



Part A.

**SECRET**

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Begins: 4/7/86.

Ends: 1/11/87.



PO -CH /NL/0169



PART A

Chancellor's (Lawson) Papers:

DEMAND FOR STERLING M3

PO -CH /NL/0169

PART A

Disposal Directions: 25 Year

4/9/95.

*psc let me see a take show the growth of the personal sector of the £M3 company of the fact last 5 years later with rate of growth.*

FROM: SIR TERENCE BURNS  
DATE: 4 July 1986

CHIEF SECRETARY

cc

- Chancellor
- Economic Secretary
- Sir Peter Middleton
- Mr Cassell
- Mr Sedgwick
- Mr Peretz
- Mr Odling-Smee
- Mr Walsh
- Mr Mowl
- Dr Rowlatt

*look to financial. But I recommend the attached note by (who know), which WEA also says a lot about the point you picked up in Greenwell's*

*(the paper below)*

*psc please see to Smith.*

DEMAND FOR £M3

1. You asked for my views on a recent paper by Peter Warburton of Messels on the stability of the demand for £M3 (Ms Rutter's minute of 24 June - copy attached). I attach a note by Mr Mowl of EA2 division summarising and commenting on the paper.

2. The distinguishing feature of the paper is that it examines separately the £M3 holdings of each of the main sectors of the economy - persons, companies and financial institutions. Most other studies, including that by Budd and Holly at the LBS, look at total £M3. You will see that we believe Warburton's theoretical analysis and qualitative discussion of the 1980s to be reasonably sound as far as it goes, which is not far short of the best that can probably be done in current circumstances. We would take issue however with the policy conclusions Messels draw in the accompanying commentary. In particular, as you know, we do not necessarily accept the implication of the paper's title 'High growth in sterling M3 does matter'. High growth of £M3 might be a source of concern, but the other monetary indicators suggest at present that it is not.

3. The paper makes out a fairly good case that the demand for £M3 by the personal sector is stable and can be related in a predictable way to money incomes. But it fails to do the same for the remaining 40 per cent of £M3 held by industrial and commercial companies and financial institutions, which is the faster growing and more volatile part of £M3. It makes some interesting comments about what determines money holdings by these sectors and establishes an important role for total balance sheet size in the case of OFIs. Reasons for the fall in the velocity of £M3 in the

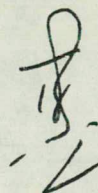
*RI 4/7*

1980s are advanced. Nevertheless this does not add up to a stable and predictable demand function for the aggregate as a whole.

4. Messels' first page summary tries to argue otherwise, claiming that the growth in £M3 has not diverged wildly from the growth in money GNP in recent years. But the predictability of money demand (ie. velocity) is a key element in a regime of monetary targets, and the 1980s experience of falling £M3 velocity was not expected or predicted in advance. Messels have returned to their theme in a more recent piece on the May/June EPR article on assessing monetary aggregates. A note by FEU, which copy recipients have already seen, on this later Messels paper is attached as annex IV.

5. I also have doubts about Budd and Holly's arguments in the LBS Economic Outlook. While I accept that variations in the rate of inflation have had an important influence on £M3 and that the fall in inflation since 1980 may have contributed to the fall in £M3 velocity, I find the magnitude of the effect suggested surprisingly large. I would put more weight than they do on the degree of innovation in the financial system. I agree therefore with Jim Ball that the Messels approach tells us more about the 1980s experience even if I disagree with their conclusions. However I doubt whether either piece of empirical work will provide a convincing explanation of the 1986 experience!

6. Generally the whole history of empirical studies of the demand for £M3 makes me suspicious of new claims to have explained satisfactorily behaviour in the 1980s. It is not unusual in economics to find examples of studies which have produced good explanations of the behaviour for past periods but whose predictions have been found wanting once they were put to the test.



TERENCE BURNS

184/6

Sv?m

Mr. Marshall



FROM: JILL RUTTER  
DATE: 24 June 1986

PS/SIR T BURNS

cc: PS/Chancellor  
PS/Economic Secretary  
Sir Peter Middleton  
Mr Cassell  
Mr Sedgwick

→ cc Mr Peetz  
Mr Walsh  
Dr Rowlatt  
Mr Odling - Jones

**DEMAND FOR STERLING M3**

At lunch yesterday at Legal and General, Professor Sir James Ball mentioned a paper recently written for Messel's by a Mr Warburton which appeared to establish a fairly stable relationship between wealth and the demand for Sterling M3. Professor Ball commented that he found this a much more plausible explanation of the recent trend in Sterling M3 than the explanation offered by the LBS in their forecast published today (23 June)

2 Professor Ball mentioned that it would be interesting to have Sir Terence's views on Mr Warburton's paper. The Chief Secretary would indeed be grateful of any comments Sir Terence may have. He would also be grateful for a copy of the Warburton paper.

*Jill Rutter*

JILL RUTTER  
Private Secretary

2/25/86

6.

## DEMAND FOR £M3: NOTE BY EA2 DIVISION

Introduction

1. Two empirical studies, both claiming that the relationship between £M3 and money GDP is more stable than the current consensus suggests, have been published recently.

2. The first by Peter Warburton of **Messels** (attached as Annex I) examines the experience of the last 20 years, concluding that:

(i) the growth in £M3 has not in fact diverged wildly from the growth in money GNP in recent years (ie. 1979 to 1985);

(ii) there is a high degree of precision and little or no evidence of instability in the relationship between **personal sector** bank deposits and some appropriate measures of nominal income and relative interest rates;

(iii) the relationship between **industrial and commercial companies'** bank deposits and money GDP is not particularly good;

(iv) changes in **non-bank financial institutions'** bank deposits cannot be understood within the traditional framework and much of the failure of demand for money equations at the aggregate level can be traced to their idiosyncracies.

3. The second study by Budd and Holly in the June **LBS** Economic Outlook (attached as Annex II) examines a much longer period, 1878-1984, and £M3 as a whole rather than its sectoral components. Budd and Holly conclude that:

- (i) there is a stable demand for £M3;
- (ii) it depends on income, the rate of inflation, short-term interest rates and the relative return on money;
- (iii) apart from the period from 1972 to 1974, the underlying behaviour has not changed significantly.

4. The rest of this note summarises and comments on the two papers, concentrating on the Messels' piece as the LBS paper was the subject of an earlier note by FEU (attached as Annex III).

#### Theory

5. The underlying economic theory in the two papers is similar. Both see dual motives for holding £M3:

- (a) a transactions motive
- (b) a savings motive.

6. The transactions motive leads to the inclusion of aggregate income or expenditure (money GDP) in the demand for money. The savings motive can be seen as a two stage process. The first stage is the decision on how much wealth to acquire through saving (the alternative to saving being spending or consumption) and the second stage is the allocation of a given amount of wealth between individual real and financial assets. This view of the decision process suggests that there should be roles in the demand for money for the total quantity of wealth and relative rates of return on the available assets.

7. The LBS study and, in most respects, the Messels' study avoid the direct use of measures of wealth, and use instead income (money GDP for example) as an indirect measure, on the assumption that there is a stable relationship between income and wealth.

They recognise however that this is not the whole story and that the relationship between income and wealth is affected by the real interest rate. The real interest rate is of course the nominal interest rate less the expected rate of inflation. For given income, the lower the real interest rate the lower is the incentive to save and acquire wealth. The LBS put a lot of emphasis on the inflation component of the real rate. They attribute the recent large increases in £M3 to rises in the real interest rate associated with falling actual (and expected) inflation. Messels also allow a role for real rates, but use as their main example the rise in real rates in the earlier 1980s associated with high nominal interest rates.

8. We would not dispute the importance in principle of real interest rates. Indeed high real rates were mentioned in the EPR article as one of the factors responsible for the fall in £M3 velocity in the 1980s. But we believe the LBS have overplayed their quantitative importance (see paragraph 5(ii) of the attached FEU note at Annex III).

9. A further factor which both studies recognise is the need to allow for the rate of interest on money itself when measuring relative returns on the available assets. The rising, and now high, proportion of interest bearing money in £M3 has undoubtedly disturbed the simple relationship between money and incomes. Two thirds of £M3 is now interest bearing compared with one third in the early 1960s.

#### Messels' empirical work

10. Messels start with the observation that there has been a striking divergence in the rate of increase of the three main sector's sterling bank deposits in recent years, as shown below:

#### £ bank deposits - cumulative % increase 1979-1985

Personal Sector	Industrial and Commercial Companies	Financial Institutions	Total
76	127	321	119



This leads to the hypothesis that the money holding behaviour of the various sectors is governed by different variables. They then proceed to examine each sector separately. The percentage shares of total £M3 currently held by each sector are as follows:

<u>Personal Sector</u>	<u>Companies</u>	<u>Financial Institutions</u>
57	24	19

11. Messels show that the ratio of **personal sector** bank deposits to total personal incomes - a sort of personal sector velocity of money - has been fairly constant and that changes in the ratio can be partly explained by changes in the rate of interest on bank deposits relative to that on building society deposits.

12. Messels note that although **industrial and commercial companies** (ICCs) do not have an income in their own right, having no economic rationale separate from that of their owners, they do need a reserve of liquidity to finance transactions. But, compared with other sectors, they have ready access to lines of credit which allows them to economise on money holdings. Nevertheless they attempt to establish an empirical relationship between ICCs' money holdings, a wide measure of income (money GDP) and interest rates. This attempt is not successful and they conclude that the main influence on corporate behaviour is the desire to avoid extreme surpluses or shortages of net liquidity (ie. gross holdings of liquid assets, such as bank deposits, net of bank borrowing).

13. Messels recognise that such a conclusion does not explain the simultaneous build up of ICCs' gross liquid assets and bank borrowing, with net liquidity broadly unchanged, which has occurred in recent years. It may not of course always be the same companies building up liquidity and borrowing, but Messels assume that this is an important feature of recent experience. They attribute much of this behaviour to the companies' desire to increase flexibility, which can now be achieved at lower cost because increased competition in the financial system has reduced the spread between deposit and borrowing rates. Such a view helps to explain why ICCs' £M3 holdings have risen relative to money

GDP. But they also claim that this might be due to an excess of liquidity from 1985 onwards. As evidence they point to the rise in take-over activity which they say is the obvious outlet for excess corporate liquidity.

14. In their analysis of financial institutions they look separately at building societies on the one hand and the life assurance and pension funds (LAPFs) on the other. Their econometric work in this area is, they recognise, a complete failure. On building societies they simply repeat the Bank of England's comment that the societies recent switch out of gilts into bank deposits probably reflects relative yields and note that the societies overall liquidity ratio, which includes both bank deposits and gilts, has been more stable.

15. Messels conclude by examining the share of liquid assets (mainly bank deposits) in the total balance sheet of LAPFs. They argue that it has been reasonably stable but with some tendency for the share to fall as cash holdings are economised. This implies that a major reason why LAPF bank deposits have grown faster than money GDP is that asset prices (shares, gilts) have risen faster than money GDP, boosting institutional balance sheets.

#### Comment

16. We agree that it is potentially helpful to look at each sector's £M3 holdings separately in an attempt to understand the total. Indeed the June Financial Forecast (circulated under cover of Mr Mowl's minute of 26 June) devoted a certain amount of space to this and it is also the direction in which our own research programme is heading.

17. We accept that there is some empirical evidence that the demand for personal sector £M3 is relatively stable. Messels probably overplay this a bit however, referring to it as being 'impressively' stable. The econometrics is rudimentary and a full evaluation is not possible as the results are reported very briefly. But, for a broker's circular as opposed to an academic paper, this is understandable. One worry is that the precise

effect of changes in personal income on £M3 appears to vary from one time period to another.

18. The discussion of corporate £M3 is interesting and reasonably sophisticated. The narrowing of the gap between deposit and borrowing rates and the possibly associated expansion of both sides of the balance sheet is a feature we have identified ourselves in internal papers. What is disappointing is that none of these ideas are followed up in the empirical research.

19. The relationship between financial institutions' £M3 and their total balance sheet is also one we have drawn attention to internally.

20. Messels analysis provides some reasons why the velocity of total £M3 has fallen in the 1980s. It does not amount however to a convincing case that this velocity trend is firmly established and predictable however. There is no empirical explanation of evolution of ICCs' and financial institutions £M3.

#### LBS

21. The LBS paper is summarised in the attached note by FEU (Annex III) and its conclusions on the demand for £M3 are repeated in paragraph 3 above. The LBS put great emphasis on inflation as a determinant of the demand for £M3. While accepting that there is an important role for this in principle we believe that the magnitude of the estimated inflation effect is implausibly large. It implies a far greater substitution between money and real assets than between money and other financial assets.

22. In addition it seems highly unlikely that a stable demand function, with the same responsiveness to interest rates, would describe behaviour throughout the period from 1878 to 1984. As well as major changes in the structure of £M3 itself, in particular the massive increase in the interest bearing component, there have been innovations in the range and characteristics of competing assets.

**EA2 Division**

**July 1986**



FROM: MRS R LOMAX

DATE: 7 July 1986

MR MOWL

cc Chief Secretary  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Cassell  
Mr Peretz  
Mr Sedgwick

**DEMAND FOR £M3**

X | The Chancellor has seen your note on the demand for £M3, attached to Sir Terence Burns' minute of 4 July. He would be grateful if you would let him see a table showing the annual percentage growth of the personal sector component of £M3 for each of the last 5 financial years, together with the latest available annual rate of growth.

