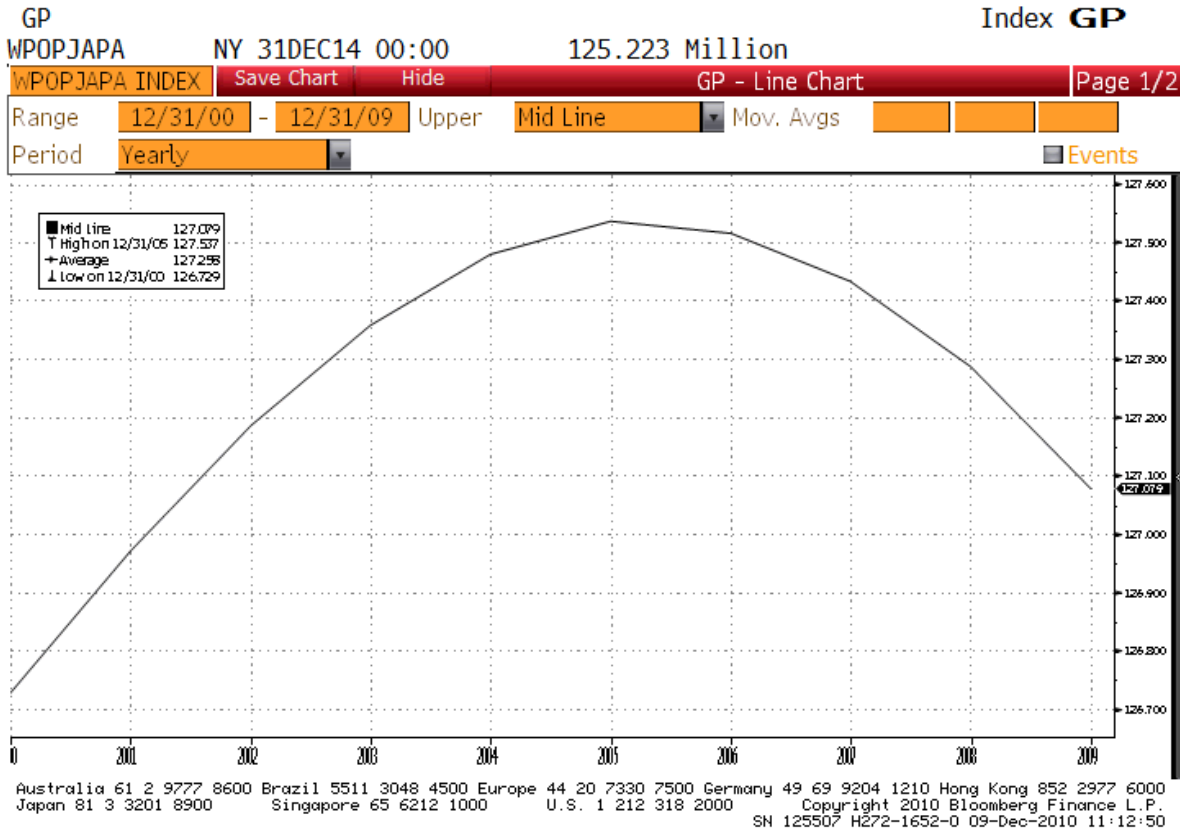


Sayonara Nippon, Kon'nichiwa gaikoku-jin no tochi (Goodbye Japan, Hello Foreign Land)

It is well documented that the Japanese population is shrinking. The following chart shows that the population has shrunk by an average of 115,000 per year since peaking in 2005.



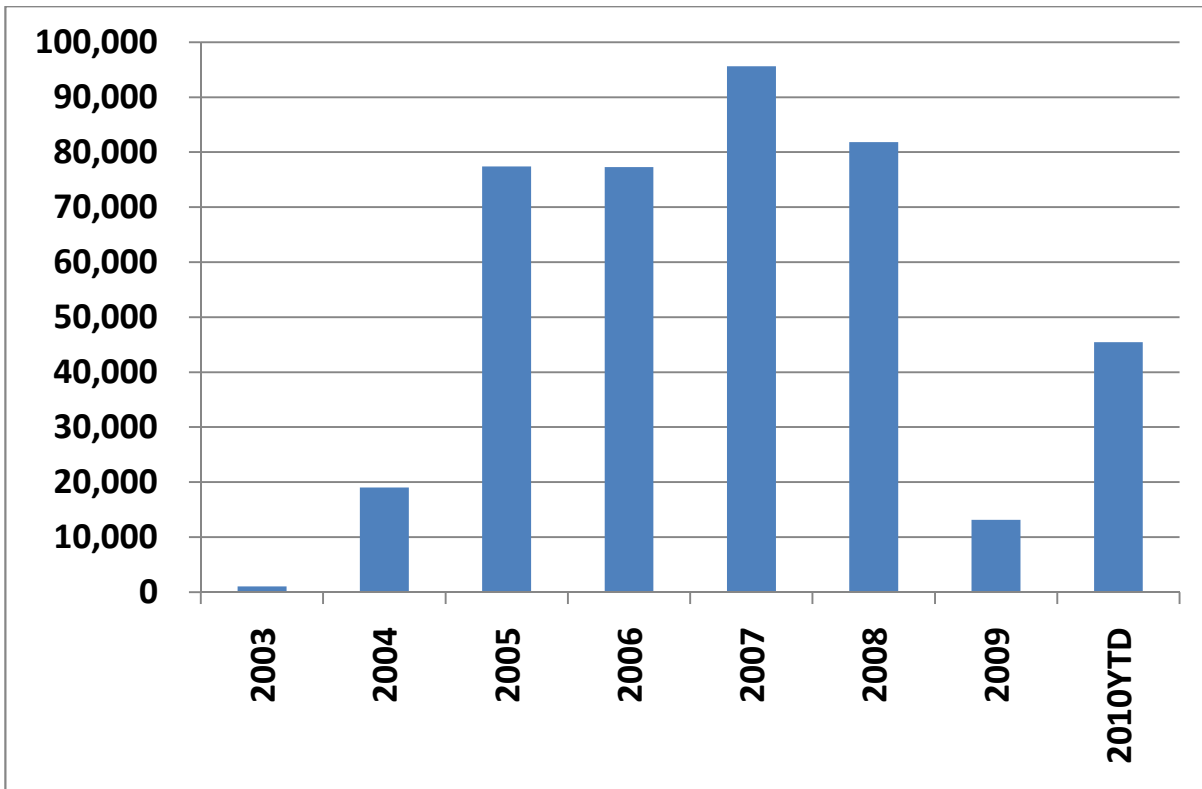
What is not so well documented is the fact that the Japanese are also leaving the country in very significant numbers!

