

# Abenomics and the Japanese Economy

US-Japan Forum

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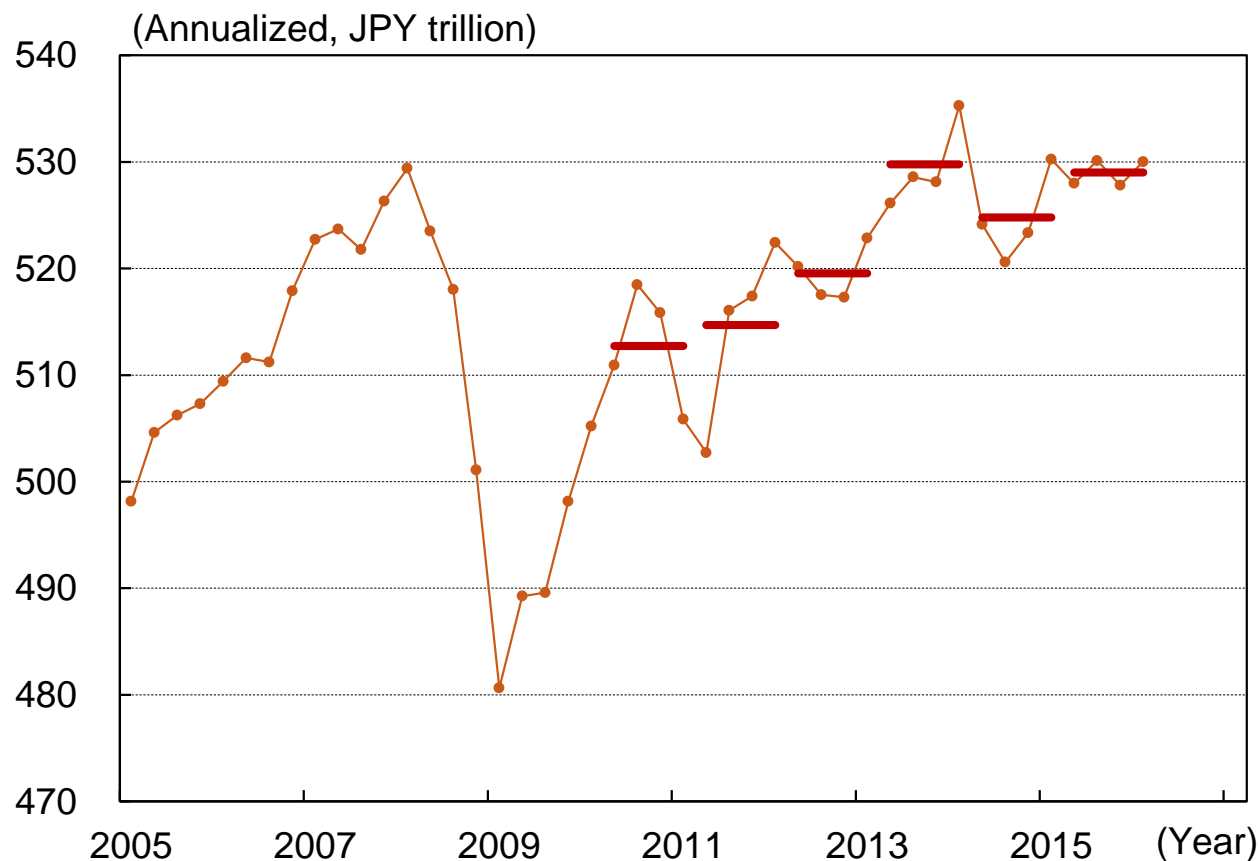
# Japan's Real GDP after the Launch of Abenomics

## Real GDP Growth Rate

|               | (QoQ annualized, %) | (YoY, %)              |
|---------------|---------------------|-----------------------|
| Jan-Mar, 2013 | 4.4                 |                       |
| Apr-Jun       | 2.5                 | <b>FY2013</b><br>2.0  |
| Jul-Sep       | 1.9                 |                       |
| Oct-Dec       | -0.4                |                       |
| Jan-Mar, 2014 | 5.5                 |                       |
| Apr-Jun       | -8.1                | <b>FY2014</b><br>-0.9 |
| Jul-Sep       | -2.7                |                       |
| Oct-Dec       | 2.1                 |                       |
| Jan-Mar, 2015 | 5.4                 |                       |
| Apr-Jun       | -1.7                | <b>FY2015</b><br>0.8  |
| Jul-Sep       | 1.6                 |                       |
| Oct-Dec       | -1.7                |                       |
| Jan-Mar, 2016 | 1.7                 |                       |

