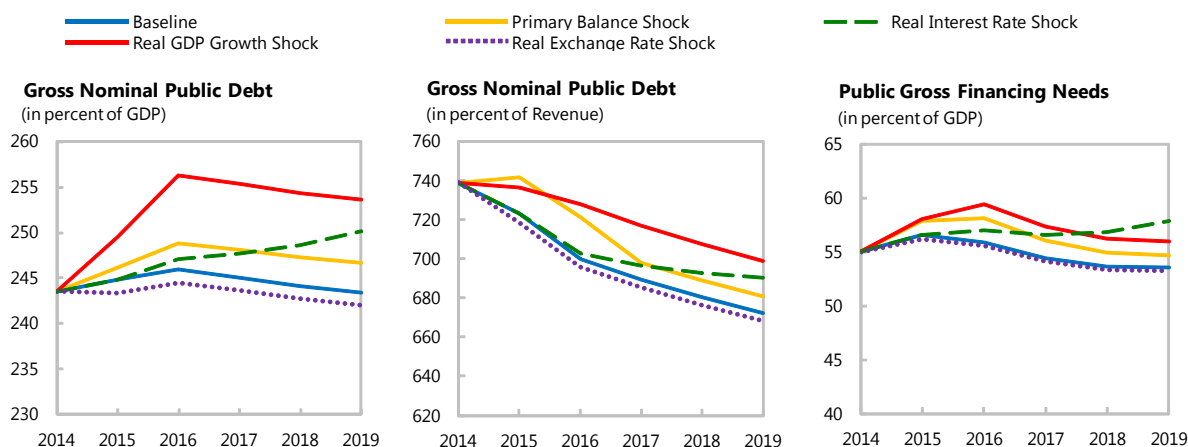
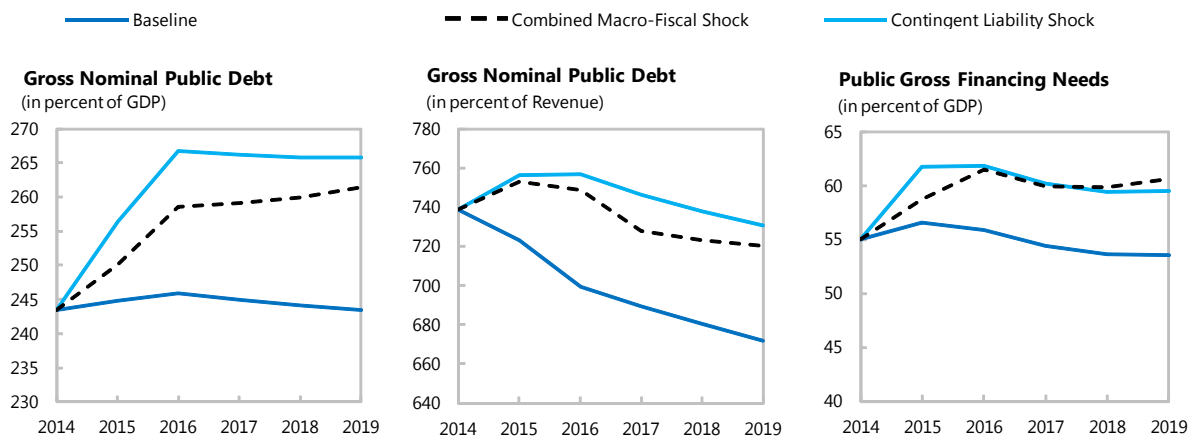


Japan: Public DSA – Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests

Underlying Assumptions
(in percent)

