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PART A

CHANCELLOR'S PAPERS ON
THE RETAIL PRICE INDEX
(RPI) AND TRADE
STATISTICS

statistics

Begins: 21/3/85

DD: 25 years

Ends: 8/1/86

[Signature] 5/9/95

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PART A

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FROM: PENELOPE A ROWLATT

DATE: 21 March 1985

- 1. ~~MR EVANS~~
- 2. CHANCELLOR OF THE EXCHEQUER ✓

- cc Chief Secretary
- Financial Secretary
- Economic Secretary
- Minister of State
- Sir Peter Middleton
- Mr Bailey
- Sir Terence Burns
- Mr Cassell
- Mr Monck
- Mr Kemp
- Mr Battishill
- Mr Odling-Smee
- Mr Culpin
- Mr Davies
- Mr Folger
- Ms Seammen
- Miss Sinclair
- Mr Page
- Mr Gilhooly
- Mr Vernon
- Mr P Cropper

This rising trend is likely to persist well into the summer (when it should be reversed); and contrasts with some tendency for inflation to fall slowly in OECD as a whole.

H.M.E.

21/3

✓

THE FEBRUARY RPI (TO BE PUBLISHED AT 11.30 AM ON FRIDAY 22 MARCH)

The 12-month increase in the RPI rose to 5.4 per cent in February in line with our expectations. It has been 5.0 per cent or below since the middle of 1984. The increase over the month was 0.8 per cent. This increase is, in fact, slightly lower than the city was expecting.

2. Nearly half of the monthly increase was attributable to the rise of 1 per cent in mortgage interest rates, effective from 1 February. Other relevant factors included the effect of the weather on seasonal food prices, the initial effect of the recent rise in gas prices, higher prices for second-hand cars and price increases for some National newspapers.

3. There were rises in prices for durable household goods as the sales ended but the effect of these on the index was offset by further reductions in the clothing and footwear sector of the index. Miscellaneous price increases seem to be running at a slightly higher rate than at this time last year.

4. The effect on the RPI of the excise duty changes announced in the Budget is estimated at 0.5 per cent. Indexation would have added nearly 0.4 per cent to the index.

Confidential

5. Further rises in the 12-month rate are expected in the months to come, probably taking it to 5½ per cent in March and over 6 per cent in the second quarter. However there should be falls later in the year taking the rate back down towards the 5 per cent level.

Penelope A Rowlatt.

PENELOPE A ROWLATT



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b/f 22/3 (with EF ppn)

Mrs R Lomax ✓
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

21 March 1985

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 Tuesday 26 March at 11.30am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Monday 25 March and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

W. E. Boyd.

W E BOYD

THE CURRENT ACCOUNT OF THE UNITED KINGDOM
BALANCE OF PAYMENTS

FEBRUARY 1985

The current account for February is estimated to have been in surplus by £131 million compared with a surplus of £341 million in January. Exports in February were valued at £6897 million and imports at £7167 million so that trade in goods was in deficit by £270 million.

The balance on invisibles in February is projected to be in surplus by £400 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions.

DECEMBER 1984 TO FEBRUARY 1985

In the three months ended February, the current account was in surplus by £608 million compared with a deficit of £42 million in the previous three months. There was a deficit on visible trade of £689 million in the latest three months compared with a deficit of £1871 million in the previous three months. The surplus on invisibles is projected at £1.3 billion.

TABLE 1 CURRENT ACCOUNT £ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles ^c		
		Balance	Exports fob	Imports fob	Balance	Credits	Debits
1983	+ 2543	- 1165	60776	61941	+ 3708	34906	31198
1984	+ 51	- 4255	70377	74632	+ 4306	38930	34624
1984 Q1	+ 623	- 57	16778	16835	+ 680	9258	8578
Q2	- 592	- 1228	16844	18072	+ 636	9213	8577
Q3	- 621	- 1643	17439	19082	+ 1022	9557	8535
Q4	+ 641	- 1327	19316	20643	+ 1968	10902	8934
1984 Sept	- 546	- 887	5905	6792	+ 341 b		
Oct	+ 201	- 807	6273	7080	+ 1008 b		
Nov	+ 303	- 177	6447	6624	+ 480 b		
Dec	+ 136	- 344	6596	6940	+ 480 b		
1985 Jan	+ 341 a	- 76	6541	6616	+ 417 a		
Feb	+ 131 a	- 270	6897	7167	+ 400 a		
Sept-Nov 1984	- 42	- 1871	18624	20495	+ 1829		
Dec-Feb 1985	+ 608	- 689	20034	20723	+ 1297		

a Invisibles are projections and subject to revision as information becomes available.

b One-third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.

c Information relating to credits and debits of the private sector and public corporations can be found in Table 3.

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VISIBLE TRADE IN FEBRUARY 1985

The visible trade in February was in deficit by £270 million compared with a deficit of £76 million in January. The surplus on oil fell from £928 million to £681 million and the deficit on non-oil trade fell from £1004 million to £951 million.

At £6897 million, exports were £357 million (5½ per cent) higher than in January. Exports of oil fell by £107 million and exports of the erratic items were little changed. Excluding both of these, exports increased by 9½ per cent.

Total imports were valued at £7167 million which was £551 million (8½ per cent) higher than in January. Imports of oil increased by £140 million and imports of the erratic items by £79 million. Excluding both of these, imports rose by 6 per cent in February.

The terms of trade index fell by 1 per cent in February as the export unit value index increased by 2 per cent and the import unit value index increased by 3 per cent.

RECENT TRENDS

Visible balance

In the latest three months, there was a deficit on visible trade of £0.7 billion compared with a deficit of £1.9 billion in the previous three months. The surplus on trade in oil increased by £1.1 billion to £2.4 billion, while the deficit on non-oil goods fell only marginally to £3.0 billion.

Exports

Exports were valued at £20.0 billion in the latest three months, £1.4 billion (7½ per cent) higher than in the previous three months. Exports of oil increased by £0.9 billion while exports of the erratic items fell by £0.4 billion. Excluding both of these, exports increased by 6 per cent with exports of manufactures 6½ per cent higher than in the previous three months.

Total export volume increased by 4½ per cent in the latest three months to a level 8½ per cent higher than a year earlier. The underlying level of non-oil export volume remains high.

Imports

Total imports were valued at £20.7 billion in the three months ended February, £0.2 billion (1 per cent) higher than in the previous three months. Imports of oil fell by £0.1 billion but this was more than offset by higher imports of manufactures.

By volume, total imports fell by 2½ per cent (1½ per cent excluding oil and the erratic items) in the latest three months to a level 11 per cent higher than the corresponding period a year ago. The underlying level of non-oil import volume has been levelling out during recent months.

Terms of trade and unit values

The terms of trade index fell slightly in the latest three months

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as the export unit value index (up by 3 per cent) continues to rise less rapidly than the import unit value index (up by 3½ per cent). Compared with the same period a year ago the terms of trade index has fallen by 2 per cent; the export unit value index has increased by 10 per cent and the import^{unit} value index by 12 per cent.

Export unit values of basic materials (up by 4½ per cent) and of fuels (up by 4 per cent) continue to increase rather faster than the average while, for imports, fuels (up by 4½ per cent) and finished manufactures (up by 4 per cent) have shown the strongest growth in unit values over the latest three months.

Analysis by Area

By value, exports to the developed countries increased by 10 per cent in the latest three months with exports to the other European Community countries up by 14 per cent and exports to North America 4 per cent higher than in the previous three months. Exports to the developing countries also increased by 4 per cent.

Imports from the other European Community countries increased by 2½ per cent and imports from North America by 15 per cent. Arrivals from the developing countries fell by 1 per cent, mainly reflecting lower oil imports.

INVISIBLES

The latest estimates of invisibles - services, interest, profits and dividends and transfers - relate to the fourth quarter of 1984

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when credits were £10.9 billion and debits were £8.9 billion
giving a surplus of £2.0 billion for the quarter. Invisibles in
the private sector and public corporations (excluding transfers)
were in surplus by £2.8 billion. The recent monthly figures are
CSO projections.

NOTES TO EDITORS

1 REVISIONS

Figures relating to invisibles have been revised (see CSO Press Notice dated 7 March). Queries in respect of invisibles should be addressed to the CSO.

2 STANDARD NOTES

The standard notes describe the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) bases of compilation. Copies can be obtained from the address below.

3 OTS data

In October 1984 HM Customs and Excise introduced a change in the way some imports are recorded. As a result of this change a proportion of imports that would have been included in October will have been deferred to November and likewise for subsequent months. To allow for this change in recording practice the October figures on a Balance of Payments basis have been adjusted by £200 million. No adjustments have been made to the OTS figures (tables 8-15).

4 MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

The Monthly Review of External Trade Statistics, prepared as an internal working document, is made available publicly by the Department of Trade and Industry (price £3 a copy).

This is a monthly publication containing charts and tables, on the current account of the UK balance of payments, UK exports and imports of goods by commodity and area and certain international comparisons.

5 ROUNDING

The figures published in this Press Notice expressed in £ million have each been independently rounded to the nearest whole number. These figures may therefore not sum to the aggregates, and balances may not derive exactly from the export and import figures shown.

Index numbers of volume and unit value are shown rounded either to the nearest whole number, or to one place of decimals. Although the figures should not be regarded as accurate to the last digit shown, the degree of rounding is intended to be indicative of the relative reliability of the different figures. Where period to period changes are shown these have been calculated from unrounded estimates, the resulting percentage changes being rounded to the nearest half point if less than 10 and the nearest whole number if 10 or greater.

6 AREA DATA (tables 11 and 15)

The data by area are seasonally adjusted independently and do not exactly sum to the seasonally adjusted figures for total trade.

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

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1983	+ 2543	60776	61941	- 1165	+ 6846	- 8011	+ 3708
1984	+ 51	70377	74632	- 4255	+ 7136	-11391	+ 4306
1984 Q1	+ 623	16778	16835	- 57	+ 2322	- 2378	+ 680
Q2	- 592	16844	18072	- 1228	+ 1543	- 2771	+ 636
Q3	- 621	17439	19082	- 1643	+ 1804	- 3447	+ 1022
Q4	+ 641	19316	20643	- 1327	+ 1468	- 2795	+ 1968
1984 June	+ 34	5846	6024	- 178	+ 654	- 832	+ 212 b
July	+ 177	5512	5677	- 164	+ 801	- 965	+ 341 b
Aug	- 251	6023	6614	- 591	+ 426	- 1018	+ 340 b
Sept	- 546	5905	6792	- 887	+ 577	- 1464	+ 341 b
Oct	+ 201	6273	7080	- 807	+ 373	- 1179	+ 1008 b
Nov	+ 303	6447	6624	- 177	+ 352	- 529	+ 480 b
Dec	+ 136	6596	6940	- 344	+ 743	- 1087	+ 480 b
1985 Jan	+ 341 a	6541	6616	- 76	+ 928	- 1004	+ 417 a
Feb	+ 131 a	6897	7167	- 270	+ 681	- 951	+ 400 a
Dec - Feb 1984	+ 1191	16838	16472	+ 366	+ 2395	- 2030	+ 825
Sept - Nov 1984	- 42	18624	20495	- 1871	+ 1302	- 3172	+ 1829
Dec - Feb 1985	+ 608	20034	20723	- 689	+ 2352	- 3041	+ 1297
% Change							
Latest 3 months							
- on previous 3 months		+ 7½	+ 1				
- same 3 months one year ago		+ 19	+ 26				

a Invisibles are projections and subject to revision as more information becomes available.

b One third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.

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			
1982	31396	28517	+ 2879	+ 3762	+ 1173	- 2056	26988	20419	+ 6569
1983	34906	31198	+ 3708	+ 4215	+ 1709	- 2216	30461	22547	+ 7914
1984	38930	34624	+ 4306	+ 4349	+ 2325	- 2368	34288	25344	+ 8944
1983 Q1	8857	7402	+ 1455	+ 1109	+ 480	- 134	7370	5335	+ 2035
Q2	8359	7984	+ 375	+ 1107	+ 77	- 809	7439	5751	+ 1688
Q3	8830	7633	+ 1197	+ 1031	+ 686	- 520	7800	5579	+ 2221
Q4	8860	8179	+ 681	+ 968	+ 466	- 753	7852	5882	+ 1970
1984 Q1	9258	8578	+ 680	+ 1061	+ 151	- 532	8067	6312	+ 1755
Q2	9213	8577	+ 636	+ 1041	+ 375	- 780	8272	6271	+ 2001
Q3	9557	8535	+ 1022	+ 1081	+ 665	- 724	8566	6205	+ 2361
Q4	10902	8934	+ 1968	+ 1166	+ 1134	- 332	9383	6556	+ 2827

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d ie excluding general Government transactions and all transfers.

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

Table 4
Indices 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1983	126.6	129.6	97.7	102.6	107.9
1984	136.9	141.5	96.8	110.4	118.8
1984 Q1	132.3	135.6	97.5	108.7	112.1
Q2	135.1	139.4	96.9	107.3	117.1
Q3	138.7	143.4	96.7	108.0	119.8
Q4	141.7	147.5	96.1	117.5	126.1
1984 June	136.2	139.5	97.6	110.5	117.0
July	137.6	142.1	96.8	103.1	108.6
Aug	138.5	143.3	96.6	112.4	124.1
Sept	140.0	144.7	96.7	108.5	126.9
Oct	140.9	146.2	96.4	115.4	131.2
Nov	141.6	147.7	95.9	118.0	120.8
Dec	142.5	148.5	96.0	119.2	126.3
1985 Jan	144.5	150.6	96.0	116.5	118.2
Feb	147.3	155.0	95.0	121.5	124.4
Dec - Feb 1984	131.6	134.7	97.7	109.6	110.7
Sept - Nov 1984	140.8	146.2	96.3	114.0	126.3
Dec - Feb 1985	144.8	151.3	95.7	119.0	123.0
% Change					
Latest 3 months on	+ 3	+ 3½	- ½	+ 4½	- 2½
- previous 3					
months					
- same 3 months	+ 10	+ 12	- 2	+ 8½	+ 11
one year ago					

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

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

Table 5

seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1983	56280	58512	104.0	113.0
1984	65786	71300	113.2	125.8
1984 Q1	15615	16036	111.1	118.6
Q2	15728	17245	109.9	124.1
Q3	16400	18340	111.4	127.5
Q4	18043	19680	120.5	133.1
1984 June	5396	5759	111.6	124.3
July	5159	5410	105.9	114.6
Aug	5720	6405	117.0	133.2
Sept	5520	6525	111.4	134.7
Oct	5760	6706	116.5	137.8
Nov	6058	6317	121.6	127.3
Dec	6225	6657	123.5	134.3
1985 Jan	6270	6320	122.3	125.0
Feb	6613	6791	127.5	131.1
Dec - Feb 1984	15669	15930	112.0	118.6
Sept - Nov 1984	17338	19548	116.5	133.3
Dec - Feb 1985	19108	19767	124.5	130.1
% Change				
Latest 3 months on				
- previous 3 months	+ 10	+ 1	+ 7	- 2½
- same 3 months				
one year ago	+ 22	+ 24	+ 11	+ 9½

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

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TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance 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
1983	+ 6846	12501	10092	68.3	147.8	2410	5655	3277	22.8	143.7	2377	
1984	+ 7136	14910	12228	75.8	161.4	2682	7773	3755	24.2	155.4	4018	
1984	Q1	+ 2322	3644	2953	19.1	154.3	690	1322	652	4.4	148.8	670
	Q2	+ 1543	3450	2768	17.5	158.5	682	1907	1048	7.0	148.8	859
	Q3	+ 1804	3765	3081	18.5	166.4	685	1961	1059	6.8	156.1	903
	Q4	+ 1468	4051	3426	20.6	166.0	625	2584	997	6.0	167.1	1586
1984	June	+ 654	1225	984	6.2	160.0	242	572	296	2.0	150.4	276
	July	+ 801	1256	1012	6.2	164.6	244	455	268	1.8	153.4	187
	Aug	+ 426	1241	1021	6.2	164.1	220	815	380	2.5	154.3	435
	Sept	+ 577	1268	1048	6.1	170.7	220	691	411	2.6	159.7	281
	Oct	+ 373	1167	968	5.8	166.0	199	794	341	2.1	163.3	453
	Nov	+ 352	1333	1122	6.8	165.7	212	981	287	1.7	167.8	694
	Dec	+ 743	1551	1337	8.0	166.3	214	808	369	2.2	170.2	439
1985	Jan	+ 928	1636	1359	7.8	175.1	277	708	252	1.5	166.7	456
	Feb	+ 681	1529	1241	6.8	182.2	288	847	349	2.0	178.3	498
	Dec-Feb 84	+ 2395	3646	2963	19.6	151.6	683	1250	660	4.4	149.0	590
*	Sep-Nov 84	+ 1302	3768	3137	18.7	167.4	631	2467	1039	6.4	163.1	1428
	Dec-Feb 85	+ 2352	4715	3937	22.6	174.1	779	2363	971	5.6	172.1	1393
% Change												
Latest 3 months on												
- previous 3 months		+ 25		+ 25	+ 21	+ 4	+ 23	- 4	- 6½	- 11	+ 5½	- 2½
- same 3 months												
oneyear ago		+ 29		+ 33	+ 16	+ 15	+ 14	+ 89	+ 47	+ 27	+ 15	+ 136

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 7 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 ^g	Exports	Imports	Exports	Imports	Exports	Imports
1983	- 8011	48274	56286	124.6	126.2	98.7	95.9	114.4	43779	52857	96.7	121.1
1984	-11391	55467	66858	134.3	138.3	97.1	102.7	124.8	50876	63526	105.3	133.7
1984 Q1	- 2378	13135	15513	130.1	132.8	98.0	100.2	120.1	11972	14714	102.1	128.6
Q2	- 2771	13394	16165	132.6	136.6	97.1	100.4	122.4	12279	15339	102.7	131.1
Q3	- 3447	13674	17121	136.0	140.2	97.0	100.2	126.3	12634	16379	103.4	136.0
Q4	- 2795	15264	18059	138.7	143.7	96.5	110.1	130.5	13992	17096	112.8	139.3
1984 June	- 832	4621	5453	133.7	136.9	97.7	102.8	123.8	4170	5187	103.2	133.2
July	- 965	4256	5221	135.0	139.0	97.1	94.1	116.4	3903	4955	96.5	124.4
Aug	- 1018	4781	5799	136.0	140.3	96.9	105.5	128.6	4479	5590	110.2	139.8
Sept	- 1464	4637	6101	137.2	141.2	97.1	101.0	133.8	4252	5834	103.7	143.8
Oct	- 1179	5106	6285	137.9	142.1	97.0	111.0	137.1	4593	5912	111.8	145.5
Nov	- 529	5114	5643	138.7	143.8	96.5	110.7	122.8	4724	5336	114.2	130.6
Dec	- 1087	5045	6131	139.5	145.1	96.1	108.5	131.7	4674	5848	112.5	141.8
1985 Jan	- 1004	4905	5909	141.4	146.6	96.4	104.4	124.8	4634	5612	110.0	133.5
Feb	- 951	5369	6319	143.5	150.5	95.3	112.9	129.7	5085	5944	119.1	138.2
Dec-Feb 84	- 2030	13192	15222	129.5	131.4	98.5	101.0	119.1	12023	14679	103.0	129.4
Sept-Nov 84	- 3172	14856	18029	137.9	142.4	96.9	107.5	131.2	13570	17081	109.9	139.9
Dec-Feb 85	- 3041	15318	18359	141.5	147.4	96.0	108.6	128.8	14393	17404	113.9	137.8
% Change												
Latest 3 months on												
- previous 3 months	+ 3	+ 2	+ 2½	+ 3½	- 1	+ 1	- 2	+ 6	+ 2	+ 3½	- 1½	
- same 3 months one												
year ago	+ 16	+ 21	+ 9½	+ 12	- 2½	+ 7½	+ 8	+ 20	+ 19	+ 11	+ 6½	

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

^g 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 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	5-8 less SNAPS	5+6 less PS	6 less PS	7+8 less SNA	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		
1983	60684	4241	1587	13103	40087	35770	13837	6933	6904	21933	1003	3913	9291	7726	
1984	70511	4693	1989	15367	46668	42136	16332	8215	8117	25804	1051	4674	11178	8902	
1983 Q4	16146	1100	434	3646	10515	9529	3695	1847	1848	5834	290	1066	2493	1985	
1984 Q1	16826	1156	440	3778	11052	9862	3797	1929	1867	6065	264	1096	2607	2098	
Q2	16884	1173	486	3541	11220	10107	3918	1961	1956	6190	263	1111	2655	2161	
Q3	17394	1128	506	3841	11445	10450	4015	2026	1989	6435	230	1136	2801	2268	
Q4	19407	1235	557	4206	12951	11717	4603	2298	2305	7114	293	1332	3115	2375	
1984 Dec	6629	412	180	1606	4288	3926	1598	797	801	2329	89	451	988	800	
1985 Jan	6568	416	189	1680	4137	3881	1540	785	755	2341	121	427	1019	774	
Feb	6939	422	206	1587	4531	4257	1653	864	790	2604	132	432	1190	850	
Sep-Nov	18664	1179	551	3894	12574	11336	4372	2196	2176	6964	273	1258	3085	2348	
Dec-Feb	20134	1250	575	4874	12956	12064	4791	2445	2346	7273	342	1310	3197	2424	
percentage change	+ 8	+ 6	+ 4½	+ 25	+ 3	+ 6½	+ 9½	+ 11	+ 8	+ 4½	+ 25	+ 4	+ 3½	+ 3	

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

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

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

Table 9

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	5-8 less SNAPS	5+6 less PS	6 less PS	7+8 less SNA	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	
1983*	102.6	110.2	101.0	147.7	93.9	94.4	102.3	113.3	93.6	89.5	85.6	96.4	88.9	87.2	
1984*	110.7	117.4	106.6	159.1	101.8	104.2	112.1	124.3	102.4	99.3	82.4	109.3	99.8	95.8	
1983 Q4	107.0	112	105	163	97	99	108	119	99	94	101	104	94	87	
1984 Q1	109.0	116	101	164	99	101	108	121	98	96	90	105	96	91	
Q2	107.6	118	105	149	99	101	109	119	101	96	82	104	96	95	
Q3	107.8	113	108	157	99	102	109	122	98	98	72	106	98	97	
Q4	118.3	122	112	166	110	113	123	136	112	107	86	123	109	100	
1984 Dec	120.0	123	107	188	109	113	126	139	115	105	76	124	103	101	
1985 Jan	117.1	124	115	195	103	110	120	135	108	103	108	113	105	97	
Feb	122.3	127	118	177	112	119	126	144	112	114	115	113	123	104	
Sept-Nov	114.4	116	113	155	107	110	118	131	107	105	83	116	108	99	
Dec-Feb	119.8	124	113	186	108	114	124	139	112	107	99	117	110	101	
percentage change	+ 4½	+ 7	+ ½	+ 20	+ ½	+ 3½	+ 5½	+ 6½	+ 4½	+ 2½	+ 20	+ ½	+ 2½	+ 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.

