

Chapter 1, Section 3. Asian Economies – South Korea & Taiwan: The economies remain stagnant –

- South Korea & Taiwan: South Korea sees its economy continuing to grow only at a low rate due to weakness of domestic demand. The Taiwanese economy showed signs of picking up backed by domestic demand, before turning stagnant in 2013 with weak growth in consumption and exports. (Fig 26 - 29)
- Behind the stagnation lies weak growth of worldwide shipments of semiconductors, one of the main products of the country and region, in 2013. (Fig. 30 - 31)

Fig. 26 South Korea & Taiwan: Real Economic Growth

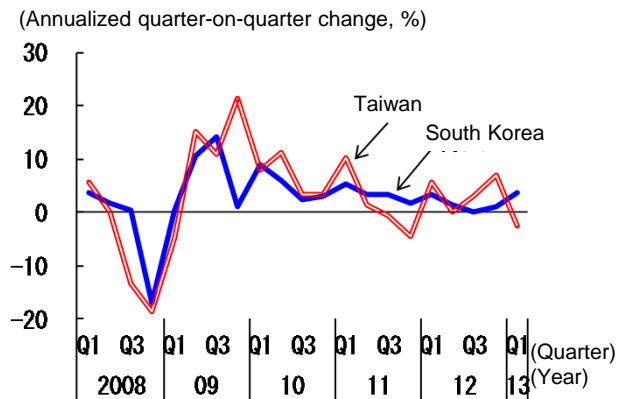


Fig. 28 South Korea: Production & Exports (major products)