Source: Created by BTMU Economic Research Office based on Cabinet Office statistics

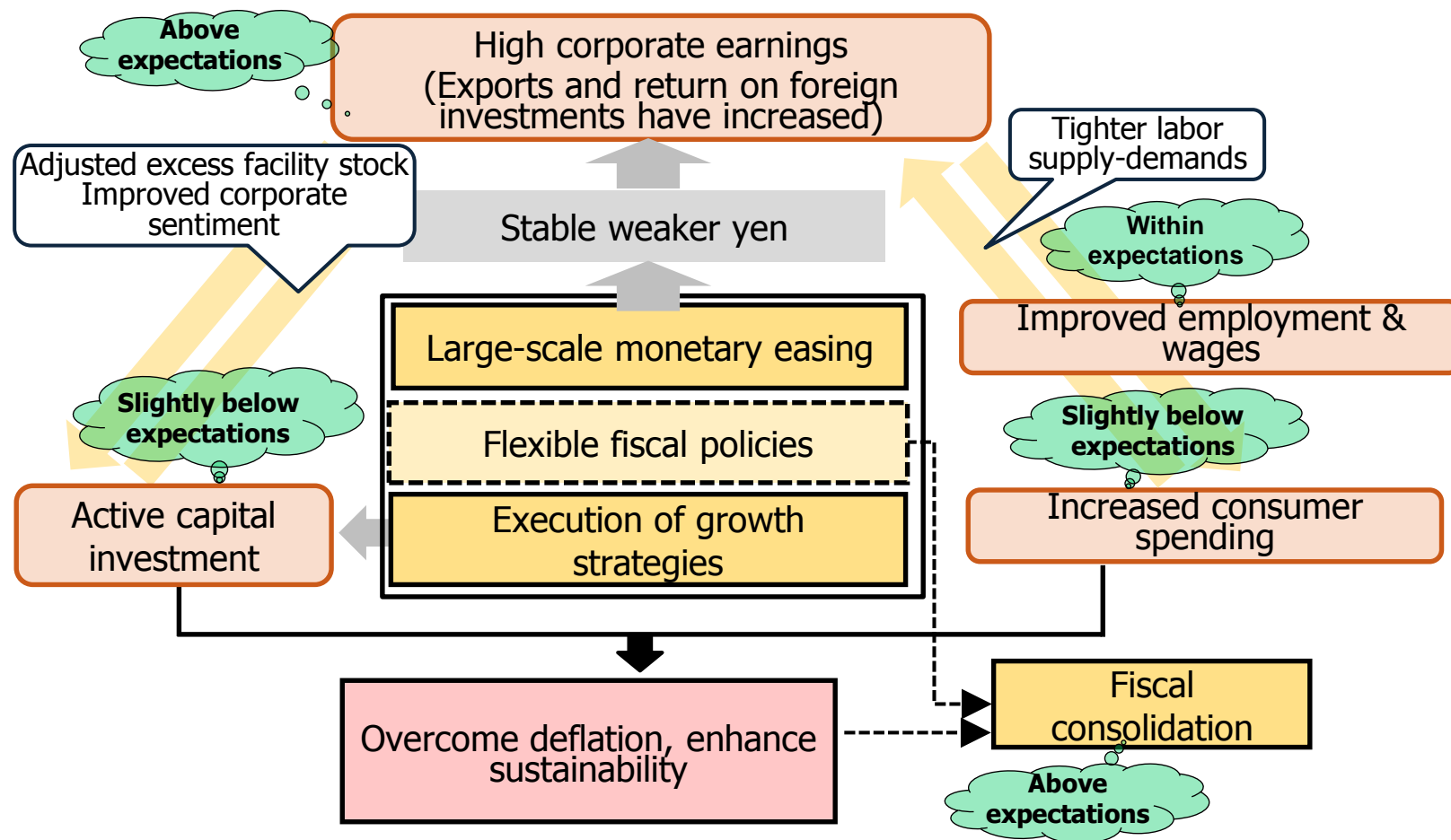
## Real GDP



source: Created by BTMU Economic Research Office based on Cabinet Office statistics

