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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 27 June 1981

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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 CHEMANT
D J L MOORE

Cabinet Office
29 June 1981

MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 29 June 1981

Economic activity appears to have levelled out at the beginning of 1981 but as yet there are no signs of an upturn.

With the continuing falls in manufacturing employment and the levelling off of output, productivity now appears to be improving.

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 underlying rate of increase in wholesale output prices is around $\frac{1}{2}$ to $\frac{3}{4}$ per cent a month. The 12 month increase is expected to reach single figures in June. Exchange rate movements continue to dominate the input price index but the reduction in the price of North Sea oil will help to limit the increase in the index in June.

The trend rate of increase in retail prices is now thought to be slightly above $\frac{1}{2}$ per cent, higher than previous assessments.

Real take-home pay is now falling as prices are increasing faster than earnings, as income tax allowances were not uprated this year and as national insurance contributions rose.

The rate of increase in unemployment continues to slow down. Most other labour market indicators, apart from vacancies, also indicate a slowing down in the fall in demand for labour.

The PSBR may be a little smaller than this time last year but the Civil Service dispute makes this a tentative judgement.

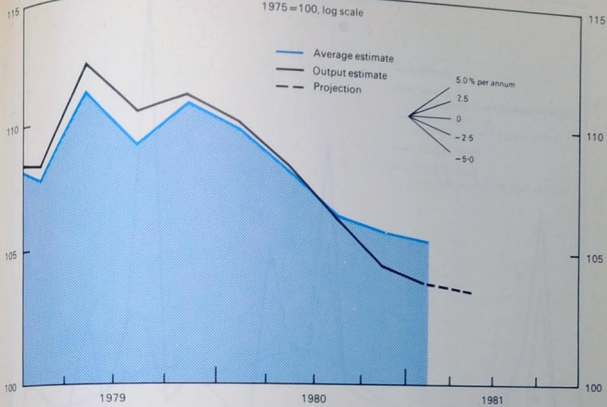
M3 increased by $1\frac{1}{2}$ per cent in banking May but around half of this may have been due to the Civil Service dispute. The underlying increase in the last six months at an annual rate is estimated to be within the 6 to 10 per cent target range.

High American and French interest rates contributed to a sharp drop in sterling exchange rates early in the month, only partly redressed later.

Gross domestic product

CHART 1

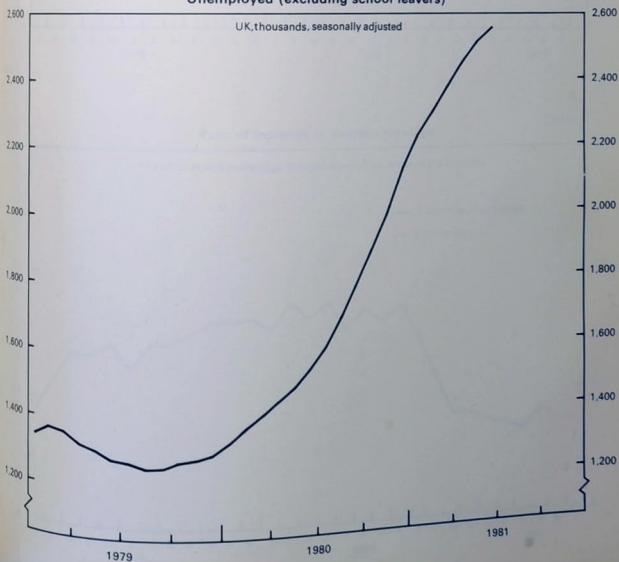
1975=100, log scale



Unemployed (excluding school leavers)

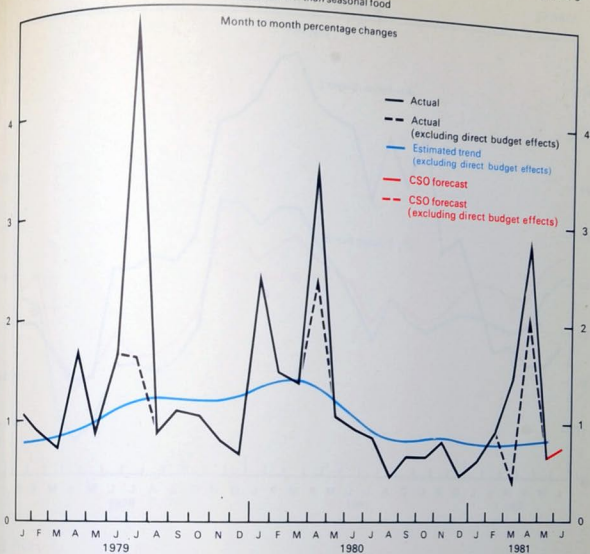
CHART 2

UK, thousands, seasonally adjusted



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

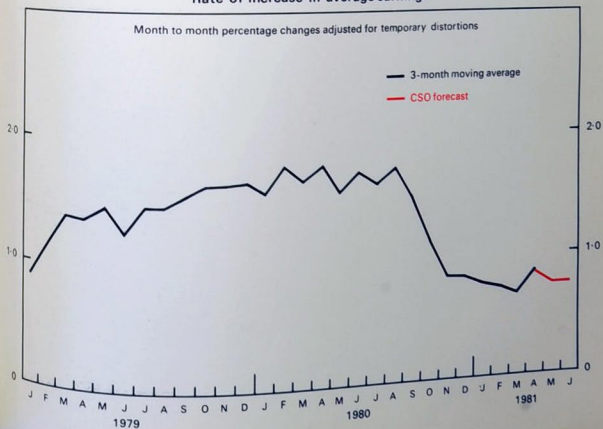
CHART 3



Rate of increase in average earnings

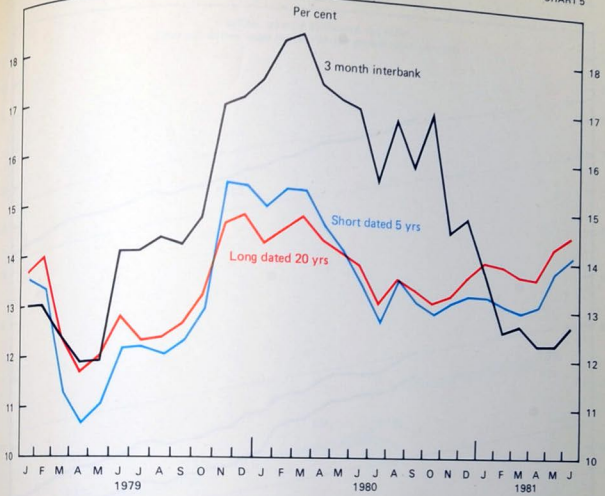
CHART 4

Month to month percentage changes adjusted for temporary distortions



Interest rate movements

CHART 5



Monetary aggregates

CHART 6

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

