

# **Forecasting the direction of Japan and World Economies**

**- Absolute numbers tell near future-**

**January 20, 2016**

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**Chief Senior Economist**

**Japan Research Institute, Limited**

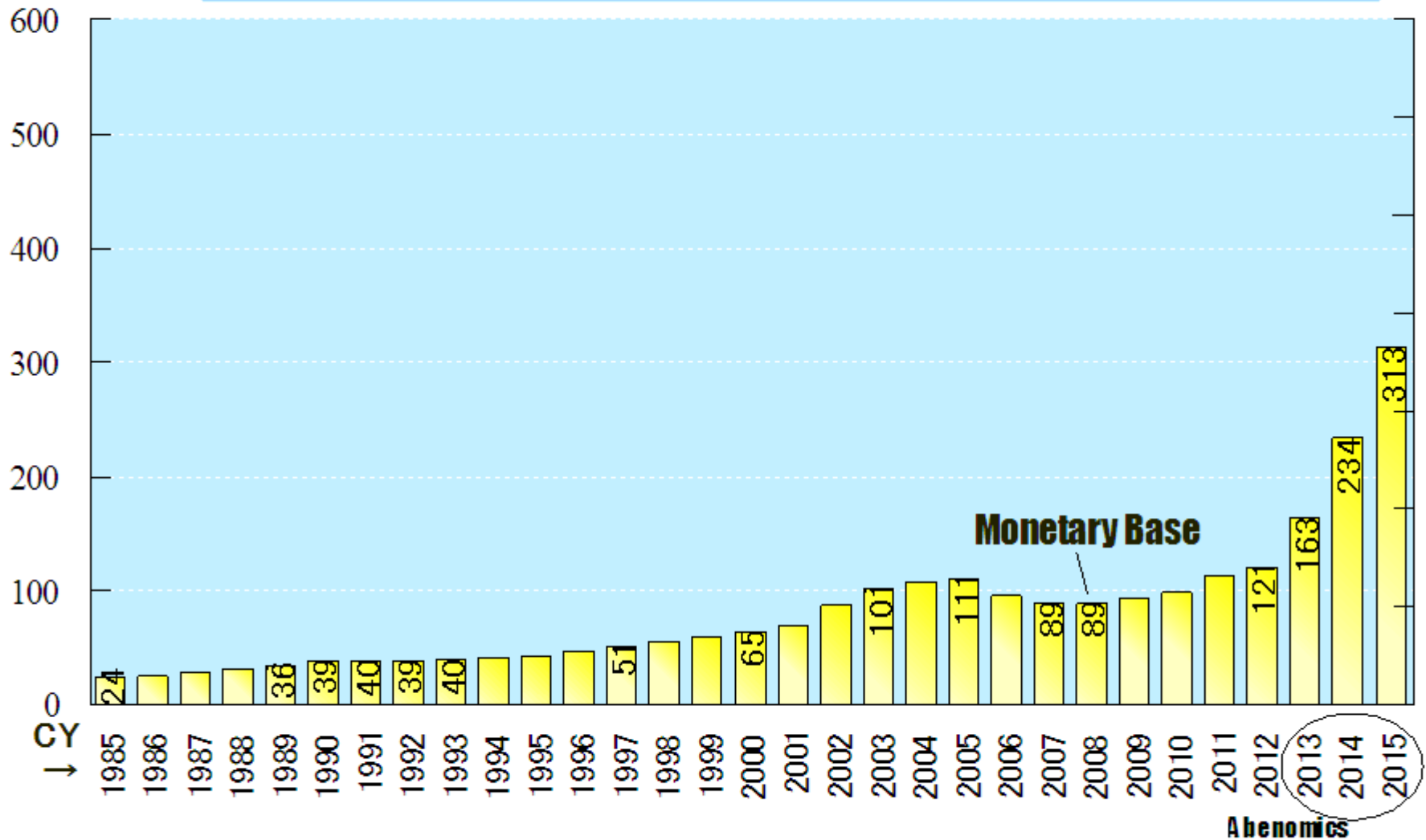
**kosuke@motani.com**



# Japan's L-T Economic Performance

JPY in trillion

## Japan's National Accounts, nominal, and Stock Value

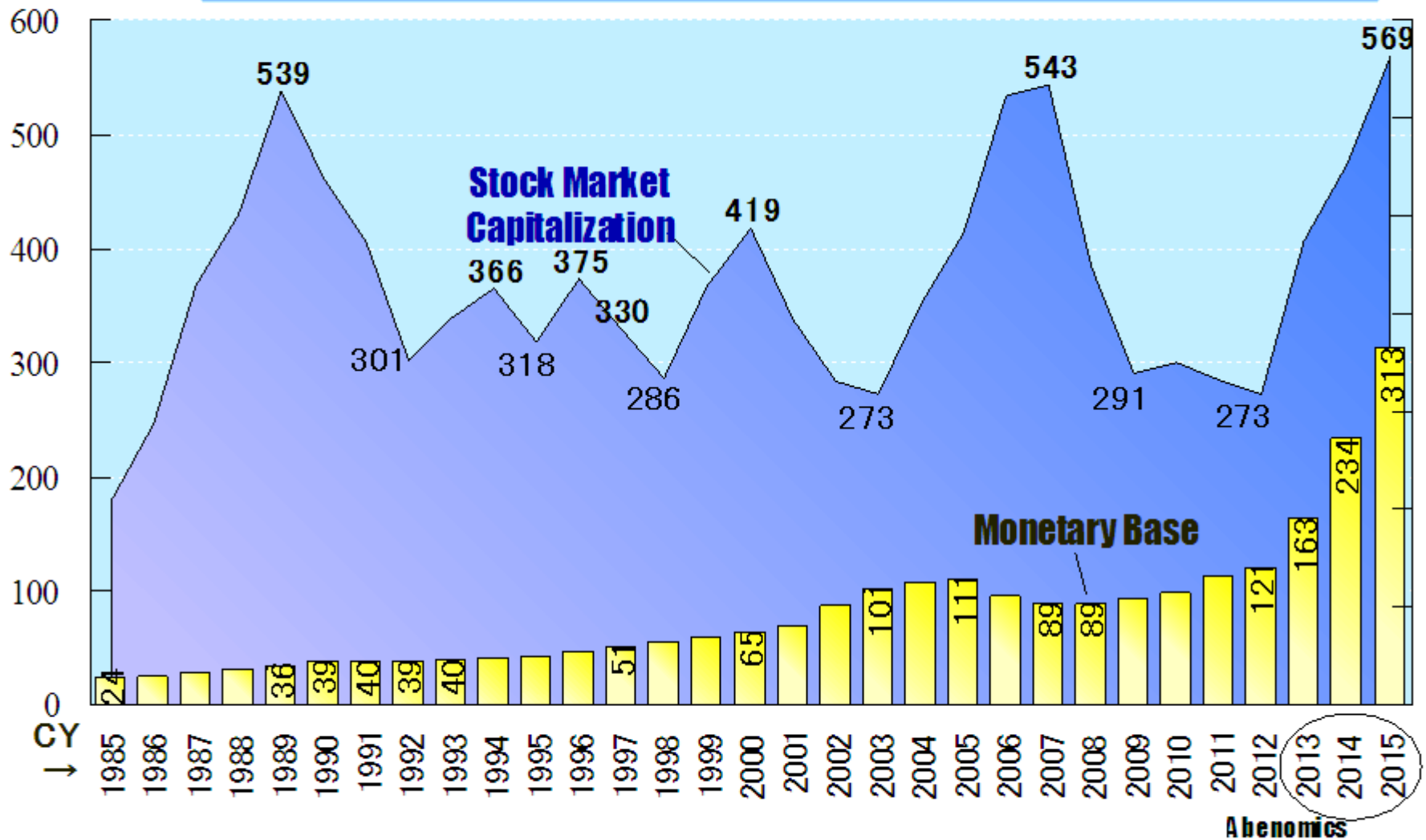


Monetary Base: Bank of Japan: Average of the figures at the end of every month

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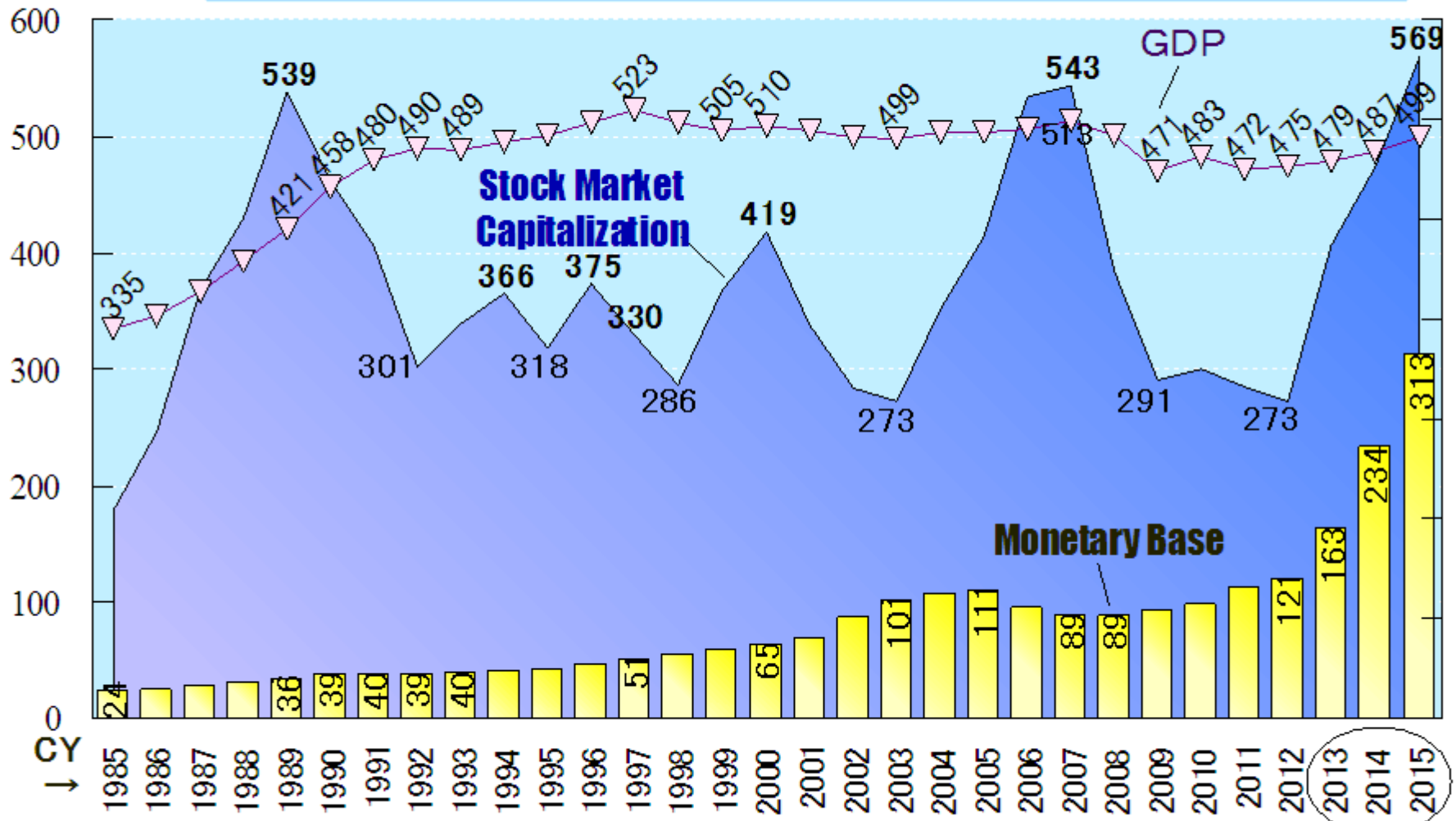
Stock Market Capitalization: Tokyo Stock Exchange: Average of the end of every month

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National Accounts: Cabinet Office: All Nomina: 2015CY reflects figures from January to September

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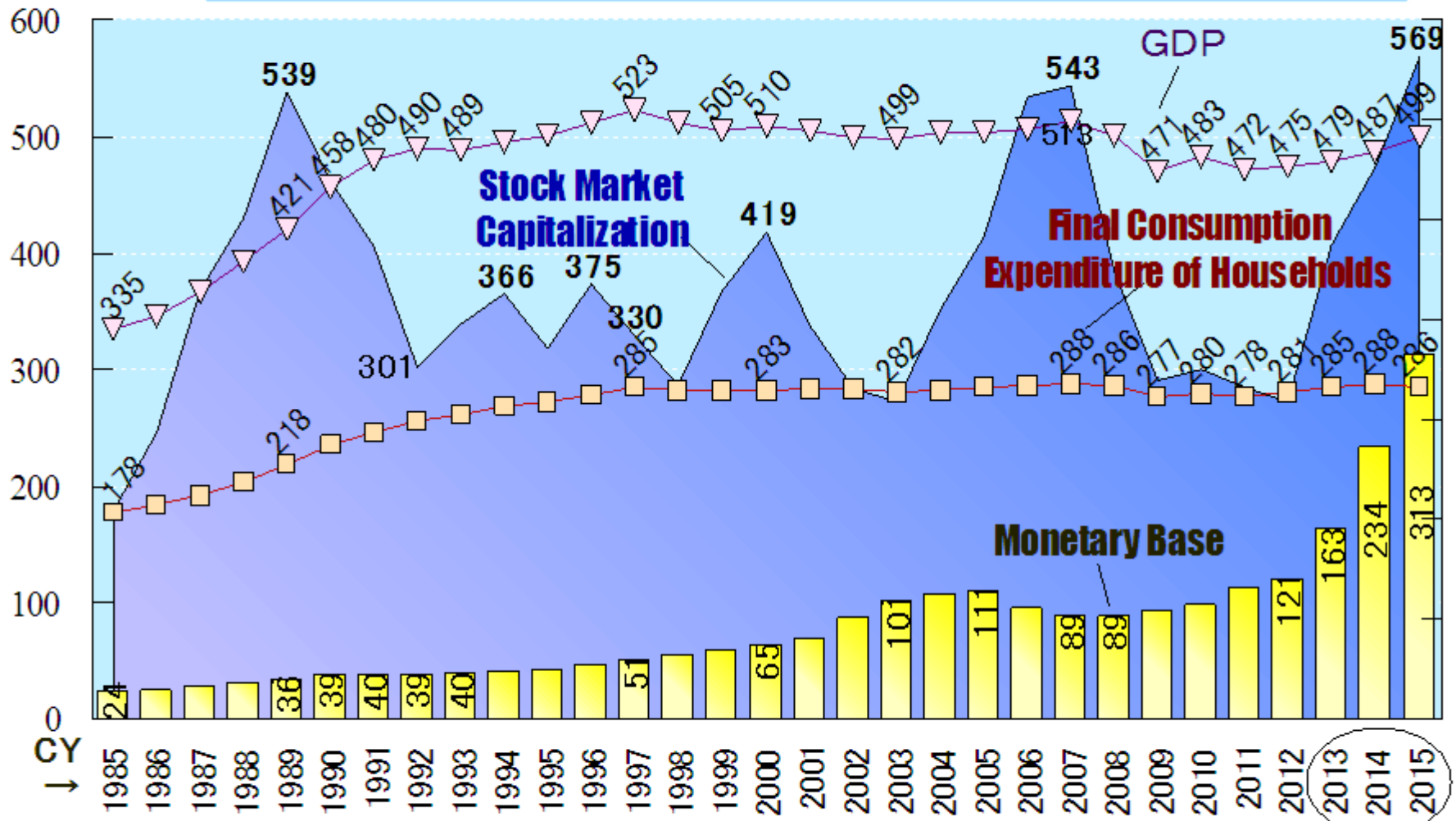
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Abenomics

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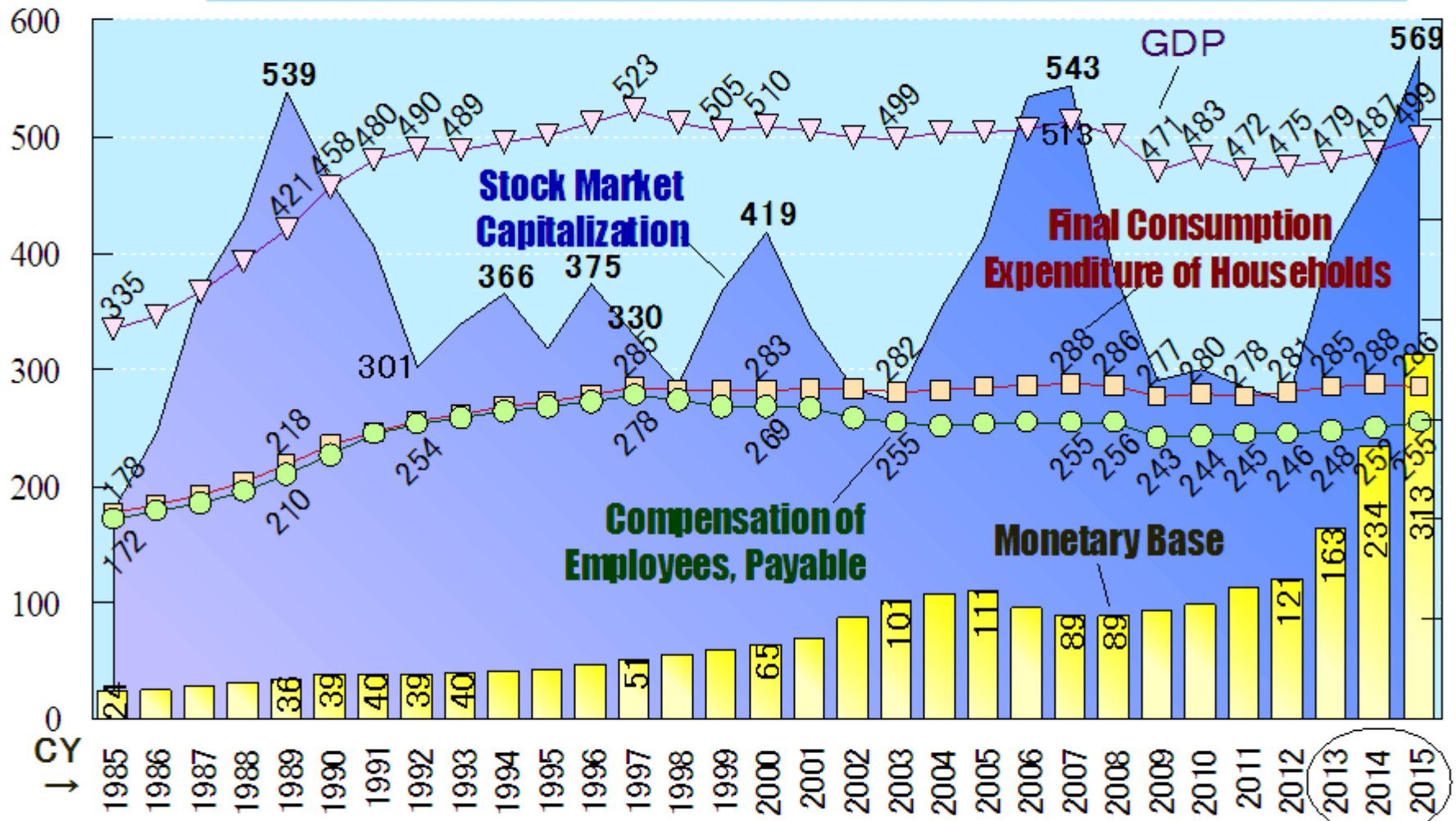
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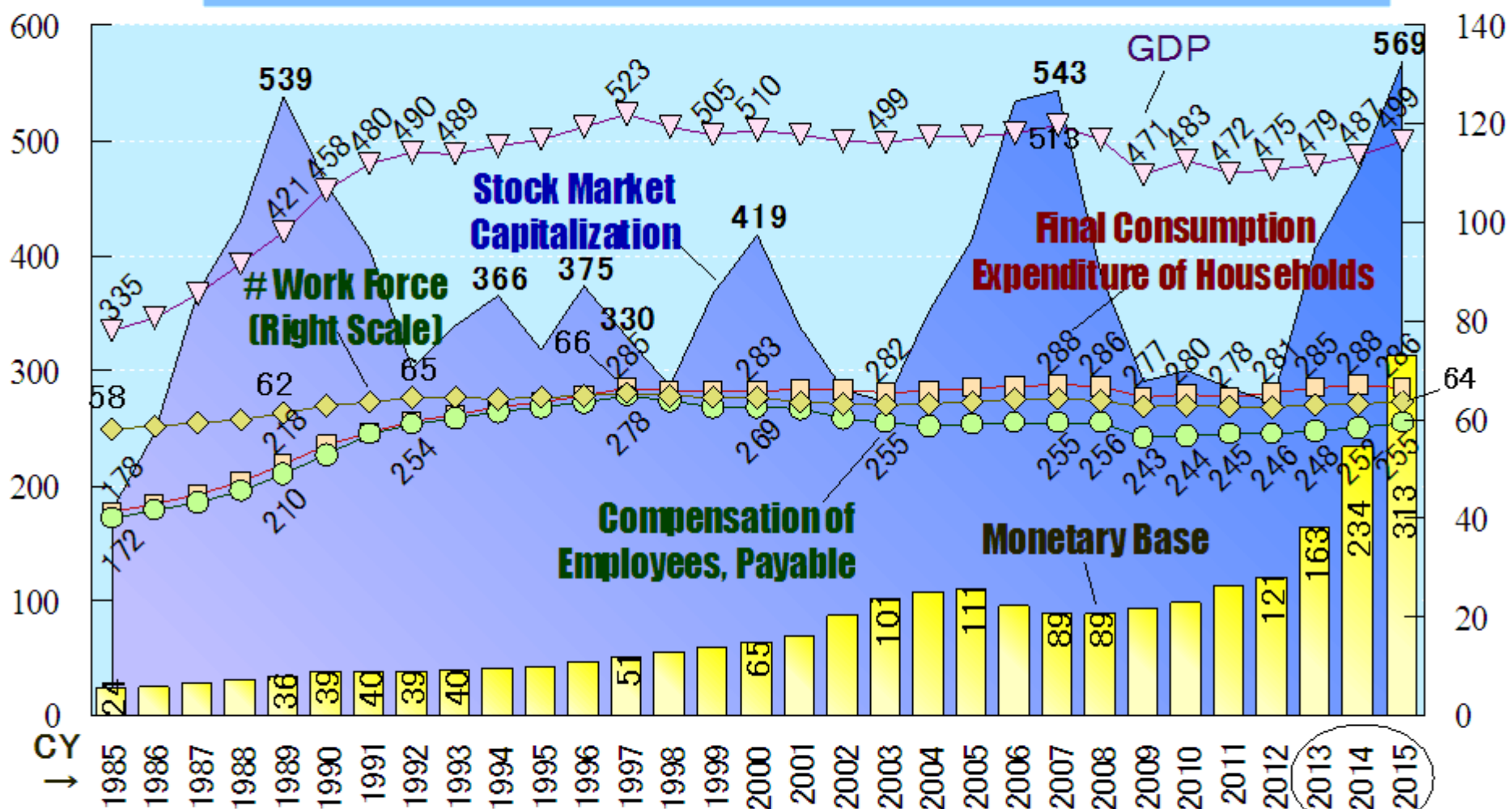


# Japan's L-T Economic Performance

JPY in trillion

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million



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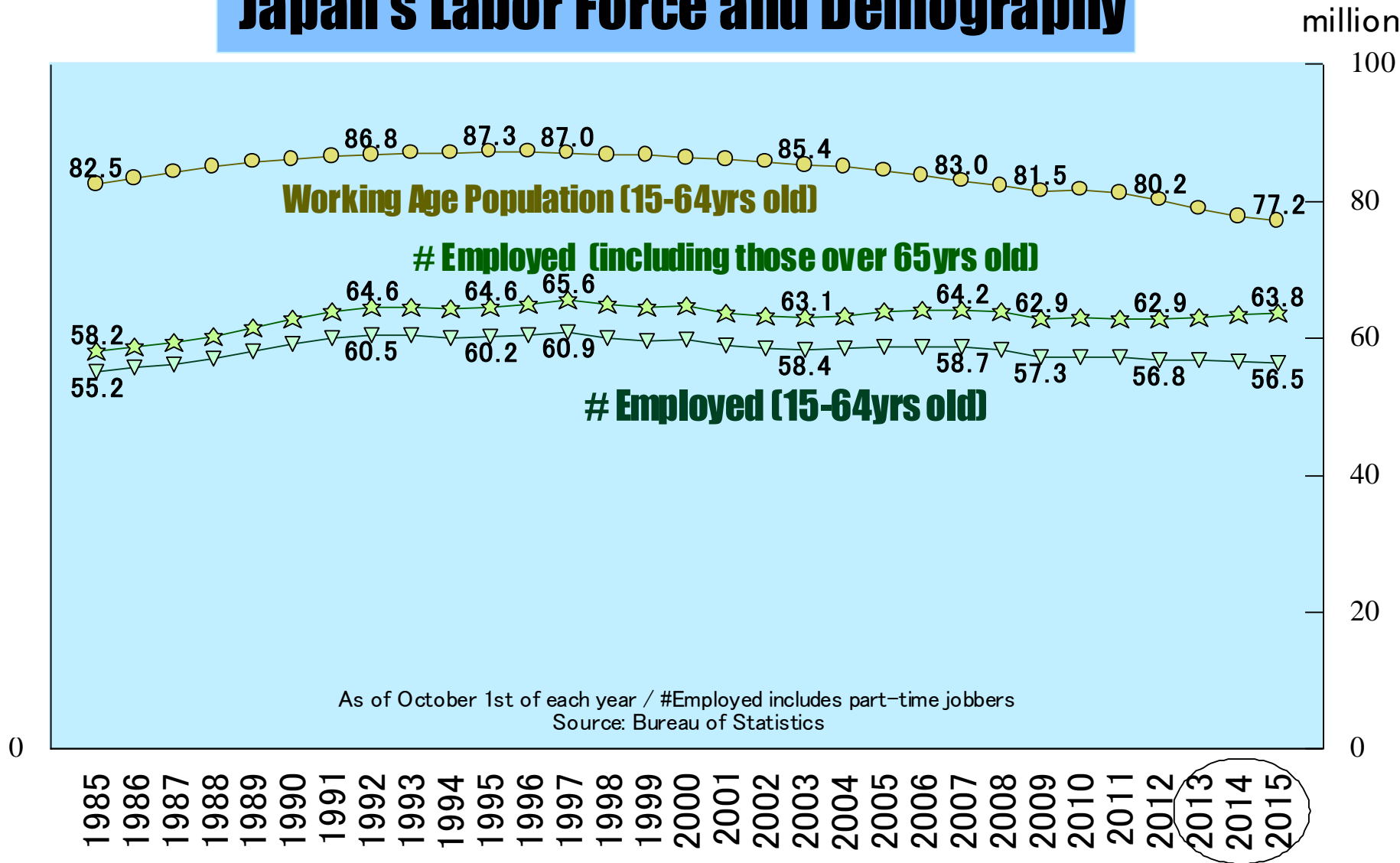
Stock Market Capitalization: Tokyo Stock Exchange: Average of the end of every month

Monetary Base: Bank of Japan: Average of the figures at the end of every month / # Labor Force: Statistics Bureau: Includes part-time workers

