“Abenomics 2.0: the New Three Arrows”

“Abenomics” is a coinage for the comprehensive economic policy of the Abe administration. The Three Arrows stands for each of its measures. The “New Three Arrows” under the slogan of a society “Promoting Dynamic Engagement of All Citizens” was announced in September 2015. “Abenomics” will enter its second phase. Prime Minister Abe personally named this new economic policy as “Abenomics 2.0”.

Point 1: Abenomics’s target was to overcome deflation

The Three Arrows were monetary easing, fiscal policy and growth strategy

- “Abenomics” is a coinage for the comprehensive economic policy the Abe administration introduced in 2012 upon taking office. It aimed at “overcoming deflation” and “increasing wealth*”. The “Three Arrows” stand for the economic measures to materialize these aims.
  * 3% annual average growth of nominal GDP for the coming 10 years.
- The Three Arrows were 1) monetary easing, 2) fiscal policy and 3) growth strategy. Flexible fiscal policy was adopted by compiling supplemental budget when needed. The Bank of Japan decided to introduce “Quantitative and Qualitative Easing (QQE)” as a measure for monetary easing in April 2013. Later, at the end of October 2014, BOJ decided to expand QQE. “Japan Revitalization Strategy” was formulated as the growth strategy in June 2013 and this year the Cabinet endorsed the “Japan Revitalization Strategy (Revised 2015)” or the “Revised Growth Strategy”.

Point 2: Abenomics 2.0’s target is to overcome the supply constraint

The New Three Arrows aim at increasing potential growth rate

- Prime Minister Abe announced the “New Three Arrows”, naming the new policy “Abenomics 2.0” by himself in September 2015. He is aiming at building a society “Promoting Dynamic Engagement of All Citizens”. The Challenge that macro-economic management will face in the future is to find a solution to overcome the supply constraint created by the decline in the labor force population. The New Three Arrows aim to increase potential growth rate through: 1) Robust economy that creates hope, 2) Child care support that fosters dreams and 3) Social security that fosters sense of safety.

(A) A Society “Promoting Dynamic Engagement of All Citizens”
- Maintain a population of 100 million even after 50 years.
- Create a society where everyone can actively participate.

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<tr>
<th>New Three Arrows Abenomics 2.0</th>
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<tbody>
<tr>
<td>Robust economy that creates hope</td>
<td>Goal: Achieve nominal GDP of JPY 600 trillion (2015: approx. JPY 500 trillion)</td>
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<tr>
<td>Child care support that fosters dreams</td>
<td>Goal: Birthrate of 1.8 persons (Currently 1.5 persons)</td>
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<td>Social security that fosters sense of safety</td>
<td>Goal: Zero case of leaving job to take care of a family member</td>
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(Source) SMAM, based on publicly available data.
Future Outlook

Japan is expected to be revitalized by “Productivity improvement” and by “Countermeasures against declining birth rate and aging population”

- **“Productivity improvement” continues to remain as an important issue**

  The “Revised Growth Strategy” announced in June this year pointed out that the challenge to the Japanese economy is “the decline in the labor force population (supply constraint)”. It urged corporate Japan to “improve productivity”. For the Japanese economy and corporations, further expansion of “earnings capability” through productivity improvement continues to remain as a key subject.

- **Tackling “declining birth rate and aging population”**

  “Abenomics 2.0” (New Three Arrows) is aiming at overcoming the “declining birth rate and aging population” issue. It is the most challenging issue under the long term vision, in order to revitalize Japan. “Productivity improvement” and countering the declining birth rate and aging population through “Abenomics 2.0” are the two key themes for Japan’s revitalization.

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