X | 2. The Chancellor has noted with particular interest the references in your paragraphs 13 and 18 to the effect of increased competition in the financial system in reducing the spread between deposit and borrowing rates, and your comment that this may help to explain why ICCs £M3 holdings have risen relative to money GDP. He wonders to what extent we have tried to quantify this effect: he would be interested to see any estimates you may have made.

3. Incidentally, the Chancellor wonders whether Peter Warburton is right in asserting that money GDP has risen by 104.4 per cent since end 1979 (compared with an increase in £M3 of 125.3 per cent over the same period).

Rh.

RACHEL LOMAX

bg 11/7

Legal  
When the trade  
coming? how  
Sedgwick are tonight  
R.  
11/7

SECRET

FROM: COLIN MOWL  
DATE: 11 July 1986

CHANCELLOR

cc Chief Secretary  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Cassell  
Mr Peretz  
Mr Sedgwick  
Mr Walsh  
Dr Rowlatt

DEMAND FOR £M3

*Even for the  
accruals was @ x,  
to take a paper 2 & v. other  
names for form of our  
@ to growth of £M3.  
What happens to the growth  
of personal sector 70s? I suspect  
it was v. much greater. I'd  
be a true v. in SA TB's  
v. this. etc.*

Mrs Lomax's minute of 7 July (copy attached) asked some questions arising out of my note on Warburton's paper on £M3.

2. The table below shows percentage growth rates of the personal sector component of £M3 for each of the last five financial years. Growth rates of building society deposits and money GDP are also shown for comparison.

	% changes on previous year		
	Personal Sector £M3	Building Society Deposits	Money GDP
1981-82	11.2	15.7	10.1
1982-83	9.1	16.7	9.3
1983-84	6.8	16.2	7.9
1984-85	4.7	17.0	7.0
1985-86	8.4	14.8	9.6
1980-81 to 1985-86	47.1	110.6	52.3

X) 3. The sectoral breakdown of £M3 is only available quarterly and the latest figure, 10.8 per cent growth on a year earlier, is for 1986 Q1. A rough idea of what is happening to personal sector bank deposits over long periods, such as a year, can be obtained however from the monthly figures for retail bank deposits, which we suspect are largely held by the personal sector. The latest figures are given below:

SECRET

## SECRET

% change on year earlier

	Retail bank deposits	Retail deposits plus cash*
March	11.3	9.9
April	12.6	10.5
May	14.8	12.0
June <sup>†</sup>	10.6	9.3

\* over 80 per cent of cash is held by the personal sector.

<sup>†</sup> classified secret.

4. You also asked whether we have attempted to quantify the effects of the narrowing of the spread between deposit and borrowing rates on ICCs' £M3. The short answer is no. While the narrowing of the spread appears to be a generally accepted fact, and accords with common sense, no data on it are available. Major gaps in our knowledge of important interest rates such as those on bank borrowing were identified at last year's Statistics Users Conference on financial statistics and although clearing bank representatives made encouraging noises then, little progress has been made since.

5. It seems likely that the narrowing of the spread has occurred gradually over a fairly long period, starting perhaps in the late 1960s and early 1970s. In the early years it was the increase in the range of interest earning assets which was important, rather than any narrowing of the spread between existing assets. For example, the introduction of CDs in the late 1960s was a major innovation. But the process may have gathered pace in the 1980s. As with the aggregate as a whole, the velocity of ICCs' £M3 rose during the 1970s after Competition and Credit Control and fell during the 1980s.

6. The whole question of the effect of the narrowing of spreads on broad money and credit is discussed further in Mr Sedgwick's *below* minute of 11 July on Greenwell's Bulletin. Mr Sedgwick agrees that spreads confronting ICCs have probably narrowed but suggests that, as regards ICCs' money holdings, other factors may have been more important.

SECRET

SECRET

7. Finally, you were quite right to query Messels' figures for the growth of £M3 and money GNP between end-1979 and end-1985. The figure quoted for £M3, 125.3 per cent, is arithmetically correct but misleading as it does not allow for breaks in the series. The switch from the banking to the monetary sector in 1981 was the most important break, amounting to a rise in £M3 of nearly 10 per cent. We put the break-adjusted increase between 1979 and 1985 at 102 per cent. Messels' money GNP figure, on the other hand, is the result of an arithmetical error. Depending on which concept of money incomes is used, the correct figure is in the range 72-74 per cent, compared with Messels' figure of 104.4 per cent. On Messels' figures the growth of £M3 exceeded that of money GNP by 21 percentage points, and on our figures the difference is around 30 percentage points.

8. It is not perhaps surprising that Messels quoted, either consciously or unconsciously, a misleading figure for £M3 because the Bank of England does not provide break-adjusted series. Sir Terence Burns has been attempting to persuade the Bank to fill this gap, but so far with no success. The EPR article on assessing monetary conditions was based on break-adjusted figures, and offered to make the underlying detailed figures available on request.

*for long have.*  
Colin Mowl

COLIN MOWL

SECRET



FROM: MRS R LOMAX

DATE: 7 July 1986

MR MOWL 38/3

cc Chief Secretary  
 Economic Secretary  
 Sir P Middleton  
 Sir T Burns  
 Mr Cassell  
 Mr Peretz  
 Mr Sedgwick

**DEMAND FOR £M3**

The Chancellor has seen your note on the demand for £M3, attached to Sir Terence Burns' minute of 4 July. He would be grateful if you would let him see a table showing the annual percentage growth of the personal sector component of £M3 for each of the last 5 financial years, together with the latest available annual rate of growth.

2. The Chancellor has noted with particular interest the references in your paragraphs 13 and 18 to the effect of increased competition in the financial system in reducing the spread between deposit and borrowing rates, and your comment that this may help to explain why ICCs £M3 holdings have risen relative to money GDP. He wonders to what extent we have tried to quantify this effect: he would be interested to see any estimates you may have made.

3. Incidentally, the Chancellor wonders whether Peter Warburton is right in asserting that money GDP has risen by 104.4 per cent since end 1979 (compared with an increase in £M3 of 125.3 per cent over the same period).

A handwritten signature in cursive script, appearing to read 'Rh'.

RACHEL LOMAX

3/8/86





FROM: MRS R LOMAX  
DATE: 14 JULY 1986

*psp*

MR MOWL

cc Chief Secretary  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Cassell  
Mr Peretz  
Mr Sedgwick  
Mr Walsh  
Dr Rowlatt

**DEMAND FOR £M3**

The Chancellor was grateful for your minute of 11 July. He has commented that, even given the recent acceleration, the table in paragraph 2 is very interesting. He wonders whether it should not form part of our reasons for not being alarmed at the growth of £M3. He has also asked what happened to the growth of personal sector £M3 in the early 1970s. He suspects that it was very much greater.

2. The Chancellor would be grateful for Sir Terence Burns' views.

*RL*

RACHEL LOMAX



FROM: JILL RUTTER  
DATE: 14 July 1986

*Handwritten initials*

SIR TERENCE BURNS

cc:Chancellor  
Economic Secretary  
Sir Peter Middleton  
Mr Cassell  
Mr Sedgwick  
Mr Peretz  
Mr Odling-Smee  
Mr Walsh  
Mr Mowl  
Dr Rowlatt

**DEMAND FOR £M3**

The Chief Secretary was most grateful for your minute of 4 July and for Mr Mowl's attached note.

2 The Chief Secretary noted your warning about the predicted value for empirical studies.

*Handwritten signature of Jill Rutter*

JILL RUTTER  
Private Secretary

SECRET

*Thanks - v. intro. Despite the qualifications, X (or some of your staff) has for some time been working on Treasury's money.*

FROM: COLIN MOWL  
DATE: 29 July 1986

1. SIR TERENCE BURNS

cc Chief Secretary  
Economic Secretary  
Sir P Middleton  
Mr Cassell  
Mr Peretz  
Mr Sedgwick  
Mr Odling-Smee  
Mr Culpin  
Mr Walsh  
Dr Rowlatt

2. CHANCELLOR

*I agree with this analysis. The sectoral split is interesting and supports the line we have taken, but it does not give much additional comfort.*

*30/7/86*

**DEMAND FOR £M3**

You asked (Mrs Lomax's minute of 14 July - copy attached) whether the recent growth of the personal sector component of £M3 should form part of our reasons for not being alarmed at the growth of £M3. You also asked about the growth of personal sector £M3 in the early 1970s. The contents of this minute reflect discussion with Sir Terence Burns.

A possible story

2. The argument that the recent growth of personal sector £M3 is an additional reason for not being alarmed at the rapid growth of the total might be spelt out more fully as follows:

- velocity of total £M3 has been affected in the 1980s by liberalisation and innovation in the financial system. As a result it has been relatively volatile and unpredictable, making it difficult to interpret £M3.
- to the extent that there has been any stability in the relationship between £M3 and money incomes, it appears to have been in the personal sector component. (Although the relationship between total personal liquidity and incomes has not been stable). The behaviour of companies' and financial institutions' £M3 has been particularly unpredictable.

- the current level of personal sector £M3 relative to incomes is not out of line with past experience. Moreover the current growth rate of personal sector £M3 is much less than that of the total, and not that much greater than that of money GDP.

3. The predictability and stability of the demand for personal sector £M3 is therefore crucial to this story.

#### Demand for Personal Sector £M3

4. On the demand for personal sector £M3 we have little to add to what was said in Sir Terence Burns' minute of 4 July commenting on the Messels paper. There does appear to have been a reasonably clear relationship between personal sector £M3 and personal incomes, as illustrated in chart 1 attached to the end of this minute. Messels' rudimentary econometrics supported this, and suggested that the relationship could be disturbed by changes in the competitive position of banks relative to building societies. For example the period 1975-77, when the growth of personal sector £M3 fell sharply relative to that of personal incomes, saw banks losing market share to building societies. This is illustrated in charts 1 and 2.

5. The relationship between total personal sector liquidity and incomes is less clear. Total personal liquidity is heavily influenced by wealth and its velocity showed the same break in trend in the 1980s as total £M3 velocity - that is it fell in the 1980s, after rising in the 1970s. Now that the banks are competing more effectively with building societies in the provision of savings media it is possible that in future personal sector £M3 will, like total personal liquidity, be related to wealth rather than income.

#### Interpretation

6. A reasonably close relationship with personal incomes implies however that personal sector £M3 has behaved a bit like a narrow, transactions aggregate. As such it is unlikely to give a

particularly early indication of inflationary pressures. The other components of £M3 are more likely to play a buffer role, giving an early warning of excessive liquidity. Unfortunately there appears currently to be so much noise in the other components of £M3 that they are very difficult to use as indicators.

7. An examination of the experience of the early 1970s also suggests that personal sector £M3 does not give a particularly early warning of inflation. As chart 3 shows the growth of personal sector £M3 picked up more slowly than that of the total. At the end of 1971 when total £M3 was growing at 15 per cent per annum, personal sector £M3 was only growing at about half that rate. By contrast the latest quarterly figures show a faster rate of growth of personal sector £M3 relative to total, 11 per cent compared with  $15\frac{1}{2}$  per cent. To this extent the latest figures are not particularly comforting.

8. There is however a crucial difference between the early 1970s and now. As chart 4 shows, the early 1970s saw a sharp rise in the rate of growth of total personal sector liquidity as well as in personal sector £M3. By contrast over the last year or two the growth of total personal sector liquidity has been fairly steady, despite the pick-up in personal sector £M3 growth. This is because the growth of building society deposits and national savings has fallen. Much the same message can however be obtained by comparing PSL2 and £M3. The growth of PSL2 has been fairly constant in the face of accelerating £M3. That the message is similar is not surprising because total personal liquidity is fairly close to being personal sector PSL2.

#### Conclusion

9. The argument that personal sector £M3 provides a degree of comfort in current circumstances is probably valid. Nevertheless our view is that it does not provide any significant additional comfort compared with the message we get from our existing range of indicators. In particular personal sector £M3 has in the past behaved a bit like a narrow aggregate and has probably not given

us much information not already available in the narrow aggregates. Moreover changes in the growth of personal sector £M3 can sometimes, as over the past year, partly reflect changes in the competitiveness of banks relative to building societies. This suggests that total personal sector liquidity might be a better indicator than personal sector £M3 as it abstracts from such changes in competitiveness. But again the additional information gained is limited as much the same message can be obtained from PSL2.

10. However we do consider the sectoral analysis of £M3 to be interesting and a potential aid to understanding what is happening. Chart 5 illustrates that the velocities of the sectoral components of £M3 have behaved rather differently since 1980 and suggests that it would be difficult to understand the total without paying some attention to the components. Much the same consideration lay behind work done in the Treasury on the instrument components of £M3. This came to a similar conclusion as the sectoral approach. Retail deposits, largely held by the personal sector, were reasonably predictable but it was impossible to get any coherent explanation of wholesale deposits, largely held by companies and financial institutions.

