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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 JOHN HUNT
P Le CHEMINANT
P MOUNTFIELD

Cabinet Office

2 October 1979

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A23/1

MONTHLY ECONOMIC BRIEF

COPY NO 56

Prepared by the CSO on 27 September 1979

ACTIVITY AND UNEMPLOYMENT

The second quarter recovery in GDP has not been maintained. We expect a fall of perhaps 1 per cent in the third quarter mainly reflecting the losses of output resulting from the engineering dispute.

The September figures suggest that the downward trend in unemployment could now be levelling out. Notified vacancies fell for the third successive month.

DEMAND

After the high level of spending in the second quarter, consumers' expenditure now appears to have returned to about the level of the first quarter. Little change is expected in fixed investment and general government final consumption.

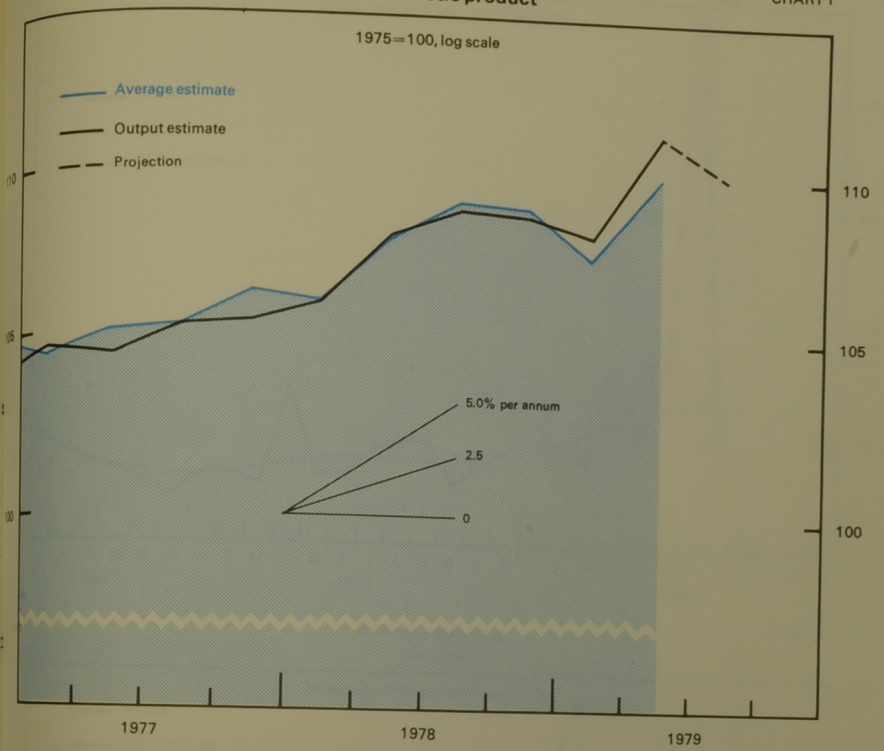
BALANCE OF PAYMENTS

The growth in the volume of imports appears at last to be tailing off; the engineering dispute is holding down the growth in exports. In contrast to the normal surplus in recent years, the invisibles account is no better than in rough balance. The recent sterling depreciation will not help the balance of payments in the short term.

EARNINGS AND PRICES

The index of average earnings increased by 16.4 per cent in the year July, though the underlying increase was slightly less. The effect of the engineering dispute will be to hold down the growth in the index the current quarter, but this masks an underlying increase of perhaps $1\frac{1}{2}$ per cent a month.

1975=100, log scale



Retail prices are still rising at over 1 per cent a month.

INTERNATIONAL COMPETITIVENESS

The major factors in the large worsening of competitiveness over the past year have been the 12 per cent rise in the exchange rate and the 16 per cent rise in earnings, leading to a worsening of perhaps 20 per cent in labour cost competitiveness since the third quarter of 1978. Competitiveness with other EEC countries has not been helped by a faster rise in oil product prices (excluding taxes and duties) this year than in other member countries.

