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Report No. FE-47c

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

THE CURRENT
ECONOMIC SITUATION
AND
PROSPECTS OF
JAPAN

November 23, 1965

Far East Department

CURRENCY EQUIVALENTS

\$1.00	=	¥ 360
¥ 1	=	\$0.0028
¥ 1,000,000	=	\$2,777.78

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BASIC DATA
(FY 1965 = 1 April 1965-31 March 1966)

1. Area 142,313 sq. miles
2. Population

Total, April 1965	97,690,000
Annual rate of growth, 1961-1964	1.0%
Density per square mile	687
Labor force, average 1964	45,970,000
3. Gross National Product

1964, current market prices	\$69.5 billion
Per capita	\$720
Annual rate of real growth, 1951-1958	7.5%
1959-1961	15.0%
1962-1964	10.3%
Private fixed investment, 1964	\$15.8 billion
Industrial production, 1964 (1960 = 100)	169
Agricultural, Forestry, Fisheries Production 1963 (1960 = 100)	105.2
4. Public Finance, FY 1965 (budget)

(billion dollars)

Current Revenues	9.96	Current expenditure	7.40
Internal funds of Government Enterprises	2.85	Capital expenditure	5.47
Borrowing	0.93	Capital transfers to Private Sector	<u>0.94</u>
Error	<u>0.07</u>		
<u>Total Finance</u>	<u>13.81</u>	<u>Total Expenditure</u>	<u>13.81</u>

Tax Burden: In FY 1964, taxes amounted to 22.2% of the national income.

5. Balance of Payments
(in millions of US\$)

	<u>1963</u>	(Preliminary) <u>1964</u>
Exports, f.o.b.	5,392	6,706
Imports, f.o.b.	<u>5,557</u>	<u>6,358</u>
Trade balance	-165	348
Current invisibles	<u>-530</u>	<u>-737</u>
Current account	<u>-695</u>	<u>-389</u>
Net capital inflow	893	348

(to be continued on next page)

BASIC DATA (continued)

6. Money, Credit and Prices

	<u>End of</u> <u>1962</u>	<u>1963</u>	<u>1964</u>
Money supply (million \$)	17,103	22,875	26,145
Bank credit to private sector (million \$)	53,930	67,461	77,996
Bank of Japan credit (million \$)	3,408	3,750	3,576
Discount rate, Bank of Japan	6.57	5.84	6.57
Bank lending rate	8.33	7.35	7.37
Wholesale prices(1960=100)	99	102	101.5
Cost of living(1960=100)	115	122	128

7. External Public Debt (May 31, 1965)

External public debt	\$2.6 billion
Estimated debt service in 1965	\$260 million
Debt service as % of export earnings	3%

SUMMARY AND CONCLUSIONS

i. The year 1964 proved to be another boom year for Japan. GNP which had expanded by 12% in real terms in 1963, increased by 14% in 1964. This continuation of the exceptionally high growth rate of the post-war era has raised Japan's per capita GNP from a very low level just after the war to around \$720 a year which is close to the level prevailing in Italy but still far less than in the more advanced countries of Western Europe and North America. An unusually high rate of investment averaging 38% of GNP - chiefly financed by domestic savings - and a large labor supply have been the most important factors associated with this growth record. Able entrepreneurs who were eager to introduce more advanced technology in Japan, a diligent labor force and a government which regards economic growth as its prime objective are further explanatory factors.

ii. Economic development has proceeded in a marked cyclical pattern showing very wide fluctuations in activity. In the past, monetary restrictions resulting from the need to correct balance of payments difficulties have caused a periodic slowdown in economic growth. During 1964, however, monetary restrictions imposed because of a large and rapidly growing current account deficit proved much less effective in dampening down economic activity than on previous occasions. Credit restrictions were enforced from the beginning of 1964 onwards but manufacturing production kept on expanding at an extremely rapid rate until the last quarter of the year. The decreased effectiveness of monetary policy on this occasion is attributable to the substantial increase in business liquidity which had occurred during the fast monetary expansion in recent years. Another factor which ran more or less counter to the direction of monetary policy towards the private sector was the change from 1963 onwards from a balanced to a deficit position in overall public finance, as government increased its efforts to catch up with the backlog in the social infrastructure especially in transport facilities, urban development and housing.

iii. While the relatively mild monetary restrictions initially did not affect the overall level of economic activity, they did cause a slowdown in the accumulation of imported raw materials. This slowdown and rapid export growth led to significant balance of payments improvement from the middle of 1964 onwards. The overall level of economic activity stopped rising during the last quarter of 1964 and has since then remained approximately constant. While the recession was probably brought on by the monetary restrictions finally taking effect, the real causes appear to be of a structural nature. The emerging labor shortage in Japan has led to strongly increased production costs, especially higher administrative selling and distribution costs, which together with a rigid interest rate structure, have led to a marked deterioration in the profitability of business in Japan. In 1964, the profit margin on sales in manufacturing dropped to about 77% of the level in 1961 in spite of booming sales. At the same time, it became clear that sales, in spite of rapid expansion, had grown far slower than total investment in productive capacity and many industries suffer from an over-expansion of capacity. The result has been a drop of the ratio of profits to total

assets in 1964 to only 60% of the level in 1960. This drop, occurring at the height of very rapid sales expansion, has disturbed Japanese business circles. In the last half of 1964 sales of the manufacturing industry rose by 6%, but the total amount of profits dropped by 6.5%.

iv. Improvement in the current account of the balance of payments enabled the authorities to relax monetary restrictions from the beginning of this year. By the end of the first quarter, restrictions had been completely lifted and in June the official discount rate had been brought down to 5.47%, the lowest level since the war. However, in marked contrast to previous periods of monetary relaxation, economic activity has so far failed to respond to these measures. Reflecting its belief that the current recession is chiefly due to structural factors and not to a temporary deficiency of demand, Government initially regarded stimulation of business by further monetary or fiscal action with caution, but in order to prevent activity turning downwards and financial difficulties spreading wider, it decided in July on a substantial deficit spending program. It is too soon to judge when an economic recovery will start. The stock market, long in a very depressed state, has reacted favorably to the Government's measures, but falling machinery orders, production curtailment in many industries, and at least until recently, declining business investment plans give the impression that the growth rate in 1965 will be comparatively low and that recovery may not gather momentum until well into 1966. However, in contrast with earlier periods of economic recovery, it is not likely that balance of payments difficulties will arise, calling once again for restrictive policies. This is mainly due to the extremely high rate of export growth which amounted to 24% over the preceding year in 1964 and accelerated to around 35% in the first seven months of this year. The slowdown in domestic demand, favorable world trade developments and increased competitiveness of Japanese products are the causes of this unusually impressive performance. Import growth on the other hand has been sluggish due to a slowdown in inventory accumulation caused by the recession. As a result, a current account surplus is expected during 1965. This will probably offset unfavorable developments on capital account which are chiefly due to the tight situation in the world's capital markets.

v. The growth prospects of the economy for the longer run remain favorable but the Government appears intent on achieving a slower and more stable growth rate without undue interruption of economic development by recurrent balance of payments crises. The Government also wants to achieve greater flexibility in Japan's labor and capital markets in order to reduce the danger of cost-push inflation and improve the financial health of business. Currently, government officials think the achievement of these objectives would be compatible with a growth rate not exceeding 6 to 7% a year.

vi. Such a growth rate may be consistent with financial and balance of payments stability, considering Japan's export strength, its unusually high rate of saving and the prospect of continuing private capital inflows. Capital inflows, however, are likely to be considerably less for some time than they have been in the past few years and it is not clear that they will

be adequate to cover entirely the substantial capital outflow that is characteristic of Japan's balance of payments. Hence it may be necessary to curb the rate of economic growth to something less than 6 or 7% in order to balance both the current and capital accounts. Nevertheless, prospects for exports and capital inflow are such that Japan should be able to maintain without balance of payments difficulty rates of economic expansion which are high by world-wide comparisons. Japan's creditworthiness is ample for substantial additional borrowing of foreign capital on conventional terms and the Japanese authorities have demonstrated their intention and capacity to keep the level of economic activity within the bounds of a manageable financial and balance of payments situation.

I. INTRODUCTION

1. The Bank's last economic report on Japan^{1/} reviewed economic developments until the middle of 1964. The main conclusions of the report were:

- (i) The Japanese economy continues to be capable of achieving high rates of economic growth in the future. Some deceleration in technologically mature manufacturing fields might occur but large investment opportunities existed in infrastructure, housing and the modernization of small-scale manufacturing and distribution.
- (ii) The balance of payments would continue to be the most important restraint on economic growth. The net inflow of capital would have to be modest because of the limitations of the world's long-term capital markets.
- (iii) The Bank was fulfilling a useful role in supplementing the inflow of capital into Japan because of her proven ability to use net capital imports productively for her own advancement and for that of the raw-material producing countries for which she provided an important market and source of capital. There was no doubt about Japan's ability to service a substantial increase in her present modest long-term foreign debt. Not only were her export performance and prospects excellent but Japan had in the past also given proof of her will to use monetary policy to correct effectively balance-of-payments difficulties.

2. The purpose of the present paper is to review developments which have occurred since the previous economic report.^{1/}

Economic Growth since the War

3. The fast growth of the Japanese economy in the post-war years is well known. By 1951 war damage had been overcome and output was restored to pre-war levels. From that time onwards economic expansion has been rapid. During the years 1951-1958 the annual growth rate of GNP averaged 7.5%. After a slowdown in 1957-1958 caused by balance of payments difficulties, economic expansion accelerated to an average of 15% in the years 1959-1961. Since 1961, GNP growth has averaged about 10% a year. Per capita GNP is now around \$720 per annum, close to the level prevailing in Italy but still far less than per capita GNP in the more advanced countries of Western Europe and North America. The growth of the economy in the post-war years is illustrated by the following figures:

^{1/} Current Economic Position and Prospects of Japan (FE-39a) dated September 23, 1964.

Table 1

Indicators of Economic Growth
(average percentage increase per year)

	<u>1951-1958</u>	<u>1959-1961</u>	<u>1962-1964</u>
Gross National Product (constant prices)	7.5	15.0	10.3
Industrial Production	12.5	22.5	12.1
Agricultural Production	3.8	3.7	2.9
Export	11.4	13.7	16.5
Import	6.2	24.0	11.0

4. Various factors have been associated with this unusual growth record. The most important among these are probably the following:

- (i) An abundant supply of investible funds. During the 1950's gross savings rose from a quarter to a third of GNP. In the 1960's the proportion has risen further: 38% in 1962, 37% in 1963 and 38% in 1964.
- (ii) A large and persistent shift of labor and other productive resources from agriculture, mining and small scale manufacturing to rapidly expanding modern manufacturing enterprises with substantially higher labor productivity.
- (iii) The rapid introduction of advanced technology in a relatively backward economy. At the beginning of the 1950's only a few industries such as cotton textiles and steel had been developed up to or near the technological level then prevailing in the industrialized countries of the West. Japan's entrepreneurs have filled this technological backlog with audacity and eagerness.. In this they were helped by a government which regarded fast economic growth as its prime objective and a diligent, well educated labor force with high traditions of workmanship and substantial industrial experience.

Economic Development by Sector

5. In the course of the economic development of the post-war years important changes have occurred in the composition of production. Agriculture has dropped in significance and the relative contribution to national income of industries, utilities and services has grown.

Table 2

National Income and Employment by Sectors

	<u>National Income</u>			<u>Employment</u>		
	<u>1951</u>	<u>1960</u>	<u>1963</u>	<u>1951</u>	<u>1960</u>	<u>1963</u>
Agriculture, Forestry, Fisheries	25%	15%	13%	43.5%	28.5%	25.0%
Manufacturing, Mining, Construction	32%	38%	39%	23.5%	29.0%	32.5%
Utilities	7%	10%	10%	5.5%	5.5%	6.0%
Services	<u>36%</u>	<u>37%</u>	<u>38%</u>	<u>27.5%</u>	<u>37.0%</u>	<u>36.0%</u>
Total	100%	100%	100%	100.0%	100.0%	100.0%

6. Agricultural production has increased by an average of less than 4% a year since 1951. This increase was much smaller than the annual expansion rate of the industrial sector. However, Japan's small cultivated area (about 16% of the total land area) has been shrinking annually because of the demands for industrial sites and residential building. The increase in production therefore stems entirely from further gains in the already high yields. These gains have been made possible by increased mechanization and improved cultivation methods which led to a 6-7% annual gain in farm labor productivity. There are, however, large opportunities for further improvement. Mechanization is still at a comparatively low level and the average farm holding of less than one hectare is far below the economic optimum.

7. The leading sector in the economic expansion since the war has been the manufacturing industry. Between 1951 and 1955 manufacturing increased by about 50% but since then the pace of expansion has accelerated and between 1955 and 1964 total manufacturing output multiplied four times over. This rapid development has placed Japan among the largest industrial producers of the world. In the field of such major industries as iron and steel, cement and heavy electrical equipment, Japan now ranks third in the world. Since 1957 she has been the world's largest ship builder and in recent years she has come to rank first or second in the production of buses and trucks, rolling stock and locomotives, synthetic fibers, television sets and radio receivers.

8. Before the war Japan's industrial production was characterized by a relatively large production of light consumer goods. After the war, however, the composition of production changed in favor of heavy and chemical industries, which now account for two-thirds of the total value added of industrial production and about half of the industrial employment. In recent years 80% or more of plant and equipment investment has been taking place in heavy and chemical industries. The change in the composition of Japan's manufacturing output is summarized in the following table:

Table 3

Structural Change of Manufacturing

	<u>Employment (thousand)</u>				<u>Value added (billion ¥)</u>		
	<u>1935</u>	<u>1950</u>	<u>1955</u>	<u>1961</u>	<u>1950</u>	<u>1955</u>	<u>1961</u>
	2,629	4,261	5,517	8,751	2,030	5,831	16,645
COMPONENT (%)							
Foods	7.0	10.7	12.5	10.7	8.2	11.4	8.1
Textiles	43.3	23.6	21.8	17.0	20.4	14.8	9.7
Chemicals	9.8	7.9	6.7	5.3	14.9	13.8	10.6
Metals	9.4	11.3	11.7	13.5	15.4	15.3	17.1
Machinery	16.1	19.7	18.3	26.7	17.5	18.5	32.3
Heavy & chemical industries <u>1/</u>	(37.4)	(41.5)	(40.7)	(49.1)	(51.6)	(53.7)	(65.9)
Total, including others	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Includes chemicals, metals, machinery, coal, petroleum products, pulp for paper.

Source: Ministry of International Trade and Industry.

9. Progress in the services sector has been slower. The contribution of this sector to national income did not change very much, but the total proportion of employment jumped during the 1950's from 27.5% to 37% of the labor force. Distribution especially is among the least efficient parts of the economy. In spite of recent concentration tendencies and modernization of facilities as evidenced by the establishment of super-markets and new department stores, there is still abundant scope for further improvement which should lead to productivity gains and a release of manpower for other occupations.

II. RECENT ECONOMIC DEVELOPMENTS

The Cyclical Pattern of Growth

10. Economic development in Japan in the post-war years has followed a cyclical path in which periods of hectic expansion have alternated with short balance of payments crises necessitating downward adjustment of the level of economic activity. Since 1951 Japan has gone through four business cycles, the recession periods of which occurred in 1953, 1958, 1962 and 1964/65.

