



Economic Activity, Prices, and Monetary Policy in Japan

Speech at a Meeting with Local Leaders in Sapporo

June 2, 2022

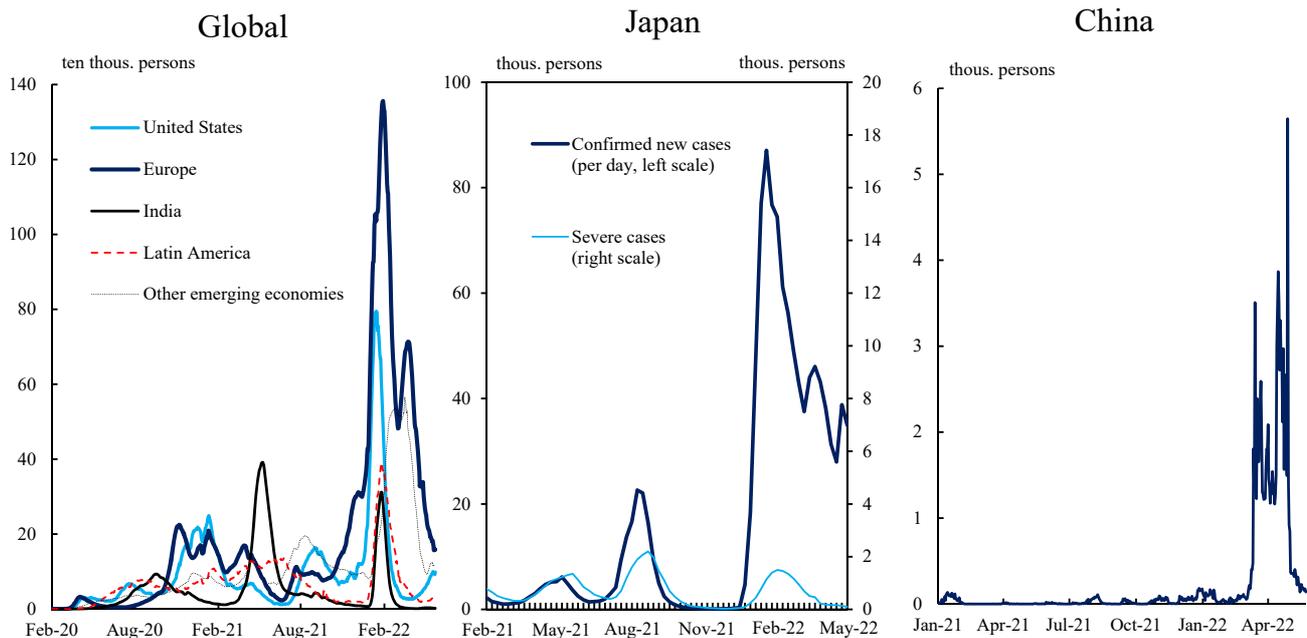
ADACHI Seiji

Member of the Policy Board

Bank of Japan

Chart 1

Confirmed New Cases of COVID-19



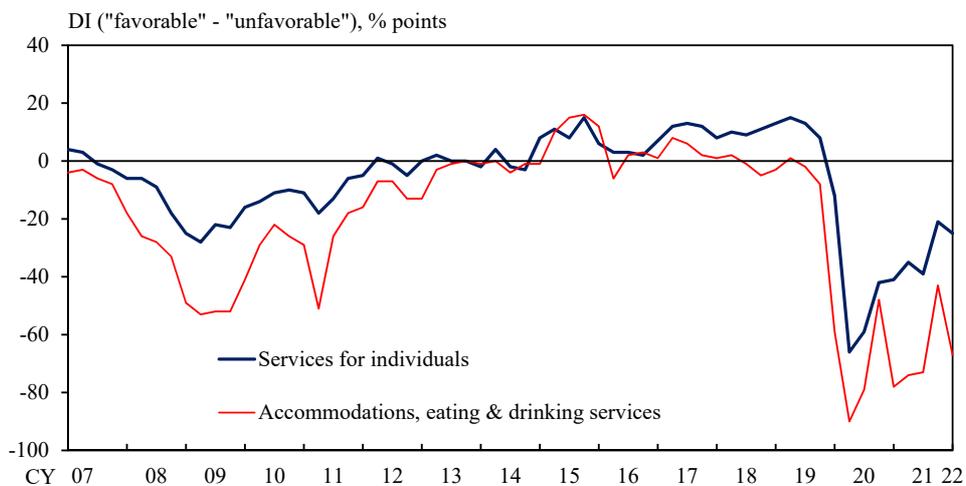
Notes: 1. In the left panel, figures for the United States, Taiwan, and Hong Kong are from the Centers for Disease Control and Prevention (CDC), the Taiwan Ministry of Health and Welfare, and the Hong Kong Centre for Health Protection, Department of Health, respectively. All other figures are from the World Health Organization (WHO). Figures for Europe are the sum of figures for the European Union and the United Kingdom. Figures for Latin America are the sum of figures for the major economies in the region. Figures for other emerging economies are the sum of figures for South Africa, Russia, Turkey, and the major economies in the NIEs, ASEAN, and the Middle East. Figures show 7-day backward moving averages.