*Colin Mowl*

COLIN MOWL

**Table 1: Personal sector £M3, liquidity and incomes** - % changes over previous year

	Personal sector £M3	Building Society Deposits	National Savings	Total Personal Sector Liquid Assets*	Personal Disposable Income
1965-66	5.6	13.6	0.1	5.3	8.0
1966-67	3.3	13.4	-2.3	4.0	3.4
1967-68	4.7	16.9	-1.0	5.8	6.4
1968-69	6.5	12.2	-1.0	5.9	6.1
1969-70	2.6	11.8	-2.5	3.7	6.6
1970-71	6.4	15.9	-1.2	7.2	10.6
1971-72	7.5	19.7	4.4	10.5	11.4
1972-73	11.6	18.7	6.4	12.8	16.0
1973-74	17.7	15.3	2.0	13.9	15.1
1974-75	15.5	12.3	-0.3	11.7	19.2
1975-76	8.2	21.9	4.8	12.4	21.3
1976-77	6.1	16.5	7.9	10.3	14.2
1977-78	5.6	20.3	12.4	12.4	14.1
1978-79	12.2	16.8	14.4	14.5	17.5
1979-80	17.9	15.4	9.8	15.7	21.0
1980-81	18.6	16.3	11.1	16.6	15.3
1981-82	10.7	15.6	27.1	14.9	8.2
1982-83	8.8	16.7	18.2	13.5	8.2
1983-84	6.5	16.2	14.6	12.0	8.3
1984-85	5.0	17.0	13.3	11.8	7.3
1985-86	8.6	14.8	9.4	11.7	8.3

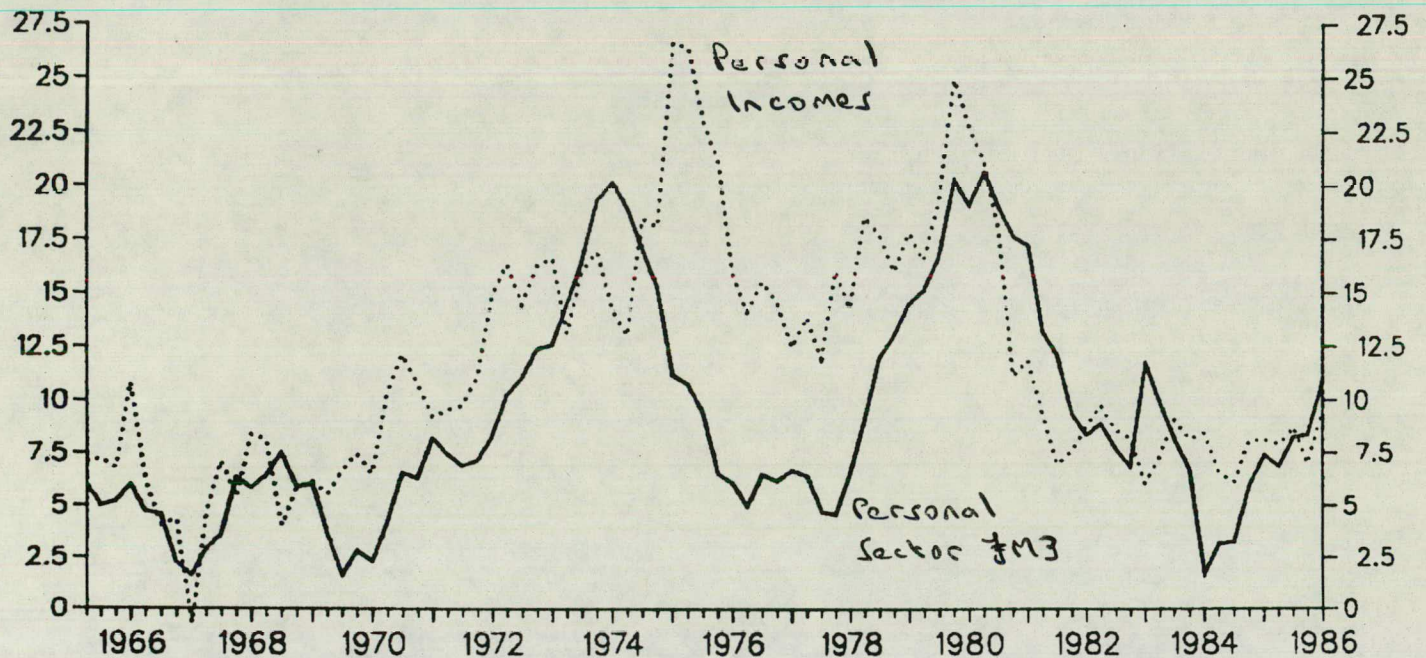
\* £M3, building society deposits and national savings

**Table 2: £M3 by sector\*** - % changes over previous year

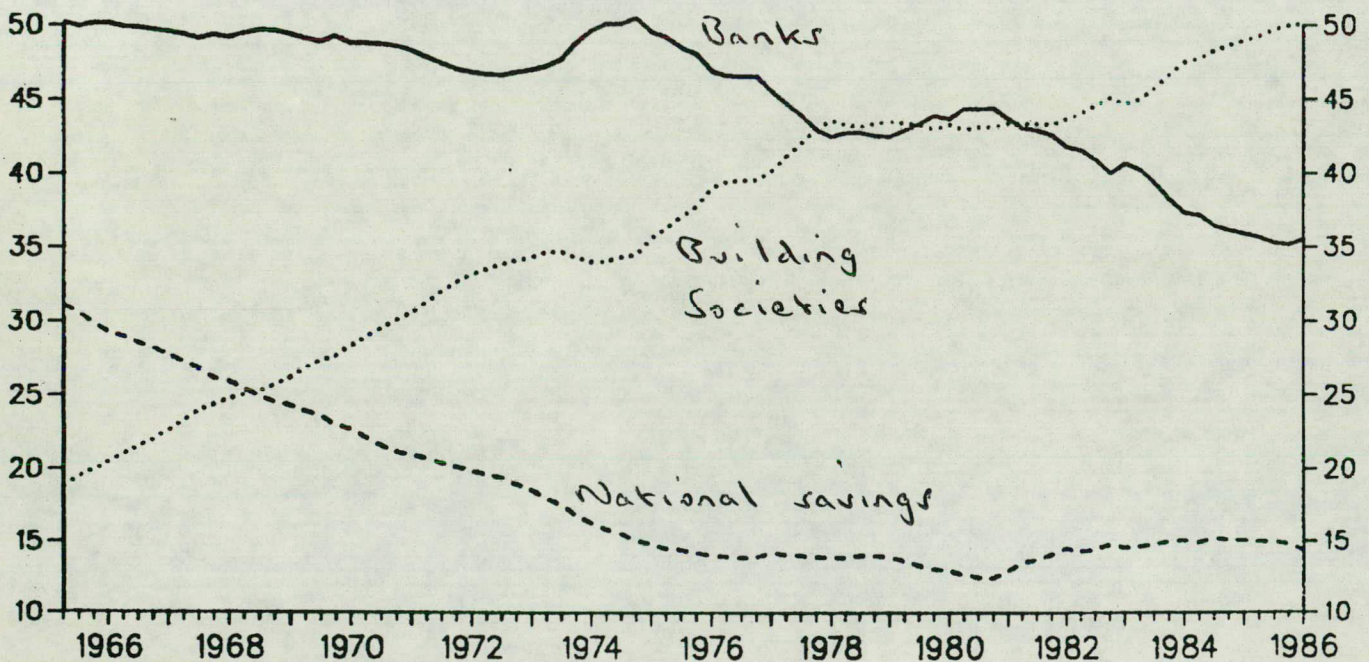
	Personal sector £M3	ICCs <sup>1</sup> £M3	OFIs <sup>1</sup> £M3	Total £M3	Money GDP
1965-66	5.6		24.1	7.2	6.9
1966-67	3.3		15.0	4.5	6.1
1967-68	4.7		31.6	7.9	6.0
1968-69	6.5		15.8	7.7	8.2
1969-70	2.6		-1.4	1.9	7.4
1970-71	6.4		23.6	9.0	10.7
1971-72	7.5		39.1	13.1	11.4
1972-73	11.6		70.6	24.6	13.8
1973-74	17.7		42.6	24.9	10.8
1974-75	15.5		5.9	11.9	18.7
1975-76	8.2		4.1	6.9	24.2
1976-77	6.1	14.7	0.3	8.3	16.8
1977-78	5.6	13.5	21.8	9.7	16.5
1978-79	12.2	15.5	15.2	14.7	14.6
1979-80	17.9	0.6	3.2	13.6	19.9
1980-81	18.6	11.1	15.8	17.6	13.8
1981-82	10.7	25.3	25.0	14.9	10.1
1982-83	8.8	4.2	31.9	10.1	9.3
1983-84	6.5	15.6	22.6	10.5	7.9
1984-85	5.0	15.2	24.9	10.0	7.0
1985-86	8.6	14.4	32.6	13.7	9.7

\* Reliable figures for the sectoral split before 1975 are not available. The figures quoted above should therefore be treated with caution, especially for ICCs and OFIs. The ICC/OFI stock was small in the 1960s hence its volatile growth rate.

