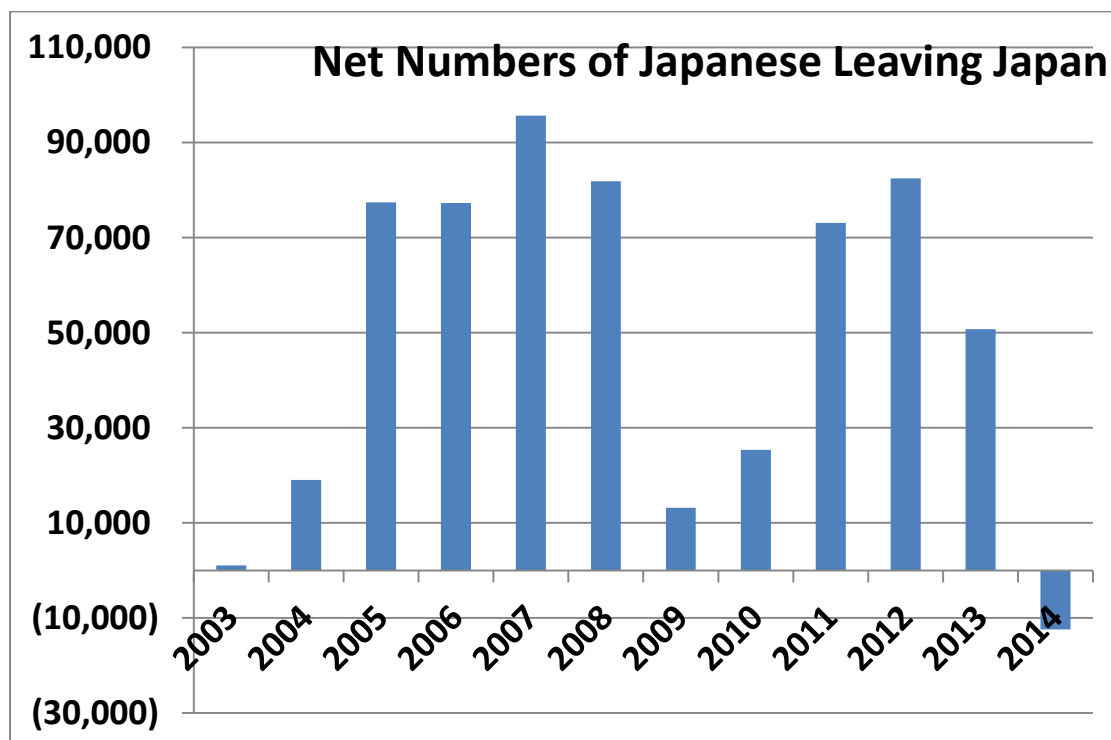


If Abenomics is not working.....

Human beings are the same all over the world. We move around in search of jobs and business opportunities. We usually go to a new place to make our lives better and this is usually because the destination provides opportunities in terms of jobs, business and personal advancement.

For many years, Japanese people have been leaving Japan. By tabulating the number of Japanese leaving and netting off the numbers returning, over time, it is possible to see the trend of emigration. For most of the past decade, there has been a net exodus of Japanese, usually numbering between 50-100,000 per year.

