

Advanced and Emerging Economies – Two-speed Recovery –

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Bauhinia Foundation Research Centre

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Governor of the Bank of Japan

Slide 1

Japan's "Silver Yen" and Hong Kong's "Silver Yuan"
in the 19th century

Japan's Silver Yen



Hong Kong's Silver Yuan



Hong Kong as an Important Trading Partner for Japan

Share of Japan's Exports by Country and Region (2009)

		(%)
1	China	18.9
2	US	16.1
3	Korea	8.1
4	Taiwan	6.3
5	Hong Kong	5.5
6	Thailand	3.8
7	Singapore	3.6
8	Germany	2.9
9	Netherlands	2.3
10	Malaysia	2.2

Share of Japan's Exports of Agricultural, Forestry and Fishery Products by Country and Region (2009)

		(%)
1	Hong Kong	22.2
2	US	16.4
3	Taiwan	13.1
4	China	10.4
5	Korea	10.3
6	Thailand	4.1
7	Singapore	2.8
8	Vietnam	2.7
9	Australia	1.2
10	Philippines	1.1

Source: Ministry of Finance, *Trade Statistics*.

Bank of Japan Representative Office in Hong Kong



IMF World Economic Outlook (October 2010)

Contribution to World GDP Growth (%)

	2009	2010	2011
World GDP growth (yoy)	-0.6	4.8	4.2
United States	-0.5	0.5	0.5
Euro area	-0.6	0.2	0.2
Japan	-0.3	0.2	0.1
Emerging Asia	1.5	2.4	2.2
Other countries	-0.6	1.4	1.3

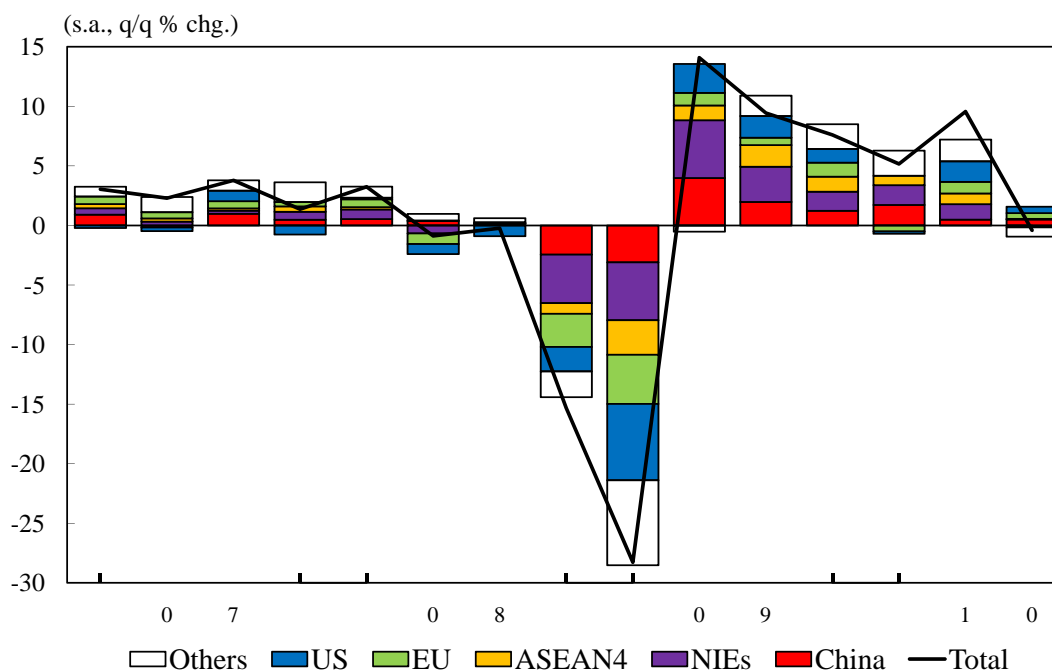
Notes: 1. Contributions to world GDP growth are calculated by the Bank of Japan staff.

2. Emerging Asia is here defined as China, India, Korea, Taiwan POC, Hong Kong SAR, Singapore, Thailand, Indonesia, Malaysia, the Philippines, and Vietnam.

Source: International Monetary Fund, *World Economic Outlook, October 2010*.

Japan's Real Exports

The recovery of Japan's real exports is mainly driven by Asian economies.