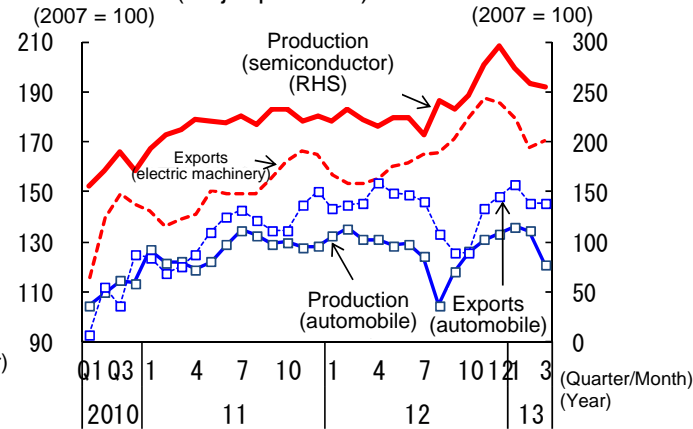


Fig. 30 South Korea & Taiwan: Semiconductor Shipment-Inventory Gap

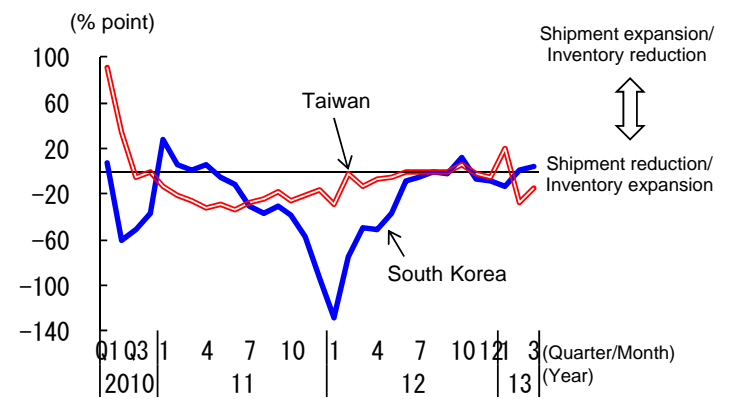


Fig. 27 South Korea & Taiwan: Foreign Exchange Trends

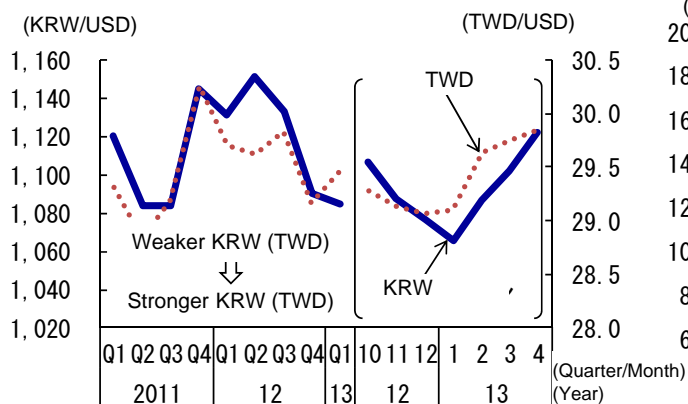


Fig. 29 Taiwan: Production & Exports (major products)

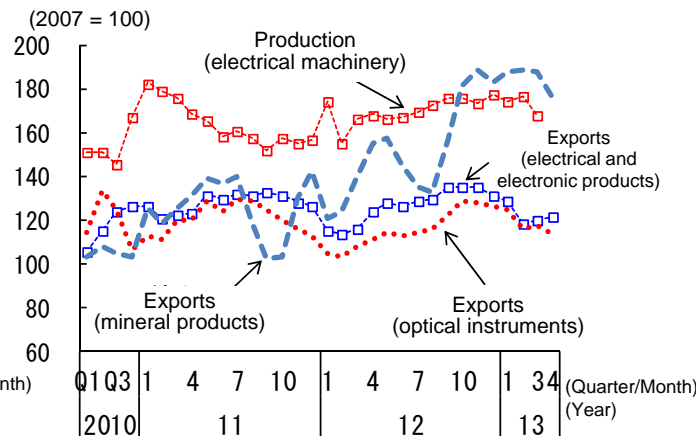
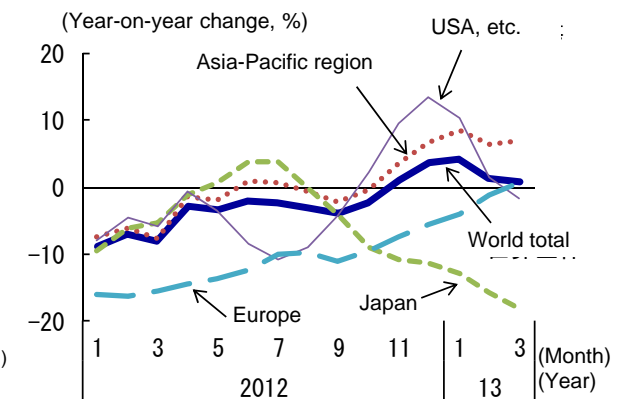


Fig. 31 Global Semiconductor Shipments



Chapter 1, Section 3. Asian Economies – ASEAN: The economy is generally picking up –
– India: Growth is gradually slowing down –

- ASEAN: Consumption and investment are generally strong, while production has been close to leveling off due to weak growth of exports to EU and Japan. (Figure 32 - 35)
- India: Manufacturing is sluggish mainly due to stagnant sales of automobiles with monetary tightening and other unfavorable factors, and the service industry, a driving force of the economy, is also slowing down. (Figure 36 - 37)

