

SAVING TELEGRAM.

BY BAG

FROM TOKYO TO FCO

TELNO 4 SAVING

UNCLASSIFIED

Addressed to FCO Telegram No 4 Saving of 21 April 1986

Repeated for information saving to:

Paris, Rome, Bonn, Washington, Brussels, Dublin, Stockholm, UKREP Brussels, UKMIS Geneva, UKDEL OECD, Ottawa, Bangkok, Canberra, Peking, Seoul, Jakarta, Singapore, Manila, Kuala Lumpur, Governor Hong Kong, BTC Hong Kong, Osaka.

JAPAN: MONTHLY ECONOMIC REPORT - APRIL 1986

Summary:

- February trade and current account surplus broke all records for that month in dollar terms, with exports to Western Europe particularly buoyant.
- Preliminary figures for Japan's external trade in March (customs clearance basis) suggest no slowing down in the dollar value of exports. A trade surplus of more than \$60 billion for the fiscal year is in prospect.
- Growth in the domestic economy continues to slow. Industrial output rose by less than 1% in the year to end February, the slowest for two years. Automobile production fell for the first time in 18 months in February and shipbuilding orders hit a 7 year low.
- Public works spending fell for the second year running. Despite an end-year surge in disbursements, total spending was 5% (\$2 billion) lower than in 1984/85. But public sector construction orders have now begun to accelerate.
- Unemployment, which rose again briefly in the late winter, has fallen sharply in two successive months. The availability of jobs for those actively seeking work has also begun to improve.
- Interest rates continue to fall, with a third cut in the official discount rate on 21 April. Excessive speculation in property and shares has given rise to some anxiety and the monetary authorities have given qualitative guidance to financial institutions.
- Further small package of measures announced on 8 April, designed primarily to offset the initial deflationary impact of latest yen appreciation. ¥1 trillion refund of utility costs could provide some further support to domestic demand later in the year.



- Yen rose above ¥170 to the US dollar on 22 April, a record post-war high.

KEY INDICATORS

TABLE 1A

		1985 JUL-SEP	1985 OCT-DEC	PREVIOUS MONTH	LATEST MONTH	LATEST MONTH SHOWN
GNP* - NOMINAL - REAL	) % Change on ) Previous period	1.3R 0.7R	2.0 1.7			
Industrial Production*	"	-0.1	-0.7	-0.6	0.1	February
Unemployment	% of labour force average for period	2.6	2.8R	2.7	2.6	February
Wages	% change on year ago	4.5	3.5	5.1R	4.8	February
Wholesale Prices	% change on year ago	-1.7	-3.7	-6.3	-8.1	March
Consumer Prices (Tokyo)	% change on year ago	2.5	2.4	2.1	1.1	March
Money Supply (M2 + CDs)	% change on year ago	8.3	9.0	9.0	9.0	February
Short-term interest rate	% pa (3-month Gensaki)	6.330	7.035	5.930	5.155	March
Long-term interest rate	% pa (10-year Government Bond)	5.76	5.60	4.97	4.52	March
Current Account*	\$ Million	11,741	16,125	5,530	4,412	February
Overall Balance	\$ Million (SA)	-6,105	-3,204	-1,500	-828	February
	\$ Million	-4,751	-3,233	-5,152	-1,299	February
Change in Reserves	\$ Million	-46	-1,013	621	335	March
Exchange Rate	Y/\$ (end-period)	217.00	202.85	178.60	179.60	March
	Y/\$ (end-period)	302.39	290.42	259.31	263.83	March