

ECONOMIC UPDATE

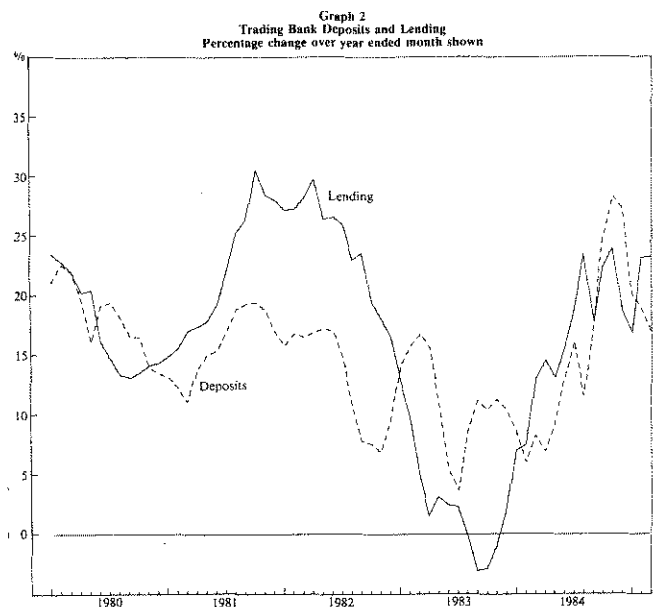
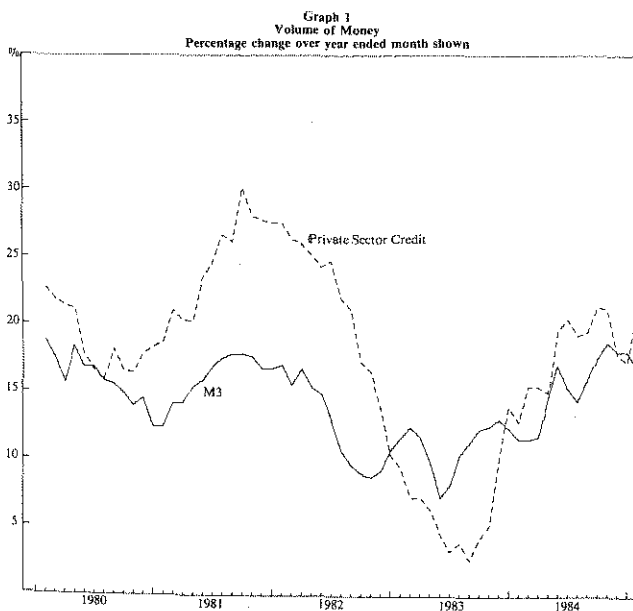
MONETARY INDICATORS

The *Money Supply* (M3) is estimated to have declined by 0.2 per cent in the month of January, compared with growth of 1.1 per cent in December. The annual increase to January was 16.9 per cent, down from 18.5 per cent recorded in the year to December (tables D.1, D.2, and D.3).

Private Sector Credit (PSC) is estimated to have increased by 2.5 per cent in the month of January after a rise of 2.1 per cent in December. In the 12 months to January PSC grew by 21 per cent compared with an increase of 17 per cent in the year to December (tables D.2, D.3 and D.4).

Trading bank deposits grew by 16.9 per cent in the year to February, down from 18.8 per cent recorded in the January year. *Trading bank lending* over the same period was up 23.2 per cent, virtually unchanged from the growth recorded in January (tables B.2, B.3, B.4, B.7, B.8, B.11).

The trading banks *lending to deposits ratio* rose to 83 per cent in February compared with 81.7 per cent in January and a trough of 71.5 per cent last November. Meanwhile *total credit limits* at trading banks rose a further 0.5 per cent in January and in annual terms were 16.5 per cent higher than in January 1984 (table B.12).



In the twelve months to February:

- *Savings bank lending* was up 14.9 per cent while *deposits* increased by a more modest 7.7 per cent.
- *Trustee Savings Banks (TSB) lending and deposits* increased by 13.2 per cent and 12.7 per cent respectively (table C.2).
- *Post Office Savings Bank (POSB) lending* was up by 57.2 per cent (reflecting the transfer to the POSB of mortgage lending previously undertaken by the Housing Corporation) while *deposits* were up by 9.6 per cent (table C.1).
- *Private Savings Bank (PSB) lending and deposits* declined by 10 per cent and 16.9 per cent respectively in annual terms (table C.3).

Trading bank interest rates on deposits for February were up on January rates in most maturities. Rates on maturities of under six months rose more sharply than rates on longer maturities. In the case of *savings banks, deposit rates* were generally unchanged although the rates offered on very short and long-term investment accounts by *trustee savings banks* in February were up on the January rates (tables I.2, I.3).

INCOMES

The *Prevailing Weekly Wage Rate Index* increased by 2.9 per cent in the year to December 1984, reflecting the \$8.00 cost of living adjustment effective from the June quarter. The initial effects of the current wage round, stemming from retrospective increases to salary and wage rates, will be incorporated into the December quarter when the index is revised. The *Real Prevailing Wage Rate Index* declined by 6 per cent in the year to December (table J.3).

