

September 9, 2013

**Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai
On the Revised GDP Growth Estimate for the 2013 Second Quarter**

The Cabinet Office released economic data today showing that Japan's GDP (Gross Domestic Product) grew at an annualized rate of 3.8 percent between April and June of 2013. This is a significant upward revision from the estimated 2.6 percent. Analysis shows that the Japanese economy was led by private consumption and fiscal expenditure during this period. In addition, the data shows marked improvement in capital investment over what was forecast, demonstrating that private business have regained confidence.

Japan's economy has clearly taking a favorable turn, providing favorable conditions for the government to go ahead with the planned consumption tax rate increase. As public debt in Japan has continued to increase unabated, the government cannot defer the consumption tax increase without eroding the confidence of the market and international community.

If the consumption tax increase is implemented as scheduled, the economy should be monitored closely for any negative effects. At the same time, the steady implementation of measures designed to achieve mid and long term economic growth are also important. We hope the government considers and implements policies to encourage private sector activity, such as relief on investment tax and deregulation. The government must promote a virtuous cycle whereby an increase in the incomes of business and households leads to an increase in investment and consumption, which then in turn leads back to another increase in incomes. Once this cycle is secured and the reactionary decline in investment and consumption after the tax rate increase is mitigated, the Japanese economy will be back on the steady track to recovery.