World Economic Trends II

<The 2016 Autumn Report>

Low Interest Rates and Low Inflation in Developed Countries, Interregional Gaps in China

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Cabinet Office
Government of Japan

Contents

Chapter 1 Low Interest Rates and Low Inflation in Developed Countries

- Low interest rates and low inflation rates have spread mainly in developed countries.
- Change in the balance between savings and investments, caused by decrease of investments, is considered as a factor of this situation.

Figure 1-1 Real economic growth rate and inflation rate in developed economies

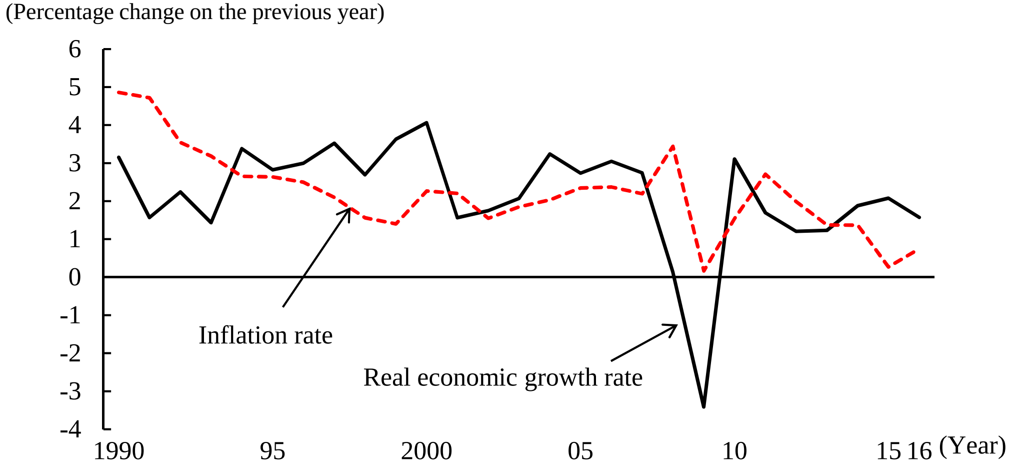


Figure 1-2 10-year government bond yields in G7 countries

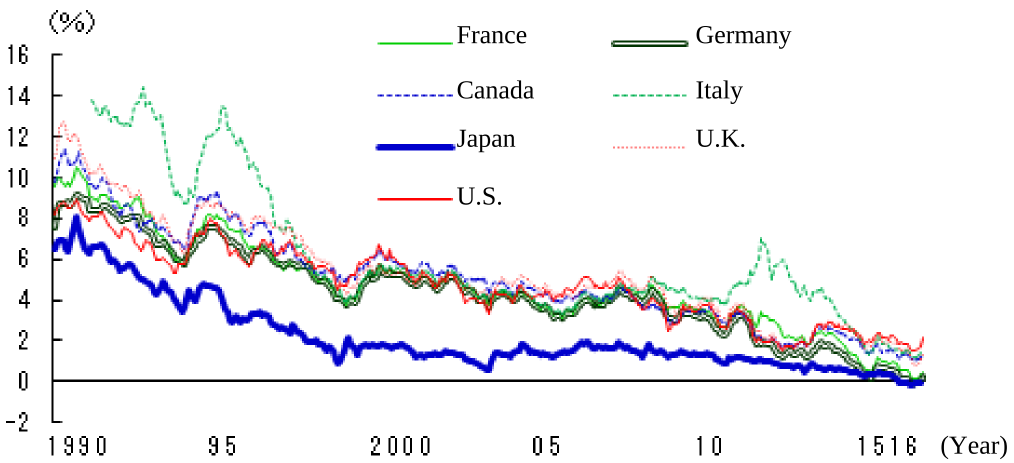


Figure 2 Savings and investment in developed economies

(Note) The developed economies are according to the classification by the International Monetary Fund (IMF), covering 30 OECD (Organization for Economic Cooperation) countries (excluding Chile, Hungary, Mexico, Poland and Turkey), Cyprus, Hong Kong, Lithuania, Malta, Macau, Puerto Rico, San Marino, Singapore and Taiwan.

(U.S. economy)

- The U.S. economy has been continuing to recover. The amounts of investments by venture capitals have been recently increasing again and young enterprises account for a large share of companies ranked high in sales. These corporate activities support growth of the U.S. economy.

