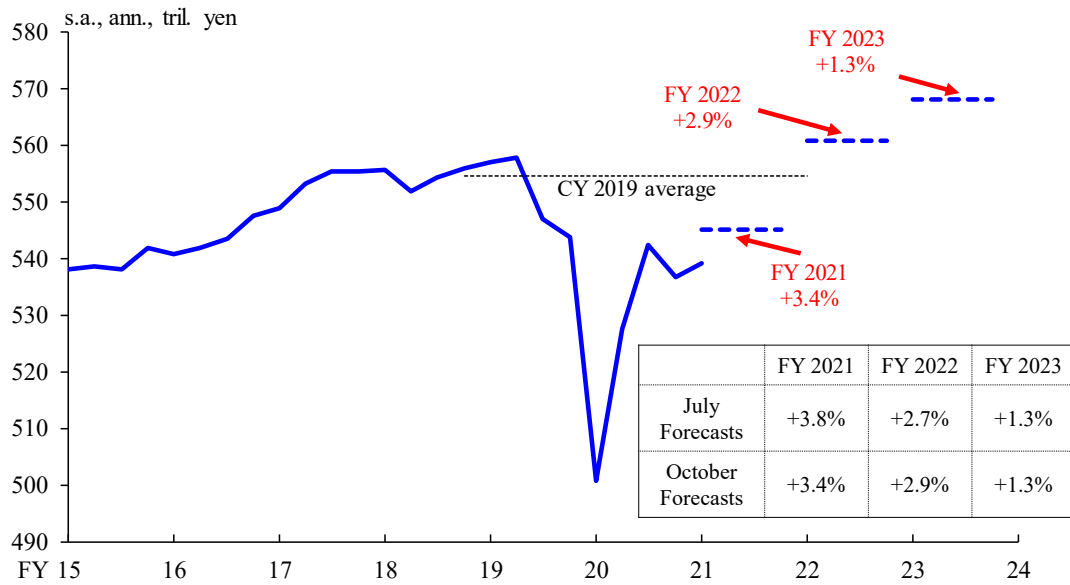
II. Price Developments

III. The Bank's Conduct of Monetary Policy

Conclusion

The Bank's Forecasts for Economic Activity (October 2021 Outlook Report)