11. The post-war boom periods have followed a fairly regular sequence of events with the exception of the last one. At the end of a recession period when the balance of trade has become favorable monetary restrictions are lifted. In view of the abundant opportunities for profitable investment which have characterized the post-war period, this is soon followed by an upsurge of investment activity. The need for a replenishment of raw materials stocks which have been run down in the preceding recession period and the increasing demand for capital goods lead to an increase in imports. The increase in domestic demand causes, at the same time, a slowdown in the growth of exports and leads to speculative inventory accumulation. A deterioration of the balance of payments sets in, which soon forces the authorities to restrain economic activity by monetary measures. Typically the duration of the upswing has been two to three years. The downturn has never come about spontaneously by a subsiding of demand. It has always been necessary to restrain the pace of economic activity because of external payments difficulties.

Table 4

Fluctuations in Economic Indicators
(Annual Percentage Change)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1964 1/</u>				<u>1965</u>	
							1	2	3	4	1	2
GNP (real terms)	17.9	13.2	14.0	5.1	12.1	13.9	2.7	2.7	4.8	0.7	n.a.	n.a.
Industrial Production	20.0	24.6	19.4	8.3	10.0	17.2	3.7	3.3	3.2	1.6	0	0
Inventory Level <u>2/</u>	10.7	11.4	21.6	-8.7	8.6	4.4	4.8	0.3	-0.8	1.1	-0.5	0.8
New Equipment Investment												
Loans	25.0	32.0	20.3	11.4	43.5	7.0	-1.5	2.3	3.4	-3.5	11.0	1.5
Exports	18.9	17.0	4.2	17.2	11.0	24.3	18.2	23.5	23.0	30.5	39.4	35.3
Imports	22.0	21.8	26.7	-5.3	24.5	14.5	31.6	19.4	5.7	4.2	-0.8	3.2

1 Quarterly data are seasonally adjusted. Comparison is with preceding 3-month period, except quarterly export and import data which are not seasonally adjusted and which show the percentage change over the corresponding period in the preceding year.

2/ Raw and finished materials for manufacturing.

12. The upswing period which started in 1963 has deviated from the pattern of post-war trade cycles in that a recurrence of balance-of-payments difficulties followed only half a year after the lifting of monetary restrictions. Partly this was caused by factors such as trade liberalization (under agreements with the IMF and OECD), a deterioration in the terms of trade and higher freight rates on international shipping. Although the balance-of-payments difficulties were therefore not entirely due to monetary factors, the last economic report judged that the authorities had removed monetary restrictions too quickly and that they were tardy in coping with the situation as it developed late that year. Because of the prevalent belief that the balance-of-payments difficulties could be tided over without a reversal to drastic tight money policies, restrictions were initially mild. Reliance was chiefly placed on the moral influence of the Bank of Japan in persuading the banks to restrict their operations. As the economy however continued its course of rapid expansion and the balance-of-payments difficulties assumed more serious proportions more stringent measures were taken. In January 1964, the Bank of Japan resumed direct control over the banks' lending volume ("window guidance" policy) and in March the discount rate and guarantee deposits against imports were raised. Especially this last measure brought a rapid improvement in the trade balance but manufacturing production continued to climb rapidly up to the end of the third quarter of the year. The slow response to monetary restrictions was partly due to the large build-up of liquidity in the previous easy money phase, as will be explained in para. 15 below. However, economic activity has leveled off since the fall of last year.

The Role of Monetary Policy

13. The measures applied in 1964 to obtain the required slowdown in bank lending were approximately the same as used in previous cycles. Because of the "neutral" fiscal policy pursued in Japan since the monetary reform of 1949 the most important instruments of control are in the field of monetary policy. Of the usual control instruments, changes in reserve requirements and in the Bank of Japan's discount rate have had more significance as a signal of change in official monetary policies than because they directly affected the cost of central bank credit. Even at its highest level (6.57% from March 1963 to January 1964) the official discount rate has been well below the interest rates applied by the commercial banks. All the same, however, monetary policy has proven to be extremely effective in regulating economic activity. This effectiveness stems from the unusually high dependence of business firms on bank credit and of commercial banks on central bank support. The way in which monetary policy is implemented is however not through the conventional instruments of monetary control but chiefly by direct central bank determination of the quarterly maximum of the lending operations of the banking system. This so called window-guidance policy has been very effective in adjusting the activity of an overheated economy and bringing about a balance of payments improvement. In recent years the monetary authorities have tried to reduce the importance of the window-guidance policy which leaves nothing to the play of market forces and to place more reliance

on open market operations. In the absence of a free bond market^{1/} and because this volume of outstanding government securities is limited, market operations have been small. In 1963, however, the bonds of power companies and banks were added to the list of eligible securities and operations now also extend to financial institutions other than banks. So far the net impact of market operations by the Bank of Japan on overall monetary development has however been fairly small. In order to eliminate the need for "window guidance" and give market operations due importance as an instrument of monetary control, it will be necessary to establish a free bond market with sufficiently attractive rates and to allow the Bank of Japan's discount rate to become an effective penalty rate.

14. The reliance of business on bank credit arose from the rapid expansion of industrial capacity which surpassed by far the internal generation of investment funds from depreciation allowances and profit retention. About 60-65% of the total supply of industrial funds during the last six years has been obtained from outside sources. In the absence of a sufficiently developed capital market, new equity capital accounted for a minor part (around 10%) of the total supply of funds. The gap was filled by banks and other financial institutions, mostly in the form of revolving short-term credits.

15. The willingness and ability of the lending institutions to extend credit has been the chief determinant in the total amount of bank credit by business. Funds have been chronically short in supply and business in general has scrambled to obtain as much bank credit as possible for financing

^{1/} Chiefly because the Government has persistently fixed the interest rate on bonds at 6.5%-7%, which is far below the interest rate for bank credit. The purchaser's yield on bonds has therefore been unattractive and as a result the public has not been interested in them. The authorities have solved the problem of selling the bond issues of government enterprises, power companies and certain industries of national importance by periodically allotting these to the financial institutions. Under these circumstances no bond market of any importance could develop. Purchasers usually hold on to the bonds until they reach maturity.

This bond rate policy is part of the official interest rate policy, which has aimed at a comparatively low cost of capital. The result of this policy has been that the official discount rate is at the bottom, the bond rate somewhere in the middle and the short-term commercial bank rate at the top of the interest rate structure. Under these conditions the general public has not developed the habit - and has had insufficient opportunity - to invest savings in long-term securities. It has continued to deposit its money with financial institutions which channeled these funds in the form of call money to the city banks. Together with savings deposits these funds have enabled the city banks to fulfill their dominant role in the financing of industrial investment in Japan.

investment plans underway or under consideration and to some extent as a precaution against a future period of monetary stringency. During successive periods of monetary ease in the 1960's inspired by the government's high-growth policies this situation has changed remarkably, however, and an important increase occurred in the liquidity of corporate enterprises. The ratio of liquid means (currency, deposits and securities) to sales rose from less than 20% in the late 1950's to 25-30% in the 1960's. An important result of this increase in business liquidity has been that monetary control and especially control over the banks' lending volume proved to be much less effective than on previous occasions in dampening down the level of economic activity during the past year. Apart from an initial hesitant attitude on the part of the authorities in reintroducing monetary restrictions this is probably the most important reason why it took a longer time for monetary restrictions to affect the level of economic activity than in previous periods of restraint. In 1964 production kept on expanding extremely rapidly until October, more than a year after the central bank revised its policies and ten months after the re-introduction of the Bank of Japan's "window guidance".

16. Another aspect of the increase in liquidity is the increasing importance of inter-industry credit. The increase in wage and interest payments in recent years has raised the break-even point of many industries and this has led to intensified sales efforts. Mainly as a result of this, an increasing percentage of sales has been made on credit. According to official flow-of-funds statistics trade credit outstanding expanded between 1961 and 1964 from 7 to about 19 trillion yen. This was much faster than the overall rate of growth of the economy. Trade credit outstanding rose from 50% of GNP in 1960 to roughly 75% in 1964.

17. The recent fast increase in general liquidity of the economy is summarized in the changing ratio of money and quasi money to GNP. As the following table shows the money supply has risen, since 1961, from 31 to 38% of GNP while the sum of money supply and time and savings deposits rose during the same period from 95 to 114% of GNP.

Table 5

Factors Affecting the Money Supply
(Billions of Yen)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
A. Money Supply (end of year)	3,711	4,420	5,258	6,157	8,235	9,412
Increase in Money Supply	526	709	838	899	2,078	1,177
Per Cent Increase Over Previous Year	16.5	19.1	19.0	17.1	33.8	14.3
<u>Factors</u>						
1. Increase in Bank Credit to Private Sector	1,786	2,581	3,509	3,038	4,871	3,790
Less Increase in Savings and Time Deposits	<u>1,366</u>	<u>1,701</u>	<u>2,158</u>	<u>2,265</u>	<u>2,884</u>	<u>2,772</u>
Net Increase in Private Bank Credit	420	880	1,351	773	1,987	1,018
2. Increase in Bank Credit to Public Sector	146	57	-106	71	241	727
3. Other Internal Factors	<u>-199</u>	<u>-319</u>	<u>-122</u>	<u>-91</u>	<u>-139</u>	<u>-293</u>
Total Internal Factors	367	618	1,123	753	2,039	1,452
4. Foreign Sector	<u>159</u>	<u>91</u>	<u>-285</u>	<u>146</u>	<u>39</u>	<u>-275</u>
TOTAL	<u>526</u>	<u>709</u>	<u>838</u>	<u>899</u>	<u>2,078</u>	<u>1,177</u>
B. Money Supply as % of GNP	31	31	31	33	38	38
Money Supply + Quasi Money as % of GNP	90	95	95	103	114	114

Source: IFS and Economic Planning Agency.

18. A factor which has run counter to the overall direction of monetary policy and thereby considerably weakened the effectiveness of monetary policy is the recent change in public finance from a balanced to a deficit position. The overall monetary effect of this deficit was still modest in 1963 (about 12% of the increase in the money supply in that year). In 1964, however, it came to be almost as important as the change in private bank credit, which hitherto had been almost the sole cause of monetary change.

19. A rapid increase in government capital expenditure especially for infrastructure investments, has been the most important cause of this change. Total investment in the public sector has gone up from around 8% of GNP in the late 1950's to 11.5% in 1964. This increase is in response to the acute need for investment in social infrastructure which during the 1950's has been lagging severely behind the general increase in production capacity. Although the emphasis on investment in directly productive activities has made for a very favorable capital output ratio in the past (see App. Table II) an acute shortage has arisen in transport and telecommunications facilities and also in housing, water supply and sanitation. Catching up with the accumulated arrears and keeping pace with the further growth of the economy will continue to require heavy emphasis on investment in the infrastructure of the economy.

20. While government capital expenditure is rising rapidly the growth of revenue is however being forced down to a slower pace. Owing to Japan's progressive tax system, revenue has in the past easily kept pace with the growth of the economy leaving even room for sizeable annual reductions in tax rates while maintaining total tax revenue at 21 to 22 per cent of national income. The recent fall in corporate profits is however leading to slower growth of revenue than anticipated in the budget. The total anticipated shortfall of revenue below budget expectations during the current fiscal year is not of startling dimension (about ¥100 billion or less than 3% of current revenue) but at the same time pressure is building up to improve the financial condition of business by a drastic cut in corporate tax rates. This is leading to an increasing expansionary monetary effect of overall public finance. The following table shows that the amount of public savings, although declining as a percentage of national income, is still very considerable.

Table 6

Government Finance
(Billions of Yen, Fiscal Years)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	Revised Estimate <u>1964</u>	Budget <u>1965</u>
<u>Central Government</u>						
Current Revenue ^{1/}	1,861	2,298	2,495	2,840	3,265	3,588
Current Expend- iture	<u>1,325</u>	<u>1,567</u>	<u>1,919</u>	<u>2,302</u>	<u>2,467</u>	<u>2,664</u>
Current Surplus	536	731	576	538	798	924
<u>Public Enterprises and Institutions</u>						
Net Investment funds generated by operations of public and finan- cial institutions	<u>428</u>	<u>543</u>	<u>613</u>	<u>779</u>	<u>1,025</u>	<u>1,025</u>
Sub-total	964	1,274	1,189	1,317	1,823	1,949
Other Public Sector Savings ^{2/}	272	354	482	490		
Total Public Savings	1,236	1,628	1,692	1,807		
% of National Income	10.4	11.5	10.7	10.0	9.4 ^{3/}	

^{1/} Excluding "receipts from surplus" of the preceding year.

^{2/} From Appendix Table 9.

^{3/} During calendar year 1964.

Source: Ministry of Finance and EPA.

The Current Account of the Balance of Payments

21. The deterioration of the trade balance which had started in 1963 continued well into 1964. In the first half of 1964 exports increased by over 20% over the same period in the preceding year, but imports went up by an even higher proportion and a trade deficit of almost \$400 million was the result. Under the impact of the monetary restrictions import growth was however virtually brought to a halt after the middle of the year while the export expansion kept on accelerating. This led to a favorable trade balance in the second half of the year of over \$700 million. This favorable development has continued in 1965. In the first half of the year exports have been over 36% higher than in the same period last year and imports have continued to remain virtually constant. The current account as a whole swung sharply to a surplus position in the last half of 1964 and it has continued to be in surplus in the first half of 1965. The full year 1964 however showed a deficit of close to \$400 million.

Table 7

Current Account of the Balance of Payments

(Millions of U. S. Dollars)

<u>Calendar</u> <u>Years</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u> ^{1/} Jan-June
Exports f.o.b.	4,149	4,861	5,392	6,702	3,883
Imports f.o.b.	<u>4,707</u>	<u>4,459</u>	<u>5,557</u>	<u>6,328</u>	<u>3,276</u>
Trade Balance	-558	402	-165	374	+608
Transport and Insurance	-496	-427	-444	-489	-284
Investment Income	-48	-92	-119	-196	-93
Other Services and					
Private Transfers	-171	-224	-323	-416)
Foreign Military					) -77
Expenditure	<u>389</u>	<u>377</u>	<u>356</u>	<u>329</u>)
Total Current					
Invisibles	-326	-366	-530	-772	-454
Total Current Account	-884	36	-695	-398	+154

^{1/} Preliminary

Source: IMF; Ministry of Finance for 1963 and 1964; Bank of Japan for 1965.

22. The increase of exports in 1964 and 1965 has surpassed the expectations of observers in and outside Japan. Several factors have contributed to the amazing performance. Firstly, economic development in the most important buying countries, especially North America and Western Europe, continued to be generally favorable. World trade in 1964 increased by 12%, far in excess of the 7% average increase of the preceding decade. Secondly, the enormous investments in modern production facilities in recent years have improved Japan's international competitiveness in a long line of products, especially in the field of steel products, machinery, transport equipment, electrical equipment and petrochemicals. Thirdly, from the middle of 1964 onwards there has been a slowdown in domestic demand. Even if most of the weight would have to be accorded to the third factor, i.e. the current slowdown in domestic demand, the recent export performance remains proof of the surprising flexibility of Japan's industrial and trading firms in switching a large proportion of their trade from the domestic to export markets.

