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3 November 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

3 November 1980

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MONTHLY ECONOMIC BRIEF

Prepared by CSO on 30 October 1980

FINANCE

Over recent months the underlying rate of increase of £M3, as well as of the less distorted, wider measures of liquidity, may have been about 1-1½ per cent a month. Over the longer period since June 1979 £M3 has grown at an annual rate of 17 per cent, PSL1 at 15 per cent, PSL2 at 13 per cent. These rates are about the same as that of GDP at current market prices which has grown at an annual rate of about 15½ per cent, 20 per cent for prices and -3½ per cent for volume. The growth of M1 has been less.

The PSBR in the first half of the financial year is tentatively estimated to have been £8 bn (seasonally adjusted); PRT receipts, EC refunds and asset sales should help to reduce it in the second half.

Nominal interest rates have fluctuated around a very slightly rising trend since early October; the effective exchange rate has climbed to its highest level since 1975.

EARNINGS AND PRICES

The trend increase in average earnings remains a little under 1½ per cent a month. Output prices and retail prices are rising at less than 1 per cent a month; wholesale input prices at less than ½ per cent a month.

ACTIVITY AND UNEMPLOYMENT

Industrial production continues to fall; GDP may have fallen by about 1-1½ per cent in the third quarter.

Unemployment accelerated in October; the number of vacancies continued to fall.

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The latest movements of the cyclical indicators still suggest that, if past relationships hold, a trough in activity may be reached by early 1981; a peak in unemployment would be several months later,

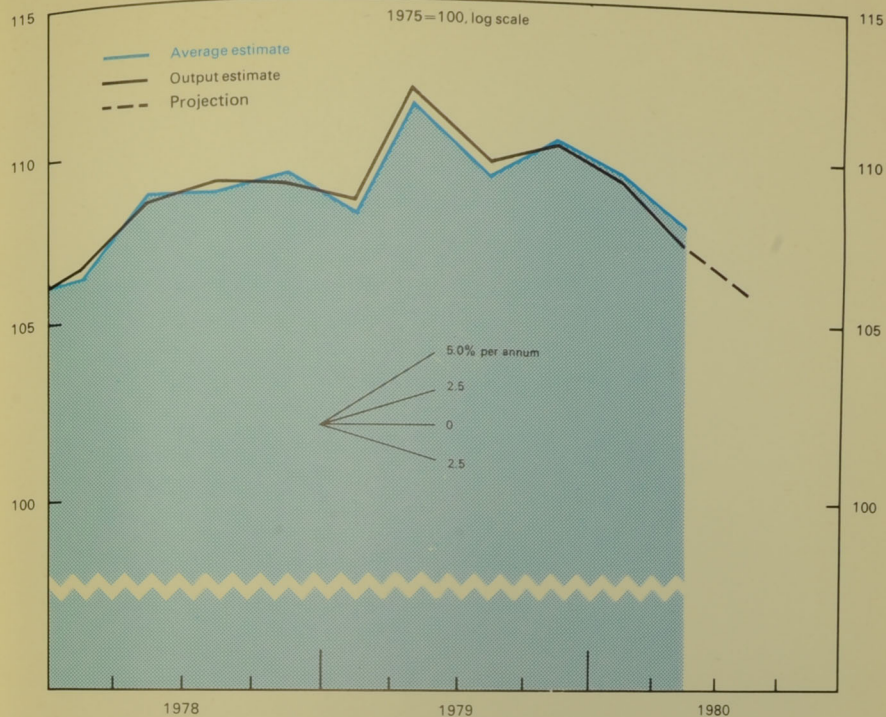
BALANCE OF PAYMENTS

Visible trade is slightly in surplus and as invisibles are also in surplus, the balance on current account is running at roughly £1 bn a month.

