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1 December 1980

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

1 December 1980

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141

142

143

144

145

146

147

148

149

150

151

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MONTHLY ECONOMIC BRIEF  
prepared by the CSO on 28 November 1980

FINANCE

The underlying rate of growth in £M3 since last February has probably been around 20 per cent p.a. Most of the other wider measures are growing at a similar rate; M1 has grown much more slowly. Most of the corset distortions have now worked themselves through.

The PSBR in the first half of the financial year is confirmed to have been £8 bn (seasonally adjusted). It is now expected to be about £11½ bn in the full financial year.

Minimum lending rate was reduced to 14 per cent on 24 November and nominal interest rates, which had been falling, fell further, at least at the short end. Since the summer, nominal interest rates have not fallen as much as inflation, so real interest rates have risen steeply.

The sterling effective exchange rate eased in the middle of November but has remained broadly unchanged since the cut in MLR.

EARNINGS AND PRICES

The trend increase in average earnings remains a little under 1½ per cent a month. Although recent settlements in the private sector have been lower than in the last pay round there have not been enough of them so far to affect the path of the index. Prices are rising less quickly than earnings: retail prices at less than 1 per cent a month; wholesale output prices less still; and wholesale input prices hardly at all.

ACTIVITY AND UNEMPLOYMENT

Industrial production continues to fall. The output measure suggests that GDP fell by 2 per cent in the third quarter.

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141

142

143

144

145

146

147

148

149

150

151

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The latest movements of the cyclical indicators suggest that, if past relationships hold, a trough in activity may be reached in the spring of 1981; a peak in unemployment would be several months later.

The steep rise in unemployment continued in November. The number of vacancies is at its lowest recorded level.

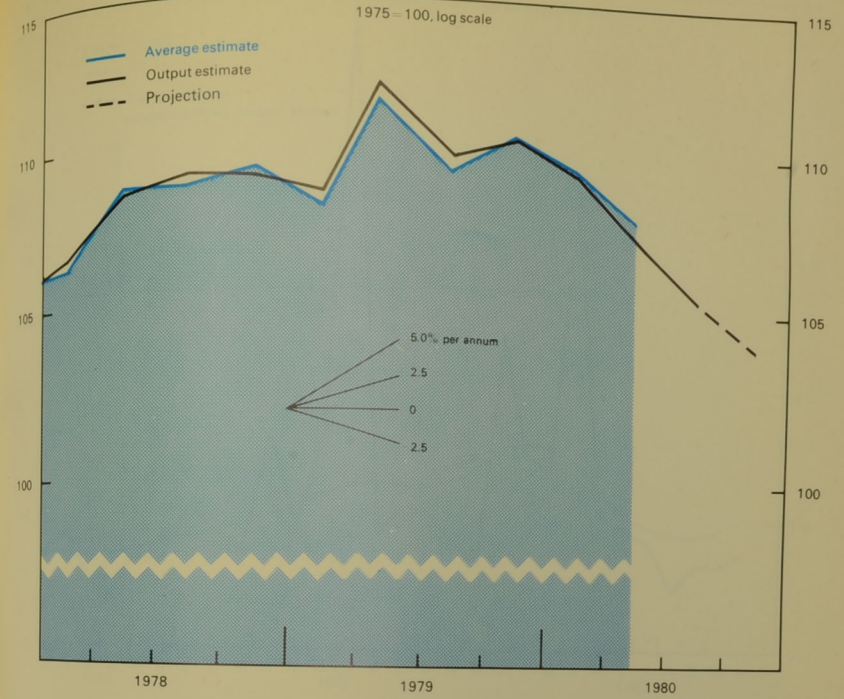
BALANCE OF PAYMENTS

The UK recession is reducing imports by more than the world recession and the loss of UK competitiveness are reducing exports. So visible trade remains in surplus; with a small surplus on invisibles, the balance on current account is running at about £½ bn a month.

