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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 L GREGSON
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Cabinet Office
27 November 1981

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Prepared by the CSO on 27 November 1981

Evidence is building up of a slight upturn in the volume of economic activity. In the third quarter industrial output increased, the rate of destocking fell considerably and by now GDP is probably edging upwards. The cyclical indicators provide increasingly strong evidence of an upturn starting from the second quarter.

The rate of increase of total money GDP (at about 10 per cent per annum) over this year is about the same as last year but the increase of total spending has been higher. This is because imports were especially low at the beginning of the year but have increased with total demand.

The latest UK trade figures provide further evidence that import volume is now considerably higher than the unusually low levels earlier in the year. The trade balance is believed to have been in surplus in October, though by not more than about £0.1 bn.

Rents, rates and some Nationalised Industry prices have risen at least twice as fast as other retail prices; the underlying rate of increase in the whole index rose above 1 per cent a month in October and is likely to rise still further in November when the increased mortgage interest rates come into effect.

In manufacturing industry labour productivity continues to increase reflecting both further falls in employment and now a marked improvement in output; the underlying rate of increase in average earnings has fallen slightly to just under 1 per cent a month; unit wage costs continue to rise slowly after being broadly flat over the first half of the year.

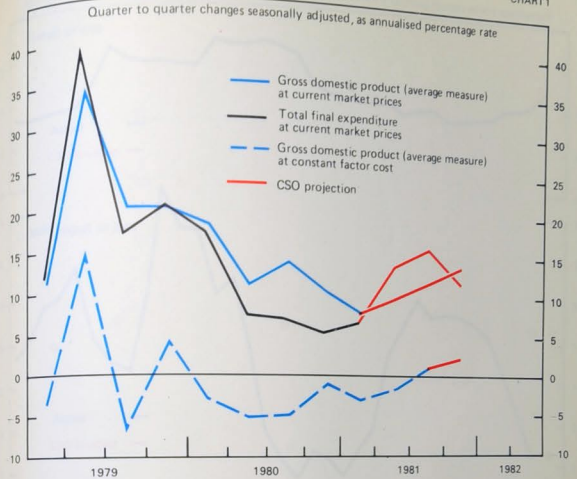
Although still distorted by the Civil Service dispute, movements in sterling M3 suggest that the underlying rate of increase since February remains around the top end of the target range. The sterling effective exchange rate recovered somewhat during November. Interest rates

fell during the first part of November but then steadied after intervention by the Bank of England.

Unemployment continues to rise but at an uncertain rate; other labour market indicators, including vacancies, are moderately encouraging. (This month Chart 2 shows changes instead of levels).

