



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

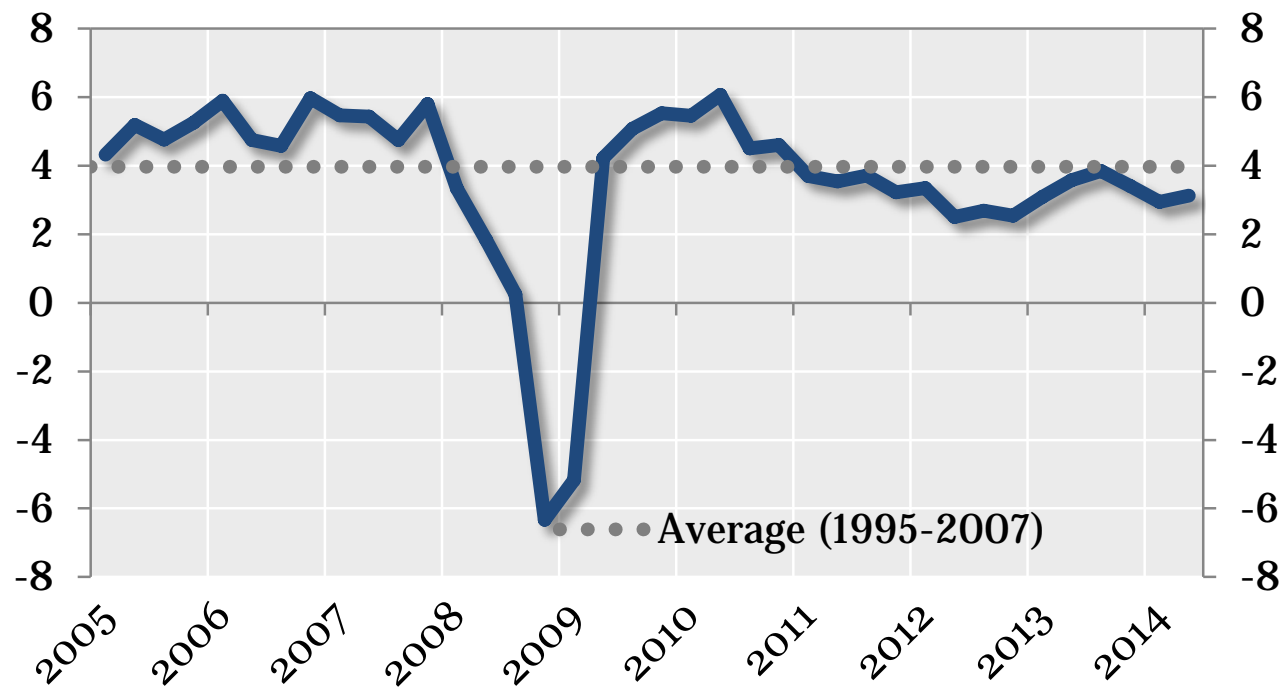
OECD Economic Outlook

Randall S. Jones
Head, Japan/Korea Desk
25 November 2014



The global economy is stuck in low gear

World GDP growth
Per cent, seasonally-adjusted annualised rate



Source: Preliminary November 2014 Economic Outlook database.

Trade growth has been weak

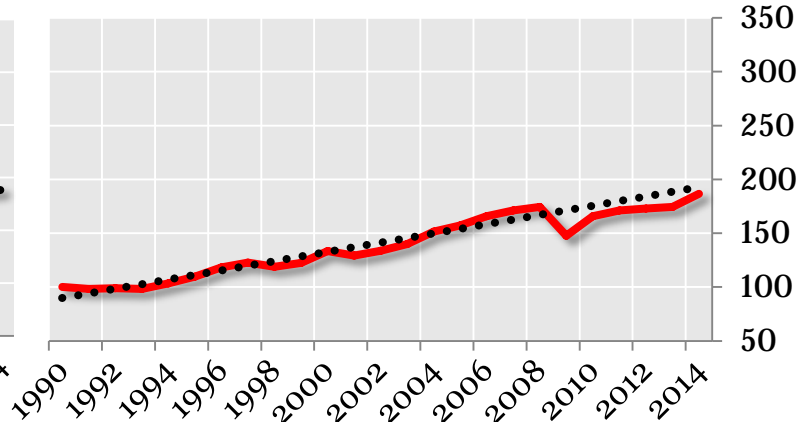
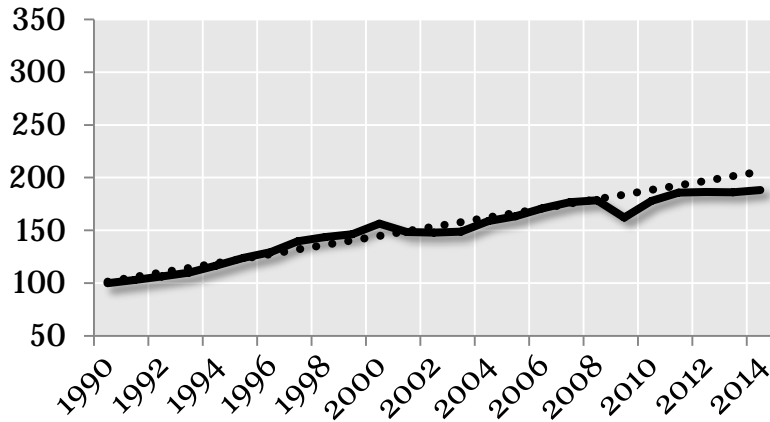
Trade intensity¹

Index, 1990=100

.....Trend (1990-2007)

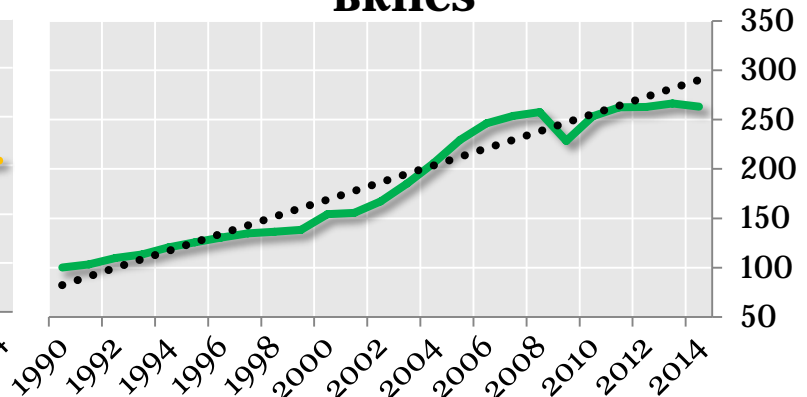
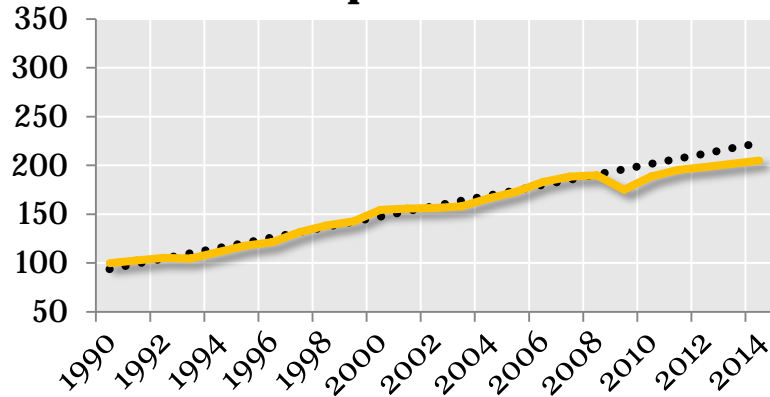
United States

Japan



European Union

BRIICS



1. Index of sum of exports and imports as a ratio of GDP.

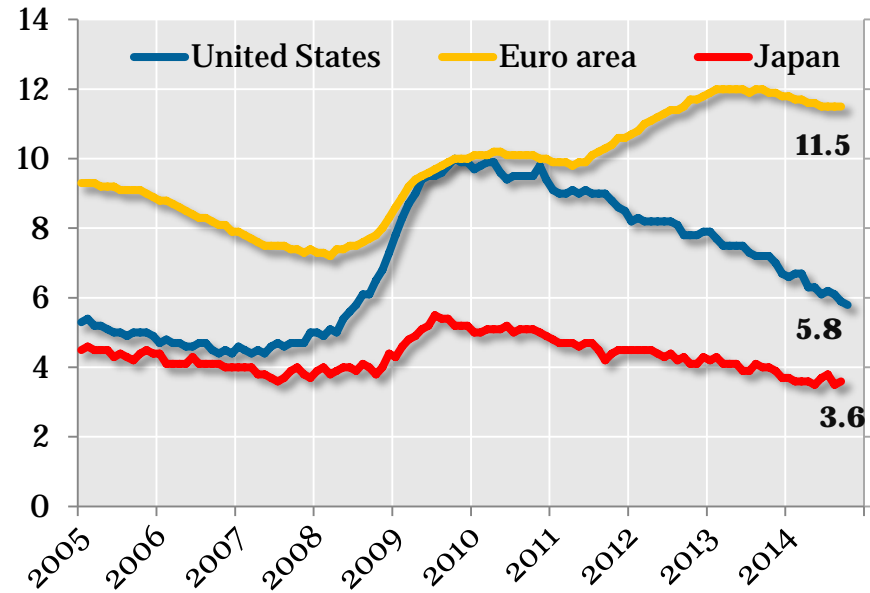
Source: Preliminary November 2014 Economic Outlook database.



