

# Japan After the Quake: Resurgence or Another Lost Decade?

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## Abstracts

What Next For Japan's Post-Crisis Prospects?

It has been almost six months since Japan suffered the triple earthquake-tsunami-nuclear disaster—the worst crisis in its post-World War II history. It will take many years before the full economic and political costs are known. Nonetheless, in this special report, we assess how the country has fared since the crisis, analysing both macroeconomic performance and specific industries.

Furthermore, we outline our thoughts on what the future holds for the world's third largest economy, particularly focusing on the longer-term implications of the disaster.

From a macroeconomic perspective, we doubt whether a V-shaped recovery is on the cards. While it has been encouraging how quickly the economic downturn has stabilised, Japanese consumers are unlikely to loosen their purse strings anytime soon, reconstruction efforts will divert capital resources away from other sectors of the economy, and a slowdown in China will continue to cast an ominous shadow over the export sector. Many headwinds still exist, suggesting that a full recovery of the Japanese economy is unlikely. Our real GDP growth projection of -0.7% in 2011 is in line with consensus (-0.6%). However, it is the 2012 outlook where we differ, expecting growth to come in at 1.8% versus consensus expectations of 2.9%.

Our macro views are echoed at a sector level, with our retail, agribusiness, Information and Communication Technologies (ICT) and automotive teams expecting mixed performances. On the consumer front, a 'back-to-basics' mentality suggests that convenience store retailers are best positioned to outperform in a weak growth environment. Lingering concerns over local food safety will also spur agricultural

imports. Meanwhile, faced with a precarious domestic outlook, ICT firms will, instead, turn to growing emerging market (EM) demand to boost their revenues, a strategy that is also being pursued by the autos sector with varying success.

While business strategies will differ across industries, the underlying theme is one of weak domestic activity in the coming quarters.

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