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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

EARNINGS AND PRICES

The underlying increase in average earnings is now about 1 per cent a month as lower settlements affect the index. Retail prices are rising at about the same rate; wholesale output prices at about 1 per cent per month, but, as expected, input prices rose sharply in January mainly due to oil price rises, and the recent depreciation of sterling against the United States dollar will push input prices up further in February.

ACTIVITY AND UNEMPLOYMENT

There are no signs that the rate of decline in activity has eased. GDP fell by one per cent in the fourth quarter of 1980; the fall is likely to be about the same in the first quarter this year. The rate of increase in unemployment in February was lower, it is too early to say if the trend is changing.

Cabinet Office

4 March 1981

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MONTHLY ECONOMIC BRIEF

Prepared by CSO on 27 February 1981

FINANCE

EMS increased by $\frac{1}{2}$ per cent in banking January following the $\frac{1}{2}$ per cent growth last month. After adjustments for the corset and other distortions, the underlying annual rate of increase since February 1980 was just over 18 per cent; the wider measures have grown at about the same rate or less; M1 much more slowly.

PSBR for the December quarter was £4.3 bn seasonally adjusted; the total for the first 3 quarters of the financial year was £12.4 bn. Provisional figures for January (not seasonally adjusted) suggest that there was a net repayment £ $\frac{1}{2}$ bn smaller than a year earlier.

Short term interest rates in the United Kingdom have fallen slightly since the beginning of February; longer term rates were broadly unchanged. The sterling effective exchange rate was broadly unchanged to mid-February but it and the dollar rate have fallen back since then.

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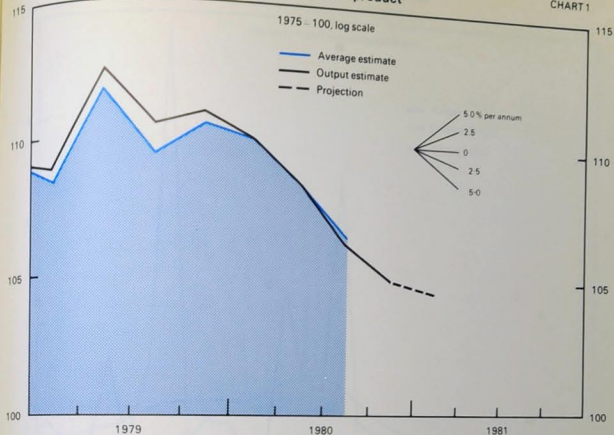
The index of longer leading indicators still suggests that, if the past average relationship holds, a trough in activity will be reached in the spring. There is now some tentative support for this interpretation in the shorter leading index.

BALANCE OF PAYMENTS

The trend in total export volume now appears to be flat, after falling in the first half of 1980. The trend in volume imports, however, is firmly downwards. With the extraordinary surplus on visibles and an estimated £200m surplus on invisibles, the current account remains comfortably in surplus.

