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The World in Balance Sheet Recession: What Post-2008 U.S., Europe and China Can Learn from Japan 1990-2005

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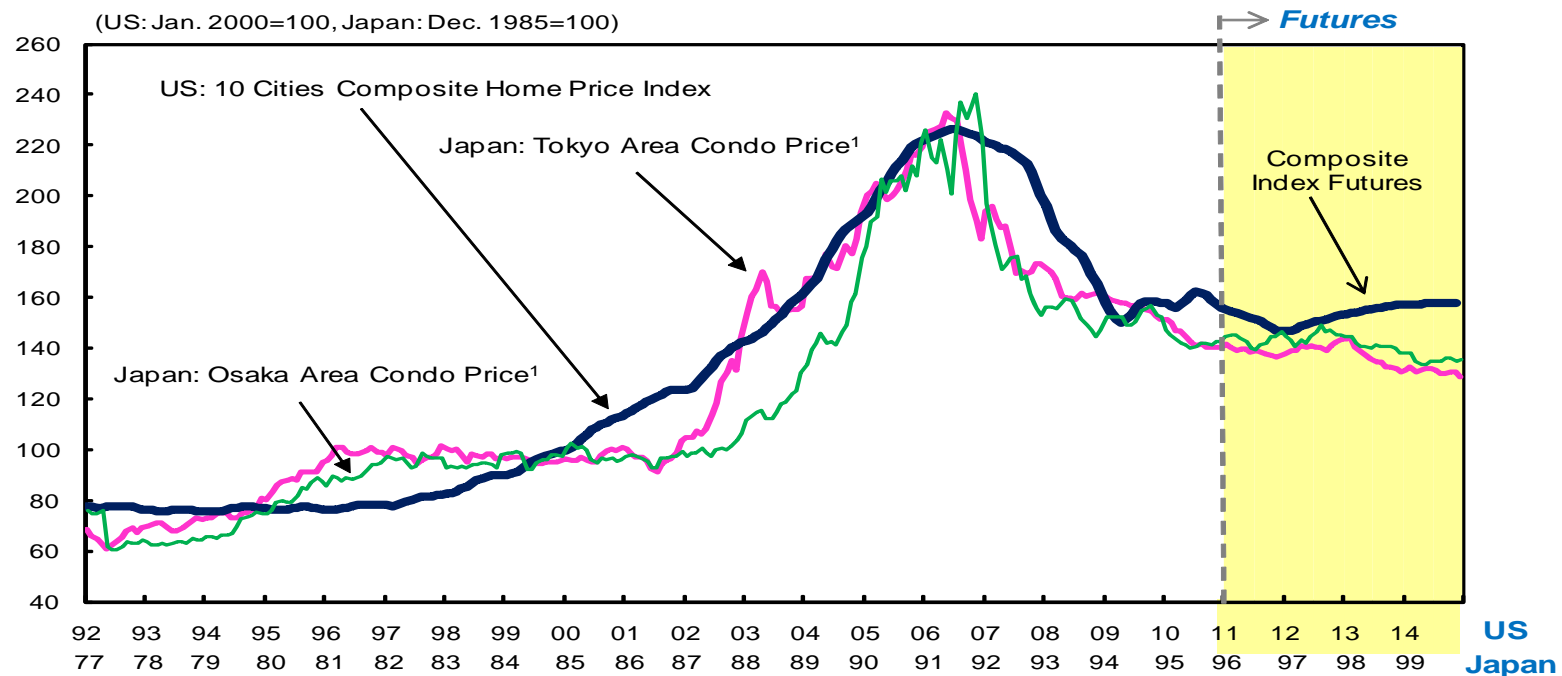
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April 2011

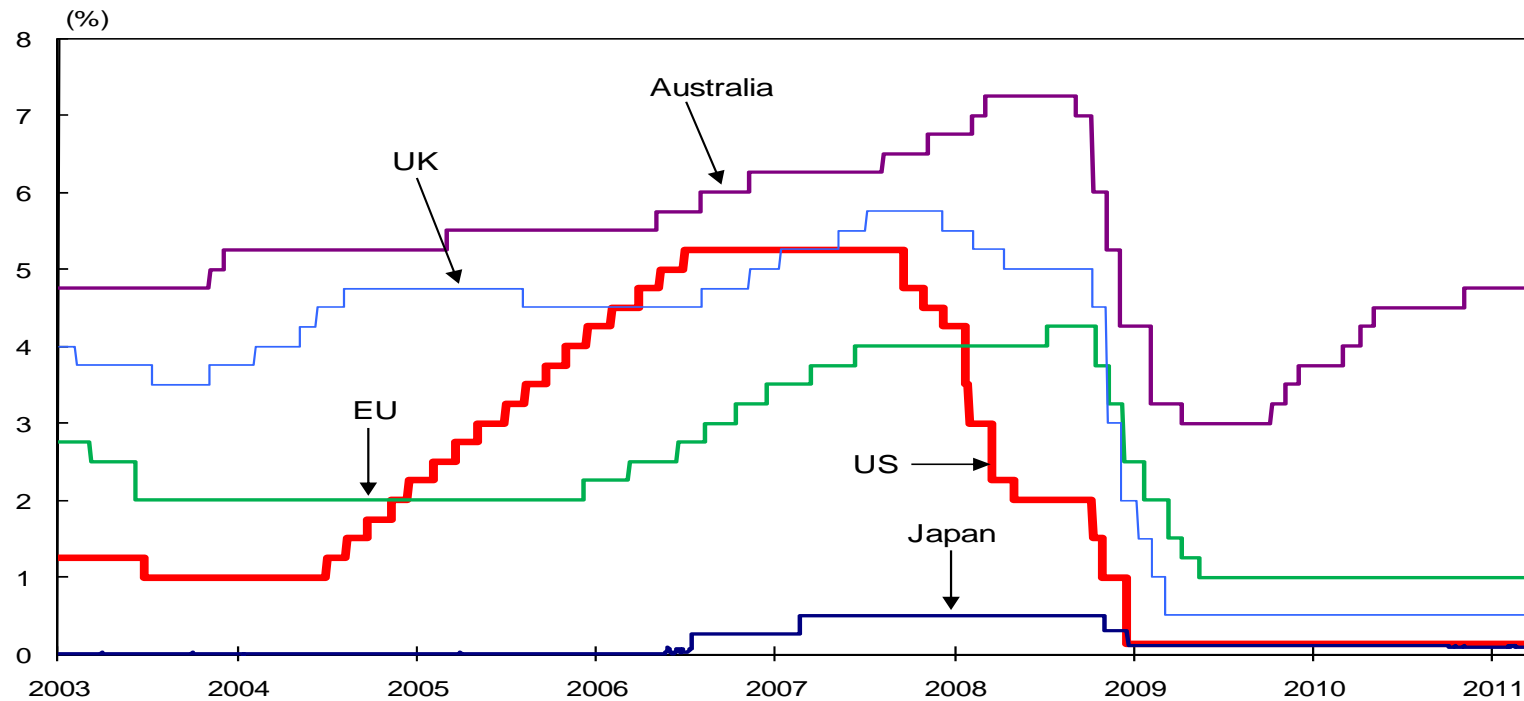
Exhibit 1. US Housing Prices Are Moving along the Japanese Experience



