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Japan's Economy: Monthly Review

Examination of four concerns regarding Abenomics

Maintaining fiscal discipline, shoring up growth strategies indispensable

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Main Points

- In light of the first preliminary Oct-Dec 2012 GDP report (Cabinet Office), we have revised our economic growth outlook for FY12-14. We now forecast real GDP growth of +0.9% y/y for FY12, +2.7% for FY13, and +0.4% for FY14. Forecast revisions were made by taking a broad account of such factors as the formation of a large-scale supplementary budget, and the ongoing depreciation of the yen/ascent of share prices accompanying the Bank of Japan (BOJ)'s adoption of inflation targeting.

- Abenomics prioritizes three thrusts: (1) bold monetary policies, (2) flexible fiscal policies, and (3) growth strategies to stimulate private sector investment. We believe that it has the potential of sparking the revival of Japan's economy and that its basic direction is set on the right course. In this report, we examine four concerns involving Abenomics, namely (1) the government failing to maintain fiscal discipline could invite the triple blow of falling JGB prices, falling stock prices, and a falling yen, (2) medium/long-term improvements in the nation's economic foundation/structural reforms are currently insufficient, (3) employee income will not grow as inflation progresses, and (4) large companies will benefit but small companies will be left out. The first two are the most worrisome—the key to the future success of Abenomics will be (a) selective investment in public works projects while maintaining fiscal discipline and (b) the implementation of policies to improve the foundations of Japan's economy, such as deregulation, participation in the Trans Pacific Partnership (TPP), and the reduction of the effective tax rate borne by corporations.

- Japan's economy slipped into recession after peaking in March 2012. The economy now appears to have hit bottom in November 2012 and to have bottomed out. It is expected to continue expanding, supported by (1) the recovery of the US and Chinese economies, (2) the continuation of reconstruction demand and the formation of a large-scale supplementary budget, and (3) the ongoing depreciation of the yen/ascent of share prices accompanying BOJ's adoption of inflation targeting. With regard to the last, we believe that a correction of the yen's excessive appreciation is currently underway in foreign exchange markets. Also, a comparison with the real economy suggests that stock prices are potentially still undervalued at current levels.

1. Economic outlook revised

In light of the first preliminary Oct-Dec 2012 GDP report (Cabinet Office), we have revised our economic growth outlook for FY12-14. We had provisionally revised our outlook upward on 18 January in view of the formation of the Abe administration, but now forecast real GDP growth of +0.9% y/y for FY12 (provisional forecast as of 18 January: +1.3%; forecast before the formation of the Abe administration: +1.0%), +2.7% for FY13 (+2.2% and +1.1%, respectively), and +0.4% for FY14 (provisional forecast as of 18 January: +0.3%). Forecast revisions were made by taking a broad account of such factors as the formation of a large-scale supplementary budget, and the ongoing depreciation of the yen/ascent of share prices accompanying the Bank of Japan (BOJ)'s adoption of inflation targeting.

Will Abenomics Rehabilitate Japan's Economy?

In our current outlook, we provide a multifaceted examination of the economic policies of the Abe administration (so-called Abenomics). Abenomics prioritizes three thrusts: (1) bold monetary policies, (2) flexible fiscal policies, and (3) growth strategies to stimulate private sector investments. We believe that Abenomics has the potential of sparking the revival of Japan's economy and that its basic direction is set on the right course. In this report, we examine four concerns that Japanese citizens have regarding Abenomics. First, there is the risk that the government failing to maintain fiscal discipline will invite the triple blow of falling JGB prices, falling stock prices, and a falling yen. Second, criticism is being widely voiced that medium- to long-term improvements in the nation's economic foundation and structural reforms are currently insufficient. Third, there is concern that employee income will not grow as inflation progresses. And fourth, there is worry that while Abenomics will benefit large companies, small companies will be left out. Our analysis of these four concerns led us to the conclusion that the first two are the most worrisome for Abenomics. That is to say, the key to the future success of Abenomics will be (1) selective investment in public works projects while maintaining fiscal discipline and (2) the implementation of policies to improve the foundations of Japan's economy, such as deregulation, participation in the Trans-Pacific Strategic Economic Partnership Agreement (TPP), and the reduction of the effective tax rate borne by corporations.

Main scenario for Japan's economy

Japan's economy slipped into recession after peaking in March 2012. The economy now appears to have hit bottom in November 2012 and to have bottomed out. It is expected to continue expanding, supported by (1) the recovery of the US and Chinese economies, (2) the continuation of reconstruction demand and the formation of a large-scale supplementary budget, and (3) the ongoing depreciation of the yen/ascent of stock prices accompanying the BOJ's adoption of inflation targeting. With regard to the last, we believe that a correction of the yen's excessive appreciation is currently under way in foreign exchange markets. Also, a comparison with the real economy suggests that stock prices are potentially still undervalued at current levels.

Risks facing Japan's economy

Risks that will need to be borne in mind regarding Japan's economy are: (1) any deepening of the European sovereign debt crisis, reflecting likely political instability in Italy and Spain, (2) any worsening of Japan-China relations, (3) the US fiscal issue, and (4) a surge in crude oil prices stemming from geopolitical risk.

