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Bank of Japan

# Economic Activity, Prices, and Monetary Policy in Japan

*Speech at a Meeting with Local Leaders in Nagano*

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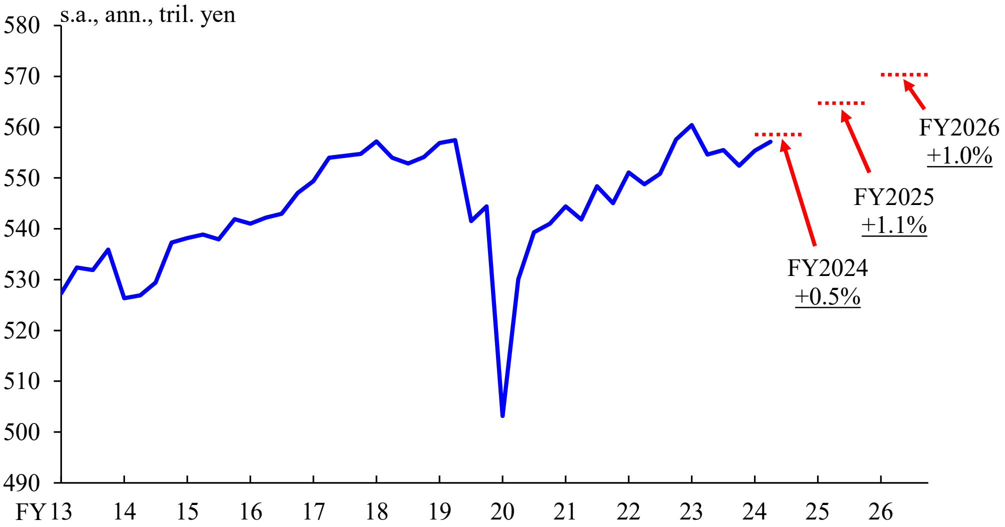
(English translation based on the Japanese original)

## I. Economic Activity and Prices

### A. Economic Activity

I will begin my speech by talking about economic activity in Japan. The Bank of Japan assesses that the economy has recovered moderately on the whole, although some weakness has been seen in part. In terms of the median of the Policy Board members' forecasts -- as presented in the January 2025 *Outlook for Economic Activity and Prices* (Outlook Report) -- Japan's real GDP growth rate is expected to be at 0.5 percent for fiscal 2024, 1.1 percent for fiscal 2025, and 1.0 percent for fiscal 2026 (Chart 1). While the projected growth rate for fiscal 2024 is low, this reflects the impact of negative growth in the January-March quarter of 2024, which was due to temporary factors such as a suspension of production and shipments at some automakers. Looking at the growth rates for fiscal 2024 on a quarter-on-quarter basis suggests that Japan's economy is likely to grow firmly. Thereafter, the economy is projected to keep growing at a pace above its potential growth rate, with overseas economies continuing to grow moderately and as a virtuous cycle from income to spending gradually intensifies.

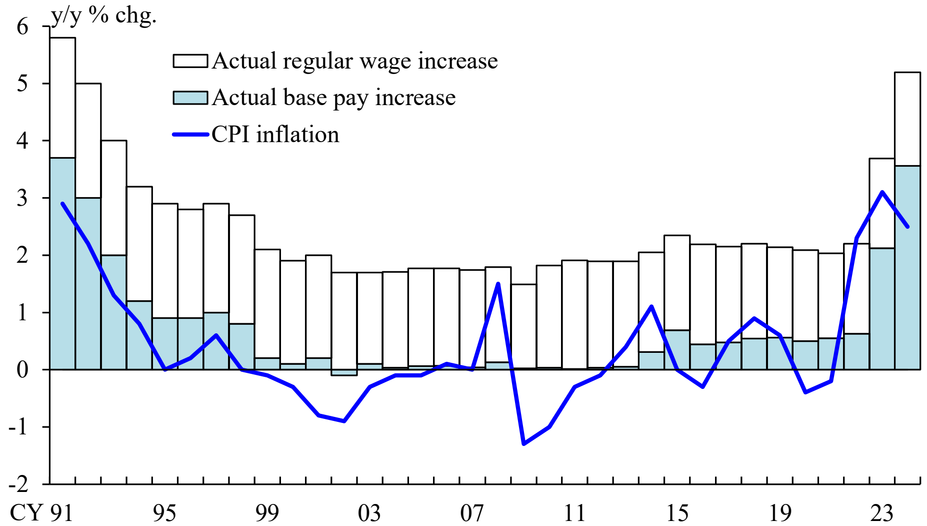
**Chart 1: The Bank's Forecasts for Real GDP**




Note: Forecasts are medians of the Policy Board members' forecasts in the January 2025 Outlook Report. Real GDP values for fiscal 2024 onward are calculated by multiplying the actual figure for fiscal 2023 by all successive projected growth rates for each year.
Sources: Cabinet Office; Bank of Japan.

