

PO-CH/NL/10675 PART A

PART 3/3



the department for Enterprise

To PS/Minister for Trade

cc As attached

From Peter Stibbard
US/S2
V/260 Ext. 4872

21 January 1988

MONTHLY BALANCE OF PAYMENTS PRESS NOTICE

ISSUE

1 This note seeks approval for some presentational changes to the monthly balance of payments press notice. We plan to introduce these with the press notice announcing the January 1988 figures, which is scheduled to be issued on 29 February. (Note that these changes will not affect the press notice carrying the December 1987 figures, advance details of which Ministers are receiving this week and which is due to be issued on Thursday 28 January).

2 In drawing up these proposals we have worked closely with Information Division. The press notice is issued jointly with the Central Statistical Office, is crucially dependent on information supplied to HM Customs and Excise and is of considerable interest to the Treasury. The changes we propose take into account comments from officials in these Departments.

TIMING

3 It would be helpful to have a response before Friday 29 January; this should give us adequate time to tackle the substantial job of finalising the presentation of the tables and checking the historical data in the new format.

BACKGROUND

4 Each month S2 issues a press notice giving a summary of the latest overseas trade and balance of payments statistics. The format and contents of the press notice have scarcely changed for several years, and a review is overdue. It would be convenient to introduce changes in the press notice carrying the January 1988 figures, when technical changes were in any case being made to the figures, principally the adoption of the third revision of the UN Standard Industrial Trade Classification.

5 Both the style and content of the press notice have been reviewed. It was felt that the following changes were required:

- modernise the layout in line with other statistical publications;
- slightly reduce the emphasis on one month's figures in the text;

- reduce the amount of text and re-arrange the tables to make it easier to follow;

- change tables as far as possible from an 'Overseas Trade' to a 'Balance of Payments' basis.*

Tables removed from the press notice will continue to be available in the Monthly Review of External Trade Statistics, presently issued about two weeks after the press notice. (Later this year we will be able to produce the Monthly Review earlier, as the forthcoming purchase of a laser printer will enable us to generate good-quality tables directly from our computer. This will cut out the typing stage each month and enable this publication (and the press notice) to be produced at appreciably less cost).

ARGUMENT

6 Annex A# shows the press notice in its current version (using the one carrying the November 1987 figures as an example). Annex B is a draft of the proposed new layout (the data shown are illustrative and may not correspond to the series described). The changes in presentation are outlined below.

Text changes

7 The current presentation tends to give rather too much prominence to the latest month's figures. Even after seasonal adjustment, monthly figures are erratic and we regularly remind journalists that this is so. It would be more in keeping with these warnings if we changed the balance slightly between figures of latest month, and those for latest three months (exceptionally, the latest four months when three-month comparisons are particularly misleading). We are now at the beginning of a period when the significance of monthly figures may need to be played down even more than usual (see my submission of 11 November on changes in Customs procedures from 1.1.88); therefore this is a particularly appropriate time for a move in this direction.

8 The text has been re-drafted so that the first section, which deals with the monthly figures, has been removed. Instead the first sentence refers to the monthly current account balance, and the section goes on to discuss the balance for the latest three months. Similarly the sections on exports and imports begin with the monthly figures and percentage changes and then go on to the latest three-month figures. As a result the current month's figures are seen more as an incremental piece of information rather than the main focus of the press notice. However, the coverage of monthly figures in the tables will not be changed.

* Overseas Trade Statistics (OTS) are compiled from the raw data collected by Customs and Excise. Balance of Payments figures (BoP) are derived by making two kinds of adjustments to the OTS data: firstly to revalue imports on the same basis as exports (fob); and secondly to adjust for coverage, for instance to include items which have not crossed national boundaries, to exclude goods where the change of ownership is not completed and to compensate for some under-recording of exports.

Attached to Ministers' copies only.

Table changes to be introduced with the January 1988 figures

9 In line with 'British Business' and nearly all other statistical publications, vertical lines have been removed, and headings re-styled. This gives a less cluttered and more readable look.

10 **Tables 4 and 5** have been combined (new Table 4), in the same form as Table 7, to make comparison easier between series including and excluding oil and erratics.

11 **Tables 10 and 14**, which gave details of commodity unit values, have been omitted in the new version, as they are rarely referred to either in press comment or at the press briefing.

12 At present **Table 16**, which gives a commodity analysis of exports, imports and trade balance, carries only quarterly figures. As a result of more timely data processing, we can now provide the latest three months' figures in time for the press notice. Table 16 has been brought forward to become new Table 7, because of the interest in these figures, particularly in the balance of trade in manufactures.

Tables being reviewed with the intention of introducing changes with the April 1988 figures

13 The commodity information in **Tables 8, 9, 12 and 13** is inappropriate in that the information they contain is on an Overseas Trade Statistics basis, which is not consistent with the Balance of Payments basis used elsewhere; exports and imports are not valued on a similar basis and coverage is not complete (see footnote to paragraph 5 above).

14 We propose replacing Tables 8, 9, 12 and 13 by tables on a Balance of Payments basis, using a commodity breakdown based on sections of the SITC (Rev 3). The new tables have been arranged so that imports appear opposite exports, so that comparison is easier. It is intended that these tables will appear first in the press notice carrying the April figures, to allow time for the reliability of the new series of index numbers to be established (ie 3 months after the other changes to text and tables). Until then the present content of these four tables will be retained, although they will be restyled as described in paragraph 9 above.

15 The analysis of finished manufactures in these four tables, which is based on the United Nations Broad Economic Classification (BEC), gives a misleadingly precise disaggregation into consumer, intermediate and capital goods. In practice the classification of many items is open to question, and for others the end-use cannot be determined; for instance passenger motor cars, many electrical and electronic goods, and furniture may be either consumer or capital goods. It may be preferable therefore to move to a classification of finished manufactures which is more clearly defined; Tables 10 and 11 in Annex B give an indication of what we have in mind.

16 Nevertheless, we recognise that the BEC analysis, in spite of these statistical limitations, has been found useful and we have not finally decided to remove it from the press notice. We are consulting with users

of these figures inside Government, investigating the comparable product classification used for domestic production statistics, and checking on the usefulness of the figures to the new Market Divisions, which are organised, very broadly, on intermediate/capital/consumer lines. We also intend to estimate the proportion of trade that may be ambiguously classified. If, after this research, we decide to introduce Tables on the lines of Nos. 10 and 11 in Annex B, or we propose any other major changes to present practice, a separate submission will be prepared in good time for the introduction of the tables in the press notice carrying the April 1988 figures.

17 All Tables giving a detailed analysis of exports and imports by commodity will be extended to give percentage changes in the latest three months figures on the same three months a year earlier, in response to requests at press briefings.

Invisibles transactions

18 We have considered dropping **Table 3** on quarterly invisible transactions, since it is not 'news' (it simply repeats information already published by the CSO) - at the same time shifting the standing monthly reference in the text to the public/private sector make-up of the balance of invisibles to the Notes to Editors. This was originally introduced after heavy lobbying by the forerunner of the British Invisible Exports Council (BIEC) some years ago, in order to assist their promotion of private sector invisible transactions. DTI Ministers were involved in that decision. The BIEC have very recently written to DTI asking for the CSO (who are responsible for estimates of invisible transactions) to split the aggregate projections of the invisibles balance into their public and private sector components. The CSO will be replying saying this is not feasible on technical grounds. However, this latest development has made us think twice about dropping Table 3 and the accompanying textual changes. We have now decided not to go ahead with this proposal because, on past form, the BIEC will protest strongly - almost certainly involving Ministers - and the distraction does not seem worthwhile.

SUMMARY OF CHANGES TO PRESS NOTICE

Text

Section on current account for latest month removed, although most figures included later (but not comparison with previous month).

Visible trade - 'latest month' section combined with latest 3 months' comparison with previous month omitted

- references to monthly oil and erratics omitted

Terms of trade - no details of unit values by commodity (relevant tables removed)

Area analysis - unchanged.

Commodity analysis - included if of interest that month

Tables (current numbering)

All tables re-styled.

Tables 4 & 5 combined

*Tables 8 & 9 combined, and data changed to BOP basis (for consideration: replacement of BEC analysis of finished manufacturers with revised commodity in new table - see below).

Table 10 omitted

*Tables 12 & 13 as Tables 8 & 9

Table 14 omitted

Table 16 monthly figures added and brought forward in table order.

*Possible new table Trade in finished manufactures on OTS basis, revised commodity breakdown (see Tables 8 and 9 above).

* Due to be introduced in press notice carrying April figures.

NB: All omitted tables will appear in the 'Monthly Review of External Trade Statistics'.



P J STIBBARD



AA
I agree with
you comm. 15.

a

① Getting rid of the "trends" sentences in the ~~trade~~ press notice would be a considerable prize. Worth writing quickly & filling up with discussion @ Whitton w/ Lord Young on Friday.

② Detailed unit values are not v important in press notice & info will be available in Monthly Review published only a little later (& I'm sure DTI could let Toy have figures anyway @ time of press notice). I wouldn't press this.

③ The consumer goods / intermediate //

Capital goods split ~~part~~ is
more useful in Press Notice
though it can be two-edged.
It often helps us to be able
to say in press briefing that,
for example, surge in imports is
not consumer goods but capital
goods instead (but less helpful
when reverse is true). I think
you should raise this with Lord
Young, but not die in ditch.
Info will again be in Monthly
Review.

AA

FROM: A BOTTRILL

DATE: 26 January 1988

MR A C S ALLEN

cc: PS/Sir P Middleton
Sir T Burns
Mr Sedgwick
Mr Owen

MONTHLY BALANCE OF PAYMENTS PRESS NOTICE

You may wish to be aware that the DTI is proposing to change the format of the monthly trade figures press notice. (See attached minute from Mr Stibbard to the Minister for Trade.)

2. The main change is to present all the detailed figures on a balance of payments basis rather than an overseas trade statistics basis. This adjusts the import figures for the cost of carriage, insurance and freight as well as making a number of other minor adjustments to exports and imports. It will simplify presentation of the figures and is to be welcomed.

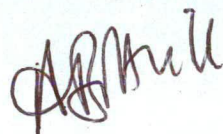
3. Three other aspects of the proposed press notice are less welcome.

(i) DTI statisticians are determined to retain sentences in the text on the 'underlying trend' in non-oil export and import volumes in spite of our frequent representations including interventions by the Chancellor that these 'trends' have often been misleading. It is not clear to what extent DTI Ministers have actively involved themselves in this issue but we are now entering the time of the year again when suspect seasonal adjustments may again distort the figures. We have argued for a more flexible approach.

(ii) The DTI statisticians wish to drop the detailed tables on commodity unit values on the grounds that 'they are rarely referred to ... in press comment'. We ourselves, however, do use these figures in briefing Treasury Ministers on the terms of trade, and it is difficult to see how we or other analysts can track quickly the implications for the UK of movements in the exchange rate or world commodity prices without these tables.

(iii) The DTI is proposing to drop the breakdown of finished manufactured trade between consumer goods, capital goods and intermediate goods on the grounds that some categories are not clear cut. We are aware of these problems but still attach importance to trying to link the figures, particularly for imports, to domestic expenditure and activity. The DTI statisticians have grudgingly agreed to re-examine the case, but there is no guarantee they will retain this presentation.

4. We have already put these points to DTI statisticians - but to little effect. It may therefore be worth drawing the attention of DTI Ministers' office to these issues, and stressing (i) the importance of handling 'trends' carefully to avoid giving a misleading impression and (ii) the need for adequate information on the terms of trade and trade by economic category. If you agree, we will draft a Private Secretary letter.



A BOTTRILL



FROM: A C S ALLAN
DATE: 27 January 1988

ppp

MR BOTTRILL

cc Sir P Middleton
Sir T Burns
Mr Sedgwick
Mr Owen

MONTHLY BALANCE OF PAYMENTS PRESS NOTICE

The Chancellor was most grateful for your minute of 26 January. He believes that getting rid of the "trends" sentence would be a considerable prize. He would like to write to Lord Young very quickly, and follow it up when he sees him on Friday.

2. On unit values, he notes from the DTI submission that the tables removed from the press notice would continue to be available in the Monthly Review of External Trade Statistics. This will presumably cover the detailed unit value tables. And would not DTI be able to give the figures to you somewhat earlier if you need them for briefing or analysis? He was not inclined to press this point with Lord Young.

3. Some of the same points apply to the consumer/intermediate/capital goods split. But the Chancellor feels this is sometimes of use for our press line, and would want to suggest to Lord Young that he should retain it.

4. I should be most grateful for a draft letter to Lord Young by close of play tonight.

ACSA
PP A C S ALLAN

jwp

MONTHLY ECONOMIC BRIEF

Prepared by the CSO on 29 January 1988

Non-oil export and import volumes (excluding erratics) have both been rising steadily since last Spring. Imports have been rising at a faster rate than exports. In the fourth quarter of 1987 these trade volumes increased further - by $1\frac{1}{2}$ per cent for exports and by $3\frac{1}{2}$ per cent for imports. The quarterly visible trade deficit rose by £0.3 billion to £3.3 billion, to give a deficit for 1987 as a whole of £9.8 billion. Including invisibles, the current account deficit for 1987, estimated at £2.7 billion, is in line with the Autumn Statement figure.

Despite recently published statistics of consumers expenditure and industrial production, which could suggest some slow down in economic growth, our assessment of the current underlying trend of GDP growth remains that it is in the range 3 to 5 per cent. This month's cyclical indicators, adjusted to take account of the January CBI quarterly survey, suggest that economic growth might slow down in 1988.

Figures for the third quarter of 1987 show that the employed labour force is continuing to grow strongly but less so than in the first half of the year. Seasonally adjusted adult unemployment fell again between November and December. Underlying earnings growth for the whole economy rose to $8\frac{1}{4}$ per cent in the year to November, compared with the 8 per cent in October. Settlements for teachers and local authority manual workers have helped to push this growth rate up in the past two months. Overtime working in manufacturing industry continues at a high level. Unit wage costs in manufacturing are rising at around 1 per cent a year.

The twelve month change in retail prices fell to 3.7 per cent in December, from 4.1 per cent in November and it may fall a little further in January. The twelve month change in producer output prices of manufactured goods continues to be just below 4 per cent.

The stock market was stable in January. Sterling fell back in effective terms from 75.9 to 74.3 on 29 January; this was mainly due to the firmer dollar. It was little changed against the Deutschmark and other continental currencies. Having risen in mid-month, interest rates closed the month slightly below their opening levels.

CONFIDENTIAL

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 November 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 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 a little over $3\frac{1}{2}$ per cent in the twelve months to December 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 December 1987 this series rose by a little over 4 per cent (not published).

Producer input prices increased by $\frac{1}{2}$ per cent in seasonally adjusted terms between November and December following three months of decline. Little change is expected between December and January.

Average earnings (underlying) in the twelve months to November 1987 rose by $8\frac{1}{4}$ 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 November 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 0-2 per cent per annum.

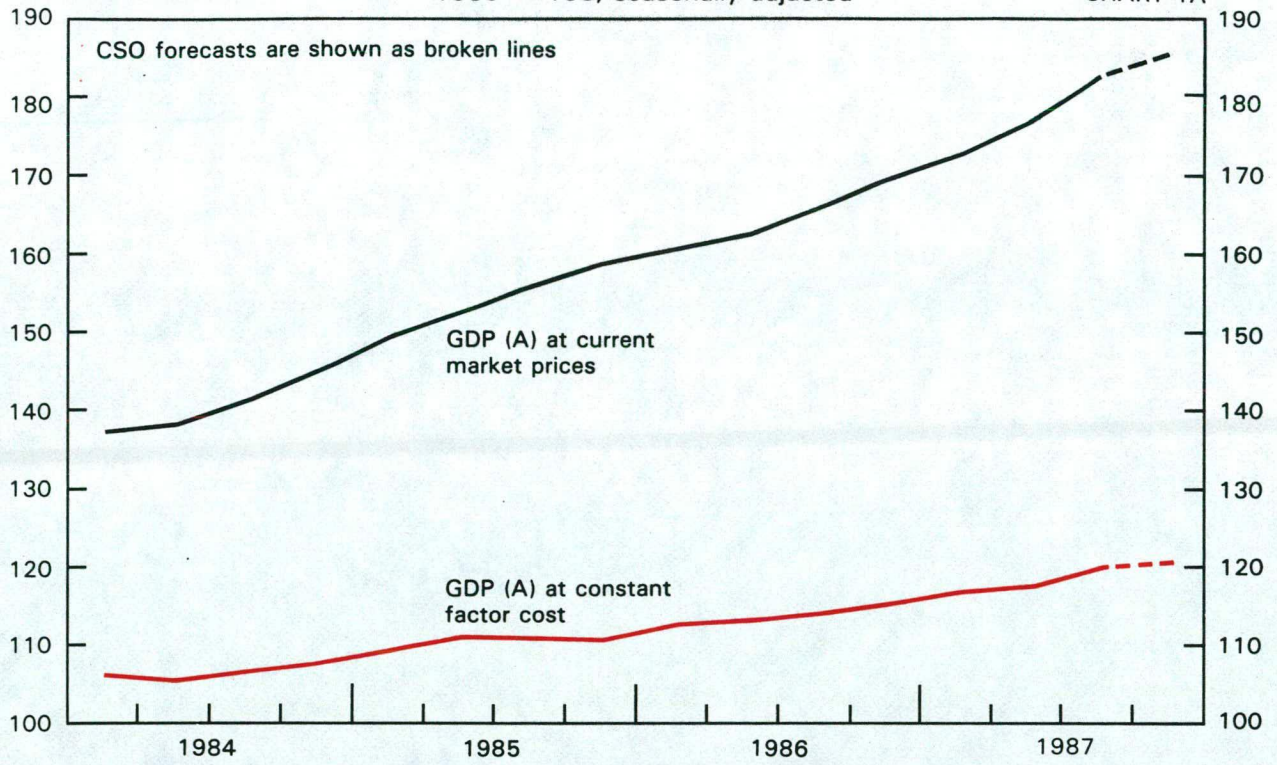
Unemployment (excluding school leavers) in the twelve months to December has fallen on average by 42,000 per month. Over the past six months there has been an average fall of nearly 52,000 per month.

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).

CONFIDENTIAL

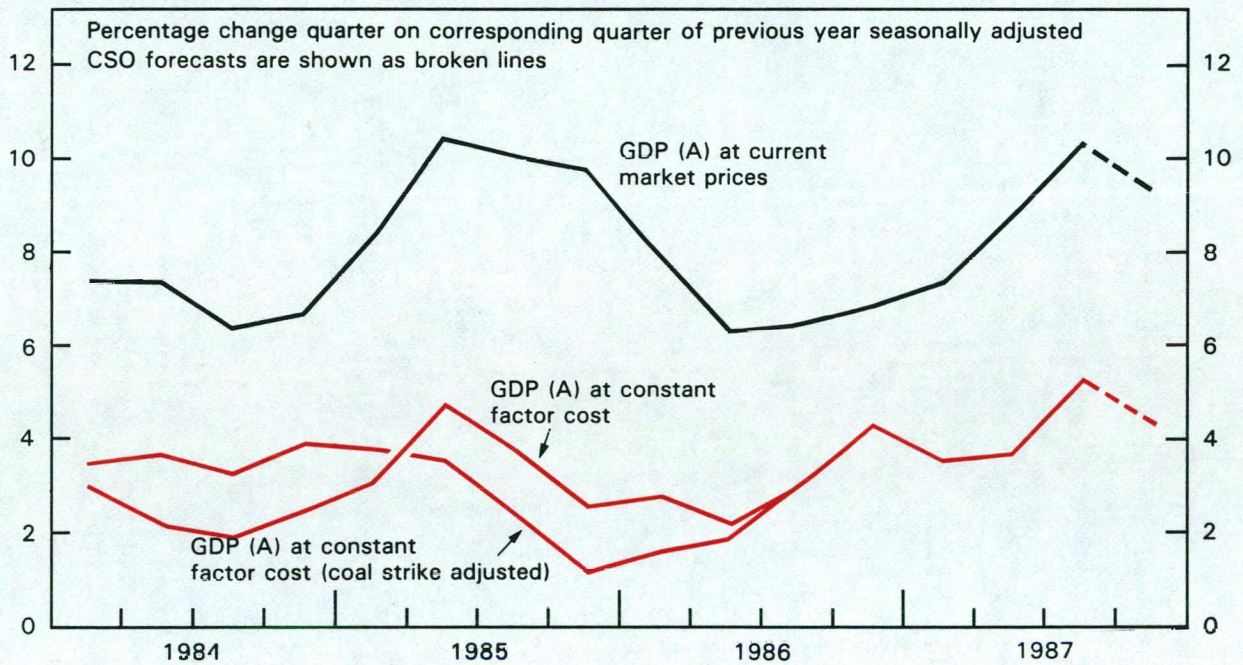
Gross domestic product (average measure)
1980 = 100, seasonally adjusted

CHART 1A



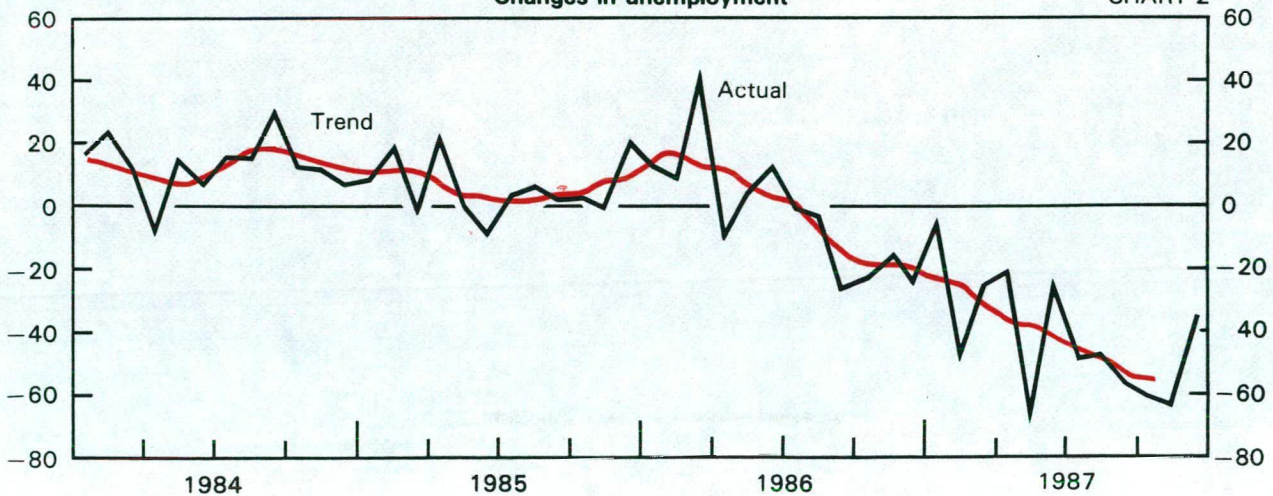
Gross domestic product (average measure)

CHART 1B



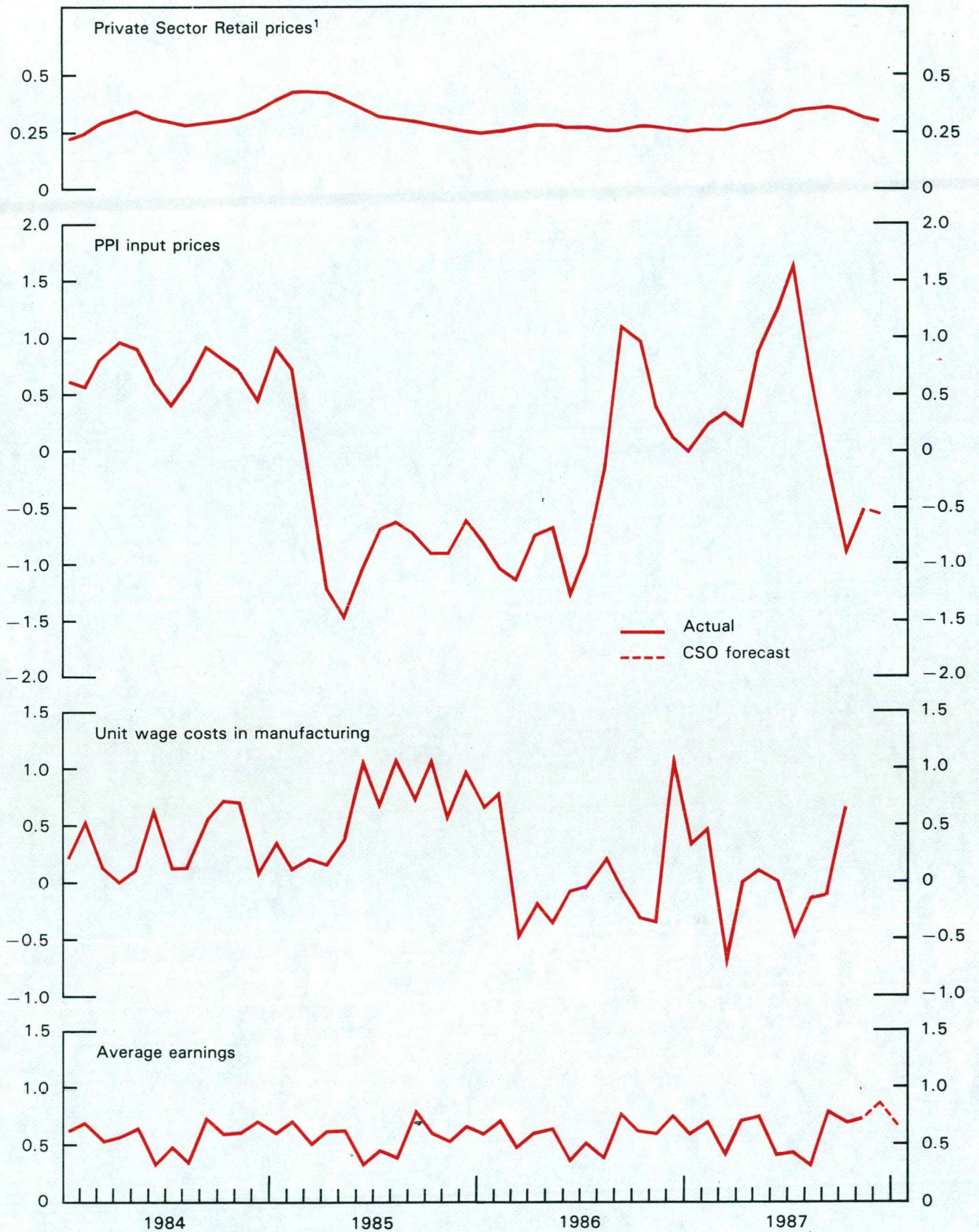
Changes in unemployment

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

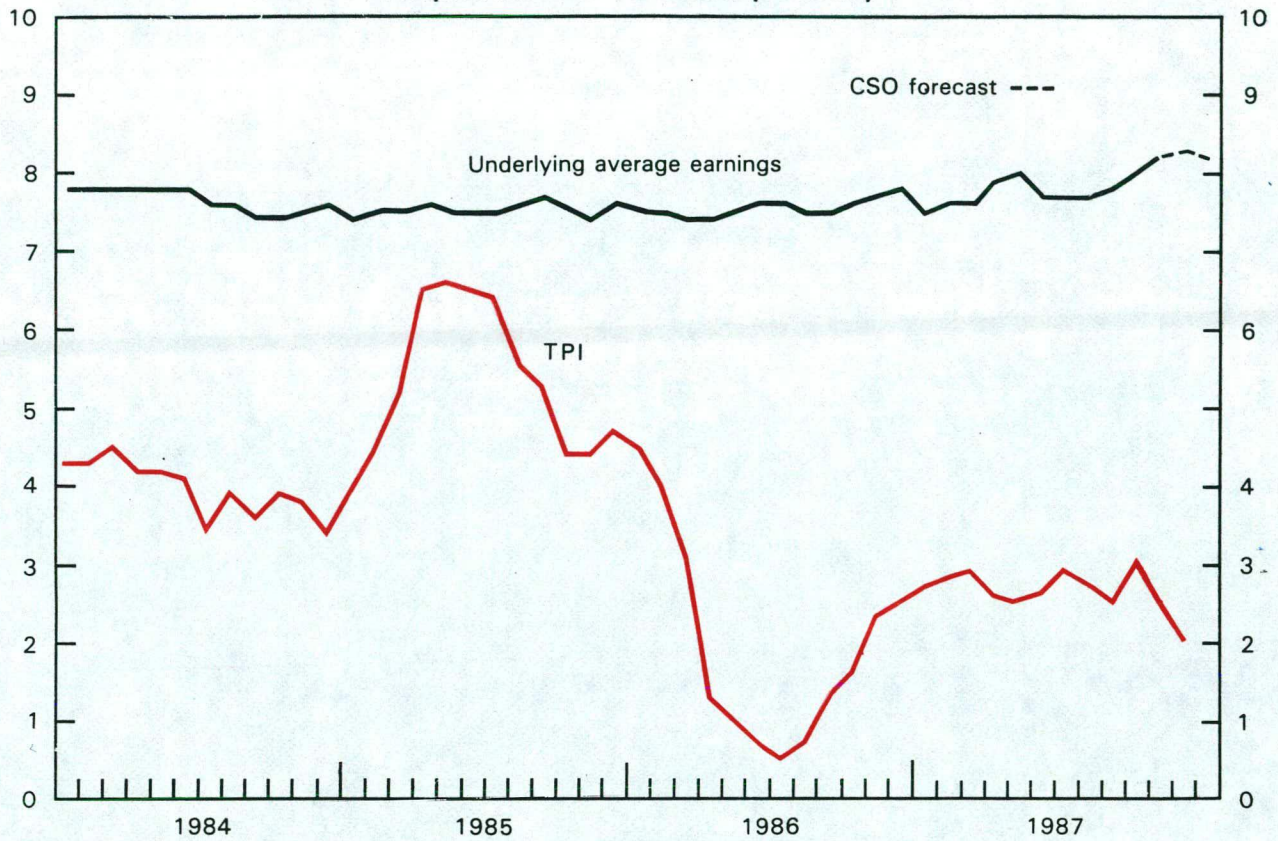
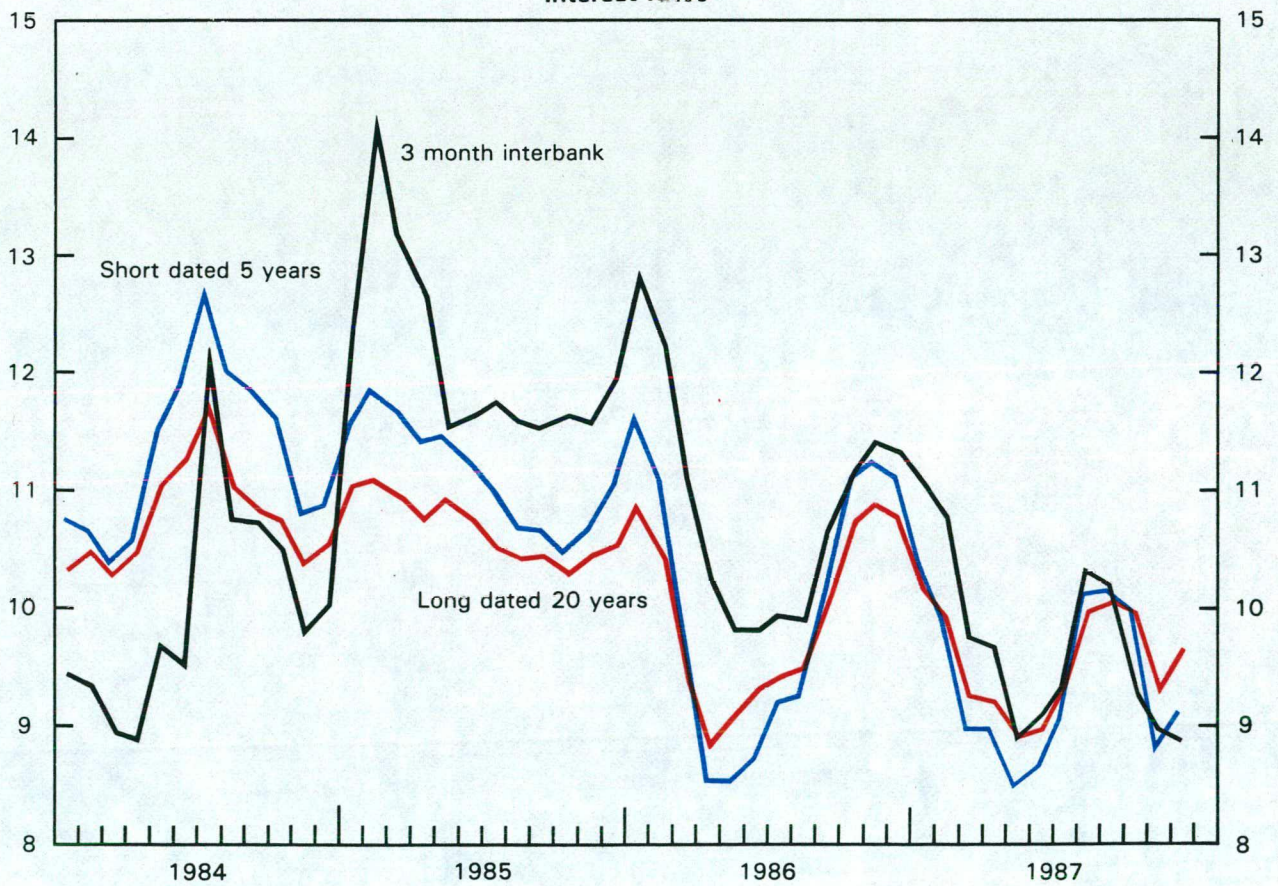


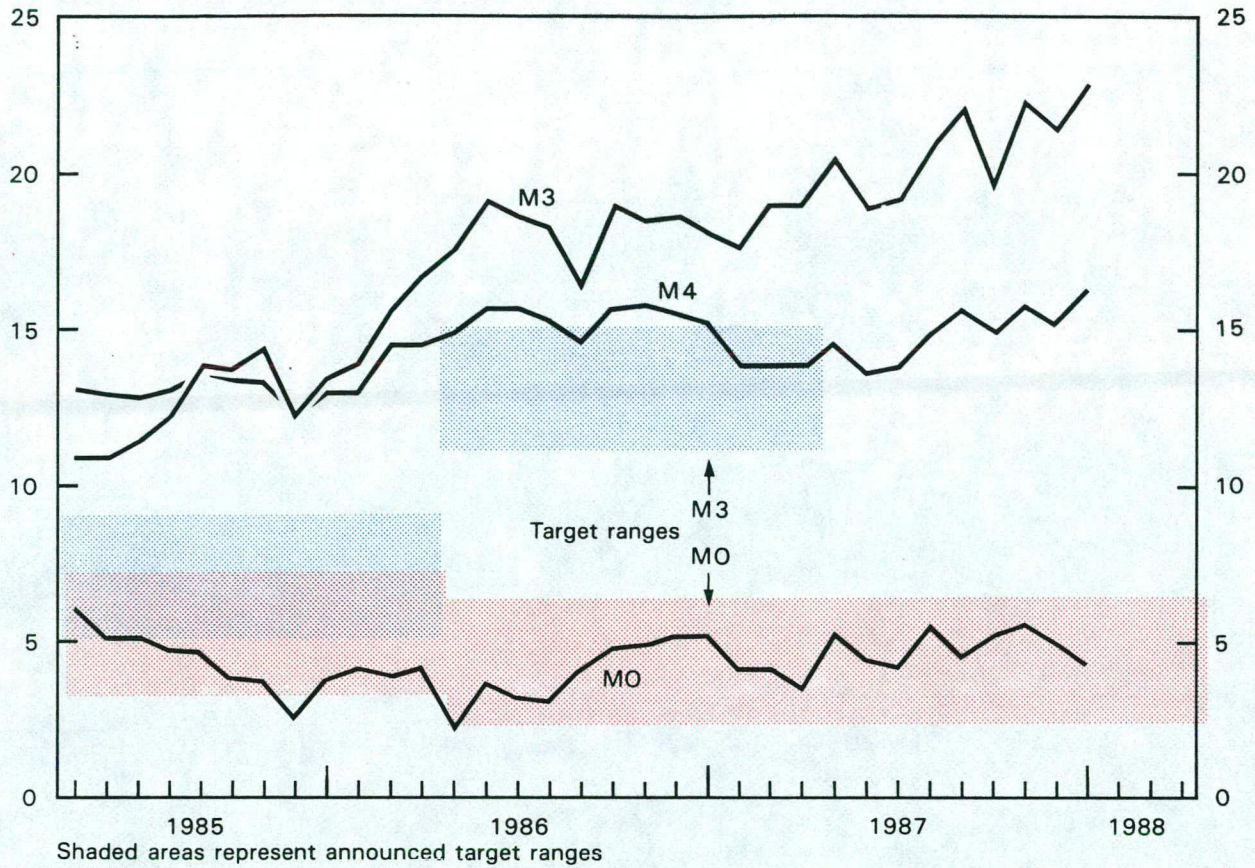
CHART 5

Interest rates



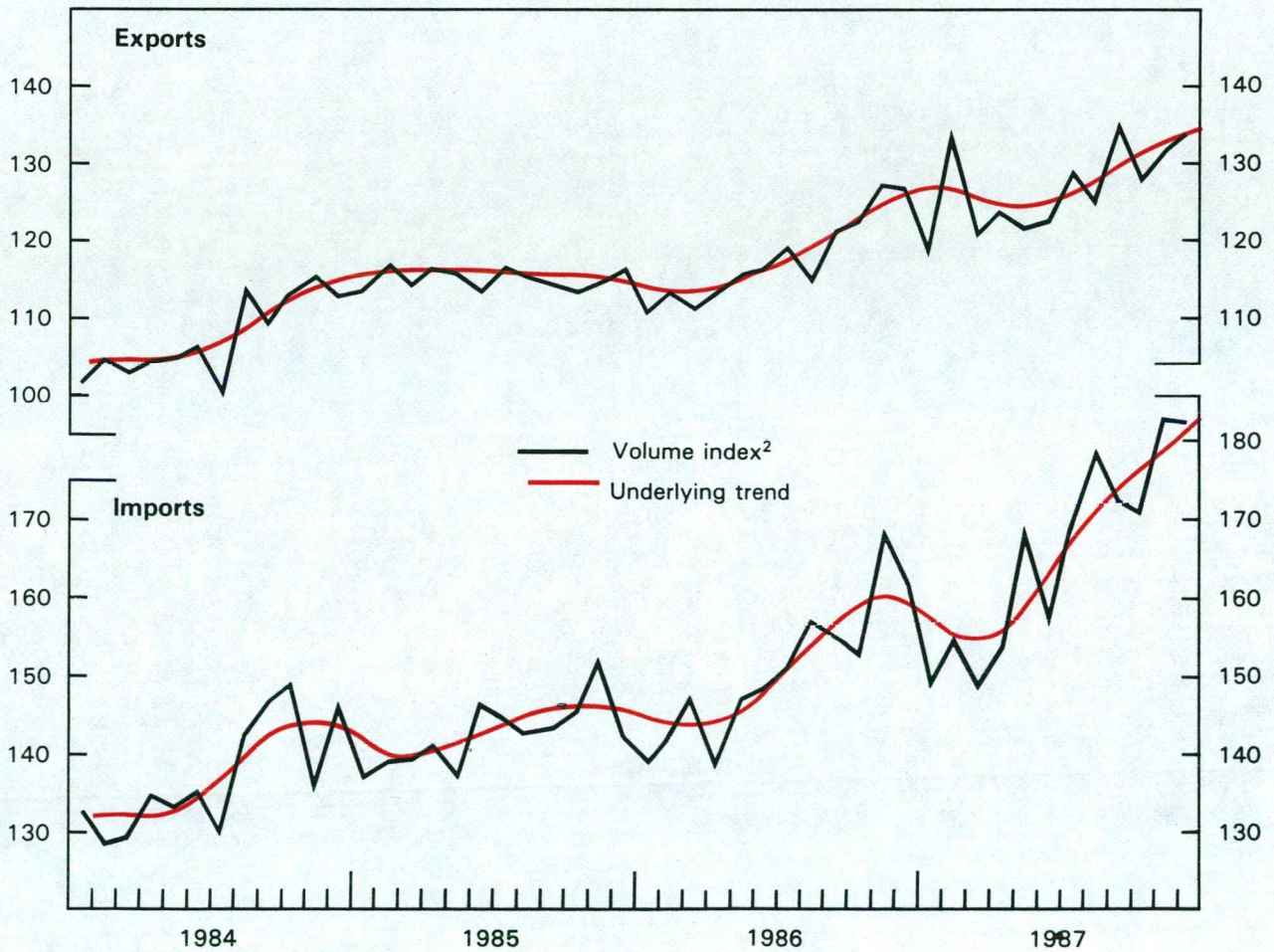
Monetary aggregates

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

Reference

pm

To:

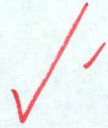
SECRETARY OF STATE

(Circulation list attached)

From:

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

5 February 1988



CREDIT BUSINESS IN DECEMBER

A Press Notice giving details of credit business in December is attached for information. The Press Notice will be issued at 11.30 am on Monday, 8 February. The contents should be treated as confidential until then.