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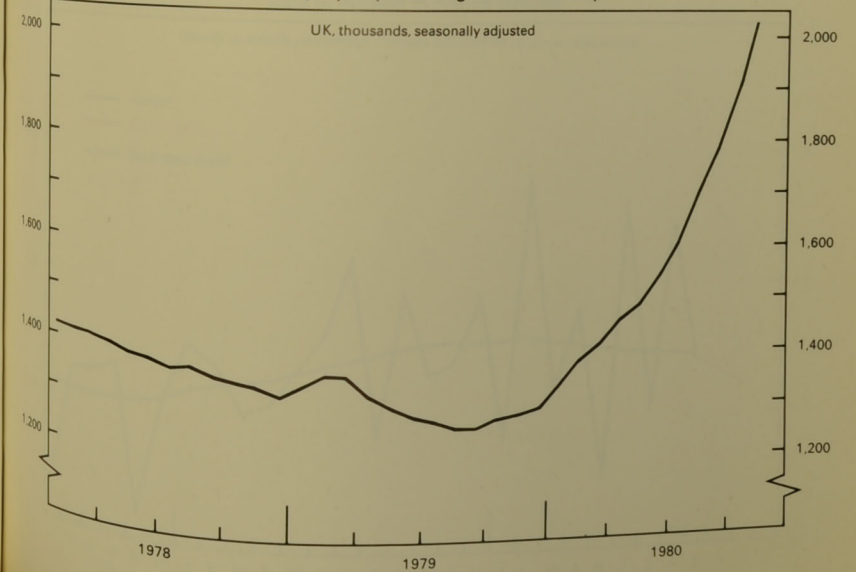
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

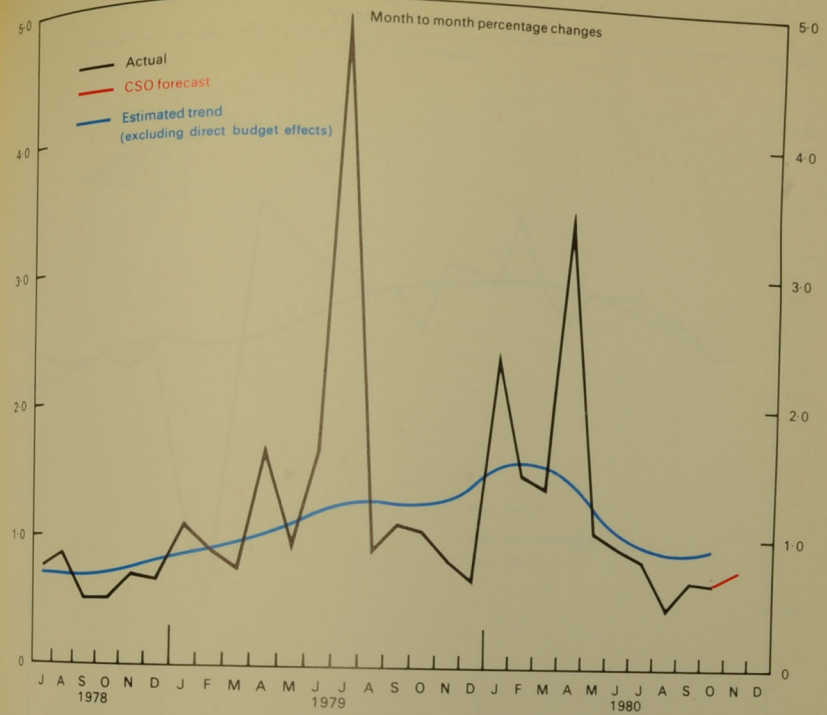
CHART 2



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- 146
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- 148
- 149
- 150
- 151

