

Growing middle class in Asia and its implication

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Should we be worried about populism in Asia?

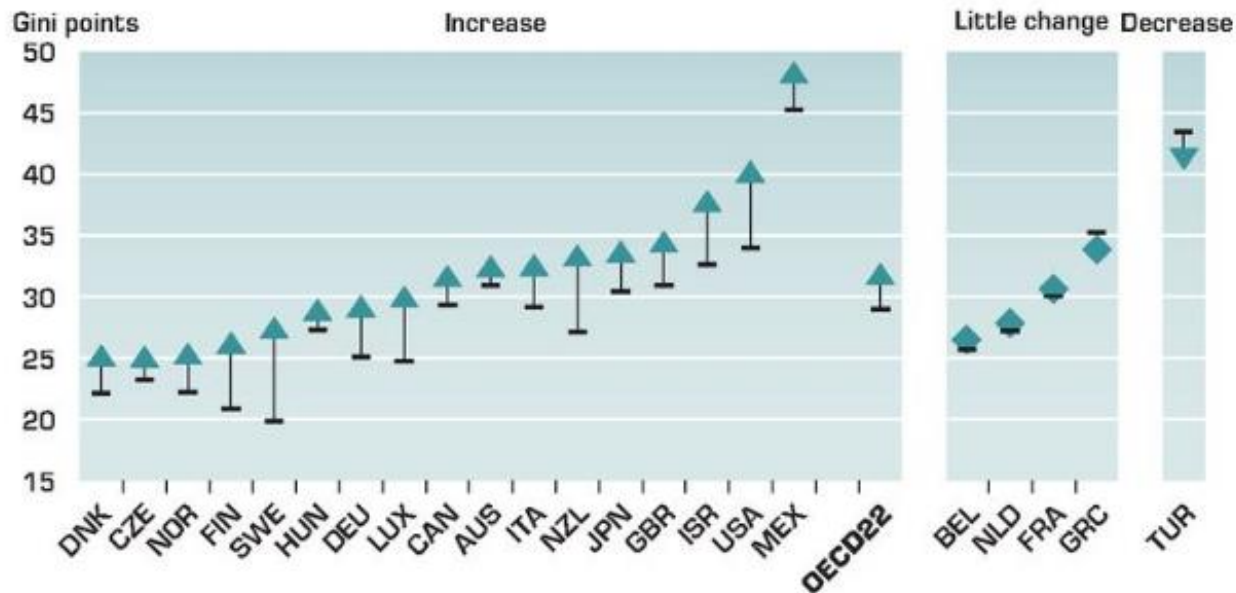


Should we be worried about populism in Asia?

