

# 賃金・物価・金利の正常化 現状と課題

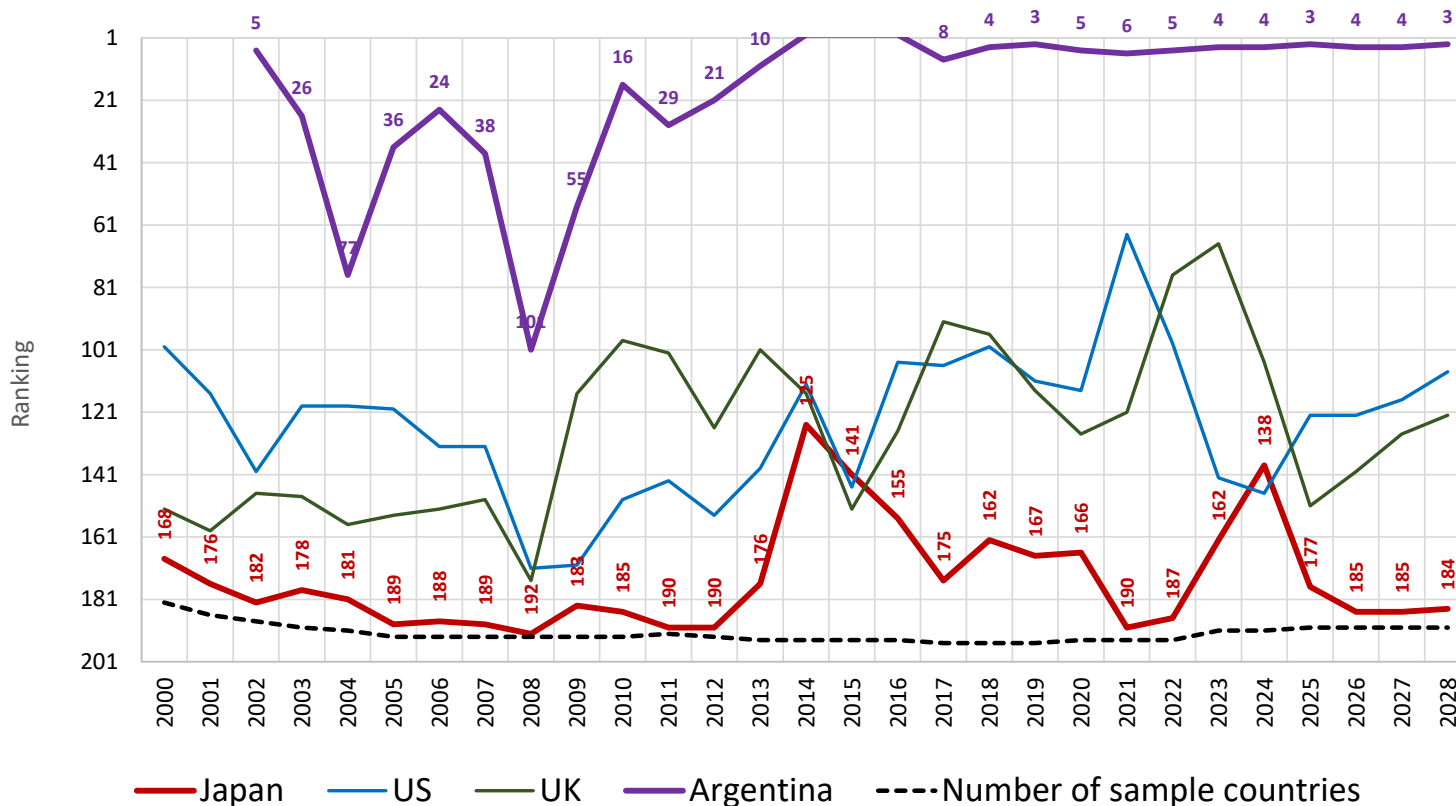
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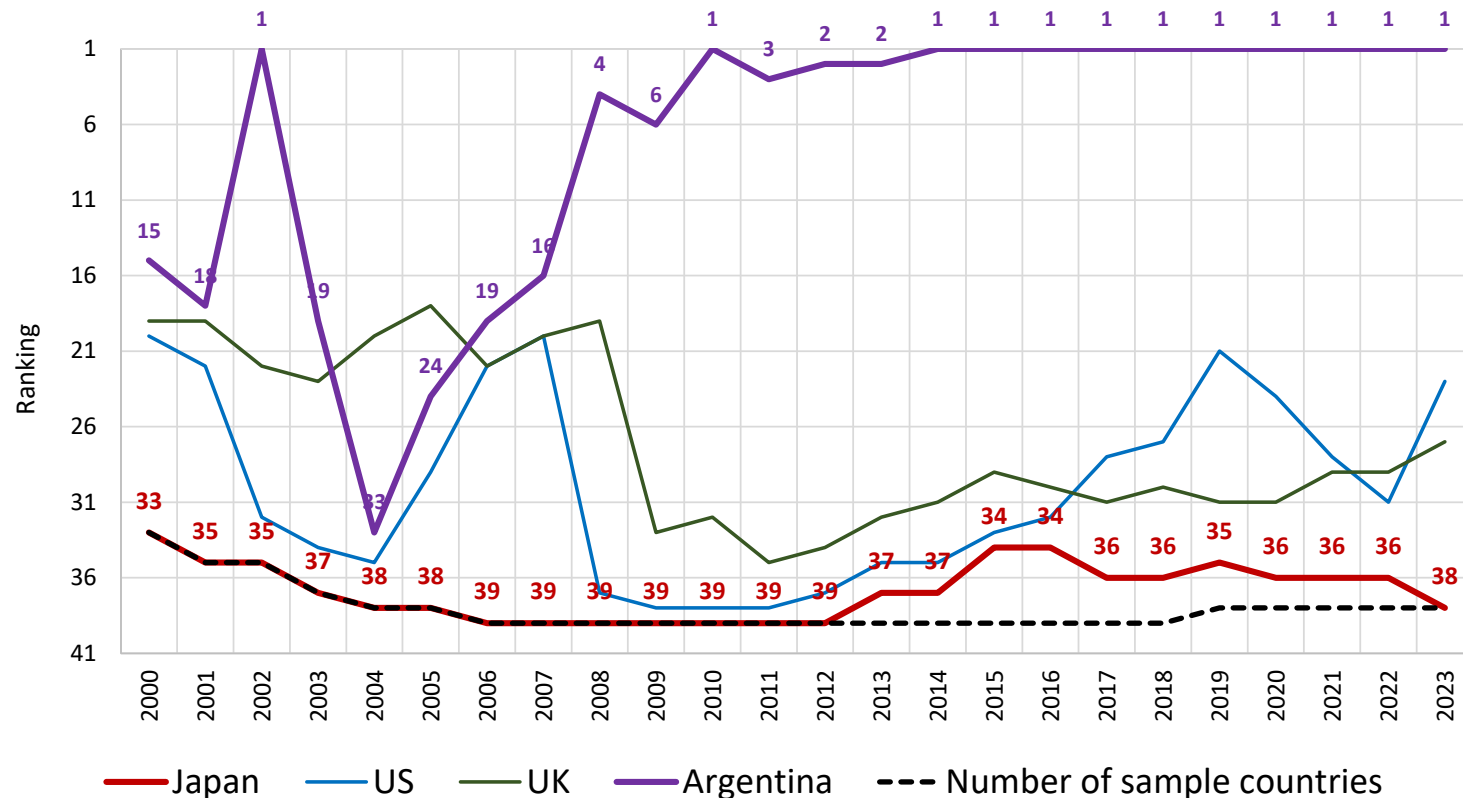
2024年11月22日

