

**IDE Symposium Panel 1**  
**The Global Economic Crisis  
and East Asian Perspectives**

**01 December 2009**

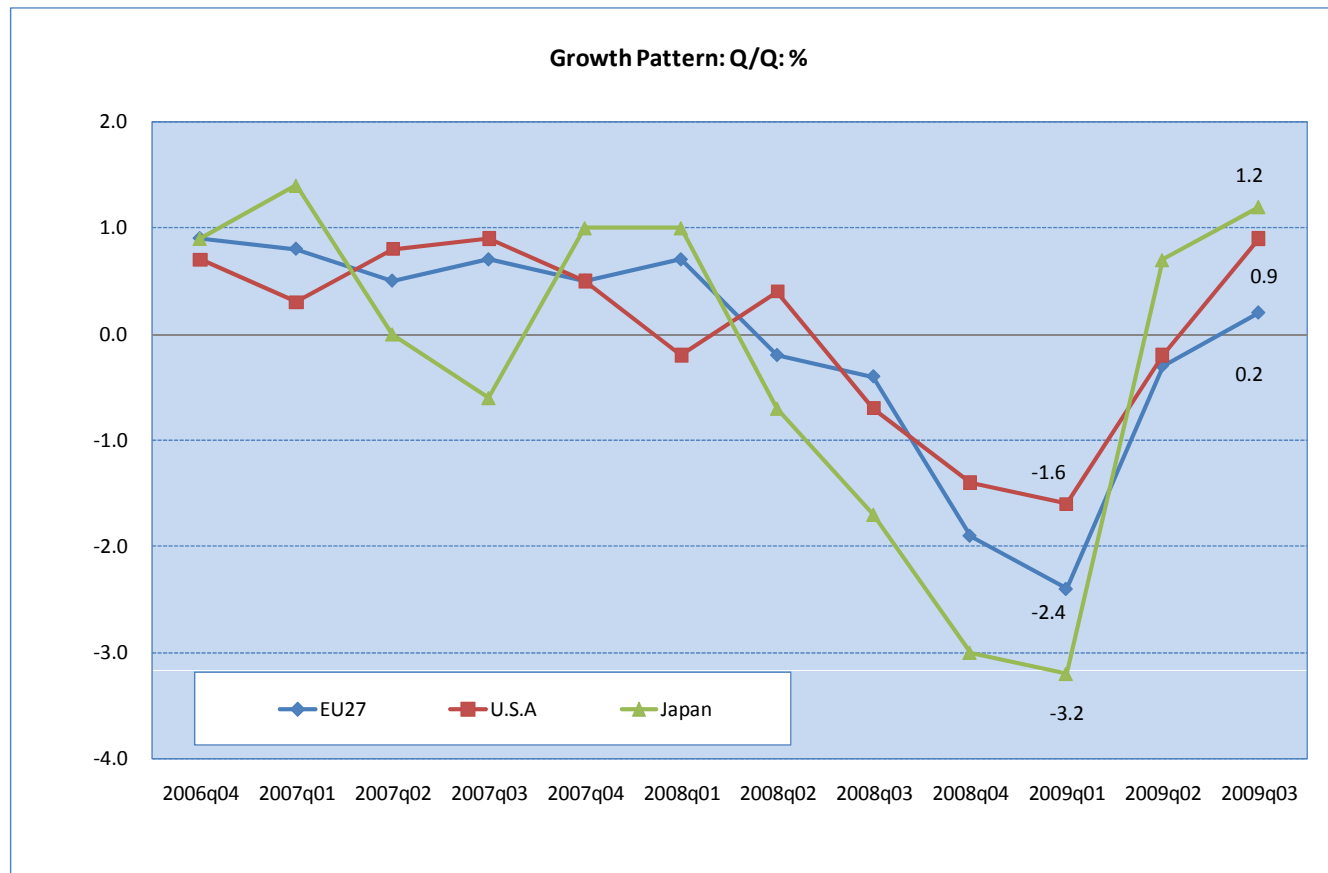
**Presented by Yoshihisa INADA**  
**Konan University**



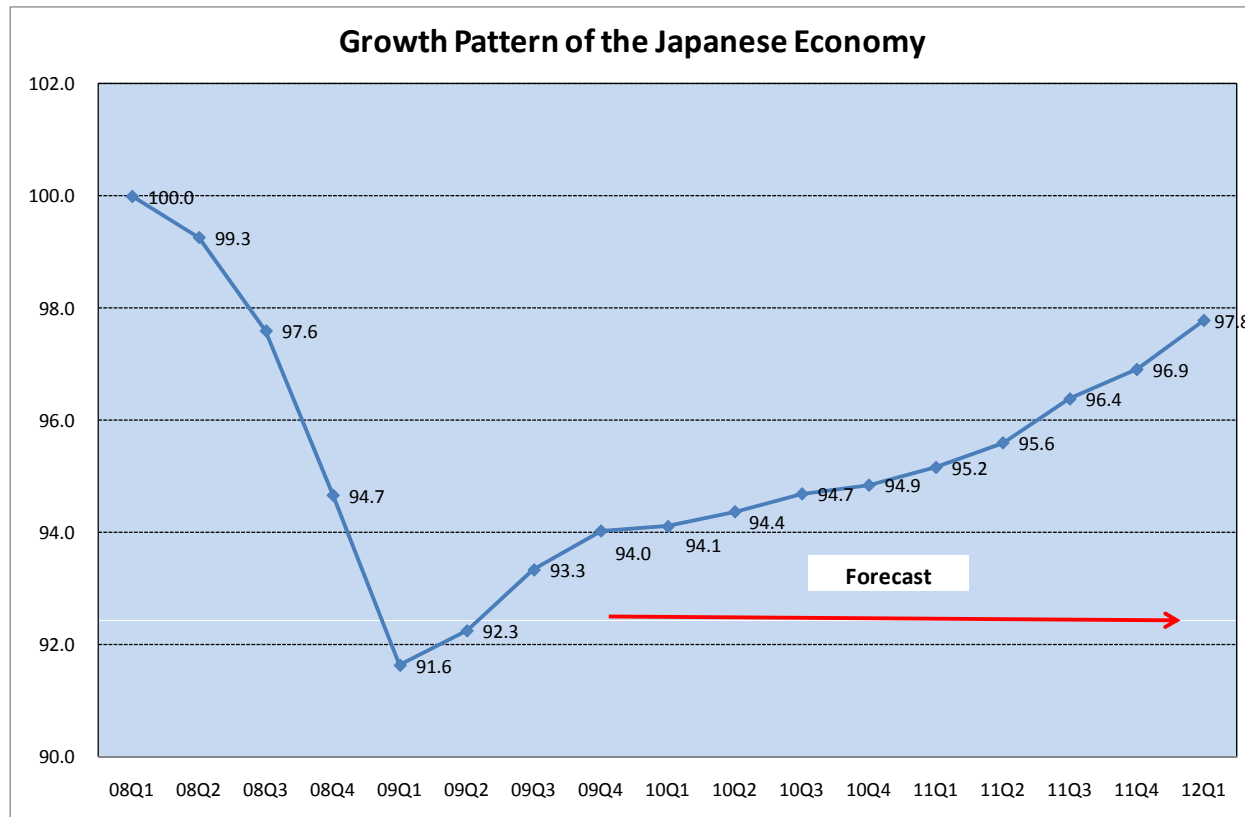
# Contents

- The impacts of the global economic crisis on the Japanese economy
  - Forecast suggests...
- The current condition and prospects of the Japanese economy
  - Recent development
  - Simulation: “from concrete to human”

