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31 December 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 L GREGSON  
D J L MOORE

Cabinet Office

31 December 1981

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## MONTHLY ECONOMIC BRIEF

COPY NO 66

Prepared by the CSO on 30 December 1981

Evidence is accumulating to confirm that an upturn in the volume of economic activity has begun. The marked increase in industrial production since the second quarter reflects a sharp reduction in the rate of destocking. Total GDP now appears to be edging upwards. The cyclical indicators provide increasingly strong evidence that the upturn began in the second quarter.

The increase of total money GDP during 1981 has been about 12 per cent, 1 per cent higher than during 1980. The rise in total domestic costs, has decelerated from about 15 per cent a year in 1980 to about 11 per cent in 1981.

The provisional trade figures suggest that import volume is now about 25 per cent higher than the unusually low levels earlier in the year and also that the previous downward trend in export volume has reversed; the trade balance has deteriorated.

The underlying rate of increase in retail prices rose in November to just under 1½ per cent a month as higher mortgage interest rates came into effect. Wholesale input prices fell in November, mainly because of the appreciation of sterling against the dollar, and have now been relatively stable since August.

In manufacturing industry labour productivity continues to increase rapidly reflecting both further falls in employment and now the marked improvement in output; the underlying rate of increase in average earnings has fallen to between ½ and ¾ per cent a month; unit wage costs have stabilised.

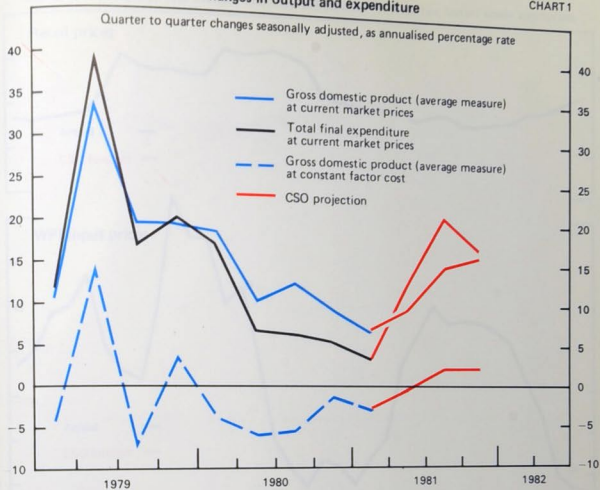
Although still distorted by the Civil Service dispute, movements in sterling M3 suggest that the underlying rate of increase since February is now above the top end of the target range.

Unemployment continues to rise; the rate is uncertain but is clearly less than in the first half of the year. Other labour market indicators, including vacancies, are moderately encouraging.

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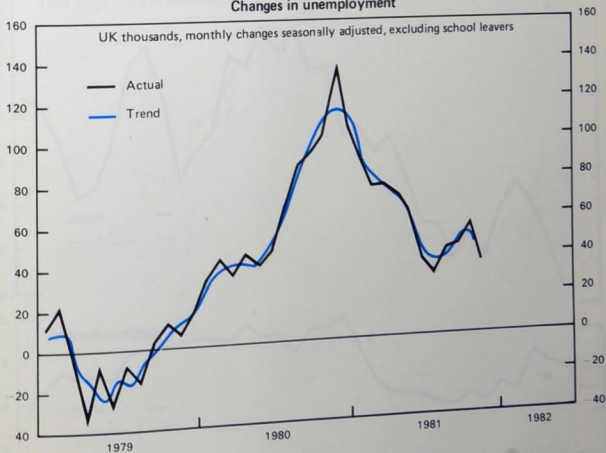
### Changes in output and expenditure