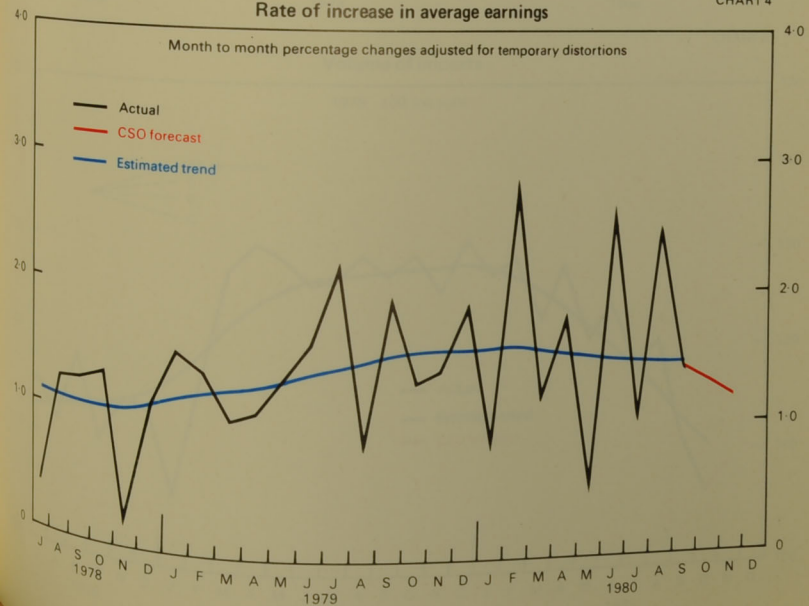
Rate of increase in retail prices  
All items other than seasonal food