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures 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	
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
1983	126.6	122	112	140	125	125	117	119	115	130	144	122	132	128
1984	136.9	128	131	153	135	134	127	130	125	138	157	132	142	135
1983 Q4	129.2	125	117	143	128	127	119	121	117	132	145	125	134	131
1984 Q1	132.3	127	123	147	131	130	122	125	119	135	152	128	137	133
Q2	135.1	128	129	151	134	132	125	128	123	136	159	130	140	132
Q3	138.6	127	132	155	137	136	129	131	127	140	158	133	145	136
Q4	141.6	129	138	161	140	138	132	135	129	142	158	137	146	139
1984 Dec	142.5	128	140	162	141	139	133	136	131	142	158	138	146	138
1985 Jan	144.5	131	141	164	143	141	135	138	132	145	156	139	150	140
Feb	147.2	133	145	171	145	143	137	140	134	147	161	141	151	142
Sept-Nov	140.8	129	136	159	139	138	131	133	128	142	157	136	146	138
Dec-Feb	144.7	131	142	166	143	141	135	138	132	145	158	140	149	140
percentage change	+ 3	+ 1½	+ 4½	+ 4	+ 2½	+ 2½	+ 3	+ 3½	+ 3	+ 2	+ 1	+ 2½	+ 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

	Developed Countries						Developing Countries			Centrally planned economies
	Total	Total	European Community	Rest of W Europe	North America	Other	Total	Oil exporting countries	Other	
1983	60684	46648	26509	7506	9496	3137	12792	6128	6665	1113
1984	70511	55386	31568	8728	11406	3684	13356	5807	7550	1630
1983 Q4	16146	12532	7211	1992	2475	855	3279	1515	1765	273
1984 Q1	16826	13176	7311	2172	2769	924	3271	1480	1791	339
Q2	16884	13277	7510	2130	2709	928	3150	1348	1801	437
Q3	17394	13749	7983	2164	2710	893	3314	1371	1943	409
Q4	19407	15185	8765	2262	3218	940	3622	1608	2014	444
1984 Dec	6629	5244	3082	772	1093	298	1170	520	650	158
1985 Jan	6568	5274	3190	799	980	306	1256	526	730	117
Feb	6936	5490	3256	773	1083	377	1304	586	718	131
Sept-Nov	18664	14528	8378	2184	3037	929	3583	1523	2061	433
Dec-Feb	20134	16008	9528	2343	3155	981	3730	1632	2098	406
percentage change	+ 8	+ 10	+ 14	+ 7½	+ 4	+ 5½	+ 4	+ 7	+ 2	- 6½

See paragraph 6 of Notes to Editors.

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IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures 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	
														5-8 less SNAPS
1983	66101	7869	4775	7076	44937	41609	14892	5119	9773	26717	3659	6901	8125	8032
1984	78705	8936	5420	10193	52886	49703	17923	6312	11612	31780	3671	8344	10222	9544
1983 Q4	17370	2101	1298	1814	11877	11240	4063	1415	2648	7177	905	1913	2196	2162
1984 Q1	17889	2150	1302	1790	12373	11527	4216	1479	2737	7311	892	1934	2302	2184
Q2	19240	2225	1310	2468	12907	12003	4303	1527	2776	7700	814	2051	2451	2384
Q3	20077	2247	1295	2640	13565	12918	4607	1647	2959	8311	993	2141	2690	2488
Q4	21499	2314	1513	3294	14040	13255	4797	1658	3139	8458	971	2219	2780	2488
1984 Dec	7361	797	504	1062	4892	4610	1643	550	1094	2966	340	747	996	884
1985 Jan	6966	764	461	922	4720	4463	1553	539	1014	2910	355	738	943	873
Feb	7587	779	537	1095	5049	4674	1637	552	1084	3038	310	780	1016	931
Sept-Nov	21213	2309	1465	3198	13910	13222	4755	1692	3063	8467	1015	2218	2744	2490
Dec-Feb	21913	2340	1502	3079	14661	13747	4833	1641	3192	8914	1005	2265	2955	2689
percentage change	+ 3½	+ 1½	+ 2½	- 3½	+ 5½	+ 4	+ 1½	- 3	+ 4	+ 5½	- 1	+ 2	+ 7½	+ 8

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

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

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

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures 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	
														5-8 less SNAPS
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1983	107.9	107.8	104.6	66.8	118.7	127.9	123.3	142.9	115.2	131.0	125.5	124.9	128.7	141.9
1984*	117.3	112.3	101.8	85.4	129.9	142.1	137	164.2	125.9	145.5	120.0	140.9	148.8	158.3
1983 Q4	112.0	111	109	67	125	138	133	156	123	141	124	139	139	152
1984 Q1	111.5	111	104	64	126	137	134	159	124	139	120	136	140	149
Q2	116.7	113	99	86	129	140	134	162	122	144	108	143	146	159
Q3	118.4	112	94	89	131	145	138	167	126	150	131	141	154	163
Q4	122.8	114	110	103	133	147	142	168	132	150	121	144	155	162
1984 Dec	125.0	116	112	99	138	152	147	170	138	155	125	144	165	170
1985 Jan	116.6	116	98	84	132	145	136	163	125	150	131	139	153	165
Feb	123.4	111	111	95	137	148	141	167	130	153	112	144	160	174
Sept-Nov	122.5	114	105	103	133	147	141	170	129	151	128	144	154	162
Dec-Feb	121.7	112	107	93	135	148	141	167	131	153	123	142	159	170
percentage change	- ½	- 2	+ 2	- 10	+ 2	+ 1	+ ½	- 2	+ 1½	+ 1½	- 4½	- 1	+ 3	+ 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.

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h															
	Total	Food and beverages and tobacco				Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		0-9	0+1	2+4	3		5-8	Total	5+6 less SNAPS	5	6 less PS	7+8 less SNA	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital
1983	127.7	120	116	154	126	125	115	121	113	131	137	122	138	131		
1984	139.3	132	134	167	137	135	126	134	123	142	144	133	151	139		
1983 Q4	129.8	123	121	155	128	127	117	124	115	133	137	125	141	132		
1984 Q1	133.6	127	127	159	131	130	120	127	118	137	141	128	146	134		
Q2	137.3	131	132	162	135	133	125	132	122	139	143	129	149	136		
Q3	141.0	134	137	169	138	137	129	138	125	143	143	135	152	141		
Q4	145.4	135	138	179	142	141	131	139	128	148	149	142	157	143		
1984 Dec	146.7	137	138	181	144	142	131	139	128	150	152	143	160	145		
1985 Jan	148.3	139	141	183	145	144	133	141	130	151	152	144	160	148		
Feb	152.5	142	144	189	149	147	136	144	134	155	156	147	166	151		
Sept-Nov	143.9	134	138	176	141	140	131	139	127	146	148	140	155	142		
Dec-Feb	149.2	139	141	184	146	144	133	141	130	152	153	145	162	148		
percentage change	+ 3½	+ 3½	+ 2	+ 4½	+ 3½	+ 3½	+ 2	+ 1	+ 2½	+ 4	+ 3½	+ 3½	+ 4½	+ 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 15

IMPORTS BY AREA
(Overseas Trade Statistics basis)

£ million cif seasonally adjusted

	Total	Developed Countries				Developing Countries			Centrally planned economies	
		Total	European Community	Rest of W Europe	North America	Other	Total	Oil exporting countries		Other
1983	66101	54815	30104	10457	9083	5171	9631	2833	6798	1535
1984	78705	65102	35204	13254	11055	5589	11429	2862	8568	2042
1983 Q4	17370	14655	8039	2911	2378	1326	2363	600	1763	409
1984 Q1	17889	15157	8187	3164	2415	1390	2347	528	1819	428
Q2	19240	15731	8528	3301	2554	1348	2884	858	2027	463
Q3	20077	16614	9158	3285	2801	1370	2821	738	2083	529
Q4	21499	17600	9331	3503	3285	1481	3377	738	2639	623
1984 Dec	7361	6052	3152	1212	1183	506	1179	254	926	215
1985 Jan	6966	5822	3104	1066	1099	552	998	188	809	202
Feb	7587	6486	3427	1243	1282	533	1030	261	769	191
Sept-Nov	21213	17417	9428	3404	3109	1476	3232	809	2424	582
Dec-Feb	21913	18359	9683	3521	3565	1591	3207	703	2504	608
percentage change	+ 3½	+ 5½	+ 2½	+ 3½	+ 15	+ 7½	- 1	- 13	+ 3½	+ 4½

See paragraph 6 of Notes to Editors.

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COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	4226	7273	- 3047	1610	4104	- 2494	13103	6912	+ 6190
1984	4674	8306	- 3632	2014	4866	- 2852	15367	9776	+ 5590
1983 Q1	1096	1761	- 665	386	936	- 549	3252	1649	+ 1603
Q2	992	1756	- 764	386	1030	- 644	3114	1758	+ 1356
Q3	1040	1803	- 763	397	1004	- 606	3091	1724	+ 1366
Q4	1098	1953	- 855	440	1135	- 695	3646	1781	+ 1865
1984 Q1	1157	1994	- 837	447	1172	- 725	3779	1727	+ 2052
Q2	1169	2065	- 897	493	1182	- 689	3541	2372	+ 1169
Q3	1121	2091	- 970	513	1169	- 656	3842	2546	+ 1296
Q4	1228	2157	- 929	561	1343	- 782	4206	3132	+ 1074

SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	16027	15828	+ 200	24146	26725	- 2579	40173	42553	- 2379
1984	18266	18450	- 183	28273	31930	- 3657	46539	50380	- 3841
1983 Q1	3853	3702	+ 151	5796	6432	- 636	9648	10134	- 485
Q2	3929	3967	- 38	5934	6543	- 610	9863	10510	- 648
Q3	4142	3941	+ 201	6050	6632	- 582	10191	10572	- 381
Q4	4104	4218	- 114	6367	7118	- 751	10471	11336	- 865
1984 Q1	4296	4414	- 118	6703	7226	- 523	11000	11640	- 641
Q2	4497	4438	+ 59	6683	7680	- 997	11179	12118	- 939
Q3	4473	4682	- 209	7019	8284	- 1265	11492	12966	- 1474
Q4	5001	4916	+ 85	7868	8740	- 872	12869	13655	- 787

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

OK. Per ask M. Cripps
justified in



Done

mom
1973

Ths.
M.

The calculations of real increases in allowances differ according to whether they're performed on average increases in the RPI financial year or financial year or December or December (as in the indexation formula).

a) Average financial years

(i) 1984/5 on 1978/79

SA 15.2

MMA 16.3

(ii) 1985/86 on 1978/79

(assuming RPI increase of 5%)

SA 20.6

MMA 21.3

b) December on December

(i) Dec 1983 on Dec 1977

SA 11.9

MMA 12.0

(ii) Dec 1984 on Dec 1977

(assuming RPI increase of 5%)

SA 17.6

MMA 18.3

The speech naturally uses
(a) (ii) as producing the
best figure.

MOM

18/3

SECRET AND PERSONAL
 until 11.30 am Tuesday 26 March
 then **CONFIDENTIAL**

FROM: DAVID BARTLETT
DATE: 22 MARCH 1985

1. MR LAVELLE ✓
 2. CHANCELLOR

C
 Note X in para 3.
 Content with Q and As
 and press briefing, plus cc As attached list
 Dtl Press Notice attached?

FEBRUARY TRADE FIGURES

OK *R 22/3*

The February trade figures will be released on Tuesday 26 March.

Summary

2. The main features are:

(i) an estimated February current account surplus of £131 million (January surplus £341 million), the fifth successive monthly surplus, made up of:

- an increased visible trade deficit of £270 million
- a broadly unchanged projected invisible surplus of £400 million.

(ii) In the latest three months, the current account was in surplus by £0.6 billion, following rough balance in the previous three months. The rise was more than accounted for by the £1.1 billion increase in the oil surplus.

Analysis (for summary tables see Annex 1)

3. In February, the coal strike produced extra net oil imports of about £320 million (compared with £380 million

X
in January), and extra net coal imports of about £70 million. The total effect on the balance of trade since January 1984 is about £3¼ billion, of which about £3 billion has fallen on the oil account. The draft press briefing includes the individual oil effect as well as the total trade effect: the Department of Energy accept that the former is no longer sensitive. March should be the last month in which a major effect will be seen, and the eventual total trade effect should be around £4 billion. This is in line with the estimates in the Budget Statement and FSBR. All outturn figures are approximate because of the assumptions involved.

4. Export volumes increased by 4½ per cent in the last three months compared with the previous three. Excluding "erratic" items, the rise was 7 per cent. Fuel export volumes rose 20 per cent. The underlying level of non-oil export volumes remains high. The fastest growth by area in the latest three months was to the EEC (up 14 per cent), as a result of higher oil exports.

5. Import volumes fell 2½ per cent in the three months to February compared with the previous three (excluding "erratics", the fall was still 2½ per cent). The fall is largely the result of the below trend January figure. In individual commodity groups, the largest falls were in fuels (10 per cent) and cars (4½ per cent). The largest increase was in capital goods imports (5 per cent). The underlying level of non-oil import volumes has been levelling out in recent months. Imports from North America rose 15 per cent in the latest three months, while those from oil-exporting countries fell 13 per cent.

Trade Prices

6. Import price inflation is now running at an annual rate of about 13 per cent for non-oil goods, with a rather higher figure for fuel prices. The February increase alone was 2½ per cent, a reflection of the previous fall in sterling's Exchange Rate Index (ERI) to a level of 71½ in January (the February level was similar). Over the year to February, the rise in non-oil import prices was no greater than the fall in the ERI. With world

inflation in the region of 4-5 per cent, this indicates, as is normal, some squeeze on importers' profit margins as sterling has fallen.

7. If, as envisaged in the FSBR forecast, the ERI now stabilises or recovers somewhat, some decline in import price inflation is likely over the rest of the year.

Comparison with FSBR forecast

8. These developments in import prices are in line with the FSBR forecast, although the price of finished manufactures may be 1-1½ per cent higher in the first quarter than projected. The oil balance is also in line with expectations. Non-oil trade volumes, however, appear to have done rather better than expected in the first two months of the year: excluding oil and erratics, export volumes are 2½ per cent higher than anticipated for the first quarter with most of the difference being accounted for by manufactures. Non-oil import volumes (excluding erratics) are slightly lower than anticipated in the forecast.

Effects on Markets

9. Market expectations are for a trade deficit of about £150 million and a current account surplus of around £300 million. Both guesses are somewhat on the high side, but as usual no major impact is anticipated. Sterling's current firmer tone should enable it to absorb these figures without any difficulty.

Press Notice and Briefing

10. I should be grateful for clearance of the attached draft press briefing.

David Bartlett

DAVID BARTLETT

SECRET AND PERSONAL
until 11.30 am on Tuesday 26 March
then **UNCLASSIFIED**

DRAFT BRIEFING FOR IDT

Points to make

- (i) February current account surplus £131 million, fifth successive surplus, despite effects of coal strike.
- (ii) £0.6 billion current account surplus in three months to February, after rough balance in previous three. Same period, visible trade deficit reduced by £1.2 billion to £0.7 billion.
- (iii) Export volumes rose 4½ per cent in the latest three months compared with the previous three (7 per cent excluding "erratic" items). Rises in all categories, with largest in fuel and cars: both up 20 per cent
- (iv) Exports to developed countries up 10 per cent (including 14 per cent increase to EEC) in latest three months on previous three.
- (v) Import volumes fell 2½ per cent in the three months to February on previous three. Largest falls were seen in fuels (10 per cent) and cars (4½ per cent).

Defensive

2. Trade effects of coal strike?

Strike [redacted] affected trade on oil and coal by about £3¼ billion to February 1985, of which about £3 billion fell on oil account. Balance of payments position strong enough to absorb temporary difficulties of this kind. [redacted] Effect of whole strike probably around £4 billion, with £1¼ billion falling in 1985.

3. Widening deficit in manufactured trade?

[Deficit £2.4 billion in 1983, £3.8 billion in 1984. FSBR forecasts £4½ billion deficit in 1985. Oil surplus £7.1 billion in 1984; up £1.1 billion to £2.4 billion in latest three months on previous three. Invisibles surplus £4.3 billion in 1984.]

Manufacturing export volumes (excluding erratics) 12 per cent up in last three months on same period a year ago, while equivalent import volumes only 7 per cent up. Deficit offset by substantial surpluses on oil and invisibles. Manufacturing output up 3½ per cent between 1983 and 1984 [IF PRESSED: fall in January was due to bad weather; underlying trend still upwards]; manufacturing employment broadly stable in second half of 1984.

4. Declining current account surplus?

[£4.9 billion surplus in 1982; £2½ billion in 1983; rough balance in 1984.]

Partly due to UK emerging earlier than competitors from recession. Also, 1984 figures affected by coal strike. FSBR forecast £3 billion surplus in 1985, as oil and invisibles surpluses should grow further.

5. Lower pound helping competitiveness?

Average cost competitiveness estimated little different in 1984 to 1983, but improved significantly during year. Improvement now feeding through, but key to sustained competitive gains remains higher productivity, wage restraint and greater non-price competitiveness.

6. Large rise in imports from N America in latest three months?

[Up 15 per cent by value in latest three months on previous three.]

Mainly result of strong dollar, which increases sterling price of US goods. Past experience suggests fall of sterling against dollar affects values before volumes.

SECRET AND PERSONAL
until 11.30 am on Tuesday 26 March
then CONFIDENTIAL

ANNEX 1

Table 1: Current Account

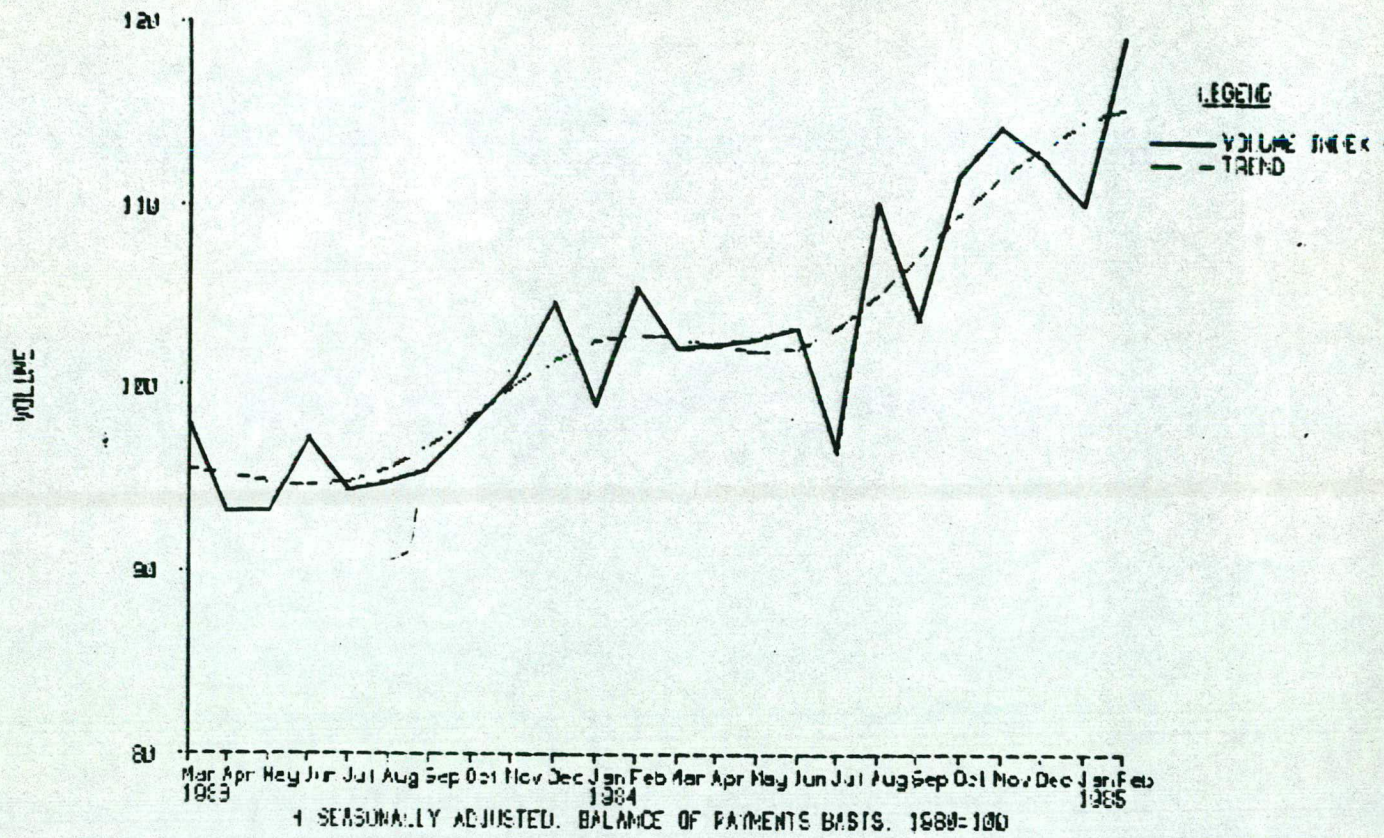
	<u>1984</u>	<u>1984</u>	<u>Dec 1984-</u>	<u>December</u>	<u>January</u>	<u>February</u>
		<u>Sep-Nov</u>	<u>Feb 1985</u>			
Oil	+ 7.1	+1.3	+2.4	+0.7	+0.9	+0.7
Non-oil	-11.4	-3.2	-3.0	-1.1	-1.0	-1.0
Total visible trade	- 4.3	-1.9	-0.7	-0.3	-0.1	-0.3
o/w: trade in manufactures (BoP basis)	- 3.8	-1.1	-1.2	-0.4	-0.4	-0.3
Invisibles	+ 4.3	+1.8	+1.3*	+0.5	+0.4*	+0.4*
Current Account	+ 0.1	-0.0	+0.6*	+0.1	+0.3*	+0.1*

* projection

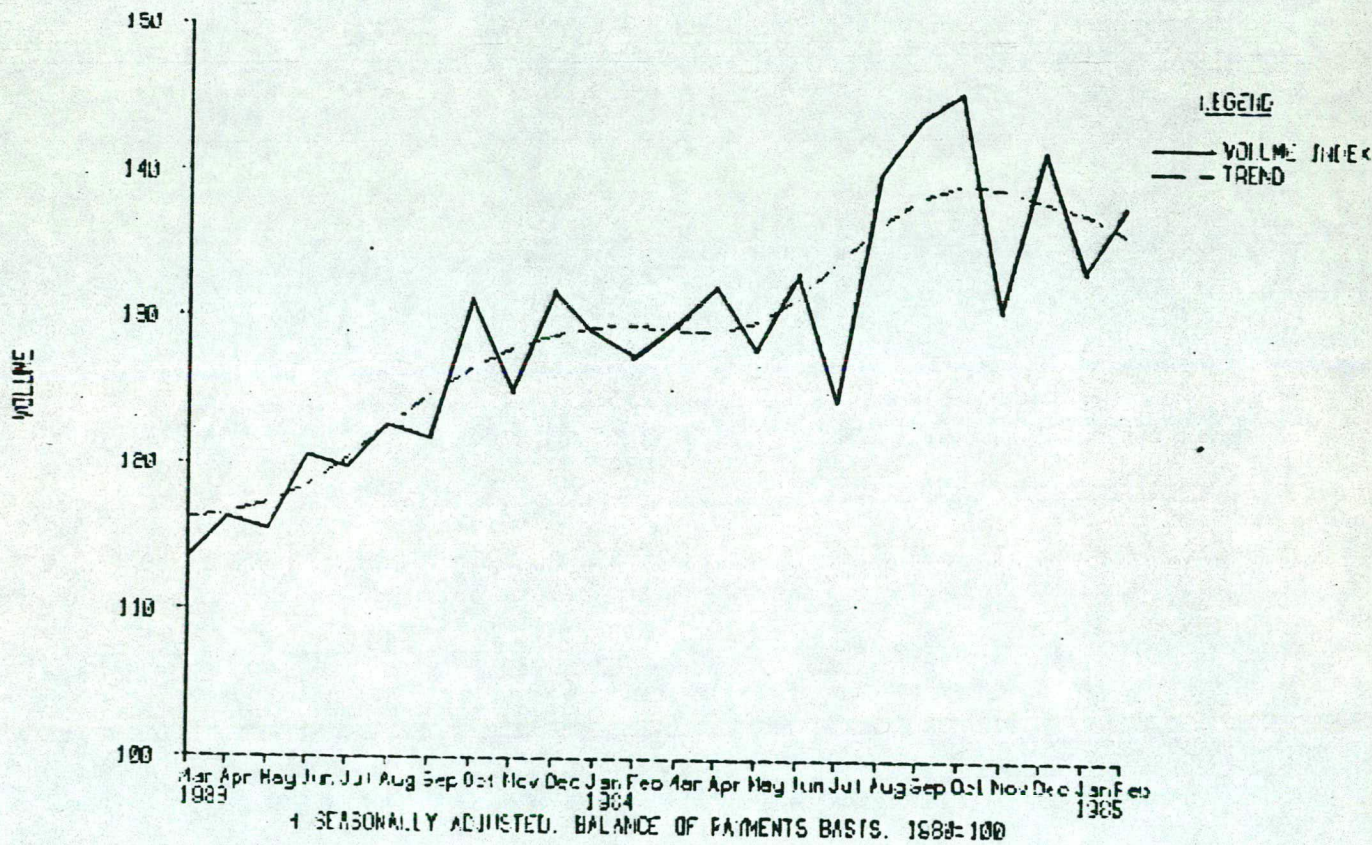
Table 2: Exports and imports (percentage change)

	<u>February</u>	<u>Dec-Feb</u>	<u>Dec-Feb 1985</u>
	<u>on</u>	<u>on</u>	<u>on</u>
	<u>January</u>	<u>Sep-Nov</u>	<u>Dec-Feb 1984</u>
<u>(i) Exports</u>			
Total value	+ 5½	+ 7½	+19
Total volume	+ 4½	+ 4½	+ 8½
Total volume excl oil and erratics	+ 8½	+ 3½	+11
o/w: manufactures	+ 8	+ 3½	+12
Fuels (volume)	- 9	+20	+12
<u>(ii) Imports</u>			
Total value	+ 8½	+ 1	+26
Total volume	+ 5	- 2½	+11
Total volume excl oil and erratics	+ 3½	- 1½	+ 6½
o/w: manufactures	+ 2	+ 1	+ 7
Fuels (volume)	+13	-10	+54

TOTAL EXPORTS (EX. OIL & ERRATICS)



TOTAL IMPORTS (EX. OIL & ERRATICS)



SECRET

and personal
 until release of press notice on 26 MAR 85 at 11 20 a.m.