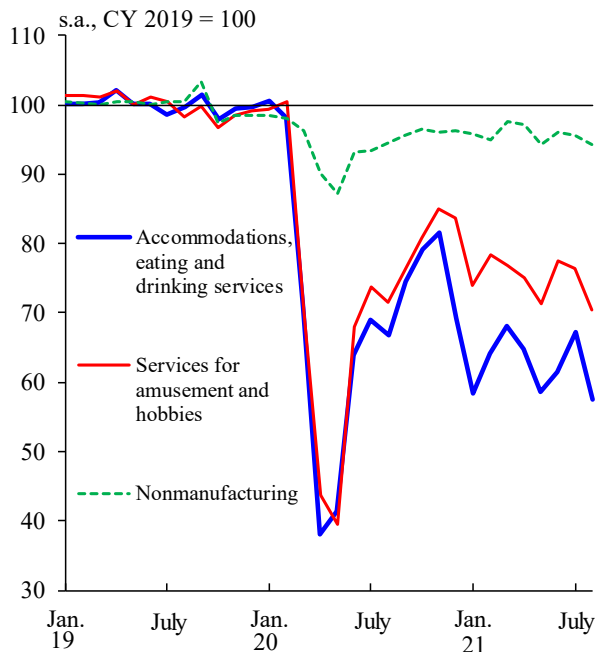
Real GDP



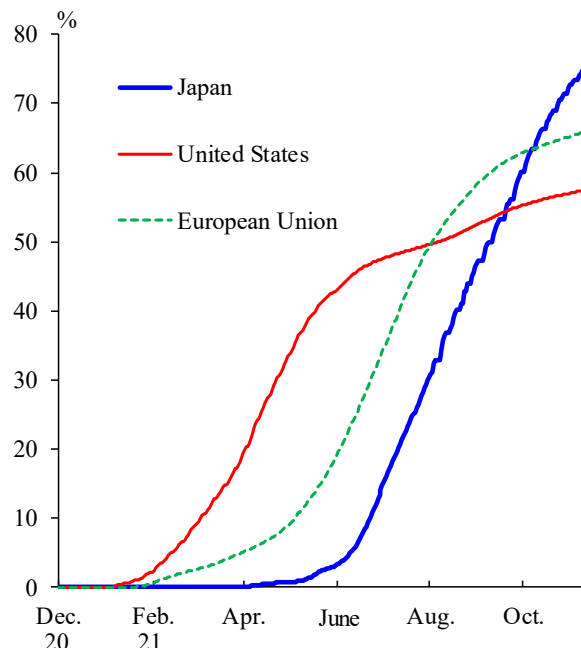
Note: Percentage figures indicate the medians of the Policy Board members' forecasts (point estimates).
Sources: Cabinet Office; Bank of Japan.

Impact of COVID-19 on Services Sector

Level of Economic Activity in Services Sector



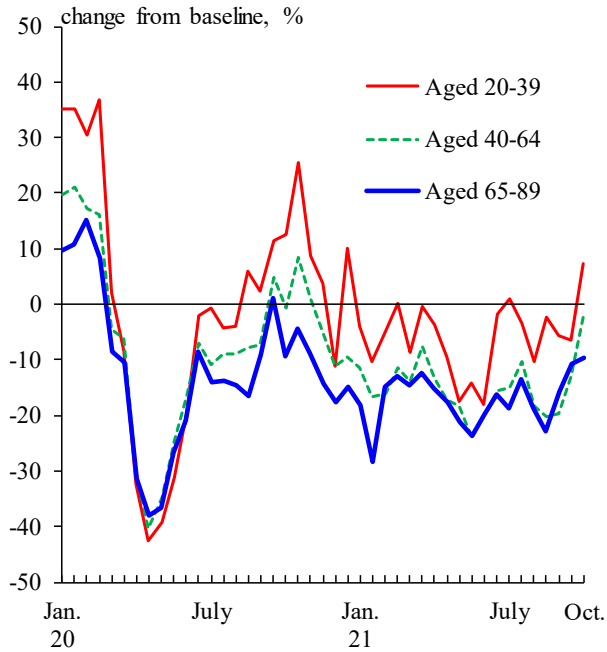
COVID-19 Vaccination Rate



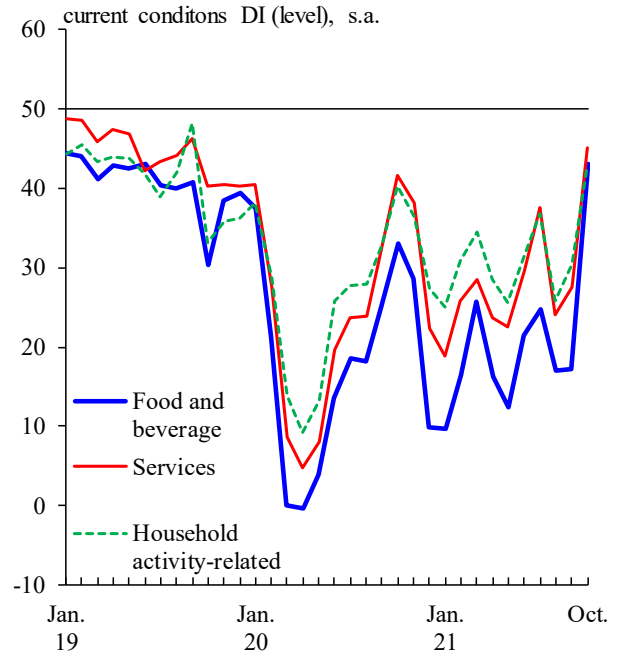
Notes: 1. In the left-hand chart, figures are from the Indices of Tertiary Industry Activity. Figures for nonmanufacturing exclude accommodations, eating and drinking services, and services for amusement and hobbies.
2. The right-hand chart shows the share of the total population that is fully vaccinated against COVID-19.
Sources: Ministry of Economy, Trade and Industry; Our World in Data.