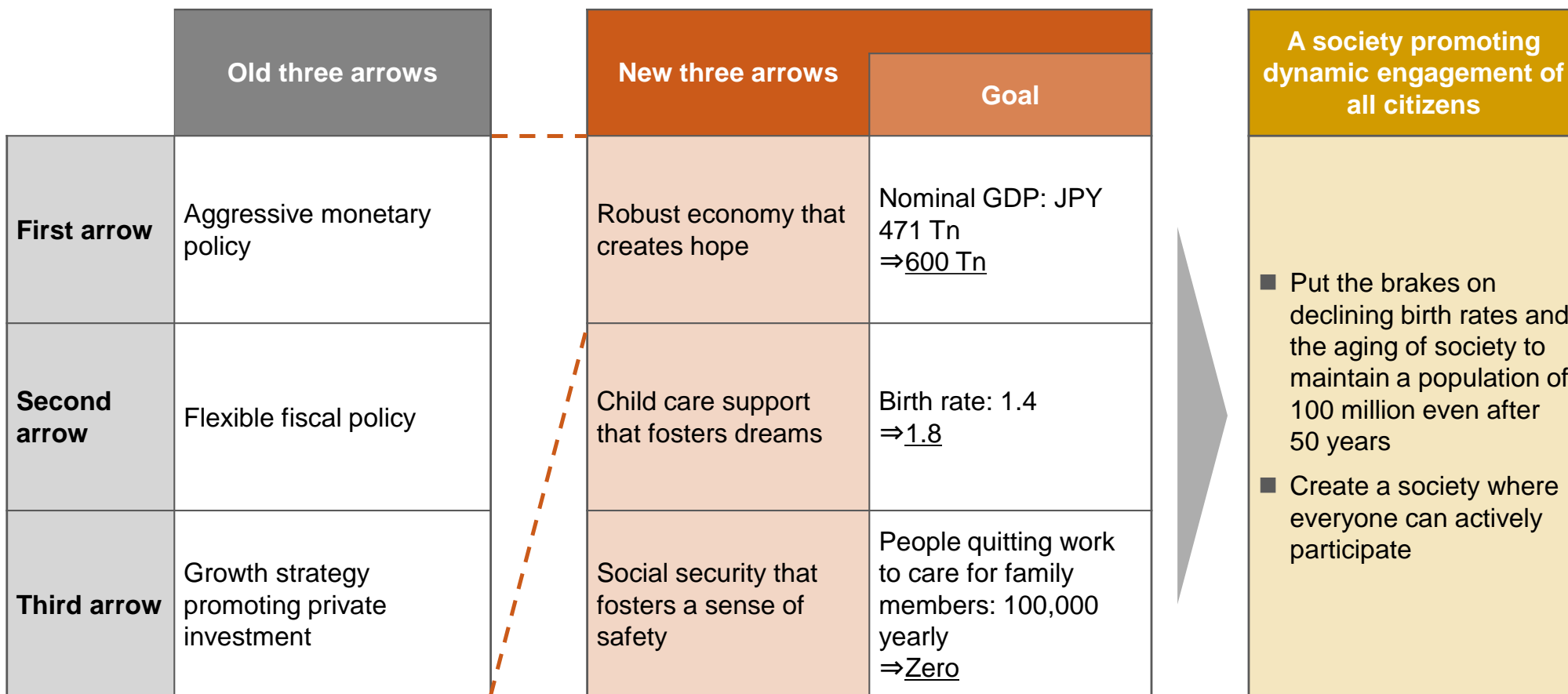
# Three Years of Abenomics: Overall Result

## Current conditions of the Japanese economy



(Source) Created by the Bank of Tokyo-Mitsubishi UFJ Economic Research Office based on many different materials

# Abenomics' Unresolved Challenges and the "New Three Arrows"



(Source) Created by the Bank of Tokyo-Mitsubishi UFJ Economic Research Office based on materials from the Prime Minister of Japan and His Cabinet