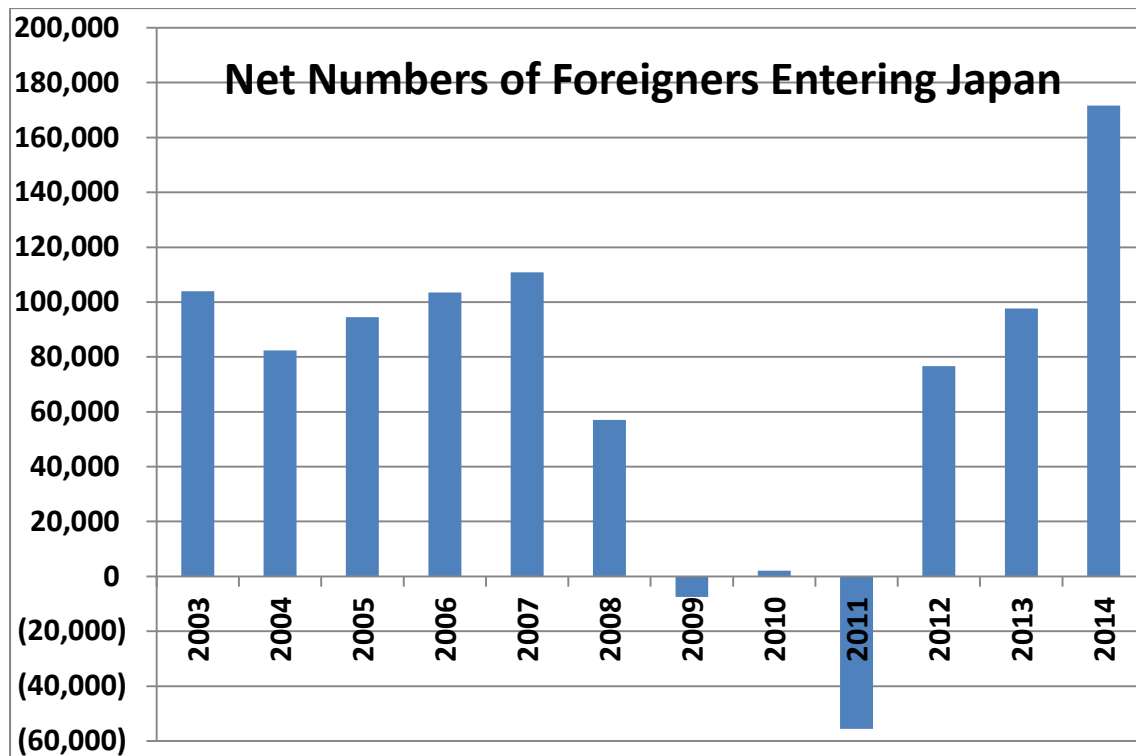
But in 2014, this reversed. There was a net return of about 12,500 Japanese. The last time there was a net return of Japanese was in 2001. Would they have returned if opportunities in Japan had not been increasing?



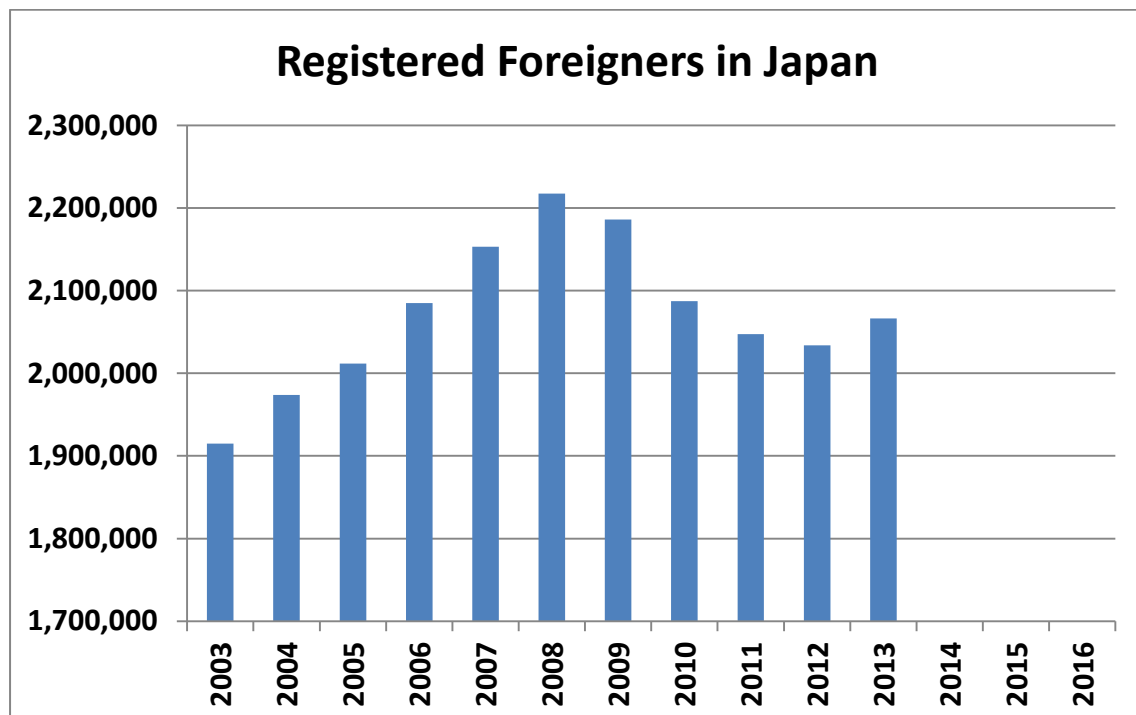
The same analysis can be applied to foreigners. Although there is a perception that Japan is not open to immigration, every year there is usually a net inflow of 50-100,000 foreigners. The exceptions were 2009, at the height of the global financial crisis and 2011, when the Fukushima disaster frightened many foreigners into leaving.

