

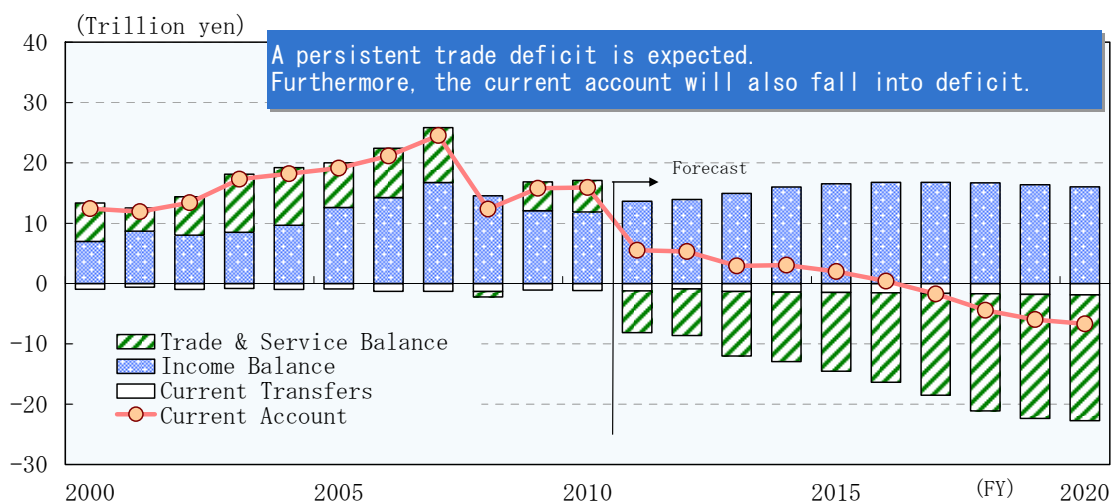
Full Nuclear Shutdown would Cost Economy Y7tn a Year

— The shift to thermal power would cause a current account deficit in fiscal 2017—

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Main Points

- Full nuclear shutdown would deteriorate potential GDP by 1.2% a year from fiscal 2012 to 2020, costing Y7.2tn annually.
- Trade deficits will persist. Furthermore, the current account would also fall into deficit from fiscal 2017.
- The fiscal deficit would expand further. For the Japanese government, increasing the burden is inevitable.
- The nation's carbon dioxide emissions will surge.



(Note) The figures are forecasted after 2011 by JCER.
 The assumption is that all of Japan's nuclear power plants would shut down after fiscal 2012.
 (Source) Ministry of Finance, Bank of Japan

How will Japan's economy change over the next 10 years after the Great East Japan Earthquake? We revised the "37th Medium-term Economic Forecast" that was released in February, taking the tsunami devastation, power shortages and reconstruction demands into consideration. Since the Fukushima Dai-ichi nuclear power plant disaster, people have cast a harsh look upon the security of such facilities. If all of Japan's nuclear power plants were shut down for scheduled inspections but never restarted, power shortages would deteriorate potential GDP by 1.2% a year from fiscal 2012 to 2020, costing ¥7.2tn annually. Infrastructural reconstruction in the Tohoku area would contribute to economic growth in the aspect of the demand. However, the shift to thermal power from nuclear power to maintain productions would result in a persistent trade deficit due to a surge in fossil fuel imports. Furthermore, the current account will also fall into deficit from fiscal 2017. While it is important to reduce carbon dioxide emissions to stop global warming, the nation's CO₂ emissions are already expected to be 14% higher in fiscal 2020 than in fiscal 1990. It will be extremely hard for the country to achieve the international target for the reduction in emissions. The decline in tax revenue owing to lower growth rates as well as the surge in government expenditure on reconstruction will worsen the fiscal balance in Japan. Consequently, it is inevitable for the Japanese government to increase the burden in order to prevent the collapse of public finance in Japan.

Table Main Economic Indicators Forecast

Jun-11

	FY2001~10 : Averages			FY2011~20 : Averages		
		01~05	06~10		11~15	16~20
Real GDP growth rate (2000 prices)	0.6	1.3	▲ 0.1	1.3	1.3	1.2
Private Demand (contribution to change)	0.2	1.0	▲ 0.6	0.8	1.0	0.6
Public Demand (contribution to change)	0.0	▲ 0.1	0.2	0.2	0.2	0.2
Net Exports (contribution to change)	0.4	0.4	0.4	0.3	0.2	0.4
Potential GDP growth rate	0.6	0.6	0.5	0.9	0.6	1.1
GDP gap ※		▲ 0.3	▲ 4.5		0.2	1.0
Nominal GDP growth rate	▲ 0.6	▲ 0.0	▲ 1.1	0.5	0.4	0.6
Consumer Price Index (change from previous year)	▲ 0.2	▲ 0.4	▲ 0.1	0.3	0.1	0.5
Primary Balance(nominal GDP ratio) ※		▲ 2.9	▲ 7.5		▲ 5.8	▲ 5.2
Government debt (Nominal GDP ratio) ※		142.8	173.6		215.8	250.2
Current Accounts (Nominal GDP ratio)※		3.8	3.3		0.4	▲ 1.3
Real GDP per capita (year on year)	0.5	1.2	▲ 0.1	1.7	1.7	1.6
Compensation of employee per capita (year on year)	▲ 0.8	▲ 1.0	▲ 0.6	0.4	0.1	0.7
Household Sector Saving rate ※		3.7	6.0		3.6	▲ 0.4
Labor force population (year on year)	▲ 0.3	▲ 0.4	▲ 0.2	▲ 0.6	▲ 0.7	▲ 0.5
Unemployment rate ※		4.3	5.0		4.3	4.1
10-years Government Bonds Rate ※		1.4	1.2		1.8	1.8
Yen / U.S. Dollar exchange rate ※		113.3	85.7		88.5	83.2
Crude Oil Price (\$ per barrel, calender year) ※		56.7	79.6		117.3	141.0
Real GDP of U.S.A. (year on year, calender year)	1.7	2.4	1.0	2.6	2.7	2.5
Real GDP of China (year on year, calender year)	10.5	9.8	11.2	8.6	9.4	7.9
World real GDP growth rate(calendar year)	4.3	4.1	4.5	4.7	5.0	4.4
CO2 emissions(compared with the figure for 1990)		13.5	1.2		13.4	13.8

Notes : 1.9% if not otherwise specified.

2. Potential GDP and GDP gap are calculated by JCER.

3.All figures denoted by ※ are those in the final year ,not averages.

4. Primary balance and government debt are those of central and local governments.

Source : Cabinet Office "National Accounts"

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