## prehensive economic survey in world, carried out each quarter by Bank of Japan and analyses in ail developments in the Japanese "Tankan" is. It is the most co

the

Japanese firms took part. Thus it is a survey that should never be ignored latest three Japanese firms took part in the markets Nine thousand six hundred and fifty underestimated by the financial survey, major firm released this firm and 93% of was that confidence among the manufacturing firms fell, as demand

largest

dence are still more firms who regard ditions as "unfavourable" firms not involved in manufacturing. There was an improvement in But in all of Not among small firms and everything larger there

The Bank of Japan was quick stress that firms are not fully taki "favourable". 6

from a triple stimulus of a yen depreciation, record low interest rates of 0.5% and a huge increase in

economy. Japan has benefited n a triple stimulus of a yen

announced last September. government spending

is. It is the most com-

a Danese

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sector remains weak. sector take up the slack? The pen when the impact of last year's icy easing fades away? Will the pri from the Tankan This The biggest shock from the Japan has been year, the main economic quesis no. what will hap-

at home and overseas remained weak.

A large number of these firms still have excess workers and inventories. in production to lower economy is experiencing a big struc-tural shift. Just as firms in Britain elsewhere, particularly and elsewhere have been cutting costs, ness confidence is that the so too have those in Japan. In addition, main explanation this demand. has for bcen

happy reading thorities. They

hoped it would show

for the Japanese

au-

tions will remain tough.

suggests that economic

reading

The

latest survey

did not provide

the recovery was gathering momen-tum. It did not. Instead it showed the

recovery is mild.

Since last year policy makers have ayed the key role in boosting

bigger slice of investment and produc-tion by large Japanese manufacturing latest Tankan showed that a

plans on Y:\$102.23 yen. In the survey carried out in Febrfirms are slowly adjusting to a weaker has been hovering around its current level of Y:\$108 for some months. Yet Y:\$98 and small manufacturing firms account the confidence firms even around Y:\$101. hovering around its current Now they are basing their expected make profits around would be higher

locate production close cost centres low busi-Japanese clearest

in South-east have

corresponding figures for investment all investment set to take firms is taking place outside Japan. production and production. will account place outside one-third

open up the economy. well as this deindustrialisation, pressure to deregulate

from Japanese subsidiaries overseas. steadily, although many has been a dramatic decline in Japan's One surplus. consequence the Imports has of these been a shift have Another

not been able to shift production offshore. They have had to stay in Japan time. Lacking the financ previous s have shed excess workers. casualty has been small firms. In led the recovery, cycles large have not firms ial resources firms would but not this small have

and The jobs are being created in the service though wages are now recovering and workers as much as they should. One in four people are employed as life-time workers by large firms. these large firms have "excess work-ers". Thus there is still some uncer-According to the Tankan, a net 19% of these large firms have "excess worksector. job

sioners and savers. In Japan there is political pressure for the Government to raise interest rates ahead of the general election, which is due by grow below trend and no inflation in interest rates from Japan's many pensight, an early increase in Japanese interest rates is ruled out. This will be despite continued criticism of low What does the Tankan mean for pol-

sure for the government to unveil another big spending boost, despite its poor budget deficit. This has not deterred Japanese investors from buynext summer. The latest Tankan will add to presto unveil

of the prospect of continued low interest rates. ing bonds, which have been the main beneficiary of the Tankan because

Strays from

had a strong rally and the survey pr ther rise in market stock market exposed to worries about and the survey provided impetus to buy. Instead, Tankan despite the forthcoming supply.

Japanese By contrast, the has corporate fallen over prospect of a furstock market has since the Japanese profits because the = no last year left the stock latest fresh

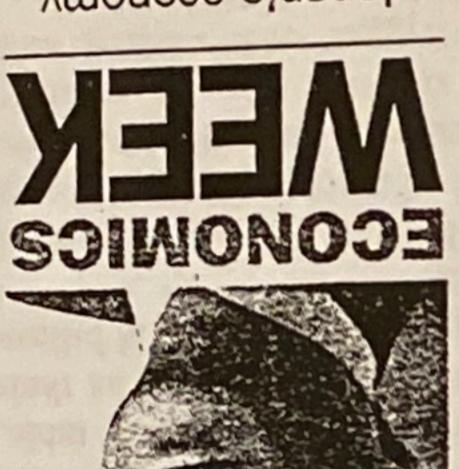
remain risk-averse. investors

ment, next overseas, but there is still no guarantee they will. Like the Japanese government, they will keenly await the Faced home Tankan survey with they con should tinucd in three months invest low yields more

International. Dai-Ichi Kangyo Bank (DKB) Dr Gerard Lyons is Chief Economist of

## Gerard Lyons.

left the authorities concerned, says private sector has bace and a weak only at a modest is recovering but Japan's economy



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