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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

Cabinet Office

31 March 1981

## MONTHLY ECONOMIC BRIEF

Prepared by CSO on 27 March 1981

The timing of the end of the recession is the central question now. The cyclical indicators suggest that the recession may be bottoming out, but the latest of them are based on only partial information and have been bolstered by the, probably temporary, high volume of spending in the shops. Close scrutiny can, not very convincingly, suggest a slowing down in the fall in February and March. We must wait to be sure.

Although GDP fell by about 3 per cent between the first half of 1979 and the second half of 1980, over the same period real national disposable income fell by only  $\frac{1}{2}$  per cent, the difference mainly reflecting gains from changes in the terms of trade including the exchange rate. Thus the fall in economic activity has not been matched by a corresponding fall in national income.

## Unemployed (excluding school leavers)

The current account of the balance of payments is in heavy surplus; depressed domestic demand had lowered imports while exports were flat. There are now signs that the two trends are more nearly parallel. The same is true of prices so the balance on visible trade is probably no longer increasing.

Unemployment has been rising less fast. Vacancies continue very low, but with no sign of recovery.

The trend rate of increase in the RPI is around  $\frac{1}{2}$  per cent a month. The Budget will add 1 per cent in each of March and April and local authority rent and rates increases will add another  $1\frac{1}{2}$  per cent. It is unlikely that the increase over a year earlier will fall during the next few months.

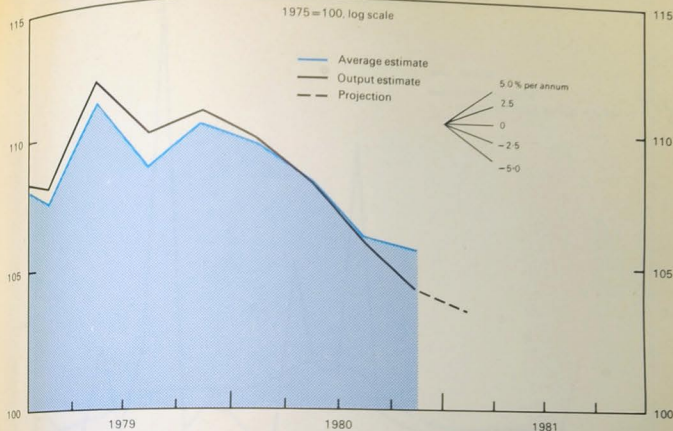
The underlying rate of increase in average earnings since September has been at a monthly rate of around  $\frac{1}{2}$  per cent. Earnings in manufacturing have been growing more slowly than in the rest of the economy.

Market interest rates for maturities up to one year had discounted an MLR cut of 2 per cent and have not changed much since the budget.

There are signs that growth in M3 has decelerated since mid-August when the effects of donning and doffing the corset were largely over. Since then it has grown on average at just over 1 per cent a month, and during the last 3 months at about 1/2 per cent a month. The same is true of the broader measures. The narrow measure and a tentative measure of the "monetary base" have been growing more uniformly.

