

# **Japan's post-disaster defining moment**

**Paul Sheard**  
Global Chief Economist and Head of Economic Research  
Nomura Securities (paul.sheard@nomura.com)

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**Any authors named on this report are analysts unless otherwise indicated.  
See the important disclosures and analyst certifications on page 10.**

# Japan's quintuple shock

- The earthquake
- The tsunami
- The nuclear reactor accident
- Supply chain disruptions
- Damage to Japan's "brand"

# Economics of the disaster

Negative supply shock

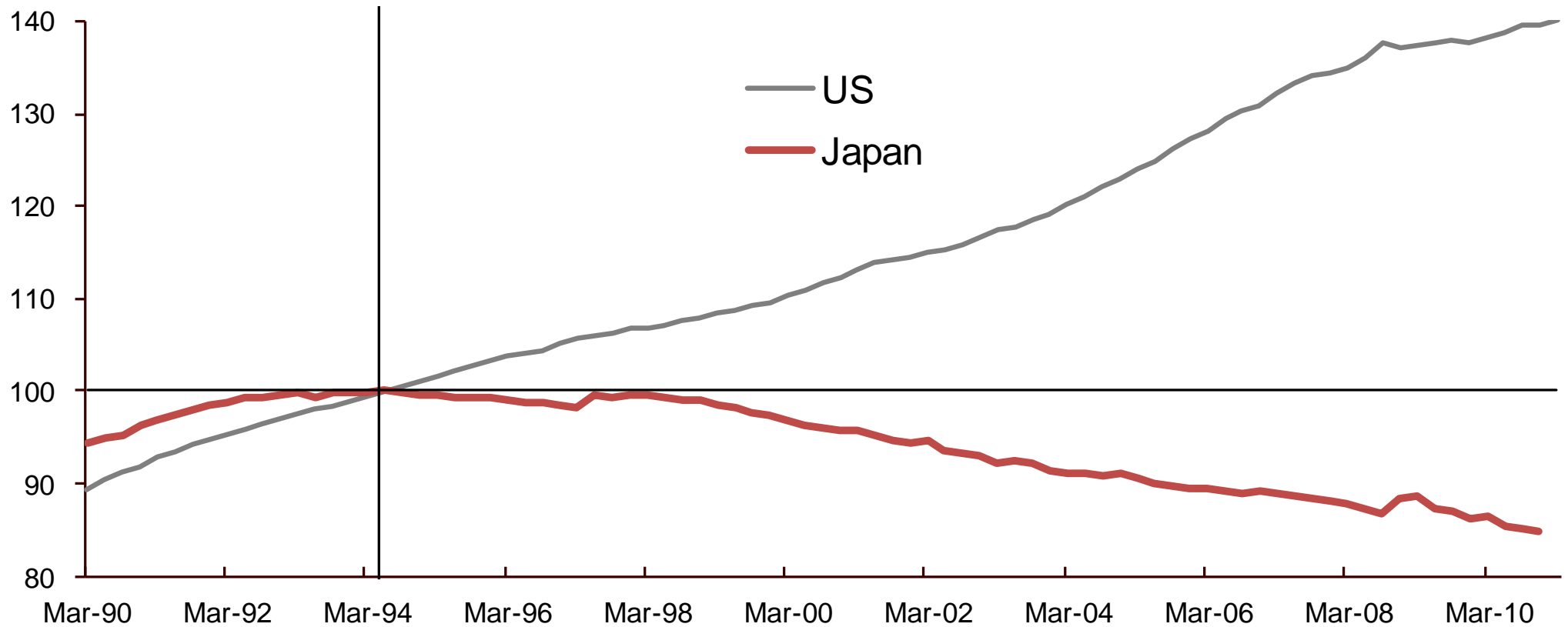
Negative demand shock

Positive demand shock

# Japan stuck in deflation

GDP deflator: Japan vs the US

Q2 1994 = 100

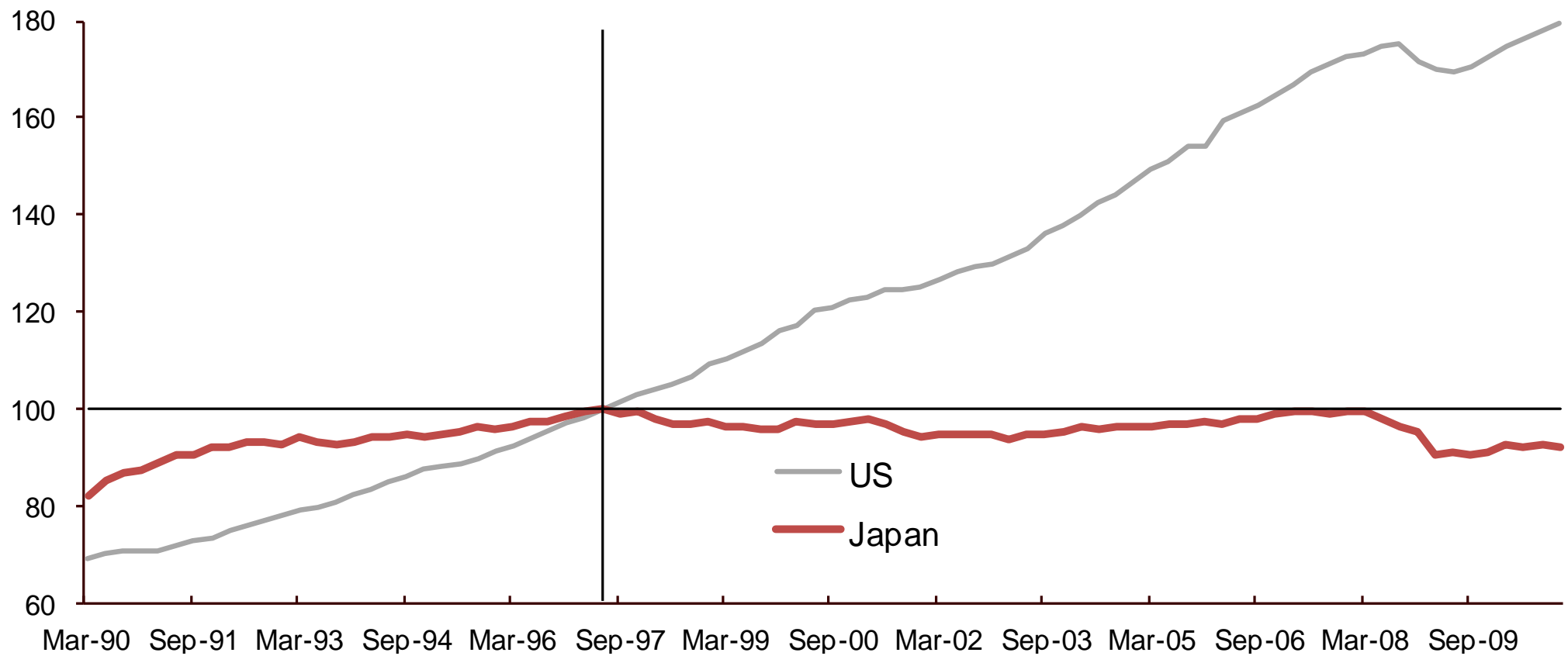


Source: Cabinet Office, Bureau of Economic Analysis.

