

## STATISTICAL APPENDIX

This Appendix presents tables of historical data for 1961-76 based on information<sup>1</sup> available up to 4 February 1977, together with the results of three different projections for 1977-85 based on the CEPG model. The system of accounts and the 1976 version of the model itself were described in the 1976 *Economic Policy Review*<sup>2</sup>, and in a technical manual.<sup>3</sup> A full description of the current version of the model will be available shortly in a revised edition of the technical manual. The second column of each table gives a number for every variable shown, referring to its definition in the notes which follow the tables.

### The three strategies

Each projection illustrates the effect of a different strategy for the balance of payments and demand management on the same underlying assumptions.

The main common assumptions are:

- (i) Growth of the volume of world trade at 9% a year from 1978 onwards with world prices of manufactures, oil and primary commodities all rising at 5% a year in foreign currency (a weighted average of the currencies of the UK's main competitors).
- (ii) Public expenditure plans as announced up to 1978/9, and expected up to 1981/2, with the historical growth trends thereafter (except that some additional public investment is assumed under projections 2 and 3 from 1978 onwards).
- (iii) The present general structure of taxation, adjusted for future inflation, but allowing for future changes which have already been announced.
- (iv) Targets on the basic balance of payments (current account plus structural capital flows) expressed in foreign currency, rising from the equivalent at 1976 exchange rates of a deficit of £500 million in 1977 and 1978 to a surplus of £1,000 million in 1985.

<sup>1</sup>The main source is *National income and expenditure, 1966-75*.

<sup>2</sup>*Economic Policy Review*, No.2, March 1976, Appendix B.

<sup>3</sup>*Technical manual on the CEPG model*, M. J. Fetherston, mimeo, DAE, April 1976.

- (v) Discretionary changes in income tax allowances and VAT such as to ensure that targets for the basic balance of payments are achieved in each year.
- (vi) A level of wage settlements in terms of basic rates rising after full allowance for changes in consumer prices and direct taxes by 3% in 1978, 2% in 1979 and 1% a year thereafter.

Given all these conditions, the projections differ because of assumed differences in policy on trade and the exchange rate.

Strategy 1 assumes that the exchange rate for sterling changes from now on in such a way as to hold UK unit costs expressed in foreign currency fixed at their January 1977 level relative to the world price of manufactures.

Strategy 2 assumes that the exchange rate changes so as to secure a small reduction in 1979, and a larger one in 1982, in UK unit costs relative to the world price of manufactures, the total effect being calculated so as to achieve an identical level of GDP at factor cost in 1985 to that achieved under strategy 3.

Strategy 3 assumes constant relative costs as in projection 1 together with restrictions of imports of manufactures by non-tariff methods from 1978 onwards (which have no effect on prices of manufactured imports), calculated so as to meet unemployment targets in each year falling to 1·2 million in 1980 and 0·8 million in 1985.

Note that higher levels of public investment are assumed under 2 and 3 than in 1 and that income tax allowances and VAT are different in each case by the amount necessary to secure identical outcomes on the basic balance of payments denominated in terms of foreign currency.

For each strategy as well as historical series the following tables are provided:

Table 1 Summary

Table 2 Employment, output and income

Table 3 Earnings, costs and prices

Table 4 Expenditure and disposable income

Table 5 Balance of payments.

Table 1 Summary

Historical Series 1961-1969

	1961	1962	1963	1964	1965	1966	1967	1968	1969
<b>(Annual changes, %)</b>									
Consumers expenditure	401	3.2	2.8	4.2	3.5	2.1	2.0	2.8	2.6
Public curr expenditure on goods and services	402	1.4	2.3	1.0	1.0	2.7	2.5	5.1	0.7
Fixed investment	101	10.3	-0.1	3.0	16.3	3.6	2.9	7.0	-0.0
GDP at market prices	410	2.3	1.2	3.4	6.0	2.6	1.8	2.1	4.0
National income	413	2.6	1.8	3.4	5.3	3.0	2.0	2.3	2.4
<b>(Thousands)</b>									
Unemployment	211	339	454	539	394	338	353	547	574
<b>(Annual changes, %)</b>									
Volume of world trade	516	4.3	6.2	7.8	10.9	6.6	7.7	7.1	10.7
World terms of trade for manufactures	102	3.9	0.2	-2.2	-2.7	3.2	0.5	1.9	0.6
Sterling exchange rate	522	-0.2	0.6	-0.3	-0.3	0.2	0.0	-2.5	-12.3
UK unit costs relative to world price of mfs	521	0.8	3.3	0.7	1.4	0.4	1.5	-1.3	-9.0
Volume of exports	407	2.8	2.0	4.0	4.1	4.9	4.0	1.0	11.7
Volume of imports	409	-0.5	3.0	3.7	8.6	1.7	3.1	6.6	3.4
<b>(£ billion, 1975 values)</b>									
Balance of payments on current account	421	0.0	0.3	0.3	-0.9	-0.1	0.2	-0.7	-0.6
<b>(Annual changes, %)</b>									
Average money earnings	303	6.7	4.6	4.9	7.0	6.8	6.4	6.1	7.8
Consumer prices	311	2.0	3.2	2.0	3.2	4.2	3.9	2.2	4.8
Post-tax real earnings	305	3.5	0.3	3.2	3.2	0.3	1.2	3.5	1.0
<b>(£ billion, 1975 values)</b>									
Public sector borrowing requirement	103	2.0	1.5	2.2	2.5	2.9	2.2	4.2	2.8
Domestic Credit Expansion	104	1.5	0.8	2.9	4.0	2.8	1.7	4.1	4.3
<b>(Annual changes, %)</b>									
Money supply	105	2.8	2.8	6.9	5.7	7.8	3.8	10.1	6.9
Bank rate / MLR (%p.a.)	106	5.8	4.8	4.0	5.2	6.4	6.5	6.2	7.4

## Historical Series 1970-1976

Table 1 Summary

	1970	1971	1972	1973	1974	1975	1976
<b>(Annual changes, %)</b>							
Consumers expenditure	401	2.0	2.6	5.2	1.9	-0.3	-0.5
Public curr expenditure on goods and services	402	2.3	2.6	3.5	2.4	1.8	4.8
Fixed investment	101	2.5	2.0	3.3	11.5	-2.3	0.1
GDP at market prices	410	1.8	1.5	3.2	6.0	-0.1	-1.5
National income	413	2.4	1.6	3.3	4.8	-4.6	-0.1
<b>(Thousands)</b>							
Unemployment	211	602	776	855	611	606	930
<b>(Annual changes, %)</b>							
Volume of world trade	516	8.7	7.0	8.4	12.1	8.5	-5.0
World terms of trade for manufactures	102	2.4	0.5	-3.6	-18.6	-16.9	17.9
Sterling exchange rate	522	-1.0	-0.2	-3.4	-10.5	-4.2	-9.2
UK unit costs relative to world price of mfs	521	1.0	6.6	2.7	-7.3	-7.6	4.0
Volume of exports	407	5.3	7.0	2.1	11.6	6.9	-3.9
Volume of imports	409	5.2	4.8	9.4	11.2	-0.0	-6.7
<b>(£ billion, 1975 values)</b>							
Balance of payments on current account	421	1.4	1.9	0.2	-1.1	-4.2	-1.7
<b>(Annual changes, %)</b>							
Average money earnings	303	12.8	11.9	12.2	12.5	20.7	30.4
Consumer prices	311	6.6	8.3	7.4	11.3	15.4	22.8
Post-tax real earnings	305	4.1	3.4	5.3	0.3	2.2	2.0
<b>(£ billion, 1975 values)</b>							
Public sector borrowing requirement	103	-0.0	2.4	3.3	6.2	7.9	10.5
Domestic Credit Expansion	104	2.1	2.0	11.1	12.7	9.5	4.8
<b>(Annual changes, %)</b>							
Money supply	105	9.7	12.9	25.0	27.9	12.6	7.6
Bank rate / MLR (%p.a.)	106	7.2	5.9	6.1	10.1	11.9	10.8
							11.7

