

# Japan's Economy and Monetary Policy

*Speech at a Meeting with Business Leaders in Osaka*

September 26, 2022

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*Governor of the Bank of Japan*

## Introduction

### I. Economic Developments

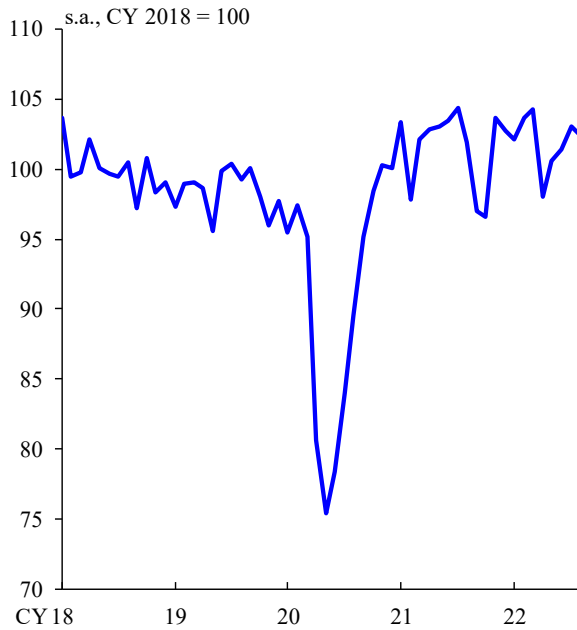
### II. Price Developments

### III. The Bank's Conduct of Monetary Policy

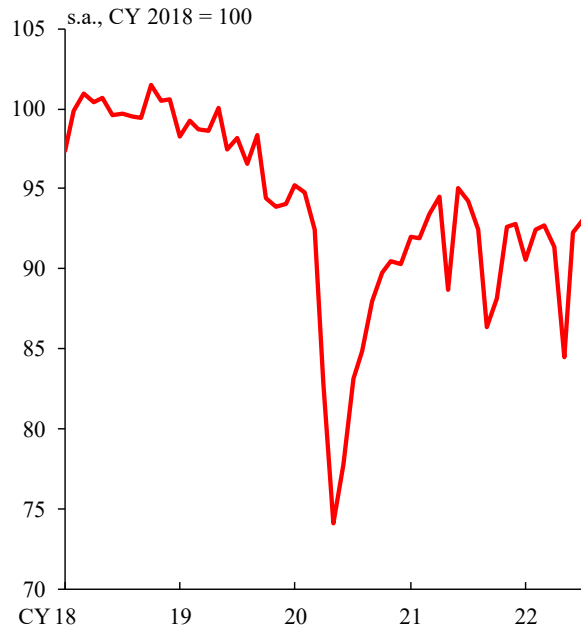
## Conclusion

# Exports and Production

*Real Exports*



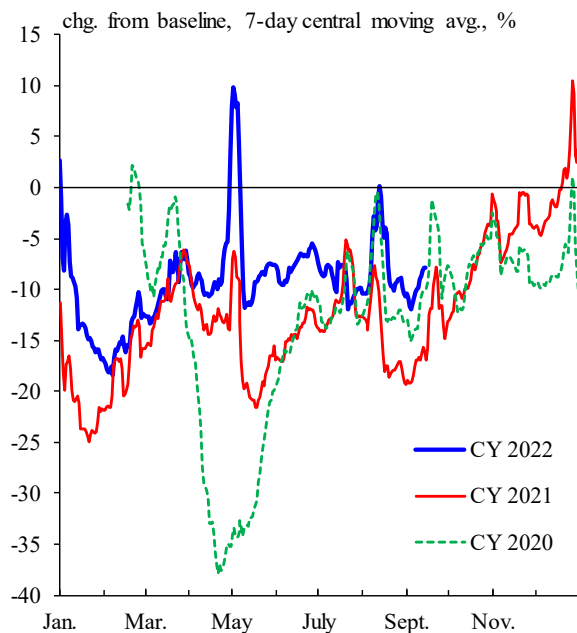
*Production*



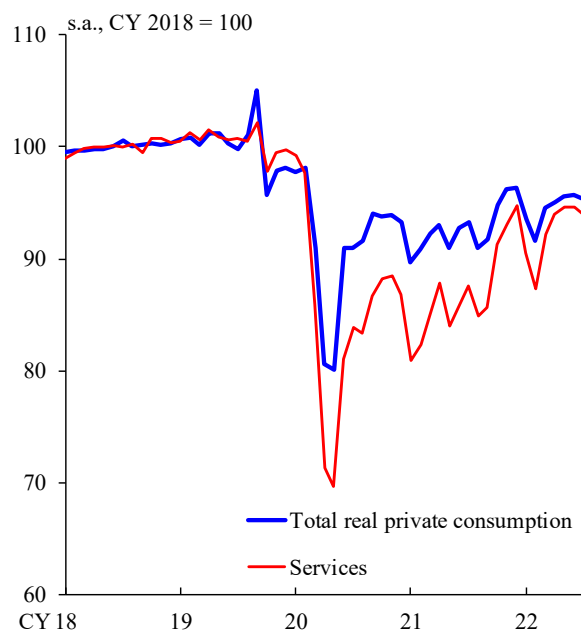
Sources: Bank of Japan; Ministry of Economy, Trade and Industry.

# Private Consumption

*Mobility Trends Based on Location Data*



*Consumption Activity Index*

