

Japan's Industrial Output Rebounds

Malcolm Foster, Associated Press

TOKYO (AP) — Japan's industrial production rebounded 4 percent in December from November and household spending increased for a second month, suggesting the still-weak economy is gaining some steam after last year's tsunami disaster and flooding in Thailand that disrupted manufacturers' supply chains.

Output of automobiles, cell phones and semiconductors drove the gains last month after production fell 2.7 percent in November. Manufacturers project further production increases in January and February, the Ministry of Economy, Trade and Industry said Tuesday.

But Japan's unemployment rate edged up 0.1 point to 4.6 percent in December, and Junko Nishioka, economist at RBS Japan Securities, cautioned that the economic outlook was "mixed."

While she was heartened by the 0.5 percent uptick in family spending, Nishioka said prospects for Japan's vital manufacturing sector remained tentative amid weak export demand. The strong yen has battered exporters like Honda Motor Corp. and Toshiba Corp., and that's prompted more manufacturers to shift production overseas.

But one of those key export bases, Thailand, got hit by the worst floods there in five decades in October, damaging hundreds of factories and component-makers supplying Japanese manufacturers.

"The pace of recovery will be slow," she said. "So far, we're seeing some recovery in the auto sector and electronic components, but still it's still not enough to compensate for the gap recorded after the March disaster and the Thai flooding."

The industrial production data showed that shipments grew 4.5 percent and inventories fell 2.9 percent, both healthy indicators. Broadly speaking, production was led by strength in the electronics, automobile and general machinery sectors, the report showed.

Looking ahead, manufacturers predicted that industrial output would rise 2.5 percent in January and another 1.2 percent in February, according to a METI survey.

In an optimistic sign, Toyota Motor Corp. last week raised its global sales target for this year 21 percent to 8.58 million vehicles.

That's largely based on expectations that government incentives for ecological cars will prompt more consumers to buy more of its Prius hybrid — Japan's top-selling vehicle the last three years — and other environmentally friendly cars.

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