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4 June 1980

Prepared by CSO on 30 May 1980

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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 Le CHEMINANT  
D J L MOORE

Cabinet Office

4 June 1980

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Prepared by CSO on 30 May 1980

FINANCE

Growth in £M3 (and in other monetary aggregates) has continued to slow. In the last three months its annual rate of growth was 5 per cent. Bank advances to the private sector, however, were at a record level in April, partly reflecting the deteriorating liquidity position in industrial and commercial companies. Domestic Credit Expansion continues to be high.

Interest rates have eased a little further but remain high and intensify the cash squeeze on industry; they should be set beside a current annual inflation rate of 20 per cent and uncertainty about future inflation. Interest rates in the United States (and some other countries) have fallen much more.

The Bank has again rolled forward its special measures to ease short term pressure on interest rates rising from liquidity shortages.

EARNINGS AND PRICES

Retail prices continue to rise at about 1½ per cent a month, about the same as the trend increase in average earnings. There is a hint of good news for inflation in wholesale input prices; quotations for some non-oil imports have actually been falling recently, mainly due to the appreciation of sterling. Price rises for fuels, however, outweigh these effects.

BALANCE OF PAYMENTS

The underlying deficit on visibles has eased to about £0.1 billion per month; the current balance of payments about the same.

ACTIVITY AND UNEMPLOYMENT

Although output is expected to rise between the first and second quarters, reflecting recovery from the effects of the steel strike, its current underlying path is now downwards.

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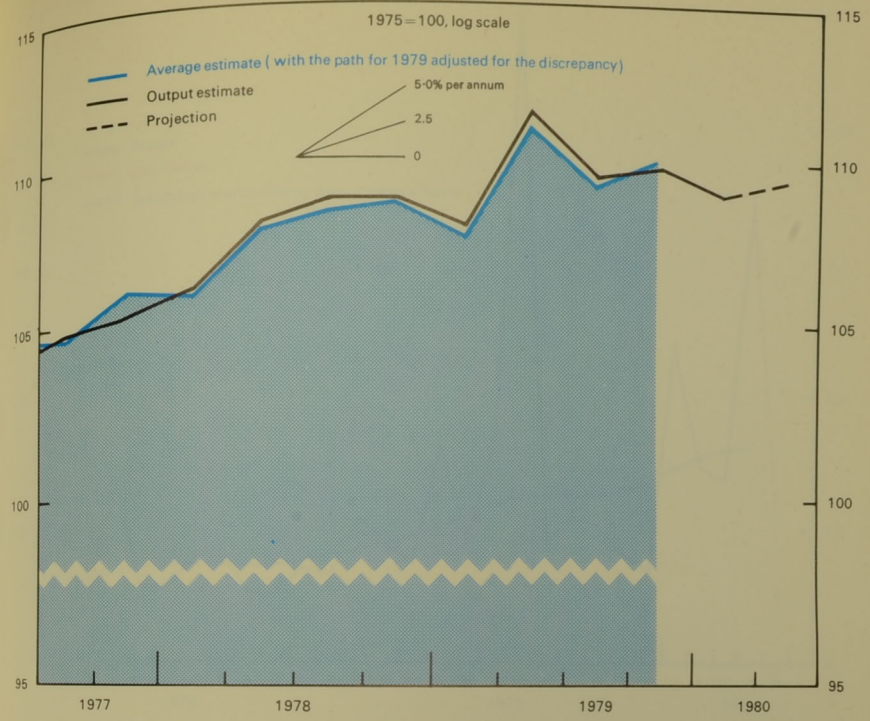
Consumers' expenditure, which increased in the first quarter, is expected to fall back in the second quarter. There was a substantial reduction of stocks in the first quarter partly due to the steel dispute; further destocking, less than in the first, is expected in second quarter.

The strong upward trend in unemployment continued, but did not accelerate, in May. Vacancies fell again.

