

Japan's shrinking GDP points to recession, PM under pressure

TOKYO, Nov. 12 (Xinhua) -- Japan's economy shrank an annualized 3.5 percent from the previous quarter, according to government data released Monday, signaling the world's third-largest economy is slipping back into recession.

While in-line with median economists' forecasts, Japan's economy shrank the most since the earthquake and tsunami struck in March last year, battering exports and stifling consumer spending, and the government said that it is anticipating the nation will fall into its third recession since 2008.

The Cabinet Office said Monday that it predicts gross domestic product will also fall in the October to December quarter which, following two straight quarters of contraction, will mean that Japan has entered a technical recession.

With the government also announcing Monday that private consumption, which accounts for 60 percent of Japan's GDP, fell 0.5 percent in the previous quarter ending September and corporate capital spending retreated 3.2 percent, pressure is mounting on Prime Minister Yoshihiko Noda to step down.

Having vowed to tackle deflation and reign in Japan's public debt, which has ballooned to twice the size of the nation's economy, the beleaguered prime minister will be facing ever-vociferous calls from the opposition bloc to dissolve the lower house of parliament and call a snap election.

According to sources close to the prime minister, the head of the ruling Democratic Party of Japan is considering dissolving the lower house of parliament for a snap-election, which pundits believe will see the main opposition Liberal Democratic Party regain power, with former prime minister Shinzo Abe at the helm.

While conceding the GDP data released Monday painted an extremely bad picture for Japan's economy, Noda said he would do his utmost to ensure that forthcoming economic policy reflected the current and future critical predicament Japan's economy is in.

"The GDP figures were dire," Japan's leader said in a parliamentary session Monday. He added that he would impress upon his Cabinet and relevant ministers a "sense of urgency" in fiscal policies henceforth.

Other senior ministers also added to the notion that Japan is heading towards a critical economic watershed, with Economics Minister Seiji Maehara saying that conditions now are extremely "severe", as he called on Japan's central bank to unroll further monetary easing to end deflation.

In light of the slew of dire macroeconomic statistics released by the government this month, the Bank of Japan was forced to further loosen its

monetary policy in an attempt to underpin the nation's ailing economy and tackle deflation.

The central bank's policy board decided to expand its special asset purchasing facility by 11 trillion yen (137 billion U.S. dollars) to 91 trillion yen and keep its short-term, ultra-low interest rate at between zero to 0.1 percent, in a move widely seen by economists as a move to combat lingering global fallout from the debt-plagued eurozone, as well as slumping trade with China, sparked by Japan's illegal attempts to "nationalize" the Diaoyu islands.

The government also said that the majority of its key indices gauging economic performance have fallen, including industrial output and retail sales, with the former slumping 4.1 percent in the previous quarter and retail sales dropping 3.6 percent -- all among an increasingly harsh employment environment.

According to the Cabinet Office the economy in Japan had ceased "pausing" and is now at a "turning point." It also said that if macroeconomic data next month continues on a downward trajectory, it will downgrade its assessment of the economy to "worsening."

The consensus among economists here is that as the Ministry of Economy, Trade and Industry has said that industrial output is likely to have fallen this month by 1.5 percent and eight of eleven regional economies have reported a downturn, the "worsening " assessment is likely to be declared.

The government has pointed to a weakness in overseas demand, the expiry of government subsidies for eco-friendly car purchases, and the yen's strength as battering Japan's manufacturing sector and contributing to Japan's quick-shrinking economy.

In addition, state officials and economists have noted that frosty ties between Japan and China over islands controlled by Japan but claimed by China in the East China Sea, have also contributed to slumping production here, due to waning demand for Japanese products from consumers in China, Japan's biggest trading partner.

Net exports fell 0.7 percentage point from GDP on a quarterly basis, official figures showed today, while machinery orders, a key gauge of capital spending, declined along with industrial output.

Exports plummeted 10 percent year-on-year in September, the most since the earthquake and tsunami according to the latest trade statistics.

The government said Monday that shipments from export-reliant Japan had fallen to their lowest in five-quarters on waning demand in debt-plagued Europe and from falling orders in emerging economies, also affected by the global economic slowdown.

In nominal terms, or unadjusted for price change, Japan's economy shrank 0.9 percent and the government also said earlier that export prices had also decreased by 0.4 percent from a year earlier, with import prices rising 0.1 percent -- the figures also weighing heavily on recession-headed Japan.

