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1 July 1980

MONTHLY ECONOMIC BRIEF
Prepared by CSO on 27 June 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 July 1980

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MONTHLY ECONOMIC BRIEF

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FINANCE

Growth in £M3 was much higher in banking May. Over the last 6 months growth has been at an annual rate of about 9 per cent - the middle of the target range; growth of the wider aggregates has been at much the same rate. Over the first 3 months of the new target period £M3 growth was at an annual rate of around 12 per cent with the wider aggregates growing somewhat faster, but over this short period the underlying trend cannot be estimated with confidence.

Bank advances to the private sector have been high this year; although in May they were much lower than the record April figures, the underlying rate is probably little changed. Bank lending in the first quarter is reflected in the net borrowing requirement of industrial and commercial companies which was only a little less, in real terms, than in the liquidity crisis year of 1974.

Nominal interest rates have eased a little further but remain high. The resumption of central government borrowing allowed the Bank to unwind its special measures aimed at easing short-term upward pressures on market interest rates. However, further relief measures were announced by the Bank on 27 June following market tightening in the last few days.

EARNINGS AND PRICES

The underlying rate of increase in retail prices has eased to something less than 1½ per cent a month. Wholesale input prices have actually fallen recently. But the trend increase in average earnings is at least 1½ per cent a month. The level of settlements in the public sector in the last twelve months

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has been somewhat lower than in the private sector although earnings in the public sector, because of carry over from previous rounds, have grown faster. Over the last four years, there has been little difference in the respective rates of growth.

ACTIVITY AND UNEMPLOYMENT

The trend in activity is now firmly downward; output in the second quarter is expected to be lower than in the first quarter.

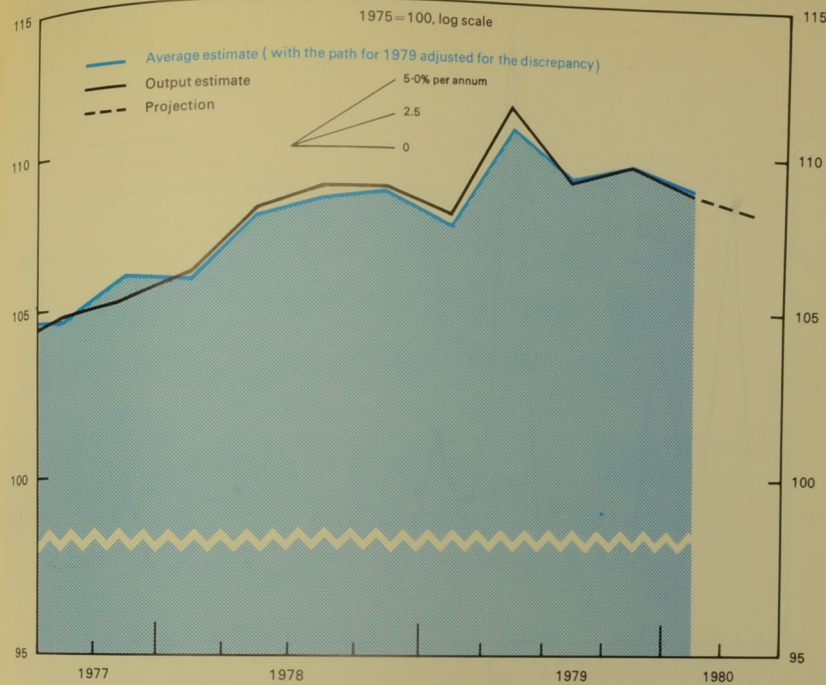
The strong upward trend in unemployment continued in June. Vacancies fell again.

BALANCE OF PAYMENTS

The current account is broadly in balance. The trend in volume of exports is flat and the trend in the volume of imports is falling.

