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Introduction.

Current Economic Indicators has been shaped this month in line with suggestions made by some of our readers. The volume of statistics reported has been reduced substantially and it might well be that information useful to you has been omitted. If so, please complain; we are trying to assess the balance between the need to be concise and the need to be comprehensive, and your comments will be invaluable if we are to get this right.

Throughout the tables, a number in brackets following an index or datum is the percentage change since the same period last year. Thus for GDP 1976 the entry 117.8 (+26.7) indicates an increase of 26.7% on the 1975 figure. The letter 'p' following an index or datum means that the value is provisional and a firm value will be reported next month. Sources are referenced (1) to (9) and these are:

- (1) O.E.C.D. Main Economic Indicators.
- (2) Treasury Economic Progress Report, Dec. 1978 and Oct. 1979.
- (3) Economic Trends updated by CSO press releases.
- (4) " " " " Dept. Trade press release.
- (5) Dept. Employment Gazette updated by Dept. Employment press releases.
- (6) Financial Statistics.
- (7) Economic Trends updated by Dept. Industry press releases.
- (8) Treasury Progress Reports and Financial Times.
- (9) Bank of England Quarterly Bulletin and press releases.

1. The U.K. Economy: summary of statistics published in November.

- 1.1 The provisional estimate of GDP (output based) for the third quarter of 1979 was 108.9, 2% down on the second quarter and about the same as last year.

The underlying level of GDP, excluding activity in the North Sea, appears to have changed little in the last year. North Sea oil and gas production rose by some 50% in this period, equivalent to an increase of about 1% in GDP.

- 1.2 Industrial production fell sharply in the third quarter because of industrial disputes. The trend, adjusted for disputes, has been fairly level since the Spring.

- 1.3 Seasonally adjusted unemployment in G.B. in November was at 5.2% of all employees, and has been rising on average by 5,700 per month for the last three months.

The number of vacancies notified to employment offices in G.B. has fallen by 3,100 since October on a seasonally adjusted basis.

The number of people in special employment and training measures at end October was estimated to be 386,000, although not all of these would otherwise have appeared on the unemployment register.

The total number of employees in the production industries in G.B. at mid August was just over 9 million, some 48,700 lower than in August 1978.

- 1.4 RPI was up 1% on the month and 17.2% on the year although the yearly figure contains about 4% attributable to the non-recurring increase in VAT following the budget. TPI increased by 14.8% on the year to October 1979.

- 1.5 Wholesale prices rose by 1% in the month to October, while the cost of fuel and materials bought by industry rose by 3½%. Commodity prices, expressed by the Reuter commodity index, increased by 9.1% in the year to October 1979.

- 1.6 The index of nationally negotiated basic wage rates rose by 10.7% in the year to October, although this did not include the negotiated settlement of the engineering dispute. Lost earnings in this dispute did however appear in the index of average earnings for September. Thus the index rose by 14.4% in the year to September, but the underlying role is thought to be between 15% and 16% p.a.

- 1.7 The visible trade deficit in October was about £340 million. Removing erratic items, exports dropped by around £300 million on the month, and imports were just above the levels of August and September. Invisibles in October are projected to be in balance.

The deficit for the first 10 months of this year has been £2.5 billion; monthly average deficit was £309 million for the first half and £162 million for the four months July - October.

- 1.8 Sterling exchange rate eased slightly during the first three weeks of October, and fell sharply in the final week following the abolition of exchange controls and the tightening of U.S. monetary policy. By the end of October, the pound was at \$2.08; the effective rate was 66.9, significantly higher than in early 1979, and 6½% up on the average for 1977 and 1978.
- 1.9 Sterling M3 rose on a seasonally adjusted basis by 2% on the month to October, and took the rise from mid-June to 4.5% or 14.25% annualised. The target figure is 7-11% per annum for the 10 months mid-June 1979-mid April 1980.
- 1.10 During the banking month of October, bank lending in sterling to the private sector increased by £1.2 billion, with probably another £170 million increase outside the banking system. Domestic credit expansion as a whole for the month was +£1,566, and within this, the Central Government borrowing requirement was £940 million. On present trends, P.S.B.R. for 1979-80 might well exceed the Government's target of £8.3 billion.

2. Political Statistics.How we got on in the world under Labour.2.1 Economic growth and activityIncrease in GDP per capita
at 1975 prices and exchange
rates.

| 1973-78 | (1) |
|------------|-------|
| Norway | 21.9% |
| France | 13.1% |
| Japan | 12.8% |
| Canada | 11.1% |
| W. Germany | 10.7% |
| Holland | 8.5% |
| U.S. | 8.2% |
| Italy | 7.5% |
| Denmark | 6.9% |
| Sweden | 4.7% |
| U.K. | 4.6% |

Increase in index
industrial prod-
uction.

| 1973-78 | (1) |
|------------|-------|
| Norway | 28.9% |
| Ireland | 25.2% |
| U.S.A. | 11.8% |
| Canada | 10.8% |
| Holland | 8.0% |
| Italy | 7.5% |
| France | 6.7% |
| Japan | 6.0% |
| Denmark | 5.6% |
| W. Germany | 4.6% |
| Belgium | 3.7% |
| U.K. | 2.8% |
| Sweden | -7.0% |

Increase in the
percentage of the
work force un-
employed.

| 1973-78 | (1) |
|------------|------|
| Sweden | -12% |
| Norway | 20% |
| U.S.A. | 28% |
| Italy | 34% |
| Ireland | 48% |
| Canada | 50% |
| Japan | 69% |
| Holland | 87% |
| U.K. | 128% |
| Belgium | 190% |
| France | 194% |
| W. Germany | 290% |
| Denmark | 857% |

2.2 Wages and prices.INCREASE IN ALL ITEM
CONSUMER PRICES

Feb 1974-Apr. 1979 (1)

| | |
|------------|--------|
| W. Germany | 24.5% |
| Holland | 43.5% |
| U.S. | 47.8% |
| Japan | 49.4% |
| Belgium | 50.7% |
| Norway | 54.7% |
| Denmark | 55.5% |
| Canada | 57.6% |
| Sweden | 64.2% |
| France | 66.0% |
| Ireland | 101.2% |
| U.K. | 111.0% |
| Italy | 125.0% |

INCREASE IN EARNINGS IN MANUFACTURING
Feb. 1974-April 1979

MONEY TERMS (1)

| | |
|------------|--------|
| Italy | 171.3% |
| U.K. | 137.0% |
| France | 106.0% |
| Denmark | 96.2% |
| Norway | 88.7% |
| Canada | 79.2% |
| Japan | 77.6% |
| Sweden | 75.4% |
| Belgium | 74.9% |
| U.S. | 55.6% |
| Holland | 54.3% |
| W. Germany | 39.4% |

BASED ON THE VALUE
OF MONEY IN FEB 1974

| | |
|------------|-------|
| Denmark | 26.2% |
| France | 24.1% |
| Norway | 22.0% |
| Italy | 20.6% |
| Japan | 19.0% |
| Belgium | 16.1% |
| Canada | 13.7% |
| W. Germany | 12.4% |
| U.K. | 12.3% |
| Holland | 7.5% |
| Sweden | 6.8% |
| U.S. | 5.3% |

2.3 International Competitiveness

| TREND UNIT WAGE COSTS IN MANUFACTURING (2) | | VALUE OF IMPORTS AS % G.D.P. (1) | |
|---|-------|-------------------------------------|-------|
| INCREASE FROM 1974 TO Q1 1979 | | Q1 1979 | |
| W. Germany | 11.3% | W. Germany | 2.0% |
| Japan | 18.3% | U.S. | 8.1% |
| U.S. | 33.0% | Japan | 8.6% |
| France | 42.2% | Italy | 23.3% |
| U.K. | 76.5% | U.K. | 29.2% |
| Italy | 91.7% | (France n/a) | |

+
-----3. U.K. Economic Statistics3.1 GROSS DOMESTIC PRODUCT AT FACTOR COST - seasonally adjusted
AVERAGE ESTIMATES. where appropriate.

1975=100

| <u>YEARLY</u> | <u>AT CURRENT PRICES</u> | | <u>AT 1975 PRICES</u> | |
|---------------|--------------------------|---------|-----------------------|---------|
| 1974 | 78.9 | | 100.9 | |
| 1975 | 100.0 | | 100.0 | (-0.9) |
| 1976 | 117.8 | (+26.7) | 103.1 | (+3.1) |
| 1977 | 134.0 | (+17.8) | 105.1 | (+1.94) |
| 1978 | 152.0 | (+13.8) | 107.9 | (+2.66) |

QUARTERLY

| | | | | | |
|------|----|-------|---------|--------|---------|
| 1974 | Q1 | 70.0 | | 98.3 | |
| 1979 | Q1 | 158.5 | (+9.5) | 107.3 | (+1.3) |
| | Q2 | 168.7 | (+13.0) | 109.6 | (+1.7)* |
| | Q3 | | | 108.9p | (+2.0)* |

*These provisional figures are based only on output data.