# Ranking of countries in terms of CPI Inflation



Source: IMF, World Economic Outlook Databases, October 2023  
<https://www.imf.org/en/Publications/SPROLLS/world-economic-outlook-databases#sort=%40imfdate%20descending>

# Ranking of countries in terms of Central Bank Policy Rate



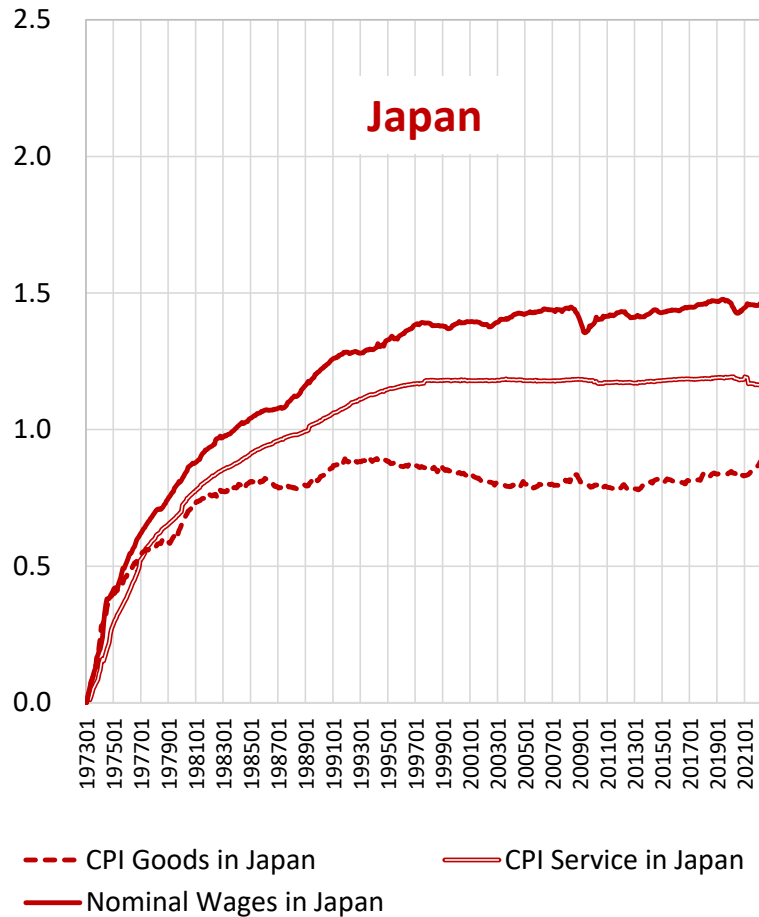
Source: Bank for International Settlements  
<https://www.bis.org/statistics/cbpol.htm>

“There are four kinds of countries in the world:  
developed countries, undeveloped countries,  
Japan and Argentina”

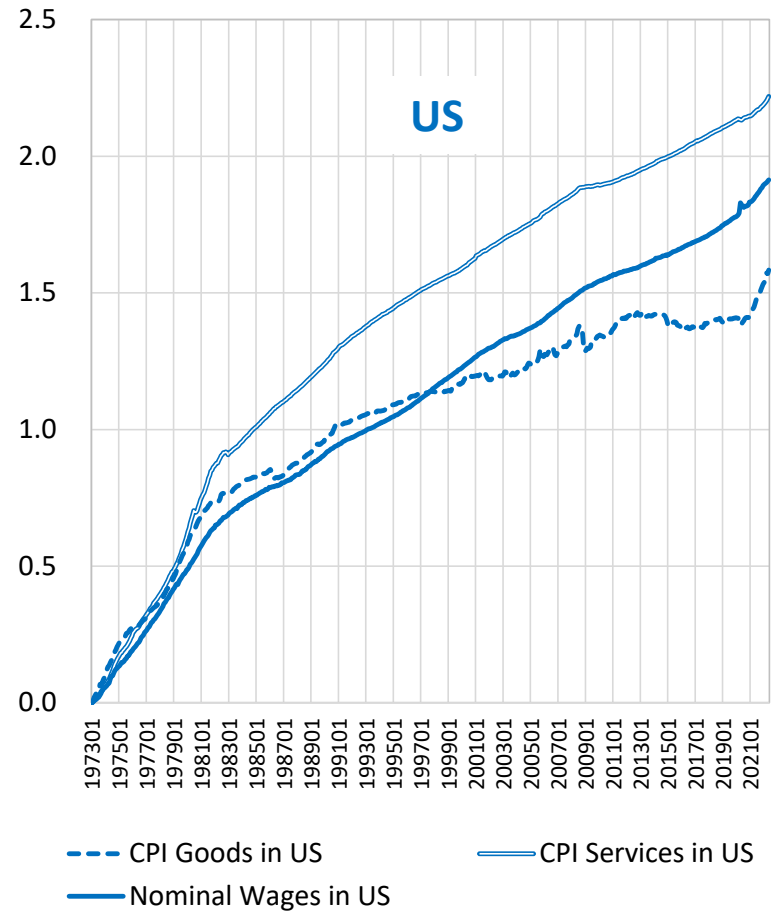
Simon Kuznets

# Japan's Chronic Deflation

CPI Goods, CPI Services, and Wages



CPI Goods, CPI Services, and Wages



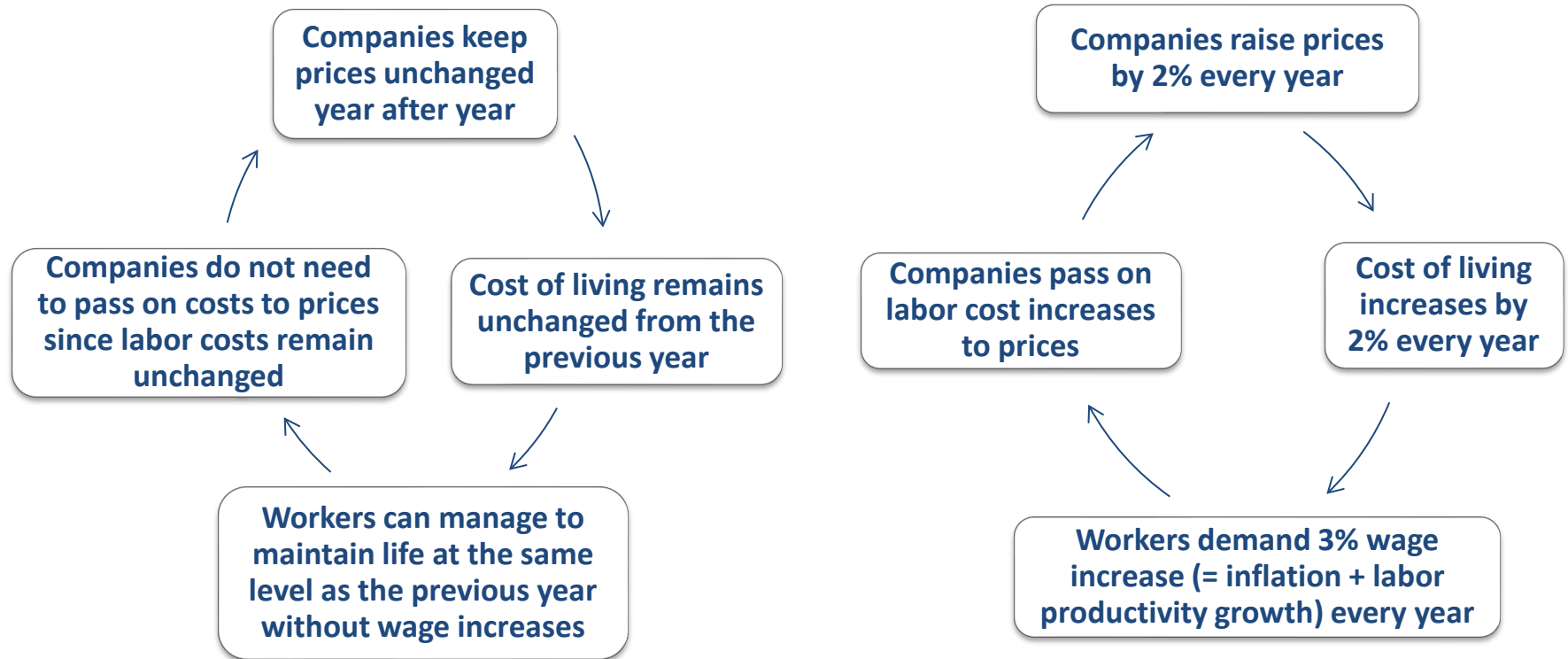
# The normalization of Japan since the spring of 2022

