

# Japan Business Forecast Report Q1 2015

<https://marketpublishers.com/r/JD5E4025156EN.html>

Date: October 2014

Pages: 53

Price: US\$ 1,195.00 (Single User License)

ID: JD5E4025156EN

## Abstracts

Includes 3 FREE quarterly updates

### Core Views

Sino-Japanese relations look set to improve over the coming months, as Japanese Premier Shinzo Abe makes a renewed push for a summit with Chinese President Xi Jinping. Japanese business leaders are also taking a lead on this front, given the overwhelming importance of China as a market for Japan's goods and services.

We believe that Japan's fiscal position is beyond repair, and that the Bank of Japan (BoJ)'s efforts to suppress bond yields are masking the damage being done as government spending continues to rise as a share of GDP. High fiscal deficits, rising inflation, and weakening economic growth are set to persist. The large contraction in Japan's real GDP in Q214 supports our bearish growth outlook for 2014, and we expect full-year growth to come in at 0.9%, compared with consensus expectations of 1.4%.

While the poor GDP print is largely the result of the aftermath of the sales tax hike, economic weakness runs deeper than this, and we continue to see wealth being destroyed by the current policy mix. Despite the surge in BoJ's balance sheet, broad money supply growth continues to decline. Economic activity is likely to come under pressure from the fall in money supply growth. The BoJ will be encouraged by growth weakness and lower inflation readings to ramp up quantitative easing.

The failure of the yen to appreciate amid declines in global bond yields is a bearish sign that the currency is losing its safe haven appeal thanks to increasing inflationary pressures, and is likely to weaken versus the USD over the near term. We believe that the yen will outperform its developed market counterparts over the coming months as the US dollar continues its broad-based appreciatory trend.

Japan's monetary easing programme is likely to undermine banking sector profits as bank lending will remain weak amid a deteriorating economic outlook and uncertainty surrounding the ultimate cost of the ongoing stimulus measures will lead to heightened financial market instability. The recent rise in overseas lending is at risks from losses resulting from declining equity and bond prices domestically.

### **Major Forecast Changes**

We have revised down our forecast for the yen, and now do not expect the currency to head back below JPY100.00/USD. However, we maintain that a collapse in the currency is not our core view, and it should hold up stronger than most of its developed market counterparts owing to relatively cheap valuations and the country's strong external balance sheet.

We have also further revised up Japan's inflation outlook owing to the weakness in the yen. We expect consumer price inflation (CPI) to end 2014 at 3.0%, from our previous forecast of 2.7%, and have revised up our end-2015 CPI forecast to 2.7%, from 2.3% previously.

## Contents

Executive Summary  
Core Views  
Major Forecast Changes  
Key Risks To Outlook

### CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis  
BMI Political Risk Ratings  
Domestic Politics  
Signs Of A Thaw In China-Japan Relations  
Sino-Japanese relations look set to improve over the coming months, as Japanese Premier Shinzo Abe makes a renewed push for a summit with Chinese President Xi Jinping. Japanese business leaders are also taking a lead on this front, given the overwhelming importance of China as a market for Japan's goods and services.

Table: Political Overview

Long-Term Political Outlook

Can Any Government Reverse National Decline?

Although the Liberal Democratic Party (LDP) won a landslide victory in the 2012 election, it is doubtful whether the party has the means to deliver a sustainable recovery of the Japanese economy and address the country's structural woes. These include a colossal national debt burden, demographic decline, and the loss of competitiveness of Japan's key industries. If the LDP fails to make progress, it risks paving the way for a fiscal crisis before the end of the 2010s, and its eventual replacement by new political forces.

### CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

GDP Collapse More Than Just A Sales Tax Hangover

The large contraction in Japan's real GDP in Q214 supports our bearish growth outlook for 2014, and we continue to see full-year growth coming in at 0.9%, compared with consensus expectations of 1.4%. While the

poor GDP print is largely the result of the aftermath of the sales tax hike, Japan's economic weakness runs deeper than this, and we continue to see wealth being destroyed by the current policy mix.

Table: Economic Activity

Fiscal Policy

Fiscal Austerity As Far Off As Ever

We believe that Japan's fiscal position is beyond repair, and that the Bank of Japan's efforts to suppress bond yields are masking the damage being done as government spending continues to rise as a share of GDP. High fiscal deficits, rising inflation, and weakening economic growth are set to persist, with the threat of a fiscal crisis growing.

Table: Fiscal Policy

Banking Sector

Instability To Rise As Fiscal Uncertainty Grows

Japan's monetary easing programme is likely to undermine banking sector profits as bank lending will remain weak amid a deteriorating economic outlook and uncertainty surrounding the ultimate cost of the ongoing stimulus measures will lead to heightened financial market instability.

Table: Current Account

Exchange Rate Policy

JPY: Losing Its Safe-Haven Appeal

Technical and fundamental factors suggest that the yen will weaken slightly over the coming months. Technically, the currency has refused to strengthen amid ongoing declines in global yields, with support at JPY103.00/USD giving way, suggesting the path of least resistance is weaker. Fundamentally, deeply negative real interest rates and the poor real GDP growth outlook suggest that the yen should trade weaker than current levels.

Table: Exchange Rate

Table: BMI CURRENCY FORECAST

Monetary Policy

Inflation To Moderate Before Accelerating

Despite the surge in Bank of Japan's (BoJ) balance sheet, broad money supply growth continues to decline. Economic activity is likely to come under pressure from the fall in money supply growth. The BoJ will be encouraged by growth weakness and lower inflation readings to ramp up quantitative easing, which will put a floor under inflation over the

medium term.

Table: Monetary Policy

## **CHAPTER 3: 10-YEAR FORECAST**

The Japanese Economy To 2023

Three Barriers To Growth

Important factors that stand in the way of Japan achieving anything other than meagre real GDP growth over the coming decade. These closely related factors suggest to us that real GDP growth will average around 0.7% per annum over the next decade. A fiscal crisis, which would lead to rising interest rates, is by far the most salient threat to growth, although it could be argued that an economic crisis could be a necessary evil to trigger a boost in private sector growth dynamism.

Table: Long-Term Macroeconomic Forecasts

## **CHAPTER 4: OPERATIONAL RISK**

Operational Risk Ratings

Operational Risk

Table: Developed States - Labour Market Risk

Table: Developed States - Logistics Risk

Table: Developed States - Crime And Security Risks

Table: Developed States - Trade And Investment Risk

## **CHAPTER 5: KEY SECTORS**

Oil & Gas

Table: Headline Forecasts

Table: Oil Production

Table: Oil Production

Table: Gas Production

Table: Gas Production

Infrastructure

Table: Construction And Infrastructure Industry Data

Table: Construction & Infrastructure Industry Data

Other Key Sectors

Table: Pharma Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Defence & Security Sector Key Indicators  
Table: Food & Drink Sector Key Indicators  
Table: Autos Sector Key Indicators  
table: Freight Key Indicators

## **CHAPTER 6: BMI GLOBAL ASSUMPTIONS**

Global Outlook  
Big Emerging Market Revisions  
Table: Global Assumptions  
Table: Developed States, Real GDP Growth, %  
Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH  
FORECASTS, %  
Table: Emerging Markets, Real GDP Growth, %

## I would like to order

Product name: Japan Business Forecast Report Q1 2015

Product link: <https://marketpublishers.com/r/JD5E4025156EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

[info@marketpublishers.com](mailto:info@marketpublishers.com)

## Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/JD5E4025156EN.html>