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30 October 1979

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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
P MOUNTFIELD

Cabinet Office
30 October 1979

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A23/1

Prepared by the CSO on 25 October 1979

ACTIVITY AND UNEMPLOYMENT

The trend in output remains flat. However the losses resulting from the engineering dispute led to a fall in activity in the third quarter.

The October figures confirm that the downward trend in unemployment has ended. Notified vacancies fell for the fourth successive month.

HOME DEMAND

Consumers' expenditure in the third quarter, no longer boosted by any budget effects, fell back to its first quarter level. Fixed investment may have fallen back slightly but general government final consumption probably showed little change.

BALANCE OF PAYMENTS

The underlying state of the visible balance is now a small deficit - say £100m. a month. The large worsening in competitiveness over the past year is a threat for future trade figures. The days when we can count on a large surplus on invisibles have gone.

EARNINGS AND PRICES

Short term distortions set on one side, average earnings increased by a little over 15 per cent in the 1978-9 round. The effect of the engineering dispute will be to hold down the growth in the index in the third quarter but this masks an underlying increase which may be something like $1\frac{1}{2}$ per cent a month at present.

Retail prices are still rising at over one per cent a month.

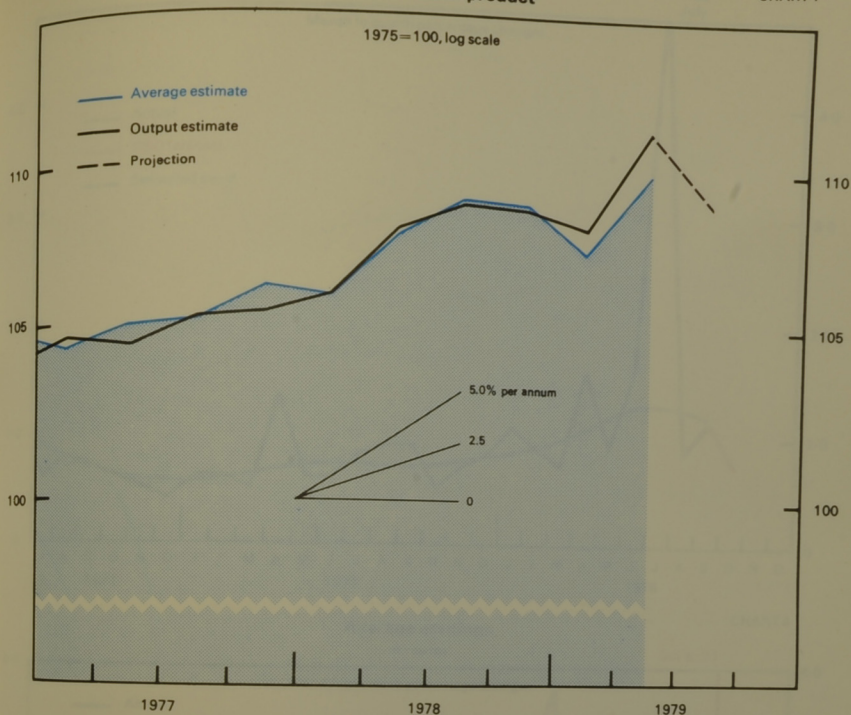
FINANCE

The PSBR, swollen by special factors, is tentatively estimated at £6¼ billion, in the first half of 1979/80, against a full year Budget forecast of £8¼ billion. Interest rates have not yet fallen from the levels attained at Budget time. Sterling M3 grew at an annual rate of 10¼ per cent in the three months to mid-September; other measures of liquidity of the economy grew at a faster rate.

