

## Appendix B

### Historical data and projections for the UK economy

This Appendix presents historical data for 1961-78 based on information available up to the end of January 1979, together with the results of three different projections for 1979-90 based on the CEPG model of the UK.\* The tables at the end of the Appendix show:

B1-B4	Historical series
B5 and B6	A base projection
B7 and B8	A projection with import controls
B9 and B10	A projection with continuing real devaluation

#### Assumptions

Each projection illustrates the effects up to 1990 of pursuing different balance of payments policies and demand management policies on the same set of basic underlying assumptions. These are as follows:

- (i) *World trade and prices*: growth in the volume of OECD exports of goods and services of 5% in 1979 and at 6% a year thereafter; world prices of manufactures rising by 4% in 1979, and at 6% a year thereafter; world prices of food and materials rising by 3% in 1979, 6% a year thereafter; world oil prices rising by 7% in 1979, and at 9% a year thereafter (all measured in weighted average foreign currency terms). CAP farm prices, when converted to sterling at the 'green' rate, are assumed to move so as to maintain their real value to UK farmers.
- (ii) *Balance of payments*: zero targets throughout for the basic balance (current account plus long-term capital and net trade credit).
- (iii) *Public expenditure and taxation*: public expenditure plans based on those announced in the most recent White Paper, but with growth of expenditure after 1981 adjusted depending on GDP growth; the present general structure of taxation, adjusted for inflation and for future changes which have already been announced; such discretionary changes in income tax allowances and indirect taxation as are necessary to achieve the targets specified for each projection.
- (iv) *Wage settlements*: money wage bargains fixed so as to secure specified increases in the real post-

\*A full account of the current version of the model, together with its main simulation properties, will be available in May 1979 in a revised edition of the technical manual (*Technical manual on the CEPG model*, M. J. Fetherston and K. J. Coutts, fourth edition) from the Department of Applied Economics, Sidgwick Avenue, Cambridge, CB3 9DE, price £3.50.

tax value of basic rates at the time of settlement of 5.3% in 1979, 1.7% in 1980, and ¼% per annum thereafter.

Given all these conditions, the projections differ because of assumed differences in policy towards trade and competitiveness, with fiscal policy and exchange-rate policy used in each case to achieve a zero target for the basic balance of payments and targets defined below for the level of international competitiveness.

*Base projection and import controls*: in both these projections it is assumed that cost competitiveness, defined as the level of UK unit costs in foreign currency relative to the world price of manufactures, is maintained in future at the average 1978 level; in addition, under import controls internal demand is reflated through tax adjustments so as to hold unemployment constant at its 1978 level until 1982, and then progressively reduce it to 3% of the labour force by 1990.

*Devaluation*: the sterling exchange rate is depreciated at whatever rate is necessary to improve the UK's international cost competitiveness by 4% a year from 1978 to 1985, and by 2% a year thereafter.

#### Notes and definitions

The system of accounts used in CEPG's model of the UK differs from official statistics in three main respects. First, production is classified into 'North Sea', 'public services' and 'other domestic output'. Second, private 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.). 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 value at market prices and at 'full cost' – the latter include net taxes on inputs but exclude specific taxes and subsidies on final expenditures.

The series presented in the tables 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, where they are measured at 1975 factor cost, are rebased on their 1975 market price values and then re-aggregated. Note that 1975 factor cost series for consumers' expenditure, public sector current purchases (excluding wages and salaries) and fixed investment are measured in the model inclusive of relative price effects *vis-à-vis* their aggregate total. On account both of this and the higher level of aggregation in the model than that used by the CSO, the historical series for constant market price expenditures differ from those published in official national accounts.

(b) Incomes and financial flows are expressed at 1975 values by dividing current price series by appropriate deflators, as described in the detailed notes which follow.

For series expressed as annual percentage changes, note that the 1990 figure indicates the change from 1989, not the average change since 1985.

### **Expenditure, output and employment**

Expenditures on GDP at 1975 market prices correspond with Blue Book definitions apart from the aggregation and relative price effects described above, except for stockbuilding, which here includes the residual error between compromise and expenditure estimates of GDP. National income is defined as money domestic expenditure plus the current balance of payments, divided by the domestic expenditure deflator. GDP at factor cost is also shown exclusive of the component directly attributed to North Sea production.

Employment is defined as employees in employment including HM forces, and unemployment as the annual average of monthly figures for UK wholly unemployed, excluding school leavers and adult students.

### **Costs and prices**

Earnings series refer to the whole economy. The series for costs and output prices are those for domestic output excluding North Sea and public services. Normal unit labour costs are standard money earnings (adjusted for cyclical overtime) divided by trend productivity, whilst other domestic costs comprise rates, farm profits and private rents less subsidies to public corporations, per unit of trend output. Import costs include import duties and costs of purchases from the North Sea. Output prices, the average deflator for home sales of domestic output plus imported goods and services, are measured at 'full cost', i.e. including net taxes on inputs but excluding sales taxes on final expenditure. Consumer prices are average output prices plus sales taxes on consumption; they differ from the official Blue Book figures by the relative price effect mentioned above.

