

## Director General for Policy Planning (Economic and Fiscal Management)

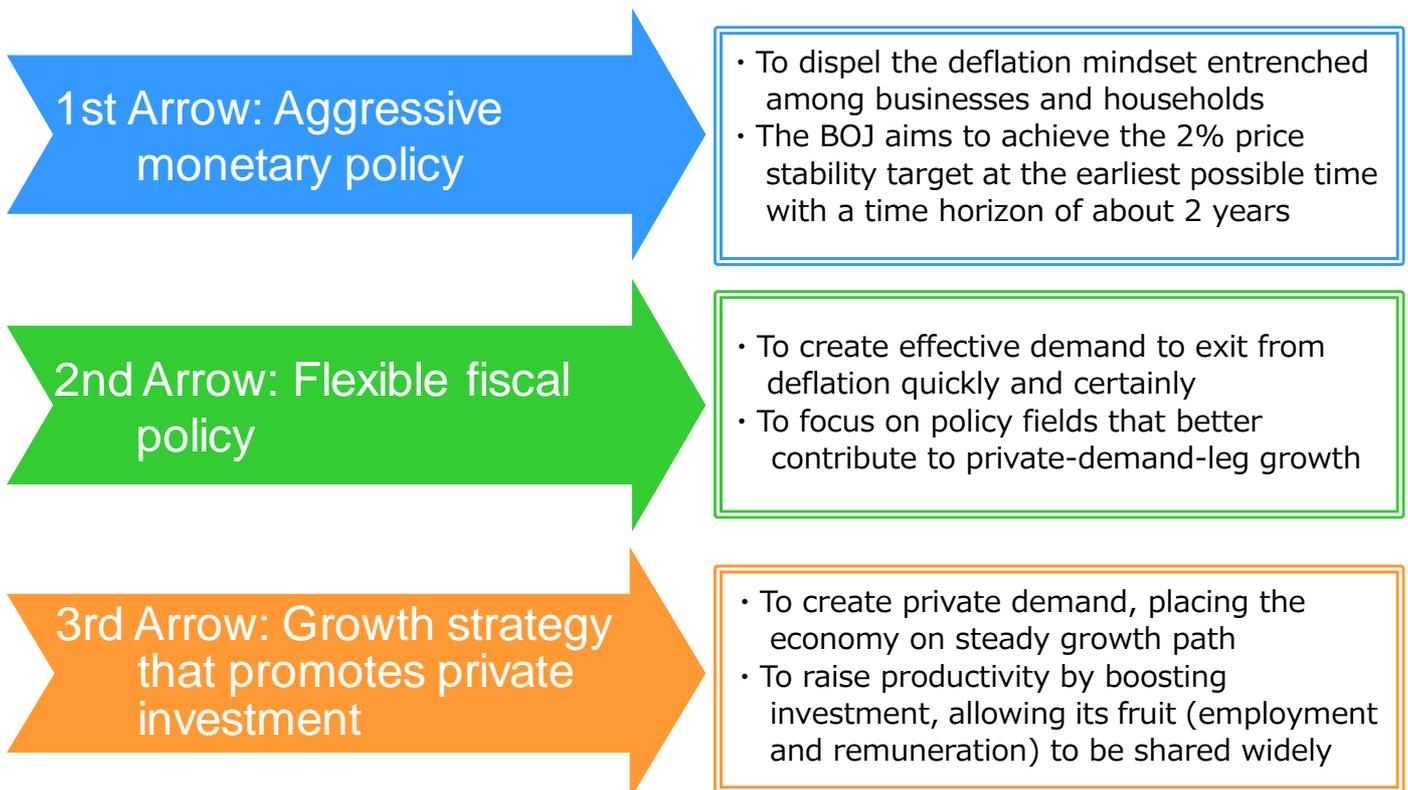
- To formulate “Economic Measures” and “Economic Outlook and Basic Stance for Economic and Fiscal Policy” in terms of implementing flexible economic and fiscal management according to the economic situation.
- To promote economic policy according to policy issues including overcoming deflation.

## Policies Toward Overcoming Deflation

The Abe Administration has implemented the integrated “three-arrows strategy” of aggressive monetary policy, flexible fiscal policy and growth strategy that promotes private investment, to revitalize the economy associated with improvement of employment and income, and to spread the benefits of economic growth widely.