The sterling effective exchange rate remained broadly unchanged in October until the ending of exchange control when it eased somewhat,

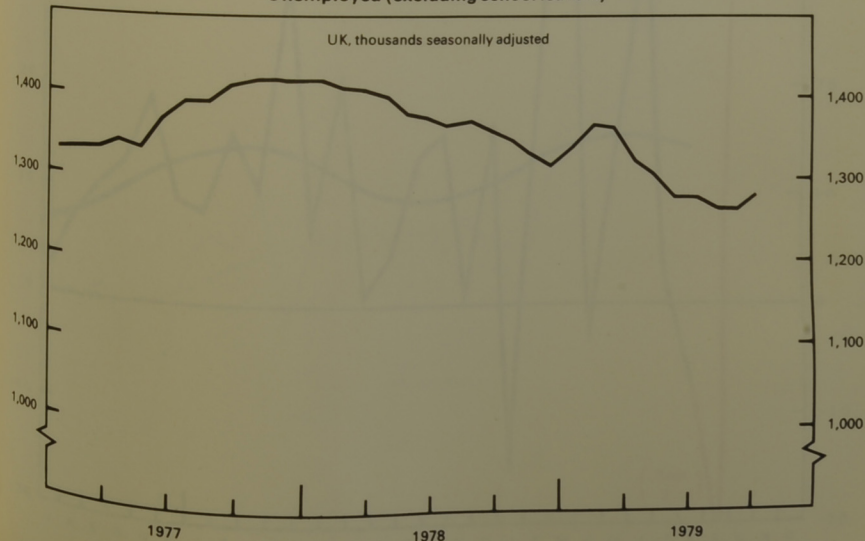
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

