

CURRENT ECONOMIC INDICATORS
MARCH 1980

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Introduction.

Throughout this report all figures are presented seasonally adjusted, except where marked (*). Unless otherwise stated, figures in brackets following data indicate the percentage change since the same period of the previous year. Provisional data are marked (p). Sources of information are referenced numerically, and the sources are:-

- (1) Economic Trends updated by CSO press releases.
- (2) 'British Business' (Dept. Industry).
- (3) Economic Trends updated by Dept. Industry press releases.
- (4) Dept. Employment Gazette and press releases.
- (5) Economic Trends updated by Dept. Industry press releases.
- (6) 'Financial Times'.
- (7) Bank of England Quarterly Bulletin and press releases.
- (8) OECD Main Economic Indicators.
- (9) Financial Statistics.
- (10) Treasury Progress Reports.

An appendix of long runs of selected statistics was circulated last month, and an updated version of this will be sent out with Current Economic Indicators in May 1980.

The Economy - March 1980

Gross Domestic Product has been fairly steady since the second half of 1978, except for some growth in the energy sector. There was some reduction in North Sea oil and gas output between the third and fourth quarters of 1979, but the level was still 24% higher at Q4 1979 than at the same time in 1978. Industrial production in January was affected by the steel strike. Making allowances for this and other distorting features, output (excluding energy) has shown little change since 1978.

Living standards, as measured by real personal disposable income, rose sharply in the fourth quarter of 1979, largely as a result of the switch from direct to indirect taxation. The increase was 6% over 1979, while the corresponding increase in consumer spending was only 4%. Savings reached 16% of personal income, compared to 14% in 1978 and 13% in 1977.

Seasonally adjusted, the number of people unemployed in GB rose by 30,000 in the month to March. The number of vacancies notified to Employment Offices fell, as it has in each month since July 1979. The number of school leavers out of work dropped by 6,900 in the month to 31,240, almost exactly the same as a year ago.

The input index of wholesale prices (materials and fuels purchased by manufacturing industries) rose 2% in February, largely due to increased crude oil prices. This index was 27½% up on the year, while costs to industries excluding the food, drink and tobacco industries rose by 39½%. The output wholesale price index rose by nearly 3% in January, due to seasonal price list revisions. This was followed by an increase of 1½% in February, bringing the year on year increase to 17½%, much lower than the increase in the input index. The indications are that industries profits are being squeezed.

The retail price index rose by 1½% in February, following a large January increase of 2½%. The year-on-year increase is 19.1%, while the same increase for the tax and price index is 16.9%.

Average earnings increased by 19.9% in the year to February 1979, which is 3% more than the corresponding increase in TPI. Real take-home pay is thus increasing.

In the first three quarters of 1979, the gross trading profits of industrial and commercial companies excluding those engaged in the North Sea were 5% below levels in the same period of 1978. Profits of companies involved in the North Sea doubled between these two periods, and now account for about $\frac{1}{4}$ of total company profits net of stock appreciation.

The Department of Industry liquidity survey showed liquidity in the last quarter of 1979 at its lowest level since mid-1975. The net borrowing requirement of industrial and commercial companies was £4.9 billion in the first three quarters of 1979, compared with £2.5 billion for the whole of 1978. Most of this was bank borrowing. The DoI investment intentions survey indicates that the volume of investment in the manufacturing and the distributive and service industries (excluding shipping) taken together is likely to fall in 1980 from 1979's record levels.

The balance of payments current account was £2.4 billion in deficit in 1979. Provisional figures indicate further deficits of £71 million in January and £176 million in February; this latter despite record exports in February of over £4 billion. The terms of trade in February were almost the same as in January, and have been declining with the strengthening pound since July 1979. UK competitiveness as measured by unit labour costs worsened markedly in Q2 1979. This trend probably continued in the third quarter and levelled off in the fourth, following the fortunes of sterling.

Rising interest rates in the US have weakened most currencies against the dollar, and the effective exchange rate for sterling fell from 73.2 at end February to 72.4 at mid-March. The reserves rose by \$239 million in February, despite \$139 million net repayment of public sector overseas debt.