Table 2 Employment, output and income

	1961	1962	1963	1964	1965	1966	1967	1968	1969
(£ billion at 1975 factor cost)									
North Sea output	201	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public service output	202	11.2	11.4	11.5	11.7	11.8	12.1	12.5	12.6
Other domestic output	203	55.2	55.9	58.1	62.0	63.9	65.1	66.3	69.3
GDP at factor cost	204	66.5	67.3	69.6	73.6	75.7	77.2	78.8	83.6
Shares of GDP (%):									
income from employment	205	67.7	68.2	67.7	67.6	68.2	68.9	68.4	68.0
gross trading income and public rents	206	28.7	28.0	28.4	28.5	27.9	27.0	27.4	27.7
private rents	207	3.6	3.7	3.9	3.9	3.9	4.0	4.2	4.6
( <b>million f.t.m. equivs</b> )									
Public service employmt	208	2.41	2.44	2.48	2.50	2.53	2.59	2.67	2.71
Other employment	209	15.96	16.01	15.95	16.07	16.11	16.07	15.64	15.32
( <b>million persons</b> )									
Total employment	210	22.70	22.89	22.93	23.24	23.50	23.67	23.22	23.05
Unemployment	211	0.34	0.45	0.54	0.39	0.34	0.35	0.55	0.57
Non-participants	212	0.38	0.47	0.53	0.42	0.38	0.39	0.53	0.54
Potential labour supply	213	23.42	23.81	24.00	24.05	24.22	24.41	24.30	24.17

Table 3 Earnings, costs and prices

	1961	1962	1963	1964	1965	1966	1967	1968	1969
(Annual changes, %)									
Wage settlement index	301	2.4	2.8	0.8	9.0	5.9	-0.8	8.0	5.1
Real post-tax value of settlements	302	-0.1	-1.2	-1.5	4.7	0.1	-5.9	4.7	0.5
Average earnings:									
pre-tax money earnings	303	6.7	4.6	4.9	7.0	6.8	6.4	6.1	7.8
post-tax money earnings	304	5.6	3.6	5.3	6.4	4.5	5.2	5.8	5.9
post-tax real earnings	305	3.5	0.3	3.2	3.2	0.3	1.2	3.5	1.0
Normal costs per unit:									
labour costs	306	3.8	2.0	1.0	2.8	3.7	3.8	1.8	3.9
other domestic costs	307	4.6	5.3	4.1	5.3	5.6	6.4	4.2	9.4
imported inputs	308	-0.1	-0.4	2.3	4.3	3.1	1.0	-0.9	11.1
total costs	309	3.0	1.8	1.6	3.4	3.8	3.5	1.5	4.3
Output prices									
Consumer prices	310	2.1	3.0	2.2	2.6	3.7	3.3	1.6	3.9

## Historical Series 1970-1976

Table 2 Employment, output and income

	1970	1971	1972	1973	1974	1975	1976
(£ billion at 1975 factor cost)							
North Sea output	201	0.0	0.1	0.1	0.1	0.2	0.2
Public service output	202	13.0	13.4	13.8	13.9	14.2	15.0
Other domestic output	203	72.1	73.2	75.0	79.8	79.5	77.0
GDP at factor cost	204	85.2	86.6	88.9	93.8	93.8	92.2
Shares of GDP (%):							
income from employment	205	70.0	68.7	68.2	68.1	71.6	74.0
gross trading income and public rents	206	25.2	26.5	26.8	26.9	23.0	20.9
private rents	207	4.8	4.8	5.0	5.0	5.4	5.2
(million ftn equivs)							
Public service emplmt	208	2.79	2.87	2.96	2.99	3.04	3.22
Other employment	209	14.95	14.58	14.44	14.60	14.58	14.44
(million persons)							
Total employment	210	22.84	22.49	22.49	23.02	23.13	23.04
Unemployment	211	0.60	0.78	0.85	0.61	0.61	0.93
Non-participants	212	0.57	0.68	0.72	0.57	0.57	0.76
Potential labour supply	213	24.01	23.94	24.07	24.21	24.31	24.73
							25.03

Table 3 Earnings, costs and prices

	1970	1971	1972	1973	1974	1975	1976
(Annual changes, %)							
Wage settlement index	301	11.8	13.8	9.6	11.2	12.1	39.3
Real post-tax value of settlements	302	3.7	5.2	2.5	0.4	-3.9	10.9
Average earnings:							
pre-tax money earnings	303	12.8	11.9	12.2	12.5	20.7	30.4
post-tax money earnings	304	11.0	12.0	13.0	11.7	18.0	25.3
post-tax real earnings	305	4.1	3.4	5.3	0.3	2.2	2.0
Normal costs per unit:							
labour costs	306	9.0	7.0	8.2	9.5	17.7	26.1
other domestic costs	307	7.9	9.8	8.3	11.6	8.0	23.5
imported inputs	308	7.1	3.8	1.5	21.4	41.2	12.1
total costs	309	8.4	6.6	6.6	12.4	22.5	21.6
Output prices	310	7.0	9.6	8.4	11.4	18.4	23.9
Consumer prices	311	6.6	8.3	7.4	11.3	15.4	22.8

Table 4 Expenditure and disposable income

Historical Series 1961-1969

	1961	1962	1963	1964	1965	1966	1967	1968	1969
(£ billion, 1975 mkt pr)									
Consumers' expenditure	401	46.1	47.4	49.4	51.1	52.2	53.2	54.7	56.2
Public curr expenditure on goods and services	402	16.9	17.3	17.5	17.7	18.1	18.6	19.5	19.7
Private fixed investment	403	7.5	7.2	7.3	8.4	8.7	8.5	8.7	9.4
Public fixed investment	404	4.7	5.0	5.3	6.2	6.5	7.0	8.0	7.5
Stockbuilding	405	0.8	0.2	0.2	1.8	1.4	0.9	0.3	0.9
Domestic expenditure	406	76.0	77.1	79.7	85.2	86.8	88.3	91.2	94.1
Exports of goods & servs	407	13.3	13.6	14.1	14.7	15.4	16.0	16.2	18.1
Total final expenditure	408	89.3	90.7	93.8	99.9	102.3	104.3	107.4	112.2
Imports of goods & servs	409	15.8	16.3	16.9	19.3	18.6	19.2	20.5	21.8
GDP at market prices	410	73.5	74.4	76.9	81.5	83.6	85.1	86.9	90.4
(£ billion, 1975 values)									
Terms of trade effect	411	2.1	2.4	2.4	2.2	2.5	3.0	3.3	2.9
Net income from abroad	412	0.4	0.6	0.7	0.6	0.6	0.4	0.3	0.2
National income	413	76.1	77.4	80.0	84.3	86.8	88.5	90.5	93.5
Post-tax income:									
wages and salaries	414	36.4	36.8	38.1	39.8	40.4	41.1	41.8	41.9
welfare benefits	415	4.0	4.2	4.7	4.8	5.3	5.5	6.1	6.6
other private income	416	16.6	16.1	17.3	18.9	19.1	18.9	19.2	20.5
total private income	417	57.0	57.1	60.1	63.5	64.8	65.6	67.1	69.0
public sector income	418	19.1	20.3	19.9	20.8	22.0	23.0	23.4	24.5
Financial balances:									
Private sector surplus	419	2.9	2.5	3.6	2.4	2.7	3.2	3.8	2.8
Public sector deficit	420	2.8	2.1	3.2	3.3	2.8	3.0	4.5	3.4
Balance of payments on current account	421	0.0	0.3	0.3	-0.9	-0.1	0.2	-0.7	-0.6

