CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

E(81) 15

COPY NO 57

3 February 1981

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 February 1981

MONTHLY ECONOMIC BRIEF

COPY NO 57

A23/1

Prepared by CSO on 30 January 1981

FINANCE

Although £M3 increased by only ½ per cent in Banking December, the underlying rate of increase since February 1980, after adjustment for corset and other distortions, was about 19 per cent pa; the wider measures have grown at about the same rate or less. M1 has grown much more slowly, at a rate even lower than the increase in GNP at current market prices which was about 12½ per cent pa over this period; (last month's report incorrectly stated that M1 was growing at about the same rate as current price GDP.)

PSBR for the December quarter is estimated to have been about £4bn (seasonally adjusted); the total for the first three quarters of the financial year was over £12bn.

Short term interest rates in the United Kingdom have eased a little since the beginning of January. The sterling effective exchange rate rose strongly over the same period.

EARNINGS AND PRICES

The underlying increase in average earnings is now probably about ¾ per cent per month as lower settlements and a reduction in hours worked affect the index. Retail prices are rising at about the same rate; wholesale output prices at less than ½ per cent month; but input prices, which rose sharply in December, are likely to rise again in January as oil price rises take affect.

ACTIVITY AND UNEMPLOYMENT

There are no direct signs that the rate of decline in manufacturing production is easing; it is thought that GDP fell by about 1 per cent in the fourth quarter of 1980, rather less than in the previous quarter because of increased production in the energy sector.

UNEMPLOYMENT

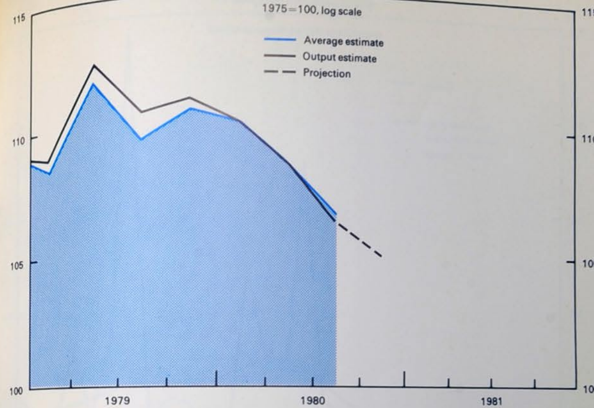
The upward trend in unemployment remains strong if apparently no longer accelerating. Vacancies are probably at near minimum level

The index of longer leading indicators still suggests that, if the average relationship holds, a trough in activity will be reached b spring. The lead has varied around this average: the longest has been 23 months. An interval as long as this would place the uptu much later in the year. A peak in unemployment would normally be several months after the trough in economic activity.

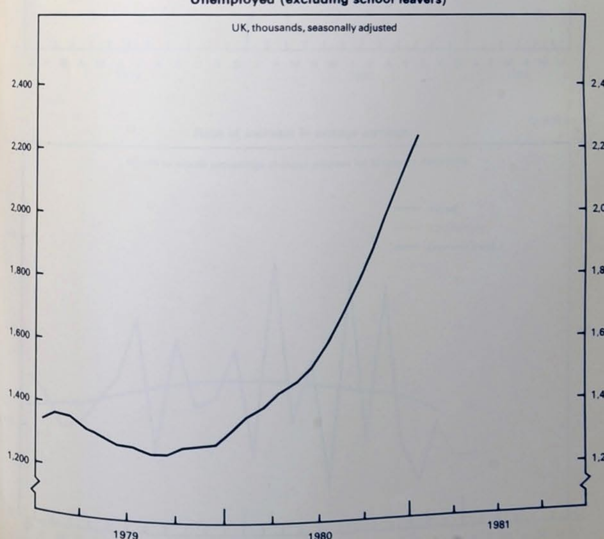
BALANCE OF PAYMENTS

The balance of payments on current account is at present comfort in surplus.

