

Japan's Economy and Monetary Policy

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

February 3, 2022

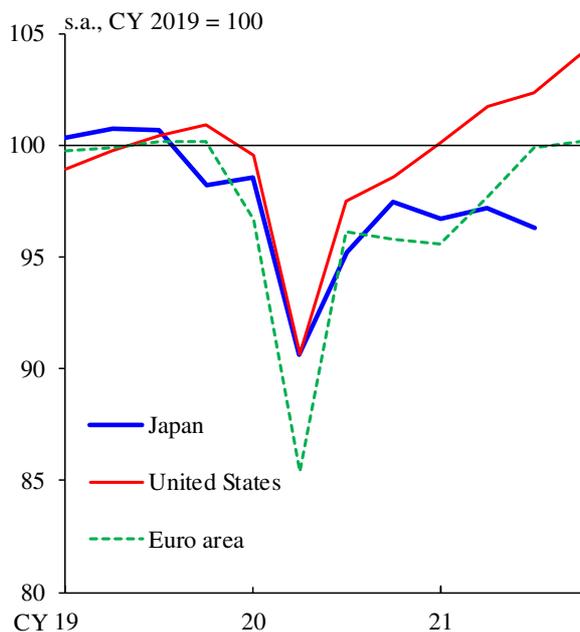
WAKATABE Masazumi
Deputy Governor of the Bank of Japan

I. Current Situation and Outlook for Economic Activity

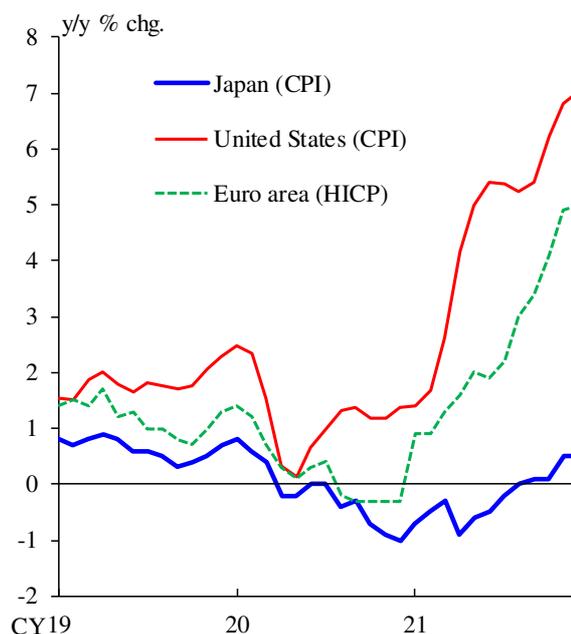
Chart 1

Global Economy and Prices

*GDP in Japan, United States,
and Europe*



*Consumer Prices in Japan, United States,
and Europe*



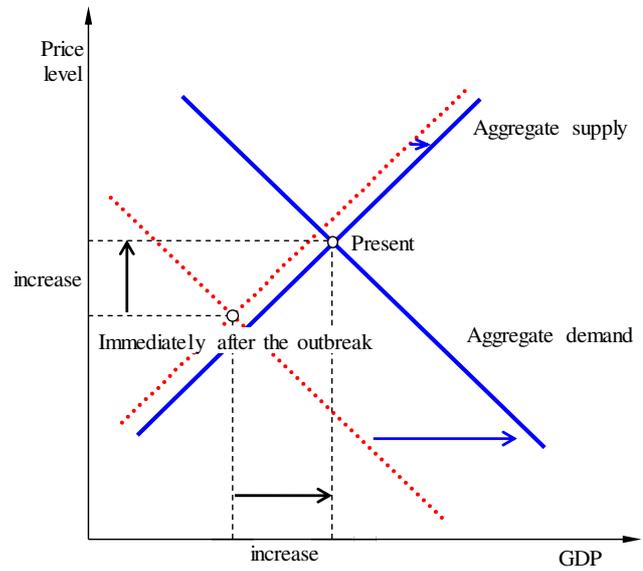
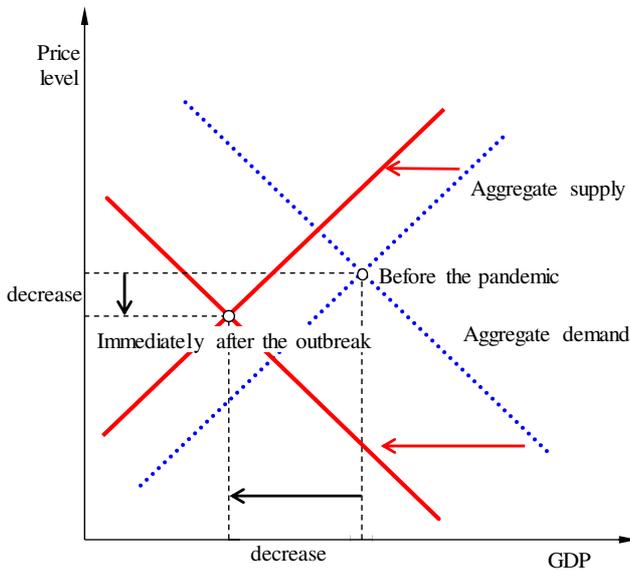
Note: In the right-hand chart, figures for Japan are the CPI for all items excluding fresh food.
Sources: Haver; Cabinet Office; Ministry of Internal Affairs and Communications.