Domestic credit expansion was almost £0.5 billion in the banking month to February, and bank lending in sterling to the private sector £584 million, way below the very high January figure.

PSBR was nearly £10 billion in the first three quarters of 1979, but should be about £9 billion for 1979-80 as a whole.

Sterling M3 rose by 0.9% in February, and the annualised rate since June 1979 is 11.6% pa. This is approaching the 7-11% target range.

3. ECONOMIC GROWTH.

3.1 Gross Domestic Product at factor cost (1).

Average estimates. 1975=100.

	At current prices.	At 1975 prices.
1974	78.9	100.9 (-1.6)
1975	100.0	100.0 (-0.9)
1976	117.6	103.0 (+3.1)
1977	133.7	104.9 (+1.9)
1978	151.9	107.7 (+2.7)
<u>1974 Q1</u>	70.0	99.0 (-4.7)
1979 Q1	158.2	107.6 (+1.8)
Q2	169.5	111.6 (+3.6)
Q3	175.4	109.5 (+0.6)
		p 109.7 (+1.1)**

** These provisional figures are based only upon output data.

3.2 Per Capita: Gross Domestic Product (GDP); Consumers' Expenditure (CE); and Personal Disposable Income (PDI). (1). 1975 prices.

	GDP	CE	PDI
1974	£1,684	£1,150	£1,340
1975	£1,670	£1,138	£1,335
1976	£1,728	£1,141	£1,336
1977	£1,752	£1,132	£1,315
1978	£1,798	£1,194	£1,408
<u>1974 Q1</u>	£ 207	£ 158	£ 180
1979 Q1	£ 441 (-0.7)	£ 305 (+3.7)	£ 364 (+7.7)
Q2	£ 452 (+0.9)	£ 318 (+7.4)	£ 367 (+5.2)
Q3	£ 444 (-1.8)	£ 305 (+1.0)	£ 368 (+2.8)

ECONOMIC ACTIVITY

4.1 Production
1975=100

	Industrial Production (all industries) (1)		Industrial Production (manufacturing) (1)		Engineering Vol. new orders (2)
1974	105.1	(-4.0)	106.5	(-1.7)	103 (-11.2)
1975	100.0	(-4.8)	100.0	(-6.1)	84 (-18.4)
1976	102.2	(+2.0)	101.6	(+1.6)	92 (+ 9.2)
1977	106.0	(+3.7)	103.0	(+1.4)	98 (+ 6.5)
1978	109.9	(+3.7)	103.8	(+0.8)	102 (+ 4.1)
1979	112.8	(+2.5)	104.3	(+0.4)	102
<u>1979</u>					
April	113.4	(+2.4)	106.0	(+0.8)	105 (+11.7)
May	114.9	(+4.4)	106.8	(+3.2)	105 (+ 2.9)
June	116.2	(+4.6)	108.5	(+3.4)	108 (+16.1)
July	116.1	(+4.1)	107.0	(+2.0)	102 (- 1.0)
August	112.5	(+0.7)	102.3	(-2.8)	97 (-)
September	111.2	(+0.2)	100.5	(-3.8)	97 (-10.2)
October	112.1	(+2.8)	102.8	(+0.1)	101 (+ 4.1)
November	114.6	(+4.1)	105.8	(+2.7)	114 (- 8.1)
December	112.5	(+0.6)	103.8	(-0.4)	103 (- 2.8)
<u>1980</u>					
January	112.2	(+8.0)	102.9	(+8.0)	