Labour market: divergent performance, but overall slack remains

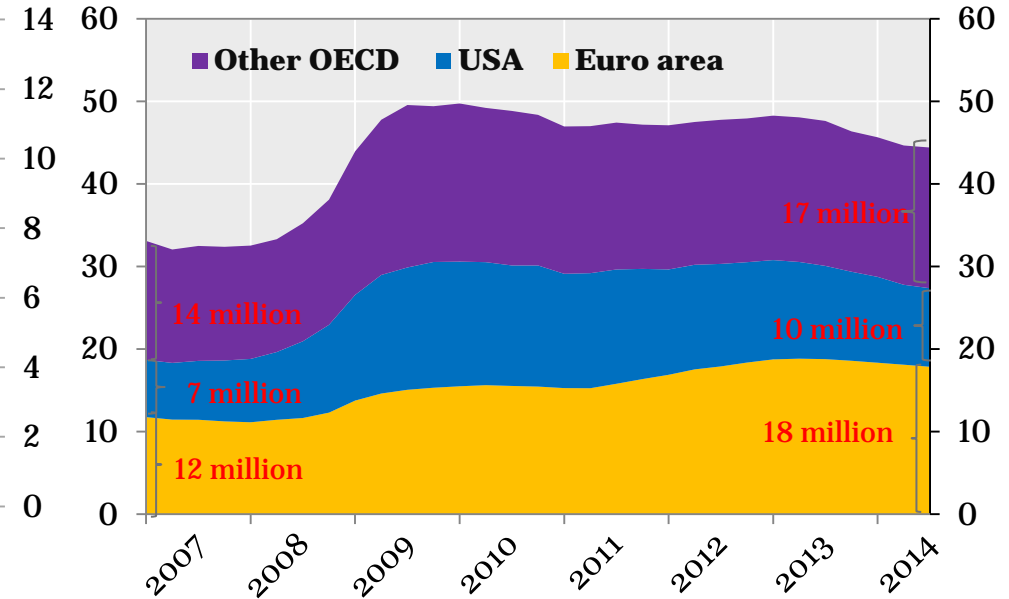
Unemployment rate

Per cent



Number of unemployed persons

Millions



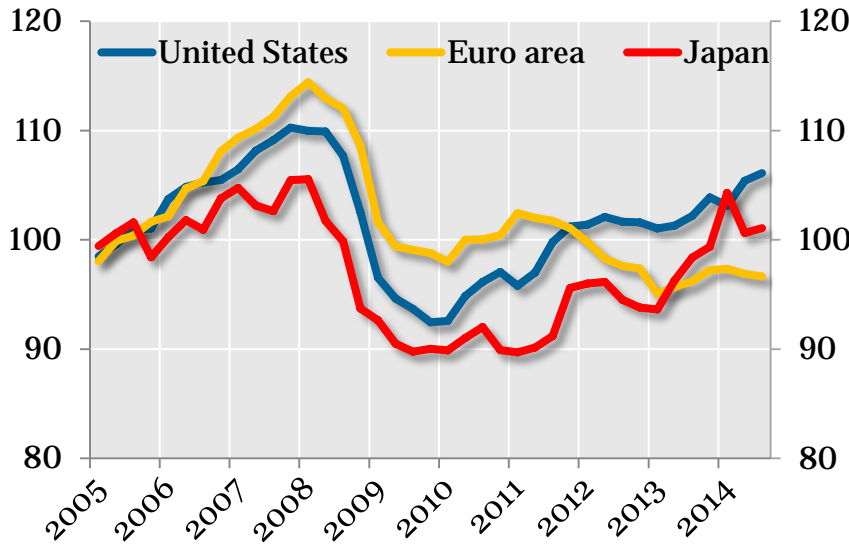
Source: Preliminary November 2014 Economic Outlook database.



Demand patterns are diverging in major advanced economies

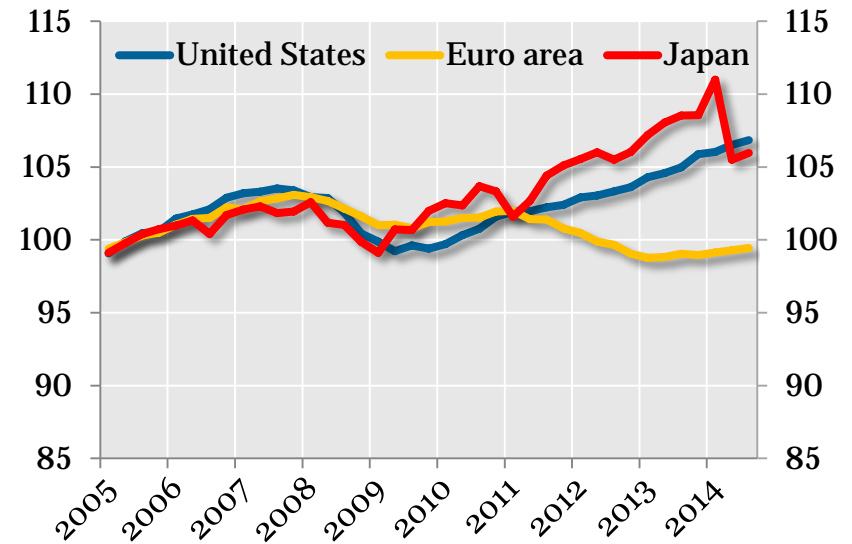
Non-residential investment per capita

Index, 2005 = 100



Private consumption per capita

Index, 2005 = 100

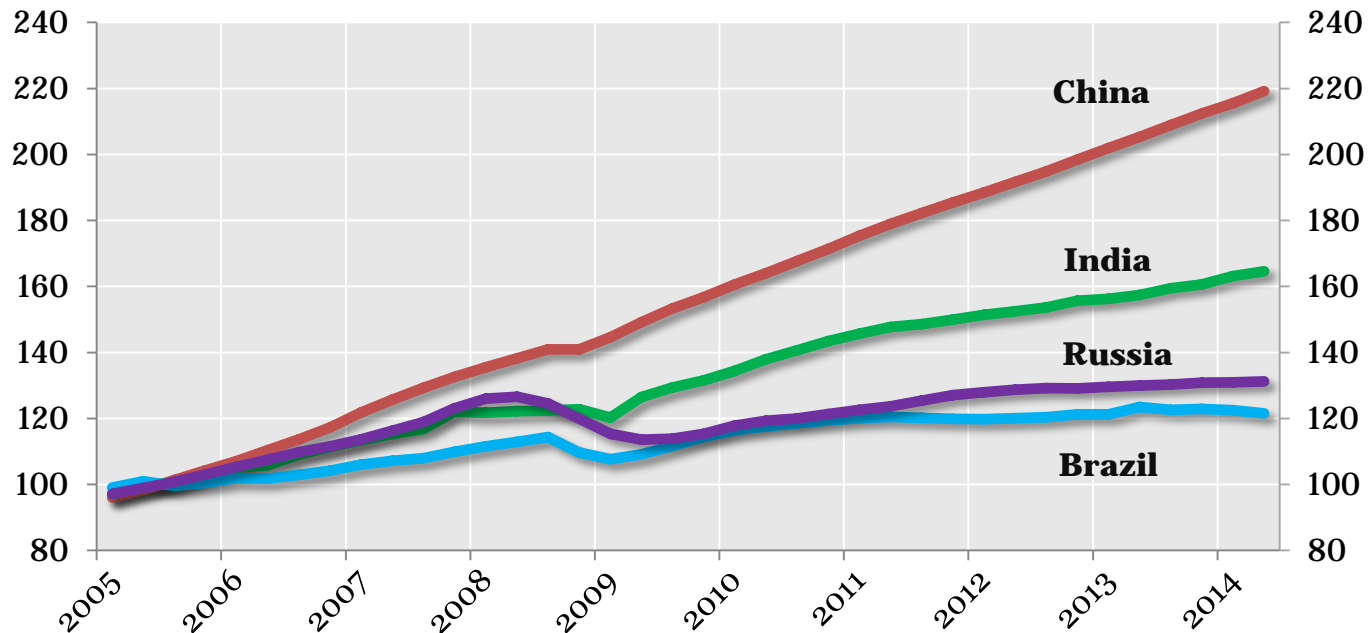


Source: OECD national accounts database; Preliminary November 2014 Economic Outlook database; and OECD calculations.