**Chart 1: Personal sector £M3 and personal incomes - % change on previous year**

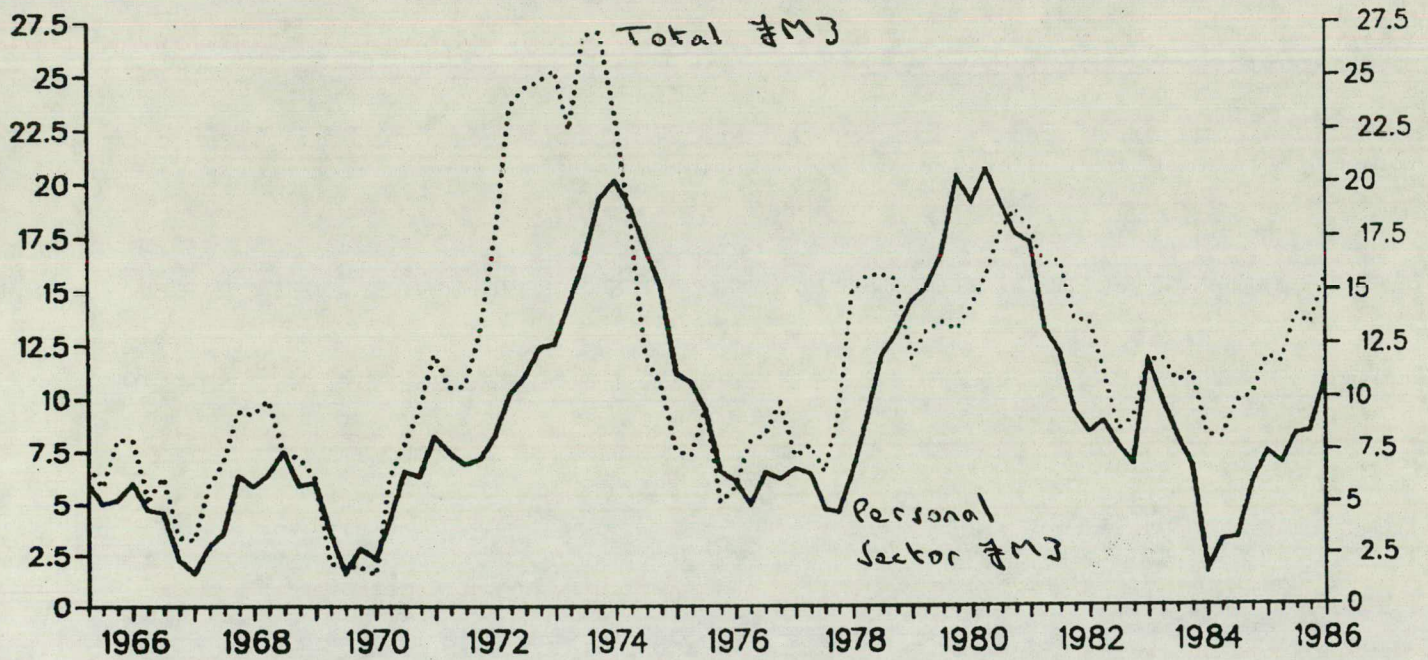


**Chart 2: Percentage shares in personal sector liquidity**





**Chart 3: Personal sector and total £M3 - % change on previous year**



**Chart 4: Personal sector £M3 and total personal sector liquidity - % change on previous year**

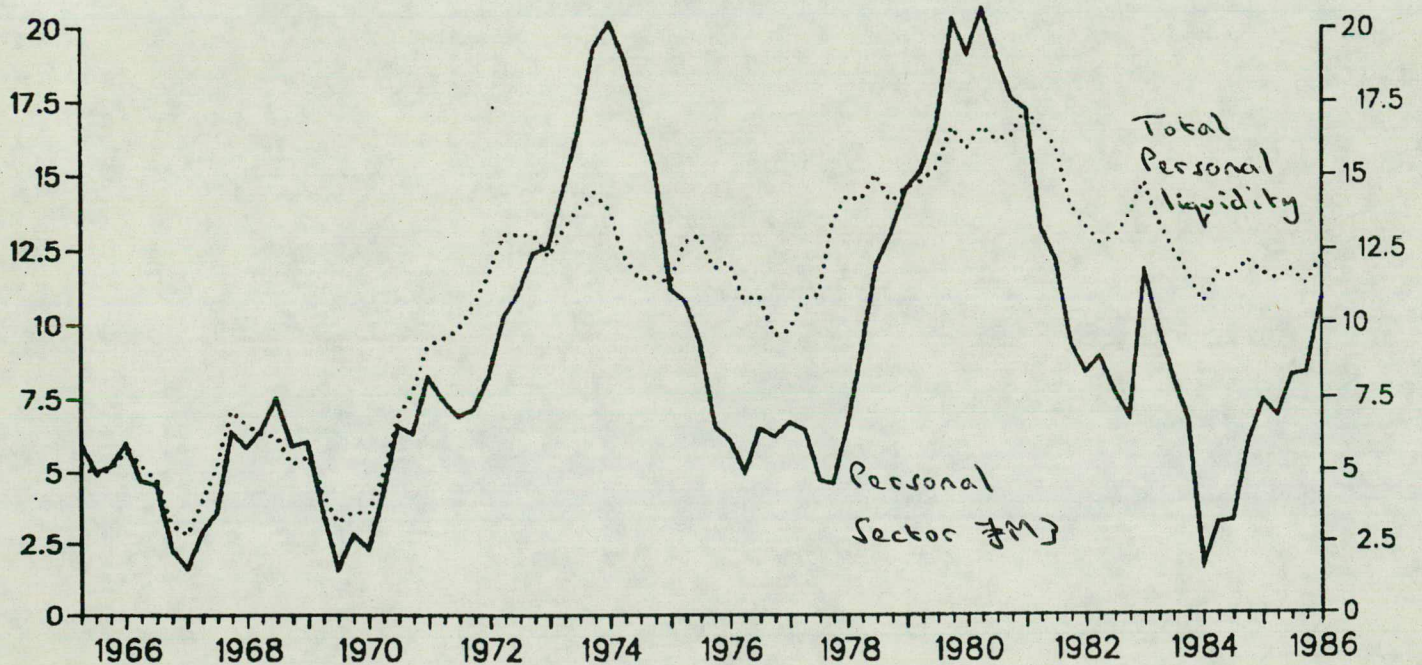
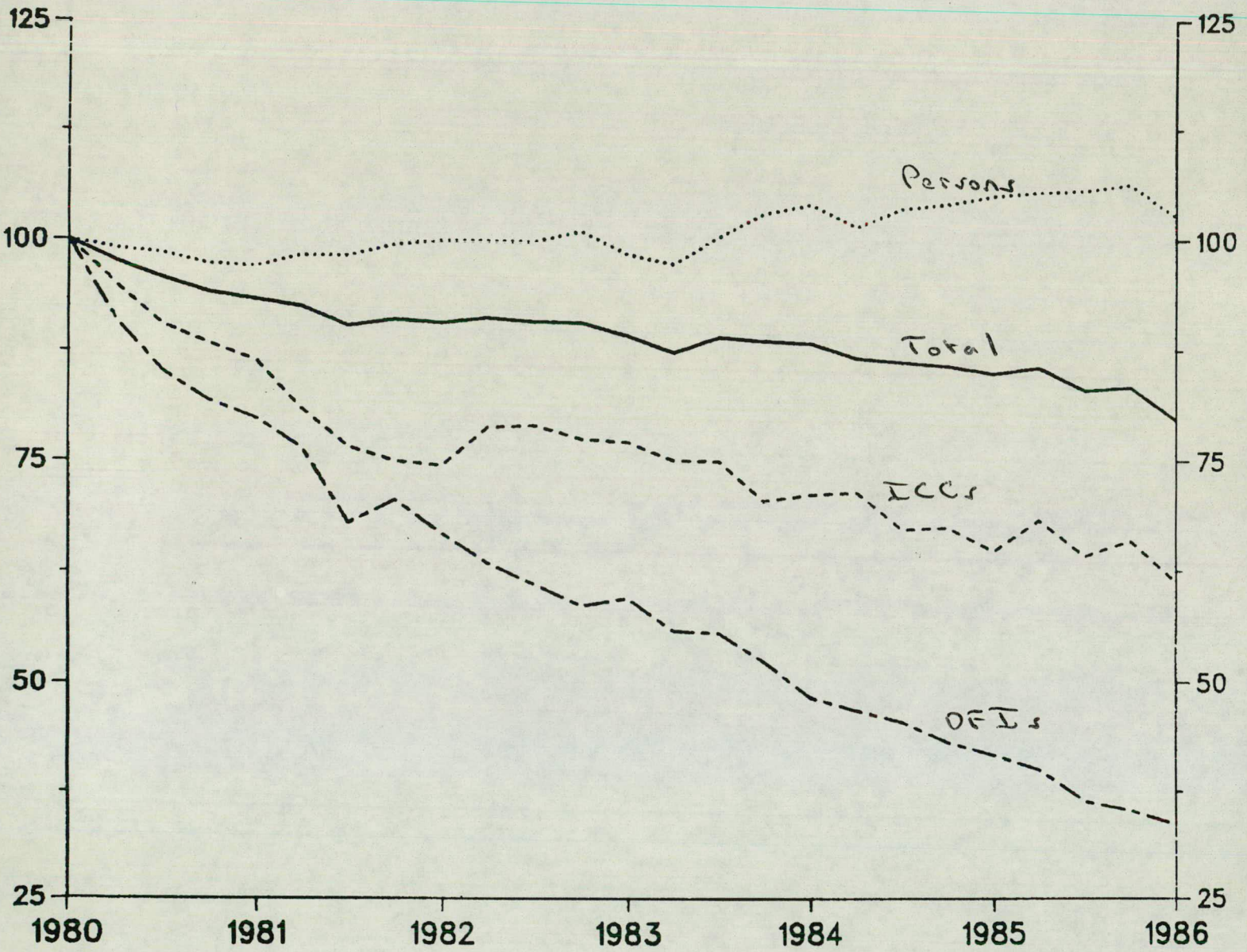


Chart 5: Sectoral £M3 velocities - 1980 Q1 = 100





FROM: MRS R LOMAX  
DATE: 14 JULY 1986

MR MOWL

cc Chief Secretary  
Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Cassell  
Mr Peretz  
Mr Sedgwick  
Mr Walsh  
Dr Rowlatt

**DEMAND FOR £M3**

The Chancellor was grateful for your minute of 11 July. He has commented that, even given the recent acceleration, the table in paragraph 2 is very interesting. He wonders whether it should not form part of our reasons for not being alarmed at the growth of £M3. He has also asked what happened to the growth of personal sector £M3 in the early 1970s. He suspects that it was very much greater.

2. The Chancellor would be grateful for Sir Terence Burns' views.

A handwritten signature in cursive script, appearing to read 'RL'.

RACHEL LOMAX

PLP



MR MOWT.

FROM A C S ALLAN  
DATE 1 AUGUST 1986cc PS/Chief Secretary  
PS/Economic Secretary  
Sir P Middleton  
Sir T Burns  
Mr Cassell  
Mr Peretz  
Mr Sedgwick  
Mr Odling Smee  
Mr Culpin  
Mr Walsh  
Dr Rowlatt  
Mr Richardson

## DEMAND FOR £M3

The Chancellor was grateful for your minute of 29 July, which he found very interesting. He noted in particular the point that the current growth rate of personal sector £M3 is much less than that of the total, and not much greater than that of money GDP. Despite the qualifications, he feels that this point, or something like it, should form part of our standard briefing - starting with Tuesday's money figures. I should be grateful if Mr Richardson could take this point on board.

ACSA

A C S ALLAN

CONFIDENTIAL

pwp

FROM: R M HEATH

DATE: 7 AUGUST 1986

ECONOMIC SECRETARY

cc: Chancellor  
Sir P Middleton  
Sir T Burns o/r  
Mr Cassell  
Mr Peretz o/r  
Mr Scholar  
Mr Mowl  
Mr Walsh o/r  
Mr Andren  
Dr Rowlatt  
Mr Richardson  
Mr Ridlington

**M0 FIGURES**

The latest figures for banking August are consistent with the forecast acceleration in the annual growth of M0 to 4 per cent. This acceleration is partly due to an erratic fall (0.6 per cent) in M0 last August.

*R. Heath.*

R M HEATH

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## MO, THE WIDE MONETARY BASE

Banking months (weekly averaged*)	Notes (s.a.) and coin		Levels £ million (changes in brackets)		MO		% change on previous month		% change on year earlier	
			Bankers' deposits				Notes (s.a.) and coin	MO	Notes (s.a.) and coin	MO
February	14,198	(-26)	168	(-66)	14,367	(-92)	-0.2	-0.6	+3.7	+3.5
March	14,245	(+47)	185	(+18)	14,432	(+65)	+0.3	+0.5	+3.3	+3.6
April	14,271	(+26)	196	(+11)	14,469	(+37)	+0.2	+0.3	+2.9	+3.2
May	14,296	(+25)	192	(-4)	14,490	(+21)	+0.2	+0.1	+3.2	+3.4
June	14,408	(+112)	156	(-36)	14,566	(+76)	+0.8	+0.5	+3.3	+3.1
July	14,467	(+59)	132	(-24)	14,601	(+35)	+0.4	+0.2	+3.6	+3.0
August <sup>†</sup> (3 of 5 wks)	14,484	(+17)	162	(+30)	14,645	(+44)	+0.1	+0.3	+3.8	+3.9
Latest 4 weeks <sup>†</sup>	14,470	(-4)	140	(-15)	14,610	(-19)	-	-0.1	+3.9	+3.6

## Weekly data\*\*

Banking July								% change on previous week	
								MO	
June	25th	14,467	(+40)	240	(+77)	14,707	(+116)	+0.8	
July	2nd	14,498	(+30)	124	(-116)	14,622	(-85)	-0.6	
	9th	14,482	(-16)	93	(-31)	14,575	(-47)	-0.3	
	16th	14,430	(-52)	75	(-18)	14,505	(-70)	-0.5	

## Banking August

July	23rd	14,453	(+22)	151	(+76)	14,604	(+99)	+0.7	
	30th	14,472	(+19)	200	(+49)	14,672	(+68)	+0.5	
August	7th	14,526	(+54)	134	(-66)	14,661	(-11)	-0.1	
	13th								
	20th								

\* except coin and unbacked issue

<sup>†</sup> most recent data include estimates only for coin and unbacked note issues. The percentage changes for August so far use as their base the average for the full relevant month; for the latest 4 week period changes are based on the previous 4 week period and a comparable period a year ago.

\*\* not averaged

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J DARLOW

CONFIDENTIAL

FROM: R M HEATH

DATE: 14 AUGUST 1986

1. MR WALSH <sup>u.w.</sup>  
14/8
2. ECONOMIC SECRETARY

cc: Chancellor o/r  
Sir P Middleton o/r  
Sir T Burns o/r  
Mr Cassell  
Mr Peretz o/r  
Mr Scholar o/r  
Mr Mowl  
Mr Andren  
Dr Rowlatt  
Mr Richardson

**M0 FIGURES**

The latest weekly figures for M0 in banking August are attached. They show a modest acceleration which is consistent with our forecast of an increase in the twelve month growth rate of M0 to 4 per cent, the middle of the target range. This acceleration partly reflects an erratic fall (0.6 per cent) in M0 last August.

R. Heath

R M HEATH

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## CONFIDENTIAL

## MO, THE WIDE MONETARY BASE

Banking months (weekly averaged*)	Levels £ million (changes in brackets)					% change on previous month		% change on year earlier		
	Notes (s.a.) and coin		Bankers' deposits		MO	Notes (s.a.) and coin	MO	Notes (s.a.) and coin	MO	
February	14,198	(-26)	168	(-66)	14,367	(-92)	-0.2	-0.6	+3.7	+3.5
March	14,245	(+47)	185	(+18)	14,432	(+65)	+0.3	+0.5	+3.3	+3.6
April	14,271	(+26)	196	(+11)	14,469	(+37)	+0.2	+0.3	+2.9	+3.2
May	14,296	(+25)	192	(-4)	14,490	(+21)	+0.2	+0.1	+3.2	+3.4
June	14,408	(+112)	156	(-36)	14,566	(+76)	+0.8	+0.5	+3.3	+3.1
July	14,467	(+59)	132	(-24)	14,601	(+35)	+0.4	+0.2	+3.6	+3.0
August † (4 of 5 wks)	14,512	(+45)	148	(+16)	14,660	(+59)	+0.3	+0.4	+4.0	+4.0
Latest 4 weeks †	14,512	(+43)	148	(+15)	14,660	(+58)	+0.3	+0.4	+4.2	+4.1

## Weekly data\*\*

% change  
on previous week

## Banking July

Banking July								MO	
June	25th	14,467	(+40)	240	(+77)	14,707	(+116)	+0.8	
July	2nd	14,498	(+30)	124	(-116)	14,622	(-85)	-0.6	
	9th	14,482	(-16)	93	(-31)	14,575	(-47)	-0.3	
	16th	14,430	(-52)	75	(-18)	14,505	(-70)	-0.5	

## Banking August

July	23rd	14,453	(+22)	151	(+76)	14,604	(+99)	+0.7	
	30th	14,472	(+19)	200	(+49)	14,672	(+68)	+0.5	
August	7th	14,525	(+53)	134	(-66)	14,660	(-12)	-0.1	
	13th	14,599	(+74)	106	(-28)	14,706	(+46)	+0.3	
	20th								

\* except coin and unbacked issue

† most recent data include estimates only for coin and unbacked note issues. The percentage changes for August so far use as their base the average for the full relevant month; for the latest 4 week period changes are based on the previous 4 week period and a comparable period a year ago.

