



Japan Trend Risks

The economy struggles to find momentum as growth will fall below 1% in 2017. Low consumer confidence and weak investment compound long-term demographic problems. “Deflation” is the code word for weak wage-price dynamics and the failure of expansive monetary policy to stimulate growth. Japan’s reliance on fiscal measures has left the country with enormous public debt and chronic deficits, funded by captive savers.

Modest trade and current account surpluses will add further to enormous forex reserves and net foreign assets. Similarly, the financial sector shows resilience despite lower profitability and weak macro conditions.

Prime Minister Shinzo Abe has completed the fourth of his six year term, with full control of both houses of the Diet. His government announced ambitious reforms to jump-start the economy. Implementation, though, has been weak in key areas like wage, labor market, and immigration reforms.

