

China and Japan: How Asia's Economic Giants are Shaping the Region's Outlook

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March 2, 2016

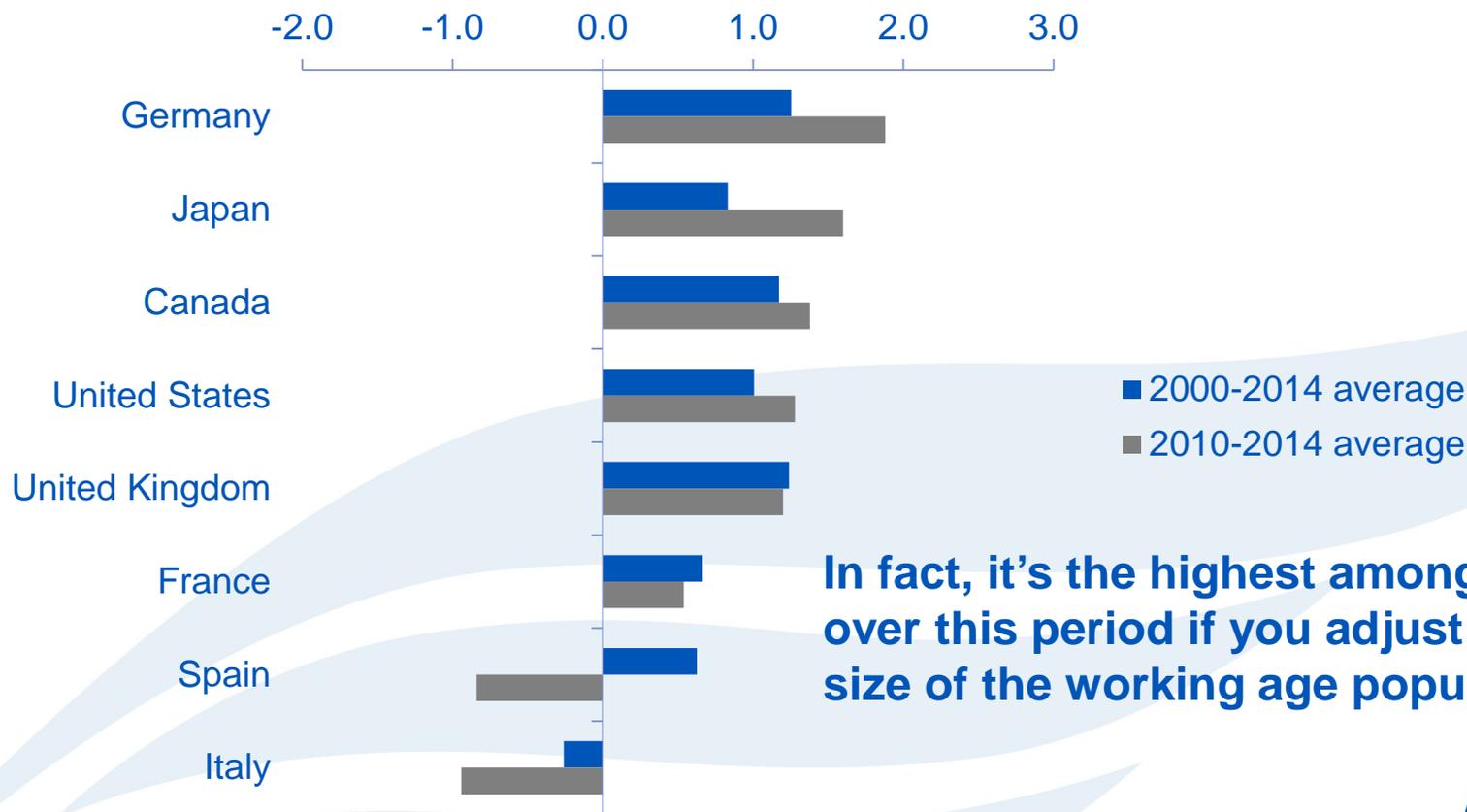
Country Analysis Unit
Federal Reserve Bank of San Francisco



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Japan's Economic Performance is Better Than You Think