Figure 3 Venture capital investment

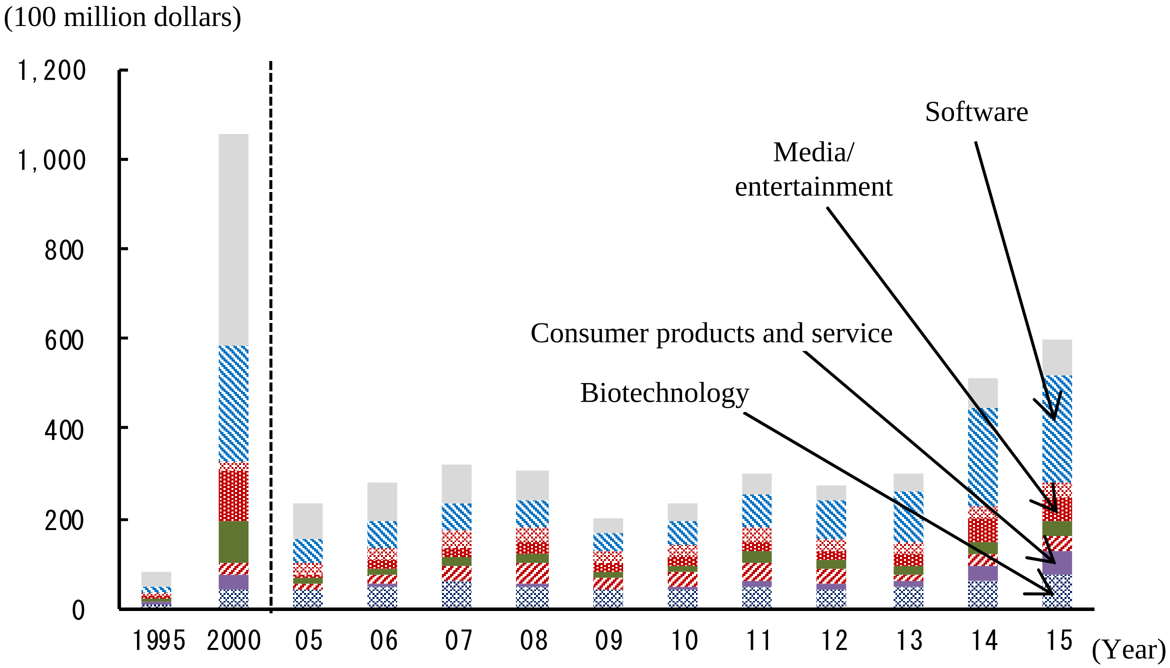
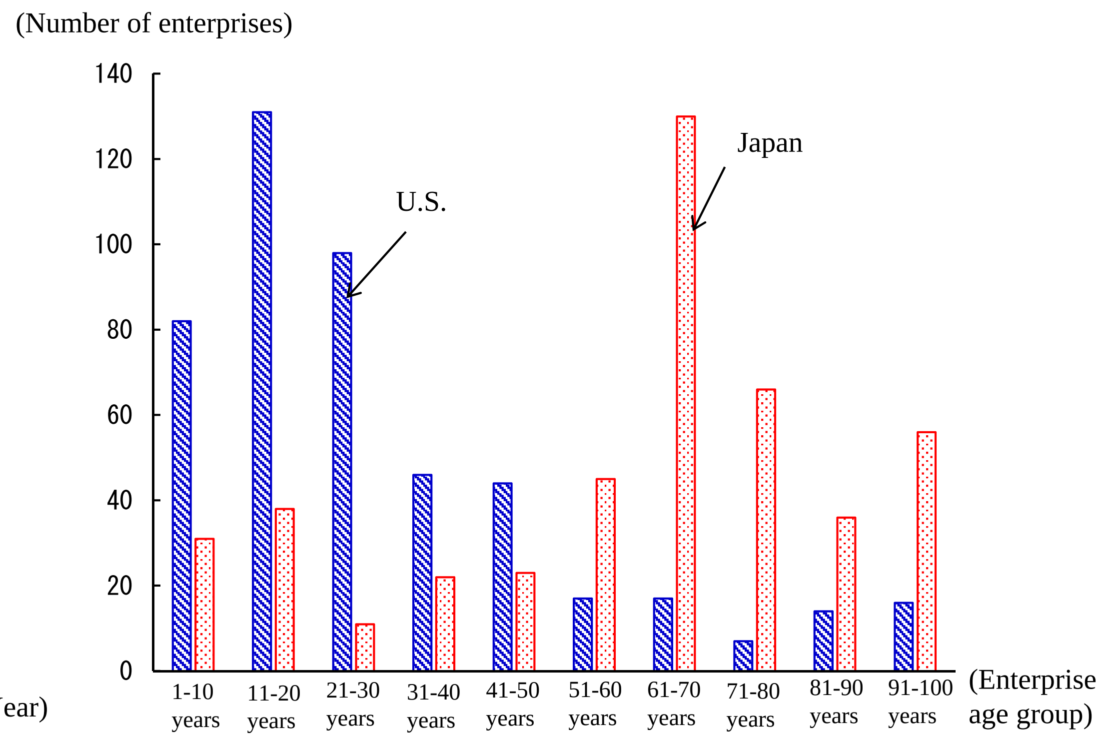