Gini measure of income inequality, mid-1980s and 2013

— 1985

◆ ▲ ▼ 2013 or latest year available

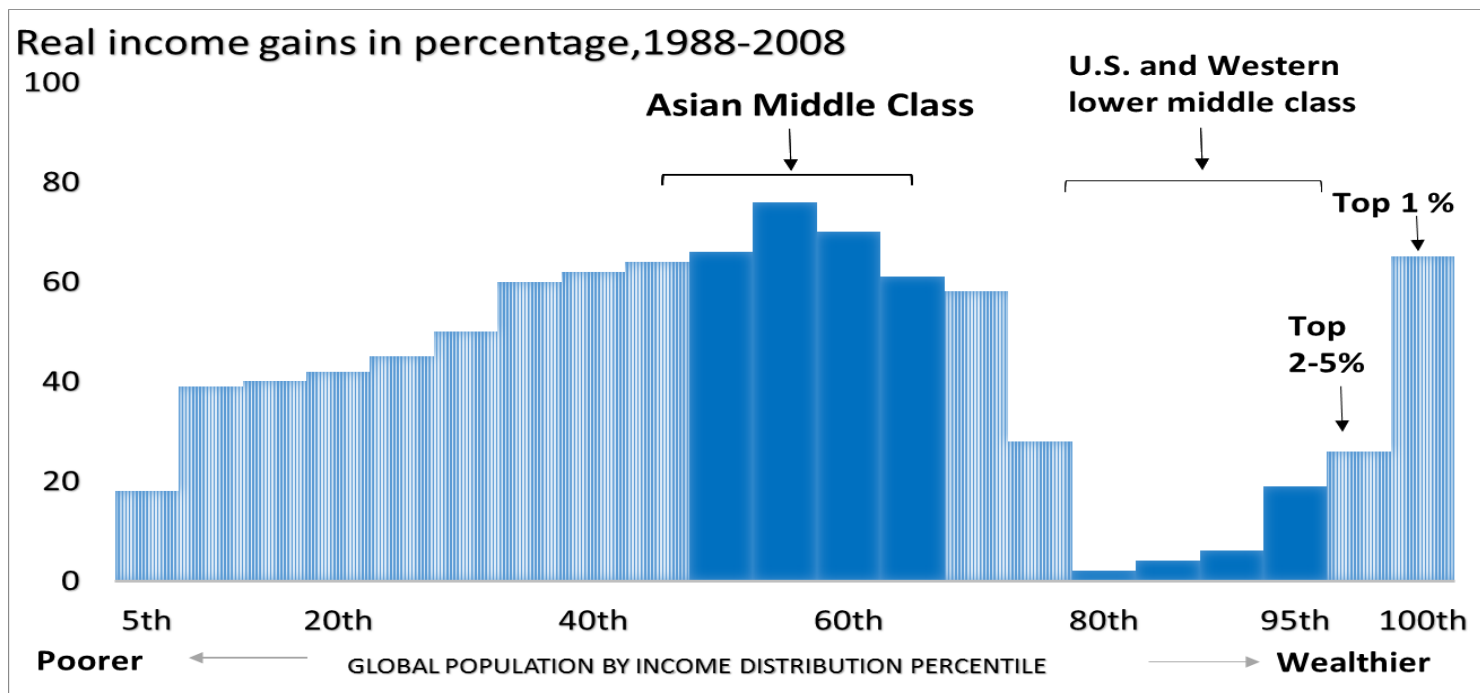


Income inequality lies behind the recent insurgency of populism in Europe & United States.

Source: OECD

For more details on the topic from OECD, please click [here](#)

Should we be worried about populism in Asia?



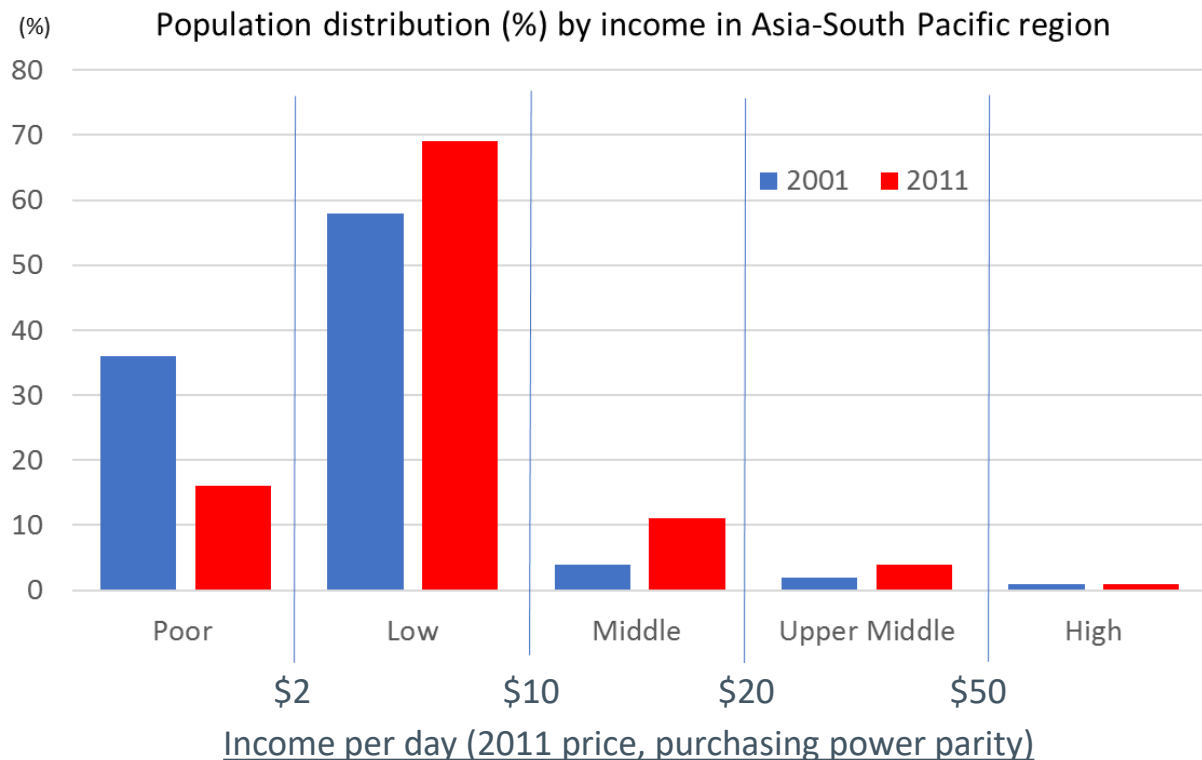
Source: Branko Milanovic, please click [here](#) for more from his analysis

