



# SEAS

DISCUSSION PAPER NO. 112

ECONOMIC GROWTH, SAVINGS AND HOUSING FINANCING  
IN JAPAN

by

Shinichi ICHIMURA

July, 1981

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# ECONOMIC GROWTH, SAVINGS AND HOUSING FINANCING IN JAPAN.

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## Introduction

The rapid growth of Japanese Economy is well-known and needs no elaboration. Table 1 here gives a summary picture with its international comparison. I have once discussed on the main factors for the rapid growth and mentioned ten factors:

1. high rate of private capital accumulation,
2. high propensity to save,
3. industrious, well-educated labour,
4. rapid increase in agricultural productivity,
5. borrowed and improved technology,
6. appropriate development of industrial composition,
7. capable bureaucrats and cooperation with private enterprises,
8. group loyalties of Japanese employees,
9. positive roles of banks and their close relations with private enterprises,
10. political stability.

The high ratio of gross fixed capital formation to GNP, seen below, was supported primarily by internal savings:

	Japan	US	UK	Germany	France
66-70	33.5	17.9	18.4	24.0	25.2
71-75	34.4	17.7	19.1	23.9	23.6
76-79	30.8	17.4	18.2	21.5	22.3

The Japanese capital finance a/c in the 60's and 70's are shown by Table 2.

Table 1 : Basic Economic Indicators of East and Southeast Asian Countries

	Population	Area	GNP percapita		Inflation	Adult	Life	GDP	GDP annual growth			
	'77	1,000km <sup>2</sup>	\$ in '77	% Growth '60-'77	'70-'77	Literacy % '75	Expect at birth '77	Growth % '70-'77	'78	'79	Forecast '80	'81
Japan	113.2	372	5,670	7.7	9.6	99	76	5.5	6.0	6.0	5.5	5.0
China	885.6	9,597	390	5.1	--	--	64	5.8	10.0	6.8	5.9	6.3
N. Korea	16.7	121	670	5.1	--	--	63	8.9				
S. Korea	36.0	99	820	7.4	17.4	91	63	10.4	12.5	8.6	1.5	8.5
Taiwan	16.8	36	1,170	6.2	11.0	82	72	7.7	12.6	8.0	6.5	6.0
Hong Kong	4.5	1	2,590	6.5	8.0	90	72	8.2	10.0	12.0	9.0	10.0
Philipp.	44.5	300	450	2.5	14.3	87	60	6.4	5.9	5.5	5.0	4.0
Vietnam	50.6	330	160	--	--	87	62	--	--	--	--	--
Lao, PDR	3.2	237	90	--	--	--	42	--	--	--	--	--
Cambodia	8.4	181	--	--	--	--	48	(3.8)	--	--	--	--
Thailand	43.8	514	420	4.5	9.3	82	61	7.1	8.7	7.0	6.0	5.0
Burma	31.5	67	140	0.9	15.0	67	52	3.7	6.5			
Malaysia	13.0	330	930	3.9	7.1	60	67	7.8	7.4	8.5	7.5	7.0
Singapore	2.3	1	2,880	7.5	7.0	75	70	8.6	8.6	9.3	8.5	7.0
Indonesia	133.5	2,027	300	3.3	22.0	62	48	7.7	7.0	6.5	7.0	7.5
	1,403.6	14,823	( 834)									
U S A	220.0	9,363	9,363	2.4	6.8	99	73	2.8		2.3	-0.9	1.9
U S S R	258.9	22,402	3,020	3.7	--	99	70	4.0	4.8	2.5	3.4	3.3
India	631.7	3,288	150	1.3	8.9	36	51	3.0	7.2			
Germany, F.R.	61.4	249	8,160	3.3	5.9	99	72	2.4	3.5	2.1	2.5	2.9
Germany, D.R.	16.9	108	4,680	3.2	--	--	73	3.4			4.3	3.4

(Source) World Development Report, 1979, ADB, Key Indicators, Oct. '79



Table 2: Japanese Finance of Capital Accumulation

(trillion Yen)	1966	'70	'75	'78
1. Gross Domestic Fixed Capital Formation	11.5	26.0	48.0	61.9
(private cap. eq.) %	(64.5)	(67.8)	(60.1)	(55.5)
(residential housing)	(19.6)	(19.6)	(23.5)	(24.2)
(overhead capital)	(15.9)	(12.6)	(16.5)	(20.4)
2. Inventories	0.8	2.6	0.5	1.2
3. Overseas Investment	0.5	0.7	Δ 0.2	3.5
4. Total Cap. Accum. Finance	12.7	29.3	48.3	66.6
5. Savings	7.6	19.3	27.3	34.6
(Households)	} (75.4)	(44.5)	(91.3)	(87.0)
(Corporations)		(30.2)	(-8.7)	( 5.2)
(Government)		(24.6)	(17.4)	( 7.8)
6. Depreciation	5.2	9.8	19.3	26.7
7. Statistical Discrepancy	- .1	0.2	1.8	4.2

The relative stability of government savings and the dominating importance of households' and non-profit organizations' savings are particularly noticable. The former share in the US and UK has been negative in the recent years. Thus the Japanese experiences of postwar rapid growth must be analyzed with due attention to the behavior of savings; in particular the savings of households.

#### I High Propensity To Save and Its Upward Trend

The Japanese propensity to save is persistently higher than the other industrialized countries' propensities, as is shown below:

Table 3: Savings Ratios of Major Countries

	66	70	75	78
Japan	16.9	18.1	22.5	20.1
US	6.6	7.6	7.9	5.1
UK	6.6	6.2	10.2	10.7
Germany	15.7	17.9	15.2	13.9
France	11.3	12.6	15.3	14.9

Source: The Bank of Japan: International Comparative Statistics,  
June, 1980.

Moreover, Japan's saving ratios have shown the steady upward shift. This may be contrasted with the different trends in other countries as is demonstrated in Fig. 1. Similar observations can be made on the basis of Family Budget Surveys conducted separately for urban workers' households and rural farmers households. It is shown as Fig. 2.

The reasons for Japanese high saving ratios have been argued about by a number economists in Japan and abroad.<sup>1)</sup> Main points of the various economists' observations may be summarized here.

1. The Japanese tradition of economic ethics emphasize the value of industriousness and thriftiness. As urbanization and industrialization advance, the saving ratio seems to come down. But for the same level of percapita income, the traditional rural areas seem to show the higher saving ratios. This may be observed from the National Survey of Family Income and Expenditure.<sup>2)</sup> According to the opinions survey conducted by the Central Committee For Promotion of Savings (2), there is no evidence that the Japanese people's attitude toward saving declined, if not increased. Table 4 shows this fact.

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1) A brief survey is offered by Shinohara (9) and Tachibanaki-Shimono (10).

2) See Shinohara: op.cit.

