

PO-CH/NL/0675 PART A

PART 2/3

*Papers P.D.
X*

FROM: M G REDLEY
DATE: 19 August 1987

REDLEY
TO
CH/EX
19/8

- 1. MR MONCK *Mu 19/8*
- 2. CHANCELLOR

*[Always bring
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has (S...)
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more a...
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some...
as...
for...
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- Chief Secretary
- Sir P Middleton
- Sir G Littler
- Mr Lavelle
- Mr Byatt
- Mr Mountfield
- Mr Evans
- Mr Burgner
- Mr Davis
- Mr Bonney
- Mr White
- Ms Symes
- Mr Stevens
- Mr Molan
- Mr Tyrie

C/Letter to issue?

*(or discuss
@ supply-side
meeting)*

CR 19/8

*yes
M.*

** why
more...?*

PROTECTION AND THE CONSUMER

A new initiative to focus consumer attention on the economic costs of protectionist trade policies was outlined in the list of Supply Side measures with Mr Monck's minute of 23 July. Now might be a good time to try for it. Consumer bodies have recently shown an interest. Department of Trade and Industry officials have also been considering whether more needs to be done. New or elaborate mechanisms would not be necessary to make a difference. A draft letter to Lord Young is attached for you to consider.

2. The Consumers' Association and the Trade Policy Research Centre recently held a well attended joint conference on "Protectionism and the Consumer". An account from the Financial Times is attached. The main theme was that while protectionist trade policies - the MFA, the CAP and Voluntary Restraint Arrangements - impose large costs on consumers, the implications are understood only by a restricted circle of professional commentators and activists. So producer pressure groups would always be able to monopolise the ear of Trade Ministers. The Conference concluded that the authority of Government needs to be added to the work of consumer bodies if there is to be a substantial deepening of public awareness.

3. We understand that DTI may be sympathetic to greater effort. A recent review of resource use inside the Department proposed that the consumer-trade link deserved greater attention. But opposition between a protectionist flavoured industry side and a liberal flavoured trade side within DTI has tended to blunt such initiatives in the past. Treasury intervention may therefore be a useful catalyst. The main Treasury interest lies in better use of resources through more effective disciplines bearing on the Supply Side and not in Consumers as such. But a firmer consumer voice would also help to underpin UK support for the opening trading system in the GATT round, and your own emphasis on the costs of global agricultural support policies, including the CAP. Emphasis on consumer sovereignty as a route to the most efficient allocation of productive resources is, of course, basic to other policies to be implemented in this Parliament on health, education and housing.

4. There are broadly three ways forward. A new special body might be created with a standing remit to report on the costs of trade policy proposals referred to it either by pressure groups or by Government. A new quango would clearly be objectionable - as the conference recognised. The high profile of such a body in the US with attendant political controversy probably does more harm than good to the cause it is trying to promote. This is clearly not a starter.

5. Alternatively, a remit to examine and publicise the costs of protective measures might be given to an existing body such as the Office of Fair Trading. The current review of law and policy on mergers and restrictive practices may lead ultimately to restructuring in the competition policy area. But limiting the scope of the work to occasional references from Government on specific topics would probably not entail significant changes, either legislative or to working practices. Establishing the work firmly in the context of competition policy might help to underline that a public interest issue involving wider costs to the community is at stake.

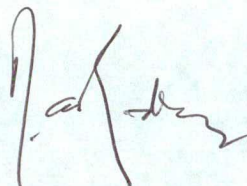
6. But this may be unnecessarily elaborate and would not fit very well into present thinking on the future of the competitive institutions. The National Consumer Council, wholly funded by D'I, was given a once-off reference this year to study the consequences of the CAP for consumers. The Department might consider building on this by funding a regular workload of publishable studies in order to establish the authority of the NCC in this area, and ensure that its work reaches a wider, as well as a more influential, audience. The model for such studies is Professor Silberston's report on the economic costs of the Multi-Fibre Arrangement. This played a useful part in preserving room for manoeuvre against the textile lobbies during last year's re-negotiation of the arrangement. Arguably the most pressing task is simply to increase the level of awareness that there is an issue. A steady programme of studies, provided they are suitably promoted by DTI, would certainly help to do this. The additional cost would certainly be small - probably no more than £5m.

7. The European dimension is also important because trade and agriculture policy are matters within the Community's competence. DTI should be encouraged to press for a better hearing for consumer lobbies in Brussels and for closer association with UK representatives to ensure that this interest is taken into account.

8. All this assumes that it is a good idea to mobilise the consumer interest. We believe it is; and we think it fits well with your general approach to "supplieside" measures. But there are two counter-arguments. First it looks odd for the government to fund someone else to tell it that its policies are wrong. Perhaps the best answer to that is that only one side gets look in at present. The government gets plenty of advice from the CBI and it needs to hear both sides of the case before deciding to implement or extend a protectionist measure. So we conclude that one or other of these instruments should be put in place.

9. Second, it will be argued that this is hardly the right time to take measures which will tend to encourage imports, with pressure mounting on the current account and protectionist voices becoming increasingly strident. This obviously affects the timing of any new initiative; but it need not delay an early approach to the other Ministers concerned.

10. An appropriate next step, if you agree, might be for you to write Lord Young suggesting that he prepares a paper for collective discussion, perhaps at E(CP), at an early opportunity.



M G REDLEY

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WORLD TRADE NEWS

Peter Montagnon reports on the problems faced by consumer lobby groups Tackling the politics of protectionism

The argument that consumers pay a price for trade protection both in terms of higher prices and narrower choice is nowadays well accepted. But it seems to carry little weight with policy makers in practice.

The costs of protection are widely spread, hard to quantify and often little understood even by consumers themselves; its purported benefits accrue to vocal, special interest groups who can argue their case with force. As a result public debate on trade is often lop-sided, with most attention paid to short term threats to employment and scant regard to the costs of protection to the economy as a whole, which free-traders argue jeopardises employment in the more distant future.

An attempt to redress the balance was made this week by the UK Consumers' Association which, together with the Trade Policy Research Centre, organised a seminar on the impact of protectionism on the consumer.

According to Mr Peter Goldman, director of the association and director general of the International Organisation of Consumer Unions, the case for consumers having a greater say is clear. Management and unions alike can easily pinpoint a threat to jobs and point to traumatic consequences such as the closure of a factory, he says.

In those circumstances it is easy to enlist the help of a local MP, especially if the industry concerned is concentrated in small geographic area.

"Consumers' Association experience with the Multi-Fibre Arrangement has shown it makes little difference which party an MP belongs to, or what policies his party espouses nationally."

It is hard for consumers to counter the weight of such well-organised lobby groups. Not only is it difficult to quantify the cost to consumers of protection. Trade policy decisions are frequently taken in conditions of relative secrecy and are not subject to the same public scrutiny as, for example, would be adjustments to the tax regime.

Yet there is some evidence that opening trade policy to greater public enquiry can have some effect on reducing the level of protection in an economy. Australia has had an Industries' Assistance Commission since 1974, an independent body whose purpose is to advise the Government on trade policy matters from the perspective of their impact on the economy as a whole.

Australia is not renowned as a free-trading nation and, according to Dr Gary Sampson, an Australian economist who is senior counsellor to the



Alan Clark

General Agreement on Tariffs and Trade in Geneva, levels of protection in Australia's manufacturing sector have declined only slightly since the IAC was formed.

Underlying this, however, is a different picture. Reports by the IAC on the most sensitive sectors such as motor vehicles, steel, textiles, clothing and footwear were rejected by the Australian Government. In these sectors the effective level of protection has increased dramatically from around 45 per cent in 1974 to 122 per cent today. According to Dr Sampson, the average effective rate

of assistance to sectors that remained within the purview of the IAC has fallen to around 15 per cent from 25 per cent in 1974.

This suggests that broad public enquiry which takes account of the views of all interested parties can actually succeed in reducing protectionist drift. Yet the IAC is the only organisation of its type and Australian practice is far removed from what goes on in Europe.

Mr Tony Venables, director of the Bureau of European Consumer Unions, says that the European Commission's record of consultation with consumer groups is haphazard. They have so far been unsuccessful in attempts to get their views across on the Uruguay round of multilateral trade liberalisation talks and have had no opportunity to record their opposition to the proposed levy on oils and fats.

This is all the more remarkable, he says, because the Commission has underestimated the price effects of its tax. For cheaper brands of margarine and oil it could be as much as 50 per cent. Had the Commission known that it might not have produced the tax, he says.

Consumer organisations, says Mr Goldman, have developed a powerful weapon against protectionism through their increasingly sophisticated

methods for comparative testing of products and services. The problem remains how to get the results across to policy-makers as well as the general public.

For Mrs Rachel Waterhouse, chair of the Consumers' Association, the most important question remains that of the transparency with which trade policy is conducted. Until that changes governments will continue to use a peculiar form of double-speak.

Recorded statements by Mr Alan Clark, UK Trade Minister, illustrates what she means. Answering a general question on protectionism, Mr Clark has said: "Protectionism raise prices, reduces choice and encourages an inefficient allocation of resources. Were it to proliferate, it could weaken world trade and damage progress for world economic growth, including the growth of the UK economy."

But in another context. (the Multi-Fibre Arrangement) he took a different line: "We have kept tight controls where they are most needed by our industry. . . . We have, of course, kept in close and detailed touch with the industry throughout. I have had a number of meetings with the unions and I hope to recognise that we have negotiated effective protection of the most sensitive sectors."

111
100
Gunn

c/ The only figure available for the balancing item is for Q1 1987.

The revised figure for 1986 is +11727 and for Q1 1987 - 3835.

Q2 figures will be published on 17 Sept. The Q1 fig. is almost certain to be revised

Shaw:

CR 28/8

FROM: A BOTTRILL

DATE: 20 August 1987

PS/CHANCELLOR

cc: Sir P Middleton
 Sir G Littler
 Mr Cassell
 Mr Peretz
 Mr Sedgwick
 Mr S Pickford
 Mr G Segal
 Mr C W Kelly
 Mr D Owen
 Mr Barrell
 Mr P Davis

PINK BOOK 1987

The Pink Book containing revised balance of payments estimates for 1986 is to be published tomorrow, 21 August.

2. The current deficit for 1986 has been revised upwards to £980 million compared to the £120 million published in June with the press notice for the first quarter of 1987. The current surplus for 1985 has been revised downwards by £531 million to £2919 million.

3. Summary of balance of payments*

	1984	1985	1986
Visible balance	-4384 (-4384)	-2178 (-2178)	-8463 (-8253)
Invisibles	5858 (5971)	5097 (5628)	7483 (8133)
Services	3481 (3827)	5381 (5705)	4990 (5382)
IPD	4216 (4419)	2992 (3393)	4686 (5076)
Transfers	-1839 (-2275)	-3276 (-3470)	-2193 (-2325)
Current balance	1474 (1587)	2919 (3450)	-980 (-2325)
Capital transactions	-6916 (-7117)	-7421 (-8109)	-10747 (-9193)
Balancing item	5442 (5530)	4502 (4659)	11727 (9313)

* Figures from first quarter press release in brackets.

The outside of this is of course X.
~~What is the balance~~
~~for 1987~~
 Show what the rate will be for each year in 1980s
 (the 1987 & 1988) if only
 when unrecalled
 current transactions
 (presumably
 services).
 I take Mr. A. White's
 that 1986's 711.7k
 is an all-
 round
 a wide
 margin.
 M

Visible balance

4. The £210 million upward revision to the 1986 visible trade deficit reflects at least partly fuller information on imported North Sea installation equipment.

Invisibles

5. The £650 million reduction in the invisibles surplus in 1986 reflects smaller surpluses on both services and IPD which more than offset a lower deficit on transfers. Net earnings for civil aviation, travel and financial services have all turned out slightly worse than previously estimated with only a partial offset from a better out-turn for sea transport and other services. The services surplus is now estimated to have fallen from £5.4 billion in 1985 to £5 billion in 1986.

6. The downward revision to net earnings from interest, profits and dividends reflects lower corporate direct investment and portfolio earnings which were only partly offset by higher earnings by insurance companies. Nevertheless, net IPD earnings rose sharply to £4.7 billion in 1986 compared to £3 billion in 1985.

7. The reduction in the transfers deficit reflects mainly a reassessment of private transfers.

Current balance

8. The upward revision to the current deficit in 1986 was foreshadowed at least partly in the release earlier this month of the figures on the invisible earnings of the 'City'. The current balance is of course the net of large flows so that small revisions in these can cause large changes in the current account. The basic picture of a widening in the trade deficit in 1986 - at least partly as a result of lower oil prices - offset by an improvement in the invisibles surplus remains unchanged.

9. Any revisions to the invisibles figures for 1987 Q1 and the projections for subsequent months will be incorporated in the press release for the July trade figures on 1 September.

Balancing item

X 10. The large positive balancing item of £11.7 billion in 1987 may provoke some comment. This reflects the difference between the current balance and recorded capital flows. The CSO is inclined to attribute the balancing item at least partly to short-term capital movements associated with Big Bang and to unrecorded trade credits. It suggests, however, that the figures for capital flows need to be treated cautiously.

UK overseas assets

11. The Pink Book estimates that UK net overseas assets increased by £37 billion to £114 billion by the end of 1986. This is closely in line with the estimate of £110 billion given in the FSBR. In view of the fact that the current balance was in deficit in 1986, the increase in the sterling value of net overseas assets reflects the combined effect of the pound's depreciation and movements in foreign security prices.

12. A copy of the CSO briefing is attached for Mr Pickford.

AB Bottrill

A BOTTRILL

CONFIDENTIAL



FROM: CATHY RYDING

DATE: 1 September 1987

MR BOTTRILL

cc Sir P Middleton
Sir G Littler
Mr Cassell
Mr Peretz
Mr Sedgwick
Mr S Pickford
Mr S Segal
Mr C W Kelly
Mr D Owen
Mr Barrell
Mr P Davis

PINK BOOK 1987

The Chancellor was grateful for your minute of 20 August.

2. The Chancellor has commented that the outstanding feature of this is of course the balancing item. He would be grateful to see a table showing what the current account would be for each year in the 1980s if only 10 per cent of the balancing item were ^{un} recorded current transactions (presumably invisibles). He takes it, incidentally, that 1986's £11.7 billion is an all time record by a wide margin.

CATHY RYDING



FROM: A C S ALLAN
DATE: 1 September 1987

*For Supply side
Redley*

MR REDLEY

cc PS/Chief Secretary
Sir P Middleton
Sir G Littler
Mr Byatt
Mr Lavelle
Mr Monck
Mr Burgner
Mr H P Evans
Mr Mountfield
Mr Bonney
Mr P G F Davis
Mr G M White
Ms Symes
Mr J W Stevens
Mr Molan
Mr Tyrie

PROTECTION AND THE CONSUMER

The Chancellor was grateful for your minute of 19 August. Before he writes to Lord Young, he would like to discuss this issue at the meeting on the Supply Side which we are arranging.

ACSA

A C S ALLAN



FROM: CATHY RYDING
DATE: 1 September 1987

prep.
BIF 719

MR BOTTRILL

cc Sir P Middleton
Sir G Littler
Mr Cassell
Mr Peretz
Mr Sedgwick
Mr S Pickford
Mr S Segal
Mr C W Kelly
Mr D Owen
Mr Barrell
Mr P Davis

PINK BOOK 1987

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A handwritten signature in cursive script, appearing to be 'CR'.

CATHY RYDING

Mr. J. Taylor

12/2

[Handwritten signature]

Reference

ERRATUM

DEPARTMENT OF TRADE & INDUSTRY'S
WEEKLY NOTE ON ECONOMIC STATISTICS

There was an error on the Sterling's Exchange Rate page for issue 35/87 (Friday 28 August 1987). Please amend the dollar exchange rate for 27/8/87 to read 1.629 (both text and table).

Economics 2A
1 September 1987

FROM: S J DAVIES
DATE: 2 SEPTEMBER 1987

CHANCELLOR OF THE EXCHEQUER

cc : Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Cassell
Mr Monck
Mr Odling-Smee
Mr Scholar
Mr Sedgwick
Mr Culpin
Miss O'Mara
Mr Allum
Mr Patterson
Mr Call
Mr Cropper
Mr Tyrie

Nigeria
Thatcher
Mr. Lawrence
Mr. Cassell

1987 BLUE BOOK

The 1987 Blue Book is to be published on Friday 4 September. As usual, there are some revisions to previously published estimates of GDP and to its components.

2. GDP (on the average measure) is now estimated to have increased by 3.1 per cent in 1986. This is somewhat higher than the current published estimate (2.8 per cent); and half a percentage point higher than the CSO's first published estimate for growth in 1986, which came out on the Friday after Budget day. This year's FSBR included an estimate of 2½ per cent GDP growth in 1986, consistent with what the CSO were then saying. Last year's FSBR forecast of 3 per cent growth in 1986 now appears to have been correct after all.

3. There are also some small revisions to estimates of GDP growth in earlier years. Growth in 1985 has been revised up from 3.5 to 3.7 per cent, and growth in 1984 revised down from 2.8 to 2.5 per cent. Overall the latest set of figures confirm the well established tendency for early estimates of GDP growth to be revised up over time. For three of the four years 1983 to 1986, the CSO's initial published figures for annual GDP growth have in successive estimates been revised up cumulatively by around ½ per cent. Only for 1984 is the latest Blue Book's estimate for GDP growth the same as that initially published.

4. Money GDP is now estimated to have grown by around 7 per cent in 1986 (previous estimate just over 6½ per cent).

5. Within the components of GDP, the change that may attract most attention is an upward revision to the estimate of growth in consumers' spending last year. The new Blue Book estimate is of 5¼ per cent growth in consumers' spending in 1986, compared with a current published estimate of 5.1 per cent (and an estimate of 4½ per cent in this year's FSBR). At the same time the estimated level of personal incomes has been revised down for recent years, so that the personal saving ratio in 1986 is now put some 1½ percentage points lower than previously estimated.

6. Another large change is an 8 per cent upward revision to the estimated level of real investment by manufacturing industries (including leased assets) in 1985, in the light of analysis of the Census of Production for that year. A similar upward revision has been made to the manufacturing investment figure for 1986; so that the comparison of manufacturing investment with the 1979 peak in investment is now less unflattering than it was before - including leased assets, manufacturing investment is now estimated to have been some 13 per cent lower in 1986 than in 1979. These revisions to the manufacturing investment figures have already been published in the press notice of 20 August which gave provisional estimates of capital expenditure for the second quarter.

7. The CSO are having greater than usual difficulty in reconciling their different estimates of GDP for the recent past. These problems have already shown up in the £11.7 billion balancing item on the balance of payments for 1986 published in the latest Pink Book. In total, the published components of the income measure of GDP exceed the expenditure measure of GDP by some £7 billion. The worst problems, apart from the balance of payments discrepancy, seem to be in the personal sector accounts which show unprecedentedly large unidentified receipts (ie either net borrowing or saving of this sector is being under-recorded). The company sector "black hole" - which shows unidentified payments of £7½ billion in 1985 and over £4 billion in

1986 - is also disappointingly large given the amount of work that has recently been put into this area of the accounts; although it is not as bad as it was a couple of years ago.

Lines to take

Positive

Latest (generally upward) revisions to GDP confirm the steady recovery in activity since 1981.

Defensive

Revisions show 1986 consumer boom even bigger than previously thought.

- But the figures for this year show slow down in annual growth in consumer spending, even though overall activity has accelerated. Stimulus to growth coming increasingly from other areas of demand (eg the pick up in manufacturing investment in 1987 Q2).

Implications for forecast?

Chancellor has already said growth in 1987 likely to be above FSBR forecast of 3 per cent. The revisions to 1986 and earlier years will not in themselves materially affect the forecast for 1987.



S J DAVIES

U _____

FROM: N G FRAM
DATE: 3 SEPTEMBER

MR S J DAVIES

1987 BLUE BOOK

The Chancellor has seen and was grateful
for your minute of 2 September

UNCLASSIFIED



mp

FROM: N G FRAY

DATE: 3 September 1987

MR S J DAVIES

1987 BLUE BOOK

The Chancellor has seen and was grateful for your minute of 2 September.

Nigel Fray
N G FRAY

FROM: A BOTTRILL

DATE: 4 September 1987

PS/CHANCELLOR

cc: Sir P Middleton
 Sir G Littler
 Mr Cassell
 Mr Peretz
 Mr Sedgwick
 Mr S Pickford
 Mr S Segal
 Mr C W Kelly
 Mr D Owen
 Mr Barrell
 Mr P Davis

PINK BOOK 1987

Thank. I look forward to some answer

The Chancellor asked what the current account would have been each year since 1980 if 10 per cent of the balancing item were unrecorded current transactions. The attached table shows that although negative balancing items might have implied lower current surpluses in the early-1980s, the large positive balancing items since 1983 would have implied an improved out-turn for the current balance. In particular, last year's deficit of almost £1 billion would have been turned into a small surplus. On a cautionary note, however, the balancing item in the first quarter of 1987 was negative which might have suggested a worse current balance than recorded.

2. The Chancellor is correct in thinking that last year's £11.7 billion balancing item was a record. The previous highest in absolute terms was £5.4 billion in 1984, although there was a £3.4 billion balancing item in 1977 which was a similar scale relative to the size of transactions.

X | 3. The size of the balancing item is a cause for concern. It casts doubt not only on the current account figures but also on the capital account and the net overseas asset position. We shall be reviewing these issues with the CSO this autumn in the working party on improvements to the balance of payments figures instigated by Sir Peter Middleton.

A Bottrill

A BOTTRILL

CONFIDENTIAL

THE BALANCE OF PAYMENTS BALANCING ITEM AND THE CURRENT ACCOUNT

	Balancing item	Recorded current balance	Adjusted current balance*
	£m	£m	£m
1980	-210	2916	2895
1981	-66	6312	6305
1982	-1773	4035	3858
1983	1404	3338	3478
1984	5442	1474	2018
1985	4502	2919	3369
1986	11727	-980	193
1986 Q1	2332	734	967
2	3179	136	454
3	954	-919	-824
4	5262	-931	-405
1987 Q1	-4173	471	54

* Allowing for 10 per cent of the balancing item to be treated as current transactions.

SEPTEMBER ECONOMIC FORECASTS NOT OUT OF THE WOODS

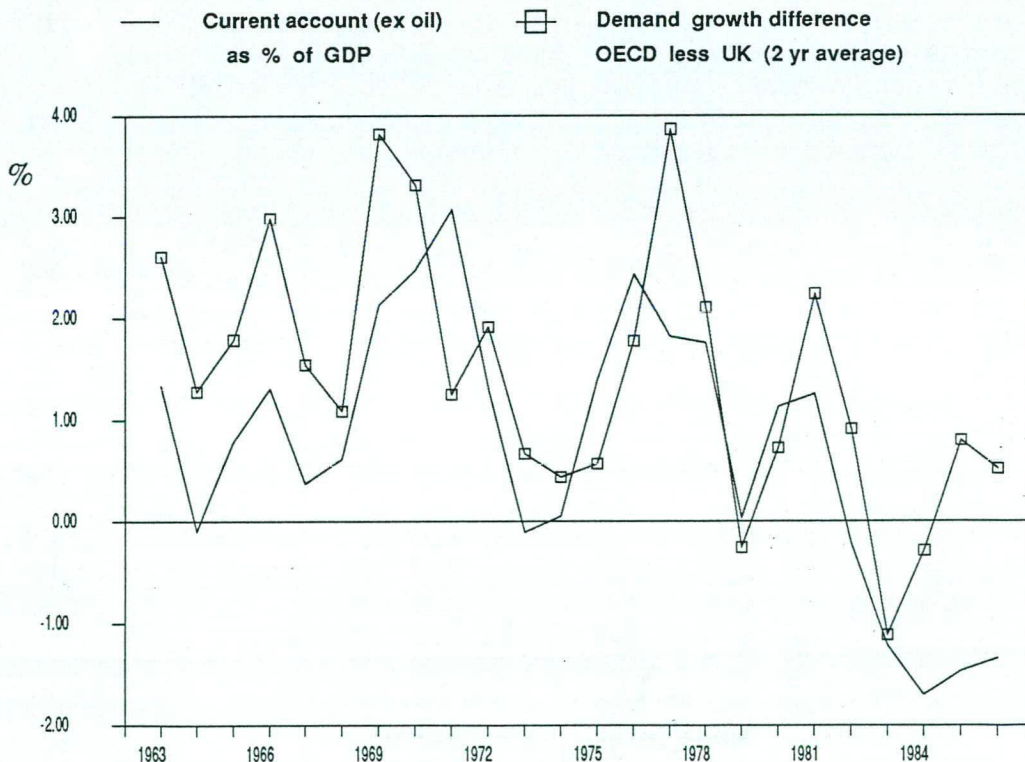
Embargo: 00.01 hours Friday 4 September

Further information: Bill Martin - work 01 628 4444 home 04022 27141

The Chancellor deserves two cheers. His decision to raise base rates on 6 August recognised the inflation dangers of the go-go economy which he had skillfully engineered for the benefit of the electorate. One cheer. And the timing of the move - not, for once, provoked by a sterling crisis - usefully underlined his commitment to keeping inflation down. Two cheers.

But he is not out of the woods yet. The big question now is the manner in which the over-fast pace of domestic spending in the economy comes under control. Will it slow down quite naturally? Or will a further major tightening of policy be required?

In the second half of this year, Britain's domestic demand is set to accelerate, thanks to a recovery in investment and consumers' spending. If the official surveys



are to be believed, the growth of investment expenditure by manufacturing and service industries will leap to 10%, double the rate of growth seen in the first half of the year. And spurred by the Chancellor's pre-election tax cuts, growth in consumer spending could reach 4 1/2%, a powerful 1 point up on the first half. All told, domestic demand growth is expected to rise from 2 1/2% to 4% in the next 6 months. This is too fast for comfort.

It is too fast in relation to manufacturing industry's ability to supply, now that it is working at levels of plant capacity use typical of nearly every cyclical peak since the early 1960s. And it is too fast in relation to the UK's competitors. In the rest of the industrial world, domestic demand could manage a feeble 2% growth in the second half of this year.

As our chart shows, there is a clear tendency for the UK's current account (excluding oil) to worsen when domestic demand growth in the UK is strong relative to that in other industrial economies. Normally, demand growth overseas is higher than in the UK. But, in the next 6 months, UK demand growth will exceed overseas demand growth by some 2 percentage points. Were that differential to continue, Britain's balance of payments would get into very deep trouble, and the pound with it.

Two things could cool things down at home. First, a progressive tax system may eventually mete out sufficient punishment in the form of sharply rising tax payments to damp down the growth in consumers' take home-pay and therefore consumers' spending. And while it is very early days, it is reasonable to assume that the Chancellor soft-pedals on tax cuts next year. We assume only a £1 1/4bn net tax reduction in the 1988 Budget.

It is not consumer spending, however, which is likely to bear the brunt of the required slowdown in demand. Consumption on our forecast remains a robust 2 1/2-3% in the second half of next year, and averages 3 1/2% in the year as a whole. It is investment which is likely to take the hit.

The reason is the prospective squeeze on company profits especially, but not exclusively, in the manufacturing sector. Caught between the Chancellor's firm sterling strategy, which puts a cap on selling prices, and an acceleration in material and other costs, manufacturers' profits grow by only 5-7% over the next twelve months on our numbers. This follows 20% in the first half of 1987. And although industry has shown a marked reluctance to invest during the 1980s while profits were rising, our suspicion is that it will not hesitate long in cutting investment when profits slow.

Overall, we project a slowdown in UK domestic demand to around 2% by the end of next year. This is more comfortably in line with other industrial countries and limits the damage on the balance of payments to a deficit of £2 1/2bn next year. Our central view, then, is for a comparatively painless transition from excessive post-election growth to lower, more sustainable GDP growth (2 3/4%, non-oil) in 1988.

But there is little doubt where the risks lie. There is just a whiff now of an old fashioned balance-of-payments-driven sterling crisis around the next corner. To keep inflation below 5% next year, we would expect the Chancellor to raise base rates if sterling threatened to fall below around 70 on its index. In our judgement base rates significantly above 10% would probably not last long. But the main victims would be industry and the investment plans which the economy sorely needs to boost capacity and its productive potential.

To:

SECRETARY OF STATE

(Circulation list attached)

From:

PETER RICHARDSON
S2C
Room 3/3
20 Victoria Street
215 3351



4 September 1987

CREDIT BUSINESS IN JULY

A Press Notice giving details of credit business in July is attached for information. The Press Notice will be issued at 11.30 am on Monday 7 September. The contents should be treated as confidential until then.

P H RICHARDSON

DTI Press Notice

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

Department of Trade and Industry
1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475
Out of hours: 01-215 7877

Number 87/506

7 September 1987

CREDIT BUSINESS IN JULY

During July the **change in amounts outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards was £0.2 billion (see Table 1). This compared to an increase in June of £0.3 billion.**

The increase in the latest three months, May to July, was £0.9 billion, below the corresponding figure of £1.1 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.5 billion in the most recent period compared to £0.7 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

New credit advanced to consumers in July by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £2.9 billion, compared to a total of £3.0 billion in June (see Table 3). The total for the three months May to July was 4 per cent higher than that for the previous three months.

In July there was a **change in amounts outstanding on agreements with businesses** by finance houses, other specialist credit grantors and building societies of £0.1 billion (see Table 1). The total change in the latest three months was £0.5 billion compared to a change of £0.1 billion in the preceding three months. During the three months May to July, the change on agreements with businesses was similar to that on consumer agreements by finance houses, other specialist credit grantors and building societies. In contrast, in the previous three months the change in amounts outstanding on agreements with businesses was much less than for consumer agreements.

NOTES TO EDITORS

1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.

3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit. A pie chart showing the make-up of total consumer credit is included after Table 3.

4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance houses to businesses are excluded.

5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

6 Further definitions are given at the foot of the tables accompanying this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£17.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.20 each from:

The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million						
	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES	
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,063	2,231	4,681	12,151	5,728	24,791
1987 JUL	21,276	2,411	5,292	13,573	6,255	27,531
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,437	94	891	1,452	596	3,033
1986 1st Qtr	855	39	221	595	214	1,069
2nd Qtr	346	3	213	130	34	380
3rd Qtr	792	107	356	329	193	985
4th Qtr	444	-55	101	398	155	599
1987 1st Qtr	952	67	248	637	5	957
2nd Qtr	1,033R	56	260	717R	373	1,406R
1986 JUL	183	28	80	75	73	256
AUG	217	34	82	101	48	265
SEP	392	45	194	153	72	464
OCT	194	-81	86	107	127	321
NOV	-15	12	-113	86	-23	-38
DEC	265	14	128	123	51	316
1987 JAN	257	8	15	234	-17	240
FEB	296	27	97	172	24	320
MAR	399	32	136	231	-2	397
APR	410	20	113	277	66	476
MAY	294	20	19	255	141	435
JUN	329R	16	128	185R	166	495R
JUL	228	57	103	68	149	377
1987 FEB-APR	1,105	79	346	680	88	1,193
MAY-JUL	851	93	250	508	456	1,307

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	£ Million		
	1983	1984	1985
Retailers	132	116	195
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)

£ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNT OUTSTANDING AT END OF PERIOD						
1986	31,095	2,231	4,681	11,228	804	12,151
1987 1st Qtr	32,267	2,298	4,929	11,440	812	12,788
2nd Qtr	33,765R	2,354	5,189	11,895	822E	13,505R
CHANGES IN AMOUNTS OUTSTANDING						
1986	2,496	94	891		59	1,452
1986 1st Qtr	858	39	221		3	595
2nd Qtr	360	3	213		14	130
3rd Qtr	806	107	356		14	329
4th Qtr	472	-55	101		28	398

1987 1st Qtr	1,172	67	248	212	8	637
2nd Qtr	1,498R	56	260	455	10E	717R

---- indicates a break in the series

R = revised
E = estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

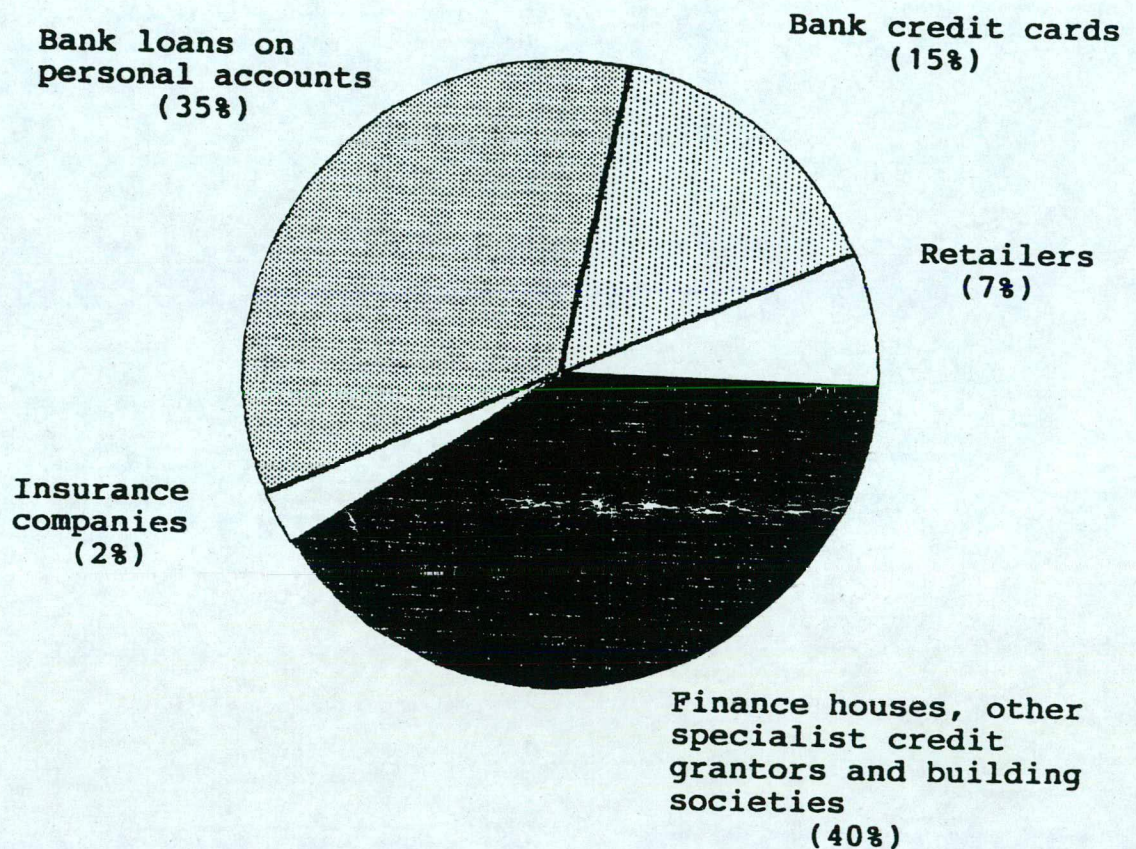
£ Million						
	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,026	4,834	12,916	10,276	3,489	31,515
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223
4th Qtr	7,253	1,230	3,480	2,543	925	8,178
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881
2nd Qtr	8,440R	1,272	3,997	3,171R	1,029	9,469R
1986 JUL	2,411	415	1,107	889	274	2,685
AUG	2,383	421	1,068	894	285	2,668
SEP	2,555	431	1,220	904	315	2,870
OCT	2,437	413	1,152	872	322	2,759
NOV	2,360	420	1,129	811	275	2,635
DEC	2,456	397	1,199	860	328	2,784
1987 JAN	2,417	411	1,177	829	278	2,695
FEB	2,618	415	1,276	927	331	2,947
MAR	2,883	415	1,421	1,047	354	3,237
APR	2,766	416	1,289	1,061	314	3,080
MAY	2,697	414	1,268	1,015	335	3,032
JUN	2,977R	442	1,440	1,095R	380	3,357R
JUL	2,945	450	1,410	1,085	359	3,304
1987 FEB-APR	8,267	1,246	3,986	3,035	999	9,266
MAY-JUL	8,619	1,306	4,118	3,195	1,074	9,693
Percentage increase over previous quarter	4	5	3	5	8	5

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in tables 1 and 2.

AMOUNT OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS
AT END OF JUNE 1987



NOTES: Percentages may not add up to 100% due to rounding.

This chart is based on seasonally adjusted data for consumer credit agreements shown in table 2.

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20

FROM: CATHY RYDING
DATE: 7 September 1987

MR BOTTRILL

cc: Sir P Middleton
Sir G Littler
Mr Cassell
Mr Peretz
Mr Sedgwick
Mr S Pickford
Mr S Segal
Mr C W Kelly
Mr D Owen
Mr Barrell
Mr P Davis

PINK BOOK 1987

The Chancellor was grateful for your minute of 4 September. He looks forward to some fruitful outcome from the review with the CSO this autumn.

CR

CATHY RYDING

MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 28 September 1987

Published provisional figures for the second quarter of 1987 suggest that the average level of GDP was some 3½ to 4 per cent higher than in the same quarter a year earlier. Current indications are that GDP for the third quarter of 1987 will be 1 per cent higher than in the second quarter. Our assessment of the current underlying trend in GDP remains in the range 2½-4½ per cent per annum, and probably in the top half of this range.

In the three months to July, manufacturing output was at a similar level to the peak in the first half of 1979 and was 6 per cent higher than in the three months to July 1986. Unit wage costs in manufacturing were roughly 1 per cent higher than a year earlier.

Seasonally adjusted adult unemployment fell again, by 43,000, between July and August, maintaining the sharp downward trend which appears to have stabilised at around 40,000 per month. The series has now fallen for 14 months running, by 380,000 since the peak in June 1986. Revised tests of availability, and probably also Restart, continue to have a major influence; but it now appears that at least half of the current trend decline may be attributed to the strength of the economy.

The PSBR in August is estimated to have been £0.8 billion, bringing the cumulative total for the first five months of 1987/88 to £1.4 billion, compared with £3.6 billion in the same period last year. After excluding privatisation proceeds, the cumulative total was £4.8 billion, similar to the £4.7 billion in the same period last year.

In August exports were 3½ per cent lower than in July while imports were 5 per cent higher. Visible trade showed a deficit of £1.5 billion in August compared with a deficit of £0.9 billion in July. The underlying level of non-oil export volume continues to remain close to the high level reached at the end of last year. The underlying level of non-oil import volume has been increasing in recent months, and is above that reached at the end of last year. The estimated current account deficit for the first eight months of this year is £0.7 billion.

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**RECENT RATES OF CHANGE AND ASSESSMENT OF CURRENT
TREND FOR SOME KEY ECONOMIC INDICATORS**

In the following notes, the figures for current trend represent our best assessment of the current underlying rate of increase after making allowance for temporary distorting factors such as strikes, unseasonal weather effects, etc. The figures show how the series are moving currently and may be different from the comparisons over the latest published twelve months.

GDP (average measure) in the second quarter of 1987 was $3\frac{1}{2}$ per cent higher than in the same period a year ago. This figure does not take account of past experience which shows that revisions to growth rates for the initial published estimates of GDP were on average, upwards, though not uniformly so. The assessment of current underlying trend for the third quarter of 1987 is that the rate of increase lies in the range $2\frac{1}{2}$ - $4\frac{1}{2}$ per cent per annum.

Industrial production in the three months to July 1987 was $3\frac{1}{2}$ per cent higher than in the same period a year ago; manufacturing output was 6 per cent higher. The assessment of current underlying trend for industrial production is that the rate of change lies in the range 2-5 per cent per annum at present. The current underlying trend in manufacturing output is in the range $4\frac{1}{2}$ - $6\frac{1}{2}$ per cent per annum.

Retail prices rose by just under $4\frac{1}{2}$ per cent in the twelve months to August 1987. It is only possible to provide a useful indicator of trend for about 70 per cent of the RPI, mainly that covering private sector prices and excluding eg mortgage interest, rent, rates, products produced by nationalised industries, seasonal food and petrol. The current trend for this series is around 4 per cent per annum. In the twelve months to August 1987 this series rose $3\frac{1}{2}$ per cent (not published).

Producer input prices increased by just over 1 per cent in seasonally adjusted terms in August. The rate of increase over the twelve months to August was 9 per cent, with appreciably stronger growth during the second six months. However, the index remained $6\frac{1}{2}$ per cent below its March 1985 peak and a fall of about 1 per cent is expected in September.

Average earnings (underlying) in the twelve months to July 1987 rose by $7\frac{3}{4}$ per cent. The current trend is estimated to be $7\frac{1}{2}$ -8 per cent per annum.

Unit wage costs in manufacturing in the three months to July rose by $1\frac{1}{2}$ per cent compared with the same period a year ago. The current underlying trend is estimated to be in the range $\frac{1}{2}$ - $2\frac{1}{2}$ per cent per annum.

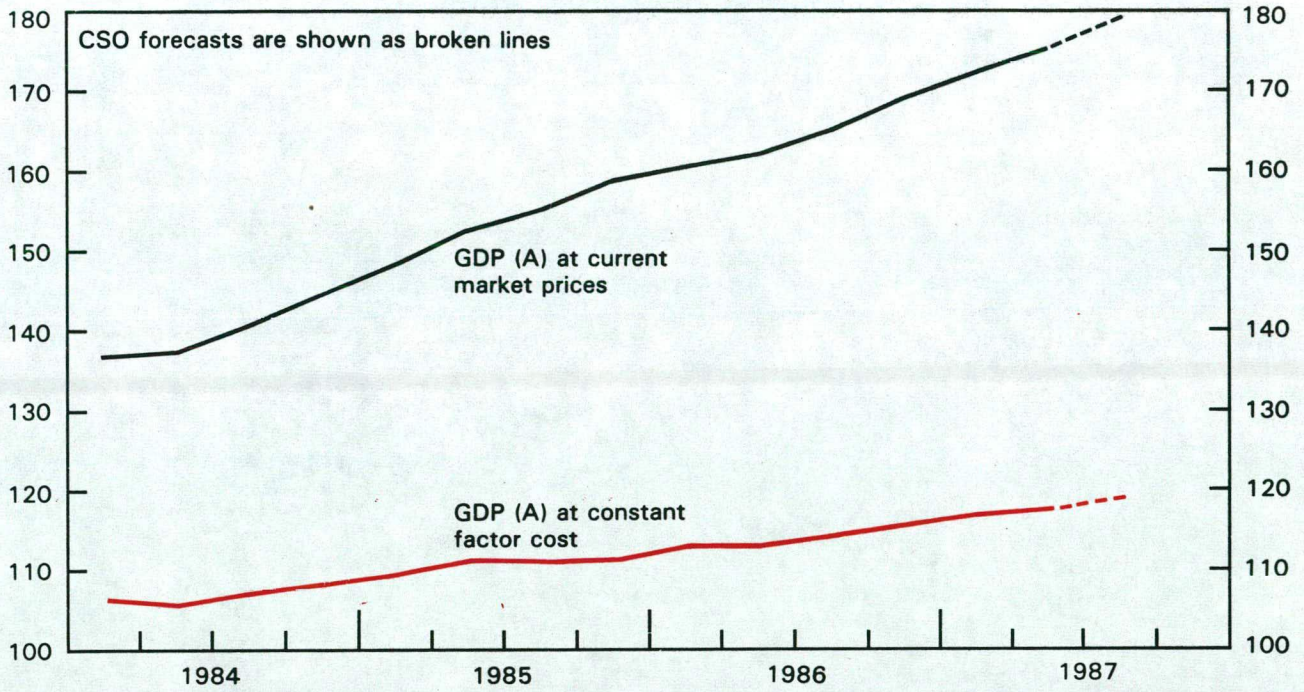
Unemployment (excluding school leavers) in the twelve months to August has fallen on average by over 31,000 per month. Over the past 6 months there has been an average fall of nearly 39,000 per month.

Movements over the latest published 12 months include any revisions that may have occurred since last publication (in general any such differences only occur in the GDP series).

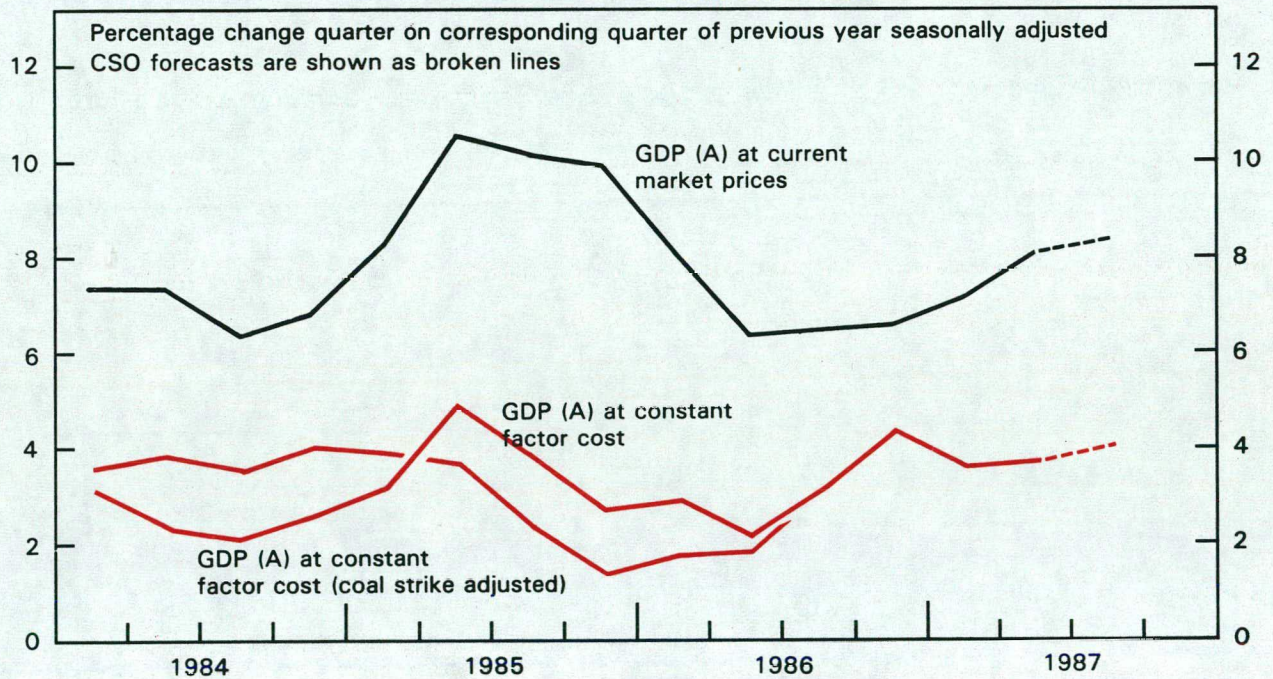
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Gross domestic product (average measure)

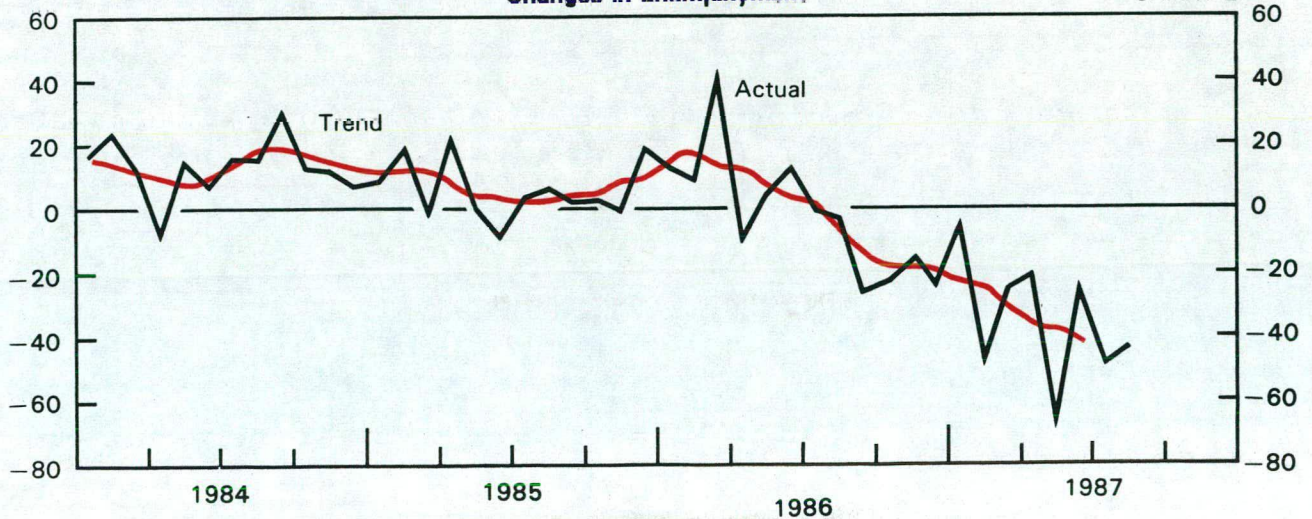
1980 = 100, seasonally adjusted



Gross domestic product (average measure)

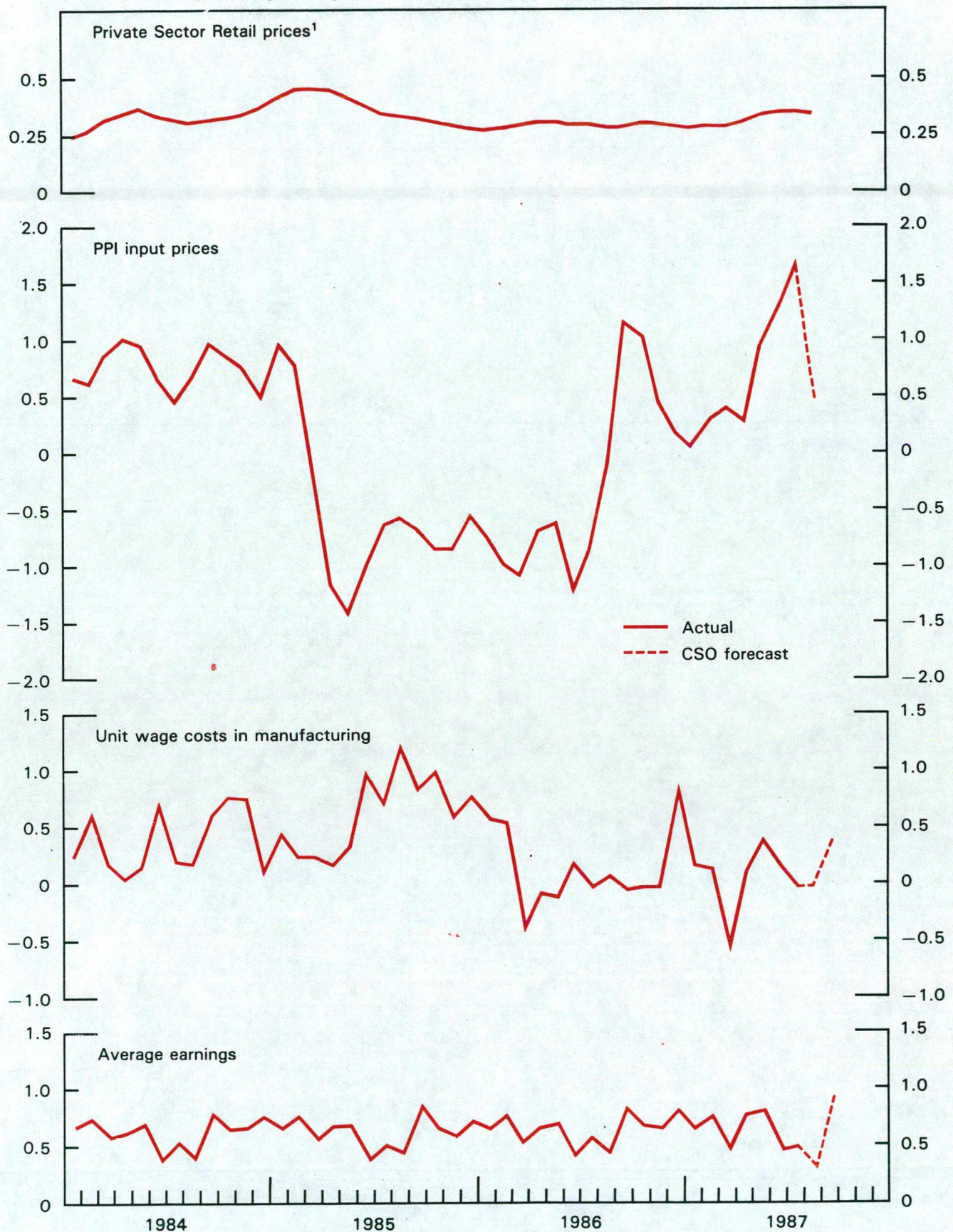


Changes in unemployment



**Rate of increase in average earnings, unit wage cost in manufacturing
PPI input prices and Private sector retail prices**

Month to month percentage changes, smoothed and adjusted for distorting factors where appropriate



1. Excludes seasonal food, mortgage interest, rent, rates and water charges motor vehicle licences, products produced by Nationalised industries and petrol.