G. Jenkinson

G JENKINSON

88/86

8 February 1988

Press Office
Tel 01-215 4471/4475
Out of Hours
Tel 01-215 7877

CREDIT BUSINESS IN DECEMBER

During December, using the narrower coverage in Table 1, the amount outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies and on bank credit cards rose by £0.3 billion to £23.0 billion. This compared with an increase of £0.4 billion in November.

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 fourth quarter was £1.5 billion, up from £1.4 billion in the third quarter. This took the total amount outstanding on consumer credit agreements at the end of December to £36.4 billion, 4 per cent more than the total three months earlier. During 1987 the total increase in consumer credit was £5.6 billion.

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, compared with £0.6 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 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 December by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.1 billion, the same as in November (see Table 3). The total for the three months October to December was 3 per cent higher than that for the previous three months.

MORE/....

In December there was a **change in amount 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, compared with £0.4 billion in the preceding three months.

NOTES TO EDITORS

1 All figures are quoted after seasonal adjustment. New seasonal factors have been estimated this month using the latest available information. 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 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 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.

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 D	BUSINESSES E	
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,093	2,276	4,666	12,151	5,954	25,047
1987 NOV	22,709	2,615	5,492	14,602	7,091	29,800
DEC	22,965	2,633	5,555	14,777	7,175	30,140
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,385	95	838	1,452	822	3,207
1987	3,872	357	889	2,626	1,221	5,093
1986 1st Qtr	784	16	200	568	308	1,092
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	953	118	161	674	327	1,280
1986 DEC	177	18	40	119	69	246
1987 JAN	299	3	82	214	24	323
FEB	315	50	84	181	45	360
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	256	18	63	175	84	340
1987 JUL-SEP	874	88	185	601	396	1,270
OCT-DEC	953	118	161	674	327	1,280

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						
1986	30,814	2,276	4,666	10,904	817	12,151
1987 1st Qtr	32,102	2,351	4,954	11,207	825	12,765
2nd Qtr	33,564	2,427	5,209	11,631	795	13,502
3rd Qtr	34,946	2,515	5,394	12,101	833	14,103
4th Qtr	36,433	2,633	5,555	12,615	853E	14,777

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	5,619	357	889	1,711	36	2,626
1987 1st Qtr	1,288	75	288	303	8	614
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3rd Qtr	1,382	88	185	470	38	601
4th Qtr	1,487	118	161	514	20E	674

— 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	34,761	5,280	16,641	12,840	4,356	39,117
1986 1st Qtr	6,668	1,161	2,964	2,543	856	7,524
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	9,273	1,365	4,430	3,478	1,227	10,500
1986 DEC	2,511	407	1,217	887	319	2,830
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MAY	2,864	428	1,397	1,039	341	3,205
JUN	2,962	448	1,419	1,095	379	3,341
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AUG	2,998	451	1,429	1,118	381	3,379
SEP	3,094	461	1,460	1,173	396	3,490
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NOV	3,138	470	1,498	1,170	420	3,558
DEC	3,131	426	1,530	1,175	437	3,568
1987 JUL-SEP	9,032	1,362	4,302	3,368	1,136	10,168
OCT-DEC	9,273	1,365	4,430	3,478	1,227	10,500
Percentage increase over previous three months	3	0	3	3	8	3

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 Matlock
Mr Nuttall
Mr Mann
Mr Parsons

Prime Minister's Office

Chancellor's Office

Sir Terence Burns	- Treasury
Mr Sedgwick	- "
Mr P Allum	- "
Miss M O'Mara	- "
Mr N Holgate	- "
Mr P Hall	- "
Mr G Pike	- "
Mr D Egginton	- Bank of England
Mr J Exeter	- " " "
Mr W Allen	- " " "
Miss S Carter	- CSO
Mr R Clare	- "
Mr C Bryant	- "
Mr D Sterling	- "
Mr J Alexander	- "

✓ pay

Economist Commodity Price Indices

1980=100

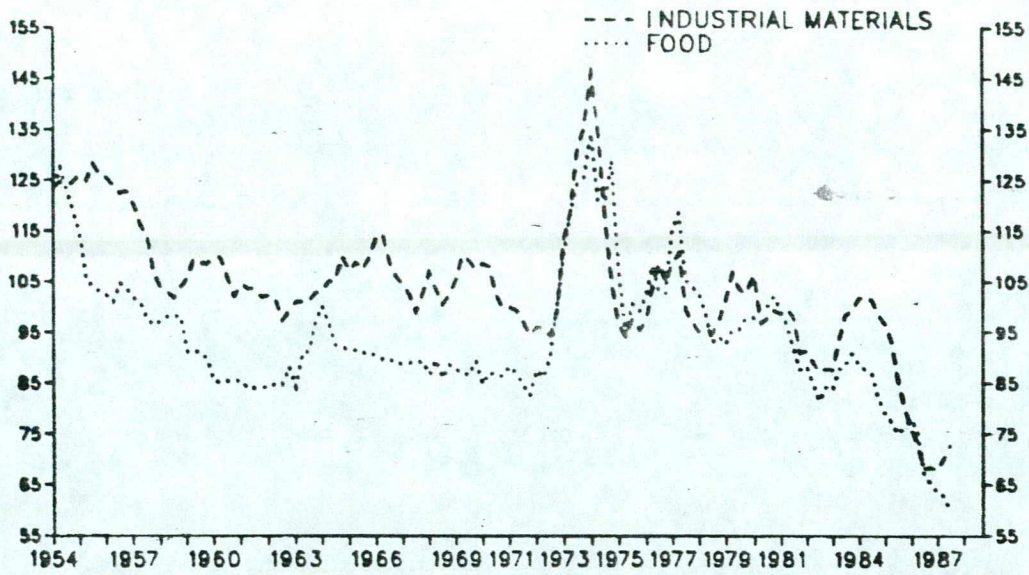
Annual	<u>All items indices</u>				<u>SDR indices</u>		
	SDR	Dollar	Sterling	Real*	Food	Nfa**	Metals
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	95.1	86.2	99.4	91.1	96.9	98.6	89.5
1982	87.9	74.7	99.2	81.6	92.3	90.4	79.1
1983	102.7	84.3	129.4	95.5	105.5	109.8	92.8
1984	105.7	83.4	144.9	97.8	116.1	105.1	89.5
1985	95.8	74.8	135.2	86.5	103.4	94.2	84.3
1986	86.9	77.7	124.0	74.5	97.3	85.0	70.5
1987	88.8	88.4	125.2	73.7	84.4	98.8	82.1
<u>Quarterly</u>							
1986 Q1	93.7	80.9	130.8	81.7	109.7	87.1	73.6
Q2	91.0	81.1	125.0	79.5	104.9	86.9	71.8
Q3	81.4	75.2	117.4	70.3	88.8	80.1	68.3
Q4	82.4	76.4	123.9	70.1	87.4	86.5	68.4
1987 Q1	81.6	79.2	119.2	68.9	82.4	91.0	69.0
Q2	86.8	86.4	122.2	73.3	85.5	98.0	75.2
Q3	91.4	89.6	128.9	73.9	82.6	107.1	87.5
Q4	95.3	98.2	130.4	78.2	87.0	99.0	96.8
<u>Monthly</u>							
February	81.7	79.6	120.5		82.6	91.7	68.5
March	82.9	81.0	118.2		82.1	92.4	71.8
April	84.2	83.8	119.0		83.2	94.8	72.6
May	87.3	87.6	122.0		87.1	97.2	74.8
June	88.9	87.8	125.2		86.2	101.7	78.3
July	90.7	88.4	127.8		84.0	105.1	84.7
August	92.2	89.8	130.9		81.2	109.7	90.2
September	91.4	90.6	128.2		82.7	106.6	87.6
October	94.8	94.2	132.2		86.7	101.9	94.3
November	93.6	97.0	127.6		86.5	97.1	93.8
December	97.4	103.4	131.4		87.9	97.9	102.2
January (prov)	99.4	105.2	135.8		90.2	98.6	104.4
<u>Weekly</u>							
November 10	92.1	96.5	125.5		85.3	95.4	92.3
17	94.8	97.8	128.8		87.3	98.3	95.4
24	96.4	100.0	131.1		89.2	98.0	97.7
December 1	96.5	101.2	129.2		89.4	98.9	96.9
8	96.0	100.4	129.8		88.1	98.3	97.7
15	96.2	102.5	130.1		87.0	97.0	100.5
22	98.3	104.8	133.1		87.6	98.0	105.1
29	99.8	108.0	134.9		87.3	97.1	110.6
January 5	98.9	106.2	134.9		88.5	98.6	105.4
12	99.0	105.2	134.3		89.0	98.0	105.4
19	100.3	104.9	137.1		91.6	99.3	104.8
26(prov)	99.4	104.4	136.8		91.7	98.5	102.2

* In relation to prices of manufactured exports. Recent figures are estimated.

** Non-food agriculturals.

REAL COMMODITY PRICES •

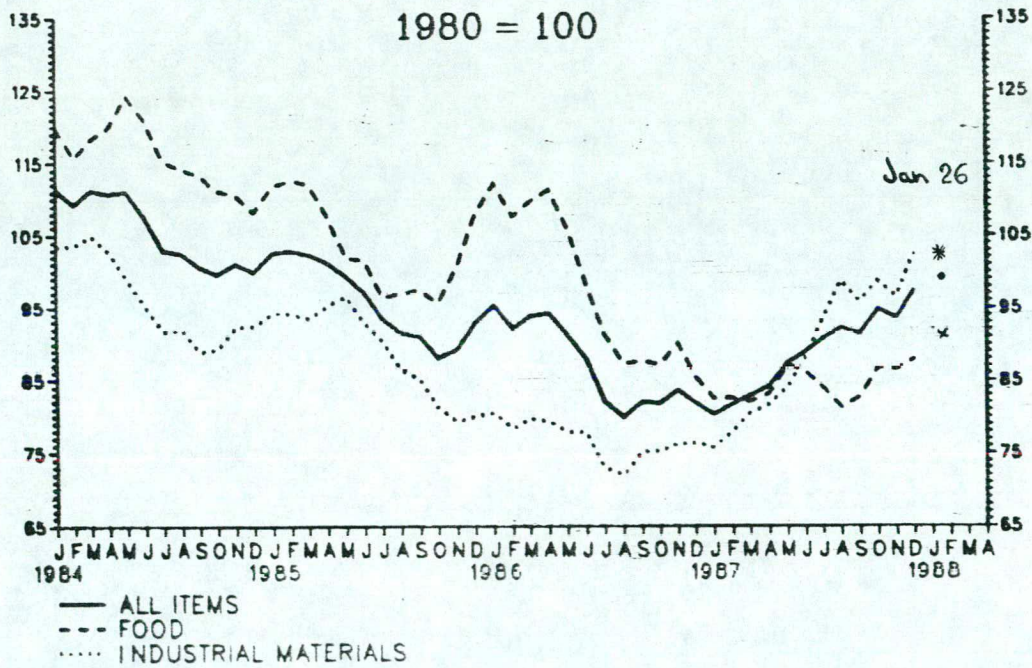
UN INDEX, 1980=100



• IN RELATION TO PRICES OF MANUFACTURES

CHART B : ECONOMIST SDR COMMODITY PRICE INDICES

1980 = 100



CONFIDENTIAL
until 11.30 am 8 February

FROM: S BOWDEN
DATE: 5 February 1988

1. MISS O'MARA
2. ECONOMIC SECRETARY

mom 5/2

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

DTI PRESS NOTICE ON CONSUMER CREDIT
(All figures are seasonally adjusted)

The DTI press notice attached gives details of credit business in December. It will be published at 11.30 am on Monday 8 February.

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

Consumer Credit

<u>Change in December</u>	<u>£m</u>	<u>Percentage increase over level of previous month</u>	<u>Percentage growth over last 12 months</u>
1. Change in amounts outstanding on consumer credit agreements (1)	256(357)	1.1(1.6)	20.3(18.2)
of which bank credit cards	63(69)	1.1(1.3)	19.1(18.7)
2. New credit advanced to consumers	3131(3138)	9.9(11.0)	26.7(23.8)
of which bank credit cards	1530(1498)	10.1(11.0)	28.8(29.2)
<u>Change in Q4 (2)</u>			
3. Change in amount outstanding on all consumer credit agreements	1487(1382)	4.3(4.1)	18.2(-)(3)

(Bracketed figures give comparable amounts for November)

(1) Includes agreements with Finance Houses, other specialist credit grantors and building societies, retailers and on bank credit cards.

(2) Quarterly figures: changes refer to increase over previous quarter (bracketed figures give comparable amounts for QIII)

(3) Earlier figures not available as the full series only goes back to 1987 QI.

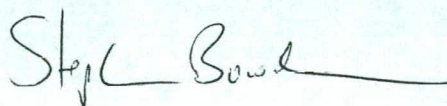
3. All the figures shown in the press notice have been revised in the light of the new seasonal factors. New seasonal factors are always calculated at this time of year. There have also been small revisions to the back numbers reflecting late returns. The main effect of the new seasonals is to increase the seasonally adjusted change in amount outstanding on consumer credit arrangements in November from £0.2bn on the old seasonals to £0.4bn on the new figures, and the change due to bank credit cards from -£93m to +£69m. Last month's note cautioned that the low figures for November could be distorted by inaccurate seasonal adjustments, and this turned out to be the case.

4. On the revised figures, the change in amount outstanding for December (Table 1 of the press notice) is the smallest absolute increase since August 1987 and the second smallest increase since December 1986.

5. The press notice also shows the Q4 figure for the change in amount outstanding on all consumer credit agreements (table 2) which is only slightly higher than for Q3. The figure for annual change is the first one available for this series.

6. New credit advanced in December (Table 3) is very similar to the figure for November.

7. The change in credit outstanding should not attract adverse comments, as it is one of the lowest in 1987.



S BOWDEN

88/86

8 February 1988

Press Office
Tel 01-215 4471/4475
Out of Hours
Tel 01-215 7877

CREDIT BUSINESS IN DECEMBER

During December, using the narrower coverage in **Table 1**, the **amount outstanding on consumer credit** agreements with finance houses, other specialist credit grantors, building societies and on bank credit cards rose by £0.3 billion to £23.0 billion. This compared with an increase of £0.4 billion in November.

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 fourth quarter was £1.5 billion, up from £1.4 billion in the third quarter. This took the **total amount outstanding on consumer credit agreements** at the end of December to £36.4 billion, 4 per cent more than the total three months earlier. During 1987 the **total increase in consumer credit** was £5.6 billion.

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, compared with £0.6 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 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 December by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.1 billion, the same as in November (see **Table 3**). The total for the three months October to December was 3 per cent higher than that for the previous three months.

MORE/....

In December there was a change in amount 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, compared with £0.4 billion in the preceding three months.

NOTES TO EDITORS

- 1 All figures are quoted after seasonal adjustment. New seasonal factors have been estimated this month using the latest available information. 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 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 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		
				CONSUMERS	BUSINESSES	
	A=B+C+D	B	C	D	E	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,093	2,276	4,666	12,151	5,954	25,047
1987 NOV	22,709	2,615	5,492	14,602	7,091	29,800
DEC	22,965	2,633	5,555	14,777	7,175	30,140
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,385	95	838	1,452	822	3,207
1987	3,872	357	889	2,626	1,221	5,093
1986 1st Qtr	784	16	200	568	308	1,092
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	953	118	161	674	327	1,280
1986 DEC	177	18	40	119	69	246
1987 JAN	299	3	82	214	24	323
FEB	315	50	84	181	45	360
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	256	18	63	175	84	340
1987 JUL-SEP	874	00	185	601	396	1,270
OCT-DEC	953	118	161	674	327	1,280

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						
1986	30,814	2,276	4,666	10,904	817	12,151
1987 1st Qtr	32,102	2,351	4,954	11,207	825	12,765
2nd Qtr	33,564	2,427	5,209	11,631	795	13,502
3rd Qtr	34,946	2,515	5,394	12,101	833	14,103
4th Qtr	36,433	2,633	5,555	12,615	853E	14,777

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
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— indicates a break in the series

E = estimated

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£ Million

	AGREEMENTS WITH CONSUMERS			AGREEMENTS WITH BUSINESSES		TOTAL AGREEMENTS
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1987	34,761	5,280	16,641	12,840	4,356	39,117
1986 1st Qtr	6,668	1,161	2,964	2,543	856	7,524
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	9,273	1,365	4,430	3,478	1,227	10,500
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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	3,131	426	1,530	1,175	437	3,568
1987 JUL-SEP	9,032	1,362	4,302	3,368	1,136	10,168
OCT-DEC	9,273	1,365	4,430	3,478	1,227	10,500
Percentage increase over previous three months	3	0	3	3	8	3

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.

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FORECASTS FOR THE UK ECONOMY

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A comparison of independent forecasts

Compiled by
EB Division
HM Treasury

February/March 1988

No. 15

This issue of the comparison includes, for the first time, forecasts for 1989 and incorporates new forecasts from: CL-Alexanders Laing and Cruickshank; European Commission; Goldman Sachs; Henley Centre for Forecasting; Hoare Govett; James Capel; Liverpool; London Business School; National Institute of Economic and Social Research; Oxford Economic Forecasting; Phillips & Drew; Scrimgeour Vickers & Co. and Wood Mackenzie & Co.

The main points are:

	Independent average (i)			City average (ii)		
	1987	1988	1989	1987	1988	1989
GDP growth (per cent)	4.1	2.7	1.9	4.1	2.7	1.7
RPI inflation rate (Q4; per cent)	4.0	4.2	5.0	4.1	3.8	4.3
Unemployment (Q4; million)	2.65	2.50	2.52	2.67	2.47	2.60
Current account (£bn)	- 2.5	- 4.2	- 5.1	- 2.4	- 4.1	- 4.7
PSBR (FY; £bn)	- 1.1	- 0.8		- 1.1	- 1.4	

- (i) 'Independent average' is an average of the 11 forecasts shown in tables 1, 2 and 3.
- (ii) 'City average' is an average of the 9 City forecasts shown in tables 4, 5 and 6.

Please note that this comparison is a summary of published material reflecting the views of the forecasting organisations themselves and does not in any way provide new information on the Treasury's own views. The comparison contains only a selection of forecasters which is kept continually under review. No significance should be attached to the inclusion or exclusion of any particular forecasting organisation. HM Treasury accepts no responsibility for the accuracy of the material published in this comparison.

Subscription enquiries should be addressed to Committee Section, HM Treasury, Parliament Street, London SW1P 3AG (01-270-4561). An invoice for the annual subscription fee of £50 will be sent on receipt of application. Distribution enquiries should be addressed to Meena Henson (01-270-5212). Enquiries on contents to Peter Curwen (01-270-5206).

FORECASTS FOR THE UK ECONOMY - TABLE 1

INDEPENDENT FORECASTS FOR 1987 AND 1987-88

Date of Forecast	HMT	NIESR	LBS	Phillips			Goldman		C'bridge		CBI	OECD	Oxford	EC	INDEPENDENT AVERAGE	INDEPENDENT RANGE		CITY AVERAGE
				& Drew	Sachs	Henley	Econ (z)	L'pool	Nov '87	Dec '87						Feb '88	Feb '88	
	Nov '87	Feb '88	Feb '88	Mar '88	Feb '88	Feb '88	Jan '88	Mar '88	Nov '87	Dec '87	Feb '88	Feb '88						
Forecasts for calendar year 1987 (a)																		
GDP (#)	4 (A)	4.7 (O)	4.7 (O)	4.3 (A)	4.2 (A)	4.1 (A)	3.8 (O)	3.6 (E)	4.0 (O)	3.75 (A)	4.0 (A)	4.3 (A)	4.1	3.6 (L'POOL)	4.7 (NIESR,LBS)	4.1		
Consumers' Expenditure	5	4.9	4.9	5.1	4.9	4.9	5.1	4.5c	4.4	4.50	5.0	5.0	4.9	4.4 (CBI)	5.1 (P&D)	4.9		
General Govt Consumption	0.5	0.4	0.3	0.4	0.1	0.2	0.9	-0.4d	0.2	0.50	0.4	0.2	0.4	0.1 (GS)	0.9 (CAM)	0.5		
Gross Fixed Investment	5.5	3.1	3.2	4.3	3.2	3.2	4.4	7.5e	4.2	4.75	3.4	3.4	3.7	3.1 (NIESR)	4.8 (OECD)	3.9		
Stockbuilding (bn pounds)	0.2	1.2	1.2	1.0	0.9	1.7	1.3	-	0.3	-0.25n	1.0	0.3	1.0	0.3 (CBI,EC)	1.7 (HEN)	1.0		
Exports (goods & services)	5.5	6.3	6.3	6.0	6.2	5.8	4.8	-	5.6	5.50	6.2	6.3	5.9	4.8 (CAM)	6.3 (NIESR,LBS,EC)	5.9		
Imports (goods & services)	6.5	7.9	7.9	8.0	7.4	7.8	6.6	-	6.7	5.75	8.2	7.6	7.4	5.8 (OECD)	8.2 (OXF)	7.3		

RPI (CPI [b]) - Q4	4	4.1	4.1	4.1	4.1	4.1	(2.9)k	(3.4)k	3.5	(4.50)h	4.1	(3.2)k	4.0	3.5 (CBI)	4.1 (6 FORECASTS)	4.1		
Average Earnings & RPD1	-	7.1	6.8	7.7	7.7	7.6	7.5	7.2	-	-	7.2	7.4	7.4	6.8 (LBS)	7.7 (NIESR,P&D,GS)	7.7		
Employment Growth	-	3.5	3.9	3.9	3.3	3.4	-	-	4.0	-	3.5	3.7	3.7	3.3 (GS)	4.0 (CBI)	3.8		
Unemployment (UK adults million - Q4)	-	1.2s	1.7	1.4	1.5	1.5	-	-	1.3	1.50	1.2s	1.3	1.5	1.3 (CBI,EC)	1.7 (LBS)	1.5		
Industrial Production	-	2.6	2.66	2.66	2.66	2.59	2.9km	2.9k	2.72	-	2.66	2.66	2.65	2.59(HEN)	2.72(CBI)	2.67		
Manufacturing Output	5	5.6	5.6	5.6	5.5	5.5	4.8	-	5.8	-	5.5	5.5	5.5	2.3 (CAM)	5.0 (OECD)	3.3		
		5.6	5.6	5.6	5.5	5.5	4.8	-	5.8	-	5.5	5.5	5.5	4.8 (CAM)	5.8 (CBI)	5.4		

World Trade & Current Account (bn pounds)	3.75	3.7	3.6	3.1	4.0	2.8	-	3.8	3.3	3.75	2.8	4.8	3.6	2.8 (HEN,OXF)	4.8 (EC)	3.4		
Sterling Index(1975=100) Q4	-2.5	-2.7	-2.4	-2.7	-2.7	-2.2	-3.6	-2.7	-1.6	-1.70	-2.7	-2.6	-2.5	-3.6 (CAM)	-1.6 (L'POOL)	-2.4		
Short term interest rate Q4 & Oil Price (\$ per barrel) &	-	75.0	75.0	74.9	75.8u	74.7	71.9k	73.0k	74.5	-	74.9	-	74.8	74.5 (CBI)	75.0 (NIESR,LBS)	74.7		
	18	9.0	9.2	9.2	8.9	9.3	-	9.2k	8.4	9.4h	9.2	8.5u	9.0	8.4 (CBI)	9.3 (HEN)	8.9		
		17.0	18.0	18.4	18.4	18.1	-	-	18.3	17.00	17.9	17.8	17.9	17.0 (NIESR,OECD)	18.4 (P&D,GS)	18.2		

Forecasts for financial year 1987-1988 (a)																		
M0 Growth	2-6y	-	5.5	4.7k	4.0u	6.7	-	4.7k	-	-	-	4.2u	-	-	-	-		
M3 Growth	-	-	19.7	19.8k	22.5u	17.3	-	-	-	-	16.6q	22.8u	-	-	-	-		
PSBR (bn pounds)	1	-2.0	-0.4	-2.0	-1.1	-1.0	-2.0k	-1.2	-0.5	-	-0.8	-1.2	-1.1	-2.0 (NIESR,P&D)	-0.4 (LBS)	-1.1		

NOTES:

(A) average measure
(O) output measure
(E) expenditure measure

* new forecast
GDP and components at 1980 prices
& for definition see individual forecasts
o Treasury forecast published in Autumn Statement

(a) unless specified figures are percentage changes on year earlier
(b) normally defined as consumers' expenditure deflator
(c) non durable consumption
(d) current and capital including stockbuilding
(e) private sector investment, stockbuilding and durable consumption

(h) 1987H2 at annual rate
(k) calendar year 1987
(m) including school leavers
(n) change in stockbuilding as a % of GDP in previous period
(q) 1988Q2 on 1987Q2
(s) employees in employment
(u) end 1987
(y) target range set in 1987 FSBR
(z) taken from longer term disaggregate forecast

*Independent average' is an unweighted average of comparable independent forecasts as summarised in tables 1, 2 and 3.

'City Average' is an unweighted average of comparable City forecasts as summarised in tables 4, 5 and 6.

INDEPENDENT FORECASTS FOR 1988 AND 1988-89

Date of Forecast	HMT	NIESR	LBS	Phillips Goldman			C'bridge		CBI	OECD	Oxford	EC	INDEPENDENT AVERAGE	INDEPENDENT RANGE		CITY AVERAGE
	Nov '87	Feb '88	Feb '88	& Drew	Sachs	Henley	Econ (z)	L'pool	Nov '87	Dec '87	Feb '88	Feb '88				
Forecasts for calendar year 1988 (a)																
GDP (@)	2.5	2.9 (0)	3.0 (0)	2.8 (A)	3.2 (A)	2.3 (A)	2.1 (0)	3.0 (E)	2.0 (0)	2.75 (A)	2.5 (A)	2.8 (A)	2.7	2.0 (CBI)	3.2 (GS)	2.7
Consumers' Expenditure	4	4.3	3.3	4.3	3.8	3.7	2.4	1.7c	2.8	3.25	3.9	4.1	3.6	2.4 (CAM)	4.3 (NIESR,P&D)	3.9
General Govt Consumption	0.5	1.8	1.7	1.3	1.6	1.3	1.0	0.9d	1.2	1.00	0.5	1.4	1.3	0.5 (OXF)	1.8 (NIESR)	1.4
Gross Fixed Investment	4.5	5.2	6.7	5.1	5.3	4.1	5.3	9.7e	6.0	5.75	5.0	4.2	5.3	4.1 (HEN)	6.7 (LBS)	5.0
Stockbuilding (bn pounds)	0.8	1.6	1.0	1.8	1.8	1.4	1.2	-	1.2	0.5n	1.0	0.3	1.3	0.3 (EC)	1.8 (P&D,GS)	1.2
Exports (goods & services)	2	4.2	4.8	1.9	2.9	1.1	2.8	-	1.7	2.00	3.7	3.1	2.8	1.1 (HEN)	4.8 (LBS)	3.1
Imports (goods & services)	5	7.6	7.1	6.8	6.5	4.4	4.3	-	5.0	4.75	7.0	5.8	5.9	4.3 (CAM)	7.6 (NIESR)	6.1

RPI (CPI (b) - Q4)	4.5	4.5	4.7	4.2	3.8	4.5	(4.8)k	(2.8)k	3.8	(4.50)h	4.2	(4.1)k	4.2	3.8 (GS,CBI)	4.7 (LBS)	3.8
Average Earnings & RPI	-	8.0	8.5	8.3	7.6	7.5	6.5	7.2	-	-	7.4	7.2	7.6	6.5 (CAM)	8.5 (LBS)	7.6
Employment Growth	-	1.3s	2.0	1.2	1.3	1.3	-	-	0.8	1.00	0.9s	1.3	1.3	3.1 (CBI)	5.1 (LBS)	4.3
Unemployment (UK adults million - Q4)	-	2.3	2.61	2.54	2.40	2.53	2.7kw	2.3k	2.64	-	2.60	2.40	2.50	0.8 (CBI)	2.0 (LBS)	1.3
Industrial Production	-	-	3.0	2.3	2.3	1.6	1.4	-	-	3.50	-	2.2	2.3	2.3 (NIESR)	2.64(CBI)	2.47
Manufacturing Output	3.5	3.8	4.2	3.6	5.3	2.8	2.9	-	5.0	-	4.3	3.6	3.9	1.4 (CAM)	3.5 (OECD)	2.3
														2.8 (HEN)	5.3 (GS)	3.7

World Trade & Current Account (bn pounds)	4	3.1	4.9	3.1	3.0	2.0	-	2.6	3.0	4.50	4.5	4.3	3.5	2.0 (HEN)	4.9 (LBS)	3.0
Sterling Index (1975=100) Q4	-	74.6	74.0	73.4	74.0u	73.8	72.5k	73.6k	75.0	-	74.4	-	74.2	2.0 (HEN)	4.9 (LBS)	3.0
Short term interest rate Q4 & Oil Price (\$ per barrel) &	18	17.0	18.0	17.8	18.1	18.5	-	-	18.0	18.00	17.3	15.5	17.6	-5.5 (CAM,L'POOL)	-3.2 (CBI,OECD)	-4.1
														73.4 (P&D)	75.0 (CBI)	75.3
														8.0 (CBI)	9.7 (HEN)	8.8
														15.5 (EC)	18.5 (HEN)	17.3

Forecasts for financial year 1988-89 (a)																
M0 Growth	-	-	4.8	5.4k	5.0u	6.8	-	4.5k	-	-	-	-	-	-	-	-
M3 Growth	-	-	15.3	19.2k	17.0u	16.3	-	-	-	-	9.5q	-	-	-	-	-
PSBR (bn pounds) scope for fiscal change (billion pounds)^	-	-2.6	-0.4	-1.0	-1.5	0.5	0.7k	-0.9	-	-	-1.6	1.0	-0.8	-2.6 (NIESR)	1.0 (EC)	-1.4
		3.0	2.5	3.0	3.0	2.5	-	5.0	-	-	3.0	3.0	-	-	-	-

NOTES:

- (A) average measure
- (0) output measure
- (E) expenditure measure

- * new forecast
- @ GDP and components at 1980 prices
- & for definition see individual forecasts
- o Treasury forecast published in Autumn Statement
- ^ interpreted variously by forecasters as either residual or as target

- (a) unless specified figures are percentage changes on year earlier
- (b) normally defined as consumers' expenditure deflator
- (c) non durable consumption
- (d) current and capital including stockbuilding
- (e) private sector investment, stockbuilding and durable consumption

- (h) 1988H2 at annual rate
- (k) calendar year 1988
- (m) including school leavers
- (n) change in stockbuilding as a % of GDP in previous period
- (q) 1989Q2 on 1988Q2
- (s) employees in employment
- (u) end 1988
- (y) target range set in 1987 FSBR
- (z) taken from longer term disaggregate forecast

^Independent average' is an unweighted average of comparable independent forecasts as summarised in tables 1, 2 and 3.
 'City Average' is an unweighted average of comparable City forecasts as summarised in tables 4, 5 and 6.

FORECASTS FOR THE UK ECONOMY - TABLE 3

INDEPENDENT FORECASTS FOR 1989 AND 1989-90

Date of Forecast	HMT	NIESR * Feb '88	LBS * Feb '88	Phillips Goldman & Drew * Mar '88			C'bridge Econ (z) L'pool * Jan '88 Mar '88			CBI	OECD Dec '87	Oxford * Feb '88	EC * Feb '88	INDEPENDENT AVERAGE	INDEPENDENT RANGE		CITY AVERAGE
				2.4 (A)	2.5	1.5 (A)	1.6 (O)	2.8 (E)	1.75 (A)						1.3 (A)	1.9 (A)	
Forecasts for calendar year 1989 (a)																	
GDP (€)	-	1.9 (O)	2.3 (O)	2.4 (A)	-	1.5 (A)	1.6 (O)	2.8 (E)	-	1.75 (A)	1.3 (A)	1.9 (A)	1.9	1.3 (OXF)	2.8 (L'POOL)	1.7	
Consumers' Expenditure	-	2.3	3.0	3.5	-	2.5	1.3	1.8c	-	2.25	2.2	2.7	2.5	1.3 (CAM)	3.5 (P&D)	2.8	
General Govt Consumption	-	1.1	0.9	1.4	-	1.3	1.1	1.9d	-	1.00	0.4	1.2	1.1	0.4 (OXF)	1.4 (P&D)	0.8	
Gross Fixed Investment	-	2.7	3.9	3.7	-	2.3	4.2	3.1e	-	3.50	3.0	2.7	3.3	2.3 (HEN)	4.2 (CAM)	2.9	
Stockbuilding (bn pounds)	-	1.7	0.7	0.8	-	0.7	1.0	-	-	0.00n	0.7	0.3	0.8	0.3 (EC)	1.7 (NIESR)	0.6	
Exports (goods & services)	-	2.2	2.0	2.8	-	2.0	4.2	-	-	1.25	1.8	2.6	2.4	1.3 (OECD)	4.2 (CAM)	1.8	
Imports (goods & services)	-	3.0	2.8	4.4	-	3.3	3.7	-	-	3.50	3.2	4.3	3.5	2.8 (LBS)	4.4 (P&D)	3.7	

RPI (CPI (b)) - Q4	-	5.5	4.6	4.7	-	5.4	(5.2)k	(1.4)k	-	4.25h	5.0	(4.1)k	5.0	4.6 (LBS)	5.5 (NIESR)	4.3	
Average Earnings & RPD1	-	7.9	7.4	7.6	-	7.7	7.1	3.9	-	-	7.5	6.9	7.0	3.9 (L'POOL)	7.9 (NIESR)	8.2	
Employment Growth	-	2.5	3.6	3.0	-	2.9	-	-	-	-	1.5	2.7	2.7	1.5 (OXF)	3.6 (LBS)	2.7	
Unemployment (UK adults million - Q4)	-	0.4s	1.1	0.8	-	0.6	-	-	-	0.00	0.1s	0.7	0.6	0.0 (OECD)	1.1 (LBS)	0.4	
Industrial Production	-	2.2	2.56	2.64	-	2.60	2.8k	2.0k	-	-	2.63	2.50	2.52	2.2 (NIESR)	2.64 (P&D)	2.60	
Manufacturing Output	-	-	1.5	1.3	-	1.0	1.4	-	-	2.25	-	1.6	1.5	1.0 (HEN)	2.3 (OECD)	1.2	
	-	3.2	2.9	2.7	-	1.9	2.7	-	-	-	1.0	2.5	2.4	1.0 (OXF)	3.2 (NIESR)	1.3	

World Trade & Current Account (bn pounds)	-	4.0	4.5	2.9	-	2.3	-	5.2	-	3.50	3.1	3.9	3.7	2.3 (HEN)	5.2 (L'POOL)	3.1	
Sterling Index (1975=100) Q4	-	-6.4	-5.0	-5.1	-	-5.7	-4.8	-3.9	-	-5.30	-4.4	-5.7	-5.1	-6.4 (NIESR)	-3.9 (L'POOL)	-4.7	
Short term interest rate Q4 & Oil Price (\$ per barrel) &	-	72.6	72.0	68.7	-	71.9	70.2	72.3k	-	-	71.9	-	71.2	68.7 (P&D)	72.6 (NIESR)	72.6	
	-	9.5	9.0	8.5	-	10.3	-	6.7k	-	9.5h	9.8	9.0	9.4	8.5 (P&D)	10.3 (HEN)	8.9	
	-	18.0	19.0	18.6	-	18.9	-	-	-	18.00	18.5	17.5	18.4	17.5 (EC)	19.0 (LBS)	18.2	

Forecasts for financial year 1989-1990 (a)																	
M0 Growth	-	-	5.7	4.7k	-	6.8	-	3.5k	-	-	-	-	-	-	-	-	
M3 Growth	-	-	12.7	16.7k	-	14.8	-	-	-	-	7.9q	-	-	-	-	-	
PSBR (bn pounds)^	-	-1.3	0.7	-2.0	-	2.0	1.5	-0.9	-	-	-0.1	1.0	-	-2.0 (P&D)	2.0 (HEN)	-	

NOTES:

(A) average measure
(O) output measure
(E) expenditure measure

* new forecast
@ GDP and components at 1980 prices
& for definition see individual forecasts
^ see individual forecasts for underlying fiscal assumptions

(a) unless specified figures are percentage changes on year earlier
(b) normally defined as consumers' expenditure deflator
(c) non durable consumption
(d) current and capital including stockbuilding
(e) private sector investment, stockbuilding and durable consumption

(h) 1989H2 at annual rate
(k) calendar year 1989
(m) including school leavers
(n) change in stockbuilding as a % of GDP in previous period
(q) 1990Q2 on 1989Q2
(s) employees in employment
(u) end 1987
(y) target range set in 1987 FSBR
(z) taken from longer term disaggregate forecast

'Independent average' is an unweighted average of comparable independent forecasts as summarised in tables 1, 2 and 3.
'City Average' is an unweighted average of comparable City forecasts as summarised in tables 4, 5 and 6.

