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2 September 1980

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 ROBERT ARMSTRONG
P Le CHEMINANT
D J L MOORE

Cabinet Office

2 September 1980

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MONTHLY ECONOMIC BRIEF

Prepared by CS0 on 29 August 1980

FINANCE

The adjustments following the end of the SSD scheme make it unhelpful to try to judge the underlying increase in £M3 and extremely difficult to do so for any of the other liquidity measures. The underlying growth of the money supply is probably of the order of 1 per cent a month.

The PSBR was about $\text{£}4\frac{1}{2}$ bn (seasonally adjusted) in the June quarter. A number of factors should reduce it in the rest of the financial year.

Nominal interest rates strengthened and the sterling exchange rate rose during early August.

EARNINGS AND PRICES

There is no evidence yet of any change in the underlying growth in average earnings; it has been close to $1\frac{1}{2}$ per cent a month. The reduction of overtime and the increase in short-time working have been moderating the effect of settlements.

Seasonal factors will cause the increase in retail prices in August to be less than the monthly average of 1 per cent seen recently.

ACTIVITY AND UNEMPLOYMENT

Industrial production and GDP are falling.

The upward trend in unemployment accelerated in August. The level of vacancies is approaching the minimum seen in the two previous downturns in the economy.

BALANCE OF PAYMENTS

The volume of imports continues to fall rapidly; exports may also now be starting to fall slightly. The visible balance of payments continues to be in surplus.

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MONTHLY ECONOMIC REVIEW
Prepared by GSO on 29 August 1980

and adjustments following the end of the 1979 boom was to maintain the rate of growth of the underlying increase in GDP and services. It is to be expected that other liquidity measures. The underlying growth of the money supply is likely to be of the order of 1 per cent a month.

the 1979 boom was about 5 1/2% (seasonally adjusted) in the four quarters. A number of factors should reduce it in the rest of the financial year.

national interest rates strengthened and the sterling exchange rate was being early August.

PRICES AND PRICES

There is no evidence yet of any change in the underlying growth in average prices; it has been close to 1 1/2 per cent a month. The reduction of services and the increase in short-time working have been moderating the effect of inflation.

GENERAL FACTORS WILL CAUSE THE INCREASE IN RETAIL PRICES TO BE LESS THAN THE MONTHLY AVERAGE OF 1 PER CENT A MONTH.

ACTIVITY AND EMPLOYMENT

Industrial production and GNP are falling.

the upward trend in unemployment accelerated in August. The level of unemployment is approaching the minimum seen in the two previous booms in the country.

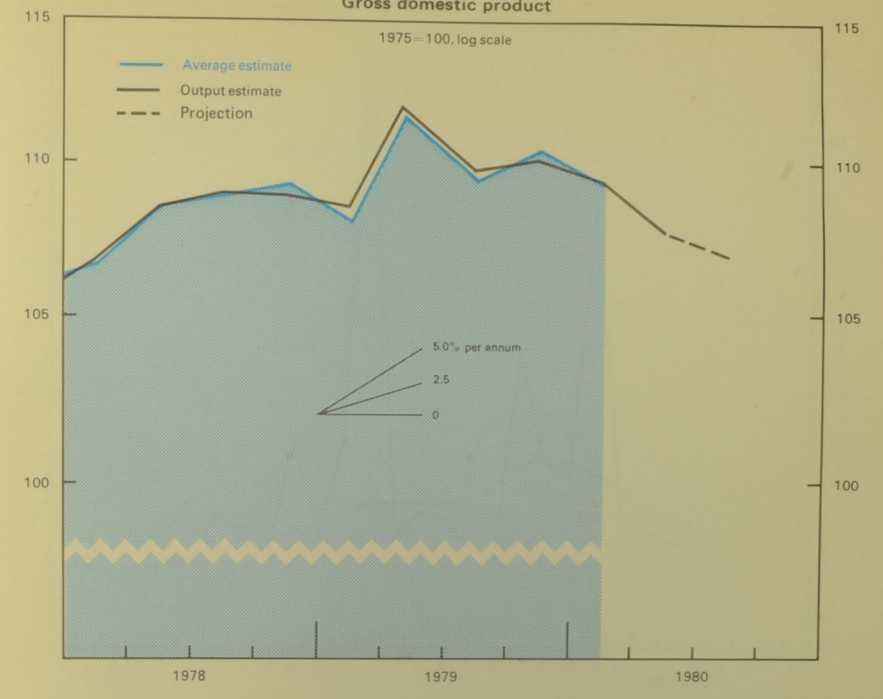
BALANCE OF PAYMENTS

the volume of exports continues to fall rapidly; exports are also not falling so fast as they should. The visible balance of payments continues to be in surplus.