Supply and Demand since the Outbreak of COVID-19

Immediately after the Outbreak

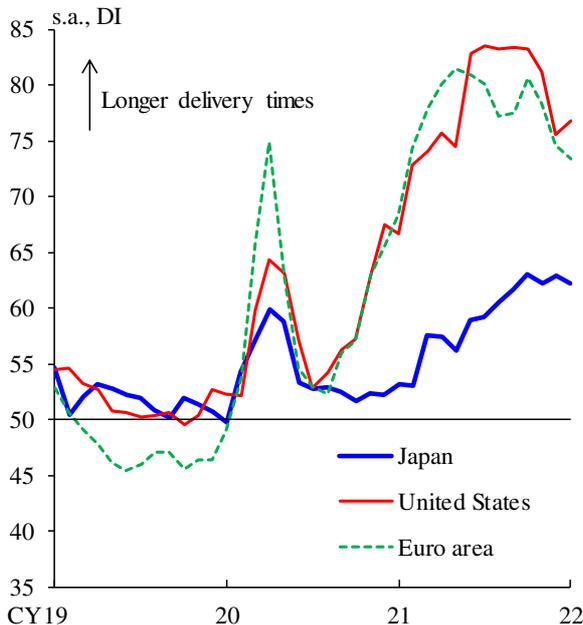


Since Responses to the Pandemic

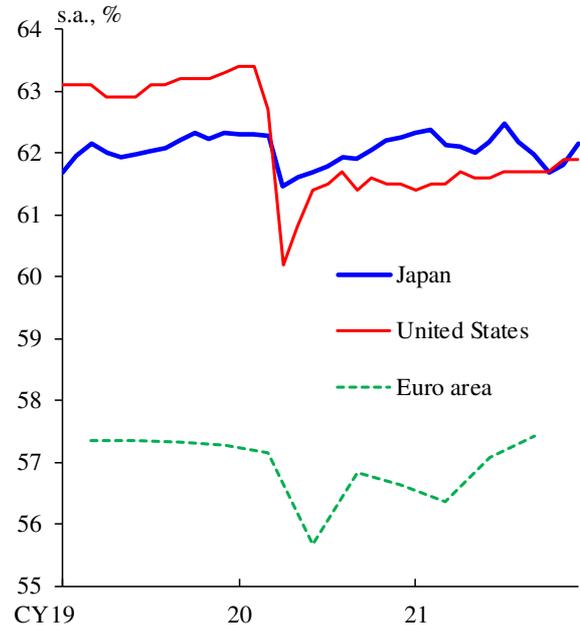


Impact on Supply Side

Delivery Delays Index (PMI)



Labor Force Participation Rates in Japan, United States, and Europe

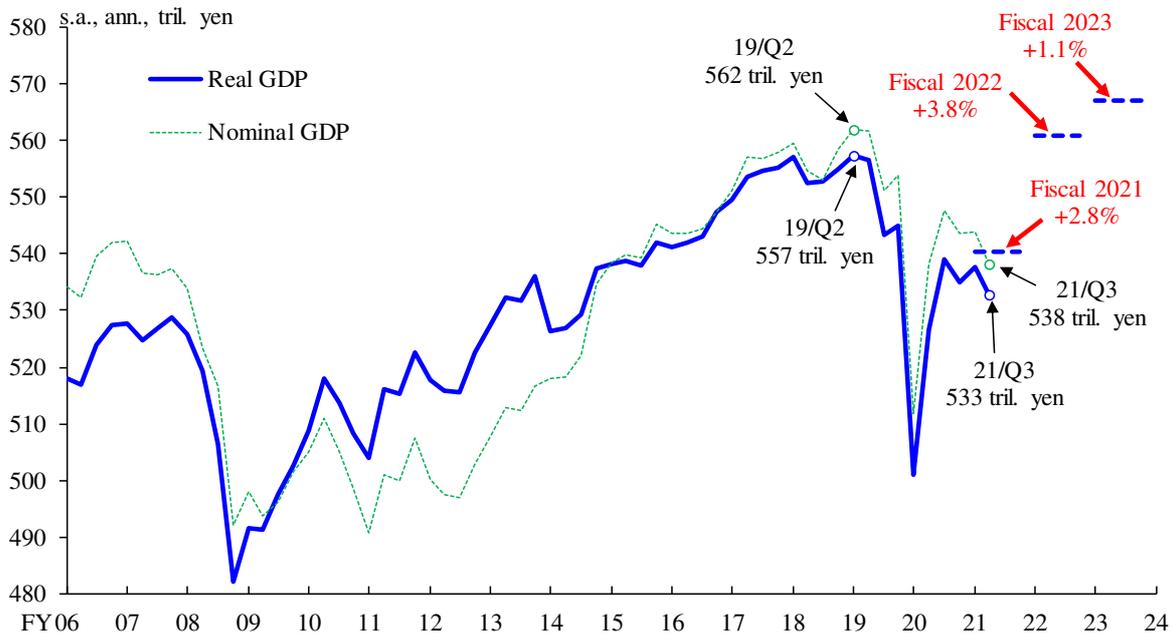


Notes: 1. In the left-hand chart, Delivery delay index = 100 - Suppliers' delivery times index. Figures for the United States and the euro area are for the respective manufacturing PMIs. Those for Japan are for the au Jibun Bank Japan Manufacturing PMI.