Fig. 32: ASEAN: Domestic Demand

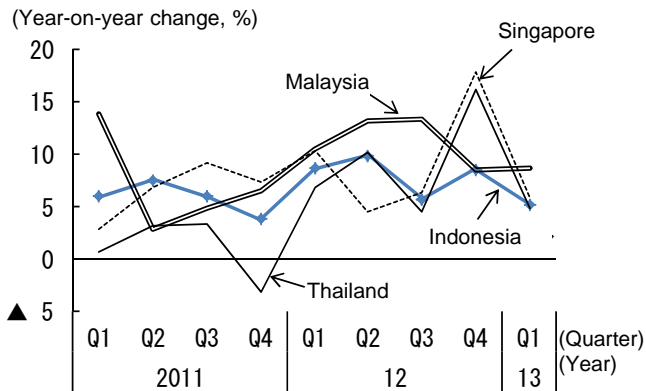


Fig. 34 ASEAN: Gross Fixed Capital Formation

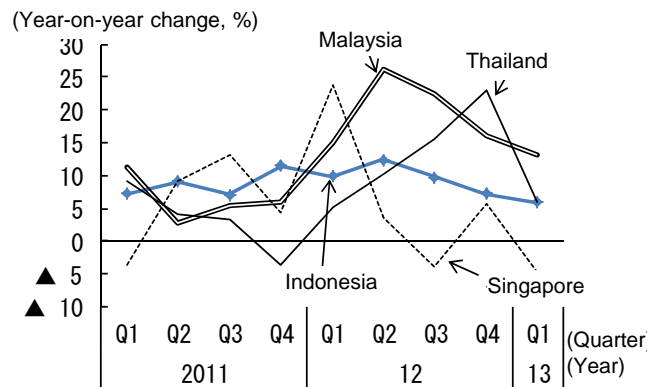


Fig. 36 India: Real Economic Growth (by industry)