Note: per m², 5-month moving average

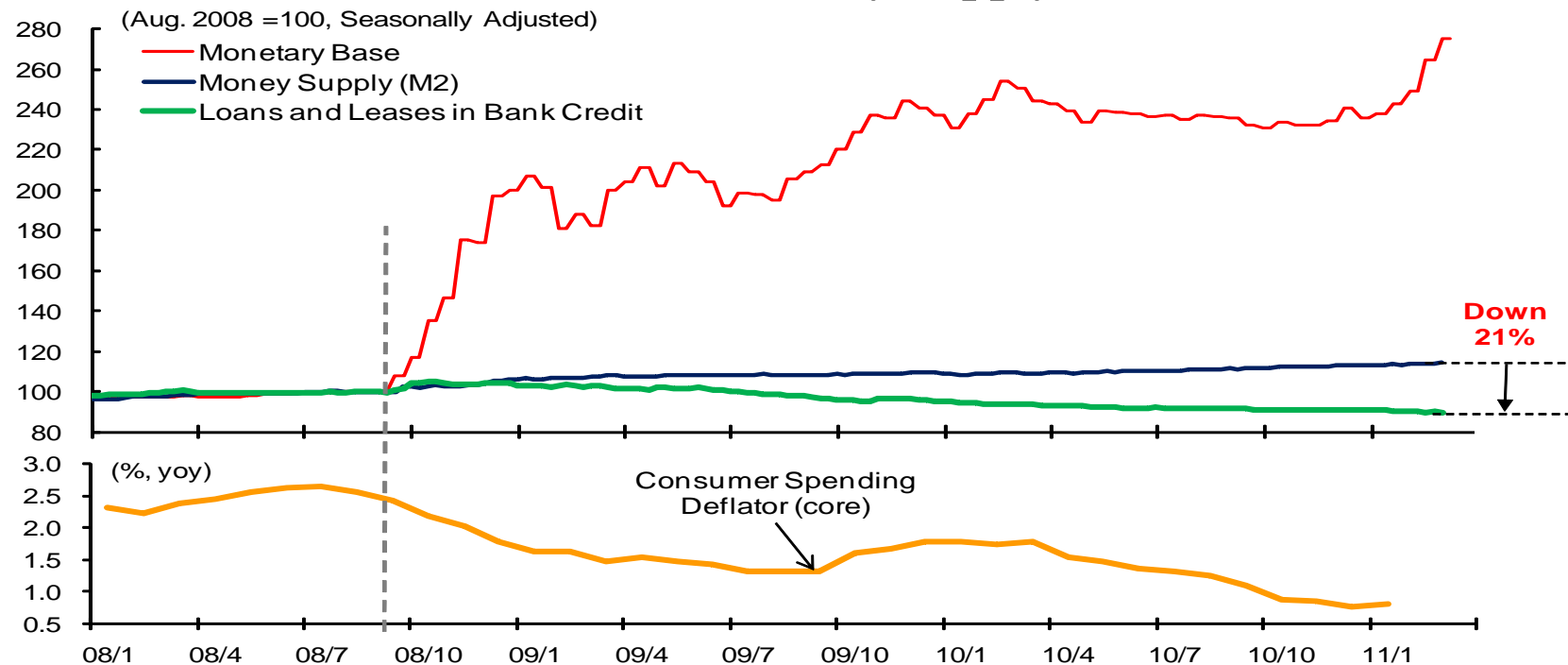
Sources: Bloomberg, Real Estate Economic Institute, Japan, S&P, S&P/Case-Shiller® Home Price Indices, as of Mar. 11, 2011

Exhibit 2. Drastic Rate Cuts Have Done Little to Revive Employment or House Prices



Sources: BOJ, FRB, ECB, BOE and RMB Australia. As of Mar.14, 2011.

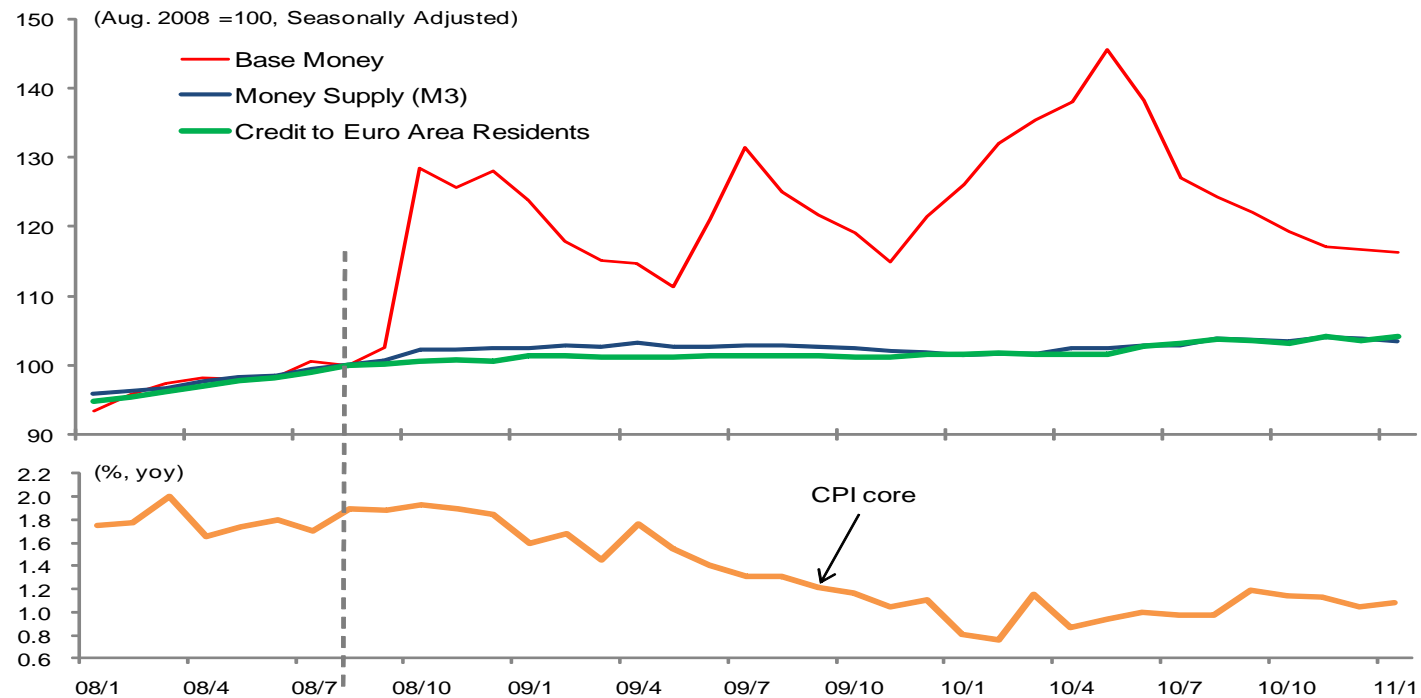
Exhibit 3. Drastic Liquidity Injection Failed to Increase Money Supply: (I) US



Sources: Board of Governors of the Federal Reserve System, US Department of Commerce

Note: Commercial bank loans and leases, adjustments for discontinuities made by Nomura Research Institute.