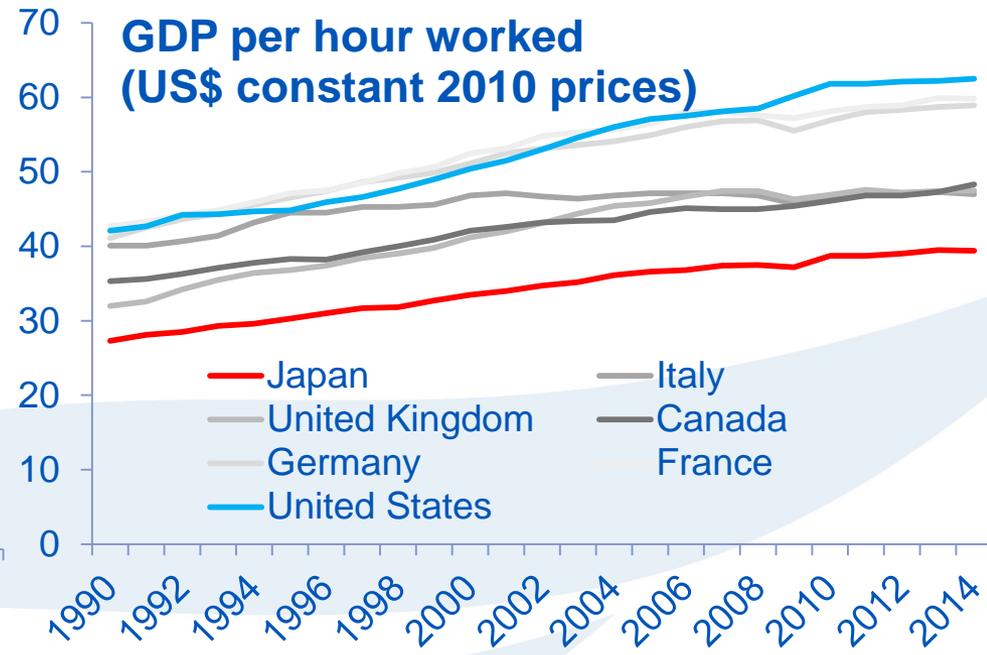
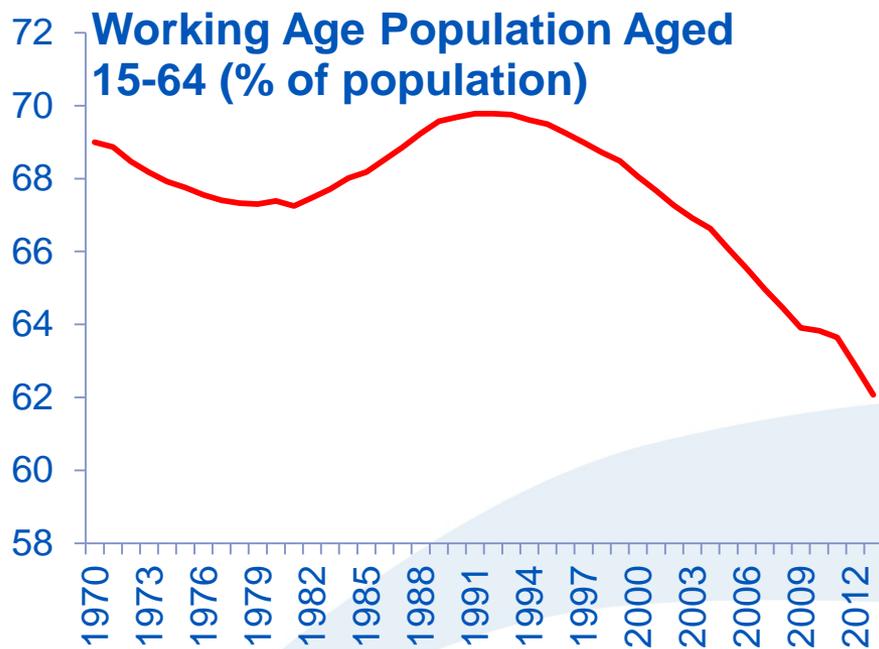
Real per capita GDP growth in the G7 (%)



In fact, it's the highest among the G7 over this period if you adjust for the size of the working age population

