

Chapter 2, Section 1. European Economies ~ Assessment of ECB Roles ~

- Deposit withdrawals and inter-bank market tensions under the escalating crisis have prompted banks to depend on liquidity provision by the ECB. (Figs. 29-30)
- The ECB has introduced unconventional monetary policy measures one after another. Among them, three-year Long Term Refinancing operations in December 2011 and February 2012 had some effects. The future challenge is to prevent Eurozone banks from depending heavily on these measures. (Figs. 31-32)

Fig. 29 Outstanding Deposits at Eurozone Banks

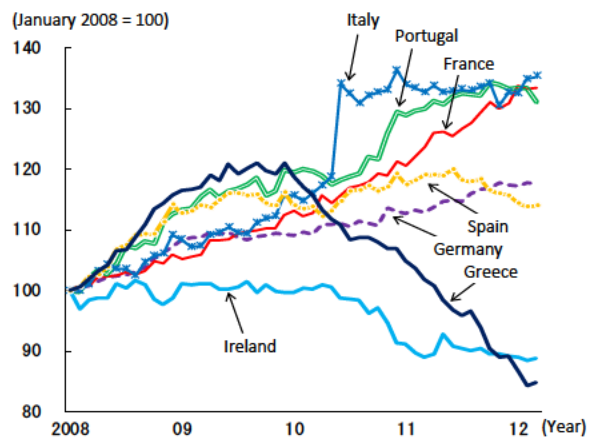


Fig. 30 ECB's Liquidity Provision Balance

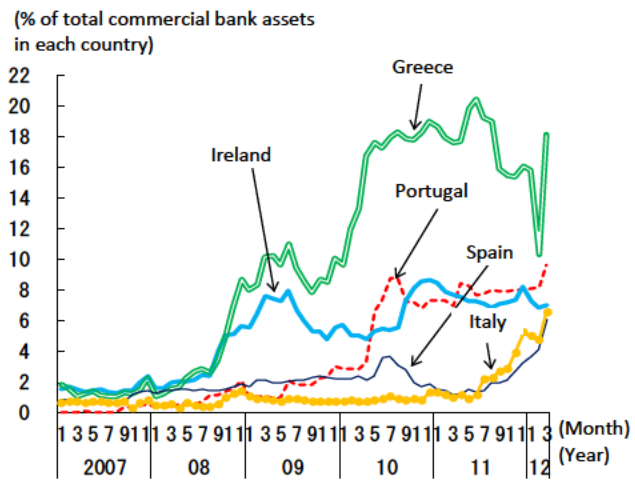


Fig. 31 ECB Liquidity Provision and LIBOR

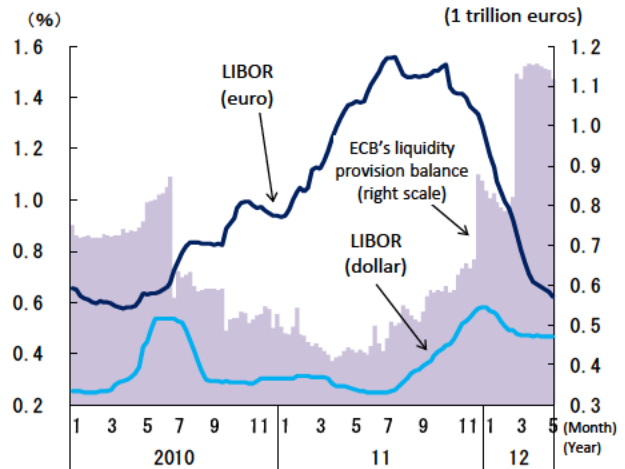
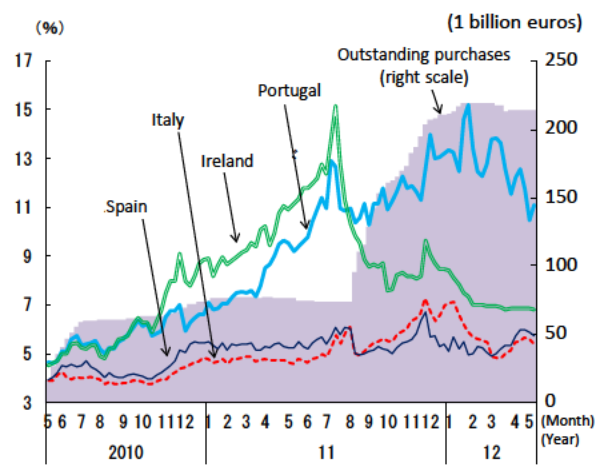


