

UNCLASSIFIED
SAVING TELEGRAM

FR BONN

FRAME ECONOMIC

TO FCO TELNO 12 SAVING OF 02 October 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

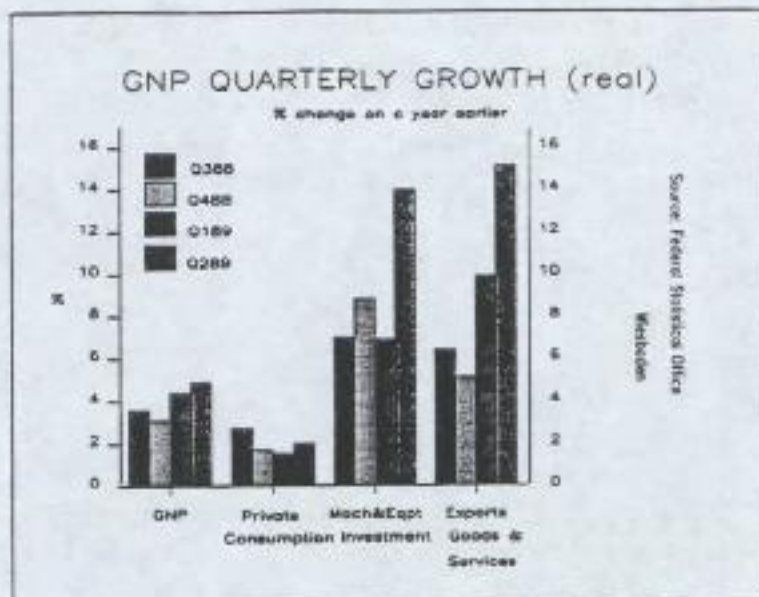
SUMMARY

1. GNP growth in first half of year strongest for 13 years (4.6%). Second quarter outturn 4.9%. (Para 10)
2. Unemployment down. Set to fall below 1.9 million in September. Rise in employment continues. (Para 11)
3. Business climate healthy. Both new orders and production up strongly. Construction mini-boom expected to continue. Retail trade turnover disappointing. (Paras 13 to 17)
4. Inflation rose to 3.1% in September. Overall price situation calm. (Paras 18 to 19)
5. Rise in key interest rates widely expected in early October. Monetary growth remains in line with target. (Paras 20 to 21)
6. Dollar pushed back against DM. Pound weak. Growing pressure for EMS realignment. (Para 22)
7. Stock markets lose momentum but outlook remains rosy. (Para 23)
8. Current account and visible trade surplus lower in July. (Para 24)
9. Above-average increase in FRG/UK trade but the trade surplus with the UK increased. (Para 26)

DETAIL

GNP

10. Official GNP figures for Q2 show strong growth of 4.9% real, pushing first half growth up to 4.6%, the strongest for 13 years. As illustrated by the chart overleaf the major components of growth remained exports and capital investment. While exports of goods and services rose by 15.1% on a year earlier, imports were up by only 9.7% so that net exports in 1980 prices were DM 8.9bn higher. Gross investment rose by 7.5%. Private consumption remained weak. Overall domestic demand recorded a rise of 2.8%. National income climbed by 6.7% with gross wage and salary income up 4.2% and entrepreneurial income up 12.4%. The release of the latest quarterly figures was accompanied by an upward revision of the 1988 growth figure from 3.4% to 3.6%.



LABOUR AND SOCIAL AFFAIRS

11. Unemployment in August fell by 32,400 or 2% to 1,940,151. The unemployment rate eased to 7.5% after 7.7% in July. Compared with a year earlier unadjusted unemployment in August was 227,000 or 10.5% lower. The seasonally adjusted unemployment figure fell for the third consecutive month. Prospects for the autumn are good with the September figure likely to drop below 1.9 million. Average unemployment in the first eight months of the year was 2.09 million compared with 2.3 million in the corresponding period last year. Short-time working in August was up markedly on the low July figure, due mainly to the large number of unworked shifts in the mining industry, but was nevertheless 40% down on a year earlier. The number of vacancies at 263,000 was 30% higher than in August 1988. Latest employment figures for July show a rise on a year earlier of 360,000 to 27.7 million. The figure for the first seven months of the year shows employment levels up by an average 320,000. Average wage increases in July were running at 3.7%.

** UNEMPLOYMENT **	August 88	July 89	August 89
a) Unemployment total - rate (%)	2,167,109 (8.5%)	1,972,504 (7.7%)	1,940,151 (7.5%)
b) Adjusted total	2,244,000	2,025,000	2,015,000
c) Short-time working	132,386	32,624	80,454
d) Unfilled Vacancies	199,759	255,460	262,690
e) Total men in a)	1,112,339	1,007,540	984,181
f) Total women in a)	1,054,770	964,964	955,970