

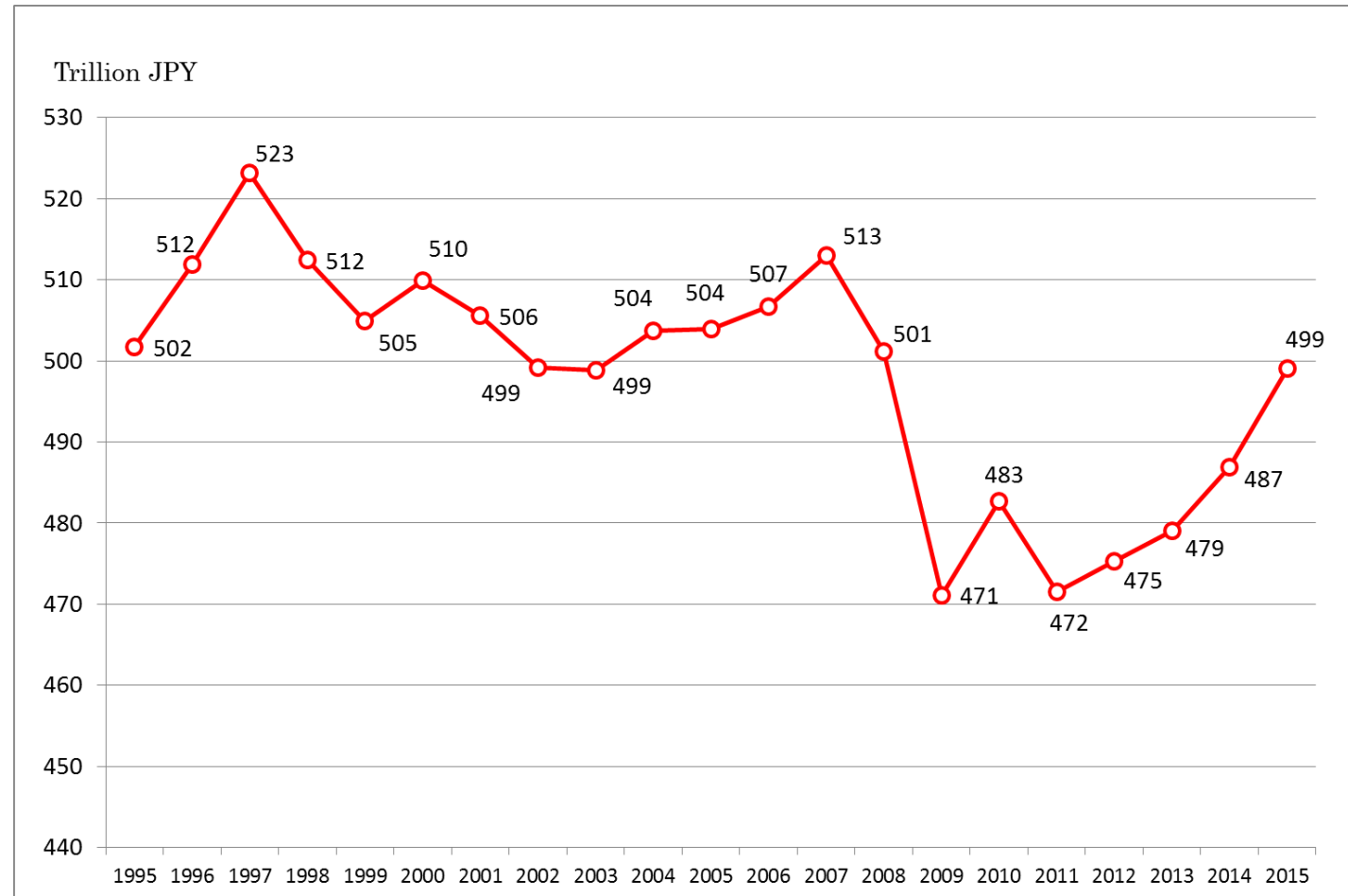
On the Present State of the Japanese Economy

Motoshige ITOH

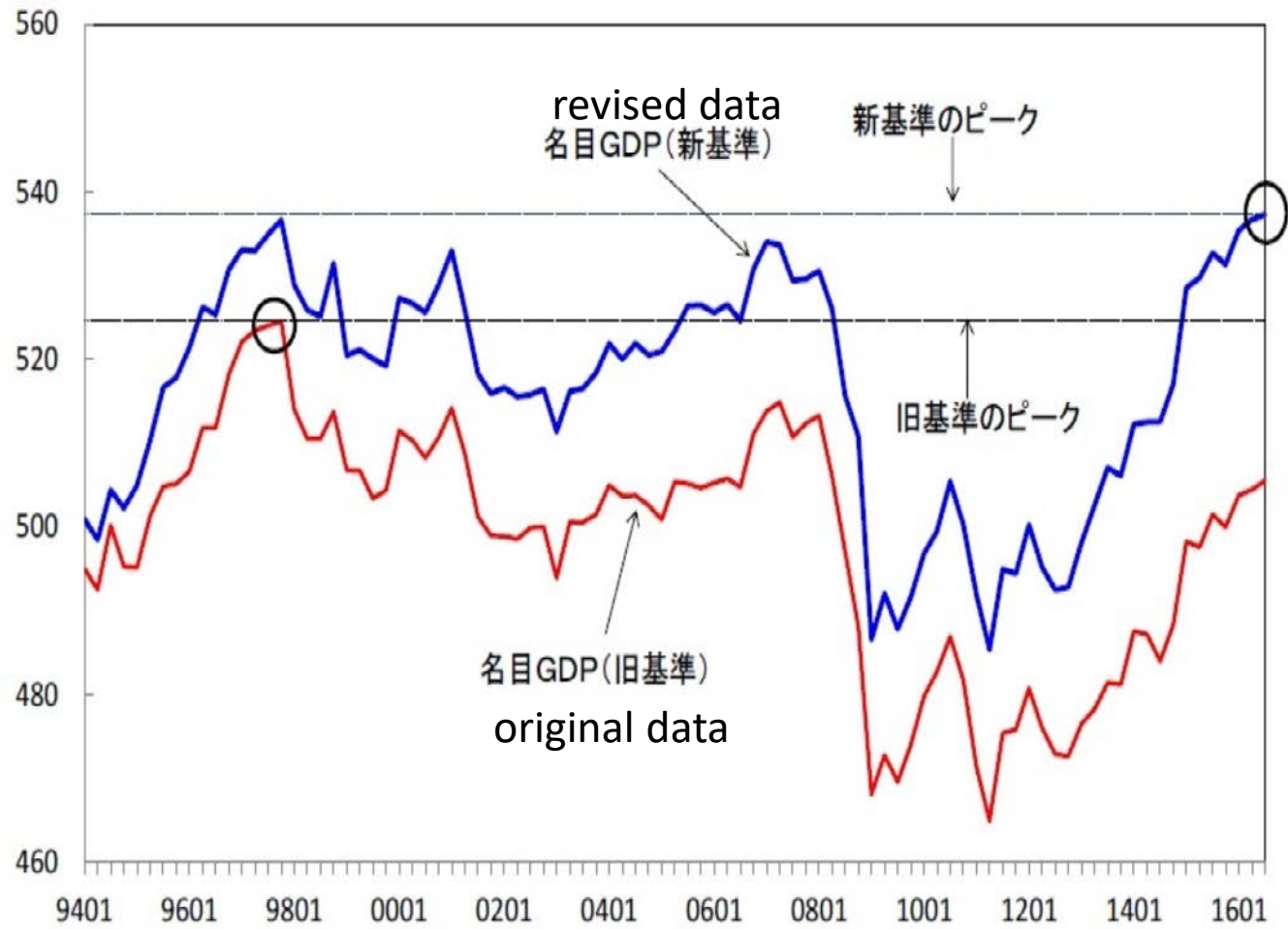
Council on Economic and Fiscal Policy, Japan

