

Japan's Economy Rises Out Of Earthquake Slump

Tomoko A. Hosaka, Associated Press

TOKYO (AP) — Japan's economy grew for the first time in four quarters in a comeback from the earthquake and tsunami disaster that already faces multiple global headwinds.

The world's No. 3 economy expanded at an annualized rate of 6 percent in the July-September period, driven by exports, the Cabinet Office said in a preliminary report Monday.

It was the first growth in four quarters. The result was in line with market forecasts, including Kyodo News agency's projection of 6.2 percent annualized growth.

"Having something as strong as hoped for is really good news," said Martin Schulz, senior economist at Fujitsu Research Institute in Tokyo. "Basically all parts of the economy were expanding. And this is extremely important because we see a slowdown internationally, which is already hitting exports."

While such a robust rebound is encouraging, it is unlikely to last.

"The situation surrounding our country's economy is becoming tougher as we see the recovery in overseas economies weakening and face the impact of the Thai flood, in addition to the yen's rapid rise," said economic and fiscal policy minister Motoshisa Furukawa, according to Kyodo.

Economists expect GDP — a measure of the value of all goods and services produced domestically — to contract in the last three months of the year before turning moderately positive again next year.

Last week, Japan's lower house of parliament passed a 12.1 trillion yen (\$157 billion) extra budget to help fund recovery efforts in Japan's tsunami-battered northeast. The budget also includes measures aimed at easing pressure from the yen's recent surge.

Considered a safe haven, the Japanese currency has hit record highs against the dollar this year amid intensifying worries about Europe and the U.S. The climb is particularly painful for exporters, whose overseas earnings shrink in value when repatriated.

The new government spending should help offset weaker overseas demand, said Kyohei Morita, chief economist at Barclays Capital in Tokyo.

"We maintain our view that Japan is likely to outpace other advanced economies in 2012," Morita said in a research note Monday.

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The International Monetary Fund agrees. It estimates Japan's economy will expand 2.3 percent next year — the strongest growth forecast among the Group of Seven countries including the U.S., U.K. and Germany.

Japan's latest annualized GDP figure translates to growth of 1.5 percent from the previous quarter, according to the Cabinet Office.

Consumer spending, which accounts for some 60 percent of the economy, climbed 1 percent from the previous quarter. Capital investment by companies rose 1.1 percent. Exports jumped 6.2 percent.

The March 11 earthquake and tsunami killed thousands of people and wiped out large swathes of Japan's northeastern coast. The disasters damaged many factories in the region, causing severe shortages of parts and components for manufacturers across the country, including automakers.

The tsunami also crippled a nuclear power plant that triggered the worst nuclear crisis since Chernobyl.

Since then, the country has steadily fixed its factories and benefited from pent-up demand for Japanese goods such as cars.

Toyota Motor Corp.'s production had recovered to pre-tsunami levels by September, earlier than initial estimates. Output took another big hit due to the recent flooding in Thailand, but the automaker said last week production in Japan would return to near normal levels Nov. 21-25.

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