

# Asia Independent Research Conference

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MANAGEMENT ASSOCIATION



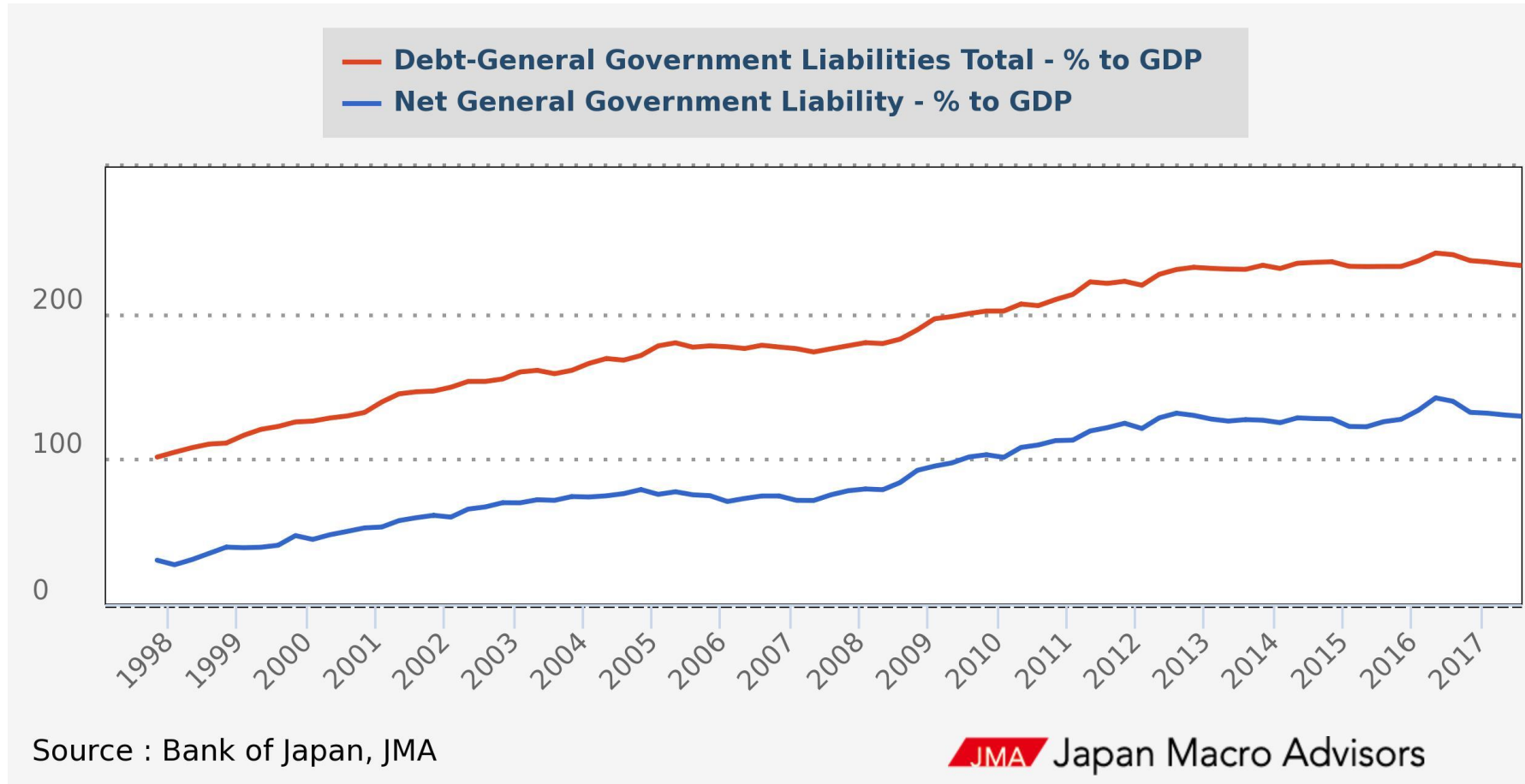
# **Fiscal Crisis in Japan: When and How?**