Recent Developments in Services Consumption

Developments in Services Consumption by Age



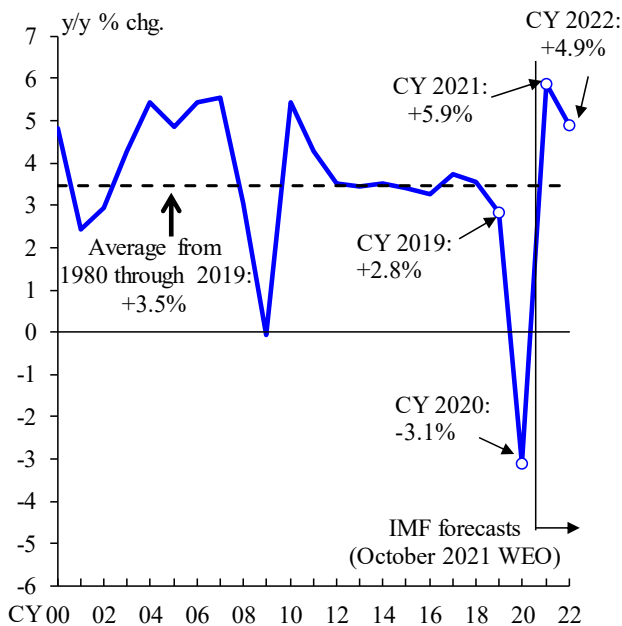
Confidence Indicator (Economy Watchers Survey)



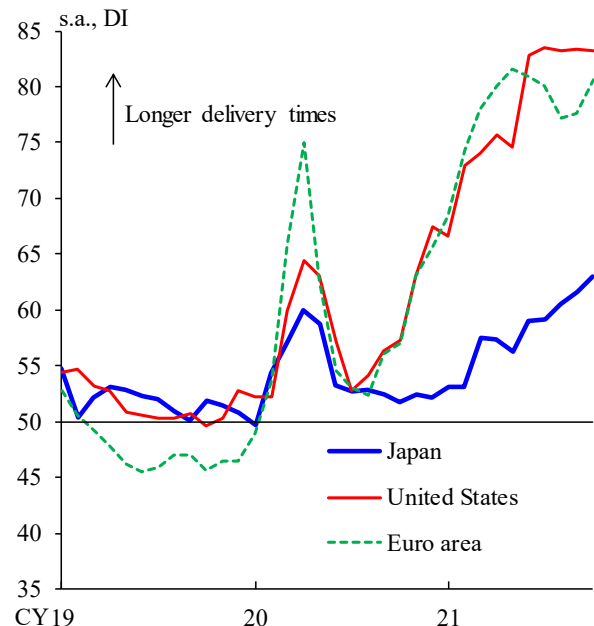
Note: In the left-hand chart, figures are from the reference series in *JCB Consumption NOW*, which take changes in the number of consumers into account. Figures are the arithmetic averages of the corresponding age groups in five-year increments. The baseline is the average for the corresponding half of the month for 2016 through 2018.
Sources: Nowcast Inc./JCB, Co., Ltd.; "JCB Consumption NOW"; Cabinet Office.

Global Economy

Global Growth Rate (IMF Forecasts in the World Economic Outlook)



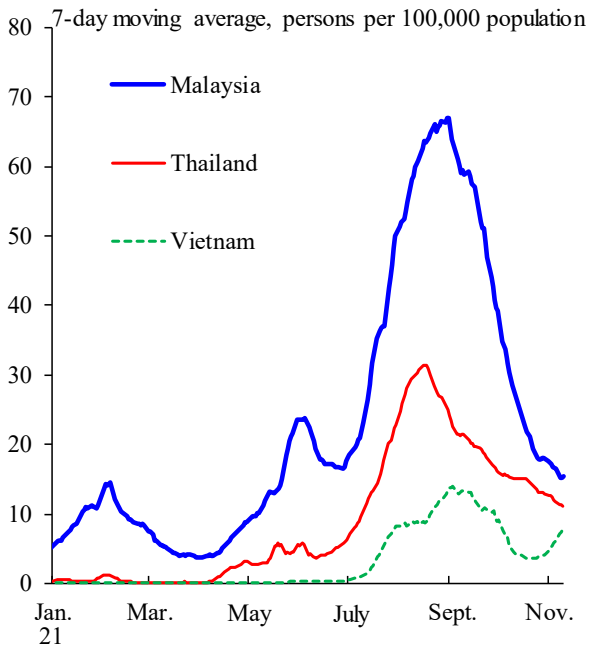
Delivery Delays Index (PMI)



