



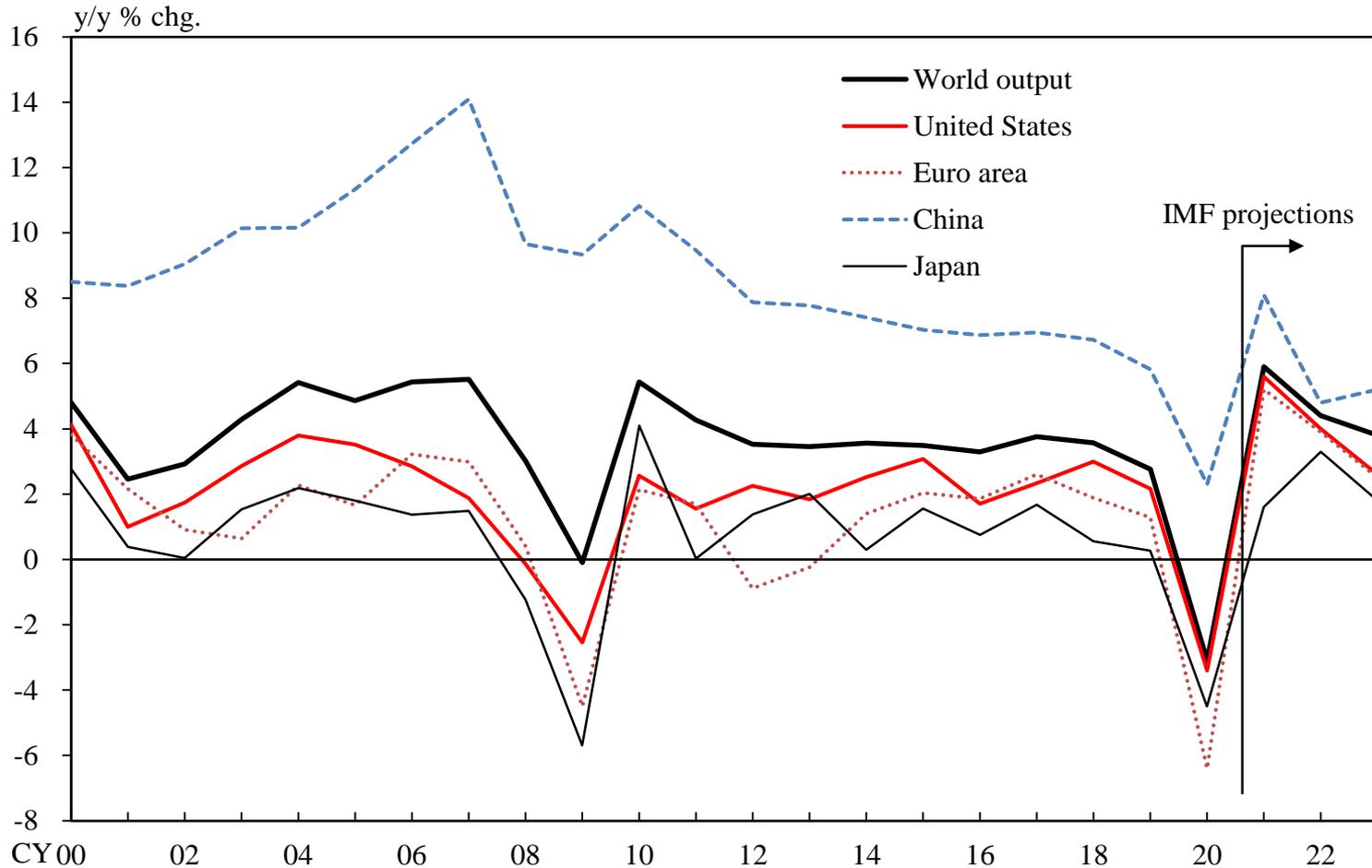
Economic Activity, Prices, and Monetary Policy in Japan

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

February 9, 2022

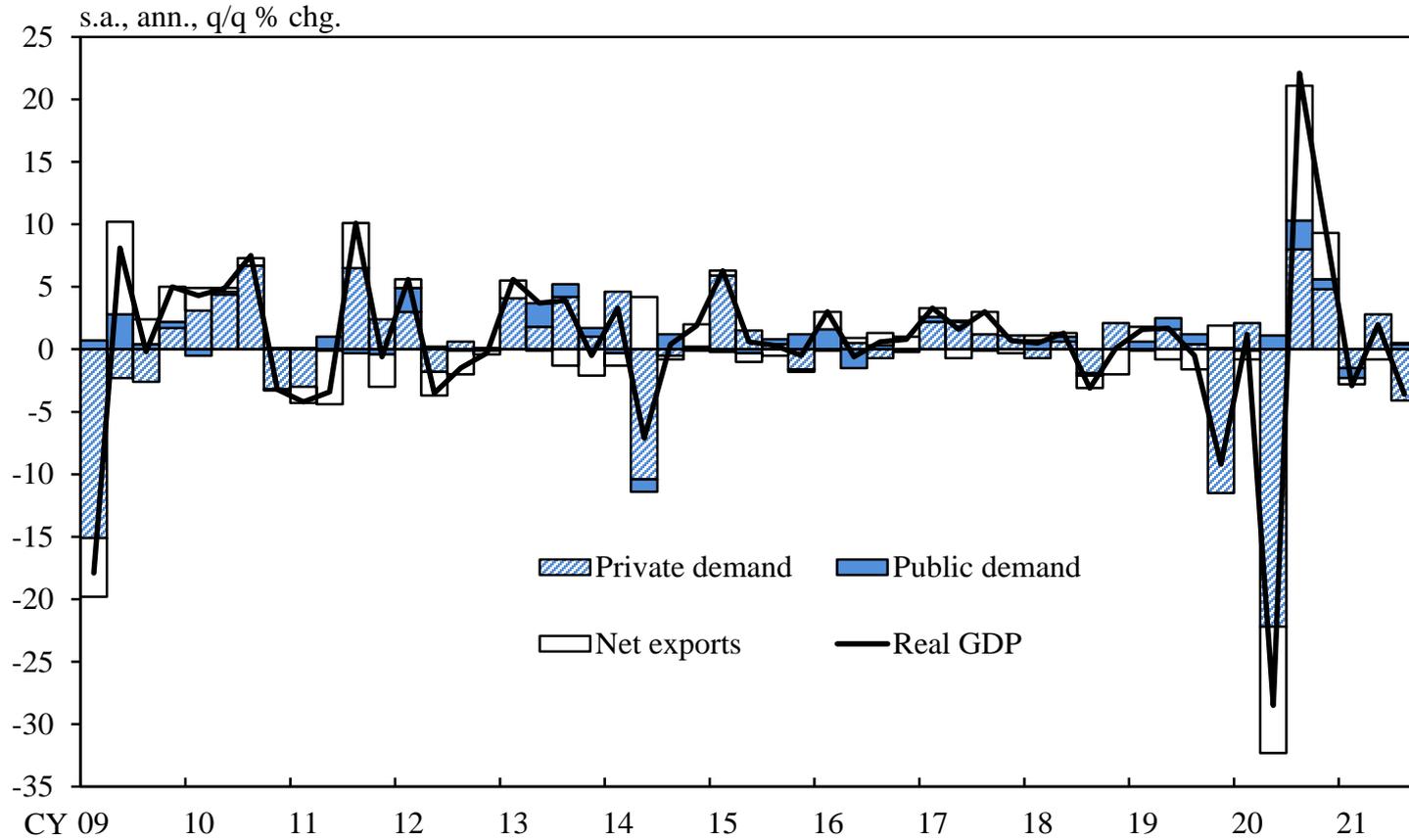
NAKAMURA Toyoaki
Member of the Policy Board
Bank of Japan

IMF Projections in the *World Economic Outlook* (January 2022)