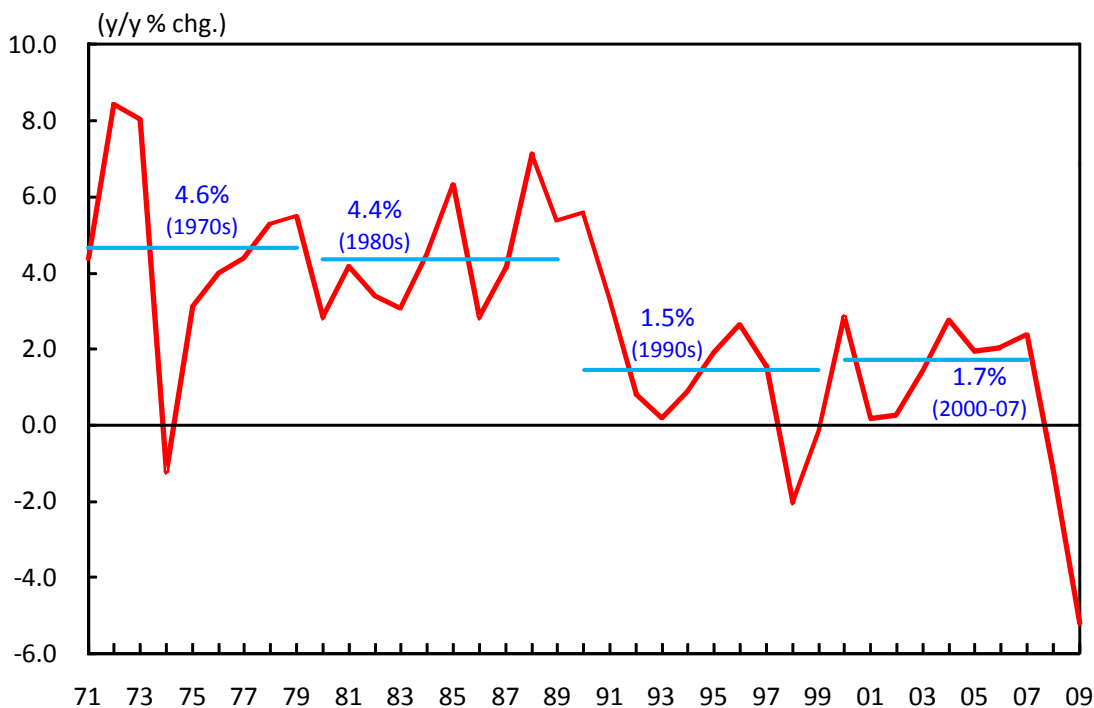


Note: NIEs includes South Korea, Taiwan, Hong Kong, and Singapore. ASEAN4 includes Thailand, Malaysia, the Philippines, and Indonesia.

Source: Ministry of Finance, *Trade Statistics*.

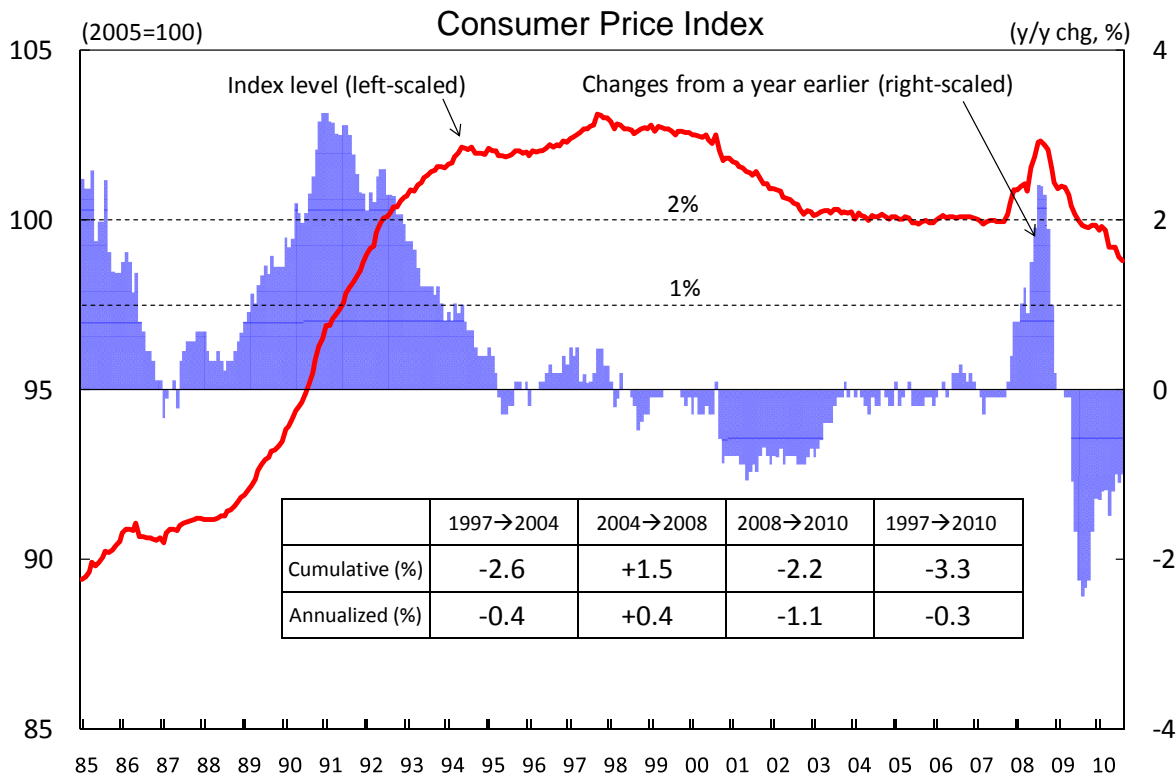
Japan's Economic Growth

Economic growth decelerated significantly in the 1990s, called "Lost Decade."



