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QUARTERLY ECONOMIC COMMENTARY

by

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SUMMARY

The economy is expected to show no growth this year. GNP is likely to decline marginally. In real terms GNP is no higher than it was in 1980.

Within categories of GNP private consumer expenditure seems set to decline by about 3 per cent in volume terms — or the same rate of decline as disposable income. The weakness in disposable income compared with our previous forecast derives from a change in the expected growth of agricultural incomes — a consequence of adverse weather conditions in the spring and early summer. The decline in consumption follows a decline of 6 per cent in 1982.

Government consumption expenditure may remain unchanged in volume terms. Investment is likely to decline again very substantially — a fall of over 11 per cent is forecast for this year. Exports of goods and services however are forecast to increase by 8½ per cent in volume terms — industrial export growth of 9½ per cent and agricultural export growth of 12 per cent, and no change in the volume of tourism receipts.

Import volumes will decline marginally. Within categories of imports, imports of capital goods and imports of consumer goods are likely to fall while materials imports rise. There will be a terms of trade gain and this coupled with the more rapid export growth will result in a significant improvement in the balance of payments deficit. This is now forecast at £345 million compared with £1,000 million in 1982.

The latest consumer price index indicates that consumer price inflation is reducing rapidly. The year forecast is still 10 per cent with the November 1982-November 1983 rise lying in the range 8-9 per cent. The prospects for a further reduction in 1984 look favourable. Unemployment continues to increase however.

Forecast Details

	1982	1983
GNP % Change	−1.7	−0.3
Manufacturing Output	0.1	2.5
Building and Construction	−12.5	−10.0
Consumer Prices	17.1	10.0
Balance of Payments Current Deficit		
£m	1,000	345
% GNP	8.6	2.7
Unemployment (Live Register 000's end year)	180	210

TABLE I: NATIONAL ACCOUNTS 1982-83
A: Expenditure on Gross National Product

	1982 £m	1983 £m	Change in 1983 £m Total	Change in 1983 £m Volume	Change in 1983 % Total	Change in 1983 % Price	Change in 1983 % Volume
Private Consumer Expenditure ...	7300	7795	495	−219	6¾	10	−3
Public Net Current Expenditure ...	2630	2930	300	0	11½	11½	0
Gross Domestic Fixed Capital Formation	3070	2975	−95	−343	−3	9	−11¾
Exports of Goods and Services (X) ...	6475	7530	1055	+550	16¼	7¼	8½
Physical Changes in Stocks:							
Agriculture	−20	25	5	0	—	—	—
Intervention	140	30	−110	−110	—	—	—
Other	−100	−25	75	+78	—	—	—
Final Demand	19535	21260	1725	−44	8¾	9	−¼
Imports of Goods and Services (M) ...	7345	7760	415	−44	5¾	6½	−½
GDP at market prices	12190	13500	1310	0	10¾	10¾	0
Net Factor Payments (F)	−600	−675	−75	−35	12½	6¼	6
GNP at market prices	11590	12825	1235	−35	10¾	11	−¼

B: Gross National Product by Origin

	1982 £m	1983 £m	Change in 1983 £m	Change in 1983 %
Agriculture, Forestry, Fishing ...	1050	1115	65	6¼
Non-Agricultural: Wages	7000	7720	720	10¼
Other	1470	1585	115	7¾
Net Factor Payments	−600	−675	−75	12½
National Income	8920	9745	825	9¼
Depreciation	1120	1230	110	10
GNP at factor cost	10040	10975	935	9¼
Taxes less Subsidies	1550	1850	300	19½
GNP at market prices	11590	12825	1235	10¾

C: Balance of Payments on Current Account

	1982 £m	1983 £m	Change in 1983 £m
X−M+F	−1470	−905	+565
Net transfers	+470	+560	+90
Balance on Current Account ...	−1000	−345	+655

I THE INTERNATIONAL ECONOMY

Introduction

The principal feature of the international economy at present is the prospective recovery for 1983 and 1984. The recovery itself may be considerably less in magnitude than the recovery after the 1975-1976 recession. It is unlikely that the unemployment rate for the OECD as a whole will decline.

The reasons for the weakness of the recovery are the desire of governments to ensure that inflationary expectations are contained and also the depressed state of demand in non-OECD countries. Within the OECD area itself the demand situation in continental Western Europe remains very weak. The main stimulus to the recovery is expected to be from personal consumption as real disposable incomes should improve slightly and savings' rates decrease. Other favourable effects are the rebuilding of stocks and the favourable terms of trade effect resulting from the reduction in the price of OPEC oil.

The overall forecast for the international economy in 1983 is for modest growth of 1½-2 per cent quickening in 1984 to possibly 3-3½ per cent. Growth in 1983 will be concentrated mainly in the US, Japan and the UK and the recovery should spread to Western Europe in 1984. Inflation should decrease in 1983 although it may rise slightly in 1984. The extent of the recovery however may not be sufficient to prevent unemployment from rising, and it should stabilise in 1984 at around 9½ per cent.

Orientation of Policies

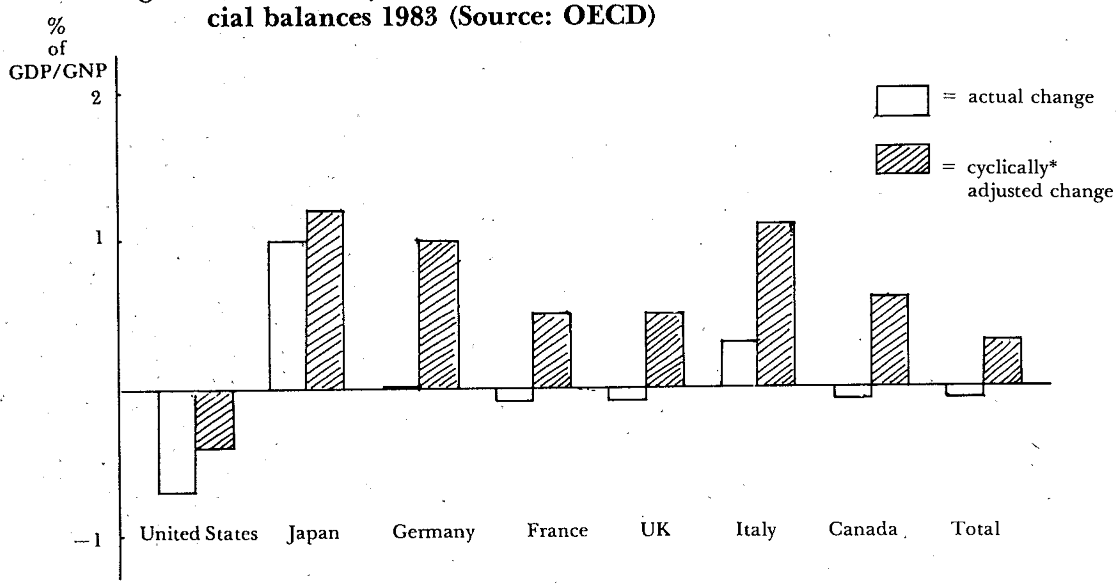
The general orientation of policies has been restrictive fiscal policies combined with more relaxed monetary policies.

Dealing with fiscal policy first Figure 1 shows the direction of policy in the major OECD countries. As can be seen, the US is the only major economy where fiscal policy will be expansionary. The actual change in the government balance is negative also for France, the UK and Canada, but the cyclically adjusted change is positive. The major reason for the restrictive stances is the reduction of budget deficits in the medium term. The means by which the deficit is being reduced vary from country to country but the major theme is a reduction in current spending, particularly wage bills and transfers. Indirect taxation and social security contributions are also being increased. Capital expenditure has escaped relatively unscathed, with France and Germany in particular showing a structural shift towards increased investment subsidies.

