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3 March 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  
P MOUNTFIELD

Cabinet Office  
3 March 1980

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MONTHLY ECONOMIC BRIEF  
Prepared by CSO on 29 February 1980

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FINANCE

Special factors swelled the PSBR during 1979. They should unwind during the current quarter which would be an influence reducing the growth of money supply for a time. But exceptionally heavy bank lending to the private sector acted strongly in the other direction in banking January and may continue.  $\text{EM3}$  growth is still above the top of the 7-11 per cent target range. Interest rates remain high, particularly at the short end, reflecting the tightness of the current monetary target. Special measures by the Bank have eased somewhat the upward pressure on market interest rates which resulted from the combination in January of high bank lending, the central Government being in substantial surplus (before seasonal adjustment) and very heavy gilt sales, but 3 month rates remain over  $17\frac{1}{2}$  per cent.

EARNINGS AND PRICES

There is no sign of any reduction in inflation, if anything the opposite. Average earnings are rising at over  $1\frac{1}{2}$  per cent per month and retail prices at not much less.

Wholesale input prices are rising far more rapidly, the push coming from imported raw materials (especially oil), despite the appreciation of the pound.

BALANCE OF PAYMENTS

The deficit on oil trade is becoming small. While there are considerable fluctuations within the current account the underlying deficit continues to be something under £0.2bn per month.

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# ACTIVITY AND UNEMPLOYMENT

There is little evidence in the statistics so far of an actual fall in output succeeding the underlying flat level through 1979. The key to any change of trend in demand (which is likely to be downwards) will come from stockbuilding; no 1980 figures on this will be available until May. The first statistics to reveal a change of trend in output will probably be the index of industrial production.

Up to the seventh week of the strike the absence of BSC steel had little effect on the output of the rest of the economy.

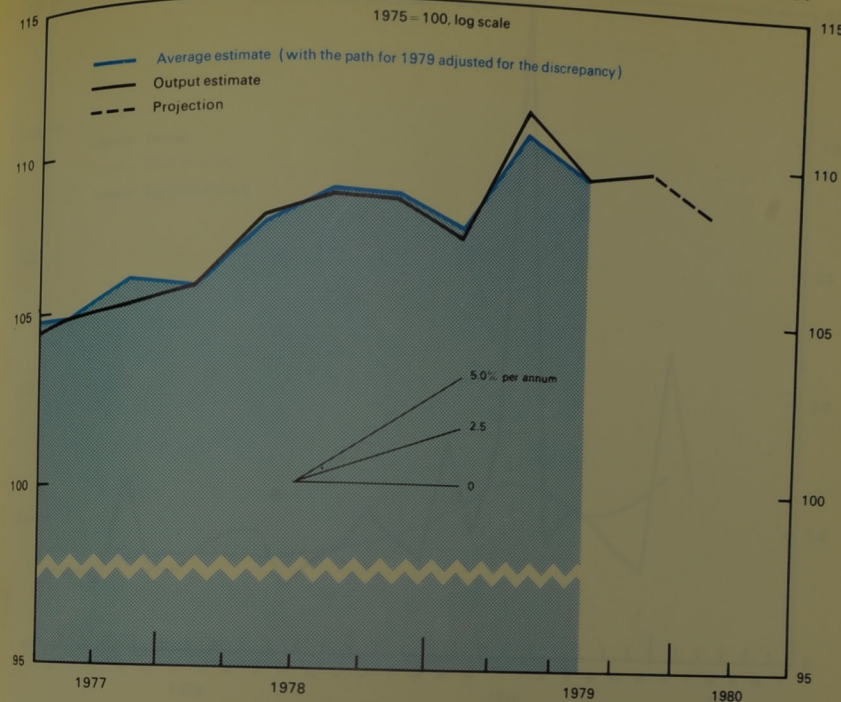
## UNEMPLOYMENT

The strong rise in unemployment continued in February. Vacancies fell for the eighth successive month.