Gakusyuin University

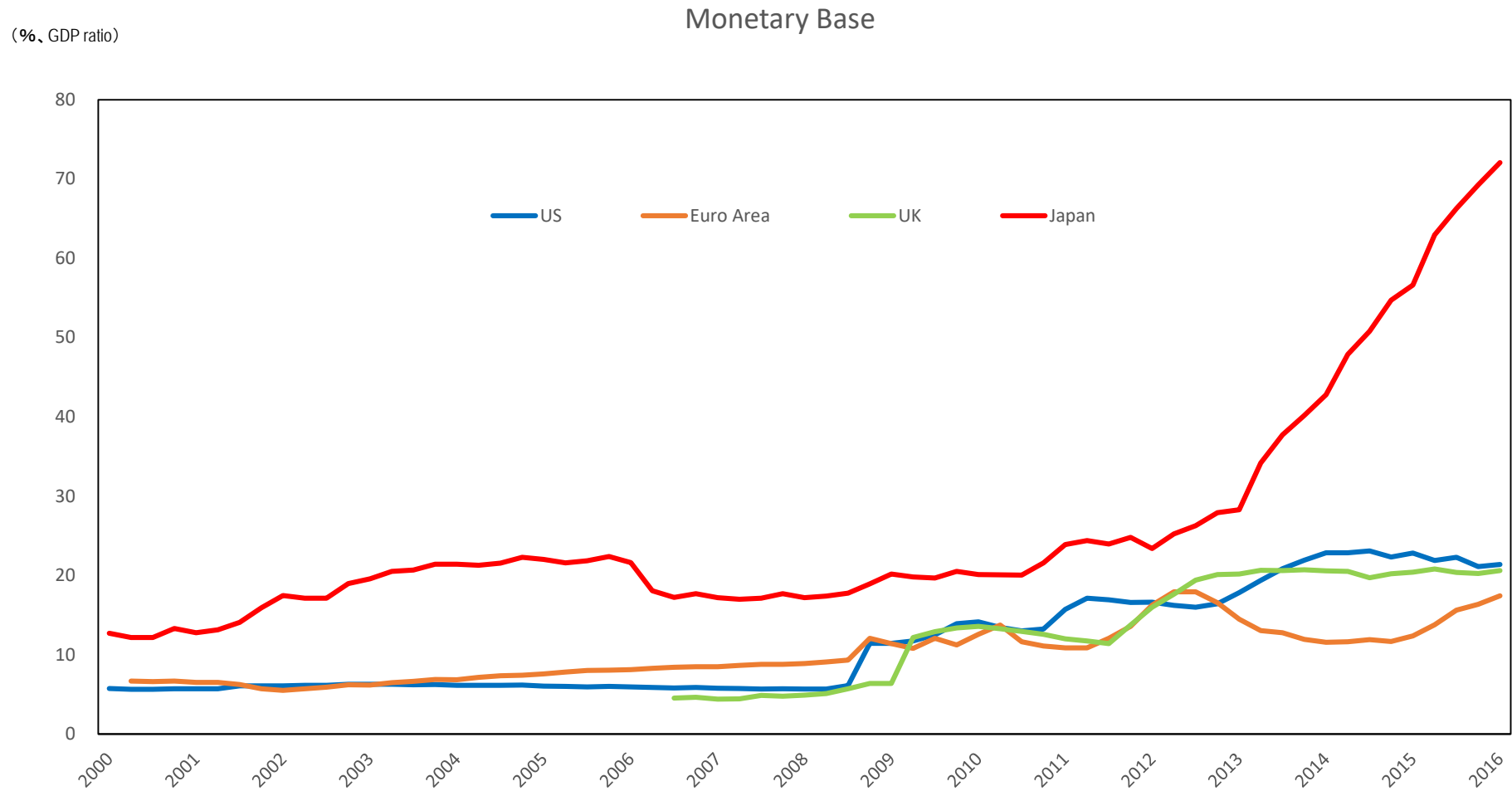
Japan's nominal GDP: recovery process under Abenomics



