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28 January 1983

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
M S BUCKLEY

Cabinet Office

28 January 1983

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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 26 January 1983

Despite the poor performance of manufacturing, total GDP probably rose towards the end of last year. Oil and gas extraction and service sector activity increased. Consumer spending continued to rise strongly though much of this appears to have been met by renewed destocking.

Unemployment continues to rise with no sign of deceleration.

The fall in sterling exchange rates continued partly reflecting uncertainties over OPEC and the prospect for oil prices. Interest rates rose further in January and the differential over rates in the USA increased. Nevertheless, all the fundamentals of UK financial conditions are sound:

The PSBR in 1982/83 is likely to be below the £9 billion announced in the Autumn Statement;

Monetary growth rates are within the target range;

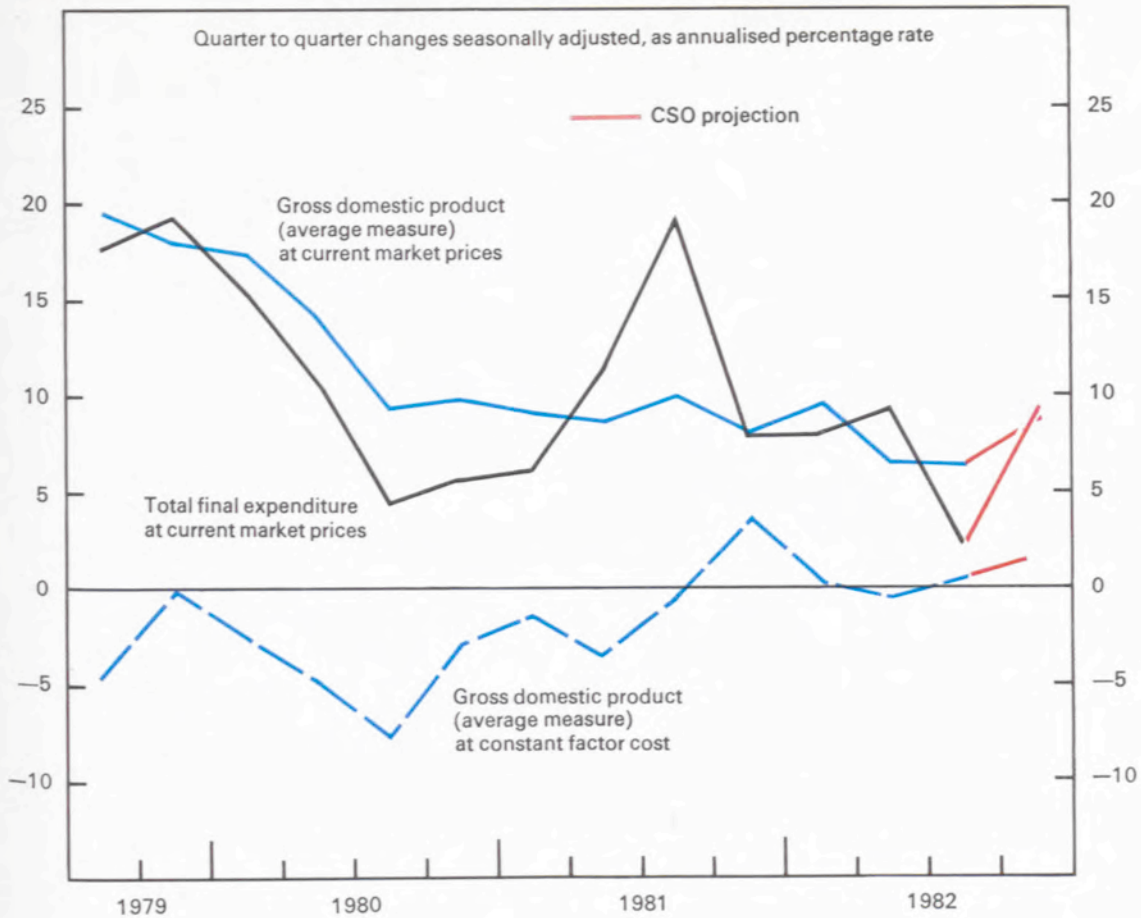
Inflation is steady at about the same rate as in the USA;

The Balance of Payments continues in substantial surplus.

