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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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THE DEVELOPMENT AND PROSPECTS

OF

JAPAN'S ECONOMY

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CURRENCY CONVERSION

\$1.00	=	¥360
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TABLE OF CONTENTS

	<u>Page No.</u>
BASIC STATISTICS .....	i
SUMMARY AND CONCLUSIONS .....	ii-iii
THE DEVELOPMENT AND PROSPECTS OF JAPAN'S ECONOMY .....	1
A. Recent Progress .....	1
Factors Responsible for the Progress ...	2
Gains in Production .....	2
Recovery of Foreign Trade .....	4
Expansion of Exports .....	5
Import Trends .....	6
Geographical Distribution of Trade .....	6
Overall Balance of Payments .....	8
Financial Stability .....	10
Improvement in Corporate Finances .....	11
B. Current Situation and Prospects .....	12
Signs of Strain .....	12
Investment Requirements .....	14
Prospects of Growth .....	15
STATISTICAL APPENDIX TABLES .....	20

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S 173

TABLE OF CONTENTS (Cont'd)STATISTICAL APPENDIX TABLES

Table	1	National Accounts Data by Fiscal Years
	2	Savings Indicators: Increase in Deposits and Savings
	3	Indexes of Industrial Production
	4	Output of Some Principal Products
	5	Agricultural Production: Major Crops
	6	Labor Force and Employment
	7	Fluctuations in Bank Credit and Treasury Transactions
	8	Public Expenditures and Revenues
	9	National Government Debt
	10	Balance of Treasury Transactions with the Public
	11	Money Supply and Prices
	12	Sources of Increase in Industrial Financing
	13	Sources of New Financing by Industry
	14	Capital Raised in Market
	15	Corporate Financial Ratios
	16	Orders Received by Japanese Industry for Machinery and Ships
	17	Value of Construction Starts
	18	Principal Exports
	19	Imports by Commodity Groups and Selected Commodities, Quantity and Value
	20	Trade by Geographical Areas
	21	The Development of Open Account Balances
	22	Japan: Balance of Payments - 1952
	23	Japan: Balance of Payments - 1953
	24	Japan: Balance of Payments - 1954
	25	Japan: Balance of Payments - 1955
	26	Japan: Balance of Payments - 1956
	27	Gold and Foreign Exchange Reserves
	28	External Debt Service

BASIC STATISTICS

<u>Area</u>	142,313 sq. miles
<u>Population</u> (Estimate, October 1956)	90.3 million
<u>Gross National Product and National Income</u>	
<u>FY 1956 Estimate</u> (current prices)	
Gross National Product	¥ 9,151.0 billion
National Income	¥ 7,610.0     "
Per Capita National Income	¥ 84,275.0 (\$234)
<u>Industrial Production</u> (March 1957)	
(1934-36 = 100)	240.0
<u>National Government Budget Estimate, FY 1956</u>	
(in billions of yen)	
Revenue	1,108.6
Expenditure	<u>1,089.7</u>
Surplus	18.9
<u>Balance of Treasury Transactions, excluding</u>	
<u>Foreign Exchange Fund, FY 1956</u>	
(in billions of yen)	¥ 100.1
<u>Bank Credit, April 1957</u>	
(in billions of yen)	
Commercial Bank Loans and Discounts	4,327.7
Bank of Japan Loans and Discounts	272.6
<u>Money Supply, February 1957</u>	
(in billions of yen)	909.3
<u>Price Indexes, February 1957</u>	
(1952 = 100)	
Wholesale Prices	106.6
Consumer Prices	115.7
<u>Foreign Trade, 1956</u>	
(in millions of US \$)	
Exports, f.o.b.	2,500.6
Imports, c.i.f.	<u>3,229.7</u>
Balance	- 729.1
<u>Balance of Payments, Current Account, 1956</u>	
(in millions of US \$)	
Receipts	3,314.0
Payments	<u>3,362.1</u>
Deficit	- 48.1
<u>Gold and Foreign Exchange Reserves, March 1957</u>	
(in millions of US \$)	
Gross Reserves	1,426.0
Reserves Net of Short-term Liabilities	1,023.0

## SUMMARY AND CONCLUSIONS

1. During the last four years the Japanese economy has made much more progress than was originally expected; and there now seems reason to hope that Japan can and will develop a self-supporting economy on a gradually rising standard of living despite the pressure of population on available resources. Gross national product and foreign trade have grown at a very rapid rate and the Japanese people are today enjoying a standard of life substantially higher than in prewar years. At the same time the economy has become considerably more diversified.

2. This progress must be attributed primarily to the capacity of the Japanese people - their ability to absorb and apply the advanced production techniques of the West; their willingness to work hard and their capacity to save. Other factors have also played a role: the sustained economic growth in the rest of the world, which has facilitated the marketing of Japanese products; and the willingness of the United States to assume most of the burden for Japan's defense, which has not only relieved the drain on Japanese resources but has continued to yield the country a substantial although declining dollar income in the form of U.S. disbursements in Japan.

3. Recently the economy has shown signs of strain. Imports have for some time been rising more rapidly than exports in order to rebuild inventories depleted in the past and to sustain the rapidly rising volume of production and investment. Imports were considerably liberalized in the spring of 1956 because inventories of imported raw materials had fallen to excessively low levels. While there has been some replenishment of inventories, most of the rise in imports has been caused by a notable expansion in investment which began in 1956. Despite a high overall rate of investment in recent years, it has become evident that capital formation in a number of sectors - particularly iron and steel, transport and power - has lagged behind the rise in output. In addition business in general, buoyant as the result of an increase in national output by more than 10% in each of the last two years, has tended to frame its investment plans on the overly optimistic assumption that the recent rate of expansion will continue. All this has produced an excessive expansion of bank credit since the spring of last year and a considerable drain on foreign exchange reserves since the beginning of this year.

4. Both the government and the Bank of Japan realize, however, the importance of preventing a recurrence of inflation which would drive up prices and jeopardize Japan's exports. A series of measures have been taken recently to restrict bank credit and halt the decline in foreign exchange reserves. These will undoubtedly have a considerable although delayed effect; and there is reason to believe that the government will take supplemental measures should they prove to be necessary. Present indications point to a continuing though gradually declining drain on foreign exchange reserves until the fall of this year when a balance may again be achieved.

5. Over the next five years the Japanese economy should be able to expand at a rate between 4 and 5% per year. While this would represent a considerable decline from the rate of growth in the last two years, it would still be substantial as measured by the performance of other countries. The principal determinant of economic expansion will be Japan's ability to earn and save foreign exchange. This in turn will determine her ability to import raw materials and fuel to sustain the rise in manufacturing output on which the rate of growth of the entire economy primarily depends. Japan's exports, which increased by almost 100% from 1952 to 1956, will probably not expand by more than 25% over the next five years because about a third of her present exports consist of such items as ships, iron and steel and cotton manufactures which are unlikely to grow and may even decline somewhat. On invisible account Japan will be able to save foreign exchange by progressively balancing her freight income and expenditures, but, on the other hand, she faces the prospect of a declining volume of U.S. disbursements. All in all, the volume of foreign exchange available for an expansion of imports is unlikely to exceed that required for a 4-5% annual increase in national output.

6. Considering the future growth of the economy and exports, the present and prospective volume of external indebtedness and Japan's excellent debt record, and assuming that serious inflation is avoided, Japan would be justified in borrowing substantial sums over the next year or two in order to relieve the strain resulting from the need to increase essential investments in a number of fields. Most of this borrowing could be in dollars.

## THE DEVELOPMENT AND PROSPECTS OF JAPAN'S ECONOMY

### A. Recent Progress

1. During the last four years the Japanese economy has advanced rapidly on all fronts. Following the last postwar bout with inflation in 1953, the economy went through a disinflationary period of readjustment in 1954 and thereafter developed at an extraordinary pace. The rate of growth during these last two years is probably unique in the world. From 1952 to 1956, as a whole, industrial production went up by almost 75%, national income (in real terms) by around 30%, export trade by nearly 100% and foreign exchange reserves by about 15%. Despite the increase in population and the loss of the country's overseas possessions, the Japanese people are enjoying today a standard of life substantially better than in normal prewar years.

2. The rate at which the economy has been expanding year by year since 1952 is set forth in the following table:

Table I

#### ECONOMIC INDICATORS

	<u>Percentage Change over Preceding Year</u>				<u>Percentage</u>
	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>Change</u>
<u>Production</u>					
Industrial production	+ 22.7	+ 7.6	+ 8.3	+ 21.2	+ 73.3
Real National Income <u>1/</u>	+ 4.6	+ 3.3	+ 10.7	+ 12.0 <u>2/</u>	+ 33.9
Per capita <u>1/</u>	+ 3.0	+ 2.4	+ 9.1	+ 10.9 <u>2/</u>	+ 27.5
<u>Investment</u>					
Gross domestic capital formation <u>1/</u>	+ 18.5	- 11.9	+ 24.7	+ 25.8 <u>2/</u>	+ 62.2
Building construction starts (value)	+ 28.2	+ 9.2	- 7.6	+ 30.8	+ 81.6
Funds raised for industrial equipment <u>3/</u>	+ 57.8	- 16.8	- 30.5	+ 125.2	+ 105.7
<u>Trade</u>					
Exports - Values	+ 0.1	+ 27.8	+ 23.4	+ 24.4	+ 96.5
- Volume	+ 8.2	+ 33.3	+ 30.6	+ 19.0	+ 125.1
Imports - Values	+ 18.3	- 0.4	+ 3.4	+ 30.7	+ 57.2
- Volume	+ 35.9	+ 3.6	+ 5.1	+ 26.8	+ 88.3
Foreign Exchange Reserves (Net)	- 20.0	+ 0.9	+ 36.3	+ 4.6	+ 14.6
<u>Money Supply &amp; Prices</u>					
Cash & Deposit Currency <u>4/</u>	+ 13.9	+ 3.5	+ 2.6	+ 14.7	+ 38.7
Wholesale Prices	+ 0.4	- 0.7	- 1.8	+ 4.6	+ 2.4
Consumer Prices	+ 7.5	+ 5.4	- 1.4	+ 1.0	+ 12.8

1/ Fiscal year.      2/ Estimate.

3/ Funds raised through bank borrowing and the issue of bonds and stocks.

4/ Median of year-end figures.

3. This general expansion has far exceeded the expectations of most foreign observers as well as the projections originally made by Japanese economic pundits. The basic reason for this advance is the extraordinary vitality, adaptability and flexibility of the Japanese people. Japan has a free enterprise, not a planned, economy. Although the economy is influenced and to some extent controlled by the government, and there are close ties between government and business, the drive behind the economic advance comes from the thousands of private entrepreneurs - large, medium and small - who are quick to see and capitalize on their opportunities. The Japanese people as a whole have traditionally displayed a great capacity to work hard and to save. Over the last five years gross investment has ranged between 23 and 29 percent of gross national product. (See Table 1, Statistical Appendix.) The thriftiness of the Japanese is indicated by the fact that as incomes have risen and prices have become stabilized the proportion of personal disposable income saved has increased from 12.4% in the fiscal year 1953 to 16.8% in the fiscal year 1955 (see Table 1, Statistical Appendix); and there is every indication that the proportion was as high or probably higher in the last year.\* This high rate of savings, combined with the maintenance of monetary stability since 1953, has enabled the Japanese to more than double the volume of their exports since 1952 while keeping the rise in imports to a much more modest figure.

#### Factors Responsible for the Progress

4. A number of subsidiary factors have also played a role in this economic advance. One of these factors is that Japan has had to devote little of her own resources to defense. Total defense expenditures in the fiscal year 1956, for instance, amounted to only 1.5% of estimated gross national product. The Japanese were also able to capitalize during the last four years on the substantial investment in plant rehabilitation and expansion made previously and continuing into 1953. While investment has been at a high level in recent years, it would probably not have been sufficient by itself to permit the very large increase in output experienced in 1955 and 1956. Thus to some, although probably not a considerable, extent Japan has lived off capital accumulated prior to 1954. There have also been some adventitious favorable factors. One of these has been the sustained economic growth over recent years in the world at large which has undoubtedly assisted the Japanese in finding markets for their exports. The other was the record rice crop in 1955, followed by a better-than-average crop in 1956. The bumper rice crop in 1955, together with the decline in the price of imported rice, probably reduced Japan's foreign exchange outlays by nearly \$100 million in 1956.

#### Gains in Production

5. In manufacturing, Japan has made great strides in the volume, diversity and quality of its output. In 1956 the production of manufactures was 131% above the average of the prewar years, 1934-36. The machinery (including ships and other transport equipment) and chemical industries quadrupled, and nearly

\*The increase in time and savings deposits of banks, in postal savings deposits and in assets of the life insurance and postal insurance system amounted to ¥ 691.7 billion in 1956, as compared with ¥ 443.5 billion in 1955.

quadrupled, their respective outputs by comparison with these prewar years, thus attaining a far more significant place in the structure of Japanese manufacturing industry. The production of metals tripled. (See Tables 3 and 4, Statistical Appendix.) Japan has to a large extent overcome the lag in technology which resulted from its isolation during the war and immediate postwar period. Recent technological advances abroad have been imported on a large scale through the acquisition of patents and other arrangements; and the Japanese have further enhanced their reputation for an outstanding ability to adopt the methods of production and techniques developed in the West. In the chemical industry production has been considerably diversified through the introduction of petro-chemicals, synthetic resins and fibers and a wide range of pharmaceuticals. In the electro-technical field the electronics industry has been greatly developed. In established branches of industry productivity and efficiency have apparently increased significantly, although the extent of the improvement is difficult to measure. In ship building, in which Japan attained the leading place in the world during 1956, costs have been greatly reduced through improved handling of materials, the use of welding and the adoption of the block assembly method. The amount of materials required per unit of output has declined; and production per man-hour has risen substantially, although this may have been primarily due to a fuller utilization of factory manpower which formerly was redundant. Partly under the stimulus imparted by the ICA mission of the U.S. Government, Japanese businessmen have become more conscious of the need to raise productivity and improve management practices which in many cases are still well below the standards of the West.