Fig. 1: International Comparison of Savings Ratios

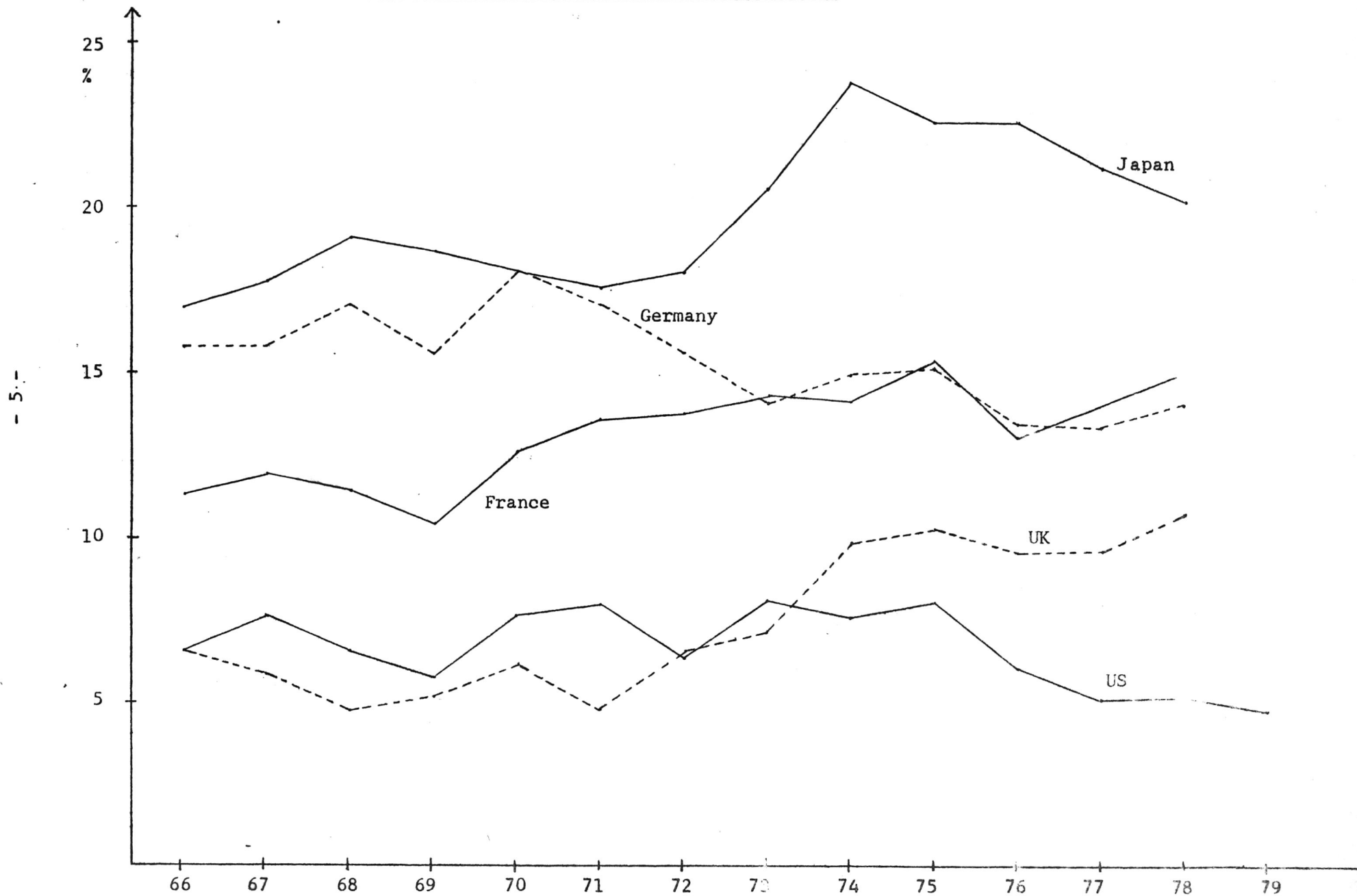




Fig. 2 Personal Savings Ratios  
(Aggregate, Worker's and Farm Household's)

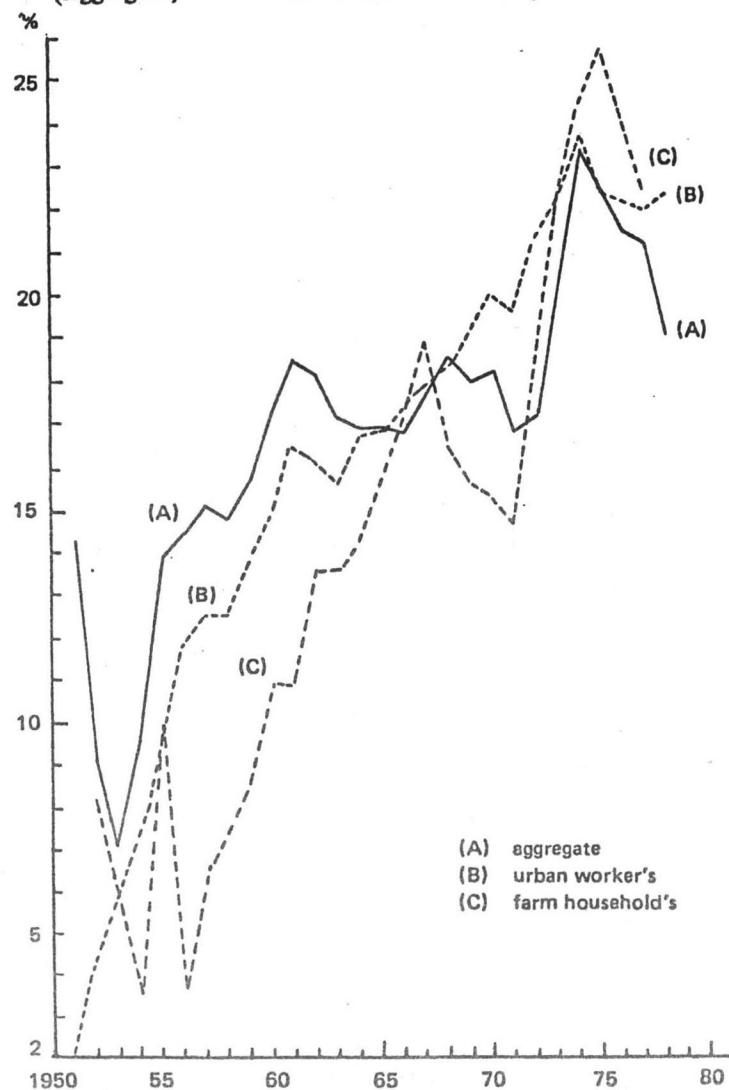


Table 4: The Attitude Toward Saving ( % )

	A: Savings are absolutely necessary	B: Savings are very important	C: Savings had better be made	D: Daily life is more important	E. Don't know
1966	21.3	30.8	41.7	5.1	1.2
1967	21.8	30.9	42.3	4.6	0.3
1968	19.4	32.9	43.2	4.8	0.6
1969	19.6	31.0	43.1	5.0	1.2
1970	22.0	31.4	44.7	3.0	0.5
1971	19.1	32.9	44.1	2.7	0.5
1972	16.7	35.2	43.2	2.9	1.1
1973	17.0	34.4	44.0	2.9	2.5
1974	17.7	34.1	41.4	2.1	2.0
1975	16.1	38.2	41.4	2.1	2.3
1976	17.6	37.5	41.0	2.4	1.4
1977	14.6	40.8	40.0	2.4	2.3
1978	15.2	40.0	39.8	2.5	2.5
1979	12.9	44.4	37.6	1.7	3.3
1980	13.6	42.8	38.8	2.3	2.5

2. The Japanese seem always to have kept the high aspiration for attaining the ever rising standard of living. Immediately after the war, it was to get out of the postwar chaos; then, to recover the prewar standard of living, perhaps up to the early 60's, which was soon replaced by the desire of obtaining new consumers' durables as well as to build up a reserve against unforeseen contingencies. The desire for better residential housing is not yet satisfied and seems still to be motivating people's high propensity to save. This shift of aspirations may be shown by Fig. 3 below.

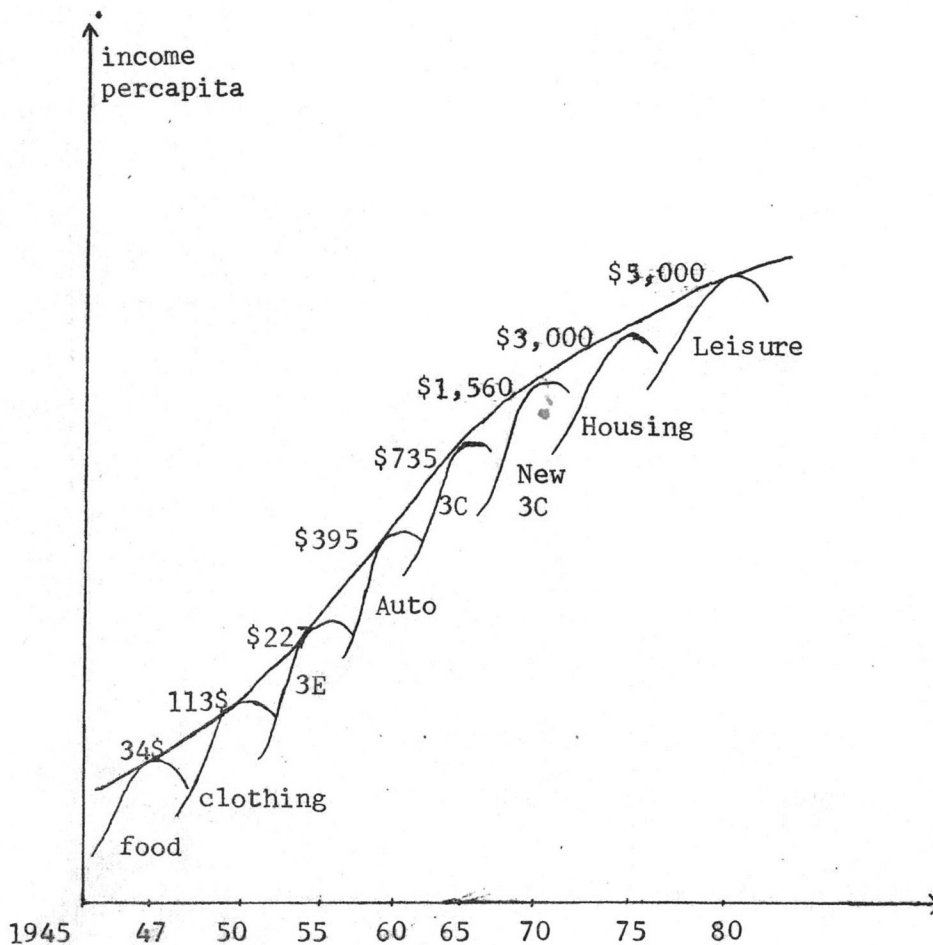
J. M. Keynes once wrote in his famous General Theory (Chap. 9) on eight main motives or objects of a subjective character:

