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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
1 June 1981

MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 31 May 1981

There are continuing signs that economic activity is levelling out but no firm indications yet of a recovery. 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 is still falling but more slowly. The different measures of GDP tell an ambiguous story but suggest output is now flat.

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. There is no firm evidence yet of a better trend in productivity.

The trend rate of increase in the RPI is now between $\frac{1}{2}$ and $\frac{3}{4}$ per cent a month; the direct effects of the Budget contributed about $\frac{1}{4}$ per cent a month and rate increases about $1\frac{1}{2}$ per cent to the April increase of nearly 3 per cent.

The increase in employees' National Insurance contributions and the failure to uprate income tax allowances this year are likely to lead to a further reduction in real personal disposable income in the second quarter, making 3 or 4 per cent since the fourth quarter. However, over the last three years, a period when GDP fell substantially the real take-home pay of a hypothetical man on average earnings rose substantially.

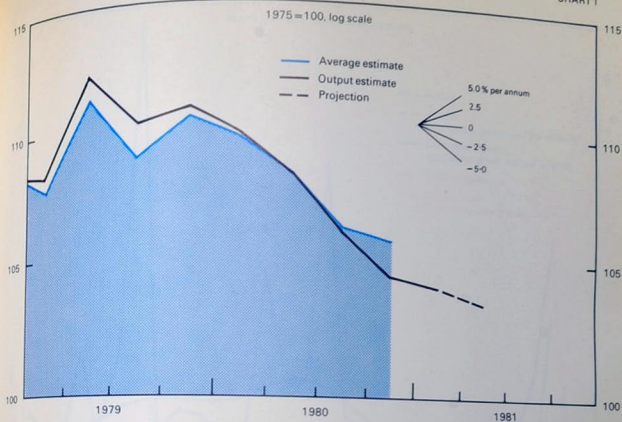
The rate of increase in unemployment continues to slow down. The level of vacancies continues to be low.

Short-term interest rates remain stable but longer term rates edged upwards in May by about $\frac{1}{2}$ per cent.

M3 increased by about 2 per cent in banking April but more than half of this is thought to be due to the Civil Service strike. The underlying increase in the last six months at an annual rate is probably within the 6 to 10 per cent target range.

Gross domestic product

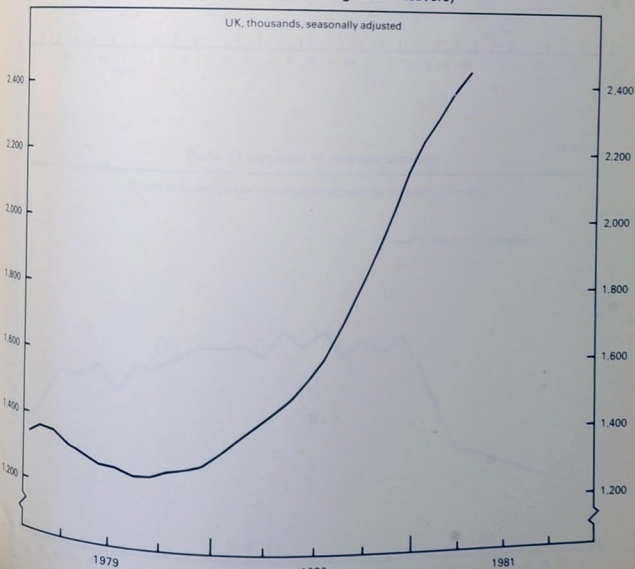
CHART 1



Unemployed (excluding school leavers)

