



International Monetary Fund
February 2, 2012



Japan

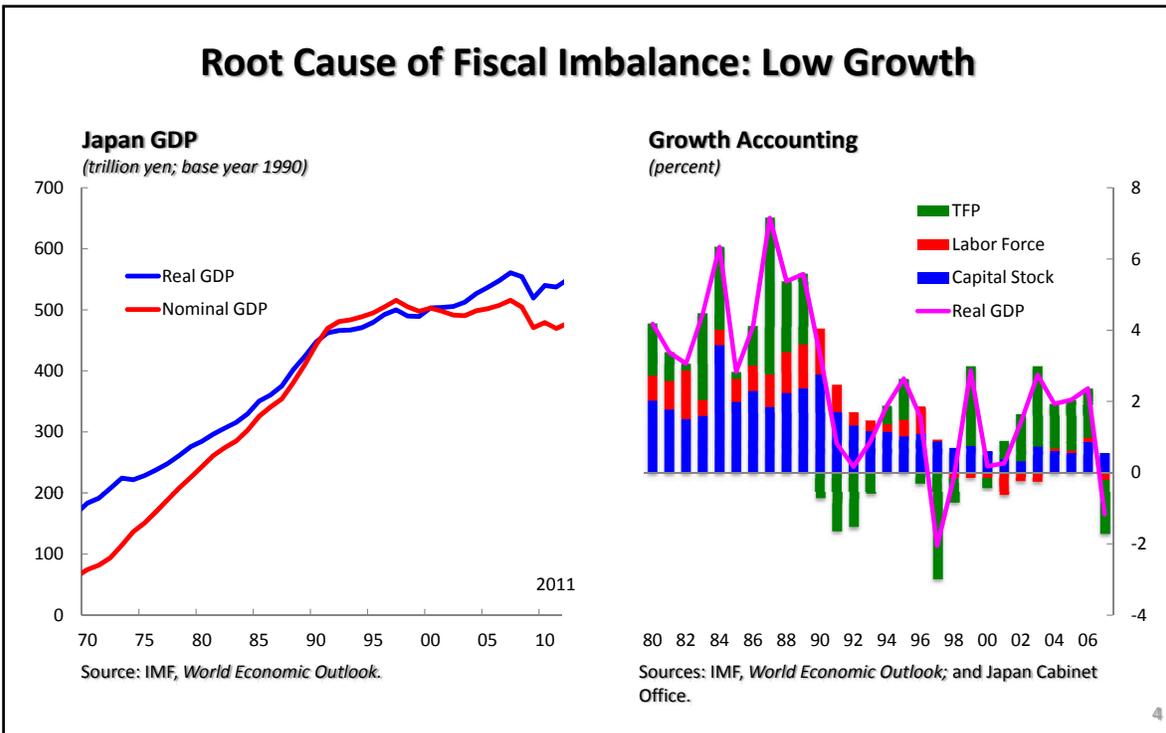
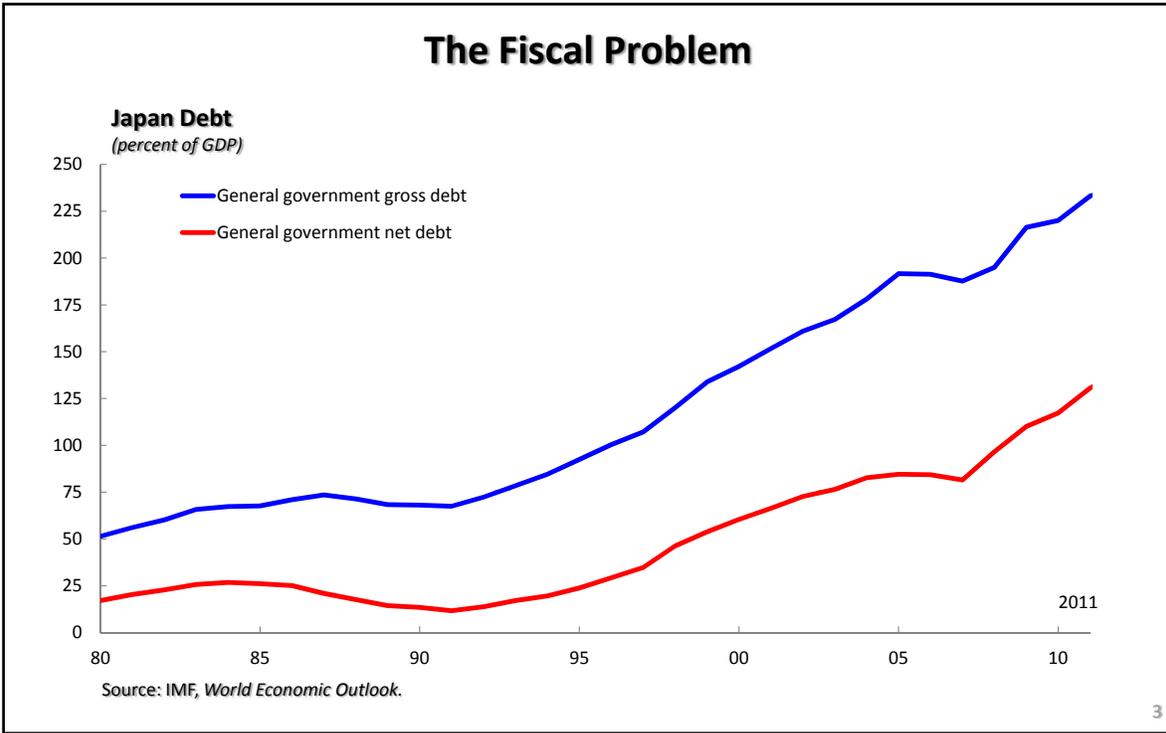
Presented by
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Introduction