- (i) To build up a reserve against unforeseen contingencies; (Precution)
- (ii) To provide for an anticipated future relation between the income and the needs of the individual or his family different from that which exists in the present, as for example in relation to old age, family education, or the maintenance of dependents; (Foresight)
- (iii) To enjoy interest and appreciation, i.e. because a larger real consumption at a later date is preferred to a smaller immediate consumption; (Calculation)
- (iv) To enjoy a gradually increasing expenditure, since it gratifies a common instinct to look forward to a gradually improving standard of life rather than the contrary, even though the capacity for enjoyment may be diminishing; (Improvement)
- (v) To enjoy a sense of independence and the power to do things, though without a clear idea or definite intention of specific action; (Independence)
- (vi) To secure a masse de manoeuvre to carry out speculative or business projects; (Enterprise)
- (vii) To bequeath a fortune; (Pride)
- (viii) To satisfy pure miserliness, i.e. unreasonable but insistent inhibitions against acts of expenditure as such. (Avarice)

The changes in the Japanese savers' motivations may be traced by the time-series of the survey results quoted above and shown in Table 5. The answers were obtained by asking 6,000 respondents randomly chosen all over the country to mark the top three motivations and rank them.



Figure 3: Shift of Aspirations



- 1) percapita income is given in 1970 prices
- 2) 3E means the three electric appliances most popular as consumers' durables then; electric washing machines, refrigerators and black & white TV. 3C means: colored TV, Cooler and Car. New 3C means: Central heating, cookers and cottage.

Source: Sanuki Toshio, "Resources and Saving," in (2)

Table 5: The Main Objectives of Saving

	54	55	60	70	75	80
1. Against sickness or other contingencies	42.6	34.1	32.4	36.9	42.2	36.1
2. Children's Education & marriage	33.6	29.2	31.3	16.9	16.4	18.3
3. For stable old-age living		8.1*	9.9	12.0	13.0	11.3
4. To purchase land and houses	9.0	8.2	7.8	16.8	13.9	15.4
5. To improve living conditions	-	15.2	10.8	2.7	0.8	0.9
6. Recreation or leisure	-	1.5	0.7	0.5	0.3	0.8
7. To pay taxes	12.2	10.2	3.8	0.5	0.3	0.8
8. Psychological relief	-	4	-	8.9	7.7	5.9
9. others or no answer	2.6	1.6	3.6	4.9	5.4	10.4

\* no data available for 54, 55: 8.1% is a figure in '56.

Table 6: Main Objectives of Saving

		Total (households with savings)	Sickness and contingencies	Education & marriage	land and houses	Old age	Improve living	Travel & leisure	Tax	Psychological relief	Other	Not known
National Total		100.0 (4,193)	79.1 (3,318)	53.5 (2,243)	32.0 (1,342)	38.4 (1,609)	7.8 (329)	10.0 (421)	4.8 (201)	27.2 (1,140)	1.2 (49)	0.7 (30)
R e g i o n	12 big cities	(1,017)	79.3	49.4	32.4	38.9	6.4	12.6	3.9	29.2	1.5	0.7
	medium cities	(1,195)	79.5	57.7	31.0	40.4	6.8	9.1	4.2	26.9	1.3	0.8
	small cities	(1,044)	77.1	53.1	32.8	37.7	7.4	8.8	5.7	26.1	1.1	0.6
	rural areas	( 937)	80.8	53.0	32.1	35.9	11.3	9.8	5.4	26.5	0.7	0.7
P r o f e s s i o n	agr. forest. fish.	( 443)	79.7	46.0	24.2	39.3	8.8	8.1	9.5	29.6	0.7	0.7
	commerce, service	( 853)	79.4	51.1	32.4	40.8	5.3	9.0	7.0	25.3	1.5	0.7
	white collar	( 965)	77.1	59.8	37.6	30.9	10.8	12.0	1.9	27.3	1.5	0.6
	blue collar	(1,149)	81.1	55.6	34.8	34.2	8.8	8.4	3.6	27.1	0.8	0.8
	manage. liberal p.	( 484)	76.9	58.5	28.1	48.3	4.5	12.6	4.3	28.7	0.8	0.4
	others	( 271)	81.2	35.1	20.7	54.6	6.6	11.8	6.3	25.1	2.2	1.1
	not known	( . 28)	71.4	32.1	14.3	50.0	—	10.7	7.1	42.9	—	3.6
I n c o m e	- 2 mill. yen	( 603)	77.6	40.1	24.5	41.3	7.8	9.0	6.1	26.7	2.3	1.7
	2 - 3	(1,062)	80.9	53.1	33.2	31.9	9.7	8.7	4.6	27.9	0.9	0.7
	3 - 4	( 998)	81.2	56.6	34.6	35.4	9.2	10.5	3.3	27.3	0.6	0.5
	4 - 5	( 674)	79.7	58.6	34.9	42.1	6.8	11.6	4.5	26.0	1.0	0.1
	5 - 7	( 420)	76.2	57.6	35.7	44.3	5.2	10.2	3.8	25.2	0.7	0.7
	7 -	( 297)	72.4	53.9	26.6	47.8	4.0	12.1	7.4	32.7	2.7	0.3
	not known	( 139)	78.4	54.0	23.0	40.3	5.0	9.4	10.1	23.7	0.7	2.2
A g e	20's	( 254)	78.3	52.8	45.3	10.2	17.7	17.7	3.1	33.9	2.8	0.4
	30's	(1,147)	79.9	58.1	41.7	20.3	11.7	10.6	2.9	31.5	1.0	0.7
	40's	(1,154)	77.8	67.0	31.5	36.6	6.8	6.8	3.8	22.7	0.6	1.0
	50's	( 964)	76.7	49.8	26.5	53.7	3.6	10.2	6.7	24.5	1.5	0.6
	60 & over	( 668)	84.1	28.1	19.2	61.1	5.4	11.7	7.6	28.9	1.3	0.4
	not known	( 6)	66.7	33.3	50.0	33.3	—	—	—	33.3	—	—



The most important change in the recent years is that the savings to purchase land and houses are increasing, and that the age at which actual purchase takes place is steadily coming down. The first modal age in latest years is 38 years of age, and the second modal age is 55 years - the retirement age. The former is slowly moving down, whereas the latter is gradually moving up. (See (10))

Needless to say, the motivations are different from one age group to another, from rural to urban areas or professionally, and also depends on the family's income. The above-mentioned survey provides the cross tabulation of such observations, and give a precious insight into the saving motivations of Japanese households. The information for 1980 is quoted here as Table 6. On the basis of this table the life-cycle hypothesis seems to hold the savings for old age preparations, but the savings as a whole may be motivated by various other factors. Tachibanaki (10) proved on the cohort data that the applicability of life-cycle saving hypothesis crucially depends on the samples, which are differentiated by such economic variables as earnings history, saving ratio, retirement payment, unemployment compensation, social security payment, timing of purchasing a house, life-time employment and other conditions.

3. The effect of temporary income (bonus and other transitory incomes) on saving is very great. For any income class, the saving ratios are considerably higher for temporary incomes than for regular incomes. Table 7 shows this well-known fact in Japan. The growth rate of bonus payments immediately brings up the saving ratios. The higher the share of temporary incomes in the total incomes, the higher the saving ratio is. This seems to apply not only to Japan but also to Korea and Taiwan.