Source: Cabinet Office, Annual Report on National Accounts.

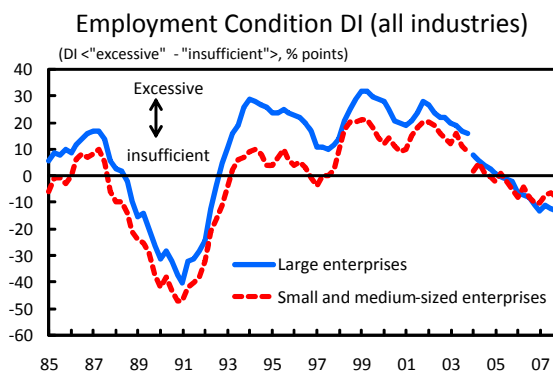
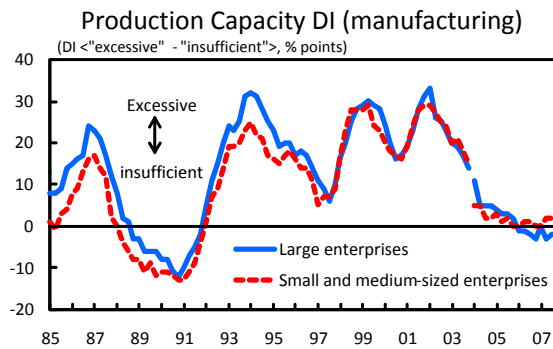
Japan's Mild Deflation since 1998



Note: Figures are adjusted for the impact of consumption tax, which was introduced at 3 percent in 1989, and raised to 5 percent in 1997.
Source: Ministry of Internal Affairs and Communications, Consumer Price Index.

“Three Excesses”

Resolution of “three excesses” led to the full-fledged recovery.

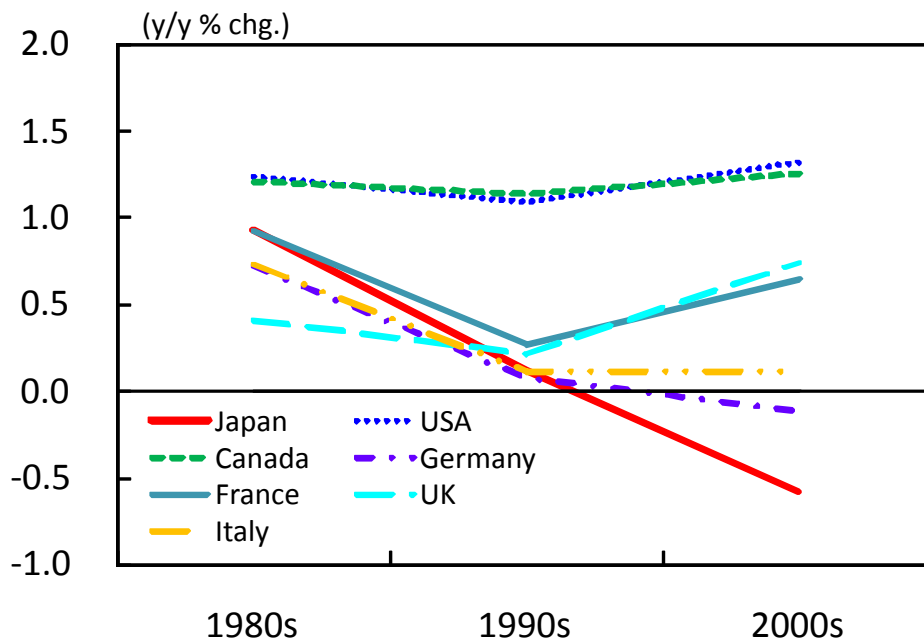


Notes: 1. The Tankan has been revised from the March 2004 survey. Figures up to the December 2003 survey are based on the previous data sets. Figures from the December 2003 survey are on a new basis.

2. Debts is the sum of loans and securities (other than equities) in private non-financial corporations.
Sources: Cabinet Office, *Annual Report on National Accounts*; Bank of Japan, *Bank of Japan, Tankan, Short-Term Economic Survey of Enterprises in Japan, Flow of Funds*.