Fig. 32 ECB-purchased Government Bonds and Yields in South European Countries



Chapter 2, Section 2. Asian Economies ~ China: Distortions Stemming from Investment-led Economic Growth ~

- Housing prices soared remarkably in major cities after the global financial crisis in 2008. Factors behind the hike included the presence of excess liquidity resulting from economic stimulus measures and monetary easing. However, housing prices differ from region to region. (Figs. 33-35)
- The housing price upsurge has slowed down due to price-limiting measures and monetary tightening since mid-2011. (Fig. 36)
- Housing price hikes as compared with economic fundamentals are not necessarily interpreted as representing the overheating seen in Europe and the United States, which have experienced real estate bubbles. Strong demand remains in china. (Fig. 37)

Fig. 33 Trends of New Housing Prices

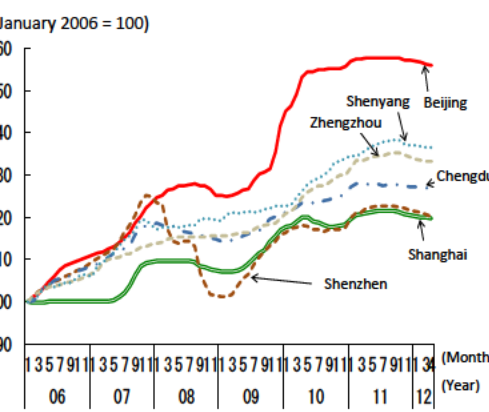


Fig. 35 Housing Price Differences between Government-ruled Municipalities/Provinces (variation coefficient)