There are a number of other factors which could explain the Japanese high saving ratios; for example, age composition of population, lack of consumers' credit, rapid growth and persistence of consumption habit or inadequate social security. At same stage they must have played some role. Nevertheless, it is my view that these are relatively less important than those mentioned above. In spite of the gradual disappearance of these factors, the Japanese saving ratios do not show any significant sign of decline as yet. Only in the latest two years the saving ratios slightly decline. It remains to

be seen whether this is a temporary phenomenon due to the second oil crisis and its consequent inflation and energy-saving effort in every sector of the economy.

Table 7: Saving Ratios Out of Regular and Temporary Incomes (%)

	Out of regular incomes	Out of temporary incomes	Income class	Regular Income		Temporary Income	
				79	80	79	80
74	16	36	~ 2 mill. Yen	13	14	33	26
75	16	37	2 ~ 3	16	16	39	32
76	17	38	3 ~ 4	18	18	41	36
77	16	35	4 ~ 5	19	19	45	39
78	16	35	5 ~ 7	20	21	43	39
79	17	40	7 ~	22	24	42	41
80	18	35					

The reasons for steady upward trend in saving ratios can be attributed mainly to the increase in the share of bonus payments to regular contract cash earnings in the 50's and 60's. During the 70's, however, the shares have fluctuated according to the business conditions caused by two oil crises. Thus the future of Japanese saving ratios, ceteris paribus, remains uncertain. The remarkable fact of Japanese savings after the oil crises and subsequent inflation is, however, that people saved more than before. The following Table 8 shows the attitude of most consumers who favor more saving rather than more consumption. At the same time the same consumers report that 75.2% of them did not hedge in consumption. Inflation does not seem to reduce savings ratios in Japan.

Table 8: Inflation and Saving

	More Saving		More Consumption		Hard to say either way
	definitely	largely	definitely	largely	
average	20.2	26.4	3.1	5.8	44.5
20's	14.7	28.6	2.2	7.0	47.6
30's	16.6	25.8	2.8	5.6	49.1
40's	19.8	25.0	4.0	6.7	44.5
50's	24.1	28.5	2.8	5.0	39.6
over 60	23.3	26.0	2.9	5.1	42.7

## II Forms of Personal Savings

The personal savings are reserved in the following forms in Japan and other countries. The percentage is the mean of the percentages over 1973 to 78. Clearly cash and Deposits are the dominant forms of savings, and Insurances, Pensions and securities are much less important in Japan than in the U.S. The details of the composition of personal savings in Japan are shown in Table 10. The changes over time can be seen there. In spite of the government policies to popularize the ownership of stock holdings, the percentage of shares has declined.

Table 9: International Comparison of Personal Savings

	Japan	US	Germany
Cash & Demand Deposits	17.8	6.7	9.4
Time Deposits	57.1	30.5	55.4
Insurance & Pensions	12.9	20.8	16.1
Securities	12.3	40.1	14.7
(Stocks)	(3.0)	(26.1)	(3.1)



Table 10: Composition of Personal Savings and Its Changes

(100 mill. yen; %)

		70	74	75	76	77	78	79	$\frac{(79)}{70}$
Total		684,899	1,425,590	1,704,592	1,994,845	2,306,681	2,642,425	2,966,542	4.3
c o m p o s i t i o n	Cash	5.8	5.8	5.4	5.0	4.7	4.6	4.5	△ 1.3
	Demand Deposits	14.7	14.6	13.8	12.8	12.0	12.0	11.9	△ 2.8
	Time Deposits	45.0	48.0	48.9	49.5	50.3	50.6	50.8	5.8
	(Deposits)	(59.6)	(62.6)	(62.7)	(62.3)	(62.3)	(62.6)	(62.7)	3.1
	Trust	6.0	6.1	6.4	6.5	6.5	6.5	6.5	0.5
	Insurance	13.9	13.3	13.2	13.3	13.3	13.4	13.8	△ 0.1
	Securities	14.6	12.1	12.4	12.9	13.2	13.0	12.5	△ 2.1
	Gov't Bonds	0.5	0.6	0.6	1.1	1.9	2.5	3.0	2.5
	Bank Debentures	3.6	3.7	4.3	4.7	4.5	4.3	3.8	0.2
	Others	2.1	2.5	2.7	2.5	2.3	2.0	1.8	△ 0.3
	Stocks	6.5	3.4	3.1	2.8	2.5	2.3	2.1	△ 4.4
	Securities Invest. Trust	1.8	1.9	1.7	1.8	1.9	1.9	1.8	0

There are many financial institutions in Japan, but the private banks and postal saving offices play the most important role in collecting the personal and other savings. The most comprehensive information is given by the following two flow of funds accounts: Table 11 and 12. The postal savings now have almost the same amount of deposits as city banks or financial institutions for small businesses. The competition among these institutions is very tightly regulated by the Ministry of Finance. Only a slightly higher interest rate for deposits at postal savings a/c is permitted, which seems to have been an important reason for its rapid growth. How to regulate the competition between banks and postal saving offices is one of hot controversies in Japan now. In this connection the relative importance of profitability in determining the amount of savings in Japan may be seen by Table 13 and 14. It can be seen that Japanese households are becoming more and more conscious of interest payments and safety rather than liquidity. Perhaps the Japanese savings will become more elastic with respect to the rate of interest.

### III Housing Loans in Japan

The shortage of residential houses and their extremely high cost are the most serious economic and social problems in Japan. The building construction started in Japan in recent years has been between 200 and 250 million m<sup>2</sup>, and about its half was exclusively for dwellings. The dwelling construction started is about 1.7 million houses and their floor areas have been increasing. About half in the number of houses and two third in areas are own houses. As the result, the housing conditions in Japan are slowly improving toward ownership, as Table 15, but it cannot be said now that the desire to own the houses is also increasing with possible materialization, as Table 16 shows. If one observes carefully Table 17, then it is clear that in the rural areas housing conditions are not very bad, and that the older generation of people have somehow managed (80% or over) to own their houses. This has been realized, however, mainly by housing loans. The housing loans in Japan began in establishing the Housing Loan Corporation in 1950. The city banks started the housing loans as late as 1961. After 1965, however,

the housing loans quickly expanded, and the large share of public loans was soon replaced by the expanding private loans from private banks. The housing loans at the end of March, 1966, 1971 and 1977 are as follows:

	Total (bill. Yen)	public	(H.L.C.)	Banks	Banks for small businesses	others (%)
1966	378.4	75.6	(67.8)	8.6		15.8
1971	2,743.4	32.3	(25.4)	25.5	15.3	26.9
1977	20,667.4	20.5	(19.0)	38.9	20.8	19.8

Table 11: Flow of Funds Accounts

March 31, 1980

(¥ 100 million)

	Financial Institutions		Central Government		Public Corporation & Local Authorities		Corporate business		Personal		Total		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
A Deposits in Bank of Japan	27,298	27,298									27,298	27,298	A
B Currency		148,489			17		14,849		133,623		148,489	148,489	B
C Demand Deposits		647,638			47,408		310,023		290,207		647,636	647,636	C
D Time Deposits		2,021,255			35,596		415,814		1,569,843		2,021,255	2,021,255	D
D <sub>1</sub> Certificate of Deposits		13,478			1,920		11,508		50		13,478	13,478	D <sub>1</sub>
E Free Yen Deposits & Foreign Currency Deposits		55,373									---	55,373	E
F Government Current Deposits		17,752	17,752								17,752	17,752	F
G Trust		244,217			2,867		49,133		192,217		244,217	244,217	G
H Insurance		408,651							408,651		408,651	408,651	H
I Securities	1,165,946	374,692	28,114	658,085	7,476	348,523	134,686	282,991	372,001		1,708,223	1,664,291	I
J Short-Term Government Securities	75,058		13,715	98,620	3,990						98,620	98,620	J
K Government Bonds	409,365		13,232	559,301	685				89,719		540,376	559,301	K
L Local Government Bonds	149,851					160,604	67,633		4,734		160,604	160,604	L
M Public Corporation Bonds	188,690	46,898			816	184,836			28,235		231,734	231,734	M
N Bank Debentures	114,839	240,587							112,569		240,587	240,587	N
O Industrial Bonds	76,595							98,356	20,551		98,356	98,356	O
P Stocks	146,546	24,486	1,167		1,985		(b) 66,106	164,689	(c) 63,217		279,021	189,175	P
Q Securities Investment Trust	5,002	58,925					947		52,976		58,925	58,925	Q
R Bonds in Foreign Currency		3,796		164		3,083		19,946			---	26,989	R
S Bank of Japan Loans	15,283	15,283									15,283	15,283	S
T Call Money	66,925	66,925									66,925	66,925	T
U Bills Bought & Sold	57,205	57,205									57,205	57,205	U
V Loans	3,190,399			103,498		380,657		1,802,054		904,190	3,190,399	3,190,399	V
W Loans by Private Financial Insts.	2,380,210					40,963		1,610,689		728,538	2,380,210	2,380,210	W
X Loans by Public Financial Insts.	810,189			103,498		339,674		191,365		175,652	810,189	810,189	X
Y Trade Credit							1,543,097	1,259,505		283,592	1,543,097	1,543,097	Y
Z Deposits to Trust Fund Bureau		319,030	319,030								319,030	319,030	Z
e Others		105,770	27,786			1,857	52,069		39,213		119,066	107,627	e
f Difference				-368,901		-635,751		-813,371		1,818,023		---	f
g Total	4,523,056	4,523,056	392,682	392,682	95,286	95,286	2,531,179	2,531,179	3,005,805	3,005,805	10,548,008	10,548,008	g