# Examples of Growth Strategy: Growth strategy has contributed to a consistent improvement in business environment.

## Competitiveness Rankings —The World Economic Forum Global Competitiveness Index—

| (Rank/Year) | 2012           | 2013           | 2014           | 2015           |
|-------------|----------------|----------------|----------------|----------------|
| 1           | Switzerland    | Switzerland    | Switzerland    | Switzerland    |
| 2           | Singapore      | Singapore      | Singapore      | Singapore      |
| 3           | Finland        | Finland        | United States  | United States  |
| 4           | Sweden         | Germany        | Finland        | Germany        |
| 5           | Netherlands    | United States  | Germany        | Netherlands    |
| 6           | Germany        | Sweden         | Japan          | Japan          |
| 7           | United States  | Hong Kong SAR  | Hong Kong SAR  | Hong Kong SAR  |
| 8           | United Kingdom | Netherlands    | Netherlands    | Finland        |
| 9           | Hong Kong SAR  | Japan          | United Kingdom | Sweden         |
| 10          | Japan          | United Kingdom | Sweden         | United Kingdom |

(Source) Created by the Bank of Tokyo-Mitsubishi UFJ Economic Research Office based on World Economic Forum statistics

# Examples of Growth Strategy: “National Strategic Special Zone” to Revitalize Regional Economy

## Outline of National Strategic Special Zones

| Designated area  | Theme   |
|--|---|
| First designations (FY2014)  |   |
| Tokyo area (9 wards of Tokyo; Kanagawa; Narita City, Chiba)                | International business and innovation hub   |
| Kansai area (Osaka; Hyogo; Kyoto)  | Center for innovation in the field of medical care, etc. and talent support                 |
| Fukuoka City, Fukuoka  | Center for employment system reform to promote new businesses                               |
| Yabu City, Hyogo   | Center for agricultural reform in hilly and mountainous areas                               |
| Niigata City, Niigata  | Center for agricultural reform in large-scale farming                                       |
| Okinawa  | Center for international sightseeing  |
| Second designations (FY2015) — "Regional Vitalization Special Zone"        |   |
| Semboku City, Akita  | Center for agricultural and forestry, and medical exchange                                  |
| Sendai City, Miyagi  | Center for women's empowerment and social enterprises' development                          |
| Aichi  | Center for reform in education, employment and agriculture, etc. to foster business leaders |
| Third designations (FY2016) — "the 2nd Regional Vitalization Special Zone" |   |
| Chiba City, Chiba  | Expansion of Tokyo-Zone, utilization of drone   |
| Hiroshima; Imabari City, Ehime   | Acceptance of more human resources from abroad and utilization of big data                  |
| Kitakyushu City, Fukuoka   | Added to Fukuoka city-Zone, enhancement of nursing care services                            |

(Source) Created by the Bank of Tokyo-Mitsubishi UFJ Economic Research Office based on materials from the Cabinet Office