A further reason for the restrictive stance of fiscal policy is the worry that large budget deficits will absorb a large proportion of private savings — in effect rationing credit for the private sector. This in particular is the reason for the concern over the projected size of the budget deficit in the US where it is felt that any shortage of credit and consequent raising of interest rates could adversely affect the barely nascent recovery. Whether or not this might happen is debatable, the crucial factor here being the role of business confidence and expectations. Certainly high interest rates could dampen consumer expenditure on durables but its effect on investment would depend on the response of investment to interest rate rises. While this is undoubtedly negative i.e. higher real interest rates tend to lower investment, its magnitude is open to question. The low level of capacity utilisation in the US is also a factor inhibiting investment. Also the removal of the stimulatory effects of a projected deficit of around $250bn would have a severe deflationary effect on the US and the world economy, though the effects on the world economy would be mitigated somewhat by lower interest rates. Nevertheless the structural element of the deficit will have to be removed, but whether through increased taxation (which would damage consumer demand) or reduced expenditure, which might have to be concentrated in non-defence areas, remains to be seen.

There are other reasons for concern over high US interest rates. The gap between US interest rates, nominal and real, and those in Japan and Germany has resulted in a considerable strengthening of the dollar to the point where it is now seriously overvalued with respect to the yen. The uncertainty prevailing in international financial markets in the recent past has meant that foreign portfolio investors have been attracted by the strength of the dollar, a strength that has been maintained by real interest rates of over 5 per cent in the US compared with around 2 per cent in West Germany and under 4 per cent in Japan. The strong dollar is having an adverse effect on US foreign trade. The current account deficit could be over $50bn for 1983 which could threaten the recovery. There could also be further moves towards outright protectionist measures in the US.

Fig. 1: Discretionary and automatic changes in general government financial balances 1983 (Source: OECD)



*Change in financial balances with real GDP at trend growth of productive potential.

Another reason for concern over high US interest rates (and consequently world interest rates, as other countries attempt to protect their currencies against the dollar) is the threat they pose to the international banking system. Higher interest rates render it more difficult for borrowing countries to service their debt. It also reduces their demand for OECD exports which is one of the major constraints on the recovery in the OECD area.

Turning now to monetary policy, it is expected to be mildly more accommodating in 1983-1984 than in the recent past. The decision of the US Federal Reserve Board to switch attention from interest rates to monetary aggregates and then from "narrow" money M1 to "broad" money M2 has meant large increases in the money supply in the US in the first part of 1983. There is a fear that this may fuel inflation and indeed the expectation of higher interest rates because of this has further strengthened the dollar recently. However, we are assuming that US monetary policy will continue to be mildly expansionary with growth of "broad" money M2 in the upper part of its target range.

In other countries, reduction in the rate of inflation will render monetary policy less restrictive. For Germany, Japan and the UK there will be real monetary growth. In Canada monetary contraction is expected while in France and Italy the outlook is uncertain. Overall the picture appears to be one of decelerating money growth combined with decelerating inflation and a slight easing of pressure.

Developments and Prospects

As stated in the introduction the prospect for the world economy is for fairly sluggish growth in 1983 quickening in 1984. This has its counterpart in the volume of world trade. The very poor figures for the end of 1982 and the start of 1983 mean that the volume of world trade is projected to rise by only ½ per cent in 1983. This figure could be even lower if there is any move towards protectionism or if non-OECD demand is even less than expected. As the recovery picks up in Europe in 1984, world trade could grow by perhaps 4 per cent.

On the cost side, wage increases have slowed down markedly in most countries due to high unemployment levels and the fall in inflation. A feature of the international economy in recent years has been the decline in the growth of productivity. This renders it difficult to achieve a reduction in inflation much below the rate of growth of wages. The prospect for wages in 1983 is growth in the region of 5-6 per cent.

Prices are expected to rise by about 5 per cent on average in 1983 and perhaps 6 per cent in 1984 although some smaller countries will have higher rates. Movements so far in 1983 are difficult to evaluate because of the effect of the fall in oil prices. As the recovery gathers pace it could well happen that oil prices will rise again. The same is true for non-oil commodity prices which were very weak in the second half of 1982. These prices in 1983 should be on average the same as 1982, perhaps increasing by 5-10 per cent in 1984, depending on the extent of the recovery. It should also happen that productivity growth will improve as the recovery develops which would impart a downward bias on inflation.

The labour market situation is expected to worsen despite the recovery. In the US unemployment is already decreasing but as the recovery gathers pace more secondary workers may be drawn into the labour force thus pushing it back up again. In Japan unemployment is expected to be virtually unchanged but in Europe it will continue to rise. As the recovery spreads to Europe in 1984 it may stabilise, giving an OECD figure of around 9½ per cent.

The balance of trade for OECD countries should improve in 1983-1984 with the aggregate deficit being reduced. However the US deficit is expected to rise and the UK surplus to fall to virtually zero. Against this, however, is a projected rise in the surpluses of Japan and West Germany and reductions in the deficits of France and Italy.

Elsewhere the foreign balances of both the Comecon and OPEC economies will disimprove, in both cases mostly due to a deterioration in their terms of trade. More importantly the continuing attempts by the non oil developing countries to improve their foreign balances could have serious implications for the developed countries. The decline in their imports was one of the principal reasons for the decline in world trade in 1982. The export prices of their commodities may improve in 1984 and depending on how severe is their debt burden their demand for imports could pick up in 1984.

We will now turn to prospects for individual countries.

The recovery has already begun in the *United States* with encouraging output figures for early 1983. Business surveys also indicate increased confidence in the corporate sector. The recovery has come mostly from consumer spending and movements in stocks although the large budget deficit and the favourable terms of trade effect of the fall in oil prices have also had an influence. Real disposable incomes have been rising and it is only now that this has been channelled into increased expenditure rather than savings. Recent months have also seen stock adjustment with firms rebuilding their inventory levels. When this process of inventory adjustment is completed however the outlook could be uncertain. A rise in investment is unlikely as firms use the recovery to restore profit margins and improve their financial position. However the overall prospect is for growth levels of about 4-4½ per cent for 1983-1984. Externally the combination of a strong dollar and the revival in consumer expenditure will mean a considerably worsening trade balance. Inflation should be low at around 3-4 per cent although should the dollar weaken it could be higher.

Recovery is also evident in the *United Kingdom*. Revised figures for output suggest a very slow but gradual recovery since mid 1981. The strongest contribution to this comes from stock changes. How long this stock adjustment continues is uncertain but the nature of the recovery would seem fragile. Recent surveys indicate that stocks have almost been restored to a desirable level. The need now is for investment, which will on the one hand increase demand and on the other increase capacity — but this seems unlikely at present. Most investment at the moment is in housebuilding but that is expected to decrease. The boost in consumer spending may also be short-lived as the impact effect of the removal of restrictions on hire puchasing may wear off. The recent strength of sterling also means that higher demand will be increasingly channelled towards imports. Thus the nature of the recovery in the UK is very fragile. Growth for 1983 may be around 2½ per cent but it may only be 1½ per cent in 1984 as stock adjustment is completed and the minor spending boom is over. Inflation has decelerated fairly rapidly and is expected to be only about 5 per cent in 1983 but will rise in 1984 to about 8 per cent due to the upturn in world commodity prices and a relatively high level of wage settlements in forthcoming wage rounds. The trade balance will disimprove because of the strength of sterling. However, should sterling decline inflation could be higher. The modest extent of the recovery will not be sufficient to prevent unemployment from continuing to rise.

The trend evident in 1982 in *Japan* of domestic demand having to replace external demand will probably continue in 1983. Government measures adopted last October will help sustain consumer demand while the weakness in world trade will mean that export growth may be sluggish despite competitive gains. Real private consumption may rise by 3 per cent to late 1983 and increase by nearly 4 per cent in early 1984. This is due to a fairly sustained rise in real disposable income and a decline in the savings rate. Business investment will grow only at a moderate rate because of relatively high interest rates. Monetary policy is unlikely to allow interest rates to fall in order to protect the yen which the authorities feel is already undervalued. Exports will grow only moderately but because of a favourable terms of trade effect the trade surplus should widen. Growth for 1983-1984 should be around 3-4 per cent with inflation at only 2 per cent. Unemployment should stabilise at around 2¼ per cent. Employment will be rising but so too will participation rates.

