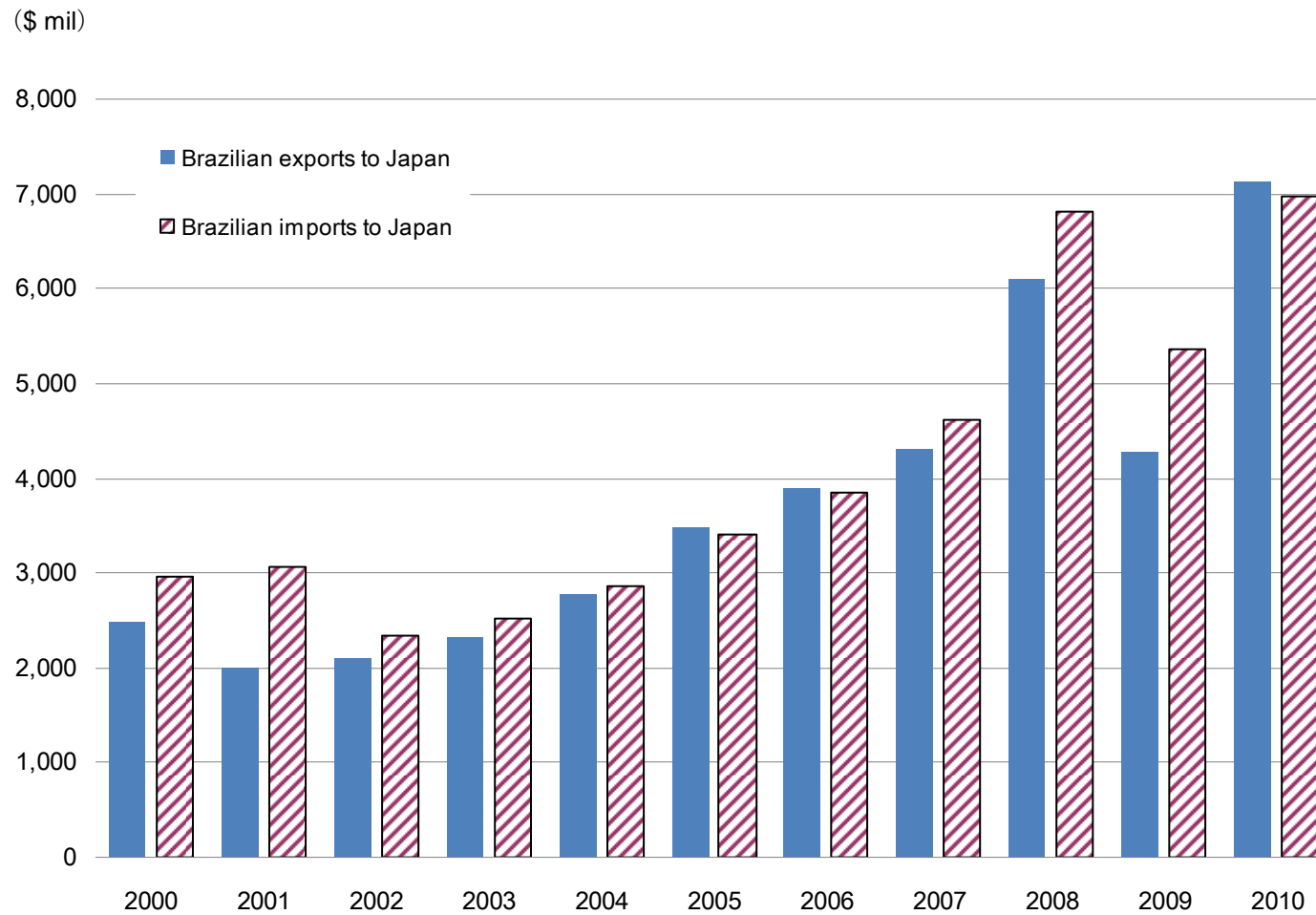


Prospects of Economic Relationship between Brazil and Japan

Toshiro Mutoh
Chairman
of
Daiwa Institute of Research
2011. 2

1 Overview of Relationship (1) Trade between Brazil and Japan

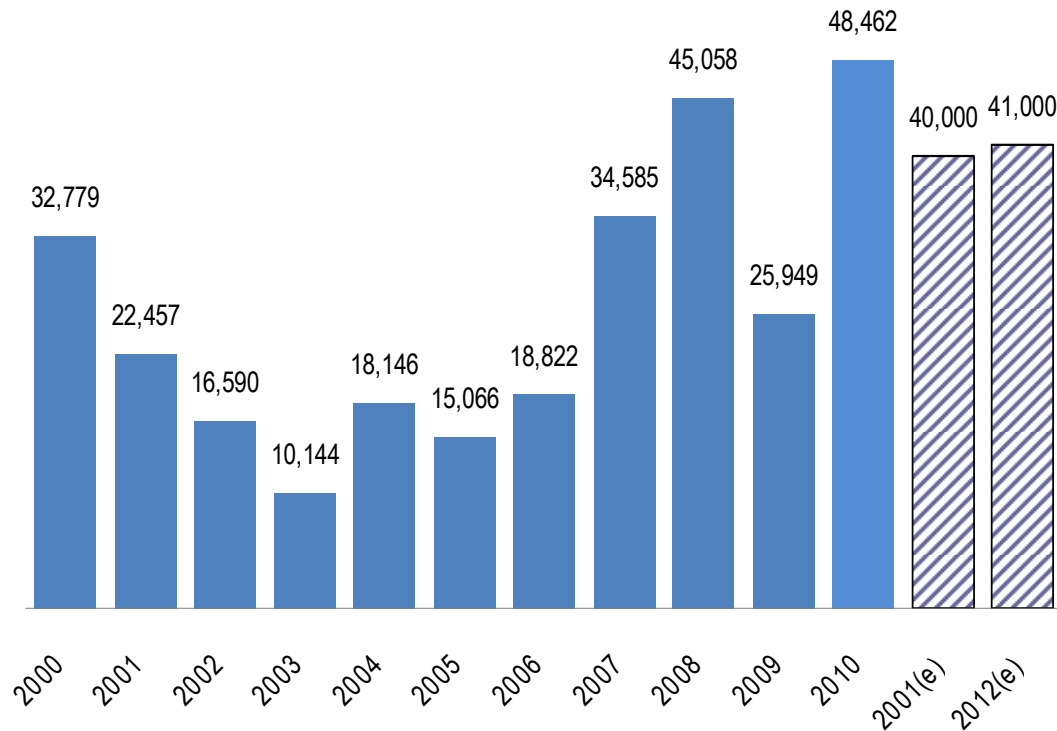


Source: JETRO; compiled by DIR.

1 (2) Foreign Direct Investment in Brazil

Foreign Direct Investment in Brazil

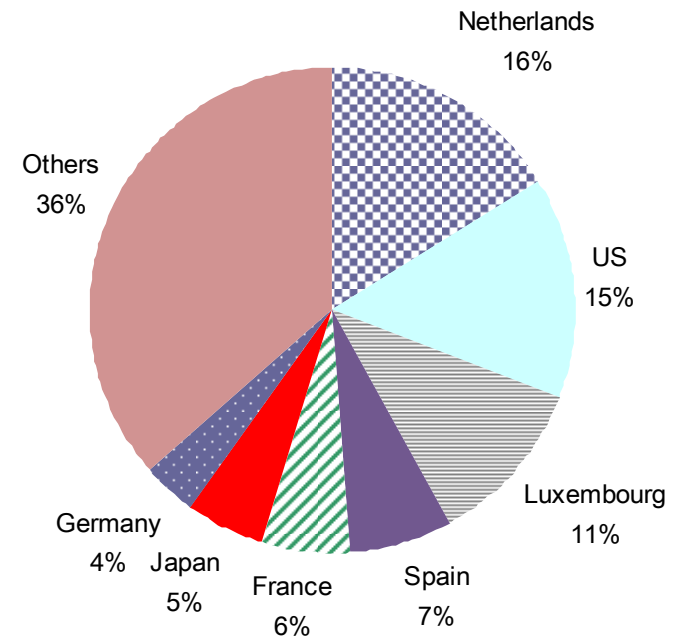
(\$ mil)



Source: Brazilian Central Bank; compiled by DIR.

