CENTRAL STATISTICAL OFFICE

Economic Trends

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Contents

Latest developments in the economy

Data available at 28 February 1990

Balance of payments

In January the current account deficit was £1.9 billion, compared with £0.8 billion in December. In the three months to January there was a deficit of £4.4 billion compared with £5.8 billion in the previous three months.

In October the visible deficit was £2.0 billion, compared with £0.9 billion in December, and in the three months to January there was a deficit of £4.7 billion, compared with £6.0 billion in the previous three months. Invisibles are projected to be in surplus by £0.1 billion (a surplus on transactions by the private sector partly offset by a deficit on government transactions).

Exports of goods (balance of payments basis) in January were valued at £8.6 billion, 1½ per cent lower than in December. In the three months to January the value of exports was 7 per cent higher than in the previous three months, and 20 per cent higher than a year earlier. Excluding oil and erratic items, these percentages were 5 per cent and 16 per cent respectively. Also excluding oil erratic items, the volume of exports in the three months to October was 4 per cent higher than in the previous three months and 11 per cent higher than a year earlier.

In January the value of imports was £10.6 billion, 9½ per cent higher than in December, in the three months to January the value of imports was 1 per cent higher than in the previous three months, and 11 per cent higher than a year earlier. Excluding oil and erratic items, these percentages were ½ per cent lower and 8½ per cent higher respectively. Also excluding oil and erratic items, the volume of imports in the three months to January was 1 per cent lower than in the previous three months but 2 per cent higher than a year earlier.

Capital expenditure

The provisional estimate of capital expenditure by the manufacturing industries in the fourth quarter of 1989 is £2,784 million, at 1985 prices. This is over 12 per cent lower than in the previous quarter but over 2 per cent higher than in the fourth quarter of 1988. This figure includes direct expenditure of £2,511 million and leased assets of £273 million.

Total investment, including leased assets, in 1989 is over 5 per cent up on 1988. On the same annual basis of comparison, there is an increase of over 7 per cent for plant and machinery but a marginal decrease for vehicles and a decrease of 2 per cent for new building work.

Consumers' expenditure

The provisional estimate of retail sales volume in January is 121.8 (1985 = 100). This is below the level in December, but similar to the average for September to November. In November to January sales were ½ per cent higher than in the previous three months and 1½ per cent higher than in the same period a year earlier.

Monetary aggregates

Provisional information suggests that in the twelve months to January and before seasonal adjustment, M0 rose by 5.6 per cent, M4 by 18.4 per cent and M5 by 17.9 per cent. In January M0 fell by 6.5 per cent, M4 rose by 0.8 per cent and M5 rose by 0.6 per cent, before seasonal adjustment. After seasonal adjustment, M0 fell by 0.3 per cent, M4 rose by 1.2 per cent and M5 rose by 1.0 per cent.

Unemployment and vacancies

The level of unemployment in the UK decreased by 23,200 to 1.611 million in January, 5.7 per cent of the workforce. Over the past six months on average unemployment has fallen 29,300 per month. The stock of unfilled vacancies at Jobcentres increased by 3,900 in the month to January to 199,300. Over the past three months to January, vacancies have decreased on average by 5,100 per month.

Employment

New figures this month show that in December 1989 the estimated number of employees in employment in manufacturing industries in Great Britain fell by 61,000. Over the year to December 1989 the number of employees in manufacturing industries fell by 49,000 compared with a rise of 42,000 in the previous 12 months and a fall of 26,000 in the 12 months to December 1987.

The workforce in employment is now estimated to have increased by 164,000 in the third quarter of 1989 and by 466,000 in the year to September 1989.

Earnings

The underlying increase in average weekly earnings in the year to December was about 9¼ per cent, the same as the increase in the year to November. The actual increase in the year to December, at 7.2 per cent, was lower than the underlying increase as arrears of pay were larger in December 1988, the main beneficiaries being nurses and midwives.

In production industries, the underlying increase in average weekly earnings in the year to December was about 9 per cent, the same as the increase in the year to November, which has been revised down to 9¼ per cent. Within this sector, in manufacturing industries, the underlying increase in the year to December was about 8¾ per cent, also unchanged from the increase in the year to November. The actual increase for production industries and manufacturing industries in the year to December were 8.5 per cent and 8.0 per cent respectively.

Productivity

Manufacturing output per head in the three months to December was 0.4 per cent higher than in the three months ending September and 3.7 per cent higher than in the same period a year earlier. Output per head in the whole economy in the third quarter of 1989 was about the same as in the previous quarter but 0.6 per cent higher than in the same period a year earlier.

Unit wage and salary costs

In the three months ending December 1989 wages and salaries per unit of output in manufacturing industries were 4.5 per cent above the corresponding period a year earlier. This increase was below the rise in average earnings in manufacturing as there was a rise of about 3¾ per cent in productivity over this period.

Official reserves

The UK official reserves fell by $197 million in January. Proceeds from this month's tender of UK ECU Treasury Bills amounted to $960 million, whereas maturing UK ECU Treasury Bills were $860 million. Repayments of borrowing under the exchange cover scheme amounted to $29 million. There was no new borrowing under the exchange cover scheme. Repayments of other public sector debt taken out under the exchange cover scheme and assigned to HM Government amounted to $90 million. The valuation change arising from the quarterly rollover of the European Monetary Cooperation Fund (EMCF) swap amounted to a fall of $258 million. After taking account of foreign currency borrowing and repayments and the valuation change on the rollover of the EMCF swap, the underlying change in the reserves during January was a rise of $80 million. At the end of January the reserves stood at $38,448 million compared with $38,645 million at the end of December.

Prices (not seasonally adjusted)

The general index of retail prices for all items for 16 January 1990 was 119.5 (January 1987=100), an increase of 0.6 per cent on December and 7.7 per cent since January 1989. The increase in the index between December and January mainly reflected further sharp rises in food prices, dearer petrol and car maintenance, and a continuing rise in housing costs. There were also price increases for alcoholic drinks following Christmas discounts. The price rises were partly offset by seasonal sales reductions, particularly for clothing. The tax and price Index (TPI) for January 1990 was 113.9 (January 1987 = 100) an increase over the previous 12 months of 6.3 per cent.

The input price index for materials and fuel purchased by manufacturing industry rose by 3.0 per cent in the 12 months to January following an increase of 4.9 per cent in the 12 months to December. From December to January the index was down 0.5 per cent, with lower prices for metals, partially offset by a rise in the prices of other imported materials. The fall between December and January was 0.9 per cent.

Stockbuilding

Provisional estimates of stockbuilding by manufacturing, wholesalers and retailers in the fourth quarter is a fall £219 million. Manufacturers reduced their stocks by £229 million following an increase of £298 million in the previous quarter. There were reductions in the stocks of all three assets. Materials, stores and fuel were reduced by £91 million, stocks of work in progress fell by £62 million and finished goods were reduced by £76 million. The ratio of stocks to output (fourth quarter 1984 = 100) fell from 82.7 at the end of September to 82.1 at the end of December. Wholesalers increased their stocks by £19 million following a rise of £63 million in the previous quarter, and retailers' stocks fell by £9 million. The ratio of retail stocks to sales (fourth quarter 1985 = 100) fell from 102.0 at the end of September to 101.4 at the end of December.