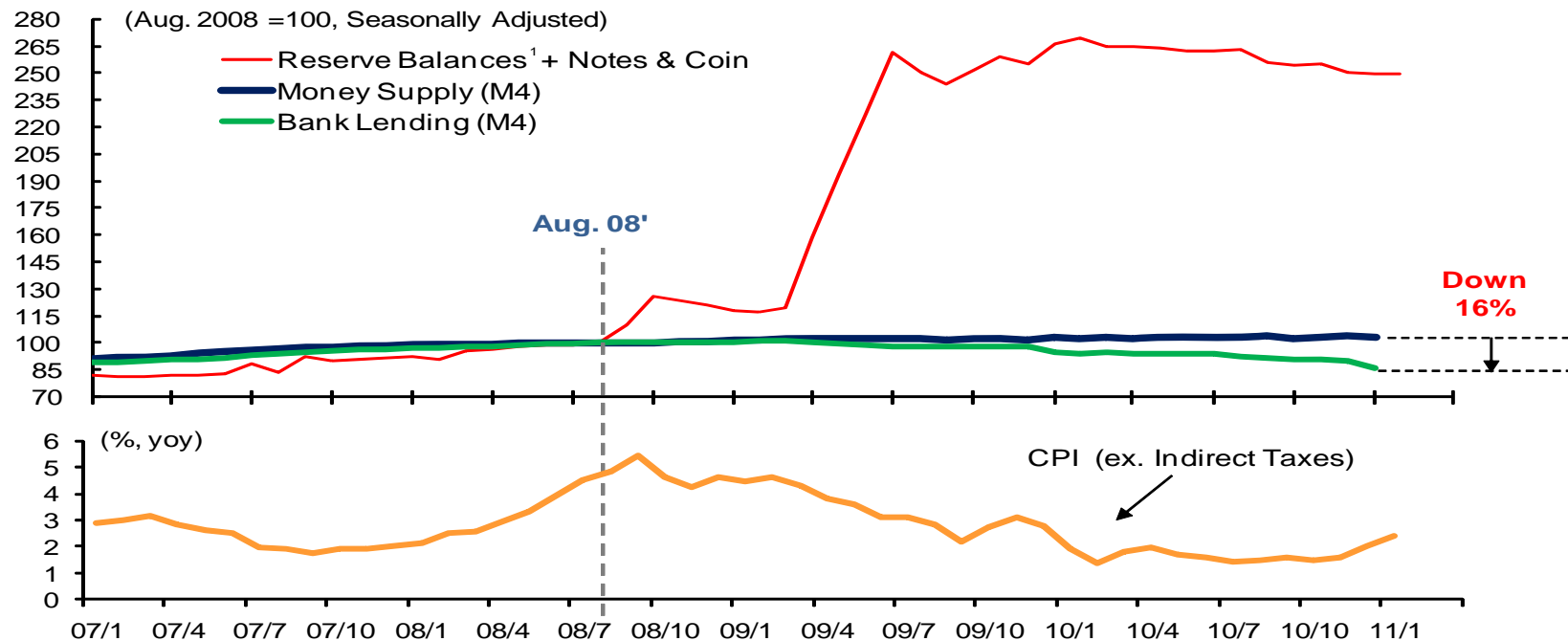
Exhibit 4. Drastic Liquidity Injection Failed to Increase Money Supply: (II) EU



Sources: ECB, Eurostat

Note: Base money's figures are seasonally adjusted by Nomura Research Institute.