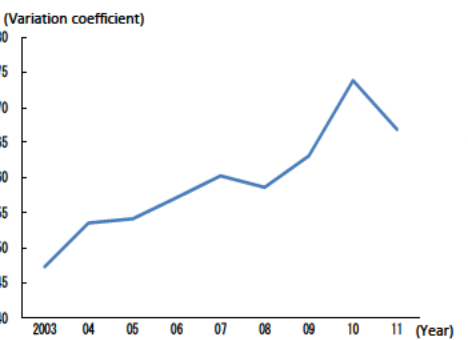


Fig. 34 Marshall's k

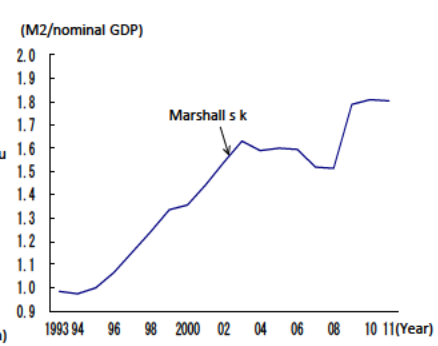


Fig. 36 Housing Price Changes from Previous Month in 70 Major Cities

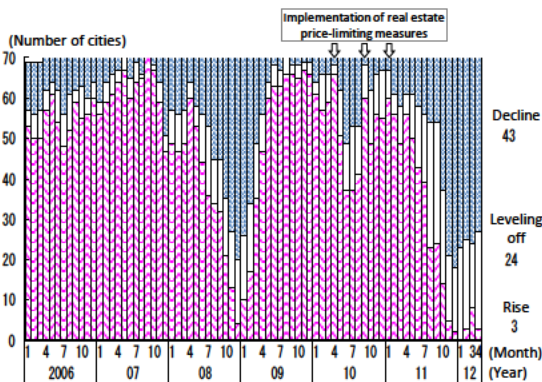
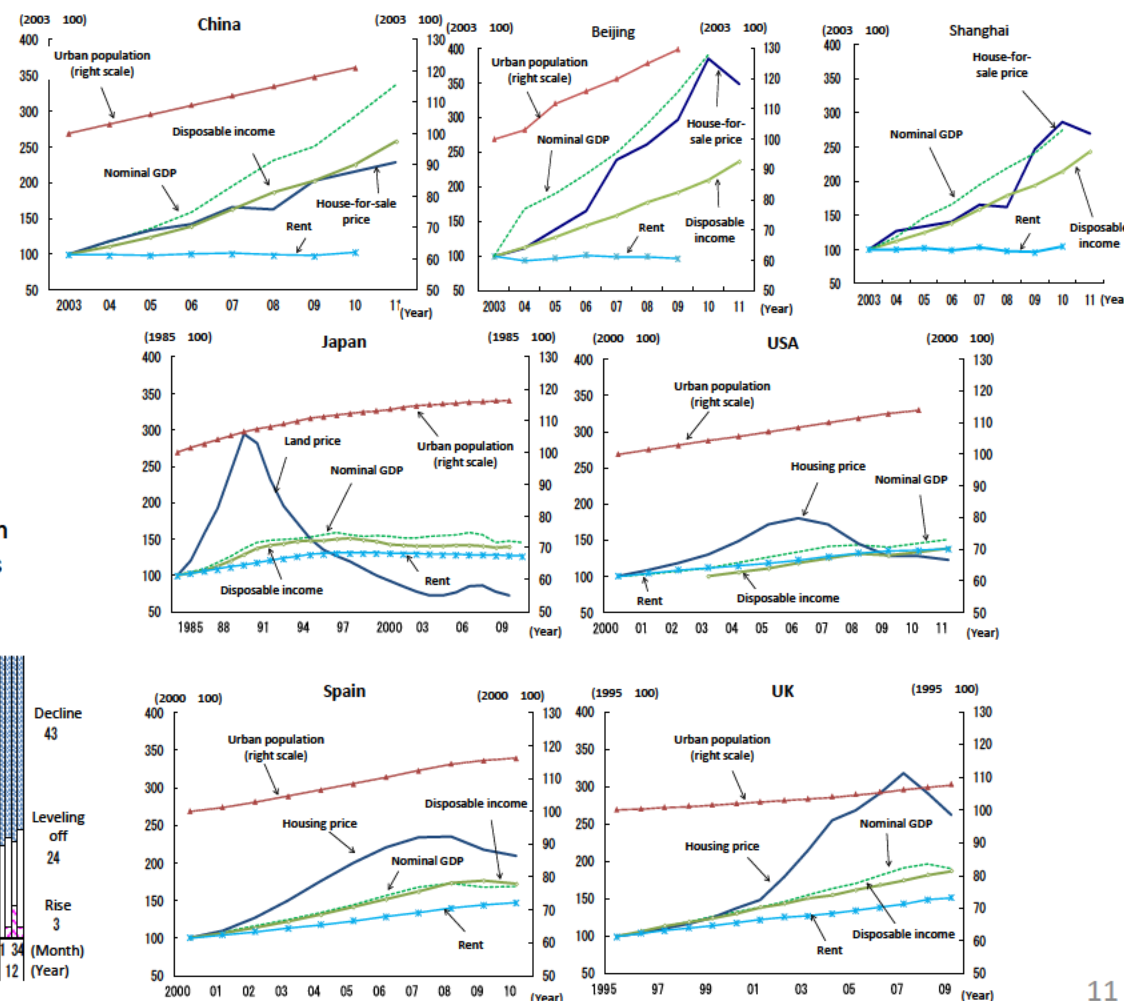


Fig. 37 Comparison with Countries Experiencing Real Estate Bubbles



Chapter 2, Section 2. Asian Economies ~ China: Policies Focusing on Consumption Expansion ~

- The National People’s Congress in March 2012 positioned the expansion of domestic demand (particularly consumption) as the top priority. New measures are expected to be offered to promote consumption of such products as energy-saving electrical appliances. (Fig. 38)
- Keys to expanding consumption include improving real income, raising rural income and developing the social security system to discourage household savings. (Figs. 39-40).

