

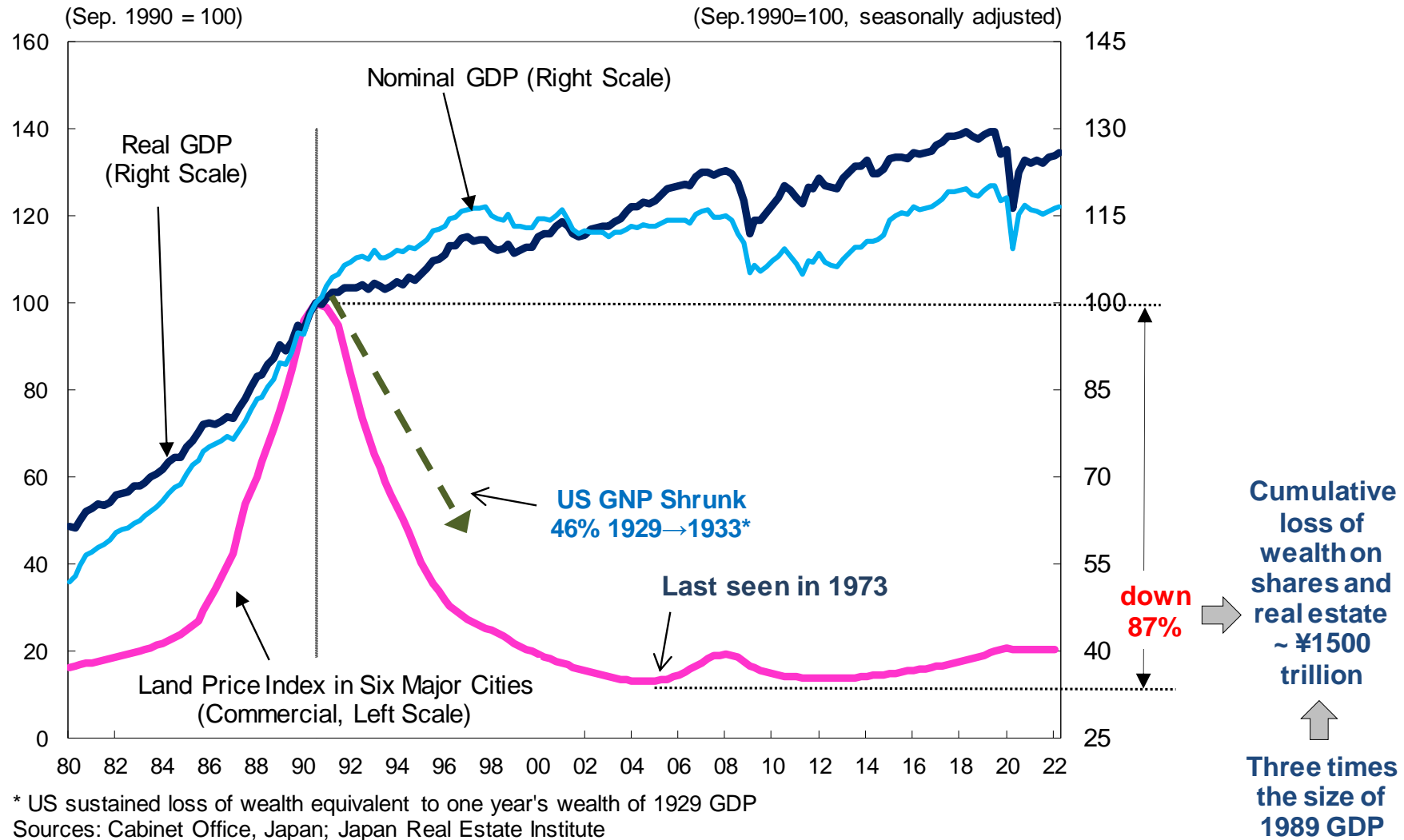
# Finance China 2022: Global Challenges and China's Opportunities