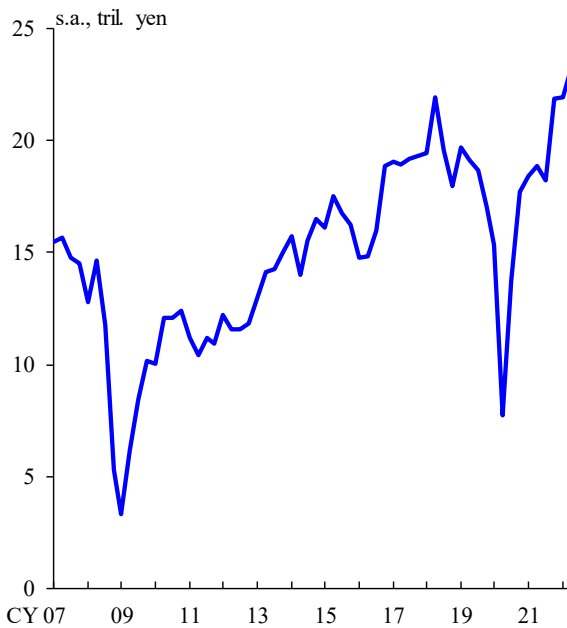


Notes: 1. In the left-hand chart, the "baseline" is the median on the corresponding day of the week during the 5-week period from January 3 to February 6, 2020. Figures are mobility trends for places such as restaurants, shopping centers, and theme parks.  
 2. In the right-hand chart, figures for total real private consumption are for the real Consumption Activity Index and are based on staff calculations. The figures exclude inbound tourism consumption and include outbound tourism consumption.

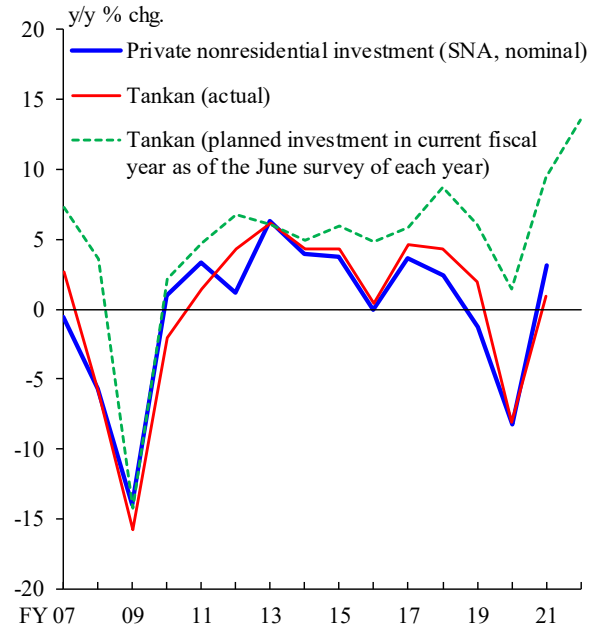
Sources: Google LLC "Google COVID-19 Community Mobility Reports." <https://www.google.com/covid19/mobility/>. Accessed: September 21, 2022; Bank of Japan.