# Japan stagnating in nominal terms

Nominal GDP: Japan vs the US

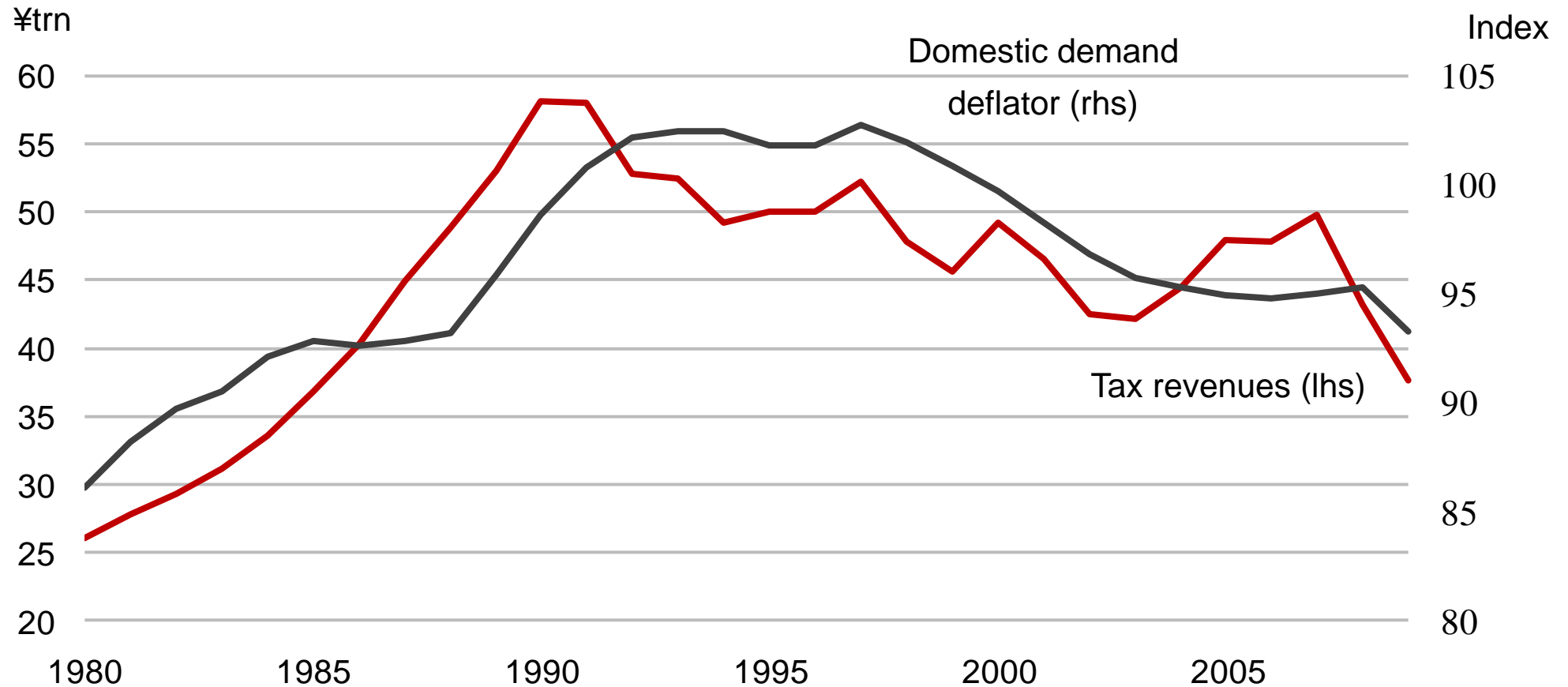
Q2 1997 = 100



Source: Cabinet Office, Bureau of Economic Analysis

# Japan's fiscal situation exacerbated by deflation

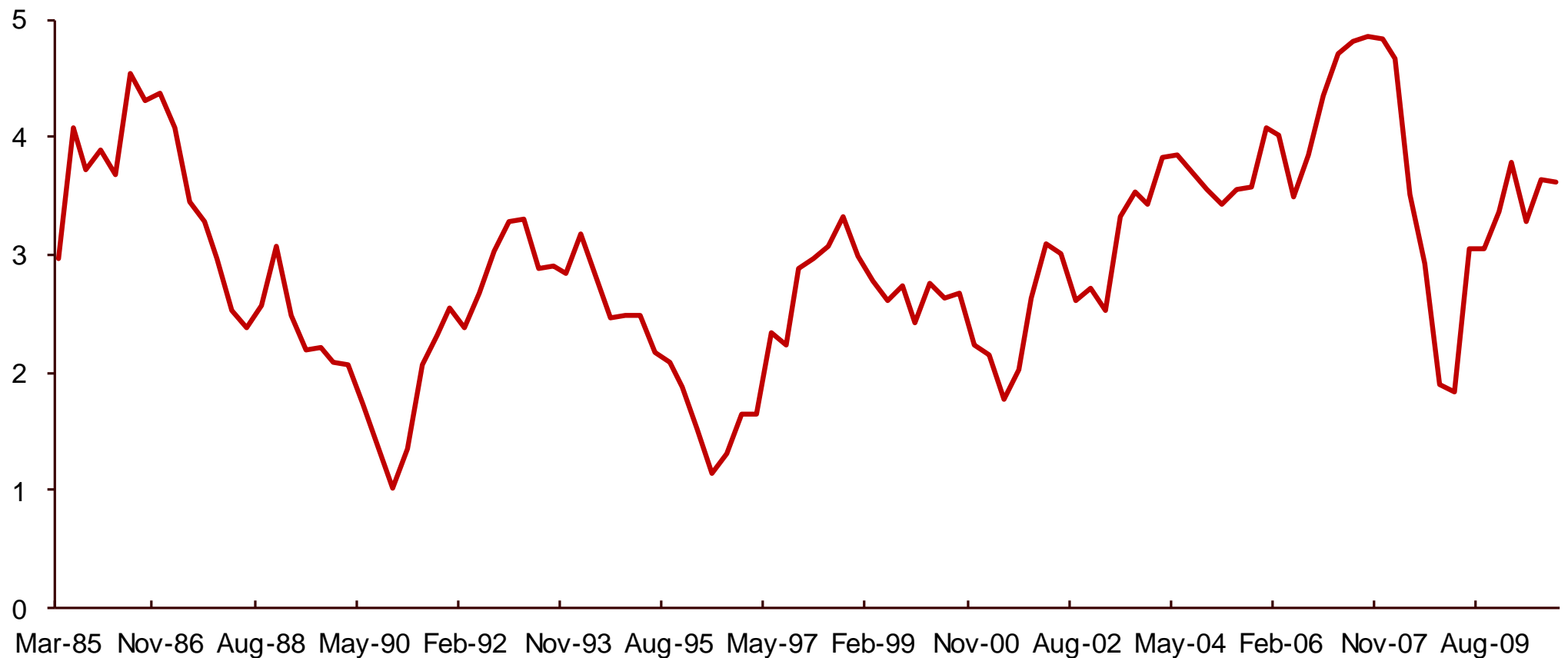
Japan's tax revenues and domestic demand deflator (¥trn; index)



