Chapter 1, Section 3. European Economies – Signs of a Pick-Up –

- Real economic growth has been positive for two quarters following six quarters of negative growth, and signs of a pick-up are observed, driven especially by Germany. (Fig. 20)
- In the meantime, unemployment rates remain high except for Germany and a few other countries, and private consumption is on a downward trend mainly in South Europe, due partly to the decline in real employee compensation. On the other hand, price competitiveness of exports has improved as a result of the depreciation in real effective exchange rates. (Fig. 21 - 23)
- Balance-sheet adjustments are still necessary, as the non-performing loan ratio in the banking sector is rising owing to factors such as the decline in housing prices. Corporate borrowing demand remains weak and recovery momentum of investments is not very strong. (Fig. 24 - 25)
Chapter 1, Section 3. European Economies
– Recovery in the UK, Mitigation of Downward Pressure from Fiscal Tightening and Provision of Social Safety Net

- In the UK, household consumption remains firm as a result of the wealth effect from rising house prices, as well as the progress in balance-sheet adjustments, while a rise in real wage remains a challenge. Fiscal consolidation progresses at a relatively high pace. (Fig. 26 - 29)
- In South European countries, the outlook for real economic growth has been improving, as the pace of fiscal consolidation was eased. (Fig. 30 - 31)
- Regarding the Banking Union, the Single Supervisory Mechanism (SSM) is expected to be established after October 2014. A comprehensive assessment for banks, which will take place before the SSM becomes operative, will possibly promote bank recapitalization and restoration of confidence on the banking system in the near future.

Fig. 26 Housing Prices and Mortgage Rate in the UK
Fig. 27 Financial Conditions of UK Households
Fig. 28 Real Wages in the UK
Fig. 29 Fiscal Target of the UK
Fig. 30 Trends in Estimated Real Economic Growth in South European Countries
Fig. 31 Improvements in Fiscal Balance in Major Eurozone Countries
Chapter 1, Section 4. Asian Economies – China: The Pace of Economic Expansion is Stabilizing –

- The pace of economic expansion is stabilizing, with fixed asset investment showing a stable rate of growth, supported especially by infrastructure-related investment. Exports are also showing signs of a pick-up. (Fig. 32 - 35)
- While growth of total social financing remains high driven by the expansion of trust loans and others, these loans may be diverted to real estate investments, and property prices are on a upward trend again. (Fig. 36 - 37)
Chapter 1, Section 4. Asian Economies – South Korea & Taiwan: Signs of a Pick-Up in the Economy –

- South Korea & Taiwan: The economy in South Korea is picking up, with strong exports of semiconductors and other items, despite the effect of deteriorating property prices. In Taiwan, exports remain sluggish, reflecting the weak demand for PCs and LCD panels. The economy is showing only a gradual pick-up. (Fig. 38 - 39)
- ASEAN: The economy shows only a gradual pace of improvement, owing to the deceleration of the Chinese economy, in addition to specific factors in each country. (Fig. 40 - 41)
- India: The economy is decelerating since manufacturing is sluggish, mainly due to stagnant sales of automobiles as a result of the monetary tightening and other unfavorable factors, and the service industry, a driving force of the economy, is also slowing down. (Fig. 42 - 43)
Global Economy: The economy will stabilize gradually moving into 2014
While the global economy as a whole is recovering only feebly in 2013, some solid trends have begun to appear especially in developed countries.

- Forecast: The economy will stabilize gradually moving into 2014. (Real economic growth for 2014: slightly over 3%)
- Risks: (1) effect of policy trends in the USA; (2) directions of economies in China and other emerging countries; and (3) return of sovereign debt crisis in Europe; etc.

USA: The economy remains on a modest recovery trend
The economy remains on a modest recovery trend as evidenced by the modest increase in consumption and other favorable factors, supported by the improvement in employment and income environments, the rise in housing prices and stock prices, and so on.

- Forecast: The economy remains on a modest recovery trend (Real economic growth for 2014: around the mid-2% level)
- Downside Risks: (1) deceleration of growth in handling the fiscal problems; (2) decline in housing investments, etc. owing to tapering of asset purchases; (3) return of sovereign debt crisis in Europe; and (4) prolonged deceleration of emerging economies.
- Upside Risks: (1) rising asset prices; and (2) mitigation of credit risk.
Europe: The economy will show gradual recovery from 2014
Germany and the UK are picking up, while the recessions in other countries, including those of South Europe, are bottoming out. Overall, the economy shows signs of a recovery.

- Forecast: The economy will show gradual recovery from 2014, as exports will increase with economic recovery outside Europe, and South Europe will also start to show some signs of a turn around. (Real economic growth for 2014: around 1%)
- Risks: (1) aggravation of sovereign debt crisis; (2) decline in exports owing to economic slowdown in the U.S., Asia, and other regions; and (3) further deterioration in employment conditions.

Asia: Growth rate will decline from the previous levels
- In China, consumption and investment growth will almost level off, and the growth rate will stabilize.
- In South Korea and Taiwan, the economy is picking up, despite sluggishness in some areas.
- The ASEAN economies show only a gradual pace of recovery.
- The Indian economy is decelerating.

- Forecast: Somewhat slow growth rate. (Real economic growth for 2014: China: mid-7% level; South Korea & Taiwan: mid-3% level; ASEAN: high-4% level; India: around 5%)
- Risks: (1) developments surrounding the financial markets and deterioration of export environments; (2) deceleration of the Chinese economy; and (3) re-acceleration of inflation.