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1 May 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

1 May 1981

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A23/1

MONTHLY ECONOMIC BRIEF

prepared by the CSO on 30 April 1981

There is now further evidence that the bottom of the recession may have been reached but it is not conclusive. The cyclical indicators point to a turn around the first quarter of the year but as usual the latest values are based upon only partial information. Industrial production and GDP continue to fall but more slowly. There is no evidence to hand about any recovery.

The trend rate of increase in the RPI has now fallen to well under $\frac{1}{2}$ per cent a month but on top of this the direct effects of the Budget will add about 2 per cent spread over March and April. Apart from food, drink and tobacco the prices of goods in the shops have been relatively stable recently. Associated with this the volume of retail sales in the first quarter has been very buoyant but continued heavy destocking seems to have kept any impact of that away from production.

Unemployment continues to increase but more slowly than in recent months. Vacancies are still falling though slowly with no sign of a recovery.

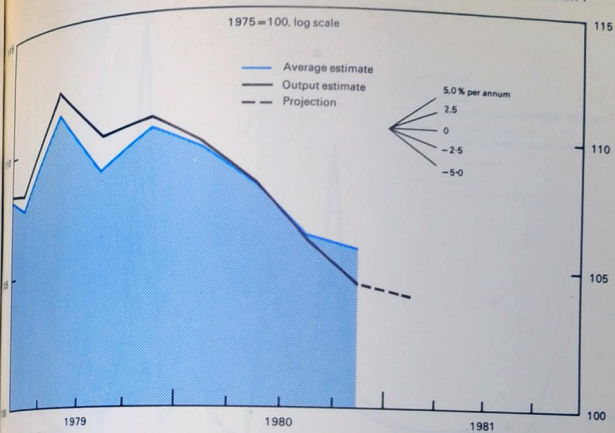
The underlying rate of increase in average earnings has been about $\frac{1}{2}$ per cent a month since the beginning of the current pay round last August. The average level of settlements so far in the current round is thought to be just below 10 per cent.

Short term interest rates have been fairly steady in the last few weeks; longer term rates fell about $\frac{1}{2}$ per cent in response to the Budget.

£M3 increased by about $\frac{1}{2}$ per cent in banking March. The Civil Service strike will probably lead to bigger increases in April and May if it continues.

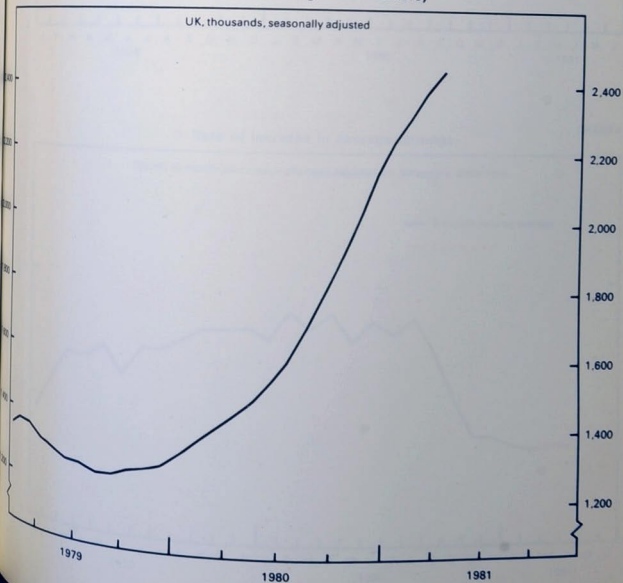
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

