

JAPAN'S FREEDOM FROM SLUMP MAY BE SHORT-LIVED

Japan's economy may have expanded at the fastest pace in more than a year last quarter, a rebound that may not be sustained as Europe's debt crisis sends stocks plunging into a downward spiral and boosts the yen. According to the median forecast of 24 analysts surveyed by Bloomberg News, gross domestic product grew at an annual 5.9 percent in the three months ended on Sept. 30, reversing three consecutive quarters of contraction. The Cabinet Office will release their report at 8:50 a.m. in Tokyo on November 14. A resurgence in production and exports by companies including Toyota Motor Corp. (7203) are showing more signs of warning as yen trading near postwar highs against the dollar forces companies to cut their profit forecasts. Yesterday, a report on machinery orders indicated companies may pare spending into next year as they brace for a slowdown in global demand. "This is good news, but it doesn't eradicate the uncertainties that lie ahead," said Junko Nishioka, who is the chief economist at RBS Securities in Tokyo and a former Bank of Japan (8301) official. "The rebound is going to lose momentum as sluggish overseas demand outweighs reconstructions, we're a long way from seeing a sustained recovery." Yesterday the Nikkei 225 Stock Average slipped 2.9 percent, the most its been since August 5, after a surge in Italy's bond yield's stoked concern that Europe's debt crisis is spreading. Recent reports suggest that growth has already peaked. Yesterday, the government said that companies plan to cut machinery orders this quarter for the first time this year, and indication that they will trim capital spending. Industrial production fell 4 percent in September, the first drop since the earthquake that hit in March. On Oct. 31 Japan intervened in the currency market for the third time this year after the yen rose to a postwar record of 75.35 yen against the dollar. At a Bloomberg conference in Tokyo, former Finance Ministry official Eisuke Sakakibara, who was actually known as "Mr. Yen" during his spell at the ministry from 1997-1999, that the Japanese currency might strengthen to the low 70's against the greenback. The central bank, which will begin to hold a two-day policy meeting after the GDP data is released, expanded its asset-purchase program last month in a bid shelter the economy from all the damage of the strong yen. A report by Tokyo Shoko Research Ltd., which is a credit research company, showed this week that Japan's publicly traded companies lost a total of 301 billion yen (\$3.9 billion) because of the currency's advance to a record high. Nintendo Co., who is the world's largest maker of video-game machines, forecast its first annual loss in a least 30 years after the yen reached its highest since World War II and sales its new 3DS console were weaker than expected. [caption id="attachment_3623" align="alignleft" width="127" caption="The Japanese face a economic crisis."]



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