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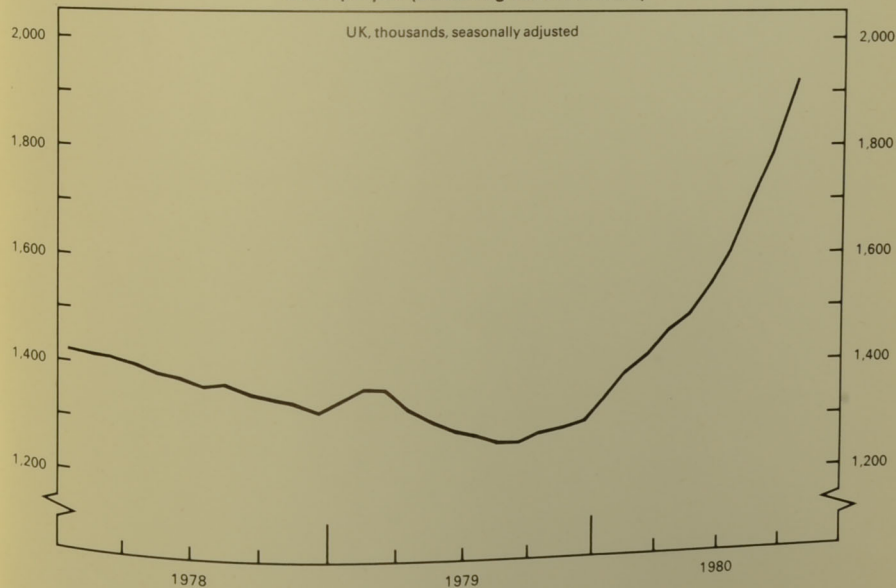
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

CHART 2

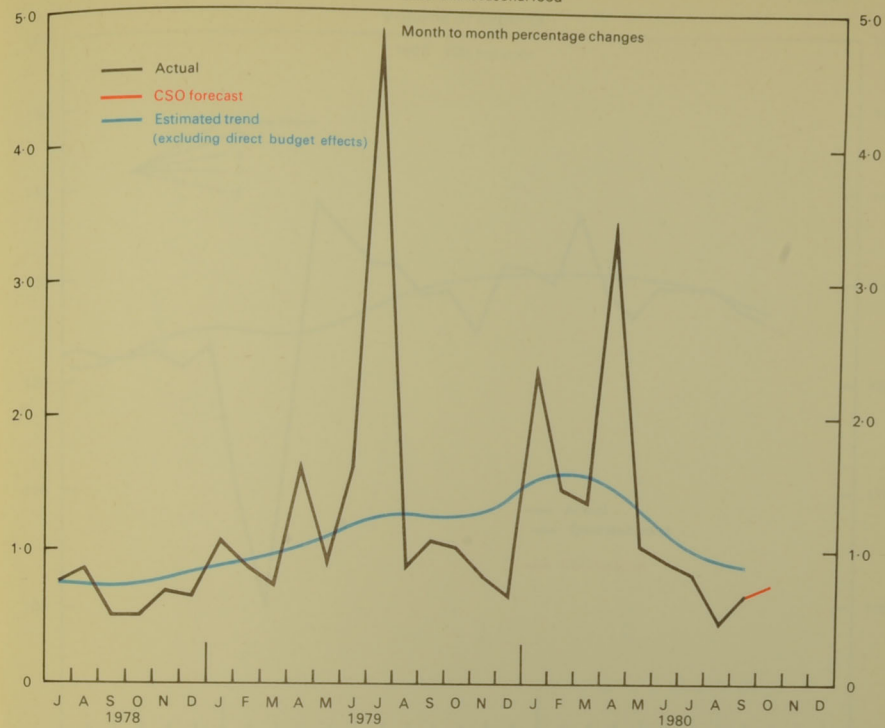


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Rate of increase in retail prices