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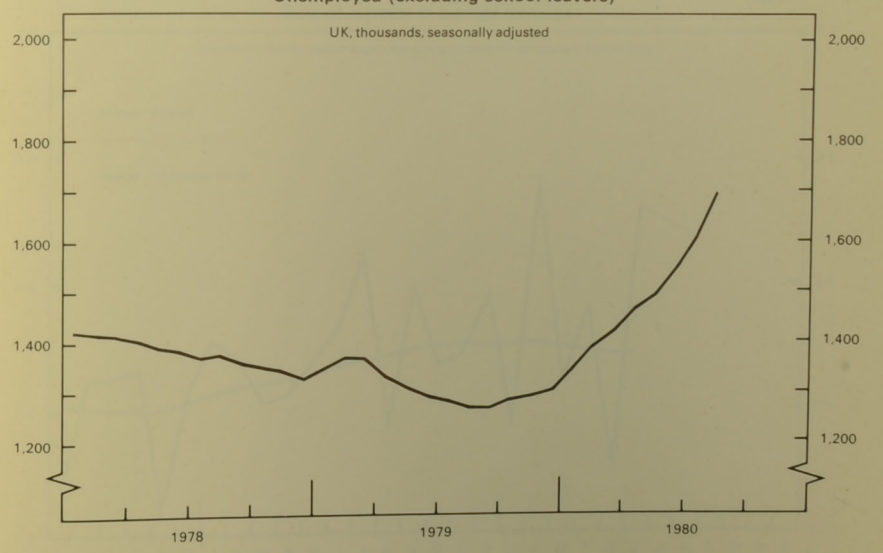
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