CHART 3



Rate of increase in average earnings

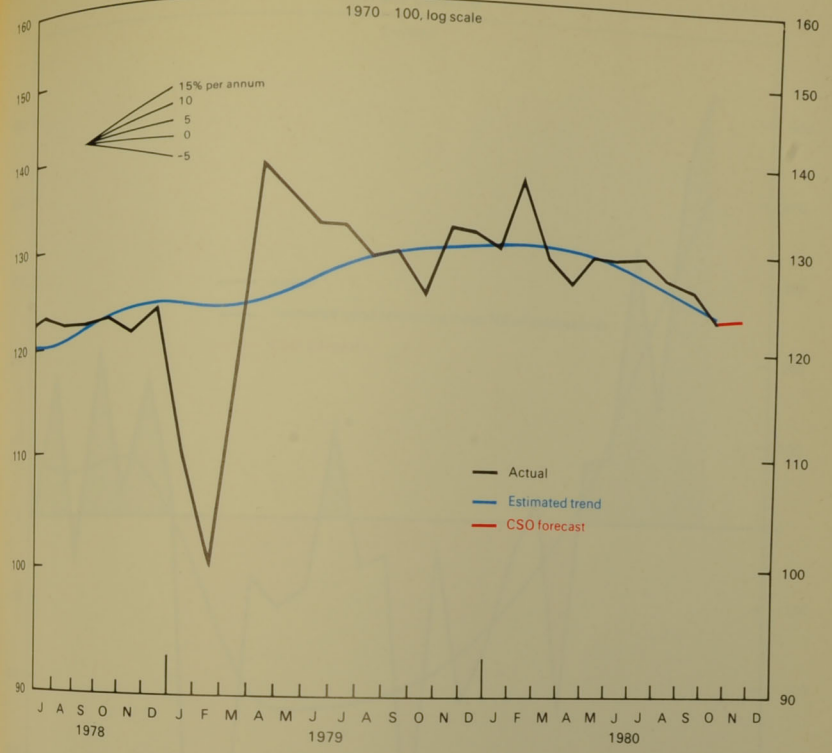
CHART 4



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- 150
- 151

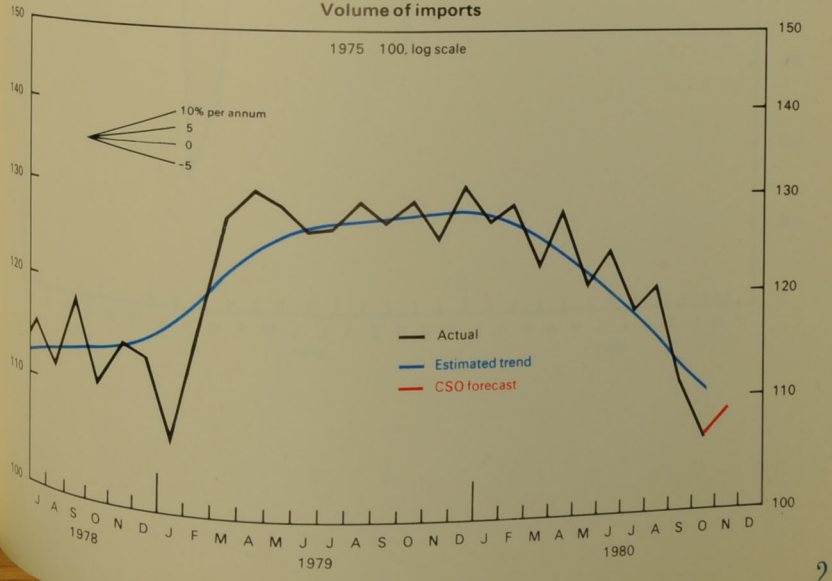
Volume of exports

CHART 5



Volume of imports

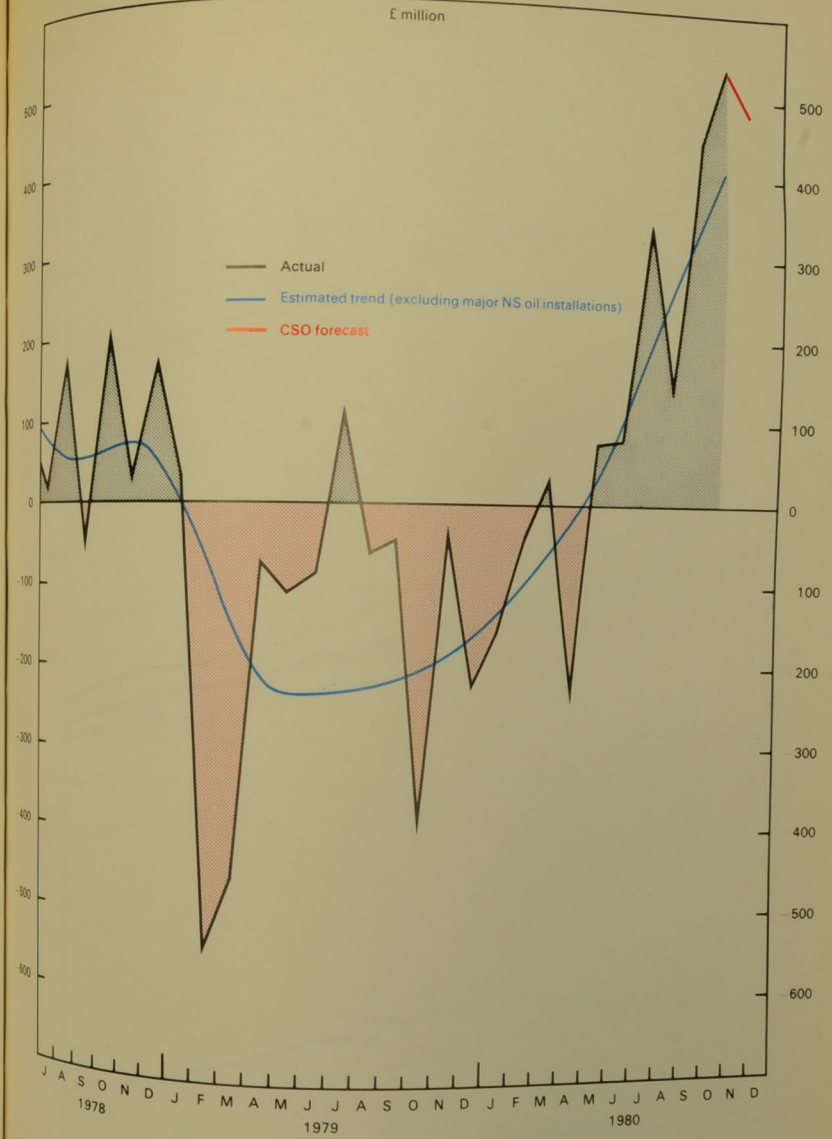
CHART 6



- 141
- 142
- 143
- 144
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- 151