6. In agriculture, where Japan had already achieved high yields through intensive cultivation, progress has obviously been much slower. However, despite the encroachment of the urban population on the available cultivable land, the cropped area has continued to expand slightly in recent years through double cropping facilitated by various land improvement measures, including better drainage of rice paddies. While the area of agricultural land actually declined from an average of 6,041,721 cho (1 cho = 0.992 hectares) in 1933-35 to 5,446,189 in 1953-55, the area planted to crops actually increased from 7,539,031 to 7,948,923 cho. The proportion of the paddy area that is double-cropped was 40% on the average in 1954 and 1955 as compared with only 29% in 1948 and 1949. There has apparently also been a rising trend in yields over the last five years. The outturn of major crops has been good, even after discounting the bumper rice crop of 1955. The output of livestock products, though still relatively unimportant in Japanese farming, has increased notably. The fish catch, which is of great importance to both domestic consumption and exports, has registered striking gains in recent years. (See Table 5, Statistical Appendix, for output of major crops, livestock products and fish catch.)

7. Despite the rapid expansion of the economy, the increase in employment since 1952 - 7.4% - barely kept pace with the rise in the labor force. Employment in tertiary industries, particularly trade and commerce, accounted for most of the increase. The marked advance in output per man held the rise in employment in manufacturing industries to 8.9%. The fact, however, that employment in agriculture, forestry and fisheries declined by 1,280,000 or 7.9% indicates that there was probably a substantial diminution of underemployment in that field of activity. (See Table 6, Statistical Appendix.)

Recovery of Foreign Trade

8. In the climate of financial stability and rising production at home and sustained prosperity abroad, Japan's foreign trade position has improved substantially since 1953. As indicated in Table II, between 1953 and 1956 exports increased 96% in value and more than doubled in volume, while imports rose 34% in value and 38% in volume. In 1956 the volume of exports averaged 86% of prewar (1934-36) and the volume of imports averaged 114%. In December 1956 the index of export volume reached 109, surpassing the prewar level for the first time.

Table II

VALUE AND VOLUME OF FOREIGN TRADE, 1952-1956

	<u>Value</u>			<u>Volume Index</u>	
	(millions \$)			(1934-36 = 100)	
	<u>Exports, f.o.b.</u>	<u>Imports, c.i.f.</u>	<u>Import Surplus</u>	<u>Exports</u>	<u>Imports</u>
1952	1,272.9	2,028.8	755.9	38.0	60.9
1953	1,274.8	2,409.6	1,134.8	41.2	82.7
1954	1,629.2	2,399.4	770.2	54.9	85.7
1955	2,010.6	2,471.4	460.8	71.6	90.1
1956	2,500.6	3,229.7	729.1	85.7	114.3
(Dec. 1956)	-	-	-	(109.1)	(129.7)

9. While the volume of trade has recovered substantially in recent years, it still appears low in comparison with the volume of industrial production, which in 1956 stood at 220% of pre-war (See Table 3, Statistical Appendix). The basic reason for the relatively low volume of exports has been a change in both the geographical pattern and commodity structure of exports as compared to pre-war. The mainland China market which in 1934-36 took on the average almost 25% of Japanese exports, has virtually disappeared in the post-war period. Moreover, due to a shift in world consumption patterns, the volume of Japanese cotton textile and especially raw silk exports has declined substantially since pre-war. Thus, in the post-war period Japan has had to develop new market outlets and adjust production to become competitive in new export lines and expand lines which were formerly less important. The primary reasons for the relatively low volume of imports have been (a) the shift in the structure of production away from industries which require a very high proportion of imported raw materials, such as cotton textiles, to industries such as chemicals, building materials and machinery which require a much smaller proportion of imports in relation to the value of their output, and (b) a more intensive exploitation of domestic resources, such as expanded production of ammonium sulphate from natural gas and the utilization of domestic broad leaved trees in the pulp industry instead of imported pine as in the pre-war period. In 1956 exports were approximately 11% of national income and imports 15% while in 1935 and 1936 each was about 23% of national income.

Expansion of Exports

10. As is evident from the figures given at the beginning of this report, the expansion in export trade has far outrun that of industrial production since 1953, the last inflationary year. A growing proportion of the rising volume of manufacturing output has been marketed abroad. A notable feature of the gains in export is that they have been distributed over a very wide range of goods and over virtually all market areas of the world, except mainland China.

Table III

COMPARISON OF 1956 EXPORTS WITH EXPORTS  
IN 1952 TO 1955

Exports in 1956	Increase in 1956 compared to:								
	1955		1954		1953		1952		
mn \$	mn \$	%	mn \$	%	mn \$	%	mn \$	%	
<u>Textile Fabrics</u>	558.1	120.1	27.4	157.3	39.0	284.3	103.8	300.4	116.6
<u>Cotton fabrics</u>	(266.6)	(36.7)	(16.0)	(14.3)	(5.7)	(87.4)	(48.8)	(91.3)	(52.1)
<u>Synthetic "</u>	(221.8)	(67.1)	(43.4)	(112.5)	(102.5)	(146.4)	(194.2)	(155.7)	(235.6)
<u>Machinery &amp; Transport</u>									
<u>Equipment</u>	483.6	236.8	96.8	281.3	139.1	294.9	156.3	373.5	339.2
<u>Ships</u>	(259.9)	(181.7)	(232.4)	(207.9)	(400.0)	(164.2)	(171.6)	(249.0)	(2284.4)
<u>Misc. Mfrs.</u>	309.0	58.2	23.2	143.2	86.4	182.9	145.0	199.7	182.7
<u>Clothing</u>	(122.6)	(-11.8)	(-8.8)	(66.6)	(118.9)	(85.1)	(227.0)	(85.0)	(226.1)
<u>Iron &amp; Steel</u>	223.4	-36.1	-13.9	57.0	34.3	83.9	60.1	-39.7	(-15.1)
<u>Food</u>	177.2	44.4	33.4	46.7	35.8	53.4	43.1	82.7	87.5
<u>Fish</u>	(120.6)	(45.0)	(59.5)	(46.4)	(62.5)	(59.9)	(98.7)	(75.1)	(165.1)
<u>Chemicals</u>	106.6	12.8	13.6	27.7	35.1	44.3	71.1	66.7	167.2
<u>Fertilizers</u>	(49.6)	(7.9)	(19.0)	(12.6)	(34.1)	(16.8)	(50.6)	(33.8)	(213.9)
<u>Other Exports</u>	642.7	53.8	9.2	158.1	32.6	282.1	78.2	244.4	61.4
<u>Total Exports</u>	2,500.6	490.0	24.4	871.3	53.5	1,225.8	96.2	1,227.7	96.4

Exports of cotton fabrics increased by 40% in volume and value from 1953 to 1954 and have tended to level off since that time. In 1956 with a volume of nearly 1.3 billion square yards valued at \$267 million, they were still Japan's largest single export item, but their share in the value of total exports amounted to only 10% as against 14% in 1953. While exports of cotton fabrics have levelled off, sales of rayon and synthetic fiber fabrics have grown phenomenally, attaining a total value almost equal to that of cotton cloth in 1956. (See Table III.) Exports of apparel, which totalled about 5% of all exports last year, have also risen greatly since 1953 despite a small decline in 1956. In the category of food, exports of fish products in 1956 were almost

double the value reached in 1953. Among the capital goods, the most startling gain has been registered in the export of ships which amounted in 1956 to 1,164,000 gross tons and \$259.9 million, or 10% of total exports. Japan thus surpassed Great Britain and became the world's largest exporter of ships. Of other items of machinery and equipment, light electrical machinery and fixtures, sewing machines, textile machinery, railway rolling stock and motor vehicles showed significant increases. In such items as heavy power generating equipment, construction machinery, agricultural machinery and machine tools, however, Japan has not yet demonstrated its capacity to compete with the West; and exports have remained disappointingly small. Iron and steel products were one of the few items which declined, particularly in volume, in 1956, owing to the sharply increasing domestic demand for steel and the ensuing rise in prices; even so, the value of exports, amounting to 9% of the total, was still 60% above that in 1953 and only slightly below the peak year 1952. Among "miscellaneous" and "other" exports a vast number of products showed encouraging gains. Among them toys, photographic equipment, optical instruments, plywood, ceramics, jewelry and rubber manufactures might be singled out as examples. (See Table 18, Statistical Appendix, for development of main exports by years from 1952 to 1956.)

#### Import Trends

11. Despite the sharp rise in industrial production and exports, imports remained virtually stable from 1953 to 1955. However, during this period stocks of imported raw materials were drawn down and investment in new plant and equipment did not fully keep pace with the rise in production. Moreover, the bumper rice crop in 1955 permitted a reduction in imports of food grains. By the middle of 1956 however, it became clear that inventories of raw materials had to be replenished and that additional investment was required, particularly to eliminate developing bottlenecks in power and steel, in order to sustain the growth of production. Import allocations were liberalized and imports have risen sharply both for replenishing inventories and for meeting the demand from a substantial increase in investment activity. The import surplus c.i.f, which had fallen from \$1,135 million in 1953 to \$461 million in 1955, rose again to \$729 million in 1956. A large import surplus has continued during the first part of 1957. (See Table 19, Statistical Appendix for the development of main imports from 1952 to 1956.)

#### Geographical Distribution of Trade

12. Geographically Japan's export gains over the last four years have been very widely distributed. In terms of percentage, the greatest advance since 1952 has been in exports to Africa which have quadrupled and amounted in 1956 to a little over 15% of Japan's total sales abroad. Exports to the Middle East have more than tripled, although they still represented only 3.8% of the total in 1956. The largest absolute increase - \$309 million - a gain of 132%, was achieved in exports to the United States which absorbed almost 22% of the total in 1956. Sales to Latin America in 1956 were 286% above those in 1952 and accounted for about 7.5% of the total. Comparatively much less impressive increases were registered in exports to northwest Europe, Oceania and Asia other than the Middle East. Southeast Asia, including India and Pakistan, is still the single most important market area for Japan, taking 26.5% of her

exports in 1956, but it is noteworthy that trade with that area expanded by only 44% since 1952. The slow rate of economic progress in that area has evidently retarded the further development of Japanese sales.

13. The increase in imports has also been very widely distributed. The largest percentage increase was in imports from Latin America which rose 289% from 1952 to 1956 and accounted for 12% of total 1956 imports. The rise in imports from Africa was the second largest with an increase of 137%, although in 1956 they represented only 1.8% of total imports. Imports from the Middle East doubled and accounted for 8% of 1956 imports. The largest absolute increase - \$296 million - a rise of 39%, was in imports from the United States which supplied 33% of total imports in 1956. Imports from Southeast Asia increased 66% and accounted for about 21% of 1956 imports; this area was the second largest supplier of goods, after the United States. Substantial percentage increases were also registered in imports from Oceania (89%) and Northwestern Europe (64%). The one exception to the rising trend was in purchases from Southern Europe, which declined by 28% between 1952 and 1956; in 1956 these imports represented less than 1% of the total. (See Table 20, Statistical Appendix.)

14. In trade by currency areas (see Table IV), Japan has incurred large deficits with the dollar area each year. Dollar exports, however, have shown steady and substantial increases, and in 1955 the deficit was reduced from more than \$800 million to \$515 million. In 1956, however, the sharp increase in imports was greater than the increase in exports and the dollar deficit rose to \$630 million. The share of dollar exports in total exports rose from 31% in 1952 to 44% in 1956, while the share of dollar imports in total imports dropped from 60% to 53% over the period. Sterling area exports and imports have also risen but have remained in closer balance than in the case of dollar trade. However, the sterling surpluses realized in some years have been more than offset by deficits in other years. The open account trade has resulted in surpluses for Japan in all but one of the past five years. Both exports and imports in open account trade have been declining since 1954, and this trend is likely to continue in the future. Japan has had open account agreements with 17 countries during the past five years, the more important of which have been Indonesia, Argentina, Brazil, Egypt, Korea, Taiwan, the Philippines and Thailand. A number of these agreements have been terminated in the past year and a half, mainly due to problems encountered in settling outstanding balances, and Japan intends to terminate the remaining ones whenever this is acceptable to the trading partners concerned. (See Table 21, Statistical Appendix, for the development of open account balances by country.)