Growing middle-class in Asia

The middle class
are still a minority
but the inequality
is shrinking in Asia

Source: Rakesh Kochhar from
Pew Research Center

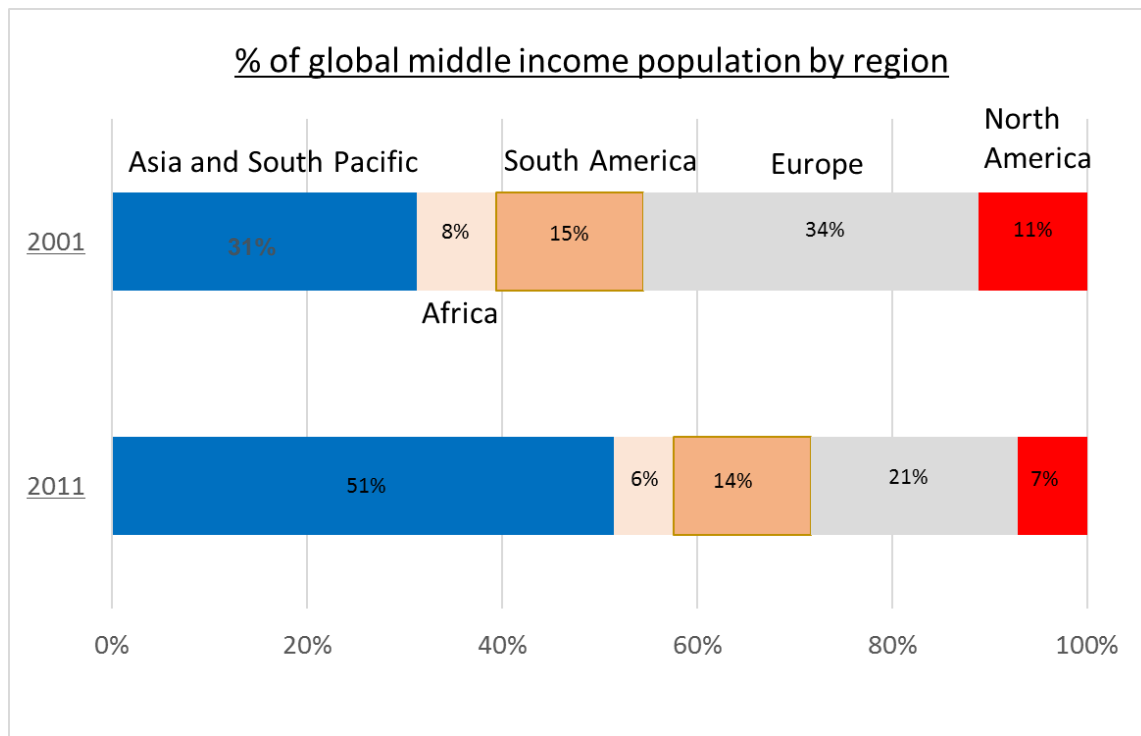
Please click [here](#) for his
original article.



Growing middle-class in Asia

By 2011, 50% of the global middle class is in Asia-South Pacific

Source: Rakesh Kochhar from
Pew Research Center
Please click [here](#) for his original
article.



Growing middle-class in Asia brings consumerism

Consumers' Three Sacred Treasures in 1950s Japan



Equivalence in
modern Asia?

