

Mapping Japan's Economic Future -2014 INSEAD Day-

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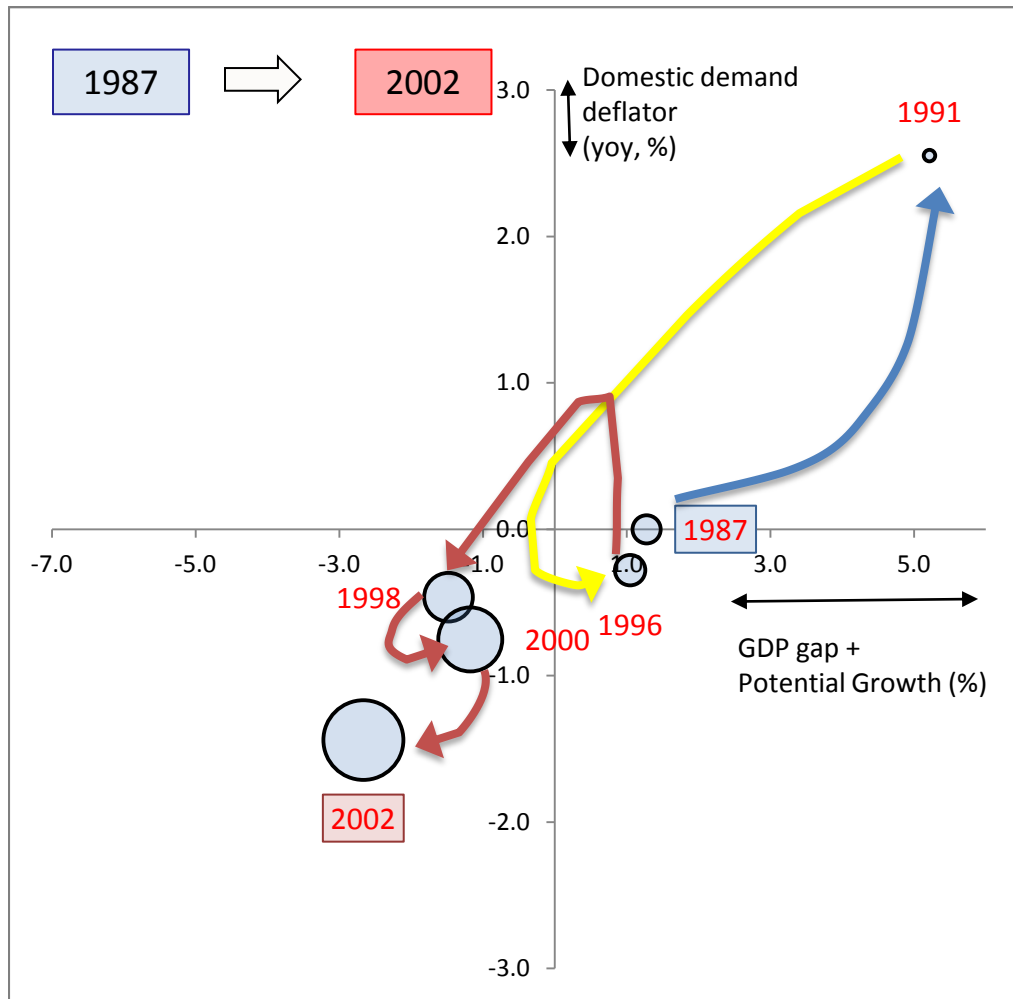
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Summary

- Three alternative scenarios await Japan: Abenomics, Stagflation and Back to Deflation. Both Stagflation and Deflation scenarios eventually lead to a fiscal crisis
- Under Abenomics, the combination of a high growth and inflation let Japan avoid a fiscal crisis. A sustained inflation backed up by wage growth, higher productivity growth are required.
- The Japan Risk Typhoon Map framework helps visualize Japan's past track and its future direction

Mapping Japan's economy (1987-2002)

Introducing Japan Risk Typhoon Map[©]