Table IV

TRADE BY CURRENCY AREA

(in millions of US\$)

	Exports, f.o.b.			Imports, c.i.f.			Balance		
	\$	£	Open a/c	\$	£	Open a/c	\$	£	Open a/c
1952	397.0	539.7	336.2	1,221.7	501.6	304.9	-824.7	£38.1	£31.3
1953	490.1	317.5	467.2	1,304.8	602.8	502.1	-814.7	-285.3	-34.9
1954	560.9	492.8	575.6	1,411.1	433.2	554.9	-850.2	£59.6	£20.7
1955	816.4	649.1	545.0	1,332.0	599.5	539.8	-515.6	£49.6	£5.2
1956	1,095.3	906.5	498.9	1,725.2	1,057.5	447.0	-629.9	-151.0	£51.9

Overall Balance of Payments

15. Besides the deficits on trade account, Japan has had sizeable deficits on normal invisibles, the largest item being transportation. (See Table V.)

Table V

BALANCE OF PAYMENTS SUMMARY

(in millions of US \$)

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
<u>A. Current Transactions</u>					
Exports, f.o.b.	1,289	1,258	1,611	2,006	2,458
Imports, f.o.b.	<u>1,701</u>	<u>2,050</u>	<u>2,040</u>	<u>2,061</u>	<u>2,602</u>
Merchandise balance	- 413	- 792	- 429	- 54	- 144
Transport and insurance	- 162	- 183	- 177	- 157	- 308
Foreign military expenditures	+ 788	+ 803	+ 602	+ 505	+ 493
Reparations	-	-	-	- 24	- 18
Other invisibles	<u>+ 11</u>	<u>- 33</u>	<u>- 46</u>	<u>- 45</u>	<u>- 72</u>
Total, Current Transactions	+ 225	- 205	- 51	+ 226	- 48
<u>B. Private Capital</u>	+ 37	- 18	+ 14	+ 85	- 2
<u>C. Official and Banking Capital</u> (excluding gold and foreign exchange holdings)					
Short-term credits	+ 40	+ 2	+ 98	+ 52	+ 140
Other	<u>- 87</u>	<u>+ 51</u>	<u>+ 39</u>	<u>- 9</u>	<u>+ 65</u>
Total	- 47	+ 53	+ 137	+ 43	+ 205
<u>D. Errors and Omissions</u>	+ 1	+ 2	+ 13	- 15	+ 21
<u>E. Total A through D</u>	<u>+ 215</u>	<u>- 168</u>	<u>+ 113</u>	<u>+ 339</u>	<u>+ 176</u>
<u>F. Change in Gross Gold &amp; Foreign Exchange Holdings</u>	<u>+ 215</u>	<u>- 168</u>	<u>+ 113</u>	<u>+ 339</u>	<u>+ 176</u>

Net payments on transportation declined from 1953 to 1955 but in 1956, with the large increase in both exports and imports, they rose sharply. Moreover, current account payments have been increased by reparations since 1955. These deficits, however, have been more than offset since 1953 by receipts from foreign military expenditures and some import of capital. By far the most important item has been foreign military expenditures, which is virtually all in dollars and consists of both procurement of military goods and services in Japan and expenditures of foreign military personnel stationed in Japan. While the total of such expenditures has declined from around \$800 million in 1952 and 1953 to \$493 million in 1956, the volume has been much better sustained than was expected some years ago. At the same time, it should be

noted that, in view of the growth in Japan's total foreign exchange earnings, receipts from this source have fallen from 35% of total current account receipts in 1952 to less than 15% in 1956.

16. The major capital receipts have been short-term credits, consisting mainly of 90 to 120-day "usance" credits obtained by Japanese private banks from correspondent banks in the U.S. and U.K., and of one year cotton credits obtained from the U.S. Export-Import Bank. Between 1953 and 1956 these credits rose by \$290 million. Moreover in 1953, when Japan was running a heavy deficit with the sterling area, Japan purchased from the IMF \$124 million equivalent of sterling with yen and repurchased \$61.6 million of yen with dollars. The remaining \$62.4 million of yen was repurchased with dollars in 1955. In addition Japan has received smaller amounts in long-term loans from the IBRD and ICA. (See Tables 22 to 26, Statistical Appendix, for more detailed statements of the balance of payments.)

17. An adequate series showing the balance of payments by currency areas is not available. However, the general trends can be seen from a series showing foreign exchange receipts and payments, compiled by the Foreign Exchange Control Department of the Bank of Japan. The coverage and timing of transactions included in this series are somewhat different from the balance of payments. The figures purport to show actual receipts and disbursements of foreign exchange, but apparently do not include all transactions and do not therefore tally exactly with the movement in foreign exchange reserves. In Table VI foreign exchange receipts and payments by currency of settlement are shown for the years 1952 to 1956. It will be seen that the distribution of receipts as between dollar and non-dollar currencies remained relatively stable over the period. Dollar receipts accounted for approximately 57% of the total in both 1952 and 1956. On the payments side, there was a significant drop in the share of dollars from 58% in 1952 to 49% in 1956.

18. Between 1953 and 1956 Japan managed to add a little to her net gold and foreign exchange reserves each year, although this trend was reversed in the first quarter of 1957 (see Table 27, Statistical Appendix). At the end of 1956 they amounted to \$1,313 million, or the equivalent of about 40% of Japan's imports that year. Of this sum, however, \$281 million represented in essence "frozen" surpluses with Indonesia, Korea and Argentina, leaving a net "liquid" balance of \$1,032 million or 32% of 1956 imports. The proportion of dollars in the total reserves was the same - 77% - at the end of 1953 and at the end of 1956, indicating that Japan was able to offset the decline in U.S. military expenditures with additional net export earnings.

Table VI

FOREIGN EXCHANGE RECEIPTS AND PAYMENTS BY CURRENCY OF SETTLEMENT

(in millions of US \$)

	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
<u>Receipts</u>					
U.S. \$	1,296	1,370	1,198	1,405	1,850
Sterling	640	369	546	763	954
Open a/c	304	380	566	488	392
Other	-	-	-	11	28
Total	<u>2,239</u>	<u>2,120</u>	<u>2,309</u>	<u>2,668</u>	<u>3,225</u>
<u>Payments</u>					
U.S. \$	1,108	1,161	1,290	1,051	1,426
Sterling	580	674	421	642	1,040
Open a/c	237	479	498	473	415
Other	-	-	-	7	50
Total	<u>1,925</u>	<u>2,314</u>	<u>2,209</u>	<u>2,174</u>	<u>2,931</u>
<u>Balance</u>					
U.S. \$	£ 188	£ 209	- 92	£ 354	£ 424
Sterling	£ 60	- 305	£ 125	£ 121	- 86
Open a/c	£ 67	- 99	£ 68	£ 15	- 23
Other	-	-	-	£ 4	- 22
Total	<u>£ 314</u>	<u>- 194</u>	<u>£ 100</u>	<u>£ 494</u>	<u>£ 294</u>

MOVEMENT IN GROSS FOREIGN EXCHANGE RESERVES

Gold	- 12	£ 2	£ 3	£ 2	-
Dollar	£ 174	£ 28	- 125	£ 226	£ 300
Sterling	£ 51	- 146	£ 112	£ 60	- 147
Open a/c	£ 2	- 53	£ 123	£ 53	£ 22
Total	<u>£ 215</u>	<u>- 168</u>	<u>£ 113</u>	<u>£ 339</u>	<u>£ 176</u>

Financial Stability

19. As already indicated, the favorable developments in Japan's trade and balance of payments were greatly facilitated and, in fact, made possible by the financial stability maintained in the country since 1953. To stop the inflationary investment boom manifest in that year, the Government not only initiated credit restrictions through the Bank of Japan, but also cut its own budget in 1954, reducing public investment and the availability of various government-controlled funds for financing private investment. The disinflation proved painful at first, but laid the groundwork for the subsequent advance in the economy. As production and trade revived, exports expanded and the decline in foreign exchange reserves was reversed. Moreover, while the government kept its general budget approximately balanced at a level of around one trillion yen (see Table 8, Statistical Appendix) the many transactions channelled through special accounts, including the purchase and sale of cereals and foreign exchange, brought about excess Treasury payments to the public of ¥ 190.2 billion and ¥ 276.6 billion in the fiscal years 1954 and 1955, as compared with a surplus of receipts of ¥ 94.9 billion in 1953.

Part of these deficits was caused by growing balance of payments surpluses, leading to net purchases of exchange by the Government's foreign exchange fund, but even after excluding such foreign exchange transactions, the Treasury's excess payments to the public rose from ¥ 34.9 billion in 1953 to ¥ 116.1 billion in 1954 and ¥ 106.7 billion in 1955 (See Table 10, Statistical Appendix). As a result of these developments, business and the economy generally became more liquid; total bank deposits increased more rapidly than loans and discounts, and the banks were able to reduce their borrowing from the Bank of Japan to record low levels by the first quarter of 1956. During the fiscal year 1956, however, buoyant budget revenues together with a reduction in the deficit of the Food Account brought about a Treasury surplus of ¥ 100.1 billion (exclusive of foreign exchange transactions); and this in turn was a factor in producing a rather rapid expansion in bank credit during the latter part of the year. (See Table 7, Statistical Appendix).

20. As indicated in Table I earlier in this report, the increase in money supply over the last four years has been roughly parallel to the rise in real national income. Basically the Treasury deficits during 1954 and 1955 obviated a further expansion of bank credit which would otherwise have been necessary to sustain the rising volume of production and trade. Wholesale prices on the whole remained stable over the past four years, even dropping somewhat in 1954 and 1955. Consumer prices rose during 1953 and 1954, largely as the result of the delayed impact of an earlier rise in wholesale prices, and then remained relatively stable until the end of 1956 (See Table 11, Statistical Appendix). In the latter part of 1956, there was an upward pressure on prices and a tendency toward excess money creation as the result of the investment boom which was developing.

#### Improvement in Corporate Finances

21. It is noteworthy that the general improvement in the economy has also had some favorable effects on corporate finances. In the last few years companies have earned substantially greater profits, a large part of which were reinvested. Thus industry's reliance on bank credit for financing was notably diminished during 1954 and 1955. (See Table 12, Statistical Appendix.) In 1956, however, sharply rising investment requirements again forced industry to resort extensively to the banks for new financing despite high earnings and a record amount of capital raised in the market. Yet by comparison with 1953 most branches of industry have in recent years financed a larger proportion of their new equipment out of depreciation, retained savings and new capital. (See Table 13, Statistical Appendix.) All this has effected a slow but perceptible improvement in the various "financial ratios" of corporations - e.g., current ratio, debt equity ratio, etc. - although in the first half of 1956 there was a tendency toward reversal of this improvement as companies experienced a substantial increase in requirements for working and investment capital in order to sustain the sharp increase in output. (See Table 15, Statistical Appendix.)

22. Further improvement in corporate finances is unfortunately still retarded by certain interest and tax policies of the Government. The Government, for instance, has not permitted a sufficiently high interest rate on debentures to permit the development of an active market in such securities.

More important, the tax system places a premium on meeting investment requirements by borrowing, primarily from banks, rather than an increase in capital. In large part, for instance, individual income from interest is either exempt from taxation or lightly taxed at the source and does not, within certain limits, have to be added to global income for purposes of computing income tax liability, whereas dividend payments are subject first to the 40% corporate income tax and are then taxed again as part of the income of the individual recipient who must include dividends in his total income. In the last three years the government did stimulate share flotations by certain tax concessions which permitted companies issuing new stock to charge dividends on such new capital up to 10% during the following two-year period as expenses in computing their corporate tax liability. This concession, however, expired at the end of January 1957.

B. Current Situation and Prospects

Signs of Strain

23. While the economy has developed very favorably since 1953, some stresses and strains have become evident recently and it is probable that the rate of progress will slow up considerably in the years ahead. The balance of international payments has turned adverse and is likely to remain so for sometime. During the first quarter of 1957 foreign exchange reserves (net of liabilities of one year or less) fell by \$290 million to a level of \$1,023 million. (See Table 27, Statistical Appendix.) Provisional data point to a further decline of \$85 million in April and another substantial drop in May. In June, in order to cushion the drain on reserves, Japan drew \$125 million (50% of her quota) from the IMF and obtained \$115 million in short-term (9-months) credits from the U.S. Export-Import Bank for the purchase of U.S. agricultural products. Imports have been increasing very rapidly since the first quarter of 1956; and during most of this period the percentage by which exports have exceeded those of the corresponding period of the preceding year has been declining.

Table VII

FOREIGN TRADE BY QUARTERS, 1956-57

(in billions of yen)

Quarterly Period	Imports		Exports		Balance
	Total	Percent Change over Year Ago	Total	Percent Change over Year Ago	
1956 - I	24.92	/ 19.9	20.14	/ 23.0	- 4.78
- II	29.06	/ 25.3	21.64	/ 30.8	- 7.42
- III	29.69	/ 39.5	22.28	/ 20.8	- 7.41
- IV	32.59	/ 41.2	25.98	/ 18.5	- 6.61
1957 - I	38.35	/ 53.9	23.64	/ 17.4	-14.71

24. It has already been pointed out that the sharp rise in imports has been, in part, occasioned by the need to replenish depleted inventories.\* The rising trend of imports would not in itself be a cause for alarm if it were not for the fact that the demand for imports has also been caused by a rapidly mushrooming investment boom which could get out of hand and lead to a prolonged drain on the balance of payments by stimulating imports and reducing the incentive to export. The extent of the investment demand may be gauged by the fact that domestic orders for capital equipment placed with Japanese industry rose from ¥ 225.3 billion in 1955 to ¥ 501.2 billion in 1956. Moreover, in the second half of 1956 orders were almost twice as high as in the first half; and at the end of 1956 the total backlog of all orders stood at ¥ 617.9 billion as compared with ¥ 286.7 billion at the end of 1955. (See Table 16, Statistical Appendix.) Building, already at a high level in 1955, further increased in 1956, the value of new construction starts in that year attaining a level 30.8% higher than that of the previous year. From December 1955 to March 1957 the wholesale price indexes of capital goods and building materials rose by about 23%.