## Historical Series 1970-1976

Table 4 Expenditure and disposable income

	1970	1971	1972	1973	1974	1975	1976
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(£ billion, 1975 mkt pr)							
Consumers' expenditure	401	58.1	59.6	62.7	63.8	63.7	63.4
Public curr expenditure							
on goods and services	402	19.7	20.2	21.0	21.5	21.9	22.9
Private fixed investment	403	10.1	10.6	11.4	12.6	11.7	11.7
Public fixed investment	404	7.7	7.6	7.4	8.4	8.8	8.8
Stockbuilding	405	1.0	-0.4	0.2	2.6	1.1	-2.3
Domestic expenditure	406	96.6	97.7	102.6	108.9	107.1	104.5
Exports of goods & servs	407	20.8	22.3	22.7	25.4	27.1	26.1
Total final expenditure	408	117.4	120.0	125.4	134.3	134.2	130.6
Imports of goods & servs	409	23.7	24.9	27.2	30.3	30.3	28.2
GDP at market prices	410	93.7	95.1	98.1	104.0	103.9	102.3
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(£ billion, 1975 values)							
Terms of trade effect	411	3.7	4.0	4.3	2.4	-2.3	0.0
Net income from abroad	412	0.7	0.5	0.5	1.4	1.2	0.5
National income	413	98.0	99.6	102.9	107.8	102.9	102.8
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Post-tax income:							
wages and salaries	414	43.7	44.5	46.8	48.0	49.3	50.1
welfare benefits	415	6.9	7.0	7.8	7.8	8.3	8.7
other private income	416	19.9	21.6	23.7	27.3	22.1	20.9
total private income	417	70.4	73.0	78.3	83.2	79.7	79.7
public sector income	418	27.6	26.6	24.5	24.6	23.2	23.1
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Financial balances:							
Private sector surplus	419	1.3	3.6	4.3	4.4	3.4	7.4
Public sector deficit	420	-0.1	1.7	4.0	5.4	7.6	9.1
Balance of payments on current account	421	1.4	1.9	0.2	-1.1	-4.2	-1.7
							-1.3

Table 5 Balance of payments

Table 5 Balance of payments

	1970	1971	1972	1973	1974	1975	1976
(£ million, 1975 prices)							
Volume of exports of:							
fuels	501	785	791	782	828	753	730
other goods & services	502	20022	21476	21963	24562	26391	25363
total	407	20807	22267	22745	25390	27144	26093
Volume of imports of:							
food	503	4435	4435	4524	4524	4391	4346
fuels	504	4843	5279	5279	5422	5135	4310
basic materials	505	2839	2583	2641	2952	2641	2214
semi-manufactures	506	4653	4903	5528	6370	6882	6150
finished manufactures	507	3462	3981	5067	6420	6623	6655
services	508	3500	3701	4190	4594	4608	4573
total	409	23733	24881	27229	30281	30281	28248
(Index 1975=100)							
Terms of trade	509	118.13	119.29	118.55	108.54	93.49	100.00
(£ million, 1975 values)							
Balance of trade on							
goods and services	510	740	1403	-210	-2461	-5392	-2155
Net income from abroad	412	658	493	460	1376	1222	482
total	421	1399	1896	249	-1085	-4170	-1673
Current balance							
Net long-term capital	511	48	390	-261	103	1334	481
Net trade credit	512	-380	-726	-345	-333	-806	-410
total	513	1067	1560	-356	-1315	-3641	-1602
Basic balance							
Net short-term inflow	514	1389	3942	-1692	152	1558	123
total	515	2456	5503	-2048	-1163	-2083	-1479
Balance for							
official financing							
(Indices, 1970=100)							
Volume of world trade	516	100	107	116	130	141	134
World price of							
manufactures	517	100	103	104	112	137	148
World terms of trade for							
raw materials	518	100	96	102	127	130	105
oil	519	100	118	111	125	278	261
UK unit costs relative							
to world price of mfs:							
in sterling	520	100.0	106.8	113.6	117.7	113.5	129.9
in foreign currency	521	100.0	106.6	109.5	101.5	93.8	97.6
Weighted exchange rate	522	100.0	99.8	96.4	86.3	82.7	75.1
							€2.1

## STRATEGY 1: Conventional policies

Table 1 Summary

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>(Annual changes, %)</b>										
Consumers expenditure	401	0.6	2.9	3.3	4.9	5.6	4.7	4.0	4.8	3.3
Public curr expenditure on goods and services	402	3.5	-0.3	-0.5	0.9	1.3	1.8	2.1	2.1	2.2
Fixed investment	101	-4.6	-3.2	4.2	2.4	5.4	6.7	4.3	3.0	2.2
GDP at market prices	410	1.2	4.3	5.3	4.2	4.7	4.3	3.7	4.1	1.6
National income	413	1.3	3.7	4.8	4.0	4.4	4.0	4.0	4.4	1.7
<b>(Thousands)</b>										
Unemployment	211	1274	1364	1392	1453	1489	1563	1636	1700	1811
<b>(Annual changes, %)</b>										
Volume of world trade	516	8.2	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
World terms of trade for manufactures	102	-5.1	-0.9	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0
Sterling exchange rate	522	-17.3	-8.7	-5.5	-6.8	-6.2	-5.1	-4.9	-4.5	-4.2
UK unit costs relative to world price of mfs	521	-5.5	-3.0	0.0	0.0	-0.0	0.0	-0.0	0.0	-0.0
Volume of exports	407	6.9	9.9	12.5	9.8	9.0	8.4	7.6	7.6	6.9
Volume of imports	1409	5.5	3.2	9.2	7.9	9.4	9.1	7.2	7.7	6.5
<b>(£ billion, 1975 values)</b>										
Balance of payments on current account	421	-1.3	-0.1	0.4	0.9	0.5	-0.1	0.4	0.9	1.1
<b>(Annual changes, %)</b>										
Average money earnings	303	14.8	11.3	14.0	17.1	14.8	13.5	13.8	12.9	12.6
Consumer prices	311	15.5	11.2	11.3	11.9	11.1	10.5	10.3	9.5	9.7
Post-tax real earnings	305	-2.4	0.8	1.2	4.9	4.7	2.5	2.9	4.1	1.8
<b>(£ billion, 1975 values)</b>										
Discretionary tax reduction	108	-0.0	1.7	1.8	3.2	5.0	5.3	5.7	7.2	7.1
<b>(£ billion, 1975 values)</b>										
Public sector borrowing requirement	103	8.9	8.7	5.6	5.3	6.0	5.3	4.5	4.7	4.2
Domestic Credit Expansion	104	7.0	7.0	6.9	7.4	7.6	6.6	6.2	6.9	5.9
<b>(Annual changes, %)</b>										
Money supply	105	13.1	16.4	15.8	17.9	17.7	14.5	14.0	15.0	12.2
Bank rate / MLR (%p.a.)	106	11.7	10.2	9.9	10.9	10.5	9.6	9.4	9.1	8.9