# Corporate Profits and Business Fixed Investment

## Current Profits



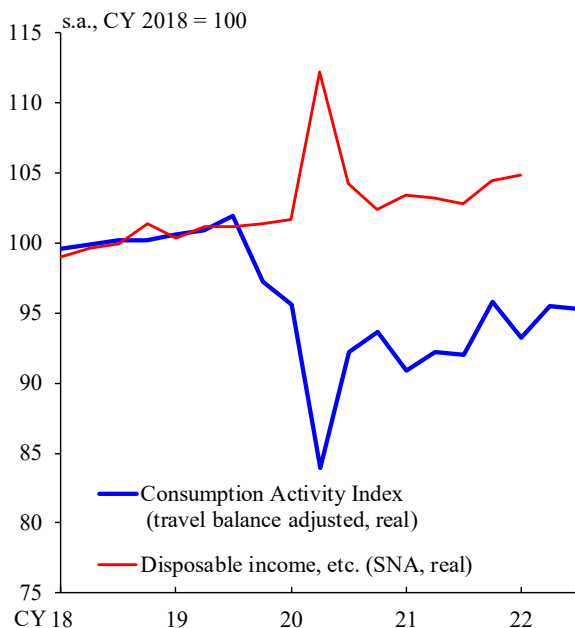
## Planned and Actual Business Fixed Investment



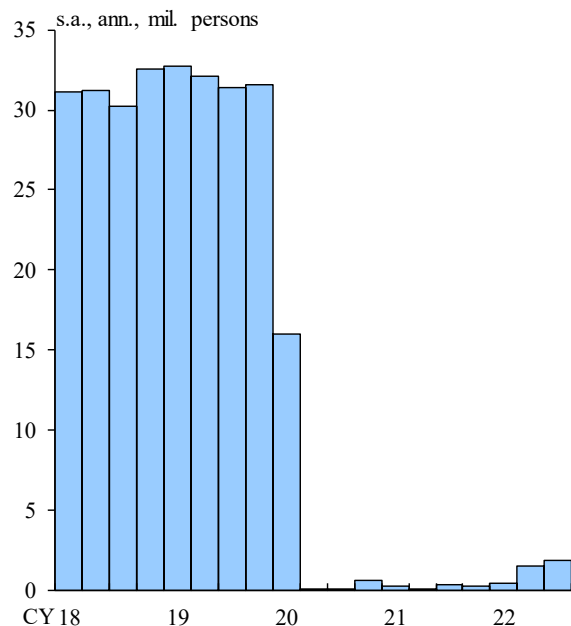
Notes: 1. In the left-hand chart, figures are based on the *Financial Statements Statistics of Corporations by Industry, Quarterly*. Excluding "finance and insurance." Figures from 2009/Q2 onward exclude pure holding companies.  
 2. In the right-hand chart, the *Tankan* figures include software and R&D investments and exclude land purchasing expenses. R&D investment is not included before the March 2017 survey. Including financial institutions.  
 Sources: Ministry of Finance; Bank of Japan; Cabinet Office.