FORECASTS FOR THE UK ECONOMY - TABLE 4

CITY FORECASTS FOR 1987 and 1987-88

Date of Forecast	HMT	Phillips & Drew	Goldman Sachs	Hoare Govett	Wood Mack	James Capel	Alex Laing	Scrimgeour	Capel-Cure	Midland Bank	CITY AVERAGE
	Nov '87	Mar '88	Feb '88	Feb '88	Feb '88	Feb '88	Feb '88	Feb '88	Dec '87	Dec '87	
Forecasts for calendar year 1987 (a)											
GDP (@)	4 (A)	4.3 (A)	4.2 (A)	3.4 (E)	4.1 (A)	4.2 (A)	4.3 (A)	4.3 (A)	3.5 (A)	4.2 (O)	4.1
Consumers' Expenditure	5	5.1	4.9	5.0	5.0	5.0	5.0	5.0	4.5	4.8	4.9
General Govt Consumption	0.5	0.4	0.1	0.2	0.3	0.3	0.2	0.4	2.0	0.5	0.5
Gross Fixed Investment	5.5	4.3	3.2	3.6	3.6	3.2	3.6	3.9	-	5.6	3.9
Stockbuilding (bn pounds)	0.2	1.0	0.9	1.2	0.9	0.6	1.2	1.5	1.3	0.0	1.0
Exports (goods & services)	5.5	6.0	6.2	6.5	5.7	5.6	6.5	6.0	4.0	6.2	5.9
Imports (goods & services)	6.5	8.0	7.4	7.8	7.1	7.2	7.8	7.6	5.0	8.0	7.3

RPI (CPI [b]) - Q4	4	4.1	4.1	4.1	4.1	4.1	4.1	4.2	4.1k	4.1	4.1
Average Earnings & RPDI	-	7.7	7.7	7.8	7.7	7.7	7.7	7.9	7.6	7.5	7.7
Employment Growth	-	3.9	3.3	4.0	3.4	3.6	3.5	3.3	4.5	4.3	3.8
Unemployment (UK adults million - Q4)	-	1.4	1.5	1.5	1.5	1.3	1.6	1.5	-	-	1.5
Industrial Production	-	2.66	2.66	2.66	2.7	2.74z	2.65	2.66	2.60u	2.7u	2.67
Manufacturing Output	5	3.4	3.3	3.1	3.2	-	3.3	-	-	-	3.3
		5.6	5.5	5.4	5.6	-	5.7	5.5	4.7	-	5.4

World Trade & Current Account (bn pounds)	3.75	3.1	4.0	3.2	3.0	3.1	3.4	3.3	3.5	3.6	3.4
Sterling Index(1975=100) Q4	-2.5	-2.7	-2.7	-2.7	-2.7	-2.7	-2.2	-2.8	-1.5	-2.0	-2.4
Short term interest rate Q4 & Oil Price(\$ per barrel) &	-	74.9	75.8u	74.4	75.6u	74.9	74.9	74.9	74.8u	74.3	74.7
	-	9.2	8.9	8.5u	9.2	8.5	8.3	8.9	8.5u	9.3	8.9
	18	18.4	18.4	18.0	17.8	17.9	18.0	17.8	18.5	19.0	18.2

Forecasts for financial year 1987-88 (a)											
M0 Growth	2-6y	4.7k	4.0u	6.3	5.0	5.0	5.8	5.9q	5.0	-	-
M3 Growth	-	19.8k	22.5u	18.0	18.0	21.0	22.3	21.6w	-	-	-
PSBR (bn pounds)	1	-2.0	-1.1	-2.2	-1.5	-1.5	-0.5	-1.7	0.0	1.0	-1.1

NOTES:

(A) average measure
(O) output measure
(E) expenditure measure

o Treasury forecast published in Autumn Statement
* new forecast
@ GDP and components at 1980 prices for definition see individual forecasts

(a) unless specified figures are percentage changes on year earlier
(b) usually defined as consumers' expenditure deflator
(k) calendar year 1987
(q) 1988Q1 on 1987Q1
(u) end 1987
(w) end financial year 1987-88
(y) target range set in 1987 FSBR
(z) 1987H2

'City Average' is an unweighted average of comparable City forecasts as summarised in tables 4, 5 and 6.

FORECASTS FOR THE UK ECONOMY - TABLE 5

CITY FORECASTS FOR 1988 and 1988-89

Date of Forecast	HMTo	Phillips	Goldman	Hoare	Wood	James	Alex	Scrim-	Capel-	Midland	CITY	AVERAGE
		& Drew	Sachs	Govett	Mack	Capel	Laing	Cr	Cure	Bank		
		Mar	Feb	Feb	Feb	Feb	Feb	Feb	Dec	Dec		
		'88	'88	'88	'88	'88	'88	'88	'87	'87		
Forecasts for calendar year 1988 (a)												
GDP (@)	2.5	2.8 (A)	3.2 (A)	2.8 (E)	2.7 (A)	3.0 (A)	2.4 (A)	2.5 (A)	2.4 (A)	2.8 (O)	2.7	
Consumers' Expenditure	4	4.3	3.8	3.6	3.3	3.8	3.9	4.7	3.8	3.6	3.9	
General Govt Consumption	0.5	1.3	1.6	0.6	1.5	1.6	0.5	2.1	1.8	1.2	1.4	
Gross Fixed Investment	4.5	5.1	5.3	5.0	5.4	5.4	4.3	4.7	-	4.4	5.0	
Stockbuilding (bn pounds)	0.8	1.8	1.8	1.0	0.8	0.8	1.2	1.4	1.7	0.4	1.2	
Exports (goods & services)	2	1.9	2.9	4.0	3.6	3.8	4.1	2.4	2.0	3.3	3.1	
Imports (goods & services)	5	6.8	6.5	5.3	6.1	6.6	6.7	7.2	4.5	5.3	6.1	
RPI (CPI [b]) - Q4	4.5	4.2	3.8	4.7	4.1	3.8	3.8	3.1	3.8k	3.2	3.8	
Average Earnings & RPDI	-	8.3	7.6	8.0	7.5	7.4	7.6	8.2	7.4	6.7	7.6	
Employment Growth	-	4.5	4.3	3.2	3.4	5.1	5.0	5.8	4.1	3.3	4.3	
Unemployment (UK adults million - Q4)	-	1.2	1.3	1.3	1.2	1.2	1.5	1.4	-	-	1.3	
Industrial Production	-	2.54	2.40	2.41	2.4	2.49z	2.55	2.50	2.5u	2.6u	2.47	
Manufacturing Output	3.5	2.3	2.3	2.5	2.1	-	2.2	-	3.5	-	2.3	
		3.6	5.3	3.6	3.6	-	3.5	3.1	3.5	-	3.7	
World Trade & Current Account (bn pounds)	4	3.1	3.0	3.6	3.0	3.0	2.8	3.7	2.5	2.0	3.0	
Sterling Index(1975=100) Q4	-3.5	-5.1	-4.2	-4.0	-4.8	-4.0	-3.3	-3.9	-3.5	-4.0	-4.1	
Short term interest rate Q4 & Oil Price(\$ per barrel) &	-	73.4	74.0u	74.8	73.4u	77.1	72.0	79.4	73.3u	75.2	75.3	
	-	8.5	9.5	-	9.0	9.0	9.2	9.0	9.5u	7.7	8.8	
	18	17.8	18.1	16.0	15.5	17.4	16.5	18.6	18.0	18.0	17.3	
Forecasts for financial year 1988-89 (a)												
M0 Growth	-	5.4k	5.0u	-	4.8	4.0	5.0	5.6q	5.5	-	-	
M3 Growth	-	19.2k	17.0u	-	14.0	17.8	13.1	15.0w	-	-	-	
PSBR (bn pounds) scope for fiscal change (bn pounds)^	-	-1.0	-1.5	-4.9	0.0	0.0	-1.6	-3.1	1.5	1.0	-1.4	
	-	3.0	3.0	-	3.0	-	-	3.0	-	-	-	

NOTES:

(A) average measure
(O) output measure
(E) expenditure measure

o Treasury forecast published in Autumn Statement
* new forecast
@ GDP and components at 1980 prices for definition see individual forecasts
& interpreted variously by forecasters as either residual or target

(a) unless specified figures are percentage changes on year earlier
(b) usually defined as consumers' expenditure deflator
(k) calendar year 1988
(q) 1989Q1 on 1988Q1
(u) end 1988
(w) end financial year 1988-89
(y) target range set in 1987 FSBR
(z) 1988H2

'City Average' is an unweighted average of comparable City forecasts as summarised in tables 4, 5 and 6.

FORECASTS FOR THE UK ECONOMY - TABLE 6

CITY FORECASTS FOR 1989 and 1989-90

Date of Forecast	HMT	Phillips & Drew * Mar '88	Goldman Sachs	Hoare Govett * Feb '88	Wood Mack * Feb '88	James Capel * Feb '88	Alex Laing * Feb '88	Scrimgeour * Feb '88	Capel-Cure	Midland Bank Dec '87	CITY AVERAGE
Forecasts for calendar year 1989 (a)											
GDP (@)	-	2.4 (A)	-	1.8 (E)	2.0 (A)	2.0 (A)	0.9 (A)	0.4 (A)	-	2.3 (O)	1.7
Consumers' Expenditure	-	3.5	-	2.5	2.5	2.9	2.5	3.2	-	2.6	2.8
General Govt Consumption	-	1.4	-	0.5	0.8	0.5	0.8	0.7	-	0.8	0.8
Gross Fixed Investment	-	3.7	-	2.3	3.7	4.0	1.9	1.3	-	3.2	2.9
Stockbuilding (bn pounds)	-	0.8	-	0.7	0.8	1.2	0.4	-0.2	-	0.7	0.6
Exports (goods & services)	-	2.8	-	2.6	2.1	1.5	1.4	0.0	-	2.1	1.8
Imports (goods & services)	-	4.4	-	3.5	2.8	4.8	3.6	4.4	-	2.7	3.7

RPI (CPI [b]) - Q4	-	4.7	-	5.5k	4.0	4.2	4.8	3.8	-	3.1k	4.3
Average Earnings & RPDI	-	7.6	-	7.5	6.9	7.0	7.2	7.3	-	5.6	8.2
Employment Growth	-	3.0	-	2.7	2.6	2.2	2.4	3.5	-	2.8	2.7
Unemployment (UK adults million - Q4)	-	0.8	-	0.6	-	0.6	0.0	0.1	-	-	0.4
Industrial Production	-	2.64	-	2.45k	2.5	2.35z	2.65	2.60	-	2.5u	2.60
Manufacturing Output	-	1.3	-	1.0	1.6	-	0.8	-	-	-	1.2
	-	2.7	-	1.5	2.8	-	0.8	-1.1	-	-	1.3

World Trade & Current Account (bn pounds)	-	2.9	-	4.0	2.5	2.8	-	2.4	-	3.8	3.1
Sterling Index(1975=100) Q4	-	-5.1	-	-5.0	-5.3	-5.0	-4.3	-4.2	-	-4.0	-4.7
Short term interest rate Q4 & Oil Price(\$ per barrel) &	-	68.7	-	72.0k	72.4u	76.6	67.3	77.6	-	75.0k	72.6
	-	8.5	-	-	9.0	9.0	8.0u	9.0	-	7.5k	8.9
	-	18.6	-	16.0	17.5	17.8	-	20.0	-	19.0	18.2

Forecasts for financial year 1989-90 (a)											
M0 Growth	-	4.7k	-	-	-	-	-	5.0q	-	-	-
M3 Growth	-	16.7k	-	-	-	-	-	13.9w	-	-	-
PSBR (bn pounds)^	-	-2.0	-	-	2.0	-	-	-1.1	-	1.0	-

NOTES:

(A) average measure
(O) output measure
(E) expenditure measure

* new forecast
@ GDP and components at 1980 prices
& for definition see individual forecasts
^ see individual forecasts for underlying fiscal assumptions

(a) unless specified figures are percentage changes on year earlier
(b) usually defined as consumers' expenditure deflator
(k) calendar year 1989
(q) 1990Q1 on 1989Q1
(u) end 1989
(w) end financial year 1989-90
(z) 1989H2

'City Average' is an unweighted average of comparable City forecasts as summarised in tables 4, 5 and 6.

Independent forecasting organisations covered in this comparison

Cambridge Econometrics (C'bridge Econ)

Capel-Cure Myers (Capel-Cure)

CL-Alexanders Laing & Cruickshank (Alex Laing Cr)

Commission of the European Communities (EC)

Confederation of British Industry (CBI)

Goldman Sachs

Henley Centre for Forecasting (Henley)

Hoare Govett

James Capel & Co

Liverpool Research Group in Macroeconomics (L'pool)

London Business School (LBS)

Midland Bank plc

National Institute of Economic and Social Research (NIESR)

Organisation for Economic Cooperation and Development (OECD)

Oxford Economic Forecasting (Oxford)

Phillips and Drew

Scrimgeour Vickers & Co (Scrimgeour)

Wood Mackenzie & Co (Wood Mack)

Reference

SECRETARY OF STATE

(Circulation list attached)

From:

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

4 March 1988

CREDIT BUSINESS IN JANUARY

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

G. Jenkinson

G JENKINSON

88/157

7 March 1988

Press Office
Tel 01-215 4471/4475
Out of Hours
Tel 01-215 7877

CREDIT BUSINESS IN JANUARY

During January, using the narrower coverage in Table 1, the amount outstanding on consumer credit agreements with finance houses, other specialist credit grantors, building societies and on bank credit cards rose by £0.3 billion to £23.3 billion. This compared with an increase of £0.2 billion in December. (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 December were £13.5 billion.)

The increase in the latest three months, November to January, was £0.9 billion, about the same as 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 latest three months, bank credit cards showed an increase of £0.1 billion and the increase for retailers was also £0.1 billion. All of these increases were the same as in the previous three month period.

New credit advanced to consumers in January by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £2.9 billion, compared with a total of £3.1 billion in December (see Table 3). The total for the three months November to January was 1 per cent higher than that for the previous three months.

In January 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 £0.3 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 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. 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 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 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 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 D	BUSINESSES E	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1986	19,093	2,276	4,666	12,151	5,954	25,047
1987 DEC	22,958R	2,633	5,555	14,770R	7,175	30,133R
1988 JAN	23,278	2,637	5,546	15,095	7,235	30,513
CHANGES IN AMOUNTS OUTSTANDING (b)						
1986	2,385	95	838	1,452	822	3,207
1987	3,865R	357	889	2,619R	1,221	5,086R
1986 1st Qtr	784	16	200	568	308	1,092
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	946R	118	161	667R	327	1,273R
1987 JAN	299	3	82	214	24	323
FEB	315	50	84	181	45	360
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	249R	18	63	168R	84	333R
1988 JAN	320	4	-9	325	60	380
1987 AUG-OCT	937	94	119	724	324	1,261
NOV-JAN	926	72	123	731	361	1,287

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						
1986	30,814	2,276	4,666	10,904	817	12,151
1987 1st Qtr	32,102	2,351	4,954	11,207	825	12,765
2nd Qtr	33,564	2,427	5,209	11,631	795	13,502
3rd Qtr	34,946	2,515	5,394	12,101	833	14,103
4th Qtr	36,426R	2,633	5,555	12,615	853E	14,770R
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	5,612R	357	889	1,711	36	2,619R
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,382	88	185	470	38	601
4th Qtr	1,480R	118	161	514	20E	667R

— 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	34,734R	5,280	16,641	12,813R	4,356	39,090R
1986 1st Qtr	6,668	1,161	2,964	2,543	856	7,524
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	9,246R	1,365	4,430	3,451R	1,227	10,473R
1987 JAN	2,401	413	1,140	848	281	2,682
FEB	2,645	420	1,293	932	327	2,972
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	3,104R	426	1,530	1,148R	437	3,541R
1988 JAN	2,931	467	1,352	1,112	435	3,366
1987 AUG-OCT	9,096	1,381	4,291	3,424	1,147	10,243
NOV-JAN	9,173	1,363	4,380	3,430	1,292	10,465
Percentage increase over previous three months	1	-1	2	0	13	2

R = Revised

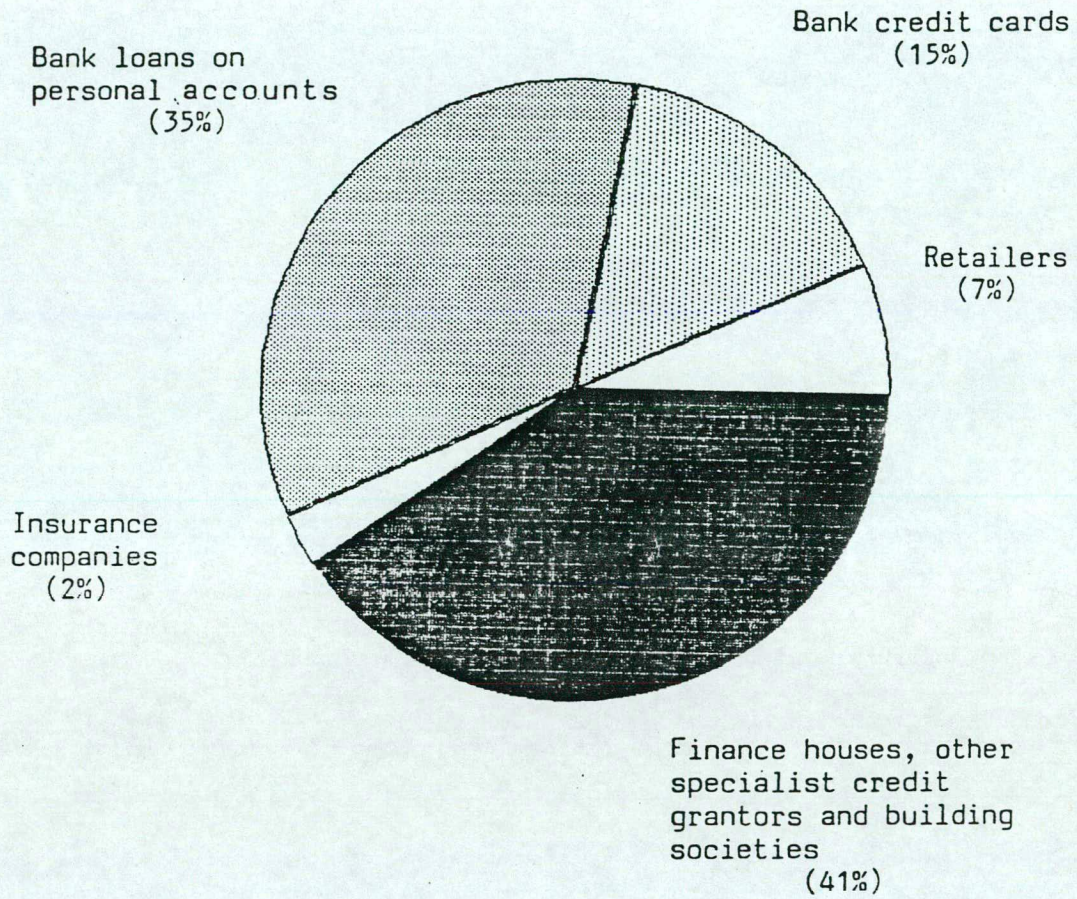
NOTES

(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.

AMOUNT OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS

AT END OF DECEMBER 1987



Notes: This chart is based on seasonally adjusted data for total consumer credit agreements shown in Table 2.

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
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Prime Minister's Office

Chancellor's Office

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Mr P Hall	- "
Mr G Pike	- "
Mr D Egginton	- Bank of England
Mr J Exeter	- " " "
Mr W Allen	- " " "
Miss S Carter	- CSO
Mr R Clare	- "
Mr C Bryant	- "
Mr D Sterling	- "
Mr J Alexander	- "

CONFIDENTIAL
UNTIL 11.30 AM 7 MARCH 1988

FROM: S BOWDEN
DATE: 4 March 1988

1. MISS O'MARA *mom 4/3*
2. ECONOMIC SECRETARY
- [Handwritten signature and red checkmark]*

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

DTI PRESS NOTICE ON CONSUMER CREDIT

(All figures are seasonally adjusted)

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

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

CONSUMER CREDIT

<u>Change in January</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 consumer credit agreements ⁽¹⁾	320 (249)	1.4 (1.1)	20.0 (20.2)
of which bank credit cards	-9 (63)	-0.2 (1.1)	16.8 (19.1)
2. New credit advanced to consumers	2931 (3104)	8.4 (9.8)	22.1 (23.6)
of which bank credit cards	1352 (1530)	8.1 (10.1)	18.6 (25.7)

(Bracketed figures give comparable amounts for December).

CONFIDENTIAL
UNTIL 11.30 AM 7 MARCH 1988

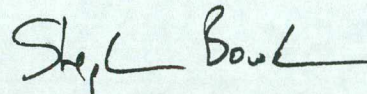
(1) Includes agreement with Finance House, other specialist credit grantors and building societies, retailers and on bank credit cards.

3. The change in amount outstanding for January (Table 1 of the press notice) is larger than that for December, but is in line with the average for 1987. The year on year percentage growth has fallen slightly.

4. The amount of new credit advanced in January (Table 3) is the smallest since May 1987.

5. There is no significant change to the 1987 Q4 figures in Table 2 (which includes bank loans up to £15,000). The growth in credit outstanding over 1987 remains at 18.2 per cent.

6. All these figures should not attract much comment; they are well within the range for 1987.



S BOWDEN

FROM: PAUL DAVIS

DATE: 7 March 1988

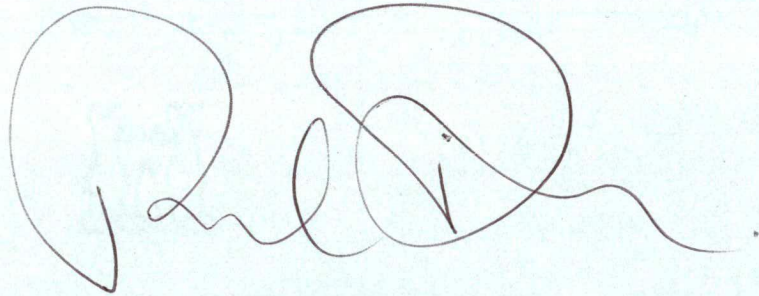
APS/CHANCELLOR

cc: Mr Bottrill
Mr Owen

*Thank you for
Useful Sachig*

CURRENT ACCOUNT

I attach the table you requested. Note that only the figures in brackets are confidential.



PAUL DAVIS
EA2

mpw



FROM: MOIRA WALLACE

DATE: 8 March 1988

MR P DAVIS - EA2

cc Mr Bottrill
Mr Owen

CURRENT ACCOUNT

The Chancellor was most grateful for your minute of 7 March, and the table attached.

mpw.

MOIRA WALLACE

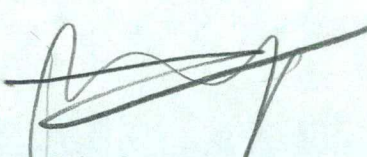
*Missing but
page was used
L PQ brief
strong.*

CONFIDENTIAL


FROM: PAUL DAVIS

DATE: 10 March 1988

PS/CHANCELLOR

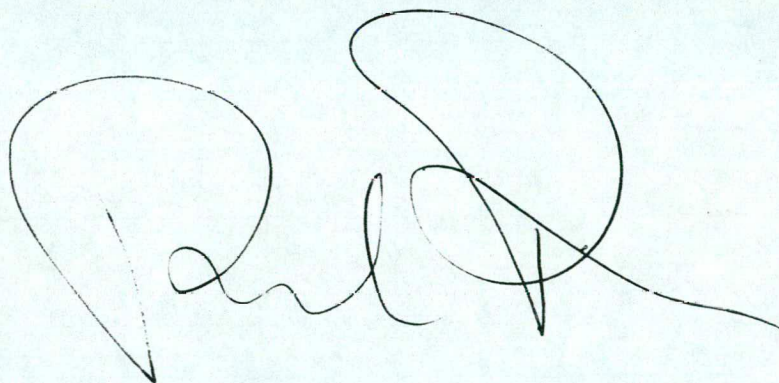

cc: Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Sir P Middleton
Sir G Littler
Sir T Burns
Mr Scholar
Mr Peretz
Mr Sedgwick
Mr R I G Allen
Mr Hibberd
Mr Pickford
Mr Young
Mr McLaren
Mr Owen
Mr Segal

Mr Cassell - Washington
Mr Cresswell CSO
Mr Gray No 10

BALANCE OF PAYMENTS FIGURES: FOURTH QUARTER 1987

Following the Chancellor's comments, point 5 in the press briefing for IDT should now read.

Effects of stock market fall on invisibles unlikely to be significant.
Main effect is on level of net assets and not net earnings.



PAUL DAVIS
EA2

CONFIDENTIAL

pmj
pmj

From: SIR PETER MIDDLETON

Date: 10 March 1988

MR BOTTRILL

cc Chancellor —
Sir T Burns
Mr Sedgwick

BALANCE OF PAYMENTS: FOURTH QUARTER PRESS NOTICE

This seems very strange to me. The big news is the revision to past levels which should be given more prominence. So far as I can see there is not even a table which would allow one to compare the new figures with the previous ones. I hope our briefing could give some emphasis to this. After all it is quite significant that the revisions are on such a scale that they transform 1986 from a deficit of getting on for 1 billion to a surplus.

2. The first quarter by comparison looks a bit eccentric; I take it that the last sentence of paragraph 3 is intended to be a hint that the figures will be revised upwards.



P E MIDDLETON



FROM: A C S ALLAN
DATE: 10 March 1988

MR P DAVIS

cc Sir T Burns
Mr Sedgwick
Mr Bottrill
Mr Owen
Mr RIG Allen.

BALANCE OF PAYMENTS FIGURES: FOURTH QUARTER 1987

The Chancellor was grateful for your minute of 9 March. He would prefer the answer to the question about the effects of the stock market fall (point 5 of your draft briefing) to read "unlikely to be significant. Main effect is on level of net assets, and not on net earnings."

A handwritten signature in black ink, appearing to read "ACSA" with a long horizontal stroke underneath.

A C S ALLAN

FROM: A BOTTRILL

DATE: 11 March 1988

SIR PETER MIDDLETON

cc: Chancellor
Sir T Burns
Mr Sedgwick**BALANCE OF PAYMENTS: FOURTH QUARTER PRESS NOTICE**

I agree that the CSO's press notice on the fourth quarter balance of payments out-turn makes dull reading. Its stereotyped format, however, reflects a conscious decision to limit the press notice to a factual description of the figures. Comment on revisions and the quality of the data is reserved for the Notes to Editors, which were expanded on this occasion.

2. It would certainly have been useful, however, to have published a table setting out the revisions, and I have relayed your point to the CSO press office. They argue that they would not always want to draw attention to revisions which are as likely to be unfavourable as favourable. The initial estimate of the 1986 current account published in January 1987 for example was for broad balance. This was subsequently revised to a £1 billion deficit and has now been revised back again to balance.

3. Nevertheless, the CSO's own background briefing for talking to the press contains a detailed table of revisions. The main agencies such as Reuters normally send someone to the CSO in person. The quality dailies all tend to telephone. Both Richard Allen and I have impressed on the CSO press office the need to draw attention to the favourable past revisions in these briefings.

4. You queried whether the 1987Q4 figure was itself eccentric and whether the CSO was hinting at future upward revisions. There were in fact good reasons to expect the fourth quarter out-turn to be rather lower than the third quarter. Net insurance earnings fell back from their abnormally high level in the third quarter.. The pound's

appreciation may also have been expected to reduce the sterling value of income from overseas assets. The CSO's wording on future revisions is standard, and should not be taken to connote either favourable or unfavourable changes.

5. You will recall that Jack Wells of the CSO promised last November to provide a report on steps to improve the invisibles figures by this month. We have had a number of CSO-chaired meetings of the relevant statisticians in Departments and the Bank to discuss the methods used to derive almost all the detailed figures. The report is currently being prepared in the CSO. When it arrives, you may want to hold a meeting to discuss the substance and any resource implications. In view of the fact that revisions are likely to be with us for some time, you may also like to discuss the way in which revisions are presented. An Economic Trends article on the efforts being made to improve the invisibles figures might be helpful. We might also take the opportunity to consider the format of the press notice. There is a case for more analysis, but this would require greater input from Departments and careful scrutiny by us.

AB/ML

A BOTTRILL

From: S D H SARGENT

Date: 14 March 1988

MR BOTTRILL

cc Chancellor
Sir T Burns
Mr SedgwickBALANCE OF PAYMENTS: FOURTH QUARTER PRESS NOTICE

Sir Peter Middleton was grateful for your minute of 11 March.

S D H SARGENT
Private Secretary

3
[Handwritten signature]

Mr A Allan
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1 3AG

Department of
Trade and Industry

1-19 Victoria Street
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Direct line 215 4887
Our ref
Your ref
Date 22 March 1988

a
One comment on
PD.
[Signature]

I think we will
amend as I have
noted, on our
side
statements.

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

Publication is set for Friday 25 March at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Thursday 24 March 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

Note

Boyd proposed amendment
"Too early to say whether
trend in imports has
homed down."

mpw.

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on 25/3/88 at 11.30 am

FEBRUARY 1988

The current account for February, seasonally adjusted, was estimated to have been in deficit by £720 million compared with a deficit of £844 million in January. In February, exports - seasonally adjusted on a balance of payments basis - were valued at £6181 million and imports at £7501 million so that the trade in goods was in deficit by £1320 million.

The balance on invisibles 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.

NOTE ON INTERPRETATION

It is customary to advise against attaching too much importance to figures for an individual month. Figures for the early months of 1988 need to be interpreted with even greater caution than usual because of the changes in the information system which took place from 1 January 1988 (see Note 3 of the Notes to Editors and the article in British Business of 27 November 1987). It would seem prudent to interpret the monthly figures with caution for several months until the new system has completely settled down. The ferry operators' strike beginning in early February may also have had some effect on trade flows.

CURRENT ACCOUNT

TABLE 1

£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance ^b
		Balance	Exports fob	Imports fob	
1986	+ 46	- 8463	72678	81141	+ 8509
1987	- 1679	- 9625	79622	89247	+ 7946
1986 Q4	- 556	- 2554	19161	21720	+ 2003
1987 Q1	+ 799	- 1211	19530	20740	+ 2010
Q2	- 300	- 2317	19357	21674	+ 2017
Q3	- 896	- 3109	20235	23344	+ 2213
Q4	- 1282	- 2988	20500	23488	+ 1706
1987 Sep	+ 43	- 695	6962	7657	+ 738
Oct	- 353	- 922	6802	7724	+ 569
Nov	- 488	- 1056	6881	7938	+ 568
Dec	- 441	- 1010	6817	7827	+ 569
1988 Jan	- 844a	- 1444	6210	7654	+ 600a
Feb	- 720a	- 1320	6181	7501	+ 600a
Sep-Nov 1987	- 797	- 2672	20646	23318	+ 1875
Dec-Feb 1988	- 2005	- 3774	19208	22982	+ 1769
Jan-Feb 1988	- 1564a	- 2764	12391	15156	+ 1200a

a Invisibles for January and February 1988 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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DECEMBER 1987 TO FEBRUARY 1988

In the three months ended February, the current account showed a deficit of £2.0 billion compared with a deficit of £0.8 billion in the previous three months. There was a deficit on visible trade of £3.8 billion in the latest three months compared with a deficit of £2.7 billion in the three months ended November. The surplus on invisibles in the latest three months is projected at £1.8 billion.

VISIBLE TRADE IN FEBRUARY

There was a deficit on visible trade in February of £1320 million compared with a deficit of £1444 million in January. The surplus on oil was £316 million, £45 million less than in January. The deficit on non-oil trade decreased by £169 million.

Total exports in February were valued at £6181 million, which was £29 million ($\frac{1}{2}$ per cent) lower than in January. Exports of oil decreased by £51 million and exports of the erratic items increased by £124 million between the two months. Excluding oil and the erratic items, exports fell by 2 per cent between January and February.

Total imports were valued at £7501 million in February, which was £153 million less than in January. Imports of oil were little changed

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between the two months and imports of the erratic items rose by £109 million. Excluding oil and the erratic items, imports fell by $3\frac{1}{2}$ per cent between January and February.

RECENT TRENDS

Visible balance

In the three months ended February, there was a deficit on visible trade of £3.8 billion - a surplus on trade in oil of £1.0 billion being offset by a deficit on non-oil trade of £4.8 billion. Between the three months ended November and the latest three months, the deficit on visible trade increased by £1.1 billion - the surplus on oil was little changed while the deficit on non-oil trade also rose by £1.1 billion.

Exports

Exports amounted to £19.2 billion in the three months ended February, £1.4 billion (7 per cent) less than in the previous three months. Exports of oil fell by £0.2 billion and exports of the erratic items fell by £0.6 billion. Excluding oil and the erratic items, exports decreased by £0.7 billion between the three months ended November and the latest three months.

By volume, exports fell by $3\frac{1}{2}$ per cent between the three months ended November and the latest three months to be 1 per cent lower

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than in the same period a year ago. Excluding oil and erratic items, export volume again fell by $3\frac{1}{2}$ per cent in the latest three months but was $\frac{1}{2}$ per cent higher than in the same period a year ago. It is too early to say whether the trend in exports in 1987 has now changed.

Imports

Total imports were valued at £23.0 billion in the latest three months, £0.3 billion ($1\frac{1}{2}$ per cent) lower than in the previous three months. Imports of oil and imports of the erratic items each fell by £0.1 billion. Excluding oil and the erratic items, imports fell by $\frac{1}{2}$ per cent between the three months ended November and the latest three months. Within the total, imports of passenger motor cars rose by 13 per cent; imports of other consumer goods fell by $9\frac{1}{2}$ per cent.

Total import volume in the latest three months was unchanged from the previous three months but 11 per cent higher than in the same period a year ago. Excluding oil and the erratic items, import volume rose by $\frac{1}{2}$ per cent in the latest three months to be 13 per cent higher than in the same period a year ago. ~~It appears that the upward trend has flattened since the Autumn.~~

It is too early to say whether the upward trend in imports has flattened since the Autumn.

Terms of trade and unit values

The terms of trade index rose $\frac{1}{2}$ per cent between the three months ended November and the three months ended February with the export

Shouldn't we (for consistency) test to go too.

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unit value index decreasing by 1 per cent and the import unit value index decreasing by $1\frac{1}{2}$ per cent. Compared with the same three months a year ago, the export unit value index rose by $1\frac{1}{2}$ per cent and the import unit value index fell by $2\frac{1}{2}$ per cent. As a result the terms of trade index is 4 per cent up on a year ago.

Export unit values for fuels fell by 15 per cent between the three months ended November and the latest three months while the unit value index for non-oil exports was unchanged.

Import unit values for fuels fell by 10 per cent between the three months ended November and the latest three months while the unit value index for non-oil imports fell by $\frac{1}{2}$ per cent.

Analysis by area

Exports to the developed countries fell by $9\frac{1}{2}$ per cent between the three months ended November and the latest three months. Exports to the European Community countries fell by 13 per cent over the latest three months; exports to North America increased by $3\frac{1}{2}$ per cent but exports to the other developed countries decreased by $7\frac{1}{2}$ per cent. Those to the developing countries fell by $8\frac{1}{2}$ per cent between the three months ended November and the latest three months.

Imports from the developed countries decreased by 1 per cent over

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the latest three months with arrivals from the European Community countries up $\frac{1}{2}$ per cent, from North America down by 5 per cent and arrivals from the other developed countries up by $2\frac{1}{2}$ per cent. Imports from the developing countries decreased by $4\frac{1}{2}$ per cent between the three months ended November and the latest three months.

NOTES TO EDITORS

INVISIBLES

1 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.

2 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 superseded by preliminary estimates from the balance of payments accounts when they are published around the middle of March, June, September and December. Thus the projections for October to December 1987 shown in tables 1 and 2 of the January press notice have been replaced by figures based on the preliminary estimates for the fourth quarter of 1987, published on 11 March 1988. There have also been revisions to estimates for earlier periods.

VISIBLE TRADE: NEW CUSTOMS PROCEDURES AND CHANGES IN CLASSIFICATION

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]. For further details of changes which involve revisions to the commodity classification and to the treatment of gold see the Standard Notes for 1988.

MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

4 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)

5 Low value consignments ie items of an individual value less than £600 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.

ADJUSTMENT FOR UNPROCESSED DOCUMENTS; APRIL TO OCTOBER 1987

6 Following an 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

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. Additional 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	+ 46	72678	81141	- 8463	+ 4056	- 12519	+ 8509
1987	- 1679	79622	89247	- 9625	+ 4184	- 13809	+ 7946
* 1986 Q4	- 556	19161	21715	- 2554	+ 822	- 3381	+ 2003
1987 Q1	+ 799	19530	20740	- 1211	+ 1159	- 2370	+ 2010
Q2	- 300	19357	21674	- 2317	+ 1016	- 3333	+ 2017
Q3	- 896	20235	23344	- 3109	+ 936	- 4046	+ 2213
Q4	- 1282	20500	23488	- 2988	+ 1073	- 4061	+ 1706
1987 June	- 121	6412	7205	- 793	+ 233	- 1026	+ 672
July	- 253	6686	7677	- 991	+ 267	- 1258	+ 738
Aug	- 687	6587	8011	- 1424	+ 359	- 1783	+ 737
Sep	+ 43	6962	7657	- 695	+ 310	- 1004	+ 738
Oct	- 353	6802	7724	- 922	+ 394	- 1316	+ 569
Nov	- 488	6881	7938	- 1056	+ 332	- 1388	+ 568
Dec	- 441	6817	7827	- 1010	+ 346	- 1356	+ 569
1988 Jan	- 844a	6210	7654	- 1444	+ 361	- 1805	+ 600a
Feb	- 720a	6181	7501	- 1320	+ 316	- 1636	+ 600a
Dec-Feb 1987	+ 377	19467	21099	- 1631	+ 1005	- 2636	+ 2008
Sept-Nov 1987	- 797	20646	23318	- 2672	+ 1037	- 3709	+ 1875
Dec-Feb 1988	- 2005a	19208	22982	- 3774	+ 1023	- 4797	+ 1769a
% Change							
Latest 3 months							
- on previous 3 months		- 7	- 1½				
- Same 3 months one year ago		- 1½	+ 9				

a Invisibles for January and February 1988 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	Transfers			
					Profits Dividends				
1985	80483	75018	+ 5465	+ 5877	+ 2841	- 3253	75815	65063	+ 10752
1986	77262	68753	+ 8509	+ 5609	+ 5057	- 2157	72138	59166	+ 12972
1987	80202	72256	+ 7946	+ 5708	+ 5676	- 3438	74820	60663	+ 14157
1986 Q1	19224	16870	+ 2354	+ 1480	+ 908	- 34	17857	14873	+ 2984
Q2	18715	16730	+ 1985	+ 1325	+ 1209	- 549	17387	14318	+ 3069
Q3	19371	17204	+ 2167	+ 1334	+ 1572	- 739	18123	14665	+ 3458
Q4	19952	17949	+ 2003	+ 1470	+ 1368	- 835	18771	15310	+ 3461
1987 Q1	20034	18024	+ 2010	+ 1389	+ 1480	- 859	18398	14927	+ 3471
Q2	19951	17934	+ 2017	+ 1390	+ 1376	- 749	18507	15116	+ 3391
Q3	20373	18160	+ 2213	+ 1564	+ 1584	- 935	19147	15257	+ 3890
Q4	19844	18138	+ 1706	+ 1365	+ 1236	- 895	18768	15363	+ 3405

d is 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

	Unit Value (Not seasonally adjusted)			Indices 1980 = 100	
	Exports	Imports	Terms of Trade ^e	Volume (seasonally adjusted)	
				Exports	Imports
1986	136.8	134.3	101.8	123.3	134.6
1987	142.0	138.1	102.8	130.4	144.6
1986 Q4	138.3	137.0	100.9	129.9	142.0
1987 Q1	140.8	140.2	100.4	129.5	133.5
Q2	141.4	136.7	103.4	126.6	141.1
Q3	143.1	138.0	103.7	130.6	151.1
Q4	142.9	137.5	103.9	134.8	152.5
1987 June	141.8	136.2	104.1	124.1	141.1
July	141.8	137.3	103.3	130.1	148.8
Aug	143.7	138.4	103.8	127.6	154.8
Sep	143.7	138.3	103.9	134.1	149.7
Oct	143.8	138.6	103.7	131.8	148.4
Nov	142.9	137.8	103.7	135.4	154.3
Dec	141.8	136.2	104.2	137.1	154.9
1988 Jan	141.8	135.8	104.4	126.4	151.0
Feb	142.8	136.4	104.7	123.7	147.0
Dec-Feb 1987	140.0	139.7	100.3	130.4	136.4
Sept-Nov 1987	143.5	138.2	103.8	133.7	150.8
Dec-Feb 1988	142.1	136.1	104.4	129.1	151.0
% Change					
Latest 3 months on					
- previous 3 months	- 1	- 1½	+ ½	- 3½	-
- same 3 months					
one year ago	+ 1½	- 2½	+ 4	- 1	+ 11

^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

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	seasonally adjusted	
			Exports	Imports
1986	67300	77492	126.3	143.0
1987	73645	85386	133.6	154.0
1986 Q4	17581	20738	132.4	151.5
1987 Q1	18019	19853	132.5	142.5
Q2	17939	20740	129.8	150.2
Q3	18755	22313	134.1	160.9
Q4	18933	22481	138.0	162.4
1987 June	5932	6844	126.9	149.3
July	6108	7297	132.0	157.8
Aug	6203	7668	132.9	165.1
Sept	6444	7348	137.3	159.9
Oct	6178	7300	133.2	156.4
Nov	6339	7609	138.3	164.5
Dec	6416	7572	142.5	166.3
1988 Jan	5929	7373	133.0	161.8
Feb	5775	7111	127.9	155.6
Dec-Feb 1987	17935	20253	133.2	145.9
Sept-Nov 1987	18961	22256	136.3	160.3
Dec-Feb 1988	18120	22056	134.4	161.2
% Change				
Latest 3 month on				
- previous 3 months	- 4½	- 1	- 1½	+ ½
- same 3 months				
one year ago	+ 1	+ 9	+ 1	+ 10

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



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release of press notice on 25/11/88 at 11.30 a.m.

TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance of Trade in oil	Exports of Oil					Imports of Oil						
		Total	Crude Oil				Rest of Division 33	Total	Crude Oil				Rest of Division 33
			[SITC (REV 2) 333.0]						[SITC (REV 2) 333.0]				
			£	£	£	Avg value			£	£	£	Avg value	
million fob	million fob	million fob	million tonnes	per tonne £ fob	million fob	million fob	million fob	million tonnes	per tonne £ fob	million fob			
1986	+ 4056	8202	6294	82.1	76.7	1908	4146	2324	32.6	71.3	1822		
1987	+ 4184	8445	6765	80.6	83.9	1681	4261	2608	33.1	78.8	1654		
1986 Q4	+ 823	1891	1533	21.6	71.0	358	1068	581	9.0	65.8	487		
1987 Q1	+ 1159	2221	1818	21.8	83.3	403	1062	623	7.9	79.3	439		
Q2	+ 1016	2046	1653	19.8	83.6	393	1030	645	8.1	79.2	386		
Q3	+ 936	2055	1636	18.6	88.0	419	1119	667	8.2	81.6	451		
Q4	+ 1073	2124	1658	20.4	81.2	466	1051	673	8.9	75.3	378		
1987 June	+ 233	604	462	5.5	84.3	142	372	259	3.2	80.1	113		
July	+ 267	639	493	5.8	85.2	147	372	229	2.9	78.9	143		
Aug	+ 359	757	621	6.8	91.1	136	398	252	3.2	79.6	145		
Sept	+ 310	659	522	6.0	87.2	136	349	186	2.1	88.4	162		
Oct	+ 394	695	549	6.3	87.0	146	300	170	2.1	80.3	130		
Nov	+ 332	712	557	6.8	82.5	156	380	266	3.4	78.5	114		
Dec	+ 346	717	553	7.4	75.0	164	370	236	3.4	69.0	134		
1988 Jan	+ 361	620	518	7.4	70.4	102	259	176	2.8	63.9	82		
Feb	+ 316	569	443	6.4	69.0	126	253	159	2.4	65.4	95		
Dec-Feb 1987	+ 1005	2091	1689	21.4	78.9	402	1086	632	8.5	74.2	454		
Sep-Nov 1987	+ 1037	2066	1628	19.0	85.4	438	1029	623	7.6	81.7	406		
Dec-Feb 1988	+ 1023	1906	1514	21.2	71.6	392	883	571	8.6	66.4	311		
% Change													
Latest 3 months on - previous 3 months		- 7½	- 7	+ 11	- 16	- 11	- 14	- 8½	+ 13	- 19	- 23		
- same 3 months one year ago		- 9	- 10	- 1	- 9½	- 2½	- 19	- 9½	+ 1	- 11	- 31		

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 9 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	64476	76995	145.4	141.7	102.6	115.4	141.0	59098	73346	118.0	151.6
1987	- 13809	71177	84986	151.2	145.7	103.8	123.6	152.9	65200	81125	126.6	164.9
1986 Q4	- 3377	17270	20647	148.3	146.5	101.2	122.3	147.5	15690	19669	124.4	158.9
1987 Q1	- 2370	17309	19679	149.8	148.2	101.1	121.2	140.0	15798	18791	123.7	151.3
Q2	- 3333	17311	20644	150.5	144.1	104.4	120.1	149.5	15893	19710	123.2	161.1
Q3	- 4046	18180	22226	151.9	145.2	104.6	125.8	160.1	16700	21194	129.3	172.5
Q4	- 4061	18376	22437	152.6	145.3	105.0	127.3	161.9	16809	21430	130.3	174.5
1987 June	- 1026	5808	6834	150.9	143.3	105.3	120.3	148.7	5327	6472	123.2	159.3
July	- 1258	6047	7305	150.7	144.6	104.2	126.2	157.6	5469	6925	128.0	169.0
Aug	- 1783	5830	7613	152.1	145.5	104.5	120.8	163.7	5446	7270	126.2	176.6
Sep	- 1004	6304	7308	152.8	145.5	105.0	130.3	159.0	5785	6999	133.8	172.0
Oct	- 1316	6107	7423	153.1	146.0	104.8	126.0	159.4	5483	6999	127.0	170.1
Nov	- 1388	6169	7557	152.5	145.2	105.0	128.1	163.4	5627	7229	130.7	176.3
Dec	- 1356	6100	7457	152.2	144.5	105.3	127.8	162.8	5699	7202	133.1	177.0
1988 Jan	- 1805	5590	7395	153.0	145.0	105.5	117.1	161.9	5309	7114	123.8	175.8
Feb	- 1636	5612	7248	154.3	145.6	106.0	116.2	157.5	5206	6857	120.2	168.8
Dec-Feb 1987	- 2636	17376	20012	149.3	148.2	100.8	122.5	142.3	15843	19167	125.0	154.2
Sep-Nov 1987	- 3709	18580	22289	152.8	145.6	104.9	128.1	160.6	16895	21227	130.5	172.8
Dec-Feb 1988	- 4797	17302	22100	153.1	145.0	105.6	120.4	160.7	16214	21173	125.7	173.8
% Change												
Latest 3 months on												
- previous 3 months												
- same 3 months one	↓ - 7	- 1	-	- ½	- ½	+ ½	- 6	-	- 4	- ½	- 3½	+ ½
year ago												
	- ½	+ 10	+ 2½	- 2	+ 5	- 1½	+ 13	+ 2½	+ 10	+ ½	+ 13	

^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
(Overseas Trade Statistics basis)

Table 8

£ million, fob, seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h														
	Total	Food				Total Manufac- tures	Semi-manufactures				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		bever- ages and tobacco	Basic Mater- ials	Fuels	Total		Total	excluding precious stones & silver(PS)		Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital
								5-8 less SNAPS	5+6 less PS						
1986	72834	5484	2098	8664	55036	50138	18651	9711	8940	31488	1362	5534	14362	10230	
1987	79852	5599	2243	8747	61735	56140	20360	10541	9818	35780	1980	6797	15349	11654	
1986 Q4	19159	1549	556	1978	14653	13223	4883	2532	2351	8339	372	1503	3710	2753	
1987 Q1	19531	1399	633	2302	14815	13459	4875	2510	2365	8584	452	1629	3734	2768	
Q2	19280	1351	565	2116	14865	13512	4879	2514	2365	8633	478	1607	3736	2811	
Q3	20275	1441	541	2134	15790	14426	5291	2735	2555	9136	523	1783	3843	2987	
Q4	20766	1407	504	2195	16265	14742	5315	2781	2533	9428	527	1778	4035	3088	
1987 Dec	6867	460	168	744	5364	4968	1809	970	838	3159	149	617	1389	1004	
1988 Jan	6268	403	179	647	4904	4632	1674	877	797	2958	166	548	1320	923	
Feb	6237	412	148	598	4964	4567	1649	851	798	2917	138	523	1253	1004	
Sep-Nov 87	20867	1429	512	2136	16401	14801	5320	2763	2557	9481	558	1820	3975	3128	
Dec-Feb 88	19372	1275	495	1990	15233	14166	5132	2699	2433	9035	453	1688	3962	2931	
% Change	- 7	- 11	- 3½	- 7	- 7	- 4½	- 3½	- 2½	- 5	- 4½	- 19	- 7	- ½	- 6½	

^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 3)	Manufactures excluding erratics ^h														
	Total	Food				Total Manufac- tures	Semi-manufactures				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		bever- ages and tobacco	Basic Mater- ials	Fuels	Total		Total	excluding precious stones & silver(PS)		Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital
								5-8 less SNAPS	5+6 less PS						
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147	
1986	123.9	129.5	117.3	175.5	114.1	117.0	122.8	139.4	109.3	113.6	93.2	119.8	119.7	105.7	
1987	131.0	129.3	125.3	173.4	123.8	127.3	131.9	148.3	118.5	124.5	119.8	142.5	122.7	118.9	
1986 Q4	130.4	144	125	180	120	122	128	146	113	119	94	127	123	114	
1987 Q1	130.0	131	144	184	120	123	128	144	114	120	113	137	120	113	
Q2	126.5	125	123	169	119	122	127	141	115	119	118	135	119	113	
Q3	131.2	132	121	162	126	130	136	152	123	127	125	147	123	124	
Q4	136.7	129	115	182	130	134	137	157	121	131	125	148	130	126	
1987 Dec	138.3	126	114	196	130	136	141	164	121	133	108	160	134	123	
1988 Jan	127.7	115	131	186	118	125	132	150	116	122	123	136	124	112	
Feb	125.0	120	106	172	118	122	127	142	115	120	103	132	115	121	
Sep-Nov 87	135.4	132	116	168	131	134	137	155	122	132	132	150	128	128	
Dec-Feb 88	130.3	120	117	184	122	128	133	152	117	125	111	143	124	119	
% Change	- 4	- 9	+ 1	+ 9½	- 6½	- 4	- 3	- 1½	- 4	- 5	- 16	- 4½	- 2½	- 7	

^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: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h														
	Total	Food				Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
		bever- ages and tobacco	Basic Mater- ials	Fuels	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	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	136.7	140	124	81	147	148	138	141	135	154	182	156	157	145	
1987	142.0	141	124	82	154	155	142	145	139	162	207	165	166	151	
1986 Q4	138.2	142	121	72	151	150	139	141	138	157	198	161	160	148	
1987 Q1	140.8	141	123	82	152	153	141	144	139	160	201	163	163	149	
Q2	141.3	140	123	81	153	154	141	145	137	162	204	163	168	150	
Q3	143.0	141	125	86	154	155	143	146	140	163	210	166	167	151	
Q4	142.8	141	125	79	155	156	143	146	141	164	211	167	169	152	
1987 Dec	141.8	140	125	74	155	156	143	146	140	164	208	167	169	153	
1988 Jan	141.7	139	125	69	156	158	145	147	143	165	202	165	172	154	
Feb	142.7	138	126	68	157	159	145	149	142	168	201	166	174	157	
Sep-Nov 87	143.4	141	125	83	156	156	144	147	141	164	213	167	168	152	
Dec-Feb 88	142.1	139	125	70	156	158	144	147	142	166	204	166	171	154	
% Change	- 1	- 1½	+ ½	- 15	+ ½	+ 1	+ ½	+ ½	+ ½	+ 1	- 4½	- 1	+ 2	+ 1½	

^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	72834	57555	34959	6919	12075	10326	3602	13117	5491	7626	1721
1987	79852	64076	39416	7621	12993	11014	4046	13737	5222	8514	1539
1986 Q4	19159	15263	9402	1786	3167	2676	909	3271	1265	2006	450
1987 Q1	19531	15401	9278	1739	3435	2921	949	3346	1271	2075	420
Q2	19280	15560	9825	1891	2908	2471	935	3393	1268	2125	344
Q3	20275	16416	10156	1903	3313	2804	1044	3554	1330	2224	406
Q4	20766	16699	10157	2088	3337	2868	1117	3444	1353	2091	368
1987 Dec	6867	5491	3309	713	1126	959	343	1106	395	711	119
1988 Jan	6268	4781	2728	521	1165	1004	367	1067	410	658	150
Feb	6237	4968	2956	561	1114	941	337	1049	407	643	117
Sep-Nov 87	20867	16831	10363	2044	3291	2828	1133	3512	1393	2119	392
Dec-Feb 88	19372	15240	8993	1795	3405	2904	1047	3222	1211	2011	386
% Change	- 7	- 9½	- 13	- 12	+ 3½	+ 2½	- 7½	- 8½	- 13	- 5	- 1½

K See paragraph 4 of Notes to Editors.

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IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 3)	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	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	
1986	85568	10033	5066	6278	63091	59729	20595	7361	13234	39133	4809	10158	13274	10893
1987	94016	10132	5688	6099	71217	67639	23319	8347	14971	44320	5024	11502	15390	12403
1986 Q4	22781	2610	1365	1505	17049	16147	5389	1921	3467	10758	1248	2794	3712	3005
1987 Q1	21898	2489	1414	1481	16319	15468	5391	1954	3437	10077	1070	2616	3478	2913
Q2	22698	2462	1433	1466	17140	16274	5642	2010	3632	10631	1198	2820	3692	2921
Q3	24550	2549	1448	1637	18666	17727	6043	2157	3886	11684	1397	2990	4053	3244
Q4	24869	2632	1394	1515	19091	18170	6242	2226	4016	11928	1358	3077	4168	3326
1987 Dec	8265	952	453	526	6252	6015	2111	778	1333	3905	452	963	1353	1136
1988 Jan	8163	830	427	411	6423	6171	2073	718	1355	4098	567	932	1399	1200
Feb	8038	849	461	382	6270	5889	2056	730	1326	3833	487	927	1295	1124
Sep-Noc 87	24680	2539	1424	1518	18959	17981	6137	2146	3991	11843	1327	3114	4136	3266
Dec-Feb 88	24467	2631	1341	1318	18945	18076	6239	2226	4014	11836	1506	2822	4048	3460
% Change	- 1	+ 3½	- 6	- 13	-	+ ½	+ 1½	+ 3½	+ ½	-	+ 13	- 9½	- 2	+ 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.

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

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 3)	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	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	134.2	124.3	108.2	94.0	148.2	163.0	151.9	188.1	136.8	170.3	131.6	161.0	186.5	179.8
1987	144.4	125.0	119.5	95.4	162.6	179.5	166.5	207.2	149.5	188.0	125.4	181.0	209.9	199.6
1986 Q4	140.7	126	116	103	155	171	155	192	140	182	130	171	201	196
1987 Q1	133.7	122	122	92	147	163	153	193	137	168	105	162	187	184
Q2	140.0	121	122	90	158	174	163	204	146	181	121	178	202	189
Q3	150.7	126	120	102	171	188	173	216	156	198	142	188	221	210
Q4	153.1	131	114	97	175	193	176	216	159	205	134	197	231	216
1987 Dec	155.0	145	112	108	173	193	179	224	160	202	135	190	223	221
1988 Jan	150.6	126	107	87	176	196	174	205	161	210	166	177	241	229
Feb	147.1	129	116	79	170	186	173	211	158	194	141	176	216	213
Sep-Nov 87	151.4	126	118	94	174	191	174	211	158	202	132	197	229	212
Dec-Feb 88	150.9	133	112	92	173	192	175	213	160	202	147	181	227	221
% Change	- ½	+ 6	- 5½	- 3	- ½	0	+ 1	+ 1	+ ½	0	+ 12	- 8	- 1	+ 4½

^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 3)	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	Capital	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	6 5	6 less PS	7+8 SNA	j	j	j	j	
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1986	133.1	136	114	97	143	144	133	141	130	152	170	147	157	141
1987	136.5	136	117	93	149	151	138	147	134	159	185	152	163	143
1986 Q4	135.6	139	115	84	149	150	136	144	133	159	178	155	166	147
1987 Q1	138.5	138	117	94	151	152	138	147	134	162	189	155	166	152
Q2	135.3	136	117	93	147	149	137	145	133	157	183	148	163	148
Q3	136.4	135	118	95	148	150	138	149	134	158	184	152	162	147
Q4	135.9	134	117	91	149	151	140	149	136	158	185	152	160	147
1987 Dec	134.7	134	115	86	148	150	139	147	135	157	184	151	161	146
1988 Jan	134.7	135	118	83	148	151	140	149	136	158	185	152	161	148
Feb	135.3	135	119	84	149	151	140	147	137	159	190	153	160	149
Sep-Nov 87	136.6	134	117	94	149	151	140	150	136	158	185	153	160	147
Dec-Feb 88	134.9	135	118	84	148	151	140	148	136	158	186	152	161	148
% Change	- 1	+ ½	+ ½	- 10	- ½	-	- ½	- 1½	-	-	+ 1	- 1	-	+ ½

^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	85152	73152	44459	11840	10020	8445	6834	10144	2056	8088	1856
1987	93572	80490	49557	12869	10781	9136	7282	10985	1700	9286	2097
1986 Q4	22595	19372	11756	3130	2677	2259	1808	2712	522	2190	510
1987 Q1	21697	18699	11520	3043	2463	2060	1673	2512	432	2079	487
Q2	22752	19673	12166	3190	2625	2230	1691	2584	375	2210	501
Q3	24433	20903	12998	3232	2867	2435	1905	2978	451	2527	553
Q4	24685	21215	12973	3404	2826	2412	2013	2912	442	2470	558
1987 Nov	8330	7220	4378	1224	947	804	611	910	122	788	201
1987 Dec	8265	6915	4249	1065	918	782	684	1045	176	869	185
1988 Jan	8163	7173	4598	1079	867	732	630	838	137	700	165
Feb	80	6854	4131	1091	930	779	703	910	142	768	144
Sep-Nov 87	24680	21133	12930	3368	2866	2452	1962	2928	467	2461	565
Dec-Feb 88	24467	20943	12977	3234	2715	2292	2016	2793	455	2337	494
% Change	- 1	- 1	+ ½	- 4	- 5	- 6½	+ 2½	- 4½	- 2½	- 5	- 13

^K See paragraph 6 Notes to Editors.

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Table 16

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R3)	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	5445	9196	- 3752	2109	4495	- 2386	8664	5977	+ 2687
1987	5550	9326	- 3776	2257	4965	- 2708	8748	5804	+ 2944
1986 Q1	1247	2240	- 993	520	1125	- 605	3176	1690	+ 1486
Q2	1282	2228	- 946	470	1098	- 628	1905	1421	+ 484
Q3	1374	2328	- 954	560	1052	- 492	1606	1361	+ 244
Q4	1542	2399	- 856	559	1219	- 659	1978	1496	+ 482
1987 Q1	1389	2282	- 893	637	1258	- 621	2302	1413	+ 889
Q2	1352	2282	- 930	575	1238	- 664	2117	1400	+ 717
Q3	1426	2347	- 921	543	1270	- 726	2134	1563	+ 571
Q4	1383	2415	- 1032	502	1198	- 696	2194	1428	+ 767
SITC (R3)	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	20839	21406	- 568	34088	38827	- 4739	54927	60233	- 5307
1987	22503	23991	- 1488	39053	44106	- 5053	61556	68097	- 6542
1986 Q1	4843	5313	- 470	8036	8900	- 864	12879	14213	- 1334
Q2	5225	5153	+ 72	8549	9183	- 634	13774	14336	- 562
Q3	5227	5312	- 85	8383	10060	- 1676	13610	15372	- 1761
Q4	5544	5627	- 83	9119	10680	- 1561	14664	16307	- 1644
1987 Q1	5467	5662	- 195	9358	9893	- 535	14825	15555	- 730
Q2	5519	5794	- 275	9413	10719	- 1306	14932	16513	- 1581
Q3	5731	6171	- 439	10029	11698	- 1669	15760	17868	- 2109
Q4	5786	6365	- 579	10253	11796	- 1543	16038	18161	- 2122

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

pp
 Copy No. 5. (9)
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THE CURRENT ACCOUNT - TABLE

Balance of payments basis
 £ million seasonally adjusted

	CURRENT BALANCE fob	EXPORTS fob	IMPORTS fob	VISIBLE BALANCES:			INVISIBLE BALANCE
				TOTAL	OIL	NON- OIL	
1986	46	72678	81141	-8463	4056	-12519	8509
1987	-1679	79622	89247	-9625	4184	-13809	7946
1986 Q4	-556	19161	21720	-2559	822	-3381	2003
1987 Q1	799	19530	20740	-1211	1159	-2370	2010
Q2	-300	19357	21674	-2317	1016	-3333	2017
Q3	-896	20235	23344	-3109	936	-4046	2213
Q4	-1282	20500	23488	-2988	1073	-4061	1706
1987 JUN	-121	6412	7205	-793	233	-1026	672
JUL	-253	6686	7677	-991	267	-1258	738
AUG	-687	6587	8011	-1424	359	-1783	737
SEP	43	6962	7657	-695	310	-1004	738
OCT	-353	6802	7724	-922	394	-1316	569
NOV	-488	6881	7938	-1056	332	-1388	568
DEC	-441	6817	7827	-1010	346	-1356	569
1988 JAN	-844	6210	7654	-1444	361	-1805	600
FEB	-720	6181	7501	-1320	316	-1636	600
DEC-FEB 87	377	19467	21099	-1631	1005	-2636	2008
SEP-NOV 87	-797	20646	23318	-2672	1037	-3709	1875
DEC-FEB 88	-2005	19208	22982	-3774	1023	-4797	1769

PERCENTAGE CHANGES:-

LATEST 3 MONTHS ON PREVIOUS 3 MONTHS	-7.0%	-1.4%
SAME 3 MONTHS ONE YEAR AGO	-1.3%	8.9%

JAN-FEB87	503	13070	13907	-837	719	-1556	1340
JAN-FEB88	-1564	12391	15156	-2764	677	-3441	1200

*Thanks. N.M.D.
 WMI used to be
 WMI PBM/TTB.*

Reference

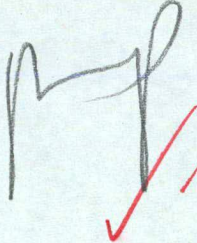
To:

SECRETARY OF STATE

(Circulation list attached)

From:

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



30 March 1988

CREDIT BUSINESS IN FEBRUARY

A Press Notice giving details of credit business in February is attached for information. The Press Notice will be issued at 11.30 am on Tuesday, 5 April. 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

88/238
5 April 1988

Press Office
Tel 01-215 4471/4475
Out of Hours
Tel 01-215 7877

CREDIT BUSINESS IN FEBRUARY

During February, 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 £23.6 billion**. The increase was the same as that in January. (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 December were **£13.5 billion**.)

The increase in the latest three months, December to February, was **£0.9 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 **£0.7 billion** in the latest three months, the same as in the previous three month period. Bank credit cards showed an increase of **£0.1 billion** in the most recent period compared with an increase of **£0.2 billion** in the previous one. There was no 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 February by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to **£3.4 billion**, compared with a total of **£2.9 billion** in January (see **Table 3**). The total for the three months December to February was 2 per cent higher than that for the previous three months.

In February 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**, 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 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 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.

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							
1987	22,958	2,633	5,555	14,770	7,175	30,133	
1988 JAN	23,256R	2,625R	5,546	15,085R	7,235	30,491R	
FEB	23,564	2,615	5,636	15,313	7,375	30,939	
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 1st Qtr	784	16	200	568	308	1,092	
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 FEB	315	50	84	181	45	360	
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	298R	-RR	-9	315R	60	358R	
FEB	308	-10	90	228	140	448	
1987 SEP-NOV	1,044	115	212	717	368	1,412	
DEC-FEB	855	0	144	711	284	1,139	

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	36,410R	2,633	5,555	12,615	837R	14,770
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	5,596R	357	889	1,711	20R	2,619
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,374R	88	185	470	30R	601
4th Qtr	1,472R	118	161	514	12R	667

— indicates a break in the series

R = Revised

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	34,734	5,280	16,641	12,813	4,356	39,090
1986 1st Qtr	6,668	1,161	2,964	2,543	856	7,524
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	9,246	1,365	4,430	3,451	1,227	10,473
1987 FEB	2,645	420	1,293	932	327	2,972
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	3,104	426	1,530	1,148	437	3,541
1988 JAN	2,947R	467	1,352	1,128R	436R	3,383R
FEB	3,363	459	1,713	1,191	473	3,836
1987 SEP-NOV	9,236	1,400	4,360	3,476	1,186	10,422
DEC-FEB	9,414	1,352	4,595	3,467	1,346	10,760
Percentage increase over previous three months	2	-3	5	0	13	3

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

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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
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Mr R M Norton
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Prime Minister's Office

Chancellor's Office

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

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Mr J W Thorp - " " "
Mr J Fxeter - " " "
Mr W A Allen - " " "

CONFIDENTIAL
UNTIL 11.30 AM 5 APRIL 1988

FROM: S BOWDEN
DATE: 31 March 1988

1. MISS O'MARA ^{mom} 31/3
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

DTI PRESS NOTICE ON CONSUMER CREDIT

(All figures are seasonally adjusted)

The DTI press notice attached gives details of credit business in February. It will be published at 11.30am on Tuesday 5 April.

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

CONSUMER CREDIT

<u>Change in February</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 consumer credit agreements ⁽¹⁾	308 (298)	1.3 (1.3)	20.6 (19.9)
of which bank credit cards	- 90 (-9)	1.6 (-0.2)	16.6 (16.8)
2. New credit advanced to consumers	3363 (2947)	14.1 (-5.1)	27.1 (22.7)
of which bank credit cards	1713 (1352)	26.7 (-11.6)	32.5 (18.6)

(Bracketed figures give comparable amounts for January).

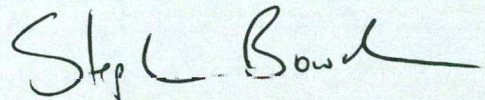
CONFIDENTIAL
UNTIL 11.30 AM 5 APRIL 1988

(1) Includes agreement with finance houses, other specialist credit grantors and building societies, retailers and on bank credit cards.

3. The change in the total amount outstanding for February (Table 1 of the press notice) is larger than that for January, but is in line with the average for 1987. The year on year percentage growth has increased slightly. The credit card component of this figure is considerably larger than that for January - which was abnormally low. The year on year percentage growth has, in fact, fallen.

4. The amount of new credit advanced in February is the largest figure on record. This is due almost entirely to new credit advanced on credit cards (26.7% higher than in January, 32.5% higher than one year ago). However, when taken together with the figures in table 1, which show a slower growth in the total amount of credit outstanding, these high figures may well demonstrate a greater use of credit cards as a convenient means of payments (e.g. for holidays) rather than as a source of credit.

5. The figures for new credit advanced, especially the credit card element are likely to attract some adverse comment. Briefing on consumer credit is contained in the briefing for the February money figures. We can also point out that the credit card series is relatively short and may well be suffering from problems of seasonal adjustment.



S BOWDEN

88/238
5 April 1988

Press Office
Tel 01-215 4471/4475
Out of Hours
Tel 01-215 7877

CREDIT BUSINESS IN FEBRUARY

During February, 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 £23.6 billion. The increase was the same as that in January. (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 December were £13.5 billion.)

The increase in the latest three months, December to February, was £0.9 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 £0.7 billion in the latest three months, the same as in the previous three month period. Bank credit cards showed an increase of £0.1 billion in the most recent period compared with an increase of £0.2 billion in the previous one. There was no 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 February by finance houses, other specialist credit grantors, building societies, retailers and on bank credit cards amounted to £3.4 billion, compared with a total of £2.9 billion in January (see **Table 3**). The total for the three months December to February was 2 per cent higher than that for the previous three months.

In February 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, 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 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.

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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.

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TABLE 1

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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		
				CONSUMERS	BUSINESSES	
	A=B+C+D	B	C	D	E	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1987	22,958	2,633	5,555	14,770	7,175	30,133
1988 JAN	23,256R	2,625R	5,546	15,085R	7,235	30,491R
FEB	23,564	2,615	5,636	15,313	7,375	30,939
CHANGES IN AMOUNTS OUTSTANDING (b)						
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1987	3,865	357	889	2,619	1,221	5,086
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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
1988 JAN	298R	-8R	-9	315R	60	358R
FEB	308	-10	90	228	140	448
1987 SEP-NOV	1,044	115	212	717	368	1,412
DEC-FEB	855	0	144	711	284	1,139

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	36,410R	2,633	5,555	12,615	837R	14,770

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	5,596R	357	889	1,711	20R	2,619
1987 1st Qtr	1,288	75	288	303	8	614
2nd Qtr	1,462	76	255	424	-30	737
3rd Qtr	1,374R	88	185	470	30R	601
4th Qtr	1,472R	118	161	514	12R	667

— indicates a break in the series

R = Revised

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	34,734	5,280	16,641	12,813	4,356	39,090
1986 1st Qtr	6,668	1,161	2,964	2,543	856	7,524
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	9,246	1,365	4,430	3,451	1,227	10,473
1987 FEB	2,645	420	1,293	932	327	2,972
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	3,104	426	1,530	1,148	437	3,541
1988 JAN	2,947R	467	1,352	1,128R	436R	3,383R
FEB	3,363	459	1,713	1,191	473	3,836
1987 SEP-NOV	9,236	1,400	4,360	3,476	1,186	10,422
DEC-FEB	9,414	1,352	4,595	3,467	1,346	10,760
Percentage increase over previous three months	2	-3	5	0	13	3

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.

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MONTHLY NOTE ON THE BALANCE OF PAYMENTS - APRIL 1988

- * The current account deficit was £0.7 billion in February, £0.1 billion smaller than in January. The current account deficit for 1987 as a whole is now estimated at £1.7 billion. (Paragraph 1)
- * The introduction of new Customs procedures on 1 January 1988 may have distorted the current account in January and February though there is no firm evidence of this yet. The Ferry strike in early February may also have had some effect. (Paragraph 2).
- * UK cost competitiveness deteriorated by 4-4½ per cent in the fourth quarter of 1987 and has probably deteriorated further since then as sterling has continued to appreciate (Paragraph 3) .
- * G5 countries' domestic demand rose strongly in the fourth quarter, while industrial production which had grown during the fourth quarter was unchanged in January. (Paragraph 4)
- * UK domestic demand rose a little faster than the average of other major countries in the year to the fourth quarter. There was a slow down in consumers' expenditure in the fourth quarter, although retail sales have continued to increase. (Paragraph 4)
- * Export volumes (excluding oil and erratics) in January and February together were 6½ per cent below their fourth quarter level. In view of doubts about the quality of export figures since the introduction of new Customs procedures on 1 January, it is difficult to assess whether the upward trend of the second half of 1987 has changed (Paragraphs 5-6)
- * Import volumes (excluding oil and erratics) fell back further in February although we cannot yet be confident that the earlier upward trend in imports has slowed. (Paragraphs 8-9)
- * The terms of trade have fallen in the past few months as the oil price has weakened but recovered a little in February. (Paragraph 10)
- * Balance of Payments estimates for the fourth quarter and revisions to earlier figures caused a £0.8 billion upward revision to the invisibles surplus in 1987 (paragraph 11).
- * The FSBR forecast was for a £4 billion deficit on the current account in 1988 and 1989H1 (at an annual rate). Independent forecasts now point on average to a £4.2 billion deficit in 1988. (Paragraph 14).

PAUL DAVIS
EA2 DIVISION

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MONTHLY NOTE ON THE BALANCE OF PAYMENTS - APRIL 1988

Current account

1. The February trade figures, published on 25 March showed a deficit on non-oil trade of £1.6 billion, partially offset by a surplus on oil trade of £0.3 billion. The invisibles projection remained unchanged at a surplus of £0.6 billion a month giving a current account deficit of £0.7 billion, £0.1 billion less than in January. Total export volumes fell by 2 per cent but import volumes fell by 2½ per cent and the terms of trade improved by 1 per cent. The current account deficit in the three months to February was £2.0 billion compared with £0.8 billion in the previous three months and a surplus of £0.4 billion in the same period a year ago.

2. The February figures like those for January need to be interpreted cautiously. We are satisfied that all documents received by customs have been processed correctly and subjected to reasonable validation and credibility tests. There is no evidence of shipments being delayed by documentation problems. It is possible that some traders may have been late in submitting documents, but this is unlikely to explain the sharp falls in January and February. The Ferry operators' strike in early February is likely to have affected exports more than imports, although most shipments from Dover were apparently rerouted to neighbouring ports. The Ford strike is estimated to have had only minimal effects.

TABLE 1: CURRENT ACCOUNT

		Current balance	Visible total	of which: oil	manufactures	Other goods	£ billion Invisibles balance
1986		0	-8.5	4.1	-5.3	-7.2	8.5
1987		-1.7	-9.6	4.2	-6.5	-7.3	7.9
1986	Q4	-0.6	-2.6	0.8	-1.6	-1.8	2.0
1987	Q1	0.8	-1.2	1.2	-0.7	-1.6	2.0
	Q2	-0.3	-2.3	1.0	1.6	-1.8	2.0
	Q3	-0.9	-3.1	0.9	-2.1	-1.9	2.2
	Q4	-1.3	-3.0	1.1	-2.1	-1.9	1.7
December		-0.4	-1.0	0.3	-0.6	-0.7	0.6
January		-0.8	-1.4	0.4	-1.3	-0.4	0.6*
February		-0.7	-1.3	0.3	-1.1	-0.6	0.6*

* CSO projection

CHART 1: CURRENT ACCOUNT

Average of latest three months

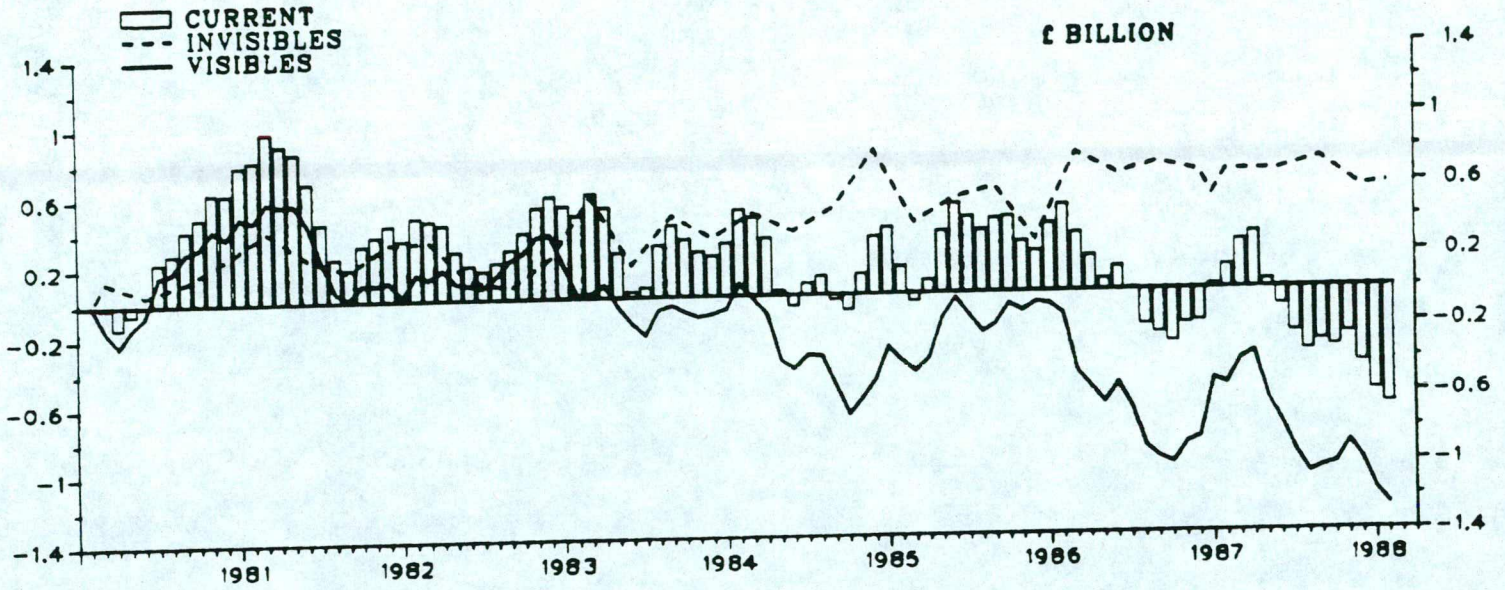
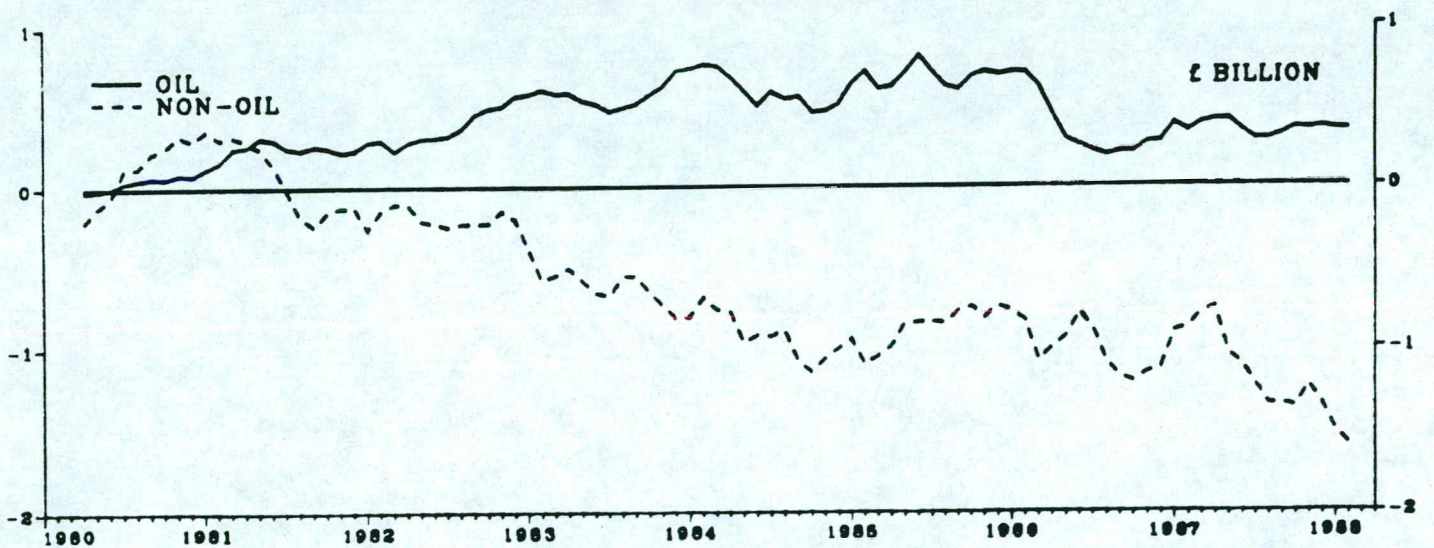


CHART 2: VISIBLE BALANCE

Average of latest three months



DETERMINANTS OF UK TRADE

Competitiveness

3. UK competitiveness (as measured by relative actual unit labour costs in the manufacturing sector), which was 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, probably deteriorated by 4-4½ per cent in the fourth quarter as the exchange rate appreciated. The sterling index has again risen strongly since the beginning of March leaving competitiveness perhaps 1-2 per cent better than 1985, if this appreciation were fully reflected in unit costs.