2. Examination of four concerns regarding Abenomics

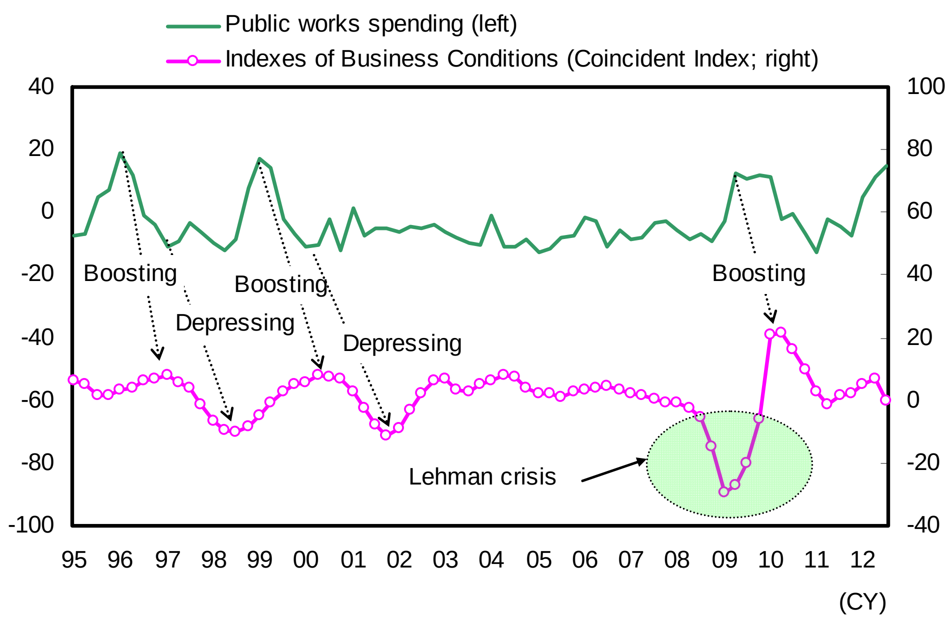
Concern 1: Loss of fiscal discipline

Public works spending only has short-lived effect

The first concern that Japanese citizens have with respect to Abenomics is the risk that the government failing to maintain fiscal discipline will invite the triple blow of falling JGB prices, falling stock prices, and a falling yen.

Public works spending will support the economy but have nothing more than a short-lived effect. Chart 1 illustrates the trend of public works spending and the Indexes of Business Conditions (Coincident Index; Cabinet Office). We can see in the chart that, when public works spending increases (decreases), the Coincident Index tends to rise (decline) after a certain lag. This should indicate that, while public works spending will lift the economy for a while, this is not an effect that is sustained over time. The recent large-scale supplementary budget taking effect is expected to spur the economy temporarily (we assume that it will boost real GDP by 0.7 percentage points). However, to increase the economy's growth rate in the medium to long term, the third priority area of Abenomics, implementing growth strategies, will be extremely important.

Indexes of Business Conditions and Public Works Spending (y/y %) **Chart 1**



Source: Cabinet Office; compiled by DIR.

Economic effect of public works spending trending downward

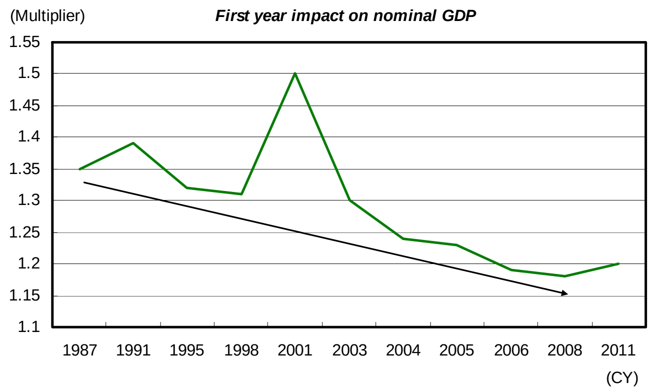
Chart 2 presents a time series from 1987 of the multiplier for public works spending based on the Cabinet Office's macroeconometric model. This multiplier expresses by how much GDP as a whole will expand when nominal public works spending increases 1% as a percentage of nominal GDP. The larger the multiplier becomes, so too will the economic effect of public works spending. We can see from the chart that the multiplier is trending downward over the long term, suggesting that public works spending is having less of an effect than before in the lift it provides to the economy.

Is real social capital stock in excess by Y367 trillion?

Chart 3 portrays the trend of real social capital stock in Japan. Real social capital stock of about Y800 trillion is estimated to currently exist in Japan, a figure that strongly reflects massive public works spending carried out in the past. If general government fixed capital formation in Japan had been restricted to around 2.5% of nominal GDP, the average of advanced economies, Japan's current real social capital stock would be limited to about Y400 trillion. In our estimation, the difference between these two figures as of end-2010 was Y367 trillion. In other words, Japan's real social capital stock is in excess by this amount. While some allowance will need to be made for Japan's distinctive geographical features, such as extensive mountainous regions, it seems safe to say that "economic growth reliant on public works spending has reached a limit" is a view that is consistent with the sentiment of a majority of the public.

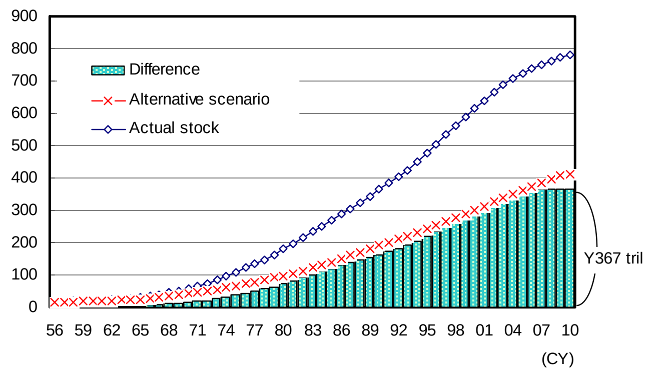
The claim is heard that there will be a growing need in Japan to replace the massive social infrastructure accumulated through past public works spending. If the current level of social capital stock is excessive, however, the case can be made that not all will need replacing. While there is no more important work for a nation than protecting the lives and assets of its citizens, investing little by little in unnecessary public works projects in the name of safety and security will reduce economic efficiency and expand fiscal deficits. What will be important is clearly separating the discussion of investments indispensable for protecting the lives and assets of citizens from other public works spending. There can be no doubt that the former will be necessary even if they are somewhat inefficient. The latter, however, should be undertaken very selectively by carefully ascertaining economic efficiency according to their cost effectiveness.