West Germany experienced a fairly severe recession in 1982 with both internal and external demand falling significantly. The outlook for 1983 is for a possible recovery in construction. Public investment should also increase after the budget of November 1982. External demand is likely to pick up again in 1983 and 1984 but private consumption will probably remain unchanged while government consumption will show only a marginal rise. GDP is predicted to decline by possibly ¼ per cent or else to remain unchanged (thus implying some growth in the latter half of 1982) depending on external demand and stock rebuilding. Inflation however will be very low at under 3 per cent although it may rise to 3 per cent in 1984. Unemployment which at present is around 8 per cent is predicted to continue rising thus moderating the rate of growth of wages.

The outlook for *France* is for activity to continue slowing down. Deflationary measures by the government mean that the only likely stimulus to demand will come from government investment and possibly externally. Private consumption will probably stagnate. Real disposable incomes could fall by about 1 per cent in 1983 but this may be offset by a fall in the savings rate. Government consumption will also fall. GDP is likely to fall by about ½ per cent while inflation will remain fairly high at around 9½ per cent due to recent indirect tax increases. Unemployment seems likely to be 9½ per cent in 1983, possibly rising to 10½ per cent in 1984. On the supply side wage increases should be around 9-10 per cent thus reducing the growth in unit labour costs.

In *Italy* and the *Benelux* countries the outlook is for very modest growth in 1983 with better prospects for 1984. The deflationary impact of budgets as governments attempt to reduce deficits means that any stimulus to the economy will have to be external, although private and public consumption may increase marginally in Italy as may private investment.

Finally in *Canada* growth of about 2 per cent is forecast for 1983, rising to perhaps 4-4½ per cent in 1984. Consumer demand should rise modestly although the government budget will to some extent offset this. Inflation should decelerate to about 6½ per cent in 1983 and possibly lower again in 1984.

Conclusion

Thus the overall picture for the world economy is of a very modest recovery in the US, UK and Japan in 1983 spreading to the rest of the OECD countries in 1984. Despite this recovery, as has been mentioned before, unemployment will still rise. Much has been written in previous *Commentaries* and elsewhere about the need for co-ordinated policies amongst countries, and at the risk of repetition the point must be stressed once again. With non-OECD demand so weak, it is not possible for all OECD countries to register improvements in their current accounts, nor is it desirable for all countries to opt for fiscal conservatism. With some degree of co-operation, an expansion of demand which would not threaten the internal or external equilibrium of member countries is possible. Certainly the level of resource utilisation suggets that the supply response exists if only the demand were there. Recent conferences to co-ordinate policies have been largely devoid of substantive content and have undermined confidence that such co-operation is possible. However, the experience of the post war years suggests that this lack of confidence is not justified. There is still the need and the scope for a co-ordinated strategy involving not just the OECD countries but also the OPEC, Comecon and non-oil developing countries. Without such a programme the possibility of a return to the protectionist policies of the 1930s, and their attendant miseries, is by no means remote.

TABLE 1: Short-term Outlook

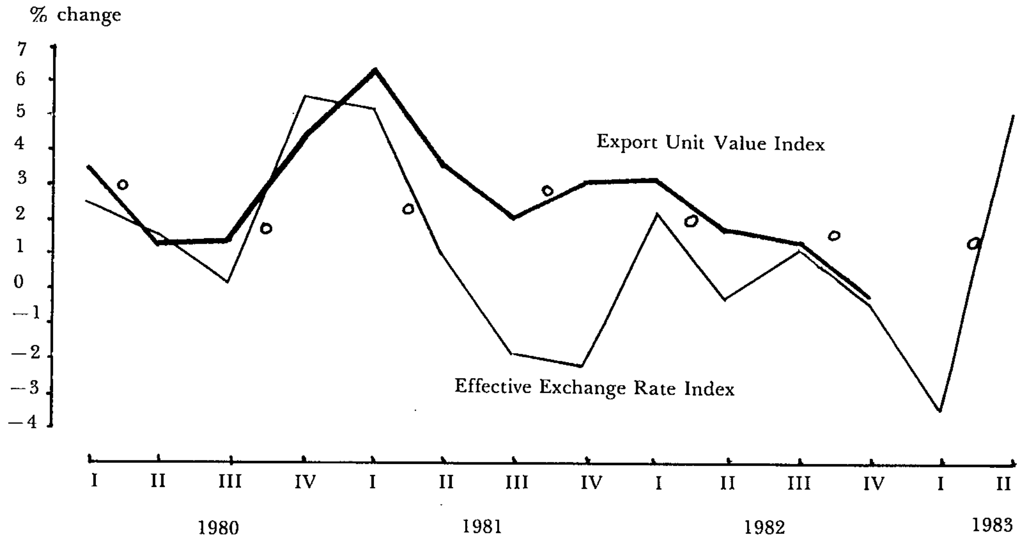
	GNP % change		Consumer Prices % change		Monthly Earnings % change		Unemployment Rate		Budget Deficit % GNP	
Country	1982	1983	1982	1983	1982	1983	1982	1983	1982	1983
U.S.	−1.8	4	6	3	6	4½	9½	10	3¾	4½
Canada	−5	2	11	6½	11½	7½	11	13	6½	6½
Japan	3	3	3	2½	5	4½	2½	2½	3¼	2¼
W. Germany	−1.1	0	5.3	3½	4.1	3½	8.2	10½	4	4
France	1.6	0	11.8	9½	16.3	10	8½	9½	3	3
U.K.	1.4	2½	8.1	5	7.8	7¼	12.0	13	2¼	3
Italy	−0.4	¼	16½	13½	15.6	14½	9	9½	13½	11¾
Belgium	−1.1	0	8.7	7	8	5	16.6	18½	15½	16
Denmark	1.9	1½	10.1	7½	10.8	8	10.7	11½	8½	7¾
Netherlands	−1½	0	5½	2½	6½	3½	12.4	17	9½	11
Sweden	−0.1	1	10	12½	6.7	7½	3.3	3¾	12½	13¼

Source: Individual country forecasts, using individual country definition not necessarily comparable between countries.

Exports of Goods and Services

Estimating exports in 1983 has been made difficult by the sharp changes in exchange rates. As a consequence, the information on exports for the first few months is an unsure guide for the year as a whole. The temporary rise in the effective exchange rate in the first quarter would have the effect of decreasing the value of exports and would discourage the volume of exports from marginal enterprises that were unable to compete and also squeeze profits of other exporters. That the export price is strongly influenced by the exchange rate is lent support by the figure below. This chart shows the trade-weighted exchange rate index for the Irish pound and export prices given by the unit value index brought forward one quarter, both given as percentage changes in each quarter.

Fig. 2: Effective Exchange Rate Index and Export Unit Value Index quarterly percentage changes, 1980-1983.



o OECD export prices of manufactures.

Note: The reciprocal of the Effective Exchange Rate Index and the succeeding periods Export Unit Value Index have been used.

The plot shows that changes in the export unit value index correspond closely with the exchange rate changes. They are generally higher in value, the excess reflecting rises in world trade prices among other things. The plot is consistent with exporters being price takers and with there being a time lag of some three months before the price responds to the exchange rate change. With these factors in mind and assuming a constant effective exchange rate at the average level of the second quarter of 1983, export prices overall might rise 7¼ per cent in 1983 as a whole.

The volume of manufactured exports (SITC 5-8) picked up in the fourth quarter of 1982 after the third quarter's setback. This setback was concentrated in the chemicals sector, where the seasonally corrected value of exports for the second half was 11 per cent down on the first half. Values for the first six months of this year have surpassed those for the corresponding period last year by only 3.7 per cent. Meanwhile machinery and transport equipment, accounting for 40 per cent of manufactured exports, have witnessed strong and almost continual growth, with exports in the first six months of this year at 26 per cent above the corresponding figure for last year; for total manufactures the rise was 16 per cent.