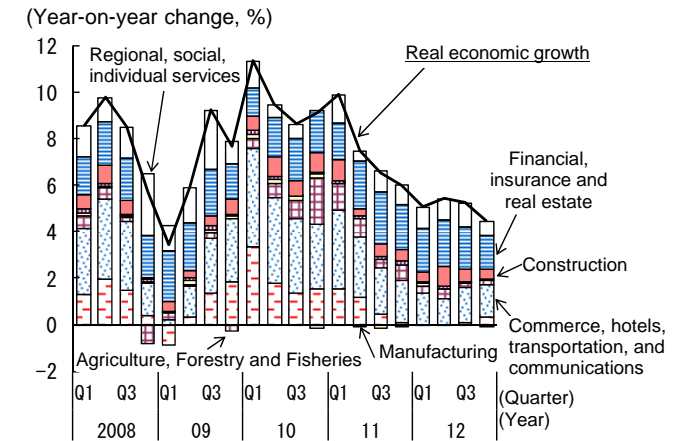


Fig. 33 ASEAN: Vehicle Sales

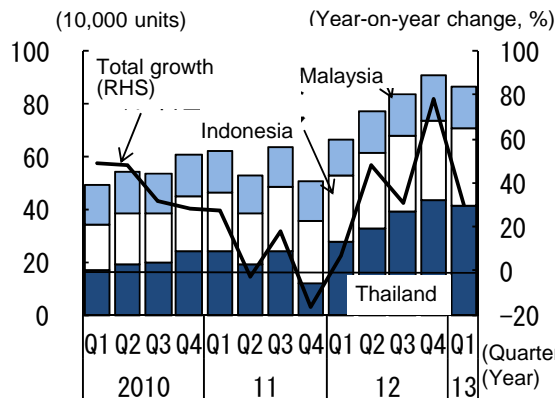


Fig. 35 ASEAN: Exports

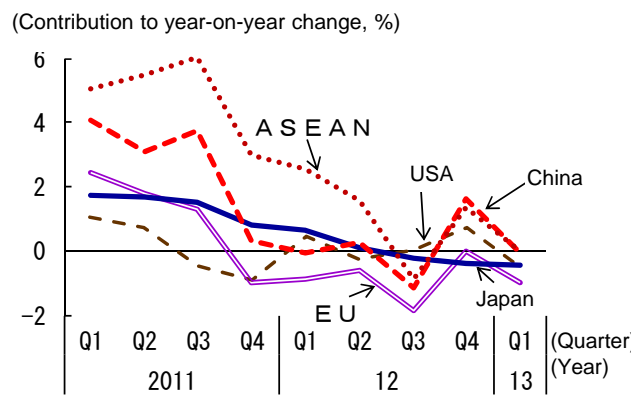
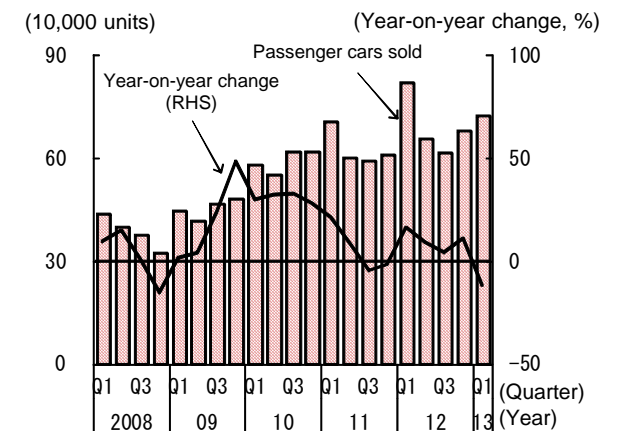


Fig. 37 India: Passenger Car Sales



Chapter 1, Section 4. European Economies – Weak moves continue –

- Real economic growth has been negative for six consecutive quarters, and weak moves continue in general. (Fig. 38)
- Private consumption continues to decline mainly in Southern Europe, while the unemployment rate remains on the rise, except for Germany. (Fig. 39 - 40)
- Meanwhile, demand in the EU, which had been stagnant, is gradually increasing, with signs of bottoming out observed in some countries. (Fig. 41 - 43)

