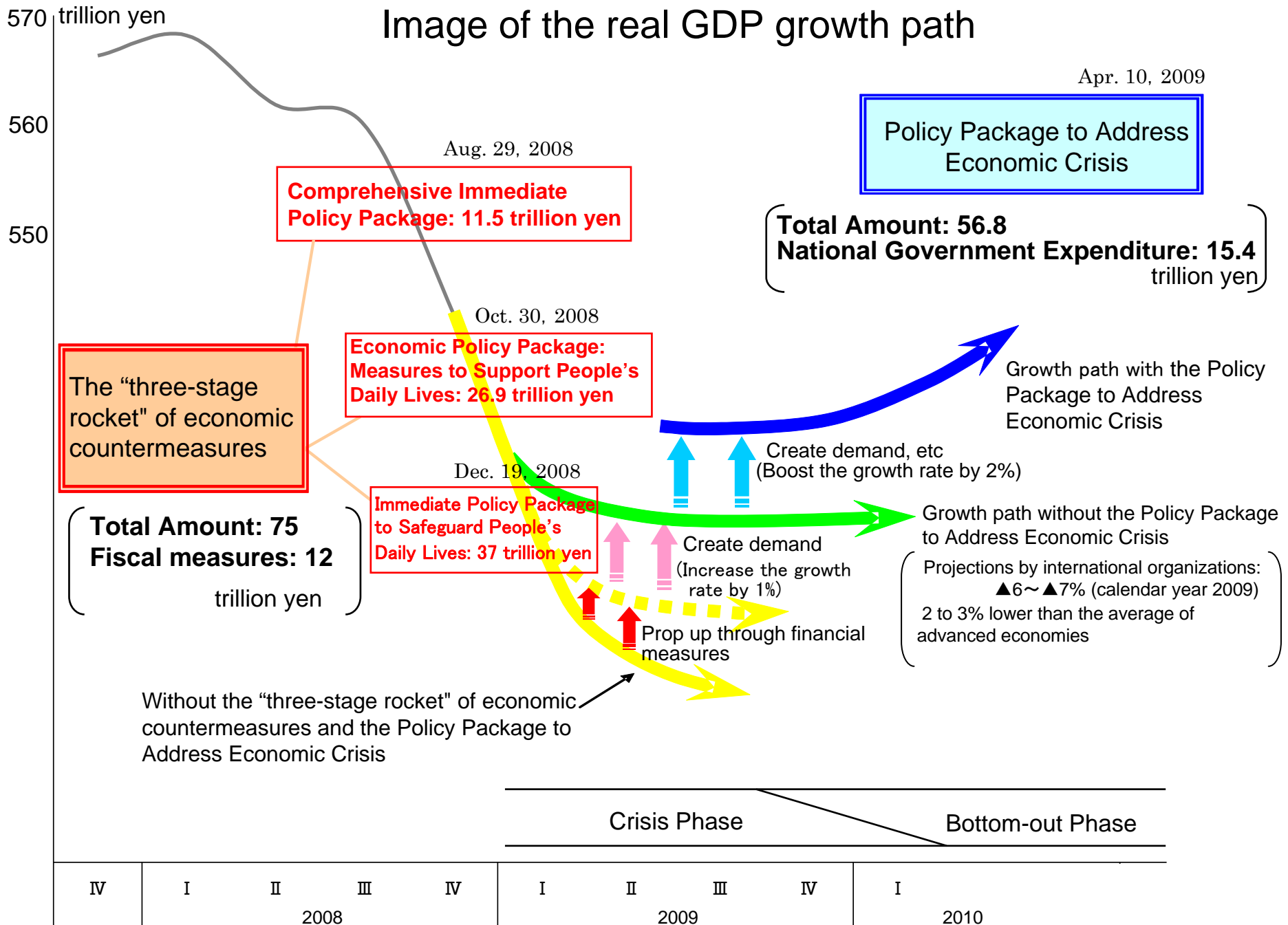


Economic Effects of the  
*“Policy Package to Address Economic Crisis”*

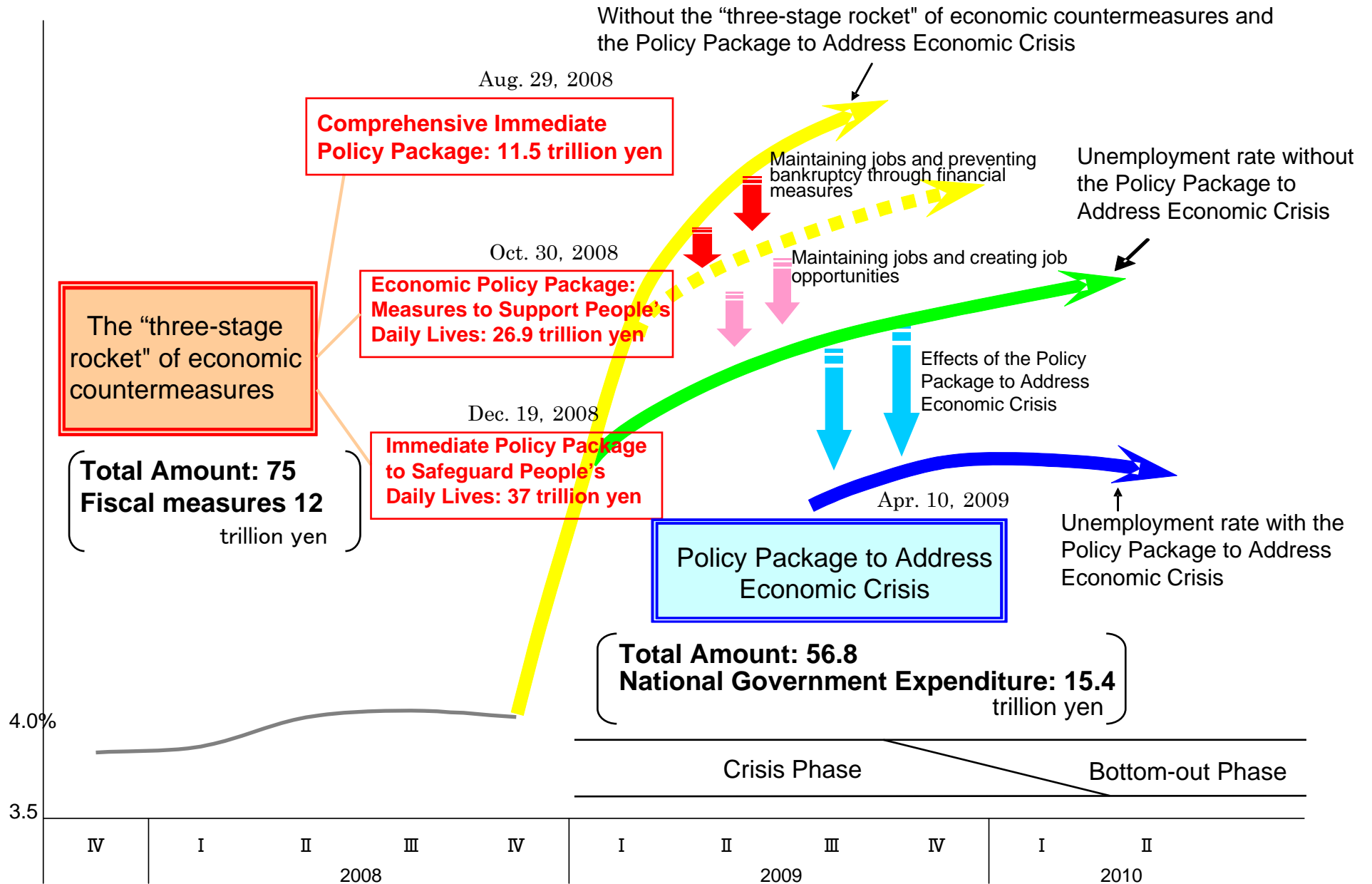
April 10<sup>th</sup>, 2009

Cabinet Office

# Image of the real GDP growth path



# Image of the unemployment rate development path



## Economic Effects of the “*Policy Package to Address Economic Crisis*”

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The “*Policy Package to Address Economic Crisis*” is intended to address Japan’s twin crises—the short term crisis (the risk of a negative spiral) and the structural crisis (responding to a “great adjustment” of the global economy). Its expected economic effects include boosting the real GDP growth rate by around 2 percentage points in FY 2009 and creating 0.4 to 0.5million jobs (in one year) from increased demand. As a result, the Japanese economy will avoid turning into a negative spiral, resulting in a steady progress in the shift to an economic structure led by private-sector demand and making it possible for Japan to achieve sustainable economic growth in the medium- to long-term.

The estimates provided below assume that this policy package will be steadily implemented and start producing effects in the July-September quarter of 2009. As private-sector economic activity plays a central role in the Japanese economy, the estimates should be interpreted with a considerable margin.

# 1. Effect on Economic Growth

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This policy package is expected to boost real GDP growth rate in FY 2009 by around 2 percentage points. (page 1)

The effects of this policy package will start to take effects in the July-September quarter of 2009, with implementation of public works projects supporting domestic demand. The effects will continue through FY 2010, making significant contributions to avoid a risk of turning into a negative spiral.

While it is premature to predict when the economy will bottom out, it is expected to start gaining upward momentum in the latter half of FY 2009 following anticipated increases in private-sector demand in the fields such as solar power generation, environmentally-friendly vehicles and home electric appliances in line with the implementation of the policy package. If positive movements start to appear in relation to both production and income, a growth led by private-sector demand can be expected.

## 2. Effect on Employment

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This policy package is expected to create around 0.4 to 0.5 million jobs. (page 2)

It has been pointed out that the rapid economic downturn poses the risk of raising the unemployment rate to an unprecedented level. However, as this policy package is expected to have curbing effect on the unemployment rate, it is likely that the unemployment rate probably not exceed the level of the past record high.

It should be noted that if growth led by the private-sector continues, we might see effects surpassing those estimated above. On the other hand, if the expected growth rate of the private sector does not improve as quickly as is hoped, the effects of the policy package could prove to be smaller than those estimated above. Thus, the actual number of jobs created could deviate either upward or downward from the estimated figures.