Fig. 38 Outline of Proposals at National People’s Congress

● An economic growth target, basic policies, a budget, etc. for 2012 were presented at the fifth session of the 11th National People’s Congress March 5-14, 2012 (outlined below).

Major targets for 2012			
	2012 targets	(2011 targets)	2011 results
Economic growth	7.5%	Around 8%	9.2%
New urban employment	More than 9 million people	More than 9 million people	More than 9 million people
Registered urban unemployment rate	4.6% or less	4.6% or less	4.1% (year-end)
CPI	Around 4%	Around 4%	5.4%
M2	14%	16%	13.6% (year-end)
Trade value growth	10%	—	—

Key points of government operations reports

- Continuing proactive fiscal policy and moderate (neutral) monetary policy
 - 1) Maintaining appropriate fiscal deficit and government bond levels
 - 2) Implementing structural tax reduction measures
- Maintaining the stability of renminbi exchange rates while increasing their flexibility
- The top priority is the expansion of domestic demand (particularly consumption) (2011: Stabilization of overall price levels)
- Maintaining restrictions on speculative real estate demand

Fig. 39 Income Environment

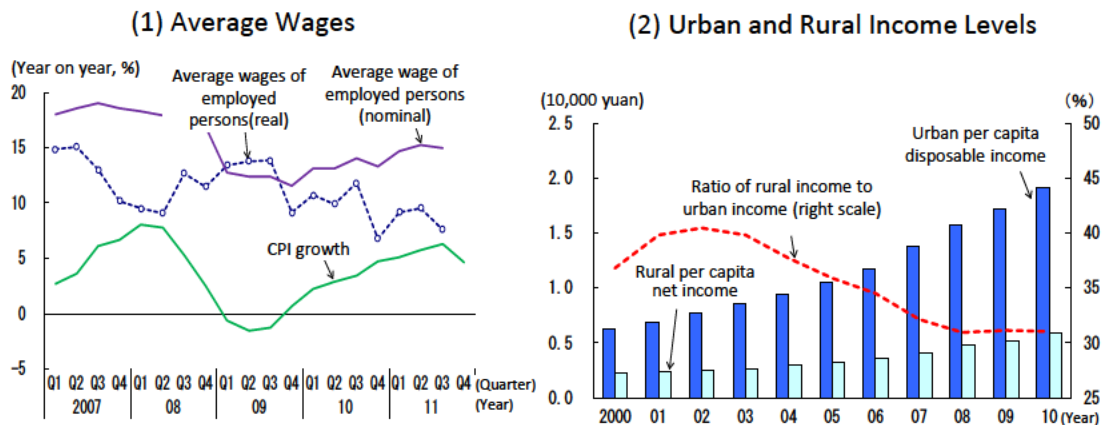
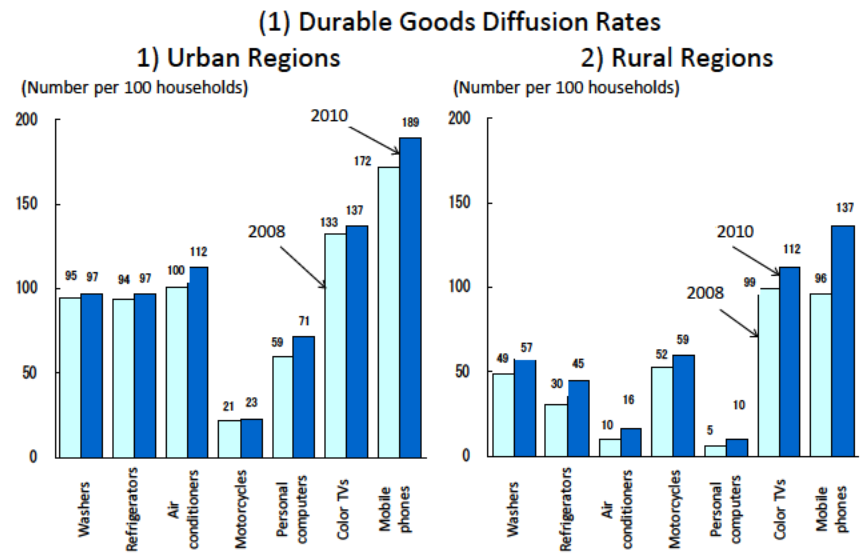
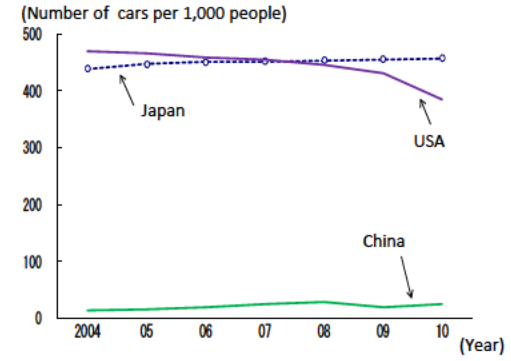