\*\* not averaged

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J DARLOW



## Banking statistics

November 1987

## A Public sector borrowing requirement, and other counterparts to changes in M3

£ millions	Public sector borrowing requirement (surplus-)		Purchases (-) of public sector debt by UK private sector (other than banks)			External and foreign currency finance of public sector (increase-)		Banks' sterling lending to UK private sector [b]	External and foreign currency transactions of UK banks				Net non deposit sterling liabilities (increase-)	M3 (columns 1-13)
	Central government borrowing requirement	Other public sector contribution	Other public sector debt	Central government debt [a]		Purchases of British government stocks by overseas sector	Other		Sterling deposits from, net of market loans to, banks abroad (increase-)	Other overseas sterling deposits (increase-)	Other sterling lending to overseas sector [c]	Banks' net foreign currency liabilities (increase-)		
Calendar month (unadjusted)	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1986 Nov.	+ 485	- 500	+ 423	- 628	- 321	- 254	- 20	+ 3,253	- 803	+255	+ 20	+ 656	- 341	+ 2,225
Dec. [d]	- 1,410	- 62	- 55	+ 135	- 19	- 231	+ 68	+ 3,973	- 719	-200	+ 560	-2,072	+ 279	+ 247
1987 Jan.	- 3,298	- 393	+ 34	+ 511	+ 351	+ 166	+ 258	+ 1,435	- 1,004	-455	- 23	+ 963	+ 235	- 1,220
Feb.	+ 195	- 593	+ 175	+ 460	- 209	- 237	+ 156	+ 2,606	+ 845	-550	- 206	+ 100	+ 188	+ 2,930
Mar.	+ 4,312	- 1,033	+ 155	+ 745	- 282	- 719	+ 1,162	+ 3,375	+ 1,395	-742	- 494	+ 807	- 1,884	+ 6,797
Apr.	+ 2,459	- 558	+ 385	- 165	- 63	- 625	+ 1,790	+ 1,129	- 724	+195	- 18	- 559	- 62	+ 3,184
May	+ 1,623	- 1,870	+ 603	- 814	- 454	- 12	+ 2,859	+ 2,289	- 987	-766	- 31	+ 1,439	- 632	+ 3,247
June	- 38	- 589	+ 207	- 165	- 598	- 1,014	- 592	+ 4,682	+ 946	+429	- 301	- 227	- 856	+ 1,884
July	- 298	- 122	+ 250	+ 638	- 121	- 1,209	+ 382	+ 4,643	- 492	-489	+ 594	- 1,132	+ 1,653	+ 4,297
Aug.	+ 842	- 144	+ 411	+ 281	- 233	- 533	- 337	+ 1,154	+ 954	-208	- 521	+ 532	- 1	+ 2,197
Sept.	- 192	+ 327	- 113	+ 240	- 84	- 567	+ 170	+ 5,511	+ 118	-215	- 54	- 1,139	- 2,391	+ 1,611
Oct.	- 650	- 334	- 44	+ 122	- 61	- 984	+ 3,767	+ 3,013	- 1,278	-711	+ 133	+ 2,513	+ 93	+ 5,579
Nov.	- 464	- 1,101	+ 344	- 1,185	- 241	+ 256	- 194	+ 3,335	+ 1,559	-279	+ 196	- 1,291	+ 419	+ 1,354

## B Public sector borrowing requirement, and other counterparts to changes in M4 and M5

£ millions	Public sector borrowing requirement (surplus-)	Purchases (-) of public sector debt by UK private sector (other than banks and building societies)			External and foreign currency finance of public sector (increase-)	Banks' sterling lending to UK private sector excluding building societies [b]	Building societies sterling lending to UK private sector	External and foreign currency transactions of banks and building societies [c]	Net non-deposit sterling liabilities (increase-)		M4 (columns 15-24)	Purchases (-) of public sector debt [e]	Bank bills	M5 (columns 25-28)
		Other public sector debt	Central government debt						Banks	Building societies				
Calendar quarter (unadjusted)	15-1+2	16	17	18	19=6+7	20	21	22	23	24	25	26	27	28
1986 Q3	+ 3,571	- 39	- 1,646	- 902	- 994	+ 5,211	+ 5,592	- 1,040	- 574	- 1,913	+ 7,266	- 2,243	+ 244	+ 7,854
Q4	- 1,641	+ 162	- 1,732	- 409	- 868	+ 10,228	+ 4,667	- 1,799	- 959	- 679	+ 6,970	- 2,121	- 54	+ 6,774
1987 Jan.	- 3,691	- 408	- 256	+ 81	+ 424	+ 1,390	+ 1,304	- 591	+ 235	+ 1,193	- 319	- 1,130	+ 89	- 777
Feb.	- 398	+ 164	+ 100	- 397	- 81	+ 2,600	+ 980	- 100	+ 188	- 600	+ 2,456	+ 42	- 37	+ 2,594
Mar.	+ 3,279	+ 67	+ 377	- 359	+ 443	+ 3,085	+ 1,180	+ 817	- 1,884	- 354	+ 6,651	+ 153	+ 226	+ 6,945
Apr.	+ 1,901	+ 151	- 586	- 50	+ 1,165	+ 1,287	+ 1,590	- 1,166	- 62	- 694	+ 3,536	- 523	+ 47	+ 3,545
May	- 247	+ 317	- 729	- 417	+ 2,847	+ 2,269	+ 1,295	- 405	- 632	- 860	+ 3,438	- 472	+ 315	+ 4,110
June	- 627	- 18	+ 247	- 506	- 1,606	+ 5,015	+ 1,355	+ 755	- 856	+ 260	+ 4,019	- 6	- 167	+ 4,123
July	- 420	+ 144	+ 841	- 145	- 827	+ 4,525	+ 1,302	- 1,650	+ 1,653	- 41	+ 5,382	+ 841	+ 59	+ 5,442
Aug.	+ 698	+ 344	+ 418	- 151	- 870	+ 1,055	+ 1,269	+ 691	- 1	- 797	+ 2,656	+ 415	+ 55	+ 2,515
Sept.	+ 135	- 1	+ 148	- 264	- 397	+ 5,479	+ 1,318	- 1,405	- 2,391	+ 311	+ 2,933	+ 213	- 235	+ 3,028
Oct.	- 984	- 110	- 609	+ 6	+ 2,783	+ 2,704	+ 1,510	+ 543	+ 93	- 682	+ 5,254	- 730	+ 167	+ 5,404
Nov.	- 1,565	+ 398	- 1,215	- 174	+ 62	+ 3,273	+ 1,266	+ 99	+ 419	- 890	+ 1,673	- 689	- 420	+ 1,555

[a] Purchases (-) of central government debt by the UK private sector (other than banks) are analysed in Table G.

[b] Including net purchases by the Issue Department of commercial bills and of promissory notes relating to shipbuilding paper guaranteed by the Department of Trade and Industry.

[c] Including net purchases of ECGD-backed promissory notes by the Issue Department.

[d] British Gas was transferred from the public sector to the private sector during December 1986. To remove the distortion caused by this transfer, the changes in the aggregates in December 1986 have been stated, where appropriate, after the exclusion of some  $\frac{3}{4}$  billion of bank deposits and CDs, and a similar amount of certain other liquid assets.

[e] Excluding those instruments included within M5.

## C M1, M3 and M3c: amounts outstanding

Calendar month	Notes and coin in circulation with public	UK private sector sterling sight deposits		Non-interest-bearing M1 (columns 1 + 2)		UK private sector sterling sight deposits Interest bearing		M1 (columns 3 + 4)		UK private sector sterling time deposits [b]		M3 (columns 5 + 6)		UK private sector deposits in other currencies [b]		M3c (columns 7 + 8)
		Non-interest-bearing [a]	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted
1986 Oct.	13,082	27,023	40,105	40,251	33,435	73,540	73,734	74,720	148,260	147,636	28,112	176,372				
Nov.	13,414	27,618	41,032	40,036	34,706	75,738	74,816	74,748	150,486	149,043	29,036	179,522				
Dec. [c]	13,353	28,089	41,442	40,393	33,782	75,224	74,176	76,474	151,698	150,664	28,597	180,295				
1987 Jan.	13,065	26,538	39,603	41,547	35,387	74,990	76,967	75,488	150,478	152,509	28,950	179,428				
Feb.	13,119	27,003	40,122	41,727	35,272	75,394	77,064	78,050	153,444	155,417	28,835	182,279				
Mar. [c]	12,734	28,446	41,180	41,371	38,556	79,736	79,931	80,358	160,094	159,564	28,581	188,675				
Apr.	13,159	28,497	41,656	40,918	38,761	80,417	79,720	82,862	163,779	163,061	29,988	193,267				
May	13,418	29,405	42,823	41,777	40,551	83,374	82,406	83,151	166,525	165,364	29,282	195,807				
June [c]	13,024	31,271	44,295	43,546	41,181	85,476	84,734	82,934	168,410	167,657	28,792	197,202				
July	13,727	30,649	44,376	43,649	42,179	86,555	85,870	86,161	172,716	171,356	30,592	203,308				
Aug.	13,730	30,552	44,282	43,805	43,355	87,637	87,245	87,276	174,913	173,661	30,615	205,528				
Sept. [c]	13,161	31,502	44,663	44,099	44,510	89,173	88,619	87,284	176,457	176,020	30,331	206,788				
Oct.	13,684	31,171	44,855	45,581	47,172	92,027	92,854	90,009	182,036	182,273	30,923	212,959				
Nov.	13,600	31,775	45,375	44,568	47,171	92,546	91,915	90,844	183,390	182,247	30,909	214,299				

## D M1, M3 and M3c: changes [d]

£ millions: percentages in italics

Calendar month (unadjusted)	Notes and coin in circulation with public	UK private sector sterling sight deposits		Non-interest-bearing M1 (columns 1 + 2)		UK private sector sterling sight deposits Interest-bearing		M1 (columns 3 + 4)		UK private sector sterling time deposits [b]		M3 (columns 5 + 6)		UK private sector deposits in other currencies [b]		M3c (columns 7 + 8)
		Non-interest-bearing [a]	12-month change	Unadjusted	12-month change	Unadjusted	12-month change	Unadjusted	12-month change	Unadjusted	12-month change	Unadjusted	12-month change	Trans-actions	Valuation changes [e]	Unadjusted
1986 Nov.	+ 332	+ 594	+ 926	+ 10.0	+ 1,271	+ 2,197	+ 23.5	+ 28	+ 2,225	+ 18.6	+ 1,181	- 257	+ 3,149			
Dec. [f]	- 61	+ 471	+ 410	+ 11.2	- 1,301	- 891	+ 21.2	+ 1,138	+ 247	+ 18.0	+ 147	- 623	- 229			
1987 Jan.	- 288	- 1,551	- 1,839	+ 10.8	+ 1,605	- 234	+ 23.2	- 986	- 1,220	+ 17.6	+ 464	- 111	- 867			
Feb.	+ 54	+ 465	+ 519	+ 10.5	- 127	+ 392	+ 21.2	+ 2,538	+ 2,930	+ 19.0	+ 349	- 464	+ 2,815			
Mar.	- 385	+ 1,443	+ 1,058	+ 10.3	+ 3,306	+ 4,362	+ 22.5	+ 2,433	+ 6,797	+ 19.0	+ 622	- 805	+ 6,614			
Apr.	+ 425	+ 50	+ 475	+ 11.9	+ 205	+ 680	+ 23.2	+ 2,504	+ 3,184	+ 20.4	+ 2,233	- 826	+ 4,591			
May	+ 259	+ 909	+ 1,168	+ 12.1	+ 1,790	+ 2,958	+ 23.6	+ 289	+ 3,247	+ 18.9	- 1,065	+ 359	+ 2,541			
June	- 394	+ 1,865	+ 1,471	+ 13.5	+ 630	+ 2,101	+ 23.7	- 217	+ 1,884	+ 19.1	- 671	+ 180	+ 1,393			
July	+ 703	- 619	+ 84	+ 12.4	+ 986	+ 1,070	+ 22.6	+ 3,227	+ 4,297	+ 20.9	+ 1,615	+ 185	+ 6,097			
Aug.	+ 3	- 97	- 94	+ 12.3	+ 1,176	+ 1,082	+ 23.7	+ 1,115	+ 2,197	+ 22.1	+ 406	- 383	+ 2,220			
Sept.	- 569	+ 952	+ 383	+ 6.0	+ 1,169	+ 1,552	+ 20.3	+ 59	+ 1,611	+ 19.5	- 42	- 176	+ 1,393			
Oct.	+ 523	- 331	+ 192	+ 11.9	+ 2,662	+ 2,854	+ 24.6	+ 2,725	+ 5,579	+ 22.2	+ 1,647	- 1,055	+ 6,171			
Nov.	- 84	+ 604	+ 520	+ 10.6	1	+ 519	+ 21.7	+ 835	+ 1,354	+ 21.3	+ 1,213	- 1,227	+ 1,340			
Calendar month (seasonally adjusted)				1-month change			1-month change			1-month change						
1986 Nov.	..	..	- 223	- 0.6	+ 1,297	+ 1,074	+ 1.5	+ 340	+ 1,414	+ 1.0	+ 1,181	- 257	+ 2,338			
Dec. [f]	..	..	+ 343	+ 0.9	- 1,374	- 1,031	- 1.4	+ 1,688	+ 657	+ 0.4	+ 147	- 623	+ 181			
1987 Jan.	..	..	+ 1,147	+ 2.8	+ 1,637	+ 2,784	+ 3.8	- 930	+ 1,854	+ 1.2	+ 464	- 111	+ 2,207			
Feb.	..	..	+ 184	+ 0.4	- 95	+ 89	+ 0.1	+ 2,800	+ 2,889	+ 2.1	+ 349	- 464	+ 2,774			
Mar.	..	..	- 361	- 0.9	+ 3,245	+ 2,884	+ 3.7	+ 1,417	+ 4,301	+ 2.8	+ 622	- 805	+ 4,118			
Apr.	..	..	- 488	- 1.2	+ 242	- 246	- 0.3	+ 3,692	+ 3,446	+ 2.2	+ 2,233	- 826	+ 4,853			
May	..	..	+ 889	+ 2.2	+ 1,827	+ 2,716	+ 3.4	- 377	+ 2,339	+ 1.4	- 1,065	+ 359	+ 1,633			
June	..	..	+ 1,779	+ 4.3	+ 559	+ 2,338	+ 2.8	- 25	+ 2,313	+ 1.4	- 671	+ 180	+ 1,822			
July	..	..	+ 101	+ 0.2	+ 1,021	+ 1,122	+ 1.3	+ 2,575	+ 3,697	+ 2.2	+ 1,615	+ 185	+ 5,497			
Aug.	..	..	+ 145	+ 0.3	+ 1,219	+ 1,364	+ 1.6	+ 941	+ 2,305	+ 1.3	+ 406	- 383	+ 2,328			
Sept.	..	..	+ 293	+ 0.7	+ 1,094	+ 1,387	+ 1.6	+ 1,041	+ 2,428	+ 1.4	- 42	- 176	+ 2,210			
Oct.	..	..	+ 1,500	+ 3.4	+ 2,753	+ 4,253	+ 4.8	+ 2,035	+ 6,288	+ 3.6	+ 1,647	- 1,055	+ 6,880			
Nov.	..	..	- 983	- 2.2	+ 74	- 909	- 1.0	+ 938	+ 29	-	+ 1,213	- 1,227	+ 15			