(a) Including ¥ 16,636.1 billion of Bank of Japan Notes.

(b) ¥ 22,762.1 billion of market price.

(c) ¥ 23,266.0 billion of market price.

Table 12: Flow of Funds Accounts (Continued)

	Private Financial Institutions		Banks etc.		Banks		Financial Insts. for Small Business		Financial Insts. for Agriculture, Forestry & Fishery		Trust Accounts		Investment Trust		Insurance Institutions		Securities Companies		Public Financial Institutions		Postal Saving, Life Insurance & Annuity		Trust Fund Bureau		Government Financial Institutions		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
A	27,234		27,143		25,137		1,516		400										64						64		A
B	24,520		24,346		15,302		7,629		1,415		6				147		21		2,440		2,440						B
C		651,153		663,997		444,482	17,581	165,943	4,468	73,505					12,801		4,791		4,986	1,471	4,828	1,471			158		C
D		1,502,137		1,516,906		813,993	4,262	499,074	1,083	208,234					11,512		1,161			519,118		519,118					D
D <sub>1</sub>		13,478		13,614		10,864	20	868	15	253																	D <sub>1</sub>
E		55,373		55,373		53,692		208																			E
F																											F
G		244,217	7,257		3,890		1,830		1,537			251,893	5		419												G
H		277,212														277,212				131,439		131,439					H
I	822,961	327,177	592,195	263,200	367,423	202,355	110,242	40,753	112,014	20,092	109,702	58,925	44,790	58,925	112,328	2,165	7,171	2,746	210,287	47,514	53,977		150,258		6,052	47,514	I
J	29		26		26														27,039		328		23,378		3,333		J
K	242,312		216,046		156,306		25,335		32,210		15,714		5,121		9,323		923		82,682		570		80,071		2,041		K
L	142,256		108,786		57,518		20,229		30,962		21,039		4,776		12,174		251		7,595		7,574				21		L
M	119,917		79,240		37,680		19,661		21,899		28,672		5,004		11,426		526		68,436	46,898	33,732		34,703		1	46,898	M
N	97,679	240,587	71,152	240,587	34,702	181,318	22,633	39,177	13,617	20,092	9,802		6,954		15,027		788		17,160		5,327		11,676		157		N
O	69,722		49,507		19,303		17,761		12,199		10,875		7,597		8,499		583		6,873		6,443		430				O
P	146,044	24,485	64,930	19,433	60,175	17,857	3,756	1,576	999		21,466		15,338		55,673	2,165	3,946	2,746	502		3				499		P
Q	5,002	58,925	2,508		1,713		667		128		2,134	58,925		58,925	206		154										Q
R		3,180		3,180		3,180														616						616	R
S		15,283		13,725		13,064		599		38																	S
T	46,925	46,925	53,519	56,338	34,514	51,543	9,487	682	8,896	239	9,324		6,534		2,672		755										T
U	16,205	57,205	8,494	57,165	801	47,291	6,413		1,094	1,094	5,659		5,360		785												U
V	2,380,210		2,066,987		1,271,038	2,123	595,673	2,620	181,609		162,407				160,045	15	15,029	11,849	810,189		61,951		705,528		362,115	319,405	V
W	2,380,210		2,066,987		1,271,038	2,123	595,673	2,620	181,609		162,407				160,045	15	15,029	11,849									W
X																			810,189		61,951		705,528		362,115	319,405	X
Y																											Y
Z																			319,030		527,117		856,623		476		Z
e		127,895		139,623		78,698		43,906		9,076	23,720		2,236			21,317		14,333		9,394	1,715		9,163			1,946	e
g	3,338,055	3,338,055	2,779,941	2,779,941	1,718,105	1,718,105	754,653	754,653	312,531	312,531	310,818	310,818	58,925	58,925	300,709	300,709	28,928	28,928	1,027,966	1,027,966	652,028	652,028	855,786	855,786	368,865	368,865	g

Note: National Mutual Insurance Federation of Agricultural Cooperatives and Mutual Insurance Federations of Agricultural Cooperatives are included in "Insurance Institutions".

Table 13: Criteria for Choosing Forms of Savings

		Total	Profitab.		Safety		Liquidity			
		(house-holds)	interest	capital gain	principal guranteed	safe & trust	can be cashed	easily draw out	other	not known
National Total		100.0 (4,099)	22.2 (912)	2.6 (106)	10.5 (429)	30.0 (1,228)	9.2 (379)	17.9 (734)	4.2 (173)	3.4 (138)
R e g i o n	12 big cities	(1,004)	23.3	2.7	11.8	27.2	10.5	17.0	4.5	3.1
	medium cities	(1,156)	26.2	2.4	11.0	28.3	9.0	17.0	3.4	2.8
	small cities	(1,027)	20.8	3.2	10.0	29.5	8.2	20.1	5.1	3.1
	rural areas	( 912)	17.7	2.0	8.9	35.6	9.4	17.7	4.1	4.7
P r o f e s s i o n	agr. forest. fish.	( 432)	14.4	1.9	10.0	36.8	8.8	19.2	2.3	6.7
	commerce, service	( 825)	17.3	2.5	11.8	29.8	12.1	18.5	4.8	3.0
	white collar	( 922)	31.3	3.3	9.0	28.5	9.5	11.8	3.9	2.6
	blue collar	(1,156)	20.2	1.6	11.0	29.5	6.8	24.4	4.5	2.1
	manage. liberal p.	( 465)	27.1	4.7	12.0	27.5	10.5	10.8	4.1	3.2
	others	( 276)	19.9	2.5	7.2	31.2	8.0	18.8	5.4	6.9
	not known	( 23)	17.4	-	13.0	21.7	13.0	21.7	4.3	8.7
I n c o m e	- 2 mill. yen	( 641)	15.8	0.9	10.3	29.6	8.7	24.8	4.1	5.8
	2 - 3	(1,055)	19.1	1.8	9.3	33.1	8.2	22.6	3.8	2.2
	3 - 4	( 953)	25.1	3.1	11.6	28.2	9.5	15.1	4.6	2.6
	4 - 5	( 635)	28.8	3.5	10.1	28.0	9.6	14.3	3.3	2.4
	5 - 7	( 402)	26.9	3.0	10.2	28.6	11.2	12.7	4.7	2.7
	7 -	( 275)	20.7	5.5	12.4	29.8	11.3	9.1	6.9	4.4
	not known	( 138)	16.7	1.4	10.9	32.6	5.8	18.8	2.9	10.9
A g e	20's	( 254)	26.8	2.8	6.7	24.0	7.5	24.4	4.7	3.1
	30's	(1,137)	26.1	2.6	9.1	28.7	9.9	16.7	5.0	2.0
	40's	(1,136)	21.0	3.4	10.7	31.4	9.2	16.2	4.4	3.7
	50's	( 930)	21.6	2.2	11.9	31.4	8.3	17.6	3.1	3.9
	60 & over	( 636)	17.0	1.7	11.9	29.9	10.4	20.8	3.8	4.6
	not known	( 6)	-	-	16.7	33.3	-	33.3	16.7	-



