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CABINET
MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

MONTHLY ECONOMIC REPORT

Note by the Secretaries

The attached monthly economic report for June 1979 is circulated for the information of the Committee.

Signed JOHN HUNT
P Le CHEMINANT
P MOUNTFIELD

Cabinet Office

12 June 1979

MONTHLY ECONOMIC BRIEF

PREPARED BY THE CSO ON 8 JUNE 1979

INTRODUCTION

This report uses the best available techniques for assessing the underlying trends in the economy now, early in June. It is therefore bolder and more up to date than the statements published with the figures themselves. In it the fluctuations in the monthly figures have been discounted.

Strikes affected the production of statistics as well as economic activity itself. That has made economic assessment something of a guessing game.

ACTIVITY AND UNEMPLOYMENT

GDP in the second quarter of this year is likely to be higher than it was in the middle of last year. That can be taken to reflect recovery from the strikes and the hard winter; some output was, so to speak, deferred into the second quarter. If that had not happened it would have been clear that the economy is at, or has recently passed, a peak in economic activity.

Apart from the effects of industrial disruptions, unemployment has probably been flat so far this year.

DEMAND

Some increase in real post tax incomes plus possibly a little decrease in personal savings are probably still keeping consumers' expenditure on an upward path but there is very little growth in

other categories of demand. (Given the volatility of the trade figures and stockbuilding this is a particularly tentative statement.)

BALANCE OF PAYMENTS

The underlying current account deficit in January to April was probably smaller than the figures show. It is best to ignore the monthly changes within that period and for another few months.

EARNINGS AND PRICES

It now looks likely that the 1978-79 earnings round will be as big as in 1977-78 (14 per cent). On top of that, 2 per cent or more may be hanging over for the next round.

Retail prices are now rising at just under 1 per cent a month.

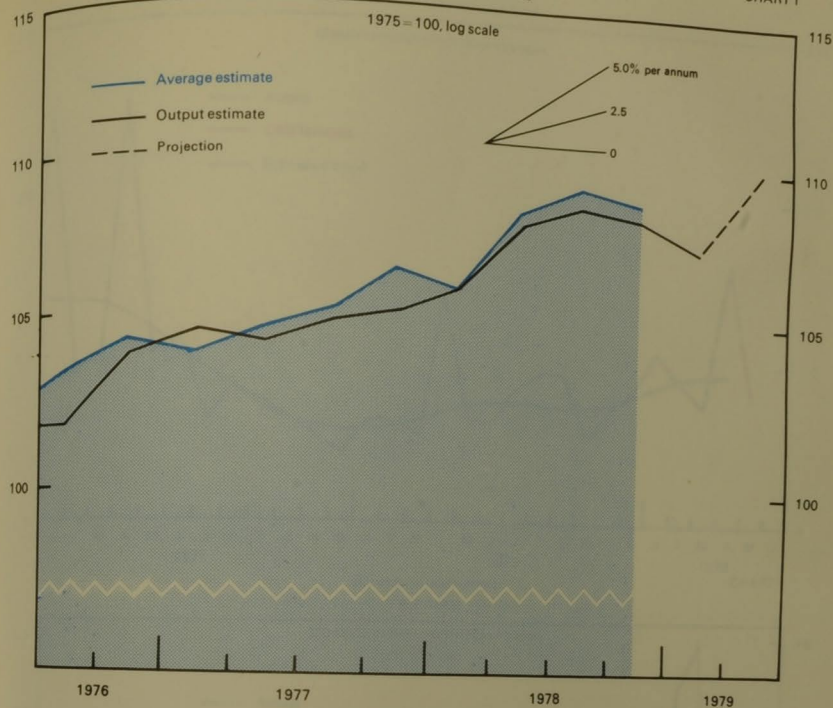
FINANCIAL MOVEMENTS

Money supply is now probably growing at the top end of the 8-12 per cent range.

Interest rates and the sterling exchange rate show no signs of falling.

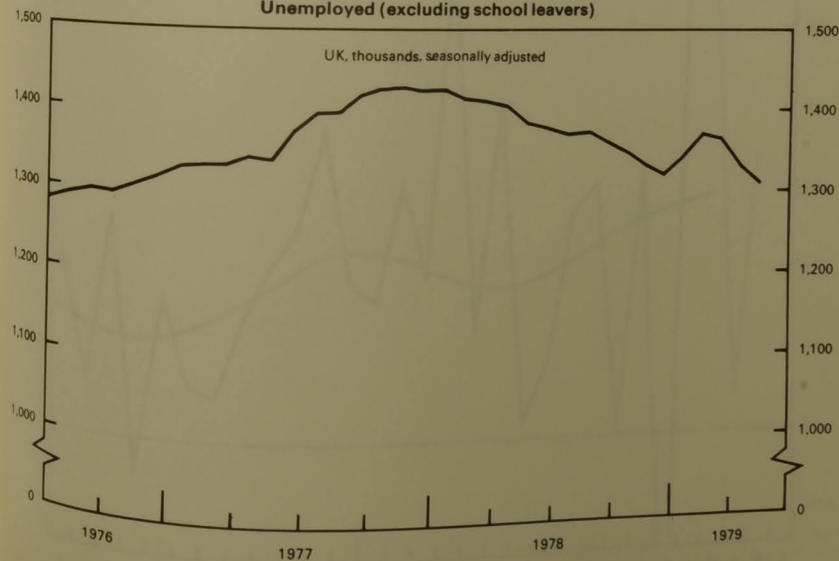
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