## STRATEGY 1: Conventional policies

Table 2 Employment, output and income

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ billion at 1975 factor cost)										
North Sea output	201	0.5	1.3	2.3	3.0	3.6	4.0	4.4	4.8	5.3
Public service output	202	15.3	15.4	15.4	15.5	15.7	16.0	16.3	16.6	17.0
Other domestic output	203	77.5	80.5	84.6	87.6	91.2	94.7	98.1	102.0	104.5
GDP at factor cost	204	93.4	97.3	102.3	106.2	110.4	114.6	118.7	123.5	126.8
Shares of GDP (%):										
income from employment	205	73.0	69.4	67.8	67.4	66.1	65.3	65.0	64.4	64.3
gross trading income and public rents	206	21.8	25.5	27.1	27.6	28.9	29.8	30.1	30.6	30.7
private rents	207	5.2	5.1	5.1	5.0	5.0	4.9	4.9	5.0	5.1
(million ftm equivs)										
Public service emplmt	208	3.29	3.32	3.32	3.34	3.37	3.43	3.50	3.58	3.65
Other employment	209	14.25	14.11	14.06	14.00	13.94	13.91	13.87	13.85	13.76
(million persons)										
Total employment	210	22.82	22.78	22.85	22.90	23.00	23.15	23.31	23.50	23.59
Unemployment	211	1.27	1.36	1.39	1.45	1.49	1.56	1.64	1.70	1.81
Non-participants	212	0.94	0.98	0.99	1.02	1.03	1.07	1.10	1.12	1.17
Potential labour supply	213	25.03	25.12	25.23	25.37	25.52	25.78	26.04	26.32	26.57

Table 3 Earnings, costs and prices

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(Annual changes, %)										
Wage settlement index	301	10.1	7.6	15.4	14.1	11.2	11.6	11.7	10.1	11.2
Real post-tax value of settlements	302	-1	-4.0	3.0	2.0	1.0	1.0	1.0	1.0	1.0
Average earnings:										
pre-tax money earnings	303	14.8	11.3	14.0	17.1	14.8	13.5	13.8	12.9	12.6
post-tax money earnings	304	12.7	12.2	12.6	17.4	16.4	13.2	13.5	14.0	11.7
post-tax real earnings	305	-2.4	0.8	1.2	4.9	4.7	2.5	2.9	4.1	1.8
Normal costs per unit:										
labour costs	306	12.0	6.5	9.8	13.1	10.8	9.7	10.0	9.1	9.0
other domestic costs	307	17.2	14.0	13.6	13.1	13.1	12.1	11.6	11.4	11.0
imported inputs	308	19.0	16.2	12.3	11.8	10.8	9.7	9.9	9.4	8.9
total costs	309	14.6	10.3	11.3	12.9	11.3	10.2	10.3	9.6	9.4
Output prices	310	15.2	11.6	11.1	12.6	11.9	10.7	10.4	10.0	9.6
Consumer prices	311	15.5	11.2	11.3	11.9	11.1	10.5	10.3	9.5	9.7

## STRATEGY 1: Conventional policies

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Table 4 Expenditure and disposable income

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>(£ billion, 1975 mkt pr)</b>										
Consumers' expenditure	401	63.7	65.6	67.7	71.0	75.0	78.5	81.6	85.5	88.4
Public curr expenditure on goods and services	402	23.7	23.6	23.5	23.7	24.0	24.5	25.0	25.5	26.0
Private fixed investment	403	10.9	11.1	12.4	12.7	13.4	14.3	14.8	15.1	15.4
Public fixed investment	404	8.7	7.8	7.3	7.5	7.9	8.4	8.9	9.3	9.8
Stockbuilding	405	-1.6	-0.1	1.9	1.9	2.1	2.2	2.2	2.4	1.9
Domestic expenditure	406	105.5	108.1	112.9	116.9	122.4	127.9	132.4	137.8	141.5
Exports of goods & servs	407	27.9	30.7	34.5	37.9	41.3	44.8	48.2	51.9	55.5
Total final expenditure	408	133.4	138.8	147.4	154.8	163.7	172.7	180.6	189.7	196.9
Imports of goods & servs	409	29.8	30.8	33.6	36.3	39.7	43.3	46.4	49.9	53.2
GDP at market prices	410	103.6	108.0	113.7	118.5	124.0	129.4	134.3	139.8	143.7
<b>(£ billion, 1975 values)</b>										
Terms of trade effect	411	0.4	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8
Net income from abroad	412	0.3	-0.1	-0.7	-1.0	-1.6	-2.2	-2.0	-1.7	-2.0
National income	413	104.2	108.0	113.3	117.8	122.9	127.8	132.8	138.7	142.6
Post-tax income:										
wages and salaries	414	48.4	48.8	49.5	52.0	54.7	56.4	58.4	61.4	62.7
welfare benefits	415	9.2	10.0	10.3	10.9	11.5	12.1	12.5	13.2	13.7
other private income	416	22.4	26.4	28.2	28.6	30.5	31.7	32.5	34.2	34.8
total private income	417	80.0	85.2	88.0	91.5	96.7	100.2	103.5	108.7	111.2
public sector income	418	24.2	22.8	25.2	26.3	26.2	27.6	29.3	30.0	31.4
Financial balances:										
Private sector surplus	419	7.3	8.6	6.2	6.0	6.4	5.3	5.0	5.8	5.6
Public sector deficit	420	8.5	8.6	5.8	5.1	5.9	5.4	4.6	4.9	4.4
Balance of payments on current account	421	-1.3	-0.1	0.4	0.9	0.5	-0.1	0.4	0.9	1.1

## STRATEGY 1: Conventional policies

Table 5 Balance of payments

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ million, 1975 prices)										
Volume of exports of:										
fuels	1501	883	1204	2332	3309	4414	5453	6064	6675	7384
other goods & services	1502	27022	29469	32170	34576	36873	39317	42124	45191	48067
total	1407	27905	30673	34502	37885	41287	44770	48188	51866	55451
Volume of imports of:										
food	1503	4524	4491	4497	4502	4507	4512	4518	4523	4528
fuels	1504	4279	3615	3786	3882	4031	4320	4583	4893	5087
basic materials	1505	2683	2768	2969	2955	2971	2989	2963	3015	2960
semi-manufactures	1506	6775	7559	8681	9417	10312	11292	12274	13492	14414
finished manufactures	1507	7147	7437	8559	10189	12301	14360	15985	17727	19671
services	1508	4403	4901	5114	5326	5543	5782	6028	6274	6529
total	1409	29811	30773	33606	36270	39665	43255	46371	49925	53189
(Index 1975=100)										
Terms of trade	1509	101.50	100.28	100.33	100.40	100.64	100.78	100.89	101.04	101.20
(£ million, 1975 values)										
Balance of trade on goods and services	1510	-1551	-14	1096	1903	2032	2008	2403	2645	3094
Net income from abroad	1412	285	-67	-696	-1018	-1556	-2152	-2016	-1740	-1984
Current balance	1421	-1266	-81	400	885	476	-144	387	905	1110
Net long-term capital	1511	207	637	265	176	610	1231	1051	567	362
Net trade credit	1512	-538	-982	-1072	-1061	-1086	-1087	-1106	-1156	-1173
Basic balance	1513	-1596	-427	-406	0	0	0	332	316	299
Net short-term inflow	1514	-1488	-359	155	1037	933	532	1015	1428	1631
Balance for official financing	1515	-3084	-786	-252	1037	934	532	1346	1744	1931
(Indices, 1970=100)										
Volume of world trade	1516	145	157	171	186	203	221	241	263	286
World price of manufactures	1517	149	157	164	173	181	190	200	210	220
World terms of trade for raw materials	1518	110	110	110	110	110	110	110	110	110
cil	1519	282	290	290	290	290	290	290	290	290
UK unit costs relative to world price of mfs:										
in sterling	1520	148.5	157.8	167.1	179.2	191.0	201.4	211.8	221.8	231.6
in foreign currency	1521	92.3	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5
Weighted exchange rate	1522	62.1	56.7	53.6	49.9	46.8	44.4	42.3	40.3	38.6
										36.9

