Chapter 2, Section 3. U.S. Economy ~ Verification of Structural Economic Changes and Sustainability of Growth: Labor ~

- Amid labor force growth slows due to aging, low-skill industries have abundant personnel, with high-skill industries seeing job vacancies. Some mismatch thus exists between job offers and demand. It is important to improve workers' skills to eliminate the mismatch. (Figs. 49-51)
- Meanwhile, the United States accepts specialized/advanced human resources from abroad. (Fig. 52)

Fig. 49 Labor Force Growth Rate

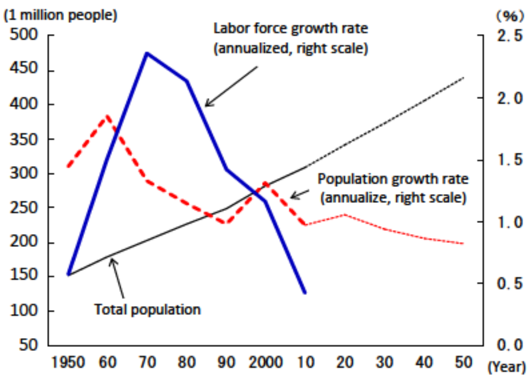
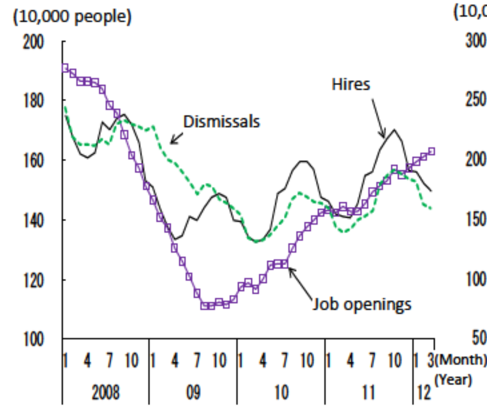