Abenomics

# Not Economy But Working Age Population Decides # of Work Force in Japan

## Japan's Labor Force and Demography

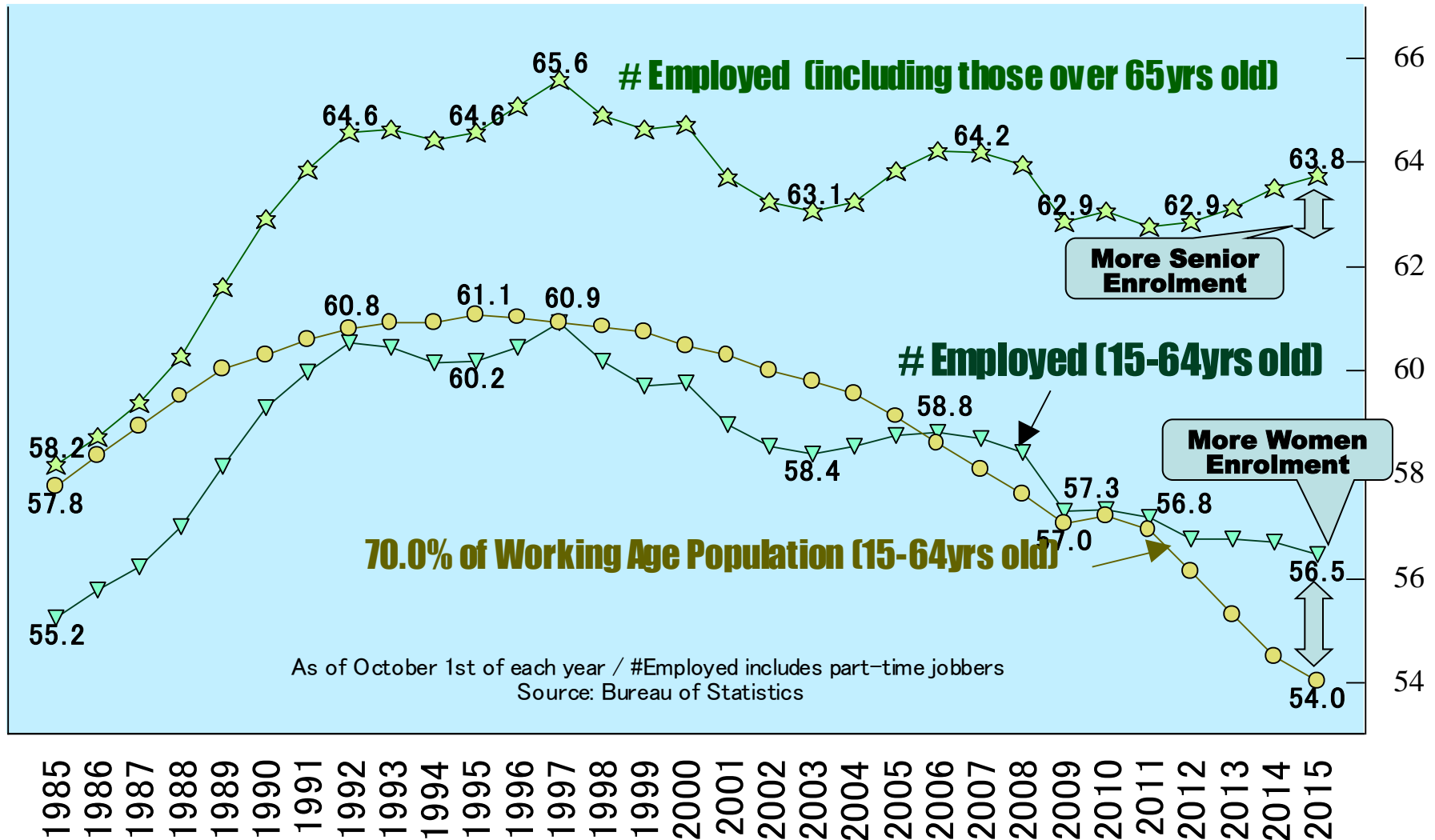




# Not Economy But Working Age Population Decides # of Work Force in Japan

## Japan's Labor Force and Demography

million



# **Declining Working Age Population Decreases Demand, not Supply**

**Not a General Theory, but a “Inconvenient Reality” in Japan**

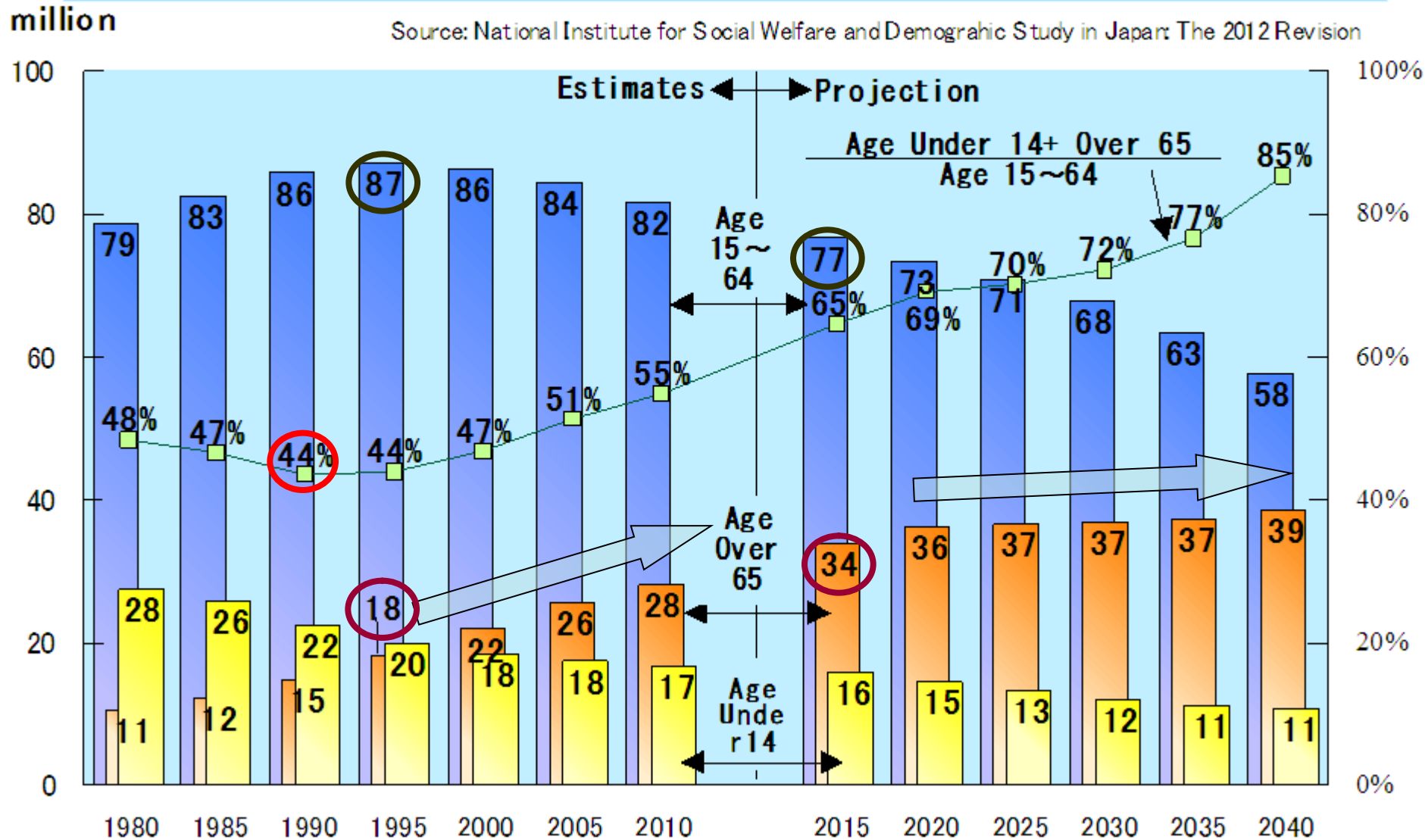
- ★ Modern Machineries with IT substitute human labor, increase labor productivity and Export, while keeping production level.
- ★ Decreasing working age population ends in decreasing # of workers and less amount of gross wages, reducing the amount of commodities needed.
- ★ Stable production and decreasing needs result in price drop and less demand.
- ★ Seniors who likely own 83% of \$14 trillion personal financial assets do not consume as much materials as youths do, but just enjoy saving.

# Four Suggestions Beyond “ABENOMICS”

- ☆ Let younger generation get the financial assets; through accelerated inheritance with tax incentives, promoting consumption of rich seniors by innovative product development, and raising wages by cutting off dividends.
- ★ Let more women work, while raising their wages.
- ☆ Let more foreigners come to Japan, not to work as cheap labor but to travel around, to stay in, to live on and to consume.
- ★ Reforms of the systems of pension, medical and care for senior citizens look urgent. Do not blame neither economy nor government, since the initial cause is the aging of all of us. Blaming without facing the fact delays our

# Japan: Has Been Aging for Two Decades

## Demographic Change of the Residents in Japan (1980-2040)

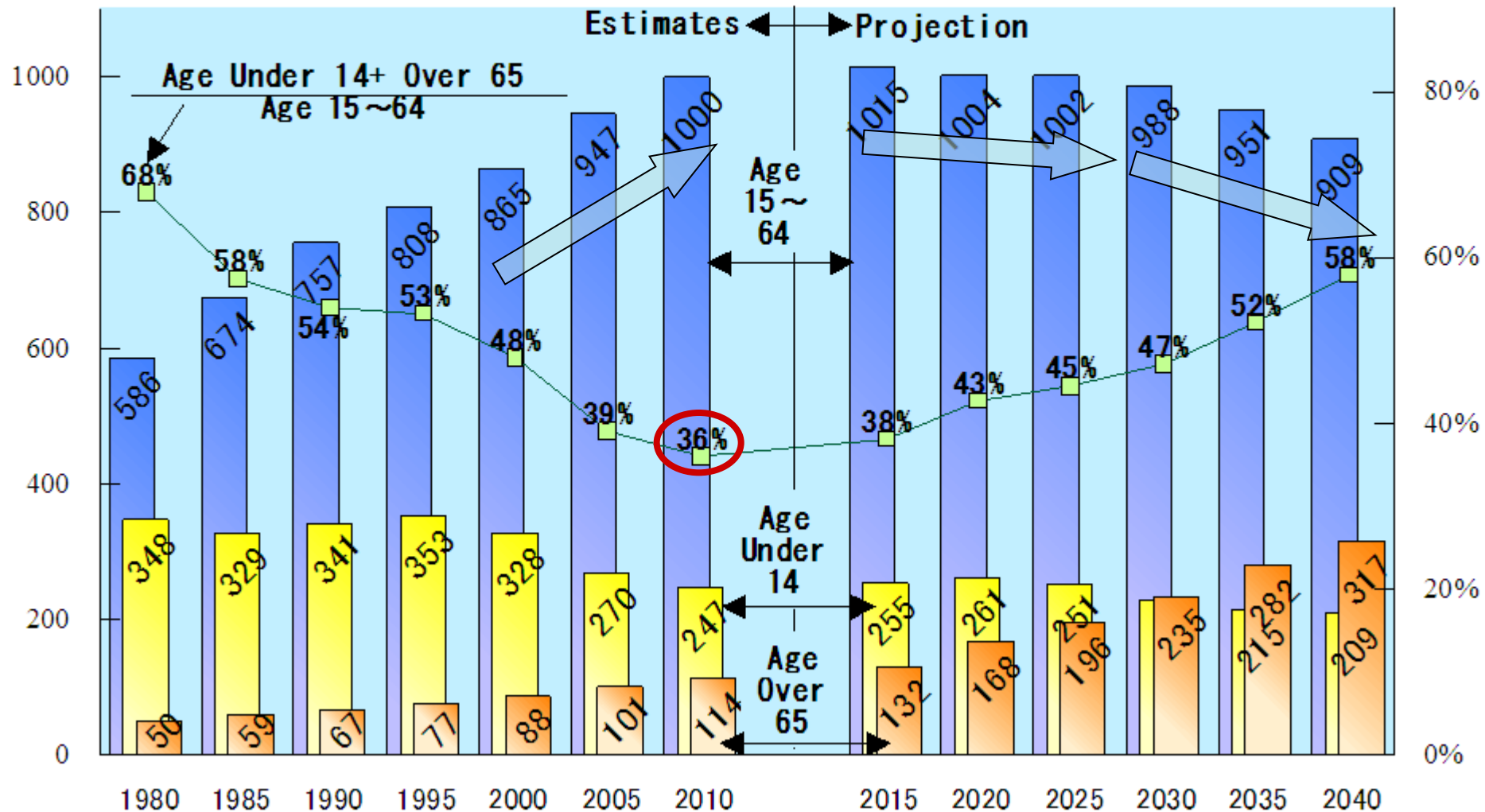


# China: Now Turning the Critical Corner

## Demographic Change of the Residents in China (1980-2040)

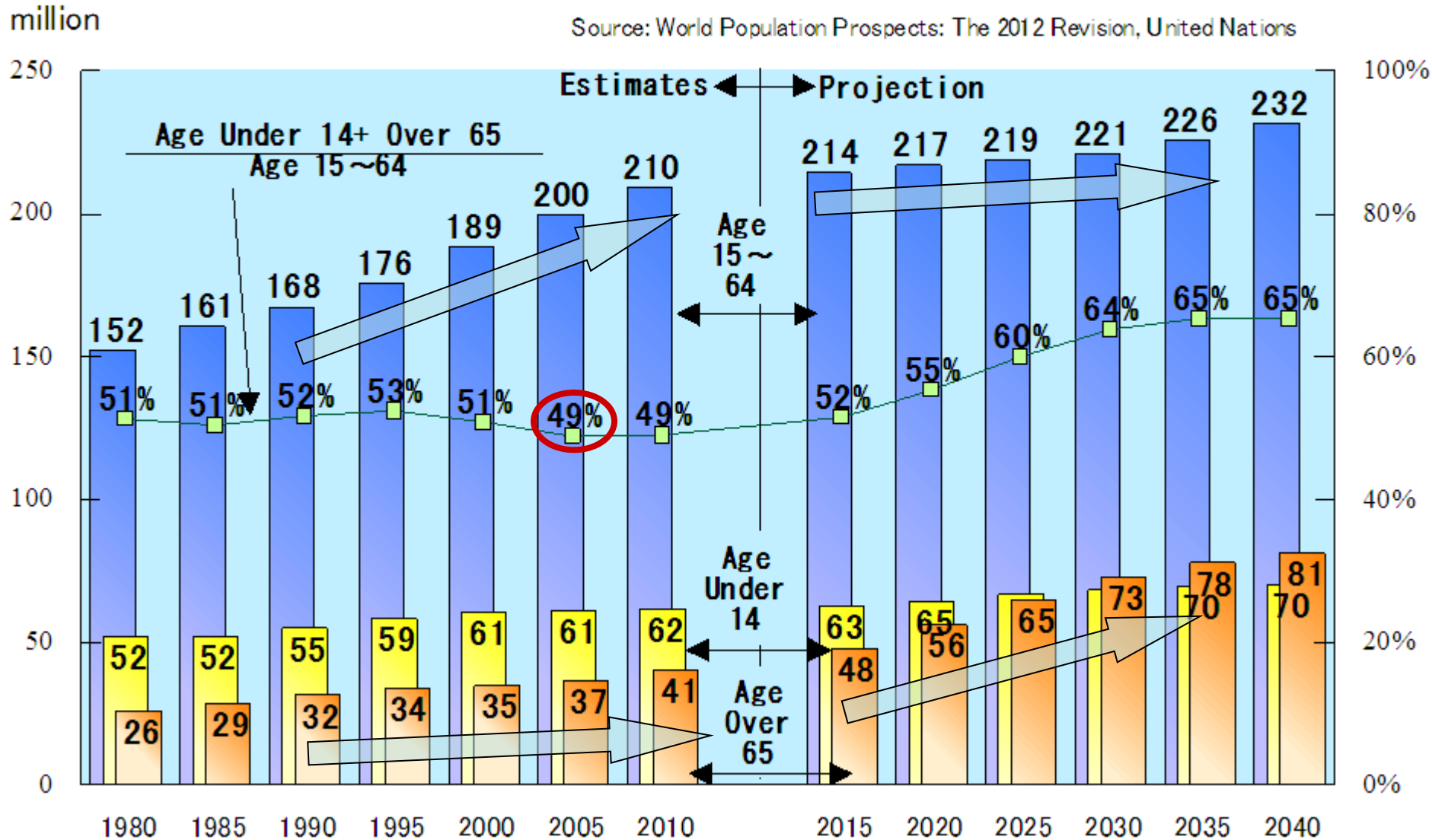
million

Source: World Population Prospects: The 2012 Revision, United Nations



# USA: Seniors Increase Faster than Youths

## Demographic Change of the Residents in USA (1980-2040)

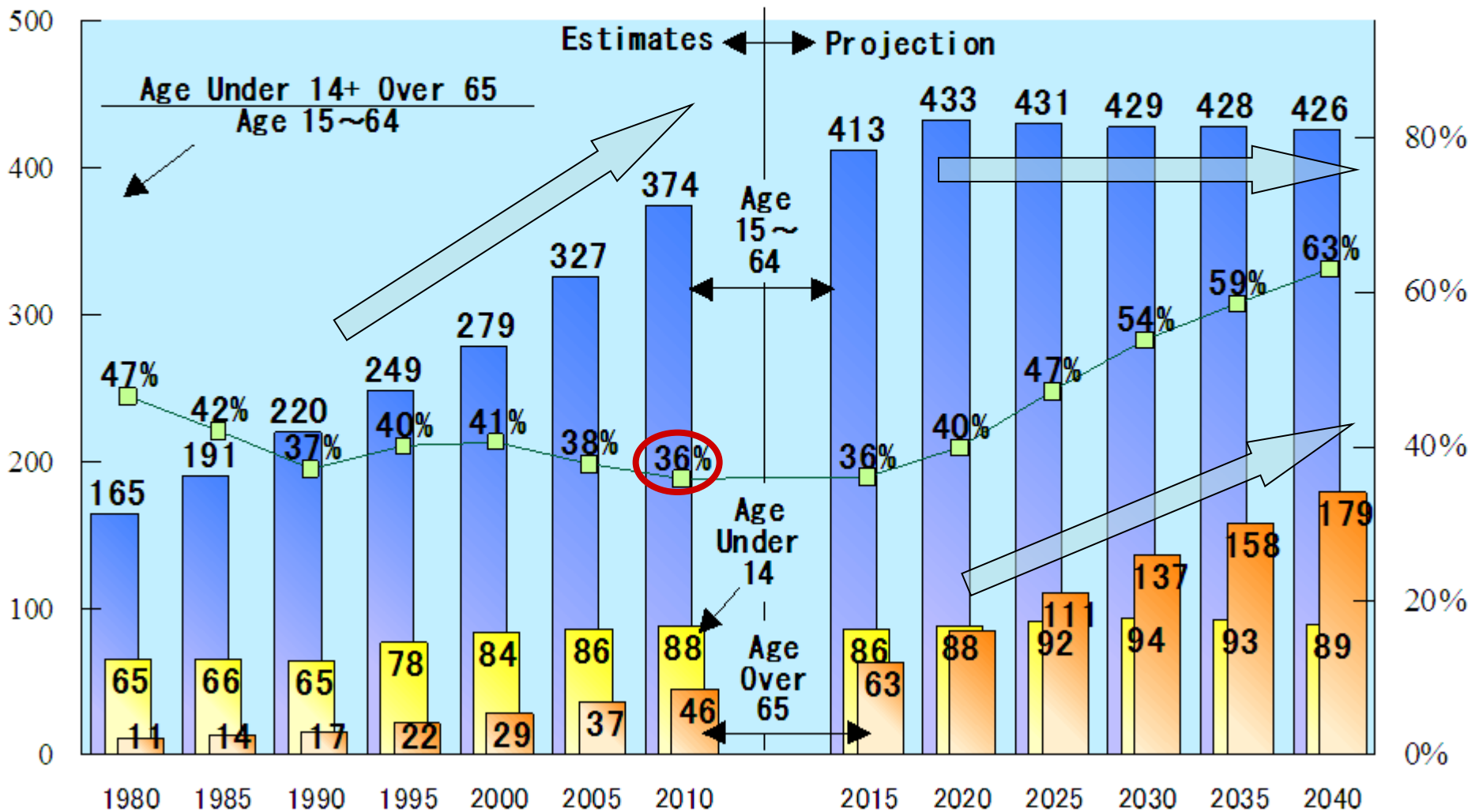


# Singapore: How to Do with Aged Migrants?

## Demographic Change of the Residents in Singapore (1980-2040)

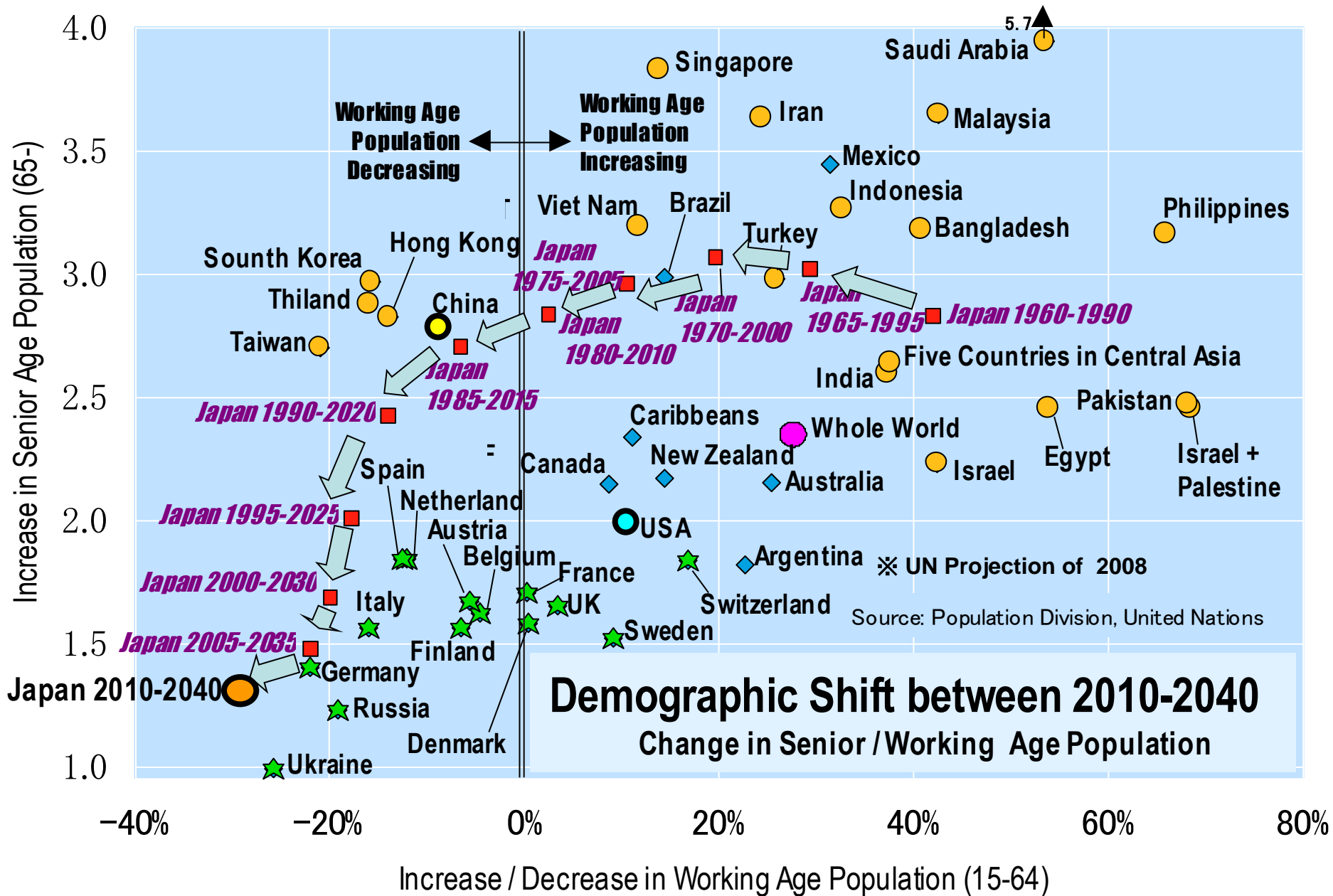
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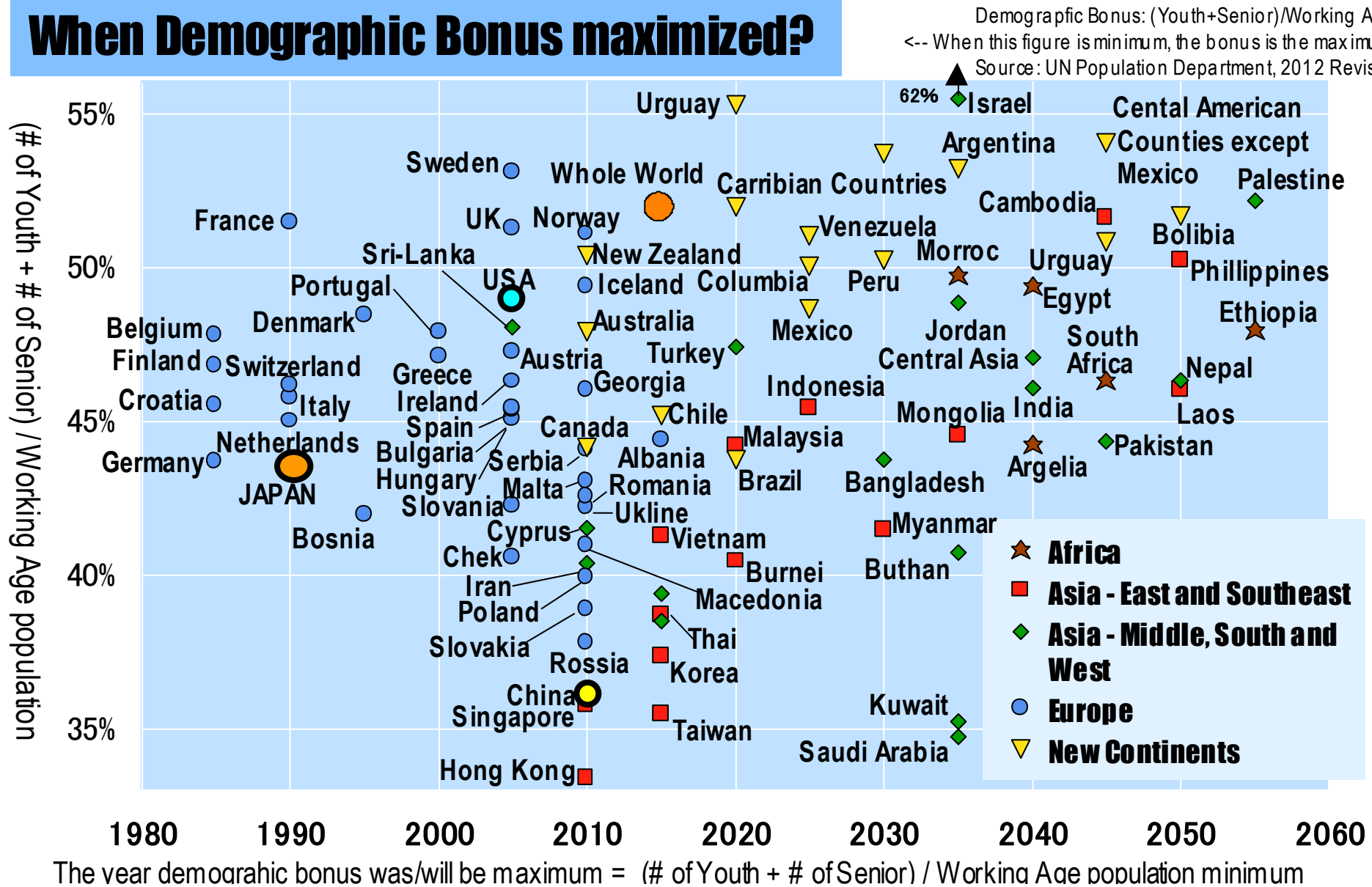


# Aging World headed by Japan



# Aging World headed by Japan

## When Demographic Bonus maximized?



# Learn from Japan's Experiences

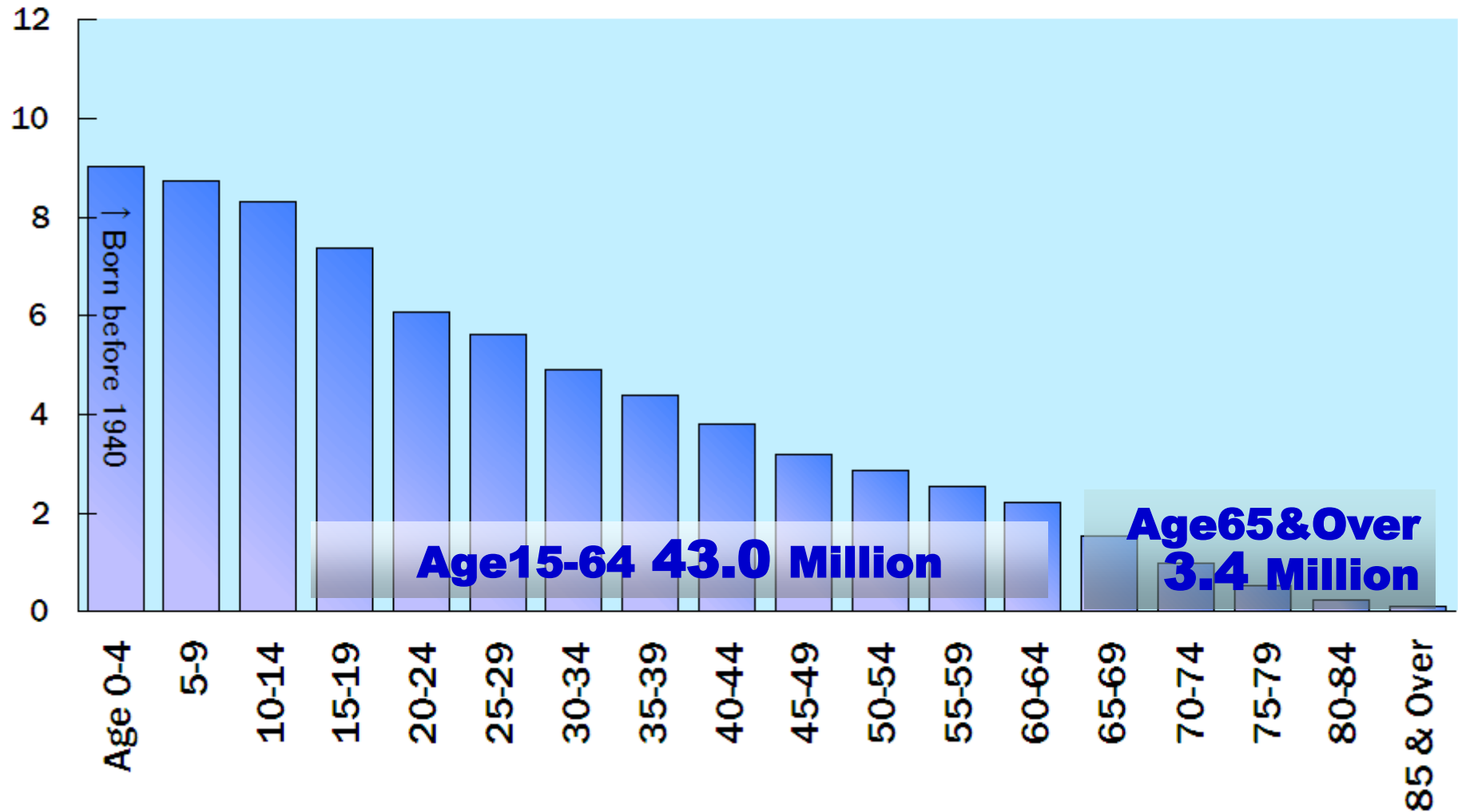
- ★ Don't be too naïve to believe in conventional macro economic theories. Their underlying premises may be contradictory to our reality.
- ★ Prepare for the increase of the absolute number of seniors. Avoid being deceived by aging ratio that can look lower due to increasing youths.
- ★ Declining working age population decreases the quantity needed, not that produced. Compensate the loss by digging the need of seniors and riches.
- ★ Though 20 years ahead of the other advanced economies in terms of aging, Japan has been surviving as both an innovative manufacturer and a creative explorer of senior market. Do not undervalue its outstanding economic

# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 1940

Population in Million, including Foreign Residents

Source: National Census

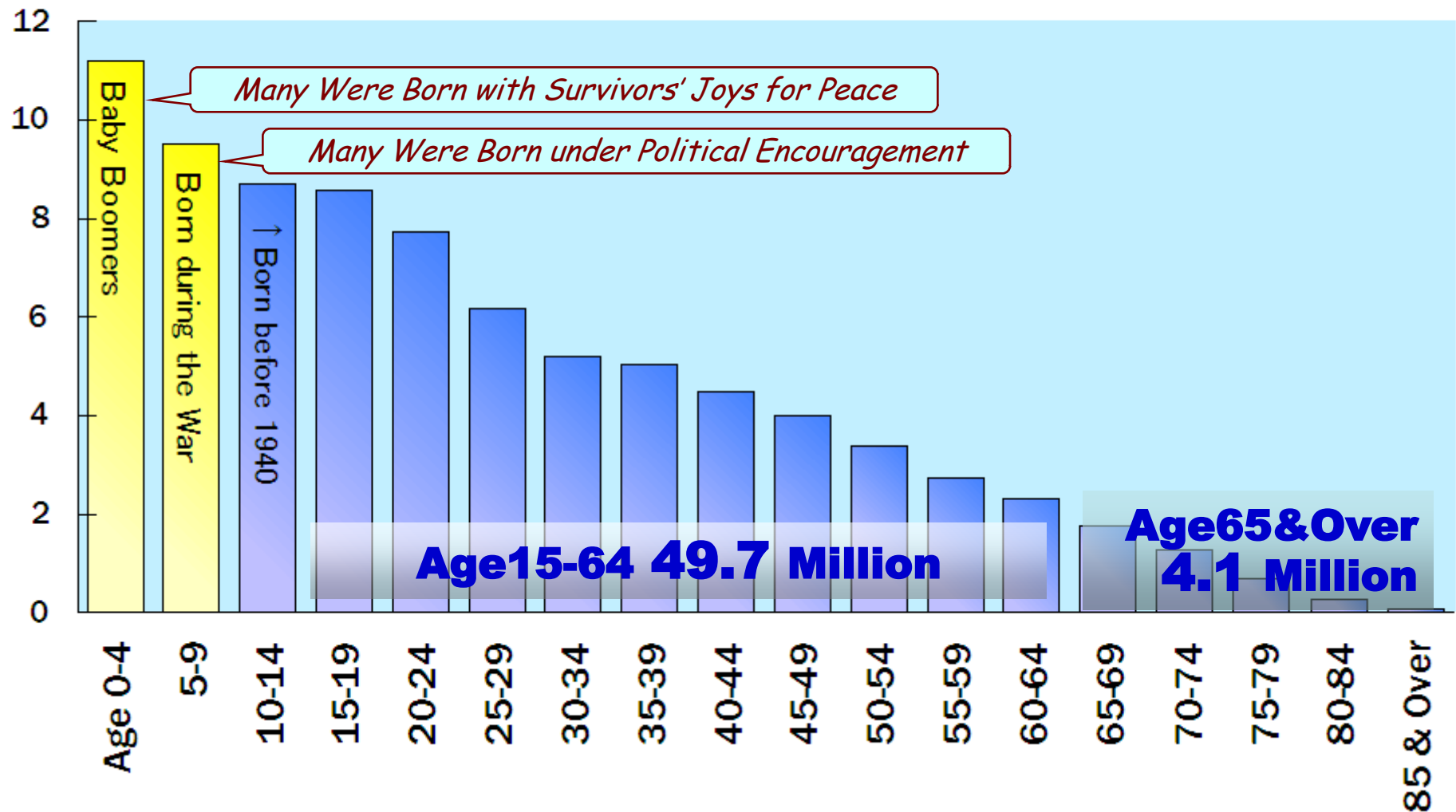


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 1950

Population in Million, including Foreign Residents

Source: National Census

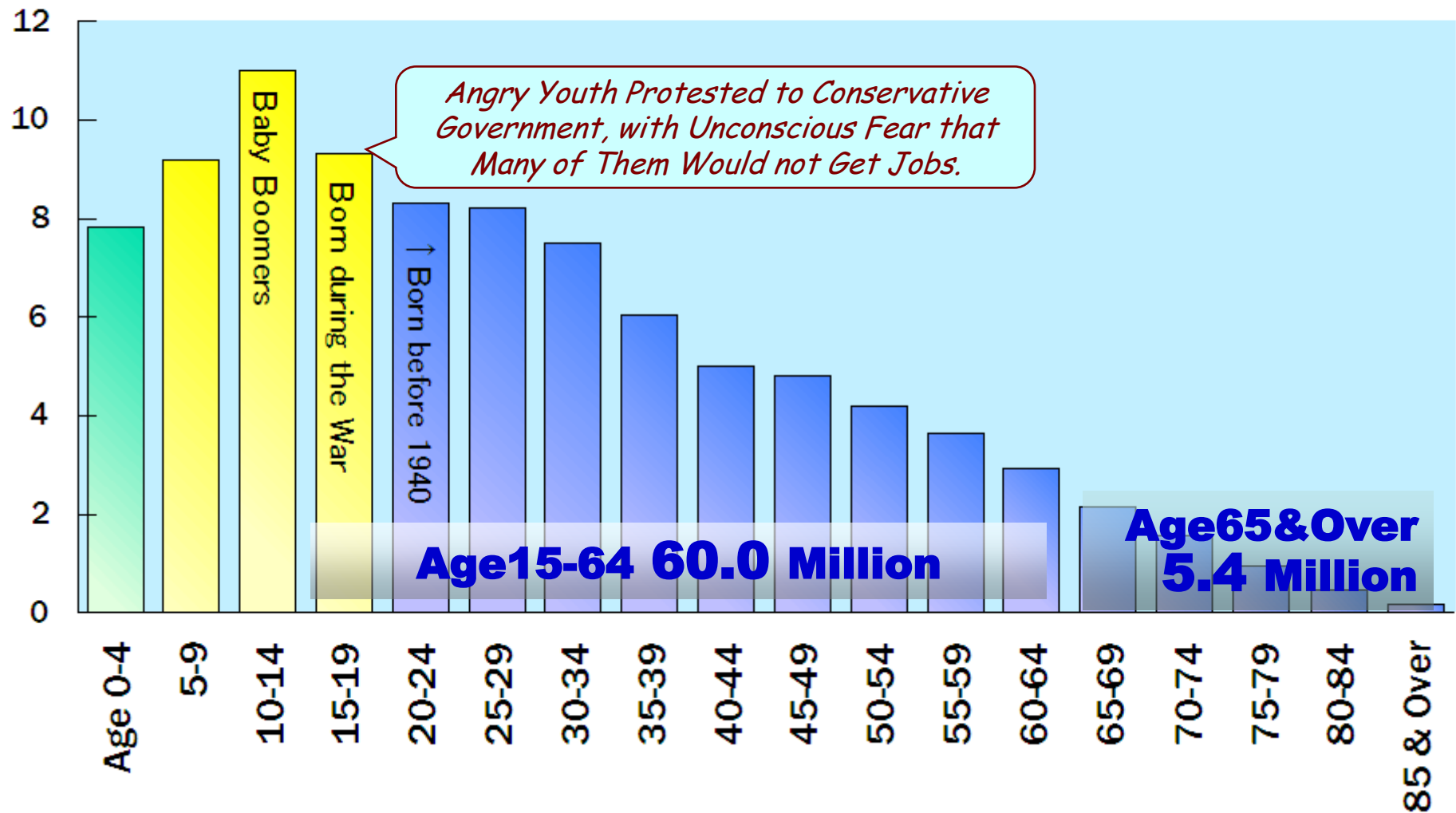


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 1960

Population in Million, including Foreign Residents

Source: National Census

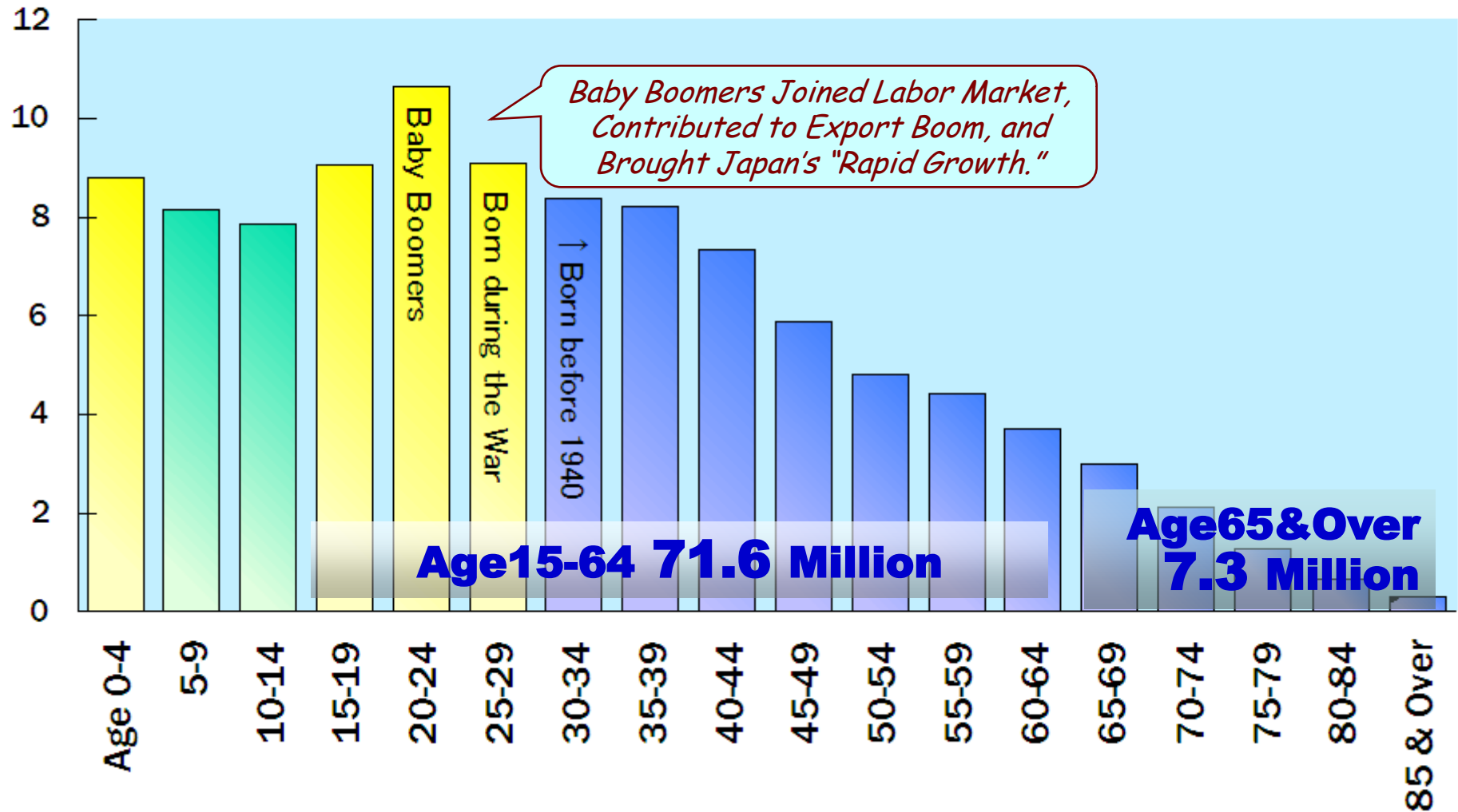


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## Structural Change of Japan's Population: as of 1970

Population in Million, including Foreign Residents

Source: National Census



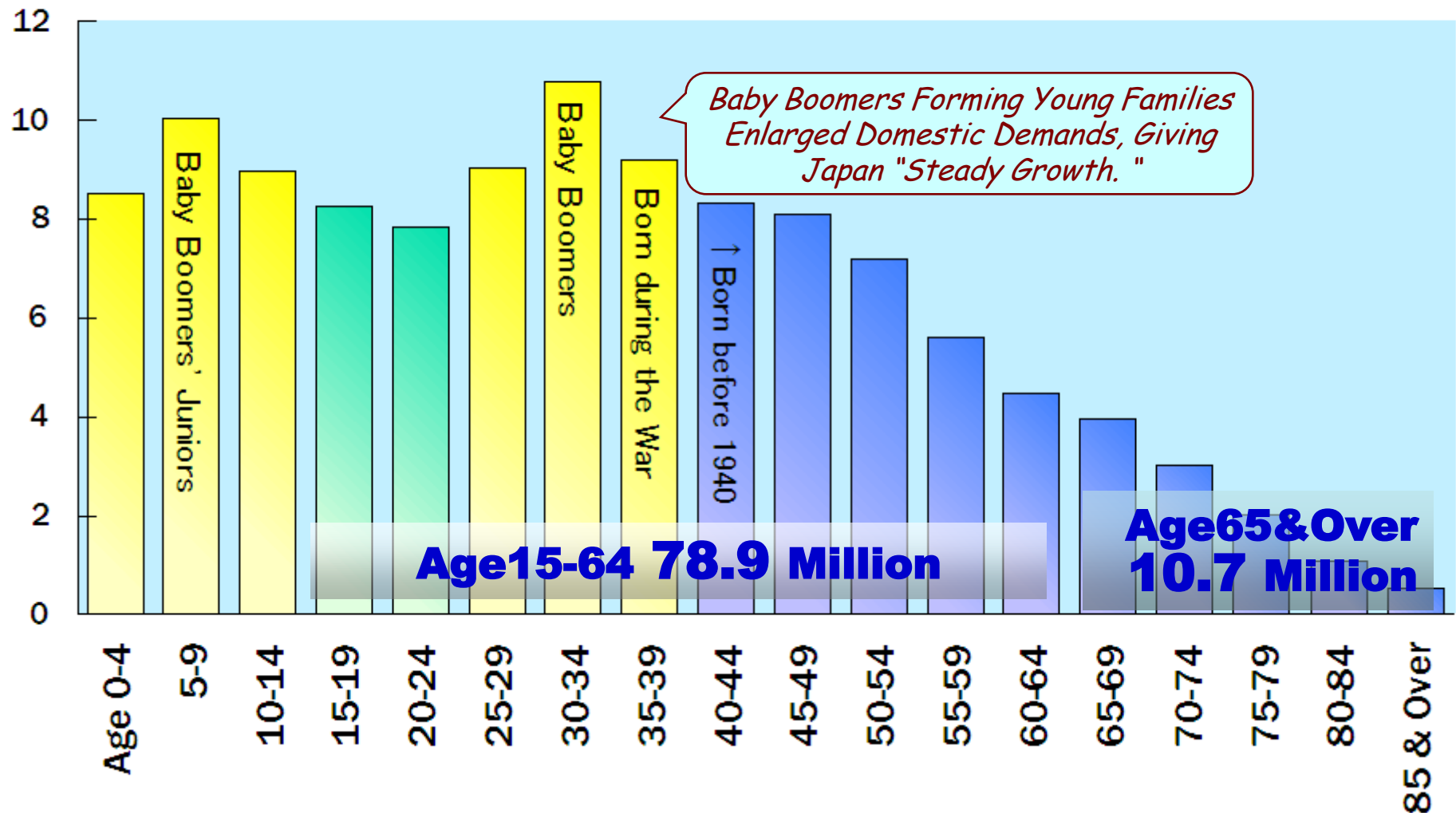


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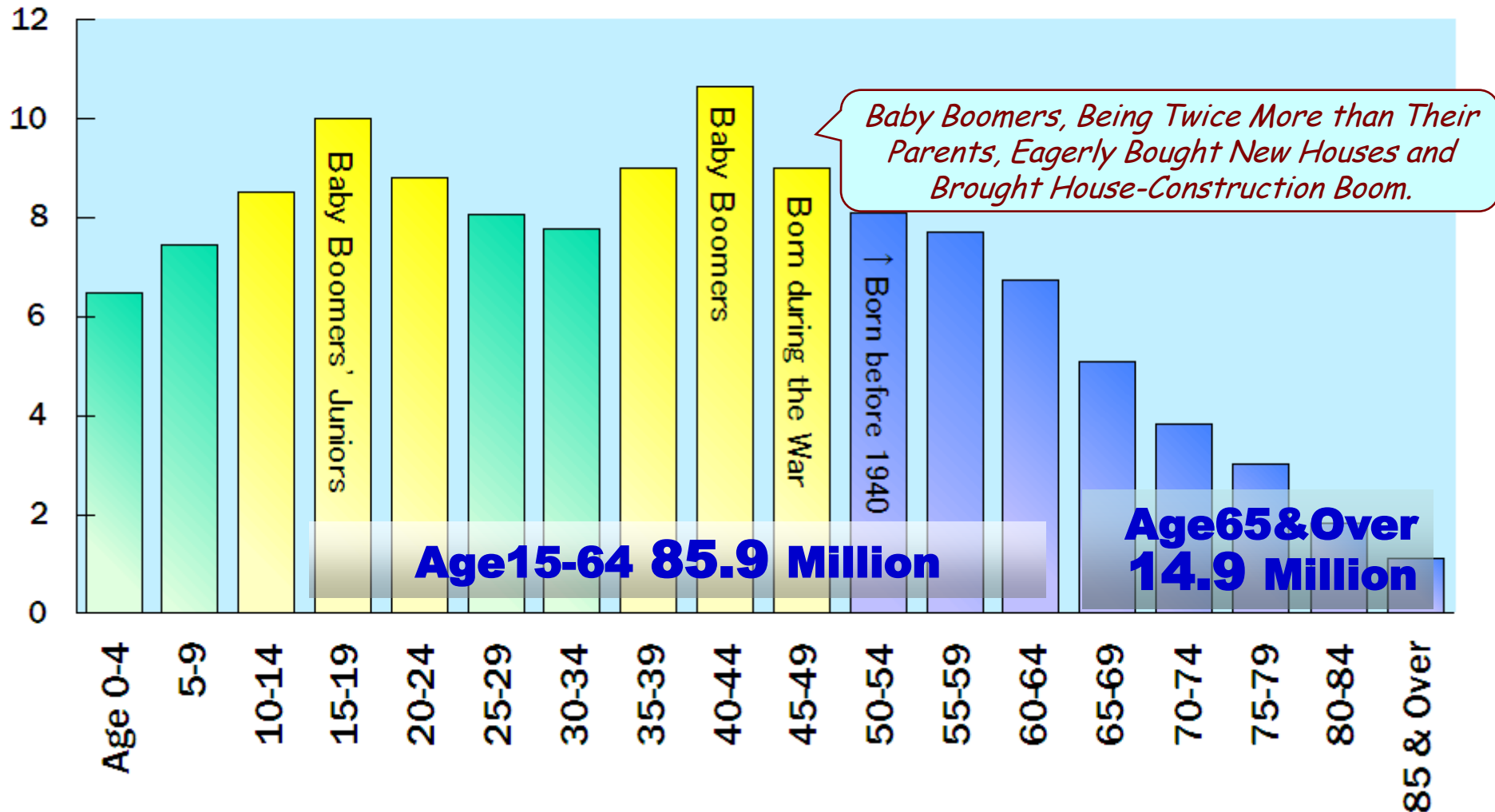


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Population in Million, including Foreign Residents

Source: National Census

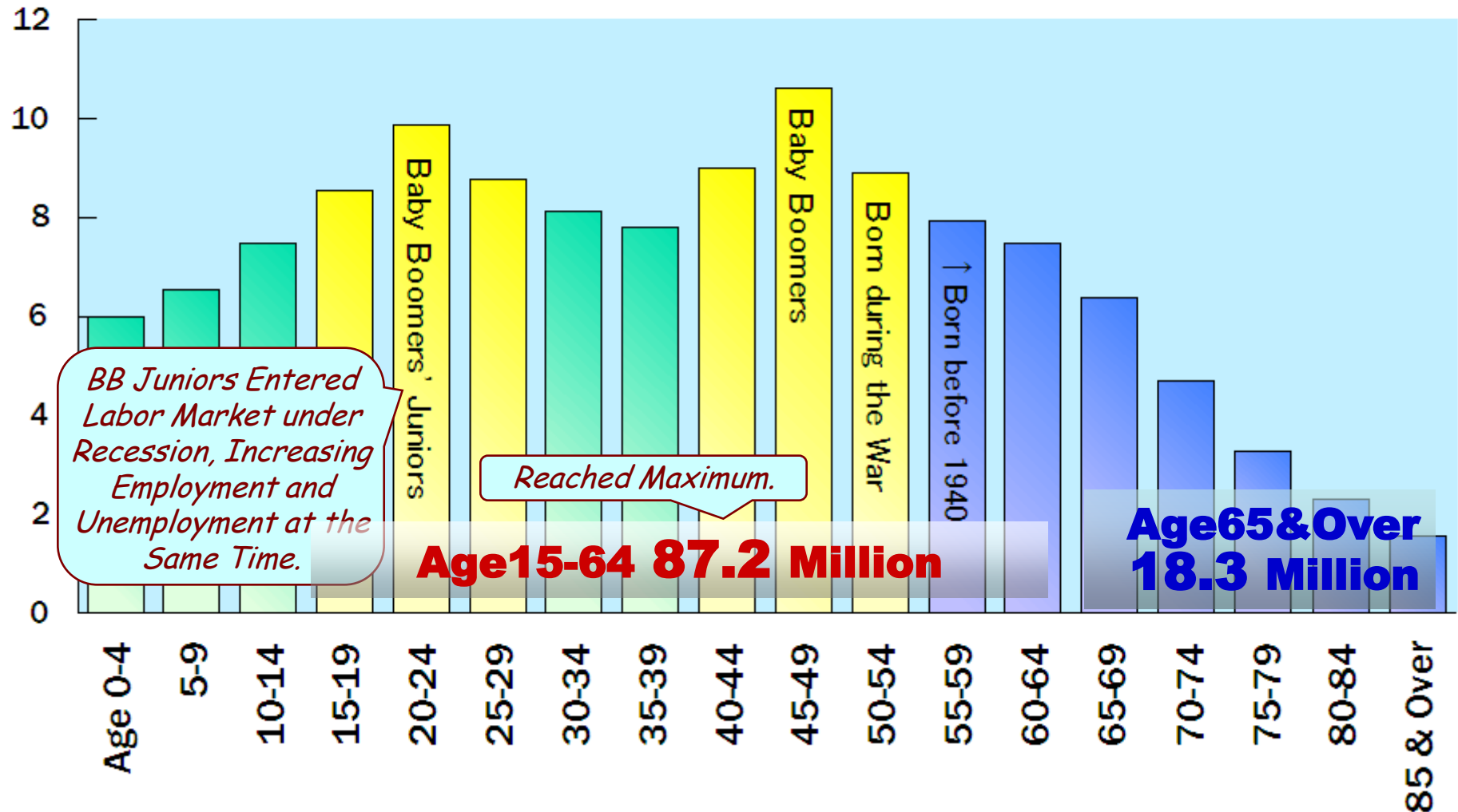


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## Structural Change of Japan's Population: as of 1995

Population in Million, including Foreign Residents

Source: National Census

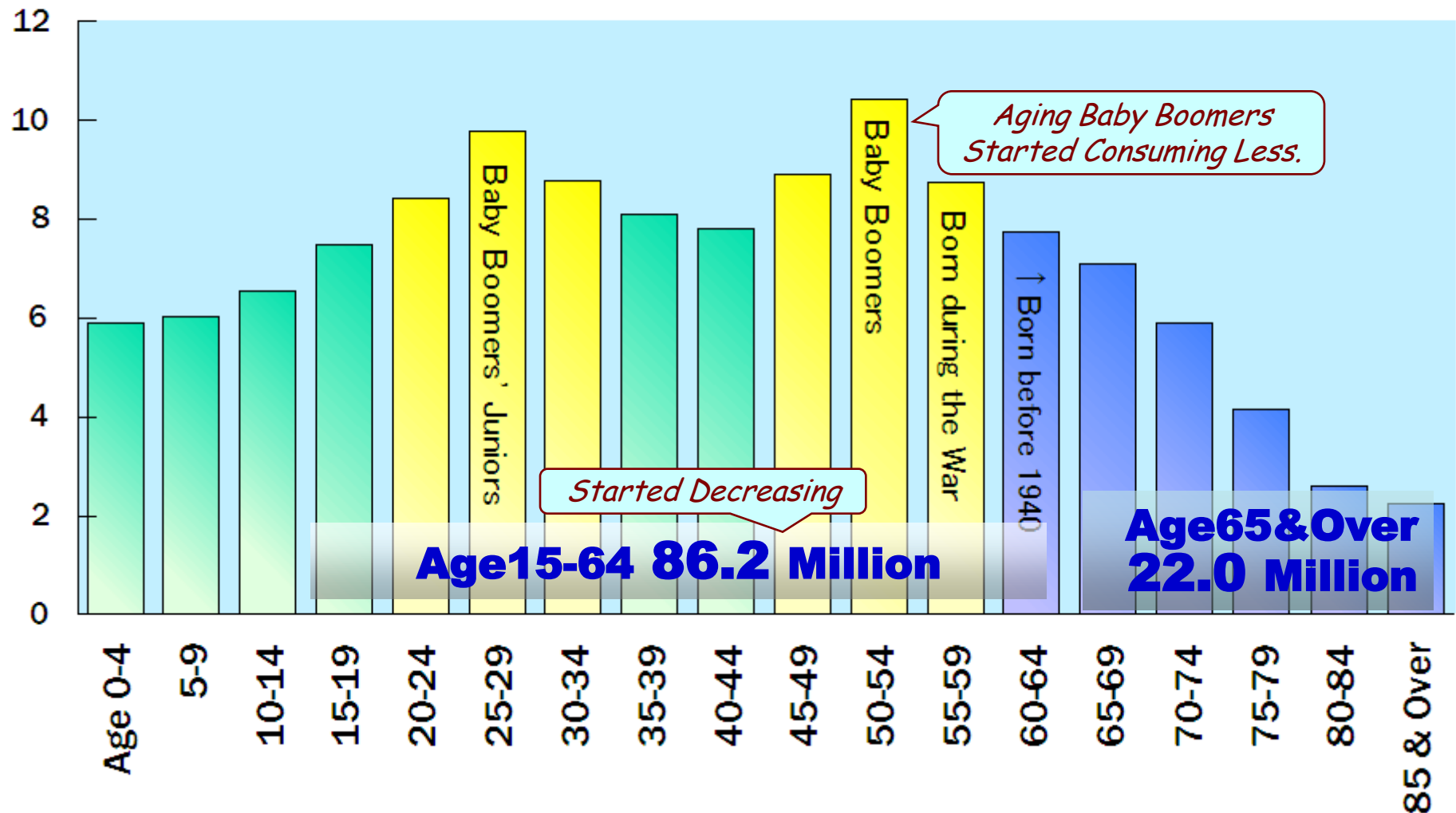


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 2000

Population in Million, including Foreign Residents

Source: National Census

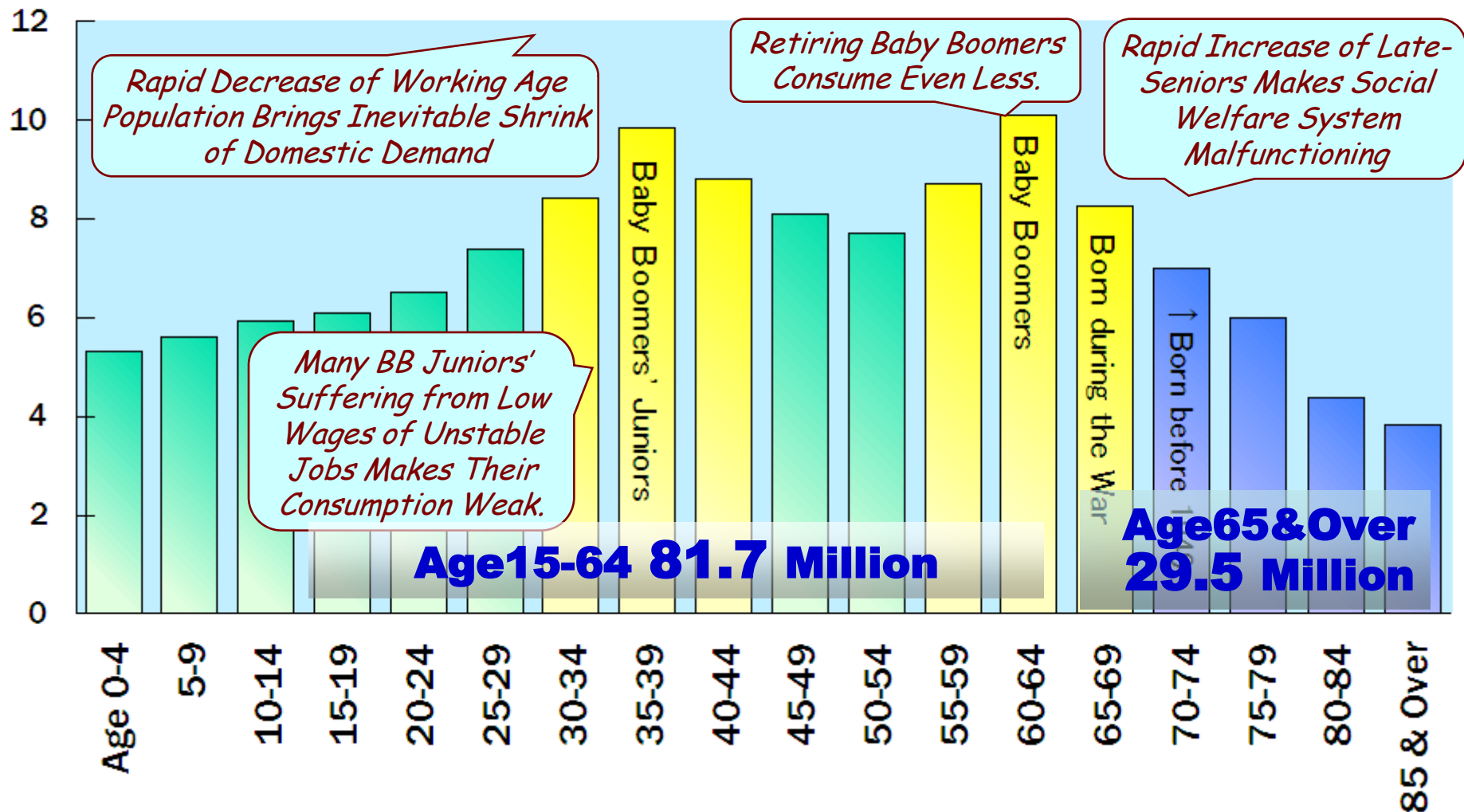


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## Structural Change of Japan's Population: as of 2010

