



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 May 1986

David Norgrove Esq
10 Downing Street
LONDON
SW1

Dear David,

UK'S RELATIVE ECONOMIC PERFORMANCE

... Further to my letter of 13 May, I attach the additional information you requested. ^{with DN?}

*Yours ever,
Cathy*

CATHY RYDING
Assistant Private Secretary

FROM: A M DOLPHIN
DATE: 14 May 1986

MS RYDING

cc: Mr Hacche

UK'S RELATIVE ECONOMIC PERFORMANCE

You reported that No 10 had asked for some further information following your letter of 13 May. This is contained in the attached tables.

2. In 1979 the UK's productivity growth was second lowest among the Summit countries (growth was lower in the United States), but in 1985 UK productivity growth was exceeded only in Germany and France.

3. Similarly, in 1979 the UK's GDP growth only exceeded growth in the United States among the Summit countries, whereas in 1985 the UK had risen to third place in the league table behind Japan and Canada.

A.M. Dolphin

A M DOLPHIN

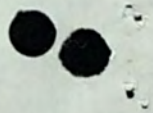
PRODUCTIVITY GROWTH* (AVERAGE ANNUAL CHANGE, PER CENT)

	1979-1985	1981-1985
United States	3.1	4.1
Japan	3.1	3.7
Germany	3.0	3.7
France	4.3	5.2
United Kingdom	4.0	4.8
Italy	4.3	3.8
Canada	3.2	4.8

* Output per manhour in manufacturing

REAL GDP GROWTH (AVERAGE ANNUAL CHANGE, PER CENT)

	1979-1985	1981-1985
United States	1.9	2.4
Japan	4.0	4.0
Germany	1.2	1.5
France	1.1	1.3
United Kingdom	1.1	2.7
Italy	1.3	1.0
Canada	2.1	2.0



cc Bq.



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13 May 1986

David Norgrove Esq
10 Downing Street
LONDON
SW1

Dear David,

UK RELATIVE ECONOMIC PERFORMANCE

... I attach the information you asked me for on the telephone yesterday on the UK's performance compared to other Summit countries between 1979 and 1981 and now.

*Yours ever,
Cathy*

CATHY RYDING
Assistant Private Secretary

FROM: A M DOLPHIN
DATE: 13 May 1986

MS RYDING

cc: Mr Matthews
Mr Hacche

UK RELATIVE ECONOMIC PERFORMANCE

You asked how the UK's current economic performance compares with the other Summit countries and how it compared in 1979 and 1981. I attach some tables showing information on growth, employment/unemployment, inflation and current balances.

These tables show:

- (i) Real GDP growth in the UK in 1985 was higher than in the US and higher than in each of the major European countries. In 1979 and 1981 the UK had the lowest growth rate (except for the US in 1979 where growth was marginally lower) among the Summit countries.
- (ii) The UK's relative performance on employment growth has improved since 1979 but growth in the UK remains lower than in the other six Summit countries overall.
- (iii) Unemployment (as a percentage of the labour force) is now higher in the UK than in any other Summit country, as it was in 1981, but not in 1979 when the US, France, Italy and Canada all had higher unemployment.
- (iv) Italy was the only Summit country with higher inflation than the UK over the twelve months to March 1986.
- (v) Unit labour costs in the UK grew faster than in the other Summit countries in 1985 and in 1979, but in 1981 UK growth was below the average for these countries.

A.M. Dolph

A M DOLPHIN

1. Growth of GNP/GDP (per cent)

	1979	1981	1985
United States	2.5	1.9	2.2
Japan	5.3	3.7	4.6
Germany	4.0	-	2.4
France	3.3	0.5	1.1
Italy	4.9	0.2	2.2
Canada	3.2	3.3	4.5
Major six (excluding UK)	3.5	1.9	2.6
United Kingdom	2.6	-1.5	3.3
Major Seven	3.4	1.6	2.7

2. Growth in employment (per cent)

	1979	1981	1985
United States	2.9	1.1	2.0
Japan	1.3	0.8	0.8
Germany	1.8	-0.6	0.8
France	-	-0.6	-0.3
Italy	1.0	0.3	0.5
Canada	4.1	2.8	2.8
Major six (excluding UK)	2.2	0.7	1.4
United Kingdom	1.1	-3.9	1.1
Major Seven	2.1	0.3	1.4

3. Unemployment (per cent of labour force)

	1979	1981	1985	March 1986
United States	5.9	7.6	7.2	7.1
Japan	2.1	2.2	2.7	2.7
Germany	3.3	4.9	8.2	9.2
France	6.2	7.7	10.8	10.3
Italy	7.7	8.4	10.6	11.2
Canada	7.4	7.5	10.5	9.6
Major six (excluding UK)	5.0	6.2	7.1	7.2
United Kingdom	5.4	9.5	13.1	13.0
Major Seven	5.0	6.5	7.6	7.7

4. Consumer price inflation (per cent)

	1979	1981	1985	March 1986
United States	11.3	10.4	3.5	2.3
Japan	3.6	4.9	2.1	1.1
Germany	4.1	6.3	2.2	0.1
France	10.8	13.4	5.8	3.0
Italy	14.8	18.7	9.2	7.3
Canada	9.1	12.5	4.0	4.1
Major six (excluding UK)	8.8	9.7	3.6	2.1
United Kingdom	13.4	11.9	6.1	4.2
Major Seven	9.2	9.9	3.8	2.3

5. Growth in unit labour costs in manufacturing (per cent)

	1979	1981	1985
United States	10.6	7.3	1.6
Japan	-2.1	1.8	0.1
Germany	2.4	5.1	-0.1
France	9.3	11.9	1.4
Italy	9.7	19.0	4.4
Canada	7.8	13.8	2.3
Major six (excluding UK)	6.8	7.6	1.3
United Kingdom	17.3	6.8	5.4
Major Seven	7.7	7.5	1.6

6. Current balances (US \$ billions)

	1979	1981	1985
United States	-1	6	-118
Japan	-9	5	50
Germany	-6	-6	13
France	5	-5	-
Italy	6	-8	-4
Canada	-4	-5	-2
Major six (excluding UK)	-9	-12	-60
United Kingdom	-2	13	4
Major Seven	-11	1	-56