From 2012 onwards, the foreigner inflow returned to normal. But in 2014, there was a massive surge in the net inflow of foreigners, numbering nearly 172,000 and surpassing the highest year in the past decade (2007) by 55%.

Not since the boom years of 1990 (162,000) and 1991 (258,000), have so many foreigners flocked to Japan. Would they have come if opportunities for work and business were not increasing?

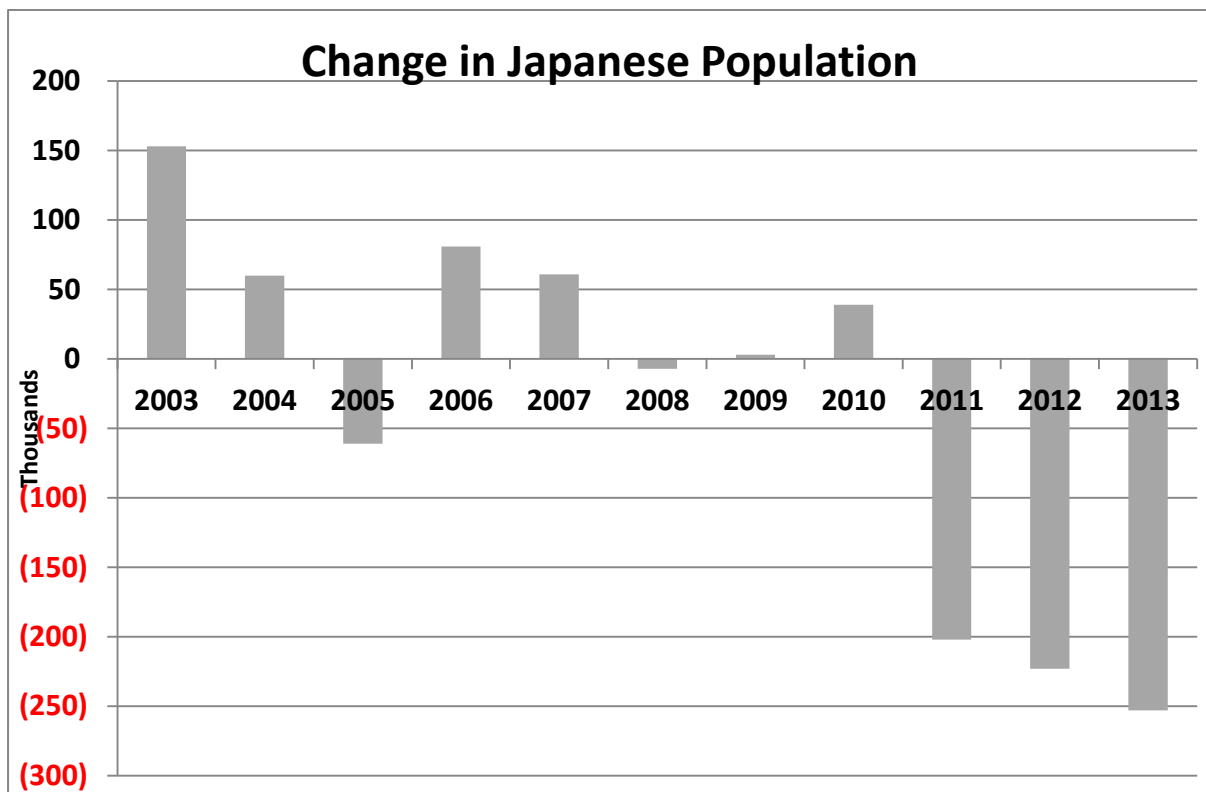


The official number of registered foreigners in Japan for 2014 has not yet been released but it's practically a foregone conclusion that it will be much higher than 2013, possibly approaching the peak of 2008.



If Abenomics is not working, why are people going to Japan?

Japan needs people badly. Their own population is shrinking at a rate of 1 million every 4 years.



If the net number of Japanese returnees and foreigner inflow can rise to a number that offsets the decline in the Japanese population, population decline will stop being a headwind to GDP.

Since GDP growth can be seen as the sum of population growth and productivity growth, Japan's GDP growth can begin to become more predictably positive.

We are not far off. The 2014 sum of net returnees and foreigner inflow is already nearly 185,000. A 30% increase, and we will be there.