



JAPAN

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 13, 2016

Prepared By

Asia and Pacific Department (In consultation with other
departments)

CONTENTS

FUND RELATIONS	2
STATISTICAL ISSUES	4

FUND RELATIONS

(As of June 30, 2016)

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

General Resources Account:

	SDR Million	Percent Quota
Quota	30,820.50	100.00
IMF's Holdings of Currency (Holdings Rate)	27,111.45	87.97
Reserve Tranche Position	3,709.48	12.04
Lending to the Fund		
New Arrangements to Borrow	5,090.49	

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	12,284.97	100.00
Holdings	12,387.16	100.83

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Millions)	Amount Drawn (SDR Millions)
Stand-By	Mar 11, 1964	Mar 10, 1965	305.00	0.00
Stand-By	Jan 19, 1962	Jan 18, 1963	305.00	0.00

Overdue Obligations and Projected Payments to Fund ¹

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

	2016	Forthcoming			
	2017	2018	2019	2020	
Principal					
Charges/Interest	0.43	0.43	0.43	0.43	0.43
Total	0.43	0.43	0.43	0.43	0.43

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.

Exchange Arrangement:

Japan maintains a free floating exchange rate regime. Since the 2015 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).

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 the 2014 Article IV mission, Japan has made significant progress in its commitment to strengthening its AML/CFT legal framework through the FATF standards, notably by enacting the Amendment Act on Prevention of Transfer of Criminal Proceeds, the Act to Amend the Terrorism Financing Act, and the Terrorist Assets Freezing Act. Japan will continue to be monitored by the FATF on its progress including the issuance of subsidiary legislations to implement the enacted Acts.

Article IV Consultation:

The 2015 Article IV consultation discussions were held during May 8–21, 2015; the Executive Board discussed the Staff Report (IMF Country Report No. 15/197) and concluded the consultation on July 17, 2015. 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>.

Japan: Table of Common Indicators Required for Surveillance (as of June 20, 2016)

	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	Data Quality – Accuracy and reliability ⁸
Exchange Rates	June 2016	June 2016	D	D	D		
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	6/10/2016	6/14/2016	Every 10 days	Every 10 days	Every 10 days		
Reserve/Base Money	May 2016	June 2016	M	M	M	LO, LO, LO, LO	O, O, O, O, O
Broad Money	May 2016	June 2016	M	M	M		
International Investment Position	2016Q1	June 2016	Q	Q	Q		
Central Bank Balance Sheet	6/10/2016	6/14/2016	Every 10 days	Every 10 days	Every 10 days		
Consolidated Balance Sheet of the Banking System	April 2016	June 2016	M	M	M		
Interest Rates ²	June 2016	June 2016	D	D	D		
Consumer Price Index	April 2016	May 2016	M	M	M	O, LO, O, O	O, O, LO, O, O
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	2014	January 2016	A	A	A	O, LNO, O, O	LO, O, O, O, LO
Revenue, Expenditure, Balance and Composition of Financing ³ – Central Government	2014	January 2016	A	A	A		
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	2016Q1	May 2016	Q	Q	Q		
External Current Account Balance	April 2016	June 2016	M	M	M	O, O, LO, O	LO, O, O, O, O
Exports and Imports of Goods and Services	April 2016	June 2016	M	M	M		
GDP/GNP	2016Q1	June 2016	Q	Q	Q	O, O, O, O,	LO, LO, O, O, LNO
Gross External Debt	2016Q1	June 2016	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 and extra budgetary funds), local governments, and social security funds.

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.



JAPAN

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

July 22, 2016

Prepared By

Asia and Pacific Department

This supplement updates the staff report (SM/16/223) and does not alter the thrust of the staff appraisal.

Taking into account weakness in recent high-frequency indicators, financial market volatility and uncertainty associated with the leave vote in the Brexit referendum, staff has marked down the outlook for growth and inflation. Domestically, the Upper House elections strengthened the leading coalition, paving the way for new policy initiatives which remain to be specified. Even though the initial market response may have overshot, subsequent developments point to the anticipation of a policy response. Against this background, the staff's advice remains broadly in line with the "reload" package and the need for supportive fiscal and monetary policies to deal with downside risks.