

Japan Industrial Output, Core CPI Fall In August

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TOKYO (AP) — Japan's manufacturing contracted further in August, dropping 1.3 percent from the previous month on weakening auto and electronics output, as anti-Japanese riots in China darkened an already bleak outlook for both economies.

Data released Friday also showed core consumer prices, excluding food, continued to fall last month in another sign that Japan, the world's third-biggest economy, remains in the doldrums.

The weaker industrial output is the fourth straight month of decline and reinforces expectations that Japan's growth will shrink in the quarter that ends in September. It follows a 1.2 percent decrease in July.

Data for the first 10 days of September show exports to the world plunging 20 percent year-on-year, said Takashi Shiono, an economist at Credit Suisse in Tokyo.

"September exports will probably be very disappointing," he said. The friction with China over disputed islands in the East China Sea, which boiled over into sometimes violent protests in many Chinese cities, will "have an impact on exports in September."

Despite those gloomy trends, other economic data showed the unemployment rate improved slightly, to 4.2 percent, while core consumer prices, minus fresh foods, fell 0.3 percent. That reflects persistent deflation, which also drags on economic growth.

Weak global and domestic demand is weighing on manufacturers, particularly electronics makers, who are facing intense competition from South Korean, Taiwanese and other Asian manufacturers. The strong yen, which erodes overseas earnings and makes Japanese-made products relatively more expensive, is also eating into profits.

The lift some Japanese industries got from reconstruction following the March 2011 earthquake and tsunami is waning as rebuilding slows following the initial rush.

Given these factors, Japan's central bank followed the lead of the U.S. Federal Reserve last week in extending its monetary easing, hoping to help spur lending and other business activity while forecasting that the recovery could pick up momentum late in the year.

Japan's industrial production fell 4.3 percent in August from a year earlier, as factories reduced output of electronics and components, communications equipment, chemicals and large passenger cars, the Ministry of Economy, Trade and Industry said.

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Output is expected to fall further, by 2.9 percent, in September, the ministry said, a forecast that likely takes the China problem into account, and to remain flat in October. Although Chinese authorities have acted to quell the recent anti-Japanese turmoil, it forced many factories to close temporarily and is hitting sales of Japanese-brand vehicles, further darkening the outlook for manufacturing.

An overall slowdown in China's economic growth has also hit demand for construction materials, iron and steel and other industrial inputs.

But the weakness in output also reflects deliberate efforts to keep inventories under control, Shiono said.

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