Labor Force Growth

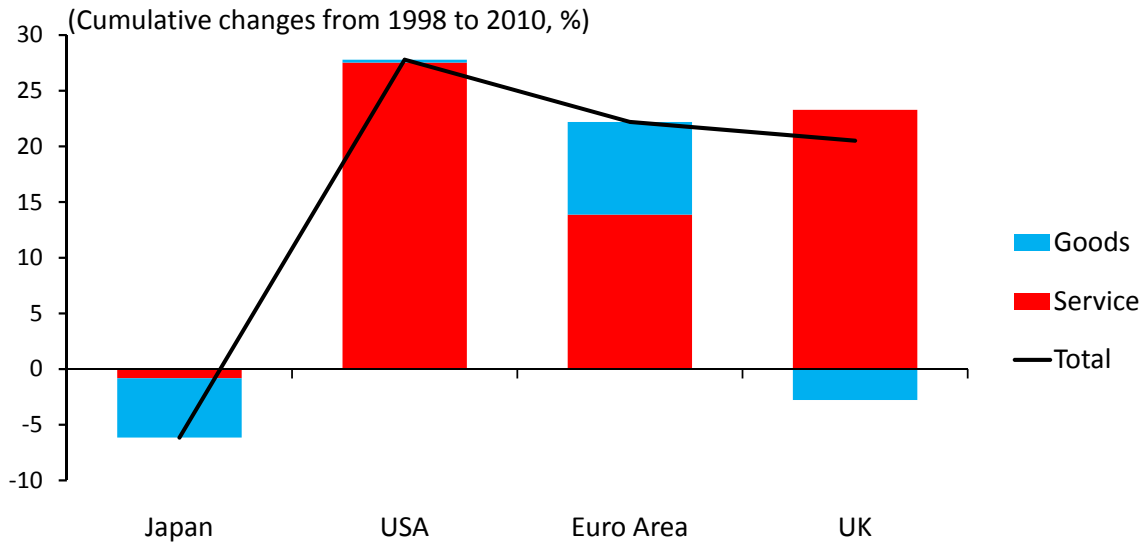
Japan's declining trend in labor force growth is significant among G-7 countries.



Source: Organisation for Economic Co-operation and Development.

Consumer Price Index in Terms of Goods and Services in Advanced Economies

Most of the distinction between Japan and other advanced economies can be explained by the difference in service prices.



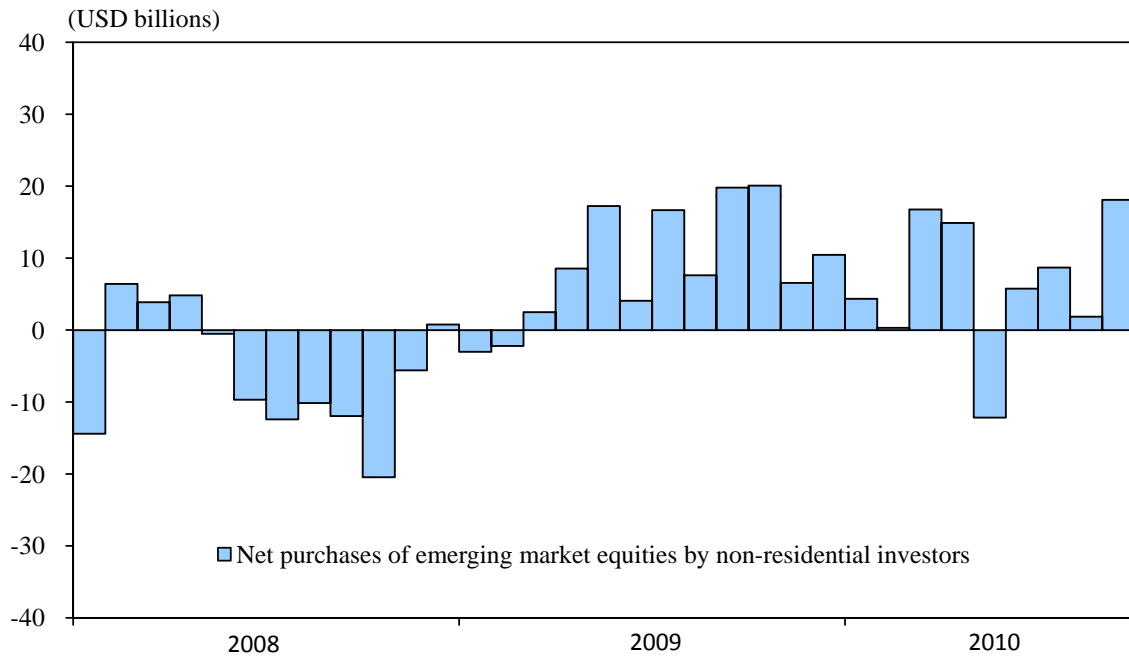
Sources: Ministry of Internal Affairs and Communications, *Consumer Price Index*; Bureau of Labor Statistics, *Consumer Price Index*; Eurostat, *Harmonized Indices of Consumer Prices*; Office for National Statistics, *Consumer Price Index*.