Let me now explain wage developments, which I believe warrant particular attention in envisioning the economic situation. The upcoming results of the annual spring labor-management wage negotiations currently in process will be an important factor in assessing whether the virtuous cycle from income to spending will continue to operate (Chart 2). Although the negotiations are still in progress, various large firms have already reported that they will implement high wage hikes on par with those last year. There continue to be reports by some small and medium-sized firms that wage hikes will be difficult, but many other firms have voiced that they have no choice but to raise wages in response to labor shortages. In this context, a paradigm shift seems to be taking place in firms' wage-setting behavior. Previously, it was common for firms to generate profits and then return them to employees in the form of wage hikes. Currently, however, firms face a situation of having to set a wage level that is sufficient to secure their workforce (Chart 3). Just as firms have needed to reconsider their business strategies in the face of a rise in raw material prices while taking this situation as a given, they need to do the same thing while taking the current wage situation as a given. Specifically, firms should take steps such as passing on cost increases to prices, enhancing business efficiency, and transforming their business models through, for example, business realignment and corporate restructuring. I hear that corporate executives have formulated their medium-term management plans while factoring in annual wage hikes. This suggests a

**Chart 2: Results of the Annual Spring Labor-Management Wage Negotiations**

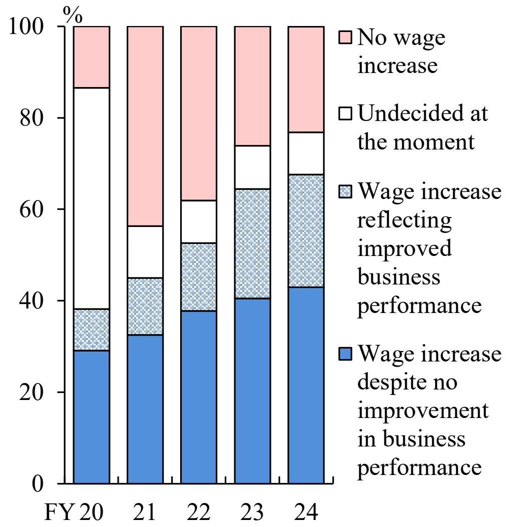



Notes: 1. Figures for "CPI inflation" are for all items less fresh food, excluding the effects of the consumption tax hikes.
2. Figures for "actual base pay increase" and "actual regular wage increase" from 1991 to 2014 are those published by the Central Labour Relations Commission, while those from 2015 to 2024 are figures released by the Japanese Trade Union Confederation (Rengo). Figures are based on the wage negotiation results of labor unions for which the base pay increase is clear.

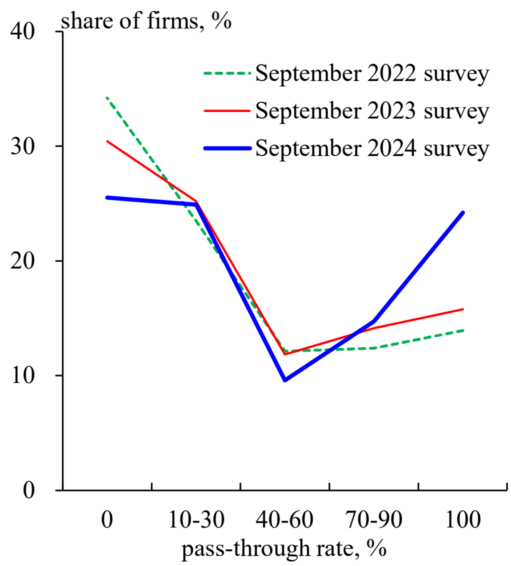
Sources: Central Labour Relations Commission; Ministry of Internal Affairs and Communications; Rengo.

## Chart 3: Factors regarding Wage Hikes by Firms

Implementation of Wage Increases
(Small and Medium-Sized Firms)




Pass-Through Rate of Labor Costs
(Small and Medium-Sized Firms)




Notes: 1. In the left panel, figures are based on the LOBO survey by the Japan Chamber of Commerce and Industry, and show trends in raising scheduled cash earnings. Figures up through fiscal 2023 are as of December of each fiscal year, while those for fiscal 2024 are as of September.

2. In the right panel, figures are based on a follow-up survey on the Price Negotiation Promotion Month organized by the Small and Medium Enterprise Agency. The pass-through rate in the panel refers to the proportion of labor cost increases incurred during six months prior to each survey, and passed on to prices.

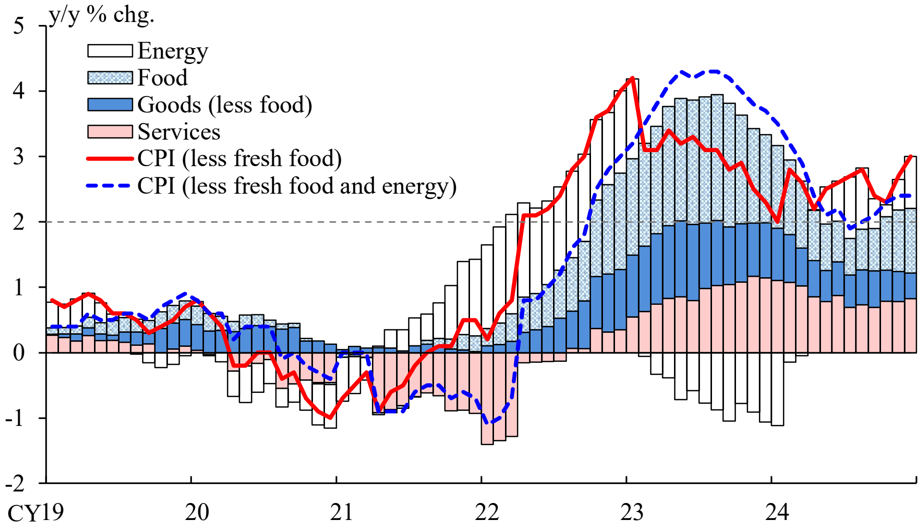
Sources: Japan Chamber of Commerce and Industry; Small and Medium Enterprise Agency.