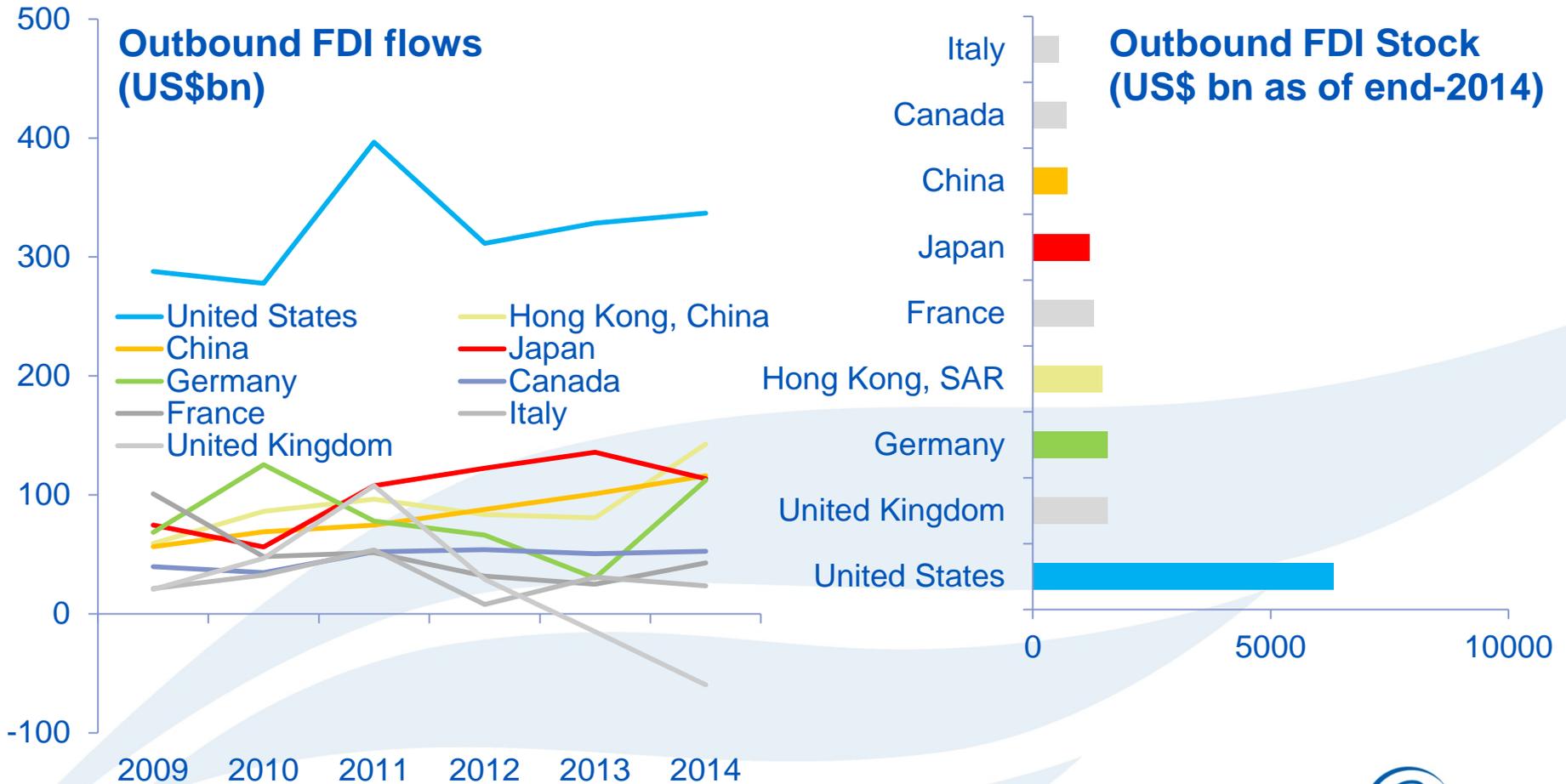
Source: OECD

Demographics a Constraint, Productivity Lags



Source: OECD

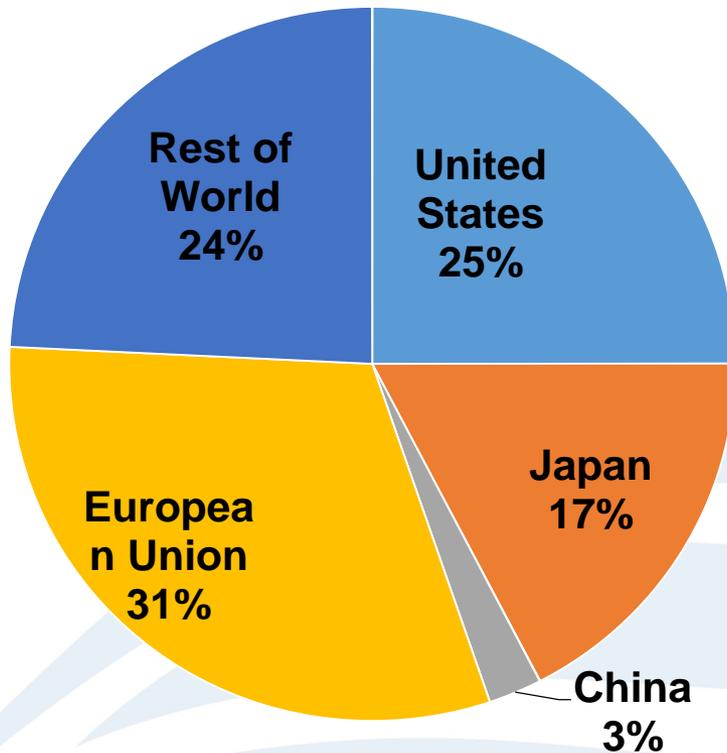