# Examples of Growth Strategy: More Effective Use of Private Fund and Know-how for Infrastructure Developments

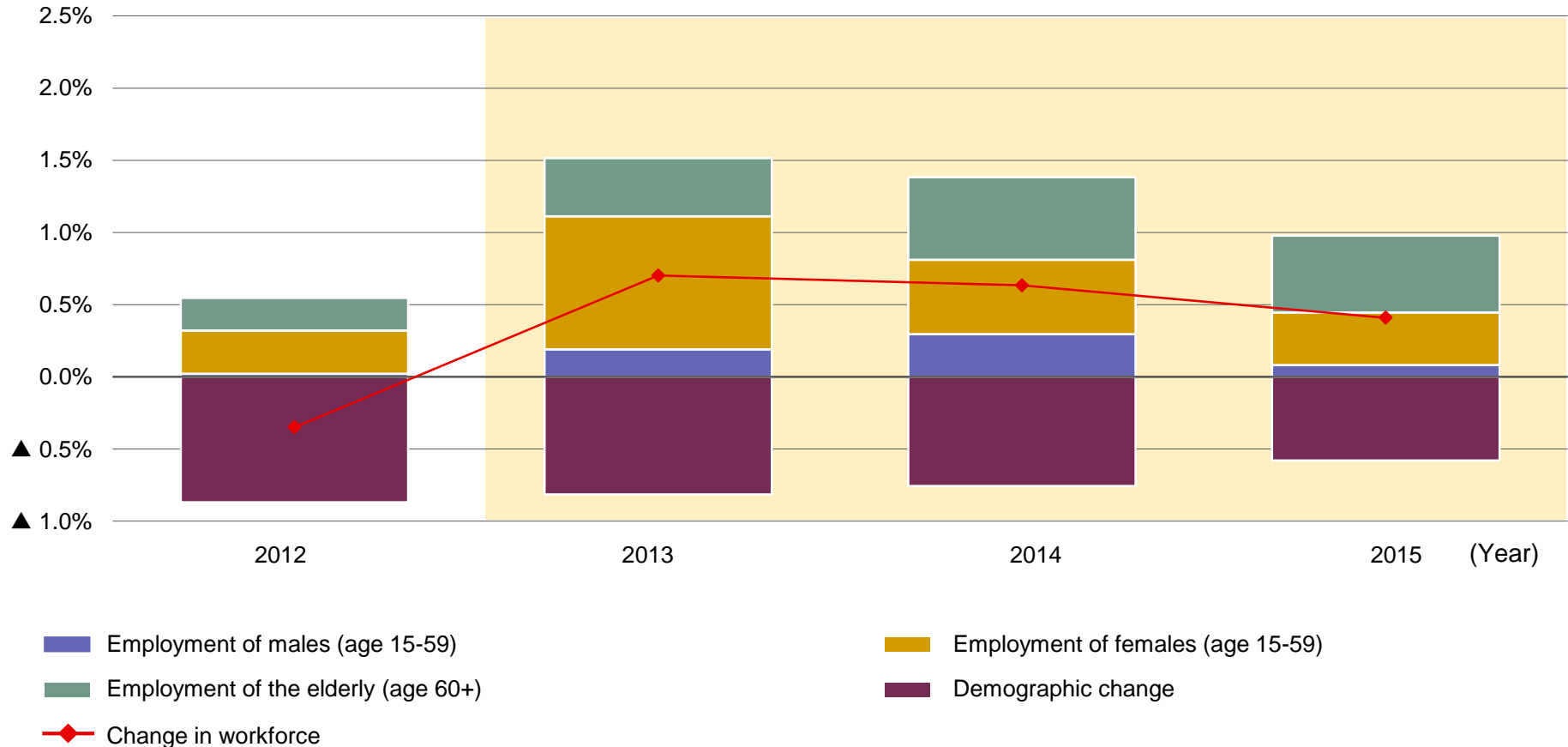
## Examples of Concession (Selling the operating right to private sector)

| Objective  | Current Status  |
|--|---|
| Airport (Already completed)                                |   |
| Tajima Airport   | Since January 1, 2015, operating by Tajima Airport Terminal Co.,Ltd.  |
| Kansai International Airport / Osaka International Airport | Since April 1, 2016, operating by Kansai Airports established by a consortium made up of ORIX Corporation and VINCI Airports S.A.S. as its core members.                  |
| Airport (scheduled)  |   |
| Sendai Airport   | Will be completely transferred to Sendai International Airport Co.,Ltd. established jointly by Tokyu Corporation, Maeda Corporation and Toyota Tsusho, etc. in June 2016. |
| Toll road (scheduled)                                      |   |
| Aichi Prefectural Road Public Corporation                  | Set an enforcement policy in October 2015.  |

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# Achievements by Abenomics: Notable Increase in Workforce Participation by Women and the Elderly