CHART 3

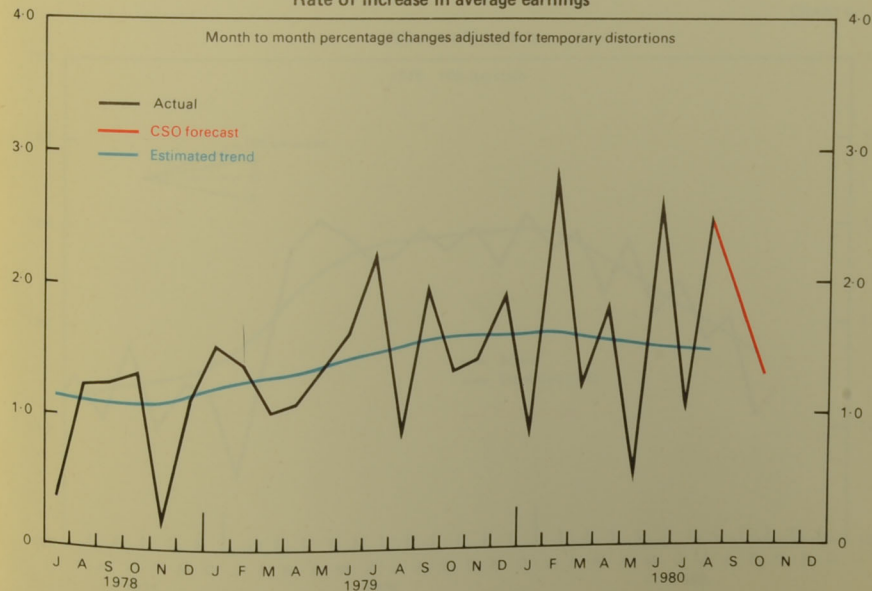
All items other than seasonal food



Rate of increase in average earnings

CHART 4

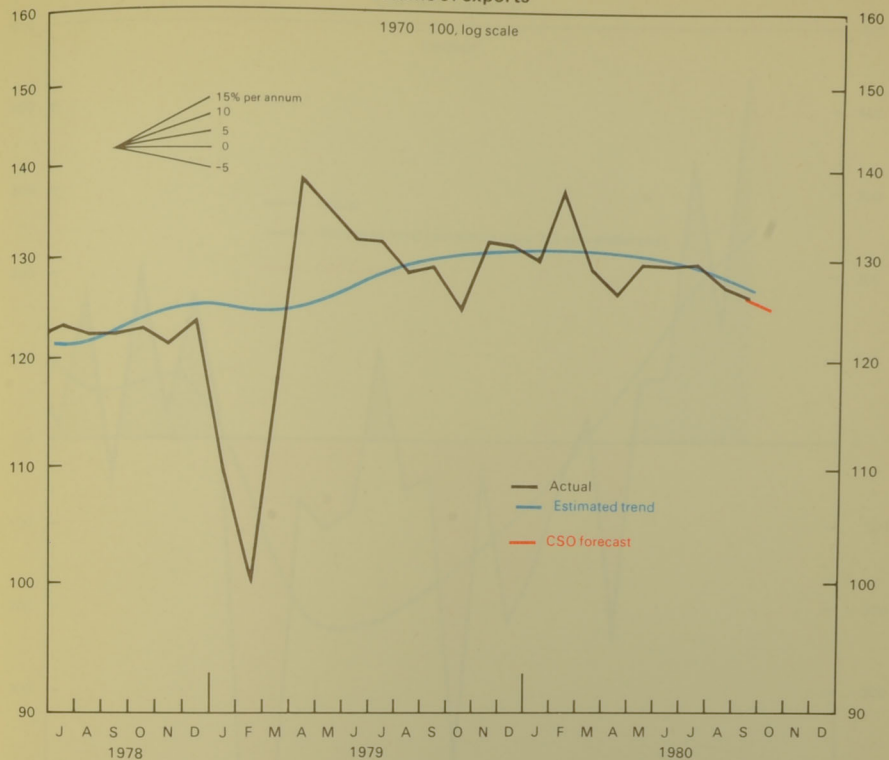
Month to month percentage changes adjusted for temporary distortions



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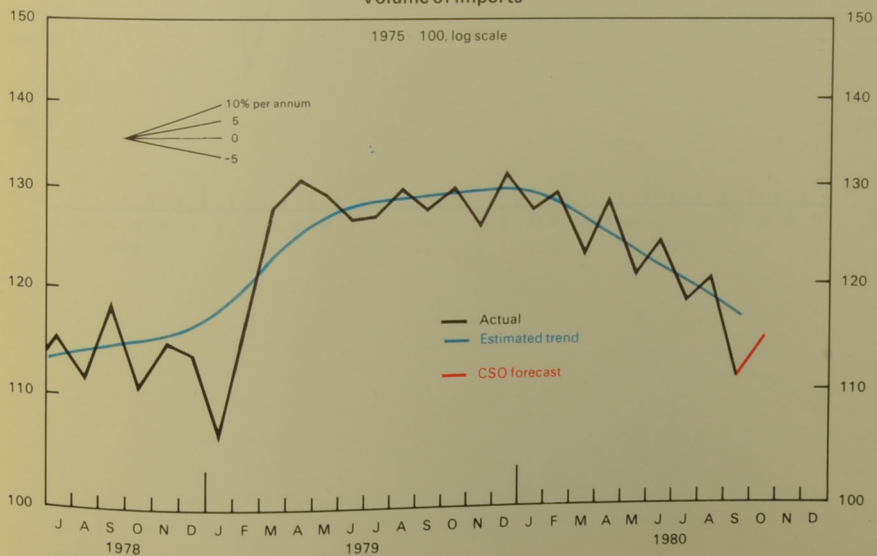
Volume of exports