Japan Goes Out



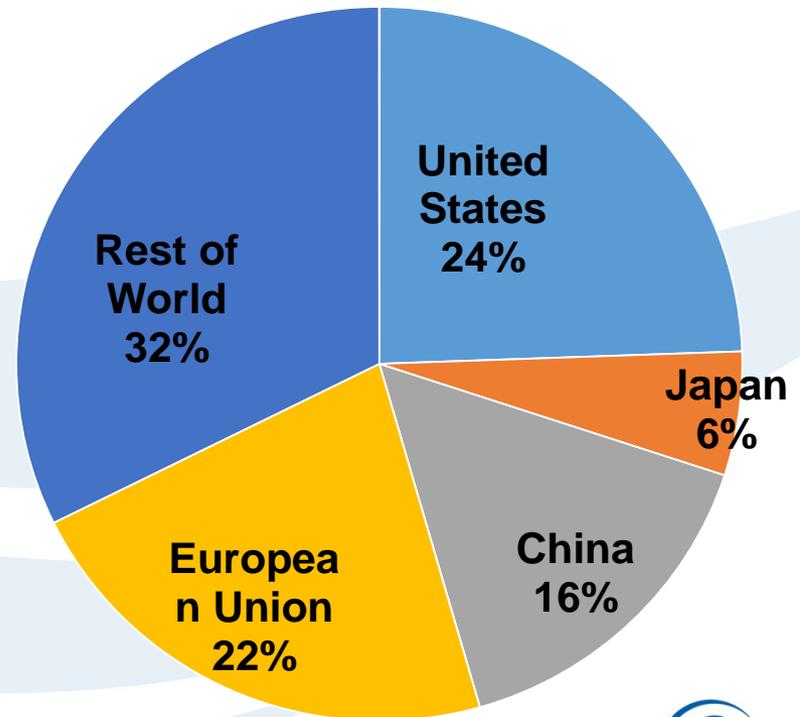
Source: United Nations World Investment Report, June 2015