Exhibit 5. Drastic Liquidity Injection Failed to Increase Money Supply: (III) UK

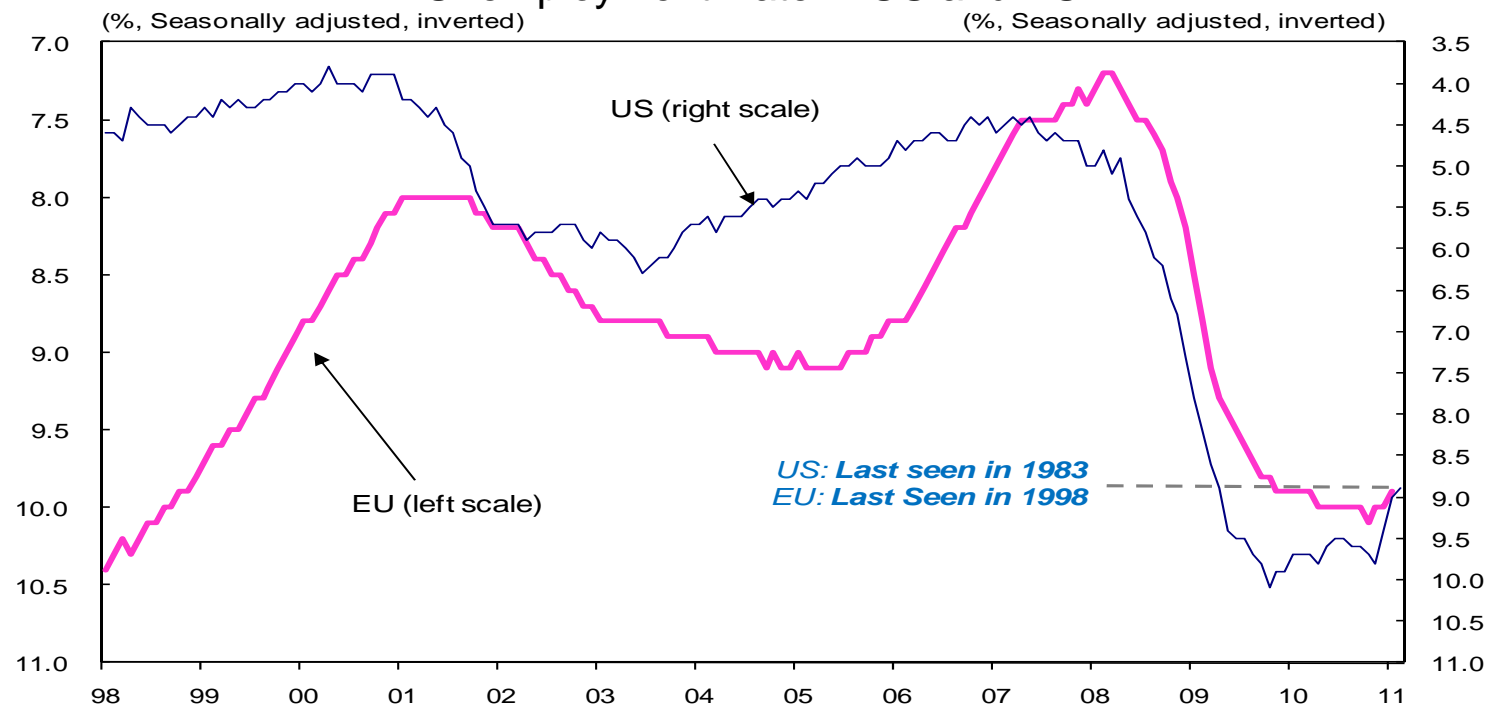


Sources: Bank of England, Office for National Statistics, UK

Notes: 1. Reserve Balances data are seasonally unadjusted. 2. Money supply and bank lending data exclude intermediate financial institutions.

Exhibit 6. Drastic Rate Cuts and Liquidity Injections Have Done Little to Revive Employment