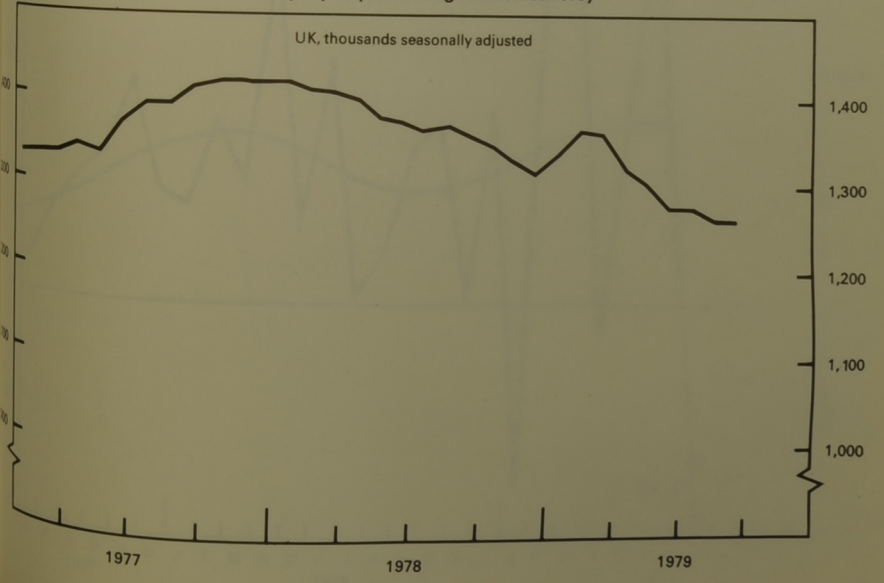
MONEY SUPPLY

Sterling M₃ grew at an annual rate of 12 per cent in the three months to mid-August. Interest rates remain high. The sterling effective exchange rate has fallen since the beginning of September.

Unemployed (excluding school leavers)

