

Japan's Economy: Retail Sales Apocalypse leaves Abenomics in Tatters

By [Mike Whitney](#)

Global Research, June 02, 2014

[CounterPunch](#) 1 June 2014

Region: [Asia](#)

Theme: [Global Economy](#), [Poverty & Social Inequality](#)

Plunging retail sales and rising inflation have rocked Japan's anemic economy and cast doubt on the future of Abenomics. While the US Commerce Department announced that first-quarter growth in the United States had slipped into negative territory for the first time since 2011 (-0.1 percent), the news from Tokyo was even grimmer. Following a tax hike that began on April 1, retail sales have collapsed sabotaging far-right prime minister Shinzo Abe's hope for a strong recovery and steering the economy towards another slump. According to Bloomberg News:

"Japan's retail sales dropped at the fastest pace in at least 14 years... Sales in April declined 13.7% from the previous month, the trade ministry reported today... The drop-off follows a consumer splurge ahead of the April 1 tax increase, and highlights the task Prime Minister Shinzo Abe faces in steering the nation through a forecast contraction this quarter... The economy is forecast to shrink an annualized 3.4% this quarter." (Bloomberg)

Economists around the world had cautioned Abe not to raise the consumption tax while the economy was still weak and wages were trending lower. But the urge to shrug more of the costs of government onto working people was too hard to resist. Abe pushed the tax hike through parliament, paving the way for yesterday's retail meltdown. Check this out from Zero Hedge:

"Following last night's record plunge in Japanese retail sales... Household Spending cratered 4.6% YoY - its biggest drop since the Tsunami... Industrial Production tumbled 2.5% MoM - also the biggest drop since the Tsunami (topped off by a) surge in Japanese CPI." ([Zero Hedge](#))

So while retail sales are dropping like a stone and wages continue to stagnate, inflation has suddenly burst onto the scene pushing up food and energy costs and increasing the hardship on Japan's dwindling workforce. (inflation in April soared 3.4 percent on all items from a year earlier, while goods prices are up 5.2 percent) With debts and deficits piling up at an unprecedented pace and the economy slowing to a crawl, Abenomics is looking like an unmitigated catastrophe. This is from Testosterone Pit:

"Total retail sales in April plunged 19.8% from March and were down 4.4% year over year. (while)... "large retailers," sales swooned 25.0% from March... At department stores, where people buy jewelry, designer clothing, or French purses, sales fell 10.6% year over year... In short, it was the largest decline in sales since March 2011, when the Great East Japan Earthquake and tsunami that killed over 19,000 people, brought commerce to a near-standstill."

[\(Testosterone Pit\)](#)

Abe's retail bloodbath is the result of a class-based economic policy that attempts to shift more of the nation's wealth to fatcat stock speculators, corporations and establishment elites while the working people shoulder more of the costs of funding the government. Behind the public relations hype about "fighting deflation", Abenomics so-called "structural reforms" are nothing more than a full-on attack on the meager incomes of Japan's working people, 37 percent of whom are limited to part-time work with no benefits, retirement, health care or security. For these people—who number in the millions—life has only gotten harder under Abe.

At the same time, corporate bosses and the IMF are encouraging Abe to implement unpopular economic reforms quickly before the economy slides back into recession. The anti-worker "third arrow" of Abenomics will further undermine job security and working conditions while cutting corporate taxes. According to the Japan Times, "The Cabinet is likely to approve this year's growth strategy on June 27" which will involve "corporate tax cuts...reforming public funding, utilizing foreign labor, promoting entrepreneurship and more women in the workforce, and revitalizing local economies." In other words, tax breaks for big business, slashing public spending, more cheap foreign labor, tax incentives for startups, and "special strategic zones" where worker safety and other regulations are jettisoned so corporate kingpins can rake in more dough. Abe's third arrow is a wish list for voracious CEOs and carpetbagging business tycoons whose only objective is to extract more wealth from the sweat of working people.

Abenomics has been particularly destructive for those living beneath the poverty line, Japan's down-and-outs. Besides raising the national sales tax, Abe has cut welfare benefits to shore up the governments flagging finances. The policy has triggered a sharp uptick in the number of working poor. According to the Japan Times, "the number of part-time, temporary and other non-regular workers who typically make less than half the average pay has jumped 70 percent from 1997 to 19.7 million today — 38 percent of the labor force." This is the crux of the problem that you will not read about in the business-friendly, pro-corporate dissembling media, that is, that Japan's economy suffers from chronic lack of demand due to falling incomes, shitty wages and system that favors the upward distribution of wealth. All of these have gotten worse under the exploitative leadership of Shifty Shinzo, Japan's all-time worst PM.

Naturally, the perennial squeeze on workers is having an impact on consumer spending and industrial output. Check this out from Reuters:

"Japan's household spending in April fell at the fastest rate in three years in a sign that consumption could be slow to recover from an increase in the nationwide sales tax, raising questions over the pace of economic recovery.

Industrial production fell more than expected in April as companies cut output to avoid a pile up in inventories in the lull after the sales tax hike took effect...Industrial output fell 2.5 percent in April, more than a median market forecast of a 2.0 percent fall." ([Reuters](#))

To summarize: Industrial production, down. Manufacturing, Down. Wages, Down. Profits for Japan's biggest and greediest corporations, Up, Up, Up!

Also, higher inflation coupled with droopy wages (wages dropped 0.1 percent year-over-year) have pushed consumer confidence to its lowest level since 2011. Recent data show that consumer confidence plunged to 37.5 percent, the worst since the right-wing Abe took office. Additionally, Japanese Prime Minister Shinzo Abe is about to drive the so called misery index, "which adds the jobless rate to the level of inflation, to its highest level since June 1981 when Japan was emerging from depression after the oil shocks of the 1970s." (Bloomberg)

So while the media bimbos and their corporate taskmasters continue to applaud Abe's willingness to destroy the economy and crush working people in the name of all-out class warfare, the results have been less than spectacular. In fact, the Japan's economy is skittering headlong into another gigantic slump thanks to excessive monetary flim-flam, targeted tax gouging, and slavish pandering to the loafer class of moocher elites. Check this out from Roger Arnold at The Street:

"The essential policy tools of Abenomics are massive monetary and fiscal stimulus aimed at forcing the yen lower, which should cause exports to rise and domestic production to increase, leading to increased domestic job production and consumption: the virtuous cycle...

But it isn't working...Abenomics is making the real economic and fiscal situations in Japan worse, not better. They are digging a bigger sovereign debt hole and accelerating the trajectory toward insolvency." (Arnold: Abenomics' Failure Is the Global Canary, The Street)

You bet it isn't working, just like it's not working in the United States or Europe or Canada or Australia or anywhere else the mercenary bank cartel has extended its hoary tentacles. Abenomics is failing because it was designed to fail. It was designed to do exactly what it does; transfer everything of value to a handful of crafty, self-serving freeloaders who have the political system by the balls and are extracting every last farthing they can before the economy collapses in a heap.

If you're in the 1 percent, the system works just swell. For everyone else, not so much.

Mike Whitney lives in Washington state. He is a contributor to [Hopeless: Barack Obama and the Politics of Illusion](#) (AK Press). Hopeless is also available in a [Kindle edition](#). He can be reached at fergiwhitney@msn.com.

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