**Japan Macro Advisors**

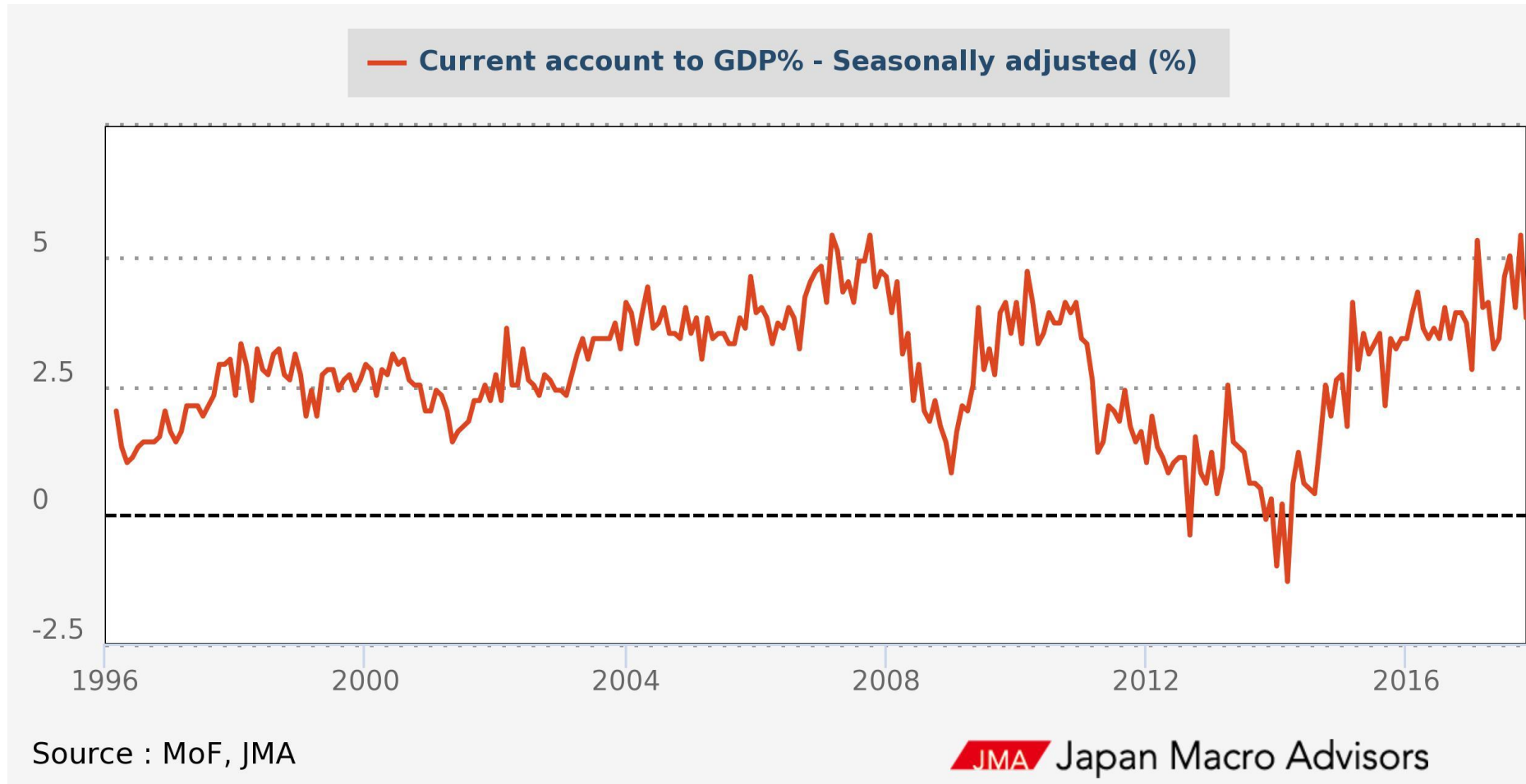
**Principal and Chief Economist**



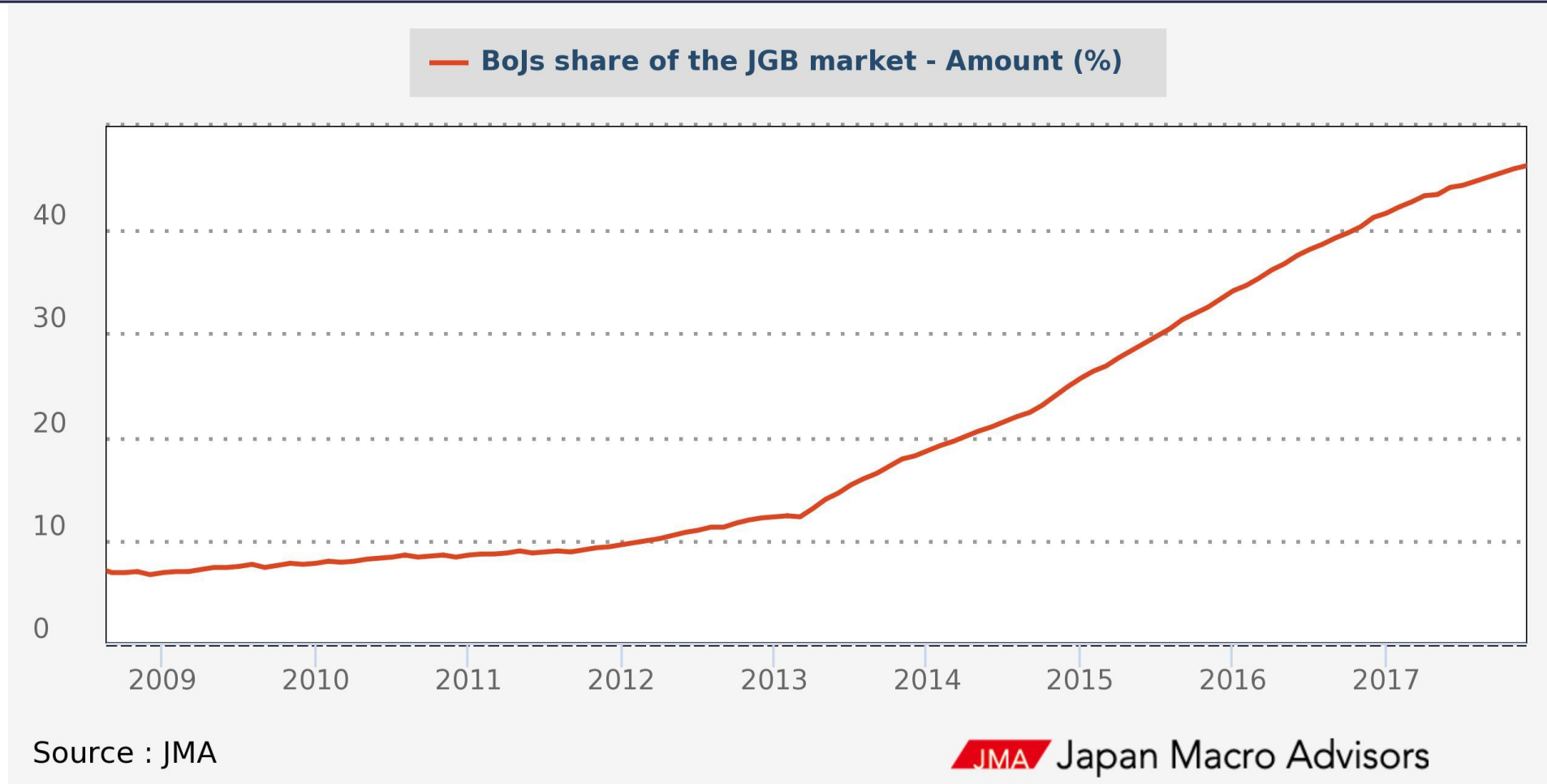