# The global recession was over but the forward path is not clearly illuminated

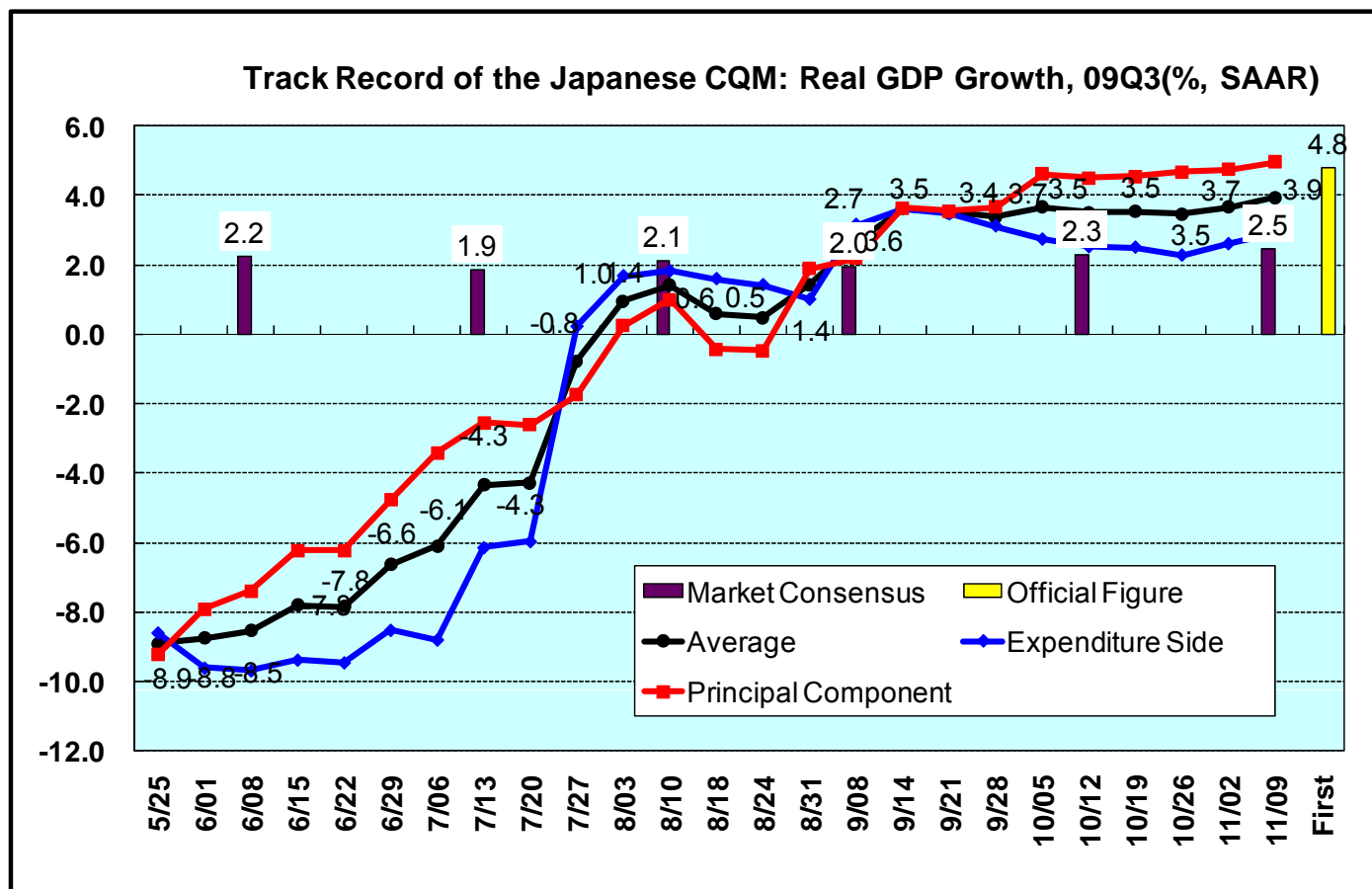


# How long and deep global recession drags on Japan's economic recovery



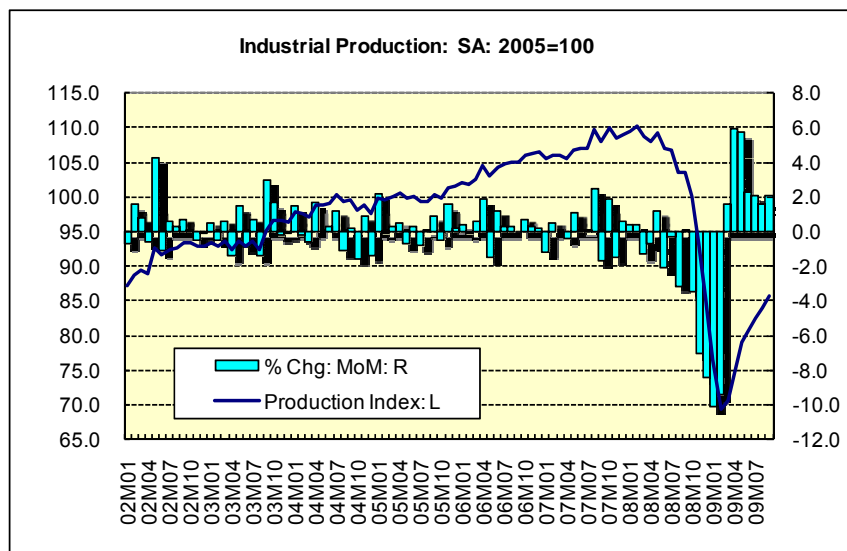
# CQM Forecast: July-September

## Real GDP Growth

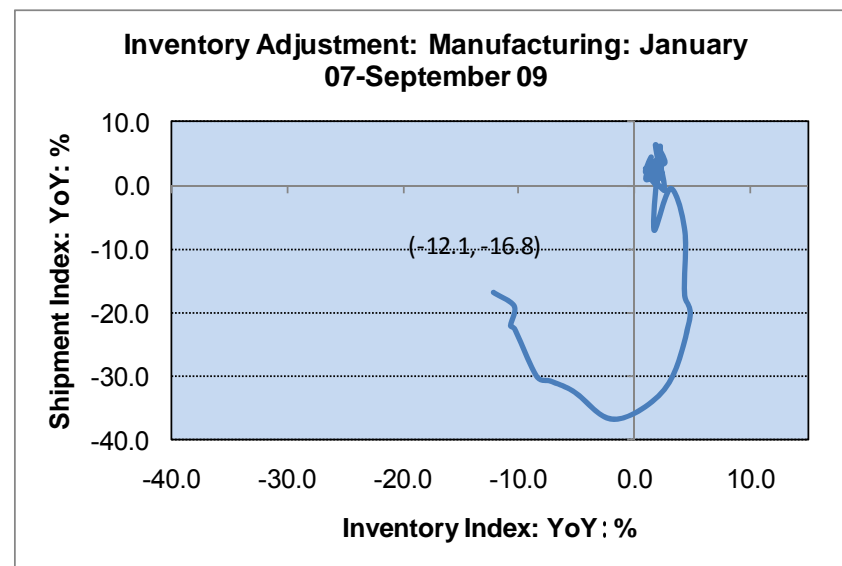


# Current state of the economy 1

## production recovery and inventory adjustment



September industrial production rose +2.1% on month, up seven months in a row. For July-September, the index grew 7.4%, up for the second straight quarter. But the overall production level is still only about 80% of the recent peak.



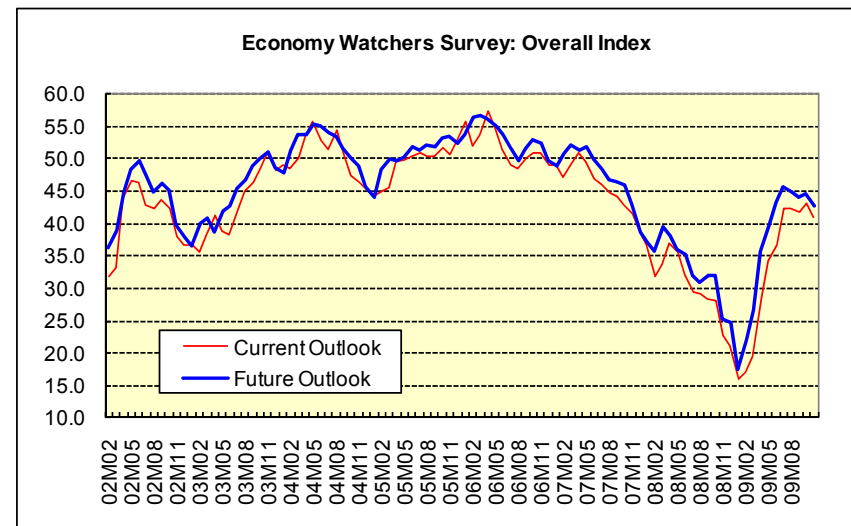
