

Presentation Materials

By Hon. Naokazu Takemoto

October 2016

Achievements of Abenomics So Far

◆ Private investment

- FY2012 64.8 trillion yen → FY2013 67.4 trillion yen → FY2014 68.4 trillion yen → FY2015 69.8 trillion yen **(around 5 trillion yen increase in three years)**

◆ Corporate profits (current profit)

- FY2012 48.5 trillion yen → FY2013 59.6 trillion yen → FY2014 **64.6 trillion yen (the highest in history)**

◆ Bankruptcies

- **Decrease by 30%** since the second Abe administration started (FY2012 12,124 cases → FY2015 8,812 cases)

◆ Employment

- The number of the employees has increased by more than 1 million since the second Abe administration started (2012-2015)
- The number of **female employees** has increased by more than **one million** (2012-2015)
- Effective openings-to-applications ratio: **1.3 (March 2016 - the highest in 24 years)**
- Total unemployment rate: **3.2%** (March 2016)

◆ Realization of wage hike

- Average wage increase rate per employee, July 2016 (collected responses to the seventh survey by Japanese Trade Union Confederation): **2.00% (around 2% these past three years consecutively)**

Six Challenges Mitigated

◇ **Correction of excessively strong yen**

- At the end of Dec. 2012: 86.88 yen/dollar → At the end of April 2016: 109.75 yen/dollar

◇ **High effective corporate tax to be lowered to less than 30% from FY2016**

- FY2014 34.62% FY2015 32.11% → FY2016 29.97% FY 2018 29.74%

◇ **TPP signed by Japan in Feb. 2015 to keep up with the trend of trade liberalization worldwide**

- The coverage of trade amount in 2014 by FTAs: 22.3% (37.2% with TPP members included)
- The economic effect of TPP (covering around 40% of world GDP and 800 million population) is a 13.6 trillion yen increase in real GDP of Japan (2.59% increase of real GDP)

◇ **Labour market reform under progress to deal with strict labour regulations**

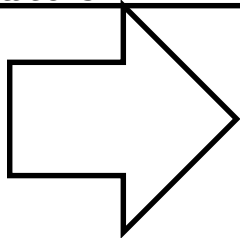
- Temporary Staffing Services Law enforced defining the temporary working period as three years in principle among all sectors
- The law draft delivered to the Diet for discussion and adoption proposing a working performance assessment for high skill professionals not based upon working hours but on the results of work

◇ **Adoption of new goal for CO2 reduction**

- Adoption of the goal for CO2 reduction in FY2030 achievable by the policies endorsed by the Long-term Energy Demand and Supply Outlook ensuring consistency with this Energy Outlook (-26% over 2013)