2. In the middle panel, figures for confirmed new cases are weekly averages. Figures for severe cases are those at the end of the week.

3. In the right panel, figures are from the National Health Commission of the People's Republic of China. They represent symptomatic cases and exclude asymptomatic cases.

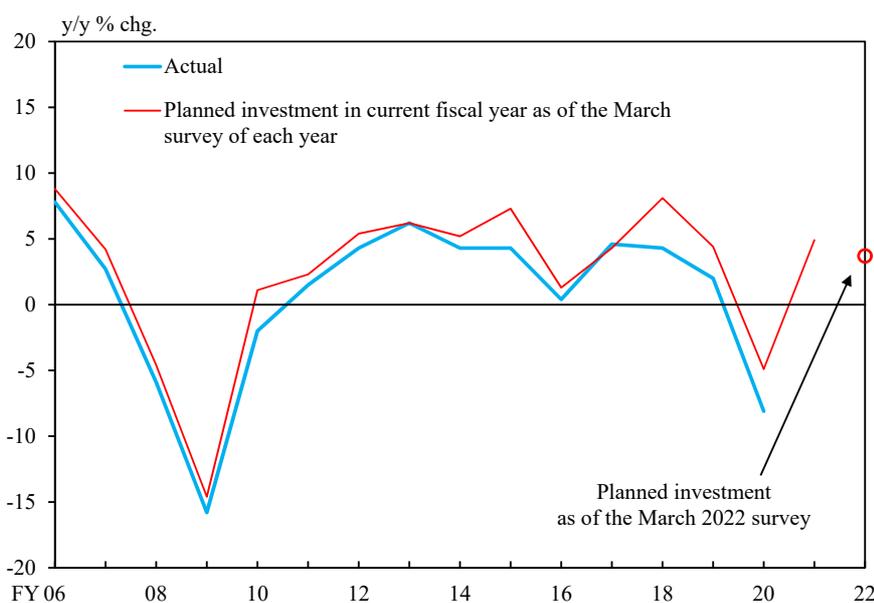
Sources: CEIC; Ministry of Health, Labour and Welfare.

Business Conditions of the Services Industry



Note: Figures are for enterprises of all sizes from the *Tankan*.
Source: Bank of Japan.

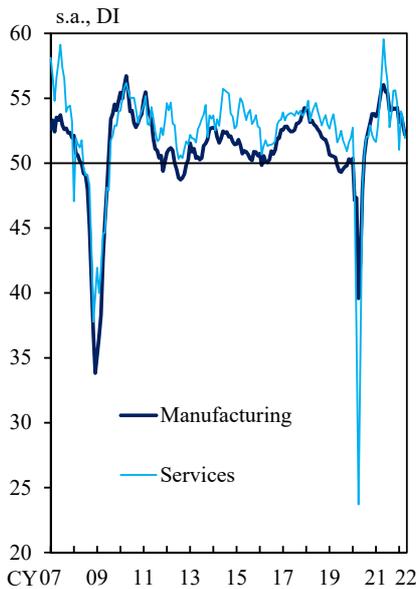
Business Fixed Investment (*Tankan*)