3.2 GROSS DOMESTIC PRODUCT, CONSUMERS' EXPENDITURE AND PERSONAL
DISPOSABLE INCOME - ALL PER CAPITA. Seasonally adjusted where
appropriate. (3)

1975 PRICES

| | GROSS DOMESTIC PRODUCT | CONSUMERS' EXPENDITURE | PERSONAL DISPOSABLE INCOME |
|---------|------------------------|------------------------|-------------------------------|
| 1974 | £1,684 | £1,150 | £1,340 |
| 1975 | £1,670 | £1,138 | £1,335 |
| 1976 | £1,733 | £1,141 | £1,336 |
| 1977 | £1,760 | £1,132 | £1,315 |
| 1978 | £1,805 | £1,194 | £1,408 |
| Q1 1974 | £ 207 | £ 158 | £ 180 |
| Q1 1979 | £ 441 (-0.1) | £ 306 (+4.1) | £ 365 (+7.7) |
| Q2 1979 | £ 448 (-0.4) | £ 319 (+7.8) | £ 371 (+6.3) |

Real personal disposable income rose by 1½% between the second half of 1978 and the first half of 1979, following a rise of 5% between the two halves of 1978. Consumers' expenditure rose by 3% between the second half of 1978 and the first half of 1979, and the savings ratio fell, particularly in the second quarter of 1979.

3.3 COMPANY PROFITS AND BORROWING REQUIREMENTS. £ MILLION

| | INDUSTRIAL AND COMMERCIAL COMPANIES' GROSS TRADING PROFITS NETT OF STOCK APPRECIATION Seasonally adjusted. (3) | INDUSTRIAL AND COMMERCIAL COMPANIES' TOTAL EXTERNAL BORROWING. (6) |
|---------|--|--|
| 1974 | 6,191 (-16.2) | 6,194 |
| 1975 | 7,463 (20.5) | 3,449 |
| 1976 | 9,462 (26.8) | 5,185 |
| 1977 | 14,101 (49.0) | 5,363 |
| 1978 | 16,378 (16.1) | 5,332 |
| Q1 1974 | 1,121 (-44.1) | 2,201 |
| Q1 1979 | 3,915 (0.5) | 2,448 |
| Q2 1979 | 4,708 (22.3) | 2,594 |

Profits nett of stock appreciation recovered in the second quarter from the low level of Q1 1979. Stock appreciation was particularly high in the first half of 1979 and therefore profits nett of stock appreciation for the first half of 1979 are estimated to be 10% lower than in the last half of 1978, and almost the same as in the first half of 1978.

North Sea profits are estimated to have accounted for nearly one quarter of total company profits nett of stock appreciation in the first half of 1979.

3.4 INDEX OF INDUSTRIAL PRODUCTION - Seasonally adjusted where
AVERAGE 1975=100 (3) appropriate.

| <u>YEARLY</u> | <u>TOTAL - ALL INDUSTRIES</u> | <u>TOTAL MANUFACTURING INDUSTRIES</u> |
|------------------|-------------------------------|---|
| 1974 | 105.1 | 106.5 |
| 1975 | 100.0 | 100.0 |
| 1976 | 102.0 | 101.4 |
| 1977 | 105.8 | 102.8 |
| 1978 | 109.8 | 103.7 |
| <u>QUARTERLY</u> | | |
| 1974 Q1 | 102.6 | 104.4 (3-day week) |
| 1979 Q1 | 109.5 (+2.3) | 101.8 (-0.4) |
| 1979 Q2 | 115.8 (+4.6) | 108.0 (+3.3) |
| 1979 Q3 | 112.6 (+1.2) | 102.8 (-2.0) |
| <u>MONTHLY</u> | | |
| 1979 | | |
| | APR. 114.2 | 106.7 |
| | MAY 115.4 | 107.1 |
| | JUNE 117.9 | 110.3 |
| | JULY 116.4 | 107.9 |
| | AUG. 111.6 | 101.4 |
| | SEPT. 110.0 | 99.0 |

Steel production in September was 11.7% up on September 1978. Coal output in the third quarter was up 5% on the second quarter, partly reflecting higher productivity. Production of cars and commercial vehicles in September was at much the same level as in August.

Overall, while production on the North Sea increased by 50% in the period Q3 1978 - Q3 1979, production in the other sectors fell by 1½%.

3.5 VOLUME OF RETAIL SALES, seasonally adusted where appropriate.
(4). 1971 = 100.

| <u>YEARLY</u> | | <u>MONTHLY 1979</u> | |
|---------------|-------|---------------------|--------------|
| 1974 | 109.0 | APR | 115.4 |
| 1975 | 106.7 | MAY | 113.5 |
| 1976 | 106.5 | JUNE | 120.3 (+11) |
| 1977 | 103.6 | JULY | 108.7 (+11) |
| 1978 | 109.2 | AUG | 111.5 (+13) |
| | | SEPT | 110.0 (+14) |
| | | OCT | 111.5p (+15) |

QUARTERLY

| | | | |
|---------|----|-------|-------|
| 1974 Q1 | | | |
| 1979 | Q1 | 110.3 | (+13) |
| | Q2 | 116.7 | (+17) |
| | Q3 | 110.1 | (+13) |

The volume of retail sales fell back in Q3 from the exceptionally high level in Q2*, to about the level of Q1. The 1.4% increase in October from September was concentrated in non-food shops, and was quite modest in view of recent income tax rebates and the start of traditional pre-Christmas spending.

* The high level of spending in the second quarter 1979 was in anticipation of VAT increases.

3.6 CONSUMERS' EXPENDITURE - seasonally adusted where appropriate
£MILLION, 1975 PRICES. (3).

Selected Components

| | Total | Food, drink & tobacco | Housing, fuel light | Clothing & Footwear | Durable household goods | Cars & Motor cycles |
|---------|---------|-----------------------------|---------------------------|------------------------|-------------------------------|---------------------------|
| 1974 | 64,162 | 19,876 | 12,090 | 5,107 | 3,241 | 1,731 |
| 1975 | 63,328 | 19,676 | 12,138 | 5,170 | 3,204 | 1,816 |
| 1976 | 63,479 | 19,853 | 12,285 | 5,194 | 3,384 | 1,977 |
| 1977 | 62,897 | 19,509 | 12,535 | 5,315 | 3,194 | 1,920 |
| 1978 | 66,431 | 20,397 | 12,808 | 5,840 | 3,529 | 2,498 |
| Q1 1974 | 15,984 | 5,114 | 2,675 | 1,375 | 824 | 560 |
| Q1 1979 | 17,021 | 5,214 | 3,340 | 1,484 | 912 | 643 |
| Q2 1979 | 17,673p | 5,420p | 3,289p | 1,573 | 1,050 | 852p |

There was a sharp increase spending on retail sales between the first and second quarters of 1979, but seasonally adjusted fuel sales dropped sharply in value over this period.

3.7 UNEMPLOYMENT AND NOTIFIED VACANCIES - GREAT BRITAIN EXCLUDING SCHOOL LEAVERS. Seasonally adjusted where appropriate. (5)

YEARLY DATA (figures at January each year).

| <u>No. empl- oyed in 000's</u> | <u>1964</u> | <u>1970</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> | <u>1976</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 406.9 | 549.8 | 701.9 | 534.5 | 672.3 | 1,149.5 | 1,276.7 | 1,363.3 | 1,282.8 |
| <u>% all em- ployees</u> | 1.8 | 2.4 | 3.1 | 2.4 | 2.9 | 4.9 | 5.4 | 5.8 | 5.4 |
| <u>No. in em- ployment 000's</u> | | | | | 9,567 | 9,134 | 9,116 | 9,114 | 9,059 |

1979 Figures

| | <u>UNEMPLOYMENT No's in 000's</u> | <u>% all employees</u> | <u>VACANCIES notified to Employment Offices.</u> | <u>PEOPLE EMPLOYED ALL INDUSTRIES 000's</u> |
|-------|---------------------------------------|----------------------------|--|---|
| APR. | 1,268.0 | 5.4 | 243.8 | 9,033 |
| MAY | 1,247.2 | 5.3 | 255.8 | 9,045 |
| JUNE | 1,220.8 | 5.2 | 261.0 | 9,058 |
| JULY | 1,219.0 | 5.2 | 251.6 | 9,058 |
| AUG. | 1,205.2 | 5.1 | 244.2 | 9,044 |
| SEPT. | 1,204.1 | 5.1 | 241.9 | |
| OCT.p | 1,221.6 | 5.2 | 236.2 | |

3.8 REGIONAL UNEMPLOYMENT. SEASONALLY ADJUSTED, EXCL. SCHOOL LEAVERS.
 FIGURES IN 000'S.
 FIGURES IN BRACKETS; % ALL EMPLOYEES. (5).

| | <u>FEB. 1974</u> | <u>OCT. 1974</u> | <u>APR. 1979</u> | <u>NOV. 1979</u> |
|------------------|------------------|------------------|------------------|------------------|
| SOUTH EAST | 112.1 (1.5) | 123.6 (1.7) | 273.5 (3.6) | 258.0 (3.4) |
| E. ANGLIA | 11.0 (1.6) | 14.5 (2.1) | 31.0 (4.3) | 29.7 (4.0) |
| SOUTH WEST | 33.4 (2.3) | 45.1 (2.9) | 90.9 (5.5) | 87.0 (5.2) |
| W. MIDLANDS | 46.1 (2.0) | N/A | 118.7 (5.1) | 120.7 (5.2) |
| E. MIDLANDS | 28.4 (2.0) | 34.9 (2.3) | 71.9 (4.5) | 71.3 (4.5) |
| YORKS/HUMBERSIDE | 51.7 (2.6) | 54.5 (2.7) | 113.3 (5.4) | 110.7 (5.2) |
| NORTH WEST | 92.3 (3.2) | 100.0 (3.6) | 190.2 (6.7) | 187.5 (6.6) |
| NORTH | 56.9 (4.3) | 60.5 (4.7) | 109.4 (7.9) | 109.4 (7.9) |
| WALES | 35.1 (3.4) | 39.1 (3.8) | 81.4 (7.5) | 78.6 (7.2) |
| SCOTLAND | 84.9 (3.9) | 84.8 (3.9) | 165.9 (7.3) | 170.0 (7.5) |

Unemployment shows wide regional disparities. This month the number of people unemployed dropped in the South East, South West and North West, but rose in all the other regions.