Table 14: Criteria for Choosing Forms of Savings, 1972 - 1980

	Profitability		Safety		Liquidity		other	not known
	interest	capital gain	principal guaranteed	safe & trust	can be cashed	easily draw out		
72	14.4	5.5	21.1	14.3	14.6	23.7	3.9	2.5
73	12.9	4.6	23.9	11.9	11.8	29.8	2.9	2.2
74	14.0	5.2	21.8	11.0	13.4	29.7	2.8	2.1
75	14.4	3.8	19.4	11.2	14.1	32.1	2.1	2.7
76	15.2	3.6	19.5	10.9	14.8	32.2	1.8	1.9
77	19.5	3.4	11.9	30.0	8.2	18.7	5.4	2.9
78	19.1	3.7	11.1	31.1	8.1	18.9	4.1	3.8
79	20.8	3.9	13.5	29.6	7.3	17.6	4.4	2.8
80	22.2	2.6	10.5	30.0	9.2	17.9	4.2	3.4

Table 15: Ownership and Housing Conditions, 1971 - 80

	Own Houses			Rented Houses					
		build or purchase	inherited or sharing		private rental	public apt rented	gov't or enterp. off. resid.	lodgings	not known
1971	67.4	—	—	31.6	18.4	6.2	6.1	0.9	0.9
72	66.7	—	—	32.6	19.5	5.2	6.6	1.3	0.7
73	63.1	—	—	36.7	22.1	6.9	6.5	1.2	0.2
74	63.3	43.6	19.7	36.2	18.3	9.8	6.5	1.6	0.4
75	68.6	48.0	20.6	31.4	18.5	4.4	7.3	1.2	—
76	68.0	47.1	20.9	31.6	17.8	7.5	5.1	1.2	0.4
77	67.5	46.9	20.7	32.1	18.2	5.8	6.8	1.3	0.4
78	66.6	46.7	19.9	32.2	18.1	6.5	6.3	1.3	1.3
79	68.9	45.8	23.0	29.1	15.8	5.8	6.6	0.9	2.0
80	68.3	47.2	21.1	30.5	15.8	5.9	7.4	1.3	1.3

Table 16: Plan of Obtaining Own Houses

	within 1 year	1 - 5 years	5 - 10 years	Total	land only	House only	Both	Addition or recon.	not known	planned, no definite date	no plan to own	not known
1971	{ 14.2		10.3	25.0	—	—	—	—	—	56.6	15.6	2.7
72	{ 15.3		11.3	26.6	—	—	—	—	—	57.0	14.1	2.2
73	{ 13.1		9.0	22.1	—	—	—	—	—	58.7	17.6	1.7
74	{ 11.5		7.1	18.6	—	—	—	—	—	60.3	18.5	2.6
75	{ 12.5		9.0	21.5	—	—	—	—	—	57.9	17.6	2.9
76	{ 14.9		9.7	24.6	—	—	—	—	—	54.7	18.2	2.5
77	4.9	14.4	8.3	27.6	1.9	5.6	13.9	—	6.2	53.7	16.7	1.9
78	4.6	13.7	7.1	25.4	1.5	7.2	6.4	7.8	2.5	26.1	45.4	3.1
79	4.7	12.3	9.0	26.0	1.3	6.1	6.3	7.5	4.8	29.5	42.3	2.2
80	5.0	12.4	7.2	24.6	1.2	6.7	6.6	7.7	2.4	30.8	42.8	1.8

Table 17: Housing Conditions in Japan, 1980

(%)

		Total (households)	Own Houses	build or purchase	inherited or sharing	Rented Houses	private rental	pub. apt. rented	gov't or enterp. offered	lodging	not known
National Total		100.0 (4,430)	68.3 (3,025)	47.2 (2,090)	21.1 (935)	30.5 (1,349)	15.8 (702)	5.9 (261)	7.4 (329)	1.3 (57)	1.3 (56)
R e g i o n	12 big cities	(1,067)	55.2	39.5	15.7	44.0	28.2	5.1	9.2	1.6	0.7
	medium cities	(1,254)	65.5	49.5	15.9	33.8	16.4	7.9	8.5	1.0	0.7
	small cities	(1,106)	73.2	50.5	22.8	25.4	11.8	4.1	8.3	1.2	1.4
	rural areas	(1,003)	80.3	48.9	31.4	17.3	6.4	6.3	3.2	1.5	2.4
P r o f e s s i o n	agr. forest. fish.	( 477)	94.5	49.9	44.7	2.3	1.5	0.2	0.2	0.4	3.1
	commerce, service	( 890)	71.6	51.0	20.6	27.2	19.1	4.4	1.9	1.8	1.2
	white collar	( 983)	64.3	45.6	18.7	34.7	15.2	5.1	13.4	1.0	1.0
	blue collar	(1,242)	54.8	38.2	16.5	44.4	23.3	10.7	9.4	1.0	0.8
	manage. liberal p.	( 498)	75.9	59.8	16.1	23.5	7.2	4.4	10.4	1.4	0.6
	others	( 309)	73.5	53.1	20.4	24.6	13.9	4.9	2.9	2.9	1.9
	not known	( 31)	64.5	41.9	22.6	32.3	25.8	3.2	3.2	—	3.2
I n c o m e	- 2 mill. yen	( 710)	58.7	37.9	20.8	40.0	23.1	9.7	4.5	2.7	1.3
	2 - 3	(1,130)	56.4	35.8	20.5	42.8	23.2	8.3	9.6	1.7	0.8
	3 - 4	(1,029)	70.1	48.0	22.1	28.9	15.5	5.6	6.6	1.1	1.1
	4 - 5	( 684)	77.6	56.1	21.5	21.1	8.2	2.5	10.1	0.3	1.3
	5 - 7	( 424)	83.3	60.8	22.4	15.1	5.2	1.9	7.5	0.5	1.7
	7 -	( 299)	86.0	70.2	15.7	12.7	5.0	2.0	4.7	1.0	1.3
	not known	( 154)	70.8	45.5	25.3	24.7	14.9	5.8	3.2	0.6	4.5
A g e	20's	( 273)	27.1	17.2	9.9	72.5	44.3	11.4	14.7	2.2	0.4
	30's	(1,205)	52.7	34.1	18.6	46.6	23.1	8.1	13.5	1.8	0.7
	40's	(1,218)	71.6	50.5	21.1	27.2	13.4	5.9	6.8	1.1	1.2
	50's	(1,016)	80.9	57.3	23.6	17.5	8.6	4.0	3.6	1.3	1.6
	60 & over	( 712)	86.7	60.7	26.0	11.2	7.3	2.7	0.8	0.4	2.1
	not known	( 6)	83.3	50.0	33.3	16.7	16.7	—	—	—	—

Here Banks include city banks, regional banks, trust banks and their shares in 1977 are 16.3, 14.2 and 7.2%. Financial institutions for small businesses include Mutual Loans and Savings Banks and Credit Banks, and their shares in 1977 are 7.4% and 10.7% respectively. Others include National Federation of Labor Credit Associations and Housing Loan Corporation, and their shares are 4.4% and 6.6%. The banks' housing loans increased its share in the total loans from 0.1% in 1965 (December), 9.5% in 1980 (September). Needless to say, the total amount of bank loans themselves has increased approximately from 21.4 trillion Yen to 149.7 trillion Yen.

The Japanese government adopted the policies to favor the loans to industrial capital formation in postwar years, but as economic reconstruction and development progressed, it gradually relaxed the restrictions on housing loans and prepared various institutions especially designed for housing loans. The main steps are the following:

1. Expansion of the limit to the maximum amount of loans,
2. Relaxation of the restrictions on the borrowers incomes and mortgages,
3. Special low interest rates for housing loans over longer terms,
4. Abolition of the requirement for deposits, trust and purchase of bank debentures.
5. Mitigation of the conditions for joint suretyship,
6. Establishment of special guarantee systems by damage insurance companies and "loan guarantee companies."
7. Establishment of special housing loan banks as subsidiaries of city banks after 1971.
8. Tax exemption is permitted for savings designated for housing in January, 1968, and the same for construction or purchase of own houses and for housing loans in January, 1978.