Table 1 Summary

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>(Annual changes, %)</b>										
Consumers expenditure	401	0.6	2.9	2.5	3.8	5.9	4.8	3.3	7.7	6.6
Public curr expenditure on goods and services	402	3.5	-0.3	-0.5	0.9	1.1	1.7	1.9	1.6	1.6
Fixed investment	101	-4.6	-3.2	6.3	2.6	9.1	10.1	5.4	10.4	11.6
GDP at market prices	410	1.2	4.3	5.2	4.1	5.8	5.0	4.6	7.9	6.9
National income	413	1.3	3.7	4.8	3.8	5.5	4.6	5.0	8.2	6.6
<b>(Thousands)</b>										
Unemployment	211	1274	1364	1395	1453	1429	1445	1437	1263	1058
<b>(Annual changes, %)</b>										
Volume of world trade	516	8.2	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
World terms of trade for manufactures	102	-5.1	-0.9	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0
Sterling exchange rate	522	-17.3	-8.7	-5.8	-15.8	-8.2	-6.8	-25.2	-9.1	-7.1
UK unit costs relative to world price of mfs	521	-5.5	-3.0	-0.0	-7.7	0.0	-0.0	-16.8	0.0	0.0
Volume of exports	407	6.9	9.9	12.5	11.7	11.3	9.8	12.7	14.3	11.8
Volume of imports	409	5.5	3.2	9.2	8.0	12.2	10.8	9.4	15.5	12.4
<b>(£ billion, 1975 values)</b>										
Balance of payments on current account	421	-1.3	-0.1	0.4	1.4	0.9	0.1	2.2	2.4	2.0
<b>(Annual changes, %)</b>										
Average money earnings	303	14.8	11.3	14.6	18.4	16.2	15.7	16.3	14.3	14.7
Consumer prices	311	15.5	11.2	11.9	14.0	13.4	12.7	15.8	14.5	12.9
Post-tax real earnings	305	-2.4	0.8	0.4	5.2	4.6	1.7	4.2	5.0	0.7
<b>(£ billion, 1975 values)</b>										
Discretionary tax reduction	108	-0.0	1.7	1.2	3.4	5.6	5.5	6.7	13.2	13.3
<b>(£ billion, 1975 values)</b>										
Public sector borrowing requirement	103	8.9	8.7	5.5	6.3	7.7	6.5	8.2	10.7	8.3
Domestic Credit Expansion	104	7.0	7.0	6.8	8.4	9.2	7.5	10.1	12.5	9.4
<b>(Annual changes, %)</b>										
Money supply	105	13.1	16.4	15.6	21.1	21.9	16.5	23.6	27.2	18.3
Bank rate / MLR (%p.a.)	106	11.7	10.2	10.1	12.6	12.1	11.0	13.6	12.8	11.2

## STRATEGY 2: Devaluation

Table 2 Employment, output and income

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ billion at 1975 factor cost)										
North Sea output	201	0.5	1.3	2.3	3.0	3.6	4.0	4.4	4.8	5.3
Public service output	202	15.3	15.4	15.4	15.5	15.7	15.9	16.2	16.4	16.7
Other domestic output	203	77.5	80.5	84.5	87.6	92.3	96.6	101.2	105.8	117.7
GDP at factor cost	204	93.4	97.3	102.2	106.2	111.5	116.5	121.8	131.0	139.6
Shares of GDP (%):										
income from employment	205	73.0	69.4	68.0	67.3	65.0	63.9	61.8	58.2	56.4
gross trading income and public rents	206	21.8	25.5	27.0	27.8	30.2	31.4	33.5	37.4	39.3
private rents	207	5.2	5.1	5.1	5.0	4.8	4.7	4.6	4.4	4.2
(million ftm equivs)										
Public service emplmt	208	3.29	3.32	3.32	3.34	3.36	3.42	3.48	3.53	3.58
Other employment	209	14.25	14.11	14.06	14.00	14.00	14.03	14.07	14.28	14.51
(million persons)										
Total employment	210	22.82	22.78	22.85	22.90	23.09	23.32	23.59	24.13	24.68
Unemployment	211	1.27	1.36	1.39	1.45	1.43	1.45	1.44	1.26	1.06
Non-participants	212	0.94	0.98	0.99	1.02	1.01	1.01	1.01	0.93	0.83
Potential labour supply	213	25.03	25.12	25.23	25.37	25.52	25.78	26.04	26.32	26.57

Table 3 Earnings, costs and prices

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(Annual changes, %)										
Wage settlement index	301	10.1	7.6	16.6	15.2	12.5	14.2	13.4	10.6	13.8
Real post-tax value of settlements	302	-8.1	-4.0	3.0	2.0	1.0	1.0	1.0	1.0	1.0
Average earnings:										
pre-tax money earnings	303	14.8	11.3	14.6	18.4	16.2	15.7	16.3	14.3	14.7
post-tax money earnings	304	12.7	12.2	12.4	20.0	18.6	14.6	20.6	20.2	13.6
post-tax real earnings	305	-2.4	0.8	0.4	5.2	4.6	1.7	4.2	5.0	0.7
Normal costs per unit:										
labour costs	306	12.0	6.5	10.4	14.3	12.0	11.7	12.3	9.9	10.6
other domestic costs	307	17.2	14.0	13.8	14.9	15.3	13.4	16.2	16.2	13.0
imported inputs	308	19.0	16.2	12.5	18.8	13.9	11.5	25.6	16.9	12.4
total costs	309	14.6	10.3	11.7	16.2	13.5	12.2	18.2	14.3	12.3
Output prices	310	15.2	11.6	11.5	15.1	14.4	12.7	16.7	15.5	13.0
Consumer prices	311	15.5	11.2	11.9	14.0	13.4	12.7	15.8	14.5	12.9

#### **STRATEGY 2: Devaluation**

Table 4 Expenditure and disposable income

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<i>(£ billion, 1975 mkt pr)</i>										
Consumers' expenditure	401	63.7	65.6	67.3	69.8	73.9	77.5	80.0	86.1	91.8
Public curr expenditure on goods and services	402	23.7	23.6	23.5	23.7	24.0	24.4	24.9	25.3	25.7
Private fixed investment	403	10.9	11.1	12.3	12.4	13.4	14.7	15.0	16.8	19.1
Public fixed investment	404	8.7	7.8	7.8	8.3	9.1	10.1	11.1	12.1	13.1
Stockbuilding	405	-1.6	-0.1	1.9	1.9	2.6	2.8	2.9	4.6	5.2
Domestic expenditure	406	105.5	108.1	112.8	116.1	123.0	129.5	133.9	144.8	155.0
Exports of goods & servs	407	27.9	30.7	34.5	38.5	42.9	47.1	53.1	60.7	67.8
Total final expenditure	408	133.4	138.8	147.3	154.7	165.9	176.6	187.0	205.5	222.8
Imports of goods & servs	409	29.8	30.8	33.6	36.3	40.7	45.1	49.4	57.0	64.1
GDP at market prices	410	103.6	108.0	113.7	118.4	125.2	131.5	137.6	148.5	158.7
<i>(£ billion, 1975 values)</i>										
Terms of trade effect	411	0.4	0.1	0.2	-0.1	0.1	0.3	0.0	0.3	0.5
Net income from abroad	412	0.3	-0.1	-0.7	-0.8	-1.4	-2.1	-1.5	-1.5	-2.2
National income	413	104.2	108.0	113.2	117.5	123.9	129.7	136.1	147.2	156.9
Pcst-tax income:										
wages and salaries	414	48.4	48.8	49.1	51.8	54.6	56.1	59.1	63.5	65.4
welfare benefits	415	9.2	10.0	10.3	10.7	11.1	11.5	11.5	11.6	11.6
other private income	416	22.4	26.4	28.0	29.1	32.5	34.0	37.7	45.4	49.4
total private income	417	80.0	85.2	87.4	91.5	98.3	101.6	108.4	120.6	126.4
public sector income	418	24.2	22.8	25.8	26.0	25.6	28.0	27.7	26.6	30.5
Financial balances:										
Private sector surplus	419	7.3	8.6	6.1	7.5	8.5	6.8	10.5	13.3	10.5
Public sector deficit	420	8.5	8.6	5.7	6.1	7.6	6.6	8.3	10.9	8.5
Balance of payments on current account	421	-1.3	-0.1	0.4	1.4	0.9	0.1	2.2	2.4	2.0

