



**UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016**

## JAPAN

GDP (current US\$, billions):	\$4,601.46	Population (thousands):	127,132
Share of GDP in ESCAP region:	29.9%	GDP per capita (current US\$):	\$36,194.42
Share of GDP in East and North-East Asia:	47.0%	Average inflation (2015)	0.8%

- The economy of Japan resumed positive output growth in 2015, expanding by 0.5% from zero growth in 2014. Growth performance was, nonetheless, weaker than expected amid the economic slowdown in China which constrained business investment and exports.
- The currency depreciated by 20% in 2015 relative to the United States dollar, partly as a result of expansionary monetary policy, although exports did not appear to benefit from the weaker exchange rate.
- The economy continues to face deflationary pressure. After a rise in inflation to 2.7% in 2014, which was driven by the consumption tax hike, inflation decreased to 0.8% in 2015 on the back of sluggish economic activity and lower commodity and food prices. Monetary easing would continue until the inflation target of 2% is met.
- Economic growth is projected to increase to 1.1% in 2016. Solid employment conditions, with an unemployment rate of about 3% at end-2015 and increases in real wages would support consumer spending.
- Growth is, however, expected to be slightly restrained, to 0.7% in 2017, due to the impact of the scheduled sales tax increase in April that year.
- The near-term growth outlook is clouded by more modest fiscal support at a time when fiscal consolidation is needed. The Government is trying to consolidate fiscal debt levels which reached 245% of GDP in 2015, and achieve a primary budget surplus by 2020.