G-20 found significant fiscal and private saving imbalances

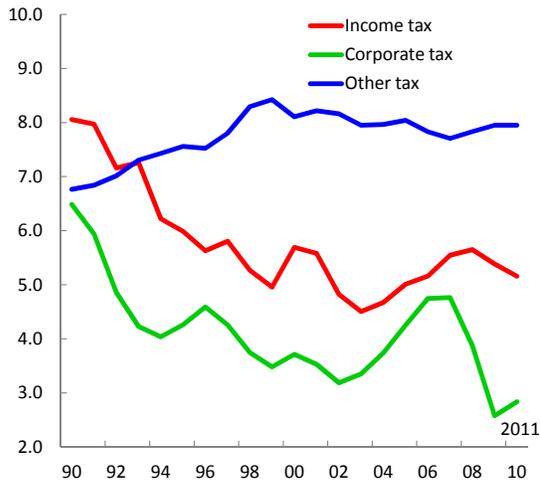
So far, high private saving has financed fiscal imbalances at low cost

But public finances are unsustainable. Consolidation and structural reform are urgently needed

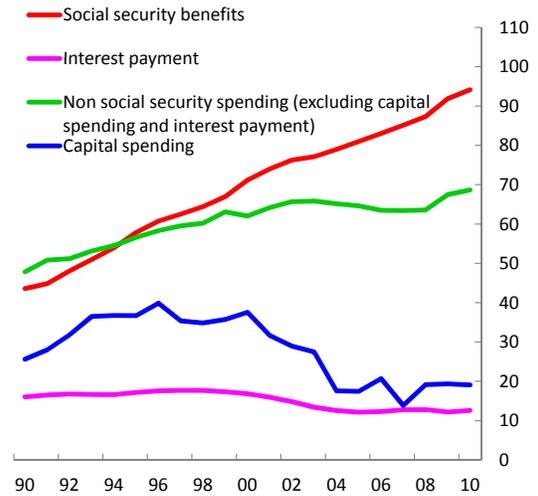


From Low Growth to High Debt

General Government Tax Revenues
(percent of GDP)



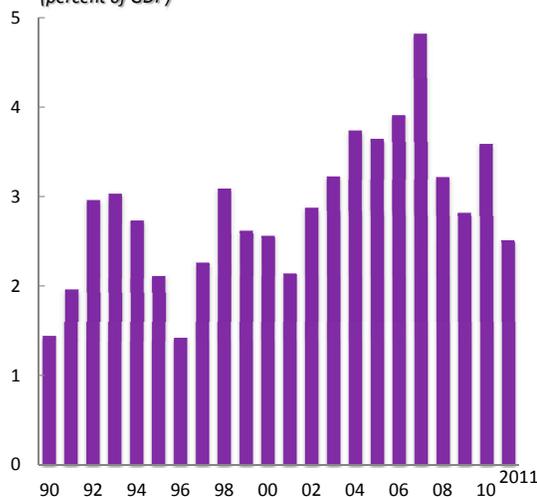
Distribution of General Government Expenditures
(trillion yen)