CHART 4

Movements in underlying average earnings and the tax and price index comparisons with 12 months previously

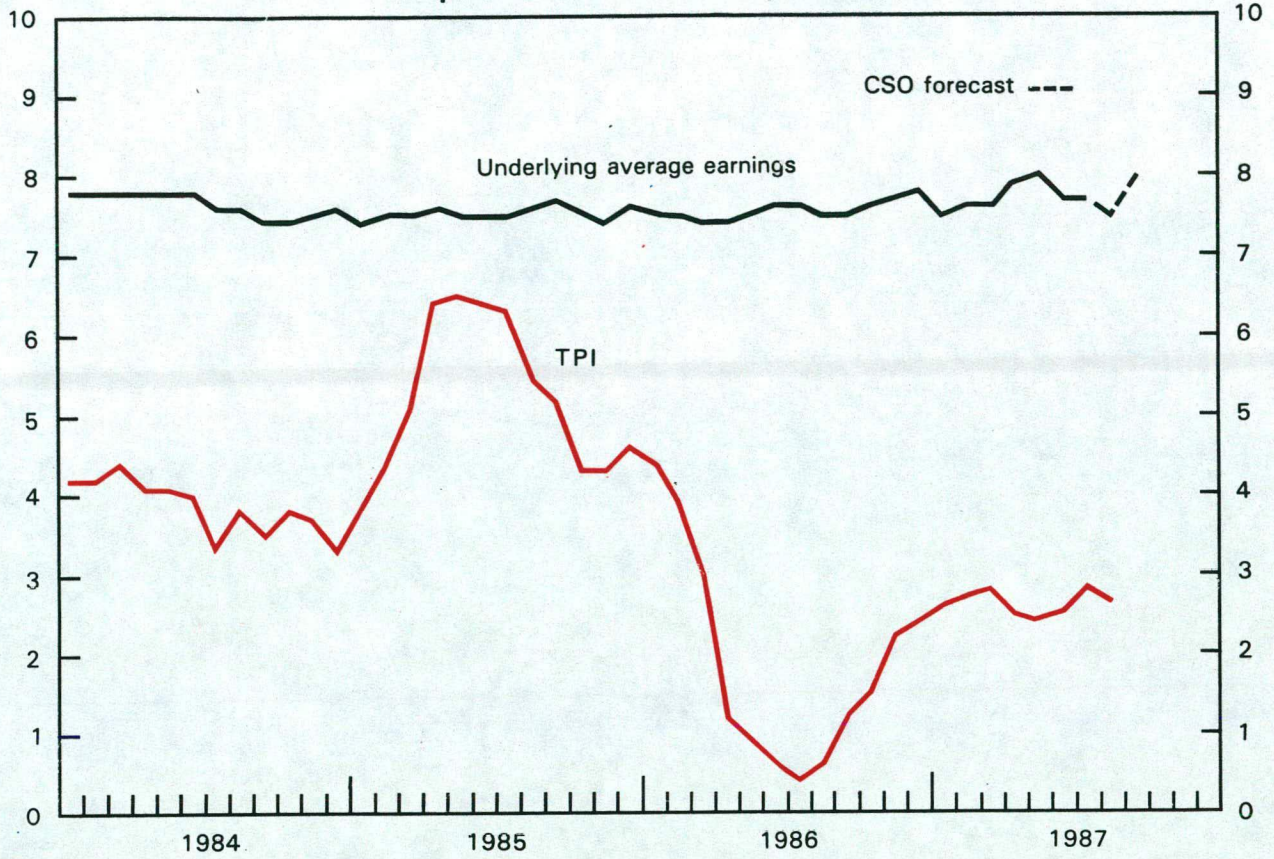
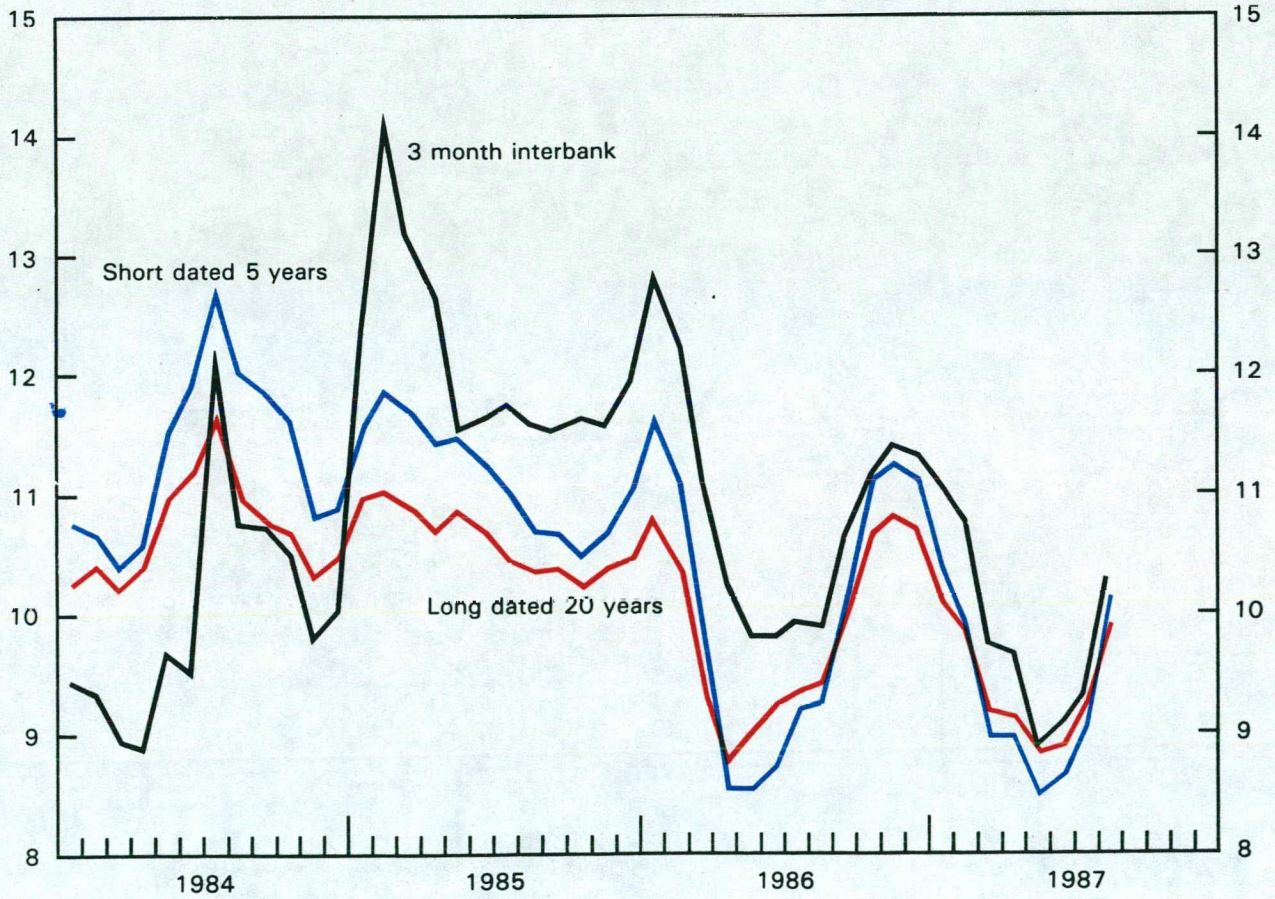


CHART 5

Interest rates



Monetary aggregates

Percentage change on previous 12 months (not seasonally adjusted)

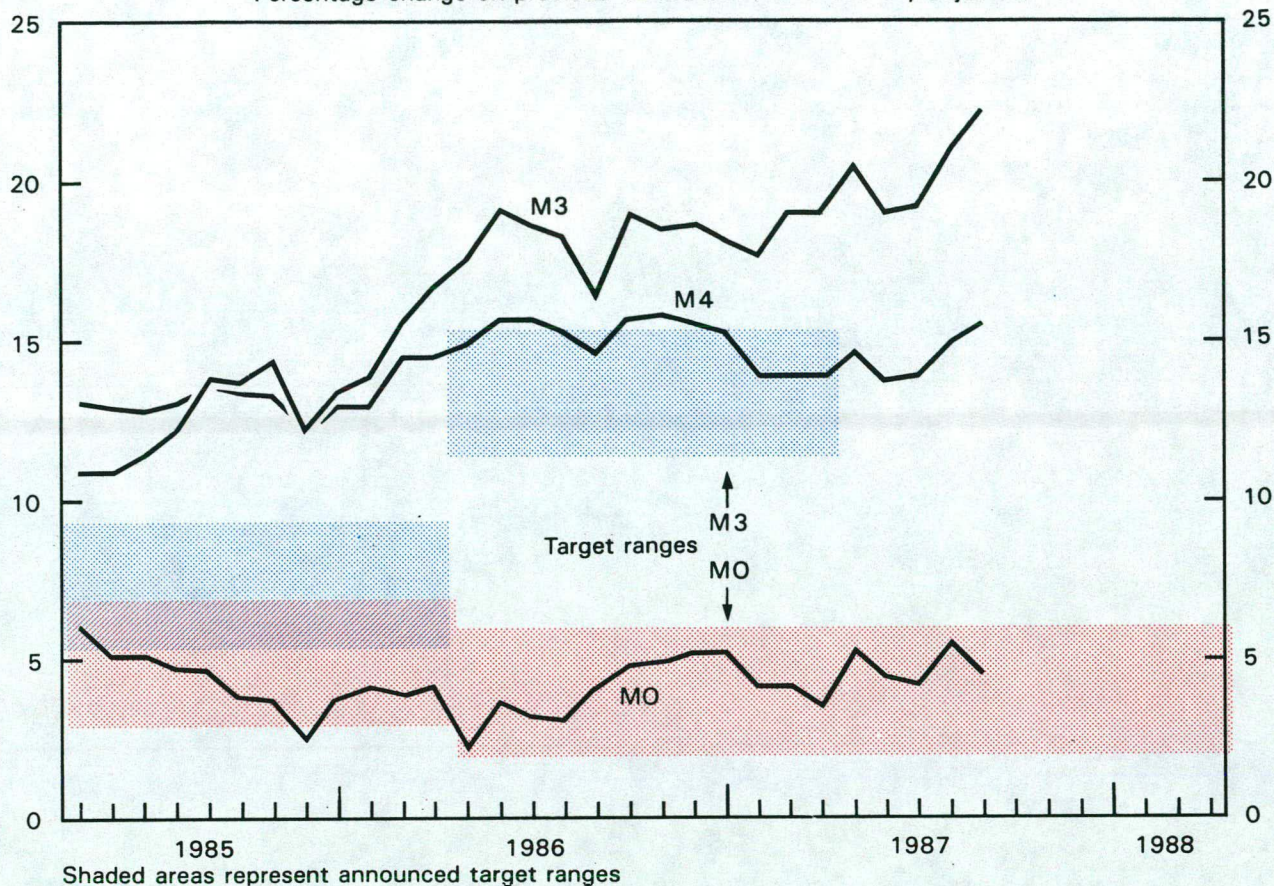
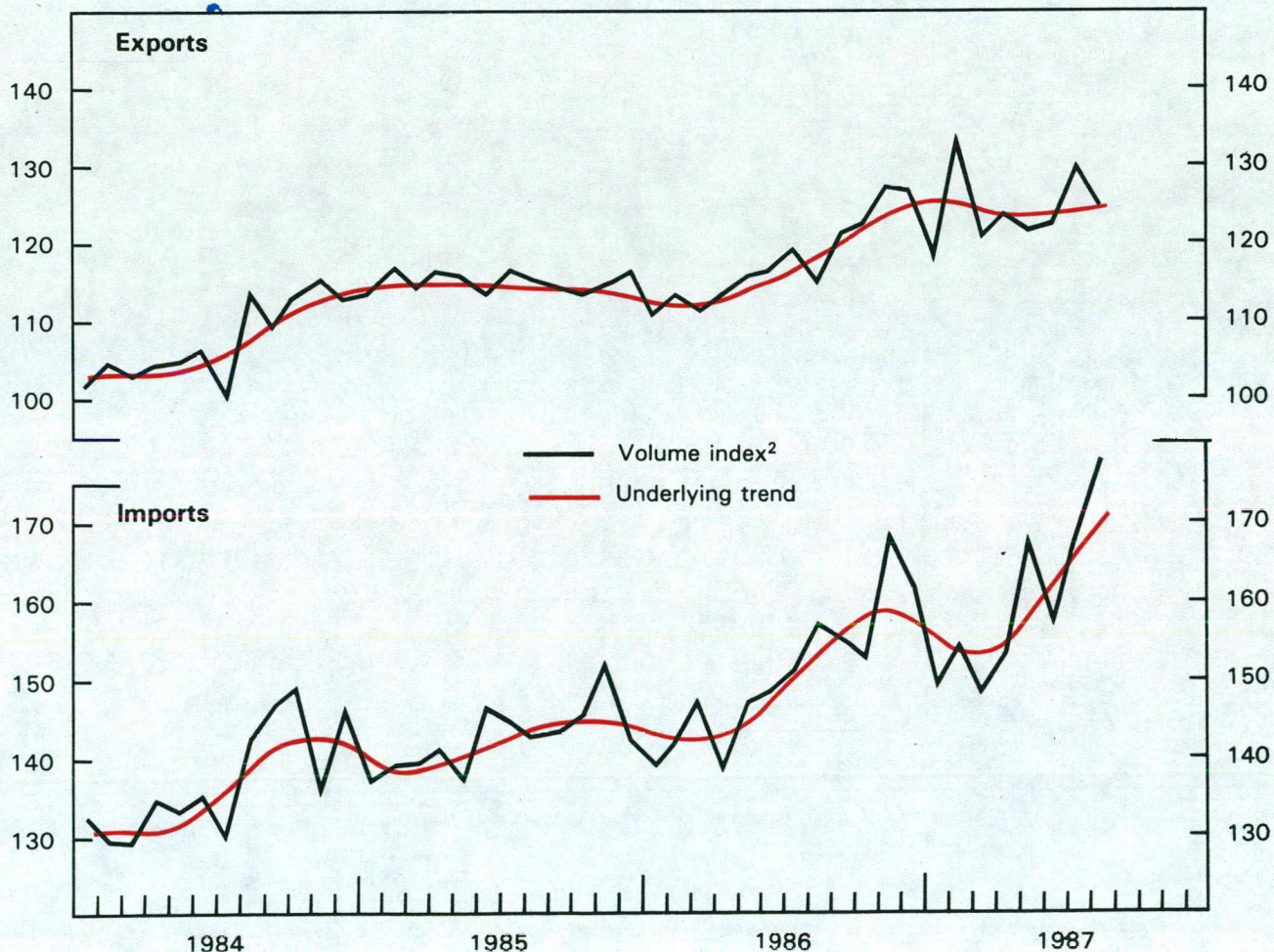


CHART 7

Exports and Imports (excluding oil and erratics¹)

Index 1980 = 100



1. Ships, North Sea Installations, Aircraft, Precious Stones and Silver
 2. Seasonally adjusted data, Balance of Payments basis



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CSO(87)90

28 September 1987

PERSONAL INCOME AND EXPENDITURE
IN THE SECOND QUARTER OF 1987

Real personal disposable income (RPDI) increased by under $\frac{1}{2}$ per cent between the first and second quarters of 1987 to reach a level which was $3\frac{1}{2}$ per cent higher than the second quarter of 1986. (Percentage changes in the components of personal income are shown in the table on page 2.)

Total personal income, before deductions, rose by around $\frac{1}{2}$ per cent between the first and second quarters of 1987 to reach a level of 6 per cent higher than the second quarter of 1986. Within the total, wages and salaries rose by $2\frac{1}{2}$ per cent between the latest quarters and by $8\frac{1}{2}$ per cent in the year to the latest quarter.

Personal disposable income increased by $\frac{1}{2}$ per cent between the first and second quarters of 1987. Prices, as measured by the consumers' expenditure deflator, rose marginally in the same period and, as a result, RPDI increased by under $\frac{1}{2}$ per cent.

Between the first and second quarters of 1987 consumers' expenditure at current prices rose by more than personal disposable income and the saving ratio fell to around $8\frac{1}{2}$ per cent.



CHANGES IN PERSONAL INCOME

Seasonally adjusted

	Percentage change				
	Over previous quarter				Over same quarter in previous year
	Q3	1986 Q4	1987 Q1	Q2	1987 Q2
Total personal income	1½	2	2	½	6
of which: Wages, salaries and forces' pay	2	2½	1½	2½	8½
Employers' contributions	0	1	0	1	2½
Current grants from general government	1½	1	1½	-½	3½
Other income	1½	3	3½	-5	3
UK taxes on income	1	5	½	-½	5½
Social security contributions	1½	2½	1	3	8
Total personal disposable income	1½	1½	2	½	6
Consumers' expenditure implied deflator	1	1	½	0	2½
Real personal disposable income	1	1	1½	½	3½

NOTES TO EDITORS

While figures contained in this press notice are the best estimates currently available, they are subject to revision. In particular the early estimates of RPDI have on occasion been revised by one per cent or more in either direction as more firmly based information has become available.

As usual, the commentary in this press notice is based entirely on seasonally adjusted data, as shown in the attached table. An obelus indicates that the data are new or have been revised. The period so marked is the earliest in the column to have been revised. If the obelus appears against the first figure in the column, this implies that earlier data may have been revised. Figures for these earlier periods can be obtained via the CSO Databank. The Databank is a collection of macro-economic time-series sold to the public in computer-readable form. Details of the service offered and the schedule of charges may be obtained from the Databank Manager, CSO Branch 9, Room 52A/4, Government Offices, Great George Street, London SW1P 3AQ (Telephone: 01-270 6386 or 6387). CSO does not offer direct on-line access for these data, but a list of host bureaux offering such a facility is available on request from CSO.

Detailed estimates of consumers' expenditure at current and constant prices were released on 21 September 1987 in the CSO press notice "Gross domestic product in the second quarter 1987".

PERSONAL INCOME, EXPENDITURE AND SAVING(1)

Seasonally adjusted

£ MILLION

	Personal income before tax					Deductions from personal income							Total personal disposable income(2)	Consumers' expenditure	Balance: personal saving	Saving ratio(3)	Consumers' expenditure implied deflator (1980=100)	Real personal disposable income: at 1980 prices(4)	Index of real personal disposable income (1980=100)			
	Total	Wages, salaries and forces' pay	Employers' contributions	Current grants from general government	Other personal income	UK taxes on income (payments)	Social security contributions	Other current transfers	AIJQ	AIJB	AIIR	AIIS								AIIT	AIJU	AIIV	AIJC	AIJW	AIJX	AAUU	AIJZ	CAOX	CFAH	CFAF
1981	222 356†	127 805†	21 720†	31 243†	41 588†	28 969†	15 916	1 339†	176 132†	153 027†	23 105†	13.1†	111.4	158 110†	98.6†							
1982	241 904	136 188	22 380	36 585	46 751	31 396	18 095	1 475	190 938	167 599	23 339	12.2	121.1†	157 726	98.4							
1983	260 579	145 433	24 125	39 753	51 268	33 232	20 787†	1 464	205 096	183 068	22 028	10.7	127.2	161 301	100.6							
1984	279 276	155 052	25 001	42 981	56 242	34 681	22 301	1 583	220 711	195 912	24 799	11.2	133.2	165 671	103.4							
1985	301 847	168 348	26 086	46 651	60 762	37 520	24 200	1 709	238 418	213 720	24 698	10.4	140.1	170 124	106.1							
1986	326 710	182 579	26 866	50 543	66 722	41 227	26 067	1 904	257 512	234 167	23 345	9.1	145.2	177 355	110.6							
1984	1	67 991†	37 778†	6 199†	10 402†	13 612†	8 466†	5 409†	394†	53 722†	47 641†	6 081†	11.3†	131.0	41 020†	102.4†						
	2	69 071	38 236	6 217	10 655	13 963	8 599	5 536	392	54 544	48 864	5 680	10.4	132.5†	41 168	102.7						
	3	69 994	38 871	6 231	10 838	14 054	8 673	5 593	400	55 328	49 001	6 327	11.4	133.8	41 359	103.2						
	4	72 220	40 167	6 354	11 086	14 613	8 943	5 763	397	57 117	50 406	6 711	11.7	135.6	42 124	105.1						
1985	1	73 135	40 807	6 390	11 215	14 723	9 081	5 818	432	57 804	51 791	6 013	10.4	137.8	41 945	104.7						
	2	74 719	41 661	6 520	11 528	15 010	9 048	6 062	427	59 182	52 471	6 711	11.3	139.4	42 468	106.0						
	3	76 189	42 589	6 585	11 864	15 151	9 680	6 167	425	59 917	54 163	5 754	9.6	140.7	42 581	106.3						
	4	77 804	43 291	6 591	12 044	15 878	9 711	6 153	425	61 515	55 295	6 220	10.1	142.6	43 130	107.6						
1986	1	79 399	44 188	6 619	12 206	16 386	9 953	6 211	485	62 750	56 862	5 888	9.4	144.0	43 585	108.8						
	2	81 021	45 223	6 713	12 614	16 471	10 201	6 496	467	63 857	57 963	5 894	9.2	144.4	44 230	110.4						
	3	82 247	46 028	6 728	12 801	16 690	10 280	6 592	475	64 900	59 285	5 615	8.7	145.6	44 564	111.2						
	4	84 043	47 140	6 806	12 922	17 175	10 793	6 768	477	66 005	60 057	5 948	9.0	146.8	44 976	112.2						
1987	1	85 633	47 895	6 822	13 110	17 806	10 835	6 829	526	67 443	60 746	6 697	9.9	147.7	45 662	113.9						
	2	85 996	49 121	6 887	13 036	16 952	10 768	7 020	509	67 699	61 868	5 831	8.6	147.9	45 777	114.2						
Percentage change, latest quarter on previous quarter (5)																						
1987	2	0.4	2.6	1.0	-0.6	-4.8	-0.6	2.8	-3.2	0.4	1.8			0.1	0.3	0.3						
Percentage change, latest quarter on corresponding quarter in previous year (5)																						
1987	2	6.1	8.6	2.6	3.3	2.9	5.6	8.1	9.0	6.0	6.7			2.4	3.5	3.5						

(1) An obelus in the table indicates that the data are new or have been revised. The period marked is the earliest in the table to have been revised.

(2) Equals total personal income before tax LESS taxes on income, social security contributions and other current transfers.

(3) Personal saving as a percentage of total personal disposable income.

(4) Personal disposable income revalued by the implied consumers' expenditure deflator (1980 = 100).

(5) These estimates are given to one decimal place but they cannot be regarded as any more accurate than the rounded figures given in the text.

pwp

Reference.....

To:

SECRETARY OF STATE

(Circulation list attached)

From:

JILL MARSON
S2C
Room 5/1
20 Victoria Street
215 3009
2 October 1987

CREDIT BUSINESS IN AUGUST

A Press Notice giving details of credit business in August is attached for information. The Press Notice will be issued at 11.30 am on Monday, 5 October. The contents should be treated as confidential until then.

Jill Marson

J K MARSON

DTI Press Notice

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 87/581

5 October 1987

CREDIT BUSINESS IN AUGUST

During August the change in amounts outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards was £0.2 billion (see Table 1), a similar increase to that recorded in July.

The increase in the latest three months, June to August, was £0.8 billion, below the corresponding figure of £1.1 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.5 billion in the most recent period compared with £0.8 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

New credit advanced to consumers in August by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.0 billion, compared with a total of £2.9 billion in July (see Table 3). The total for the three months June to August was 7 per cent higher than that for the previous three months.

In August there was a change in amounts outstanding on agreements with businesses by finance houses, other specialist credit grantors and building societies of £0.1 billion (see Table 1). The total change in the latest three months was £0.4 billion compared with a change of £0.2 billion in the preceding three months.

NOTES TO EDITORS

1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.

3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.

4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance houses to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on bank credit cards and by mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.

5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

6 Further definitions are given at the foot of the tables accompanying this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£17.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.20 each from:

The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS	BUSINESSES	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,063	2,231	4,681	12,151	5,728	24,791
1987 JUL	21,294R	2,406R	5,292	13,596R	6,255	27,549R
AUG	21,509	2,431	5,212	13,866	6,357	27,866
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,437	94	891	1,452	596	3,033
1986 1st Qtr	855	39	221	595	214	1,069
2nd Qtr	346	3	213	130	34	380
3rd Qtr	792	107	356	329	193	985
4th Qtr	444	-55	101	398	155	599
1987 1st Qtr	952	67	248	637	5	957
2nd Qtr	1,038R	56	260	722R	373	1,411R
1986 AUG	217	34	82	101	48	265
SEP	392	45	194	153	72	464
OCT	194	-81	86	189	127	321
NOV	-15	12	-113	86	-23	-38
DEC	265	14	128	123	51	316
1987 JAN	257	8	15	234	-17	240
FEB	296	27	97	172	24	320
MAR	399	32	136	231	-2	397
APR	410	20	113	277	66	476
MAY	294	20	19	255	141	435
JUN	334R	16	128	190R	166	500R
JUL	241R	52R	103	86R	149	390R
AUG	215	25	-80	270	102	317
1987 MAR-MAY	1,103	72	268	763	205	1,308
JUN-AUG	790	93	151	546	417	1,207

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	£ Million		
	1983	1984	1985
Retailers	132	116	195
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)

£ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNT OUTSTANDING AT END OF PERIOD						
1986	31,095	2,231	4,681	11,228	804	12,151
1987 1st Qtr	32,267	2,298	4,929	11,440	812	12,788
2nd Qtr	33,730R	2,354	5,189	11,895	782R	13,510R
CHANGES IN AMOUNTS OUTSTANDING						
1986	2,496	94	891		59	1,452
1986 1st Qtr	858	39	221		3	595
2nd Qtr	360	3	213		14	130
3rd Qtr	806	107	356		14	329
4th Qtr	472	-55	101		28	398
1987 1st Qtr	1,172	67	248	212	8	637
2nd Qtr	1,463R	56	260	455	-30R	722R

— indicates a break in the series

R = revised
E = estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND
BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

							£ Million
AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS		
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH			
				CONSUMERS	BUSINESSES (b)		
1986	28,026	4,834	12,916	10,276	3,489	31,515	
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375	
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739	
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223	
4th Qtr	7,253	1,230	3,480	2,543	925	8,178	
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881	
2nd Qtr	8,440	1,272	3,997	3,171	1,029	9,469	
1986 AUG	2,383	421	1,068	894	285	2,668	
SEP	2,555	431	1,220	904	315	2,870	
OCT	2,437	413	1,152	872	322	2,759	
NOV	2,360	420	1,129	811	275	2,635	
DEC	2,456	397	1,199	860	328	2,784	
1987 JAN	2,417	411	1,177	829	278	2,695	
FEB	2,618	415	1,276	927	331	2,949	
MAR	2,883	415	1,421	1,047	354	3,237	
APR	2,766	416	1,289	1,061	314	3,080	
MAY	2,697	414	1,268	1,015	335	3,032	
JUN	2,977	442	1,440	1,095	380	3,357	
JUL	2,944R	447R	1,410	1,087R	359	3,303R	
AUG	3,002	457	1,384	1,161	354	3,356	
1987 MAR-MAY	8,346	1,245	3,978	3,123	1,003	9,349	
JUN-AUG	8,923	1,346	4,234	3,343	1,093	10,016	
Percentage increase over previous three months	7	8	6	7	9	7	

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in tables 1 and 2.

CIRCULATION LIST

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Banking statistics

October 1987

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

Calendar month (unadjusted)	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-)		
				British government stocks	Other									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1986 Oct. [d]	- 158	+ 3	- 29	- 1,147	- 80	- 240	- 191	+ 3,315	+ 689	- 484	+ 786	- 289	- 897	+ 1,278
Nov.	+ 496	- 510	+ 422	- 628	- 321	- 254	- 20	+ 3,253	- 803	+ 255	+ 20	+ 656	- 341	+ 2,225
Dec. [e]	- 1,406	- 65	- 56	+ 135	- 19	- 231	+ 68	+ 3,973	- 719	- 200	+ 560	- 2,072	+ 279	+ 247
1987 Jan.	- 3,280	- 410	+ 33	+ 511	+ 351	+ 166	+ 258	+ 1,435	- 1,004	- 455	- 23	+ 963	+ 235	- 1,220
Feb.	+ 179	- 576	+ 174	+ 460	- 209	- 237	+ 156	+ 2,606	+ 845	- 550	- 206	+ 100	+ 188	+ 2,930
Mar.	+ 4,341	- 1,062	+ 155	+ 745	- 282	- 719	+ 1,162	+ 3,374	+ 1,395	- 742	- 494	+ 807	- 1,883	+ 6,797
Apr.	+ 2,459	- 559	+ 384	- 165	- 61	- 625	+ 1,764	+ 1,130	- 724	+ 194	- 18	- 559	- 37	+ 3,183
May	+ 1,623	- 1,870	+ 601	- 814	- 452	- 12	+ 2,871	+ 2,288	- 987	- 765	- 31	+ 1,439	- 646	+ 3,245
June	- 38	- 593	+ 206	- 165	- 596	- 1,014	- 576	+ 4,682	+ 946	+ 429	- 301	- 227	- 869	+ 1,884
July	- 295	- 123	+ 251	+ 638	- 122	- 1,209	+ 397	+ 4,643	- 492	- 490	+ 594	- 1,132	+ 1,552	+ 4,212
Aug.	+ 845	- 131	+ 411	+ 281	- 238	- 533	- 331	+ 1,154	+ 954	- 195	- 521	+ 532	+ 59	+ 2,287
Sept.	- 198	+ 323	- 112	+ 240	- 86	- 567	+ 193	+ 5,520	+ 116	- 225	- 54	- 1,139	- 2,435	+ 1,576
Oct.	- 652	- 332	- 45	+ 109	- 52	- 980	+ 3,766	+ 2,935	- 1,276	- 713	+ 107	+ 2,510	+ 103	+ 5,480

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

Calendar quarter (unadjusted)	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 [f]	Bank bills	M5 (columns 25-28)
		Other public sector debt	Central government debt						Banks	Building societies				
			British government stocks	Other										
	15=1+2	16	17	18	19=6+7	20	21	22	23	24	25	26	27	28
1986 Q2	+ 2,263	+ 1,281	- 1,406	- 810	- 393	+ 5,296	+ 5,083	+ 1,134	- 1,661	- 926	+ 9,861	- 1,095	+ 382	+ 10,083
Q3	+ 3,573	- 41	- 1,646	- 902	- 994	+ 5,211	+ 5,592	- 1,040	- 574	- 1,913	+ 7,266	- 2,245	+ 244	+ 7,854
Q4	- 1,640	+ 161	- 1,732	- 409	- 868	+ 10,228	+ 4,667	- 1,799	- 959	- 679	+ 6,970	- 2,122	- 54	+ 6,774
1987 Jan.	- 3,690	- 472	- 256	+ 81	+ 424	+ 1,390	+ 1,304	- 591	+ 235	+ 1,256	- 319	- 1,194	+ 89	- 777
Feb.	- 397	+ 163	+ 100	- 397	- 81	+ 2,600	+ 980	- 100	+ 188	- 600	+ 2,456	+ 41	- 37	+ 2,594
Mar.	+ 3,279	+ 67	+ 377	- 359	+ 443	+ 3,084	+ 1,180	+ 817	- 1,883	- 354	+ 6,651	+ 153	+ 226	+ 6,945
Apr.	+ 1,900	+ 150	- 586	- 48	+ 1,139	+ 1,288	+ 1,590	- 1,167	- 37	- 694	+ 3,535	- 522	+ 47	+ 3,544
May	- 247	+ 315	- 729	- 415	+ 2,859	+ 2,268	+ 1,295	- 404	- 646	- 860	+ 3,436	- 472	+ 315	+ 4,108
June	- 631	- 19	+ 247	- 504	- 1,590	+ 5,015	+ 1,355	+ 755	- 869	+ 260	+ 4,019	- 5	- 167	+ 4,123
July	- 418	+ 137	+ 841	- 146	- 812	+ 4,525	+ 1,302	- 1,651	+ 1,552	- 41	+ 5,289	+ 834	+ 59	+ 5,350
Aug.	+ 714	+ 350	+ 418	- 156	- 864	+ 1,055	+ 1,269	+ 704	+ 59	- 797	+ 2,752	+ 423	+ 55	+ 2,618
Sept.	+ 125	- 9	+ 148	- 266	- 375	+ 5,488	+ 1,318	- 1,417	- 2,435	+ 311	+ 2,888	+ 205	- 235	+ 2,985
Oct.	- 984	- 111	- 622	+ 15	+ 2,786	+ 2,626	+ 1,510	+ 514	+ 103	- 682	+ 5,155	- 755	+ 170	+ 5,288

[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] The figures for October 1986 are heavily distorted by the large flow of funds associated with the oversubscription to the sale of shares in TSB Group p.l.c.

[e] 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 £¼ billion of bank deposits and CDs, and a similar amount of certain other liquid assets.

[f] Excluding those instruments included within M5.

C M1, M3 and M3c: amounts outstanding [a]

£ millions

Calendar month	Notes and coin in circulation with public <i>1</i>	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 [c] <i>6</i>	M3 (columns 5 + 6)		UK private sector deposits in other currencies [c]		M3c (columns 7 + 8)
		Non-interest-bearing [b] <i>2</i>	Unadjusted <i>3</i>	Seasonally adjusted <i>4</i>	Unadjusted <i>5</i>	Seasonally adjusted <i>5</i>	Unadjusted <i>7</i>	Seasonally adjusted <i>8</i>	Unadjusted <i>8</i>		Seasonally adjusted <i>9</i>	Unadjusted <i>9</i>			
1986 Sept. [d]	12,465	29,687	42,152	41,774	31,669	73,821	73,453	73,177	146,998	146,287	27,147	174,145			
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. [d]	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. [d]	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	38,786	80,442	79,745	82,836	163,278	163,060	29,988	193,266			
May	13,418	29,405	42,823	41,777	40,585	83,408	82,440	83,114	166,522	165,361	29,282	195,804			
June [d]	13,024	31,271	44,295	43,546	41,216	85,511	84,769	82,896	168,407	167,654	28,792	197,199			
July	13,742	30,649	44,391	43,664	42,113	86,504	85,819	86,124	172,628	171,268	30,592	203,220			
Aug.	13,760	30,552	44,312	43,355	43,355	87,667	87,275	87,248	174,915	173,663	30,615	205,530			
Sept. [d]	13,206	31,502	44,708	44,144	44,467	89,175	88,621	87,249	176,424	175,987	30,331	206,755			
Oct.	13,729	31,171	44,900	45,626	46,956	91,856	92,683	90,048	181,904	182,141	30,966	212,870			

D M1, M3 and M3c: changes [e]

£ millions: percentages in italics

Calendar month (unadjusted)	Notes and coin in circulation with public <i>1</i>	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 [c] <i>6</i>	M3 (columns 5 + 6)		UK private sector deposits in other currencies [c]		M3c (columns 7 + 8)
		Non-interest-bearing [b] <i>2</i>	12-month change <i>3</i>	12-month change <i>4</i>	12-month change <i>5</i>	12-month change <i>7</i>	12-month change <i>8</i>	Trans-actions <i>8</i>	Valuation changes [f] <i>9</i>						
1986 Oct. [g]	+ 634	-2,663	-2,029	+ 12.0	+1,766	- 263	+ 23.8	+1,541	+1,278	+ 18.5	+ 558	+ 406	+ 2,242		
Nov.	+ 332	+ 594	+ 926	+ 10.0	+1,271	+2,197	+ 23.5	+ 28	+2,225	+ 18.6	+1,181	- 257	+ 3,149		
Dec. [g]	- 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	+4,364	+ 22.5	+2,433	+6,797	+ 19.0	+ 622	- 805	+ 6,614		
Apr.	+ 425	+ 50	+ 475	+ 11.9	+ 230	+ 705	+ 23.2	+2,478	+3,183	+ 20.4	+2,233	- 826	+ 4,590		
May	+ 259	+ 909	+1,168	+ 12.1	+1,799	+2,967	+ 23.7	+ 278	+3,245	+ 18.9	-1,065	+ 359	+ 2,539		
June	- 394	+1,865	+1,471	+ 13.5	+ 631	+2,102	+ 23.8	- 218	+1,884	+ 19.1	- 671	+ 180	+ 1,393		
July	+ 718	- 619	+ 99	+ 12.4	+ 885	+ 984	+ 22.5	+3,228	+4,212	+ 20.9	+1,615	+ 185	+ 6,012		
Aug.	+ 18	- 97	- 79	+ 12.4	+1,242	+1,163	+ 23.8	+1,124	+2,287	+ 22.1	+ 406	- 383	+ 2,310		
Sept.	- 554	+ 952	+ 398	+ 6.1	+1,126	+1,524	+ 20.3	+ 52	+1,576	+ 19.5	- 42	- 176	+ 1,358		
Oct.	+ 523	- 331	+ 192	+ 12.0	+2,489	+2,681	+ 24.4	+2,799	+5,480	+ 22.2	+1,713	-1,079	+ 6,114		
Calendar month (seasonally adjusted)				1-month change			1-month change			1-month change					
1986 Oct. [g]	..	..	-1,507	- 3.6	+1,804	+ 297	+ 0.4	+1,074	+1,371	+ 0.9	+ 558	+ 406	+ 2,335
Nov.	..	..	- 223	- 0.6	+1,297	+1,074	+ 1.5	+ 340	+1,414	+ 1.0	+1,181	- 237	+ 2,338
Dec. [g]	..	..	+ 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	+ 1.9	+ 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	+ 267	- 221	- 0.3	+3,666	+3,445	+ 2.2	+2,233	- 826	+ 4,852
May	..	..	+ 889	+ 2.2	+1,836	+2,275	+ 3.4	- 388	+2,337	+ 1.4	-1,065	+ 359	+ 1,631
June	..	..	+1,779	+ 4.3	+ 560	+2,339	+ 2.8	- 26	+2,313	+ 1.4	- 671	+ 180	+ 1,822
July	..	..	+ 116	+ 0.3	+ 920	+1,036	+ 1.2	+2,576	+3,612	+ 2.2	+1,615	+ 185	+ 5,412
Aug.	..	..	+ 160	+ 0.4	+1,285	+1,445	+ 1.7	+ 950	+2,395	+ 1.4	+ 406	- 383	+ 2,418
Sept.	..	..	+ 308	+ 0.7	+1,051	+1,359	+ 1.6	+1,034	+2,393	+ 1.4	- 42	- 176	+ 2,175
Oct.	..	..	+1,500	+ 3.4	+2,580	+4,080	+ 4.6	+2,109	+6,189	+ 3.5	+1,713	-1,079	+ 6,823

E M2: amounts outstanding and changes [e]

£ millions: percentages in italics

Calendar month	Non-interest-bearing M1		Other UK private sector sterling retail deposits with banks [h]		UK private sector retail shares and deposits with building societies [h]		National Savings Bank ordinary account		M2 (columns 1-4)					
	Amount outstanding <i>1</i>	Change in month <i>2</i>	Amount outstanding <i>2</i>	Change in month <i>3</i>	Amount outstanding <i>3</i>	Change in month <i>4</i>	Amount outstanding <i>4</i>	Change in month <i>5</i>	Unadjusted			Seasonally adjusted		
									Amount outstanding <i>5</i>	Change in month <i>6</i>	12-month change <i>7</i>	Amount outstanding <i>6</i>	Change in month <i>7</i>	1-month change <i>8</i>
1986 Oct. [g]	40,105	- 2,029	42,180	+ 1,163	81,983	+ 1,953	1,660	+ 2	165,928	+ 1,089	+ 15.1	166,542	+1,376	+ 0.8
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. [d][g]	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. [d]	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 [d]	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	44,391	+ 99	46,432	+ 476	87,148	+ 367	1,658	- 2	179,629	+ 940	+ 10.6	178,222	+ 811	+ 0.5
Aug.	44,312	- 79	46,606	+ 174	87,663	+ 515	1,656	- 2	180,237	+ 608	+ 10.8	179,822	+1,592	+ 0.9
Sept. [d]	44,708	+ 398	46,854	+ 248	88,909	+ 1,246	1,654	- 2	182,125	+ 1,890	+ 10.0	181,668	+1,844	+ 1.0
Oct.	44,900	+ 192	47,404	+ 550	88,674	- 235	1,652	- 2	182,630	+ 505	+ 9.6	183,266	+1,614	+ 0.9

[a] Up to September 1986, calendar month data are partly estimated (see the note 'Banking and monetary statistics: a change in reporting dates' in the December 1986 *Quarterly Bulletin* — page 519).

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

[c] Including certificates of deposit.

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

[e] 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*.)

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

[g] See footnotes [d] and [e] to Tables A and B on page 1.

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

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

£ 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)			
	Shares and deposits	Other [c]			Unadjusted	Seasonally adjusted			Unadjusted	Seasonally adjusted		
	1	2	3	4	5	6	7	8	9			
Amount outstanding												
1986 Sept.	146,998	112,542	1,939	8,124	253,355	253,548	5,014	9,503	267,872	267,923		
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	2,271	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.	163,278	120,715	2,176	11,883	274,286	274,388	4,072	10,039	288,397	288,219		
May	166,522	121,383	2,276	12,460	277,721	276,846	4,683	10,100	292,504	291,591		
June	168,407	122,767	1,996	11,707	281,463	280,536	4,713	10,174	296,350	295,535		
July	172,628	123,819	2,256	11,942	286,761	284,761	4,695	10,253	301,709	299,668		
Aug.	174,915	124,539	2,285	12,226	289,513	288,550	4,481	10,333	304,327	303,291		
Sept.	176,424	125,290	2,732	12,112	292,334	291,748	4,519	10,392	307,245	306,597		
Oct.	181,904	126,348	2,730	13,493	297,489	297,959	4,596	10,448	312,533	312,876		
Changes in calendar month												
1986 Oct.	+ 1,278	+ 2,177	+ 227	+ 966	+ 2,716	+ 15.8 + 3,070	+ 1.2	- 106	+ 81	+ 2,691	+ 15.1 + 3,010	+ 1.1
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.	+ 3,183	+ 955	+ 41	+ 644	+ 3,535	+ 14.5 + 4,047	+ 1.5	- 62	+ 71	+ 3,544	+ 14.0 + 3,740	+ 1.3
May	+ 3,245	+ 668	+ 100	+ 577	+ 3,436	+ 13.7 + 2,488	+ 0.9	+ 611	+ 61	+ 4,108	+ 13.4 + 3,402	+ 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	+ 4,212	+ 1,052	+ 260	+ 235	+ 5,289	+ 14.9 + 4,237	+ 1.5	- 18	+ 79	+ 5,350	+ 14.3 + 4,129	+ 1.4
Aug.	+ 2,287	+ 720	+ 29	+ 284	+ 2,752	+ 15.5 + 3,799	+ 1.3	- 214	+ 80	+ 2,618	+ 14.8 + 3,632	+ 1.2
Sept.	+ 1,576	+ 751	+ 447	- 114	+ 2,888	+ 14.9 + 3,270	+ 1.1	+ 38	+ 59	+ 2,985	+ 14.3 + 3,380	+ 1.1
Oct.	+ 5,480	+ 1,058	- 2	+ 1,381	+ 5,155	+ 15.7 + 6,227	+ 2.1	+ 77	+ 56	+ 5,288	+ 15.1 + 6,295	+ 2.1

[a] See footnotes (a) and (e) to Tables C, D and E on page 2.

[b] See footnotes (d) and (e) to Tables A and B on page 1.

[c] 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				
						Seasonally adjusted	Seasonally adjusted	Seasonally adjusted	
1986 Oct.	- 1,147	+ 10	+ 218	- 303	- 5	- 1,227	+ 3,445	..	..
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	+ 2,470	+ 3,384	+ 3,610
Apr.	- 165	+ 103	+ 57	- 224	+ 3	- 226	+ 2,202	+ 3,904	+ 3,951
May	- 814	- 91	- 184	- 179	+ 2	- 1,266	+ 2,502	+ 3,746	+ 4,061
June	- 165	- 244	- 117	- 242	+ 7	- 761	+ 3,979	+ 5,595	+ 5,428
July	+ 638	- 10	+ 88	- 193	- 7	+ 516	+ 4,530	+ 5,513	+ 5,572
Aug.	+ 281	- 23	+ 20	- 240	+ 5	+ 43	+ 2,653	+ 3,776	+ 3,831
Sept.	+ 240	+ 114	- 99	- 107	+ 6	+ 154	+ 4,330	+ 5,682	+ 5,447
Oct.	+ 109	+ 66	- 166	+ 42	+ 6	+ 57	+ 2,894	+ 4,033	+ 4,203

(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		Total	Liabilities								Non-deposit liabilities (net)		
			Total		Domestic deposits				Overseas sector deposits				
			Unadjusted	Seasonally adjusted	Public sector		Other currencies	Private sector		Sterling		Other currencies	
					Unadjusted	Seasonally adjusted		Sterling	Seasonally adjusted				
1986	Nov.	+ 11,605	+ 2,979	..	- 163	..	+ 68	+ 1,893	..	+ 1,181	- 468	+ 8,859	+ 235
	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.	+ 16,883	+ 8,709	..	+ 867	..	+ 38	+ 7,182	..	+ 622	+ 1,674	+ 4,523	+ 1,977
	1st qtr	+ 25,094	+ 11,313	..	+ 697	..	+ 55	+ 9,126	..	+ 1,435	+ 2,462	+ 9,209	+ 2,110
	Apr.	+ 6,517	+ 4,971	..	- 27	..	+ 7	+ 2,758	..	+ 2,233	+ 152	+ 1,663	- 269
	May	+ 17,474	+ 3,247	..	+ 1,344	..	+ 18	+ 2,986	..	- 1,065	+ 2,102	+ 11,938	+ 187
	June	+ 7,301	+ 1,847	..	+ 228	..	+ 12	+ 2,278	..	- 671	- 925	+ 5,404	+ 975
	2nd qtr	+ 31,292	+ 10,065	..	+ 1,545	..	+ 1	+ 8,022	..	+ 497	+ 1,329	+ 19,005	+ 893
	July	+ 10,497	+ 5,006	..	- 120	..	+ 17	+ 3,494	..	+ 1,615	+ 2,128	+ 3,336	+ 27
	Aug.	- 5,287	+ 2,231	..	- 445	..	+ 1	+ 2,269	..	+ 406	+ 208	- 8,527	+ 801
	Sept.	+ 20,842	+ 2,266	..	+ 147	..	+ 31	+ 2,130	..	- 42	+ 518	+ 15,620	+ 2,438
	3rd qtr	+ 26,052	+ 9,503	..	- 418	..	+ 49	+ 7,893	..	+ 1,979	+ 2,854	+ 10,429	+ 3,266
	Oct.	+ 19,076	+ 6,781	..	+ 82	..	+ 29	+ 4,957	..	+ 1,713	+ 1,556	+ 10,632	+ 107

Calendar month		Total	Assets									
			Lending to public sector				Other currencies	Lending to private sector		Lending to overseas sector		
			Sterling			Other		Sterling	Other currencies	Sterling	Other currencies	
			Unadjusted	Seasonally adjusted	Central government							
1986	Nov.	+ 11,605	+ 4	..	- 94	+ 98	- 37	+ 1,942	..	+ 1,014	- 996	+ 9,678
	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.	+ 16,883	+ 1,954	..	+ 1,935	+ 19	- 56	+ 6,216	..	+ 3,584	+ 2,623	+ 2,562
	1st qtr	+ 25,094	- 513	..	- 347	- 166	+ 15	+ 12,089	..	+ 7,355	+ 277	+ 5,871
	Apr.	+ 6,517	- 395	..	- 263	- 132	- 36	+ 3,317	..	+ 1,236	+ 555	+ 1,840
	May	+ 17,474	+ 433	..	+ 237	+ 196	+ 62	+ 4,902	..	+ 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	..	- 2,214	+ 1,740	+ 7,602
	Aug.	- 5,287	- 507	..	- 403	- 104	- 28	+ 1,503	..	+ 1,020	+ 446	- 7,721
	Sept.	+ 20,842	- 30	..	+ 54	- 84	- 23	+ 6,050	..	+ 11	+ 355	+ 14,479
	3rd qtr	+ 26,052	- 462	..	- 319	- 143	- 26	+ 10,822	..	- 1,183	+ 2,541	+ 14,360
	Oct.	+ 19,076	+ 1,264	..	+ 1,212	+ 52	- 202	+ 3,046	..	+ 3,513	- 326	+ 11,781

I M0, the wide monetary base

[Table 2 in the Quarterly Bulletin]

£ millions: percentages in italics

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	Unadjusted	Seasonally adjusted	
1		2	3			
Average amount outstanding in calendar month						
1986	Sept.	14,579	14,638	191	14,770	14,829
	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
Change between average amounts outstanding						
1986	Oct.	- 18	+ 61	- 59	- 77	+ 2
	Nov.	+ 100	+ 110	+ 34	+ 134	+ 144
	Dec.	+ 1,045	+ 135	+ 84	+ 1,129	+ 219
1987	Jan.	- 941	+ 1	- 93	- 1,034	- 92
	Feb.	- 236	- 128	+ 8	- 228	- 120
	Mar.	+ 48	- 6	+ 67	+ 115	+ 61
	Apr.	+ 353	+ 105	- 28	+ 325	+ 77
	May	+ 42	+ 68	-	+ 42	+ 68
	June	- 26	+ 91	- 67	- 93	+ 24
	July	+ 325	+ 91	+ 98	+ 423	+ 189
	Aug.	+ 66	+ 92	- 53	+ 13	+ 39
	Sept.	+ 12	+ 118	+ 2	+ 14	+ 120
	Oct.	- 50	+ 81	+ 18	- 32	+ 99

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

£ millions

Transactions in:	Banking Department				
	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]	
Calendar month					
1986	Oct.	+ 156	+ 1,598	-	-
	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	-	-
Amount outstanding at end-October 1987		763	4,208	-	-

[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]

£ millions

Notes outstanding	Total deposits	Sterling liabilities										CDs etc and other short-term paper issued	Items in suspense and transmission	Capital and other funds	
		Sight deposits				Time deposits									
		UK monetary sector	UK public sector	UK private sector	Overseas	UK monetary sector	UK public sector	UK private sector	Overseas						
Amount outstanding															
1987 May	1,103	279,633	14,487	1,852	71,235	10,303	47,526	4,330	73,817	32,632	23,451	9,871	34,845		
June [b]	1,094	280,471	13,746	1,980	72,764	10,138	48,043	4,496	73,459	31,793	24,052	10,658	36,146		
July	1,117	290,917	13,914	1,685	73,829	9,477	50,899	4,684	75,546	34,227	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	294,704	14,553	1,847	76,658	9,674	49,408	4,305	75,919	34,683	27,658	9,528	36,876		
Oct.	1,117	300,238	10,082 [d]	1,807	79,369	10,124	50,725	4,369	78,178	35,978	29,607	9,212	36,562		

Notes outstanding	Total deposits	Other currency liabilities						Total liabilities/assets	of which sterling	
		Sight and time deposits			CDs etc and other short-term paper issued	Items in suspense and transmission	Capital and other funds		Liabilities	Assets
		UK monetary sector	Other United Kingdom	Overseas						
Amount outstanding										
1987 May	571,601	92,489	28,781	375,643	74,688	10,030	14,211	921,295	325,452	323,583
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	342,285
Oct.	584,954	96,410	30,190	382,302	76,052	8,863	16,265	957,211	347,129	344,695

Notes and coin	Sterling assets										
	Balances with Bank of England			LDMA		Market loans					
	Cash ratio deposits	Special deposits	Other	Secured	Unsecured	Other UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Overseas	
Amount outstanding											
1987 May	2,348	803	—	168	7,692	45	58,669	9,072	1,273	2,101	15,954
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	905	—	183	8,126	51	57,192 [d]	10,117	1,265	1,831	18,474

Amount outstanding	Sterling assets continued										Banking Department lending to central government (net)
	Treasury bills	Bills			Other	Total	Advances			Overseas	
		Eligible local authority bills	Eligible bank bills				UK public sector	UK private sector			
1987 May	502	460	5,106	786	173,512	1,605	158,715	13,192	471		
June [b]	921	392	5,168	702	178,135	1,551	163,475	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.	602	470	5,186	1,043	191,139	1,572	176,739	12,827	998		

Amount outstanding	Sterling assets continued						Other currency assets						
	Investments		Miscellaneous assets			Total	Market loans and advances						
	British government stocks	Other public sector	Other	Items in suspense and collection	Assets leased		Other	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas
1987 May	8,069	389	12,809	15,194	1,244	6,916	543,632	131,915	87,730	10,404	1,347	50,747	393,403
June [b]	7,450	385	12,646	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.	8,210	505	12,807	14,613	1,291	7,268	561,474	130,101	92,033	10,004	1,173	51,713	406,551

Amount outstanding	Other currency assets continued						Acceptances			Eligible liabilities	
	Bills	Investments		Items in suspense and collection	Miscellaneous assets		Sterling		Other currencies		
		Total	United Kingdom		Overseas	Assets leased	Other	Total			of which by eligible Banks
1987 May	2,774	39,258	3,079	36,179	9,404	8	2,637	15,434	14,954	2,715	198,531
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	9,555	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	2,587	35,005	7,732	2	2,789	16,184	15,754	3,304	219,005

[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^[a]

£ millions

		Liabilities												
		Notes out-standing	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
British banks:	Amount outstanding													
Retail banks	1987 Sept.	1,103	149,176	76,056	13,539	3,322	110,641	12,887	8,787	46,177	6,710	6,272	28,515	4,679
	Oct.	1,117	152,881	77,658	12,796	3,274	113,931	13,388	9,492	47,359	8,224	6,559	28,016	4,560
Accepting houses	1987 Sept.	—	18,009	4,268	2,929	518	10,328	1,594	2,640	13,190	3,384	2,273	7,112	421
	Oct.	—	18,968	4,986	3,146	494	10,846	1,665	2,817	14,646	3,705	2,489	8,086	366
Other British banks	1987 Sept.	—	42,988	10,237	19,954	1,556	12,409	4,826	4,243	26,186	7,836	1,841	14,183	2,326
	Oct.	—	39,192	5,578 ^[d]	15,330 ^[d]	1,660	12,824	4,643	4,735	27,280	8,094	1,866	15,152	2,167
Overseas banks:														
American banks	1987 Sept.	—	14,753	3,389	4,261	20	4,662	4,114	1,697	83,427	8,280	10,254	46,365	18,528
	Oct.	—	16,455	4,068	5,313	16	4,772	4,857	1,498	84,855	8,609	10,277	47,664	18,305
Japanese banks	1987 Sept.	—	16,289	846	6,981	174	3,472	2,842	2,821	227,076	35,979	3,615	154,275	33,207
	Oct.	—	16,562	947	6,861	128	3,491	2,967	3,114	216,999	35,996	3,488	146,201	31,313
Other overseas banks	1987 Sept.	—	53,488	7,937	16,369	561	11,058	18,028	7,471	192,801	31,128	5,677	135,201	20,795
	Oct.	—	56,180	8,203	17,388	603	11,676	18,560	7,952	193,815	31,925	5,505	137,045	19,339
Total	1987 Sept.	1,103	294,703	102,733	64,033	6,151	152,570	44,291	27,659	588,857	93,317	29,932	385,651	79,956
	Oct.	1,117	300,238	101,380	60,834	6,175	157,542	46,080	29,608	584,954	96,553	30,184	382,164	76,050

		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	
British banks:	Amount outstanding									
Retail banks	1987 Sept.	39,845	236,302	2,316	532	4,838	21,305	2,764	1,055	3,473
	Oct.	38,421	239,778	2,389	639	5,363	16,247 ^[d]	3,128	1,007	3,402
Accepting houses	1987 Sept.	5,016	36,216	4	41	394	6,715	1,913	128	1,223
	Oct.	5,250	38,863	3	46	441	7,020	2,031	125	1,185
Other British banks	1987 Sept.	10,376	79,550	3	121	311	11,599	1,552	283	1,641
	Oct.	10,425	76,896	3	140	481	11,575	1,539	271	1,521
Overseas banks:										
American banks	1987 Sept.	4,680	102,859	4	58	410	2,352	412	42	1,434
	Oct.	5,282	106,593	3	66	458	3,113	327	39	1,641
Japanese banks	1987 Sept.	1,493	244,858	—	43	406	3,843	95	46	3,637
	Oct.	1,972	235,533	—	49	370	3,754	86	56	3,858
Other overseas banks	1987 Sept.	9,323	255,612	25	125	916	14,722	2,900	343	7,473
	Oct.	9,553	259,547	22	150	1,014	15,514	3,004	334	6,868
Total	1987 Sept.	70,733	955,397	2,352	920	7,275	60,536	9,636	1,897	18,881
	Oct.	70,903	957,210	2,420	1,090	8,127	57,243	10,115	1,832	18,475

[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.