The retail prices index fell in December, reflecting the reduction in mortgage interest rates, and bringing down the twelve month rate of increase to just over 5 per cent. However, the deceleration in unit costs has probably ended for the time being despite further reductions in wage settlements; the downward trend in interest rates has been reversed, productivity has been improving at a slower rate and import prices are already showing the effects of the depreciation of sterling.

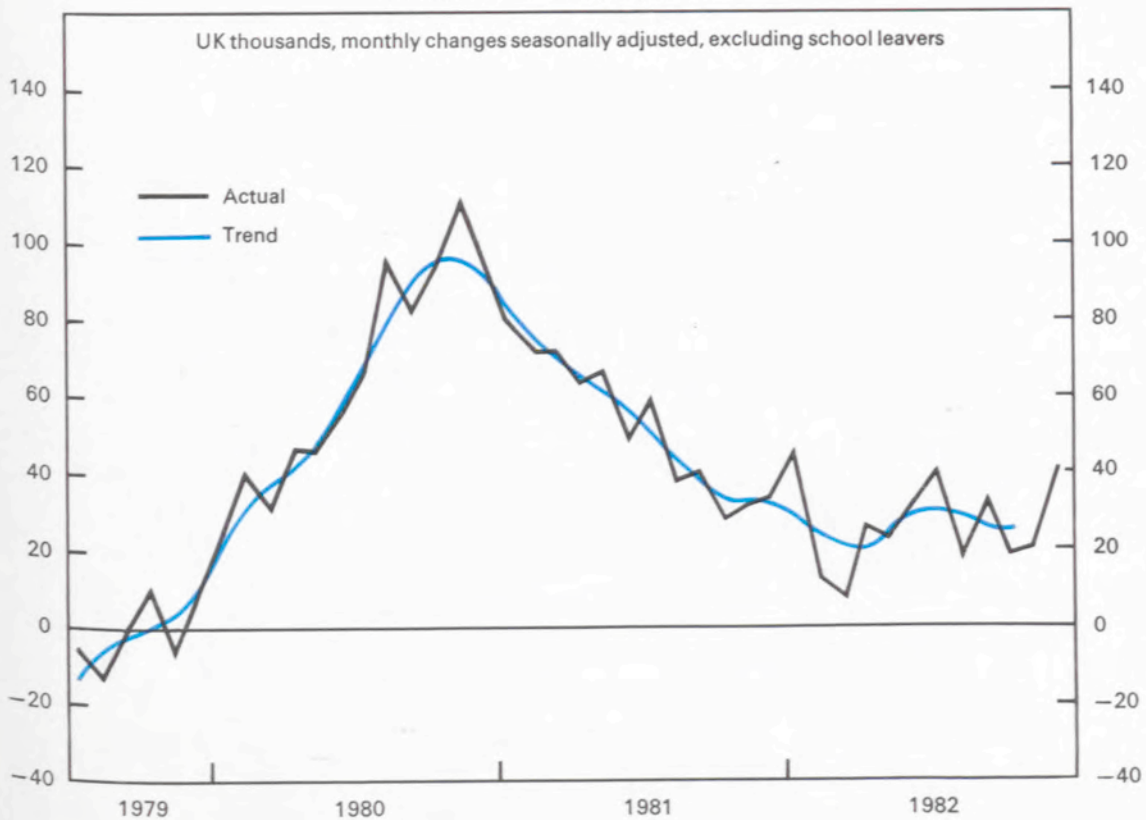