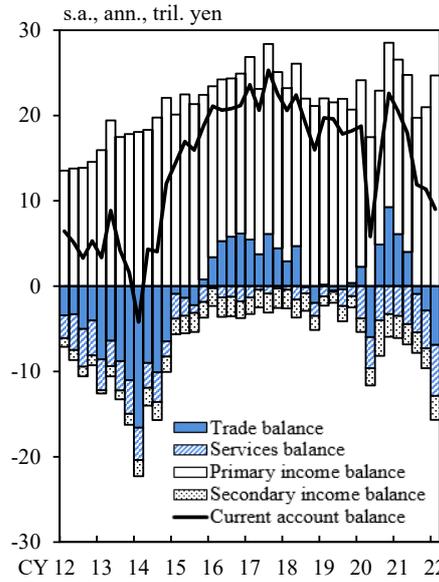
Note: Figures are based on the *Tankan*, including software and R&D investments, but excluding land purchasing expenses.
R&D investment is not covered as a survey item before the March 2017 survey. The figures are for all industries and enterprises including financial institutions.
Source: Bank of Japan.

Business Sentiment and Trade

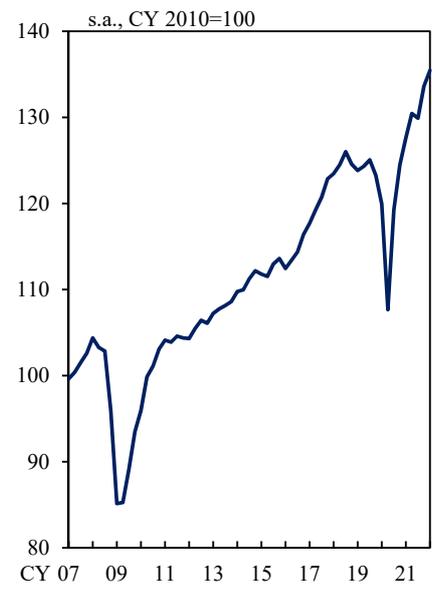
Global PMI



Japan's Current Account



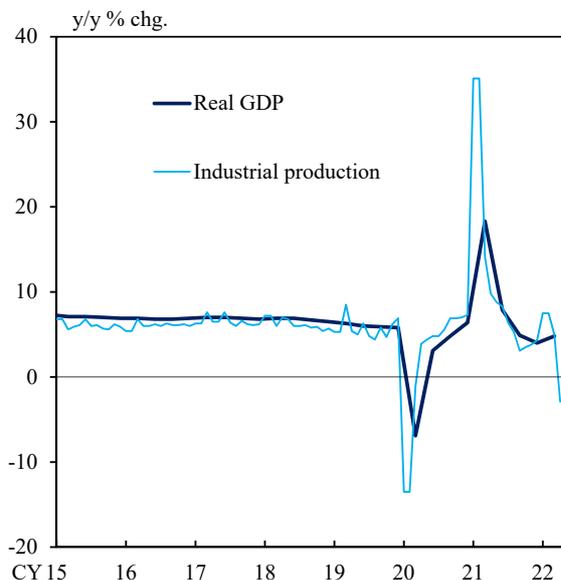
World Trade Volume



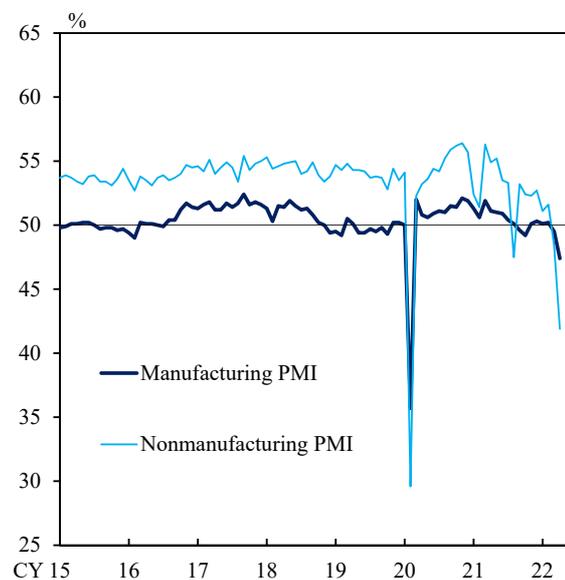
Notes: 1. In the left panel, figures for manufacturing are the J.P.Morgan Global Manufacturing PMI. Those for services are the J.P.Morgan Global Services Business Activity Index.
 2. In the right panel, figures are for world real imports.
 Sources: Copyright © 2022 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.; Ministry of Finance and Bank of Japan; CPB Netherlands Bureau for Economic Policy Analysis.