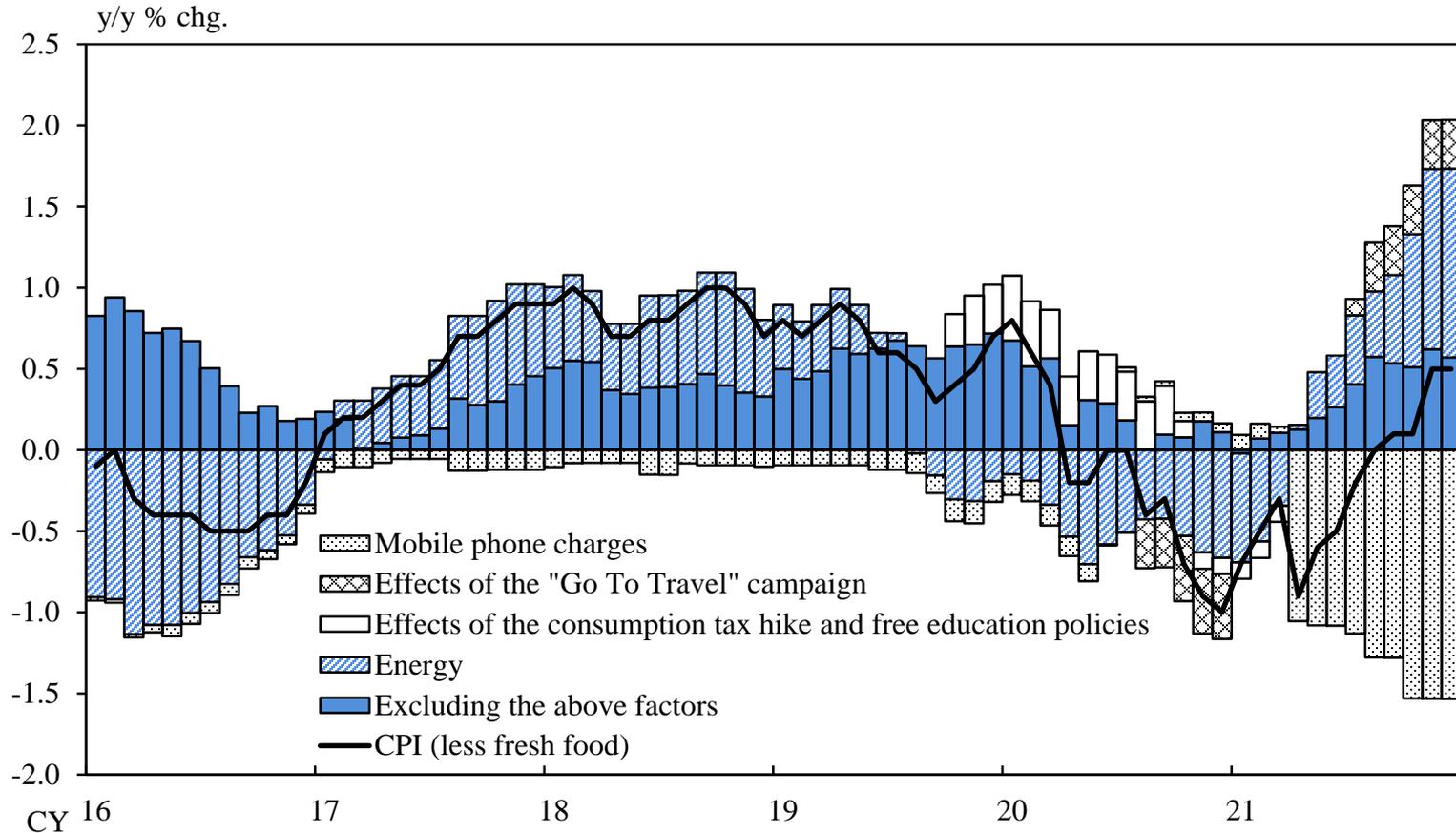
Source: IMF.

Japan's Real GDP



Source: Cabinet Office.

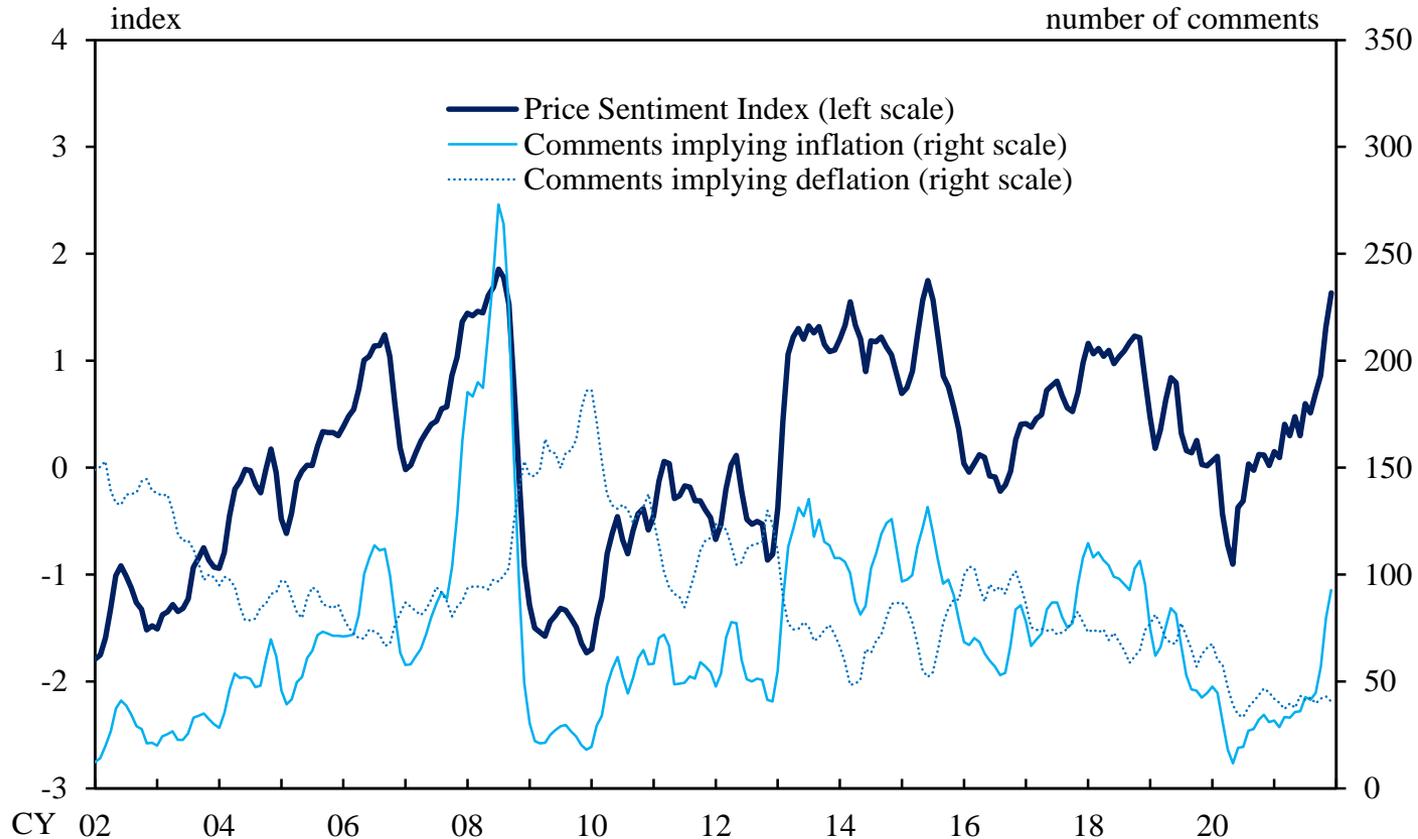
Japan's CPI (Less Fresh Food)



- Notes: 1. Energy consists of petroleum products (gasoline, kerosene, and liquefied propane), electricity, and manufactured and piped gas charges.
 2. Figures for the "effects of the consumption tax hike and free education policies" from April 2020 onward are based on staff estimations and include the effects of measures such as free higher education introduced in April 2020.

Source: Ministry of Internal Affairs and Communications.