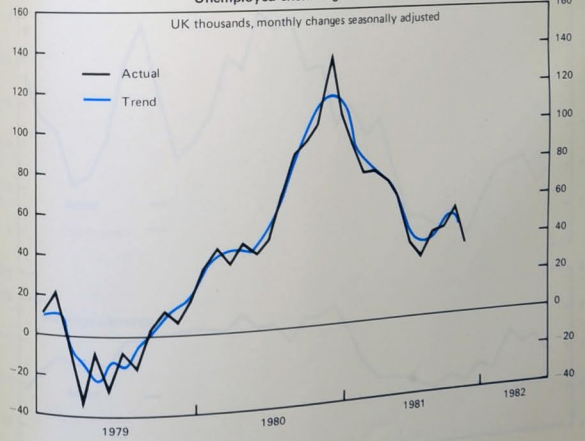
Output and expenditure

CHART 1



Unemployed excluding school leavers

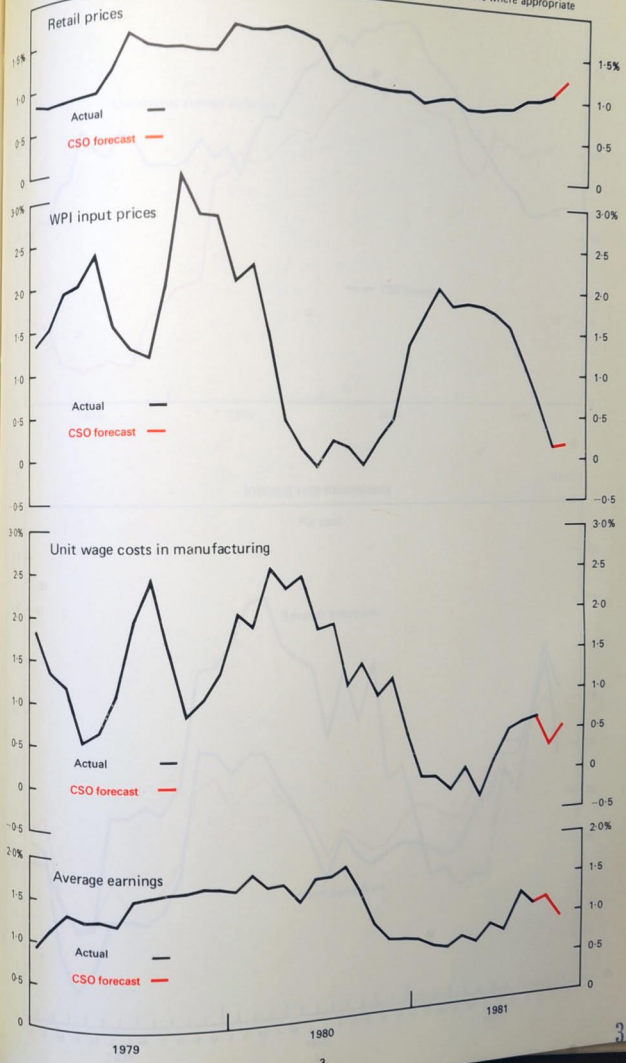
CHART 2



Rate of increase in average earnings, unit wage costs in manufacturing, WPI input prices and retail prices

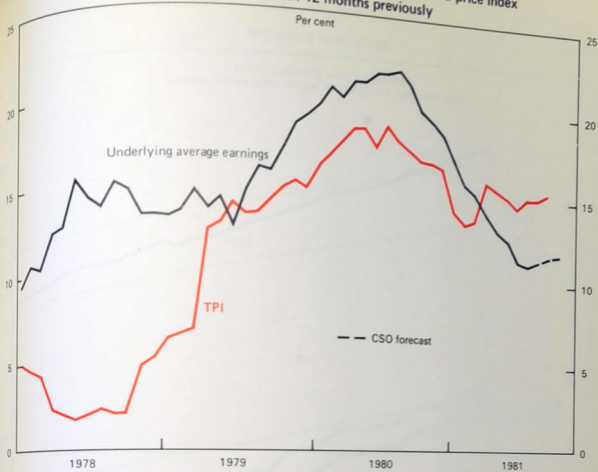
CHART 3

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



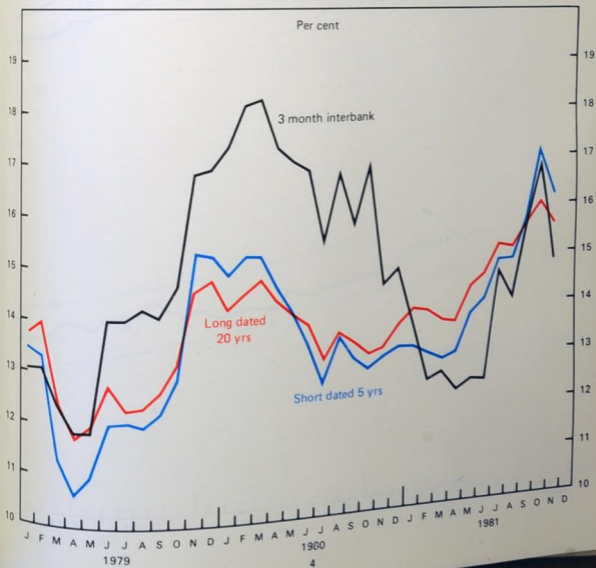
Movements in underlying average earnings and the tax and price index comparisons with 12 months previously

CHART 4



Interest rate movements

CHART 5



Monetary aggregates

CHART 6

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