### **Finance**

Minimum lending rate (previously Bank rate) is the

annual average of figures for the last Friday of the month. Money supply is end-year sterling M3. Real domestic credit expansion (DCE) is the calendar year figure divided by the domestic expenditure deflator, which is also used to deflate sector financial balances. The private surplus includes the residual error between compromise and income estimates of GDP, and, together with the public sector deficit, is measured before private sector payments of capital taxes.

### **National income**

The components of national income are shown in real terms after taxes and transfers. Private income (including capital grants but before deduction of taxes on capital) is expressed in real terms using a deflator for private expenditure as a whole: wages and salaries and welfare benefits are deflated by the consumers' expenditure deflator leaving other private disposable income – profits (after stock appreciation), rents, interest and other net transfers – to be inferred as a residual. Public sector disposable income – trading income, net tax receipts and rents less grants and net debt interest payments – is obtained as the difference between national income and private income.

### **Public sector accounts**

All the series in this section are money flows divided by the domestic expenditure deflator. Indirect taxes are shown net of subsidies; direct tax comprises income tax, corporation tax and national insurance contributions. Tax revenues associated with the North Sea – corporation tax on North Sea profits, Petroleum Revenue Tax and royalties – are shown as a separate series. Public sector property income comprises gross trading income after stock appreciation, rent (including the imputed charge for consumption of non-trading capital), dividends and interest.

Capital formation comprises fixed investment and stockbuilding. Current grants include welfare benefits – social security payments plus student maintenance grants – as well as other current grants to the private sector and government transfers abroad.

### **Balance of payments**

Trade volumes refer to goods and services. Imports of fuels are shown net of exports, manufactured imports include both finished and semi-finished items, and other imports comprise food, drink and tobacco, basic materials and services. The terms of trade effect shows the gains to the balance on goods and services at constant values from changes in relative export and import prices. Net income from abroad comprises property income and transfers. The basic balance is the current account plus net long-term capital and net trade credit.

Cost competitiveness is defined as UK output prices, adjusted for sales taxes on exports, relative to the world price of manufactured exports, measured in the same currencies. The weighted exchange rate is a weighted index of nominal rates for sterling (derived from the Smithsonian-based effective exchange rate index published in *Economic Trends*).

Table B1. Historical series 1961-1969

## Expenditure, output, employment, prices and finance

	1961	1962	1963	1964	1965	1966	1967	1968	1969
<b>Expenditure and output</b>									
<i>(£billion, 1975 mkt pr)</i>									
Consumers' expenditure	47.4	48.6	50.7	52.4	53.6	54.4	56.2	57.7	58.5
Public consumption	16.2	16.6	16.8	16.9	17.4	18.2	18.7	18.8	18.3
Private fixed investment	7.6	7.4	7.4	8.6	8.9	8.6	8.8	9.6	10.1
Public fixed investment	4.8	5.1	5.4	6.4	6.6	7.2	8.2	8.2	7.7
Stockbuilding	1.0	0.6	0.8	2.2	1.9	1.3	0.8	1.4	1.9
Exports of goods & servs	13.5	13.7	14.4	14.9	15.6	16.3	16.5	18.5	20.3
Imports of goods & servs	15.9	16.2	17.0	18.7	18.9	19.3	20.7	22.2	22.9
Factor cost adjustment	7.5	7.6	7.9	8.3	8.5	8.7	9.0	9.3	9.4
GDP at factor cost	67.3	68.1	70.7	74.4	76.6	78.0	79.5	82.7	84.6
GDP at market prices	74.8	75.8	78.6	82.8	85.1	86.7	88.5	92.0	94.0
National income	77.2	78.6	81.5	85.6	88.3	89.9	92.0	95.1	97.6
Non-North Sea GDP at fc	67.3	68.1	70.7	74.4	76.6	78.0	79.5	82.7	84.5
<b>(millions)</b>									
Employment	22.70	22.89	22.93	23.24	23.50	23.67	23.22	23.05	23.00
Unemployment	0.34	0.45	0.54	0.39	0.34	0.35	0.55	0.57	0.57
<b>Costs and prices</b>									
<i>(Annual changes, %)</i>									
Average money earnings	6.7	4.6	4.9	7.0	6.8	6.4	6.1	7.7	7.1
Normal unit labour costs	3.1	2.7	0.6	3.2	3.4	4.4	1.4	3.7	3.7
Other domestic costs	4.7	5.4	4.2	5.3	5.7	6.4	3.7	4.2	9.9
Import costs	-0.2	-0.2	2.2	3.1	3.5	1.2	-0.9	11.5	2.4
Total costs	2.6	2.4	1.3	3.4	3.8	4.0	1.1	5.3	4.2
Output prices	2.2	3.4	2.1	2.6	3.9	4.0	1.0	3.8	3.7
Consumer prices	2.2	3.6	1.9	3.2	4.3	4.4	1.6	4.7	4.9
Post-tax real earnings	3.3	-0.0	3.4	3.2	0.2	0.6	3.8	1.2	1.0
<b>Finance</b>									
Minimum lending rate (%)	5.8	4.8	4.0	5.2	6.4	6.5	6.2	7.4	7.9
Money supply (% change)	2.7	2.7	7.3	5.9	7.9	3.5	10.5	7.4	2.4
DCE (£1975 billion)	1.4	0.7	2.8	3.8	2.7	1.8	4.0	4.3	-0.5
<i>(£billion, 1975 values)</i>									
Private sector surplus	2.9	2.6	3.7	2.5	2.7	3.0	3.4	2.6	1.4
Public sector deficit	2.9	2.2	3.4	3.4	2.8	2.7	4.1	3.2	0.4
Current bal of payments	0.1	0.4	0.3	-0.9	-0.1	0.3	-0.7	-0.6	1.0