TABLE 2: RELATIVE UNIT LABOUR COSTS IN MANUFACTURING

(% changes on a year earlier in brackets)

	Relative unit labour costs				Sterling exchange rate index	
	in common currencies 1980=100		in domestic currencies 1980=100		1975=100	
1985	85.0	(2.5)	101.8	(3.1)	78.2	(-0.6)
1986	78.1	(-8.1)	104.8	(2.9)	72.8	(-7.0)
1987	76.4	(2.2)	105.5	(0.7)	72.6	(-0.3)
1986 Q4	71.2	(-19.1)	103.5	(-1.6)	68.3	(-14.6)
1987 Q1	72.8	(-11.7)	104.2	(-1.5)	69.9	(-6.9)
Q2	76.6	(-7.9)	105.4	(-0.7)	72.8	(-4.3)
Q3	76.6	(0.8)	105.2	(0.8)	72.7	(+1.1)
Q4	79.8*	(12.1)	107.6*	(4.0)	74.9	(+9.7)
Q1					75.4	(7.8)
December					75.8	(+10.7)
January					75.0	(+8.9)
February					74.3	(+7.7)
March					76.8	(+6.8)

* projected

World trade and domestic demand

4. G5 industrial production continued to grow strongly in the three months to January and was 6 per cent higher than a year earlier reflecting in part a strong recovery in export volumes. US industrial production in February was 6 per cent higher than a year earlier. Domestic demand growth continued in the fourth quarter and US GDP grew by 4.2 per cent (at an annual rate), although consumption was less than one per cent higher than a year earlier. UK domestic demand has been rising more rapidly than the average of the other G7 countries over the past year, though present estimates suggest rather slower growth in the fourth quarter,

reflecting some slow down in consumption growth. Retail sales, however, resumed their upward trend in January and February.

TABLE 3: INDICATORS OF DEMAND

(Indices 1980=100)

		G5 Countries			UK			
		Export volumes*	Domestic demand	Industrial production	Export volumes**	Domestic demand	Manufacturing production	Retail Sales
1986		111	118.0	113.0	118.0	115.7	104.1	122.6
1987		116	121.8	116.4	126.6	120.6	109.8	129.8
1986	3	107	118.9	113.2	118.5	115.8	104.3	123.6
	4	116	119.2	113.3	125.3	118.2	106.9	126.3
1987	1	110	119.7	113.9	123.7	117.0	106.5	125.5
	2	115	120.8	115.0	123.2	118.8	108.6	128.6
	3	115	122.7	117.3	129.3	122.8	111.3	131.7
	4	125	124.1	119.5	130.3	123.7	112.8	133.4
December				120.3	133.1		113.3	133.5
January				120.3	123.8		113.5	134.9
February					120.2			135.0
Latest 3 months on a year earlier		8	4	6	½	4½	6½	7

* Not seasonally adjusted

** Excluding oil and erratics

VISIBLE TRADE

Exports

5. Recorded export volumes, excluding oil and erratics, fell again in February bringing the average for January and February to a level 6½ per cent below the fourth quarter. The recorded fall in manufacturers (excluding erratics) was even faster, at 8 per cent, over the same period. In the three months to February, however, non-oil exports (excluding erratics) were broadly unchanged on a year earlier, with a 3½ per cent increase in manufacturers (less erratics) largely offset by a steep fall in exports of non-manufactures.

6. Given the uncertain quality of the early 1988 figures it is difficult to say with any certainty whether the upward trend in non-oil exports in the second half of 1987 has changed. We might expect some slowdown in exports, particularly given the recent losses in competitiveness and projected slowdown in world trade. However, the sharp falls in exports are difficult to reconcile with evidence from the CBI survey and manufacturing output.

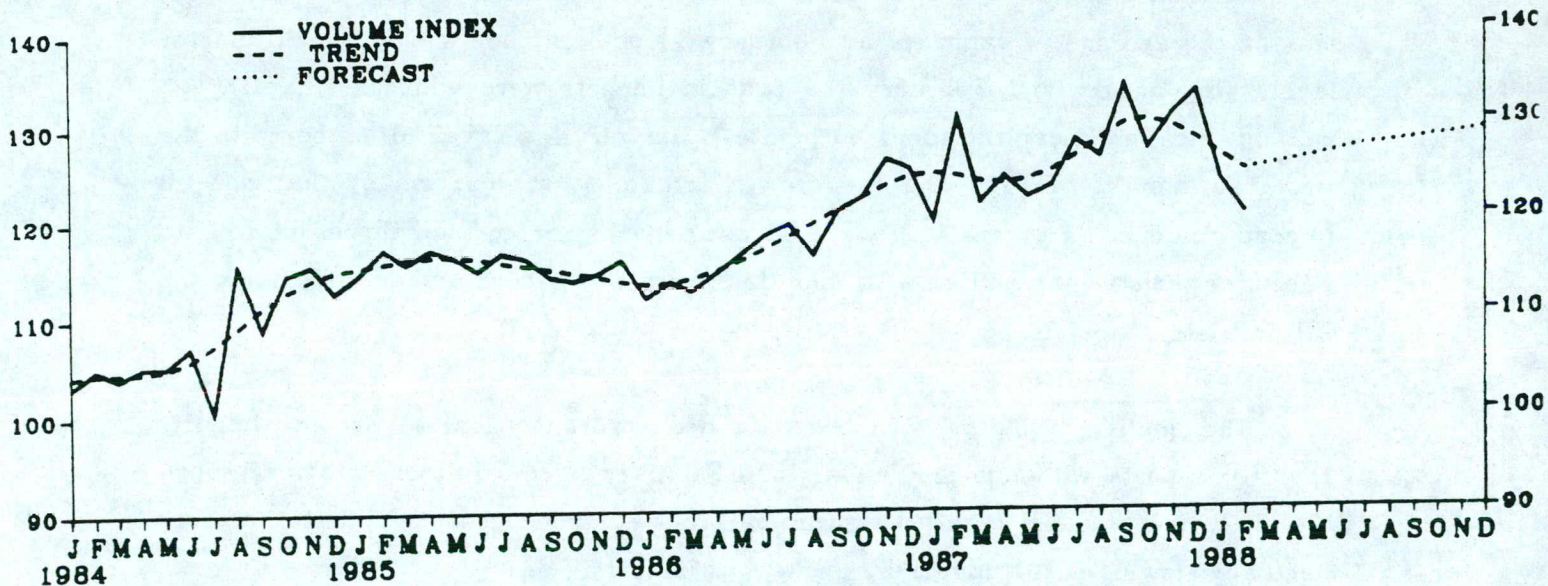
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TABLE 4: EXPORT VOLUMES (1980 = 100)

		Goods*	Goods less oil and erratics*	Manufactures (excluding erratics)	Food, drink and tobacco	Basic materials	Fuel
1986		123.3	118.0	117.0	129.5	117.3	175.5
1987		130.4	126.6	127.3	129.3	125.3	173.4
1986	3	122.7	118.7	117.6	133.3	127.0	173.9
	4	129.9	124.4	122.4	143.8	125.0	180.1
1987	1	129.5	123.7	122.7	130.7	144.4	183.6
	2	126.6	123.2	122.2	124.6	123.3	168.5
	3	130.6	129.3	130.4	132.3	121.3	161.8
	4	134.8	130.3	133.5	129.4	114.6	181.5
December		137.1	133.1	135.8	125.7	114.2	196.3
January		126.4	123.8	125.4	114.5	131.4	185.5
February		123.7	120.2	122.3	120.4	105.5	171.6
Latest 3 months on							
- a year ago		-1	½	3½	-12	-19	2
- previous 3 months		-3½	-3½	-4	-9	1	9½
February on							
January		-2	-3	-2½	5	-20	-7½
1987 on 1986		6	7½	9	0	7	-1

* Balance of payments basis

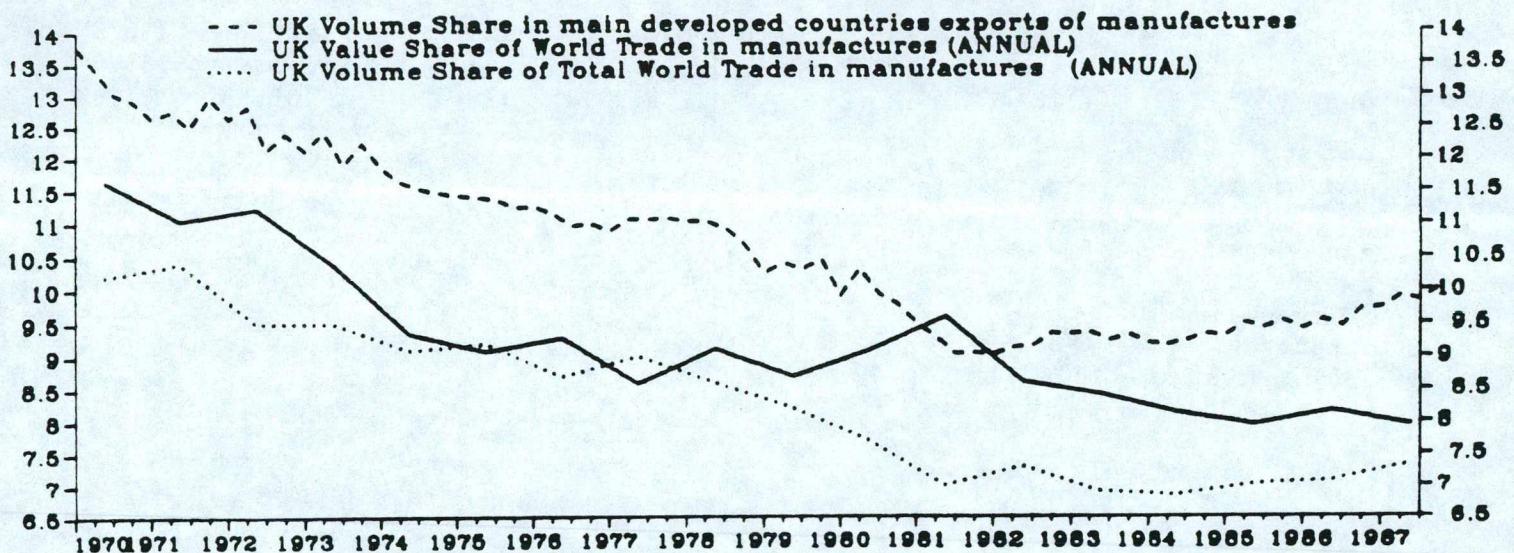
CHART 4: NON OIL EXPORT VOLUMES EXCLUDING ERRATICS



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7. The value of exports to developed countries fell by 9½ per cent in the three months to February (exports to Japan fell by 15 per cent and exports to the EC fell by 13 per cent, though exports to the US maintained their recovery). Exports to developing countries fell by 8½ per cent reflecting a 13 per cent fall in exports to non-oil developing countries. UK manufacturers appear to have increased slightly their volume share of developed countries' exports in 1987, although the UK share of total world trade in manufactures, including the rapidly increasing manufactured exports of newly industrialised countries, has probably remained broadly flat.

CHART 5: SHARE OF EXPORTS IN WORLD TRADE IN MANUFACTURERS



Imports

8. Recorded import volumes (excluding oil and erratics) fell again in February, leaving the average of January and February 1½ per cent below the fourth quarter level. In January and February the falls in imports were widespread, although passenger cars and capital goods both rose. The very low levels of imports in the first few months of 1987 and the growth later on that year meant that non-oil import volumes (less erratics) were 13 per cent higher in the three months to February than a year earlier with manufacturers 16 per cent higher, offsetting the fall in basic materials.

9. The quality problems with the data are apparently less severe for imports than for exports, although the January and February figures do look erratically low. We shall need further months' figures before we can be confident that there has been any slowing in the underlying growth of imports.

CHART 6: NON OIL IMPORT VOLUMES EXCLUDING ERRATICS

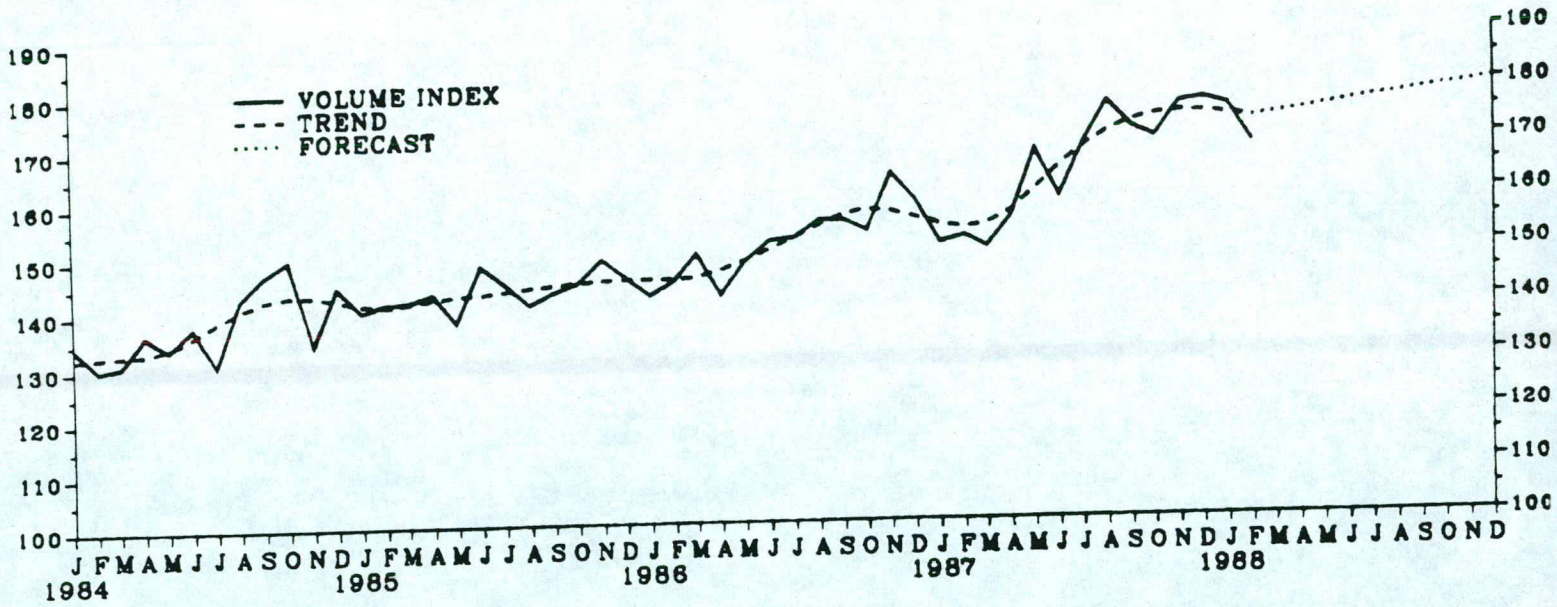
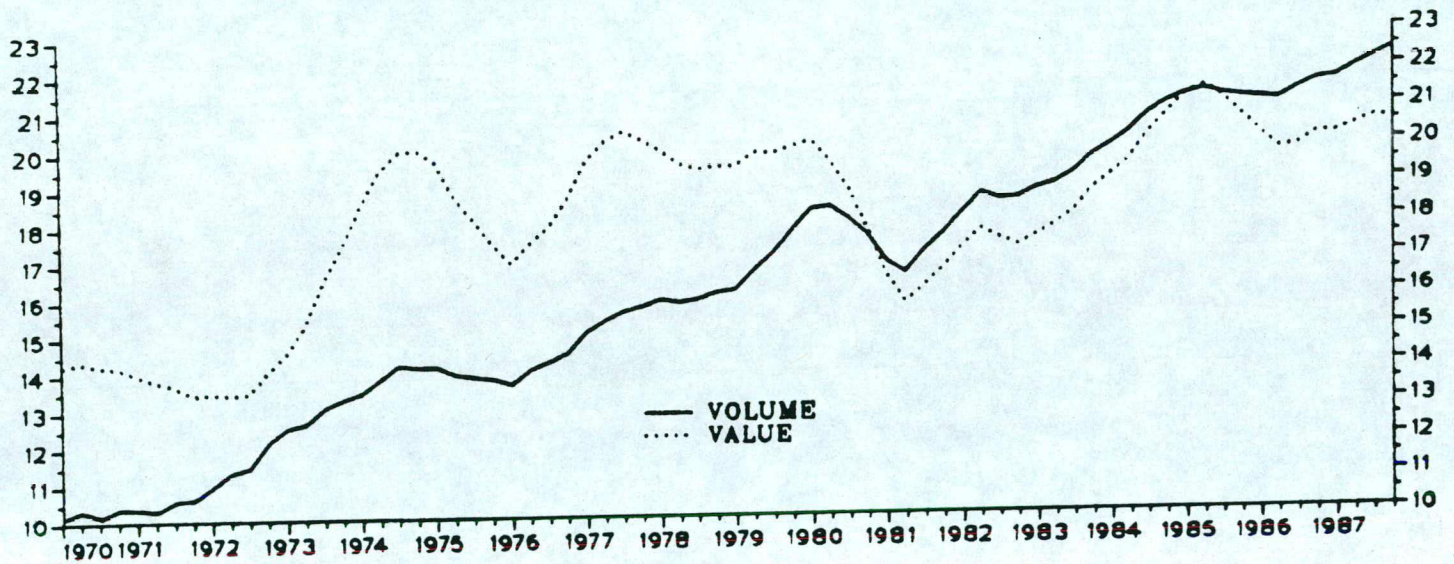


CHART 7: SHARE OF IMPORTS OF GOODS (EXCLUDING OIL) IN DOMESTIC DEMAND

(PER CENT, FOUR QUARTER MOVING AVERAGE).



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TABLE 5: IMPORT VOLUMES

		Goods*	Goods less oil and erratics*	Food, drink and tobacco	Basic materials	1980=100 Fuels	Manufactures less erratics
1986		134.6	151.6	124.3	108.2	94.0	163.0
1987		144.6	164.9	125.0	119.5	95.4	179.5
1986	4	142.0	158.9	125.7	116.2	103.0	171.3
1987	1	133.5	151.3	121.8	121.5	92.3	162.5
	2	141.1	161.1	121.2	121.7	90.2	173.6
	3	151.1	172.5	125.7	120.2	101.8	188.3
	4	152.5	174.5	131.4	114.4	97.3	193.4
December		154.9	177.0	144.5	112.1	108.2	193.0
January		151.0	175.8	125.5	107.3	87.3	195.7
February		147.0	168.8	129.4	115.8	79.4	185.8
% change							
Latest 3							
months on							
- a year ago		11	13	4½	-9	-6	16
- previous							
3 months		0	½	6	-5½	-3	0
February on							
January		-2½	-4	3	8	-9	-5
1987 on 1986		7½	9	½	10½	1½	10

* 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	
1986		151.9	170.3	131.6	161.0	186.5	179.8
1987		166.5	188.0	125.4	181.0	209.9	199.6
1986	4	155.1	181.9	129.7	171.3	201.2	195.5
1987	1	153.4	168.4	104.6	161.7	186.9	184.4
	2	162.6	180.8	121.4	177.6	201.5	188.8
	3	173.4	198.0	142.0	187.6	220.7	209.5
	4	176.3	204.6	133.6	197.2	230.6	215.9
December		178.8	202.2	135.1	190.4	223.4	221.2
January		174.2	209.9	166.0	177.1	241.2	228.8
February		173.2	194.1	140.7	175.5	216.4	212.9
% change							
Latest 3							
months on							
- a year ago		15	17	34	10	20	14
- previous							
3 months		1	0	12	-8	-1	4½
February on							
January		-½	-7½	-15	-1	-10	-7
1987 on 1986		9½	10½	-4½	12½	12½	11

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Trade prices

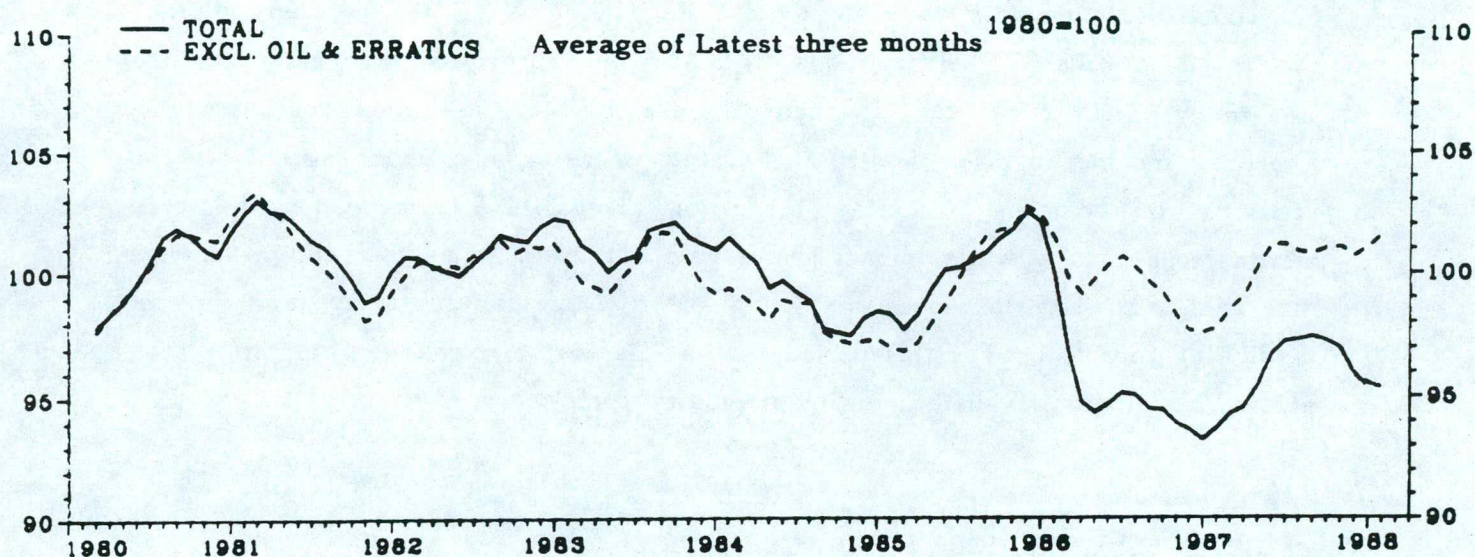
10. The total terms of trade improved in February but fell by 2 per cent between the three months to February and the previous three months reflecting the weakening of the oil price. The non-oil terms of trade also improved slightly in February and in the three months to February were broadly unchanged from the previous three months. Manufactures export prices were unchanged in the three months to February while import prices rose only slightly as the rising exchange rate held back price increases in sterling terms. Non-manufacturing import prices (excluding fuel) fell over this period as the rise in the exchange rate more than offset the effect of higher world commodity prices.

TABLE 7: TRADE PRICES (AVERAGE VALUES)

	Terms of trade		Manufactures (excl erratics)		Non Manufactures (excl fuel)		Exports of Fuel
	Total	Non oil (excl erratics)	Exports	Imports	Exports	Imports	
1986	95.5	99.3	136.3	135.0	128.4	127.0	76.3
1987	96.7	100.3	140.5	139.0	130.9	127.6	78.8
1986 3	95.7	100.2	136.4	133.2	126.2	126.7	57.5
4	95.1	98.5	137.5	137.7	130.3	128.8	68.5
1987 1	95.2	98.5	139.6	140.4	129.1	127.8	78.5
2	97.3	101.1	140.8	138.2	131.6	127.2	78.6
3	98.0	100.8	140.9	138.8	131.6	128.1	82.4
4	96.5	100.7	140.6	138.5	131.2	127.7	75.7
December	96.1	100.9	139.7	137.9	132.3	126.5	70.9
January	94.7	101.6	141.1	139.5	125.9	126.1	65.3
February	95.7	102.2	142.6	140.2	124.1	125.3	65.2
% change							
Latest 3							
months on							
- a year ago	1½	4	1½	-1	-½	-1½	-10½
- previous							
3 months	-2	½	0	½	-2½	-1½	-15½

* BOP basis

CHART 8: TERMS OF TRADE



INVISIBLES

11. The invisibles balance is now estimated to have been £1.7 billion in surplus in the fourth quarter and £7.9 billion in 1987 as a whole, about £0.6 billion lower than in 1986.

TABLE 8: INVISIBLES BALANCES (£ BILLION)

			1986		1987			
	1986	1987	Q4	Q1	Q2	Q3	Q4	
Visible balance	-8.5	-9.6	-2.6	-1.2	-2.3	-3.1	-3.0	
Invisibles	8.5	7.9	2.0	2.0	2.0	2.2	1.7	
- Services	5.6	5.7	1.5	1.4	1.4	1.6	1.4	
- IPD ⁺	5.1	5.7	1.4	1.5	1.4	1.6	1.2	
- Transfers	-2.2	-3.4	-0.8	-0.9	-0.7	-0.9	-0.9	
Current account	0	-1.7	-0.6	0.8	-0.3	-0.9	-1.3	
Net transactions in external assets and liabilities*	-12.6	0.7	-5.4	2.6	0.6	-4.5	2.0	
Balancing item*	12.5	0.9	5.1	-3.1	0.1	5.5	-1.6	

+ Interest, profits and dividends

* Not seasonally adjusted.

12. The services balance was broadly flat in 1987 but this masked a sharp increase in financial services earnings which more than offset increasing deficits on travel, civil aviation and general government services. Estimates of insurance underwriting earnings have been raised by £0.7 billion a year following the

discovery of a reporting error for 1985 by the Association of British Insurers. In the fourth quarter net financial earnings fell as Lloyds earnings fell back from their abnormally high third quarter level and the overall services surplus fell back to its first half level. The surplus on IPD is estimated to have risen by £0.6 billion to £5.7 billion in 1987 due to higher net earnings on direct investment which more than offset a reduction in net portfolio earnings and a widening in the deficit on UK banks' net interest payments abroad. The IPD surplus fell in the fourth quarter partly because of higher net payments abroad by oil companies and partly as a result of lower net earnings in sterling terms, and portfolio investment abroad reflecting the appreciation of sterling. The transfers deficit changed little in the fourth quarter but increased by £1.2 billion in 1987 as a whole, almost entirely because of an increase in net transfers to the EC from their abnormally low level in 1986.

TRANSACTIONS IN EXTERNAL ASSETS AND LIABILITIES

13. Recorded net capital inflows in fourth quarter were £2 billion which more than offset the current deficit to leave a negative balancing item. Direct investment abroad remained only slightly below its high level of recent quarters and was only partly offset by direct inflows (including the Hong Kong and Shanghai Bank investment in Midland). UK financial institutions repatriated substantial funds while non-residents continued to invest in UK securities (including BP) so that portfolio inflows were strongly positive and more than sufficient to finance the current deficit and net direct outflows. There was an inflow of £6 billion to the reserves. In 1987 as a whole net direct investment outflows were more than offset by net portfolio inflows. Reserves grew by £12 billion and the balancing item was a positive £1 billion compared to £12½ billion in 1986.

PROSPECTS

14. The FSBR forecast a £4 billion deficit on the current account in 1988 and 1989H1 (at an annual rate). This implies average monthly deficits of £0.3 -0.4 billion, rather less than the recorded January and February figures. We are inclined to reserve judgement on the underlying current deficit until it is clear whether recent monthly figures have been distorted. Independent forecasters on average are projecting a deficit of £4.2 billion in 1988 - similar to the FSBR. NIESR and the LBS both forecast deficits of around £4 billion in 1988, while the CBI forecast £5.3 billion.

TABLE 8: CURRENT ACCOUNT (£ billion)

	1988	1989	1990
CBI (March)	-5.3	-5.5	-
OECD (December)	-5.8	-9.5	-
National Institute (February)	-4.2	-6.4	-7.3
LBS (February)	-4.1	-5.0	-3.4
Phillips and Drew (March)	-5.1	-5.1	-3.1
Goldman Sachs (March)	-4.7	-6.1	-5.5
Henley (February)	3.8	-5.7	-5.9
Oxford (February)	-3.4	-4.4	-4.3
Liverpool (March)	-5.5	-3.9	-3.3
Independent Average [†]	-4.2	-5.1	-4.7
HMT FSBR	-4	-4*	-

[†] Based on sample used in regular EB comparison - latest edition - February

* 1989H1 at annual rate.

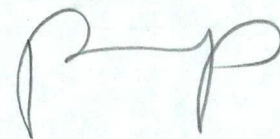
INTERNATIONAL COMPARISONS

15. The German and Japanese current surpluses both rose in the fourth quarter. In the US, trade volumes are responding to the decline in the dollar, and in the fourth quarter export volumes grew by over 16 per cent on a year earlier. The January trade deficit in the US at \$12.4 billion was \$5 billion lower than the October peak while the Japanese trade surplus rose again in January, but was below its January 1987 level.

TABLE 9: G5 COUNTRIES' CURRENT BALANCES*

		US	Japan	Germany	France	\$ billion UK
1985		-116.4	49.2	15.4	0.9	4.2
1986		-141.4	85.8	37.7	2.9	0.1
1987		-160.4+	86.7	44.6	-4.5	-2.8
1986	3	-36.6	23.8	11.5	0.8	-1.1
	4	-38.0	24.3	10.3	1.9	-0.8
1987	1	-36.8	24.9	11.1	-0.3	1.2
	2	-41.2	21.1	11.4	-1.2	-0.5
	3	-43.4	20.3	10.5	-1.3	-1.5
	4	-39.0	20.5	11.6	-1.7	-2.3

* Seasonally adjusted



From: HELEN CHAPMAN
20 April 1988

MR R.I.G. ALLEN - IDT

MR LANG - CSO Press Office

cc List A

List B

(distributed at 11.30am, 20 April)

Chancellor

Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir P Middleton
Sir T Burns
Mr Anson
Mr Monck
Mr Scholar
Mr Peretz
Mr Sedgwick
Mrs Butler
Mr Grice

Mr Mowl
Miss O'Mara
Mr Pickford
Mr Bush
Mr Franklin
Mrs Todd
Mr R Evans
Miss Chapman
Mr Mansell - CSO
Mr Richardson - CSO
Mr Wright B/E
Mr Gray - No 10

Mr C.M. Kelly
Mr Cropper
Mr Tyrie
Mr Call
Mr Ko - IR
Mr Balley - C and E

BRIEFING FOR 20 APRIL PSBR PRESS NOTICE

The PSBR figures for March will be published at 11.30am on 20 April. The provisional outturns, together with figures for 1986-87 and 1987-88 as a whole are shown in Table 1. Cumulative figures for the PSBR and its components for 1985-86, 1986-87 and 1987-88 are shown in Table 2 overleaf. Table 3 shows outturns excluding privatisation proceeds.

Table 1:

Borrowing requirement outturns

£ billion

	1986- 1987	1987- 1988	March 1988
Central government on own account	4.5	-3.5	2.8
Local authorities	0.2	1.4	1.2
Public corporations	-1.4	-1.6	-0.1
PSBR	3.4	-3.6	3.8
Memo: PSBR (excluding privatisation proceeds)	7.8	1.5	3.8

Note: Figures may not sum precisely because of rounding.

Table 2: PUBLIC SECTOR BORROWING REQUIREMENT – Comparison with the last two years

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	0.2	1.9	0.8	0.7	0.5	-0.2	-0.1	-0.4	1.8	0.8
May	2.3	1.9	2.2	0.8	0.4	0.1	-0.4	-0.5	-0.4	2.7	1.8	1.9
Jun	2.7	3.1	1.7	0.5	-0.1	0.2	-0.5	-0.7	-0.5	2.6	2.2	1.4
Jul	3.6	3.1	1.4	0.8	-0.1	0.4	-1.2	-1.1	-0.8	3.1	1.9	1.0
Aug	4.6	4.2	2.3	0.9	0.2	0.2	-1.2	-0.8	-0.9	4.3	3.6	1.6
Sep	5.1	6.7	2.0	1.1	0.0	0.5	-0.7	-0.9	-0.7	5.5	5.8	1.9
Oct	5.0	6.5	1.5	0.7	-0.3	0.1	-0.5	-0.5	-0.8	5.3	5.7	0.8
Nov	6.2	7.3	0.6	0.1	-0.7	-0.5	-0.3	-0.9	-0.8	6.0	5.6	-0.7
Dec	7.4	5.7	0.0	0.4	-0.6	0.1	-0.2	-0.9	-0.7	7.6	4.2	-0.6
Jan	2.9	2.2	-5.9	0.5	-0.6	0.1	-0.2	-1.1	-1.1	3.2	0.5	-6.9
Feb	2.9	2.3	-6.2	0.4	-0.7	0.3	-0.6	-1.6	-1.4	2.8	0.1	-7.4
Mar	4.3	4.5	-3.5	1.7	0.2	1.4	-0.2	-1.4	-1.6	5.7	3.4	-3.6

Note: Figures may not sum precisely because of rounding.

CONFIDENTIAL AND PERSONAL

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(Until 11.30am 20 April 1988)

Table 3: PUBLIC SECTOR BORROWING REQUIREMENT EXCLUDING PRIVATISATION PROCEEDS

Cumulative £ billion

	Central government on own account			Local authorities borrowing requirement			Public corporations borrowing requirement			Public sector borrowing requirement		
	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88	1985-86	1986-87	1987-88
	Apr	1.1	1.3	2.1	0.8	0.7	0.5	-0.2	-0.1	-0.4	1.8	1.9
May	2.5	3.0	2.9	0.8	0.4	0.1	-0.4	-0.5	-0.4	2.9	2.9	2.6
Jun	4.0	4.2	4.1	0.5	-0.1	0.2	-0.5	-0.7	-0.5	3.9	3.3	3.8
Jul	5.0	4.2	4.3	0.8	-0.1	0.4	-1.2	-1.1	-0.8	4.5	3.0	3.9
Aug	6.2	5.3	5.7	0.9	0.2	0.2	-1.2	-0.8	-0.9	5.9	4.7	5.0
Sep	6.8	7.8	6.0	1.1	0.0	0.5	-0.7	-0.9	-0.7	7.3	6.9	5.8
Oct	6.7	7.5	4.9	0.7	-0.3	0.1	-0.5	-0.5	-0.8	7.0	6.7	4.2
Nov	8.2	8.6	5.5	0.1	-0.7	-0.5	-0.3	-0.9	-0.8	7.9	7.0	4.2
Dec	9.7	8.9	5.2	0.4	-0.6	0.1	-0.2	-0.9	-0.7	9.9	7.4	4.6
Jan	5.1	5.5	-0.8	0.5	-0.6	0.1	-0.2	-1.1	-1.1	5.4	3.7	-1.8
Feb	5.2	6.0	-1.1	0.4	-0.7	0.3	-0.6	-1.6	-1.4	5.1	3.8	-2.3
Mar	7.0	9.0	1.7	1.7	0.2	1.4	-0.2	-1.4	-1.6	8.4	7.8	1.5

Note: Figures may not sum precisely because of rounding.

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(Until 11.30am 20 April 1988)

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(Until 11.30am 20 April 1988)

SUMMARY OF LINE TO TAKE

PSBR in March provisionally £3.8 billion. PSBR for 1987-88 provisionally a net repayment of £3.6 billion, a slightly higher repayment than forecast on Budget day. Provisional outturn equivalent to $\frac{3}{4}$ to 1 per cent of money GDP.

1. March PSBR

Background

City forecasts for the PSBR in March average £3.4 billion. Range is from £2.8 billion to £4.3 billion. Provisional outturn for March a little lower than implied by 1988 FSBR:

	Implied by 1988 FSBR	£ billion Provisional Outturn
CGBR(0)	3.0	2.8
LABR	1.2	1.2
PCBR	0.1	-0.1
PSBR	4.3	3.8

PSBR in March is always high, as result of end-year surge in central government expenditure, and high local authorities borrowing. PSBR in March 1988 £0.5 billion higher than in March 1987. Some special factors this year - redemption of index linked stock, and higher than average national insurance benefit payments (5 Thursdays, timing of Easter).

Line to take

PSBR in March was £3.8 billion, a little higher than in the previous year. Borrowing always high in March, because of end-year surge in public expenditure and high local authorities borrowing.

2. PSBR, 1987-88

Background

Published PSBR forecasts (£ billion)

1987 FSBR	1987 AS	1988 FSBR	Provisional outturn
3.9	1.0	-3.1	-3.6

Line to take

PSBR for 1987-88 was provisionally net repayment of £3.6 billion. Outturn £7½ billion lower than forecast in 1987 FSBR mainly due to higher than expected receipts.

3. Comparison with 1988 FSBR Forecast

Background

1988 FSBR had forecast for PSBR in 1987-88 of minus £3.1 billion. Outturn is £0.5 billion lower (ie. a higher net repayment). All sectoral components of PSBR lower than forecast - CGBR(0) £0.2 billion lower, LABR £0.1 billion lower, PCBR £0.2 billion lower.

Error in 1988 FSBR estimated outturn smaller than past average (see Annex).

Line to take

PSBR for 1987-88 £0.5 billion lower (ie. a higher repayment) than forecast in 1988 FSBR. No single explanation of difference - net borrowing by central government, local authorities and public corporations all a little lower than forecast. March always a difficult month to forecast because of uncertainty about size of end-year surge in central government expenditure and local authority borrowing.

Smaller error than past average and smaller error than two previous years.

4. Undershoot of 1988 FSBR estimate for 1987-88 implies FSBR forecast for 1988-89 PSBR too high?

Line to take

No conclusions can be drawn from this for 1988-89 PSBR/PSDR.

5. Privatisation proceeds in 1987-88

Background

Privatisation proceeds in 1987-88 £5.1 billion, compared with £4.4 billion in 1987-88. Close to projection of £5 billion in 1987 FSBR.

Line to take

Net privatisation proceeds in March were close to zero. Total for 1987-88 was £5.1 billion - close to earlier projections.

6. Consolidated Fund Revenues

Background

Consolidated Fund Revenues in 1987-88 - % increase

	1987 FSBR	1988 FSBR	Provisional outturn
Total	5 $\frac{3}{4}$	10 $\frac{3}{4}$	10 $\frac{1}{2}$
of which:			
Inland Revenue	7 $\frac{1}{2}$	12 $\frac{1}{2}$	13
Customs	6 $\frac{1}{2}$	8 $\frac{3}{4}$	9
Other	-2	10 $\frac{3}{4}$	5 $\frac{1}{2}$

"Other" revenues only about 10 per cent of total Consolidated Fund revenues. Estimates can be volatile as they depend partly on precise timing of transfer of funds within central government.

NB Full details of Consolidated Fund revenues in Table 6B.3 in 1988 FSBR.

Line to take

Consolidated Fund revenues in 1987-88 £123.0 billion, 10 $\frac{1}{2}$ per cent up on same period last year. Very close to figure in 1988 FSBR.

7. Inland Revenue Receipts

Background

1987 FSBR forecast 7 $\frac{1}{2}$ per cent increase in IR revenues in 1987-88. 1988 FSBR puts increase at 12 $\frac{1}{2}$ per cent. 1987-88 outturn in press notice 13 per cent rise on previous year. Detailed estimates of composition will be published in May Financial Statistics (table 3.13).

Line to take

Receipts for 1987-88 £64.5 billion, 13 per cent up on previous year.

A little higher than figure in 1988 FSBR. Receipts about £5 billion higher than forecast in 1987 FSBR mainly due to higher income tax and PRT.

Customs and Excise Receipts

Background

1987 FSBR forecast $6\frac{1}{2}$ per cent rise in Customs and Excise receipts in 1987-88. 1988 FSBR put increase at $8\frac{3}{4}$ per cent. 1987-88 outturn in press notice rise of 9 per cent on previous year. Detailed estimates of composition will be published in May Financial Statistics (table 3.14).

Line to take

Receipts for 1987-88 £44.7 billion, 9 per cent up on same period last year. Close to figure in 1988 FSBR but nearly £1 billion higher than forecast in 1987 FSBR mainly due to higher than forecast VAT.

9. Supply Expenditure

Background

1987 FSBR gave a figure for provision for supply in 1987-88 but not a forecast of outturn because public expenditure Reserve was not allocated to individual components of expenditure, (but public expenditure total used in PSBR forecast assumed that the Reserve was fully spent). 1988 FSBR gives estimated outturn for supply in 1987-88 of £105.3 billion, a $3\frac{3}{4}$ per cent increase on 1986-87.

Line to take

Provisional outturn for supply expenditure in March £10.9 billion. Total for 1987-88 (provisional £105.2 billion) up $3\frac{3}{4}$ per cent on same period last year and very close to estimated outturn in 1988 FSBR.

10. Central Government Borrowing

Background

CGBR(0) in March was £2.8 billion. For 1987-88 as a whole, CGBR(0) was minus £3.5 billion (1986-87, borrowing of £4.5 billion). 1988 FSBR gives estimated outturn for CGBR(0) of minus £3.2 billion in 1987-88.

