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30 January 1980

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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

30 January 1980

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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 25 January 1980

ACTIVITY AND UNEMPLOYMENT

Our assessment that activity was broadly flat throughout 1979, apart from ephemeral distortions, remains unchanged. The steel strike has not yet affected activity outside the BSC at all seriously.

Unemployment rose strongly in January; the upward movement now seems firmly established. Vacancies fell for the seventh month in succession.

BALANCE OF PAYMENTS

The underlying deficit in the visible balance is about £0.1bn a month, the current account deficit not much less.

EARNINGS AND PRICES

Average earnings, after the sharp rise in October, continued this growth through November. We estimate the monthly trend increase in average earnings to be about $1\frac{1}{2}$ per cent.

The rate of increase in retail prices is now over 1 per cent a month.

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FINANCE

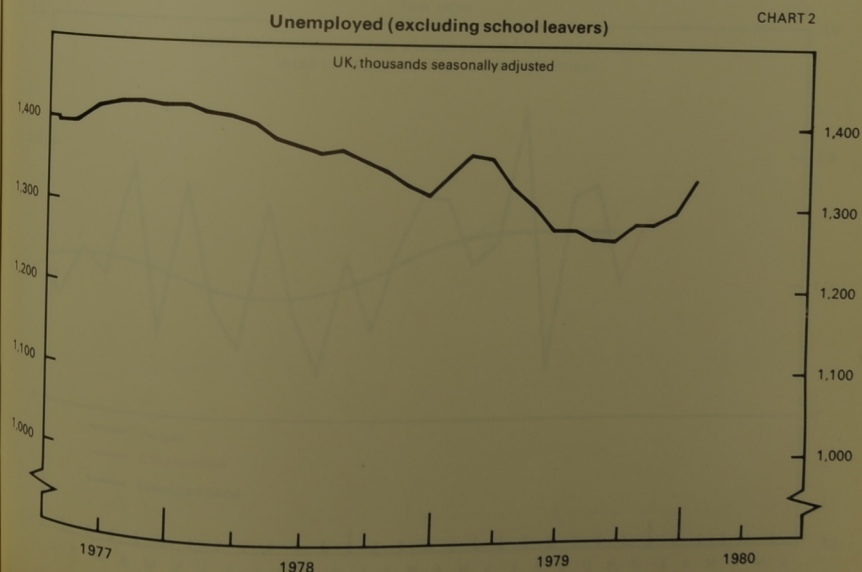
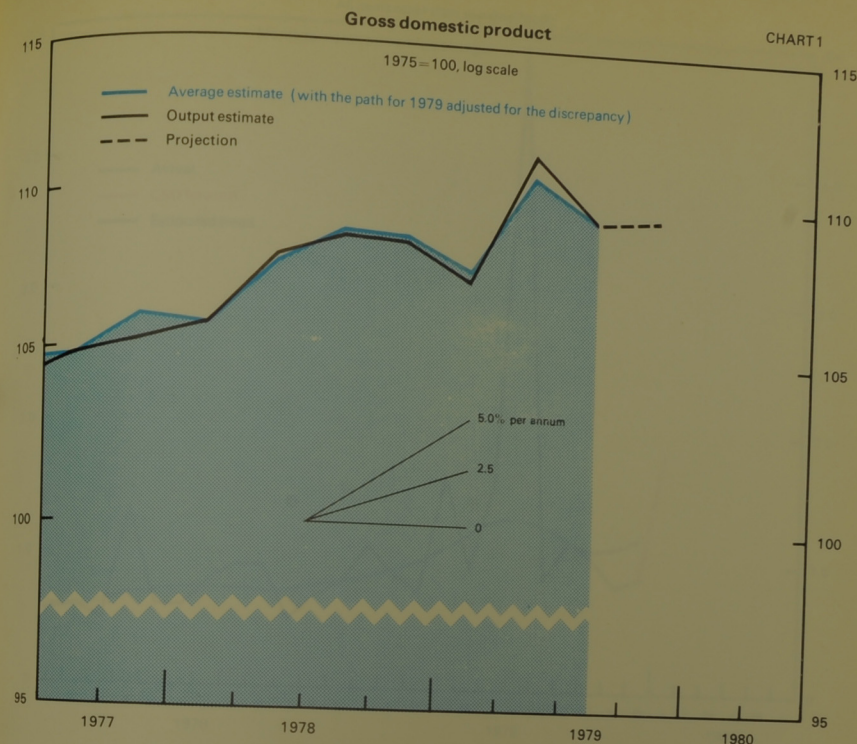
The PSBR is tentatively estimated at £9½bn (seasonally adjusted) in the first three quarters of 1979/80. It was swollen by the effects of the Post Office strike, which will largely unwind by the end of the financial year, and by a continuing shortfall in VAT receipts compared with earlier expectations. There should be little or no borrowing in the last quarter of the year. Most public sector asset sales receipts planned for the year have yet to come in, PRT has been advanced by 2 months and VAT receipts are expected to increase. It seems likely that for 1979/80 as a whole PSBR will exceed £9bn compared with the published forecast of £8½bn.