2. In the right-hand chart, figures for the euro area are quarterly.

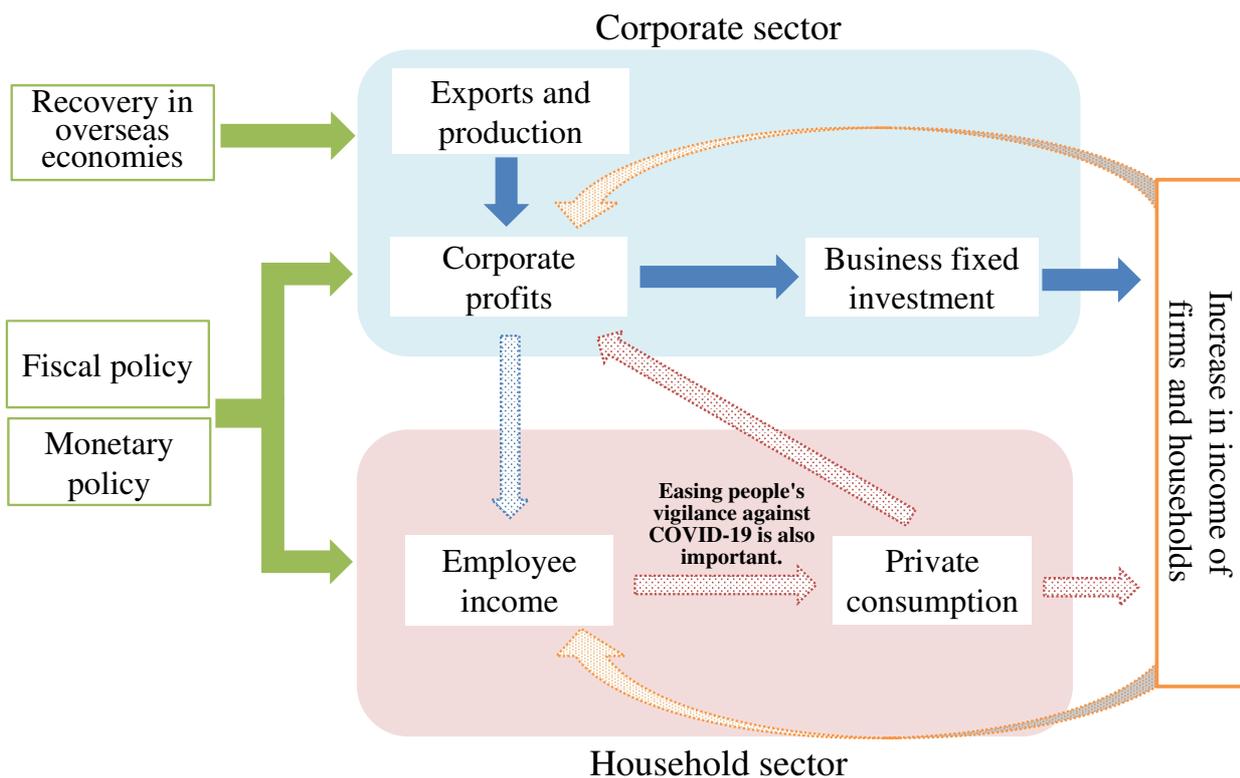
Sources: IHS Markit (© and database right IHS Markit Ltd 2022. All rights reserved.); Haver; Ministry of Internal Affairs and Communications.

The Bank's Forecasts for Economic Activity (January 2022 Outlook Report)



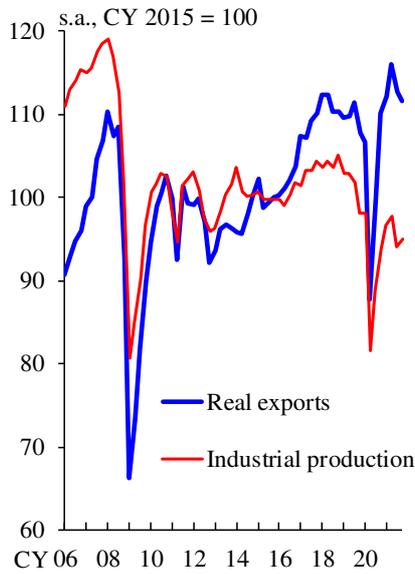
Note: Percentage figures indicate the medians of the Policy Board members' forecasts (point estimates).
Sources: Cabinet Office; Bank of Japan.

Virtuous Cycle

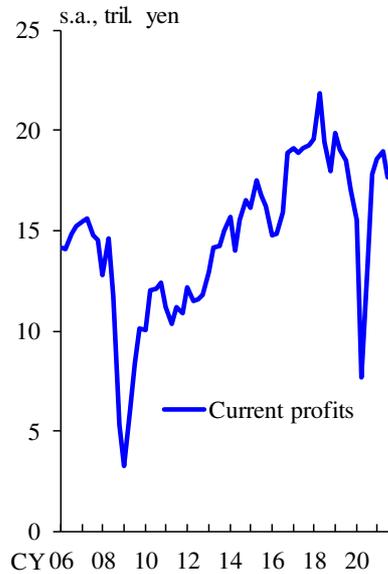


Corporate Sector

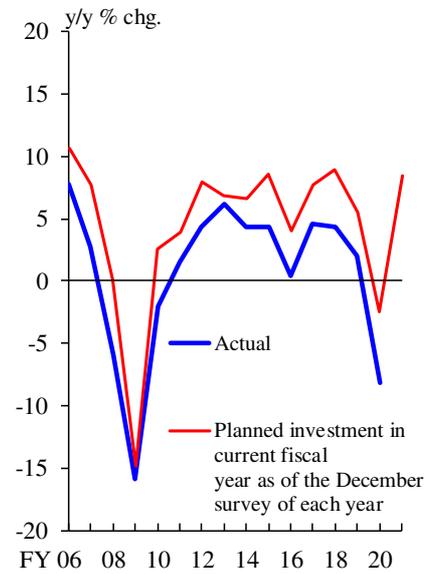
Exports and Production



Corporate Profits



Business Fixed Investment (Tankan)



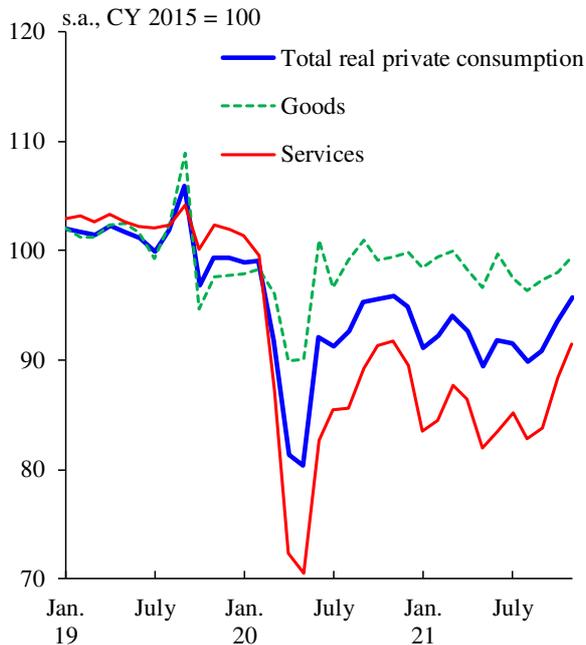
Notes: 1. In the middle chart, figures are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies.