Fig. 38 Real GDP in Major Eurozone Countries

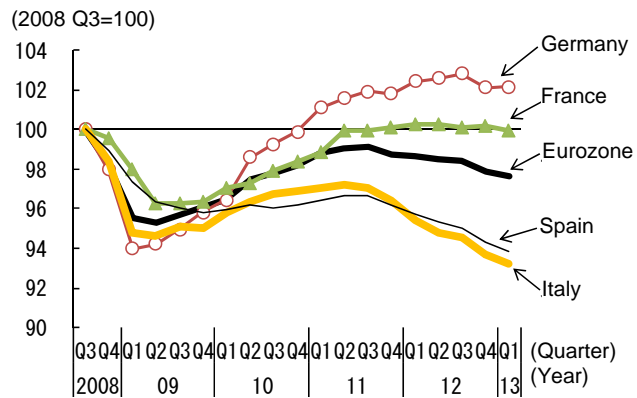


Fig. 40 Unemployment Rate in Major Eurozone Countries

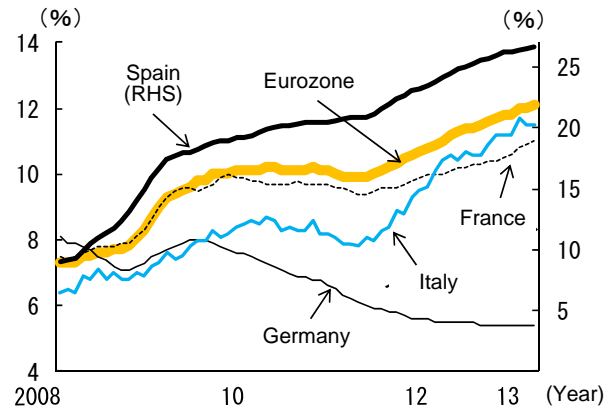


Fig. 42 Orders Received by German Manufactures from Overseas

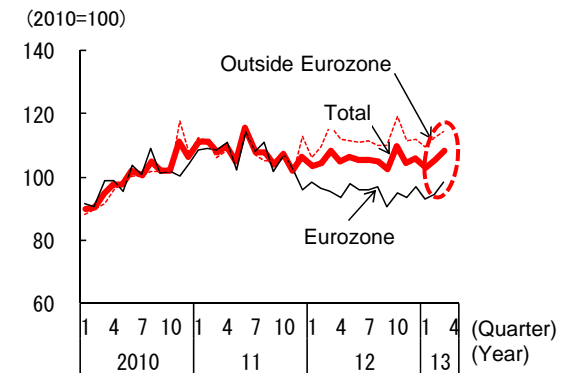


Fig. 39 Private Consumption in Major Eurozone Countries

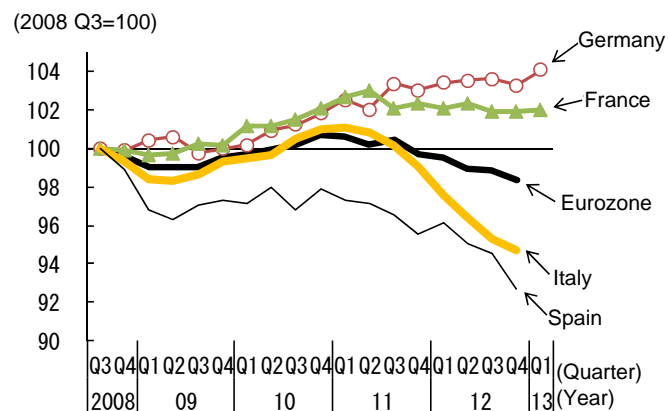


Fig. 41 Industrial Production in Germany

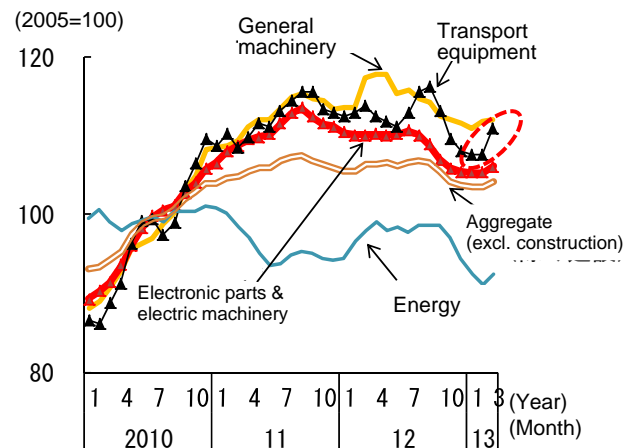
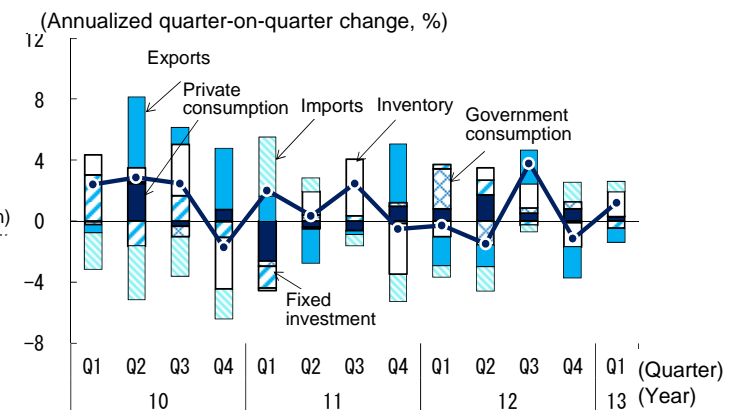


Fig. 43 Real GDP Growth in UK



Chapter 1, Section 4. European Economies – A turnaround from austerity to growth promotion –

- In South European countries, estimated real economic growth has been falling due to the vicious cycle of austerity and economic stagnation. Some countries are showing signs of reconsidering the pace at which austerity measures are implemented. (Fig. 44 - 45)
- Meanwhile, other countries are successfully making progress in efforts towards fiscal consolidation. Ireland is set to achieve a complete comeback to the bond market by the end of 2013. (Fig. 46 - 49)