Nominal GDP of Japan; revised data

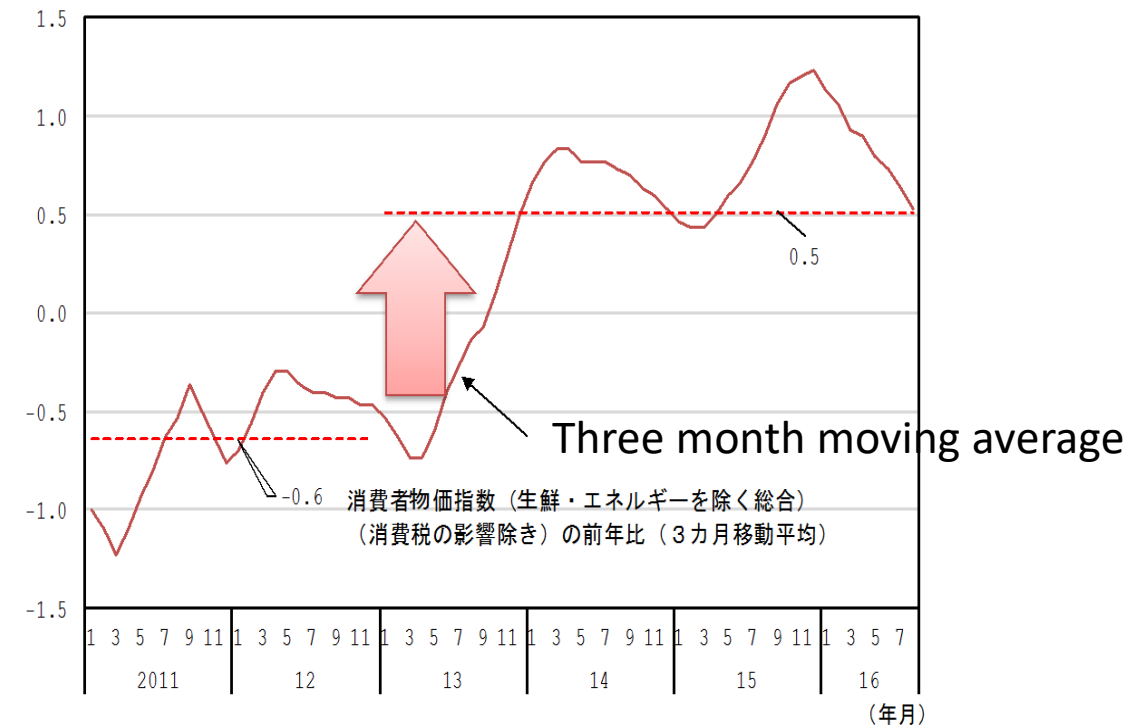


Expanding money balance



Shifting trend of inflation rate

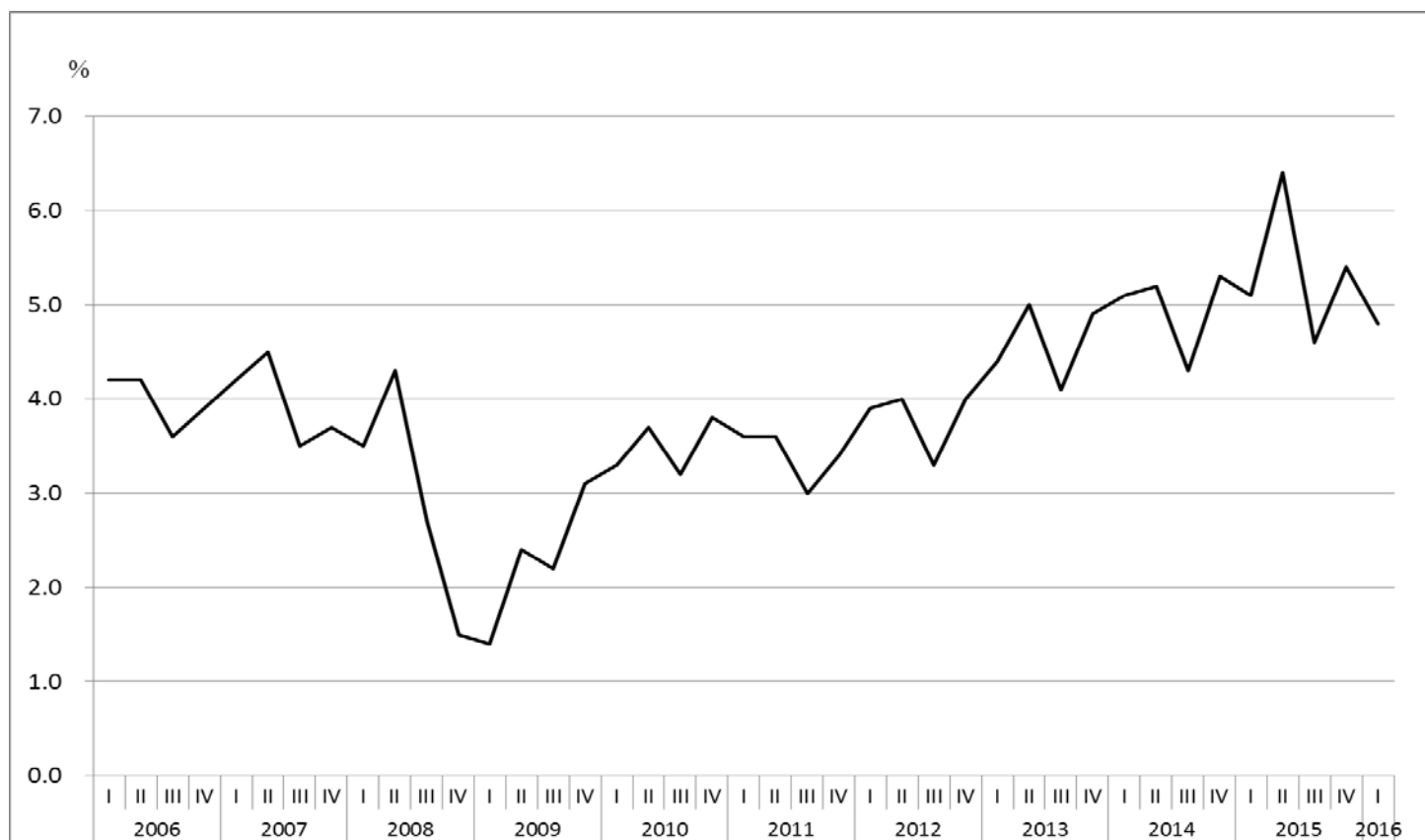
図1 消費者物価指数 CPI inflation rate excluding energy prices and fresh foods
Inflation rate (消費者物価指数、%)



Necessary Policy Coordination

- ◆ Three arrows of monetary stimulus, flexible fiscal policy, and structural reforms are required.
- ◆ Fiscal Stimulus which complements monetary policy plays an essential role under the current situation.
- ◆ Quality investment and expenditure to boost potential demand are keys.