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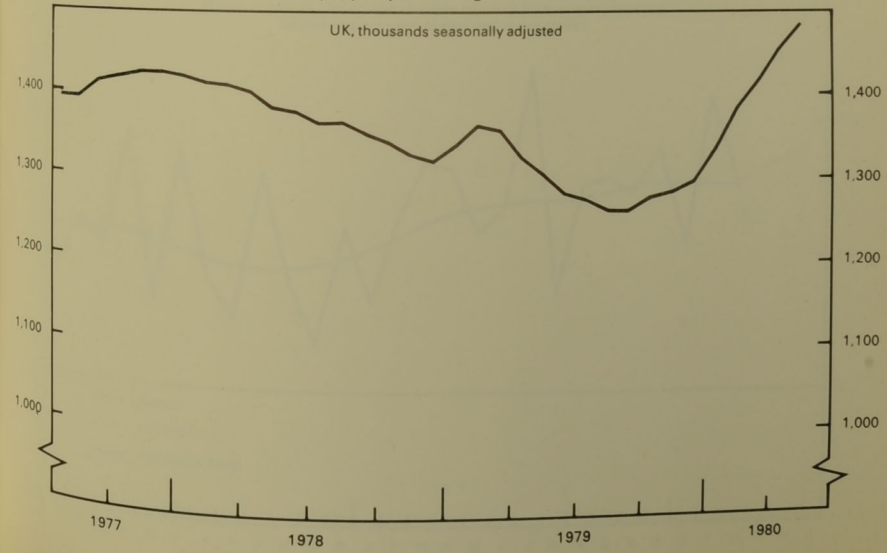
Gross domestic product

CHART 1



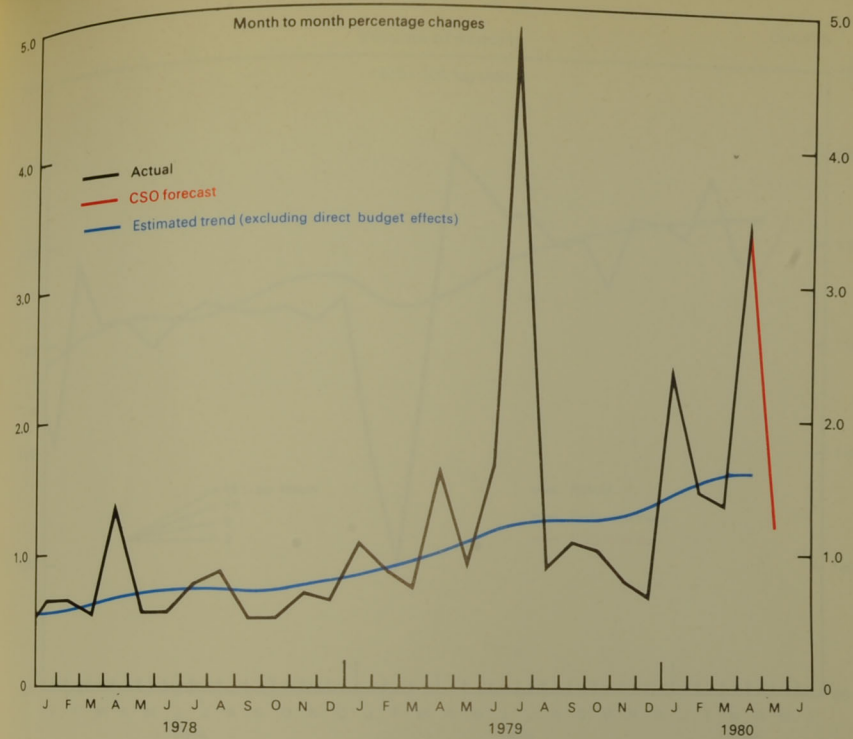
Unemployed (excluding school leavers)

CHART 2



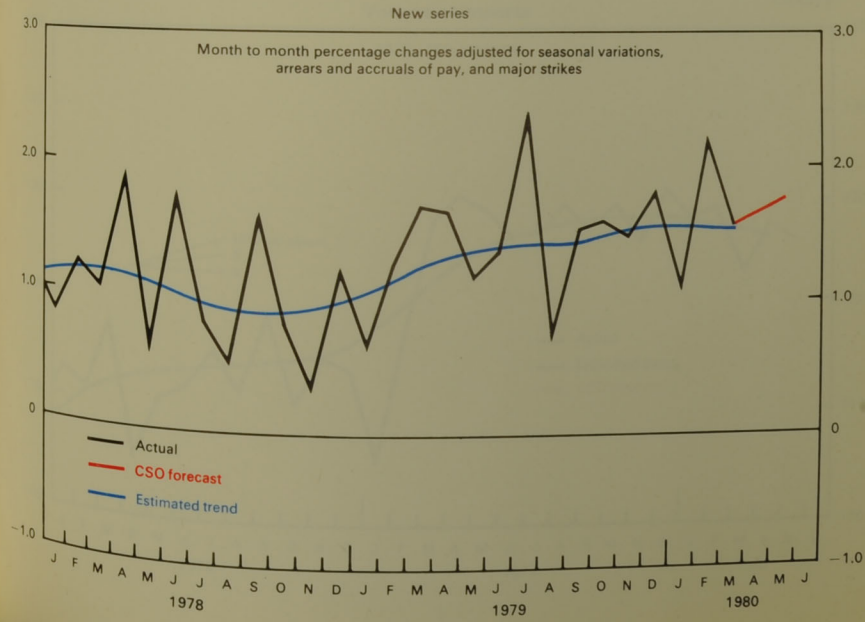
**Retail prices**  
All items other than seasonal food