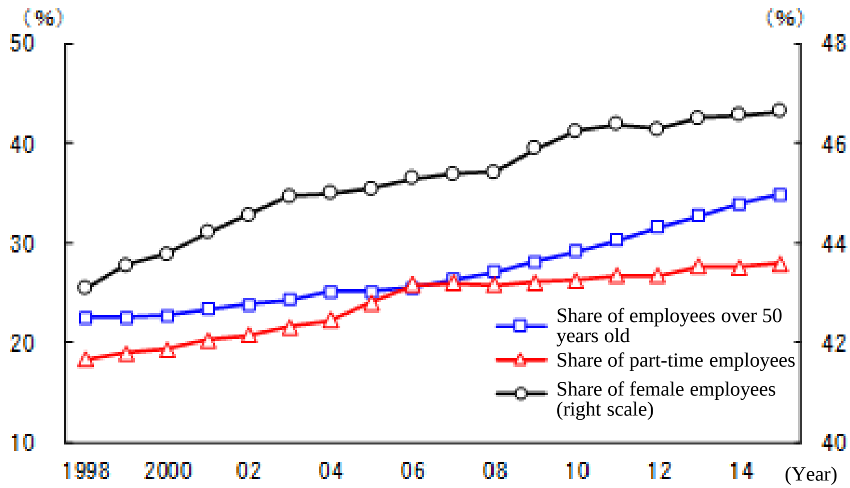
Figure 4 Number of Japanese and U.S. enterprises by age group (500 largest enterprises in terms of sales)



(European economy)

- In the German economy, which shows relatively good performance in the Euro area, the diversification of employment has made progress thanks to a labor market reform in the first half of the 2000s. While part-time workers' share has increased, involuntary part-time workers' share has remained low.
- A labor force expansion through the labor market reform even under a population decline has been contributing to economic growth.

Figure 5 German employment structure changes



(Share of involuntary part-timers as % of part-time employment)

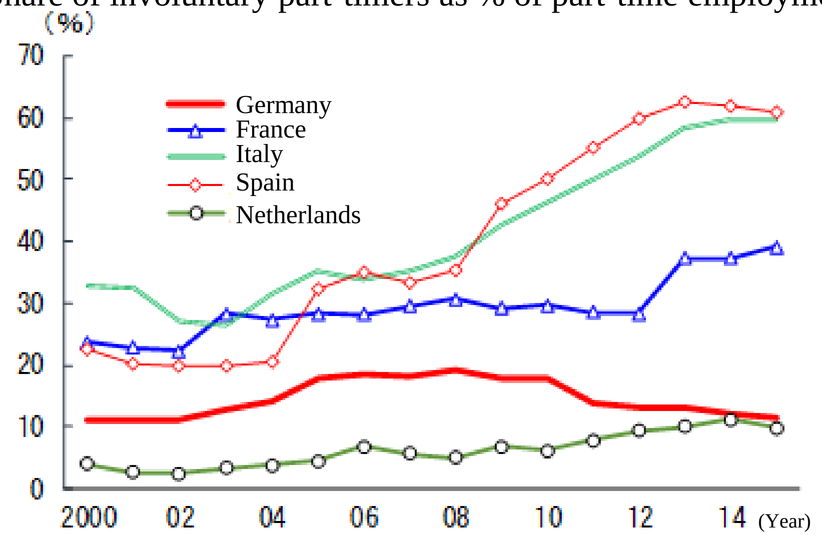
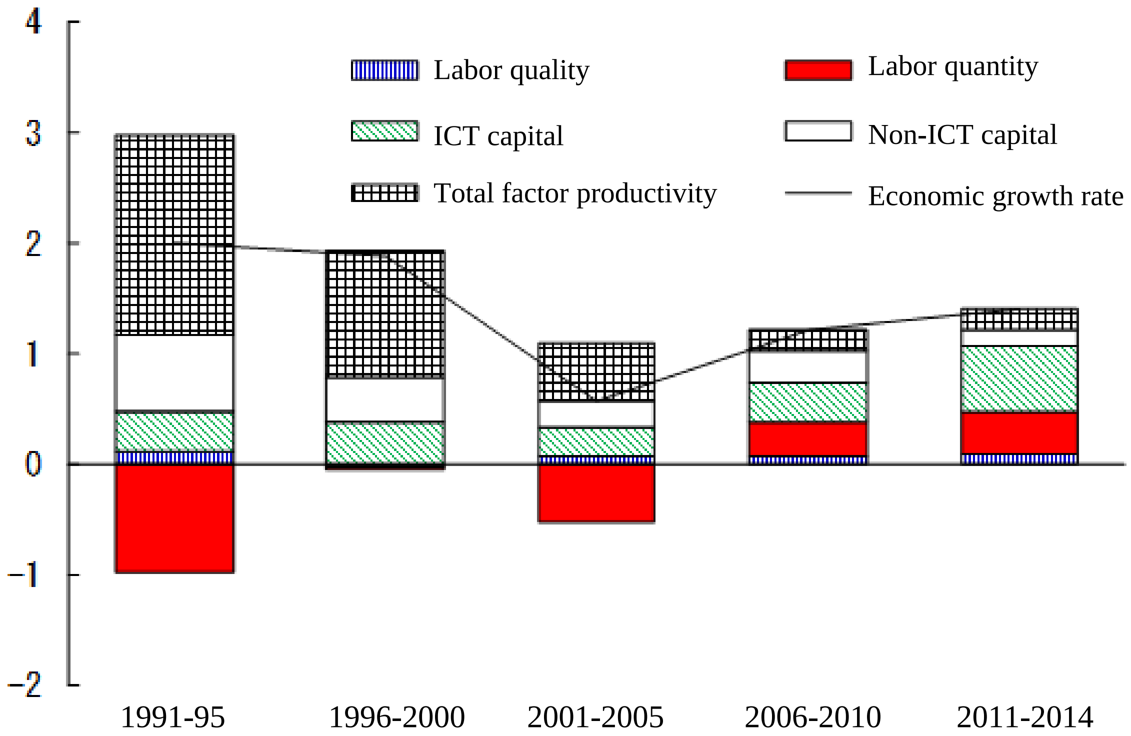