China and Japan's Evolving Roles in the Global Economy

1995



2015



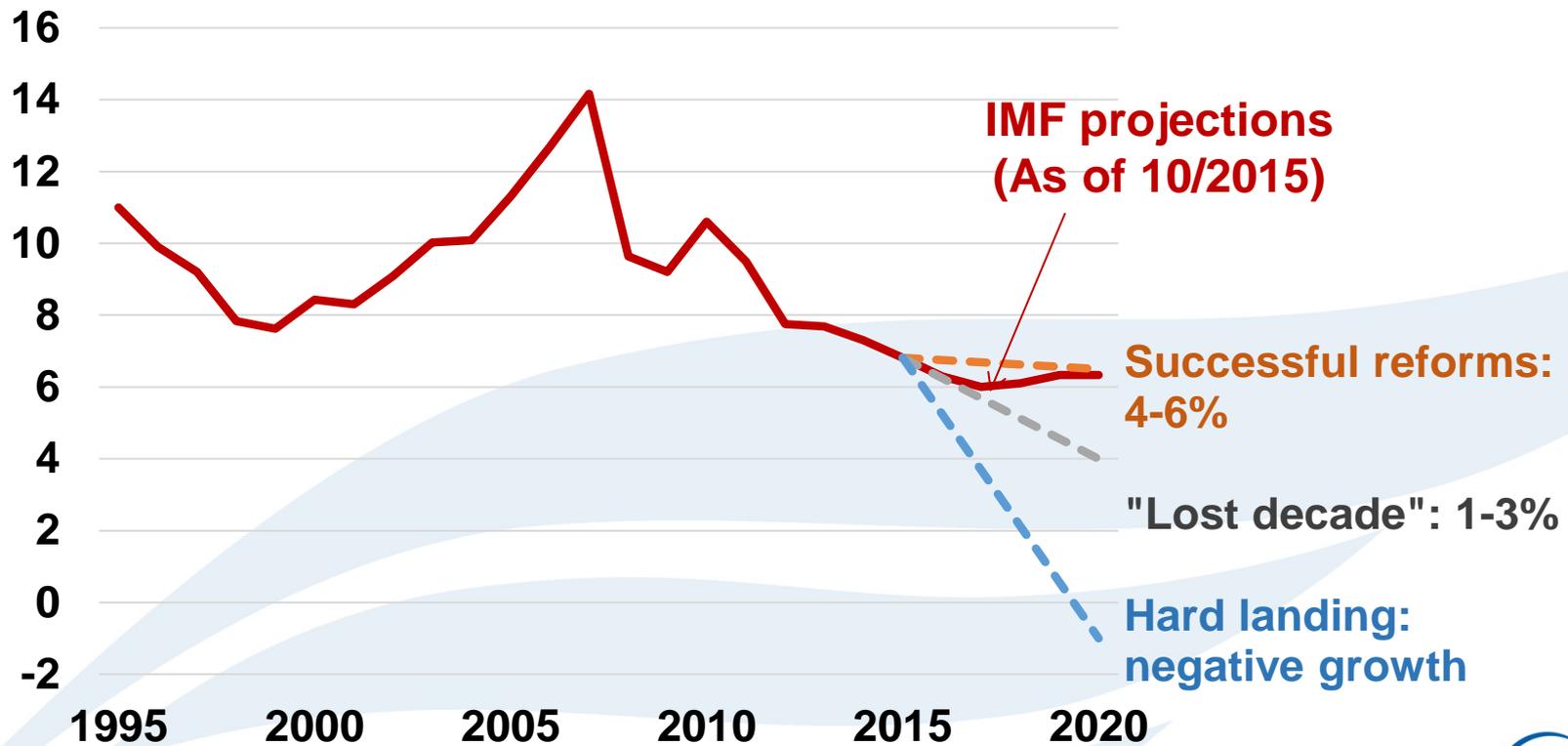
Source: International Monetary Fund.