Gross domestic product CHART 1



Unemployed (excluding school leavers) CHART 2



Rate of increase in retail prices

All items other than seasonal food

CHART 3

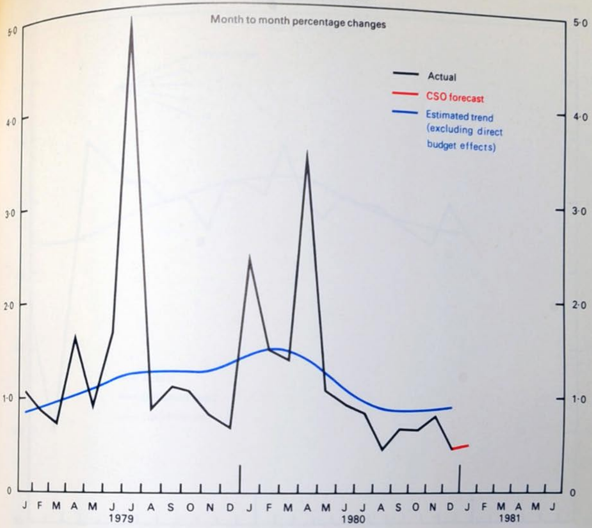
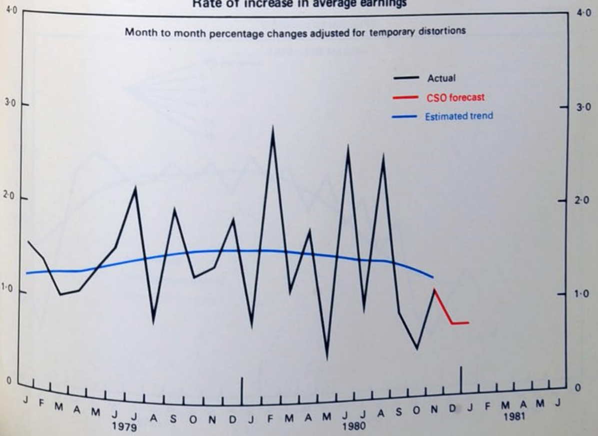


CHART 4

Rate of increase in average earnings



298

CHART 5

Volume of exports

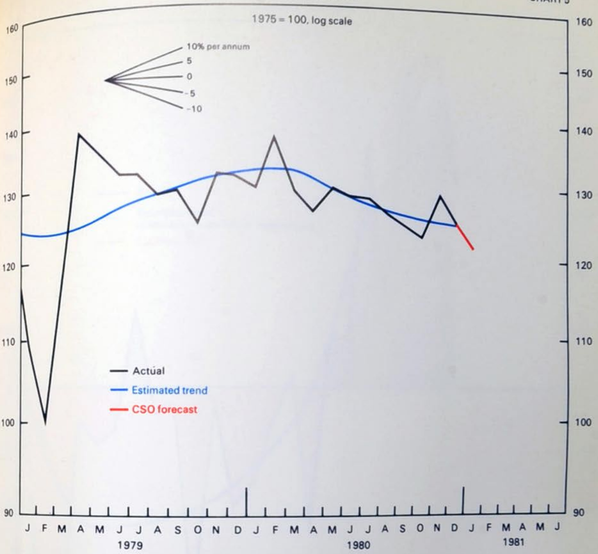
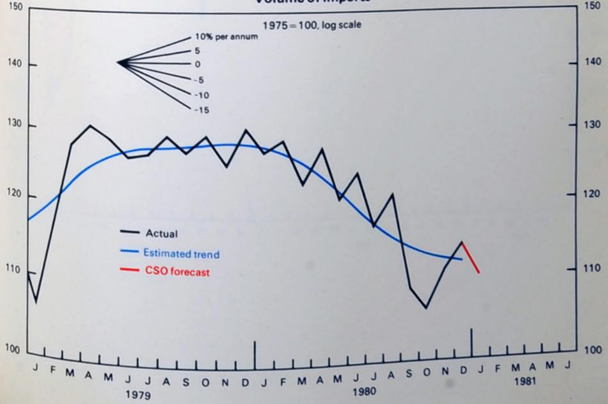


