

Japan's May Factory Output Down 3.1 Percent

The Associated Press

TOKYO (AP) — Japan's factory output declined 3.1 percent in May from the previous month as the world's third biggest economy grapples with weaker European demand and an uneven recovery from last year's tsunami disaster.

It was the second consecutive month of decline in industrial production, the economy ministry said Friday. It said worsening sectors included autos, chemicals and general machinery. But the ministry expects production to recover in coming months as output picks up in electronic parts and devices, machinery and electrical products. Other data showed the unemployment rate fell in May.

Disaster-struck Japan's economic outlook continues to be murky. The economy expanded at a rapid clip in the first quarter, helped by spending on disaster reconstruction, but is unlikely to maintain that pace over the rest of the year.

The earthquake, tsunami and nuclear disasters in northeastern Japan in March last year destroyed coastlines, disrupted manufacturing and displaced people in evacuations due to leaking radiation. Analysts say the recovery will continue but faces headwinds from the European debt crisis and ebbing U.S. growth.

Some companies such as Toyota Motor Corp. and Nissan Motor Co. have bounced back. But Japan still faces enormous challenges from a strong yen and rising competitors in South Korea, China, Taiwan and elsewhere. Major electronics makers Sony Corp. and Panasonic Corp. reported the worst losses ever for the business year ended in March.

Separately, Ministry of Internal Affairs and Communications data showed jobless people totaled 2.97 million people in May, some 170,000 fewer than the same month the previous year. The unemployment rate declined 0.2 percentage points from April to 4.4 percent. Manufacturing, transportation, medical and welfare sectors all gained jobs.

Japan's core consumer price index, which excludes fresh food but includes energy prices, slipped 0.1 percent in May from a year earlier, according to the ministry.

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