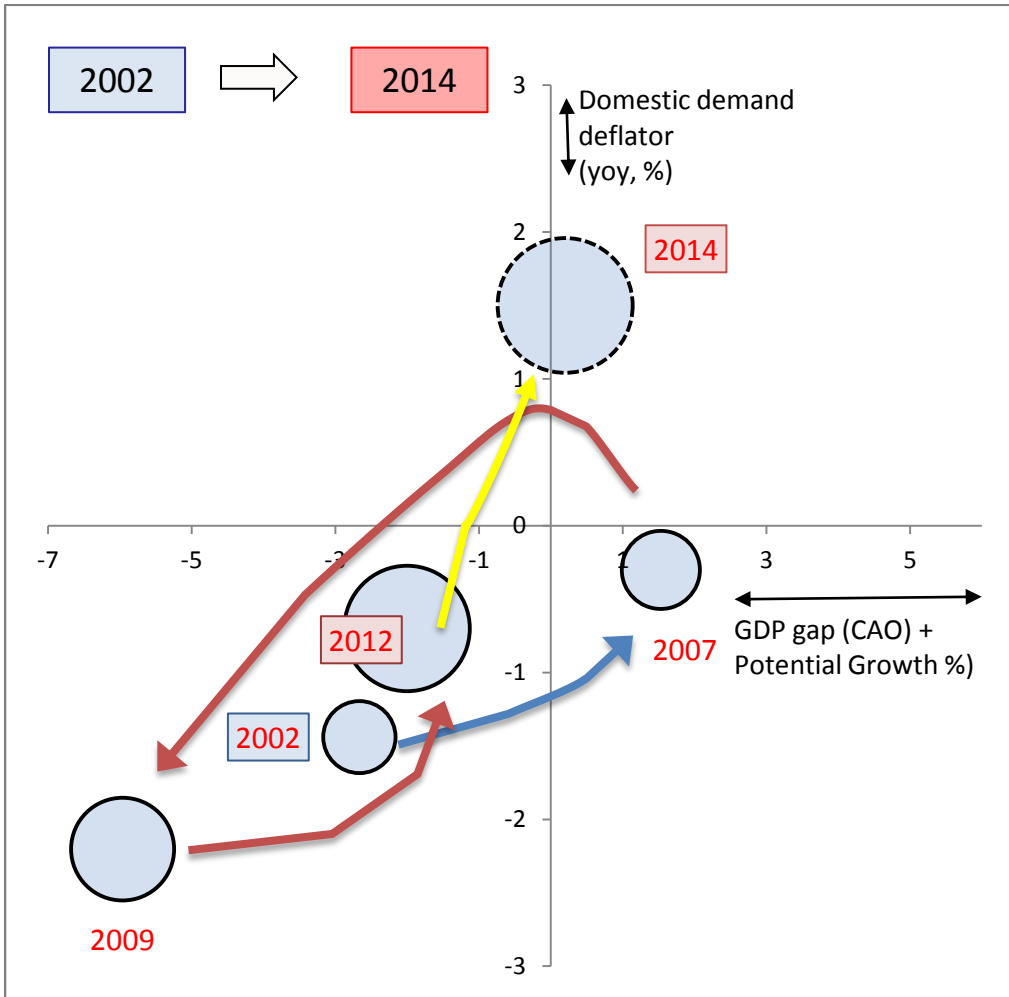


Note:
The framework of "Japan Risk Typhoon Map" is a product from an ongoing discussion in Japan Risk Forum, a Tokyo-based voluntary association of experts in the field of risk management. Its members includes risk officers from major financial institutions, regulators as well as academic and business economists.

Source: Japan Risk Forum, JMA

Mapping Japan's economy (2002-2014)