Multiplier for Nominal Public Works Spending
Chart 2



Source: Cabinet Office; compiled by DIR.

Real Social Capital Stock (Y tril)
Chart 3



Source: Cabinet Office; compiled by DIR.
Note: Alternative scenario assumes general government fixed capital formation has been 2.5% of nominal GDP.

Concern 2: Medium- to long-term improvements in the nation's economic foundation and structural reforms insufficient

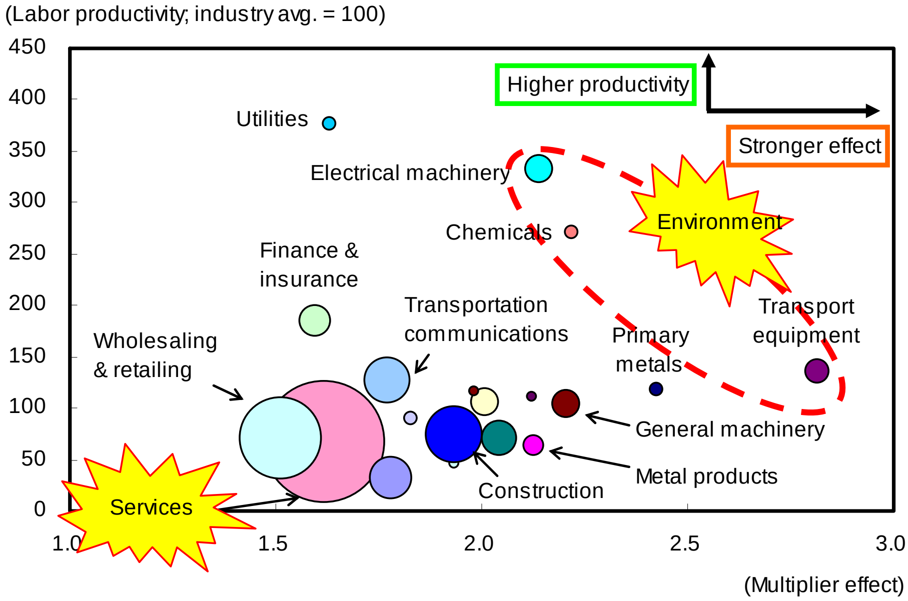
Efforts such as deregulation, TPP participation, and corporate tax reduction currently insufficient

The second concern that Japanese citizens have about Abenomics is that medium- to long-term improvements in the nation's economic foundation and structural reforms are insufficient at the present moment. Abenomics mainly consists of stimulus measures like public works spending and monetary policies. However, if the capacity for economic growth is to be strengthened in the medium to long term, efforts toward structural reform will be necessary, such as deregulation and participation in TPP. Other essential steps will be reducing the corporate tax, tax breaks for investing in growth sectors, and establishing an environment that promotes entrepreneurship. If Japan's economic foundations are not improved through such measures, there is concern that the ascent of share prices and depreciation of the yen will come to be just passing phenomena.

Japan's growth areas in terms of industrial structure

As illustrated in Chart 4, in view of Japan's industrial structure, priority areas are likely to be (1) the environment, which promises efficiency, ripple effects to other industries, and high growth prospects, and (2) services centering on health care and long-term care which have a large capacity to create jobs. In the chart, the size of circles indicates number employed. The capacity to create jobs is limited for environment-related industries (electrical machinery, chemicals, and transportation equipment). In addition, manufacturing industries only accounted for 18.8% of the number of employees in CY12. Therefore, to increase jobs, it is indispensable to stimulate services, centering on health care and long-term care (located in the lower left corner in the graph), for example, by easing regulation regarding operating "special nursing homes" (social welfare facilities for the aged).

Labor Productivity and Multiplier Effect **Chart 4**



Source: Ministry of Economy, Trade and Industry; Cabinet Office; compiled by DIR.
Notes: 1) Multiplier effect: DIR estimate for some industries.
2) Size of circles indicates number employed.

In growth strategy discussions, the pointless contest between manufacturing and non-manufacturing (services) industries or that between foreign demand and domestic demand often continues endlessly. While manufacturing industries and foreign demand promise efficiency and ripple effects to other industries, service industries and domestic demand have a large capacity to create jobs. Thus, the key to Japan's economic growth will be to first determine the potential advantages of each and then to implement strategies to fortify industries/demand on both sides as optimally as possible.