Breakdown by Country

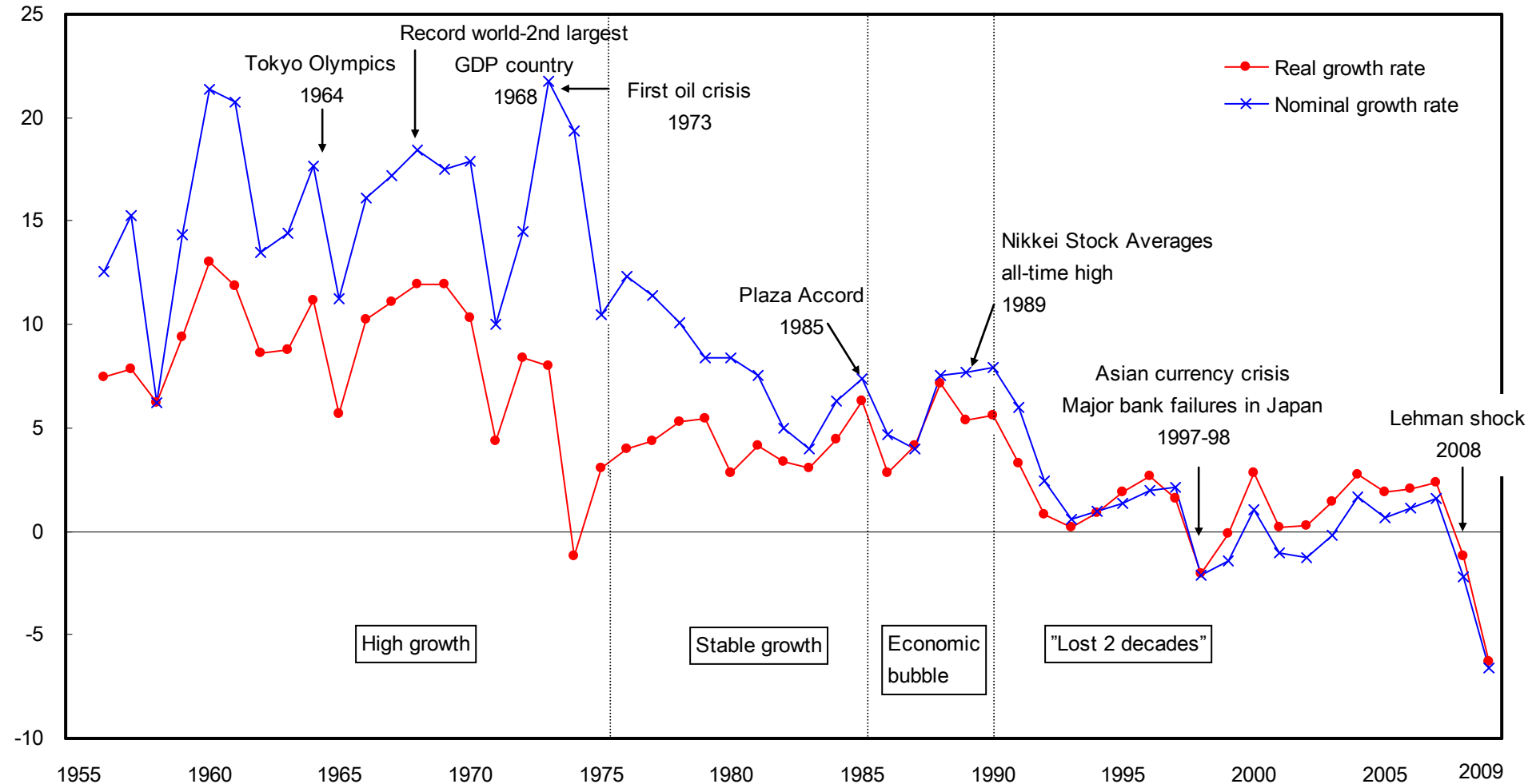
(2007-2010 Accumulated FDI flows ; \$161.7 billion)



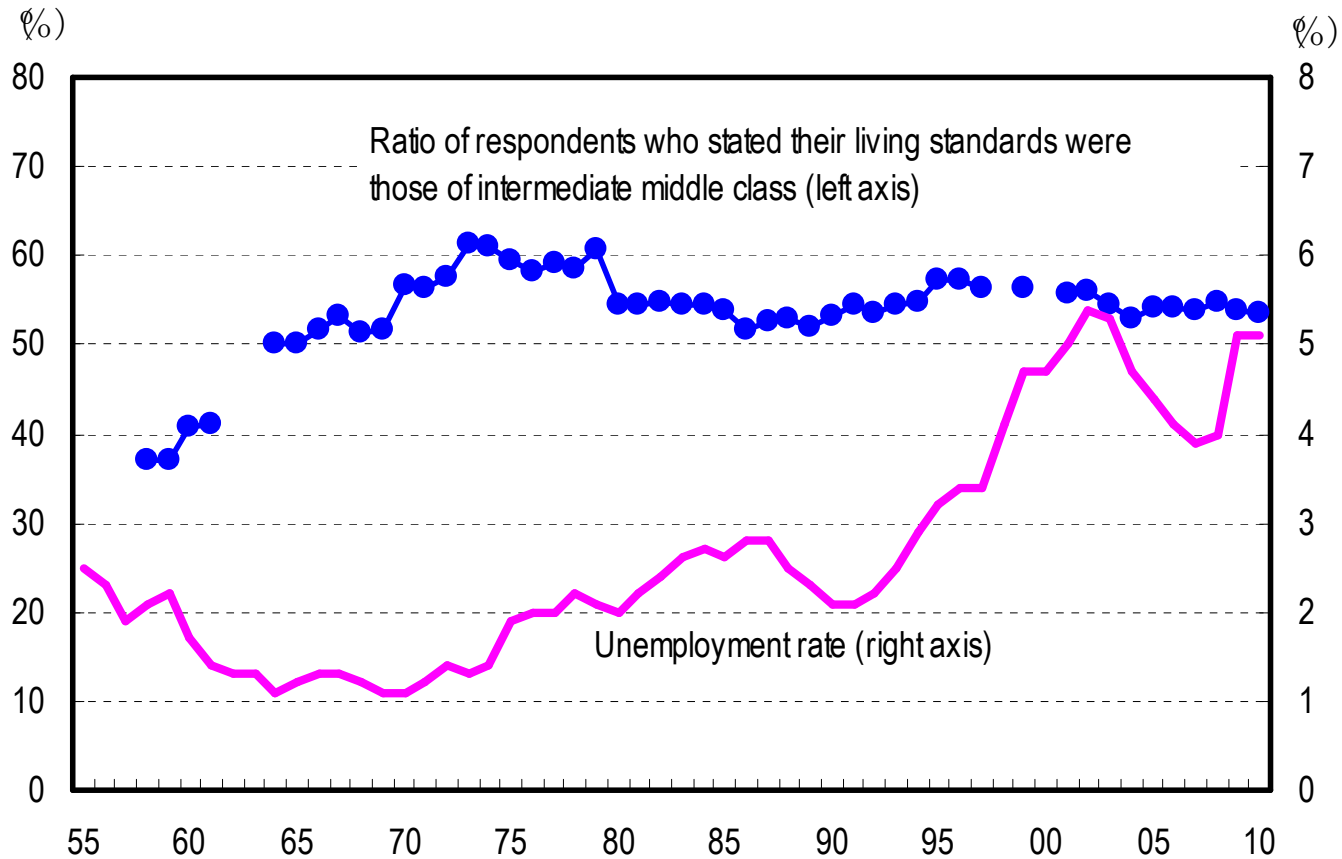
Source: Brazilian Central Bank; compiled by DIR.