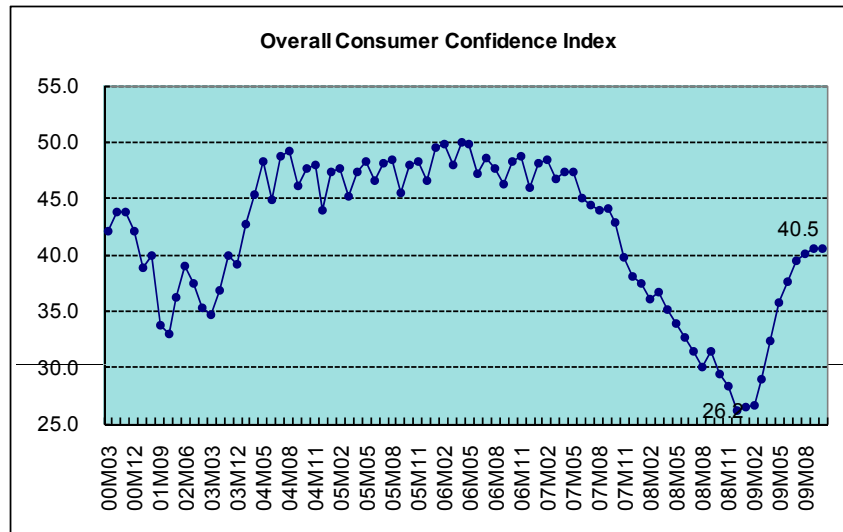
The shipment index for September gained 4.2% on month, up seven months in a row. The inventory index fell 0.4% on month, the first decline in two months. As a result, the inventory (to shipment) ratio index plunged 5.0%, down four months in a row.

# Current state of the economy 2

## The pace of recovery in consumer sentiment is slowing

The consumer sentiment index stood at 40.5 in October, unchanged from the previous month. The pace of recovery in consumer sentiment is slowing.

Economy Watchers' Survey index fell 2.2 point month on month to 40.9. On the other hand, the survey's forward index fell 1.7 point on month to 42.8 in October, falling for the first time in two month.