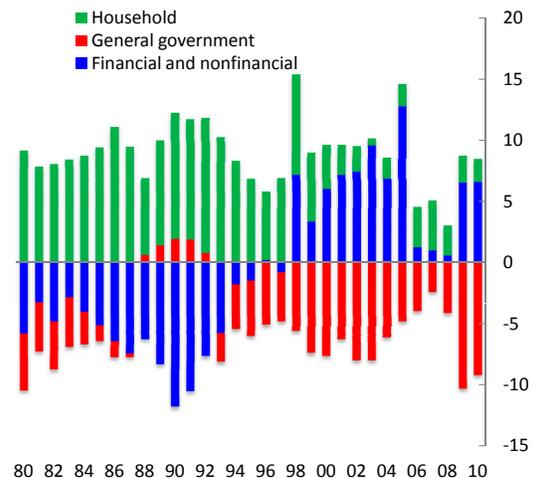
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Why a Current Account Surplus?

Current Account Surplus
(percent of GDP)



Sectoral Financial Surplus
(percent of GDP)

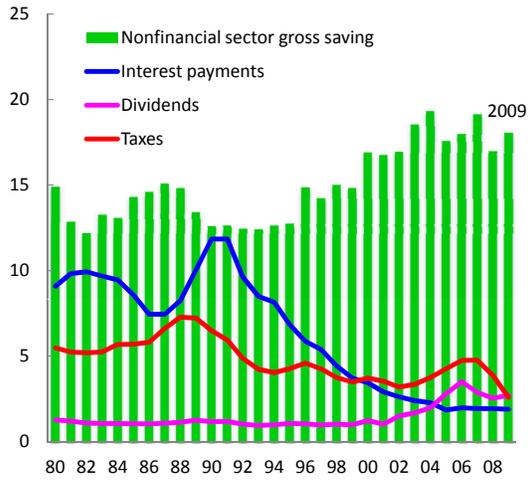


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Explaining Corporate Saving

Nonfinancial Gross Saving and Payments

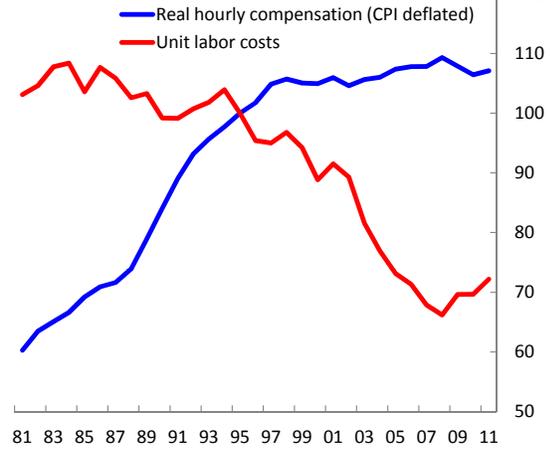
(percent of GDP)



Sources: IMF staff estimates, Japan Cabinet Office and OECD.

Real Compensation and Productivity in Manufacturing Sector

(index; 1995=100)



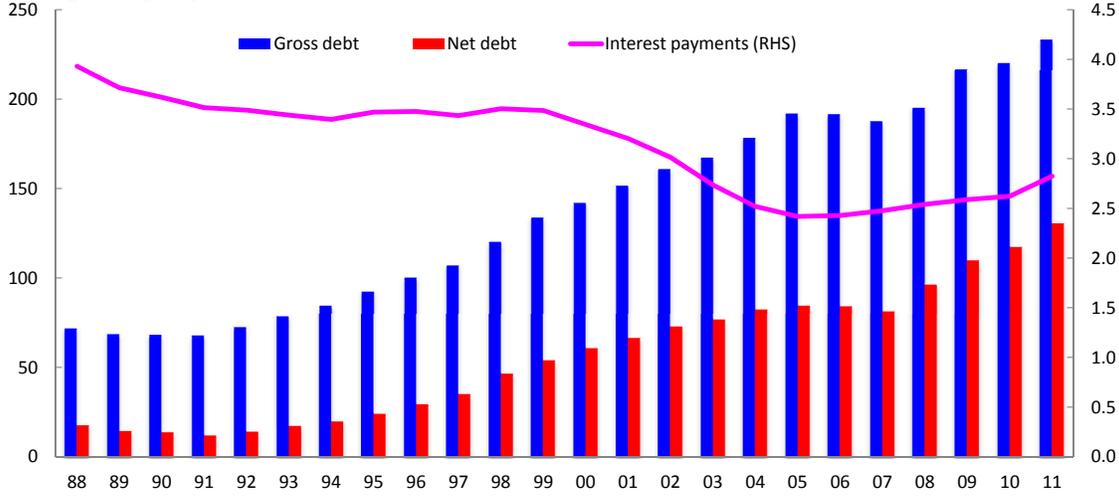
Source: IMF staff estimates.