3.9 PRICES

| <u>Annual averages</u> | RETAIL PRICE INDEX (5) JAN 1974=100 | TAX AND PRICE(3) INDEX JAN. 1978=100 |
|------------------------|--|--|
| 1974 | 108.5 | |
| 1975 | 134.8 | |
| 1976 | 157.1 | |
| 1977 | 182.0 | |
| 1978 | 197.1 | |
| | | 101.1 |

| | | | <u>%CHANGE ON MONTH</u> | <u>% CHANGE SINCE APR. 1979</u> | <u>VALUE OF £ 1m APR. 1979</u> | | |
|-------------------|-------|--------|-----------------------------|-------------------------------------|--|-------|---------|
| Feb. 1974 | 101.7 | (13.2) | +1.7 | - | | | |
| <u>1979</u> April | 214.2 | (10.1) | +1.7 | - | 100 pence | 110.5 | (12.3)* |
| May | 215.9 | (10.3) | +0.8 | 0.8 | 99.2p | 111.6 | (12.7)* |
| June | 219.6 | (11.4) | +1.7 | +2.5 | 97.5p | 113.8 | (13.8)* |
| July | 229.1 | (15.6) | +4.3 | +7.0 | 93.5p | 113.8 | (13.2) |
| Aug. | 230.9 | (15.8) | +0.8 | +7.8 | 92.8p | 114.9 | (13.4) |
| Sept. | 233.2 | (16.5) | +1.0 | +8.9 | 91.9p | 116.2 | (14.1) |
| Oct. | 235.6 | (17.2) | +1.0 | +10.0 | 90.9p | 117.6 | (14.8) |

*These figures reflect the changes in the 1978 Finance Act, which affect the TPI from April 1978, but not the Budget changes which are included from July 1979.

Note that about 4% of the change in annual increase of RPI between June and July is due to the change in VAT announced in the Budget. The TPI was unchanged between June and July, since gains in personal income tax offset the VAT increases.

The 'Grocer Magazine' all food index was up 0.04% in the month to October 1979, a rise of 12.4% on the year and 4.5% since April 1979.

3.10 INDICES OF WHOLESALE PRICES. Unadjusted (7)
1975=100

| | | PRICE INDEX OF MATERIALS AND FUELS PURCHASED BY MANUFACTURING INDUSTRIES. | | PRICE INDEX OF OUT OF ALL MANUFACTURED PRODUCTS (HOME SALES). | |
|-------------|-------------|---|---------|---|---------|
| | 1974 | 86.8 | | 81.8 | |
| | 1975 | 100.0 | | 100.0 | |
| | 1976 | 127.0 | | 117.3 | |
| | 1977 | 145.6 | | 140.5 | |
| | 1978 | 144.6 | | 153.3 | |
| <u>FEB.</u> | 1974 | 85.7 | | 75.3 | |
| <u>OCT.</u> | 1974 | 89.4 | | 86.6 | |
| APR. | <u>1979</u> | 158.4 | (+9.2) | 165.5 | (+9.6) |
| MAY | | 161.0 | (+9.7) | 167.7 | (+10.4) |
| JUNE | | 164.6 | (12.0) | 170.9 | (+11.9) |
| JULY | | 165.4 | (13.4) | 174.8 | (+13.6) |
| AUG. | | 166.5 | (+15.4) | 176.3 | (+13.9) |
| SEPT. | | 169.9 | (+17.3) | 178.2 | (+14.4) |
| OCT. | | 175.7 | (+20.6) | 179.9 | (+14.9) |

3.11 REUTERS COMMODITY PRICE INDEX

(18th September 1931 100)

| | <u>Index</u> | | | <u>Percentage change since February 1974</u> |
|-------------|--------------|---------|-------|--|
| 1974F | 1442.0 | (+74.3) | - | |
| 0 | 1242.2 | (4.6) | -13.9 | |
| 1975N | 1135.5 | (- 8.4) | -19.6 | |
| 1976N | 1552.7 | (+36.7) | + 7.8 | |
| 1977N | 1490.5 | (- 4.0) | + 1.4 | |
| 1978N | 1516.3 | (+ 1.5) | + 5.2 | |
| <u>1979</u> | | | | <u>Percentage change since Apr. '79</u> |
| April 27th | 1560.4 | (+ 8.1) | - | |
| May 31st | 1579.3 | (+ 7.2) | + 1.2 | |
| June 29th | 1617.7 | (+ 7.6) | + 3.6 | |
| Jul. 31st | 1523.1 | (+ 6.1) | - 2.4 | |
| Aug. 31st | 1590.0 | (+ 9.1) | + 1.9 | |
| Sept. 28th | 1659.0 | (+10.9) | + 6.3 | |
| Oct. 30th | 1668.3 | (+ 9.1) | + 6.9 | |

This index is a geometric average of seventeen primary commodities (wheat, cotton, coffee, wool, copper, sugar, rubber, maize, rice, beet, soyabeans, cocoa, tea, groundnuts, copra, zinc, and lead) weighted by their relative importance in international trade. As the main UK commodity markets are international rather than domestic, this weighting helps the index to portray day-to-day changes in what may be regarded as the world commodity price level. The index is published daily in the 'Financial Times'.

3.12 WAGES AND EARNINGS. (5)

Index of nationally negotiated basic weekly rates of wages - all industries and services - not seasonally adjusted.

31.7.72.=100

Index of average earnings in G.B. - whole economy. New series, not seasonally adjusted.
Jan. 1976=100

| | Index | % increase since Feb. 1974. | Index | |
|--------------------|--------------|-----------------------------|--------------|---------------------------|
| Feb. 1974 | 124.0 (14.2) | - | | |
| Oct. 1974 | 147.9 (23.5) | +19.2 | | |
| Jan. 1976 | | | 100 | |
| Average for years. | | | | |
| 1974 | 138.0 (19.8) | - | | |
| 1975 | 178.7 (29.5) | 44.1 | | |
| 1976 | 213.2 (19.3) | 71.9 | 106.0 | |
| 1977 | 227.3 (6.6) | 83.3 | 115.6 (9.1) | |
| 1978 | 259.2 (14.0) | 109.0 | 130.6 (13.0) | |
| | | % increase since April 1979 | | % increase since Apr. '79 |
| <u>1979</u> | | | | |
| April | 289.0 (11.8) | - | 144.3 (13.5) | - |
| May | 291.0 (12.0) | 0.7 | 146.9 (13.5) | 1.8 |
| June | 295.9 (12.3) | 2.4 | 150.9 (13.4) | 4.6 |
| July | 297.3 (12.3) | 2.9 | 155.6 (16.5) | 7.8 |
| Aug. | 298.4 (12.1) | 3.3 | 153.3 (16.4) | 6.2 |
| Sept. | 298.6 (12.1) | 3.3 | 153.5 (14.4) | 6.4 |
| Oct. | 299.7 (10.7) | 3.7 | | |

The index of nationally negotiated basic wages does not yet include the Engineering Industry settlement. The depressed increase in average earnings reflects loss of income during these disputes and the underlying rate is thought to be 15-16% p.a.

3.13 UK BALANCE OF PAYMENTS (4)

£ MILLION, seasonally adjusted where appropriate.

| | Current Balance | Visible Balance | Invisible Balance | Exports (FOB) | Imports (FOB) | Balance of oil |
|-------|--------------------|--------------------|----------------------|------------------|------------------|-------------------|
| 1974 | -3,307 | -5,235 | +1,928 | 16,538 | 21,773 | -3,422 |
| 1975 | -1,621 | -3,236 | +1,615 | 19,463 | 22,699 | -3,106 |
| 1976 | - 842 | -3,061 | +2,759 | 25,411 | 29,012 | -3,973 |
| 1977 | + 293 | -1,744 | +2,037 | 32,148 | 33,892 | -2,791 |
| 1978 | +1,032 | -1,175 | +2,207 | 35,432 | 36,607 | -2,015 |
| 1979 | | | | | | |
| Q1 | -1,140 | -1,579 | + 439 | 8,332 | 9,911 | - 234 |
| Q2 | - 714 | - 714 | 0 | 10,547 | 11,261 | - 227 |
| Q3 | - 311 | - 311 | 0 | 10,746 | 11,057 | - 166 |
| 1979 | | | | | | |
| May | - 310 | - 310 | 0 | 3,490 | 3,800 | - 54 |
| June | - 245 | - 245 | 0 | 3,438 | 3,683 | - 50 |
| July | - 46p | - 46 | 0p | 3,578 | 3,624 | - 44 |
| Aug. | - 147p | - 147 | 0p | 3,561 | 3,708 | - 130 |
| Sept. | - 118p | - 118 | 0p | 3,607 | 3,725 | + 8 |
| Oct. | - 339p | - 339 | 0p | 3,577 | 3,916 | - 85 |

Excluding the more erratic items, exports in October were around £300 million below the September figure, mainly due to reduced oil exports and a fall in exports of machinery probably arising from the Engineering dispute.

Excluding the more erratic items, imports in October were just above the levels of the two previous months.

In the four months July to October, there was a deficit on current account of £650 million (£162 million per month), with visible trade in deficit by the same amount and invisibles projected to be in balance. This represents a substantial reduction in the current account deficit of the first six months of 1979, which averaged £309 million per month.

Trade figures for earlier in the year have been revised this month after detailed examination of previously unrecorded data held up by the Civil Service Industrial dispute. The result is that the current account deficit for the first nine months of the year has been revised downwards from £2.5 billion to £2.16 billion. The October figures take the deficit for the first 10 months to £2.5 billion.