2. In the right-hand chart, figures include software and R&D investments and exclude land purchasing expenses. R&D investment is not included before the March 2017 survey. The figures are for all industries and enterprises.

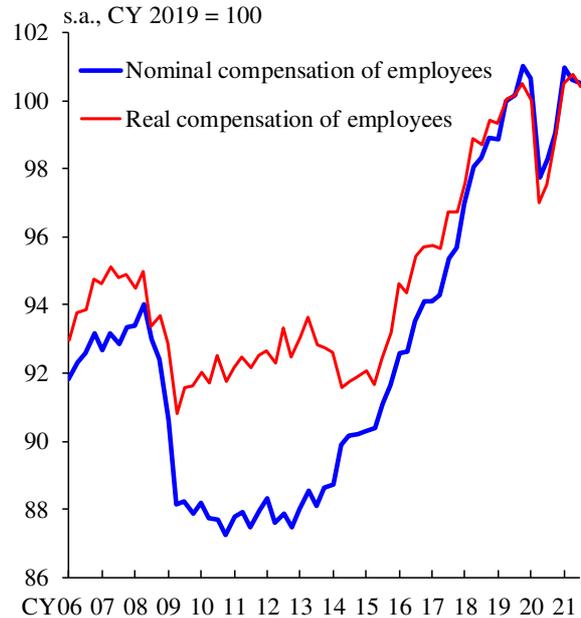
Sources: Ministry of Economy, Trade and Industry; Ministry of Finance; Bank of Japan.

Household Sector

Private Consumption

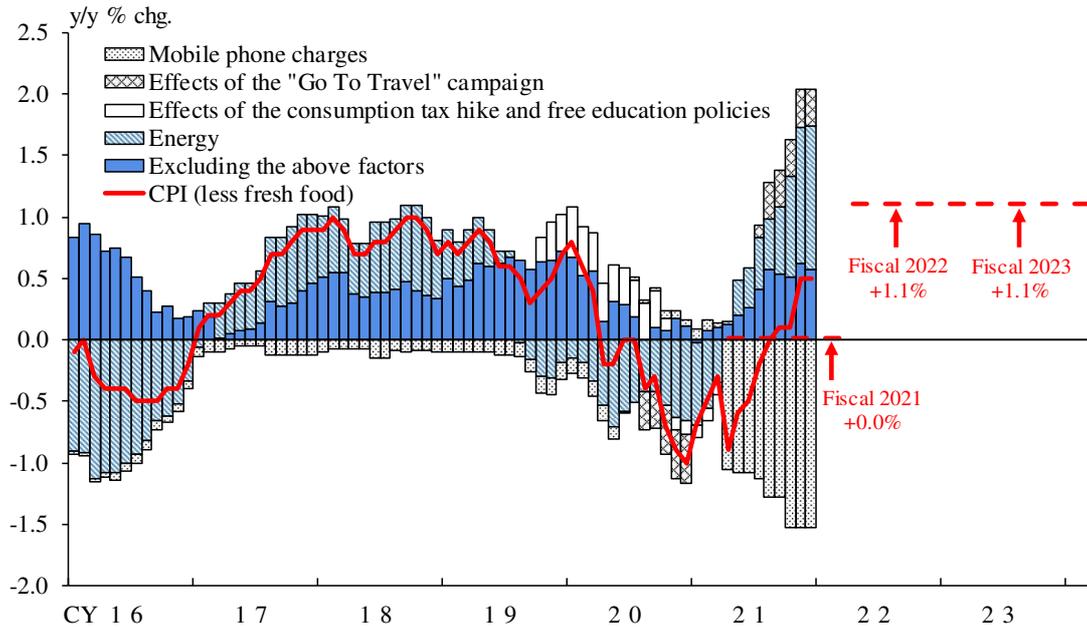


Employee Income



Sources: Bank of Japan; Cabinet Office, etc.

The Bank's Forecasts for Prices (January 2022 Outlook Report)



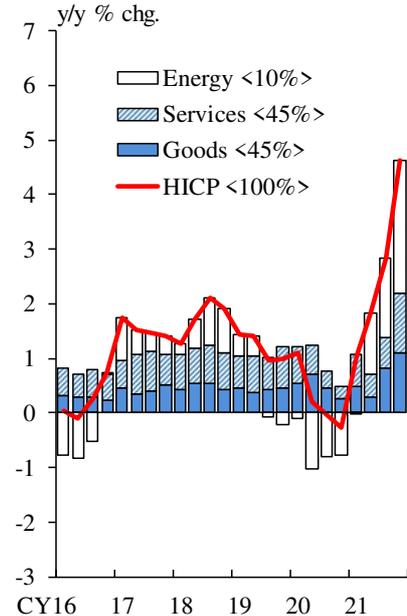
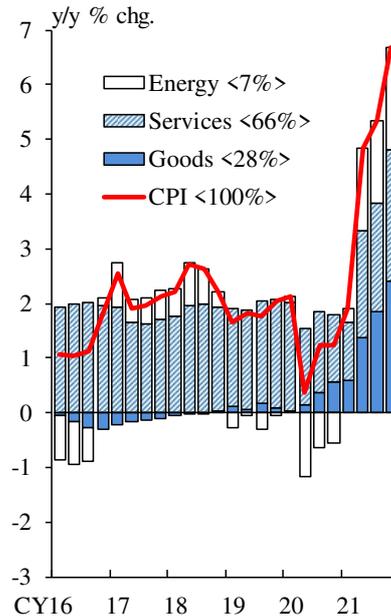
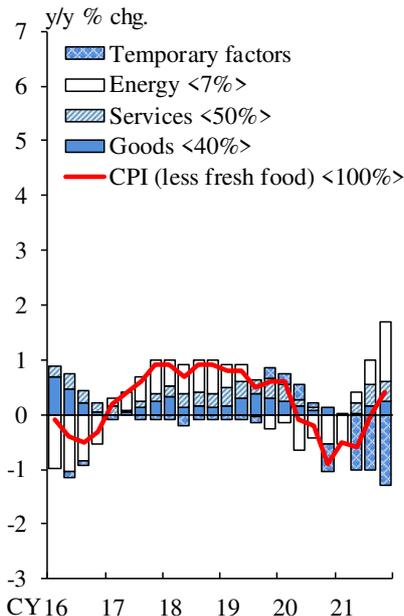
Notes: 1. Figures for energy consist of those for petroleum products, electricity, and gas, manufactured & piped.
 2. Figures for the "effects of the consumption tax hike and free education policies" from April 2020 onward are staff estimates and include the effects of measures such as free higher education introduced in April 2020.
 3. Percentage figures indicate the medians of the Policy Board members' forecasts (point estimates).
 Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

