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23 December 1983

CABINET

MINISTERIAL STEERING COMMITTEE ON ECONOMIC STRATEGY

SUB-COMMITTEE ON ECONOMIC AFFAIRS

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

23 December 1983

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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 22 December 1983

Our assessment is that GDP is growing at 2 to 3 per cent a year with no clear indications of any change in the rate of increase. The cyclical indicators confirm that the economy remains in the upswing phase of the cycle but there are some tentative signs that the peak of the cycle may be reached around mid-1984.

Unemployment has levelled out, though the rate of increase of vacancies has slowed in recent months. The decline in the number of employees in manufacturing has eased and, if the improvement in services has continued, overall employment may well now be increasing.

Inflation remains steady at about 5 per cent a year.

First indications for the 1983/84 pay round are that settlements are on average marginally below those of last year.

The underlying level of non-oil export volume has been rising in recent months, having declined during the summer; non-oil import volume continues to rise.

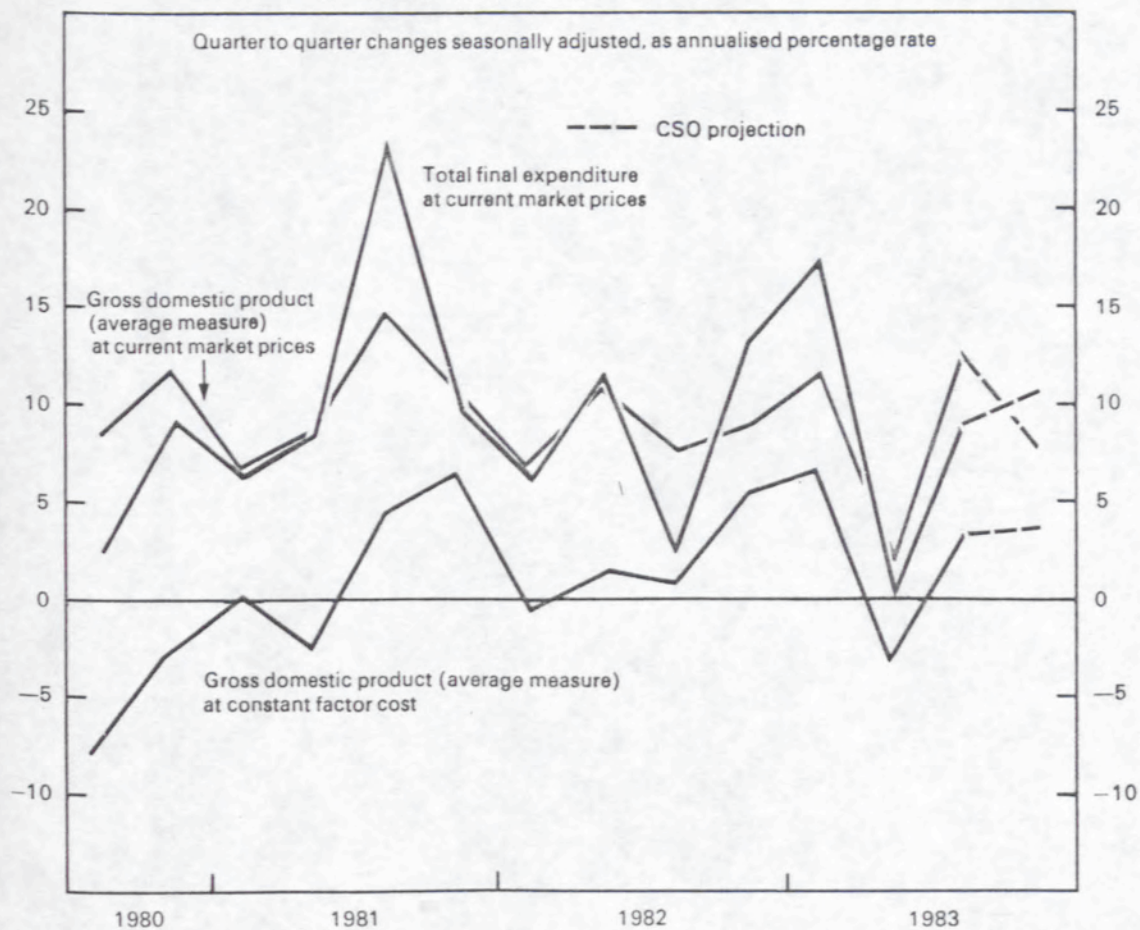
The PSBR was £1.7 bn in November making a total of £8.8 bn for the first eight months of the financial year; the forecast in the Autumn Statement for the year as a whole was £10 bn.