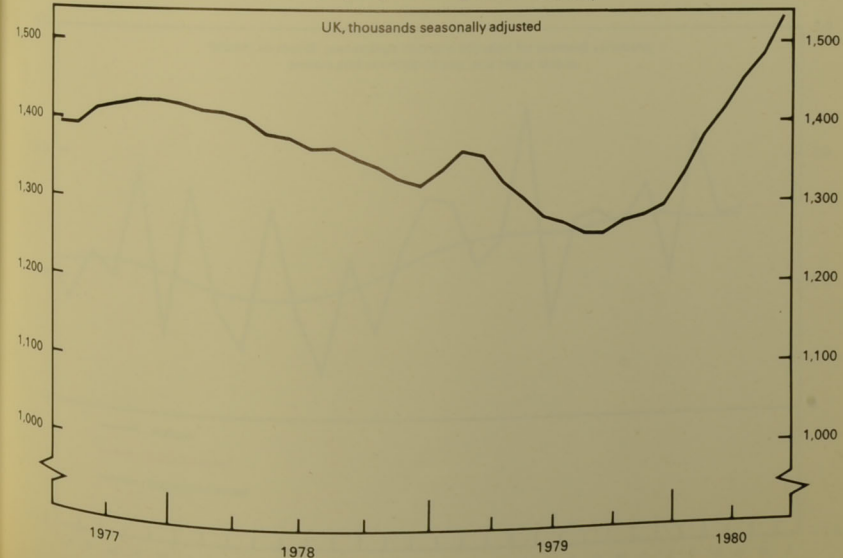
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

