

**EXECUTIVE
BOARD
MEETING**

SM/15/167
Supplement 2
Correction 1

July 15, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Japan—Staff Report for the 2015 Article IV Consultation—Supplementary Information**

Board Action:

The attached correction to SM/15/167, Sup. 2 (7/13/15) has been provided by the staff:

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

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Questions:

Ms. Kochhar, APD (ext. 38770)
Mr. Everaert, APD (ext. 38667)
Mr. Botman, APD (ext. 34214)



JAPAN

July 13, 2015

STAFF REPORT FOR THE 2015 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

Prepared by

Asia and Pacific Department

1. This supplement contains information that has become available since the Staff Report was circulated to the Executive Board on July 2, 2015. It does not alter the staff's broad assessment of policy issues and recommendations contained in the report.

2. Data releases continue to be in line with staff projections. Private consumption rebounded in May, with the real synthetic consumption index up by 0.6 percent (m/m), while consumer confidence edged up to 41.7 in June from 41.4 in May. In May, private machinery orders (excluding volatile items) rose (0.6 percent, m/m) while industrial production fell (2.1 percent, m/m). Core inflation (excluding fresh food) rose slightly to 0.1 percent (from 0.0 percent in April).

3. On June 30, the government announced "Basic Policy on Economic and Fiscal Management and Reform 2015." One of its main pillars is a 5-year fiscal consolidation strategy to achieve a primary surplus of the central and local governments by FY2020 and contains the following key components:

- A substantially higher nominal and real growth rate than in the staff's baseline WEO projections. Higher growth is expected to stem mainly from continued implementation of the current structural reform agenda;
- An interim benchmark in FY2018 of a primary deficit for the central and local governments of around 1 percent of GDP. Additional expenditure and revenue measures will be considered if needed to reach the FY2020 target;
- Containing expenditure growth, especially for social security spending, to the trend increase of the past 3 years (approximately 1.6 trillion yen for general expenditures of the central government), ~~depending on~~ taking into consideration economic and price developments;