Monetary growth rates have recently been below the high levels seen over the early months of the current target period; £M3 is now within the target range and PSL2 and M1 have moved down towards the top of the range.

The dollar has risen sharply against all currencies this month, reaching an all-time high against sterling. Sterling was more stable against European currencies, however. Domestic period interest rates showed a slightly firmer tone.

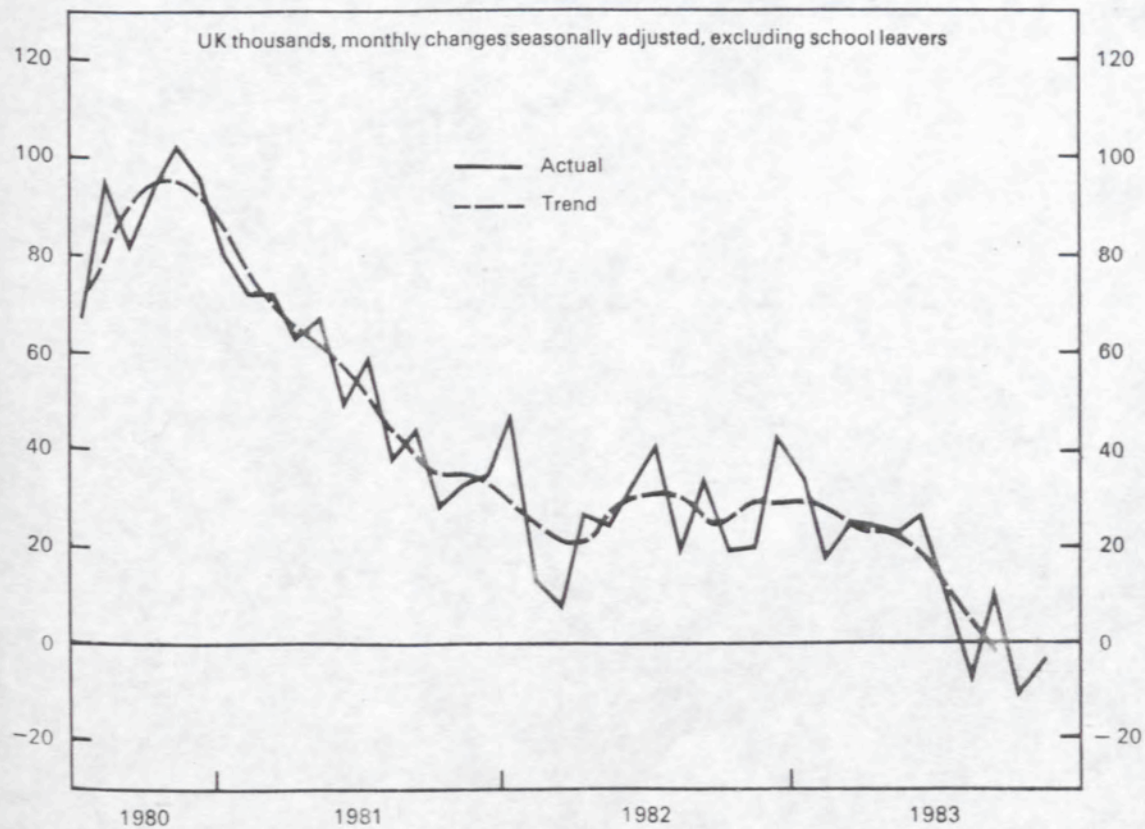
Changes in output and expenditure

CHART 1



Changes in unemployment

CHART 2



Rate of increase in average earnings, unit wage cost in manufacturing, PPI input prices and retail prices