# Despite the rising debt to GDP, no fiscal crisis so far...



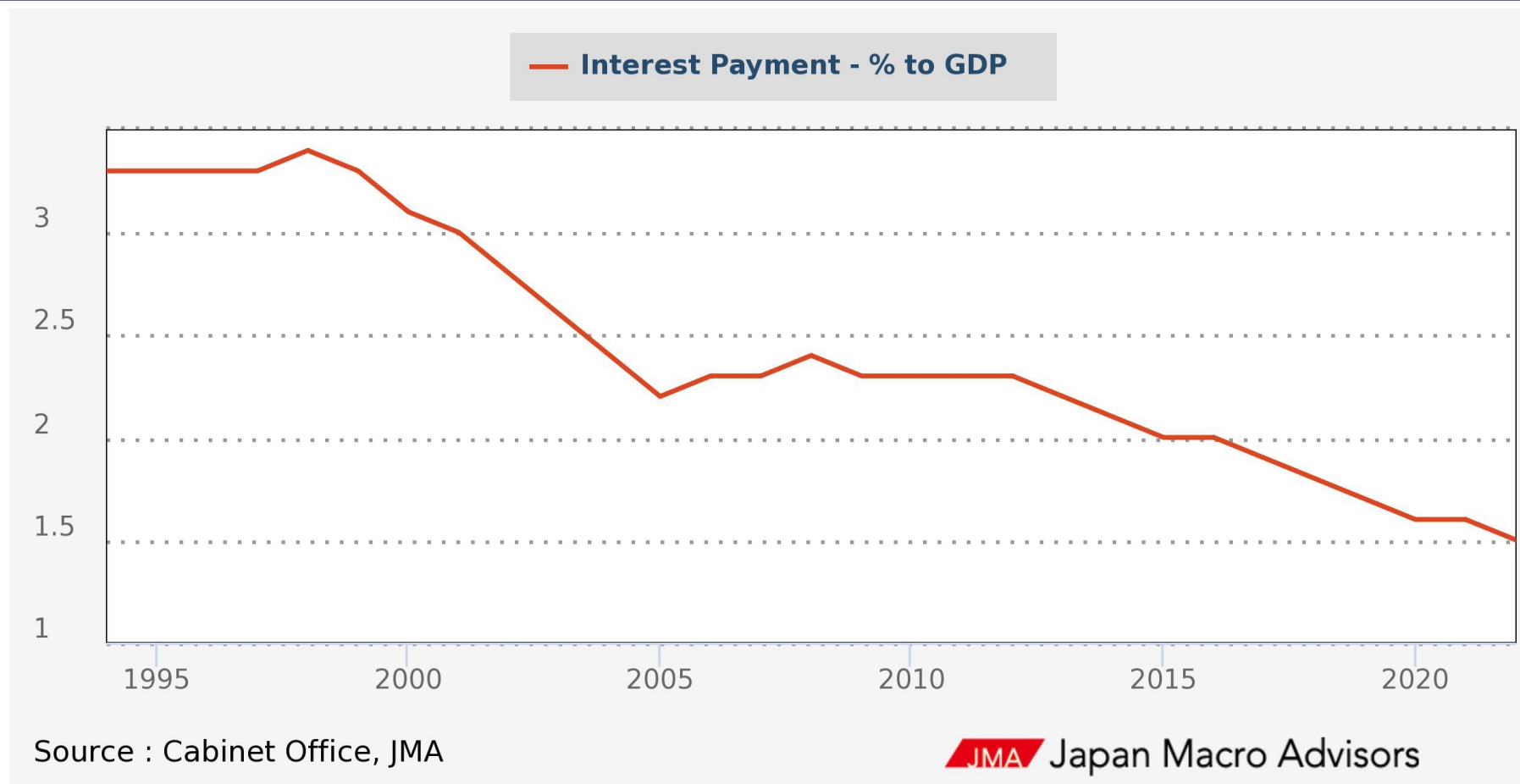
# Despite the aging, Japan continues to run C/A surplus