Table B2. Historical series 1961-1969

National income, public accounts and balance of payments									
	1961	1962	1963	1964	1965	1966	1967	1968	1969
(£billion, 1975 values)									
National income	77.2	78.6	81.5	85.6	88.3	89.9	92.0	95.1	97.6
Post-tax real income:									
wages and salaries	37.4	37.7	39.0	40.8	41.3	41.9	42.7	42.9	43.2
welfare benefits	4.1	4.3	4.8	4.9	5.4	5.6	6.2	6.8	6.9
other private income	17.4	17.0	18.4	19.9	20.1	19.6	20.1	21.5	21.9
public sector	18.4	19.6	19.2	20.1	21.4	22.8	23.1	24.0	25.6
Public sector accounts									
(£billion, 1975 values)									
Net indirect taxes	8.5	8.9	9.2	10.0	10.7	11.4	11.9	12.9	14.4
Direct tax & NI contribs	11.6	12.6	12.4	12.7	13.9	14.8	16.4	17.2	17.9
North Sea tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property income	3.7	4.0	4.2	4.4	4.7	4.8	5.1	5.6	5.8
Total receipts	23.9	25.5	25.7	27.0	29.3	31.1	33.4	35.7	38.1
Final consumption	12.7	13.2	13.6	13.9	14.6	15.2	16.4	16.6	16.5
Capital formation	5.1	5.4	5.8	6.6	6.8	7.5	8.5	8.4	7.7
Current grants	5.1	5.3	5.9	6.1	6.7	6.9	7.6	8.2	8.4
Capital grants	0.3	0.4	0.4	0.4	0.5	0.5	1.1	1.5	1.7
Debt interest	3.5	3.4	3.4	3.5	3.6	3.6	3.9	4.2	4.2
Total outlays	26.7	27.7	29.1	30.5	32.1	33.8	37.5	38.9	38.5
Financial deficit	2.9	2.2	3.4	3.4	2.8	2.7	4.1	3.2	0.4
Borrowing requirement	2.0	1.5	2.2	2.5	2.9	2.3	4.3	2.8	-0.9
Balance of payments									
(£billion, 1975 values)									
Trade volumes:									
non-fuel exports	13.1	13.2	13.9	14.4	15.1	15.7	15.9	17.8	19.7
net imports of fuels	2.1	2.3	2.5	2.7	3.0	3.3	3.6	3.7	4.0
manufactured imports	3.7	3.8	4.1	5.0	5.1	5.5	6.1	7.1	7.6
other imports	9.7	9.6	9.8	10.5	10.3	10.0	10.4	10.7	10.7
Terms of trade effect	2.0	2.2	2.2	2.3	2.5	2.8	3.2	2.9	3.0
Net income from abroad	0.4	0.6	0.7	0.6	0.6	0.4	0.3	0.2	0.6
Current balance	0.1	0.4	0.3	-0.9	-0.1	0.3	-0.7	-0.6	1.0
Basic balance	0.0	-0.2	-0.4	-1.9	-0.7	-0.5	-1.3	-1.2	0.5
(Indices, 1975=100)									
UK cost competitiveness	99.7	103.3	103.9	105.4	106.7	109.3	107.2	97.6	99.2
Weighted exchange rate	150.4	151.3	150.9	150.5	150.8	150.8	147.1	129.0	129.5