2 Developments in Japanese Economy (1) GDP Growth Rate of Japan

(Y/y %)



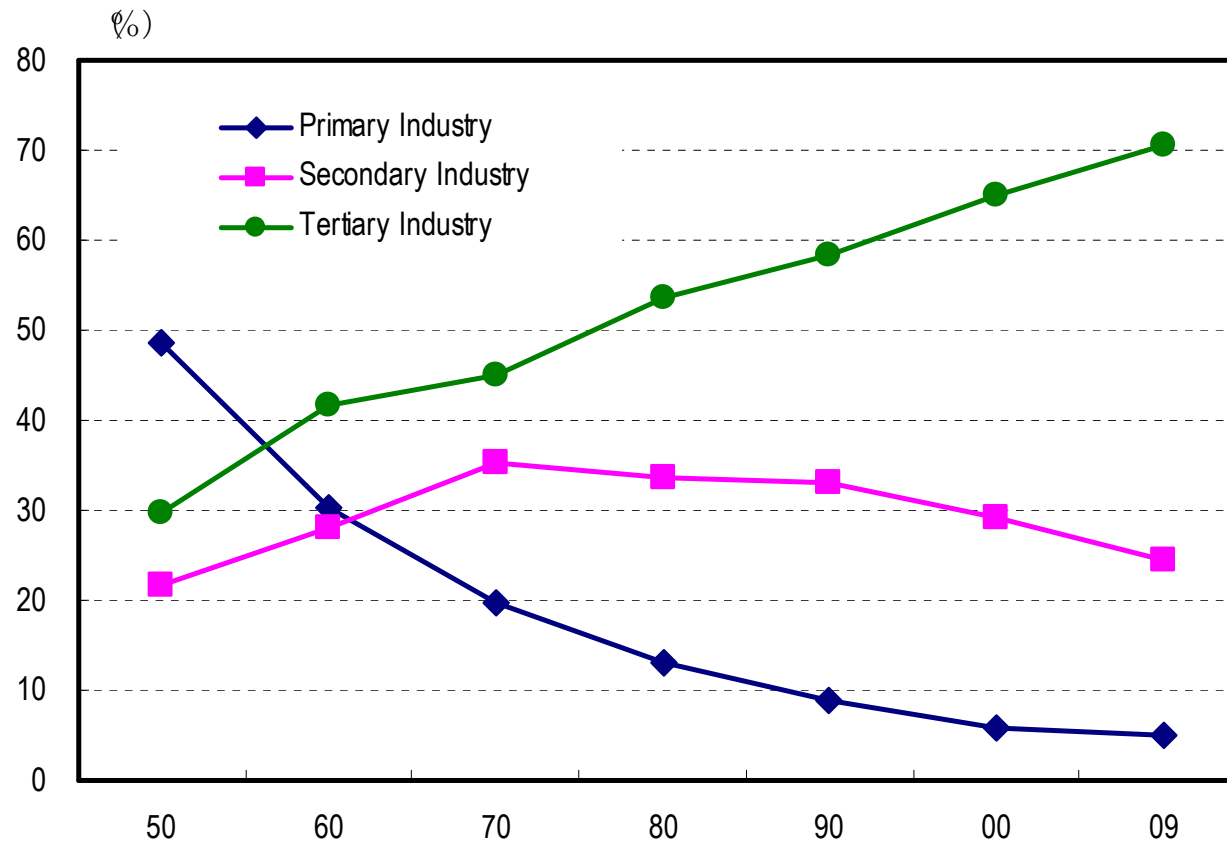
Source: Cabinet Office; compiled by DIR.



Source: Cabinet Office, Ministry of Internal Affairs and Communications; compiled by DIR.

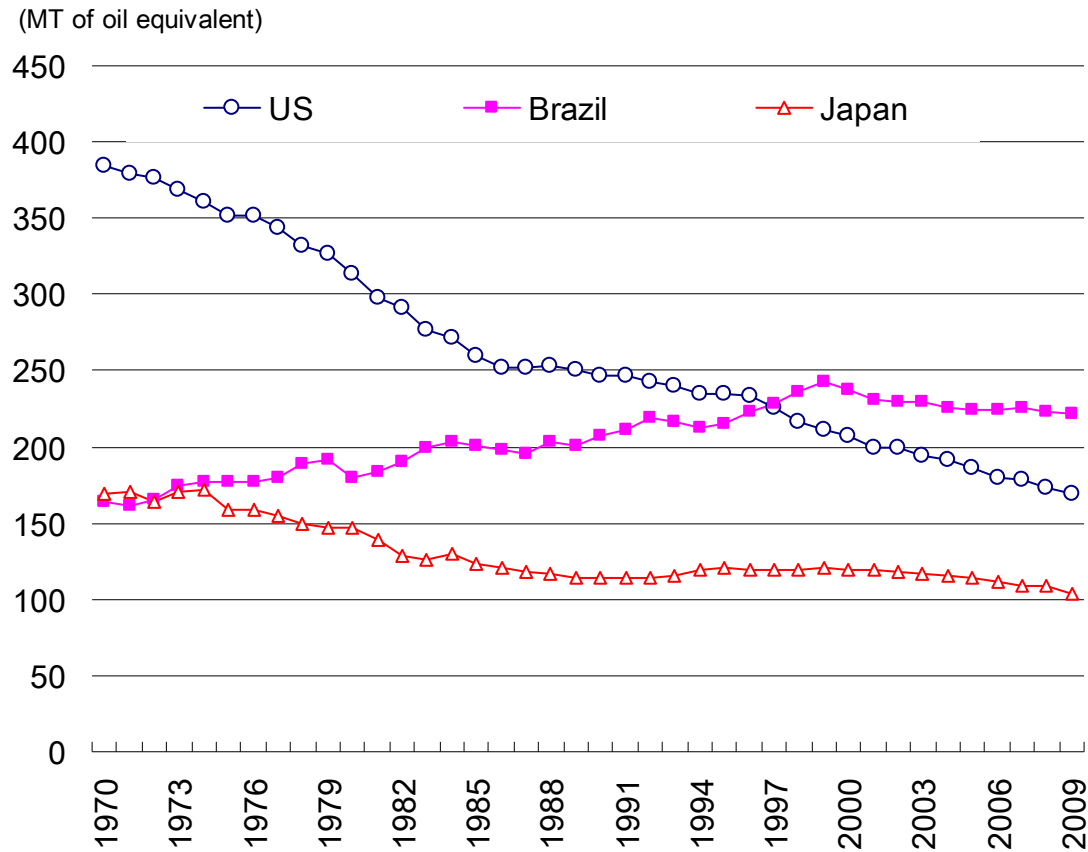
Note: There are a few years without relevant surveys.

2 (3) Composition of Working Population by Industry



Source: Cabinet Office, Ministry of Internal Affairs and Communications; compiled by DIR.

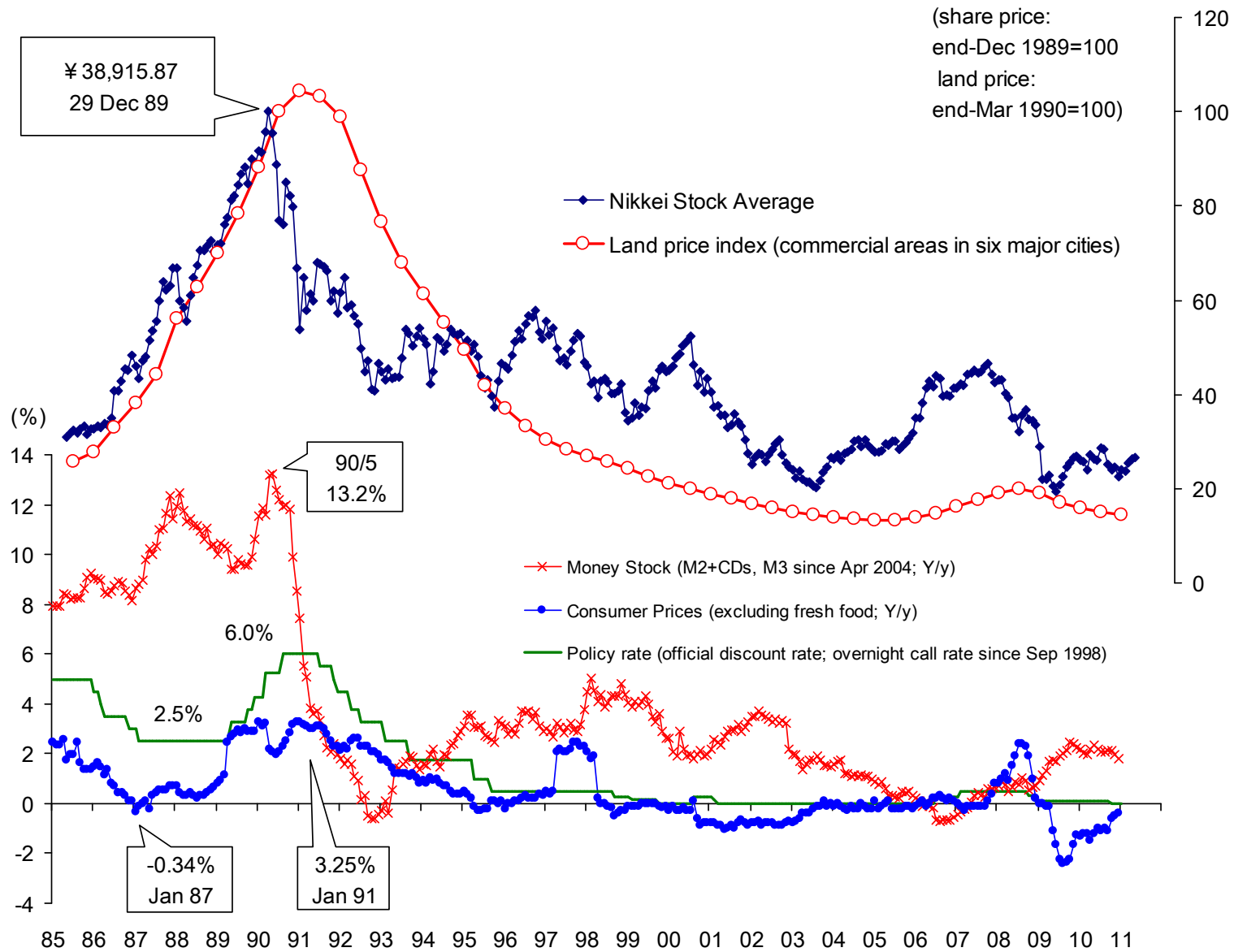
2 (4) Primary Energy Consumption / Real GDP denominated in USD



	Japan	US	Brazil
1970	169	384	164
1980	147	314	180
1990	114	246	207
2000	120	207	238
2009	104	162	221

Source: British Petroleum, United Nations; compiled by DIR.