1. Increase in consumers' **inflation expectations**
2. Improved consumers' **tolerance to price increases**
  - In the past, Japanese consumers would switch to a different store when they encountered a price increase, believing that prices would remain unchanged at other stores. However, Japanese consumers no longer flee the store even when prices are raised.
3. Increased **cost pass-through to prices** by companies
4. Increased **demand for higher wages** from workers
5. BOJ's **policy rate hike** for first time in 17 years

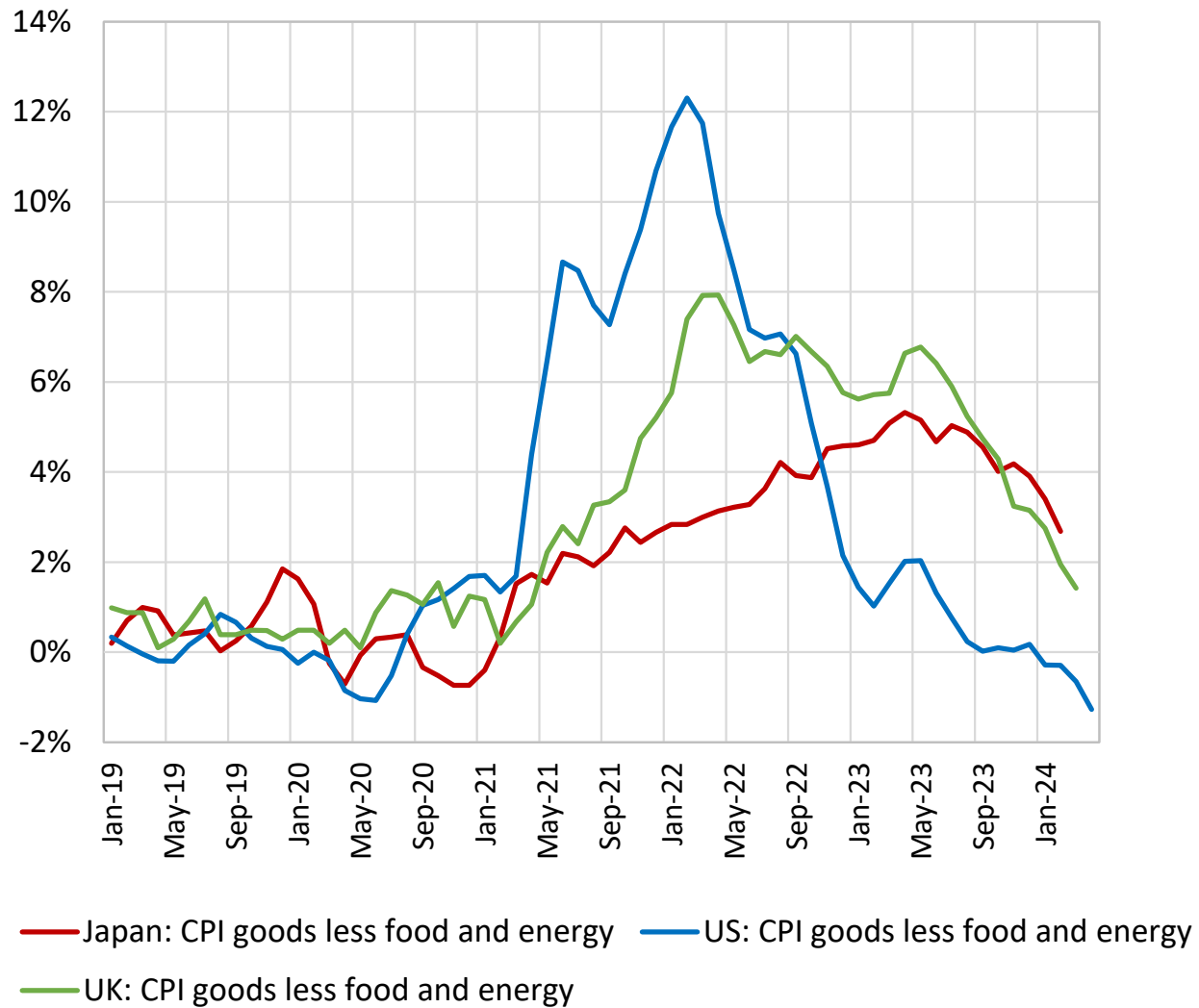
## Japan's version of the wage-price spiral