# Pent-Up Demand and Inbound Tourism Demand

## Private Consumption and Disposable Income



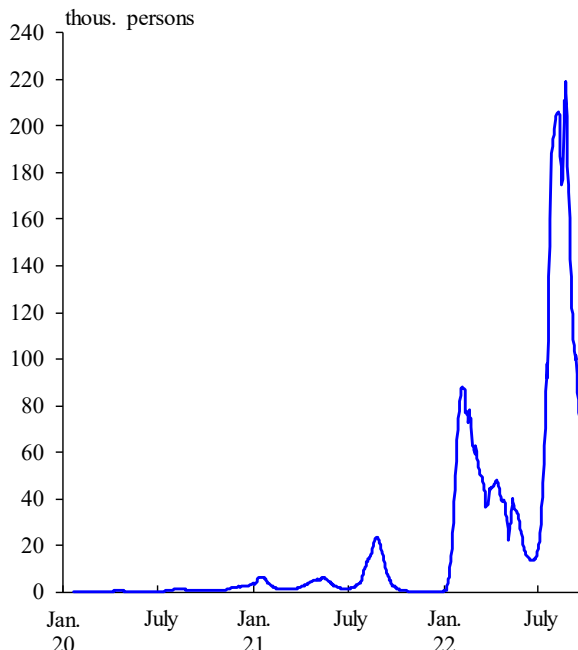
## Number of Inbound Visitors



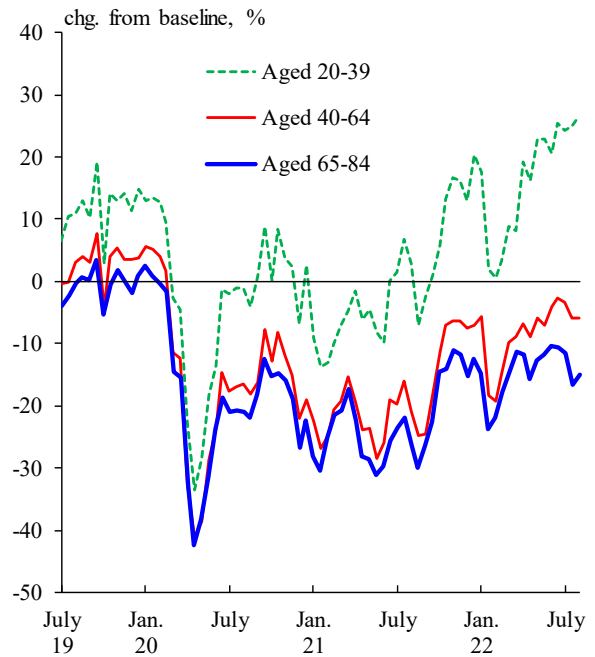
Notes: 1. In the left-hand chart, figures for the Consumption Activity Index (CAI) are based on staff calculations. The CAI figures (travel balance adjusted) exclude inbound tourism consumption and include outbound tourism consumption. The figure for 2022/Q3 is that for July. "Disposable income, etc." consists of disposable income and adjustment for the change in pension entitlements. Real values are obtained using the deflator of consumption of households.  
 2. In the right-hand chart, the figure for 2022/Q3 is the July-August average.  
 Sources: Bank of Japan; Cabinet Office; Japan National Tourism Organization (JNTO).

## Developments in COVID-19 in Japan

*Daily Confirmed New Cases*



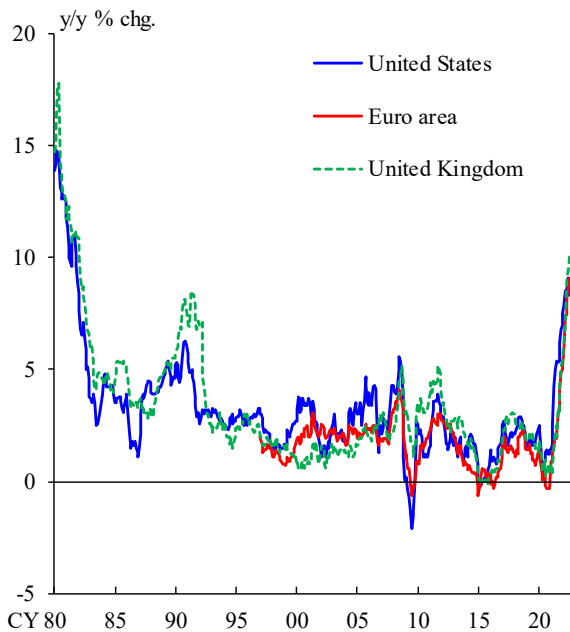
*Developments in Services Consumption by Age*



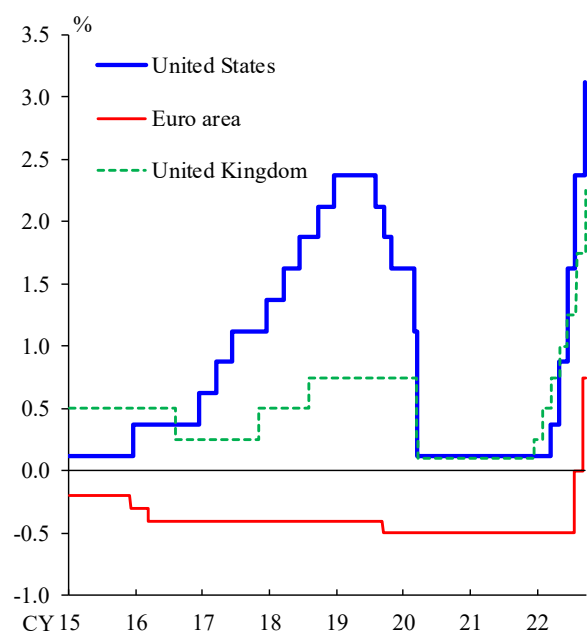
Notes: 1. In the left-hand chart, figures are 7-day backward moving averages.  
 2. In the right-hand chart, figures are from the reference series in *JCB Consumption NOW*, which take changes in the number of consumers into account. Figures are the arithmetic averages of the corresponding age groups in 5-year increments. The "baseline" is the average for the corresponding half of the month for fiscal 2016 through fiscal 2018.  
 Sources: Ministry of Health, Labour and Welfare; Nowcast Inc./ JCB, Co., Ltd., "JCB Consumption NOW."