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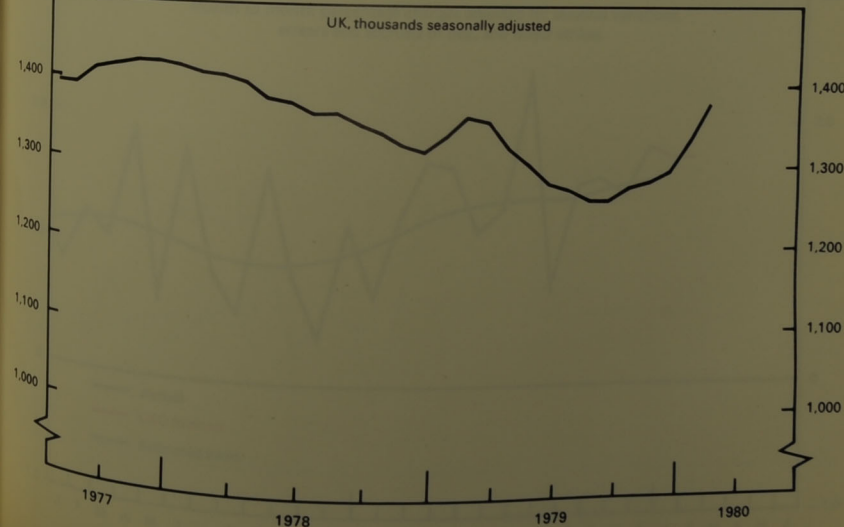
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