Unemployment Rate in US and EU



Sources: US Department of Labor, Eurostat

Exhibit 7. Japan's De-leveraging with Zero Interest Rates Lasted for 10 Years

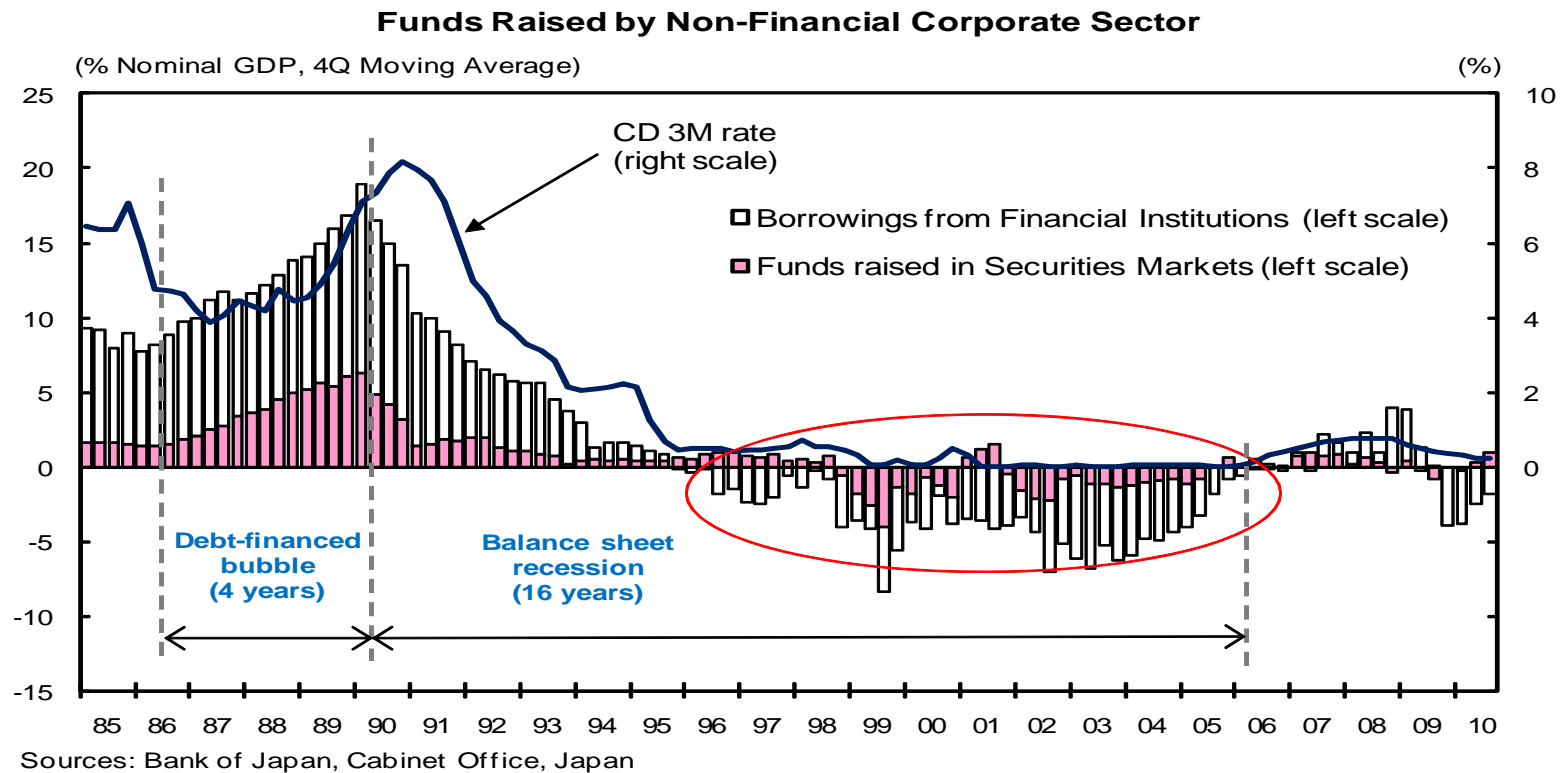
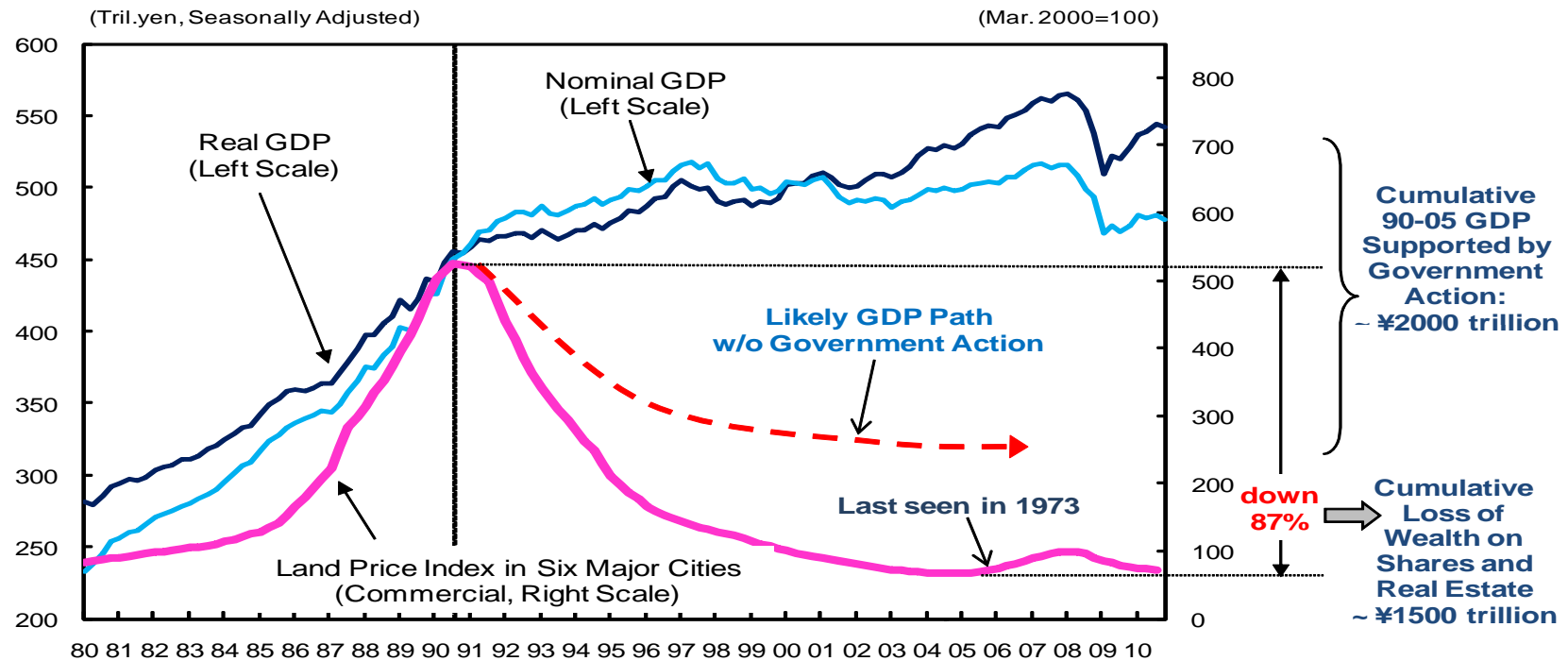
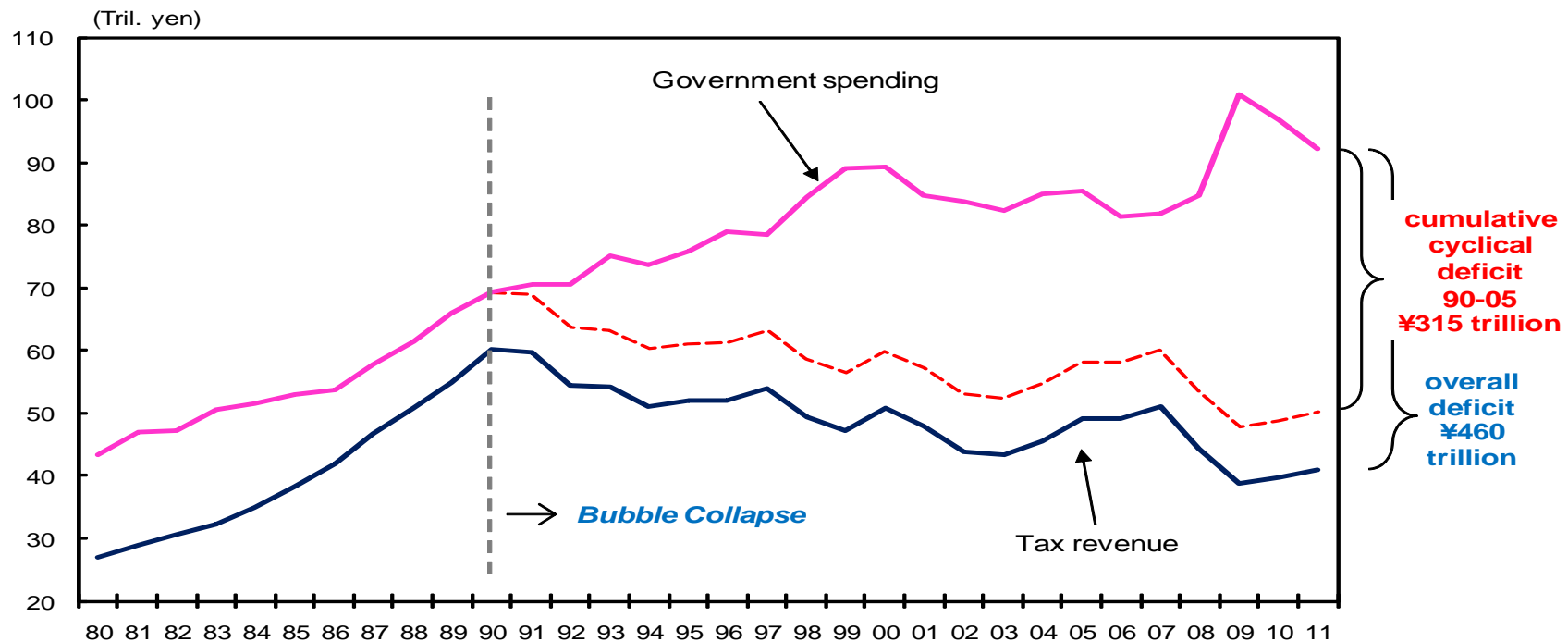


Exhibit 8. Japan's GDP Grew in spite of Massive Loss of Wealth and Private Sector De-leveraging



Sources: Cabinet Office, Japan Real Estate Institute

Exhibit 9. Japanese Government Borrowed and Spent the Unborrowed Savings of the Private Sector to Sustain GDP



Source: Ministry of Finance, Japan

Note: FY 2010 includes supplementary budget. FY2011 are initial budget.