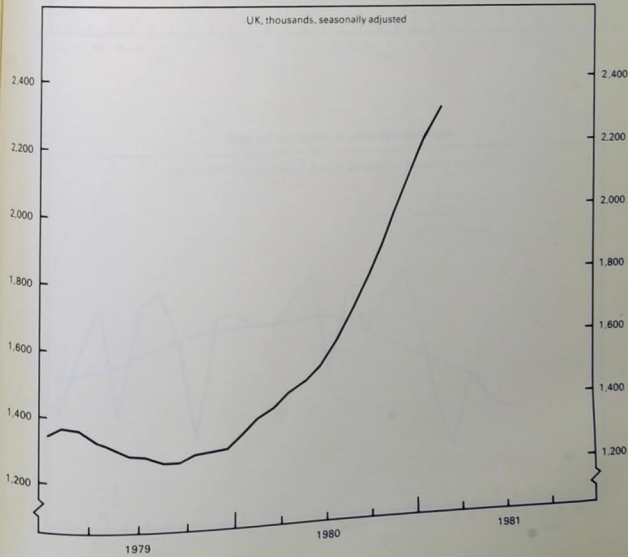
Gross domestic product

CHART 1



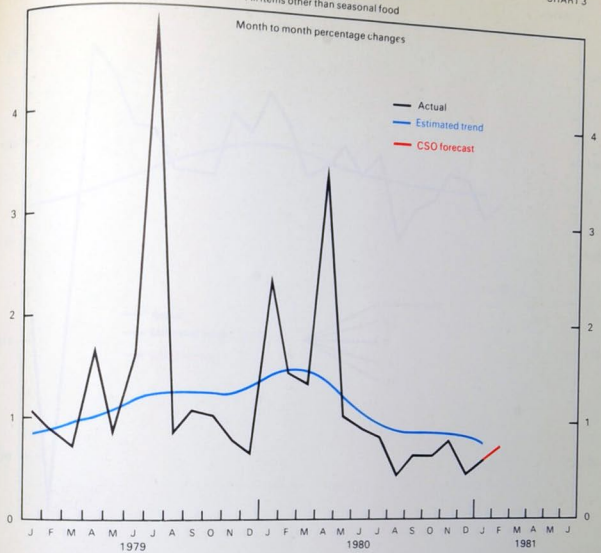
Unemployed (excluding school leavers)

CHART 2



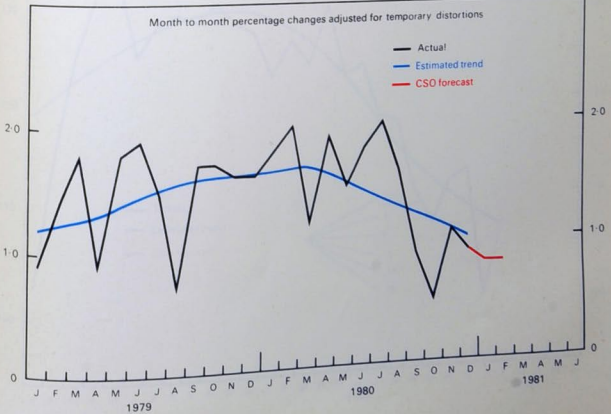
Rate of increase in retail prices
All items other than seasonal food