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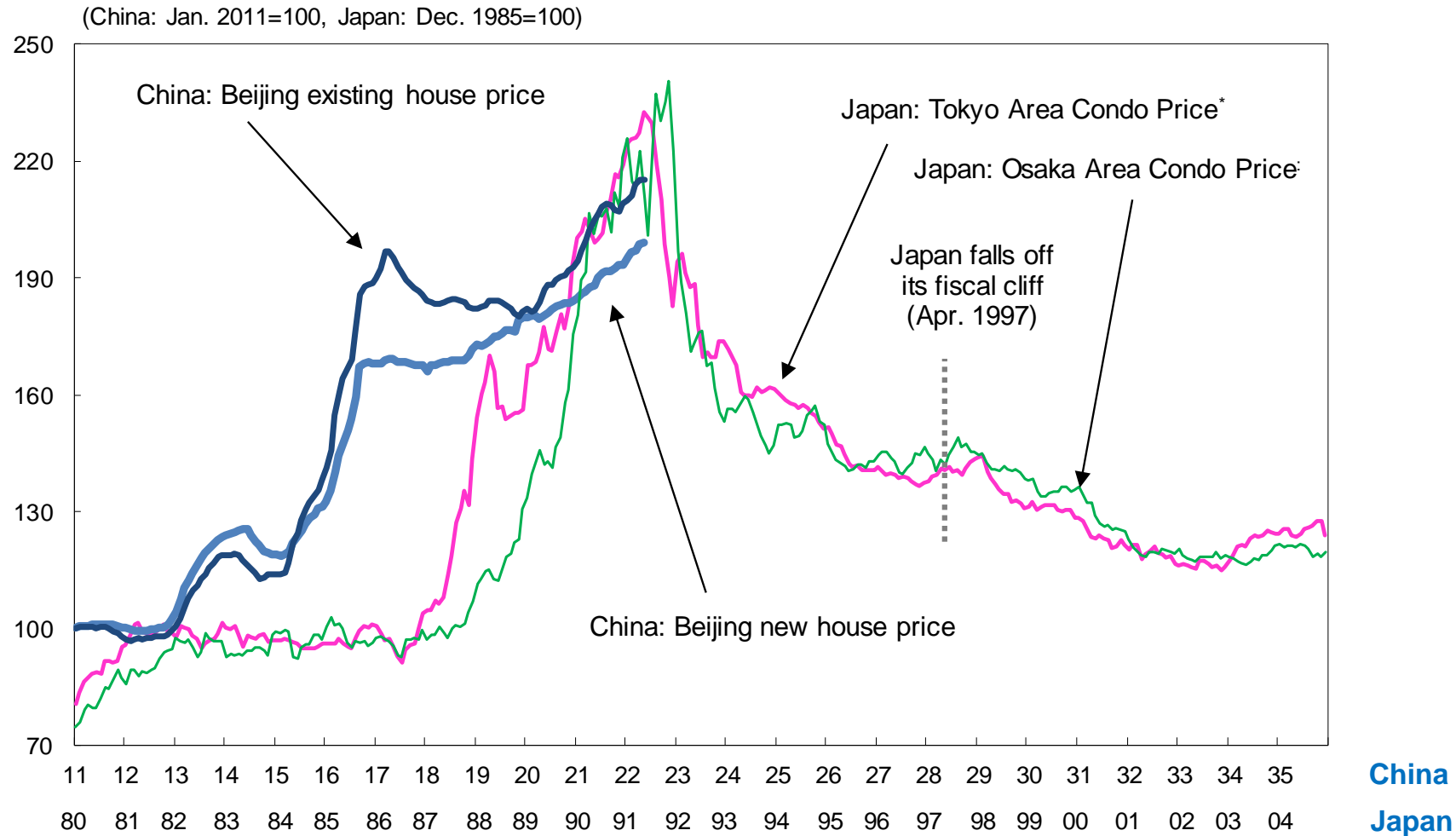
See Appendix A-1  
for important disclosures and  
the status of non-US analysts.