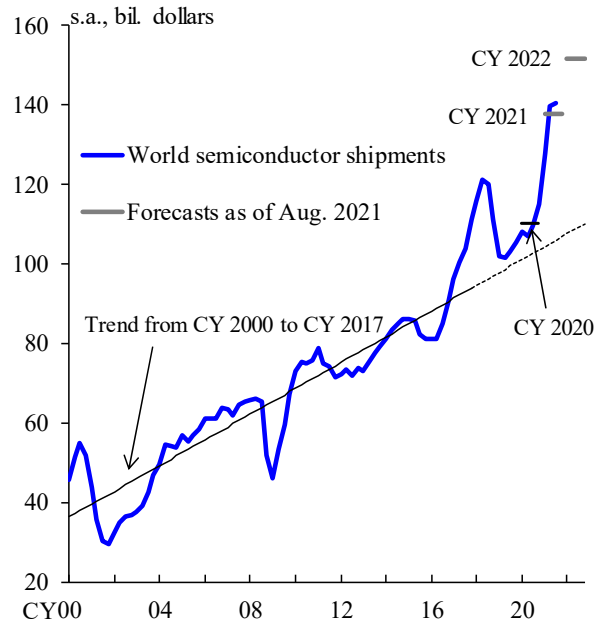
Note: In the right-hand chart, Delivery delay index = 100 - Suppliers' delivery times index. Figures for the United States and the euro area are for the respective manufacturing PMIs. Those for Japan are for the au Jibun Bank Japan Manufacturing PMI.
Sources: IMF; IHS Markit (© and database right IHS Markit Ltd 2021. All rights reserved.).

Supply-Side Constraints

Confirmed New Cases of COVID-19 in Southeast Asia



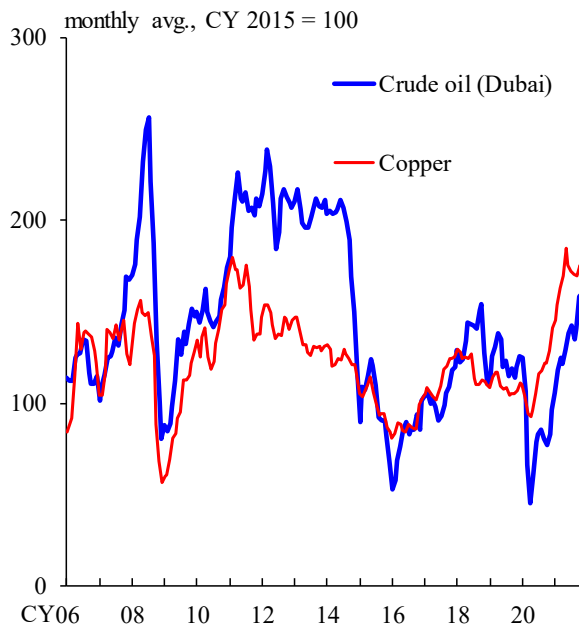
World Semiconductor Demand (WSTS)



