



## Economic Growth Forecasts Raised

Higher-than-expected economic growth has led many private research organizations to raise their projections for Japan's fiscal 1988 economic growth rate. Many are now forecasting growth upward of 5%.

The government's official forecast, announced at the end of 1987, predicted a real GNP growth rate for fiscal 1987 of 3.7%, rising to 3.8% in fiscal 1988. However, a preliminary report on GNP growth released in June found annualized real economic growth running at 4.9%, with the performance in January-March 1988 a stunning 11.3% in annualized terms. Private research institutes followed suit, raising their GNP forecasts by a full percentage point or even more.

The original forecasts sharply underestimated the growth in personal consumption, and the benefits of the strong yen. The appreciation of the yen, according to a Mitsubishi Trust & Banking official, "improved the terms of trade, which in turn triggered a self-sustaining cycle of expanded production, income and consumption." Original forecasts also failed to take into account the deep-rooted corporate commitment to plant and equipment investment and personal income tax cuts expected toward the end of this year.

Toyo Trust & Banking's growth rate forecast is the most optimistic at 5.4%. The lowest is 4.4% in a forecast by Fuyo Research Institute.



## Distributor Specializing In Imported Tobacco

A newly established company could help answer foreign criticism that Japan's tobacco distribution system is too complex. The new firm, Uni Tobacco Service, started on April 1 to exclusively distribute imported tobacco products, taking over the primary wholesaling of imported tobacco products from Tokyo Tobacco Service, itself a subsidiary of Japan Tobacco Inc., a former government monopoly privatized in 1985.

Capitalized at ¥100 million, Uni Tobacco's equity is held by five regional distribution subsidiaries of Japan Tobacco Inc.

Tobacco products in Japan first go through the primary wholesaler, which delivers them from factories and ports of entry to 45 distribution centers throughout the country. Secondary wholesalers then deliver the tobacco products from the distribution centers to some 260,000 retail shops.

Previously, foreign tobacco firms sold their products to distribution companies affiliated with Japan Tobacco Inc., depending solely on them for distribution of their products in Japan. However, some foreign makers accused the distributors of discriminating against their products in favor of the Japanese tobacco they also handled. The new company specializing only in imported tobacco products is meant to meet such criticism from abroad.

Uni Tobacco is keeping a record of daily sales of each brand of imported tobacco and sending details to the foreign tobacco firm concerned.



## Firms Still Lagging On Summer Holidays

Much has been made of the Japanese devotion to hard work, with even the Ministry of Labor urging workers to take longer summer vacations. But according to a recent survey, most Japanese companies still lag far behind their Western counterparts in allowing employees to take extended time off.

Of 1,380 leading Japanese companies covered by the Ministry of Labor survey on summer vacation plans, 1,146 said they would give employees a summer vacation of three or more days. But the average length was still just 6.3 days, unchanged from last year. Many Japanese companies, eager to make the most of the business boom, apparently want to keep factories in operation instead of closing them to give workers more time off.

While the number of companies allowing workers 10 or more days of vacation at a stretch increased 2.6% over last year, they still accounted for only 14.1% of the total. Nichia Chemical Industry of Tokushima Prefecture, Shikoku, gave the longest summer vacation at 20 days.

The Ministry of Labor has printed posters reading, "You are ordered to take a one-week vacation." Perspiring salaried workers bound for the office or work place this summer may not find the poster something to smile about.

## Rice Price Reduced For Second Year

The government has decided to cut the price at which it buys rice from farmers by 4.6% in fiscal 1988. The second consecutive yearly cut will lower the standard producers' rice price by ¥814 to ¥16,743 per 60-kilogram bale.

Under the current system the government provides huge subsidies to rice farmers and buys up nearly all the rice they produce. It then resells the rice at a lower price to consumers, causing a major drain on the state treasury.

In fixing this year's producers' rice price, the government planned to introduce a new method of calculating rice prices on the basis of production costs of farmers with more than 1.5 hectares of paddy fields. But the plan was stonewalled by the ruling Liberal Democratic Party, which has a large rural constituency, mostly small farmers.

After protracted negotiations with the LDP, the government finally made a concession and agreed to a one-year freeze on subsidy restructuring in exchange for a 4.6% cut in the producers' rice price.

## Unemployment Rate Lowest in 37 Months

The employment situation is steadily improving in Japan thanks to the stronger yen and expansion of domestic demand, according to a survey by the Statistics Bureau of the Management and Coordination Agency.

The seasonally adjusted unemployment rate in May stood at 2.5%, down 0.1 point from the previous month and a 37-month low since April 1985, when it also stood at 2.5%.

The number of employed workers totaled 61,060,000, up 1,300,000 over May last year and the highest year-to-year increase rate since December 1974.

Meanwhile, a Labor Ministry survey showed that the seasonally adjusted ratio of officially registered openings against officially registered job seekers in May stood at 99 jobs to every 100 job seekers, up 0.05 point over the previous month. It represented the 16th consecutive monthly increase and the highest such ratio since October 1974, when the ratio was 95-to-100.

The favorable employment situation is attributed to an unprecedented boom in consumption, particularly in the Tokyo metropolitan area, and to the vigorous business climate in the manufacturing and construction industries.

## Peg Defense Spending, Public Says in Poll

Three-quarters of the Japanese people want to see Japan's defense budget remain at the present level or set lower, following a series of increases in defense outlays in the past decade, according to a public opinion poll by the Prime Minister's Office.

It reported that 58.0% of pollees replied that they favor the present level, up from 54% in a similar survey conducted in 1984. Those wanting a reduction totaled 19.2%, up from 17.7% in 1984. Only 11.2% called for a boost, the lowest rate in the last four surveys. This meant that 77.2% do not want to see any further increase in defense spending by Japan.

The poll, taken in January, covered 3,000 Japanese aged 20 or older. It was the seventh since the survey was first conducted in 1969.

In December 1986, the government of then Prime Minister Yasuhiro Nakasone scrapped a decade-long policy holding down the defense budget below 1% of GNP. Japan's fiscal 1987 defense budget of ¥3,517 billion was 1.004% of GNP and fiscal 1988 defense spending is set at ¥3,700 billion, 1.013% of expected GNP for the year.

A question included in past surveys, on whether the Self Defense Forces should exist at all, was not among the questions in this year's poll. Officials said the point was not included this time because 80% of the public had supported the SDF in the past several surveys and such a question had become irrelevant.

## Worker Placement Business Booms

Business is booming for manpower placement services that supply business corporations with computer operators, software programmers and other temporary help. According to a Ministry of Labor study, such agencies already have 195,000 workers on their lists, and are racking up annual sales of ¥260 billion after only two years.

The study, the first since the Manpower Placement Law took effect in 1986, was based on reports submitted to the ministry last year by 4,513 placement agencies. Workers are classified into "full-time" and "registered" workers, with the former working regularly for the agencies, and the latter simply registering their names and special skills. The survey found 59,822 full-time and 120,958 registered workers on agency lists.

Among the 16 job classifications permitted under the manpower law, those in heaviest demand are business machine operators, filing clerks and computer software programmers.

The rapid growth of manpower placement business reflects a growing desire among young people to work only when they feel like it and not be tied to a single company. Analysts say this suits business corporations which have a growing need for the short-term services of competent specialists.