Price Developments in Japan, United States, and Europe

Japan

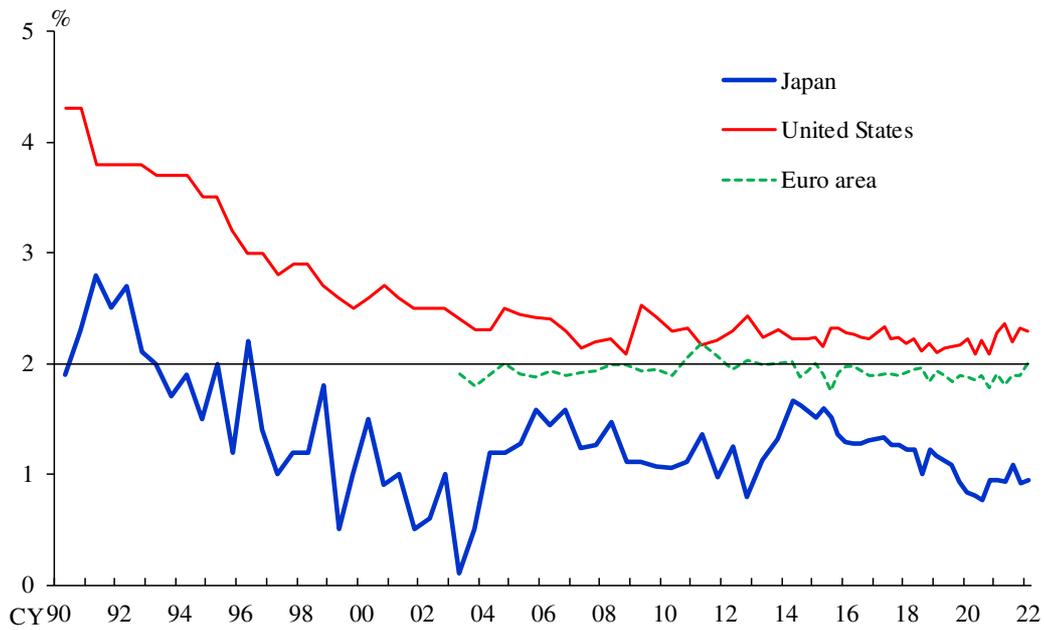
United States

Euro Area



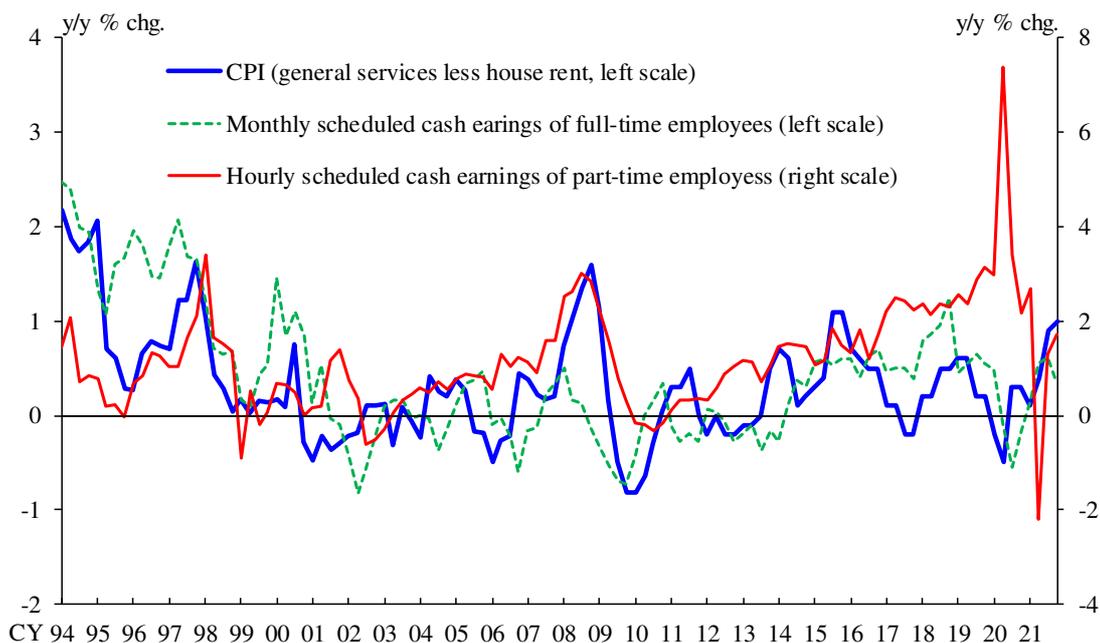
Notes: 1. Figures for services include administered prices.
 2. Figures for temporary factors for Japan are staff estimates and consist of mobile phone charges and the effects of the consumption tax hike, policies concerning the provision of free education, and the "Go To Travel" campaign, which covers a portion of domestic travel expenses.
 3. Figures in angular brackets show the share of each component. Figures for temporary factors for Japan include mobile phone charges (weight: 3%).
 Sources: Ministry of Internal Affairs and Communications; Haver