CHART 3



**Average earnings,**  
New series

CHART 4



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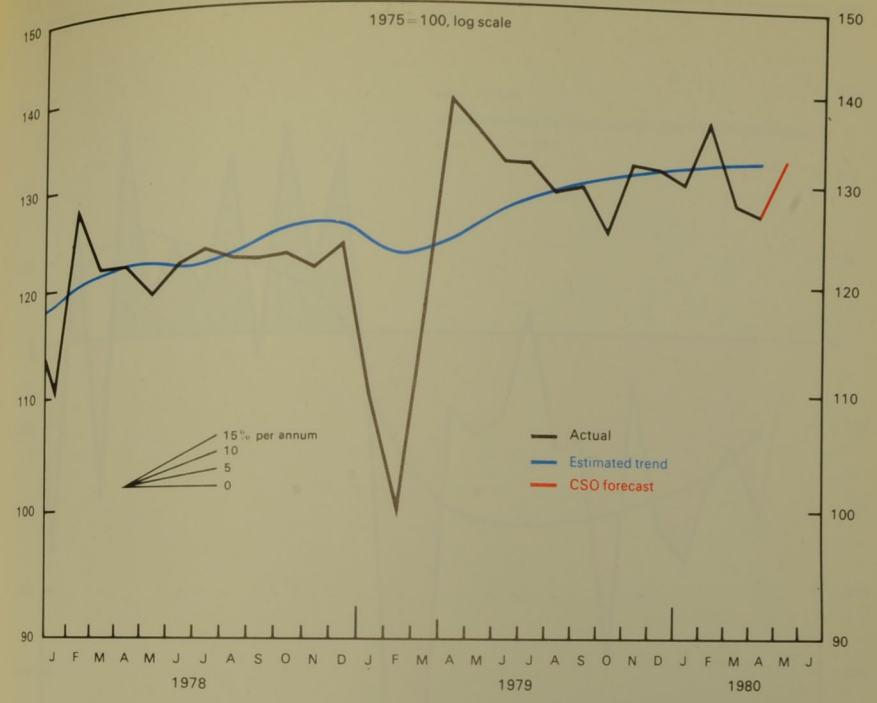
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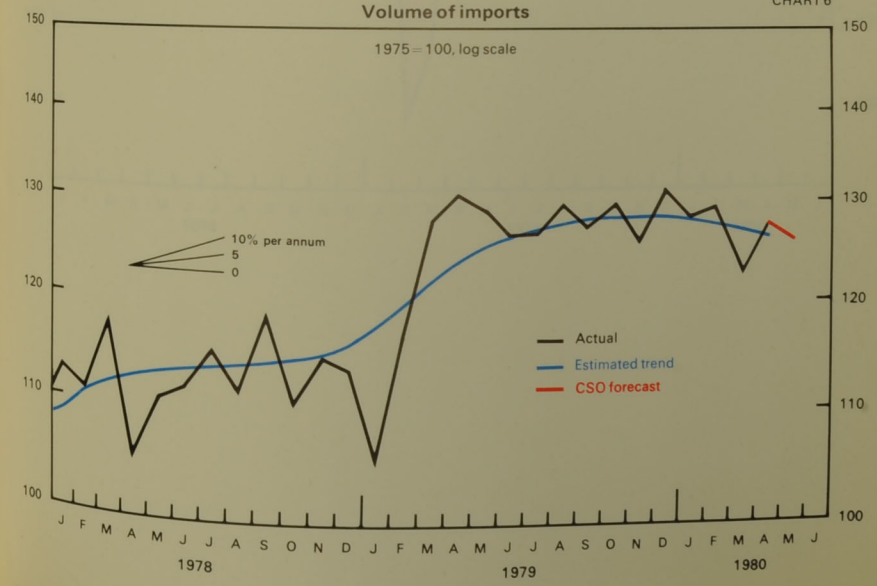
Volume of exports