Changes in output and expenditure

CHART 1



Changes in unemployment

CHART 2



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

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

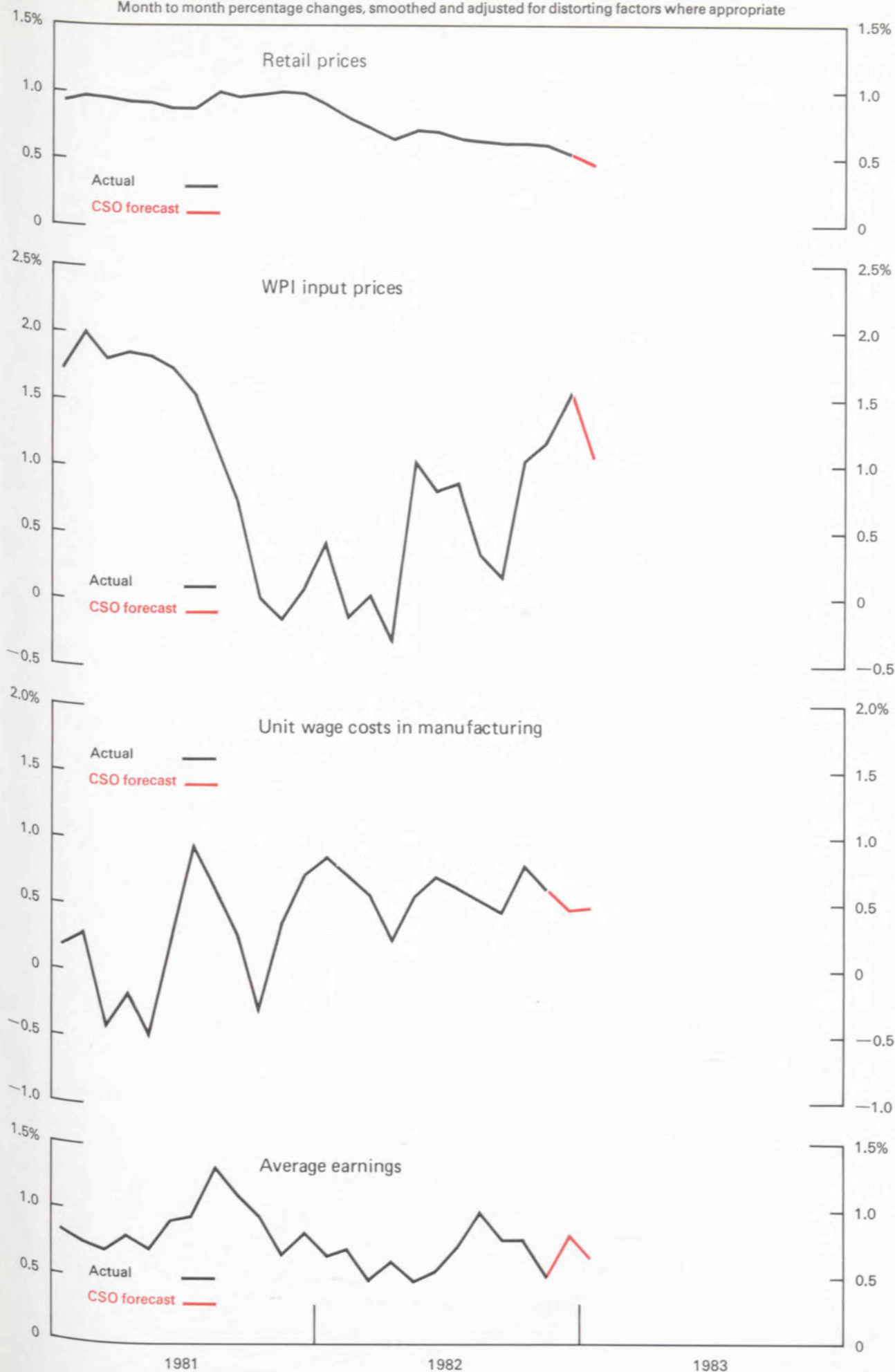


