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31 December 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

31 December 1979

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## MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 28 December 1979

## ACTIVITY AND UNEMPLOYMENT

Activity has remained broadly flat through all quarters of 1979, apart from ephemeral distortions. Unemployment rose, if only slightly, in December, confirming that the expected rising trend is now under way. Notified vacancies fell for the sixth successive month.

## HOME DEMAND

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

## BALANCE OF PAYMENTS

There is still an underlying deficit in the visible balance of about £0.2 billion a month; the benefits of North Sea Oil are offset by worsened competitiveness in other trade. Invisibles are now estimated to show a small surplus, so the deficit in the current balance is running only slightly higher than in the third quarter.

## EARNINGS AND PRICES

Average earnings, as expected, rose sharply in October. We estimate the trend increase in average earnings to be about  $1\frac{1}{2}$  per cent a month.

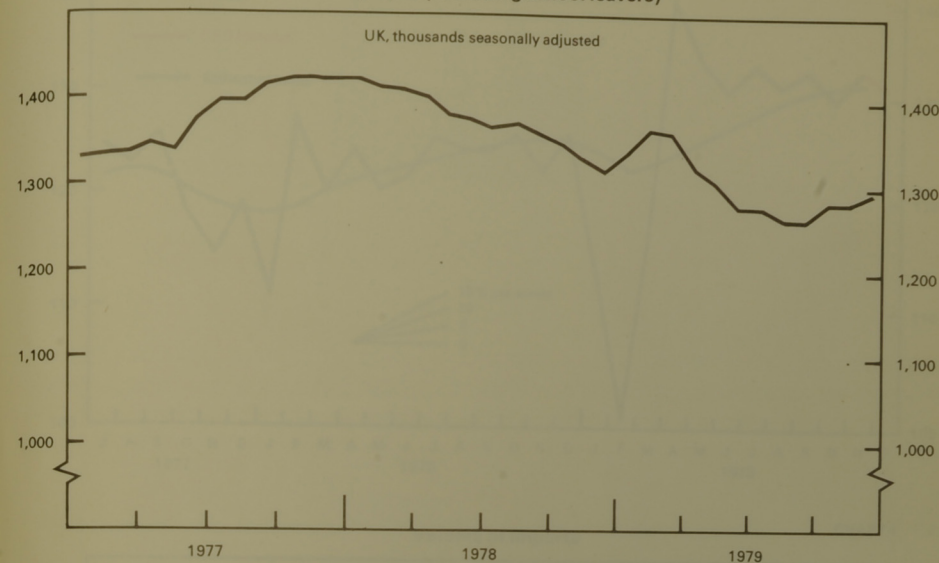
The rate of increase in retail prices, which has been about 1 per cent a month, is expected to be higher in the New Year.

# FINANCE

The various money supply indicators were still generally above the target range formally applied to sterling M3. There is no sign yet of the fall in interest rates that some sectors of the market are expecting. The sterling effective exchange rate has been fairly steady since mid-November.

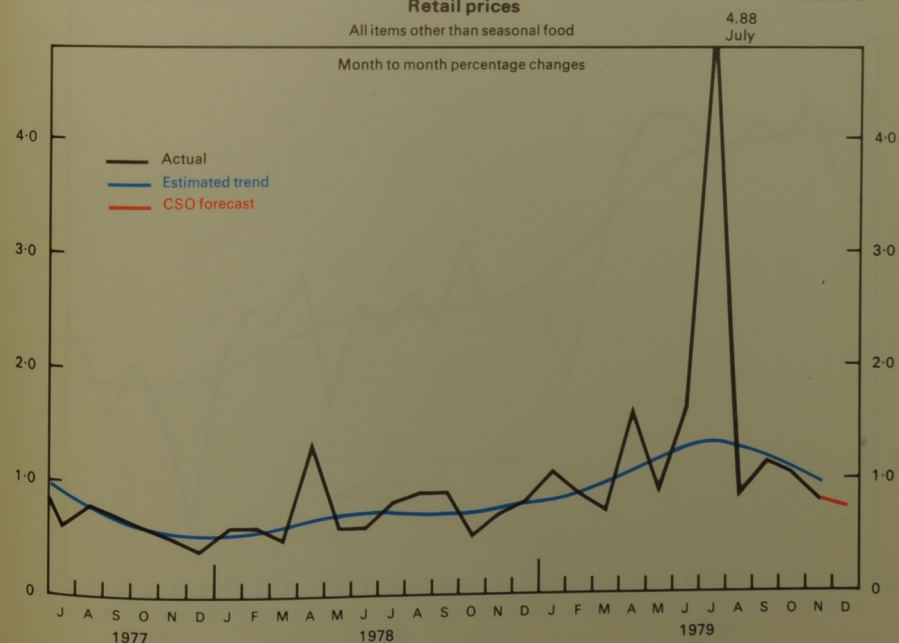
Unemployed (excluding school leavers)

