Chinese economy eclipses Japan’s

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China is on track to officially **eclipse Japan as the world’s second largest economy** this year in a symbol of Beijing’s rise and the shift in global economic and political power.

New figures released on Monday showed that China’s economy overtook Japan’s in the second quarter after Japanese gross domestic product unexpectedly slowed.

The Japanese economy, second only to the US for more than 40 years, grew at an annualised, seasonally adjusted pace of 0.4 per cent in the three months to the end of June – much lower than the revised 4.4 per cent growth rate for the first quarter and well below the 2.3 per cent expected by economists.

As the world’s second largest economy, **China will face pressure from other large countries to take a more central role on the world stage**, something Beijing’s secretive Communist leaders have been reluctant to do and which goes against long-standing foreign policy.

Japan’s per capita GDP is still more than 10 times larger than China’s $3,600 (£2,300, €2,800). However, officials in Beijing maintain that China is still a relatively poor developing country.

“The symbolism of this moment is far greater than its actual significance,” according to Eswar Prasad, a professor at Cornell University and former head of the IMF’s China division. “In terms of both influence and dynamism, China outstripped Japan a long time ago.”

Japanese economic output in the second quarter was $1,288bn compared with Chinese economic output of $1,337bn, according to a Japanese government official.

By some estimates, China’s quarterly output actually overtook Japan’s in nominal US dollar terms in the fourth quarter of last year, and since then China has continued to grow rapidly while Japan’s recovery has stalled.

In terms of purchasing power, a more meaningful measure of economic strength, China replaced Japan as the world’s second largest economy nearly a decade ago.

In Japan, weak growth in the second quarter has raised questions about the strength of its economic recovery in relation to other parts of the world.

The US economy, for example, expanded at an annualised rate of 2.4 per cent in the second quarter. **Germany, meanwhile, grew at 9.1 per cent**, its fastest pace since reunification.

Japan’s slowing growth came on the back of stalling consumer spending, falling public investment and slower exports. Net export growth slowed but remained solid and was the main contributor to growth for the period.

“Japan is an export-driven country and [these figures show that] without fiscal stimulus, there’s no real domestic demand,” said Chiwoong Lee, an economist at Goldman Sachs.

China’s economy also moderated from 11.9 per cent year-on-year growth in the first quarter to 10.3 per cent in the second, but many analysts welcomed this as a sign that government attempts to cool an overheated economy were taking effect.

Beijing has unveiled a series of measures in recent months aimed at cooling the property market and keeping lending in check. This month, regulators ordered banks to put all loans sold or transferred to lightly regulated Chinese trust companies back on their books.