25. Rising imports and investment have greatly increased the demand for funds, producing a sharp increase in bank lending and renewed recourse to the Bank of Japan. In the fiscal year ended March 1957 loans and discounts of all banks rose by ¥ 1,043 billion as compared with ¥ 332 billion in the preceding year. Bank borrowings from the central bank, which amounted to only ¥ 27.3 billion at the end of March 1956, have more or less steadily risen ever since, reaching ¥ 276.3 billion at the end of March 1957. To a certain extent, however, the importance of this increase should be discounted, since large government surpluses have recently contributed to the tightness of money. During the fiscal year ended March 1957 the Treasury ran a surplus of ¥ 100.1 billion (exclusive of foreign exchange transactions) whereas in the preceding year it had excess payments of ¥ 106.7 billion.

26. It became apparent in the spring of 1957 that total demand and particularly investment demand would have to be severely curbed. The first step in this direction was hesitant and contradictory. On March 19 the Bank of Japan raised its interest rates by 0.365%, but at the same time this measure was virtually offset by a raising of the ceiling on the amounts of credit which commercial banks could obtain without becoming liable to a higher or penalty rate. More drastic measures were taken subsequently. On May 8 the Bank increased its loan and discount rates, except those applicable to export bills, by 0.73% to a level ranging between 8.4% and 9.49%; and the maximum rates which commercial banks were permitted to charge were raised on May 13. Additional steps were taken to tighten import credit. The authorization to utilize sterling lines of import credits which had previously extended to virtually all sterling imports was severely curtailed on May 13; and the period for which these credits could be used was cut from 120 days to 90 days. This measure forced Japanese importers to use more expensive domestic Japanese credits. Early in June the government sharply increased the amount of deposit which Japanese importers are required to make when receiving permits for all

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\*The ratio of the index of stockpiles of a number of important imported raw materials to the index of consumption of such materials reached a low of 73.7 (1953 average = 100) in February 1956, recovered to 90.7 in January 1957 and stood at 86.7 in February 1957.

imports except a limited range of essential raw materials and fuel. The deposit requirement was raised from a range of 1-5% of the value of the import to a range of 10-35%; and it was stipulated that this deposit should henceforth be made in the Bank of Japan instead of in the commercial banks, thus adding to the tightness of money.

27. Strict curbs on the supply of bank credit appear to be all the more necessary because it is unlikely that Treasury transactions with the public during the current fiscal year will show a significant surplus as in the last year. The budget for the current year which started on April 1, 1957, shows a 4.4% rise in expenditures, but if, as is usually the case, a supplementary budget is adopted, this increase will be larger. Owing to the marked buoyancy of tax revenues, the government decided to cut income taxes by ¥ 100 billion, offsetting this reduction, however, by an increase in other taxes to the extent of ¥ 32 billion. Because tax collections may well prove to be underestimated, the final accounts will probably approximate a balance. Nevertheless, the final outcome is unlikely to be as favorable as in the fiscal year 1956 when budget revenues greatly exceeded expectations.

28. In view of the inevitably delayed effect of the various measures taken to restrict credit and investment, the present drain on Japan's foreign exchange reserves may well continue, although at a diminishing rate, until the fall of the year. Whether these measures will prove to be wholly adequate to right the imbalance in international payments remains to be seen. However, the Ministry of Finance and the Bank of Japan are on the whole strongholds of financial conservatism and are both fully cognizant of the need to prevent a recurrence of inflation which would price Japanese exports out of the market. The city banks are also cautious and conservative in their outlook, although their basic concern to keep credit expansion under control is somewhat affected by the keen competition among them in accommodating business. Taking these factors into consideration as well as the past record (e.g. the effective action to stop the 1953 inflation) there is reason to believe that additional measures will be taken if necessary to halt the present drain on foreign exchange reserves.

#### Investment Requirements

29. In the absence of additional foreign borrowing some drain on the country's foreign exchange reserves has probably been inevitable. An expansion of investment has been and is undoubtedly necessary; the problem is to keep it within reasonable bounds. As indicated earlier in this report, the rise in production in recent years has tended to outpace the increase in investment. Certain bottlenecks have appeared which must be eliminated to permit further growth of the economy. Moreover, additional modernization of industrial plant and equipment is essential if Japan is to expand the area in which it is competitive in world markets. Among the principal bottlenecks which have emerged are steel, power and transport. Steel has been in such short supply that a considerable increase in imports has taken place while exports have fallen off sharply. The present annual production - about 12 million tons in terms of ingots - must be raised; and, in view of the world-wide shortage of scrap, this entails a disproportionately large expansion in blast furnace and converter capacity. Electric power facilities are being fully utilized; and

during the last winter the shortage of power, aggravated by low-water conditions, necessitated some reduction in industrial output, particularly in heavy power-consuming industries. Here too, substantially higher investment will be required in the next five years. The railways have found it increasingly difficult to cope with the growing volume of traffic, resulting in lengthening delays in moving the cargo offered. The Japan National Railways, a public corporation, has performed admirably in making the most of its equipment, but has been handicapped in financing required new investment during the postwar period by the excessively low level of rates and fares. A five-year investment program has now been adopted which will raise the annual investment to a total almost twice that in recent years. Additional investment in Japan's road system, which is quite sub-standard considering the development of the economy as a whole, also appears to be necessary.

30. Yet, many of the investment plans seem to be based on excessively sanguine expectations and would, if carried out, place too severe a strain on Japan's resources. Buoyed up by the experience of the last few years, many branches of industry appear to be basing their investment plans on the assumption that the rather extraordinary rate of expansion in the immediate past will continue into the future. Even the government-approved investment programs for the basic industries of power and steel are based on the expectation that national income will grow at a rate of 7% per year, with correspondingly higher rates of growth for manufacturing output.

#### Prospects of Growth

31. It is therefore important to arrive at a reasonable approximation of the rate of economic growth which Japan can sustain over the next five years. The Bank Mission reached the conclusion that the rate of increase in national income during this period is unlikely, on the average, to exceed five percent and may well range between 4 and 5 percent. In individual years, and particularly in the current year, it may well be higher. While this would still be a very creditable rate of expansion and would afford a considerable rise in the standard of living, considering the fact that the population is increasing at only about 1% per annum, it does imply a considerable reduction from the high rates in the last few years.

32. In Japan economic growth is dependent, above all, on further expansion of manufacturing. Mining output makes only a very small contribution to national income and is not likely to grow rapidly. The income from agriculture, forestry and fishing, which represents almost 20% of total national income, will probably not increase much more rapidly than the population. There is reason to believe, as was indicated by the Bank's agricultural mission to Japan in 1954, that agricultural output can still increase sufficiently over the next five to ten years to keep imports of foodstuffs on the average at the level which obtained in recent years. Additional land reclamation, a further extension of double cropping and some continued improvement in agricultural methods should make this possible.

33. After taking into account the probable expansion of the extractive (primary) industries, it is estimated that manufacturing output will need to grow at an annual average rate of 8 to 9% if total national income is

to rise at a rate between 4 and 5%. The possibility of sustaining such a growth will depend, above all, on Japan's capacity to pay for the necessary volume of imports of fuel and raw materials; and this in turn will depend on her ability to expand exports and on the development of some of the critical "invisible" items in Japan's balance of payments, particularly of the volume of expenditures by U.S. forces in Japan and of the balance of receipts and payments on freight account.

34. A projection of export earnings is always hazardous. On the one hand, there is the danger of repeating the past mistake of underestimating the prospective performance of the Japanese on the world market. On the other hand, the available evidence indicates that the expansion of exports is likely to slacken considerably, in terms of both the percentage increase and the absolute amounts. Exports of cotton fabrics, ships and steel, which were the three largest items and together accounted for 30% of the value of total exports in 1956, are likely to remain either stable or decline somewhat in five years. The sale of cotton fabrics, already very high, has already encountered restrictions in the United States and will probably be limited by the protected development of cotton textile industries in some countries. Exports of ships may well be higher in the current year and the next few years, but if the world ship building boom tapers off they may drop after 4 or 5 years. In steel, Japan will continue to be a relatively high cost producer. Moreover, it should be anticipated that the tight world supply situation which has prevailed in recent years will not continue indefinitely. Thus when the world supply situation eases, Japan is likely to encounter increasing difficulty in exporting. On balance, it seems a reasonable expectation that five years hence exports of cotton fabrics and ships may approximate recent levels, while exports of steel may be considerably lower. Exports of other capital goods which contributed 8.8% of exports in 1956, should continue to expand steadily, but the progress is unlikely to be spectacular because, for many of these items, Japan must still reduce costs and establish a reputation for quality and reliability. Prospects are reasonably good for railway rolling stock, cotton textile machinery and light electrical machinery and appliances such as small generating sets, electric fans, radios, tubes and light bulbs, where Japan has already established a good competitive position. On the other hand, the development of exports of such items as heavy power generating equipment, agricultural, mining and construction equipment is likely to proceed more slowly. The remaining exports, which include a large and well diversified number of items, should continue to increase rapidly as they have in the past. Among the many items where further sizeable gains may be expected are synthetic fabrics, chemical fertilizers, pharmaceuticals, plastics, chinaware, rubber manufactures, textile specialities, cement, optical instruments, cameras and toys.

35. Japan has demonstrated its capacity to export an ever widening range of articles, and given the ingenuity, perseverance and skill of the Japanese, this trend may be expected to continue. Moreover, foreign observers generally agree that, despite the progress made in the past, there is still ample opportunity for reduction of costs and improvement in quality which, when fully exploited, will further enhance the competitive position of Japanese industry in the foreign market. Altogether Japan should be able to raise its exports over the next five years from \$2,500 million to around \$3,100 million. This increase of about \$600 million, or say 25%, compares with an expansion of \$1,273 million or 96% from 1952 to 1956.

36. Major changes in the geographical and currency distribution of Japan's foreign trade are not expected. Essentially continuation of past trends could be expected. In trade with the dollar area, Japan over the long run should be able to increase her exports somewhat faster than imports, with a consequent gradual reduction in the trade deficit. Import of steel scrap, in particular, may be expected to level off and perhaps decline somewhat from recent levels. In non-dollar trade, there will be a continued decline in trade under open account agreements and a rise in trade on cash basis, mostly in sterling. It is difficult to forecast the future development of trade with mainland China. There may be some increase above 1956 levels, when this trade accounted for slightly less than 1% of Japan's exports and imports, but China is not likely to be dependable as a source of supply of imports or as a market for Japanese exports. Recent attempts to expand this trade (for example, through the importation of Chinese coal) have proved difficult, and the results have been generally unsatisfactory from Japan's point of view. Thus it is doubtful that mainland China will account for a substantial portion of Japan's foreign trade in the foreseeable future.

37. When the prospective development of the invisibles on current international account is considered, it seems not unlikely that the further growth of the merchant marine will enable Japan to wipe out in five years' time the present deficit of nearly \$170 million on freight. A projection of U.S. forces' expenditures is extremely difficult, since the future policies of both Japan and the U.S. regarding the defense of Japan cannot be predicted. However, it seems probable that the U.S. will maintain considerable forces in Japan for some time to come. Moreover there will most likely continue to be a substantial amount of procurement to meet the requirements of U.S. forces in Okinawa and Korea. At the same time it would be excessively optimistic (from Japan's standpoint) to expect that the level of expenditures will remain at the present total of about \$500 million. It has therefore been assumed rather arbitrarily, that these expenditures may decline over the next five years to a figure ranging between \$400 and \$250 million. Taking into consideration other possible changes on invisible account, it is estimated that the whole invisible account may either deteriorate by around \$75 million or improve by \$75 million, depending on the range of U.S. forces' expenditures. This estimate, combined with the projection of export earnings, would indicate that Japan would have the resources, in five years' time, to finance an increase in imports of between \$525 and \$675 million. Since the 1956 value of imports on an f.o.b. basis (previous figures cited were on a c.i.f. basis) amounted to \$2,600 million, imports by 1961 could rise to between \$3,125 and \$3,275 million (20-26%).

38. This projected increase in imports should be able to sustain an approximately similar rise in gross national product. While the degree of dependence of the manufacturing industries, particularly the metal industries, on imported raw materials will increase substantially and imports of petroleum and petroleum products will probably at least double over the next five years, the proportion of total imports to national output is unlikely to rise significantly over this period. Food imports, which accounted for about 20% of imports during the last two years, may well remain at approximately the present level. Similarly, imports of chemicals, machinery and equipment

and other manufactures (except metals), which comprised around 12% of Japan's imports in 1956, will probably not increase substantially, partly because they already rose to a very high level in 1956 and partly because the further development and technical improvement of Japanese manufacturing is likely to make some imports of capital equipment unnecessary.