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

M Discount market: balance sheet

£ millions

		Liabilities: borrowed funds						Other currencies				
		of which		Sterling			Overseas	Total	UK monetary sector	Other United Kingdom	Overseas	
		Call and overnight	Other	Bank of England	Other UK monetary sector	Other United Kingdom						
Amount outstanding												
1987 Apr.	9,911	9,126	785	—	7,517	2,363	31	221	103	96	23	
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	7,591	2,498	15	203	65	108	30	
Aug.	9,528	8,824	704	97	6,741	2,681	10	198	67	104	27	
Sept.	10,035	9,338	697	97	7,315	2,578	45	197	68	111	18	
Oct.	11,066	10,017	1,049	135	8,348	2,541	41	146	43	93	11	
		Sterling assets		Bills			Funds lent					
		Cash ratio deposits with the Bank of England	Treasury bills	Local authority 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
Amount outstanding												
1987 Apr.	10,261	8	267	117	—	5,551	199	2,669	400	77	285	25
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

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
British banks:												
Retail banks	1987 Sept. Oct.		351 463	419 447	4,681 4,648	234 259	457 565	101,763 107,865[d]	4,331 4,310	717 998	5,578 5,972	3,962 4,041
Accepting houses	1987 Sept. Oct.		10 25	13 13	216 205	234 266	61 50	5,829 5,714	1,295 1,249	—	386 561	1,258 1,168
Other British banks	1987 Sept. Oct.		32 27	—	193 196	230 241	46 63	28,354 24,227[d]	1,670 1,607	—	351 338	1,973 2,036
Overseas banks:												
American banks	1987 Sept. Oct.		10 20	—	72 30	67 76	19 19	9,064 9,133	1,370 1,410	—	574 652	735 780
Japanese banks	1987 Sept. Oct.		1 2	—	2	17 2	430 440	4,469 4,606	821 823	—	80 80	2,392 2,426
Other overseas banks	1987 Sept. Oct.		53 64	10 10	90 107	241 199	460 436	24,267 25,195	3,382 3,427	—	603 606	2,804 2,860
Total	1987 Sept. Oct.		457 601	442 470	5,254 5,186	1,023 1,043	1,473 1,573	173,746 176,740	12,869 12,826	717 998	7,572 8,209	13,124 13,311

Other currency assets

	Amount outstanding		Market loans and advances						Bills	Investments	Sterling and other currencies Miscellaneous assets[c]	Acceptances	Eligible liabilities
			Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector						Overseas
British banks:													
Retail banks	1987 Sept. Oct.	51,893 52,766	15,750 16,458	11,394 11,766	275 262	154 124	6,479 7,763	33,590 32,852	214 207	6,160 6,001	19,257 19,062	4,548 4,621	117,117 123,864
Accepting houses	1987 Sept. Oct.	12,701 14,416	3,719 4,042	3,710 4,349	625 566	12 12	1,244 1,471	7,110 8,019	76 87	1,020 1,217	2,699 3,042	3,172 3,202	9,287 9,899
Other British banks	1987 Sept. Oct.	28,385 29,911	9,066 8,669	6,309 8,032	127 106	610 577	2,526 2,405	18,814 18,790	210 204	987 996	1,609 1,521	651 608	27,982 24,211
Overseas banks:													
American banks	1987 Sept. Oct.	78,380 80,446	26,087 26,900	7,264 7,500	1,141 1,373	5 —	14,897 15,416	55,073 56,158	139 99	2,165 2,428	5,552 5,832	1,792 1,929	11,733 12,605
Japanese banks	1987 Sept. Oct.	209,866 200,611	33,423 32,078	22,846 22,235	1,082 879	461 344	12,894 11,912	172,584 165,240	119 105	17,347 16,688	1,242 1,578	1,985 1,993	11,427 11,874
Other overseas banks	1987 Sept. Oct.	180,587 183,323	42,376 41,953	37,527 38,150	7,243 6,818	119 116	12,211 12,747	123,486 125,492	2,258 2,226	10,639 10,263	3,716 3,926	7,329 7,136	35,317 36,552
Total	1987 Sept. Oct.	561,812 561,473	130,421 130,100	89,050 92,032	10,493 10,004	1,361 1,173	50,251 51,714	410,657 406,551	3,016 2,928	38,316 37,593	34,075 34,961	19,477 19,489	212,863 219,005

[Table 4 in the Quarterly Bulletin]

Sterling assets continued				Other currency assets				Total assets/liabilities	
British government stocks	Investments		Other sterling assets	Total	Certificates of deposit	Bills	Other		
	Local authorities	Other							
142	8	439	71	224	39	10	175	10,485	1987 Apr.
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.

N Banks: balance sheet of quarterly reporting institutions

[Table 3.9 in the Quarterly Bulletin]

	Sterling deposits					Liabilities							Total liabilities/assets
	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	Sterling and other currency non-deposit liabilities		
1986 3rd qtr	1,702	181	1,135	379	7	1,377	367	140	833	37	937	4,017	
4th ..	1,779	236	1,163	371	8	1,547	402	126	982	36	665	3,990	
1987 1st qtr	1,803	282	1,098	411	13	1,647	488	130	1,007	21	657	4,108	
2nd ..	1,827	264	1,094	457	12	1,454	432	131	869	22	624	3,903	
3rd ..	1,883	237	1,225	412	9	1,467	471	166	800	30	715	4,066	

	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	1,360	48	—	21	11	651	43	68	1	108
1987 1st qtr	2	1,405	55	—	19	7	599	44	30	2	126
2nd ..	2	1,472	72	—	17	4	531	57	32	2	97
3rd ..	3	1,566	39	1	5	8	600	49	37	3	105

	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 ..	678	1	77	654	46	71	147
1987 1st qtr	695	—	95	688	117	59	164
2nd ..	660	—	74	620	86	10	163
3rd ..	584	2	89	694	81	17	175

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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THE CURRENT ACCOUNT - TABLE 2

Balance of payments basis
£ million; seasonally adjusted

	CURRENT BALANCE fob	EXPORTS fob	IMPORTS fob	VISIBLE TOTAL	BALANCES: OIL	NON- OIL	INVISIBLE BALANCE
1985	2919	78111	80289	-2178	8104	-10282	5097
1986	-980	72843	81306	-8463	4056	-12519	7483
1986 Q3	-910	17553	20444	-2891	621	-3512	1981
Q4	-960	19340	22065	-2725	785	-3510	1765
1987 Q1	672	19637	20772	-1135	1164	-2300	1807
Q2	-174	19381	21742	-2361	1033	-3395	2187
Q3		20301					
1987 JAN	85	6235	6752	-517	383	-900	602
FEB	401	6973	7174	-202	328	-529	603
MAR	185	6429	6846	-417	454	-870	602
APR	203	6610	7136	-526	423	-949	729
MAY	-367	6372	7467	-1096	365	-1461	729
JUN	-11	6399	7139	-740	245	-985	729
JUL	-310	6776	7686	-910	284	-1194	600
AUG	-929	6545	8073	-1529	374	-1903	600
SEP		6980					
JUL-SEP 86		17553					
APR-JUN 87		19381					
JUL-SEP 87		20301					
PERCENTAGE CHANGES:-							
LATEST 3 MONTHS ON PREVIOUS 3 MONTHS		4.5%					
SAME 3 MONTHS ONE YEAR AGO		16.0%					
JAN-SEP86		53502					
JAN-SEP87		59318					

Ch
Promises
AA

Low - this' of imports
exptn Aug; 8073
there was still low
month before of
almost 1/2 on

12

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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 27 October 1987

The main feature in the financial markets in October has been, of course, the worldwide falls in equities. Beginning the month at around \$1.62, sterling rose as the dollar weakened on continuing worries about the US economy. These concerns and the uncertainty in the equity markets saw sterling rise to \$1.69 $\frac{1}{4}$ on 27 October, its effective rate up from 72.8 on 1 October to 74.1.

In September exports were 6 $\frac{1}{2}$ per cent higher than in August, while imports were 5 $\frac{1}{2}$ per cent lower. Visible trade showed a deficit of £0.7 billion, compared with a deficit of £1.5 billion in August. The underlying levels of non-oil export and import volumes both appear to have been rising in recent months, although imports have risen more strongly than exports. Latest information suggests that of the current account balance in the first nine months of 1987 showed a deficit of £ $\frac{3}{4}$ billion.

Consumers' expenditure increased by 2 $\frac{1}{2}$ per cent between the second and third quarters of 1987, bringing it to a level 5 $\frac{1}{2}$ per cent above the same period last year. Retail sales continue to show an underlying upward trend.

For the third quarter of 1987, our assessment of the current underlying trend of GDP is now in the range 3 to 4 $\frac{1}{2}$ per cent per annum.

Adult seasonally adjusted unemployment showed a fall of 54,000 in September, the fifteenth consecutive monthly decrease. The trend now appears to be a reduction of at least 40,000 per month. The employed labour force is estimated to have increased by 134,000 in the second quarter. The rate of increase has been strengthening since the first quarter of 1986.

The twelve-month change in the retail prices index fell to 4.2 per cent in September from 4.4 per cent in August, but is expected to rise towards 4 $\frac{1}{2}$ per cent in October before dropping again in November. The twelve-month change in the unadjusted producer input prices index fell from 9 per cent in August to 7 $\frac{1}{2}$ per cent in September and is expected to fall further to about 6 per cent in October.

Manufacturing unit wage costs have risen only marginally since early last year, but they may now be rising at an annual rate of 2 per cent as productivity growth slows, reflecting in part the slowdown in the contraction of the manufacturing labour force. The UK's competitiveness, as measured by relative actual unit manufacturing labour costs, has been broadly unchanged over the past two quarters having worsened by about 7 per cent in the first quarter of 1987.

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RECENT RATES OF CHANGE AND ASSESSMENT OF CURRENT
TRENDS FOR SOME KEY ECONOMIC INDICATORS

In the following notes, the figures for current trend represent our best assessment of the current underlying rate of increase after making allowance for temporary distorting factors such as strikes, unseasonal weather effects, etc. The figures show how the series are moving currently and may be different from the comparisons over the latest published twelve months.

GDP (average measure) in the second quarter of 1987 was $3\frac{1}{2}$ per cent higher than in the same period a year ago. This figure does not take account of past experience which shows that revisions to growth rates for the initial published estimates of GDP were on average, upwards, though not uniformly so. The assessment of current underlying trend for the third quarter of 1987 is that the rate of increase lies in the range $3-4\frac{1}{2}$ per cent per annum.

Industrial production in the three months to August 1987 was 3 per cent higher than in the same period a year ago; manufacturing output was 6 per cent higher. The assessment of current underlying trend for industrial production is that the rate of change lies in the range $2\frac{1}{2}-4\frac{1}{2}$ per cent per annum at present. The current underlying trend in manufacturing output is in the range $4\frac{1}{2}-6\frac{1}{2}$ per cent per annum.

Retail prices rose by a little over 4 per cent in the twelve months to September 1987. It is only possible to provide a useful indicator of trend for about 70 per cent of the RPI, mainly that covering private sector prices and excluding eg mortgage interest, rent, rates, products produced by nationalised industries, seasonal food and petrol. The current trend for this series is between 4 and $4\frac{1}{2}$ per cent per annum. In the twelve months to September 1987 this series rose a little under 4 per cent (not published).

Producer input prices fell by about $\frac{1}{2}$ per cent in seasonally adjusted terms in September and were about 7 per cent below the peak reached in March 1985. However, the annual rate of increase over the six months to September was over 10 per cent, as compared with 4 per cent in the preceding six months. The seasonally adjusted index is expected to show little change between September and October.

Average earnings (underlying) in the twelve months to August 1987 rose by $7\frac{3}{4}$ per cent. The current trend is estimated to be $7\frac{1}{2}-8$ per cent per annum.

Unit wage costs in manufacturing in the three months to August rose by $1\frac{1}{2}$ per cent compared with the same period a year ago. The current underlying trend is estimated to be in the range 1-3 per cent per annum.

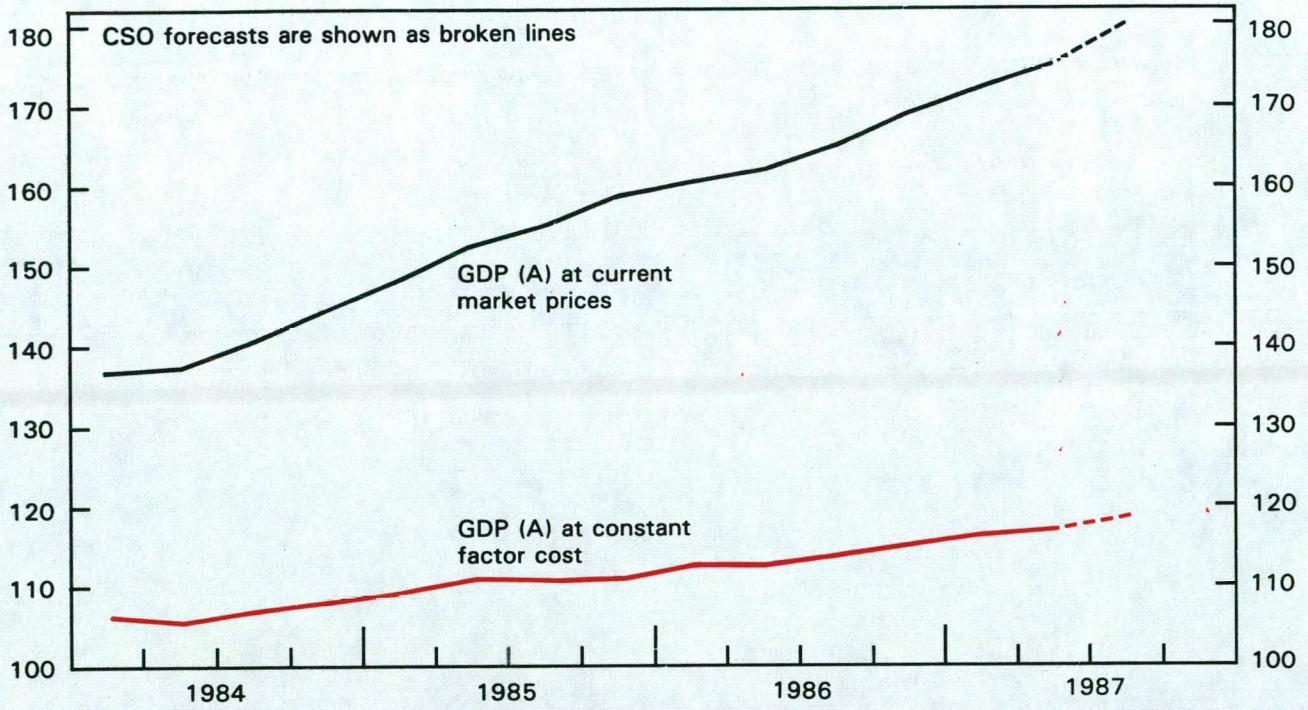
Unemployment (excluding school leavers) in the twelve months to September has fallen on average by 34,000 per month. Over the past 6 months there has been an average fall of 44,000 per month.

Movements over the latest published 12 months include any revisions that may have occurred since last publication (in general any such differences only occur in the GDP series).

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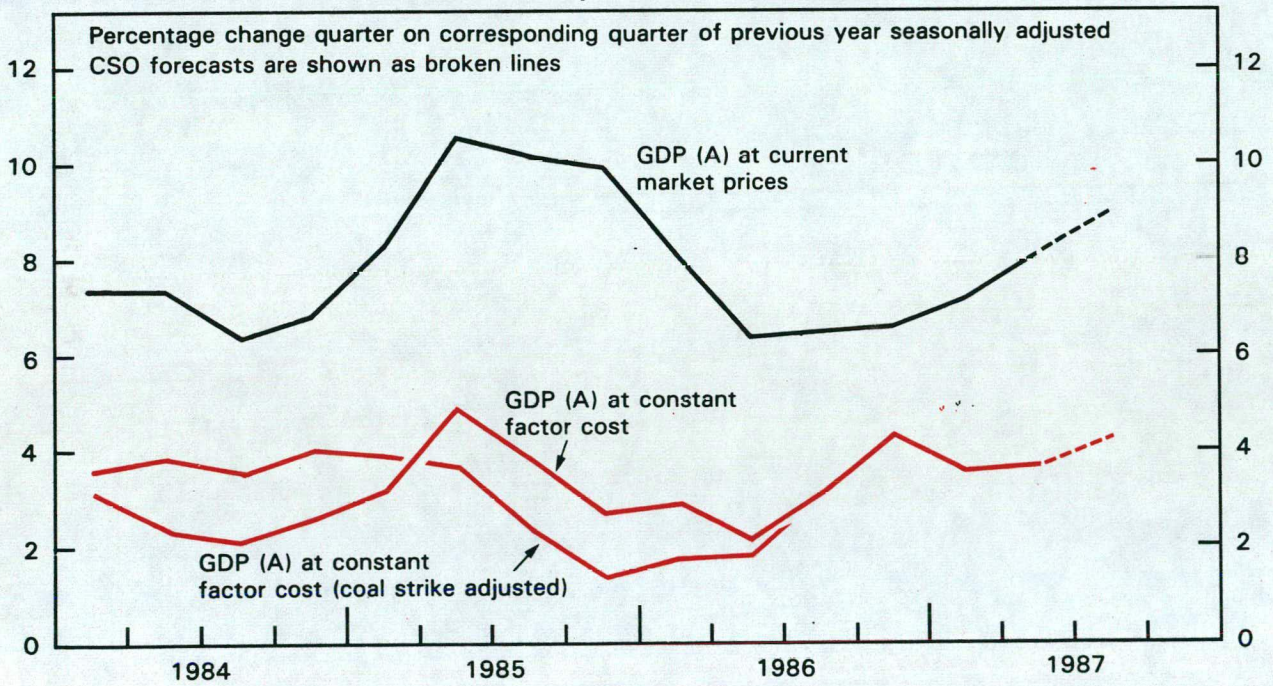
Gross domestic product (average measure)
1980 = 100, seasonally adjusted

CHART 1A



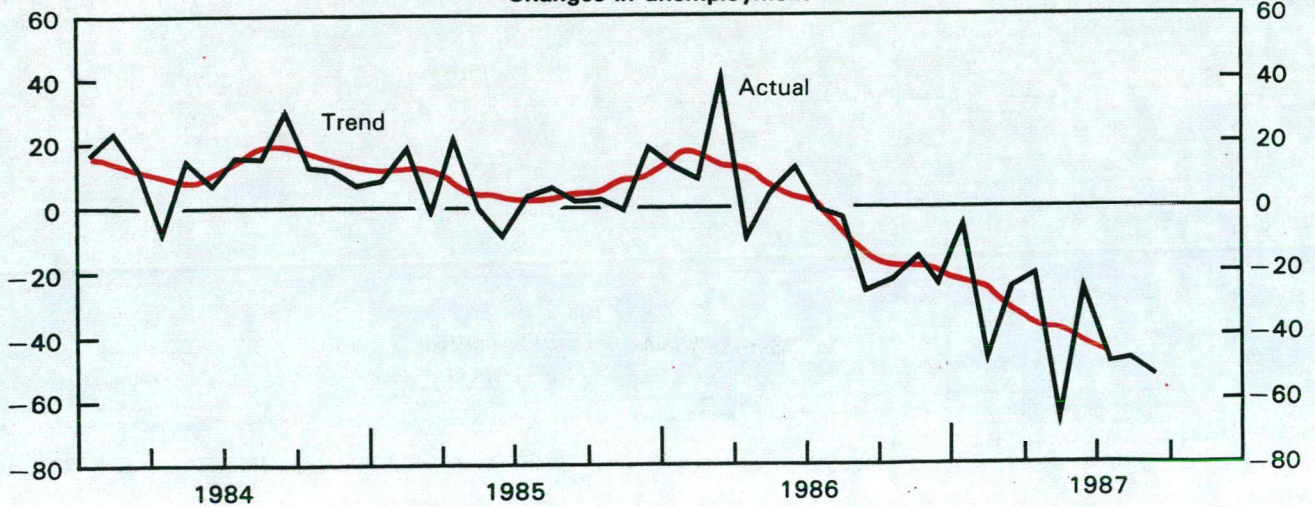
Gross domestic product (average measure)

CHART 1B



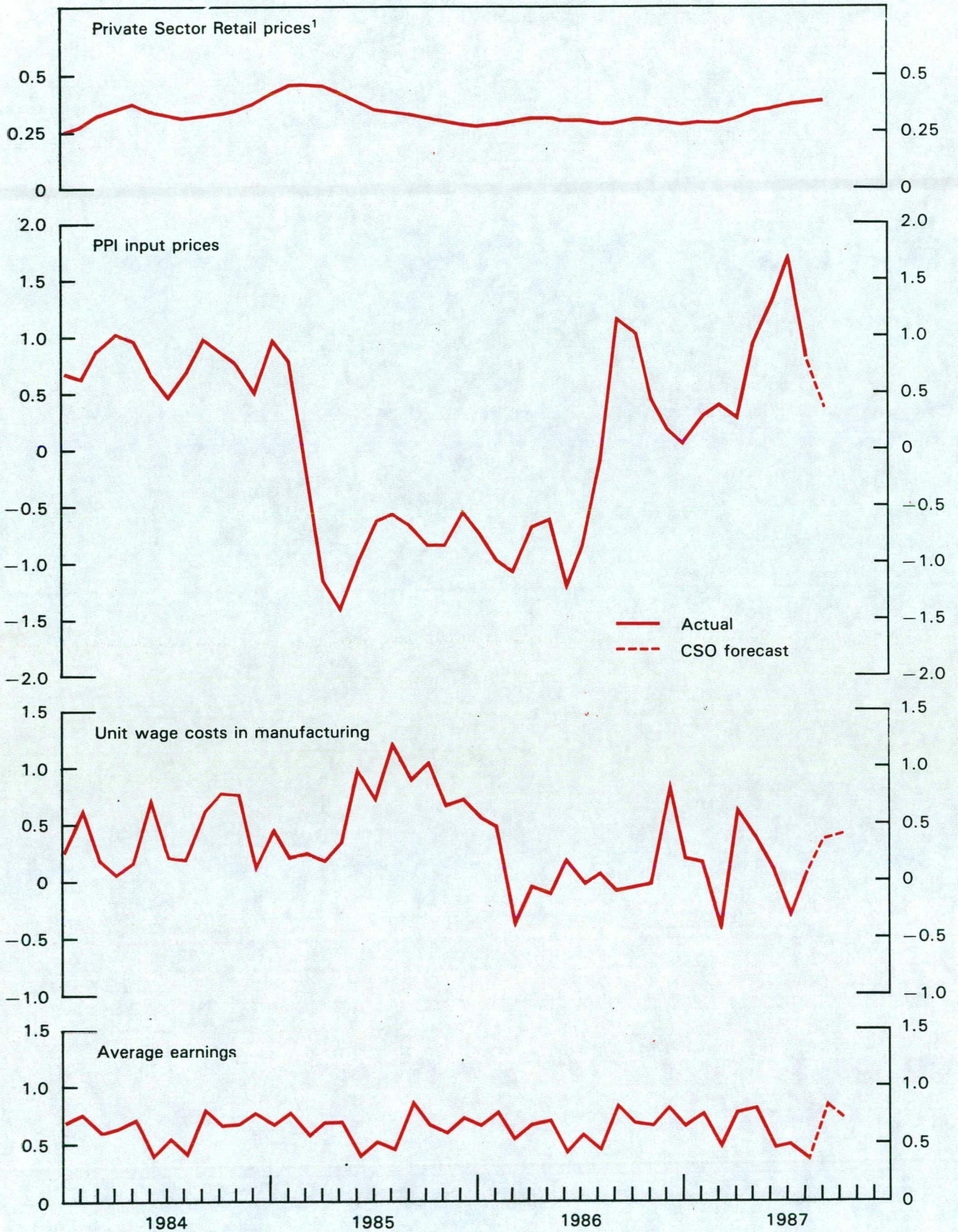
Changes in unemployment

CHART 2



**Rate of increase in average earnings, unit wage cost in manufacturing
PPI input prices and Private sector retail prices**

Month to month percentage changes, smoothed and adjusted for distorting factors where appropriate



1. Excludes seasonal food, mortgage interest, rent, rates and water charges
motor vehicle licences, products produced by Nationalised industries and petrol.

CHART 4

Movements in underlying average earnings and the tax and price index comparisons with 12 months previously

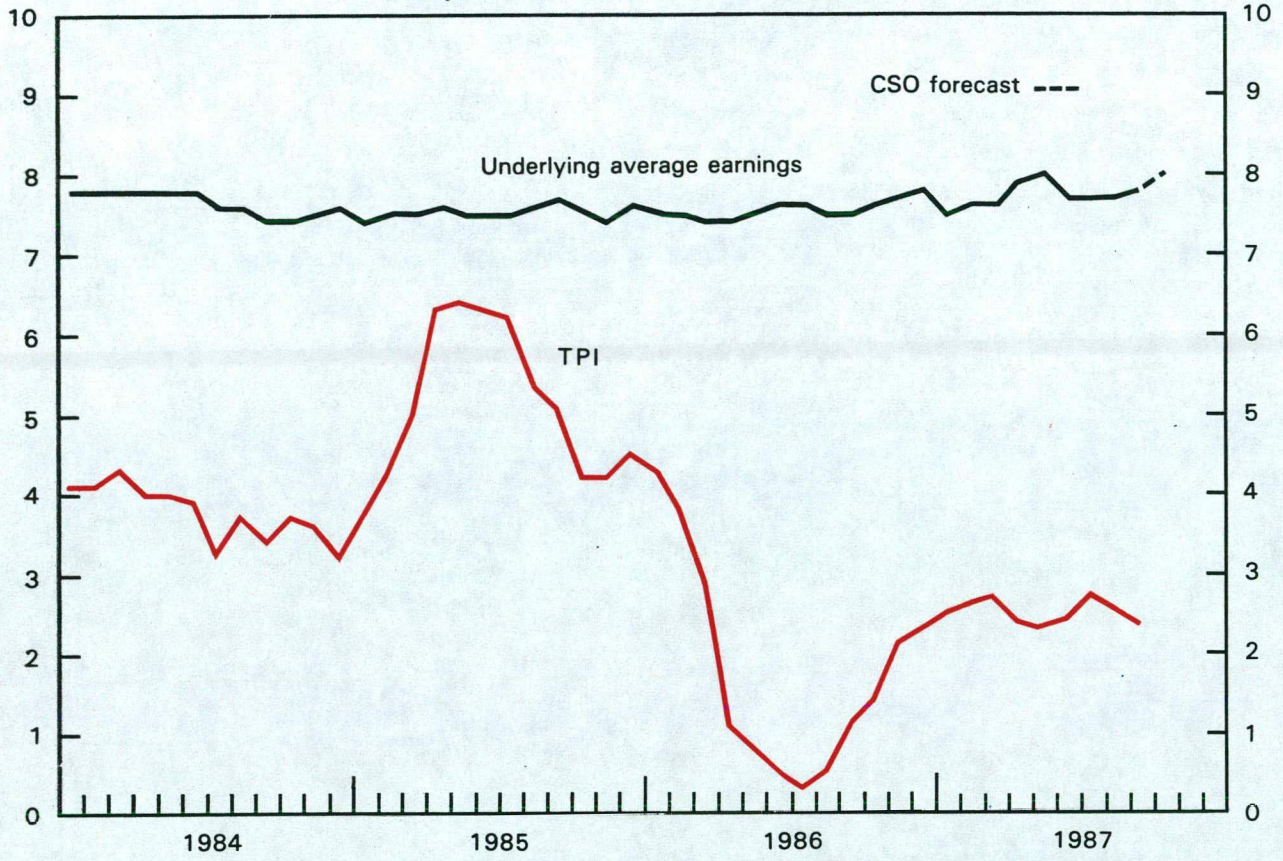
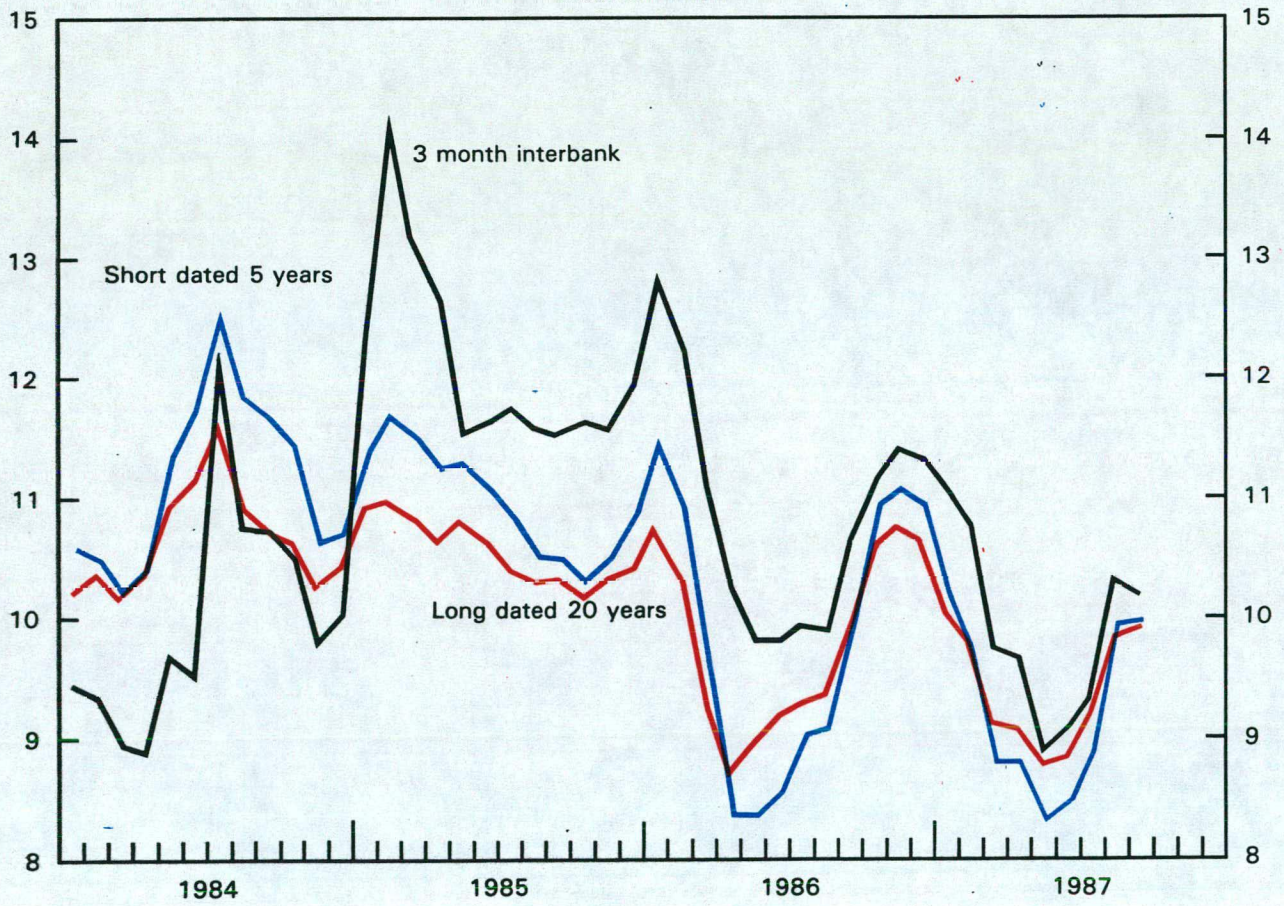


CHART 5

Interest rates



Monetary aggregates

Percentage change on previous 12 months (not seasonally adjusted)

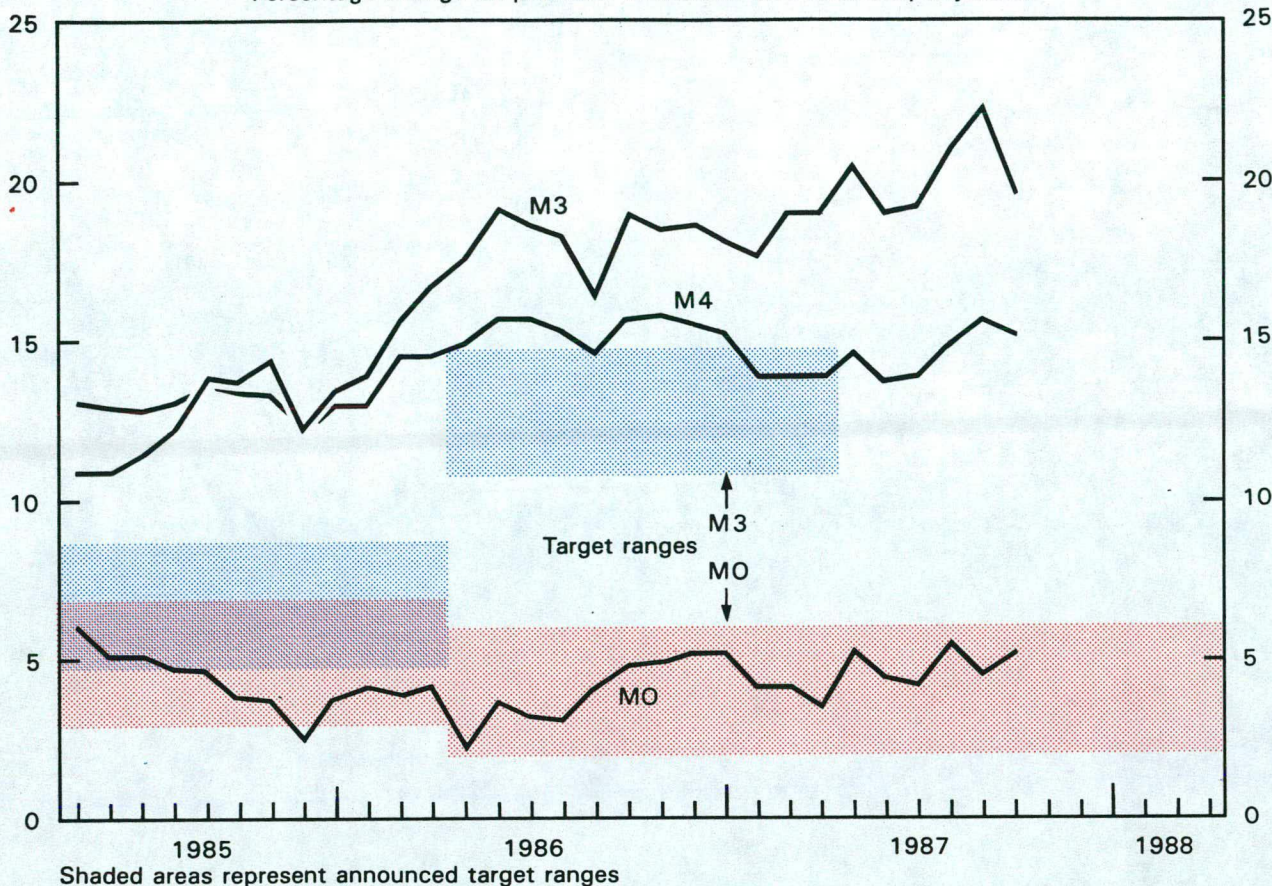
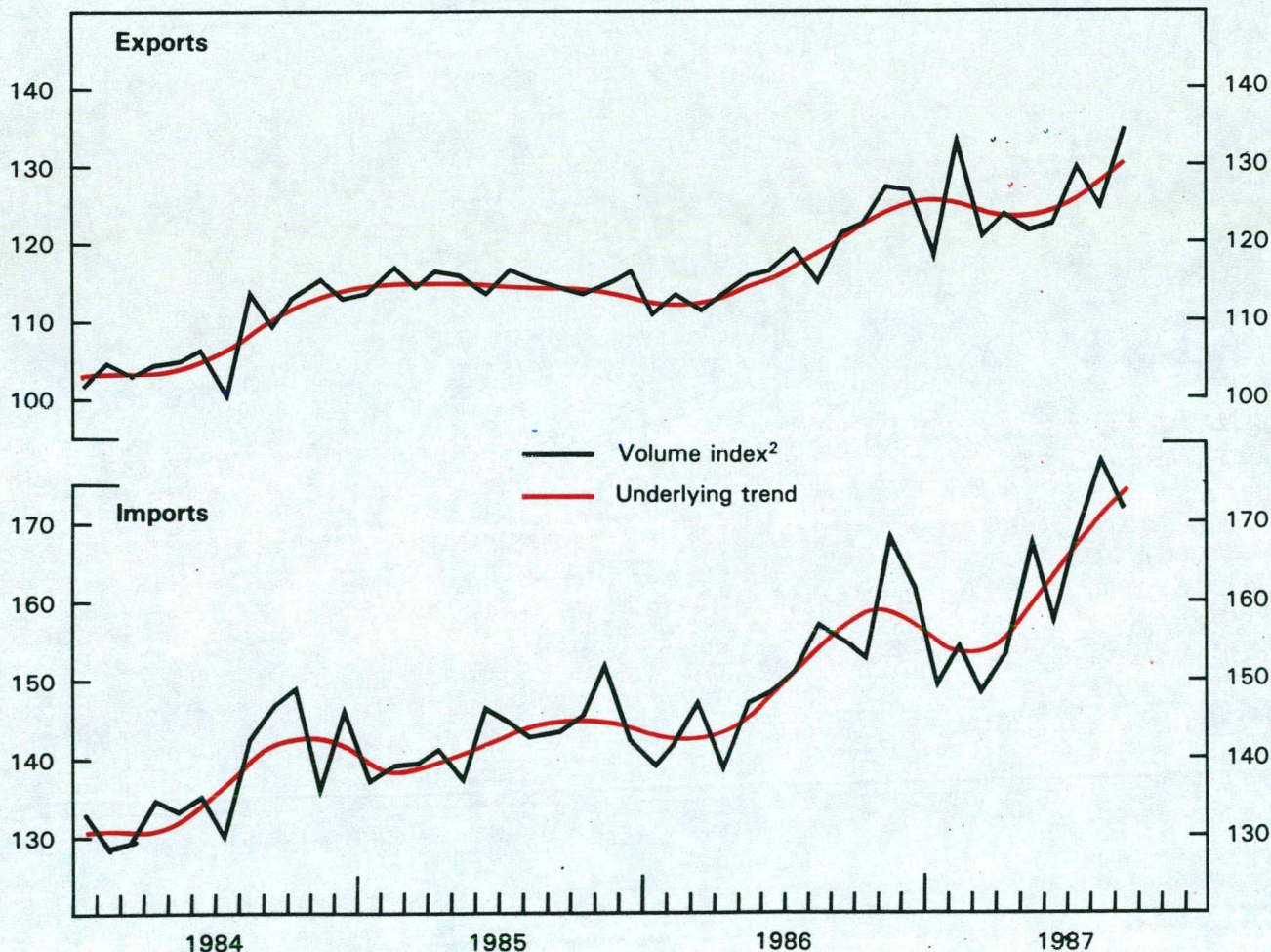


CHART 7

Exports and Imports (excluding oil and erratics¹)

Index 1980 = 100



1. Ships, North Sea Installations, Aircraft, Precious Stones and Silver
2. Seasonally adjusted data, Balance of Payments basis

Reference

Statistics
prep

To:

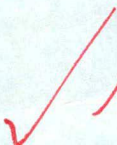
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(Circulation list attached)

From:

PETER RICHARDSON
S2C
Room 3/3
20 Victoria Street
215 3351

6 November 1987



CREDIT BUSINESS IN SEPTEMBER

A Press Notice giving details of credit business in September is attached for information. The Press Notice will be issued at 11.30 am on Monday, 9 November. The contents should be treated as confidential until then.

P H Richardson
P H RICHARDSON

DTI Press Notice

CONFIDENTIAL

UNTIL 11.30 HOURS
ON DAY OF RELEASE

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 87/685

9 November 1987

CREDIT BUSINESS IN SEPTEMBER

During September the change in amounts outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards was £0.4 billion (see Table 1), an increase from the figure of £0.2 billion in August.

The increase in the latest three months, July to September, was £0.8 billion, below the corresponding figure of £1.0 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.6 billion in the most recent period compared with £0.7 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

Bank loans on personal accounts showed an increase in amounts outstanding of £0.5 billion, a similar increase to that in the previous quarter (see Table 2). Including these loans and loans by insurance companies, figures for which are available only quarterly, gives a total increase in consumer credit in the July to September quarter of £1.4 billion, compared with £1.5 billion in the preceding quarter. At the end of September the total amount outstanding on consumer credit agreements was £35.1 billion, 4 per cent more than the total three months earlier.

MORE/...

New credit advanced to consumers in September by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.2 billion, compared with a total of £3.0 billion in August (see Table 3). The total for the three months July to September was 8 per cent higher than that for the previous three months.

In September there was a change in amounts outstanding on agreements with businesses by finance houses, other specialist credit grantors and building societies of £0.1 billion (see Table 1). The total change in the latest three months was £0.4 billion, the same as for the preceding three months.

NOTES TO EDITORS

1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.

3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.

4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance houses to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on bank credit cards and by mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.

5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

6 Further definitions are given at the foot of the tables accompanying this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£17.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.20 each from:

The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS	BUSINESSES	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,063	2,231	4,681	12,151	5,728	24,791
1987 AUG	21,500R	2,431	5,212	13,857R	6,387R	27,887R
SEP	21,902	2,461	5,372	14,069	6,516	28,418
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,437	94	891	1,452	596	3,033
1986 1st Qtr	855	39	221	595	214	1,069
2nd Qtr	346	3	213	130	34	380
3rd Qtr	792	107	356	329	193	985
4th Qtr	444	-55	101	398	155	599
1987 1st Qtr	952	67	248	637	5	957
2nd Qtr	1,038	56	260	722	373	1,411
3rd Qtr	849	107	183	559	410	1,259
1986 SEP	392	45	194	153	72	464
OCT	194	-81	86	189	127	321
NOV	-15	12	-113	86	-23	-38
DEC	265	14	128	123	51	316
1987 JAN	257	8	15	234	-17	240
FEB	296	27	97	172	24	320
MAR	399	32	136	231	-2	397
APR	410	20	113	277	66	476
MAY	294	20	19	255	141	435
JUN	334	16	128	190	166	500
JUL	241	52	103	86	149	390
AUG	206R	25	-80	261R	132R	338R
SEP	402	30	160	212	129	531
1987 APR-JUN	1,038	56	260	722	373	1,411
JUL-SEP	849	107	183	559	410	1,259

R = revised

- NOTES
- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	£ Million		
	1983	1984	1985
Retailers	132	116	195
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

(SEASONALLY ADJUSTED)

£ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNT OUTSTANDING AT END OF PERIOD						
1986	31,095	2,231	4,681	11,228	804	12,151
1987 1st Qtr	32,267	2,298	4,929	11,440	812	12,788
2nd Qtr	33,730	2,354	5,189	11,895	782	13,510
3rd Qtr	35,114	2,461	5,372	12,420	792	14,069

CHANGES IN AMOUNTS OUTSTANDING						
1986	2,496	94	891		59	1,452
1986 1st Qtr	858	39	221		3	595
2nd Qtr	360	3	213		14	130
3rd Qtr	806	107	356		14	329
4th Qtr	472	-55	101		28	398
1987 1st Qtr	1,172	67	248	212	8	637
2nd Qtr	1,463	56	260	455	-30	722
3rd Qtr	1,384	107	183	525	10E	559

— indicates a break in the series

R = revised
E = estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND
BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,026	4,834	12,916	10,276	3,489	31,515
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223
4th Qtr	7,253	1,230	3,480	2,543	925	8,178
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881
2nd Qtr	8,440	1,272	3,997	3,171	1,029	9,469
3rd Qtr	9,136	1,365	4,353	3,418	1,130	10,226
1986 SEP	2,555	431	1,220	904	315	2,870
OCT	2,437	413	1,152	872	322	2,759
NOV	2,360	420	1,129	811	275	2,635
DEC	2,456	397	1,199	860	328	2,784
1987 JAN	2,417	411	1,177	829	278	2,695
FEB	2,618	415	1,276	927	331	2,949
MAR	2,883	415	1,421	1,047	354	3,237
APR	2,766	416	1,289	1,061	314	3,080
MAY	2,697	414	1,268	1,015	335	3,032
JUN	2,977	442	1,440	1,095	380	3,357
JUL	2,944	447	1,410	1,087	359	3,303
AUG	2,972R	457	1,384	1,131R	376R	3,348R
SEP	3,220	461	1,559	1,200	395	3,615
1987 APR-JUN	8,440	1,272	3,997	3,171	1,029	9,469
JUL-SEP	9,136	1,365	4,353	3,418	1,130	10,266
Percentage increase over previous three months	8	7	9	8	10	8

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in tables 1 and 2.

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pmp

FROM: P L PATTERSON

DATE: 18 NOVEMBER 1987

1. MISS O'MARA
2. MR PICKFORD

mom 18/n

✓

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Sir T Burns
Mrs. Lomax → Mr Scholar
Mr Sedgwick
Mr Hibberd
Mr Cropper
Mr Tyrie
Mr Call
Mr Stirling - CSO
Mr Lang - CSO

CYCLICAL INDICATORS FOR THE UK ECONOMY

The CSO will be publishing their next press notice at 11.30am on Thursday 19 November.

2. Not surprisingly, the first estimate of the longer leading index in October shows a fall from the September level. This is mainly due to the sharp stock market fall, which began in the middle of October. The press notice warns that the index is likely to fall further in November unless there is a substantial recovery in share prices. This is because the index uses monthly averages of the FT500 share price index, and therefore only about half of the fall is captured in the ^{October} longer leading index.

3. The fall in share prices will in part be offset by the two half-point cuts in interest rates. [The October longer leading index is still close to its implicit long term trend.]

4. The shorter leading index has continued to grow steadily but much of this is due to strong growth in consumer credit. The coincident and lagging indices are also both rising.

5. Press comment usually takes the form of a description of basic movements in the indicators, with very little qualitative assessment or discussion of the component series. In the present climate of uncertainty about international developments, the press are very likely to see the downturn in the longer leading index as indicating a recession during 1988. (The longer leading index indicates turning points in activity about one year in advance, and it started to fall in August.)

6. Line to take:

- Much of fall in longer leading index is because of stock market fall.
- UK stock market caught up in Wall Street concerns about US deficit and world trade imbalances.
- All more reason for US Administration to show commitment to tackle Budget deficit.
- But UK economy, and UK industry, sound and strong.
- Firmly believe we can avoid major world recession.

Peter Patterson

P L PATTERSON



**PRESS
AND
INFORMATION SERVICE**

MRS M HENSON
E B DIVISION
ROOM 99/2rd
H M T



CENTRAL STATISTICAL OFFICE

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CSO(87)105
19 November 1987

**CYCLICAL INDICATORS OF THE UNITED KINGDOM ECONOMY
RECENT MOVEMENTS OF THE INDICES**

First estimates of the longer leading, shorter leading and coincident indices to October and the lagging index to September are now available.

The longer leading index fell again in October, influenced by the declining FT500 share price index. However, since the index uses monthly averages of the share price index and interest rates, the full effects of the sharp decline in the share price index from mid-October and the reductions in interest rates (which will have an opposite effect) will not be seen until the November index is available. Unless share prices recover substantially the longer leading index is likely to fall further in November.

The shorter leading index has shown a sustained increase since November 1986, influenced particularly by the consumer credit series. The October figure should be regarded as provisional since it is based on only two (out of five) component series.

The coincident index is showing a generally upward path in 1987.

The lagging index has risen slowly but consistently since November 1986, reflecting in particular the improved labour market position.

The interpretation of the paths of the indices, since the 1981 trough, continues to be that they could show a cyclical peak in economic activity in early 1985 followed by a mild trough in early 1986. However, the decline in the indices during 1985, before their renewed growth, is less marked than previous cyclical movements, especially those seen in the 1970s. Furthermore, the most recent values of the indices are particularly subject to revision as more information becomes available, so any interpretation remains provisional.



Table 1

RECENT MOVEMENTS IN THE INDICES

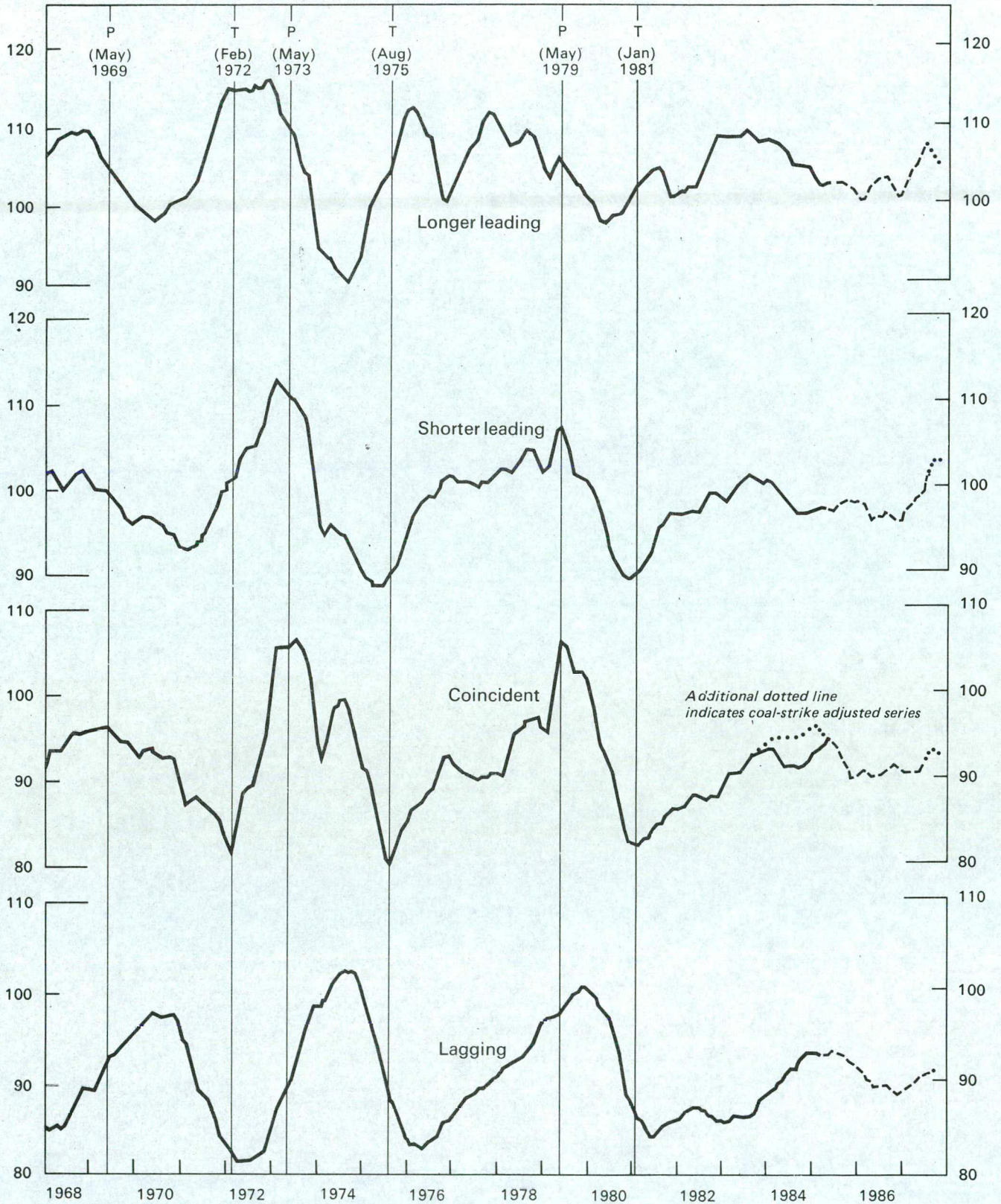
Jan 1980=100

	1986 Sept	Oct	Nov	Dec	1987 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Longer Leading	103.0	102.2	101.3	101.5	102.5	103.8	104.8	105.3	106.3	107.4	107.9	107.0	106.2	105.5
	5	5	5	5	5	5	5	5	5	5	4	4	4	3
Shorter Leading	96.7	96.2	95.9	96.2	97.2	97.7	98.1	98.5	98.9	99.6	101.3	102.3	103.2	103.0
	5	5	5	5	5	5	5	5	5	5	4	4	4	2
Coincident	91.1	91.5	91.3	91.0	90.7	90.8	90.8	90.7	90.8	91.5	92.4	93.1	93.2	93.0
	7	7	7	7	7	7	7	7	7	7	5	5	5	3
Lagging	89.3	89.0	88.6	88.7	89.0	89.2	89.5	89.8	90.3	90.5	90.7	90.9	91.1	
	5	5	5	5	5	5	5	5	5	5	5	5	4	

- Notes: 1. In the table the upper row represents the values of the composite indices, the lower row the number of series used to form each index.
2. Information included in the table is based on monthly and quarterly data available to 19 November.

Cyclical indicators

Composite indices of indicator groups. January 1980 = 100



--- Subject to revision due to trend re-estimation

..... Based on incomplete data

NOTES TO EDITORS

What the cyclical indicators do

Cyclical indicators chart movements in the economy over the business cycle. In particular, they provide early pointers to upturns and downturns in economic activity. They do not measure the absolute level of output or actual rates of growth: they are concerned only with identifying cyclical variations around the long-term trend.

What they are

The cyclical indicators consist of four groups of well-established economic or financial statistics ("indicators") which have been found to show more or less consistent timing relationships with peaks and troughs ("turning points") in the growth of overall economic activity. Each group is formed into a "composite index" to give four composite series as follows:

- i) a longer leading index indicating turning points in activity about one year in advance;
- ii) a shorter leading index indicating turning points about six months in advance;
- iii) a coincident index indicating current turning points;
- iv) a lagging index which shows a turning point about a year after it happened.

The full list of component series included in the composite indicators is given in Table 2, together with their timing characteristics relative to the dates of turning points in the general economic cycle - called "reference cycle dates". (These are the dates at which economic activity - as assessed from the three measures of Gross Domestic Product at constant prices, the volume of retail sales and the output of the production industries - deviates most from its long-term trend. The choice of these dates is essentially a matter of judgement and is subject to revision as later data become available.)

The values of the index numbers have no significance other than to describe the path of the indicators but are included in this Press Notice to facilitate reading the charts.

How they are constructed

Each of the component series used in compiling a composite indicator series is first "detranded" by estimating and removing its long-term trend. The composite index is then formed by taking an average of the detrended component series after allowance has been made for:

- (a) any inverse relationship (eg high unemployment follows low economic activity);
- (b) scaling (series based on different units of measurement are converted to a common scale); and
- (c) volatility (highly irregular series are smoothed by taking short-term moving averages).

The most recent values of the four composite indices are given in Table 1 and the indices are plotted in the chart.

Further details of the method of calculation and assessments of the performance of the indicators are given in articles in Economic Trends for March 1975, May 1976, May 1980, and October 1983 and also in an Occasional Paper available from OSS CSO, price £2.50. A full set of graphs of all the indicator series is published in the February, May, August and November issues of Economic Trends. Additional tables giving full runs of data for all the series used are available on subscription from the CSO. The data in this Press Notice can be obtained in computer readable form via the CSO Databank service which provides macro-economic time series on magnetic tape. Details of the service offered and the Schedule of Charges may be obtained from the Database Manager, CSO Branch 9, Room 52/4, Government Offices, Great George Street, London SW1P 3AQ (telephone: 01-270-6386). CSO does not offer direct on-line access for these data, but a list of host bureaux offering such a facility is available on request from CSO.

Dating of Turning Points

Turning points are identified primarily by examining the paths of the component series of the coincident index, other than the two CBI series. As a consequence of recent revisions to GDP(E), the 1981 trough, previously dated to May, has been redated to January.

Interpretation of the indices

At a cyclical peak, the growth rate of activity moves from being above that of long term trend to being below. Therefore a cyclical peak does not necessarily imply a subsequent fall in the absolute level of activity, there may only be a reduction in the rate of growth, normally beginning some months in advance of the cyclical peak. The indicators themselves do not give any measure of the magnitude of such movements.

Care should be taken in interpreting month-to-month movements in the composite indices. In the most recent periods not all the component indicator series will be present (details of the latest data included are given in Table 2). When the missing series are eventually included, the composite index may change. Additionally, in recent periods the estimates of long-term trend are provisional. Thus the corresponding detrended series, which are used to form the composite indices, are liable to revision.

On the chart the parts of the curves which are liable to revision because of the detrending process are shown in pecked lines. Where a composite index is based on an incomplete set of indicators, the curve is shown as a dotted line.

Notes

1. The unemployment series included in the composite lagging index has been compiled in index form from the published total numbers unemployed in the United Kingdom, excluding school leavers and adult students, with adjustments for changes in coverage that have occurred.

2. Some of the component series used to compile the indicators will have been affected by the privatisation of British Telecom (BT). The FT - Actuaries 500 share index has been adjusted to allow for the introduction of BT shares into the index on December 3 1984. The effect on the index of the rise in BT's share prices on the first day of trading has been excluded from the published index. This has the effect of incorporating BT shares at their closing market valuation on December 3 and discounts their initial appreciation from the flotation pricing. The prices of other shares in the index, some of which may have been affected by the BT flotation, have been left as recorded (the series is also seasonally adjusted by CSO - see note 3). The privatisation of BT led to a discontinuity in the series for gross trading profits and financial surplus/deficit used in the cyclical indicator work. It is not possible to publish series which allow for this discontinuity but special analyses suggest that interpretation would not be significantly different. Other smaller transfers will have led in the past to similar discontinuities.