High Growth Era in Japan (mid 1950s-early 70s) and China (1990-2010)



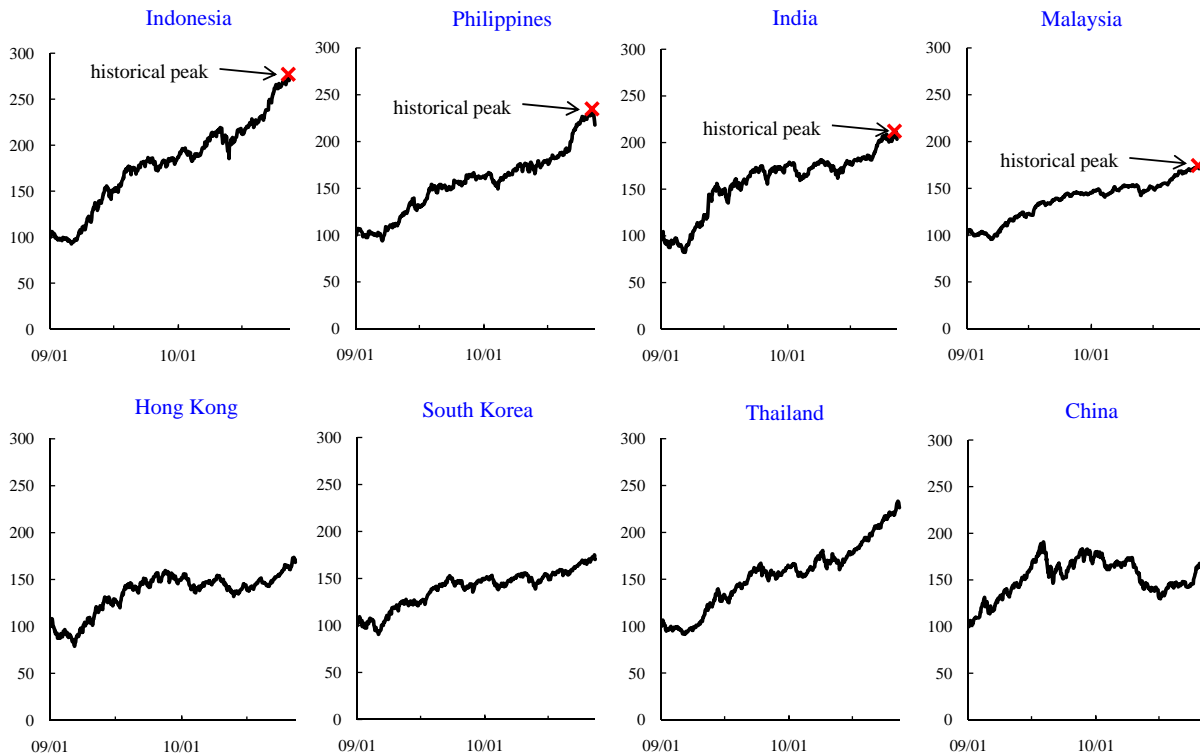
Sources: Cabinet Office, *National Accounts*; National Bureau of Statistics of China, *National Accounts*.