There are a number of problems to facilitate the extension of housing loans. The maximum term for time deposits in Japanese banks is 2 years, and the housing loans are over 15 or 20 years. The interest rates for housing loans are deliberately kept low. The cost of extending many, small amounts of loans tends to be very high. In order to overcome these difficulties, the terms of time deposits, it is argued, must be extended, and more liquidity for claims of house loans may be realized by permitting "mortgage securities" etc. These measures are permitted but restrictions imposed upon them limit the

effects. More flexibility of loan rates has been introduced mainly to make a fair treatment of borrowers at different times as well as the risks involved on the part of banks. The extent of this flexibility may be seen in Fig. 4. It is still rather limited, compared with other countries. The standard conditions for housing loans in Japan are as follows:

- a. Borrowers: 20 - 60 of age, those who can have life insurance,
- b. Amount: within 60 - 80% of the amount of purchased house, and  
less than 20 million Yen, within 3 times as much as annual income,
- c. Term: within 20 years,
- d. Interest Rate: 7.62% (March, 1979),
- e. Repayment: Equal amount monthly (or plus additional repayments twice in  
bonus months),
- f. Mortgage: The first right for mortgage,
- g. Guarantee: guarantee by contracted guarantee company or security for housing  
loans,
- h. Life insurance: contracted group life insurance

The characteristics of Japanese housing loans may be compared with those in the US or Europe.

1. In the US, UK and Germany, there are special banks or saving associations that are specialized in housing loans, and they play an important role in house loans. In Japan, however, the ordinary city banks are the most important. Figure 5 shows this fact.
2. As for the interest rates, except for English housing associations which are favorably treated in taxation, the loan rates with mortgages are about the same as the long term bond rates. This may be facilitated by the development of mortgage security market. The Japanese rates came down as much as the long term prime rate since late 60's, mainly due to the effort of reducing the cost of housing loan extensions. But it will be increasingly important in Japan too to develop the market of mortgage securities market. Fig.4 shows the movement of US and German mortgage rates as well as the Japanese rates.



Fig. 4: Changes in Interests for Housing Loans

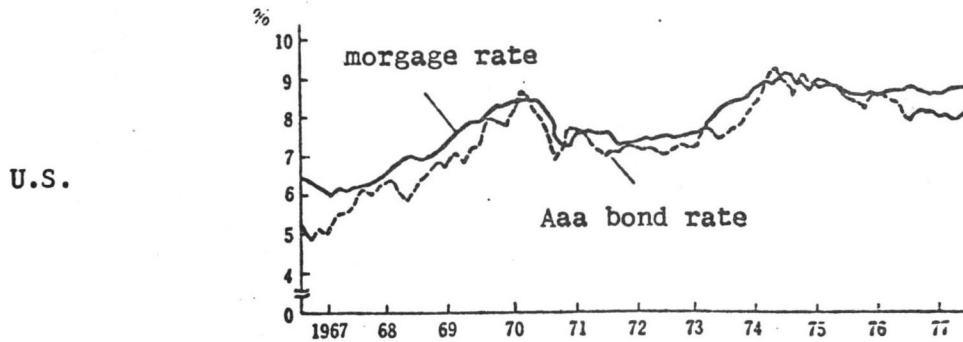
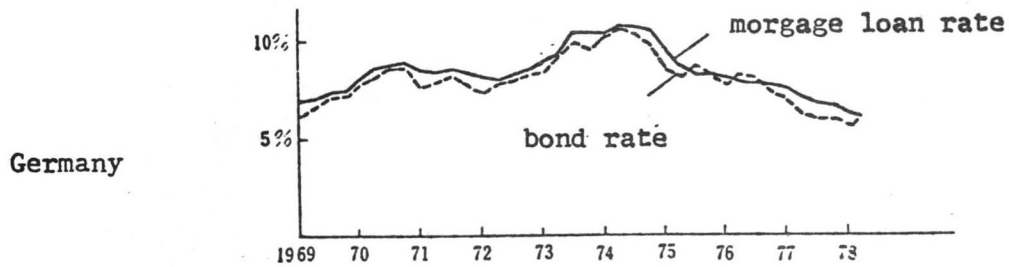
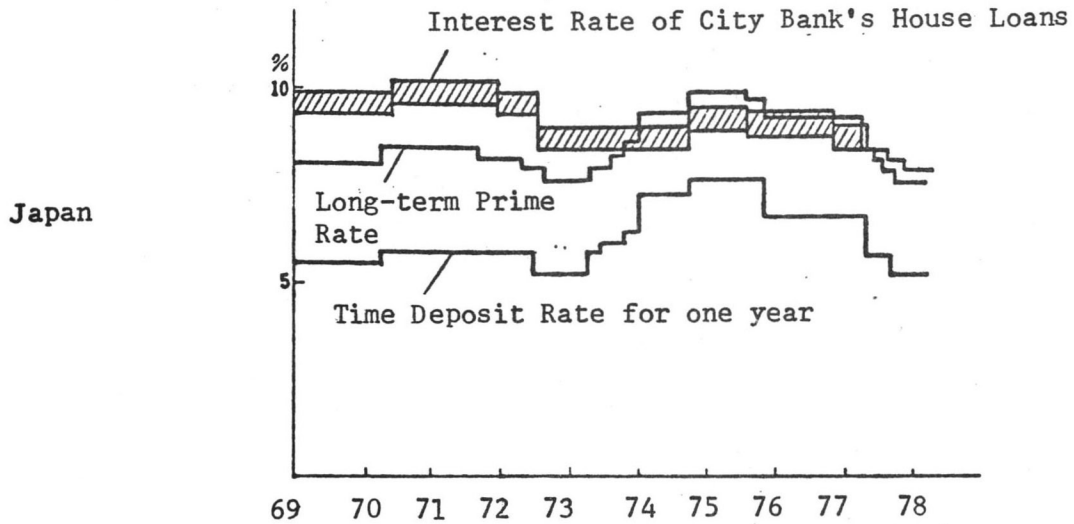
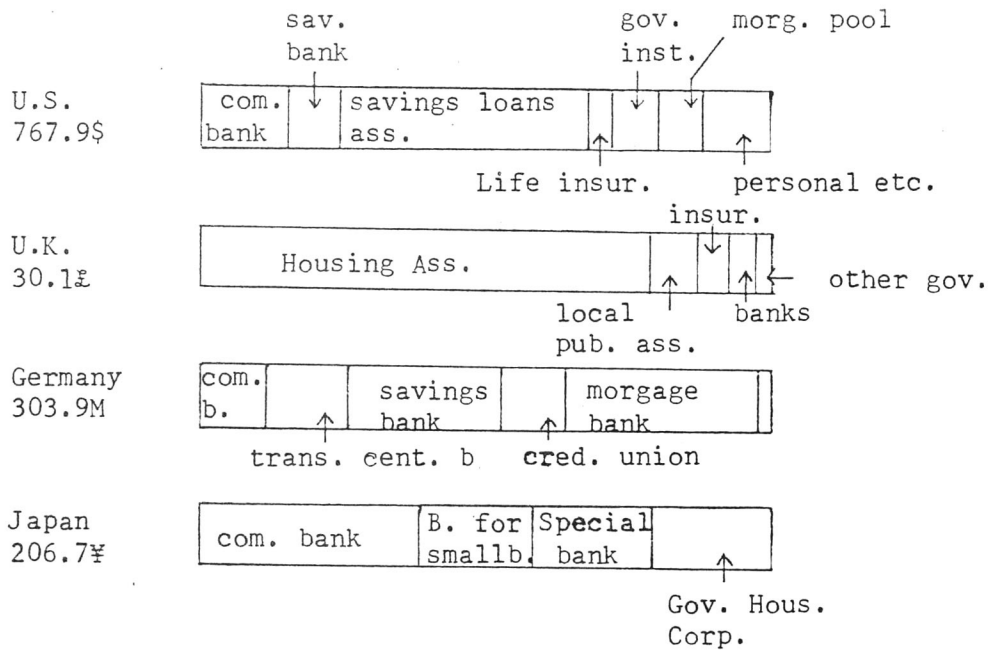


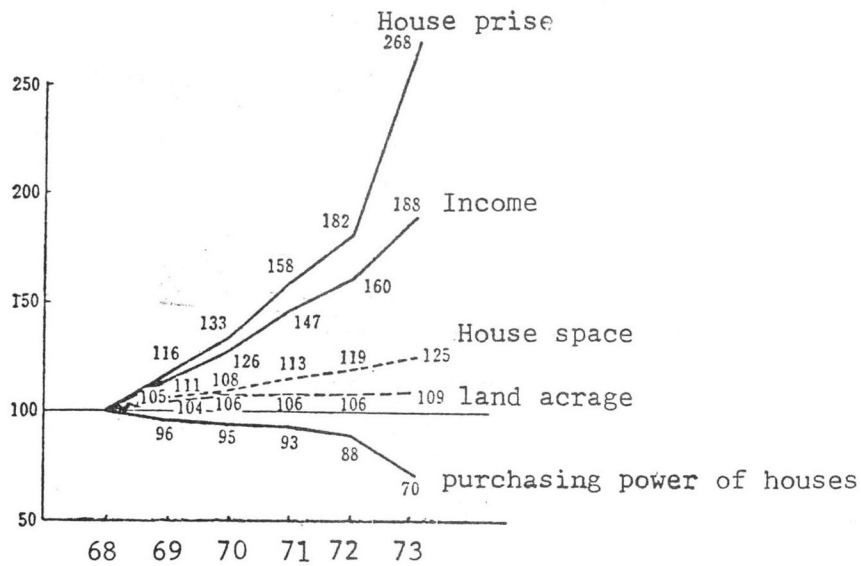
Fig. 5: International Comparison of the Shares of Housing Loan Banks



\* units are billion \$, £ or M and 100 billion Yen.