TRADE FIGURES FOR FEBRUARY 1985Advance Circulation

Chancellor of the Exchequer	Mr H P Evans
Chief Secretary	Mr Folger
Economic Secretary	Mr Culpin
Sir P Middleton	Mr S Robson
Mr Littler	Mr Mowl
Sir T Burns	Mr Vernon
Mr Cassell	Mr Glead
Mr Unwin	Mr Walker
Mr Lavelle	Mr Segal
Mr Battishill	
Mr Kelly (EF) o.r.	Mr Gill - Bank
	Mr Turnbull - No 10

Circulation after 11.30pm on Tuesday 26 March

Financial Secretary	Mr Melliss
Minister of State	Mr Riley
Mr Bailey	Mr Sedgwick
Mr Byatt	Mr P Patterson
Mr Wicks (Washington)	Mr Kelly (MP)
Mr Fitchew	Mr Odling-Smee
Mr C Pickering	Mr Lankester
Mr Lord	Mr Shields
	Mr Gordon
	Mr Davies
	Mr Whybrow DTI

^c
x is the figure
mentioned at
your civil service
pay meeting
yesterday.

FROM: NEIL MACKINNON

DATE: 26 March 1985

Amid 27/3

- 1. MR. EVANS HPE 26/3
- 2. CHANCELLOR OF THE EXCHEQUER 27/3

cc All other Recipients of the Monthly Pay and Prices Note

MONTHLY PATH OF THE RPI

This covering note outlines the projected monthly profile of the RPI upto mid-1986 based on the forecast published in the FSBR.

x | 2. The 12-month increase in the RPI over the next few months is expected to rise from 5½ per cent in March, reaching a peak of perhaps 6½ per cent in one of the summer months. It then falls to about 5 per cent before the end of the year (and further in 1986) reflecting the path of mortgage interest rates and a marked slowing down in import price rises.

3. The main assumptions underlying this projection are:

(i) a 1½ per cent cut in the mortgage interest rate in September and October (the forecast incorporates the recent 1 per cent increase which affects the April RPI)

(ii) a slight recovery in the sterling index through 1985 (not quite as much as had occurred by 26 March!)

(iii) nationalised industry prices, apart from water charges, are expected to increase more or less in line with the rate of inflation.

(iv) petrol prices will fall later in the year due to weak oil prices and a softening of the dollar - consistent with projections underlying the Budget forecast.

Neil Mackinnon

N J MACKINNON

EAL DIVISION

FROM: PENELOPE A ROWLATT
28 March 1985

CHANCELLOR OF THE EXCHEQUER

cc Sir P Middleton
Sir T Burns
Mr Kemp
Mr Battishill
Mr Evans
Mr Davies
Miss Sinclair
Mr Gilhooly
Mr MacKinnon
Mr Westwater

c/
As requested, after you
discuss in a civil
service way.

msm
28/3

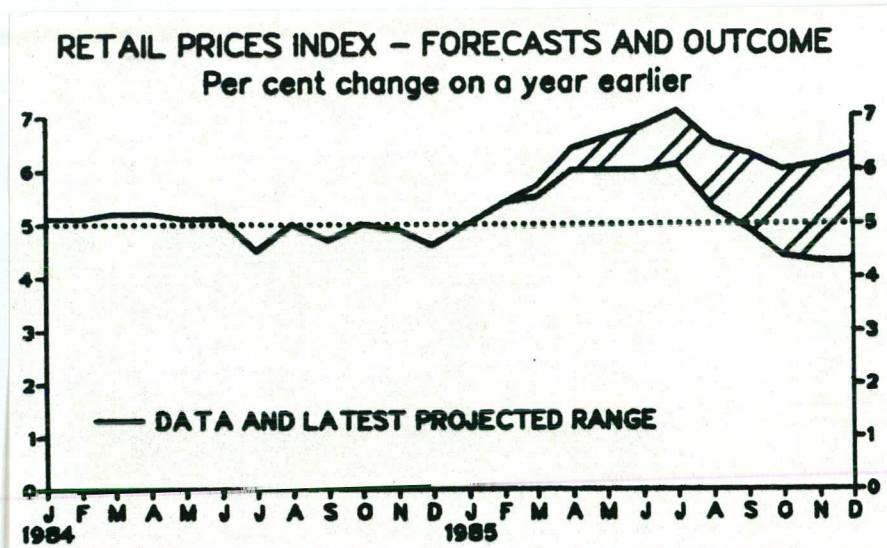
MONTHLY PATH OF RPI

You asked about the expected path of the annual increase in the RPI in the coming months. The table attached shows the monthly path that underlies the Budget forecast. The February RPI data (shown in parenthesis) is consistent with this projection.

2. The central estimate has the 12-month rate increasing in each month until July when it may be at around the 6½ per cent level. In August the 12-month rate should show a sharp drop as last year's mortgage interest rate rise goes out of the 12-month comparison. A fall of 1½ per cent in mortgage interest rates, assumed to take place in September and October, helps to bring the rate down to about 5 per cent around the end of the year.

3. Given the Budget measures, the TPI path consistent with this RPI projection rises sharply to 5½ per cent in April, reaches about 6 per cent in June and July and falls to around 4½ per cent by 1985 Q4. The narrowing of the gap between the 12-month changes in the RPI and the TPI in April is attributable to the smaller increase in personal allowances this year than last. The reduction in employees' National Insurance Contributions from October will reduce the TPI by a small amount.

4. These projections are, of course, subject to fairly wide margins of error. The chart below, taken from the latest edition of the Monthly Note on Pay and Prices, indicates our view of the degree of uncertainty associated with the profile.



5. On a different, but related, matter the attempts by the press to deduce our assumption for the level of mortgage interest rates in 1985 Q4 (cuttings attached) are faulty. However today's Times has reached a conclusion which is broadly correct and which is consistent with what Mr Evans told the TCSC yesterday.

Penelope A Rowlatt.

PENELOPE A ROWLATT

ENCS

SECTORAL BREAKDOWN OF THE RPI - DATA AND FORECASTS (MARCH 1985)

LEVELS (JANUARY 1974=100)					12 MONTH PERCENTAGE CHANGE					4 QUARTER % CHANGE		
		FOOD	HOUSING EXC. WATER	NATION'D INDUSTRY INC. WATER	OTHER	TOTAL RPI	FOOD	HOUSING EXC. WATER	NATION'D INDUSTRY INC. WATER	OTHER	TOTAL RPI	TOTAL RPI
1983	M	305.6	362.3	441.8	323.4	333.9	-	-0.7	5.9	5.7	3.7	-
1983	J	308.8	362.9	437.8	324.1	334.7	1.5	-1.0	3.5	5.6	3.7	3.8
1983	J	308.7	372.5	437.8	325.2	336.5	3.1	1.4	2.8	5.6	4.2	-
1983	A	309.4	375.2	439.9	326.7	338.0	4.7	1.7	2.6	5.7	4.6	-
1983	S	313.0	376.4	440.4	327.6	339.5	5.8	4.8	2.7	5.5	5.1	4.6
1983	O	314.5	379.6	440.5	328.4	340.7	6.1	5.2	2.3	5.1	5.0	-
1983	N	316.1	380.4	443.9	329.2	341.9	5.8	5.3	2.0	4.9	4.8	-
1983	D	318.5	381.7	444.2	329.6	342.8	6.1	9.6	1.3	4.9	5.3	5.0
1984	J	319.8	382.7	445.8	328.3	342.6	6.0	10.1	1.0	4.4	5.1	-
1984	F	321.4	384.0	447.7	329.5	344.0	6.4	10.2	1.8	4.1	5.1	-
1984	M	323.8	383.8	448.9	330.4	345.1	7.1	9.8	2.0	4.2	5.2	5.2
1984	A	327.3	392.3	453.3	334.7	349.7	7.4	8.3	2.2	4.2	5.2	-
1984	M	329.4	389.6	454.5	336.5	351.0	7.8	7.5	2.9	4.1	5.1	-
1984	J	330.6	389.5	455.5	337.5	351.9	7.1	7.3	4.0	4.1	5.1	5.2
1984	J	328.5	391.1	455.8	337.2	351.5	6.4	5.0	4.1	3.7	4.5	-
1984	A	326.9	414.4	456.3	338.6	354.8	5.7	10.4	3.7	3.6	5.0	-
1984	S	324.9	418.6	456.8	339.6	355.5	3.8	11.2	3.7	3.7	4.7	4.7
1984	O	326.2	421.7	457.6	341.8	357.7	3.7	11.1	3.9	4.1	5.0	-
1984	N	326.6	424.2	462.6	342.3	358.8	3.3	11.5	4.2	4.0	4.9	-
1984	D	327.6	416.8	463.7	342.9	358.5	2.8	9.2	4.4	4.0	4.6	4.8
1985	J	330.6	417.1	465.9	343.6	359.8	3.4	9.0	4.5	4.7	5.0	-
1985	F	332.1	428.0	467.0	345.7	362.7	3.3 (3.5)*	11.5 (11.4)	4.3 (4.3)	4.9 (4.8)	5.4 (5.4)	-
1985	M	333.4	430.1	468.9	347.7	364.6	3.0	12.1	4.4	5.2	5.6	5.4
1985	A	336.3	454.7	477.7	351.9	371.4	2.8	15.9	5.4	5.1	6.2	-
1985	M	337.4	456.9	481.3	353.3	373.0	2.4	17.3	5.9	5.0	6.3	-
1985	J	338.6	458.6	483.5	354.7	374.5	2.4	17.7	6.2	5.1	6.4	6.3
1985	J	335.8	460.2	485.1	355.7	374.8	2.2	17.7	6.4	5.5	6.6	-
1985	A	336.0	461.8	485.0	356.7	375.6	2.8	11.4	6.3	5.4	5.9	-
1985	S	337.1	453.1	485.5	357.8	375.4	3.7	8.2	6.3	5.4	5.6	6.0
1985	O	338.2	449.9	485.5	358.9	376.0	3.7	6.7	6.1	5.0	5.1	-
1985	N	339.7	451.1	487.7	359.8	377.1	4.0	6.3	5.4	5.1	5.1	-
1985	D	341.7	452.6	487.9	360.5	378.1	4.3	8.6	5.2	5.1	5.5	5.2
1986	J	343.7	454.5	491.2	360.8	379.2	3.9	9.0	5.4	5.0	5.4	-
1986	F	346.1	456.1	491.4	362.6	381.1	4.2	6.6	5.2	4.9	5.1	-
1986	M	348.1	457.7	492.7	363.9	382.5	4.4	6.4	5.0	4.7	4.9	5.1
1986	A	351.1	465.4	501.9	368.0	387.5	4.4	2.4	5.1	4.6	4.3	-
1986	M	352.1	466.6	506.8	369.2	388.8	4.4	2.1	5.3	4.5	4.2	-
1986	J	353.2	468.1	511.1	370.3	390.5	4.3	2.1	5.7	4.4	4.3	4.3

* February actuals in parentheses

Financial Times 26 March 1985

Mortgage rate drop not expected this year

BY PHILIP STEPHENS

THE TREASURY'S internal economic forecasts suggest that mortgage rates will stay at, or only slightly below, present levels for most of 1985, despite its public optimism that the recent rise in borrowing costs might be quickly reversed.

The building societies last week decided to put up their rates to an average 14 per cent, the highest for three years, in response to the continuingly high level of bank base rates.

Mr Nigel Lawson, the Chancellor, said that the increase would be in effect for "considerably less than a year," although he gave no specific forecast on the outlook for interest rates.

The Treasury view, however,

is discernible from the economic forecasts published in the Financial Statement and Budget report (the Red Book) published to coincide with last week's Budget.

Among the forecasts is a prediction for the contribution of increased housing costs to the overall inflation rate at the end of this year and in the first half of 1986.

This foresees housing costs rising by an annual 7 per cent in the fourth quarter of 1985 compared with the last three months of 1984, against an overall rise in the retail price index of 5 per cent.

As well as mortgage interest payments the figure for hous-

ing inflation includes council house and private rent charges and rates, water charges and maintenance costs.

By taking into account the Government's forecasts for council rent and rates and water charges it is possible to extrapolate the Treasury's assumptions on mortgage rates.

The process, though not precise, indicates that Mr Lawson is resigned to a mortgage rate of between 13 and 14 per cent for the last three months of the year.

The Treasury yesterday declined to comment on unpublished forecasts but conceded that the mortgage rate projection was "reasonable speculation."

It also ties in with the harder line taken by Mr Lawson in his Budget speech on the need to keep interest rates high to bring down the inflation rate.

Abandoning the traditional stance that interest rates should be determined by financial markets, the Red Book says that short-term rates "will be held" at the levels needed to tackle inflation.

The good news for homeowners, however, is that the Treasury at least expects mortgage rates to fall around the beginning of next year.

Its forecast for inflation in the second quarter of 1986 points to a rate of closer to 12 per cent than 14.

The Times

28 March 1985

Housing shadow over inflation

The new weights for the retail prices index, published in the Department of Employment's gazette today, confirm the upward trend in housing costs in the measurement of overall inflation.

The weight of housing costs in the RPI has risen to 153 parts per 1,000, compared with 149 last year – and only 108 back in 1975.

This year, however, could be the last that housing costs appear in the RPI in their present form.

The building societies have argued that

to take mortgage rates in the RPI – but not interest rates payable to savers – is one-sided. But an expenditure index cannot be adjusted to accommodate income; so the easiest solution is to exclude housing costs from the RPI, whatever the accusations of fiddling the figures.

In the meantime, the Government has to live with a housing boost to inflation. Its upward pressure is shown clearly in the Treasury's red book forecast for inflation, published on Budget day.

The Treasury expects the RPI to rise by 5 per cent in the 12 months to the fourth quarter of this year. In the same period, the housing component of the index is expected to increase by 7 per cent.

This housing component is pushed up by house price inflation, feeding through into larger mortgages. In the 12 months to the fourth quarter of last year, for example, this higher house price (and biggest mortgage) effect accounted for 2¾ points of the 10½ per cent rise in the index of housing costs.

The Treasury is likely to be assuming a similar effect this year, so that 2½-3 points of the 7 per cent are accounted for immediately. A further 2 points come from the 6.2 per cent rise in local authority rates assumed by the Treasury, and 1.7 points from the 7.2 per cent rise in council house rents. The remaining half point comes from assuming that the costs of repairs and ground rents group roughly in line with general inflation.

The 7 per cent rise is arrived at without any change in mortgage rates; assuming, in other words, that mortgage rates at the end of this year are the same as in the fourth quarter of last year – when they averaged little over 12 per cent.

Should mortgage rates remain at their current level of 14 per cent for the year, the Treasury's inflation forecast would be upset. The housing component of the index would rise 12 per cent, rather than 7 per cent; and the overall inflation rate would be nudged up to 6 per cent.

PR

FROM: PENELOPE A ROWLATT

DATE: 15 April 1985

CHANCELLOR OF THE EXCHEQUER

cc Sir Peter Middleton
Sir Terence Burns
Mr Kemp
Mr Evans o/r
Mr Davies
Mr Folger
Miss Sinclair

Publication date is 11:30 today
19 April.

THE MARCH RPI

You may find it helpful to know that the 12-month increase in the RPI to March is almost certainly going to come out at 6.1 per cent, about $\frac{1}{2}$ per cent higher than we and others were expecting. This figure is not final, the statisticians at the Department of Employment are still checking their numbers, but it is unlikely to be out by more than 0.1 per cent. Obviously the figure cannot be used at this stage.

2. Part of the discrepancy is likely to be temporary, eg seasonal food price rises or the timing of price increases. We will be revising our projection when we get the detailed breakdown.

Penelope A Rowlatt.

PENELOPE A ROWLATT

CONFIDENTIAL

FROM: PENELOPE A ROWLATT

DATE: 18 April 1985

CHANCELLOR OF THE EXCHEQUER ✓

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State
Sir Peter Middleton
Mr Bailey
Sir Terence Burns
Mr Cassell
Mr Monck
Mr Kemp
Mr Battishill
Mr Evans
Mr Odling-Snee
Mr Culpin
Mr Davies
Mr Folger
Ms Seammen
Miss Sinclair
Mr Page
Mr Gilhooly
Mr Vernon
Mr P Cropper

*What is the March figure?
Exclude 6.4%!
Further rise
in year*

THE MARCH RPI (TO BE PUBLISHED AT 11.30 AM ON FRIDAY 19 APRIL)

The 12-month increase in the RPI rose to 6.1 per cent in March. This increase is almost $\frac{1}{2}$ per cent larger than we and others were expecting. The rise during the month was 0.9 per cent.

2. Part of the rise was due to factors that are likely to have a temporary effect on the index. Seasonal food prices rose by a further 4 per cent on account of the frosty weather and are now 11 per cent above the December level. Also, there were some price rises that we had expected to affect the April index but which came through in March instead.

3. The main factors affecting the index apart from seasonal food prices were the following. Petrol prices rose by 4.3 per cent during the month; there was a large increase (over 2 per cent) in the price index for the clothing and footwear sector (this can be attributed mainly to bounce-back after the

CONFIDENTIAL

sales); second-hand car prices rose; the remainder of the February mortgage interest rate rise affected the Index; and a further instalment of the January gas price rise came through. Price increases generally are continuing to run at a rather higher level than they were at the end of 1984, reflecting the fall in sterling.

4. The April figure is likely to show an annual increase of around $6\frac{1}{2}$ per cent. It will be affected by the rise in mortgage interest rates (1 April), the first instalment of the increase in electricity costs, a rise of 1p a pint in the price of milk and the increased cost of TV licences. The effect of the Budget will be to depress slightly the 12-month change to April. The figure for May is likely to be much the same as that for April.

5. The 12-month rate should peak in July and could be around 5 per cent in the fourth quarter of the year as stated in the FSBR.

Penelope A Rowlatt.

PENELOPE A ROWLATT


Cy

Ret. excl housing is only up 5.6% See attached table.

*Re.
22/4*

FROM: PENELOPE A ROWLATT

22 April 1985

CHANCELLOR OF THE EXCHEQUER 

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Terence Burns
Mr Evans
Mr Davies
Mr Folger
Mr Board
Mr Vernon

*Thanks.
In the L.G.
M.*

THE MARCH RPI - ADDITIONAL INFORMATION

You asked for some additional material about the March RPI. In particular you asked about the 12-month increase to March in the Index excluding seasonal food. Although seasonal food prices rose sharply between December and March they were still 2 per cent lower in March 1985 than in March 1984 when these prices were quite unusually high. The 12-month increase in the RPI excluding this item is therefore above the 6.1 per cent rise in the All-Items Index at 6.4 per cent.

2. It may be more helpful to look at the figure for the Index excluding food, housing and Nationalised Industries. This is up 5.6 per cent over the year to March. Within that aggregate, petrol prices have risen by 9.5 per cent. The table below shows the current situation in terms of the breakdown given in table 3.3 of the FSBR.

Retail Prices Index

Percentage change on a year earlier

	1984 Q4	March 1985	1985 Q4 FSBR forecast
Food	3.3	3.6	4
Housing (exc water)	10.6	12.4	7
Nationalised Industries (inc water)	4.2	4.6	5 ¹ / ₂
Other	4.0	5.6	5
Total	4.8	6.1	5

total exc. housing

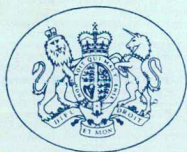
5.0.

3. We shall be circulating a revised monthly projection shortly. It will continue to show a decline towards 5 per cent at the end of the year after a peak in July.

Penelope A Rowlatt.

PENELOPE A ROWLATT

Perry 8384



DEPARTMENTS OF INDUSTRY AND TRADE

— COMMON SERVICES

1 Victoria Street London SW1H 0ET

Telephone Direct Line 01-215 3055

Switchboard 01-215 7877

b/f 24/4 pl

Mrs R Lomax ✓
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

23 April 1985

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

Publication is set for Friday 26 April at 11.30am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Thursday 25 April and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

W E BOYD

SECRET AND PERSONAL
until 11.30am Friday 26 April
then CONFIDENTIAL

FROM: DAVID BARTLETT

DATE: 25 APRIL 1985

1. MR KELLY ^{25.4.}
2. CHANCELLOR

cc As attached list

MARCH TRADE FIGURES

C Could hit sterling tomorrow.
Content with Q and As and
DII draft press notice? *Ruo*

*1. weather like,
new balance No
improve low @
X. r.*

The March trade figures will be released on Friday 26 April

at 11.30am.

Summary

2. The main features are:

(i) a substantial estimated current account deficit of £456 million in March (surplus of £131 million in February), the first deficit since September 1984, made up of:

- a record visible trade deficit of £900 million (February deficit £270 million) and
- a slightly larger projected invisible surplus of £444 million.

(ii) A nearly £0.4 billion growth in oil imports in March (to £1.2 billion) is the largest single factor behind the increase in the visible deficit. That growth in turn partly reflects oil companies rebuilding UK stocks from very low end-February levels, and occurred despite rather lower oil imports by CEGB in March than in February. We have no other explanation for the increased visible deficit - as is usual with erratic monthly movements.

(iii) Despite the poor March figures, in the first quarter of 1985, the current account was in broad balance, following a £0.6 billion surplus in the previous quarter.

Analysis (for summary tables see Annex 1)

3. In March, the coal strike produced extra net oil imports of about £300 million (compared with about £400 million in February), and extra net coal imports of about £75 million. The total effect on the balance of trade since January 1984 is around £4½ billion, of which about £3½ billion has fallen on the oil account. This should be the last month in which a major effect is seen. All the figures are approximate because of the assumptions involved.

4. Export volumes rose 1 per cent in Q1 1985 compared with Q4 1984 (despite a 3 per cent fall in March from the high February level). Excluding "erratic" items, the rise was 3 per cent. Fuel export volumes rose 10 per cent in Q1, while exports of cars rose 21 per cent. The fastest growth by area in the latest quarter was to the EEC (up 9½ per cent by value). However, exports to the USA fell 4 per cent from their high fourth quarter level. The underlying level of non-oil export volumes, which has been rising since the middle of last year, remains high (see attached chart).

5. Import volumes fell 1 per cent (1½ per cent excluding "erratics") between Q4 1984 and Q1 1985, despite a 6 per cent increase between February and March. The fall is largely the result of the below trend January figure. In individual commodity groups, the largest fall in Q1 was in basic materials (6 per cent). The largest increase was in capital goods imports (7 per cent). Imports from the USA rose 12 per cent by value in the first quarter. There is no complete explanation for this rise, but it mainly reflects the strong dollar, which increases the sterling price of imports priced in dollars. The underlying level of non-oil import volumes has shown little change in recent months.