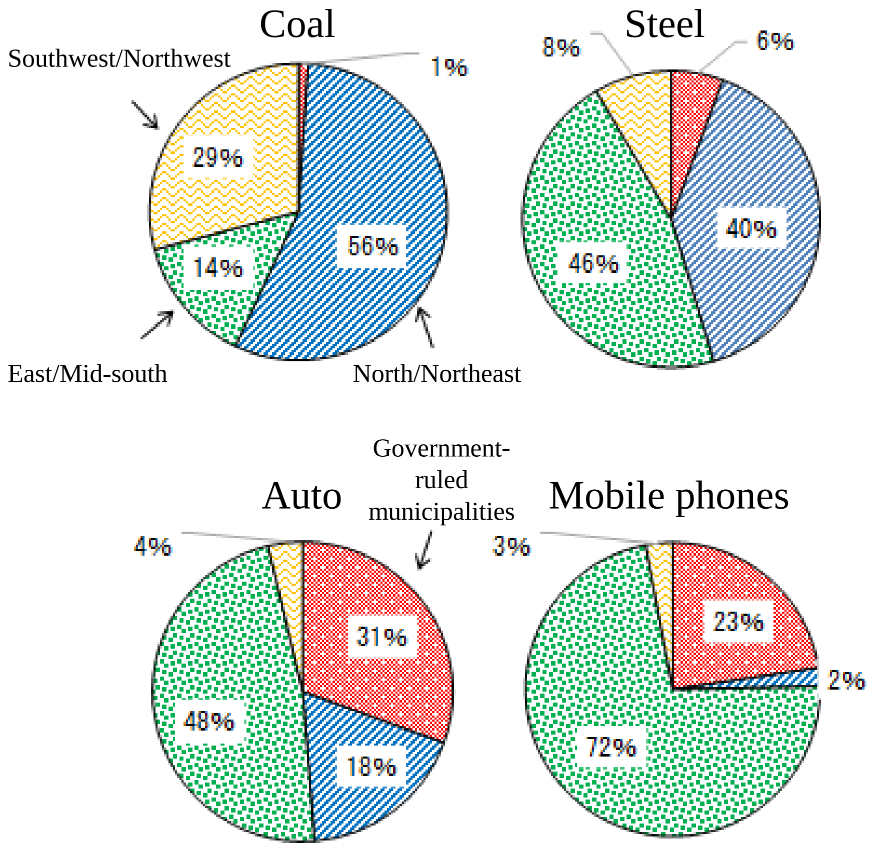
Figure 6 Factor decomposition of real German economic growth



(Chinese economy)

- In China, the industrial structure largely differs from region to region.
- Coal, steel and other structurally depressed industries are mainly located in the North and Northeast, while, auto and high-technology industries are mainly located in the East and Mid-south.

Figure 7 Production by industry and region (2015, share of total national production)



(Reference) Geographical division for this analysis