

# Japan

## Japan surges out of recession

- **GDP rises 0.9% in first quarter**
- **Manufacturing grows 2.2%, exports and consumer spending also rise**

Official data confirmed the upbeat message from recent PMI surveys, indicating that Japan has surged out of recession. Gross domestic product grew 0.9% in the first quarter, its fastest pace of expansion for a year. The economy also grew 0.3% in the final quarter of last year, revised up from a flat picture.

The data signal a return to growth after GDP fell in the second and third quarters of last year; Japan's third spell of recession since the onset of the financial crisis.

The growth in Japan exceeds that seen in other major developed countries. The eurozone shrank by 0.2% in the first quarter, with Germany only managing to grow by 0.1%. The UK's GDP meanwhile rose by 0.3% and the US saw a 0.6% expansion.

There are also encouraging signals for the return to growth to have been sustained in the second quarter. Markit's PMI surveys had signalled near-record growth in the first quarter and, at 51.8 in April, the all-sector PMI Output Index exceeded the average of 51.3 seen in the first three months of the year.

The PMIs have indicated that service sector growth cooled slightly in April since hitting a record-high in March, while manufacturing output growth accelerated to the fastest for over a year.

The upturn in the manufacturing sector has likewise been confirmed by official data, which showed output rising 2.2% in the first quarter. That compares with a 1.8% decline in the fourth quarter.

Manufacturing has been buoyed by a marked depreciation of the yen, which has followed [aggressive monetary easing by the Bank of Japan](#). Both the PMI and official data have shown strong upturns in goods exports as a result, with the latter registering a 6.5% increase between the fourth and first quarters.

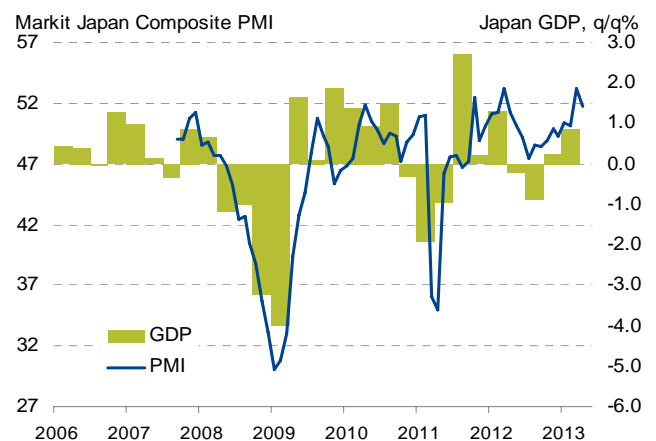
The improved performance of the economy is by no means solely due to yen-driven export gains, however.

Rising public sector infrastructure spending, another feature of the government's stimulus plans, helped drive a 0.8% increase in public sector spending.

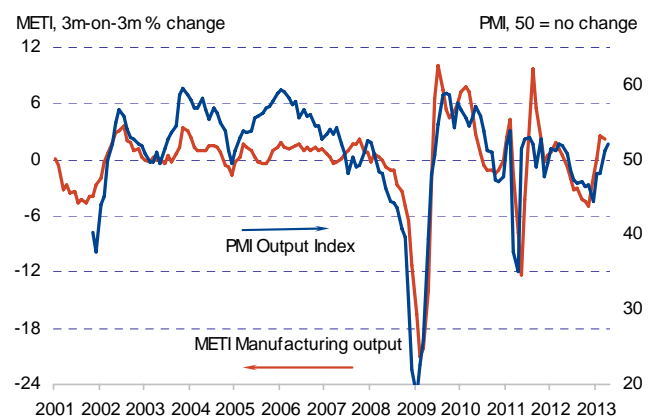
Consumer spending also rose, up 0.9%, following the boost to confidence that has accompanied the new policies of Prime Minister Abe. Rising consumer spending corresponds with the record upturn in service sector growth signalled by the PMI. The official data also showed the rate of decline of business investment easing sharply in the first quarter.

The only negative aspect is that prices continue to fall. However, signs of supply-chain price pressures developing in the PMI surveys suggest that Japan may see some improvements in its fight against deflation in coming months.

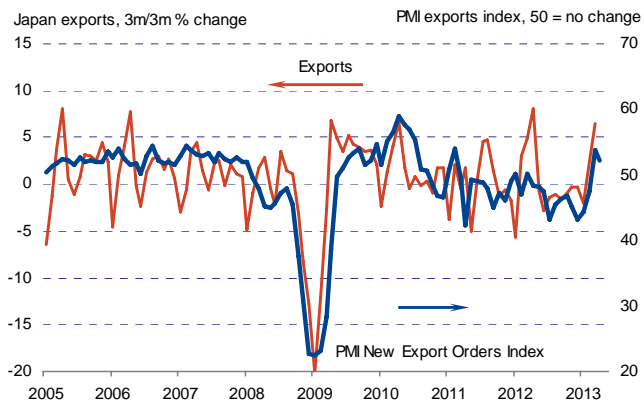
### Japanese GDP and the PMI



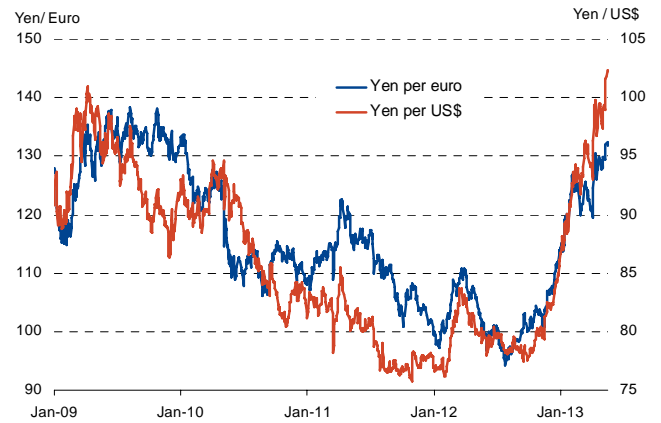
### Manufacturing output



### Exports



### Yen depreciation



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