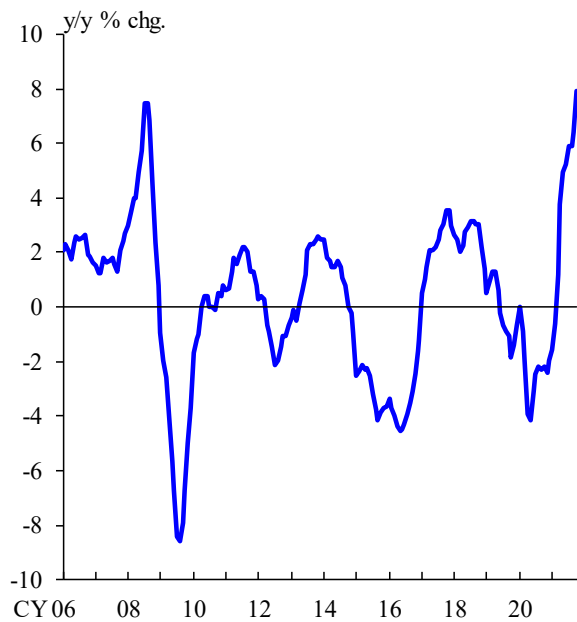
Note: In the right-hand chart, figures are based on staff calculations using World Semiconductor Trade Statistics (WSTS) data. Source: Haver.

Commodity Prices and Prices of Transactions among Businesses

International Commodity Prices



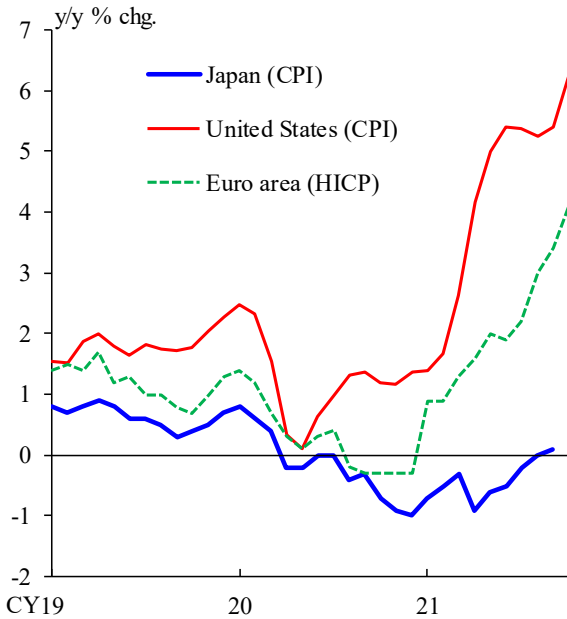
Producer Prices in Japan



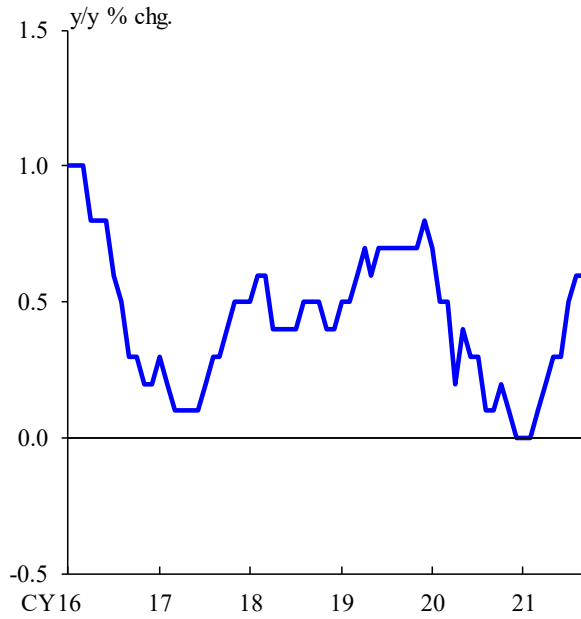
Note: In the right-hand chart, figures are the producer price index (PPI) for all commodities (adjusted to exclude the effects of the consumption tax hike). Sources: Bloomberg; Bank of Japan.