## STRATEGY 2: Devaluation

Table 5 Balance of payments

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ million, 1975 prices)										
Volume of exports of:										
fuels	501	883	1204	2332	3309	4414	5453	6064	6675	7384
other goods & services	502	27022	29469	32170	35236	38492	41641	46998	53976	60425
total	407	27905	30673	34502	38544	42906	47094	53062	60651	67809
Volume of imports of:										
food	503	4524	4491	4497	4502	4507	4512	4518	4523	4528
fuels	504	4279	3615	3783	3883	4119	4468	4830	5500	6124
basic materials	505	2683	2769	2967	2956	3033	3065	3074	3300	3397
semi-manufactures	506	6775	7560	8673	9329	10396	11459	12332	14326	16212
finished manufactures	507	7147	7437	8567	10307	13125	15835	18598	23105	27315
services	508	4403	4901	5114	5326	5543	5782	6028	6274	6529
total	409	29811	30773	33599	36303	40723	45121	49381	57028	64105
(Index 1975=100)										
Terms of trade	509	101.50	100.28	100.32	99.14	99.68	100.00	98.74	99.12	99.42
(£ million, 1975 values)										
Balance of trade on										
goods and services	510	-1551	-15	1099	2143	2321	2232	3706	3913	4191
Net income from abroad	412	285	-67	-681	-776	-1428	-2087	-1511	-1543	-2218
Current balance	421	-1266	-82	418	1366	893	145	2195	2370	1974
Net long-term capital	511	207	637	253	42	569	1229	774	702	833
Net trade credit	512	-538	-982	-1077	-1408	-1462	-1373	-2532	-2652	-2406
Basic balance	513	-1596	-428	-405	0	1	1	438	421	401
Net short-term inflow	514	-1488	-360	236	3064	3053	2603	7960	8546	8301
Balance for	515	-3084	-788	-170	3064	3054	2604	8398	8966	8702
official financing										9116
(Indices, 1970=100)										
Volume of world trade	516	145	157	171	186	203	221	241	263	286
World price of										
manufactures	517	149	157	164	173	181	190	200	210	220
World terms of trade for										
raw materials	518	110	110	110	110	110	110	110	110	110
cil	519	282	290	290	290	290	290	290	290	290
UK unit costs relative										
to world price of mfs:										
in sterling	520	148.5	157.8	167.6	183.6	200.0	214.7	238.6	262.4	282.3
in foreign currency	521	92.3	89.5	89.5	82.6	82.6	82.6	68.7	68.7	68.7
Weighted exchange rate	522	62.1	56.7	53.4	45.0	41.3	38.5	28.8	26.2	24.3
										22.8

## STRATEGY 3: Restriction of imports

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Table 1 Summary

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
<b>(Annual changes, %)</b>										
Consumers expenditure	401	0.6	2.9	3.1	6.0	6.0	6.1	5.1	6.5	5.7
Public curr expenditure on goods and services	402	3.5	-0.3	-0.5	0.7	1.1	1.6	1.8	1.8	1.7
Fixed investment	1101	-4.6	-3.2	6.9	4.9	8.5	9.5	7.7	6.5	7.5
GDP at market prices	410	1.2	4.3	6.0	5.7	5.4	5.8	5.2	5.9	5.4
National income	413	1.3	3.7	5.5	5.4	5.1	5.4	5.4	6.2	5.2
<b>(Thousands)</b>										
Unemployment	1211	1274	1364	1350	1300	1250	1200	1130	1030	920
<b>(Annual changes, %)</b>										
Volume of world trade	516	8.2	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
World terms of trade for manufactures	102	-5.1	-0.9	0.0	-0.0	0.0	-0.0	-0.0	0.0	0.0
Sterling exchange rate	522	-17.3	-8.7	-5.7	-6.9	-6.3	-5.0	-4.6	-3.9	-3.0
UK unit costs relative to world price of mfs	521	-5.5	-3.0	-0.0	-0.0	-0.0	0.0	-0.0	0.0	0.0
Volume of exports	407	6.9	9.9	12.5	8.4	8.8	8.3	7.5	8.4	7.9
Volume of imports	409	5.5	3.2	9.2	6.7	9.0	9.0	7.2	8.4	7.6
<b>(% of total imports)</b>										
Import restriction	107	0.0	-0.0	1.1	6.0	7.3	9.3	11.3	11.8	12.7
<b>(£ billion, 1975 values)</b>										
Balance of payments on current account	421	-1.3	-0.1	0.4	0.7	0.3	-0.4	0.0	0.5	0.4
<b>(Annual changes, %)</b>										
Average money earnings	1303	14.8	11.3	14.4	17.3	14.8	13.4	13.2	12.0	10.9
Consumer prices	1311	15.5	11.2	11.6	11.7	11.4	10.1	9.9	8.5	8.0
Post-tax real earnings	1305	-2.4	0.8	0.9	5.9	4.0	3.6	2.7	4.9	2.5
<b>(£ billion, 1975 values)</b>										
Discretionary tax reduction	108	-0.0	1.7	1.5	3.5	4.9	6.1	6.5	8.9	9.6
<b>(£ billion, 1975 values)</b>										
Public sector borrowing requirement	103	8.9	8.7	5.6	5.7	6.0	5.8	4.6	5.0	4.3
Domestic Credit Expansion	104	7.0	7.0	7.1	8.2	7.9	7.5	6.9	7.9	7.0
<b>(Annual changes, %)</b>										
Money supply	105	13.1	16.4	16.4	20.0	17.9	16.1	14.8	16.1	13.3
Bank rate / MLR (%p.a.)	106	11.7	10.2	10.0	11.0	10.5	9.5	9.2	8.6	8.0

## STRATEGY 3: Restriction of imports

Table 2 Employment, output and income

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ billion at 1975 factor cost)										
North Sea output	201	0.5	1.3	2.3	3.0	3.6	4.0	4.4	4.8	5.3
Public service output	202	15.3	15.4	15.4	15.5	15.6	15.8	16.1	16.3	16.6
Other domestic output	203	77.5	80.5	85.3	90.2	94.7	100.2	105.8	112.6	119.0
GDP at factor cost	204	93.4	97.3	103.0	108.6	113.8	120.0	126.3	133.7	140.9
Shares of GDP (%):										
income from employment	205	73.0	69.4	67.7	66.9	65.4	64.2	63.4	62.4	61.4
gross trading income and public rents	206	21.8	25.5	27.3	28.2	29.8	31.1	31.9	33.0	34.0
private rents	207	5.2	5.1	5.0	4.9	4.8	4.7	4.7	4.6	4.6
(million ftm equivs)										
Public service emplmt	208	3.29	3.32	3.31	3.32	3.35	3.39	3.45	3.51	3.57
Other employment	209	14.25	14.11	14.10	14.15	14.19	14.28	14.38	14.53	14.66
(million persons)										
Total employment	210	22.82	22.78	22.91	23.12	23.35	23.68	24.04	24.48	24.89
Unemployment	211	1.27	1.36	1.35	1.30	1.25	1.20	1.13	1.03	0.92
Non-participants	212	0.94	0.98	0.97	0.95	0.93	0.90	0.87	0.82	0.76
Potential labour supply	213	25.03	25.12	25.23	25.37	25.52	25.78	26.04	26.32	26.57

