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30 November 1979

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 November 1979

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## MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 29 November 1979

ACTIVITY AND UNEMPLOYMENT

Apart from ephemeral distortions, activity has remained broadly flat through the first three quarters of 1979 and our assessment for the fourth quarter suggests no change in that position.

Although an upturn in unemployment is expected, this is not evident in the November figures. Notified vacancies fell again.

HOME DEMAND

Consumers' expenditure, sustained by tax rebates, is expected to recover in the fourth quarter. Fixed investment and general government final consumption are expected to be broadly unchanged from the third quarter.

BALANCE OF PAYMENTS

The underlying deficit of the visible balance is now running at about £200m a month, as the benefits of North Sea oil are more than offset by the worsened competitiveness of the past years. With invisibles roughly in balance this implies a deficit in the balance of payments in the fourth quarter, some £½bn more than that recorded in the third quarter.

EARNINGS AND PRICES

Average earnings, restrained in September by the effects of the engineering dispute, are expected to rise sharply in October. We tentatively estimate the trend increase in average earnings to be 1½ per cent a month.

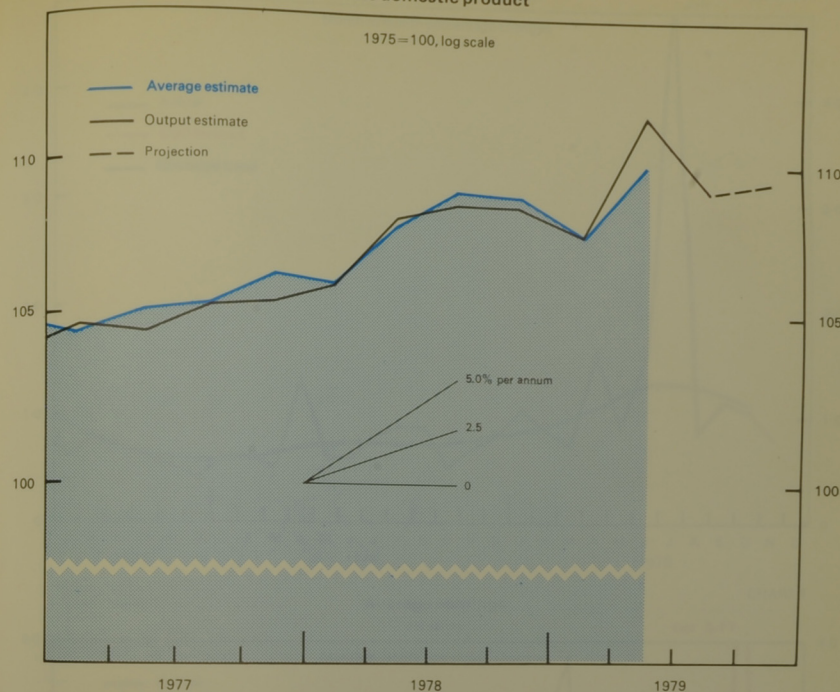
Retail prices are rising at over 1 per cent a month.

# FINANCE

The PSBR, swollen by special factors, was £6½ billion in the first half of 1979/80, against the full year Budget forecast of £8¼ billion. Sterling M3 grew by 2 per cent in banking October and by 14.2 per cent (annual rate) in the latest 4 months. MLR was increased to 17 per cent on 15 November and the 7-11 per cent target for sterling M3 extended to mid-October 1980. Short term interest rates and yields on gilts both rose sharply. The sterling effective exchange rate also rose.

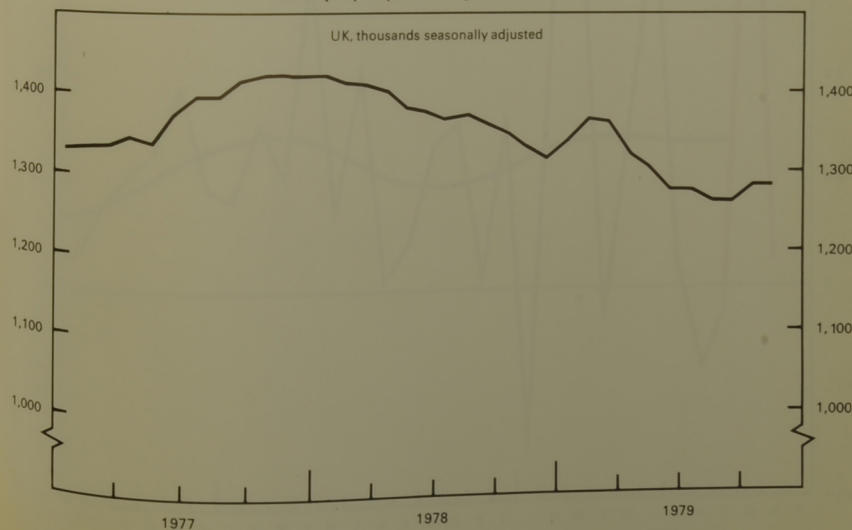
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