Other industrial exports, excluding petroleum and petroleum products, have risen by 10.3 per cent in value terms in the first six months of 1983 compared with the corresponding period last year. With the resumption of operation of the Whitegate oil refinery, exports of petroleum and petroleum products in the first six months, at £29.2 million, have exceeded the total export figure for last year. At this rate exports of petroleum and petroleum products could increase by up to £40 million this year.

TABLE 2: Exports of Goods and Services

	1982 £m	1983 £m	Price	% Change Volume	Value
Manufactured Exports	3,485	4,085	8	8½	17¼
Other Industrial	810	980	7	13	21
Agricultural*	1,327	1,545	4½	11½	16½
Other	68	75	—	—	—
Balance of Payments Adjustment etc.	−65	−90			
Merchandise Exports	5,625	6,595	6½	10	17¼
Tourism	500	550	10	0	10
Other Current Receipts	350	385	10	0	10
Total	6,475	7,530	7¼	8½	16¼

*Agricultural exports now conform to the Trade Statistics definition, see text.

It is intended that the entry for agricultural exports in the *Commentary* conform with the Trade Statistics definition from now on. The addition of sales out of and subtraction of sales into intervention held abroad are now included in the balance of payments adjustment, which also includes adjustments for temporary transactions and redirected trade. In contrast with the previous *Commentary* no allowance has been made for smuggling of livestock in 1982 or 1983.

The value of agricultural exports rose 8 per cent in the first six months compared with the corresponding period last year. Cattle shipments and slaughtering at export premises have risen 7 per cent, though for sheep there has been a decline. Exports of dairy products increased by over 10 per cent while exports of live animals increased by 18%. Unpredictable items in the estimation of exports include the quantities and values sold into and out of domestic intervention. It is simply assumed that some £107 million of output will go to domestic intervention while half of last year's sales to intervention will be exported at less than half price in some special contract. Overall the value of agricultural exports is estimated to rise by 16½ per cent as given in Table 2.

In the balance of payments adjustment, an assumption is made of zero net sales from intervention stocks held abroad, and a constant volume of temporary transactions and redirected trade. This brings the increase in value of all merchandise exports in 1983 to 17¼ per cent compared with 1982. Tourism and other current receipts are also assumed constant in volume terms bringing the increase in the value of total exports to 16¼ per cent.

Investment

The trend for activity in 1983 in the building and construction industry still appears to be downward but at a decelerating rate. The most recent figures for local authority housing show that local authority housing starts for the first quarter of 1983 are 13½ per cent down on the corresponding period of 1982. The figure for houses in progress is 14 per cent down on the figure for the first quarter of 1982 while completions are 19 per cent up. The increase in local authority completions however is more than offset by a large fall in private house completions. These showed a decrease of nearly 19 per cent on the first quarter of 1982 thus giving a fall in total completions of nearly 13 per cent. Using Building Society approvals and applications as an indicator of private house starts, the minor recovery evident at the end of 1982 has been sustained into the beginning of 1983. Approvals and applications for the first quarter of 1983 are up by over 29 per cent and 23 per cent respectively on the corresponding period of 1982. This apparent recovery may be due to a fall in interest rates in 1983. Thus there is both a price and an income effect operating on private housing. The positive effect of lower repayment rates is being countered by the negative effect of lower real incomes and lower expected real incomes. The weakness of the housing market in 1982-83 is reflected by a February 1982 to February 1983 rise in new house prices of only 3½ per cent. This weakness in demand takes the form of a reduction in the number of house purchases and also a switch towards smaller houses. Thus profits in building and construction may not be as adversely affected as a rise in building costs of 6 per cent would suggest.

The volume index of production of non metallic mineral products showed a seasonally adjusted rise in the first quarter of 1983 over the previous quarter. There are tentative indications that the trend cycle for this index, which has been downward since October 1981, may be levelling out as can be seen from Figure 5.

Turning now to inputs, the latest figures for cement sales suggest that while still falling, they are now declining at a decelerating rate. Figure 3 shows the trend of cement sales since 1978. The most recent data for May and June of 1983 suggest that this trend may be bottoming out at around 107 Kilotonnes (Kt) per month. The sales for January to May 1983 are over 16 per cent down on sales for the corresponding period of 1982. The figures for April 1983 were very poor but there was a relative improvement in May. The information available on cement imports is very sketchy but indications are that import penetration may have levelled out after its peak in the latter half of 1982. The combination of an increase in the price of domestic cement and the availability of large quantities of East German cement produced a surge of imports around September of last year. At that time imports reached a peak of about 15-16 Kt per month. Since November 1982 they appear to have decreased to something nearer 8 Kt per month. Thus the overall figure for imports for 1983 may be above the figure of 89 Kt for 1982 with a significant decline in its rate of increase. The situation is still uncertain and very much subject to any change in relative prices.

Employment in building and construction is very depressed. The indicators available are the index of employment in non-State building and construction and the figures from the Live Register giving the numbers unemployed in building and construction. (The index covers only firms with more than ten employees and makes no allowance for shifting from firm employee status to self employed — a feature of the recession). The most recent data available from the index for the private sector gives a May figure 22 per cent down on May 1982. The figure for January-May 1983 is 19 per cent down on the corresponding period for 1982. Seasonally adjusted there was a fall of over 2 per cent in the index in May compared to April. The Live Register shows the same

Fig. 3: Trend Cycle of Monthly Sales of Home Produced Cement

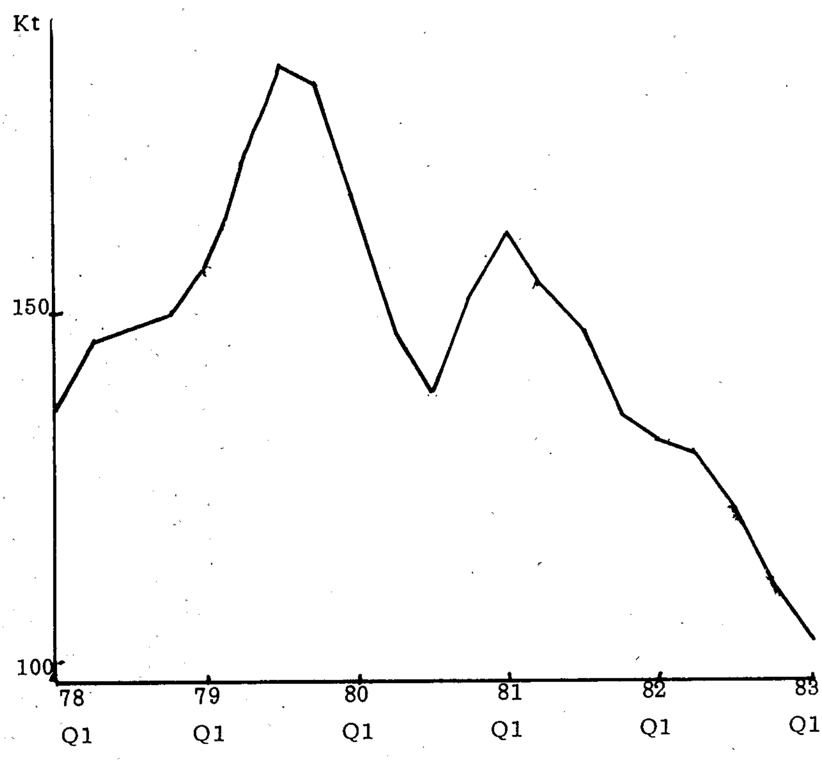


Fig. 4: Trend Cycle of Index of Employment in the non State Building and Construction Industry (1979 = 100).