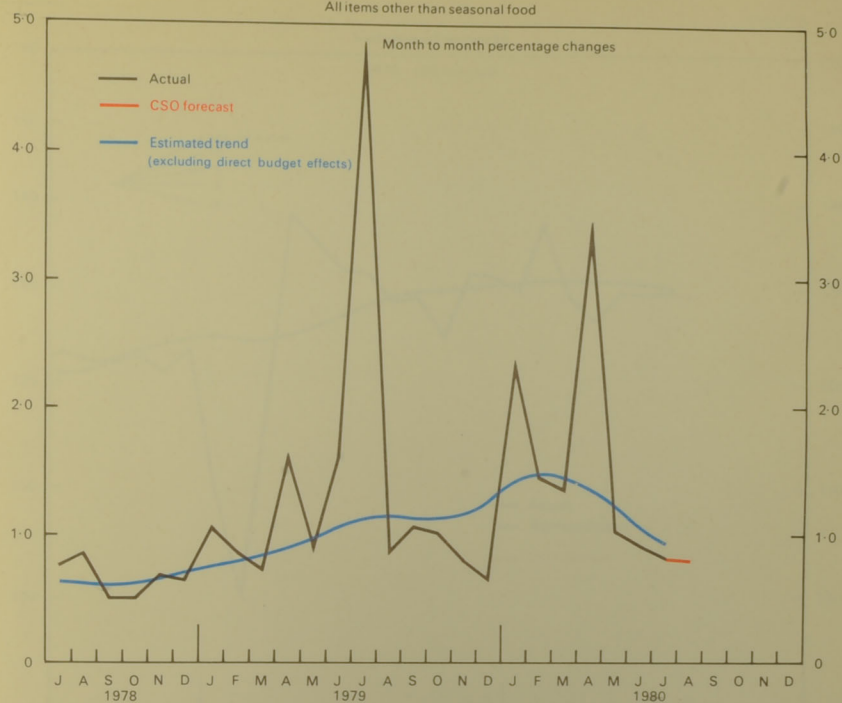
CHART 2



Rate of increase in retail prices

CHART 3

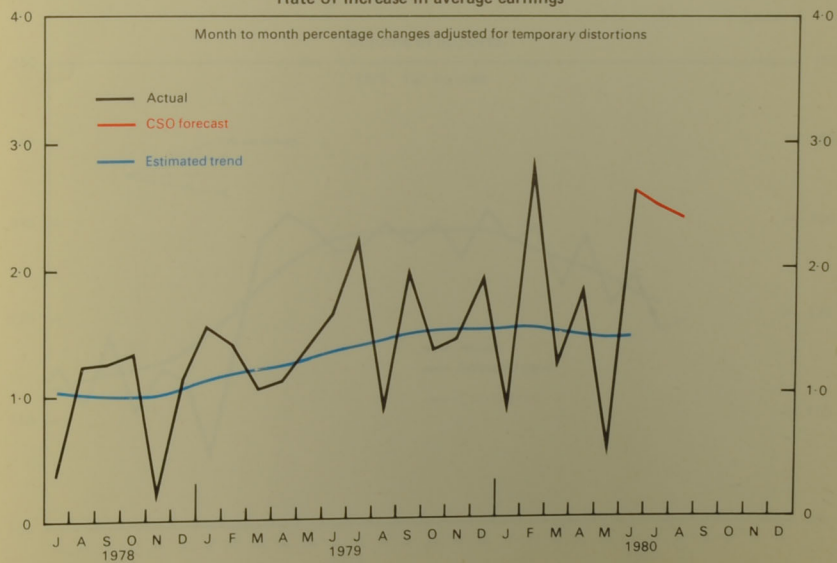
All items other than seasonal food