Exhibit 10. Premature Fiscal Reforms in 1997 and 2001 Weakened Economy, Reduced Tax Revenue and *Increased* Deficit

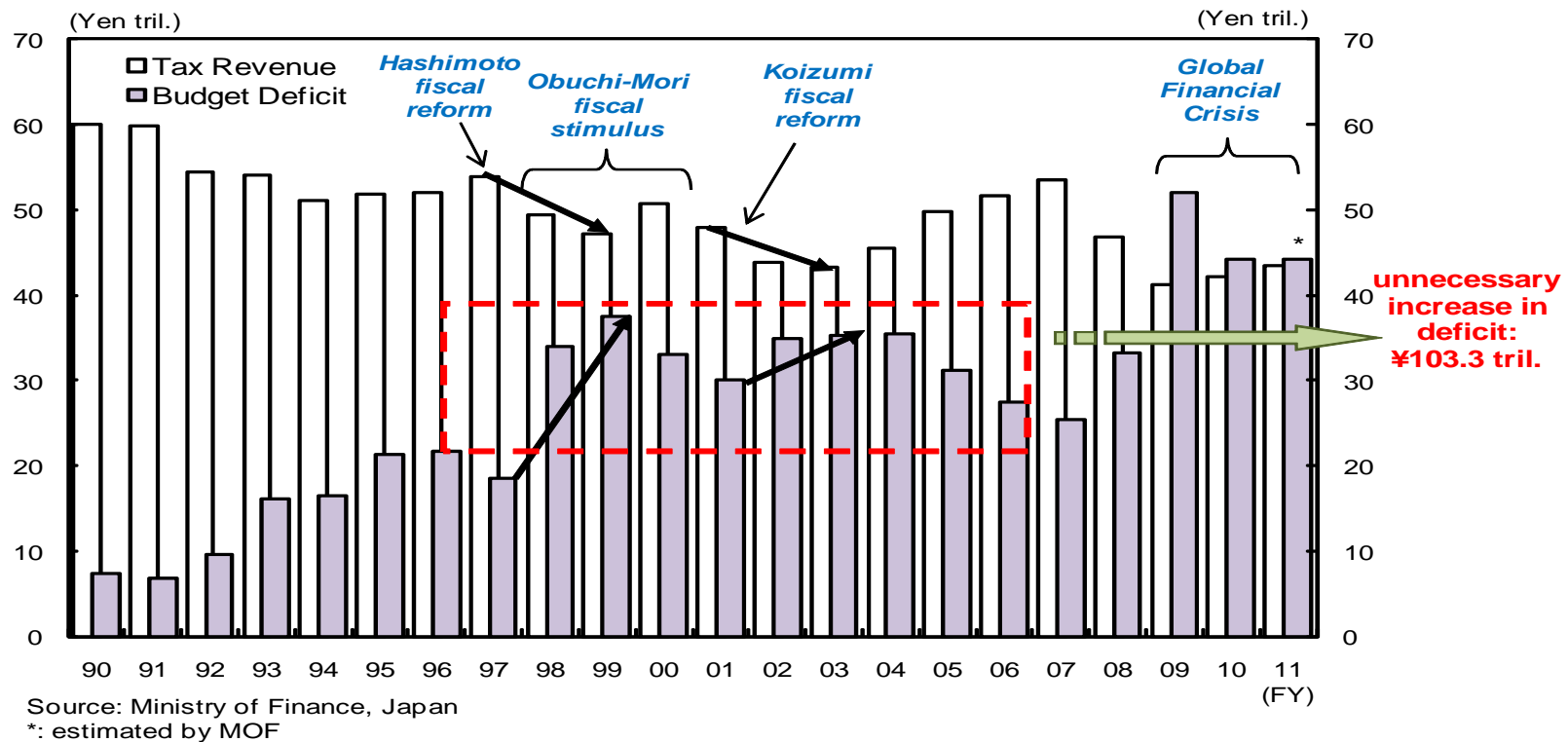
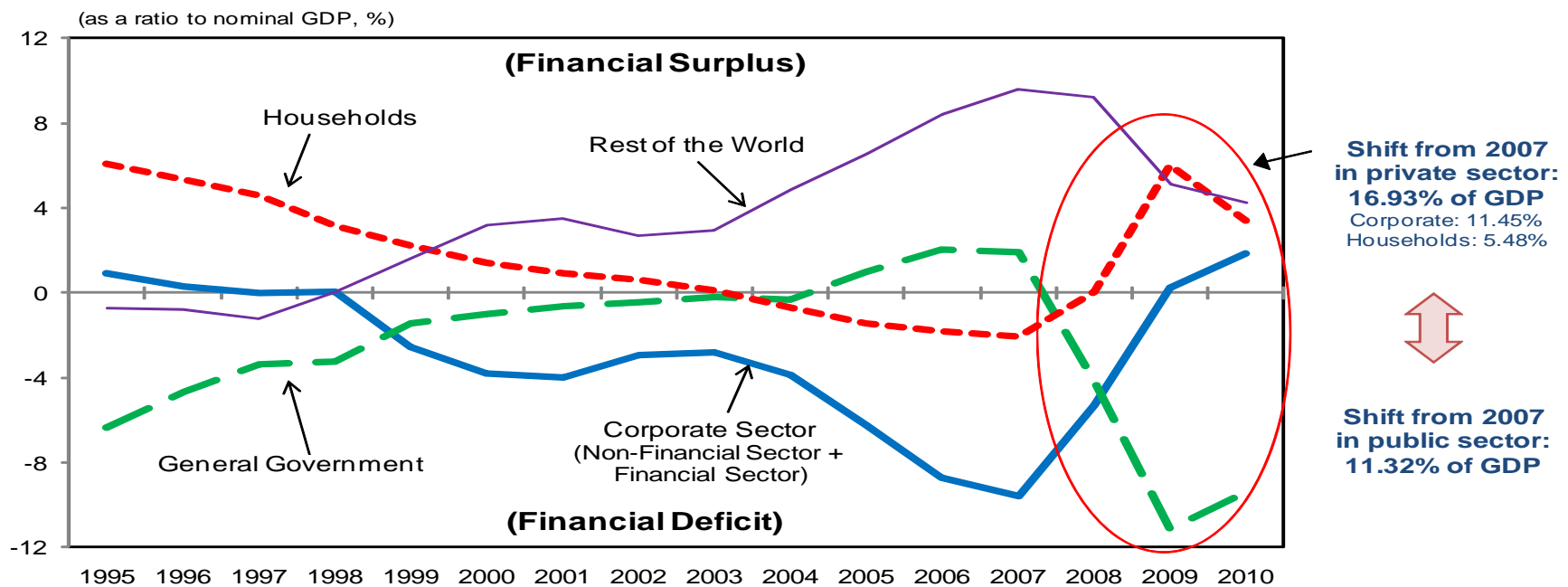


Exhibit 11. Spanish Private Sector Financial Surpluses Increased more than Government Deficit