## E M2: amounts outstanding and changes [d]

£ millions: percentages in italics

Calendar month	Non-interest-bearing M1		Other UK private sector sterling retail deposits with banks [g]		UK private sector retail shares and deposits with building societies [g]		National Savings Bank ordinary account		M2 (columns 1-4)					
	Amount outstanding	Change in month	Amount outstanding	Change in month	Amount outstanding	Change in month	Amount outstanding	Change in month	Unadjusted			Seasonally adjusted		
									Amount outstanding	Change in month	12-month change	Amount outstanding	Change in month	1-month change
1986 Nov.	41,032	+ 926	42,664	+ 484	81,889	- 94	1,646	- 14	167,231	+ 1,302	+ 13.7	167,069	+ 512	+ 0.3
Dec. [c][f]	41,442	+ 410	42,897	+ 233	83,438	+ 1,549	1,664	+ 18	169,441	+ 2,210	+ 14.1	168,573	+ 1,480	+ 0.9
1987 Jan.	39,603	- 1,839	42,900	+ 3	84,294	+ 102	1,663	- 1	168,460	- 1,735	+ 12.8	170,228	+ 890	+ 0.5
Feb.	40,122	+ 519	43,141	+ 241	83,640	- 654	1,665	+ 2	168,568	+ 108	+ 12.0	170,288	+ 60	-
Mar. [c]	41,180	+ 1,058	43,919	+ 778	84,785	+ 1,145	1,666	+ 1	171,550	+ 2,982	+ 12.2	171,966	+ 1,672	+ 1.0
Apr.	41,656	+ 475	44,529	+ 610	85,493	+ 708	1,664	- 2	173,342	+ 1,791	+ 12.4	172,849	+ 844	+ 0.5
May	42,823	+ 1,168	45,138	+ 609	85,436	- 57	1,660	- 4	175,057	+ 1,716	+ 12.4	174,187	+ 1,360	+ 0.8
June [c]	44,295	+ 1,471	45,956	+ 818	86,781	+ 1,345	1,660	-	178,692	+ 3,634	+ 12.0	177,410	+ 3,229	+ 1.9
July	44,376	+ 84	46,432	+ 476	87,148	+ 367	1,658	- 2	179,614	+ 925	+ 10.6	178,207	+ 796	+ 0.4
Aug.	44,282	- 94	46,606	+ 174	87,663	+ 515	1,655	- 3	180,206	+ 592	+ 10.7	179,791	+ 1,576	+ 0.9
Sept. [c]	44,663	+ 383	46,854	+ 248	88,909	+ 1,246	1,656	+ 1	182,082	+ 1,878	+ 10.0	181,625	+ 1,832	+ 1.0
Oct.	44,855	+ 192	47,404	+ 550	88,674	- 235	1,654	- 2	182,587	+ 505	+ 9.6	183,223	+ 1,614	+ 0.9
Nov.	45,375	+ 520	48,218	+ 814	90,841	+ 2,167	1,643	- 11	186,077	+ 3,490	+ 10.8	185,365	+ 2,168	+ 1.2

[a] After deducting 60% of net debit transit items (see additional notes to Table 6 of the *Quarterly Bulletin*).

[b] Including certificates of deposit.

[c] Changes in the monthly-reporting population occurred in these months.

[d] Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding. (See additional notes to Table 11 of the *Quarterly Bulletin*.)

[e] See additional notes to Tables 6 and 11 of the *Quarterly Bulletin*.

[f] See footnote [d] to Tables A and B on page 1.

[g] See the June 1982 *Quarterly Bulletin* (page 225) for definitions of retail deposits.

## F M4 and M5: amounts outstanding, and changes [a]

Figures in £ millions; percentages in italics

	M3			Building societies holdings of M3	M4 (columns 1 + 2 + 3 - 4)		Holdings of money-market instruments by UK private sector other than building societies	National savings deposits and securities	M5 (columns 5 + 6 + 7)					
	1	Shares and deposits	Other [b]		Unadjusted	Seasonally adjusted			Unadjusted	Seasonally adjusted				
		2	3			5				8				
Amount outstanding														
1986 Oct.	148,260	114,719	2,165	9,090	256,054	256,589	4,908	9,584	270,546	270,904				
Nov.	150,486	114,927	2,208	8,984	258,637	258,871	4,856	9,626	273,119	273,232				
Dec.	151,698	117,105	2,435	9,828	261,410	261,241	5,184	9,693	276,287	276,315				
1987 Jan.	150,478	118,357	2,333	9,414	261,754	262,129	3,881	9,789	275,424	276,171				
Feb.	153,444	118,848	2,771	10,317	264,246	266,067	3,935	9,873	278,054	280,337				
Mar.	160,094	119,760	2,135	11,239	270,750	270,359	4,134	9,968	284,852	284,487				
Apr.	163,279	120,715	2,176	11,883	274,287	274,389	4,072	10,039	288,398	288,220				
May	166,525	121,383	2,276	12,460	277,724	276,849	4,683	10,100	292,507	291,594				
June	168,410	122,767	1,996	11,707	281,466	280,539	4,713	10,174	296,353	295,538				
July	172,716	123,819	2,264	11,942	286,857	284,857	4,695	10,252	301,804	299,763				
Aug.	174,913	124,539	2,287	12,226	289,513	288,550	4,491	10,315	304,319	303,283				
Sept.	176,457	125,290	2,744	12,112	292,379	291,793	4,519	10,382	307,280	306,632				
Oct.	182,036	126,348	2,742	13,493	297,633	298,103	4,603	10,448	312,684	313,027				
Nov.	183,390	127,550	2,647	14,019	299,568	299,226	4,401	10,532	314,501	314,112				
Changes in calendar month														
1986 Nov.	+ 2,225	+ 208	+ 43	- 106	+ 2,582	+ 15.6	+ 2,297	+ 0.9	- 52	+ 42	+ 2,572	+ 15.1	+ 2,343	+ 0.9
Dec.	+ 247	+ 2,178	+ 91	+ 844	+ 1,672	+ 15.2	+ 1,273	+ 0.5	- 228	+ 67	+ 1,511	+ 14.4	+ 1,431	+ 0.5
1987 Jan.	- 1,220	+ 1,657	- 122	+ 634	- 319	+ 13.9	+ 228	+ 0.1	- 553	+ 95	- 777	+ 13.2	- 57	-
Feb.	+ 2,930	+ 491	- 62	+ 903	+ 2,456	+ 13.9	+ 3,906	+ 1.5	+ 54	+ 84	+ 2,594	+ 13.3	+ 4,131	+ 1.5
Mar.	+ 6,797	+ 912	- 136	+ 922	+ 6,651	+ 13.9	+ 4,437	+ 1.7	+ 199	+ 95	+ 6,945	+ 13.4	+ 4,294	+ 1.5
Apr.	+ 3,184	+ 955	+ 41	+ 644	+ 3,536	+ 14.5	+ 4,048	+ 1.5	- 62	+ 71	+ 3,545	+ 14.0	+ 3,741	+ 1.3
May	+ 3,247	+ 668	+ 100	+ 577	+ 3,438	+ 13.7	+ 2,490	+ 0.9	+ 611	+ 61	+ 4,110	+ 13.4	+ 3,404	+ 1.2
June	+ 1,884	+ 1,384	- 2	- 753	+ 4,019	+ 13.8	+ 3,992	+ 1.4	+ 30	+ 74	+ 4,123	+ 13.5	+ 4,228	+ 1.4
July	+ 4,297	+ 1,052	+ 268	+ 235	+ 5,382	+ 14.9	+ 4,330	+ 1.5	- 18	+ 78	+ 5,442	+ 14.4	+ 4,221	+ 1.4
Aug.	+ 2,197	+ 720	+ 23	+ 284	+ 2,656	+ 15.5	+ 3,703	+ 1.3	- 204	+ 63	+ 2,515	+ 14.8	+ 3,529	+ 1.2
Sept.	+ 1,611	+ 751	+ 457	- 114	+ 2,933	+ 14.9	+ 3,315	+ 1.1	+ 28	+ 67	+ 3,028	+ 14.3	+ 3,423	+ 1.1
Oct.	+ 5,579	+ 1,058	- 2	+ 1,381	+ 5,254	+ 15.7	+ 6,326	+ 2.2	+ 84	+ 66	+ 5,404	+ 15.2	+ 6,411	+ 2.1
Nov.	+ 1,354	+ 1,202	- 357	+ 526	+ 1,673	+ 15.2	+ 883	+ 0.3	- 202	+ 84	+ 1,555	+ 14.6	+ 844	+ 0.3

[a] See footnote (d) to Tables A and B on page 1.

[b] Includes certificates of deposit and time deposits issued by building societies.

## G Supplementary detail

Purchases (increase -) of central government debt by UK private sector other than banks (Table A, columns 4 + 5)  
£ millions

Calendar month	Marketable debt					Total	Banks' sterling lending to UK private sector (a)	Bank and building society sterling lending to the rest of the UK private sector (b)	Sterling borrowing by the private sector (c)
	Stocks	Treasury bills	Tax instruments	National savings	Other				
1986 Nov.	- 628	+ 40	- 102	- 257	- 2	- 949	+ 3,374	..	..
Dec.	+ 135	- 100	+ 302	- 236	+ 15	+ 116	+ 3,599	..	..
1987 Jan.	+ 511	- 55	+ 819	- 410	- 3	+ 862	+ 1,640	+ 3,057	+ 3,146
Feb.	+ 460	- 61	+ 177	- 353	+ 28	+ 251	+ 2,705	+ 3,892	+ 3,855
Mar.	+ 745	- 92	+ 89	- 283	+ 4	+ 463	+ 2,471	+ 3,385	+ 3,611
Apr.	- 165	+ 103	+ 57	- 226	+ 3	- 228	+ 2,201	+ 3,903	+ 3,950
May	- 814	- 91	- 184	- 181	+ 2	- 1,268	+ 2,503	+ 3,747	+ 4,062
June	- 165	- 244	- 117	- 244	+ 7	- 763	+ 3,979	+ 5,595	+ 5,428
July	+ 638	- 10	+ 88	- 192	- 7	+ 517	+ 4,530	+ 5,513	+ 5,572
Aug.	+ 281	- 33	+ 20	- 225	+ 5	+ 48	+ 2,653	+ 3,776	+ 3,831
Sept.	+ 240	+ 124	- 99	- 115	+ 6	+ 156	+ 4,321	+ 5,673	+ 5,438
Oct.	+ 122	+ 56	- 166	+ 42	+ 7	+ 61	+ 2,972	+ 4,111	+ 4,278
Nov.	- 1,185	- 279	+ 51	- 24	+ 11	- 1,426	+ 3,308	+ 4,400	+ 3,980

(a) A counterpart to M3; unadjusted figures appear in Table A (column 8).

(b) A counterpart to M4; unadjusted figures appear in Table B (column 20 + 21).

(c) A counterpart to M5; unadjusted figures appear in Table B (column 20 + 21 + 27).