Fig. 51 Job Openings, Hires, Dismissals

(1) High-skilled Industries



(2) Semi-skilled Industries

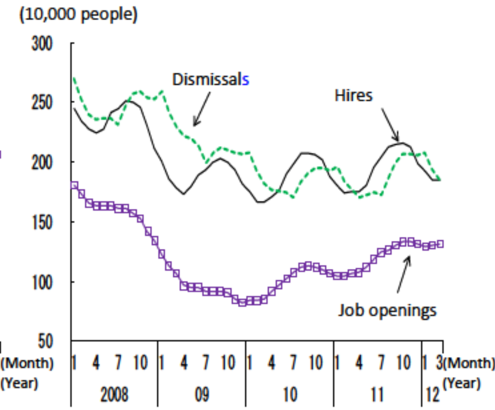


Fig. 52 Acceptance of Advanced Human Resources from Abroad

(1) Number of Foreign Students in USA

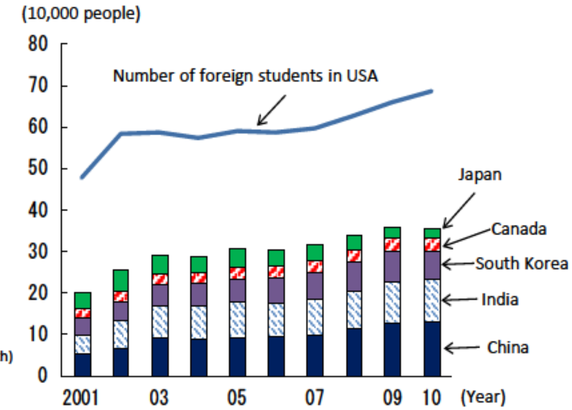
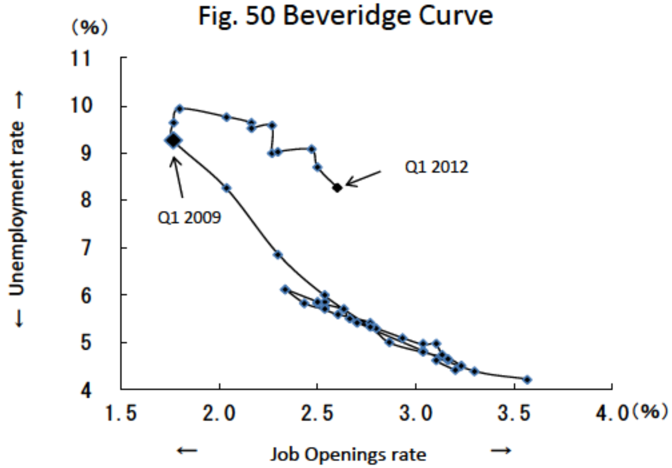
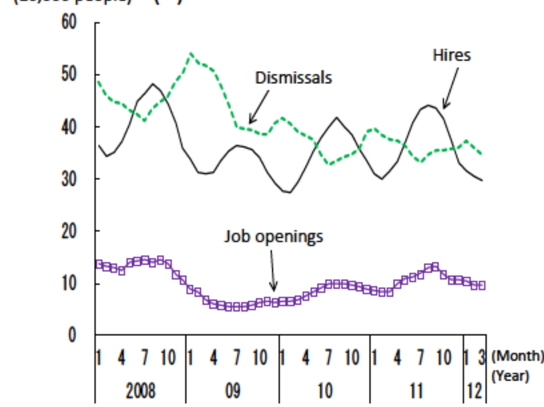


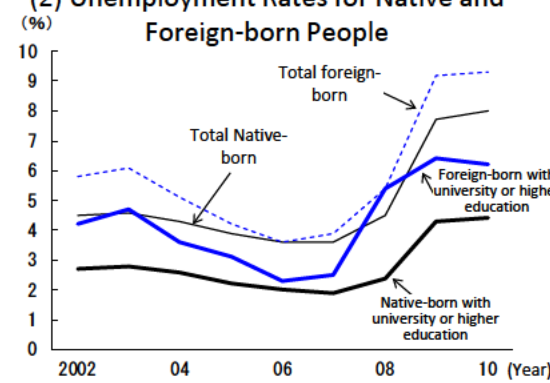
Fig. 50 Beveridge Curve



(3) Low-skilled Industries



(2) Unemployment Rates for Native and Foreign-born People



Chapter 2, Section 3. U.S. Economy ~ Verification of Structural Economic Changes and Sustainability of Growth: Capital ~

- Capital stock growth has slowed due to the burst of information technology bubbles and the global financial crisis. (Fig. 53)
- Given that stock adjustment has made progress with companies having surplus investment capacity, investment will increase depending on a rise in the anticipated growth rate for the services industry as a growth sector over the medium to long term. (Fig. 54-47)