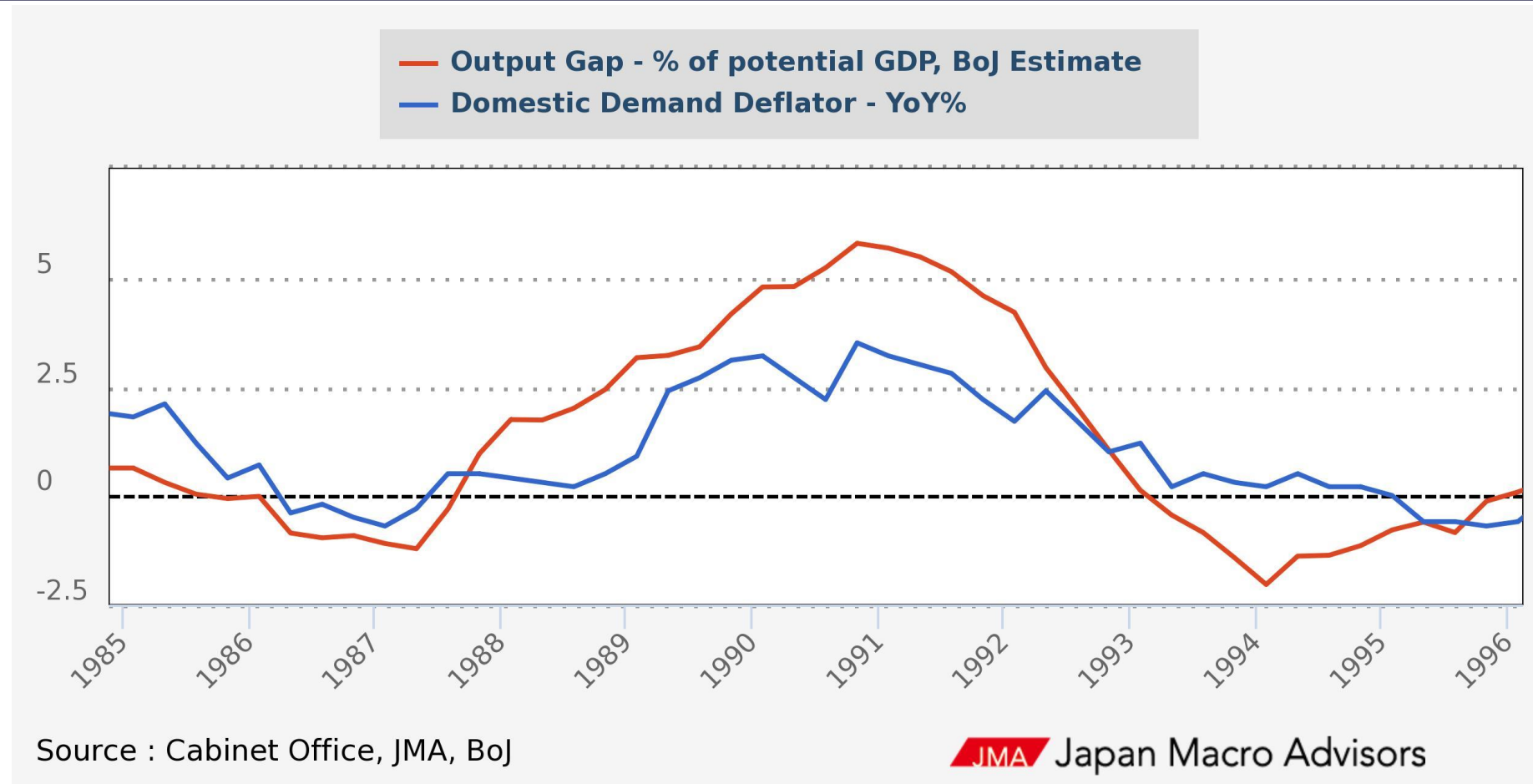
# BoJ single-handedly financing public debt