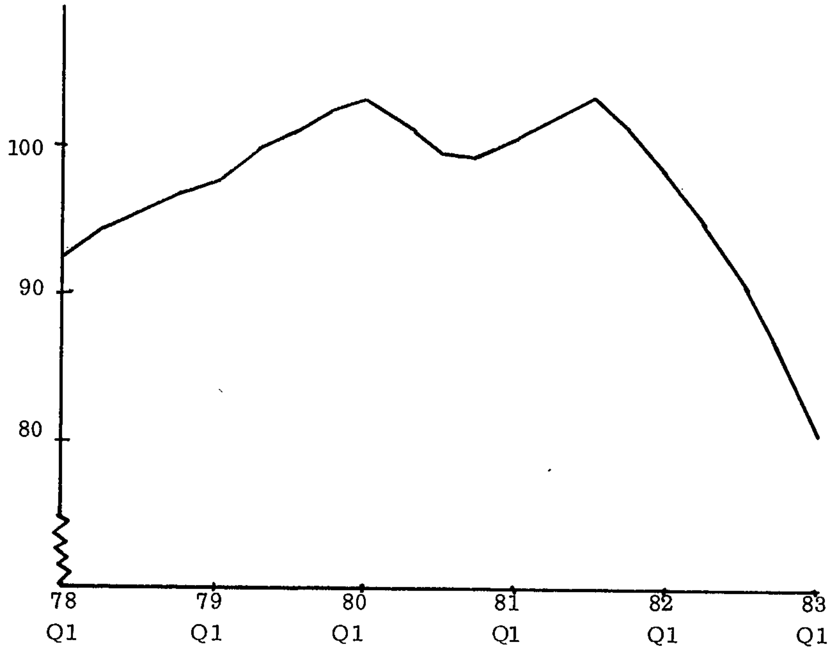
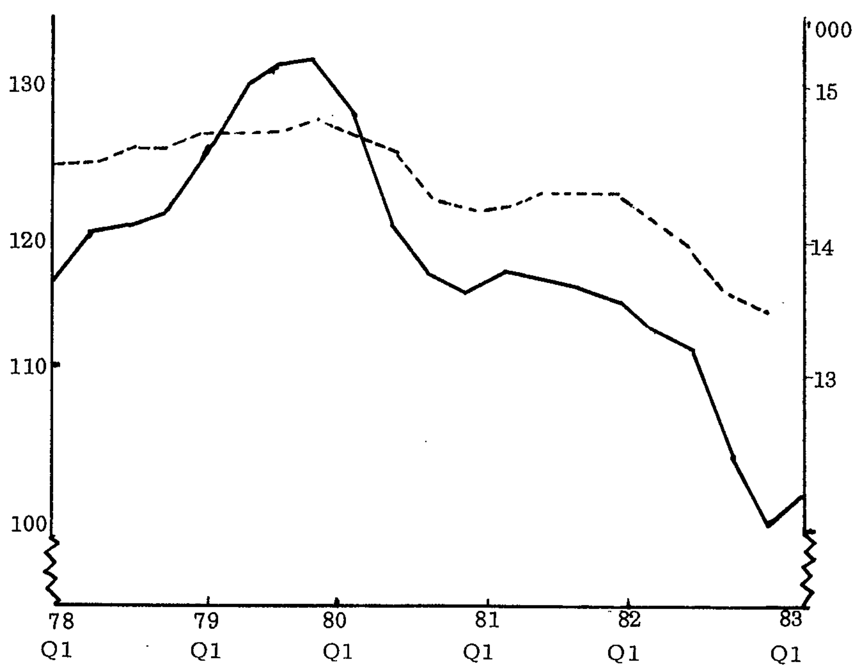


Fig. 5. Trend Cycle of Indicators for Non-Metallic Minerals.



———— = Trend cycle of volume index of production of non metallic minerals (1979 = 100) (left scale)
– – – – = Trend cycle of numbers employed in non metallic minerals (right scale).

trend with unemployment for February 1983 nearly 24 per cent above February 1982. Figure 4 shows the trend of employment in private building and construction and illustrates the dramatic deterioration since the third quarter of 1981.

Our forecast for building and construction affected by the Public Capital Programme remains unchanged from the last *Commentary*, which predicted a volume fall of expenditure of 12½ per cent.

Thus the overall forecast for the building and construction industry is for a continued decline in activity for 1983 although not as dramatic as in 1982. Private housing appears to be faring best but the outlook for employment is very poor. A volume decline in activity of about 10 per cent is forecast.

Expenditure on machinery and equipment is likely to fall very sharply in volume terms this year. Expenditure in the Public Capital Programme other than that on building and construction is likely to fall by 4-5 per cent in volume. There will also be a very significant fall in foreign private investment as some large projects reach the output stage and new foreign investment remains weak. Imports of capital goods for January to April 1983 were over 8% lower in volume than for the corresponding period of 1982. Expenditure on machinery and equipment may fall by 1/8th this year. Table 3 summarises the situation.

TABLE 3: Gross Investment 1982 and 1983.

	1982 £m	1983 £m	% Change Price	% Change Volume
Building and Construction	1620	1605	10	−10
Machinery and Equipment	1450	1370	8	−12½
Total	3070	2975	9	−11¼

Net Government Consumption Expenditure

The first quarter expenditure under non-capital supply services was running (seasonally corrected) at an annual rate above the amount allocated in the budget for the year as a whole. There were several reasons for believing that the first quarter figures might have been high relative to the final outcome — the difference between actual expenditure in 1982 and payments out of the Exchequer being the principal. In this case the second quarter figures should indicate a slightly lower level.

Looking at the data seasonally corrected there was a decline of 4.8 per cent in non capital supply service expenditure in the second quarter, thus indicating that the first quarter level of expenditure may have been high for particular reasons outlined above. Seasonally corrected, the current deficit fell sharply by nearly 50 per cent in the second quarter, but the level still remains quite high. It is assumed that the public service pay agreement is accepted. Table 4 contains our forecast on a budgetary basis of central government revenue and expenditure. The differences between the estimates here and the official estimates are within the margin of uncertainty that necessarily attaches to these figures at this time of year.

TABLE 4: Current and Capital Budgets (£m) 1982-1983

	Actual 1982	Budget 1983	Forecast 1983
Supply Services			
Pay Expenditure	2187	2435	2460
Social Welfare Expenditure	897	997	1025
Subsidies	493	502	505
Other	719	1071	1090
1. Total Supply Services	4496	5005	5080
Central Fund Services			
National Debt Interest	1143	1353	1360
Sinking Funds	106	115	115
EEC	144	174	195
2. Total Central Fund Services	1400	1650	1680
3. Total Current Expenditure	5896	6655	6760
Current Revenue			
Tax Revenue	4053	4730	4875
Non-Tax Revenue	855	1028	1025
4. Total Current Revenue	4908	5758	5900
5 = 3 − 4 Current Budget Deficit	988	897	860
Capital Expenditure and Borrowing			
Public Capital Programme	1903	1890	1890
Other	97	123	130
Total Capital Expenditure	2000	2013	2020
Capital Receipts	1043	1188	1190
6. Capital Borrowing	957	825	830
7 = 5 + 6 Total Exchequer Borrowing	1945	1722	1690
(% GNP)	16.8	13.4	13.2

In Table 5 the more complete picture in a national accounts sense is given.

TABLE 5: General Government Revenue and Expenditure, £m 1982-83

	1982	1983
Taxes on Income	2510	3065
Taxes on Expenditure	2260	2610
Government Trading and Investment Income	380	450
Current Transfers from abroad	100	100
Total Revenue	5250	6225
Subsidies	510	530
National Debt Interest	1185	1415
Transfer Payments	2040	2340
Net Government Consumption Expenditure	2630	2930
Total Expenditure	6365	7215
Current Deficit	1115	990

Net Government Consumption Expenditure at £2,930 million is 11½% higher than in 1982. In deriving this charges for Local Authority services were not treated as a tax but as a reduction in Government Consumption Expenditure.

Agricultural Incomes

This year agricultural incomes are likely to rise 6 per cent, with gross output increasing only marginally in volume terms. Cattle prices in the first quarter were at the same level as in the corresponding period last year so that the overall rise for the year is likely to be less than previously expected. Milk output rose dramatically during the winter as did sales of feed for dairy cattle.

Net output is likely to rise in value terms by 2½ per cent and income arising might rise 6 per cent to £1,060 millions as shown in Table 6.