CHART 2

UK, thousands seasonally adjusted



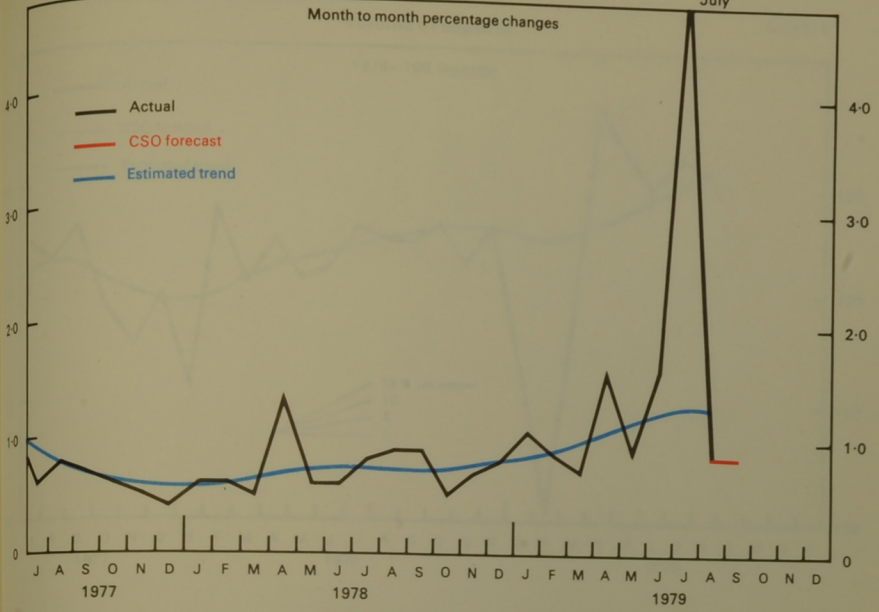
Retail prices

CHART 3

All items other than seasonal food

4.88
July

Month to month percentage changes

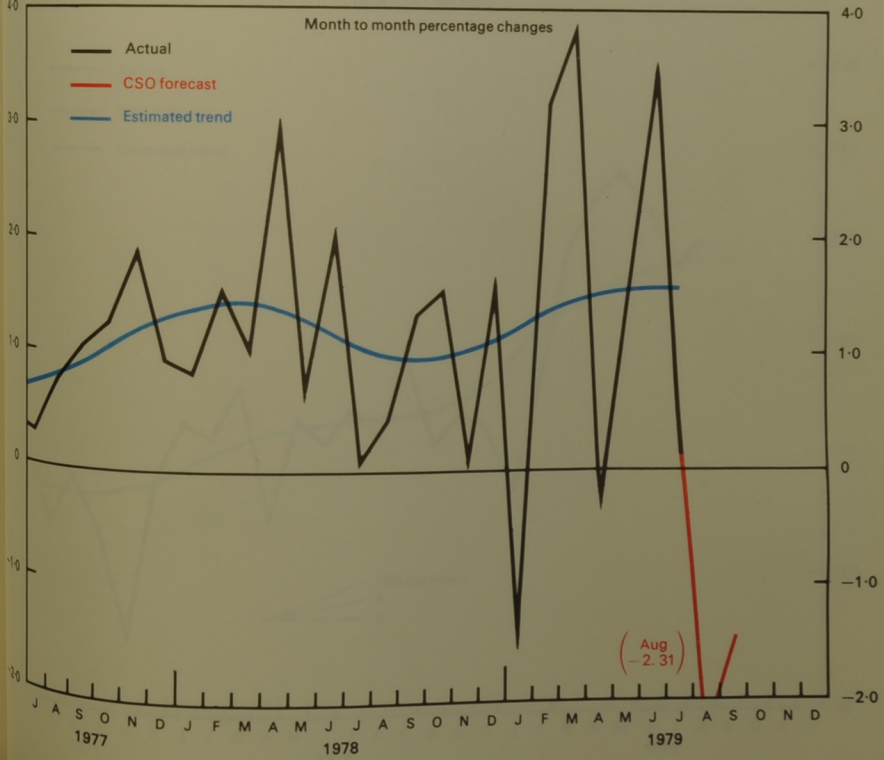


Average earnings

old series

CHART 4