Fig. 40 Room for Expanding Consumption



(2) Passenger Car Fleet



Chapter 2, Section 2. Asian Economies ~ India: Slowing of Economic Expansion ~

- The paces of consumption and investment expansion have slowed down mainly due to monetary tightening. Economic downside risks triggered monetary easing. (Figs. 41-43)
- (1) The inward investment structure is vulnerable to international financial market fluctuations and is biased toward certain industries (Fig. 44). (2) Twin fiscal and current account deficits (Fig. 45) are challenges for sustainable growth.

Fig. 41 Industrial Production

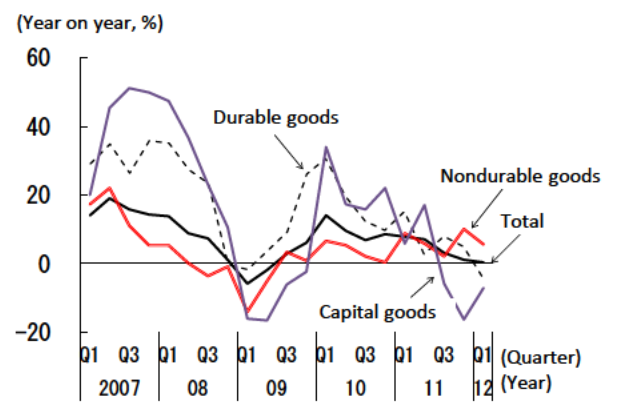


Fig. 44 Inward Investment

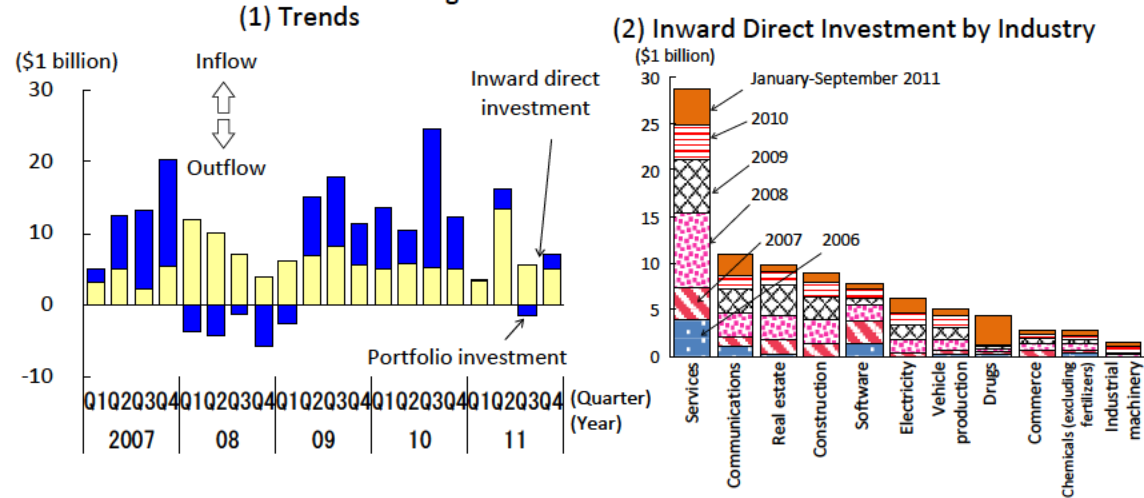


Fig. 42 Vehicle Sales

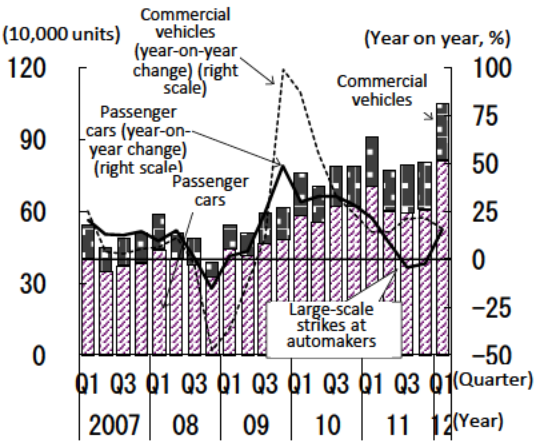


Fig. 43 Monetary Policy

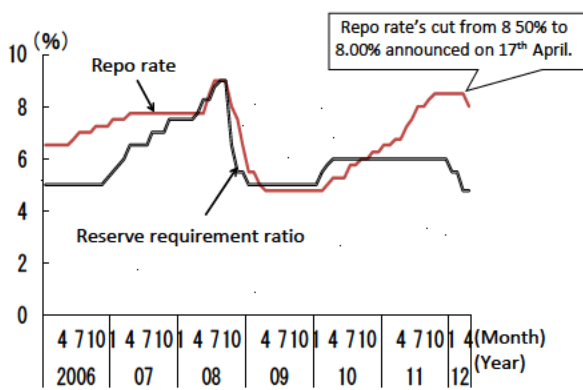