# H UK monetary sector: transactions in liabilities and assets

[Table 6 in the Quarterly Bulletin]

£ millions

Calendar month	Liabilities												Non-deposit liabilities (net)
	Total	Domestic deposits								Overseas sector deposits			
		Total		Public sector		Private sector		Sterling	Other currencies	Sterling	Other currencies		
		Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted						
1986 Dec.	+ 10,857	+ 1,032	..	+ 520	..	+ 57	+ 308	..	+ 147	+ 1,053	+ 8,666	+ 106	
4th qtr	+ 17,548	+ 5,266	..	+ 445	..	+ 90	+ 2,845	..	+ 1,886	+ 1,871	+ 8,928	+ 1,483	
1987 Jan.	+ 236	- 920	..	- 417	..	- 35	- 932	..	+ 464	- 211	+ 1,183	+ 184	
Feb.	+ 7,975	+ 3,524	..	+ 247	..	+ 52	+ 2,876	..	+ 349	+ 999	+ 3,503	- 51	
Mar.	+ 16,884	+ 8,709	..	+ 867	..	+ 38	+ 7,182	..	+ 622	+ 1,674	+ 4,523	+ 1,978	
1st qtr	+ 25,095	+ 11,313	..	+ 697	..	+ 55	+ 9,126	..	+ 1,435	+ 2,462	+ 9,209	+ 2,111	
Apr.	+ 6,516	+ 4,971	..	- 28	..	+ 7	+ 2,759	..	+ 2,233	+ 151	+ 1,663	- 269	
May	+ 17,475	+ 3,248	..	+ 1,343	..	- 18	+ 2,988	..	- 1,065	+ 2,103	+ 11,938	+ 186	
June	+ 7,301	+ 1,846	..	+ 227	..	+ 12	+ 2,278	..	- 671	- 925	+ 5,404	+ 976	
2nd qtr	+ 31,292	+ 10,065	..	+ 1,542	..	+ 1	+ 8,025	..	+ 497	+ 1,329	+ 19,005	+ 893	
July	+ 10,497	+ 5,106	..	- 120	..	+ 17	+ 3,594	..	+ 1,615	+ 2,127	+ 3,336	- 72	
Aug.	- 5,287	+ 2,156	..	- 445	..	+ 1	+ 2,194	..	+ 406	+ 221	- 8,527	+ 863	
Sept.	+ 20,805	+ 2,316	..	+ 147	..	+ 31	+ 2,180	..	- 42	+ 506	+ 15,620	+ 2,363	
3rd qtr	+ 26,015	+ 9,578	..	- 418	..	+ 49	+ 7,968	..	+ 1,979	+ 2,854	+ 10,429	+ 3,154	
Oct.	+ 18,693	+ 6,813	..	+ 82	..	+ 28	+ 5,056	..	+ 1,647	+ 1,556	+ 10,131	+ 193	
Nov.	- 28	+ 3,543	..	+ 828	..	+ 64	+ 1,438	..	+ 1,213	- 276	- 3,016	- 279	

Calendar month	Assets											
	Total	Lending to public sector				Other currencies	Lending to private sector		Lending to overseas sector			
		Sterling		Central government	Other		Sterling	Other currencies	Sterling	Other currencies		
		Unadjusted	Seasonally adjusted								Unadjusted	Seasonally adjusted
1986 Dec.	+ 10,857	+ 979	..	+ 847	+ 132	+ 1	+ 2,004	..	+ 550	+ 694	+ 6,629	
4th qtr	+ 17,548	+ 196	..	+ 429	- 233	- 97	+ 5,663	..	+ 590	+ 1,975	+ 9,221	
1987 Jan.	+ 236	- 3,050	..	- 2,764	- 286	+ 85	+ 3,664	..	+ 1,369	- 3,381	+ 1,549	
Feb.	+ 7,975	+ 583	..	+ 482	+ 101	- 14	+ 2,209	..	+ 2,402	+ 1,035	+ 1,760	
Mar.	+ 16,884	+ 1,954	..	+ 1,935	+ 19	- 56	+ 6,217	..	+ 3,584	+ 2,623	+ 2,562	
1st qtr	+ 25,095	- 513	..	- 347	- 166	+ 15	+ 12,090	..	+ 7,355	+ 277	+ 5,871	
Apr.	+ 6,516	- 395	..	- 263	- 132	- 36	+ 3,316	..	+ 1,236	+ 555	+ 1,840	
May	+ 17,475	+ 433	..	+ 237	+ 196	+ 62	+ 4,903	..	+ 2,693	+ 319	+ 9,065	
June	+ 7,301	- 547	..	- 270	- 277	+ 18	+ 3,075	..	+ 749	+ 149	+ 3,857	
2nd qtr	+ 31,292	- 509	..	- 296	- 213	+ 44	+ 11,294	..	+ 4,678	+ 1,023	+ 14,762	
July	+ 10,497	+ 75	..	+ 30	+ 45	+ 25	+ 3,269	..	- 2,714	+ 1,740	+ 7,602	
Aug.	- 5,287	- 507	..	- 403	- 104	- 28	+ 1,503	..	+ 1,020	+ 446	- 7,721	
Sept.	+ 20,805	- 30	..	+ 54	- 84	- 39	+ 6,041	..	- 1	+ 355	+ 14,479	
3rd qtr	+ 26,015	- 462	..	- 319	- 143	- 42	+ 10,813	..	- 1,195	+ 2,541	+ 14,360	
Oct.	+ 18,693	+ 1,262	..	+ 1,211	+ 51	- 187	+ 3,124	..	+ 3,462	- 300	+ 11,332	
Nov.	- 28	- 783	..	- 625	- 158	- 42	+ 2,448	..	- 1,661	+ 1,200	- 1,190	

# I M0, the wide monetary base

£ millions: percentages in italics

Calendar month	Monthly-average series				
	Notes and coin in circulation outside the Bank of England		Bankers' operational deposits with the Banking Department	M0 (wide monetary base) (columns 1 + 2)	
	Unadjusted	Seasonally adjusted		Unadjusted	Seasonally adjusted
1986 Oct.	14,561	14,699	132	14,693	14,831
Nov.	14,661	14,809	166	14,827	14,975
Dec.	15,706	14,944	250	15,956	15,194
1987 Jan.	14,765	14,945	157	14,922	15,102
Feb.	14,529	14,817	165	14,694	14,982
Mar.	14,577	14,811	232	14,809	15,043
Apr.	14,930	14,916	204	15,134	15,120
May	14,972	14,984	204	15,176	15,188
June	14,946	15,075	137	15,083	15,212
July	15,271	15,166	235	15,506	15,401
Aug.	15,337	15,258	182	15,519	15,440
Sept.	15,349	15,376	184	15,533	15,560
Oct.	15,299	15,457	202	15,501	15,659
Nov.	15,365	15,525	183	15,548	15,708

Change between average amounts outstanding

1986 Nov.	+ 100	+ 110	+ 34	+ 134	+ 144	+1.0
Dec.	+ 1,045	+ 135	+ 84	+ 1,129	+ 219	+1.5
1987 Jan.	- 941	+ 1	- 93	- 1,034	- 92	-0.6
Feb.	- 236	- 128	+ 8	- 228	- 120	-0.8
Mar.	+ 48	- 6	+ 67	+ 115	+ 61	+0.4
Apr.	+ 353	+ 105	- 28	+ 325	+ 77	+0.5
May	+ 42	+ 68	-	+ 42	+ 68	+0.4
June	- 26	+ 91	- 67	- 93	+ 24	+0.2
July	+ 325	+ 91	+ 98	+ 423	+ 189	+1.2
Aug.	+ 66	+ 92	- 53	+ 13	+ 39	+0.3
Sept.	+ 12	+ 118	+ 2	+ 14	+ 120	+0.8
Oct.	- 50	+ 81	+ 18	- 32	+ 99	+0.6
Nov.	+ 66	+ 68	- 19	+ 47	+ 49	+0.3

# J Bank of England transactions in commercial bills and in guaranteed export credit and shipbuilding paper

£ millions

Transactions in:	Banking Department		Issue Department	
	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]
1986 Nov.	- 162	+ 1,311	-	-
Dec.	+ 90	+ 1,969	-	-
1987 Jan.	+ 2,025	- 2,360	+ 131	+ 1,688
Feb.	- 842	+ 403	- 6	+ 53
Mar.	- 2,224	- 2,720	- 122	- 790
Apr.	+ 1,078	- 2,184	- 3	- 951
May	- 171	- 2,614	-	-
June	- 47	+ 1,607	-	-
July	+ 515	+ 1,374	-	-
Aug.	- 463	- 349	-	-
Sept.	- 116	- 530	-	-
Oct.	- 83	- 111	-	-
Nov.	- 39	+ 887	-	-
Amount outstanding at end-November 1987	724	5,095	-	-

[a] Included within column 8 of Table A.

[b] Included within column 11 of Table A.

**K Banks: balance sheet of monthly reporting institutions [a]**

[Table 3.1 in the Quarterly Bulletin]

		Notes outstanding	Sterling liabilities										CDs etc and other short-term paper issued	Items in suspense and transmission	Capital and other funds
			Total deposits	Sight deposits				Time deposits							
Amount outstanding			UK monetary sector	UK public sector	UK private sector	Overseas	UK monetary sector	UK public sector	UK private sector	Overseas					
1987	June [b]	1,094	280,471	13,746	1,980	72,729	10,136	48,043	4,496	73,493	31,795	24,052	10,658	36,146	
	July	1,117	290,917	13,914	1,685	73,795	9,475	50,899	4,684	75,580	34,229	26,657	9,441	34,786	
	Aug.	1,091	293,212	13,381	1,465	74,628	9,342	51,882	4,505	76,650	34,534	26,825	8,305	34,489	
	Sept. [c]	1,103	294,703	14,553	1,847	76,625	9,672	49,407	4,305	75,951	34,685	27,658	9,528	36,876	
	Oct.	1,117	300,237	10,082 [d]	1,807	79,340	10,121	50,796	4,369	78,136	35,980	29,607	9,212	36,562	
	Nov.	1,159	303,989	10,273	1,925	80,493	10,679	52,691	5,045	78,761	35,214	28,909	10,238	36,141	

		Total deposits	Sight and time deposits				CDs etc and other short-term paper issued	Items in suspense and transmission	Capital and other funds	Total liabilities/assets		of which sterling	
			UK monetary sector	Other United Kingdom	Overseas	Liabilities				Assets			
1987	June [b]	580,613	93,710	28,214	383,881	74,807	9,200	14,309	932,489	328,368	326,727		
	July	590,046	94,443	30,013	388,685	76,905	6,830	15,676	948,813	336,261	335,746		
	Aug.	572,667	90,733	29,906	374,748	77,280	7,550	16,627	933,942	337,098	336,042		
	Sept. [c]	588,857	93,116	29,934	385,851	79,957	7,921	16,408	955,397	342,210	342,286		
	Oct.	584,757	96,348	30,168	382,197	76,044	8,864	16,265	957,014	347,129	344,695		
	Nov.	556,040	90,163	30,625	366,516	68,735	6,580	15,695	929,843	351,528	350,379		

		Notes and coin	Sterling assets						UK local authorities	Overseas		
			Balances with Bank of England			LDMA		Other UK monetary sector			UK monetary sector CDs	Building society CDs and time deposits
Amount outstanding			Cash ratio deposits	Special deposits	Other	Secured	Unsecured					
1987	June [b]	2,263	803	—	241	6,525	44	58,680	9,875	1,165	1,991	16,369
	July	2,289	803	—	298	7,437	65	61,496	10,173	1,224	1,967	17,556
	Aug.	2,324	803	—	274	6,784	40	61,658	10,297	1,250	1,923	18,521
	Sept. [c]	2,352	803	—	118	7,276	38	60,497	9,635	1,268	1,898	18,882
	Oct.	2,420	906	—	183	8,126	51	57,191 [d]	10,117	1,265	1,831	18,474
	Nov.	2,249	906	—	137	8,058	55	59,068	10,462	1,247	1,765	19,479

**Sterling assets continued**

		Treasury bills	Bills			Other	Total	Advances			Banking Department lending to central government (net)
			Eligible local authority bills	Eligible bank bills				UK public sector	UK private sector	Overseas	
1987	June [b]	921	392	5,168		702	178,173	1,551	163,513	13,109	512
	July	809	438	5,840		784	180,506	1,597	165,695	13,214	814
	Aug.	517	443	4,679		910	182,714	1,522	168,135	13,057	845
	Sept. [c]	457	442	5,256		1,022	188,088	1,473	173,746	12,869	717
	Oct.	592	474	5,186		1,043	191,137	1,572	176,738	12,827	998
	Nov.	1,149	442	4,794		1,024	193,016	1,500	178,498	13,018	551

**Sterling assets continued**

		Investments			Miscellaneous assets			Other currency assets						
		British government stocks	Other public sector	Other	Items in suspense and collection	Assets leased	Other	Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas
1987	June [b]	7,450	385	12,608	14,212	1,319	6,929	553,261	132,622	88,290	10,856	1,359	51,975	400,780
	July	7,189	383	12,729	14,611	1,297	7,036	562,427	130,371	89,292	10,916	1,367	50,022	410,829
	Aug.	7,159	389	12,811	13,336	1,296	7,067	546,910	131,208	86,401	10,486	1,343	50,431	398,249
	Sept. [c]	7,572	391	12,732	14,352	1,300	7,191	561,812	130,421	89,049	10,494	1,361	50,251	410,657
	Oct.	8,220	501	12,807	14,613	1,291	7,269	561,461	130,163	92,026	10,004	1,173	51,710	406,548
	Nov.	7,444	505	13,122	16,287	1,292	7,327	532,171	122,604	85,428	9,357	1,093	47,758	388,536

**Other currency assets continued**

		Bills	Investments		Miscellaneous assets	Acceptances		Eligible liabilities				
			Total	United Kingdom		Overseas	Sterling		Other currencies			
Amount outstanding					Items in suspense and collection	Assets leased	Other	of which by eligible Banks				
1987	June [b]	2,928	39,116	2,955	36,161	8,022	8	2,427	15,956	15,413	2,690	202,233
	July	2,950	39,056	2,895	36,161	5,955	4	2,673	18,209	17,783	2,762	207,196
	Aug.	3,007	38,907	2,749	36,158	6,678	4	2,394	16,250	15,815	3,021	209,437
	Sept. [c]	3,017	38,316	2,578	35,738	7,372	2	2,592	16,255	15,802	3,221	212,863
	Oct.	2,926	37,592	2,567	35,025	7,732	2	2,605	16,181	15,754	3,304	219,005
	Nov.	2,694	36,114	2,465	33,649	5,892	2	2,590	16,508	16,083	3,223	220,149

[a] These tables include all monthly reporting institutions other than members of the London Discount Market Association—see page 562 of the December 1983 Quarterly Bulletin.