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

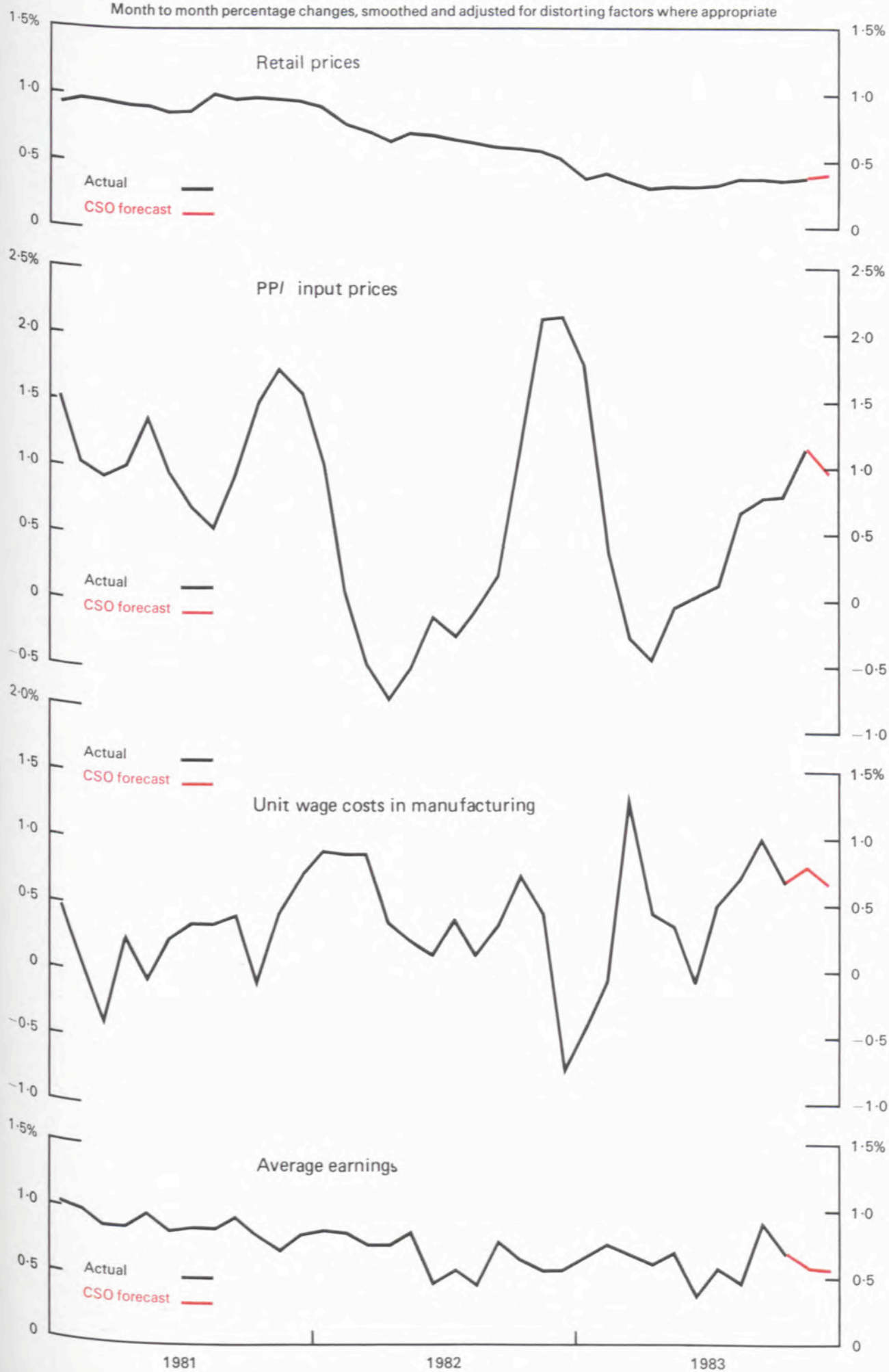