CHART 4

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

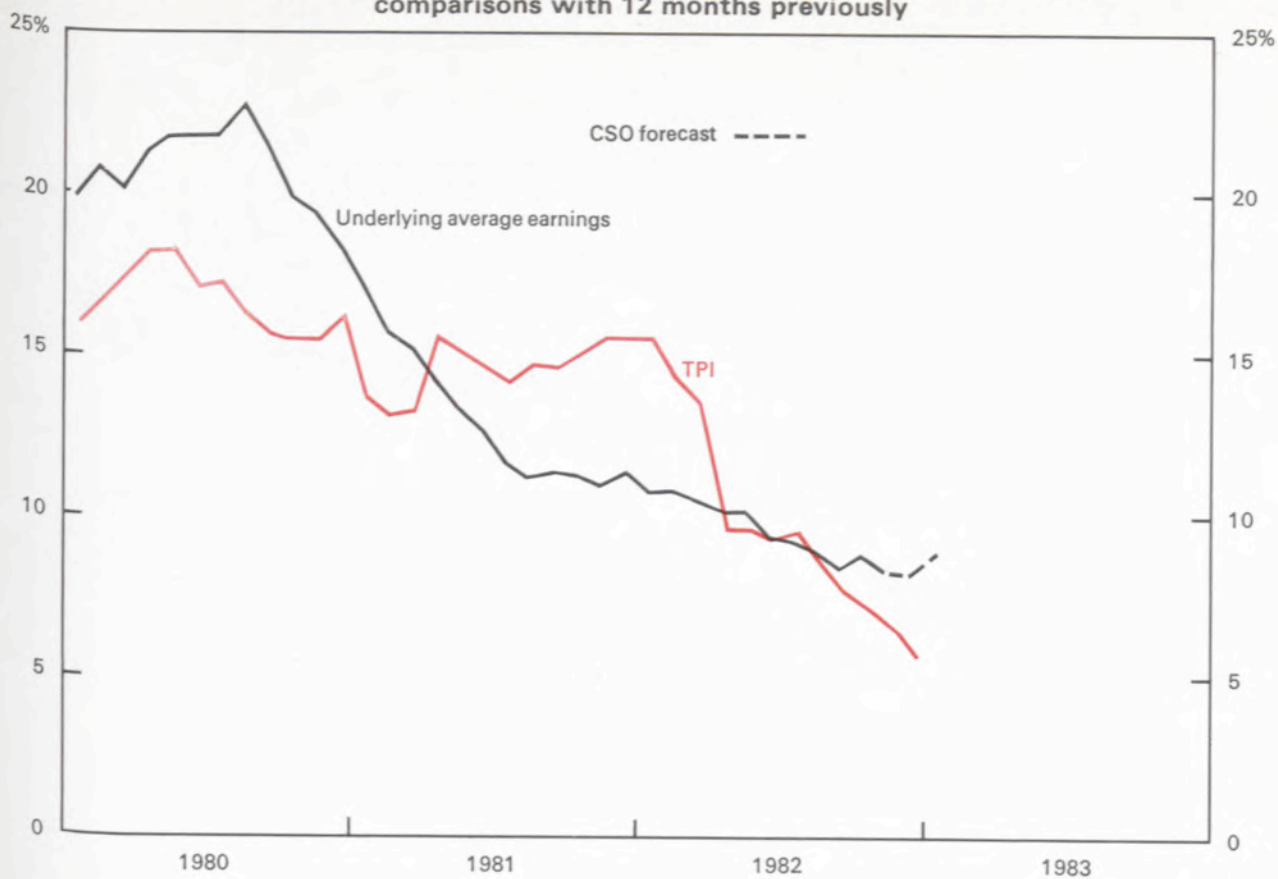
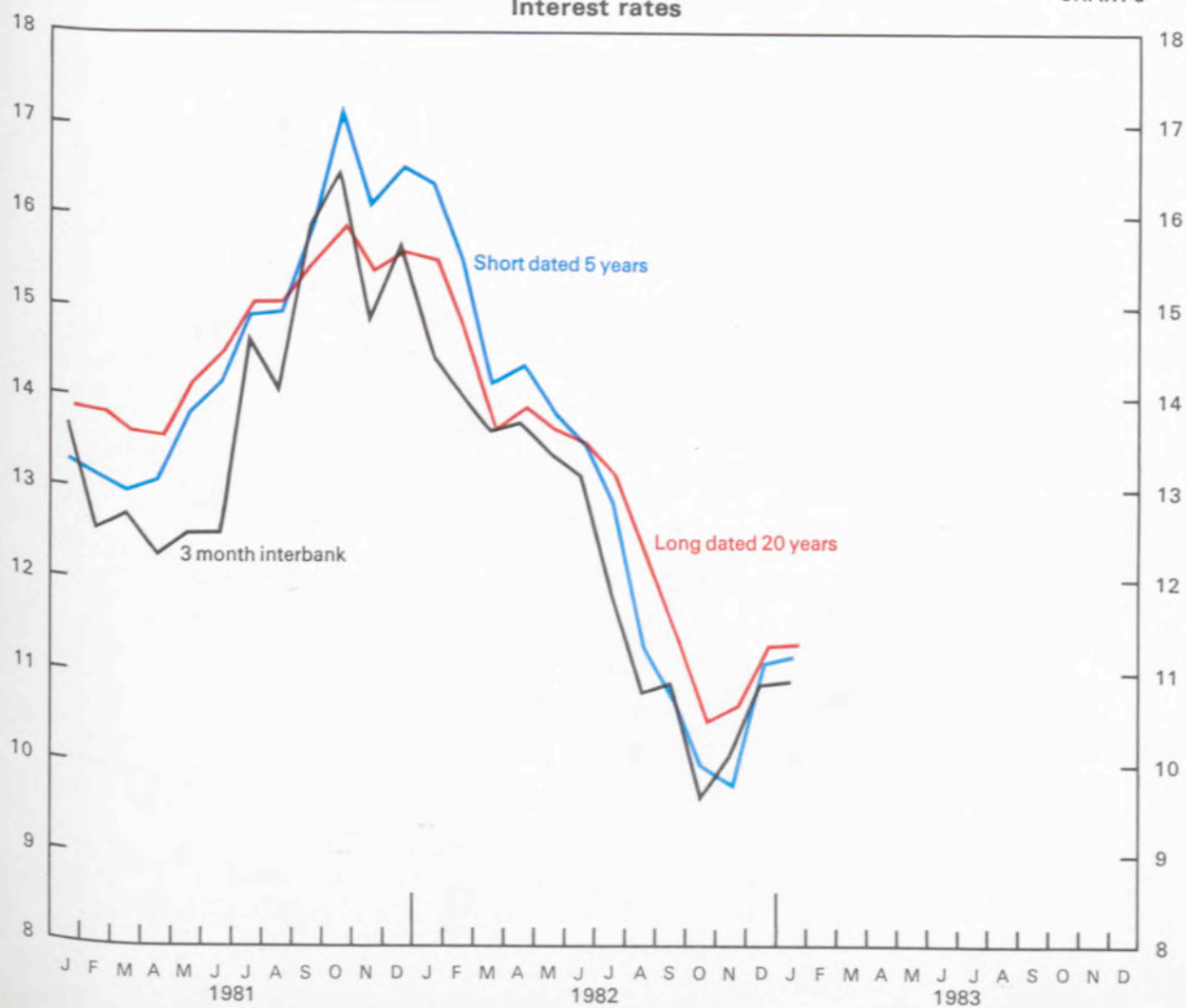


CHART 5

Interest rates



Monetary aggregates

CHART 6

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

