



# Abenomics Stage II

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# Stage II

## (1) Reforms

Before Abe Cabinet, Japan had six prime ministers for six years.

## (2) Transition from Stage I to Stage 2

# What has Abenomics Stage I achieved?

Nominal GDP

Exchange rates

Expected inflation

Unemployment rate

Corporate profits

Stock prices

Tax revenue

1<sup>st</sup> and 2<sup>nd</sup> Arrow heated up some parts of the economy. Question is whether consumption and investment can be heated up?

“Goemon-Buro”

# Harvesting the results of Abenomics Stage I

- Historically low real interest rate
  - Real interest rate is now in a negative range; first time in the last 40 years.
- Asset reallocation of household sector?
  - Will 1700 trillion yen start moving ?
- Use of abundant retained earnings
  - Cashing out of the savings and profits
    - Investment, dividends or wages.
  - Corporate governance reform

# Growth strategy

- Demand Side and/or Supply Side?
  - The third arrow is “growth strategy **that promotes private investment**”
- Changing emphasis during the first two years
  - GPIF reform, corporate tax, promoting tourism. Deregulation in electricity
  - These reforms will have strong effects on demand side.
- Supply side reform issues: can they be achieved?
  - TPP
  - Labor market reform
  - Corporate governance

# Fiscal consolidation

- Three aspects
  - Debt/GDP ration (from the past)
  - Continuing fiscal deficit (present issue)
  - Aging population (future threat)
- Strategy for the fiscal consolidation
  - How to cut budget deficit
  - Preparing for aging population: reform of social security
  - long-run path for lowing debt/GDP ratio