Table B3. Historical series 1970-1978

## Expenditure, output, employment, prices and finance

	1970	1971	1972	1973	1974	1975	1976	1977	1978
<b>Expenditure and output</b>									
<i>(£billion, 1975 mkt pr)</i>									
Consumers' expenditure	59.7	61.5	64.4	66.0	64.6	63.2	62.9	62.8	66.3
Public consumption	18.6	19.2	19.9	20.9	21.2	22.9	23.5	23.3	23.7
Private fixed investment	10.4	10.8	11.7	12.8	12.1	11.9	11.8	12.2	13.6
Public fixed investment	8.0	7.8	7.4	8.7	9.0	9.0	8.7	7.2	6.5
Stockbuilding	1.7	0.4	1.0	2.9	1.1	-1.9	-0.4	0.7	1.3
Exports of goods & servs	21.4	23.0	23.3	26.1	27.6	26.9	29.4	31.5	32.2
Imports of goods & servs	24.1	25.3	27.8	31.0	31.3	29.0	30.2	30.3	32.2
Factor cost adjustment	9.7	9.9	10.3	10.8	10.7	10.4	10.5	10.5	11.0
GDP at factor cost	86.1	87.5	89.6	95.7	93.8	92.5	95.2	96.9	100.4
GDP at market prices	95.8	97.4	100.0	106.5	104.5	102.9	105.7	107.4	111.5
National income	99.9	101.7	104.7	109.9	103.7	103.2	105.5	106.5	111.5
Non-North Sea GDP at fc	86.1	87.5	89.6	95.6	93.7	92.4	94.7	95.7	98.7
<b>(millions)</b>									
Employment	22.84	22.49	22.49	23.02	23.13	23.04	22.87	22.99	23.02
Unemployment	0.60	0.78	0.85	0.61	0.61	0.93	1.27	1.38	1.38
<b>Costs and prices</b>									
<i>(Annual changes, %)</i>									
Average money earnings	12.7	12.4	12.7	12.2	20.6	29.9	15.4	9.2	13.1
Normal unit labour costs	10.2	8.7	8.7	7.7	16.6	29.8	13.4	7.0	9.3
Other domestic costs	5.7	12.2	5.7	16.2	7.8	25.4	19.0	9.6	6.6
Import costs	7.2	4.0	3.5	22.6	41.3	14.1	22.6	15.9	3.0
Total costs	8.9	8.0	6.9	12.0	21.8	24.6	16.5	9.8	7.2
Output prices	6.7	10.0	8.5	10.7	20.2	25.4	16.0	12.4	8.3
Consumer prices	6.4	8.6	7.5	10.7	17.2	24.6	16.9	13.7	8.8
Post-tax real earnings	4.2	4.3	5.4	0.1	0.1	0.4	-2.3	-2.9	6.4
<b>Finance</b>									
Minimum lending rate (%)	7.2	5.9	6.1	10.1	11.9	10.8	11.8	8.3	9.1
Money supply (% change)	9.7	14.1	27.2	26.4	10.2	6.6	9.5	10.0	12.4
DCE (£1975 billion)	1.4	2.1	10.9	12.0	8.6	4.5	6.8	0.9	4.6
<i>(£billion, 1975 values)</i>									
Private sector surplus	1.3	3.9	4.1	3.8	2.8	6.8	7.0	5.5	5.9
Public sector deficit	-0.1	1.9	3.8	5.3	7.3	8.7	8.0	5.2	5.7
Current bal of payments	1.4	1.9	0.2	-1.5	-4.5	-1.9	-1.0	0.3	0.1

Table B4. Historical series 1970-1978

National income, public accounts and balance of payments									
	1970	1971	1972	1973	1974	1975	1976	1977	1978
(£billion, 1975 values)									
National income	99.9	101.7	104.7	109.9	103.7	103.2	105.5	106.5	111.5
Post-tax real income:									
wages and salaries	44.7	45.9	48.4	49.6	49.9	49.9	48.4	47.2	50.3
welfare benefits	7.1	7.1	8.0	8.0	8.3	8.6	9.2	9.8	10.9
other private income	21.3	23.3	24.7	27.8	22.4	20.9	23.2	24.2	25.7
public sector	26.8	25.4	23.6	24.5	23.0	23.8	24.7	25.3	24.7
Public sector accounts									
(£billion, 1975 values)									
Net indirect taxes	14.5	13.9	13.3	13.0	10.6	10.4	11.2	12.9	14.0
Direct tax & NI contribs	19.5	18.9	18.7	19.8	22.0	23.4	23.4	22.6	22.3
North Sea tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.3
Property income	5.6	5.6	5.7	6.4	6.3	6.2	7.3	7.3	7.6
Total receipts	39.6	38.4	37.7	39.2	38.9	40.0	42.0	43.1	44.3
Final consumption	17.3	18.1	19.0	20.0	20.7	22.9	23.0	22.2	22.9
Capital formation	8.0	8.1	7.5	8.7	9.0	9.5	9.1	7.3	6.6
Current grants	8.6	8.3	9.5	10.1	10.2	10.4	11.5	12.2	13.6
Capital grants	1.5	1.9	1.5	1.3	1.1	1.1	1.1	1.0	1.3
Debt interest	4.1	3.9	3.9	4.5	5.1	4.8	5.3	5.6	5.6
Total outlays	39.5	40.3	41.5	44.5	46.2	48.7	50.0	48.3	50.0
Financial deficit	-0.1	1.9	3.8	5.3	7.3	8.7	8.0	5.2	5.7
Borrowing requirement	-0.0	2.4	3.3	6.3	8.0	10.5	7.9	4.5	5.9
Balance of payments									
(£billion, 1975 values)									
Trade volumes:									
non-fuel exports	20.7	22.2	22.4	25.2	26.8	26.2	28.5	30.2	30.6
net imports of fuels	4.3	4.7	4.6	4.7	4.5	3.6	3.4	2.3	1.9
manufactured imports	8.2	9.3	11.0	13.2	13.9	13.0	14.2	15.7	18.0
other imports	10.9	10.5	11.3	12.2	12.1	11.7	11.7	11.0	10.6
Terms of trade effect	3.4	3.7	4.3	2.3	-1.8	0.0	-0.6	-0.3	0.9
Net income from abroad	0.7	0.5	0.4	1.1	1.1	0.2	0.4	-0.6	-0.9
Current balance	1.4	1.9	0.2	-1.5	-4.5	-1.9	-1.0	0.3	0.1
Basic balance	0.7	1.9	-0.3	-1.5	-3.9	-1.5	-1.7	1.1	0.0
(Indices, 1975=100)									
UK cost competitiveness	99.7	106.4	109.3	100.8	94.5	100.0	94.0	94.2	99.8
Weighted exchange rate	128.2	127.9	123.3	111.8	108.3	100.0	84.7	80.4	81.6

