

# Japan: economic contraction

Monday 23 May 2011, by [Asahi Shimbun](#), [Jiji Press](#) (Date first published: 17 June 2011).

## IMF Expects Japan Economy to Shrink 0.7 Pct in 2011

Washington, June 17 (Jiji Press)—The International Monetary Fund said Friday Japan's gross domestic product is forecast to fall a real 0.7 pct in 2011, a reversal from its estimate of 1.4 pct growth shown in April, due the impacts of the March 11 earthquake and tsunami.

"Key among the negative surprises was the devastating effect of the earthquake and tsunami on the Japanese economy, with supply disruptions weighing heavily on industrial production, consumer sentiment and spending," the IMF said in its latest World Economic Outlook report.

Still, the IMF said that the disaster impacts on the global economy have been limited although the automotive and electronics sectors "could experience strains through the summer."

Growth in Japan will likely be restored in 2012, it said, putting the nation's real GDP growth in the year at 2.9 pct, stronger than the April forecast of 2.1 pct rise.

The IMF said that the global economy is estimated to grow 4.3 pct in 2011, down from the 4.4 pct growth projected in April. The world economy "is slowing down temporarily, and downside risks have increased again," it said.

**Jiji Press**, June 17, 2011

<http://jen.jiji.com/jc/eng?g=eco&k=2011061700922>

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## Quarter's GDP slide revised to milder 3.5%

The economic contraction in the first quarter stemming from the March earthquake and tsunami was slightly milder than first estimated, the government said Thursday.

Real gross domestic product shrank at an annualized rate of 3.5 percent in the January-March period, compared with 3.7 percent in the Cabinet Office's preliminary report last month.

The smaller contraction doesn't change the fact that the world's No. 3 economy fell back into recession in the January-March quarter. The reading marks the second straight quarter that GDP – a measure of the value of all goods and services produced domestically – retreated.

The March 11 disasters left more than 23,000 people dead or missing, and wiped out entire towns in the hardest-hit areas. Damage is estimated at \$300 billion, making it the most expensive natural catastrophe in history.

Factories throughout the region were damaged, leading to serious shortages of parts and components for automakers and other manufacturers. Consumer spending tumbled. And a crippled nuclear power plant caused widespread power shortages that added to the headaches faced by businesses and households.

The International Monetary Fund on Wednesday slashed its outlook for Japan as a result, predicting the economy will shrink 0.7 percent this year instead of growing 1.4 percent.

The economy, however, should recover “sharply” over the summer as rebuilding progresses and supply constraints ease, the IMF said. It expects GDP to expand 2.9 percent in 2012.

Masamichi Adachi, senior economist at JPMorgan Securities Japan, said another contraction in the second quarter looks inevitable, but the economy will likely rebound in the second half.

The government’s latest GDP figure translates to an unchanged 0.9 percent fall from the previous quarter.

\* AP, June 10, 2011

<http://search.japantimes.co.jp/cgi-bin/nn20110610a3.html>

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## **Japan: GDP expected to shrink further in April-June quarter**

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Japan’s gross domestic product will likely contract again in the April-June quarter when the full impact of the March 11 earthquake and tsunami becomes clearer but the economy will improve before long, economic policy minister Kaoru Yosano said.

“Don’t be surprised if GDP continues to shrink for a third consecutive quarter,” he said on May 19. “We should simply think that it will be a ‘temporary phenomenon.’”

Annualized GDP shrank 3.7 percent in real terms in the January-March quarter, the second straight quarter of decline.

Yosano, state minister in charge of economic and fiscal policy, did not give a prediction for GDP in the April-June period. But the average estimate by some economists at major research institutes is a contraction of between 2.0 percent and 3.0 percent.

“From now, the decrease in exports will become conspicuous and the damage to the entire Japanese economy will be visible,” said Takeshi Minami, a senior researcher at Norinchukin Research Institute.

Hideki Matsumura, a senior researcher at the Japan Research Institute, expects the rate of decline in GDP to be steeper at minus 4.7 percent in the April-June period.

"Although consumers are recovering their willingness to buy goods, manufacturers will not be able to procure parts sufficiently for the time being," he said.

The Great East Japan Earthquake in the Tohoku region severed the supply chain of parts and caused power shortages, leading to a decline in the production capabilities of manufacturers.

Now, stocks of parts and goods are running out, meaning that suppliers will be forced to decrease shipments unless their production activities can fully recover.

Many economists predict the economy will return to growth in the July-September period after manufacturers' production activities normalize and their exports, especially to emerging economies, rebound rapidly.

"Overseas demand is strong, although the Chinese economy is slightly losing its momentum. Manufacturers will also be able to overcome the possible restriction in electricity usage in summer with their efforts," said Rei Tsuruta, a researcher at Mitsubishi UFJ Research and Consulting.

However, Ryutaro Kono, chief economist at BNP Paribas Securities (Japan) Ltd., warned that Japan's economy could face further problems down the road.

"There is a possibility that the move of manufacturers to transfer their factories overseas will spread. If that actually takes place, a vicious cycle, including a decrease in employment, will be inevitable," Kono said.

## ***Asahi***

\* *Asahi*, May 21, 2011:

<http://www.asahi.com/english/TKY201105200156.html>

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