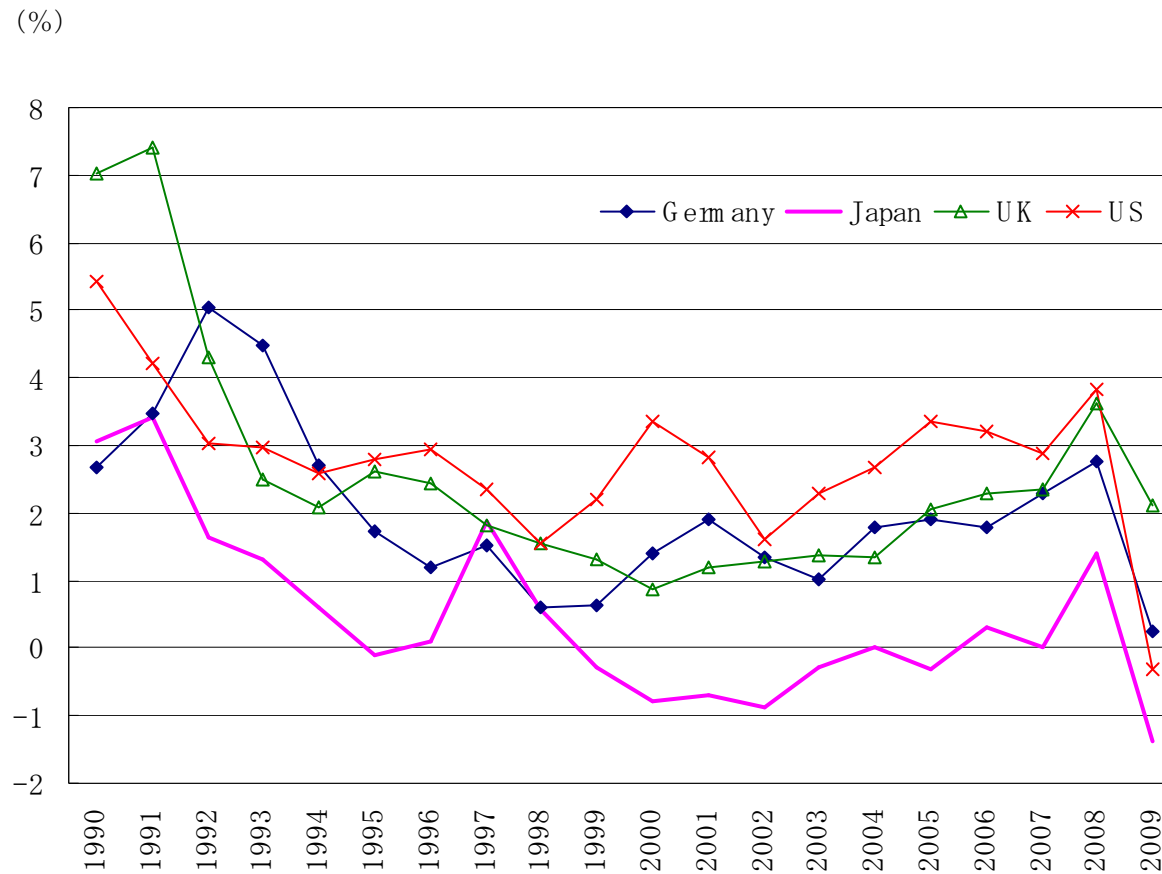
2 (5) Land, Share, Consumer Prices in Japan



Source: Bank of Japan, Ministry of Internal Affairs and Communications, Japan Real Estate Institute; compiled by DIR.

2 (6) Deflation in Japan

Change in CPI Composite: Yearly Average



Source: IMF; compiled by DIR

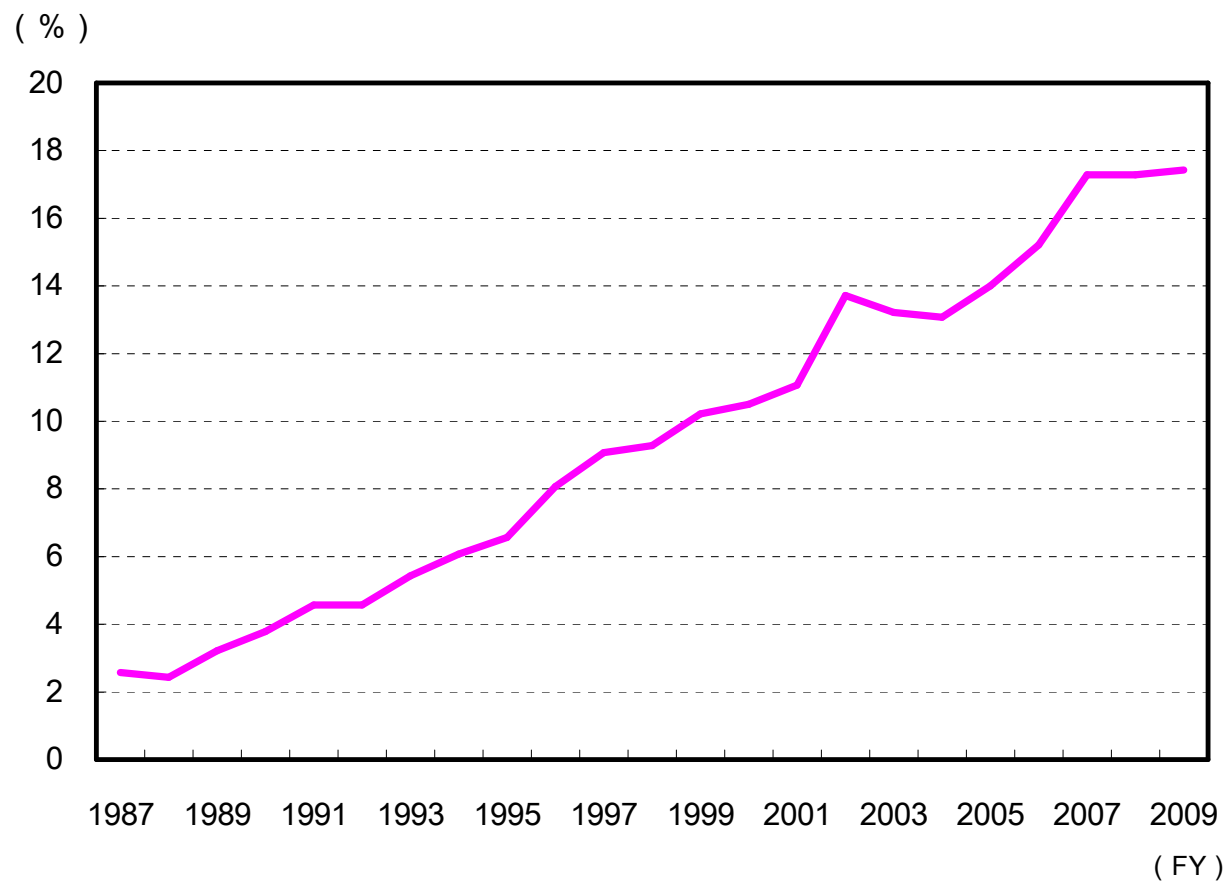
2 (7) DIR Estimates for Japanese Economy

(Y/y %)