3.14 TERMS OF TRADE (4)

EXPORT AND IMPORT UNIT VALUES AND VOLUME INDEX NUMBERS ON
A BALANCE OF PAYMENTS BASIS.
1975=100

| | <u>UNIT VALUES</u> (not seasonally adjusted) | | | <u>VOLUME</u> (seasonally adjusted) | |
|-------|---|---------|-------------------|--|---------|
| | Exports | Imports | Terms*of Trade | Exports | Imports |
| 1974 | 81.8 | 88.5 | 92.4 | 103.9 | 107.9 |
| 1975 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1976 | 120.7 | 121.6 | 99.3 | 109.8 | 105.7 |
| 1977 | 142.5 | 141.3 | 100.0 | 118.9 | 107.2 |
| 1978 | 155.1 | 146.4 | 105.9 | 122.9 | 112.6 |
| 1979 | | | | | |
| Q1 | 165.6 | 153.9 | 107.6 | 109.7 | 117.1 |
| Q2 | 169.6 | 157.7 | 107.5 | 135.0 | 130.9 |
| Q3 | 174.6 | 161.6 | 108.0 | 132.4 | 128.3 |
| 1979 | | | | | |
| April | 168.8 | 155.4 | 108.6 | 140.7 | 131.6 |
| May | 169.1 | 157.3 | 107.5 | 134.1 | 131.8 |
| June | 170.9 | 160.4 | 106.5 | 130.3 | 129.2 |
| July | 173.6 | 159.0 | 109.2 | 133.3 | 126.9 |
| Aug. | 174.5 | 161.4 | 108.1 | 131.1 | 130.0 |
| Sept. | 175.6 | 164.3 | 106.9 | 132.8 | 128.0 |
| Oct. | 177.9 | 167.6 | 106.1 | 129.7 | 133.0 |

*Export unit value index as a percentage of import unit value index.

3.15 FOREIGN EXCHANGE RATES. (8)

Effective exchange rate - average for month not seasonally adjusted.
(21.12.71=100)

Exchange rates against selected currencies, for last working day of the month.

| | |
|---------------|------|
| Feb 1974 | 82.5 |
| Oct 1974 | 81.8 |
| End year 1975 | 72.6 |
| 1976 | 61.1 |
| 1977 | 65.2 |
| 1978 | 64.0 |

| | | <u>US dollar</u> | <u>Swiss franc</u> | <u>Deutsche mark</u> | <u>Japanese yen</u> |
|-------|-----------------------|------------------|--------------------|----------------------|---------------------|
| 1979 | Last working day of:- | | | | |
| April | | 2.07 | 3.57 | 3.93 | 458.4 |
| May | | 2.07 | 3.57 | 3.95 | 455.4 |
| June | | 2.16 | 3.59 | 3.99 | 470.0 |
| July | | 2.25 | 3.74 | 4.12 | 487.0 |
| Aug. | | 2.25 | 3.73 | 4.11 | 496.6 |
| Sept. | | 2.20 | 3.42 | 3.83 | 494.3 |
| Oct. | | 2.08 | 3.45 | 3.75 | 493.5 |

CURRENT ECONOMIC INDICATORS
JANUARY 1980

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INTRODUCTION.

This is the second shortened version of Current Economic Indicators, which is to become standard. An appendix giving longer runs of data relating to industrial production, unemployment, retail prices, balance of payments and money supply will be published at three-monthly intervals, starting next month.

The January edition might well be late arriving since production has been disrupted by the holidays and the move of the Research Department. This is regretted.

All figures are presented seasonally adjusted, except where marked (*). Unless otherwise stated, figures in brackets following data indicate the percentage change since the same period of the previous year. Provisional data are marked (p). Sources of information are referenced numerically, and the sources are:

- (1) Economic Trends updated by CSO press releases.
- (2) 'British Business' (Dept. Industry).
- (3) Economic Trends updated by Dept. Trade press releases.
- (4) Dept. Employment Gazette and press releases.
- (5) Economic Trends updated by Dept. Industry press releases.
- (6) 'Financial Times'.
- (7) Bank of England Quarterly Bulletin and press releases.
- (8) O.E.C.D. Main Economic Indicators.
- (9) Financial Statistics.

1. THE UK ECONOMY - SUMMARY OF STATISTICS PUBLISHED IN THE MONTH TO DEC 21st 1979.

After allowing for various distortions, it appears that the underlying level of GDP, excluding North Sea oil output, was fairly stable in the first three quarters of 1979. Consumers' expenditure and retail sales fell in the third quarter, and the trend apparently indicates that consumers' expenditure is levelling off after two years of relatively rapid growth. Investment by manufacturing industry in the first three quarters of 1979 was 2% lower than in the corresponding period last year while investment by the distributive and service industries increased by nearly 8% between these two periods.

North Sea oil and gas production in the first three quarters of 1979 was some 50% higher than in the corresponding quarters in 1978 but the underlying levels of industrial and manufacturing production changed little between those two periods.

Seasonally adjusted unemployment figures have been rising since September, and the number of vacancies reported to Employment Offices has been falling since June. Taken together, these imply that the downward trend in unemployment over the last two years has stopped and regional variations seem to be increasing as the North and Midlands are affected first by the fall-off in industrial production.

The underlying rate of increase in average earnings is probably between 15% and 16%, which is slightly less than the increase in consumer prices (17.4% in the year to November), but higher than the 15.1% annual rate of increase recorded in November for the tax and price index. This latter measure of inflation is the most relevant one in the context of assessing real wage increases.

Industry's costs continue their rapid rise (20.8% in the year to November) and profit margins were squeezed as competitive pressures in the home market kept the increase in wholesale (output) prices in the year to November down to 15.5%.

The current account deficit on external trade was £2.3 billion in the eleven months to November 1979, and this has been adequately offset by the capital account surplus. The terms of trade have been declining steadily since July as the pound has gained in strength. The exchange rate was depressed in ~~early~~ Nov. falling to 66.0 in effective terms following the removal of exchange controls. There was however a strong recovery as the international oil situation underlined emphasised the UK advantage as an oil producer. The loss in official reserves in November was more than accounted for by nett repayments of public sector debt.

The monetary measures in mid-November started to have an effect in the November banking month, and the annual rate of increase in sterling M3 from mid-June fell from the high October figure (more than 14% p.a.) to about 13%. The target range is 7-11%. The public sector borrowing requirement was adversely affected by a number of distorting influences which threatened the 1979/80 target of £8.3 billion. Early payment of petroleum revenue tax has been used to offset the distortions and bring borrowing in-line once more with the target.