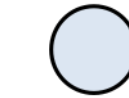
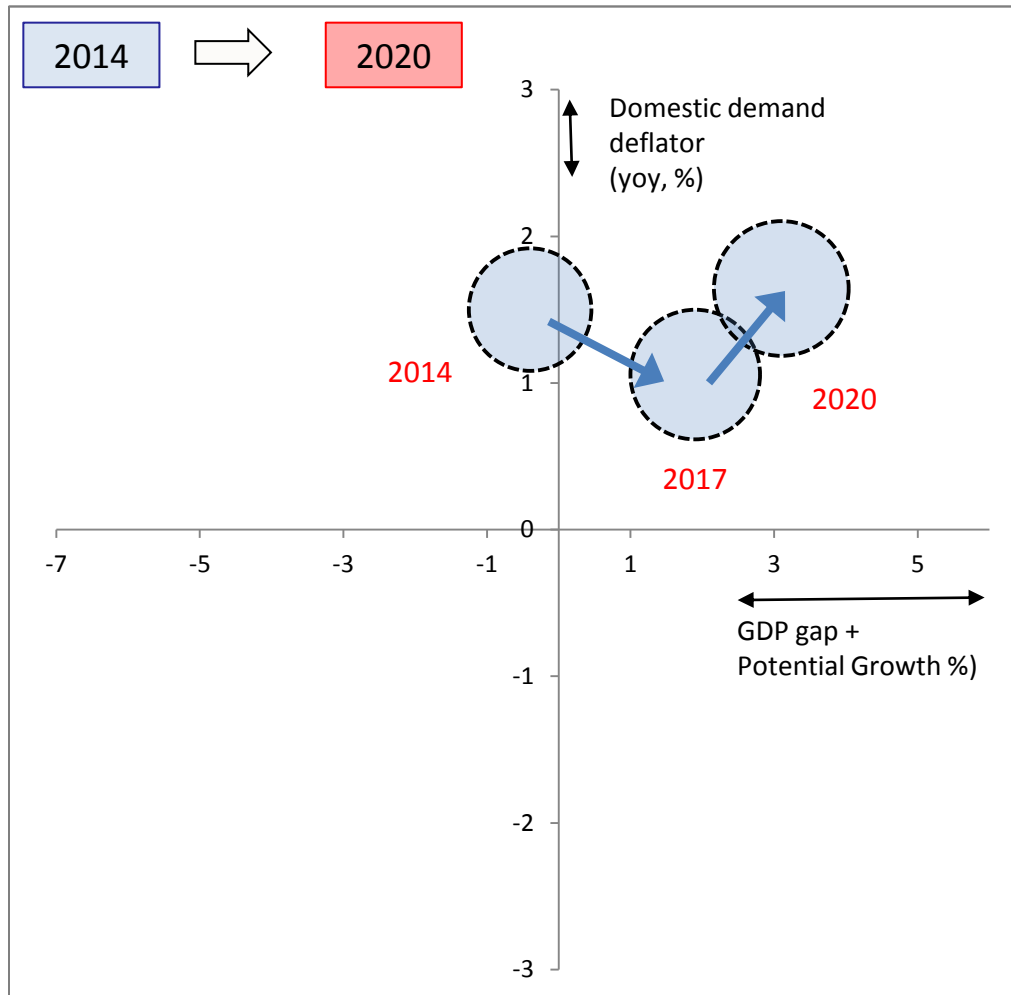
Introducing Japan Risk Typhoon Map[©]



- General government net financial liabilities (as a percentage of GDP)
- <Increase of Net financial liabilities>
- less than 3% per year
- 3 - 5% per year
- more than 5% per year

Source: Japan Risk Forum, JMA

Future scenario 1: Abenomics to succeed



General government net financial liabilities (as a percentage of GDP)