CHART 2

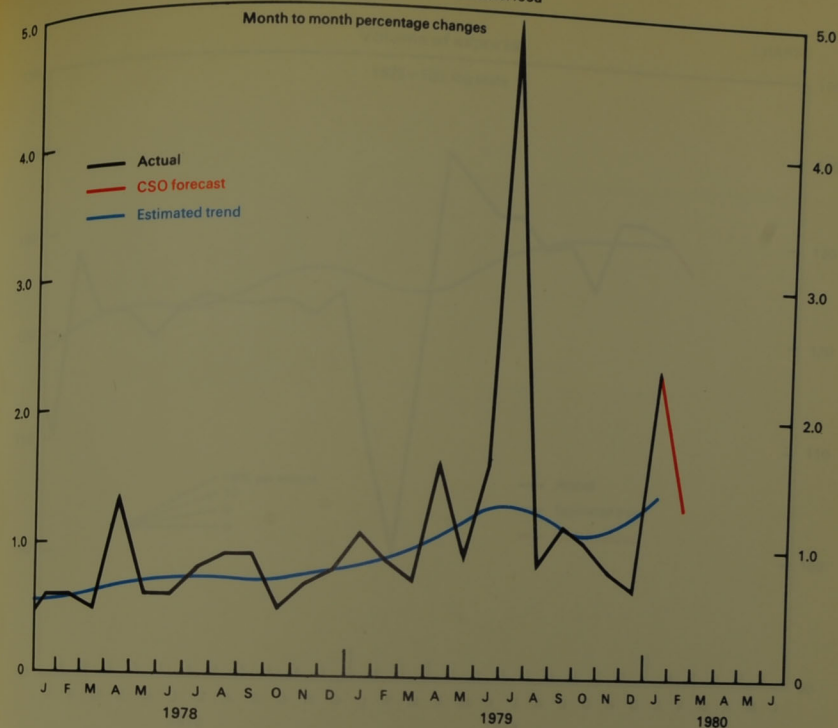




# Retail prices

All items other than seasonal food

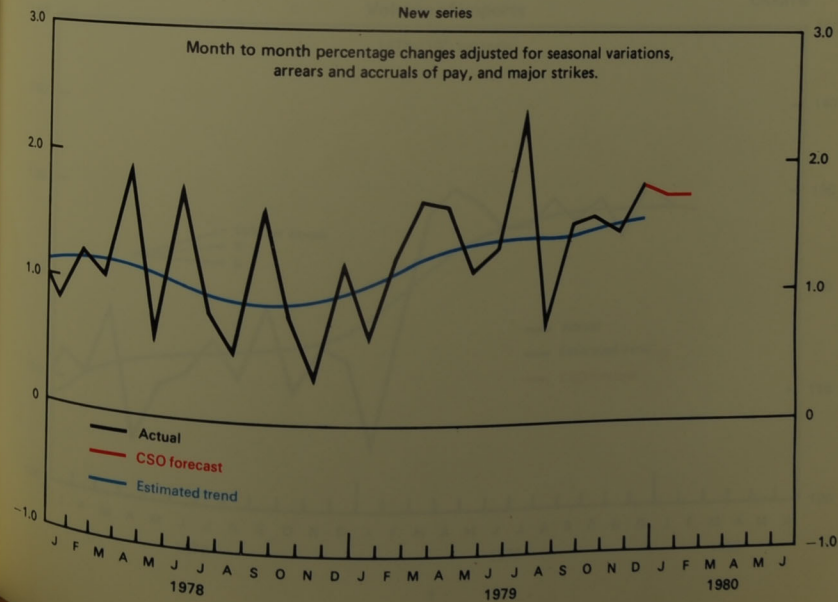
CHART 3

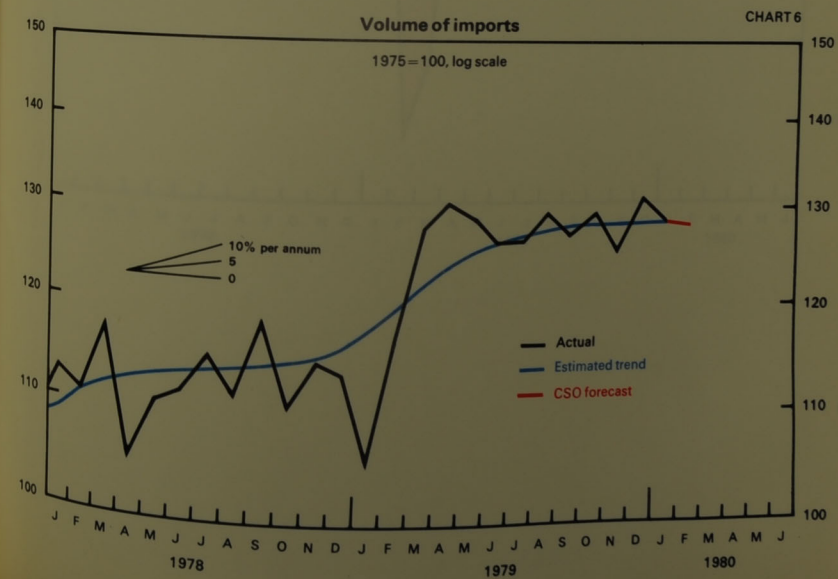
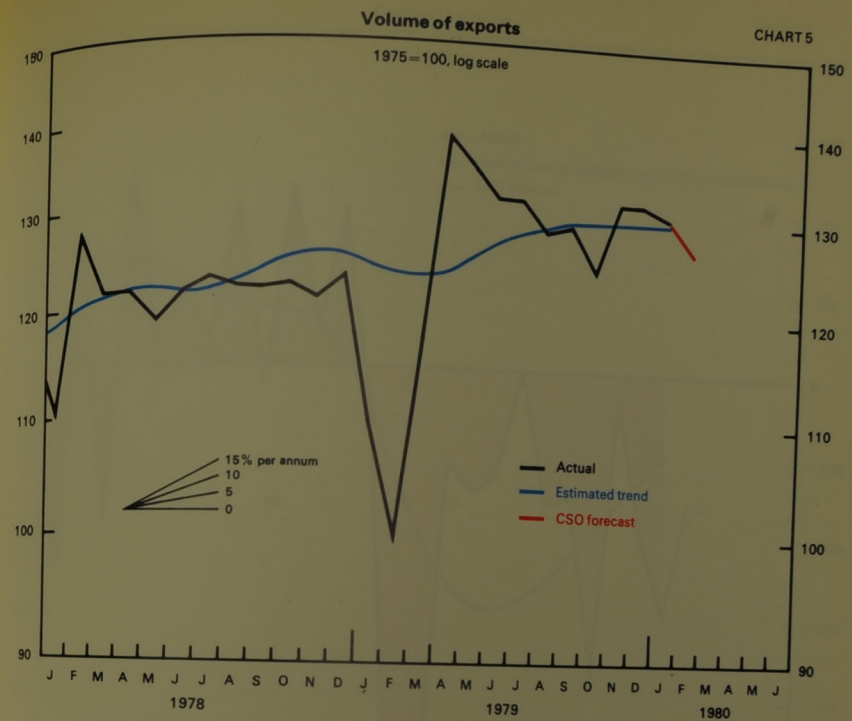