Population in Million, including Foreign Residents

Source: National Census

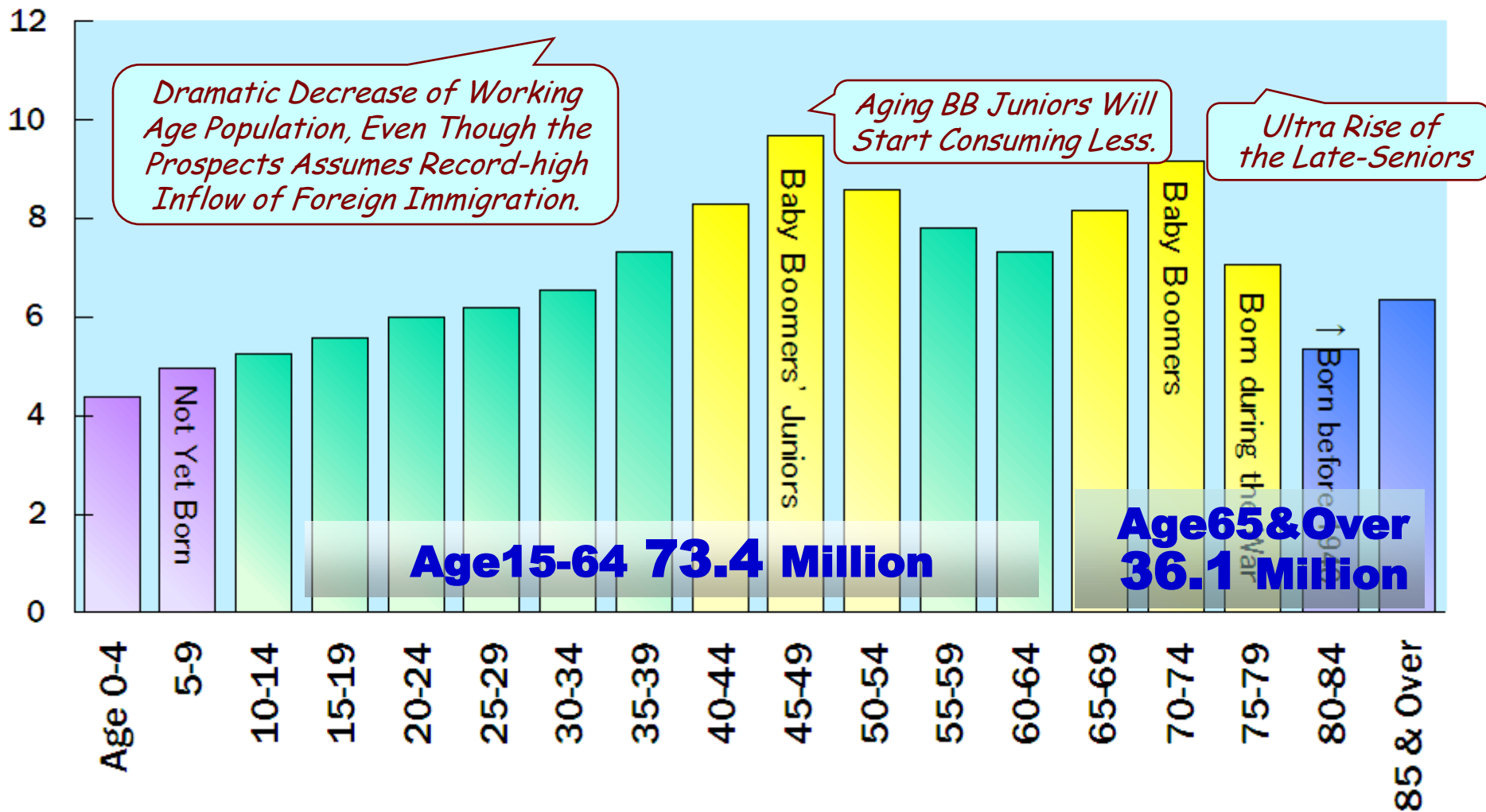


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 2020

Population in Million, including Foreign Residents

Source: Prospects of NRI-SWP

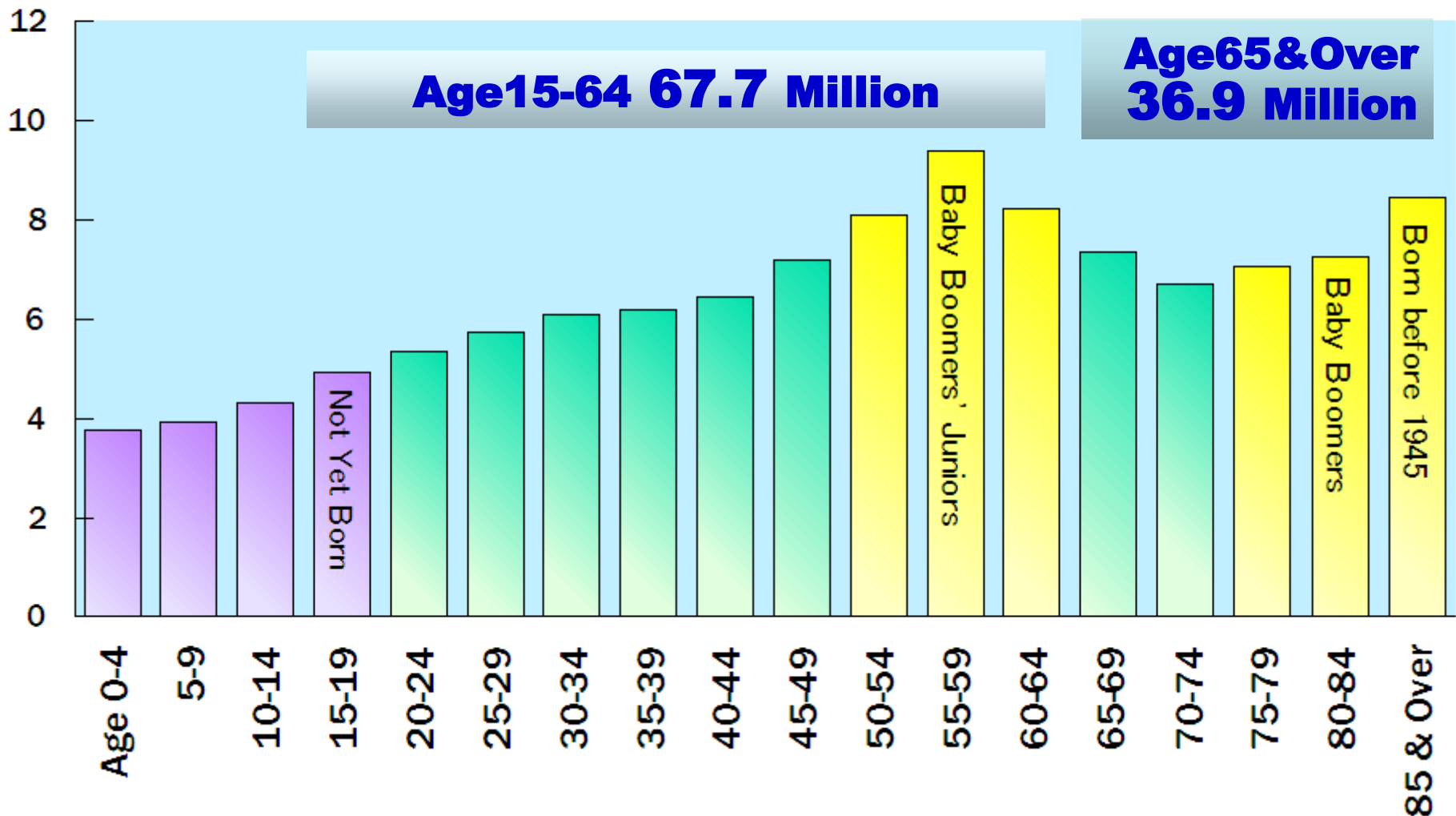


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 2030

Population in Million, including Foreign Residents

Source: Prospects of NRI-SWP



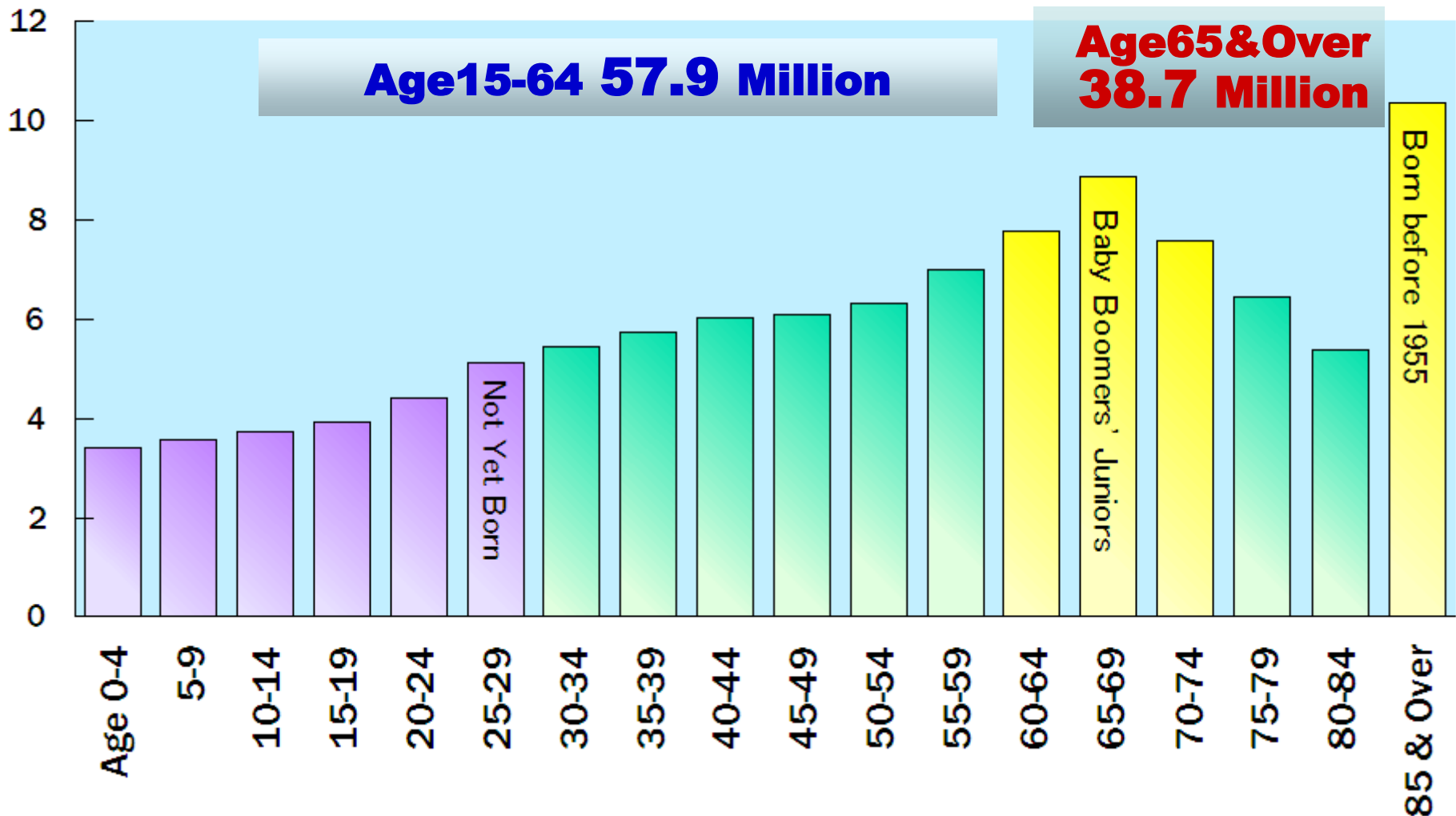


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 2040

Population in Million, including Foreign Residents

Source: Prospects of NRI-SWP

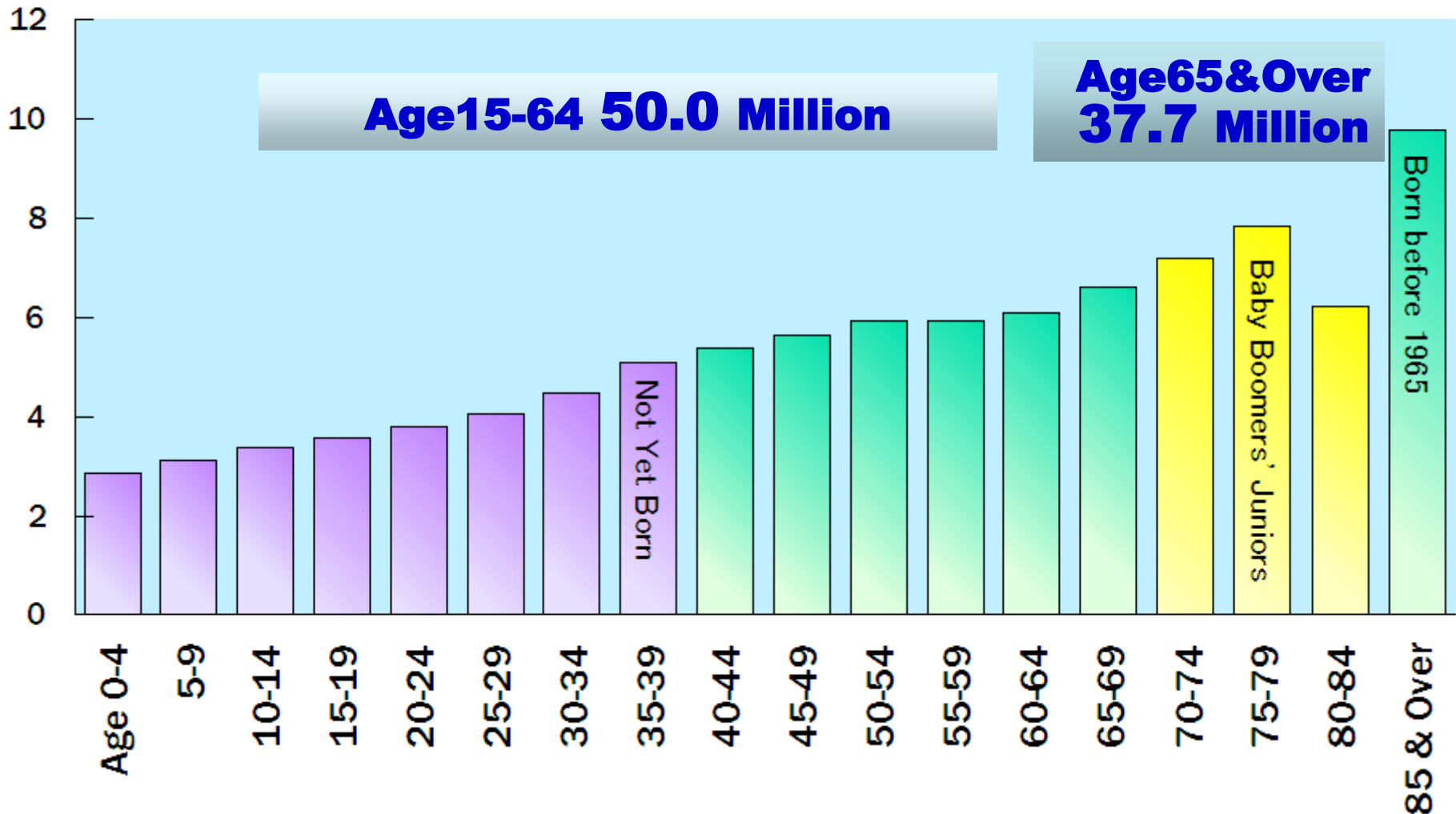


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 2050

Population in Million, including Foreign Residents

Source: Prospects of NRI-SWP

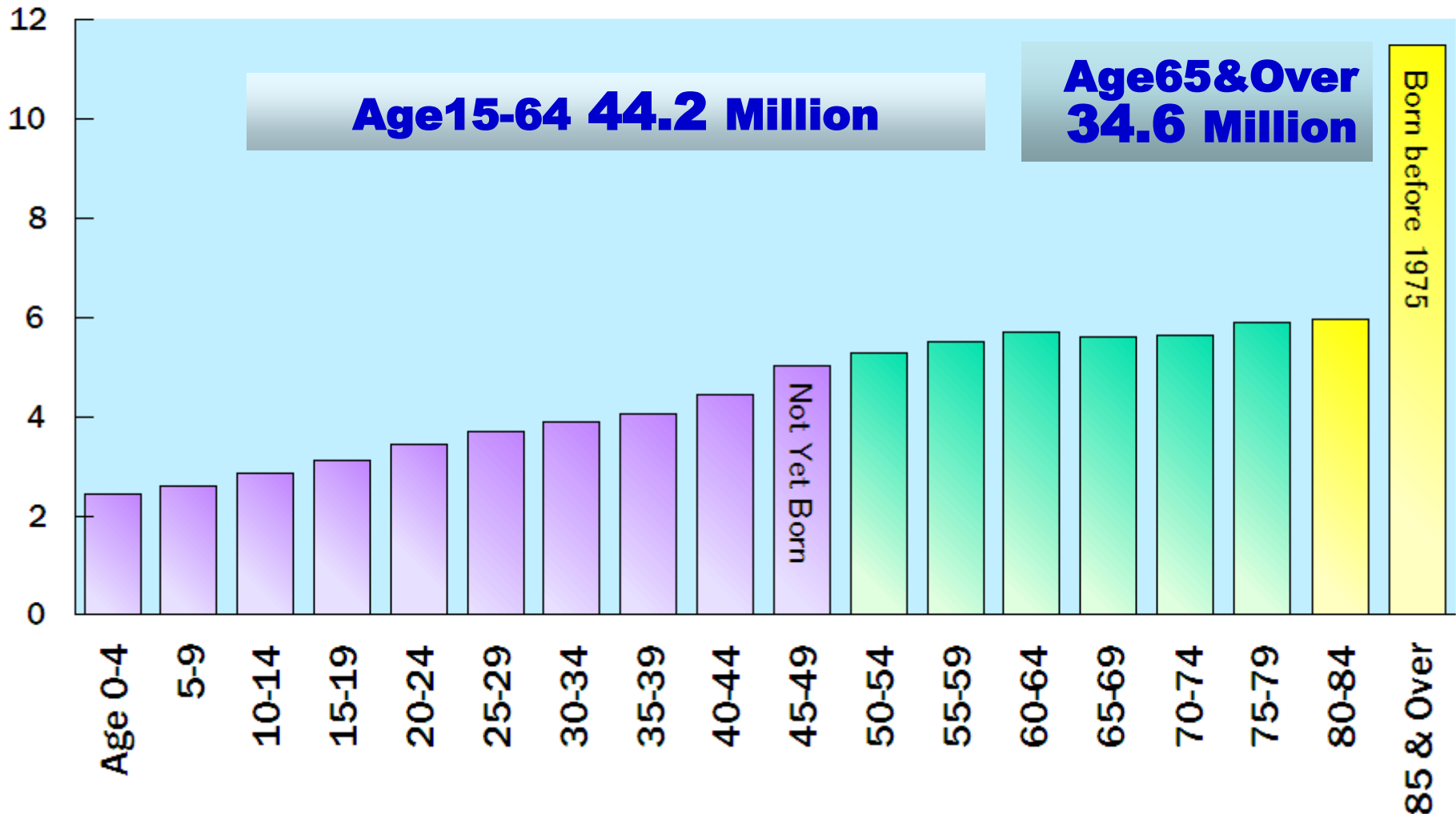


# Silver Tsunami, or Aging Baby Boomers, in Japan

## Structural Change of Japan's Population: as of 2060

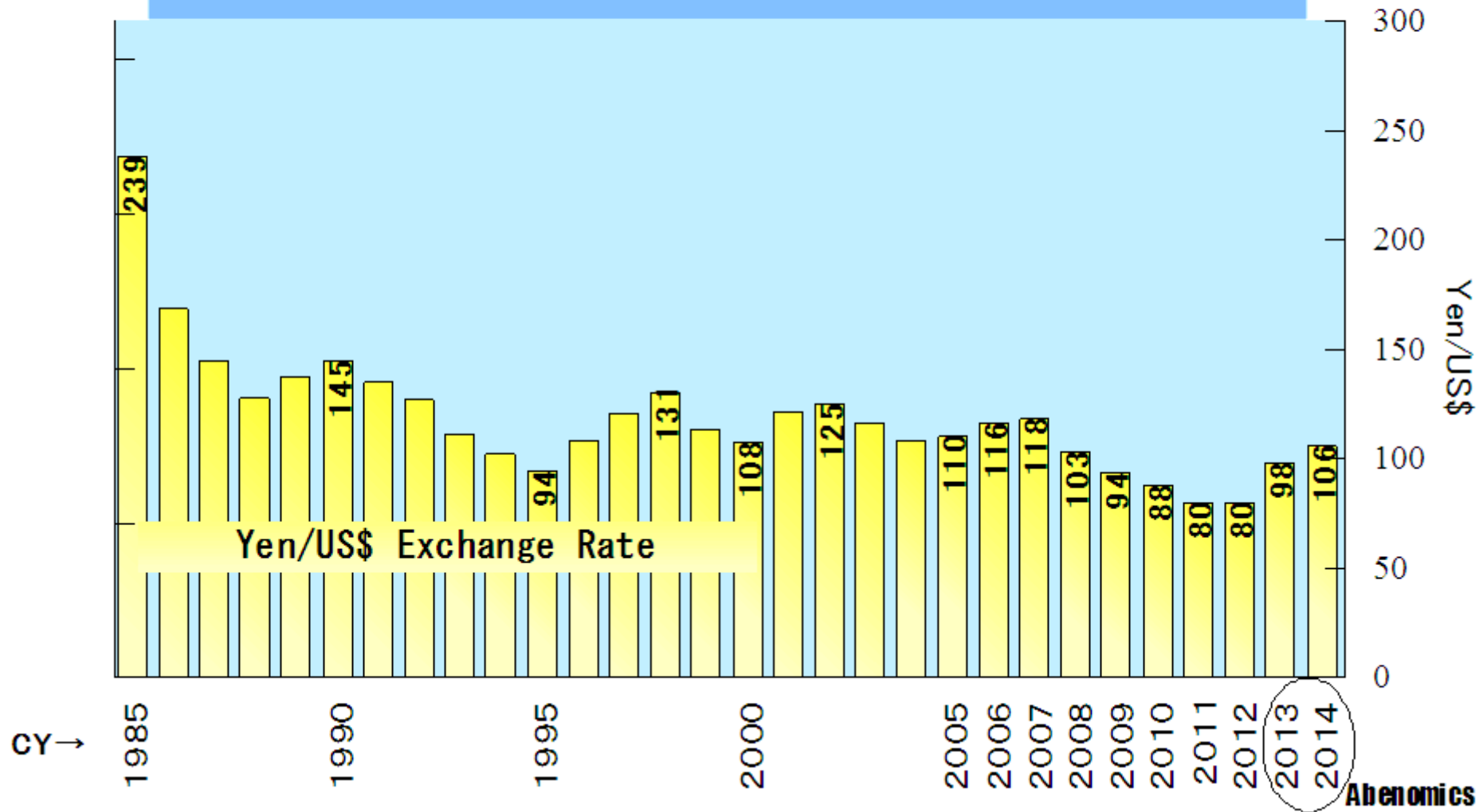
Population in Million, including Foreign Residents

Source: Prospects of NRI-SWP



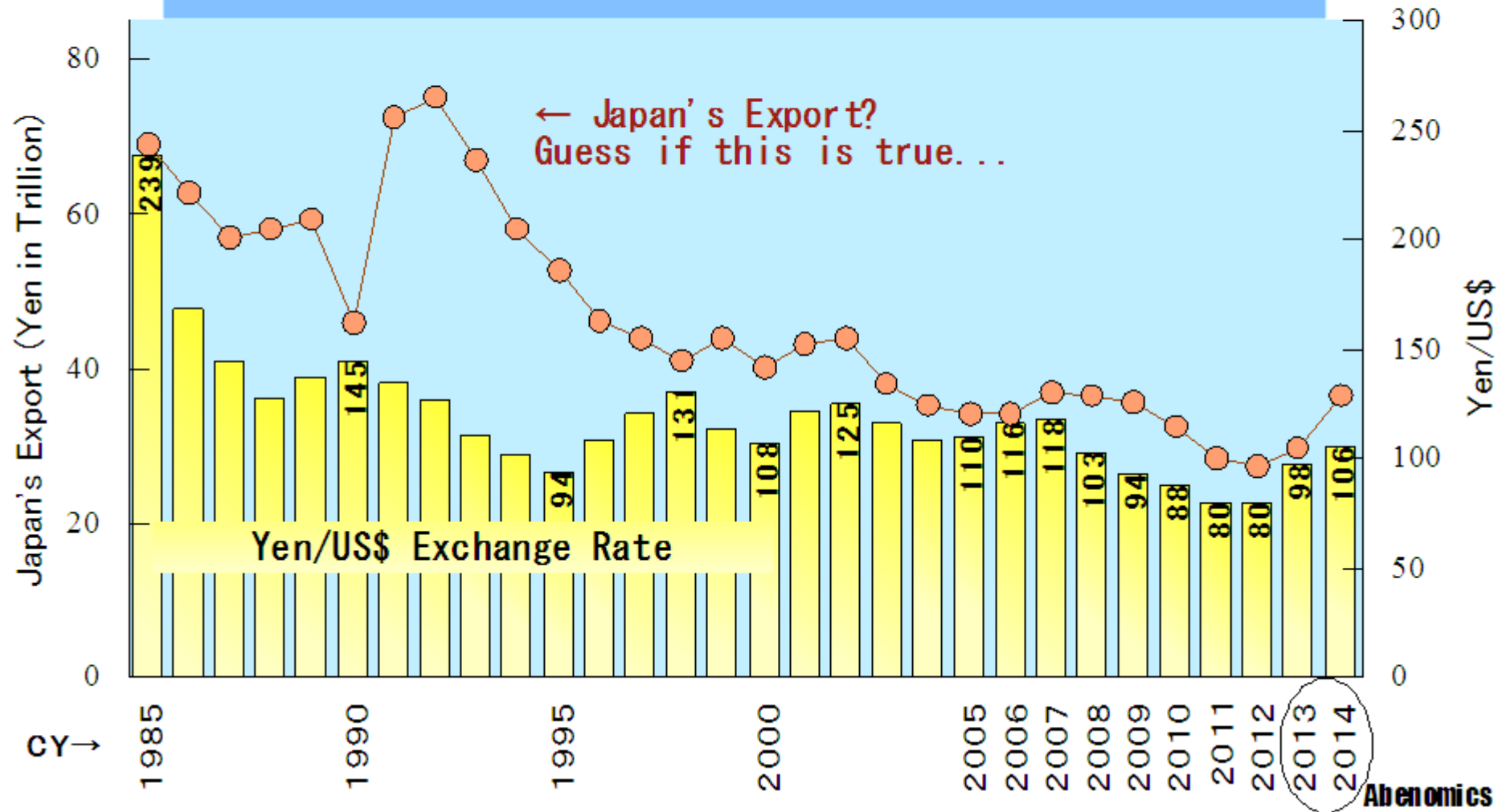
# Yet Powerful in Global Competition?