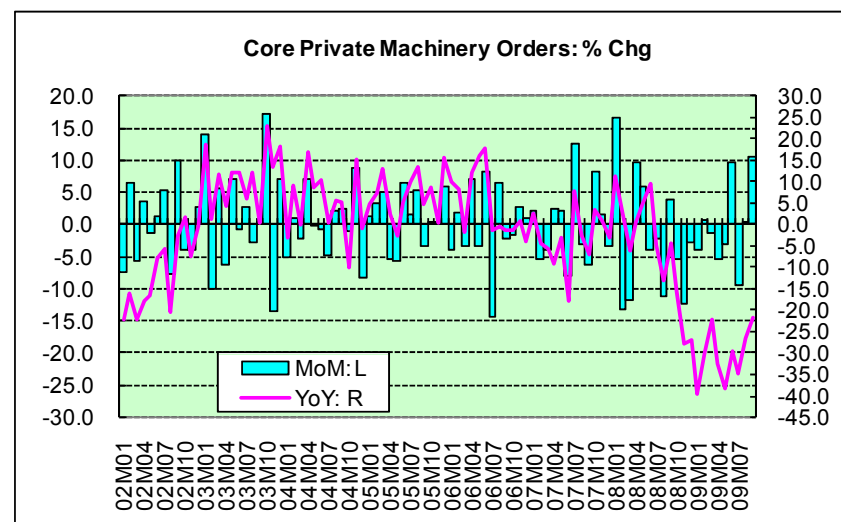
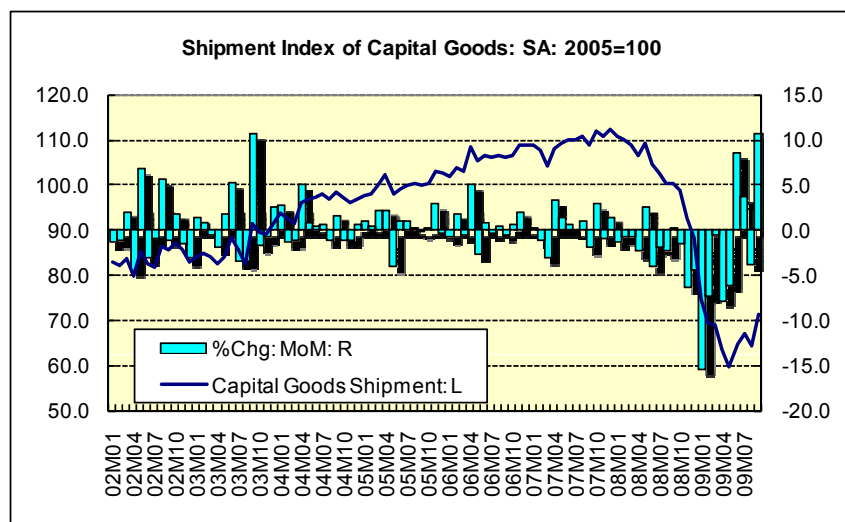


# Current state of the economy 3

## Investment recovery in the middle of FY10

The capital goods shipment index for September jumped 10.7% over month. It gained for the first time in two months. For July-September, the index rose 8.1% over the quarter, the first gain in seven quarters.

Private core machinery orders rose 10.5% in September from the previous month. Due to strong demand from non-manufacturers and overseas, they marked the second straight month rise.



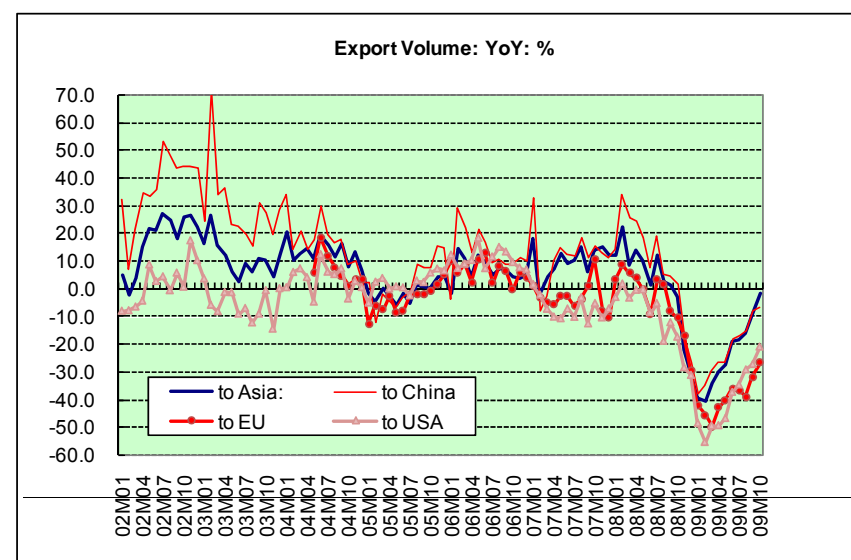
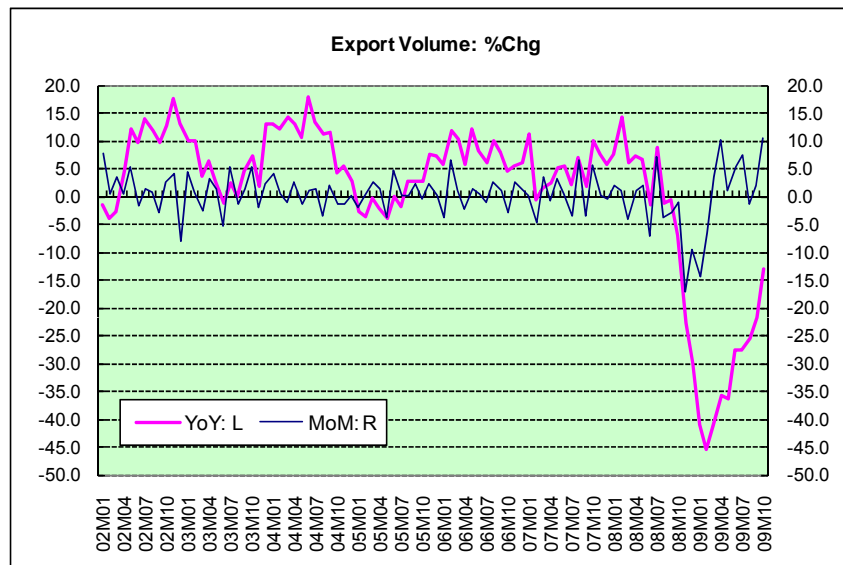


# Current state of the economy 4

## Exports: engine of growth driver

Export volume in October fell 13.0% on year, down 15 months in a row. But it rose 10.3% on month, showing an uptrend since March 2009. Exports continue to gain growth momentum.

By region, Asia's exports pull Japan's economy out of recession. Export volume to Asia inched down 1.9% on year in October. On the other, export to US and EU plunged 21% and 26.7% respectively.





## Baseline forecast: FY2009-2011

### ■ Real GDP Growth

- FY2009 -2.3%, FY2010 +1.4%, FY2011 +2.0%
- Thanks to supplementary budget for FY09 and the recovery of the global economy