Chinese Economy

Real GDP and Industrial Production



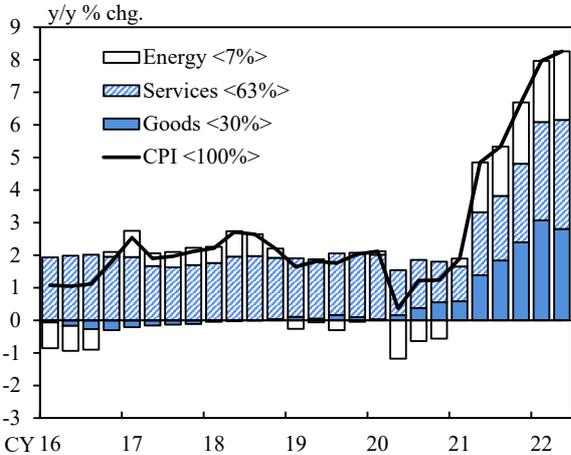
PMI



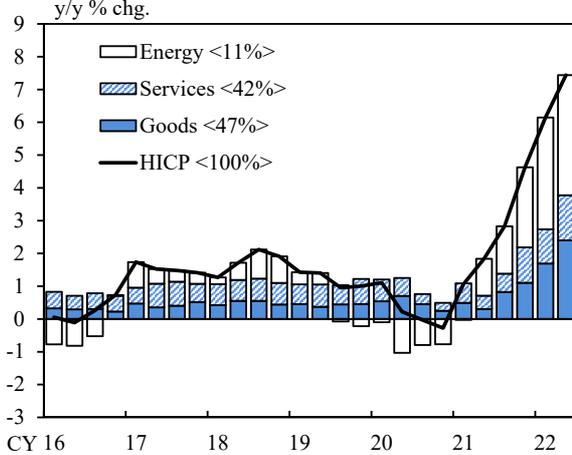
Notes: 1. In the left panel, figures for industrial production are calculated assuming that the paces of growth were the same for January and February 2022.
 2. In the right panel, figures are from the National Bureau of Statistics of China.
 Source: CEIC.

U.S. and European Price Developments

United States



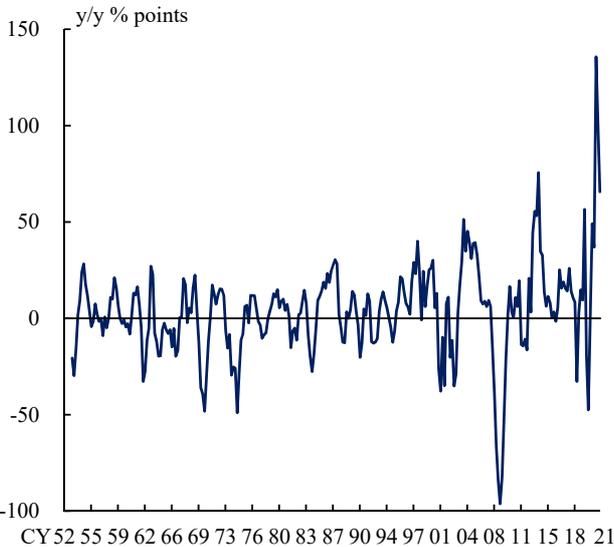
Euro Area



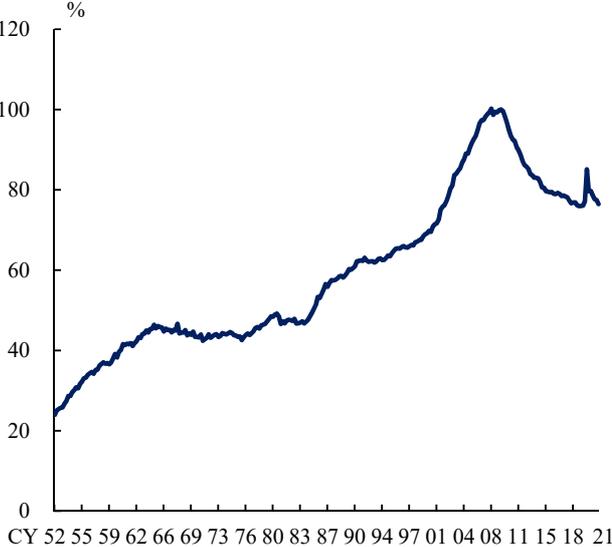
Note: Figures for services include administered prices. Those in angular brackets show the share of each component. Figures for 2022/Q2 are for April.
Source: Haver.