4.2 Retail Sales. 1971=100 (3).

	Volume	Value	1979	Volume	Value
1974	109.0 (-1.2)	146.7 (+15.6)	April	115.4 (+ 8.0)	290.6 (+16.3)
1975	106.7 (-2.1)	174.4 (+18.9)	May	113.5 (+ 4.9)	289.2 (+13.3)
1976	106.5 (-0.2)	200.1 (+14.7)	June	120.3 (+10.8)	309.3 (+20.2)
1977	103.6 (-2.7)	228.0 (+13.9)	July	108.7 (- 2.1)	294.4 (+11.1)
1978	109.2 (+5.4)	260.1 (+14.1)	Aug.	111.5 (- 0.2)	304.3 (+13.0)
1979	112.3 (+2.8)	297.4 (+14.3)	Sept.	109.8 (+ 0.2)	302.4 (+13.7)
<u>1974 Q1</u>	109.6 (-1.8)	136.5 (+10.6)	Oct.	111.3 (+ 1.1)	309.6 (+15.5)
1979 Q1	110.1 (+3.7)	276.5 (+12.2)	Nov.	113.6 (+ 3.0)	317.5 (+17.7)
Q2	116.6 (+8.2)	297.5 (+16.9)	Dec.	112.4 (- 1.2)	316.9 (+13.3)
Q3	109.9 (-0.5)	300.6 (+12.7)			
Q4	112.4 (+0.6)	314.8 (+15.3)			

4.3 Consumers' Expenditure. £million at 1975 prices (1).

		SELECTED COMPONENTS.				
TOTAL		Food, drink & tobacco.	Housing, fuel & light.	Clothing & footwear	Durable household goods.	Cars & motorcycles
1974	64,162	19,876	12,090	5,107	3,241	1,731
1975	63,328	19,676	12,138	5,170	3,204	1,816
1976	63,479	19,853	12,285	5,194	3,384	1,977
1977	62,897	19,509	12,535	5,315	3,194	2,508
1978	66,728	20,397	12,575	5,463	3,430	2,508
<u>1974 Q1</u>	15,984	5,114	2,675	1,375	824	560
1979 Q1	17,076	5,159	3,265	1,366	888	626
Q2	17,791	5,317	3,225	1,455	1,024	851
Q3	17,059	5,199	3,223	1,381	843	577
Q4	17,350	5,218	3,223	1,451	876	675

4.4 The Labour Market in Great Britain. (4).

		<u>Employees in employment</u>		<u>Unemployment</u>		<u>Vacancies notified to Employment Offices</u>
		<u>Index of production industries</u>	<u>All industries and services</u>		<u>% of all employees</u>	<u>000's</u>
		<u>000's</u>	<u>000's*</u>	<u>000's</u>		
			<u>(March)</u>			
Jan	1974	9,721	22,210	535.9	2.3	
"	1975	9,567	22,227	672.3	2.9	
"	1976	9,135	21,920	1,150.0	4.9	
"	1977	9,081	21,974	1,276.6	5.5	
"	1978	9,026	22,010	1,361.0	5.8	
"	1979	9,008	22,116	1,280.1	5.5	
"	1980			1,277.6	5.4	
<u>1979</u>	April	8,981.		1,268.0	5.4	243.8
	May	8,990		1,247.2	5.3	255.8
	June	8,991	22,320	1,220.8	5.2	261.0
	July	8,992		1,219.0	5.2	251.6
	Aug.	8,981		1,205.2	5.1	244.2
	Sept.	8,962	22,367	1,204.1	5.1	241.9
	Oct.	8,935		1,221.6	5.2	236.2
	Nov.	8,910		1,222.5	5.2	233.1
	Dec.	8,890		1,233.7	5.2	218.5
<u>1980</u>	Jan.			1,277.4	5.4	205.4
	Feb.			1,319.9	5.6	190.2
	p March			1,349.9	5.7	179.5

Regional Unemployment.

Figures are in 000's followed by the percentage of the workforce unemployed, given in brackets.

	Feb 1974	Oct 1974	Apr 1979	March 1980 p
South East	112.1 (1.5)	123.6 (1.7)	273.5 (3.6)	282.6 (3.7)
E. Anglia	11.0 (1.6)	14.5 (2.1)	31.0 (4.3)	32.0 (4.4)
South West	33.4 (2.3)	45.1 (2.9)	90.9 (5.5)	90.6 (5.5)
W. Midlands	46.1 (2.0)	n / a	118.7 (5.1)	133.6 (5.8)
E. Midlands	28.4 (2.0)	34.9 (2.3)	71.9 (4.5)	77.8 (4.9)
Yorks/Humberside	51.7 (2.6)	54.5 (2.7)	113.3 (5.4)	126.2 (6.0)
North West	92.3 (3.2)	100.0 (3.6)	190.2 (6.7)	212.2 (7.5)
North	56.9 (4.3)	60.5 (4.7)	109.4 (7.9)	121.6 (8.7)
Wales	35.1 (3.4)	39.1 (3.8)	81.4 (7.5)	87.8 (8.0)
Scotland	84.9 (3.9)	84.8 (3.9)	165.9 (7.3)	184.8 (8.1)