CHART 5



Volume of imports

CHART 6



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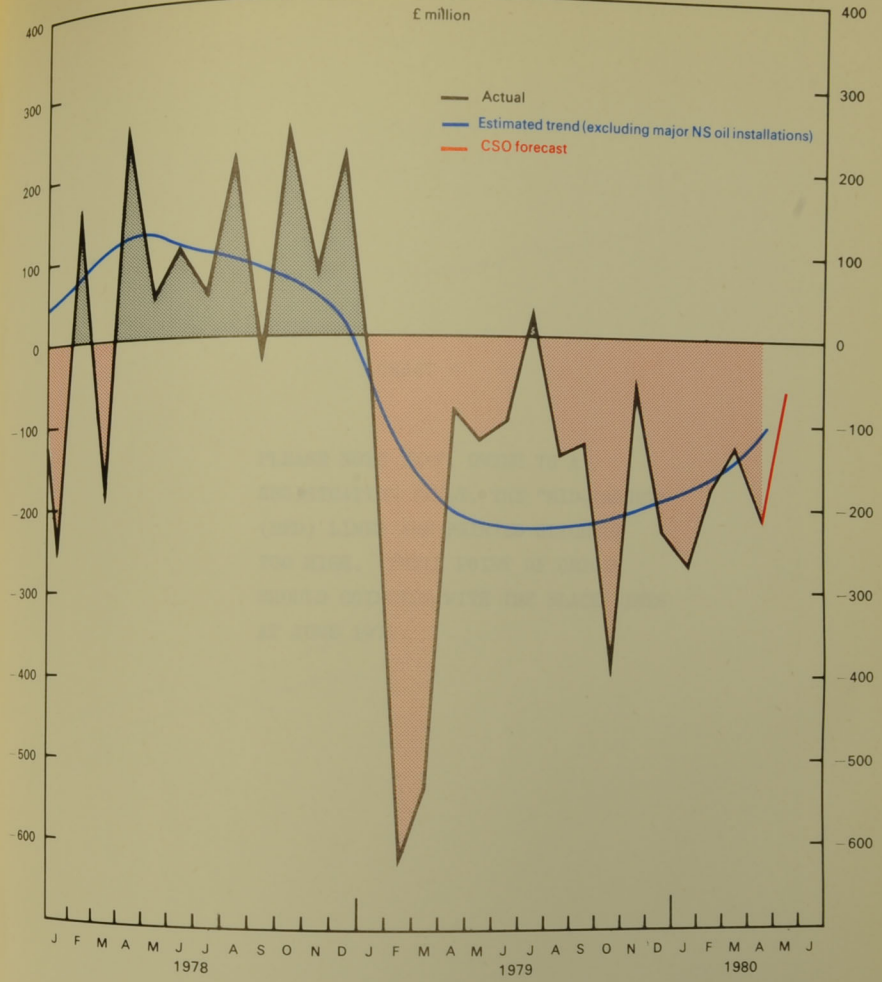
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Current balance

