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CABINET
MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MONTHLY ECONOMIC BRIEF
Note by the Secretaries

The attached monthly economic brief prepared by the Central Statistical Office, is circulated for the information of the Committee.

Signed JOHN HUNT
P Le CHEMINANT
P MOUNTFIELD

Cabinet Office
4 September 1979

MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 31 August 1979

ACTIVITY AND UNEMPLOYMENT

GDP increased in the second quarter mainly because of output deferred from the first; the best view is that only ephemeral influences have modified a flat trend of GDP in 1979 up to the third quarter. The level is that of the summer of 1978.

The downward trend in unemployment experienced over the last eighteen months has continued but may soon end. Vacancies notified have fallen.

DEMAND

Consumers' expenditure, exceptionally high in the second quarter, is expected to fall back in the third; there seems little prospect of growth in other components of demand in the third quarter.

BALANCE OF PAYMENTS

The volume of imports fell in July and over the next few months is expected to remain lower than it was in the second quarter. The current account deficit, which for the time being also benefits from the strong exchange rate, is now running at a rather lower level than earlier in the year.

EARNINGS AND PRICES

The annual increase in the index of average earnings for the year to July will be in the region of 15 per cent. The number of 1978/79 settlements still outstanding and the effects on earnings of the staging of some completed settlements leave a further 3 per cent overhanging for 1979/80.

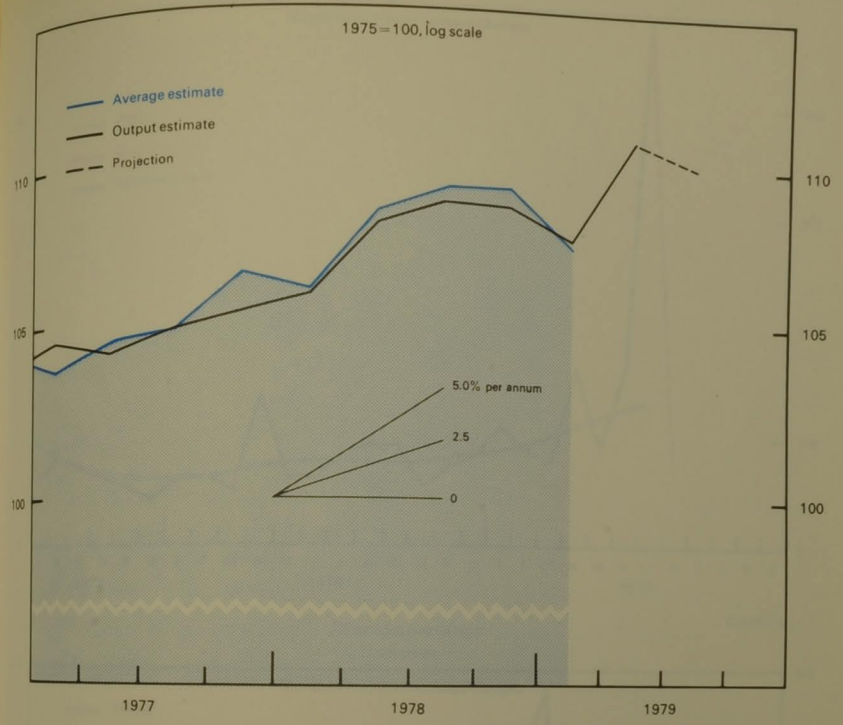
Retail prices are now rising at over 1 per cent a month. The new Tax and Prices Index for July - combining the effects of prices, direct and indirect tax changes - shows no change on June.

MONEY SUPPLY

Sterling M3 grew at an annual rate of 14 per cent in the three months to July. The increase in July, the first month of the new target period, was rather lower than recent months at 0.8 per cent following the sharp rise in MLR. Interest rates remain high. The sterling effective exchange rate has changed little since July.

Gross domestic product

CHART 1



Unemployed (excluding school leavers)

