

Japan's economic rebound slows as consumption, exports ease

TOKYO, Aug. 13 (Xinhua) -- Japan's economy grew at an annualized 1.4 percent in the three months through June on slowing exports and weaker consumption, as Europe's sovereign debt crisis continues to weigh on global demand, the Cabinet Office said in a preliminary report Monday.

The second-quarter gross domestic product (GDP) figure came in well-below median economists' forecast for a 2.3 percent expansion from the previous quarter and follows a 5.5 percent expansion logged on an inflation-adjusted basis for the first quarter.

The cabinet office's latest figure corresponds to a 0.3 percent rise on a non-annualized basis, marking the fourth straight quarter of growth, but fell short of analysts' expectations for a 0.6 percent gain. Unadjusted for prices, GDP contracted at a 0.6 percent annual pace, the government's latest figures showed.

Consumer spending, which accounts for 60 percent of Japan's total GDP, edged up just 0.1 percent in the second quarter, from 1.2 percent logged in the previous quarter, as households limited spending following the March disasters in 2011 and domestic purchasing of cars slumped due to government subsidies for eco-friendly cars expiring, the Cabinet Office said.

Consumption of durable goods rose 3.1 percent in the second quarter, the government report showed, while spending on semi-durable goods and non-durable goods declined. In addition the figures showed that while spending on services expanded by 0.2 percent in the recording period, the pace had slowed the most since the first quarter of 2011.

Japan's trade deficit widened in the second quarter with the figures showing that while exports rose 1.2 percent, imports expanded by 1.6 percent, as the yen's rise has forced manufacturers and raw material firms here to re-calibrate their procurement protocols and the importing of fossil fuels to compensate for the lack of nuclear power has also pushed up the overall import figure, the data showed.

The GDP deflator, a measure of price trends across the economy, fell 1.1 percent from the same quarter a year earlier, but public spending spurred by post-quake and tsunami reconstruction needs rose 1.7 percent and housing investments also gained 0.8 percent, the official figures

showed.

The cabinet office also said that corporate capital spending, widely regarded as an economic indicator for future spending, rose 1.5 percent in the recording period, due to large post-quake and tsunami construction contracts.

Japan's Economics Minister Motohisa Furukawa, despite the overall slowdown, maintained that the nation's economy was expanding at a stable pace, although said the drafting of supplementary budgets could be an option and was by no means out of the question.

"Japan's economy continues in an uptrend led by domestic demand, " Furukawa told a news conference, adding that he government " would consider a supplementary budget to support the economy if necessary."

Japan's central bank prior to the release of the latest GDP data also warned that downside risks from the European debt crisis could still adversely affect the nation's economic recovery and price improvements.

"If the European debt problems worsen further, it will increase the global financial market turmoil, which in turn would hurt the global economy. That is the risk that we must pay attention to," Bank of Japan (BOJ) Governor Masaaki Shirakawa told a news conference following a recent two-day policy meeting.

Shirakawa, who analysts believe may lead the BOJ to unroll further monetary easing measures, said that the crisis in the eurozone still posed the biggest threat to Japan's economy.

He said that Japan's exports were being affected by a slowing global demand, but would see an uptick once overseas economies improve.

"Overseas economies haven't emerged from their deceleration phase. But Japan's exports are likely to increase moderately once the overseas economies emerge from the deceleration phase," said Shirakawa.