

August 13, 2014

**Statement by Yasuchika Hasegawa, Chairman of Keizai Doyukai  
On GDP Growth Preliminary Report for April-June**

The Cabinet Office announced today that the real GDP in a preliminary report contracted for April-June at an annualized rate of 6.8% from the previous quarter. It is deemed to be a backlash to the high January-March real GDP growth at an annualized rate of 6.1% as a result of the rush in demand before the consumption tax hike. The impact of the backlash following the rush in demand, however, seems easing with the economy still on a recovery path. This is based on three factors. First, the nominal wage growth is on track after the wage increase of over 2% last spring for the first time since 2001. Second, major companies offered summer bonus that showed the largest growth rate since 1990. Finally, the employment picture has been improving every month.

Having said that, we cannot rule out the uncertainty over the economic outlook growing now more than in the past. This, however, does not provide room for delaying further consumption tax increase if the country's fiscal soundness is to be enhanced while ensuring public confidence as well as trust of the international community and markets. Thus, the tax hike to 10% as determined in the framework of "Comprehensive Reform of Social Security and Taxation Systems" should be implemented in October 2015 as originally scheduled.

The government is requested to be even more vigilant to the economy to remain on a recovery path. Meanwhile, private sectors are responsible for continuing their efforts in initiatives such as increase of capital investment and employment/wage going forward. The government and private sectors are both reminded to be resolved to contribute to the country's sound and sustainable growth by applying knowledge and insight.

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