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Is There a Problem?

Public Debt and Interest Payments

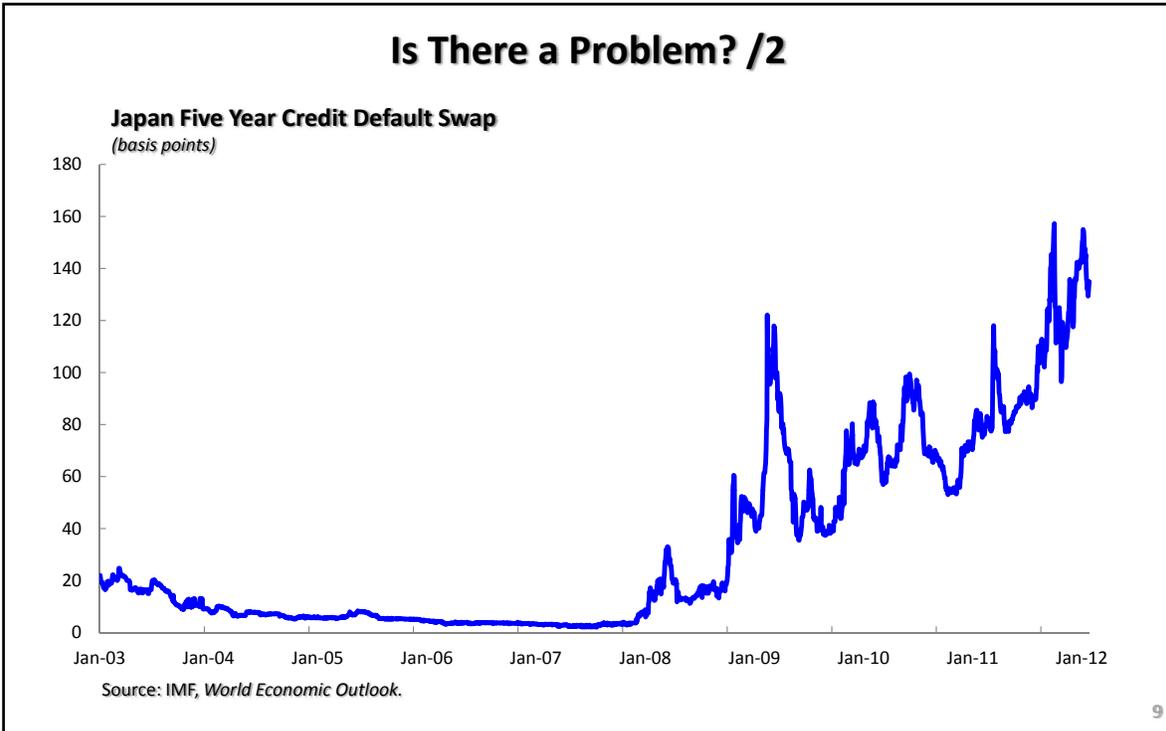
(percent of GDP)



Sources: IMF, *World Economic Outlook*; and staff estimates.

