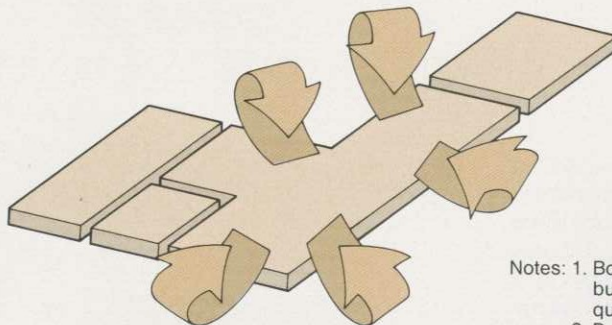


# Tracing Japan's Business Recovery

The business recovery in Japan is taking hold. The Japanese economy experienced an adjustment period in the first half of 1986 due to the sharp appreciation of the yen, but has rebounded after hitting bottom in October–December 1986.

While the economic upswing in 1983 was led by sharply increased exports, the current recovery is characterized by a sharp rise in shipments for the domestic market and a more gradual increase in exports. This trend is a clear sign of progress in the restructuring of Japanese industry from an emphasis on exports to a domestic demand-led orientation. (See article titled "Industry Shifts Further Away from Exports" in the Topics column of this issue of the *Journal* on P. 7)



- Notes:
1. Bold lines indicate the course of the business recovery begun in the first quarter of 1983.
  2. Dotted lines indicate the business recovery begun in the fourth quarter of 1986.
  3. Lateral axes represent consecutive quarters, starting from the bottom of the cycle. The fourth quarter in bold lines is January–March 1984. The fourth quarter in dotted lines is October–December 1987.
  4. Vertical axes represent the index, with the bottom of the cycle taken as 100.
  5. The chart in the center shows fourth quarter growth rates in percentages starting from the bottom of the business cycle.