Financial Conditions of U.S. Households

Net Worth to Disposable Personal Income

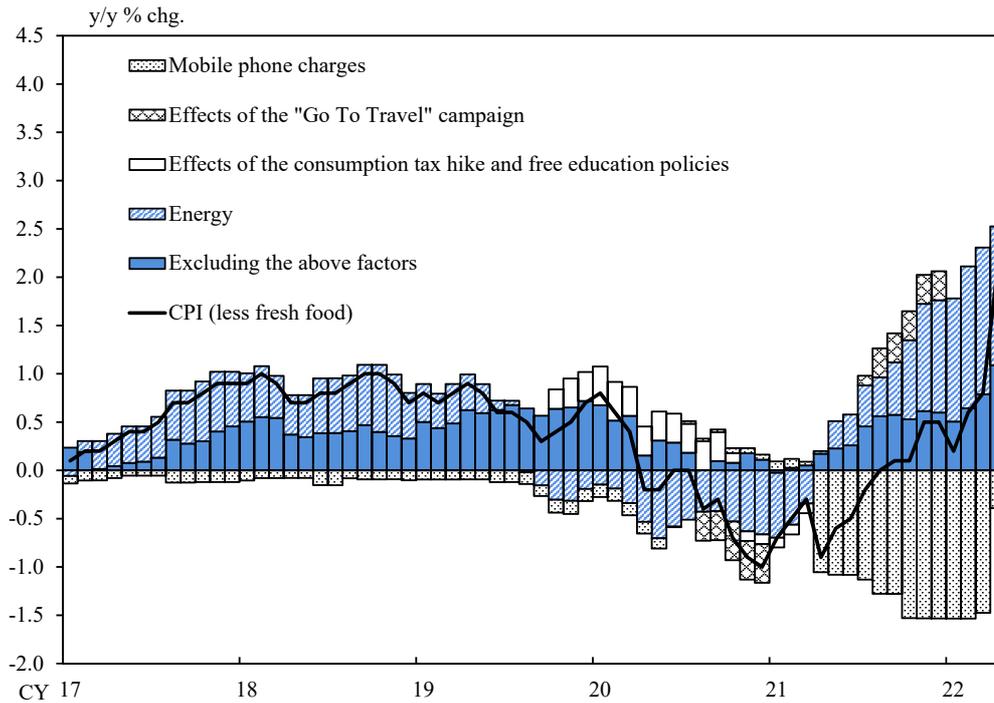


Total Debt to Nominal GDP



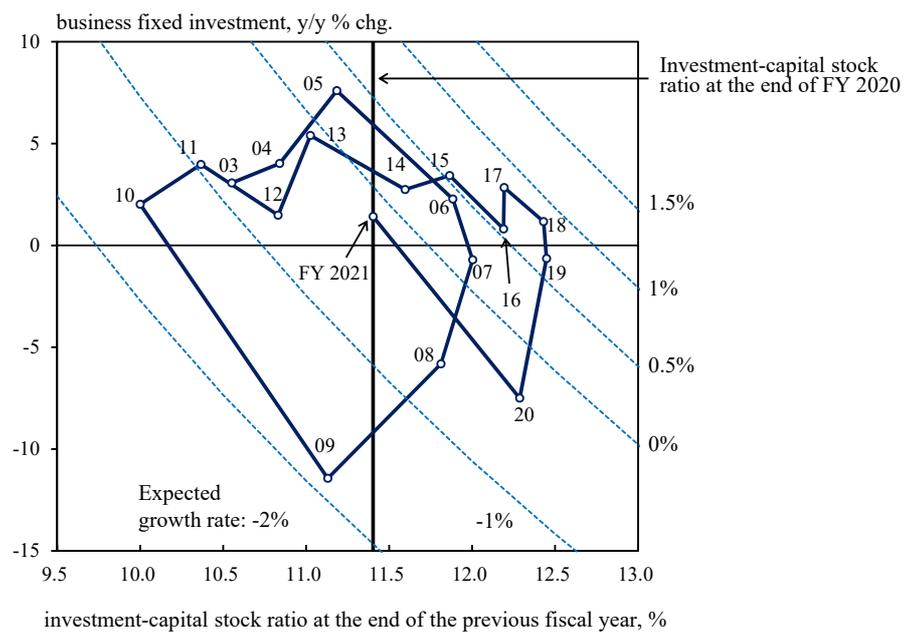
Note: Figures include those for nonprofit organizations.
Source: Federal Reserve Board.

