

GDP contraction exceeds economists' estimate

# Economy slips, backing BOJ's case for support

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BLOOMBERG

Japan's economy slipped back into reverse over the summer, underscoring the fragility of the country's recovery and backing the case for continued support from the Bank of Japan and the government.

Gross domestic product shrank at an annualized pace of 2.1% in the third quarter, largely on the back of falling business spending, a lack of recovery in consumer spending and higher import costs, the Cabinet Office reported Wednesday.

The contraction was much deeper than economists' estimate of a 0.4% shrinkage. The yen weakened slightly against the dollar following the release.

Wednesday's data may give the BOJ a reason to delay any policy shift toward normalization, in the face of continued uncertainties including currency weakness, prolonged inflation and a cloudy outlook overseas.

"This is a weak result," said Tsukasa Koizumi, an economist at Hamagin Research Institute, "particularly consumer spending — I thought the summer service sector spending was fairly solid, so the fact that that's fallen is significant. The inflation we're seeing is strengthening households' desire to cut back on spending."

BOJ Gov. Kazuo Ueda has maintained that the bank will stand pat until there are clearer signs a virtuous cycle of wages, prices and growth is strengthening. Still, Ueda also recently hinted that Japan is making progress toward its 2% stable inflation target, a prerequisite for policy normalization, fueling speculation over a possible early shift.

That speculation continues to grow, said Taro Saito, head of economic research at NLI Research Institute. But looking at the state of the economy, an early normalization scenario could be in jeopardy, he added.

The third quarter contraction was partly driven by businesses' capital spending decreasing 0.6% after a 1% drop in the previous quarter, indicating that companies continued to cut

back on investments amid price hikes, despite the increasing need for digitalization to tackle labor shortages.

"Looking ahead, gloomy outlooks for China, the U.S. and other major trading partners will hit exports and continue to deter business spending," said Taro Kimura, economist at Bloomberg Economics. "The likelihood of a second consecutive quarterly GDP contraction in the fourth quarter should be enough to keep the BOJ wedded to its yield curve control and negative interest rates for a while yet."

Private consumption also failed to grow, defying analyst forecasts of a 0.3% increase. Real spending levels were the weakest since the last quarter of 2011, underscoring the fact that longer-term growth is difficult to achieve with a shrinking and graying population. The number of people in Japan has decreased more than 2% since 2011.

Net exports also dragged on the overall figures, with net exports subtracting 0.1 percentage points from the overall GDP figure. Imports rebounded from a sharp drop in the spring.

Ongoing inflation partly fueled by a weak yen, coupled with sluggish pay growth, may also risk a further cooling of consumer confidence going ahead. The Japanese currency hit ¥151.91 against the dollar on Monday — its lowest level since October last year, when the government intervened in the market to support the yen.

Weakness in the currency is already forecast by the International Monetary Fund to nudge Japan's economy down to the world's fourth-largest behind the United States, China and Germany in dollar terms by the end of the year.

To address continued sluggish demand and the impact of high prices on households, the government recently added spending to support demand through Prime Minister Fumio Kishida's latest economic package, worth over ¥17 trillion (\$113 billion). The measures center on income tax cuts and handouts to low-income households to help them deal with higher prices.



Smoke rises from Gaza following an explosion on Wednesday. Nongovernmental organizations say U.S. supplies have allowed Israel to press ahead with a bombing campaign that Hamas-run health authorities in the Gaza Strip say has killed more than 10,000 people. REUTERS

## U.S. steps up military aid to Israel

TONY CAPACCIO  
BLOOMBERG

The Pentagon has quietly ramped up military aid to Israel, delivering on requests that include more laser-guided missiles for its Apache gunship fleet as well as 155 mm shells, night-vision devices, bunker-buster munitions and new army vehicles, according to an internal U.S. Defense Department list.

The weapons pipeline to Israel is extending beyond the well-publicized provision of Iron Dome interceptors and Boeing smart bombs. It continues even as officials in the administration of U.S. President Joe Biden increasingly caution Israel about trying to avoid civilian casualties in the Gaza Strip.

The arms sought by Israel as it fights Hamas, designated as a terrorist group by the U.S. and the European Union, are listed in a document labeled "Israel Senior Leader" requests that's dated late October and is circulating in the Pentagon.