23. Since the end of the 1950's Japan has been confronted with a persistently growing deficit on current invisibles which has proven much less susceptible to cyclical swings than the trade balance, because it is more or less due to structural causes. The most important element in this deficit has been, for a long time, the deficit on international shipping. Vigorous promotion by the Government of the growth of the Japanese merchant marine which had been almost completely destroyed during the war, has however led to a stabilization of this deficit in recent years at a level of somewhat over \$400 million a year. Other categories of invisibles payments such as royalty payments on technical assistance agreements with foreign firms and interest and dividends on foreign investments are however growing quite rapidly. This is also the case with a set of miscellaneous expenses connected with foreign trade such as agents' fees and expenses of foreign branch offices. After taking account of the slowly declining foreign exchange receipts of U.S. military expenditure in Japan, these factors have combined to an increase in the total invisibles deficit by \$200 million annually in 1963 and 1964 to an annual level of over \$700 million. This amount was large enough to lead to an overall current account deficit for the full year 1964 of almost \$400 million (although the second half of the year showed a favorable balance of \$379 million). Preliminary data indicate that the current account in the first half of 1965 showed a small surplus, which in view of the seasonal character of commodity exports, is a highly favorable result, sharply contrasting with the \$767 million deficit in the first half of 1964.

The Inflow of Foreign Capital

24. The net inflow of capital has fluctuated a great deal. It reached a record level in 1963 of almost \$900 million, but developments in the world's long and short term capital markets and - to a much smaller extent - deliberate Japanese policy to reduce short-term liabilities have reduced the net inflow of funds to about half this amount in 1964 and probably to almost nothing in the first half of 1965.

Table 8

Capital Account of the Balance of Payments^{1/}
(in U. S. \$ million)

<u>Capital Outflow</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
1. Reparations, aid	81.3	105.5	85.6	85.7	84.9
2. Direct Investment	79.3	93.4	77.3	122.0	56.8
3. Export Credits	62.6	168.4	194.4	103.3	335.8
4. Amortization, other	<u>56.4</u>	<u>69.8</u>	<u>104.4</u>	<u>173.8</u>	<u>160.2</u>
Total	279.6	437.1	461.7	484.8	637.7
<u>Capital Inflow</u>					
1. Govt. and Govt. Guarantee Bonds	-	20	18	64	82
2. IBRD Loan Disburse- ments	80	73	64	49	20
3. Direct, Private Investment	6	59	58	102	109
4. Other Private Long and Medium Term Capital	57	172	388	646	454
5. Short-term Credit (net)	<u>378</u>	<u>573</u>	<u>122</u>	<u>517</u>	<u>304</u>
Total	521	897	650	1,378	969
Net Inflow of Capital	241	460	188	893	331
Central Monetary Changes	-498	405	-230	-243	56
Errors and Omissions	<u>33</u>	<u>19</u>	<u>6</u>	<u>45</u>	<u>11</u>
Total Capital Account	-224	884	-36	695	398

^{1/} Including transfer payments of the central government.

Source: IMF Yearbook; Ministry of Finance.

25. The increasing strength and creditworthiness of the Japanese economy on the one hand and a gradual liberalization of capital transactions on the other have encouraged a rapid increase in the inflow of long-term capital since 1960. Direct private investment and portfolio sales of securities to foreigners rose from very small amounts in 1960 to \$200 million in 1963 and bond issues by government and private institutions went up to about the same level. The introduction of the Interest Equalization Tax in the United States which had been the major source of these funds caused the Japanese Government to divert issuing activities from the U.S. market to Europe. Especially the response in Germany was very favorable and total bond issues in 1964 were approximately at the same level as in 1963. The Interest Equalization Tax also led to an increase in loans from U. S. banks of less than three years on which loans the tax would not be applicable. The balance of payments measures taken early this year by the United States have, however for the time being, virtually put an end to the increased lending activity of U. S. banks in Japan while the impact of these measures on the European market has made it much more difficult for Japan to obtain bank loans or issue bonds outside the U.S.A. An annual exemption from the U. S. Interest Equalization Tax of bond issues of a total amount of \$100 million, which was granted when the new measures were introduced, would not be large enough to stem the reduction in the inflow of U. S. capital.

26. Short-term credit has also played an important role in financing Japan's needs for foreign capital. Attracted by higher interest rates, there has been in the past four years, a substantial inflow of short-term funds, mostly in the form of Euro-dollars and convertible yen deposits. Since the beginning of the 1960's short-term liabilities other than trade credits have gradually risen to a total amount of about \$1.5 billion. (See Appendix Table 23) Although this rise has been marked by fluctuations there has been no indication that these funds have had an unduly volatile character. Partly this is due to the Government's regulations since early 1961, regarding the differential between the London Euro-dollar rate and the rate paid by Japanese banks. In addition to this, Government raised in early 1963 the percentage of foreign exchange liabilities Japanese banks are required to hold in the form of liquid foreign assets from 20% to 35%. In the middle of 1964 the Bank of Japan further increased its control over the inflow of these funds by tying further increases in banks' short-term non-trade foreign exchange liabilities to the growth of their operational foreign exchange assets. Since then there has been a slowdown in the growth of these liabilities. After the U.S. balance of payments measures early this year the Euro-dollar market has become tighter and a slow outflow of Euro-dollar deposits is reportedly in process. This outflow has not unduly disturbed the Japanese authorities because it coincides with a very favorable current account position and is more or less in agreement with the Government's policy of gradually reducing dependence on short-term non-trade liabilities.

27. Capital outflows have grown steadily mostly due to a gradual rise in amortization payments and in export credits. The total amount has risen from around \$300 million at the beginning of the decade to almost \$600 million at present. Reparation payments which used to be the major outflow during the 1950's are now slowly tapering off (\$59 million in 1964). Aid commitments however are on the increase. These are almost entirely in the form of export credits and tied to the delivery of Japanese goods and services. Commitments in the India and Pakistan consortia in 1964/65 were respectively \$60 and \$30 million. Normalization of relations with Korea is scheduled to lead to an annual outflow of \$50 million in Japanese goods and services during the next ten years. Recently, an agreement was reached with Taiwan for a \$150 million loan to be disbursed in the next five years. Aid commitments in a number of other developing countries have also been increasing. In addition to this there has been an increase recently in direct investment in foreign subsidiaries and in establishments abroad which should ensure stable sources of raw materials such as iron ore, wood, pulp and petroleum.

III. SOME ASPECTS OF THE CURRENT RECESSION

The Current Recession

28. After the apparent "cooling off" of the economy in the last part of 1964 monetary restrictions were gradually lifted. The first step towards monetary relaxation was taken in December 1964 with a reduction in the reserve requirements of the commercial banks. This was followed in January 1965 by a reduction in the Bank of Japan's discount rate. The Bank of Japan's "window guidance" was meanwhile being applied in an increasingly liberal fashion and has in fact not acted as a restraint on credit since the first quarter of the year. In April and June there were further cuts in the Bank of Japan's discount rate down to 5.47% which is the lowest level in the post-war years and 1.1% below the rate prevailing during the 1964 tight money period. Reduction in commercial banks' interest rates have followed in the wake of this central bank action. As a result of these moves all monetary restrictions on an increase in private sector credit and a general recovery of economic activity have been withdrawn.

29. In contrast to previous periods of monetary relaxation, economic activity has so far however failed to respond to these measures. Industrial production has remained more or less constant during the first three quarters of this year. Acute marketing difficulties have led to production curtailments of 10-20% in major industries such as iron and steel, petroleum, cement, paper and pulp and cinematographic equipment. Serious over-supply also has developed in the synthetic fiber industry, the heavy electrical equipment industry and the electrical appliances industry. In spite of the stagnation in production and rapidly increasing exports, inventories of finished products have however continued to go up. Raw materials inventories stopped declining around March and April. While this might indicate that the recession is at its bottom, the stagnant pattern of department store sales and orders for new machinery during the course of 1965 suggest that the basis does not yet exist for an upturn.

30. An indication of the difficult financial situation of many firms is provided by the rapid rise in business failures especially of small and medium sized firms. Stagnant sales and difficulties of collecting funds due on inter-industry credits are the most important among the causes of failure. Most of the failures involve smaller firms with the exception of the failure of the Sanyo Special Steel Co., the nation's largest manufacturer of steel ball bearings which was found to have accumulated debts of almost \$150 million, including some \$12 million due foreign suppliers. Although the Government's prompt intervention with auxiliary financing prevented wider financial difficulties, this case with its indication of less than prudent financing by a few of the large city banks, had an adverse effect on the confidence of Japanese and foreign investors.

31. The depressed situation of Japanese business has had a serious impact on the conditions of the stock market. On the crest of sustained

speculative buying, shares had gone up from a Dow Jones average of 600 in 1958 to 1800 in mid-1961 reducing yields to around 3% or half the 1958 level. Under the influence of deteriorating profit to sales ratios, prices have since then fallen almost continuously to less than 1100 in mid-1965 with only a slight recovery since then. In order to improve the stock market climate several buying operations, financed chiefly by Bank of Japan credit, were staged involving to date the total amount of almost ¥500 billion (\$1.4 billion) worth of shares. In a further move to support the market a moratorium on new issues was decided early this year. The stock market difficulties deepened however with the failure in May of Yamaichi Securities Co., one of the largest securities dealers. As has been the case with other Japanese securities companies, Yamaichi had financed large share purchases with call loans for which securities bought with investments trust funds had served as collateral. Although the call loan rate was much higher than the yield of shares this operation proved highly profitable during the long bull market of the 1950's. This changed, of course, during the stock market decline after the middle of 1961. Prompt pledging of central bank support to Yamaichi and any other securities companies that might land in similar difficulties prevented a situation of panic.

32. The Government's reaction to the present business situation seems determined by an implicit, never fully stated, belief that structural difficulties are the real cause of the present recession, and that it is not due to a temporary deficiency of demand. Accordingly, the Government has regarded stimulation of business by further monetary action as basically unsound and apt to lead to recurrence of balance-of-payments difficulties and cost push inflation before full utilization of capacity would be reached. The fact that the economy so far has completely failed to respond to the relaxation of monetary restrictions is indeed remarkable and in sharp contrast, for instance, with the upsurge in activity following monetary relaxation early 1963. Among the structural difficulties quoted by Government officials are the growing rigidity of the labor market and a weakening of the financial structure of business. Over-expansion of capacity in certain specific consumer and intermediate goods industries would be another factor which could not be cured by monetary stimulation. The next two subsections will be devoted to a discussion of these structural problems. While Government has not tried to create another boom by monetary stimulation, it moved at the end of July in a decisive way to avoid an overall reduction in economic activity and major financial difficulties by a program of fiscal measures. These consisted chiefly of the decision to speed up spending authorized in the Government's budget and increased public works expenditures. The total effect of these measures will be a total increase in government expenditure during the current fiscal year (ending 31 March 1966) of over ¥500 billion which government officials hope will lead to a total net increase in aggregate demand of ¥1,000 billion or 4% of GNP. The break with the traditional "neutralist" fiscal policy, which had in fact already started in 1963 has become official with these measures and with the Government's

simultaneous announcement of its intention to reduce corporate taxes significantly in the next fiscal year and to finance a large proportion of expenditure by the issue of government bonds.

The Labor Market

33. One of the prime factors contributing to Japan's post-war economic growth was a large supply of labor for her rapidly expanding industrial complex. The most important element in this supply was a substantial horizontal mobility of labor. The increase in the total strength of the labor force has been fairly small however. During the 1950's the increase in the aggregate number of workers amounted to an average of only 1.4% a year. Much more important than this increase was the horizontal shift of workers from agriculture and mining to occupations in the manufacturing and service industries and within manufacturing, from small firms with low labor productivity to larger firms. The main incentive for this labor mobility has been the wage differential between agriculture and industry and, within industry, between small and larger firms. Under these circumstances the pressure to increase wages was, relatively speaking, small. During the 1950's wages rose at an average annual rate of 5.5%, while labor productivity during the same period advanced at an average annual rate of over 9%. This significant difference between productivity gains and wage increases has allowed Japanese industry in general to achieve its phenomenal production expansion at steadily declining wage costs per unit of product. The 9% annual productivity gain is an average for the entire manufacturing industry. Within manufacturing there was a wide discrepancy between large enterprises in the heavy industry which were in the forefront of the industrial expansion and where productivity gains often were two times higher than this average, and numerous small-scale enterprises where technological change was usually small.

34. In an indirect way, however, these less productive and medium-scale enterprises have also made an important contribution to the flexibility of manufacturing industry. Especially in the short run, manufacturing production could easily be expanded by utilizing the services of sub-contractors for the manufacturing of parts, especially those requiring labor intensive production methods. As the labor costs and profit margins of these sub-contractors, mostly smaller establishments, were relatively low, this increased the ability of manufacturing industry to expand production rapidly without significant rise in production cost.

35. In recent years a decisive change has occurred in the labor market. The traditional excess supply of labor has dried up and many industries are now faced with a labor shortage. This is most clearly noticeable in the demand for young workers which in recent years has changed into a scramble. Because of the traditional life-long association of workers with one particular enterprise, the mobility of older workers has remained fairly low and most of the post-war shift in the employment structure has therefore been caused by young agricultural workers and new entrants to the labor force

of whom in recent years over 90% have chosen non-agricultural occupations. Especially high school and university graduates have become the subject of severe competition. The total number of job openings for this category rose between 1960 and 1964 from 1.5 to 4 times the total number of applicants. In this competition among employers the larger firms are at an advantage because of higher salary scales and greater opportunity for advancement. To strengthen their position in the labor market smaller firms had to offer increasingly attractive beginning salaries and this has led to a marked change in the wage differential between small and large firms. In 1954, the average wage for workers below the age of 18 years in firms with 30-100 workers was only 82% of the wage for similar workers in firms with over 1,000 workers. In 1963, however, the competition for labor had forced this ratio up to 111% which means that small firms are now paying more for young workers than large firms do. Generally there has been a very marked narrowing of the wage difference between firms of different sizes, but the change in wage rates for older workers has changed much less drastically and if they belong to small firms they are still paid much less than their counterparts in big firms. (40-50 year-old workers in small firms still receive only 67% of the wage paid in large firms.).

36. Under the impact of the emerging labor shortage the favorable ratio between wages and productivity which had characterized developments during the 1950's was lost. Since 1960 labor productivity in manufacturing has continued to advance rapidly (by 7.2% a year) but the increase in wages has on the whole been even somewhat faster (at 8.4% a year). These figures are averages for the entire manufacturing industry but in certain specific segments of the economy the discrepancy between productivity and wage increases was much wider. Productivity increases continued to differ widely between industries (during 1960-1964 they were twice as high in the steel and chemical industries as in textiles and six to seven times higher than in the food processing industry) and between smaller and larger enterprises. However, the increase in wages was fairly uniformly spread over all sectors of the economy with a tendency to be more rapid in enterprises where wages had been low. Combined with the fact that the wage increase had been faster in smaller than in larger enterprises this is one of the major reasons for the more difficult economic position of many small and medium-sized enterprises. In the services sector where productivity gains are always lower than in manufacturing because of the nature of the activities in this sector, the divergence between wages and productivity led to a cost-push type of price increase. This cost-push has been one of the major factors in the remarkable divergence since 1960 in wholesale prices, which remained almost unchanged, and retail prices which have been rising by about 4 or 5% a year.