CHART 2

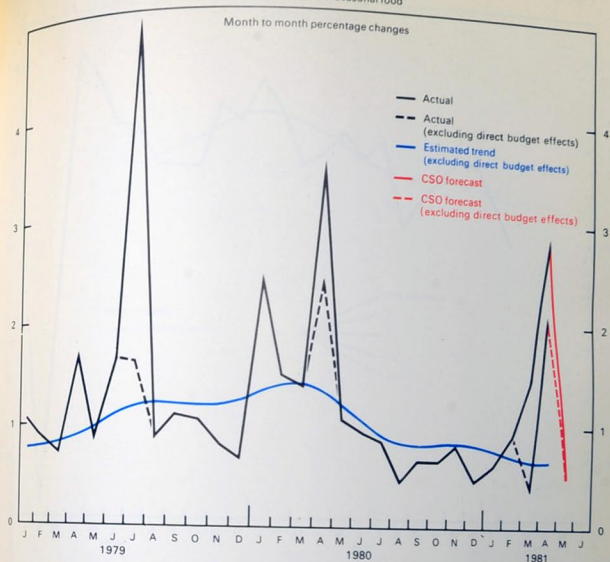
UK, thousands, seasonally adjusted



Rate of increase in retail prices

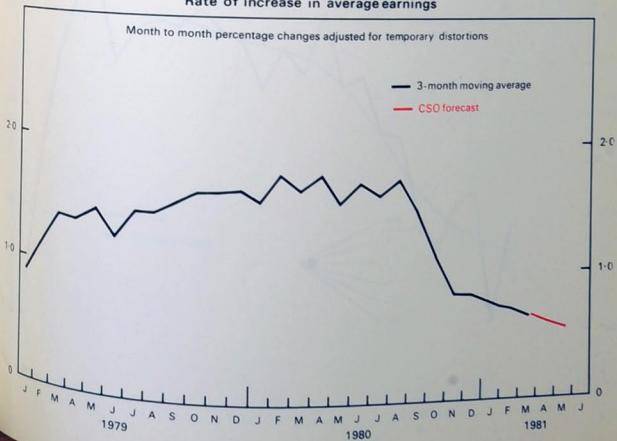
All items other than seasonal food

CHART 3



Rate of increase in average earnings

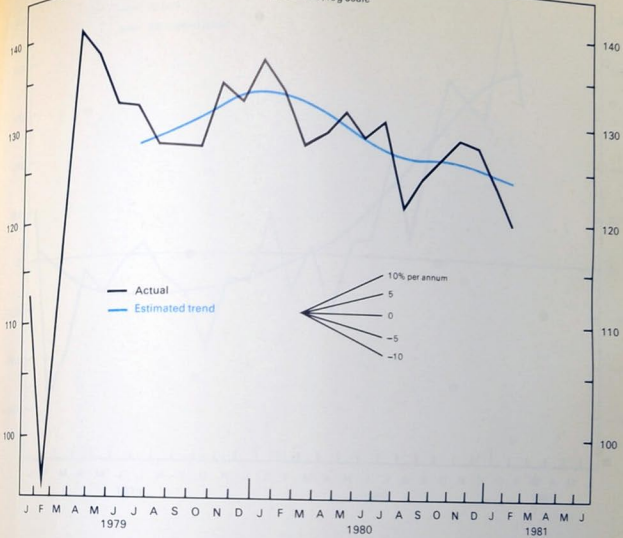
CHART 4



Volume of exports

CHART 5

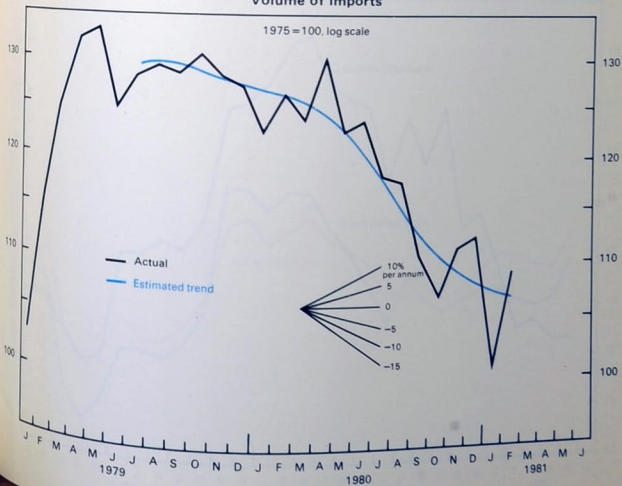