CHART 2

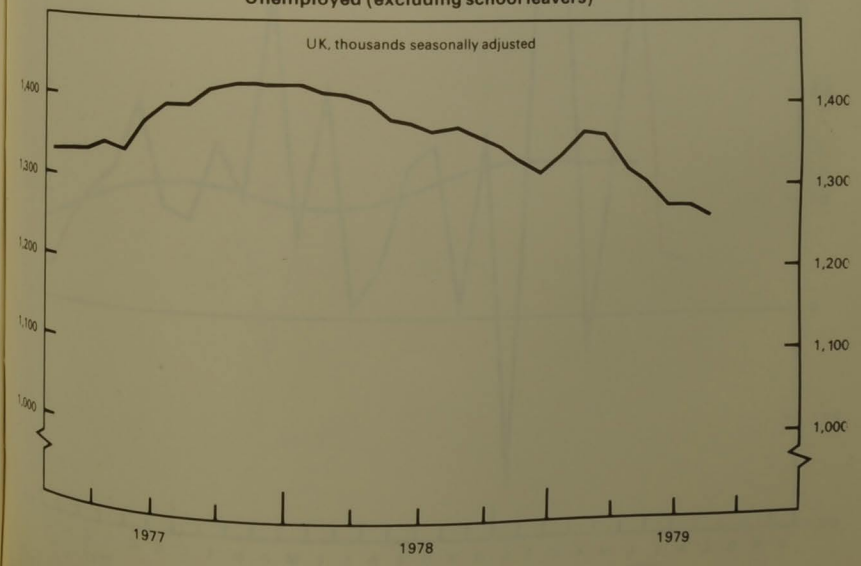


CHART 3

Retail prices

All items other than seasonal food

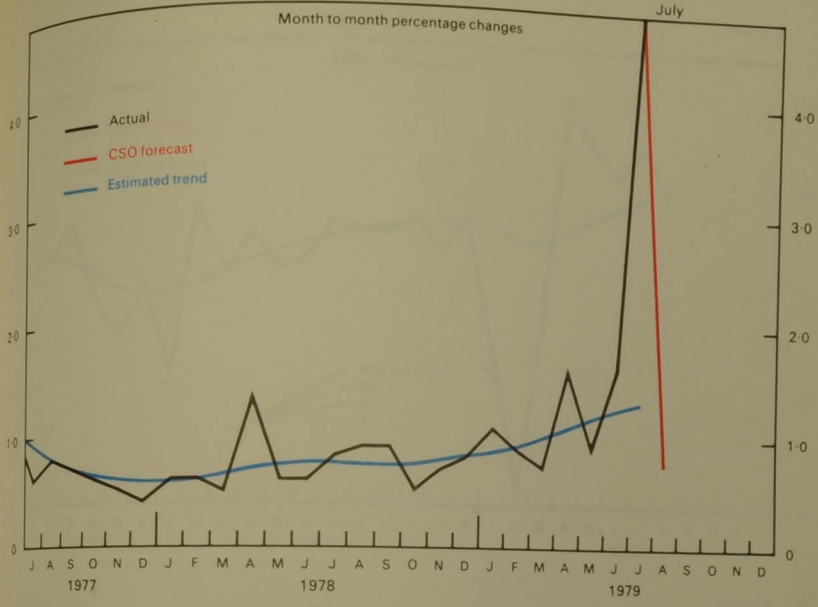
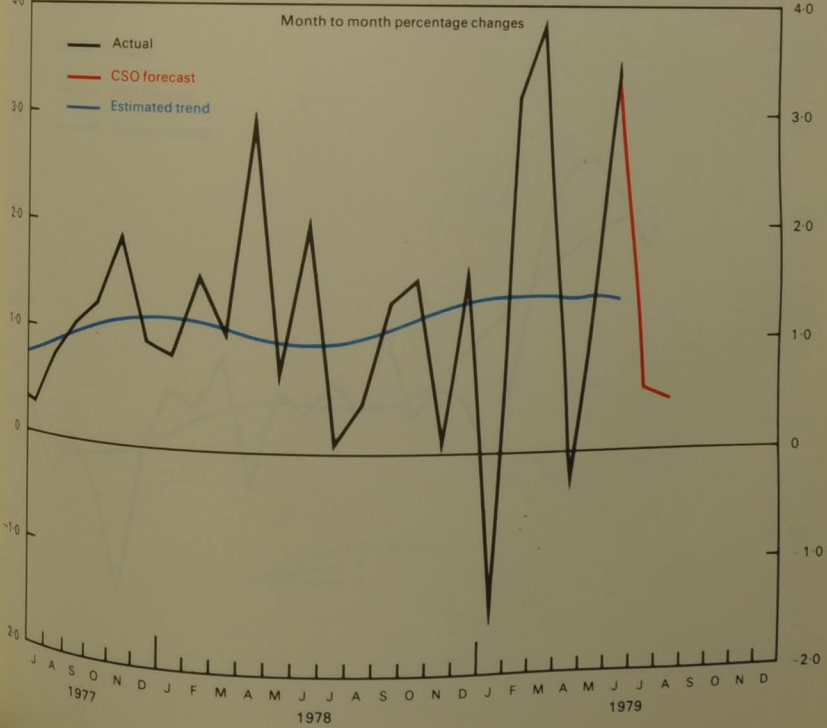


