

Abenomics: Exit from Deflation and a Shift Toward Pro-growth Policies

Statement by

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Introduction

Unfortunately, Prime Minister Abe is unable to come due to his tight schedule, so here I am in his place. Under the Abe Cabinet, I am privileged to take the lead in formulating macroeconomic policies and growth strategies. Today, I will present a concept of Japan's economic policies that we're calling "Abenomics."

The Abe Administration attaches its highest priority to exiting from prolonged deflation partly accompanied by the appreciation of the yen, and revitalizing the economy. A clear commitment to pro-growth policies has already been appreciated in financial markets, where share prices have begun to recover.

Basic Framework of Abenomics

The distinctive feature of Abenomics is to develop and implement a three-pronged strategy consisting of aggressive monetary policy, flexible fiscal policy, and a growth strategy that encourages private-sector investment. By implementing these measures simultaneously, we will aim for reversing the long-lasting trend of a shrinking economy and realizing a sustained economic growth with more jobs and higher incomes.

Emergency Economic Measures

As the first concrete step, we adopted the *Emergency Economic Measures for The Revitalization of the Japanese Economy* on January 11. In accordance with these measures, we will implement public works for accelerating the post-quake reconstruction and strengthening the nation's infrastructure to improve disaster prevention and mitigation. In addition, we will also adopt measures that should

contribute to sustained growth through promoting business investment and innovation and strengthening human capital development. We expect the emergency measures could boost real GDP by around 2%.

Aggressive Monetary Policy

The government and the Bank of Japan (BOJ) announced the joint statement on overcoming deflation and achieving sustainable economic growth on January 22. The BOJ set the price stability target at 2 percent in terms of the year-on-year rate of change in the consumer price index. The government expects the BOJ to implement aggressive monetary easing to achieve this target at the earliest possible time.

Growth Strategy

Over the mid- and long-term, we will take measures to strengthen the competitiveness of the Japanese economy, to overcome energy constraints, and to enhance the innovation platform based on a well-defined growth strategy, while at the same time accelerating the removal of domestic institutional obstacles, including regulation.

The past growth strategies tended to fail to raise growth because business investment did not respond in the absence of a clear commitment from government to the implementation of the growth strategies. Taking into account these lessons, we have strongly committed ourselves to our growth strategy, which will utilize all the available policy tools including fiscal, regulatory, and tax measures. We plan to adopt a new growth strategy in the middle of the year, though some part of the strategy will be front-loaded even before the finalization.

With regard to external economic policies, we will facilitate the expansion of Japanese businesses in overseas markets, further promote high-level economic partnerships,

implement measures to secure energy and food, and encourage tourism and internal investment. In addition, the 5th Tokyo International Conference on African Development (TICAD V) will be held in June this year in Japan.

Fiscal Consolidation

As for fiscal policy, we will manage the short-term fiscal policy in a timely and flexible manner, while we note the importance of firmly expressing the political will to restore fiscal balance over the mid- and long-term. We also think it is necessary to stick to the current target of fiscal consolidation, which aims to cut the primary deficit of the central and local governments in half between FY2010 and FY2015 and to achieve fiscal surplus by FY2020. We will take a step towards fiscal consolidation from the FY 2013's budget,

Closing

The Japanese economy has been facing difficult challenges that the rest of the world has not yet experienced, such as the need to overcome deflation and coping with a falling birth rate and aging population. Japan intends to contribute on a worldwide level by working to solve these issues ahead of other nations and to “find the cure.”