August 2022

# Exhibit 1. Japan's Bubble Was Huge, but its GDP Never Fell below the Bubble Peak despite De-leveraging



## Exhibit 2. Beijing House Price Increases Resembling Japanese House Price Increases during the Bubble Days

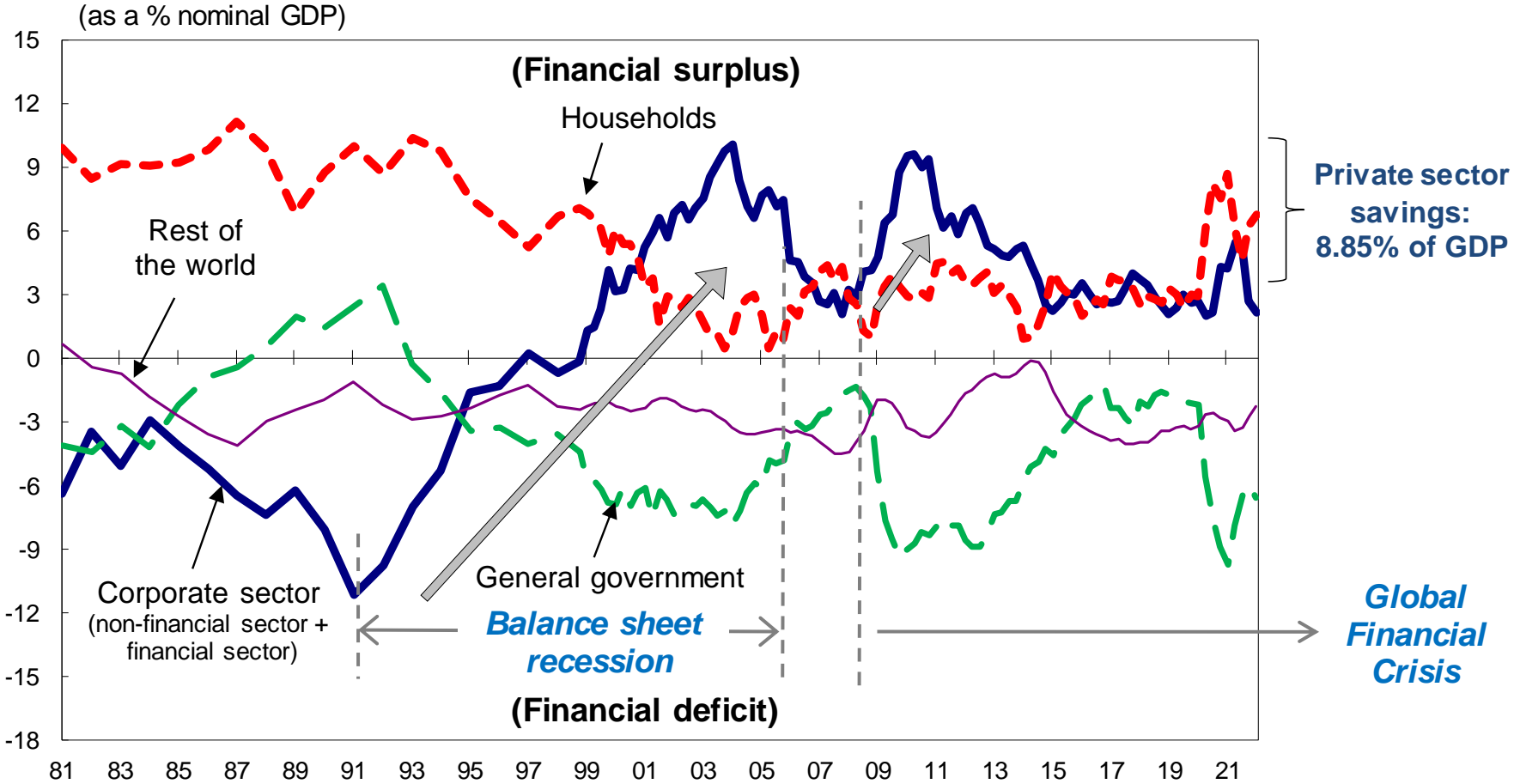


Note: per m<sup>2</sup>, 5-month moving average.

Sources: Nomura Research Institute, based on data from Real Estate Economic Institute, Japan; BIS