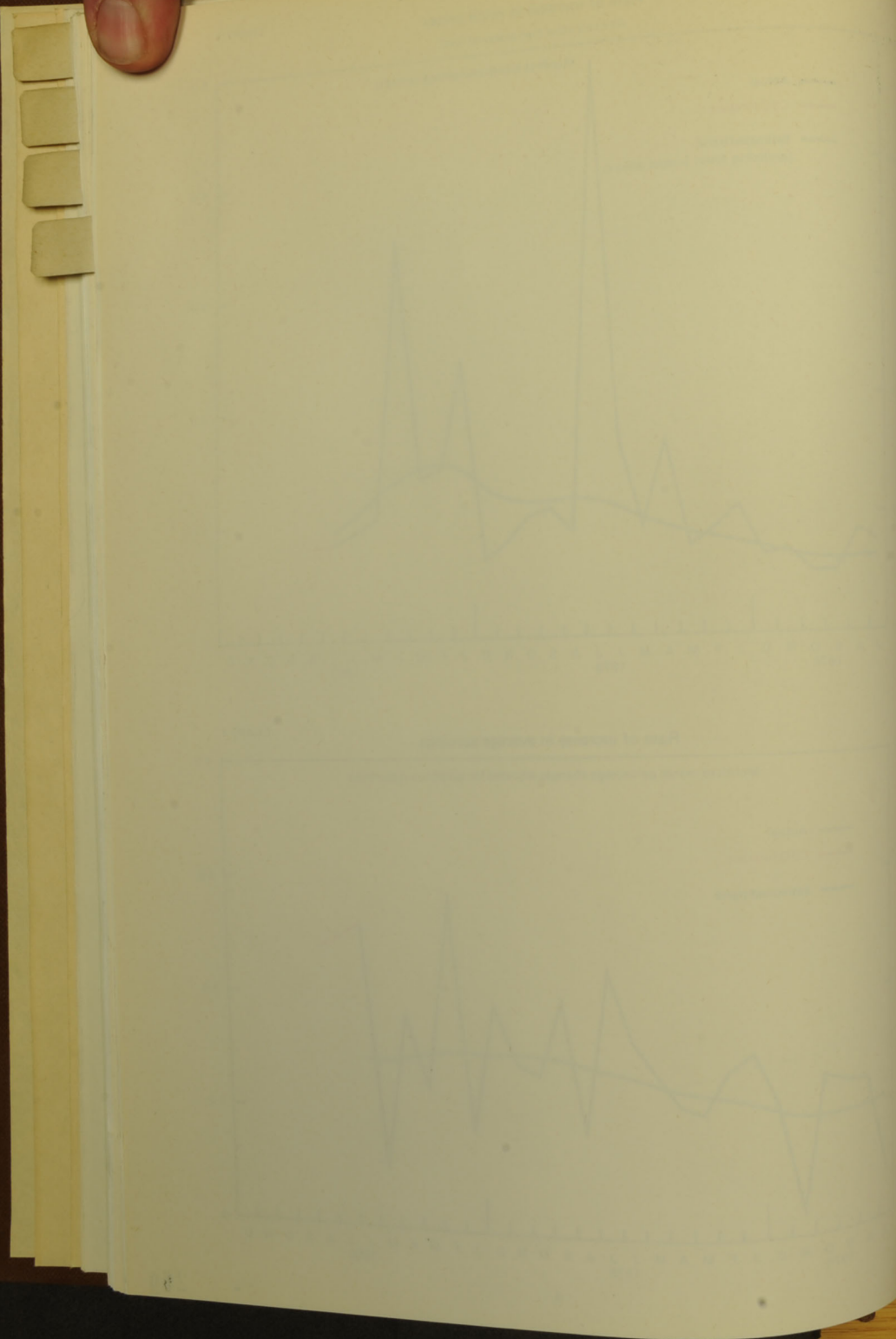


Rate of increase in average earnings

CHART 4

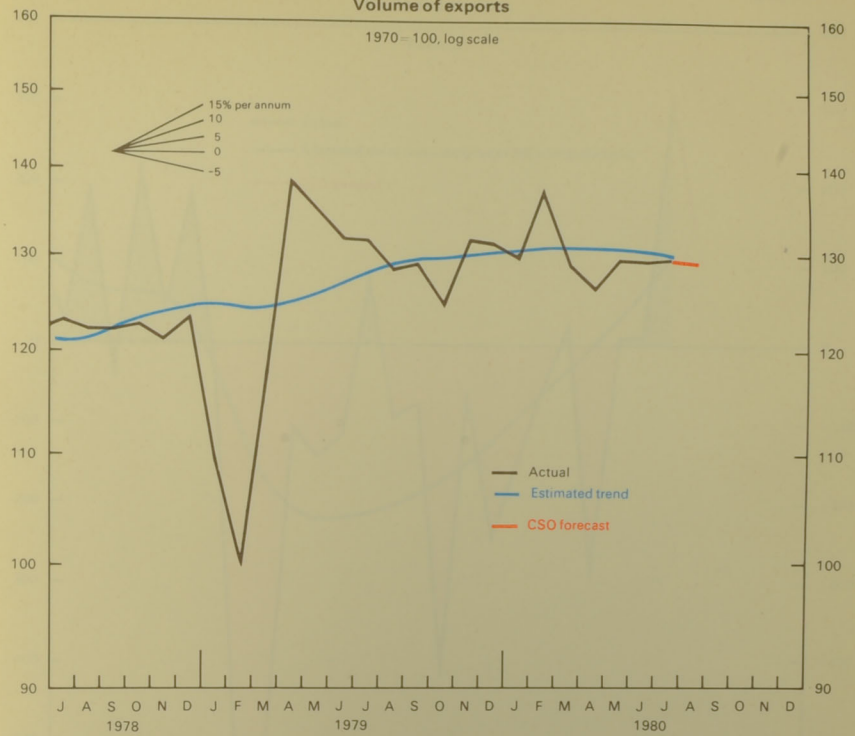
Month to month percentage changes adjusted for temporary distortions