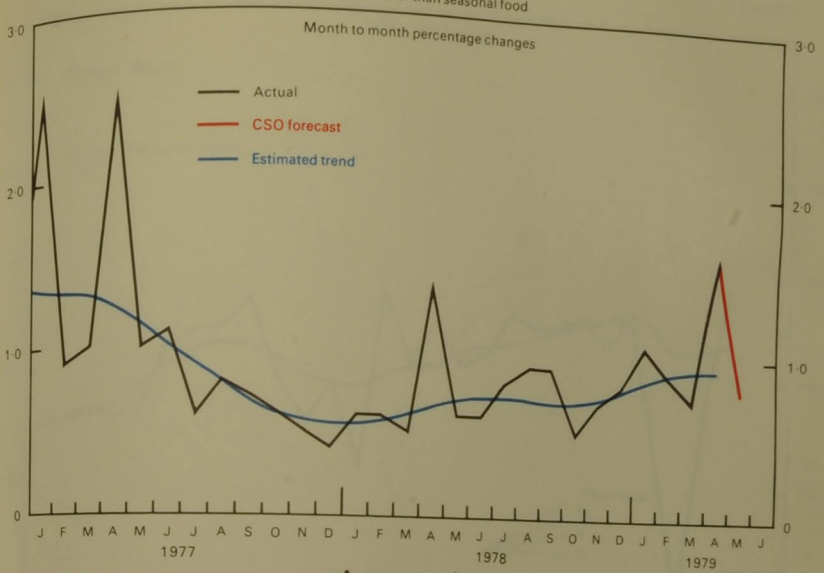
CHART 2



Retail prices

All items other than seasonal food

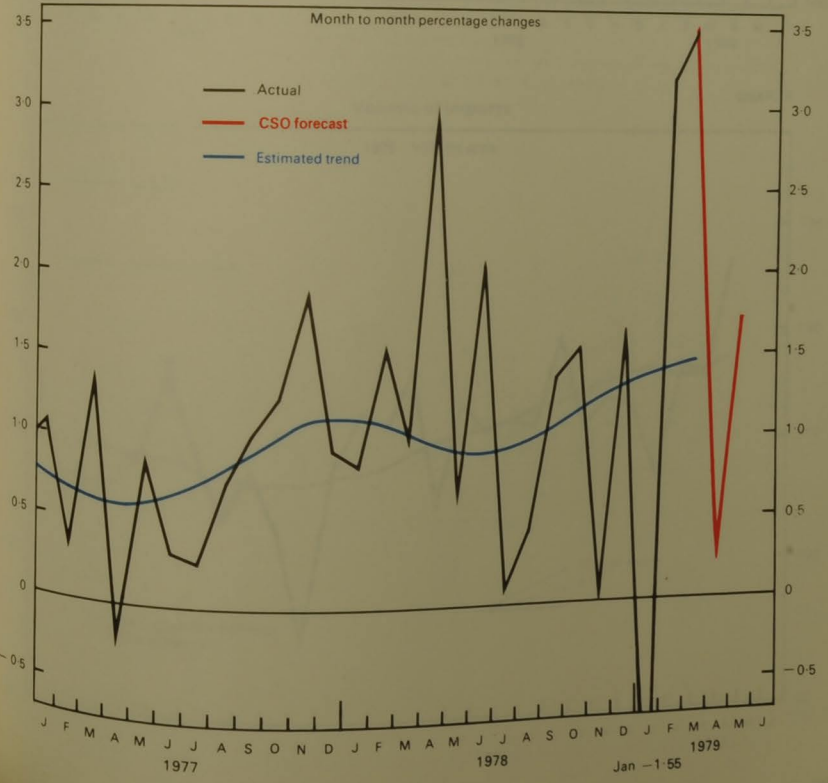
CHART 3



Average earnings

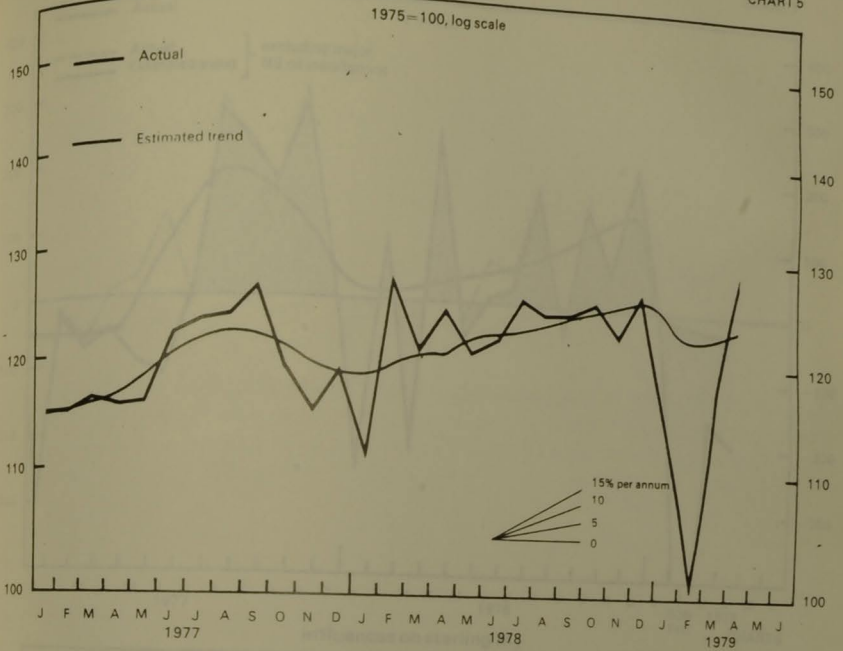
old series