Trends are also diverging among emerging economies

GDP per capita
Volume, 2005=100



Source: OECD National Accounts database; Preliminary November 2014 Economic Outlook database; IMF WEO database; Central Statistical Organisation, India; and OECD calculations.



Growth projections for 2015-16

GDP

Volume, percentage change

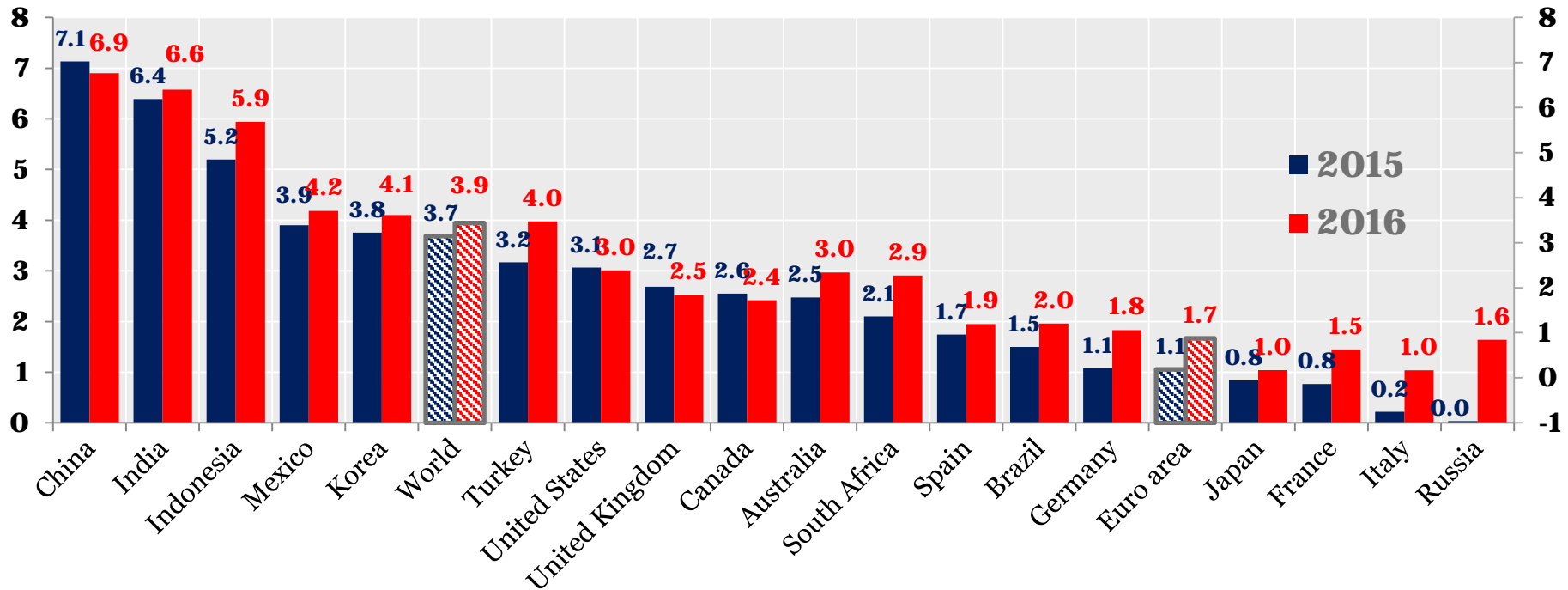
	2013	2014	2015	2016
World	3.1	3.3	3.7	3.9
United States	2.2	2.2	3.1	3.0
Euro area	-0.4	0.8	1.1	1.7
Japan	1.5	0.4	0.8	1.0
China	7.7	7.3	7.1	6.9
India	4.7	5.4	6.4	6.6
Brazil	2.5	0.3	1.5	2.0
Russia	1.3	0.3	0.0	1.6

Source: Preliminary *Economic Outlook* (EO) projections.



Growth projections for 2015-16

GDP growth Per cent



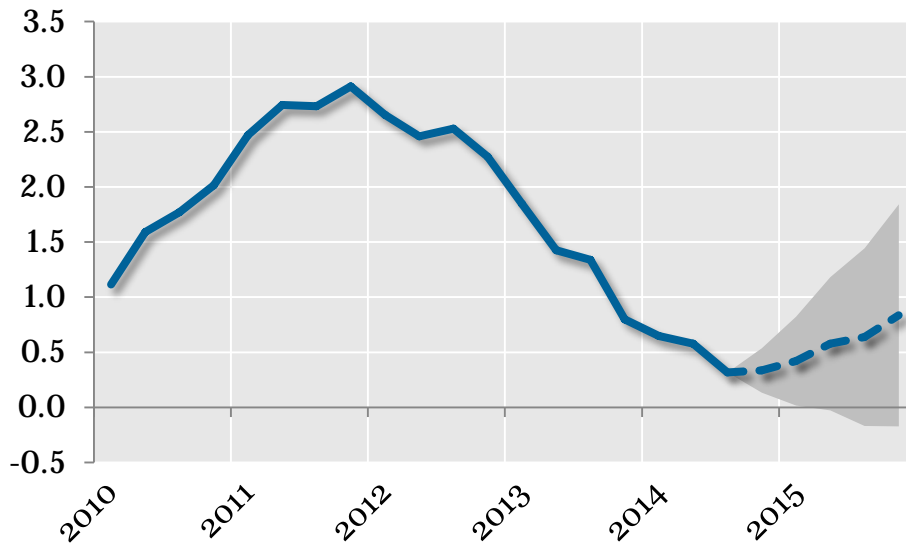
Source: Preliminary November 2014 OECD Economic Outlook database.



The threat of euro area stagnation has risen

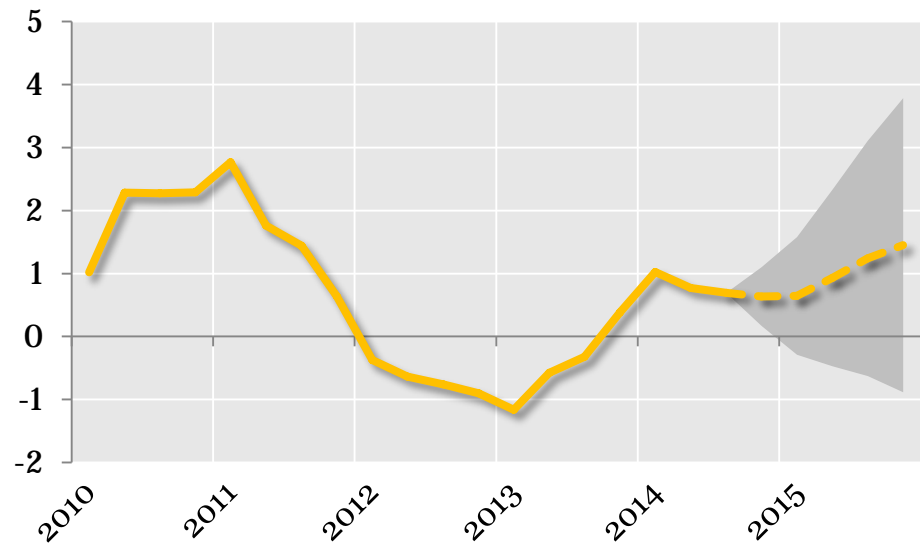
Inflation

HIPC, 12-month percentage change



GDP

Year-on-year percentage change



Note: Shaded bands show +/- one standard deviation based on past variation.

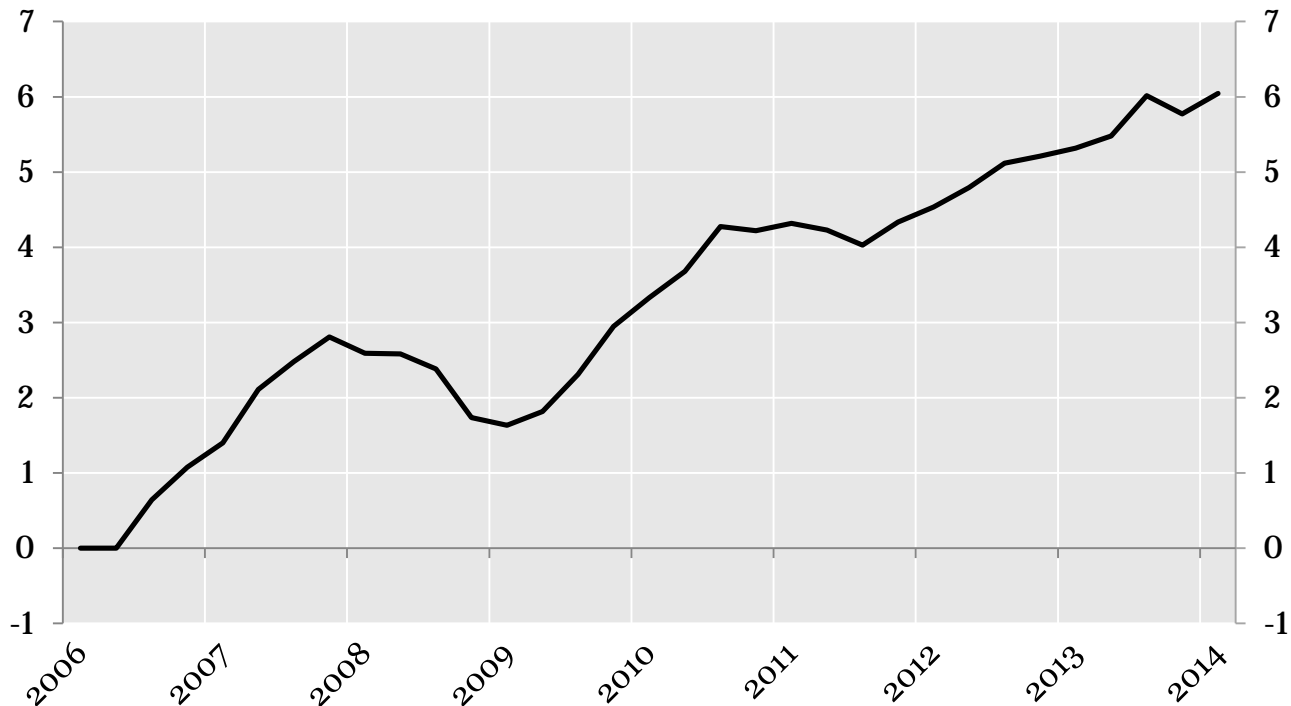
Source: Preliminary November 2014 Economic Outlook database.