CHART 4

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

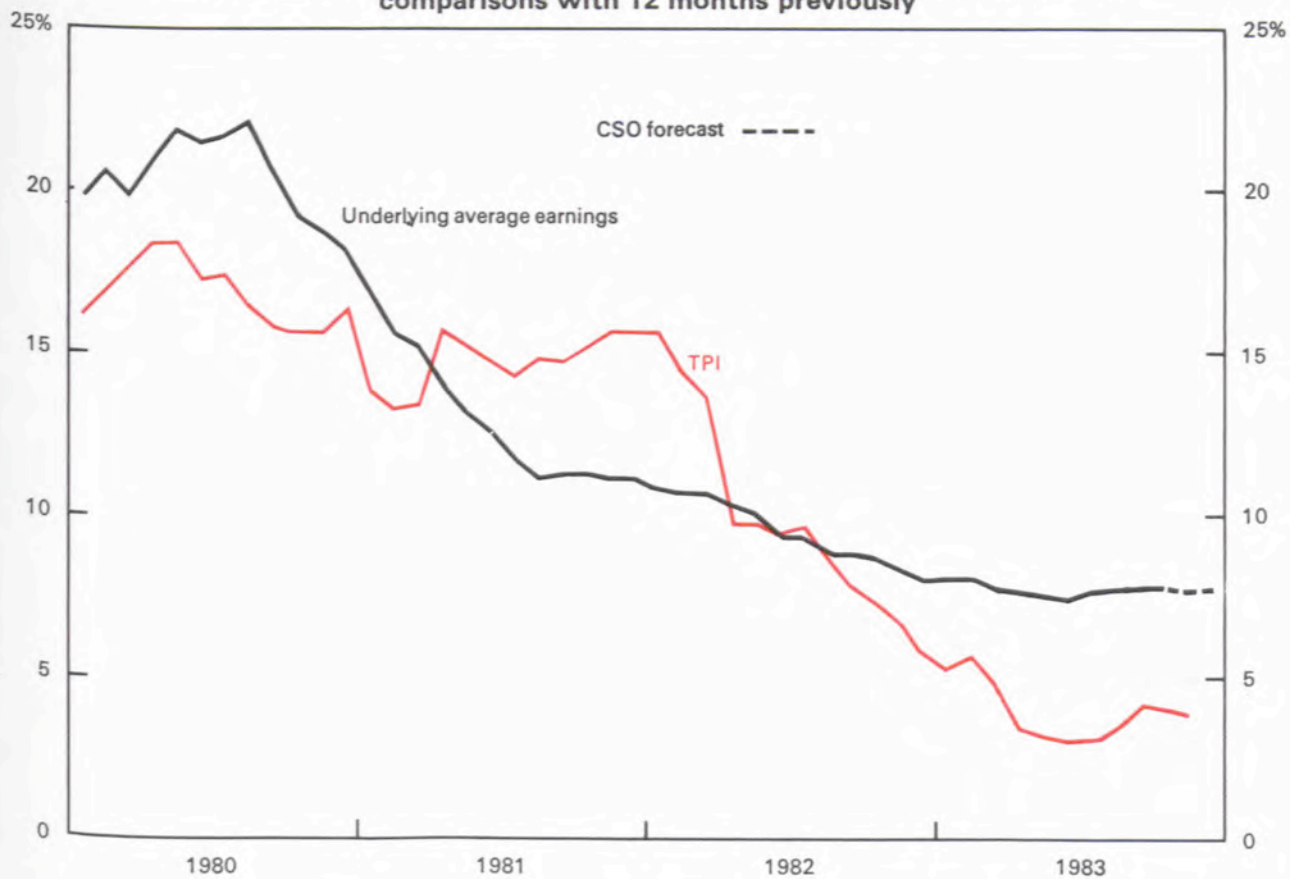