◇ **Decline of energy cost**

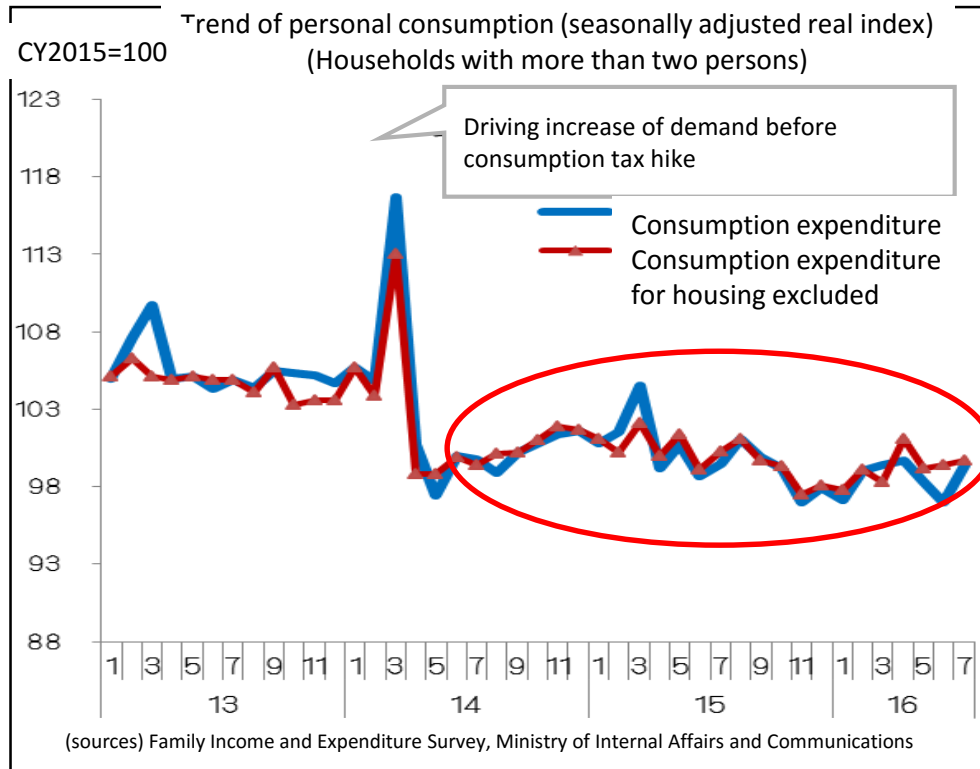
- The Long-term Energy Demand and Supply Outlook in FY2030 (Energy Mix) adopted and in the outlook pursuing cheap and stable energy supply
- Promotion of competition by complete market liberalization for electric power and gas retail sectors and restarting nuclear power stations



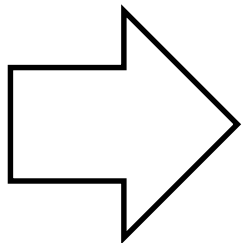
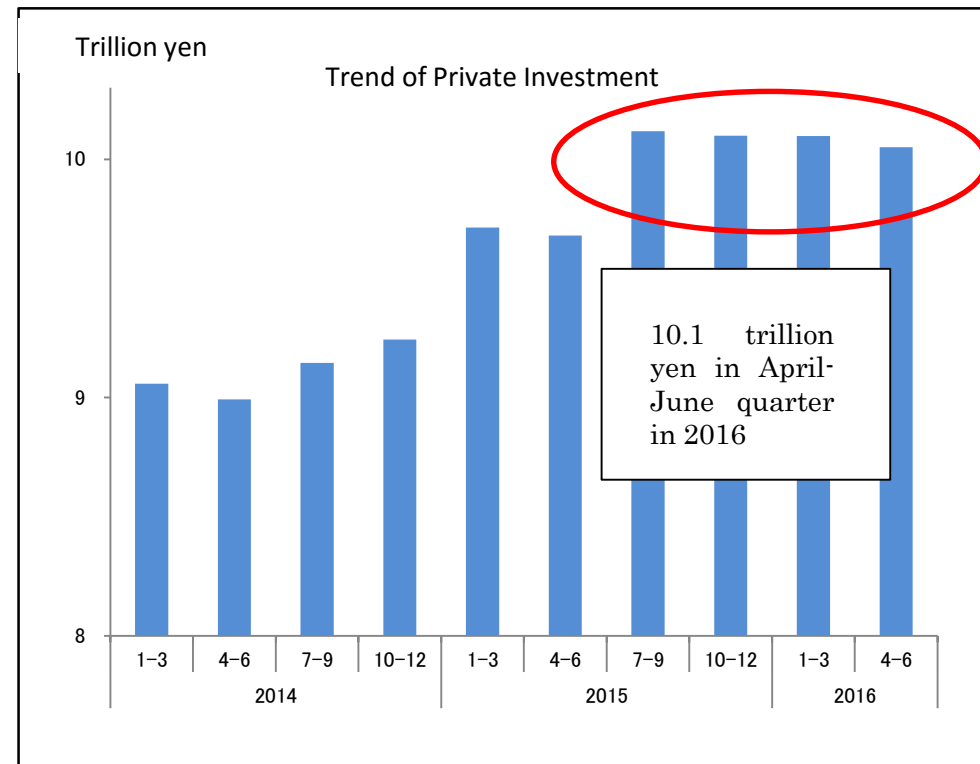
✓ **Six Challenges Are to Be Resolved**