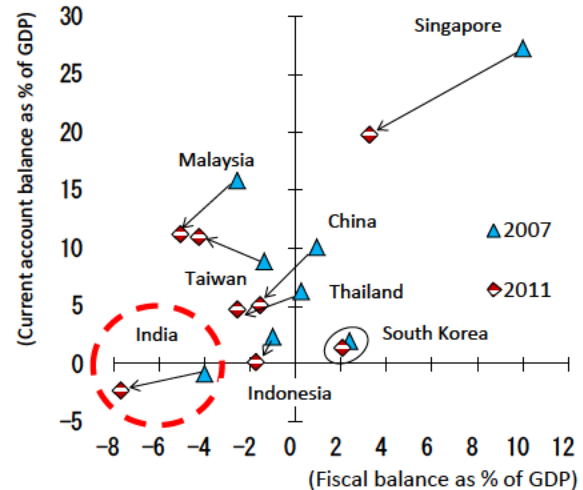


Fig. 45 Fiscal and Current Account Balances



Chapter 2, Section 2. Asian Economies ~ Other Asian Countries: Economic Contraction in Some Countries, Links with Chinese Economy ~

- Some countries posted their economic contraction in the fourth quarter 2011 as foreign demand slowed due to the European sovereign debt crisis. (Fig. 46-47)
- Trade between China and other Asian countries has expanded. The trade network has been developed for China to process intermediate goods from the rest of Asia for exporting to Japan, North America and Europe. The links between China and other Asian countries have been enhanced. (Fig. 48)

Fig. 46 Real Economic Growth

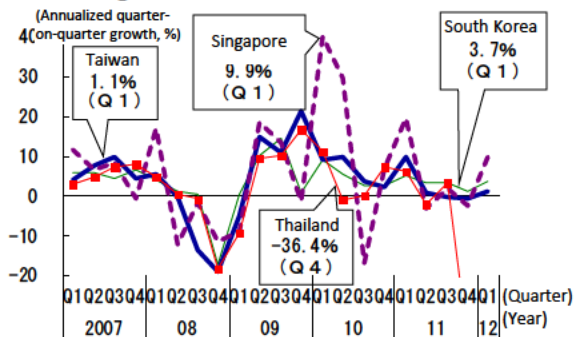
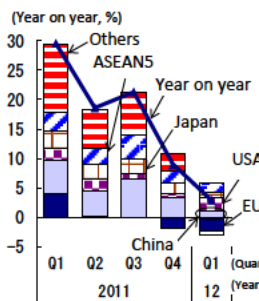
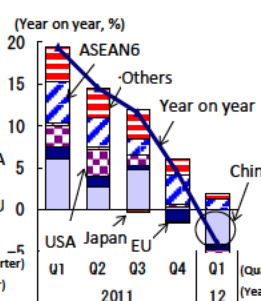