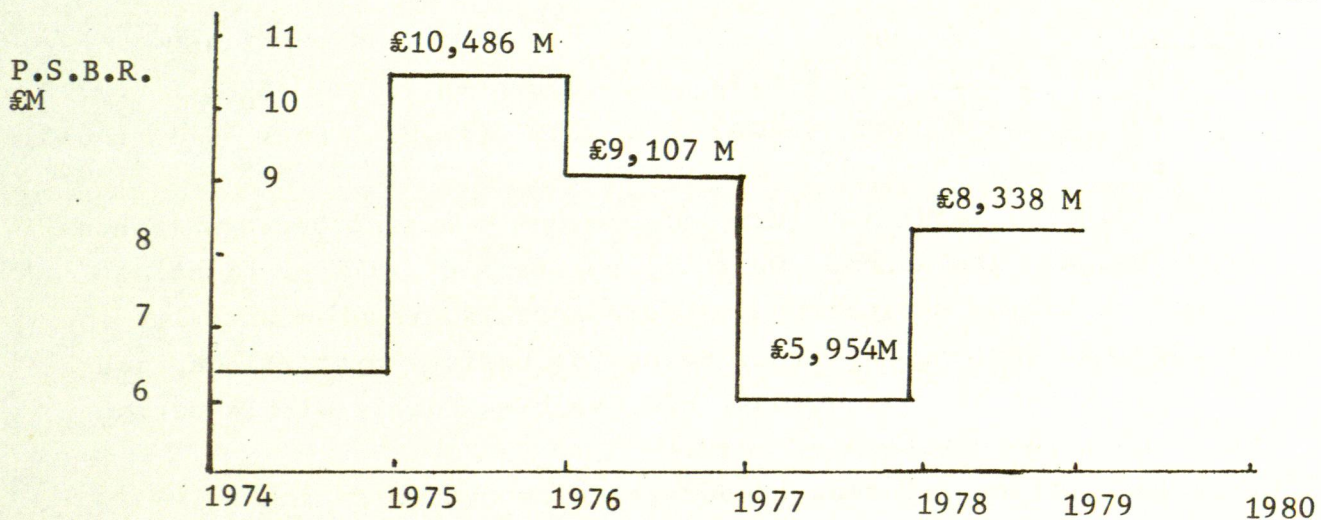
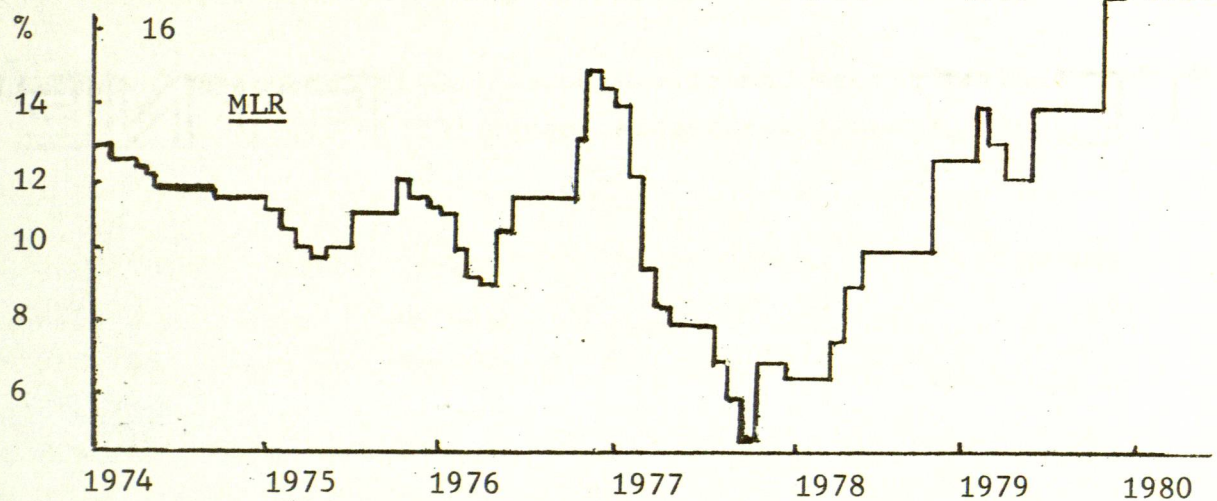
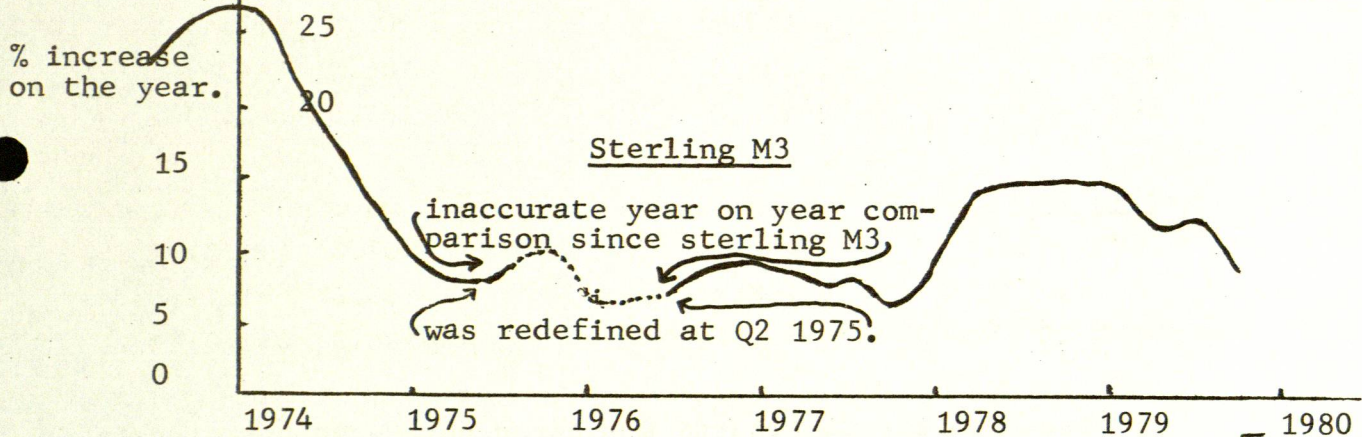
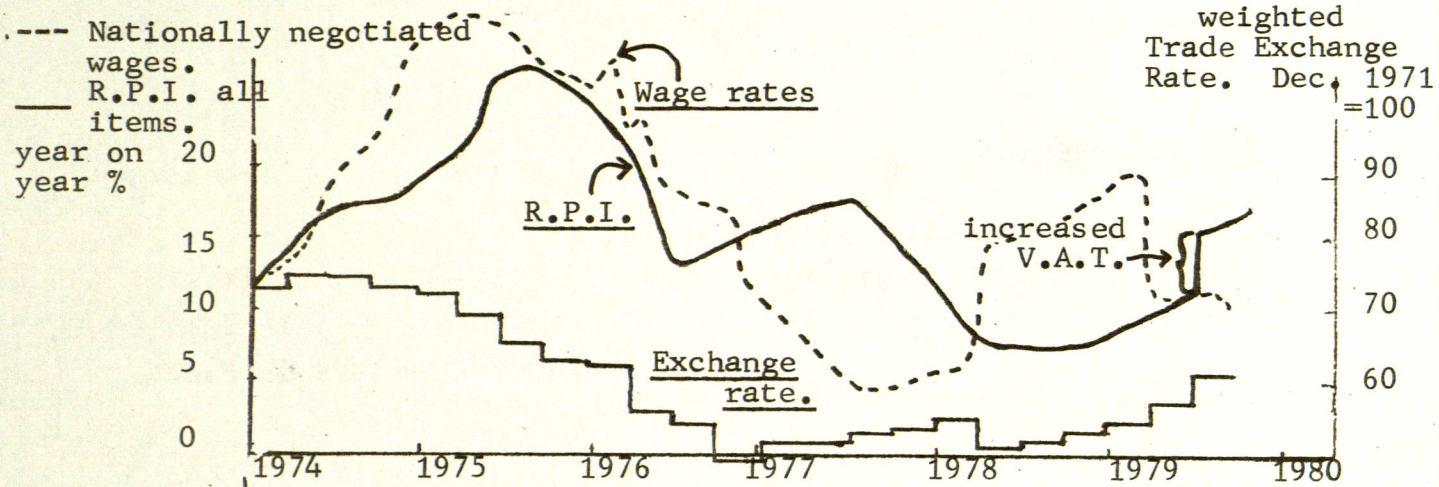
Bank lending in Sterling to the private sector remains high, although there was a fall in the November banking month from the exceptionally high October level, in reaction to increased MLR.

2. POLITICAL STATISTICS.

Ups and downs under Labour 1974-79.

In the first two years of the Labour Government, public expenditure increased dramatically. Massive wage increases were unresisted, and by August 1975 these factors combined to produce an inflation rate of 26.9% p.a. The pound began a steady decline in value, and by the end of 1977 interest rates were rising steeply in order to regain confidence in Sterling.

The situation was retrieved when the IMF insisted that, in return for the loans needed to offset losses in the Sterling balances, the management of the economy should return to sanity. Public expenditure and borrowing were cut back, and the battle against inflation began to be won. By June 1978 the annual rate had fallen to 7.4% p.a. The pound started to recover, and interest rates were able to fall throughout the early part of 1977. As the 1979 election approached, Labour discarded the lessons of sound management which had been imposed by the IMF. Public expenditure and borrowing again accelerated, outstripping their official targets. This time the pound did not suffer too much because the existence of our oil producer status operated in our favour. However, the money supply started to expand dramatically, wage settlements again increased in defiance of economic realities, and inflation started to accelerate. The process of increased interest rates started at the end of 1977 in order to restrain monetary growth, and that battle is still being fought. Success in this area is of course crucial to the control of inflation.



3. ECONOMIC GROWTH.

3.1 Gross Domestic Product at factor cost (1).
Average estimates. 1975=100.

| | At current prices. | At 1975 prices. |
|----------------|--------------------|-----------------|
| 1974 | 78.9 | 100.9 |
| 1975 | 100.0 | 100.0 (-0.9) |
| 1976 | 117.8 | 103.1 (+3.1) |
| 1977 | 134.0 | 105.1 (+1.9) |
| 1978 | 152.0 | 107.9 (+2.7) |
| <u>1974 Q1</u> | 70.0 | 98.3 |
| 1979 Q1 | 158.5 | 107.3 (+1.3) |
| Q2 | 168.7 | 109.6 (+1.7) |
| Q3 | | p108.9 (+2.0)** |

**These provisional figures are based only upon output data.

3.2 Per Capita: Gross Domestic Product (GDP); Consumers' Expenditure (CE); and Personal Disposable Income (PDI). (1)
1975 prices.

| | GDP | CE | PDI |
|----------------|--------------|--------------|--------------|
| 1974 | £1,684 | £1,150 | £1,340 |
| 1975 | £1,670 | £1,138 | £1,335 |
| 1976 | £1,733 | £1,141 | £1,336 |
| 1977 | £1,760 | £1,132 | £1,315 |
| 1978 | £1,805 | £1,194 | £1,408 |
| <u>1974 Q1</u> | £ 207 | £ 158 | £ 180 |
| 1979 Q1 | £ 441 (-0.1) | £ 306 (+4.1) | £ 365 (+7.7) |
| Q2 | £ 448 (-0.4) | £ 319 (+7.8) | £ 371 (+6.3) |

Initial figures indicate a drop of 2% in the output based estimate of GDP between the second and third quarters of 1979, reflecting losses due to the engineering dispute and also reduced activity in the services sector. After allowing for various distortions, and excluding North Sea oil output, GDP has been fairly stable during the first three quarters of 1979.

Early indications are that consumers' expenditure in the third quarter has fallen by 4% from the abnormally high second quarter figure.