fundamental shift in the long-standing assumption that wages will not increase. In light of these points, I believe solid wage growth that is consistent with the price stability target of 2 percent can be expected at this year's annual spring labor-management wage negotiations.

## B. Price Developments

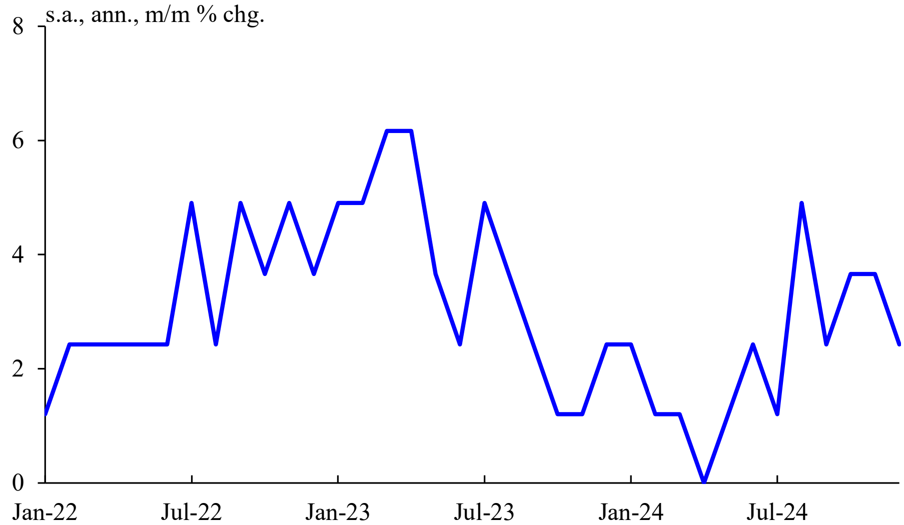
Turning to Japan's price developments, the year-on-year rate of increase in the consumer price index (CPI) for all items excluding fresh food has been at around 3 percent recently (Chart 4). That for all items excluding fresh food and energy, for which prices fluctuate significantly, has been at around 2.5 percent. The seasonally adjusted month-on-month rate of increase in this CPI has clearly accelerated since June 2024, roughly maintaining an increase of around 3 percent on an annualized basis (Chart 5). This reflects several developments: (1) the price

**Chart 4: Consumer Prices**




Source: Ministry of Internal Affairs and Communications.

**Chart 5: Consumer Prices (Annualized Month-on-Month Rate of Change)**



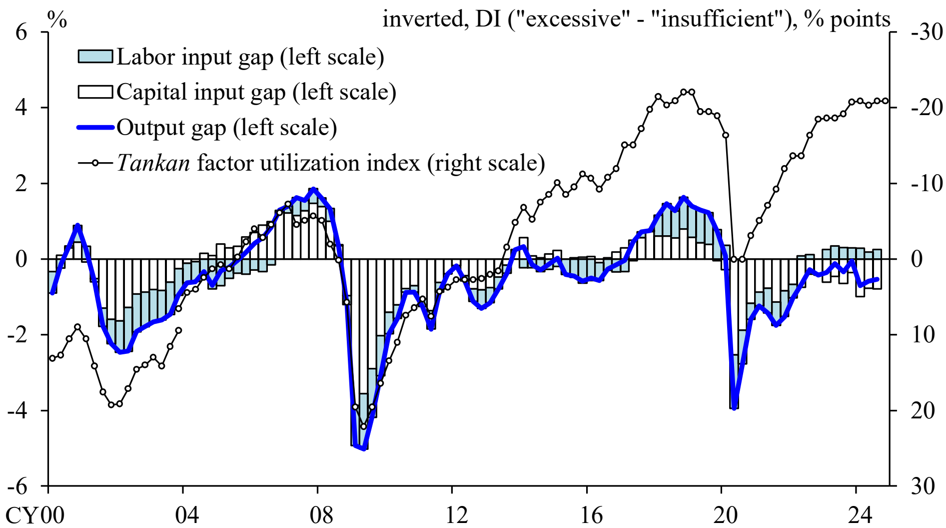

Note: Figures are the CPI for all items less fresh food and energy.
Source: Ministry of Internal Affairs and Communications.

pass-through of recent cost increases, including higher raw material prices, shipping costs, and utility costs; (2) the ongoing pass-through carried out with a time lag by industries and firms that have been unable to pass on past cost increases sufficiently; (3) a growing number of firms passing on higher personnel expenses to prices; and, in this situation, (4) a rise in rice prices that is further pushing up overall inflation.