## The Three-Arrows Strategy of Abenomics

To overcome deflation and revitalize the economy, the Abe Administration has implemented the integrated “three-arrow strategy” as an unprecedented policy package.



### Aggressive Monetary Policy

- In January 2013, under the Joint Statement of the Government and the Bank of Japan (BOJ), the BOJ made a clear commitment for the first time to set the price stability target of 2% and to achieve it at the earliest possible time. To this goal, the BOJ introduced a new phase of monetary easing called “Quantitative and Qualitative Monetary Easing” in April 2013.
- The Council on Economic and Fiscal Policy regularly reviews monetary policy and the current condition and future prospects for prices in the context of the price stability target.

# Economic Measures

## Economic Measures for Realization of Virtuous Cycles (December 5<sup>th</sup>, 2013, Cabinet decision)

### Basic Concept • Financial Size

#### (Principles)

- Focus is placed on measures that will take effect during the first half of FY2014 in order to moderate rush demand and recoil reduction associated with the planned hike in the consumption tax rate.
- These measures are aimed not only at mitigating the recoil reduction in demand but also at ensuring a rapid return to a solid economic growth path by focusing on the measures that are highly effective in inducing private-sector demand such as consumption and capital investment and promoting innovations, thereby leading to the investment for the future, with a view to enhancing economic growth potential and achieving sustainable economic growth.

(Trillion yen)	Central Government Expenditure	Total Size
I. Measures to strengthen competitiveness	1.4	13.1
II. Policies for women, young people, the elderly and the disabled	0.3	0.4
III. Acceleration of measures for reconstruction, disaster prevention and safety	3.1	4.5
IV. Measures for reducing impacts on low-income earners and child-rearing households and moderating the rush demand and recoil reduction	0.6	0.6
Total amount	5.5	18.6

Note: Besides the indicated items, increase of tax allocations to local governments (1.2 trillion yen), obligatory assurance of national subsidization for a multiyear construction project (0.3 trillion yen) and fiscal investment and loan programmes (0.1 trillion yen) are included in total amount.

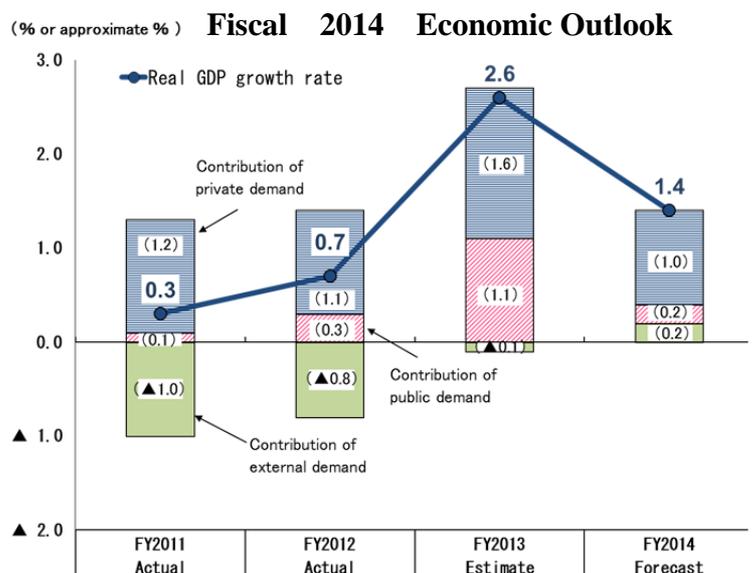
### Economic Impacts (preliminary estimate)

- Expected impact on real GDP is approximately 1%.
- Impact on job creation is approximately 250 thousand.
- The economic measures for enhancing potential growth, in conjunction with the efforts for realization of virtuous cycles of the economy and one trillion yen-scale taxation measures in the “Economic policy package”, will stimulate business investment and consumption and enhance productivity, leading to economic growth accompanied by higher income and more jobs.