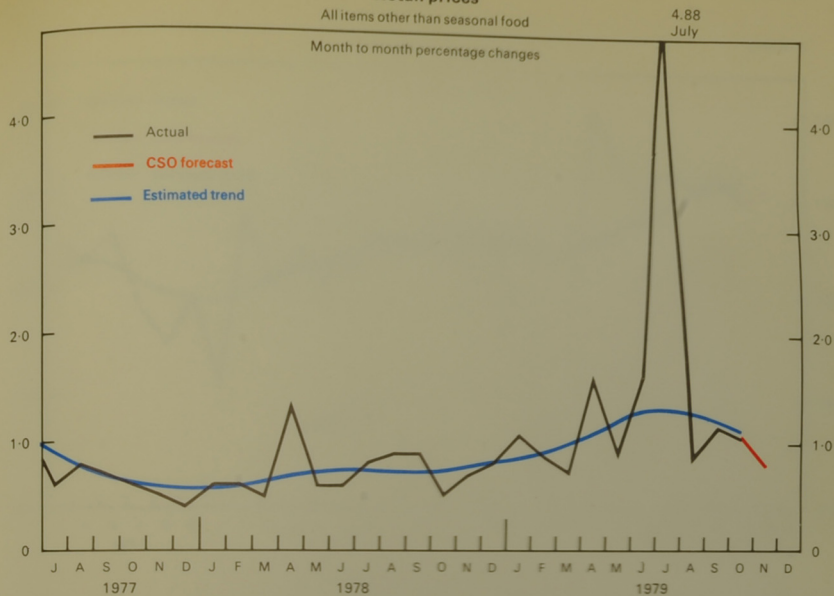
CHART 2





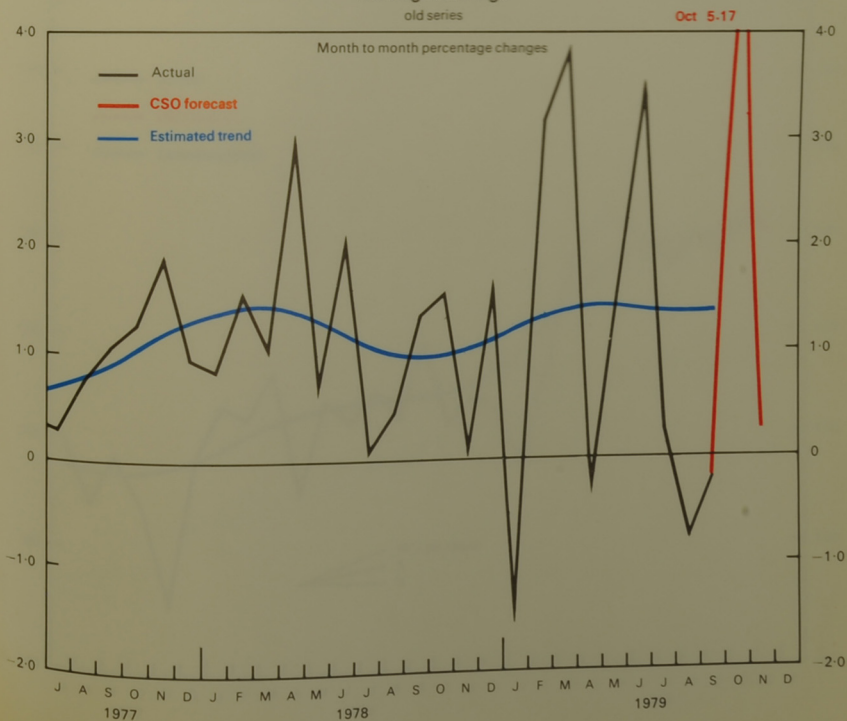
## Retail prices

All items other than seasonal food



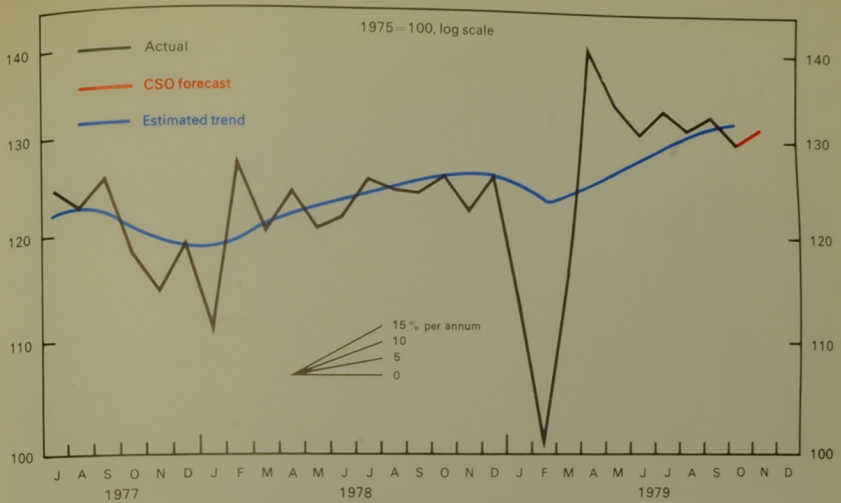