## Change in the workforce (YoY)



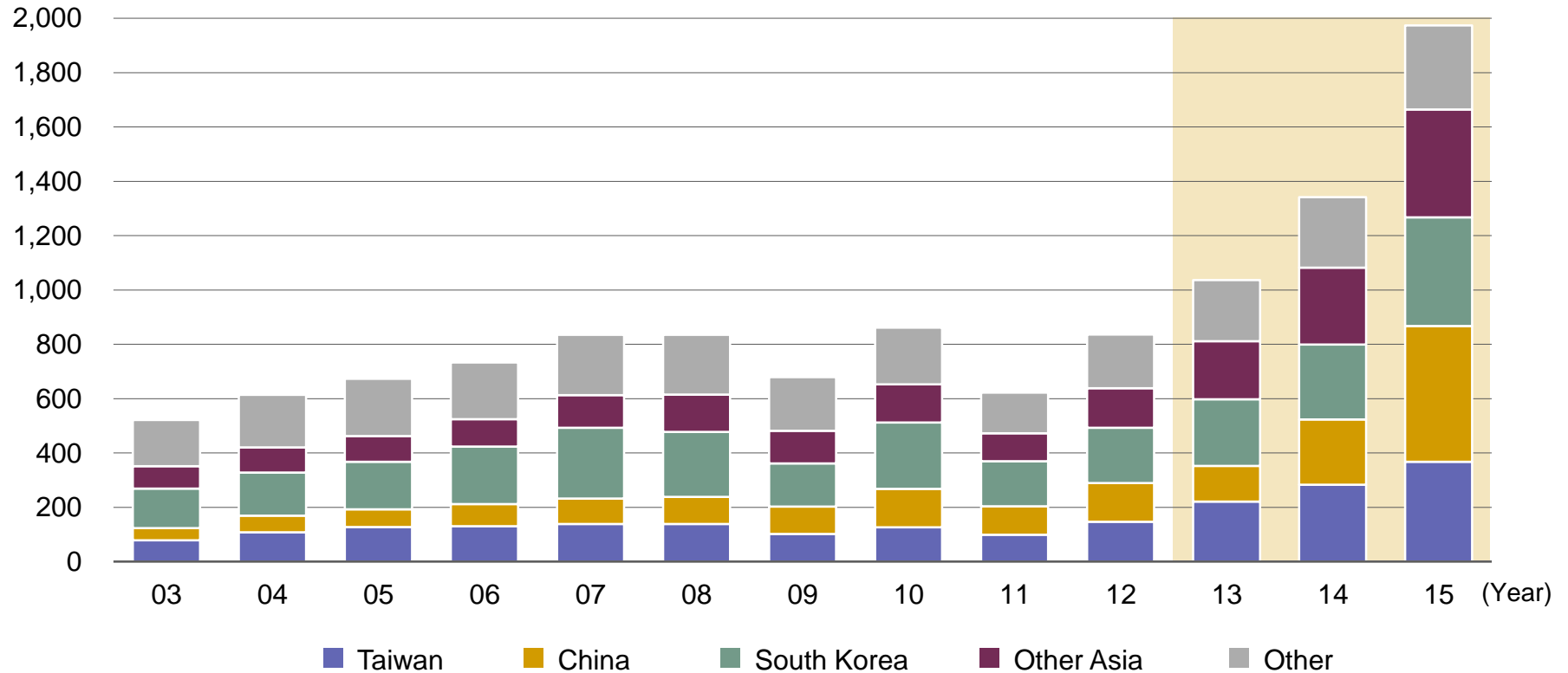
(Source) Created by the Bank of Tokyo-Mitsubishi UFJ Economic Research Office based on Ministry of Internal Affairs and Communications statistics

(Note) "Demographic change" is calculated based on the workforce computed by multiplying the age 15+ population from 2011 to 2015 by the employment rates from 2010 to 2014 for each age group in each category



# Achievements by Abenomics: Strong Growth in the Number of Foreign Tourists

Change in number of foreign tourists (10,000 people)