Current balance

CHART 7



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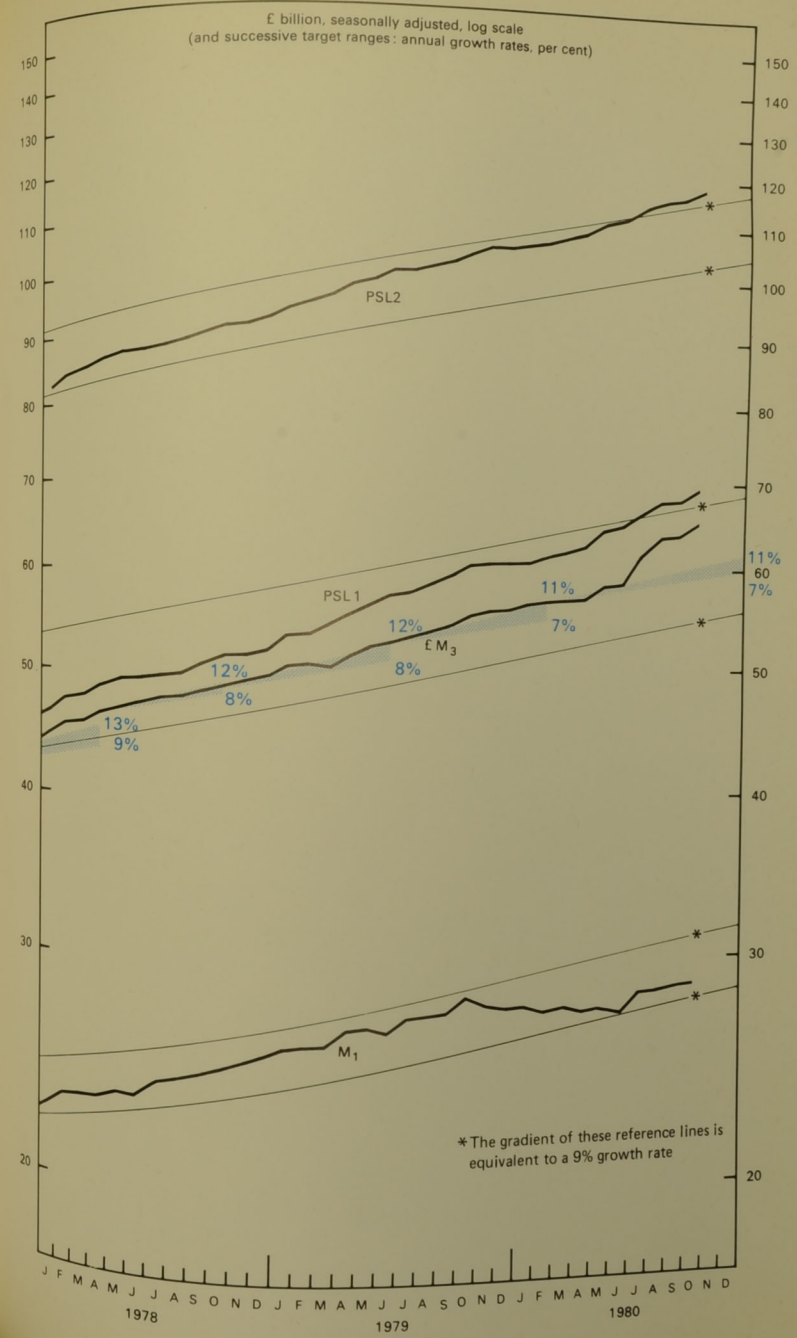
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Monetary aggregates

CHART 8



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