And potential sources of political instability

1960: A steel town in Kyushu island



Source: City of Kitakyushu

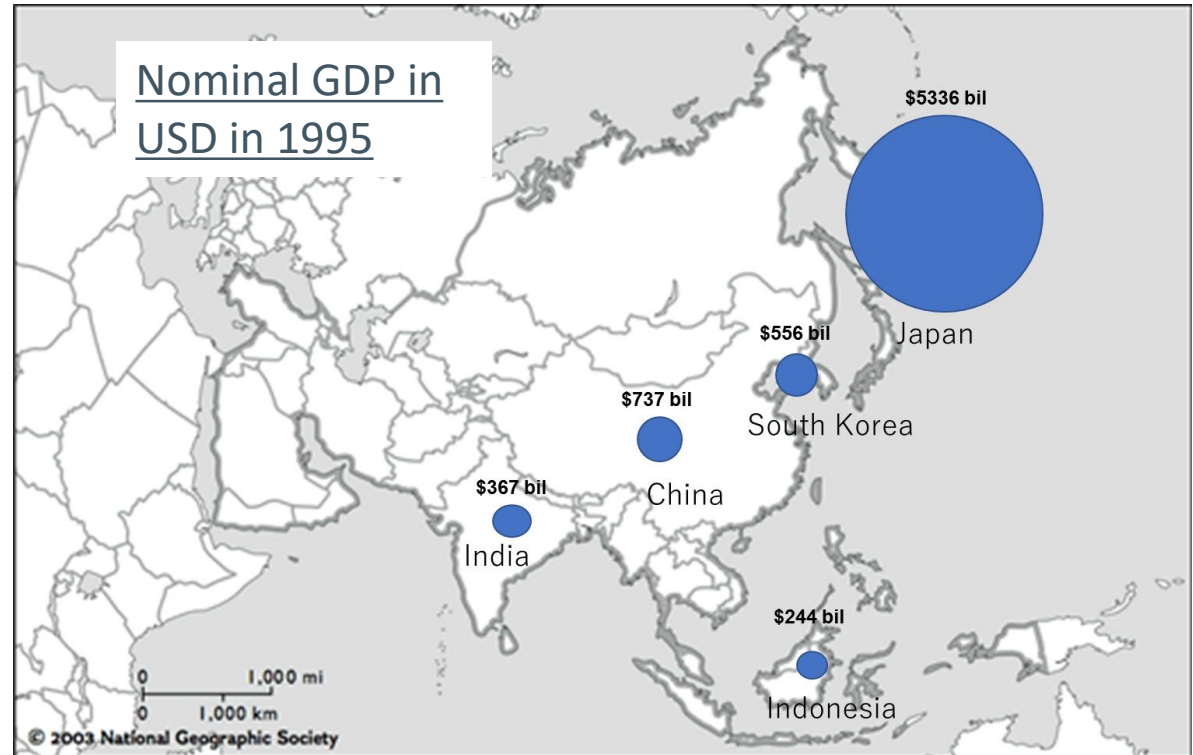
1974 July: A Japanese court decides in favor for citizens