<Increase of Net financial liabilities>



less than 3% per year



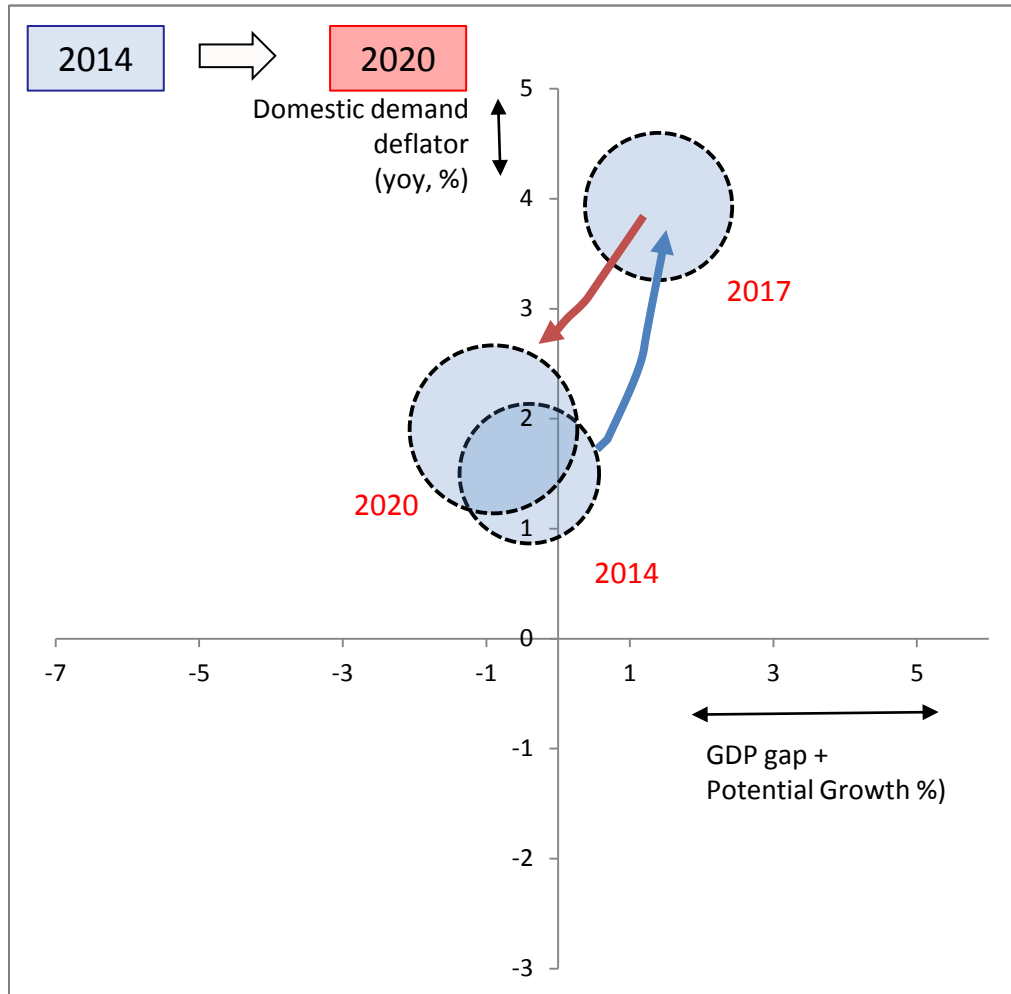
3 - 5 % per year



more than 5% per year

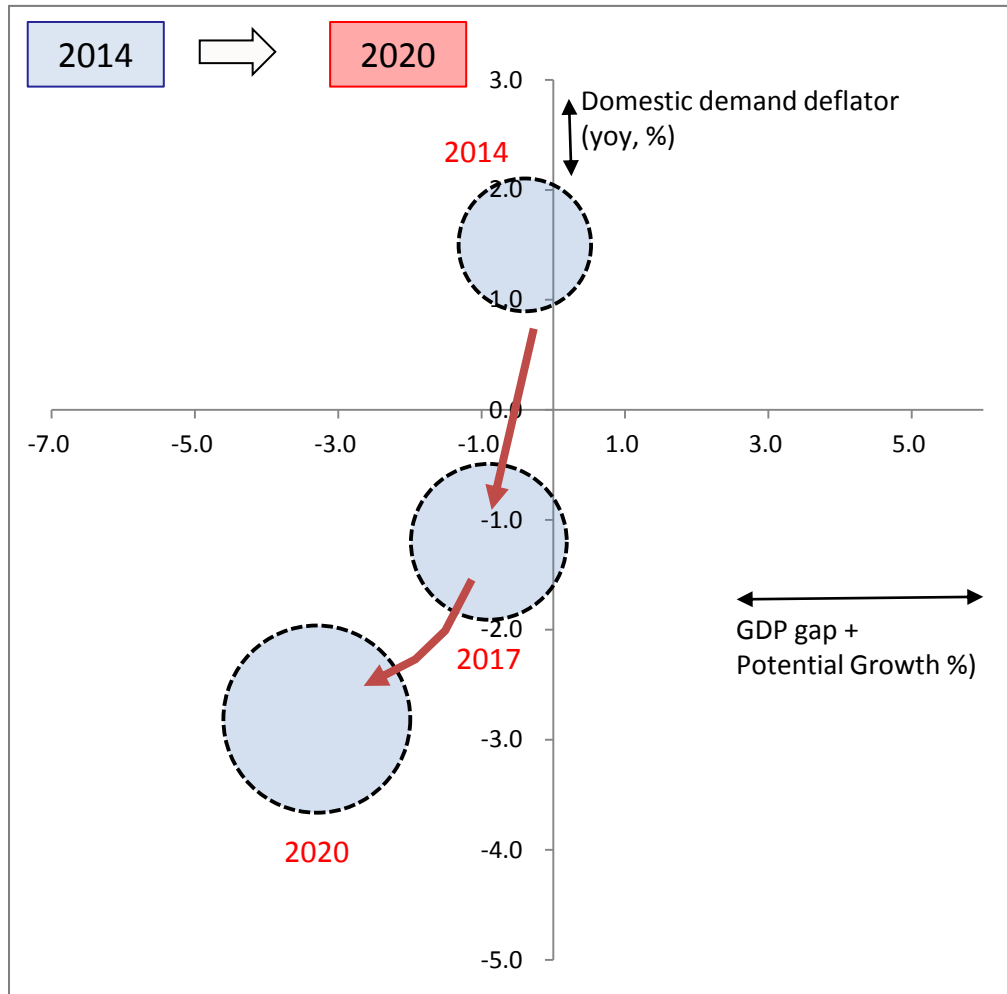
Source: Japan Risk Forum, JMA

Future scenario 2: Stagflation



Source: Japan Risk Forum, JMA

Future scenario 3: Back to deflation



General government net financial liabilities (as a percentage of GDP)

