



## THE JEROME LEVY FORECASTING CENTER

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FOR IMMEDIATE RELEASE

### LEVY SAYS JAPANESE ECONOMY HAS “ENORMOUS” AND UNDERAPPRECIATED UPSIDE POTENTIAL

#### “Japanese Economy Ready to Be Rekindled” -- “Abenomics May Well Be the Spark”

MOUNT KISCO, NY, July 1 – For all the attention paid to Abenomics and the Japanese stock market swings, most analysts are missing a crucial part of the picture when it comes to Japan's prospects, say the macroeconomists at the independent Jerome Levy Forecasting Center ([www.levyforecast.com](http://www.levyforecast.com)) based here.

While there has been disappointment surrounding Japanese Prime Minister Shinzo Abe's launch of his “Third Arrow” of structural reforms, “*what is most critical to Japan's prospects over the next several years is the condition of the private economy itself—the economy's potential to rebound could be considered a 'Fourth Arrow'.*” according to Chairman David A. Levy and Srinivas Thiruvadhanthai, director of research.

“*Japanese private nonfinancial sector balance sheets have shrunk dramatically over the past two decades, creating vast potential for a self-reinforcing revival of fixed investment, profits, and output,*” they explained to clients in a recent commentary. Abe's arrows are “*acting on a different economy than that of the 1990s and 2000s,*” increasing their likelihood of catalyzing a return to robust growth.

In other words, “*the Japanese private sector is in a great position to power a durable expansion,*” according to the two economists. They see “*the probability of repeated, positive economic surprises—and positive earnings surprises for domestic Japanese operations*” over the next several years.

The Jerome Levy Forecasting Center publishes the monthly Levy Forecast, the nation's oldest newsletter devoted to economic analysis.

But, they emphasized a number of hurdles must be overcome, including Japanese businesses' “*deep-seated pessimism about sales prospects,*” and the risk that global economic conditions may worsen in the next few years. Still, they underscored, “*if global recession delays the progress, Japan will still carry huge long-term potential that we expect will be realized sooner or later.*”

While many of the channels by which most analysts view Abenomics as working—such as rising inflation expectations and QE's (quantitative easing) impact on loan demand—are “*secondary at best,*” the Levy economists argue that “*a weak yen, a relatively stable world economy (hardly guaranteed), and a fiscal push have a strong likelihood of starting a virtuous cycle.*”

**About The Jerome Levy Forecasting Center**

The Jerome Levy Forecasting Center LLC – the world leader in applying the macroeconomic profits perspective to economic analysis and forecasting – conducts cutting edge economic research and offers consulting services to its clients. The goal of the Levy Forecasting Center is to improve its clients' business and investment performance by providing them with powerful insights into economic risks and opportunities – insights that are difficult or even impossible to achieve with conventional approaches to macroeconomic analysis. Additional information may be found at [www.levyforecast.com](http://www.levyforecast.com).

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