Future Issues <Japan>

Feeble growth of personal consumption



Private investment: some delay in picking up observed



✓ Japanese domestic economy still lacks strength

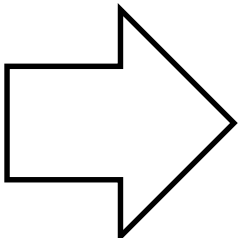
Future Issues <Common among Developed Nations>

「Secular Stagnation」

Demand side: lack of created new demand

**Supply side: stagnant growth of productivity
in the long run**

What is needed now:



Innovation achieved and put into practice in society

- 
- **Creation of new products and services turning potential demand into a real one**
 - **Revolutionary rise of productivity**

The Three Issues at the Second Stage of the Growth Strategy of Abenomics

1. Creation and expansion of new promising growing markets towards realization of nominal GDP of 600 trillion yen
2. Fundamental enhancement of productivity to cope with depopulation and labour shortage
3. Strengthened human resources development efforts to support transformation of industrial structure

Government-Private Sector Collaboration Projects 10

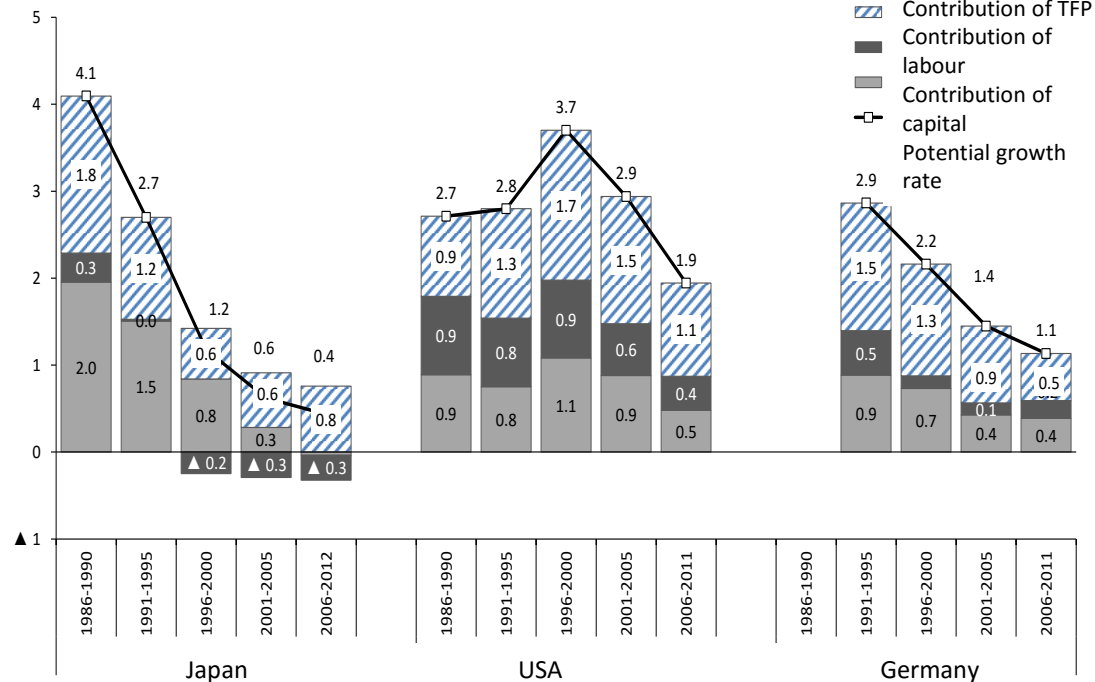
1. **Realization of the Fourth Industrial Revolution ~IoT, Big Data, AI, Robots~**
【Created value added: 30 trillion yen (2020)】
2. **Towards becoming the most advanced nation to achieve health of high quality**
【Expected size of the market: 16 trillion yen (2011) ⇒ 26 trillion yen (2020)】
3. **Winning over energy and environment constraints and expanded investment to achieve it**
【Energy related investment: 18 trillion yen (FY2014) ⇒ 28 trillion yen (FY2030)】
4. **Turning sports business into high growth industry**
【Expected size of market: 5.5 trillion yen (2015) ⇒ 15 trillion yen (2025)】
5. **Revitalization of the existing housing distribution and reform markets**
【Expected size of the market: 11 trillion yen (2013) ⇒ 20 trillion yen (2025)】
6. **Raising productivity of services industry**
【Value added: 343 trillion yen ⇒ 410 trillion yen (2020)】
7. **Renovation of medium-sized companies and SMEs**
8. **Encouraging active business development of agriculture, forestry and fishing industries and their export promotion** 【Market of the 6th industry: 5.1 trillion yen (2014FY) ⇒ 10 trillion yen (2020 FY)】
9. **Realization of a nation with a big tourism industry**
【consumption by tourists from all over the world: 3.5 trillion yen ⇒ 8 trillion yen (2020) 15 trillion yen (2030)】
10. **Collaboration measures between the government and private sectors to stimulate consumers' attitudes**