39. Japan's total external indebtedness at the beginning of 1957 amounted to the equivalent of \$1,309 million, of which \$519.6 million was payable in foreign exchange and the remainder in goods and yen. Of the debt payable in foreign exchange, \$185 million is scheduled to be repaid over the next five years (see Table 28, Statistical Appendix). The current debt service burden is fairly modest, amounting in 1956 to about 2.3% of total gross foreign exchange earnings (3.4% of export earnings). Many countries have demonstrated their capacity to carry a considerably larger debt service in relation to their foreign exchange earnings. However, Japan should be somewhat more cautious than many other countries in limiting the size of her debt service obligations because: (1) most of her exports are of a type which are vulnerable to restrictions adopted by other countries either to protect their markets from competition or to overcome balance of payments difficulties and (2) almost 90% of her imports consist of foodstuffs, raw materials and fuel the requirements for which are likely to prove quite inflexible. There is also the contingency that Japan will settle her reparation obligations with Indonesia and Vietnam and make a settlement of her GARIOA debt (for postwar supplies) with the U.S. After allowing for these factors Japan could still prudently contract a sizeable volume of new debt to help relieve the strain which additional essential investment in certain basic facilities and industries is likely to impose on Japan's resources over the next few years.

40. This judgment, of course, assumes that serious inflation will be avoided. In view of the periodic recurrence of inflation during the postwar period and the current strain on Japan's resources, this danger cannot altogether be discounted. As previously pointed out, however, the Ministry of Finance and the Bank of Japan are both intent upon preventing inflation. They have so far resisted pressures to ease significantly the tightness of money resulting from the increased demand for investment funds and the growing import surplus; and the measures they have taken to check the expansion of bank credit are an earnest of their intention to insist on financial stability.

41. With the above provisos concerning the total debt burden and the avoidance of inflation, Japan could reasonably contract most of any new external indebtedness in dollars. Japan's trade and balance of payments position with the dollar area has strengthened appreciably in the past few years. Dollar export earnings have risen from 31% of total export earnings in 1952 to 44% in 1956, while dollar imports have declined from 60% of total imports to 53%. On an overall receipts and payments basis, the proportion of dollar receipts has remained approximately stable at about 57%, while the proportion of dollar payments has declined from 58% in 1952 to 49% in 1956. It may be reasonably assumed that a further gradual improvement in the dollar position will take place in the years ahead, although it is likely to take a considerable length of time before Japan would be able, without severe import

restrictions, to balance her dollar income and payments exclusive of the receipts from U.S. military expenditures. In view of the currency distribution of Japan's balance of payments, and particularly the uncertainty with respect to U.S. military expenditures, it would be desirable for Japan to obtain at least a part of future foreign loans in non-dollar currencies.

STATISTICAL APPENDIX TABLES

Table 1

NATIONAL ACCOUNTS DATA BY FISCAL YEARS

(in billions of yen)

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u> <sup>1/</sup>
<b>NATIONAL INCOME</b>						
<b>BY DISTRIBUTIVE SHARES</b>						
At current prices	4,535.3	5,195.4	5,822.4	6,123.5	6,794.8	7,610.0
At constant price (index 1951 = 100)	100	111.6	116.8	120.6	133.5	149.5
At constant price per capita (index 1951 = 100)	100	110.4	113.7	116.4	127.0	140.8
<b>PERSONAL DISPOSABLE INCOME</b>						
(current prices)	3,731.6	4,473.8	4,962.6	5,426.2	6,047.7	n.a.
Percentage saved	18.2	17.7	12.4	13.3	16.8	n.e.
<b>GROSS NATIONAL PRODUCT</b>						
(current prices)	5,471.1	6,109.4	7,075.7	7,424.2	8,188.9	9,151.0
Gross domestic investment	1,682.1	1,658.3	1,965.8	1,732.4	2,150.7	2,690.0
Percent of GNP	30.7	27.1	27.8	23.3	26.2	29.4
Gross public investment	424.2	471.3	622.5	561.2	737.0	695.0
Gross private investment	1,257.9	1,187.0	1,343.3	1,171.2	1,413.7	1,995.0
Personal residential construction	56.2	75.9	102.6	99.6	119.3	n.a.
Producers' durable equipment	617.3	726.3	827.2	797.8	843.4	n.a.
Changes in business inventories	584.4	384.8	413.5	273.8	451.0	n.a.
Consumption expenditures	3,579.6	4,371.6	5,122.4	5,561.6	5,896.9	6,447.0
Private	3,058.6	3,690.0	4,354.5	4,715.8	5,039.6	5,513.0
Government	521.0	681.6	767.9	845.8	857.3	934.0
Surplus on current international account	209.4	79.5	- 12.5	130.2	141.3	14.0
Net domestic investment	1,384.4	1,283.3	1,497.1	1,179.4	1,513.6	1,999.0
Percent of national income	30.5	24.7	25.7	19.3	22.3	26.3

<sup>1/</sup> Estimate

Source: Economic Planning Board

TABLE 2

SAVINGS INDICATORS: INCREASE IN DEPOSITS AND SAVINGS

(in billions of yen)

Fiscal Year	Bank Deposits <sup>1/</sup>	Mutual Loans and Savings <sup>1/</sup> Banks <sup>1/</sup>	Money in Trust	Postal Savings	Post-Office Life Insurance & Annuities <sup>2/</sup>	Welfare Insurance <sup>3/</sup>	Life & Non-Life Insurance <sup>4/</sup> Companies <sup>4/</sup>	Other Financial Institu- tions <sup>1/</sup>	Invest- ment in Secur- ities <sup>5/</sup>	Total Increase	
										Including Investment in Securities	Excluding Investment in Securities
1951	391.4	36.5	33.5	46.2	21.0	16.4	24.5	66.4	67.6	703.5	635.9
1952	450.7	46.2	68.1	65.9	27.2	17.2	30.5	87.8	107.2	900.7	893.5
1953	319.2	72.2	57.5	88.3	37.9	16.8	40.5	101.6	154.4	888.3	733.9
1954	344.0	31.7	47.0	100.1	48.7	27.4	46.9	59.5	121.5	826.6	705.1
1955	517.5	35.2	95.1	83.1	58.4	31.5	62.9	99.1	85.7	1,068.4	982.7

Source: Bank of Japan. While overlapping among constituent items has been eliminated as far as possible, there is some duplication, particularly between the increase in investment in securities and some of the other items.

- <sup>1/</sup> Total deposits less current deposits, government deposits, deposits with other financial institutions and loans on deposits.  
<sup>2/</sup> Investments.  
<sup>3/</sup> Deposits with Trust Fund Bureau  
<sup>4/</sup> Total funds employed excluding deposits with other financial institutions.  
<sup>5/</sup> Total increase in government bonds, corporate debentures and stocks less changes in holdings of government and financial institutions and loans on securities from financial institutions.

Table 3

INDEXES OF INDUSTRIAL PRODUCTION

(1934-36 average = 100)

<u>Year</u> <u>(av.)</u>	<u>Industrial</u> <u>Production</u>	<u>Manufacturing Production</u>						
		<u>Total</u>	<u>Durables</u>			<u>Non-durables</u>		
			<u>Total</u>	<u>Metals</u>	<u>Machinery</u>	<u>Total</u>	<u>Chemicals</u>	<u>Textiles</u>
1952	126.4	128.2	171.8	154.2	205.1	104.5	168.5	66.2
1953	155.1	159.7	209.9	183.5	266.5	131.8	216.6	76.5
1954	166.9	173.8	213.2	192.3	257.4	150.3	267.2	81.9
1955	180.7	189.4	226.6	218.9	249.9	168.0	317.4	85.9
1956	219.7	231.3	303.1	265.9	396.9	191.4	367.9	100.0
Mar.1956	200.1	212.8	266.3	255.6	312.7	181.6	357.2	90.0
Mar.1957	240.0	254.8	335.8	315.8	413.6	209.8	421.1	105.2

Source: Economic Planning Board

Table 4

## OUTPUT OF SOME PRINCIPAL PRODUCTS

<u>Year</u>	<u>Electric Power</u> (mil. KWH)	<u>Coal</u> (1000 MT)	<u>Pig Iron</u> (1000 MT)	<u>Steel Ingots</u> (1000 MT)	<u>Steel Ordinary Rolled</u> (1000 MT)	<u>A.C. Generators</u> (1000 KVA)	<u>Steel Vessels Started</u> (1000 GT)	<u>Cement</u> (1000 MT)	<u>Ammonium Sulphate</u> (1000 MT)	<u>Soda Ash</u> (1000 MT)	<u>Dyestuffs</u> (M.T.)	<u>Cotton Fabrics</u> (mil. sq.yds.)	<u>Rayon Fabrics</u> (mil. sq.yds.)
1951	41,434	43,312	3,127	6,502	4,807	606.6	576.8 <sup>1/</sup>	6,548	1,593.7	227.7	14,117	2,179.4	487.4
1952	44,010	43,359	3,474	6,988	4,874	889.3	644.7 <sup>1/</sup>	7,118	1,860.1	202.4	13,935	2,238.8	497.2
1953	47,296	46,531	4,518	7,662	5,419	1,583.4	558.7	8,768	1,935.4	277.0	19,317	2,810.6	575.4
1954	50,116	42,718	4,608	7,750	5,593	1,570.6	464.6	10,675	2,074.7	308.8	17,514	3,183.6	659.6
1955	53,504	42,423	5,217	9,408	6,932	1,620.5	1,072.1	10,557	2,128.9	330.4	20,305	3,018.1	773.8
1956	61,434	46,555	5,987	11,106	8,186	930.7	1,981.0	13,024	2,322.6	379.4	22,341	3,479.6	920.7

<sup>1/</sup> Fiscal year

Source: Bank of Japan

Table 5

AGRICULTURAL PRODUCTION: MAJOR CROPS

(in million kokus; 1 koku = 5.01 bushels<sup>1/</sup>)

<u>Year</u>	<u>Rice</u> <u>(Brown)</u>	<u>Wheat</u>	<u>Barley</u>	<u>Naked</u> <u>Barley</u>	<u>Sweet</u> <u>Potatoes</u>	<u>White</u> <sup>2/</sup> <u>Potatoes</u>	<u>Green</u> <u>Soya</u> <sup>2/</sup> <u>Beans</u>	<u>Dried</u> <u>Soya</u> <u>Beans</u>	<u>Tea</u> <sup>2/</sup>	<u>Silk</u> <sup>2/</sup> <u>Cocoons</u>
1952	66.15	9.43	11.23	6.91	1.65	670.62	11.64	4.04	15.24	27.55
1953	54.92	8.43	10.03	6.35	1.44	644.04	12.31	3.33	15.06	24.82
1954	60.76	9.30	11.07	8.46	1.39	731.56	11.66	2.91	18.09	26.75
1955	79.03	9.01	10.72	8.06	1.91	775.45	11.77	3.93	19.42	30.50
1956	69.76	10.05	10.41	8.71	1.89	720.84	10.41	3.53	15.77	28.84

<sup>1/</sup> One koku of rice = 146.2 kg.; of wheat, 136.9 kg.; of barley, 108.8 kg.

<sup>2/</sup> In millions of kan (One kan = 3.75 kg.)

ESTIMATED LIVESTOCK PRODUCTION

(metric tons)

	<u>MEAT</u>				<u>MILK</u>
	<u>Beef</u>	<u>Veal</u>	<u>Horse</u>	<u>Pork</u>	
1952	71,121	1,690	15,653	78,443	3,116
1953	80,124	2,188	22,777	93,214	3,796
1954	84,204	3,184	23,986	73,727	4,952
1955	130,184	8,405	20,855	82,302	5,333
1956	135,836	9,619	24,778	103,502	6,152

FISH AND WHALE CATCH

FISH AND OTHER AQUATIC PRODUCTS

(in million Kan)

<u>Year</u>	<u>Fish</u>	<u>Shell-fish</u>	<u>Seaweed</u>	<u>Other</u>	<u>Number</u> <u>Caught</u>	<u>Whale</u>
						<u>Whale Oil</u> <u>Output (M.T.)</u>
1951	682.8	38.4	47.5	166.4	7,425	50,072
1952	880.3	59.8	89.6	211.8	6,540	43,506
1953	877.7	84.6	81.1	162.9	8,204	53,746
1954	876.6	83.2	84.6	167.3	11,329	85,910
1955	959.9	88.8	89.3	171.9	12,372	94,781

Source: Ministry of Agriculture, Forestry and Fisheries

Table 6

LABOR FORCE AND EMPLOYMENT

(in thousands)

<u>End of Period</u>	<u>Population 14 yrs. old &amp; over</u>	<u>Labor Force</u>	<u>Unemployed</u>	<u>Total</u>	<u>Employed</u>				
					<u>Fisheries, Forestry, Agri- culture</u>	<u>Mining</u>	<u>Con- struc- tion</u>	<u>Manu- factur- ing</u>	<u>Other</u>
1952	57,570	39,380	470	38,900	16,370	590	1,670	7,180	13,090
1953	58,800	39,110	310	38,800	16,130	570	1,900	7,090	13,120
1954	59,640	39,230	600	38,640	15,030	710	1,610	7,180	14,100
1955	61,350	41,410	570	40,840	15,620	520	2,070	7,890	14,730
1956	63,210	42,330	560	41,770	15,090	630	1,980	7,820	16,270

\*Of the total increase in this category since the end of 1952, transportation, communications and other public utilities accounted for 7%; government for 4.1%; trade, finance and services for 87.1%; and miscellaneous for 1.9%.