# Exhibit 3. Corporate Deleveraging Wrecked the Japanese Economy

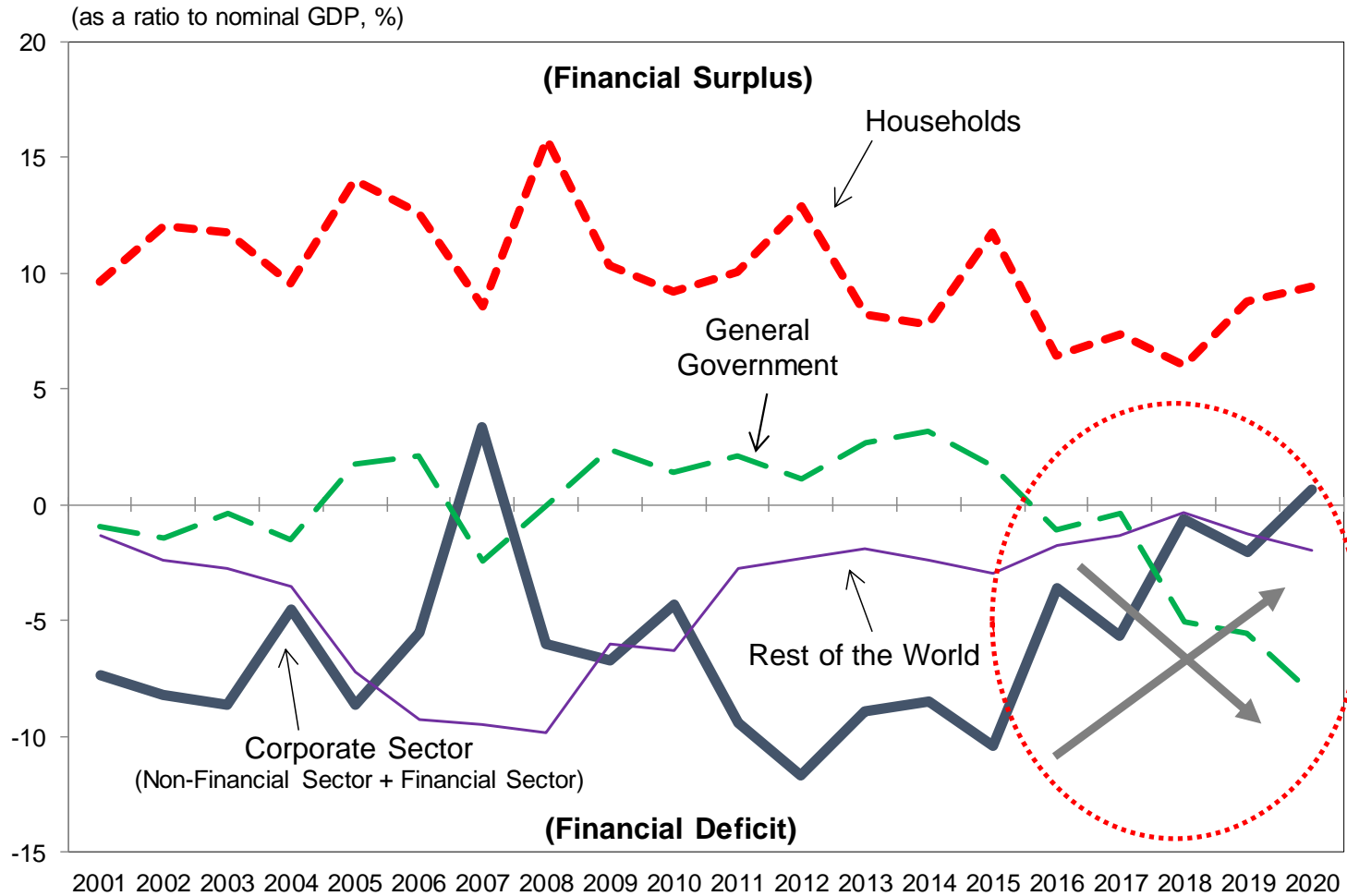
## Financial surplus or deficit by sector



Note: All entries are four-quarter moving averages. For the latest figures, four-quarter averages ending in 2022 Q1 are used.  
Sources: Bank of Japan, *Flow of Funds Accounts*, and Government of Japan, Cabinet Office, *National Accounts*