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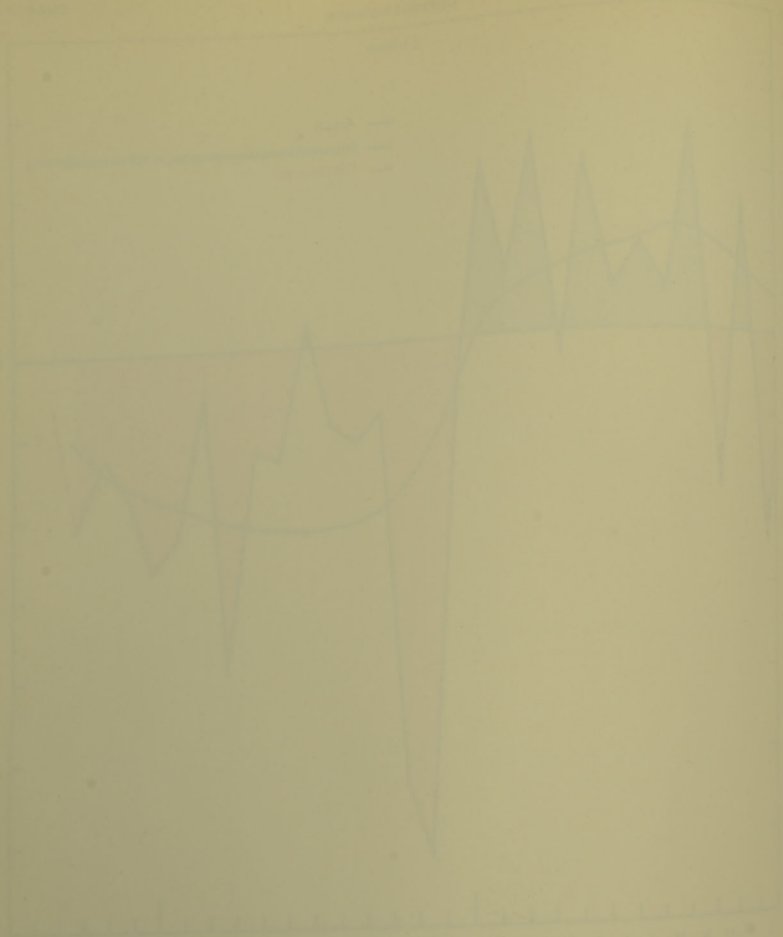
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Monetary aggregates  
 (1980 = 100) (annual % change)

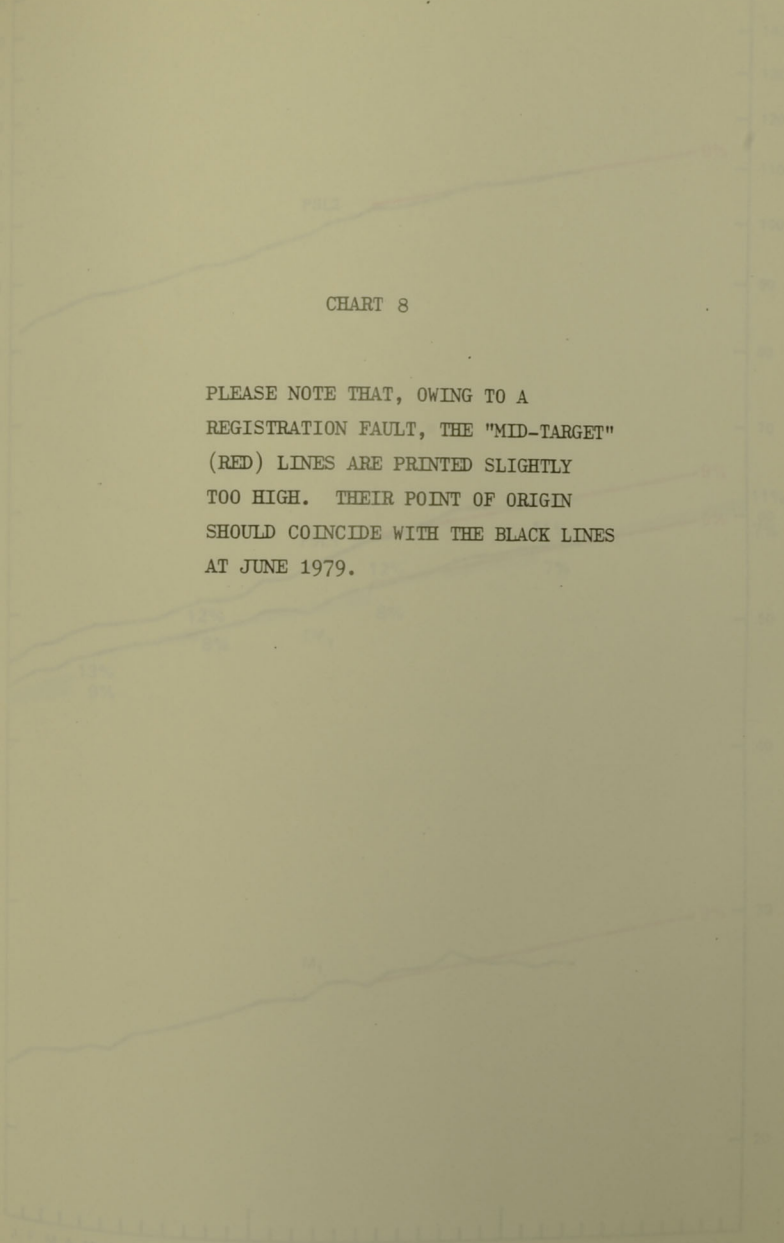


CHART 8

PLEASE NOTE THAT, OWING TO A  
 REGISTRATION FAULT, THE "MID-TARGET"  
 (RED) LINES ARE PRINTED SLIGHTLY  
 TOO HIGH. THEIR POINT OF ORIGIN  
 SHOULD COINCIDE WITH THE BLACK LINES  
 AT JUNE 1979.