The inflation rate has remained at or above 2 percent for nearly three years, and the price of rice, which is a staple for Japanese people, has risen significantly. I am concerned that these factors may have a greater negative impact on consumer sentiment than what the figures alone imply and may adversely affect private consumption.

I think one reason why inflation has continued in Japan is that prices have been under upward pressure due to the positive output gap -- that is, the situation in which demand has outstripped potential supply capacity. According to the Bank's estimate, the output gap has been at around 0 percent recently, although this rate needs to be viewed with latitude, as estimates may differ depending on the estimation methods and are subject to estimation errors (Chart 6). So, does this mean that there has been neither upward nor downward pressure on prices? Looking at the breakdown of the output gap, the labor input gap has been positive (i.e., labor shortage),

**Chart 6: Output Gap**




Notes: 1. Figures for the output gap are Bank staff estimates.
2. The *Tankan* factor utilization index is calculated as the weighted average of the production capacity DI and the employment conditions DI for all industries and enterprises. Capital and labor shares are used as weights. There is a discontinuity in the data for December 2003 due to a change in the survey framework.
Source: Bank of Japan.

whereas the capital input gap has been negative (i.e., excessive production capacity) because production facilities have not been operating at full capacity. That said, such operation below full capacity is not necessarily due to a lack of demand but rather due largely to the shortage of labor needed to operate facilities sufficiently.[1] In the *Tankan* (Short-Term Economic Survey of Enterprises in Japan), recent developments in the diffusion indices (DIs) showing firms' perceptions of production capacity and employment conditions reveal that, while the share of firms responding that their labor capacity has been insufficient increased substantially, hardly any firms were experiencing excessive production capacity. This may explain the significant divergence between developments in the weighted average of the relevant DIs -- i.e., the *Tankan* factor utilization index -- and developments in the output gap estimated by the Bank.[2] Therefore, my view is that, although the tightness of supply and demand conditions differs between industries, the output gap is already in positive territory in reality and the lack of supply capacity is exerting upward pressure on prices.

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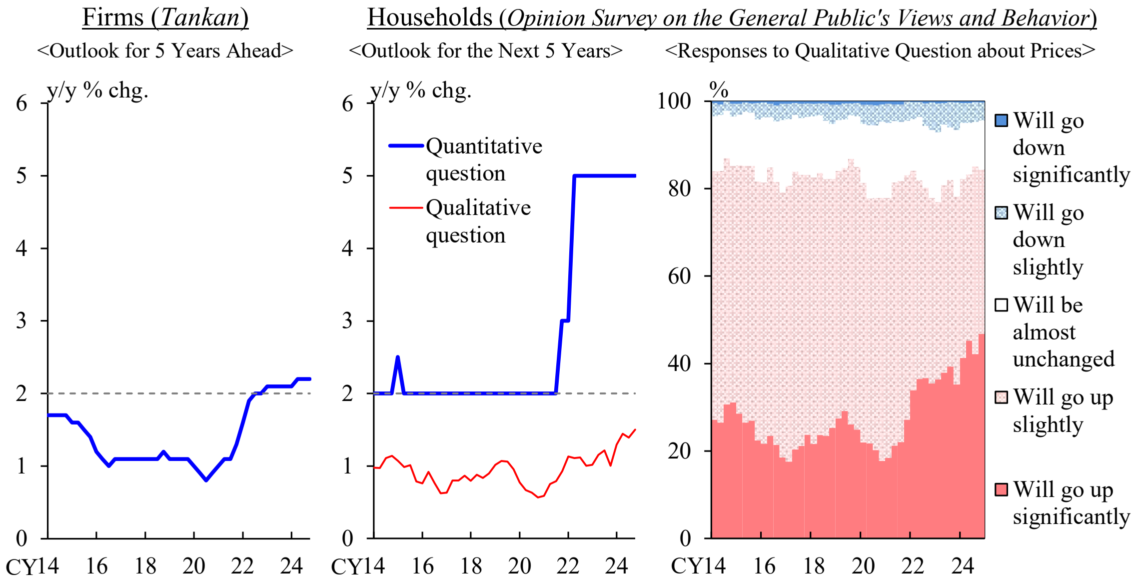
[1] Anecdotal information includes the following. The accommodations industry noted that Japanese-style inns and western-style hotels inevitably had to limit occupancy rates due to labor shortages. The taxi industry noted that a shortage of drivers made it impossible to operate all vehicles even if they were available. The manufacturing industry noted that firms were unable to operate production facilities at full capacity due to labor shortages.

[2] The *Tankan* factor utilization index is a composite indicator calculated using the weighted average of the production capacity DI and the employment conditions DI in the *Tankan*. It indicates whether firms sense an excess or a shortage in their production and labor capacity.

I would also like to touch on medium- to long-term inflation expectations of firms and households, which are an important factor in assessing the underlying trend of inflation. Firms' inflation outlook for general prices in the *Tankan* has increased moderately and that for five years ahead has continued to be above 2 percent (Chart 7). The results of the Bank's *Opinion Survey on the General Public's Views and Behavior* show that households' inflation outlook for five years ahead has been significantly above 2 percent, although bias in expected price levels should be taken into account.[3] Considering these factors, I believe that inflation expectations of firms and households have risen steadily and have generally reached the 2 percent level.