# Exhibit 4. China's Government Borrowing Is Increasing while Corporate Borrowing Is Decreasing

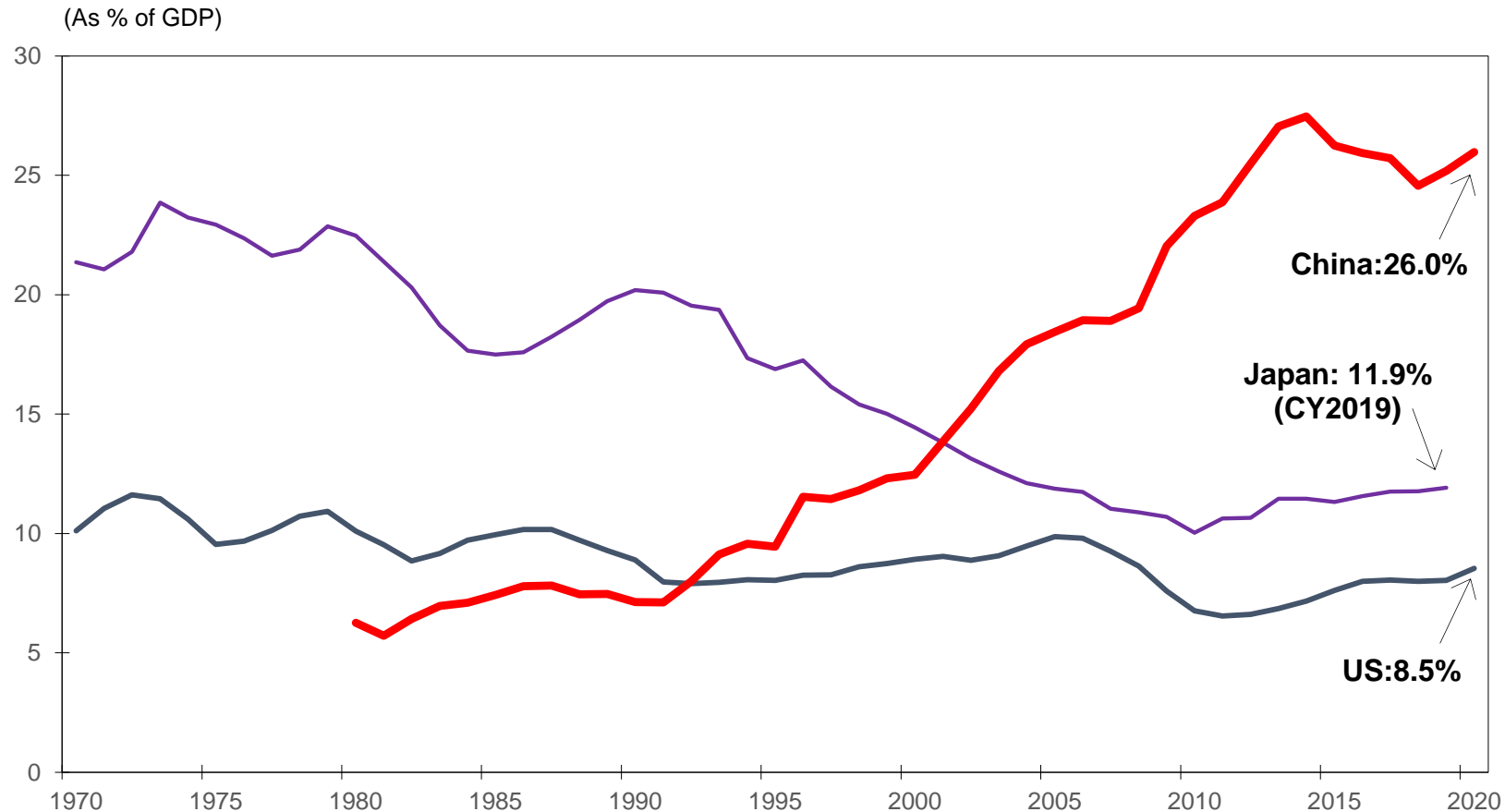
## Financial Surplus or Deficit by Sector



Source: Nomura Research Institute, based on the data from National Bureau of Statistics China and People's Bank of China

# Exhibit 5. Weakness in Construction Sector Will Have Far Bigger Impact on the Economy in China than in the US or Japan

## Construction Sector as a Percentage of GDP in Japan, US, and China



Note: Figures for Japan and US represent construction sector output in GDP data (before deducting intermediate inputs) divided by nominal GDP; figures for China are gross output value of construction divided by nominal GDP. Latest Japanese data are from 2019, while latest data for US and China are from 2020.