4. ECONOMIC ACTIVITY.

4.1 Production.

| | Industrial Production (all industries) 1975=100 (1). | | Industrial Production (manufacturing) 1975=100 (1). | | Engineering Vol. new orders Jan 1975=100 (2). |
|----------------|--|--------|---|--------|---|
| 1974 | 105.1 | (-4.0) | 106.5 | (-1.7) | 103 (-11.2) |
| 1975 | 100.0 | (-4.8) | 100.0 | (-6.1) | 84 (-18.4) |
| 1976 | 102.0 | (+2.0) | 101.4 | (+1.4) | 92 (+ 9.5) |
| 1977 | 105.9 | (+3.7) | 102.9 | (+1.4) | p 98 (+ 6.5) |
| 1978 | 109.8 | (+3.8) | 103.6 | (+0.9) | p102 (+ 4.1) |
| <u>1974 Q1</u> | 102.7 | (-6.0) | 104.6 | (-2.2) | |
| 1979 Q1 | 109.5 | (+2.3) | 102.0 | (-0.4) | 97 (- 2.0) |
| Q2 | 115.5 | (+4.6) | 108.1 | (+3.3) | 107 (+11.4) |
| Q3 | 112.9 | (+1.2) | 102.9 | (-2.0) | |
| <u>1979</u> | | | | | |
| April | 113.9 | (+2.9) | 106.9 | (+1.5) | 104 (+10.6) |
| May | 115.2 | (+4.9) | 107.2 | (+3.5) | 110 (+10.0) |
| June | 117.5 | (+6.2) | 110.3 | (+5.2) | 108 (+16.1) |
| July | 116.3 | (+4.4) | 107.5 | (+2.9) | 99 (0.0) |
| August | 111.7 | (0.0) | 101.3 | (-3.6) | 106 (+ 1.9) |
| September | 110.7 | (-0.8) | 99.8 | (-5.2) | |
| October | 113.0 | (+3.5) | 104.4 | (+2.0) | |

Losses in production in the first quarter of 1979 were followed by abnormally high output in the second quarter, but industrial disputes brought output down again in the third quarter. Making broad adjustments for these distortions, and excluding North Sea oil and gas production, industrial production and the more specific category, manufacturing production, have remained throughout 1979 close to their average levels in 1978. North Sea oil and gas production in the first three quarters of 1979 was some 50% higher than in the same period of 1978. Output in the construction industry is provisionally estimated to have increased by 1% between the second and third quarters of 1979. Engineering sales and new orders were high in the first half of 1979, but the position was already weakening by July. The engineering dispute in August and September aggravated this decline.

4.2 Retail Sales. 1971=100 (3).

| | Volume | Value | 1979 | Volume | Value |
|----------------|--------------|---------------|-------|----------------|---------------|
| 1974 | 109.0 (-1.2) | 146.7 (+15.6) | April | 115.4 (+ 8.0) | 290.6 (+16.3) |
| 1975 | 106.7 (-2.1) | 174.4 (+18.9) | May | 113.5 (+ 4.9) | 289.2 (+13.3) |
| 1976 | 106.5 (-0.2) | 200.1 (+14.7) | June | 120.3 (+10.8) | 309.3 (+20.2) |
| 1977 | 103.6 (-2.7) | 228.0 (+13.9) | July | 108.7 (- 2.1) | 294.4 (+11.1) |
| 1978 | 109.2 (+5.4) | 260.1 (+14.1) | Aug. | 111.5 (- 0.2) | 304.3 (+13.0) |
| | | | Sept. | 110.0 (+ 0.4) | 302.3 (+13.7) |
| <u>1974 Q1</u> | 109.6 (-1.8) | 136.5 (+10.6) | Oct. | 111.4 (+ 1.1) | 309.5 (+15.5) |
| 1979 Q1 | 110.3 (+3.7) | 276.4 (+12.2) | Nov. | p113.5 (+ 3.0) | |
| Q2 | 116.7 (+8.2) | 297.3 (+16.9) | | | |
| Q3 | 110.1 (-0.5) | 300.5 (+12.7) | | | |

During the first eleven months of 1979, the average level of trade was 3% above the annual average for 1978. Spending from mid-October may have been influenced by back-dated reductions in income tax. New car registrations in October were substantially up on September, but in the three months to October were 20% lower than in the previous three months.

4.3 Consumers' Expenditure. £million at 1975 prices (1).

| SELECTED COMPONENTS. | | | | | | |
|----------------------|--------|------------------------------|------------------------------|----------------------------|--------------------------------|-----------------------|
| | TOTAL | Food, drink & tobacco. | Housing, fuel & light. | Clothing & footwear. | Durable household goods. | Cars & motorcycles |
| 1974 | 64,162 | 19,876 | 12,090 | 5,107 | 3,241 | 1,731 |
| 1975 | 63,328 | 19,676 | 12,138 | 5,170 | 3,204 | 1,816 |
| 1976 | 63,479 | 19,853 | 12,285 | 5,194 | 3,384 | 1,977 |
| 1977 | 62,897 | 19,509 | 12,535 | 5,315 | 3,194 | 1,920 |
| 1978 | 66,728 | 20,397 | 12,575 | 5,463 | 3,430 | 2,508 |
| <u>1974 Q1</u> | 15,984 | 5,114 | 2,675 | 1,375 | 824 | 560 |
| 1979 Q1 | 17,096 | 5,162 | 3,265 | 1,366 | 888 | 640 |
| Q2 | 17,786 | 5,308 | 3,227 | 1,455 | 1,024 | 837 |
| Q3 p | 17,087 | 5,177 | 3,207 | 1,381 | 843 | 587 |

The latest figures published for consumers' expenditure in the third quarter 1979 are revised down by £85million on the first estimate made in October. There was a fall of 4% between the second

and third quarters of 1979, and an increase of 1.2% between the third quarters of 1978 and 1979. Sales of consumer durables, alcoholic drinks, cars and motorcycles rose in the second quarter in anticipation of the June increase in indirect taxation, and duly fell back in the third quarter.

4.4 The Labour Market in Great Britain. (4).

| | No. employed in all industries. 000's. | Unemployed. 000's | Unemployed as % of all employees. | Vacancies notified to Employment Offices. |
|------------|--|----------------------|---|---|
| Jan 1974 | | 534.5 | 2.4 | |
| " 1975 | 9,567 | 672.3 | 2.9 | |
| " 1976 | 9,134 | 1,149.5 | 4.9 | |
| " 1977 | 9,116 | 1,276.7 | 5.4 | |
| " 1978 | 9,114 | 1,363.3 | 5.8 | |
| " 1979 | 9,059 | 1,282.8 | 5.4 | |
| 1979 April | 9,034 | 1,268.0 | 5.4 | 243.8 |
| May | 9,046 | 1,247.2 | 5.3 | 255.8 |
| June | 9,050 | 1,220.8 | 5.2 | 261.0 |
| July | 9,058 | 1,219.0 | 5.2 | 251.6 |
| Aug. | 9,044 | 1,205.2 | 5.1 | 244.2 |
| Sept. | 9,020 | 1,204.1 | 5.1 | 241.9 |
| Oct. | | 1,221.6 | 5.2 | 236.2 |
| Nov. | | 1,222.4 | 5.2 | 233.1 |
| Dec. | | p 1,233.8 | p 5.2 | p 218.5 |

Regional Unemployment.

Figures are in 000's followed by the percentage of the workforce unemployed, given in brackets.

| | Feb 1974 | Oct 1974 | Apr 1979 | Dec 1979 (p) |
|----------------------|-------------|-------------|-------------|--------------|
| South East | 112.1 (1.5) | 123.6 (1.7) | 273.5 (3.6) | 258.7 (3.4) |
| E. Anglia | 11.0 (1.6) | 14.5 (2.1) | 31.0 (4.3) | 29.6 (4.0) |
| South West | 33.4 (2.3) | 45.1 (2.9) | 90.9 (5.5) | 87.0 (5.2) |
| W. Midlands | 46.1 (2.0) | n /a | 118.7 (5.1) | 122.1 (5.3) |
| E. Midlands | 28.4 (2.0) | 34.9 (2.3) | 71.9 (4.5) | 72.5 (4.5) |
| Yorks/ Humberside | 51.7 (2.6) | 54.5 (2.7) | 113.3 (5.4) | 111.9 (5.3) |
| North West | 92.3 (3.2) | 100.0 (3.6) | 190.2 (6.7) | 189.2 (6.6) |
| North | 56.9 (4.3) | 60.5 (4.7) | 109.4 (7.9) | 111.0 (8.0) |
| Wales | 35.1 (3.4) | 39.1 (3.8) | 81.4 (7.5) | 78.9 (7.2) |
| Scotland. | 84.9 (3.9) | 84.8 (3.9) | 165.9 (7.3) | 170.5 (7.5) |

Seasonally adjusted, the unemployment figures have been rising at an average of 9,900 per month for the last three months. Included in the figure before seasonal adjustment are: 35,700 school leavers under 18 not yet employed; and 973,000 people under 60 who have been unemployed for more than four weeks. Regional differences appear to be widening, with the manufacturing centres of the North and Midlands affected first by the fall off in industrial production. Seasonally adjusted figures for vacancies notified to Employment Offices have been falling since June.

5. INFLATION.

5.1 Consumer prices.

| | Retail price index (all items) Jan 1974=100 (4). | Value of £1. 1974=100p | Tax & price index (1). Jan 1978=100 |
|------|---|---------------------------|--|
| 1974 | 108.5 (16.1) | 100p | |
| 1975 | 134.8 (24.2) | 80p | |
| 1976 | 157.1 (16.5) | 69p | |
| 1977 | 182.0 (15.8) | 60p | |
| 1978 | 197.1 (8.3) | 55p | 101.1 |

| | Index | % change on month. | % change since Apr 1979. | Value of £1 = 100p | Tax & price index * |
|-----------------|--------------|--------------------|--------------------------|--------------------|---------------------|
| <u>Feb 1974</u> | 101.7 (13.2) | 1.7 | | | |
| 1979 April | 214.2 (10.1) | 1.7 | | 100.0p | 110.5 (12.3)** |
| May | 215.9 (10.3) | 0.8 | 0.8 | 99.2p | 111.6 (12.7)** |
| June | 219.6 (11.4) | 1.7 | 2.5 | 97.5p | 113.8 (13.8)** |
| July*** | 229.1 (15.6) | 4.3 | 7.0 | 93.5p | 113.8 (13.2) |
| Aug. | 230.9 (15.8) | 0.8 | 7.8 | 92.8p | 114.9 (13.4) |
| Sept. | 233.2 (16.5) | 1.0 | 8.9 | 91.9p | 116.2 (14.1) |
| Oct. | 235.6 (17.2) | 1.0 | 10.0 | 90.9p | 117.6 (14.8) |
| Nov. | 237.7 (17.4) | 0.9 | 11.0 | 90.1p | 118.8 (15.1) |

** These figures reflect the changes in the 1978 Finance Act which affect the TPI from April, but not the Budget changes which are included from July.

