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FROM: M M DEYES AND
S RIDLINGTON
DATE: 8 JANUARY 1982

leap

- RA 11.1
1. MR ALLEN - if you agree
 2. CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State (L)
PS/Minister of State (C)
Mr Burns
Mr Kemp
Mrs Gilmore
Mr Norgrove
Mr Mercer
Mr Perfect
Mr Page
Mr C H K Williams
Mr McSharry
Mr Ridley
Mr Cropper
Mr Harris

Mr M Scholar - No. 10

BULL POINTS

We attach copy of the latest Bull Points sheet.

M M Deyes

S Ridlington

M M DEYES
EB

S RIDLINGTON
EB

(i) Signs of recovery

- Total output (GDP) rose about $\frac{1}{2}$ per cent in 3Q 1981 (revised estimates).
- Manufacturing and construction output both increased $2\frac{1}{2}$ per cent between 2Q and 3Q. Latest (October) figures show improvement maintained; manufacturing output some $2\frac{3}{4}$ per cent up on October compared low point 1H 1981.
- Short time working in manufacturing fallen to $\frac{1}{4}$ of January peak; total hours worked have been stable since beginning of 1981.
- 3Q figures for manufacturers and distributors show rate of destocking reduced by $\frac{4}{5}$ compared with 1H 1981.
- Latest 1981 figures show volume of engineering and construction orders up about 17 and 10 per cent respectively on 2H 1980.
- Private sector housing starts in 3 months to November up by 34 per cent on same period, 1980.
- Most recent major independent forecasts assess low point in activity reached in 1H 1981; prospect of some recovery in 1982.

(ii) Earnings and settlements. Increases halved in 1980-81 pay round. Public sector in line. CBI pay data bank for manufacturing settlements suggests some further moderation.

(iii) Productivity. Indications that productivity increasing. Output per head in manufacturing in 1981 3Q 10 per cent higher than in 1980 4Q. Investment in plant and machinery holding up.

(iv) Unit labour costs: Pay moderation and higher productivity has meant dramatically low increase in manufacturers unit wage costs in latest 12 months - up 4 per cent in year to September.

(v) Competitiveness. Up over 10 per cent in 1981, reflecting pay moderation combined with exchange rate fall.

(vi) Industrial and commercial companies' gross trading profits rose (net of stock appreciation) over 10 per cent between 2Q and 3Q 1981. Profits of ICC's excluding North Sea operations also rose.

(vii) Exports are holding up well; non-oil export volumes in 3 months to November up 4 per cent on 1980.

(viii) Expanding export markets. Increasing percentage of UK exports go to developing countries (who now buy 24 per cent of UK exports), particularly oil-exporting developing countries (who now buy 12 per cent, compared 9 per cent in 1979).

(ix) Unemployment. Rate of increase in unemployment in 2H 1981 a little over half that in 1H. Some increase in number of vacancies over recent months. Short-time working in manufacturing in October just $\frac{1}{4}$ of January level. Overtime working has increased by about 12 per cent in 3 months to October over previous 3 months. Total hours worked in manufacturing stable since beginning of 1981.

(x) Special employment measures. Total provision on Job Release Scheme, Temporary Short-Time Working Compensation and Community Enterprise Programme in 1982-83 now planned to reach over £520 million, with additional £61 million for young worker scheme (starting January 1982). Spending on Youth Opportunities Programme to rise to £700 million in 1982-83.

(xi) Training. Over next 3 years £4 billion to be provided to bring training schemes up to date. New Youth Training Scheme for school leavers to be introduced September 1983 represents major step towards comprehensive provision for young people.

(xii) Industrial relations. Cumulative total of days lost through stoppages in first 11 months of 1981 was only a little over 4 million. This is second lowest total in last 14 years for comparable period.

(xiii) Retail prices. Inflation almost halved since peak in spring 1980 (21.9 per cent). 12 monthly increase in November of 12.0 per cent. [NB Progress will for a while remain affected by lower exchange rate and higher interest rates.]

(xiv) Share Ownership Schemes: Number of schemes has increased from 30 in May 1979 to over 350. Number of employees covered roughly doubled between first and second years in office. Profit sharing schemes alone now cover about 250,000 employees.

(xv) Loan Guarantee Scheme. Over 1500 guarantees issued by end November on loans totalling over £52 million. Over half of loans going to new businesses.

(xvi) Enterprise Zones. 10 out of 11 zones already in operation. Last one (Isle of Dogs) expected to start in April. Encouraging amount of interest shown; eg new project at Dudley expected to provide 300 jobs by 1985. At Corby, a good proportion of sites already allocated for development with 32 factories already under construction on designation day. On Clydebank, 45 companies with potential for 600 new jobs have either moved in or are expanding existing operations.

(xvii) Examples of British export successes reported in the Press include: over £500 million worth of business in Nigeria won in last 6 months; £250 million bank construction project won in Hong Kong; £170 million trans-Pacific cable contract won by (STC); £150 million contract for construction of university in Oman (Cementation International); £140 million gas storage contract (Chicago Bridge and Iron Co) in Abu Dhabi; contracts worth over £100 million for supplying generators and spares for the Soviet natural gas pipeline project (John Brown); £100 million motorway project in Iraq (Kier International).



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