

Japan's economy is crashing. From Zerohedge, 27 December 2014.

When about a month ago it was revealed that Japan's shadow economic advisor is [none other than Paul Krugman](#), we said it was only a matter of time before the Japanese economy implodes. Terminally. We didn't have long to wait and last night the barrage of Japanese economic data pretty much assured Japan's transition into failed Keynesian state status.

In fact, after last night's abysmal Japanese eco data, we doubt even the most lobotomized Keynesian voodoo priests have anything favorable left to say about Abenomics: not only did core inflation miss expectations and is now clearly in slowdown mode despite Japan *openly monetizing all gross Treasury issuance*, not only did industrial production decline 0.6% missing expectations of an increase and record its first decline in 3 months with durable goods shipments crashing, not only did consumer spending plunge for the 8th straight month dropping 2.5% in November (with real spending on housing in 20% freefall), but - the punchline - both nominal and real wages imploded, when total cash wages and overtime pay declined for the first time in 9 months and 20 months, respectively.

And the reason why any poll that shows a recently "re-elected" Abe has even a 1% approval rating has clearly been Diebolded beyond recognition, is that real wages cratered 4.3% compared to a year ago. **This was the largest decline since the 4.8% recorded in December 1998. In other words, Abenomics has now resulted in the worst economy, if only for consumers, in the 21st century.**

But that's not all: as [Bloomberg reported](#), **for the first time ever since records were collected in 1955, Japan's savings rate turned negative.** To wit:

Japanese drew down savings for the first time on record while wages adjusted for inflation dropped the most in almost five years, highlighting challenges for Prime Minister Shinzo Abe as he tries to revive the world's third-largest economy.

The savings rate in the year through March was minus 1.3 percent, the first negative reading in data back to 1955, the Cabinet Office said.

A higher sales tax combined with the central bank's record easing are driving up living costs, squeezing household budgets and damping consumption. Abe's task is to convince companies to agree to higher wages in next spring's labor talks to sustain a recovery.

"Households are suffering from a decline in real income," said Hiromichi Shirakawa, an economist at Credit Suisse Group AG who used to work at the Bank of Japan.

Actually, if you ask Krugman, they are suffering from not enough inflation, and a lack of willingness to spend their savings. Oh wait... Never mind.

The savings rate, which the Cabinet Office calculates by dividing savings by the sum of disposable income and pension payments, peaked at 23.1 percent in fiscal 1975.

As Japan's population ages, its growing ranks of elderly are tapping their savings, according to the Cabinet Office. Consumers also ran down savings to make purchases ahead of a sales tax-increase in April, the first since 1997.

The report offers perspective on a debate of decades ago over Japan's trade surplus with the U.S., which caused periodic bouts of tension between the military allies. While respective savings rates have moved in opposite directions, the U.S. still had a \$56 billion deficit with Japan in the first 10 months of 2014, U.S. government data show.

As for that imminent surge in wages: Today's data showed there were 1.12 jobs available for every person seeking a position, the most since 1992. **Said otherwise, Japan now has the most labor slack in over two decades!**

*The preliminary wage data released today lack a large enough sample and include some biases, so the final figures may be revised upward, according to Hiroaki Muto, an economist at Sumitomo Mitsui Asset Management Co. **"Looking ahead, wages will probably rise but not accelerate," said Muto.***

Actually, it is far more likely that they will keep falling as Japanese corporations build up cash for what is now shaping up as the inevitable collapse of Abenomics which will send the economy, and the Nikkei, into a tailspin, one from which, however, there will be no recovery this time.

Or, as Keynesians around the world would like to call it, "*a job well done.*"