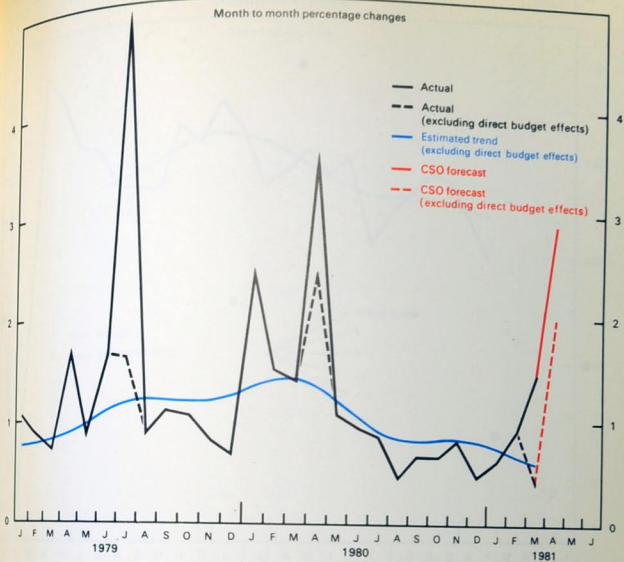
CHART 2



Rate of increase in retail prices

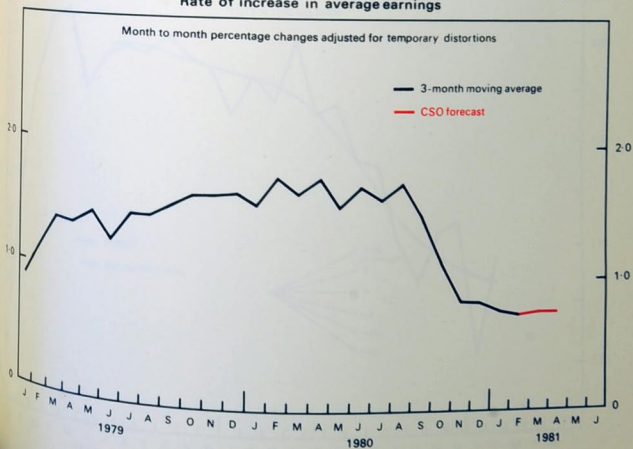
All items other than seasonal food

CHART 3



Rate of increase in average earnings

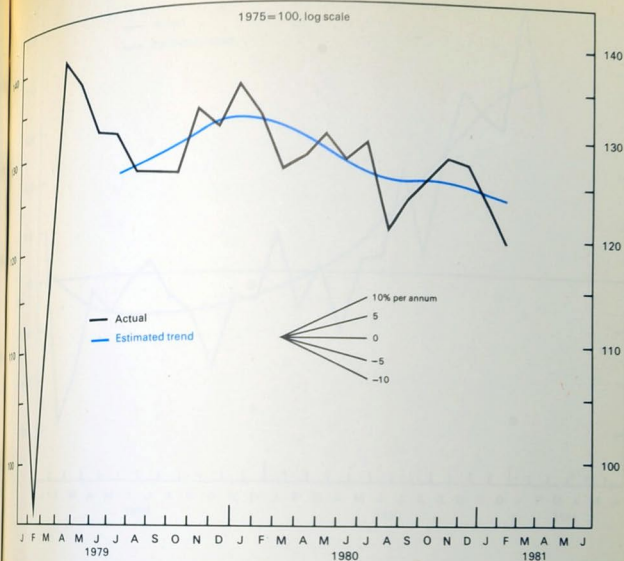
CHART 4



Volume of exports

CHART 5

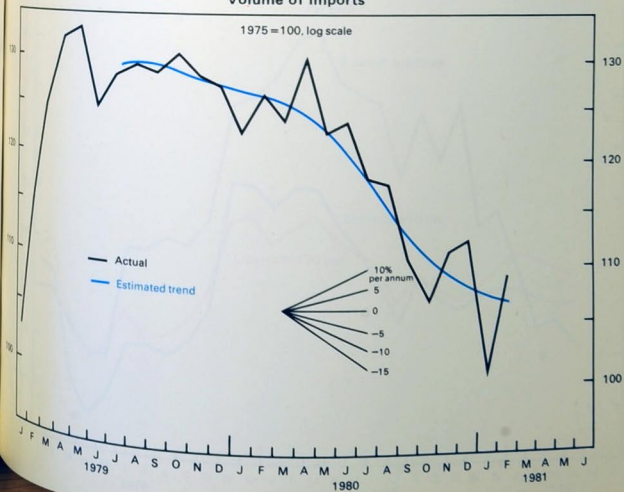
1975=100, log scale



Volume of imports

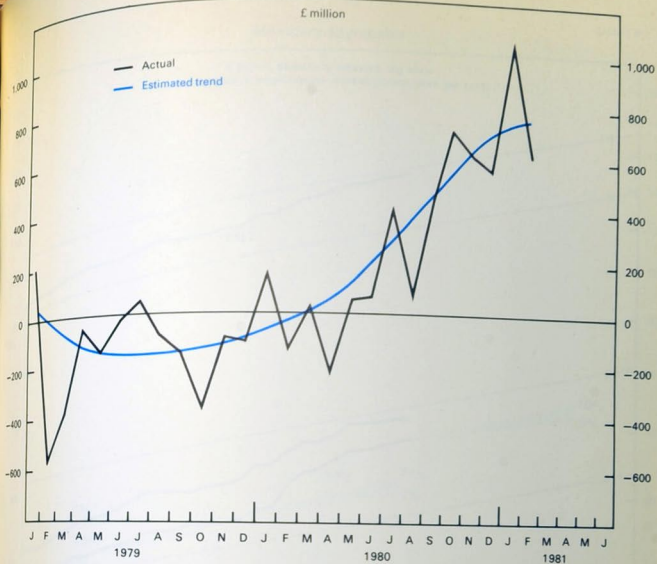
CHART 6

1975=100, log scale



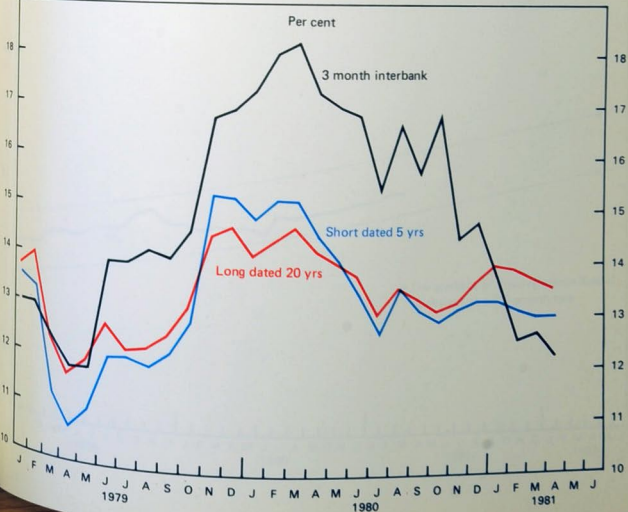
Current balance

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)