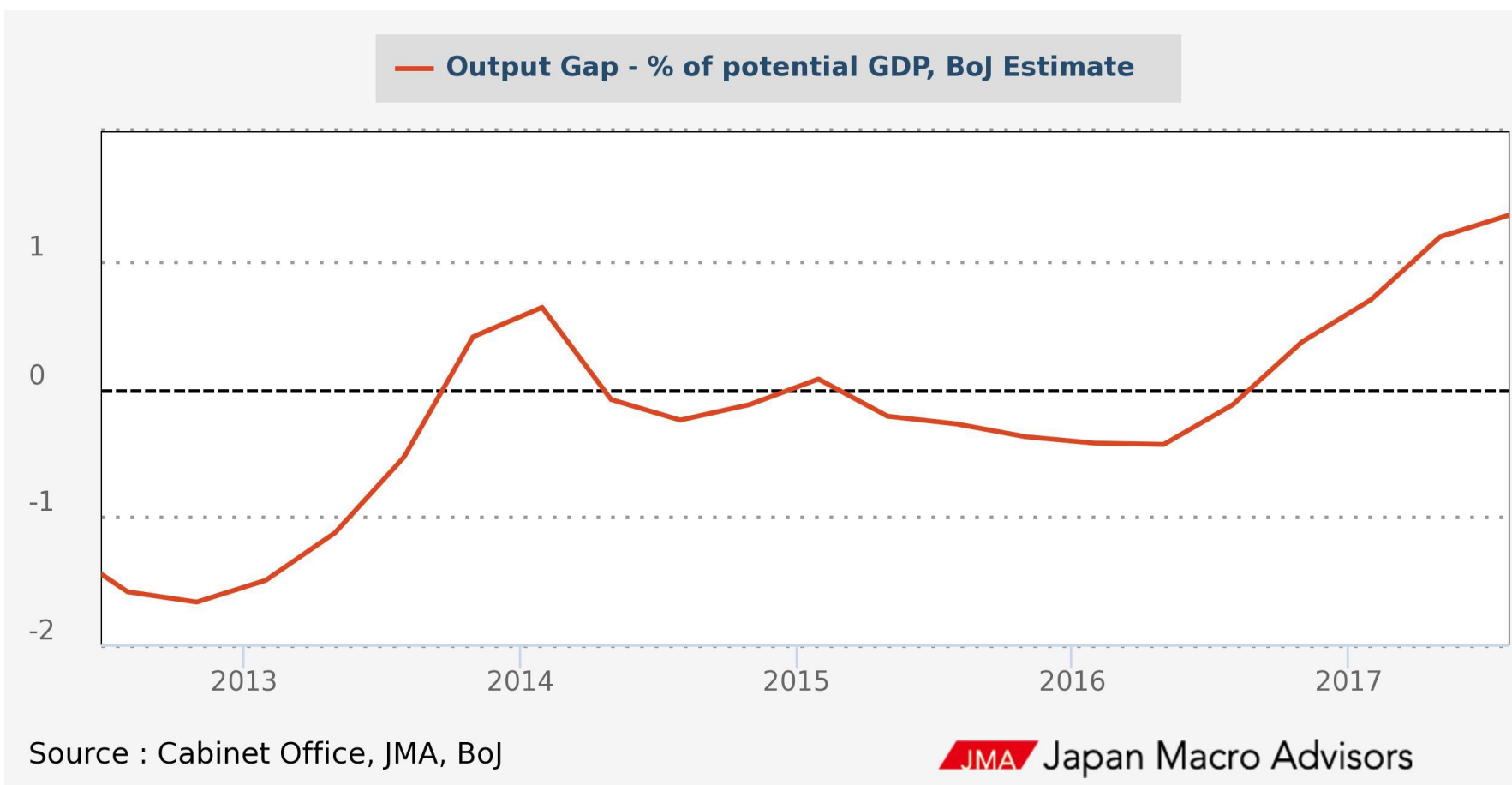
# Interest payment burden getting easier every year