Equity Flow into Emerging Economies



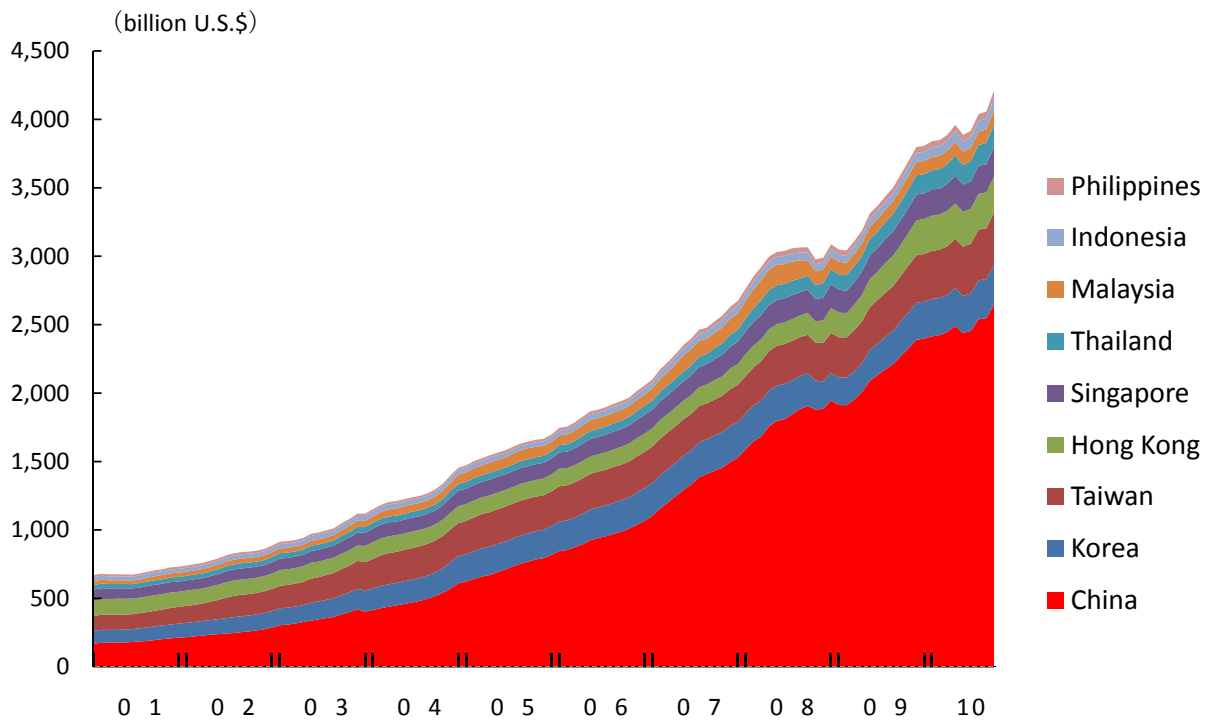
Note: The figure above is the sum of net purchases of emerging market equities in India, South Korea, Taiwan, Indonesia, Thailand, the Philippines and Brazil.
Sources: Bloomberg, CEIC.

Stock Prices in Asian Emerging Economies



Source: Bloomberg.

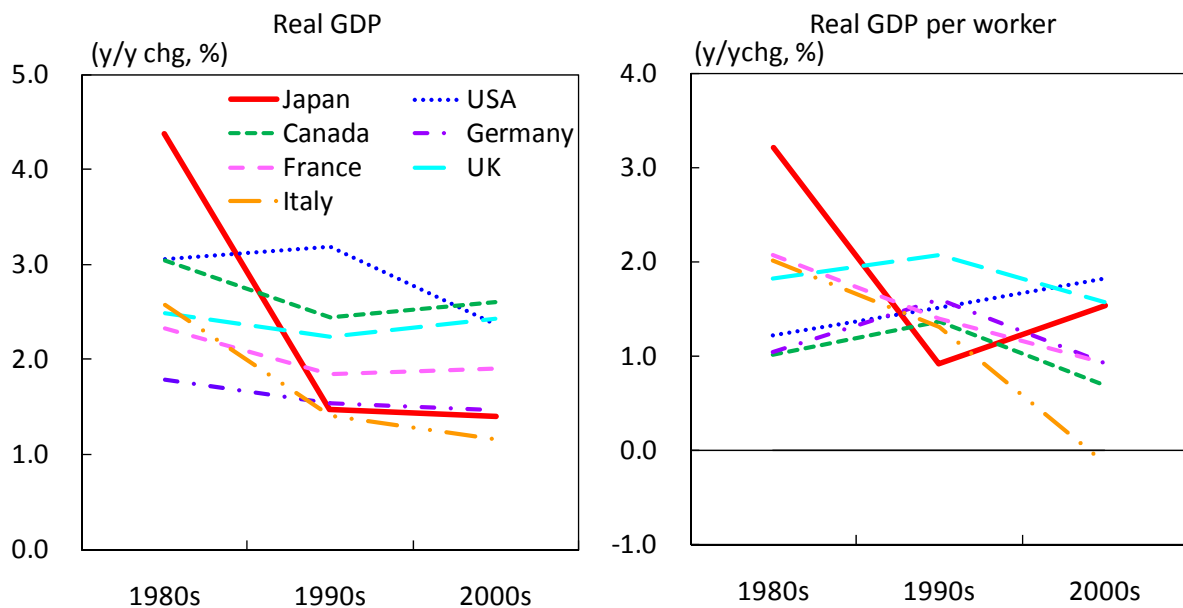
Foreign Reserves in Asian Emerging Economies



Source: CEIC.

Economic Growth in G-7 Countries

For real GDP growth, Japan slipped down to a lower-class in G-7 in the 1990s. Nevertheless, in real GDP growth per worker, Japan shows comparable performance to the US, even decelerated rapidly in the 1990s.