37. Productivity per worker, while improved very remarkably in the last decade, is only in the most advanced industries and in the bigger enterprises at the same level as in the major industrial powers of the West. The value added per worker is still only 68% of the value added per worker in Italy, 41% of Germany and only 18% of the U.S. In the many small and medium-sized industries with less than 500 workers, which

still account for about half of total manufacturing output, productivity is only about 40% of the level in the big enterprises (over 500 workers). Productivity is also very low in the largely old-fashioned distribution sector and in agriculture. Agriculture still engages 22% of the labor force but contributes only 11% to national income and total agricultural output falls far short of the economy's food and raw materials requirements.

38. These facts indicate that there is still room for better utilization of Japan's labor supply by increased mobility of labor and by modernization of enterprises with low labor productivity. The following steps would be necessary to achieve this:

- (i) In order to achieve modernization and technological improvement in medium and small scale enterprises and in agriculture it will be necessary to achieve a drastic improvement in the long-term credit facilities available to these sectors. At present small firms are to a large extent financed by trade credits from larger firms. Besides being expensive these credits are not related to the need for equipment investment.
- (ii) The mobility of older workers could be improved by the establishment of retraining facilities, improved labor exchange facilities, improved information about job opportunities, sufficient housing and other urban facilities.
- (iii) Much of the development in the past decade has been in the nature of making up for an enormous and very obvious technological backlog. Although there is still scope for further imports of know-how, Japan will also have to promote its own research. In many industries (steel making, ship building, the production of optical goods, electrical appliances, motor cycles) the Japanese have achieved significant improvements in production methods and design. These however fall short of the requirements of a wide based exploration of future production possibilities.
- (iv) In respect to agriculture it will be necessary to achieve a change of heart and to renounce the traditional goal of maximum production per unit of land and to switch deliberately to mechanized cultivation of larger farm units aiming at increased production per agricultural worker.

The Financial Structure of Business

39. The expansion of industrial capacity has far exceeded the internal generation of funds by business. Since 1951, around 60 to 65% of the total supply of industrial funds has come from external financial sources. Stock and bond issues have played only a minor role in financing new capital. By far the major role in industrial financing has been fulfilled by the banks who annually have supplied between 45 and 55% of new industrial funds. The following table shows the relative importance of the various sources of industrial funds:

Table 9

Supply of New Industrial Funds

	<u>1952</u>	<u>1956</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
<u>Total Amount</u> (billion yen)	<u>1,463</u>	<u>2,428</u>	<u>5,074</u>	<u>6,977</u>	<u>7,014</u>	<u>9,161</u>
<u>Percentage Distribution</u>						
Depreciation	20	22	22	22	25	23
Retained Profits	<u>11</u>	<u>19</u>	<u>19</u>	<u>17</u>	<u>14</u>	<u>13</u>
Total Internal Funds	31	41	41	39	39	36
Stock Issues	8	8	9	13	11	7
Bond Issues	3	2	3	6	2	2
Bank Loans	58	48	46	47	47	54
<u>Foreign Investment</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total External Funds.	69	58	59	61	61	64
Total	100	100	100	100	100	100

40. The result of the relatively large amount of financing with bank credit has been a steady deterioration of the debt equity ratio. Net worth as a percentage of total assets dropped from 35% in 1956 to 26.9% in 1960, and to 22.5% in 1964. Normally this should have led to a sharp increase in the ratio of net profits to net worth^{1/}. In reality, however, this ratio dropped by a quarter between 1960 and 1964 from 20.3% to 15.3%. This drop was due to a rapid decline in the profit margin on sales and a reduction in the ratio of sales to total assets.

^{1/} If the marginal efficiency of capital had been equal to the cost of capital during these years the ratio of net profits to net worth would have gone up to just over 24%.

41. Chiefly due to a sharp increase in labor cost (including high overtime payments and bonuses) and drastically increased selling and distribution costs, the profit margin on sales in the manufacturing industry dropped in 1964 to about 75% of the level prevailing in 1960. The only industries that escaped this profit reduction were the booming automobile industry, the chemical industry and pulp and paper. The drop has been almost continuous in spite of cyclical fluctuations. Business circles have been deeply disturbed in 1964 by the paradox of booming sales and dropping profits. In the last half of 1964, for instance, when sales of the manufacturing industry rose by 6%, the total amount of profits dropped by 6.5%.

42. The reduction in the profit margin on sales was accompanied by a general decline in the ratio of sales to total assets, that is, in the gross ratio of output to capital. This ratio had been climbing throughout the 1950's but the enormous investments undertaken during the 1959-1961 boom and the slightly slower expansion of demand since then have caused a drop down to about 80% of the 1960 level in the first half of 1964. The results for the first half of 1964 are very significant because sales were then booming (20% higher than the year before and 107% higher than in 1960). The drop has been experienced by all industries in about equal degrees (see Appendix Table 16) with the exception of the cotton spinning and pulp and paper industries where expansion had proceeded at a more modest rate. The reduction of the ratio of sales to total assets occurring as it did at the height of sales expansion appears to be at least partly due to the fact that capacity in the capital goods industry has outrun investment demand in the consumer goods industry and that capacity in certain specific consumer goods industries has outrun consumer demand. In numerous industries government approval has recently been obtained to enforce output curtailment. Among these industries are the steel, cement, petroleum, spinning, sugar refining, motor tire and camera industries.

43. At the rate of increase in demand which has been characteristic for Japan in the post-war era, it would normally not take long, once business recovery has started, to overcome the over-capacity which might in time lead into a new investment boom. Undoubtedly this is true as far as the demand for basic industrial input is concerned such as steel and cement. However, the production capacity still under construction in these industries will have an important dampening effect on the need for new capacity for some time to come. It is therefore unlikely that investment in these major industries will soon rise again to a high level and this fact itself will in turn have an unfavorable impact on current demand for these products. The difference with previous trade cycles with respect to these industries would however be largely a matter of degree. The likelihood of a protracted depression is however greater in certain other industries such as the durable consumer goods industries where, after years of extremely rapid growth, consumption, if still below the saturation

level^{1/}, will probably increase at a somewhat slower rate.

44. The present financial condition of business requires a build-up of net worth by stock issues and a higher degree of profit retention. Conditions for stock issues however will remain unfavorable even after the present ban on issues is lifted, because of the depressing effect of the large volume of shares temporarily acquired by Government in its several market support efforts. A higher degree of profit retention is also difficult. Traditionally, Japanese companies have distributed on average about 50% of profits after taxes with relatively small regard to variations in financial results or the investment requirements of the companies concerned. A reduction in the average dividend rate might be desirable for the financial health of business but would have a further adverse effect on the stock market and thereby reduce the scope for issues.

45. Besides the semi-fixed obligation to pay dividends Japanese business is also burdened by high interest payments on its short-term debts. Interest rate reductions are only possible if certain institutional deficiencies of the capital market are overcome - which of course requires considerable time - and if the demand for funds would drop to a lower level. Taking the current high but probably not further increasing savings rate of 38% of GNP as given this is not likely to occur unless the growth rate of the economy is brought down to a lower level. If higher consumer expectations and a lower increase in income would reduce the savings rate (although there are currently no signs that this is happening), the required reduction in the growth rate may be quite substantial.

46. A new burst of investment activity based even more (because of lower profits) on short-term bank credit would further aggravate the financial condition of business and might in time lead into an even deeper financial impasse. In fact this means that new restraints on the growth rate of the Japanese economy have been added to the traditional and seemingly only restraint provided by the balance of payments. While

^{1/} The widespread possession of durable consumer goods is indicated by the following figures which at the same time provide an illustration of the improvement in the Japanese standard of living.

Possession of Durable Goods by Urban Households
(in percent of total number of urban households)

	<u>T.V. Sets</u>	<u>Refrigerators</u>	<u>Washing Machines</u>	<u>Sewing Machines</u>	<u>Cameras</u>
1958	10	3	25	64	39
1964	93	54	72	80	58

less easily defined these restraints - the deficiencies of the capital market and the emerging rigidity of the labor market - are currently proving to be no less stringent. For the promotion of long-run economic growth it is of vital importance to remove these deficiencies. This means a long range policy aiming at the promotion of a direct flow of savings in the form of share capital to business enterprises, the establishment of a bond market for long-term industrial loan capital, the reduction of the interest rate structure and the fiscal burden on business and a sufficient reduction of the rigidities of the labor market to prevent a serious cost-push on prices. Recent changes in emphasis in Government policy (briefly summarized by the change from the "income doubling" slogan of the Ikeda Government to "growth with stability" under Sato) indicate that the central economic objective of government policy is to an increasing extent being directed towards these aims.

IV. PROSPECTS

Short-term

47. It seems almost certain now that the growth rate of GNP in fiscal 1965 (ending March 1966) will be lower than the official 7% forecast made up early this year. Recently a semi-official forecast of between 4 and 5½% growth was reported. Industrial production shows no signs of rising after having been generally constant for the past year, investment activity and consumer demand are sluggish and finished products inventories keep on growing. Recent surveys of investment plans of major corporations reveal a probable investment drop during the next half year. Falling machinery orders point in the same direction. Stepped-up public works expenditure will provide some stimulation to business activity in the later part of the year and so will the announced reduction of corporate taxes and increased financing of public works expenditure through bond issues in the next fiscal year. Besides giving continued support to the sagging securities market, Government will continue to help business to tide over the present difficulties by approving production curtailment in depressed industries, encouraging mergers to obtain reduced production costs and encouraging banks to have mutual discussions about major financing plans to avoid duplication of investment.

48. It is difficult to judge just when business recovery will come about, but in view of the cluster of financial difficulties reviewed in the preceding section it appears likely that the expectation of many officials and businessmen in Japan of a fairly low growth rate for the near future will prove correct.

49. It is not likely that balance-of-payments developments will in the near future act as a restraint on economic activity, in spite of recent unfavorable developments on capital account. U.S. action to restrict the outflow of capital and the internal difficulties of the Japanese economy have made an end to the net inflow of bank loans of between one and three years duration (about \$1000 million in total during the last four years) and reduced the scope for bond issues to probably less than \$100 million (almost \$200 million in 1964). The current contraction of the Euro-dollar market, the recent reduction of interest rates in Japan and the growing credit requirements connected with the export boom make it unlikely that there will be a net inflow of short-term capital. Increased financing from the U.S. Export-Import Bank will provide some compensation, but in view of the large commitments to provide aid and promote exports a net outflow of \$200-300 million during 1965 seems likely. In addition to this, there will be a deficit on current invisibles of about \$800 million. The trade surplus currently forecast by Government sources at \$1,300-1,500 million during 1965 will, however, be sufficient to cover these requirements and probably there will be no decline of foreign exchange reserves. The Government's estimate of the trade surplus is fairly conservative and even with some recent slackening in

export expansion from the very high rate of increase of 35 % in early 1965 over the preceding year, there will be little danger of substantial foreign exchange losses in 1965 and probably also during 1966. Official exchange reserves remained more or less constant during the first nine months of 1965.

Longer-term Prospects and the Need for Capital Imports

50. The long-term prospects of the Japanese economy continue to be very favorable. There is abundant opportunity to achieve large increases in output through modernization of production capacity and provision of additional infrastructure facilities. Savings, moreover, have risen in recent years to the extremely high level of 38% of GNP and even some drop from this level would permit a high level of investment. Given the high qualities of entrepreneurs and labor force, the achievement of growth at rates which are high by world-wide comparison seems assured provided adequate economic policies are followed by the Government. Past experience shows the Government is well able to provide these.

51. Some of the future tasks of the Government have been discussed in earlier sections. The first among these is the improvement of the financial health of business in general which among other things will require a reduction of the interest burden and corporate tax rates. It is also necessary to provide improved credit facilities and other incentives to encourage modernization of less productive segments of the economy. In order to reduce the likelihood of cost-push inflation it will be necessary to streamline the labor market and particularly to encourage labor mobility of older workers. In the meantime Government will have to adapt to a new fiscal situation in which tax revenue will cover a smaller proportion of expenditures. Non-inflationary financing of the deficit will require the development of a bond market. These and other policy changes are being actively studied by the authorities. In the past the Japanese have shown great adroitness in devising and institutionalizing new economic policies and there need be little doubt that they will be able to furnish the framework for the above-mentioned measures. However, the limitations imposed by the fairly slow growth rate of the work force and the prevailing rigidities of the labor and capital markets will require some slowdown in the economic growth rate below the 12.5% average annual rate since 1959, if serious cost-push inflation and balance of payments difficulties are to be avoided. It appears that the present Government is aware of this. Its objective is a slower and more stable growth of the economy with a higher degree of price stability, rather than a continuation of the very high growth rate of recent years.

52. Aside from any overall policy aimed at stable growth, a certain slowdown is likely because of marked changes taking place in the overall investment pattern. In the post-war era, investment was mainly directed to the expansion of directly productive facilities, especially in manufacturing. Investment in public works and housing was relatively modest. This has been the main reason for an unusually favorable relation between investment and increases in output (see appendix table 11). The capital output ratio during the late 1950's was only around 2, which is far below the level in almost all other industrialized countries. In recent years

the ratio has however been moving up to a level of about 2.5. The growing deficiency of public facilities especially in the transport sector has led to a rapid rise in the share of Government investment in GNP (see para. 19). The proportion of residential construction to GNP, although still fairly low (4% of GNP), has doubled in recent years. It is expected that investment in public facilities and housing and the modernization of the less productive segments of the economy will further grow in importance. All these activities have a less favorable capital output ratio than manufacturing and given the strong likelihood that overall savings and investment will not rise beyond their present very high level, it is likely that some slow down in the overall growth rate will occur.

53. At the beginning of 1965 the Economic Planning Agency published a Medium-Term Economic Plan for the years 1964-68. The overall growth rate in this plan was 8.1% a year. Although this growth rate would represent a sharp reduction of the rate prevailing in the preceding five years the Government, according to more recent statements, now feels that the plan underestimates the limitations on growth following from the weakened financial condition of business and is far too optimistic with regard to the chances for price stability (the plan estimated that consumer prices would rise annually by 2.5% as compared with about 4% in the last few years). Many officials now think that an appropriate downward revision of the plan would yield a growth rate of perhaps 6 or 7% a year.

54. The balance of payments will in the long run remain the most immediate and inexorable restraint on economic growth. At present the foreign accounts are in a comfortable state with current surpluses resulting from this year's export surge and only a slow rise in imports. This, however, stems in part from the sluggish economic situation which accounts for the plateau in imports and to some extent responsible for the export boom. With an economic revival, import demand can also be expected to revive, and export expansion may be curbed somewhat by the competing pull from improving domestic markets.

55. In assessing the interrelations of economic activity and the balance of payments, it was estimated in the Japanese Medium-Term Plan that an economic growth rate of 8% was compatible with a balance in the current foreign account. This seems an acceptable assessment in the light of Japan's demonstrated export strength and saving capacity, although deviations are probably more likely on the deficit than the surplus side, considering the import inventory accumulations that usually accompany an upswing of the economy.