CHART 5



Volume of imports

CHART 6



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Current balance

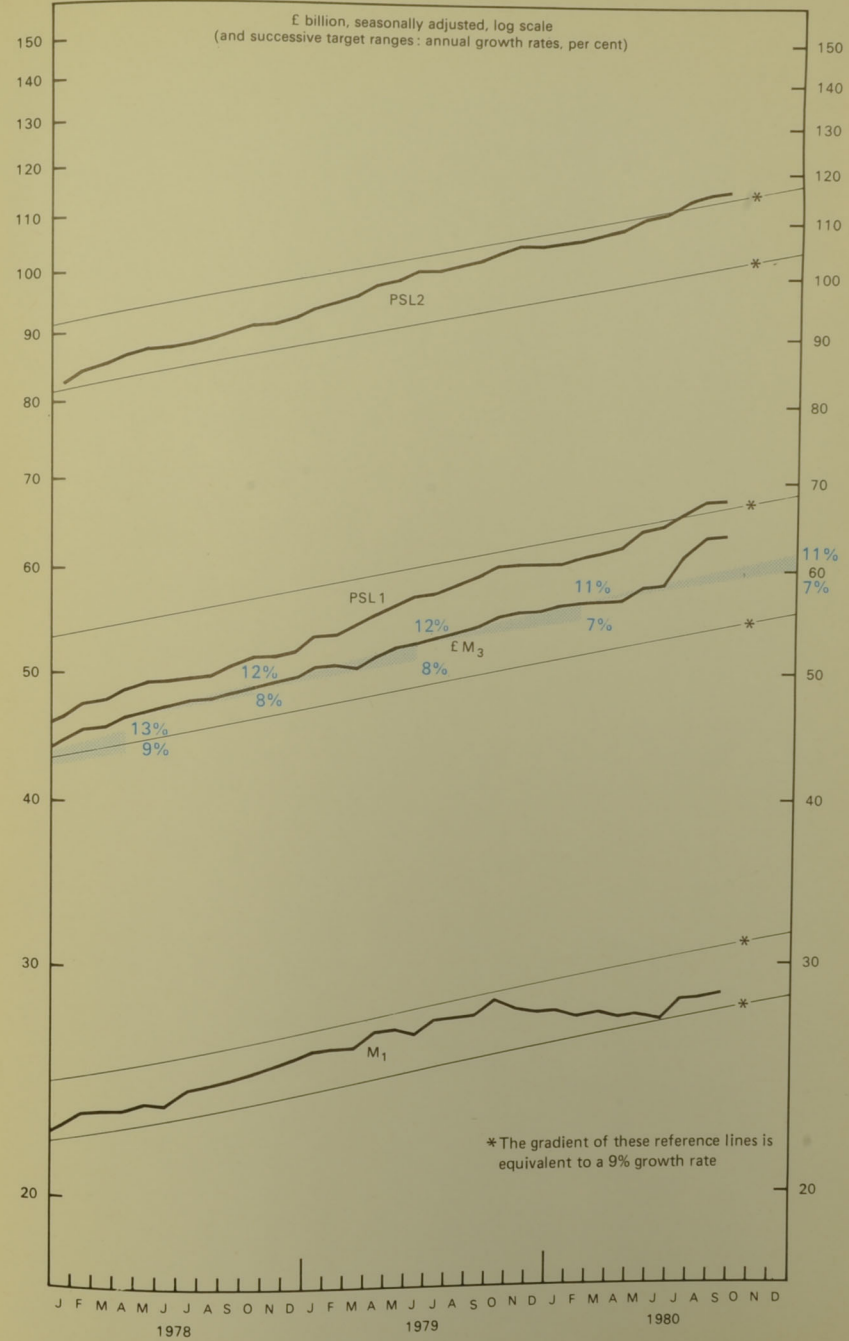
CHART 7



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Monetary aggregates

CHART 8



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