CHART 5

Interest rates

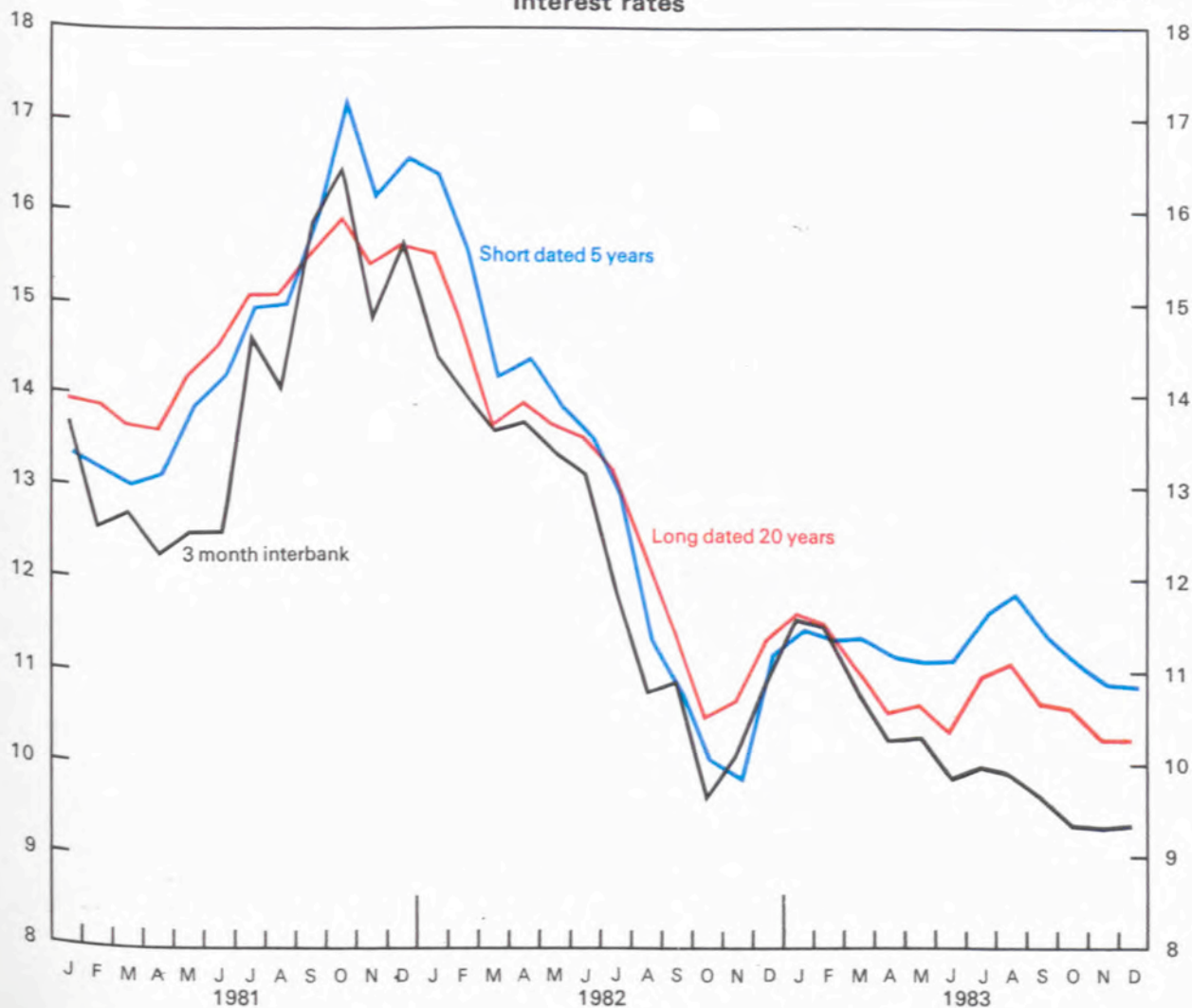


CHART 6

Target monetary aggregates