3. Wherever possible, versions of the component series seasonally adjusted by the compilers of the data are used. For series not available in seasonally adjusted form, CSO applies its own seasonal factors as appropriate using the US Bureau of the Census X-11 procedures. (Series adjusted in this way are noted in Table 2.)

4. The method of detrending the FT 500 share price index, one of the indicator series that goes to form the longer leading index was changed in August 1987. The cyclical indicator series are detrended according to one of two models:

- i. an additive model, for series with cycles whose amplitude appears to be fairly constant over time, and
- ii. a multiplicative model, for series with cycles whose amplitude changes over time in rough proportion to the level of the long term trend.

The share price index was detrended using the additive model prior to August 1987 because this appeared to be more appropriate on the evidence of the data at the time. However, the rapid rise in the index over the past few years and the recent large movements in the share price index (which also gave rise to large month to month revisions in the longer leading index as the impact of share price movements was modified by other component series becoming available) has led to a reappraisal of the share price cycle. It is now concluded that a multiplicative detrending model appears to be more appropriate for these data.

TABLE 2 THE INDICATORS AND THEIR TIMING CHARACTERISTICS

Indicators	Timing relative to reference cycle dates* (-) leads, (+) lags months				
	Latest data included	Average (mean)	Earliest	Latest	
<u>Longer leading</u>					
Composite longer leading index	October 1987	- 12	- 21	- 5	
Component series:					
Rate of interest, 3 months prime bank bills**	October 1987	- 17	- 28	- 11	
Financial surplus/deficit, industrial and commercial companies, divided by GDP deflator	Q2 1987	- 15	- 21	- 9	
Total dwellings started, Great Britain	September 1987	- 10	- 25	+ 6	
Financial Times-Actuaries 500 share index***	October 1987	- 9	- 20	- 4	
CBI quarterly survey: change in optimism**	October 1987	- 10	- 19	- 4	
<u>Shorter leading</u>					
Composite shorter leading index	October 1987	- 5	- 12	0	
Component series:					
Credit extended by finance houses, retailers and other credit grantors	September 1987	- 6	- 15	+ 3	
New car registrations	September 1987	- 7	- 26	0	
CBI quarterly survey: change in new orders**	October 1987	- 8	- 28	+ 2	
CBI quarterly survey: expected change in stocks of materials**	October 1987	- 5	- 15	- 2	
Gross trading profits of companies, excluding stock appreciation and mineral oil and natural gas extraction, divided by GDP deflator	Q2 1987	- 6	- 18	0	
<u>Roughly coincident</u>					
Composite coincident index	October 1987	0	- 7	+ 5	
Component series:					
Gross domestic product (expenditure)	Q2 1987	+ 1	- 9	+ 10	
Gross domestic product (output)	Q3 1987	- 2	- 7	+ 1	
Gross domestic product (income)	Q2 1987	+ 1	- 3	+ 5	
Volume of retail sales	October 1987	- 3	- 15	+ 6	
Output of the production industries	September 1987	- 1	- 4	+ 2	
CBI quarterly survey: capacity utilisation	October 1987	+ 2	- 3	+ 7	
CBI quarterly survey: change in stocks of materials	October 1987	- 1	- 6	+ 8	
<u>Lagging</u>					
Composite lagging index	September 1987	+ 10	+ 1	+ 17	
Component series:					
Unemployment index***	October 1987	+ 6	- 1	+ 14	
Total employment in manufacturing industries United Kingdom	September 1987	+ 8	- 1	+ 15	
Investment in plant and machinery, manufacturing industry	Q3 1987	+ 11	+ 6	+ 18	
Engineering industries, volume index for orders on hand	August 1987	+ 7	- 4	+ 15	
Level of stocks and work in progress, manufacturing industry	Q3 1987	+ 11	0	+ 20	

* Assessed on performance up to last identified trough, January 1981

** Seasonally adjusted by CSO, see Notes to Editors

*** See Notes to Editors

PROPOSED LAYOUT

Issued jointly with the Central Statistical Office (CSO)

Press enquiries:

Visible Trade 01-215 4474/5060/5066

Invisibles 01-270 6357

Balance of Payments and Economy 01-270 5238

Non-Press enquiries:

Visibles 01-215 4894/4895/5130

Invisibles 01-270 6363/6364

Date _____

Ref No _____

The current account of the United Kingdom balance of payments**PERIOD ENDING NOVEMBER 1987**

The current account for November, seasonally adjusted, was estimated to have been in deficit by £0.6 billion and for the three months ended November the current account showed a deficit of £0.9 billion. This compares with a deficit of £1.3 billion in the three months ended August.

There was a deficit on visible trade of £2.7 billion in the latest three months compared with a deficit of £3.2 billion in the previous three months.

The surplus balance on invisibles is projected to have been around £1.8 billion in the latest three months, similar to the previous three months, a large surplus on transactions by the private sector and public corporations being partly offset by a deficit on Government transactions (see Table 3).

TABLE 1 **CURRENT ACCOUNT**
£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance b
		Balance	Exports fob	Imports fob	
1985	+2888	-2178	78111	80289	+5066
1986	- 944	-8463	72843	81306	+7519
1986 Q3	- 856	-2891	17553	20444	+2035
Q4	- 989	-2725	19340	22065	+1736
1987 Q1	+ 572	-1135	19637	20772	+1707
Q2	- 659	-2382	19388	21770	+1723
Q3	-1146	-3048	20362	23410	+1902
1987 June	- 174	- 748	6394	7142	+ 574
July	- 291	- 925	6762	7686	+ 634
Aug	- 873	-1507	6566	8073	+ 634
Sept	+ 17	- 617	7034	7651	+ 634
Oct	- 282a	- 882	6867	7749	+ 600a
Nov	- 595a	-1195	6951	8146	+ 600a
June-Aug 1987	-1338	-3180	19722	22902	+1842
Sept-Nov 1987	- 860a	-2694	20852	23545	+1834a
Jan-Nov 1987	-2110a	-8643	73204	81847	+6532a

a Invisibles for October and November 1987 are projections.

b Monthly figures are one third of the appropriate calendar quarter's estimate or projection. Information relating to credits and debits can be found in Table 3.

VISIBLE TRADE IN THE THREE MONTHS ENDED NOVEMBER

The balance on visible trade in November was in deficit by £1.2 billion. In the three months ended November there was a deficit of £2.7 billion, compared with a deficit of £3.2 billion in the previous three months. Between the two periods the surplus on oil trade rose by £0.1 billion while the deficit on non-oil trade was reduced by £0.4 billion.

Exports

Total exports rose by 1 per cent between October and November to £7.0 billion. In the three months ended November exports amounted to £20.9 billion, £1.1 billion (5½ per cent) more than in the previous three months. Exports of oil were little changed in the latest three months but exports of the erratic items rose by £0.2 billion. Excluding oil and the erratic items, exports increased by £0.9 billion between the three months ended August and the latest three months.

By volume, exports rose by 6 per cent between the three months ended August and the latest three months to be 4½ per cent higher than in the same period a year ago. Excluding oil and the erratic items, export volume increased by 5 per cent in the latest three months to be 6½ per cent higher than in the same period last year. The underlying level of non-oil export volume has been rising steadily in the latest six months.

Imports

Total imports rose by 5 per cent between October and November to £8.1 billion. In the three months ended November imports amounted to £23.5 billion, £0.6 billion (3 per cent) more than in the previous three months. Imports of oil fell by £0.1 billion over the three months ended November and imports of the erratic items were unchanged. Excluding oil and the erratic items, imports grew by 3½ per cent between the three months ended August and the latest three months.

Total import volume in the latest three months was 3½ per cent higher than in the previous three months and 7 per cent higher than in the same period last year. Excluding oil and the erratic items, import volume rose by 4½ per cent in the latest three months to be 10 per cent higher than in the same period last year. The upward trend in non-oil import volume since the Spring seems to have continued in recent months.

Terms of Trade and Unit Values

The terms of trade index remained unchanged between the three months ended August and the three months ended November with both the export unit value and the import unit value indices increasing by ½ per cent. Compared with the same three months of last year, the export unit value index rose by 4½ per cent and the import unit value index rose by 2½ per cent. As a result the terms of trade index is 2½ per cent up on a year ago.

Analysis by Area

Exports to the developed countries rose by 8 per cent between the three months ended August and the latest three months. Exports to the European Community countries rose by 8½ per cent in the latest three months; exports to North America rose by 2 per cent and exports to the other developed countries increased by 15 per cent. Those to the developing countries fell by ½ per cent between the three months ended August and the latest three months.

Imports from the developed countries increased by 2½ per cent over the latest three months with arrivals from the European Community countries up by 2½ per cent, arrivals from North America up 5½ per cent and arrivals from the other developed countries up by 4½ per cent. Imports from the developing countries decreased by 1 per cent between the three months ended August and the latest three months.

NOTES TO EDITORS

INVISIBLES

1 The estimates in tables 1 to 3 incorporate the revised figures which were published in the CSO press notice on the balance of payments accounts on 15 December.

2 Estimates of invisibles are based on a variety of sources, mostly inquiries of those engaging in the various transactions. These are usually sample inquiries, and are variously held on quarterly, annual or periodical bases. For some components, data for recent periods are therefore incomplete and subject to significant estimation errors.

3 The figures shown for the invisibles balance in most months are the estimates for the relevant quarters, taken from the balance of payments accounts, expressed at a monthly rate. For the most recent months, however, the figures are projections, which are rounded to the nearest £100 million to emphasise their approximate nature. These projections are superceded by preliminary estimates from the balance of payments accounts when they are published around the middle of March, June, September and December. (This modifies the procedure described in the December 1986 issue of Economic Trends; a review of the timetable concluded that more time should be allowed to prepare these preliminary estimates to improve their quality and reduce the likelihood of revisions within relatively short periods). Thus the projections for July to September shown in the October Press Notice have been replaced by figures based on the preliminary estimates for the third quarter of 1987, published on 15 December.

ADJUSTMENT FOR UNPROCESSED DOCUMENTS

4 Following a further investigation by Customs and Excise into the effects of industrial action, adjustments have been made to take account of documents delayed from the period April to June and subsequently processed in August and October. These adjustments have been made to the Balance of Payments based figures (tables 1 to 7 and 16), but not to the OTS figures (tables 8 to 15). The amounts involved are as follows:

	<u>Adjustment for unprocessed documents</u>				£ million October
	April	May	June	August	
Exports	+30	+71	+67	-18	- 151
Imports	+63	+49	+38		- 150

MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

5 The Monthly Review supplements the information contained in this Press Notice. It gives longer historical runs of data and contains charts, tables on the UK Balance of Payments, UK exports and imports on an Overseas Trade Statistics basis, and certain international comparisons. The Monthly Review is available from the Department of Trade and Industry at the address given below for an annual subscription of £43 which includes the annual supplement. Individual copies are priced at £3, (£7 for the annual supplement).

AREA (tables 11 and 15)

6 Low value consignments ie items of an individual value less than £475, are not analysed by country and are therefore excluded from the area data in tables 11 and 15. In addition the method of seasonal adjustment leads to further differences between the sum of areas and figures for total trade.

STANDARD NOTES

7 There is a set of standard notes that describe the basis on which the figures in this Press Notice are compiled including the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) figures. Copies can be obtained from the address below.

Enquiries about the Standard Notes, and the Monthly Review, should be addressed to S2A, Room 255, Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET, Telephone: 01-215 4895.

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TABLE 2

CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Balance of Payments basis)

£ million seasonally adjusted

	Current Balance	Visible Trade		Visible Balance	of which		Invisibles
		Exports fob	Imports fob		Oil	Non-Oil	Balance ^b
1985	+ 2888	78111	80289	- 2178	+ 8104	- 10282	+ 5066
1986	- 944	72843	81306	- 8463	+ 4056	- 12519	+ 7519
1986 Q3	- 856	17553	20444	- 2891	+ 621	- 3512	+ 2035
Q4	- 989	19340	22065	- 2725	+ 785	- 3510	+ 1736
1987 Q1	+ 572	19637	20772	- 1135	+ 1164	- 2300	+ 1707
Q2	- 659	19388	21770	- 2382	+ 1033	- 3415	+ 1723
Q3	- 1146	20362	23410	- 3048	+ 945	- 3994	+ 1902
1987 March	+ 152	6429	6846	- 417	+ 454	- 870	+ 569
Apr	+ 48	6608	7135	- 527	+ 423	- 950	+ 574
May	- 532	6386	7493	- 1107	+ 365	- 1472	+ 575
June	- 174	6394	7142	- 748	+ 245	- 993	+ 574
July	- 291	6762	7686	- 925	+ 287	- 1212	+ 634
Aug	- 873	6566	8073	- 1507	+ 372	- 1879	+ 634
Sept	+ 17	7034	7651	- 617	+ 286	- 903	+ 634
Oct	- 282a	6867	7749	- 882	+ 386	- 1268	+ 600a
Nov	- 595a	6951	8146	- 1195	+ 341	- 1536	+ 600a
Sept-Nov 1986	- 816	18967	21617	- 2651	+ 780	- 3431	+ 1835
June-Aug 1987	-1338	19722	22902	- 3180	+ 904	- 4084	+ 1842
Sept-Nov 1987	- 860a	20852	23545	- 2694	+ 1013	- 3706	+ 1834a
% Change							
Latest 3 months							
- on previous 3 months		+ 5½	+ 3				
- Same 3 months one year ago		+ 10	+ 9				

a Invisibles for October and November 1987 are projections.

b Monthly figures are one third of the appropriate calendar quarter's estimate or projection.

TABLE 3

INVISIBLES

£ million seasonally adjusted

	All sectors			of which			Private Sector and Public Corporations ^d		
	Credits	Debits	Balance	Services	Interest Profits Dividends	Transfers	Credits	Debits	Balance
1984	77080	71223	+ 5857	+ 3489	+ 4207	- 1839	71780	62393	+ 9387
1985	79805	74739	+ 5066	+ 5388	+ 2954	- 3276	75155	64778	+ 10377
1986	76293	68774	+ 7519	+ 5081	+ 4611	- 2173	71184	59185	+ 11999
1985 Q3	19358	17630	+ 1728	+ 1501	+ 1109	- 882	18136	14968	+ 3168
Q4	18588	17838	+ 750	+ 1283	+ 207	- 740	17447	15448	+ 1999
1986 Q1	18955	16952	+ 2003	+ 1308	+ 769	- 74	17600	14926	+ 2674
Q2	18464	16719	+ 1745	+ 1205	+ 1106	- 566	17148	14304	+ 2844
Q3	19243	17208	+ 2035	+ 1247	+ 1488	- 700	17966	14679	+ 3287
Q4	19631	17895	+ 1736	+ 1321	+ 1248	- 833	18470	15276	+ 3194
1987 Q1	19730	18023	+ 1707	+ 1256	+ 1304	- 853	18072	14904	+ 3168
Q2	19699	17976	+ 1723	+ 1245	+ 1192	- 714	18237	15170	+ 3067
Q3	20438	18536	+ 1902	+ 1572	+ 1339	- 1009	19160	15550	+ 3610

d ie excluding general Government transactions and all transfers.

TABLE 4

VALUE AND VOLUME AND UNIT VALUES OF EXPORTS AND IMPORTS
(Balance of Payments Basis)

	Total						Excluding Erratics ^c							
	Seasonally adjusted			Not seasonally adjusted			Seasonally adjusted			Seasonally adjusted				
	Value £ million fob			Unit value index 1980 = 100			Volume index 1980 = 100			Value £ million fob			Volume index 1980 = 100	
	Balance	Exports	Imports	Exports	Imports	Terms of Trade ^d	Exports	Imports	Exports	Imports	Exports	Imports		
1985	- 10282	61977	72259	141.8	141.8	100.0	110.6	133.0	57685	68719	114.9	142.8		
1986	- 12519	64621	77141	145.1	141.5	102.6	115.2	140.5	59238	73491	117.7	150.9		
1986 Q3	- 3512	16024	19536	145.3	140.3	103.5	114.7	143.7	14839	18653	118.5	154.4		
1986 Q4	- 3510	17454	20964	148.1	146.3	101.3	123.1	149.4	15873	20045	125.3	161.4		
1987 Q1	- 2300	17411	19711	149.7	148.0	101.1	121.8	139.7	15899	18772	124.4	150.4		
1987 Q2	- 3415	17312	20728	150.3	143.7	104.6	119.5	149.2	15892	19667	122.5	159.8		
1987 Q3	- 3994	18289	22283	151.6	144.8	104.7	125.8	159.8	16808	21367	129.3	172.9		
1987 Mar	- 870	5686	6557	150.1	147.6	101.7	118.5	139.1	5168	6172	120.5	148.3		
1987 Apr	- 950	5776	6726	150.0	145.3	103.3	120.5	144.3	5310	6343	123.5	153.8		
1987 May	- 1472	5757	7229	150.2	143.0	105.0	118.8	156.6	5284	6901	121.9	168.6		
1987 June	- 993	5779	6772	150.6	142.7	105.6	119.2	146.6	5298	6423	122.0	157.0		
1987 July	- 1212	6105	7317	150.5	144.1	104.4	126.5	156.5	5527	6959	128.4	168.1		
1987 Aug	- 1879	5808	7687	151.8	145.1	104.6	119.6	164.4	5424	7404	124.9	178.5		
1987 Sept	- 903	6377	7280	152.6	145.2	105.0	131.1	158.6	5858	7004	134.6	172.1		
1987 Oct	- 1268	6169	7437	152.8	145.5	105.0	126.6	159.8	5546	7024	127.8	170.7		
1987 Nov	- 1536	6236	7772	152.2	144.7	105.2	128.9	168.8	5696	7473	131.7	182.8		
Sept-Nov '86	- 3431	17171	20602	147.2	144.4	102.0	121.3	148.3	15628	19569	123.6	158.9		
June-Aug '87	- 4084	17692	21776	151.0	144.0	104.9	121.8	155.8	16249	20786	125.1	167.9		
Sept-Nov '87	- 3706	18782	22489	152.5	145.1	105.1	128.9	162.4	17100	21502	131.4	175.2		
% Change														
Latest 3 months on														
- previous 3 months	+ 6	+ 3½	+ 1	+ 1	-		+ 6	+ 4	+ 5	+ 3½	+ 5	+ 4½		
- same 3 months one														
year ago	+ 9½	+ 9	+ 3½	+ ½	+ 3		+ 6½	+ 9½	+ 9½	+ 10	+ 6½	+ 10		

= These are defined as ships, North Sea installations, aircraft, precious stones, and silver.

^d Export unit value index as a percentage of the import unit value index.

TABLE 5

TRADE IN OIL^e
(Balance of Payments basis)

seasonally adjusted

	Balance of Trade in oil	Exports of Oil				Imports of oil					
		Total	Crude Oil [SITC (REV 3) 333.0]			Rest of Division 33	Total	Crude Oil [SITC (REV 3) 333.0]			Rest of Division 33
			£ million fob	£ million fob	£ million tonnes			Avg value per tonne £ fob	£ million fob	£ million fob	
1985	+ 8104	16134	13006	79.6	163.4	3128	8029	4234	26.9	157.6	3796
1986	+ 4056	8221	6294	82.1	76.7	1927	4165	2324	32.6	71.2	1841
1986 Q3	+ 621	1529	1120	19.7	57.0	408	908	435	8.7	50.1	473
Q4	+ 785	1886	1533	21.6	71.0	353	1101	617	9.6	64.5	484
1987 Q1	+ 1164	2225	1824	21.9	83.4	401	1061	624	7.9	79.3	437
Q2	+ 1033	2076	1658	19.8	83.6	417	1042	658	8.3	79.3	384
Q3	+ 945	2073	1641	18.6	88.1	431	1127	642	7.8	81.9	485
1987 Mar	+ 454	743	624	7.4	84.6	119	289	173	2.1	81.7	116
Apr	+ 423	832	679	8.0	84.9	153	409	269	3.4	79.2	139
May	+ 365	629	516	6.4	81.3	113	264	127	1.6	77.5	137
June	+ 245	615	464	5.5	84.5	151	370	261	3.3	80.2	108
July	+ 287	657	494	5.8	85.2	163	370	218	2.8	78.9	152
Aug	+ 372	758	623	6.8	91.2	135	387	234	2.9	79.7	152
Sept	+ 286	657	524	6.0	87.2	133	371	190	2.1	88.7	181
Oct	+ 386	698	558	6.4	87.4	140	312	174	2.2	80.4	137
Nov	+ 341	714	566	6.8	82.9	148	374	261	3.3	78.8	112
Sep-Nov 1986	+ 780	1795	1434	21.1	68.0	362	1015	489	8.0	61.0	526
Jun-Aug 1987	+ 904	2030	1581	18.1	87.2	449	1126	714	9.0	79.6	413
Sep-Nov 1987	+ 1013	2069	1649	19.2	85.7	421	1057	626	7.6	82.0	431
% Change											
Latest 3 months on											
- previous											
3 months		+ 2	+ 4½	+ 6	- 1½	- 6½	- 6	- 12	- 15	+ 3	+ 4½
- same 3 months one											
year ago		+ 15	+ 15	- 9	+ 26	+ 16	- 4	+ 28	- 5	+ 35	- 18

^e Trade in petroleum and petroleum products. These figures differ from those published by the Department of Energy which are on a time of shipment basis (see paragraph 8 of the standard notes).

TABLE 6

TRADE IN GOODS OTHER THAN OIL
(Balance of Payments Basis)

	Total						Excluding Erratics ^c							
	Seasonally adjusted			Not seasonally adjusted			Seasonally adjusted			Seasonally adjusted				
	Value £ million fob			Unit value index 1980 = 100			Volume index 1980 = 100			Value £ million fob			Volume index 1980 = 100	
	Balance	Exports	Imports	Exports	Imports	Terms of Trade ^d	Exports	Imports	Exports	Imports	Exports	Imports		
1985	- 10282	61977	72259	141.8	141.8	100.0	110.6	133.0	57685	68719	114.9	142.8		
1986	- 12519	64621	77141	145.1	141.5	102.6	115.2	140.5	59238	73491	117.7	150.9		
1986 Q3	- 3512	16024	19536	145.3	140.3	103.5	114.7	143.7	14839	18653	118.5	154.4		
Q4	- 3510	17454	20964	148.1	146.3	101.3	123.1	149.4	15873	20045	125.3	161.4		
1987 Q1	- 2300	17411	19711	149.7	148.0	101.1	121.8	139.7	15899	18772	124.4	150.4		
Q2	- 3415	17312	20728	150.3	143.7	104.6	119.5	149.2	15892	19667	122.5	159.8		
Q3	- 3994	18289	22283	151.6	144.8	104.7	125.8	159.8	16808	21367	129.3	172.9		
1987 Mar	- 870	5686	6557	150.1	147.6	101.7	118.5	139.1	5168	6172	120.5	148.3		
Apr	- 950	5776	6726	150.0	145.3	103.3	120.5	144.3	5310	6343	123.5	153.8		
May	- 1472	5757	7229	150.2	143.0	105.0	118.8	156.6	5284	6901	121.9	168.6		
June	- 993	5779	6772	150.6	142.7	105.6	119.2	146.6	5298	6423	122.0	157.0		
July	- 1212	6105	7317	150.5	144.1	104.4	126.5	156.5	5527	6959	128.4	168.1		
Aug	- 1879	5808	7687	151.8	145.1	104.6	119.6	164.4	5424	7404	124.9	178.5		
Sept	- 903	6377	7280	152.6	145.2	105.0	131.1	158.6	5858	7004	134.6	172.1		
Oct	- 1268	6169	7437	152.8	145.5	105.0	126.6	159.8	5546	7024	127.8	170.7		
Nov	- 1536	6236	7772	152.2	144.7	105.2	128.9	168.8	5696	7473	131.7	182.8		
Sept-Nov '86	- 3431	17171	20602	147.2	144.4	102.0	121.3	148.3	15628	19569	123.6	158.9		
June-Aug '87	- 4084	17692	21776	151.0	144.0	104.9	121.8	155.8	16249	20786	125.1	167.9		
Sept-Nov '87	- 3706	18782	22489	152.5	145.1	105.1	128.9	162.4	17100	21502	131.4	175.2		
% Change														
Latest 3 months on														
- previous 3 months	+ 6	+ 3½	+ 1	+ 1	-		+ 6	+ 4	+ 5	+ 3½	+ 5	+ 4½		
- same 3 months one year ago														
	+ 9½	+ 9	+ 3½	+ ½	+ 3		+ 6½	+ 9½	+ 9½	+ 10	+ 6½	+ 10		

^c These are defined as ships, North Sea installations, aircraft, precious stones, and silver.

^d Export unit value index as a percentage of the import unit value index.

TABLE 7

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1985	4932	8522	- 3591	2144	4795	- 2651	16795	10233	+ 6562
1986	5439	9230	- 3792	2058	4416	- 2359	8683	5994	+ 2690
1985 Q4	1194	2083	- 889	504	1070	- 566	3862	2237	+ 1625
1986 Q1	1219	2247	- 1027	504	1092	- 588	3177	1641	+ 1536
Q2	1271	2213	- 942	445	1076	- 631	1922	1426	+ 496
Q3	1383	2356	- 973	545	1025	- 480	1614	1393	+ 221
Q4	1565	2415	- 849	564	1223	- 659	1970	1533	+ 438
1987 Q1	1354	2285	- 931	629	1232	- 603	2308	1413	+ 895
Q2	1345	2273	- 928	553	1177	- 624	2146	1414	+ 732
Q3	1439	2374	- 935	545	1216	- 671	2153	1595	+ 559
1987 Sept	487	800	- 313	179	414	- 235	685	534	+ 151
Oct	496	750	- 254	153	400	- 247	228	472	+ 256
Nov	457	794	- 337	176	408	- 232	737	482	+ 254

SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1985	20051	19949	+ 102	32221	35324	- 3103	52271	55273	- 3002
1986	20946	21524	- 578	33540	38453	- 4913	54486	59977	- 5491
1985 Q4	4952	4900	+ 53	8096	8645	- 549	13048	13545	- 497
1986 Q1	4851	5294	- 443	7925	8751	- 825	12777	14045	- 1269
Q2	5221	5179	+ 42	8395	9092	- 697	13615	14271	- 656
Q3	5290	5339	- 49	8230	9922	- 1692	13520	15261	- 1741
Q4	5585	5712	- 127	8990	10688	- 1698	14575	16400	- 1826
1987 Q1	5474	5652	- 178	9190	9748	- 558	14664	15400	- 736
Q2	5522	5844	- 322	9170	10724	- 1555	14692	16568	- 1876
Q3	5818	6220	- 402	9797	11561	- 1763	15616	17781	- 2165
1987 Sept	2073	2021	+ 53	3412	3747	- 335	5485	5767	- 282
Oct	1958	2195	- 237	3288	3785	- 497	5246	5980	- 734
Nov	1953	2115	- 162	3362	4164	- 802	5315	6279	- 964

TABLE 8

 EXPORTS BY COMMODITY
 (Balance of Payments basis)

seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^f					Semi-manufactures excluding precious stones & silver(PS)			Finished manufactures excluding ships, North Sea Installations and aircraft (SNA)			
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Total	Chemicals	Other	Total	Mech- inery and trans- port	Other	
	0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	7 less SNA	8
1985	85027	9337	5388	10664	58312	54934	19611	6901	12710	35322	4165	888
1986	86066	10067	4988	6294	62833	59472	20713	7346	13367	38759	4809	1017
1986 Q3	21836	2564	1190	1502	16041	15199	5207	1831	3376	9992	1279	265
Q4	23269	2632	1376	1541	17146	16303	5472	1922	3549	10832	1279	283
1987 Q1	21819	2473	1386	1468	16148	15248	5377	1943	3434	9871	1054	257
Q2	22819	2450	1411	1465	17176	16183	5686	2024	3662	10497	1196	278
Q3	25009	2586	1423	1649	18598	17777	6100	2159	3941	11678	1447	299
1987 Sept	8098	870	483	551	6057	5797	2022	694	1328	3775	410	99
Oct	8321	836	476	497	6391	6005	2078	729	1349	3927	454	102
Nov	8533	865	476	510	6563	6305	2119	728	1391	4186	498	111
Sept-Nov '86	24421	2498	1401	1618	18199	17297	5933	2134	3799	11364	1453	296
Jun-Aug '87	24421	2948	1401	1618	18199	17297	5933	2134	3799	11364	1453	296
Sept-Nov '87	24952	2572	1434	1559	19011	18107	6219	2151	4068	11888	1362	314
% change latest three months:												
previous												
three months	+ 2	+ 3	+ 2½	- 3½	+ 4½	+ 4½	+ 5	+ 1	+ 7	+ 4½	- 6½	+ 6
same three												
months												
one year ago	+ 2	+ 3	+ 2½	- 3½	+ 4½	+ 4½	+ 5	+ 1	+ 7	+ 4½	- 6½	+ 6
VOLUME INDICES												
1980 = 100												
Weights	1000	124	81	138	626	534	217	63	154	326	42	42
1985	124.6	114.4	102.2	86.2	140.7	154.4	143.9	176.1	130.6	161.4	127.9	139.
1986	132.8	123.5	108.7	93.4	148.2	163.0	152.0	188.0	137.2	170.4	131.6	158.
1986 Q3	138.1	126	106	112	153	168	155	191	140	176	142	16
Q4	142.4	125	119	106	158	174	157	192	142	186	133	17
Q1	130.9	120	122	91	146	161	152	191	136	166	103	15
Q2	137.8	120	122	90	158	173	163	205	146	179	121	17
Q3	151.7	126	121	104	171	190	174	217	157	200	147	18
1987 Sept	149.0	128	127	107	169	188	173	206	159	198	125	18
Oct	149.8	122	121	92	176	193	175	215	158	205	134	18
Nov	155.6	128	118	96	183	204	179	215	164	220	147	21
Sept-Nov '86	147.4	121	119	101	167	184	170	215	152	194	148	18
Jun-Aug '87	147.4	121	119	101	167	184	170	215	152	194	148	18
Sept-Nov '87	151.5	126	122	98	176	195	175	212	160	207	136	19
% change latest three months:												
previous three												
months same	+ 3	+ 4	+ 2½	- 2½	- 5½	+ 5½	+ 3	- 1½	+ 6	+ 7	- 8	+
three months												
one year ago	+ 3	+ 4	+2½	- 2½	- 5½	+ 5½	+ 3	- 1½	+ 6	+ 7	- 8	+

^f These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

IMPORTS BY COMMODITY
 (Balance of Payments basis)

seasonally adjusted

Manufactures excluding erratics^f

SITC (REV 3)	Food bever- ages and tobacco				Total Manufac- tures 5-8	Manufactures excluding erratics ^f				Finished manufactures excluding ships, North Sea Installations and aircraft (SNA)		
	Total	Basic Mater- ials	Fuels	Total		Total	Chemicals	Other	Total	Mach- inery and trans- port	Other	
	0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	7 less SNA	8
VALUE												
£ million fob												
1985	85027	9337	5388	10664	58312	54934	19611	6901	12710	35322	4165	888
1986	86066	10067	4988	6294	62833	59472	20713	7346	13367	38759	4809	1017
1986 Q3	21836	2564	1190	1502	16041	15199	5207	1831	3376	9992	1279	265
Q4	23269	2632	1376	1541	17146	16303	5472	1922	3549	10832	1279	283
1987 Q1	21819	2473	1386	1468	16148	15248	5377	1943	3434	9871	1054	257
Q2	22819	2450	1411	1465	17176	16183	5686	2024	3662	10497	1196	278
Q3	25009	2586	1423	1649	18598	17777	6100	2159	3941	11678	1447	299
1987 Sept	8098	870	483	551	6057	5797	2022	694	1328	3775	410	99
Oct	8321	836	476	497	6391	6005	2078	729	1349	3927	454	102
Nov	8533	865	476	510	6563	6305	2119	728	1391	4186	498	111
Sept-Nov '86	24421	2498	1401	1618	18199	17297	5933	2134	3799	11364	1453	296
Jun-Aug '87	24421	2948	1401	1618	18199	17297	5933	2134	3799	11364	1453	296
Sept-Nov '87	24952	2572	1434	1559	19011	18107	6219	2151	4068	11888	1362	314
% change latest three months:												
previous												
three months	+ 2	+ 3	+ 2½	- 3½	+ 4½	+ 4½	+ 5	+ 1	+ 7	+ 4½	- 6½	+ 6
same three												
months												
one year ago	+ 2	+ 3	+ 2½	- 3½	+ 4½	+ 4½	+ 5	+ 1	+ 7	+ 4½	- 6½	+ 6
VOLUME												
INDICES												
1980 = 100												
Weights	1000	124	81	138	626	534	217	63	154	326	42	42
1985	124.6	114.4	102.2	86.2	140.7	154.4	143.9	176.1	130.6	161.4	127.9	139.
1986	132.8	123.5	108.7	93.4	148.2	163.0	152.0	188.0	137.2	170.4	131.6	158.
1986 Q3	138.1	126	106	112	153	168	155	191	140	176	142	16
Q4	142.4	125	119	106	158	174	157	192	142	186	133	17
Q1	130.9	120	122	91	146	161	152	191	136	166	103	15
Q2	137.8	120	122	90	158	173	163	205	146	179	121	17
Q3	151.7	126	121	104	171	190	174	217	157	200	147	18
1987 Sept	149.0	128	127	107	169	188	173	206	159	198	125	18
Oct	149.8	122	121	92	176	193	175	215	158	205	134	18
Nov	155.6	128	118	96	183	204	179	215	164	220	147	21
Sept-Nov '86	147.4	121	119	101	167	184	170	215	152	194	140	18
Jun-Aug '87	147.4	121	119	101	167	184	170	215	152	194	148	18
Sept-Nov '87	151.5	126	122	98	176	195	175	212	160	207	136	19
% change latest three months:												
previous three												
months same	+ 3	+ 4	+ 2½	- 2½	- 5½	+ 5½	+ 3	- 1½	+ 6	+ 7	- 8	+
three months												
one year ago	+ 3	+ 4	+2½	- 2½	- 5½	+ 5½	+ 3	- 1½	+ 6	+ 7	- 8	+

^f These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

TABLE 10

 EXPORTS OF FINISHED MANUFACTURED GOODS
 (Overseas Trade Statistics basis)

seasonally adjusted

SITC (REV 3)	Machinery and transport equipment						Road Vehicles		Miscellaneous Manufactures		
	Total	Total excluding ships, NSI and aircraft 7 less SNA	Machinery			Total	Passenger Motor Cars	Total	Clothing and Footwear	Scientific instruments and photographic apparatus	
			Total	Mechanical	Electrical						
	7		71-77	71-74 less 7/6	716 75-77	78	781	8	84+85	87+88	
VALUE											
£ million											
fob											
1985	24667	22018	18019	9220	8800	3911	1343	7997	1331	2969	
1986	25349	22364	18314	9515	8799	3954	1362	8576	1396	2138	
1986 Q3	6160	5508	4494	2327	2168	993	362	2198	370	792	
Q4	6480	5969	4916	2455	2460	1029	361	2246	357	806	
1987 Q1	6917	6069	4908	2481	2427	1130	459	2338	373	793	
Q2	6829	6013	4783	2383	2401	1198	488	2367	377	831	
Q3	7328	6349	5068	2467	2601	1252	533	251	411	827	
1987 Sept	2480	2217	1798	849	949	414	183	936	147	297	
Oct	2603	2249	1769	944	826	944	467	802	141	284	
Nov	2540	2178	1759	852	907	419	172	874	146	280	
Sept-Nov '86	6008	5139	4231	2149	2082	877	286	1906	308	678	
Jun-Aug '87	6099	5533	4529	2292	2237	983	345	1965	312	725	
Sept-Nov '87	6302	5530	4548	2289	2258	956	335	2004	332	757	
% change latest three months:											
previous											
three months	+ 2	+ 4½	+ 6	- 1½	- 6½	- 6	- 12	- 15	+ 3	+ 4½	
same three											
months											
one year ago	+ 15	+ 15	- 9	+ 26	+ 16	+ 4	+ 28	- 5	+ 35	- 18	
VOLUME											
INDICES											
1980 = 100											
Weights											
1985	109.8	109.4	117.6	88.9	168.2	80.8	99.4	127.6	107.5	143.4	
1986	109.4	107.8	115.5	89.0	162.2	79.6	93.2	133.4	106.2	148.2	
1986 Q3	106	105	112	86	158	79	97	137	111	151	
Q4	118	115	124	90	184	81	91	135	105	147	
Q1	115	113	121	90	176	85	114	141	114	143	
Q2	112	111	117	87	172	88	120	144	119	152	
Q3	122	118	126	88	192	127	127	153	119	154	
1987 Sept	124	124	134	90	211	90	129	167	123	164	
Oct	128	125	131	89	206	100	138	143	118	158	
Nov	126	122	132	93	201	90	123	157	123	163	
Sept-Nov '86	111	106	115	86	166	74	131	104	134	127	
Jun-Aug '87	109	110	119	89	172	82	129	104	136	123	
Sept-Nov '87	111	109	118	87	171	78	127	111	147	128	
% change latest three months on:											
previous											
three months	+ ½	+ ½	-	- 2½	+ 1	+ 1	+ 1½	+ 1	+ 2	+ 1	
same three											
months	+ 1	+ 3½	+ 2	+ ½	+ 1½	+ 7	+ 4	- 1	+ 1½	- 2½	
one year ago											

TABLE 12

EXPORTS AND IMPORTS BY AREA
(Overseas Trade Statistics basis)

seasonally adjusted

EXPOSURE	Developed Countries				Developing Countries						
	Total ⁹	Total	European Community	Rest of W Europe	North America			Total	Oil exporting countries	Other	Centrally planned economies
					Total	USA	Other				
1985	78392	62787	38226	7438	13332	11519	3791	13876	5952	7924	1587
1986	73009	57709	35004	6963	12128	10380	3614	13139	5495	7644	1721
1986 Q3	17632	13944	8498	1709	2829	2432	909	3215	1317	1897	368
Q4	19347	15474	9545	1799	3225	2717	905	3254	1238	2016	470
1987 Q1	19637	15715	9330	1747	3676	3153	962	3401	1313	2088	437
Q2	19316	15515	9789	1903	2886	2407	937	3445	1306	2139	337
Q3	20431	16404	10093	1965	3264	2768	1083	3580	1346	2233	415
1987 Sept	7048	5652	3548	703	1025	885	375	1160	436	724	142
Oct	7058	5679	3503	678	1129	983	369	1224	519	705	130
Nov	7008	5754	3517	718	1097	942	423	1142	449	693	121
Sept-Nov '86	19735	15831	9754	1874	3187	2682	1016	3543	1326	2217	364
June-Aug '87	19735	15831	9754	1874	3187	2682	1016	3543	1326	2217	364
Sept-Nov '87	21114	17085	10568	2099	3251	2810	1166	3526	1403	2122	393
% change latest three months on:											
previous											
three months	+ 7	+ 8	+ 8½	+ 12	+ 2	+ 5	+ 15	- ½	+ 6	- 4½	+ 8
same											
three months											
one year ago	+ 11	+ 13	+ 13	+ 19	+ 7½	+ 8	+ 25	+ 7½	+ 10	- 5½	+ 7½
IMPORTS											
£ million											
cif											
1985	85027	71665	41474	12102	11709	9926	6379	11327	2815	8512	1893
1986	86066	73285	44506	11864	10054	8468	6861	10514	1877	8637	1856
1986 Q3	21836	18569	11426	2896	2512	2138	1735	2670	408	2262	456
Q4	23269	19705	11950	3151	2771	2331	1833	2928	511	2418	511
1987 Q1	21819	18642	11411	3076	2435	2025	1720	2520	442	2078	482
Q2	22819	19659	12100	3259	2616	2223	1684	2632	380	2251	497
Q3	25009	21152	12980	3367	2873	2446	1932	3200	466	2734	562
1987 Sept	8098	6744	4168	987	954	824	636	1078	202	876	197
Oct	8321	7144	4328	1177	968	823	671	976	141	835	173
Nov	8533	7499	4561	1246	1000	855	692	927	121	805	203
Sept-Aug	24421	20882	12735	3462	2772	2338	1914	3019	383	2636	524
June-Aug	24421	20882	12735	3462	2772	2338	1914	3019	383	2636	524
Sept-Nov	24952	21387	13058	3410	2922	2502	1999	2981	464	2517	573
% change latest three months on:											
previous											
three months	+ 2	+ 2½	+ 2½	+ 1½	+ 5½	+ 7	+ 4½	- 1	+ 21	+ 4½	+ 9½
same											
three months											
one year ago	+ 9	+ 9½	+ 11	+ 7½	+ 10	+ 11	+ 8	+ 4	+ 9	+ 3½	+ 13

⁹ See paragraph 6 Notes to Editors

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THE CURRENT ACCOUNT - TABLE 2

Balance of payments basis
£ million: seasonally adjusted

	CURRENT BALANCE fob	EXPORTS fob	IMPORTS fob	VISIBLE TOTAL	BALANCES:		INVISIBLE BALANCE
					OIL	NON- OIL	
1985	2919	78111	80289	-2178	8104	-10282	5097
1986	-980	72843	81306	-8463	4056	-12519	7483
1986 Q3	-910	17553	20444	-2891	621	-3512	1981
Q4	-960	19340	22065	-2725	785	-3510	1765
1987 Q1	672	19637	20772	-1135	1164	-2300	1807
Q2	-174	19388	21742	-2361	1033	-3395	2187
Q3	-1293	20362	23394	-3093	942	-4035	1800
1987 FEB	401	6973	7174	-202	328	-529	603
MAR	185	6429	6846	-417	454	-870	602
APR	203	6608	7136	-526	423	-949	729
MAY	-367	6386	7467	-1096	365	-1461	729
JUN	-11	6394	7139	-740	245	-985	729
JUL	-310	6762	7686	-910	284	-1194	600
AUG	-929	6566	8073	-1529	374	-1903	600
SEP	-55	7034	7635	-655	284	-939	600
OCT		6867	-167				
AUG-OCT 86		17877					
MAY-JUL 87		19542					
AUG-OCT 87		20467					
PERCENTAGE CHANGES:-							
LATEST 3 MONTHS ON PREVIOUS 3 MONTHS 4.5%							
SAME 3 MONTHS ONE YEAR AGO 14.0%							
JAN-OCT86		59796					
JAN-OCT87		66254					

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MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 26 November 1987

The UK stock market has stabilised somewhat in November, following the decline of around 30 per cent in share prices in the second half of October. Influenced by movements in the dollar, sterling's effective rate rose sharply in the first half of the month, then fell back but rose sharply again at the end of the month, to close at 75.8 on 25 November. Since the last Brief sterling has risen from \$1.69 $\frac{1}{4}$ on 27 October to \$1.79 $\frac{1}{2}$ on 25 November. It remains stable against the Deutschemark.

GDP(O) rose by 1 $\frac{1}{2}$ per cent in the third quarter to a level 4 $\frac{1}{2}$ per cent up on a year earlier. For the third quarter of 1987, our assessment of the current underlying trend of GDP is in the range 3 to 4 $\frac{1}{2}$ per cent. Any possible effect of the stock market fall will not be seen for some time. Of the components of GDP(E), preliminary estimates suggest an increase in consumers' expenditure in the third quarter (and retail sales were bouyant also in October), together with increased stockbuilding, though first estimates of capital investment suggest sluggish growth.

Seasonally adjusted adult unemployment fell sharply again, by 58,000 between September and October. The unemployment rate is now below 10 per cent for the first time for more than five years.

Manufacturing unit wage costs have risen only marginally since early last year, but they may now be rising at an annual rate of 2 per cent, reflecting increases in average earnings and no further increase in the rate of productivity growth. Weekly overtime working in manufacturing industry is now above the peak of 12 million hours in 1985 and, taking account of the contraction of manufacturing employment, overtime per person is above the high levels seen in the late 1970s.

The twelve-month change in retail prices rose as expected in October to 4.5 per cent (some rise was anticipated), but it is expected to fall again to around 4 per cent in November.

The cumulative PSBR for the first seven months of 1987/88, excluding privatisation proceeds was £3.8 billion, compared with £6.8 billion in the corresponding period last year.

Visible trade showed a deficit of £0.9 billion in October compared with a deficit of £0.6 billion in September. The latest estimate is that the current account was in deficit by £1.1 billion in the first ten months of the year. The underlying level of non-oil export volume has been rising for over six months and is well above that reached at the end of last year. The underlying level of non-oil import volume continues to rise faster than exports (after a slight fall at the beginning of the year).

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RECENT RATES OF CHANGE AND ASSESSMENT OF CURRENT
TREND FOR SOME KEY ECONOMIC INDICATORS

In the following notes, the figures for current trend represent our best assessment of the current underlying rate of increase after making allowance for temporary distorting factors such as strikes, unseasonal weather effects, etc. The figures show how the series are moving currently and may be different from the comparisons over the latest published twelve months.

GDP (average measure) in the second quarter of 1987 was $3\frac{1}{2}$ per cent higher than in the same period a year ago. This figure does not take account of past experience which shows that revisions to growth rates for the initial published estimates of GDP were on average, upwards, though not uniformly so. The assessment of current underlying trend for the third quarter of 1987 is that the rate of increase lies in the range $3-4\frac{1}{2}$ per cent per annum.

Industrial production in the third quarter of 1987 was 3 per cent higher than in the same period a year ago; manufacturing output was 6 per cent higher. The assessment of current underlying trend for industrial production is that the rate of change lies in the range $2\frac{1}{2}-4\frac{1}{2}$ per cent per annum at present. The current underlying trend in manufacturing output is in the range $4\frac{1}{2}-6\frac{1}{2}$ per cent per annum.

Retail prices rose by $4\frac{1}{2}$ per cent in the twelve months to October 1987. It is only possible to provide a useful indicator of trend for about 70 per cent of the RPI, mainly that covering private sector prices and excluding eg mortgage interest, rent, rates, products produced by nationalised industries, seasonal food and petrol. The current trend for this series is between $4\frac{1}{2}$ and 5 per cent per annum. In the twelve months to October 1987 this series rose by just over 4 per cent (not published).

Producer input prices fell by 0.7 per cent in seasonally adjusted terms in both September and October following the sharp rises that occurred in the summer months. A further fall of perhaps 2 per cent is expected in November.

Average earnings (underlying) in the twelve months to September 1987 rose by $7\frac{3}{4}$ per cent. The current trend is estimated to be $7\frac{3}{4}-8\frac{1}{4}$ per cent per annum.

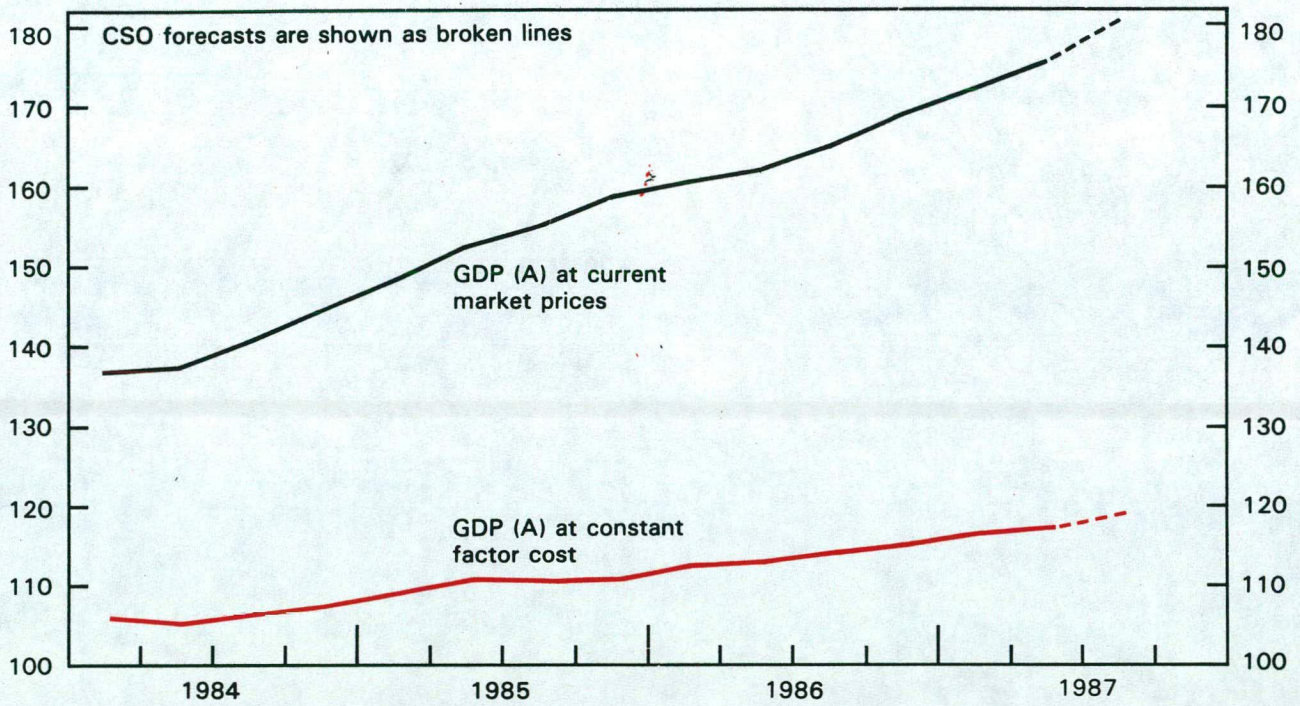
Unit wage costs in manufacturing in the third quarter of 1987 rose by $1\frac{1}{2}$ per cent compared with the same period a year ago. The current underlying trend is estimated to be in the range 1-3 per cent per annum.

Unemployment (excluding school leavers) in the twelve months to October has fallen on average by 37,000 per month. Over the past six months there has been an average fall of nearly 51,000 per month.

Movements over the latest published 12 months include any revisions that may have occurred since last publication (in general any such differences only occur in the GDP series).

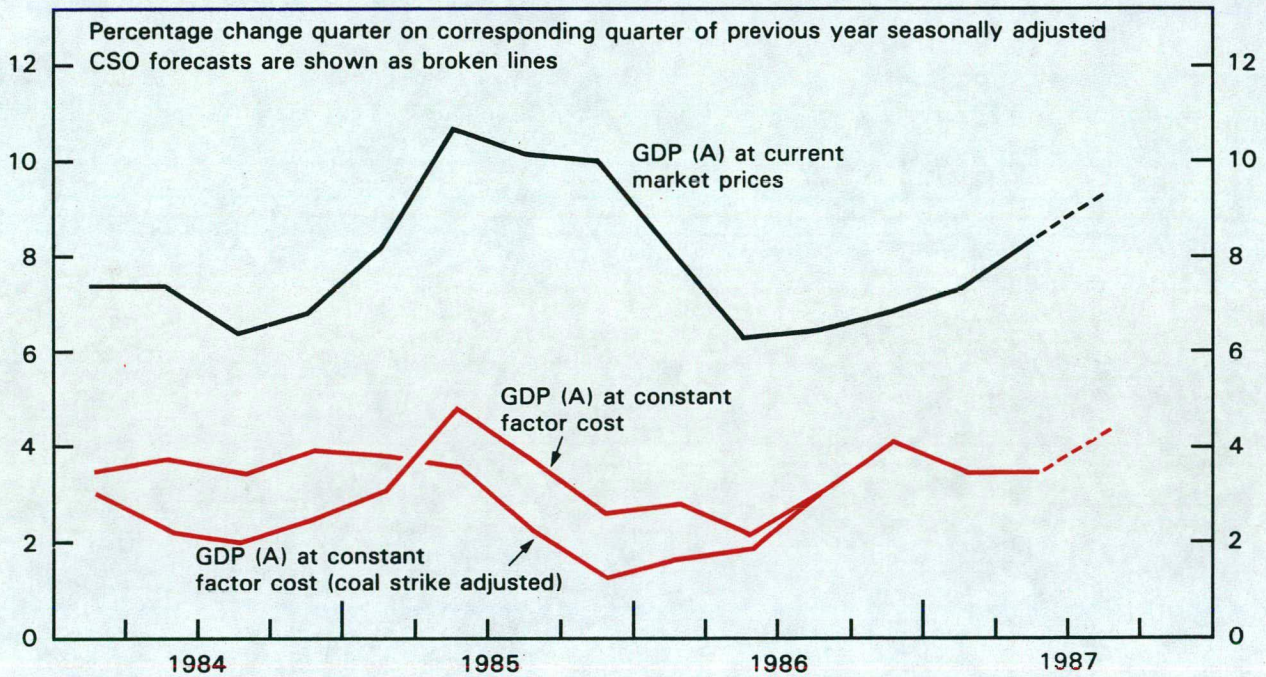
Gross domestic product (average measure)
1980 = 100, seasonally adjusted

CHART 1A



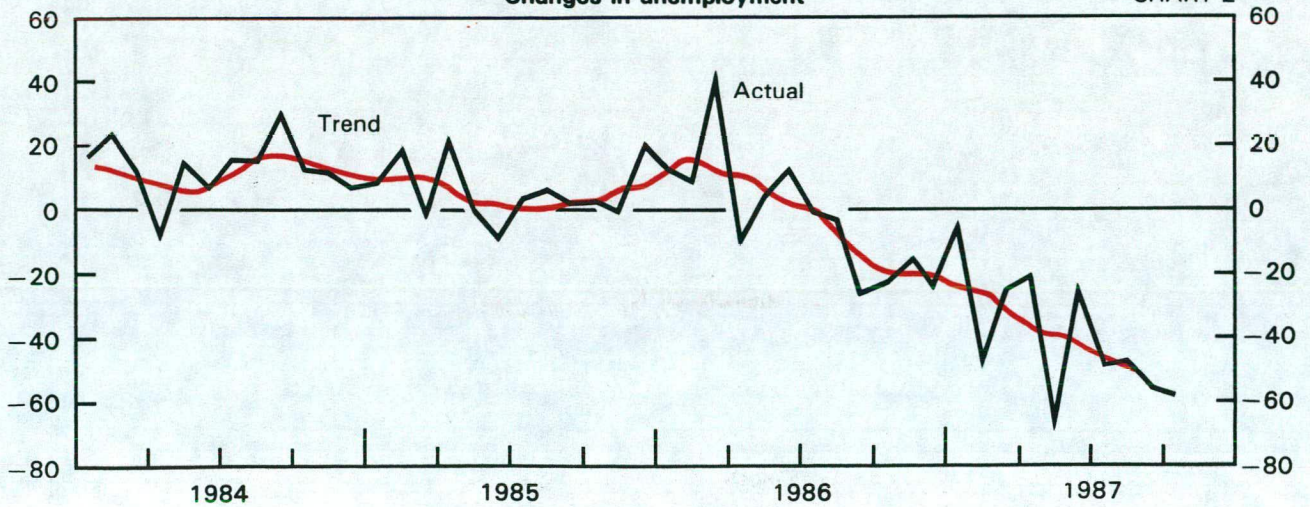
Gross domestic product (average measure)

CHART 1B



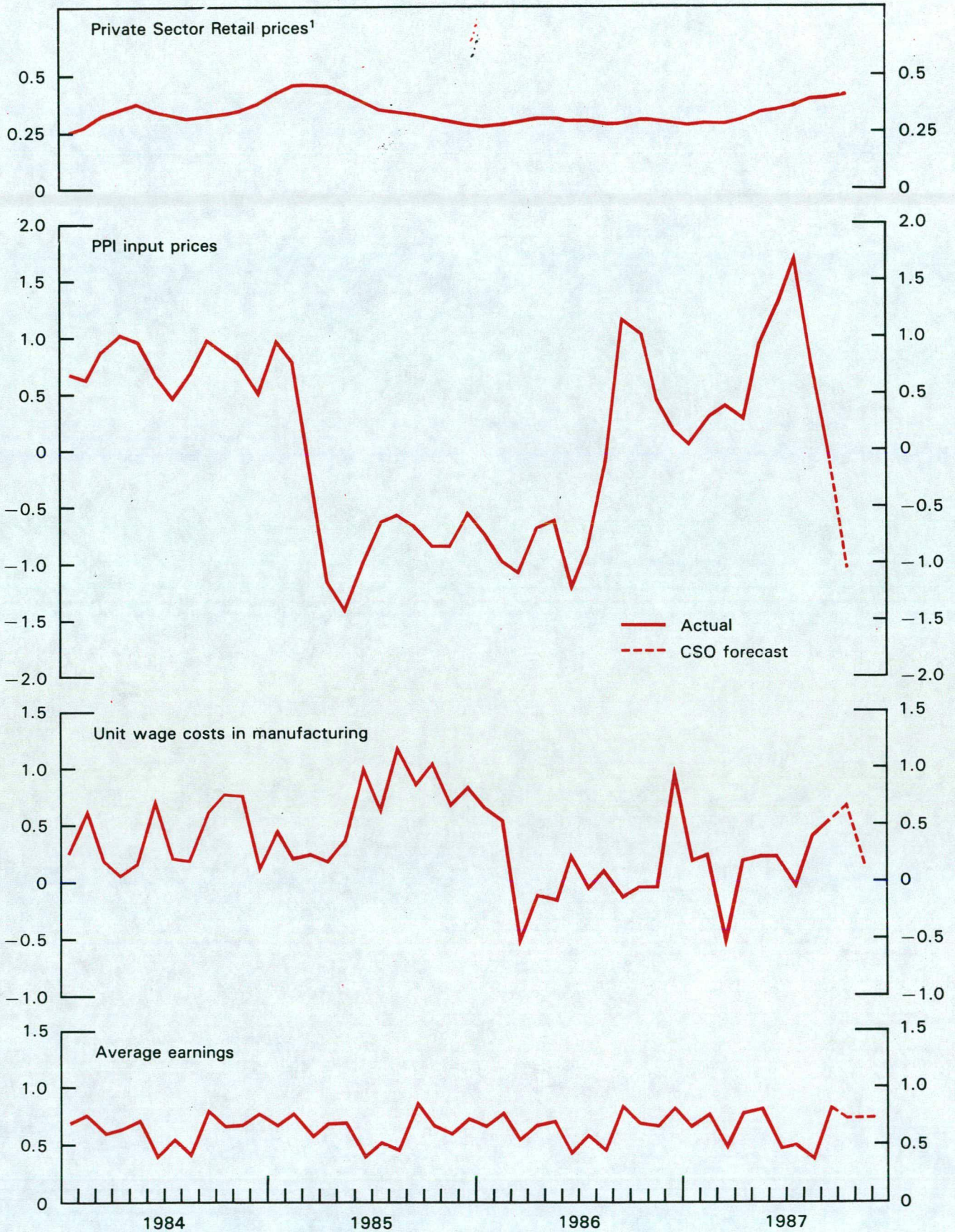
Changes in unemployment

CHART 2



**Rate of increase in average earnings, unit wage cost in manufacturing
PPI input prices and Private sector retail prices**

Month to month percentage changes, smoothed and adjusted for distorting factors where appropriate



1. Excludes seasonal food, mortgage interest, rent, rates and water charges
motor vehicle licences, products produced by Nationalised industries and petrol.