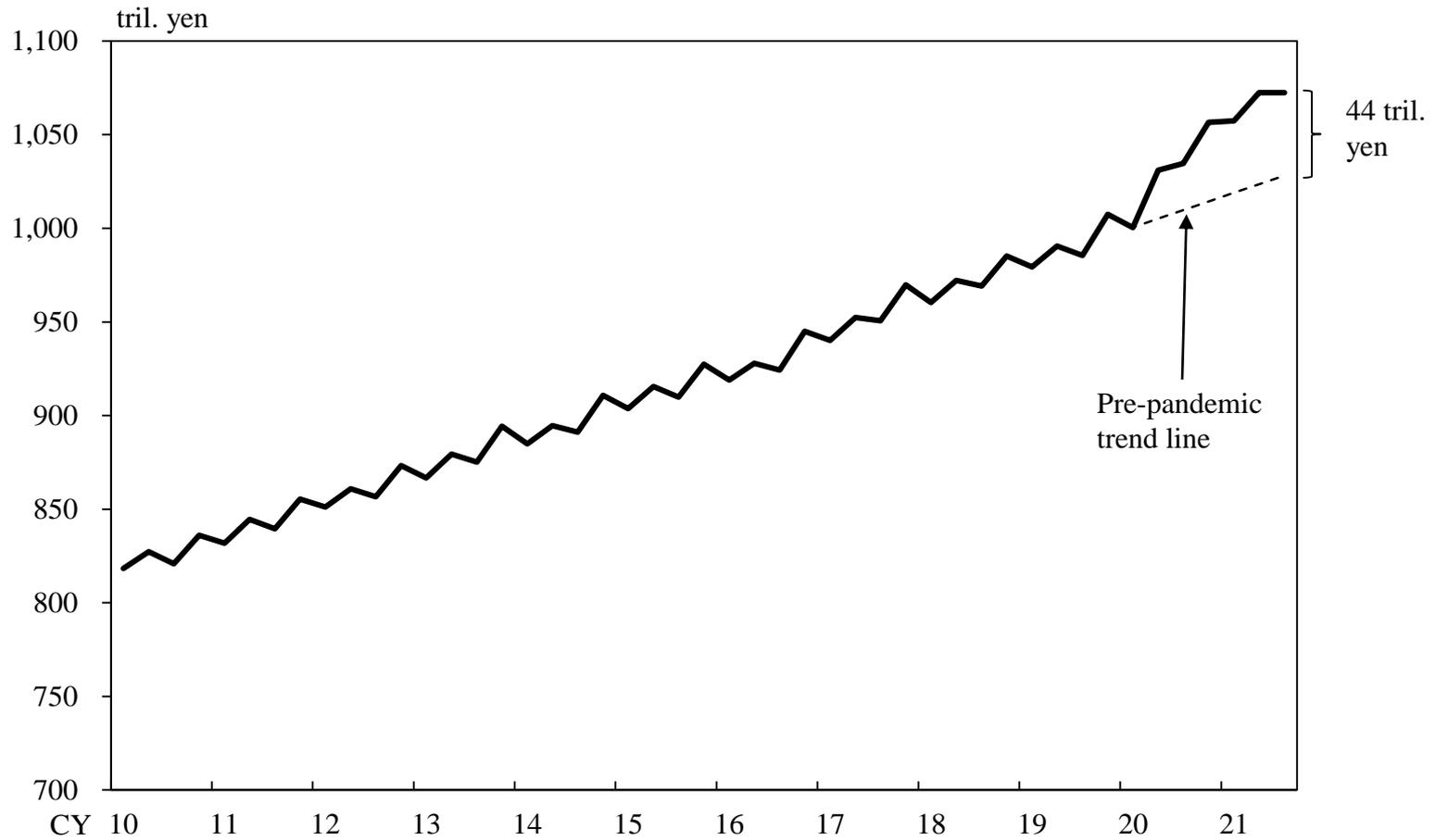
Price Sentiment Index



Note: The Price Sentiment Index is calculated as follows. Using the Naïve Bayes classifier, comments on current economic conditions in the Economy Watchers Survey are first classified into (A) comments implying inflation, (B) comments implying deflation, (C) comments implying zero inflation, and (D) comments not referring to price developments. The Price Sentiment Index is then calculated as $(A-B) / (A+B+C) \times 100$ and normalized (3-month backward moving averages).

Source: Cabinet Office.

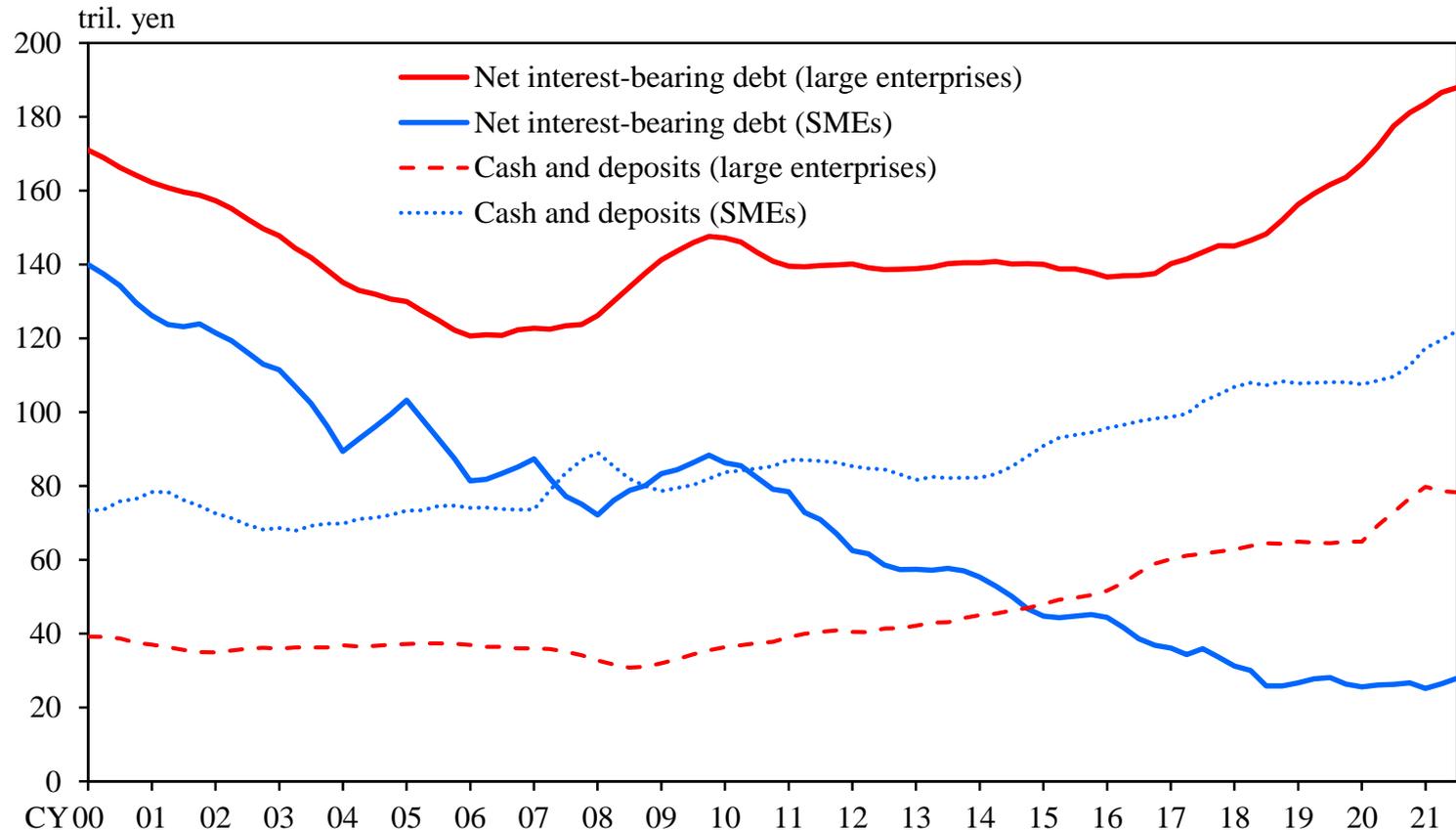
Cash and Deposits Held by Japanese Households



Note: The pre-pandemic trend line is based on the average rate of increase for 2010 through 2019.

Source: Bank of Japan.

Firms' Net Interest-Bearing Debt and Cash and Deposits in Japan



Notes: 1. Net interest-bearing debt = borrowings from financial institutions + bonds – cash and deposits, based on the "Financial Statements Statistics of Corporations by Industry, Quarterly."

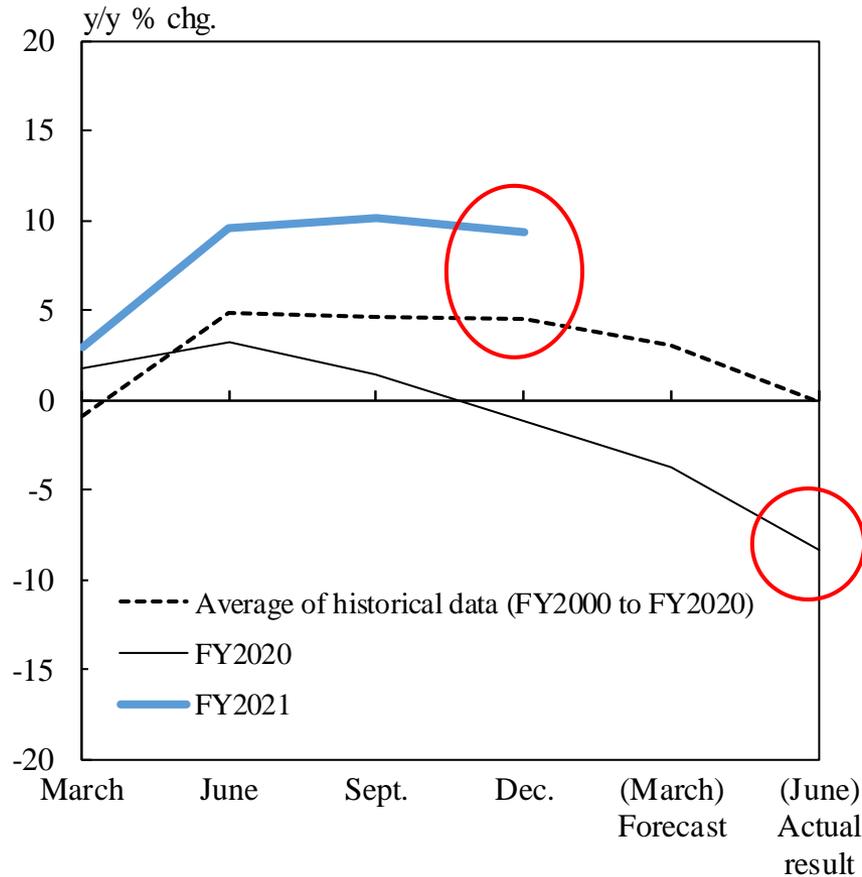
2. Figures exclude finance and insurance, and are 4-quarter backward moving averages.

