

Discourse by Akira Amari, Minister of State for Economic and Fiscal Policy on the Occasion of the Announcement of the Preliminary Report on Quarterly GDP for the April – June 2014 Period (The First QE)

Wednesday, August 13, 2014

1. According to the preliminary report on quarterly GDP for the April – June 2014 period (the first QE) published today, the annualized real growth rate was down 6.8% from the previous quarter, which means a negative growth rate for the first time in two quarters. This is mainly because private consumption expenditure, private residential investment, and private non-residential investment (or business investment) have all decreased, compared with the previous quarter, owing to reactions after both the last-minute rise in demand before the consumption tax hike and the increased investment for renewal mainly associated with the expiration of a certain PC software's support period during the January – March period.

It is important to average out the real GDP figures for the January – March period and the April – June period in order to grasp the economic trends by excluding effects of the significant swing from the last-minute rise in demand during the January – March period to the subsequent decrease as the backlash during April – June period. According to these average figures, the real GDP for the January – June 2014 period exceeds not only the corresponding figure for the same period of the previous year (the January – June 2013 period) but also the level for the October – December 2013, the latest period.

2. Moreover, according to the relevant monthly statistics during the April – June period, private consumption expenditure-related figures such as home appliance sales and sales at department stores substantially decreased in April, but thereafter they show movements of picking up. Meanwhile, the employment situation is improving steadily. In light of these monthly economic indicators and other factors, it would appear that the Japanese economy is on a moderate recovery trend and the

reaction after the last-minute rise in demand before the consumption tax hike is easing.

The government's official assessment of the current state of the Japanese economy has been regularly shown in its Monthly Economic Report, and at this point in time, there is no change in the recognition of the current state of the nation's economy.

3. Concerning short-term prospects, although some weakness remains for the time being, owing to the reaction after the last-minute rise in demand, a moderate economic recovery is expected to proceed as the effect gradually lessens and positive effects of various policies emerge. This assessment is also supported by the fact that leading economic indicators among index of business conditions, consumer confidence, and planned business investment are all improving. Nevertheless, we will continue to keep a close watch on trends, including those of overseas economies.
  
4. The Government will ensure sound management of the economy by making policy responses as necessary in a timely and flexible manner while continuously working on the early implementation of the annual budget for fiscal year 2014 as well as the supplementary budget for fiscal year 2013 in order to promptly return the economy to a growth path.

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