Comparison with FSBR Forecast

6. The visible balance in the first quarter was some £½ billion worse than expected in the FSBR forecasts. Most of this shortfall

was due to a lower balance in non-oil trade caused by lower exports and higher imports of the "erratic" items than allowed for in the forecast. Excluding oil and "erratics", the underlying level of export volumes in the first quarter was in fact rather higher than anticipated, and the equivalent volume of imports slightly lower. The non-oil terms of trade were worse than anticipated, due to export prices not increasing as much as expected.

Trade Prices

7. Import prices behaved much as anticipated in Q1 1985 and were 13 per cent higher than in the first quarter of 1984. Much of this was due to the fall in the Exchange Rate Index, which declined by 12 per cent over the period. This suggests that importers' profit margins were squeezed, as they were not able to pass on their increased costs. If the recent strength of sterling is maintained, a period of stability or even a fall in the level of import prices is likely in the coming months.

Effects on Markets

8. Market expectations are for a trade deficit of about £0.2 billion and a current account surplus of about £0.2 billion, both of which are optimistic by about £0.7 billion. Although much depends on the focus of market attention at the time of release, these figures may well have a significant downward impact on sterling, especially as no other major statistics are due out on Friday.

Press Notice and Briefing

9. I should be grateful for clearance of the attached draft press briefing.

David Bartlett

DAVID BARTLETT

SECRET AND PERSONAL
until 11.30am Friday 26 April
then UNCLASSIFIED

DRAFT BRIEFING FOR IDT

Points to make

- (i) Current account in broad balance in Q1 1985, despite effects of coal strike.
- (ii) March should be last month significantly affected by strike, though there could be continuing effects eg through stock-building.
- (iii) Monthly movements have been very erratic. Taking last 3 months as a whole, export volumes rose 1 per cent in Q1 1985 compared with Q4 1984 (3 per cent excluding "erratic" items).
- (iv) Import volumes fell 1 per cent between Q4 1984 and Q1 1985.

Defensive1. Trade effects of coal strike?

[Strike ended on 5 March. Its impact on oil and coal trade clearly continued for some weeks thereafter.]

Strike affected trade in oil and coal by roughly £4¼ billion to March 1985 (cf estimate of £4 billion in FSBR), of which around £3½ billion fell on oil account. March should be last month significantly affected by strike.

2. Why current account deficit in March?

[£456 million March current account deficit, after surpluses in previous five months. Record visible trade deficit of £900 million in March, after £270 million February deficit.]

Monthly figures very erratic. Taking Q1 as a whole current account in broad balance.

3. Why falling oil surplus in March?

[£0.4 billion surplus in March, after £0.7 billion in February and £0.9 billion in January.]

Because of higher oil imports (up nearly £0.4 billion in March to £1.2 billion). Partly a reflection of oil companies rebuilding UK stocks from very low end-February levels. [Detailed queries to D. Energy]. But monthly data notoriously erratic. In first quarter 1985 as a whole, oil surplus rose £½ billion on last quarter 1984.

4. Deteriorating current account balance means FSBR forecast optimistic?

[Current account deficit of £0.5 billion in March, after £0.1 billion surplus in February and £0.3 billion surplus in January.]

Far too early to say if FSBR forecast accurate. Prospects good now coal strike over and broad current account balance in Q1 1985 consistent with £3 billion surplus forecast in FSBR for 1985 as a whole.

5. Rising imports a cause for concern?

[Import volumes rose 6 per cent in March and 5 per cent in February.]

Despite rises in latest two months, import volumes still fell 1 per cent between Q4 1984 and Q1 1985, while exports rose 1 per cent. Major increases in imports in Q1 were in capital and intermediate goods (up 7 and 7½ per cent), needed to help sustain domestic recovery.

6. Why are we not doing better in USA?

[By value, exports to USA down 4 per cent between Q4 1984 and Q1 1985 and imports from USA up 12 per cent.]

Exports to USA in Q1 were 13% higher in value than a year earlier. Level in 1984 Q4 erratically high.

7. Stronger pound in March reduced UK competitiveness?

[Sterling's Exchange Rate Index rose 3 per cent between February and March.]

Clearly stronger pound has effect on competitiveness. But impact probably too lagged to have influenced March export and import volumes. In long-run, key to sustained competitive gains is responsible pay bargaining and further improvements in productivity.

SECRET AND PERSONAL
 until 11.30am on Friday 26 April
 then **CONFIDENTIAL**

ANNEX 1

Table 1: Current Account

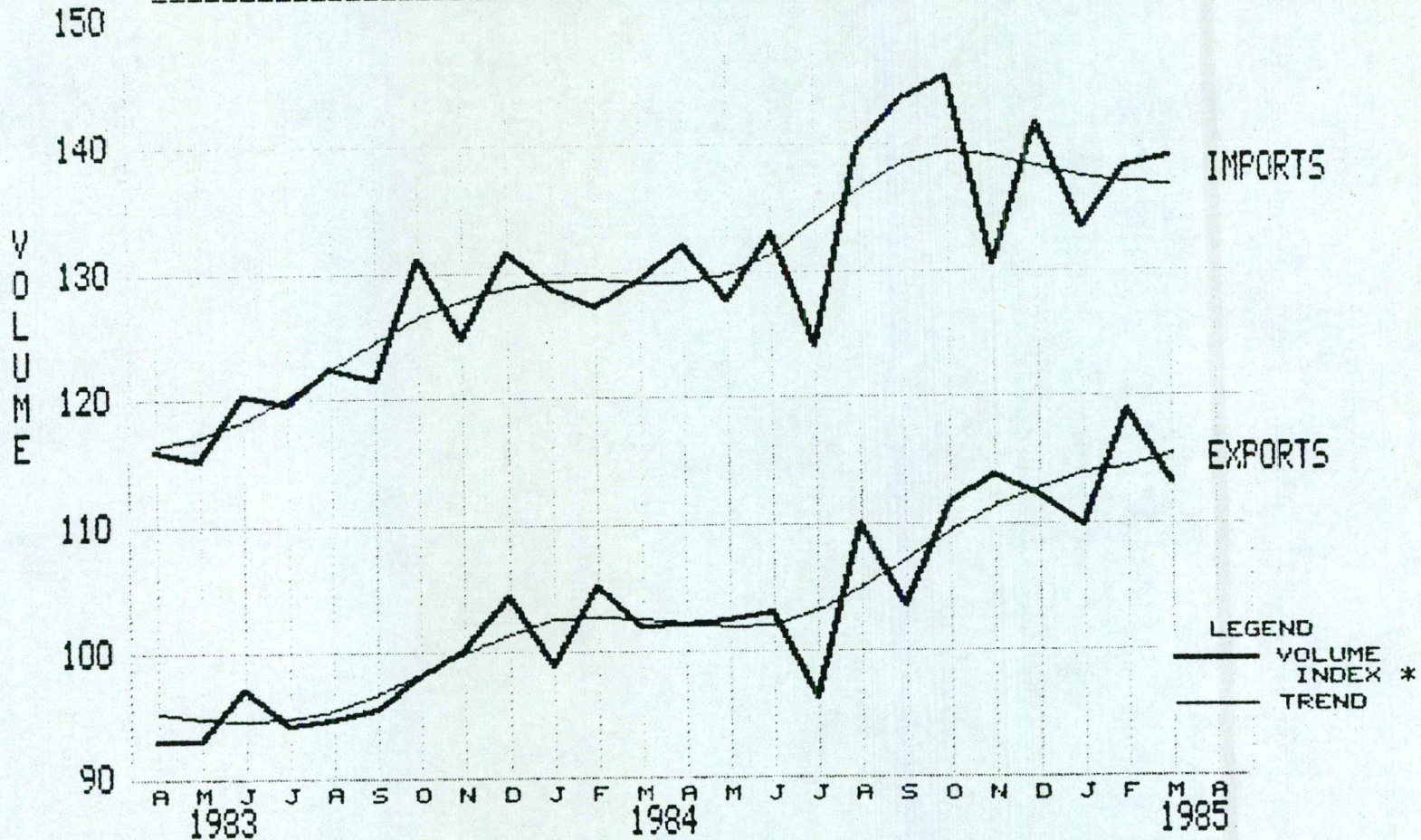
	£ billion					
	1984	1984 Q4	1985 Q1	January	February	March
Oil	+ 7.1	+1.5	+2.0	+0.9	+0.7	+0.4
Non-oil	-11.4	-2.8	-3.2	-1.0	-1.0	-1.3
Total visible trade	- 4.3	-1.3	-1.2	-0.1	-0.3	-0.9
o/w: trade in manufactures (BoP basis)	- 3.8	-0.8	-1.2	-0.4	-0.3	-0.5
Invisibles	+ 4.3	+2.0	+1.3*	+0.4*	+0.4*	+0.4*
Current Account	+ 0.1	+0.6	+0.0*	+0.3*	+0.1*	-0.5*

* projection

Table 2: Exports and imports (percentage change)

	<u>March</u> <u>on</u> <u>February</u>	<u>Q1 1985</u> <u>on</u> <u>Q4 1984</u>	<u>Q1 1985</u> <u>on</u> <u>Q1 1984</u>
<u>(i) Exports</u>			
Total value	- 1	+ 5	+21
Total volume	- 3	+ 1	+ 9
Total volume excl oil and erratics	- 4½	+ 1	+12
o/w: manufactures	- 3½	+ 1½	+14
Fuels (volume)	- ½	+10	+11½
<u>(ii) Imports</u>			
Total value	+ 7½	+ 4	+28
Total volume	+ 6	- 1	+11
Total volume excl oil and erratics	+ ½	- 1½	+ 6½
o/w: manufactures	+ ½	+ ½	+ 7½
Fuels (volume)	+36	- ½	+61

TOTAL TRADE - EXCLUDING OIL AND ERRATICS



* Seasonally adjusted Balance of Payments basis 1980=100

SECRET

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

26 APR 85

SECRET - PERSONAL

TRADE FIGURES FOR MARCH 1985

Advance Circulation

Chancellor of the Exchequer	Mr H P Evans
Chief Secretary	Mr Folger
Economic Secretary	Mr Culpin
Sir P Middleton	Mr S Robson
Mr Littler	Mr Mowl
Sir T Burns	Mr Vernon
Mr Cassell	Mr Gleed
Mr Unwin	Mr Walker
Mr Lavelle	Mr Segal
Mr Battishill	
Mr Kelly (EF)	Mr Gill - Bank
	Mr Turnbull - No 10

Circulation after 11.30pm on Friday 26 April

Financial Secretary	Mr Melliss
Minister of State	Mr Riley
Mr Bailey	Mr P Patterson
Mr Byatt	Mr Kelly (MP)
Mr Wicks (Washington)	Mr Matthews (EF)
Mr Fitchew	Mr Gordon
Mr Sedgwick	Mr C Pickering
Mr Odling-Smee	Mr Lord
Mr Lankester	Mr Davies
	Mr Whybrow DTI

from tonight pt

FROM: D BARTLETT
DATE: 25 APRIL 1985

pass

- 1. MR ~~KELLY~~ ^{Wynn} *25/4*
- 2. MR WYNN OWEN

- cc Mr Lavelle
- Mr Culpin
- Mr Folger
- Mr Mowl

MARCH TRADE FIGURES

C. Content with redraft to answer to Q7? ym: Rno 25/4

Your minute of 25 April refers.

- 2. You asked for a redrafted answer to defensive question 7 of the press briefing. I suggest the following:

"UK competitiveness affected by many factors, of which movements in the exchange rate are only one. In any event, recent strength of pound still leaves Sterling Index some way below where it stood last summer."

David Bartlett

DAVID BARTLETT

FROM : PENELOPE A ROWLATT

DATE : 26 April 1985

CHANCELLOR OF THE EXCHEQUER ✓

cc Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Sir Peter Middleton
 Mr Bailey
 Sir Terence Burns
 Mr Kemp
 Mr Battishill
 Mr Evans
 Mr Culpin
 Mr Davies
 Mr Folger
 Ms Seammen
 Miss Sinclair
 Mr Gilhooly
 Mr Mackinnon
 Mr Westwater

*Ueno -
 please
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 SW*

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*Re.
 26/4*

(Red signature)

RPI FORECAST - MONTHLY PROJECTION INCORPORATING THE LATEST INFORMATION

We have now reworked the monthly projection for the RPI made at the time of the Budget, taking account of the detailed information contained in the March figure. The result is shown in the table attached. We shall be taking a deeper look when we start on the summer forecast next month.

2. The March figure was nearly $\frac{1}{2}$ per cent higher than expected. This was attributable in the main to three factors. Unexpectedly large rises in seasonal food prices were responsible for about 0.1 per cent. A larger than expected rise in petrol prices ($4\frac{1}{2}$ per cent instead of 3 per cent) accounted for a further 0.1 per cent. A further 0.2 per cent was attributable to larger and more numerous price rises generally, spread through a number of sectors, probably reflecting the fall in sterling and related to the recent rise in the producer output price index.

3. A number of adverse factors will affect the 12 month change in the Index to April. These include a 1p rise in the price of a pint of milk and the increase in the cost of a TV licence as well as the 1 April rise in mortgage interest rates and the rise

in the cost of electricity. The effect of the Budget will be to reduce slightly the 12-month change. Taking these into account the 12-month change in the All-Items Index is likely to increase by about $\frac{1}{2}$ per cent in April to reach around $6\frac{1}{2}$ per cent.

4. We continue to expect a rise in the 12-month rate: the May figure is liable to be $6\frac{1}{2}$ -7 per cent and in July it may reach 7 per cent. The drop in August (when last year's mortgage interest rate rise goes out of the 12-month comparison) should be followed by further falls later in the year. These are largely attributable to the forecast $1\frac{1}{2}$ per cent cut in mortgage interest rates assumed to take place in the autumn and are helped by the higher levels of sterling in recent weeks. However our central estimate for the last quarter of the year has moved up slightly and now rounds up to $5\frac{1}{2}$ per cent instead of down to the 5 per cent of the Budget forecast. It need hardly be said that a wide margin of error attaches to this figure.

5. For public purposes the line should continue to be that the profile of inflation this year is turning out as we expected: a hump in the first half of this year for essentially temporary reasons - mortgage rate rise and exchange rate dip. We expect the downward trend to resume in the second half of 1985. The rise in sterling since the budget supports this profile, as do most outside forecasts. There is no need to change the budget forecast of 5 per cent inflation in the fourth quarter.

Penelope A Rowlatt

PENELOPE A ROWLATT

SECTORAL BREAKDOWN OF THE RPI - DATA AND FORECASTS (MARCH 1985)

		LEVELS (JANUARY 1974=100)					12 MONTH PERCENTAGE CHANGE				4 QUARTER % CHANGE	
		FOOD	HOUSING EXC. WATER	NATION'D INDUSTRY INC. WATER	OTHER	TOTAL RPI	FOOD	HOUSING EXC. WATER	NATION'D INDUSTRY INC. WATER	OTHER	TOTAL RPI	TOTAL RPI
1983	J	301.8	347.7	441.4	314.2	325.9	1.9	-1.1	14.1	5.9	4.9	-
1983	F	302.1	348.7	439.8	316.5	327.3	1.6	0.8	12.6	6.5	5.3	-
1983	M	302.4	349.4	440.3	317.2	327.9	0.9	0.7	11.9	5.6	4.6	5.0
1983	A	304.6	362.4	443.4	321.2	332.5	0.7	-0.8	7.5	5.8	4.0	-
1983	M	305.6	362.3	441.8	323.4	333.9	-	-0.7	5.9	5.7	3.7	-
1983	J	308.8	362.9	437.8	324.1	334.7	1.5	-1.0	3.5	5.6	3.7	3.8
1983	J	308.7	372.5	437.8	325.2	336.5	3.1	1.4	2.8	5.6	4.2	-
1983	A	309.4	375.2	439.9	326.7	338.0	4.7	1.7	2.6	5.7	4.6	-
1983	S	313.0	376.4	440.4	327.6	339.5	5.8	4.8	2.7	5.5	5.1	4.6
1983	O	314.5	379.6	440.5	328.4	340.7	6.1	5.2	2.3	5.1	5.0	-
1983	N	316.1	380.4	443.9	329.2	341.9	5.8	5.3	2.0	4.9	4.8	-
1983	D	318.5	381.7	444.2	329.6	342.8	6.1	9.6	1.3	4.9	5.3	5.1
<hr/>												
1984	J	319.8	382.7	445.8	328.3	342.6	6.0	10.1	1.0	4.5	5.1	-
1984	F	321.4	384.0	447.7	329.5	344.0	6.4	10.1	1.8	4.1	5.1	-
1984	M	323.8	383.8	448.9	330.4	345.1	7.1	9.8	2.0	4.2	5.2	5.2
1984	A	327.3	392.3	453.3	334.7	349.7	7.5	8.3	2.2	4.2	5.2	-
1984	M	329.4	389.6	454.5	336.5	351.0	7.8	7.5	2.9	4.1	5.1	-
1984	J	330.6	389.5	455.5	337.5	351.9	7.1	7.3	4.0	4.1	5.1	5.1
1984	J	328.5	391.1	455.8	337.2	351.5	6.4	5.0	4.1	3.7	4.5	-
1984	A	326.9	414.4	456.3	338.6	354.8	5.7	10.4	3.7	3.6	5.0	-
1984	S	324.9	418.6	456.8	339.6	355.5	3.8	11.2	3.7	3.7	4.7	4.7
1984	O	326.2	421.7	457.6	341.8	357.7	3.7	11.1	3.9	4.1	5.0	-
1984	N	326.6	424.2	462.6	342.3	358.8	3.3	11.5	4.2	4.0	4.9	-
1984	D	327.6	416.8	463.7	342.9	358.5	2.9	9.2	4.4	4.0	4.6	4.8
<hr/>												
1985	J	330.6	417.1	465.9	343.6	359.8	3.4	9.0	4.5	4.7	5.0	-
1985	F	332.5	429.1	466.8	345.2	362.7	3.5	11.7	4.3	4.8	5.4	-
1985	M	335.4	432.8	469.0	348.9	366.1	3.6	12.8	4.5	5.6	6.1	5.5
1985	A	338.5	456.5	477.9	352.9	372.7	3.4	16.4	5.4	5.4	6.6	-
1985	M	339.5	458.9	482.3	354.8	374.7	3.1	17.8	6.1	5.4	6.8	-
1985	J	340.5	460.7	484.6	356.2	376.2	3.0	18.3	6.4	5.5	6.9	6.7
1985	J	336.7	462.5	486.1	357.2	376.3	2.5	18.2	6.6	5.9	7.0	-
1985	A	335.9	464.2	486.0	358.2	376.9	2.8	12.0	6.5	5.8	6.2	-
1985	S	336.8	454.8	486.5	359.0	376.5	3.6	8.6	6.5	5.7	5.9	6.4
1985	O	337.6	451.3	486.5	359.9	376.7	3.5	7.0	6.3	5.3	5.3	-
1985	N	339.1	452.7	488.6	360.7	377.9	3.8	6.7	5.6	5.4	5.3	-
1985	D	341.1	454.4	488.8	361.4	378.9	4.1	9.0	5.4	5.4	5.7	5.4

FROM: D WALTON
DATE: 30 April 1985

1. MR FOLGER
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Financial Secretary
Minister of State
Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Monck
Mr Battishill
Mr Evans
Mr Culpin
Mr S Davies
Mr Owen
Mr Page
Mr Vernon o.r.
Mr Pickering
Mr Salveson (+1 for No.10)
Mr Cropper
Mr H Davies
Mr Lord
HB/01

These are unwelcome figures, even though we did not expect the 'special' factory in March (3,000 increase only) to continue. But there are still positive signs on employment - eg the 30 April CBI survey which points to stabilisation of manufacturing employment after the steady decline since 1977.

JMM
30.4.85

SMK
with 6 folders
and 1000

UNEMPLOYMENT AND VACANCIES FIGURES FOR APRIL 1985

(to be released at 11.30am, Thursday 2 May)

Seasonally-adjusted adult unemployment (excluding school-leavers) rose by 29,000 in April to 3,177,200 (13.1 per cent of the employee labour force). The stock of unfilled vacancies, seasonally adjusted, was up by 8,000 from March's total to 167,000.

2. The average monthly increase in unemployment in the three months to April was 18,000. DEM suggest that the April count (taken on 11 April) may have been inflated slightly by employers delaying recruitment until after the Easter holidays. No other special factors of significance are thought to have affected the count. DEM's estimate of the underlying monthly trend increase in unemployment remains a range of 10-15,000 as it has for some months despite sharp fluctuations in the recorded increases.

	<u>Average monthly changes</u> thousands		
	<u>April on March</u>	<u>6 mths to April</u> (previous six months in brackets)	<u>3 mths to April</u> (previous three months in brackets)
Seasonally adjusted	+29	+14 (+14)	+18 (+14)

Other features compared with March are shown below (figures not seasonally adjusted except where marked):

Thousands (rounded)

	<u>Levels</u>		<u>Change</u>
	<u>March</u>	<u>April</u>	
Stock of Unfilled Vacancies (s.a.)	159	167	+8
Effect of Special Measures on Unemployment	460 (Feb)	450 (Mar)	-10
Female Unemployment (incl school leavers)	998	1002	+4

Headline total	3268	3273	+5
less Claimant School leavers	88	84	-4
less Seasonal factors	32	12	-20

Adult unemployment (seasonally adj)	3148	3177	+28

4. Points of interest are:

- (a) Headline total up slightly (but remains at 13.5 per cent of employee labour force).
- (b) Small fall in effect of special measures is mainly due to a reduction of the effect of YTS in March as the outflow from the scheme exceeded the number of entrants. This downward trend is likely to continue until July when the next large batch of school leavers enters the YTS.
- (c) Stock of vacancies up by a seasonally adjusted 8,000.
- (d) Female unemployment back just above one million.

Assessment

5. The big increase in March unemployment seems to be due primarily to the very low outflow from the register this month, reflected in all groups. The seasonally adjusted increase of 29,000 is the largest rise for two years, and the unadjusted headline total is the highest ever April figure. Monthly changes have been erratic recently (+20 thousand in February, +3 thousand in March). If there is a further rise of 20,000 + in May the internal Budget forecast for average 1985 unemployment will start to look low.

6. The rise in vacancies this month needs to be handled with care. The stock of vacancies is up sharply. Both inflows and outflows notified to job centres are down, with outflows especially so. This is believed to reflect in part a change in Job Centres' administrative arrangements which has resulted in delays in recording notified vacancies and more significant delays in recording vacancies filled or withdrawn. This has probably led to

See separate note

an artificial net increase in the stock of vacancies recorded for April. This is expected to unwind in subsequent months.

Line to take

7. (a) on unemployment: "The increase in unemployment in April is disappointing. Monthly figures do tend to be erratic, though, and the best estimate of the underlying increase remains 10-15,000 a month. ~~"But any increase in unemployment is unwelcome and recent figures emphasise the need for sensible pay settlements."~~

(b) on vacancies: "The statistics for vacancy flows and stocks are distorted this month because of a change in MSC administrative arrangements. This has resulted in delays in the recording of notified vacancies, and of vacancies which have either been filled or withdrawn by employers. Even on the February figures, however, unfilled vacancies are still well up on 1981 and 1982 levels."

