

# [Japan’s economy argumentative essay](https://assignbuster.com/japans-economy-argumentative-essay/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

The world's second-largest economy saw a fall of 15. 2% in Gross Domestic Product (GAP) between 2008 and 2009. Japan's economy is dependent on exports, which fell by a record 26% in the last quarter of 2008, forcing companies to cut production as they had much spare capacity. Business investment declined by 10. 4% during 2008. Weaker domestic consumer demand was also a cause in the fall of GAP in 2008 but this declined by only 1 . 1%, much less than business investment demand. However, by March 2009 industrial production started to increase and there were hopes that the economy would start to grow again.

In the I-J, between 2008 and 2009, GAP fell by 5. 7%. It was thought that it would take some time to reverse the recession. Export orders continued to decline sharply and this, an industry leader said, 'is a particular concern as we are not seeing much of a boom in exports from the weakness of sterling. Also, manufacturers had cut costs, reduced the number of people employed and experienced reduced profits. However, they still had excess stocks and it was not thought likely that investment would increase quickly. Consumer spending declined as consumers were unsure of the future.

With rising unemployment, likely tax increases and a lack of credit facilities from the banks, the decrease in spending was hardly surprising. The inability of consumers to obtain credit caused a decline in house building, which had further negative effects on employment in the construction industry. Fig. 1: Annual % change in Japan's GAP Fig. 2: Annual % change in Auk's GAP 10 6 5 3 -5 -10 -3 -15 2005 2006 2007 2008 2009 \_6 Source: Japan Cabinet Office 2005 2006 2007 2008 2009 Source: Thomson Datagram (a) Why is GAP an important economic indicator? B) Use Figures 1 and 2 to compare the change in the GAP of the UK and Japan tenet 2005 and 2009. (c) The article states the sharp decline in export orders 'is a particular concern as we are not seeing much of a boom in exports from the weakness of sterling. ' Analyses what this means. (d) Discuss whether the evidence suggests that the changes in GAP in Japan and the I-J were caused by similar events.