

Within the ACE

IMF says Japan taking over US in growth rate

According to the latest World Economic Outlook issued by the IMF April 11th, Japan will be, yet very slight, higher than the US in real economic growth rate. The survey forecasts Japanese and US economies will grow 2.3 percent and 2.2 percent in 2007 and 1.9 percent and 2.8 percent in 2008, respectively.

If it will be so, after 16 years' interval, the year 2007 will be the first one since 1991 that Japan surpasses the U.S. in growth rate, and we must be aware Japanese yen will likely get stronger than the US dollar at some time this year. Such takeover may narrow interest rate gap between Japan and the US, which currently has a significant impact on foreign exchange rate, and result in a trend of yen appreciation. Taking likeliness of stronger yen into account, cautious investors may feel it less vulnerable to diversify portfolio by adding some investments in defensive stocks and those related to domestic demand rather than to keep it concentrated on import-related ones. The author personally keeps eye on Japan Tobacco (JT) (2914) as a defensive one and East Japan Railway (9020) as domestic-demand related one.