## "Virtuous Cycle between wages and prices"

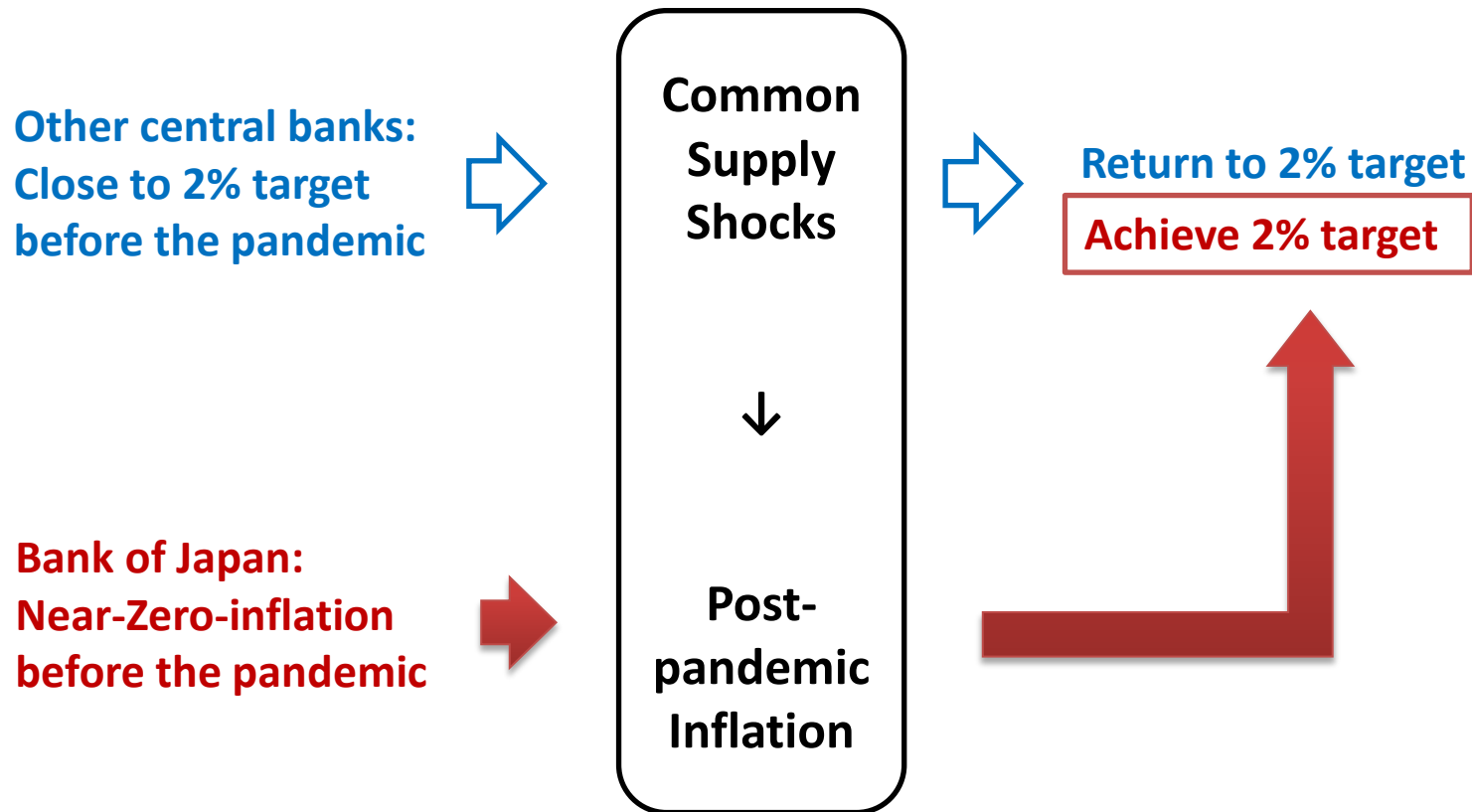


## Goods Price Inflation in Japan, US, and UK





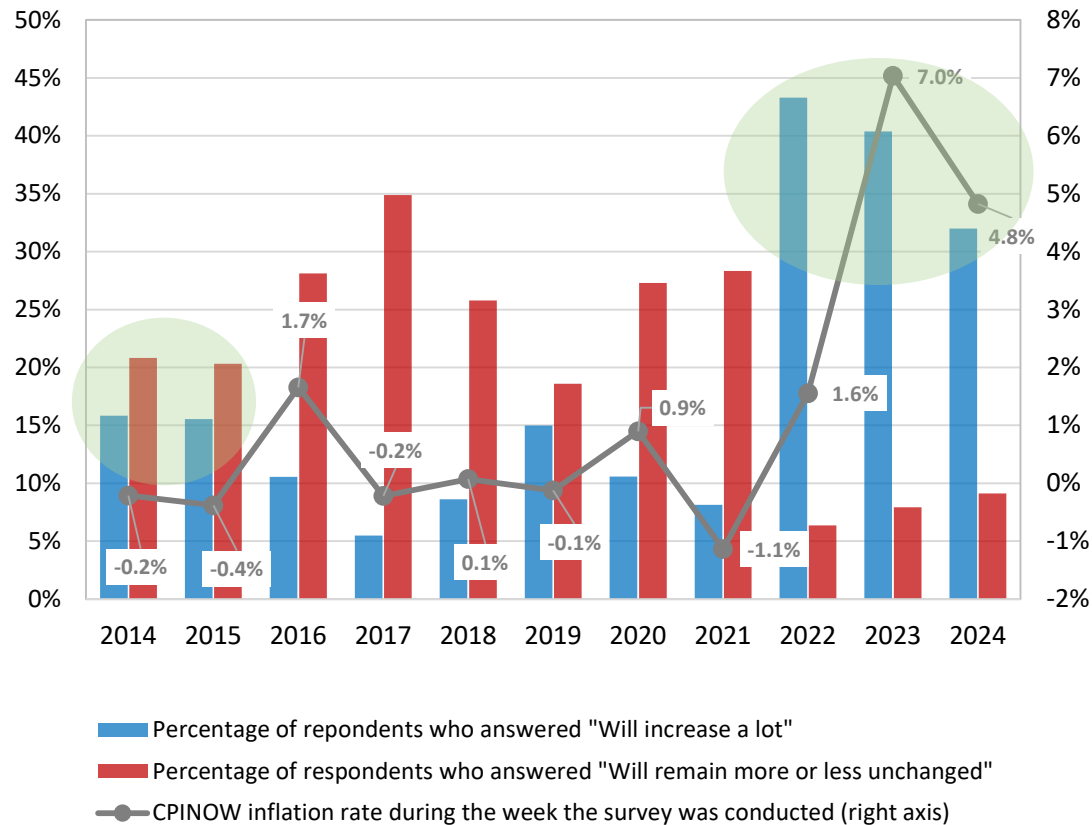
# ***BOJ's Opportunistic Approach to Reflation***



# This Time Is Different!

## Consumers' Inflation Expectations

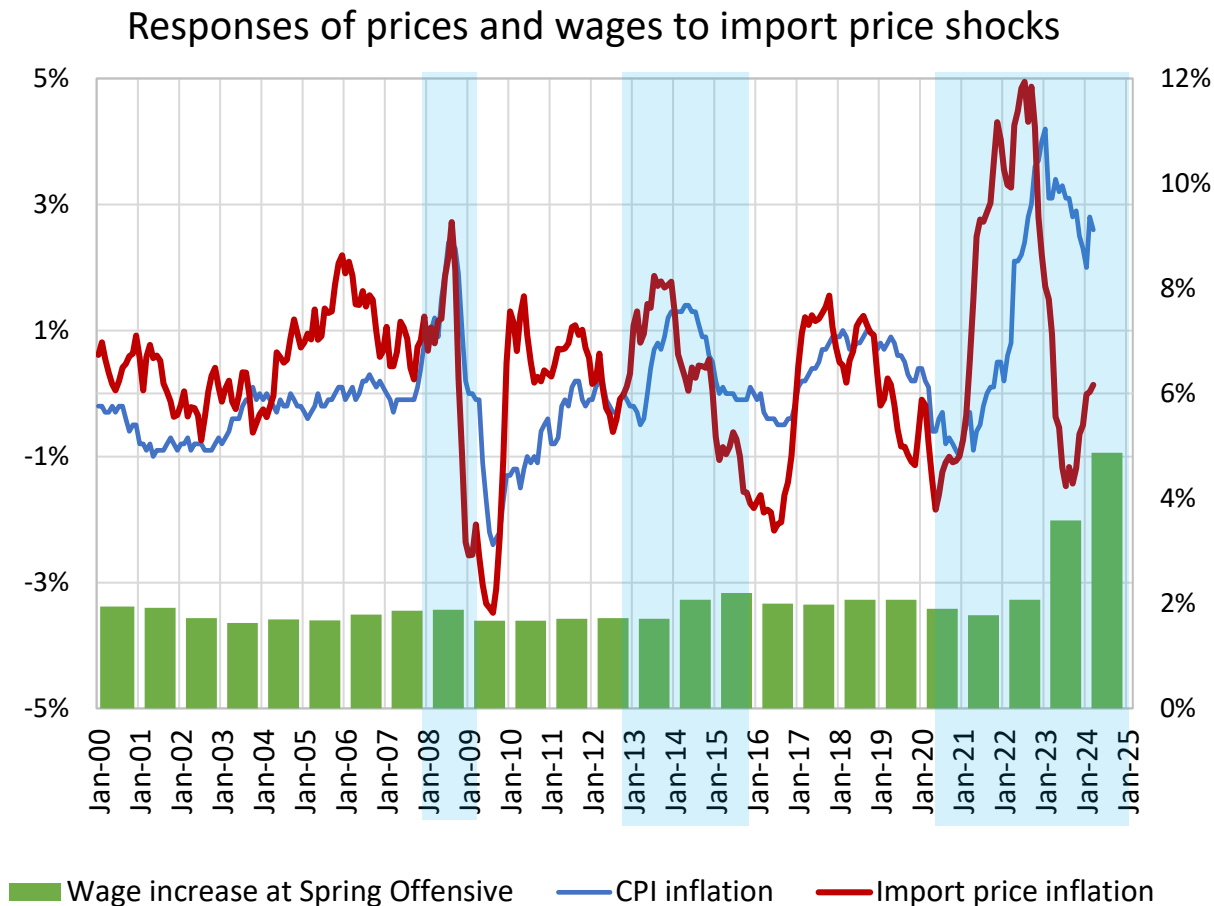
What do you think will happen to prices over the next year compared to today?