Source: Prime Minister's Office. Figures are based on stratified sampling.

Table 7

FLUCTUATIONS IN BANK CREDIT AND TREASURY TRANSACTIONS

(in billions of yen)

<u>Fiscal Year</u>	<u>Change in Bank Loans &amp; Discounts</u>	<u>Change in Bank of Japan Loans &amp; Discounts</u>	<u>Treasury Surpluses (✓) or Deficits (-) in Transactions with the Public</u>	
			<u>Excluding Foreign Exchange Fund</u>	<u>Including Foreign Exchange Fund</u>
1953	✓ 434.7	✓ 98.0	-34.9	✓ 94.9
1954	✓ 230.6	- 213.2	-116.1	- 190.2
1955	✓ 331.8	- 235.3	-106.7	- 276.6
1956	✓1,042.8	✓ 240.7	✓ 100.1	✓ 163.4

Table 8

PUBLIC EXPENDITURES AND REVENUES

(millions of yen)

	<u>Settled Accounts</u>			<u>Estimates</u>	
	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>
<u>National Government Budget</u>					
<u>Revenue</u>					
Tax and stamp	782,818	798,402	795,958	879,717 <sup>1/</sup>	946,915
Government monopolies	159,703	125,654	114,276	112,713	118,267
Others	71,637	59,149	71,854	59,158	53,151
Total	1,014,228	983,205	982,088	1,051,588	1,118,333
<u>Expenditures</u>					
Administration	801,102	745,566	749,174	817,837	864,075
Military & defense	155,093	154,699	135,968	140,765	141,165
Annuities & pensions	16,112	100,235	88,809	92,520	96,063
National debt	44,857	40,262	44,218	38,530	36,161
Total	1,017,164	1,040,761	1,018,169	1,089,652	1,137,465
<u>Balance</u>	- 2,936	- 57,556	- 36,081	- 38,064	- 19,132
<u>Local Government Budgets</u>					
<u>Revenue</u>					
Taxes	336,053	366,778	381,489 <sup>2/</sup>	397,684	
Other receipts <sup>3/</sup>	89,600 <sup>2/</sup>	107,800 <sup>2/</sup>	129,657 <sup>2/</sup>	134,858	
Total	425,653	474,578	511,146	532,542	
<u>Expenditures</u>	618,900	710,900	567,400 <sup>2/</sup>	602,800	
<u>Balance</u>	- 193,247	- 256,322	- 56,254 <sup>2/</sup>	- 70,258	
<u>Total Expenditures</u>	1,636,100	1,751,600	1,580,700	1,637,800	
As percentage of national income	28.1	28.6	23.3	23.5	

<sup>1/</sup> Actual tax and stamp revenue was apparently about ¥ 57 billion higher<sup>2/</sup> Estimates<sup>3/</sup> Excluding money raised by bond issues.

Source: Ministry of Finance

Table 9

NATIONAL GOVERNMENT DEBT

(in billions of yen)

<u>Classification of Debt</u>	<u>End of Fiscal Year</u>				
	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Bonds					
Domestic	335.2	445.0	440.9	425.8	409.3
Foreign	102.3	98.5	94.6	88.8	73.7
Total	437.5	543.6	535.5	514.7	483.0
Short-term bills					
Food bills	147.1	195.1	194.1	310.0	329.8
Foreign Exchange Fund bills	132.0	45.0	140.0	145.0	80.1
Total	279.1	240.1	334.1	455.0	409.9
Other borrowing	110.1	67.4	63.1	87.4	96.6
Grand Total	826.7	851.1	932.7	1,057.1	989.5
<u> Holders of Debt</u>					
Government	268.8	260.8	55.1	78.1	93.4
Bank of Japan	238.4	198.9	492.8	570.7	518.7
Others	319.5	391.4	384.8	408.3	377.4

Source: Bank of Japan

Table 10

BALANCE OF TREASURY TRANSACTIONS WITH THE PUBLIC

(in 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>
1952	/193.7	-172.7	-18.6	/2.4	/21.0
1953	/141.5	-176.4	/129.8	/94.9	-34.9
1954	/43.3	-159.4	-74.1	-190.2	-116.1
1955: <u>Total</u>	<u>/61.3</u>	<u>-168.0</u>	<u>-169.9</u>	<u>-276.6</u>	<u>-106.7</u>
First quarter	-15.3	-1.2	-31.4	-47.9	-16.5
Second quarter	/38.9	-51.3	-51.2	-63.6	-12.4
Third quarter	-31.9	-198.0	-52.5	-282.4	-229.9
Fourth quarter	/69.6	/92.5	-34.8	/127.3	/162.1
1956: <u>Total</u>	<u>/200.3</u>	<u>-100.2</u>	<u>/63.3</u>	<u>/163.4</u>	<u>/100.1</u>
First quarter	-8.8	/27.6	-9.4	/9.4	/18.8
Second quarter	/73.0	-36.7	-2.0	/34.3	/36.3
Third quarter	/15.6	-155.9	-1.3	-141.6	-140.3
Fourth quarter	/120.5	/64.7	/76.1	/261.3	/185.2

Source: Bank of Japan

Table 11

MONEY SUPPLY AND PRICES

<u>End Period</u>	<u>MONEY SUPPLY</u> (in billions of yen)			<u>PRICE INDEXES</u> (average)		
	<u>Currency with Public</u>	<u>Deposit Currency</u> <sup>1/</sup>	<u>Total</u>	<u>Wholesale Prices All</u>	<u>Capital Goods</u>	<u>Consumer Prices</u>
1952	540.8	248.8	789.6	100.0	100.0	100
1953	592.1	278.1	870.2	100.4	104.0	106.6
1954	585.3	261.7	847.0	99.7	103.1	113.4
1955	625.2	316.2	941.4	97.9	101.3	112.2
1956	718.7	387.3	1,106.1	102.2	115.6	112.8
1956-March	521.7 <sup>2/</sup>	269.5 <sup>2/</sup>	791.2 <sup>2/</sup>	101.3	111.3	111.8 <sup>2/</sup>
1957-March	602.1 <sup>2/</sup>	307.2 <sup>2/</sup>	909.3 <sup>2/</sup>	106.6	127.1	115.7 <sup>2/</sup>

<sup>1/</sup> As defined by the Bank of Japan; current deposits less checks and bills held by financial institutions.

<sup>2/</sup> February.

Source: Bank of Japan

Table 12

SOURCES OF INCREASES IN INDUSTRIAL FINANCING

(in billions of yen)

Year	Grand Total	External Funds						Companies' Own Funds		
		Shares	Debentures	Total Loans and Discounts	Private Financial Institutions	Government Financial Institutions <sup>1/</sup>	Other Government Funds <sup>2/</sup>	Total	Depre- ciation	Retained Profits
1951	859.3	69.6	36.0	753.7	640.2	54.7	59.4	496.2	210.8	285.4
	(227.5)	(41.0)	(32.3)	(154.2)	(89.2)	(5.8)	(59.1)			
1952	1,022.7	122.3	37.0	863.3	796.5	-3.6	70.4	447.5	287.4	160.1
	(300.0)	(82.5)	(33.0)	(184.5)	(81.2)	(33.2)	(70.1)			
1953	1,064.8	165.8	41.3	857.7	735.8	111.7	10.1	660.5	368.2	292.3
	(362.9)	(102.4)	(35.3)	(225.1)	(125.9)	(92.0)	(7.2)			
1954	613.1	142.1	18.4	452.6	405.2	29.9	17.5	618.7	417.0	201.7
	(302.5)	(84.0)	(16.3)	(202.2)	(121.4)	(79.6)	(1.2)			
1955	679.2	97.5	26.5	555.2	466.2	65.8	23.3	724.6	490.6	234.0
	(210.0)	(60.8)	(22.3)	(126.8)	(73.0)	(38.7)	(15.2)			
1956	1,498.8	258.4	57.6	1,182.8	1,087.7	61.0	34.1			
	(473.0)	(168.7)	(50.4)	(253.9)	(210.2)	(31.8)	(11.9)			

<sup>1/</sup> Including special foreign exchange loans by the Bank of Japan<sup>2/</sup> Including funds of the Trust fund Bureau, counterpart Fund and certain special investment amounts.

Source: Bank of Japan. Figures in parentheses denote funds devoted to the financing of new equipment.

Table 13

SOURCES OF NEW FINANCING BY INDUSTRY  
(Percentage)

Industry	Share and bond issues, retained profits and depreciation reserves	Share issues, retained profits and depreciation reserves
Electric Power		
1953	37.1	27.0
1954	37.2	30.7
1955	36.0	28.0
1956	49.4	29.0
Coal Mining		
1953	58.6	53.3
1954	57.4	55.1
1955	45.8	44.2
1956	76.6	72.9
Other Mining		
1953	65.8	51.9
1954	71.0	58.3
1955	67.3	60.1
1956	77.8	67.5
Iron and Steel		
1953	41.3	29.1
1954	44.5	30.5
1955	59.5	43.5
1956	74.1	71.6
Non-ferrous Metals		
1953	51.0	47.1
1954	62.5	56.4
1955	71.2	64.4
1956	70.7	68.3
Petroleum		
1953	54.2	52.4
1954	68.8	66.1
1955	71.2	68.6
1956	52.5	51.0
Machinery		
1953	52.4	48.3
1954	67.1	60.2
1955	67.3	61.0
1956	70.8	61.9
Chemical		
1953	61.8	56.2
1954	57.4	51.9
1955	57.6	53.5
1956	53.4	53.4
Textiles		
1953	67.7	60.3
1954	73.4	66.9
1955	74.0	67.2
1956	61.6	55.6

Table 14

CAPITAL RAISED IN MARKET

(in millions of yen)

<u>Year</u>	<u>Shares</u>	<u>Bank Debentures</u> <sup>1/</sup>	<u>Corporate Debentures</u> <sup>1/</sup>	<u>Total Debentures</u> <sup>1/</sup>	<u>Grand Total</u>
1952	127,279	60,348	37,047	97,395	224,674
1953	180,111	75,994	39,194	115,188	295,299
1954	153,668	55,605	18,404	74,009	227,677
1955	111,629	58,556	26,581	85,137	196,766
1956	254,426	48,278	57,564	105,842	360,268

<sup>1/</sup> Net of redemptions

Source: Ministry of Finance and Industrial Bank of Japan.

Table 15

CORPORATE FINANCIAL RATIOS

	Last Half <u>1953</u>	First Half <u>1954</u>	Second Half <u>1954</u>	First Half <u>1955</u>	Second Half <u>1955</u>	First Half <u>1956</u>
QUICK ASSETS: CURRENT LIABILITIES						
All industry	53.09	50.94	54.15	58.04	57.41	55.10
Electric power	50.55	38.35	57.70	58.36	58.34	40.18
Manufacturing	51.37	50.21	53.24	56.82	56.25	54.29
Iron and steel	44.20	42.51	47.53	51.03	52.01	49.31
CURRENT ASSETS: CURRENT LIABILITIES						
All industry	112.66	111.40	113.68	115.17	116.09	112.36
Electric power	95.46	82.52	100.48	100.81	93.90	73.23
Manufacturing	122.60	121.14	123.17	125.24	126.78	123.88
Iron and steel	118.24	116.70	118.89	120.71	126.38	129.32
DEBT: EQUITY (Liabilities: Net Worth)						
All industry	175.18	156.66	151.36	156.81	163.38	169.79
Electric power	91.58	75.77	80.17	87.83	97.03	104.81
Manufacturing	157.09	152.24	144.65	143.50	149.61	153.77
Iron and steel	188.68	180.08	164.90	158.64	157.95	150.90
CURRENT LIABILITIES: NET WORTH						
All industry	125.56	108.72	102.55	103.81	107.14	113.64
Electric power	17.14	14.16	12.55	12.67	13.64	17.81
Manufacturing	128.27	123.41	114.85	111.78	114.57	119.30
Iron and steel	144.33	134.82	118.77	116.01	110.97	106.64
NET PROFIT: NET WORTH (after taxes)						
All industry	8.57	6.33	4.86	5.78	6.84	8.20
Electric power	1.73	1.78	1.61	1.99	2.17	2.06
Manufacturing	12.98	8.90	6.54	7.00	8.51	10.28
Iron and steel	5.07	0.14	0.62	3.17	5.51	8.51
NET PROFIT: PAID-IN CAPITAL (after taxes)						
All industry	33.01	24.69	18.99	21.27	23.96	28.11
Electric power	16.69	15.36	14.43	15.21	16.34	14.71
Manufacturing	46.46	31.75	22.45	22.98	26.97	32.70
Iron and steel	21.70	0.57	2.59	12.74	20.13	30.58
DIVIDEND: NET PROFIT (after taxes)						
All industry	43.79	51.85	60.92	58.56	55.49	50.06
Electric power	71.02	78.12	83.18	78.86	73.42	81.59
Manufacturing	40.29	47.65	56.83	56.10	52.69	47.09
Iron and steel	45.51	57.61	72.20	50.63	48.87	37.79

Source: Bank of Japan

Table 16

ORDERS RECEIVED BY JAPANESE INDUSTRY FOR MACHINERY AND SHIPS

(in billions of yen)

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Total orders	204.6	217.0	254.9	255.2	370.4	705.7
Excluding ships	132.7	158.5	190.4	186.7	104.4	422.3
Orders for account of						
Export and special procurement			28.8 <sup>1/</sup>	54.6	145.1	204.5
Government and public bodies			44.4 <sup>1/</sup>	52.2	38.3	55.4
Private domestic			162.0 <sup>1/</sup>	148.4	197.0	445.8
Unfilled orders - end of period			144.3 <sup>1/</sup>	151.9 <sup>1/</sup>	339.3 <sup>1/</sup>	617.9

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<sup>1/</sup> Fiscal year.