*** About 4% of the increase in RPI between June and July is due to changes in VAT introduced in the Budget.

The 0.9% increase in RPI between October and November largely results from increases in the price of coal and some foods (notably vegetables) and rises in motoring costs and average electricity charges. The food price index published in 'GROCER MAGAZINE' stood at 226.59 at the end of November, an increase of 0.65% on the month and 11.21% on the year.

5.2 Wholesale prices.

| | Materials & fuels purchased by manufacturing industries* (5) | Output prices of all manufactured products (home sales) * (5) | Reuter's commodity index ** (6) | |
|------------------|--|---|---------------------------------|------|
| | 1975=100 | 1975=100 | 18.9.31=100 | |
| 1974 | 86.8 (+47.6) | 81.8 (+22.6) | 1,242.2 (+ 4.6) | Oct. |
| 1975 | 100.0 (+15.2) | 100.0 (+22.2) | 1,135.5 (- 8.4) | Nov. |
| 1976 | 127.0 (+27.0) | 117.3 (+17.3) | 1,552.7 (+36.7) | " |
| 1977 | 145.6 (+14.6) | 140.5 (+19.8) | 1,490.5 (- 4.0) | " |
| 1978 | 144.6 (- 0.7) | 153.3 (+ 9.1) | 1,516.3 (+ 1.5) | " |
| <u>1974 Feb.</u> | 85.7 | 75.3 | 1,442.0 | |
| 1979 April | 158.4 (+ 9.2) | 165.5 (+ 9.6) | 1,560.4 (+ 8.1) | 27th |
| May | 161.0 (+ 9.7) | 167.7 (+10.4) | 1,579.3 (+ 7.2) | 31st |
| June | 164.6 (+12.0) | 170.9 (+11.9) | 1,617.7 (+ 7.6) | 29th |
| July | 165.4 (+13.4) | 174.8 (+13.6) | 1,523.1 (+ 6.1) | 31st |
| Aug. | 166.5 (+15.4) | 176.3 (+13.9) | 1,590.0 (+ 9.1) | 31st |
| Sept. | 169.7 (+17.3) | 178.2 (+14.4) | 1,659.0 (+10.9) | 28th |
| Oct. | 175.7 (+20.6) | 180.3 (+14.9) | 1,668.3 (+ 9.1) | 30th |
| Nov. | 178.0 (+20.8) | 181.4 (+15.5) | 1,691.2 (+11.0) | 30th |

** This index is a geometric average of seventeen primary commodities (wheat, cotton, coffee, wool, copper, sugar, rubber, maize, rice, beet, soyabeans, cocoa, tea, groundnuts, copra, zinc and lead) weighted by their importance in international trade.

Over the last three months, industry's raw materials costs have increased by 6.9%, while output prices have increased by only 2.9%. This squeeze on profit margins reflects increased competitive pressures on manufacturers in their home markets, although some firms may well be waiting until January before revising price lists, since this is the traditional time for such revision. Higher oil prices accounted for $\frac{3}{4}$ of the 1.4% rise in input prices last month, and the Sterling exchange rate had a broadly neutral effect.

5.3 Wages and Earnings* (4).

| Index of nationally negotiated weekly wage rates for all industries and services. 31.7.72.=100 | | | Index of average earnings in GB. Whole economy. Jan 1976=100 | |
|---|---------------------------|--------|---|--------------|
| Index | % increase since Feb 1974 | | Index | |
| 1974 | 138.0 | (19.8) | | |
| 1975 | 178.7 | (29.5) | 44.1 | |
| 1976 | 213.2 | (19.3) | 71.9 | 106.0 |
| 1977 | 227.3 | (6.6) | 83.3 | 115.6 (9.1) |
| 1978 | 259.2 | (14.0) | 109.0 | 130.6 (13.0) |

| | Index | % increase since Apr 1979 | Index | % increase since Apr 1979 |
|------------------|--------------|---------------------------|--------------|---------------------------|
| <u>1974 Feb.</u> | 124.0 | | | |
| 1979 April | 289.2 (11.9) | - | 144.3 (13.5) | - |
| May | 291.1 (12.0) | 0.7 | 146.9 (13.5) | 1.8 |
| June | 296.1 (12.4) | 2.4 | 150.9 (13.4) | 4.6 |
| July | 298.2 (12.6) | 3.1 | 155.6 (16.5) | 7.8 |
| Aug. | 299.5 (12.5) | 3.6 | 153.3 (16.4) | 6.2 |
| Sept. | 299.9 (12.6) | 3.7 | 153.6 (14.4) | 6.4 |
| Oct. | 302.0 (11.5) | 4.4 | 157.8 (16.7) | 9.4 |
| Nov. | 316.4 (15.9) | 9.4 | | |

The figures for wages and earnings are the first for some time to be unaffected by special circumstances. The rise in average earnings of 16.7% in the year to October is the highest annual rise since the new series began in 1976. This rise is slightly less than the rise in RPI over the same period (17.2%), but substantially more than the corresponding increase in TPI (14.8%). The year on year increase in the index of weekly wage rates rose from 11.5% in October to 15.9% in November, with the increase mainly reflecting the settlement reached in the engineering industry.

6 EXTERNAL TRADE.

6.1 Balance of Payments. (3)
£million.

| | Current balance | Visible balance | Invisible balance | Exports (FOB) | Imports (FOB) | Balance of oil |
|------------|--------------------|--------------------|----------------------|------------------|------------------|-------------------|
| 1974 | -3,307 | -5,235 | +1,928 | 16,538 | 21,773 | -3,422 |
| 1975 | -1,621 | -3,236 | +1,615 | 19,463 | 22,699 | -3,106 |
| 1976 | - 842 | -3,061 | +2,759 | 25,411 | 29,012 | -3,973 |
| 1977 | + 293 | -1,744 | +2,037 | 32,148 | 33,892 | -2,791 |
| 1978 | +1,032 | -1,175 | +2,207 | 35,432 | 36,607 | -2,015 |
| 1979 Q1 | -1,207 | -1,579 | + 372 | 8,332 | 9,911 | - 234 |
| Q2 | - 607 | - 714 | + 107 | 10,547 | 11,261 | - 227 |
| Q3 | - 211 | - 397 | + 186 | 10,746 | 11,143 | - 166 |
| 1979 April | | | + 36** | | | |
| May | | | + 36 | | | |
| June | - 209 | - 245 | + 36 | 3,438 | 3,683 | - 50 |
| July | - 12 | - 74 | + 62 | 3,578 | 3,652 | - 44 |
| Aug. | - 114 | - 176 | + 62 | 3,561 | 3,737 | - 130 |
| Sept. | - 85 | - 147 | + 62 | 3,607 | 3,754 | + 8 |
| p Oct. | - 289 | - 339 | + 50 | 3,577 | 3,916 | - 85 |
| p Nov. | - 6 | - 56 | + 50 | 3,738 | 3,794 | - 12 |

** Monthly figures for the projected invisible balance are not published, so the figures shown here are obtained by dividing the appropriate quarterly figure by three.

The deficit on the current account of the balance of payments narrowed sharply in November as exports recovered after the settlement of the engineering dispute. The total deficit for the eleven months to November is estimated to be £2.3 billion.

Invisibles were estimated to have been £186 million in surplus in the third quarter. Earnings of foreign oil companies in the UK increased but were offset by higher earnings of UK companies overseas and by favourable movements in other items. There was an increase in private transfer debits in the third quarter following the removal of exchange controls.

Rising oil prices have tended to slow this year's world trade and the UK has probably maintained its share of the value of total exports, with oil the fastest growing constituent. Exports of finished manufactures fell during the third quarter

The surplus on capital account was just over £450 million in the third quarter, as strong demand for Sterling during the early part of the quarter more than offset Sterling outflow following the abolition of exchange controls. In each quarter of this year, the surplus on capital account has been more than sufficient to cover the current account deficit.

6.2 Terms of Trade (3).

1975=100

| | ←Unit values→ | | ←Unit volumes→ | | Terms of trade** |
|------------|---------------|----------|----------------|---------|------------------|
| | Exports* | Imports* | Exports | Imports | |
| 1974 | 81.8 | 88.5 | 103.9 | 107.9 | 92.4 |
| 1975 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 1976 | 120.7 | 121.6 | 109.8 | 105.7 | 99.3 |
| 1977 | 142.5 | 141.3 | 118.9 | 107.2 | 100.0 |
| 1978 | 155.1 | 146.4 | 122.9 | 112.6 | 105.9 |
| 1979 Q1 | 165.6 | 153.9 | 109.7 | 117.1 | 107.6 |
| Q2 | 169.6 | 157.7 | 135.0 | 130.9 | 107.5 |
| Q3 | 174.6 | 161.1 | 132.4 | 129.3 | 108.4 |
| 1979 April | 168.8 | 155.4 | 140.7 | 131.6 | 108.6 |
| May | 169.1 | 157.3 | 134.1 | 131.8 | 107.5 |
| June | 170.9 | 160.4 | 130.3 | 129.2 | 106.5 |
| July | 173.6 | 158.5 | 133.3 | 128.1 | 109.5 |
| Aug. | 174.5 | 161.0 | 131.1 | 131.1 | 108.4 |
| Sept. | 175.6 | 163.9 | 132.8 | 128.8 | 107.1 |
| Oct. | 177.9 | 167.6 | 129.7 | 133.0 | 106.1 |
| Nov. | 180.6 | 170.8 | 133.3 | 125.0 | 105.7 |

** Terms of trade are derived by expressing the unit value index for exports as a percentage of the unit value index for imports.