3. Enterprises with capital of 1 billion yen or more are large enterprises, and those with capital of 10 million yen or more but less than 100 million yen are SMEs.

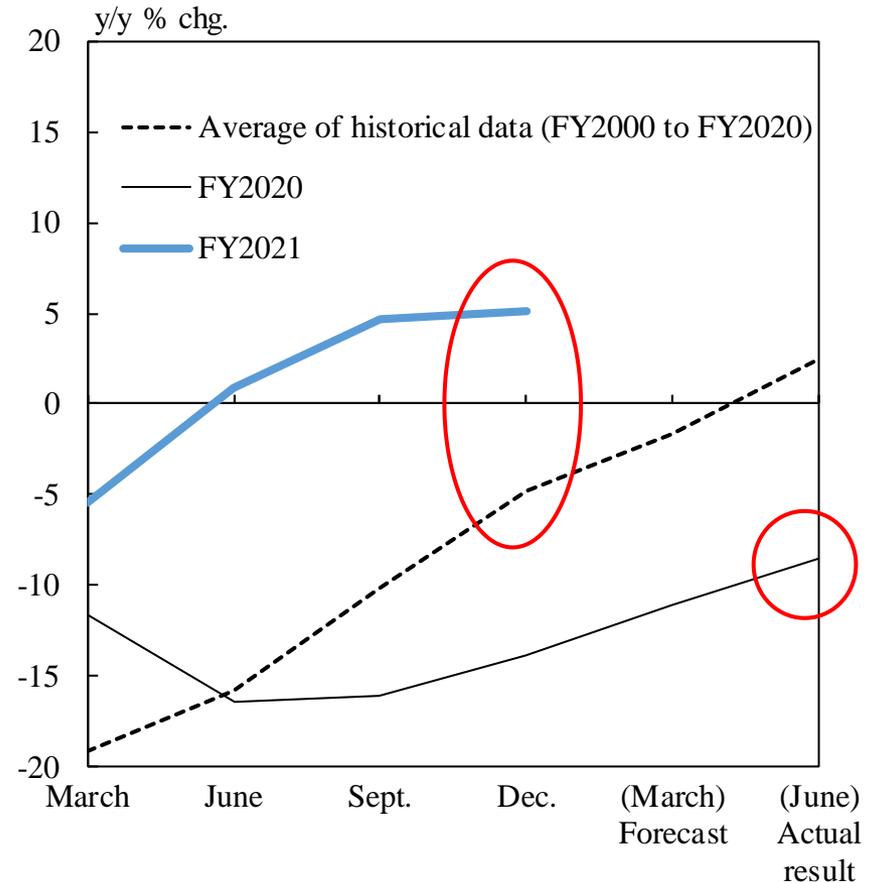
Source: Ministry of Finance.

Developments in Fixed Investment in *Tankan*

Large Enterprises (All Industries)



SMEs (All Industries)



- Notes: 1. The graphs indicate the revision pattern of fixed investment. The horizontal axis represents the point in time when the survey is conducted for each fiscal year: the first survey for each year (March survey) is on the left, and the last survey (June survey of the following year; actual result) is on the right.
 2. Excludes software and R&D investment.

Extension of Financing Support for SMEs

Japan's Financial Conditions: Improved on the Whole

Large firms: Issuance conditions for CP and corporate bonds have been favorable. Precautionary demand for liquidity has subsided in the loan market.

SMEs: Financial positions have been on an improving trend on the whole, but weakness has remained in some segments, such as the face-to-face services industry.



Partial Extension of the Special Program to Support Financing in Response to COVID-19 (until end-March 2022 → until end-September 2022)

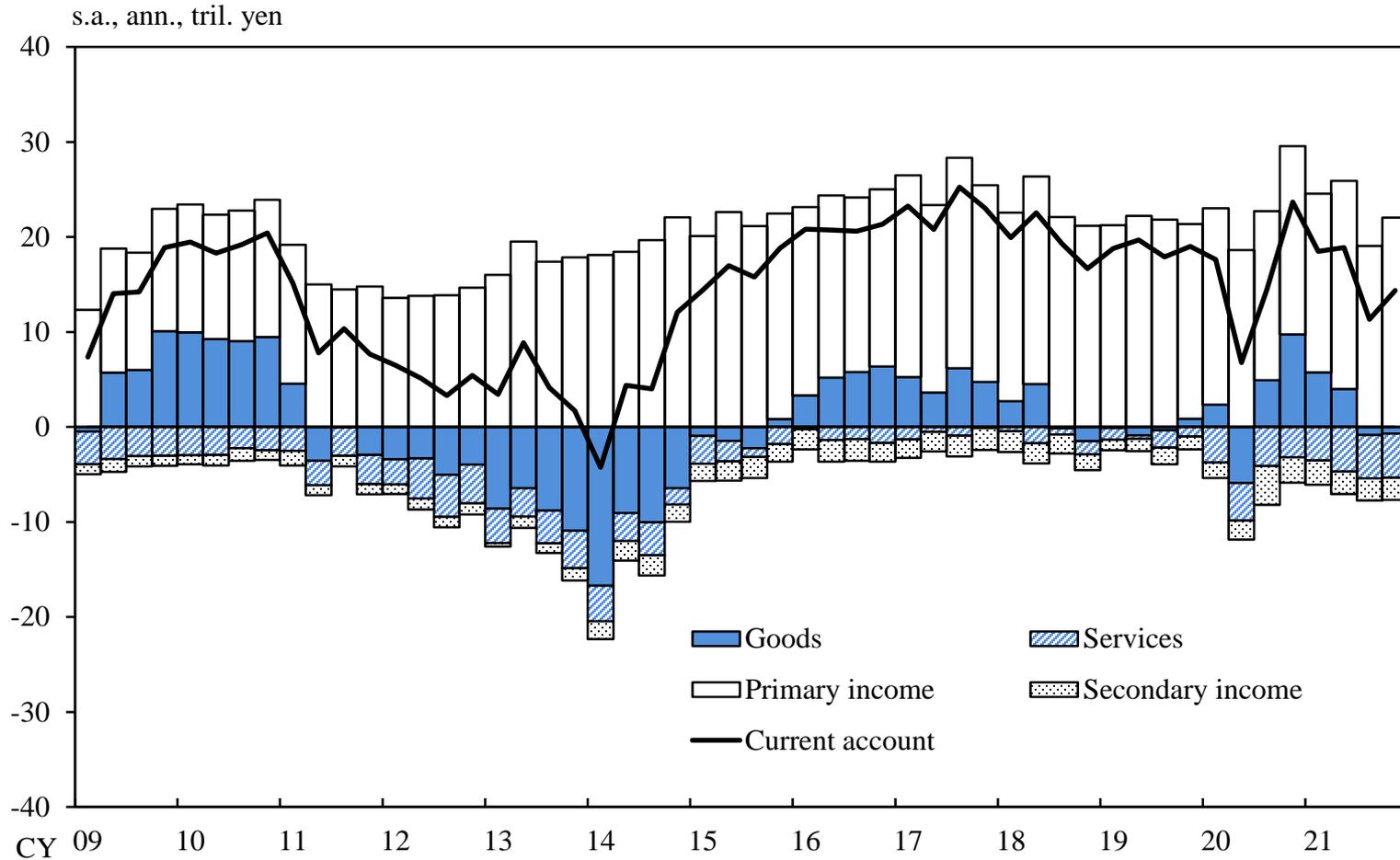
Purchases of CP and corporate bonds	Special Funds-Supplying Operations to Facilitate Financing in Response to COVID-19		
	Against private debt pledged as collateral	Against government-supported loans	Against non-government-supported loans
<p>Additional purchases to be completed</p> <p>Continue purchasing the same amount as prior to the COVID-19 pandemic</p>	To be completed	<p>Extend by six months the fund-provisioning to financial institutions against their loans</p> <p>➤ Under the revised terms and conditions</p> <ul style="list-style-type: none"> Applied interest rate: 0% (Category III) Amount added to the Macro Add-on Balances: the amount outstanding of funds provided 	<p>Extend by six months</p> <p>➤ Under the current terms and conditions</p> <ul style="list-style-type: none"> Applied interest rate: 0.2% (Category I) Amount added to the Macro Add-on Balances: twice as much as the amount outstanding of funds provided

Mainly for large firms and housing loans

Mainly for SMEs

For the time being, the Bank will closely monitor the impact of COVID-19 and will not hesitate to take additional easing measures if necessary.