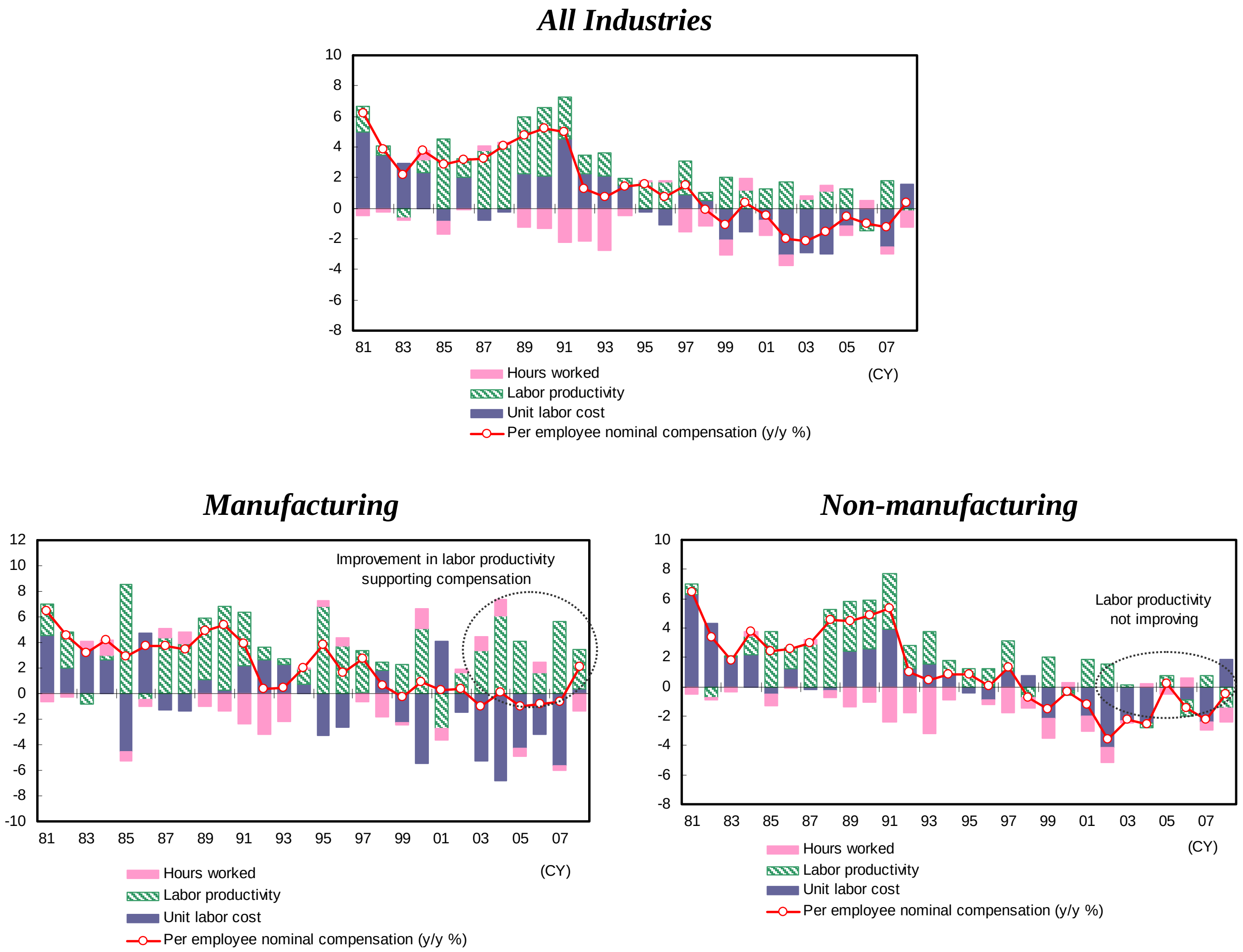
In implementing industrial policies, the government should provide funds such as subsidies to specified areas only on a limited basis. For example, in such areas as stem-cell research where it is difficult for the pure private sector to assume risk—areas where research periods are long and uncertainties large—some degree of government involvement will be necessary. The basic approach, however, should be for the government to ease regulations to the maximum extent possible within the scope that does not cause harm and to expend maximum effort in laying the groundwork so the private sector can freely express its creative energies.

In addition to serious efforts to ease regulations, other measures worth examining would include (1) braking the hollowing out of Japan's economy such as by participating in TPP and by reducing corporate taxes and (2) the implementation of support measures that would promote R&D investments and the pursuit of international opportunities by small and medium-sized companies.

Sluggishness of labor productivity pronounced for non-manufacturing industry in Japan

Chart 5 depicts per employee nominal compensation for the manufacturing and non-manufacturing industries. The chart discloses that the increase in labor productivity is supporting employee compensation in the manufacturing industry. In contrast, labor productivity failing to increase is a factor placing downward pressure on employee compensation in the non-manufacturing industry. Thus, an important point to address in future policy responses will be policies that increase employee compensation such as through the improvement of labor productivity in the non-manufacturing industry.

Contribution to Y/y Per Employee Compensation by Industry (% pt) **Chart 5**



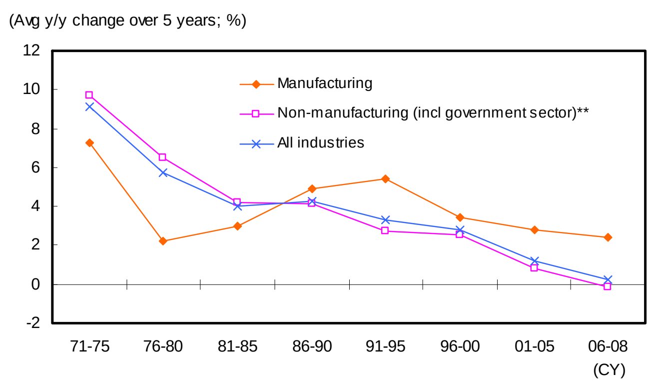
Source: Cabinet Office; compiled by DIR.
Notes: 1) Per employee compensation = (a) nominal employee compensation / real GDP x (b) real GDP / (no. of employees x hours worked) x (c) hours worked; (a) corresponds to unit labor cost, and (b) labor productivity.
2) 2000 SNA basis.
3) Data was available through 2010 but we excluded 2009 and 2010 due to significant volatility.