Note: Based on responses from 3,449 Japanese consumers who responded to the survey over 11 consecutive years from 2014 to 2024.

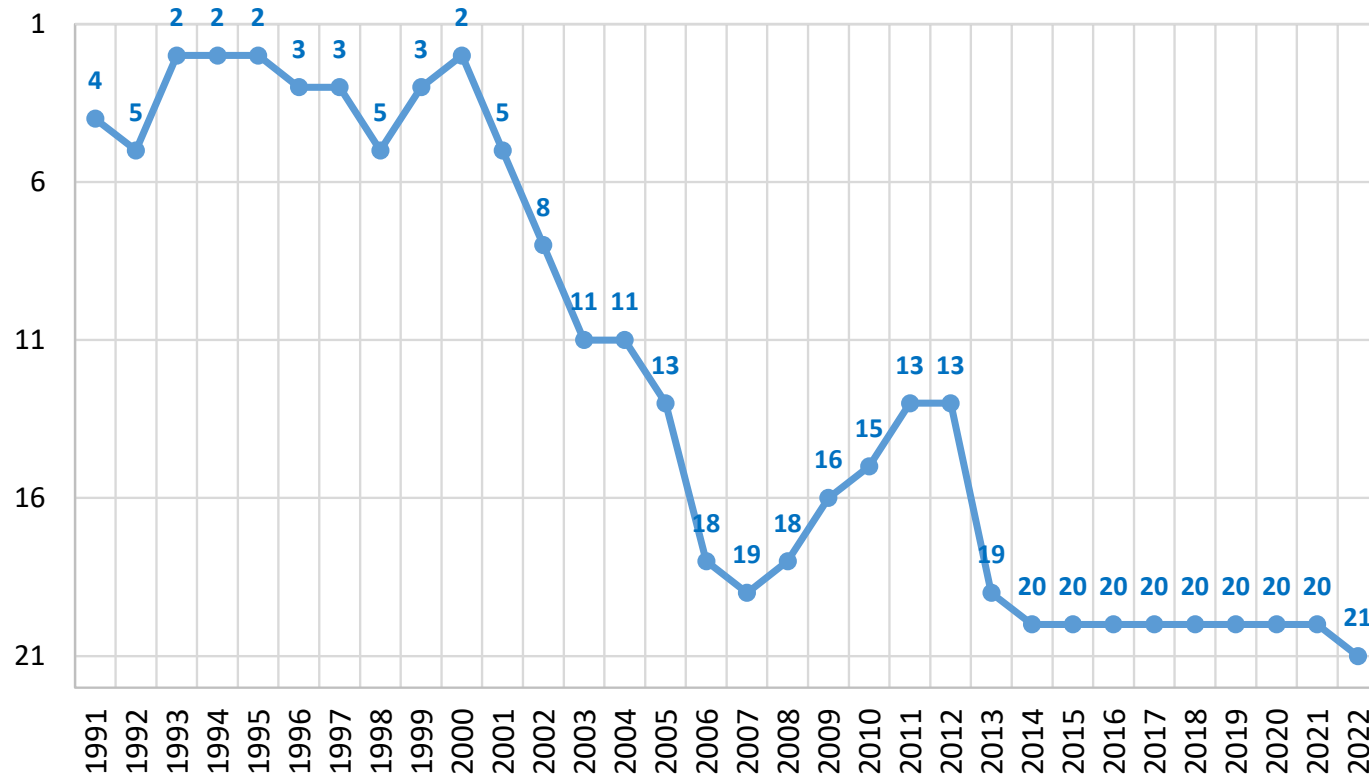
# This Time Is Different!

## Spring Wage Offensive (*Shunto*)



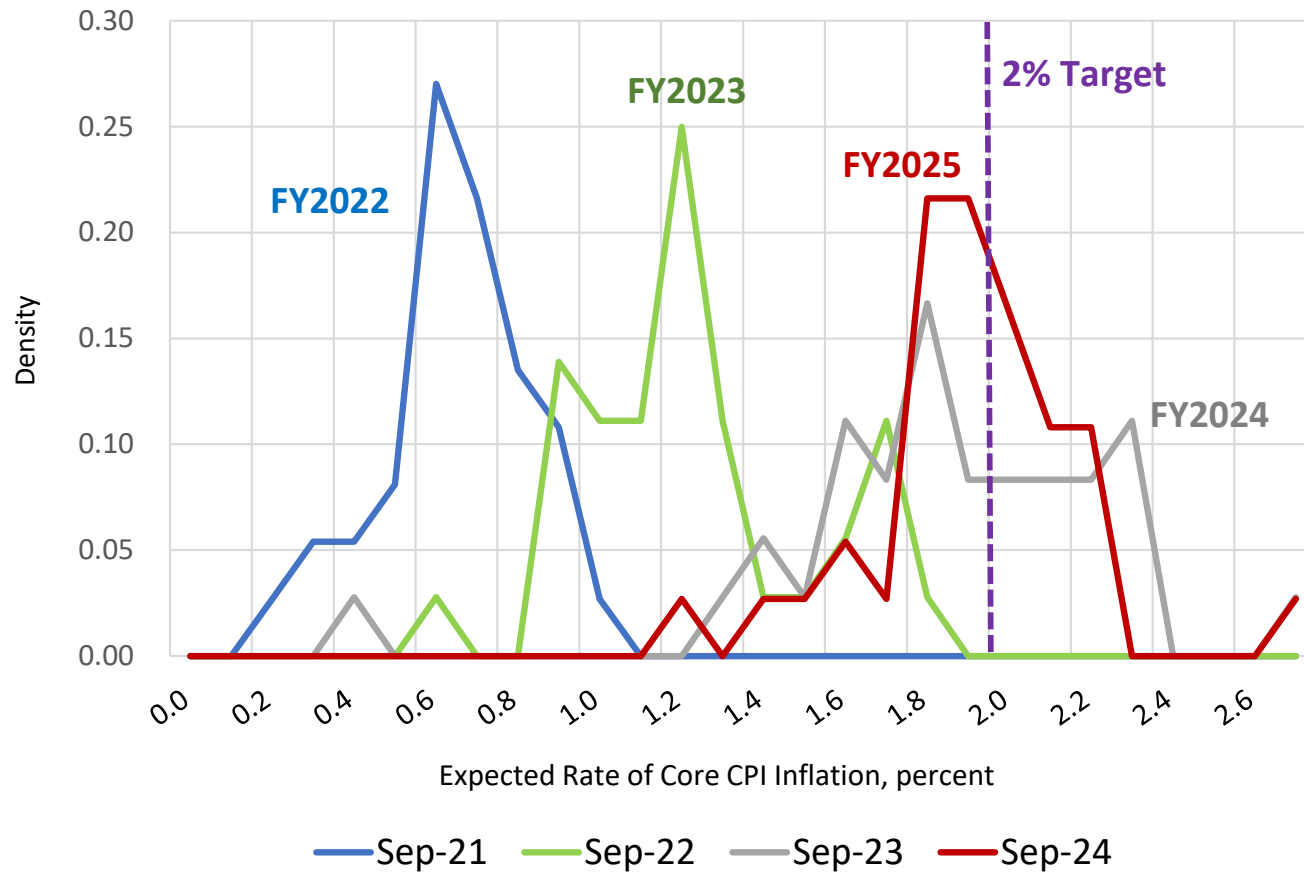
Note: The wage growth rates are shown on the right scale, while consumer price inflation and import price inflation are on the left scale. However, the import price inflation rate is divided by 10 for representation.