CHART 2



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Retail prices

CHART 3

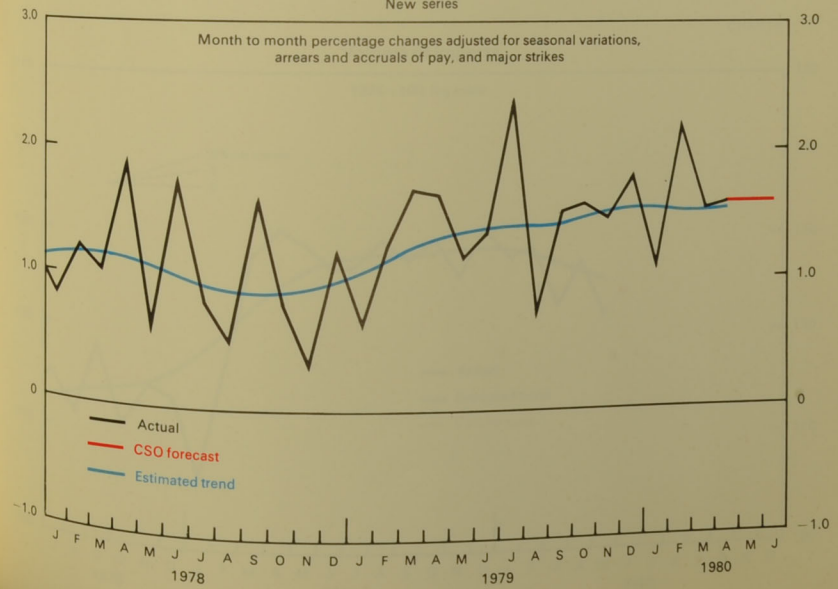
All items other than seasonal food



Average earnings,

CHART 4

New series



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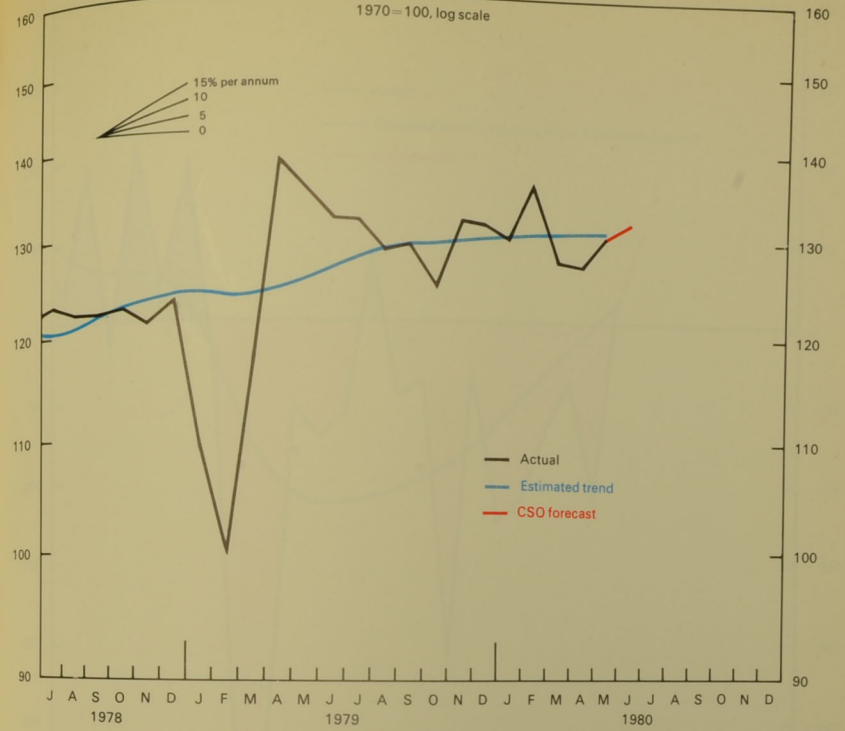
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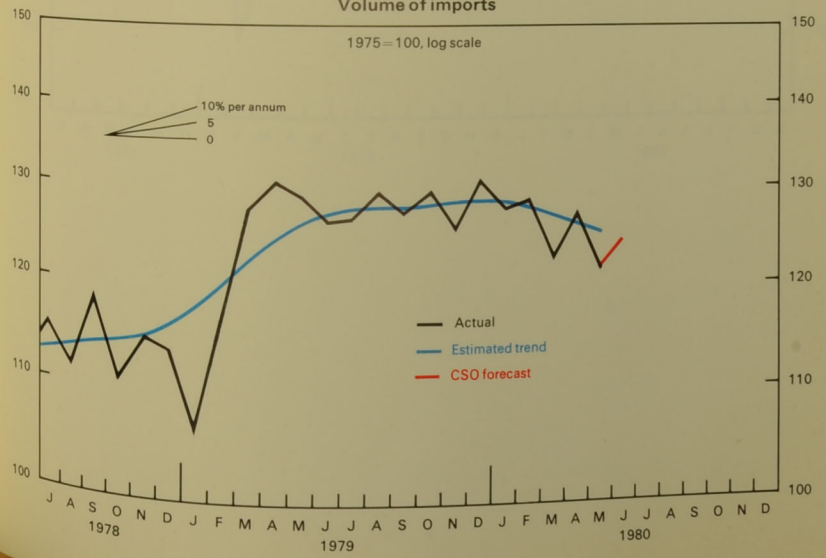
Volume of exports

CHART 5



Volume of imports

CHART 6



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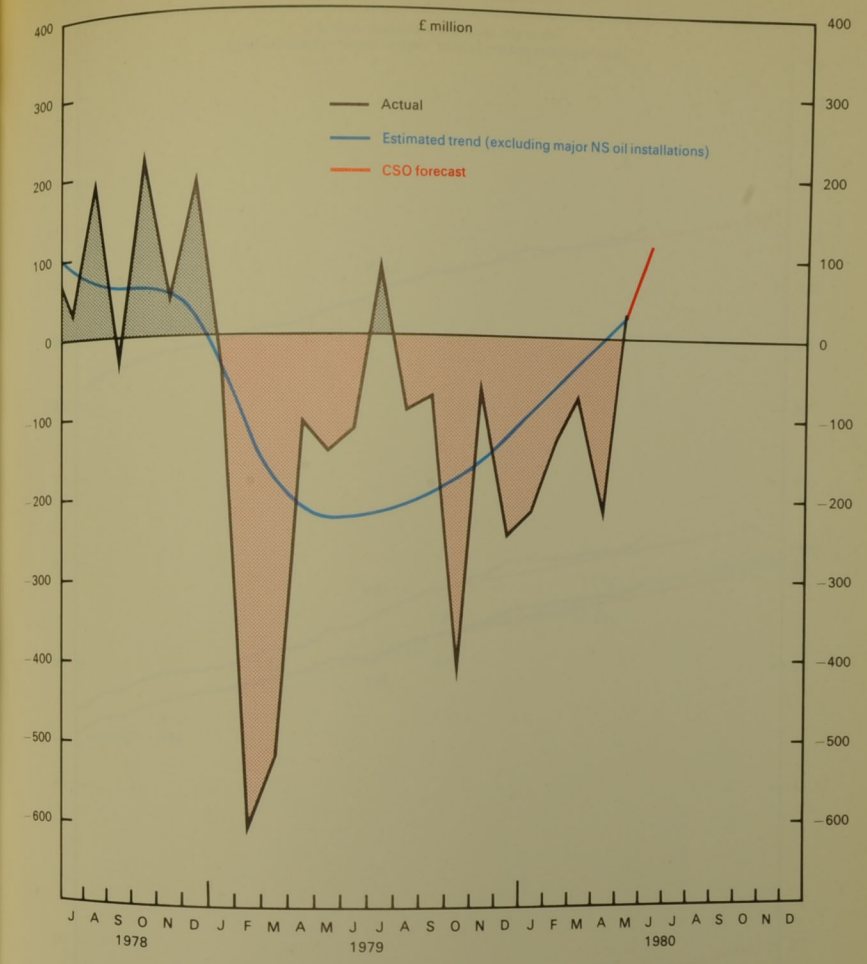
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Current balance