TABLE 6: Agricultural Output and Incomes, £m

			Percentage Change		
	1982	1983	Price	Volume	Value
Livestock	995	1035	2	2	4
Livestock Products	765	870	8	5	13½
Crops and Turf	340	355	8	−3	4¾
Gross Output	2100	2260	5¼	2¼	7½
Less materials	615	670	7	2½	9½
Net output	1485	1590	4½	2½	7
Less Expenses less Subsidies	485	530	—	—	9¼
Income Arising	1000	1060	—	—	6
Forestry and Fishing	50	55	—	—	10
Agriculture, Forestry and Fishing	1050	1115	—	—	6¼

Non-Agricultural Incomes

Turning now to non-agricultural incomes, the broad increases forecast in the May *Commentary* still seem reasonable. In summary this includes an increase of about 12½ per cent in the public service pay bill, assuming the public service agreement including special awards is accepted. For manufacturing industry an increase in basic rates of pay for the year as a whole of 11 per cent compared with 1982 still seems the correct order of magnitude with average earnings rising by about the same amount.

TABLE 7: Wages and Salaries including employers S.I. contributions in 1982 and 1983, £m.

	1982	1983
Industry	2475	2675
Public Services	2185	2460
Other	2340	2585
TOTAL	7000	7720

Private Consumer Expenditure

Table 8 presents the estimate for disposable incomes and consumption for 1982 and 1983. Real disposable income fell by about 1½ per cent in 1982. However, a dramatic rise in the savings rate meant that consumer expenditure in volume terms declined by nearly 6 per cent.

TABLE 8: Disposable Incomes and Consumption, £m

	1981 Provisional	1982 Estimate	1983 Forecast
Personal Disposable Income	8163	9401	10031
Private Consumption	6628	7300	7794
Savings	1535	2101	2237
Savings Rate %	18.8	22.3	22.3

The outlook for 1983 is for further falls in real disposable income and consumption. Table 9 shows the breakdown of disposable income into its constituent parts. The major revision from the last *Commentary* involves agricultural incomes. The extremely poor weather conditions of May and early June now means that agricultural incomes may rise by only 6 per cent. Wages and salaries are estimated to rise by about 10 per cent. Basic rates of pay should rise by more than this but the deteriorating employment situation means that income generated by wages and salaries will rise by less than the increase in rates of pay.

Thus we have an increase in personal income of just over 10 per cent. However, given the non indexation of tax bands this year, taxes on personal income may increase by as much as 25 per cent, giving an increase in disposable income of 6.7 per cent. The estimate for inflation is 10 per cent giving a fall in real disposable income of 3 per cent.

TABLE 9: Breakdown of Disposable Income 1982-83, £m

	1982	1983
Agricultural Incomes	1050	1115
Wages and Salaries	7000	7720
Self Employed Income	875	985
Interest, Dividends and Rent	545	540
Current Transfers	2211	2531
Personal Income	11681	12891
Taxes on Personal Income	2280	2860
Personal Disposable Income	9401	10031

Given a fall of 3 per cent in real disposable income, the outlook for consumption depends on the assumption made regarding savings. The savings ratio is notoriously difficult to predict and the assumption being made is that the savings rate will remain constant in 1983. This gives a volume fall in consumption of 3 per cent.

The latest indicators of private consumption lend tentative support to the scenario outlined above. Retail sales in February were quite high. However, this was mainly due to purchases of electrical goods and sales by garages and filling stations in order to avoid the new VAT rates which came into force in March. For example, sales of electrical goods showed a seasonally adjusted rise of 58 per cent over January while sales from garages and filling stations showed an increase of 29 per cent. There was a significant fall in retail sales in March as a reaction to the once-off high levels of February. Another factor which may impart a downward bias to consumption in 1983 is the expected low level of car sales. In the previous *Commentary* it was stated that car sales were expected to show a recovery in 1983 over 1982. However, latest indications are that this has not been the case. The alterations in taxation in the Budget relating to both household and company cars appears to be a contributory factor.

Consumption is expected to show significant variation this year. Pre-Budget purchases mean that the first quarter should show a volume rise over 1982. However, the beginning of the new fiscal year and the effect of the new direct and indirect taxes could lead to a volume fall of perhaps 2½ per cent, for the second quarter. The third quarter is expected to show a marginal increase as the increase in transfers come into effect.

Imports of Goods and Services

The value of imports during the first six months of this year was ¾ per cent below the value for the corresponding period last year. The high exchange rate in the first quarter would have been partly responsible for the lower value. However, the volume decline was also considerable at over 4½ per cent. This decline was largely accounted for by a decrease in imports of consumption goods, especially of food, drink etc.

However, the seasonally corrected volume of imports has risen since the low volume of the third quarter of last year, and the volume in the first quarter of this year is marginally above the average for 1982 as a whole. The underlying trend is uncertain, however. Table 10 below sets out estimates for 1983.

TABLE 10: Imports of Goods and Services

	1982 £m	1983 £m	% change Price	% change Volume
Merchandise Imports	6812	7200	6	−¼
Temporary Transactions	−100	−100	—	—
Merchandise Imports (adjusted)	6712	7100	6	−¼
Tourism	380	400	10	−5
Other Services	250	260	6	−2
Imports of Goods and Services	7342	7760	6½	−½

The Balance of Payments

Table 11 summarises the current account position of the balance of payments. The balance of payments deficit on current account is forecast at £345 million for 1983 compared with £1000 million in 1982. The situation is somewhat better than forecast in the May *Commentary* despite the fact that there it was assumed that last year's net purchases into intervention would be sold whereas the present assumption is that additions will be made to stocks this year.

TABLE 11: Balance of Payments (£m)

	1982	1983
Exports of Goods and Services	+6475	+7530
Imports of Goods and Services	−7345	−7760
Net factor payments	−600	−675
Net transfers	+470	+560
Current Deficit	−1000	−345

GDP, GNP and Employment

GDP is now forecast to remain unchanged this year with GNP declining marginally. As with 1982 the fluctuations in the various components of GDP, GNP are very large — once they are as large as this even minor differences can affect the outcome. The general picture of over-all stagnation, with export growth, still seems reasonably correct, though obviously there are vast differences at sector level.

Table 12 summarises the percentage change by expenditure head and the contribution to growth.

TABLE 12: Composition of changes in GDP and GNP

	% change 1983/1982	Contribution to growth in GNP
Private Consumption	−3	−1.9
Government Consumption	0	0
Investment	−11	−3.0
Stocks	—	−0.3
of which: Intervention	—	−0.9
Other Non-Agricultural	—	+0.7
Exports	8½	4.7
Imports	−½	0.4
GDP	0	0.0
Net factor payments	−4½	−0.2
GNP	−¼	−0.2

The employment situation continues to deteriorate. The employment and unemployment level consistent with the forecast is given in Table 13.

TABLE 13: Employment and Unemployment 1982-1984 (000s mid-April)

	1982	1983	1984
Agriculture	196	190	185
Industry	352	330	318
Services	598	602	603
Total Employment	1146	1122	1106
Unemployment	137	177	212
Labour Force	1283	1299	1318
Unemployment Rate	10.7	13.6	16.1
Live Register	148	187	222

Appraisal

There is little difference between the forecasts for the economy presented in this *Commentary* and in the May issue. The issues confronting the economy also remain essentially the same. The economy has underutilised resources of labour and capital. What is preventing labour and capital from combining is a lack of profitability given the recent depressed level of demand and the current cost structure. It follows that policy should then be directed towards improving competitiveness. Competitiveness is multi-faceted having both short and medium-term aspects.