	FY 2008	FY 2009	FY 2010 (e)	FY 2011 (e)
Real GDP	-4.1	-2.4	3.0	1.0
Domestic demand (contribution to real GDP growth)	-2.9	-2.7	1.8	0.6
Foreign demand (contribution to real GDP growth)	-1.2	0.3	1.2	0.4
Consumer Price Index (excl. fresh food)	1.2	-1.6	-0.9	-0.1
Unemployment rate (%)	4.1	5.2	5.1	5.0

Source: DIR

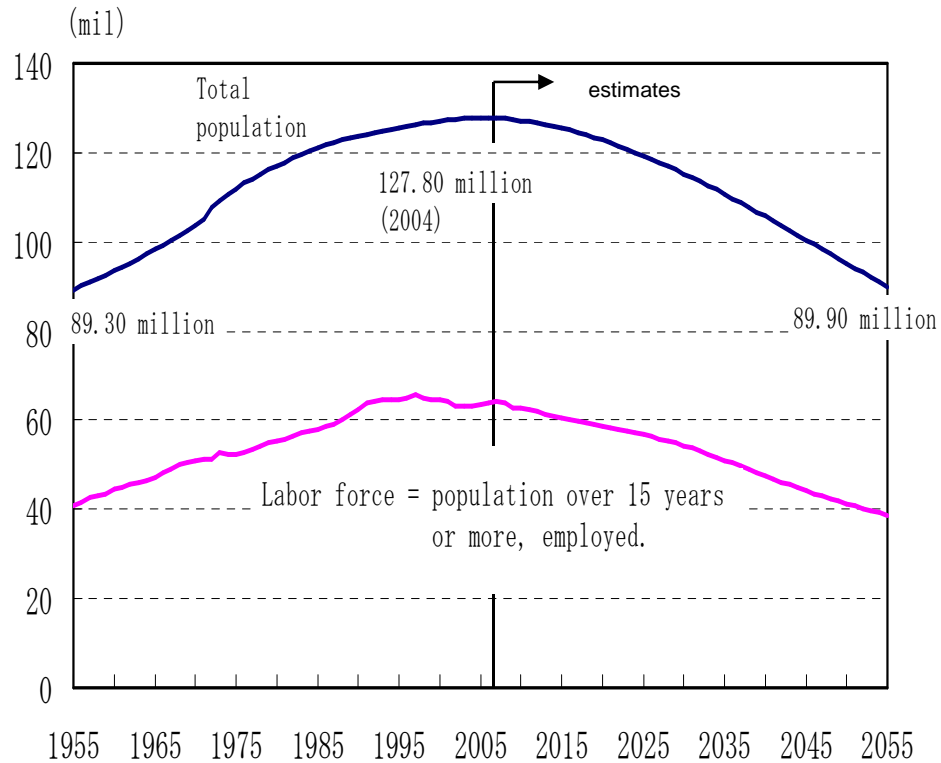
2 (8) Ratio of Overseas Production of Japanese Companies



Source: Cabinet Office, *Annual Survey of Corporate Behavior*; compiled by DIR

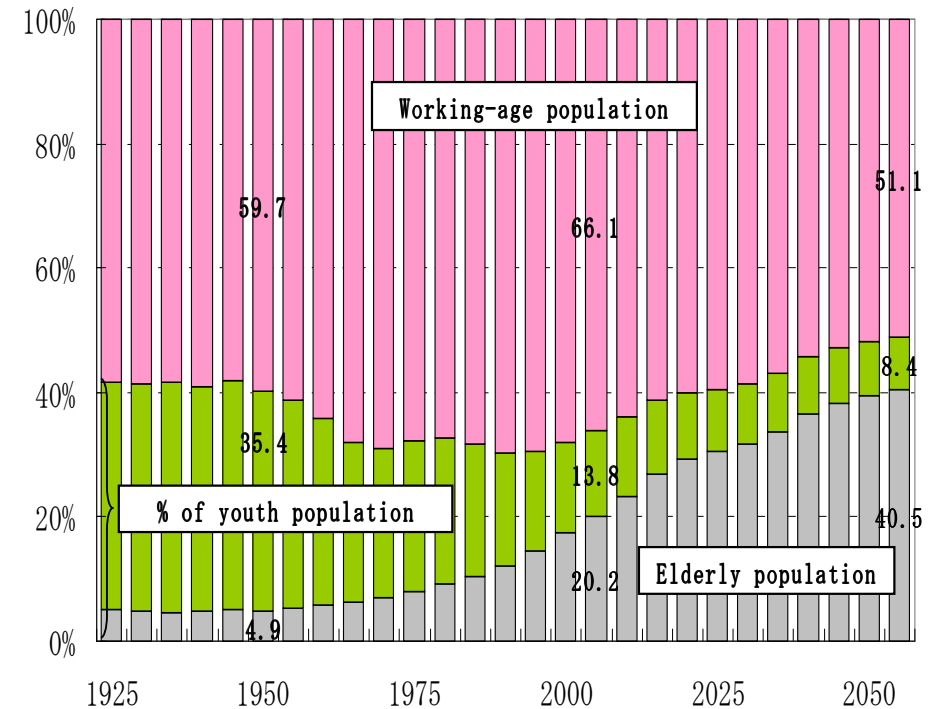
2 (9) Long-term Downtrend in Japanese Population

Japanese Demographic Picture



Source: Ministry of Internal Affairs and Communications. Population Census, Population Estimates, Labor Force Survey; National Institute of Population and Social Security Research, Population Projection for Japan: 2001-2050 (Dec 2006); compiled by DIR. Note: Labor force estimates based on past five-year average employment rate by sex and age group.