CHART 4

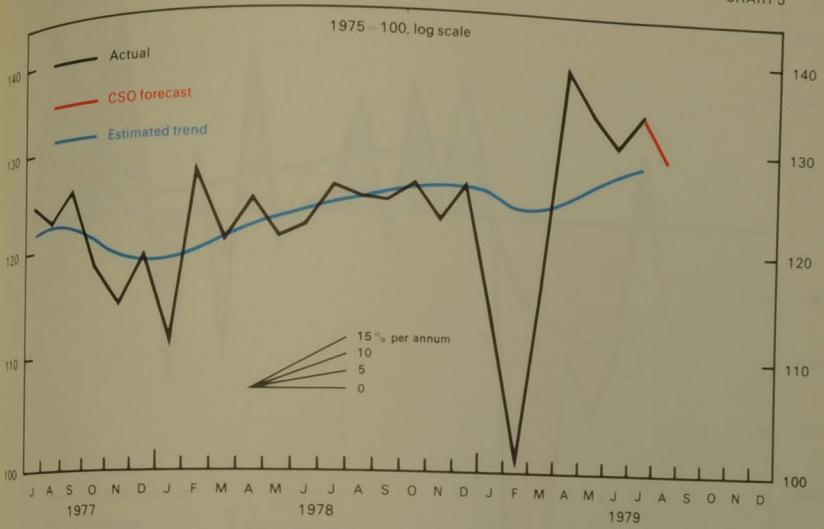
Average earnings

old series



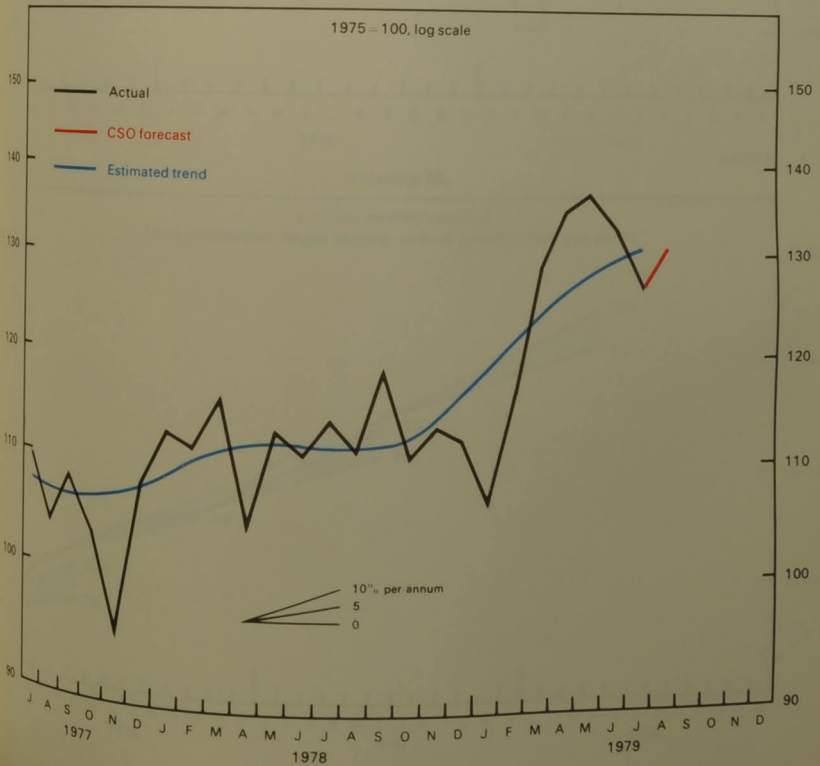
Volume of exports

CHART 5



Volume of imports

CHART 6



Current balance

CHART 7

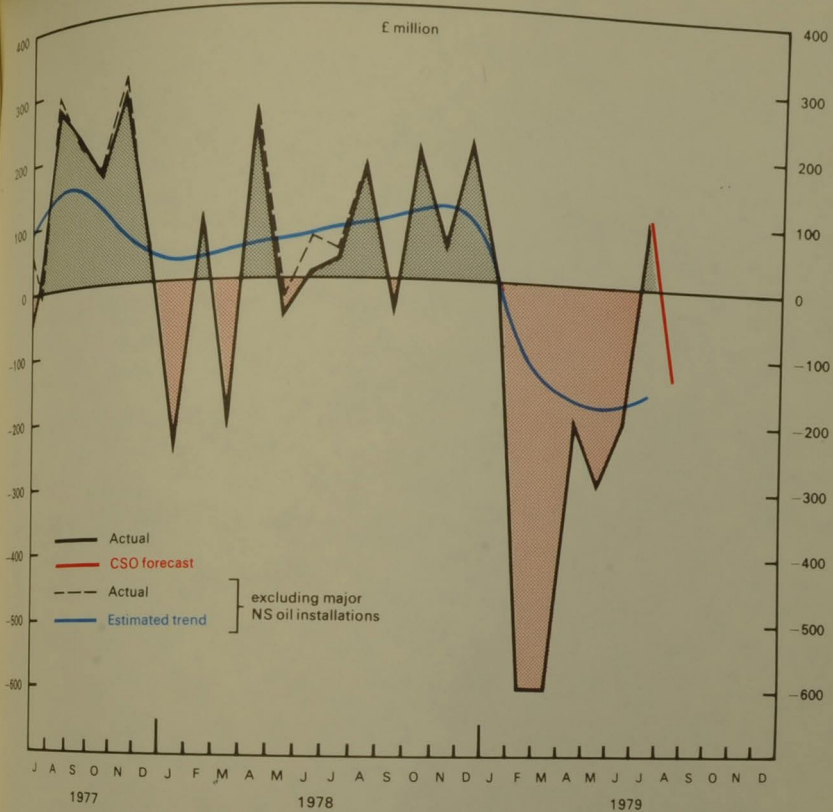


CHART 8

Sterling M₃