## Yen/US\$ Exchange Rate and Japan's Export Which is the Truth?



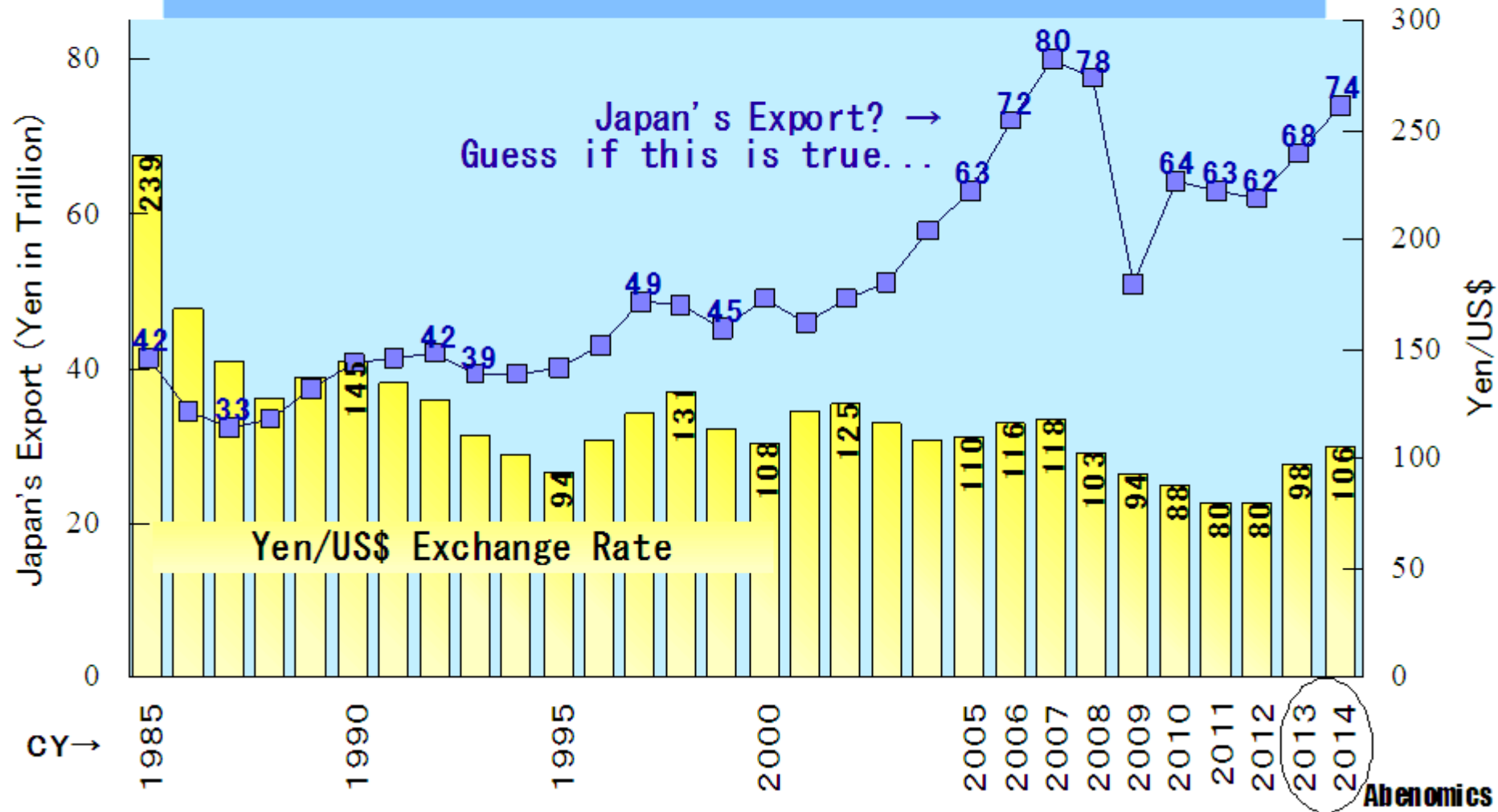
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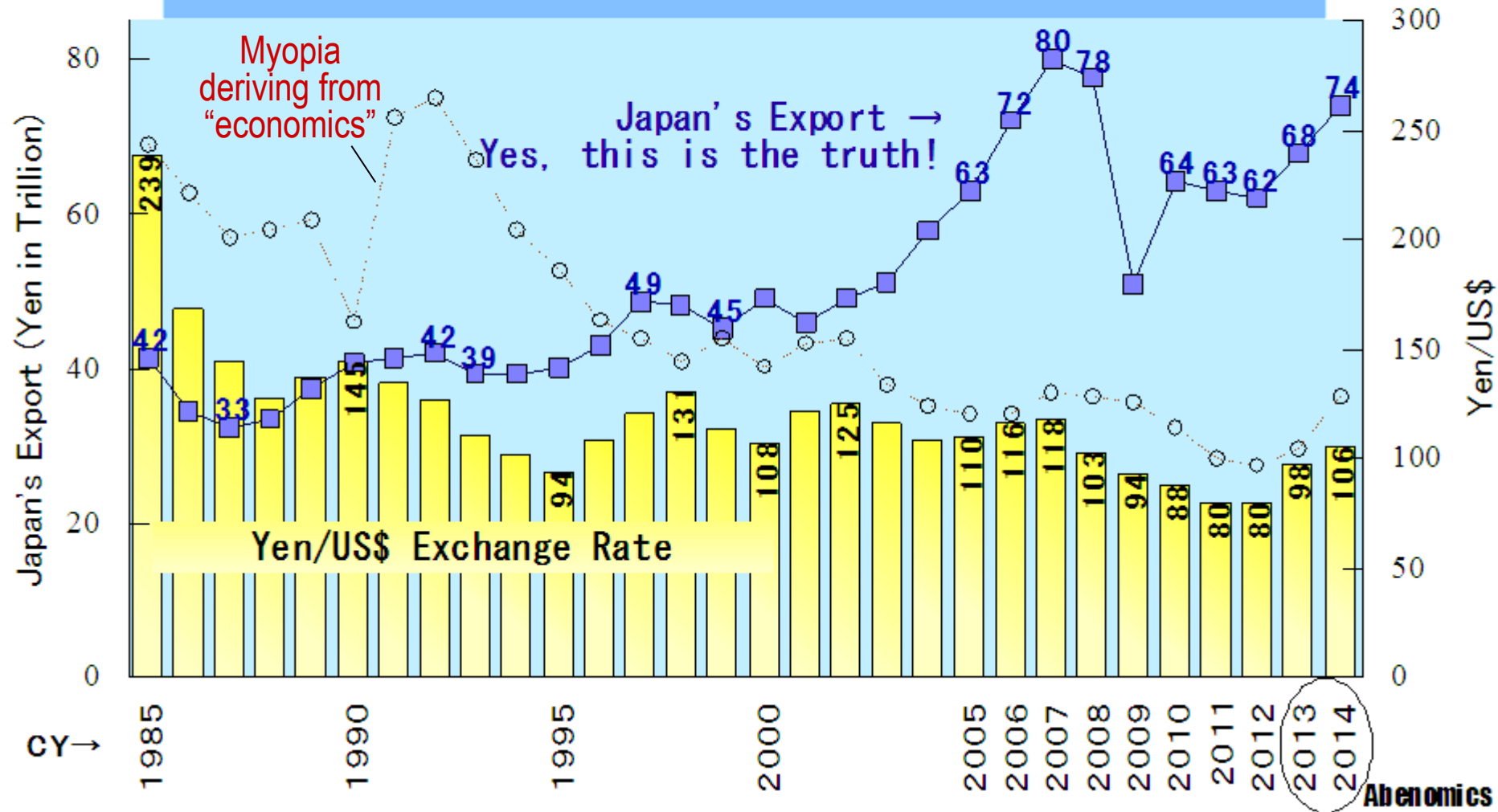
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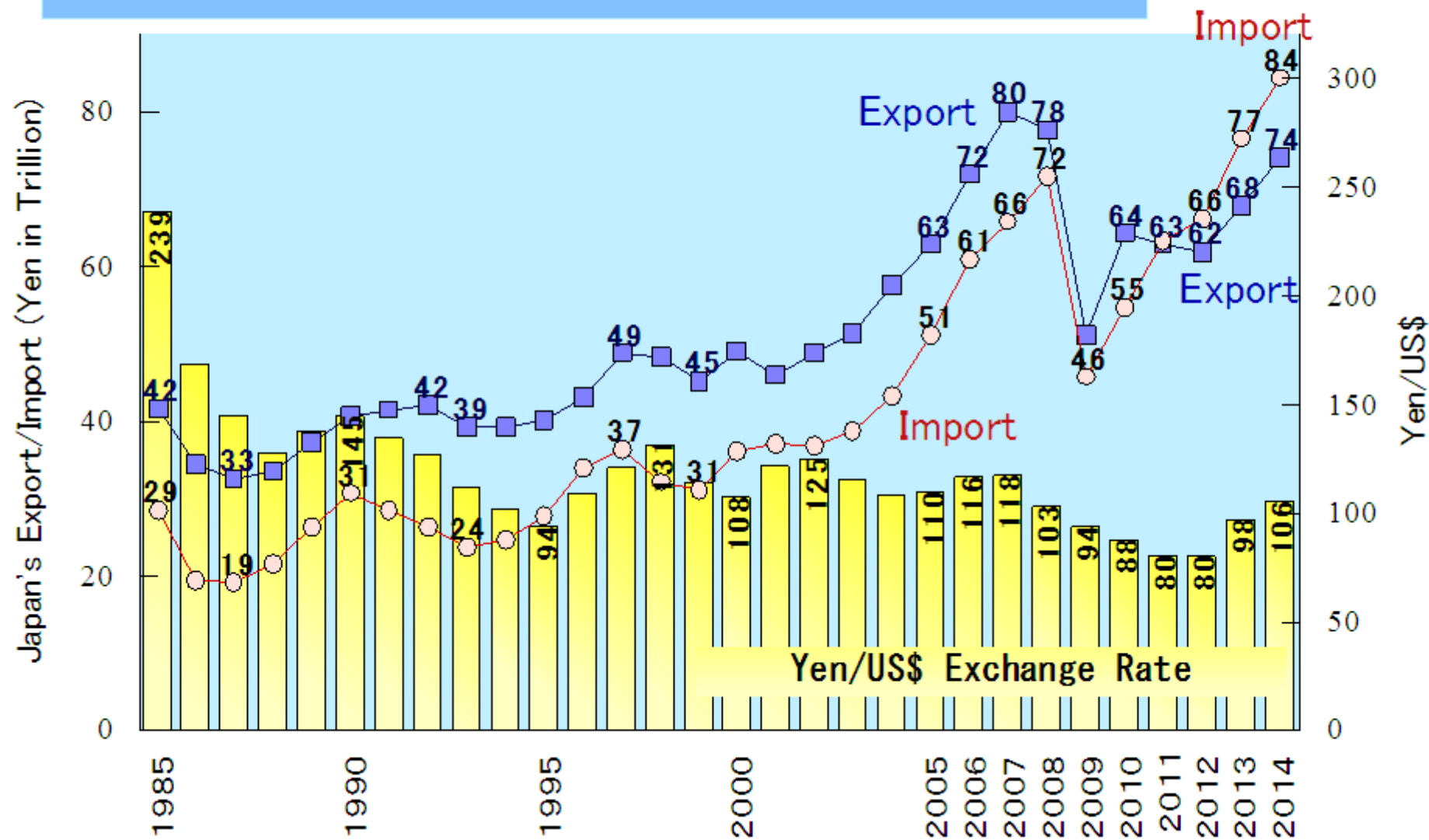




# Yen Depreciation Worsen the Trade Balance

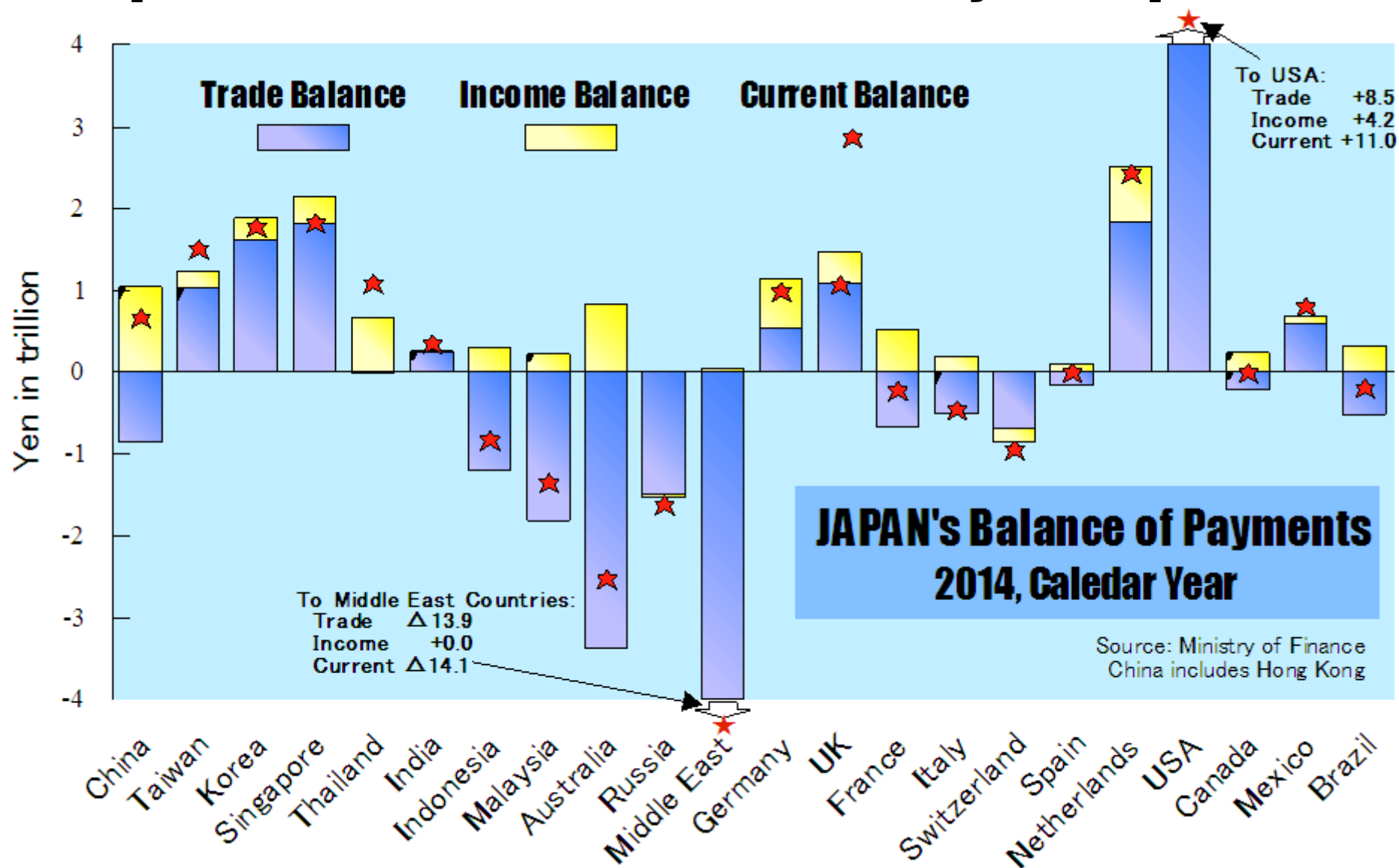
## Yen/\$ Exchange Rate and Japan's Export, Import

### Yen/US\$ Exchange Rate and Japan's Export



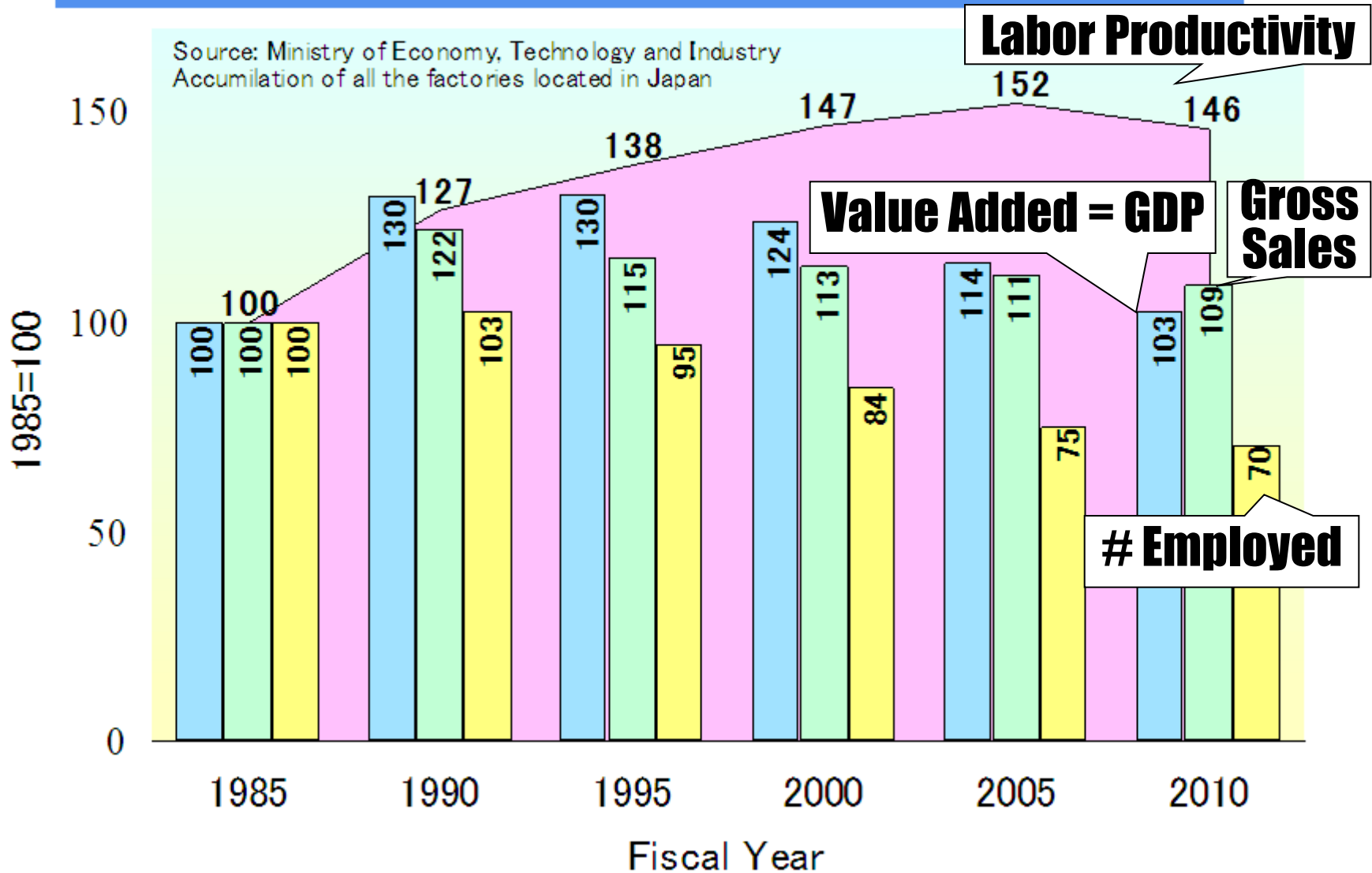
# Yet Powerful in Global Competition

## Japan's International Balances with Major Competitors



# Less Labor, More Productivity, Less GDP

## Performances of Japan's Domestic Manufacturing

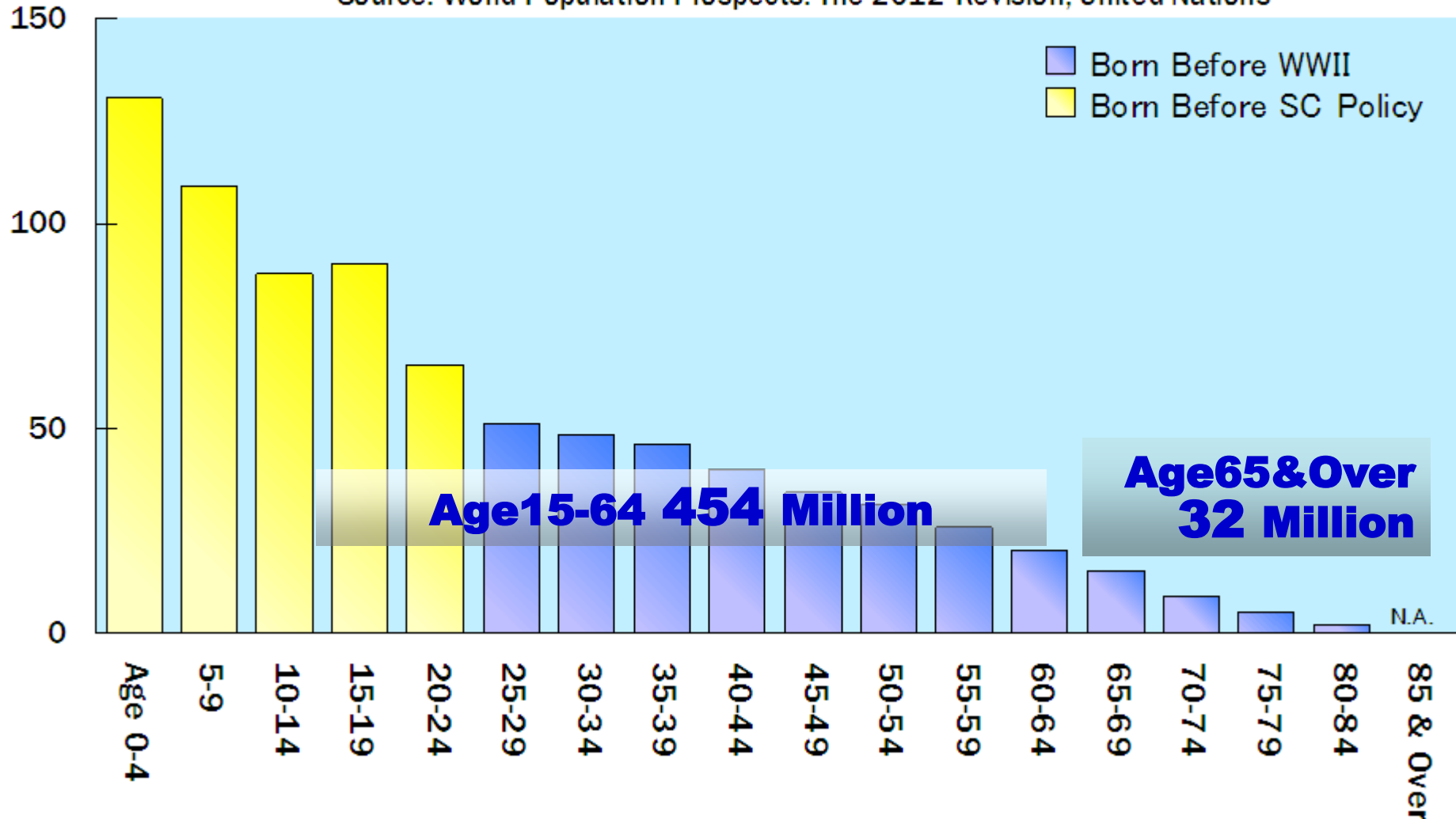


# China: Has Grown and Matured So Fast

## Mainland China Population Structure as of 1970

Population in Million, including Foreign Residents

Source: World Population Prospects: The 2012 Revision, United Nations

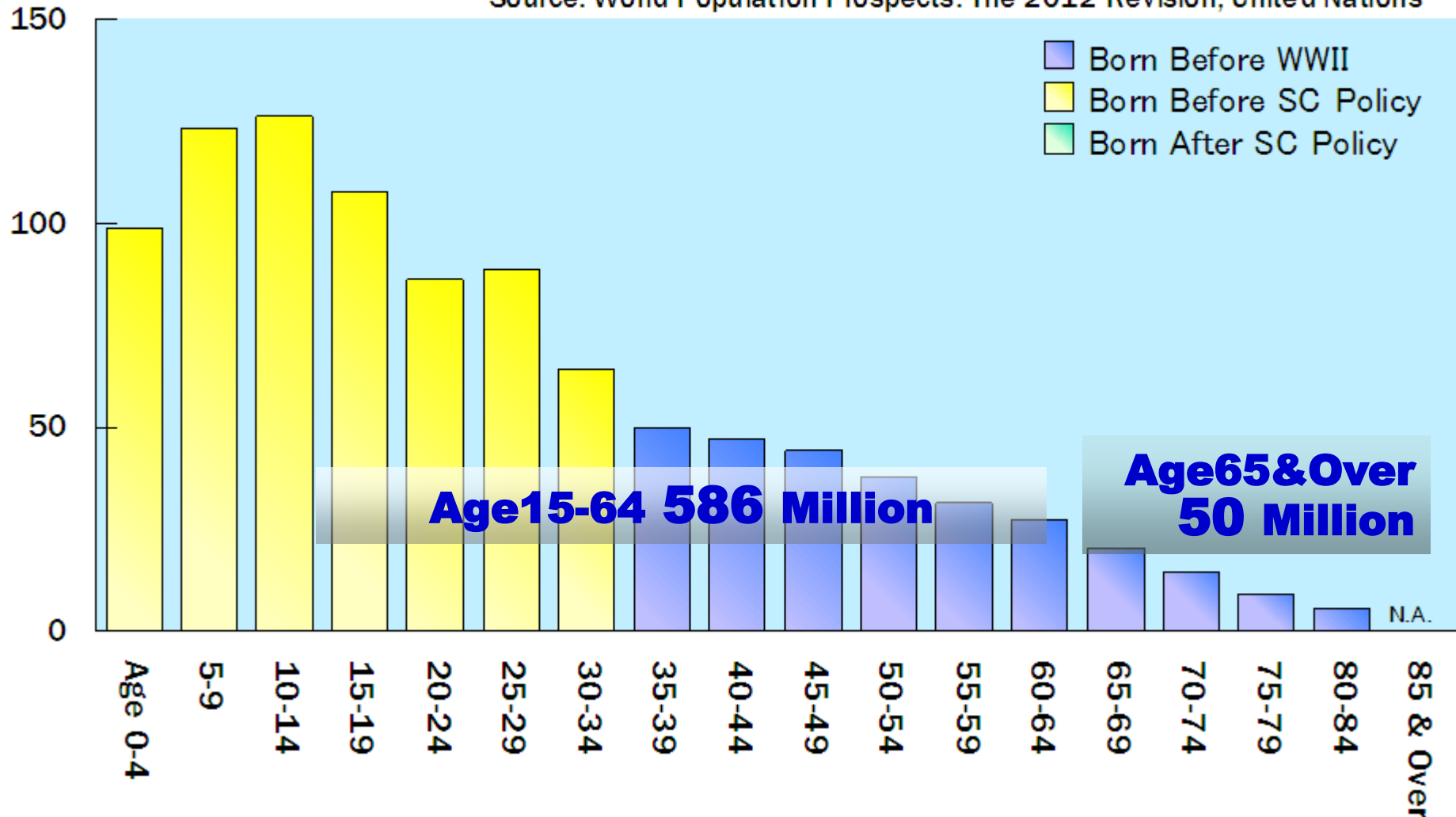


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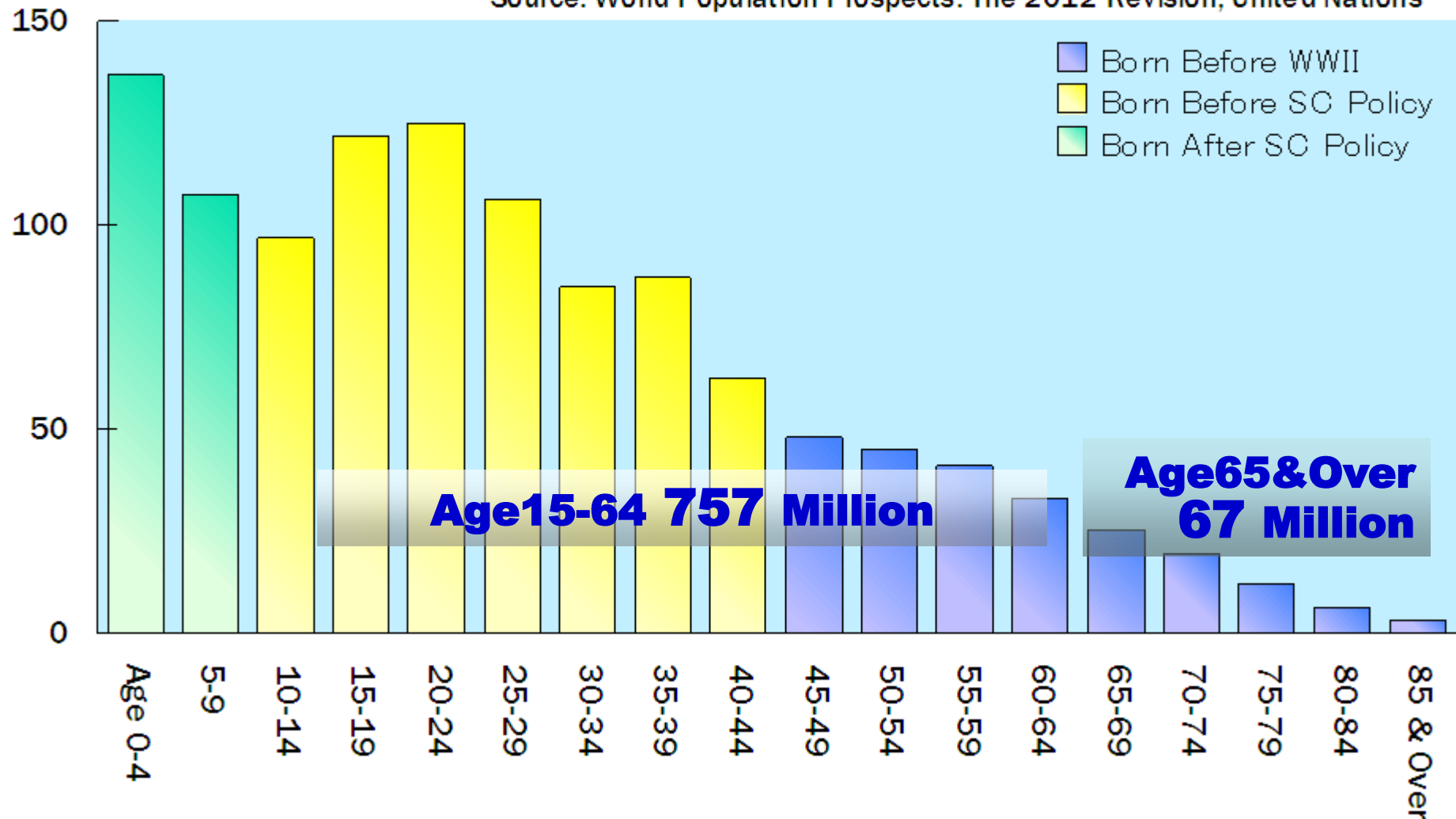


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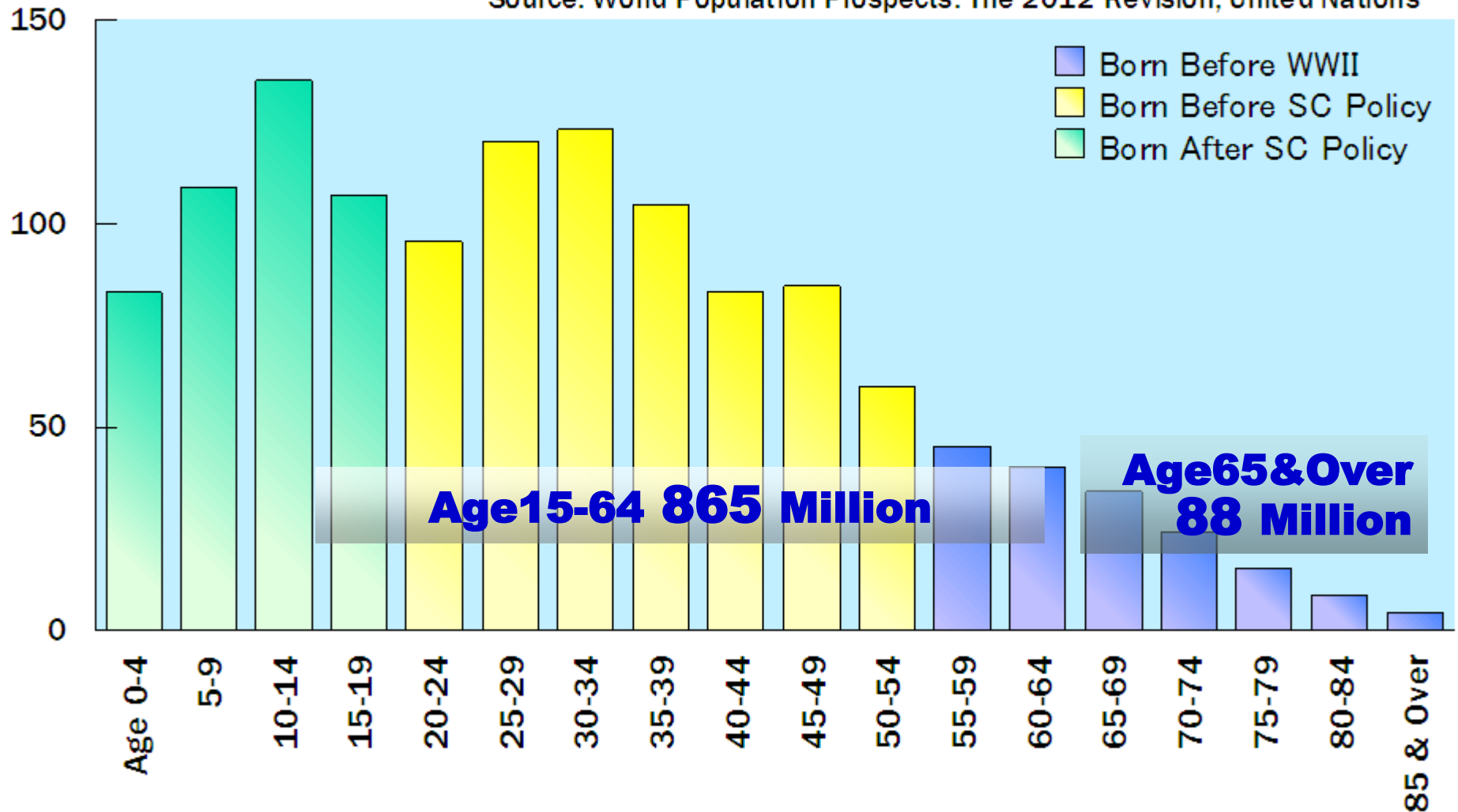