**Chart 7: Inflation Expectations**



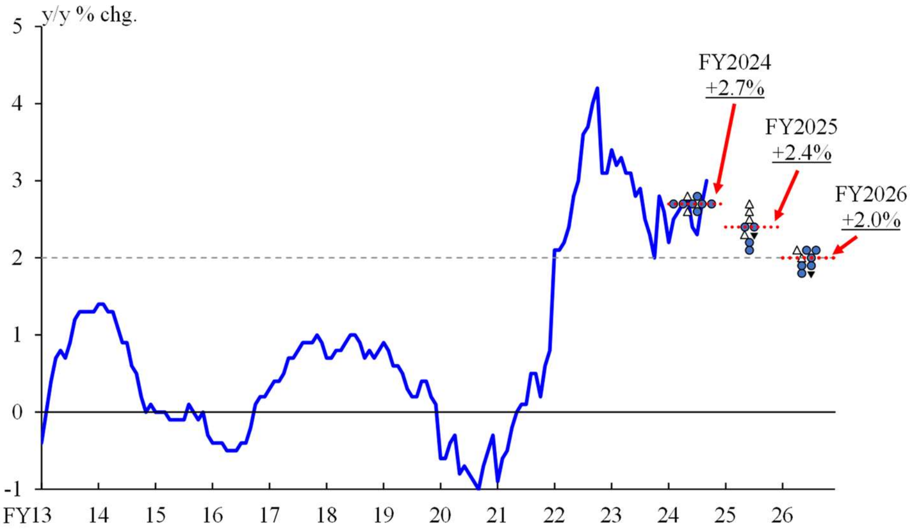

Notes: 1. Figures for firms in the left panel are averages of all industries and enterprises.
2. Regarding figures for households in the middle panel, figures for the quantitative question are medians of numerical values for expected inflation rates provided by respondents. Figures for the qualitative question are estimated using the modified Carlson-Parkin method, quantifying the results of the 5-choice question shown in the right panel, asking respondents their expectations for whether and to what degree prices will go up or down.

Source: Bank of Japan.

[3] This survey included a qualitative question asking respondents to indicate their outlook for prices by choosing options such as prices "will go up slightly" or "will go up significantly." When inflation expectations are estimated using the responses to this question to adjust for bias in household expectations, the estimates suggest that inflation expectations have risen moderately but are still at a level of around 1.5 percent. It should be noted, however, that even if people with high inflation expectations, like respondents saying that prices "will go up significantly," have increased their expectations further, they are only able to choose the same response. Given the bias arising from such constraints, the possibility cannot be ruled out that inflation expectations may be underestimated in these cases.

Returning to consumer prices, let us take a look at the outlook. In terms of the median of the Policy Board members' forecasts, the CPI (all items less fresh food) is projected to see a year-on-year rate of increase of 2.7 percent for fiscal 2024, 2.4 percent for fiscal 2025, and 2.0 percent for fiscal 2026 (Chart 8). As price developments have been on track to achieve the price stability target, the Bank assesses that the likelihood of realizing this target has continued to rise. Moreover, considering the recent progress in firms' pass-through of cost increases to prices, higher personnel expenses reflecting labor shortages, and firms' moves to pass on such expenses to prices, I believe that risks to prices are becoming more skewed to the upside.

**Chart 8: The Bank's Forecasts for the CPI**




Notes: 1. Figures are the CPI for all items less fresh food, excluding the effects of the consumption tax hikes.
2. The locations of ●, △, and ▼ in the chart indicate the figures for each Policy Board member's forecasts. The risk balance assessed by each Policy Board member is shown by the following shapes: ● indicates that a member assesses "upside and downside risks as being generally balanced," △ indicates that a member assesses "risks are skewed to the upside," and ▼ indicates that a member assesses "risks are skewed to the downside." The dotted red lines show the medians of the Policy Board members' forecasts presented in the January 2025 Outlook Report.

Sources: Ministry of Internal Affairs and Communications; Bank of Japan.

**II. Conduct of Monetary Policy**

Now, I would like to turn to the Bank's conduct of monetary policy. The Bank conducts monetary policy with the aim of achieving the price stability target of 2 percent in a sustainable and stable manner. Since the changes in the monetary policy framework made in March 2024, it has regarded guiding the short-term interest rate as a primary policy tool (Chart 9). While the Bank intends to adjust the degree of monetary accommodation in response to an increase in the likelihood of achieving the price stability target, it decided at the January 2025 Monetary Policy Meeting (MPM) to raise the target level of its short-term policy interest rate by 0.25 percentage points, to around 0.5 percent (Chart 10).

