

Japan tenet update – 31 March 2016

We have updated our numbers for the Japanese government FY16 budget and included a summary in the table below.

Our investment tenet is detailed in our report of May 2010 focused on solvency concerns. While recent budgets show some moderation in fiscal deficits, the level of government debt continues to grow. The fund continues to hold a material exposure to this tenet.

We view the recent move by the BoJ to negative interest rate policy as indicative of the grim economic and financial position of Japan – we think such policy creates a significant risk of unintended consequences which could further disrupt financial conditions. We also note the ongoing growth in the monetary base and BoJ ownership of JGBs.

Japan - General Account Budget (Trillions of Yen unless otherwise stated)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenue	62	60	59	60	62	56	57	60	57	52	50	53	58	57	59	56	49	48	48	46	47	55	59	62
Expenditures	72	71	74	73	73	77	79	78	78	77	75	75	74	70	70	73	92	81	80	78	80	83	83	83
Deficit	-10	-11	-15	-13	-11	-22	-22	-18	-21	-24	-24	-21	-16	-14	-11	-17	-43	-33	-31	-32	-33	-28	-24	-21
Deficit % GDP	-2	-2	-3	-3	-2	-4	-4	-3	-4	-5	-5	-4	-3	-3	-2	-3	-9	-7	-7	-7	-7	-6	-5	-4
GDP	491	496	502	512	523	512	505	510	506	499	499	504	504	507	513	501	471	483	472	475	480	488	500	505
Employment (millions)	65	65	65	65	66	65	65	64	64	63	63	63	64	64	64	64	63	63	63	63	63	64	64	64
Current a/c % GDP	3.0	2.7	2.1	1.5	2.2	2.9	2.6	2.8	2.1	2.7	3.2	3.9	3.7	4.0	4.9	2.9	2.9	4.0	2.2	1.0	0.8	0.5	3.0	3.0
Household savings %**	14	13	12	10	8	9	8	7	4	3	3	2	1	1	1	0	2	2	3	1	0	1	2	1
Gross debt*	392	427	477	524	571	623	685	733	777	819	846	910	939	942	939	961	991	1,042	1,083	1,125	1,165	1,200	1,229	1,252
Net debt*	81	93	115	144	178	229	264	300	331	372	387	415	414	411	413	478	500	546	600	613	590	615	630	647
Gross debt % GDP	80	86	95	102	109	122	136	144	154	164	170	181	186	186	183	192	210	216	230	237	243	246	246	248
Net debt % GDP	16	19	23	28	34	45	52	59	66	74	78	82	82	81	80	95	106	113	127	129	123	126	126	128
JGBs held by BoJ as % total																8	9	9	10	12	19	26	33	
Monetary base***	40	42	44	48	51	56	60	65	69	87	101	109	111	96	89	89	94	98	113	121	163	234	313	

Notes / Sources: Japan Ministry of Finance, IMF, OECD, BoJ. 2016 forecasts from Japan Ministry of Finance, IMF and OECD. * General Government. ** as % of disposal household income. *** There are many ways to measure money supply each with their own characteristics.

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