Source: Environmental Restoration and Conservation Agency

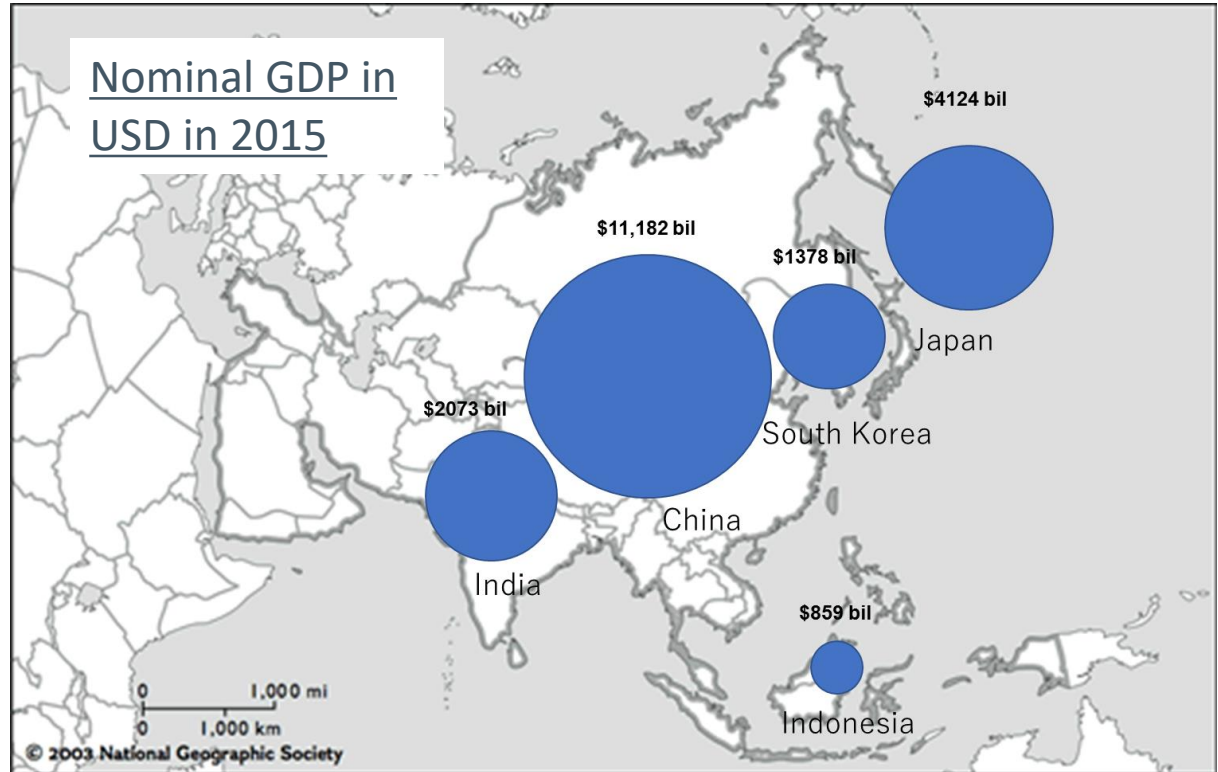
Emergence of rich and equal economies in Asia

20 years ago, Japan were by far the largest economy in Asia



Emergence of rich and equal economies in Asia

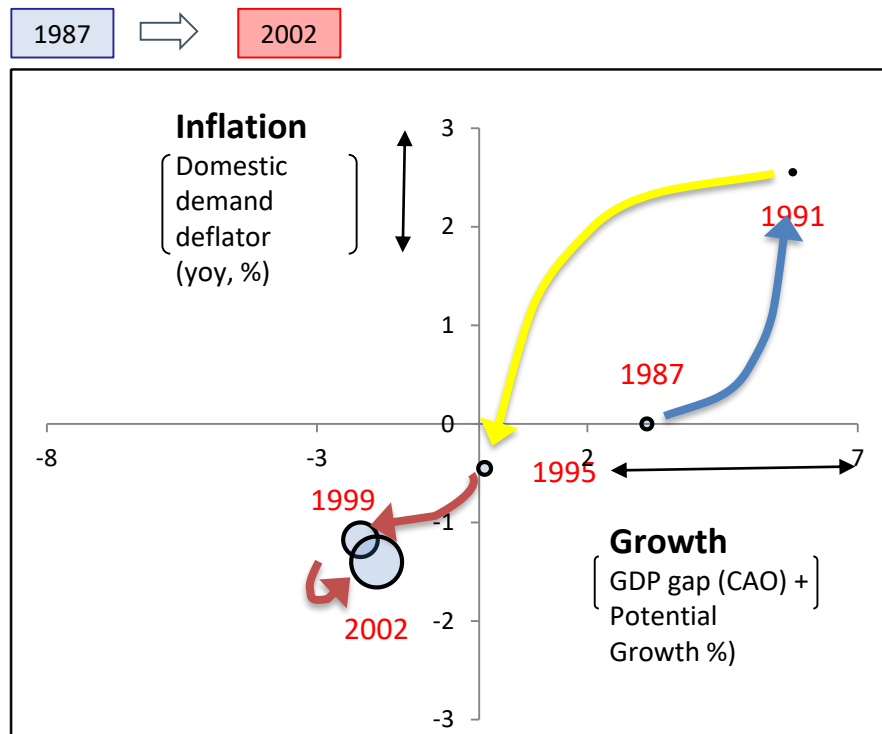
More equal relationship
in Asia



Source: IMF,
JMA

Mapping Japan's Economic Past, Present and Future

Mapping Japan's Economy



General government
net financial liabilities
(as a percentage of GDP)