CHART 3



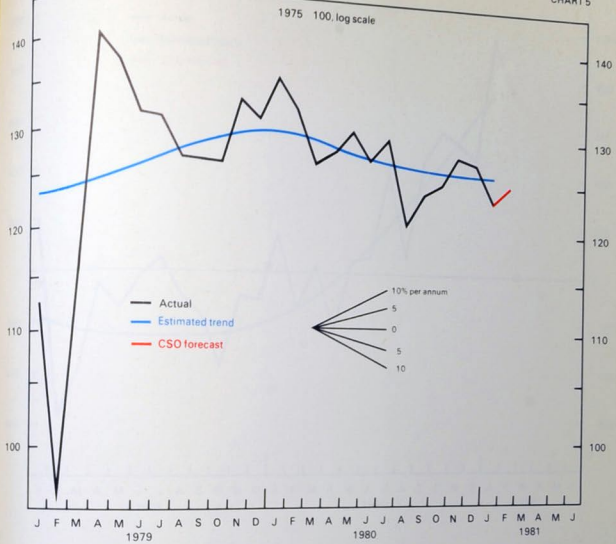
Rate of increase in average earnings

CHART 4



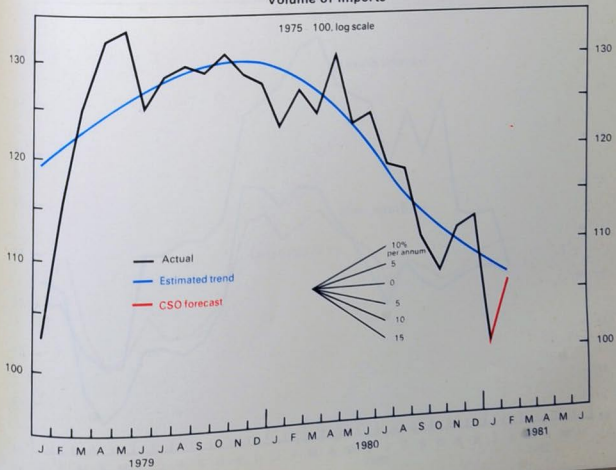
Volume of exports

CHART 5



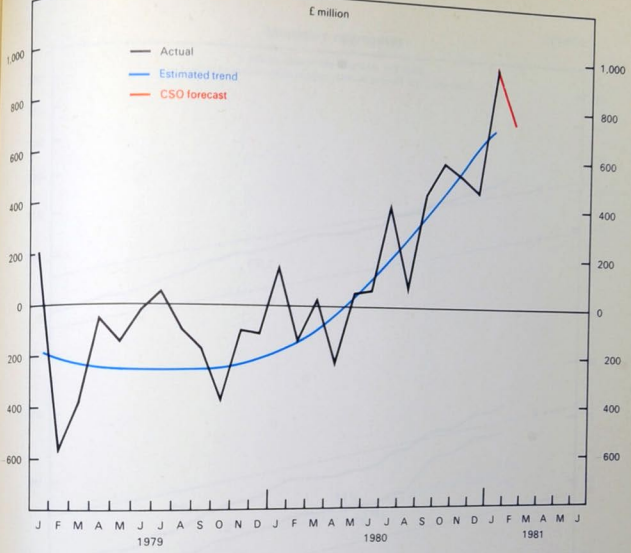
Volume of imports

CHART 6



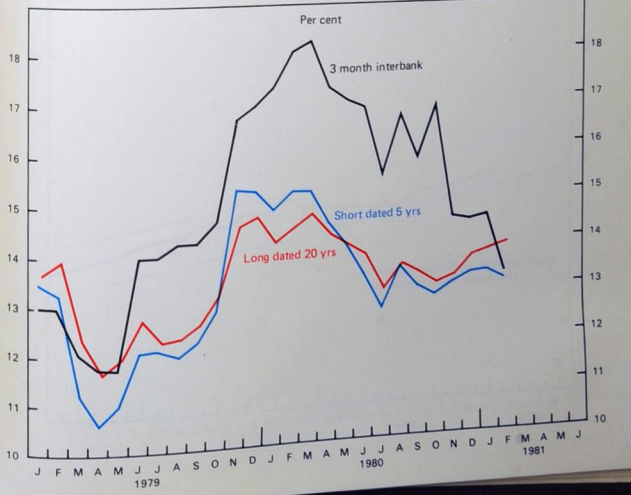
Current balance

CHART 7



Interest rate movements

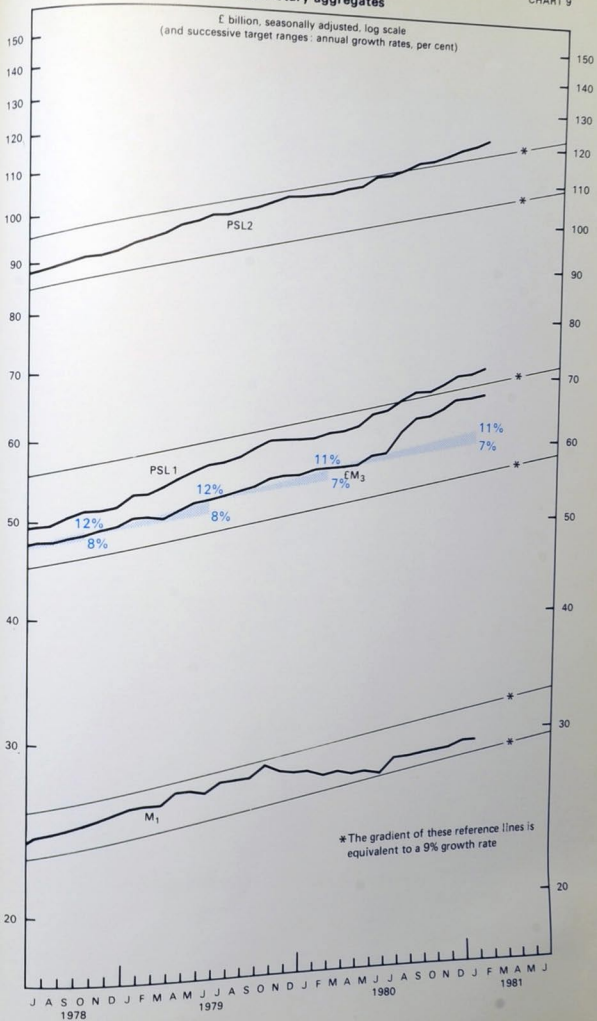
CHART 8



Monetary aggregates

CHART 9

£ billion, seasonally adjusted, log scale
(and successive target ranges: annual growth rates, per cent)



* The gradient of these reference lines is equivalent to a 9% growth rate