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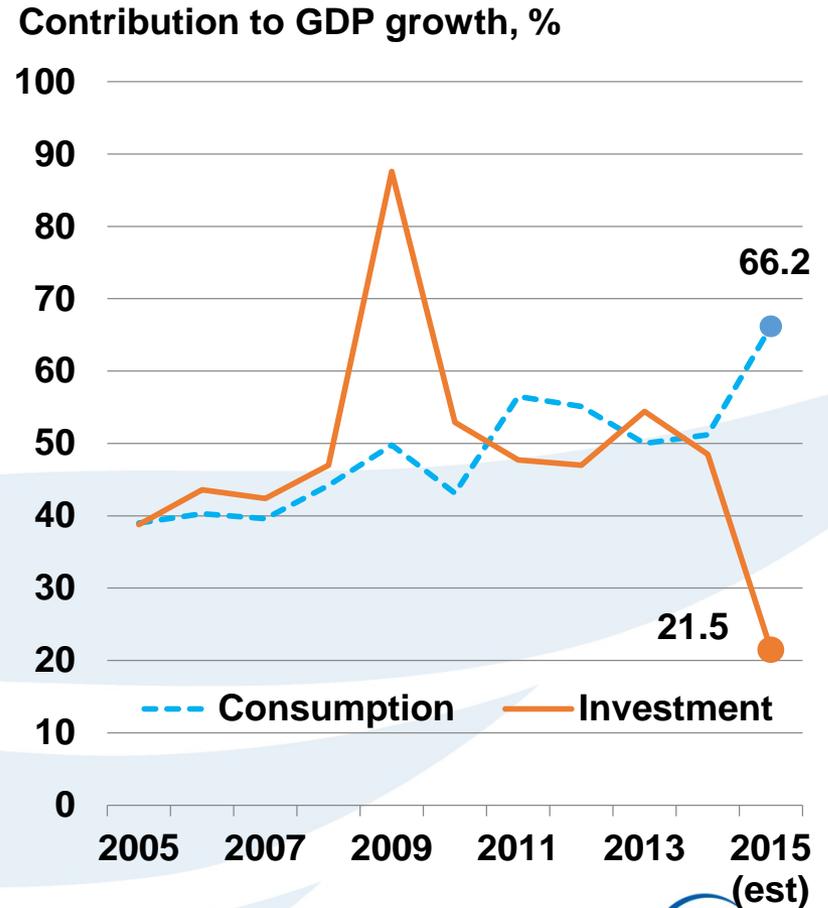
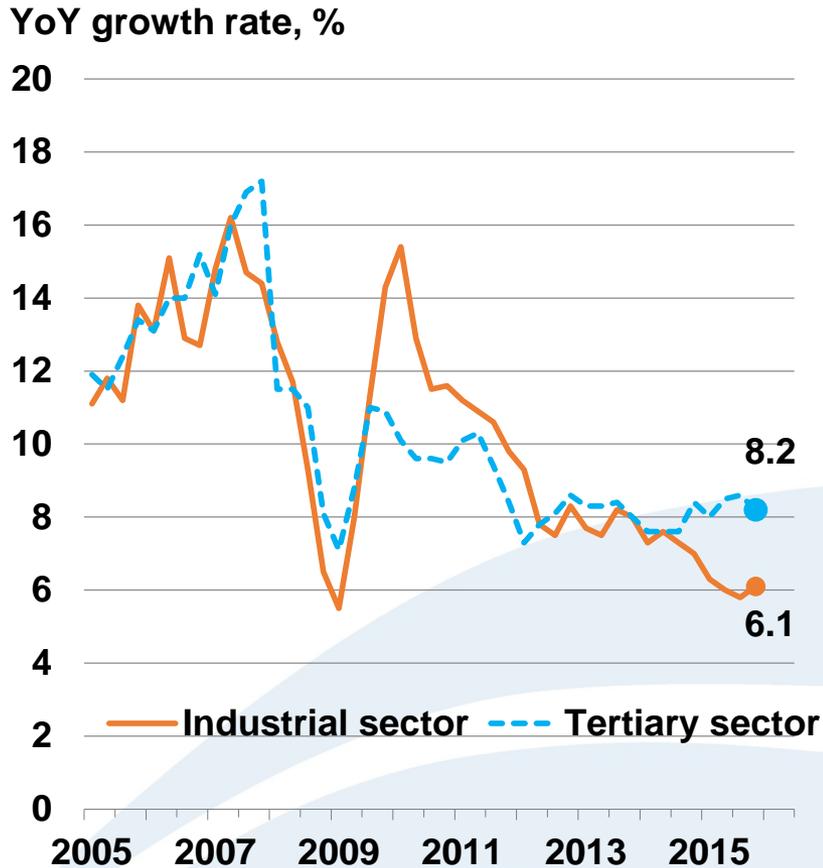
China's New Normal: The Good, the Bad, or the Ugly?

Real GDP growth (%)



Note: The three scenarios are taken from a recent survey by the Council on Foreign Relations.
Sources: International Monetary Fund, Council on Foreign Relations.