The arms are already being shipped or the Defense Department is working to make them available from stockpiles in the U.S. and Europe, according to the document. As of late October, for example, all 36,000 rounds of 30 mm cannon ammunition, 1,800 of the requested M141 bunker-buster muni-



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**IN TODAY'S NYT:**  
**THE DECAYING WARSHIP THAT IS PROVOKING CHINA'S IRE**  
**PAGE 3**



## N. Korea eyes stealth ability with missile engine test

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North Korea has successfully tested new solid-fuel engines for intermediate-range ballistic missiles (IRBM), state-run media said Wednesday, in the nuclear-armed country's latest development of a weapon capable of stealthily striking Japan.

"At a time when the dynamic struggle is being accelerated to bolster up the country's defense capabilities in every way, the missile industry of the DPRK has developed new-type high-thrust solid-fuel engines for intermediate-range ballistic missile again, which are of important strategic significance," the North's official Korean Central News Agency reported.

It said the country had "successfully conducted the first ground jet tests of the first-stage engine and the second-stage engine" on Saturday and Tuesday, respectively.

KCNA also published two photos from the tests, including one with flames and another with a large amount of white smoke billowing out of the engine's nozzle — characteristics typical of a solid-fuel engine.

"The tests provided a sure guarantee for reliably accelerating the development of the new-type IRBM system," the report added.

Solid-fuel missiles offer significant advantages for North Korea over the liquid-fueled weapons that make up the bulk of Pyongyang's arsenal. They are easier to deploy and can be fired off quicker, giving the United States and its allies less time for its satellites to spot and take them out.

At a news conference in Tokyo later Wednesday, Japan's top government spokesman voiced concern over North Korea's continued push to develop a variety of diverse weapons that increasingly put Japan at risk.

"We recognize that North Korea has been developing solid-fuel ballistic missiles from the perspective of improving its surprise strike capability," Chief Cabinet Secretary Hirokazu Matsuno said, adding that Pyongyang could continue to engage in further provocations, including missile launches and nuclear tests.

The engine tests came after North Korea earlier this month designated this coming Saturday as "Missile Industry Day" to commemorate the Nov. 18 launch last year of its

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INSIDE TODAY		
NATIONAL	2	SPORTS 10
BUSINESS	3, 4	
WORLD	5, 6	
WEATHER	6	
SPOTLIGHT	7	
OPINION	8, 9	

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## Ichiro Ozawa once again looking for way to defeat LDP

**Focus**  
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Ichiro Ozawa, now a stalwart of the Constitutional Democratic Party of Japan, is once again looking for a way to oust the ruling Liberal Democratic Party from power.

Three decades ago, Ozawa led an opposition coalition that defeated the LDP for the first time; 14 years ago, he played a role in helping another opposition party become the ruling party. Now, the octogenarian political veteran is looking to cap his long career with another successful drive to defeat the LDP at the polls.

In pursuit of that goal, the 81-year-old Ozawa has increased his public profile over the past six months. In June, he was one of 57 Lower House CDP politicians — 70% of the total — who called for cooperation with other opposition parties at election time. He also became chairman of a new group of 15 CDP members of parliament, called Issei-kai, to work on policy areas where the CDP could cooperate with other parties.

But Ozawa's efforts have recently led to



clashes within the CDP, especially with current leader Kenta Izumi.

Earlier this month, Izumi said the CDP's long-term goal was to become the ruling party in the next five years. While he admitted he wished he could say they would take power after the next general election, the more immediate goal was to lay a foundation to win a majority and to revitalize the party.

**Ichiro Ozawa speaks in Sasebo, Nagasaki Prefecture, in October, in support of a Constitutional Democratic Party of Japan candidate.**  
KYODO

That cautious stance on Izumi's part sparked criticism from Ozawa.

"I don't understand his thoughts. What will people think if the nation's largest opposition party says it won't seek power? No one will support it. It would be better if he resigned as party head," Ozawa told reporters on Nov. 7.

Three days later, Izumi clarified his remarks: Winning majorities in both houses of parliament may take five years, but that did not mean they had given up on trying to do so sooner. "It's quite natural to aim for a regime change each and every day, and it's natural that we want a change of government in the next general election," Izumi told reporters on Friday.

Ozawa has long advocated for like-minded opposition parties to join forces in order to unseat the LDP, which has been the ruling party or a member of the ruling coalition for about 64 of the past 68 years.

Once a rising star in the LDP, Ozawa served as the party's secretary general between 1989 and 1991. He resigned from the party in June 1993 to form a smaller party called Shinseitō to challenge the LDP. Ozawa then led

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