<Increase of Net financial liabilities>



less than 3% per year



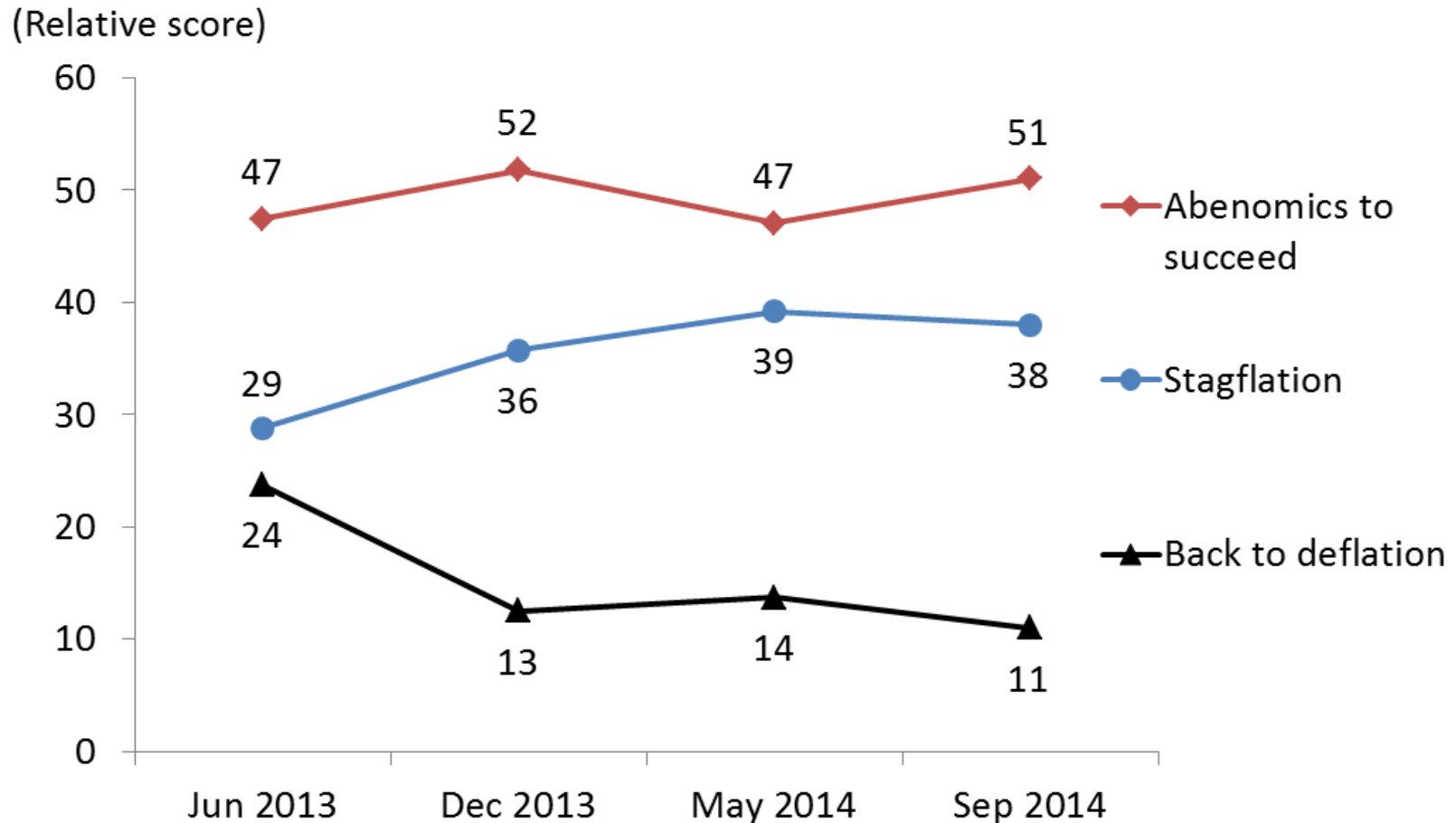
3 - 5% per year



more than 5% per year

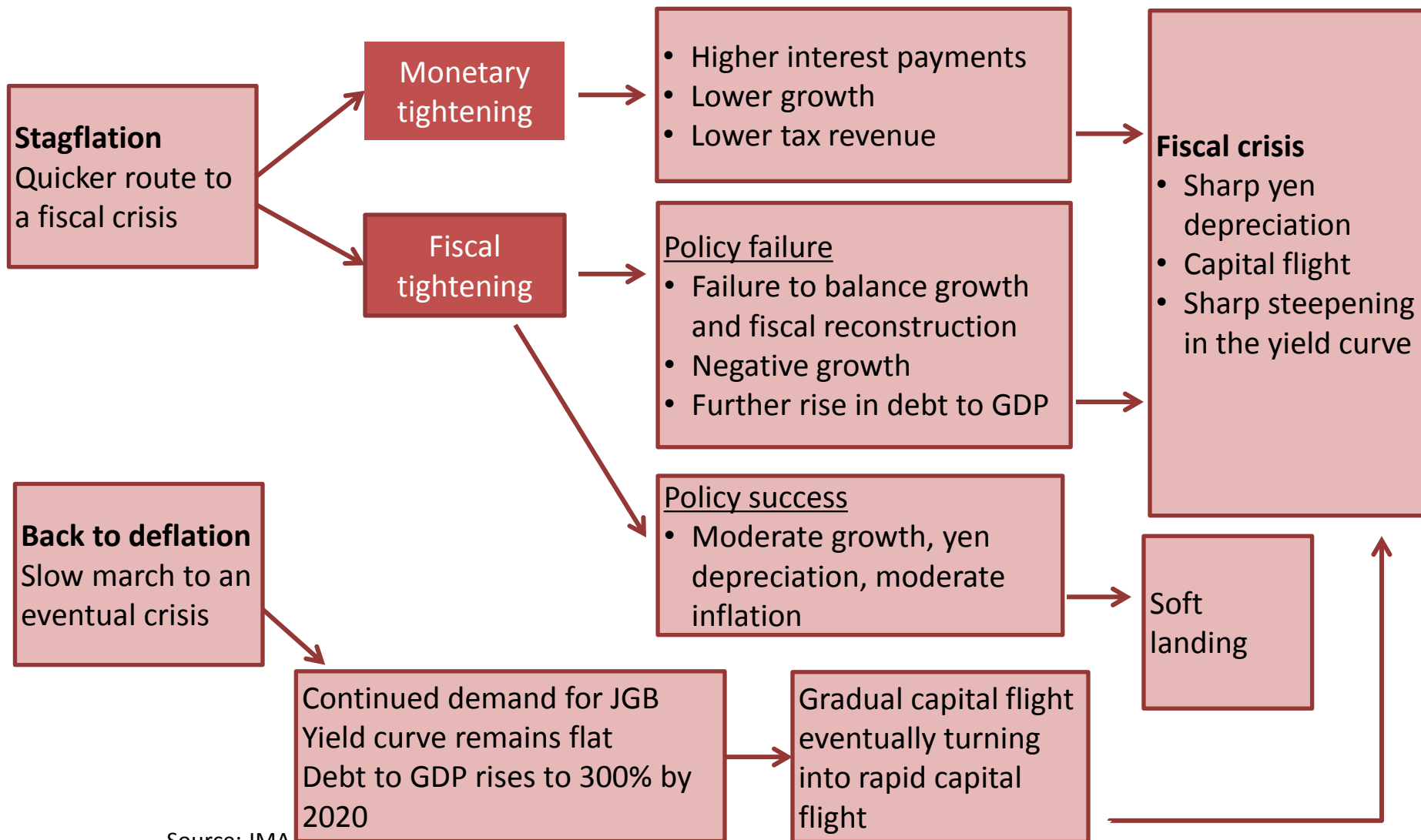