Source: Ministry of Finance, Cabinet Office.

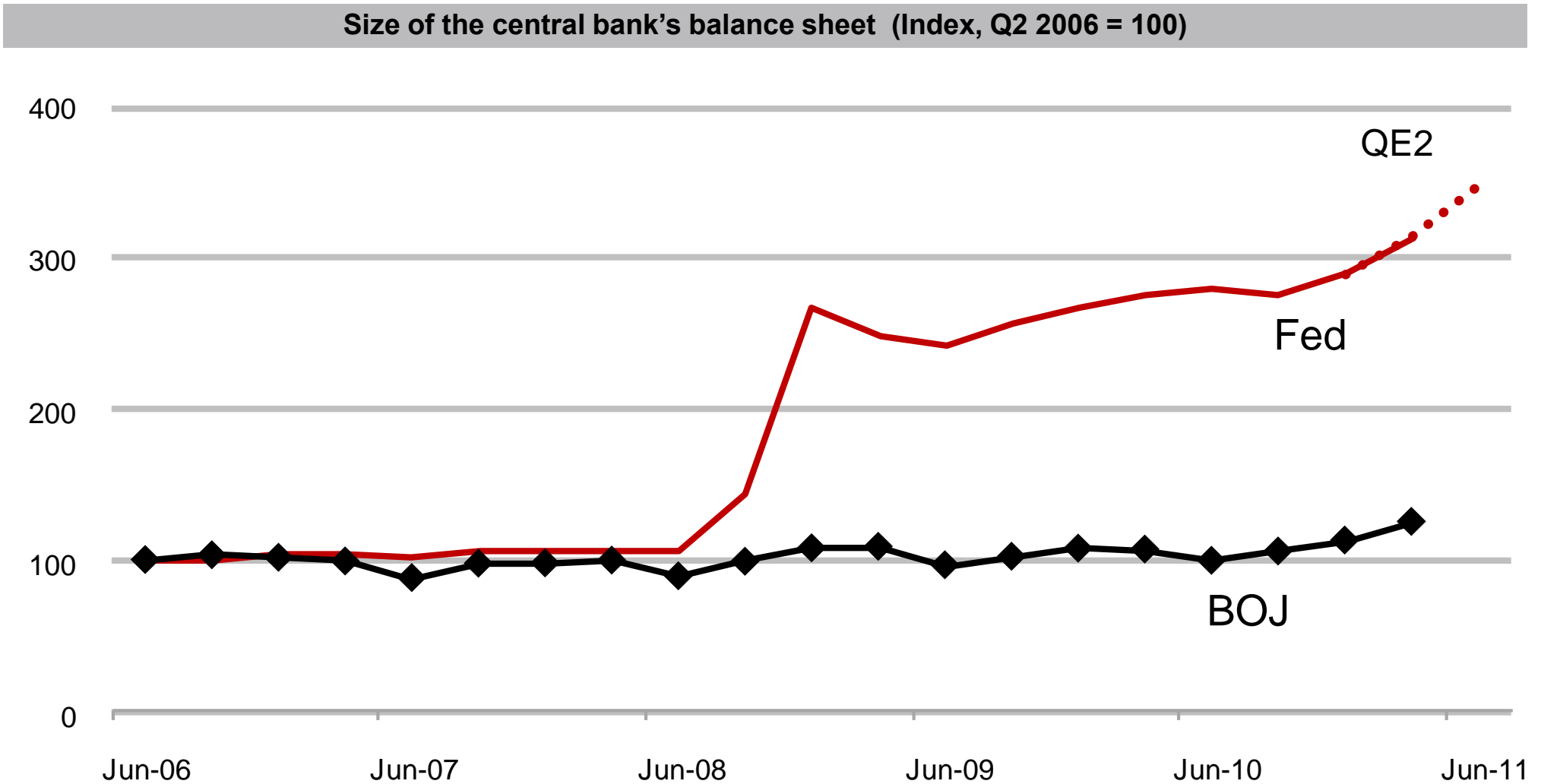
# Japan more than fully finances its fiscal deficits

Japan's current account surplus (% of GDP)



Source: Cabinet Office; Ministry of Finance.