Source: Nomura Research Institute, based on Cabinet Office's National Account Statistics, US Bureau of Economic Analysis, National Bureau of Statistics of China, and CEIC Data

## **Japan's challenges in 1990**

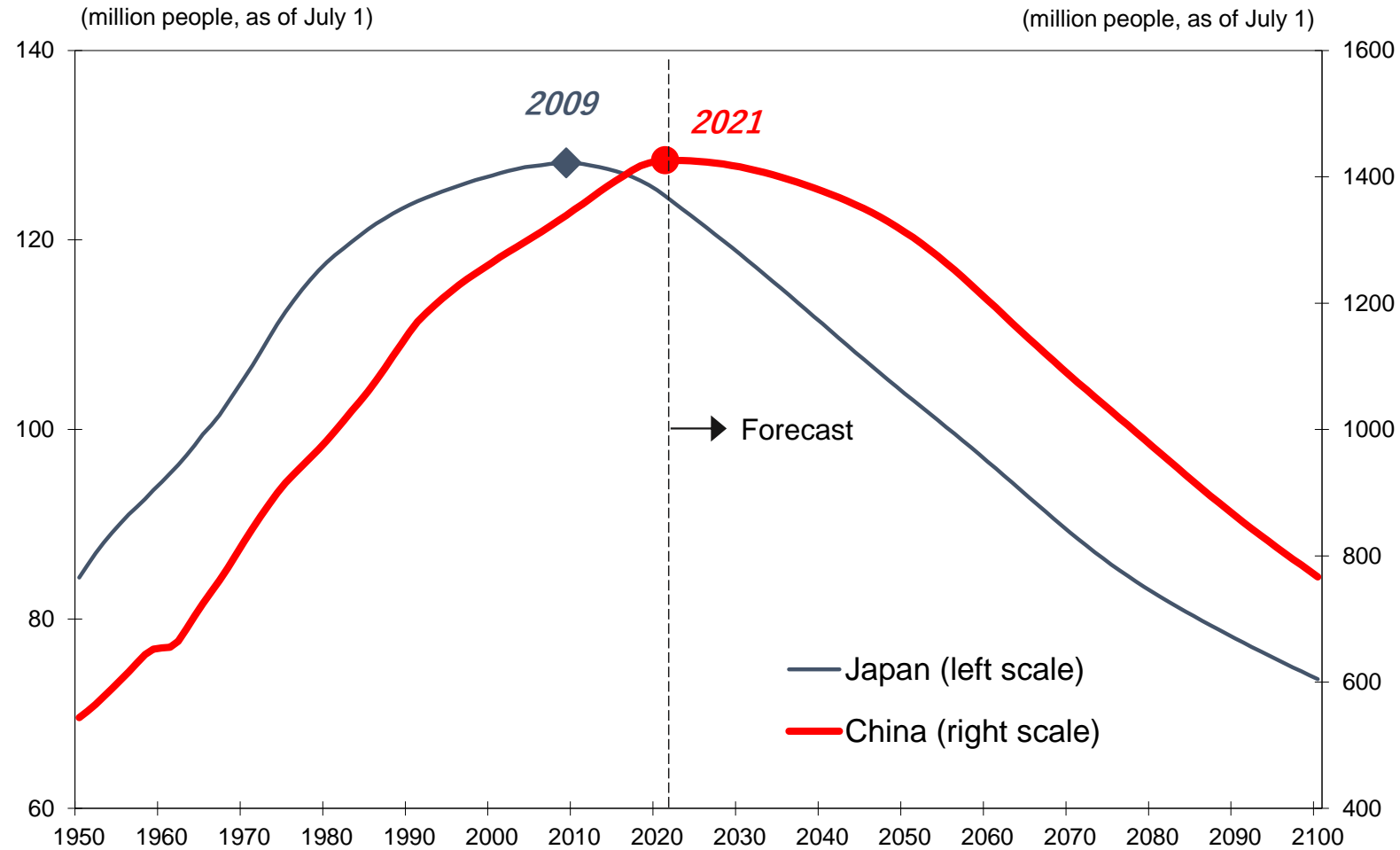
- 1) Bursting of the asset price bubble and subsequent balance sheet recession
- 2) US-Japan trade friction

## **China's challenges in 2022**

- 1) Bursting of the asset price bubble and subsequent balance sheet & construction recession
- 2) Geopolitical confrontation with the West
- 3) Population decline
- 4) Middle income trap
- 5) Regulatory uncertainty in many industries including real estate, IT and education sectors
- 6) Reduced financial resources due to Covid 19-driven lockdowns