### ■ Core CPI Inflation

- FY2009 -1.5%, FY2010 -0.4%, FY2011 +0.3%
- Continued deflation

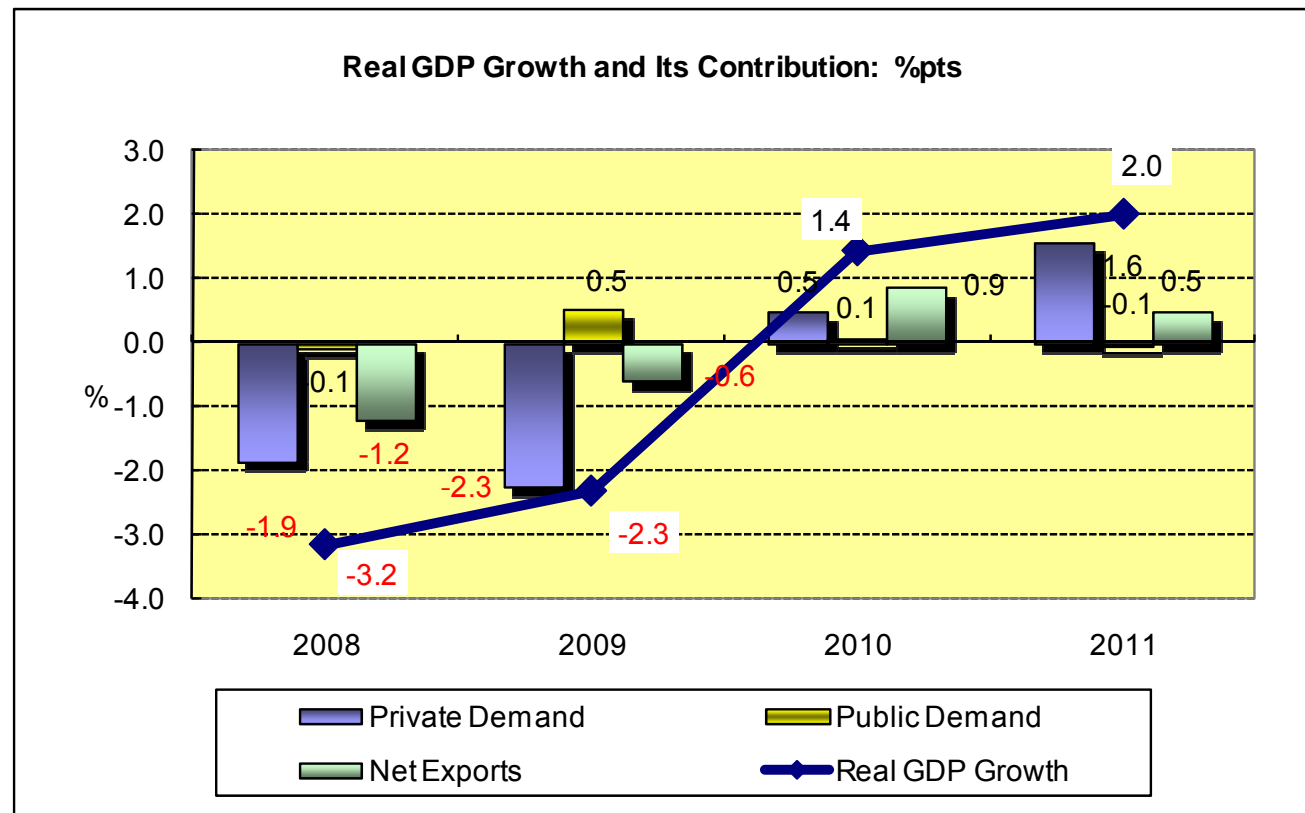
### ■ Temporally lull of the economy for FY2010