Table B5. Base projection

## Expenditure, output, employment, prices and finance

	1978	1979	1980	1981	1982	1983	1984	1985	1990
<b>Expenditure and output</b>									
<i>(£billion, 1975 mkt pr)</i>									
Consumers' expenditure	66.3	69.4	70.7	70.6	71.7	73.2	74.2	74.7	77.7
Public consumption	23.7	24.3	24.8	25.3	25.7	26.0	26.1	26.3	26.9
Private fixed investment	13.6	13.3	13.2	13.2	12.9	12.5	12.2	11.9	10.4
Public fixed investment	6.5	6.5	6.6	6.8	6.8	6.9	6.9	7.0	7.2
Stockbuilding	1.3	1.6	0.9	0.4	0.5	0.7	0.6	0.4	0.3
Exports of goods & servs	32.2	34.2	36.0	37.6	39.2	41.0	42.5	44.1	53.0
Imports of goods & servs	32.2	34.5	35.7	36.9	38.8	41.0	42.7	44.4	54.7
Factor cost adjustment	11.0	11.5	11.7	11.8	12.0	12.2	12.3	12.5	13.0
GDP at factor cost	100.4	103.3	104.8	105.1	106.0	107.1	107.4	107.5	107.9
GDP at market prices	111.5	114.8	116.6	116.8	117.9	119.3	119.8	120.0	120.9
National income	111.5	115.0	116.5	116.6	118.1	119.9	120.6	121.1	123.7
Non-North Sea GDP at fc	98.7	100.6	101.3	101.3	102.0	102.9	103.2	103.3	103.9
<b>(millions)</b>									
Employment	23.02	23.19	23.17	23.02	22.87	22.73	22.55	22.35	21.18
Unemployment	1.38	1.37	1.50	1.72	1.95	2.17	2.44	2.72	3.74
<b>Costs and prices</b>									
<i>(Annual changes, %)</i>									
Average money earnings	13.1	14.3	17.2	20.6	20.0	19.5	19.9	20.8	24.6
Normal unit labour costs	9.3	10.6	13.3	16.2	16.5	15.9	16.5	17.3	20.9
Other domestic costs	6.6	11.3	14.2	16.2	15.0	15.0	15.1	15.5	17.8
Import costs	3.0	7.7	11.6	13.9	15.0	15.1	15.2	15.6	18.5
Total costs	7.2	9.9	13.0	15.5	15.9	15.6	15.9	16.6	19.7
Output prices	8.3	8.4	12.2	14.9	15.7	15.7	16.0	16.5	19.6
Consumer prices	8.8	9.1	12.3	16.4	16.0	15.9	16.8	17.5	21.2
Post-tax real earnings	6.4	4.5	3.2	1.4	2.8	2.5	1.8	1.9	2.1
<b>Finance</b>									
Minimum lending rate (%)	9.1	12.3	12.0	11.6	10.9	10.9	11.0	11.1	12.1
Money supply (% change)	12.4	13.4	13.3	15.0	17.6	18.4	17.4	17.7	21.7
DCE (£1975 billion)	4.6	4.4	4.3	4.7	5.4	5.7	5.5	5.5	6.5
<i>(£billion, 1975 values)</i>									
Private sector surplus	5.9	5.5	6.1	6.1	6.5	7.0	7.1	7.2	8.0
Public sector deficit	5.7	5.6	5.8	5.6	6.0	6.4	6.4	6.3	6.9
Current bal of payments	0.1	-0.0	0.2	0.4	0.5	0.6	0.7	0.8	1.1

