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6 August 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

6 August 1980

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MONTHLY ECONOMIC BRIEF

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Prepared by CSO on 31 July 1980

FINANCE

Growth in £M3 was smaller in banking June. Measured from the beginning of the target period it was at the top of the target range; the wider aggregates have grown faster, the narrower aggregates more slowly. The removal of the corset will raise the growth of £M3 for a month or two; its underlying trend may be difficult to estimate.

Bank lending to the private sector was small in banking June but with a high CGBR and an unexpectedly high leak of bills, the underlying level was probably only slightly below the average of recent months.

Tentative estimates suggest that PSBR was about £5 bn in the June quarter. The high total included special, including seasonal, factors which will be offset later in the year. The Budget forecast for the full financial year is £8½ bn.

All nominal interest rates fell following the reduction in MLR; three months' rates have eased to about 15¾ per cent. The Bank announced further relief measures (on July 4) aimed at easing any short term upward pressure on market interest rates.

EARNINGS AND PRICES

The underlying rate of increase in retail prices has fallen and is now about 1 per cent a month. Wholesale input prices have remained broadly unchanged over recent months.

The recession and the associated reduction in hours worked may have reduced the trend increase in average earnings to something under 1½ per cent a month.

ACTIVITY AND UNEMPLOYMENT

The trend in activity is sharply downward. GDP in the second was 2 per cent lower than in the first; consumers' expenditure in the second quarter, well down on the first, was about the same as in the second half of 1979. Stocks are being run down.

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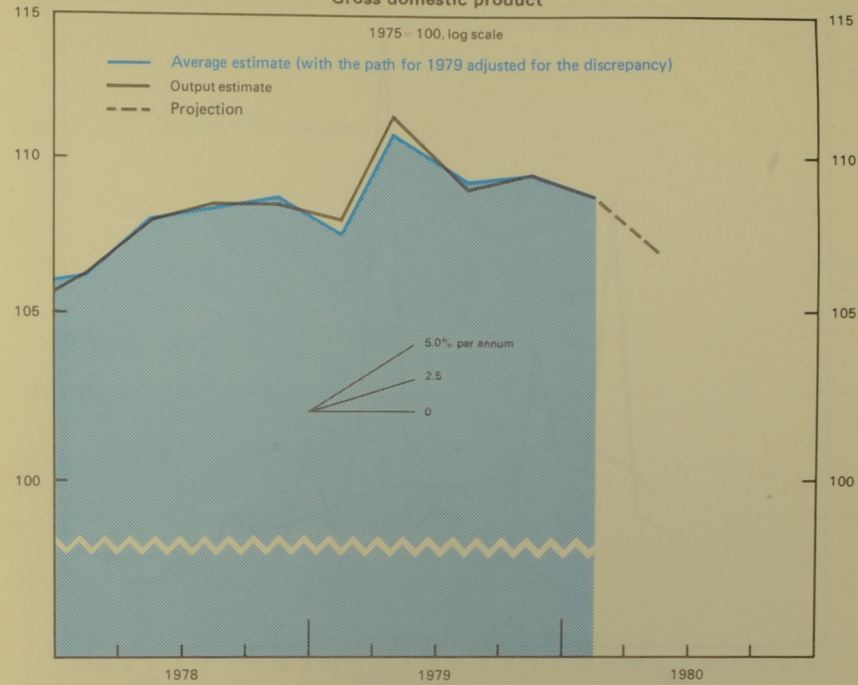
The strong upward trend in unemployment continued in July; vacancies fell again and are close to the previous low point of January 1976.

BALANCE OF PAYMENTS

The visible balance is improving as imports fall back; with a small surplus on invisibles, the current account is assessed to be in surplus by about £0.1bn a month.