CHART 4

Movements in underlying average earnings and the tax and price index comparisons with 12 months previously

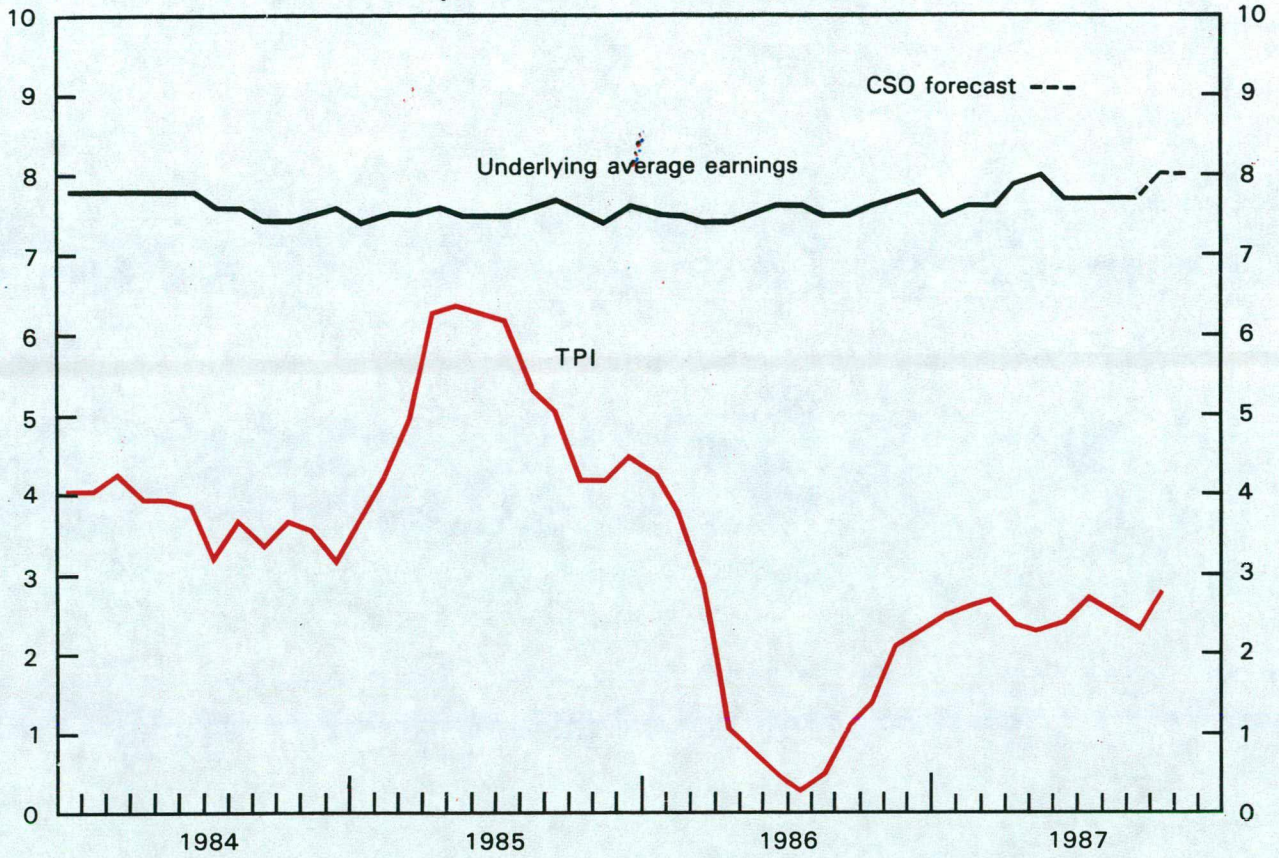
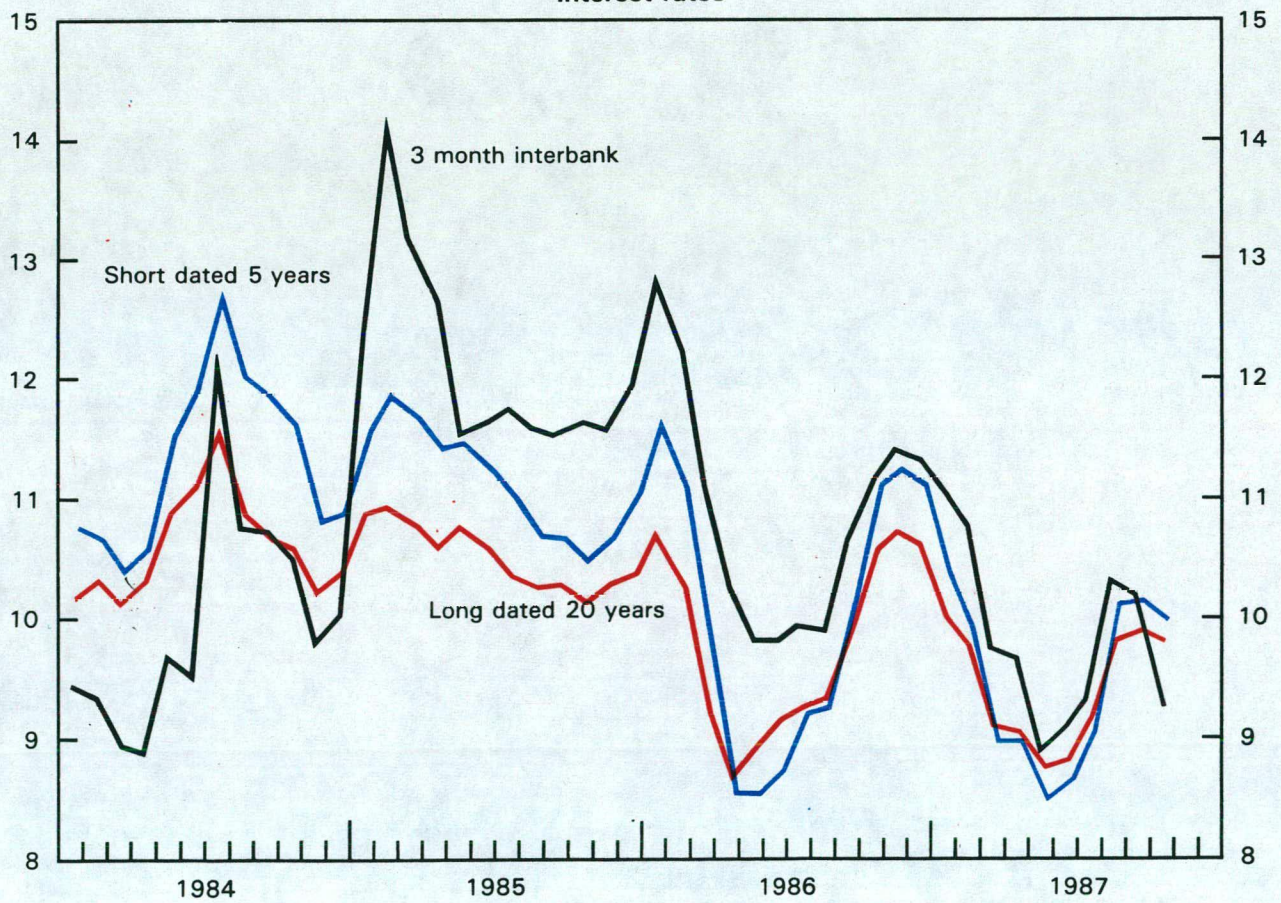


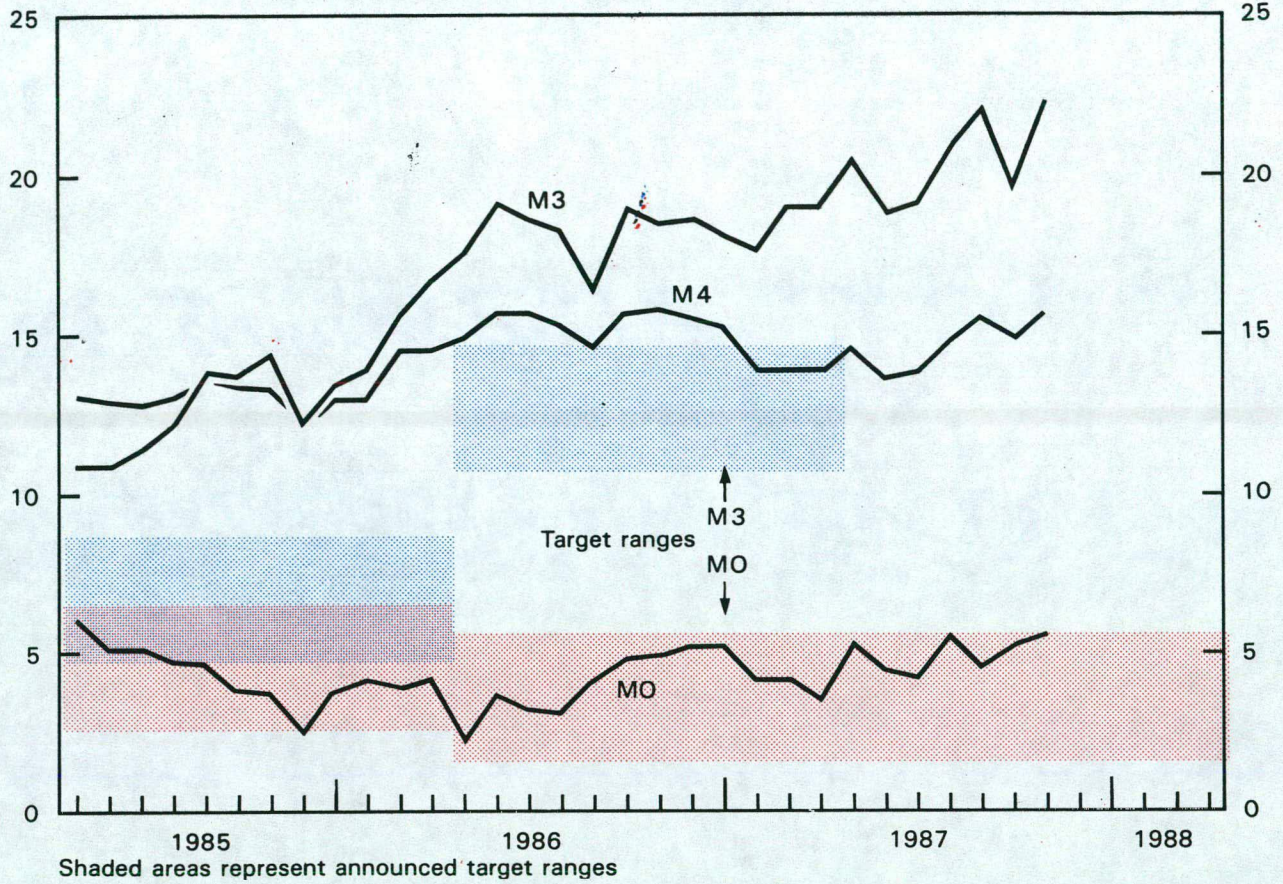
CHART 5

Interest rates



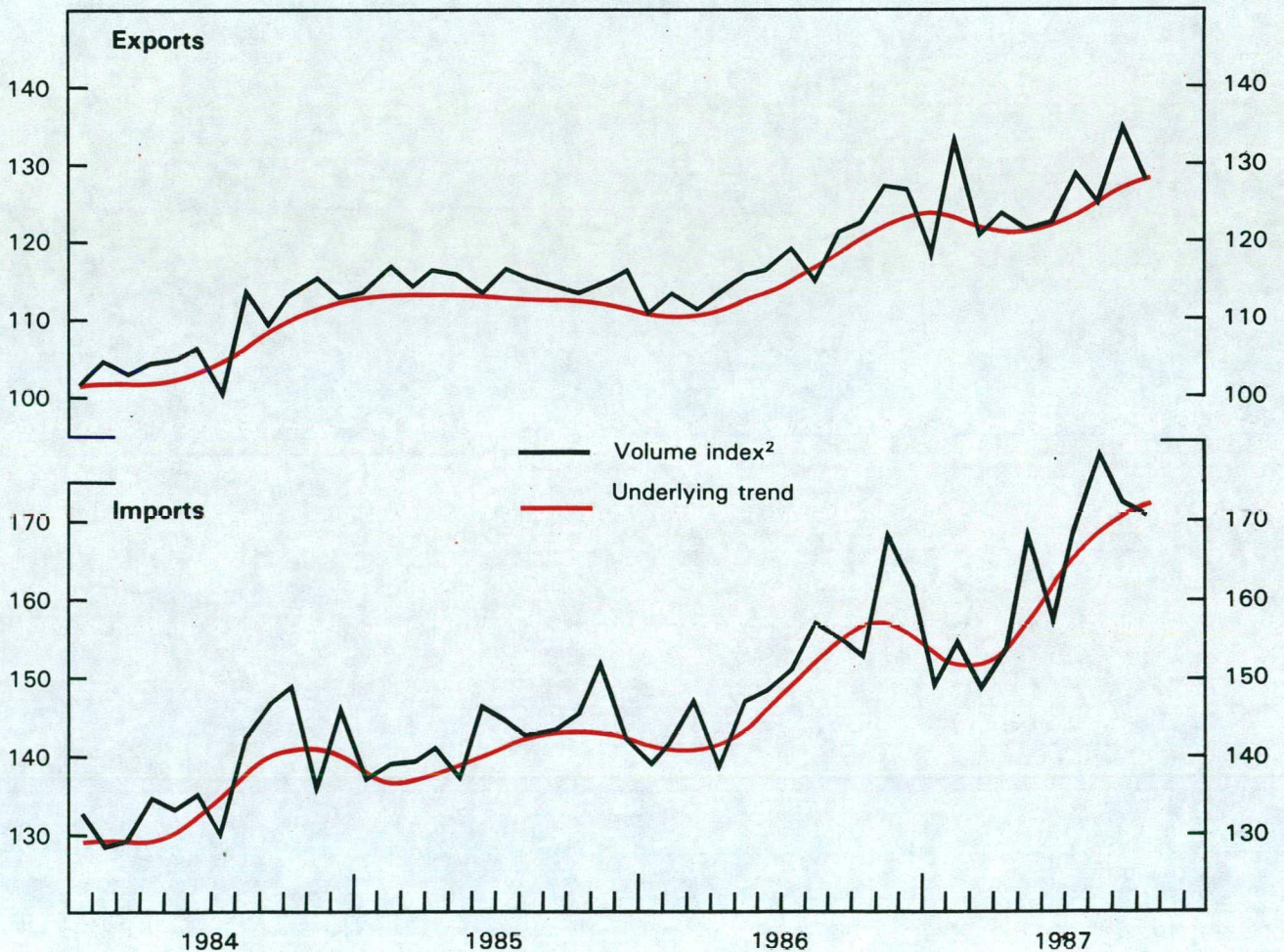
Monetary aggregates

Percentage change on previous 12 months (not seasonally adjusted)



Exports and Imports (excluding oil and erratics¹)

Index 1980 = 100



1. Ships, North Sea Installations, Aircraft, Precious Stones and Silver
 2. Seasonally adjusted data, Balance of Payments basis

MONTHLY NOTE ON THE BALANCE OF PAYMENTS - DECEMBER 1987

- * The visible trade deficit rose from £0.6 billion in September to £0.9 billion in October while the current account showed a deficit of £0.3 billion in October. The current account deficit for the first ten months of 1987 was £1.1 billion (paragraph 1).
- * UK cost competitiveness, which was probably broadly flat the third quarter of 1987 as the exchange rate stabilised, is likely to have deteriorated as sterling appreciated in October and November. (Paragraph 2)
- * G5 countries' domestic demand rose in the second quarter and industrial production rose strongly in the third quarter. (Paragraph 3)
- * UK domestic demand is likely to have risen in the third quarter; consumers' expenditure rose by a further 3 per cent in the third quarter and retail sales rose again in October. (Paragraph 3)
- * Export volumes (excluding oil and erratics) fell back a little in October but remain on an upward trend. (Paragraph 4)
- * Import volumes (excluding oil and erratics) fell again in October but the trend remains firmly upwards and rather faster than that of exports. (Paragraph 6)
- * The terms of trade fell in October, returning to its level of the past few months. (Paragraph 7)
- * The £1.1 billion current account deficit so far in 1987 compares with the Autumn Statement forecast for a current account deficit of £2½ billion in 1987. Independent forecasts - some of which do not take account of the recent stock market falls and appreciation of the exchange rate - now point on average to a deficit of £1.6 billion in 1987 and £3.1 billion in 1988. (Paragraph 9)

P DAVIS

EA2 DIVISION

MONTHLY NOTE ON THE BALANCE OF PAYMENTS - DECEMBER 1987

Current account

1. The October trade figures, published on 24 November showed a deficit on non-oil trade of £1.3 billion, partially offset by a surplus on oil trade of £0.4 billion. The value of non-oil exports fell by £0.2 billion whilst the value of non-oil imports rose also by £0.2 billion leading to an increase of £0.4 billion in the non-oil deficit compared with September. The invisibles projection remained unchanged at a surplus of £0.6 billion a month. In October, further adjustments were made to balance of payments basis figures for both exports and imports to take account of documents processed in October but relating to the period April to June which had been delayed by the earlier industrial action.

TABLE 1: CURRENT ACCOUNT

		Current balance	Visible total	of which: oil	manufactures	Other goods	Invisibles balance
		£ billion					
1985		2.9	-2.2	8.1	-3.0	-7.3	5.1
1986		-1.0	-8.5	4.1	-5.5	-7.0	7.5
1986	Q2	0.1	-1.6	0.8	-0.7	-1.7	1.7
	Q3	-0.9	-2.9	0.6	-1.7	-1.8	2.0
	Q4	-1.0	-2.7	0.8	-1.8	-1.7	1.8
1987	Q1	0.7	-1.1	1.2	-0.7	-1.6	1.8
	Q2	-0.2	-2.4	1.0	-1.9	-1.5	2.2
	Q3	-1.2	-3.0	0.9	-2.2	-1.8	1.8*
August		-0.9	-1.5	0.4	-1.3	-0.6	0.6*
September		-	-0.6	0.3	-0.3	-0.6	0.6*
October		-0.3	-0.9	0.4	-0.7	-0.5	0.6*

*CSO projection

CHART 1: CURRENT ACCOUNT

Average of latest three months

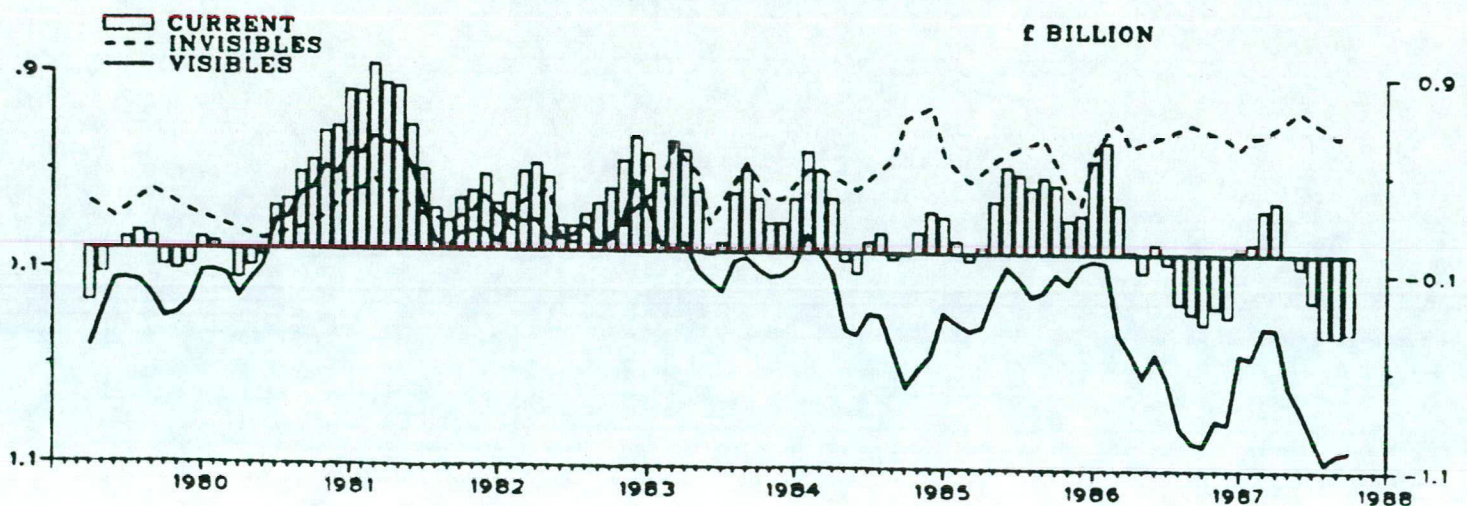
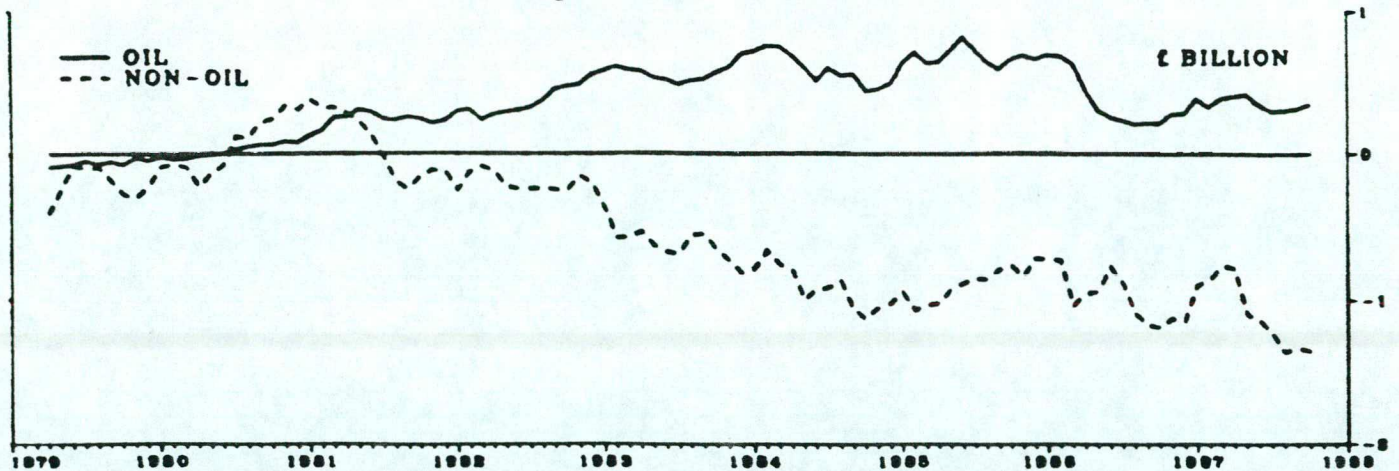


CHART 2: VISIBLE BALANCE

Average of latest three months



DETERMINANTS OF UK TRADE

Competitiveness

2. UK competitiveness (as measured by relative actual unit labour costs in manufacturing sector) which appears to have been broadly flat in the third quarter as the exchange rate stabilised and UK unit labour costs continued to rise at a similar rate to those elsewhere, has probably deteriorated during October and November as the exchange rate has appreciated. The sterling index at the end of November was some 4½ per cent above the third quarter average. If this is reflected fully in relative costs, the gain in cost competitiveness since 1984-85 would be reduced to 5-6 per cent.

TABLE 2: RELATIVE UNIT LABOUR COSTS IN MANUFACTURING

(% changes on a year earlier in brackets)

	Relative unit labour costs in common currencies 1980=100		Relative unit labour costs in domestic currencies 1980=100		Sterling exchange rate index 1975=100	
1985	84.5	(1.9)	100.3	(2.4)	78.2	(-0.6)
1986	77.3	(-8.5)	102.8	(2.5)	72.8	(-7.0)
Q3	75.2	(-16.1)	102.3	(0.9)	71.9	(-12.4)
Q4	70.7	(-18.8)	101.9	(-1.2)	58.2	(-14.6)
1987 Q1	72.1	(-11.0)	102.2	(-0.9)	69.9	(-6.9)
Q2	75.7	(-7.8)	103.3	(-0.6)	72.8	(-4.3)
Q3	75.4*	(0.3)	102.7*	(0.4)	72.7	(+1.1)
September					73.1	(+3.8)
October					73.6	(+8.6)
November					75.4	(+10.1)

* projected

World trade and domestic demand

3. G5 industrial production, which picked up in the second quarter grew strongly in the third quarter, suggesting that GDP growth may have strengthened after the modest rise in the second quarter. UK domestic demand rose more rapidly than that of other major countries in the second quarter. UK consumers' expenditure continued to grow rapidly in the third quarter and in October retail sales resumed their strong growth after falling back in September. Stockbuilding was also strong in the third quarter, although investment fell back a little.

TABLE 3: INDICATORS OF DEMAND

	G5 Countries			Indices 1980=100 UK			
	Export volumes*	Domestic demand	Industrial production	Export volumes**	Domestic demand	Manufacturing production	Retail Sales
1985	110	113.3	112.0	114.9	111.1	103.7	116.4
1986	111	118.0	113.1	117.7	115.3	104.7	122.6
1986	1	108	116.0	111.9	114.0	102.5	119.3
	2	113	117.8	115.1	114.1	104.0	121.3
	3	107	118.8	118.5	115.7	105.0	123.7
	4	116	119.2	125.3	117.2	107.4	126.5
1987	1	110	119.6	124.4	116.2	107.4	125.4
	2	114	120.7	122.5	118.4	109.4	128.3
	3		117.1	129.3		111.3	131.8
August			117.6	124.9		111.8	132.5
September			117.2	134.6		111.2	131.8
October				127.8			132.9
Latest 3 months on a year earlier	1	2½	3½	8	4	6	6½

* Not seasonally adjusted

** Excluding oil and erratics

Exports

4. Export volumes (excluding oil and erratics) fell back a little in October, but the trend still seems upwards. In the three months to October exports of all major categories were higher than in the previous three months although the recorded growth on an OTS basis was boosted by the effects of the Customs strike in the second quarter, adjustments for which have only been made to the Balance of Payments based figures. Strong growth was maintained in exports of chemicals, capital and intermediate goods, while exports of cars and other consumer goods continued to grow steadily. The CBI monthly trends inquiry for November

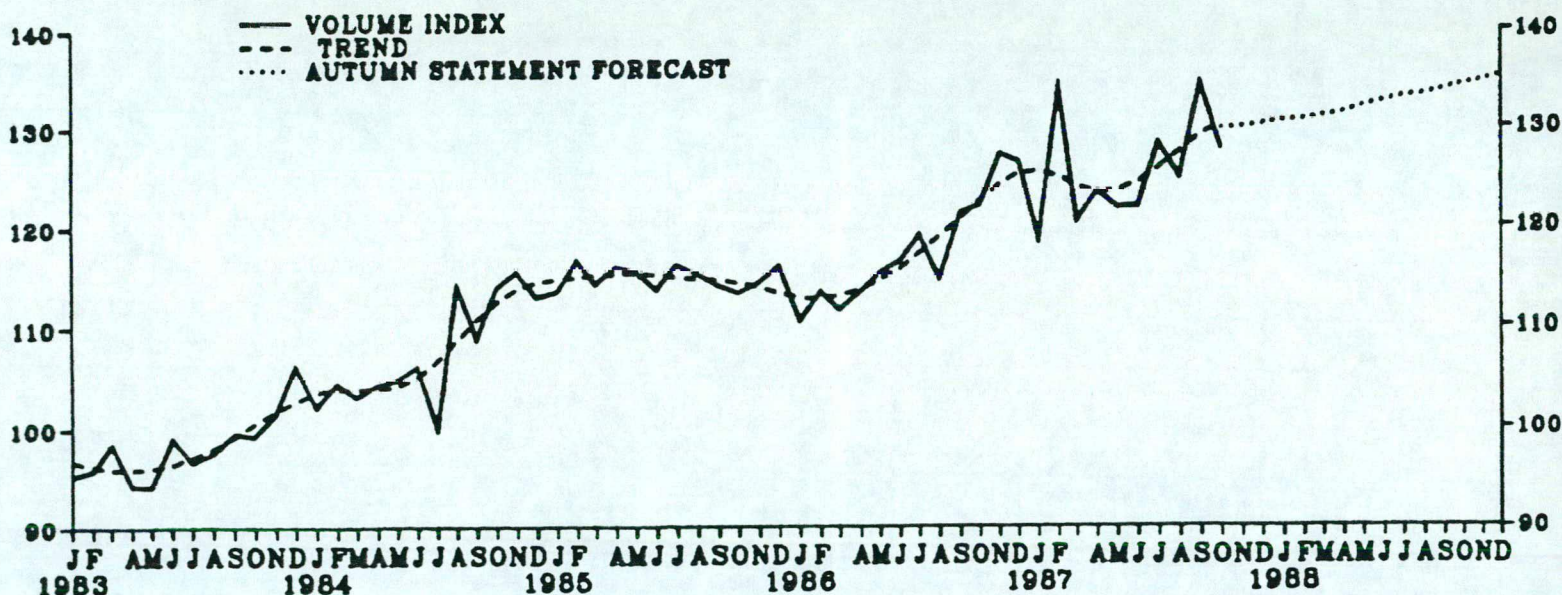
● indicates that firms' export order books have recovered at little since the October survey though, on a seasonally adjusted basis, they have fallen back from the peak level recorded in July.

TABLE 4: EXPORT VOLUMES (1980 = 100)

	Goods*	Goods less oil and erratics*	Manufactures (excluding erratics)	Food, drink and tobacco	Basic materials	Fuel
1985	118.7	114.9	115.7	119.2	106.1	171.7
1986	123.1	117.7	116.9	129.6	117.1	175.5
1986	3	122.6	118.5	133.5	126.3	174.3
	4	130.5	125.3	146.2	128.9	178.9
1987	1	130.0	124.4	129.0	144.8	183.1
	2	126.3	122.5	124.4	120.3	170.7
	3	130.7	129.3	130.1	133.1	124.3	164.2
August	126.6	124.9	125.2	128.7	135.5	172.0
September	134.6	134.6	136.3	136.1	123.0	158.3
October	132.4	127.8	130.9	144.2	109.3	170.1
Latest 3 months on						
- a year ago	6½	8	11	-4	-2	-3
- previous 3 months	4	4	6½	6½	5½	6
October on September	-1½	-5	-4	6	-11	7½

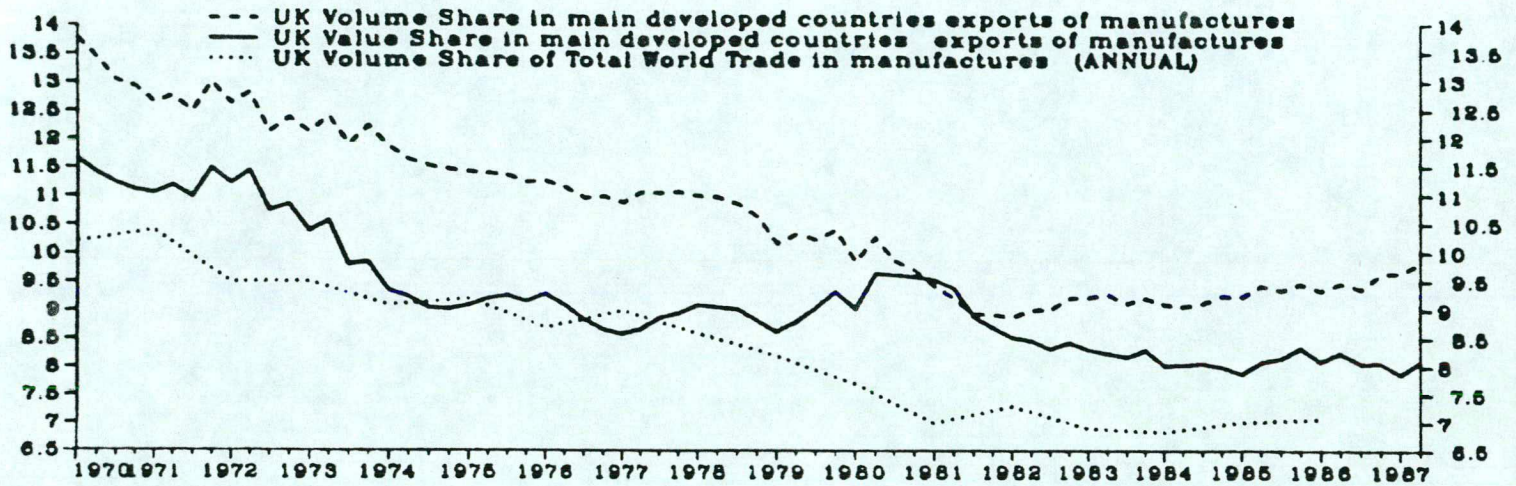
* Balance of payments basis

CHART 4: NON OIL EXPORT VOLUMES EXCLUDING ERRATICS



5. Exports to developed countries rose by 7 per cent in the three months to October whilst exports to developing countries increased by 3 per cent and exports to oil exporters showed a 12 per cent rise. On the basis of available information to the second quarter of 1987 it appears that UK manufacturers have slightly increased their volume share of developed countries' exports over the past year although the UK share of total world trade in manufactures, including the rapidly increasing manufactured exports of newly industrialised countries, has probably been broadly stable.

CHART 5: SHARE OF EXPORTS IN WORLD TRADE IN MANUFACTURERS



Imports

6. The volume of imports (excluding oil and erratics) fell back a little in October. Imports of manufactures - especially intermediate goods - rose but this was offset by falls in all other major categories. The path of imports continues to be erratic, but the trend is still strongly upward. Imports of semi-manufactures intermediate and capital goods have continued on a rising trend reflecting the growth in domestic output and especially recently, in stockbuilding. Imports of capital goods have continued to rise despite the slight recorded fall in investment in the third quarter. Imports of goods (excluding oil) rose more rapidly than domestic demand in the year to the second quarter of 1987 and this trend has probably continued in the third quarter.

CHART 6: NON OIL IMPORT VOLUMES EXCLUDING ERRATICS

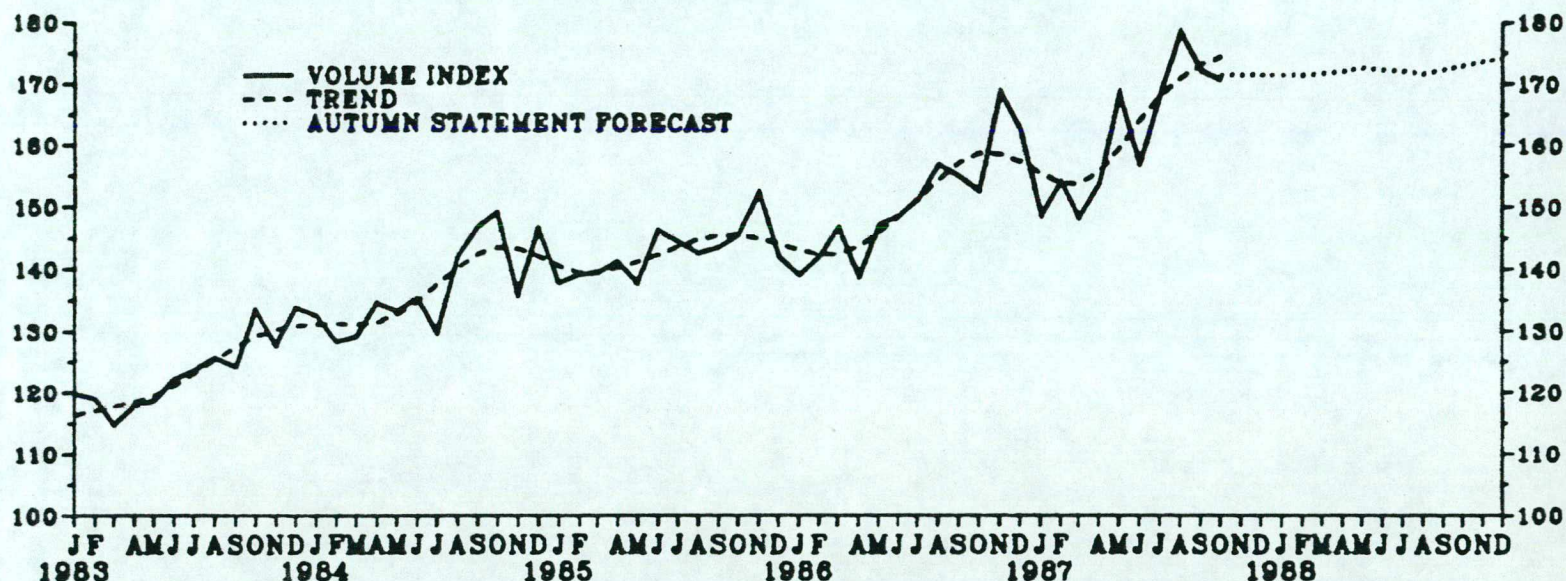


CHART 7: SHARE OF IMPORTS OF GOODS (EXCLUDING OIL) IN DOMESTIC DEMAND

(PER CENT, FOUR QUARTER MOVING AVERAGE).

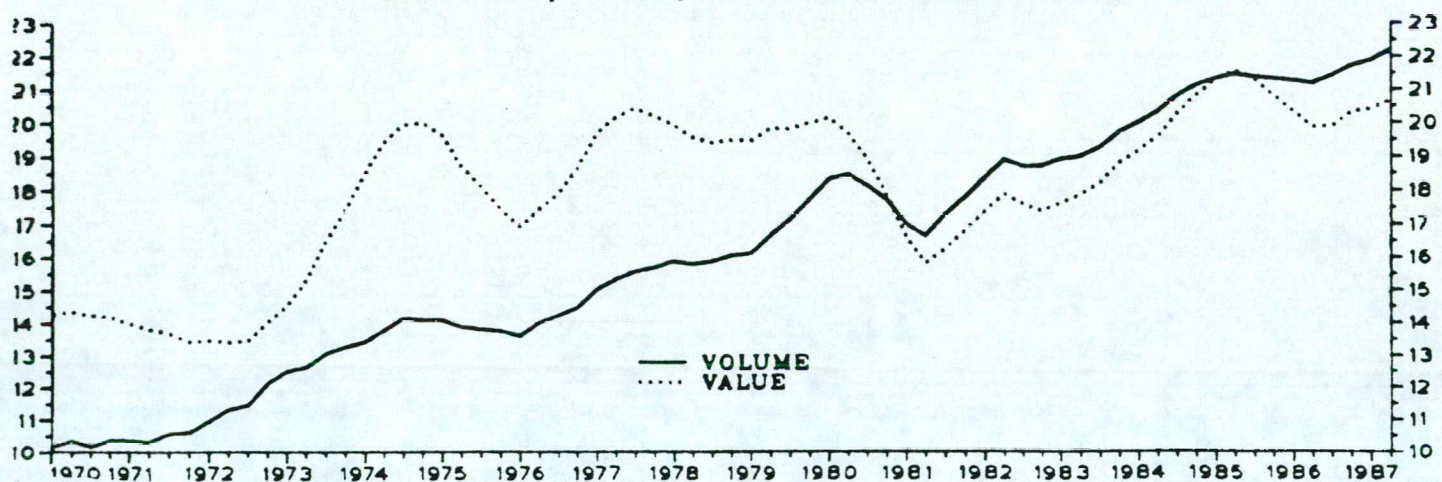


TABLE 5: IMPORT VOLUMES

		Goods*	Goods less oil and erratics*	Food, drink and tobacco	Basic materials	1980=100 Fuels	Manufactures less erratics
1985		126.0	142.8	114.4	102.2	86.2	154.4
1986		134.2	150.9	123.5	108.7	93.4	163.0
1986	3	139.0	154.4	125.5	106.1	111.9	167.6
	4	144.0	161.4	125.3	119.4	106.2	174.4
1987	1	133.2	150.4	120.2	121.5	90.8	160.5
	2	140.9	159.8	119.5	122.2	89.8	172.8
	3	151.0	172.9	126.2	120.9	104.4	189.7
August		155.1	178.5	126.8	120.4	103.7	197.5
September		150.1	172.1	128.3	126.5	106.7	187.7
October		149.1	170.7	122.2	120.8	92.0	192.6
% change							
Latest 3							
months on							
	- a year ago	8	12	3	13	-12	14
	- previous						
3 months							
	October on	5	5½	2	3	11	7½
	September	-½	-1	-4½	-4½	-14	2½

* Balance of payments basis

TABLE 6: IMPORT VOLUMES OF MANUFACTURES (EXCLUDING ERRATICS)

		1980 = 100					Capital goods
		Semi manufactures	Finished manufactures	of which: Passenger cars	Other consumer goods	Inter- mediate goods	
1985		143.9	161.4	127.9	139.5	172.8	187.1
1986		152.0	170.4	131.6	158.3	187.0	183.1
1986	3	154.8	176.0	142.2	164.6	192.6	185.2
	4	156.6	186.4	133.0	170.1	204.9	205.4
1987	1	152.3	166.0	102.6	156.0	184.9	186.8
	2	163.2	179.3	120.8	171.6	202.8	191.5
	3	174.2	200.0	146.6	184.2	223.6	215.1
August		184.4	206.3	172.1	189.4	231.7	212.0
September		172.6	197.6	125.1	184.6	217.3	219.4
October		174.8	204.5	134.4	189.1	229.6	220.9
% change							
Latest 3							
months on							
	- a year ago	14	15	1	17	17	14
	- previous						
3 months							
	October on	7	8	10	5½	7½	8
	September	1½	3½	7½	2½	5½	½

Trade prices

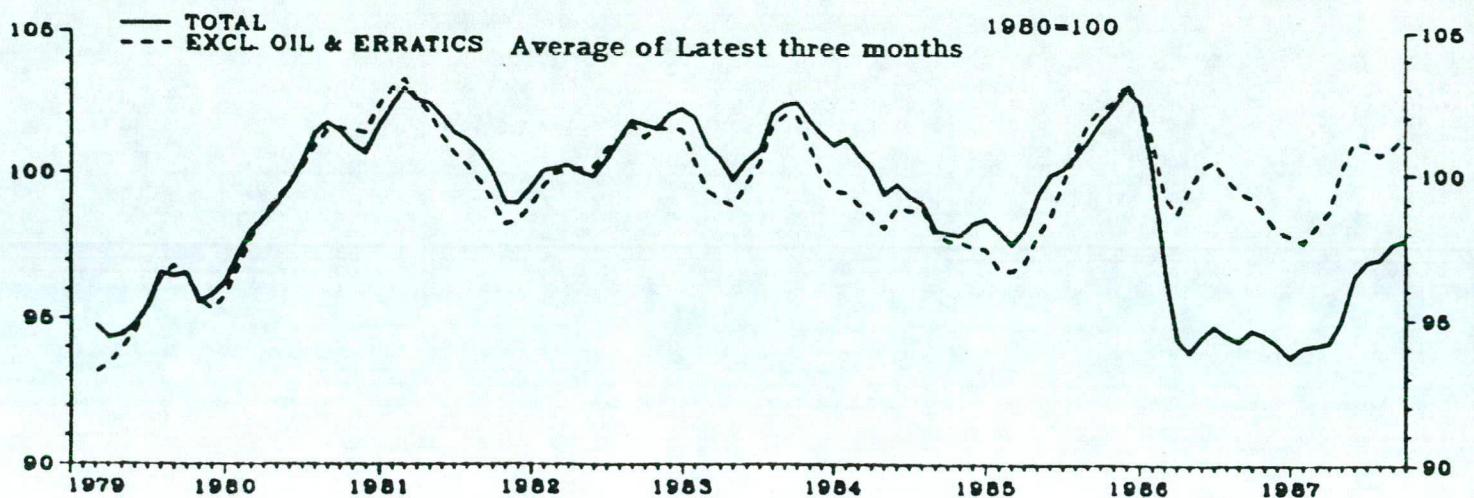
8. The total terms of trade fell back in October partly as a result of lower oil prices. Manufactures export prices (excluding erratics) have changed little in the three months to October and it is probable that export profit margins have been growing more slowly than domestic margins. Manufactures import prices (excluding erratics) were unchanged in the three months to October as the firming of the exchange rate early in the year held back price increases in sterling terms whilst export prices rose by only $\frac{1}{2}$ per cent. Basic material import prices rose by $1\frac{1}{2}$ per cent over this period reflecting continued rises in world commodity prices (however commodity prices have subsequently fallen back in November.)

TABLE 7: TRADE PRICES (AVERAGE VALUES)

	Terms of trade		Manufactures (excluding erratics)		Non Manufactures (excluding fuel)		Exports of Fuel
	Total	Non oil (excluding erratics)	Exports	Imports	Exports	Imports	
1985	100.4	100.1	134.4	131.7	129.6	132.0	109.2
1986	94.9	99.4	136.3	135.0	128.4	127.2	76.3
1986 3	94.5	99.7	136.3	133.4	126.8	126.9	57.4
4	95.0	99.0	137.6	137.0	130.0	129.1	68.4
1987 1	95.0	98.5	139.5	140.3	128.6	127.7	78.5
2	96.5	101.1	140.5	138.7	131.7	127.3	78.6
3	97.6	100.6	140.8	138.7	132.2	128.1	82.4
August	96.8	100.4	141.4	139.6	130.5	128.7	85.4
September	99.6	102.6	141.5	137.2	131.2	126.5	81.7
October	96.9	101.2	141.5	138.5	129.6	128.4	80.0
% change Latest 3 months on							
- a year ago	3 $\frac{1}{2}$	2	3	2	2 $\frac{1}{2}$	0	36
- previous 3 months	1	$\frac{1}{2}$	$\frac{1}{2}$	0	-2	0	4 $\frac{1}{2}$

* BOP basis

CHART 8: TERMS OF TRADE



PROSPECTS

10. The current account deficit of £0.3 billion in October brings the total for 1987 so far to £1.1 billion compared to the Autumn Statement forecast of £2½ billion. Data revisions (especially to invisibles) however, are possible before the first 1987 current account estimate is published next March, hence error margins are still substantial. Independent forecasters on average are projecting a deficit of £3.1 billion in 1988 - similar to the Autumn Statement forecast deficit of £3½ billion. The latest LBS forecast shows a current deficit of £2½ billion in 1988. The National Institute forecasts a deficit for 1988 of £3 billion.

TABLE 8: CURRENT ACCOUNT (£ billion)

	1987	1988	1989	1990
CBI (September)	-1.3	-2.6		
OECD (June)	-0.5	-2.5	-	-
National Institute (November)	-1.6	-2.8	-5.0	-6.2
LBS (November)	-2.0	-2.6	-1.2	-0.6
Phillips and Drew (November)	-2.2	-3.6		
Goldman Sachs (November)	-1.4	-4.1		
Henley (November)	-2.2	-2.9	-2.3	-3.0
Oxford (November)	-1.4	-2.3	-2.7	-1.2
Liverpool (October)	-0.8	-2.3	-1.2	-1.2
Independent Average†	-1.6	-3.1	-2.5	-2.4
HMT Autumn Statement	-2½	-3½		

† Based on sample used in regular EB comparison - latest edition; October.

INTERNATIONAL COMPARISONS

11. The German and Japanese current surplus as both fell in the third quarter. In the US, trade volumes are responding to the decline in the dollar, although in the third quarter the US trade deficit widened a little to a monthly average of \$15½ billion compared with \$14½ billion in the second quarter.

TABLE 9: G5 COUNTRIES' CURRENT BALANCES*

		US	Japan	Germany	France	\$ billion UK
1983		-46.6	20.8	4.1	-4.7	5.1
1984		-107.0	35.0	8.4	-0.8	2.1
1985		-116.4	49.2	15.1	-0.2	4.6
1986		-141.4	85.8	37.1	2.9	-1.4
1986	1	-33.0	12.7	7.0	-0.4	1.2
	2	-33.8	23.1	8.3	1.0	0.2
	3	-36.6	24.4	8.6	0.7	-1.4
	4	-38.0	25.7	13.8	1.8	-1.4
1987	1	-36.8	21.0	10.9	-1.8	1.0
	2	-41.1	22.8	10.7	0	-0.3
	3	-	20.9	7.4	-	-2.1

* Seasonally adjusted

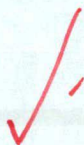
CONFIDENTIAL
UNTIL 11.30 AM 7 DECEMBER

FROM: N I HOLGATE
 DATE: 4 December 1987

1. MISS O'MARA *mom 4/12*
 2. ECONOMIC SECRETARY

cc: Chancellor
 Sir P Middleton
 Sir T Burns
 Sir G Littler
 Mr Cassell
 Mr Peretz
 Mr Sedgwick
 Mr R I G Allen
 Mr Grice
 Miss Noble
 Mr Hall

*Mr Keefers
 Miss O'Mara*



DTI PRESS NOTICE ON CONSUMER CREDIT

(All figures are seasonally adjusted).

The DTI press notice attached gives details of credit business in October. It will be published at 11.30am on Monday 7 December.

2. The table below summarises the information in the release.

	CONSUMER CREDIT IN OCTOBER		
	<u>£m</u>	<u>Percentage increase over level of previous month</u>	<u>Percentage growth over last 12 months</u>
1. Change in amount outstanding on consumer credit agreements	412 (412)	1.9 (1.9)	18.7 (17.7)
of which bank credit cards:	93 (160)	1.7 (3.1)	17.1 (17.3)
2. New credit advanced to consumers	2,972 (3,231)	-8.0 (8.7)	22.0 (26.5)
of which bank credit cards:	1,386 (1,559)	-11.0 (12.6)	20.3 (27.8)

(Bracketed figures give comparable amounts for September).

3. Changes in amounts outstanding (Table 1 of the press notice) were the same as in September. The annual growth rate is one point higher because of unusually low growth in October 1986.

4. New credit advanced in October (Table 3) shows a fall from that in September and a return to the levels seen in August. It

●s within £10 million of the average of the last six months.

5. Table 2 gives quarterly data only on all consumer credit agreements and shows 1987 Q3 £10 million (0.7%) higher than previously estimated.

6. These figures should not attract adverse press comment and IDT can draw upon the briefing line on the full money figures which I submitted to Mr Cassell on 26 November, if any queries are raised.

N I Holgate

N I HOLGATE

DTI Press Notice

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 87/758

7 December 1987

CREDIT BUSINESS IN OCTOBER

During October the change in amounts outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards was £0.4 billion (see Table 1), the same as the change in September.

The increase in the latest three months, August to October, was £1.0 billion, above the corresponding figure of £0.9 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.8 billion in the most recent period compared with £0.5 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

New credit advanced to consumers in October by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.0 billion, compared with a total of £3.2 billion in September (see Table 3). The total for the three months August to October was 6 per cent higher than that for the previous three months.

There was no change in amounts outstanding on agreements with businesses by finance houses, other specialist credit grantors and building societies in October (see Table 1). A fall in amounts outstanding on loans to motor dealers for stock funding purposes more than offset increases in amounts outstanding on other business loans. The total change in the latest three months was £0.2 billion, compared with £0.5 billion in the preceding three months.

NOTES TO EDITORS

1 - All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.

3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.

4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance houses to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on bank credit cards and by mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.