## OECD加盟38か国における日本の賃金の順位

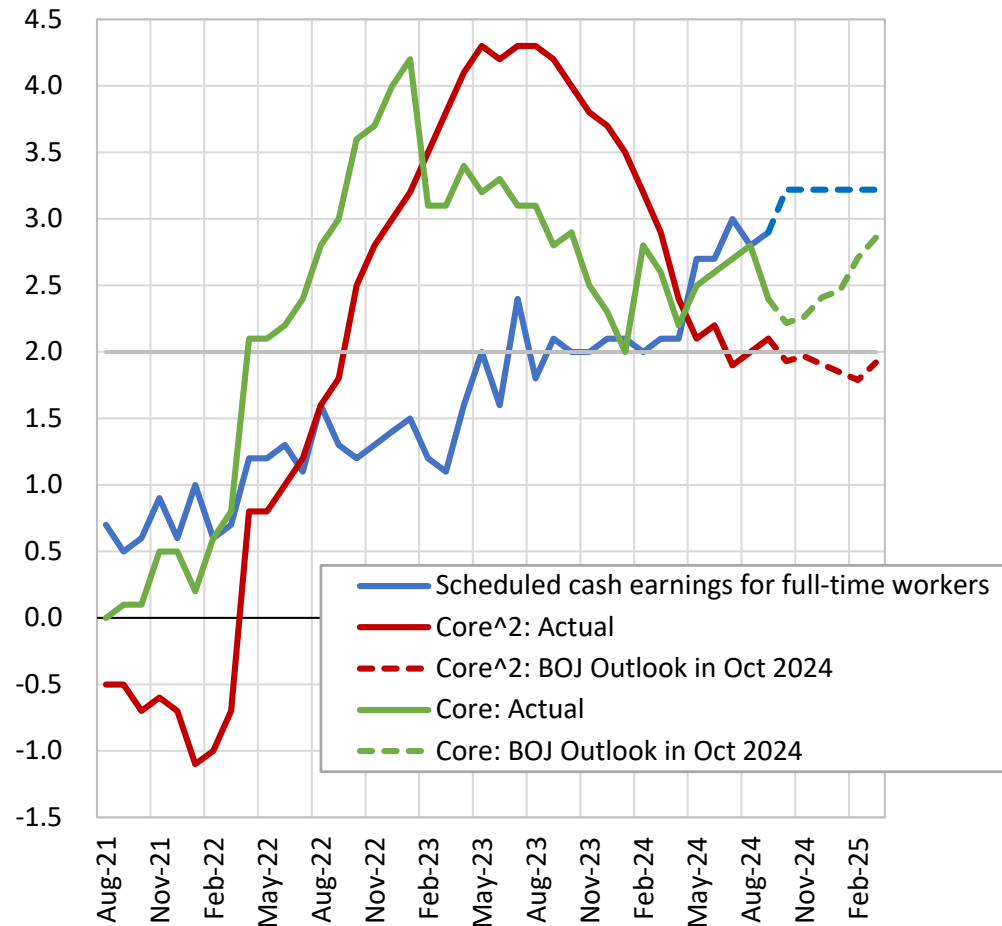


各国における自国通貨建て名目賃金をその時点の為替レートを用いて米ドルに換算したうえで、各国の順位を計算。図は日本の順位の変遷を示したもの。計算に用いたデータはすべてOECD.Statから取得。

Distribution of Inflation Forecasts by ESP Forecasters



## Scheduled cash earnings vs. CPI



Note: Wage growth rates (YoY) are calculated using **only establishments included in the survey sample for both this month and the same month last year.**

Targets set by RENGU for wage increases in the Spring Wage Offensive

	Target	Actual
2016	Over 4%	2.00%
2017	Over 4%	1.98%
2018	Over 4%	2.07%
2019	Over 4%	2.07%
2020	Over 4%	1.90%
2021	Over 4%	1.78%
2022	Over 4%	2.07%
2023	Around 5%	3.58%
2024	Over 5%	5.10%
2025	<b>Over 5%</b> <b>Over 6% for SMEs</b>	

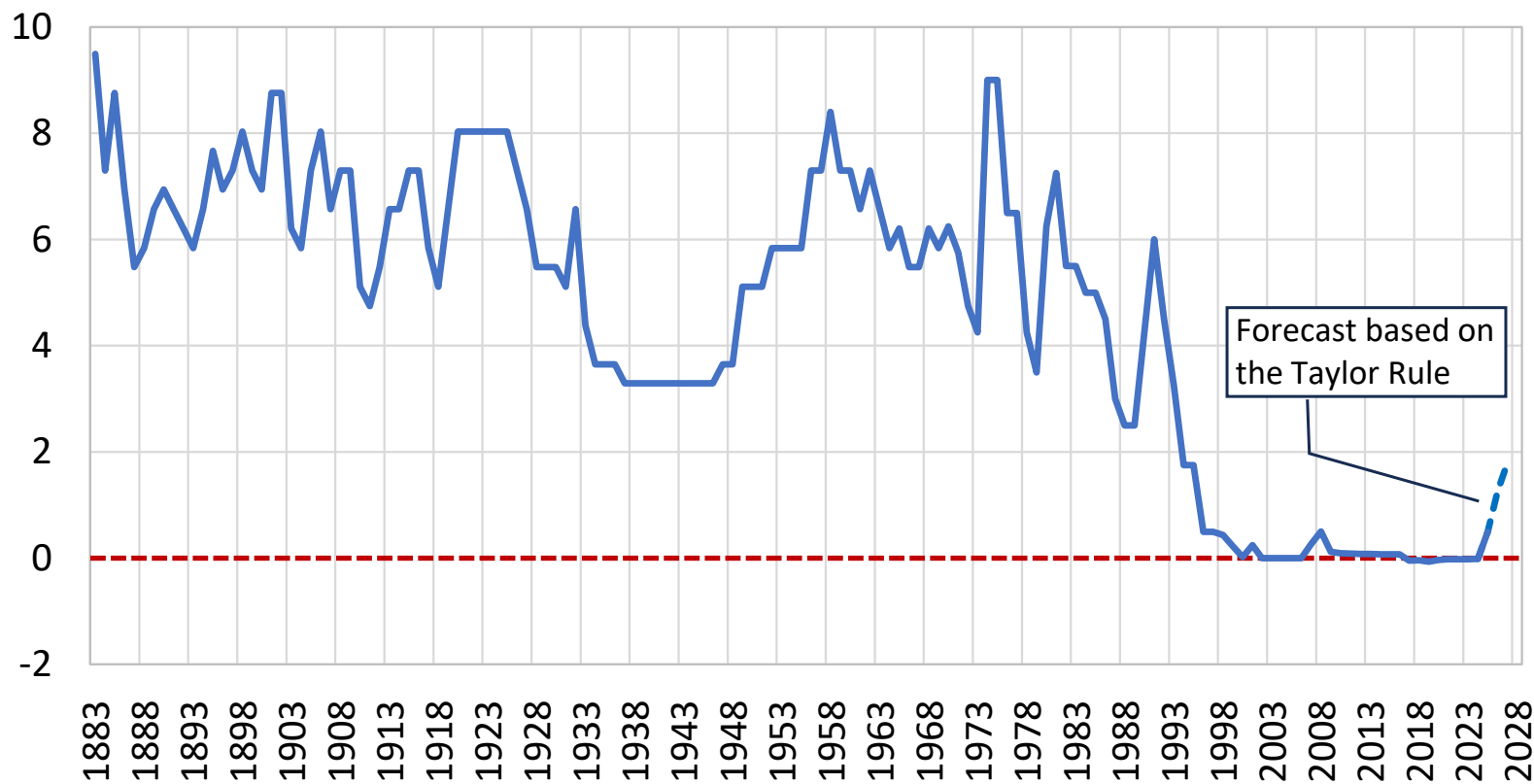
**“I think this will be the year that we should get the 5% level entrenched in society,”** Akira Nidaira, executive director of Rengo’s policy department, said at a news conference on Thursday. “The stage has changed in 2024, but many people are still not on board.”