Low labor productivity of non-manufacturing industry stems from low capital-labor ratio

The low labor productivity of Japan's non-manufacturing industry stems from a low capital-labor ratio, centering on IT-related investments. Charts 6.1 and 6.2 underscore that the capital-labor ratio of the industry is growing far more slowly than that of the manufacturing industry, and total factor productivity (a measure of technological progress) of the industry remains stagnant.

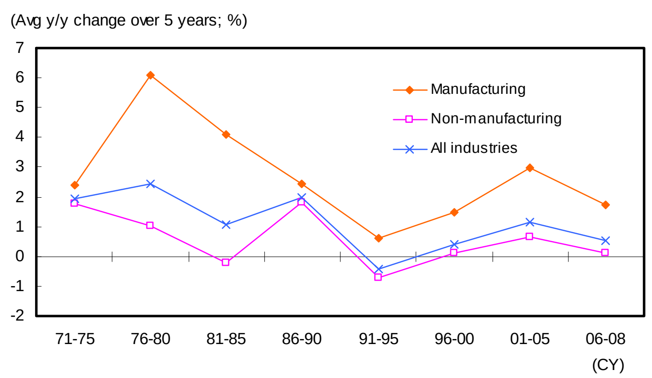
An important issue going forward will be raising labor productivity of the non-manufacturing industry such as by increasing its capital-labor ratio, centering on IT-related investments. Specifically, it will be worth considering policy incentives to promote IT-related investments in the industry. What will prove to be key are measures that will encourage the renewal of companies in the industry by fostering entrepreneurs, by developing domestic sites through the promotion of TPP, and by reforming the labor market.

Japan: Capital-Labor Ratio* **Chart 6.1**



Source: Research Institute of Economy, Trade and Industry; compiled by DIR.
* Real net capital stock / no. employed.
** All industries minus manufacturing.
Note: Latest data available: 3-yr avg.

Total Factor Productivity **Chart 6.2**



Source: Research Institute of Economy, Trade and Industry; compiled by DIR.
Note: "All" and "Non-manufacturing" industries exclude housing and unclassified industries.
Note: Latest data available: 3-yr avg.

Three points regarding employment policies

Three points are worth making regarding employment policies:

First, what needs to be recognized is that employment is essentially a form of secondary demand. The guiding principle to follow is the idea that the best employment policy is the steady expansion of Japan's economy.

Second, building on this guiding principle, what should be placed at the core of employment measures are active ones that center on job training rather than those that relieve pain after the fact (passive employment measures). The essential point of employment policies should be none other than increasing the employability of workers.

Third, an urgent issue that needs addressing is the elimination of unfair disparities between regular and non-regular workers. In this process, an all-important perspective will be committing fully to the principle of same pay for the same work. Should attempts be made to forcefully convert non-regular workers into regular workers, this would result in the outflow of jobs overseas and risk placing non-regular workers in more difficult straits. In legislative terms, a temporary agency law should be passed, and the legal status of non-regular workers should be clarified in the main body of this law.

To overcome deflation, government efforts to strengthen growth strategies will be indispensable

Finally, it is worth emphasizing that, to overcome deflation in Japan, monetary easing by the BOJ alone will not be enough and that government efforts to strengthen growth strategies will be indispensable.

Chart 7 presents an estimation using DIR's short-term macroeconomic model of the foreign exchange rate and the margin of overshooting in the GDP gap needed to achieve an inflation rate of 2%. Our estimation revealed that if the yen were traded at Y120/$ and the GDP gap overshot the base scenario by 4 percentage points, inflation would be 2% at end-FY14. This estimate suggests that it will be difficult to achieve an inflation target of 2% solely by weakening the yen through bold monetary easing and that it will be essential to stimulate potential demand and to improve the GDP gap through such measures as government efforts to strengthen growth strategies.

Forex Rate and Margin of Improvement in GDP Gap that Could Satisfy 2% Inflation Target — Chart 7

		Case 1: Y95/$	Case 2: Y100/$	Case 3: Y110/$	Case 4: Y120/$
		CPI (excl. fresh food; Jan-Mar 2015; y/y)			
GDP gap (deviation from base scenario; % pt)	0.0	0.5%	0.6%	0.8%	1.0%
	1.0	0.8%	0.9%	1.1%	1.2%
	2.0	1.1%	1.2%	1.3%	1.5%
	3.0	1.3%	1.4%	1.6%	1.8%
	4.0	1.6%	1.7%	1.9%	2.0%
	5.0	1.9%	2.0%	2.1%	2.3%

Source: Compiled by DIR based on various statistics and DIR's short-term macroeconomic model.
Notes: 1) Changes in GDP gap and forex assumed to occur in Apr-Jun 2013.
2) CPI excl. impact of consumption tax hike.

Concern 3: Misplaced belief that employee income will not grow amidst inflation

Cycle seen where increase in sales is followed by higher wages and higher prices

The third concern that Japanese citizens have with respect to Abenomics is that, while inflation progresses, employee income will not grow. An examination of the historical record, however, discloses the existence of a cycle where an increase in sales is followed by higher wages and higher prices in Japan.