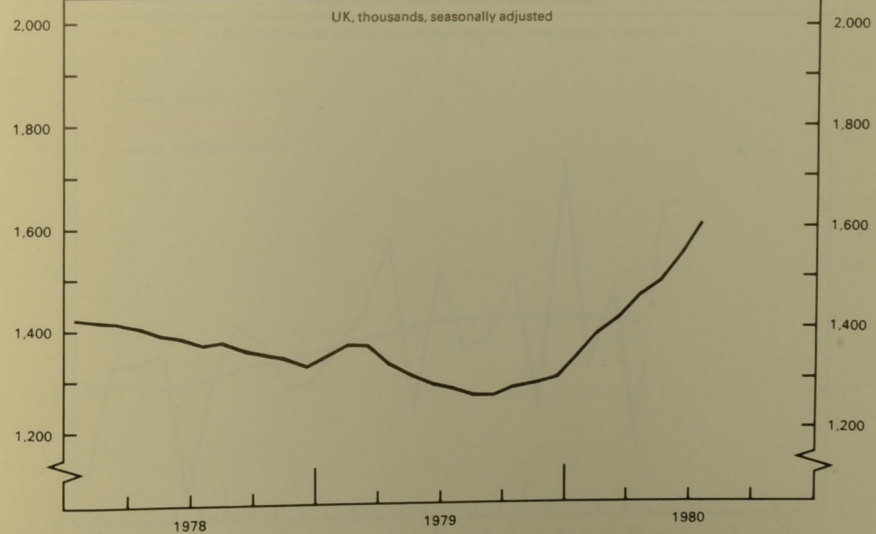
Gross domestic product

CHART 1



Unemployed (excluding school leavers)

CHART 2

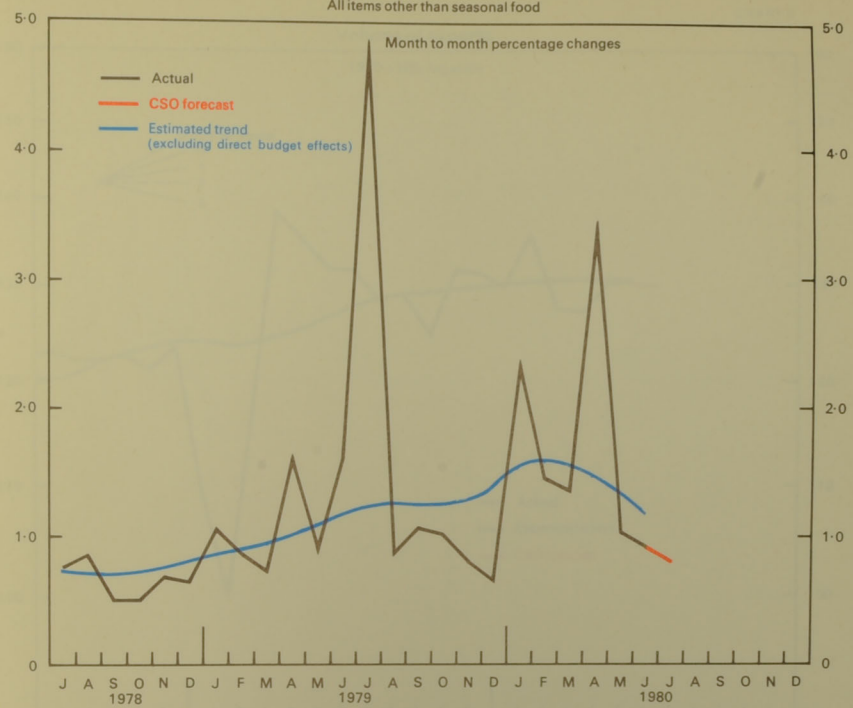


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Rate of increase in retail prices