5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

6 Further definitions are given at the foot of the tables accompanying this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£17.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.20 each from:

The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS	BUSINESSES	
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,063	2,231	4,681	12,151	5,728	24,791
1987 SEP	21,912R	2,461	5,372	14,079R	6,528R	28,440R
OCT	22,324	2,510	5,465	14,349	6,497	28,821
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,437	94	891	1,452	596	3,033
1986 1st Qtr	855	39	221	595	214	1,069
2nd Qtr	346	3	213	130	34	380
3rd Qtr	792	107	356	329	193	985
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2nd Qtr	1,038	56	260	722	373	1,411
3rd Qtr	859R	107	183	569R	422R	1,281R
1986 OCT	194	-81	86	189	127	321
NOV	-15	12	-113	86	-23	-38
DEC	265	14	128	123	51	316
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FEB	296	27	97	172	24	320
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APR	410	20	113	277	66	476
MAY	294	20	19	255	141	435
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SEP	412R	30	160	222R	141R	553R
OCT	412	49	93	270	-31	381
1987 MAY-JUL	869	00	250	531	456	1,325
AUG-OCT	1,030	104	173	753	242	1,272

R = revised

- NOTES (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	£ Million		
	1983	1984	1985
Retailers	132	116	195
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.
 (SEASONALLY ADJUSTED)

£ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNT OUTSTANDING AT END OF PERIOD						
1986	31,095	2,231	4,681	11,228	804	12,151
1987 1st Qtr	32,267	2,298	4,929	11,440	812	12,788
2nd Qtr	33,730	2,354	5,189	11,895	782	13,510
3rd Qtr	35,124R	2,461	5,372	12,420	792	14,079R

CHANGES IN AMOUNTS OUTSTANDING

1986	2,496	94	891		59	1,452
1986 1st Qtr	858	39	221		3	595
2nd Qtr	360	3	213		14	130
3rd Qtr	806	107	356		14	329
4th Qtr	472	-55	101		28	398
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2nd Qtr	1,463	56	260	455	-30	722
3rd Qtr	1,394R	107	183	525	10E	569R

— indicates a break in the series

R = revised
E = estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
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TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND
BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,026	4,834	12,916	10,276	3,489	31,515
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223
4th Qtr	7,253	1,230	3,480	2,543	925	8,178
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881
2nd Qtr	8,440	1,272	3,997	3,171	1,029	9,469
3rd Qtr	9,147R	1,365	4,353	3,429R	1,149R	10,296R
1986 OCT	2,437	413	1,152	872	322	2,759
NOV	2,360	420	1,129	811	275	2,635
DEC	2,456	397	1,199	860	328	2,784
1987 JAN	2,417	411	1,177	829	278	2,695
FEB	2,618	415	1,276	927	331	2,949
MAR	2,883	415	1,421	1,047	354	3,237
APR	2,766	416	1,289	1,061	314	3,080
MAY	2,697	414	1,268	1,015	335	3,032
JUN	2,977	442	1,440	1,095	380	3,357
JUL	2,944	447	1,410	1,087	359	3,303
AUG	2,972	457	1,384	1,131	376	3,348
SEP	3,231R	461	1,559	1,211R	414R	3,645R
OCT	2,972	469	1,386	1,117	369	3,341
1987 MAY-JUL	8,618	1,303	4,118	3,197	1,074	9,692
AUG-OCT	9,175	1,387	4,329	3,459	1,159	10,334

Percentage
increase
over previous
three months

6 6 5 8 8 7

R = revised

NOTES

(a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.

(b) Excluding dealer stock funding. These agreements are included in table 1.

Reference

prp

To:

SECRETARY OF STATE

(Circulation list attached)

From:

PETER RICHARDSON
S2C
Room 3/3
20 Victoria Street
215 3351

4 December 1987

CREDIT BUSINESS IN OCTOBER

A Press Notice giving details of credit business in October is attached for information. The Press Notice will be issued at 11.30 am on Monday, 7 December. The contents should be treated as confidential until then.

P H Richardson

P H RICHARDSON

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

DTI Press Notice

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 87/758

7 December 1987

CREDIT BUSINESS IN OCTOBER

During October the **change in amounts outstanding on consumer credit agreements** with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards was £0.4 billion (see **Table 1**), the same as the change in September.

The increase in the latest three months, August to October, was £1.0 billion, above the corresponding figure of £0.9 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.8 billion in the most recent period compared with £0.5 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

New credit advanced to consumers in October by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.0 billion, compared with a total of £3.2 billion in September (see **Table 3**). The total for the three months August to October was 6 per cent higher than that for the previous three months.

There was no **change in amounts outstanding on agreements with businesses** by finance houses, other specialist credit grantors and building societies in October (see **Table 1**). A fall in amounts outstanding on loans to motor dealers for stock funding purposes more than offset increases in amounts outstanding on other business loans. The total change in the latest three months was £0.2 billion, compared with £0.5 billion in the preceding three months.

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1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

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3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.

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5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

6 Further definitions are given at the foot of the tables accompanying this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£17.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.20 each from:

The Library,
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Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138

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CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS D	BUSINESSES E	
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 (SEASONALLY ADJUSTED)

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1987 MAY-JUL	8,618	1,303	4,118	3,197	1,074	9,692
AUG-OCT	9,175	1,387	4,329	3,459	1,159	10,334
Percentage increase over previous three months	6	6	5	8	8	7

R = revised

NOTES

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(b) Excluding dealer stock funding. These agreements are included in table 1.

CIRCULATION LIST

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Chancellor's Office

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Mr C Bryant	-	"
Mr D Stirling	-	"
Mr J Alexander	-	"

CONSUMER CREDIT

225.11

CONFIDENTIAL
UNTIL 11.30 AM 7 DECEMBER

py

FROM: N I HOLGATE
DATE: 4 December 1987

- 1. MISS O'MARA *mom 4/12*
- 2. ECONOMIC SECRETARY

- cc:
- Chancellor
 - Sir P Middleton
 - Sir T Burns
 - Sir G Littler
 - Mr Cassell
 - Mr Peretz
 - Mr Sedgwick
 - Mr R I G Allen
 - Mr Grice
 - Miss Noble
 - Mr Hall

This is note Terry mentioned
AA

*Mr Rieker
Miss O'Mara*

DTI PRESS NOTICE ON CONSUMER CREDIT

(All figures are seasonally adjusted).

The DTI press notice attached gives details of credit business in October. It will be published at 11.30am on Monday 7 December.

2. The table below summarises the information in the release.

NB These figures exclude bank personal loans.

	CONSUMER CREDIT IN OCTOBER		
	£m	Percentage increase ^a over level of previous month	Percentage growth over last 12 months
1. Change in amount outstanding on consumer credit agreements	412 (412)	1.9 (1.9)	18.7 (17.7)
of which bank credit cards:	93 (160)	1.7 (3.1)	17.1 (17.3)
2. New credit advanced to consumers	2,972 (3,231)	-8.0 (8.7)	22.0 (26.5)
of which bank credit cards:	1,386 (1,559)	-11.0 (12.6)	20.3 (27.8)

(Bracketed figures give comparable amounts for September).

3. Changes in amounts outstanding (Table 1 of the press notice) were the same as in September. The annual growth rate is one point higher because of unusually low growth in October 1986.

4. New credit advanced in October (Table 3) shows a fall from that in September and a return to the levels seen in August. It

is within £10 million of the average of the last six months.

5. Table 2 gives quarterly data only on all consumer credit agreements and shows 1987 Q3 £10 million (0.7%) higher than previously estimated.

6. These figures should not attract adverse press comment and IDT can draw upon the briefing line on the full money figures which I submitted to Mr Cassell on 26 November, if any queries are raised.

N. I. Holgate

N I HOLGATE

DTI Press Notice

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 87/758

7 December 1987

CREDIT BUSINESS IN OCTOBER

During October the **change in amounts outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards** was £0.4 billion (see Table 1), the same as the change in September.

The increase in the latest three months, August to October, was £1.0 billion, above the corresponding figure of £0.9 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.8 billion in the most recent period compared with £0.5 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

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Retailers	132	116	195
Finance Houses etc.	2,286	2,180	2,541

*Long term
lines*

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

(SEASONALLY ADJUSTED)

£ Million

CONSUMER CREDIT AGREEMENTS

TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
		CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		

AMOUNT OUTSTANDING AT END OF PERIOD

1986	31,095	2,231	4,681	11,228	804	12,151
1987 1st Qtr	32,267	2,298	4,929	11,440	812	12,788
2nd Qtr	33,730	2,354	5,189	11,895	782	13,510
3rd Qtr	35,124R	2,461	5,372	12,420	792	14,079R

CHANGES IN AMOUNTS OUTSTANDING

1986	2,496	94	891		59	1,452
1986 1st Qtr	858	39	221		3	595
2nd Qtr	360	3	213		14	130
3rd Qtr	806	107	356		14	329
4th Qtr	472	-55	101		28	398
1987 1st Qtr	1,172	67	248	212	8	637
2nd Qtr	1,463	56	260	455	-30	722
3rd Qtr	1,394R	107	183	525	10E	569R

— indicates a break in the series

R = revised
E = estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND
BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,026	4,834	12,916	10,276	3,489	31,515
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223
4th Qtr	7,253	1,230	3,480	2,543	925	8,178
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881
2nd Qtr	8,440	1,272	3,997	3,171	1,029	9,469
3rd Qtr	9,147R	1,365	4,353	3,429R	1,149R	10,296R
1986 OCT	2,437	413	1,152	872	322	2,759
NOV	2,360	420	1,129	811	275	2,635
DEC	2,456	397	1,199	860	328	2,784
1987 JAN	2,417	411	1,177	829	278	2,695
FEB	2,618	415	1,276	927	331	2,949
MAR	2,883	415	1,421	1,047	354	3,237
APR	2,766	416	1,289	1,061	314	3,080
MAY	2,697	414	1,268	1,015	335	3,032
JUN	2,977	442	1,440	1,095	380	3,357
JUL	2,944	447	1,410	1,087	359	3,303
AUG	2,972	457	1,384	1,131	376	3,348
SEP	3,231R	461	1,559	1,211R	414R	3,645R
OCT	2,972	469	1,386	1,117	369	3,341
1987 MAY-JUL	8,618	1,303	4,118	3,197	1,074	9,692
AUG-OCT	9,175	1,387	4,329	3,459	1,159	10,334

Percentage
increase
over previous
three months

6 6 5 8 8 7

R = revised

- NOTES
- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

Reference

RWP
(Unless we already have one.)

To:

SECRETARY OF STATE

(Circulation list attached)

From:

PETER RICHARDSON
S2C
Room 3/3
20 Victoria Street
215 3351

4 December 1987

CREDIT BUSINESS IN OCTOBER

A Press Notice giving details of credit business in October is attached for information. The Press Notice will be issued at 11.30 am on Monday, 7 December. The contents should be treated as confidential until then.


P H RICHARDSON

CODE 18-78

DTI Press Notice

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 87/758

7 December 1987

CREDIT BUSINESS IN OCTOBER

During October the change in amounts outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards was £0.4 billion (see Table 1), the same as the change in September.

The increase in the latest three months, August to October, was £1.0 billion, above the corresponding figure of £0.9 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.8 billion in the most recent period compared with £0.5 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, less than the increase of £0.3 billion in the previous period. The increase for retailers was £0.1 billion in both three month periods.

New credit advanced to consumers in October by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.0 billion, compared with a total of £3.2 billion in September (see Table 3). The total for the three months August to October was 6 per cent higher than that for the previous three months.

There was no change in amounts outstanding on agreements with businesses by finance houses, other specialist credit grantors and building societies in October (see Table 1). A fall in amounts outstanding on loans to motor dealers for stock funding purposes more than offset increases in amounts outstanding on other business loans. The total change in the latest three months was £0.2 billion, compared with £0.5 billion in the preceding three months.

NOTES TO EDITORS

- 1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.
- 2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.
- 3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.
- 4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance houses to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on bank credit cards and by mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.
- 5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.
- 6 Further definitions are given at the foot of the tables accompanying this Press Notice.
- 7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£17.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.20 each from:
The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.
- 8 Non-press calls to 01-215 3138

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS				AGREEMENTS WITH BUSINESSES	TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS	BUSINESSES	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,063	2,231	4,681	12,151	5,728	24,791
1987 SEP	21,912R	2,461	5,372	14,079R	6,528R	28,440R
OCT	22,324	2,510	5,465	14,349	6,497	28,821
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,437	94	891	1,452	596	3,033
1986 1st Qtr	855	39	221	595	214	1,069
2nd Qtr	346	3	213	130	34	380
3rd Qtr	792	107	356	329	193	985
4th Qtr	444	-55	101	398	155	599
1987 1st Qtr	952	67	248	637	5	957
2nd Qtr	1,038	56	260	722	373	1,411
3rd Qtr	859R	107	183	569R	422R	1,281R
1986 OCT	194	-81	86	189	127	321
NOV	-15	12	-113	86	-23	-38
DEC	265	14	128	123	51	316
1987 JAN	257	8	15	234	-17	240
FEB	296	27	97	172	24	320
MAR	399	32	136	231	-2	397
APR	410	20	113	277	66	476
MAY	294	20	19	255	141	435
JUN	334	16	128	190	166	500
JUL	241	52	103	86	149	390
AUG	206	25	-80	261	132	338
SEP	412R	30	160	222R	141R	553R
OCT	412	49	93	270	-31	381
1987 MAY-JUL	869	88	250	531	456	1,325
AUG-OCT	1,030	104	173	753	242	1,272

R = revised

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 (SEASONALLY ADJUSTED)

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OCT	2,972	469	1,386	1,117	369	3,341
1987 MAY-JUL	8,618	1,303	4,118	3,197	1,074	9,692
AUG-OCT	9,175	1,387	4,329	3,459	1,159	10,334

Percentage increase over previous three months

6 6 5 8 8 7

R = revised

NOTES

(a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.

(b) Excluding dealer stock funding. These agreements are included in table 1.

CIRCULATION LIST

Mr Kenneth Clarke
Mr Alan Clark
Mr Robert Atkins
Mr Francis Maude
Mr John Butcher
Sir Brian Hayes
Mr Liesner
Mr Threadgold
Mr Whiting
Mr Healey
Mr Stibbard
Mr Miner
Mr Norton
Miss Marson
Mr Mattock
Mr Nuttall
Mr Mann
Mr Parsons

Prime Minister's Office

Chancellor's Office

Sir Terence Burns - Treasury
Mr P Sedgwick - "
Mr P Allum - "
Miss M O'Mara - "
Mr N Holgate - "
Mr P Hall - "
Mr G Pike - "

Mr M J Dicks - Bank of England
Mr J Exeter - " " "
Mr W Allen - " " "

Miss S Carter - CSO
Mr R Clare - "
Mr C Bryant - "
Mr D Stirling - "
Mr J Alexander - "

Mr. John Garrett: Has the Minister read the address by Sir Robert Armstrong to the conference of the Royal Institute of Public Administration last week, saying how unhappy he was with the level of morale in the Civil Service? What point is there in spending money on management development when Ministers so often villify the Civil Service and take as their main aim its reduction in numbers?

Mr. Luce: It is wrong for the hon. Gentleman to suggest that Ministers villify the Civil Service. The fact that there has been a reduction in the numbers of civil servants by about 18 per cent. is not a criticism by Ministers of the Civil Service, but follows from a requirement that we rightly set ourselves in 1979, when we said that the Civil Service was too large and that we needed to reduce Government functions. Side by side with increased efficiency in the Civil Service we said that numbers should be reduced. That is not a reflection on the calibre of the Civil Service, which is a slimmed-down and professional service.

Mr. Campbell-Savours: Is management development influenced by pay, and are the rates of pay for civil servants now the same as those in the private sector for equal work?

Mr. Luce: The hon. Gentleman knows that we are now introducing into the Civil Service a much more flexible pay scheme which takes into account the need to ensure adequate recruitment, retention and motivation of civil servants. To that end, we have a more flexible system which allows us to provide more for specialist groups who otherwise may leave the service. That flexible system is leading to better results.

THE ARTS

Touring Companies

67. **Mr. Bowis:** To ask the Minister for the Arts what steps he is taking to encourage touring companies to perform more in the regions.

The Minister for the Arts (Mr. Richard Luce): I have included a contribution towards the cost of additional regional touring in the Arts Council's grant-in-aid for 1988-89 and the two succeeding years.

Mr. Bowis: I welcome my right hon. Friend's announcement. Will he underline the fact that many of the

quality touring companies are based in the regions and provinces as well as London? Will he request that, when such companies tour the country, they should contact local education authorities to ensure that they can contribute to the education of the area in which they perform?

Mr. Luce: I agree that touring must not be seen as a one-way business out of London. Rather it should be regarded as a two-way business. Excellence in the arts in parts of the country other than London should be available to the regions and London. That is the purpose of the proposals for more touring that are being developed by the Arts Council. My hon. Friend knows that I have set aside more money for touring to ensure that excellence in the arts is available to as many people as possible in as many parts of the country as possible.

Glasgow

69. **Mr. Buchan:** To ask the Minister for the Arts what further support he intends to give towards Glasgow as City of Culture in 1990.

Mr. Luce: The city authorities have undertaken to provide enough money themselves to finance a substantial and varied programme of events.

Mr. Buchan: When the Minister says that Glasgow has been given City of Culture status on condition that no Government money is forthcoming, will he bear it in mind that, in 1989, Paris will be spending considerably more than he will allow in Glasgow and that it will not be rate capped? Will he do one thing which will not cost him money—persuade his right hon. and learned Friend the Secretary of State for Scotland to allow the city borrowing powers so that it can go ahead with the concert hall which is so much needed?

Mr. Luce: I am aware of the anxiety that has been expressed about the plans for the concert hall and I realise that recent proposals have come to nothing so far. I know that my right hon. and learned Friend is sympathetic to the problem and that he is waiting for the alternative proposals which might be put forward with a view possibly to constructing a concert hall. As for the city of Glasgow, I repeat that the condition upon which I accepted nominations from cities to qualify as European City of Culture was that they should provide their own resources. I admired Glasgow for saying that it would do that, and it has achieved that aim.

Retail Price Index (Miscalculation)

3.32 pm

Mr. Michael Meacher (Oldham, West) (*by private notice*): To ask the Secretary of State for Employment if he will make a statement on the recently announced miscalculation in the compilation of the retail price index as a result of computer error.

The Secretary of State for Employment (Mr. Norman Fowler): I regret that, in 1985, a mistake was made in one of the programmes for computerising the monthly compilation of the retail prices index. As a result, both the level of the index and the year-on-year inflation rate have in most months from February 1986 to October 1987 been understated, on average by about one tenth of 1 per cent.

My hon. Friend the Minister of State for Social Security hopes to make a statement to the House later this week on the action to be taken in line with the principle that the Exchequer should not benefit from the effects on social security expenditure.

The computer programme error has now been put right, and I believe our calculation system to be wholly correct. I am however, asking the head of Government statistical service to review it.

Mr. Meacher: Is the right hon. Gentleman aware that this new system of calculation is the direct result of the cost-cutting Rayner review of the Government's statistical service in 1982-83, which was designed to cut the number of statisticians by one third from 1,430 in May 1979 to 960 in April 1984? What is the point of installing computers if the number or calibre of statisticians employed to use them is cut so much that fundamental errors such as this are made? Does this not show that the Government's cost cutting, so far from improving efficiency, is often a false economy?

Why, when the right hon. Gentleman's officials round the figures, do they always seem to round them down rather than up, knowing that millions of pensioners and others on benefit will be deprived of the full increase in line with the cost of living, which is their legal right?

The Secretary of State has said that pensioners and the severely disabled will be compensated. I should like to know whether full compensation will be paid to them in a lump sum bonus before Christmas. Why will this compensation not extend to all other persons in receipt of other benefits that the Government are under a statutory obligation fully to uprate in line with inflation — especially widows, the unemployed, the sick, the war and industrial disabled and those in receipt of maternity allowance, attendance allowance, invalid care allowance and mobility allowance, including their dependants?

As tax allowances and index-linked savings have also been under-calculated, are not the Government obliged under the statutory indexation provisions and the Rooker-Wise amendment to recompense others who have lost out, such as those with national savings and occupational pensioners? Will they all be contacted and repaid?

Finally, the Secretary of State has said that supplementary pensioners whose benefit is not statutorily index-linked will be compensated. We welcome that statement, and believe that that principle is right. If pensioners on supplementary benefit are compensated, however, why should not others on supplementary benefit, whose need is just as great, be compensated as well? As

there are no lengths to which the Government will not go to claw back money from those whom they allege have been overpaid, surely they must now be even-handed in repaying all whom they have short-changed?

Mr. Fowler: The hon. Gentleman has it entirely wrong; and not untypically. First, the miscalculation has nothing to do with staff cuts. His assertion that it has is entirely wrong. It is the result of a simple human error, which we regret, but it does not stem from staff cuts. There was a computer programme error. If I may put it this way, there was a computer programme designed for Socialist inflation. In other words, the programme missed out everything after the decimal point. That might have been all right when inflation was running at 20 per cent.—it might not have mattered then—but now that it is down to 4 per cent. it is obvious that such a fault will have an effect.

It seems that the hon. Gentleman insists on re-fighting all the social security battles of four years ago. He should remember that the greatest clawback fiddle was perpetrated by the last Labour Government, who changed the basis of the uprating from historic to forecast. Pensioners lost £1 billion, and they never got it back.

I repeat that the Exchequer will not gain from the social security underpayment. My hon. Friend the Minister for Social Security and the Disabled, who is seated on the Treasury Bench, will be making a statement on this issue later in the week. The average retirement pensioner has lost so far about £2, which is about 5p per week. For the financial year 1987-88, he will lose £2.60. For the financial year 1988-89, he will lose £5.20 if we do nothing about the miscalculation. However, we do intend to do something about it, and we shall be making special extra payments to national insurance retirement pensioners, supplementary pensioners and the severely disabled. I must ask the hon. Gentleman to await the statement of my hon. Friend the Minister of State on the way in which the special extra payments are to be made.

Mr. Anthony Nelson (Chichester): Is my right hon. Friend aware that most people will welcome the prompt way in which the Government have announced that the miscalculation will be rectified? It is right that pensioners should be recompensed for any marginal error that has been made, but does he agree that the position is rather different from that of many social security beneficiaries who move in and out of entitlement? Does he agree also that it would be wrong if the miscalculation were to be used as an opportunity further to extend the payments for which Parliament has provided? Does he not think that it is rich to hear what we have from the Opposition, because, if anyone short-changed recipients of social security benefit and pensioners, it was they during periods of high inflation?

Mr. Fowler: My hon. Friend is absolutely right: no one stole more from pensioners than the Labour Government, and the hon. Member for Oldham, West (Mr. Meacher) knows it. We are seeking to put the mistake right as soon as possible. The point that my hon. Friend makes about people moving in and out of benefit is right. People will believe it is entirely sensible that we should seek to recompense pensioners.

Mr. James Wallace (Orkney and Shetland): It appears that the error took place some two and a half years ago,

in 1985. What changes has the Secretary of State made to arrangements for checking computer programmes in future so that they do not go so long again without checking? He said that the Treasury will not benefit from the error. Is the import of what he said in response to the hon. Member for Oldham, West (Mr. Meacher) that some citizens will still lose because of the error?

Mr. Fowler: I shall have to ask the hon. Gentleman to wait for the social security statement. I have made it clear that we will seek to make special payments to the pledged beneficiaries; those include the people to whom I have referred. The error itself came to light as part of one of our regular checks. I believe that the system is correct now but, as I said, a review is being made to check just that.

Mr. Ian Gow (Eastbourne): If, as the hon. Member for Oldham, West (Mr. Meacher) suggests, my right hon. Friend was part of a conspiracy to defraud the poor, why is it that my right hon. Friend, the moment he discovered the error, confessed it publicly and has made a statement in the House today?

Mr. Fowler: I agree entirely with what my hon. Friend says. We are by this time used to the hon. Member for Oldham, West (Mr. Meacher); he normally manages to blow any opportunity that is given to him.

Mr. Bob Cryer (Bradford, South): Can the Secretary of State explain why this error went unnoticed for 21 months? It seems an extraordinary length of time. In anticipation of the DHSS statement, can he make a straightforward statement now that no one will lose because of this? The Government are dealing with the poorest of the poor. If he cannot make that statement, it means that because of their incompetence the Government are about to chisel some of the poorest in the country.

Mr. Fowler: I will not try to pre-empt the statement that my hon. Friend will make. What I have said is that the Exchequer will not gain from the social security underpayment. That is a firm pledge by the Government. I have also said that special extra payments will be made to national insurance retirement pensioners, supplementary pensioners and the severely disabled, but for the rest the hon. Gentleman must wait for the statement.

Mr. David Heathcoat-Amory (Wells): Does my right hon. Friend agree that the public would much rather have a 0.09 per cent. inflation error from this Government than the 26 per cent. inflation rate they had under the Labour Government? If my right hon. Friend discovers in looking for the source of the error that the programme was written to anticipate the return of a Labour Government and to

concentrate on the big figures rather than the decimal points, will he instruct the programmers that such an eventuality is unlikely?

Mr. Fowler: That I confirm. My announcement on Friday was that inflation had come down to just over 4 per cent. and could well come down further. We are comparing that with an inflation rate in the Labour Government's term of office of over 20 per cent. Nothing did more damage than that to pensioners' standard of living.

Mr. Ken Eastham (Manchester, Blackley): Although the Secretary of State is attempting to minimise the error, I think the House recognises that several million pounds are involved. May I remind the Minister that when people default payment of income tax, interest is charged? I wonder, therefore, whether calculations and attempts will be made by the Minister to ensure that the money goes back to the people who are entitled to it? While I am on this point, I want to inquire about another group which has not been mentioned so far—students and student grants. Students are on miserable rates of pay. Will they be included in the calculations for improvements?

Mr. Fowler: I do not think that the RPI has anything to do with students' grants. I have announced clearly, I hope, that the Exchequer will not gain from social security underpayment. I have also drawn, as is only fair, the distinction made by my hon. Friend the Member for Chichester (Mr. Nelson) between pensioners and those moving in and out of benefit. The Government do not draw back from that distinction.

Mr. Anthony Beaumont-Dark (Birmingham, Selly Oak): Does my right hon. Friend accept that many hon. Members will think that he has come forward very quickly to admit the error? That is a good thing for a Minister to do. Does he also accept that many of us who have been told that computers are infallible have now learnt that they can make human mistakes? Does that mean that in future we do not have to accept that computers are infallible and that they are almost as bad as human beings?

Mr. Fowler: What one gets out of a computer obviously depends on what one puts in. If the programme has been written incorrectly, incorrect information will obviously come from the computer. That is precisely what happened. I accept what my hon. Friend has said.

Several Hon. Members rose

Mr. Speaker: Order. This is a private notice question. I remind the House that there will be a further opportunity to question Ministers later in the week. I have noted carefully those hon. Members who have been rising and who have not been called.

Points of Order

3.46 pm

Mr. Donald Dewar (Glasgow, Garscadden): On a point of order, Mr. Speaker. I want to draw your attention to the composition of the Standing Committee to consider the Health and Medicines Bill. The Committee has 18 members, including my hon. Friend the Member for Cumbernauld and Kilsyth (Mr. Hogg) from the Opposition Front Bench and my hon. Friend the Member for Strathkelvin and Bearsden (Mr. Galbraith) from the Labour Back Benches. They will offer the Committee a great deal of expertise. Unfortunately, there is no Scottish Office Minister among the 18 Committee members. Indeed, there is no Scottish Conservative Member of Parliament on the Committee.

As you will be aware, Mr. Speaker, the Health and Medicines Bill contains a great deal of controversial matter. It introduces charges and affects in a number of ways the structure of the Health Service and how it operates. Normally, we have separate Scottish legislation on the Health Service because there is a distinct tradition and a very different structure in primary health care and hospitals in Scotland. It is very important that there is a Minister in the Standing Committee to deal with the Scottish dimension. Can you, Mr. Speaker, offer any remedy in the interests of proper scrutiny of legislation and in the interests of Parliament?

I notice that the Scottish Office Minister in charge of the Health Service announced in the press the other day that he was

"only too happy to . . . discuss the concerns expressed over the future of the NHS"

by the president of the Royal College of Physicians of Edinburgh. I very much welcome that. However, it is equally important—and even more important for the House—that the Minister appears in the Standing Committee to debate the issues affecting the future operation of the Health Service in Scotland. It is deplorable that he does not intend to do that. Is there any remedy or any way in which, you, Mr. Speaker, can help to safeguard the parliamentary processes in those circumstances?

Several Hon. Members *rose*—

Mr. Speaker: Order. The remedy is for the hon. Gentleman to take the matter up with the Chairman of the Committee of Selection. I have no role in the matter, as the hon. Gentleman well knows.

Mr. Max Madden (Bradford, West) *rose*—

Mr. Speaker: Order. That is the proper action for the hon. Gentleman to take.

Mr. Max Madden (Bradford, West): On a point of order, Mr. Speaker. You may remember on Thursday that you were good enough to call me during business

questions when I referred to an early-day motion that I have tabled asking for a proportion of the profits from the Refreshment Department to be donated to the Ethiopian famine appeal. In reply, the Leader of the House suggested that that was a matter for the House of Commons Commission. I understand, Mr. Speaker, that you are the head of the House of Commons Commission. I would therefore be very grateful for your advice on how I can attempt to raise the matter with you. Would it be possible for some resolution to be put before the House so that a Division can be secured on the matter? If not, I can see no way in which I can raise this matter effectively with you and the House of Commons Commission.

Mr. Speaker: The hon. Gentleman knows that I replied to his letter and made a suggestion. It is a matter for the Commission, but I think it unlikely that the Commission will meet again before Christmas. I hope that his suggestion can be resolved on the lines that I suggested to the hon. Gentleman.

Mr. John Maxton (Glasgow, Cathcart): Further to the point of order raised by my hon. Friend the Member for Glasgow, Garscadden (Mr. Dewar), Mr. Speaker—

Mr. Speaker: Order. We have dealt with that.

Mr. Maxton *rose*—

Mr. Speaker: Order. I cannot say more.

Statutory Instruments, &c.

Mr. Speaker: With the leave of the House, I have put together four statutory instruments.

Motion made, and Question put forthwith pursuant to Standing Order No. 101(5) (Standing Committees on Statutory Instruments, &c.).

EDUCATION (MANDATORY AWARDS)

That the Education (Mandatory Awards) Regulations 1987 (S.I., 1987, No. 1261) be referred to a Standing Committee on Statutory Instruments, &c.

SCHOOL GOVERNMENT

That the Education (School Government) Regulations 1987 (S.I., 1987, No. 1359) be referred to a Standing Committee on Statutory Instruments, &c.

TEACHERS' PAY AND CONDITIONS

That the Education (School Teachers' Pay and Conditions) Order 1987 (S.I., 1987, No. 1433) be referred to a Standing Committee on Statutory Instruments, &c.

DEPARTMENT OF TRADE AND INDUSTRY (FEES)

That the draft Department of Trade and Industry (Fees) Order 1987 be referred to a Standing Committee on Statutory Instruments, &c.—[*Mr. Ryder.*]

Question agreed to.

*We expect to hear from DHSS
again later today, particularly on X.*

mp

FROM: J D PORTES
Date: 14 December

1. MR MCINTYRE ✓
2. CHIEF SECRETARY

*Jm
14/12*

cc Chancellor

Sir Peter Middleton
Mr Anson
Mr Kemp
Mr Turnbull
Miss Peirson

RPI ERROR - EFFECT ON SOCIAL SECURITY BENEFITS

1. You asked about those benefits for which DHSS intended to make good the error.
2. Attached is a summary of the pledged and unpledged benefits, detailing for which statutory indexation applies. Also attached is a table (produced by DHSS) illustrating for most benefits what the rates would have been if the error had not occurred.
3. DHSS are still working on the details, but we understand that they intend to compensate only in the case of the pledged benefits. These are primarily those which go to long-term beneficiaries - retirement pensions, widows and the severely disabled.
4. The key benefits excluded will be unemployment benefit, supplementary allowance and mobility allowance. Both Unemployment benefit and mobility allowance (linked to the RPI) clearly should have been higher. Child Benefit is also linked to the RPI, but is sufficiently small that rounding effects should eliminate the effects of the error. Contrary to our previous understanding, DHSS now tell us that some (but not all) of the Supplementary allowance rates are affected and are out by 5p for 1987-88 (you will recall that the 1987 uprating was a pretty standard one - savings were only made on housing benefit through a steeper taper, and by giving HB recipients the same cash increase as other beneficiaries.).

5. DHSS are still working on the line to take for those benefits for which compensation will not be given. We understand it will rely on the following points:

- (i) No legal obligation to compensate at all.
- (ii) Need to concentrate on the most deserving.
- (iii) Government's commitment to pledged benefits.
- (iv) Operational considerations (for Supplementary allowance).

6. We hope to let you have further advice by the end of the day.


J D PORTES

SOCIAL SECURITY BENEFITS: UPRATING

		1984-85			1984-85			
		UPRATING	EXPENDITURE		UPRATING	EXPENDITURE		
<u>PLEGGED</u>		PRACTICE	£m	<u>UNPLEGGED</u>	PRACTICE	£m		
Statutory Price Indexation	1. Retirement Pension	C	RPI	15397	12. Unemployment Benefit	C	RPI	1597
	2. Widows Pensions	"	"	794	13. Sickness Benefit	"	"	268
	3. Invalidity Benefit	"	"	2074	14. Maternity Allowance	"	"	157
	4. Industrial Disablement Benefit	"	"	382	15. Guardians Allowance	"	"	}
	5. Industrial Death Benefit	"	"	56	16. Child's Special Allowance	"	"	} 2
	6. Attendance Allowance	N	"	568	17. Child Dependency Additions to contributory and non-contributory benefits	C&N	"	[166]
	7. Invalid Care/Allowance	"	"	11				
	8. Severe Disablement Allowance	"	"	232				
	<u>Total</u>			<u>19514</u>	<u>Total</u>			<u>2024</u>
No Statutory Price Indexation	9. Non-contributory Retirement Pension	N	RPI	40	18. Christmas Bonus	C&N	None	110
	10. War Pensions	"	"	544	19. Death Grant	C	None	17
	11. Supplementary Pension	"	Rossi etc	871	20. Mobility Allowance	N	RPI	361
					21. Supplementary Allowance	"	Rossi etc	5496
					22. Child Benefit	"	RPI	4272
					23. One Parent Benefit	"	"	122
					24. Family Income Supplement	"	"	131
					25. Maternity Grant	"	None	18
<u>Total</u>			<u>1455</u>	26. Housing Benefit	"	Rossi etc	2778	
<u>Total</u>			<u>20969</u>	<u>Total</u>			<u>13305</u>	
Grand Total			20969	Grand Total			15329	

TABLE TO ILLUSTRATE EFFECT OF RPI CHANGE ON SOCIAL SECURITY BENEFIT RATES

BENEFIT	1987		1988	
	RATE IN PAYMENT	REVISED RATE	RATE IN REGULATIONS	REVISED RATE
RETIREMENT PENSION	39.50	39.55	41.15	41.25
INVALIDITY PENSION	39.50	39.55	41.15	41.25
UNEMPLOYMENT BENEFIT - OVER PENSION AGE	39.50	39.55	41.15	41.25
ATTENDANCE ALLOWANCE	31.60	31.65	32.95	33.00
MOBILITY ALLOWANCE	22.10	22.15	23.05	23.10
MATERNITY ALLOWANCE	30.05	30.10	31.30	31.40
SICKNESS BENEFIT - UNDER PENSION AGE	30.05	30.10	31.30	31.40
STATUTORY SICK PAY - STANDARD RATE	47.20	47.20	49.20	49.25
DISABLEMENT PENSION 100%	64.50	64.60	67.20	67.40
UNEMPLOYMENT BENEFIT - UNDER PENSION AGE	31.45	31.50	32.75	32.85
WAR PENSION PRIVATE/EQUIVALENT OFFICER PER ANNUM	3363.00	3367.00	3504.00	3512.00
WAR WIDOWS' PENSION	51.35	51.40	53.50	53.60
WIDOWS' ALLOWANCE	55.35	55.40	57.65	57.80

SUPPLEMENTARY BENEFIT

scale rates

ordinary rates

single householder	29.80	30.40	30.45
couple	48.40	49.35	49.40
non-householder 18 or over	23.85	24.35	-
non-householder 16-17	18.40	18.75	18.80

long-term rates

single person living alone	37.90	38.65	38.70
couple	60.65	61.85	61.90
non-householder 18 or over	30.35	30.95	31.00
non householder 16-17	23.25	23.70	-

dependent children

over 18	23.85	24.35	-
16-17	18.40	18.75	18.80
11-15	15.30	15.60	-
under 11	10.20	10.40	-

Board and lodging

personal expenses: short term			
single	9.80	10.00	-
couple	19.60	20.00	-
personal expenses: long-term			
single	10.95	11.15	11.20
couple	21.90	22.30	22.35
personal expenses: dependants			
18 and over	9.80	10.00	-
16-17	5.90	6.00	-
11-15	5.05	5.15	-
under 11	3.30	3.35	-

Allowances for personal expenses for claimants in:-

private and voluntary residential and nursing homes	9.05	9.25	-
re-establishment centres	9.95	10.15	-
resettlement units	7.60	7.75	-
hospital and local authority accommodation	7.75	7.90	-
the Polish Home Ilford Park	10.95	11.15	11.20

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Treasury Chambers, Parliament Street, SW1P 3AG

PRIME MINISTER

THE RETAIL PRICES INDEX - PUBLIC SERVICES OCCUPATIONAL PENSIONERS

Since
~~In the preparations~~ for Norman Fowler's announcement on 11 December of the Government's intention to compensate national insurance retirement and supplementary pensioners and the severely disabled for the Retail Price Index error, we ~~arranged to deal~~ ^{have answered} with any enquiries about our intentions ~~vis-a-vis~~ ^{for} public service pensioners by saying that we were still studying the issue and would announce our decision in due course.

2. Apart from Michael Meacher's ^{passing} ~~glancing~~ reference to occupational pensions ~~yesterday~~ ^{on Monday}, this issue has not yet surfaced publicly, though some pensioner associations have made enquiries to the departments concerned. ~~We must however expect questioning on the issues in Parliament when Nicholas Scott makes his oral statement this Thursday~~ ^{tomorrow} about the details of compensation payments for those social security beneficiaries who are to receive them. ^{However the matter is bound to be raised} We need to be in a position by then to state clearly what we have decided.

3. ~~We therefore need to decide within the next 24 hours whether or not to give some form of compensation to~~ Retired public servants whose pensions are linked to the RPI ^{are a very mixed bag, including} ~~They include~~ retired civil servants, overseas service personnel, NHS staff, members of the Armed Forces, Judges, Members of Parliament, and teachers - all of whom normally receive pension increases in line with the ^{RPI} ~~index~~ and financed by the Exchequer. In addition ^{there is the problem of other} ~~we must consider~~ local government personnel (including the police and the fire ~~service~~) where the costs of pension increases are partly met ^{from} ~~through~~ local authority finances.

(even though teachers are employees of local government)

4. All these groups are within the statutory indexation provisions which follow from the indexation of some Social Security benefits. In total, there are more than 2 million pensioners in these groups. There are in addition a number of public corporations and other bodies outside Government which normally index-link their pensions at their own expense, though they are under no obligation to do so.

5. There is no legal obligation for us to make ~~extra-statutory~~^{any} compensation payments to public service pensioners, ~~akin to~~^{just because} these we are ~~making for~~^{compensating state retirement pensioners:} some social security beneficiaries.

XX But ~~some~~^{Public service} people will argue that we should. Pensioners will be aggrieved if in these circumstances they do not receive roughly the same treatment to compensate for a statistical error made within Government. We could expect some vocal complaints particularly from Armed Forces pensioner associations and perhaps also from some NHS and police interests: it is likely to be pointed out that many retired public servants are on relatively small pensions - for example, the average for the NHS was £46 a week in 1985-86 - ~~although at the other end of the scale, of course, there are~~^{some public service pensioners with very large index-linked pensions indeed.}

6. ~~However, after careful discussion with the Chief Secretary, and~~^{I have discussed this fully with the Chancellor and we believe} ~~and myself the Chancellor~~ considers that the Government should not extend any compensation arrangements into the public service groups. We have so far committed ourselves only to making compensation payments to national insurance retired and supplementary pensioners and the severely disabled. If we now announce an extension to public service pensioners we should face renewed criticism ~~over the exclusion~~^{for excluding} of people on unemployment benefit and the ~~various~~^{numerous} other ~~forms of social security~~ benefits in respect of which no compensation payments will be made. And we ~~fear that we~~ should find it harder to hold to the decision we have already announced to make no adjustments for the holders of index-linked gilts or national savings certificates, or to index-linked tax computations.

7. We have considered whether there is any way in which we could limit compensation payments to those public service

For many in the private sector, with no access to an occupational pension scheme, index-linked gilts and national savings are the only protection against inflation during their retirement.

pensioners who are likely to be in relatively modest circumstances or may command a special degree of public sympathy. We have concluded that any such attempt would ^{create more problems than it would solve} make it harder to justify the exclusion of the remainder, and would probably involve heavy administrative costs. ^{Thus} We think ^{would have to} payments must be made to all - including MPs, judges and ^{TSRB grades} very senior retired officials - or to none. As I say, our firm preference is to make no extra-statutory payments.

But what we do believe is that the inevitable complaints would command very much less support

~~8. In dealing with the complaints we shall inevitably receive, we can point out that many public service pensioners will receive the compensation payments planned for national insurance retirement pensioners, and that now the index has been corrected they will suffer no loss in future years. We also think that it would be helpful if the "saving" to the Exchequer from this decision ^{were to be added to} could be included in any overall sum that the Government makes available to charities. In his announcement on 11 December, and again in reply to a Private Notice Question yesterday, Norman Fowler quite specifically emphasised that the Exchequer would not benefit from the effects "on social security expenditure". Public service pension increase costs are not, of course, within that definition, but we should ~~not~~ ^{also take care to avoid being} ~~want to be~~ accused of having "profited" at the expense of public service pensioners, *certainly so far as our former employees are concerned.*~~

residual Social Security savings could be supplemented by the estimated savings in the Central Government public service pension bill.

9. If we do follow this course, the ~~Exchequer cost of compensation payments to public service pensioners in the central Government schemes would be available to add to Social Security savings.~~ Initial estimates put this at around £10 million. We should ^{seek} ~~want~~ to ensure that the main charities targeting their support to retired or needy members of the public services were amongst ~~those~~ those to benefit.

10. We should not, of course, be able to indicate specifically which charities would receive benefit without some careful consultation with the Ministers concerned. But we think it would be wise for a decision of principle on the use of the "savings" to be announced at the same time as the decision not

to compensate public service pensioners - i.e. preferably this Thursday afternoon when Nicholas Scott explains the compensation payments to social security pensioners and the severely disabled.

11. In summary, I ^{propose} ~~ask you and Cabinet colleagues to agree~~ that:

- (i) we should make no compensation payments to any public service pensioners;
- (ii) we should include the consequential ^{public expenditure} saving in any money we make available to charities as a result of the RPI error;
- (iii) public service pensioner benevolent charities should be amongst those to benefit;
- (iv) these decisions should be announced when Nicholas Scott is making his oral statement this Thursday.

I am sending copies of this letter to members of Cabinet, David Waddington, Richard Luce and to Sir Robert Armstrong.

PETER BROOKE

15 December 1987

DRAFT

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PMP



Treasury Chambers, Parliament Street, SW1P 3AG

PRIME MINISTER

THE RETAIL PRICES INDEX - PUBLIC SERVICES OCCUPATIONAL PENSIONERS

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retired civil servants, overseas service personnel, NHS staff, members of the Armed Forces, Judges, Members of Parliament, and teachers - all of whom normally receive pension increases in line with the index and financed by the Exchequer. ^(I am though no teachers) ~~In addition we must consider local government personnel (including the police and the fire service) where the costs of pension increases are partly met [through] local authority finances.~~

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^{residual} [Social Security savings could be supplemented by the estimated savings in the Central Government public service] 9. If we do follow this course, the ^{Exchequer cost of pension bill} compensation payments to public service pensioners in the central Government schemes would be available to add to Social Security savings. Initial estimates put this at around £10 million. We should ^{seek} want to ensure that the main charities targeting their support to retired or needy members of the public services were amongst those to benefit.

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I am sending copies of this letter to members of Cabinet, David Waddington, Richard Luce and to Sir Robert Armstrong.

PETER BROOKE

15 December 1987

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MONTHLY ECONOMIC BRIEF

Prepared by the CSO ON 30 December 1987

Published provisional figures for the third quarter of 1987 suggest that the average level of GDP was some 5 per cent higher than a year earlier. However, this rise may overstate the underlying growth rate. GDP for the whole of 1987, on current indications, will be a little over 4 per cent above its 1986 level and our assessment of the current underlying trend for the fourth quarter is that it lies in the range 3 to 5 per cent. The current underlying annual growth in manufacturing output is thought to be in the range of 5 1/2 to 7 1/2 per cent.

Revisions to the estimates of invisible trade, published this month, had the effect of increasing the estimate of the deficit on current account for the first ten months of the year from £1.1 to £1.5 billion. In November there was a visible trade deficit of £1.2 billion compared with a deficit of £0.9 billion in October. The latest estimate is that the current account was in deficit by £2.1 billion in the first eleven months of the year compared with the Autumn State forecast of £2 1/2 billion for 1987 as a whole. The underlying levels of non-oil export and import volume have both been rising steadily since the Spring, but imports have been rising at a faster rate than exports.

The UK stock market recovered a little in the weeks before Christmas, but was unsettled at the end of the month. Sterling traded above \$1.80 throughout the month, rising to \$1.84 in mid-month as the dollar reached postwar record low values against the Deutsche-mark and Yen. The dollar fell again after Christmas: sterling reached \$1.86, though it was a little weaker against continental currencies.

The twelve month change in retail prices fell back to 4.1 per cent in November. A fall was anticipated, mainly because the large mortgage rate increase in November 1986 is no longer included in the comparison.

Seasonally adjusted adult unemployment fell sharply again, by nearly 64,000 between October and November. This is the 17th consecutive monthly fall.

There was a sharp increase in the amount of overtime worked in manufacturing industries in October, to the highest level since 1980. Overtime per head, taking account of the fall in manufacturing employment, is higher than in the 1970s, but the average basic working week is correspondingly shorter. The underlying increase in average earnings for the whole economy in the year to October was 8 per cent. This is an increase of 1/4 per cent on the year to September and it reflects, in part, the high levels of overtime currently being worked.

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**RECENT RATES OF CHANGE AND ASSESSMENT OF CURRENT
TREND FOR SOME KEY ECONOMIC INDICATORS**

In the following notes, the figures for current trend represent our best assessment of the current underlying rate of increase after making allowance for temporary distorting factors such as strikes, unseasonal weather effects, etc. The figures show how the series are moving currently and may be different from the comparisons over the latest published twelve months.

GDP (average measure) in the third quarter of 1987 was 5 per cent higher than in the same period a year ago. This 5 per cent figure is thought to be erratically high and it therefore seems unlikely that it will be revised upwards significantly, even though from past experience revisions to growth rates of initial published GDP estimates are on average upwards. The assessment of current underlying trend for the fourth quarter of 1987 is that the rate of increase lies in the range 3-5 per cent per annum.

Industrial production in the three months to October 1987 was $3\frac{1}{2}$ per cent higher than in the same period a year ago; manufacturing output was $6\frac{1}{2}$ per cent higher. The assessment of current underlying trend for industrial production is that the rate of change lies in the range 3-5 per cent per annum at present. The current underlying trend in manufacturing output is in the range $5\frac{1}{2}$ - $7\frac{1}{2}$ per cent per annum.

Retail prices rose by just over 4 per cent in the twelve months to November 1987. It is only possible to provide a useful indicator of trend for about 70 per cent of the RPI, mainly that covering private sector prices and excluding eg mortgage interest, rent, rates, products produced by nationalised industries, seasonal food and petrol. The current trend for this series is $4\frac{1}{2}$ - 5 per cent per annum. In the twelve months to November 1987 this series rose by a little over 4 per cent (not published).

Producer input prices fell by $1\frac{1}{2}$ per cent in seasonally adjusted terms in between October and November. This was the third successive monthly fall following the sharp increases that occurred in the summer months and a further fall of perhaps 1 per cent is expected in December.

Average earnings (underlying) in the twelve months to October 1987 rose by 8 per cent. The current trend is estimated to be 8 - $8\frac{1}{2}$ per cent per annum.

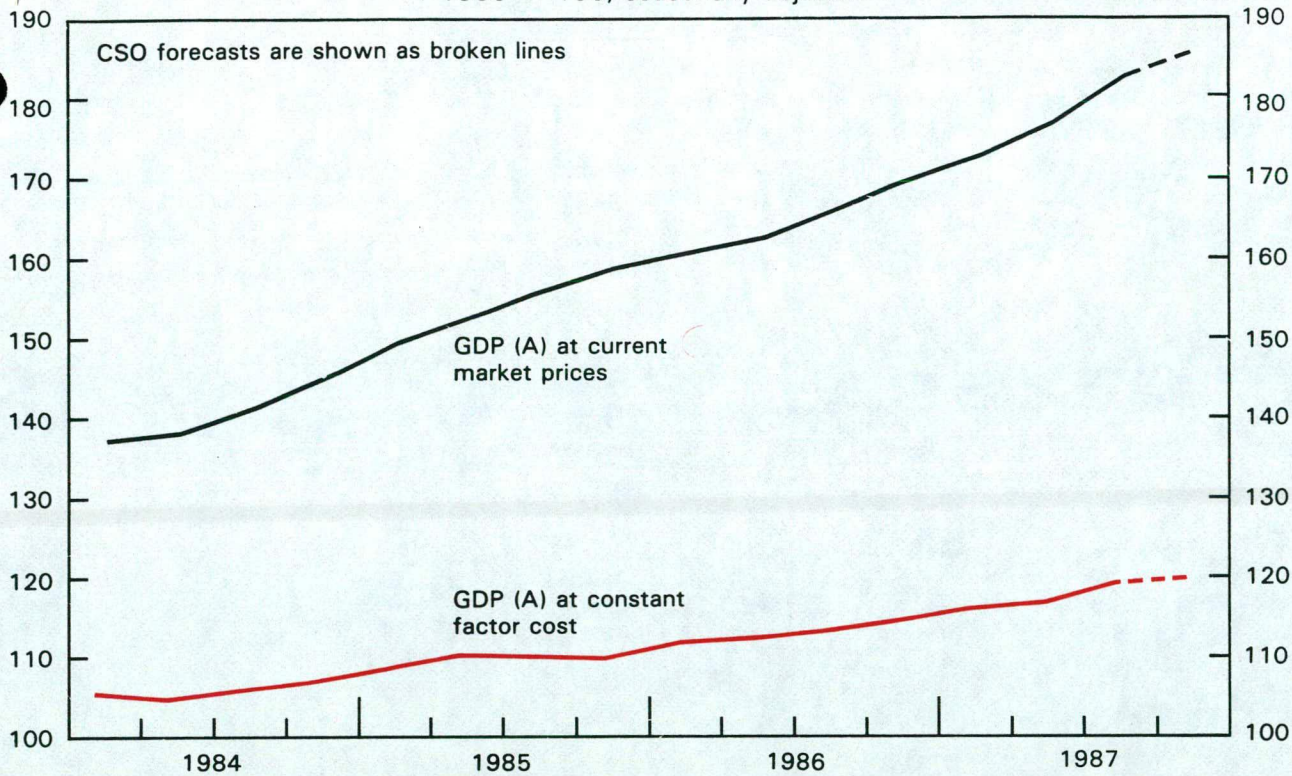
Unit wage costs in manufacturing in the three months to October 1987 rose by 1 per cent compared with the same period a year ago. The current underlying trend is estimated to be in the range 0-2 per cent per annum.

Unemployment (excluding school leavers) in the twelve months to November has fallen on average by 41,000 per month. Over the past six months there has been an average fall of nearly 51,000 per month.

Movements over the latest published 12 months include any revisions that may have occurred since last publication (in general any such differences only occur in the GDP series).