[b] Three contributors joined the series and three left the series at end-June, the net effect was an increase of £63 million in sterling assets and an increase of £417 million in other currency assets.

[c] Four contributors joined the series and four left at end-September, the net effect was a decrease of £235 million in sterling assets and a decrease of £150 million in other currency assets.

[d] The bulk of the movement within this category during October 1987 is due to the restructuring of intra-group funding by one bank.

## L Banks: group detail<sup>[a]</sup>

£ millions

		Notes out- stand- ing	Liabilities											
			Sterling deposits						Other currency deposits					
			Total	of which sight deposits	UK monetary sector	UK public sector	UK private sector	Overseas	CDs etc and other short-term paper issued	Total	UK monetary sector	Other United Kingdom	Overseas	CDs etc and other short-term paper issued
<b>British banks:</b>	Amount outstanding													
Retail banks	1987 Oct.	1,117	152,881	77,658	12,873	3,274	113,854	13,388	9,492	47,359	8,224	6,559	28,016	4,560
	Nov.	1,159	155,718	79,413	15,286	3,809	114,552	13,056	9,015	44,553	6,679	6,852	26,945	4,077
Accepting houses	1987 Oct.	—	18,968	4,986	3,146	494	10,846	1,665	2,817	14,449	3,643	2,467	7,980	359
	Nov.	—	19,660	5,134	2,991	565	11,635	1,705	2,763	13,675	3,693	2,295	7,344	343
Other British banks	1987 Oct.	—	39,192	5,487	15,330	1,660	12,824	4,643	4,735	27,280	8,094	1,866	15,152	2,167
	Nov.	—	39,248	5,026	15,009	1,732	12,941	4,813	4,754	26,166	8,096	1,739	14,213	2,117
<b>Overseas banks:</b>														
American banks	1987 Oct.	—	16,455	4,068	5,313	16	4,772	4,857	1,498	84,855	8,609	10,277	47,664	18,305
	Nov.	—	15,832	3,749	4,547	14	4,896	4,995	1,380	81,247	8,482	10,084	46,643	16,038
Japanese banks	1987 Oct.	—	16,562	947	6,861	128	3,491	2,967	3,114	216,999	35,996	3,488	146,201	31,313
	Nov.	—	16,910	1,070	7,268	172	3,693	2,631	3,147	206,066	33,492	4,260	140,004	28,310
Other overseas banks	1987 Oct.	—	56,180	8,203	17,382	603	11,682	18,560	7,952	193,815	31,925	5,505	137,045	19,339
	Nov.	—	56,621	8,977	17,908	678	11,529	18,657	7,850	184,333	29,920	5,391	131,171	17,850
<b>Total</b>	1987 Oct.	1,117	300,238	101,349	60,905	6,175	157,469	46,080	29,608	584,757	96,491	30,162	382,058	76,043
	Nov.	1,159	303,989	103,369	63,009	6,970	159,246	45,857	28,909	556,040	90,362	30,621	366,320	68,735

		Sterling and other currency liabilities Items in suspense and transmission, capital and other funds	Total liabilities/ assets	Sterling assets								
				Notes and coin	Balances with Bank of England (including cash ratio deposits)	Secured money with LDMA	Market loans					
							Other UK monetary sector [b]	UK monetary sector CDs	UK local authorities	Overseas		
<b>British banks:</b>	Amount outstanding											
Retail banks	1987 Oct.	38,421	239,778	2,389	639	5,363	16,247	3,128	1,007	3,402		
	Nov.	38,232	239,662	2,215	574	5,492	18,467	3,280	976	3,845		
Accepting houses	1987 Oct.	5,250	38,667	3	46	441	7,020	2,031	125	1,185		
	Nov.	4,900	38,235	4	46	412	7,479	2,306	121	1,303		
Other British banks	1987 Oct.	10,425	76,897	3	140	481	11,575	1,539	271	1,521		
	Nov.	10,210	75,624	3	120	386	12,015	1,388	271	1,438		
<b>Overseas banks:</b>												
American banks	1987 Oct.	5,282	106,593	3	66	458	3,133	327	39	1,641		
	Nov.	3,992	101,071	3	103	403	3,048	256	39	1,500		
Japanese banks	1987 Oct.	1,972	235,533	—	49	370	3,754	86	56	3,858		
	Nov.	1,846	224,822	—	49	396	3,472	92	40	4,120		
Other overseas banks	1987 Oct.	9,553	259,547	22	150	1,014	15,513	3,004	334	6,868		
	Nov.	9,474	250,429	24	150	969	14,641	3,140	318	7,272		
<b>Total</b>	1987 Oct.	70,903	957,015	2,420	1,090	8,127	57,242	10,115	1,832	18,475		
	Nov.	68,654	929,843	2,249	1,042	8,058	59,122	10,462	1,765	19,478		

[a] Some smaller institutions report at end-quarters only; the coverage of some of the groups in these tables will therefore not be complete. The groups affected are Accepting houses, Other British, American and Other overseas, but in no case is the coverage of total liabilities/assets less than 97%. For an analysis of end-quarter reporting institutions see Table N.

[b] Including unsecured money with LDMA.

[c] Including holdings of sterling time deposits placed with, and sterling certificates of deposit issued by, building societies.

## M Discount market: balance sheet

£ millions

		Liabilities: borrowed funds						Other currencies			
		Sterling						Other currencies			
		of which		Bank of England	Other UK monetary sector	Other United Kingdom	Overseas	Total	UK monetary sector	Other United Kingdom	Overseas
		Call and overnight	Other								
Amount outstanding											
1987 May.	10,311	9,406	905	111	7,687	2,499	14	220	110	98	12
June	9,143	8,178	965	246	6,396	2,495	6	207	72	106	29
July	10,274	9,496	778	169	7,491	2,599	15	203	65	108	30
Aug.	9,528	8,824	704	97	6,741	2,681	10	198	67	104	27
Sept.	10,036	9,338	697	194	7,144	2,653	45	197	68	111	18
Oct.	11,065	10,017	1,049	135	8,103	2,786	41	146	43	93	11
Nov.	10,908	10,119	788	375	7,767	2,725	40	259	162	93	6

		Sterling assets						Funds lent					
		Cash ratio deposits with the Bank of England	Treasury bills	Bills		Other public sector bills	Other bills	UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Other United Kingdom	Overseas
				Local authority bills	Other								
Amount outstanding													
1987 May.	10,694	8	470	99	—	5,841	456	2,547	359	76	261	2	
June	9,504	8	516	66	—	4,844	537	2,261	347	69	336	33	
July	10,582	8	494	21	—	5,106	791	2,788	361	59	386	—	
Aug.	9,819	8	281	4	—	4,572	622	2,839	312	61	531	13	
Sept.	10,370	8	132	32	—	4,652	429	3,714	400	55	300	69	
Oct.	11,344	10	127	27	—	4,492	190	4,967	565	50	227	44	
Nov.	11,224	10	426	47	—	4,876	370	3,791	647	45	343	42	

## Sterling assets continued

	Amount outstanding	Bills				Advances			Banking Department lending to central government (net)	Investments	
		Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas		British government stocks	Other
<b>British banks:</b>											
Retail banks	1987 Oct. Nov.	463 786	447 426	4,648 4,036	259 243	565 524	107,865 108,387	4,310 4,388	998 551	5,972 5,251	4,041 4,113
Accepting houses	1987 Oct. Nov.	25 6	13 1	205 379	266 267	50 49	5,714 5,872	1,249 1,195	— —	561 512	1,168 1,239
Other British banks	1987 Oct. Nov.	27 20	— —	196 138	241 270	63 47	24,227 24,616	1,607 1,636	— —	338 407	2,036 2,042
<b>Overseas banks:</b>											
American banks	1987 Oct. Nov.	20 200	— —	30 68	76 63	19 21	9,133 9,145	1,410 1,397	— —	652 540	780 710
Japanese banks	1987 Oct. Nov.	2 2	— —	— —	2 —	440 451	4,606 4,797	823 881	— —	80 89	2,426 2,489
Other overseas banks	1987 Oct. Nov.	54 135	14 14	107 174	199 182	436 407	25,195 25,680	3,427 3,520	— —	616 645	2,855 3,034
<b>Total</b>	1987 Oct. Nov.	591 1,149	474 441	5,186 4,795	1,043 1,025	1,573 1,499	176,740 178,497	12,826 13,017	998 551	8,219 7,444	13,306 13,627

## Other currency assets

	Amount outstanding	Total	Market loans and advances						Bills	Investments	Sterling and other currencies Miscellaneous assets[c]	Acceptances	Eligible liabilities
			of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas					
<b>British banks:</b>													
Retail banks	1987 Oct. Nov.	52,766 49,703	16,458 14,678	11,766 11,945	262 205	124 106	7,763 6,558	32,852 30,888	207 198	6,001 5,632	19,062 20,573	4,621 4,999	123,864 124,176
Accepting houses	1987 Oct. Nov.	14,404 13,616	4,037 3,678	4,348 4,326	566 748	12 7	1,468 1,313	8,010 7,223	87 97	1,217 1,058	2,858 2,272	3,202 3,126	9,899 9,810
Other British banks	1987 Oct. Nov.	29,911 28,321	8,669 8,186	8,026 6,967	106 129	577 543	2,405 2,250	18,796 18,432	204 191	996 971	1,521 1,343	608 619	24,211 23,690
<b>Overseas banks:</b>													
American banks	1987 Oct. Nov.	80,446 76,533	26,899 25,352	7,500 6,747	1,373 993	— 3	15,416 14,701	56,157 54,090	99 75	2,428 2,108	5,832 4,859	1,929 1,815	12,605 12,216
Japanese banks	1987 Oct. Nov.	200,611 189,955	32,078 30,467	22,235 20,240	879 640	344 324	11,912 11,126	165,240 157,627	105 109	16,688 16,438	1,578 1,441	1,993 2,043	11,874 12,534
Other overseas banks	1987 Oct. Nov.	183,323 174,043	42,020 40,243	38,150 35,204	6,818 6,643	116 110	12,747 11,811	125,492 120,274	2,226 2,024	10,263 9,906	3,926 4,150	7,133 7,129	36,552 37,725
<b>Total</b>	1987 Oct. Nov.	561,461 532,171	130,161 122,604	92,025 85,429	10,004 9,358	1,173 1,093	51,711 47,759	406,547 388,534	2,928 2,694	37,593 36,113	34,777 34,638	19,486 19,731	219,005 220,151

[Table 4 in the Quarterly Bulletin]

Sterling assets continued				Other currency assets				Total assets/ liabilities	1987	
British government stocks	Investments		Other sterling assets	Total	Certificates of deposit	Bills	Other			
	Local authorities	Other								
135	5	376	57	221	23	17	181	10,915	May	
51	6	372	57	208	37	31	140	9,712	June	
174	6	326	62	199	27	17	155	10,781	July	
209	5	298	63	194	38	15	141	10,013	Aug.	
154	5	361	59	202	33	42	127	10,572	Sept.	
138	3	441	63	143	36	27	80	11,487	Oct.	
84	3	476	62	258	112	23	123	11,482	Nov.	

# N Banks: balance sheet of quarterly reporting institutions

[Table 3.9 in the Quarterly Bulletin]

	Liabilities										Sterling and other currency non-deposit liabilities	Total liabilities/assets
	Sterling deposits					Other currency deposits						
	Total	UK monetary sector	Other UK residents	Overseas residents	CDs etc and other short-term paper issued	Total	UK monetary sector	Other UK residents	Overseas residents	CDs etc and other short-term paper issued		
1986 3rd qtr	1,702	181	1,135	379	7	1,377	367	140	833	37	937	4,017
4th ..	1,775	235	1,161	370	8	1,533	402	125	969	36	664	3,972
1987 1st qtr	1,807	282	1,102	411	13	1,647	488	130	1,007	21	657	4,112
2nd ..	1,820	260	1,091	457	12	1,453	432	131	868	22	618	3,891
3rd ..	1,780	232	1,137	401	9	1,445	472	155	787	30	659	3,884

	Sterling assets										
	Cash and balances with the Bank of England	Balances with and loans to		Bills		Advances			Investments	UK local authorities and other public sector	Other
		UK monetary sector	Overseas	Treasury bills	Other	UK public sector	UK private sector	Overseas	British government stocks		
1986 3rd qtr	3	1,388	50	—	18	20	544	43	61	2	201
4th ..	5	1,357	48	—	21	11	649	43	68	1	108
1987 1st qtr	2	1,405	55	—	19	7	599	44	30	2	130
2nd ..	3	1,472	72	—	17	4	529	57	32	2	96
3rd ..	3	1,491	38	1	7	8	529	48	37	2	99

	Currency assets						
	UK monetary sector	Market loans and advances			Bills	Investments	Sterling and other currencies miscellaneous assets
		UK public sector	Other UK residents	Overseas residents			
1986 3rd qtr	692	1	51	606	31	172	132
4th ..	665	—	77	654	46	71	147
1987 1st qtr	695	—	95	688	117	59	164
2nd ..	660	—	74	620	86	10	159
3rd ..	576	2	88	692	81	17	164

### Symbols and conventions

— nil or less than £½ million.

--- figures above and below are not strictly comparable.

... not available.

Owing to rounding of figures, the sum of the separate items will sometimes differ from the total shown.

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