David Walton

DAVID WALTON
EB

SECRET UNTIL 11.30 am ON 2 MAY 1985

LABOUR MARKET TRENDS

all figures seasonally adjusted

Whole Economy (UK)

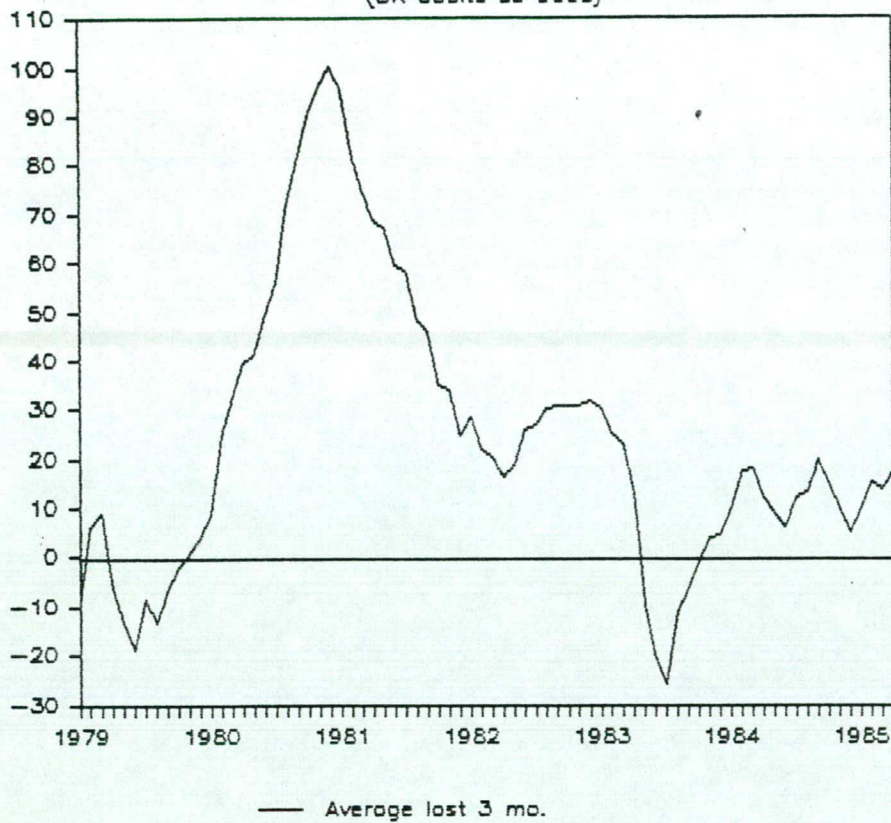
Manufacturing (GB)

	Adult Unemployment changes (excluding 1983 Budget effects)	Stock of Notified Vacancies	Employed Labour Force ** Changes (Quarterly)	Employees in Employment Changes (Quarterly)	Employees in Employment Changes	Short-time (operatives)	Overtime (operatives)	Average Weekly Hours per operative
	000s, monthly average change in 3 Months ended	000s, average of 3 months ended	000s	000s	000s, monthly average in 3 months ended	millions of hours lost	millions of hours worked	Index 1980=100
1981 Mar	75	98	-245	-272	-55	5.9	8.5	96.8
June	60	89	-223	-250	-45	4.6	9.2	98.6
Sept	46	96	-109	-122	-27	2.6	9.9	100.2
Dec	25	104	-149	-159	-28	1.9	10.0	100.2
1982 Mar	20	112	-51	-60	-18	1.8	10.3	100.7
June	28	107	-121	-130	-31	1.8	10.2	100.6
Sept	31	111	-156	-167	-29	1.6	9.8	100.4
Dec	28	115	-101	-113	-29	1.6	9.7	100.8
1983 Mar	26	124	-70	-82	-21	1.3	9.8	101.2
June	25	137	27	12	-16	1.1	9.7	100.9
Sept	4	161	108	38	-12	0.7	11.0	101.8
Dec	-2	162	137	68	-6	0.5	11.1	102.6
1984 Mar	18	147	76	6	-9	0.6	11.2	102.5
June	6	154	57	-10	-1	0.7	11.7	102.2
Sept	20	165	66	32	-4	0.7	11.6	102.1
Dec	5	167	143	113	1	0.5	11.8	103.1
1985 Jan	10	162			-4	0.4	11.6	102.7
Feb	16	158			-6	0.4	12.0	102.8
Mar	14	158						
Apr	18	161						

**UK employees in employment, armed forces, plus an assumed 31,000 increase per quarter in self employment from 1984Q3

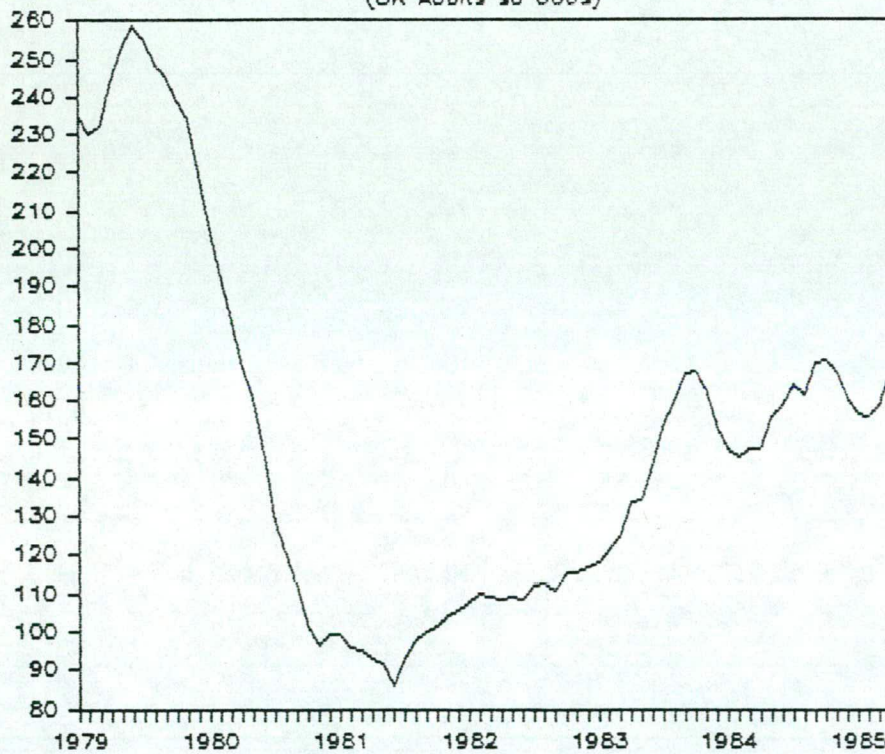
MONTHLY CHANGES IN UNEMPLOYMENT

(UK adults so 000s)



VACANCIES

(UK Adults so 000s)



DM

PERSONAL AND CONFIDENTIAL



Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON
SW1

9th May 1985

Dear Andrew,

OUTLOOK FOR RPI

I enclose a numbered copy of the latest DE note.

Copies also go to Rachel Lomax (Treasury), Sir Peter Middleton (Treasury), John Mogg (DTI), Claire Bates (CSO), John Bartlett (Bank of England), Rosalind Mulligan (CO) and Leigh Lewis (CO).

Yours sincerely,
Iain Mackinnon

IAIN MACKINNON
Private Secretary

PERSONAL AND CONFIDENTIAL

JSP

Clk not very comfortable reading

Re 9/5

*Block - no print - AS still
Bon - 5/4 2
ag -
M. J. -
EX R*

① Check -
P minute out

Thank

for letter
for

~~H. G.~~

② (Mackinnon folder)

FROM : NEIL MACKINNON

DATE : 14 May 1985

CHANCELLOR OF THE EXCHEQUER

cc Mr H Davies
Dr Rowlatt
EPI/D/2

RPI LESS MORTGAGE INTEREST PAYMENTS

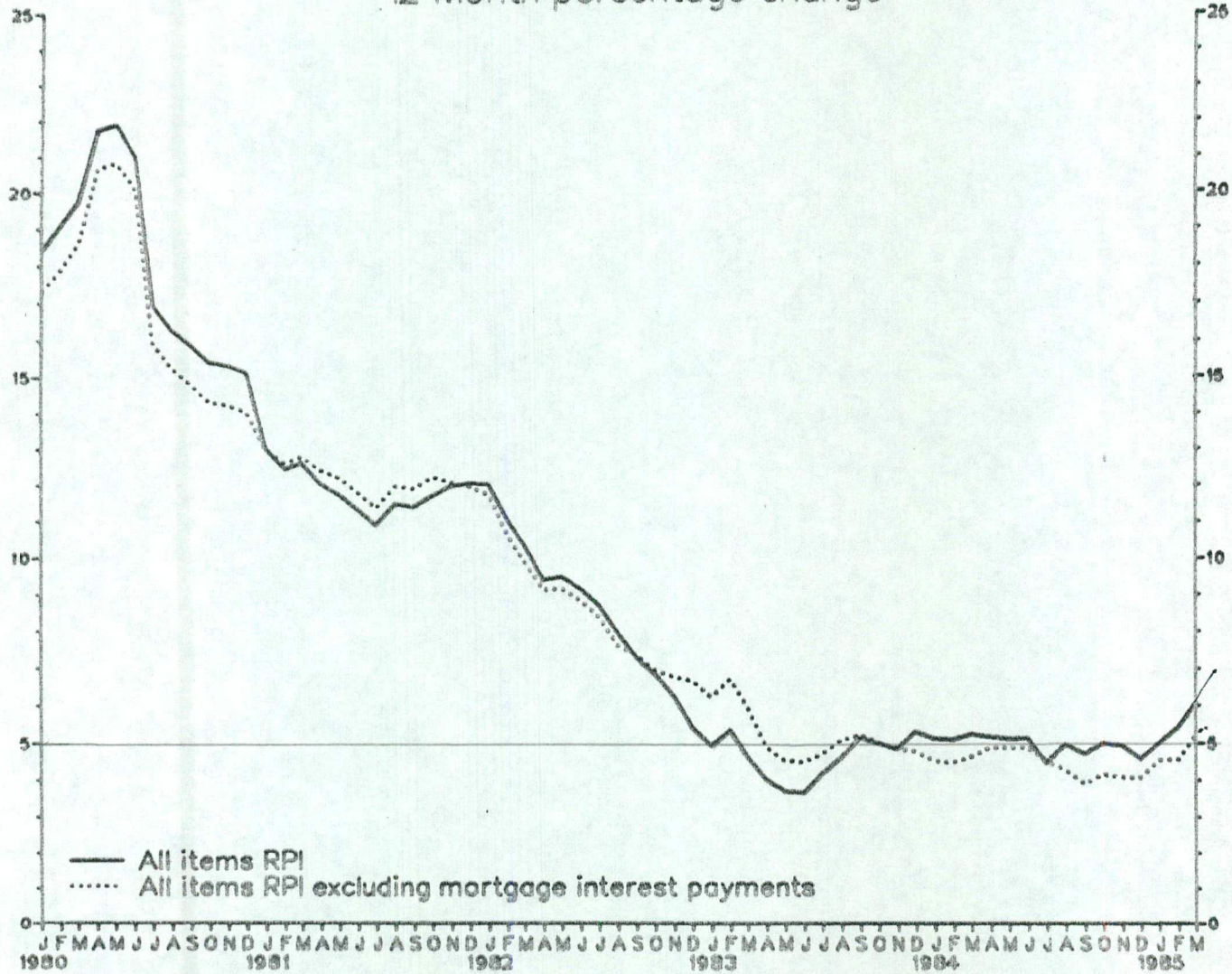
I attach a table showing the 12-month percentage change in the all-items Retail Prices Index and the 'RPI less mortgage interest payments' since 1980.

Neil Mackinnon.

N J MACKINNON

EAL

RETAIL PRICE INFLATION 12 Month percentage change



SOURCE : EA1 Division - 14 May 1985

12-month percentage changes

		RPI	RPI exc. mortgage interest payments						
13	1980	1	18.388	17.305	62	1984	2	5.102	4.482
14	1980	2	19.100	17.894	63	1984	3	5.245	4.627
15	1980	3	19.753	18.586	64	1984	4	5.173	4.884
16	1980	4	21.755	20.676	65	1984	5	5.121	4.882
17	1980	5	21.908	20.823	66	1984	6	5.130	4.894
18	1980	6	20.993	20.083	67	1984	7	4.458	4.518
19	1980	7	16.936	15.917	68	1984	8	4.970	4.276
20	1980	8	16.284	15.237	69	1984	9	4.713	3.900
21	1980	9	15.866	14.801	70	1984	10	4.900	4.157
22	1980	10	15.407	14.326	71	1984	11	4.943	4.077
23	1980	11	15.313	14.228	72	1984	12	4.580	4.060
24	1980	12	15.121	14.028					
25	1981	1	13.045	12.980	73	1985	1	5.020	4.547
26	1981	2	12.460	12.608	74	1985	2	5.436	4.563
27	1981	3	12.609	12.789	75	1985	3	5.085	5.130
28	1981	4	12.040	12.405					
29	1981	5	11.740	12.212					
30	1981	6	11.329	11.791					
31	1981	7	10.900	11.353					
32	1981	8	11.471	11.961					
33	1981	9	11.399	11.897					
34	1981	10	11.695	12.218					
35	1981	11	11.966	12.064					
36	1981	12	12.046	11.949					
37	1982	1	12.009	11.717					
38	1982	2	11.044	10.617					
39	1982	3	10.352	9.895					
40	1982	4	9.411	9.134					
41	1982	5	9.487	9.162					
42	1982	6	9.162	8.836					
43	1982	7	8.718	8.386					
44	1982	8	7.952	7.602					
45	1982	9	7.276	7.336					
46	1982	10	6.849	6.948					
47	1982	11	6.256	6.765					
48	1982	12	5.408	6.659					
49	1983	1	4.926	6.229					
50	1983	2	5.343	6.701					
51	1983	3	4.627	5.954					
52	1983	4	4.004	4.886					
53	1983	5	3.696	4.523					
54	1983	6	3.654	4.486					
55	1983	7	4.180	4.708					
56	1983	8	4.612	5.079					
57	1983	9	5.141	5.213					
58	1983	10	4.992	5.012					
59	1983	11	4.845	4.859					
60	1983	12	5.315	4.780					
61	1984	1	5.124	4.515					

PST

FROM: PENELOPE A ROWLATT

DATE: 16 MAY 1985

1. ~~MR EVANS~~ *seen in draft PAR*
2. CHANCELLOR OF THE EXCHEQUER ✓

cc: Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Sir Peter Middleton
 Mr Bailey
 Sir Terence Burns
 Mr Cassell
 Mr Monck
 Mr Kemp
 Mr Battishill
 Mr Odling-Smee
 Mr Scholar
 Mr Culpin
 Mr Davies
 Mr Folger
 Ms Seammen
 Miss Sinclair
 Mr Page
 Mr Gilhooly
 Mr Vernon
 Mr H Davies
 Mr P Cropper

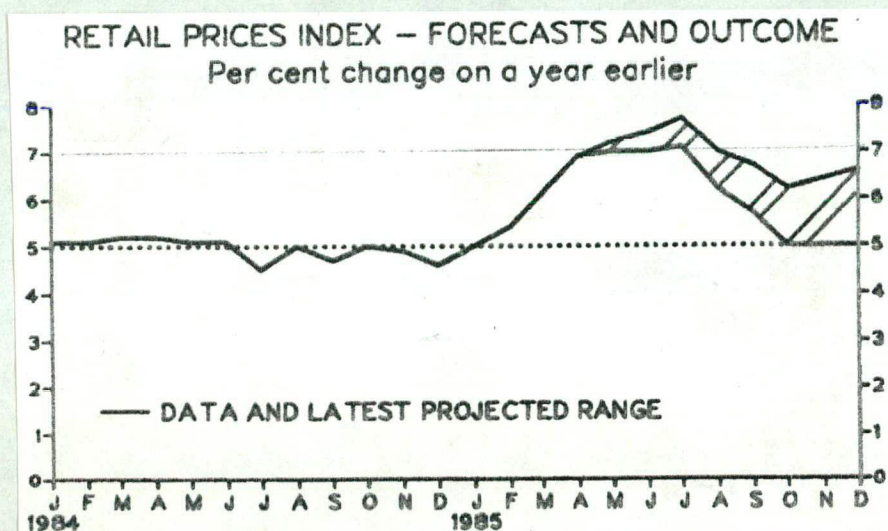
Ch.
 Slightly expanded
 varying the auto you
 saw some today.
 See para 5 (line 15
 take)
 Kl.
 16/5

THE APRIL RPI (to be published at 11.30 on Friday 17 May)

The 12-month increase in the RPI rose to 6.9 per cent in April from 6.1 per cent in March. The rise during the month was 2.1 per cent. This increase is significantly larger than we and others were expecting, for the second month in a row. It is worth noting, though it may not be much consolation, that the rise in mortgage rates (10¼ per cent last April to 14 per cent this April) accounts for over 1½ per cent of the rise: the April RPI, excluding mortgage interest payments was 5.3 per cent above a year earlier.

2. The rise in the index between March and April usually picks up most of the effect of the Budget as well as reflecting the annual rise in water charges and in LA rents (higher than expected) and rates. This year nearly all of the Budget effects seem to have come through onto prices in April. In addition there was a 1 per cent rise in mortgage interest rates in April and there were a number of other factors such as the rise in TV licences, an increase of 1p in the price of a pint of milk and the higher charges for NHS prescriptions. However, as in March, price rises generally were rather larger and more numerous than expected.

3. At the time of the Budget we expected the 12-month rate to rise in the first half of this year reflecting the path of mortgage interest rates and the weakness of sterling at the end of 1984 and beginning of 1985. The rise is turning out larger than expected. The rate is likely to go above 7 per cent in the next few months and our latest estimates suggest that it may reach a peak near to 7½ per cent in July. We still expect a fall later in the year although the 5 per cent budget forecast now looks optimistic: some of the recent large increases are likely to remain in the Index, partially offset by the effect on prices of the recent rise in sterling. A broad indication of the expected profile is shown in the chart below. The Budget forecast, and the centre of the range in the chart, allow for a fall of 1½ per cent in the mortgage rate in the autumn.



4. The 12-month rate to May, used for social security uprating, is likely to show a small rise on the April figure and may well go above 7 per cent. This is mainly attributable to the effect of the higher charges for gas and electricity.

Line to take

5. We remain confident that, in spite of this upward hump in the rate, inflation will fall back later in the year as in the Budget forecast. The following points are relevant:

- By far the greater part of the rise in the 12-month rate can be attributed to the path of mortgage interest rates. With this component excluded from the RPI, prices have on average risen by $5\frac{1}{4}$ per cent over the year to April.
- The beneficial effect of the recent rise in sterling on inflation will not be felt until later in the year.
- All the major outside forecasters are also expecting inflation to drop.

Penelope A Rowlatt.

PENELOPE A ROWLATT

COVERING SECRET AND PERSONAL



DEPARTMENTS OF INDUSTRY AND TRADE
- COMMON SERVICES

1 Victoria Street London SW1H 0ET
Telephone Direct Line 01-215 3055
Switchboard 01-215 7877

Mrs R Lomax
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

23 May 1985

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

Publication is set for Wednesday 29 May at 11.30am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Tuesday 28 May and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

A handwritten signature in cursive script that reads "W. E. Boyd".

W E BOYD

COVERING SECRET AND PERSONAL

SECRET AND PERSONAL
until 11.30am on Wednesday 29 May
then CONFIDENTIAL

FROM: DAVID BARTLETT

DATE: 28 MAY 1985

cc: As attached list

- X* *in sub for include*
Y *needs to bring in a*
non-? *handwritten note*
Mr. Bartlett
Mr. A3
Mr.
Publication tomorrow
Contact with press
briefing and draft
BT Press Notice below?
1. MR WALKER
 2. CHANCELLOR

APRIL TRADE FIGURES

Run 28/5
TOMORROW

The April trade figures will be released on Wednesday 29 May. They show the current account moving back into small surplus after the erratic March deficit, with improvements on both the oil and non-oil accounts.

Summary

2. The main features are:-

(i) an estimated current account surplus of £123 million in April (£555 million deficit in March), made up of:

- a visible trade deficit of £277 million (record March deficit of £999 million) and
- a slightly smaller projected invisible surplus of £400 million.

(ii) The turnaround on the April current account principally reflected lower imports. In particular, oil imports fell £0.5 billion (to £0.8 billion) from the high March level, largely as a result of reduced oil burn in the aftermath of the coal strike.

(iii) Despite the improved April figures, in the latest three months the current account was in deficit of £0.3 billion, following a £0.8 billion surplus in the previous three months.

Analysis (for summary tables see Annex 1)

3. Export volumes rose $1\frac{1}{2}$ per cent in the three months to April compared with the previous three. In individual commodity groups, the largest volume rises were in cars (up 10 per cent) and intermediate and capital goods (both up $7\frac{1}{2}$ per cent). By area, exports to both the EC and North America rose $4\frac{1}{2}$ per cent in the latest three months. The underlying level of non-oil export volumes, which has been rising since the middle of last year, remains high.

4. Import volumes rose 5 per cent in the latest three months, despite a $5\frac{1}{2}$ per cent fall in April from the above trend March figure. Fuel import volumes rose 13 per cent in the latest three months, while chemicals and capital goods both rose 7 per cent. Imports from oil exporting countries rose 56 per cent (by value) in the three months to April, reflecting rebuilding of oil companies' crude oil stocks in March and April. The underlying level of non-oil import volumes has been unchanged in recent months.

Comparison with FSBR Forecast

5. The visible balance over the first four months of 1985 was running at an average of £0.2 billion a month worse than forecast. Some two-thirds of this was due to a worse than forecast non-oil trade balance. Excluding oil and erratics, export volumes have been higher than forecast so far in 1985 and import volumes lower than forecast. The non-oil balance of trade was below forecast because of an unexpected worsening in the terms of trade in the first quarter, and lower exports and higher imports of "erratics" over the same period than allowed for in the forecast. The non-oil terms of trade are now in line with the forecast.

Trade Prices

6. As anticipated in last month's note, import prices fell slightly in April, largely as a result of the recent rise in the Exchange Rate Index. The rise in the Index exceeded the

fall in import prices, suggesting that importers' profit margins were being allowed to expand after an earlier squeeze. In the twelve months to April, the rise in both export and import prices has been in line with forecast, with export prices rising slightly less than import prices. If the ERI stabilises in the coming months, import prices may not fall much further in the near future.

Effects on markets

7. Market expectations are widely spread, but centre on a visible trade deficit of about £0.2 billion and a current account surplus of about £0.2 billion. As both of these are broadly in line with the figures to be released, there should be no significant market impact. The lack of market reaction to last month's unexpectedly poor figures underlines the diminished significance attributed to these figures.

Figures for year to date

X | 8. We shall take up with DTI the question of why we don't publish the year's figures to date alongside the latest figures, and report back next month.

Press Notice and Briefing

9. I should be grateful for clearance of the attached draft press briefing.

David Bartlett

DAVID BARTLETT

SECRET AND PERSONAL
until 11.30 am Wednesday 29 May
then UNCLASSIFIED

DRAFT BRIEFING FOR IDT

Points to make

- (i) April current account surplus £123 million after large March deficit interrupted run of five months in surplus.
- (ii) Main cause of turn around was that exceptionally high oil imports in March were not repeated. Value of total imports in April 8½ per cent lower than in March.
- (iii) Exports volumes in latest 3 months 9½ per cent higher than a year ago (12 per cent excluding erratics).

Defensive

1. Trade effects of coal strike?

[Strike ended on 5 March. Its impact on oil and coal trade clearly continued for some weeks thereafter.]

No significant effects in April and none further expected. Total effect on trade in oil and coal to March 1985 was about £4¼ billion (cf estimate of £4 billion in FSBR), of which around £3½ billion fell on oil account.

2. Revisions to Q1 figures?

[In particular, March 1985 current deficit revised upwards from £456 million to £555 million].

Standard quarterly revisions incorporating new information.

3. FSBR forecast optimistic?

[FSBR forecast £3 billion surplus for 1985 as a whole.]

Too early to say ~~if FSBR forecast accurate~~. Small current account surplus in year to date despite over £1¼ billion cost of coal strike in Q1. Prospects good now coal strike over.

4. Why are we not doing better in USA?

[By value, exports to USA rose 1 per cent between latest 3 months and previous 3 months, whereas imports rose 10 per cent.]

3 monthly comparison still affected by erratically high level of our exports to US in 1984 Q4. Oil and silver much larger proportion of UK's than other countries' exports to US. Excluding them greatly improves comparison. Between 1983 and 1984 (latest figures), UK total visible exports to US rose 16 per cent, while manufactures less silver rose 35 per cent.

5. Stronger pound damaging competitiveness?

[Sterling's Exchange Rate Index rose 9.5 per cent between February and April.]