Meanwhile the *Real Disposable Income Index*, which measures the impact of changes in incomes, consumer prices and income taxation on wage and salary earners, fell by 1.9 per cent in the December 1984 quarter from the previous quarter. Compared with December 1983, the decline over the 1984 year was 4.4 per cent (table J.3).

PRODUCTION

The Quarterly Economic Survey of Manufacturing for December 1984 indicates that *Total Turnover* was up 20.2 per cent over the December 1983 quarter, while the corresponding rise in *Purchases and Other Operating Expenses* was 18.5 per cent. The *Volume of Production Index* rose by 0.1 per cent between the September and December 1984 quarters (table J.1).

The survey also showed that over the year to December 1984 *Material and Finished Good Stocks* of manufacturers rose by 22.6 per cent and 14.8 per cent respectively. The *Total Stocks to Sales Ratio* at 58 per cent in December 1984 was only slightly lower than a year earlier (59 per cent).

EXTERNAL SECTOR

Merchandise trade exports in the month of February increased by 33.5 per cent over the corresponding month in the previous year, while the value of exports over the twelve months to February increased by 22.8 per cent. The value of *merchandise trade imports* in the month of February increased by 6.4 per cent over February 1984, while the value of imports over the year to February rose by 34.3 per cent.

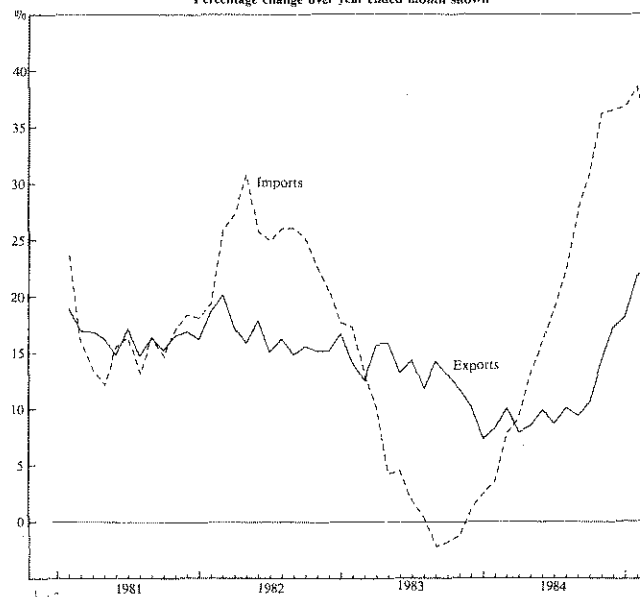
On a *BOP* basis, goods worth \$2,537 million were *exported* in the December quarter, while the value of goods *imported* was \$2,743 million. The resulting \$206 million *deficit on merchandise trade* compared with a deficit of \$378 million in the December quarter 1983. The *deficit on invisibles*, meanwhile, continued to deteriorate steadily, reaching \$755 million in the December quarter (table J.4).

Further price effects of the July devaluation were evident in the December quarter. The *Export Price Index* rose by 8.6 per cent in the quarter and by 24.9 per cent in the year to December, while the corresponding increases in the *Import Price Index* were 7.8 per cent and 26.8 per cent respectively. The *Terms of Trade Index* for the December quarter was 73, unchanged from the previous quarter and 1 point below the index level one year earlier (table J.4).

The *Export and Import Volume Indices* rose by 3.8 per cent and 11.4 per cent respectively in the December 1984 quarter over the December 1983 quarter. In annual average terms the increases in the indices were 4.9 per cent and 19.7 per cent respectively.

Official overseas reserves increased by \$1,742.2 million over the December quarter to \$3,698.4 million, but subsequently fell by \$926.1 million over the next two months to stand at \$2,772.3 million at the end of February (table G.1).

Graph 3
Merchandise Trade
Percentage change over year ended month shown



INVESTMENT

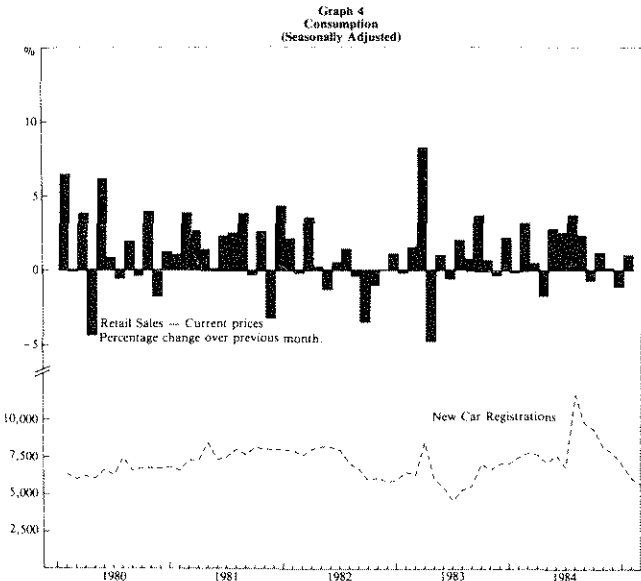
Actual *dwelling permits* issued numbered 1,661 in February, a 1.6 per cent decline from the previous month. After a strong upward trend since mid-1983 building activity now appears to have stabilised, with the annual number of permits issued steady at around 22,000 over the last six months and actual *dwelling starts* static at 20,700 over the last quarter of 1984. (Table J.2).