Medium- to Long-Term Inflation Expectations in Japan, United States, and Europe



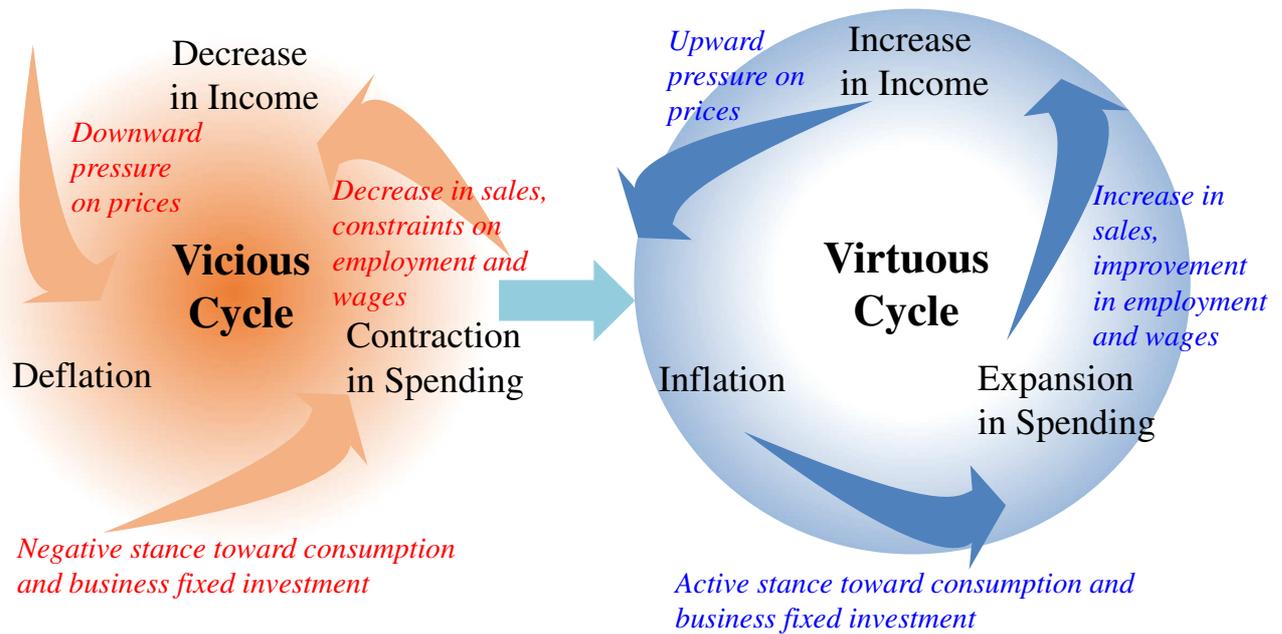
Source: Consensus Economics Inc., "Consensus Forecasts."

Wages and Services Prices



Note: Figures for CPI are staff estimates and exclude the effects of the consumption tax hikes, policies concerning the provision of free education, and the "Go To Travel" campaign, which covers a portion of domestic travel expenses. Figures from 2021/Q1 onward also exclude mobile phone charges. The latest figures for wages are October-November averages. Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare.

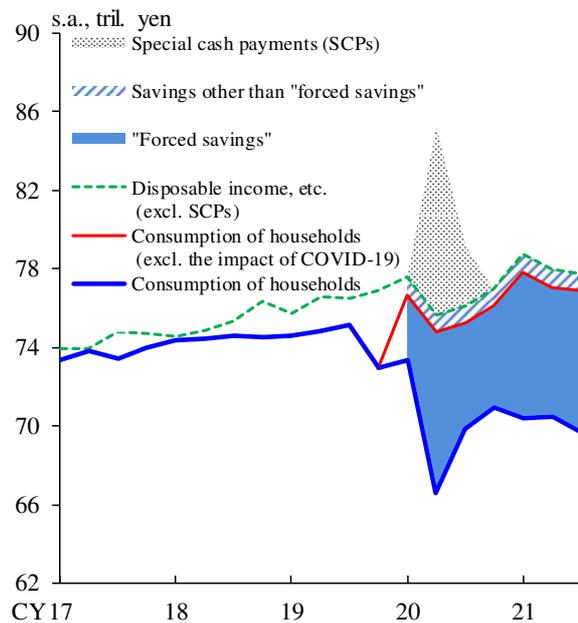
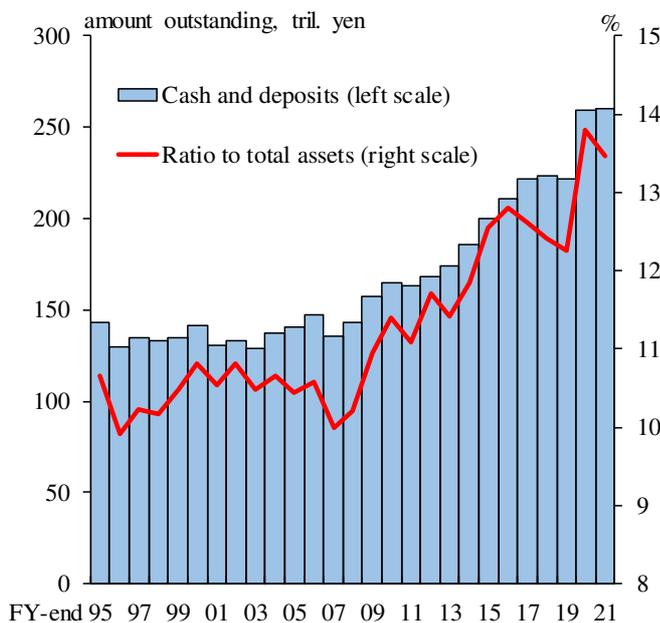
Cycle from Income to Spending