### ■ It takes more than 3 years to achieve the latest peak

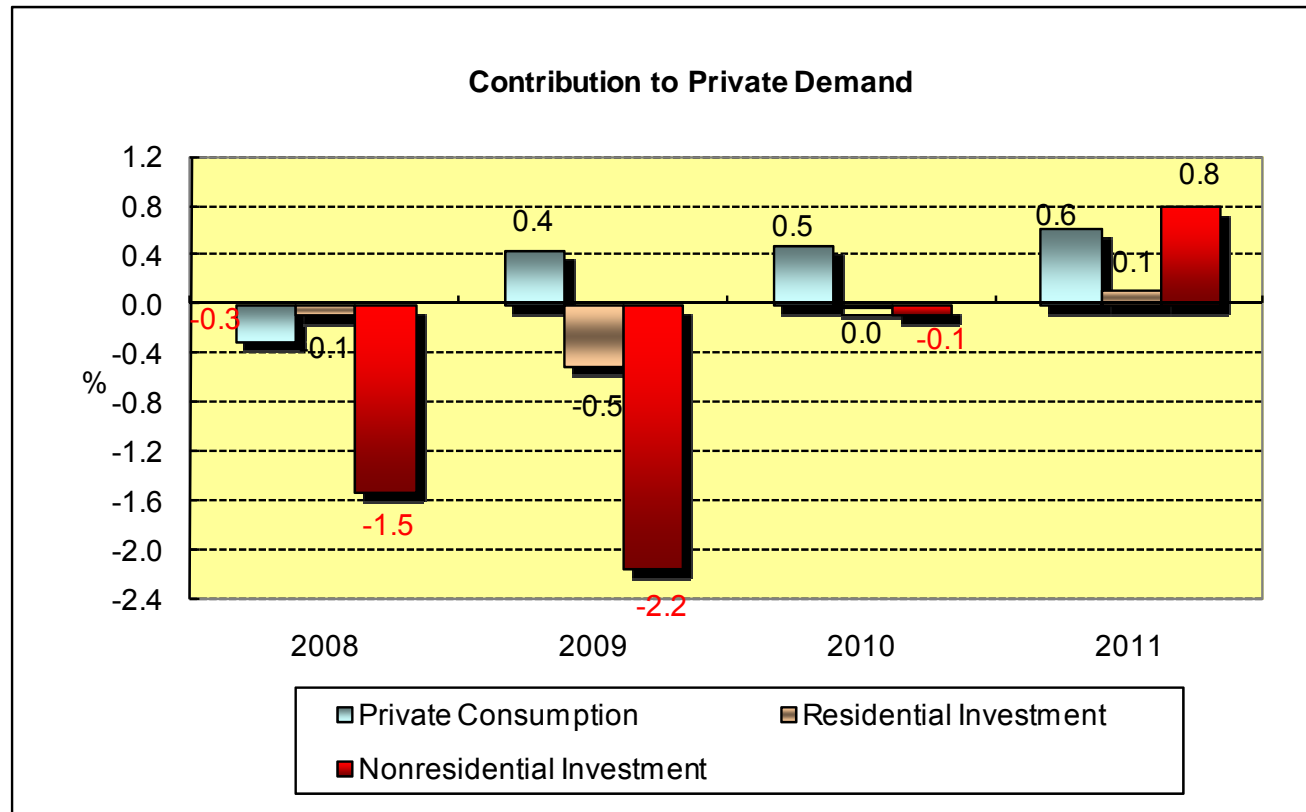
# Outline of baseline forecast

	Current ( 2009/11/26 )			Previous (2009/8/25 )		
	2009	2010	2011	2008	2009	2010
Real GDP (%)	▲ 2.3	1.4	2.0	▲ 3.2	▲ 2.6	0.6
Private Demand (Contribution)	▲ 2.3	0.5	1.6	▲ 1.9	▲ 3.0	▲ 0.2
Private Consumption (%)	0.8	0.8	1.1	▲ 0.5	0.2	▲ 0.3
Residential Investment (%)	▲ 17.5	▲ 0.9	5.4	▲ 3.1	▲ 14.4	1.2
Nonresidential Investment (%)	▲ 14.5	▲ 0.6	6.3	▲ 9.6	▲ 19.0	▲ 0.6
Change in Private Inventory ( Conrivution )	▲ 0.3	0.1	0.0	0.0	▲ 0.3	0.0
Public Demand (Contribution)	0.5	0.1	▲ 0.1	▲ 0.1	1.2	0.2
Government Consumption (%)	0.9	2.2	0.5	0.3	2.2	2.6
Public Investment (%)	7.9	▲ 8.8	▲ 4.2	▲ 4.4	20.2	▲ 6.2
Change in Public Inventory (Contribution)	▲ 0.0	0.0	0.0	▲ 0.0	▲ 0.0	0.0
Net Exports (Contribution)	▲ 0.6	0.9	0.5	▲ 1.2	▲ 0.8	0.6
Exports (%)	▲ 12.7	6.9	5.5	▲ 10.2	▲ 15.6	4.7
Import (%)	▲ 11.7	0.4	2.7	▲ 3.7	▲ 13.6	0.1
Nominal GDP (%)	▲ 4.1	▲ 0.8	1.8	▲ 3.5	▲ 3.4	▲ 0.7
GDP Deflator (%)	▲ 1.8	▲ 2.2	▲ 0.2	▲ 0.3	▲ 0.8	▲ 1.3
Domestic CGPI (%)	▲ 5.5	▲ 0.5	0.7	3.2	▲ 6.3	▲ 1.6
Core CPI (%)	▲ 1.5	▲ 0.4	0.3	1.2	▲ 1.5	▲ 0.3
Industrial Production Index (%)	▲ 11.2	6.5	8.0	▲ 12.8	▲ 14.3	4.6
New Housing Starts (%)	▲ 31.2	0.8	16.1	▲ 0.7	▲ 27.1	5.5
Jobless Rate (%)	5.5	5.7	5.4	4.1	5.5	5.8
Current Account Balance (Y Trillion)	8.3	5.9	8.0	9.2	9.4	8.7
vs. Nominal GDP	1.7	1.2	1.7	1.8	1.9	1.8
Crude Oil Prices (\$/bbl)	68.0	69.0	79.0	84.2	64.7	66.6
Exchange Rate (Y/\$)	93.0	88.9	88.9	100.5	95.9	95.1
US Real GDP Growth (% ,CY)	▲ 2.5	2.1	2.8	0.4	▲ 2.9	1.9

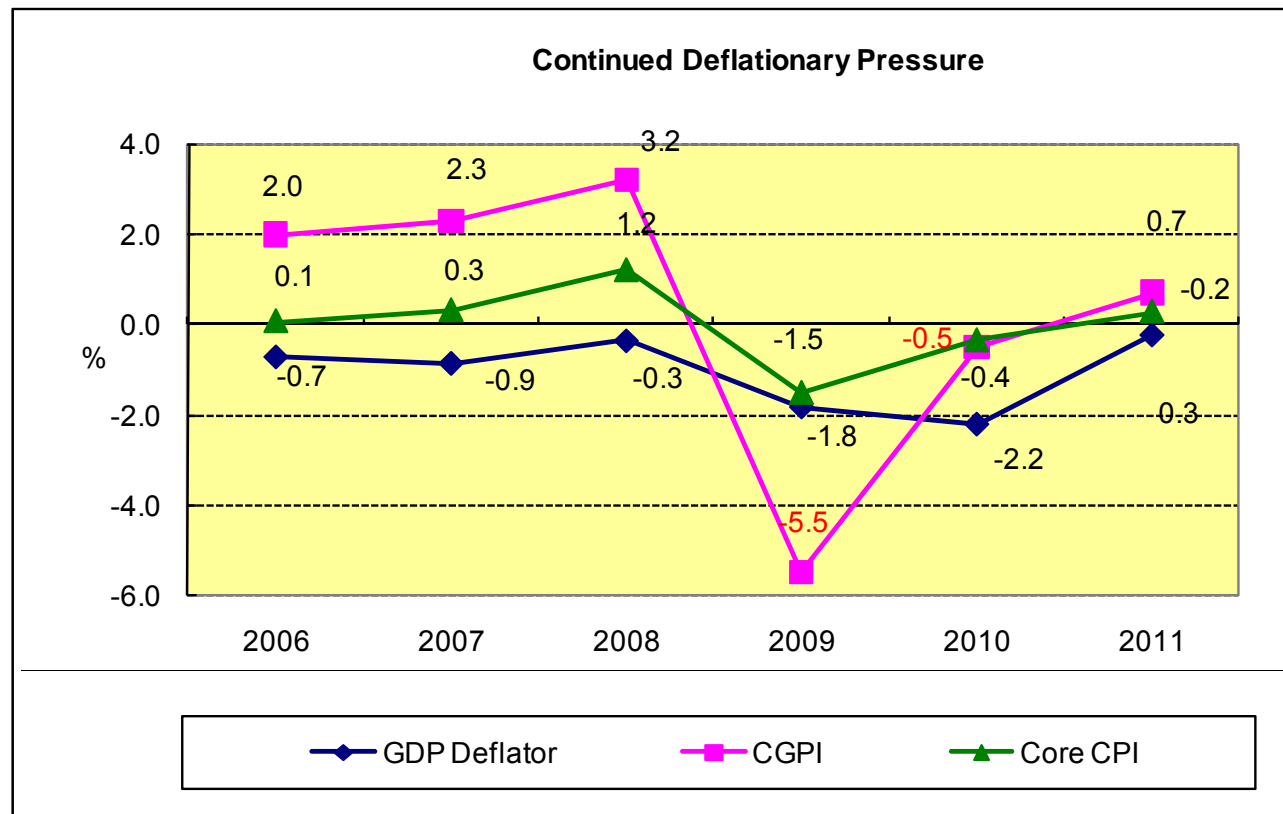
# FY2009-2.3%, FY2010+1.4%, FY2011+2.0% fiscal stimuli and stabilization of the global economy



# Private consumption grows thanks to fiscal stimuli and nonresidential investment bottoms out in FY2010



# Deflationary pressure continues





# **“From concrete to human”**

## **economic impact of new government policy**

- Cut off a part of supplementary budget for FY2009
  - Real GDP Y1.261 trillion, -0.24% pts for FY2009
- Fiscal policy: “from concrete to human”
  - Real GDP: +0.03% FY2010, +0.2% FY2011
  - Real private consumption: Y1.66 trillion FY2010, Y3.35 trillion FY2011
  - Real public demand: -Y1.52 trillion FY2010, -Y2.72 trillion FY2011
- Implication
  - New growth strategy: green industry
  - Domestic demand or foreign demand