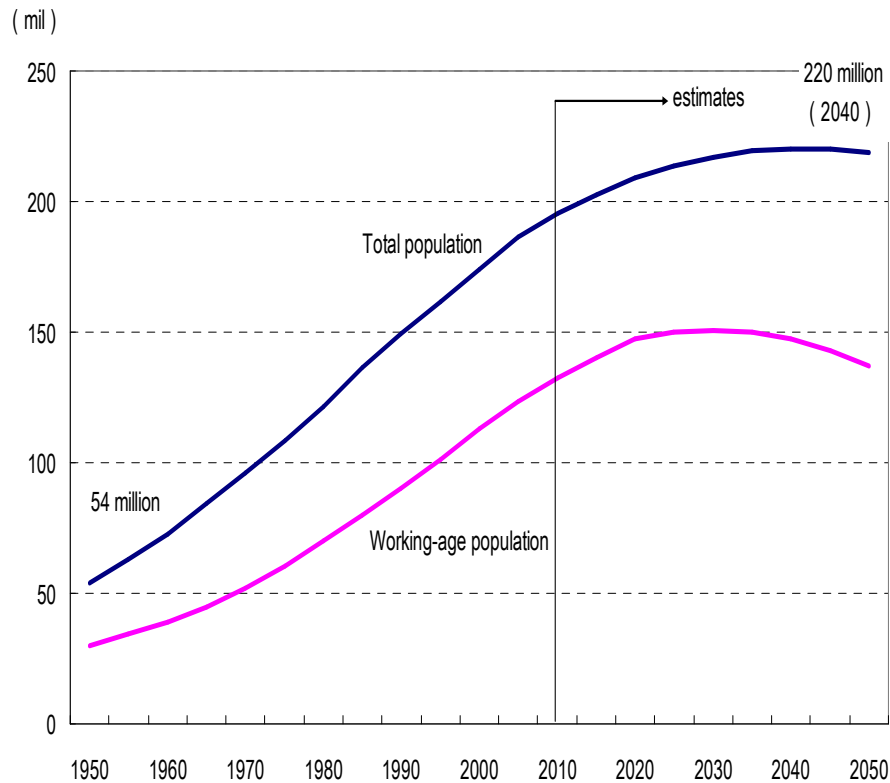
Rapidly Aging Japanese Population



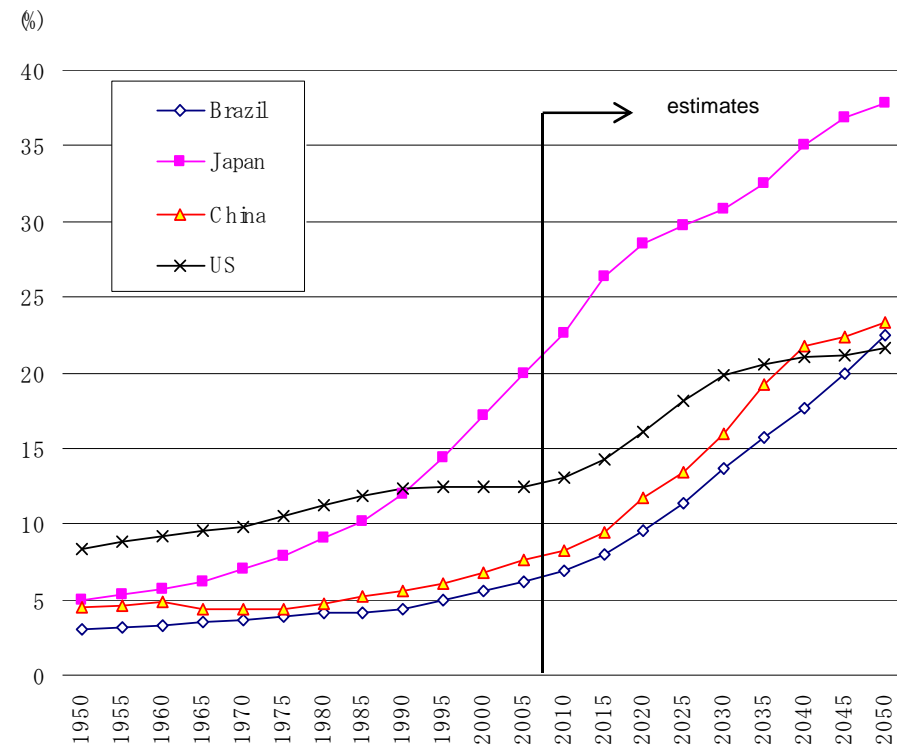
Source: Ministry of Internal Affairs and Communications. Population Census; National Institute of Population and Social Security Research, Population Projection for Japan: 2001-2050 (Dec 2006); compiled by DIR. working age population = 15-64; elderly population = 65 and above.

2 (10) Brazilian Population Trend

Brazilian Demographic Picture



Increasing Weight of Elderly Population



Source: United Nations, *World Population Prospects the 2008 Revision*; compiled by DIR

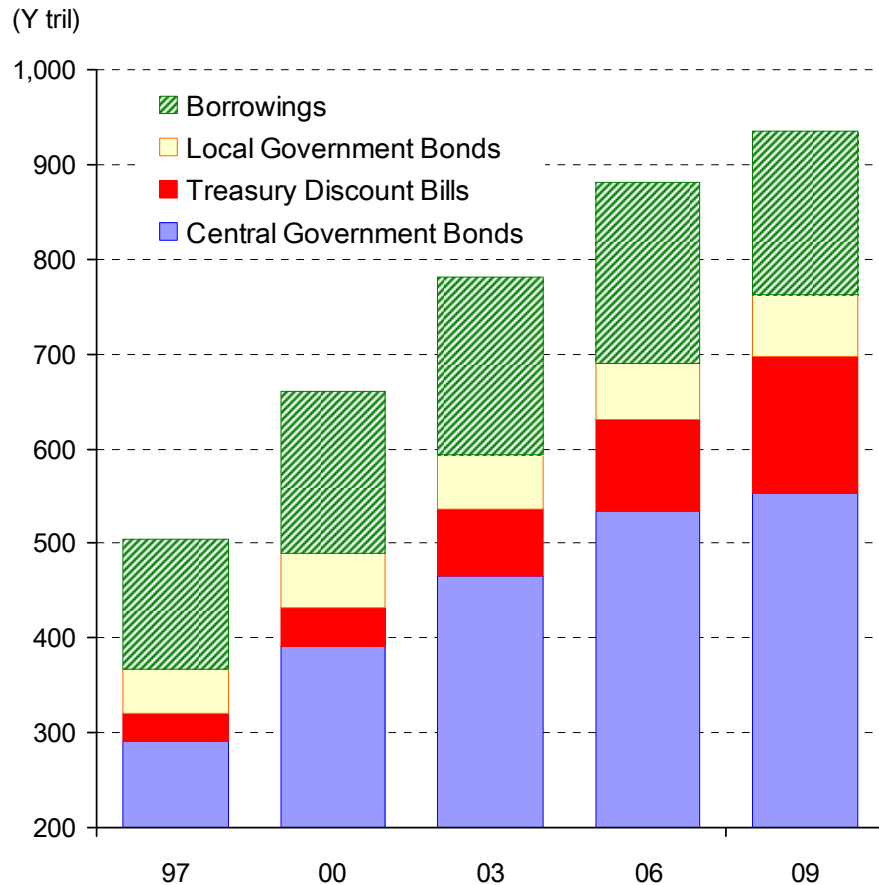
2 (11) Fiscal Balance Estimates for Major Countries

% of GDP	2007 (before Lehman shock)	2009 (a)	2010 (e)	2011 (e)	2014 (e)	2015 (e)
General Government Balance						
Japan	-2.4	-10.2	-9.6	-8.9	-7.6	-7.4
United States	-2.7	-12.9	-11.1	-9.7	-5.9	-6.5
United Kingdom	-2.7	-10.3	-10.2	-8.1	-3.4	-2.4
Germany	0.2	-3.1	-4.5	-3.7	-1.8	-1.4
France	-2.7	-7.6	-8.0	-6.0	-3.0	-2.2
General Government Gross Debt						
Japan	187.7	217.6	225.8	234.1	246.2	249.2
United States	62.1	84.3	92.7	99.3	107.8	110.7
United Kingdom	44.1	68.5	76.7	81.9	85.5	83.9
Germany	65.0	73.5	75.3	76.5	76.4	75.6
France	63.8	78.1	84.2	87.6	89.6	88.3

Source: I M F , *Fiscal Monitor*, Nov. 2010; compiled by DIR

2 (12) Household Financial Assets/JGB holders

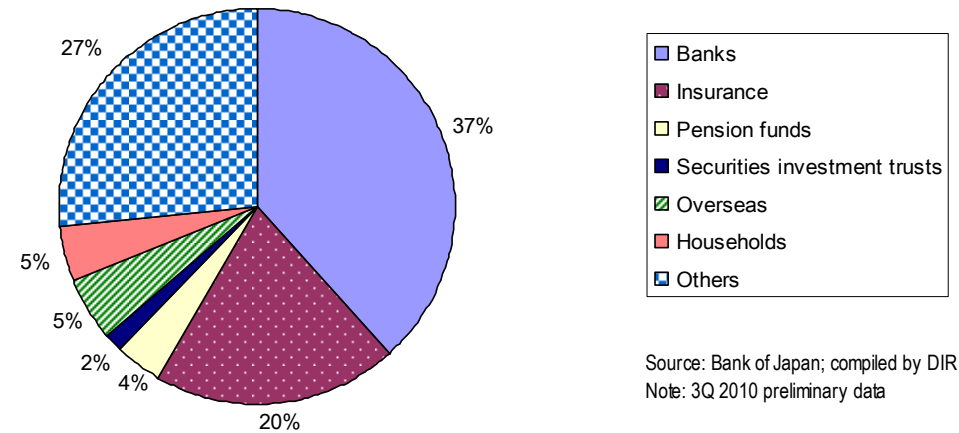
General Government Gross Debt



Source: Bank of Japan, *Flow of Funds*; compiled by DIR.

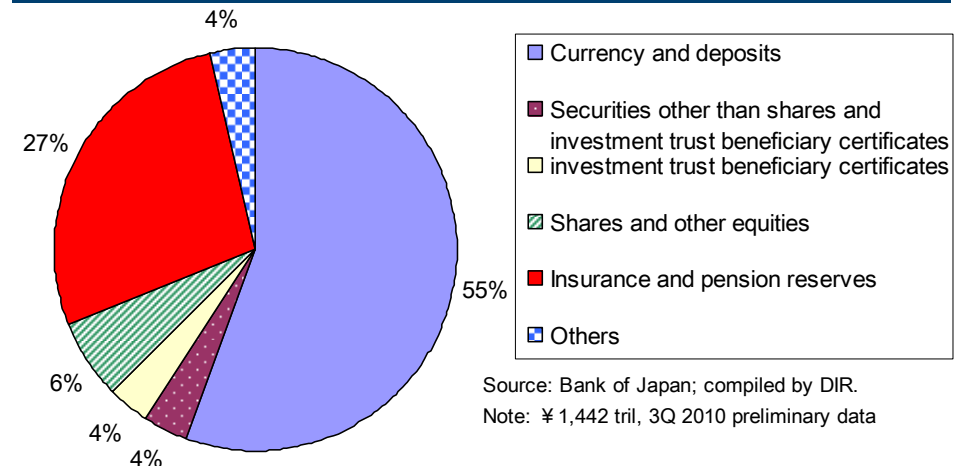
Note: Central Government Bonds exclude FLIP bonds, which are not included in general government debt under SNA.

