

Immediate Economic Measures for Extending Virtuous Cycles to Local Economies

Current conditions of economy

[Provisional Translation]

- The Abe administration has implemented the “three arrows strategy”, including bold monetary policy, flexible fiscal policy and a growth strategy that promotes private investment as an economic policy package so called Abenomics. This policy program has delivered a series of continuing positive movements.
- Meanwhile, real GDP (gross domestic product) in the third quarter of 2014 contracted at an annualized rate of 1.9 percent, resulting in two consecutive quarters of negative growth. Although a modest recovery of the economy continues, some weaknesses, especially those related to consumer spending, have been observed. Particularly, some regions with medium- and long-term challenges, such as aging and depopulation, and delays in action towards globalization, have yet to see significant benefits from the three-arrows of the economic policy package. This indicates that a virtuous cycle of the economy remains to be fully accomplished in local economies.

Basic concept of economic measures

- The economic measures in this package are targeted at vulnerable areas of the economy and are intended to address such vulnerabilities as soon as possible. With this package, the administration aims to secure the realization of a virtuous economic cycle and deliver the benefits of Abenomics to local economies. This package has the following three priorities:
 - (1) to stimulate consumption while considering different economic conditions among regions;
 - (2) to revitalize local economies facing structural challenges through effective initiatives such as job creation;
 - (3) to accelerate post-disaster recovery and other emergency responses, and reconstruction from the Great East Japan Earthquake.

Specific Measures

I. Support for consumers and business operators affected by the current economic state, etc.

1. Support for people, including development of living environments
 - (1) Stimulation of consumption in regions and provision of livelihood support
 - (2) Support for child-rearing, and encouragement of women’s participation
 - (3) Enhancement of a sense of security in life
2. Support for business operators
3. Measures to save energy costs
 - (1) Promotion of energy saving and renewable energy
 - (2) Measures to mitigate the influence of energy prices
 - (3) Stable supply of resources and energy
4. Measures to invigorate the housing market

II. Reinvigoration of regions through effective initiatives for addressing structural challenges they are faced with

1. Precedent implementation of the comprehensive strategy for vitalization of towns, people, and jobs
2. Invigoration of the economy mainly through promoting industry in regions
 - (1) Development of mechanisms for facilitating creation of new industries and reform of existing ones in regions
 - (2) Support for businesses and industries helpful to invigorating local economies
 - (i) Support for SMEs and small-scale businesses, etc.
 - (ii) Promotion of the agriculture, forestry and fisheries industry
 - (iii) Promotion of tourism

- (3) Support for regions for promoting their appeal
- (4) Promotion of liquidity of the human capital market, and development of housing environments, etc.

3. Action to address individual challenges of regions

III. Action to address disasters and crises, including accelerated recovery and reconstruction after disasters

1. Enhanced disaster recovery and response
 - (1) Recovery from landslides, typhoons, and other large-scale disasters
 - (2) Immediate disaster prevention responses for regions and facilities with greater natural disaster risk
 - (3) Construction of information and logistics systems resilient to disasters
 - (4) Enhancement of earthquake resistance performance of schools and other facilities
2. Acceleration of reconstruction, etc.
 - (1) Recovery and reconstruction of areas damaged by the Great East Japan Earthquake
 - (2) Accelerated action to cope with the nuclear plant accident
 - (3) Enhanced nuclear emergency preparedness
3. Realization of a safe and secure society
 - (1) Ensuring well-maintained public security
 - (2) Crisis management

IV. Initiatives for solidifying a virtuous cycle of the economy

1. Initiatives of government, labor, and management
2. Implementation and realization of the growth strategy
3. Monetary policy

Economic Impacts

- **Financial size:** [Total of I, II, and III] approx. **¥3.5 trillion** (general account of the central government)
Breakdowns: (I) approx. ¥1.2 tn.; (II) approx. ¥0.6 tn.; (III) approx. ¥1.7 tn.)
- **Economic impacts of the measures (current estimates):** An increase of real GDP by **0.7%**
- **Materialization of institutional reforms and other policy programs, and the Growth Strategies mentioned in this package of economic measures**



Economic growth that comes with stimulation of private investments and consumption, and improvement in employment and income environments