Table1 Baseline and the impact of cut in supplementary budget

												FY			
	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	2008	2009	2010	2011
<b>Private Consumption</b>															
1. Baseline (YTrillion)	308.7	310.2	311.4	310.8	309.5	309.3	309.5	310.1	311.2	311.7	312.7	306.6	309.2	309.8	311.4
2. Simulation 1 (YTrillion)	308.7	309.8	310.7	310.2	309.2	309.1	309.5	310.1	311.2	311.7	312.7	306.6	308.9	309.5	311.4
Diff (YTrillion)	0.000	-0.401	-0.788	-0.618	-0.363	-0.151	-0.039	-0.027	-0.022	-0.017	-0.014	0.000	-0.297	-0.293	-0.020
% Diff	0.00	-0.13	-0.25	-0.20	-0.12	-0.05	-0.01	-0.01	-0.01	-0.01	0.00	0.00	-0.10	-0.09	-0.01
<b>Residential Investment</b>															
1. Baseline (YTrillion)	12.4	12.6	12.5	12.8	12.4	12.5	12.3	13.0	12.9	13.0	13.1	15.4	12.7	12.5	13.0
2. Simulation 1 (YTrillion)	12.4	12.5	12.5	12.8	12.3	12.5	12.3	12.9	12.9	13.0	13.1	15.4	12.7	12.5	13.0
Diff (YTrillion)	0.000	-0.030	-0.052	-0.043	-0.036	-0.030	-0.026	-0.022	-0.018	-0.015	-0.012	0.000	-0.021	-0.034	-0.017
% Diff	0.00	-0.24	-0.42	-0.33	-0.29	-0.24	-0.21	-0.17	-0.14	-0.12	-0.09	0.00	-0.16	-0.27	-0.13
<b>Nonresidential Investment</b>															
1. Baseline (YTrillion)	70.4	69.7	69.1	68.6	69.0	69.2	69.9	70.4	71.7	73.1	75.0	81.0	69.6	69.2	72.6
2. Simulation 1 (YTrillion)	70.4	69.2	68.2	67.7	68.4	68.9	69.8	70.4	71.8	73.2	75.1	81.0	69.3	68.7	72.6
Diff (YTrillion)	0.000	-0.465	-0.930	-0.840	-0.628	-0.323	-0.086	0.010	0.062	0.083	0.091	0.000	-0.349	-0.470	0.061
% Diff	0.00	-0.67	-1.35	-1.23	-0.91	-0.47	-0.12	0.01	0.09	0.11	0.12	0.00	-0.50	-0.68	0.08
<b>Government Consumption</b>															
1. Baseline (YTrillion)	98.9	99.2	99.7	101.0	101.6	101.9	102.2	102.3	102.9	103.3	103.6	98.0	99.1	101.7	103.0
2. Simulation 1 (YTrillion)	98.9	98.9	99.4	101.0	101.6	101.9	102.2	102.3	102.9	103.3	103.6	98.0	98.9	101.7	103.0
Diff (YTrillion)	0.000	-0.286	-0.300	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.146	0.000	0.000
% Diff	0.00	-0.29	-0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.15	0.00	0.00
<b>Public Investment</b>															
1. Baseline (YTrillion)	20.8	21.3	21.3	19.9	19.6	19.3	19.6	19.5	19.1	18.8	19.1	18.9	21.1	19.6	19.1
2. Simulation 1 (YTrillion)	20.8	19.8	19.8	19.9	19.6	19.3	19.6	19.5	19.1	18.8	19.1	18.9	20.4	19.6	19.1
Diff (YTrillion)	0.000	-1.467	-1.488	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-0.739	0.000	0.000
% Diff	0.00	-6.88	-7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-3.50	0.00	0.00
<b>Exports</b>															
1. Baseline (YTrillion)	69.4	72.9	74.1	74.4	75.3	75.2	76.1	77.1	78.6	79.8	82.0	80.7	70.4	75.2	79.4
2. Simulation 1 (YTrillion)	69.4	72.9	74.1	74.3	75.3	75.2	76.1	77.1	78.6	79.8	82.0	80.7	70.4	75.2	79.4
Diff (YTrillion)	0.000	-0.001	-0.002	-0.003	-0.003	-0.003	-0.001	0.001	0.003	0.006	0.009	0.000	-0.001	-0.003	0.005
% Diff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.01
<b>Imports</b>															
1. Baseline (YTrillion)	52.7	53.6	53.6	53.1	52.3	52.7	53.5	53.2	53.1	53.9	54.7	59.4	52.7	52.9	53.7
2. Simulation 1 (YTrillion)	52.7	53.3	52.9	52.4	51.9	52.5	53.4	53.1	53.1	53.9	54.7	59.4	52.4	52.5	53.7
Diff (YTrillion)	0.000	-0.338	-0.702	-0.638	-0.468	-0.266	-0.107	-0.041	-0.005	0.011	0.018	0.000	-0.260	-0.370	-0.004
% Diff	0.00	-0.63	-1.31	-1.20	-0.89	-0.50	-0.20	-0.08	-0.01	0.02	0.03	0.00	-0.49	-0.70	-0.01
<b>GDP</b>															
1. Baseline (YTrillion)	531.2	537.4	538.5	538.5	539.2	539.1	540.3	543.4	547.5	550.2	555.0	544.5	533.1	539.3	549.0
2. Simulation 1 (YTrillion)	531.2	535.2	535.7	537.6	538.6	538.8	540.2	543.4	547.5	550.2	555.1	544.5	531.8	538.8	549.0
Diff (YTrillion)	0.000	-2.214	-2.830	-0.960	-0.596	-0.271	-0.067	-0.010	0.021	0.038	0.050	0.000	-1.261	-0.474	0.025
% Diff	0.00	-0.41	-0.53	-0.18	-0.11	-0.05	-0.01	0.00	0.00	0.01	0.01	0.00	-0.24	-0.09	0.00
<b>Real GDP Growth: SAAR: %</b>															
1. Baseline	4.8	4.7	0.8	0.0	0.5	-0.1	0.9	2.3	3.1	2.0	3.6	-3.2	-2.1	1.2	1.8
2. Simulation 1	4.8	3.0	0.3	1.4	0.7	0.2	1.0	2.3	3.1	2.0	3.6	-3.2	-2.3	1.3	1.9
Diff	0.0	-1.7	-0.5	1.4	0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0	-0.2	0.2	0.1