Breakdown of JGB Holders



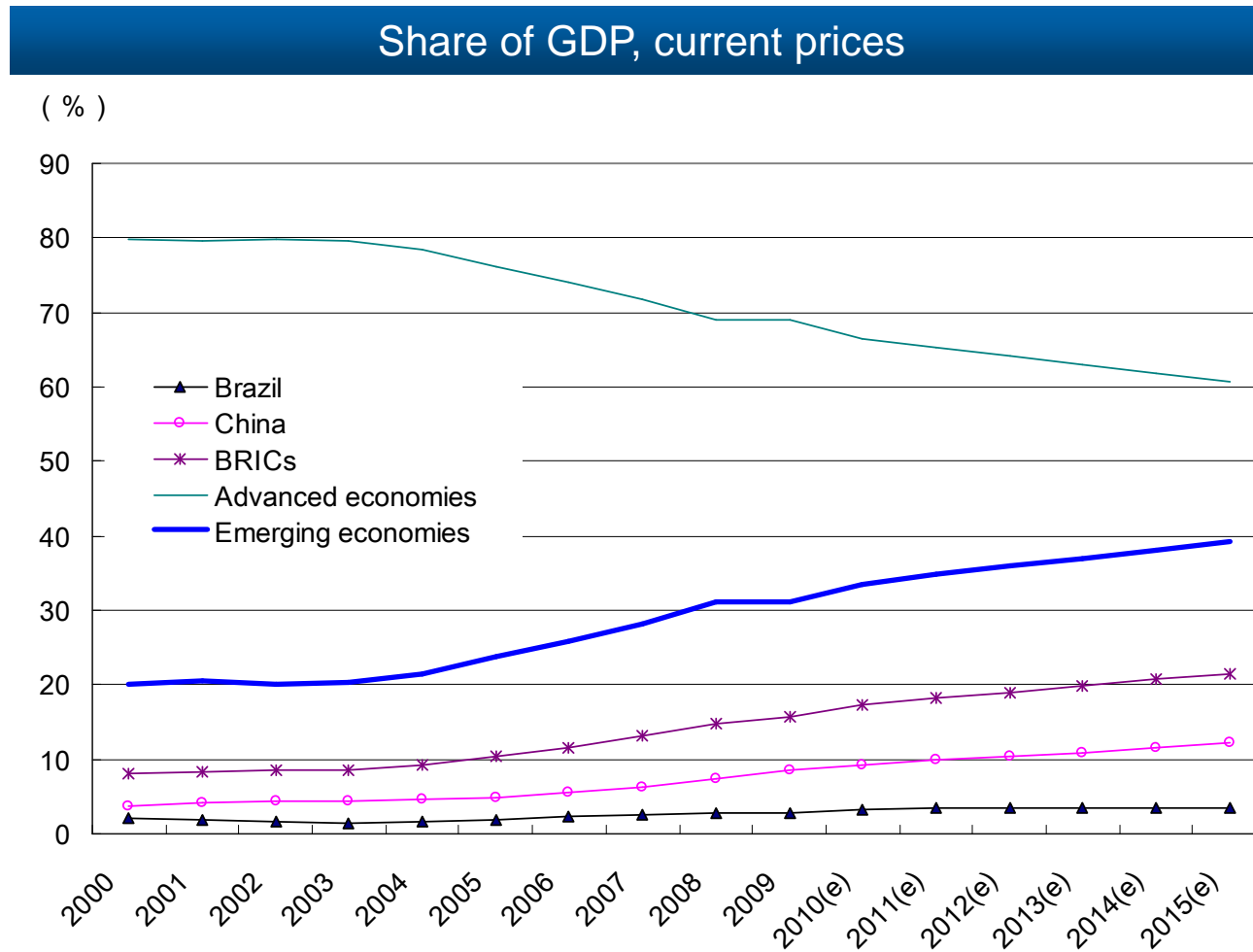
Source: Bank of Japan; compiled by DIR.
Note: 3Q 2010 preliminary data

Breakdown of Household Financial Assets



Source: Bank of Japan; compiled by DIR.
Note: ¥ 1,442 tril, 3Q 2010 preliminary data

3 Structural Change of World Economy (1) Rise of Emerging Economies



Source: IMF, *World Economic Outlook Database*, Oct 2010; compiled by DIR

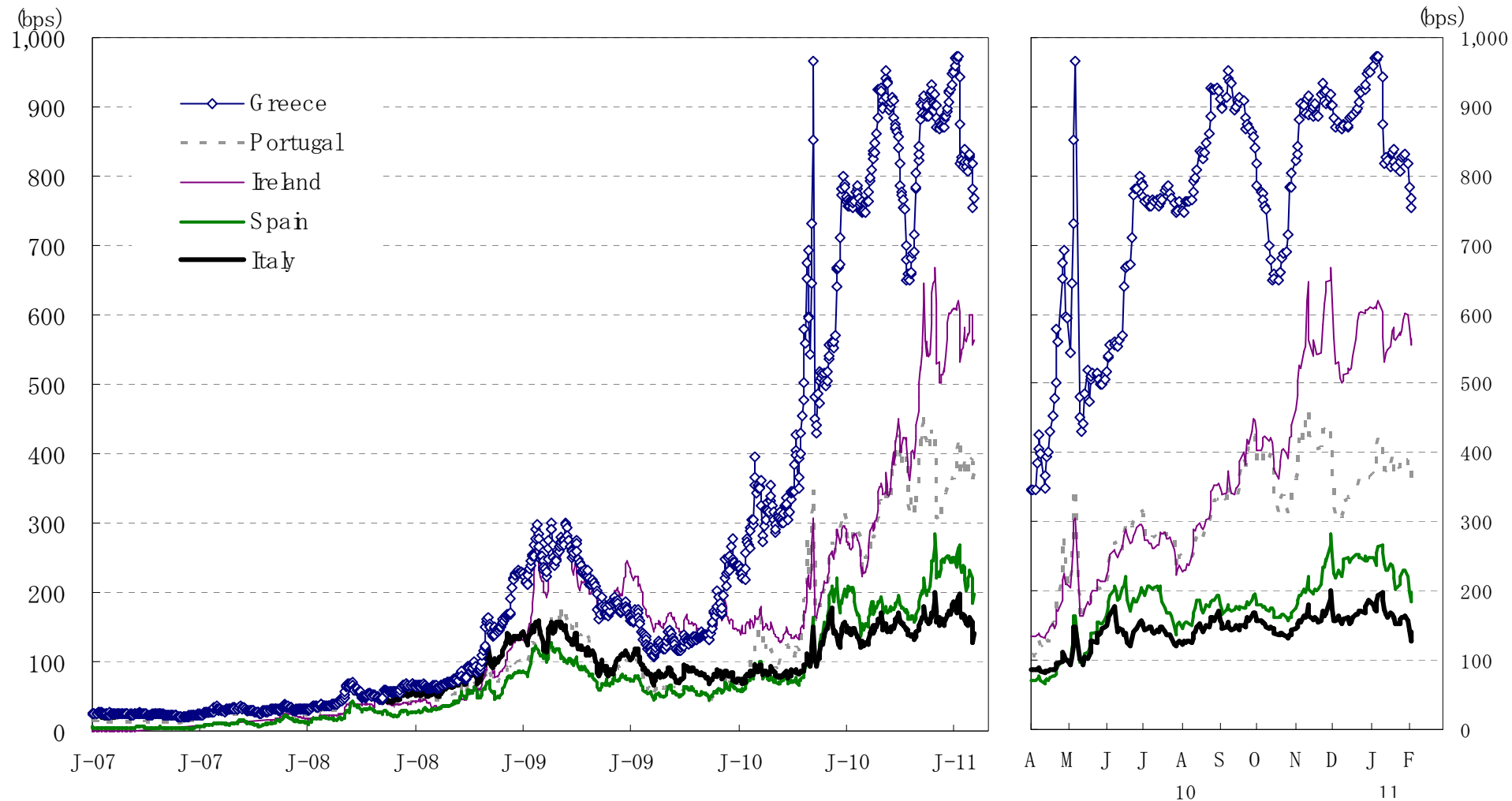
3 (2) Japanese Exports and Imports by Trading Partner

(%)

	US	China+ Hong Kong	Total
1980	20.7	5.4	100.0
1990	27.4	6.4	100.0
2000	25.0	13.3	100.0
2009	13.5	23.4	100.0

