

UNCLASSIFIED
SAVING TELEGRAM

FROM BONN
FRAM7 ECONOMIC

TO FC TELNO 05 SAVING OF 20 APRIL 1989. Info. Brussels, Luxembourg,
The Hague, Paris, Rome, UKRep Brussels, UKDEL OECD,
UKMis Geneva, all Consulates-General in the Federal Republic
and West Berlin, Washington, Tokyo, Vienna.

FRG ECONOMY

SUMMARY

1. Small supplementary budget of DM 222 million approved by Cabinet.
2. Unemployment fell in March to 2.18 million (8.4%), down from 2.3 million in February and 2.44 million a year earlier. The Federal Labour Office confirmed that growth in employment is now taking place across all sectors of the economy.
3. The Ifo business climate index for February recorded a rise compared to the previous month. New order figures for February indicate a strong rise in demand with total incoming orders growing by 2.5%. Foreign demand climbed by 5%. February output rose by 0.5% month-on-month but on a two-monthly comparison with a year earlier, the increase was 6%. Construction output continued to expand, rising by 2% compared to January.
4. Retail turnover increased by 5.3% in January and February compared with the same period last year. The GfK consumer survey indicated increased concern about inflation and some signs of growth in savings. Inflation, cost of living index, rose by 2.7% in February while the retail price index rose by 1.9%.
5. The current account surplus in February was DM 8.1 billion, down on January's surplus (DM 11.3 billion) but higher than a year earlier (DM 5.2 billion). The visible trade surplus was DM 11.4 billion. Outflows on the capital account in February totalled DM 8.5 billion.
6. German stock markets continued to perform strongly with the 30 share DAX index reaching its highest level of the year. Pressures on short-term interest rates eased. The D-Mark gained ground against the major currencies. Money supply continued to grow strongly in February and the Bundesbank introduced a new measure of M3 on a trial basis.
7. FRG imports from the UK in 1988 totalled DM 30.5 billion, a 3.6% increase on 1987. Exports to the UK reached DM 52.9 billion, an increase of 13.4%. The trade gap in favour of the FRG rose to DM 22.4 billion from DM 17.2 billion in 1987.

DETAIL

PUBLIC EXPENDITURE

8. On 11 April the Cabinet agreed a supplementary budget totalling DM 222 million. The additional funding is to go to a university rebuilding programme (DM 150 million), additional costs incurred by asylum-seekers (DM 45 million), additional costs of administering tighter export controls (DM 8.5 million), and the building of temporary accommodation for refugees mainly from Eastern Europe (DM 18.5 million). Although the use of a Supplementary Budget is unusual - one was also passed last year but for different and unexpected reasons - the sums involved are small and the budget received only limited attention in the press.

LABOUR AND SOCIAL AFFAIRS

9. Unemployment fell from February to March by 126,655 to 2,178,164 or 8.4%. This compares favourably with March 1988 when the unemployment rate stood at 9.6%. Employment figures, available for February, were also encouraging showing a rise 225,000 on a year earlier. Heinrich Franke, President of the Federal Labour Office, said that the labour market was currently benefitting from strong demand from the economy for additional labour. The rise in employment was now taking place not only within the services sector but had spread to both the manufacturing and construction sectors. He did say, however, that the weather had also assisted in improving the figures. The number of short-time workers fell by 7% in March to 185,900 to stand a full 56% down on a year earlier. The number of vacancies rose further to reach 232,546 - 22.6% more than were on the books in March 1988.

** UNEMPLOYMENT **	March 88	February 89	March 89
a) Unemployment total - rate (%)	2,440,098 (9.6%)	2,304,819 (8.9%)	2,178,164 (8.4%)
b) Adjusted total	2,254,000	2,046,000	2,004,000
c) Short-time working	423,597	199,354	185,918
d) Unfilled Vacancies	189,668	215,655	232,546
e) Total men in a)	1,382,237	1,283,646	1,190,906
f) Total women in a)	1,057,861	1,021,173	987,258