56. A current account balance may not be enough, however, for a manageable position in the balance of payments as a whole. This is because of the substantial gross capital outflow which is characteristic of Japan's balance of payments. Outflows can be varied of course but the degree of flexibility is fairly limited (see para. 27) if Japan is to provide the credit which goes with international export competition, if it is to develop overseas raw material sources, and if it is to play a

part as an industrial country in assistance to less developed areas. Hence, unless necessary capital outflows are more or less matched by capital inflows, a balanced current account will not be sufficient and economic growth rates may have to be curbed so that there will be on the average a current surplus to cover deficits in the capital accounts.

57. Probably, Japan will continue to obtain substantial gross inflows of foreign capital from private sources, although they are hardly likely to be on anything approaching the scale of recent years (see paras. 24-26). This year capital receipts have been less than capital outflows and it is difficult to judge when or whether Japan will be able again to rely on foreign capital to offset its capital export requirements, let alone cover deficits in the current payments account. In these circumstances, it may be necessary to adjust to rates of economic growth which are lower than the 8% annual rates of the Medium-Term Economic Plan. However, considering Japan's export strength and the likelihood of continuing export expansion, the extent of economic curbs necessary for balance of payments reasons are not likely to be severe. They may mean economic growth rates which are considerably below the unusually rapid expansion of recent years. But with a reasonable prospect of moderate capital inflows, the rate of expansion possible without payment difficulties is still likely to be high by comparison with other countries.

58. The continuing capital inflow which this assumes does not present any creditworthiness problems. In view of Japan's relatively low foreign debt, excellent debt record, and favorable export and growth prospects Japan has ample margin for substantial additional borrowing on conventional terms. The total amount of foreign public debt including reparations and related commitments stands at \$2.6 billion. Total annual debt servicing payments will amount to \$260 billion in 1965 or about 3% of export earnings. If the estimated debt service on borrowings of private Japanese companies (public issues and borrowings from foreign bankers) is added, the total in 1965 will be about \$570 million or about 6.5% of export earnings. By 1970 the service on existing public and private debt will have declined to about \$270 million. These amounts represent a modest burden in relation to Japan's foreign trade or the size of the economy. In the past Japan has proven her ability to make suitable adjustments in economic activity if this is required by adverse balance of payments developments.

STATISTICAL APPENDIX

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External Debt

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- 2 External Public Debt Service

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- 12 Indices of Production of Agriculture, Forestry and Fishery
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Table No.

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- 26 National Government Budget (General Account)
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- 32 Progress of Investment in the Public Sector
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- 34 Money Supply and Liquidity
- 35 Bank of Japan Credit
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- 37 Price Indices
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Table 1
External Medium and Long-Term ^{1/} Public Debt Outstanding
Including Undisbursed as of December 31, 1964
with Major Reported Changes
January 1 - May 31, 1965

Debt Repayable in Foreign Currency
(In thousands of U.S. dollar equivalents)

Item	Debt outstanding December 31, 1964		Major reported changes January 1 -- May 31, 1965
	Net of undisbursed	Including undisbursed	
TOTAL EXTERNAL PUBLIC DEBT	<u>2,207,346</u>	<u>2,393,458</u>	<u>157,456</u>
Publicly-issued bonds	<u>415,544</u>	<u>415,544</u>	<u>47,500</u>
Privately-placed debt	<u>154,375</u>	<u>154,375</u>	<u>-14,594</u>
Suppliers' credits	<u>108,768</u>	<u>108,768</u>	<u>-33,576</u>
Other	<u>45,607</u>	<u>45,607</u>	<u>18,982</u>
IBRD loans	<u>419,580</u>	<u>562,963</u>	<u>100,000</u>
U.S. Government loans	<u>573,901</u>	<u>616,630</u>	<u>24,550</u>
Export-Import Bank	<u>148,435</u>	<u>191,164</u>	<u>24,550</u>
Settlement of Postwar Aid from U.S.	<u>425,466</u>	<u>425,466</u>	<u>-</u>
British Government loans	<u>11,799</u>	<u>11,799</u>	<u>-</u>
Reparations	<u>632,147</u>	<u>632,147</u>	<u>-</u>

1/ Debt with an original or extended maturity of one year or more.

Statistics Division
IBRD-Economics Department
July 6, 1965

Table 2

Estimated Contractual Service Payments on External Medium and Long-Term Public Debt
Outstanding Including Undisbursed as of December 31, 1964 with Major Reported Changes
January 1 - May 31, 1965 1/

Debt Repayable in Foreign Currency

(In thousands of U.S. dollar equivalents)

Year	<u>Grand Total</u>			Year	<u>Publicly-Issued Bonds</u>				
	Debt Outst. (Begin of Period) Including Undisbursed	Amorti- zation	Interest Total		Debt Outst. (Begin of Period) Including Undisbursed	Amorti- zation	Interest	Total	
1965	2,393,458	182,919	77,412	260,331	1965	415,544	22,589	25,405	47,993
1966	2,367,995	179,193	78,774	257,967	1966	440,455	19,311	25,663	44,974
1967	2,188,802	175,727	77,073	252,801	1967	421,144	14,092	24,645	38,737
1968	2,013,075	190,536	75,089	265,625	1968	407,051	25,404	23,534	48,938
1969	1,822,539	191,135	71,457	262,592	1969	381,647	22,007	22,221	44,228
1970	1,631,403	186,770	66,240	253,010	1970	359,641	30,560	20,886	51,446
1971	1,444,633	173,686	59,846	233,532	1971	329,080	33,812	18,955	52,767
1972	1,270,948	168,972	53,672	222,644	1972	295,268	33,498	16,918	50,416
1973	1,101,976	168,739	47,801	216,540	1973	261,770	33,524	14,897	48,421
1974	933,238	161,569	42,007	203,576	1974	228,246	32,819	12,874	45,693
1975	771,669	135,277	36,649	171,926	1975	195,427	33,092	10,879	43,971
1976	636,391	132,048	31,915	163,963	1976	162,336	34,846	8,861	43,707
1977	504,343	86,333	27,331	113,664	1977	127,489	33,150	6,777	39,927
1978	418,010	65,251	23,049	88,300	1978	94,340	27,940	4,894	32,834
1979	352,761	70,957	19,472	90,429	1979	66,399	32,048	3,316	35,363

(Continued on next page)

(Table 2 cont'd)

<u>Privately-Placed Debt - Total</u>					<u>Suppliers' Credits</u>				
Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>			Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>		
	Including Undisbursed	Amorti- zation	Interest	Total		Including Undisbursed	Amorti- zation	Interest	Total
1965	154,375	20,424	6,735	27,160	1965	108,768	9,975	3,677	13,653
1966	119,357	22,998	6,423	29,422	1966	65,217	13,293	3,418	16,711
1967	96,359	23,866	5,139	29,005	1967	51,924	13,294	2,696	15,990
1968	72,493	21,983	3,795	25,778	1968	38,630	13,211	1,940	15,152
1969	50,510	21,060	2,573	23,633	1969	25,418	13,073	1,229	14,302
1970	29,449	13,894	1,511	15,406	1970	12,346	6,691	608	7,299
1971	15,555	6,394	815	7,209	1971	5,654	2,516	278	2,794
1972	9,161	4,088	464	4,552	1972	3,138	1,565	147	1,712
1973	5,073	1,483	294	1,777	1973	1,573	317	84	401
1974	3,590	1,346	210	1,556	1974	1,257	180	70	249
1975	2,244	1,346	129	1,476	1975	1,077	180	59	239
1976	898	180	49	229	1976	898	180	49	229
1977	718	180	39	218	1977	718	180	39	218
1978	539	180	28	208	1978	539	180	28	208
1979	359	180	18	198	1979	359	180	18	198

(Continued on next page)

(Table 2 cont'd)

<u>Privately-Placed Debt - Other</u>					<u>IBRD Loans</u>				
Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>			Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>		
	Including Undisbursed	Amorti- zation	Interest	Total		Including Undisbursed	Amorti- zation	Interest	Total
1965	45,607	10,449	3,058	13,507	1965	562,963	22,668	25,580	48,248
1966	54,140	9,705	3,006	12,711	1966	640,295	23,268	27,433	50,701
1967	44,435	10,572	2,443	13,015	1967	617,027	24,575	28,978	53,553
1968	33,863	8,772	1,855	10,627	1968	592,452	25,636	30,451	56,087
1969	25,091	7,987	1,344	9,331	1969	566,816	31,402	31,300	62,702
1970	17,104	7,203	904	8,107	1970	535,414	34,756	30,273	65,029
1971	9,901	3,878	536	4,415	1971	500,658	36,225	28,305	64,530
1972	6,023	2,523	317	2,840	1972	464,433	34,513	26,293	60,806
1973	3,500	1,167	210	1,377	1973	429,920	36,502	24,310	60,812
1974	2,333	1,167	140	1,307	1974	393,418	29,150	22,335	51,485
1975	1,167	1,167	70	1,237	1975	364,268	28,397	20,625	49,022
					1976	335,871	26,033	19,058	45,091
					1977	309,838	27,242	17,539	44,781
					1978	282,596	28,576	15,957	44,533
					1979	254,020	30,176	14,451	44,627

(Continued on next page)

(Table 2 cont'd)

<u>US Govt. Loans - Total</u>					<u>US Govt. Loans - EXIM</u>				
Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>			Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>		
	Including Undisbursed	Amorti- zation	Interest	Total		Including Undisbursed	Amorti- zation	Interest	Total
1965	616,630	47,800	19,692	67,492	1965	191,164	14,310	9,264	23,574
1966	593,380	49,444	19,255	68,698	1966	201,404	15,112	9,669	24,780
1967	543,937	49,152	18,311	67,462	1967	186,293	13,957	9,588	23,544
1968	494,785	53,470	17,310	70,780	1968	172,336	17,390	9,472	26,862
1969	441,315	52,623	15,363	67,987	1969	154,946	15,635	8,433	24,069
1970	388,692	53,524	13,569	67,094	1970	139,311	15,605	7,570	23,176
1971	335,167	53,225	11,771	64,996	1971	123,705	14,352	6,726	21,078
1972	281,942	52,814	9,997	62,841	1972	109,353	12,993	5,930	18,923
1973	229,098	53,200	8,301	61,500	1973	96,360	12,346	5,237	17,582
1974	175,898	54,226	6,589	60,814	1974	84,014	12,345	4,552	16,896
1975	121,672	28,414	5,016	33,429	1975	71,669	12,159	3,867	16,025
1976	93,259	26,961	3,947	30,907	1976	59,511	10,297	3,207	13,503
1977	66,298	25,762	2,977	28,738	1977	49,214	8,678	2,658	11,335
1978	40,536	8,555	2,171	10,725	1978	40,536	8,555	2,171	10,725
1979	31,982	8,555	1,687	10,241	1979	31,982	8,555	1,687	10,241

(Continued on next page)

(Table 2 cont'd)

<u>Post-War Aid by the U.S.</u>					<u>UK Govt. Loans</u>				
Year	Debt Outst. (Begin of Period)	<u>Payments During Period</u>			Year	Debt. Outst. (Begin of Period)	<u>Payments During Period</u>		
	Including Undisbursed	Amorti- zation	Interest	Total		Including Undisbursed	Amorti- zation	Interest	Total
1965	425,466	33,490	10,428	43,918	1965	11,799	1,180	-	1,180
1966	391,976	34,332	9,586	43,918	1966	10,619	2,360	-	2,360
1967	357,644	35,195	8,723	43,918	1967	8,259	2,360	-	2,360
1968	322,449	36,080	7,838	43,918	1968	5,900	2,360	-	2,360
1969	286,369	36,988	6,930	43,918	1969	3,540	2,360	-	2,360
1970	249,381	37,919	5,999	43,918	1970	1,180	1,180	-	1,180
1971	211,462	38,873	5,045	43,918					
1972	172,589	39,851	4,067	43,918					
1973	132,738	40,854	3,064	43,918					
1974	91,884	41,881	2,037	43,918					
1975	50,003	16,255	1,149	17,404	1965	632,147	68,258	-	68,258
1976	33,748	16,664	740	17,404	1966	563,889	61,812	-	61,812
1977	17,084	17,084	319	17,403	1967	502,077	61,683	-	61,683
					1968	440,393	61,683	-	61,683
					1969	378,711	61,683	-	61,683
					1970	317,028	52,856	-	52,856
					1971	264,172	44,029	-	44,029
					1972	220,144	44,029	-	44,029
					1973	176,115	44,029	-	44,029
					1974	132,086	44,029	-	44,029
					1975	88,057	44,029	-	44,029
					1976	44,029	44,029	-	44,029

Reparations

1/ Includes service on all debt listed in Table 1 prepared July 6, 1965.

Table 3

Growth of Population, 1945-64

(thousand persons)

<u>Year</u>	<u>Population</u> ^{1/}	<u>Live-</u> <u>births</u>	<u>Deaths</u>	<u>Net</u> <u>Increase</u>	<u>Change</u> <u>Due to</u> <u>Migration</u>	<u>Total</u> <u>Net</u> <u>Change</u>	<u>Percentage</u> <u>Increase</u>
1945	72,200	1,576	1,369	207	3,470	3,600	4.99
1946	75,800	2,623	1,164	1,460	1,001	2,352	3.10
1947	78,101	2,718	986	1,732	318	1,905	2.44
1948	80,010	2,711	943	1,768	149	1,773	2.22
1949	81,780	2,447	915	1,532	21	1,419	1.74
1950	83,200	2,229	872	1,356	2	1,343	1.61
1951	84,500	2,058	786	1,273	6	1,265	1.50
1952	85,800	1,921	772	1,149	37	1,172	1.37
1953	87,000	1,785	728	1,057	8	1,054	1.21
1954	88,200	1,761	708	1,053	- 4	1,038	1.18
1955	89,276	1,698	707	991	- 8	893	1.10
1956	90,170	1,604	764	840	-10	754	0.84
1957	90,920	1,630	701	929	- 7	837	0.92
1958	91,760	1,666	693	974	-11	873	0.95
1959	92,640	1,620	712	908	-50	775	0.84
1960	93,419	1,595	697	898	-32	865	0.93
1961	94,280	1,617	716	902	- 8	893	0.95
1962	95,180	1,660	676	984	- 6	978	1.03
1963	96,160	1,697	668	1,029	1	1,031	1.07
1964	97,190	-	-	-	-	-	-

1/ Estimate as of October 1 of the years indicated.

Source: Government of Japan, Prime Minister's Office

Table 4
Recent and Projected Trend of
Total Population and Working Age Group

<u>Year</u>	<u>Total Population</u> (000 persons)	<u>Working Age Group (15-59)</u> (000 persons)
1950	83,200	47,354
1955	89,276	52,235
1960	93,419	57,285
1965	98,245	64,036
1970	102,216	68,250
1975	106,327	70,616
1980	109,688	72,800
<u>Average Annual Increase</u> (000 persons)		
1951-55	1,215	976
1956-60	829	1,010
1961-65	965	1,350
1966-70	7,794	843
1971-75	822	473
1976-80	672	437
<u>Average Annual Increase</u> (Percentage)		
1951-55	1.5%	2.1%
1956-60	0.9	1.9
1961-65	1.0	2.4
1966-70	0.8	1.3
1971-75	0.8	0.7
1976-80	0.6	0.6

Source: Bureau of Statistics, Prime Minister's Office.
Monthly Estimate of Population, July 1960.
Figures were estimated in June 1960 by Institute of Population
Problems, Ministry of Health and Welfare.

