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“Will the Great Eastern Japan Earthquake derail the Asian Boom and the World Recovery?”

Let us begin by looking at recent economic trends in the US and worldwide. The financial and consumer sectors within the US have incurred heavy liabilities since the financial crisis, but other areas of the private sector are relatively sound. There has been no slowdown in consumption that would lead to a worsening of the economic situation. The impact of worsening employment figures on financial institutions is not of grave concern, and employment in the US is recovering. At the same time, investment within the US has sharply declined, and the housing market is still sluggish.

Global GDP is expected to have grown about 3% in 2010, making the economic recovery even more robust than initially forecast. Emerging countries have been the driving force behind this growth, and trade involving the countries of Asia has steadily grown. It goes without saying that booming household demand in Asia's emerging countries has contributed to the economic recovery. Global demand since 2010 has returned to its pre-financial crisis level.

What impact is the recent Great East Japan Earthquake likely to have on the world economy? The devastation has been even greater than that suffered in the Kobe earthquake, and Japan will likely see negative GDP growth in 2011 as a result. The allocation of enormous funds for reconstruction, however, should restore positive GDP growth in 2012. Monthly industrial output has dropped by 10%, but should begin recovering sometime in the second half of the year. The disaster will have a tremendous impact on Japan itself, but its effect on the world as a whole will probably be limited.

A future switch from nuclear power to other sources of electric power will bring about a considerable change in demand, and there are concerns that this will also create price inflation for these other sources. The prices of foodstuffs, crude oil and other commodities are on the rise. However, the recent price inflation in commodities worldwide can be attributed in part to speculation and, given that we have thus far been able to overcome price inflation crises through technological innovation, grave pessimism is not warranted. Progress in developing new gas fields will also no doubt help alleviate the surge in fossil fuel prices by expanding the demand for alternative energies. Completely rejecting a role for nuclear power because of the recent disaster is not practical, and it is difficult to imagine a rapid shift in energy sources that would spur price inflation.

Increasing household demand and limitations on production capacity in emerging countries will

heighten inflationary pressure. The sharp climb in real estate prices, too, is showing signs of a bubble. Austerity measures implemented in response, however, could slow economic recovery. There is also the risk that Europe's debt crisis will trigger an economic downturn not only in the EU but also in the US and other regions closely connected to the European economy. Recent events in the Middle East must also be added to the catalogue of elements destabilizing the world economy.

Aging societies as well as science and technology will cause major changes to economic systems in future, and the course of emerging markets must also be monitored. The supply/demand of foods, resources and other everyday commodities, too, will have a significant impact on future economic prospects. Making a transition in economic structure and developing social systems suited to these changes in socio-economic conditions will become key issues demanding our attention.