In the short run competitiveness is related to the cost structure. The cost structure can be seriously affected by: changes in basic rates of pay domestically relative to changes in basic rates of pay abroad (Note that the absolute level of pay is not the issue in the short run — it is changes at the margin); changes in relative costs of inputs (e.g. electricity charges, phone and postal charges, legal fees, etc.); a relative deterioration in infrastructure (e.g. congestion, poor quality of roads, increasing bureaucracy etc.); changes in exchange rates (e.g. the appreciation *vis-a-vis* sterling in the winter of 1982/83). The focus of policy in the short run should be to ensure that there is no worsening in the relative cost structure. While some of the areas listed above might appear to be more appropriate to the medium-term (e.g infrastructure) decisions on new capital expenditure are taken annually and can have cumulative effects. For developments on incomes, policy needs to go beyond exhortation. The fall in real basic rates of pay over the past three years does suggest that labour markets do function to a degree. What has prevented the fall in real basic rates of pay, perceived as income, from being translated back into declines in real labour costs has been the indirect tax system. If one looks at real disposable income the fall is even greater so that the direct tax system also creates a gap between disposable income changes and changes in costs. Policy should be directed towards translating real income falls into real labour cost declines. Within the budget constraint this can be done only by reducing expenditure, increasing the effectiveness of existing expenditure or by tapping new sources of revenue. A reduction in lags in the payment of taxes still seems to offer the best hope for avoiding increases in current real tax rates. It should be noted that at current real tax rates, growth of 2-3 per cent would significantly ease the fiscal problem.

For the medium term, competitiveness embraces process and product development. While it might be argued that private firms will respond to and anticipate change there is possibly a major information role that government should play. The last two decades have seen the demise of many firms which did not respond to changing circumstances. Change and the ability to respond to change is not simply a function of management either so that a public information role also exists for government. The justification for the introduction of new technology is invariably expected profitability, either through cost reduction or capacity expansion. If technological development is seen as a threat or in purely static terms then this will inhibit technical progress. The state does have a role, through for instance the education system, in fostering an awareness and acceptance of technical change.

The state may also have a role, albeit indirectly, in other aspects of competitiveness e.g. product development through design or marketing. It would be utterly unrealistic to expect the state to be engaged directly in design but greater support could be given to fostering design development, again perhaps through the education system.

Finally, there is a need for the state to formalise an industrial strategy, given the recommendations of the Telesis Report. The current concern with the short term has shifted emphasis away from a consideration of medium to long-term development. Indeed this shift in emphasis may inhibit necessary change even in the short term. The adoption of a formal strategy for industrial development, as part of general economic policy, may involve institutional change that should not be delayed.

STATISTICAL APPENDIX

		Output Indicators				Employment		Output per Head	
		1	2	3	4	5	6	7	8
		Manufacturing	Transportable Goods	Electricity Output	Cement Sales	Manufacturing	Transportable Goods	Manufacturing	Transportable Goods
		1973 = 100	1973 = 100	G.W.H.	000 Metric Tons	000's	000's	1973 = 100	1973 = 100
1977		115.9	115.4	9127	1516.5	202.8	213.8	118.1	117.0
1978		125.6	125.1	9815	1751.7	206.8	218.0	125.6	124.4
1979		133.3	132.9	10853	2067.8	215.1	227.0	128.2	126.9
1980		131.9	131.6	10733	1814.9	213.1	225.3	127.9	126.7
1981		135.7	134.1	10767	1812.5	206.0	218.1	136.2	133.3
1982		134.6	133.6	10792	1486.1	198.9	210.3	139.9	137.7
Quarterly Averages or Totals									
1980	I	131.8	130.3	3022	424.8	215.9	227.5	126.2	124.2
	II	141.4	142.2	2502	495.0	214.3	227.4	136.5	135.5
	III	123.5	124.3	2538	476.9	212.1	224.1	120.4	120.1
	IV	128.6	127.4	2851	418.2	210.2	221.9	126.4	124.5
1981	I	128.1	126.5	2885	410.2	206.6	218.4	128.2	125.6
	II	143.3	141.4	2546	516.6	205.4	218.1	144.3	140.6
	III	130.4	131.1	2408	488.8	206.1	218.7	130.8	129.9
	IV	136.1	133.0	2928	396.9	205.7	217.0	136.8	132.9
1982	I	131.1	128.4	2954	335.2	202.4	213.9	133.9	130.2
	II	143.9	143.3	2514	436.2	199.9	212.5	148.8	146.2
	III	127.4	128.7	2425	405.9	198.4	209.7	132.8	133.1
	IV	136.1	133.9	2899	308.8	194.7	205.1	144.5	141.5
1983	I	139.1	136.7	2990	298.1				
	II				367.1				
	III								
	IV								
Quarterly Averages or Totals Seasonally Corrected									
1980	I	136.4	136.2	2718	494.1	216.8	229.0	130.1	128.9
	II	132.7	133.5	2655	445.4	214.7	226.7	127.8	127.6
	III	129.1	127.6	2670	434.5	211.9	224.2	126.0	123.4
	IV	127.5	127.3	2674	457.8	200.1	221.4	126.1	124.7
1981	I	132.0	131.6	2606	482.5	207.5	219.8	132.1	129.8
	II	134.2	132.4	2708	461.2	205.8	217.4	135.1	132.0
	III	136.2	134.5	2729	444.5	205.9	218.5	136.7	133.4
	IV	135.5	133.3	2737	408.8	204.6	216.5	137.0	133.4
1982	I	134.5	133.1	2676	398.2	203.3	215.3	136.8	134.0
	II	134.8	134.2	2674	394.9	260.3	211.9	139.1	137.3
	III	133.4	132.4	2737	368.2	198.2	209.5	139.2	137.1
	IV	135.3	134.0	2704	340.6	193.7	204.5	143.6	142.1
1983	I	142.8	141.9	2720	316.4				
	II				336.6				
	III								
	IV								

Unemployment	Prices						
9	10	11	12	13	14	15	
Live Register Av. Monthly	Consumer Price Index	Agricultural Price Index	Import Unit Value	Export Unit Value	Terms of Trade	Price of Stocks + Shares	
000's	Nov. 1975 = 100	1975 = 100	1975 = 100	1975 = 100	1975 = 100	1953 = 100	
106.4	130.0	153.9	139.3	142.3	102.1	572.9	1977
99.2	139.9	174.0	146.2	151.6	103.7	867.3	1978
89.6	158.5	184.2	165.9	165.5	99.8	928.0	1979
101.5	187.3	179.3	195.6	180.8	92.4	912.5	1980
127.9	225.6	213.1	232.4	210.3	90.5	946.6	1981
148.2	264.2	232.3				774.4	1982
Quarterly Averages or Totals							
92.0	173.5	180.4	183.6	174.9	95.3	888.3	1980 I
94.0	186.3	186.3	192.6	181.0	94.0	887.3	II
103.9	191.8	176.2	194.8	183.4	94.1	909.5	III
116.0	197.7	179.0	205.3	185.9	90.6	964.9	IV
125.8	209.9	202.9	221.4	194.1	87.7	942.3	1981 I
124.3	218.1	213.2	231.3	206.2	89.1	1012.8	II
126.8	230.4	213.9	236.8	213.7	90.3	960.5	III
134.5	243.8	220.0	236.6	218.2	92.2	872.6	IV
146.8	249.5	237.0	243.5	224.9	93.0	827.6	1982 I
149.0	263.9	235.3	248.4	232.2	93.5	751.7	II
159.0	269.5	230.3	254.0	236.5	93.1	755.6	III
171.6	273.8	229.7	255.6	239.8	93.8	767.4	IV
188.2	280.6	242.0	250.7	239.7	95.6	740.2	1983 I
188.1	288.3						II
							III
							IV
Quarterly Averages or Totals Seasonally Corrected							
87.5	172.8	177.4					1980 I
95.1	183.4	179.0					II
106.8	193.3	179.2					III
116.6	200.1	186.9					IV
121.7	209.1	198.7					1981 I
125.5	214.7	205.3					II
129.5	230.9	218.0					III
134.7	244.8	229.4					IV
142.6	250.3	231.7					1982 I
150.3	262.6	226.8					II
161.6	269.0	234.9					III
171.7	274.6	239.6					IV
184.1	281.4	236.5					1983 I
189.7	286.9						II
							III
							IV