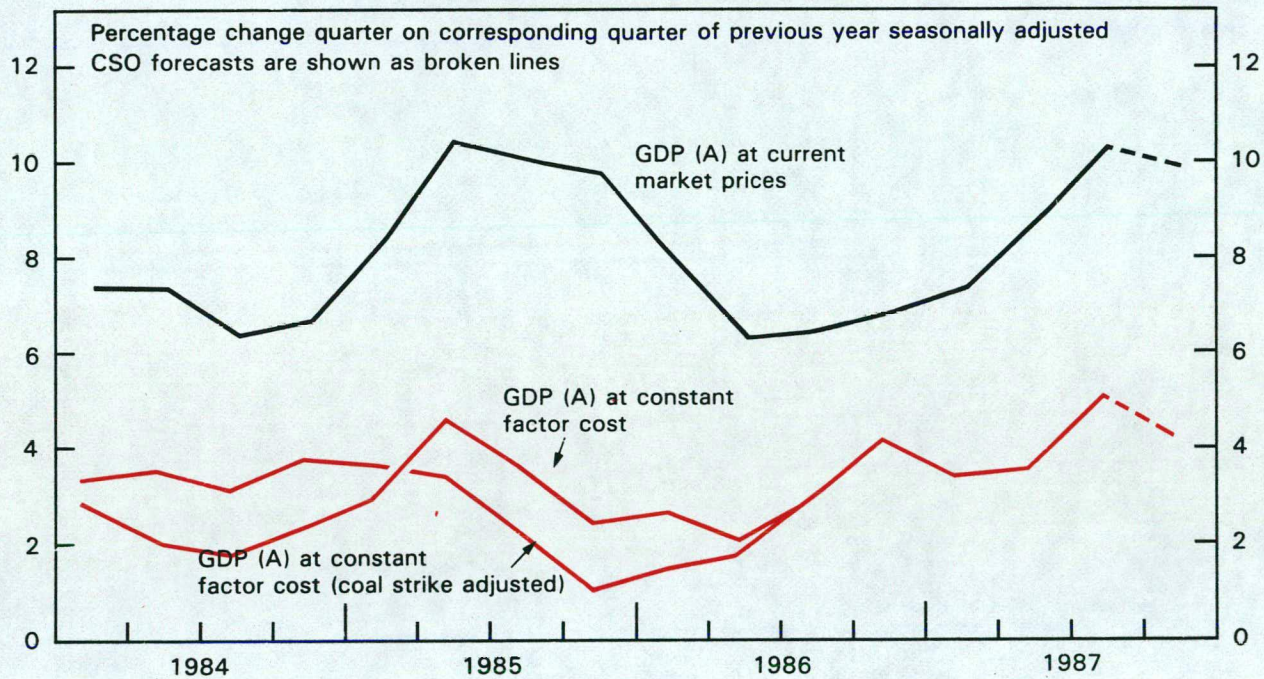
Gross domestic product (average measure)
1980 = 100, seasonally adjusted

CHART 1A



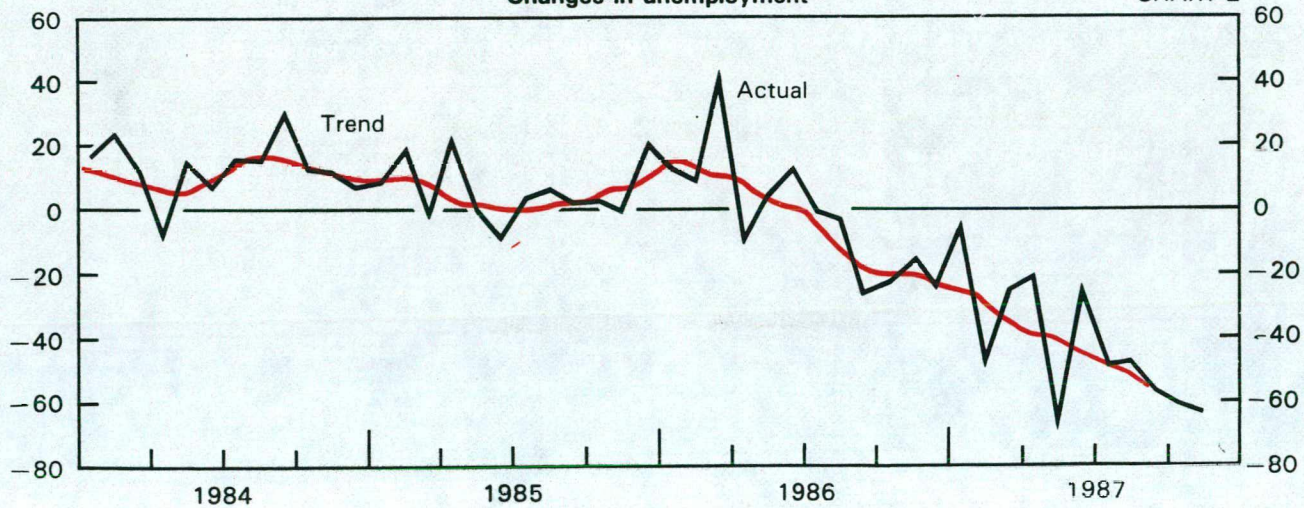
Gross domestic product (average measure)

CHART 1B



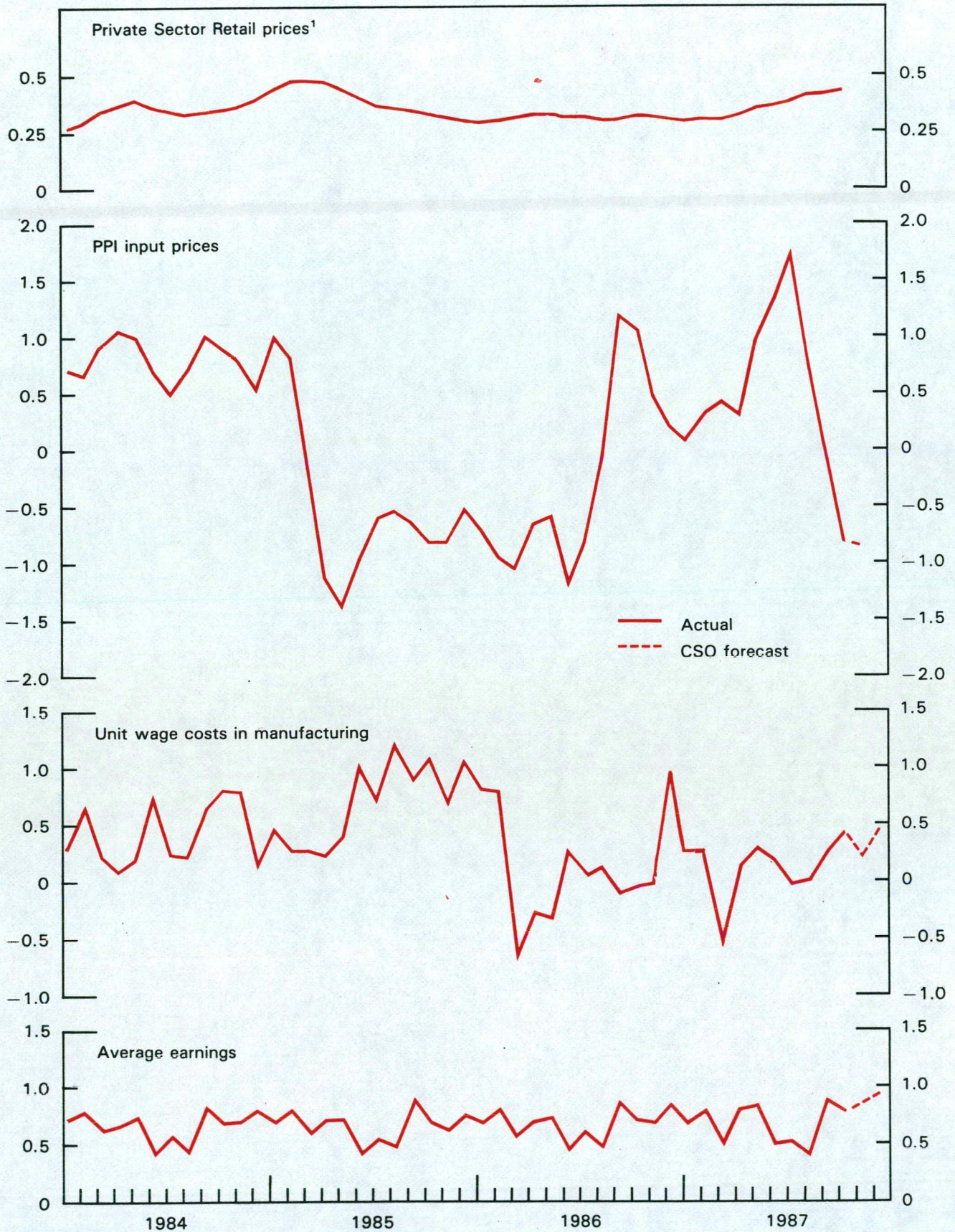
Changes in unemployment

CHART 2



**Rate of increase in average earnings, unit wage cost in manufacturing
PPI input prices and Private sector retail prices**

Month to month percentage changes, smoothed and adjusted for distorting factors where appropriate



1. Excludes seasonal food, mortgage interest, rent, rates and water charges
motor vehicle licences, products produced by Nationalised industries and petrol.

CHART 4

Movements in underlying average earnings and the tax and price index comparisons with 12 months previously

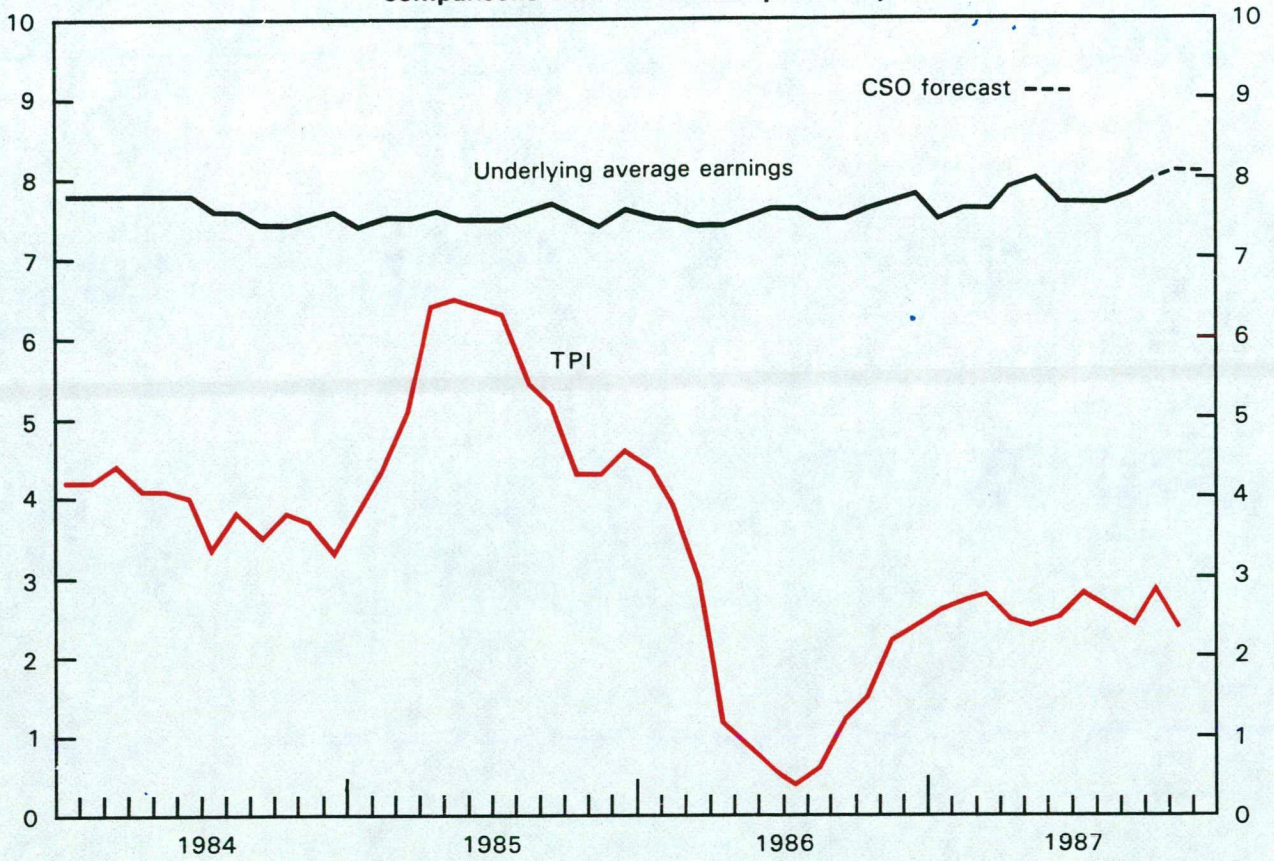
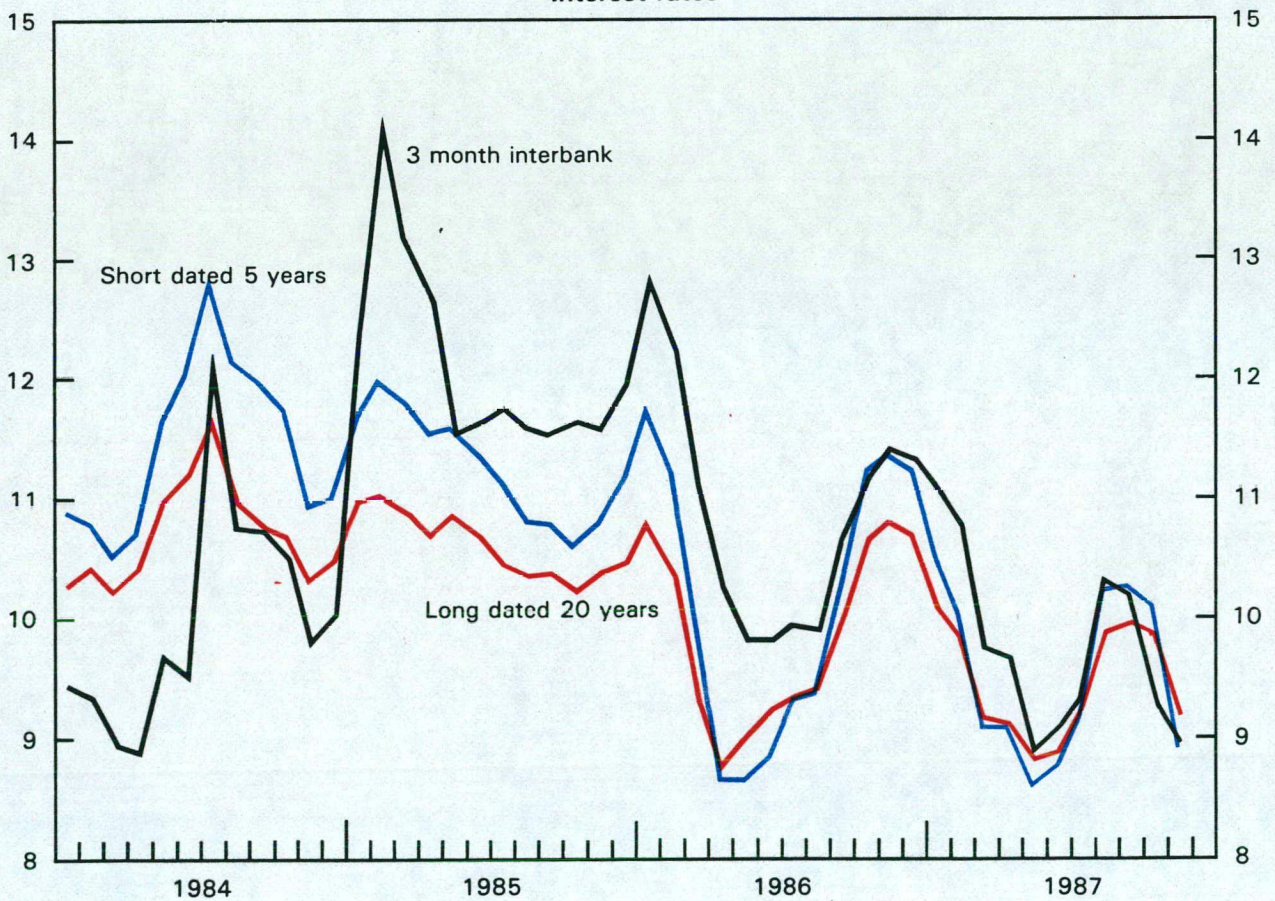


CHART 5

Interest rates



Monetary aggregates

Percentage change on previous 12 months (not seasonally adjusted)

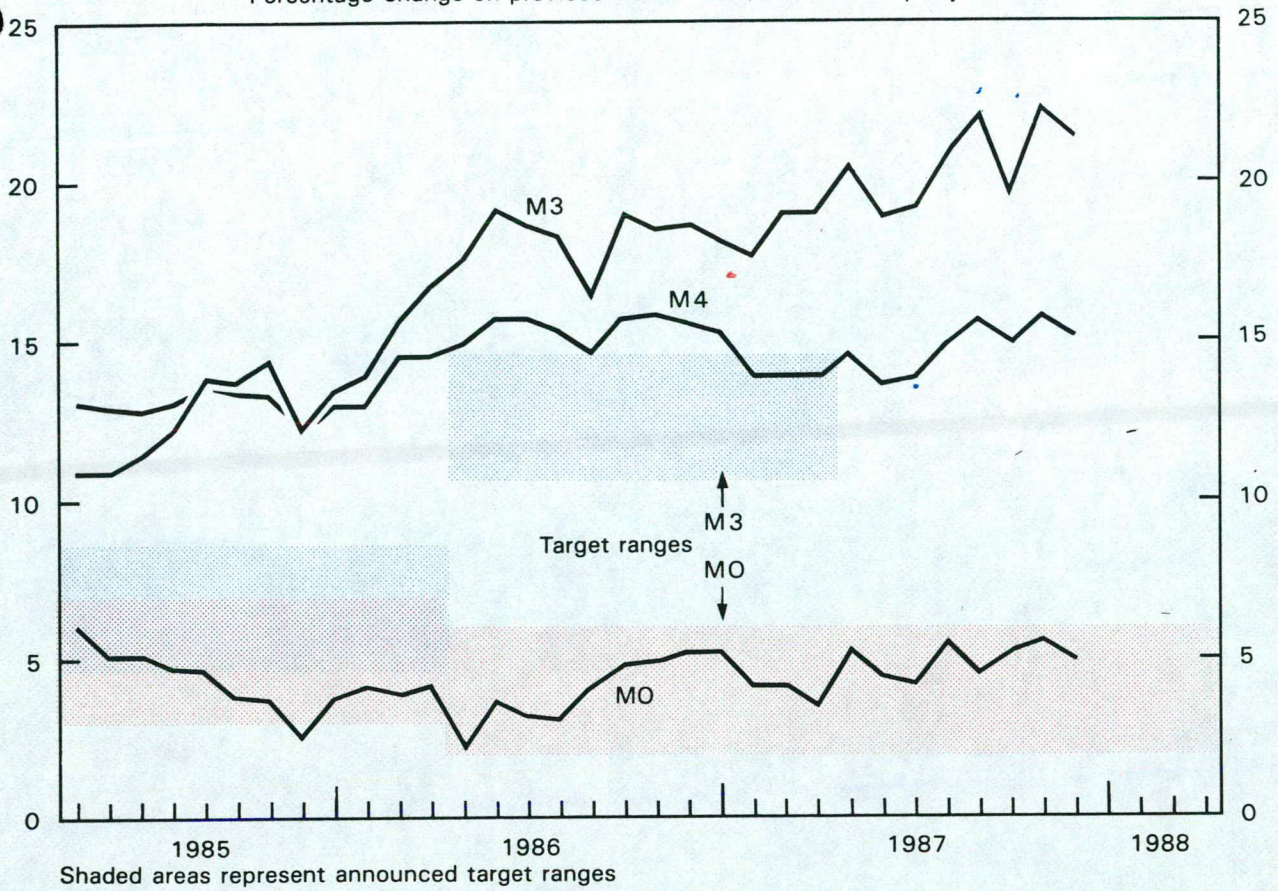
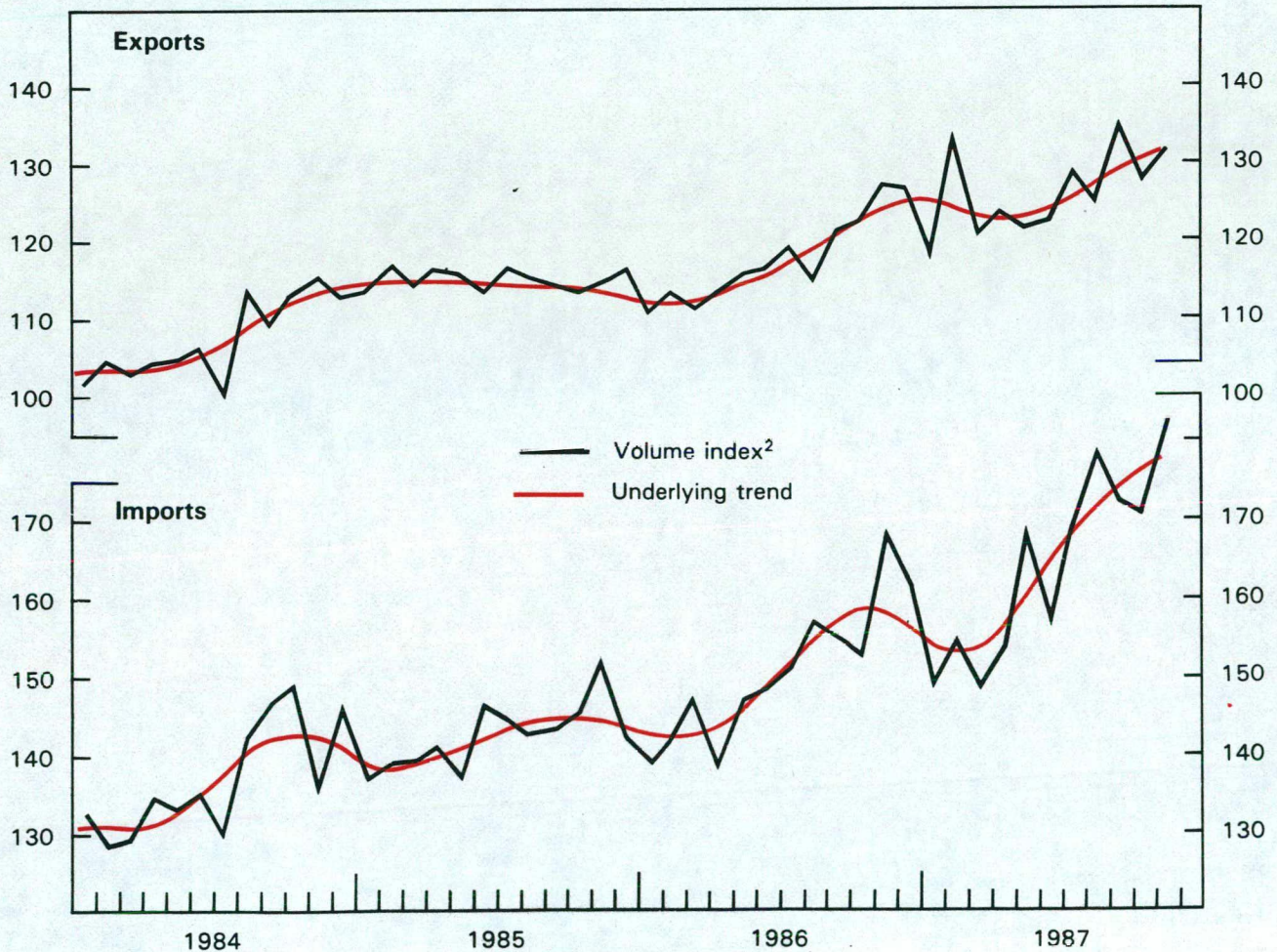


CHART 7

Exports and Imports (excluding oil and erratics¹)

Index 1980 = 100



1. Ships, North Sea Installations, Aircraft, Precious Stones and Silver
 2. Seasonally adjusted data, Balance of Payments basis

mp

FROM: S BOWDEN
DATE: 8 January 1988

1. MISS O'MARA
2. ECONOMIC SECRETARY

- cc: Chancellor
Sir P Middleton
Sir T Burns
Sir G Littler
Mr Scholar
Mr Peretz
Mr Sedgwick
Mr R I G Allen
Miss Noble
Mr Bush
Mr Pike
Mr Hall
Mr Holgate

The increase in the amount of credit outstanding may attract some adverse attention. But as the note explains the series has fluctuated significantly and there are probably problems of seasonal adjustment too.

mon 8/1



DTI PRESS NOTICE ON CONSUMER CREDIT

(All figures are seasonally adjusted)

The DTI press notice attached gives details of credit business in October. It will be published at 11.30am on Monday 11 January.

2. The table below summarises the information in the release.

CONSUMER CREDIT IN NOVEMBER

	<u>£M</u>	<u>Percentage increase over level of previous month</u>	<u>Percentage growth over last 12 months</u>
1. Change in amount outstanding on consumer credit agreements	173 (408)	0.8 (1.9)	19.7 (18.6)
of which bank credit cards:	-93 (93)	-1.7 (1.7)	18.0 (17.1)
2. New credit advanced to consumers	3,144 (2,985)	5.3 (-7.6)	33.2 (22.5)
of which bank credit cards:	1,532 (1,386)	10.5 (-11.1)	35.7 (20.3)

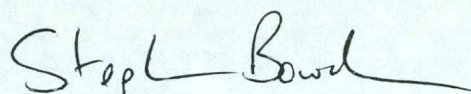
(Bracketed figures give comparable amounts for October).

3. Changes in amounts outstanding (Table 1 of the press notice) were lower than in October but may be distorted by inaccurate seasonal adjustments. These will be reviewed when full data are available for calendar 1987. The annual growth rate has increased one point because of unusually low growth in November 1986.

4. New credit advanced in November (Table 3) shows a marked rise from that in October. However, the November level is below that for September. Bank credit cards make up the largest single component of new credit and erratic movements in this series explain the fluctuations in the total. The average for October and November taken together is less than that for August and September.

5. Table 2 gives quarterly data only on all consumer credit agreements and shows 1987 Q3 £28 million (2.0%) higher than previously estimated.

6. The change in credit outstanding should not attract adverse press comment, since they are below those of the previous month. If any queries are raised on the advance of new credit, IDT should simply draw attention to fluctuations in the series over the last four months and to problems with seasonal adjustment.



S BOWDEN

DTI Press Notice

Department of Trade and Industry

1 Victoria Street SW1H 0ET

Press Office: 01-215 4471/4475

Out of hours: 01-215 7877

Number 88/12

11 January 1988

CREDIT BUSINESS IN NOVEMBER

During November the amount outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards rose by £0.2 billion to £22.5 billion (see Table 1). This compared with an increase in October of £0.4 billion. (These figures exclude those consumer credit agreements shown in Table 2 where information is available only quarterly: these are loans by banks on personal accounts and loans by insurance companies for which amounts outstanding at the end of September were £13.3 billion).

The increase in the latest three months, September to November was £1.0 billion, above the corresponding figure of £0.8 billion in the previous three months. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.7 billion in the most recent period compared with £0.5 billion in the previous one. Bank credit cards showed an increase of £0.2 billion in the latest three months, the same as in the previous period. The increase for retailers was £0.1 billion in both three month periods.

New credit advanced to consumers in November by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.1 billion, compared with a total of £3.0 billion in October (see Table 3). The total for the three months September to November was 5 per cent higher than that for the previous three months.

In November there was a **rise in amounts outstanding on agreements with businesses** by finance houses, other specialist credit grantors and building societies of £0.2 billion following an unusual fall in October (see Table 1). The total change in the latest three months was £0.3 billion, compared with £0.4 billion in the preceding three months.

NOTES TO EDITORS

1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal account and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.

3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.

4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance houses to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on bank credit cards and by mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.

5 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amount outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

6 Further definitions are given at the foot of the tables accompanying this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£19.50 per annum) from H M Stationery Office P O Box 569, London SE1 9NH. Individual copies are available, price £3.50 each from:

The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS	
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH			
	A=B+C+D	B	C	CONSUMERS	BUSINESSES		A+E
				D	E		
AMOUNTS OUTSTANDING AT END OF PERIOD							
1986	19,063	2,231	4,681	12,151	5,728	24,791	
1987 OCT	22,320R	2,510	5,465	14,345R	6,497	28,817R	
NOV	22,493	2,544	5,372	14,577	6,702	29,195	
CHANGES IN AMOUNTS OUTSTANDING (b)							
1986	2,437	94	891	1,452	596	3,033	
1986 1st Qtr	855	39	221	595	214	1,069	
2nd Qtr	346	3	213	130	34	380	
3rd Qtr	792	107	356	329	193	985	
4th Qtr	444	-55	101	398	155	599	
1987 1st Qtr	952	67	248	637	5	957	
2nd Qtr	1,038	56	260	722	373	1,411	
3rd Qtr	859	107	183	569	422	1,281	
1986 NOV	-15	12	-113	86	-23	-38	
DEC	265	14	128	123	51	316	
1987 JAN	257	8	15	234	-17	240	
FEB	296	27	97	172	24	320	
MAR	399	32	136	231	-2	397	
APR	410	20	113	277	66	476	
MAY	294	20	19	255	141	435	
JUN	334	16	128	190	166	500	
JUL	241	52	103	86	149	390	
AUG	206	25	-80	261	132	338	
SEP	412	30	160	222	141	553	
OCT	408R	49	93	266R	-31	377R	
NOV	173	34	-93	232	205	378	
1987 JUN-AUG	781	93	151	537	447	1,228	
SEP-NOV	993	113	160	720	315	1,308	

R = revised

NOTES

(a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.

(b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	£ Million		
	1983	1984	1985
Retailers	132	116	195
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)

£ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNT OUTSTANDING AT END OF PERIOD						
1986	31,108R	2,231	4,681	11,228	817R	12,151
1987 1st Qtr	32,280R	2,298	4,929	11,440	825R	12,788
2nd Qtr	33,743R	2,354	5,189	11,895	795R	13,510
3rd Qtr	35,165R	2,461	5,372	12,420	833R	14,079

CHANGES IN AMOUNTS OUTSTANDING

1986	2,509R	94	891		72R	1,452
1986 1st Qtr	869R	39	221		14R	595
2nd Qtr	361R	3	213		15R	130
3rd Qtr	807R	107	356		15R	329
4th Qtr	472	-55	101		28	398
1987 1st Qtr	1,172	67	248	212	8	637
2nd Qtr	1,463	56	260	455	-30	722
3rd Qtr	1,422R	107	183	525	38R	569

— indicates a break in the series

R = revised
E = estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers mixed retail businesses (other than Co-operative societies) and general mail order houses only.
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TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,026	4,834	12,916	10,276	3,489	31,515
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223
4th Qtr	7,253	1,230	3,480	2,543	925	8,178
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881
2nd Qtr	8,440	1,272	3,997	3,171	1,029	9,469
3rd Qtr	9,147	1,365	4,353	3,429	1,149	10,296
1986 NOV	2,360	420	1,129	811	275	2,635
DEC	2,456	397	1,199	860	328	2,784
1987 JAN	2,417	411	1,177	829	278	2,695
FEB	2,618	415	1,276	927	331	2,949
MAR	2,883	415	1,421	1,047	354	3,237
APR	2,766	416	1,289	1,061	314	3,080
MAY	2,697	414	1,268	1,015	335	3,032
JUN	2,977	442	1,440	1,095	380	3,357
JUL	2,944	447	1,410	1,087	359	3,303
AUG	2,972	457	1,384	1,131	376	3,348
SEP	3,231	461	1,559	1,211	414	3,645
OCT	2,985R	469	1,386	1,130R	368R	3,353R
NOV	3,144	473	1,532	1,139	409	3,553
1987 JUN-AUG	8,893	1,346	4,234	3,313	1,115	10,008
SEP-NOV	9,360	1,403	4,477	3,480	1,191	10,551
Percentage increase over previous three months	5	4	6	5	7	5

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

Reference

[Handwritten signature]

To:

SECRETARY OF STATE

(Circulation list attached)

From:

Graham Jenkinson
S2B
Room 5/3
20 Victoria Street
215 3003

8 January 1988

CH/EXCHEQUER	
REC.	08 JAN 1988
ACTION	
COPIES TO	

[Red checkmark]

CREDIT BUSINESS IN NOVEMBER

A Press Notice giving details of credit business in November is attached for information. The Press Notice will be issued at 11.30 am on Monday, 11 January. The contents should be treated as confidential until then.

G. Jenkinson

G JENKINSON

DTI Press Notice

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

Department of Trade and Industry
1 Victoria Street SW1H 0ET
Press Office: 01-215 4471/4475
Out of hours: 01-215 7877

Number 88/12
11 January 1988

CREDIT BUSINESS IN NOVEMBER

During November the amount outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards rose by £0.2 billion to £22.5 billion (see Table 1). This compared with an increase in October of £0.4 billion. (These figures exclude those consumer credit agreements shown in Table 2 where information is available only quarterly: these are loans by banks on personal accounts and loans by insurance companies for which amounts outstanding at the end of September were £13.3 billion).

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(SEASONALLY ADJUSTED)

£ Million

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— indicates a break in the series

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NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,026	4,834	12,916	10,276	3,489	31,515
1986 1st Qtr	6,549	1,146	2,926	2,477	826	7,375
2nd Qtr	6,875	1,191	3,115	2,569	864	7,739
3rd Qtr	7,349	1,267	3,395	2,687	874	8,223
4th Qtr	7,253	1,230	3,480	2,543	925	8,178
1987 1st Qtr	7,918	1,241	3,874	2,803	963	8,881
2nd Qtr	8,440	1,272	3,997	3,171	1,029	9,469
3rd Qtr	9,147	1,365	4,353	3,429	1,149	10,296
1986 NOV	2,360	420	1,129	811	275	2,635
DEC	2,456	397	1,199	860	328	2,784
1987 JAN	2,417	411	1,177	829	278	2,695
FEB	2,618	415	1,276	927	331	2,949
MAR	2,883	415	1,421	1,047	354	3,237
APR	2,766	416	1,289	1,061	314	3,080
MAY	2,697	414	1,268	1,015	335	3,032
JUN	2,977	442	1,440	1,095	380	3,357
JUL	2,944	447	1,410	1,087	359	3,303
AUG	2,972	457	1,384	1,131	376	3,348
SEP	3,231	461	1,559	1,211	414	3,645
OCT	2,985R	469	1,386	1,130R	368R	3,353R
NOV	3,144	473	1,532	1,139	409	3,553
1987 JUN-AUG	8,893	1,346	4,234	3,313	1,115	10,008
SEP-NOV	9,360	1,403	4,477	3,480	1,191	10,551
Percentage increase over previous three months	5	4	6	5	7	5

R = revised

NOTES

- (a) Self financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

CIRCULATION LIST

Mr Kenneth Clarke
Mr Alan Clark
Mr Robert Atkins
Mr Francis Maude
Mr John Butcher
Sir Brian Hayes
Mr Liesner
Mr Threadgold
Mr Whiting
Mr Healey
Mr Stibbard
Mr Miner
Mr Norton
Miss Marson
Mr Mattock
Mr Nuttall
Mr Mann
Mr Parsons

Prime Minister's Office

Chancellor's Office

Sir Terence Burns - Treasury

Mr P Sedgwick - "
Mr P Allum - "
Miss M O'Mara - "
Mr N Holgate - "
Mr P Hall - "
Mr G Pike - "

Mr M J Dicks - Bank of England

Mr J Exeter - " " "
Mr W Allen - " " "

Miss S Carter - CSO

Mr Clare - "
Mr C Bryant - "
Mr D Stirling - "
Mr J Alexander - "

COVERING SECRET AND PERSONAL

5384

mp

Mr A Allan
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
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Department of
Trade and Industry

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Direct line 215 4887
Our ref
Your ref
Date 25 January 1988

a
seems OK
AA
OK
phoned

I am attaching a copy of the draft Press Notice on the Current Account of the United Kingdom Balance of Payments in December. The draft was agreed earlier today at the usual interdepartmental meeting.

Publication is set for Thursday 28 January at 11.30 and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Wednesday 27 January and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton and Mr Davis, H M Treasury.

Yours sincerely

W. E. Boyd

W E BOYD

COVERING SECRET AND PERSONAL

amp

FROM: A BOTTRILL
DATE: 27 JANUARY 1988

PS/CHANCELLOR

12/2

a
OK?

AA

cc Sir P Middleton
Sir T Burns
Mr Sedgwick
Mr Owen

OK
by you & me.

MONTHLY BALANCE OF PAYMENTS PRESS NOTICE

I attach a draft letter for the Chancellor to send to Lord Young about the DTI's proposed changes to the monthly trade figures press notice.

2. Since my original minute, the DTI has agreed to provide the unit value indices to us at the same time as the press notice is published. They are also prepared to come to an arrangement with any outside analysts who want the figures.

3. We can limit discussion with Lord Young therefore to the 'trends' in trade volumes and the provision of figures by economic category.

So why is sentence a unit values included i letter?!

ABottrill

A BOTTRILL

DRAFT LETTER TO LORD YOUNG

MONTHLY BALANCE OF PAYMENTS PRESS NOTICE

My officials have kept me in touch with the proposals for changes.

~~I understand that you are proposing to change the presentation of~~ the monthly trade figures press release.

~~The new format which shows the detailed figures on a balance of payments basis is a welcome improvement. I have reservations, however, about some other aspects of the presentation of UK industry's trade performance.~~

These include some welcome improvements, but there are two points I should like to raise with you. I attach particular importance to the first.

2. ^{alleged} The proposed press notice continues to refer to the "underlying" ^(new) levels or trends in non-oil export and import volumes, in spite of the ^{many} ^{market-sensitive} problems that these ^{intuitive} ^{references} have caused in the past. The ~~attached~~ ^{in fact} graphs on which these 'trends' are based show ~~some very~~ marked short-run fluctuations which ~~I believe can~~ ^{can} often give a misleading impression of the UK's ~~true~~ trade performance. [In particular, this meant that comments in the press notice were slow to pick-up the buoyancy of export growth in the summer of last year; and in the most recent months they have tended to exaggerate the pace of the underlying rise in imports by focusing on the period from the abnormal trough of early last spring. Since a number of lazy journalists tend simply to quote the press notice verbatim, this is unfair to industry and damaging to confidence.]

The point is that
Not good example this month, so omit graphs!

(Check) ✓

There is no other ^{major} monthly statistical press notice ~~of this sensitivity~~ which includes judgemental statements about trends. It seems to me far better for the trade figures press notice to stick to ^{actual} comparisons of ^{recent} growth over longer time periods. the facts of

3. I should prefer, therefore, to drop the references to underlying trends and focus instead on comparisons over longer time periods which are probably more robust. In 1987 as a whole, for example, non-oil exports rose by almost 8 per cent - only a little slower than the 9½ per cent rise in imports. This is a very creditable trade performance by industry, particularly in view of the relative strong growth in domestic demand.

My second point is that I see some value in

4. ~~I have two other points. First, I should like to retain the figures for exports and imports by economic category - consumer, capital and intermediate goods. It is helpful to be able to use these in our press briefing to link movements in trade volumes to developments in domestic demand and activity. Second, I note that you propose dropping detailed information on trade prices. Again, we find these figures useful and would be grateful to continue to receive them internally at the same time as the press notice even if you decide to stop publishing them.~~

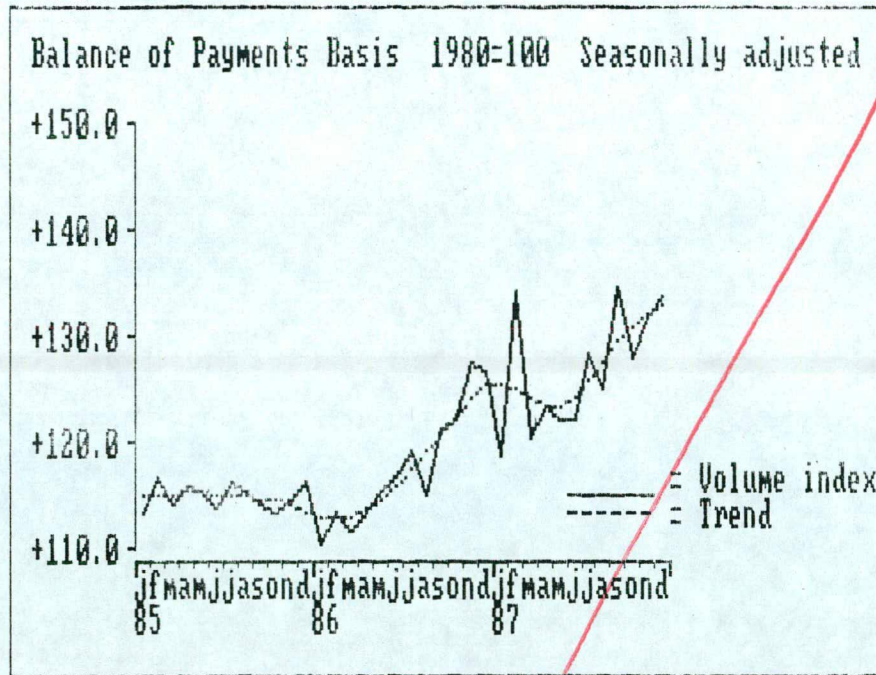
~~Use of product~~
So as

5. Perhaps we ^{could} ~~can~~ discuss ^{this point} ~~this~~ when we meet on Friday.

Unlike the 'industry funds' these are this is straight forward factual information which we ~~are~~ quite often find in

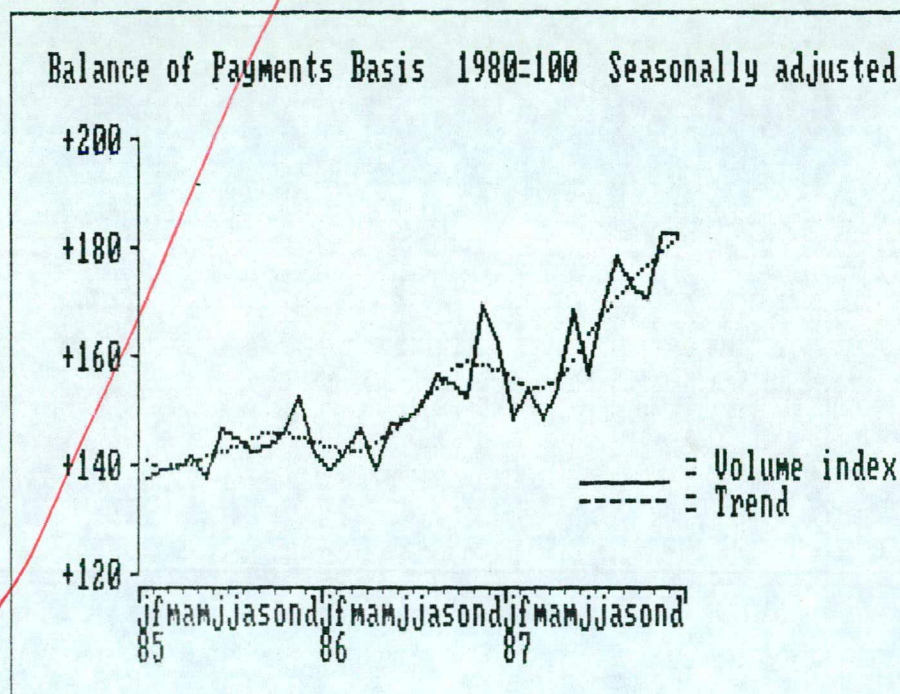
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EXPORTS LESS OIL & ERRATICS



SECRET & PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 28.1.88

IMPORTS LESS OIL & ERRATICS



ppp

THE CURRENT ACCOUNT - TABLE 2

Balance of payments basis
 £ million; seasonally adjusted

	CURRENT BALANCE fob	EXPORTS fob	IMPORTS fob	VISIBLE TOTAL	BALANCES: OIL	NON- OIL	INVISIBLE BALANCE
1986	-944	72843	81306	-8463	4056	-12519	7519
1987	-2692	80089	89913	-9824	4184	-14008	7132
1986 Q4	-989	19340	22065	-2725	785	-3510	1736
1987 Q1	572	19637	20772	-1135	1164	-2300	1707
Q2	-659	19388	21770	-2382	1033	-3415	1723
Q3	-1146	20362	23410	-3048	945	-3994	1902
Q4	-1459	20703	23962	-3259	1041	-4299	1800
1987 APR	48	6608	7135	-527	423	-950	574
MAY	-532	6386	7493	-1107	365	-1472	575
JUN	-174	6394	7142	-748	245	-993	574
JUL	-291	6762	7686	-925	287	-1212	634
AUG	-873	6566	8073	-1507	372	-1879	634
SEP	17	7034	7651	-617	286	-903	634
OCT	-282	6867	7749	-882	386	-1268	600
NOV	-595	6951	8146	-1195	341	-1536	600
DEC	-582	6885	8067	-1182	314	-1496	600
OCT-DEC 86	-989	19340	22065	-2725	785	-3510	1736
JUL-SEP 87	-1146	20362	23410	-3048	945	-3994	1902
OCT-DEC 87	-1459	20703	23962	-3259	1041	-4300	1800

PERCENTAGE CHANGES:-

LATEST 3 MONTHS ON
 PREVIOUS 3 MONTHS **1.5%** **2.5%**

SAME 3 MONTHS
 ONE YEAR AGO **7.0%** **8.5%**

JAN-DEC86	-944	72843	81306	-8463	4056	-12519	7519
JAN-DEC87	-2692	80089	89914	-9824	4184	-14008	7132

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DECEMBER AND YEAR 1987

The current account for December, seasonally adjusted, was estimated to have been in deficit by £582 million compared with a deficit of £595 million in November. In 1987 as a whole, the current account is provisionally estimated to have been in deficit by £2692 million.

In December, exports - seasonally adjusted on a balance of payments basis - were valued at £6885 million and imports at £8067 million so that the trade in goods was in deficit by £1182 million.

In 1987 as a whole visible trade is estimated to have been in deficit by £9824 million.

The balance on invisibles for December is projected to be in surplus by £600 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions

FOURTH QUARTER 1987

In the fourth quarter of 1987, the current account showed a deficit

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of £1.5 billion compared with a deficit of £1.1 billion in the previous quarter. There was a deficit on visible trade of £3.3 billion in the latest quarter compared with a deficit of £3.0 billion in the previous quarter. The surplus on invisibles in the latest quarter is projected at £1.8 billion.

CURRENT ACCOUNT

TABLE 1

£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance ^b
		Balance	Exports fob	Imports fob	
1986	- 944	-8463	72843	81306	+7519
1987	-2692 ^a	-9824	80089	89913	+7132 ^a
1986 Q4	- 989	-2725	19340	22065	+1736
1987 Q1	+ 572	-1135	19637	20772	+1707
Q2	- 659	-2382	19388	21770	+1723
Q3	-1146	-3048	20362	23410	+1902
Q4	-1459	-3259	20703	23962	+1800 ^a
1987 July	- 291	- 925	6762	7686	+ 634
Aug	- 873	-1507	6566	8073	+ 634
Sep	+ 17	- 617	7034	7651	+ 634
Oct	- 282 ^a	- 882	6867	7749	+ 600 ^a
Nov	- 595 ^a	-1195	6951	8146	+ 600 ^a
Dec	- 582 ^a	-1182	6885	8067	+ 600 ^a

^a Invisibles for October to December 1987 are projections.

^b Monthly figures are one third of the appropriate calendar quarter's estimate or projection. Information relating to credits and debits can be found in Table 3.

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VISIBLE TRADE IN DECEMBER

There was a deficit on visible trade in December of £1182 million compared with a deficit of £1195 million in November. The surplus on oil was £314 million, £27 million less than in November. The deficit on non-oil trade increased by £40 million.

Total exports in December were valued at £6885 million, which was £66 million (1 per cent) lower than in November. Exports of oil increased by £19 million and exports of the erratic items decreased by £141 million between the two months. Excluding oil and the erratic items, exports rose by 1 per cent between November and December.

Total imports were valued at £8067 million in December, which was £79 million (1 per cent) lower than in November. Imports of oil rose by £45 million between the two months and imports of the erratic items fell by £59 million. Excluding oil and the erratic items, imports fell by 1 per cent between November and December.

RECENT TRENDS

Visible balance

In the fourth quarter of 1987, there was a deficit on visible trade of £3.3 billion - a surplus on trade in oil of £1.0 billion being offset by a deficit on non-oil trade of £4.3 billion.

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Between the third and fourth quarters of 1987, the deficit on visible trade increased by £0.2 billion - the surplus on oil rose by £0.1 billion while the deficit on non-oil trade increased by £0.3 billion. Visible trade in the year 1987 is estimated to have been in deficit by £9.8 billion compared with a deficit of £8.5 billion in 1986.

Exports

Exports amounted to £20.7 billion in the fourth quarter of 1987, £0.3 billion (1½ per cent) more than in the previous quarter. Exports of oil and exports of the erratic items each rose by £0.1 billion. Excluding oil and the erratic items, exports increased by £0.2 billion between the third and fourth quarters of 1987. Within the total, exports of intermediate finished manufactures rose by 7 per cent: exports of capital goods rose by 5 per cent.

By volume, exports rose by 3½ per cent between the third and fourth quarters to be 4 per cent higher than in the fourth quarter of 1986. Excluding oil and the erratic items, export volume increased by 1½ per cent in the latest quarter, to be 4½ per cent higher than in the same period last year. The underlying level of non-oil export volume rose steadily during the second half of 1987. By volume, exports increased by 6 per cent between 1986 and 1987. The corresponding increase in manufactures excluding the erratic items was 8½ per cent.

Imports

Total imports were valued at £24.0 billion in the latest quarter, £0.6 billion ($2\frac{1}{2}$ per cent) higher than in the third quarter.

Imports of oil and of the erratic items were little changed.

Excluding oil and the erratic items, imports grew by $2\frac{1}{2}$ per cent between the third and fourth quarters of 1987.

Total import volume in the fourth quarter was $3\frac{1}{2}$ per cent higher than in the previous quarter and $8\frac{1}{2}$ per cent higher than in the fourth quarter of 1986. Excluding oil and the erratic items, import volume rose by $3\frac{1}{2}$ per cent in the latest quarter to be 11 per cent higher than in the same period last year. The upward trend in non-oil import volume since last Spring has continued in recent months. By volume, imports rose by $8\frac{1}{2}$ per cent between 1986 and 1987. The corresponding increase in manufactures excluding the erratic items was 11 per cent.

Terms of trade and unit values

The terms of trade index rose by $\frac{1}{2}$ per cent between the third and fourth quarters of 1987 with the export unit value indices remaining unchanged and the import unit value indices decreasing by $\frac{1}{2}$ per cent. Compared with the same quarter of last year, the export unit value index rose by $3\frac{1}{2}$ per cent and the import unit value index was unchanged. As a result the terms of trade index is 3 per cent up on a year ago.

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Export unit values for fuels fell by $7\frac{1}{2}$ per cent between the third and fourth quarters while the unit value index for non-oil exports rose by $\frac{1}{2}$ per cent.

Import unit values for fuels fell by $3\frac{1}{2}$ per cent between the third and fourth quarters while the unit value index for non-oil imports was unchanged.

Analysis by area

Exports to the developed countries rose by 4 per cent between the third and fourth quarters. Exports to the European Community countries rose by 3 per cent in the latest quarter; exports to North America and to the other developed countries both increased by 4 per cent. Those to the developing countries fell by 4 per cent between the third and fourth quarters.

Imports from the developed countries increased by $2\frac{1}{2}$ per cent over the latest quarter with arrivals from the European Community countries and from North America both up 2 per cent and arrivals from the other developed countries up by $6\frac{1}{2}$ per cent. Imports from the developing countries decreased by 4 per cent between the third and fourth quarters.

NOTES TO EDITORS

INVISIBLES

~~1~~ — ~~The estimates in tables 1 to 3 incorporate the revised figures which were published in the GSO press notice on the balance of payments accounts on 15 December.~~

21. Estimates of invisibles are based on a variety of sources, mostly inquiries of those engaging in the various transactions. These are usually sample inquiries, and are variously held on quarterly, annual or periodical bases. For some components, data for recent periods are therefore incomplete and subject to significant estimation errors.

22 The figures shown for the invisibles balance in most months are the estimates for the relevant quarters, taken from the balance of payments accounts, expressed at a monthly rate. For the most recent months, however, the figures are projections, which are rounded to the nearest £100 million to emphasise their approximate nature. These projections are superceded by preliminary estimates from the balance of payments accounts when they are published around the middle of March, June, September and December. (This modifies the procedure described in the December 1986 issue of Economic Trends; a review of the timetable concluded that more time should be allowed to prepare these preliminary estimates to improve their quality and reduce the likelihood of revisions within relatively short periods). Thus the projections for July to September shown in the October Press Notice have been replaced by figures based on the preliminary estimates for the third quarter of 1987, published on 15 December.

VISIBLE TRADE : NEW CUSTOMS PROCEDURES

3 On 1 January 1988 new customs procedures were introduced, including a switch to a new Single Administrative Document for Customs declaration and the adoption of a new system of commodity coding, based on the worldwide Harmonised System. [Further information may be obtained from the article in British Business of 27 November 1987 and column 34 of written answers, House of Commons Official Report, 7 December 1987]. There was some incentive for traders to bring forward the movement of goods to avoid transitional delays at the ports. However there is at present no evidence that this resulted in any significant increase in the documents analysed for the December period of account.

ADJUSTMENT FOR UNPROCESSED DOCUMENTS

4 Following a further investigation by Customs and Excise into the effects of industrial action, adjustments have been made to take account of documents delayed from the period April to June and subsequently processed in August and October. These adjustments have been made to the Balance of Payments based figures (tables 1 to 7 and 16), but not to the OTS figures (tables 8 to 15). The amounts involved are as follows:

	<u>Adjustment for unprocessed documents</u>					£ million
	April	May	June	August	October	
Exports	+30	+71	+67	-18	- 151	
Imports	+63	+49	+38		- 150	

MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

The Monthly Review supplements the information contained in this Press Notice. It gives longer historical runs of data and contains charts, tables on the UK Balance of Payments, UK exports and imports on an Overseas Trade Statistics basis, and certain international comparisons. The Monthly Review is available from the Department of Trade and Industry at the address given below for an annual subscription of £43 which includes the annual supplement. Individual copies are priced at £3, (£7 for the annual supplement).

AREA (tables 11 and 15)

6 Low value consignments ie items of an individual value less than £475, are not analysed by country and are therefore excluded from the area data in tables 11 and 15. In addition the method of seasonal adjustment leads to further differences between the sum of areas and figures for total trade.

STANDARD NOTES

7 There is a set of standard notes that describe the basis on which the figures in this Press Notice are compiled including the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) figures. Copies can be obtained from the address below.

Enquiries about the Standard Notes, and the Monthly Review, should be addressed to S2A, Room 255, Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET, Telephone: 01-215 4895.

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CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Balance of Payments basis)

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance ^b
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1986	- 944	72843	81306	- 8463	+ 4056	- 12519	+ 7519
1987	- 2692 ^a	80089	89913	- 9824	+ 4184	- 14008	+ 7132 ^a
1986 Q4	- 989	19340	22065	- 2725	+ 785	- 3510	+ 1736
1987 Q1	+ 572	19637	20772	- 1135	+ 1164	- 2300	+ 1707
Q2	- 659	19388	21770	- 2382	+ 1033	- 3415	+ 1723
Q3	- 1146	20362	23410	- 3048	+ 945	- 3994	+ 1902
Q4	- 1459 ^a	20703	23962	- 3259	+ 1041	- 4299	+ 1800 ^a
1987 Apr	+ 48	6608	7135	- 527	+ 423	- 950	+ 574
May	- 532	6386	7493	- 1107	+ 365	- 1472	+ 575
June	- 174	6394	7142	- 748	+ 245	- 993	+ 574
July	- 291	6762	7686	- 925	+ 287	- 1212	+ 634
Aug	- 873	6566	8073	- 1507	+ 372	- 1879	+ 634
Sept	+ 17	7034	7651	- 617	+ 286	- 903	+ 634
Oct	- 282 ^a	6867	7749	- 882	+ 386	- 1268	+ 600 ^a
Nov	- 595 ^a	6951	8146	- 1195	+ 341	- 1536	+ 600 ^a
Dec	- 582 ^a	6885	8067	- 1182	+ 314	- 1496	+ 600 ^a
% Change							
Latest 3 months		+ 1½	+ 2½				
- on previous 3 months		+ 7	+ 8½				
- Same 3 months one year ago							

a Invisibles for October to December 1987 are projections.

b Monthly figures are one third of the appropriate calendar quarter's estimate or projection.

Table 3

INVISIBLES

£ million seasonally adjusted

	All Sectors						Private Sector and Public Corporations ^d		
	Credits	Debits	Balance	of which			Credits	Debits	Balance
				Services	Interest Profits Dividends	Transfers			
1984	77080	71223	+ 5857	+ 3489	+ 4207	- 1839	71780	62393	+ 9387
1985	79805	74739	+ 5066	+ 5388	+ 2954	- 3276	75155	64778	+ 10377
1986	76293	68774	+ 7519	+ 5081	+ 4611	- 2173	71184	59185	+ 11999
1985 Q3	19358	17630	+ 1728	+ 1501	+ 1109	- 882	18136	14968	+ 3168
Q4	18588	17838	+ 750	+ 1283	+ 207	- 740	17447	15448	+ 1999
1986 Q1	18955	16952	+ 2003	+ 1308	+ 769	- 74	17600	14926	+ 2674
Q2	18464	16719	+ 1745	+ 1205	+ 1106	- 566	17148	14304	+ 2844
Q3	19243	17208	+ 2035	+ 1247	+ 1488	- 700	17966	14679	+ 3287
Q4	19631	17895	+ 1736	+ 1321	+ 1248	- 833	18470	15276	+ 3194
1987 Q1	19730	18023	+ 1707	+ 1256	+ 1304	- 853	18072	14904	+ 3168
Q2	19699	17976	+ 1723	+ 1245	+ 1192	- 714	18237	15170	+ 3067
Q3	20438	18536	+ 1902	+ 1572	+ 1339	- 1009	19160	15550	+ 3610

^d ie excluding general Government transactions and all transfers.

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EXPORT AND IMPORT UNIT VALUE AND VOLUME INDEX NUMBERS
(Balance of Payments basis)

Table 4

Indices 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1986	136.6	134.0	101.9	123.1	134.2
1987	141.9	137.8	103.0	130.6	145.3
1986 Q4	138.1	136.8	100.9	130.5	144.0
1987 Q1	140.7	140.0	100.5	130.0	133.2
Q2	141.2	136.2	103.7	126.3	140.9
Q3	142.9	137.7	103.8	130.7	151.0
Q4	142.7	137.1	104.1	135.6	156.1
1987 Apr	141.0	137.2	102.8	131.4	138.6
May	140.9	135.7	103.8	124.2	144.8
June	141.6	135.7	104.4	123.4	139.1
July	141.7	136.9	103.5	130.9	147.8
Aug	143.6	138.2	103.9	126.6	155.1
Sept	143.6	138.1	104.0	134.6	150.1
Oct	143.6	138.2	104.0	132.4	149.1
Nov	142.7	137.3	103.9	136.1	158.9
Dec	141.6	135.7	104.4	138.2	160.5
% Change					
Latest 3 months on	-	- ½	+ ½	+ 3½	+ 3½
- previous 3 months					
- same 3 months	+ 3½	-	+ 3	+ 4	+ 8½
one year ago					

^e Export unit value index as a percentage of the import unit value index.

