World Economic Trends
The 2013 Spring Report
– Challenges of Restoring the Potential for Growth –
(Summary)

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To analyze the current conditions of and the outlook for the world economy, whose performance is mixed between countries and regions, as the global economic recovery remains weak, while there are some countries that began to show stability in 2013.

- USA: The economy continues to recover modestly, as recovery of income environments and employment continues, and consumption is increasing modestly.
- Asia: The Chinese economy continues growing only at a modest pace.
- Europe: Despite stability beginning to appear in the financial markets, and signs of bottoming out seen in some sectors, the economy as a whole exhibits weak movements.

To identify what caused the economy of major countries to grow only at a lower rate after the global financial crisis, and outline efforts they are making for creating innovation, a key to enhancing the potential for growth.

Chapter 1. Trends in Each Country/Region
Section 1. Overview of the Global Economy
Section 2. U.S. Economies
Section 3. Asian Economies
Section 4. European Economy

Chapter 2. Changes in the potential for growth especially among the developed countries, and the outlook for them
Section 1. Structural changes in growth after the global financial crisis
Section 2. State of affairs concerning innovation in countries, and conditions for creating innovation
Section 3. Conclusion
Chapter 1, Section 1. Overview of Global Economy – Global Economic Trends: Despite continued weakness in recovery, steadiness can be seen in some sectors.

- The world economy as a whole remains weak in its recovery, though steady movements can be seen in some sectors, despite disparities between countries and regions. (Fig. 1 & 2)
  - External demand: Among the developed countries, the United States exhibits steady movements. Among emerging countries, growth remains low, except for China. (Fig. 3)
  - Domestic demand: Consumption is on a gradual increase in the United States, and emerging countries generally see steady growth in consumption. Investment is also on an upward trend in the United States, despite mixed trends being seen in the other countries. (Fig. 4)
Chapter 1, Section 1. Overview of Global Economy – Global Monetary Easing and Various Economic Policies –

- Most developed countries are reconstructing their public finances, which deteriorated as a result of the global financial crisis. However, the pace of financial reconstruction differs among them. (Fig. 5)
- Since 2012, both developed and emerging countries have taken further monetary easing measures, successfully achieving stability in the financial and capital markets, though stock prices have shown different movements between the developed and emerging economies. (Fig. 6-8)

Fig. 5 Improvements in Structural Fiscal Balance (General Government) in Major Developed Countries

Fig. 6 Policy Interest Rates in Major Countries

Fig. 7 Foreign Exchange Rates in Developed Countries

Fig. 8 Stock Price Indexes in Major Countries: Changes from Autumn 2012
Chapter 1, Section 2. U.S. Economy – Search for Sustainable Recovery –

- Consumption is on a modest upward trend mainly in durables and services (Fig. 9)
- Behind the trend lie, among others, progress in adjustment of households’ balance sheet helped mainly by continued improvement in employment conditions, and rises of stock and housing prices. (Fig. 10 - 12)
- The corporate sector maintains a cautious attitude toward capital investment, though corporate profits are strong, and stock prices have reached new record highs. (Fig. 13 - 14)
Among elements of the “fiscal cliff,” Bush tax cuts and some others were avoided, though automatic spending cuts got started, leaving downward pressure on the economy. (Fig. 15 - 17)

For monetary policy, numerical thresholds of employment (6.5% of unemployment rate) and inflation (2%, plus 0.5% or less) were introduced. The market pays attention to when additional asset purchases are undertook and at what pace. (Fig. 18 - 19)
Chapter 1, Section 3. Asian Economies – China: The pace of growth remains modest –

- Though propped up by monetary easing and further implementation of infrastructure investment projects, real economic growth stood at 7.9% in the October - December period of 2012, before staying at a mere 7.7% in the January - March period of 2013. Growth of exports has generally been on the same level, while that of domestic demand has been weak. Growth of production has also been on the same level partly due to inventory adjustment. (Fig. 20 - 24)
- Though growth of total social loans remains high, with strong demand from companies for funds, they may be diverted to investment in real estate, and property prices are going up again (Fig. 25)

Fig. 20 Aggregate Retail Sales of Social Consumer Goods

Fig. 21 Total Retail Sales at Retailers above a Certain Size (Home Appliances)

Fig. 22 Inward Direct Investment

Fig. 23 Exports (By Country/Region)

Fig. 24 Industrial Production (by industry)

Fig. 25 Trends of Sales Price of New Houses