5. PRICES

5.1 Retail prices.

	Retail Price index (all items) Jan 1974=100 (4).	Value of £1 1974=100p	Tax & price index (1) Jan 1978=100
1974	108.5 (16.1)	100p	
1975	134.8 (24.2)	80p	
1976	157.1 (16.5)	69p	
1977	182.0 (15.8)	60p	
1978	197.1 (8.3)	55p	101.1
1979	223.5 (13.4)	49p	113.2

	Index	RPI* % change on month	% change since May 1979	Value of £1 May 1979=100p	Tax & price index*
<u>Feb '74</u>	101.7 (13.2)	1.7			
1979 Apr	214.2 (10.1)	1.7			110.5 (12.3)**
May	215.9 (10.3)	0.8		100.0p	111.6 (1.7)**
Jun	219.6 (11.4)	1.7	1.7	98.3p	113.8 (13.8)**
***Jul	229.1 (15.6)	4.3	6.1	94.2p	113.8 (13.2)
Aug	230.9 (15.8)	0.8	6.9	93.5p	114.9 (13.4)
Sep	233.2 (16.5)	1.0	8.0	92.6p	116.2 (14.1)
Oct	235.6 (17.2)	1.0	9.1	91.6p	117.6 (14.8)
Nov	237.7 (17.4)	0.9	10.1	90.8p	118.8 (15.1)
Dec	239.4 (17.2)	0.7	10.9	90.2p	119.8 (14.9)
1980 Jan	245.3 (18.4)	2.5	13.6	88.0p	123.2 (16.1)
Feb	248.8 (19.1)	1.4	15.2	86.8p	125.3 (16.9)

** These figures reflect the changes in the 1978 Finance Act which affect the TPI from April, but not the Budget changes which are included from July.

*** About 4% of the increase in RPI between June and July is due to changes in VAT introduced in the Budget.

The index of retail prices of all foods at end February 1980, published in 'Grocer' magazine was 236.39, an increase of 0.31% on the month and 10.78 on the year.

5.2 Wholesale prices.

	Materials & fuels purchased by manufacturing industries* (5)	Output prices of all manufac- tured products (home sales)*(5)	Reuter's commodity index** (6)
	1975=100	1975=100	
1974	86.8 (+47.6)	81.8 (+22.6)	1,242.2 (+4.6) Oct
1975	100.0 (+15.2)	100.0 (+22.2)	1,125.5 (-8.4) Nov
1976	127.0 (+27.0)	117.3 (+17.3)	1,552.7 (+36.7) "
1977	145.6 (+14.6)	140.5 (+19.8)	1,490.5 (-4.0) "
1978	144.6 (-0.7)	153.3 (+9.1)	1,516.3 (+1.5)
1979	167.6 (+15.9)	171.9 (+12.1)	
			(last working day)
<u>1974 Feb</u>	85.7	75.3	1,442.0
1979 Apr	160.6 (+10.7)	165.5 (+9.6)	1,560.4 (+8.1)
May	162.8 (+10.9)	167.7 (+10.4)	1,579.3 (+7.2)
Jun	166.6 (+13.3)	170.9 (+11.9)	1,617.7 (+7.6)
Jul	168.1 (+15.3)	174.8 (+13.6)	1,523.1 (+6.1)
Aug	169.1 (+17.3)	176.3 (+13.9)	1,590.0 (+9.1)
Sep	172.5 (+19.1)	178.2 (+14.4)	1,659.0 (+10.9)
Oct	178.1 (+22.2)	180.3 (+14.9)	1,668.3 (9.1)
Nov	186.0 (+26.3)	181.6 (+15.5)	1,691.2 (+11.0)
Dec	187.4 (+25.9)	183.3 (+15.8)	1,709.5 (+14.3)
1980 Jan	193.3 (+27.3)	187.9 (+17.4)	1,809.5 (+19.5)
Feb	197.2 (+28.6)	191.1 (+18.2)	1,785.7 (+14.7)

** This index is a geometric average of seventeen primary commodities (wheat, cotton, coffee, wool, copper, sugar, rubber, maize, rice, beet, soyabeans, cocoa, tea, groundnuts, copra, zinc and lead) weighted by their importance in international trade.