CHART 1



Retail prices

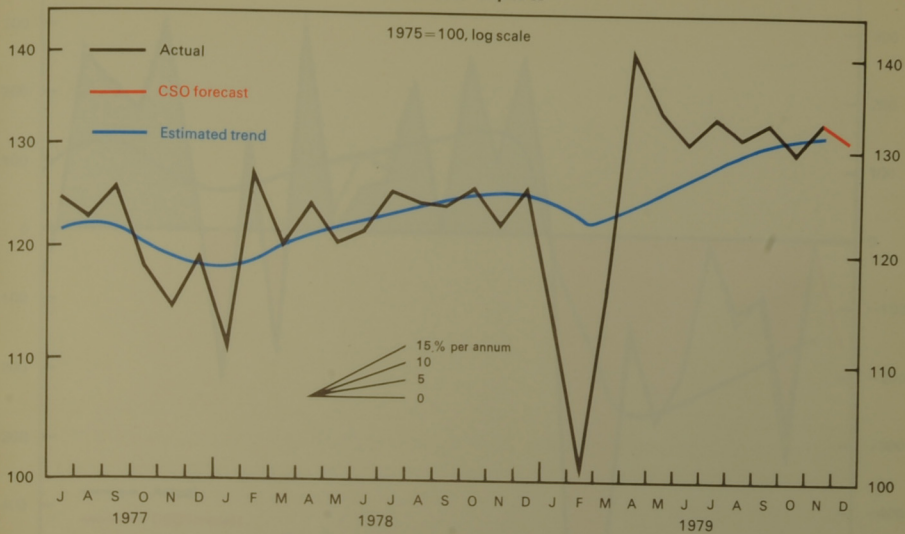
CHART 2





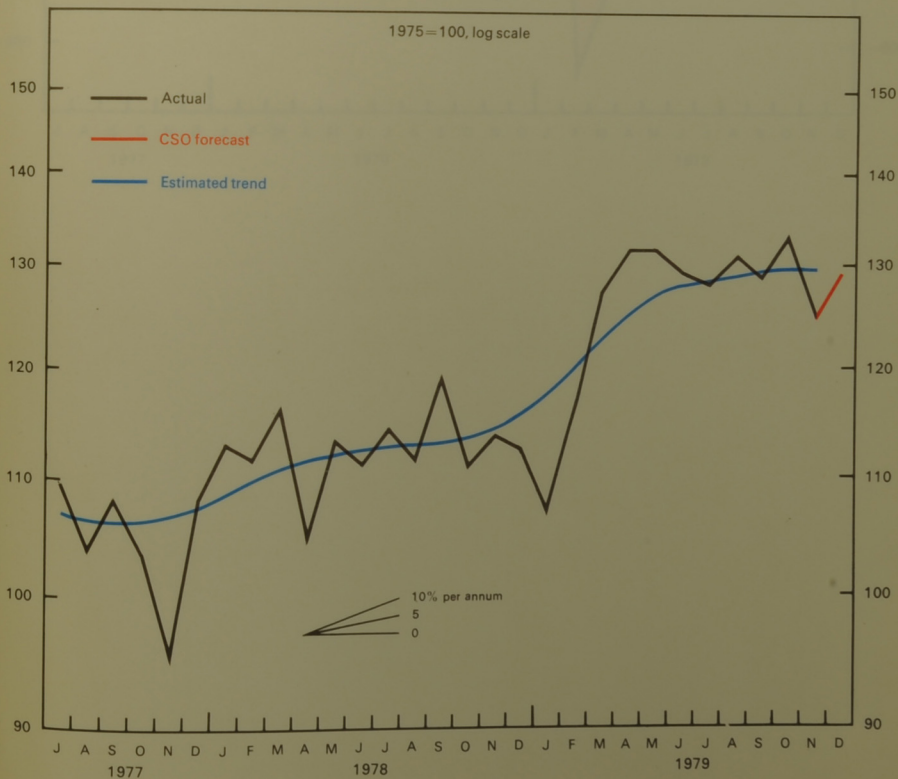
# Volume of exports

CHART 3



# Volume of imports

CHART 4



## Current balance