Table 5

Composition of Labor Force
(thousand persons)

<u>Age Group</u>	<u>1955</u> (average)	<u>1964</u> (average)	<u>1968 (C.Y.)</u> Projection
15 - 19 years	4,790	3,820	4,250
20 - 39	19,930	24,890	25,890
40 and over	16,850	18,410	19,730
Total	<u>41,570</u>	<u>47,120</u>	<u>49,870</u>

Source: Bureau of Statistics, Office of the Prime Minister.

Medium - Term Economic Plan (FY 1964-1968), Economic
Planning Agency.

Table 6

Labor Force Participation Rate

<u>Age Group</u>		<u>1955 Av.</u>		<u>1964 Av.</u>	
<u>Male</u>					
<u>(years)</u>					
15 - 19		59.7	(1.9)*	37.3	(1.5)*
20 - 24	)			85.8	(0.8)
25 - 29	)	94.1	(1.7)	96.6	(0.5)
30 - 39	)			97.1	(0.5)
40 - 54	)			96.1	(0.5)
55 - 64	)	92.8	(1.4)	86.8	(0.7)
Over 65		60.2	(0.8)	56.3	(0.0)
<u>Female</u>					
<u>(years)</u>					
15 - 19		52.7	(2.3)	37.4	(1.1)
20 - 24	)			70.7	(1.2)
25 - 29	)	61.8	(1.8)	49.4	(1.5)
30 - 39	)			55.7	(1.4)
40 - 54	)			59.6	(0.8)
55 - 64	)	57.3	(1.2)	45.5	(0.6)
Over 65		29.1	(0.0)	22.3	(0.0)

* Figures in parentheses show the percentage of totally unemployed in the labor force.

Source: Bureau of Statistics, Office of Prime Minister.

Table 7

Per Cent Increase in Money Wages and Productivity

	Money Wages		Productivity ^{1/}
	(1956-64)	(1960-64)	(1960-64)
Total Industry	79.6	46.9	43.6
Mining	86.4	43.0	87.3
Construction	117.3	67.3	n.a.
Manufacturing	79.6	46.2	41.7
Trade	74.2	44.1	n.a.
Finance	69.1	40.7	n.a.
Transport and Communications	85.8	48.6	n.a.
Electricity, Gas and Water	85.4	48.5	n.a.
Processed Food	72.8	49.3	9.4
Tobacco	112.2	55.3	23.6
Textiles	101.1	57.7	32.2
Clothing	116.2	69.1	n.a.
Lumber	101.5	63.0	-4.9
Furniture	113.6	62.8	n.a.
Paper	145.7	36.8	45.7
Printing	101.6	51.6	n.a.
Chemicals	85.5	41.7	64.7
Petroleum and Coal	88.6	41.8	73.7 ^{2/}
Rubber	93.1	76.3	15.7
Leather	79.3	41.8	36.6
Ceramics	86.7	54.0	45.5
Iron and Steel	64.2	33.3	56.1
Non-Ferrous Metals	70.8	38.9	48.1
Metal Products	81.2	55.8	n.a.
Machinery	89.6	47.3	25.4
Electrical Machinery	50.9	37.8	35.8
Transport Equipment	67.7	36.5	68.2
Precision Instruments	77.7	48.2	47.5
Miscellaneous	n.a.	76.0	n.a.
Manufacturing 500 workers and over	67.0	36.6	n.a.
Manufacturing 100-499 workers	86.4	52.5	n.a.
Manufacturing 30-99 workers	107.9	61.3	n.a.

^{1/} Labor productivity index by type of industry = output index by type of industry divided by labor input (monthly total man-days) index by type of industry.

^{2/} Refers to petroleum products only. The figure for coal products is 75.0.

Sources: Bureau of Statistics, Office of the Prime Minister; Japan Productivity Center.

Table 8

Gross National Expenditure
(Billions of yen)

	<u>Fiscal Years</u>									
	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Total at Current Prices	8,236	9,293	10,150	10,395	12,573	14,671	17,741	19,315	22,454	25,360
Index at 1955 Prices	100	109	116	120	141	161	186	195	219	240
Consumption	5,008	6,439	6,994	7,368	8,054	9,037	10,508	12,126	14,048	15,980
Private	5,119	5,502	5,980	6,294	6,877	7,694	8,920	10,267	11,861	13,470
Government	889	937	1,014	1,074	1,177	1,343	1,588	1,859	2,187	2,510
Gross Investment	2,087	2,956	3,211	2,832	4,404	5,614	7,589	7,182	8,768	9,540
Private	1,372	2,264	2,402	1,904	3,289	4,274	5,864	4,949	6,252	6,580
Government	715	692	809	928	1,115	1,340	1,725	2,233	2,516	2,960
Surplus on Current International Account	141	-101	-54	195	114	21	-357	7	-362	-160
Gross Investment: Percent of GNP	25	32	32	27	35	39	43	37	39	38

Source: Economic Planning Agency: National Income Report, FY 1963. 1964 data from
Economic Planning Agency: Outlook and Basic Policy on the National Income, FY 1965 (May 1, 1965).

Table 9

National Savings (Net)
(Billion Yen)

Fiscal Year	Public Sector (1)			(2) Corporate Savings 1/	Personal Savings (3)			Total Savings	National Income	%
	Current Revenue	Current Expend.	Savings		Personal Savings 2/	Personal Income	%			
1953	1,512.8	1,118.6	394.2	297.2	523.0	4,865.0	10.8	1,214.4	5,747.7	21.13
1954	1,580.4	1,276.3	304.1	232.9	558.9	5,288.8	10.6	1,095.9	6,022.4	18.20
1955	1,619.1	1,300.2	318.9	273.7	833.7	5,941.8	14.0	1,426.3	6,718.9	21.23
1956	1,859.0	1,344.0	515.0	531.6	979.2	6,468.4	15.5	2,025.8	7,627.6	26.56
1957	2,174.4	1,491.7	684.2	434.0	1,092.4	7,058.7	15.5	2,210.6	8,285.9	26.68
1958	2,217.8	1,600.4	617.4	331.0	1,172.0	7,450.8	15.7	2,120.4	8,519.0	24.89
1959	2,545.6	1,717.3	828.3	754.9	1,555.1	8,413.5	18.5	3,138.3	10,037.3	31.27
1960	3,218.9	1,982.5	1,236.4	1,058.8	1,987.1	9,660.8	20.6	4,282.3	11,937.1	35.87
1961	3,984.9	2,357.5	1,627.4	1,196.4	2,517.6	11,416.6	22.1	5,341.4	14,196.4	37.62
1962	4,452.2	2,759.0	1,693.2	996.1	2,689.7	12,937.6	20.8	5,379.0	15,775.0	34.10
1963	5,082.5	3,276.0	1,806.5	1,288.7	2,984.4	14,836.8	20.1	6,079.6	18,188.6	33.43

1/ Net corporate income after taxes less personal dividends.

2/ Includes savings of unincorporated enterprises.

Source: Economic Planning Agency.

Table 10

Financing of Private Investment
(in per cent of total)

	<u>Fiscal Years</u>					<u>Average</u>
	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1959-63</u>
Own Capital	34.5	33.4	34.8	30.0	31.9	32.6
Depreciation	15.4	16.9	15.8	19.0	19.7	18.8
Retained Profits	19.1	16.5	19.0	10.9	12.2	13.8
Outside Capital	65.5	66.6	65.2	70.0	68.1	67.4
Government Funds	5.3	3.9	4.1	4.5	4.1	4.3
Private Funds	55.9	58.3	57.4	62.7	58.2	58.9
Stocks and Shares	9.2	9.1	14.6	9.8	7.7	10.0
Industrial Bonds	3.9	6.3	2.8	1.7	1.8	3.0
Borrowings	42.8	42.9	40.0	51.2	48.7	45.8
All Banks	25.2	27.8	22.7	30.4	27.9	27.1
Trust Accounts	3.5	3.2	2.7	3.8	3.9	3.4
Mutual Loans & Savings Banks & Credit Associa- tions	10.4	8.6	10.5	12.2	10.3	10.5
Insurance Com- panies	1.8	1.5	1.6	1.7	1.7	1.7
Other	2.1	1.9	2.7	3.0	4.8	3.1
Foreign Investment	4.3	4.4	3.7	2.7	5.8	4.2
Grand Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Economic Planning Agency.

Table 11

Relation Between Investment and Output in Japan
(current prices)

Calendar Year	Ratio of Gross Fixed Capital Formation to Increase in GNP		Ratio of Inventory Investment to GNP	
	Annual	Five-Year Moving Average	Annual	Three-Year Moving Average ^{4/}
1951			12.0	
1952	1.29 ^{1/}		7.4	8.6
1953	1.20		6.3	6.0
1954	2.87	1.71 ^{3/}	4.2	6.2
1955	1.91	1.81	8.1	6.4
1956	1.78	2.94	7.0	7.5
1957	1.78	2.22	7.3	4.1
1958	2 ^{2/}	2.05	-2.0	3.9
1959	1.29	1.82	6.5	3.4
1960	1.61	2.13	5.6	7.0
1961	1.38	2.44	8.8	6.0
1962	3.34	2.50	3.7	5.9
1963	2.65		5.2	4.6
1964	2.00		4.9	

^{1/} Investment in 1951 is related to increase in output during 1952. Similarly for subsequent ratios in the series.

^{2/} GNP declined during 1958.

^{3/} Investment during 1951-55 is related to increase in output during 1952-56. Similarly for subsequent ratios in the series.

^{4/} Arithmetic average of annual ratios.

Source: Office of the Prime Minister, "Monthly Statistics of Japan".

Table 12

Indices of Production of
Agriculture, Forestry and Fishery
(1960 = 100)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
Agriculture	87.4	92.0	92.3	96.6	100.0	103.7	107.1	105.2
Rice	84.7	89.1	93.2	97.2	100.0	96.6	101.6	100.0
Wheat and barley	99.9	92.6	88.3	100.6	100.0	95.5	84.6	28.1
Pulses	76.6	88.5	87.7	94.6	100.0	97.2	82.1	83.1
Potatoes	110.0	111.2	109.7	128.6	100.0	101.1	96.0	96.8
Vegetables	78.9	84.4	82.7	86.9	100.0	98.1	105.6	112.4
Fruits	75.9	81.2	84.5	91.0	100.0	102.3	103.3	106.2
Miscellaneous cereals	84.2	92.7	93.9	84.0	100.0	71.1	60.4	61.8
Livestock and live- stock products	76.5	80.5	91.1	97.3	100.0	128.7	148.3	155.6
Forestry	100.7	105.0	95.2	94.5	100.0	100.1	97.8	97.2
Fishery	81.0	89.9	94.6	98.5	100.0	114.3	116.9	115.6

Source: Ministry of Agriculture and Forestry.

Table 13

Indices of Manufacturing Production
By Category of Product

Value added weight (1960 = 100)

<u>Year</u>	<u>Capital</u> <u>Goods</u>	<u>Construction</u> <u>Materials</u>	<u>Non-Durable</u> <u>Consumer</u> <u>Goods</u>	<u>Durable</u> <u>Consumer</u> <u>Goods</u>	<u>Producer</u> <u>Goods</u>
1959	72.3	81.1	91.8	75.2	80.0
1960	100.0	100.0	100.0	100.0	100.0
1961	130.0	115.0	109.0	125.8	118.5
1962	143.6	121.1	121.5	143.9	124.9
1963	157.3	132.8	129.1	160.1	139.7
1964	196.5	153.5	142.3	174.9	163.8

Source: Ministry of International Trade and Industry.

Table 14

Indices of Industrial Production by Industry
Value added weight (1960 = 100)

<u>Year</u>	<u>Industrial Production</u>	<u>Manufacturing Production</u>					
		<u>Total</u>	<u>Ferrous Metal</u>	<u>Non- ferrous Metal</u>	<u>Machinery</u>	<u>Chemicals</u>	<u>Textiles</u>
1959	80.3	80.1	76.3	75.5	72.6	83.2	84.8
1960	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1961	119.3	119.4	126.1	119.7	129.0	113.8	107.9
1962	129.1	129.3	125.5	117.1	145.0	130.0	113.5
1963	142.1	142.3	140.4	132.9	159.5	152.7	122.5
1964	166.3	166.8	172.8	163.2	192.1	178.8	136.8

Source: Ministry of International Trade and Industry.

Table 15

Objectives of the Medium - Term Economic Plan (1964-1968)
(In trillion yen at 1960 prices)

	<u>FY 1963</u>	<u>FY 1968</u>
1. <u>Gross National Product</u>	<u>19.8</u>	<u>29.2</u>
GNP per capita	570	806
2. <u>Consumption</u>	<u>11.6</u>	<u>16.6</u>
Personal consumption	9.8	13.9
Government	1.8	2.7
3. <u>Gross Capital Formation</u>	<u>8.6</u>	<u>12.5</u>
Government capital formation	2.5	3.8
Private investment on plant and equipment	4.1	6.6
Personal residential Construction	0.5	1.1
Changes in business inventories	1.4	1.0
	(\$bill.)	(\$bill.)
4. <u>Balance of payments, current account</u>	<u>-0.36 (- 1.0)</u>	<u>0.0 (0.0)</u>
Exports	2.01 (5.6)	3.55 (9.9)
Imports	2.14 (5.9)	3.19 (8.9)
Services, net	-0.23 (0.6)	-0.36 (1.0)
	(C.Y.1963)	(C.Y.1968)
5. <u>Gross Value Added (at market prices)</u>	<u>21.9</u>	<u>32.4</u>
Primary Industry	2.1	2.4
Secondary Industry	9.6	15.4
Tertiary Industry	10.2	14.6
6. <u>Employment (Million persons)</u>	<u>46.4</u>	<u>49.3</u>
Primary Industry	12.9	11.3
Secondary Industry	14.4	16.8
Tertiary Industry	19.7	21.2

Source: Economic Planning Agency

Table 16

Comparison of Profit Ratios in Manufacturing in the
First Halves of 1960 and 1964

(Value of the ratio in first half 1960 = 100.
E.g. the ratio of profits to assets in the
cement industry in the first half of 1964 was
55% of this ratio in the first half of 1960)

<u>Industry</u>	<u>Ratio of Profits to Assets</u>	<u>Ratio of Profits to Sales</u>	<u>Ratio of Sales to Assets</u>
Petroleum	16	18	91
Cotton Spinning	41	41	100
Food Products	48	61	77
Non-ferrous Metals	48	64	75
Iron and Steel	51	65	78
Cement	55	69	79
Electric Machinery	57	69	82
Artificial Fibers	59	72	82
Non-electric Machinery	63	92	69
Automobiles, Rolling Stock	91	120	75
Pulp and Paper	102	104	100
Chemicals (excluding fertilizer)	108	121	89
Manufacturing	62	76.5	80.5

Source: Compiled from an article in "The Oriental Economist", April 1965,
which was based on a Ministry of Finance Survey of major industrial
corporations.