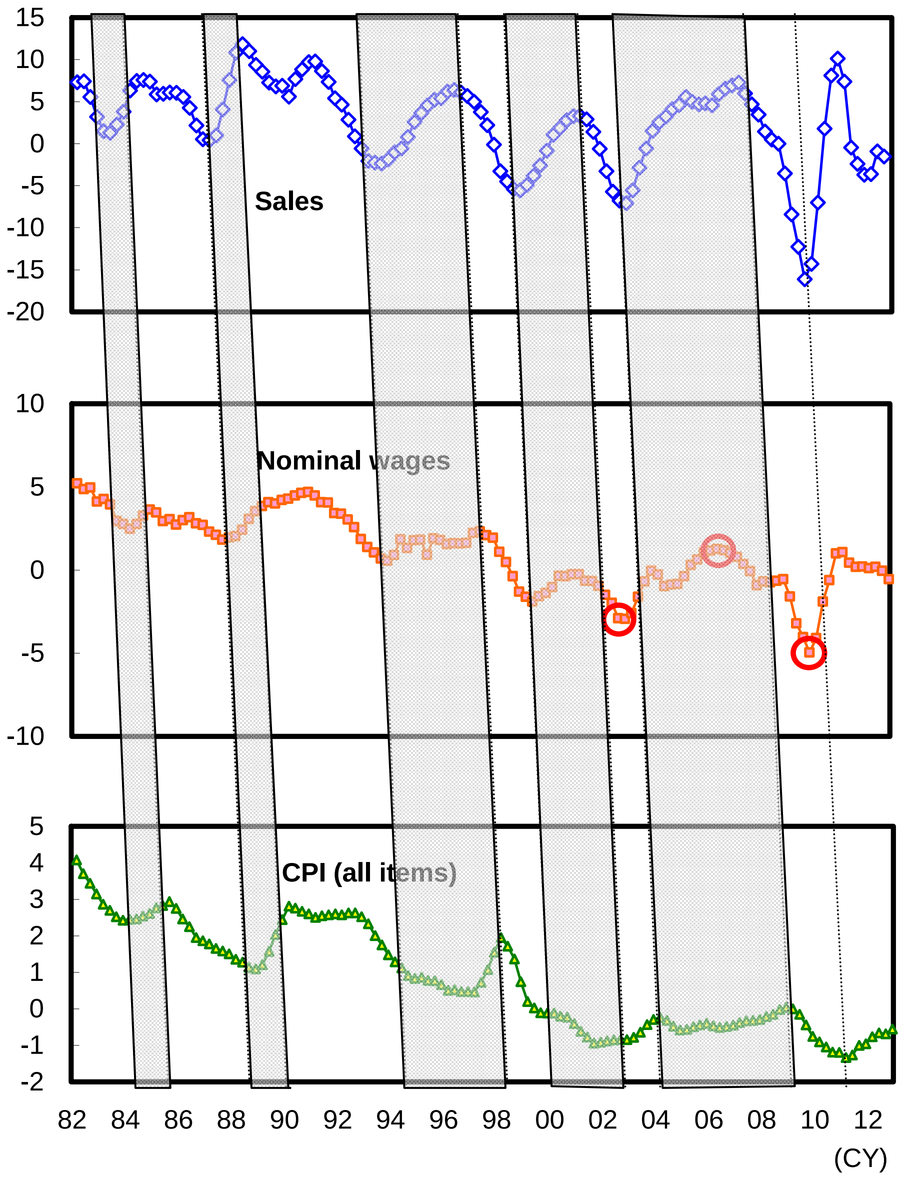
Chart 8 illustrates the sales of Japanese companies, nominal wages, and CPI. It should be evident from the chart that higher sales lead to an increase in nominal wages, which then gives way to a higher CPI. It should also be evident that these increases do not occur simultaneously but occur with a lag of about six months. In other words, about six months after sales increase, wages rise, followed by CPI after another six months.

In its basic philosophy, Abenomics views the expansion of sales through monetary easing by the BOJ and through the pro-business policies of the government as the best approach for overcoming deflation. Bearing the above cycle in mind, it is safe to say that Abenomics has chosen precisely the right target to aim for.

Policies sought that will support transfer of income from corporate to household sector

Some concern, however, is raised by sales losing some of their leading character relative to nominal wages since the 2000s with the progress of globalization. In other words, as global competition intensifies, there is a tendency among companies to accelerate the increase or decrease in employee wages. From such a perspective, there is no doubting the need in policy terms to strengthen a transmission mechanism that will enable higher sales to propagate appropriately to wage increases. The government deserves some praise for establishing a policy of offering tax relief to companies that increase the allocation of income to workers from the viewpoint of supporting the transfer of income from the corporate sector to the household sector.

Sales, Wages, and Prices (y/y %) **Chart 8**



Source: Ministry of Finance, Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare; compiled by DIR.
Notes: 1) Four quarter avg.
2) Shaded bars denote periods when sales were on uptrend. Bars tiled in order to show roughly 6-month lag from sales graph to nominal wages graph and from there to CPI graph, respectively.

Number of employees may increase but per employee wage may not immediately increase

Higher sales may not immediately entail higher per employee wages. Chart 9 offers a breakdown of total labor costs for all workers of all industries. The chart shows that, from 2001 to around 2002 and from 2004 to around 2005, while the number of employees increased as the economy expanded, per employee wages did not rise. This is thought to be the outcome of such factors as (1) companies lacking confidence in the sustainability of economic expansion and being reluctant to raise base wages (i.e., regular pay) and (2) a trend centering on the service sector in recent years to curb labor costs by hiring more part-time workers. Thus, to increase per employee wages, the firm implementation of growth strategies that will usher in sustainable economic growth will need to be accompanied by further improvement in the job climate to the point where the part-time employee ratio turns downward.