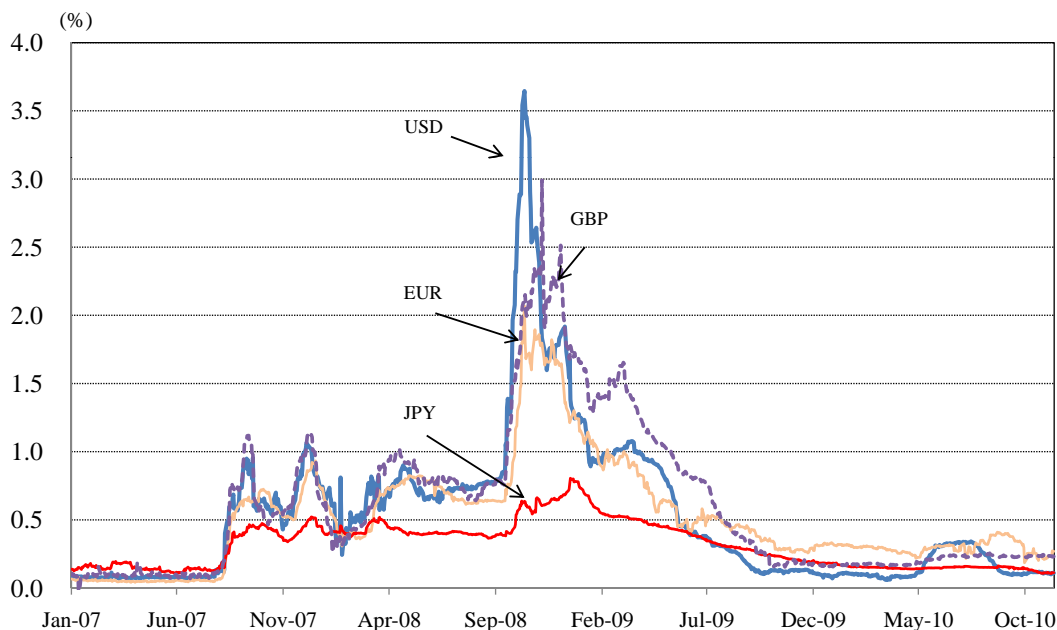


Notes: 1. The figures for Germany of the 1980s are those of West Germany. The figures for Germany for the 1990s are the average from 1992 to 1999.
 2. The figures for the period 2000s are from 2000 to 2008.

Sources: Organisation for Economic Co-operation and Development and other governmental sources.

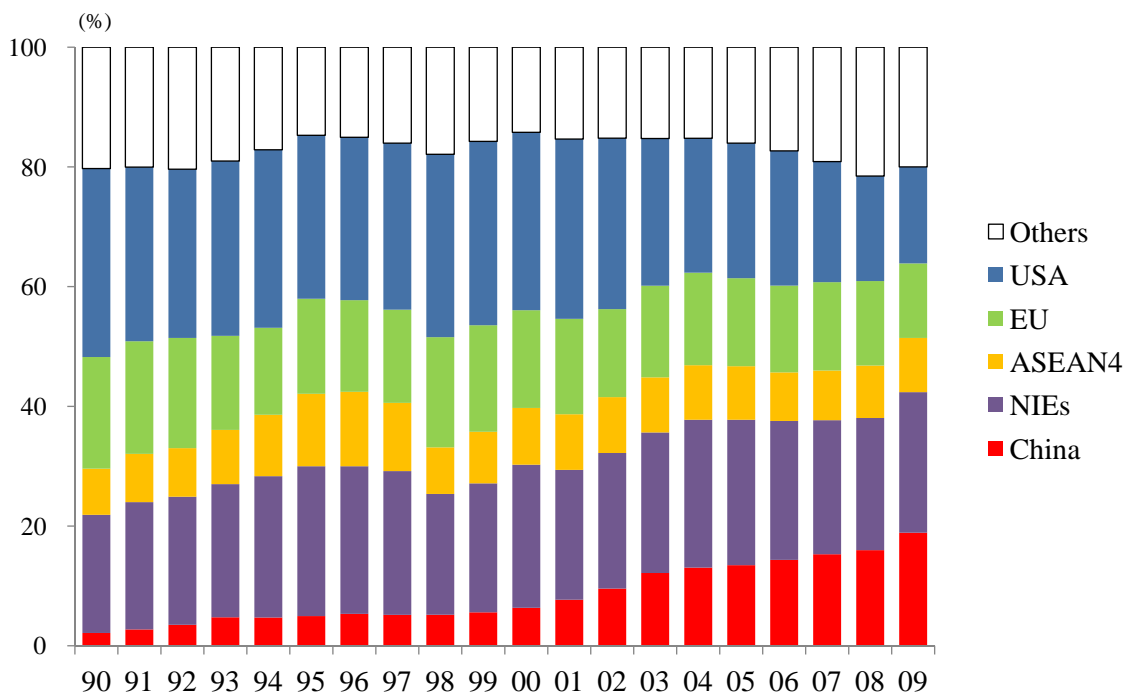
LIBOR-OIS spreads

Japan's financial system was relatively stable during the financial crisis.