Decline of the Potential Growth Rate of Developed Nations and Export Expansion

- The potential growth rate of the major developed nations is in a long-run trend of decline due to a decrease in the productive age population as well as a decrease in private investment.
- While many of the major OECD member nations are achieving economic growth through export expansion, the Japanese export ratio to GDP has been low and its rate of increase is stagnant as well.

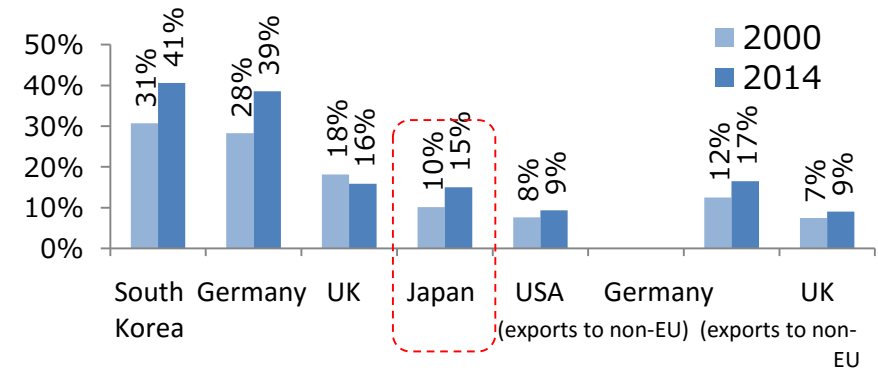
Trends of potential growth rates of Japan, Germany and the US

(Contribution of each production factor to the potential economic growth rate over the previous year, %)

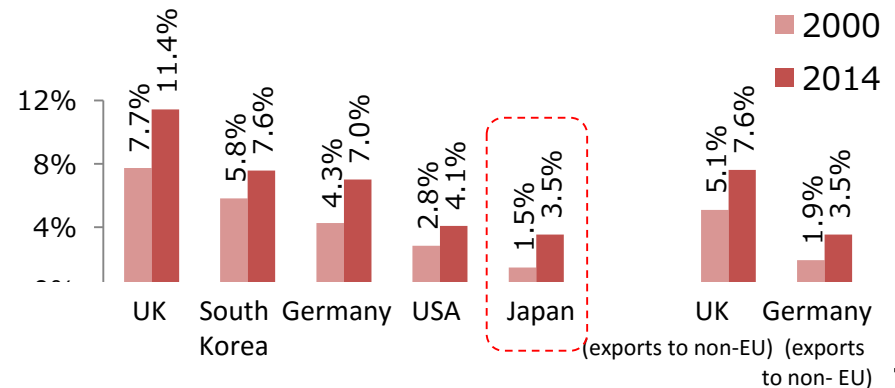


sources: METI and Cabinet Office “National Accounts of Japan”