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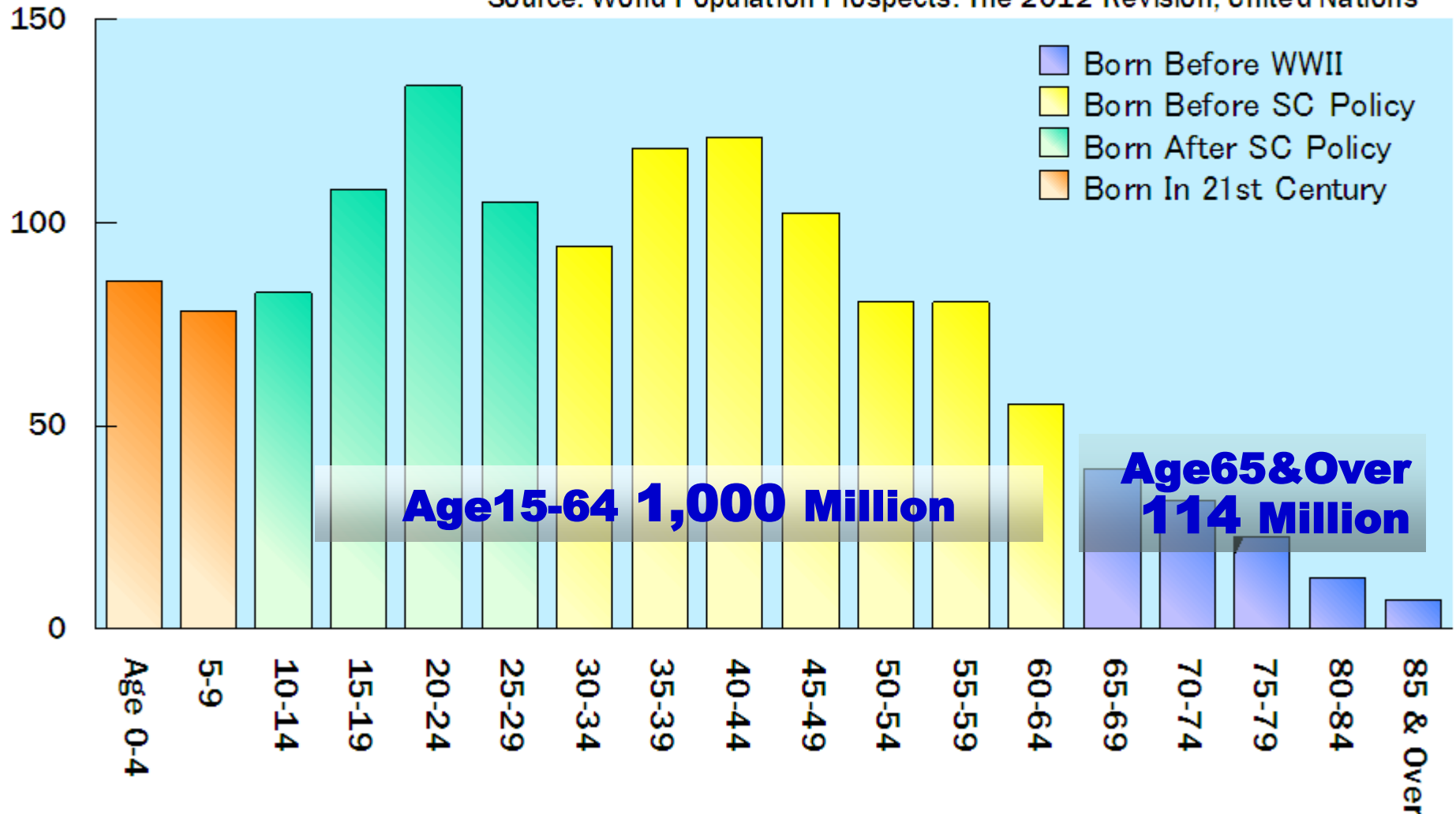


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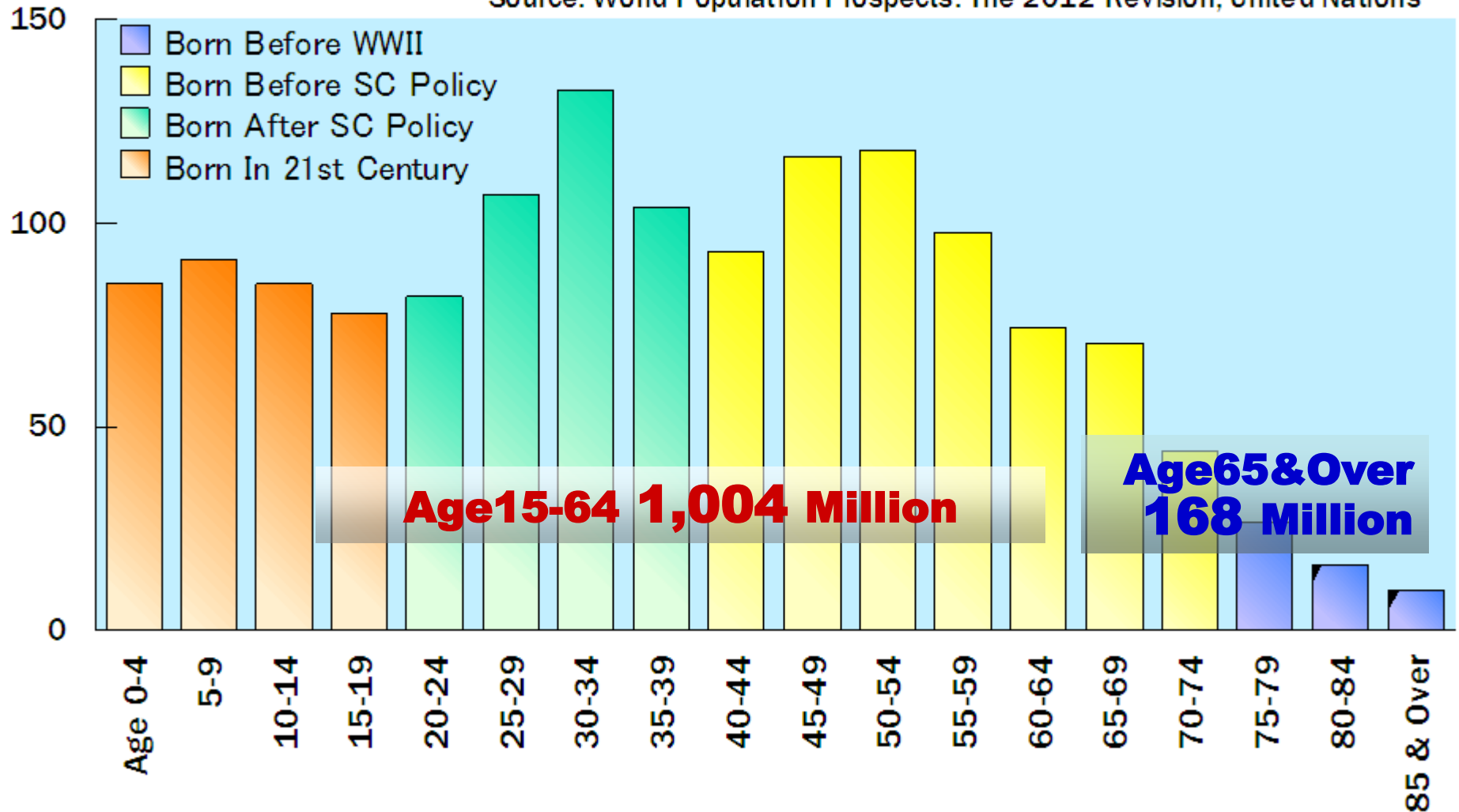


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## Mainland China Population Structure as of 2020

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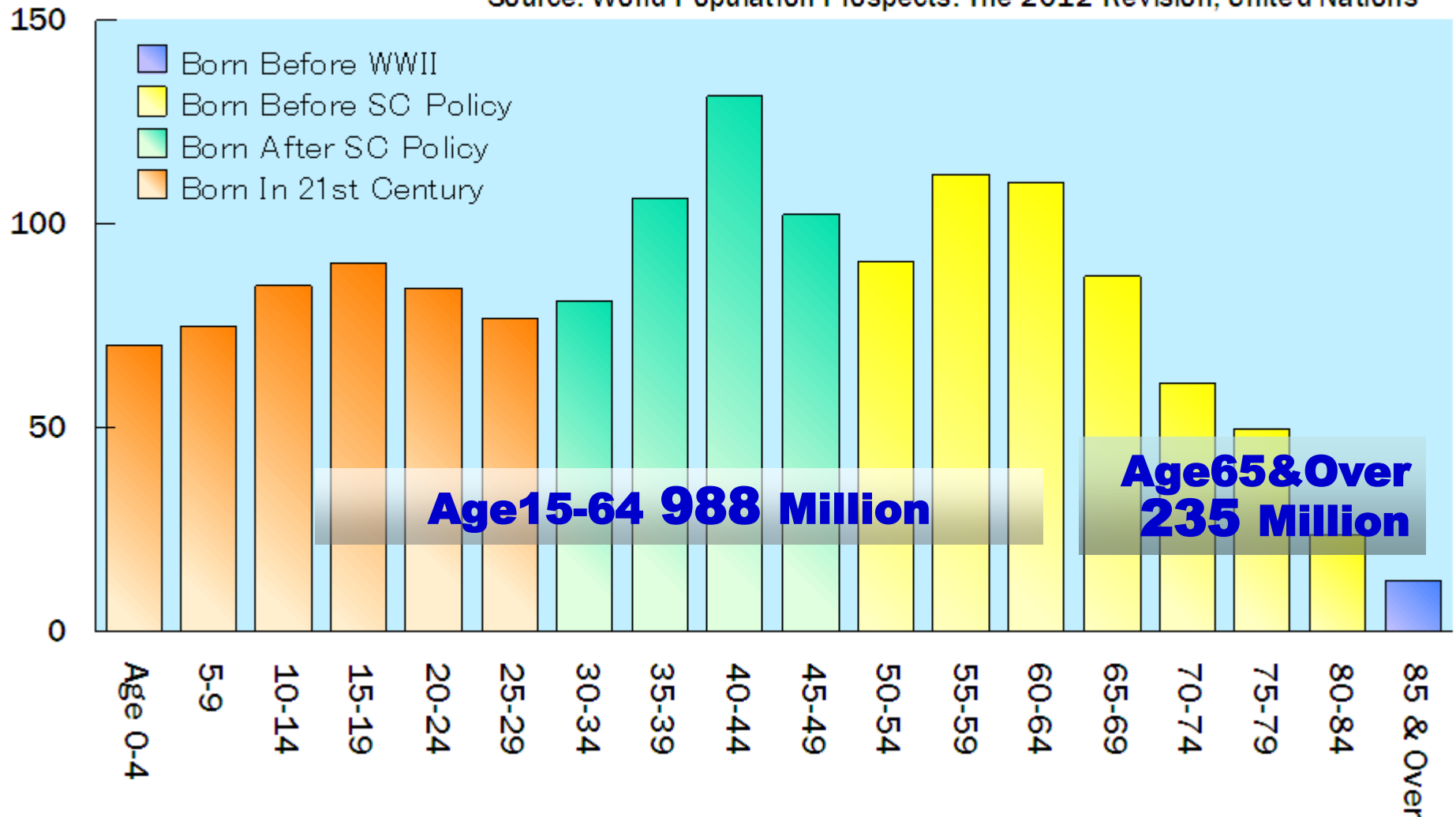


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## Mainland China Population Structure as of 2030

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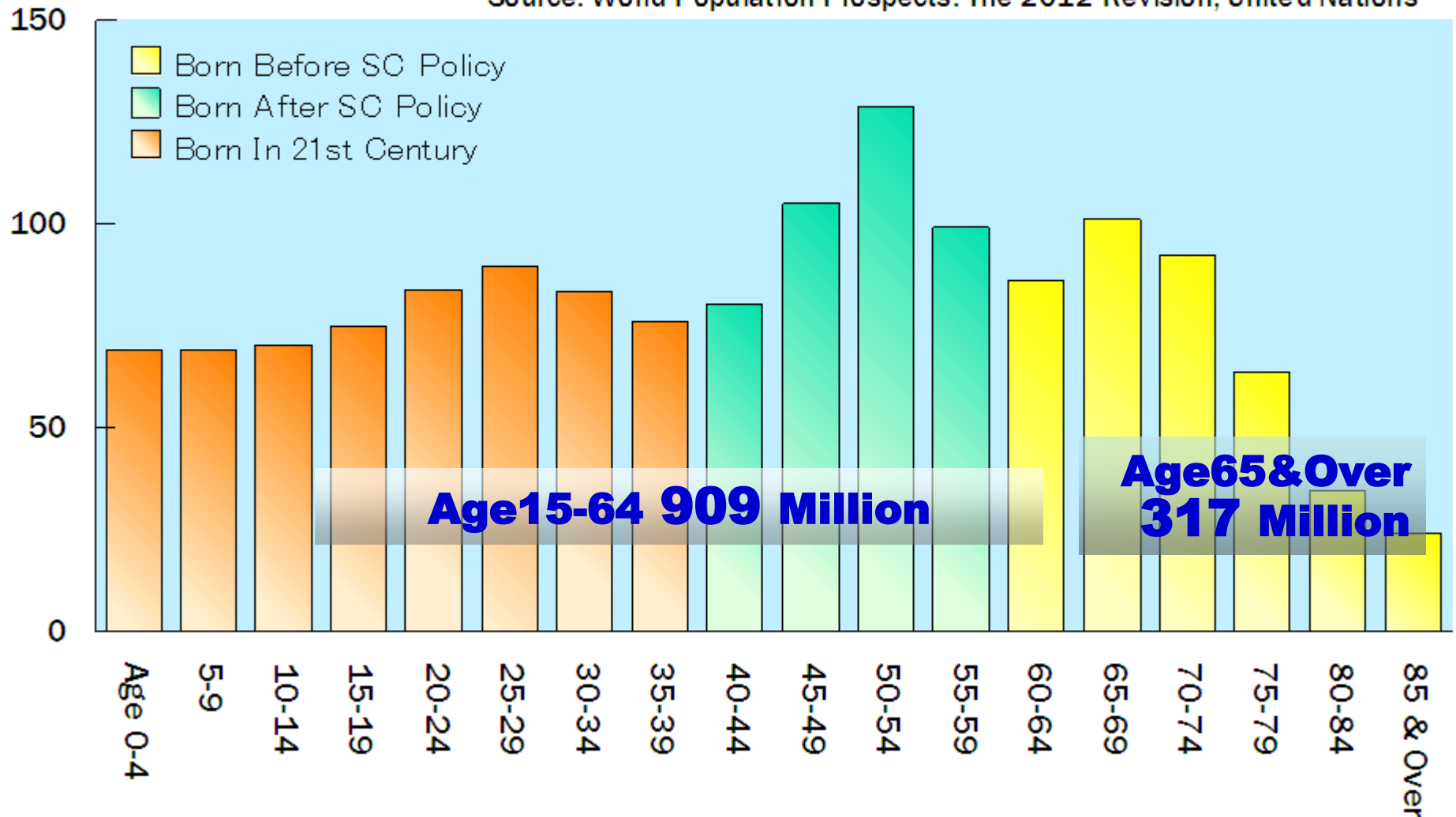


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## Mainland China Population Structure as of 2040

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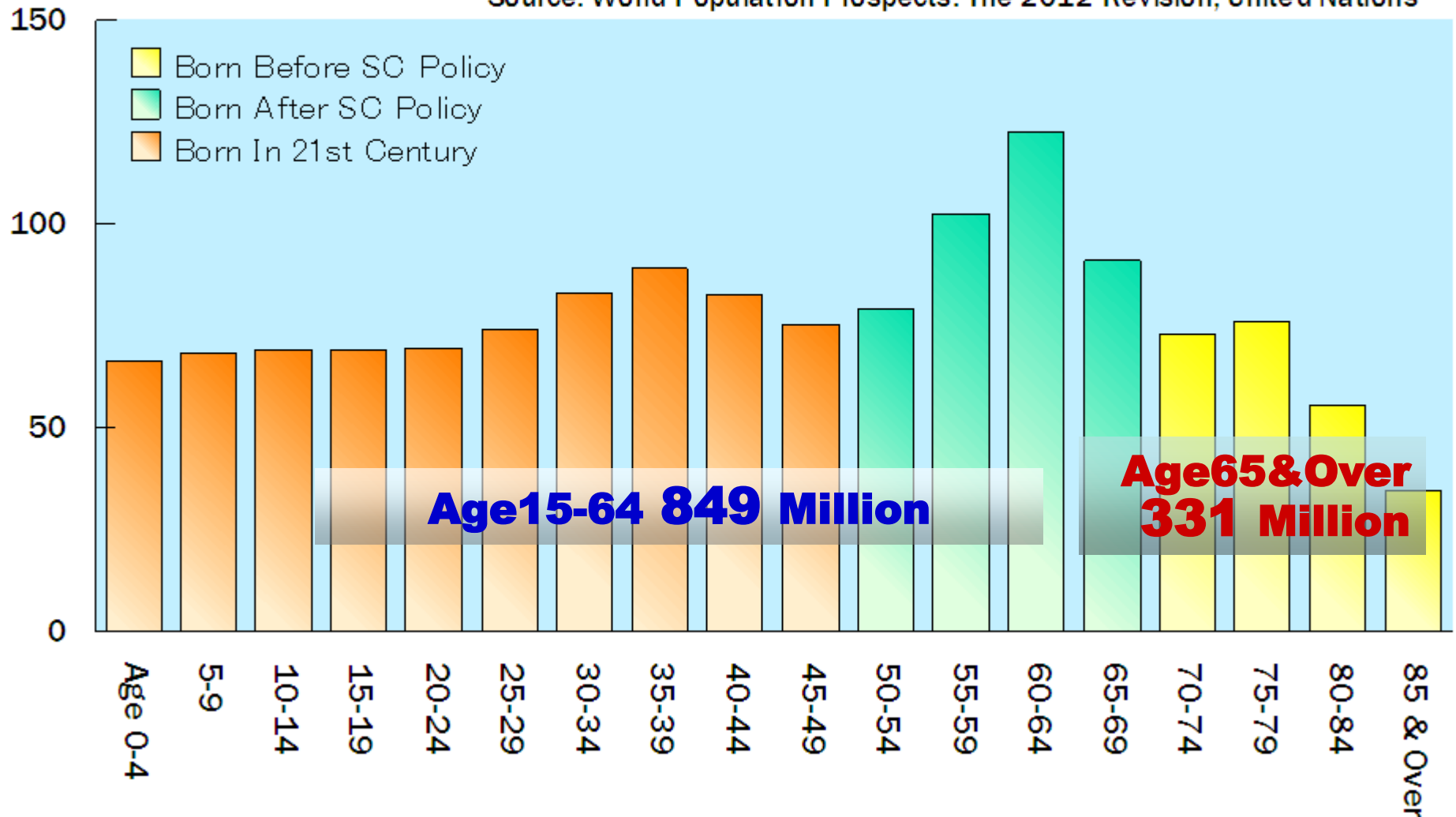


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## Mainland China Population Structure as of 2050

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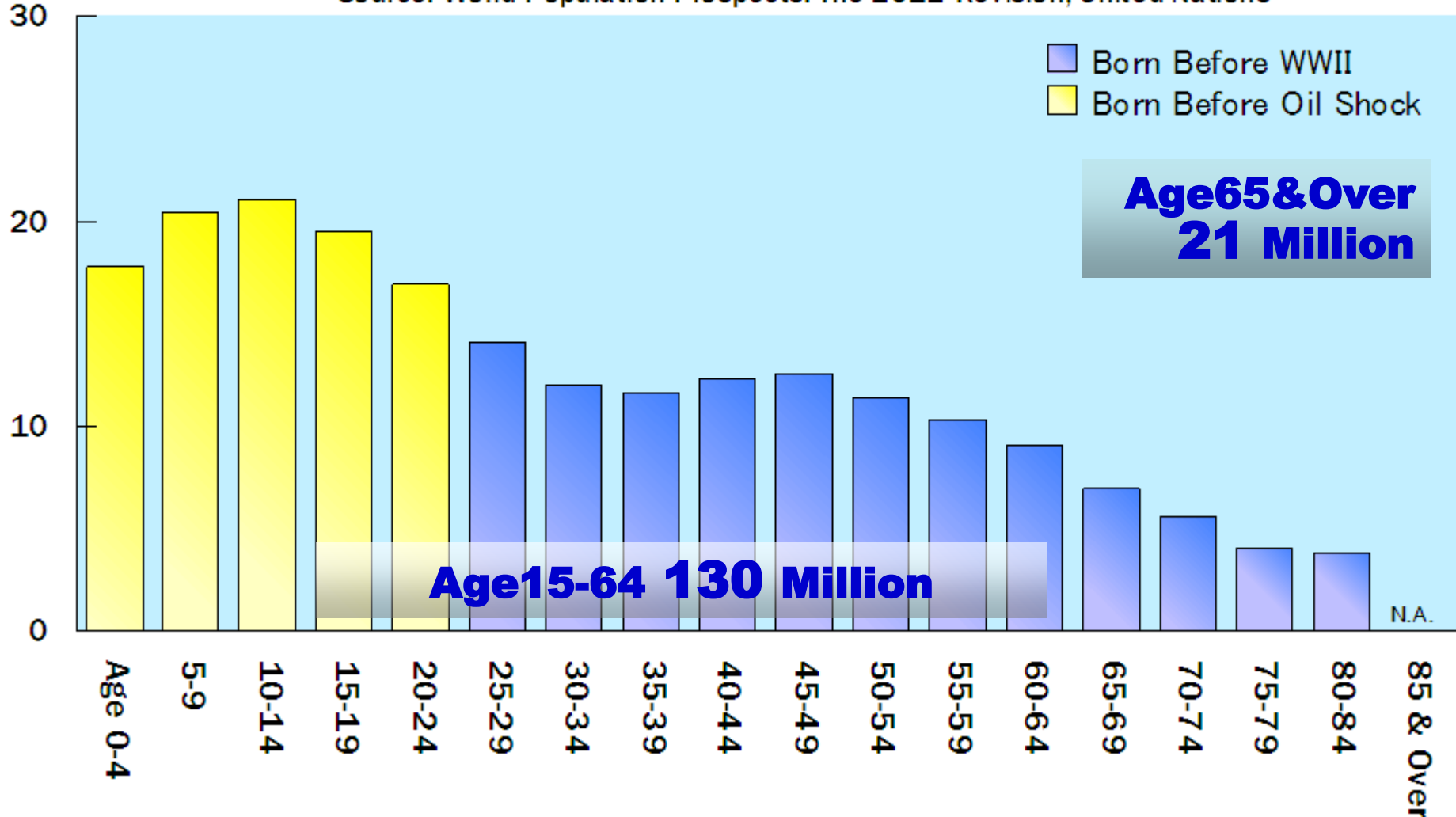


# USA: Not like Tsunami But “Silver Tide”

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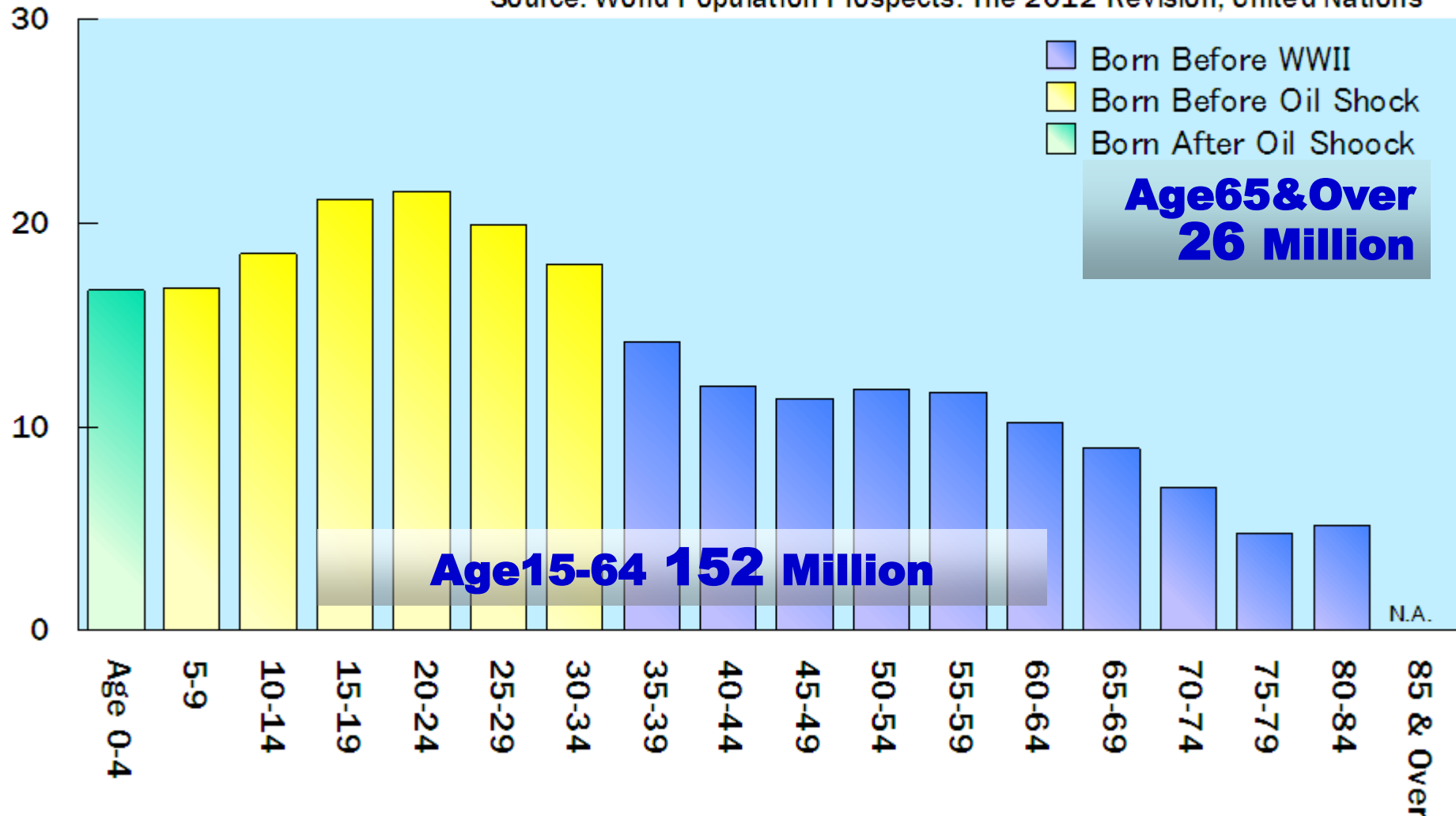


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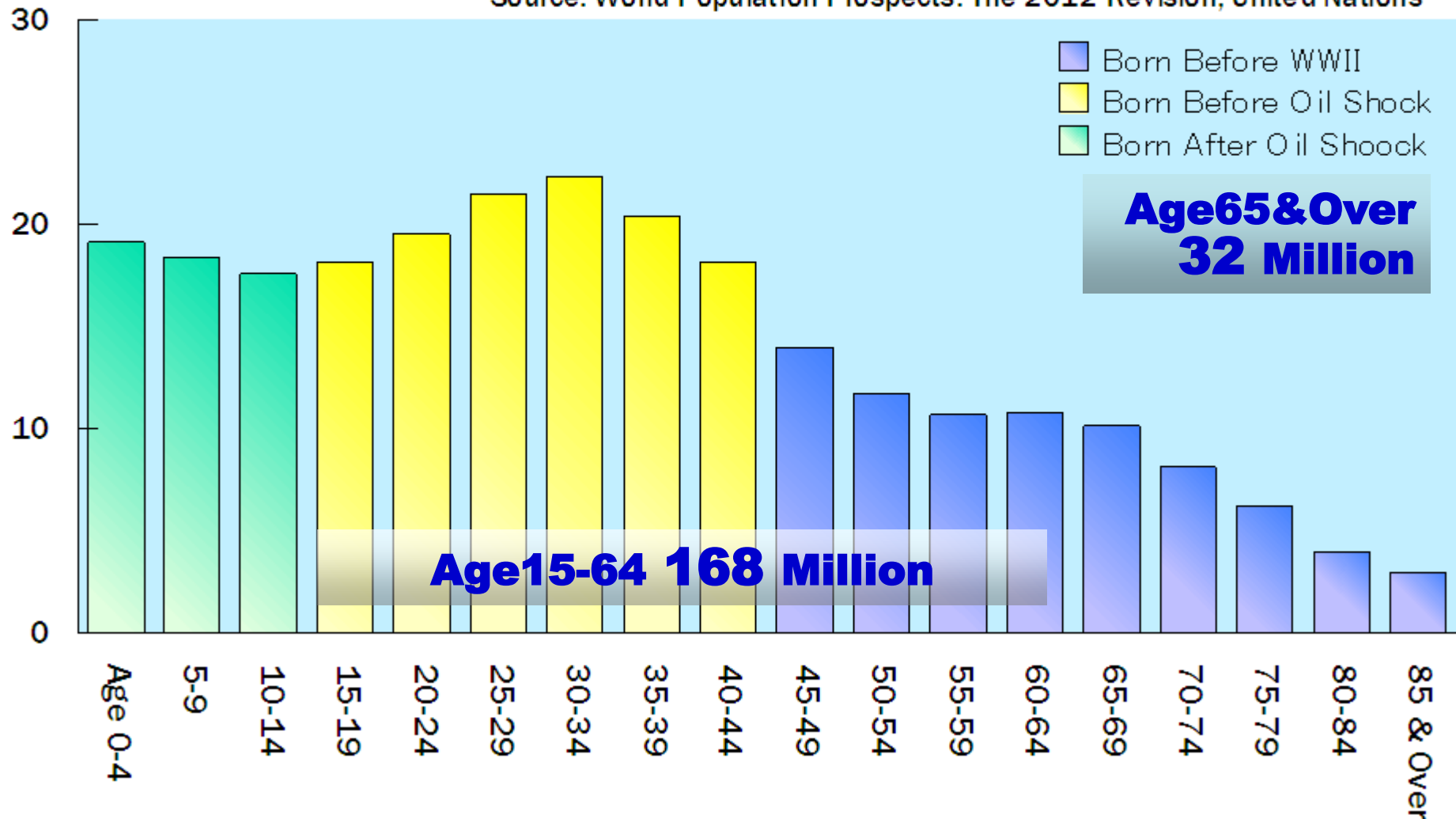