## Inflation and Policy Rates in Major Economies

*Inflation*



*Policy Rates*



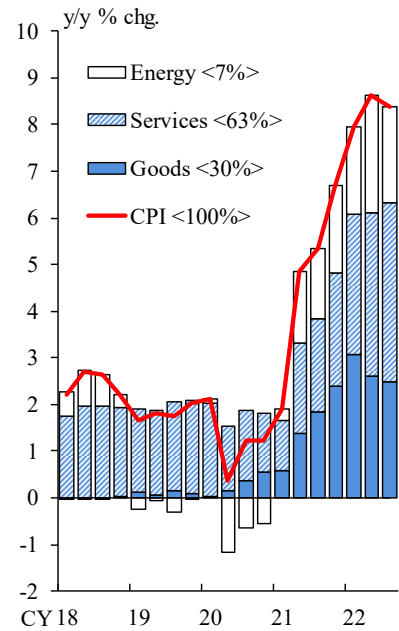
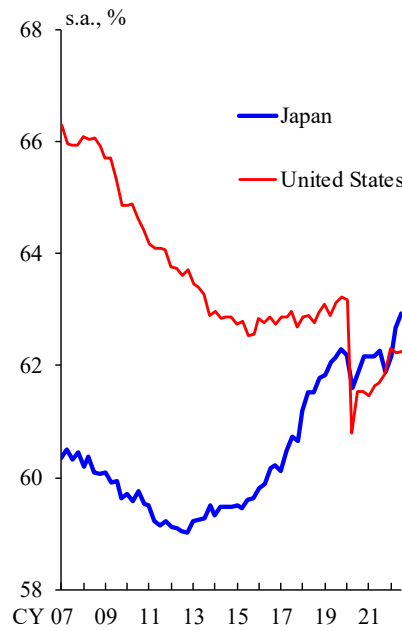
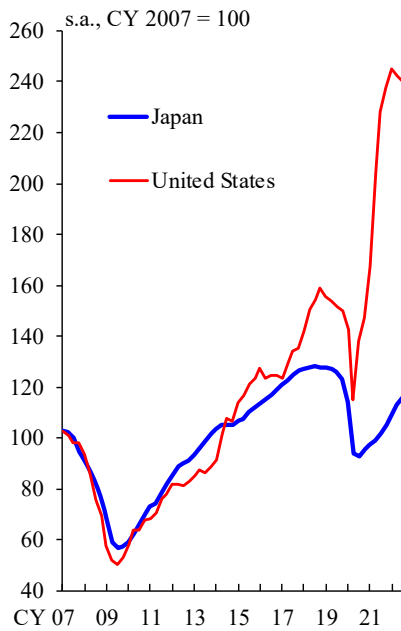
Notes: 1. In the left-hand chart, figures for the United States and the United Kingdom are for the CPI for all items. Those for the euro area are for the HICP for all items. Figures for the United Kingdom prior to 1989 are based on the ONS estimates.  
 2. In the right-hand chart, figures for the United States are the medians of the target ranges for the federal funds rate. Those for the euro area are the rates on the deposit facility.  
 Sources: Haver; ONS; Bloomberg.

