

Japan Factory Production On The Rise

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TOKYO (AP) — Japan's factory production rose for the fifth straight month in August, almost restoring it to levels recorded before the March earthquake and tsunami disasters.

The improvement, however, is clouded by uncertainty ahead as Japanese manufacturers contend with a persistently strong yen and a fragile global economy.

Industrial output climbed 0.8 percent from the previous month, according to a Ministry of Economy, Trade and Industry report Friday. Sectors driving gains included transport equipment, electronic parts, and iron and steel.

The ministry said industrial production has almost fully recovered from the March disasters. But August's result undershot the government's earlier estimates, reflecting the new pressures on exports.

"It would be necessary to keep watch on future developments," the ministry said.

Exports are a key growth driver for the world's No. 3 economy, and any slowdown in overseas demand could thwart progress made since the disaster. The tsunami wiped out much of Japan's northeast coast, damaging factories and disrupting critical supplies for key Japanese industries such as autos and electronics.

Supply issues have been mostly resolved, and production is back to 96 percent of its pre-quake level, said Goldman Sachs economist Chiwoong Lee.

"Now that production is largely free of supply constraints, we expect it to directly reflect external demand conditions and start to weaken," Lee said in a research note.

Shipments rose 0.3 percent in August, while inventories expanded 2.1 percent.

The ministry expects industrial production to fall 2.5 percent in September before rising 3.8 percent in October.

Separately, the government says Japan's unemployment rate fell to 4.3 percent in August.

The result marked the first improvement in three months, but the figure may not reflect the true health of the job market, the Ministry of Internal Affairs and Communications said.

The report does not include the three prefectures hardest hit by the tsunami — Iwate, Miyagi and Fukushima. It also does not account for unemployed workers who

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have simply given up seeking jobs.

The government also released data on consumer prices and household spending.

The August core consumer prices index, which excludes volatile fresh foods, rose 0.2 percent from a year earlier on higher fuel costs. Preliminary CPI for the Tokyo area — considered an indicator of broader price trends for the country — fell 0.1 percent in September.

Meanwhile, average monthly household spending tumbled a real 4.1 percent from a year earlier as family incomes fell. The figure is a key barometer of private consumption, which accounts for more than half of Japan's gross domestic product.

Average monthly household income in August fell 1.7 percent from last year to 463,760 yen (\$6,045), the ministry said.

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