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# Latest developments in the economy

Data available at 4 September 1990

## Balance of payments

In July the current account deficit was £1.4 billion, compared with £1.3 billion in June. In the three months to July there was a deficit of £3.8 billion, compared with £4.8 billion in the previous three months.

In July the visible deficit was £1.7 billion compared with £1.6 billion in June; excluding oil and erratic items, it rose by £0.1 billion. In the three months to July the deficit was £4.7 billion, compared with £5.8 billion in the previous three months; excluding oil and erratic items, it rose by £0.5 billion.

In July invisibles are projected to be in surplus by £0.3 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 July were valued at £8.3 billion, 3½ per cent lower than in June. In the three months to July, the value of exports was 1 per cent higher than in the previous three months, and 12 per cent higher than a year earlier. Excluding oil and erratic items, these percentages were 3 per cent and 13 per cent respectively. Also excluding oil and erratic items, the volume of exports in the three months to July was 2 per cent higher than in the previous three months and 9½ per cent higher than a year earlier.

In July the value of imports was £10.0 billion, 2 per cent lower than in June, in the three months to July the value of imports was 2½ per cent lower than in the previous three months, but 3 per cent higher than a year earlier. Excluding oil and erratic items, the value of imports was ½ per cent higher than in the previous three months and 4 per cent higher than a year earlier. Also excluding oil and erratic items, the volume of imports in the three months to July was 1 per cent higher than the previous three months and 2 per cent higher than a year earlier.

## Capital expenditure

The provisional estimate of capital expenditure by the manufacturing industries in the second quarter of 1990 is £3,064 million, at 1985 prices. This is over 3 per cent lower than in the previous quarter and over 3 per cent lower than in the second quarter of 1989. The total figure includes direct expenditure of £2,756 million and leased assets of £308 million.

Total investment, including leased assets, in the last four quarters is 6 per cent up on the preceding four quarters. On the same annual basis of comparison, there is an increase of almost 7 per cent for plant and machinery and 4 per cent for new building work, but a decrease of 1 per cent for vehicles.

## Consumers' expenditure

The final estimate of retail sales volume in July is 124.1 (1985 = 100). This is above the level in June but below the May figure. In May to July 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 July and before seasonal adjustment, M0 rose by 5.5 per cent, M4 by 16.3 per cent and M5 by 16.4 per cent. In July M0 rose by 0.9 per cent, M4 by 0.2 per cent and M5 by 0.3 per cent, before seasonal adjustment. After seasonal adjustment, M0 fell by 0.5 per cent, M4 had no change and M5 rose by 0.2 per cent.

## Unemployment and vacancies

The level of unemployment in the UK increased by 10,900 to 1.629 million in July, 5.7 per cent of the workforce. Over the past six months unemployment has risen, on average, by 2,800 per month. The stock of unfilled vacancies at Jobcentres decreased by 15,400 in the month to July to 170,800. Over the past three months to July vacancies have decreased on average by 9,800 per month.

## Employment

The UK workforce in employment (employees in employment, the self-employed, HM forces and participants in work related government training programmes) was 27,198,000 in March 1990, an increase of 116,000 in the quarter and 582,000 over the year to March 1989. This continues the upwards trend of the seven years but is less than the increase of 874,000 in the year to March 1988 and is the lowest annual increase since the year to June 1987 (512,000).

The number of employees in employment in manufacturing industries in Great Britain rose by 3,000 in June to 5,109,000. With the exception of last month's figure (5,107,000) the latest figure is the lowest since December 1987. Manufacturing employees fell by 13,000 in the second quarter of 1990 and by 34,000 in the year to June 1990, compared with a rise of 12,000 in the previous 12 months.

## Earnings

The underlying increase in average weekly earnings in the year to June was about 10 per cent, a rise of ½ per cent on the increase in the year to May. The actual increase in the year to June, at 10.3 per cent, was higher than the underlying increase because arrears of pay were greater in 1990 than a year earlier.

In production industries, the underlying increase in average weekly earnings in the year to June was about 9½ per cent, a rise of ½ per cent on the year to May. Within this sector, in manufacturing industries, the underlying increase in the year to June was about 9½ per cent, which was also a rise of ½ per cent on the increase in the year to May. The actual increase for production industries and manufacturing industries in the year to June were 9.7 per cent and 9.6 per cent respectively.

## Productivity

Manufacturing output per head in the three months to June was about 2.0 per cent higher than in the previous quarter and 2.5 per cent higher than in the same period a year earlier. Output per head in the whole economy in the first quarter of 1990 was about 0.1 per cent higher than in the previous quarter but 0.7 per cent lower than in the same quarter a year earlier.

### **Unit wage and salary costs**

In the three months ending June 1990, wages and salaries per unit of output in manufacturing industries were 6.5 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 2.5 per cent in productivity over this period.

### **Official reserves**

The UK official reserves rose by \$455 million in August. Proceeds from this month's tender of UK ECU Treasury Bills amounted to \$1,171 million, whereas maturing UK ECU Treasury Bills were \$1,053 million. Repayments of borrowing under the exchange cover scheme amounted to \$9 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 \$20 million. After taking account of foreign currency borrowing and repayments, the underlying change in the reserves during May was a rise of \$366 million. At the end of August the reserves stood at \$39,297 million compared with \$38,842 million at the end of July.

### **Prices (not seasonally adjusted)**

The general index of retail prices (RPI) on 17 July 1990 was 126.8 (January 1987 = 100), an increase of 0.1 per cent on June and 9.8 per cent since July 1989. Increases between June and July included higher prices for alcoholic drinks and some rises in housing and motoring costs. There were, however, sharp falls in seasonal food prices and various summer sales reductions, particularly for clothing and household goods. The tax and price index (TPI) for July was 120.0 (January 1987 = 100), an increase over the previous 12 months of 8.0 per cent.

The input price index for materials and fuel purchased by manufacturing industry fell by 1.0 per cent in the 12 months to July following a fall of 2.4 per cent in the 12 months to June. From June to July, the index fell by 0.4 per cent, largely reflecting a slight fall in the price of metals. The seasonally adjusted index fell by 0.6 per cent between June and July.

### **Stockbuilding**

Provisional estimates of stockbuilding by manufacturing, wholesalers and retailers in the second quarter is a fall £236 million. Manufacturers increased their stocks by £7 million following a reduction of £97 million in the previous quarter. Stocks of materials, stores and fuel and of work in progress were increased by £41 million and £84 million respectively, whilst stocks of finished goods were reduced by £118. The ratio of stocks to output (fourth quarter 1984 = 100) fell from 80.7 at the end of March to 79.5 at the end of June. Wholesalers reduced their stocks by £168 million in the second quarter following an increase of £41 million in the previous quarter. Retailers' stocks fell by £75 million following a fall of £7 million in the previous quarter. The ratio of retail stocks to sales (fourth quarter 1985 = 100) fell from 100.4 at the end of March to 99.2 at the end of June.