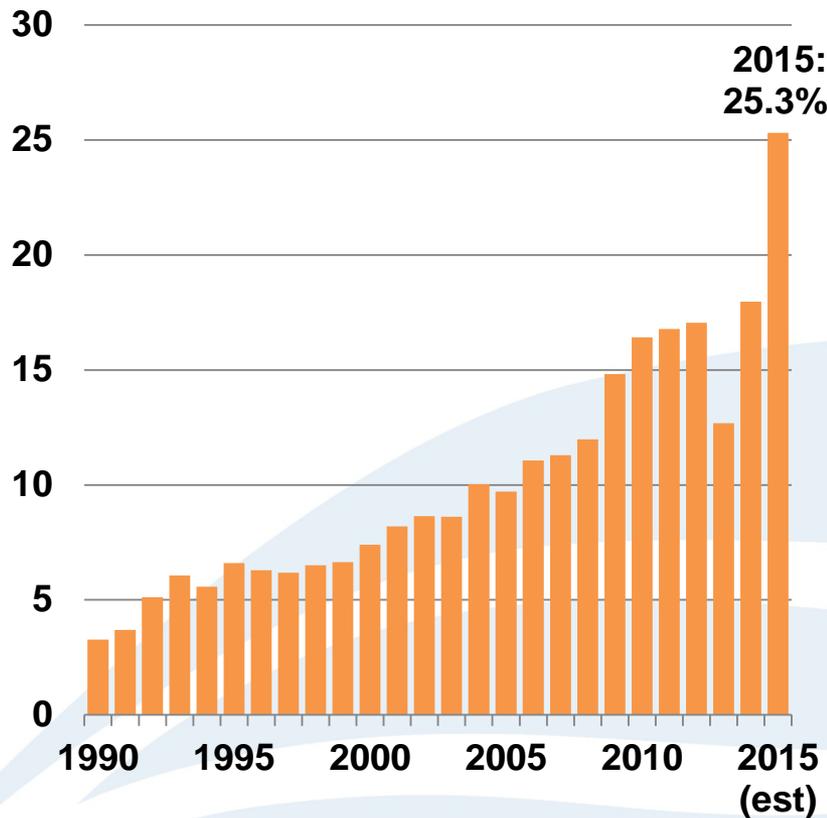
One Country, Two Business Climates?



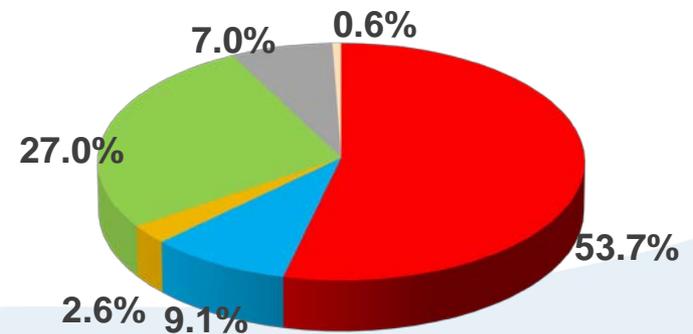
Sources: Chinese National Bureau of Statistics, Chinese Ministry of Commerce.

Cold Politics, Warm Economic Ties?

Chinese visitors, % of total foreign tourists traveling to Japan



China's importance for large multinational Japanese manufacturers



Share of companies surveyed that...

- Produce in China (to sell in China)
- Produce in China (to export to Japan)
- Produce in China (to export to other countries)
- Produce in China (both selling in China and exporting)
- Have sales operations in China but no production bases
- Others

Sources: Japan Tourism Marketing Co., Japan Bank for International Cooperation.



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China and Japan's importance in regional trade (2014)

	China			Japan		
	Rank as an export destination	Rank as an import origin	Share of exports (%)	Rank as an export destination	Rank as an import origin	Share of exports (%)
Japan	2	1	18.3	-	-	-
Hong Kong	1	1	53.9	3	3	3.6
Korea	1	1	25.4	3	2	5.6
Singapore	1	1	12.6	6	6	4.1
Taiwan	1	1	26.2	5	2	6.3
China	-	-	-	3	1	6.4
India	4	1	4.2	15	18	1.8
Indonesia	2	1	10.0	1	3	13.1
Malaysia	2	1	12.0	3	3	10.8
Philippines	3	1	12.9	1	3	22.5
Thailand	1	1	11.0	3	2	9.6
Vietnam	2	1	10.4	3	3	10.3

Source: Asian Development Bank.