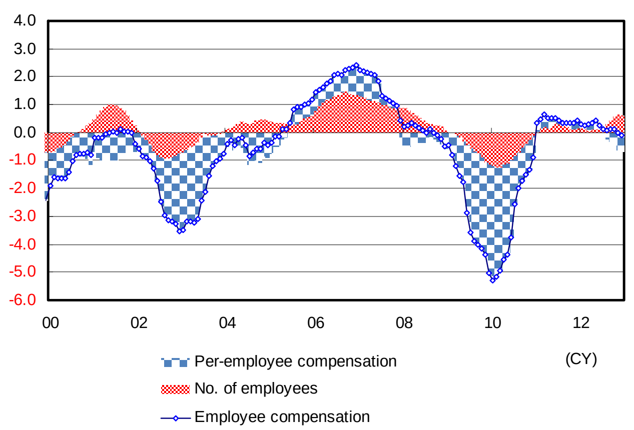
To conclude, even if Abenomics leads to higher sales for companies, since worker wages will not immediately rise, many Japanese citizens may not experience Abenomics as improving their lives. However, since job increases will boost employee compensation at the macro level, there is no question that this will contribute to higher prices in the final analysis, such as by way of the improvement in the GDP gap through economic growth.

Labor's share not trending downward in Japan

The view loudly proclaimed by some economists that labor's share is trending downward in Japan is a misinterpretation of the facts. Chart 10 portrays the long-term trend of labor's share in Japan and the US. The chart reveals that labor's share is trending upward in Japan in the medium to long term and that its current level exceeds that of the US. Because of the downward rigidity of wages, labor's share generally declines during economic expansion and advances during recession.

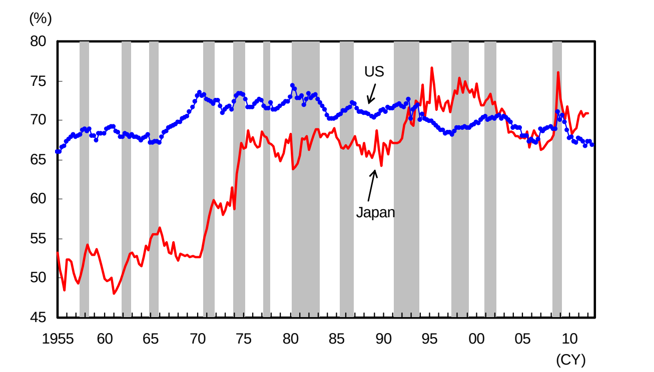
In the years since 1990, labor's share in Japan surged temporarily when the economy worsened sharply following the collapse of an asset bubble and after the Lehman crisis but declined in subsequent economic expansion periods. It is not the case that it is on a downward trend. In other words, the sluggishness of employee income is not a problem related to the allocation of national income but is mainly the outcome of an economic pie that has not expanded.

Employee Compensation (all industries; y/y %) **Chart 9**



Source: Ministry of Internal Affairs and Communications, Ministry of Health, Labour and Welfare; compiled by DIR.
Note: Y/y change in "employee compensation" = y/y change in "per-employee compensation x no. of employees".

Long-term Trend of Japan and US Labor's Share Chart 10



Source: US Bureau of Economic Analysis, Cabinet Office; compiled by DIR.
Note: Due to discontinuity, Japan's labor's share adjusted based on 1990 SNA for 1955-79, 2000 SNA for 1980-93, 2005 SNA from 1994, and seasonally adjusted by DIR for 1955-79.

For Japan, driver of recovery is the growth of exports

Believing that the cause of deflation is sluggish employee wages, some economists argue that the first step to take is to increase wages. It should be apparent, however, that the government seeking to forcefully raise wages would accelerate the hollowing out of the economy, where companies transfer their operations overseas, and that this would cause demand for labor to decline domestically. Just as assumed by Abenomics, the best approach for overcoming deflation is surely the expansion of sales through bold monetary easing by the BOJ and through pro-business policies on the part of the government.

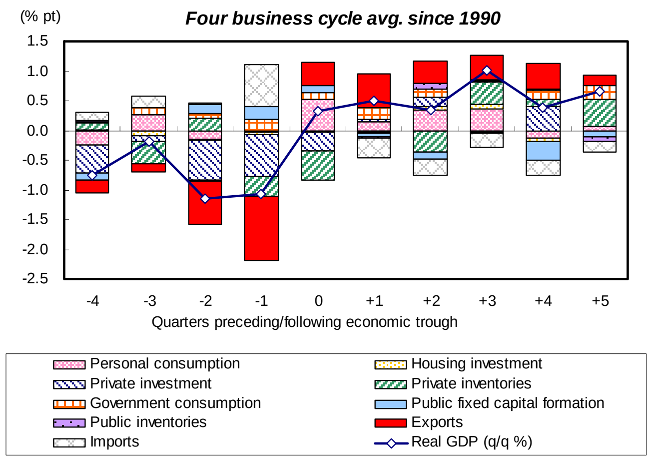
An examination of past recoveries in Japan and the US indicates that, since the 1990s, the growth of exports has been the driver of recoveries in Japan. Chart 11 presents an average pattern of four recoveries Japan experienced since the 1990s. Recent recoveries share three features. First, the driving force of recoveries has clearly shifted from fiscal and monetary measures to exports. Second, a few quarters after the trough of the business cycle, capex and inventories clearly increase. The lead actor in the rise of capex is assembly industries being stimulated by foreign demand. Third, the upside effect on the economy of personal consumption, public works spending, and housing investment has greatly diminished compared to the past.

In the most recent downturn as well, the growth of exports ensuing from the depreciation of the yen that has followed the bold monetary easing of the BOJ can be expected to trigger the bottoming out of Japan's economy.