6. EXTERNAL TRADE.

6.1 Balance of Payments. (3)
£million.

	Current balance	Visible balance	Invisible balance	Exports (FOB)	Imports (FOB)	Balance of trade in oil.
1974	-3,307	-5,235	+1,928	16,538	21,773	-3,422
1975	-1,621	-3,236	+1,615	19,463	22,699	-3,106
1976	-1,152	-3,911	+2,759	25,193	29,104	-3,973
1977	+ 224	-2,239	+2,015	31,734	33,973	-2,791
1978	+ 932	-1,493	+2,425	35,071	36,564	-1,900
1979	-2,437	-3,312	+ 875	40,689	44,001	- 780
1979 Apr.	- 128	- 164	+ 36**	3,616	3,780	- 123
May	- 252	- 287	+ 35	3,509	3,796	- 54
June	- 195	- 231	+ 36	3,461	3,692	- 50
July	+ 58	- 27	+ 85	3,600	3,627	- 44
Aug.	- 121	- 226	+ 85	3,517	3,743	- 122
Sept.	- 126	- 211	+ 85	3,549	3,760	+ 12
Oct.	- 94	- 418	+ 24	3,484	3,902	- 96
Nov.	- 51	- 75	+ 24	3,760	3,835	+ 217
Dec.	- 229	- 252	+ 23	3,773	4,025	- 88
1980 Jan. p	271	- 321	p+ 50	3,879	4,200	- 74
Feb.p	- 176	- 226	p+ 50	4,133	4,359	- 52

** Monthly figures for invisibles are not available, so $\frac{1}{3}$ of the appropriate calendar quarter's estimate is used to calculate the monthly current balance.

6.2 Terms of Trade (3).
1975=100

		Unit values		Unit volumes		Terms of trade**
		Exports*	Imports*	Exports	Imports	
1974		81.8	88.5	103.9	107.9	92.4
1975		100.0	100.0	100.0	100.0	100.0
1976		120.7	121.6	109.8	105.7	99.3
1977		142.5	141.3	118.9	107.2	100.0
1978		155.1	147.0	121.5	112.6	105.5
1979		171.9	162.3	125.9	125.7	105.9
1979	Q1	165.8	154.9	109.0	116.9	107.0
	Q2	169.1	158.9	135.3	128.9	106.4
	Q3	173.6	162.6	129.8	128.1	106.8
	Q4	179.1	172.8	129.3	128.9	103.7
1979	April	168.8	155.4	140.7	131.6	108.6
	May	169.1	157.3	134.1	131.8	107.5
	June	170.9	160.4	130.3	129.2	106.5
	July	173.6	158.5	133.3	128.1	109.5
	August	173.2	162.3	128.6	129.8	106.7
	September	174.5	165.5	129.3	127.5	105.5
	October	177.2	169.8	124.7	129.7	104.4
	November	179.6	172.5	131.8	125.8	104.1
	December	180.5	176.0	131.3	131.2	102.6
1980	January	185.2	183.6	129.9	128.3	100.9
	February	187.3	186.2	136.8	129.1	100.6

** Terms of trade are derived by expressing the unit value index for exports as a percentage of the unit value index for imports.

dollar became unreliable. The official effective exchange rate compares individual currencies with the average of other currencies weighted in terms of visible trade. The weights are derived from IMF's multilateral exchange rate model.

**** Exchange rates against selected currencies are given on the last working day of each month.

7. GOVERNMENT FINANCE.

1 Money Stocks. (7)

The figures show the change in the amount outstanding during the stated period in £ million, and the figures in brackets show the same change expressed in percentage terms.