Line to take

CGBR(0) in 1987-88 a net repayment of £3.5 billion. Compares with borrowing of £4.5 billion in previous year.

11. Local Authorities

Background

LABR (provisionally) £1.2 billion in March. For 1987-88 as a whole, LABR of £1.4 billion. (LABR of £0.2 billion for 1986-87). 1988 Budget estimate for LABR in 1987-88 was £1.5 billion.

Line to take

Usual high borrowing in March. LABR for 1987-88 around £1¼ billion higher than for previous year. Provisional outturn little different from estimate in 1988 FSBR.

12. Public Corporations

Background

PCBR (provisionally) a net repayment of £0.1 billion in March. Net repayment of £1.6 billion for 1987-88 as a whole. (Net repayment of £1.4 billion, in 1986-87, when aggregate still included BGC, for most of year, and BA). 1988 Budget estimated outturn for PCBR in 1987-88 was minus £1.4 billion.

Line to take

Provisional outturn for PCBR in 1987-88 little different from previous year and from estimate in 1988 FSBR.

13. Revisions to last month's estimates

Background

No change to April-February PSBR from last month's Press Notice.

Helen Chapman

Helen Chapman (270-5030)

PSF Division, HM Treasury

PSBR FORECAST ERROR : FSBR FORECAST FOR YEAR JUST ENDING

	FORECAST £ billion	OUTTURN £ billion	ERROR*	
			£ billion	% money GDP
1967-68	2.0	2.0	-0.1	-0.14
1968-69	0.3	0.5	0.1	0.31
1969-70	-0.6	-0.5	0.1	0.14
1970-71	0.6	0.8	0.2	0.37
1971-72	1.3	1.0	-0.3	-0.56
1972-73	2.9	2.5	-0.3	-0.49
1973-74	4.3	4.4	0.2	0.23
1974-75	7.6	8.0	0.4	0.40
1975-76	10.8	10.6	-0.2	-0.17
1976-77	8.8	8.5	-0.3	-0.21
1977-78	5.7	5.6	-0.2	-0.10
1978-79	9.2	9.2	0.0	0.00
1979-80	9.1	9.9	0.8	0.39
1980-81	13.5	13.2	-0.3	-0.11
1981-82	10.6	8.8	-1.8	-0.69
1982-83	7.5	9.1	1.6	0.57
1983-84	10.0	10.1	0.1	0.02
1984-85	10.5	10.2	-0.3	-0.09
1985-86	6.8	5.7	-1.1	-0.30
1986-87	4.1	3.4	-0.8	-0.20
1987-88	-3.1	-3.6	-0.5	-0.11

AVERAGE ABSOLUTE ERROR**:

WHOLE PERIOD	0.8	0.50
LAST 5 YEARS (1982-83 to 1986-87)	0.8	0.24

BIAS**:

WHOLE PERIOD	-0.2	-0.06
LAST 5 YEARS (1982-83 to 1986-87)	-0.1	0.00

* Outturn less forecast, ie. - indicates PSBR lower than forecast.

** Excluding 1987-88

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 29 April 1988

Ref No 298

The current account of the United Kingdom balance of payments**MARCH 1988**

The current account for March, seasonally adjusted, was estimated to have been in deficit by £254 million compared with a deficit of £720 million in February. In March exports - seasonally adjusted on a balance of payments basis - were valued at £6441 million and imports at £7295 million so that the trade in goods was in deficit by £854 million.

The balance on invisibles 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.

NOTE ON INTERPRETATION

It is customary to advise against attaching too much importance to figures for an individual month. Figures for recent months need to be interpreted with even greater caution than usual because of the changes in the documentation and classification system which took place from 1 January 1988 (see Note 3 of the Notes to Editors and article in British Business of 27 November 1987). The ferry operators' strike, which continued throughout March, is thought to have had a negligible effect on trade flows overall.

CURRENT ACCOUNT

TABLE 1

£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance ^b
		Balance	Exports fob	Imports fob	
1986	+ 46	- 8463	72678	81141	+ 8509
1987	- 1679	- 9625	79622	89247	+ 7946
1987 Q1	+ 799	- 1211	19530	20740	+ 2010
Q2	- 300	- 2317	19357	21674	+ 2017
Q3	- 896	- 3109	20235	23344	+ 2213
Q4	- 1282	- 2988	20500	23488	+ 1706
1988 Q1	- 1818a	- 3618	18832	22450	+ 1800a
1987 Oct	- 353	- 922	6802	7724	+ 569
Nov	- 488	- 1056	6881	7938	+ 568
Dec	- 441	- 1010	6817	7827	+ 569
1988 Jan	- 844a	- 1444	6210	7654	+ 600a
Feb	- 720a	- 1320	6181	7501	+ 600a
Mar	- 254a	- 854	6441	7295	+ 600a

a Invisibles for January to March 1988 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.

FIRST QUARTER 1988

In the first quarter of 1988 the current account showed a deficit of £1.8 billion compared with a deficit of £1.3 billion in the previous three months. There was a deficit on visible trade of £3.6 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.

VISIBLE TRADE IN MARCH

There was a deficit on visible trade in March of £854 million compared with a deficit of £1320 million in February. The surplus on oil was £218 million, £98 million less than in February. The deficit on non-oil trade decreased by £565 million.

Total exports in March were valued at £6441 million, which was £260 million (4 per cent) higher than in February. Exports of oil decreased by £70 million and exports of the erratic items increased by £80 million between the two months. Excluding oil and the erratic items, exports rose by 5 per cent between February and March.

Total imports were valued at £7295 million in March, which was £207 million (3 per cent) less than in February. Imports of oil rose by £28 million between the two months while imports of the erratic items fell by £96 million. Excluding oil and the erratic items, imports fell by 2 per cent between February and March.

RECENT TRENDS

Visible balance

In the first quarter of 1988 there was a deficit on visible trade of £3.6 billion - a surplus on trade in oil of £0.9 billion being offset by a deficit on non-oil trade of £4.5 billion. Between the fourth quarter of 1987 and the first quarter of 1988, the deficit on visible trade increased by £0.6 billion - the surplus on oil fell by £0.2 billion while the deficit on non-oil trade rose by £0.5 billion.

Exports

Exports amounted to £18.8 billion in the first quarter of 1988, £1.7 billion (8 per cent) less than in the previous quarter. Exports of oil and exports of the erratic items each fell by £0.4 billion. Excluding oil and the erratic items exports decreased by £0.8 billion between the fourth quarter of 1987 and the latest quarter.

By volume exports fell by $6\frac{1}{2}$ per cent between the fourth quarter of 1987 and the first quarter of 1988 to be $2\frac{1}{2}$ per cent lower than in the same period a year ago. Excluding oil and erratic items, export volume fell by $5\frac{1}{2}$ per cent in the latest quarter to be $\frac{1}{2}$ per cent lower than in the same period a year ago. Notwithstanding the possibility that the monthly pattern of the export figures in recent months has been affected to some extent by changes in the documentation and classification system, it now seems likely that the underlying level of exports in early 1988 is below that reached towards the end of 1987.

Imports

Total imports were valued at £22.4 billion in the latest quarter, £1.0 billion ($4\frac{1}{2}$ per cent) lower than in the previous quarter. Imports of oil fell by £0.3 billion while imports of the erratic items were little changed. Excluding oil and the erratic items imports fell by $3\frac{1}{2}$ per cent between the fourth quarter of 1987 and the latest quarter. Within the total, imports of consumer goods excluding passenger cars fell by 10 per cent.

Total import volume fell by 3 per cent between the fourth quarter of 1987 and the first quarter of 1988 but was 11 per cent higher than in the same period a year ago. Excluding oil and the erratic items import volume fell by $2\frac{1}{2}$ per cent in the latest three months but was 13 per cent higher than in the same period a year ago. The underlying level of imports in early 1988 appears to be slightly lower than that reached towards the end of 1987.

Terms of trade and unit values

The terms of trade index rose 1 per cent between the fourth quarter of 1987 and first quarter of 1988 with the export unit value index unchanged and the import unit value index decreasing by 1 per cent. Compared with the same quarter a year ago, the export unit value index rose by $1\frac{1}{2}$ per cent and the import unit value index fell by 3 per cent. As a result the terms of trade index is $4\frac{1}{2}$ per cent up on a year ago.

Export unit values for fuels fell by 16 per cent between the fourth quarter of 1987 and the first quarter of 1988 while the unit value index for non-oil exports rose by 1 per cent.

Import unit values for fuels fell by $9\frac{1}{2}$ per cent between the last quarter of 1987 and the latest quarter while the unit value index for non-oil imports was unchanged.

Analysis by area

Exports to the developed countries fell by 10 per cent between the fourth quarter of 1987 and the latest quarter. Exports to the European Community countries fell by 13 per cent over the latest quarter; exports to North America increased by $1\frac{1}{2}$ per cent but exports to the other developed countries decreased by $5\frac{1}{2}$ per cent. Those to the developing countries fell by $7\frac{1}{2}$ per cent between the fourth quarter of 1987 and the first quarter of 1988.

Imports from the developed countries decreased by $2\frac{1}{2}$ per cent over the latest quarter with arrivals from the European Community countries down by 2 per cent, from North America also down by 2 per cent and from the other developed countries down by $2\frac{1}{2}$ per cent. Imports from the developing countries decreased by 8 per cent between the last quarter of 1987 and the latest quarter.

NOTES TO EDITORS

INVISIBLES

1 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.

2 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.

VISIBLE TRADE: NEW CUSTOMS PROCEDURES AND CHANGES IN CLASSIFICATION

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]. For further details of changes which involve revisions to the commodity classification and to the treatment of gold see the Standard Notes for 1988.

MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

4 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)

5 Low value consignments ie items of an individual value less than £600, 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.

ADJUSTMENT FOR UNPROCESSED DOCUMENTS; APRIL TO OCTOBER 1987

6 Following an 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:

Adjustment for unprocessed documents

	April	May	June	August	£ million October
Exports	+30	+71	+67	-18	-151
Imports	+63	+49	+38		-150

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. Additional 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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	Value and volume of exports and imports excluding the more erratic items	5	8
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	Trade in Goods other than oil	7	10
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Table 2

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	+ 46	72678	81141	- 8463	+ 4056	- 12519	+ 8509
1987	- 1679	79622	89247	- 9625	+ 4184	- 13809	+ 7946
1987 Q1	+ 799	19530	20740	- 1211	+ 1159	- 2370	+ 2010
Q2	- 300	19357	21674	- 2317	+ 1016	- 3333	+ 2017
Q3	- 896	20235	23344	- 3109	+ 936	- 4046	+ 2213
Q4	- 1282	20500	23488	- 2988	+ 1073	- 4061	+ 1706
1988 Q1	- 1818a	18832	22450	- 3618	+ 894	- 4512	+ 1800a
1987 July	- 253	6686	7677	- 991	+ 267	- 1258	+ 738
Aug	- 687	6587	8011	- 1424	+ 359	- 1783	+ 737
Sep	+ 43	6962	7657	- 695	+ 310	- 1004	+ 738
Oct	- 353	6802	7724	- 922	+ 394	- 1316	+ 569
Nov	- 488	6881	7938	- 1056	+ 332	- 1388	+ 568
Dec	- 441	6817	7827	- 1010	+ 346	- 1356	+ 569
1988 Jan	- 844a	6210	7654	- 1444	+ 361	- 1805	+ 600a
Feb	- 720a	6181	7501	- 1320	+ 316	- 1636	+ 600a
March	- 254a	6441	7295	- 854	+ 218	- 1072	+ 600a
% Change							
Latest 3 months							
- on previous 3 months		- 8	- 4½				
- Same 3 months one year ago		- 3½	+ 8				

a Invisibles for January to March 1988 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			
1985	80483	75018	+ 5465	+ 5877	+ 2841	- 3253	75815	65063	+ 10752
1986	77262	68753	+ 8509	+ 5609	+ 5057	- 2157	72138	59166	+ 12972
1987	80202	72256	+ 7946	+ 5708	+ 5676	- 3438	74820	60663	+ 14157
1986 Q1	19224	16870	+ 2354	+ 1480	+ 908	- 34	17857	14873	+ 2984
Q2	18715	16730	+ 1985	+ 1325	+ 1209	- 549	17387	14318	+ 3069
Q3	19371	17204	+ 2167	+ 1334	+ 1572	- 739	18123	14665	+ 3458
Q4	19952	17949	+ 2003	+ 1470	+ 1368	- 835	18771	15310	+ 3461
1987 Q1	20034	18024	+ 2010	+ 1389	+ 1480	- 859	18398	14927	+ 3471
Q2	19951	17934	+ 2017	+ 1390	+ 1376	- 749	18507	15116	+ 3391
Q3	20373	18160	+ 2213	+ 1564	+ 1584	- 935	19147	15257	+ 3890
Q4	19844	18138	+ 1706	+ 1365	+ 1236	- 895	18768	15363	+ 3405

d ie excluding general Government transactions and all transfers.

EXPORT AND IMPORT UNIT VALUE AND VOLUME INDEX NUMBERS

Table 4

(Balance of Payments basis)

Indices 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1986	136.8	134.3	101.8	123.3	134.6
1987	142.0	138.1	102.8	130.4	144.6
1987 Q1	140.8	140.2	100.4	129.5	133.5
Q2	141.4	136.7	103.4	126.6	141.1
Q3	143.1	138.0	103.7	130.6	151.1
Q4	142.9	137.5	103.9	134.8	152.5
1988 Q1	142.7	136.2	104.8	126.1	147.8
1987 July	141.8	137.3	103.3	130.1	148.8
Aug	143.7	138.4	103.8	127.6	154.8
Sep	143.7	138.3	103.9	134.1	149.7
Oct	143.8	138.6	103.7	131.8	148.4
Nov	142.9	137.8	103.7	135.4	154.3
Dec	141.8	136.2	104.2	137.1	154.9
1988 Jan	141.8	135.8	104.4	126.4	151.0
Feb	142.8	136.4	104.7	123.7	147.0
March	143.5	136.4	105.2	128.1	145.4
% Change					
Latest 3 months on					
- previous 3 months	-	- 1	+ 1	- 6½	- 3
- same 3 months					
one year ago	+ 1½	- 3	+ 4½	- 2½	+ 11

^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

Table 5

(Balance of Payments basis)

seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1986	67300	77492	126.3	143.0
1987	73645	85386	133.6	154.0
1987 Q1	18019	19853	132.5	142.5
Q2	17939	20740	129.8	150.2
Q3	18755	22313	134.1	160.9
Q4	18933	22481	138.0	162.4
1988 Q1	17659	21484	130.7	157.5
1987 July	6108	7297	132.0	157.8
Aug	6203	7668	132.9	165.1
Sept	6444	7348	137.3	159.9
Oct	6178	7300	133.2	156.4
Nov	6339	7609	138.3	164.5
Dec	6416	7572	142.5	166.3
1988 Jan	5929	7373	133.0	161.8
Feb	5775	7111	127.9	155.6
March	5955	7000	131.2	155.2
% Change				
Latest 3 months on				
- previous 3 months	- 6½	- 4½	- 5½	- 3
- same 3 months				
one year ago	- 2	+ 8	- 1½	+ 11

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

Table 6

TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance of Trade in oil	Exports of Oil					Imports of Oil					
		Total	Crude Oil			Rest of Division 33	Total	Crude Oil			Rest of Division 33	
			[SITC (REV 2) 333.0]					[SITC (REV 2) 333.0]				
			£ million fob	£ million fob	£ million fob			Avg value per tonne £ fob	£ million fob	£ million fob		£ million fob
1986	+ 4056	8202	6294	82.1	76.7	1908	4146	2324	32.6	71.3	1822	
1987	+ 4184	8445	6765	80.6	83.9	1681	4261	2608	33.1	78.8	1654	
1987 Q1	+ 1159	2221	1818	21.8	83.3	403	1062	623	7.9	79.3	439	
Q2	+ 1016	2046	1653	19.8	83.6	393	1030	645	8.1	79.2	386	
Q3	+ 936	2055	1636	18.6	88.0	419	1119	667	8.2	81.6	451	
Q4	+ 1073	2124	1658	20.4	81.2	466	1051	673	8.9	75.3	378	
1988 Q1	+ 894	1688	1349	20.0	67.3	339	794	527	8.3	63.3	267	
1987 July	+ 267	639	493	5.8	85.2	147	372	229	2.9	78.9	143	
Aug	+ 359	757	621	6.8	91.1	136	398	252	3.2	79.6	145	
Sept	+ 310	659	522	6.0	87.2	136	349	186	2.1	88.4	162	
Oct	+ 394	695	549	6.3	87.0	146	300	170	2.1	80.3	130	
Nov	+ 332	712	557	6.8	82.5	156	380	266	3.4	78.5	114	
Dec	+ 346	717	553	7.4	75.0	164	370	236	3.4	69.0	134	
1988 Jan	+ 361	620	518	7.4	70.4	102	259	176	2.8	63.9	82	
Feb	+ 316	569	443	6.4	69.0	126	253	159	2.4	65.4	95	
Mar	+ 218	499	388	6.3	62.0	111	281	192	3.1	61.1	89	
% Change												
Latest 3												
months on												
- previous												
3 months		- 21	- 19	- 2	- 17	- 27	- 24	- 22	- 6½	- 16	- 30	
- same 3												
months one												
year ago		- 24	- 26	- 8	- 19	- 16	- 25	- 15	+ 6	- 20	- 39	

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 9 of the standard notes).

Table 7

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	64476	76995	145.4	141.7	102.6	115.4	141.0	59098	73346	118.0	151.6
1987	- 13809	71177	84986	151.2	145.7	103.8	123.6	152.9	65200	81125	126.6	164.9
1987 Q1	- 2370	17309	19679	149.8	148.2	101.1	121.2	140.0	15798	18791	123.7	151.3
Q2	- 3333	17311	20644	150.5	144.1	104.4	120.1	149.5	15893	19710	123.2	161.1
Q3	- 4046	18180	22226	151.9	145.2	104.6	125.8	160.1	16700	21194	129.3	172.5
Q4	- 4061	18376	22437	152.6	145.3	105.0	127.3	161.9	16809	21430	130.3	174.5
1988 Q1	- 4512	17144	21657	154.4	145.5	106.1	118.6	157.9	15971	20690	123.2	170.4
1987 July	- 1258	6047	7305	150.7	144.6	104.2	126.2	157.6	5469	6925	128.0	169.0
Aug	- 1783	5830	7613	152.1	145.5	104.5	120.8	163.7	5446	7270	126.2	176.6
Sep	- 1004	6304	7308	152.8	145.5	105.0	130.3	159.0	5785	6999	133.8	172.0
Oct	- 1316	6107	7423	153.1	146.0	104.8	126.0	159.4	5483	6999	127.0	170.1
Nov	- 1388	6169	7557	152.5	145.2	105.0	128.1	163.4	5627	7229	130.7	176.3
Dec	- 1356	6100	7457	152.2	144.5	105.3	127.8	162.8	5699	7202	133.1	177.0
1988 Jan	- 1805	5590	7395	153.0	145.0	105.5	117.1	161.9	5309	7114	123.8	175.8
Feb	- 1636	5612	7248	154.3	145.6	106.0	116.2	157.5	5206	6857	120.2	168.8
Mar	- 1072	5942	7014	155.8	145.9	106.8	122.6	154.2	5456	6719	125.6	166.6
% Change												
Latest 3 months on												
- previous 3 months	- 6½	- 3½	+ 1	-	+ 1	- 7	- 2½	- 5	- 3½	- 5½	- 2½	
- same 3 months one	- 1	+ 10	+ 3	- 2	+ 5	- 2	+ 13	+ 1	+ 10	- ½	+ 13	
year ago												

^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.

EXPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 8

£ million, fob, seasonally adjusted

SITC (REV 3)	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	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	
1986	72834	5484	2098	8664	55036	50138	18651	9711	8940	31488	1362	5534	14362	10230
1987	79852	5599	2243	8747	61735	56140	20360	10541	9818	35780	1980	6797	15349	11654
1987 Q1	19531	1399	633	2302	14815	13459	4875	2510	2365	8584	452	1629	3734	2768
Q2	19280	1351	565	2116	14865	13512	4879	2514	2365	8633	478	1607	3736	2811
Q3	20275	1441	541	2134	15790	14426	5291	2735	2555	9136	523	1783	3843	2987
Q4	20766	1407	504	2195	16265	14742	5315	2781	2533	9428	527	1778	4035	3088
1988 Q1	18999	1270	486	1763	15078	13935	5067	2663	2404	8868	492	1582	3865	2930
1988 Jan	6268	403	179	647	4904	4632	1674	877	797	2958	166	548	1320	923
Feb	6237	412	148	598	4964	4567	1649	851	798	2917	138	523	1253	1004
Mar	6495	456	159	518	5210	4737	1744	934	810	2993	187	511	1292	1003
% Change Q1/Q4	- 8½	- 9½	- 3½	- 20	- 7½	- 5½	- 4½	- 4½	- 5	- 6	- 6½	- 11	- 4	- 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 3)	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	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	69	31	136	735	658	252	112	141	406	18	71	170	147
1986	123.9	129.5	117.3	175.5	114.1	117.0	122.8	139.4	109.3	113.6	93.2	119.8	119.7	105.7
1987	131.0	129.3	125.3	173.4	123.8	127.3	131.9	148.3	118.5	124.5	119.8	142.5	122.7	118.9
1987 Q1	129.9	131	143	183	120	123	127	144	114	120	113	138	120	113
Q2	126.4	125	123	168	119	122	127	141	115	120	118	136	119	113
Q3	131.2	132	121	161	126	130	136	152	123	127	125	148	123	123
Q4	136.7	130	115	182	130	134	137	157	121	131	125	148	130	126
1988 Q1	127.3	123	113	173	120	125	131	149	116	121	122	133	120	118
1988 Jan	127.7	115	131	186	118	125	132	150	116	122	123	136	124	112
Feb	125.0	120	106	172	118	122	127	142	115	120	103	132	115	121
Mar	129.4	135	103	162	124	127	133	154	116	123	139	131	120	121
% Change Q1/Q4	- 7	- 5	- 1	- 4½	- 8	- 6½	- 5	- 5½	- 4½	- 7½	- 3	- 10	- 7½	- 6½

^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.

Table 10

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h													
	Total	Food bever- and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures Finished manufactures excluding ships, excluding precious North Sea installations and aircraft stones & silver(PS) (SNA)								
						Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital	
														5-8 less SNAPS
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	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	136.7	140	124	81	147	148	138	141	135	154	182	156	157	145
1987	142.0	141	124	82	154	155	142	145	139	162	207	165	166	151
1987 Q1	140.8	141	123	82	152	153	141	144	139	160	201	163	163	149
Q2	141.3	140	123	81	153	154	141	145	137	162	204	163	168	150
Q3	143.0	141	125	86	154	155	143	146	140	163	210	166	167	151
Q4	142.8	141	125	79	155	156	143	146	141	164	211	167	169	152
1988 Q1	142.6	140	128	67	157	159	146	151	142	167	203	166	173	156
1988 Jan	141.7	139	125	69	156	158	145	147	143	165	202	165	172	154
Feb	142.7	138	126	68	157	159	145	149	142	168	201	166	174	157
Mar	143.4	143	132	63	158	161	149	157	142	168	207	167	174	157
% Change														
Q1/Q4	-	- ½	+ 2	- 16	+ 1	+ 2	+ 2	+ 3½	+ 1	+ 1½	- 3½	- ½	+ 2½	+ 2

^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	72834	57555	34959	6919	12075	10326	3602	13117	5491	7626	1721
1987	79852	64076	39416	7621	12993	11014	4046	13737	5222	8514	1539
1987 Q1	19531	15401	9278	1739	3435	2921	949	3346	1271	2075	420
Q2	19280	15560	9825	1891	2908	2421	935	3393	1268	2125	344
Q3	20275	16416	10156	1903	3313	2804	1044	3554	1330	2224	406
Q4	20766	16699	10157	2088	3337	2868	1117	3444	1353	2091	368
1988 Q1	18999	15004	8860	1704	3385	2834	1054	3183	1158	2024	396
1988 Jan	6268	4781	2728	521	1165	1004	367	1067	410	658	150
Feb	6237	4968	2956	561	1114	941	337	1049	407	643	117
Mar	6495	5256	3176	623	1107	889	350	1066	342	724	130
% Change											
Q1/Q4	- 8½	- 10	- 13	- 18	+ 1½	- 1	- 5½	- 7½	- 14	- 3	+ 7½

K See paragraph 5 of Notes to Editors.

IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 3)	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	
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	85568	10033	5066	6278	63091	59729	20595	7361	13234	39133	4809	10158	13274	10893
1987	94016	10132	5688	6099	71217	67639	23319	8347	14971	44320	5024	11502	15390	12403
1987 Q1	21898	2489	1414	1481	16319	15468	5391	1954	3437	10077	1070	2616	3478	2913
Q2	22698	2462	1433	1466	17140	16274	5642	2010	3632	10631	1198	2820	3692	2921
Q3	24550	2549	1448	1637	18666	17727	6043	2157	3886	11684	1397	2990	4053	3244
Q4	24869	2632	1394	1515	19091	18170	6242	2226	4016	11928	1358	3077	4168	3326
1988 Q1	24032	2540	1372	1241	18645	17726	6168	2131	4037	11558	1440	2774	3935	3409
1988 Jan	8163	830	427	411	6423	6171	2073	718	1355	4098	567	932	1399	1200
Feb	8038	849	461	382	6270	5889	2056	730	1326	3833	487	927	1295	1124
Mar	7831	862	483	449	5953	5666	2039	684	1356	3626	386	915	1241	1084
% Change Q1/Q4	- 3½	- 3½	- 1½	- 18	- 2½	- 2½	- 1	- 4	+ ½	- 3	+ 6	- 10	- 5½	+ 2½

^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 3)	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	
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	134.2	124.3	108.2	94.0	148.2	163.0	151.9	188.1	136.8	170.3	131.6	161.0	186.5	179.8
1987	144.4	125.0	119.5	95.4	162.6	179.5	166.5	207.2	149.5	188.0	125.4	181.0	209.9	199.6
1987 Q1	133.7	122	122	92	147	163	153	193	137	168	105	162	187	184
Q2	140.0	121	122	90	158	174	163	204	146	181	121	178	202	189
Q3	150.7	126	120	102	171	188	173	216	156	198	142	188	221	210
Q4	153.1	131	114	97	175	193	176	216	159	205	134	197	231	216
1988 Q1	147.8	128	115	88	170	187	173	204	160	196	139	176	221	216
1988 Jan	150.6	126	107	87	176	196	174	205	161	210	166	177	241	229
Feb	147.1	129	116	79	170	186	173	211	158	194	141	176	216	213
Mar	145.8	130	121	97	163	180	172	197	162	185	109	177	207	205
% Change Q1/Q4	- 3½	- 2½	-	- 9½	- 3	- 3	- 1½	- 5½	+ ½	- 4	+ 3½	- 11	- 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.

Table 14

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures Finished manufactures excluding ships, excluding precious North Sea installations and aircraft stones & silver(PS) (SNA)									
						Total	Chem- icals	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	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	133.1	136	114	97	143	144	133	141	130	152	170	147	157	141	
1987	136.5	136	117	93	149	151	138	147	134	159	185	152	163	148	
1987 Q1	138.5	138	117	94	151	152	138	147	134	162	189	155	166	152	
Q2	135.3	136	117	93	147	149	137	145	133	157	183	148	163	148	
Q3	136.4	135	118	95	148	150	138	149	134	158	184	152	162	147	
Q4	135.9	134	117	91	149	151	140	149	136	158	185	152	160	147	
1988 Q1	135.1	136	119	83	149	151	140	148	137	159	191	153	160	149	
1988 Jan	134.7	135	118	83	148	151	140	149	136	158	185	152	161	148	
Feb	135.3	135	119	84	149	151	140	147	137	159	190	153	160	149	
Mar	135.2	136	121	81	149	152	140	147	138	160	197	154	160	149	
% Change															
Q1/Q4	- ½	+ 1½	+ 2½	- 9½	-	+ ½	-	- 1	+ ½	+ 1	+ 3	+ 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	85568	73152	44459	11840	10020	8445	6834	10144	2056	8088	1856
1987	94016	80490	49557	12869	10781	9136	7282	10985	1700	9286	2097
1987 Q1	21898	18699	11520	3043	2463	2060	1673	2512	432	2079	487
Q2	22698	19673	12166	3190	2625	2230	1691	2584	375	2210	501
Q3	24550	20903	12898	3232	2867	2435	1905	2978	451	2527	553
Q4	24869	21215	12973	3404	2826	2412	2013	2912	442	2470	558
1988 Q1	24032	20663	12699	3241	2762	2319	1961	2677	418	2259	453
1988 Jan	8163	7173	4598	1079	867	732	630	838	137	700	165
Feb	8038	6854	4131	1091	930	779	703	910	142	768	144
Mar	7831	6636	3970	1072	965	809	629	929	139	790	144
% Change											
Q1/Q4	- 3½	- 2½	- 2	- 5	- 2	- 4	- 2½	- 8	- 5½	- 8½	- 19

K See paragraph 5 Notes to Editors.

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R3)	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	5445	9196	- 3752	2109	4495	- 2386	8664	5977	+ 2687
1987	5550	9326	- 3776	2257	4965	- 2708	8748	5804	+ 2944
1986 Q2	1282	2228	- 946	470	1098	- 629	1905	1423	+ 482
Q3	1374	2328	- 955	560	1052	- 492	1606	1363	+ 243
Q4	1542	2399	- 857	559	1219	- 660	1978	1499	+ 480
1987 Q1	1389	2282	- 893	637	1258	- 621	2302	1413	+ 889
Q2	1352	2282	- 930	575	1238	- 664	2117	1400	+ 717
Q3	1426	2347	- 921	543	1270	- 726	2134	1563	+ 571
Q4	1383	2415	- 1032	502	1198	- 696	2194	1428	+ 767
1988 Q1	1257	2034	- 778	489	1188	- 699	1763	1142	+ 621
SITC (R3)	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	20839	21406	- 568	34088	38827	- 4739	54927	60233	- 5307
1987	22503	23991	- 1488	39053	44106	- 5053	61556	68097	- 6542
1986 Q2	5225	5153	+ 72	8549	9184	- 635	13774	14337	- 563
Q3	5227	5313	- 86	8383	10061	- 1677	13610	15373	- 1763
Q4	5544	5627	- 83	9119	10682	- 1562	14664	16309	- 1645
1987 Q1	5467	5662	- 195	9358	9893	- 535	14825	15555	- 730
Q2	5519	5794	- 275	9413	10719	- 1306	14932	16513	- 1581
Q3	5731	6171	- 439	10029	11698	- 1669	15760	17868	- 2109
Q4	5786	6365	- 579	10253	11796	- 1543	16038	18161	- 2122
1988 Q1	5472	6335	- 863	9458	11471	- 2014	14930	17807	- 2877

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

FROM: D W OWEN
DATE: 3 JUNE 1988

*What adjustment
has been made for
the overstatement of
exports in Jan &
compare with previous
of exports in Jan?
(As a result
of the shift
(SAD).
r*

SIR P MIDDLETON

cc PPS ←
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr Hibberd

BALANCE OF PAYMENTS FIGURES FOR 1988Q1

The CSO are currently preparing the preliminary estimates of the invisibles figures and current account for the first quarter of 1988, which will be published on 16 June. The estimates are not yet complete but the early indications are that the invisibles surplus in the first quarter could be around £½ billion lower than the £1.8 billion projection included in the published monthly current account estimates.

2. This would represent a very sharp deterioration in the invisibles balance compared with last year, when the average quarterly surplus was £2.0 billion. It largely reflects a fall in the services surplus, in part because high expenditure overseas by UK residents has increased the travel deficit. So far revisions to invisibles for 1987 are small, but have reduced the estimated surplus by around £100 million.

Why?

3. We have also been told that DTI have discovered an error in the published estimates of imports of goods for the first quarter of 1988. Imports of food, drink and tobacco in this period have been underestimated by around £300 million. The correct figure will be published together with the invisibles figures on 16 June.

4. There is further information to come on invisibles, including the travel estimates for March, so there could still be significant revisions before publication. But on the basis of the present figures, including the corrected import figures, the current account deficit for 1988Q1 to be published on 16 June could be around £2¼ billion. This compares with an estimate of £1.9 billion

published in the April trade figures press notice on 27 May, and a revised deficit for 1987 as a whole of £1.8 billion. It would bring the deficit for the first four months of the year to around £3¼ billion. The CSO may well reduce their projection of the monthly invisibles surplus - previously £0.6 billion a month - when the May trade figures are published on 27 June.

5. We will let you know the final figures when they are available towards the end of next week.*

David Owen

D W OWEN
EA2

* Mr Allan.

We will let the Chancellor have a note on bank provisioning before the final figures are available next week.

David Owen

BF 13/6



FROM: MISS M P WALLACE

DATE: 6 June 1988

MR D W OWEN

cc Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr Hibberd

BALANCE OF PAYMENTS FIGURES FOR 1988 Q1

The Chancellor has seen your minute of 3 June to Sir P Middleton. He would be interested to know what adjustment has been made for the over-recording of exports in December, and consequent under-recording of exports in January, as a result of SAD forestalling.

A handwritten signature in dark ink, appearing to read 'Mpw'.

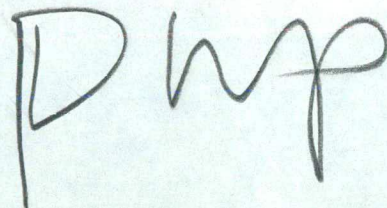
MOIRA WALLACE

CONFIDENTIAL

From: S D H SARGENT

Date: 7 June 1988

MR D W OWEN

cc PPS —
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr HibberdBALANCE OF PAYMENTS FIGURES FOR 1988 Q1

Sir Peter Middleton was grateful for your minute of 3 June.

**S D H SARGENT**
Private Secretary

FROM: D W OWEN
DATE: 9 JUNE 1988

Thank. I agree with X. It wd be wise to get a note from the minister on this. 24.8 for the year? What is the explanation?

CHANCELLOR

cc Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr Hibberd
Mr Davis

BALANCE OF PAYMENTS FIGURES FOR 1988Q1

The CSO have now given us the final estimates of the invisibles surplus and the current account for the first quarter of 1988, which will be published on Thursday 16 June. They show only small changes compared to the figures I reported in my note to Sir Peter Middleton of 3 June 1988.

2. The current account deficit for 1988Q1 is now estimated at £2.8 billion. This reflects an invisibles surplus of £1.2 billion, compared with £1.6 billion in 1987Q4 and an average quarterly surplus of £2.0 billion in 1987. The visible deficit for 1988Q1 is now put at £4.0 billion, £0.3 billion larger than in the last DTI trade press notice, reflecting the discovery of an error in the previous estimates for imports of food, drink and tobacco. The cumulative current account deficit for the first four months of 1988 amounts to £3¼ billion.

3. Revisions to earlier years remain small, but have changed a little since my note of 3 June. The current account is now estimated to have been in deficit by £1.6 billion in 1987, £0.1 billion less than the latest published estimate. Similarly, the small current account surplus in 1986 has been revised up by £0.1 billion.

4. We will circulate our usual briefing note early next week, when we have seen and had a chance to analyse the detailed invisibles figures. However, it is already clear that, following the publication of these figures, it will be very hard to maintain our agnostic public line on whether the FSB current account forecast was too optimistic. It would probably be sensible to

admit that recorded deficits so far this year point to a higher figure for 1988 as a whole than published in the FSBR, but to stress that the recent figures have been distorted so that the underlying trend will not be clear for a little while. This is the line we have suggested in briefing for oral PQs next week.

5. You asked whether the visibles figures to be published on 16 June include any adjustment for distortions to the monthly pattern of exports resulting from the introduction of the SAD (Miss Wallace's minute of 6 June). DTI and Customs are still examining the evidence on the effect of Customs '88, both to estimate the size of distortions around the turn of the year and to establish whether the monthly figures are now largely free of timing of distortions, as they believe. This analysis may not be complete until towards the end of June. As a result, neither these quarterly figures, nor the monthly trade figures due to be published on 27 June, will include any adjustment for distortions. We have urged DTI not to published hastily prepared estimates, which might need to be revised substantially as further information comes in, and could easily suggest to commentators that the adjusted figures are entirely free of distortions.

6. Apart from timing distortions associated with the SAD, we have more general worries that exports are being underrecorded. Customs are preparing a paper on this which will be discussed at a meeting of Sir Peter Middleton's group on balance of payments statistics on 5 July. At that time we should also have the preliminary results of the first routine Customs' survey of export underrecording to be conducted since the SAD was introduced. This should indicate if there has been any serious rise in underrecording compared with last year. We will be in a much better position to decide how and when to announce adjustments to the export figures after we have seen the results of these investigations.

David Owen

D W OWEN

CONFIDENTIAL

FROM: A C S ALLAN
DATE: 10 June 1988*1 Andes*
2 pny

MR D W OWEN

cc Sir P Middleton
Sir T Burns
Mr Scholar
Mr Sedgwick
Mr Hibberd
Mr Davis**BALANCE OF PAYMENTS FIGURES FOR 1988Q1**

The Chancellor was grateful for your minute of 9 June. He agrees with you that the line on whether the FSBR forecast was too optimistic should be to admit that the recorded deficit so far this year points to a higher figure for 1988 as a whole.

2. The Chancellor will be interested to see your analysis of the detailed invisible figures. Does the Q1 figure of £1.2 billion imply a £4.8 billion surplus for the year? Or are there special factors in Q1? If not, what factors explain the deterioration of £3½ billion from the Budget forecast?

A handwritten signature in black ink that reads 'A C S ALLAN'.

A C S ALLAN

Paul Davis

FROM: PAUL DAVIS
DATE: 14 JUNE 1988

1. MR HIBBERD

Jim Hibberd 14/6

2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Sir P Middleton
Sir T Burns
Mr Peretz
Mr Sedgwick
Mr Gieve
Mr Pickford
Mr Owen
Mr McLaren
Mr Segal

Mr Cresswell CSO
Mr Gray No. 10

*Q1 ✓ 1988
was £2.4bn
a
(we dismissed para 13)
Pick (in)
(TCSC transcript below)*

BALANCE OF PAYMENTS FIGURES : FIRST QUARTER OF 1988

The invisibles and capital account figures for the first quarter of 1988 will be published at 11.30 am on Thursday 16 June, together with revisions to previous quarters.

Main Points

2. The main points are:

- The invisibles surplus in the first quarter was £1241 million (compared with a CSO projection of £1800 million). This compares with a revised £1591 million in the previous quarter and an average quarterly surplus of £2.0 billion in 1987.
- An upward revision of £308 million to imports has been made in the first quarter, reflecting the discovery of an error in the previous estimates for imports of food, drink and tobacco. As a result the visible deficit is now put at £4 billion in the first quarter.
- The revision to imports and the lower than projected invisibles surplus in the first quarter means that the current account deficit in Q1 is now estimated at £2776 million, compared with £1909 million published in the April trade figures press notice. The cumulative current account deficit

JKL
JKL

in the first four months of 1988 is now estimated at £3¼ billion.

- The deterioration in the invisibles surplus over the past two quarters is largely accounted for by a fall in the services surplus, reflecting in particular a rise in the travel deficit and a fall in the surplus on financial and other services.
- Revisions to previous years' balances were small, raising the invisibles surplus by £0.1 billion in both 1986 and 1987.
- The CSO's revised projection for the invisibles balance in the second quarter will be published in the DTI current account press notice for the May trade figures on 27 June. It is clearly possible that it will be below the current projection of £1.8 billion.