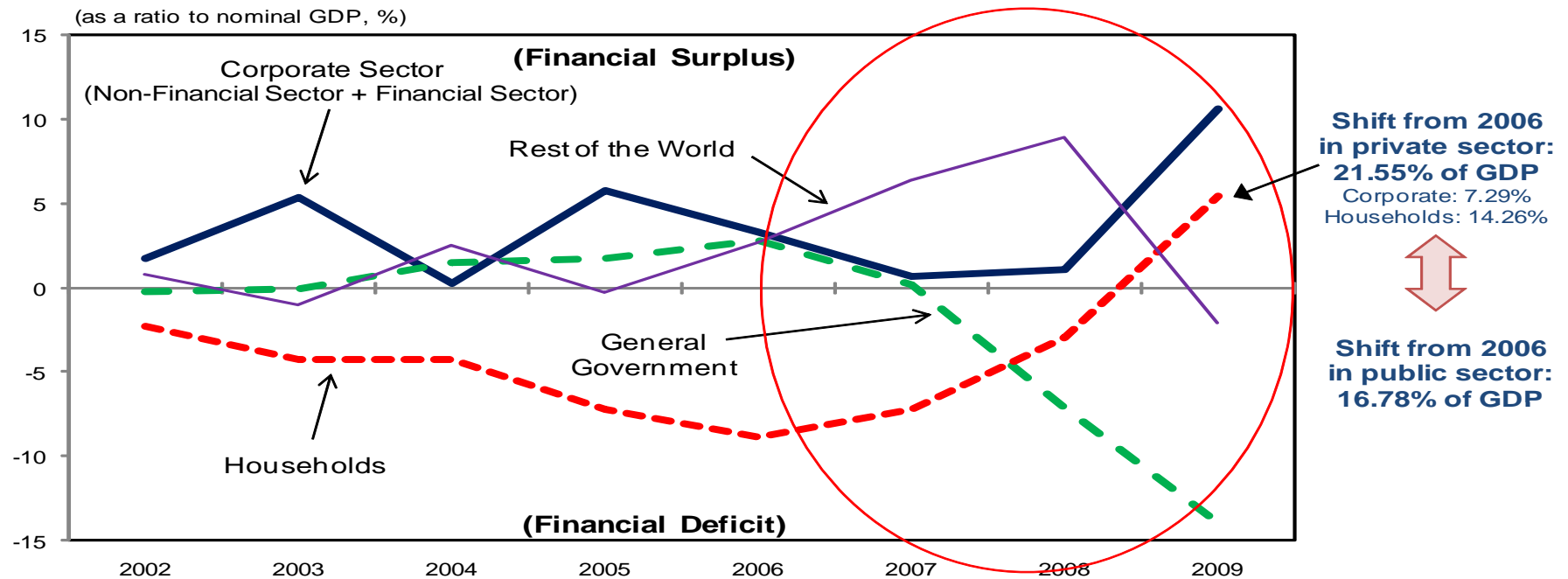
Financial Surplus or Deficit by Sector



Sources: Banco de España and National Statistics Institute (INE), Spain, and Eurostat
Note: For 2010 figures, 4 quarter averages ending with Q3/10 are used.

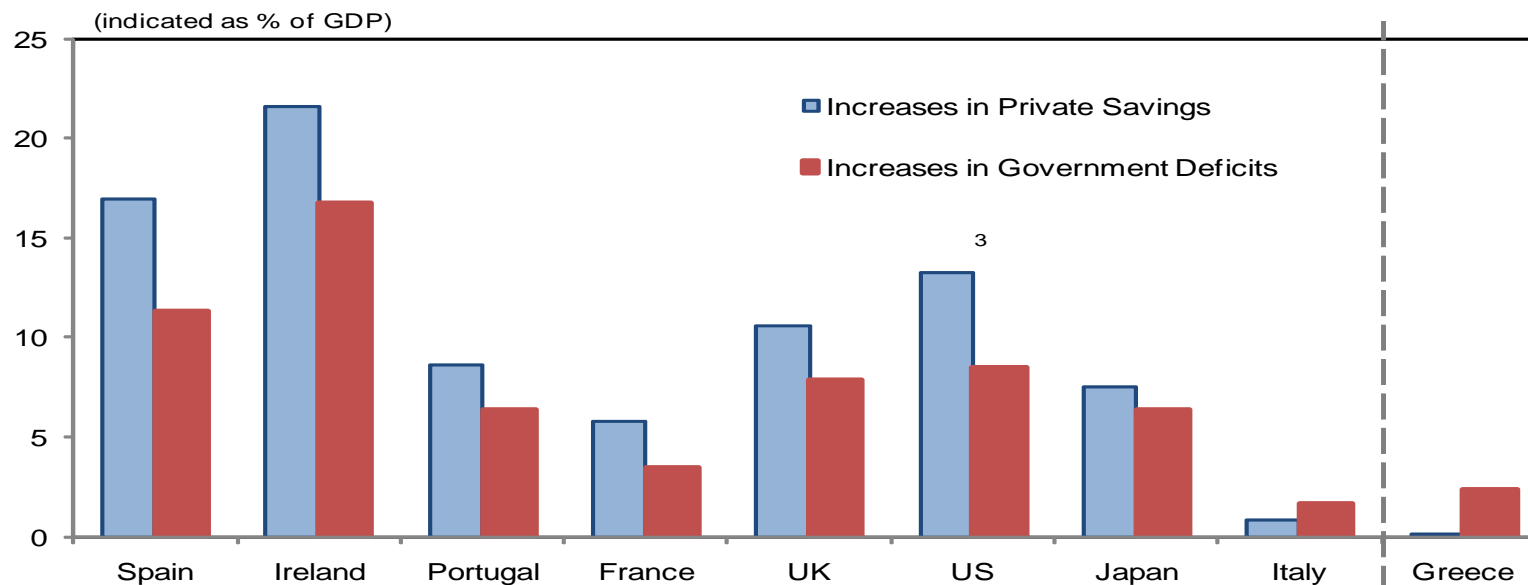
Exhibit 12. Irish Private Sector Financial Surpluses Increased more than Government Deficit

Financial Surplus or Deficit by Sector



Sources: Eurostat, Central Statistics Office, Ireland

Exhibit 13. Summary of Private Savings and Government Deficits



Notes: 1. Measured from the recent trough in private sector savings: Spain (2007), Ireland (2006), Portugal (2008), France (2008), UK (2007), Japan (2008), US (2006), Italy (2008), Greece (2008).