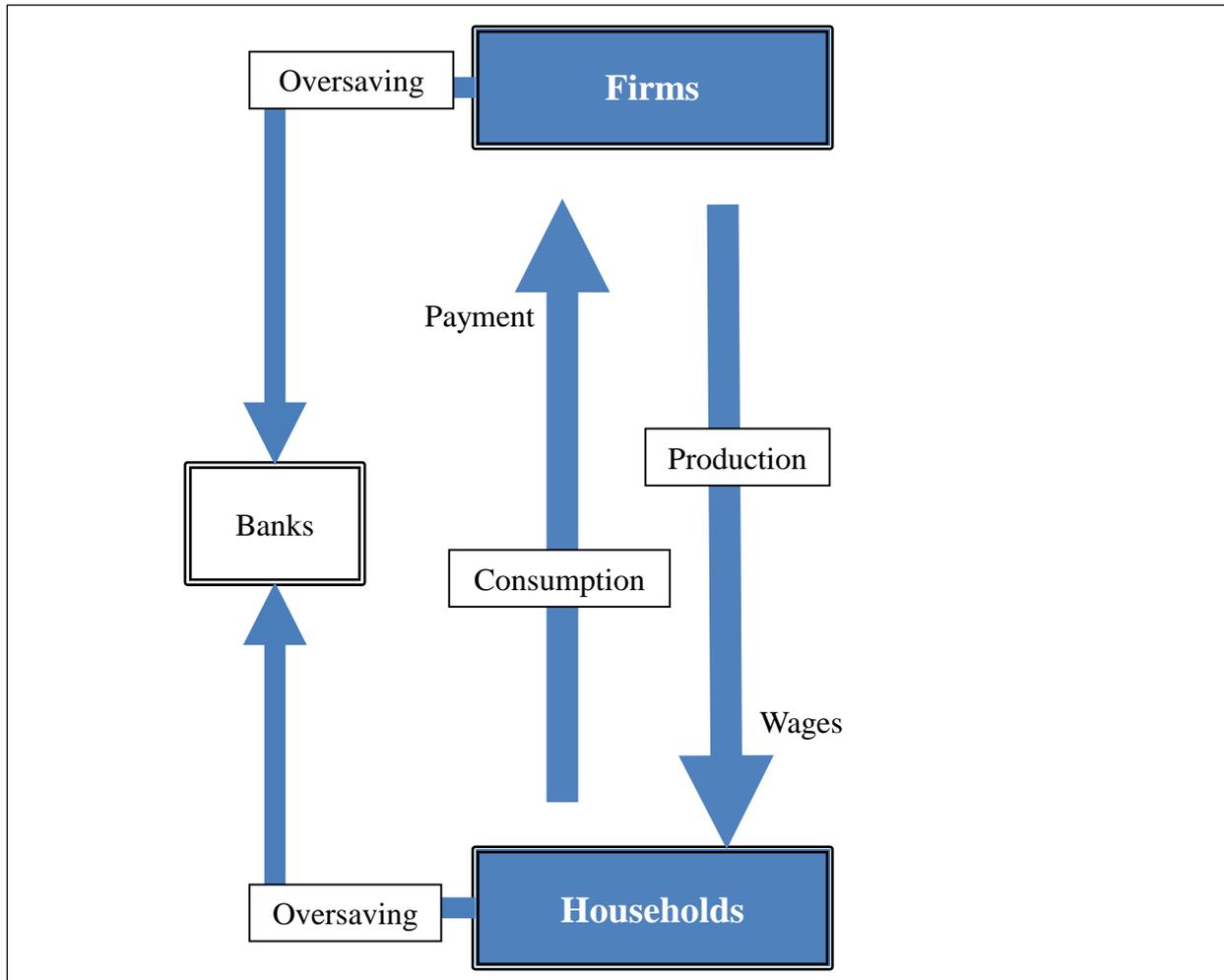
Current Account



Note: Figures for 2021/Q4 are October-November averages.

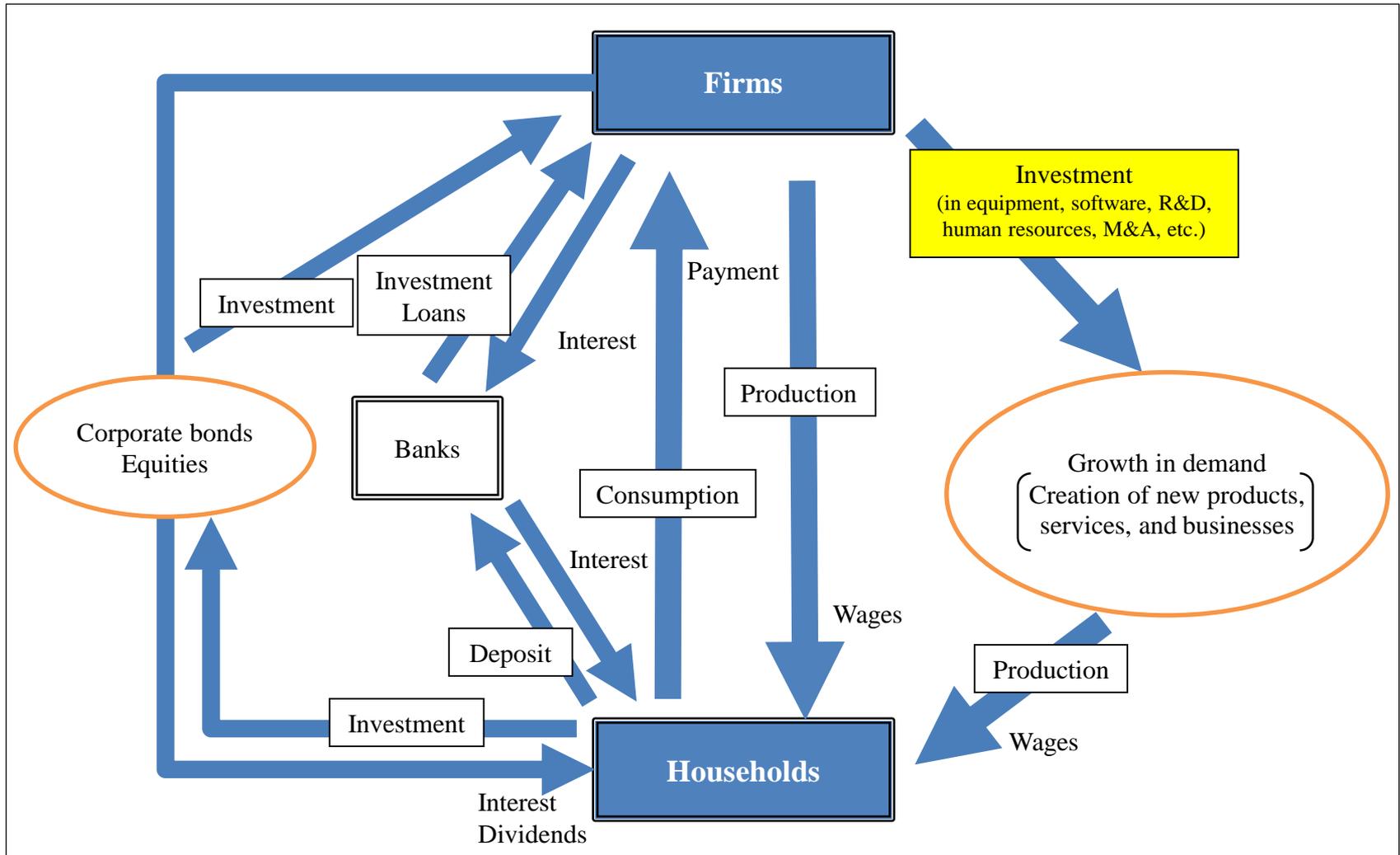
Source: Ministry of Finance and Bank of Japan.

Small Flow of Funds: Sluggish Corporate/Household Investment and Insufficient Innovation



Note: The arrows show the direction of the main flow of funds.

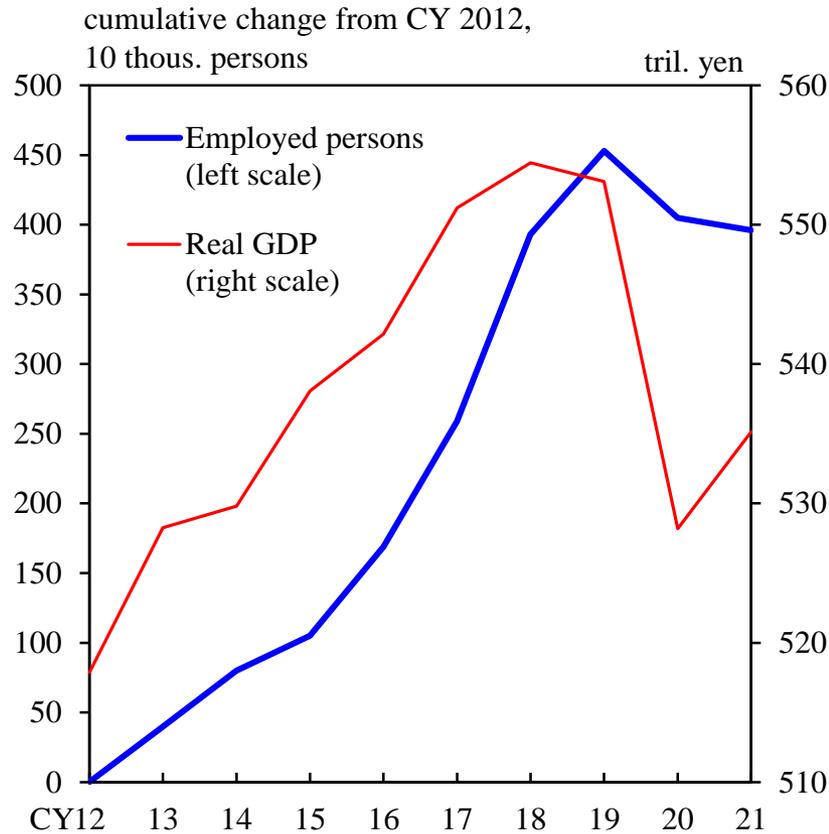
Large Flow of Funds: Virtuous Cycle Driven by Active Corporate/Household Investment