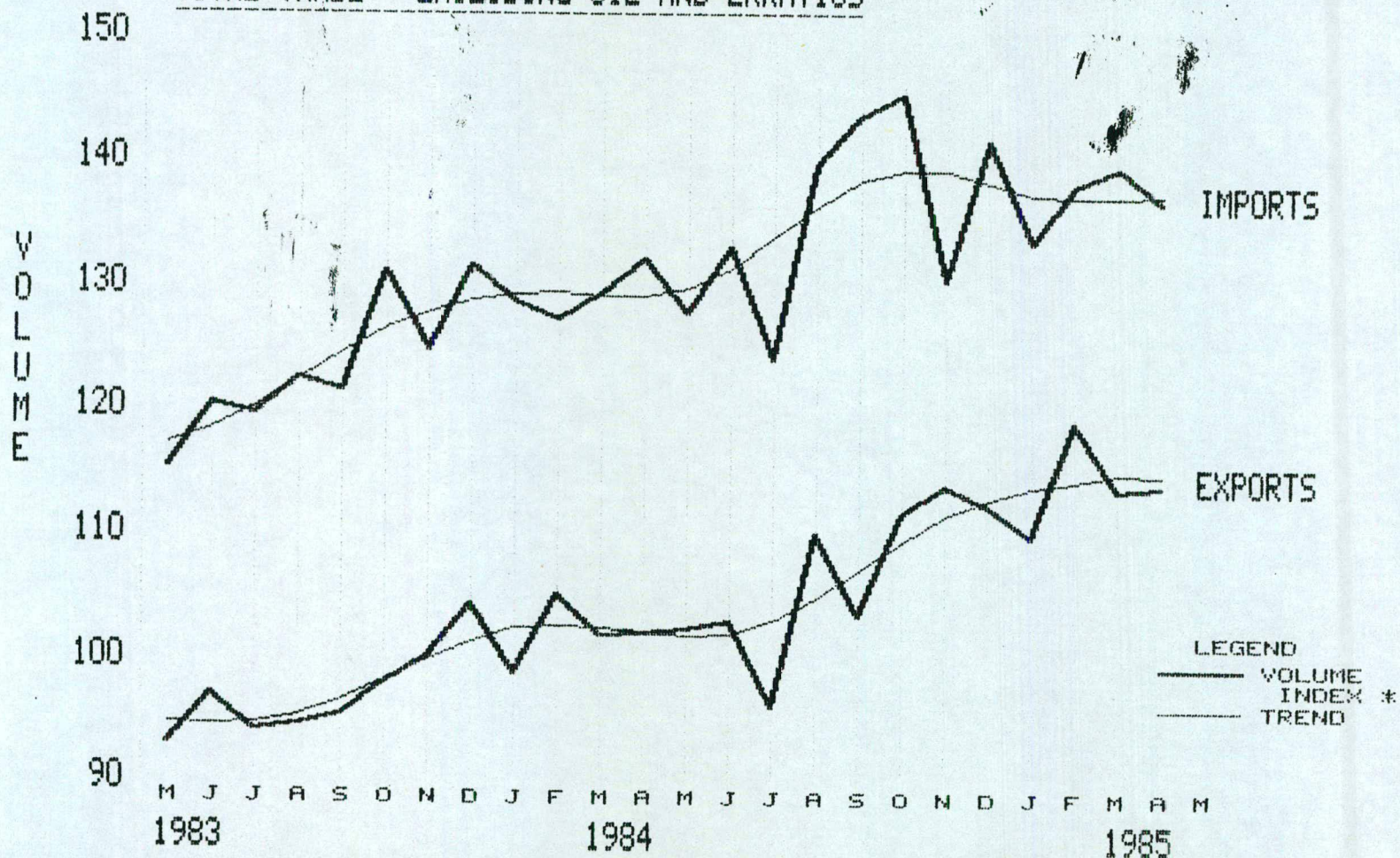
UK competitiveness affected by many factors, of which movements in the exchange rate only one. Anyway, recent strength of pound only leaves Sterling Index at about same level as last summer.

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

29 MAY 85

TOTAL TRADE - EXCLUDING OIL AND ERRATICS



* Seasonally adjusted Balance of Payments basis 1980=100

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until 11.30am on Wednesday 29 May
then UNCLASSIFIED

ANNEX 1

TABLE 1: CURRENT ACCOUNT

	£ billion					
	<u>1984</u>	<u>Nov 1984- Jan 1985</u>	<u>Feb - Apr 1985</u>	<u>February</u>	<u>March</u>	<u>April</u>
Oil	+7.1	+2.0	+1.6	+0.7	+0.3	+0.7
Non-oil	-11.4	-2.6	-3.2	-0.9	-1.3	-1.0
Total visible trade	-4.3	-0.6	-1.5	-0.3	-1.0	-0.3
O/W: trade in manufactures (BOP basis)	-3.8	-0.8	-1.1	-0.3	-0.5	-0.3
Invisibles	+4.3	+1.4*	+1.2*	+0.4*	+0.4*	+0.4*
Current Account	+0.1	+0.8*	-0.3*	+0.1*	-0.6*	+0.1*

* projection

TABLE 2: EXPORTS AND IMPORTS (PERCENTAGE CHANGES)

	<u>April on March</u>	<u>Feb-Apr 1985 on Nov 1984-Jan 1985</u>	<u>Feb-Apr 1985 on Feb-Apr 1984</u>
(i) <u>Exports</u>			
Total value	+1	+ 5½	+22
Total volume	+1½	+ 1½	+ 9½
Total volume excl. oil and erratics	+ ½	+ 3	+12
O/W: manufactures	-1	+ 3½	+14
Fuels (volume)	0	- 4	+10
(ii) <u>Imports</u>			
Total value	-8½	+10	+27
Total volume	-5½	+ 5	+11
Total volume excl. oil and erratics	-2	+ 2	+ 6½
O/W: manufactures	-1	+ 2	+ 8
Fuels (volume)	-27	+13	+45

TRADE FIGURES FOR APRIL 1985

Advance Circulation

Chancellor of the Exchequer	Mr H P Evans
Chief Secretary	Mr Folger
Economic Secretary	Mr Culpin
Sir P Middleton	Mr S Robson
Mr Littler	Mr Mowl
Sir T Burns	Mr Vernon
Mr Cassell	Mr Barrell
Mr Unwin	Mr Walker
Mr Lavelle	Mr Segal
Mr Battishill	Mr Gill - Bank
Mr Kelly (EF)	Mr Turnbull - No 10
	Mr Whybrow - DTI

Circulation after 11.30 pm on Wednesday 29 May

Financial Secretary	Mr Melliss
Minister of State	Mr Riley
Mr Bailey	Mr P Patterson
Mr Byatt	Mr Kelly (MP)
Mr Wicks (Washington)	Mr Matthews (EF)
Mr Fitchew	Mr Shore
Mr Sedgwick	Mr C Pickering
Mr Odling-Smee	Mr Lord
Mr Lankester	Mr Davies
	Sir A Ridley

CHANCELLOR

FROM: P J CROPPER
DATE: 28 May 1985

cc Chief Secretary
Economic Secretary
Financial Secretary
Minister of State
Mr Lord
Mr Davies

Handwritten in red ink:
M. N. N. N.

RPI ADVISORY COMMITTEE : HOUSING COSTS

I suppose one would be open to the charge of pedantry if one suggested that a Cost of Living Index and a Retail Price Index are two different things. We call ours an "RPI", but we use it mainly as a measure of the cost of living: one wonders how long it will be before there is pressure to include the cost of providing for pensions.

2. It has always seemed odd to me that the cost of borrowing for house purchase should be included in a retail price index of any sort. Surely the cost of straight house purchase or the cost of rented accommodation are the two obvious measures.

3. It is interesting to note from Mr Evans' paper that the Swiss omit owner occupiers' shelter costs from their price index; I suppose this follows from the fact that their owner-occupancy rate is only about 30 per cent. One more good reason for pressing ahead with the creation of an efficient market in private rented accommodation. Then we would have a meaningful figure to use for the cost of shelter in our cost of living index!



P J CROPPER

THE CURRENT ACCOUNT OF THE UNITED KINGDOM
BALANCE OF PAYMENTS

APRIL 1985

The current account for April is estimated to have been in surplus by £123 million compared with a deficit of £555 million in March. Exports in April were valued at £6896 million and imports at £7174 million so that trade in goods was in deficit by £277 million.

The balance on invisibles in April is projected to be in surplus by £400 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions.

FEBRUARY TO APRIL 1985

In the three months ended April, the current account showed a deficit of £295 million compared with a surplus of £771 million in the previous three months. There was a deficit on visible trade of £1539 million in the latest three months compared with a deficit of £606 million in the previous three months. The surplus on invisibles is projected at £1.2 billion.

TABLE 1 CURRENT ACCOUNT £ million, Seasonally adjusted

	Visible Trade				Invisibles ^c		
	Current Balance	Balance	Exports fob	Imports fob	Balance	Credits	Debits
1983	+ 2543	- 1165	60776	61941	+ 3708	34206	31198
1984	+ 51	- 4255	70377	74632	+ 4306	38930	34624
1984 Q1	+ 623	- 57	16778	16835	+ 680	9258	8578
Q2	- 592	- 1228	16844	18072	+ 636	9213	8577
Q3	- 621	- 1643	17439	19082	+ 1022	9557	8535
Q4	+ 641	- 1327	19316	20643	+ 1968	10902	8934
1985 Q1	- 86a	- 1347	20295	21642	+ 1261 a	N/A	N/A
1984 Nov	+ 303	- 177	6447	6624	+ 480 b		
Dec	+ 136	- 344	6596	6940	+ 480 b		
1985 Jan	+ 332 a	- 86	6552	6637	+ 417 a	Monthly figures of credits and debits are not available	
Feb	+ 137 a	- 263	6915	7178	+ 400 a		
Mar	- 555 a	- 999	6828	7827	+ 444 a		
Apr	+ 123 a	- 277	6896	7174	+ 400 a		
Nov-Jan 1985	+ 771	- 606	19595	20201	+ 1377		
Feb-Apr 1985	- 295	- 1539	20640	22179	+ 1244		

- a Invisibles are projections and subject to revision as information becomes available.
b One-third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.
c Information relating to credits and debits of the private sector and public corporations can be found in Table 3.

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on 29/5/85 at 11.30am

VISIBLE TRADE IN APRIL 1985

There was a deficit on visible trade in April of £277 million compared with a deficit of £999 million in March. The surplus on oil rose from £260 million to £684 million and the deficit on non-oil trade fell from £1259 million to £961 million.

At £6896 million, exports in April were £68 million (1 per cent) higher than in March. Exports of oil fell by £54 million while exports of the erratic items increased by £99 million (mostly higher exports of aircraft). Excluding oil and the erratic items, exports in April were about ½ per cent higher than in March.

Total imports were valued at £7174 million which was £653 million (8½ per cent) lower than in March. Imports of oil fell by £477 million. Imports of the erratic items were virtually unchanged. Excluding oil and the erratic items, imports fell by 3 per cent.

The terms of trade index increased by 1 per cent in April as the export unit value index fell by ½ per cent and the import unit value index fell by 2 per cent.

RECENT TRENDS

Visible balance

In the three months ended April, there was a deficit on visible trade of £1.5 billion, a deficit of £3.2 billion on non-oil trade

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and an oil surplus of £1.6 billion. Between the three months ended January and the latest three months the deficit on visible trade increased by £0.9 billion comprised of a reduction of £0.4 billion in the oil surplus and an increase of £0.5 billion in the deficit on non-oil goods.

Exports

Exports amounted to £20.6 billion in the latest three months, £1.0 billion (5½ per cent) higher than in the previous three months. Excluding oil and the erratic items, exports grew by 6½ per cent. Exports of chemicals increased by £0.2 billion (8½ per cent) and exports of intermediate goods^{and}/of capital each increased by £0.3 billion (10 per cent and 11 per cent respectively).

(3 per cent excluding oil and the erratic items)
Total export volume rose by 1½ per centⁱⁿ the latest three months to be 9½ per cent higher than in the same period last year. The underlying level of non-oil export volume, which has been rising since the middle of last year, remains high.

Imports

Total imports were valued at £22.2 billion in the latest three months, £2.0 billion (10 per cent) higher than in the previous three months. Imports of oil increased by £0.5 billion and imports of the erratic items increased by £0.3 billion. Arrivals of finished manufactures accounted for a further £0.6 billion and imports of semi-manufactures rose by £0.3 billion.

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By volume, imports increased by 5 per cent (2 per cent excluding oil and the erratic items) in the latest three months to a level 11 per cent higher than a year earlier. The underlying level of non-oil import volume has been unchanged in recent months.

Terms of trade and unit values

The terms of trade index remained unchanged in the latest three months; both the export unit value/^{index}and the import unit value index increasing by 4 per cent. Compared with the same three months a year ago, the terms of trade index has fallen by 1½ per cent; the export unit value index has increased by 12 per cent and the import unit value index has increased by 13 per cent.

With the exception of fuels, export unit values for all of the broad sectors increased by between 3 per cent and 4 per cent in the latest three months. Export unit values for fuels continue to rise more quickly; growing by 7½ per cent in the latest three months to be 18 per cent higher than a year ago.

Among the import unit values, those for intermediate goods and 'other' semi-manufactures (up 5½ per cent and 5 per cent respectively) have shown the most growth in the latest three months. Import unit values for fuels rose by 4½ per cent in the latest three months to be 19 per cent higher than a year earlier.

Analysis by Area

By value, exports to the developed countries increased by 5 per cent between the three months ended January and the latest three months.

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on 29/5/85 at 11.30am

Exports to Western Europe and to North America grew by 4½ per cent while exports to the other developed countries were up by 11 per cent mainly reflecting higher exports to Australia.

The value of imports from the developed countries increased by 10 per cent in the latest three months with imports from Western Europe growing by 10 per cent and imports from North America up by 11 per cent. Imports from the oil exporting countries increased sharply over the three months to April but imports from the other developing countries fell by 5 per cent.

INVISIBLES

The latest estimates of invisibles - services, interest, profits and dividends and transfers - relate to the fourth quarter of 1984 when credits were £10.9 billion and debits were £8.9 billion giving a surplus of £2.0 billion for the quarter. Invisibles in the private sector and public corporations (excluding transfers) were in surplus by £2.8 million. The recent monthly figures are CSO projections.

NOTES TO EDITORS

1 REVISIONS

Data for the first quarter 1985 have been revised owing to further information becoming available.

2 STANDARD NOTES

The standard notes describe the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) bases of compilation. Copies can be obtained from the address below.

3 OTS DATA

In October 1984 HM Customs and Excise introduced a change in the way some imports are recorded. As a result of this change a proportion of imports that would have been included in October will have been deferred to November and likewise for subsequent months. To allow for this change in recording practice the October figures on a Balance of Payments basis have been adjusted by £200 million. No adjustments have been made to the OTS figures (tables 8-15).

4 MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

The Monthly Review of External Trade Statistics, a publication containing charts and tables on the current account of the UK balance of payments, UK exports and imports of goods by commodity and area, and certain international comparisons, is available, price £3 per copy from the Department of Trade and Industry at the address given below.

5 AREA DATA (tables 11 and 15)

Low value consignments ie items of an individual value less than £200, are not analysed by country. Area figures in tables 11 and 15 are therefore deficient to the extent of these consignments.

In addition the data by area are seasonally adjusted independently leading to further differences between the sum of areas and figures for total trade.

6 ROUNDING

The figures published in this Press Notice expressed in £ million have each been independently rounded to the nearest whole number. These figures may therefore not sum to the aggregates, and balances may not derive exactly from the export and import figures shown.

Index numbers of volume and unit value are shown rounded either to the nearest whole number, or to one place of decimals. Although the figures should not be regarded as accurate to the last digit shown, the degree of rounding is intended to be indicative of the relative reliability of the different figures. Where period to period changes are shown these have been calculated from unrounded estimates, the resulting percentage changes being rounded to the nearest half point if less than 10 and the nearest whole number if 10 or greater.

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 5703.

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

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1983	+ 2543	60776	61941	- 1165	+ 6846	- 8011	+ 3708
1984	+ 51	70377	74632	- 4255	+ 7136	-11391	+ 4306
1984 Q1	+ 623	16778	16835	- 57	+ 2322	- 2378	+ 680
Q2	- 592	16844	18072	- 1228	+ 1543	- 2771	+ 636
Q3	- 621	17439	19082	- 1643	+ 1804	- 3447	+ 1022
Q4	+ 641	19316	20643	- 1327	+ 1468	- 2795	+ 1968
1985 Q1	- 86 a	20295	21642	- 1347	+ 1862	- 3208	+ 1261 a
1984 Aug	- 251	6023	6614	- 591	+ 426	- 1018	+ 340 b
Sept	- 546	5905	6792	- 887	+ 577	- 1464	+ 341 b
Oct	+ 201	6273	7080	- 807	+ 373	- 1179	+ 1008 b
Nov	+ 303	6447	6624	- 177	+ 352	- 529	+ 480 b
Dec	+ 136	6596	6940	- 344	+ 743	- 1087	+ 480 b
1985 Jan	+ 332 a	6552	6637	- 86	+ 926	- 1011	+ 417 a
Feb	+ 137 a	6915	7178	- 263	+ 675	- 938	+ 400 a
Mar	- 555 a	6828	7827	- 999	+ 260	- 1259	+ 444 a
Apr	+ 123 a	6896	7174	- 277	+ 684	- 961	+ 400 a
Feb-Apr 1984	+ 113	16903	17455	- 552	+ 1977	- 2529	+ 665
Nov-Jan 1985	+ 771	19595	20201	- 606	+ 2021	- 2627	+ 1377
Feb-Apr 1985	- 295	20640	22179	- 1539	+ 1620	- 3158	+ 1244
% Change							
Latest 3 months							
- on previous		+ 5½	+ 10				
3 months							
- same 3 months		+ 22	+ 27				
one year ago							

a Invisibles are projections and subject to revision as more information becomes available.

b One third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.

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			
1982	31396	28517	+ 2879	+ 3762	+ 1173	- 2056	26988	20419	+ 6569
1983	34906	31198	+ 3708	+ 4215	+ 1709	- 2216	30461	22547	+ 7914
1984	38930	34624	+ 4306	+ 4349	+ 2325	- 2368	34288	25344	+ 8944
1983 Q1	8857	7402	+ 1455	+ 1109	+ 480	- 134	7370	5335	+ 2035
Q2	8359	7984	+ 375	+ 1107	+ 77	- 809	7439	5751	+ 1688
Q3	8830	7633	+ 1197	+ 1031	+ 686	- 520	7800	5579	+ 2221
Q4	8860	8179	+ 681	+ 968	+ 466	- 753	7852	5882	+ 1970
1984 Q1	9258	8578	+ 680	+ 1061	+ 151	- 532	8067	6312	+ 1755
Q2	9213	8577	+ 636	+ 1041	+ 375	- 780	8272	6271	+ 2001
Q3	9557	8535	+ 1022	+ 1081	+ 665	- 724	8566	6205	+ 2361
Q4	10902	8934	+ 1968	+ 1166	+ 1134	- 332	9383	6556	+ 2827

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
Indices 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1983	126.6	129.6	97.7	102.6	107.9
1984	136.9	141.5	96.8	110.4	118.8
1984 Q1	132.3	135.6	97.5	108.7	112.1
Q2	135.1	139.4	96.9	107.3	117.1
Q3	138.7	143.4	96.7	108.0	119.8
Q4	141.7	147.5	96.1	117.5	126.1
1985 Q1	147.1	153.9	95.6	118.7	125.6
1984 Aug	138.5	143.3	96.6	112.4	124.1
Sept	140.0	144.7	96.7	108.5	126.9
Oct	140.9	146.2	96.4	115.4	131.2
Nov	141.6	147.7	95.9	118.0	120.8
Dec	142.5	148.5	96.0	119.2	126.3
1985 Jan	144.5	150.5	96.0	116.6	118.6
Feb	147.3	154.9	95.1	121.7	124.6
Mar	149.4	156.3	95.6	117.8	133.7
Apr	148.3	153.3	96.8	119.6	126.3
Feb-Apr 1984	132.9	137.0	97.0	109.2	115.4
Nov-Jan 1985	142.9	148.9	96.0	117.9	121.9
Feb-Apr 1985	148.3	154.8	95.8	119.7	128.2
% Change					
Latest 3 months on					
- previous 3 months	+ 4	+ 4	-	+ 1½	+ 5
- same 3 months one year ago	+ 12	+ 13	- 1½	+ 9½	+ 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

seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1983	56280	58512	104.0	113.0
1984	65786	71300	113.2	125.8
1984 Q1	15615	16036	111.1	118.6
Q2	15728	17245	109.9	124.1
Q3	16400	18340	111.4	127.5
Q4	18043	19680	120.5	133.1
1985 Q1	19396	20540	124.3	132.1
1984 Aug	5720	6405	117.0	133.2
Sept	5520	6525	111.4	134.7
Oct	5760	6706	116.5	137.8
Nov	6058	6317	121.6	127.3
Dec	6225	6657	123.5	134.3
1985 Jan	6276	6334	122.4	125.3
Feb	6618	6804	127.6	131.3
Mar	6502	7401	122.9	139.7
Apr	6471	6753	123.2	131.8
Feb-Apr 1984	15727	16580	111.6	121.7
Nov-Jan 1985	18559	19308	122.5	128.9
Feb-Apr 1985	19591	20959	124.6	134.3
% Change				
Latest 3 months on				
- previous 3 months	+ 5½	+ 8½	+ 1½	+ 4
- same 3 months one year ago	+ 25	+ 26	+ 12	+ 10

^f These are defined as ships, North Sea installations, aircraft, precious stones, and silver.**SECRET**and personal
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TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance of Trade in oil	Exports of Oil					Imports of Oil					
		£ million fob	£ million fob	Crude Oil		Rest of Division 33	£ million fob	£ million fob	Crude Oil		Rest of Division 33	
				[SITC (REV 2) 333.0]					[SITC (REV 2) 333.0]			
				£ million fob	million tonnes				million tonnes	Avg value per tonne £ fob		million tonnes
1983	+ 6846	12501	10092	68.3	147.8	2410	5655	3277	22.8	143.7	2377	
1984	+ 7136	14910	12228	75.8	161.4	2682	7773	3755	24.2	155.4	4018	
1984	Q1	+ 2322	3644	2953	19.1	154.3	690	1322	652	4.4	148.8	670
	Q2	+ 1543	3450	2768	17.5	158.5	682	1907	1048	7.0	148.8	859
	Q3	+ 1804	3765	3081	18.5	166.4	685	1961	1059	6.8	156.1	903
	Q4	+ 1468	4051	3426	20.6	166.0	625	2584	997	6.0	167.1	1586
1985	Q1	+ 1862	4755	3936	21.5	182.7	819	2893	1236	7.0	177.9	1657
1984	Aug	+ 426	1241	1021	6.2	164.1	220	815	380	2.5	154.3	435
	Sept	+ 577	1268	1048	6.1	170.7	220	691	411	2.6	159.7	281
	Oct	+ 373	1167	968	5.8	166.0	199	794	341	2.1	163.3	453
	Nov	+ 352	1333	1122	6.8	165.7	212	981	287	1.7	167.8	694
	Dec	+ 743	1551	1337	8.0	166.3	214	808	369	2.2	170.2	439
1985	Jan	+ 926	1640	1363	7.8	175.6	277	715	257	1.5	166.7	458
	Feb	+ 675	1533	1245	6.8	182.8	288	857	357	2.0	179.4	500
	Mar	+ 260	1582	1328	7.0	190.5	254	1321	623	3.4	182.0	699
	Apr	+ 684	1528	1287	7.1	182.4	240	844	605	3.6	170.3	239
Feb-Apr 84	+ 1977	3591	2907	18.7	155.8	684	1614	852	5.8	147.3	762	
Nov-Jan 85	+ 2021	4525	3821	22.6	169.3	703	2504	913	5.4	168.4	1591	
Feb-Apr 85	+ 1620	4642	3860	20.8	185.2	782	3023	1584	9.0	176.8	1438	
% Change												
Latest 3 months on		+ 2½	+ 1	- 7½	+ 9½	+ 11	+ 21	+ 74	+ 65	+ 5	- 9½	
- previous 3 months												
- same 3 months		+ 29	+ 33	+ 12	+ 19	+ 14	+ 87	+ 86	+ 55	+ 20	+ 89	
one year ago												