# Has inflation ever risen in Japan? Yes

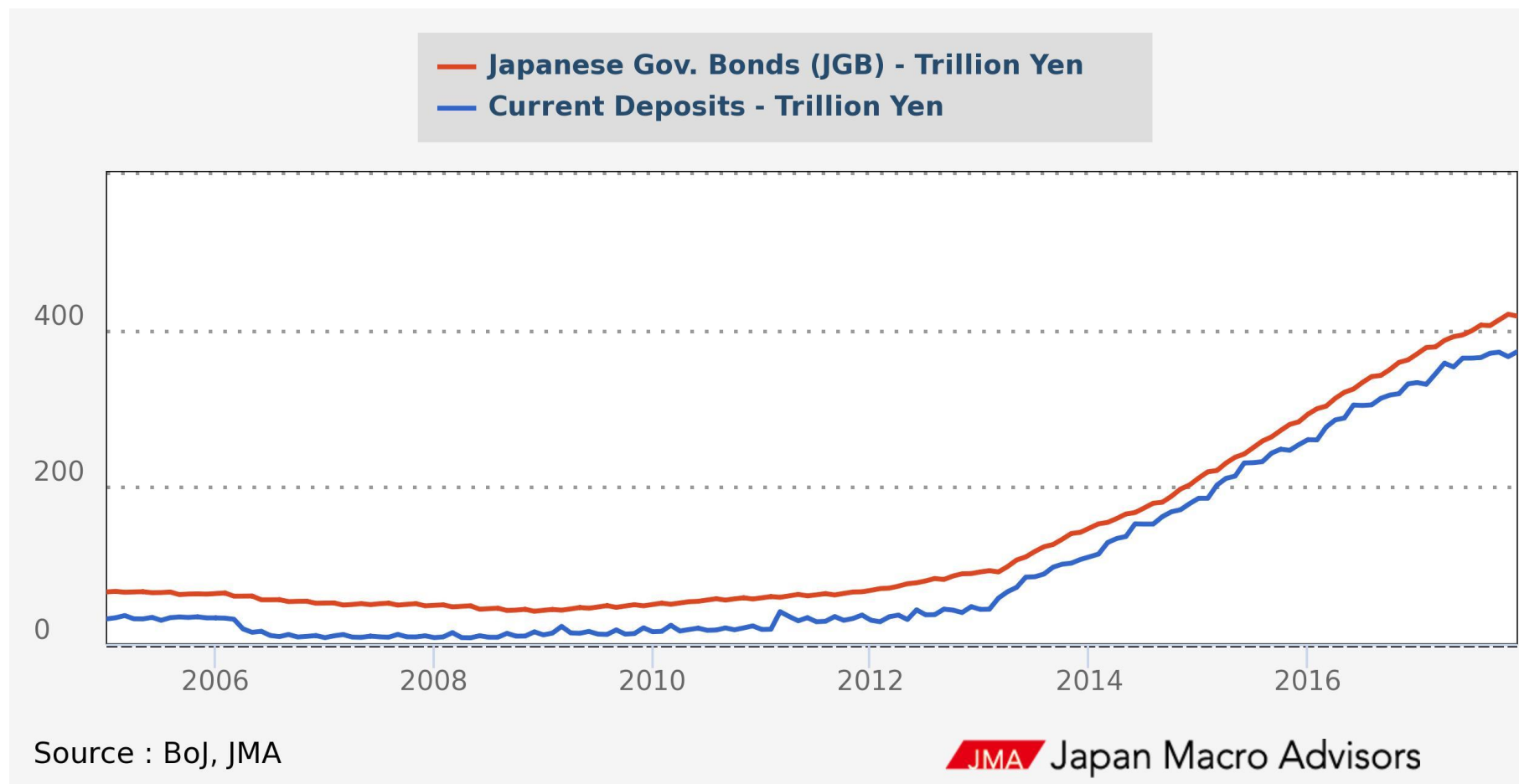


# Output gap could reach 2% in 2019