Table 3 Earnings, costs and prices

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(Annual changes, %)										
Wage settlement index	301	10.1	7.6	16.0	13.6	11.6	10.8	11.1	8.6	8.8
Real post-tax value of settlements	302	-8.1	-4.0	3.0	2.0	1.0	1.0	1.0	1.0	1.0
Average earnings:										
pre-tax money earnings	303	14.8	11.3	14.4	17.3	14.8	13.4	13.2	12.0	10.9
post-tax money earnings	304	12.7	12.2	12.7	18.3	15.8	14.0	12.9	13.9	10.8
post-tax real earnings	305	-2.4	0.8	0.9	5.9	4.0	3.6	2.7	4.9	2.5
Normal costs per unit:										
labour costs	306	12.0	6.5	10.1	13.1	10.8	9.4	9.3	8.0	7.0
other domestic costs	307	17.2	14.0	13.8	13.4	13.2	12.1	11.4	10.9	10.1
imported inputs	308	19.0	16.2	12.7	12.8	11.1	10.0	9.9	9.0	8.0
total costs	309	14.6	10.3	11.5	13.0	11.4	10.0	9.8	8.8	7.9
Output prices	310	15.2	11.6	11.3	12.8	12.0	10.6	10.0	9.2	8.3
Consumer prices	311	15.5	11.2	11.6	11.7	11.4	10.1	9.9	8.5	8.0

## STRATEGY 3: Restriction of imports

Table 4 Expenditure and disposable income

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ billion, 1975 mkt pr)										
Consumers' expenditure	401	63.7	65.6	67.7	71.7	76.0	80.6	84.8	90.3	95.4
Public curr expenditure on goods and services	402	23.7	23.6	23.5	23.7	23.9	24.3	24.7	25.2	25.6
Private fixed investment	403	10.9	11.1	12.4	13.0	13.9	15.1	16.0	16.8	17.9
Public fixed investment	404	8.7	7.8	7.8	8.3	9.1	10.1	11.1	12.1	13.1
Stockbuilding	405	-1.6	-0.1	2.2	2.8	3.0	3.3	3.5	4.0	4.2
Domestic expenditure	406	105.5	108.1	113.6	119.4	125.9	133.4	140.2	148.4	156.3
Exports of goods & servs	407	27.9	30.7	34.5	37.4	40.7	44.1	47.4	51.4	55.5
Total final expenditure	408	133.4	138.8	148.1	156.8	166.6	177.5	187.6	199.8	211.7
Imports of goods & servs	409	29.8	30.8	33.6	35.9	39.1	42.6	45.7	49.5	53.3
GDP at market prices	410	103.6	108.0	114.5	121.0	127.5	134.9	141.9	150.3	158.4
(£ billion, 1975 values)										
Terms of trade effect	411	0.4	0.1	0.2	0.3	0.4	0.5	0.6	0.8	1.0
Net income from abroad	412	0.3	-0.1	-0.7	-1.1	-1.7	-2.4	-2.3	-2.2	-2.7
National income	413	104.2	108.0	114.0	120.2	126.2	133.0	140.2	148.9	156.7
Post-tax income:										
wages and salaries	414	48.4	48.8	49.5	52.9	55.5	58.3	60.8	65.0	67.7
welfare benefits	415	9.2	10.0	10.3	10.8	11.3	11.8	12.1	12.6	13.0
other private income	416	22.4	26.4	28.5	29.9	32.1	34.2	36.0	39.0	41.5
total private income	417	80.0	85.2	88.3	93.6	98.9	104.3	109.0	116.6	122.3
public sector income	418	24.2	22.8	25.7	26.6	27.3	28.8	31.3	32.3	34.4
Financial balances:										
Private sector surplus	419	7.3	8.6	6.2	6.2	6.2	5.5	4.8	5.6	5.0
Public sector deficit	420	8.5	8.6	5.8	5.5	5.9	5.8	4.8	5.1	4.5
Balance of payments on current account	421	-1.3	-0.1	0.4	0.7	0.3	-0.4	0.0	0.5	0.4

## STRATEGY 3: Restriction of imports

Table 5 Balance of payments

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
(£ million, 1975 prices)										
Volume of exports of:										
fuels	501	883	1204	2332	3309	4414	5453	6064	6675	7384
other goods & services	502	27022	29469	32170	34089	36267	38614	41328	44701	48067
total	407	27905	30673	34502	37397	40681	44067	47392	51376	55451
Volume of imports of:										
food	503	4524	4491	4497	4502	4507	4512	4518	4523	4528
fuels	504	4279	3615	3844	4080	4309	4752	5190	5719	6224
basic materials	505	2683	2768	3009	3074	3081	3126	3164	3233	3260
semi-manufactures	506	6775	7559	8819	9884	10898	12183	13570	15290	17021
finished manufactures	507	7147	7438	8323	8990	10752	12249	13182	14446	15708
services	508	4403	4901	5114	5326	5543	5782	6028	6274	6529
total	409	29811	30773	33605	35856	39090	42605	45651	49485	53270
(Index 1975=100)										
Terms of trade	509	101.50	100.28	100.33	100.44	100.69	100.87	101.01	101.17	101.37
(£ million, 1975 values)										
Balance of trade on goods and services	510	-1551	-15	1099	1842	2019	1995	2385	2680	3149
Net income from abroad	512	285	-67	-715	-1106	-1683	-2373	-2348	-2224	-2709
Current balance	521	-1266	-81	384	736	337	-378	37	456	440
Net long-term capital	511	207	636	285	261	734	1445	1370	1027	1040
Net trade credit	512	-538	-982	-1075	-997	-1070	-1066	-1073	-1164	-1178
Basic balance	513	-1596	-427	-406	0	0	0	334	318	303
Net short-term inflow	514	-1488	-359	194	1025	928	449	£17	1099	1034
Balance for official financing	515	-3084	-787	-212	1025	929	449	1150	1417	1337
(Indices, 1970=100)										
Volume of world trade	516	145	157	171	186	203	221	241	263	286
World price of manufactures	517	149	157	164	173	181	190	200	210	220
World terms of trade for raw materials	518	110	110	110	110	110	110	110	110	110
oil	519	282	290	290	290	290	290	290	290	290
UK unit costs relative to world price of mfs:										
in sterling	520	148.5	157.8	167.3	179.7	191.7	201.9	211.6	220.0	226.9
in foreign currency	521	92.3	89.5	89.5	89.5	89.5	89.5	89.5	89.5	89.5
Weighted exchange rate	522	62.1	56.7	53.5	49.8	46.7	44.3	42.3	40.7	39.4
										38.4

**Notes and definitions**

The CEPG system of accounts differs from official statistics in three main respects. First, production sectors are classified into 'North Sea', 'public services' and 'other domestic output' as indicated in Table 2. Second, disposable income is divided between three branches of the private sector—'wages and salaries', 'welfare benefits', and 'other private income' (the last item includes all private rents and income from self-employment as well as company profits, interest, etc.), as shown in Table 4. Third, indirect taxes and subsidies are divided into two categories—those which are specific to different kinds of final expenditure (i.e. taxes on consumption, investment imports, etc.) and those which feed into business costs generally (rates, subsidies to public corporations, import duties and North Sea royalties). This analysis forms the basis of a distinction between expenditures valued at market prices and at 'full cost'—the latter includes net taxes on inputs but excludes taxes and subsidies on final expenditure.

The series presented in this Statistical Appendix also involve adjustments to express output and expenditures at constant 1975 prices, and incomes and financial flows at 1975 values in order to normalise for inflation. The method used for these adjustments is as follows:

- (a) Real domestic final expenditures (consumption, investment, public spending and exports) at the level of disaggregation available in the model,<sup>1</sup> originally measured at 1970 factor cost,<sup>2</sup> are rebased on their 1975 market price values, whilst disaggregated series for imports, also originally at 1970 factor cost, are rebased on their 1975 factor cost values.
- (b) Outputs of the three production sectors shown in Table 2 are obtained by rebasing 1970 factor cost series on 1975 factor cost figures.
- (c) Incomes and financial flows are expressed at 1975 values by dividing current price series by appropriate deflators, as described in the detailed notes to tables.