The strong net portfolio inflows to emerging economies could reverse

Cumulative net portfolio inflows to BRIICS excluding China

Per cent of GDP, from Q1 2006



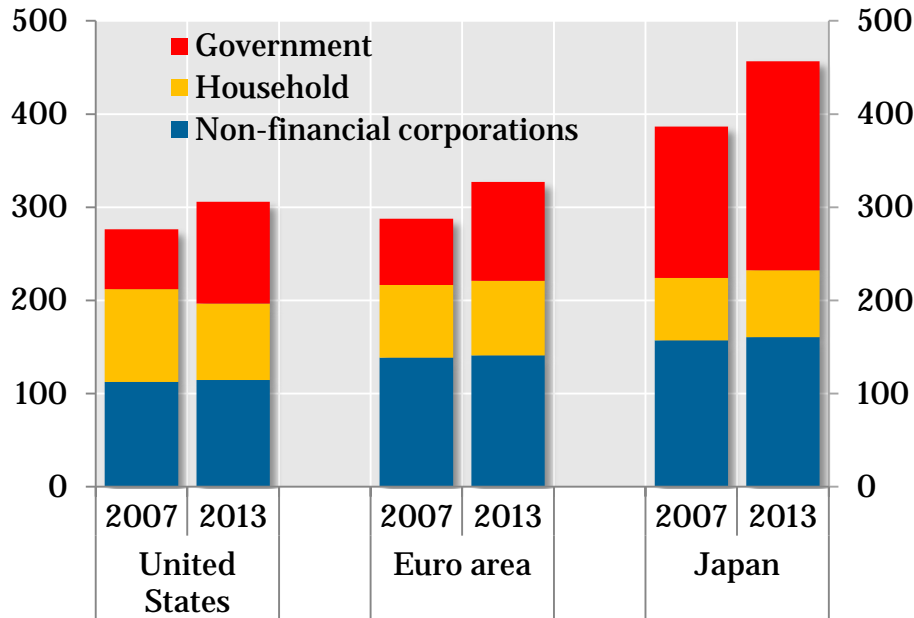
Source: IMF Balance of Payments database; OECD National Accounts database; and OECD calculations.



Advanced economy debt levels are high and credit growth in China is rapid

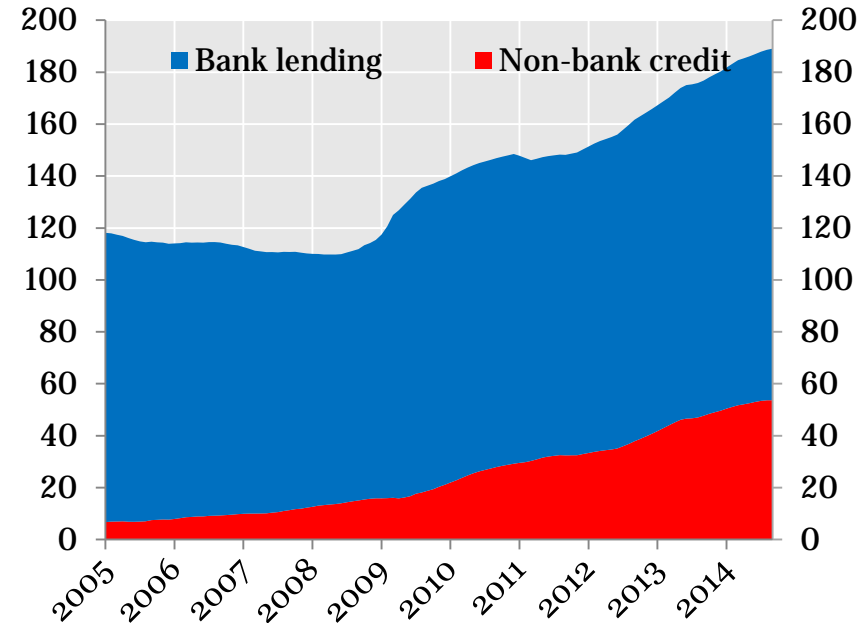
Debt excluding the financial sector

Per cent of GDP



China: credit to non-financial private sector

Per cent of GDP

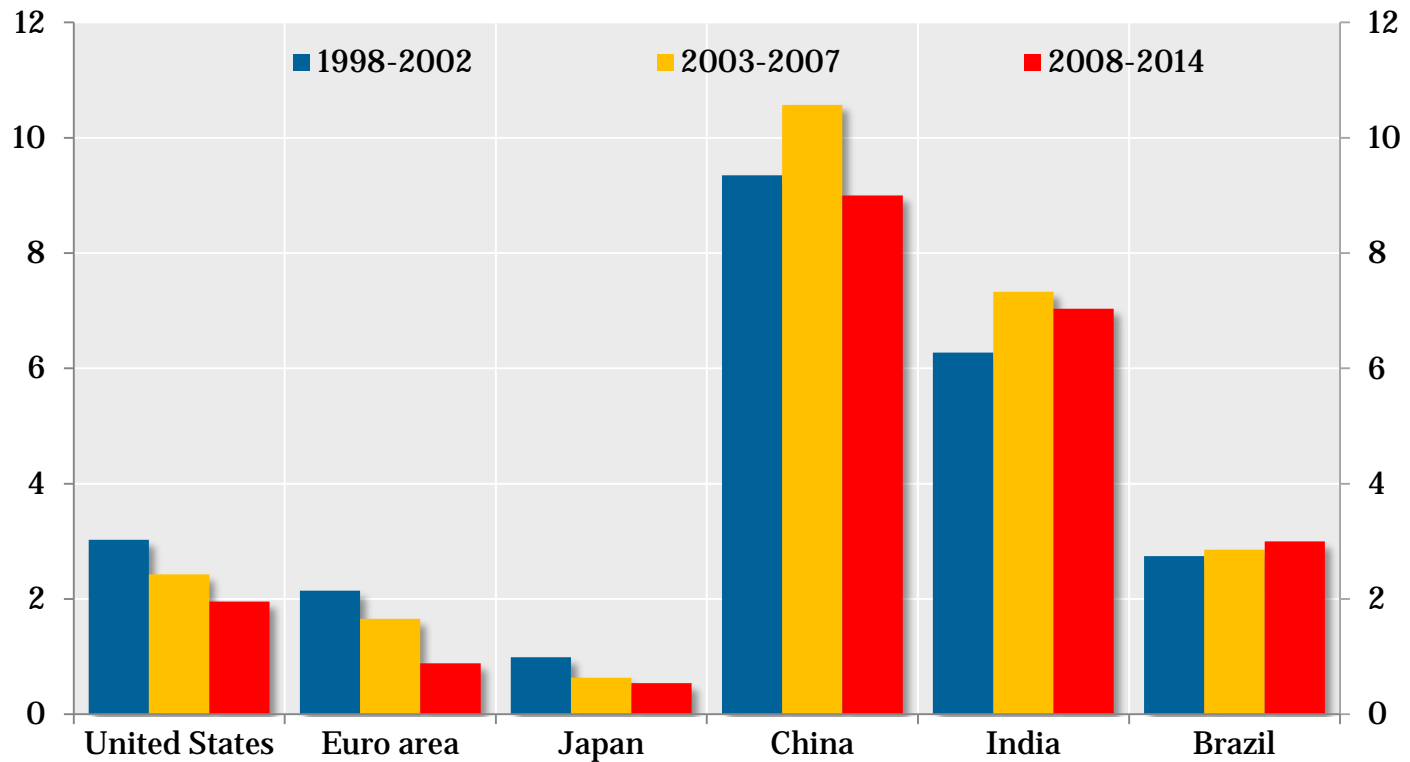


Source: Preliminary November 2014 Economic Outlook database; ECB; OECD Financial accounts; and BIS.