The Japanese Statistics Bureau tracks the number of Japanese passport holders entering and leaving the country every month. The next chart shows the annual **NET DEPARTURES from Japan** since 2003.

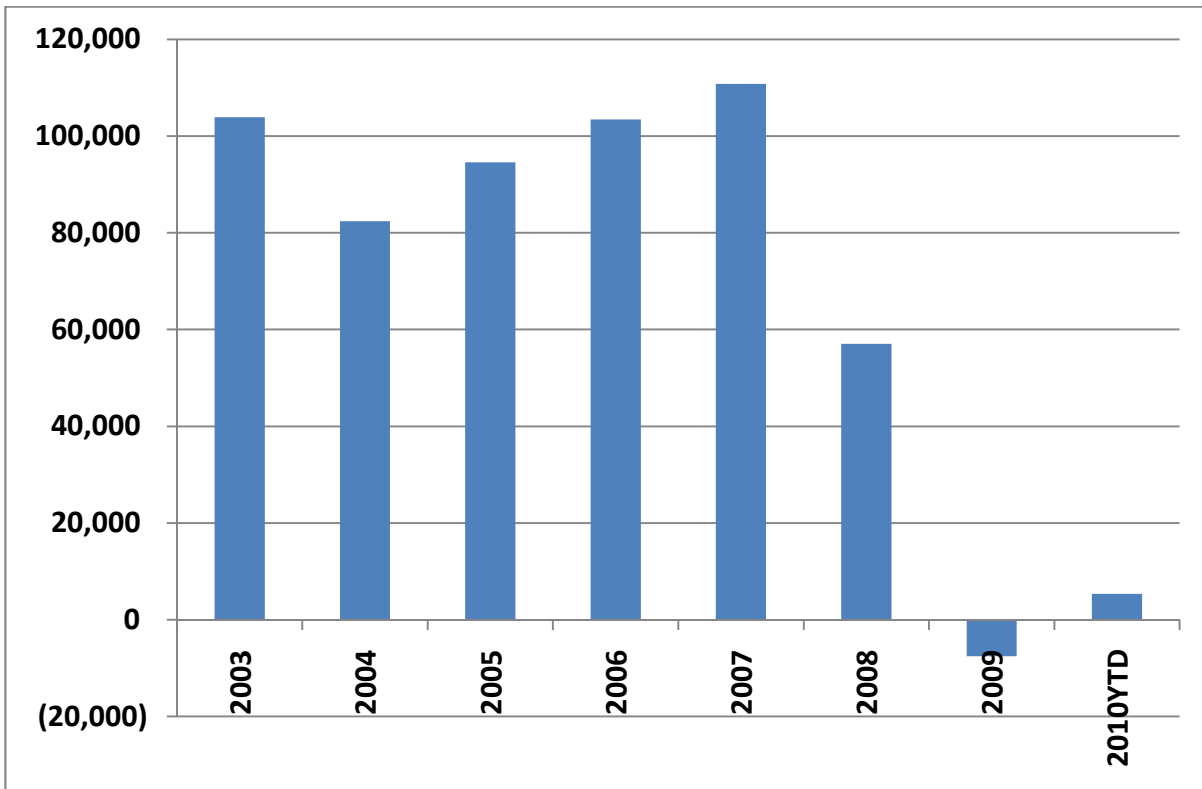
One can see that not only is the number of Japanese people falling by 115,000 per year, the number of Japanese actually living in Japan is also falling by a further 50-100,00 per year, thus bringing the annual erosion to approximately 200,000 per year.

Since Japan has an annual GDP per capita of around JPY 3.8 million. That's a theoretical loss of annual GDP amounting to JPY 760 billion! Although it's a mere 0.16% of 2009's nominal GDP, it is a big deal in a country where nominal GDP growth has averaged -0.4% over the past 10 years!

In fact, the actual damage is probably a lot worse than 0.16% because most of the people who leave are adults of economically productive age.



The next chart shows the net inflow of foreigners into Japan. Up until 2007, it seems that the inflow was more than sufficient to offset the outflow of Japanese nationals but things changed from 2008 onwards and the inflow seems to have turned into a trickle.



Not enough babies, not enough foreigners and even the locals are abandoning ship. It's enough to drive any policy maker nuts!