	Money Earnings Weekly Averages		Real Earnings			Consumption Indicators	
	16	17	18	19	20	21	22
	Manufacturing	Transportable Goods	Manufacturing	Transportable Goods	New Cars Registered	Retail Sales Value	Retail Sales Volume
	1973 = 100	1973 = 100	1977 = 100	1977 = 100	Total	1975 = 100	1975 = 100
1977	206.3	206.1	100.0	100.0	82310	143.0	106.9
1978	236.2	235.7	106.4	106.3	105582	170.4	116.4
1979	271.3	271.1	107.9	107.9	95938	197.9	120.3
1980	321.2	321.0	108.1	108.1	91032	226.5	119.3
1981	373.8	372.6	104.4	104.2	104645	268.8	118.8
1982	417.9	418.4	99.6	99.8	72603	293.4	112.1
Quarterly Averages or Totals							
1980 I	302.3	301.5	109.8	109.5	34241	203.3	115.4
II	318.3	318.6	107.7	107.7	23589	224.0	119.1
III	318.8	318.2	104.7	104.5	20517	223.9	115.6
IV	345.2	345.6	110.0	110.3	12592	254.7	127.3
1981 I	346.2	344.6	103.9	103.6	35696	238.8	113.3
II	373.3	371.4	107.9	107.4	29306	264.1	119.8
III	383.8	385.2	104.9	105.5	32351	278.8	120.7
IV	391.7	389.2	101.2	100.7	7292	293.5	121.2
1982 I	393.3	390.6	99.3	98.7	27934	269.5	108.4
II	417.6	423.0	99.7	101.1	21044	291.3	112.1
III	424.0	423.6	99.1	99.1	13737	289.2	108.6
IV	436.7	436.3	100.5	100.5	9904	323.6	119.2
1983 I					28984	295.6	105.5
II							
III							
IV							
Quarterly Averages or Totals Seasonally Corrected							
1980 I	307.5	307.3	112.3	112.3	28801	218.0	122.2
II	317.3	316.4	108.9	108.7	19890	221.9	118.6
III	316.6	316.6	103.3	103.5	21283	225.2	116.0
IV	343.1	343.2	107.4	107.7	19083	242.2	120.5
1981 I					29518	253.9	120.1
II						261.8	119.3
III						278.0	120.1
IV						279.1	114.7
1982 I						286.4	114.8
II						288.1	111.4
III						291.9	109.5
IV						308.0	112.8
1983 I							
II							
III							
IV							

Government			Monetary Developments				
23	24	25	26	27	28	29	
Current Revenue	Current Expenditure	Current Deficit	Money Supply M3	Licensed Banks Domestic Credit Government	Licensed Banks Domestic Credit Non-Gov.	External Reserves	
£m	£m	£m	£m End Period	£m End Period	£m End Period	£m End Period	
1757	1966	209	3257.3	836.0	2639.5	1200.7	1977
2023	2421	398	4117.2	902.6	3475.2	1251.9	1978
2384	2905	521	4986.3	1005.9	4350.5	974.7	1979
3155	3708	553	5828.6	1132.6	5050.7	1346.0	1980
3973	4796	823	6972.7	1277.4	6053.6	1473.1	1981
4908	5896	988	7876.0	1564.7	6677.4	1594.0	1982
Quarterly Totals			Monthly Totals				
751	777	26	5003.1	875.8	4607.8	960.7	1980 I
783	1013	230	5103.7	952.5	4585.8	979.7	II
726	870	144	5447.8	1123.1	4773.0	1164.4	III
895	1047	152	5828.6	1132.6	5050.7	1346.0	IV
871	1076	205	6147.6	1124.1	5381.7	1322.7	1981 I
936	1188	252	6369.8	1201.5	5511.6	1191.7	II
970	1245	275	6679.8	1217.8	5785.0	1071.8	III
1196	1287	91	6972.7	1277.4	6053.6	1473.1	IV
1044	1437	393	7098.2	1334.1	6366.8	1406.0	1982 I
1176	1474	298	7141.8	1369.9	6347.9	1464.6	II
1184	1457	267	7498.7	1510.7	6458.1	1521.0	III
1505	1534	29	7876.0	1564.7	6677.4	1594.0	IV
1220	1646	426				1235.1	1983 I
1405	1654	249					II
							III
							IV
Quarterly Totals (S.C.)			Monthly Totals (S.C.)				
709	742	39	5034.6	875.8	4494.9	834.8	1980 I
816	1020	204	5198.1	952.5	4548.0	1050.3	II
782	916	144	5504.6	1123.1	4730.6	1169.4	III
881	1054	173	5799.9	1132.6	5031.4	1235.2	IV
791	996	204	6084.1	1124.1	5248.9	1291.8	1981 I
984	1214	230	6406.5	1201.5	5478.8	1268.9	II
1032	1313	281	6691.2	1217.8	5144.3	1076.7	III
1186	1296	110	6820.9	1277.4	6022.8	1352.6	IV
965	1340	383	7032.3	1334.1	6207.1	1375.1	1982 I
1215	1492	277	7183.4	1369.9	6318.7	1554.7	II
1281	1509	229	7518.9	1510.7	6420.7	1528.6	III
1402	1530	128	7702.5	1564.7	6637.3	1463.7	IV
1198	1599	401				1208.5	1983 I
1424	1631	207					II
							III
							IV

	Visible Trade Indicators					Exchange Rates	
	30	31	32	33	34	35	36
	Imports (Value)	Exports (Value)	Import Excess (Value)	Imports (Volume)	Exports (Volume)	Effective Index	Sterling
	£m	£m	£m	1975 = 100	1975 = 100	Dec. 1971 = 100	Per IR£
1977	3090.9	2518.2	572.7	129.9	122.2	77.01	1.0000
1978	3713.1	2963.2	749.9	148.8	134.8	77.57	1.0000
1979	4817.5	3501.1	1316.4	170.3	146.1	77.08	0.9646
1980	5419.6	4130.9	1288.7	162.6	157.9	74.01	0.8862
1981	6578.4	4777.6	1800.8	166.0	159.2	67.75	0.8002
1982	6812.3	5687.9	1124.4			67.35	0.8125
Monthly Averages							
1980 I	476.6	319.6	157.0	182.8	150.5	75.85	0.9276
II	440.0	334.4	105.6	160.9	153.2	74.71	0.9026
III	433.2	356.6	76.6	156.6	161.3	74.65	0.8905
IV	458.1	363.1	95.0	157.2	162.0	70.75	0.8231
1981 I	511.7	339.6	172.1	162.7	145.0	67.24	0.7686
II	557.2	405.5	151.7	169.6	162.9	66.57	0.7730
III	572.6	419.4	153.2	170.4	162.7	67.85	0.8177
IV	549.4	450.7	98.7	163.4	171.3	69.32	0.8407
1982 I	597.7	411.2	126.4	172.8	153.8	67.71	0.8126
II	589.5	503.7	85.8	167.1	181.2	67.72	0.8171
III	532.5	475.0	57.5	147.7	168.1	66.88	0.8022
IV	550.8	506.5	44.3	151.7	178.0	67.10	0.8185
1983 I	585.8	471.6	114.2	165.0	164.7	69.46	0.8943
II	592.6	576.0	16.6			65.14	0.8171
III							
IV							
Monthly Averages. Seasonally Corrected.							
1980 I	466.5	346.0	120.5	178.7	165.2		
II	423.8	334.8	89.0	154.8	155.6		
III	453.3	349.0	104.3	165.2	158.0		
IV	464.4	349.2	115.2	158.8	152.2		
1981 I	504.1	361.0	143.1	158.7	155.0		
II	537.6	406.9	130.7	164.0	165.9		
III	597.7	414.2	183.5	179.1	159.7		
IV	555.4	434.0	121.4	164.0	162.8		
1982 I	586.8	436.4	143.9	169.7	163.8		
II	573.3	500.5	72.8	163.7	181.9		
III	547.4	468.8	78.6	152.0	165.9		
IV	567.1	488.2	79.9	154.4	168.5		
1983 I	570.6	507.7	62.9	161.7	176.3		
II	577.8	566.1	11.7				
III							
IV							

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