Fig. 44 Trends of Estimated Real Economic Growth in South European Countries

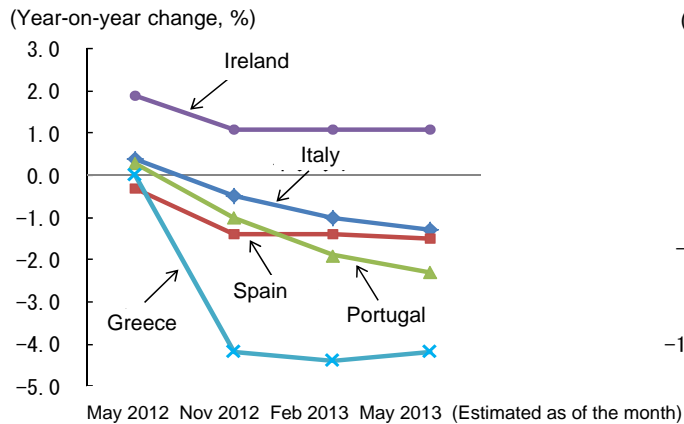


Fig. 45 Improvements in Structural Fiscal Balance (General Government)

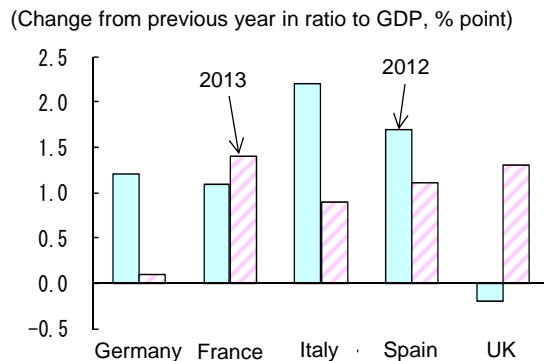


Fig. 46 Fiscal Conditions of Italy

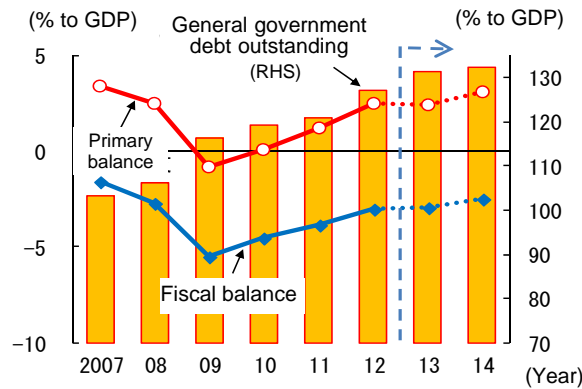


Fig. 47 Fiscal Conditions of Spain

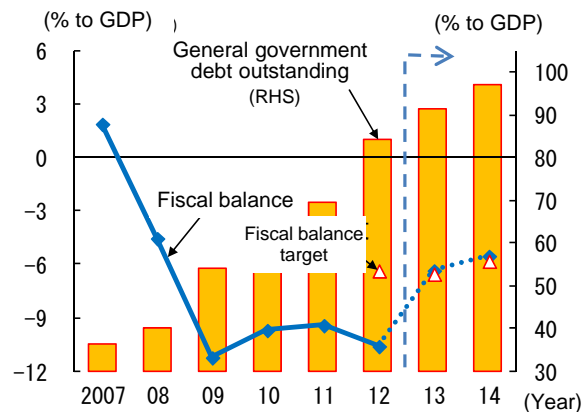


Fig. 48 Fiscal Conditions of Greece

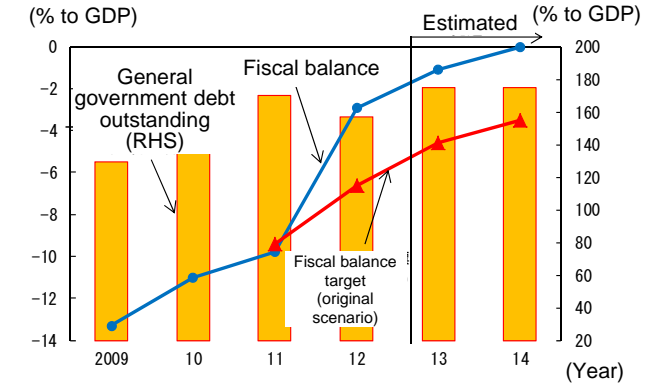
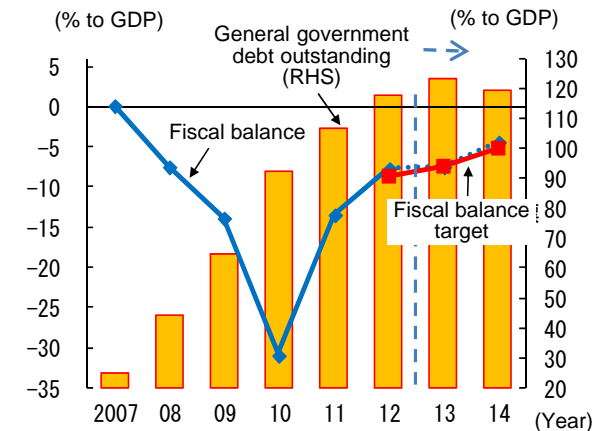


Fig. 49 Fiscal Conditions of Ireland



● Global economy: The economy will be stabilize moving into the latter half of 2013.

While the global economy as a whole had been recovering only feebly since the latter half of 2012, some solid trends began to appear from early 2013.

However, disparities are being observed between countries and regions.

- Forecast: The economy will stabilize moving into the latter half of 2013. (Real economic growth for the full year of 2013: mid-2% level)
- Risks: (1) Further slowdown of the Chinese economy; and (2) Return of sovereign debt crisis in Europe;

● USA: The economy remains on a modest recovery trend.

Recovery of income environments and employment continues, and consumption increases modestly. Continuing improvement in the housing markets and rising stock prices are also positive factors.

- Forecast: Effects of austerity are expected to fade out in the latter half of 2013. (Real economic growth for the full year of 2013: around 2%)
- Downside risks: (1) Slowdown of growth owing to austerity; (2) Return of sovereign debt crisis in Europe; (3) Prolonged slowdown of emerging economies;
- Upside risks: (1) Rising asset prices; and (2) Mitigated credit risk;