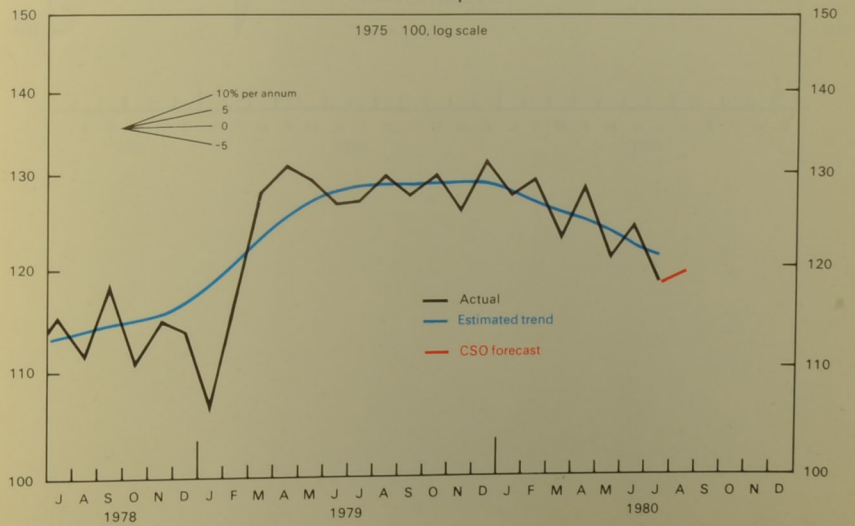
Volume of exports

CHART 5



Volume of imports

CHART 6



- 93
- 94
- 95
- 96
- 97
- 98
- 99
- 0
- 101
- 02
- 03
- 4
- 5

Current balance

CHART 7



93

94

95

96

97

98

99

0

101

02

03

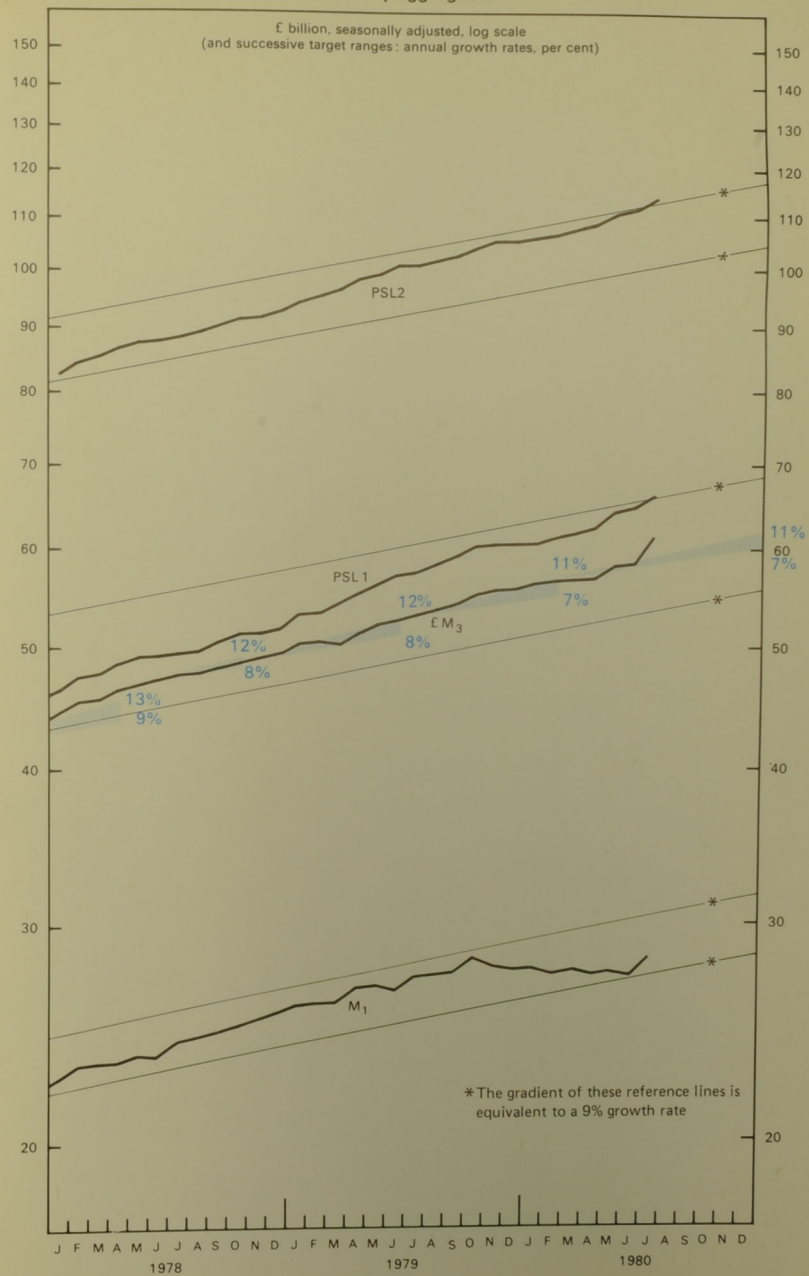
04

05

06

Monetary aggregates

CHART 8



93

94

95

96

97

98

99

0

101

02

03

4

5