Table B6. Base projection

## National income, public accounts and balance of payments

	1978	1979	1980	1981	1982	1983	1984	1985	1990
[£billion, 1975 values]									
National income	111.5	115.0	116.5	116.6	118.1	119.9	120.6	121.1	123.7
Post-tax real income:									
wages and salaries	50.3	52.9	54.6	55.0	56.1	57.2	57.8	58.3	61.3
welfare benefits	10.9	11.9	12.3	12.7	13.5	14.3	15.0	15.7	19.5
other private income	25.7	24.9	23.9	22.5	22.0	22.0	21.4	20.3	16.3
public sector	24.7	25.3	25.7	26.4	26.4	26.4	26.5	26.7	26.7
Public sector accounts									
[£billion, 1975 values]									
Net indirect taxes	14.0	15.3	15.8	16.7	17.0	17.4	17.9	18.5	21.9
Direct tax & NI contribs	22.3	23.3	24.2	24.9	25.3	25.5	26.0	26.6	29.3
North Sea tax revenue	0.3	0.8	1.3	1.6	2.0	2.6	2.8	3.1	3.3
Property income	7.6	7.7	7.7	7.6	7.7	7.8	7.8	7.8	7.9
Total receipts	44.3	47.1	49.0	50.8	51.9	53.2	54.5	56.0	62.4
Final consumption	22.9	24.3	25.8	27.3	28.3	29.3	29.9	30.6	34.5
Capital formation	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.5	6.2
Current grants	13.6	14.6	15.2	15.5	16.3	17.1	17.9	18.6	22.3
Capital grants	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5
Debt interest	5.6	5.9	5.9	5.6	5.4	5.2	5.1	5.1	4.7
Total outlays	50.0	52.7	54.8	56.4	58.0	59.6	60.9	62.3	69.3
Financial deficit	5.7	5.6	5.8	5.6	6.0	6.4	6.4	6.3	6.9
Borrowing requirement	5.9	5.7	6.0	5.9	6.2	6.6	6.6	6.5	7.1
Balance of payments									
[£billion, 1975 values]									
Trade volumes:									
non-fuel exports	30.6	31.7	32.7	33.9	35.2	36.6	38.1	39.7	48.6
net imports of fuels	1.9	0.9	-0.1	-0.4	-0.7	-1.1	-1.1	-1.1	-1.1
manufactured imports	18.0	20.1	21.6	22.8	24.5	26.6	28.2	29.9	40.0
other imports	10.6	10.9	10.9	10.9	11.0	11.1	11.2	11.2	11.4
Terms of trade effect	0.9	1.7	1.9	2.0	2.3	2.8	3.1	3.4	5.3
Net income from abroad	-0.9	-1.5	-1.9	-2.2	-2.2	-2.2	-2.2	-2.3	-2.5
Current balance	0.1	-0.0	0.2	0.4	0.5	0.6	0.7	0.8	1.1
Basic balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
[Indices, 1975=100]									
UK cost competitiveness	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8
Weighted exchange rate	81.6	78.0	73.7	68.0	62.3	57.0	52.1	47.4	27.3



Table B7. Import controls

## Expenditure, output, employment, prices and finance

	1978	1979	1980	1981	1982	1983	1984	1985	1990
<b>Expenditure and output</b>									
<i>(£billion, 1975 mkt pr)</i>									
Consumers' expenditure	66.3	69.4	72.3	74.4	78.0	83.1	87.4	91.8	109.2
Public consumption	23.7	24.3	24.8	25.3	25.8	26.3	26.8	27.4	30.4
Private fixed investment	13.6	13.4	13.8	14.6	15.0	15.5	16.0	16.6	18.4
Public fixed investment	6.5	6.5	6.6	6.8	6.9	7.1	7.3	7.4	8.4
Stockbuilding	1.3	1.6	1.9	2.2	2.3	2.9	3.1	3.0	2.7
Exports of goods & servs	32.2	34.2	36.0	37.2	38.7	40.7	42.5	44.1	53.0
Imports of goods & servs	32.2	34.5	35.7	36.5	38.3	40.6	42.5	44.0	52.7
Factor cost adjustment	11.0	11.5	12.0	12.3	12.9	13.7	14.3	15.0	17.7
GDP at factor cost	100.4	103.4	107.8	111.6	115.6	121.4	126.3	131.3	151.7
GDP at market prices	111.5	114.9	119.7	123.9	128.5	135.0	140.6	146.3	169.4
National income	111.5	115.1	119.6	123.4	128.1	134.8	140.2	145.7	167.0
Non-North Sea GDP at fc	98.7	100.7	104.3	107.8	111.6	117.1	122.0	127.1	147.7
<b>(millions)</b>									
Employment	23.02	23.18	23.35	23.51	23.68	23.96	24.24	24.52	25.11
Unemployment	1.38	1.38	1.38	1.38	1.38	1.30	1.22	1.15	0.86
<b>Costs and prices</b>									
<i>(Annual changes, %)</i>									
Average money earnings	13.1	14.3	16.8	18.9	16.8	14.5	13.2	12.3	10.4
Normal unit labour costs	9.3	10.6	12.2	13.7	12.9	10.3	9.3	8.5	6.7
Other domestic costs	6.6	11.3	14.0	15.2	13.2	12.2	11.3	10.6	9.2
Import costs	3.0	7.7	11.2	12.6	12.6	11.4	9.9	9.2	7.4
Total costs	7.2	9.9	12.1	13.6	12.9	10.8	9.7	8.9	7.3
Output prices	8.3	8.4	11.8	13.4	13.0	11.5	10.3	9.4	7.4
Consumer prices	8.8	9.0	11.1	14.3	12.3	10.4	10.2	8.7	7.3
Post-tax real earnings	6.4	4.6	4.8	2.0	4.2	4.6	2.3	3.8	2.6
<b>Finance</b>									
Minimum lending rate (%)	9.1	12.3	11.9	11.1	10.0	9.5	9.1	8.8	8.1
Money supply (% change)	12.4	13.5	16.0	16.6	17.4	18.1	14.5	13.6	10.4
DCE (£1975 billion)	4.6	4.4	5.3	5.5	5.9	6.5	5.6	5.5	4.9
<i>(£billion, 1975 values)</i>									
Private sector surplus	5.9	5.6	6.2	5.3	5.5	6.0	5.0	4.9	4.0
Public sector deficit	5.7	5.6	6.1	5.2	5.4	6.1	5.4	5.5	6.0
Current bal of payments	0.1	-0.0	0.1	0.1	0.0	-0.2	-0.4	-0.6	-2.0