CHART 3

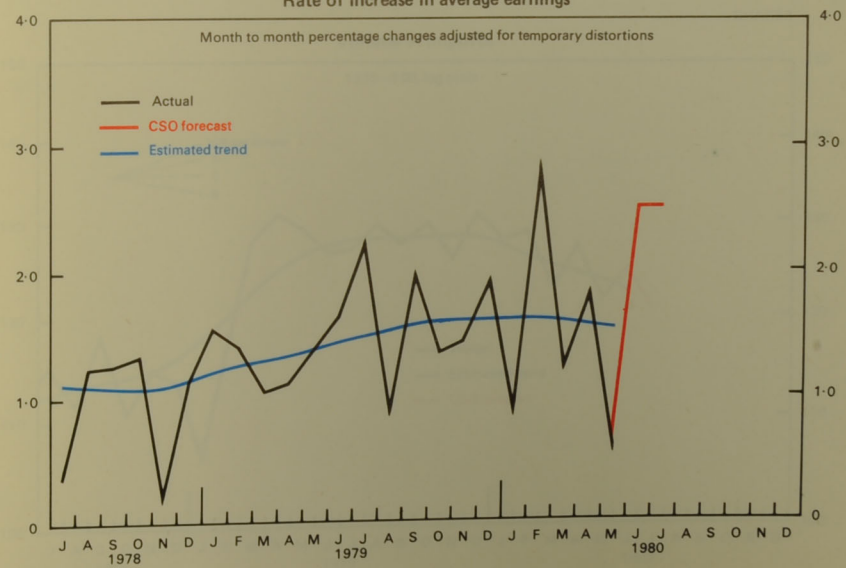
All items other than seasonal food

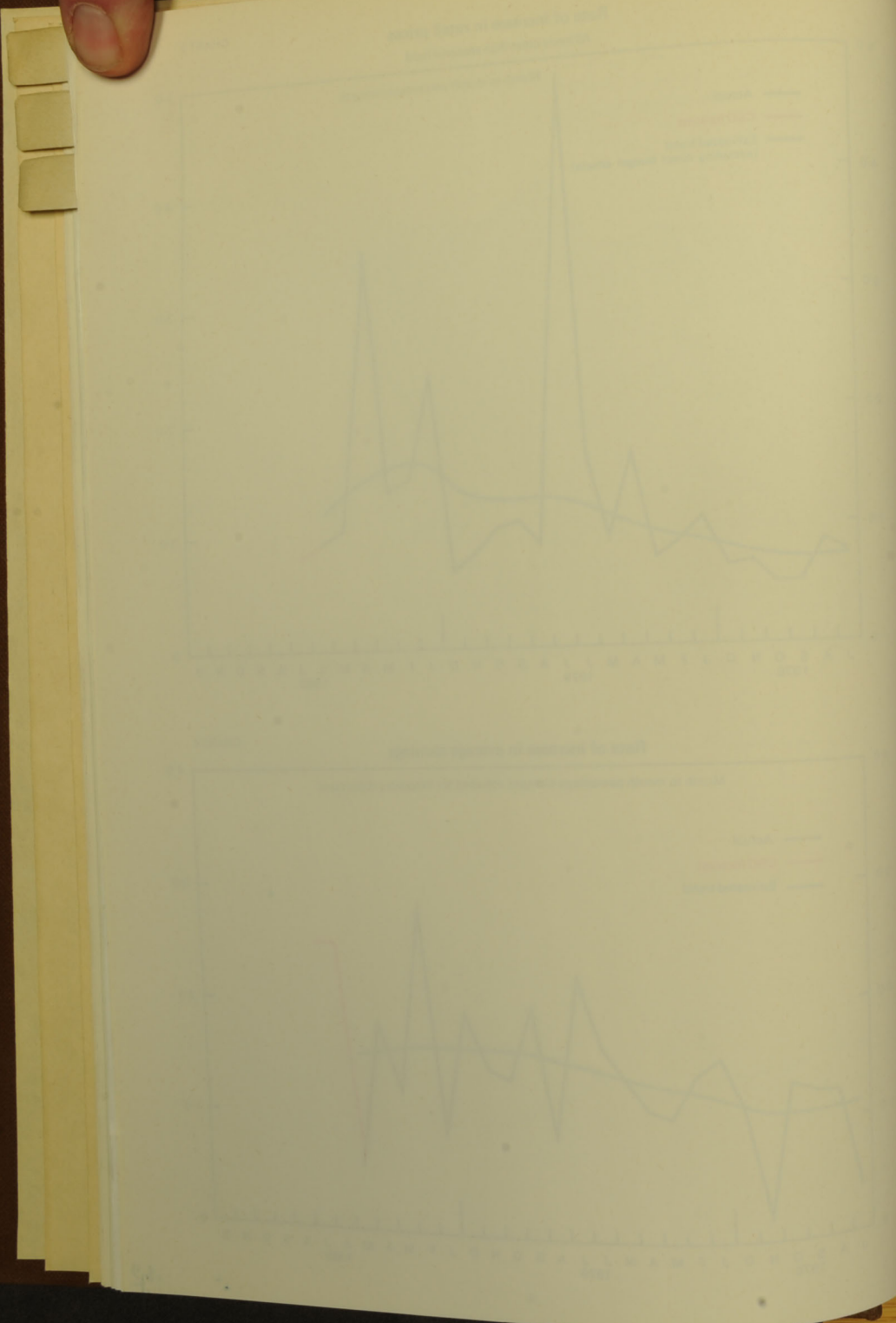