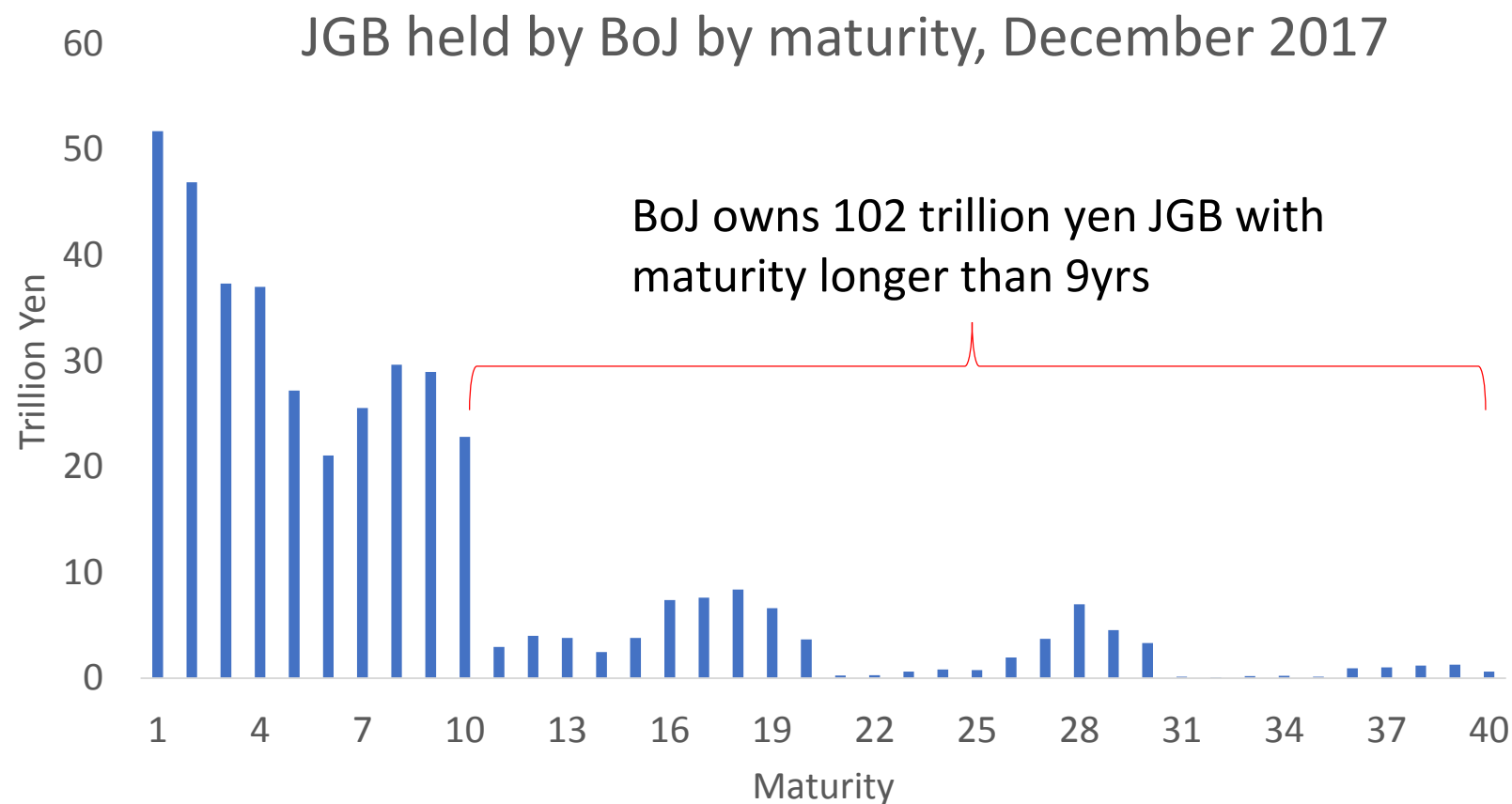




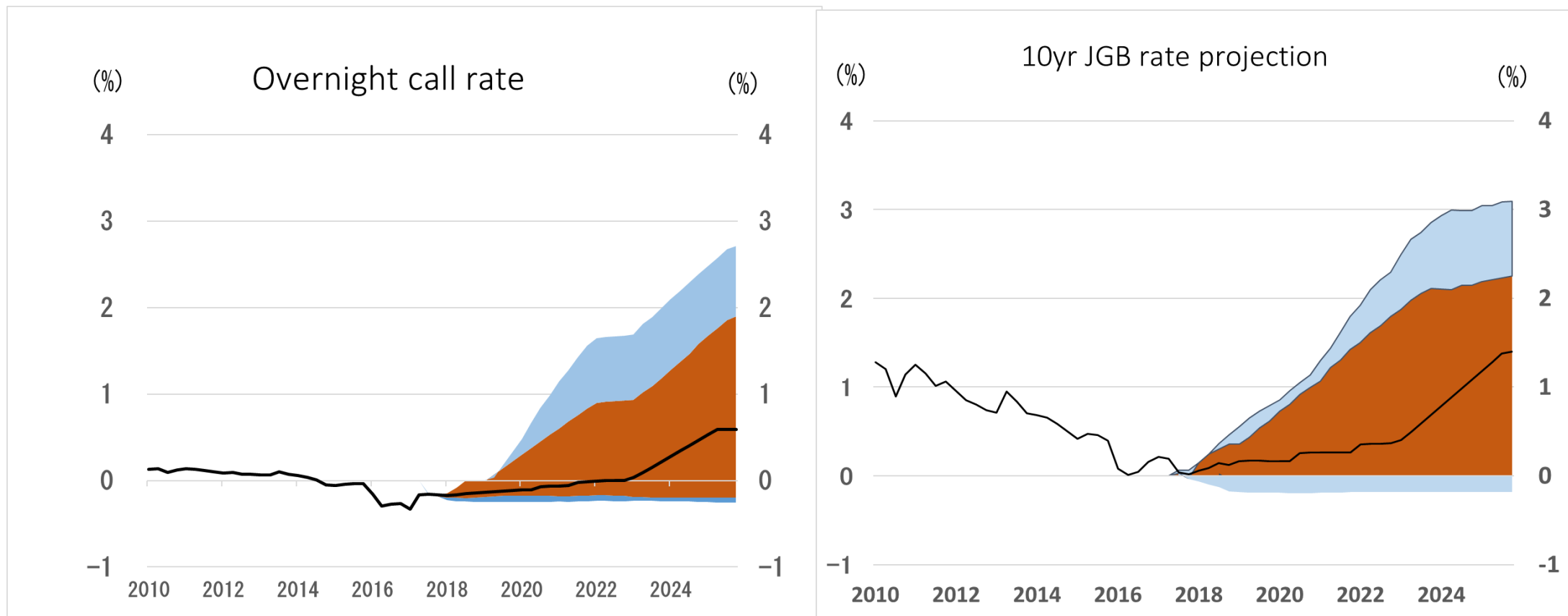
# BoJ won't be able to reduce its B/S in time