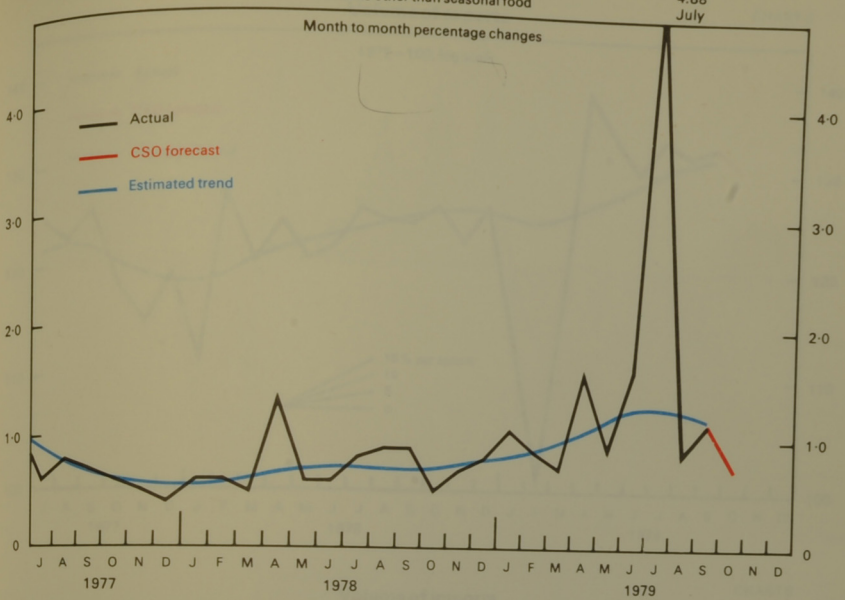
CHART 2



Retail prices

All items other than seasonal food

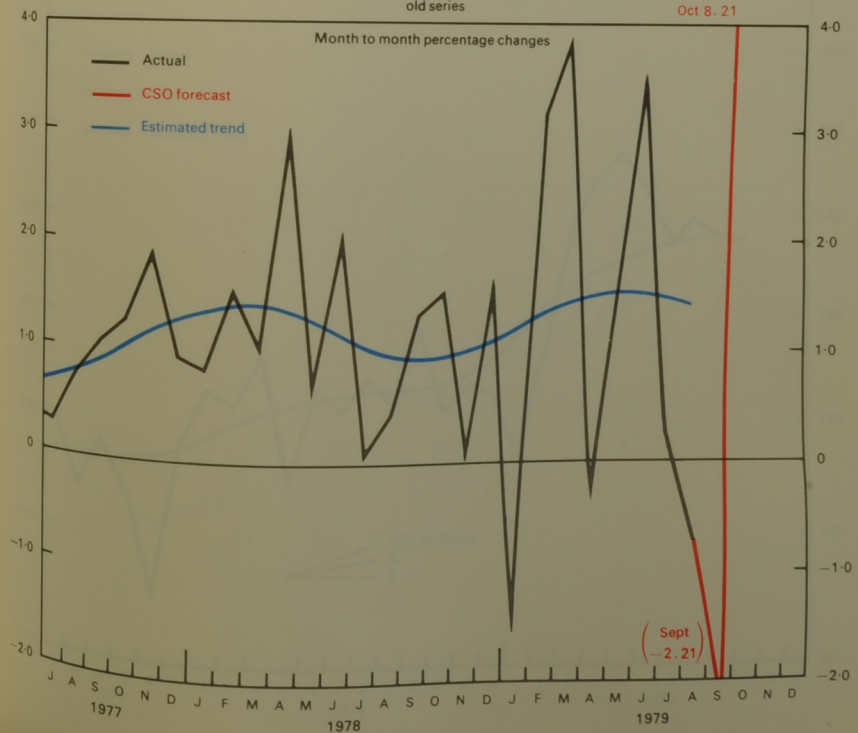
CHART 3



Average earnings

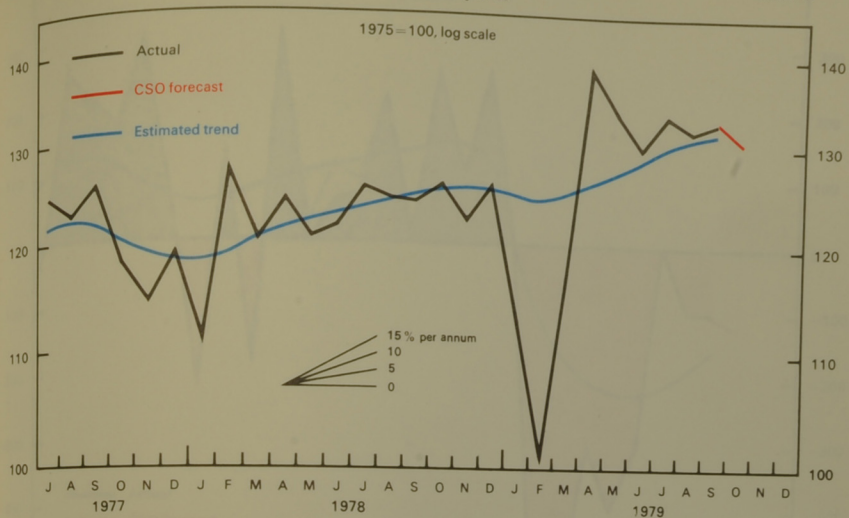
old series

CHART 4



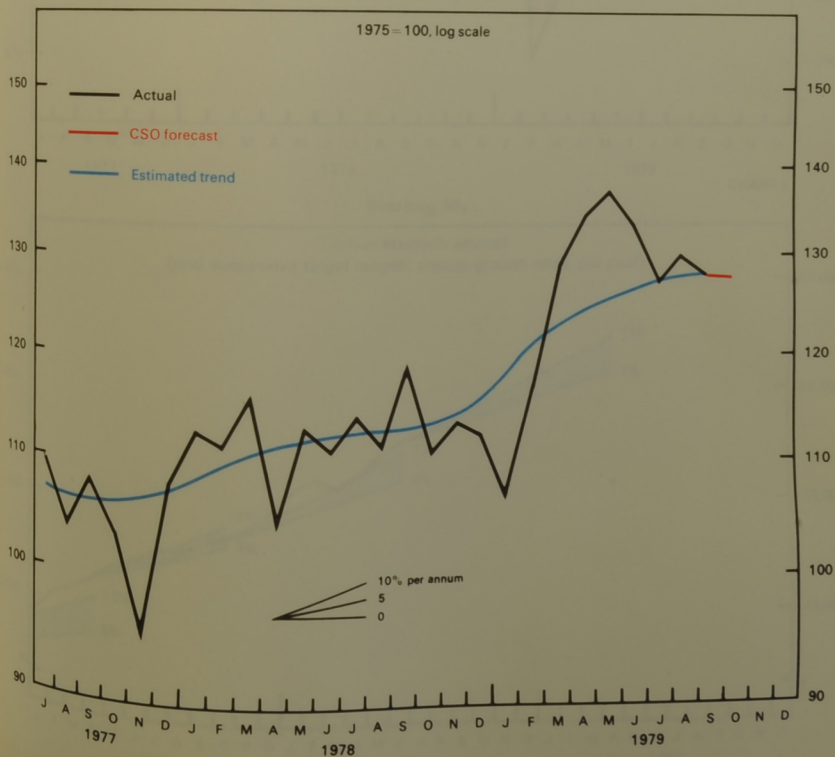
