Japan: Table of Common Indicators Required for Surveillance (as of June 13, 2013)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]	Memo Items: Data Quality – Methodological soundness[7]	Memo Items: Data Quality – Accuracy and reliability[8]
Exchange Rates	June 2013	June 2013	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	6/10/2013	6/12/2013	Every 10 days	Every 10 days	Every 10 days		
Reserve/Base Money	May 2013	June 2013	M	M	M	LO, LO, LO, LO	O, O, O, O, O
Broad Money	May 2013	June 2013	M	M	M		
International Investment Position	2013 Q1	June 2013	Q	Q	Q		
Central Bank Balance Sheet	6/10/2013	6/12/2013	Every 10 days	Every 10 days	Every 10 days		
Consolidated Balance Sheet of the Banking System	April 2013	June 2013	M	M	M		
Interest Rates[2]	June 2013	June 2013	D	D	D		
Consumer Price Index	April 2013	May 2013	M	M	M	O, LO, O, O	O, O, LO, O, O
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	2011	January 2013	A	A	A	O, LNO, O, O	LO, O, O, O, LO
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	2011	January 2013	A	A	A		
Stocks of Central Government and Central Government-Guaranteed Debt[5]	March 2013	May 2013	Q	Q	Q		
External Current Account Balance	April 2013	June 2013	M	M	M	O, O, LO, O	LO, O, O, O, O
Exports and Imports of Goods and Services	April 2013	June 2013	M	M	M		
GDP/GNP	2013 Q1	June 2013	Q	Q	Q	O, O, O, O,	LO, LO, O, O, LNO
Gross External Debt	Mar 2013	June 2013	Q	Q	Q		

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).
[7] Reflects the assessment provided in the data ROSC or the Substantive Update (published on May 17, 2006, and based on the findings of the mission that took place during September 2005) **for** the dataset corresponding to the variable in each row. The assessment indicates whether international standards concerning concepts and definitions, scope, classification/sectorization, and basis for recording are fully observed (O); largely observed (LO); largely not observed (LNO); not observed (NO); and not available (NA).
[8] Same as footnote 7, except referring to international standards concerning (respectively) source data and its assessment, statistical techniques, assessment and validation of intermediate data and statistical outputs, and revision studies.

INTERNATIONAL MONETARY FUND
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IMF Executive Board Concludes 2013 Article IV Consultation Discussions with Japan

On July 31, 2013, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation discussions with Japan.[1]

The new government announced in December 2012 a new policy framework to end decades-long deflation and raise growth. The new policy regime calls for a coordinated policy effort by the Bank of Japan (BoJ) and the government to jumpstart the economy and create sustained growth synergies through bold structural reforms. The announcement was followed by a quick set of actions.

On the back of this new policy framework, growth accelerated sharply in early 2013. First quarter GDP growth rose to 4.1 percent (seasonally adjusted annual rate) after two quarters of stagnation. Rising equity values stimulated consumption and exports rebounded supported by strong regional demand and a weaker yen. Inflation expectations have started to increase and actual inflation recorded positive growth in June.

Financial and exchange markets were buoyant in early 2013 and the immediate aftermath of Quantitative and Qualitative Monetary Easing (QQME). From September 2012 to mid-May 2013 the Nikkei stock index rose by about 80 percent, but temporarily dropped sharply by around 15 percent. As of end June, the yen has depreciated by about 20 percent in real effective terms since mid-2012. Ten-year bond yields have remained unchanged around 80-90 basis points since the beginning of the year, although they briefly declined to historic lows of about 45 basis points after the announcement of QQME.

The near-term outlook has improved considerably, buoyed by stimulus. The Japanese economy is expected to grow by about 2 percent, mainly as a result of the new fiscal stimulus and monetary easing feeding through to private consumption and with some lag to investment. A strengthening of external demand, helped by depreciation, and frontloading of consumption

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

ahead of the April 2014 consumption tax increase further supports the recovery. In 2014, growth is expected to moderate to 1.2 percent as a continued pick-up in private domestic demand is offset by fiscal withdrawal from the consumption tax increase—from 5 to 8 percent—and an unwinding of reconstruction spending. Over the medium term, growth is expected to converge to 1 percent as a recovery in investment is offset by a slowdown in labor supply due to population aging.

Capital positions of major financial institutions have improved due to strong equity performance, rising income from securities trading, and capital gains on Japanese Government Bonds and foreign asset holdings, while credit costs in banks remain limited. Profits for internationally active banks have also risen due to relatively high net interest margins on overseas loans, which rose by 20 percent (year-on-year). Implementation of Basel III requirement has commenced in March 2013.

Executive Board Assessment

Executive Directors noted that Japan's near-term economic prospects have improved with the adoption of vigorous macroeconomic policies combining fiscal stimulus with unprecedented monetary easing. Directors agreed, however, that the growth outlook is subject to significant risks, primarily stemming from incomplete domestic reforms and a weaker external environment, and that sustained implementation of the authorities' reform program is the best way to minimize these risks.

Directors welcomed the new monetary policy framework, which should make an important contribution to end deflation. They noted that careful communication and flexibility in execution are essential to contain market volatility and ensure effective policy transmission. At the same time, some Directors encouraged the authorities to prepare plans for an eventual exit from quantitative and qualitative monetary easing, even if that exit likely remains far off into the future.

Directors concurred that a credible medium-term fiscal plan should be adopted promptly to contain fiscal risks and reduce policy uncertainty. They noted that bringing down public debt as a share of GDP will require a significant adjustment over the next decade. In this regard, Directors generally supported the authorities' plans to double the consumption tax rate by 2015, although a few Directors expressed concern over the possible adverse impact on growth. Directors also underscored that additional revenue and expenditure measures will be needed beyond 2015.

Directors took note of the staff's assessment that the exchange rate is moderately undervalued at present, but stressed the large margin of uncertainty surrounding this assessment in the wake of the recent changes in the macroeconomic policy framework.

Directors noted that the financial system is generally sound, but low profitability and exposure to interest rate risk remain a concern. They agreed that the successful implementation of a comprehensive structural reform package would contribute to enhancing financial sector

stability. Directors welcomed recent progress on regulatory reform, but called for a strengthening of capital standards for regional banks, and for careful monitoring of foreign-funding by major banks.

Directors stressed that the new monetary framework should be supported by wide-ranging structural reforms, which can play a key role in the authorities' efforts to eradicate deflationary expectations and achieve self-sustaining growth. They called for steadfast implementation of a comprehensive agenda focused on reducing excessive labor market duality, deregulating agriculture and services, revitalizing small and medium enterprises, eliminating constraints on the provision of risk capital to firms, creating fiscal incentives to work and invest, and further relaxing immigration requirements. Directors welcomed the government's steps to boost the employment of women, and also, generally, its intention to join the Trans-Pacific Partnership.