Note: 3 months.
Source: Bloomberg.

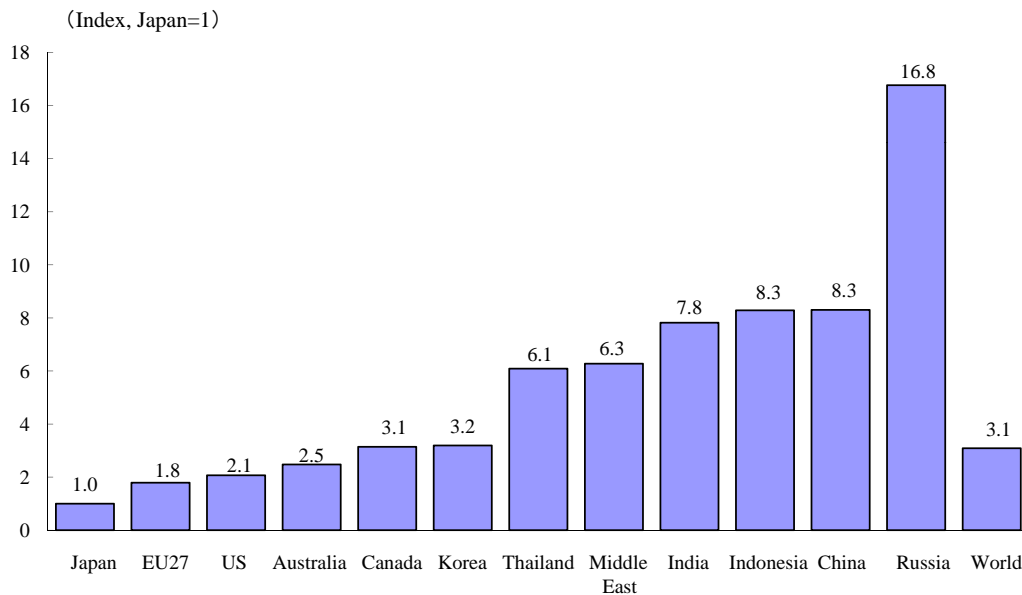
Shares in Japan's Exports by Country and Region



Note: NIEs includes South Korea, Taiwan, Hong Kong, and Singapore. ASEAN4 includes Thailand, Malaysia, the Philippines, and Indonesia.
Source: Ministry of Finance, Trade Statistics.

Total Primary Energy Input per GDP

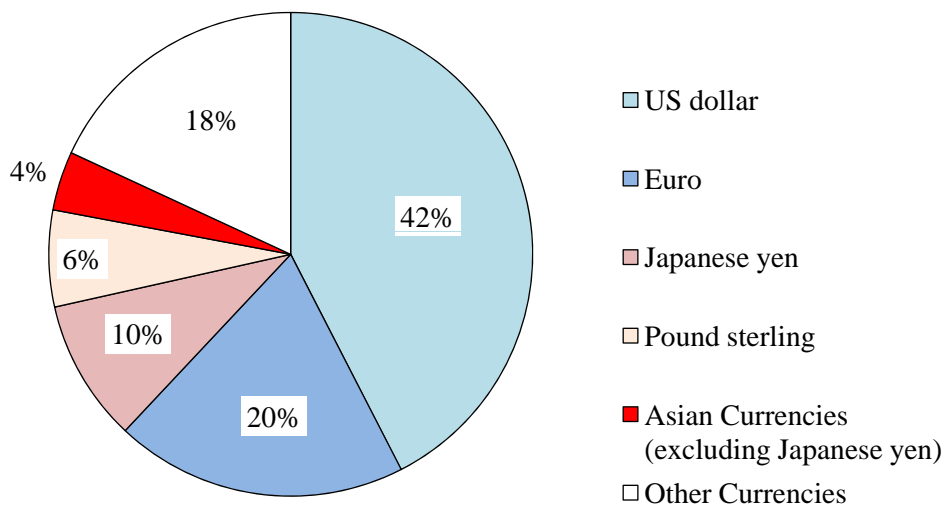
Japan's energy efficiency is the highest in the world.



Sources: International Energy Agency, *Energy Balances of OECD Countries 2009 Edition*, *Energy Balances of Non- OECD Countries 2009 Edition*; Agency for Natural Resources and Energy, *Annual Energy Report FY 2010 (Japanese version)*.

Global Foreign Exchange Market Turnover

(Percentage shares of currency as of April 2010)



Note: Asian currencies include Hong Kong dollar, Korean won, Singapore dollar, Indian rupee, New Taiwan dollar, Chinese renminbi, Malaysian ringgit, Thai baht, and Indonesian rupiah.
 Source: Bank for International Settlements, *Triennial Central Bank Survey*.