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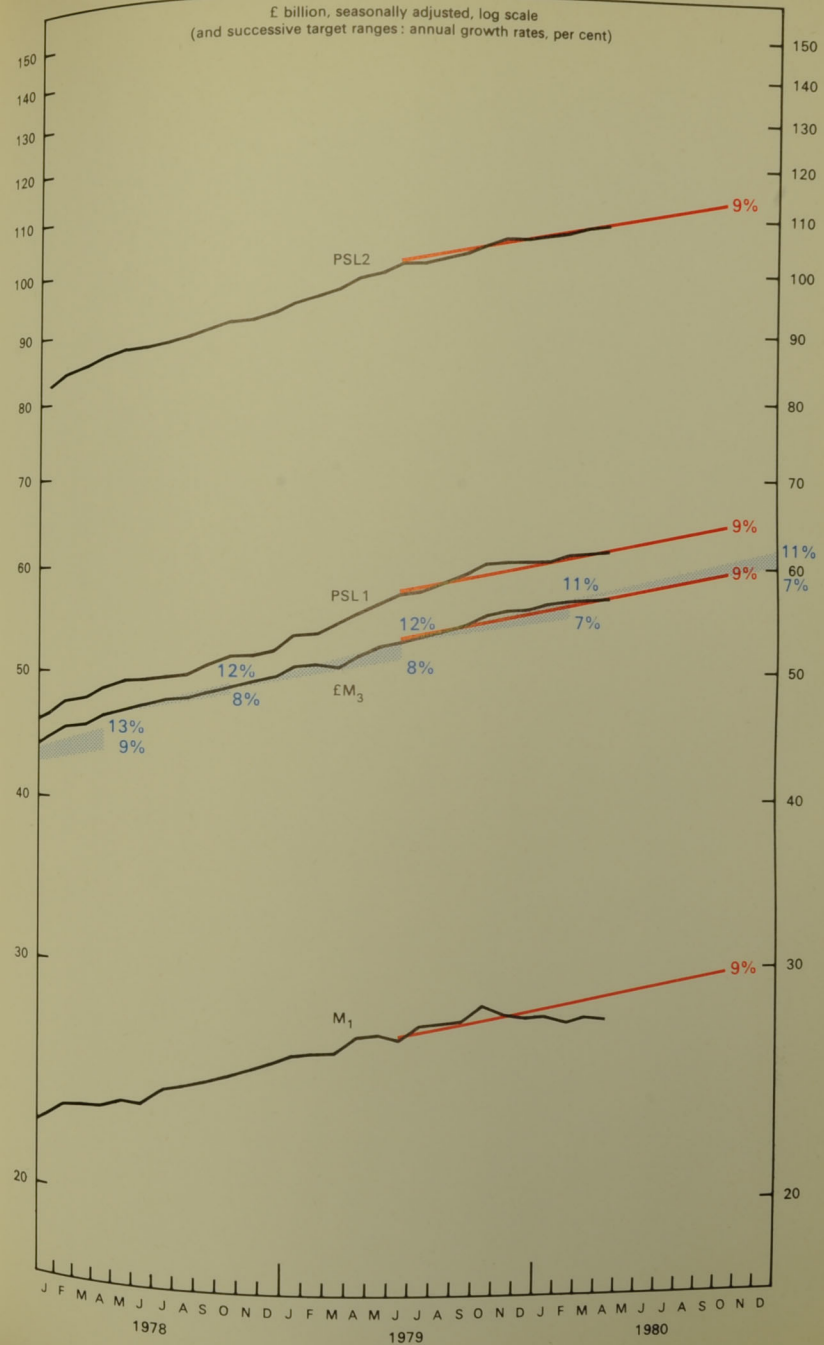
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Monetary aggregates

CHART 8

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



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