Two "Standby" Funds

Total Amount Outstanding of Cash and Deposits in Corporate Sector

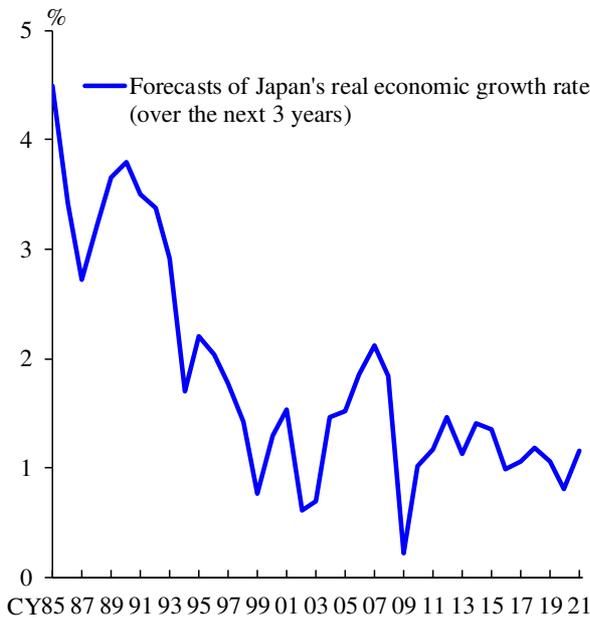
Private Consumption and Loss of Consumption Opportunities



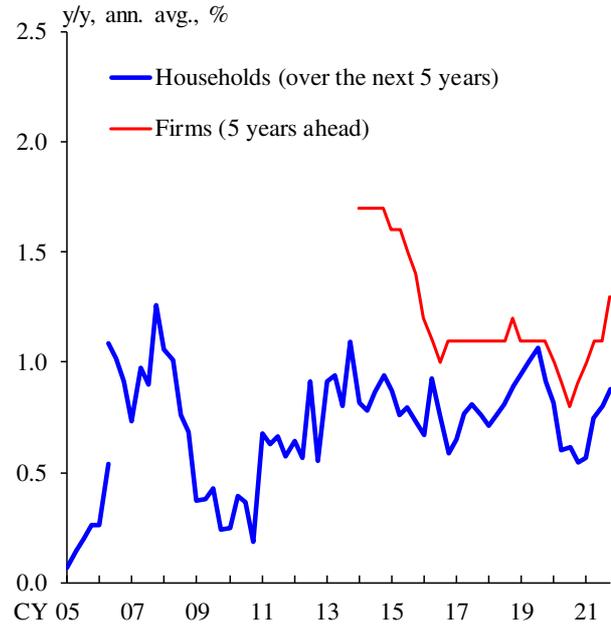
Notes: 1. In the left-hand chart, figures are based on the *Financial Statements Statistics of Corporations by Industry* and exclude "finance and insurance." Figures for the end of fiscal 2021 are calculated using the growth rate for 2021/Q3 relative to 2021/Q1.
 2. For details of the right-hand chart, see Box 3 "Effects of Widespread Vaccinations and Outlook for Private Consumption" in the April 2021 Outlook Report.
 Sources: Ministry of Finance; Bank of Japan; Cabinet Office, etc.

Two "Expectations"

Firms' Growth Expectations



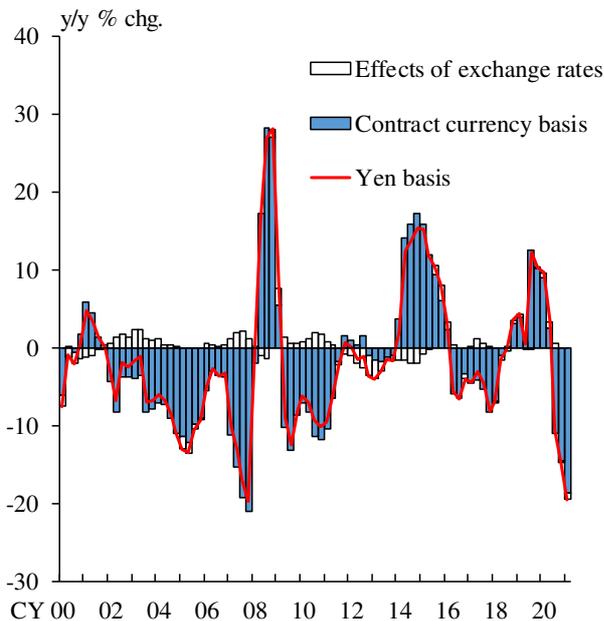
Inflation Expectations



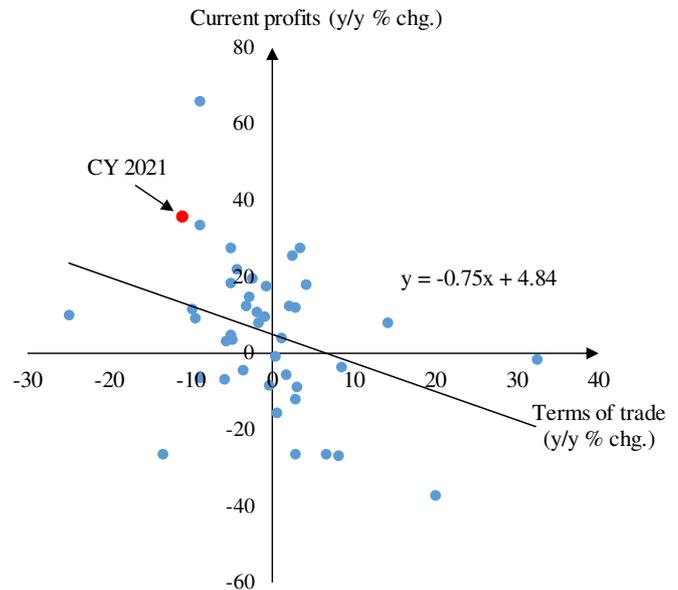
Notes: 1. In the left-hand chart, figures are based on the *Annual Survey of Corporate Behavior* (listed firms).
 2. In the right-hand chart, figures for households are from the *Opinion Survey on the General Public's Views and Behavior*, estimated using the modified Carlson-Parkin method. Figures for firms show the inflation outlook of enterprises for general prices (all industries and enterprises, average) in the *Tankan*.
 Sources: Cabinet Office; Bank of Japan.