<Increase of Net financial liabilities>

less than 3% per year

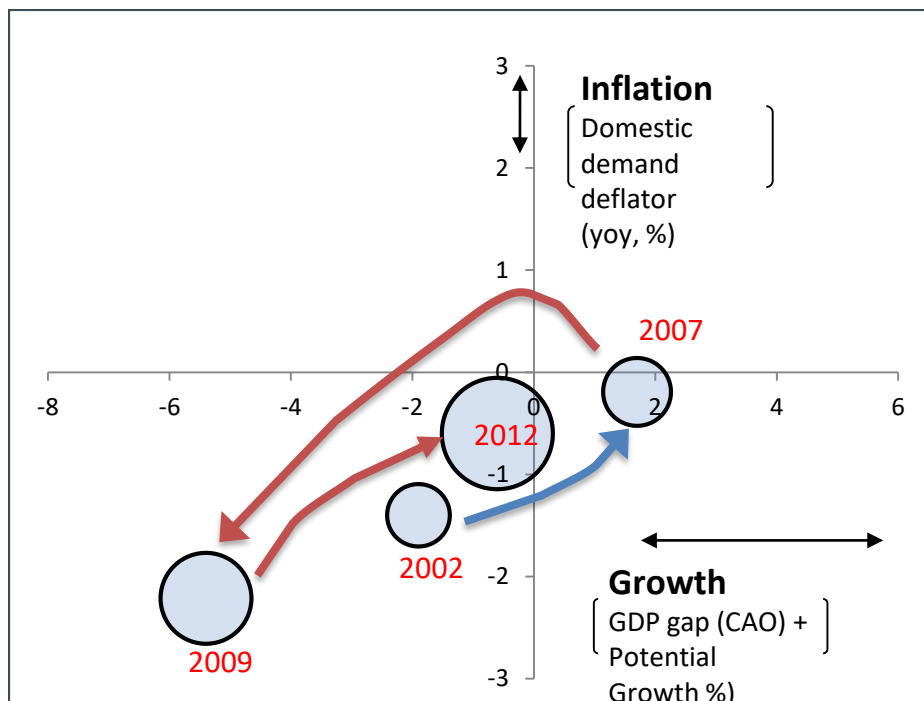
3 - 5 % per year

more than 5% per year

Note:

The framework of “Japan Risk Typhoon Map” is a product from an ongoing discussion in Japan Risk Forum, a Tokyo-based voluntary association of experts in the field of risk management. Its members includes risk officers from major financial institutions, regulators as well as academic and business economists.

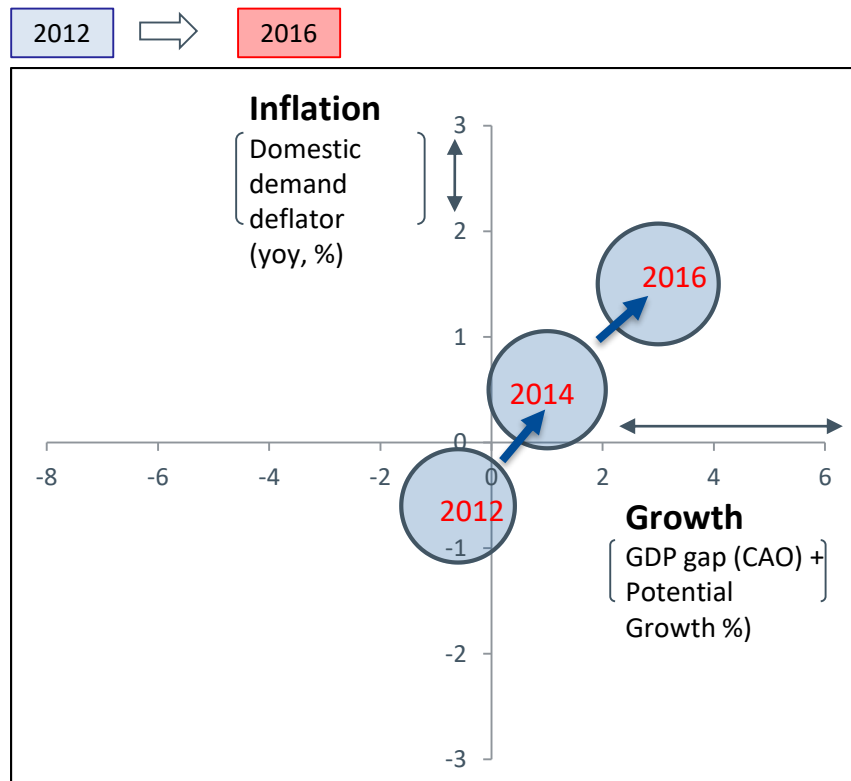
2002 → 2012



Source: Japan Risk Forum, JMA

The Japanese economy has been mired in deflation since 1995.