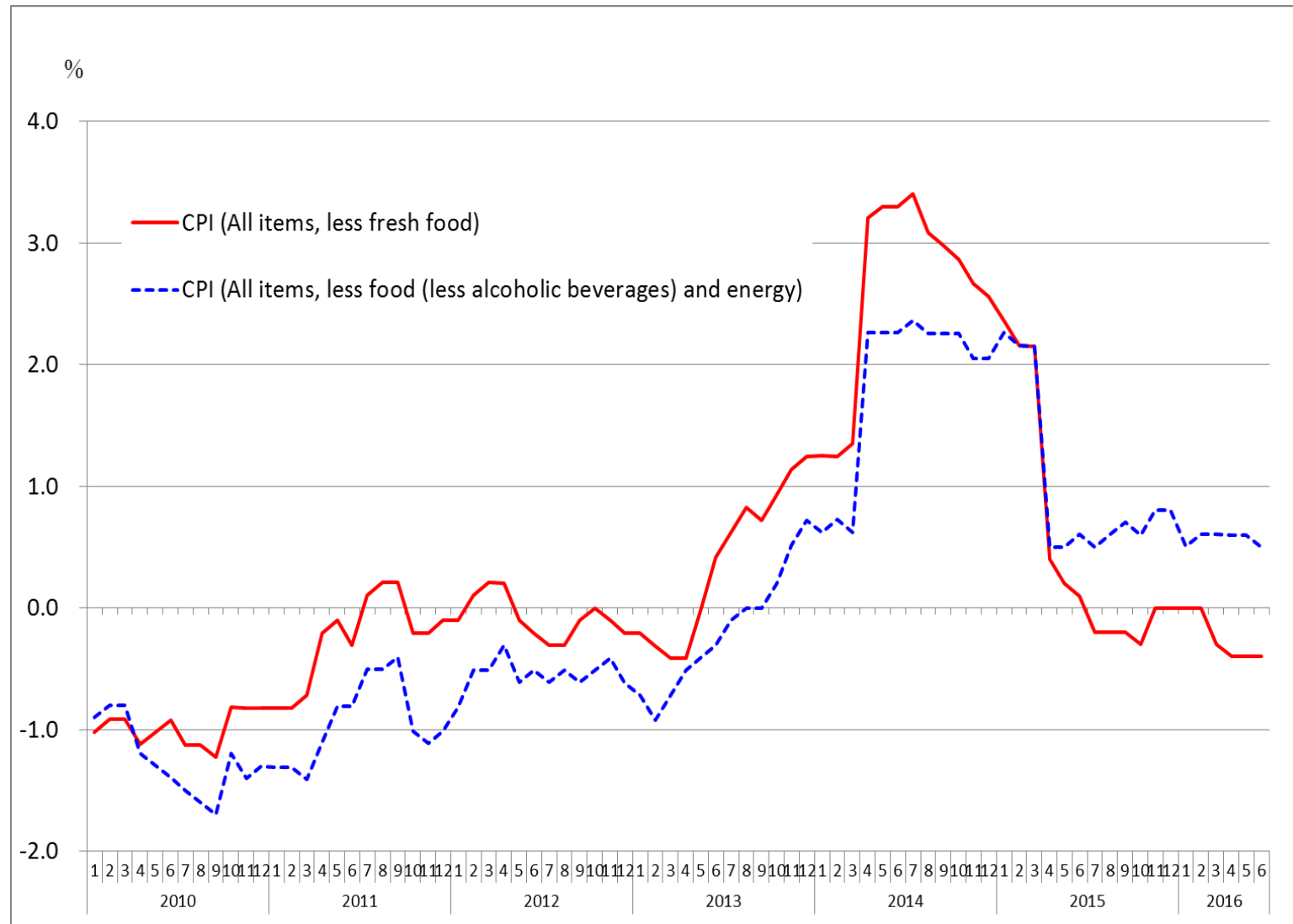
Ratio of Current profit to sales



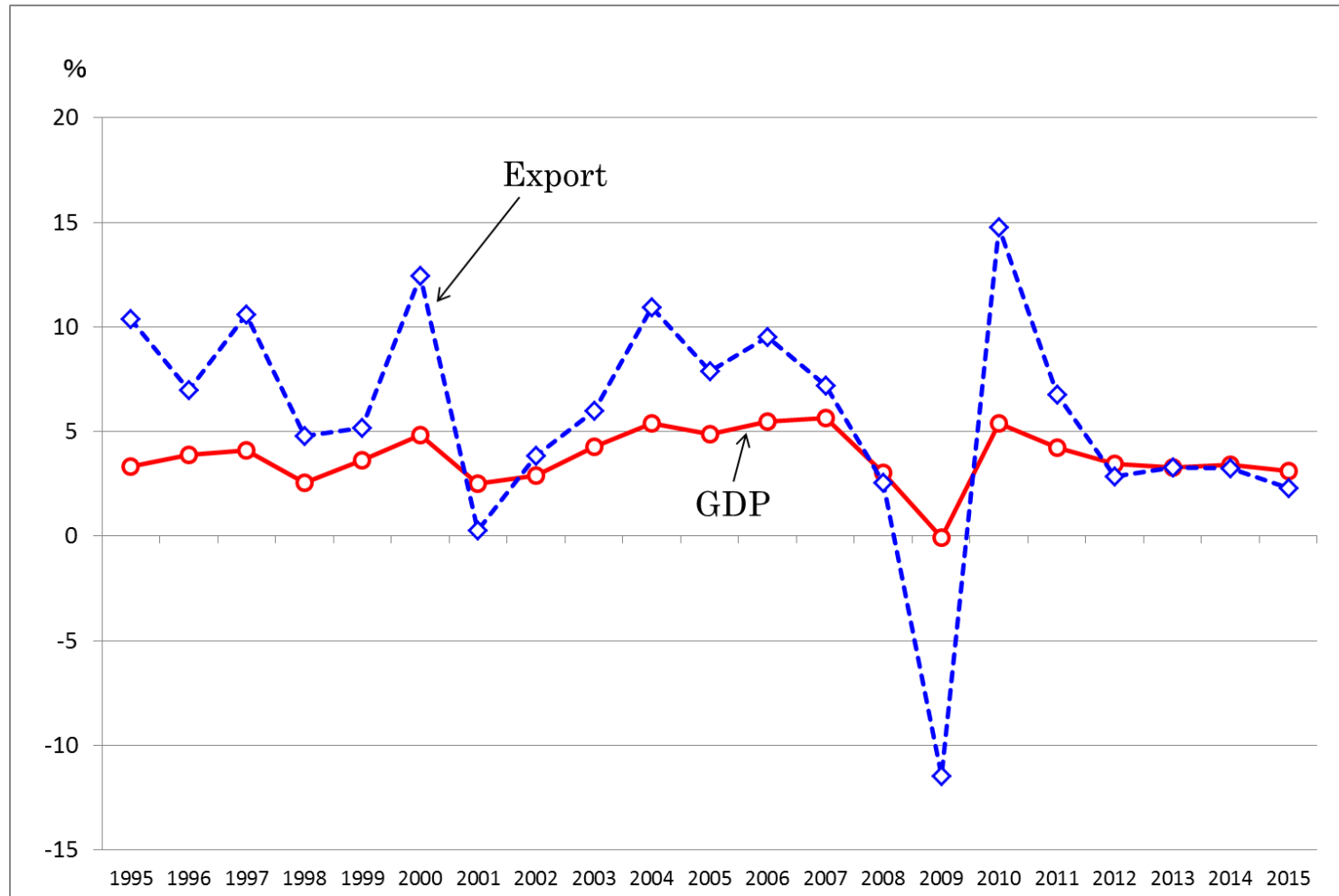
Trends of unemployment rate and job-offer job-seeker ratio