Table B8. Import controls

National income, public accounts and balance of payments									
	1978	1979	1980	1981	1982	1983	1984	1985	1990
<b>(£billion, 1975 values)</b>									
National income	111.5	115.1	119.6	123.4	128.1	134.8	140.2	145.7	167.0
Post-tax real income:									
wages and salaries	50.3	53.0	55.9	57.4	60.3	63.8	66.0	69.3	81.3
welfare benefits	10.9	11.9	12.4	12.7	13.5	14.3	14.9	15.6	18.9
other private income	25.7	25.0	25.9	26.4	27.1	29.5	30.6	31.5	34.2
public sector	24.7	25.3	25.4	26.9	27.3	27.2	28.7	29.3	32.6
<b>Public sector accounts</b>									
<b>(£billion, 1975 values)</b>									
Net indirect taxes	14.0	15.3	15.5	16.5	16.7	16.7	17.4	17.5	19.5
Direct tax & NI contribs	22.3	23.3	24.0	25.1	25.6	25.9	27.0	28.1	34.2
North Sea tax revenue	0.3	0.8	1.3	1.6	2.0	2.6	2.9	3.2	3.7
Property income	7.6	7.7	8.0	8.3	8.7	9.3	9.8	10.4	12.9
Total receipts	44.3	47.1	48.9	51.4	53.0	54.5	57.1	59.2	70.4
Final consumption	22.9	24.3	25.8	27.4	28.6	29.7	30.8	32.1	38.9
Capital formation	6.6	6.6	6.7	6.7	6.8	7.0	7.2	7.3	8.2
Current grants	13.6	14.6	15.2	15.5	16.3	17.2	17.8	18.6	22.2
Capital grants	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.7
Debt interest	5.6	5.9	6.0	5.7	5.4	5.3	5.2	5.2	5.4
Total outlays	50.0	52.7	55.0	56.7	58.5	60.7	62.5	64.7	76.4
Financial deficit	5.7	5.6	6.1	5.2	5.4	6.1	5.4	5.5	6.0
Borrowing requirement	5.9	5.7	6.3	5.4	5.6	6.3	5.6	5.7	6.2
<b>Balance of payments</b>									
<b>(£billion, 1975 values)</b>									
Trade volumes:									
non-fuel exports	30.6	31.7	32.6	33.5	34.7	36.3	38.1	39.7	48.6
net imports of fuels	1.9	0.9	0.1	-0.1	-0.2	-0.4	-0.2	0.1	1.1
manufactured imports	18.0	20.1	21.0	21.4	22.7	24.3	25.6	26.5	32.6
other imports	10.6	10.9	11.2	11.6	11.9	12.3	12.7	13.1	14.6
Terms of trade effect	0.9	1.7	1.9	2.1	2.4	2.9	3.2	3.4	4.2
Net income from abroad	-0.9	-1.5	-2.1	-2.6	-2.8	-3.1	-3.5	-4.0	-6.6
Current balance	0.1	-0.0	0.1	0.1	0.0	-0.2	-0.4	-0.6	-2.0
Basic balance	0.0	0.0	0.0	0.0	0.0	0.0	-0.0	0.0	0.0
<b>(Indices, 1975=100)</b>									
UK cost competitiveness	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8	99.8
Weighted exchange rate	81.6	78.0	73.9	69.1	64.8	61.6	59.2	57.4	52.7