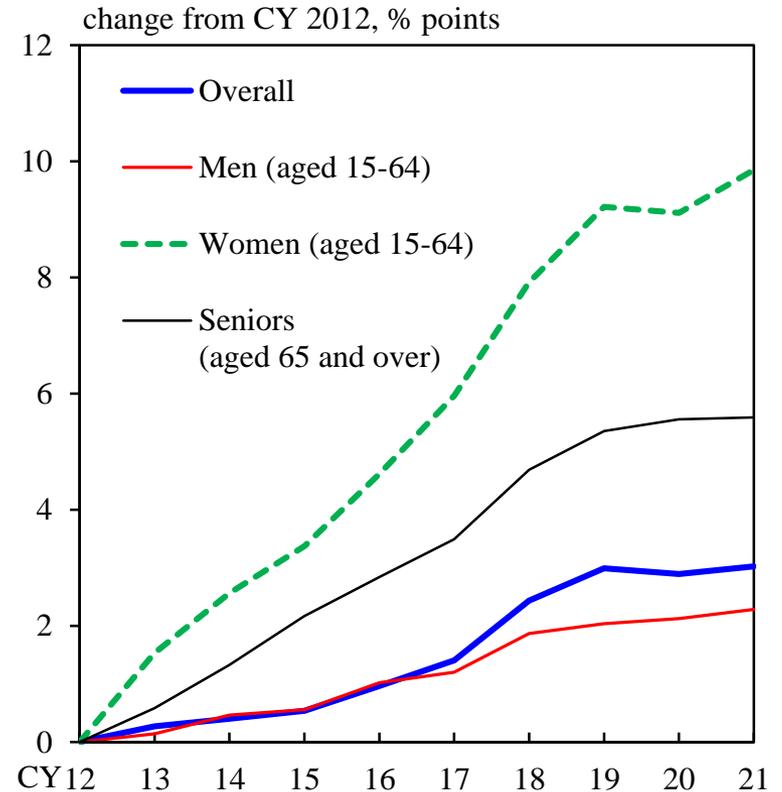
Note: The arrows show the direction of the main flow of funds.

GDP and Labor Input

Number of Employed Persons and GDP



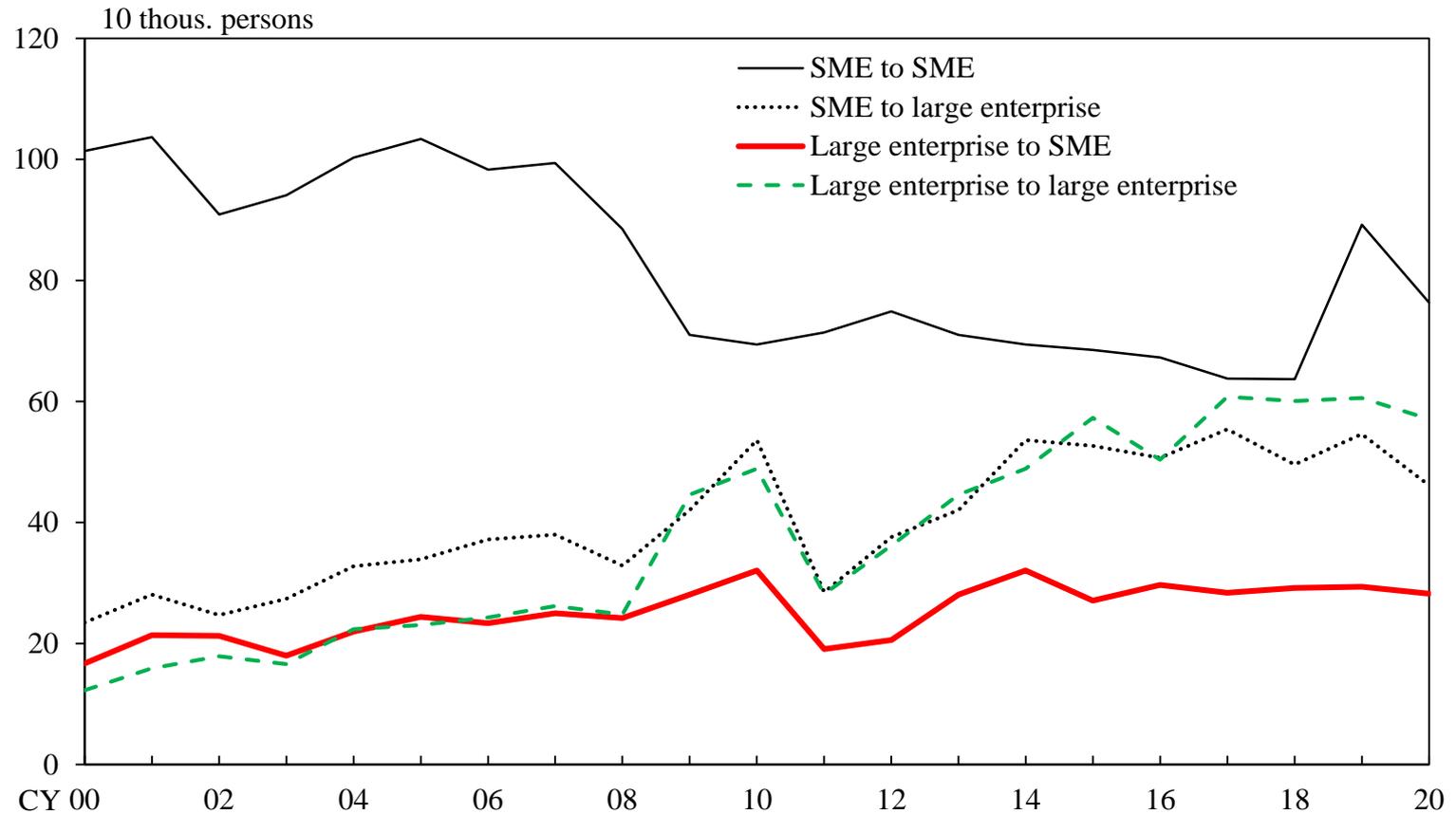
Labor Force Participation Rate



Note: In the left-hand chart, the figure for real GDP for CY 2021 is the seasonally adjusted annualized amount for 2021/Q1-Q3.

Sources: Ministry of Internal Affairs and Communications; Cabinet Office.

Number of Job Changers by Size of Enterprise



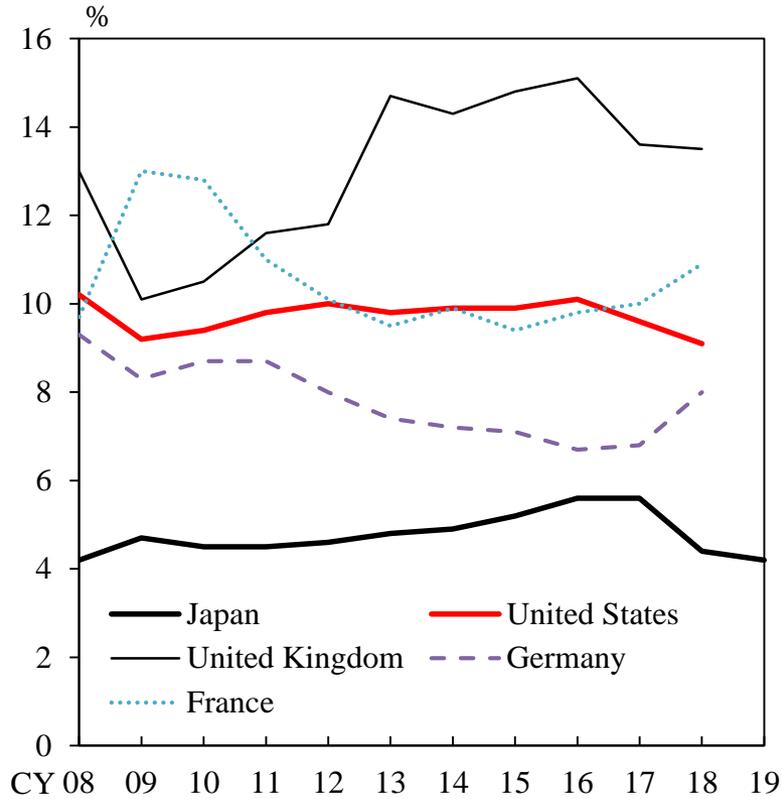
Notes: 1. SMEs are enterprises with 5-299 employees. Large enterprises are those with 300 employees or more.