VALUE AND VOLUME OF EXPORTS AND IMPORTS EXCLUDING THE MORE ERRATIC ITEMS^f
(Balance of Payments basis)

Table 5

seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1986	67459	77657	126.0	142.5
1987	74113	86046	133.9	154.7
1986 Q4	17759	21146	133.0	153.8
1987 Q1	18125	19833	132.9	141.8
Q2	17968	20709	129.5	149.2
Q3	18881	22494	134.2	161.3
Q4	19139	23009	138.9	166.6
1987 Apr	6142	6751	135.0	146.2
May	5913	7165	127.3	153.9
June	5913	6793	126.1	147.4
July	6184	7328	132.9	156.9
Aug	6182	7791	131.7	166.3
Sept	6515	7376	137.9	160.8
Oct	6245	7336	134.0	157.3
Nov	6410	7847	139.1	169.9
Dec	6485	7827	143.7	172.7
% Change				
Latest 3 month on	+ 1½	+ 2½	+ 3½	+ 3½
- previous 3 months				
- same 3 months	+ 8	+ 9	+ 4½	+ 8½
one year ago				

^f These are defined as ships, North Sea installations, aircraft, precious stones, and silver.

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TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance	Exports of Oil					Imports of Oil					
	of	Total	Crude Oil			Rest of	Total	Crude Oil			Rest of	
	Trade		[SITC (REV 2) 333.0]					Division	[SITC (REV 2) 333.0]			Division
	in oil				Avg value					Avg value		
£	£	£	million	per tonne	£	£	£	million	per tonne	£		
million	million	million	tonnes	£ fob	million	million	million	million	tonnes	£ fob	million	
	fob	fob	fob			fob	fob	fob			fob	
1986	+ 4056	8221	6294	82.1	76.7	1927	4165	2324	32.6	71.2	1841	
1987	+ 4184	8518	6811	81.0	84.1	1708	4335	2645	33.6	78.6	1690	
1986 Q4	+ 785	1886	1533	21.6	71.0	353	1101	617	9.6	64.5	484	
1987 Q1	+ 1164	2225	1824	21.9	83.4	401	1061	624	7.9	79.3	437	
Q2	+ 1033	2076	1658	19.8	83.6	417	1042	658	8.3	79.3	384	
Q3	+ 945	2073	1641	18.6	88.1	431	1127	642	7.8	81.9	485	
Q4	+ 1041	2145	1687	20.7	81.6	458	1104	721	9.6	75.0	383	
1987 Apr	+ 423	832	679	8.0	84.9	153	409	269	3.4	79.2	139	
May	+ 365	629	516	6.4	81.3	113	264	127	1.6	77.5	137	
June	+ 245	615	464	5.5	84.5	151	370	261	3.3	80.2	108	
July	+ 287	657	494	5.8	85.2	163	370	218	2.8	78.9	152	
Aug	+ 372	758	623	6.8	91.2	135	387	234	2.9	79.7	152	
Sept	+ 286	657	524	6.0	87.2	133	371	190	2.1	88.7	181	
Oct	+ 386	698	558	6.4	87.4	140	312	174	2.2	80.4	137	
Nov	+ 341	714	566	6.8	82.9	148	374	261	3.3	78.8	112	
Dec	+ 314	733	563	7.5	75.4	170	419	285	4.1	69.1	134	
% Change												
Latest 3												
months on		+ 3½	+ 3	+ 11	- 7½	+ 6	- 2	+ 12	+ 23	- 8½	- 21	
- previous												
3 months		+ 14	+ 10	- 4	+ 15	+ 30	+ ½	+ 17	+ ½	+ 16	- 21	
- same 3												
months one												
year ago												

⁹ Trade in petroleum and petroleum products. These figures differ from those published by the Department of Energy which are on a time of shipment basis (see paragraph 8 of the standard notes).

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TRADE IN GOODS OTHER THAN OIL
(Balance of Payments basis)

	Total								Excluding Erratics ^f			
	Value, £ million, fob (seasonally adjusted)		Unit value index 1980 = 100 (not seasonally adjusted)		Volume index 1980 = 100 (seasonally adjusted)		Value, £ million fob (seasonally adjusted)		Volume index 1980 = 100 (seasonally adjusted)			
	Balance of non oil trade	Exports	Imports	Exports	Imports	Terms of Trade ^e	Exports	Imports	Exports	Imports	Exports	Imports
1986	- 12519	64621	77141	145.1	141.5	102.6	115.2	140.5	59238	73491	117.7	150.9
1987	- 14008	71571	85579	151.0	145.3	103.9	123.8	153.5	65594	81711	126.8	165.4
1986 Q4	- 3510	17454	20964	148.1	146.3	101.3	123.1	149.4	15873	20045	125.3	161.4
1987 Q1	- 2300	17411	19711	149.7	148.0	101.1	121.8	139.7	15899	18772	124.4	150.4
Q2	- 3415	17312	20728	150.3	143.7	104.6	119.5	149.2	15892	19667	122.5	159.8
Q3	- 3994	18289	22283	151.6	144.8	104.7	125.8	159.8	16808	21367	129.3	172.9
Q4	- 4299	18558	22857	152.3	144.7	105.2	128.0	165.3	16994	21905	131.1	178.6
1987 Apr	- 950	5776	6726	150.0	145.3	103.3	120.5	144.3	5310	6343	123.5	153.8
May	- 1472	5757	7229	150.2	143.0	105.0	118.8	156.6	5284	6901	121.9	168.6
June	- 993	5779	6772	150.6	142.7	105.6	119.2	146.6	5298	6423	122.0	157.0
July	- 1212	6105	7317	150.5	144.1	104.4	126.5	156.5	5527	6959	128.4	168.1
Aug	- 1879	5808	7687	151.8	145.1	104.6	119.6	164.4	5424	7404	124.9	178.5
Sept	- 903	6377	7280	152.6	145.2	105.0	131.1	158.6	5858	7004	134.6	172.1
Oct	- 1268	6169	7437	152.8	145.5	105.0	126.6	159.8	5546	7024	127.8	170.7
Nov	- 1536	6236	7772	152.2	144.7	105.2	128.9	168.8	5696	7473	131.7	182.8
Dec	- 1496	6152	7648	151.9	144.0	105.5	128.5	167.4	5752	7408	133.9	182.3
% Change												
Latest 3 months on - previous 3 months	+ 1½	+ 2½	+ ½	-	+ ½	+ 2	+ 3½	+ 1	+ 2½	+ 1½	+ 3½	
- same 3 months one year ago	+ 6½	+ 9	+ 3	- 1	+ 4	+ 4	+ 11	+ 7	+ 9½	+ 4½	+ 11	

^f These are defined as ships, North Sea installations, aircraft, precious stones, and silver.

^e Export unit value index as a percentage of the import unit value index.

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EXPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

Table 10

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Manufactures excluding erratics ^h								
						Total	Semi-manufactures excluding precious stones & silver(PS)			Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
							Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147
1986	136.5	140	123	81	147	148	138	141	135	154	182	157	157	146
1987	141.7	141	124	82	154	155	142	145	139	162	207	165	167	151
1986 Q4	138.0	142	121	72	151	150	139	141	138	157	198	161	160	148
1987 Q1	140.5	141	122	82	152	153	141	144	139	160	201	164	163	150
Q2	141.0	140	123	81	153	154	141	145	137	162	204	163	168	150
Q3	142.8	141	125	86	155	155	143	146	140	163	210	166	167	151
Q4	142.5	141	125	79	155	156	143	146	141	165	211	167	169	153
1987 Oct	143.5	141	123	83	156	157	144	147	142	165	214	167	168	153
Nov	142.6	140	126	80	155	156	143	146	141	165	212	168	169	152
Dec	141.5	140	125	74	155	156	143	146	141	165	208	167	170	153
Percentage Change														
Q4/Q3	-	-	-	- 7½	+ ½	+ ½	+ ½	-	+ 1	+ 1	+ ½	+ ½	+ 1	+ 1

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

EXPORTS BY AREA
(Overseas Trade Statistics basis)

Table 11

£ million, fob, seasonally adjusted

	Total K	Developed Countries						Developing Countries			Centrally planned economies
		Total	European Community	Rest of W Europe	North America Total USA	Other	Total	Oil exporting countries	Other		
1986	73009	57709	35004	6963	12128	10380	3614	13139	5495	7644	1721
1987	80405	64678	39611	7747	13214	11231	4106	13865	5315	8549	1571
1986 Q4	19347	15474	9545	1799	3225	2717	905	3254	1238	2016	470
1987 Q1	19637	15715	9330	1747	3676	3153	962	3401	1313	2088	437
Q2	19316	15515	9789	1903	2886	2407	937	3445	1306	2139	337
Q3	20431	16404	10093	1965	3264	2768	1083	3580	1346	2233	415
Q4	21021	17044	10399	2132	3388	2903	1124	3439	1350	2089	382
1987 Oct	7058	5679	3503	678	1129	983	369	1224	519	705	130
Nov	7008	5754	3517	718	1097	942	423	1142	449	693	121
Dec	6955	5611	3379	737	1162	978	333	1073	382	691	131
Percentage change											
Q4/Q3	+ 3	+ 4	+ 3	+ 8½	+ 4	+ 5	+ 4	- 4	+ ½	- 6½	- 8

K See paragraph 6 of Notes to Editors.

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IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

TABLE 12

£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j	
1986	86066	10067	4988	6294	62833	59472	20713	7346	13367	38759	4809	10177	12706	11067
1987	95066	10165	5631	6168	71263	67683	23533	8368	15166	44151	5114	11509	14832	12697
1986 Q4	23269	2632	1376	1541	17146	16303	5472	1922	3549	10832	1279	2838	3597	3118
1987 Q1	21819	2473	1386	1468	16148	15248	5377	1943	3434	9871	1054	2576	3289	2952
Q2	22819	2450	1411	1465	17176	16183	5686	2024	3662	10497	1196	2785	3549	2967
Q3	25009	2586	1423	1649	18598	17777	6100	2159	3941	11678	1447	2999	3925	3308
Q4	25419	2656	1411	1586	19341	18475	6370	2242	4129	12105	1417	3149	4069	3470
1987 Oct	8321	836	476	497	6391	6005	2078	729	1349	3927	454	1029	1321	1124
Nov	8533	865	476	510	6563	6305	2119	728	1391	4186	498	1116	1412	1161
Dec	8565	955	459	579	6387	6165	2174	785	1389	3992	466	1004	1336	1186
Percentage change														
Q4/Q3	+ 1½	+ 2½	- 1	- 4	+ 4	+ 4	+ 4½	+ 4	+ 5	+ 3½	- 2	+ 5	+ 7½	+ 5

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

IMPORTS BY COMMODITY: VOLUME INDICES
(Overseas Trade Statistics basis)

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j	
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1986	132.8	123.5	108.7	93.4	148.2	163.0	152.0	188.0	137.2	170.4	131.6	158.3	187.0	183.1
1987	143.8	124.3	120.7	96.8	163.4	180.4	167.2	208.1	150.3	189.2	127.7	177.6	211.8	205.3
1986 Q4	142.4	125	119	106	158	174	157	192	142	186	133	170	205	205
1987 Q1	130.9	120	122	91	146	161	152	191	136	166	103	156	185	187
Q2	137.8	120	122	90	158	173	163	205	146	179	121	172	203	192
Q3	151.7	126	121	104	171	190	174	217	157	200	147	184	224	215
Q4	154.9	131	118	102	179	199	179	219	163	212	141	198	236	228
1987 Oct	149.8	122	121	92	176	193	175	215	158	205	134	189	230	221
Nov	155.6	128	118	96	183	204	179	215	164	220	147	210	248	229
Dec	159.2	144	116	119	178	199	183	227	165	210	140	196	231	233
Percentage change														
Q4/Q3	+ 2	+ 4	- 2½	- 2	+ 5	+ 4½	+ 3	+ 1	+ 3½	+ 5½	- 4	+ 7½	+ 5½	+ 6

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

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EXPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 8

£ million, fob, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital		
														5-8 less SNAPS	5+6 less PS
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j		
1986	73009	5478	2046	8683	54595	49697	18758	9692	9066	30939	1362	5712	13682	10183	
1987	80405	5604	2205	8875	61041	55452	20501	10555	9946	34951	1993	6968	14544	11443	
1986 Q4	19347	1571	561	1970	14570	13139	4924	2539	2386	8215	361	1534	3579	2740	
1987 Q1	19637	1372	624	2309	14642	13287	4880	2507	2374	8407	459	1660	3542	2745	
Q2	19316	1347	543	2158	14614	13260	4880	2498	2381	8380	488	1653	3517	2722	
Q3	20431	1456	543	2177	15640	14277	5377	2757	2620	8900	533	1835	3613	2918	
Q4	21021	1429	495	2231	16145	14628	5364	2793	2571	9264	513	1820	3872	3058	
1987 Oct	7058	514	156	729	5407	4812	1761	899	863	3051	197	558	1295	1000	
Nov	7008	460	175	737	5367	4839	1787	929	857	3052	172	626	1224	1030	
Dec	6955	455	164	766	5371	4977	1816	965	851	3161	144	636	1353	1028	
Percentage change															
Q4/Q3	+ 3	- 2	- 9	+ 2½	+ 3	+ 2½	-	+ 1½	- 2	+ 4	- 4	- 1	+ 7	+ 5	

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

EXPORTS BY COMMODITY: VOLUME INDICES
(Overseas Trade Statistics basis)

Table 9

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital		
														5-8 less SNAPS	5+6 less PS
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j		
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147	
1986	123.6	129.6	117.1	175.5	114.0	116.9	121.9	139.4	108.1	113.8	93.2	117.5	120.4	106.9	
1987	131.4	129.6	126.2	175.5	123.3	126.7	131.0	148.6	116.9	124.1	120.5	138.3	122.7	119.1	
1986 Q4	130.5	146	129	179	120	123	127	146	112	120	91	123	126	115	
1987 Q1	130.2	129	145	183	119	122	126	143	112	120	114	133	120	114	
Q2	125.7	124	120	171	118	121	125	140	113	118	120	133	118	112	
Q3	132.2	133	124	164	126	130	136	153	123	126	127	144	122	123	
Q4	137.4	152	116	184	130	134	137	158	120	132	122	144	131	128	
1987 Oct	136.1	144	109	170	130	131	135	152	120	129	138	130	132	124	
Nov	136.9	126	123	180	130	133	137	157	120	130	123	146	125	131	
Dec	139.1	126	114	201	131	137	139	164	120	136	104	155	137	129	
Percentage Change															
Q4/Q3	+ 4	- 1	- 7	+ 12	+ 3½	+ 2½	+ ½	+ 3	- 2	+ 4½	- 4½	-	+ 8	+ 4	

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

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IMPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)						Finished manufactures excluding ships, North Sea installations and aircraft (SNA)		
						Total	Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j	
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1986	132.5	136	113	97	143	144	133	141	130	152	170	148	158	141
1987	136.0	136	117	93	149	151	138	148	135	159	185	152	164	148
1986 Q4	135.1	139	115	84	149	150	137	145	133	159	178	155	167	147
1987 Q1	137.9	138	117	94	151	152	138	147	135	162	189	155	167	151
Q2	134.8	136	117	93	147	149	137	145	133	157	183	149	164	148
Q3	136.0	135	117	95	148	150	139	149	134	158	184	152	163	147
Q4	135.4	134	116	92	149	151	140	149	136	158	185	153	161	147
1987 Oct	136.4	135	116	95	149	151	141	151	137	158	184	155	161	147
Nov	135.6	134	117	94	149	151	140	150	136	158	187	152	161	147
Dec	134.1	134	115	86	148	150	139	147	135	157	184	151	162	146
Percentage change														
Q4/Q3	- ½	- 1	- 1	- 3½	-	+ ½	+ 1	+ ½	+ 1½	-	+ 1	+ ½	- 1	-

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

IMPORTS BY AREA
(Overseas Trade Statistics basis)

Table 15

£ million cif seasonally adjusted

	Total K	Developed Countries						Developing Countries			Centrally planned economies
		Total	European Community	Rest of W Europe	North America Total	USA	Other	Total	Oil exporting countries	Other	
1986	86066	73285	44506	11864	10054	8468	6861	10514	1877	8637	1856
1987	95066	81166	49699	13215	10859	9196	7393	11432	1746	9685	2099
1986 Q4	23269	19705	11950	3151	2771	2331	1833	2928	511	2418	511
1987 Q1	21819	18642	11411	3076	2435	2025	1720	2520	442	2078	482
Q2	22819	19659	12100	3259	2616	2223	1684	2632	380	2251	497
Q3	25009	21152	12980	3367	2873	2446	1932	3200	466	2734	562
Q4	25419	21713	13208	3513	2935	2502	2057	3080	458	2622	558
1987 Oct	8321	7144	4328	1177	968	823	671	976	141	835	173
Nov	8533	7499	4561	1246	1000	855	692	927	121	805	203
Dec	8565	7069	4318	1090	967	824	695	1177	195	982	183
Percentage change											
Q4/Q3	+ 1½	+ 2½	+ 2	+ 4½	+ 2	+ 2½	+ 6½	- 4	- 2	- 4	- ½

K See paragraph 6 Notes to Editors.

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COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1986	5439	9230	- 3792	2058	4416	- 2359	8683	5994	+ 2690
1987	5543	9357	- 3815	2220	4824	- 2604	8839	5916	+ 2922
1986 Q1	1219	2247	- 1027	504	1092	- 588	3177	1641	+ 1536
Q2	1271	2213	- 942	445	1076	- 631	1922	1426	+ 496
Q3	1383	2356	- 973	545	1025	- 480	1614	1393	+ 221
Q4	1565	2415	- 849	564	1223	- 659	1970	1533	+ 438
1987 Q1	1354	2285	- 931	629	1232	- 603	2308	1413	+ 895
Q2	1345	2273	- 928	553	1177	- 624	2146	1414	+ 732
Q3	1439	2374	- 935	545	1216	- 671	2153	1595	+ 559
Q4	1405	2426	- 1021	493	1199	- 706	2231	1495	+ 736
SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1986	20946	21524	- 578	33540	38453	- 4913	54486	59977	- 5491
1987	22642	24192	- 1550	38199	43901	- 5703	60841	68093	- 7253
1986 Q1	4851	5294	- 443	7925	8751	- 825	12777	14045	- 1268
Q2	5221	5179	+ 42	8395	9092	- 697	13615	14271	- 656
Q3	5290	5339	- 49	8230	9922	- 1692	13520	15261	- 1741
Q4	5585	5712	- 127	8990	10688	- 1698	14575	16400	- 1825
1987 Q1	5474	5652	- 178	9190	9748	- 558	14664	15400	- 736
Q2	5522	5844	- 322	9170	10724	- 1555	14692	16568	- 1876
Q3	5818	6220	- 402	9797	11561	- 1763	15616	17781	- 2165
Q4	5827	6476	- 648	10041	11868	- 1827	15869	18344	- 2475

Monthly data at this level of detail are published in the Monthly Review of External Trade Statistics.

SECRET

and personal
until release of press notice on at 11.30 a.m.

28 JAN 88

PP5 12/2.



H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-270 5238
Facsimile: 270 5244
Telex: 9413704

2 March 1988

THE RESERVES IN FEBRUARY 1988

The UK official reserves fell by \$166 million in February. Accruals of borrowing under the exchange cover scheme amounted to \$29 million; repayments of such borrowing amounted to \$152 million. Capital repayments on assignments to HMG of other public sector debt taken out under the exchange cover scheme amounted to \$18 million. At the end of February, the reserves stood at \$42,927 million (£24,212 million*) compared with \$43,093 million (£24,346 million⁺) at the end of January.

PRESS OFFICE
HM TREASURY
PARLIAMENT STREET
LONDON SW1P 3AG

11/88

Note to Editors

After taking account of foreign currency borrowing and repayments, the underlying change in the reserves during February, was a fall of \$25 million. This underlying change is the result of a variety of transactions, both debits and credits, including, for example, transactions for Government departments and with other central banks, and interest receipts and payments. The underlying change should not therefore be taken as an indication of market intervention during the month. The above figures can also be obtained from the Reuters Monitor (Code TREA).

* When converted at the closing market rate on Monday 29 February
£1=\$1.7730

+ When converted at the closing market rate on Friday 29 January
£1=\$1.7700

New borrowing under the public sector exchange cover scheme was as follows:

Civil Aviation Authority, \$29 million.

Repayments of such borrowing were:

South of Scotland Electricity Board, \$142 million; Electricity Council, \$5 million; British Rail, \$2 million; West Midlands County Council, \$1 million; Others, \$2 million.

CONFIDENTIAL
UNTIL 11.30 AM 9 MAY 1988

mp

FROM: STEPHEN BOWDEN
DATE: 6 May 1988

1. MISS O'MARA *mom 6/5*
2. ECONOMIC SECRETARY

cc: Chancellor
Sir P Middleton
Sir T Burns
Sir G Littler
Mr Scholar
Mr Peretz
Mr Sedgwick
Mr R I G Allen
Miss Noble
Mr Bush
Mr Pike
Mrs Ryding
Mr Hall
Mr Cropper

*Mr Bowden's
comment to be taken fully
into account, he DTI PR
OK*

DTI PRESS NOTICE ON CONSUMER CREDIT

(All figures are seasonally adjusted)

The DTI press notice attached gives details of credit business in March and figures for bank loans on personal accounts and loans by insurance companies which is only available quarterly. It will be published at 11.30am on Monday 9 May.

2. The table below summarises the information in the release.

CONSUMER CREDIT

<u>Change in 1988 Q1⁽¹⁾</u>	<u>£M</u>	<u>Percentage increase over level of previous month</u>	<u>Percentage growth over last 12 months</u>
1. Change in amount outstanding on <u>all</u> consumer credit agreements	1513 (1472)	4.2 (4.2)	18.1 (18.2)
<u>Change in March</u>			
2. Change in amount outstanding on consumer credit agreements ⁽²⁾	423 (299)	1.8 (1.3)	19.5 (19.2)
of which bank credit cards	146 (90)	2.5 (1.6)	16.7 (16.6)
3. New credit advance to consumers	3430 (3384)	1.3 (14.6)	24.4 (27.9)
of which credit cards	1695 (1713)	-1.1 (26.7)	27.9 (32.5)

(Bracketed figures give comparable amounts for February).

- (1) Quarterly figures: changes refer to increase over previous quarter (bracketed figures give comparable amounts for 1987 QIV).
- (2) Includes agreements with finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards.

3. The increase in the amount outstanding on all consumer credit agreements in the first quarter of 1988 (table 2 of the press notice) is slightly higher (£41m or 2.8%) than the increase for 1987 Q4. For what it is worth this figure is a record, but this is a short series, and the annual growth rate has, in fact, fallen very slightly.

4. The increase in the amount outstanding in March on a narrower basis (ie excluding bank loans on personal accounts and loans by insurance companies) (table 1 of the press notice) is higher than in February. Around half of the absolute increase is accounted for by higher bank credit card lending. However, the increase in credit card lending is not exceptional by historical standards.

5. The amount of new credit advanced in March is almost 3% higher than in February. However, the credit card element of this figure has fallen, implying that the increase in the amount outstanding (see above) reflects lower repayments rather than higher advances. The year on year growth rates for both the total amount of new credit advanced, and new credit advanced on credit cards are lower than they were in February.

6. The figures for change in amount outstanding may attract some adverse comment, especially the credit card element. IDT should point out that these are very seasonal series, and the short length of time the series has been available makes it very difficult to calculate appropriate adjustment factors.

Stephen Bowden

STEPHEN BOWDEN

88/3499 May 1988CREDIT BUSINESS IN MARCH

During March, using the narrower coverage in **Table 1**, the **amount outstanding on consumer credit** agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards rose by £0.4 billion to £24.0 billion. This compared with increases of £0.3 billion in January and February.

Table 2 also includes information on bank loans on personal accounts and loans by insurance companies which is available only quarterly. On this wider basis the **total increase in consumer credit** in the first quarter of 1988 was £1.5 billion, the same as the increase in the previous quarter. This took the **total amount outstanding on consumer credit agreements** at the end of March to £37.9 billion, 4 per cent more than the total three months earlier.

Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.8 billion in the latest three months, compared with £0.7 billion in the previous three months. Amounts outstanding on bank loans on personal accounts increased by £0.5 billion in both quarters. Bank credit cards showed an increase of £0.2 billion in the most recent three month period, the same as in the previous one. There was little change in amounts outstanding to retailers in the latest three months, following an increase of £0.1 billion in the previous period.

New credit advanced to consumers in March by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.4 billion, the same as in February (see **Table 3**). The total for the three months January to March was 5 per cent higher than that for the previous three months.

In March there was a **change in amounts outstanding on agreements with businesses** by finance houses, other specialist credit grantors and building societies of £0.1 billion (see **Table 1**). The total change in the latest three months was £0.3 billion, the same as in the preceding three months.

Press Inquiries: 01-215 4471/4472/4475
Public Inquiries: 01-215 3138

NOTES FOR EDITORS

1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal accounts and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.

2 Table 1 covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.

3 Table 2 includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.

4 Table 3 shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance house to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on credit cards and with mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.

5 The figures for retailers' credit cover only the self-financed credit business of clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses. Where credit available in a retail outlet is financed by a finance house, which may be a subsidiary of the retailer or may be independent, this credit is covered in the series for finance houses, other specialist credit grantors and building societies. Credit advanced by banks on credit cards or through loans on personal accounts and by finance houses, other specialist credit grantors and building societies may also be used to finance purchases in retail outlets. These credit grantors also advance credit for non-retail purchases such as cars, petrol, holidays and entertainment.

6 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amounts outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.

7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£19.50 per annum) from H M Stationery Office, P O Box 276, London SW8 5DT. Individual copies are available, price £3.50 each from:

The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.

8 Non-press calls to 01-215 3138.

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES	
	A=B+C+D	B	C	D	E	
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	22,958	2,633	5,555	14,770	7,175	30,133
1988 FEB	23,555R	2,615	5,636	15,304R	7,375	30,930R
MAR	23,978	2,634	5,782	15,562	7,518	31,496
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,385	95	838	1,452	822	3,207
1987	3,865	357	889	2,619	1,221	5,086
1986 2nd Qtr	330	-3	199	134	82	412
3rd Qtr	770	66	348	356	223	993
4th Qtr	501	16	91	394	209	710
1987 1st Qtr	977	75	288	614	105	1,082
2nd Qtr	1,068	76	255	737	393	1,461
3rd Qtr	874	88	185	601	396	1,270
4th Qtr	946	118	161	667	327	1,273
1988 1st Qtr	1,020	1	227	792	343	1,363
1987 MAR	363	22	122	219	36	399
APR	398	28	105	265	107	505
MAY	333	26	52	255	136	469
JUN	337	22	98	217	150	487
JUL	277	44	95	138	98	375
AUG	250	29	-24	245	173	423
SEP	347	15	114	218	125	472
OCT	340	50	29	261	26	366
NOV	357	50	69	238	217	574
DEC	249	18	63	168	84	333
1988 JAN	298	-8	-9	315	60	358
FEB	299R	-10	90	219R	140	439R
MAR	423	19	146	258	143	566
1987 OCT-DEC	946	118	161	667	327	1,273
1988 JAN-MAR	1,020	1	227	792	343	1,363

R = Revised

NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	1983	1984	£ Million 1985
Retailers	139	119	209
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)
 £ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	36,410	2,633	5,555	12,615	837	14,770
1988 1st Qtr	37,923	2,634	5,782	13,088	857E	15,562
CHANGES IN AMOUNTS OUTSTANDING						
1986	2,457	95	838		72	1,452
1986 1st Qtr	798	16	200		14	568
2nd Qtr	345	-3	199		15	134
3rd Qtr	785	66	348		15	356
4th Qtr	529	16	91		28	394
1987	5,596	357	889	1,711	20	2,619
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,374	88	185	470	30	601
4th Qtr	1,472	118	161	514	12	667
1988 1st Qtr	1,513	1	227	473	20E	792

— indicates a break in the series

E = Estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

	£ Million					
	AGREEMENTS WITH CONSUMERS				AGREEMENTS WITH BUSINESSES	TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,057	4,865	12,916	10,276	3,489	31,546
1987	34,758R	5,280	16,641	12,837R	4,356	39,114R
1986 2nd Qtr	6,822	1,204	3,118	2,500	847	7,669
3rd Qtr	7,252	1,261	3,346	2,645	868	8,120
4th Qtr	7,315	1,239	3,488	2,588	918	8,233
1987 1st Qtr	7,802	1,253	3,758	2,791	949	8,751
2nd Qtr	8,654	1,300	4,151	3,203	1,044	9,698
3rd Qtr	9,032	1,362	4,302	3,368	1,136	10,168
4th Qtr	9,270R	1,365	4,430	3,475R	1,227	10,497R
1988 1st Qtr	9,766	1,382	4,760	3,624	1,416	11,182
1987 MAR	2,756	420	1,325	1,011	341	3,097
APR	2,828	424	1,335	1,069	324	3,152
MAY	2,864	428	1,397	1,039	341	3,205
JUN	2,962	448	1,419	1,095	379	3,341
JUL	2,940	450	1,413	1,077	359	3,299
AUG	2,998	451	1,429	1,118	381	3,379
SEP	3,094	461	1,460	1,173	396	3,490
OCT	3,004	469	1,402	1,133	370	3,374
NOV	3,138	470	1,498	1,170	420	3,558
DEC	3,128R	426	1,530	1,172R	437	3,565R
1988 JAN	2,952R	467	1,352	1,133R	436	3,388R
FEB	3,384R	459	1,713	1,212R	480	3,864R
MAR	3,430	456	1,695	1,279	500	3,930
1987 OCT-DEC	9,270	1,365	4,430	3,475	1,227	10,497
1988 JAN-MAR	9,766	1,382	4,760	3,624	1,416	11,182
Percentage increase over previous three months	5	1	7	4	15	7

R = Revised

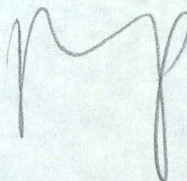
NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

Reference

To:

SECRETARY OF STATE



From:

(Circulation list attached)

Graham Jenkinson
S2B
Room 5/3
20 Victoria Street
215 3003



6 May 1988

CREDIT BUSINESS IN MARCH

A Press Notice giving details of credit business in March is attached for information. The Press Notice will be issued at 11.30 am on Monday, 9 May. The contents should be treated as confidential until then.

G. Jenkinson

G JENKINSON

88/349

9 May 1988

CREDIT BUSINESS IN MARCH

During March, using the narrower coverage in Table 1, the amount outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards rose by £0.4 billion to £24.0 billion. This compared with increases of £0.3 billion in January and February.

Table 2 also includes information on bank loans on personal accounts and loans by insurance companies which is available only quarterly. On this wider basis the total increase in consumer credit in the first quarter of 1988 was £1.5 billion, the same as the increase in the previous quarter. This took the total amount outstanding on consumer credit agreements at the end of March to £37.9 billion, 4 per cent more than the total three months earlier.

Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.8 billion in the latest three months, compared with £0.7 billion in the previous three months. Amounts outstanding on bank loans on personal accounts increased by £0.5 billion in both quarters. Bank credit cards showed an increase of £0.2 billion in the most recent three month period, the same as in the previous one. There was little change in amounts outstanding to retailers in the latest three months, following an increase of £0.1 billion in the previous period.

New credit advanced to consumers in March by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.4 billion, the same as in February (see Table 3). The total for the three months January to March was 5 per cent higher than that for the previous three months.

In March there was a change in amounts outstanding on agreements with businesses by finance houses, other specialist credit grantors and building societies of £0.1 billion (see Table 1). The total change in the latest three months was £0.3 billion, the same as in the preceding three months.

Press Inquiries: 01-215 4471/4472/4475
Public Inquiries: 01-215 3138

NOTES FOR EDITORS

- 1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal accounts and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.
- 2 **Table 1** covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.
- 3 **Table 2** includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.
- 4 **Table 3** shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance house to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on credit cards and with mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.
- 5 The figures for retailers' credit cover only the self-financed credit business of clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses. Where credit available in a retail outlet is financed by a finance house, which may be a subsidiary of the retailer or may be independent, this credit is covered in the series for finance houses, other specialist credit grantors and building societies. Credit advanced by banks on credit cards or through loans on personal accounts and by finance houses, other specialist credit grantors and building societies may also be used to finance purchases in retail outlets. These credit grantors also advance credit for non-retail purchases such as cars, petrol, holidays and entertainment.
- 6 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amounts outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.
- 7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£19.50 per annum) from H M Stationery Office, P O Box 276, London SW8 5DT. Individual copies are available, price £3.50 each from:
The Library,
Business Statistics Office,
Government Buildings,
Cardiff Road,
Newport, GWENT.
Telephone: Newport (0633) 222973.
- 8 Non-press calls to 01-215 3138.

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS	BUSINESSES	
				D	E	
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	22,958	2,633	5,555	14,770	7,175	30,133
1988 FEB	23,555R	2,615	5,636	15,304R	7,375	30,930R
MAR	23,978	2,634	5,782	15,562	7,518	31,496
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,385	95	838	1,452	822	3,207
1987	3,865	357	889	2,619	1,221	5,086
1986 2nd Qtr	330	-3	199	134	82	412
3rd Qtr	770	66	348	356	223	993
4th Qtr	501	16	91	394	209	710
1987 1st Qtr	977	75	288	614	105	1,082
2nd Qtr	1,068	76	255	737	393	1,461
3rd Qtr	874	88	185	601	396	1,270
4th Qtr	946	118	161	667	327	1,273
1988 1st Qtr	1,020	1	227	792	343	1,363
1987 MAR	363	22	122	219	36	399
APR	398	28	105	265	107	505
MAY	333	26	52	255	136	469
JUN	337	22	98	217	150	487
JUL	277	44	95	138	98	375
AUG	250	29	-24	245	173	423
SEP	347	15	114	218	125	472
OCT	340	50	29	261	26	366
NOV	357	50	69	238	217	574
DEC	249	18	63	168	84	333
1988 JAN	298	-8	-9	315	60	358
FEB	299R	-10	90	219R	140	439R
MAR	423	19	146	258	143	566
1987 OCT-DEC	946	118	161	667	327	1,273
1988 JAN-MAR	1,020	1	227	792	343	1,363

R = Revised

NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	1983	1984	£ Million 1985
Retailers	139	119	209
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)
 £ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	36,410	2,633	5,555	12,615	837	14,770
1988 1st Qtr	37,923	2,634	5,782	13,088	857E	15,562
CHANGES IN AMOUNTS OUTSTANDING						
1986	2,457	95	838		72	1,452
1986 1st Qtr	798	16	200		14	568
2nd Qtr	345	-3	199		15	134
3rd Qtr	785	66	348		15	356
4th Qtr	529	16	91		28	394
1987	5,596	357	889	1,711	20	2,619
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,374	88	185	470	30	601
4th Qtr	1,472	118	161	514	12	667
1988 1st Qtr	1,513	1	227	473	20E	792

— indicates a break in the series

E = Estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

							£ Million
AGREEMENTS WITH CONSUMERS				AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS	
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH			
				CONSUMERS	BUSINESSES (b)		
1986	28,057	4,865	12,916	10,276	3,489	31,546	
1987	34,758R	5,280	16,641	12,837R	4,356	39,114R	
1986 2nd Qtr	6,822	1,204	3,118	2,500	847	7,669	
3rd Qtr	7,252	1,261	3,346	2,645	868	8,120	
4th Qtr	7,315	1,239	3,488	2,588	918	8,233	
1987 1st Qtr	7,802	1,253	3,758	2,791	949	8,751	
2nd Qtr	8,654	1,300	4,151	3,203	1,044	9,698	
3rd Qtr	9,032	1,362	4,302	3,368	1,136	10,168	
4th Qtr	9,270R	1,365	4,430	3,475R	1,227	10,497R	
1988 1st Qtr	9,766	1,382	4,760	3,624	1,416	11,182	
1987 MAR	2,756	420	1,325	1,011	341	3,097	
APR	2,828	424	1,335	1,069	324	3,152	
MAY	2,864	428	1,397	1,039	341	3,205	
JUN	2,962	448	1,419	1,095	379	3,341	
JUL	2,940	450	1,413	1,077	359	3,299	
AUG	2,998	451	1,429	1,118	381	3,379	
SEP	3,094	461	1,460	1,173	396	3,490	
OCT	3,004	469	1,402	1,133	370	3,374	
NOV	3,138	470	1,498	1,170	420	3,558	
DEC	3,128R	426	1,530	1,172R	437	3,565R	
1988 JAN	2,952R	467	1,352	1,133R	436	3,388R	
FEB	3,384R	459	1,713	1,212R	480	3,864R	
MAR	3,430	456	1,695	1,279	500	3,930	
1987 OCT-DEC	9,270	1,365	4,430	3,475	1,227	10,497	
1988 JAN-MAR	9,766	1,382	4,760	3,624	1,416	11,182	
Percentage increase over previous three months	5	1	7	4	15	7	

R = Revised

- NOTES
- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

CIRCULATION LIST

Mr Kenneth Clarke
Mr Alan Clark
Mr Robert Atkins
Mr Francis Maude
Mr John Butcher
Sir Brian Hayes
Mr H H Liesner
Mr S W Treadgold
Mr J M Healey
Mr A Whiting
Mr P J Stibbard
Mr D A Miner
Mr R M Norton
Mr P Mattock
Miss J Marson
Mr M C Mann
Mr W F Nuttall
Mr David Jones
Mr J E Parsons

Prime Minister's Office

Chancellor's Office

Mr P Allum	- Treasury
Miss M O'Mara	- "
Miss Riding	- "
Sir Terence Burns	- "
Mr P Sedgwick	- "
Mr G Pike	- "
Mr P Hall	- "

Mr M Wasilewski - Office of Fair Trading

Mr R Clare	- CSO
Miss S P Carter	- "
Mr C Bryant	- "
Mr D C K Stirling	- "
Mr J Alexander	- "

Mr D Egginton	- Bank of England
Mr J W Thorp	- " " "
Mr J Exeter	- " " "
Mr W A Allen	- " " "

CONFIDENTIAL
UNTIL 11.30 AM 6 JUNE 1988

MP

FROM: STEPHEN BOWDEN

DATE: 3 June 1988

1. MISS O'MARA *mom 3/6*
2. ECONOMIC SECRETARY

cc: Chancellor —
Sir P Middleton
Sir T Burns
Sir G Littler
Mr Scholar
Mr Peretz
Mr Sedgwick
Mr Gieve
Miss Noble
Mr Bush
Mr Pike
Mrs Ryding
Mr Cropper

✓

DTI PRESS NOTICE ON CONSUMER CREDIT(All figures are seasonally adjusted)

The DTI press notice attached gives details of credit business in April and a slightly revised figure for bank loans on personal accounts and loans by insurance companies in 1988 Q1 (first published last month). It will be published at 11.30am on Monday 6 June.

2. The table below summarises the information in the release.

CONSUMER CREDIT

	<u>£M</u>	<u>Percentage increase over level of previous month</u>	<u>Percentage growth over last 12 months</u>
<u>Change in April</u>			
1. Change in amount outstanding on consumer credit agreements ⁽¹⁾	276 (426)	1.2 (1.8)	18.6 (19.3)
of which bank credit cards	56 (146)	1.0 (2.5)	15.3 (16.7)
2. New credit advance to consumers	3278 (3430)	-0.4 (1.4)	15.9 (24.5)
of which credit cards	1579 (1696)	-6.8 (-1.0)	18.3 (28.0)

(Bracketed figures give comparable amounts for March).

(1) includes credit agreements with finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards.

3. The increase in the amount outstanding on consumer credit agreements in April (table 1 of the press notice) is the smallest increase in 1988 so far (and roughly half the figure in March), and below the average for 1987. The credit card component of this figure is also considerably smaller than that for March. DTI are unsure of the reasons for these better figures, and it would be unwise to draw any comfort from them.

4. The amount of new credit advanced in April (table 3 of the press notice) is slightly lower than in March, while the year on year growth for both the total amount of new credit advanced and the credit card component of this figure have fallen significantly (see paragraph 2 above).

5. The increase in the amount outstanding on all consumer credit agreements for 1988 Q1 has been revised upwards very slightly (table 2 of the press notice). However the annual growth rate is unaffected, and remains at 18.1 per cent.



STEPHEN BOWDEN

88/4066 June 1988CREDIT BUSINESS IN APRIL

During April, using the narrower coverage in **Table 1**, the **amount outstanding on consumer credit** agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards rose by £0.3 billion to £24.3 billion. This was a smaller increase than that of £0.4 billion recorded in March. (These figures exclude those consumer credit agreements shown in **Table 2** where information is available only quarterly: these are loans by banks on personal accounts and loans by insurance companies for which amounts outstanding at the end of March were £13.9 billion.)

The increase in the latest three months, February to April, was £1.0 billion, compared with £0.9 billion in the previous three month period. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.7 billion in the latest three months, the same as in the previous period. Bank credit cards showed an increase of £0.3 billion in the most recent three month period, compared with an increase of £0.1 billion in the previous one. There was little change in amounts outstanding to retailers in the latest three months, following an increase of £0.1 billion in the previous period.

New credit advanced to consumers (before taking account of repayments) in April by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.3 billion, compared to £3.4 billion in March (see **Table 3**). The total for the three months February to April was 9 per cent higher than that for the previous three months.

In April there was a **change in amounts outstanding on agreements with businesses** by finance houses, other specialist credit grantors and building societies of £0.1 billion (see **Table 1**). The total change in the latest three months was £0.4 billion, the same as in the preceding three months.

Press Inquiries : 01-215 4471/4472/4475

Public Inquiries: 01-215 3138

NOTES FOR EDITORS

- 1 All figures are quoted after seasonal adjustment. The seasonal adjustments of bank loans on personal accounts and of credit card lending are subject to greater uncertainty than the seasonal adjustments of the other data owing to the shortness of the series.
- 2 **Table 1** covers amounts outstanding and changes in amounts outstanding to finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. Loans by retailers and on bank credit cards are mainly to consumers and are treated as consumer agreements. Loans by finance houses, other specialist credit grantors and building societies, are split into agreements with consumers and agreements with businesses and the two components are shown separately.
- 3 **Table 2** includes the same data as Table 1 on agreements with consumers. Also shown are figures for loans by banks (monetary sector institutions other than those included in finance houses and other specialist credit grantors) on personal accounts, where the amount outstanding does not exceed £15,000, and by insurance companies to individuals, excluding loans for house purchase and bridging finance. These figures are available only quarterly. This table covers all institutions providing finance for consumers and thus provides a quarterly series for total consumer credit.
- 4 **Table 3** shows new credit advanced by finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards. The coverage is the same as for Table 1 except that dealer stock funding loans by finance house to businesses are excluded. A high proportion of credit advances in certain types of agreements, notably on credit cards and with mail order houses, is repaid within a month, reflecting the use of such agreements as a method of payment rather than as a means of obtaining credit.
- 5 The figures for retailers' credit cover only the self-financed credit business of clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses. Where credit available in a retail outlet is financed by a finance house, which may be a subsidiary of the retailer or may be independent, this credit is covered in the series for finance houses, other specialist credit grantors and building societies. Credit advanced by banks on credit cards or through loans on personal accounts and by finance houses, other specialist credit grantors and building societies may also be used to finance purchases in retail outlets. These credit grantors also advance credit for non-retail purchases such as cars, petrol, holidays and entertainment.
- 6 Unsecured loans by building societies, which are advanced under the terms of the Building Societies Act 1986, are included from January 1987. Amounts outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors where the group specialises in lending to other companies only are excluded from the statistics in this Press Notice.
- 7 Full results of the inquiries which collect the monthly information on credit are published by H M Stationery Office in Business Monitor SDM6 - Credit business. This may be obtained on subscription (£19.50 per annum) from H M Stationery Office, P O Box 276, London SW8 5DT. Individual copies are available, price £3.50 each from:

The Library,
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Government Buildings,
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Newport, GWENT.
Telephone: Newport (0633) 222973.

TABLE 1

CHANGES IN AMOUNTS OUTSTANDING TO FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS
AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS	BUSINESSES	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	22,958	2,633	5,555	14,770	7,175	30,133
1988 MAR	23,993R	2,634	5,782	15,577R	7,502R	31,495R
APR	24,269	2,644	5,838	15,787	7,613	31,882
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,385	95	838	1,452	822	3,207
1987	3,865	357	889	2,619	1,221	5,086
1986 2nd Qtr	330	-3	199	134	82	412
3rd Qtr	770	66	348	356	223	993
4th Qtr	501	16	91	394	209	710
1987 1st Qtr	977	75	288	614	105	1,082
2nd Qtr	1,068	76	255	737	393	1,461
3rd Qtr	874	88	185	601	396	1,270
4th Qtr	946	118	161	667	327	1,273
1988 1st Qtr	1,035R	1	227	807R	327R	1,362R
1987 APR	398	28	105	265	107	505
MAY	333	26	52	255	136	469
JUN	337	22	98	217	150	487
JUL	277	44	95	138	98	375
AUG	250	29	-24	245	173	423
SEP	347	15	114	218	125	472
OCT	340	50	29	261	26	366
NOV	357	50	69	238	217	574
DEC	249	18	63	168	84	333
1988 JAN	288R	-8	-9	305R	60	348R
FEB	321R	-10	90	241R	128R	449R
MAR	426R	19	146	261R	139R	565R
APR	276	10	56	210	111	387
1987 NOV-JAN	894	60	123	711	361	1,255
1988 FEB-APR	1,023	19	292	712	378	1,401

R = Revised

NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	1983	1984	£ Million 1985
Retailers	139	119	209
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)
 £ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	36,410	2,633	5,555	12,615	837	14,770
1988 1st Qtr	37,938R	2,634	5,782	13,088	857E	15,577R
CHANGES IN AMOUNTS OUTSTANDING						
1986	2,457	95	838		72	1,452
1986 1st Qtr	798	16	200		14	568
2nd Qtr	345	-3	199		15	134
3rd Qtr	785	66	348		15	356
4th Qtr	529	16	91		28	394
1987	5,596	357	889	1,711	20	2,619
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,374	88	185	470	30	601
4th Qtr	1,472	118	161	514	12	667
1988 1st Qtr	1,528R	1	227	473	20E	807R

— indicates a break in the series

R = Revised
E = Estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
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- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND
BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

	£ Million					
	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,057	4,865	12,916	10,276	3,489	31,546
1987	34,758	5,280	16,641	12,837	4,356	39,114
1986 2nd Qtr	6,822	1,204	3,118	2,500	847	7,669
3rd Qtr	7,252	1,261	3,346	2,645	868	8,120
4th Qtr	7,315	1,239	3,488	2,588	918	8,233
1987 1st Qtr	7,802	1,253	3,758	2,791	949	8,751
2nd Qtr	8,654	1,300	4,151	3,203	1,044	9,698
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1988 1st Qtr	9,766	1,382	4,761R	3,623R	1,416	11,182
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NOV	3,138	470	1,498	1,170	420	3,558
DEC	3,128	426	1,530	1,172	437	3,565
1988 JAN	2,952	467	1,352	1,133	436	3,388
FEB	3,384	459	1,713	1,212	480	3,864
MAR	3,430	456	1,696R	1,278R	500	3,930
APR	3,278	468	1,579	1,231	457	3,735
1987 NOV-JAN	9,218	1,363	4,380	3,475	1,293	10,511
1988 FEB-APR	10,092	1,383	4,988	3,721	1,437	11,529
Percentage increase over previous three months	9	1	14	7	11	10

R = Revised

NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

CIRCULATION LIST

Mr Kenneth Clarke
Mr Alan Clark
Mr Robert Atkins
Mr Francis Maude
Mr John Butcher
Sir Brian Hayes
Mr H H Liesner
Mr J M Healey
Mr A Whiting
Mr P J Stibbard
Mr D A Miner
Mr R M Norton
Mr P Mattock
Miss J Marson
Mr M C Mann
Mr W F Nuttall
Mr David Jones
Mr J E Parsons

Prime Minister's Office

Chancellor's Office

Mr P Allum - Treasury
Miss M O'Mara - "
Miss Riding - "
Sir Terence Burns - "
Mr P Sedgwick - "
Mr G Pike - "
Mr P Hall - "

Mr M Wasilewski - Office of Fair Trading

Mr R Clare' - CSO
Miss S P Carter - "
Mr C Bryant - "
Mr D C K Stirling - "
Mr J Alexander - "

Mr D Egginton - Bank of England
Mr J W Thorp - " " "
Mr J Exeter - " " "
Mr W A Allen - " " "

Reference

MP

To:

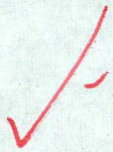
SECRETARY OF STATE

From:

(Circulation list attached)

Graham Jenkinson
S2B
Room 5/3
20 Victoria Street
215 3003

3 June 1988



CREDIT BUSINESS IN APRIL

A Press Notice giving details of credit business in April is attached for information. The Press Notice will be issued at 11.30 am on Monday, 6 June. The contents should be treated as confidential until then.

G. Jenkinson

G JENKINSON

88/406

6 June 1988

CREDIT BUSINESS IN APRIL

During April, using the narrower coverage in **Table 1**, the amount outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards rose by £0.3 billion to £24.3 billion. This was a smaller increase than that of £0.4 billion recorded in March. (These figures exclude those consumer credit agreements shown in **Table 2** where information is available only quarterly: these are loans by banks on personal accounts and loans by insurance companies for which amounts outstanding at the end of March were £13.9 billion.)

The increase in the latest three months, February to April, was £1.0 billion, compared with £0.9 billion in the previous three month period. Within the total, the increase shown by finance houses, other specialist credit grantors and building societies was £0.7 billion in the latest three months, the same as in the previous period. Bank credit cards showed an increase of £0.3 billion in the most recent three month period, compared with an increase of £0.1 billion in the previous one. There was little change in amounts outstanding to retailers in the latest three months, following an increase of £0.1 billion in the previous period.

New credit advanced to consumers (before taking account of repayments) in April by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.3 billion, compared to £3.4 billion in March (see **Table 3**). The total for the three months February to April was 9 per cent higher than that for the previous three months.

In April there was a change in amounts outstanding on agreements with businesses by finance houses, other specialist credit grantors and building societies of £0.1 billion (see **Table 1**). The total change in the latest three months was £0.4 billion, the same as in the preceding three months.

Press Inquiries : 01-215 4471/4472/4475

Public Inquiries: 01-215 3138

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AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
	A=B+C+D	B	C	CONSUMERS D	BUSINESSES E	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	22,958	2,633	5,555	14,770	7,175	30,133
1988 MAR	23,993R	2,634	5,782	15,577R	7,502R	31,495R
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SEP	347	15	114	218	125	472
OCT	340	50	29	261	26	366
NOV	357	50	69	238	217	574
DEC	249	18	63	168	84	333
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APR	276	10	56	210	111	387
1987 NOV-JAN	894	60	123	711	361	1,255
1988 FEB-APR	1,023	19	292	712	378	1,401

R = Revised

NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (b) Data were not collected on a consistent basis for all types of credit grantor prior to 1986. The following table gives figures for changes in amounts outstanding which are available:

	1983	1984	£ Million 1985
Retailers	139	119	209
Finance Houses etc.	2,286	2,180	2,541

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS.

 (SEASONALLY ADJUSTED)
 £ Million

CONSUMER CREDIT AGREEMENTS

	TOTAL (a)	RETAILERS (b)	BANKS (c)		INSURANCE COMPANIES	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES
			CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)		
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	36,410	2,633	5,555	12,615	837	14,770
1988 1st Qtr	37,938R	2,634	5,782	13,088	857E	15,577R
CHANGES IN AMOUNTS OUTSTANDING						
1986	2,457	95	838		72	1,452
1986 1st Qtr	798	16	200		14	568
2nd Qtr	345	-3	199		15	134
3rd Qtr	785	66	348		15	356
4th Qtr	529	16	91		28	394
1987	5,596	357	889	1,711	20	2,619
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,374	88	185	470	30	601
4th Qtr	1,472	118	161	514	12	667
1988 1st Qtr	1,528R	1	227	473	20E	807R

— indicates a break in the series

R = Revised
 E = Estimated

NOTES

- (a) Changes in amounts outstanding in 1986 exclude bank loans on personal accounts.
- (b) Self-financed advances by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail order houses only.
- (c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.
- (d) Amounts outstanding on bank loans on personal accounts, not exceeding £15,000, excluding bridging loans and house purchase finance.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS. (SEASONALLY ADJUSTED)

	£ Million					
	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
	TOTAL	RETAILERS (a)	BANK CREDIT CARDS	FINANCE HOUSES, OTHER SPECIALIST CREDIT GRANTORS AND BUILDING SOCIETIES ON AGREEMENTS WITH		
				CONSUMERS	BUSINESSES (b)	
1986	28,057	4,865	12,916	10,276	3,489	31,546
1987	34,758	5,280	16,641	12,837	4,356	39,114
1986 2nd Qtr	6,822	1,204	3,118	2,500	847	7,669
3rd Qtr	7,252	1,261	3,346	2,645	868	8,120
4th Qtr	7,315	1,239	3,488	2,588	918	8,233
1987 1st Qtr	7,802	1,253	3,758	2,791	949	8,751
2nd Qtr	8,654	1,300	4,151	3,203	1,044	9,698
3rd Qtr	9,032	1,362	4,302	3,368	1,136	10,168
4th Qtr	9,270	1,365	4,430	3,475	1,227	10,497
1988 1st Qtr	9,766	1,382	4,761R	3,623R	1,416	11,182
1987 APR	2,828	424	1,335	1,069	324	3,152
MAY	2,864	428	1,397	1,039	341	3,205
JUN	2,962	448	1,419	1,095	379	3,341
JUL	2,940	450	1,413	1,077	359	3,299
AUG	2,998	451	1,429	1,118	381	3,379
SEP	3,094	461	1,460	1,173	396	3,490
OCT	3,004	469	1,402	1,133	370	3,374
NOV	3,138	470	1,498	1,170	420	3,558
DEC	3,128	426	1,530	1,172	437	3,565
1988 JAN	2,952	467	1,352	1,133	436	3,388
FEB	3,384	459	1,713	1,212	480	3,864
MAR	3,430	456	1,696R	1,278R	500	3,930
APR	3,278	468	1,579	1,231	457	3,735
1987 NOV-JAN	9,218	1,363	4,380	3,475	1,293	10,511
1988 FEB-APR	10,092	1,383	4,988	3,721	1,437	11,529
Percentage increase over previous three months	9	1	14	7	11	10

R = Revised

NOTES

- (a) Self-financed credit advanced by clothing retailers, household goods retailers, mixed retail businesses (other than Co-operative societies) and general mail-order houses only.
- (b) Excluding dealer stock funding. These agreements are included in table 1.

CIRCULATION LIST

Mr Kenneth Clarke
Mr Alan Clark
Mr Robert Atkins
Mr Francis Maude
Mr John Butcher
Sir Brian Hayes
Mr H H Liesner
Mr J M Healey
Mr A Whiting
Mr P J Stibbard
Mr D A Miner
Mr R M Norton
Mr P Mattock
Miss J Marson
Mr M C Mann
Mr W F Nuttall
Mr David Jones
Mr J E Parsons

Prime Minister's Office

Chancellor's Office

Mr P Allum - Treasury
Miss M O'Mara - "
Miss Riding - "
Sir Terence Burns - "
Mr P Sedgwick - "
Mr G Pike - "
Mr P Hall - "

Mr M Wasilewski - Office of Fair Trading

Mr R Clare⁴ - CSO
Miss S P Carter - "
Mr C Bryant - "
Mr D C K Stirling - "
Mr J Alexander - "

Mr D Egginton - Bank of England
Mr J W Thorp - " " "
Mr J Exeter - " " "
Mr W A Allen - " " "