Table 17

Value and Composition of Foreign Trade
Composition (Percent)

<u>Year</u>	<u>Total</u> <u>(U.S. \$ Mil.)</u>	<u>Foodstuffs</u>	<u>Raw</u> <u>Materials</u>	<u>Mineral</u> <u>Fuels</u>	<u>Manufactured</u> <u>Goods</u>	<u>Others</u>
<u>Exports</u> (f.o.b.)						
1955	2,011	6.3	5.8	0.3	87.2	0.4
1956	2,501	6.8	4.8	0.5	87.6	0.3
1957	2,858	6.1	4.3	0.2	89.1	0.3
1958	2,877	7.9	3.7	0.4	87.6	0.4
1959	3,456	7.2	4.0	0.4	88.0	0.4
1960	4,055	6.3	3.8	0.4	89.1	0.4
1961	4,236	5.9	3.9	0.5	89.2	0.5
1962	4,916	6.9	3.7	0.4	88.5	0.5
1963	5,452	5.3	3.6	0.3	90.2	0.6
1964	6,673	4.8	3.2	0.4	90.9	0.7
<u>Imports</u> (c.i.f.)						
1955	2,471	25.3	51.1	11.7	11.8	0.1
1956	3,230	17.3	54.0	12.8	15.8	0.1
1957	4,284	13.5	47.7	15.9	22.8	0.1
1958	3,033	17.5	43.8	17.0	21.6	0.1
1959	3,599	13.8	49.2	15.5	21.3	0.2
1960	4,492	12.2	49.2	16.5	21.9	0.2
1961	5,810	11.5	48.0	16.0	24.2	0.3
1962	5,637	13.1	42.5	18.5	25.8	0.1
1963	6,736	16.1	41.4	18.0	24.3	0.2
1964	7,938	17.5	39.0	17.7	25.6	0.2

Source: Economic Statistics of Japan, Bank of Japan.

Table 18

Indices of Volume and Value of
Trade and Terms of Trade
(1960 = 100)

<u>Year</u>	<u>Export</u> <u>Volume</u>	<u>Unit Export</u> <u>Value</u>	<u>Import</u> <u>Volume</u>	<u>Unit Import</u> <u>Value</u>	<u>Terms of</u> <u>Trade</u>
1955	52	96	50	111	87
1956	62	99	62	116	86
1957	69	103	77	125	83
1958	72	98	65	104	94
1959	87	97	81	99	99
1960	100	100	100	100	100
1961	108	97	131	99	98
1962	128	95	129	97	97
1963	144	94	152	98	95
1964	178	93	175	101	92

Source: Ministry of Finance.

Table 19

Direction of Japanese Exports
(Per Cent)

	<u>1934</u>	<u>1959</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Asia	64	34	37	34	34	33
Europe	8	11	14	17	16	16
North America	17	36	31	34	33	34
U.S.	(16)	(30)	(26)	(29)	(28)	(28)
Canada	(1)	(4)	(5)	(3)	(2)	(2)
Latin America	2	4	6	5	4	3
Africa	6	12	9	7	9	9
Oceania	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>5</u>
Total	100	100	100	100	100	100

Source: Ministry of Finance.

Table 20

Ratio of Imports to GNP
(Percentage)

	<u>In Real Terms</u> ^{1/}	<u>In Current Prices</u>
1954	11.8	11.7
1955	10.9	10.9
1956	12.7	12.9
1957	14.2	15.2
1958	12.1	10.9
1959	12.8	10.7
1960	13.9	11.4
1961	15.6	12.2
1962	14.4	10.7
1963	15.6	11.4
1964	n.a.	11.6 (preliminary)

^{1/} Imports and GNP calculated at 1955 prices.

Source: MITI. White Paper on Foreign Trade.

Table 21

Foreign Exchange Receipts & Payments
(Million of U.S. dollars)

	Fiscal Years						
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
I. Current Transactions							
(1) Exports	2,849	3,425	3,920	4,123	4,874	5,567	7,036
	(-4%)	(+20%)	(+15%)	(+5%)	(+18%)	(+14%)	(+26%)
Imports	2,480	3,270	3,917	4,987	4,582	5,980	6,501
	(-22%)	(+32%)	(+20%)	(+27%)	(-8%)	(+31%)	(-9%)
Balance	+369	+155	+3	-864	+292	-413	535
(2) Invisible Transactions							
Receipts	608	651	723	804	826	925	1,095
Payments	477	613	796	943	1,051	1,334	1,580
Balance	+131	+38	-73	-139	-225	-409	-485
(3) Balance of Current Transactions	+500	+193	-70	-1,003	+67	-822	50
II. Capital Transactions							
(1) Long-term Capital Receipts	149	132	156	384	476	788	730
Payments	59	159	155	211	179	314	407
Balance	+90	-27	+1	+173	+297	+474	323
(2) Short-term Capital Balance	0	+182	+676	+223	+172	+487	-166
(3) Balance of Capital Transactions	+90	+155	+677	+396	+469	+961	157
III. Errors & Omissions	-120	+39	+29	-62	+91	-96	-173
IV. Over-all Balance (excl. Special Borrowing)	+470	+387	+636	-669	+445	+43	34
V. Special Borrowing (1)	-125	--	--	+233	-143	-90	0
VI. Over-all Balance (incl. Special Borrowing)	+345	+387	+636	-436	+302	-47	34
VII. Foreign Exchange Reserves*	974	1,361	1,997	1,561	1,863	1,996 ^{2/}	2,053 ^{3/}

* at the end of Fiscal Year.

^{1/} From IMF and U.S. banks.

^{2/} Including IMF gold tranche position \$180 million.

^{3/} Including IMF gold tranche position \$203 million.

Source: Ministry of Finance.

Table 22

Borrowings in Private Foreign Markets^{1/}
(Million of U.S. Dollars)

	Fiscal Years			
	1961	1962	1963	1964
Central Government Bonds			39.0 ^{2/}	50.0
Government-guaranteed Bonds				
Of which:				
Public Corporation	20.0	18.5	20.0	
Japan Development Bank	20.0	40.0		20.0
Prefectures and Municipalities	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>	<u>47.5</u>
Sub-total	65.0	83.5	84.0	117.5
Private bonds and convertible debentures	<u>7.4</u>	<u>71.5</u>	<u>95.9</u>	<u>47.0</u>
Total foreign bonds	72.4	155.0	179.9	164.5
Private foreign bank loans	<u>93.4</u>	<u>84.7</u>	<u>326.4</u>	<u>399.1</u>
Total	165.8	239.7	506.3	563.6

^{1/} Does not include IBRD or funds borrowed by Japanese commercial banks.

^{2/} Excluding refunding of £5 million in London.

Source: From data furnished by Ministry of Finance.

Table 23

Short-term Foreign Assets and Liabilities of Japanese Commercial Banks
(Millions of U. S. Dollars)

	End of Period							March	June
	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1965</u>
<u>Assets</u>	<u>829</u>	<u>894</u>	<u>1,310</u>	<u>1,540</u>	<u>1,822</u>	<u>2,040</u>	<u>2,629</u>	<u>2,701</u>	2,853
<u>Liabilities</u>									
Denominated in foreign currencies	370	501	1,003	1,631	1,787	2,250	2,737	2,866	2,926
(Import usance credits)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(1,698)	(1,904)	2,003	2,070
Convertible yen credits	<u>0</u>	<u>0</u>	<u>191</u>	<u>285</u>	<u>378</u>	<u>451</u>	<u>625</u>	<u>629</u>	<u>594</u>
Total liabilities	370	501	1,194	1,916	2,165	2,701	3,362	3,495	3,520
Net assets or liabilities (-)	459	393	116	-376	-343	-661	-733	-794	-667
Annual increase in liabilities (-)	-	-66	-277	-492	33	-318	-72	-61	127

Source: Bank of Japan

Table 24

Foreign Exchange Reserves
(Million of U. S. Dollars)

	<u>End of Period</u>						<u>March</u>	<u>June</u>
	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1965</u>
Official reserves <u>1/</u>	1,447	1,949	1,666	2,022	2,058	1,999	2,053	1,980
Net foreign exchange assets or liabilities (-) of banking insti- tutions	<u>393</u>	<u>116</u>	<u>-376</u>	<u>-343</u>	<u>-661</u>	<u>-733</u>	<u>-794</u>	<u>-667</u>
Total	1,840	2,065	1,290	1,679	1,397	1,266	1,259	1,313

1/ Includes IMF gold tranche position and deposits with commercial banks in Japan.

Source: Bank of Japan.

Table 25

Scheduled Payments under Reparations and Other Postwar Settlement Agreements
(Millions of U.S. dollars)

	<u>Amount Outstanding March 31, 1965</u>	<u>Payments due in fiscal years</u>												
		<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Burma	140.0	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.3	
Cambodia	.2	.2												
Indonesia	94.2	31.1	20.0	20.0	20.0	3.1								
Philippines	381.3	73.0	28.3	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	10.0	
Thailand	18.4	2.8	2.8	2.8	2.8	7.2								
U.S.A. ^{1/}	<u>408.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>43.9</u>	<u>30.7</u>	<u>17.4</u>	<u>17.4</u>	<u>8.7</u>
Total	1,043.0	162.8	106.7	108.4	108.4	95.9	85.6	85.6	85.6	85.6	72.4	59.1	38.7	8.7

1/ Settlement of postwar aid (GARIOA); payments include 2 1/2% interest on amount outstanding.

Table 26

National Government Budget (General Account)
(Billions of Yen)

	Fiscal Years				
	<u>1961</u>	<u>1962</u>	<u>1963</u>	1964 Revised Budget	<u>1965</u> Budget
<u>Revenue</u>					
Income Tax	496	580	691	839	989
Corporation Tax	714	780	863	1,003	1,036
Liquor Tax	297	278	315	352	389
Other Taxes	<u>511</u>	<u>558</u>	<u>661</u>	<u>775</u>	<u>874</u>
Total Taxes	2,018	2,196	2,530	2,969	3,288
Monopoly Profits	165	164	166	159	165
Other Revenue	115	135	144	136	135
Surplus in the Preceding Years	<u>218</u>	<u>453</u>	<u>391</u>	<u>76</u>	<u>70</u>
Total Revenue	2,516	2,948	3,231	3,340	3,658
<u>Expenditure</u>					
General Administration	192	221	259	258	294
Defense	183	217	245	282	303
Economic Development	546	658	756	948	1,005
Education	256	305	370	419	462
Social Security	302	369	454	525	605
Pensions	122	123	133	151	157
National Debt Service	40	68	114	45	22
Other	<u>422</u>	<u>596</u>	<u>713</u>	<u>712</u>	<u>810</u>
Total Expenditures	2,063	2,557	3,044	3,044	3,658
Excess of Revenue (+) or Expenditure (-)	453	391	187	-	-

Source: Ministry of Finance.

Table 27

Balance of Treasury Transactions with the Public
(Billions of Yen)

(-) = surplus of payments

(+) = surplus of receipts

<u>Fiscal Year</u>	<u>General Account Budget</u>	<u>Special Accounts, Public Corporations and Others</u>	<u>Foreign Exchange Fund</u>	<u>Total</u>	<u>Total Excluding Foreign Exchange Fund</u>
1954	+ 43.3	-159.4	- 74.1	-190.2	-116.1
1955	+ 61.3	-168.0	-169.9	-276.6	-106.7
1956	+205.8	-105.7	+ 63.3	+163.4	+100.1
1957	+166.9	- 20.6	+113.4	+259.7	+146.3
1958	+125.7	-183.2	-193.5	-251.0	- 57.5
1959	+229.2	-211.2	-151.3	-133.3	+ 18.0
1960	+481.0	-237.7	-238.7	+ 4.6	+243.3
1961	+656.4	-380.0	+220.9	+497.3	+276.4
1962	+515.4	-550.2	-161.3	-196.1	- 34.8
1	+ 19.9	-122.3	+ 6.7	- 95.7	-102.4
2	+218.7	-129.0	- 32.7	+ 57.0	+ 89.7
3	+ 29.7	-496.1	- 77.9	-544.3	-466.4
4	+247.1	+197.2	- 57.4	+386.9	+444.3
1963	+571.5	-624.8	+ 3.5	- 49.8	- 53.3
1	- 3.3	-197.6	- 28.8	-229.7	-200.9
2	+244.5	- 10.2	- 4.1	+230.2	+234.3
3	+ 11.7	-552.7	+ 17.2	-523.8	-541.0
4	+318.6	+135.7	+ 19.2	+473.5	+454.3
1964	+642.7	-1,043.8	- 5.5	-406.6	-401.1
1	- 26.3	-283.0	+ 60.6	-248.7	-309.3
2	+302.6	-191.8	+ 3.5	+114.3	+110.8
3	+ 1.3	-741.7	- 51.5	-791.9	-740.4
4	+365.1	+172.7	- 18.1	+519.7	+537.8

Source: Ministry of Finance.

Table 28

Ratio of Taxes to National Income

(Unit: FY 1934-38 Millions
of Yen. After FY 1949
Billions of Yen)

Fiscal Year	National Income A	Amount of Tax			Rate of Tax	
		National tax ^{1/} B	Local tax	Total tax C	B/A	C/A
1934-36	14,372	1,226	629	1,855	8.5	12.9
1949	2,737	636	142	779	23.2	28.5
1955	6,719	937	382	1,318	13.9	19.6
1956	7,628	1,087	450	1,537	14.2	20.1
1957	8,286	1,202	527	1,729	14.5	20.9
1958	8,519	1,191	544	1,735	14.0	20.4
1959	10,037	1,372	611	1,983	13.7	19.8
1960	11,937	1,802	744	2,546	15.1	21.3
1961	14,196	2,228	907	3,134	15.7	22.1
1962	15,775	2,391	1,057	3,447	15.2	21.9
1963	18,189	2,732	1,213	3,945	15.0	21.7
1964 ^{2/}	20,390	3,173	1,358	4,531	15.6	22.2
1965 ^{3/}	22,670	3,506	1,511	5,018	15.5	22.1

^{1/} Does not agree with General Account tax revenues in table because of differences in the classification of taxes.

^{2/} Figures of the revised budget.

^{3/} Figures of the initial budget.

Source: Tax Bureau, Ministry of Finance.

Table 29

Percentage Composition of National Tax Receipts

<u>Fiscal Year</u>	<u>Direct Tax</u>	<u>Of Which Personal Income Tax</u>	<u>Of Which Corporate Income Tax</u>	<u>Indirect Tax etc.</u>	<u>Total</u>
1957	52.3	21.0	30.3	47.7	100.0
1958	48.7	21.8	25.9	51.3	100.0
1959	49.7	20.3	28.5	50.3	100.0
1960	54.3	21.7	31.8	45.7	100.0
1961	55.1	22.2	32.1	44.9	100.0
1962	57.8	24.2	32.6	42.2	100.0
1963	57.9	25.3	31.6	42.1	100.0
1964 ^{1/}	59.2	26.5	31.6	40.8	100.0
1965 ^{2/}	58.9	28.2	29.5	41.1	100.0

1/ Figures are based on the revised budget.

2/ Figures are based on the initial budget.

Source: Tax Bureau, Ministry of Finance.