**Chart 9: Guideline for Market Operations**

| | Short-term interest rate | Other operating targets |
|---|---|---|
| Oct. 2010- | Around 0 to 0.1% (uncollateralized overnight call rate) | — |
| Apr. 2013- | — | Monetary base: annual pace of increase of about 60-70 trillion yen |
| Oct. 2014- | — | Monetary base: annual pace of increase of about 80 trillion yen |
| Sep. 2016- | Yield curve control | |
| | -0.1% (rate on the Policy-Rate Balances in current accounts held by financial institutions at the Bank) | 10-year JGB yields: around 0% |
| Mar. 2024- | Around 0 to 0.1% (uncollateralized overnight call rate) | — |
| Jul. 2024- | Around 0.25% (uncollateralized overnight call rate) | — |
| Jan. 2025- | Around 0.5% (uncollateralized overnight call rate) | — |

## Chart 10: Decision at the January 2025 MPM

Japan's economic activity and prices have been **developing generally in line with the Bank's outlook**, and **the likelihood of realizing the outlook has been rising**.

Medians of the Policy Board Members' Forecasts (y/y % chg.)

| | Fiscal 2024 | Fiscal 2025 | Fiscal 2026 |
|---|---|---|---|
| Real GDP | 0.5 (-0.1) | 1.1 (—) | 1.0 (—) |
| CPI (all items less fresh food) | 2.7 (+0.2) | 2.4 (+0.5) | 2.0 (+0.1) |
| CPI (all items less fresh food and energy) | 2.2 (+0.2) | 2.1 (+0.2) | 2.1 (—) |

Note: Figures in parentheses indicate changes from the October 2024 Outlook Report.

**Wages**

- Firms have expressed the view that they will **continue to raise wages steadily**, following the solid wage increases last year.

**Prices**

- With wages continuing to rise, **underlying CPI inflation has been increasing gradually toward 2 percent**.
- CPI inflation is likely to be at around 2.5 percent for fiscal 2025, due to the higher import prices stemming from the yen's depreciation etc.

**Overseas economies**

- Global financial and capital markets have been **stable on the whole**, while attention has been drawn to various uncertainties.

Adjusting the degree of monetary accommodation from the perspective of sustainable and stable achievement of the price stability target of 2 percent

**Short-term interest rate: raised to "around 0.5%"**
(uncollateralized overnight call rate) (previously "around 0.25%")

- Real interest rates are expected to remain significantly negative, and accommodative financial conditions will continue to **firmly support economic activity**.
- If the outlook presented in the January Outlook Report will be realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation.

The Bank expects that underlying CPI inflation will increase gradually and that, in the second half of the projection period presented in the January Outlook Report -- which covers the period through fiscal 2026 -- it will be at a level that is generally consistent with the price stability target. Moreover, although there are various uncertainties regarding the outlook, I believe that, by the second half of fiscal 2025 -- when wage hikes resulting from annual wage negotiations, including among small and medium-sized firms, will likely be confirmed -- Japan's economy will reach a point where it can be judged that the price stability target has been achieved, considering several positive factors: changes in firms' wage- and price-setting behavior; the lack of supply capacity, reflecting labor shortages; and firms' and households' inflation expectations, which have generally reached 2 percent. If the economy does reach this point, it will be necessary for the Bank to raise the short-term policy interest rate to a level that is neutral to economic activity and prices -- i.e., the nominal neutral interest rate -- within a similar timeframe. The reason is that, with upside risks to prices growing as I mentioned earlier, if the short-term interest rate stays below the level of the neutral interest rate, this will further push up inflation. My sense is that the neutral interest rate would be at least around 1 percent. Therefore, I think it is necessary for the Bank to raise the short-term interest rate to at least that level by the second half of fiscal 2025 to contain the upside risks to prices and achieve the price stability target in a sustainable and stable manner.

However, how economic agents in Japan, which has long experienced a state without meaningful interest rates, react to higher interest rates is an issue that warrants careful attention without any preconceptions. Thus, bearing in mind that the short-term interest rate should be at the 1 percent level by the second half of fiscal 2025, I think the Bank needs to raise this rate in a timely and gradual manner, in response to the increase in the likelihood of achieving the price stability target. While doing so, it also needs to determine the appropriate level of the short-term interest rate by carefully assessing how the economy and prices respond to the rate hikes. Based on these considerations, I will assess the appropriate timing of the next policy rate hike, to 0.75 percent. I believe that, even if the policy rate were raised to 0.75 percent, real interest rates would remain significantly negative and there would still be a long way to go before reaching a level that would put downward pressure on economic activity. Put differently, now is the time for the Bank to ease off slightly from pressing hard on the accelerator of monetary easing, so that it can slow down when necessary while avoiding harsh braking.

## III. Review of Monetary Policy from a Broad Perspective

At the December 2024 MPM, the Bank completed the review of monetary policy from a broad perspective (the Review), which it had been conducting since April 2023, and then released a report. In the Review, the Bank examined the positive effects and side effects of unconventional monetary policy and laid out the implications for the future conduct of monetary policy, considering the developments in Japan's economic activity and prices as well as financial conditions over the past 25 years. Today, I would like to share what I consider to be the key points of the Review and my thoughts about some of these points.

**A. Positive Effects and Side Effects of Large-Scale Monetary Easing since 2013**

I will start with the positive effects and side effects of the various unconventional monetary policy measures the Bank implemented from 2013 (Chart 11). The Review draws two conclusions: (1) while not as much as originally expected, large-scale monetary easing pushed up economic activity and prices; and (2) although there have been certain side effects, the overall effect of such easing on Japan's economy so far has been positive. I would like to make a few comments on these points, drawing on my past experience as a banker in the private sector.