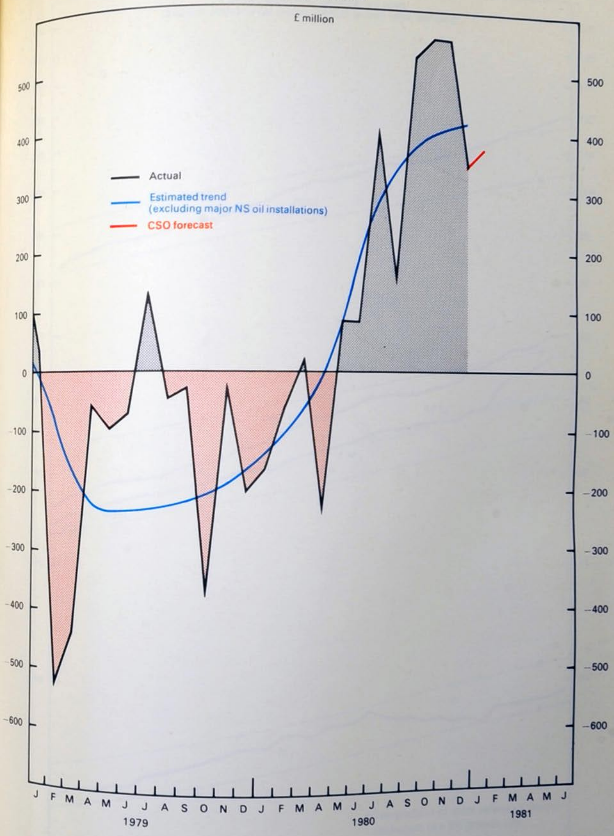
CHART 6

Volume of imports



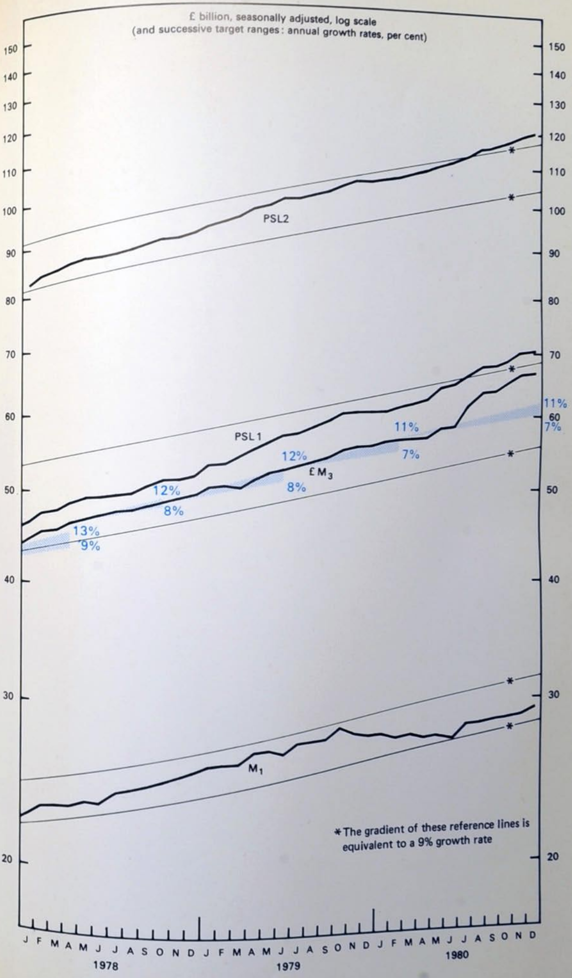
299

Current balance



300

Monetary aggregates



301