Source: Economic Planning Board

Table 17

VALUE OF CONSTRUCTION STARTS

(in billions of yen)

<u>Calendar Year</u>	<u>Total</u>	<u>Reinforced Concrete and Steel Frame</u>	<u>Private Residential</u>
1951	170.8	57.1	67.7
1952	210.5	51.6	98.6
1953	269.9	83.1	127.1
1954	294.9	97.2	139.4
1955	292.4	96.4	142.8
1956	382.4	149.2	183.5

Source: Ministry of Construction

TABLE 18  
PRINCIPAL EXPORTS

(Quantity in thousands of unit; value in millions of US\$)

Commodity	Unit	1952		1953		1954		1955		1956	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Cotton Fabrics	SY <sup>a</sup> /	746.8	175.3	914.0	179.2	1,278.1	252.3	1,138.8	229.9	1,262.0	266.6
Ships and Boats	No.	414	10.9	293	95.7	462	52.0	348	78.2	786 <sup>b</sup> /	259.9
Iron and Steel	MT	1,632.9	263.1	843.5	139.5	1,183.0	166.4	1,988.5	259.5	1,295.5	223.4
Synthetic Fabrics	SY <sup>a</sup> /	303.3	66.1	380.6	75.4	583.4	109.3	895.6	154.7	1,165.8	221.9
Clothing	LBC <sup>c</sup> /	n. a.	37.6	19.9	37.5	34.6	56.0	67.3	134.4	75.9	122.6
Fish & Fish Preparations	MT	99.9	45.5	121.3	60.7	140.7	74.2	155.1	75.6	196.5	120.6
Textile Yarn and Thread	LBC <sup>c</sup> /	62.7	52.3	68.0	51.9	100.6	83.6	99.1	73.6	95.0	71.6
Toys and Games	MT	n. a.	16.1	24.9	23.5	33.9	32.1	48.2	43.1	65.8	60.7
Pottery and Glassware	MT	n. a.	33.5	91.4	34.0	101.5	40.9	128.9	50.4	152.0	59.1
Electrical Mach. & Appliances	MT	n. a.	18.6	11.6	14.9	17.9	23.0	29.0	30.9	40.8	50.8
Chemical Fertilizers	MT	231.0	15.8	612.2	32.8	714.7	37.0	762.5	41.7	918.4	49.6
Plywood	SM <sup>d</sup> /	5.4	3.0	14.6	9.5	41.2	25.5	58.5	36.5	n. a.	42.7
Cement	MT	798.4	17.8	795.3	17.1	904.6	19.0	1,206.2	22.5	2,111.7	38.0
Textile Machinery	MT	26.6	21.3	22.1	16.5	60.2	45.5	30.1	26.6	30.0	36.7
Woolen and Worsted Fabrics	SY <sup>a</sup> /	1.1	1.8	5.0	6.8	12.1	16.8	17.8	27.8	22.3	33.4
Railway Vehicles	MT	45.5	7.2	14.8	9.3	14.1	8.0	67.7	21.7	70.6	28.6
Silk Fabrics	SY <sup>a</sup> /	31.4	12.5	17.9	8.7	25.9	13.6	30.0	15.7	47.9	25.2
Rubber Manufactures	MT	n. a.	4.5	4.4	5.6	7.5	8.1	11.9	12.1	21.2	22.5
Motor Vehicles	MT	n. a.	4.8	5.2	5.6	7.2	6.4	11.7	10.4	16.6	17.3
Optical Instruments	KG	n. a.	6.9	1,056.3	7.7	1,409.0	9.6	2,043.4	13.1	2,683.2	16.6
Photographic Equipment	KG	n. a.	3.0	309.3	5.9	352.0	5.8	572.2	7.8	1,090.2	13.5
Power Generating Machinery	MT	n. a.	6.1	4.3	4.7	4.6	5.8	6.7	5.9	7.2	8.2
Mining & Construction Mach.	KG	3,723.7	2.3	1,714.0	1.0	2,619.5	1.4	9,081.7	6.4	7,820.0	5.2
Machine Tools	MT	1.2	1.0	1.1	1.1	1.4	1.5	1.5	2.0	1.6	1.4
Agricultural Mach. & Implements	KG	832.9	0.6	1,266.0	1.4	960.0	1.3	1,115.1	1.4	1,043.7	1.0
Other Exports	-	-	445.3	-	428.8	-	533.9	-	628.2	-	703.5
Total	-	-	1,272.9	-	1,274.8	-	1,629.3	-	2,010.6	-	2,500.6

- <sup>a</sup>/ Million square yards  
<sup>b</sup>/ 1,163,801 gross tons  
<sup>c</sup>/ Million pounds  
<sup>d</sup>/ Million square meters

TABLE 19  
IMPORTS BY COMMODITY GROUPS AND SELECTED COMMODITIES, QUANTITY AND VALUE

(Quantity in thousands of unit - value in million U.S. dollars)

Group and Commodity	Unit	1952		1953		1954		1955		1956	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<u>Food - Total</u>	-	-	<u>595.2</u>	-	<u>604.1</u>	-	<u>643.3</u>	-	<u>611.2</u>	-	<u>548.8</u>
Wheat, unmilled	MT	1,661.8	156.1	1,686.5	139.0	2,187.1	168.0	2,287.5	167.4	2,277.0	165.3
Rice - Total	MT	978.5	184.4	1,079.1	214.8	1,432.3	250.9	1,246.4	196.7	759.6	108.3
Barley, unmilled	MT	945.8	84.4	705.9	60.6	763.7	51.1	576.4	39.9	922.4	62.0
Maize, unmilled	MT	66.9	6.1	186.7	14.6	194.9	14.4	342.6	25.9	344.8	25.5
Wheat Flour	MT	8.9	1.1	24.1	3.1	28.3	3.1	32.6	3.2	45.9	4.4
Raw Sugar	MT	682.5	92.4	1,046.9	115.0	1,011.9	107.6	1,062.6	114.4	1,192.6	126.7
<u>Beverages &amp; Tobacco - Total</u>	--	-	<u>22.5</u>	-	<u>20.9</u>	-	<u>10.5</u>	-	<u>13.8</u>	-	<u>9.5</u>
<u>Crude Materials, inedible except</u>											
<u>Fuel - Total</u>	-	-	<u>966.8</u>	-	<u>1,154.2</u>	-	<u>1,125.9</u>	-	<u>1,225.8</u>	-	<u>1,710.4</u>
Oilseeds, Nuts & Kernels	MT	276.6	238.6	605.1	80.3	713.1	96.8	1,135.1	147.0	1,039.4	134.8
Rubber, Crude (incl. Synth. & Reclaimed)	MT	80.5	49.4	127.4	50.3	100.9	43.2	109.1	74.7	139.1	88.6
Wood	CM	-	15.7	1,643.2	44.5	1,869.0	48.0	2,051.9	61.8	2,586.0	81.1
Sulphite Rayon Pulp	MT	43.2	12.3	75.6	14.8	87.8	17.1	68.2	13.5	114.2	23.2
Wool & Other Animal Hair	LB <sup>1</sup> / <sub>1</sub>	154.1	140.8	232.6	232.4	164.2	158.8	214.2	176.0	324.2	258.7
Raw Cotton	LB <sup>1</sup> / <sub>1</sub>	943.4	418.0	1,066.6	373.8	1,078.9	409.4	972.1	362.0	1,325.2	451.4
Iron Ore & Concentrates	MT	4,768.1	92.5	4,290.2	61.3	5,004.8	66.2	5,459.5	81.5	7,869.5	146.5
Iron & Steel Scrap	MT	505.8	27.6	1,140.8	62.8	978.1	43.9	1,287.0	63.8	2,583.5	183.4
<u>Mineral Fuels, Lubricants, &amp; Related</u>											
<u>Materials - Total</u>	-	-	<u>234.2</u>	-	<u>288.8</u>	-	<u>267.2</u>	-	<u>289.0</u>	-	<u>412.6</u>
Coal - Total	MT	1,355.4	83.6	4,920.9	89.8	3,598.0	62.9	2,861.9	56.2	3,821.2	90.6
Petroleum, Crude & Partly Refined	KL	4,264.5	107.7	5,927.0	120.5	7,416.0	134.0	8,501.5	148.6	11,586.9	223.8
Petroleum Products	MT	-	48.8	3,197.0	78.5	2,911.3	70.3	3,542.3	84.2	3,295.2	90.0
<u>Animal &amp; Veg. Oils &amp; Fats - Total</u>	-	-	<u>16.1</u>	-	<u>19.5</u>	-	<u>23.9</u>	-	<u>36.4</u>	-	<u>33.7</u>

TABLE 19 (CONT'D)  
IMPORTS BY COMMODITY GROUPS AND SELECTED COMMODITIES, QUANTITY AND VALUE

(Quantity in thousands of unit - value in million U.S. dollars)

<u>Group and Commodity</u>	Unit	<u>1952</u>		<u>1953</u>		<u>1954</u>		<u>1955</u>		<u>1956</u>	
		Quantity	Value								
<u>Chemicals - Total</u>	-	-	<u>44.3</u>	-	<u>69.2</u>	-	<u>63.9</u>	-	<u>80.2</u>	-	<u>163.3</u>
<u>Manufactured Goods - Total</u>	-	-	<u>41.1</u>	-	<u>65.5</u>	-	<u>61.5</u>	-	<u>58.5</u>	-	<u>155.6</u>
<u>Machinery &amp; Transport Equip. - Total</u>	-	-	<u>90.5</u>	-	<u>160.8</u>	-	<u>177.1</u>	-	<u>132.4</u>	-	<u>161.2</u>
<u>Misc. Manufactured Articles - Total</u>	-	-	<u>16.0</u>	-	<u>23.8</u>	-	<u>23.2</u>	-	<u>21.9</u>	-	<u>32.0</u>
<u>Misc. Transactions &amp; Comm. n.e.s.</u>	-	-	<u>0.9</u>	-	<u>1.2</u>	-	<u>0.6</u>	-	<u>0.3</u>	-	<u>0.3</u>
<u>Grand Total</u>	-	-	<u>2,028.8</u>	-	<u>2,409.6</u>	-	<u>2,399.4</u>	-	<u>2,471.4</u>	-	<u>3,229.7</u>

Note: Details of table may not add to totals, due to rounding.

1/ Millions of pounds (LBS)

2/ Actual number of ships and boats.

Source: "Monthly Return of the Foreign Trade of Japan", Ministry of Finance Tokyo: 1952-1956.

TABLE 20

TRADE BY GEOGRAPHICAL AREASChange in 1956 Compared to 1952

(in millions of US\$)

	E x p o r t s			I m p o r t s		
	1956 Actual mn \$	Increase over 1952 mn \$	% Increase over 1952	1956 Actual mn \$	Increase over 1952 mn \$	% Increase over 1952
North America	612.5	357.3	140.1	1,210.3	260.5	27.4
U.S.	(543.3)	(309.0)	(131.9)	1,064.5	(296.2)	(38.6)
Latin America	188.0	139.3	286.0	384.6	285.9	288.7
N.W. Europe	191.5	26.7	16.2	158.8	61.9	63.9
Southern Europe	42.1	30.4	260.0	27.9	- 11.1	- 28.5
Eastern Europe	12.2	9.6	369.2	13.4	9.0	204.5
Middle East	96.7	67.6	232.3	263.4	135.8	106.4
Southeast Asia	664.4	203.6	44.2	662.8	262.8	65.6
Other Asia	260.5	91.2	53.9	162.5	28.9	21.6
Oceania	50.6	11.7	30.1	287.6	136.1	89.8
Africa	382.1	291.3	306.5	58.4	33.8	137.4
Total	2,500.6	1,227.7	96.5	3,229.7	1,201.6	59.2

TABLE 20 (cont'd)

TRADE BY GEOGRAPHICAL AREAS

(in millions of US\$)

	B a l a n c e		
	Actual 1952	Actual 1956	Net Gain (+) or Loss (-) in 1956
North America	- 694.6	- 597.8	+ 96.8
U.S.	(- 534.0)	(- 521.0)	(+ 13.0)
Latin America	- 50.0	- 196.6	- 146.6
N. W. Europe	+ 67.9	+ 32.7	- 35.2
Southern Europe	- 27.3	+ 14.2	+ 41.5
Eastern Europe	- 1.8	- 1.2	+ 0.6
Middle East	- 98.5	- 166.7	- 68.2
Southeast Asia	+ 60.8	+ 1.6	- 59.2
Other Asia	+ 35.7	+ 98.0	+ 62.3
Oceania	- 112.6	- 237.0	- 124.4
Africa	+ 66.2	+ 323.7	+ 257.5
Total	- 755.2	- 729.1	+ 26.1