2. Figures represent data for the first half of each year (January-June).

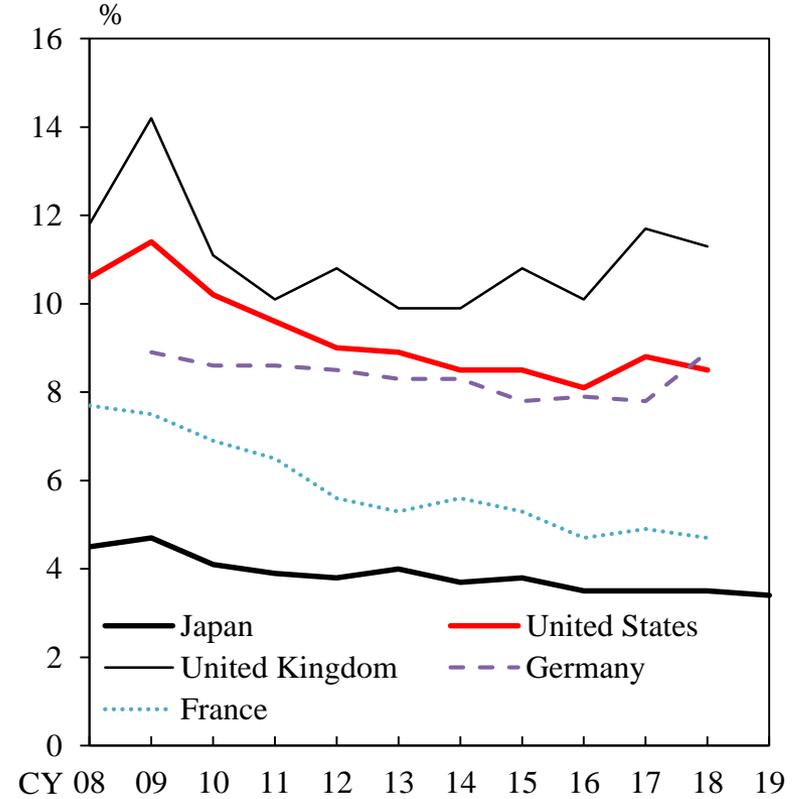
Sources: Ministry of Health, Labour and Welfare; Small and Medium Enterprise Agency.

International Comparison of Entry and Exit Rates

Entry Rate



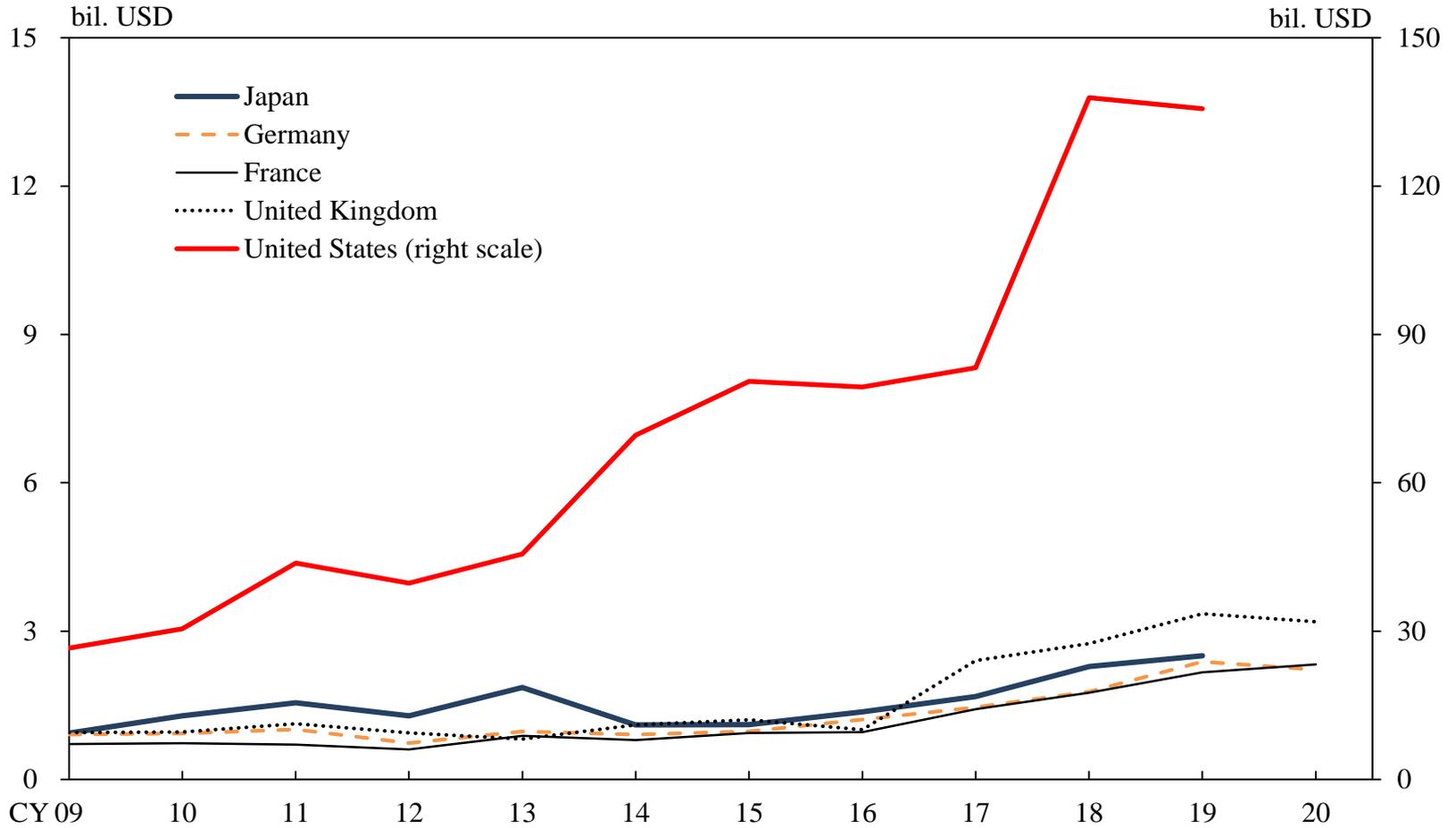
Exit Rate



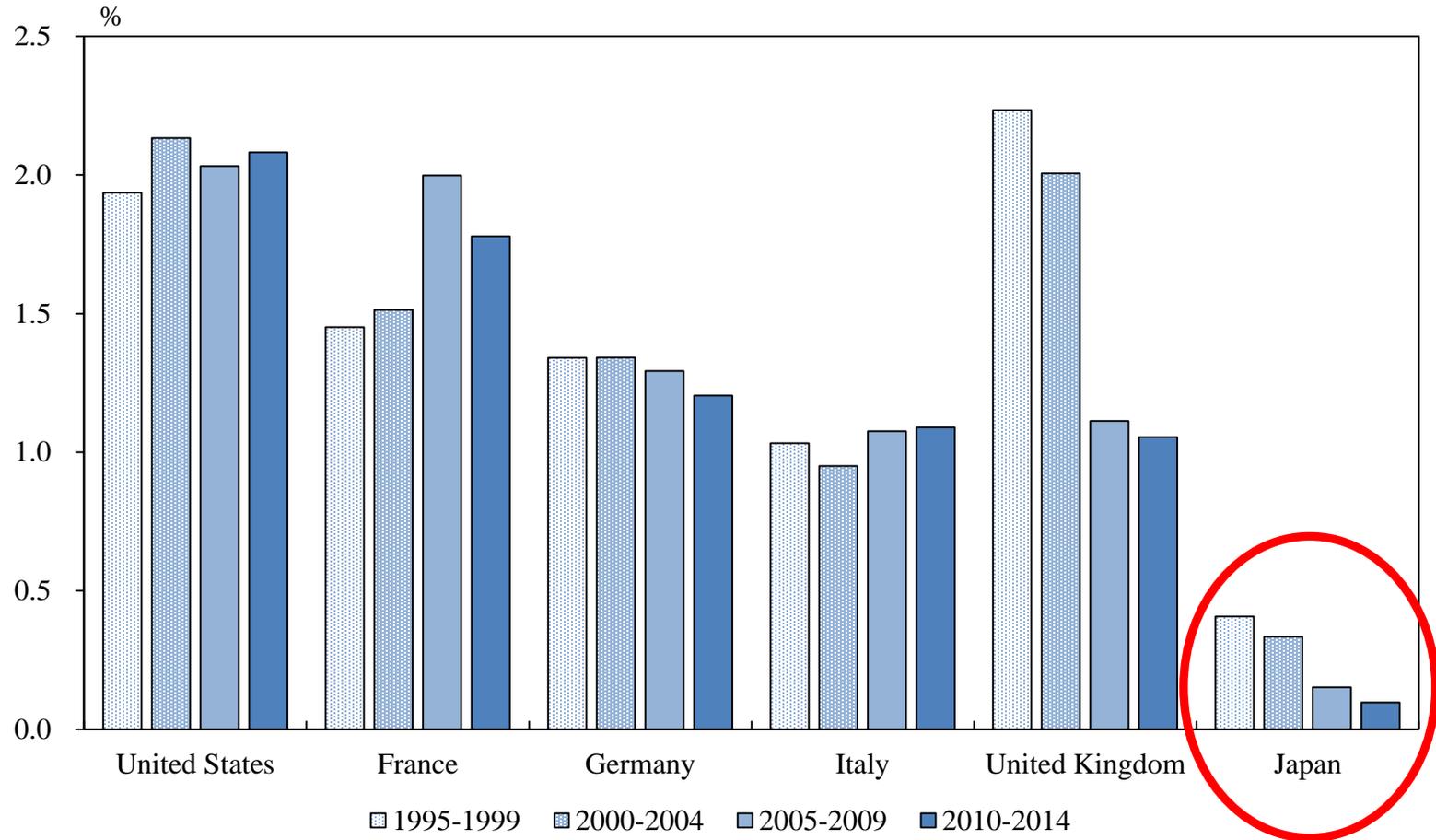
Note: Japan's figures are on a fiscal-year basis.