# BOJ could expand its balance sheet dramatically

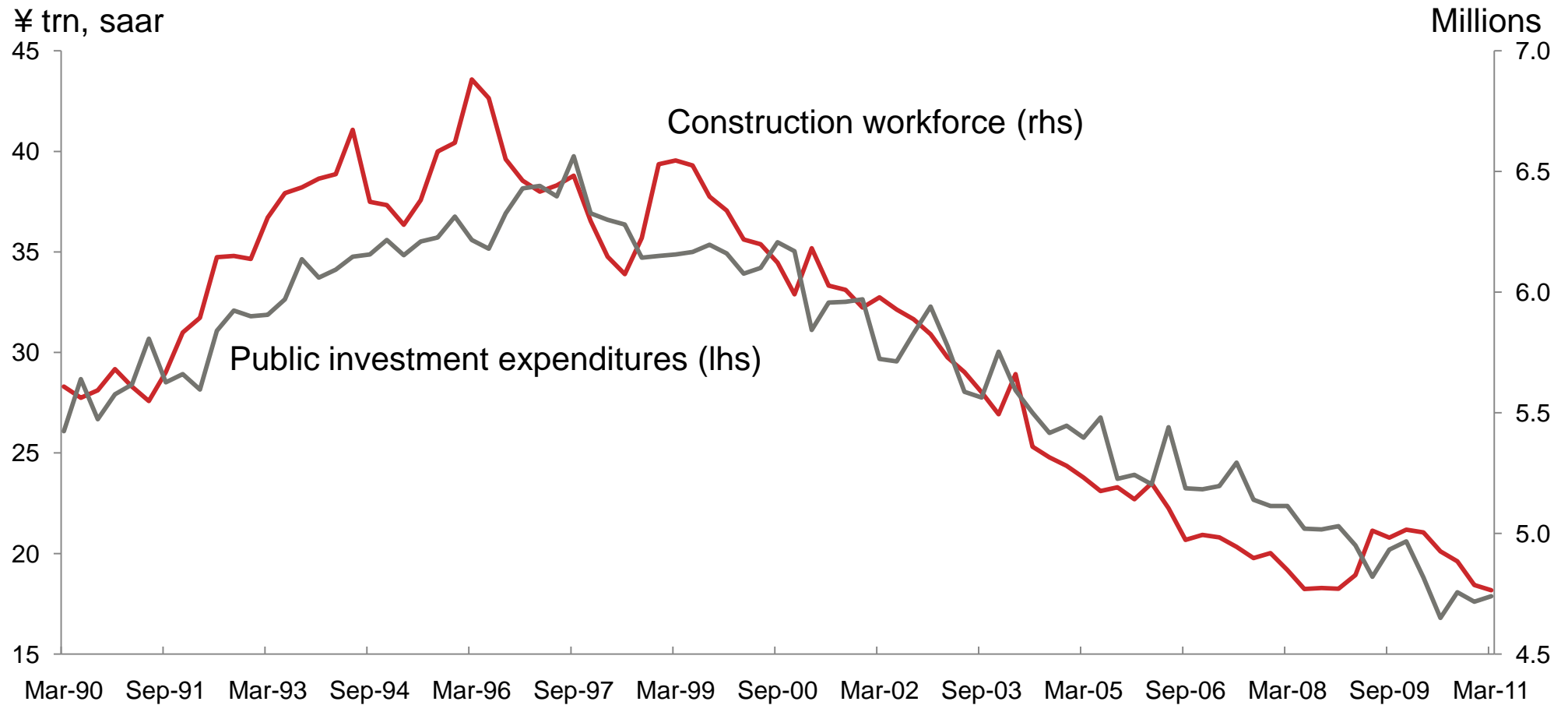


Source: Japanese Cabinet Office; US Bureau of Economic Analysis; Bank of Japan; Federal Reserve; Nomura Securities.



# Public works spending & construction workforce

Public investment expenditures and construction workforce (¥trn; millions)



Source: Cabinet Office; Ministry of Internal Affairs and Communications.

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