Source: Japan Risk Forum, JMA

Which scenario looks the most likely?: -Abenomics scores high for now-



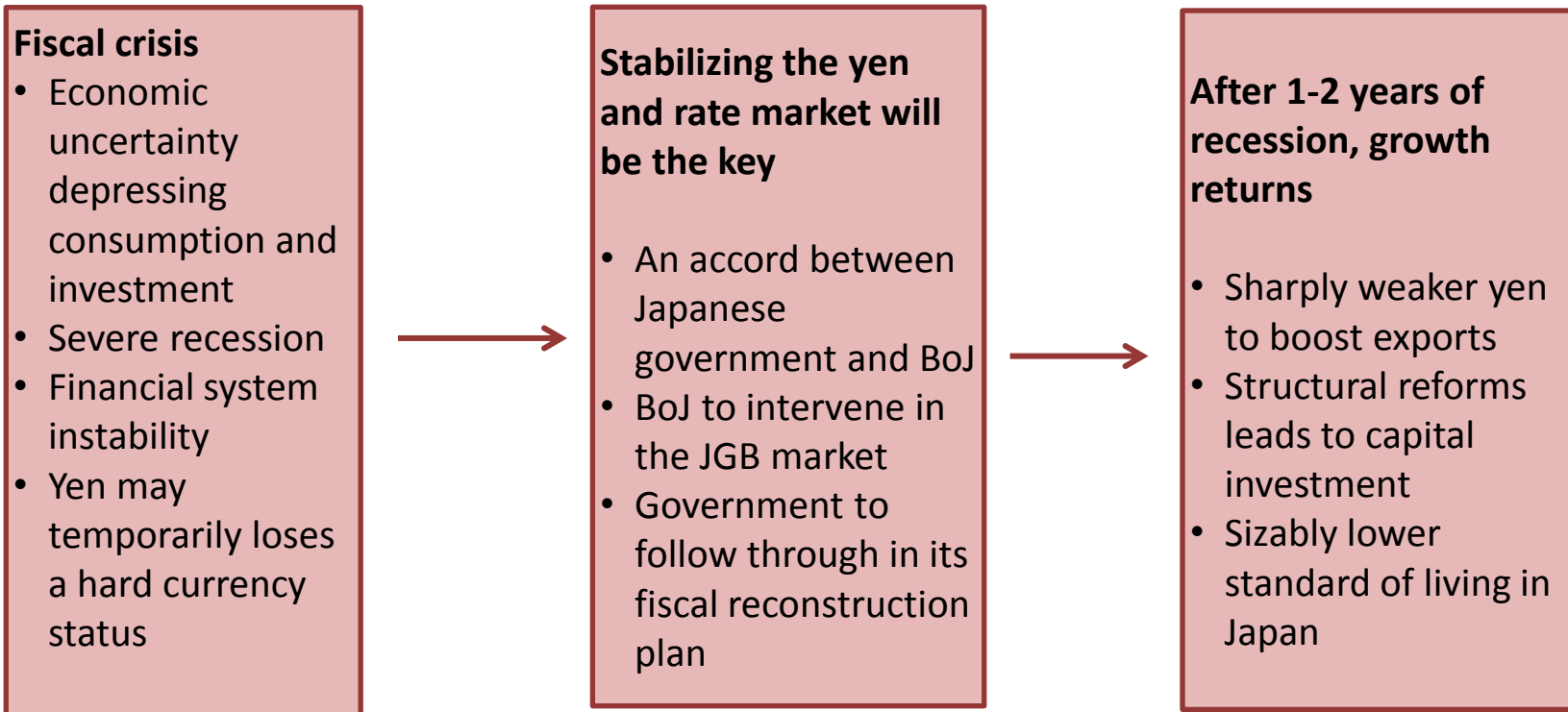
How does a fiscal crisis happen in Japan?

Fiscal crisis scenario: How does it happen?



Source: JMA

What happens after a fiscal crisis moment?



Source: JMA

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