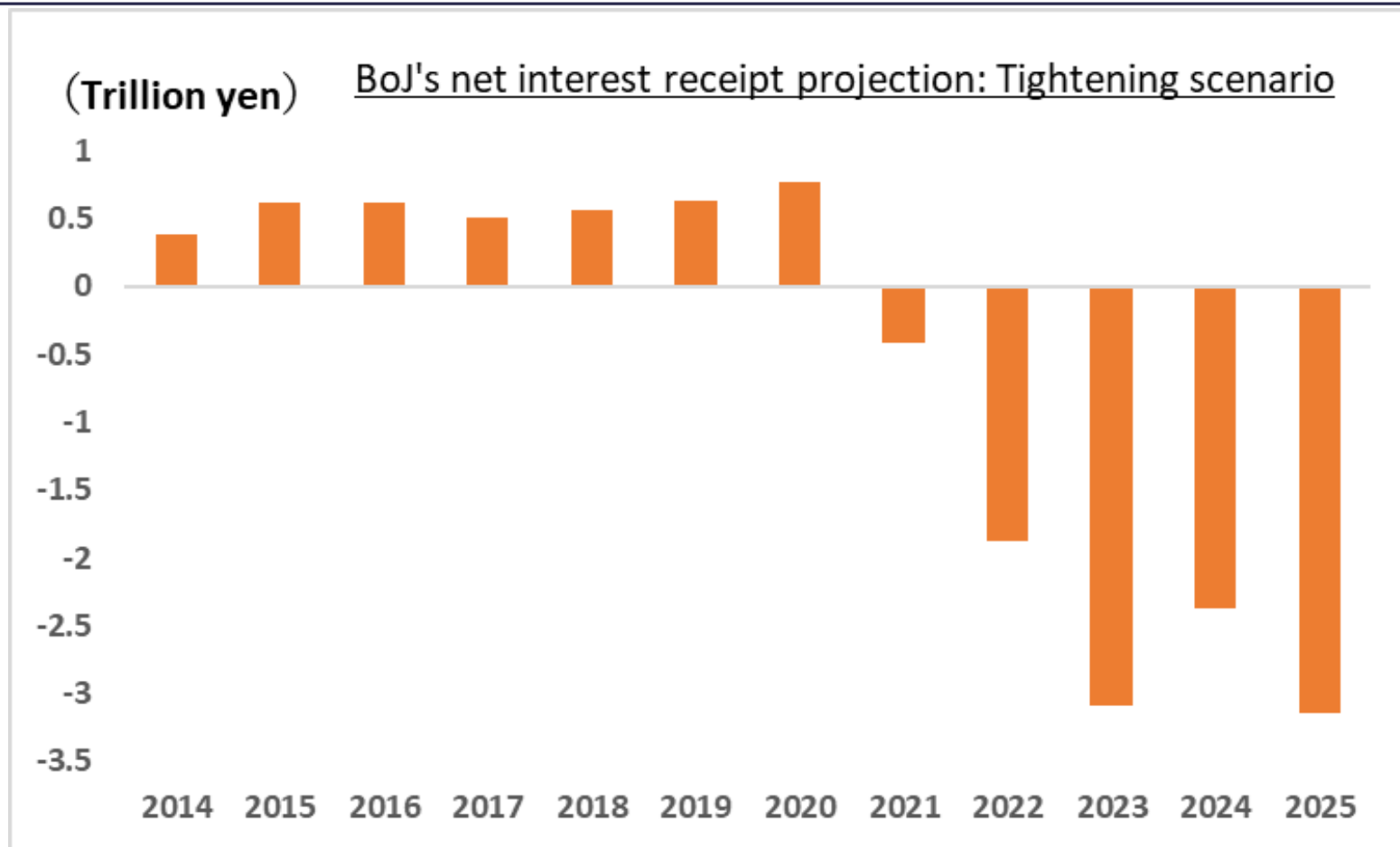
# BoJ needs to sell JGBs to reduce its balance-



# What happens if BoJ raise rates with a bloated B/S?



# BoJ to be in technical bankruptcy by 2024



## **2 remaining questions**

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**Crisis in which market?**

**Why is BoJ trying to raise inflation?**

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