Fig. 53 Capital Stock Trends

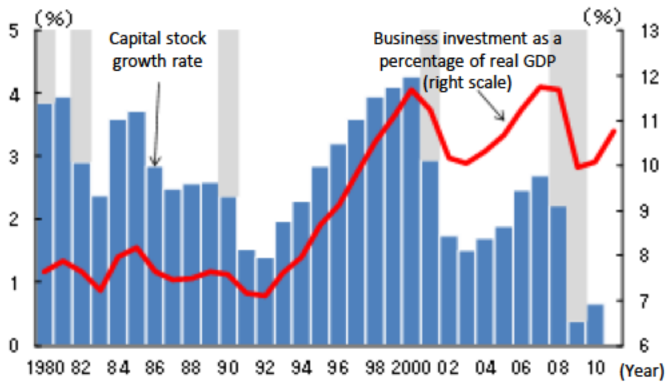


Fig. 56 Industry-by-Industry Contribution to GDP and Business Investment Growth

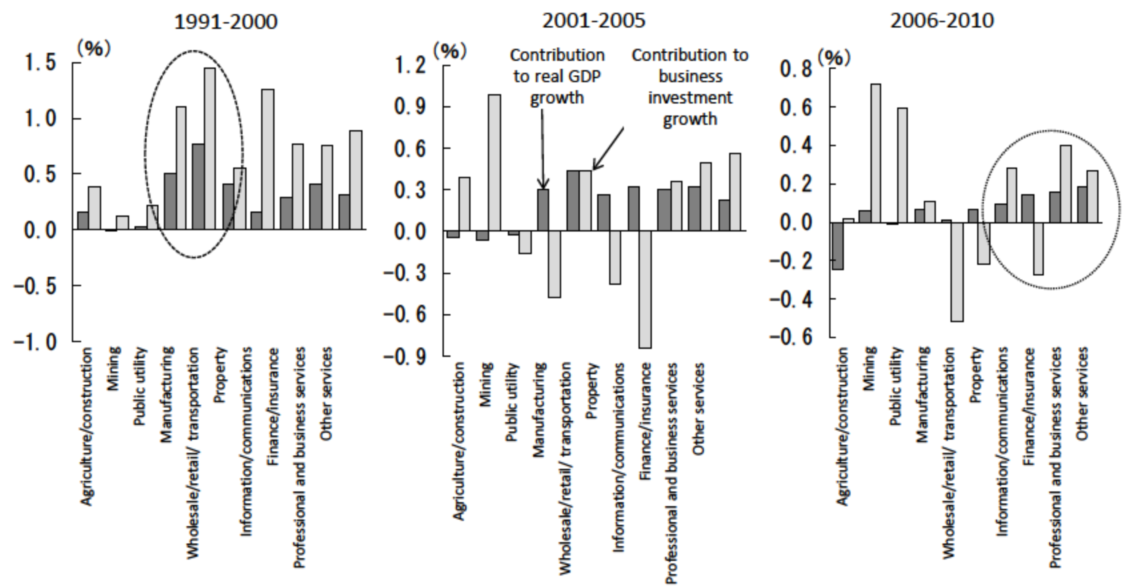


Fig. 54 Capital Stock Cycle and Anticipated Growth Rate

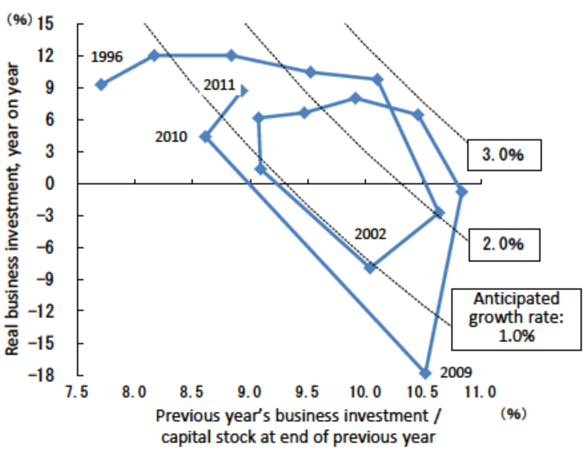


Fig. 55 Corporate Cash Flow

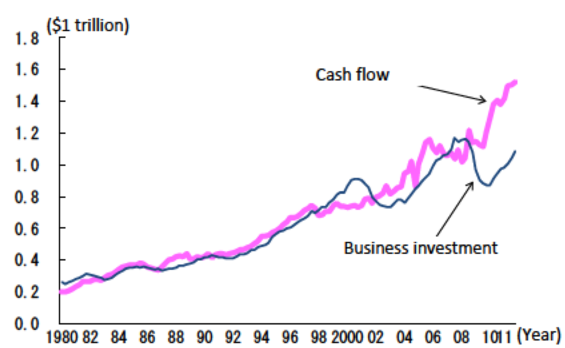
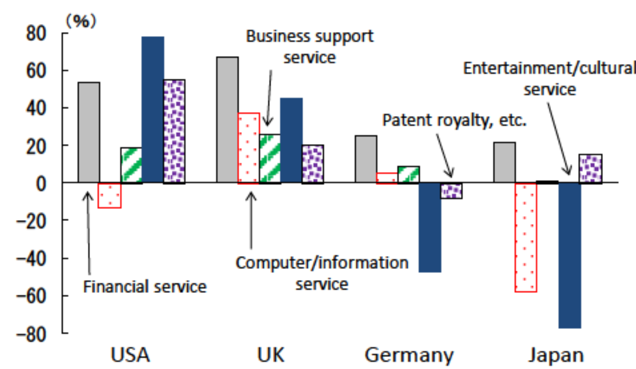