Potential growth rates could fall further

Potential GDP growth *Annual average, per cent*



Source: Preliminary November 2014 OECD Economic Outlook database.



Key messages

Global growth is modest, with widening differences across countries

Financial risks are rising and volatility is set to increase

Potential growth has slowed, interacting with weak demand

Weakness in the euro area is a major concern

Monetary, fiscal and structural policies must all be employed to address risks and support growth



Monetary, fiscal and structural policies need to support growth

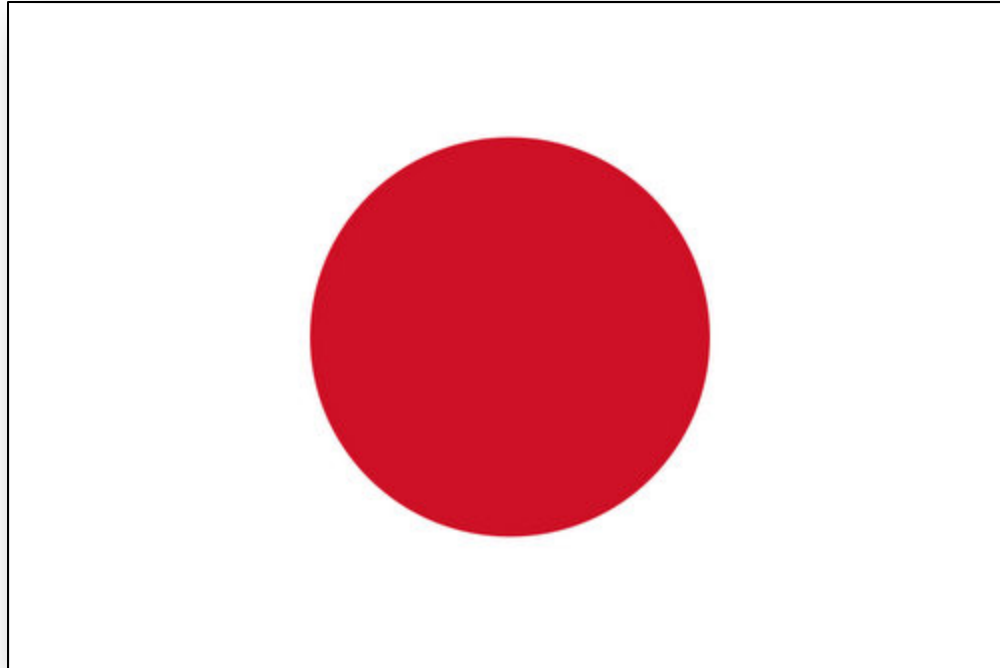
Monetary policy needs to remain accommodative in most countries, and more aggressive QE is needed in the euro area

Fiscal consolidation has progressed significantly, leaving room in many economies to slow the pace of adjustment

Ambitious structural reforms are needed to boost investment, trade and job creation

Significant efforts by G-20 countries to develop comprehensive growth strategies for the Brisbane summit are welcome

JAPAN





Short-term economic projections¹

Percentage changes

	2012	2013	2014	2015	2016
Demand and output (volumes)					
GDP	1.5	1.5	0.4	0.8	1.0
Consumption					
Private	2.0	2.0	-0.9	1.0	1.2
Government	1.7	2.0	0.3	0.3	0.5
Gross fixed investment	3.5	2.6	3.7	-1.0	-0.5
Public ²	3.1	11.3	4.8	-6.8	-17.7
Residential	3.0	8.8	-4.0	-1.5	3.6
Business	3.7	-1.5	5.1	1.0	4.0
Final domestic demand	2.3	2.1	0.3	0.4	0.7
Stockbuilding ³	0.1	-0.3	0.1	0.0	0.0
Total domestic demand	2.3	1.9	0.4	0.4	0.7
Exports of goods and services	-0.2	1.6	7.8	6.2	6.7
Imports of goods and services	5.3	3.4	6.9	3.2	4.6
Net exports ³	-0.9	-0.3	-0.1	0.4	0.3

1. Excluding the second tax hike, which was delayed to 2017.

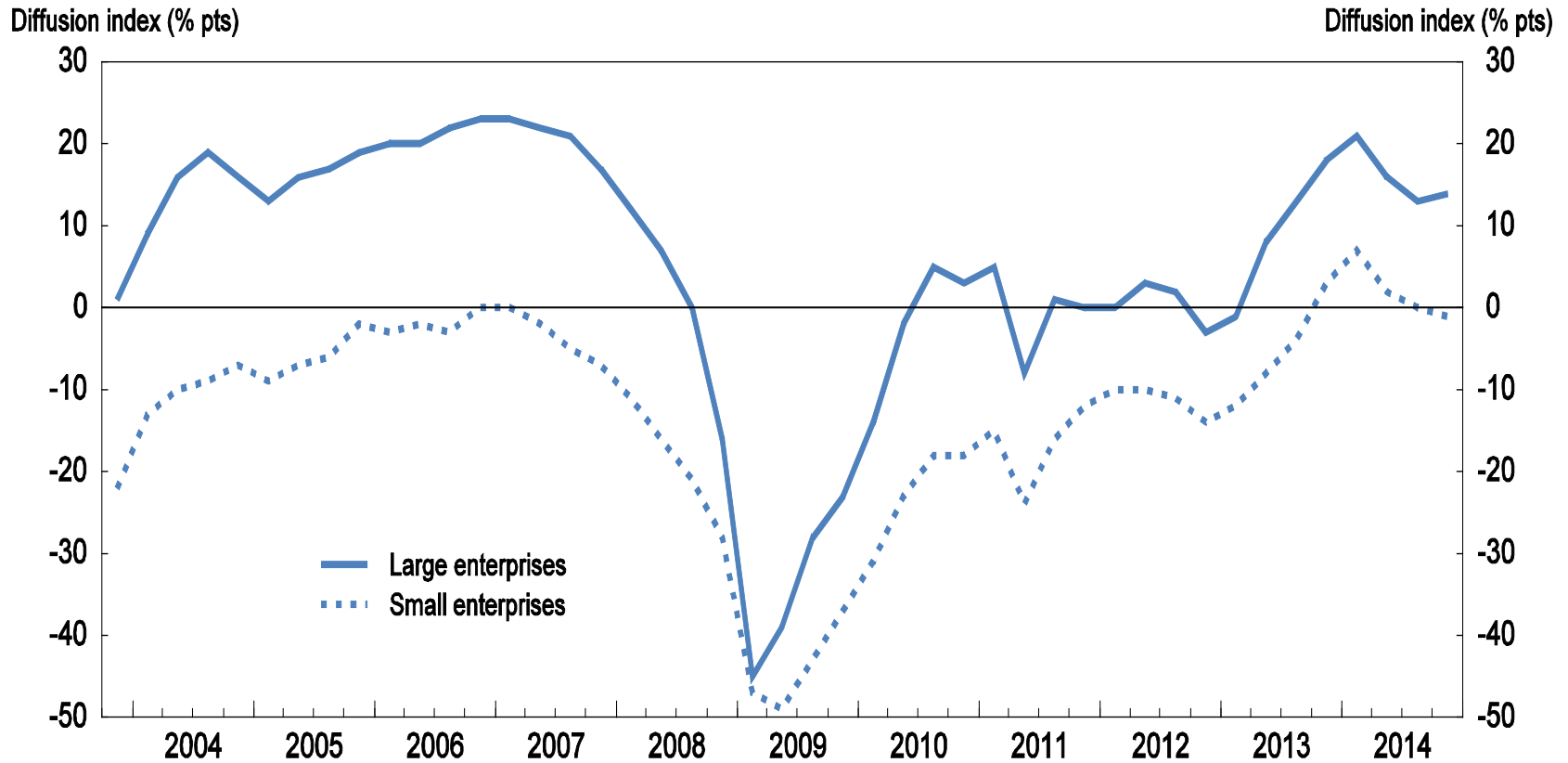
2. Including public corporations.

3. Contribution to GDP growth.

Source: OECD Analytical Database and OECD estimates and projections.