# Labor Market Conditions and Prices in the United States

*Job Openings*

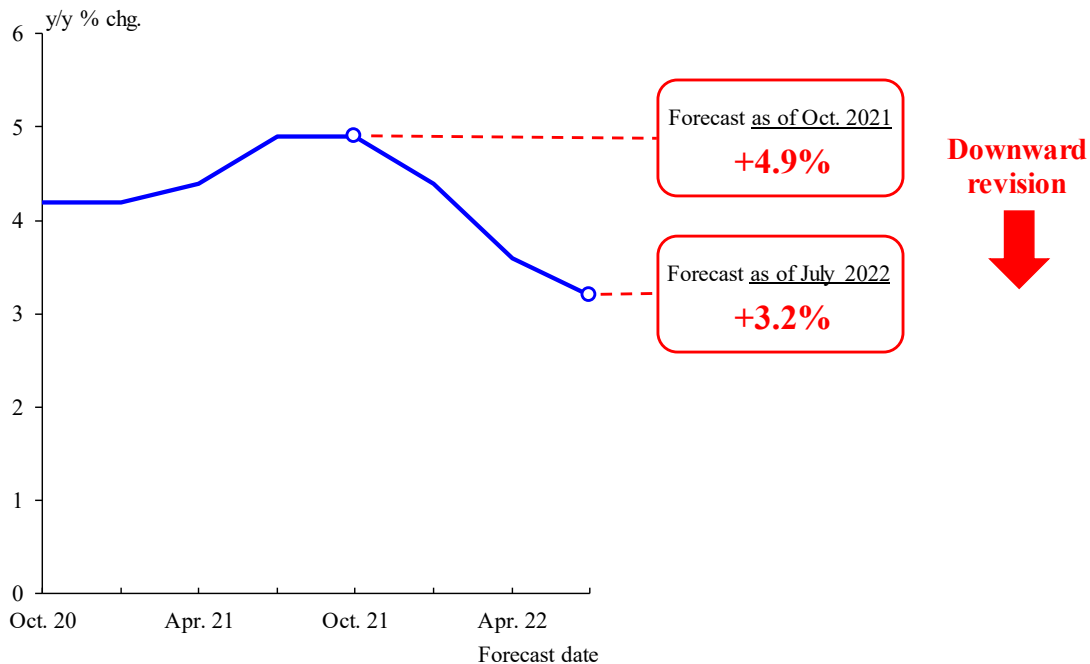
*Labor Force Participation Rate*

*Consumer Prices in the United States*



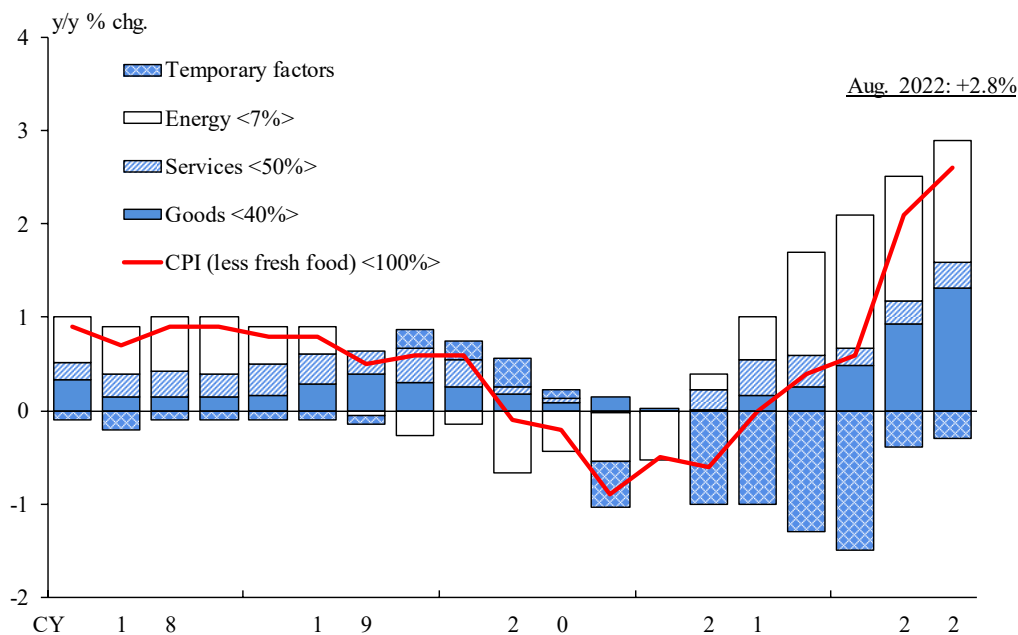
Notes: 1. In the left-hand chart, figures for 2022/Q3 are those for July.  
 2. In the middle chart, the figure for 2022/Q3 for Japan is that for July. That for the United States is the July-August average.  
 3. In the right-hand chart, figures are for the CPI for all items. Figures in angular brackets show the share of each component. Figures for 2022/Q3 are July-August averages.  
 Sources: Ministry of Health, Labour and Welfare; Haver.