Volume of exports

CHART 5



Volume of imports

CHART 6



Current balance

CHART 7

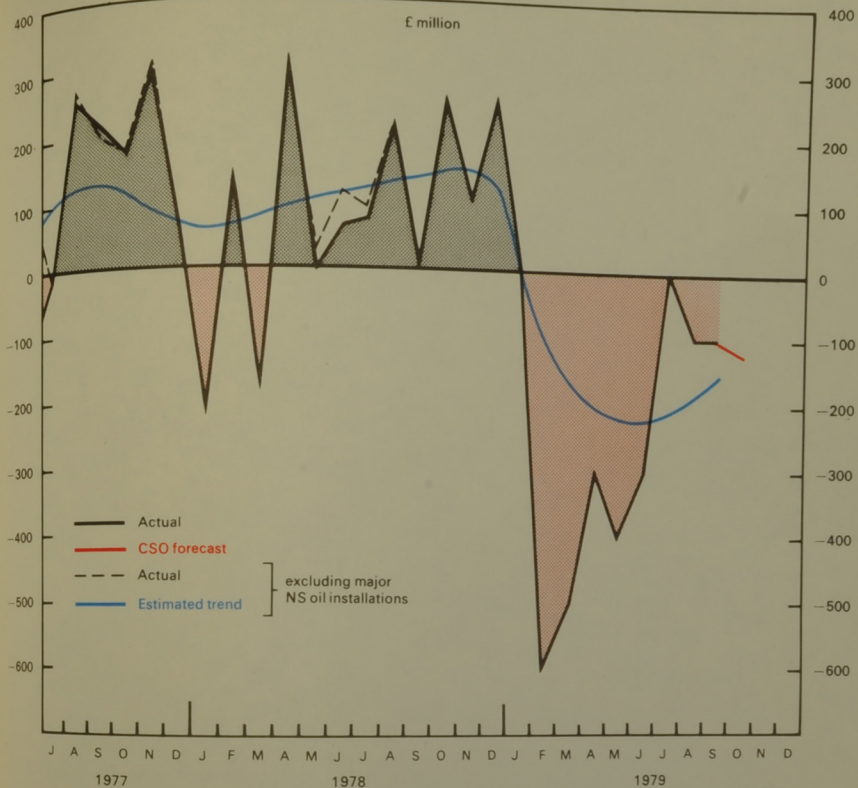
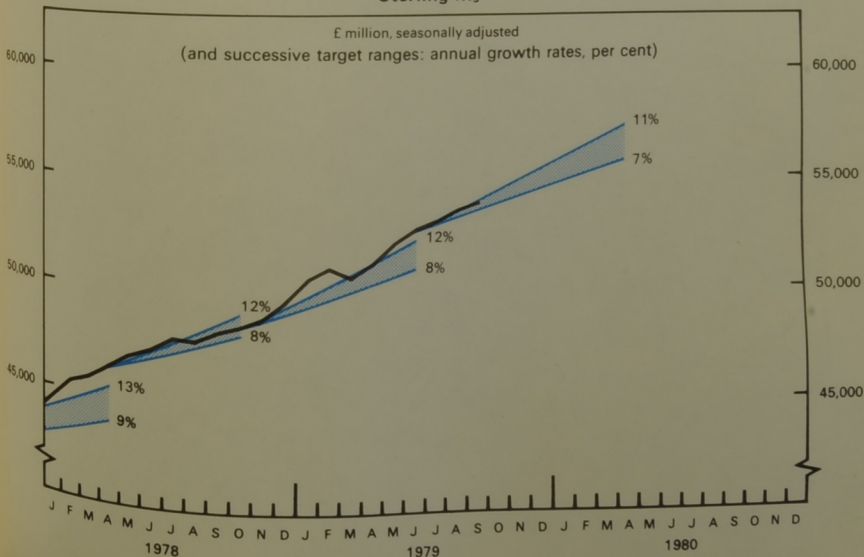


CHART 8

Sterling M₃



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