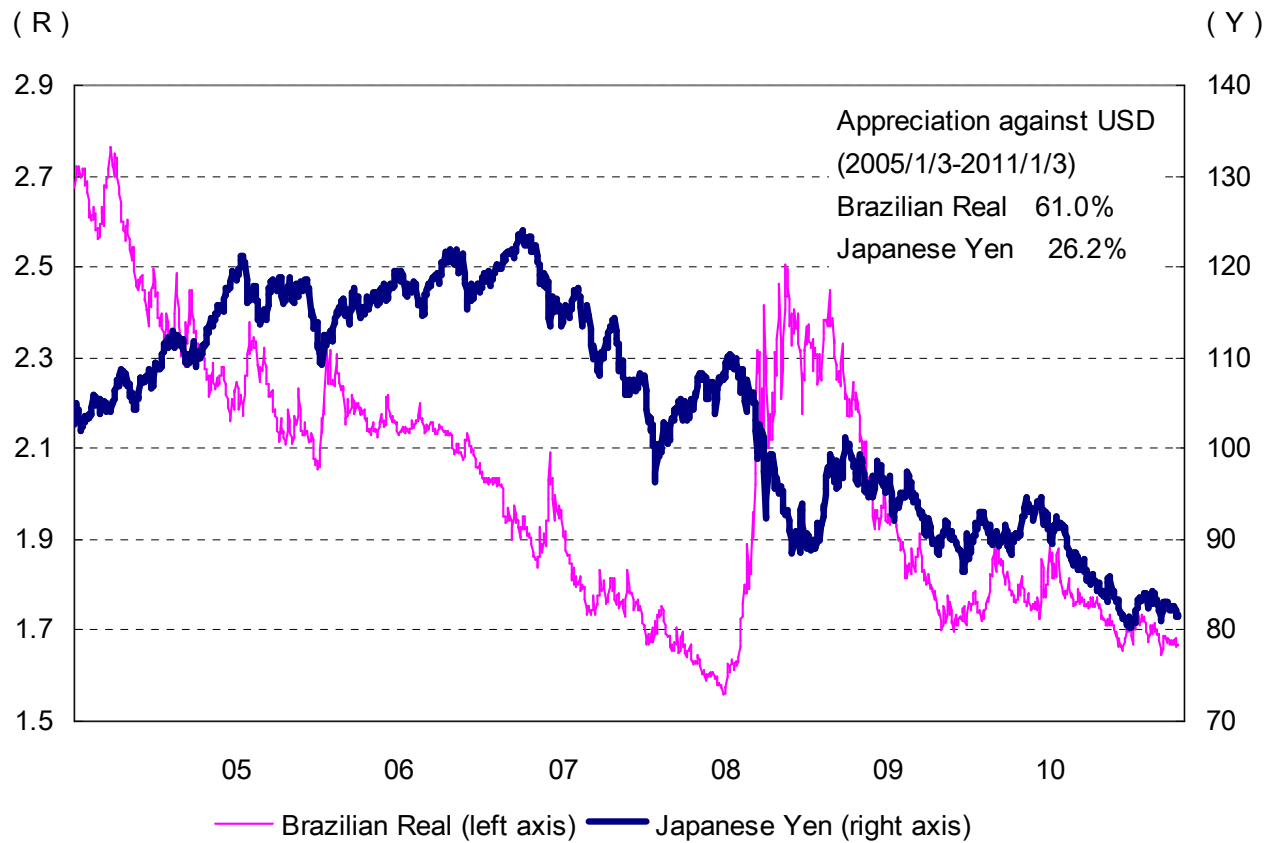
Source: Ministry of Finance; compiled by DIR

3 (3) Yield Spreads Between Southern European Countries and German Bonds



Source: Bloomberg; compiled by DIR
 Note: 1 basis point (bps) = 0.01%

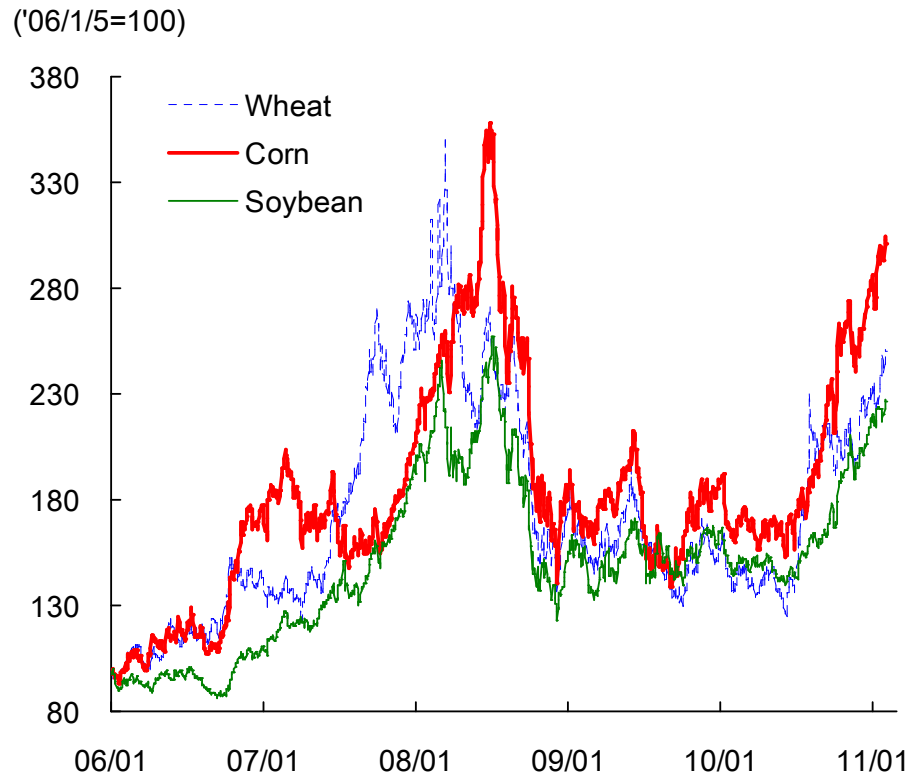
3 (4) Strong Yen, Strong Real



Source: Bloomberg; compiled by DIR.

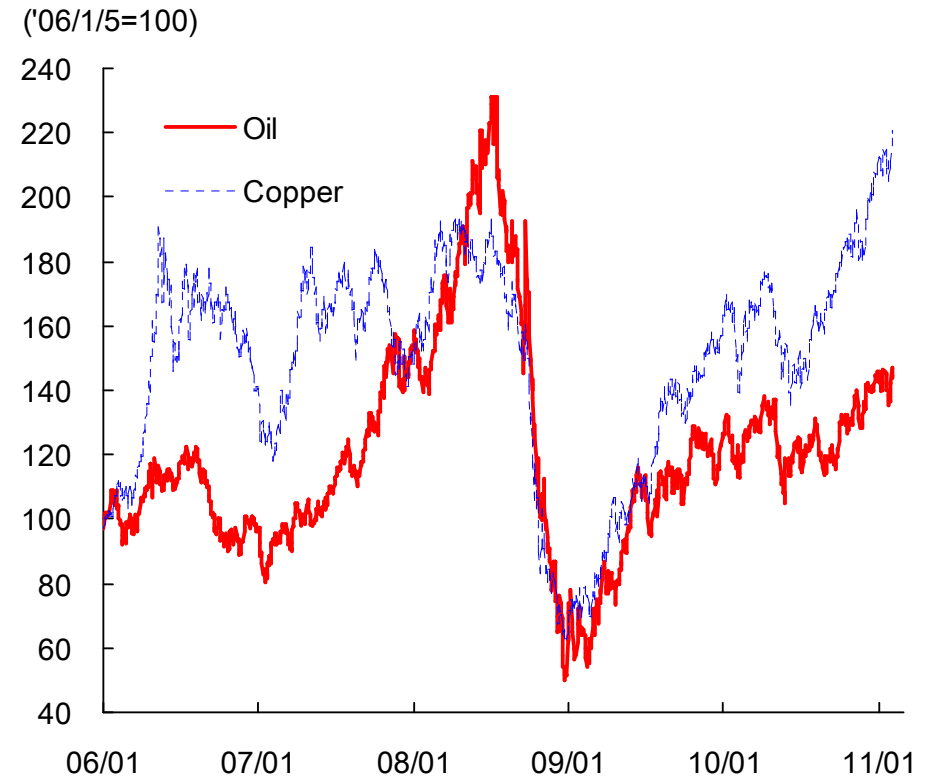
3 (5) Surge in Commodity Prices

Grain Futures



Source: CME, Bloomberg; compiled by DIR.

Natural Resource Futures



Source: NME, LME, Bloomberg; compiled by DIR.

Prospects of Economic Relationship between Brazil and Japan

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