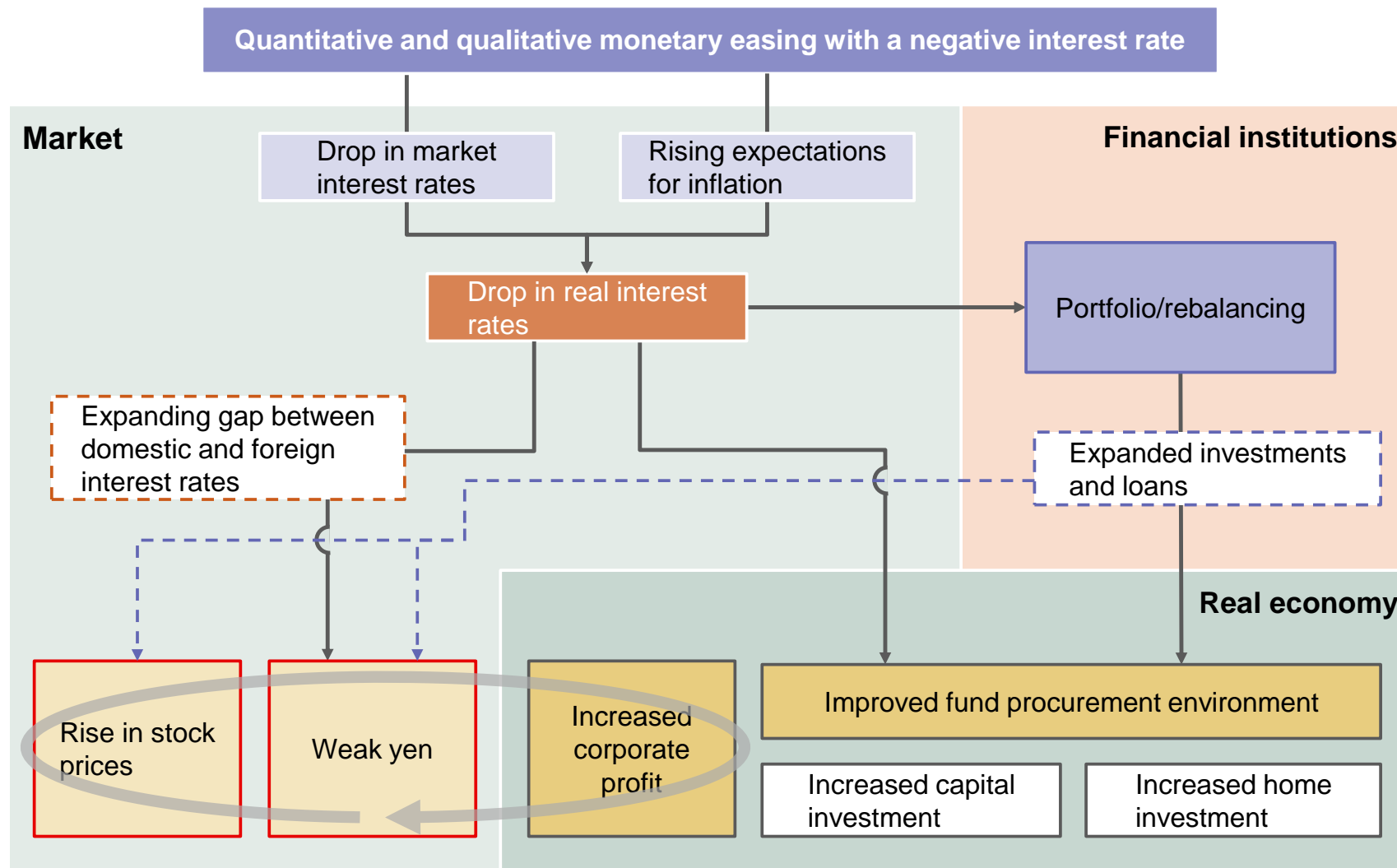
(Source) Created by the Bank of Tokyo-Mitsubishi UFJ Economic Research Office based on Japan National Tourism Organization statistics

# Bank of Japan's Negative Interest Rate Policy: Framework

| Overview of quantitative and qualitative monetary easing with a negative interest rate |  |   |
|--|--|---|
|  | Method of easing                       | Contents  |
| Interest-Rate  | Introduction of negative interest rate | <ul style="list-style-type: none"> <li>■ Split BoJ current deposits held by financial institutions into a 3-tiered structure, and apply a negative interest rate of minus 0.1% to one of the tiers</li> <li>■ Apply zero interest under the Loan Support Program, etc.</li> </ul>   |
| Quantity   | Guideline for money market operations  | <ul style="list-style-type: none"> <li>■ Conduct market operations so that the monetary base will increase at an annual pace of about 80 trillion yen</li> </ul>  |
| Quality  | Guidelines for asset purchases         | <ul style="list-style-type: none"> <li>■ Purchase JGBs so that their amount outstanding will increase at an annual pace of about 80 trillion yen</li> <li>■ The average remaining maturity of the Bank's JGB purchases will be about 7-12 years</li> <li>■ Purchase ETFs and J-REITs so that their amounts outstanding will increase at annual paces of about 3 trillion yen and about 90 billion yen, respectively</li> <li>■ As for CP and corporate bonds, will maintain their amounts outstanding at about 2.2 trillion yen and about 3.2 trillion yen, respectively</li> </ul> |

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# Bank of Japan's Negative Interest Rate Policy: Expected Effects



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