1975 = 100, log scale



Volume of imports

CHART 6

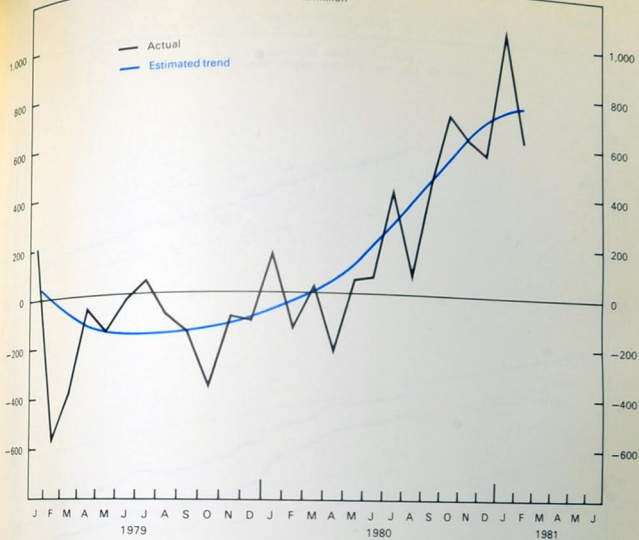
1975 = 100, log scale



Current balance

CHART 7

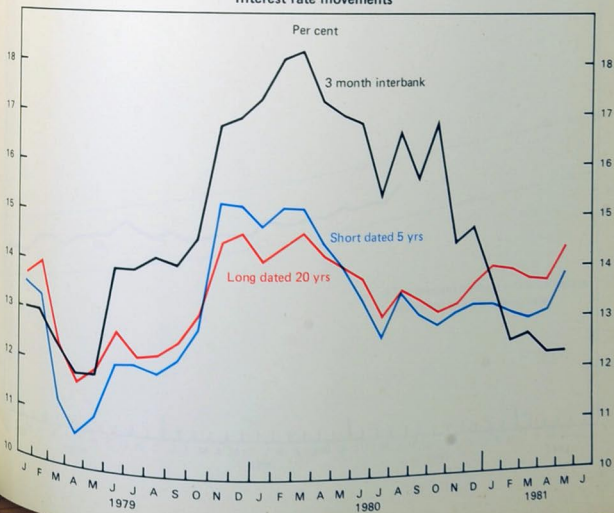
£ million



Interest rate movements

CHART 8

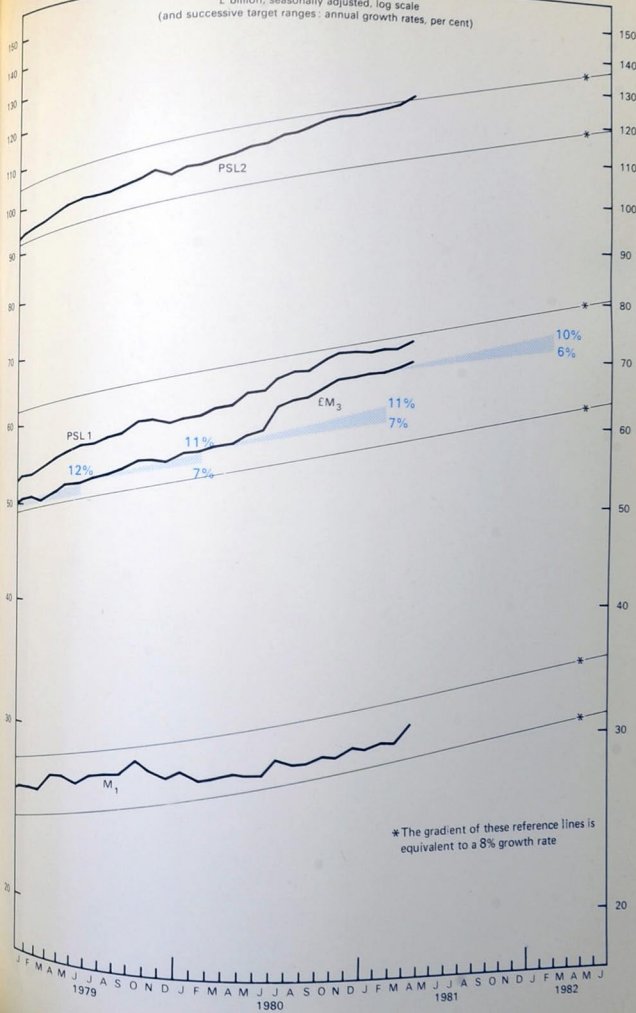
Per cent



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 8% growth rate