Return of deflation?

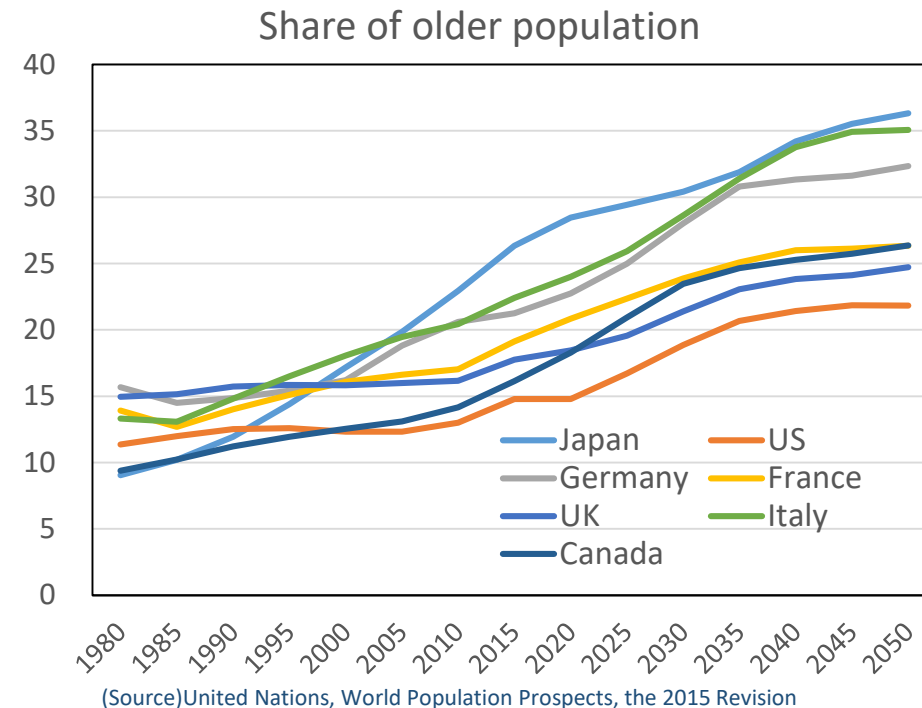
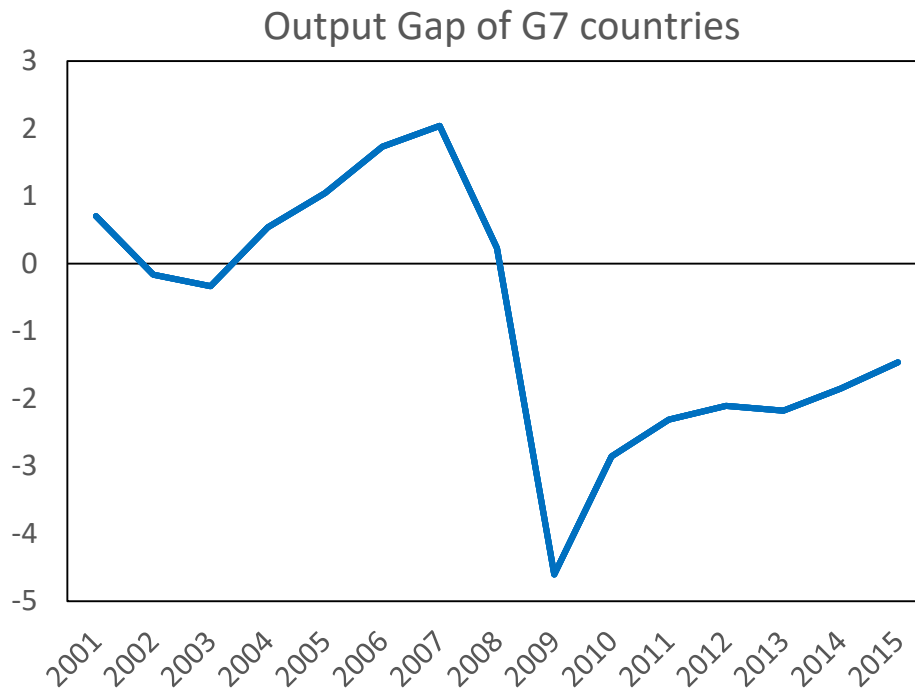


Growth rate of world GDP and world export; world economic trend is against Abenomics