## Average earnings

old series



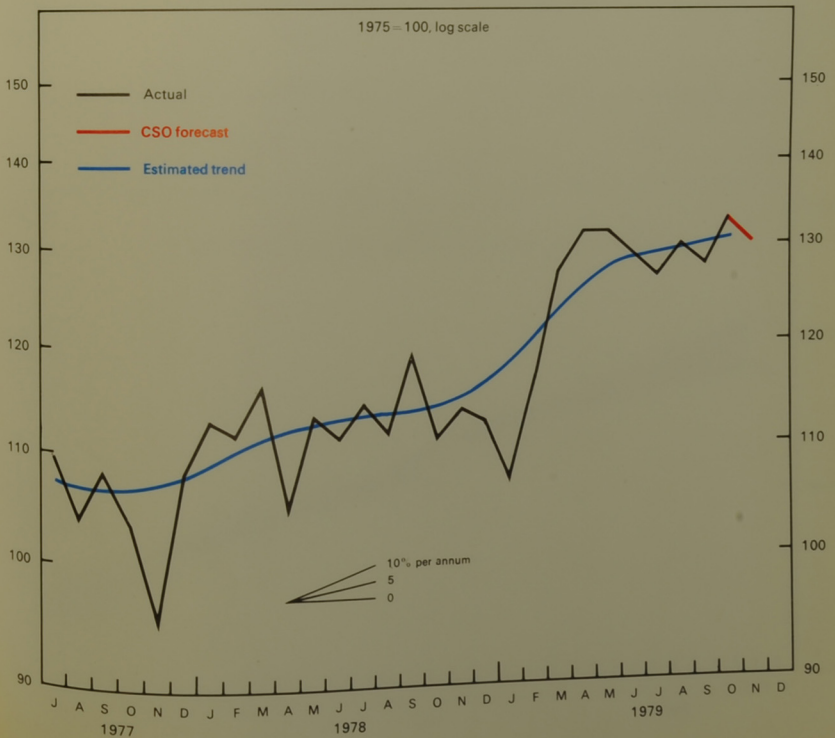
Volume of exports

CHART 5



Volume of imports

CHART 6



## Current balance

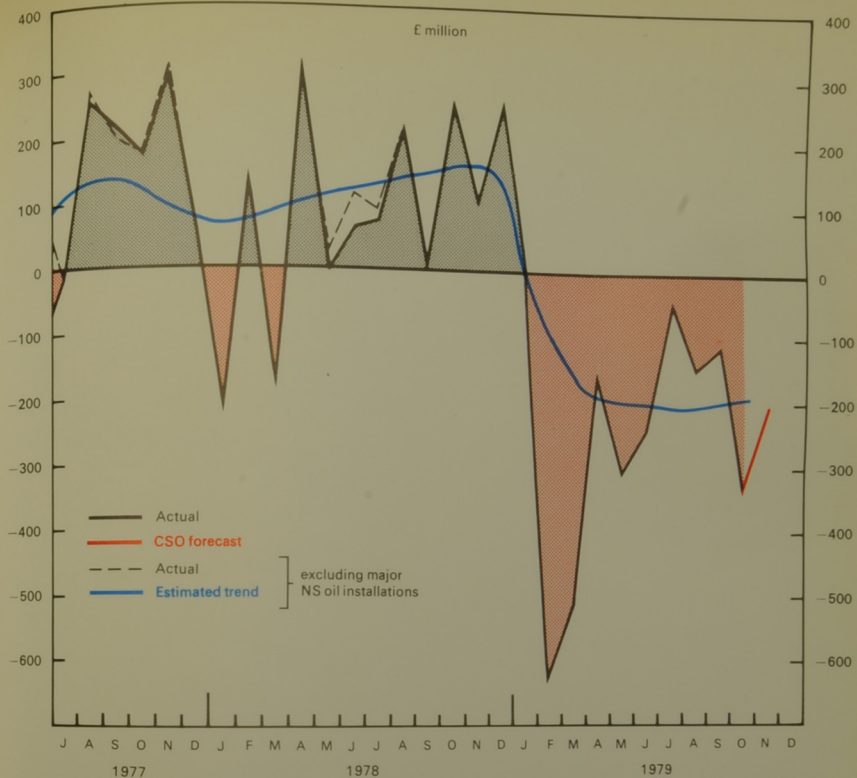


CHART 8

Sterling  $M_3$ 