Business confidence remains high in the Tankan Survey¹



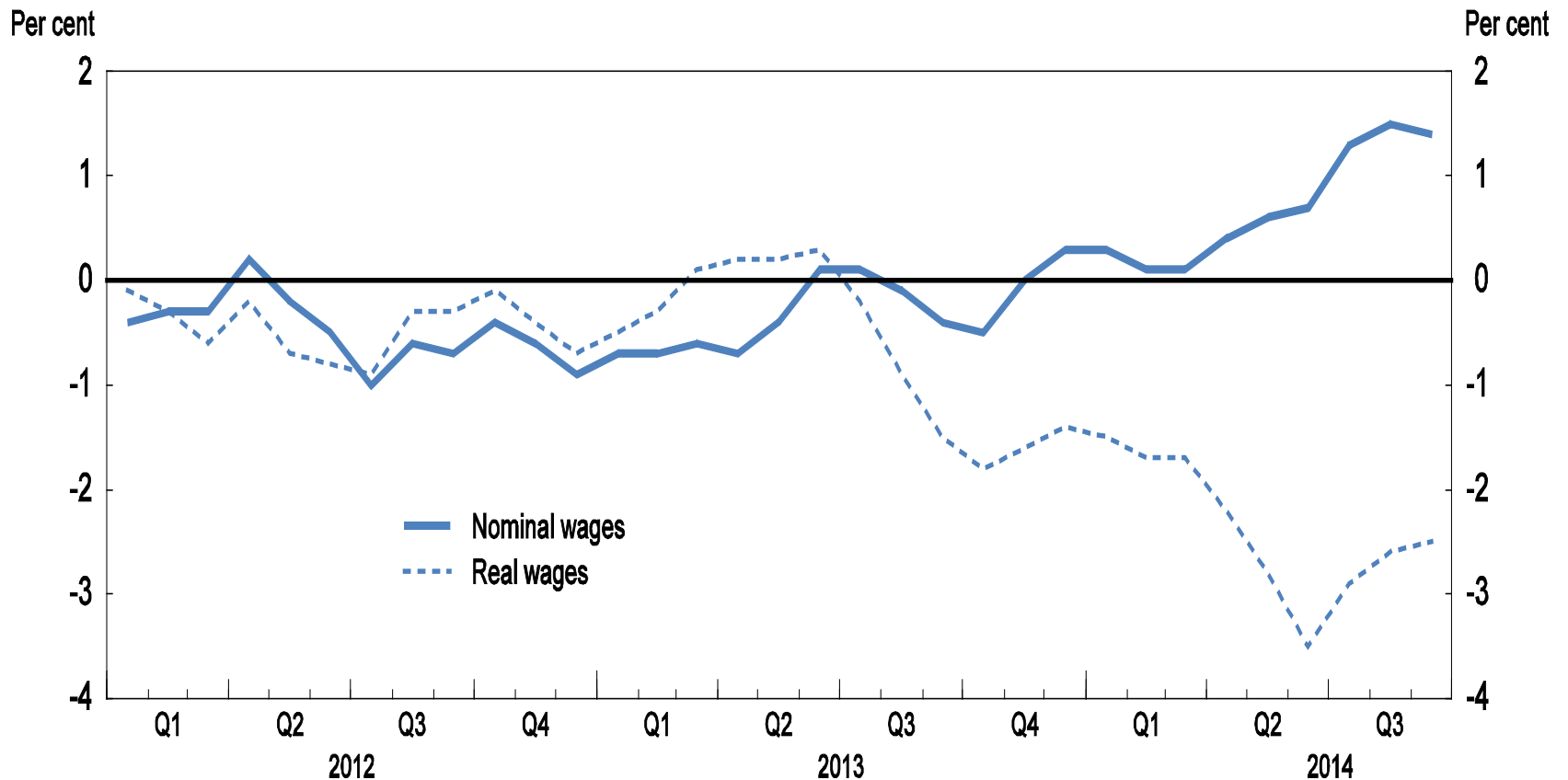
1. Diffusion index of "favourable" minus "unfavourable" conditions. Large enterprises are capitalised at a billion yen or more and small enterprises at between 20 million yen and a 100 million yen. Numbers for the fourth quarter are companies' projections made in September 2014.

Source: Bank of Japan.



Nominal wage increases have not kept pace with inflation

Year-on-year per cent changes¹



1. Total cash earnings (including bonuses). Data are three-month moving averages.
Source: Ministry of Health, Labour and Welfare, OECD calculations and Bank of Japan.



Short-term economic projections

In per cent

	2012	2013	2014	2015	2016
Inflation and capacity utilisation					
GDP deflator	-0.9	0.6	1.6	1.7	1.4
CPI ¹	0.0	0.4	2.9	1.8	1.6
Core CPI ^{1,2}	-0.5	-0.1	1.9	1.6	1.6
Unemployment rate	4.3	4.0	3.6	3.5	3.5
Output gap	-0.7	0.2	-0.2	-0.2	0.0
<i>Memorandum items:</i>					
World trade growth	3.0	3.3	3.0	4.5	5.5
Net government lending (% of GDP)	-8.7	-9.0	-8.3	-7.3	-6.3
Net primary balance (% of GDP)	-7.8	-8.1	-7.2	-6.2	-5.4
Gross debt (% of GDP)	216.5	224.2	230.0	232.8	236.7
Net debt (% of GDP)	129.4	137.2	142.9	146.8	149.6
Household saving ratio (%)	1.3	0.4	1.8	1.9	1.8
Current account (% of GDP)	1.1	0.7	0.1	0.9	1.4

1. Including the impact of the consumption tax hike from 5% to 8% in April 2014.

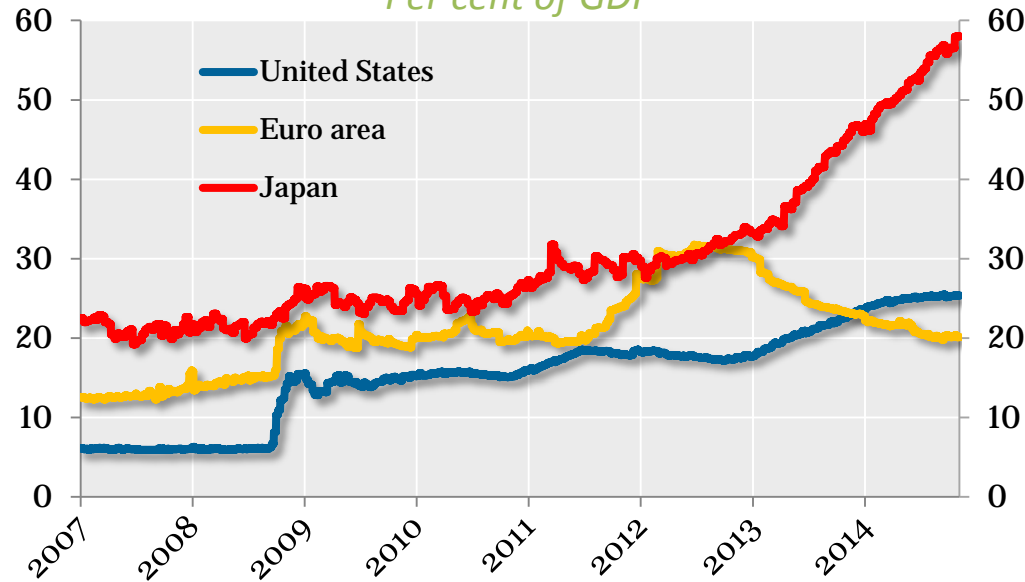
2. The core CPI is the OECD definition, which excludes both food and energy.

Source: OECD Analytical Database and OECD estimates and projections.



The first arrow of Abenomics: bold monetary policy with Quantitative and Qualitative Easing

Central bank assets
Per cent of GDP



Source: Datastream; National Central Banks.

QQE has boosted inflation expectations and pushed underlying inflation into positive territory in late 2013.