Table 30

Financing Public Investment

Central Government and Government Enterprises

(Billions of Yen, Fiscal Years)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>Revised Estimate 1964</u>	<u>Budget 1965</u>
Government Capital Formation	823	1,042	1,335	1,494	1,810	1,971
Net Capital Transfers to Private Sector ^{1/}	<u>166</u>	<u>206</u>	<u>140</u>	<u>178</u>	<u>297</u>	<u>338</u>
Total	989	1,248	1,475	1,672	2,107	2,309
<u>Financing</u>						
Government Savings	964	1,274	1,189	1,317	1,823	1,949
Domestic Borrowing	147	199	231	170	205	273
Foreign Borrowing	<u>4</u>	<u>29</u>	<u>41</u>	<u>33</u>	<u>37</u>	<u>62</u>
Sub-total	1,115	1,502	1,461	1,520	2,065	2,284
Residual	116	254	-14	-152	-42	-25

^{1/} Funds provided the private sector through government financial institutions less postal savings deposits, social security funds, etc. made available to the Government through its fiscal investment and loan program.

Source: Data furnished by the Ministry of Finance.

Table 31

National Government Debt^{1/}
(Billions of Yen)

<u>Type of Debt</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>
Bonds											
Domestic	440.9	425.8	409.3	405.8	400.1	459.8	446.8	436.4	413.6	424.5	433.2
Foreign	<u>94.6</u>	<u>88.8</u>	<u>84.5</u>	<u>80.7</u>	<u>86.9</u>	<u>81.7</u>	<u>74.1</u>	<u>56.3</u>	<u>48.2</u>	<u>46.4</u>	<u>60.9</u>
Total	<u>535.5</u>	<u>514.7</u>	<u>493.8</u>	<u>486.5</u>	<u>487.0</u>	<u>541.5</u>	<u>520.9</u>	<u>492.7</u>	<u>461.8</u>	<u>470.9</u>	<u>494.1</u>
Short-term food bills	194.1	310.1	329.8	263.1	289.3	328.2	351.0	307.1	312.1	270.5	330.5
Foreign exchange fund bills	<u>140.0</u>	<u>145.0</u>	<u>80.1</u>	<u>100.0</u>	<u>178.0</u>	<u>250.1</u>	<u>328.6</u>	<u>274.0</u>	<u>355.1</u>	<u>281.1</u>	<u>325.0</u>
Total	<u>334.1</u>	<u>455.1</u>	<u>409.9</u>	<u>363.1</u>	<u>467.3</u>	<u>578.3</u>	<u>679.6</u>	<u>581.1</u>	<u>667.2</u>	<u>551.6</u>	<u>655.5</u>
Other borrowing	<u>63.1</u>	<u>87.4</u>	<u>96.6</u>	<u>120.7</u>	<u>121.1</u>	<u>133.2</u>	<u>139.8</u>	<u>149.1</u>	<u>151.7</u>	<u>162.1</u>	<u>199.7</u>
Grand Total	<u>932.7</u>	<u>1,057.2</u>	<u>1,000.3</u>	<u>970.3</u>	<u>1,075.4</u>	<u>1,253.0</u>	<u>1,340.3</u>	<u>1,222.9</u>	<u>1,280.7</u>	<u>1,184.6</u>	<u>1,349.3</u>

1/ Amount outstanding at the end of fiscal year.

Source: Ministry of Finance.

Table 32

Progress of Investment in the Public Sector (Current Prices)
(Billion Yen)

	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1959-1963</u> (A)	<u>1964</u> ^{1/} (B)	<u>Amount of Medium-term Economic Plan</u> (1964-1968) ^{3/} (C)	(A)	(B)	(C)
Road	179	206	316	412	507	1,620	607	4,100	253	14.8	
Harbor	30	33	47	57	70	236	77	550	233	14.0	
Housing	58	68	82	103	118	429	141	1,120	261	12.6	
Environment Sanitation	20	27	37	72	106	261	150	830	318	18.4	
Welfare	24	25	33	46	54	182	69	370	204	18.6	
Educational Facilities	72	91	121	156	156	596	141	550	159	14.8	
Flood Control	56	77	93	122	133	482	154	900	187	17.1	
Agriculture, Forestry & Fishery	69	82	100	111	134	497	166	1,020	205	16.3	
Fund for Adjustment (Rehabilitation of Disasters)	<u>2/</u> (83)	-	-	-	2	-	4	200	-	18.0	
Other Public Works	270	319	391	531	515	2,029	5,702	2,860	141	19.9	
Railways	108	116	207	252	286	969	248	1,820	188	13.6	
Telephone & Telegraph	102	143	183	217	252	896	281	1,730	193	16.2	
Other Government Enterprises	<u>136</u>	<u>173</u>	<u>133</u>	<u>173</u>	<u>236</u>	<u>851</u>	<u>262</u>	<u>1,350</u>	<u>159</u>	<u>19.4</u>	
Total	1,123	1,358	1,743	2,252	2,570	9,048	2,870	17,800	197	16.1	

^{1/} Estimated figures.

^{2/} Included in the other columns.

^{3/} The figures of Medium-Term Economic Plan are at FY 1963 prices.

Source: Economic Planning Agency.

Table 33

Investment in the Public Sector (Current Prices)
(Billion Yen)

	1955		1956		1957		1958		1959		1960		1961		1962		1963		(est. figures) 1964	
	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age	Amount	Percent- age
Road	61	8.5	80	11.5	115	14.2	140	15.0	179	16.0	206	15.1	316	18.1	412	18.3	507	19.7	607	21.2
Harbor	9	1.3	11	1.6	14	1.8	19	2.0	30	2.7	33	2.4	47	2.7	57	2.5	70	2.7	77	2.7
Housing	31	4.4	34	4.9	42	5.1	50	5.4	58	5.2	68	5.0	82	4.7	103	4.6	118	4.6	141	4.9
Environment Sanitation	5	0.7	7	0.9	12	1.4	12	1.3	20	1.8	27	2.0	37	2.1	72	3.2	106	4.1	150	5.2
Welfare	22	3.0	20	2.9	22	2.7	20	2.2	24	2.2	25	1.8	33	1.9	46	2.0	55	2.1	69	2.4
Educational Facilities	47	6.5	49	7.1	58	7.2	68	7.3	72	6.4	91	6.7	121	6.9	156	6.9	156	6.1	141	4.9
Land Conservation	47	6.5	44	6.4	50	6.2	52	5.6	56	5.0	77	5.7	93	5.3	122	5.4	133	5.2	154	5.4
Agriculture, Forestry and Fishery	42	5.9	46	6.7	54	6.6	63	6.8	69	6.2	82	6.1	100	5.7	111	4.9	134	5.2	166	5.8
Other Public Works	157	22.0	171	24.7	205	25.3	226	24.1	270	23.8	319	23.4	391	22.6	531	23.7	515	20.1	570	19.8
Railways	53	7.3	59	8.5	99	12.2	87	9.4	108	9.6	116	8.6	207	11.9	252	11.2	286	11.0	248	8.6
Telephone & Telegraph Other Government Enterprises	54	7.5	66	9.6	69	8.6	82	8.8	102	9.0	143	10.5	183	10.5	217	9.6	252	9.9	281	9.9
	188	26.4	105	15.2	71	8.7	113	12.1	136	12.1	173	12.7	133	7.6	173	7.7	236	9.3	262	9.2
Total	715	100.0	692	100.0	809	100.0	933	100.0	1,123	100.0	1,358	100.0	1,743	100.0	2,252	100.0	2,570	100.0	2,870	100.0

Sources: Economic Planning Agency.

Table 34

Money Supply and Liquidity

<u>Year</u>	<u>Money Supply</u>		<u>Liquidity^{1/}</u>		Money Supply as % of G.N.E.	Liquidity as % of G.N.E.
	trillion of yen	% increase	trillion of yen	% increase		
1958	2.7	4	8.2	17	27	82
1959	3.2	19	9.9	21	26	82
1960	3.8	19	12.0	21	27	85
1961	4.6	21	15.0	25	27	87
1962	5.2	13	17.6	17	27	93
1963	7.2	38	22.2	26	33	103
1964	8.3	15	26.2	18	34	106

1/ Money supply plus time and savings deposits.

Source: IFS, Economic Planning Agency.

Table 35

Bank of Japan Credit

(Billion Yen, End of Quarter)

	(1)	(2)	(3)	(4)	(5)	
<u>Calendar Year</u>	<u>Quarter</u>	<u>Claims of Banks on Private Sector</u> ^{1/}	<u>BOJ Claims on Banks</u>	<u>Claims on BOJ and Bank's Currency</u>	<u>Net BOJ Claims on Banks (2)-(3)</u>	<u>(4) as Percent of (1)</u>
1962	1	11,240	1,348	401	947	8.4
	2	11,591	1,478	350	1,128	9.7
	3	12,020	1,465	359	1,106	9.2
	4	12,746	1,227	369	858	6.7
1963	1	13,649	1,339	418	921	6.7
	2	14,262	1,091	358	733	5.1
	3	15,037	1,215	457	758	5.0
	4	16,007	1,350	534	816	5.1
1964	1	16,482	1,479	640	839	5.1
	2	17,153	1,685	541	1,144	6.7
	3	17,753	1,717	615	1,102	6.2
	4	18,502	1,287	587	700	3.8

^{1/} Excludes mutual loan and savings banks, credit associations, etc.

Source: Economic Statistics Monthly-Bank of Japan

Table 36

Interest Rate Comparisons, Average Yields

<u>Year</u>	<u>End of Month</u>	<u>Loans and Discounts All Banks</u>	<u>Loans and Discounts Long-Term Credit Banks</u>	<u>Industrial Bonds Class A</u>	<u>Public Corporation Bonds</u>	<u>Unconditional Call Money Tokyo</u>	<u>Gov't Bonds</u>	<u>Yield on Japanese Bonds in New York</u> <u>1/</u>
1956	June			7.97	7.36		6.34	
	Dec.	8.44	9.71	7.38	7.00	9.13	6.34	6.27
1957	June			7.37	7.00		6.32	
	Dec.	8.41	9.41	7.92	7.27	21.90	6.32	5.91
1958	June			7.90	7.27		6.32	
	Dec.	8.51	9.44	7.91	7.27	9.13	6.32	5.28
1959	June			7.90	7.27		6.32	
	Dec.	8.12	9.39	7.91	7.27	8.40	6.32	6.12
1960	June	8.22	9.38	7.90	7.27	8.40	6.32	
	Dec.	8.08	9.37	7.91	7.27	8.40	6.43	6.54
1961	June	7.88	9.32	7.81	7.19	8.03	6.43	
	Dec.	8.20	9.30	7.50	7.05	8.76	6.43	6.23
1962	June	8.23	9.24	7.47	7.05	8.76	6.43	5.86
	Dec.	8.09	9.17	7.48	7.05	9.49	6.43	5.86
1963	June	7.75	9.07	7.49	7.05	7.30	6.43	
	Dec.	7.67	8.99	7.48	7.05	8.03	6.43	5.40
1964	June	7.98	8.99	7.49	7.05	10.59	6.43	5.50
	Dec.	7.99	8.94	7.48	7.05	10.95	6.43	5.72
1965	Jan.	7.98	8.94	7.48	7.05	8.40	-	-
	Feb.	7.97	8.93	7.48	7.05	8.40	-	-
	March	-	-	7.49	7.05	8.40	6.43	-
	April	-	-	-	-	7.30	-	-

1/ Data 1955 through 1958 are for Japan 6%, 1924-54, extended to 1964.
 1959 through May 1963 are for Japan 5 $\frac{1}{2}$ %, 1959-74.
 Data June 1963 through Dec. 1964 are for Japan 5 $\frac{1}{2}$ %, 1963-80.

Source: Economic Statistics of Japan-Bank of Japan.

Table 37

Price Indices

<u>Year</u>	Wholesale Prices All Commodities		Consumer Prices (Tokyo) (all cities)	
	(1952 = 100)	(1960 = 100)	(1960 = 100)	(1960 = 100)
1954	99.7		92.0	93.7
1955	97.9		90.7	92.7
1956	102.2		91.5	93.0
1957	105.3		94.2	95.9
1958	98.4		95.1	95.5
1959	99.4		96.4	96.5
1960	101.3	100.0	100.0	100.0
1961	105.2	101.0	105.2	105.3
1962		99.3	112.2	112.3
1963		101.1	121.1	121.0
1964		101.3	126.0	125.6
1965 January		102.0	130.7	131.1
February		102.0	130.8	130.9
March		101.9	132.9	132.2
April		101.8	137.9	136.9
May		101.8	135.4	135.6
June		101.5	135.9	135.4
July		101.5	134.8	

Source: Bank of Japan; Prime Minister's Office.

Table 38

Changes in Consumer Prices 1960-1964

	<u>Consumer Prices</u>	
	<u>Weight in</u> <u>Index (%)</u>	<u>Percent</u> <u>Change</u>
Food	45	28.8
Cereal	(14)	17.4
Other Food	(31)	33.8
Housing	9	22.2
Fuel and Light	5	7.6
Clothing	13	19.2
Miscellaneous	<u>28</u>	<u>28.0</u>
Total	100	25.6

Source: Bureau of Statistics, Office of the Prime Minister.

Table 39

Equipment Loans and Changes in Inventory

<u>Year</u>	<u>Quarter</u>	<u>Balance</u>	<u>Increase in</u>	<u>New Loans</u>	<u>Inventory</u>	<u>Inventory</u>	<u>Inventory</u>
		<u>Equipment</u>	<u>Outstanding</u>		<u>of</u>	<u>of Raw</u>		of Imported
		<u>Funds</u>	<u>Equipment</u>	<u>Equipment</u>	<u>Finished</u>	<u>Materials</u>	<u>Raw Materials</u>
		<u>All Banks</u>	<u>Loans</u>	<u>All Banks</u>	<u>Goods in</u>	<u>and Fin.</u>	
			<u>All Banks</u>		<u>Mfg.</u>	<u>Goods</u>	
		<u>Billions of Yen</u>			<u>1960 = 100.</u>		
1961	1			182	112.3	103.5	106.1
	2	1,488		174	118.3	108.4	110.0
	3	1,574	86	187	122.8	115.3	116.2
	4	1,651	77	187	136.7	121.7	128.7
1962			291	766			
	1	1,720	69	174	151.3	126.2	131.0
	2	1,780	60	182	158.4	122.7	121.9
	3	1,840	60	188	165.7	114.6	110.6
1963	4	1,942	102	223	170.2	113.1	110.7
			421	1,056			
	1	2,009	67	213	171.1	110.4	104.6
	2	2,114	95	257	169.4	110.2	106.7
1964	3	2,254	110	286	173.5	114.4	115.0
	4	2,403	149	299	178.5	119.2	118.5
			441	1,172			
	1	2,516	112	283	188.2	121.7	113.6
1965	2	2,625	109	286	197.7	122.8	118.6
	3	2,736	111	299	200.7	127.8	119.0
	4	2,844	108	304	204.1	128.3	115.5
	January	2,869	25	76	216.6	122.9	105.9
	February	2,898	29	81	230.2	121.9	109.7
	March	2,940	42	-	231.8	120.0	107.8
	April	2,962	22				
	May	3,003	41				
	June	3,040	37				