	M1	Sterling M3
1974/75	+1,963	+2,738
1975/76	+2,340	+2,453
1976/77	+1,765	+2,829
1977/78	+4,704	+6,233
1978/79	+3,225	+5,286

During the month to:

1979	April 18th	+ 786 (+3.0%)	+ 721 (+1.4%)
	May 16th	+ 39 (+0.1%)	+ 729 (+1.4%)
	June 20th	- 213 (-0.8%)	+ 601 (+1.2%)
	July 18th	+ 64.1 (+2.4%)	+ 426 (+0.8%)
	Aug. 15th	- 3 (-)	+ 563 (+1.1%)
	Sept. 19th	+ 120 (+0.4%)	+ 346 (+0.6%)
	Oct. 17th	+ 921 (+3.4%)	+1,066 (+2.0%)
	Nov. 21st	- 575 (-2.0%)	+ 371 (+0.7%)
	Dec. 12th	+ 26 (+0.1%)	+ 258 (+0.5%)
1980	Jan. 16th	- 2 (-)	+ 611 (+1.1%)
	Feb. 20th	- 431 (-1.6%)	+ 529 (+0.9%)

7.2 Domestic Credit Expansion (7).
£ million

	Central govt. borrowing requirement (surplus -ve)	Public sector borrowing requirement	Expansion in bank lending to pri- vate sector	Domestic credit expansion
1974/75	+5,082	+ 7,947	+2,542	+6,382
1975/76	+8,803	+10,588	- 561	+5,138
1976/77	+5,944	+ 8,500	+3,392	+4,933
1977/78	+4,431	+ 5,597	+3,743	+3,770
1978/79	+8,084	+ 9,283	+6,285	+7,321
1979 Q2	+3,274	+ 3,341		
Q3	+2,853	+ 3,841		
Q4	+3,210	+ 3,890		

In the month to:

<u>1979</u> April 18th	+1,464		+ 535	+ 876
May 16th	+ 853		+ 819	+ 995
June 20th	+1,250		+1,026	+ 896
July 18th	+ 786		+ 381	+ 420
Aug. 15th	+ 281		+ 689	+1,045
Sept. 19th	+1,647		+ 155	+ 944
Oct. 17th	+ 937		+1,228	+1,547
Nov. 21st	+ 731		+ 729	+1,094
Dec. 12th	+1,470		+ 157	+ 250
<u>1980</u> Jan. 16th	+ 154		+1,304	+ 792
Feb 20th	+ 22		+ 584	+ 495

8. INTERNATIONAL COMPARISONS.
(6,8,9)

	GDP at market Prices ⁺	Index of production ⁺⁺⁺	% workforce unemployed ⁺⁺	Earnings in manufacturing ⁺⁺⁺	Unit labour + costs	Consumer prices ⁺⁺⁺	Exchange rate ⁺⁺⁺⁺
USA	9.9 ⁺⁺⁺	0.9	5.9	7.6	8.6 ⁺⁺⁺	12.9	-
Japan	8.3	9.0	2.1	7.4	-2.0 ⁺⁺⁺	5.0	-15.7
W. Germany	8.0 ⁺⁺⁺	5.2	3.5	4.9	1.0	5.3	7.1
France	n/a	2.7 ⁺	n/a	13.1	15.9 ⁺⁺⁺	11.5	5.0
Holland	n/a	0.8	n/a	4.0	n/a	4.6	4.6
Belgium	n/a	0.0	11.3	6.9 ⁺	n/a	5.1	3.7
Switzerland	n/a	3.8 ⁺	n/a	1.9 ⁺	n/a	5.1	3.9
Italy	19.6	7.5	7.3	22.2	n/a	18.9	4.1
UK	11.4	2.7	5.3	14.1	10.0	17.2	13.7

+ Change (%) between the third quarters of 1978 and 1979.

++ Recorded at the end of the fourth quarter 1979.

+++ Change (%) between the fourth quarters of 1978 and 1979.

++++ Change (%) against the dollar in the year to January 1980.