Sources: Ministry of Health, Labour and Welfare; Small and Medium Enterprise Agency; U.S. Census Bureau; Eurostat.

Venture Capital Investment



Ratio of Firms' Vocational Training Costs to GDP

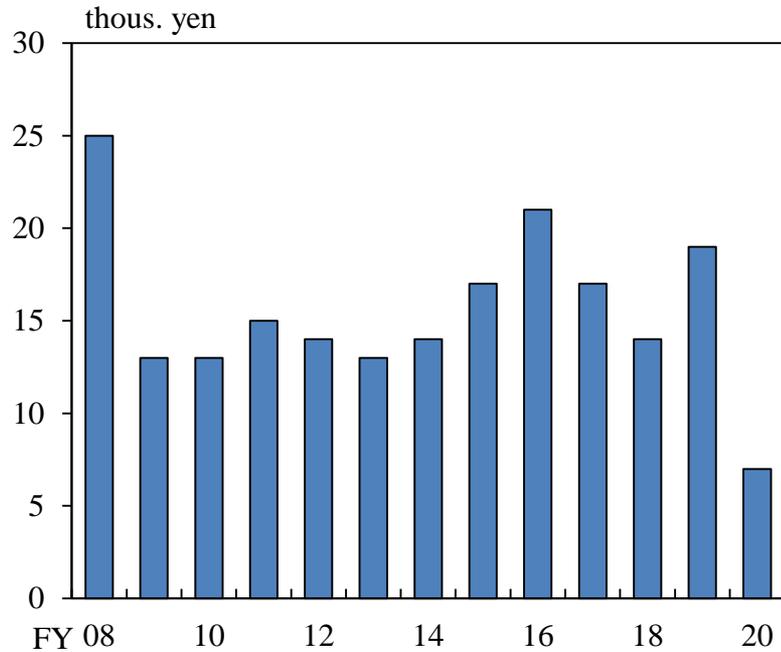


Note: Figures are estimated by Professor MIYAGAWA Tsutomu (Gakushuin University) based on the Cabinet Office's "System of National Accounts," "JIP Database," and INTAN-Invest Database.

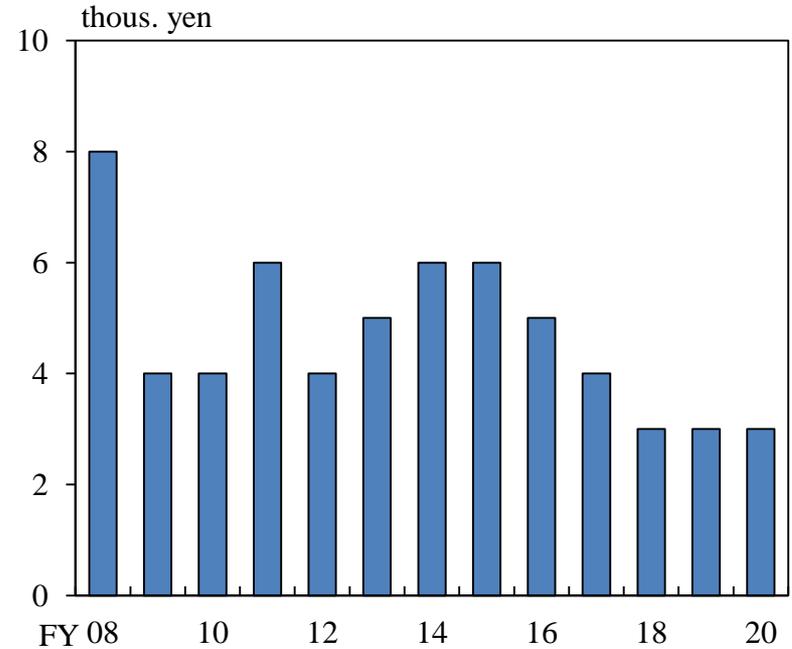
Source: Ministry of Health, Labour and Welfare.

Firms' Investment in Off-the-Job Training and Self-Development Support

Off-the-Job Training



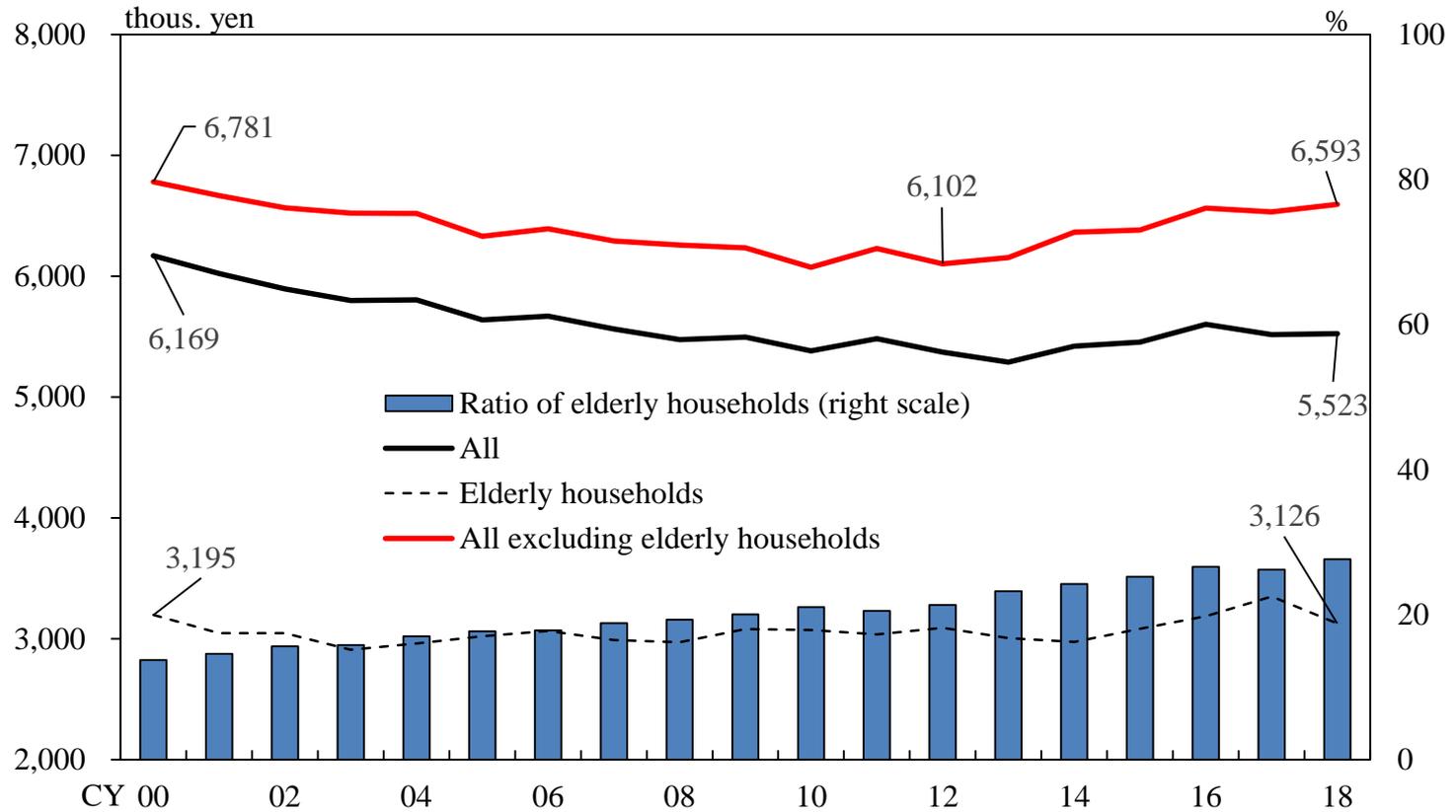
Self-Development Support



Note: Figures are the average amount of spending per worker.

Source: Ministry of Health, Labour and Welfare.

Average Income per Household



Source: Ministry of Health, Labour and Welfare.