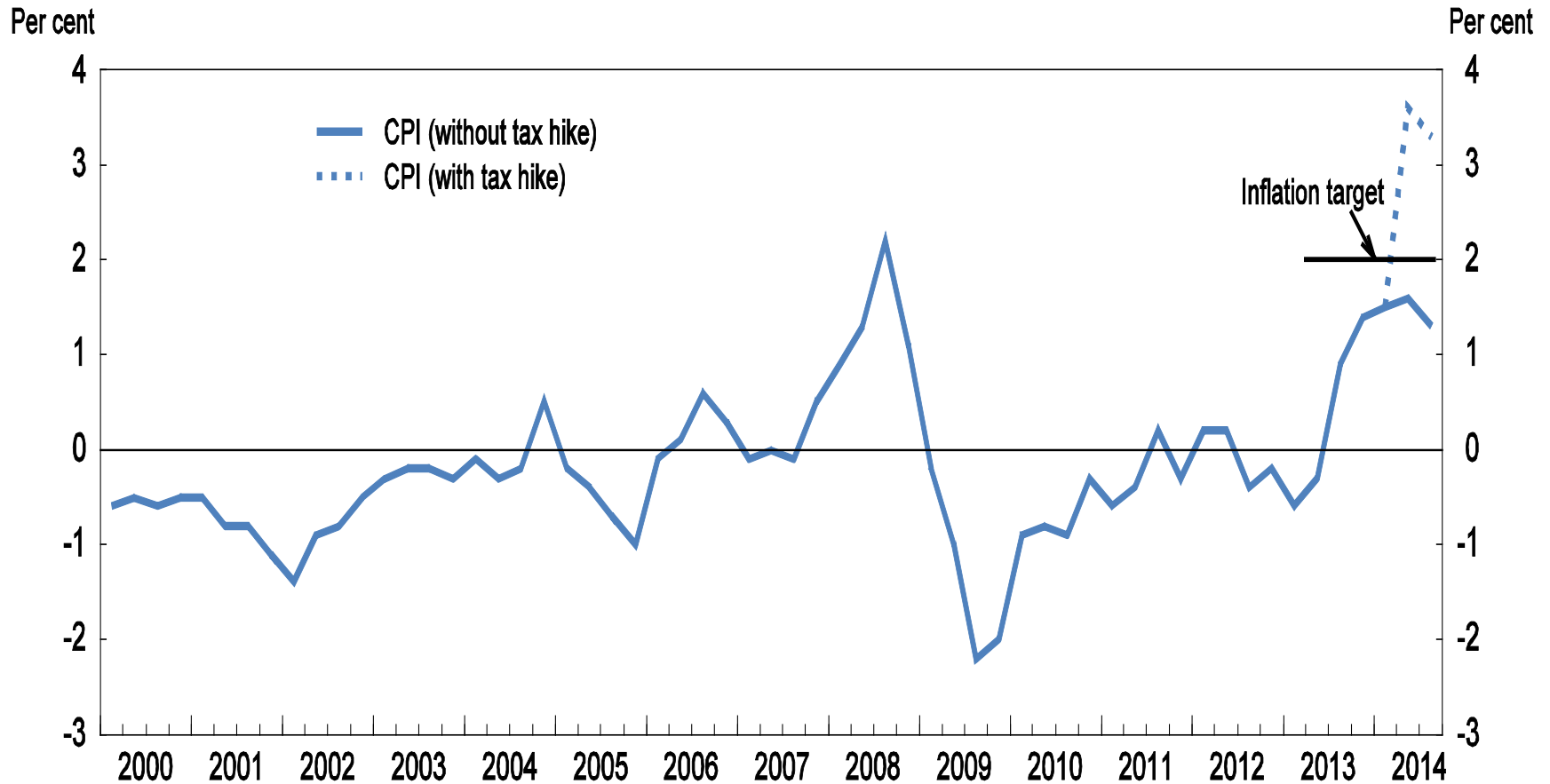
However, inflation, which had risen to 1½ per cent (year-on-year) prior to the tax hike, slowed to around 1% in late 2014 (excluding the tax hike).

The BoJ's "quantitative and qualitative monetary easing" is now increasing the monetary base at an annual pace of about 80 trillion yen per year.



Inflation has fallen since early 2014

Year-on-year percentage change



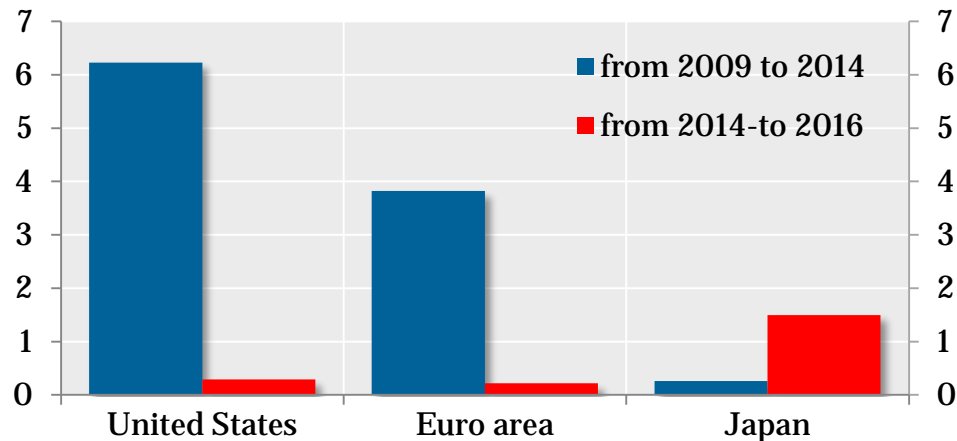
Source: OECD Economic Outlook 96 and Bank of Japan.



The second arrow of Abenomics: flexible fiscal policy

Improvement in underlying primary balance

Per cent of potential output



Source: Preliminary November 2014 Economic Outlook database.

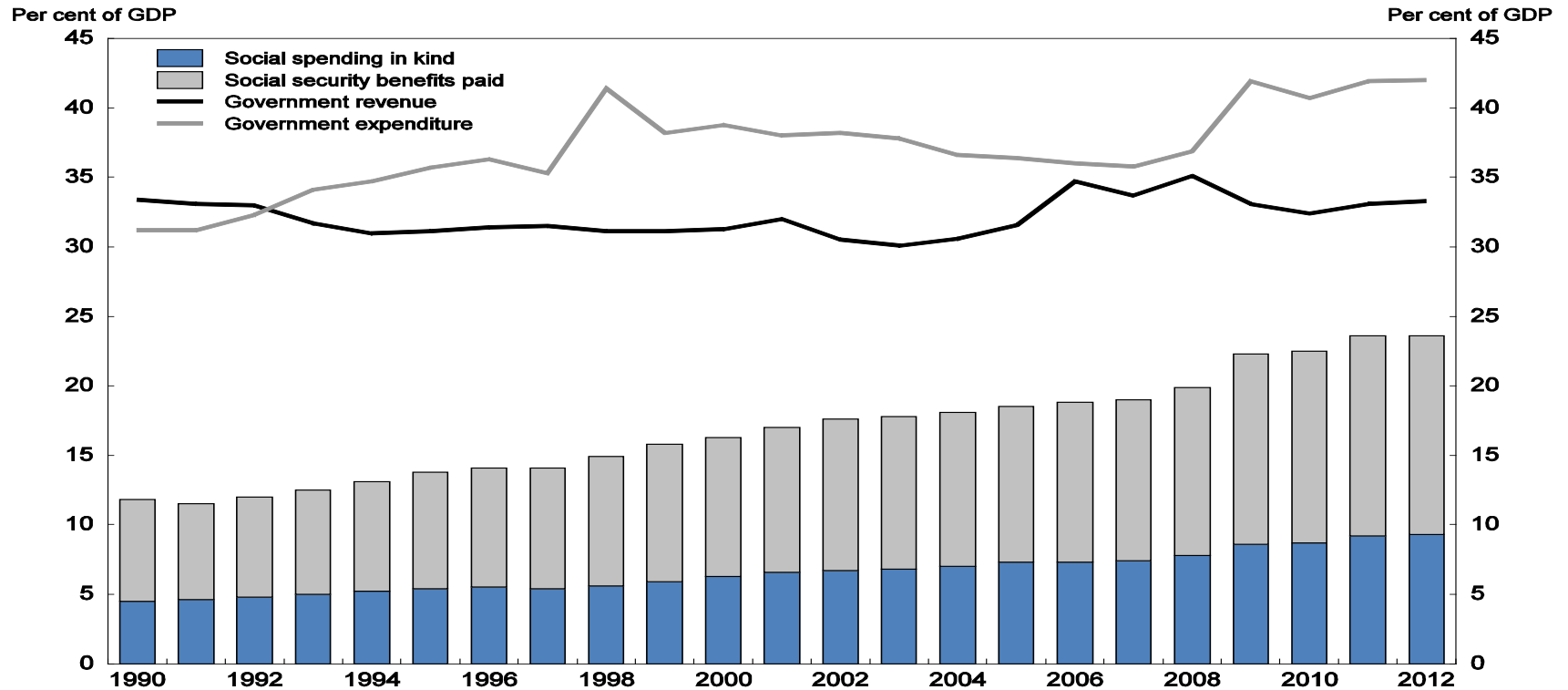
Despite the 2014 tax hike, there was no fiscal consolidation over 2010-14, in part due to the 2011 Great East Japan earthquake.

A small amount of consolidation is expected in 2015-16, due to spending cuts.

Japan must continue to address its fiscal challenges.