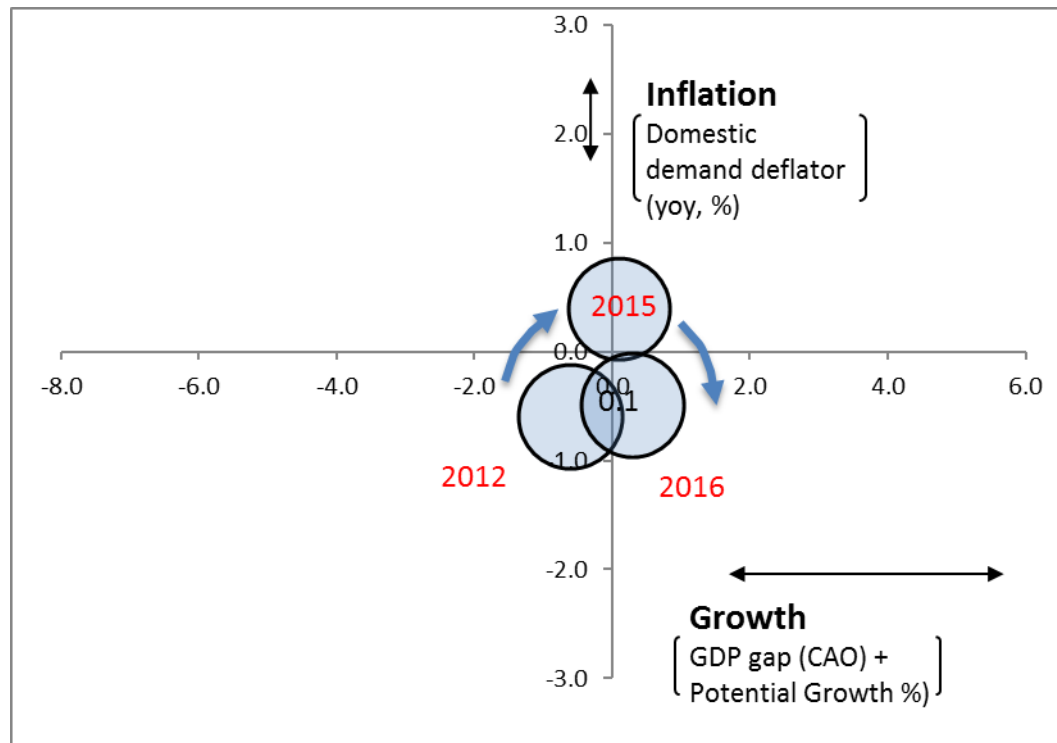
When Abenomics got rolling in 2012, Japan was still in deflation, although having somewhat recovered from the depth after the great global recession.



