

Good example of japan economy essay

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The year 2014 was not well welcomed by the Japanese due to the economic hitch that they experienced. This caused the consumption tax to be raised effective from April 2014. The consumption tax was imposed as the value added tax of 8 percent compared to 5 percent that it was charged. This made the consumers worry about their spending of which this increase of the value added tax shock off their recovery in the sentiments.

In 1997, the same hike caused a negative effect. By then it was as a result of the Asian financial crisis. It led economy of the region to go down. The spell of turmoil that emerged in the market was a surprise to many. Though, it was more dispersed geographically than it was in year 1997 and 1998. This made the investors sell their shares in the Japan stock market so as to avoid the risk of depreciation. This caused more than half of Japan's export to go to emerging market countries such as China.

The explanation of the low performance of the fourth quarter in year 2013 was the poor exportation of the products in the Japan market. Even though the domestic demand and the government spending boosted the increase by 3 percent, the trade surplus steeply falls by 1. 8 percent. This was as a result of the devaluation of the Yen.

Another reason of the low economic growth in the fourth quarter was the shutdown of a nuclear power. This was as a result of the high cost of the energy and the weak Yen. It led to trade deficit rising to 2. 79 Yen trillion the highest level ever. The Japan government spent much in the energy importation and production.

Buying of more foreign gadgets in preference to the domestic electronic also cost the government much. About the Nikkei Newspaper, economy ministry

calculation, the foreign Smartphone has dominated in Japan. This has worsened the Japan's trade balance by 2.3 Yen trillion. The Apple's iPhone has made through the Japan market making more than 70 percent of the Smart phones sales in the fourth quarter of year 2013.

Hallowing out phenomena set in making the local firms establish themselves overseas. This was in search of cheaper locations. They also moved closer to the overseas customers and escaping the pressure of the Yen that was much weaker in comparison to other currencies. This made operation in Japan more costly than overseas.

Finally, the investor's expectation on the Bank of Japan was monetary easing and addressing the disappointment news of the fourth quarter of Gross Domestic Production (GDP) in year 2013. The Bank of Japan promised to double and extend its loan support program for banks that would increase monetary easing in Japan.