Total spending and social welfare spending in Japan

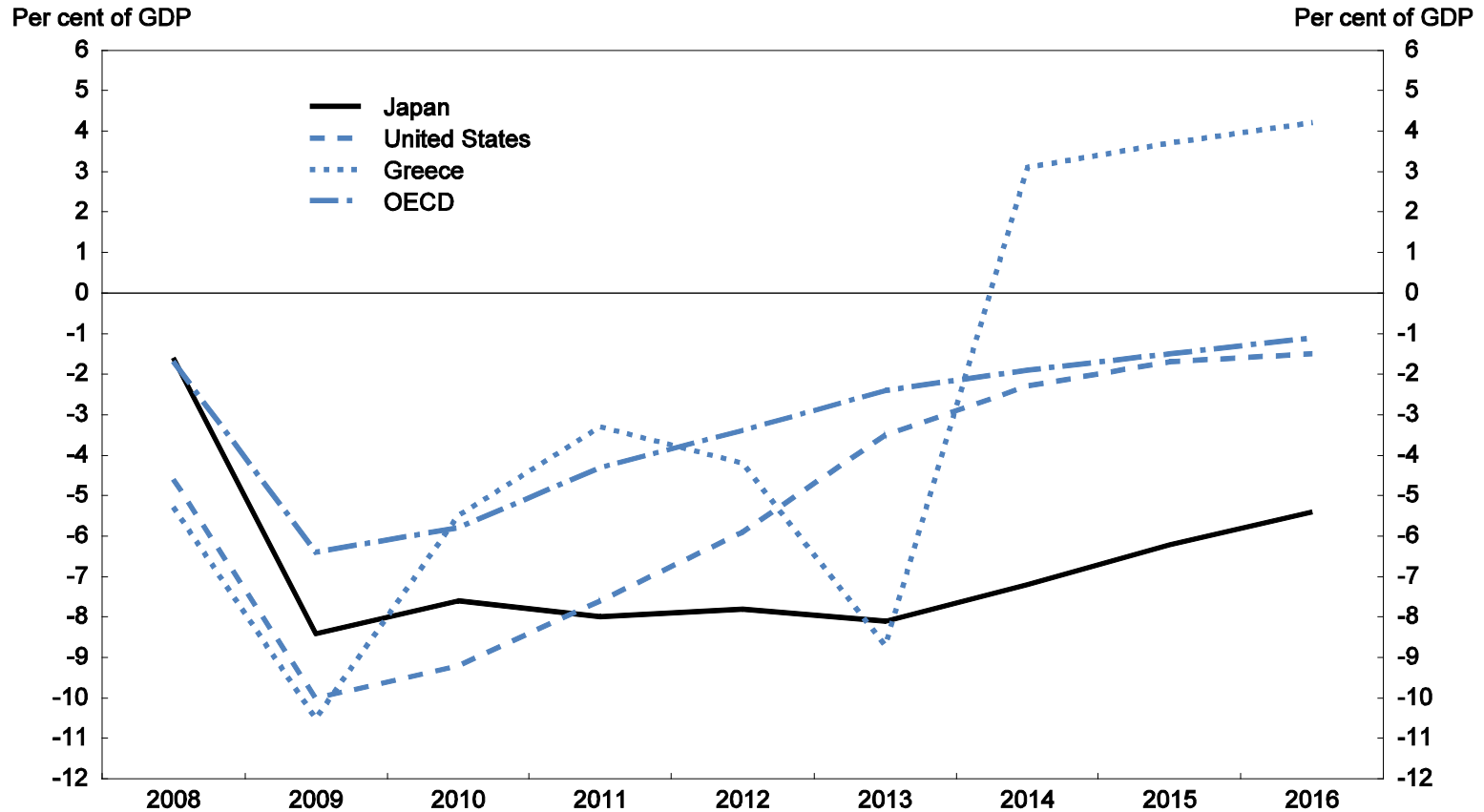


Source: OECD Analytical Database.



Japan's public debt has soared during the past 20 years¹

Primary budget balance on a general government basis



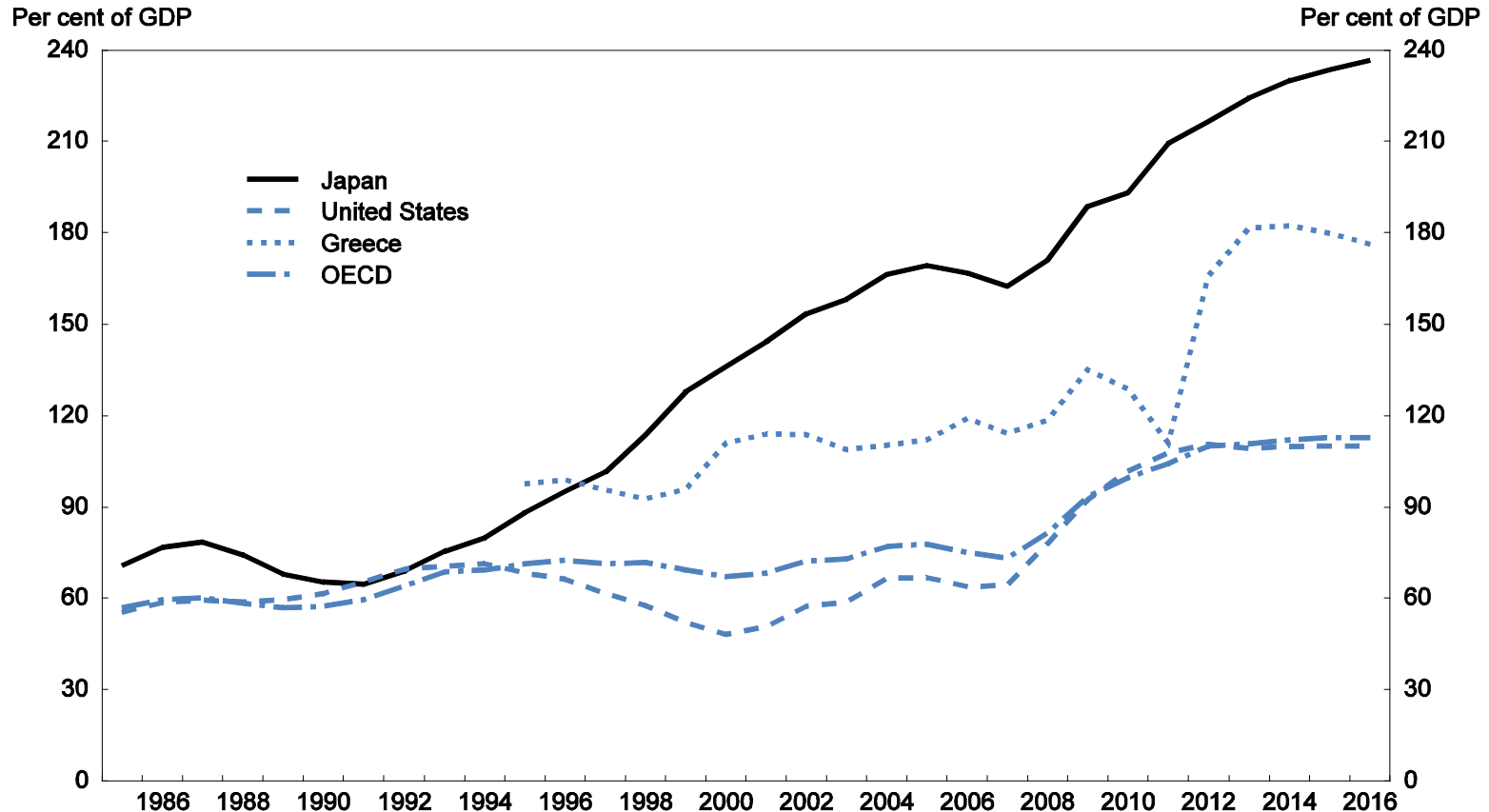
1. OECD estimates for 2014 and projections for 2015-16.

Source: OECD Economic Outlook 96.



Japan's public debt has soared during the past 20 years¹

Gross public debt on a general government basis



1. OECD estimates for 2014 and projections for 2015-16.

Source: OECD Economic Outlook 96.



Disclaimers:

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.



OECD Economic Outlook, November 2014

- [Website with additional information](#)
- [Read this publication online](#)

[Compare your country with OECD data](#)



[OECD Economics](#)
[OECD](#)



OECD Economic Surveys

JAPAN

SPECIAL FEATURE: FROM TRAGEDY TO REVITALISATION

Most recent editions

Australia, December 2012
Austria, July 2011
Belgium, July 2011
Brazil, October 2011
Canada, June 2012
Chile, January 2012
China, March 2013
Colombia, January 2013
Czech Republic, November 2011
Denmark, January 2012
Estonia, October 2012
Euro area, March 2012
European Union, March 2012
Finland, February 2012
France, March 2013
Germany, February 2012
Greece, August 2011
Hungary, March 2012
Iceland, June 2011
India, June 2011
Indonesia, September 2012
Ireland, October 2011

Israel, December 2011
Italy, April 2013
Japan, April 2013
Korea, April 2012
Luxembourg, December 2012
Mexico, May 2011
Netherlands, June 2012
New Zealand, April 2011
Norway, February 2012
Poland, March 2012
Portugal, July 2012
Russian Federation, December 2011
Slovak Republic, December 2012
Slovenia, April 2013
South Africa, March 2013
Spain, November 2012
Sweden, December 2012
Switzerland, January 2012
Turkey, July 2012
United Kingdom, February 2013
United States, June 2012

Consult this publication on line at http://dx.doi.org/10.1787/eco_surveys-jpn-2013-en.

This work is published on the OECD iLibrary, which gathers all OECD books, periodicals and statistical databases.
Visit www.oecd-ilibrary.org for more information.

Volume 2013/8
April 2013

OECD publishing
www.oecd.org/publishing

ISSN 0376-6438
2013 SUBSCRIPTION (18 ISSUES)
ISSN 1995-3062
SUBSCRIPTION BY COUNTRY

ISBN 978-92-64-18291-2
10 2013 08 1 P 9 789264 182912



OECD Economic Surveys

Volume 2013/8

JAPAN

April 2013



OECD Economic Surveys JAPAN

APRIL 2013



 OECD