Table B9. Devaluation

## Expenditure, output, employment, prices and finance

	1978	1979	1980	1981	1982	1983	1984	1985	1990
<b>Expenditure and output</b>									
(£billion, 1975 mkt pr)									
Consumers' expenditure	66.3	69.0	70.7	71.3	73.5	77.0	79.6	82.2	93.6
Public consumption	23.7	24.3	24.8	25.3	25.8	26.3	26.8	27.4	30.4
Private fixed investment	13.6	13.3	13.6	14.1	14.5	14.9	15.4	16.0	17.8
Public fixed investment	6.5	6.5	6.6	6.8	6.9	7.1	7.3	7.4	8.4
Stockbuilding	1.3	1.7	1.5	1.5	1.9	2.5	2.6	2.5	1.7
Exports of goods & servs	32.2	34.5	37.2	40.0	43.1	47.0	50.8	55.0	77.3
Imports of goods & servs	32.2	34.2	35.8	37.7	40.5	44.0	47.2	50.5	70.3
Factor cost adjustment	11.0	11.5	11.8	12.0	12.4	13.0	13.5	14.1	16.4
GDP at factor cost	100.4	103.7	106.8	109.3	112.8	117.8	121.9	126.0	142.4
GDP at market prices	111.5	115.1	118.6	121.3	125.3	130.8	135.4	140.1	158.8
National income	111.5	114.9	117.7	119.8	123.5	128.9	132.9	136.9	152.8
Non-North Sea GDP at fc	98.7	101.0	103.3	105.6	108.9	113.5	117.6	121.8	138.4
<b>(millions)</b>									
Employment	23.02	23.20	23.28	23.33	23.42	23.62	23.82	24.02	24.37
Unemployment	1.38	1.36	1.42	1.51	1.56	1.53	1.51	1.49	1.34
<b>Costs and prices</b>									
(Annual changes,%)									
Average money earnings	13.1	15.0	18.6	23.0	22.3	21.3	22.0	22.4	25.1
Normal unit labour costs	9.3	11.2	14.2	17.9	18.1	17.0	17.9	18.3	21.1
Other domestic costs	6.6	11.9	15.7	18.4	17.5	17.5	17.9	18.3	19.5
Import costs	3.0	11.8	17.5	20.9	22.7	23.0	23.3	23.9	23.2
Total costs	7.2	11.5	15.5	19.0	19.7	19.4	20.1	20.7	22.5
Output prices	8.3	9.4	14.3	18.0	19.4	19.4	20.0	20.5	22.2
Consumer prices	8.8	9.9	13.7	18.7	18.6	18.1	19.5	19.8	22.0
Post-tax real earnings	6.4	4.2	3.8	1.8	3.3	3.5	2.1	2.7	2.2
<b>Finance</b>									
Minimum lending rate (%)	9.1	12.6	12.7	12.6	12.1	12.1	12.3	12.5	13.0
Money supply (% change)	12.4	14.1	16.7	19.6	22.8	24.8	23.1	23.6	23.8
DCE (£1975 billion)	4.6	4.6	5.4	6.1	7.1	8.0	7.7	8.0	8.8
(£billion, 1975 values)									
Private sector surplus	5.9	5.6	6.6	6.4	6.9	7.4	7.1	7.2	7.2
Public sector deficit	5.7	5.5	6.0	5.6	5.9	6.4	6.0	5.9	6.3
Current bal of payments	0.1	0.1	0.5	0.8	0.9	1.0	1.1	1.3	0.9

Table B10. Devaluation

## National income, public accounts and balance of payments

	1978	1979	1980	1981	1982	1983	1984	1985	1990
<b>(£billion, 1975 values)</b>									
National income	111.5	114.9	117.7	119.8	123.5	128.9	132.9	136.9	152.8
Post-tax real income:									
wages and salaries	50.3	52.8	55.0	56.1	58.1	60.7	62.5	64.7	73.8
welfare benefits	10.9	11.8	12.1	12.2	12.8	13.3	13.6	13.9	16.0
other private income	25.7	25.0	25.1	25.0	25.9	27.9	28.8	29.5	30.8
public sector	24.7	25.4	25.5	26.4	26.7	26.9	28.0	28.8	32.2
<b>Public sector accounts</b>									
<b>(£billion, 1975 values)</b>									
Net indirect taxes	14.0	15.2	15.5	16.2	16.3	16.2	16.5	16.6	18.0
Direct tax & NI contribs	22.3	23.3	23.8	24.3	24.5	24.3	24.8	25.3	29.1
North Sea tax revenue	0.3	0.8	1.4	1.8	2.4	3.2	3.7	4.3	5.5
Property income	7.6	7.7	7.9	8.1	8.4	9.0	9.4	9.9	12.1
Total receipts	44.3	47.1	48.6	50.4	51.6	52.8	54.5	56.2	64.7
Final consumption	22.9	24.2	25.7	27.2	28.2	29.2	30.2	31.2	37.2
Capital formation	6.6	6.6	6.7	6.7	6.9	7.1	7.2	7.4	8.3
Current grants	13.6	14.5	14.9	15.0	15.6	16.2	16.5	17.0	19.4
Capital grants	1.3	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.8
Debt interest	5.6	6.0	6.0	5.7	5.4	5.3	5.1	4.9	4.3
Total outlays	50.0	52.6	54.6	56.0	57.5	59.2	60.5	62.1	71.0
Financial deficit	5.7	5.5	6.0	5.6	5.9	6.4	6.0	5.9	6.3
Borrowing requirement	5.9	5.6	6.2	5.8	6.1	6.6	6.2	6.1	6.5
<b>Balance of payments</b>									
<b>(£billion, 1975 values)</b>									
Trade volumes:									
non-fuel exports	30.6	32.0	33.9	36.3	39.2	42.6	46.4	50.6	72.9
net imports of fuels	1.9	0.9	0.0	-0.2	-0.4	-0.6	-0.4	-0.2	0.6
manufactured imports	18.0	19.9	21.5	23.2	25.7	28.8	31.6	34.6	53.1
other imports	10.6	10.9	10.9	11.0	11.1	11.4	11.5	11.7	12.3
Terms of trade effect	0.9	1.3	1.0	0.8	0.6	0.5	0.2	-0.2	-1.0
Net income from abroad	-0.9	-1.4	-1.9	-2.3	-2.3	-2.5	-2.7	-3.0	-5.1
Current balance	0.1	0.1	0.5	0.8	0.9	1.0	1.1	1.3	0.9
Basic balance	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	0.0
<b>(Indices, 1975=100)</b>									
UK cost competitiveness	99.8	95.8	92.0	88.3	84.7	81.4	78.1	75.0	67.8
Weighted exchange rate	81.6	74.2	66.1	57.0	48.6	41.4	35.1	29.6	13.8