3. The amount of housing loans per head is approaching to that in UK but still much less than US or German loans. In view of very high cost of houses and land and its upward trend, the real purchasing power of Japanese housing loans is still very low. This may be seen from Fig. 6 and Table 18. There are very good reasons for Japanese households to keep on saving as much as they do, because the space and quality of Japanese average houses are not at all satisfactory, as is shown in Fig. 7.
4. The Japanese housing loans have not been affected by the business cycles as much as the US or Europe, but the recessions in 1974 and 75 showed the first sign of such an impact. In the future it may become an important instrument for monetary policies in Japan as well. Table 19 indicates the recent trend of housing loans.

Fig. 6: Changes in Purchasing Power of Houses



Note: purchasing power index is defined by Income Index/House Price Index.

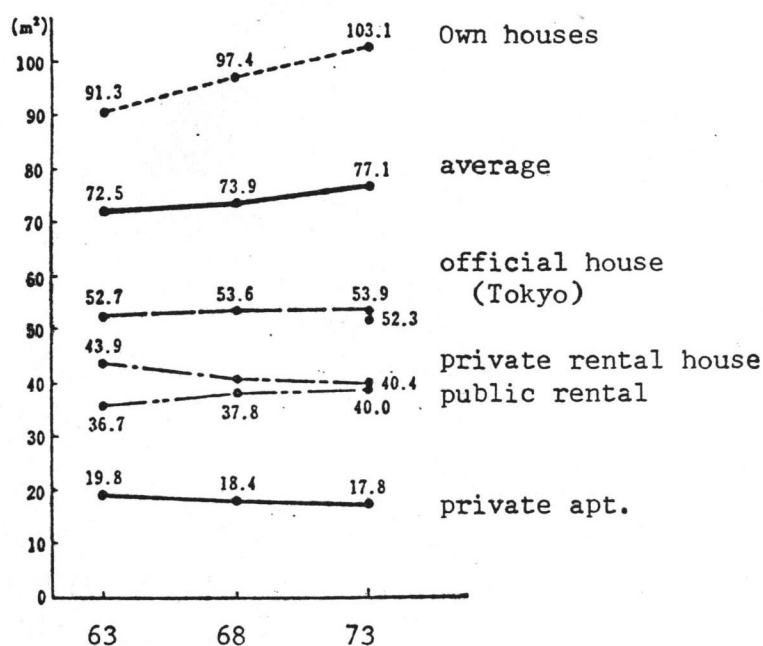
Source: (6)

Table 18: Planned Amount To Raise for Payment of House Construction

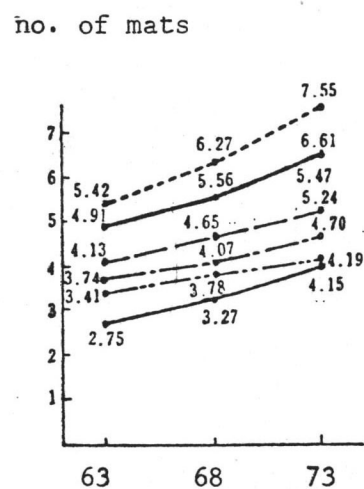
	New House			Funds		Add or Reconst.	house	Funds	
		land	house	own funds	loan			own funds	loan
1971	710	310	400	366	343	-	-	-	-
'72	722	323	399	368	354	-	-	-	-
'73	896	436	460	426	470	-	-	-	-
'74	1,172	581	591	553	619	-	-	-	-
'75	1,295	650	645	674	621	-	-	-	-
'76	1,318	662	656	639	679	-	-	-	-
'77	1,523	781	742	681	842	-	-	-	-
'78	1,577	723	854	735	842	634	431	312	322
'79	1,719	847	872	785	934	670	322	340	330
'80	1,855	920	935	873	982	730	429	387	343

Figure 7: Space of Japanese Houses

(a) Space per house

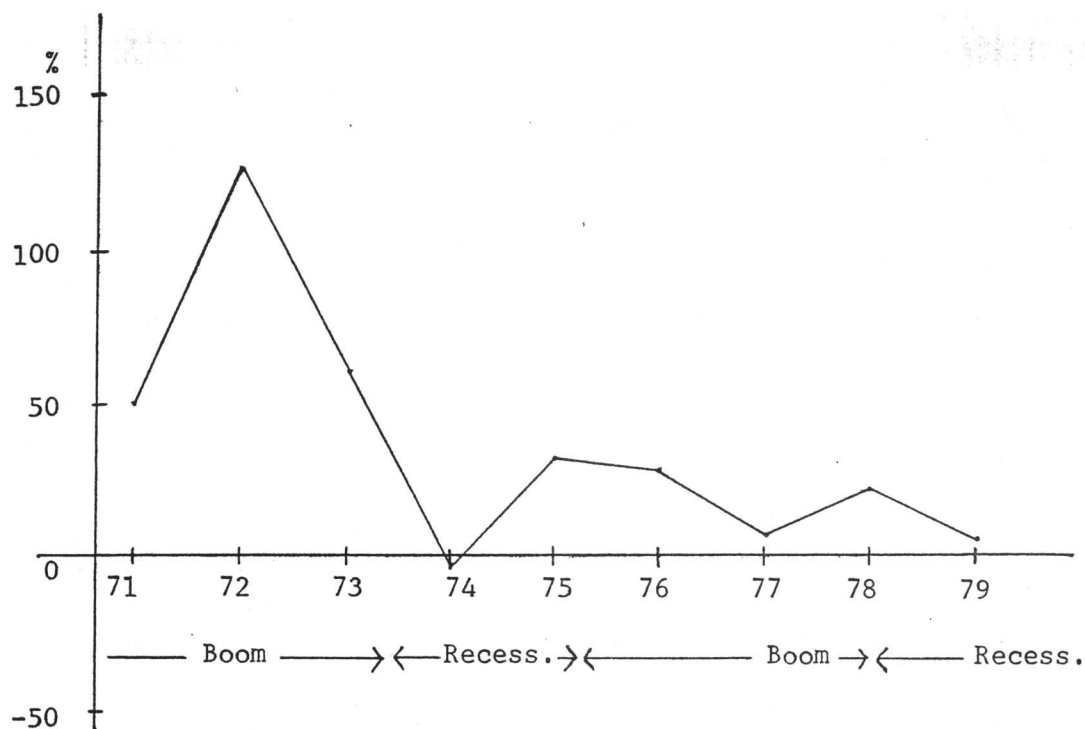


(b) Space per capita



\* mat is a Japanese unit nearly equal to 1.62 m<sup>2</sup>.

Table 19: The Rate of Change in Housing Loans, 1970 - 79



(100 mill. Yen, %)

	70	71	72	73	74	75	76	77	78	79
Banks	2,842	4,325	9,521	14,638	12,780	17,148	21,862	23,483	28,074	28,345
Trust Banks	651	844	1,545	2,989	2,999	3,057	3,776	4,150	4,909	6,048
Mutual Banks	617	907	2,517	3,660	3,299	4,565	5,858	5,702	6,621	7,227
Total	4,110	6,076	13,583	21,287	19,078	24,770	31,496	33,335	39,604	41,620
Rate of Change		48	124	57	Δ 10	30	27	6	19	5



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