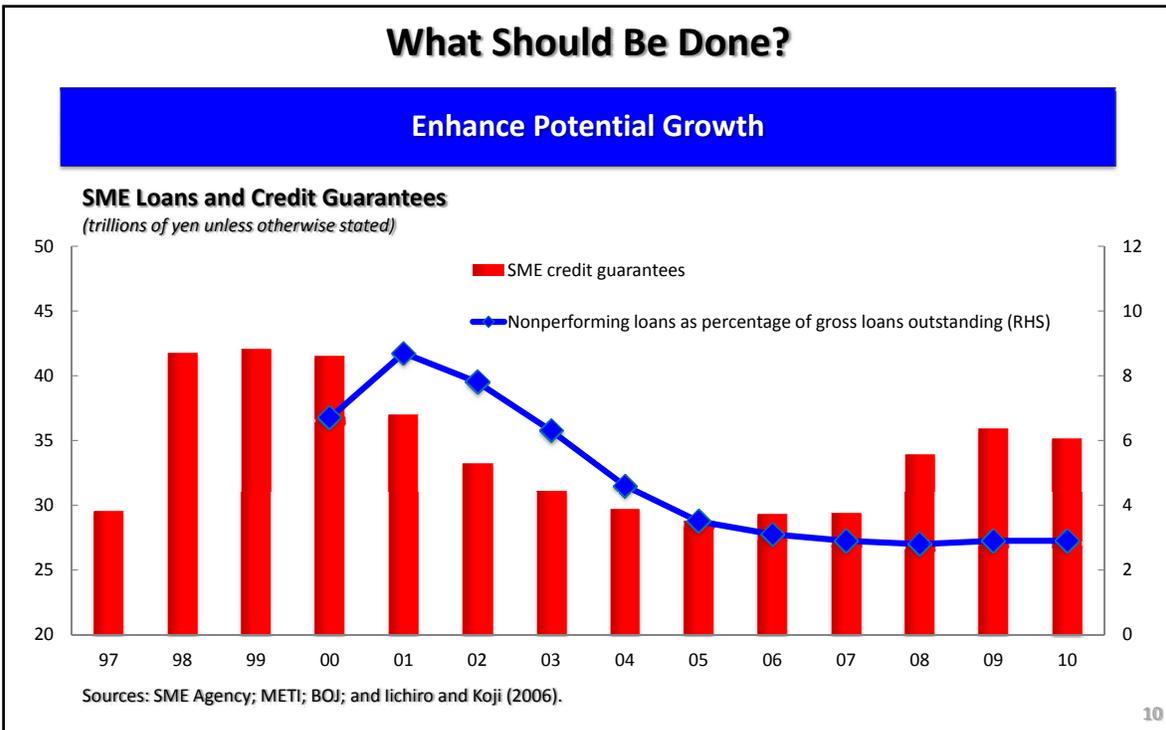
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Is There a Problem? /2



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What Should Be Done?



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What Should Be Done?

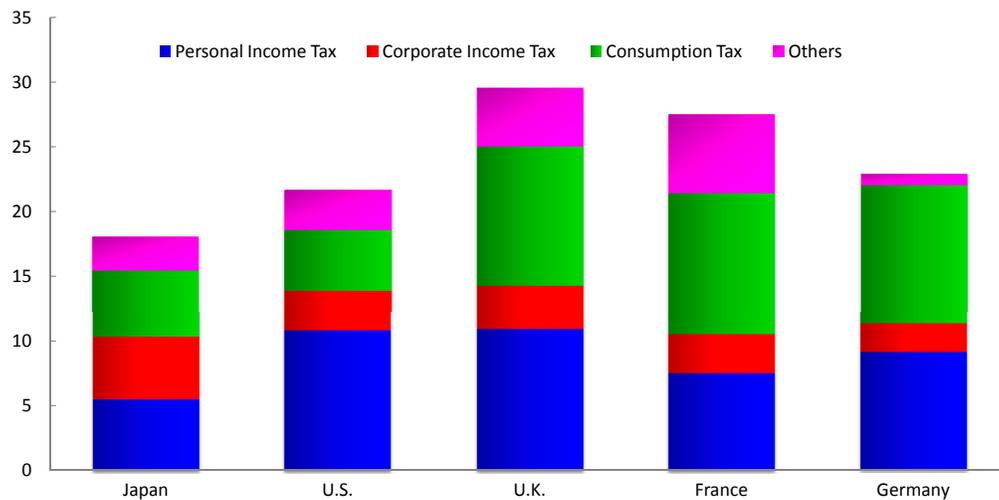
Fiscal consolidation

- Objective: Stabilize net debt ratio by 2016; reduce to 150 percent by 2020
- Strategy: Adjust primary balance by 10 percentage points
- Measures: Revenue reform is critical

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Revenue Reform is Critical

General Government Tax Revenue in 2007
(percent of GDP)



Source: OECD.

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