Rate of increase in average earnings

CHART 4

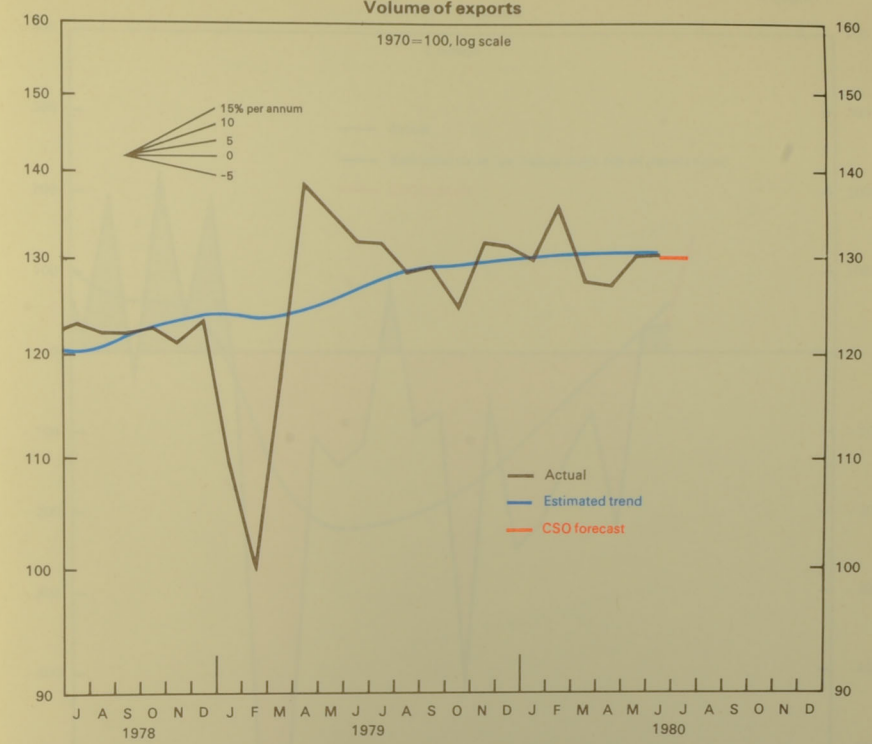
Month to month percentage changes adjusted for temporary distortions