**Chart 11: Positive Effects and Side Effects of Large-Scale Monetary Easing since 2013**

**Impact on Economic Activity and Prices**

- **Large-scale monetary easing pushed up economic activity and prices**.
- However, mainly due to the difficulties of influencing expectations, **the effect was not as large as expected at the time when it was introduced**.

**Side Effects of Large-Scale Monetary Easing etc.**

| | |
|---|---|
| Functioning of financial markets | Negative impact on the functioning of the JGB market |
| Functioning of financial intermediation | Downward pressure on financial institutions' interest margins on loans and other assets but no evidence of financial intermediation activities being impeded |
| **Supply side of the economy** | **No clear conclusion reached, either positive or negative** |

**Assessment of the Effects and Side Effects of Large-Scale Monetary Easing**

- **Although there have been certain side effects** on financial markets and financial institutions' profits, **the overall effect on the Japanese economy so far appears to have been positive**.
- However, **attention should be paid to the possibility that the negative effects may become larger in the future**, such as the possibility that the functioning of the JGB market does not fully recover or possible side effects of large-scale monetary easing materialize at a later date.

The first is about the side effects of large-scale monetary easing on the supply side of the economy. Based on analyses of currently available data, no clear conclusions, either positive or negative, were reached in the Review regarding the impact on the supply side. However, I think it highly likely that such easing exerted significant side effects. Specifically, due in part to prolonged large-scale monetary easing, corporate dynamism stagnated, resulting in sluggish productivity. Thus, in my view, it is a stretch to say that the overall effect of large-scale monetary easing has been positive.

The second point concerns the Review's call for attention to the possibility that the overall negative effects of large-scale monetary easing may become larger in the future, as further side effects may materialize at a later date. It is of course necessary to continue to carefully examine the side effects on the functioning of financial markets, financial intermediation, and the supply side of the economy. Another topic of relevance is whether prolonged monetary easing will give rise to problems, including how the yen's excessive depreciation and the surge in housing prices in metropolitan areas will affect economic activity and people's livelihoods. Close monitoring is warranted here.

### B. Implications for the Future Conduct of Monetary Policy

The Review notes the following (Chart 12). Unconventional monetary policy measures were effective in pushing up Japan's economic activity and prices. However, the quantitative degree of their effects is uncertain compared with guiding the short-term interest rate. Moreover, when unconventional measures are implemented at a large scale for a long period of time, they can bring about side effects. Going forward, if it becomes necessary to implement such measures, it will be important to weigh the benefits and costs, while taking account of the developments in economic activity and prices as well as financial conditions at the time.

**Chart 12: Implications for the Future Conduct of Monetary Policy (1)**

**The Bank's Thinking on Unconventional Monetary Policy**

- **Unconventional monetary policy measures were effective in pushing up Japan's economic activity and prices**. However, **the quantitative degree of their effects is uncertain compared with conventional monetary policy measures (guiding short-term interest rates)**. **When** unconventional monetary policy measures are **implemented at a large scale for a long period of time, they can bring about side effects**.
- Going forward, **if it becomes necessary to implement unconventional monetary policy measures**, it will be important to **weigh the benefits and costs, while taking account of the developments in economic activity and prices as well as financial conditions at that point in time**.
- The Bank should not exclude at this point any specific measures when considering the future conduct of monetary policy. Looking ahead, in considering the implementation of each measure, it will be necessary for the Bank to design policy measures that can exert positive effects while minimizing side effects as much as possible, taking account of the findings of the Review.

In this regard, it should be noted that the Review did not sufficiently analyze the effects of individual policies, owing to the limitations of quantitative analysis. In my opinion, large-scale monetary easing had a positive effect on economic activity and prices for two years or so from 2013, by way of the repricing of assets, including in terms of foreign exchange rates, stock prices, and real estate. However, I feel that the marginal effects of subsequent additional measures, such as further increases in Japanese government bond (JGB) purchases and the introduction of the negative interest rate policy, were considerably limited. If the Bank faces the need to consider unconventional monetary policy measures in the future, I believe it should deliberate carefully, taking these factors into account.

### C. Price Stability Target of 2 Percent

Regarding the price stability target of 2 percent, the Review concludes that it is appropriate for the Bank to continue to conduct monetary policy from the perspective of sustainable and stable achievement of the target (Chart 13). It cites as reasons for this the need for some leeway to lower real interest rates in the case of an economic downturn, the upward bias in the CPI, and the fact that many central banks in major advanced economies have also set their inflation targets at 2 percent.