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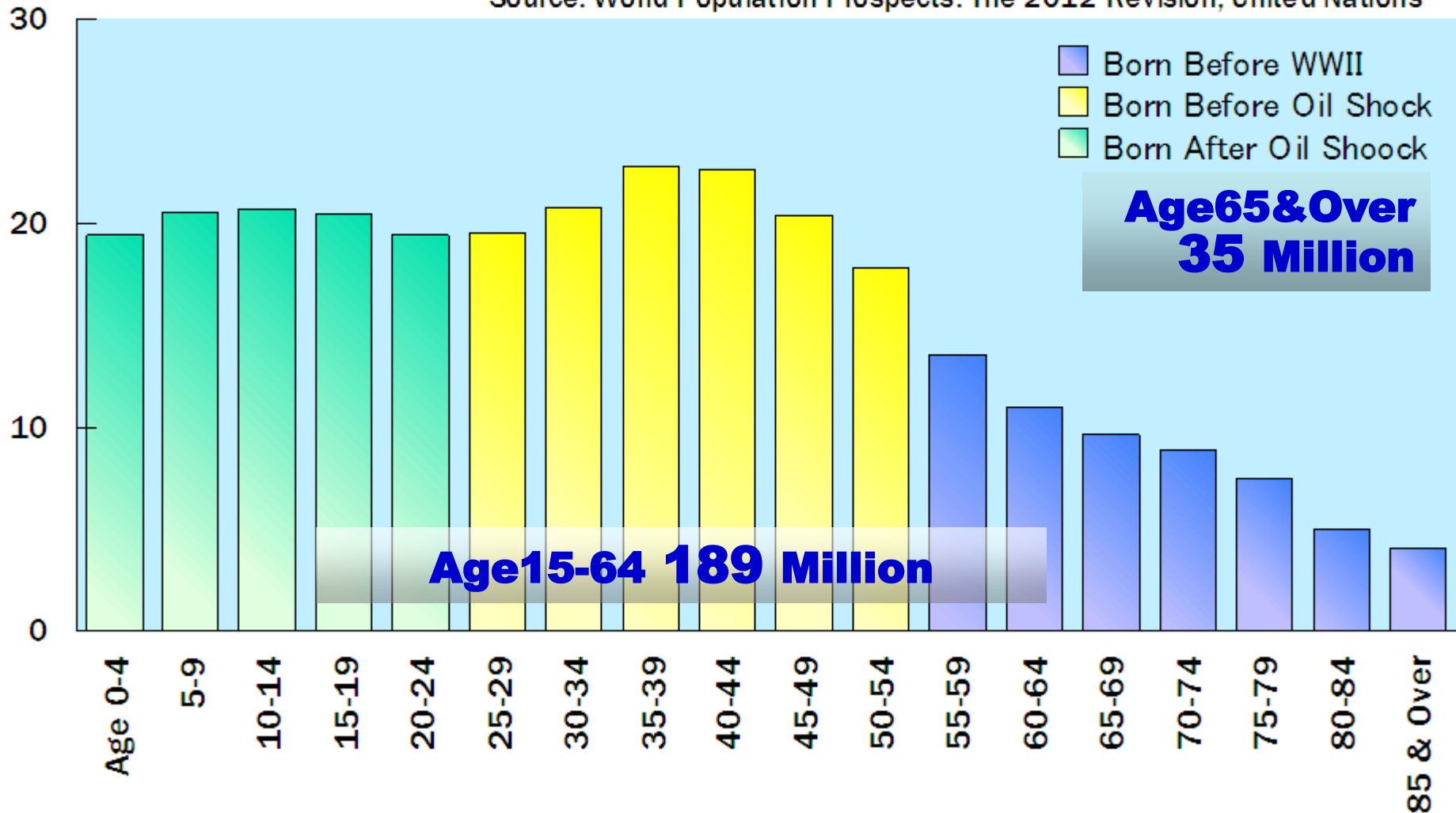


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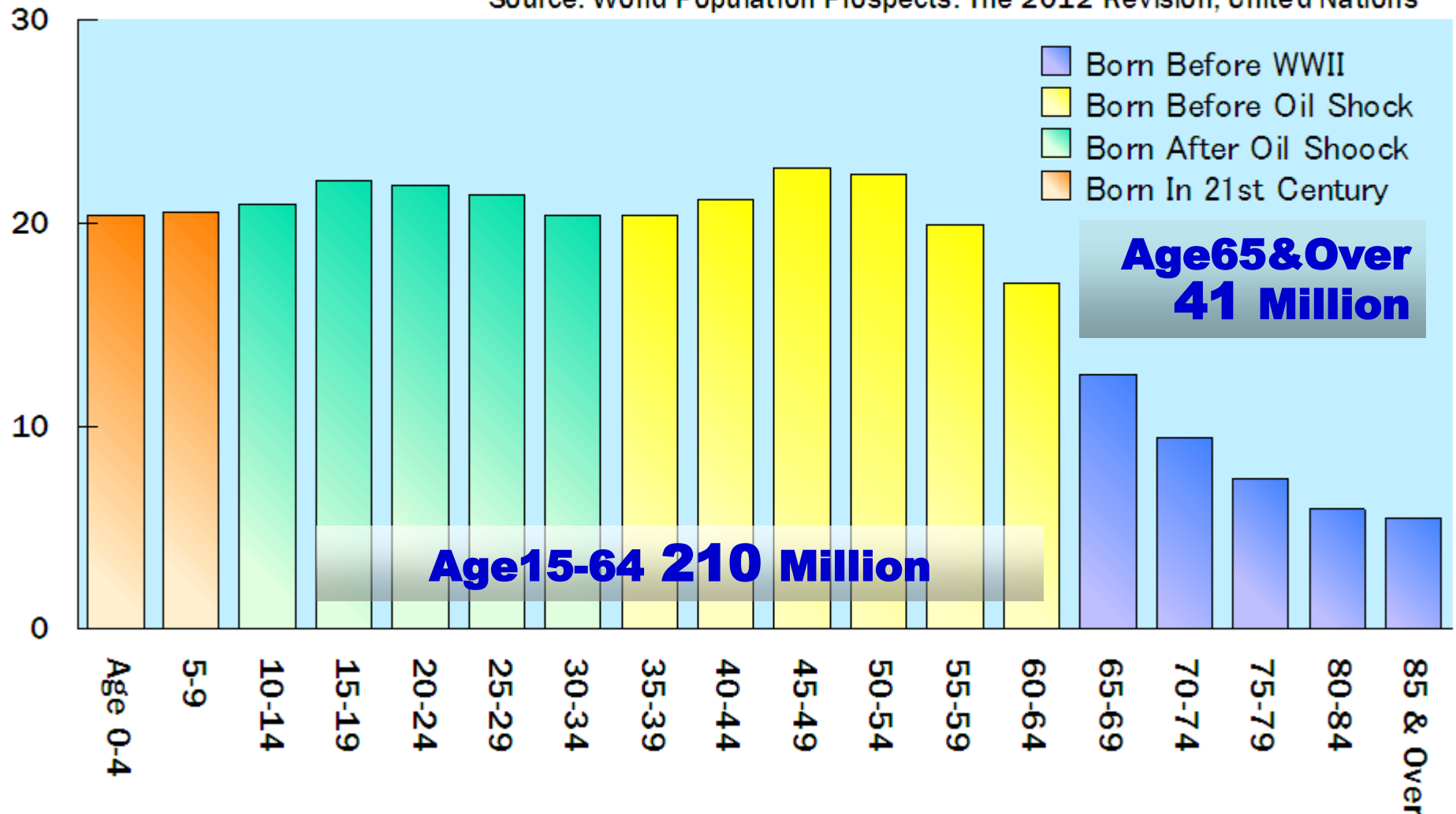


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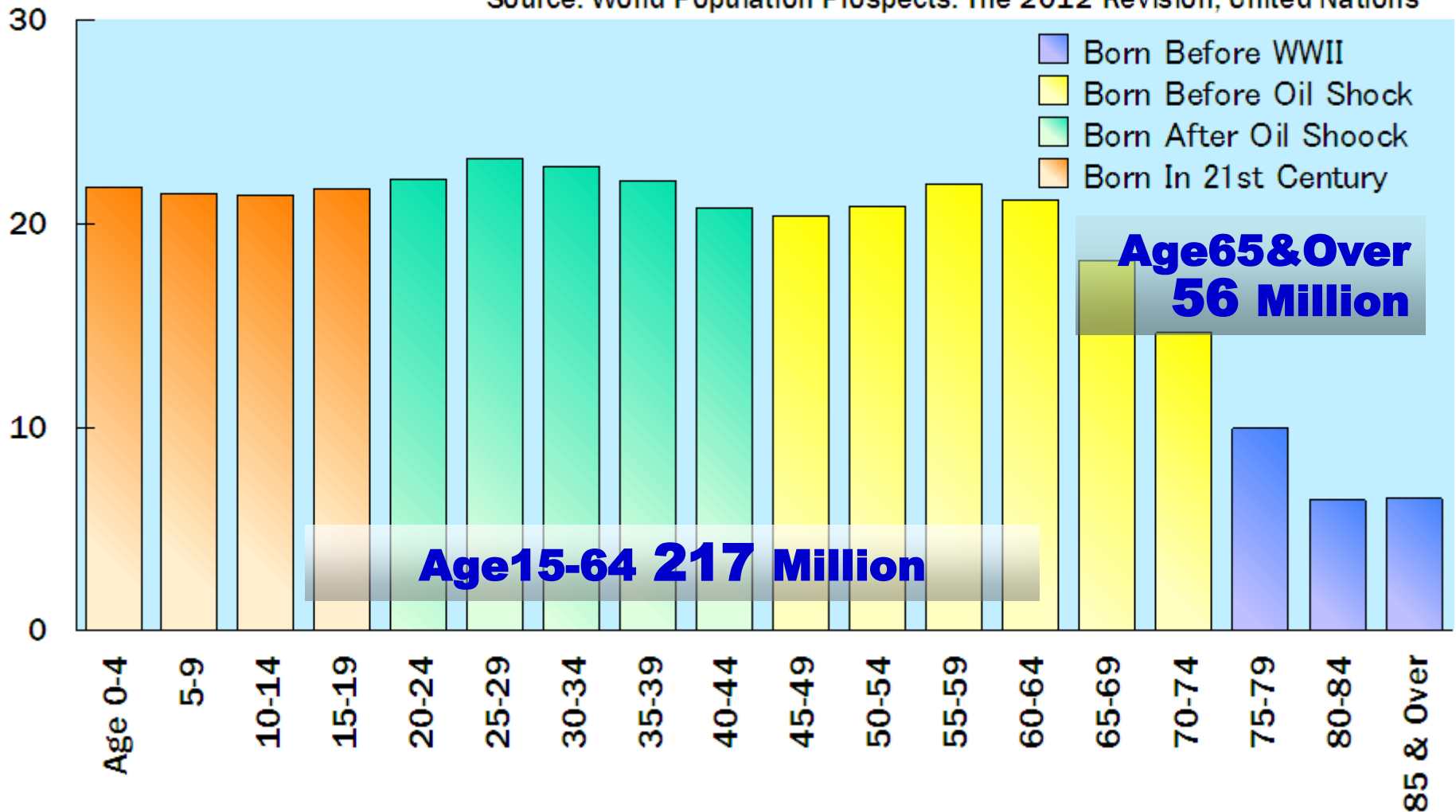


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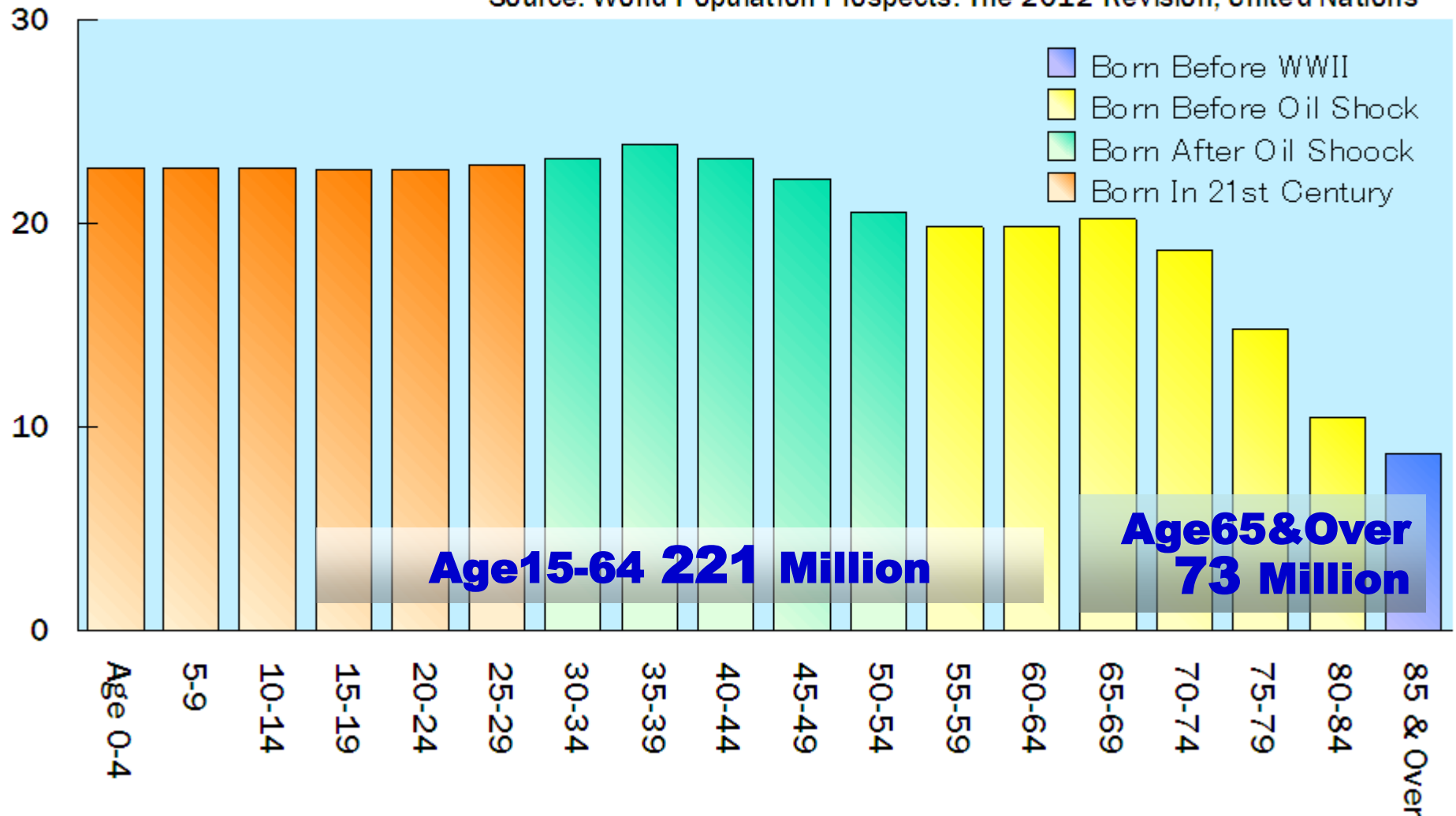


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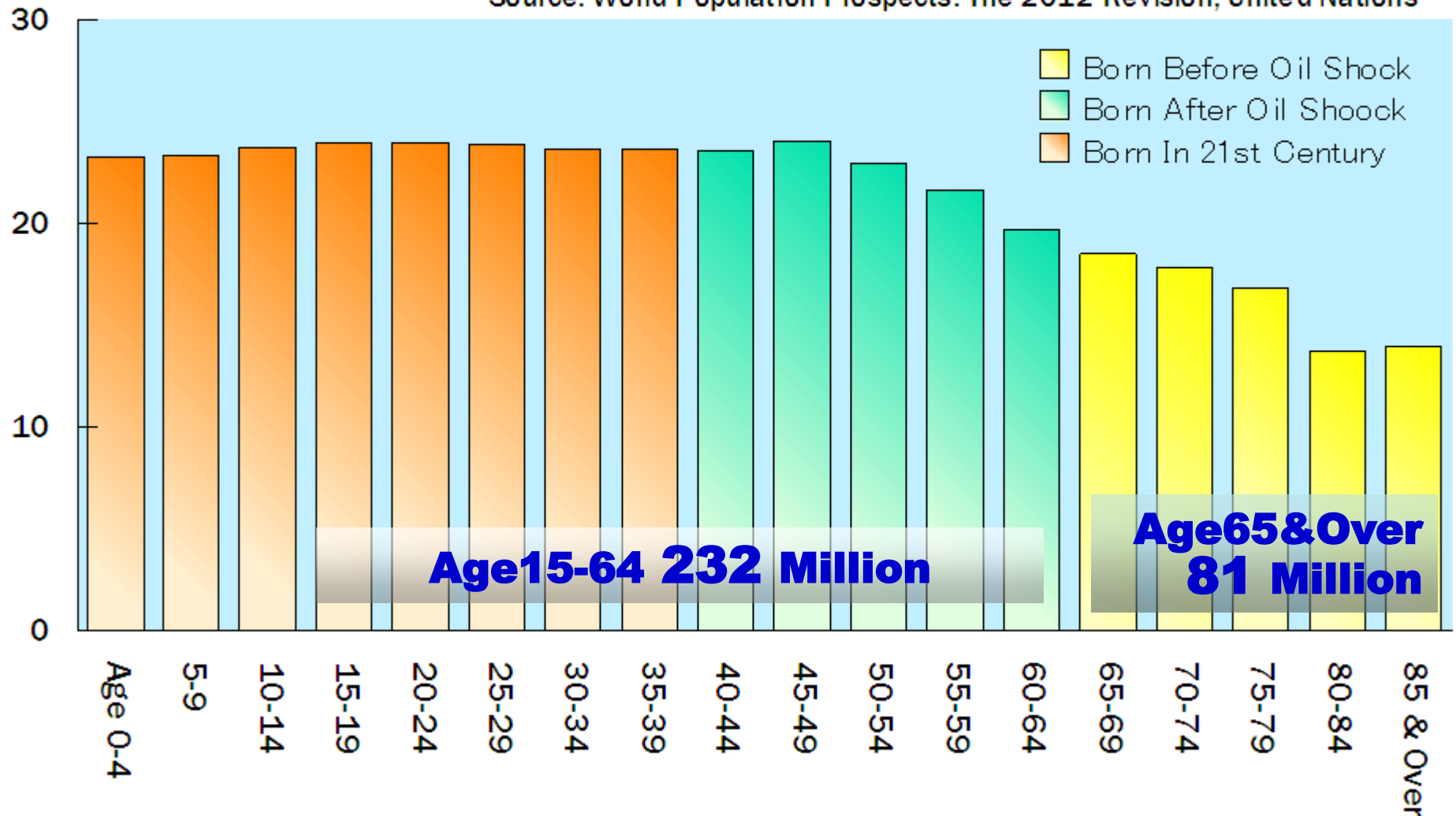


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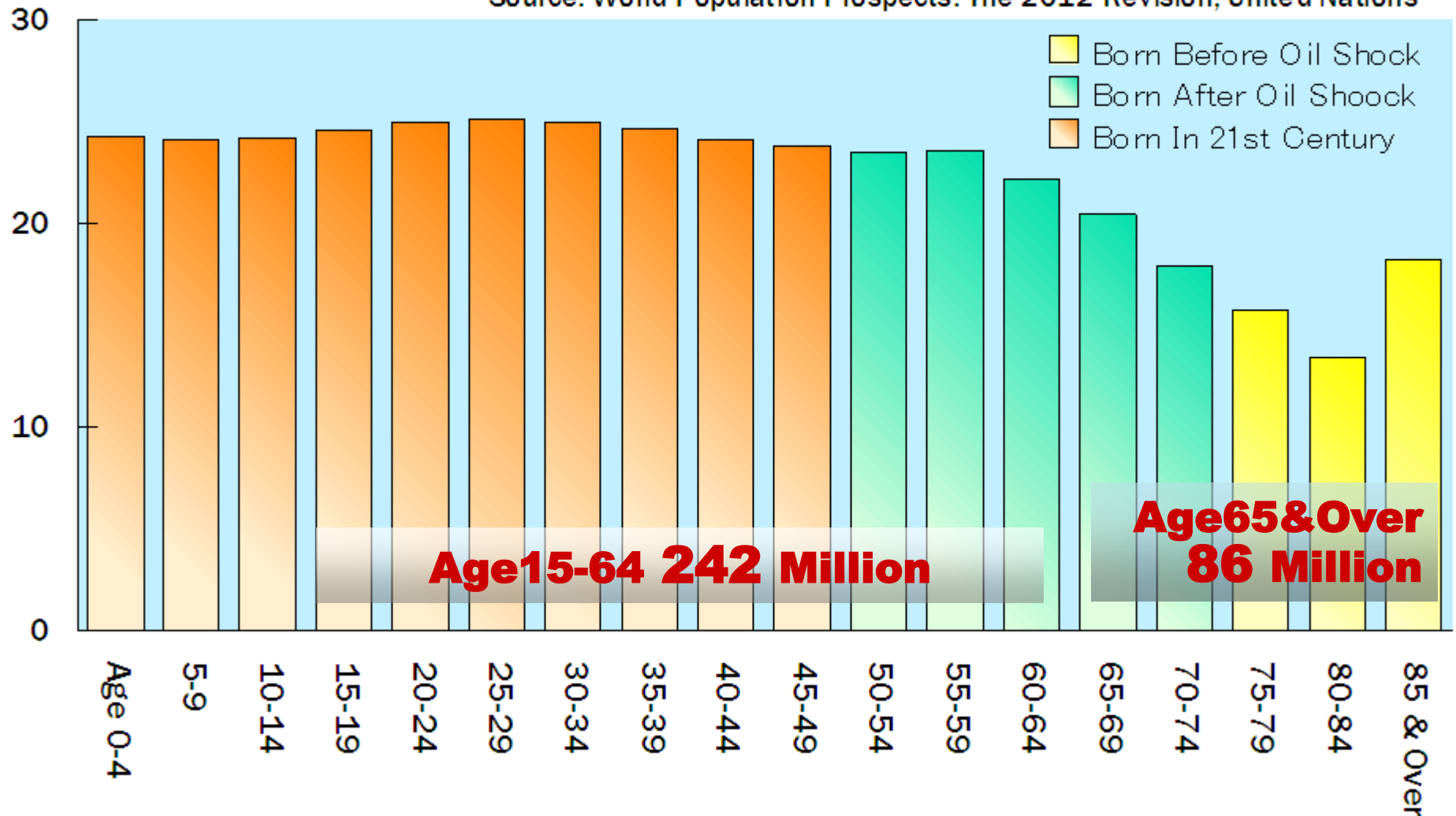


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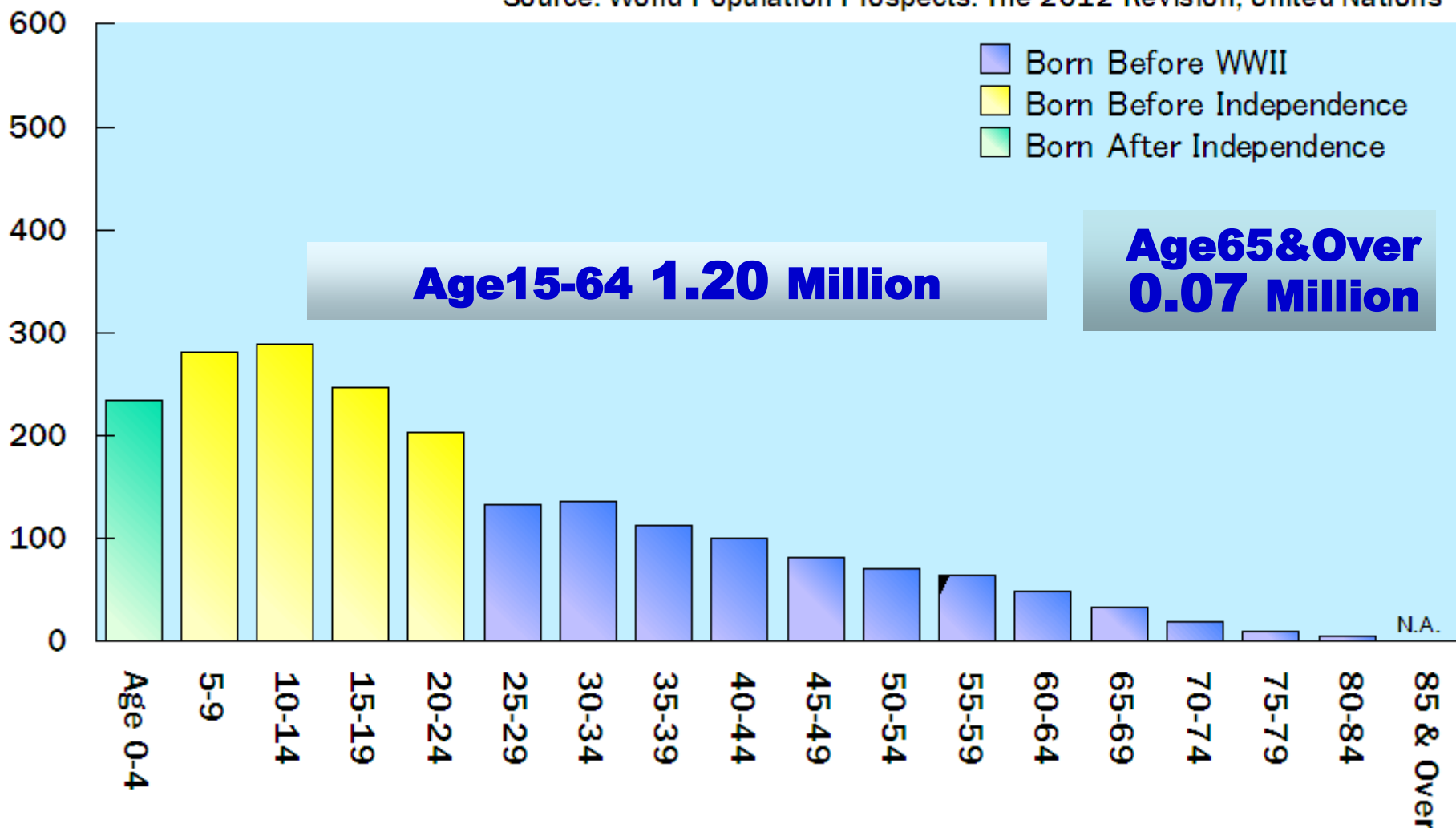


# Migration Accelerates Aging in Singapore

## Singapore Population Structure as of 1970

Population in Thousand, including Foreign Residents

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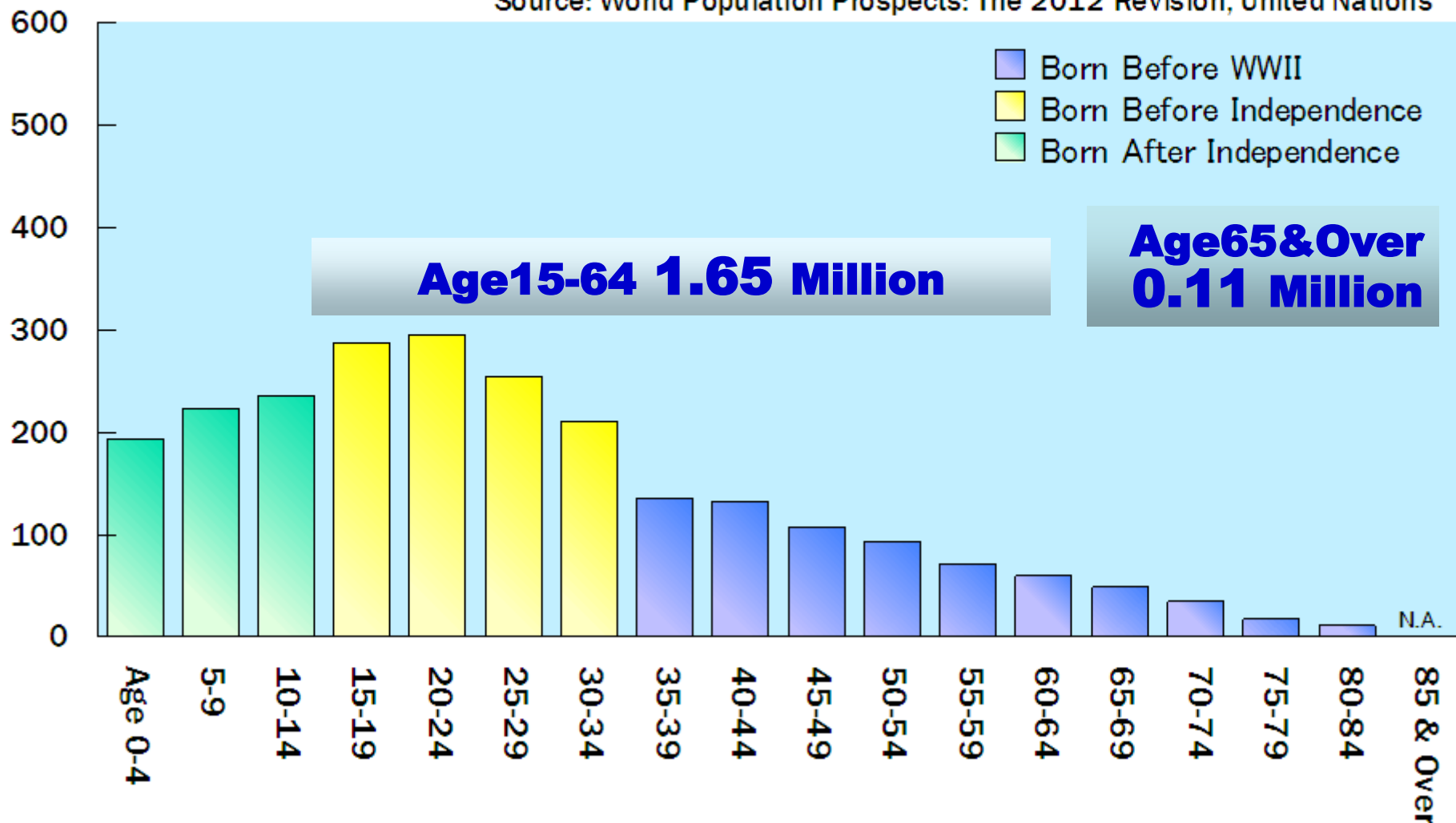