CHART 4



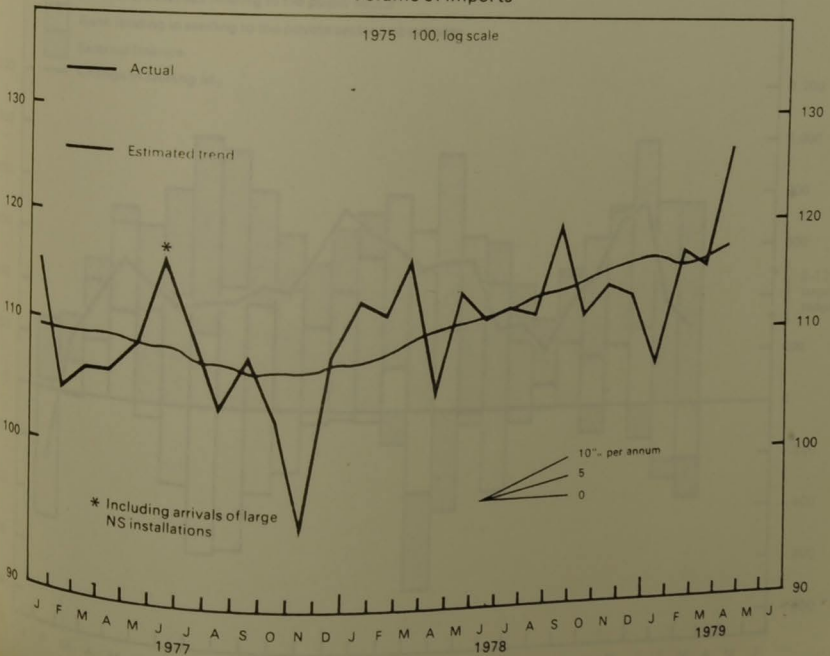
Volume of exports

CHART 5



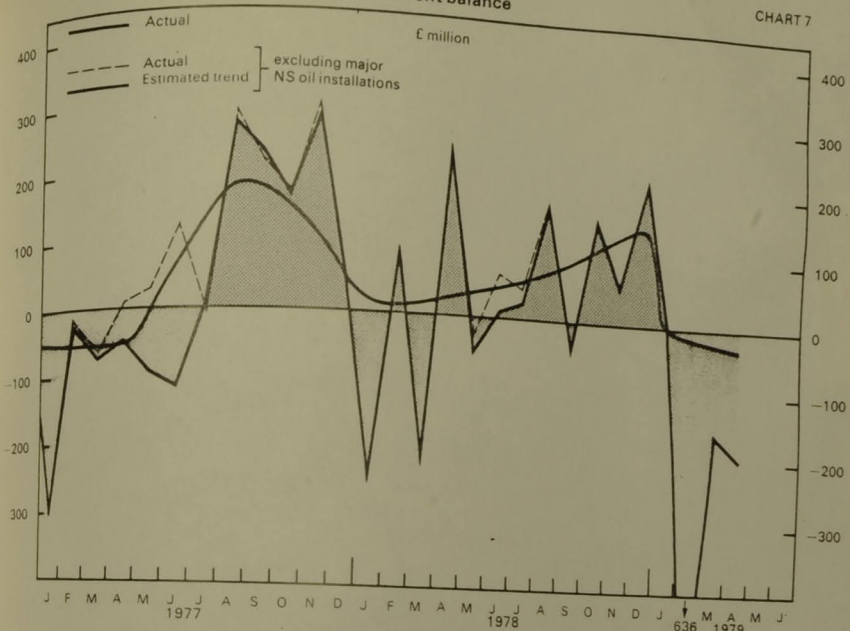
Volume of imports

CHART 6



Current balance

CHART 7



Influences on sterling M₃

CHART 8