Price Developments

Consumer Prices



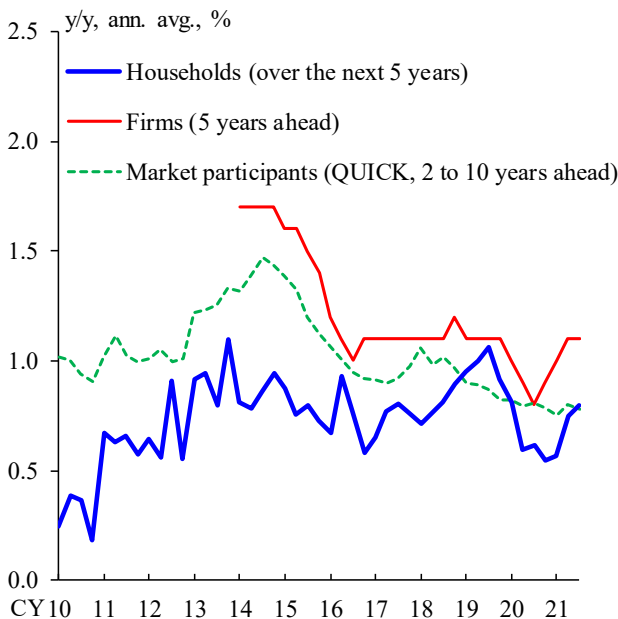
Japan's CPI Excluding Temporary Factors



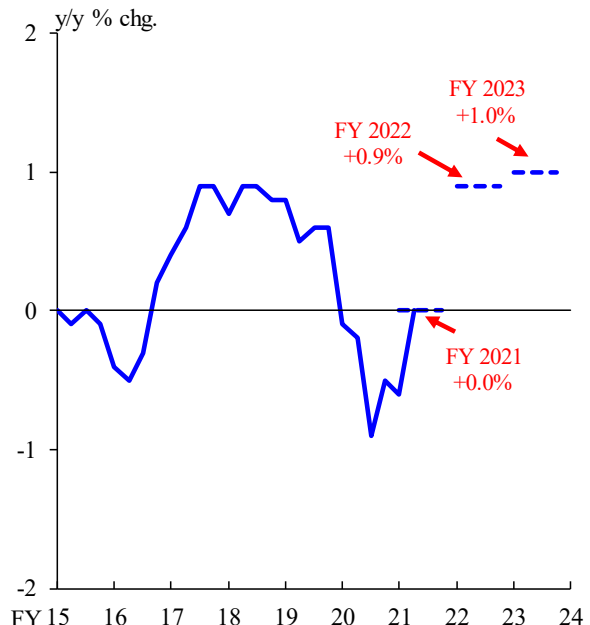
Notes: 1. In the left-hand chart, figures for Japan are the CPI for all items excluding fresh food.
 2. In the right-hand chart, figures are staff estimates and exclude (1) the effects of the consumption tax hike and policies concerning the provision of free education, (2) the effects of the "Go To Travel" campaign, which covers a portion of domestic travel expenses, and (3) mobile phone charges, from the CPI (all items less fresh food and energy).
 Sources: Haver; Ministry of Internal Affairs and Communications.

Outlook for Prices

Inflation Expectations



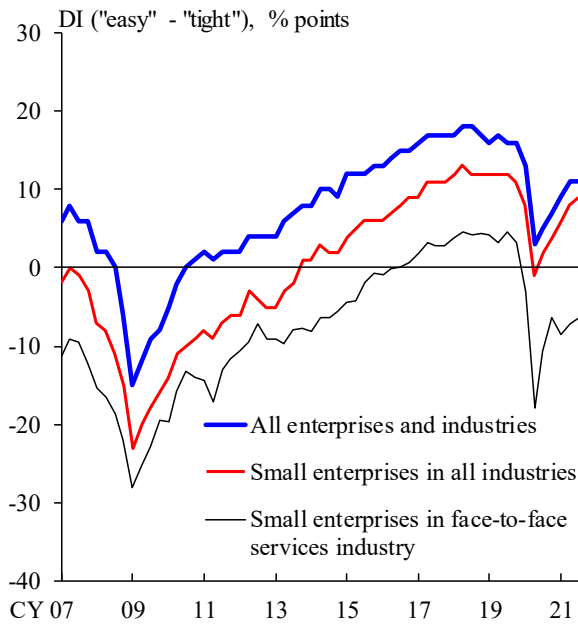
The Bank's Forecasts for CPI (All Items Less Fresh Food)



Notes: 1. In the left-hand chart, figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method. Figures for firms show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.
 2. In the right-hand chart, figures exclude the direct effects of the consumption tax hike in April 2014. Percentage figures indicate the medians of the Policy Board members' forecasts (point estimates) presented in the October 2021 Outlook Report.
 Sources: Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>"; Ministry of Internal Affairs and Communications.