⁹ Trade in petroleum and petroleum products. These figures differ from those published by the Department of Energy which are on a time of shipment basis (see paragraph 7 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)			
			Exports	Imports	Exports	Imports			Exports	Imports		
Balance of non oil trade	Exports	Imports	Exports	Imports	Terms of Trade ^g	Exports	Imports	Exports	Imports	Exports	Imports	
1983	- 8011	48274	56286	124.6	126.2	98.7	95.9	114.4	43779	52857	96.7	121.1
1984	-11391	55467	66858	134.3	138.3	97.1	102.7	124.8	50876	63526	105.3	133.7
1984 Q1	- 2378	13135	15513	130.1	132.8	98.0	100.2	120.1	11972	14714	102.1	128.6
Q2	- 2771	13394	16165	132.6	136.6	97.1	100.4	122.4	12279	15339	102.7	131.1
Q3	- 3447	13674	17121	136.0	140.2	97.0	100.2	126.3	12634	16379	103.4	136.0
Q4	- 2795	15264	18059	138.7	143.7	96.5	110.1	130.5	13992	17096	112.8	139.3
1985 Q1	- 3208	15541	18749	143.3	149.5	95.8	108.7	129.3	14642	17647	114.3	137.2
Aug	- 1018	4781	5799	136.0	140.3	96.9	105.5	128.6	4479	5590	110.2	139.8
Sept	- 1464	4637	6101	137.2	141.2	97.1	101.0	133.8	4252	5834	103.7	143.8
Oct	- 1179	5106	6285	137.9	142.1	97.0	111.0	137.1	4593	5912	111.8	145.5
Nov	- 529	5114	5643	138.7	143.8	96.5	110.7	122.8	4724	5336	114.2	130.6
Dec	- 1087	5045	6131	139.5	145.1	96.1	108.5	131.7	4674	5848	112.5	141.8
1985 Jan	- 1011	4912	5923	141.4	146.6	96.5	104.5	125.2	4636	5620	110.1	133.7
Feb	- 938	5382	6320	143.5	150.4	95.4	113.1	129.8	5085	5947	119.1	138.3
Mar	- 1259	5247	6506	144.9	151.5	95.6	108.7	132.8	4920	6080	113.7	139.7
Apr	- 961	5369	6330	144.3	149.5	96.6	110.9	130.1	4943	5910	114.2	136.9
Feb-Apr 84	- 2529	13312	15841	130.5	134.4	97.1	101.3	121.7	12136	14966	103.2	129.7
Nov-Jan 85	- 2627	15070	17697	139.8	145.1	96.3	107.9	126.6	14035	16804	112.2	135.3
Feb-Apr 85	- 3158	15998	19156	144.2	150.5	95.9	110.9	130.9	14948	17936	115.7	138.3
% Change												
Latest 3 months on												
- previous 3 months	+ 6	+ 8	+ 3	+ 3½	- ½	+ 3	+ 3½	+ 6½	+ 6½	+ 3	+ 2	
- same 3 months one												
year ago	+ 20	+ 21	+ 11	+ 12	- 1½	+ 9½	+ 7½	+ 23	+ 20	+ 12	+ 6½	

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

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

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EXPORTS BY COMMODITY
(Overseas Trade Statistics basis)

£ million, fob, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	Total	Chemi- cals	Other	6	7+8	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	less PS	6	7+8	j	j	j	j	
1983	60684	4241	1587	13103	40087	35770	13837	6933	6904	21933	1003	3913	9291	7726	
1984	70511	4693	1989	15367	46668	42136	16332	8215	8117	25804	1051	4674	11178	8902	
1984 Q1	16826	1156	440	3778	11052	9862	3797	1929	1867	6065	264	1096	2607	2098	
Q2	16884	1173	486	3541	11220	10107	3918	1961	1956	6190	263	1111	2655	2161	
Q3	17394	1128	506	3841	11445	10450	4015	2026	1989	6435	230	1136	2801	2268	
Q4	19407	1235	557	4206	12951	11717	4603	2298	2305	7114	293	1332	3115	2375	
1985 Q1	20367	1221	591	4922	13176	12322	4762	2434	2328	7560	353	1301	3356	2550	
1985 Feb	6936	422	206	1587	4531	4257	1653	864	790	2604	132	432	1190	850	
Mar	6863	382	196	1655	4508	4184	1569	786	783	2615	100	442	1147	927	
Apr	6935	396	182	1601	4560	4143	1648	865	784	2495	110	428	1093	864	
Nov-Jan	19672	1236	563	4683	12746	11757	4634	2313	2320	7123	306	1328	3104	2385	
Feb-Apr	20734	1200	584	4843	13599	12585	4871	2515	2356	7714	342	1301	3429	2641	
Percentage change	+ 5½	- 3	+ 3½	+ 3½	+ 6½	+ 7	+ 5	+ 8½	+ 1½	+ 8½	+ 12	- 2	+ 10	+ 11	

^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)

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	Total	Chemi- cals	Other	6	7+8	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	less PS	6	7+8	j	j	j	j	
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147	
1983	102.6	110.2	101.0	147.7	93.9	94.4	102.3	113.3	93.6	89.5	85.6	96.4	88.9	87.2	
1984	110.7	117.4	106.6	159.1	101.8	104.2	112.1	124.3	102.4	99.3	82.4	109.3	99.8	95.8	
1984 Q1	109.0	116	101	164	99	101	108	121	98	96	90	105	96	91	
Q2	107.6	118	105	149	99	101	109	119	101	96	82	104	96	95	
Q3	107.8	113	108	157	99	102	109	122	98	98	72	106	98	97	
Q4	118.5	122	112	166	110	113	123	136	112	107	86	123	109	100	
1985 Q1	119.3	121	117	183	109	115	122	137	110	110	103	113	115	104	
1985 Feb	122.3	127	118	177	112	119	126	144	112	114	115	113	123	104	
Mar	118.5	111	117	176	110	115	119	130	110	113	87	114	116	112	
Apr	120.5	112	114	176	111	114	124	142	110	108	94	111	109	106	
Nov-Jan	118.6	122	113	183	108	112	122	135	112	106	89	120	108	100	
Feb-Apr	120.4	117	116	176	111	116	123	139	111	111	99	113	116	107	
Percentage change	+ 1½	- 4½	+ 3½	- 4	+ 3½	+ 3½	+ 1	+ 3½	- 1	+ 5	+ 10	- 6½	+ 7½	+ 7½	

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792)

precious stones (667), and silver (681.1).

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

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	6	7+8	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate
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
1983	126.6	122	112	140	125	125	117	119	115	130	144	122	132	128
1984	136.9	128	131	153	135	134	127	130	125	138	157	132	142	135
1984 Q1	132.3	127	123	147	131	130	122	125	119	135	152	128	137	133
Q2	135.1	128	129	151	134	132	125	128	123	136	159	130	140	132
Q3	138.6	127	132	155	137	136	129	131	127	140	158	133	145	136
Q4	141.6	129	138	161	140	138	132	135	129	142	158	137	146	139
1985 Q1	147.0	133	143	171	145	143	136	140	134	147	161	141	151	142
1985 Feb	147.2	133	145	171	145	143	137	140	134	147	161	141	151	142
Mar	149.4	135	144	179	146	144	138	141	135	148	165	144	152	144
Apr	148.3	136	143	174	146	145	138	142	135	149	165	143	153	145
Nov-Jan	142.8	130	140	162	141	139	133	136	131	143	157	138	147	139
Feb-Apr	148.3	135	144	174	146	144	137	141	134	148	164	142	152	144
Percentage change	+ 4	+ 4	+ 3	+ 7½	+ 3	+ 3½	+ 3	+ 3½	+ 3	+ 3½	+ 4	+ 3½	+ 3½	+ 3

^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

	Developed Countries							Developing Countries			Centrally planned economies
	Total K	Total	European Community	Rest of W Europe	North America Total USA	Other	Total	Oil exporting countries	Other		
1983	60684	46648	26509	7506	9496	8486	3137	12792	6128	6665	1113
1984	70511	55386	31568	8728	11406	10149	3684	13356	5807	7550	1630
1984 Q1	16826	13176	7311	2172	2769	2473	924	3271	1480	1791	339
Q2	16884	13277	7510	2130	2709	2406	928	3150	1340	1801	437
Q3	17394	13749	7983	2164	2710	2361	893	3314	1371	1943	409
Q4	19407	15185	8765	2262	3218	2909	940	3622	1608	2014	444
1985 Q1	20367	16112	9603	2389	3133	2798	987	3824	1730	2094	372
1985 Feb	6936	5490	3256	773	1083	968	377	1304	586	718	131
Mar	6863	5348	3156	818	1070	938	304	1265	618	646	125
Apr	6935	5540	3149	842	1190	1020	358	1205	515	690	135
Nov-Jan	19672	15610	9143	2330	3202	2891	935	3622	1551	2071	424
Feb-Apr	20734	16378	9562	2433	3343	2926	1040	3774	1719	2054	390
Percentage change	+ 5½	+ 5	+ 4½	+ 4½	+ 4½	+ 1	+ 11	+ 4	+ 11	- 1	- 8

K See paragraph 5 of Notes to Editors.

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SECRETIMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	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	
1983	66101	7869	4775	7076	44937	41609	14892	5119	9773	26717	3659	6901	8125	8032
1984	78705	8936	5420	10193	52886	49703	17923	6312	11612	31780	3671	8344	10222	9544
1984 Q1	17889	2150	1302	1790	12373	11527	4216	1479	2737	7311	892	1934	2302	2184
Q2	19240	2225	1310	2468	12907	12003	4303	1527	2776	7700	814	2051	2451	2384
Q3	20077	2247	1295	2640	13565	12918	4607	1647	2959	8311	993	2141	2690	2488
Q4	21499	2314	1513	3294	14040	13255	4797	1658	3139	8458	971	2219	2780	2488
1985 Q1	22782	2370	1485	3588	14975	13935	4846	1675	3171	9090	1018	2276	3010	2786
1985 Feb	7587	779	537	1095	5049	4674	1637	552	1084	3038	310	780	1016	931
Mar	8229	827	486	1572	5205	4798	1656	583	1073	3142	352	758	1050	982
Apr	7605	823	467	1090	5099	4682	1666	611	1055	3016	340	755	1008	913
Nov-Jan	21198	2267	1431	3186	13990	13291	4676	1599	3077	8615	1038	2187	2860	2531
Feb-Apr	23421	2429	1491	3756	15353	14155	4959	1747	3212	9196	1003	2293	3075	2826
Percentage change	+ 10	+ 7	+ 4	+ 18	+ 9½	+ 6½	+ 6	+ 9½	+ 4½	+ 6½	- 3½	+ 5	+ 7½	+ 12

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

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

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

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	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
1983	107.9	107.8	104.6	66.8	118.7	127.9	123.3	142.9	115.2	131.0	125.5	124.9	128.7	141.9
1984	117.3	112.3	101.8	85.4	129.9	142.1	137.1	164.2	125.9	145.5	120.0	140.9	148.8	158.3
1984 Q1	111.5	111	104	64	126	137	134	159	124	139	120	136	140	149
Q2	116.7	113	99	86	129	140	134	162	122	144	108	143	146	159
Q3	118.4	112	94	89	131	145	138	167	126	150	131	141	154	163
Q4	122.8	114	110	103	133	147	142	168	132	150	121	144	155	162
1985 Q1	123.9	112	103	105	136	147	139	167	127	153	124	140	158	173
1985 Feb	123.4	111	111	95	137	148	141	167	130	153	112	144	160	174
Mar	131.8	116	100	137	139	149	139	172	126	156	128	137	163	180
Apr	125.3	115	97	100	130	148	143	185	126	151	126	141	157	167
Nov-Jan	119.6	110	104	98	132	146	138	163	128	150	128	140	158	162
Feb-Apr	126.8	114	103	111	138	148	141	175	127	153	122	140	160	174
Percentage change	+ 6	+ 3½	- 1	+ 13	+ 4½	+ 2	+ 2	+ 7	- 1	+ 2	- 5	+ ½	+ 1½	+ 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.

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Water- 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 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
1983	127.7	120	116	154	126	125	115	121	113	131	137	122	138	131
1984	139.3	132	134	167	137	135	126	134	123	142	144	133	151	139
1984 Q1	133.6	127	127	159	131	130	120	127	118	137	141	128	146	134
Q2	137.3	131	132	162	135	133	125	132	122	139	143	129	149	136
Q3	141.0	134	137	169	138	137	129	138	125	143	143	135	152	141
Q4	145.4	135	138	179	142	141	131	139	128	148	149	142	157	143
1985 Q1	151.5	142	143	188	148	147	136	143	133	154	154	147	165	150
1985 Feb	152.5	142	144	189	149	147	136	144	134	155	156	147	166	151
Mar	153.9	144	145	192	150	149	139	145	136	157	155	150	169	151
Apr	151.2	143	140	186	148	148	137	142	134	156	153	148	170	151
Nov-Jan	146.8	137	139	181	144	142	132	140	128	149	151	143	159	146
Feb-Apr	152.5	143	143	189	149	148	137	144	135	156	154	149	168	151
Percentage change	+ 4	+ 4	+ 2½	+ 4½	+ 4	+ 4	+ 4½	+ 3	+ 5	+ 4½	+ 2½	+ 4	+ 5½	+ 3½

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792)Table 15
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)

£ 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	
1983	66101	54815	30104	10457	9083	7497	5171	9631	2833	6798	1535
1984	78705	65102	35204	13254	11055	9356	5589	11429	2862	8568	2042
1984 Q1	17889	15157	8187	3164	2415	1985	1390	2347	528	1819	420
Q2	19240	15731	8528	3301	2554	2148	1348	2884	858	2027	463
Q3	20077	16614	9158	3285	2801	2418	1370	2821	738	2003	529
Q4	21499	17600	9331	3503	3285	2805	1481	3377	738	2639	623
1985 Q1	22782	18950	10143	3527	3677	3134	1603	3332	855	2477	573
1985 Feb	7587	6486	3427	1243	1282	1059	533	1030	261	769	191
Mar	8229	6642	3612	1217	1295	1144	518	1305	406	899	180
Apr	7605	6144	3190	1321	1076	931	558	1192	383	810	147
Nov-Jan	21198	17498	9361	3331	3302	2836	1504	3282	674	2608	616
Feb-Apr	23421	19272	10229	3781	3653	3133	1608	3527	1049	2477	518
Percentage change	+ 10	+ 10	+ 9½	+ 14	+ 11	+ 10	+ 7	+ 7½	+ 56	- 5	- 16

K See paragraph 5 Notes to Editors.

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until release of press notice on 29 MAY 85 at 11.00 a.m.

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	4226	7273	- 3047	1610	4104	- 2494	13103	6912	+ 6190
1984	4674	8306	- 3632	2014	4866	- 2852	15367	9776	+ 5590
1983 Q2	992	1756	- 764	386	1030	- 644	3114	1758	+ 1356
Q3	1040	1803	- 763	397	1004	- 606	3091	1724	+ 1366
Q4	1098	1953	- 855	440	1135	- 695	3646	1781	+ 1865
1984 Q1	1157	1994	- 837	447	1172	- 725	3779	1727	+ 2052
Q2	1169	2065	- 897	493	1182	- 689	3541	2372	+ 1169
Q3	1121	2091	- 970	513	1169	- 656	3842	2546	+ 1296
Q4	1228	2157	- 929	561	1343	- 782	4206	3132	+ 1074
1985 Q1	1215	2197	- 982	596	1333	- 737	4924	3460	+ 1464

SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	16027	15828	+ 200	24146	26725	- 2579	40173	42553	- 2379
1984	18266	18450	- 183	28273	31930	- 3657	46539	50380	- 3841
1983 Q2	3929	3967	- 38	5934	6543	- 610	9863	10510	- 648
Q3	4142	3941	+ 201	6050	6632	- 582	10191	10572	- 381
Q4	4104	4218	- 114	6367	7118	- 751	10471	11336	- 865
1984 Q1	4296	4414	- 118	6703	7226	- 523	11000	11640	- 641
Q2	4497	4438	+ 59	6683	7680	- 997	11179	12118	- 939
Q3	4473	4682	- 209	7019	8284	- 1265	11492	12966	- 1474
Q4	5001	4916	+ 85	7868	8740	- 872	12869	13655	- 787
1985 Q1	5091	4875	+ 217	8018	9391	- 1373	13109	14265	- 1156

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

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

29 MAY 85



DEPARTMENT OF TRADE AND INDUSTRY

Statistics 2A/1

Room 255 1-19 Victoria Street London SW1H 0ET

Telephone (Direct dialling) 01-215)3055
 GTN 215)
 (Switchboard) 215 7877

Telex 8811074/5 Answer Back DTHQ G

Mrs R Lomax
 Principal Private Secretary
 Chancellor of the Exchequer
 HM Treasury
 Parliament Street
 London SW1P 3AG

Your reference

Our reference

Date 24 June 1985

OK ✓

C / Content with DTI Press Notice?

Pro 25/6

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 Thursday 27 June at 11.30am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Wednesday 26 June and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

W. E. Boyd

W E BOYD

SECRET AND PERSONAL
until 11.30 am on Thursday 27 June
then CONFIDENTIAL

Also today JK

FROM: J E FLITTON
DATE: 26 JUNE 1985

1. MR KELLY ^{26.6}
2. CHANCELLOR

cc as attached list

*C/ Publication tomorrow morning.
Content will press briefing attached?*

*OK
Rus 26/6*

MAY TRADE FIGURES

at 11.30 am.

The May trade figures will be released on Thursday 27 June. There was an unexpectedly large current account surplus of £724 million which is undoubtedly erratic. The improvement compared with April is partly due to a fall in imports. The cumulative surplus so far this year, which at your request now features on the front page of the notice, amounts to £1.1 billion.

Summary

2. The May surplus was made up of a visible trade surplus of £224 million and a projected invisible surplus of £500 million. The CSO have now increased their projection of the invisible surplus by £100 million a month from £400 million, which is what we have always anticipated.

3. The most interesting features of the May figures are:-

(i) Export volume has levelled off. It was unchanged in the three months to May compared with the previous three months, and actually fell by 1 per cent if erratics are excluded. Despite recent months' levelling off, export volume in the three months to May was still 11 per cent up on a year earlier.

(ii) By area, the main feature was the continued strong growth in exports to the USA (up 11 per cent by value in the latest three months). Exports to the EC fell by 2½ per cent.

(iii) The fall in imports compared with April was spread widely across commodity groups and was almost certainly erratic. There is evidence though that the manufacturing trade balance is improving. Some of the May fall may reflect a fall-back in imports of capital goods after the surge in investment to beat the end-financial year deadline. On the 3 monthly comparison, import volume is still rising (+2½ per cent compared with the previous three months).

(iv) The oil trade surplus increased slightly to £835 million and is now back to the average pre-coal strike level.

4. More details are given in the tables at Annex A.

Comparison with FSBR forecast

5. While the visible balance for 1985 so far is £0.4 billion worse than the FSBR forecast, the non-oil visible balance is £0.4 billion better than forecast. This implies an oil balance £0.8 billion worse than forecast. This is partly because oil imports were higher than expected in March and April, due to stockbuilding, and partly because sterling oil prices were lower than expected. The manufacturing trade balance is considerably better than the FSBR forecast for April and May, but is approximately in line with the FSBR forecast for 1985 so far.

Trade prices

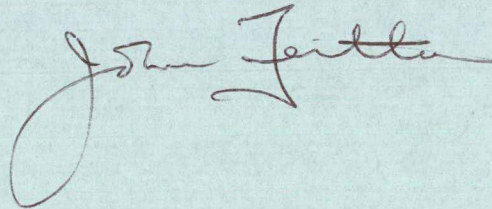
6. Import prices fell, though by less than the rise in the Exchange Rate Index, a similar pattern to last month. Import prices for goods other than fuel, especially non-manufactured goods, are now below the levels forecast in the FSBR. Export prices fell less than import prices, improving the terms of trade.

Effect on markets

7. The markets are not expecting a current account surplus of this magnitude. But the experience of recent months suggests that reaction will be fairly muted.

Press notice and briefing

8. I would be grateful for clearance of the attached draft press briefing.

A handwritten signature in cursive script, appearing to read "John Flitton". The signature is written in dark ink and is positioned above the typed name.

J E FLITTON
EF1

SECRET AND PERSONAL
until 11.30 am on Thursday 27 June
then CONFIDENTIAL

ANNEX 1TABLE 1 : CURRENT ACCOUNT

	<u>£ billion</u>						
	<u>1984</u>	<u>Dec 1984- Feb 1985</u>	<u>March- May 1985</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>Jan- May 1985</u>
Oil	+ 7.1	+2.3	+1.8	+0.3	+0.7	+0.8	3.4
Non-oil	-11.4	-3.0	-2.8	-1.3	-1.0	-0.6	-4.8
Total visible trade	- 4.3	-0.7	-1.1	-1.0	-0.3	+0.2	-1.4
o/w: trade in manufactures (BoP basis)	- 3.8	-1.0	-0.9	-0.5	-0.3	-0.1	-1.5
Invisibles	+ 4.9	+1.3	+1.5	+0.5	+0.5*	+0.5*	+2.5
Current account	+ 0.6	+0.7	+0.5	-0.5	+0.2	+0.7	+1.1

* projection

Note: figures may not sum correctly due to rounding

TABLE 2 : EXPORTS AND IMPORTS (percentage change)

	<u>May on April</u>	<u>Mar-May 1985 on Dec 1984-Feb 1985</u>	<u>Mar-May 1985 on Mar-May 1984</u>
<u>(1) Exports</u>			
Total Value	- 1½	+ 2	+11
Total Volume	-	-	+11
Total volume excl. oil and erratics	-	-	+11
o/w: manufactures	- 1	+ ½	+13
Fuels (volume)	+ 3	- 5	+15
<u>(ii) Imports</u>			
Total value	- 8½	+ 4	+11
Total volume	- 6½	+ 2½	+ 7½
Total volume excl. oil and erratics	- 4	- 1½	+ 5
o/w: manufactures	- 4	- 1½	+ 6½
Fuels (volume)	-18	+15	+27

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DRAFT BRIEFING FOR IDT

Summary:

Good months' figures, but too much should not be read into them just as too much should not have been read into poor March figures.

Points to make:

(i) May current account surplus £724 million largest this year and £500 million above April.

(ii) Main reason for increase above April is lower imports, both volume (-6½ per cent) and value (-8½ per cent). Export volumes unchanged. Also, higher oil surplus of £150 million. Deficit in manufacture trade reduced.

(iii) Exports to US rose 11 per cent in latest three months, while imports fell 6 per cent.

Defensive

1. FSBR forecast?

[FSBR forecasts £3 billion surplus for 1985 as a whole.]

Surplus to May of £1.1 billion, despite over £1¼ billion cost of coal strike in Q1, entirely compatible with forecast.

2. Manufacturing trade deficit?

[FSBR forecasts £4½ billion deficit in 1985. Deficit Jan-May 1985 of £1.5 billion.]

Deficit easily offset by substantial surpluses on oil and invisibles. In recent years growing oil surplus bound

to mean some adjustment to structure of balance of payments. UK manufacturing output (up 3½ per cent in 1984) and manufacturing employment (outlook stable says CBI survey) are more important indicators of industrial performance than trade balance.

3. Invisible projection revised upwards?

[Monthly surplus now projected at £500 million - was £400 million last month].