## Economic Outlook and Basic Stance for Economic and Fiscal Management

Basic Stance for Economic and Fiscal Management in next fiscal year and economic outlook based on the basic stance as the government's official view is determined by the cabinet decision. In general, “Economic Outlook and Basic Stance for Economic and Fiscal Management” is approved by the Cabinet in the process of budget formulation, and is decided by the Cabinet along with submission of budget draft to the Diet. In the Mid-year, the Cabinet Office releases economic projection based on the latest economic trends.

	FY2012 (Actual) %	FY 2013 (Estimate) % (Approx.)	FY2014 (Forecast) % (Approx.)
<b>Real GDP growth</b>	<b>0.7</b>	<b>2.6</b>	<b>1.4</b>
Private consumption	1.5	2.5	0.4
Private residential investment	5.3	7.3	▲3.2
Private non-residential investment	0.7	0.4	4.4
Contribution of private demand	1.1	1.6	1.0
Contribution of public demand	0.3	1.1	0.2
Contribution of external demand	▲0.8	▲0.1	0.2
Nominal GDP growth	▲0.2	2.5	3.3
GDP deflator	▲0.9	▲0.1	1.9
Consumer price index (general)	▲0.3	0.7	3.2
Unemployment rate	4.3	3.9	3.7



## Basic Principles of Budget Formulation

As is concerned with the budget formulation by the government, "Basic Principles of Budget Formulation" undergo studies and deliberations by the Council on Economic and Fiscal Policy (CEFP), and then it is decided by the Cabinet in late November-early December.

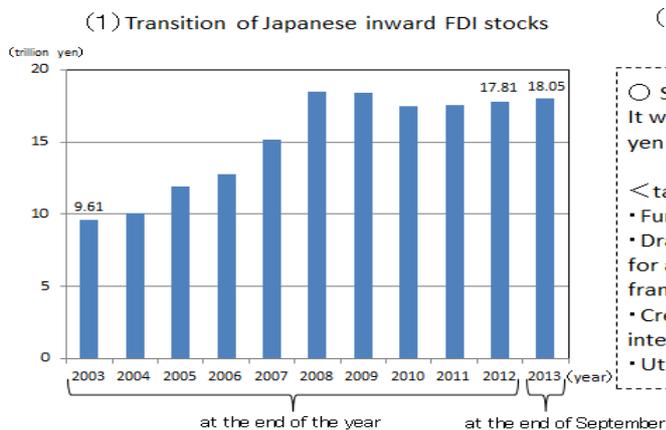
## Government-Labor-Management Meeting for Realizing Virtuous Cycles of the Economy

From September to December 2013, the "Government-Labor-Management Meeting for Realizing Virtuous Cycles of the Economy" was held, to share a common understanding on issues to be dealt with by the business community, the labor community, and the government.



## Foreign Direct Investment Promotion

Foreign direct investment into Japan helps improve productivity and create employment through the inflow of expertise in business management, technologies and human resources. The government promotes it by making suitable conditions for investment and living environment and by showing a willingness to welcome the investment.



Source : International Investment Position, Ministry of Finance Japan

(2) Target in the formulation of "Japan Revitalization Strategy-Japan is Back-"(June 14<sup>th</sup> 2013)

○ Strategy of Global Outreach  
It will also aim to double inward FDI stocks to 35 trillion yen in 2020 (17.8 trillion yen at the end of 2012)

< tangible measure >

- Fundamental reform of Special Zone system
- Drastically strengthening the government's capability for attracting foreign companies and its support framework
- Creating and reinforcing the framework to attract more international conferences, etc. (MICE)
- Utilizing highly skilled overseas personnel

## Participation in International Meetings

### Multilateral Meetings

#### Organization for Economic Co-operation and Development (OECD)

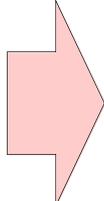
The mission is to promote economic growth, economic development, and trade. At present, the OECD consists of 34 developed countries.

#### Asia-Pacific Economic Cooperation (APEC)

The mission is to promote trade and investment liberalization and economic and technical cooperation. At present, the APEC consists of 21 Asia-Pacific economies.

### Bilateral Consultations

USA, China, Korea, EU, Germany etc.



**Boosting mutual understanding of economic situations and macroeconomic policies**

For details → <http://www5.cao.go.jp/keizai/index-e.html>