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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 31 July 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  
D J L MOORE

Cabinet Office

3 August 1981

A23/1

## MONTHLY ECONOMIC BRIEF

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Our best assessment is that economic activity has flattened out but that there has not yet been any upturn. Financial developments remain shrouded in the statistical fog resulting from the Civil Service dispute, though it is thought that £M3 has been growing within the new target range of 6-10 per cent over the past 6 months. More importantly, the rate of increase of GDP at current market prices (the "national cash limit") has slowed down from about 13 per cent per annum in 1980 to less than 10 per cent per annum in the six months to 1981 second quarter.

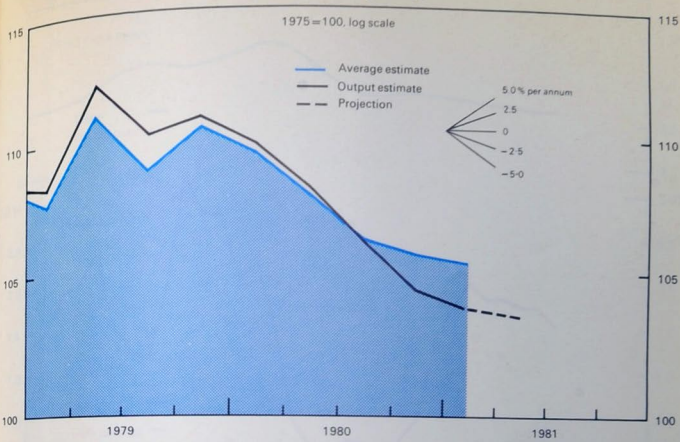
Both short and long term interest rates rose in July, influenced by high interest rates abroad and rising inflationary expectations.

Labour productivity appears to have increased in recent months; the underlying rate of increase in average earnings remains about  $\frac{1}{2}$  per cent a month; accordingly unit wage costs in manufacturing have not increased since the beginning of the year. However, wholesale input prices are being boosted by exchange rate movements and although the trend rate of increase in retail prices has now fallen below  $\frac{1}{2}$  per cent a month, little further fall is in prospect.

The increase in adult unemployment has slackened considerably in the past few months and in July it was the smallest since the end of 1979. Other labour market indicators suggest that the demand for labour may no longer be declining.

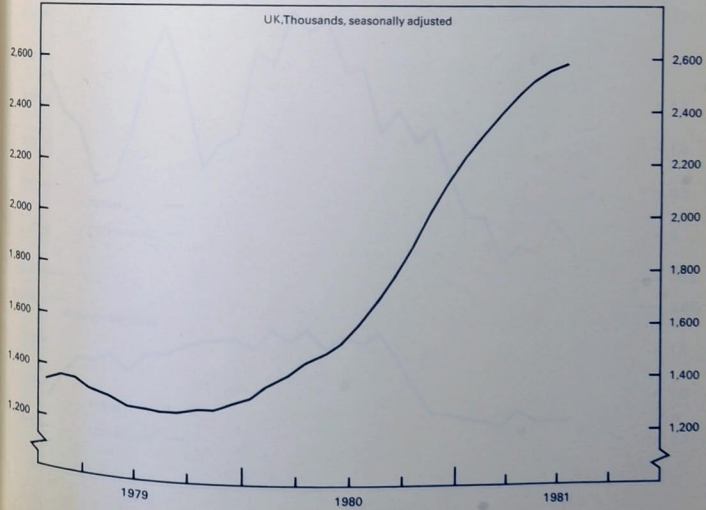
### Gross domestic product

CHART 1



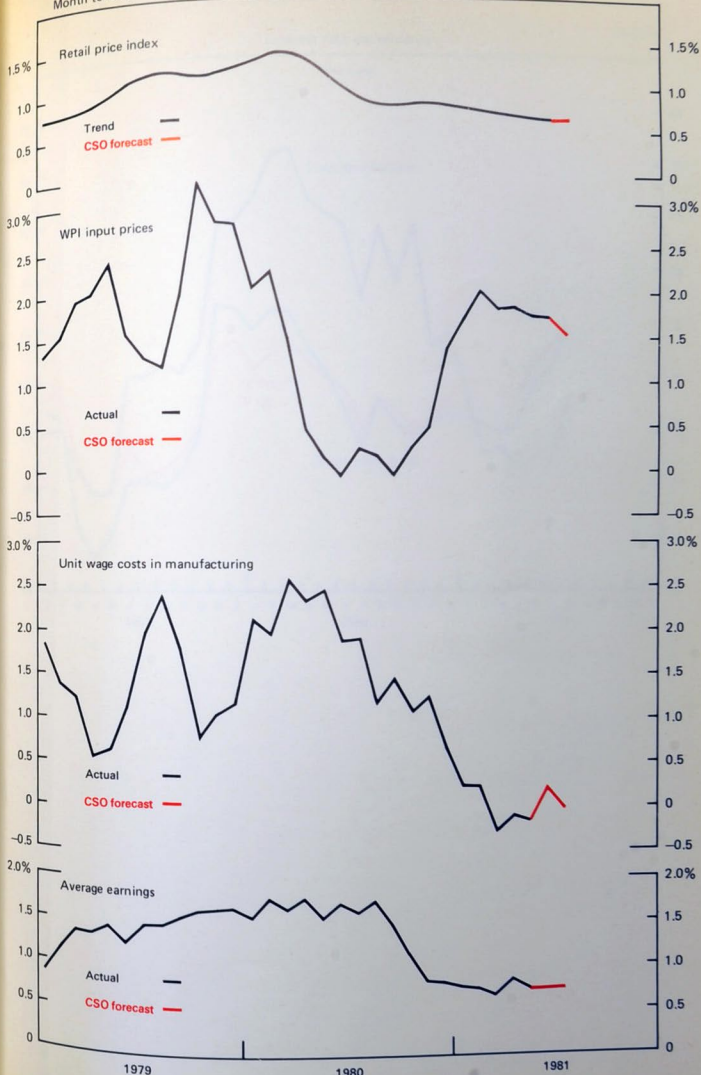
### Unemployed – excluding school leavers

CHART 2



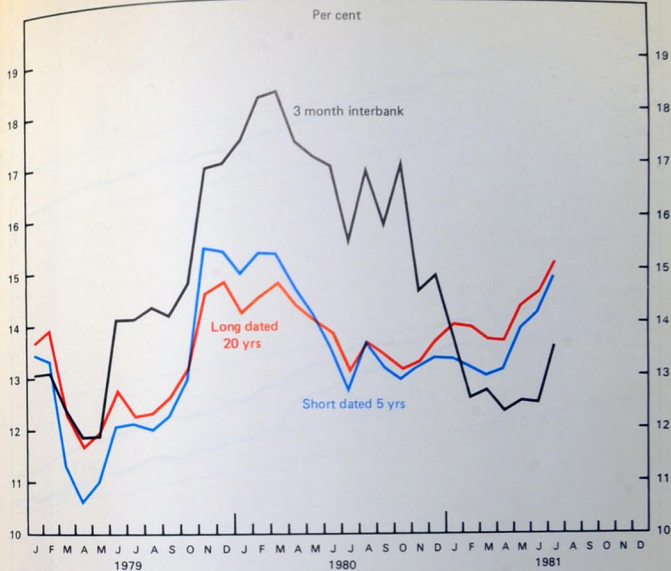
# Rate of increase in average earnings, unit wage costs in manufacturing, WPI input prices and retail prices (excl. seasonal food)

Month to month percentage changes, smoothed and adjusted for distorting factors where appropriate



Interest rate movements

CHART 4



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