Level and change of the goods exports ratio to GDP



Level and change of the exports of services ratio to GDP

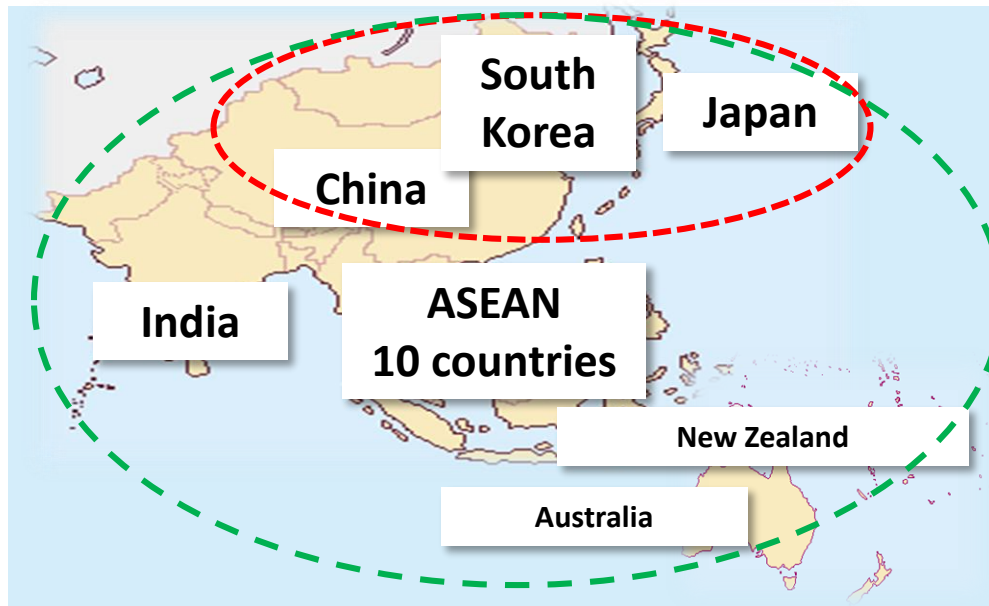


Promotion of FTAs

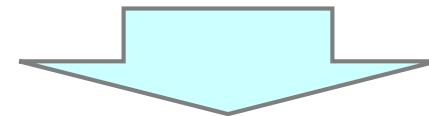
	Population (2015 Percentage of population in the regions to the world population)	Nominal GDP (2015 Percentage of total GDP in the regions to global GDP)	Total Trade Amount (2015 Percentage of trade amount total in the regions to total world trade amount)	Percentage of total Japanese exports to those regions to total exports from Japan (2015)	Percentage of total Japanese FDI in those regions to total FDI from Japan to the world (2015)
Japan-China-South Korea FTA	21.5%	22.6%	18.5%	24.5%	11.1%
RCEP	48.6%	30.7%	29.1%	43.4%	31.1%

※Data on Japanese FDI in Brunei, Cambodia, Laos and Myanmar are not available and thus those countries are excluded

(Sources) IMF "WEO, October 2015" for population and nominal GDP, IMF "DOTS" for the total trade amount, Ministry of Finance, "Trade Statistics" for Japanese exports Ministry of Finance and Bank of Japan, "Statistics on Balance of Payments" for FDI



Building up comprehensive and high-quality rules on
trade, investment and services



Promotion of efficient
formation of product supply
chain in East Asia