Terms of Trade and Corporate Profits

Terms of Trade



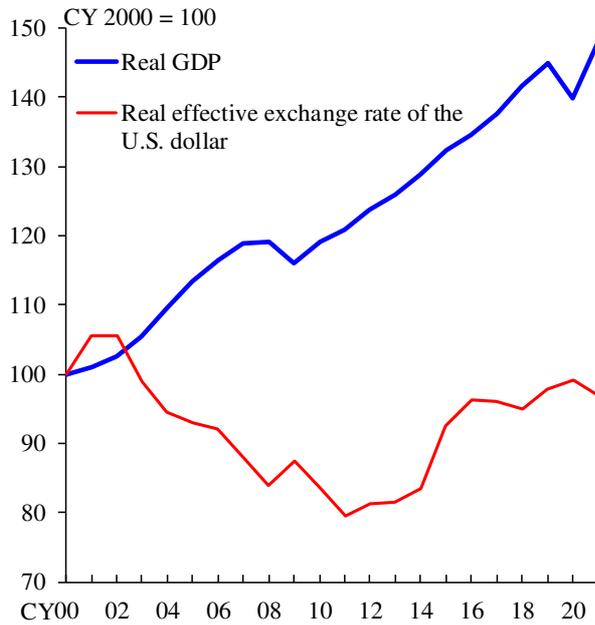
Correlation between Terms of Trade and Corporate Profits



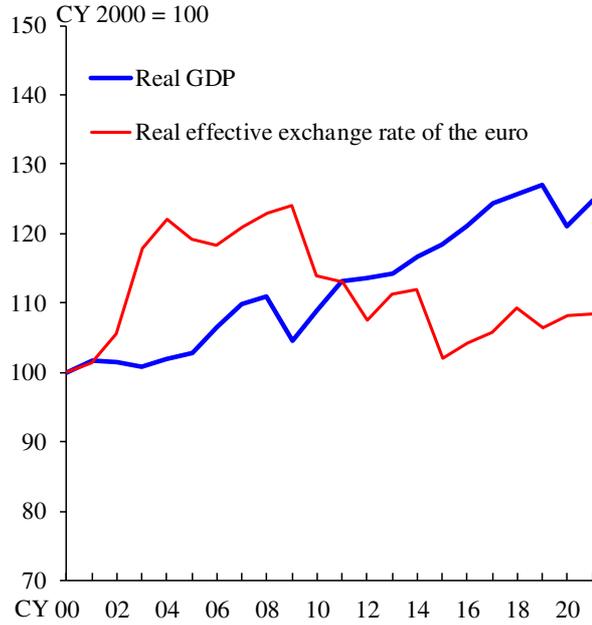
Note: In the right-hand chart, figures for current profits are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly* and exclude "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies. The figure for CY 2021 is the seasonally adjusted annualized amount for 2021/Q1-Q3.
 Sources: Bank of Japan; Ministry of Finance.

GDP and Real Effective Exchange Rates

United States



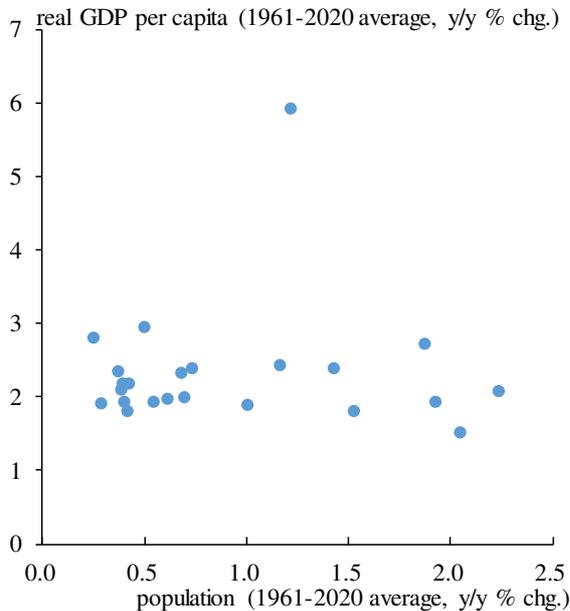
Germany



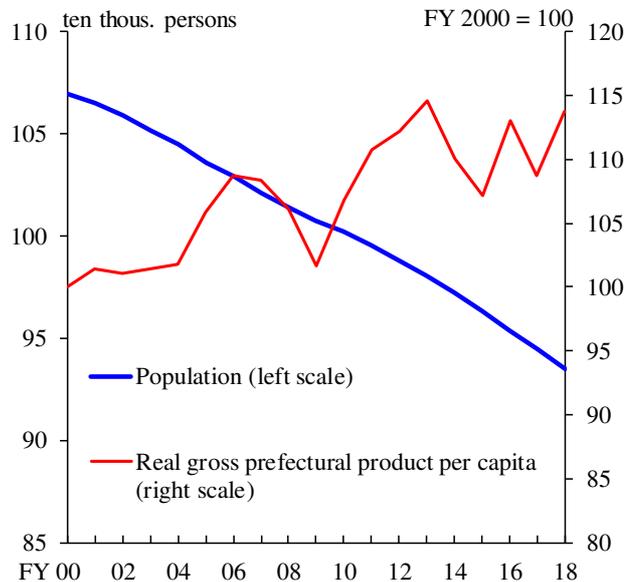
Note: Figures for real GDP for CY 2021 are IMF projections.
Sources: BIS; IMF.

Population Growth Rate and GDP

Global Population Growth and GDP Growth per Capita



Population and Gross Prefectural Product per Capita in Wakayama Prefecture



Note: In the left-hand chart, figures are those for 23 OECD member countries for which data from 1961 onward are available.
Sources: World Bank; Cabinet Office.