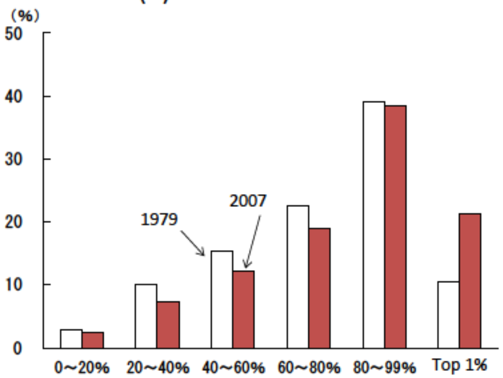
Fig. 57 Services Sector's Trade Specialization Index



- Income gaps have widened to an historical level. Assets and income have concentrated in the high-income group, driving the entire consumption. Meanwhile, the low to medium-income group is plagued with heavy debt burdens, failing to rely on debt-ridden consumption as seen before the global financial crisis. The challenge is to improve their balance sheets and raise income levels through secured employment. (Figs. 58-60)
- Fiscal deficit reduction efforts at federal, state and local governments have been implemented, dragging down the economy. It is important to focus spending on priority areas to support economic growth.

Fig. 58 Income Structure and Asset Holdings

(1) Income Structure



(2) Asset Holdings (2007)

(%)

Income	0-50%	50-90%	Top 10%
Net assets	3	26	72
Assets	6	29	65
Financial assets	3	25	72
Stocks	1	9	90
Other assets	3	29	68
Real assets	8	31	61
Vehicles, etc.	29	46	26
Residential houses	13	49	39
Other assets	1	12	87
Debts	27	47	25
Housing loans	25	50	25
Installment payment loans	53	36	12
Other debts	16	37	47

Fig. 59 Consumer Expenditure by Income Group (2010)