“Japan’s Largest Labor Union Group to Seek Big Pay Hike Next Year,”  
WSJ, Oct 18, 2024



Photo taken with the executives of JTUC-RENGU, who aim to achieve a “5” percent wage increase in Shunto next year.

## BOJ Policy Rate: 1882-2024





# BOJ's "On-Track" Rule

1. BOJ regards CPI and GDP forecasts in their Outlook Report as a reference
2. Each month, BOJ compares the new CPI and GDP figures with the reference
3. If the new figures are close to or above the reference, BOJ raises the policy rate

As for the future conduct of monetary policy, while it will depend on developments in economic activity and prices as well as financial conditions going forward, given that real interest rates are at significantly low levels, **if the outlook for economic activity and prices presented in the July Outlook Report will be realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation.** With the price stability target of 2 percent, it will conduct monetary policy as appropriate, in response to developments in economic activity and prices as well as financial conditions, from the perspective of sustainable and stable achievement of the target.

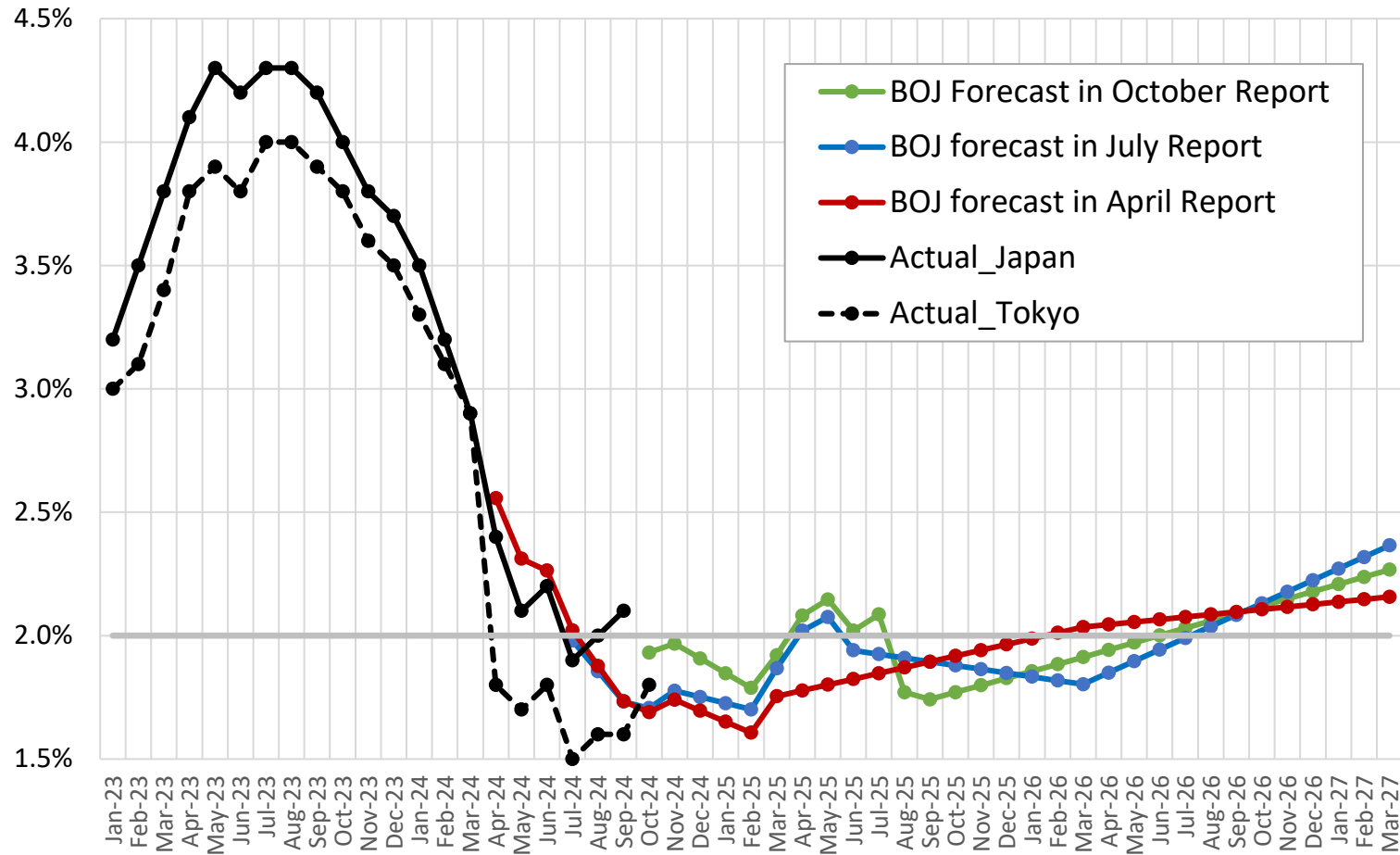
今回の利上げということで申し上げます、主な理由としては、経済・物価データがオントラックであったということです。それに加えて、足元の円安が物価に上振れリスクを発生させているということもあって、政策変更に至ったということでございます。

**The main reason for this rate hike was that economic and price data were on track.** In addition, the recent depreciation of the yen has created upside risks to prices, which led to the policy change.