Growth of the main monetary aggregates slowed in banking December. Over the last six months sterling M3 has grown at an annual rate of 11½ per cent, just above the target range.

Interest rates remain high, despite increased market expectations of a fall.

The sterling effective exchange rate has risen slightly since end-December.

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Retail prices

All items other than seasonal food

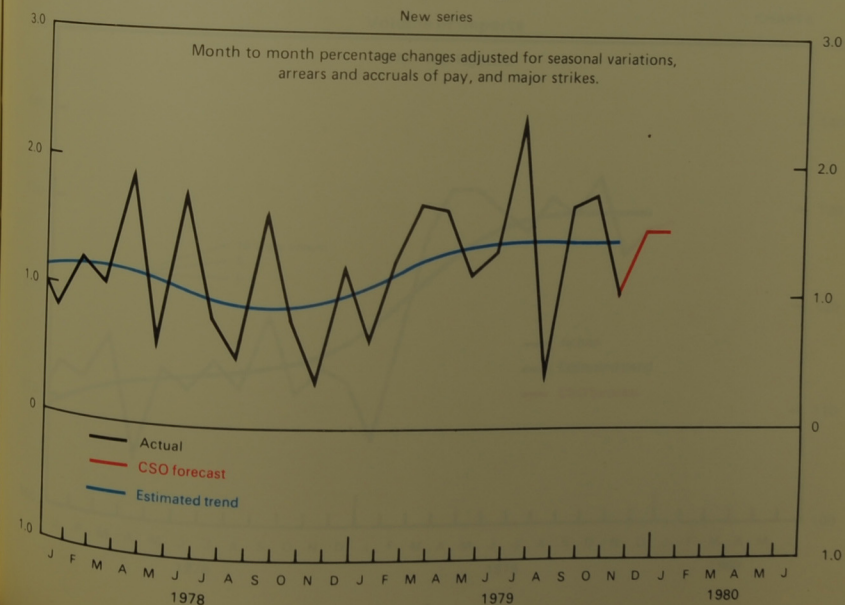
CHART 3

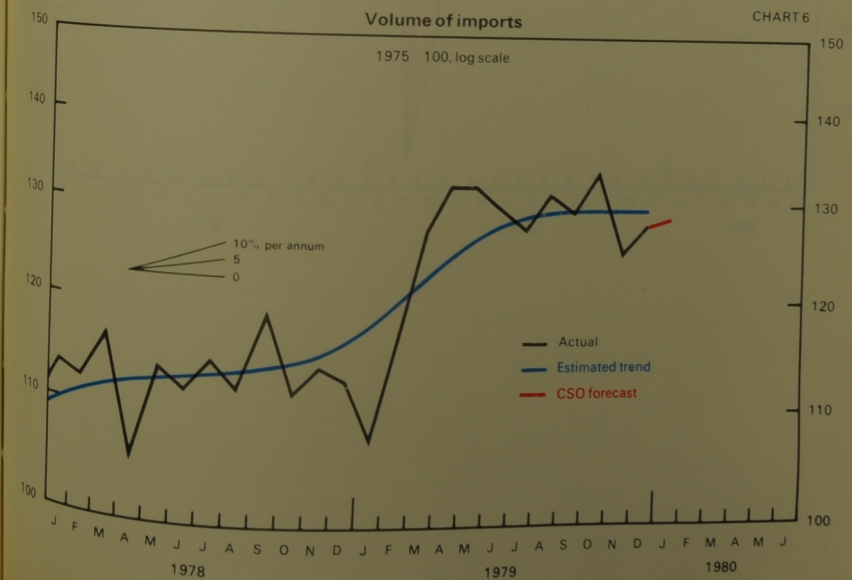
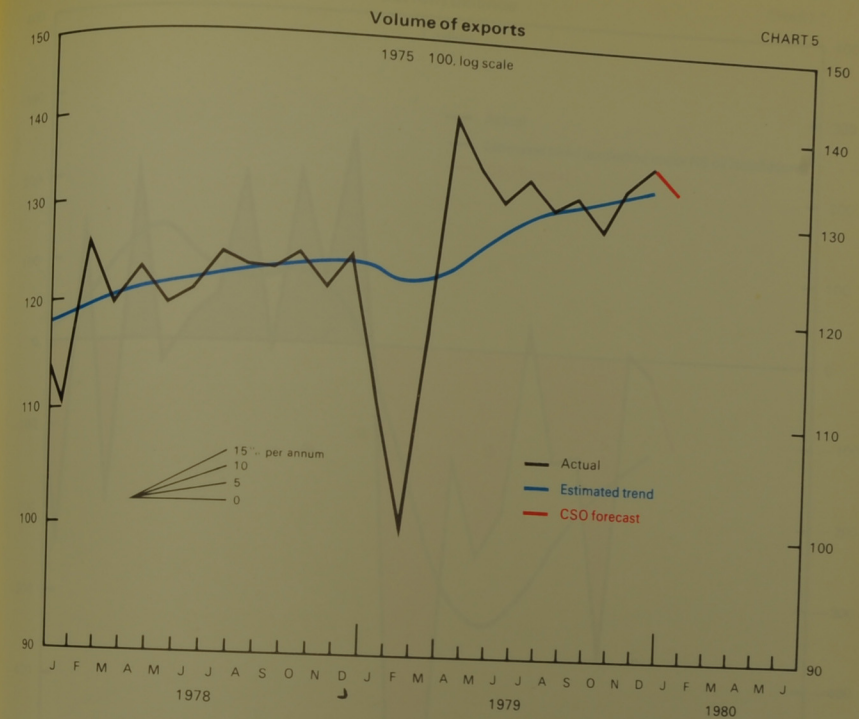