2. Changes in private savings include debt repayments.

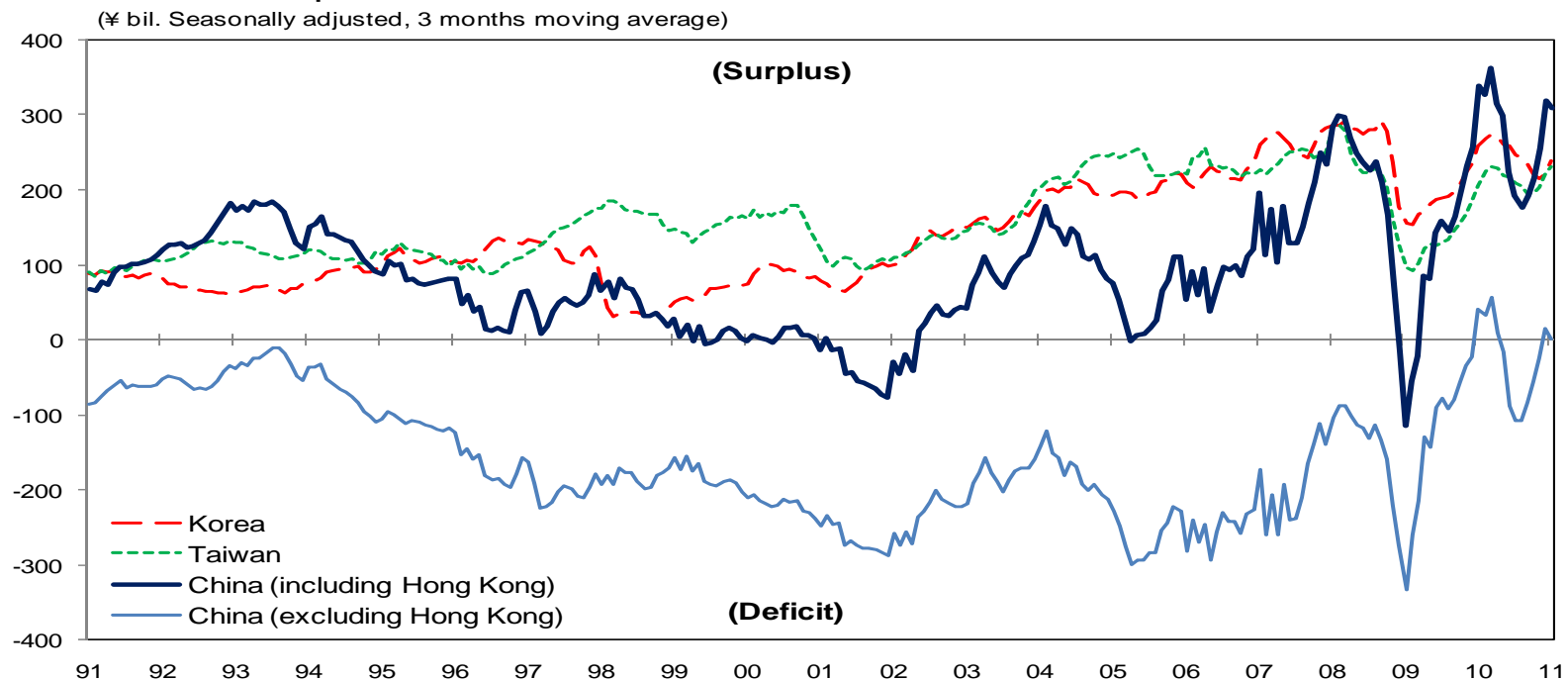
3. A range of 13% to 8% exists for the US private savings data because of problems with its Flow of Funds statistics since 2008. Economic and market indicators suggest that the 13% figure (shown) is closer to the truth than the 8% figure.

4. Greece is NOT in balance sheet recession. Included for comparison purposes only.

Source: Nomura Research Institute, from respective countries' flow of funds data

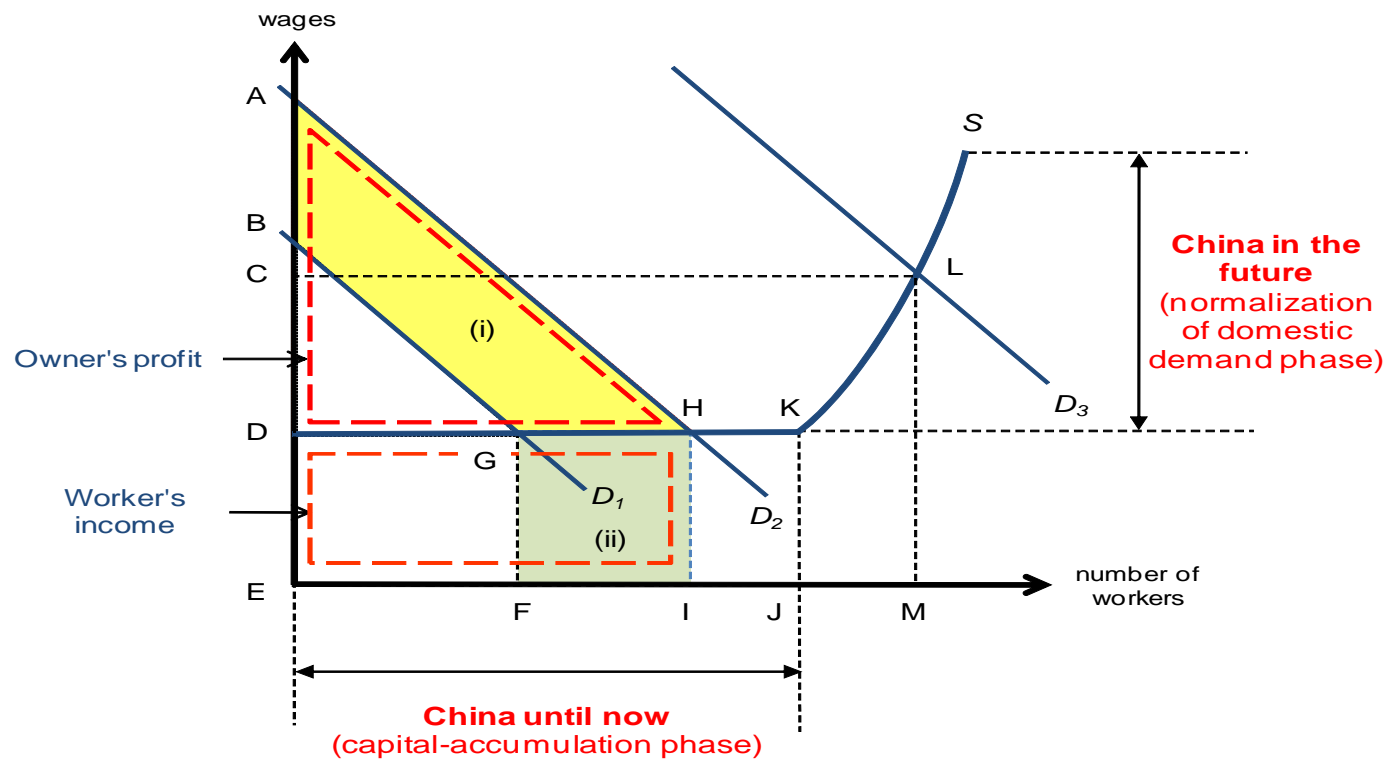
Exhibit 14. Even with Strong Yen, Japan Is Running ever larger Trade Surpluses with Taiwan, Korea and China

Japan's Trade Balances with Korea, Taiwan and China



Source: Nomura Research Institute, based on Ministry of Finance, Japan, Trade Statistics
 Note: Seasonal adjustments by Nomura Research Institute.

Exhibit 15. The transition of Chinese Economy



Source: Nomura Research Institute