In contrast to Japan, driver of economic recoveries in the US is growth of personal consumption

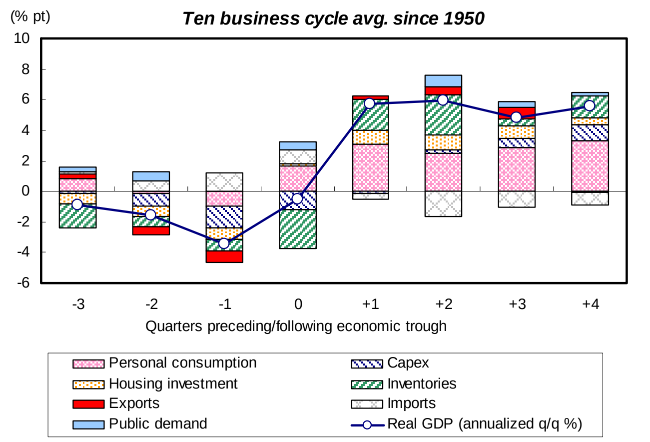
Chart 12 presents an average view of economic recoveries in the US. Their distinguishing characteristic is personal consumption being the first to turn sharply upward when the trough of the business cycle is reached. This contrasts with Japan where the growth of exports triggers recoveries. Once personal consumption turns upward, this is then followed by an increase in inventory investments after about a quarter, substantially boosting the growth rate of real GDP. In recent years (particularly since the 1990s), with the progress of globalization, exports have also come to contribute to the growth rate of real GDP about one quarter after the trough, but this contribution is not all that large.

Japan: Breakdown of GDP Growth in Recovery Phases — **Chart 11**



Source: Cabinet Office; compiled by DIR.

US: Breakdown of GDP Growth in Recovery Phases — **Chart 12**



Source: US Bureau of Economic Analysis, Haver Analytics; compiled by DIR.

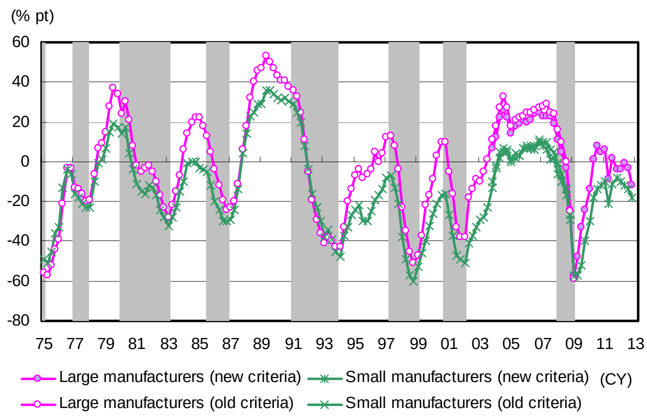
Concern 4: Small companies do not benefit from Abenomics

In historical terms, difficult to say disparities have widened between large and small companies

Fourth, there is criticism that while Abenomics will benefit large companies, small companies will be left out. We believe, however, that such concerns will prove to be unfounded. In historical terms, it is difficult to say that disparities have widened between them.

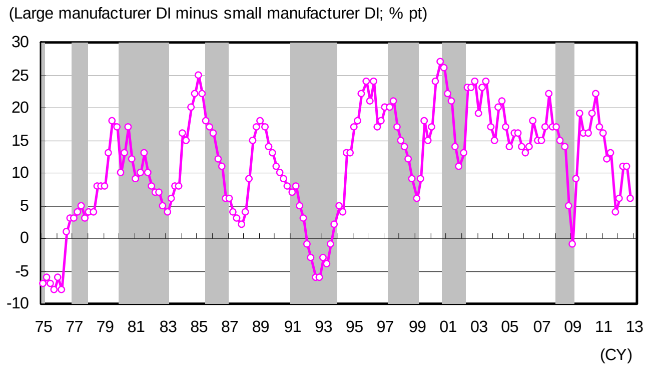
Chart 13.1 compares the BOJ's *Tankan* business condition DI of manufacturers by company size. The trend of the differential between the DIs of large and small companies is portrayed in Chart 13.2. Media reports sometimes point out that disparities between large and small companies widened during the period of Koizumi structural reforms. However, the differential has trended stably for the most part in a range of 15-20 points since around 1995. Thus, from the perspective of business condition DIs, it cannot be said that disparities increased sharply under Koizumi structural reform. Moreover, the differential in their DIs has narrowed significantly, due in part to Japan's economy slipping into recession following a peak in March 2012.

Tankan Business Condition DI: Large and Small Manufacturers — Chart 13.1



Source: Bank of Japan; compiled by DIR.
Note: Shaded areas denote economic downturns.

Tankan Business Condition DI: Gap between Large and Small Manufacturers — Chart 13.2



Source: Bank of Japan; compiled by DIR.
Notes: 1) Shaded areas denote economic downturns.
2) New criteria basis from Jan 2004.

Outlook for Japanese Economy, Interest Rates — Chart 14

	2012	2013				2014	FY11	FY12	FY13	FY14
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar				
Indicator	**Actual**	**DIR estimates**					**Actual**	**DIR estimates**		
Real GDP										
Q/q %, annualized	-0.4	2.7	3.8	3.5	4.2	5.3				
Y/y %	0.3	-0.7	0.6	2.4	3.5	4.2	0.3	0.9	2.7	0.4
Current account balance SAAR (Y tril)	3.0	1.1	1.6	2.1	2.5	3.0	7.6	3.5	2.3	7.6
Unemployment rate (%)	4.2	4.2	4.2	4.1	4.1	4.1	4.5	4.3	4.1	4.0
CPI (excl. fresh foods; 2010 prices; y/y %)	-0.1	-0.4	-0.1	0.1	0.3	0.4	-0.0	-0.2	0.2	2.6
Unsecured overnight call rate (period end; %)	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
10-year JGB yield (period average; %)	0.76	0.80	0.85	0.90	0.95	1.00	1.05	0.80	0.93	1.00

Source: Compiled by DIR.
Note: Estimates taken from DIR's *Japan's Economic Outlook No. 176*.