TABLE 21  
THE DEVELOPMENT OF OPEN ACCOUNT BALANCES

End of Year (or month) Country	1952		1953		1954		1955		1956		1957 (March)	Remarks	
Argentina	E	17,139	I	19,598	I	20,171	E	47,188	E	57,780	E	54,096	Terminated on Apr. 1, 1956
Brazil	E	5,245	I	11,157	E	10,634	I	5,860	E	6,946	I	1,444	
China (Taiwan)	I	1,039	I	7,930	E	1,746	I	11,986	E	11,388	E	9,185	
Egypt		-	I	23	I	2,055	E	994	I	9,522	I	5,363	
Finland	E	117	E	836	E	1,862	E	557	E	692	E	391	Terminated on March 31, 1957
French Union	E	10,742	I	5,570	I	332	I	2,788	I	19,280	I	5,549	Terminated on Dec. 31, 1956
French Indo-China	E	1,658	I	7,003	E	190	I	48	E	62	E	4	
Greece		-		-		-	E	108	I	204	I	422	
Indonesia	E	71,832	E	117,217	E	171,937	E	178,652	E	175,792	E	165,735	
Italy		-	I	1,421	E	2,421	I	1,236	I	165		0	Terminated on Jan. 14, 1956
Korea	E	5,573	E	31,351	E	47,446	E	47,022	E	46,712	E	46,943	
Netherlands	I	52	I	2,573	E	3,654	I	2,334	I	2,101	E	77	
Philippines	I	4,865	I	6,159	I	16,119	I	4,578	I	2,607	I	3,313	
Sweden	E	8,089	I	9,557	I	1,678	E	3,372	E	3,946	E	3,452	Terminated on Apr. 14, 1956
nd	E	6,198	E	4,461	E	4,962	E	9,160	E	1,434	E	1,434	Terminated on Apr. 15, 1956
Turkey		-		-		-	I	1,110	E	242	E	264	Terminated on Sept. 30, 1955
West Germany	E	1,001	I	13,679	I	12,669	I	12,650	I	4,320	I	2,071	
<b>T o t a l</b>	<b>E</b>	<b>121,714</b>	<b>E</b>	<b>69,271</b>	<b>E</b>	<b>191,904</b>	<b>E</b>	<b>244,539</b>	<b>E</b>	<b>266,871</b>	<b>E</b>	<b>263,495</b>	

TABLE 22

JAPAN: BALANCE OF PAYMENTS

(Millions of US\$)

1952

	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
<u>A. Current Transactions</u>			
Commercial Trade (f.o.b.)	1,288.6	1,701.3	- 412.6
Non-Monetary Gold	5.5	-	+ 5.5
Foreign Travel	8.1	4.9	+ 3.2
Transportation	71.3	223.3	- 151.9
Insurance	5.5	15.4	- 9.9
Investment Income	6.0	10.9	- 4.9
Government Transactions:			
Foreign Military Expenditures	787.7	-	+ 787.7
Other	3.7	5.9	- 2.2
Miscellaneous	15.0	39.6	- 24.6
Private Donations	44.8	15.7	+ 29.0
Official Grants	5.4	-	+ 5.4
Reparations	-	-	-
Total	2,242.2	2,017.5	+ 224.7
<u>B. Private Capital</u>	42.0	4.6	+ 37.3
<u>C. Official and Banking Capital (excluding gold and foreign exchange holdings)</u>			
Long-term Credits	-	116.6 <sup>a/</sup>	- 116.6
Short-term Credits (net):			
Dollar Usance			
Sterling Usance			
EXIM Bank Cotton Credit			+ 39.7
Other			+ 29.4
Total			- 47.5
<u>D. Errors and Omissions</u>			+ 0.7
<u>E. Total A through D</u>			<u>+ 215.2</u>
<u>F. Net Change in Gold and Foreign Exchange Holdings</u>			
Gold			- 11.9
Dollars			+ 174.5
Sterling			+ 50.7
Open Account			+ 1.2
Total			<u>+ 215.2</u>

<sup>a/</sup> Includes \$112.5 million payments on Japan's subscriptions to the IMF and IBRD

TABLE 23

JAPAN: BALANCE OF PAYMENTS

(millions of US\$)

1953

	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
<u>A. Current Transactions</u>			
Commercial Trade (f.o.b.)	1,257.8	2,049.6	- 791.8
Non-Monetary Gold	2.3	-	+ 2.3
Foreign Travel	9.9	6.9	+ 2.9
Transportation	76.6	246.9	- 170.3
Insurance	4.8	17.7	- 12.8
Investment Income	11.7	34.9	- 23.1
Government Transactions:			
Foreign military expenditures	803.2	-	+ 803.2
Other	7.5	8.7	- 1.1
Miscellaneous	17.7	53.1	- 35.4
Private Donations	23.0	2.0	+ 21.0
Official Grants	-	-	-
Reparations	-	-	-
Total	2,215.1	2,420.2	- 205.1
<u>B. Private Capital</u>	23.1	40.7	- 17.6
<u>C. Official and Banking Capital</u> (excluding gold and foreign exchange reserves)			
Long term	40.4	197.5 <sup>a/</sup>	- 157.1
Short-term (net)			
Dollar Usance			-
Sterling Usance			+ 2.0
EXIM Bank Cotton Credit			-
Other			+ 208.0
Total			+ 52.9
<u>D. Errors and Omissions</u>			+ 1.5
<u>E. Total A through D</u>			<u>- 168.2</u>
<u>F. Net Change in Gold and Foreign Exchange Holdings</u>			
Gold			+ 2.3
Dollars			+ 28.0
Sterling			- 146.0
Open Account			- 52.5
Total			<u>- 168.2</u>

<sup>a/</sup> Includes \$187.5 million local currency subscription to IMF.

TABLE 24

JAPAN: BALANCE OF PAYMENTS

(millions of US\$)

1954

	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
<u>A. Current Transactions</u>			
Commercial Trade (f.o.b.)	1,611.2	2,040.5	- 429.2
Non-Monetary Gold	2.6	-	+ 2.6
Foreign Travel	11.2	6.7	+ 4.4
Transportation	89.7	255.8	- 166.1
Insurance	8.4	19.9	- 11.4
Investment Income	8.2	47.0	- 38.7
Government Transactions:			
Foreign military expenditures	602.3	-	+ 602.3
Other	12.0	11.1	+ 0.9
Miscellaneous	25.7	70.7	- 44.9
Private Donations	31.9	2.6	+ 29.3
Official Grants	-	0.1	- 0.1
Reparations	-	-	-
Total	2,403.8	2,454.7	- 50.9
<u>B. Private Capital</u>	54.4	40.8	+ 13.6
<u>C. Official and Banking Capital</u> (excluding gold and foreign exchange holdings)			
Long-term	10.8	8.8	+ 2.0
Short-term (net):			
Dollar Usance			+ 1.0
Sterling Usance			+ 62.0
EXIM Bank Cotton Credit			+ 35.4
Other			+ 36.9
Total			+ 137.3
<u>D. Errors and Omissions</u>			+ 12.7
<u>E. Total A through D</u>			+ 112.7
<u>F. Net Change in Gold and Foreign Exchange Holdings</u>			
Gold			+ 2.6
Dollars			- 125.0
Sterling			+ 112.0
Open Account			+ 123.1
Total			+ 112.7

TABLE 25

JAPAN: BALANCE OF PAYMENTS

(Millions of US\$)

1955

	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
<u>A. Current Transactions</u>			
Commercial Trade (f.o.b.)	2,006.4	2,060.8	- 54.4
Non-Monetary Gold	1.5	-	+ 1.5
Foreign Travel	14.2	8.0	+ 6.2
Transportation	127.3	276.0	- 148.6
Insurance	10.4	19.0	- 8.6
Investment Income	14.0	55.4	- 41.4
Government Transactions:			
Foreign military expenditures	505.1	-	+ 505.1
Other	18.5	13.2	+ 5.3
Miscellaneous	22.0	82.2	- 60.2
Private Donations	33.0	2.3	+ 30.5
Official Grants	12.6	-	+ 12.6
Reparations	-	21.7	- 21.7
Total	2,765.7	2,539.1	+ 226.5
<u>B. Private Capital</u>	109.3	24.1	+ 85.2
<u>C. Official and Banking Capital</u> (excluding gold and foreign exchange holdings)			
Long-term	64.6	15.5	+ 49.1
Short-term (net):			
Dollar Usance Credits			+ 52.0
Sterling Usance Credits			+ 33.0
EXIM Bank Cotton Credit			- 32.9
Other			- 58.6
Total			+ 42.6
<u>D. Errors and Omissions</u>			- 14.9
<u>E. Total A through D</u>			+ <u>339.4</u>
<u>F. Net Change in Gold and Foreign Exchange Holdings</u>			
Gold			+ 1.6
Dollars			+ 226.0
Sterling			+ 59.2
Open Account			+ 52.6
Total			+ <u>339.4</u>

TABLE 26

JAPAN: BALANCE OF PAYMENTS

(Millions of US\$)

1956

	<u>Receipts</u>	<u>Payments</u>	<u>Balance</u>
<u>A. Current Transactions</u>			
Commercial Trade (f.ob.)	2,457.9	2,601.9	- 144.0
Non-Monetary Gold	0.4	-	+ 0.4
Travel	16.5	12.3	+ 4.2
Transportation	209.8	504.8	- 295.0
Insurance	12.0	24.6	- 12.6
Investment Income	27.2	65.5	- 38.3
Government Transactions:			
Foreign military expenditures	493.1	-	+ 493.1
Other	25.9	19.3	+ 6.6
Miscellaneous	32.2	114.7	- 82.5
Private Donations	34.2	1.3	+ 32.9
Official Grants	4.8	-	+ 4.8
Reparations	-	17.6	- 17.6
Total	3,314.0	3,362.1	- 48.1
<u>B. Private Capital</u>	149.1	151.1	- 2.0
<u>C. Official and Banking Capital (excluding gold and foreign exchange holdings)</u>			
Long-term	45.6	21.4	+ 24.2
Short-term (net)			
Dollar Usance Credits			+ 74.0
Sterling Usance Credits			+ 36.5
EXIM Bank Cotton Credit			+ 29.1
Other			+ 41.1
Total			+ 204.9
<u>D. Errors and Omissions</u>			+ 20.7
<u>E. Total A through DD</u>			+ 175.5
<u>F. Net change in Gold and Foreign Exchange Holdings</u>			
Gold			+ 0.4
Dollars			+ 300.0
Sterling			- 147.0
Open Account			+ 22.1
Total			+ 175.5

TABLE 27

GOLD AND FOREIGN EXCHANGE RESERVES

(in millions of US\$)

	<u>Gross</u>	<u>N e t</u>				
	Total	Total	Gold	US Dollar	Sterling	Open a/c
1952	1,186	1,116	-16	742	266	122
1953	1,017	913	18	708	118	69
1954	1,130	921	21	540	168	192
1955	1,469	1,253	23	794	195	245
1956	1,646	1,313	23	1,012	11	267
1957 (Mar.)	1,426	1,023	23	813	- 77	263

TABLE 28

EXTERNAL DEBT SERVICE

(in thousands of U.S. dollar equivalents)

Year	<u>Payable in Foreign Currencies</u>						<u>Payable in Goods</u>		<u>Payable in Yen</u>		<u>Grand Total</u>	
	<u>Total Outstanding January 1</u>	<u>Service due in</u>				<u>Total</u>	<u>Total Outstanding January 1</u>	<u>Service</u>	<u>Total Outstanding January 1</u>	<u>Service</u>	<u>Total Outstanding January 1</u>	<u>Service</u>
		<u>Dollars</u>	<u>Sterling</u>	<u>Francs</u>	<u>Other</u>							
1954	492,794	14,135	27,059			41,194	-			492,794	41,194	
1955	478,303	13,272	51,087			64,359	200,000	-		678,303	64,359	
1956	504,128	25,810	33,853	1/		59,663	200,000	20,000	59,500	763,628	79,663	
1957	519,584	22,500	27,453	4,210	45	54,208	730,000	45,000	59,500	-	1,309,084	99,208
1958	485,801	22,081	32,536	1,060	65	55,742	685,000	45,000	108,850	1,190	1,279,651	101,932
1959	448,988	31,107	27,135	1,060	66	59,368	640,000	45,000	108,850	3,412	1,197,838	107,780
1960	409,086	31,371	24,090	1,074	185	56,720	595,000	45,000	108,805	4,492	1,112,891	106,212
1961	370,905	30,932	22,041	1,074	185	54,232	550,000	45,000	108,662	4,601	1,029,567	103,833
1962	334,351	27,541	81,872	1,074	185	110,672	505,000	45,000	108,405	4,709	947,756	160,381
1963	238,618	42,050	28,372	1,074	185	71,681	460,000	45,000	108,029	4,813	806,647	121,494
1964	179,370	25,987	9,593	1,074	185	36,839	415,000	45,000	107,533	4,915	701,903	86,754
1965	151,166	13,380	8,091	1,074	185	22,730	370,000	45,000	106,913	5,020	628,079	72,750
1966	135,861	12,232	7,925	1,074	185	21,416	325,000	25,000	106,163	5,119	567,024	51,535

1/ Less than \$500.

N.B. The figures of total debt outstanding and service payments are exclusive of the U.S. Export-Import Bank cotton credit which turns over each year, and of short term (9 months) credits amounting to \$115 million granted to Japan on June 28, 1957 by the Export-Import Bank for the purchase of various U.S. agricultural commodities.

Source: IBRD, Economic Staff.