# Average earnings,

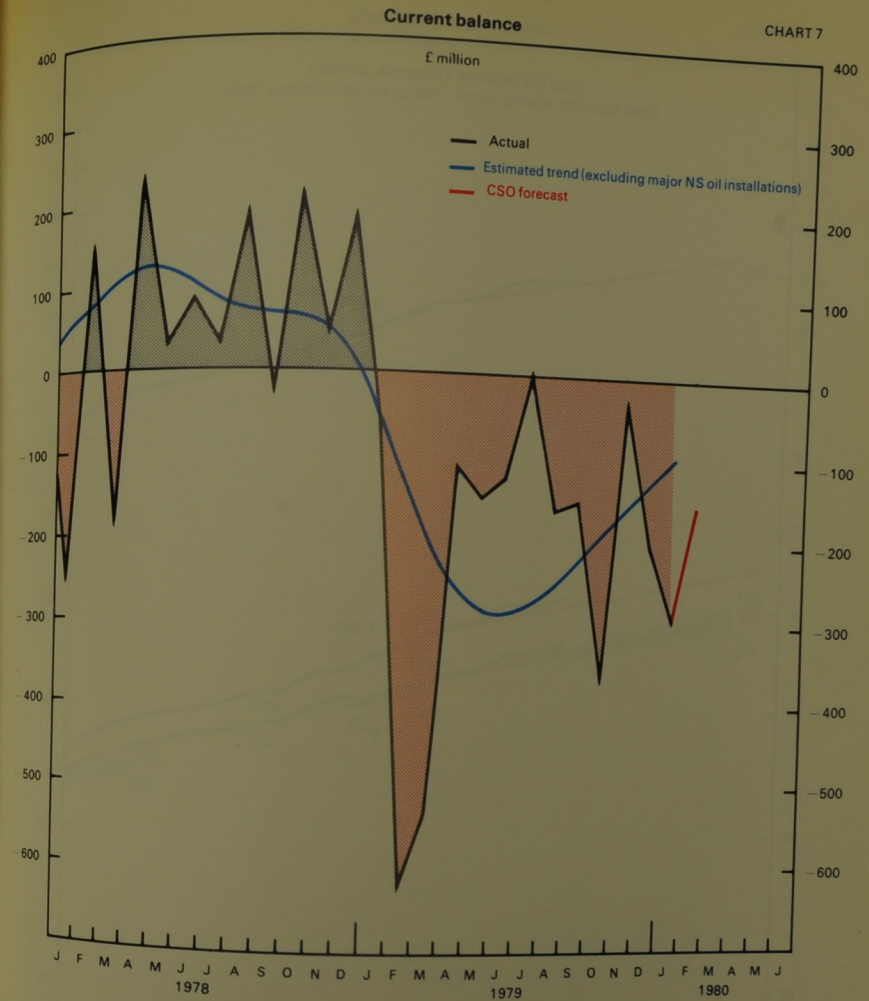
New series

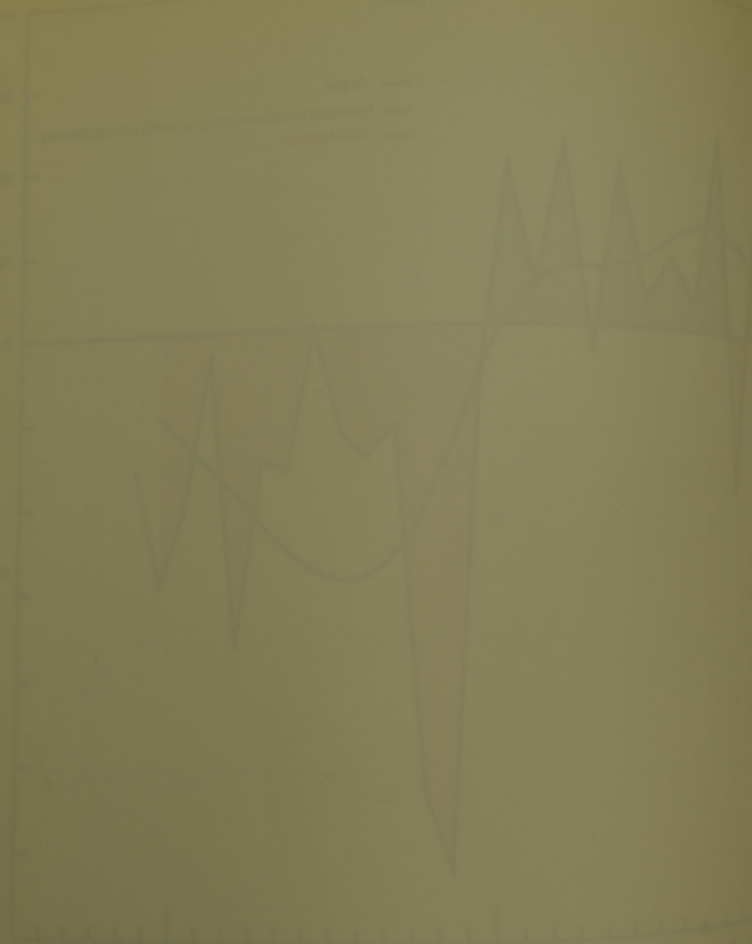
CHART 4











Monetary aggregates

CHART 8