The Bank's Measures in Response to COVID-19

Firms' Financial Positions (Tankan)



Measures in Response to COVID-19

Supporting Corporate Financing

Special Program to Support Financing in Response to COVID-19

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

Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19

⇒ **The Bank extended the duration until the end of March 2022 (decided in June 2021)**

Stabilizing Financial Markets

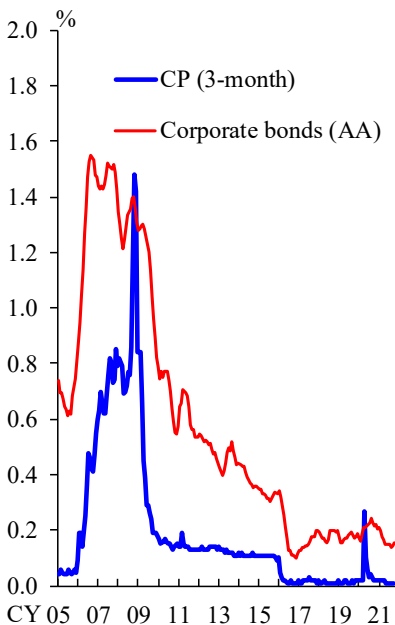
Ample and Flexible Provision of Yen and Foreign Currency Funds

Purchases of ETFs and J-REITs

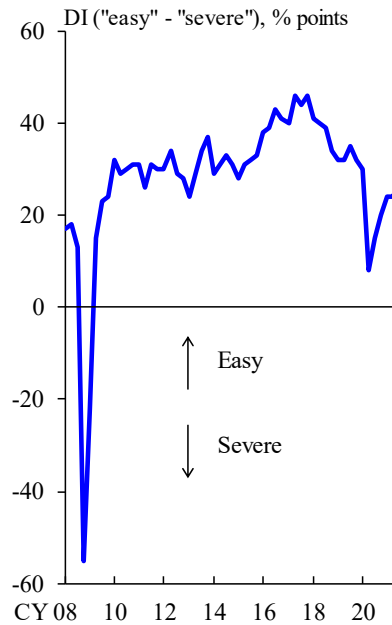
Note: In the left-hand chart, figures for small enterprises in face-to-face services industry are the weighted averages of the DI for retailing, transport & postal activities, services for individuals, and accommodations, eating & drinking services.
Source: Bank of Japan.

Funding Environment

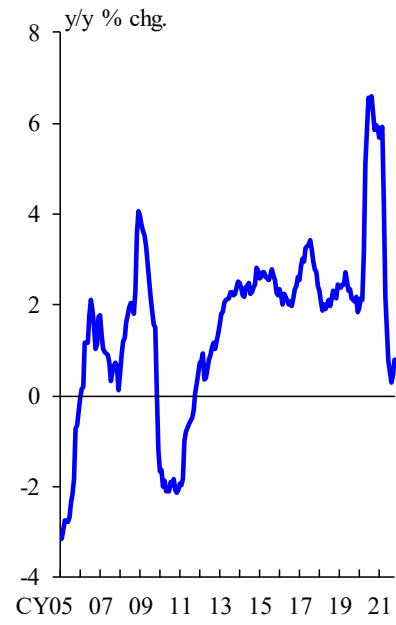
Issuance Yields for CP and Corporate Bonds



Issuance Conditions for CP (Tankan)



Amount Outstanding of Bank Lending



Notes: 1. In the left-hand chart, figures for issuance yields for CP up through September 2009 are the averages for CP (3-month, rated a-1 or higher). Those from October 2009 onward are the averages for CP (3-month, rated a-1). Figures for issuance yields for corporate bonds are the averages for domestically issued bonds launched on a particular date (6-month backward moving averages). Bonds issued by banks and securities companies, etc., are excluded.

2. In the middle chart, figures are for all industries.

3. In the left-hand chart, figures are monthly averages.

Sources: Japan Securities Depository Center; Capital Eye; I-N Information Systems; Bloomberg; Bank of Japan.