The terms of trade have declined steadily since July, reflecting in large part movements in Sterling. Fuel prices in exports and imports have shown the largest rise, with other increases well spread across all commodities.

6.3 Foreign Exchange Rates and Official Reserves. (6,9)*

| | | Official reserves \$ million ** | Effective*** Sterling exchange rate. 21.12.71=100 | Sterling exchange rate against: | | | |
|------|-------|---------------------------------------|---|---------------------------------|-------------|-------------|--------------|
| | | | | US dollar | Swiss franc | German mark | Japanese yen |
| | | | | ←*****→ | | | |
| 1974 | | 6,789 | 83.6 | | | | |
| 1975 | | 5,429 | 77.2 | | | | |
| 1976 | | 4,129 | 65.4 | | | | |
| 1977 | | 20,557 | 62.1 | | | | |
| 1978 | | 15,694 | 63.0 | | | | |
| 1979 | Q1 | 21,947 | 64.0 | | | | |
| | Q2 | 22,070 | 67.4 | | | | |
| | Q3 | 22,751 | 71.0 | | | | |
| 1979 | April | 21,467 | 66.9 | 2.07 | 3.57 | 3.93 | 458.4 |
| | May | 21,532 | 66.9 | 2.07 | 3.57 | 3.95 | 455.4 |
| | June | 22,070 | 68.3 | 2.16 | 3.59 | 3.99 | 470.0 |
| | July | 23,499 | 71.9 | 2.25 | 3.74 | 4.12 | 487.0 |
| | Aug. | 23,305 | 71.4 | 2.25 | 3.73 | 4.11 | 496.6 |
| | Sept. | 22,751 | 69.8 | 2.20 | 3.42 | 3.83 | 494.3 |
| | Oct. | 22,498 | 68.4 | 2.08 | 3.45 | 3.75 | 493.5 |
| | Nov. | 22,417 | 69.9+ | 2.20 | 3.52 | 3.81 | 549.0 |

** The figures show the reserves at the end of the stated period. The way in which reserves have been valued has changed from time to time, as set out in 'Financial Statistics'.

*** The effective exchange rate is shown averaged over the stated period, except that the November figure (+) is at the end of the month. Since about 1971, exchange rates have been relatively unstable, and the previous practice of valuation against the US dollar became unreliable. The official effective exchange rate compares individual currencies with the average of other currencies weighted in terms of visible trade. The weights are derived from the IMF's multilateral exchange rate model.

**** Exchange rates against selected currencies are given on the last working day of each month.

Following the abolition of exchange controls in mid-October, the pound fell quite sharply, reaching 66.0 (effective rate) in early November. Thereafter, the rate recovered strongly as the disturbances in Iran emphasised the UK's advantage as an oil producer, and as the market anticipated and then reacted to the increase in MLR.

The reserves fell by \$81 million during November and nett repayment of public sector debt totalled \$88 million.

Uncertainty on US/Iranian relations weakened the dollar during the month, and this was exacerbated with the Swiss announcement at the end of the month of a substantial reduction in barriers to capital inflow into Switzerland. The Swiss franc gained sharply with this announcement. The Japanese yen has been falling steadily since May as increasingly expensive oil imports have changed a once healthy trade surplus into a widening deficit. Despite extensive intervention by the Japanese Government, there was a particularly sharp fall in November as uncertainty about oil price and supply intensified.

7 GOVERNMENT FINANCE.

7.1 Money Stocks. (7)

The figures show the change in the amount outstanding during the stated period in £ million, and the figures in brackets show the same change expressed in percentage terms.

| | M1 | Sterling M3 |
|---------|--------|-------------|
| 1974/75 | +1,963 | +2,738 |
| 1975/76 | +2,340 | +2,453 |
| 1976/77 | +1,765 | +2,829 |
| 1977/78 | +4,704 | +6,233 |
| 1978/79 | +3,225 | +5,286 |

During the month to:

| | | |
|------------|---------------|---------------|
| April 18th | + 785 (+3.0%) | + 721 (+1.4%) |
| May 16th | + 39 (+0.1%) | + 729 (+1.4%) |
| June 20th | - 213 (-0.8%) | + 601 (+1.2%) |
| July 18th | + 642 (+2.4%) | + 427 (+0.8%) |

/cont.

| | M1 | | Sterling M3 |
|------------|---------------|--|----------------|
| Aug. 15th | - 5 (-) | | + 549 (+1.0%) |
| Sept. 19th | + 118 (+0.4%) | | + 333 (+0.6%) |
| Oct. 17th | + 935 (+3.4%) | | +1,078 (+2.0%) |
| Nov. 21st | - 586 (-2.1%) | | + 354 (+0.6%) |

The sharp rise of 2% in Sterling M3 in the banking month of October, although recognised to be erratically high, none-the-less brought the growth in money supply since mid-June to an annual rate of over 14%. This was well above the target from mid-June of 7-11% pa, and was caused by a higher than expected public sector borrowing requirement and a persistently high level of bank lending. This led to a number of measures, including an increase in MLR from 14% to 17%, being announced in mid-November. There followed a relatively small increase in Sterling M3 in November as the measures began to take effect. The annual increase in M3 from mid-June is now nearer to 13%, and further moves towards the target range are expected as the monetary measures have time to take effect.

7.2 Domestic Credit Expansion (7).

£ million

| | Central govt. borrowing requirement (surplus -ve) | Public sector borrowing requirement | Expansion in bank lending to private sector | Domestic credit expansion |
|---------|--|---|--|---------------------------------|
| 1974/75 | +5,082 | + 7,947 | +2,542 | +6,382 |
| 1975/76 | +8,803 | +10,588 | - 561 | +5,138 |
| 1976/77 | +5,944 | + 8,500 | +3,392 | +4,933 |
| 1977/78 | +4,431 | + 5,555 | +3,743 | +3,770 |
| 1978/79 | +8,084 | +19,251 | +6,285 | +7,321 |
| 1979 Q2 | +3,274 | + 3,053 | | |
| Q3 | +2,808 | + 3,636 | | |

In the month to:

| | | | |
|------------|--------|--------|--------|
| April 18th | +1,464 | + 535 | + 323 |
| May 16th | + 853 | + 819 | + 997 |
| June 20th | +1,250 | +1,026 | + 885 |
| July 18th | + 786 | + 381 | + 439 |
| Aug. 15th | + 281 | + 696 | +1,057 |
| Sept. 19th | +1,647 | + 162 | + 925 |
| Oct. 17th | + 937 | +1,213 | +1,549 |
| Nov. 21st | + 731 | + 750 | +1 187 |

Because of the timing of Budget measures, it was always expected that PSBR would be higher in the first half of 1979/80 than in the second. In the event, PSBR was further increased in the first half by strikes and other industrial action, and it is estimated that without Government action, PSBR for the whole year would be £9 billion, compared with the Budget estimate of £8.3 billion. By bringing forward the date for collection of petroleum revenue tax, the estimated PSBR is now back on target.

The marked expansion in domestic credit in the banking month of November largely resulted from external and foreign currency flows following the abolition of exchange controls. Bank lending was down from the high level of the October banking month although it is still around the level of earlier this year, despite the increased MLR. The public sector was less expansionist than in October, with increased sales of debt to the public and financial institutions.

8 INTERNATIONAL COMPARISONS.
(6,8,9)

| | GDP at market prices + | Index of production + | % workforce unemployed ++ | Earnings in manufacturing + | Unit labour costs + | Consumer prices +++ | Effective exchange rate. +++ |
|-------------|------------------------|-----------------------|---------------------------|-----------------------------|---------------------|---------------------|------------------------------|
| USA | 10.7 | 2.7 | 5.8 | 8.7 | 7.0 | 12.0 | 2.9 |
| Japan | 8.6 | 7.9 | 2.2 | 6.9 | -2.0 | 3.5 | -19.0 |
| W. Germany | 8.3 | 5.4 | 3.4 | 5.8 | -0.9 | 4.9 | 4.7 |
| France | n/a | 5.9** | n/a | 13.4 | 16.2 | 10.8 | 1.9 |
| Holland | n/a | 4.7 | n/a | 4.1 | n/a | 8.7 | n/a |
| Belgium | n/a | 10.1 | 10.6 | 8.5 | n/a | 4.7 | 0.6 |
| Switzerland | n/a | -2.6 | n/a | 2.5 | n/a | 4.4 | 1.9 |
| Italy | 18.1 | 4.8 | 8.0 | 17.5 | n/a | 15.7 | 1.5 |
| UK | 11.1 | 6.3 | 5.2 | 15.4 | 13.2** | 16.0 | 8.6 |

+ % change between the second quarters of 1978 and 1979.

++ recorded at the end of the third quarter 1979.

+++ % change between end 1978 and Dec 21st 1979.

** Figures for Q2 1979 are not yet published so the figures given are the % changes between the first quarters of 1978 and 1979.

++++ % change between the third quarters of 1978 and 1979.