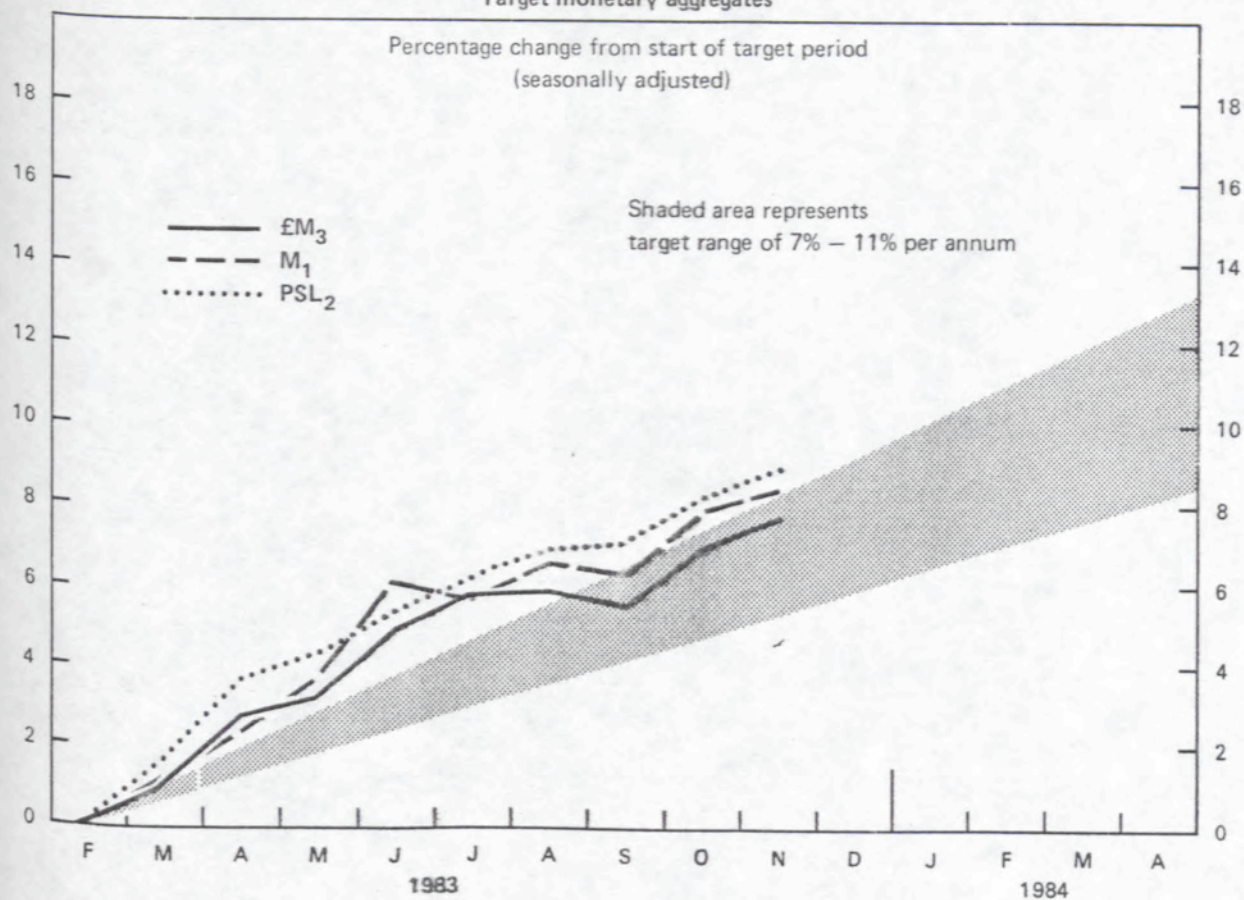
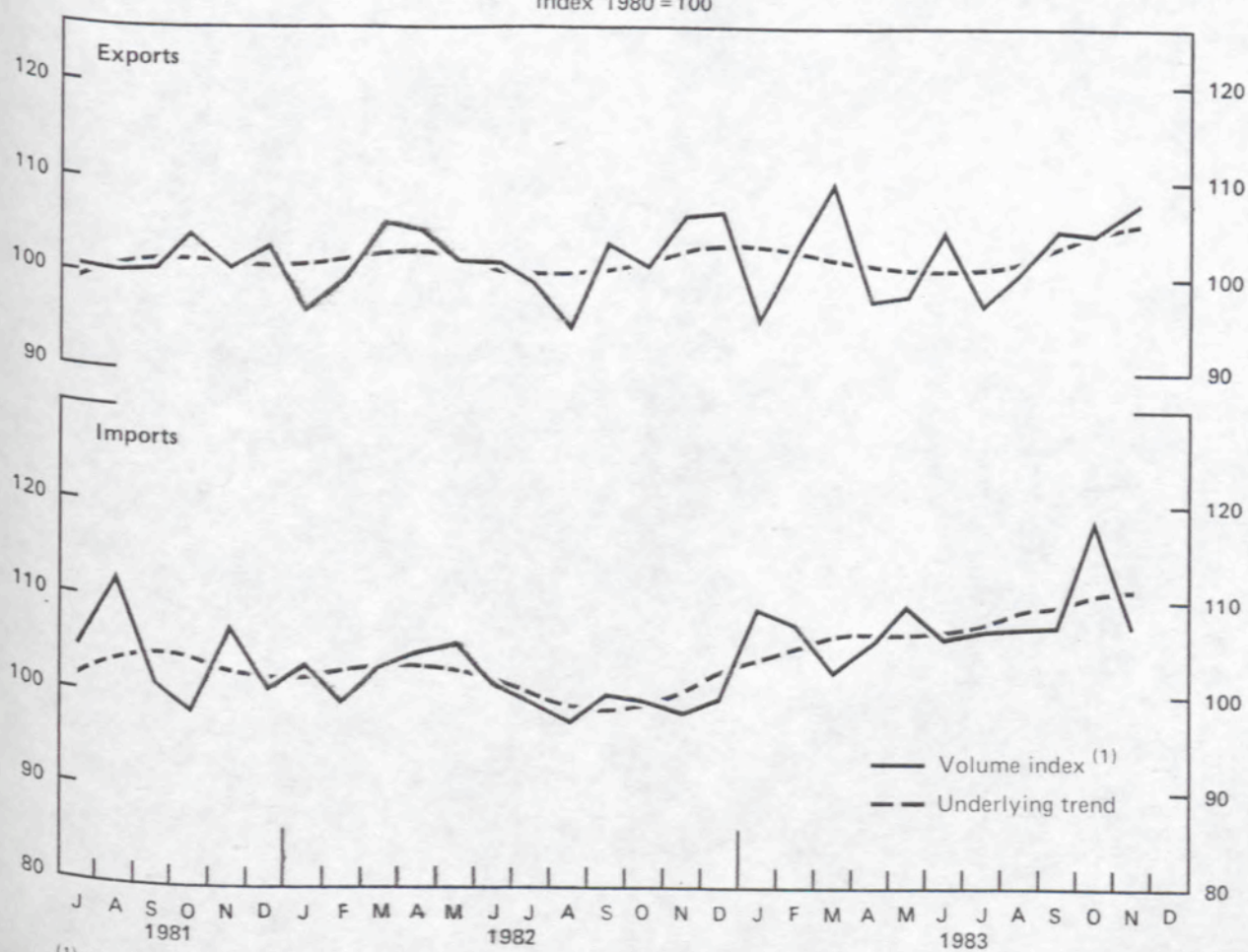


CHART 7

Exports and Imports

Index 1980 = 100



(1) Seasonally adjusted data, Balance of Payments basis