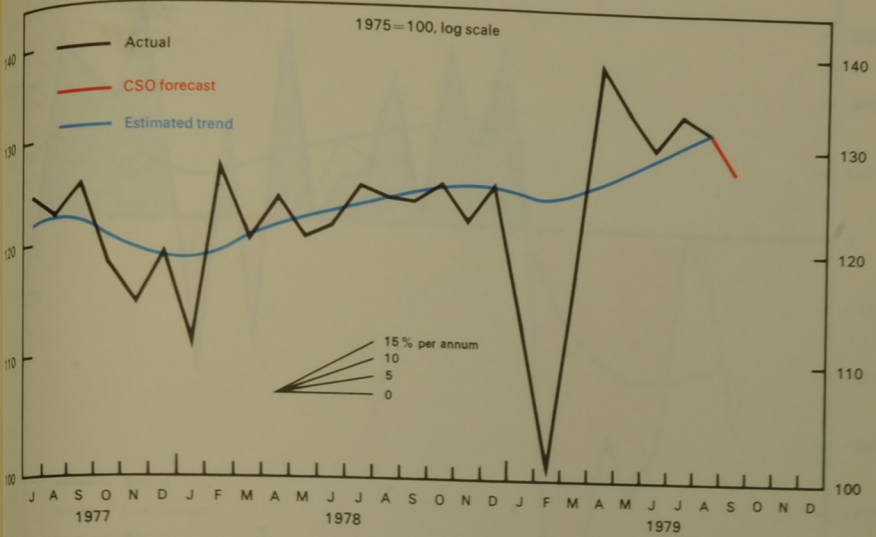
Month to month percentage changes



320
220

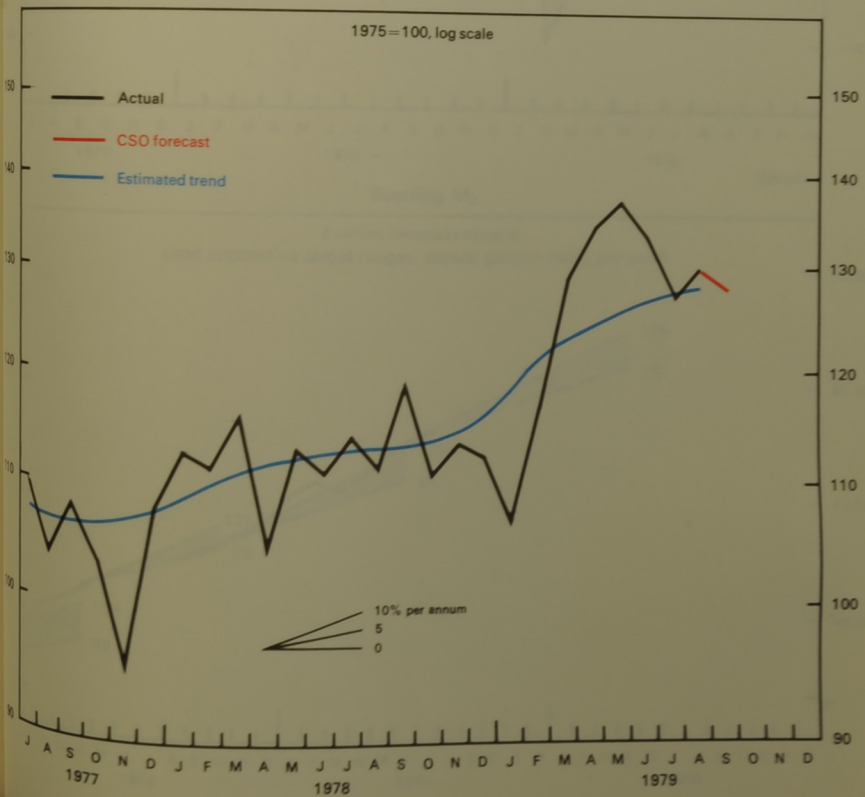
Volume of exports

CHART 5



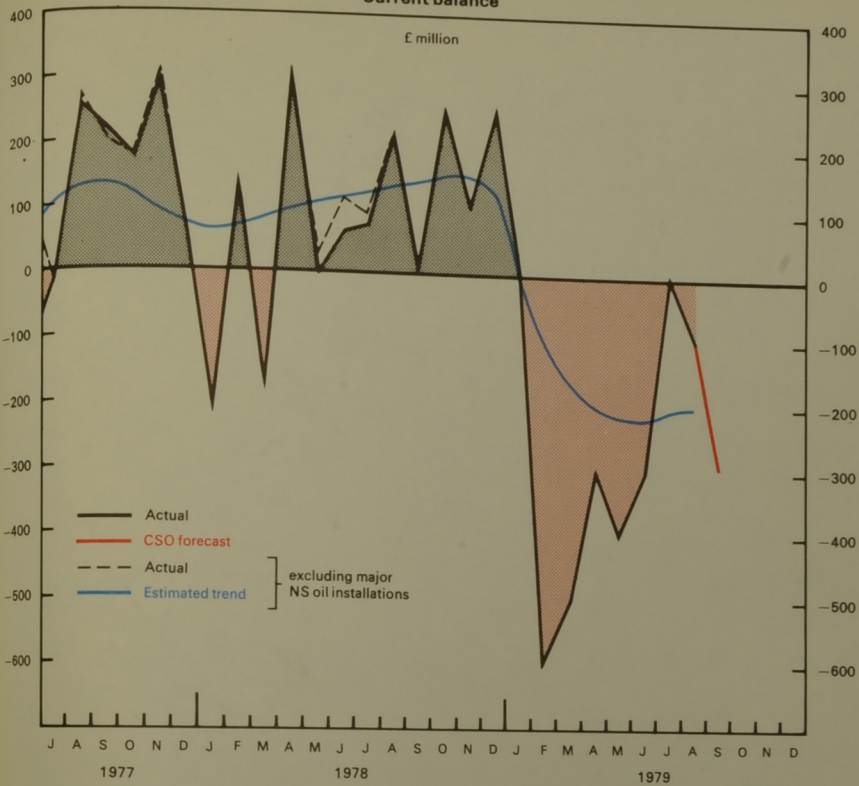
Volume of imports

CHART 6



Current balance

CHART 7



Sterling M₃

CHART 8