# Global Growth Rate for 2022 (IMF Forecast)



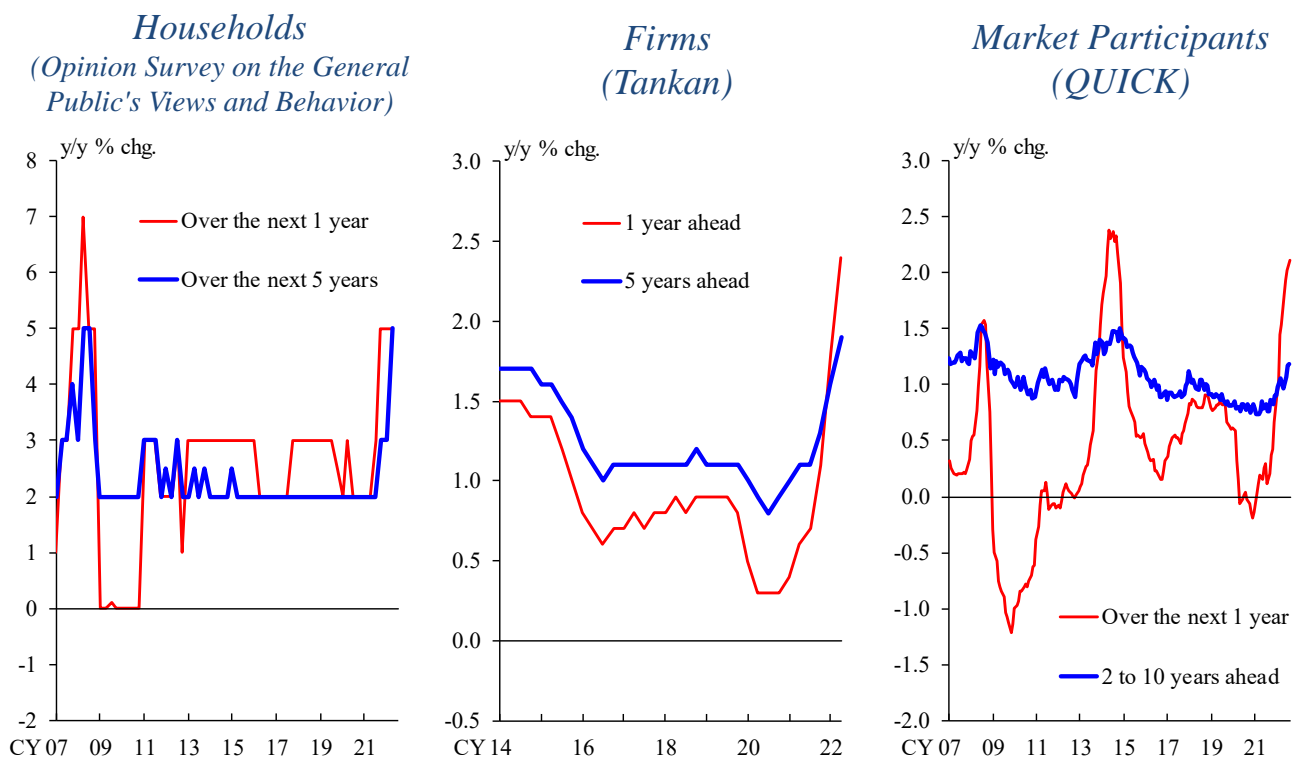
Source: IMF.

### Consumer Prices in Japan (Less Fresh Food)



Note: Figures for temporary factors 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. Figures in angular brackets show the share of each component. Figures for 2022/Q3 are July-August averages.  
Source: Ministry of Internal Affairs and Communications.

### Inflation Expectations



Notes: 1. In the left-hand chart, figures are the medians of the answers to quantitative questions.  
2. In the middle chart, figures show the inflation outlook of enterprises for general prices (all industries and enterprises, average).  
Sources: Bank of Japan; QUICK, "QUICK Monthly Market Survey <Bonds>."

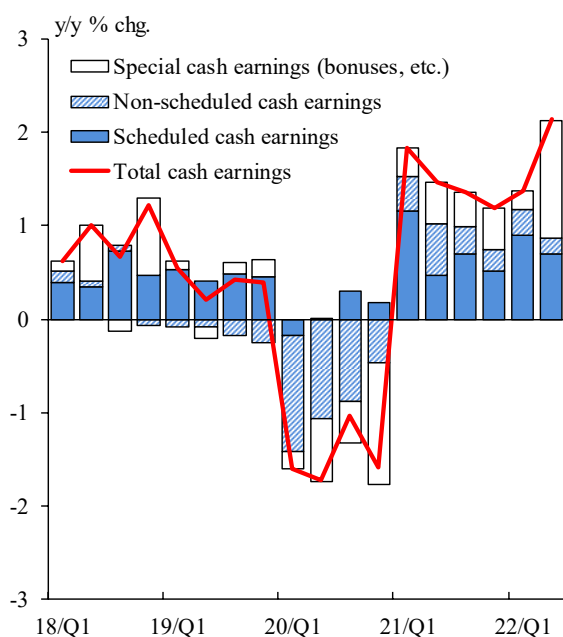
## Forecasts of Japan's CPI by the IMF and Economists in the Private Sector

	y/y % chg.		
	2022	2023	2024
<b>IMF</b> (All items, calendar year)	+1.9	+1.3	—
<b>ESP Forecast</b> (All items less fresh food, fiscal year)	+2.4	+1.2	+0.9