CPI for All Items Less Fresh Food



Notes: 1. Figures for energy consist of those for petroleum products, electricity, as well as manufactured and piped gas charges.
 2. Figures for the "effects of the consumption tax hike and free education policies" from April 2020 onward are Bank staff estimates and include the effects of measures such as free higher education introduced in April 2020.
 Source: Ministry of Internal Affairs and Communications.

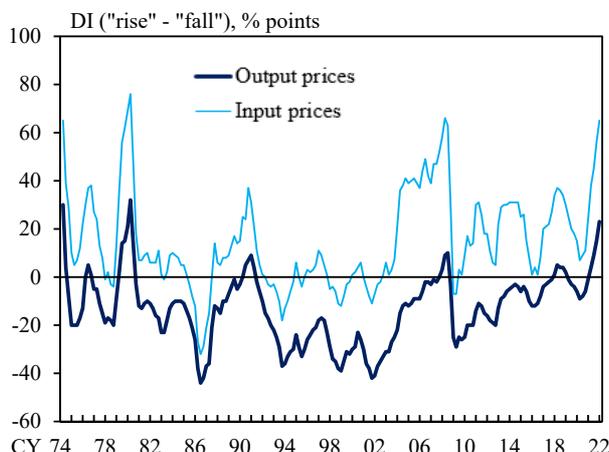
Capital Stock Cycles and Expected Growth Rates



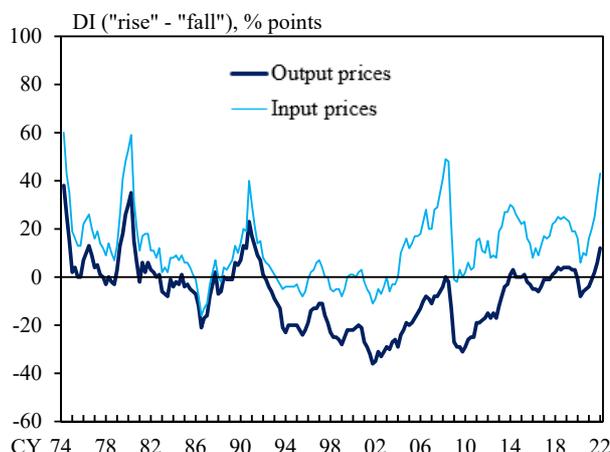
Note: Each broken line represents the combination of the rate of change in business fixed investment and the investment-capital stock ratio at a certain expected growth rate. The figure for fiscal 2021 is the 2021/Q2-Q4 average.
 Source: Cabinet Office.

Output and Input Prices (*Tankan*)

Manufacturing



Nonmanufacturing



Note: Figures are for all enterprises.
Source: Bank of Japan.

Monetary Policy

Guideline for Market Operations under Yield Curve Control

Short-term policy interest rate: applying a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank

Long-term interest rate: purchasing a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent

In order to implement the above guideline for market operations, the Bank will offer to purchase 10-year JGBs at 0.25 percent every business day through fixed-rate purchase operations, unless it is highly likely that no bids will be submitted (decided in April 2022).

Future Conduct of Monetary Policy

The Bank will continue with Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, aiming to achieve the price stability target of 2 percent, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner.

For the time being, while closely monitoring the impact of COVID-19, the Bank will support financing, mainly of firms, and maintain stability in financial markets, and will not hesitate to take additional easing measures if necessary; it also expects short- and long-term policy interest rates to remain at their present or lower levels.

The Bank's Measures in Response to COVID-19

Supporting Corporate Financing

Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) (mainly targeting small and medium-sized firms)

Duration: until end-September 2022 (extended in December 2021)

Stabilizing Financial Markets

Flexible Provision of Ample Yen and Foreign Currency Funds

- Active purchases of JGBs and T-Bills
- U.S. Dollar Funds-Supplying Operations

Lowering Risk Premia in Asset Markets

Purchases of ETFs and J-REITs

- ETFs: annual pace with an upper limit of about 12 trillion yen
- J-REITs: annual pace with an upper limit of about 180 billion yen