# Exhibit 7. China May Grow Old before It Grows Rich: Total Population Is Starting to Contract in China

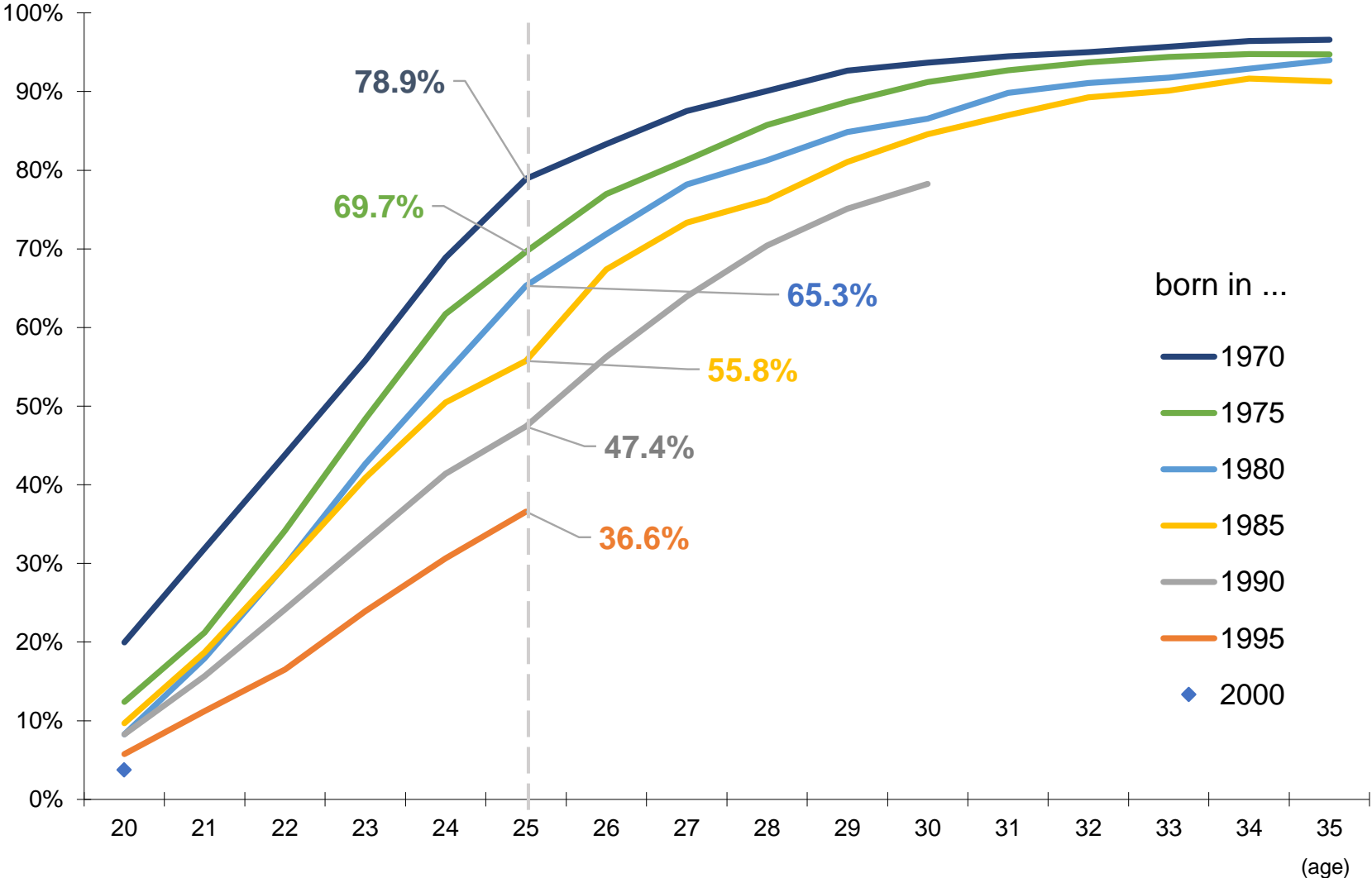
## Total Population in China and Japan, Actual and Forecast



Source: United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects 2022, Online Edition.