Table2 The impact of New Government Policy: from concrete to human

												FY			
	09Q3	09Q4	10Q1	10Q2	10Q3	10Q4	11Q1	11Q2	11Q3	11Q4	12Q1	2008	2009	2010	2011
<b>Private Consumption</b>															
1. Baseline (YTrillion)	308.7	310.2	311.4	310.8	309.5	309.3	309.5	310.1	311.2	311.7	312.7	306.6	309.2	309.8	311.4
3. Simulation 2 (YTrillion)	308.7	309.8	310.7	311.2	311.0	311.5	312.1	313.1	314.5	315.2	316.3	306.6	308.9	311.4	314.8
Diff (YTrillion)	0.000	-0.401	-0.786	0.434	1.450	2.193	2.572	3.016	3.303	3.499	3.580	0.000	-0.297	1.662	3.350
% Diff	0.00	-0.13	-0.25	0.14	0.47	0.71	0.83	0.97	1.06	1.12	1.14	0.00	-0.10	0.54	1.08
<b>Residential Investment</b>															
1. Baseline (YTrillion)	12.4	12.6	12.5	12.8	12.4	12.5	12.3	13.0	12.9	13.0	13.1	15.4	12.7	12.5	13.0
3. Simulation 2 (YTrillion)	12.4	12.5	12.5	12.9	12.4	12.7	12.5	13.2	13.2	13.3	13.5	15.4	12.7	12.6	13.3
Diff (YTrillion)	0.000	-0.030	-0.052	0.028	0.089	0.136	0.174	0.232	0.281	0.324	0.361	0.000	-0.021	0.107	0.300
% Diff	0.00	-0.24	-0.42	0.22	0.72	1.09	1.41	1.79	2.18	2.50	2.76	0.00	-0.16	0.85	2.31
<b>Nonresidential Investment</b>															
1. Baseline (YTrillion)	70.4	69.7	69.1	68.6	69.0	69.2	69.9	70.4	71.7	73.1	75.0	81.0	69.6	69.2	72.6
3. Simulation 2 (YTrillion)	70.4	69.2	68.2	67.6	68.4	69.2	70.3	70.9	72.3	73.8	75.7	81.0	69.3	68.9	73.2
Diff (YTrillion)	0.000	-0.465	-0.929	-0.926	-0.607	-0.084	0.394	0.513	0.589	0.650	0.708	0.000	-0.349	-0.306	0.615
% Diff	0.00	-0.67	-1.34	-1.35	-0.88	-0.12	0.56	0.73	0.82	0.89	0.94	0.00	-0.50	-0.44	0.85
<b>Government Consumption</b>															
1. Baseline (YTrillion)	98.9	99.2	99.7	101.0	101.6	101.9	102.2	102.3	102.9	103.3	103.6	98.0	99.1	101.7	103.0
3. Simulation 2 (YTrillion)	98.9	98.9	99.4	100.4	101.0	101.4	101.7	100.9	101.5	101.9	102.2	98.0	98.9	101.1	101.6
Diff (YTrillion)	0.000	-0.286	-0.300	-0.529	-0.532	-0.535	-0.536	-1.396	-1.397	-1.397	-1.396	0.000	-0.146	-0.533	-1.397
% Diff	0.00	-0.29	-0.30	-0.52	-0.52	-0.52	-0.52	-1.36	-1.36	-1.35	-1.35	0.00	-0.15	-0.52	-1.36
<b>Public Investment</b>															
1. Baseline (YTrillion)	20.8	21.3	21.3	19.9	19.6	19.3	19.6	19.5	19.1	18.8	19.1	18.9	21.1	19.6	19.1
3. Simulation 2 (YTrillion)	20.8	19.8	19.8	19.0	18.6	18.3	18.6	18.2	17.8	17.5	17.8	18.9	20.4	18.6	17.8
Diff (YTrillion)	0.000	-1.467	-1.488	-0.994	-0.991	-0.988	-0.985	-1.322	-1.318	-1.314	-1.310	0.000	-0.739	-0.990	-1.316
% Diff	0.00	-6.88	-7.00	-4.98	-5.06	-5.13	-5.04	-6.79	-6.89	-6.98	-6.86	0.00	-3.50	-5.05	-6.88
<b>Exports</b>															
1. Baseline (YTrillion)	69.4	72.9	74.1	74.4	75.3	75.2	76.1	77.1	78.6	79.8	82.0	80.7	70.4	75.2	79.4
3. Simulation 2 (YTrillion)	69.4	72.9	74.1	74.3	75.3	75.2	76.1	77.1	78.6	79.8	82.0	80.7	70.4	75.2	79.4
Diff (YTrillion)	0.000	-0.001	-0.002	-0.003	-0.004	-0.003	-0.001	0.002	0.005	0.008	0.011	0.000	-0.001	-0.002	0.007
% Diff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.01	0.00	0.00	0.00	0.01
<b>Imports</b>															
1. Baseline (YTrillion)	52.7	53.6	53.6	53.1	52.3	52.7	53.5	53.2	53.1	53.9	54.7	59.4	52.7	52.9	53.7
3. Simulation 2 (YTrillion)	52.7	53.3	52.9	52.4	51.9	52.6	53.7	53.5	53.5	54.3	55.1	59.4	52.4	52.6	54.1
Diff (YTrillion)	0.000	-0.338	-0.701	-0.698	-0.463	-0.110	0.210	0.291	0.334	0.383	0.430	0.000	-0.260	-0.265	0.360
% Diff	0.00	-0.63	-1.31	-1.32	-0.88	-0.21	0.39	0.55	0.63	0.71	0.79	0.00	-0.49	-0.50	0.67
<b>GDP</b>															
1. Baseline (YTrillion)	531.2	537.4	538.5	538.5	539.2	539.1	540.3	543.4	547.5	550.2	555.0	544.5	533.1	539.3	549.0
3. Simulation 2 (YTrillion)	531.2	535.2	535.7	537.2	539.0	539.8	541.6	544.1	548.6	551.6	556.6	544.5	531.8	539.4	550.2
Diff (YTrillion)	0.000	-2.214	-2.829	-1.368	-0.204	0.770	1.370	0.778	1.117	1.379	1.526	0.000	-1.261	0.142	1.200
% Diff	0.00	-0.41	-0.53	-0.25	-0.04	0.14	0.25	0.14	0.20	0.25	0.27	0.00	-0.24	0.03	0.22
<b>Real GDP Growth: SAAR: %</b>															
1. Baseline	4.8	4.7	0.8	0.0	0.5	-0.1	0.9	2.3	3.1	2.0	3.6	-3.2	-2.1	1.2	1.8
3. Simulation 2	4.8	3.0	0.3	1.1	1.4	0.7	1.3	1.9	3.3	2.2	3.7	-3.2	-2.3	1.4	2.0
Diff	0.0	-1.7	-0.5	1.1	0.9	0.7	0.4	-0.4	0.3	0.2	0.1	0.0	-0.2	0.3	0.2