Primary Balance Shock							Real GDP Growth Shock						
	2014	2015	2016	2017	2018	2019		2014	2015	2016	2017	2018	2019
Real GDP growth	1.4	1.0	0.7	1.0	1.0	1.1	Real GDP growth	1.4	-0.4	-0.7	1.0	1.0	1.1
Inflation	1.6	1.0	0.9	1.4	1.4	1.3	Inflation	1.6	0.7	0.6	1.4	1.4	1.3
Primary balance	-6.4	-6.6	-5.4	-3.6	-3.4	-3.1	Primary balance	-6.4	-5.9	-5.3	-3.6	-3.4	-3.1
Effective interest rate	0.8	0.9	1.1	1.3	1.5	1.8	Effective interest rate	0.8	0.9	1.0	1.3	1.5	1.8
Real Interest Rate Shock							Real Exchange Rate Shock						
Real GDP growth	1.4	1.0	0.7	1.0	1.0	1.1	Real GDP growth	1.4	1.0	0.7	1.0	1.0	1.1
Inflation	1.6	1.0	0.9	1.4	1.4	1.3	Inflation	1.6	1.7	0.9	1.4	1.4	1.3
Primary balance	-6.4	-5.2	-4.0	-3.6	-3.4	-3.1	Primary balance	-6.4	-5.2	-4.0	-3.6	-3.4	-3.1
Effective interest rate	0.8	0.9	1.4	1.8	2.2	2.6	Effective interest rate	0.8	0.9	1.0	1.2	1.4	1.7
Combined Shock							Contingent Liability Shock						
Real GDP growth	1.4	-0.4	-0.7	1.0	1.0	1.1	Real GDP growth	1.4	-1.7	-2.0	1.0	1.0	1.1
Inflation	1.6	0.7	0.6	1.4	1.4	1.3	Inflation	1.6	0.4	0.3	1.4	1.4	1.3
Primary balance	-6.4	-6.6	-6.0	-3.6	-3.4	-3.1	Primary balance	-6.4	-8.6	-4.0	-3.6	-3.4	-3.1
Effective interest rate	0.8	0.9	1.5	1.8	2.2	2.7	Effective interest rate	0.8	0.9	1.2	1.5	1.8	2.1

Source: IMF staff.



JAPAN

STAFF REPORT FOR THE 2014 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 3, 2014

Prepared By

Asia and Pacific Department (In consultation with other
departments)

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FUND RELATIONS

(As of April 30, 2014)

Membership Status: Joined: August 13, 1952; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	15,628.50	100.00
Fund holdings of currency (Exchange Rate)	15,032.43	96.19
Reserve Tranche Position	596.27	3.82
Lending to the Fund		
New Arrangements to Borrow	8,159.61	

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	12,284.97	100.00
Holdings	13,045.56	106.19

Outstanding Purchases and Loans: None

Latest Financial Arrangements: None

Projected Payments to Fund¹

(SDR Million; based on existing use of resources and present holdings of SDRs):

	2014	2015	Forthcoming		2018
			2016	2017	
Principal					
Charges/Interest	0.08	0.08	0.08	0.08	0.08
Total	0.08	0.08	0.08	0.08	0.08

Exchange Rate Arrangement:

Japan maintains a free floating exchange rate regime. Since the 2013 Article IV consultation, Japan has not had foreign exchange intervention. The ministry of finance publishes foreign exchange intervention information on its website. The exchange system is free of restrictions on the making of payments and transfers for current international transactions, with the exceptions of restrictions imposed solely for the preservation of national or international security that have been notified to the Fund pursuant to Executive Board Decision No. 144–(52/51).

¹ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Framework:

Japan underwent an assessment of its AML/CFT framework against the AML/CFT standard by the Financial Action Task Force (FATF) and the Asia/Pacific Group (APG) in 2008. Significant deficiencies were identified, notably with respect to customer due diligence (CDD) requirements, transparency of legal entities, the criminalization of terrorist financing and the freezing of terrorist assets. Since then, Japan has taken important steps to remedy some of the shortcomings identified. According to Japan's May 2013 follow-up report to the FATF (page 3), further action is nevertheless required, notably with a view to strengthening CDD rules and enabling appropriate freezing of terrorist assets. In addition, further improvements seem necessary to increase the transparency (and thus limit the misuse) of legal entities. The FATF urges Japan to promptly meet its commitment to address these AML/CFT deficiencies, including through the adoption of the necessary legislation. No dates have been set for Japan's next mutual evaluation.

Article IV Consultation:

The 2013 Article IV consultation discussions were held during May 21–31, 2013; the Executive Board discussed the Staff Report (IMF Country Report No. 13/253 and concluded the consultation on July 12, 2013. The concluding statement, staff report, staff supplement, selected issues paper, and PIN were all published.

STATISTICAL ISSUES

Economic and financial data provided to the Fund are considered adequate for surveillance purposes. Japan subscribes to the Special Data Dissemination Standard (SDDS) and meets the SDDS specifications for the coverage, periodicity, and timeliness of data. The Japanese authorities hosted a data module mission for a Report on the Observance of Standards and Codes (data ROSC) in September 12–28, 2005. The Report on Observance of Standards and Codes - Data Module, Response by the Authorities, and Detailed Assessments Using the Data Quality Assessment Framework (DQAF) were published March 17, 2006 and are available at <http://www.imf.org/external/pubs/ft/scr/2006/cr06115.pdf>.