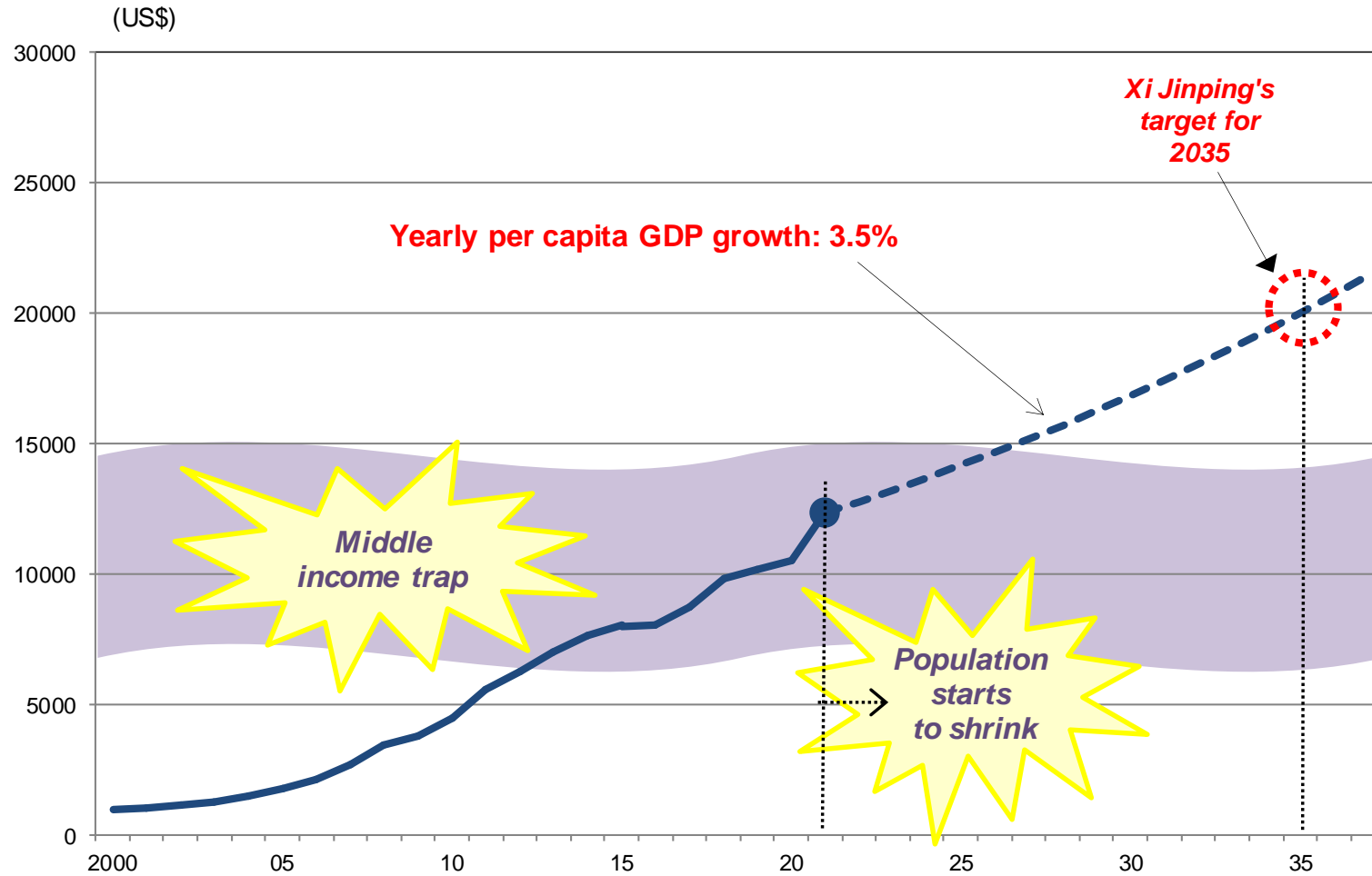
# Exhibit 8. Chinese Married Rates Have Dramatically Fallen during the Last 30 Years



Note: Married rates (%) = 100 – unmarried rates (%)  
 Source: Nomura Research Institute, based on data from China’s population census, China population and employment statistics yearbook and China population statistics yearbook

# Exhibit 9. Last Chance In 200 years to Reach First-World Living Standard ?

## China's Per-Capita Income



Source: Nomura Research Institute, based on data from IMF, *World Economic Outlook April 2022*

## Appendix A-1

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