1990 Japan vs. 2014 China

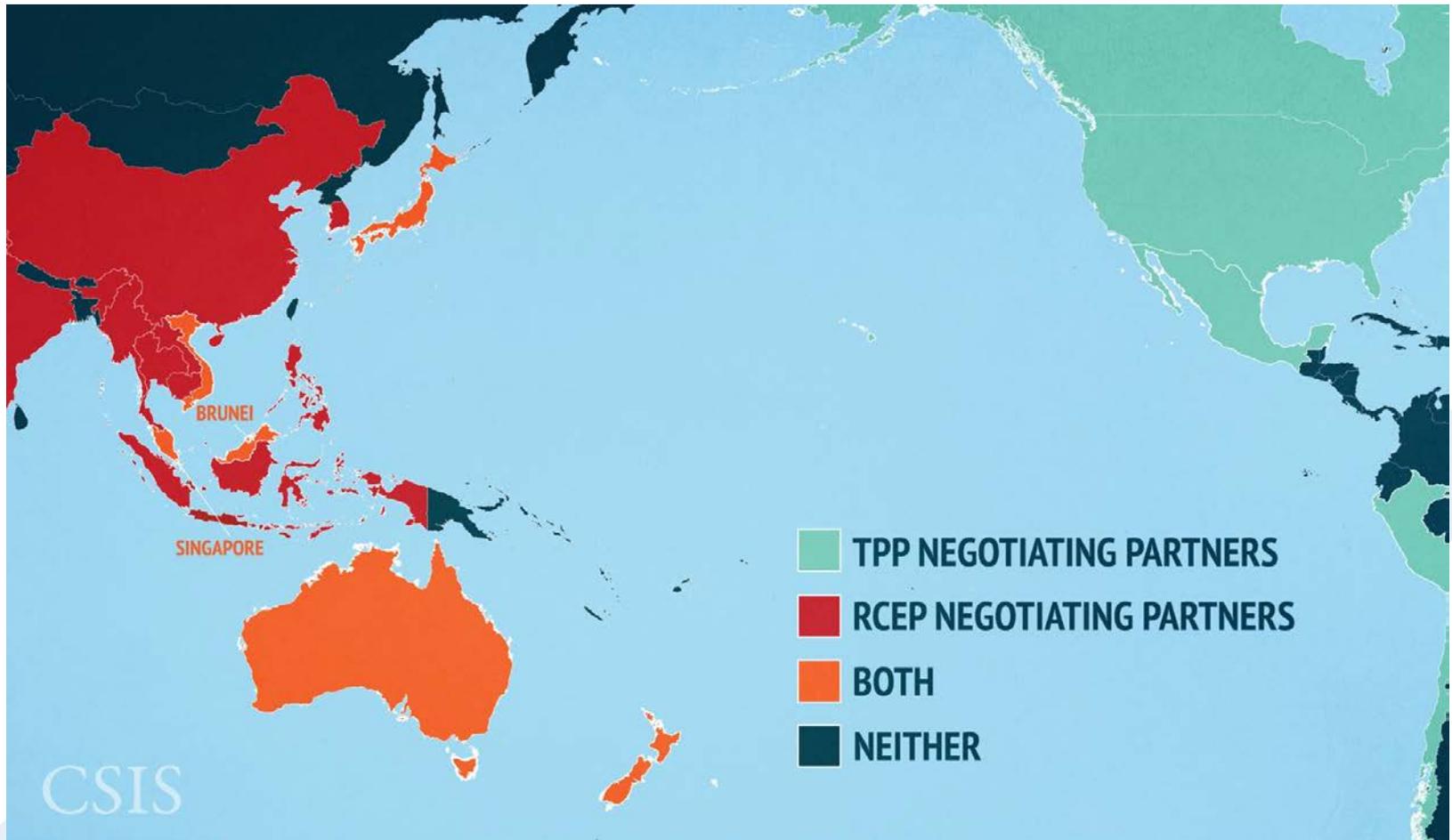
	1990 Japan	1990 USA	2014 China	2014 USA
GDP Per Capita, PPP (Constant 2011 international \$)	29,550	37,062	12,609	52,118
Urban population (% of total)	77	77	54	81
Services value added (% of GDP)	59.8	--	48.2	78.1*
Household final consumption (% of GDP)	53	64	36*	68

Source: World Bank Development Indicators

*2013 figure

Sources: International Monetary Fund and World Bank.

TPP vs. RCEP



Source: Center for Strategic and International Studies.

Asia Infrastructure Investment Bank



Source: China Daily

Thank you!

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