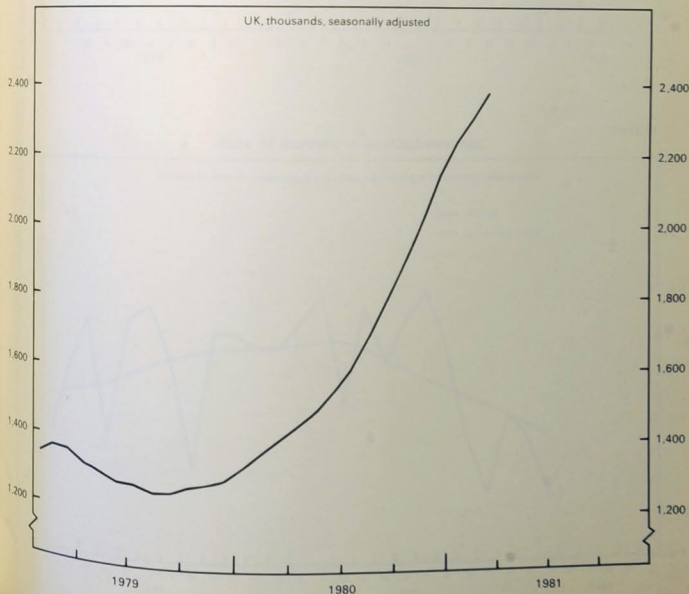
Gross domestic product

CHART 1



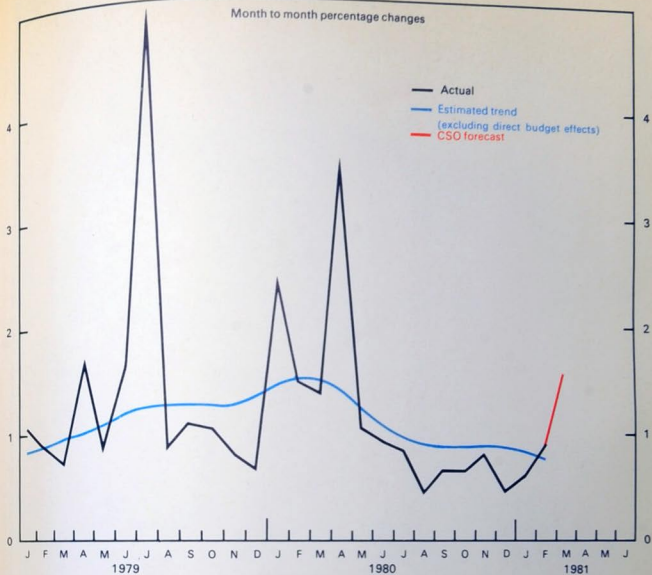
Unemployed (excluding school leavers)

CHART 2



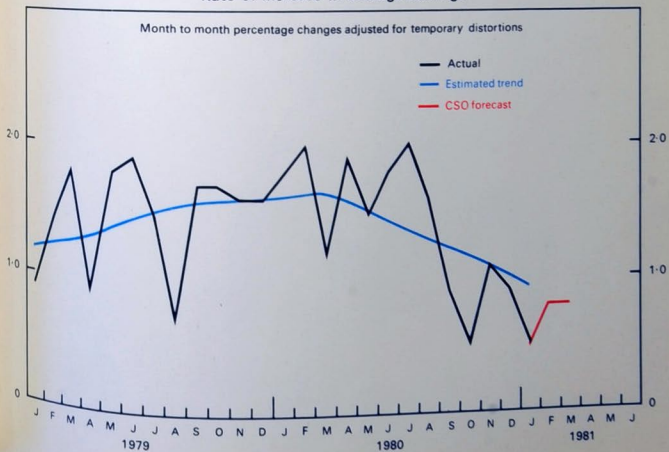
**Rate of increase in retail prices**  
All items other than seasonal food

CHART 3



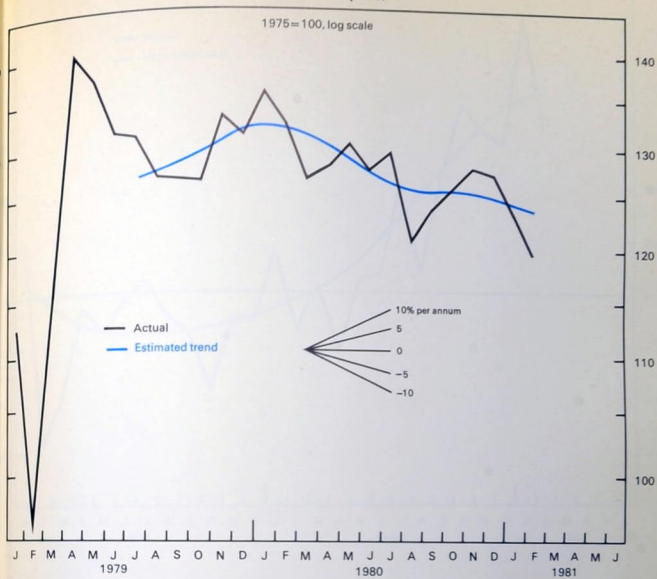
**Rate of increase in average earnings**