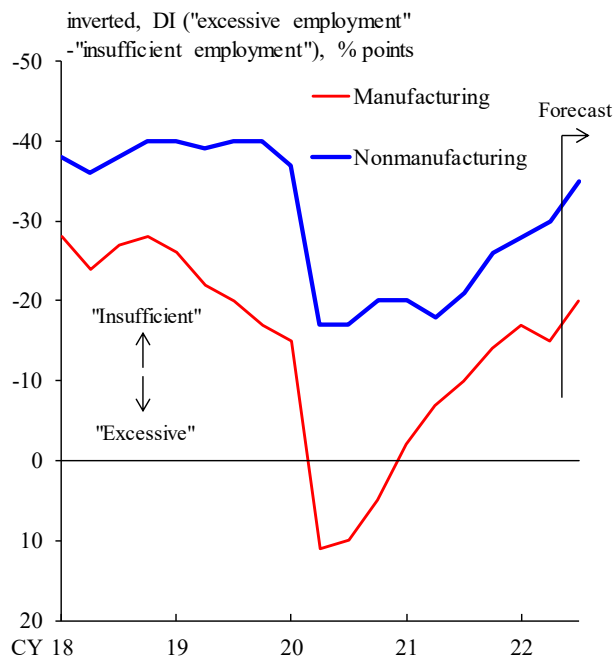
Note: Figures for the IMF and the ESP Forecast are forecasts as of July and September, respectively.  
Sources: IMF; Japan Center for Economic Research, "ESP Forecast."

## Employment and Income Situation

*Nominal Wages*



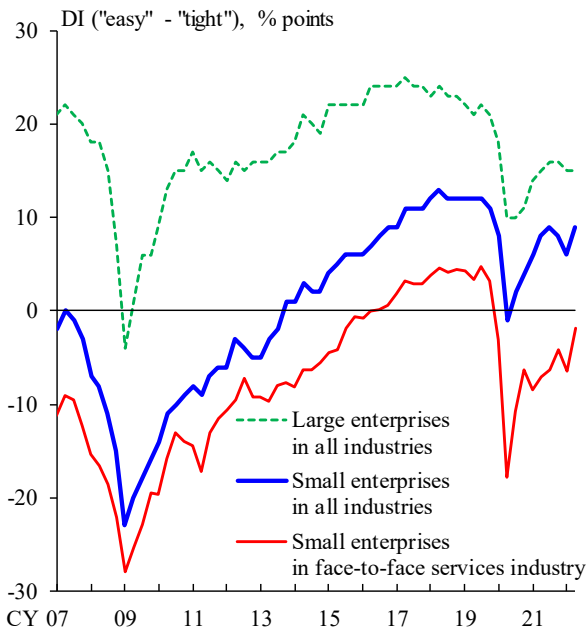
*Diffusion Indexes for  
Employment Conditions*



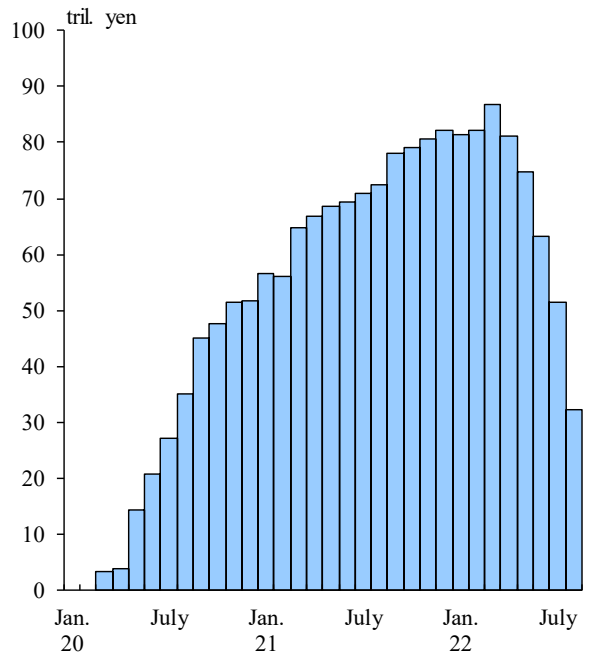
Note: In the left-hand chart, Q1 = March-May, Q2 = June-August, Q3 = September-November, Q4 = December-February. Figures are based on continuing observations following the sample revisions. Figures for 2022/Q2 are June-July averages.  
Sources: Ministry of Health, Labour and Welfare; Bank of Japan.

# Corporate Finance

*Diffusion Indexes for Firms' Financial Positions*



*Amounts Outstanding of Loans Provided through the Special Operations in Response to COVID-19*



Notes: 1. In the left-hand chart, figures for small enterprises in the face-to-face services industry are the weighted averages of the DIs for retailing, transport & postal activities, services for individuals, and accommodations, eating & drinking services.  
 2. In the right-hand chart, figures are those at the end of each month.  
 Source: Bank of Japan.