Table 1 Balance of payments summary

£ billion

	1986	1987	Q1	Q2	Q3	Q4	1988 Q1
Visible balance	-8.5	-9.6	-1.2	-2.3	-3.1	-3.0	-4.0
Services	5.7	5.8	1.5	1.5	1.6	1.2	0.9
IPD+	5.0	5.7	1.5	1.4	1.5	1.3	1.4
Transfers	-2.2	-3.4	-0.8	-0.8	-1.0	-0.9	-1.0
Total Invisibles	8.6	8.1	2.2	2.1	2.2	1.6	1.2
Current Account	0.1	-1.6	1.0	-0.2	-0.9	-1.4	-2.8
Net capital transactions*	-12.3	1.3	1.7	0.3	-3.3	2.7	-0.4
Balancing item*	12.2	0.2	-2.3	0.4	4.2	-2.1	3.5

+ Interest, profits and dividends

* Not seasonally Adjusted

Services

3. The travel deficit rose by £250 million in the first quarter, reflecting a sharp increase in UK residents' spending abroad. This continues the trend of recent years in response to strong growth in UK consumers' expenditure and, in the past eighteen months, the appreciation of sterling. In the first quarter there was larger than usual expenditure on travel to non-EC non-US destinations

which may be temporary. There was little change in the civil aviation deficit in Q1, although the trend in this is also firmly upwards. The sea transport deficit remained close to its average level of the past two years.

4. The surplus on financial and other services levelled out in 1987 following strong growth in previous years. In the first quarter of 1988 the surplus remained well below the peak reached in mid 1987. Within financial services, there was a further fall in net premiums earned by Lloyds as a result of an increased level of claims. There was a £0.2 billion upward revision for 1987 to banks' services earnings following 1987 survey results.

Interest, Profits and Dividends

5. The surplus on interest profits and dividends (IPD) rose slightly in Q1 and was close to the average quarterly surplus in 1987. Direct investment credits and debits of non-oil companies were little changed in the first quarter. There were large but mainly offsetting revisions to UK banks direct investment credits and debits reflecting provisioning for bad debts. However there was a fall in both credits and debits of UK oil companies reflecting the fall in the oil price. There was little change in net portfolio earnings or in net IPD earnings of UK banks in the first quarter.

Transfers

6. The deficit on transfers increased by £0.1 billion in the first quarter, partly as a result of an increase in bilateral aid debits as departments spent up to their financial year limits. There was little change in the balance of contributions to the EC.

Capital Transactions

7. There was a small net identified capital outflow of £0.4 billion in the first quarter which together with a current account deficit of £2.8 billion implies a positive balancing item of £3.5 billion (not seasonally adjusted).

Table 2 Capital Account

	£ billion						
	1986	1987	Q1	Q2	Q3	Q4	1988 Q1
<u>Net flows</u>							
Direct investment	-7.3	-10.0	-1.0	-4.8	-3.8	-0.4	-1.2
Portfolio investment	-15.2	+19.8	+1.1	+2.7	+4.6	+11.4	-2.3
Banks' net foreign currency lending abroad	+10.3	-1.2	+2.5	+4.3	-3.9	-4.1	2.1
Banks' net sterling lending abroad	-0.4	+3.9	+1.2	+1.4	+0.2	+1.1	+1.0
Other	+3.1	+0.9	-0.6	+1.2	-0.1	+0.4	+0.7
Official reserves	-2.9	-12.0	-1.5	-4.5	-0.3	-5.8	-0.7
Total	-12.3	+1.3	+1.7	+0.3	-3.3	+2.7	-0.4

8. Direct investment gross outflows were £2.7 billion in the first quarter, unchanged from the previous quarter. Within this figure was the purchase by National Westminster Bank of First Jersey Corporation (USA) for around £½ billion and Allied Lyons takeover of Hiram Walker (Canada) for £0.2 billion. On the inward side, direct investment flows fell £0.9 billion to £1.4 billion in the first quarter.

9. Outward portfolio investment turned around from a net inflow of £9.8 billion in the fourth quarter as banks and other financial institutions divested themselves of foreign bonds and equities, to a net outflow of £2.4 billion in the first quarter. Portfolio liabilities were little changed in the first quarter. Net foreign currency lending by UK banks turned around from a net outflow of £10 billion in the fourth quarter to a net inflow of £3.8 billion in the first quarter, although we have received no clear explanation of this from the CSO.

Assessment

10. The quarterly invisibles estimates are always volatile and subject to substantial revision. Although the fall since mid 1987 is unusually sharp, we have been able to identify only a few specific erratic factors. Nevertheless it seems most unlikely that the first quarter estimate accurately reflects the underlying position. We expect the financial and other services surplus to

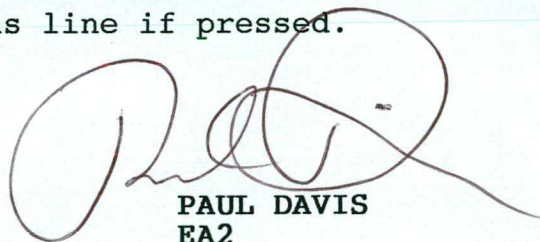
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recover from its recent fall, although growth may well be slower than over the past few years. Estimates of the travel deficit are particularly erratic and it would not be surprising if there were some fall from the very large first quarter deficit. The transfers deficit in the first quarter was boosted by unusually large bilateral aid payments.

11. Although we can be by no means confident of the position, these factors all point to a considerably larger invisibles surplus for 1988 as a whole than the £5 billion implied by extrapolating the Q1 estimate. Nevertheless, on present estimates, it seems unlikely that the surplus will be as large as the £8½ billion projected in the FSBR.

12. In view of this, and the deterioration in the visibles balance in the first few months of the year, it is difficult to defend the FSBR forecast of a £4 billion current account deficit in 1988 as a whole. As agreed, we propose to take the line that the recorded deficits so far this year point to a larger current account deficit than forecast in the FSBR, but to emphasise that recent distortions associated with new Customs procedures make it difficult to assess trends. It is unlikely that visibles figures adjusted for these timing distortions will be available for some time.

13. I would appreciate clearance for the attached press briefing. It would also be helpful to know if you are content for the press office to use the changed line on the FSBR forecast before you have a chance to introduce it yourself at first order questions on Thursday afternoon. The press office would clearly find it difficult to maintain the previous line if pressed.



PAUL DAVIS
EA2

DRAFT PRESS BRIEFING FOR IDT

Line to take

Distortions to visible balance in recent months, due to changes in Customs procedures and erratic nature of quarterly invisibles estimates, make trends difficult to discern. But figures now probably point to a larger current account deficit for 1988 than the £4 billion forecast at Budget time.

Pre Tsy Questions: Current account figures after correction and subject to large revision.

Positive

1. Current account deficit in 1987 now estimated at £1.6 billion, less than $\frac{1}{2}$ per cent of GDP and much less than deficits in mid-1970s (3-4 per cent). Cumulative surplus of £21½ billion in 1980-87 inclusive.
2. UK invisibles surplus in 1987 largest in world according to OECD June Economic Outlook.

Defensive

1. Invisibles surplus declining. Quarterly figures erratic. Fall in first quarter balance mainly due to increased travel deficit, reflecting strong growth in UK consumers' expenditure and strength of sterling, but surplus on financial services despite fall in net insurance earnings, and interest, profits and dividends still strong.
2. Travel deficit likely to worsen in Summer? No. Figures are seasonally adjusted.
3. Current account deficit so far this year implies FSBR forecast too optimistic. Figures since January distorted, but recorded deficits so far this year suggest higher figure for 1988 than published in FSBR. Next published forecast will be in Autumn Statement in November.

Pre Tsy Questions: New forecast will be published in AS in usual way. Never make new forecasts between times.

- Diff to!*
- 3-3 1/2% DP*
4. UK deficit likely to reach US proportions. No. US deficit caused by large and persistent US government fiscal deficit. *sign of that.*
Stance of UK fiscal policy altogether different. *Position in UK & US completely different: US large & persistent government fiscal deficit, UK in budget surplus.*
5. UK deficit reflects rise in consumer expenditure. True that consumer goods imports risen in latest three months on a year earlier but imports of semi-manufactures, intermediate and capital goods also rising strongly, reflecting buoyant investment, output and stockbuilding. Surveys show continuing strong investment.
6. Rising consumer spending will lead to worsening current account deficit. Deficit reflects strong growth in consumer demand and activity relative to growth in many export markets. Also strong growth in imports of capital goods, intermediates and semi-manufactures.
7. Reason for distortion to current account figures. Associated with changes in the Customs documentation and classification system. Evidence that export documentation accelerated during December 1987 in advance of administrative changes - may have brought forward recording of some exports from first quarter into December. But prudent to await further months' data before deciding to what extent pattern of trade distorted.
8. Positive balancing item in first quarter implies unrecorded current account credits. May imply unrecorded current account credits or unrecorded capital inflows. Would not be surprising if some of errors occurred in current account.
9. CSO estimate of invisibles unreliable. Estimates based on latest information available. New information coming in all the time. Always state that most recent quarter provisional. Further revisions to recent quarters' estimates possible as new information becomes available.
10. CSO projections of invisibles misleading. 1988Q1 invisibles surplus at £1.2 billion rather worse than CSO projection of £1.8 billion. Projections based on available information which is subject to revision. 1988Q2 projection to be published with May trade figures on 27 July will take account of first quarter data.

pry

SECRET AND PERSONAL until release of press notice on 27 June 1988 at 11.30 am and thereafter unclassified

To: MINISTER FOR TRADE

Copy No 3... (28)

From: PETER STIBBARD
US/S2
V/260 Ext 4872

17 June 1988

OVERSEAS TRADE FIGURES FOR MAY: EXPORTS

1 The value of exports in May, seasonally adjusted on a balance of payments basis, is estimated at £6.5 billion, £0.3 billion lower than in April. Exports of oil fell by £0.1 billion but exports of the erratic items were little changed. Excluding oil and the erratic items exports fell by 3½ per cent between April and May.

2 In the three months ended May the total value of exports increased by 2½ per cent compared with the previous three months; excluding oil and the erratic items the increase was 3 per cent.

3 In the three months ended May, total export volume was 1 per cent higher than in the previous three months and 2 per cent higher than in the same period a year ago. Excluding oil and the erratic items export volume was 2 per cent higher in the latest three months and 4½ per cent higher than a year earlier. The volatility of figures during 1988 makes it difficult to determine the extent of the change in the underlying level of exports since the beginning of the year.

4 Recent export figures are shown in the attached table; charts plotting the main aggregates are also attached. A note on May imports, the latest projections of the invisibles balance, and the current account will be circulated on Tuesday 21 June. The press notice is scheduled for release on Monday 27 June.

Quality of the data

5 The ferry operators' strike at Dover continued during May, with exports being diverted to other Channel ports, particularly Ramsgate. The effect on the May export figures is thought to be small.

*not a
bad
fact
MRL:*



the department for Enterprise

SECRET AND PERSONAL until release of press notice on 27 June 1988 at 11.30 am and thereafter unclassified

6. Analysis of the timing effects of Customs '88 is continuing, but will not be completed in time to allow estimates of these to be included in this month's press notice.

A handwritten signature in black ink, appearing to be 'PJS' with a flourish underneath.

P J STIBBARD

=====

EXPORTS

(Balance of payments basis: seasonally adjusted)

=====

		---TOTAL TRADE ---		EXCLUDING ---OIL AND ERRATICS---	
		VALUE	VOLUME	VALUE	VOLUME
		£m	(1980=100)	£m	(1980=100)

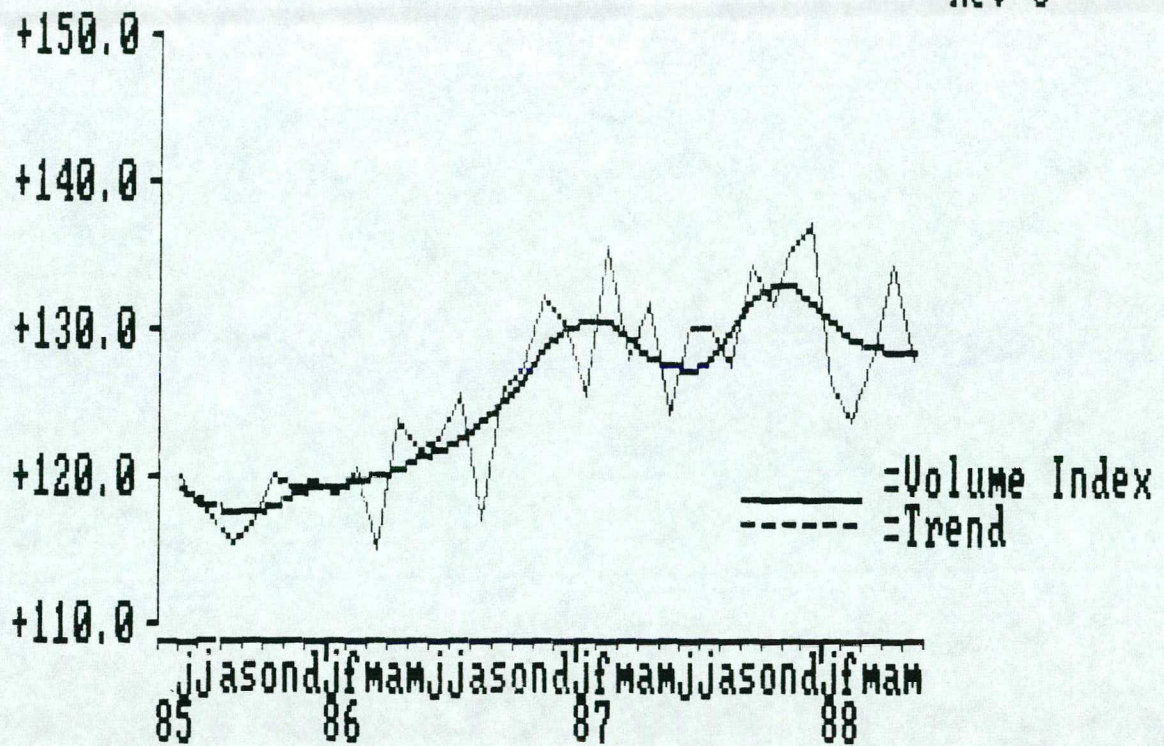
1987	Q1	19530	129.5	15798	123.7
	Q2	19357	126.6	15893	123.2
	Q3	20235	130.6	16700	129.3
	Q4	20500	134.8	16809	130.3
1988	Q1	18826	126.0	15964	123.2

1987	DEC	6817	137.1	5699	133.1
1988	JAN	6209	126.4	5307	123.8
	FEB	6176	123.6	5202	120.1
	MAR	6441	128.1	5455	125.6
	APR	6793	134.2	5707	131.2
	MAY	6481	128.0	5509	127.7

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 27.6.88

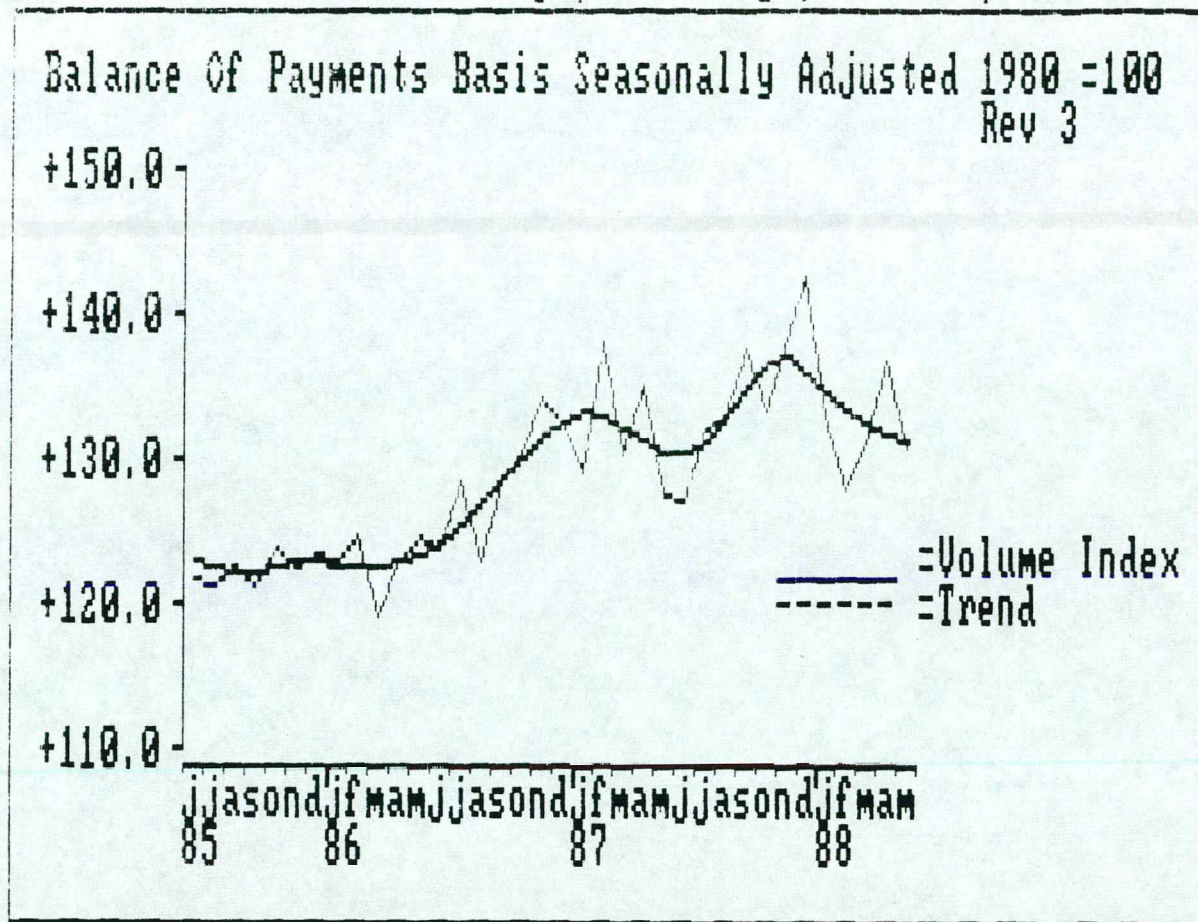
TOTAL TRADE

Balance Of Payments Basis Seasonally Adjusted 1980 = 100
Rev 3



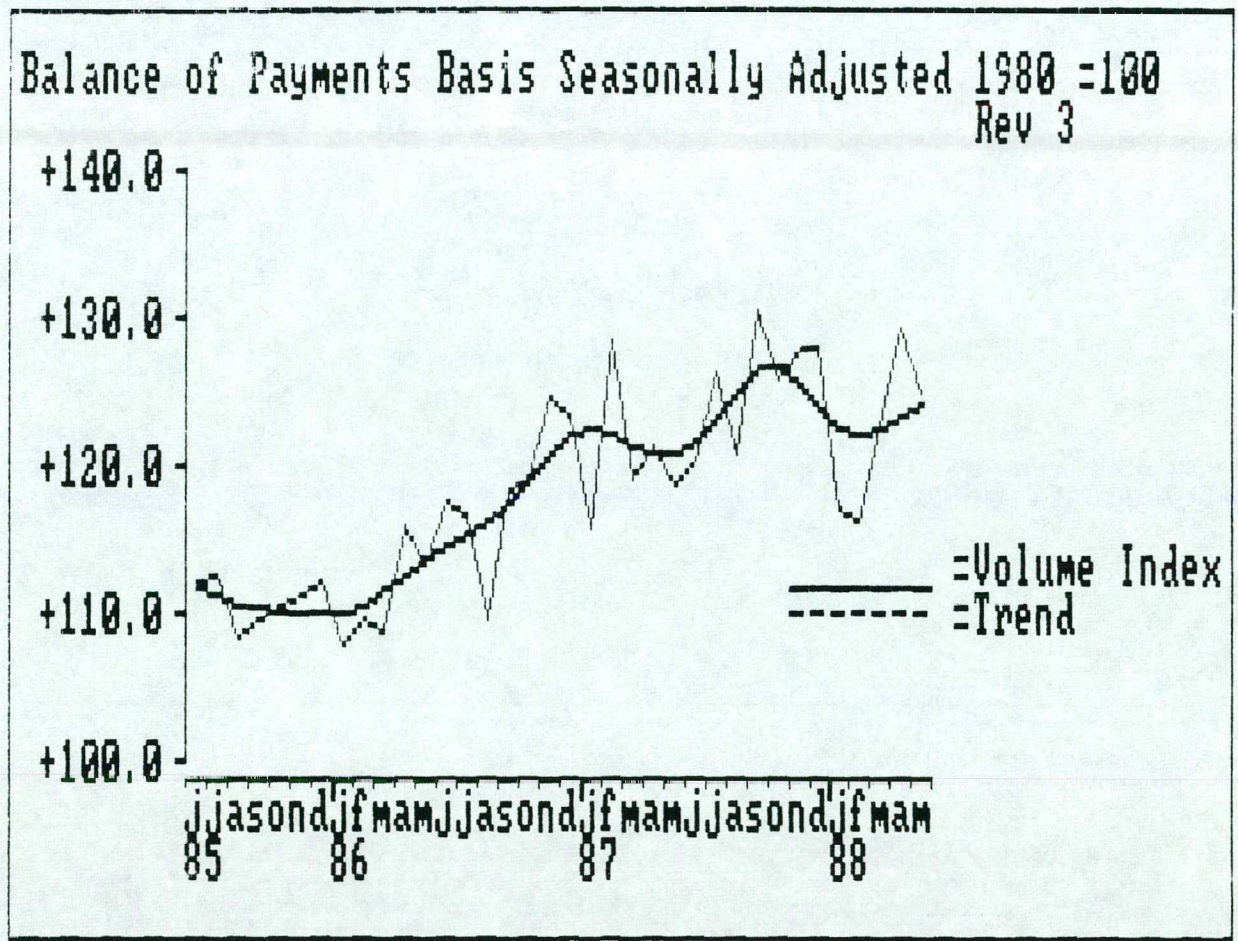
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EXPORTS LESS ERRATICS (Ships, N Sea Rigs, Aircraft, Precious Stones, Silver)



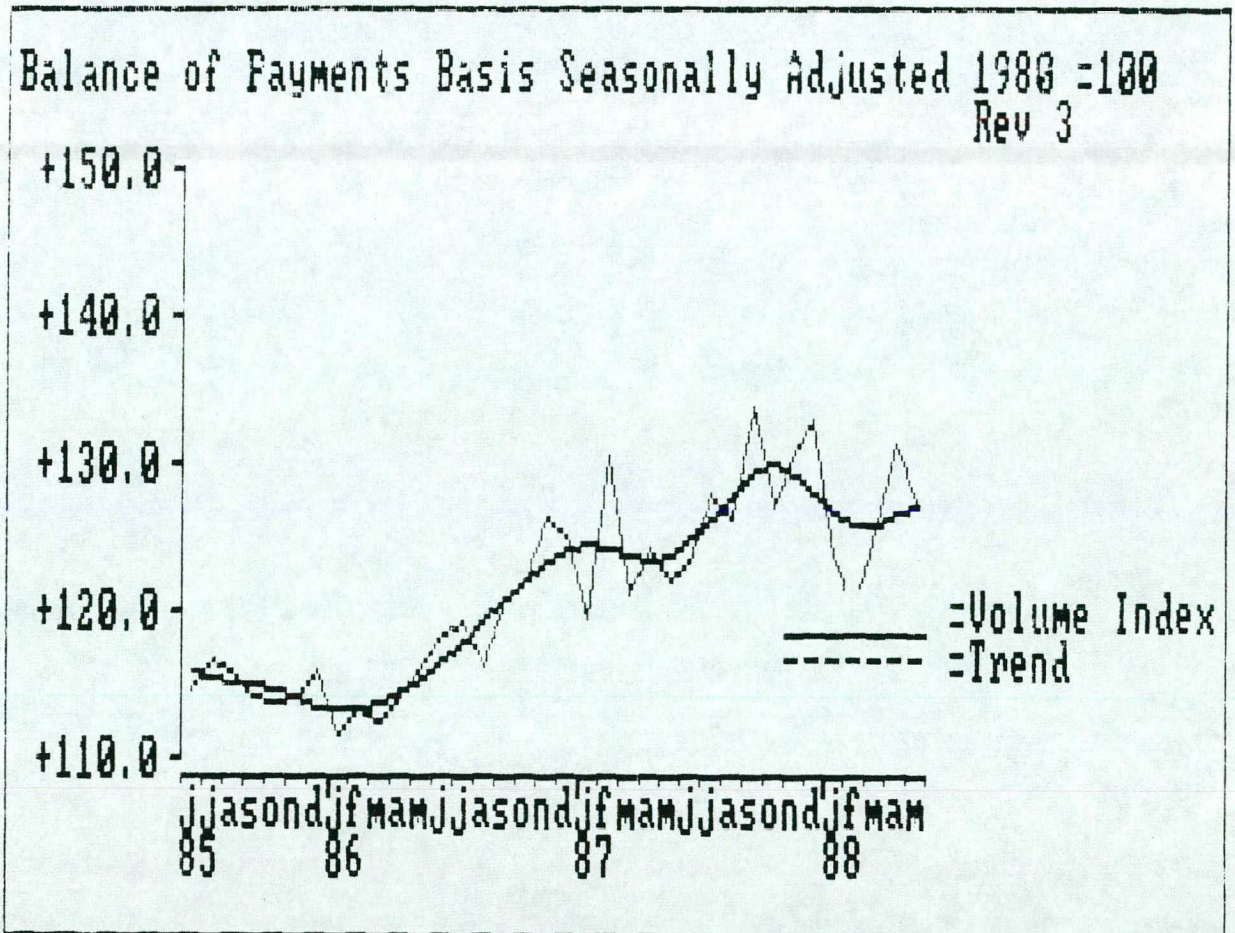
SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 27.6.88

EXPORTS LESS OIL



SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 27.6.88

EXPORTS LESS ERRATICS AND OIL



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To: MINISTER FOR TRADE

Copy No. (3) 28

From: PETER STIBBARD
US/S2
V/260
215 4872
21 June 1988

OVERSEAS TRADE FIGURES FOR MAY 1988

THE CURRENT ACCOUNT

In May, the value of exports was £6.5 billion and imports £8.2 billion, so that visible trade, seasonally adjusted on a balance of payments basis, shows a deficit of £1.7 billion compared with the revised deficit of £1.2 billion in April.

The Central Statistical Office now project a surplus on invisibles of £0.5 billion for months in the second quarter of 1988 so that the current account is provisionally estimated to have been in deficit by £1.2 billion, compared with a revised but still provisional estimate of £0.7 billion in April (see penultimate paragraph for more details of recent revisions).

TABLE 1: CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Table 2 of Press Notice)

	Current Account Balance	Visible Trade Balances			Invisibles Balance
		Total	Oil	Non-oil	
1986	+ 116	-8463	+4056	-12519	+8579
1987	-1560	-9625	+4184	-13809	+8065
Dec-Feb 1988	-2684	-4041	+1014	-5055	+1357
Mar-May 1988	-2505A	-3919	+ 743	-4662	+1414A
1988 March	- 572A	- 986	+ 213	-1199	+ 414
April	- 728A	-1228	+ 309	-1537	+ 500A
May	-1205A	-1705	+ 221	-1926	+ 500A

Seasonally adjusted
Balance of Payments
Basis
£ million

A = Projection or part projection

As ever, we will discourage commentators from putting much weight on a single month's figure, but they are sure to note that this is a record monthly deficit, slightly higher than that now recorded for January (which may have been adversely affected by the 'Customs '88' administrative changes).

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In the three months ended May there was a deficit on visible trade of £3.9 billion - a surplus on trade in oil of £0.7 billion, offset by a deficit in non-oil trade of £4.7 billion. Between the three months ended February and the latest three months, the visible trade deficit decreased by £0.1 billion; the surplus on oil fell by £0.3 billion while the deficit on non-oil trade fell by £0.4 billion.

EXPORTS

The value of exports in May was £312 million ($4\frac{1}{2}$ per cent) lower than in April. Exports of oil decreased by £72 million between the two months and exports of the erratic items decreased by £43 million. Excluding oil and the erratic items, exports fell by $3\frac{1}{2}$ per cent between April and May.

In the three months ended May, total export volume was 1 per cent higher than in the previous three months and 2 per cent higher than in the same period a year earlier. Excluding oil and the erratic items, export volume was 2 per cent higher than in the previous three months and $4\frac{1}{2}$ per cent up on the same period a year ago. The volatility of figures during 1988 makes it difficult to determine the extent of the change in the underlying level of exports since the beginning of the year.

TABLE 2: EXPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

Bop Basis, Seasonally Adjusted

	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total Less Oil and erratics	Total	Total less Oil and erratics
1986	72678	59098	123.3	118.0
1987	79622	65200	130.4	126.6
Dec-Feb 1988	19202	16208	129.0	125.7
Mar-May 1988	19715	16670	130.1	128.2
1988 March	6441	5455	128.1	125.6
April	6793	5707	134.2	131.2
May	6481	5509	128.0	127.7

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By value, exports of manufactures during the three months ended May were 5 per cent up on the previous three months; within manufactures, exports of consumer goods other than passenger motor cars fell by $6\frac{1}{2}$ per cent.

Also by value, total exports rose by $2\frac{1}{2}$ per cent between the three months ended February and the latest three months. The rise in exports to the developed countries was 6 per cent - within which exports to the rest of the European Community rose by 13 per cent while exports to North America fell by 10 per cent.

IMPORTS

The value of imports in May was £165 million higher than in April. Imports of oil rose by £16 million and imports of the erratic items increased by £197 million between the two months. Excluding oil and the erratic items, imports fell by $\frac{1}{2}$ per cent between April and May.

In the three months ended May, total import volume was $1\frac{1}{2}$ per cent higher than in the previous three months and 11 per cent higher than in the same period last year. Excluding oil and the erratic items import volume rose by 1 per cent in the three months ended May to stand 11 per cent up on a year ago. It is too soon to say whether the underlying level of imports is now above the high level reached at the end of 1987.

TABLE 3: IMPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

Bop Basis, Seasonally Adjusted

	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total Less Oil and erratics	Total	Total Less Oil and erratics
1986	81141	73346	134.6	151.6
1987	89247	81125	144.6	164.9
Dec-Feb 1988	23243	21425	151.3	174.1
Mar-May 1988	23634	21692	153.5	176.0
1988 March	7427	6847	146.0	167.1
April	8021	7446	155.8	180.7
May	8186	7399	158.7	180.2

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By value, imports rose by $1\frac{1}{2}$ per cent between the three months ended February and the latest three months. Imports of passenger motor cars fell by 7 per cent but imports of other consumer goods rose by 4 per cent.

Again in value terms, imports from the developed countries rose by 3 per cent over the three months ended May, with arrivals from the European Community countries up by $\frac{1}{2}$ per cent, from North America up by 14 per cent and from the other developed countries down by $3\frac{1}{2}$ per cent. Imports from the developing countries increased by $2\frac{1}{2}$ per cent between the two three-month periods.

TRADE IN MANUFACTURERS

Figures showing trade in manufacturers on a balance of payments basis will be published in the July edition of the Monthly Review of External Trade Statistics following the release of the press notice. On present estimates they show a deficit in the three months ended May of £2.8 billion compared with a deficit of £3.0 billion in the previous three months.

TABLE 4: trade in manufactures (SITC 5-8) (Table 16 of Press Notice, quarterly data only)

	£million Seasonally Adjusted Balance of Payments Basis		
	Exports	Imports	Balance
1986	54927	60233	-5307
1987	61556	68097	-6542
Dec-Feb 1988	15085	18129	-3044
Mar-May 1988	15836	18621	-2785
1988 March	5162	5689	- 527
April	5455	6387	- 932
May	5219	6545	-1326

QUALITY OF THE FIGURES

The ferry operators' strike continued throughout May, but the volume of trade through Dover was less affected than in April. As with exports, most of the shortfall was diverted to other ports, and the overall effect on the May figures is thought to be small.

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REVISIONS TO FIGURES

Figures for imports on a balance of payments basis for January to April 1988 have been revised to correct an error in the freight component of the 'balance of payments' adjustment. As a result figures for imports for January to April 1988 have been revised upwards by £0.1 billion a month.

The projections for invisible trade for January to March 1988 have been replaced by figures based on the preliminary estimates for the first quarter of 1988 published by the Central Statistical Office last Thursday, 16 June and projections for months in the second quarter of 1988 have been revised downwards. As a result the deficit on current account for the period January to April 1988 has been substantially increased.

	published in April press notice on 27 May			to be published in May press notice on 27 June		
	current balance	visible balance	invisible balance	current balance	visible balance	invisible balance
Jan	- 872	-1472	+ 600	-1159	-1573	+ 414
Feb	- 752	-1352	+ 600	-1044	-1475	+ 413
Mar	- 285	- 885	+ 600	- 572	- 986	+ 414
Apr	- 525	-1125	+ 600	- 728	-1228	+ 500
May				-1205	-1705	+ 500

PUBLICATION

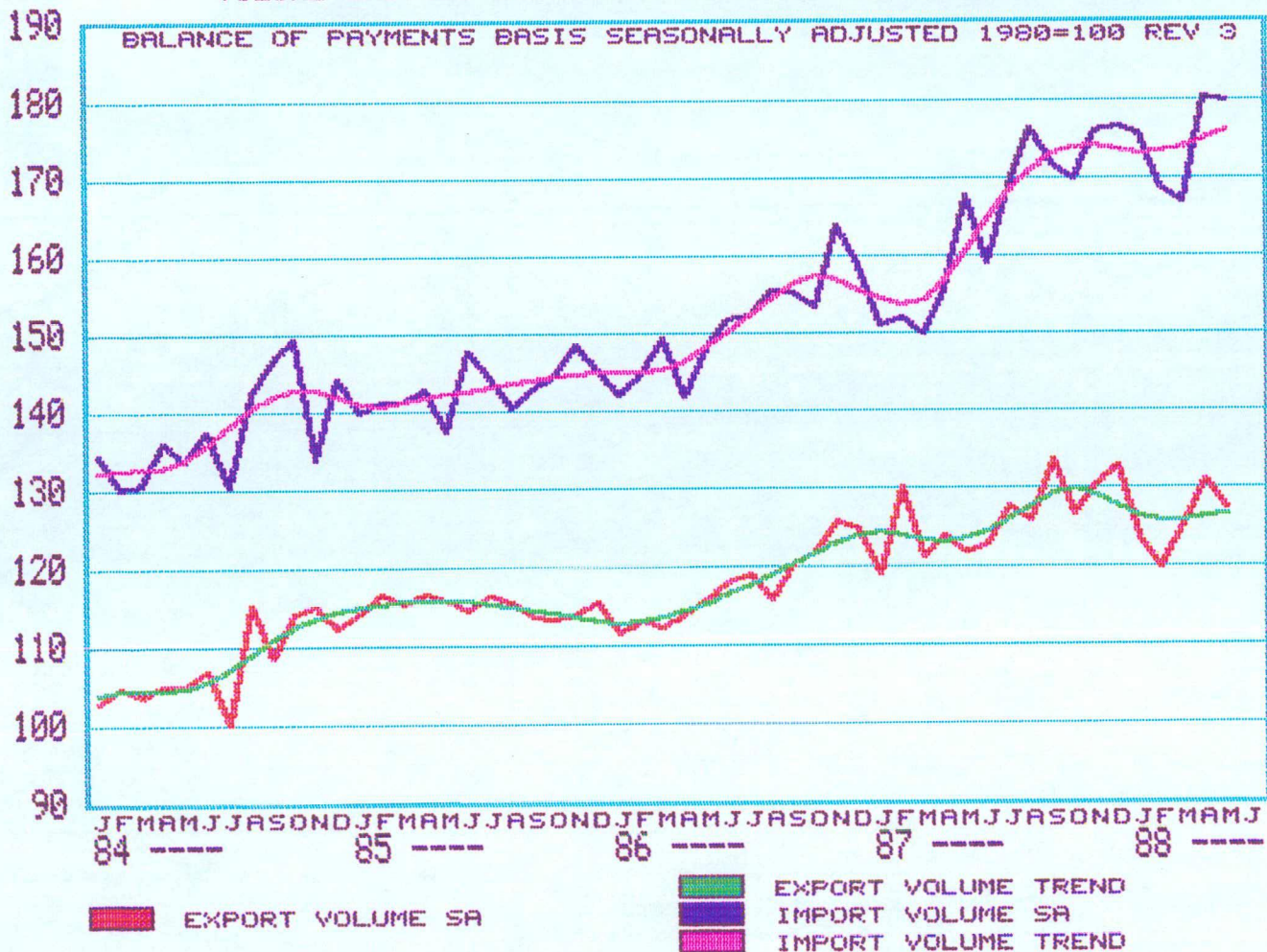
The press notice containing the May figures is scheduled for release at 11.30 am on Monday 27 June 1987.



P J STIBBARD

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VOLUME INDICES EXCLUDING OIL AND THE ERRATIC ITEMS



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	24	Mrs A Brueton) Dept of Trade and Industry
	25	Miss H Chapman)
	26	Mr M Rajput)
	27	Mr C Martin)
	28	File	



Ch

PM's initial reactions were

- ① Interest rates will have to go up. She said $1\frac{1}{2}$ on Monday; I told Paul this wouldn't be good tactics, though case for some further tightening was clearly there
- ② Must be v tough in public expenditure round (good)
- ③ Should overfund/drain liquidity by selling more indexed gilts (??)

Forecast - just received, will let you have for car - shows deficit of £9 billion this year over

before May figures were known
(don't know whether they'd
change judgement). Year on
year increases in export volumes
~~4 1/4%~~ ^{2 3/4%} and in import volumes
9 1/2% (non-oil, goods not
services), versus 4 1/4% or
6 1/2% in FSBR. Invisibles
surplus £ 7 billion (versus
£ 8 billion in 1987 and
£ 8 1/2 billion forecast for 1988
[FSBR]).



Forecasts for 1988

£ billion

	Manuf	Oil	Other Goods	Invisibles	Current Account
FsBR	-8½	2½	-6½	8½	-4
June forecast	-11¾	3	-7½	7	-9¼
Change	-3¼	+½	-1	-1½	-5¼



dti

the department for Enterprise

mp

COVERING SECRET AND PERSONAL

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Chancellor of the Exchequer
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Trade and Industry

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Direct line 215 4887
Our ref
Your ref
Date 22 June 1988



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

Publication is set for Monday 27 June at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Friday 24 June 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

the
Enterprise
initiative

MAY 1988

The current account for May, seasonally adjusted, is estimated to have been in deficit by £1205 million compared with a deficit of £728 million in April. In May, exports - seasonally adjusted on a balance of payments basis - were valued at £6481 million and imports at £8186 million so that trade in goods was in deficit by £1705 million.

The balance on invisibles is projected to be in surplus by £500 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions.

MARCH TO MAY 1988

In the three months ended May, the current account showed a deficit of £2.5 billion compared with a deficit of £2.7 billion in the previous three months. There was a deficit on visible trade of £3.9 billion in the latest three months compared with a deficit of £4.0 billion in the three months ended February. The surplus on invisibles in the latest three months is projected at £1.4 billion.

CURRENT ACCOUNT

Table 1

£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance ^b
		Balance	Exports fob	Imports fob	
1986	+ 116	- 8463	72678	81141	+ 8579
1987	- 1560	- 9625	79622	89247	+ 8065
1987 Q1	+ 974	- 1211	19530	20740	+ 2185
Q2	- 218	- 2317	19357	21674	+ 2099
Q3	- 919	- 3109	20235	23344	+ 2190
Q4	- 1397	- 2988	20500	23488	+ 1591
1988 Q1	- 2776	- 4017	18826	22843	+ 1241
1987 Dec	- 480	- 1010	6817	7827	+ 530
1988 Jan	- 1159	- 1573	6209	7782	+ 414
Feb	- 1044	- 1457	6176	7634	+ 413
Mar	- 572	- 986	6441	7427	+ 414
Apr	- 728a	- 1228	6793	8021	+ 500a
May	- 1205a	- 1705	6481	8186	+ 500a
Dec-Feb 1988	- 2684	- 4041	19202	23243	+ 1357
Mar-May 1988	- 2505a	- 3919	19715	23634	+ 1414a
Jan-May 1988	- 4709a	- 6950	32100	39050	+ 2241a

a Invisibles for April to May 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.