CHART 4



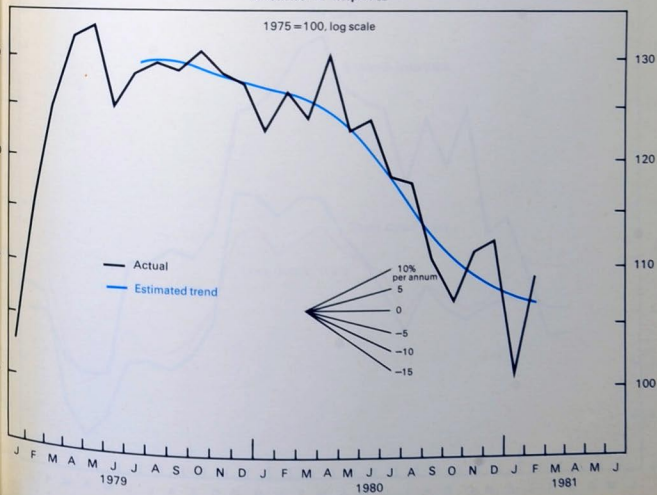
### Volume of exports

CHART 5



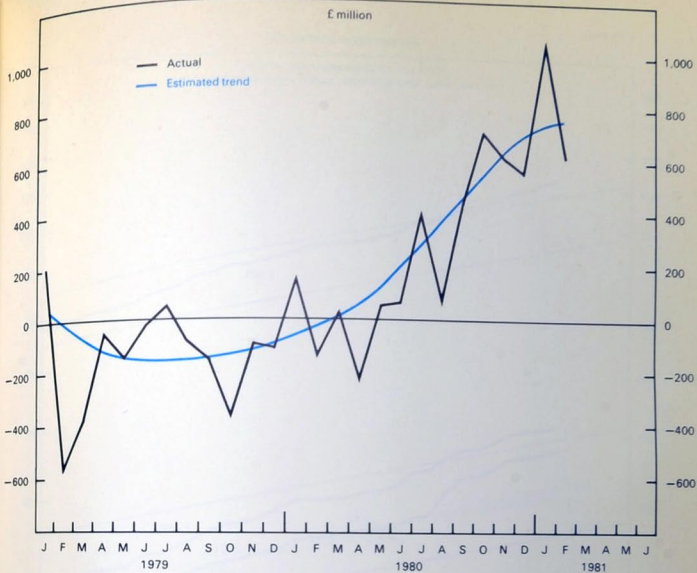
### Volume of imports

CHART 6



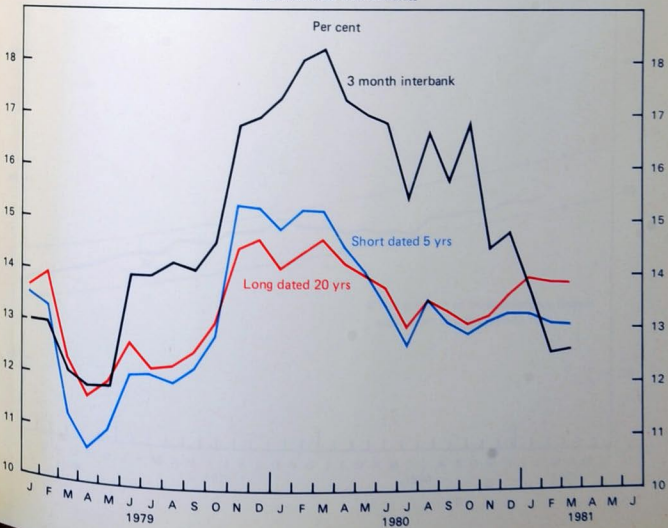
Current balance

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)