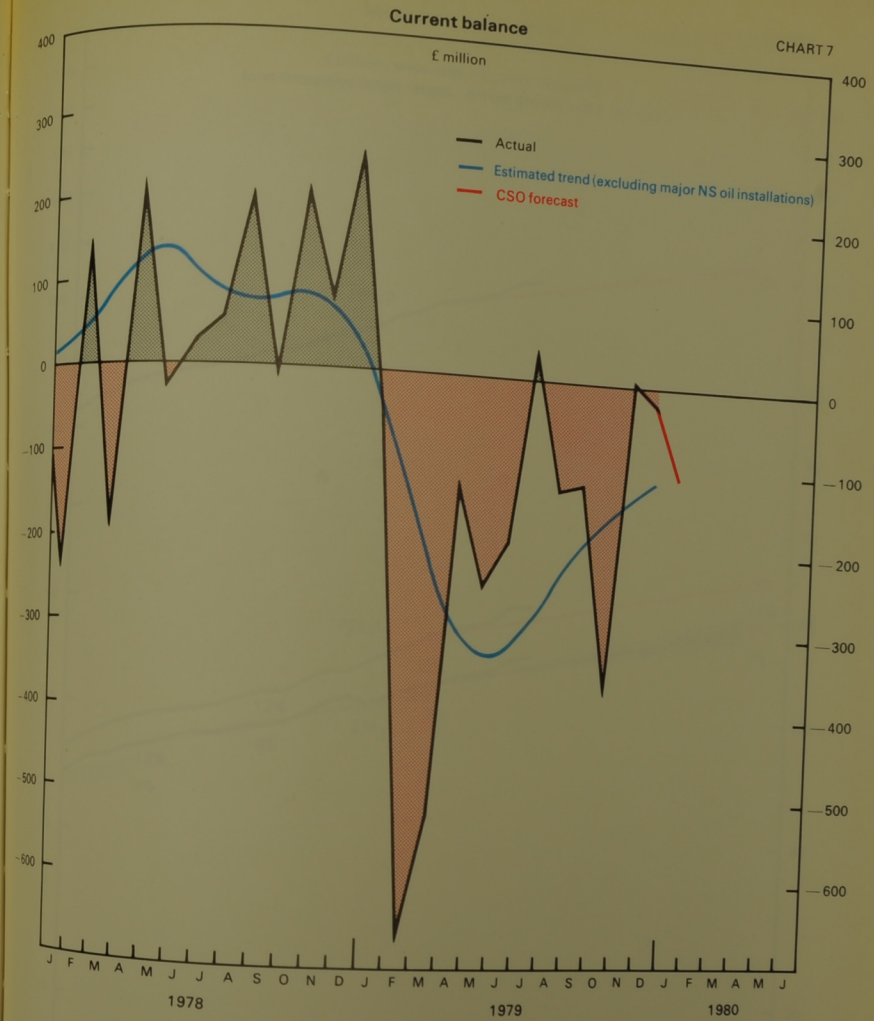
Average earnings,

New series

CHART 4







Monetary aggregates

CHART 8