CHART 1



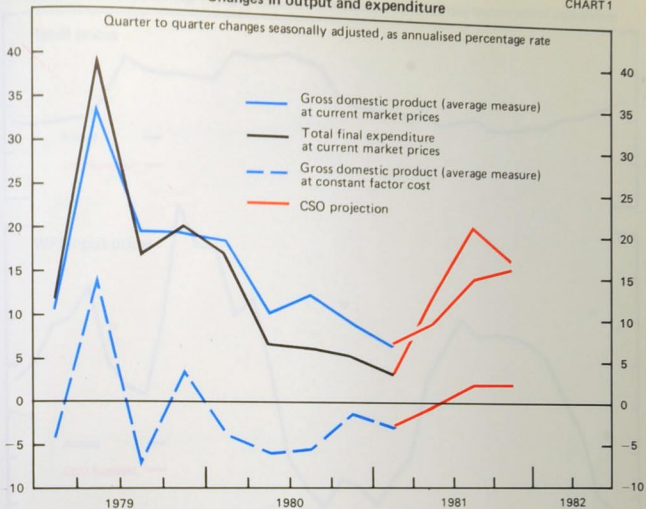
### Changes in unemployment

CHART 2



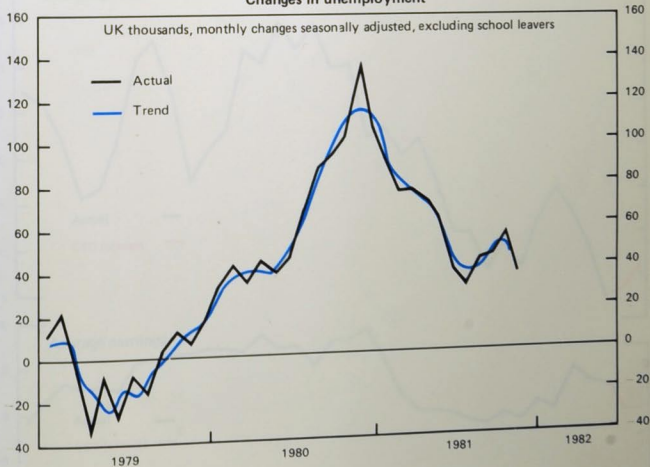
### Changes in output and expenditure

CHART 1



### Changes in unemployment

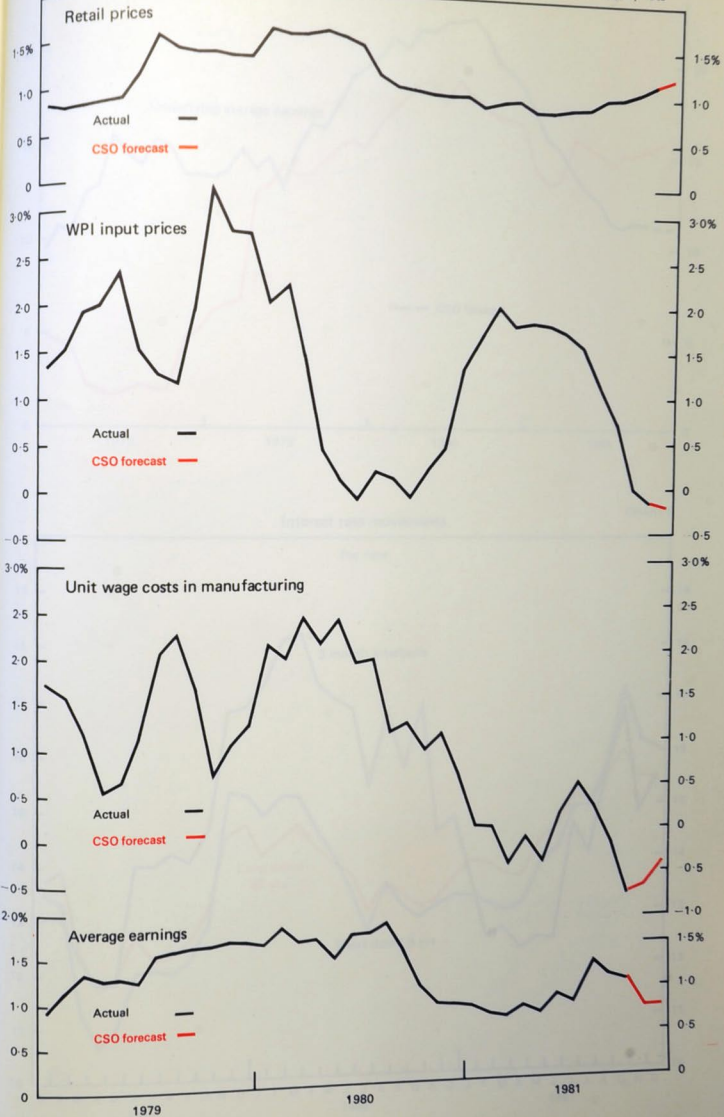
CHART 2



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

CHART 3

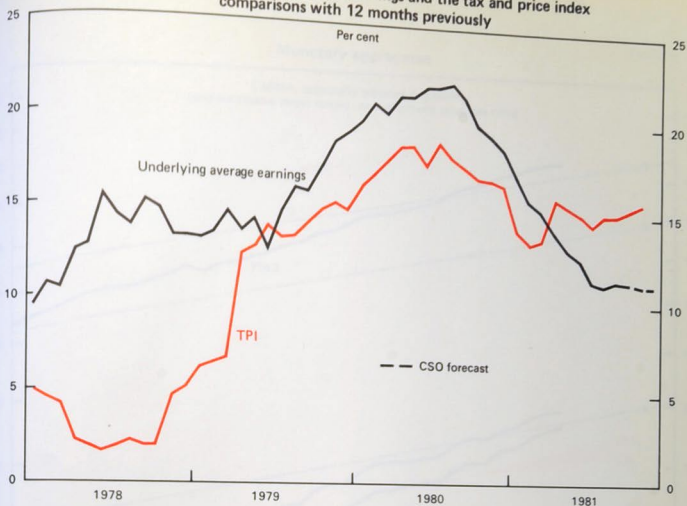
Month to month percentage changes, smoothed and adjusted for distorting factors where appropriate



105

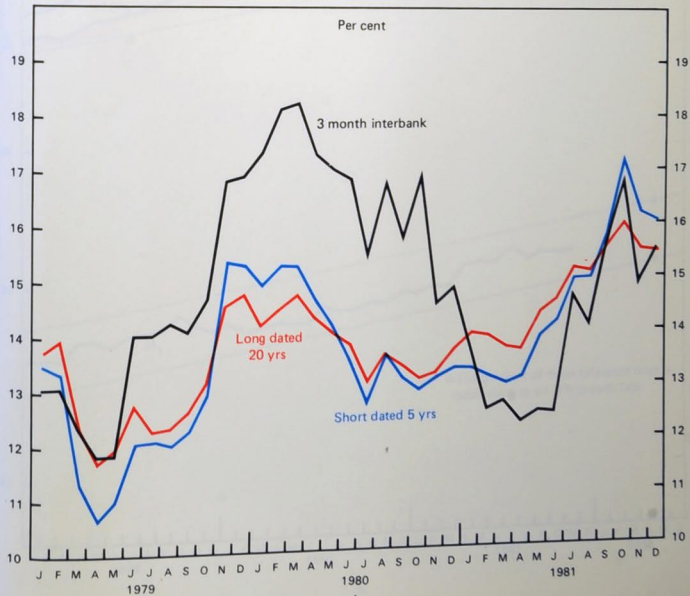
Movements in underlying average earnings and the tax and price index comparisons with 12 months previously

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)

