China has seen an export growth slowdown due to the European sovereign debt crisis. Its imports and production growth have also decelerated due to sluggish domestic demand and exports. (Figs. 21 and 22)

Meanwhile, economic stimulus measures and other factors have led to signs of stabilization in investment in mainly infrastructure and consumption. Total social loans have been also on an increasing trend since mid 2012. (Figs. 23-26)
**India**: Economic growth has been decelerating as the manufacturing sector has been slumping due to slack vehicle sales under monetary tightening and other factors. (Figs. 27 and 28)

**Other Asian economies**: Production and exports have slowed down due to the European sovereign debt crisis and China’s economic deceleration (Figs. 29 and 30). In South Korea and Taiwan, however, production is recovering due to progress in semiconductor inventory adjustment in response to launches of new smartphones (Fig. 31). Some countries have implemented economic stimulus measures and policy interest rate cuts. (Table 32)

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**Fig. 27** India: Real Economic Growth (by industry)  
**Fig. 28** India: Vehicle Sales  
**Fig. 29** Other Asian Economies: Production  
**Fig. 30** Other Asian Economies: Exports to Major Countries/Regions  
**Fig. 31** Semiconductor Shipment-Inventory Gap (South Korea and Taiwan)

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**Table 32** Other Asian Economies: Major Economic Stimulus Measures

<table>
<thead>
<tr>
<th>Country/region</th>
<th>Overview</th>
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<tbody>
<tr>
<td>South Korea</td>
<td>In June and September 2012, the government decided to implement economic stimulus measures including an average 10% cut in the withholding income tax for invigorating consumption, investment promotion (power generation facilities, infrastructure, etc.) and an increase in local governments’ budget implementation ratios. Total size: about 14.4 trillion won (equivalent to some 1% of nominal GDP) *December 2012 is set to see a presidential election.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>In September 2012, the government announced an economic stimulus package comprising five strategies: industry support, export promotion, human resource development, investment promotion (including private sector investment) and increased government efficiency (public firms’ investment expansion, etc.). The package is estimated to boost GDP by 1.0–1.6% annually.</td>
</tr>
<tr>
<td>Thailand</td>
<td>In September 2012, the government implemented economic stimulus measures including promoting purchases of homes and vehicles, and cutting corporate tax, mainly to cope with flood damage. In April 2012, the minimum wage was raised.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Financial aid to low-income people, wage hikes for public servants and other measures were implemented. The 2013 budget includes a cut of 1 percentage point in individual income tax for taxpayers with income ranging from 2,500 to 50,000 ringgit, and a minimum-wage hike. *A general election will be implemented for the Malaysian House of Representatives by April 2013, when the term of office for lawmakers will expire.</td>
</tr>
</tbody>
</table>
Chapter 1, Section 4. U.S. Economy ~ Moderate Recovery Continuing ~

- Consumption, though recovering, has been dragged down by a falling savings rate and sluggish growth in real disposable income mainly among low and middle income earners. (Figs. 33-35)
- The employment recovery pace has been far slower than in the past. (Fig. 36)
- Meanwhile, housing sales have posted some improvement. The negative equity, which had dragged down replacement and refinancing, has been narrowing. (Figs. 37 and 38)
The annual budget deficit exceeded $1 trillion for the fourth straight year after the global financial crisis. The United States will hit the debt ceiling between late 2012 and early 2013. Unless the so-called “fiscal cliff” is averted, great downward pressure may be exerted on the economy in 2013. (Figs. 39-41)

In September, the Federal Reserve purchased mortgage-backed securities under its additional monetary easing (quantitative easing 3) policy, allowing mortgage loan rates to decline. The dollar weakened against other currencies temporarily due to expectations of monetary easing just before the purchases. However, the weakening paused later. (Figs. 42-44)
Global economy: While a weak recovery continues, the recovery tempo is expected to rebound.

- Forecast: The real economic growth rate throughout 2013 is expected to be between 2.5% and 3.0% (on a market-rate basis).
- Risks: The risks are downside. Sufficient vigilance is required over a further deterioration of the European sovereign debt crisis and the U.S. “fiscal cliff.”

Europe: Expected to recover from 2013 after weakening in 2012

- Forecast: International organizations’ forecasts of real economic growth rates between 0.0% and 1.0% throughout 2013 are roughly appropriate. However, European growth will depend heavily on U.S., Chinese and other overseas economic developments.
- Risks: The risks are on the downside. In particular, if the European sovereign debt crisis worsens, it may exert a grave impact on the global economy.
  - Downside risks: (1) An aggravation of the European sovereign debt crisis (including i. failure of the banking union or second support for Greece, ii. South European and other countries’ failure to achieve fiscal consolidation targets, and iii. a further deterioration of bank balance sheets, mainly in Spain), (2) Exports could decline due to deceleration of the U.S. and Asian economies, (3) The employment situation could deteriorate further.
Chapter 1 Sections. Forecasts and Risks ~ Asia & USA ~

● **Asia: Moves toward recovery growing clearer**
  - Forecast: International organizations’ economic growth forecasts between 8% and 8.5% for China, and between 6.0% and 6.9% for India throughout 2013 are roughly appropriate.
  - Risks: The risks are on the downside.
    - Downside risks: (1) Slumping exports to Europe and China, and financial/capital market developments, (2) Chinese real estate prices’ repeated overheating or plunge, (3) Reacceleration of price hikes, (4) Possible absence of China’s policy effects
    - While consumption is likely to increase moderately, “fiscal cliff” and other measures to enhance fiscal austerity are expected to exert adverse effects on the economy.

● **USA: Moderate Recovery Continuing**
  - Forecast: Real economic growth in 2013 is likely to be around 2%.
  - Risks: The risks are downside. Particularly, attention should be paid to the “fiscal cliff.”
    - Downside risks: (1) Deceleration of growth accompanying the “fiscal cliff” crisis, (2) The European sovereign debt crisis’s deterioration and spillover effects on the real economy, (3) Delayed employment recovery, (4) Deceleration of emerging countries’ growth