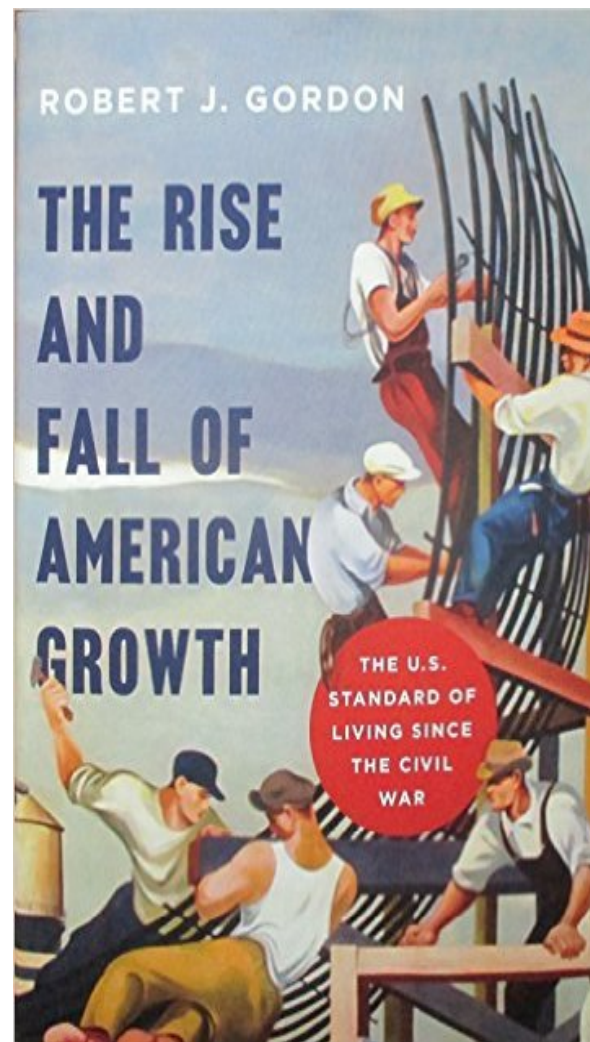


Secular Stagnation?

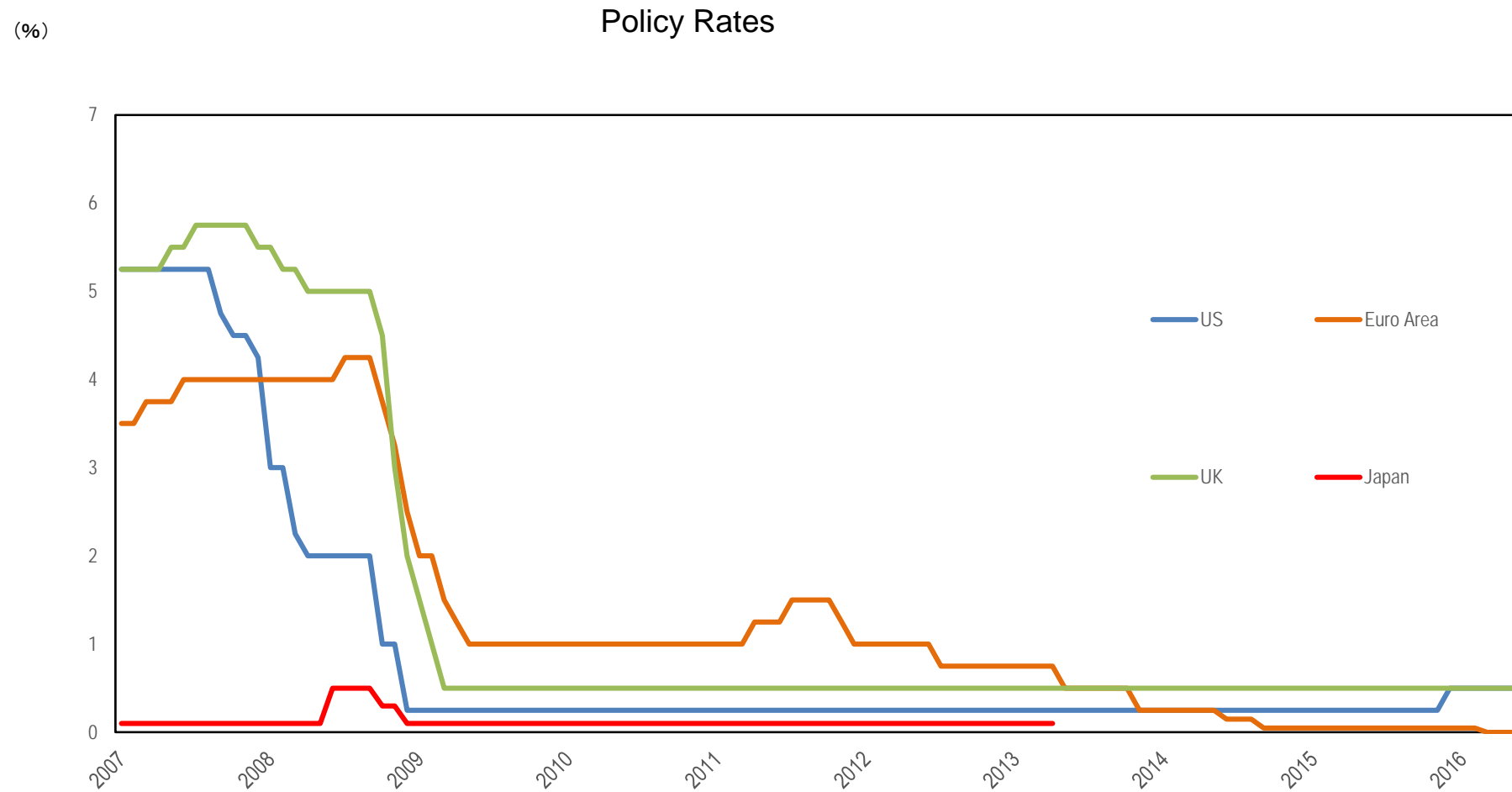
- ◆ Lack of Demand
- ◆ Legacy of the Global Financial Crisis
- ◆ Demographic changes such as ageing
- ◆ Slowdown in innovation and technological diffusion