Gov Ueda at the press conference  
on July 31, 2024

Policy statement  
July 31, 2024

CPI Core<sup>2</sup> Inflation, YoY, Percent



# Governor Talks - Where is Japan on Inflation and Monetary Policy?

Oct 23, 2024

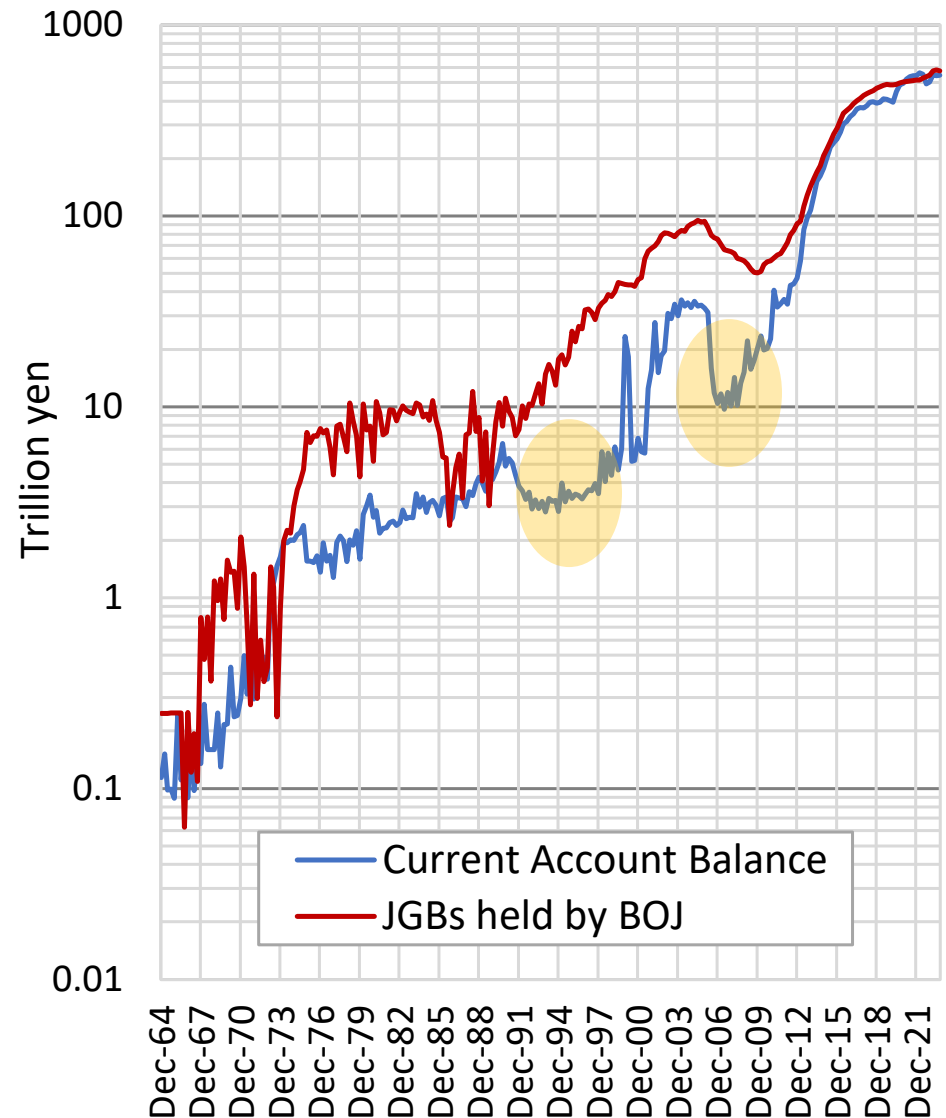
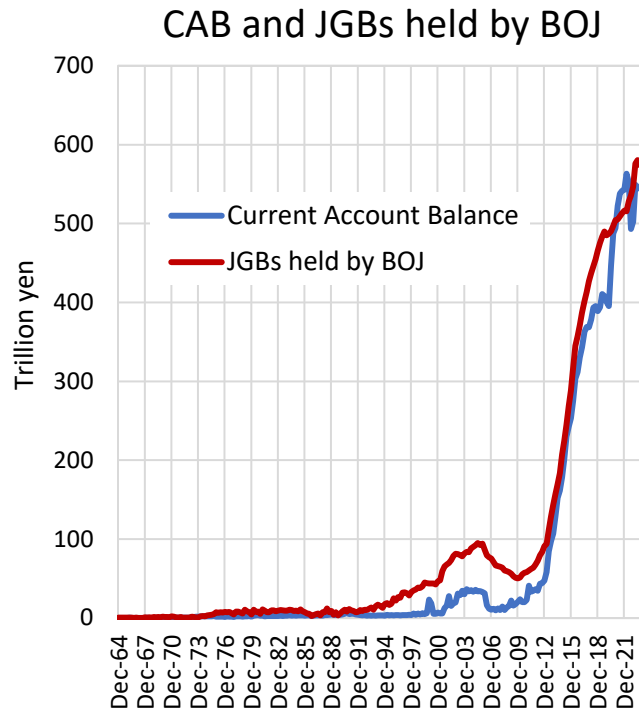
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- “Why are we doing this? In foreign economies where they have experienced more or less the same inflation dynamic, central banks raised interest rates fairly aggressively in 2022 and 23. The reason, of course, was even before the rising inflation this time around, inflation was around 2%. Inflation expectations were also around 2%, so they wanted to avoid inflation going up any further. In our case, although headline inflation, as I said, was above 4% at one point, if you look at something like underlying inflation, inflation expectations, they were around zero before the rise in inflation in 22. So we wanted to use this **opportunity** to raise inflation expectations, underlying inflation, and move to a new equilibrium with 2% inflation in a sustainable way. That's why we maintain policy easy, and it is still easy, as I said before.”
- “But I can say that the way we approached normalization, which is first we made YCC more flexible and in a gradual way, and then touched the rest of the easing, was successful. **Although, in a sense, we were lucky to have been able to do so. The lucky part came from the very slow pace with which underlying inflation went up.**”
- “If you proceed very, very gradually, it would create the expectation that rates are going to stay at low levels for very long period. **This could build up huge speculative positions, which could become a problem later.**”
- Now, Governor, you've been an academic for a very long time before you joined the first Monetary Board of the Bank of Japan, and now as a governor. Compared to that, now you have a very stressful job. What keeps you awake at night? “Let's see. To answer in a very theoretical way, I think about **what would be the right size of normalization in total going forward, and how best to allocate that total rate hikes across time optimally.**”



<https://www.imfconnect.org/content/imf/en/annual-meetings/calendar/open/2024/10/23/188876.html?calendarCategory=UHJc3M=>

## CAB and JGBs held by BOJ



ECONOMY | CAPITAL ACCOUNT

## Japan Is Back. Is Inflation the Reason?

Deflation might be vanquished, but the payoff could be elusive



**Greg Ip** [Follow](#)

Chief Economics Commentator, The Wall Street Journal



Feb 29, 2024 9:00 am ET

The harm might lie in subtle behavioral changes by investors, companies and the public. For example, in a market economy, changing relative prices and wages are critical signals for reallocating capital and labor from stagnant to growing sectors.

Relative prices changes are unusually rare in Japan, according to the University of Tokyo economist Tsutomu Watanabe. He has found that from 1995 through 2021, prices of more than half of products didn't change at all from year to year. **This wasn't just because average inflation was lower; price changes deviated from the average much less than in other countries.**

In a December speech, Bank of Japan Governor Kazuo Ueda said **years of low to negative inflation led to a "status quo in wage- and price-setting behavior," so many prices and wages didn't change. "The know-how for raising prices was thus lost," he said.**

**The absence of this price-discovery function, Ueda contended, sapped productivity and dynamism.**

Watanabe's research shows that since January 2022, prices have been less sticky and more dispersed. Coincidentally, the Nikkei's latest rally began a year later.

渡辺 努  
Watanabe Tsutomu

# 物価をねえ

## デフレの謎、インフレの罠

Understanding  
Inflation  
and  
Deflation

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