CONSUMPTION

Real retail turnover fell by 2.7 per cent in the December quarter following a strong 3.7 per cent increase in the previous quarter. The most significant decline occurred in the automotive component group. When this is excluded the adjusted real retail turnover series fell by 0.9 per cent over the quarter.

Monthly data indicates that total retail turnover rose by 1 per cent in January but if the automotive sector is excluded the increase was 3.3 per cent, the strongest monthly increase since February 1984. New car registrations, the leading indicator of retail turnover trends in the automotive sector, declined by 6.4 per cent in February following a 13.2 per cent fall in January (table J.1).

Reflecting the easing in retail sales, the value of hire purchase advances grew by 16.4 per cent in the December quarter from the corresponding quarter in the previous year. This represented a marked slowdown from earlier in the year when advances grew at annual rates of 52.7, 64.9 and 61.2 per cent in the March, June and September quarters respectively.

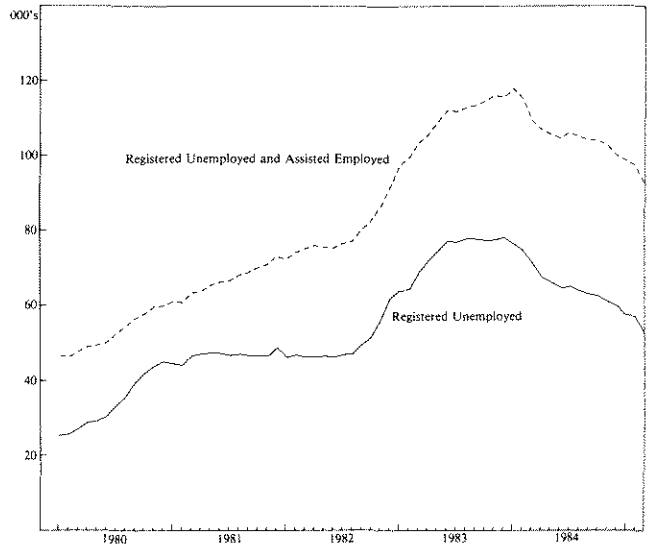


LABOUR MARKET

The number of registered unemployed (excluding vacation workers) declined by 7.5 per cent to 52,949 in the month of February. This represented the eighth successive monthly decline and a drop of 18,303 on the corresponding figure a year earlier. The total of registered unemployed and assisted employed declined by 5.3 per cent in the same month to 92,224. This compared with a level of 109,572 one year earlier (table J.4).

One factor contributing to this improvement in the labour market has been the turnaround in the number of permanent and long-term migrants from an inflow of 7,699 in the twelve months to February 1984 to a net outflow of 6,523 in the year to February 1985.

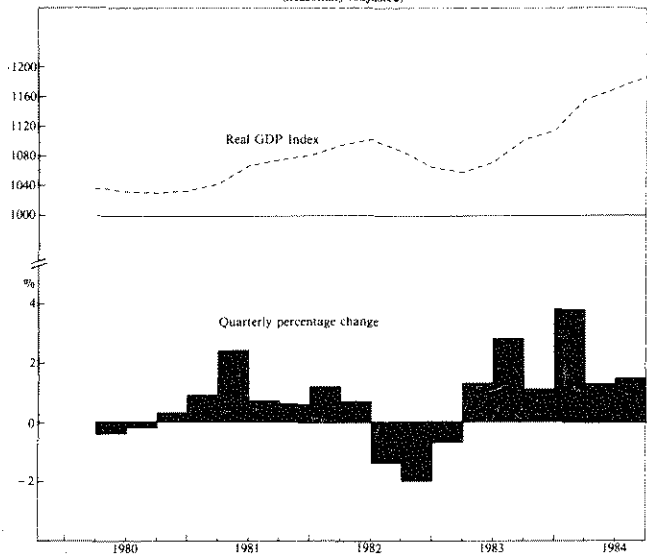
Graph 5
Labour Market
(Seasonally adjusted; excluding vacations workers)



NATIONAL INCOME

Real GDP grew by 1.5 per cent in the September quarter 1984, following increases of 3.8 per cent and 1.3 per cent in the March and June quarters respectively. The largest increases occurred in the fishing, hunting, forestry, mining (10 per cent) and construction (5.1 per cent) sectors, while the only negative contribution (-2.1 per cent) came from the agricultural sector.

Graph 6
Real GDP
(Seasonally Adjusted)



In annual terms average real GDP was up 7.5 per cent in the year to September compared with -1.5 per cent in the previous year and 5.9 per cent in the year to June 1984.

Note: All quarterly and monthly data is seasonally adjusted unless otherwise stated. The figures in brackets refer to the Bulletin tables in which the relevant statistics appear.