Fig. 47 Export Trends

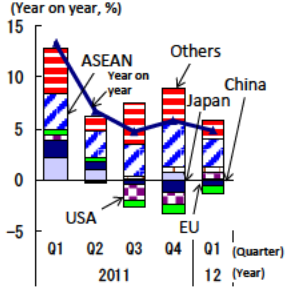
(1) South Korea



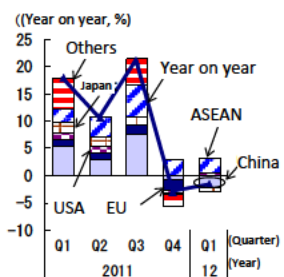
(2) Taiwan



(3) Singapore



(4) Thailand



(5) Malaysia

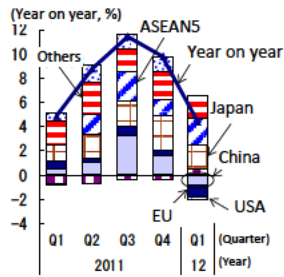
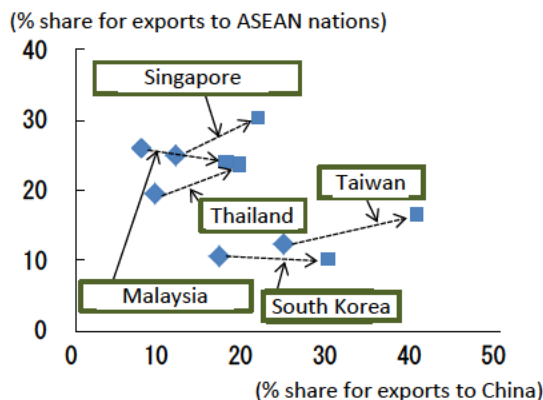
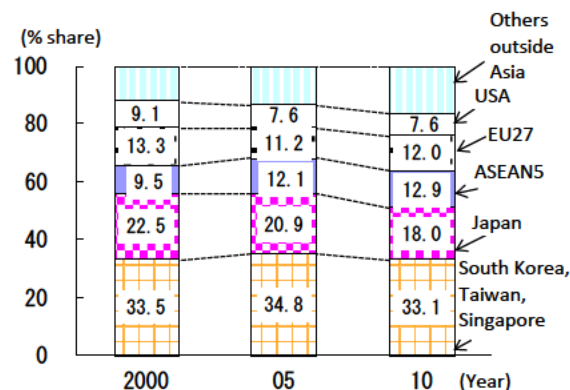


Fig. 48 Growing Linkage with Chinese Economy

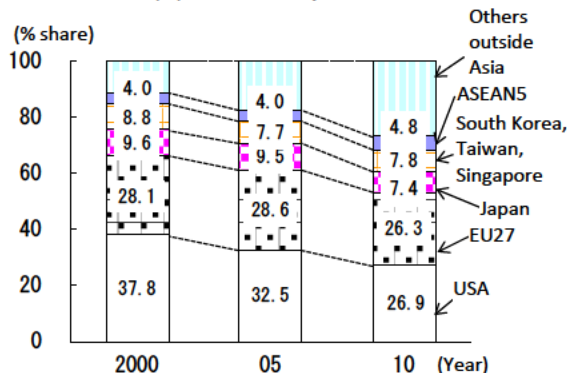
(1) Share for Exports to China and ASEAN (Comparison between 2000 and 2011)



(2) China's Intermediate Goods Imports



(3) China's Exports



(4) Correlation between Exports to China and Those from South Korea and Taiwan

	2000-2005	2006-2011
South Korea	0.94	0.86
Taiwan	0.47	0.92