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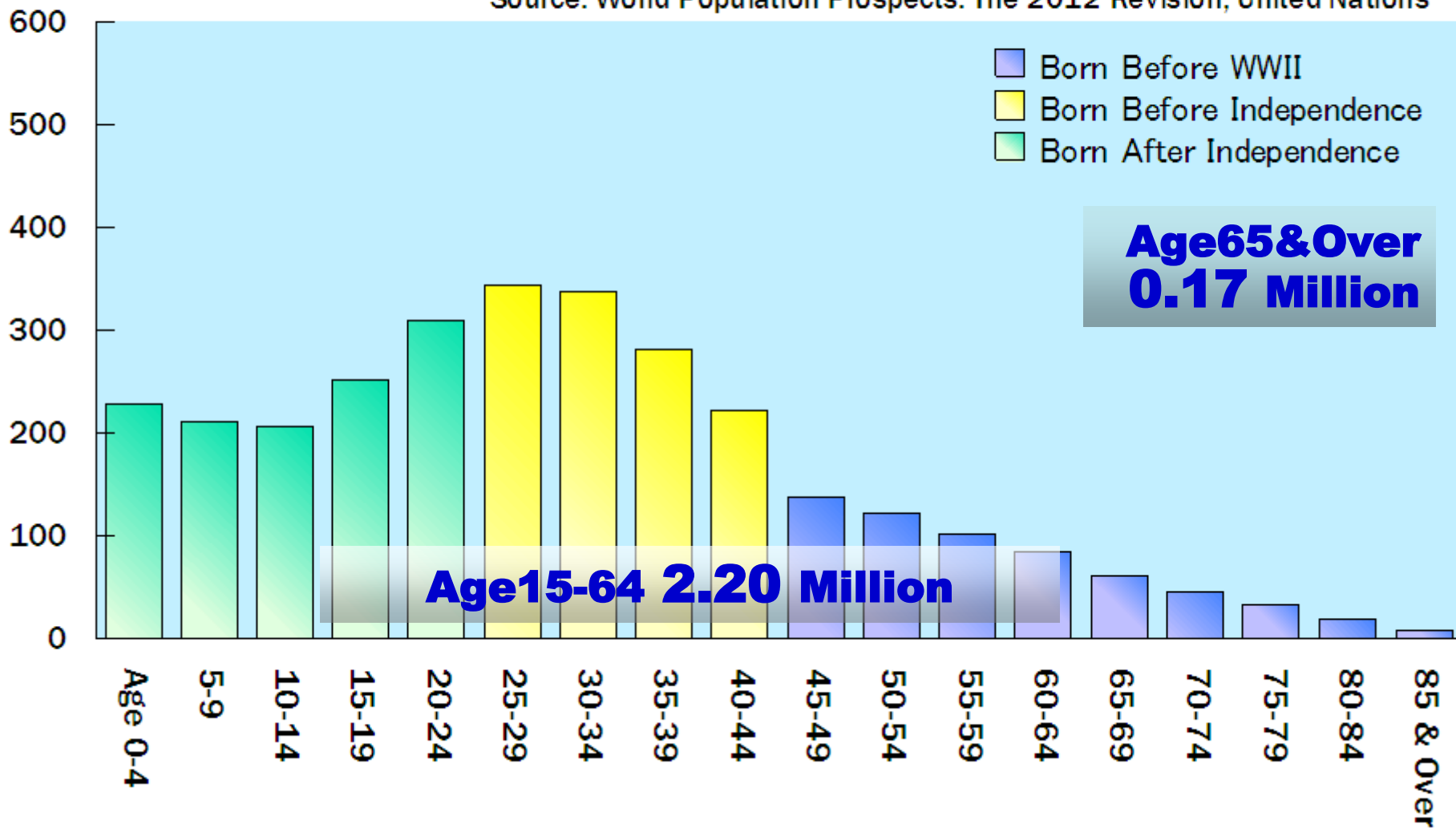


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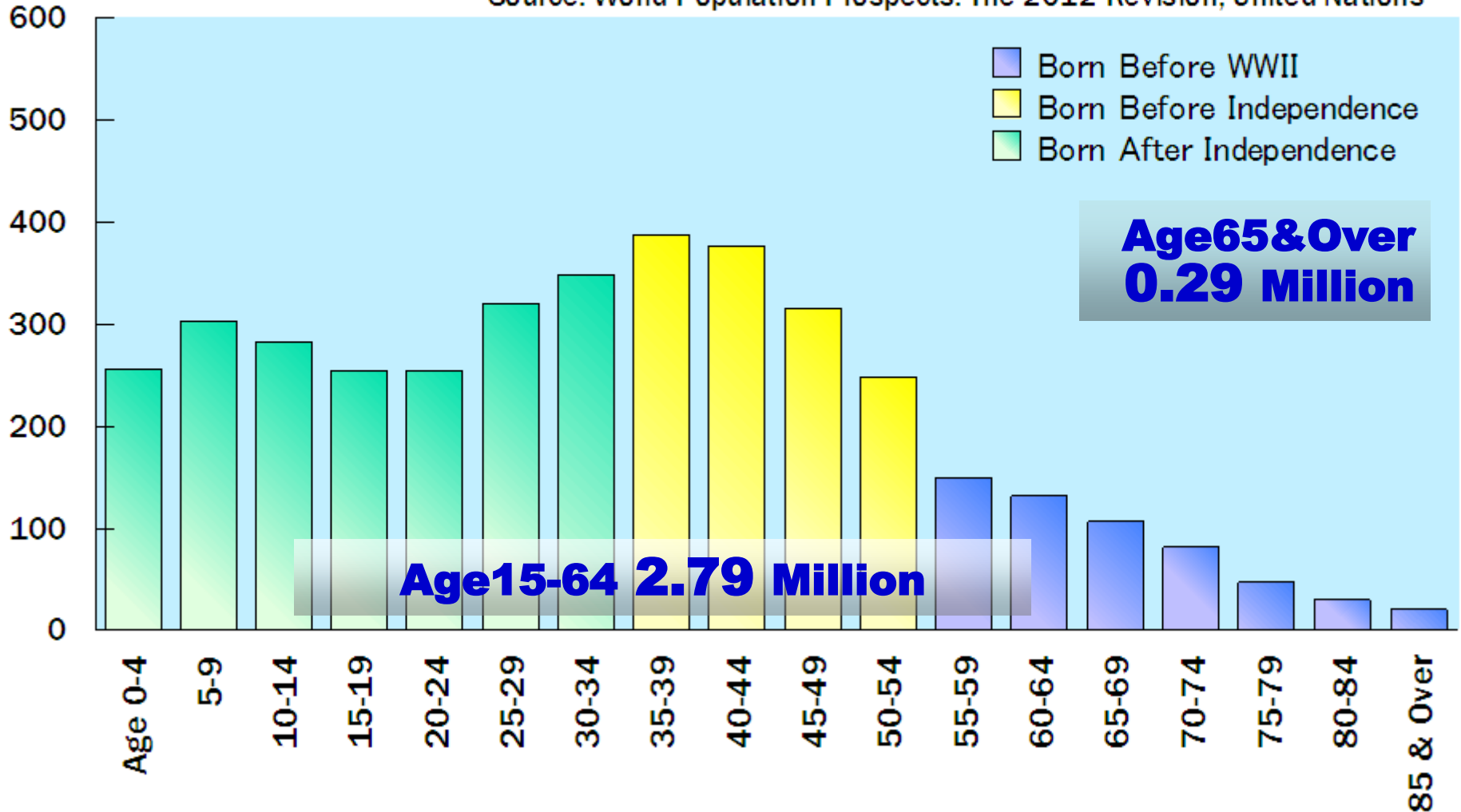


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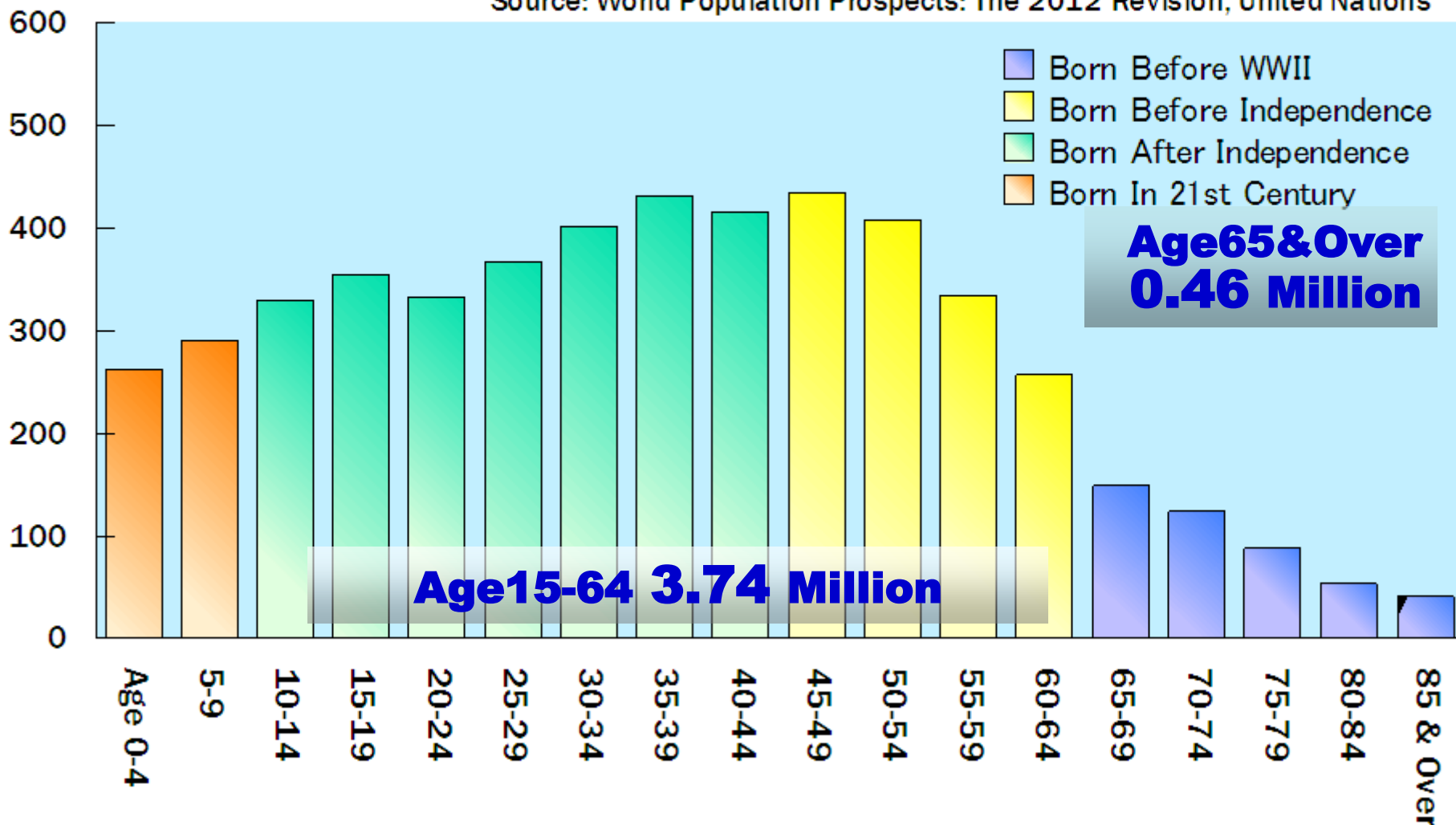


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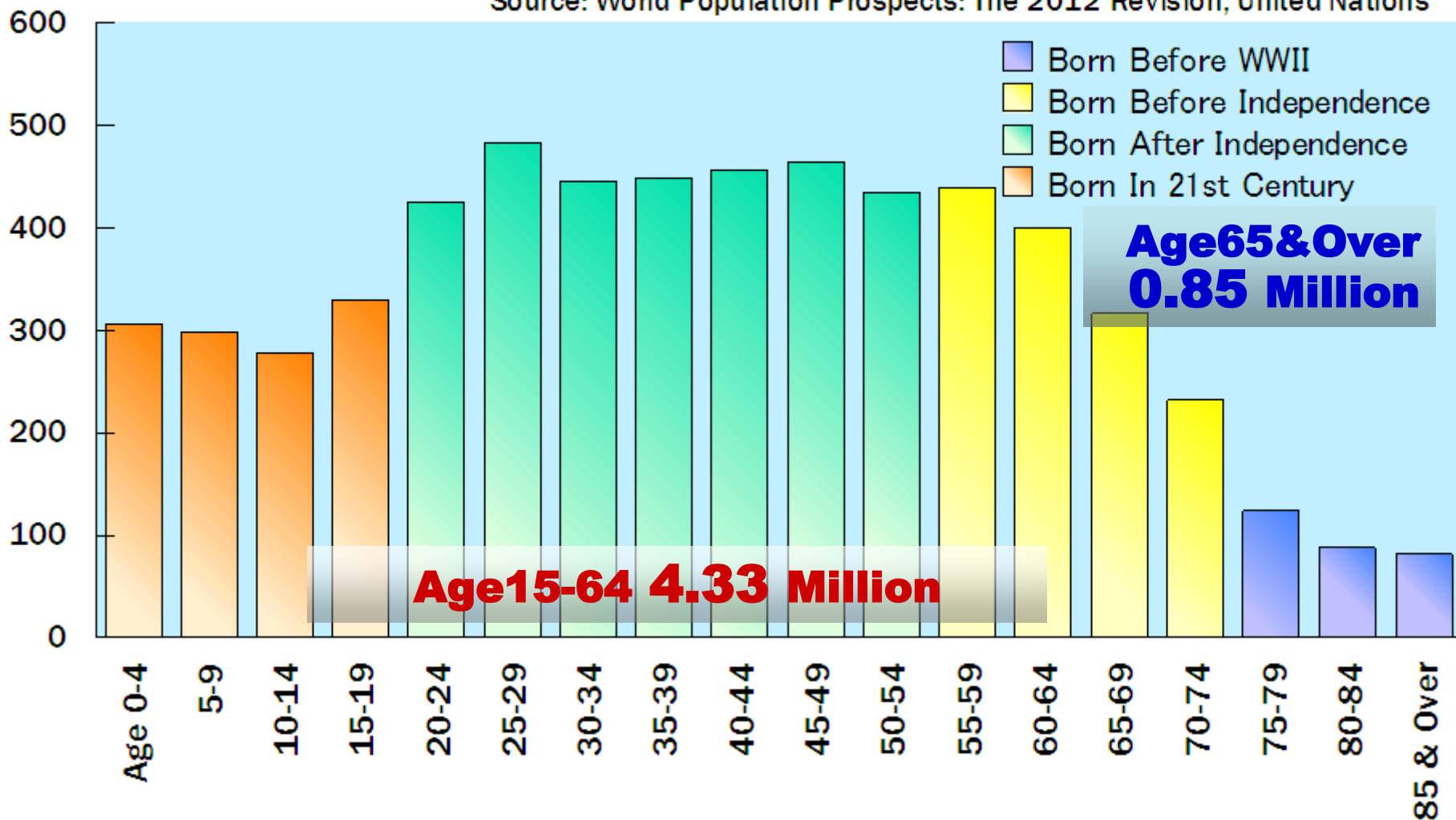


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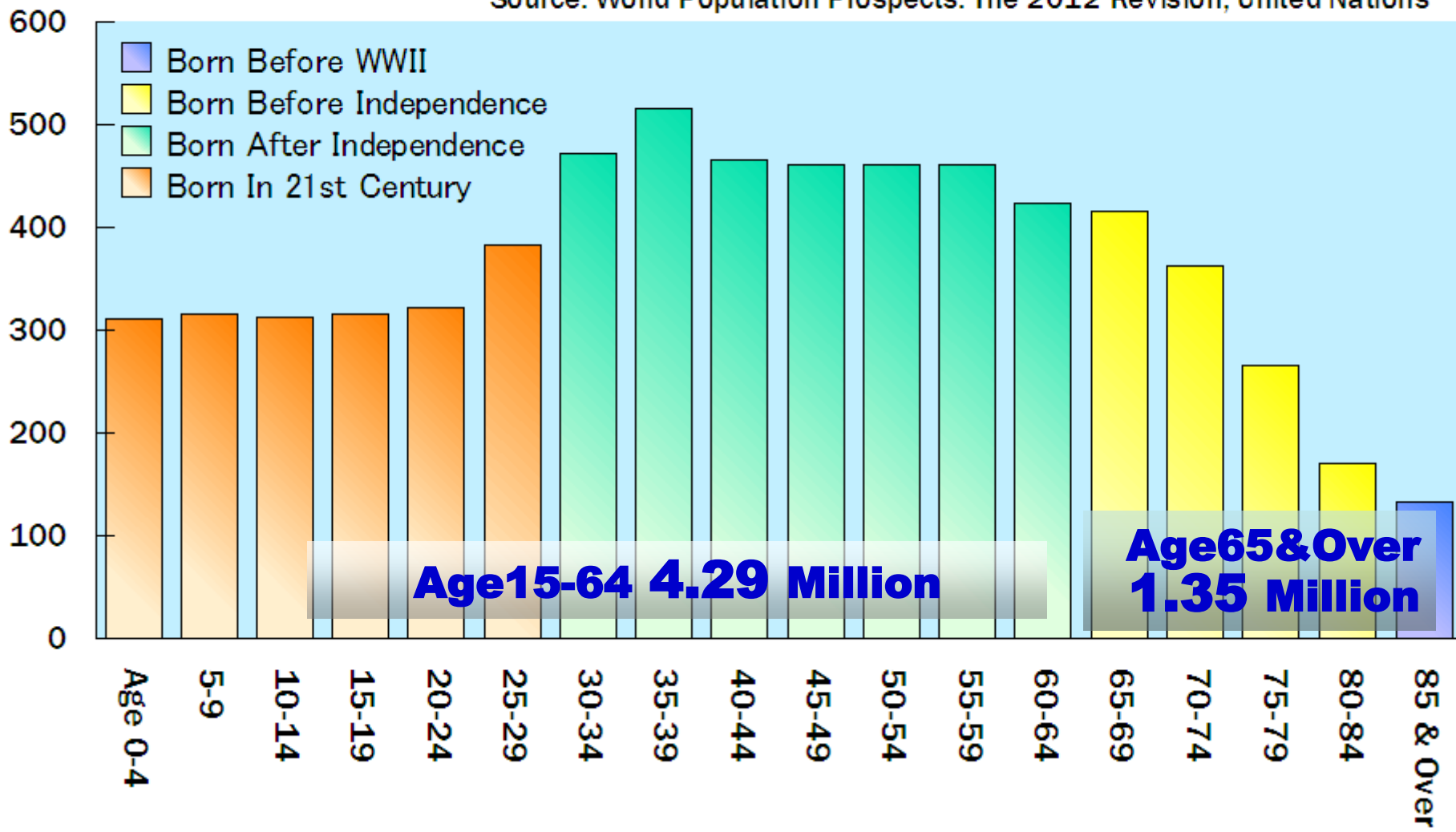


# Migration Accelerates Aging in Singapore

## Singapore Population Structure as of 2030

Population in Thousand, including Foreign Residents

Source: World Population Prospects: The 2012 Revision, United Nations

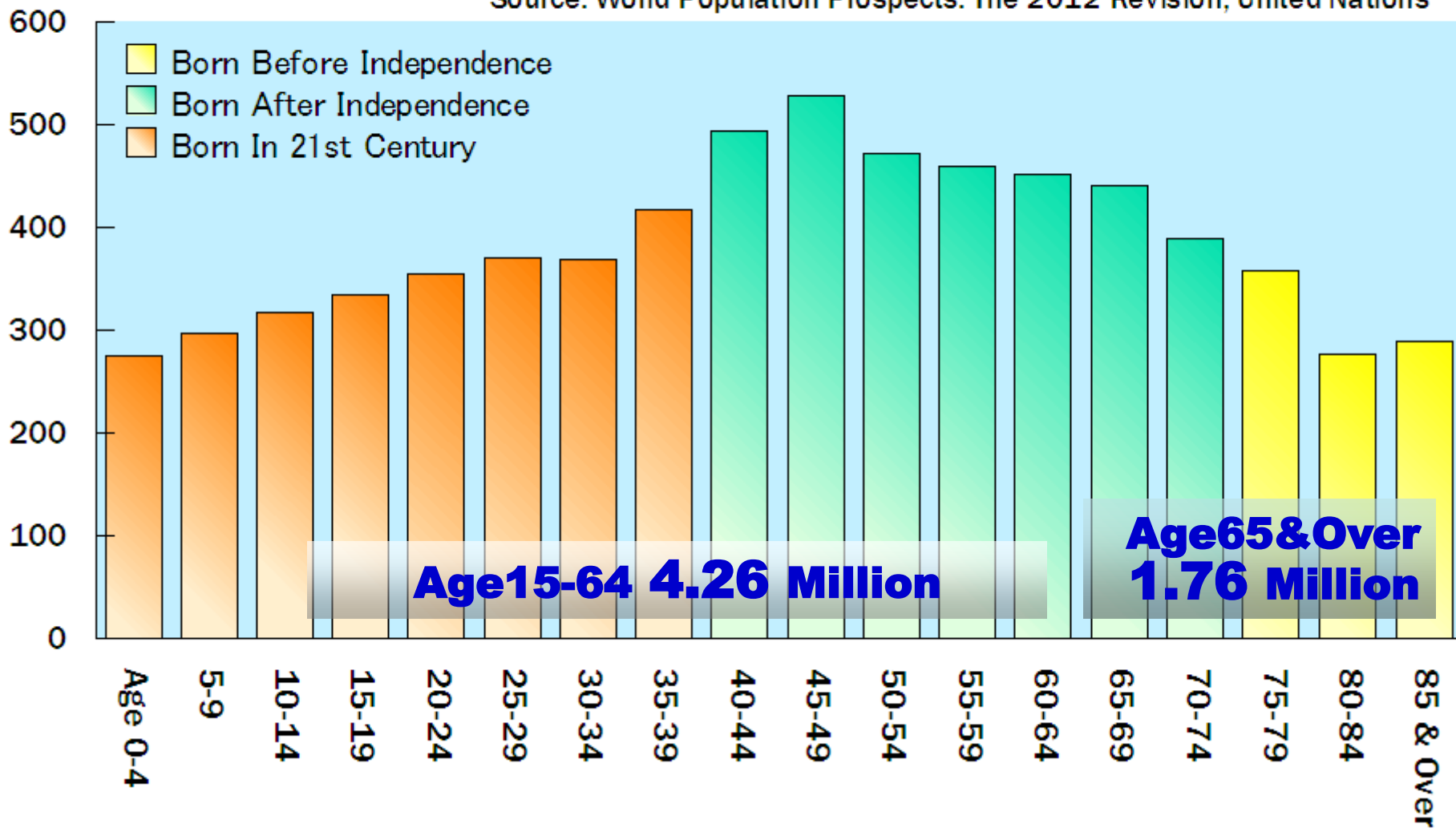


# Migration Accelerates Aging in Singapore

## Singapore Population Structure as of 2040

Population in Thousand, including Foreign Residents

Source: World Population Prospects: The 2012 Revision, United Nations

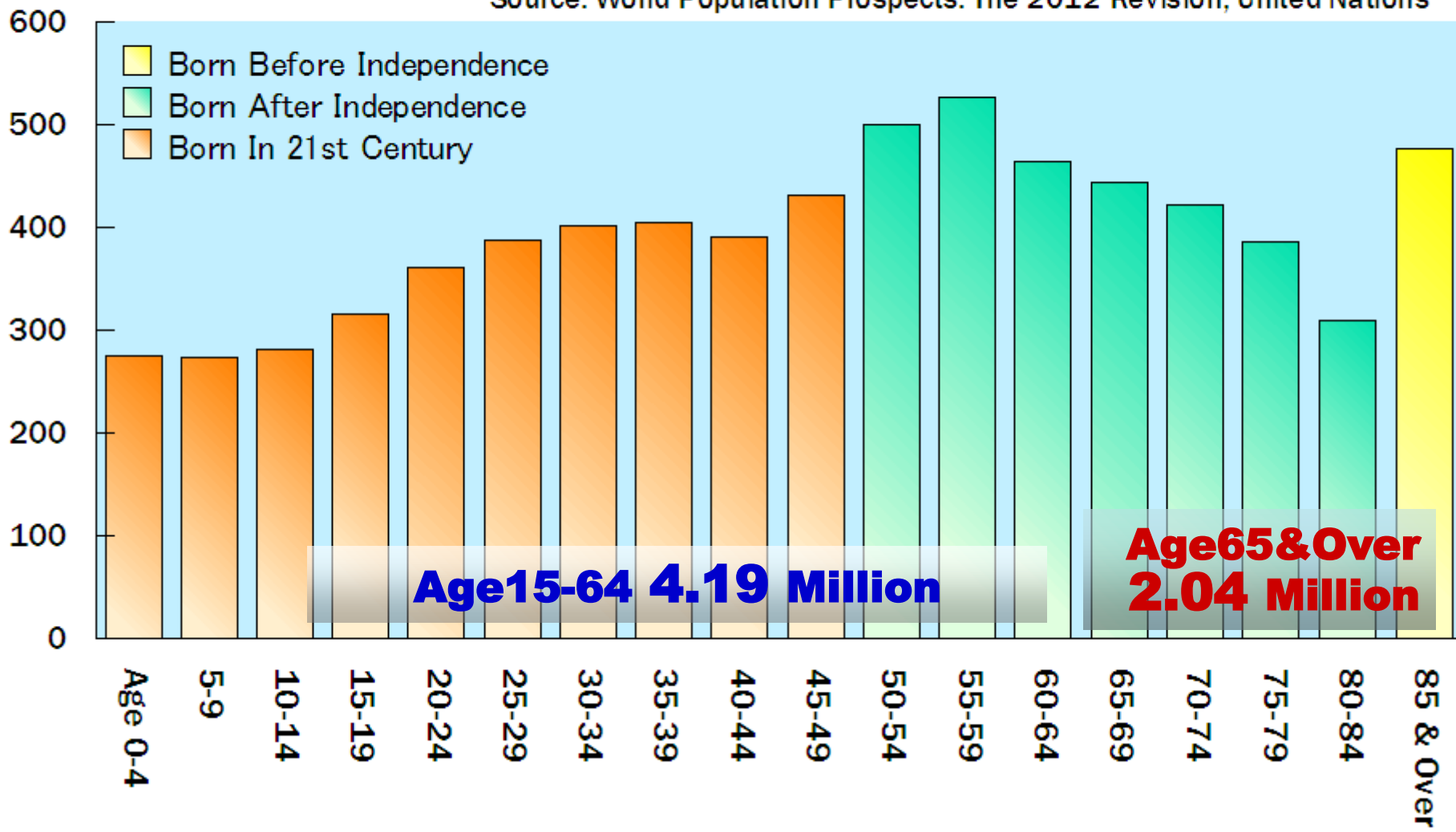


# Migration Accelerates Aging in Singapore

## Singapore Population Structure as of 2050

Population in Thousand, including Foreign Residents

Source: World Population Prospects: The 2012 Revision, United Nations



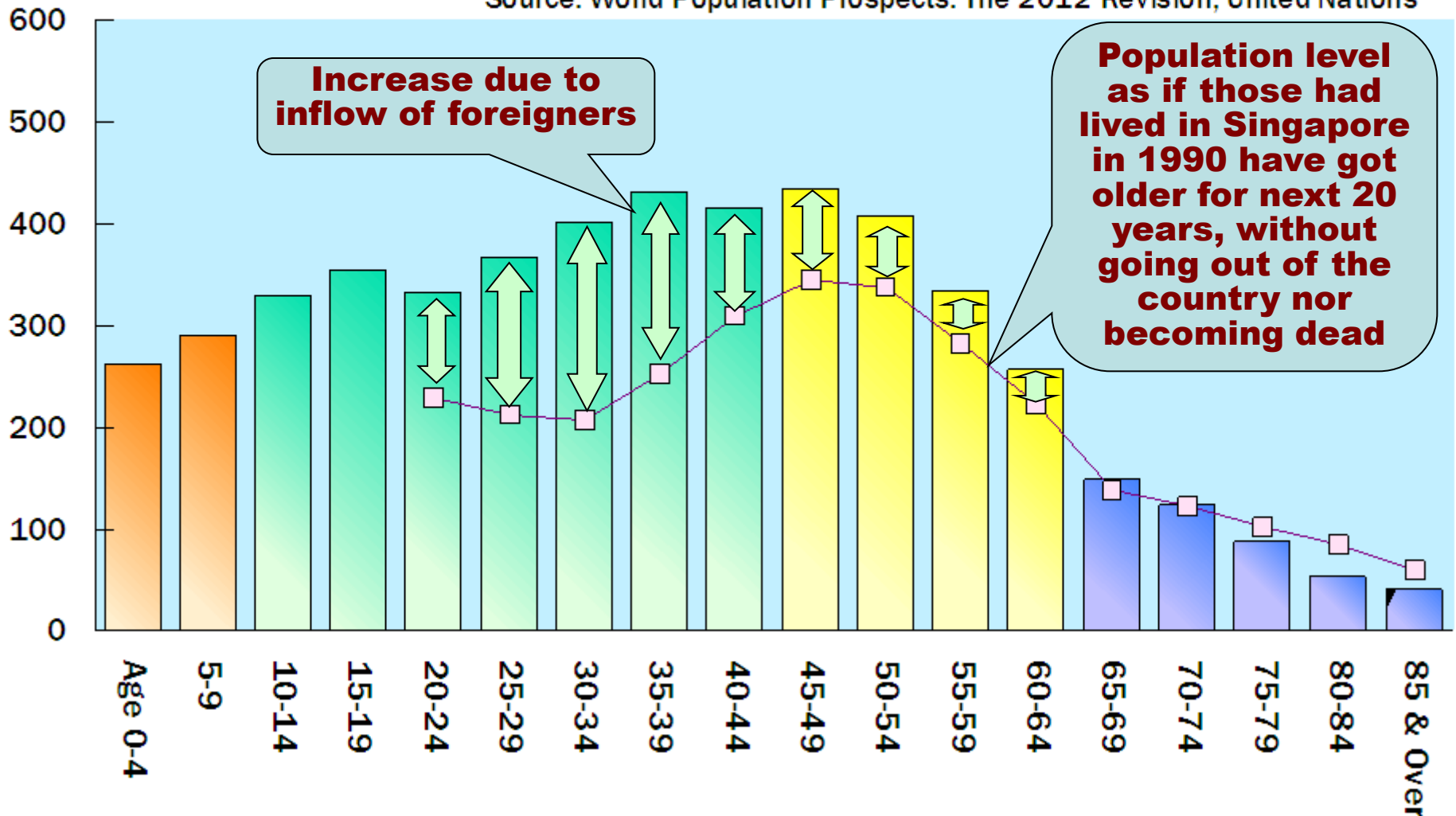


# Foreign Immigrants Will Also Get Aged

## Singapore Population Structure as of 2010

Population in Thousand, including Foreign Residents

Source: World Population Prospects: The 2012 Revision, United Nations



# Foreign Immigrants Will Also Get Aged

## Singapore Population Structure as of 2040

Population in Thousand, including Foreign Residents

Source: World Population Prospects: The 2012 Revision, United Nations