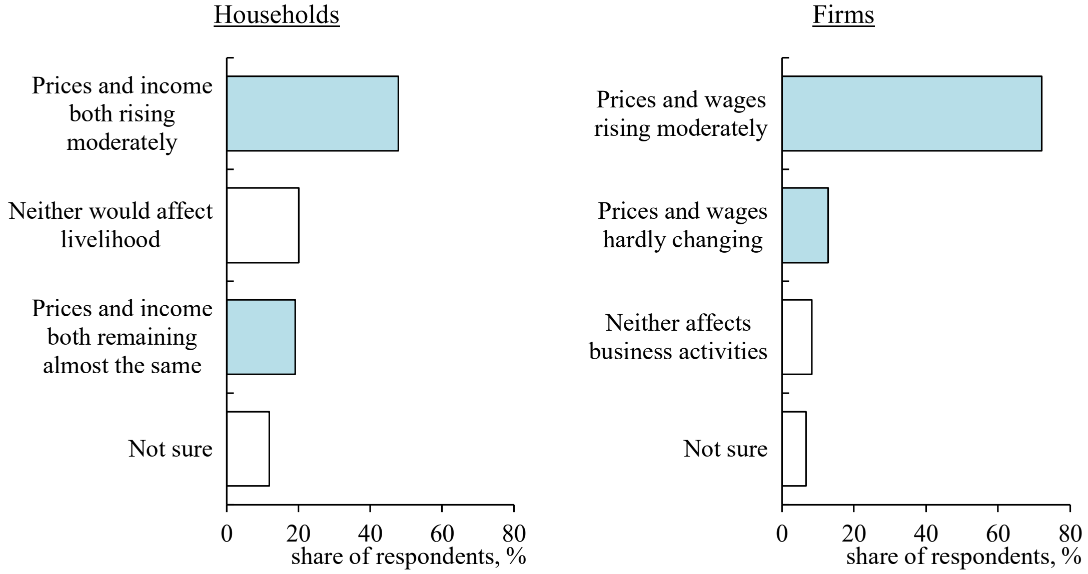
**Chart 13: Implications for the Future Conduct of Monetary Policy (2)**

**Price Stability Target of 2 Percent**

- It is appropriate for the Bank to continue to **conduct monetary policy from the perspective of sustainable and stable achievement of the price stability target of 2 percent**.
  - ✓ Unconventional monetary policy measures cannot fully substitute for short-term interest rate control, and it is desirable to conduct monetary policy so that the zero lower bound would not be reached. It is important to maintain a moderate positive inflation rate in a stable manner so that **real interest rates can be lowered in the case of an economic downturn**.
  - ✓ **Bias in the CPI** serves as supporting evidence.
  - ✓ **Many central banks in major advanced economies have set their inflation targets at 2 percent**.
  - ✓ When Japan was under the prolonged deflation, or in a low-inflation environment, **prices of individual items became more rigid and the regular pay tended to be unchanged, and this may have distorted resource allocation or have constrained proactive investment by firms**.
- In conducting monetary policy, it is important **not to focus on the inflation rate at each point in time, but rather to capture the underlying trend of inflation by analyzing a variety of factors affecting the price changes**.

In addition, the results of surveys for firms and households indicate that many preferred a situation in which both prices and wages (income) rise moderately to a situation in which they both remain almost unchanged (Chart 14). When Japan was under prolonged deflation, or in a low-inflation environment, prices of many items became more rigid and the regular pay tended to be unchanged. I believe that such a situation may have distorted resource allocation or constrained proactive investment by firms. Based on these experiences, it is necessary to achieve a moderate rise in prices accompanied by wage increases.

**Chart 14: Preferences regarding Prices, Income, and Wages**




Note: Figures for households are based on the *Opinion Survey on the General Public's Views and Behavior* (September 2024 Survey). Those for firms are based on the *Survey regarding Corporate Behavior since the Mid-1990s*.
Source: Bank of Japan.

On this basis, I think the Review underscores a vital point when it notes that, in conducting monetary policy, it is important not to focus on the inflation rate at each point in time, but rather to capture the underlying trend of inflation by analyzing a variety of factors affecting the price changes. Rather than being particular about the numerical value of 2.0 percent, I believe that, as long as prices are increasing moderately, the Bank should examine whether the mechanism behind the increase is consistent with the price stability target.

**D. Fiscal and Monetary Policy**

As the Bank has continuously and consistently explained about the relationship between fiscal and monetary policy, the aim of monetary policy is to achieve price stability and should not be to support monetary financing of government debt. Nevertheless, in the exchange of views conducted as part of the Review, it was pointed out that the Bank's large-scale JGB purchases resulted in a loosening of fiscal discipline, even though monetary finance was not the purpose of the purchases. The government and the Diet are responsible for conducting fiscal management appropriately. This is reflected in the joint statement released by the government and the Bank in 2013, which stated that the government would steadily promote measures aimed at establishing a sustainable fiscal structure. I believe it important to steadily ensure market credibility of achieving medium- to long-term fiscal soundness. That said, one side effect of the Bank's large-scale monetary easing was deterioration in the functioning of the JGB market, as it has become difficult to gauge how the market sees factors such as the future state of economic activity and prices as well as the government's fiscal condition by looking at the level of long-term yields on JGBs and how the level changes. I think this point warrants attention.

Up to now, I have highlighted and discussed monetary policy, which was the focus of the Review. A final point I would like to emphasize is that, while monetary policy has a significant impact on economic activity and prices, not everything can be accomplished through monetary policy. The chief actors in an economy are economic agents such as firms and households. I would thus like to reiterate that, even if monetary policy has supported the recent increases in prices and wages, I do not believe that these increases could have been achieved by monetary policy alone.

Thank you.