Source: Japan Risk Forum, JMA

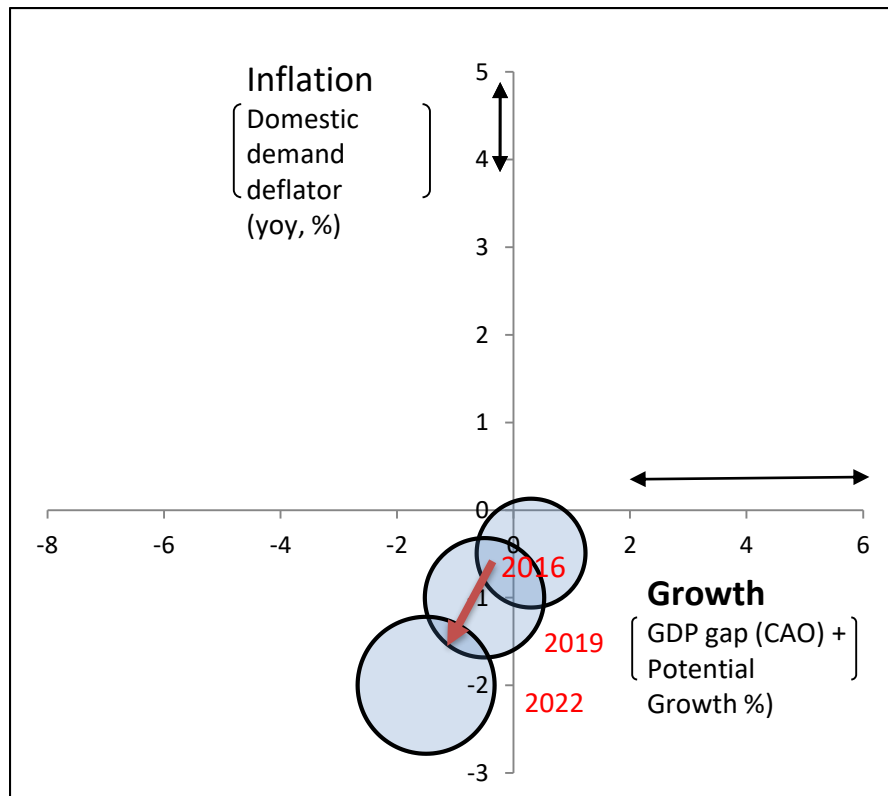
Reflation scenario:

When Prime Minister Abe took the helm at the end of 2012, the goal was to achieve 2% growth, 2% inflation in 2 years.



What actually happened in 2012-2016?

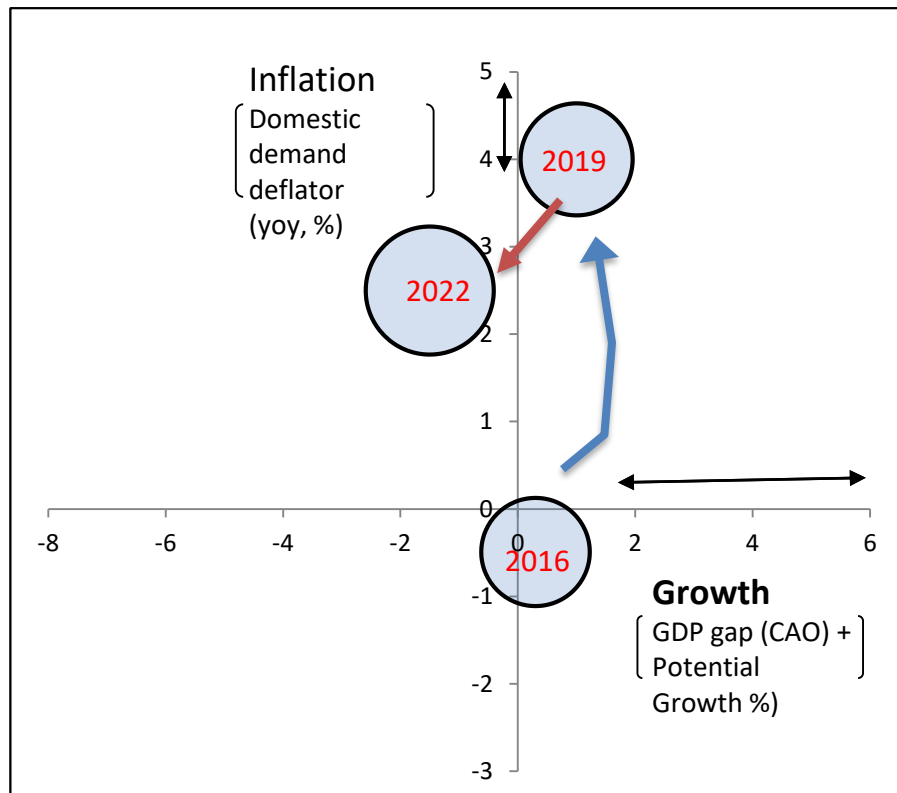
The growth aspect of the economy did improve, but a reflation has not taken place so far.



Source: Japan Risk Forum, JMA

What are the future risk?
Deflation scenario:

There is no more room for maneuver in Japan's monetary policy. A global negative shock is likely to result in a sharp yen appreciation, putting Japan back in deflation.



Source: Japan Risk Forum, JMA

What are the future risk?
Stagflation scenario:

A sudden loss of confidence in Japan's fiscal sustainability could lead to a currency crisis, causing a stagflation in Japan.

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