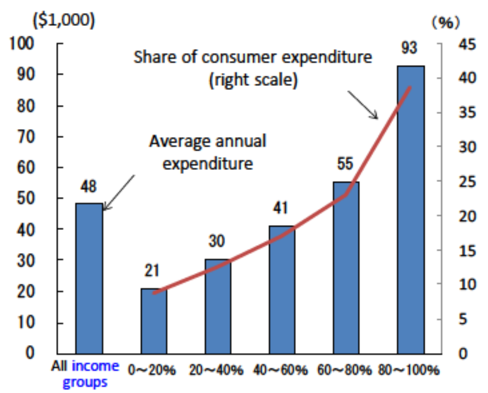
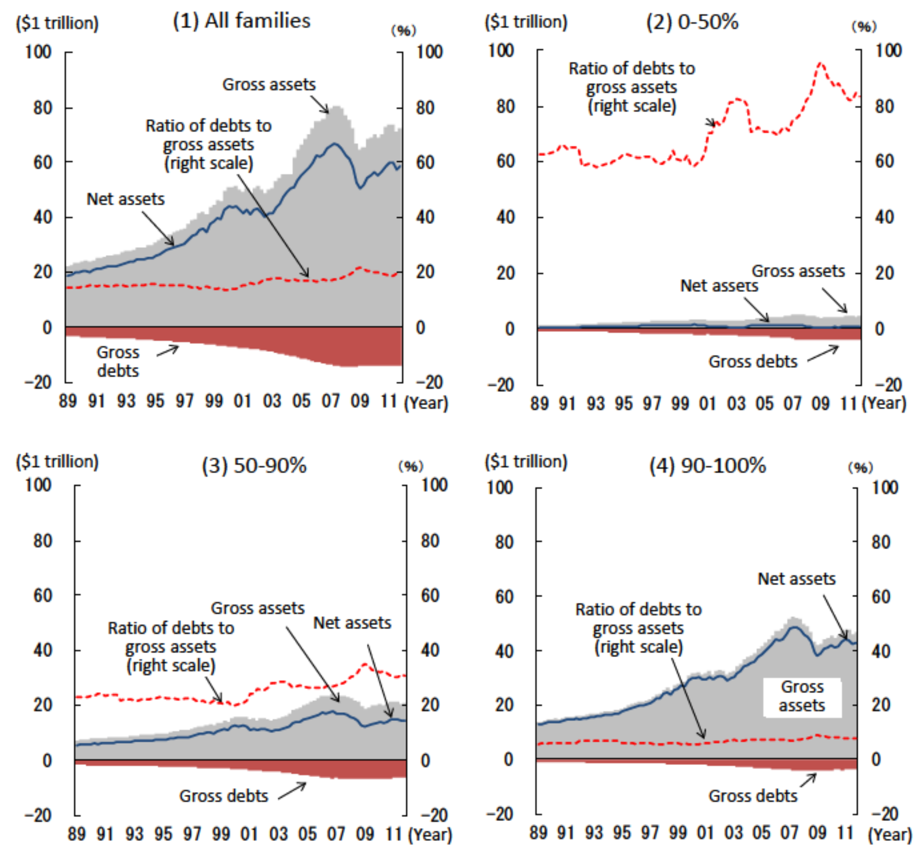


Fig. 60 Balance Sheet by Income Group



- Global Economy: Weak recovery will continue before slight improvement in the second half
  - Forecast: A real economic growth rate in the entire 2012 is expected between 2.5% and 3.0% (on a market rate basis) .
  - Risks: The risks are on the downside. Particularly, sufficient vigilance should be exercised in the event of deterioration of the European sovereign debt crisis.
    - Downside risks: (1) a deterioration of the European sovereign debt crisis, (2) a further deceleration of the Chinese economy, (3) a resurgence of crude oil price hikes.

- Europe: Weakening before rebounding in the second half
  - Forecast: International organizations' forecasts of economic growth rates between 0% and 1% for 2012 are roughly appropriate. A precondition for the forecasts is that uncertainties decline through policy efforts in relevant countries.
  - Risks: The risks are still on the downside. Particularly, if the European sovereign debt crisis deteriorates, it may exert a grave impact on the global economy.
    - Downside risks: (1) Deterioration of the European sovereign debt crisis could: 1) increase uncertainties about the entire European economy and worsen future expectations of enterprises and consumers, 2) expand a banking system crisis again, and 3) boost fiscal deficits to trigger long-term interest rate hikes. (2) Excessive fiscal consolidation efforts could drag down the economy. (3) Exports could decline due to deceleration of U.S. and Asian economies. (4) The employment situation could deteriorate more than expected.

- **Asia: Moves to continue toward expansion or recovery**
  - Forecast: International organizations' economic growth forecasts of around 8% for China and around 7% for India in 2012 are roughly appropriate.
  - Risks: The risks are on the downside.
    - Downside risks: (1) Slumping exports to Europe and financial/capital market developments, (2) Further deceleration of China's economic expansion and its impact on other Asian economies, (3) Reacceleration of price hikes

- **USA: Recovery will remain moderate**
  - Forecast: The real economic growth rate in 2012 is likely to be between 2.0% and 2.5%. There were also similar forecasts by international organizations.
    - Employment and income environment improvements will be moderate and consumption growth will be limited to a moderate level.
  - Risks: The risks are on the downside.
    - Downside risks: (1) Spread of the European sovereign debt crisis, (2) Delayed employment recovery, (3) Further housing price decline, (4) Deceleration of emerging economies' growth