**1. Summary table**

Items whose reference numbers begin with 2, 3, 4 or 5 are defined in the notes for the appropriate table.

- 101. Fixed investment: private fixed investment (403) plus public fixed investment (404).
- 102. World terms of trade for manufactures: world price of exports of manufactures (517) relative to an average of the world price of food and materials and the world price of exports of fuels, with food and raw materials and fuels weighted on the basis of the composition of UK imports of relevant items in 1970.
- 103. Public sector borrowing requirement: calendar-year figure divided by the domestic expenditure deflator.
- 104. Domestic credit expansion: calendar-year figure on pre-December 1976 definition, divided by the domestic expenditure deflator.

<sup>1</sup>The model disaggregates expenditures by production sectors. Series shown in this Appendix have been reaggregated back to the conventional national accounts basis.

<sup>2</sup>But note that the 1970 factor cost series for consumers' expenditure, public sector current purchases (excluding wages and salaries) and fixed investment in the model are measured inclusive of relative price effects *vis-à-vis* their aggregate total.

- 105. Money supply: M3 at end year.
- 106. Bank rate/MLR: annual average of figures for last Friday of each month.
- 107. Import restriction: *ex ante* percentage reduction of total volume of imports.
- 108. Discretionary tax reduction: *ex ante* money value of reduction in tax revenues resulting from fiscal adjustments in future projections, divided by the domestic expenditure deflator.

**2. Employment, output and income**

- 201. North Sea output: sales of oil and gas less operating costs, royalty payments and import duties attributed to imports of manufactured goods to the North Sea.
- 202. Public service output: public expenditure on wages and salaries charged to current account.
- 203. Other domestic output.
- 204. GDP at factor cost: compromise estimate.
- 205. Income from employment: pre-tax wages and salaries including employees' and employers' national insurance contributions.
- 206. Gross trading income and public sector rents: gross trading profits of companies,<sup>3</sup> gross trading surpluses of public corporations and other public enterprises, and income from self-employment, all excluding stock appreciation, plus public sector rents.
- 207. Private sector rents.
- 208. Public service employment: this item and 209 below are measured in terms of male full-time equivalents, i.e. numbers of part-time and female employees are weighted by earnings relatives. The coverage of this item is the same as that of item 202.
- 209. Other employment: private sector employment, plus public sector employment charged to capital account and trading activities.
- 210-213. Employment and labour supply: total employment (210) is employees in employment, including HM forces. Unemployment (211) is UK wholly unemployed, excluding school-leavers and adult students, annual average of monthly figures. Potential labour supply (213) is defined as the number of persons available for employment (excluding self-employed), including an estimate of non-participants (212), i.e. those who are neither in employment nor registered as unemployed, but who are potentially available for work.

**3. Earnings, costs and prices**

Series for earnings refer to the whole economy.

- 301. Wage settlement index: an index of the level of money basic rates fixed at settlements in each year, measured at the average settlement date of that year.<sup>4</sup>
- 302. Real post-tax value of settlements: item 301 adjusted for direct taxes and changes in consumer prices.
- 303-305. Average earnings: average pre-tax money

<sup>3</sup>Including the residual between compromise and income estimates of GDP.

<sup>4</sup>For a full account of the conceptual basis and construction of this index, see *Economic Policy Review*, No. 2, March 1976, Chapter 2.

earnings per person (303), adjusted for direct taxes (304), and for consumer price inflation (305).

Series for unit costs and output prices relate to 'other domestic output' excluding public services and North Sea production.

- 306. Unit labour costs: standard money earnings (adjusted for cyclical variations in overtime) divided by trend productivity.
- 307. Other domestic costs: rates, farm profits and private rents less subsidies to public corporations, per unit of trend output.
- 308. Imported inputs: value of imports inclusive of duties (but excluding imports to the North Sea), plus value of purchases of oil and gas from the North Sea, less value of exports of fuels, divided by the volume of such imports and purchases from the North Sea less the volume of exports of fuels.
- 309. Total costs: current-weighted average of unit labour costs (306), other unit domestic costs (307), and unit cost of imported inputs (308).
- 310. Output prices: average deflator for home sales, including imported goods but excluding public services, at full cost, i.e. inclusive of net taxes on inputs but excluding taxes on final expenditure.
- 311. Consumer prices: consumers' expenditure deflator, measured as a ratio of current market prices to 1970 factor cost,<sup>1</sup> or equivalently output prices inclusive of sales taxes on consumption.

#### 4. Expenditure and disposable income

- 401-409. Expenditure on gross domestic product at market prices: these items correspond exactly with the Blue Book definitions (apart from the relative price effects described in n.2 above, with the exception of stockbuilding, which here includes the residual error between compromise and expenditure estimates of GDP).
- 410. GDP at market prices: compromise estimate.
- 411-413. Terms of trade effect, net income from abroad, and national income: a 1975-based market price domestic expenditure deflator is derived from the aggregate series at current prices (not shown) and at 1975 prices (406). National income (413) is the money value of national income at market prices divided by this domestic expenditure deflator. This differs from GDP at market prices (410) to the extent of movements in prices of exports and imports relative to the price of domestic expenditure—the terms of trade effect (411)—and on account of net income received from abroad, also divided by the domestic expenditure deflator (412).
- 414-418. Post-tax incomes: post-tax private income (417) (including capital grants but before deduction of taxes on capital) is deflated by a 1975-based private expenditure deflator. Post-tax wages and salaries (414) and welfare benefits (415) are deflated by the

consumers' expenditure deflator (311), leaving other private income (416) to be inferred as a residual. Public sector income (trading income, net tax receipts and rents less grants and net debt interest payments) (418) is obtained by deducting private income (417) from national income (413).

- 419-421. Financial balances: the money value of each flow is deflated by the domestic expenditure deflator. The private surplus includes the residual error between income and expenditure estimates of GDP. The private surplus and the public sector deficit are both defined before payment of capital taxes by the private sector.

#### 5. Balance of payments

- 501-508. Trade in goods and services: exports (407) and imports (409) are shown in two and six categories respectively. Exports are measured at 1975 market prices, and imports at 1975 factor cost (i.e. exclusive of protective duties).
- 509. Terms of trade: ratio of deflator for total exports of goods and services to the deflator for total imports of goods and services.
- 510-515. Current and capital accounts of the balance of payments: each of these items is expressed at 1975 values by dividing its money value by the domestic expenditure deflator. Net long-term capital (511) includes both official long-term capital and net private direct investment. Short-term flows (514) include the balancing item. The balance for official financing (515) comprises changes in official reserves and foreign currency borrowing by the public sector, both with signs reversed.
- 516. Volume of world trade: index of volume of OECD exports of goods and services.
- 517. World price of manufactures: UN index of world price of exports of manufactures in US dollars, converted to a weighted average of the currencies of the UK's main competitors.
- 518. World terms of trade for raw materials: UN index of world price of exports of food and materials converted to weighted average foreign currency, divided by world price of manufactures (517).
- 519. World terms of trade for oil: world price of exports of fuels in weighted average foreign currency divided by world price of manufactures (517).
- 520, 521. UK unit costs relative to world price of manufactures: UK output prices in sterling (310), adjusted for sales taxes on exports, divided by world price of exports of manufactures in foreign currency (517) to obtain relativity in own currencies (520), and further multiplied by sterling exchange rate (522) to obtain relativity in foreign currencies (521).
- 522. Weighted exchange rate: effective exchange rate, in weighted average foreign currency per unit sterling (based on official index in *Economic Trends*).

<sup>1</sup>Including a small relative price effect *vis-à-vis* total home sales as defined in item 310.