

### JAPANESE ECONOMIC SITUATION

- GNP constitutes about 10% of global GNP, and ranks third after the United States and USSR. In 1987 Japan's nominal gross national product was CDN \$3053 billion. GNP per capita was CDN \$25,000.
- The structure of the Japanese economy has changed dramatically in the post-war period. The output share of primary industry has fallen steadily to approximately 3%, secondary industry has expanded rapidly and is steady at 41%, while the share of tertiary industry - the locus of much recent growth - has grown to 56%.
- Revaluation of the yen in the past two years has accentuated demand for restructuring. Japanese firms have shown remarkable resilience in restoring profit levels.
- The highest growth rates are in electrical machinery and precision instruments, with telecommunications and knowledge-intensive industries showing the greatest prospects for future growth.
- Unemployment, low by international standards, is 2.7% but is expected to rise toward 4% by the early 1990s. Labour unrest is minimal in Japan and industrial production is little affected by it.
- The rate of price increases has been low in recent years, partly due to depressed world commodity prices and the appreciation of yen.
- The Japanese economy forecast includes reduced growth as a result of a slow down in the export sector and the deflationary impact of the rapid appreciation of the yen. However, GNP is forecast to grow in the 4% range in 1988.
- The annual rate of increase of money supply since 1982 has been 7-9%. Japan has lowered its official discount rate to 2.5% to stimulate domestic demand and to counter the expected deflationary effects of the yen appreciation.
- Japan's trade surplus rose from US \$79.83 billion in 1986 to \$93 billion in 1987.
- Japan's surplus with the United States and its bilateral surpluses with Europe and other countries have produced pressure on Japan to improve access to its markets.
- The value of exports at the end of 1987 was 6% up from 1986, whereas the value and volume of imported goods rose by 20% and 10% respectively.