CHART 7



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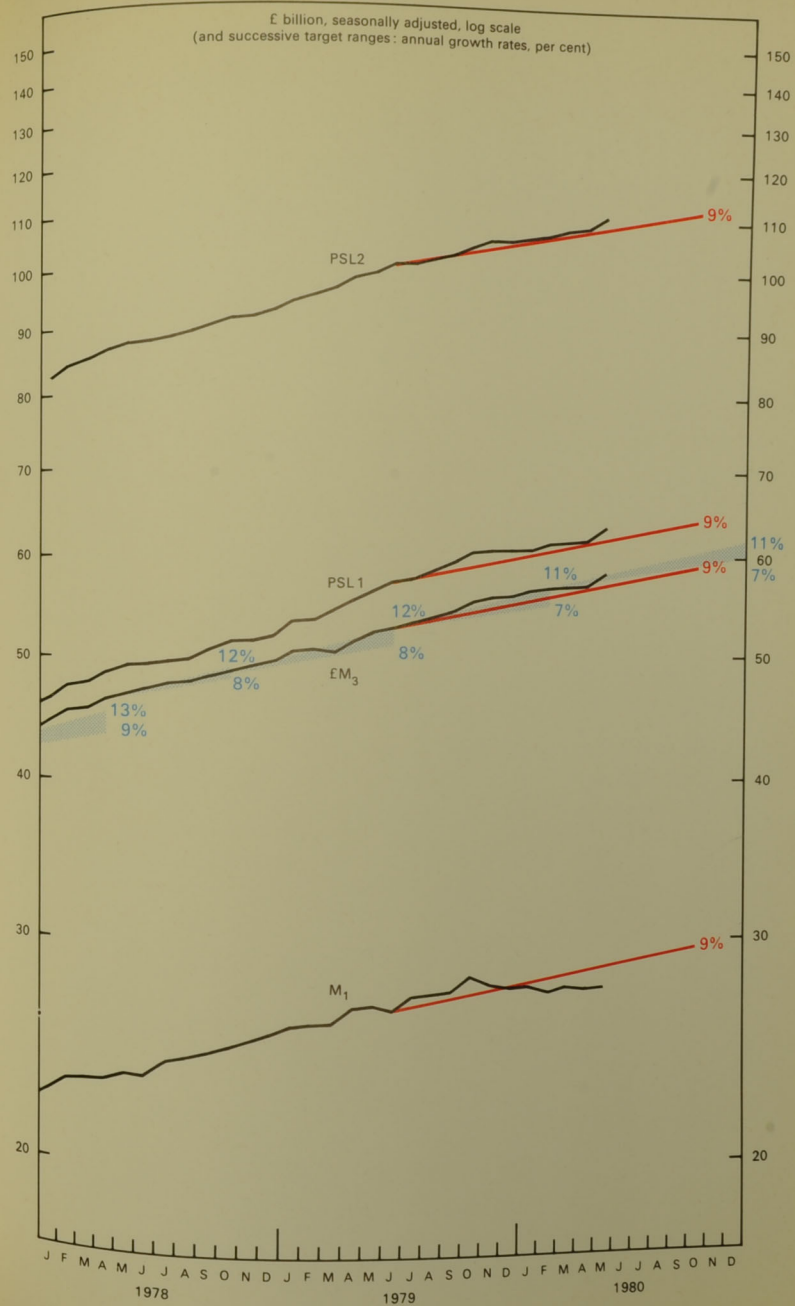
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Monetary aggregates

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