Sluggshi innovation: TFP has been very low since 1980s



Low interest of major countries



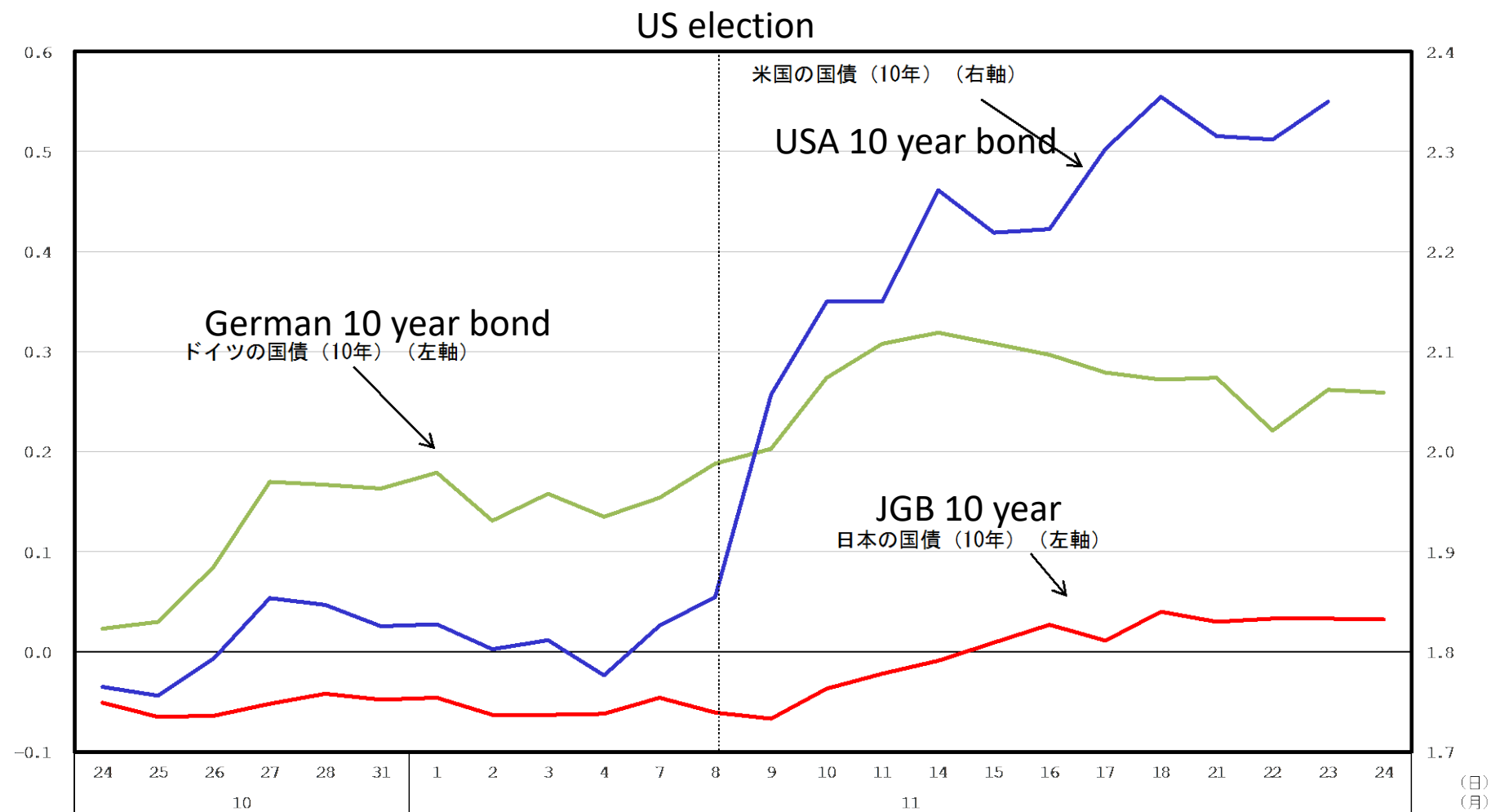
growth rate seasonally adjusted

Whole world

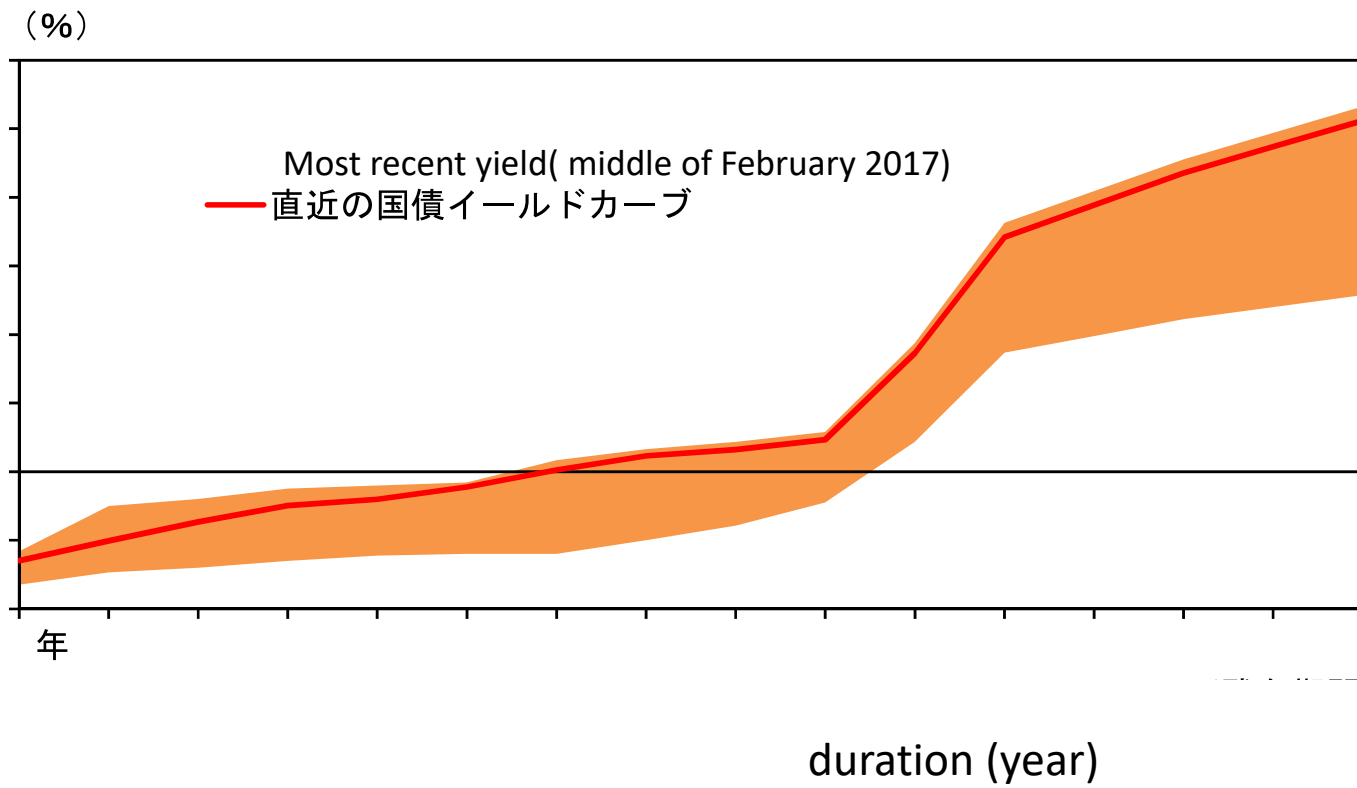
Industrial nations

emerging nations

Trump effects; long-term interest rate



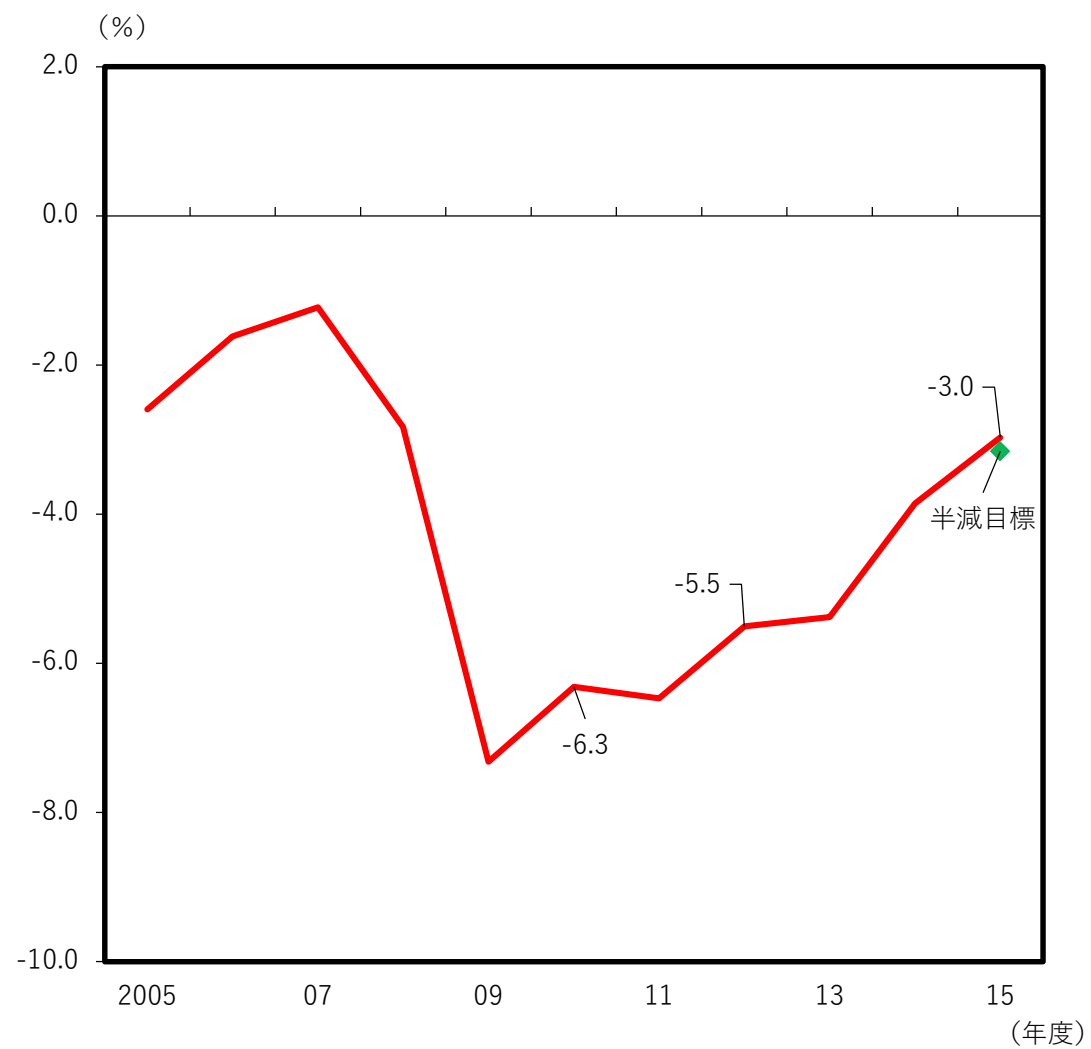
JGB yield curve



Three aspects of fiscal consolidation

- ◆ decreasing budget deficit
 - achieving primary balance surplus by 2020
- ◆ preparing for aging population
 - social security reforms
- ◆ lowering the level of public debt
 - budget surplus and nominal GDP growth
 - mild inflation?

Primary fiscal balance



Abenomics in Progress: Growth Strategy

- ◆ Corporate Governance Reform
- ◆ Pro-growth corporate tax reform
- ◆ EPA(FTA) and agricultural reform
- ◆ Expansion of private participation in public services (PPP, PFI)
- ◆ Increased labor participation of women and elderly people

Acceleration of Growth Strategy

1. Realizing Productivity Revolution

- The 4th Industrial Revolution
- Regulatory reform

2. Increasing investment in new growth areas

- Environment (Investment in energy saving, renewable and alternative sources)
- Healthcare, medical and other senior market
- Education, human resource development

3. Mitigating the impacts of labor force decline

- Further active participation of women and the elderly
- Utilization of foreign human resources
- Labor market reform