SECRET

and personal
until release of press notice on 27 JUN 88 at 11.30 a.m.

VISIBLE TRADE IN MAY

There was a deficit on visible trade in May of £1705 million compared with a deficit of £1228 million in April. The surplus on oil was £221 million, £87 million less than in April. The deficit on non-oil trade increased by £390 million.

Total exports in May were valued at £6481 million, which was £312 million ($4\frac{1}{2}$ per cent) lower than in April. Exports of oil decreased by £72 million and exports of the erratic items decreased by £43 million between the two months. Excluding oil and the erratic items, exports fell by $3\frac{1}{2}$ per cent between April and May.

Total imports were valued at £8186 million in May, which was £165 million (2 per cent) more than in April. Imports of oil rose by £16 million between the two months while imports of the erratic items rose by £197 million. Excluding oil and the erratic items, imports fell by $\frac{1}{2}$ per cent between April and May.

RECENT TRENDS

Visible balance

In the three months ended May, there was a deficit on visible trade of £3.9 billion - a surplus on trade in oil of £0.7 billion being offset by a deficit on non-oil trade of £4.7 billion. Between the three months ended February and the latest three months, the deficit on visible trade decreased by £0.1 billion - the surplus on oil fell

by £0.3 billion while the deficit on non-oil trade fell by £0.4 billion.

Exports

Exports amounted to £19.7 billion in the three months ended May, £0.5 billion ($2\frac{1}{2}$ per cent) more than in the previous three months. Exports of oil fell by £0.4 billion, while exports of the erratic items rose by £0.5 billion. Excluding oil and the erratic items, exports increased by 3 per cent between the three months ended February and the latest three months.

By volume, exports rose by 1 per cent between the three months ended February and the latest three months to be 2 per cent higher than in the same period a year ago. Excluding oil and the erratic items, export volume rose by 2 per cent in the latest three months to be $4\frac{1}{2}$ per cent higher than in the same period a year ago. The volatility of figures during 1988 makes it difficult to determine the extent of changes in the underlying level of exports since the beginning of the year.

Imports

Total imports were valued at £23.6 billion in the latest three months, £0.4 billion ($1\frac{1}{2}$ per cent) higher than in the previous three months. Imports of oil fell by £0.1 billion while imports of the erratic

items rose by £0.3 billion. Excluding oil and the erratic items, imports rose by 1 per cent between the three months ended February and the latest three months.

Total import volume in the latest three months was $1\frac{1}{2}$ per cent higher than in the previous three months and 11 per cent higher than in the same period a year ago. Excluding oil and the erratic items, import volume rose by 1 per cent in the latest three months to be 11 per cent higher than in the same period a year ago. It is too soon to say whether the underlying level of imports is now above the level reached at the end of 1987.

Terms of trade and unit values

The terms of trade index rose 2 per cent between the three months ended February and the latest three months with the export unit value index increasing by $1\frac{1}{2}$ per cent and the import unit value index decreasing by $\frac{1}{2}$ per cent. Compared with the same three months a year ago, the export unit value index rose by 2 per cent and the import unit value index fell by 2 per cent. As a result the terms of trade index is 4 per cent up on a year ago.

Export unit values for fuels fell by $8\frac{1}{2}$ per cent between the three months ended February and the latest three months while the unit value index for non-oil exports rose by 2 per cent.

Import unit values for fuels fell by 6 per cent between the three months ended February and the latest three months while the unit value

index for non-oil imports was unchanged.

Analysis by area

Exports to the developed countries rose by 6 per cent between the three months ended February and the latest three months. Exports to the European Community countries rose by 13 per cent over the latest three months; exports to North America decreased by 10 per cent but exports to the other developed countries increased by 4 per cent. Exports to the developing countries rose by $2\frac{1}{2}$ per cent between the three months ended February and the latest three months.

Imports from the developed countries increased by 3 per cent over the latest three months with arrivals from the European Community countries up by $\frac{1}{2}$ per cent, from North America up by 14 per cent and arrivals from the other developed countries down by $3\frac{1}{2}$ per cent. Imports from the developing countries increased by $2\frac{1}{2}$ per cent between the three months ended February and the latest three months.

NOTES TO EDITORS

INVISIBLES

1 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.

2 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 superseded by preliminary estimates from the balance of payments accounts when they are published around the middle of March, June, September and December. Thus the projections for January to March 1988 shown in tables 1 and 2 of the April press notice have been replaced by figures based on the preliminary estimates for the first quarter of 1988 published on 16 June. There have also been revisions to estimates for earlier periods.

VISIBLE TRADE

3 On 1 January 1988 new Customs administrative 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 world-wide Harmonised System. Details of the changes, collectively known as 'Customs '88', were given in an article in British Business on 27 November 1987. As expected these changes have had some effect on the statistics of visible trade. The main effect has been to alter the month in which some exports have been recorded from December 1987 onwards (see para 4 below). There is no indication of any similar effects occurring with imports.

The monthly pattern of exports

4 Figures of exports attributed to a particular month relate to information received in the Statistical Office of HM Customs and Excise up to three days before the end of that month. Documents generally arrive at the Statistical Office up to a fortnight after the goods are shipped, so that a proportion of exports attributed to a particular month correspond to goods shipped in the previous month, and in a few cases before then. A significant increase in the proportion of goods shipped and recorded in the month suggests some speeding up in the lodging of documents during December 1987 in advance of the administrative changes. Analysis of the timing of shipments and documents since December 1987 is continuing, although preliminary indications are that the major impact of Customs '88 was concentrated in the December to February period.

Revisions

5 The figures for imports for the period January to April 1988 in Tables 1, 2 and 7 have been revised upwards since their earlier publication in the monthly current account press notice issued on 27 May. The revisions have been made to correct an error in the freight component which forms part of the adjustment of imports from an overseas trade to a balance of payments basis. As a consequence, the figures for imports and the visible trade deficit for January to April 1988 shown in Tables 1, 2, 5 and 7 and for the first quarter of 1988 shown in Table 16 have been revised upwards.

Ferry Operators' strike

6 The ferry operators' strike, which continued throughout May, led to a reduction in the flow of trade through Dover. However the shortfall appears to have been diverted to other ports, so that the overall effect on the May figures is thought to be small.

MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

7 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)

8 Low value consignments ie items of an individual value less than £600, 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

9 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. Additional 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

Table 2

(Balance of Payments basis)

£ million, Seasonally adjusted

	Current Balance	Visible Trade		Visible Balance	of which		Invisibles Balance ^b
		Exports fob	Imports fob		Oil	Non-oil	
1986	+ 116	72678	81141	- 8463	+ 4056	- 12519	+ 8579
1987	- 1560	79622	89247	- 9625	+ 4184	- 13809	+ 8065
1987 Q1	+ 974	19530	20740	- 1211	+ 1159	- 2370	+ 2185
Q2	- 218	19357	21674	- 2317	+ 1016	- 3333	+ 2099
Q3	- 919	20235	23344	- 3109	+ 936	- 4046	+ 2190
Q4	- 1397	20500	23488	- 2988	+ 1073	- 4061	+ 1591
1988 Q1	- 2776	18826	22843	- 4017	+ 881	- 4897	+ 1241
1987 Sep	+ 35	6962	7657	- 695	+ 310	- 1004	+ 730
Oct	- 392	6802	7724	- 922	+ 394	- 1316	+ 530
Nov	- 525	6881	7938	- 1056	+ 332	- 1388	+ 531
Dec	- 480	6817	7827	- 1010	+ 346	- 1356	+ 530
1988 Jan	- 1159	6209	7782	- 1573	+ 356	- 1929	+ 414
Feb	- 1044	6176	7634	- 1457	+ 311	- 1769	+ 413
Mar	- 572	6441	7427	- 986	+ 213	- 1199	+ 414
Apr	- 728a	6793	8021	- 1228	+ 309	- 1537	+ 500a
May	- 1205a	6481	8186	- 1705	+ 221	- 1926	+ 500a
Mar-May 1987	+ 229	19404	21302	- 1898	+ 1223	- 3121	+ 2127
Dec-Feb 1988	- 2684	19202	23243	- 4041	+ 1014	- 5055	+ 1357
Mar-May 1988	- 2505a	19715	23634	- 3919	+ 743	- 4662	+ 1414a
% Change							
Latest 3 months							
- on previous 3 months		+ 2½	+ 1½				
- Same 3 months							
one year ago		+ 1½	+ 11				

a Invisibles for April to May 1988 are projections.

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

INVISIBLES

(Balance of Payments basis)

Table 3

£ million, Seasonally adjusted

	All Sectors			of which			Private Sector and Public Corporations ^d		
	Credits	Debits	Balance	Services	Interest Profits	Transfers	Credits	Debits	Balance
1985	80480	75017	+ 5463	+ 5882	+ 2833	- 3252	75012	65063	+ 10749
1986	77364	68785	+ 8579	+ 5721	+ 5035	- 2177	72238	59178	+ 13060
1987	80223	72158	+ 8065	+ 5752	+ 5735	- 3422	74852	60586	+ 14266
1986 Q2	18814	16841	+ 1973	+ 1357	+ 1179	- 563	17485	14415	+ 3070
Q3	19421	17343	+ 2078	+ 1375	+ 1453	- 750	18172	14793	+ 3379
Q4	19974	17907	+ 2067	+ 1455	+ 1464	- 852	18792	15251	+ 3541
1987 Q1	19851	17666	+ 2185	+ 1484	+ 1531	- 830	18215	14601	+ 3614
Q2	20104	18005	+ 2099	+ 1461	+ 1388	- 750	18662	15181	+ 3481
Q3	20475	18285	+ 2190	+ 1645	+ 1495	- 950	19254	15362	+ 3892
Q4	19793	18202	+ 1591	+ 1162	+ 1321	- 892	18721	15442	+ 3279
1988 Q1	20384	19143	+ 1241	+ 919	+ 1364	- 1042	19000	16059	+ 2941

d ie excluding general Government transactions and all transfers.

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EXPORT AND IMPORT UNIT VALUE AND VOLUME INDEX NUMBERS

Table 4

Balance of Payments basis

Indices, 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1986	136.8	134.3	101.8	123.3	134.6
1987	142.0	138.1	102.8	130.4	144.6
1987 Q1	140.8	140.2	100.4	129.5	133.5
Q2	141.4	136.7	103.4	126.6	141.1
Q3	143.1	138.0	103.7	130.6	151.1
Q4	142.9	137.5	103.9	134.8	152.5
1988 Q1	142.7	136.3	104.7	126.0	148.3
1987 Sep	143.7	138.3	103.9	134.1	149.7
Oct	143.8	138.6	103.7	131.8	148.4
Nov	142.9	137.8	103.7	135.4	154.3
Dec	141.8	136.2	104.2	137.1	154.9
1988 Jan	141.8	135.9	104.3	126.4	151.5
Feb	142.8	136.5	104.6	123.6	147.4
Mar	143.5	136.4	105.2	128.1	146.0
Apr	144.4	135.5	106.6	134.2	155.8
May	144.4	134.7	107.2	128.0	158.7
Mar-May 1987	141.2	138.0	102.3	127.9	137.9
Dec-Feb 1988	142.1	136.2	104.4	129.0	151.3
Mar-May 1988	144.1	135.5	106.3	130.1	153.5
% Change					
Latest 3 months on					
- previous 3 months	+ 1½	- ½	+ 2	+ 1	+ 1½
- Same 3 months					
one year ago	+ 2	- 2	+ 4	+ 2	+ 11

^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

Table 5

Balance of Payments basis

Seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1986	67300	77492	126.3	143.0
1987	73645	85386	133.6	154.0
1987 Q1	18019	19853	132.5	142.5
Q2	17939	20740	129.8	150.2
Q3	18755	22313	134.1	160.9
Q4	18933	22481	138.0	162.4
1988 Q1	17652	21877	130.6	158.1
1987 Sep	6444	7348	137.3	159.9
Oct	6178	7300	133.2	156.4
Nov	6339	7609	138.3	164.5
Dec	6416	7572	142.5	166.3
1988 Jan	5928	7501	132.9	162.4
Feb	5771	7244	127.8	156.1
Mar	5954	7133	131.2	155.9
Apr	6239	7670	136.5	165.5
May	5970	7638	130.7	165.5
Mar-May 1987	17947	20399	131.0	146.9
Dec-Feb 1988	18114	22317	134.4	161.6
Mar-May 1988	18163	22441	132.8	162.3
% Change				
Latest 3 months on				
- previous 3 months	+ ½	+ ½	- 1	+ ½
- Same 3 months				
one year ago	+ 1	+ 10	+ 1½	+ 10

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

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TRADE IN OIL^g
(Balance of Payments basis)

Table 6

Seasonally adjusted

	Balance of Trade in oil	EXPORTS					IMPORTS					
		£ million fob	CRUDE OIL				Rest of Division 33	CRUDE OIL				Rest of Division 33
			TOTAL	(SITC R(3) 333.0)				TOTAL	(SITC (R3) 333.0)			
			£ million fob	£ million fob	£ million fob	Avg value per tonne		£ million fob	£ million fob	£ million fob	Avg value per tonne	
1986	+ 4056	8202	6294	82.1	76.7	1908	4146	2324	32.6	71.3	1822	
1987	+ 4184	8445	6765	80.6	83.9	1681	4261	2608	33.1	78.8	1654	
1987 Q1	+ 1159	2221	1818	21.8	83.3	403	1062	623	7.9	79.3	439	
Q2	+ 1016	2046	1653	19.8	83.6	393	1030	645	8.1	79.2	386	
Q3	+ 936	2055	1636	18.6	88.0	419	1119	667	8.2	81.6	451	
Q4	+ 1073	2124	1658	20.4	81.2	466	1051	673	8.9	75.3	378	
1988 Q1	+ 881	1688	1348	20.0	67.3	340	807	539	8.6	62.9	268	
1987 Sep	+ 310	659	522	6.0	87.2	136	349	186	2.1	88.4	162	
Oct	+ 394	695	549	6.3	87.0	146	300	170	2.1	80.3	130	
Nov	+ 332	712	557	6.8	82.5	156	380	266	3.4	78.5	114	
Dec	+ 346	717	553	7.4	75.0	164	370	236	3.4	69.0	134	
1988 Jan	+ 356	620	518	7.4	70.3	103	264	181	2.8	64.2	83	
Feb	+ 311	569	443	6.4	69.0	126	258	163	2.5	64.8	95	
Mar	+ 213	499	388	6.3	61.9	111	286	196	3.3	60.3	90	
Apr	+ 309	533	390	5.9	66.1	143	224	105	1.8	59.8	119	
May	+ 221	461	348	5.4	64.3	113	240	112	1.9	59.7	128	
Mar-May 1987	+ 1223	2191	1812	21.7	83.7	379	969	577	7.3	79.6	391	
Dec-Feb 1988	+ 1014	1906	1513	21.2	71.6	393	892	580	8.8	66.2	312	
Mar-May 1988	+ 743	1493	1125	17.6	64.1	368	750	413	6.9	60.0	337	
% Change												
Latest 3 months on previous												
3 months - same 3 months one year ago		- 22	- 26	- 17	- 10	- 6½	- 16	- 29	- 21	- 9½	+ 8	
		- 32	- 38	- 19	- 23	- 3	- 23	- 29	- 5	- 25	- 14	

^g 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 9 of the standard notes).

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TRADE IN GOODS OTHER THAN OIL

Table 7

(Balance of Payments basis)

	Total						Excluding erratics ^f					
	Value, £ million, fob (seasonally adjusted)			Unit value index 1980 = 100 (not seasonally adjusted)		Terms of Trade ^e	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		Exports	Imports	Exports	Imports	Exports	Imports
1986	-12519	64476	76995	145.4	141.7	102.6	115.4	141.0	59098	73346	118.0	151.6
1987	-13809	71177	84986	151.2	145.7	103.8	123.6	152.9	65200	81125	126.6	164.9
1987 Q1	-2370	17309	19679	149.8	148.2	101.1	121.2	140.0	15798	18791	123.7	151.3
Q2	-3333	17311	20644	150.5	144.1	104.4	120.1	149.5	15893	19710	123.2	161.1
Q3	-4046	18180	22226	151.9	145.2	104.6	125.8	160.1	16700	21194	129.3	172.5
Q4	-4061	18376	22437	152.6	145.3	105.0	127.3	161.9	16809	21430	130.3	174.5
1988 Q1	-4897	17138	22035	154.4	145.6	106.0	118.6	158.2	15964	21070	123.2	170.8
1987 Sep	-1004	6304	7308	152.8	145.5	105.0	130.3	159.0	5785	6999	133.8	172.0
Oct	-1316	6107	7423	153.1	146.0	104.8	126.0	159.4	5483	6999	127.0	170.1
Nov	-1388	6169	7557	152.5	145.2	105.0	128.1	163.4	5627	7229	130.7	176.3
Dec	-1356	6100	7457	152.2	144.5	105.3	127.8	162.8	5699	7202	133.1	177.0
1988 Jan	-1929	5589	7518	153.0	145.1	105.4	117.1	162.3	5307	7237	123.8	176.2
Feb	-1769	5607	7376	154.3	145.7	105.9	116.1	157.9	5202	6986	120.1	169.1
Mar	-1199	5942	7141	155.8	146.0	106.7	122.6	154.6	5455	6847	125.6	167.1
Apr	-1537	6260	7797	156.4	145.3	107.6	129.0	167.9	5707	7446	131.2	180.7
May	-1926	6020	7946	156.6	144.4	108.5	125.0	170.8	5509	7399	127.7	180.2
Mar-May 1987	-3121	17212	20333	150.4	145.6	103.3	119.8	146.6	15756	19431	122.5	158.1
Dec-Feb 1988	-5055	17296	22351	153.1	145.1	105.5	120.3	161.0	16208	21425	125.7	174.1
Mar-May 1988	-4662	18222	22884	156.2	145.2	107.6	125.5	164.4	16670	21692	128.2	176.0
% Change												
Latest 3 months on												
- previous 3 months		+ 5½	+ 2½	+ 2	0	+ 2	+ 4½	+ 2	+ 3	+ 1	+ 2	+ 1
- same 3 months one												
year ago		+ 6	+ 13	+ 4	- ½	+ 4	+ 5	+ 12	+ 6	+ 12	+ 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

(Overseas Trade Statistics basis)

Table 8

SITC (REV 3)	£ million, fob, Seasonally adjusted																	
	Manufactures excluding erratics ^h																	
	Food beverages and tobaccos				Basic Materials				Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)					
Total	tobacco		Fuels	Total Manufac-	Chemi-	Pass-enger	Motor	Other	Inter-	Capital								
0-9	0+1	2+4	3	5-8	5-8	5+6	6	7+8										
										less	less	less						
										SNAPS	PS	5	PS	SNA	j	j	j	j
1986	72834	5484	2098	8664	55036	50138	18651	9711	8940	31488	1362	5534	14362	10230				
1987	79852	5599	2243	8747	61735	56140	20360	10541	9818	35780	1980	6797	15349	11654				
1987 Q1	19531	1399	633	2302	14815	13459	4875	2510	2365	8584	452	1629	3734	2768				
Q2	19280	1351	565	2116	14865	13512	4879	2514	2365	8633	478	1607	3736	2811				
Q3	20275	1441	541	2134	15790	14426	5291	2735	2555	9136	523	1783	3843	2987				
Q4	20766	1407	504	2195	16265	14742	5315	2781	2533	9428	527	1778	4035	3088				
1988 Q1	18999	1270	486	1763	15078	13935	5067	2663	2404	8868	492	1582	3865	2930				
1988 Mar	6495	456	159	518	5210	4737	1744	934	810	2993	187	511	1292	1003				
Apr	6858	492	165	558	5515	4965	1758	905	852	3208	123	548	1433	1104				
May	6541	480	165	485	5274	4769	1760	885	875	3009	130	521	1323	1034				
Dec-Feb	19372	1275	495	1990	15233	14166	5132	2699	2433	9035	453	1688	3962	2931				
Mar-May	19894	1428	489	1561	15999	14471	5261	2725	2537	9210	441	1580	4048	3141				
% Change	+ 2½	+ 12	- 1	- 22	+ 5	+ 2	+ 2½	+ 1	+ 4½	+ 2	- 2½	- 6½	+ 2	+ 7				

h These are defined as ships, North Sea installations, aircraft (together comprising SITC (REV 3) 792 and 793), 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

SITC (REV 3)	INDICES, 1980 = 100, seasonally adjusted																	
	Manufactures excluding erratics ^h																	
	Food beverages and tobaccos				Basic Materials				Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)					
Total	tobacco		Fuels	Total Manufac-	Chemi-	Pass-enger	Motor	Other	Inter-	Capital								
0-9	0+1	2+4	3	5-8	5-8	5+6	6	7+8										
										less	less	less						
										SNAPS	PS	5	PS	SNA	j	j	j	j
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147				
1986	123.9	129.5	117.3	175.5	114.1	117.0	122.8	139.4	109.3	113.6	93.2	119.8	119.7	105.7				
1987	131.0	129.3	125.3	173.4	123.8	127.3	131.9	148.3	118.5	124.5	119.8	142.5	122.7	118.9				
1987 Q1	129.9	131	143	183	120	123	127	144	114	120	113	138	120	113				
Q2	126.4	125	123	168	119	122	127	141	115	120	118	136	119	113				
Q3	131.2	132	121	161	126	130	136	152	123	127	125	148	123	123				
Q4	136.7	129	115	182	130	134	137	157	121	131	125	148	130	126				
1988 Q1	127.3	123	113	173	120	125	130	149	116	121	121	133	120	118				
1988 Mar	129.4	135	103	162	124	127	133	154	116	123	139	131	120	121				
Apr	135.6	149	104	167	130	132	135	151	122	131	91	136	131	131				
May	129.3	141	101	147	126	129	138	150	127	123	94	129	121	127				
Dec-Feb	130.3	120	117	184	122	128	133	152	117	125	111	143	124	119				
Mar-May	131.4	142	103	159	127	129	135	152	122	126	108	132	124	126				
% Change	+ 1	+ 18	- 12	- 14	+ 4	+ 1	+ 1½	- ½	+ 3½	+ ½	- 2½	- 7½	0	+ 6½				

h These are defined as ships, North Sea installations, aircraft (together comprising SITC (REV 3) 792 and 793), 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: UNIT VALUE INDICES

Table 10

(Overseas Trade Statistics basis)

INDICES, 1980 = 100, Not seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and				Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		tobacco	Basic Mater- ials	Fuels	Pass- enger		Total	Total	Chemi- cals	Other	Total	Motor Cars	Other Consumer	Inter- mediate	Capital
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147	
1986	136.7	140	124	81	147	148	138	141	135	154	182	156	157	145	
1987	142.0	141	124	82	154	155	142	145	139	162	206	165	166	151	
1987 Q1	140.8	141	123	82	152	153	141	144	139	160	200	163	163	149	
Q2	141.3	140	123	81	153	154	141	145	137	162	204	163	168	150	
Q3	143.0	141	125	86	154	155	143	146	140	163	210	166	167	151	
Q4	142.8	141	125	79	155	156	143	146	141	164	211	167	169	152	
1988 Q1	142.6	140	128	67	157	159	146	151	142	167	203	166	173	156	
1988 Mar	143.4	143	132	63	158	161	149	157	142	168	207	167	174	157	
Apr	144.3	143	135	66	159	161	148	155	143	169	208	168	174	159	
May	144.3	145	135	64	159	161	148	155	142	169	207	166	175	160	
Dec-Feb	142.1	139	125	70	156	158	144	147	142	166	204	166	171	154	
Mar-May	144.0	144	134	65	159	161	148	156	142	169	207	167	174	159	
% Change	+ 1½	+ 3	+ 7	- 8½	+ 2	+ 2	+ 3	+ 5½	+ ½	+ 2	+ 2	+ ½	+ 1½	+ 2½	

^h These are defined as ships, North Sea installations, aircraft (together comprising SITC (REV 3) 792 and 793), precious stones (667), and silver (681.1).

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

EXPORTS BY AREA

Table 11

(Overseas Trade Statistics basis)

£ million, fob, seasonally adjusted

	Developed countries							Developing countries			Centrally planned economies
	Total ^k	North America				Total	Oil exporting Countries	Other			
		Total	European Community	Rest of W Europe	USA				Other		
1986	72834	57555	34959	6919	12075	10326	3602	13117	5491	7626	1721
1987	79852	64076	39416	7621	12993	11014	4046	13737	5222	8514	1539
1987 Q1	19531	15401	9278	1739	3435	2921	949	3346	1271	2075	420
Q2	19280	15560	9825	1891	2908	2421	935	3393	1268	2125	344
Q3	20275	16416	10156	1903	3313	2804	1044	3554	1330	2224	406
Q4	20766	16699	10157	2088	3337	2868	1117	3444	1353	2091	368
1988 Q1	18999	15004	8860	1704	3385	2834	1054	3183	1158	2024	396
1988 Mar	6495	5256	3176	623	1107	889	350	1066	342	724	130
Apr	6858	5543	3446	663	1050	877	384	1174	372	802	117
May	6541	5392	3521	611	902	756	357	1056	386	671	125
Dec-Feb	19372	15240	8993	1795	3405	2904	1047	3222	1211	2011	386
Mar-May	19894	16191	10143	1897	3059	2522	1091	3296	1100	2196	372
% Change	+ 2½	+ 6	+ 13	+ 5½	- 10	- 13	+ 4	+ 2½	- 9	+ 9	- 3½

^k See paragraph 8 Notes to Editors.

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IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million, cif, Seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h														
	Total	Food and beverages and tobacco				Total Manufactures	Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		tobacco	Basic Mater-ials	Fuels			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	5+6	5	6	7+8	i	j	i	j	
						less	less	less	less						
						SNAPS	PS	PS	PS	SNA					
1986	85568	10033	5066	6278	63091	59729	20595	7361	13234	39133	4809	10158	13274	10893	
1987	94016	10132	5688	6099	71217	67639	23319	8347	14971	44320	5024	11502	15390	12403	
1987 Q1	21898	2489	1414	1481	16319	15468	5391	1954	3437	10077	1070	2616	3478	2913	
Q2	22698	2462	1433	1466	17140	16274	5642	2010	3632	10631	1198	2820	3692	2921	
Q3	24550	2549	1448	1637	18666	17727	6043	2157	3886	11684	1397	2990	4053	3244	
Q4	24869	2632	1394	1515	19091	18170	6242	2226	4016	11928	1358	3077	4168	3326	
1988 Q1	24032	2540	1372	1241	18645	17726	6168	2131	4037	11558	1440	2774	3935	3409	
1988 Mar	7831	862	483	449	5953	5666	2039	684	1356	3626	386	915	1241	1084	
Apr	8481	861	478	369	6692	6354	2178	765	1412	4176	515	1006	1452	1204	
May	8605	851	467	394	6812	6312	2151	723	1429	4160	502	1012	1478	1168	
Dec-Feb	24467	2631	1341	1318	18945	18076	6239	2226	4014	11836	1506	2822	4048	3460	
Mar-May	24917	2574	1428	1212	19456	18331	6368	2172	4197	11963	1403	2933	4170	3457	
% Change	+ 2	- 2	+ 6½	- 8	+ 2½	+ 1½	+ 2	- 2½	+ 4½	+ 1	- 7	+ 4	+ 3	0	

h These are defined as ships, North Sea installations, aircraft (together comprising SITC (REV 3) 792 and 793), precious stones (667), and silver (681.1).

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

IMPORTS BY COMMODITY: VOLUME INDICES

Table 13

(Overseas Trade Statistics basis)

INDICES, 1980 = 100, Seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h														
	Total	Food and beverages and tobacco				Total Manufactures	Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		tobacco	Basic Mater-ials	Fuels			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	5+6	5	6	7+8	i	j	i	j	
						less	less	less	less						
						Weights									
	1000	124	81	138	626	543	217	63	154	326	42	94	96	94	
1986	134.2	124.3	108.2	94.0	148.2	163.0	151.9	188.1	136.8	170.3	131.6	161.0	186.5	179.8	
1987	144.4	125.0	119.5	95.4	162.6	179.5	166.5	207.2	149.5	188.0	125.4	181.0	209.9	199.6	
1987 Q1	133.7	122	122	92	147	162	153	192	137	168	105	162	187	184	
Q2	140.0	121	122	90	158	174	163	204	146	181	121	178	202	189	
Q3	150.7	126	120	102	170	188	173	216	156	198	142	188	221	209	
Q4	153.1	131	114	97	175	193	176	216	159	205	134	197	231	216	
1988 Q1	147.8	128	115	88	170	187	173	204	160	196	138	176	221	216	
1988 Mar	145.8	130	121	97	163	180	172	197	162	185	109	177	207	205	
Apr	156.1	128	119	82	183	201	183	224	167	213	148	195	244	228	
May	158.2	126	115	87	186	201	181	208	169	215	146	198	250	224	
Dec-Feb	150.9	133	112	92	173	192	175	213	160	202	147	181	227	221	
Mar-May	153.3	128	118	89	178	194	179	210	166	204	134	190	234	219	
% Change	+ 1½	- 4	+ 5½	- 3	+ 2½	+ 1½	+ 2	- 1½	+ 4	+ 1	- 9	+ 5	+ 3	- ½	

h These are defined as ships, North Sea installations, aircraft (together comprising SITC (REV 3) 792 and 793), precious stones (667), and silver (681.1).

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

IMPORTS BY COMMODITY: UNIT VALUE INDICES

Table 14

(Overseas Trade Statistics basis)

INDICES, 1980 = 100, Not seasonally adjusted

SITC (REV 3)	Manufactures excluding erratics ^h													
	Food and beverages and tobacco					Manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
	Total	Basic Mater-ials	Fuels	Total Manufac-tures	Chem-icals	Other	Pass-enger Motor Cars	Other Consumer	Inter-mediate	Capital				
Weights	0-9	0+1	2+4	3	5-8	5-8	5+6	5	6	7+8	i	j	j	j
	1000	124	81	138	626	SNAPS	PS	5	PS	SNA	i	j	j	j
1986	133.1	136	114	97	143	144	133	141	130	152	170	147	157	141
1987	136.5	136	117	93	149	150	138	147	134	158	185	152	163	148
1987 Q1	138.5	138	117	94	151	152	138	147	134	162	189	155	166	152
Q2	135.3	136	117	93	147	149	137	145	133	157	183	148	163	148
Q3	136.4	135	118	95	148	150	138	148	134	158	184	152	162	147
Q4	135.9	134	117	91	149	150	140	149	136	157	185	152	160	147
1988 Q1	135.1	136	119	83	148	151	140	148	137	159	191	153	160	149
1988 Mar	135.2	136	120	81	149	152	140	147	137	160	197	154	160	149
Apr	134.2	136	120	78	148	151	141	149	138	158	192	151	160	147
May	133.5	136	121	78	147	150	141	149	138	155	191	148	158	144
Dec-Feb	134.9	135	118	84	148	151	139	148	136	158	186	152	161	148
Mar-May	134.3	136	120	79	148	151	141	148	138	158	194	151	159	147
% Change	- ½	+ 1	+ 2½	- 6	0	+ ½	+ 1	+ ½	+ 1½	0	+ 4	- ½	- 1	- 1

h These are defined as ships, North Sea installations, aircraft (together comprising SITC (REV 3) 792 and 793), precious stones (667), and silver (681.1).

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

IMPORTS BY AREA

Table 15

(Overseas Trade Statistics basis)

£ million, cif, Seasonally adjusted

	Developed countries							Developing countries			Centrally planned economies
	Total ^k	North America				Total	USA	Other	Oil exporting Countries		Other
		Total	European Community	Rest of Europe	Total				Oil exporting Countries	Other	
1986	85568	73152	44459	11840	10020	8445	6834	10144	2056	8088	1856
1987	94016	80490	49557	12869	10781	9136	7282	10985	1700	9286	2097
1987 Q1	21898	18699	11520	3043	2463	2060	1673	2512	432	2079	487
Q2	22698	19673	12166	3190	2625	2230	1691	2584	375	2210	501
Q3	24550	20903	12898	3232	2867	2435	1905	2978	451	2527	553
Q4	24869	21215	12973	3404	2826	2412	2013	2912	442	2470	558
1988 Q1	24032	20663	12699	3241	2762	2319	1961	2677	418	2259	453
1988 Mar	7831	6636	3970	1072	965	809	629	929	139	790	144
Apr	8481	7493	4619	1149	1056	886	668	951	187	764	187
May	8605	7429	4483	1213	1086	911	647	980	160	820	144
Dec-Feb	24467	20943	12977	3234	2715	2292	2016	2793	455	2337	494
Mar-May	24917	21557	13072	3433	3108	2606	1944	2860	486	2375	475
% Change	+ 2	+ 3	+ ½	+ 6	+ 14	+ 14	- 3½	+ 2½	+ 6½	+ 1½	- 4

k See paragraph 8 Notes to Editors.

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COMMODITY ANALYSIS OF VISIBLE TRADE

Table 16

(Balance of Payments basis)

		£ million, seasonally adjusted								
SITC (R3)	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	5445	9196	- 3752	2109	4495	- 2386	8664	5977	+ 2687	
1987	5550	9326	- 3776	2257	4965	- 2708	8748	5804	+ 2944	
1986 Q2	1282	2228	- 946	470	1098	- 629	1905	1423	+ 482	
Q3	1374	2328	- 955	560	1052	- 492	1606	1363	+ 243	
Q4	1542	2399	- 857	559	1219	- 660	1978	1499	+ 480	
1987 Q1	1389	2282	- 893	637	1258	- 621	2302	1413	+ 889	
Q2	1352	2282	- 930	575	1238	- 664	2117	1400	+ 717	
Q3	1426	2347	- 921	543	1270	- 726	2134	1563	+ 571	
Q4	1383	2415	- 1032	502	1198	- 696	2194	1428	+ 767	
1988 Q1	1252	2351	- 1099	489	1200	- 711	1757	1180	+ 577	

SITC (R3)	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	20839	21406	- 568	34088	38827	- 4739	54927	60233	- 5307
1987	22503	23991	- 1488	39053	44106	- 5053	61556	68097	- 6542
1986 Q2	5225	5153	+ 72	8549	9184	- 635	13774	14337	- 563
Q3	5227	5313	- 86	8383	10061	- 1677	13610	15373	- 1763
Q4	5544	5627	- 83	9119	10682	- 1562	14664	16309	- 1645
1987 Q1	5467	5662	- 195	9358	9893	- 535	14825	15555	- 730
Q2	5519	5794	- 275	9413	10719	- 1306	14932	16513	- 1581
Q3	5731	6171	- 439	10029	11698	- 1669	15760	17868	- 2109
Q4	5786	6365	- 579	10253	11796	- 1543	16038	18161	- 2122
1988 Q1	5465	6353	- 887	9463	11507	- 2044	14928	17860	- 2931

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

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SECRET and PERSONAL until release of press notice
 on 27.11.88 at 11.30am and thereafter unclassified

cc PSI/Chancellor
 Sir P. Middleton
 Sir T. Burns
 Mr Scheler

Mr Davis

Copy No S.(8)

THE CURRENT ACCOUNT - TABLE 2

Balance of payments basis
 £ million seasonally adjusted

	CURRENT BALANCE fob	EXPORTS fob	IMPORTS fob	VISIBLE BALANCES:			
				TOTAL	OIL	NON- OIL	INVISIBLE BALANCE
1986	116	72678	81141	-8463	4056	-12519	8579
1987	-1560	79622	89247	-9625	4184	-13809	8065
1987 Q1	974	19530	20740	-1211	1159	-2370	2185
Q2	-218	19357	21674	-2317	1016	-3333	2099
Q3	-919	20235	23344	-3109	936	-4046	2190
Q4	-1397	20500	23488	-2988	1073	-4061	1591
1988 Q1	-2776	18826	22843	-4017	881	-4897	1241
1987 SEP	35	6962	7657	-695	310	-1004	730
OCT	-392	6802	7724	-922	394	-1316	530
NOV	-525	6881	7938	-1056	332	-1388	531
DEC	-480	6817	7827	-1010	346	-1356	530
1988 JAN	-1159	6209	7782	-1573	356	-1929	414
FEB	-1044	6176	7634	-1457	311	-1769	413
MAR	-572	6441	7427	-986	213	-1199	414
APR	-728	6793	8021	-1228	309	-1537	500*
MAY	-1205	6481	8186	-1705			500*
MAR-MAY 87	230	19404	21302	-1898	0	0	2128
DEC-FEB 88	-2683	19202	23243	-4040	0	0	1357
MAR-MAY 88	-2505	19715	23634	-3919	0	0	1414

PERCENTAGE CHANGES:-

LATEST 3 MONTHS ON
 PREVIOUS 3 MONTHS 2.5% 1.0%

SAME 3 MONTHS
 ONE YEAR AGO 1.5% 0.0%

JAN-MAY87	850	32474		0	0	0	0
JAN-MAY88	-4708	32100		0	0	0	0

*NB Invisibles projection liable to revision.

DRAFT LETTER FROM CHANCELLOR TO:

Lord Young of Graffham
 Secretary of State for Trade and Industry
 Department of Trade and Industry
 1-19 Victoria Street
 London SW1H 0ET

COSTS OF PROTECTION

I saw with interest the reports of
 [Your officials have no doubt briefed you about] the Consumer Association's recent conference on the costs of trade policy. I believe it raises some important questions which we ought to consider further.

2. The conference showed that the consumer bodies are well ^{aware} [seized] of the [importance of ^{potential costs of trade measures} cost questions as they arise out of trade policy]. There are some signs - notably in discussions surrounding the Silberston report and the Common Agricultural Policy - that public awareness is also growing. But there is still a formidable level of ignorance about the large and wasteful transfers associated for example with the types of quantity restriction considered again recently in E(CP). The issues are difficult to put across, and calculation of costs on a regular basis depends to some extent on access to statistics, on breadth of economic outlook and technical experience which the established consumer bodies do not at present possess. I believe we should consider whether new ways of enhancing public access to information on the cost of protection would support the Government's wider economic strategy.

3. [You will no doubt want to form a view about how to proceed.] There ^{are} [is,] ^{a number of possibilities of how we might proceed} [it seems to me,] a range of possibilities.] We might, as an extension of the present approach, simply commission more work on an ad hoc basis, to be published

like Professor Silberston's study in advance of particular negotiations as a way of informing public debate. Paul Channon's reference of the Common Agricultural Policy to the National Consumer Council is clearly useful in this way in the light of on-going work on agriculture in Brussels and in the GATT. A more radical approach might be to give some responsibility for assessing and publishing information about the costs of protection to one of the institutions concerned with competition policy. But, as I understand it, the current review of law and policy on mergers and restrictive trade practices is unlikely to make that easier to do.

4. If that is right, given that the National Consumer Council is up and running in this field, the best approach might simply be to concentrate on raising the profile of its work. A regular programme of references based on a public commitment to support the work, together with appropriate publicity for the resulting studies, might well succeed over time in raising the level of public discussion and knowledge about the costs of protection, by engaging a wider audience as well as informing those more directly involved in specific cases.

5. The European dimension is obviously also important, given the Community's competence in trade and agriculture policy. We might also consider whether renewed pressure on the Commission and other member states, both by direct contact and perhaps through the European Parliament, would help to get a better hearing for the consumer case.

6. You ^{will} [might] want to [ponder the alternatives and] consider how ^{let} to take ^{this} [matters] forward. [But the best way ^{forward} / might be ^{One possibility would be} a paper by you for collective consideration at E(CP), perhaps in the Autumn. I am copying this to E(CP) colleagues who may also have an interest.