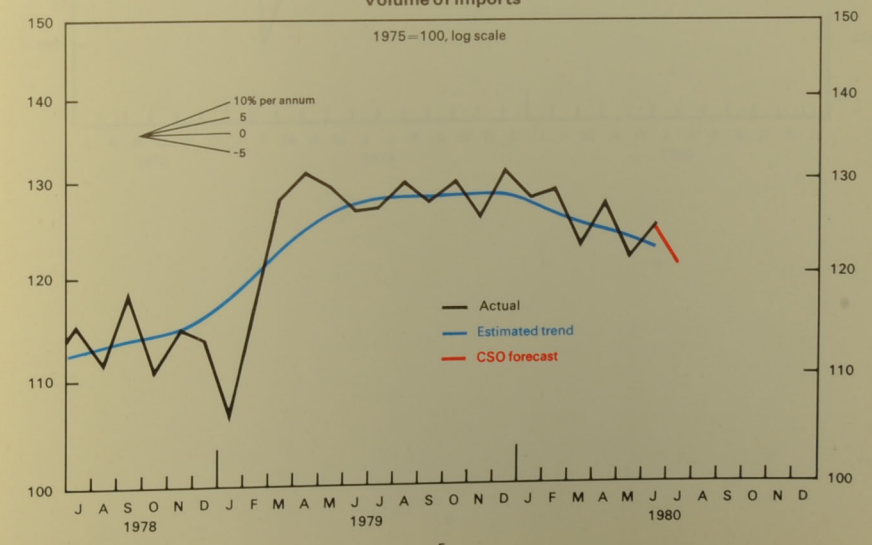
Volume of exports

CHART 5



Volume of imports

CHART 6



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Current balance

CHART 7



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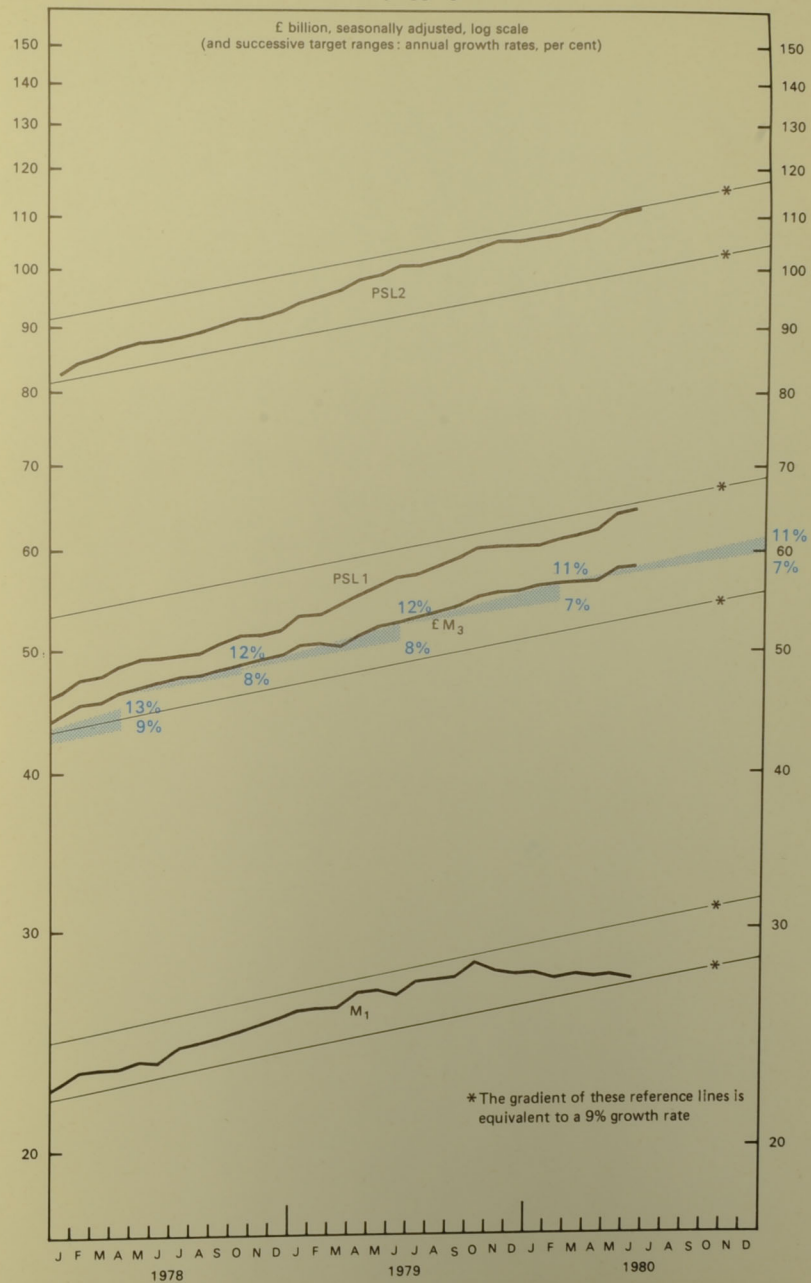
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Monetary aggregates

CHART 8



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