Chapter 1 Sections. Forecasts and Risks – Asia & Europe –

● Asia: Signs of recovery are getting clearer.

- China will see growth of its exports almost leveling off, while consumption, infrastructure investment, and inward investment will grow only feebly, leaving the pace of growth still at a modest level.
- The South Korean and Taiwanese economies will come to a standstill mainly owing to stagnant growth of exports and a downturn in demand for electronics parts.
 - Forecast: Signs of recovery are getting clearer. (Real economic growth forecast by international organizations for the full year of 2013: China: around 8.0%; South Korea & Taiwan: 2.0% or above; ASEAN: 2.0 - 6.0% or above; India: 5.0% or above;)
 - Risks: (1) Stagnant exports to Europe, etc., and movements in the financial and capital markets; (2) Further overheating of real estate prices in China; (3) Higher pace of inflation; and (4) Downturn of the Chinese economy with greater constraints on growth;

● Europe: The economy will start to pick up in the latter half of 2013.

Despite stability beginning to appear in the financial market and signs of bottoming out seen in some sectors in Germany and others, the economy as a whole exhibits weak movements. South European countries are experiencing a vicious cycle of austerity and economic stagnation, resulting in movements towards reconsidering austerity policies.

- Forecast: The economy will start to pick up gradually in the latter half of 2013. (Real economic growth forecast by international organizations for the full year of 2013: around -0.5%)
- Risks: (1) Recurrence of the sovereign debt problem; (2) Decreased exports due to slowdown in the United States, Asia, and other economies; and (3) Further deterioration of employment conditions;