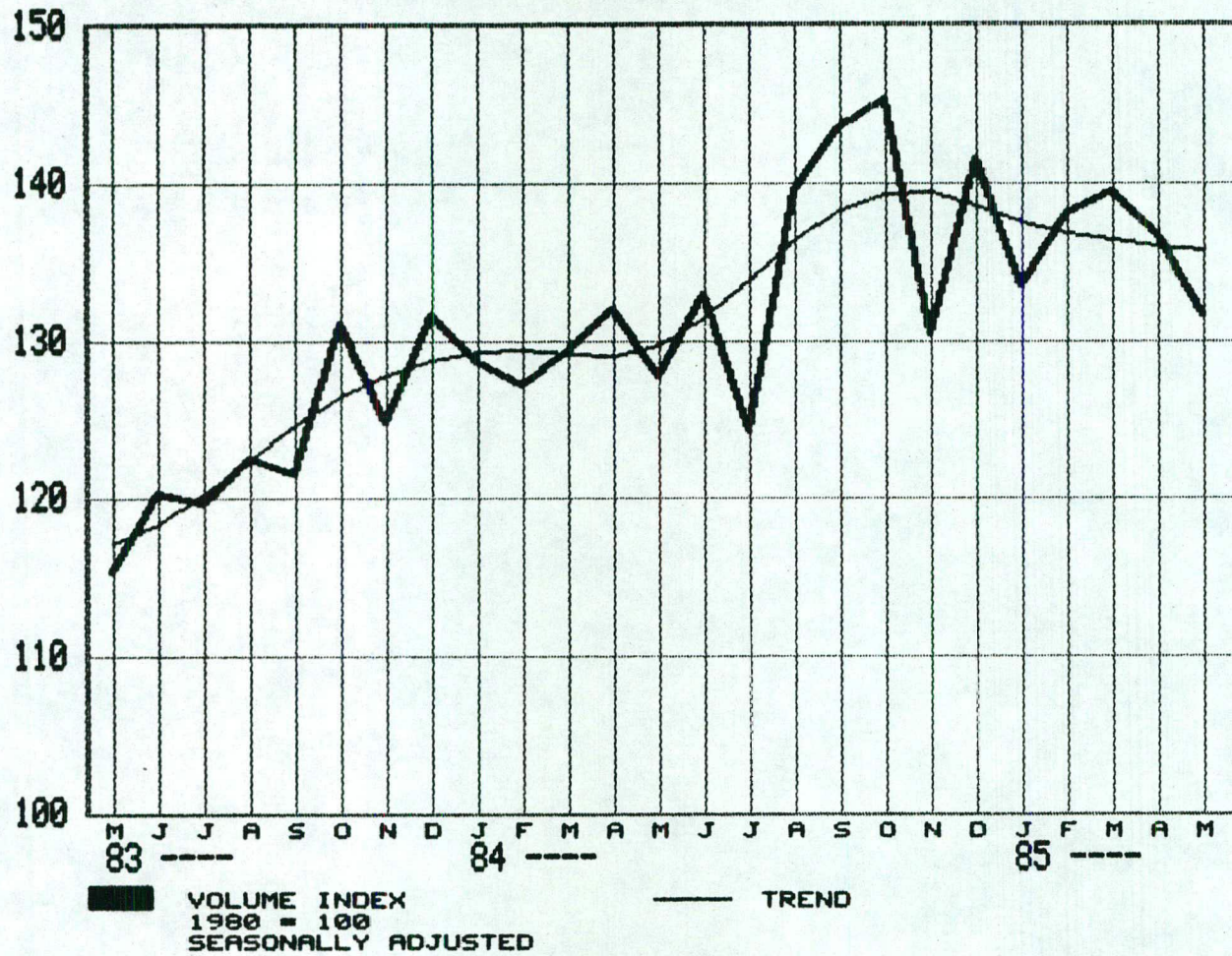
Normal process of revision as more data becomes available. Remember these are only projections.

4. Export volume levelling off

Export volume has been very erratic in recent months. Growth over the last year as a whole has been substantial. In May export volume was 11 per cent higher than a year earlier.

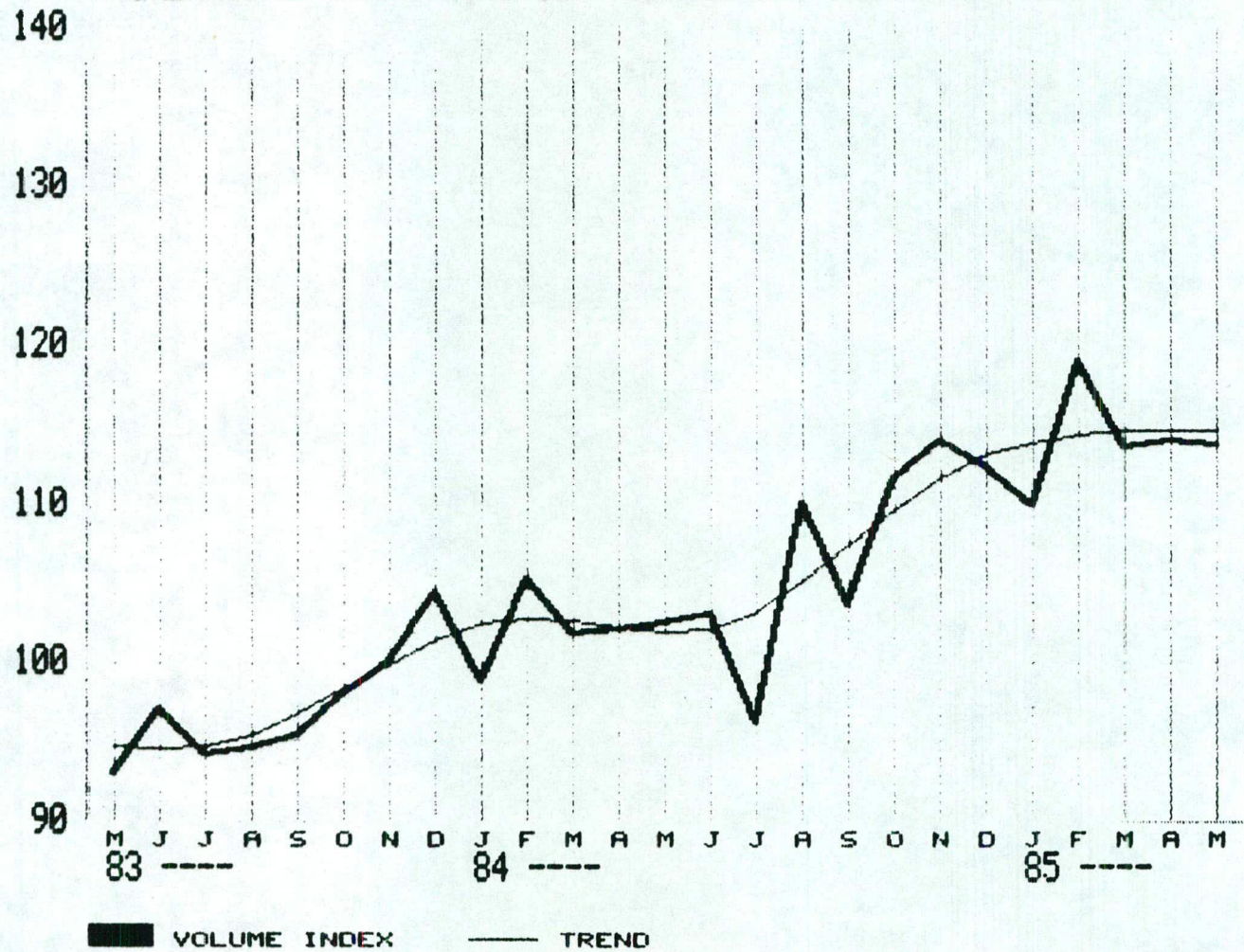
SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM 27 JUN 85

IMPORTS LESS OIL AND ERRATICS



EXPORTS LESS OIL AND ERRATICS

BALANCE OF PAYMENTS BASIS SEASONALLY ADJUSTED 1980 = 100



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TRADE FIGURES FOR MAY 1985

Advance Circulation

Chancellor of the Exchequer	Mr Folger
Chief Secretary	Mr Culpin
Economic Secretary	Mr S Robson
Sir P Middleton	Mr Mowl
Sir G Littler	Mr Segal
Sir T Burns	Mr Barrell
Mr Cassell	
Mr Lavelle	Mr Gill - Bank
Mr H P Evans	Mr Turnbull - No 10
	Mr Whybrow - DTI

Circulation after 11.30 am on Thursday 27 June

Financial Secretary	Mr P Patterson
Minister of State	Mr Matthews (EF)
Mr Bailey	Mr Shaw
Mr Byatt	Mr C Pickering
Mr Wicks (Washington)	Mr Lord
Mr Sedgwick	Mr Davies
Mr Odling-Smee	Sir A Ridley
Mr Melliss	
Mr Riley	

*Jan 4*

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

26 June 1985

W E Boyd Esq
Department of Trade and Industry

Dear Mr Boyd,

This is to confirm that the Chancellor has seen your letter of 24 June covering the draft Press Notice on the Current Account in May. He is content with the Press Notice as drafted.

*Yours sincerely
Rachel Lomax*

MRS RACHEL LOMAX
Principal Private Secretary

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 27/6/85 AT
11.30 AM AND THEREAFTER UNCLASSIFIED

MINISTER FOR TRADE

Copy No 3.... (22)

OVERSEAS TRADE FIGURES FOR MAY

THE CURRENT ACCOUNT

In May exports were valued at £6782 million and imports at £6558 million so that visible trade, seasonally adjusted on a balance of payments basis was in surplus by £224 million compared with a deficit of £277 million in April.

The Central Statistical Office project a surplus of £500 million for invisibles in May so that the current account is provisionally estimated to have been in surplus by £724 million in May. Taking the first five months of 1985 as a whole, the current account shows a surplus of about £1.1 billion.

Table 1

	CURRENT ACCOUNT				
				(£ million)	
	Visible Trade Balances			Invisibles	Current
	Oil	Non-oil	Total	Balance	Account Balance
1983	+6846	- 8011	-1165	+4411	+3246
1984	+7136	-11391	-4255	+4879	+ 624
1984 Dec-Feb	+2344	- 3036	- 692	+1348	+ 656
1985 Mar-May	+1779	- 2832	-1052	+1513	+ 461
1985 Jan-May	+3380	- 4781	-1401	+2470	+1069
1985 Mar	+ 260	- 1259	- 999	+ 513	- 486
Apr	+ 684	- 961	- 277	+ 500a	+ 223a
May	+ 835	- 611	+ 224	+ 500a	+ 724a
			a = projection		

In the three months ended May there was a deficit on visible trade of £1.1 billion, comprised of a deficit of about £2.8 billion on non-oil trade and a surplus on trade in oil of about £1.8 billion. Between the three months ended February and the latest three months the deficit on visible trade increased by £0.4 billion; the deficit on non-oil trade falling by £0.2 billion but the surplus on oil falling by £0.6 billion.

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EXPORTS

The value of exports in May was £115 million (1½ per cent) lower than in April. Exports of oil fell by £20 million and exports of the erratic items fell by £49 million. Excluding trade in oil and the erratic items, exports were 1 per cent lower than in April.

Table 2 EXPORT VOLUME INDEX NUMBERS (1980 = 100)
Seasonally adjusted

	BOP BASIS		OTS BASIS					
	Total Trade	Basic Materials	Fuels	-Manufactures excluding erratics- Passenger			Inter- mediate	Capital
				Semis	Motor Cars	Other Consumer		
1983	102.6	101.0	147.7	102.3	85.6	96.4	88.9	87.2
1984	110.4	106.6	159.1	112.1	82.4	109.3	99.8	95.8
1984 Dec-Feb	119.2	113	186	124	99	117	110	101
1985 Mar-May	118.9	115	177	121	101	112	113	106
1985 Mar	117.8	117	176	119	87	114	116	112
Apr	119.6	114	176	124	94	111	109	106
May	119.4	113	181	119	121	112	115	99

In the three months ended May total export volume was unchanged compared with the previous three months and 11 per cent higher than a year earlier. The underlying level of non-oil export volume, which rose strongly during the second half of last year has been unchanged in recent months.

By value, exports increased by 2 per cent in the latest three months reflecting higher deliveries to the developed countries. Within the total for the developed countries, a fall in exports to Western Europe was outweighed by growth in our exports to North America.

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IMPORTS

The value of imports in May was £616 million (8½ per cent) lower than in April. Imports of oil fell by £171 million and imports of the erratic items by £64 million. Excluding both of these, imports fell by 6½ per cent in May. All of the broad commodity groupings contributed to the fall.

Table 3 IMPORT VOLUME INDEX NUMBERS (1980 = 100)
Seasonally adjusted

	BOP OTS		-Manufactures excluding erratics- Passenger						
	BASIS	BASIS	Total Trade	Basic Materials	Fuels	Semis	Motor Cars	Other Consumer	Inter-mediate
1983	107.9	104.6	66.8	123.3	125.5	124.9	128.7	141.9	
1984	118.8	101.8	85.4	137.1	120.0	140.9	148.8	158.3	
1984 Dec-Feb	123.2	107	93	141	123	142	159	170	
1985 Mar-May	126.1	99	107	139	127	137	157	170	
1985 Mar	133.7	100	137	139	128	137	163	180	
Apr	126.3	97	100	143	126	141	157	167	
May	118.4	98	82	136	128	134	150	162	

Between the three months ended February and the latest three months total import volume rose by 2½ per cent in the latest three months to a level 7½ per cent higher than a year earlier. The increase in the latest three months mainly reflects higher imports of oil and of the erratic items. Excluding these, import volume fell by 1½ per cent between the three months ended February and the latest three months.

By value, imports were 4 per cent higher in the latest three months than in the previous three months. Imports from the developed countries increased by 1½ per cent with imports from Western Europe growing by 3½ per cent and imports from North America falling by 6 per cent. Imports from the developing countries rose by 5½ per cent reflecting higher arrivals of oil.

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TERMS OF TRADE AND UNIT VALUES

The terms of trade index increased by 1 per cent in the latest three months reversing the trend of recent months. The export unit value index increased by 2½ per cent and the import unit value index rose by 1½ per cent. Compared with the same three months a year ago, the terms of trade index has shown a marginal fall with both the export unit value index and the import unit value index growing by about 11 per cent.

Table 4 TERMS OF TRADE AND UNIT VALUES (1980 = 100)
BOP BASIS

	<u>Unit value indices</u>		Terms of Trade
	Exports	Imports	
1983	126.6	129.6	97.7
1984	136.9	141.5	96.8
1984 Dec-Feb	144.8	151.3	95.7
1985 Mar-May	148.1	153.5	96.5
1985 Mar	149.4	156.3	95.6
Apr	148.3	153.3	96.8
May	146.6	150.9	97.1

Among the export unit values, those for fuels (up by 4 per cent) showed the strongest growth in the latest three months. In the finished manufacturers group unit values broadly followed the overall average while smaller rises were recorded for basic materials and other semi-manufactures.

Contributing to the rise in the terms of trade in the latest three months were smaller than average rises in the import unit values for fuels and chemicals (both up 1 per cent) and a marginal fall in the import unit value index for basic materials. Import unit values for finished manufactures increased by 2½ per cent in line with those for exports.

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 27/6/85 AT
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TRADE IN MANUFACTURES

Estimates of trade in manufactures on a balance of payments basis for May will be published in this month's Monthly Review of External Trade Statistics. On present estimates, there was a deficit on trade in manufactures of £0.9 billion in the three months ended May compared with a deficit of £1.0 billion in the fourth previous three months.

Table 5 TRADE IN MANUFACTURES (SITC 5-8)
(Balance of payments basis)

			£ million Seasonally adjusted
	Exports	Imports	Balance
1983	40173	42553	-2379
1984	46539	50380	-3841
1984 Dec-Feb	12892	13937	-1045
1985 Mar-May	13414	14292	- 878
1985 Jan-May	22048	23594	-1546
1985 Mar	4475	4964	- 489
Apr	4525	4831	- 307
May	4414	4497	- 83

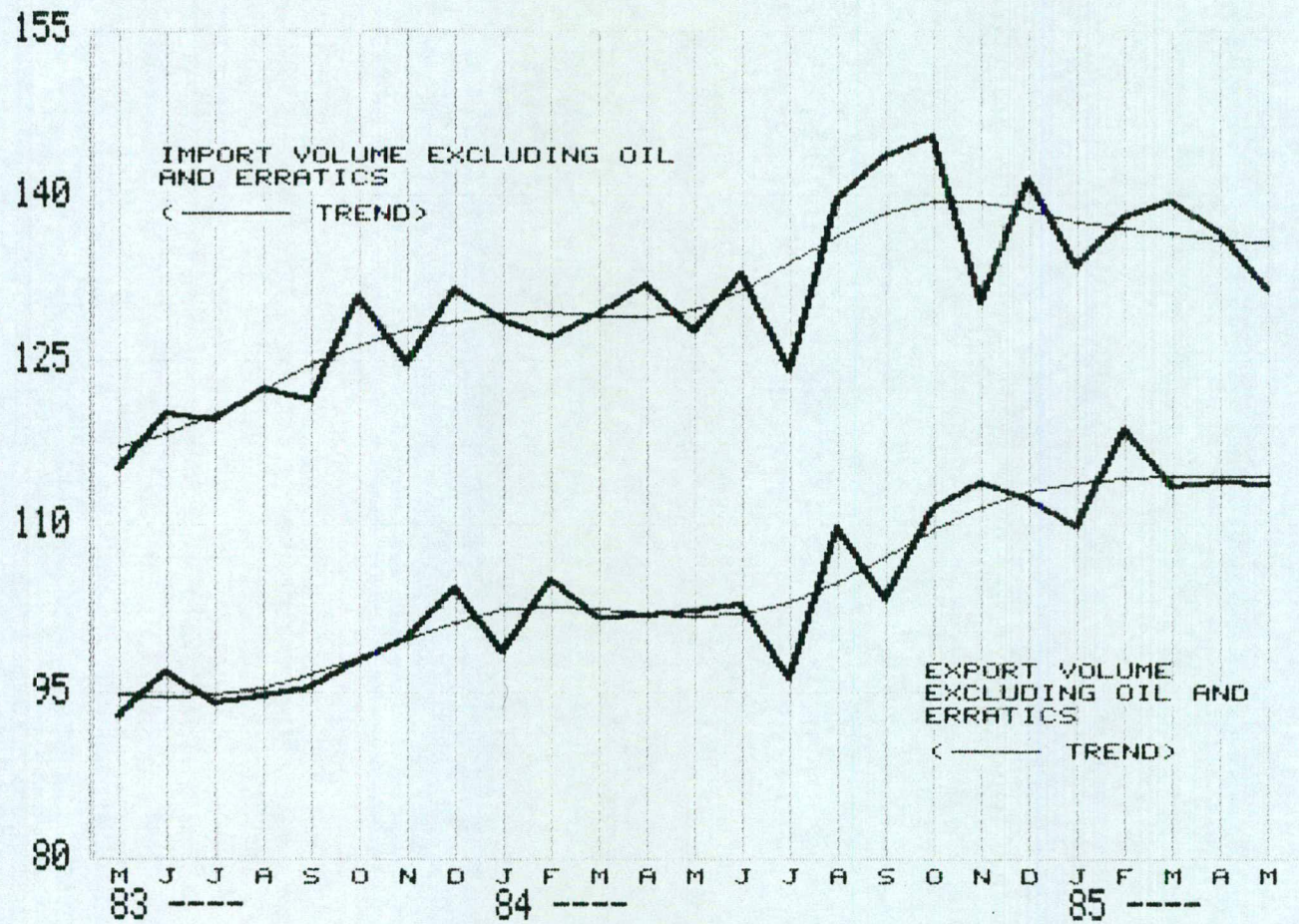
PUBLICATION

The release of the press notice containing the May figures has been set for Thursday 27 June at 11.30 am.

A R Hewer

A R Hewer
S2
V/251
215 3309

21 June 1985



VOLUME INDEX ON A BALANCE OF PAYMENTS BASIS 1980 = 100 SEASONALLY ADJUSTED

INTERNAL NOTE

CIRCULATION LIST

Copy No	1	Minister for Trade	
	2	Prime Minister	
	3	Chancellor of the Exchequer	
	4	Secretary of State for Trade and Industry	
	5	Sir Robert Armstrong (Cabinet Office)	
	6	Sir Brian Hayes (Dept of Trade and Industry)	
	7	Sir Peter Middleton (HM Treasury)	
	8	Governor of the Bank of England	
	9	Chairman of the Board of HM Customs and Excise	
	10	Sir John Boreham (CSO)	
	11	Mr Finlinson (HM Customs and Excise)	
	12	Mr A Croxford (CSO)	
	13	Mr P Walker (HM Treasury)	
	14	Mr Barrell (HM Treasury)	
	15	Dr P Rice (Dept of Energy)	
	16	Mr H H Liesner)
	17	Mr J Hibbert)
	18	Mr W E Boyd)
	19	Mr E J Wright) Dept of Trade and Industry
	20	Mr A R Hewer)
	21	Mr M Whybrow)
	22	Mr D B Packer)

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THE CURRENT ACCOUNT OF THE UNITED KINGDOM
BALANCE OF PAYMENTS

MAY 1985

The current account for May is estimated to have been in surplus by £724 million compared with a surplus of £223 million in April.

Exports in May were valued at £6782 million and imports at £6558 million so that trade in goods was in surplus by £224 million.

The balance on invisibles in May 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 1985

In the three months ended May, the current account showed a surplus of £461 million compared with a surplus of £656 million in the previous three months. There was a deficit on visible trade of £1052 million in the latest three months compared with a deficit of £692 million in the previous three months. The surplus on invisibles is projected at £1.5 billion.

TABLE 1 CURRENT ACCOUNT £ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles ^c		
		Balance	Exports fob	Imports fob	Balance	Credits	Debits
1983	+ 3246	- 1165	60776	61941	+ 4411	35268	30857
1984	+ 624	- 4255	70377	74632	+ 4879	39929	35050
1984 Q1	+ 966	- 57	16778	16835	+ 1023	9658	8635
Q2	- 203	- 1228	16844	18072	+ 1025	9527	8502
Q3	- 512	- 1643	17439	19082	+ 1131	9724	8593
Q4	+ 373	- 1327	19316	20643	+ 1700	11020	9320
1985 Q1	+ 123	- 1347	20295	21642	+ 1470	11251	9781
1984 Dec	+ 47	- 344	6596	6940	+ 391 b	Monthly figures of credits and debits are not available	
1985 Jan	+ 402	- 86	6552	6637	+ 487 b		
Feb	+ 207	- 263	6915	7178	+ 470 b		
Mar	- 486	- 999	6828	7827	+ 513 b		
Apr	+ 223 a	- 277	6896	7174	+ 500 a		
May	+ 724 a	+ 224	6782	6558	+ 500 a		
Dec-Feb 1985	+ 656	- 692	20063	20755	+ 1348		
Mar-May 1985	+ 461	- 1052	20507	21559	+ 1513		
Jan-May 1985	+ 1069	- 1401	33974	35374	+ 2470		

- a Invisibles are projections and subject to revision as information becomes available.
b One-third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.
c Information relating to credits and debits of the private sector and public corporations can be found in Table 3.

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VISIBLE TRADE IN MAY/1985

There was a surplus on visible trade in May of £224 million compared with a deficit of £277 million in April. The surplus on oil rose from £684 million to £835 million and the deficit on non-oil trade fell from £961 million to £611 million.

At £6782 million, exports in May were £115 million (1½ per cent) lower than in April. Exports of oil fell by £20 million and exports of the erratic items fell by £49 million. Excluding oil and the erratic items, exports in May were about 1 per cent lower than in April.

Total imports were valued at £6558 million which was £616 million (8½ per cent) lower than in April. Imports of oil fell by £171 million and imports of the erratic items fell by £64 million. Imports of other goods were 6½ per cent lower than in April.

The terms of trade index rose marginally in April; the export unit value index falling by 1 per cent and the import unit value index falling by 1½ per cent.

RECENT TRENDS

Visible balance

In the three months ended May there was a deficit on visible trade of £1.1 billion, comprised of a deficit of about £2.8 billion on non-oil trade and a surplus on trade in oil of about £1.8 billion. Between the three months ended February and the latest three months the deficit on visible trade increased by

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£0.4 billion; the deficit on non-oil trade falling by £0.2 billion but the surplus on oil falling by £0.6 billion.

Exports

Exports amounted to £20.5 billion in the latest three months, £0.4 billion (2 per cent) higher than in the previous three months. Excluding oil and the erratic items, exports grew by 2½ per cent. Higher deliveries of finished manufactures (up by 5 per cent), primarily intermediate and capital goods, accounted for most of the rise.

Total export volume was unchanged in the latest three months compared with the previous three months and 11 per cent higher than a year earlier. The underlying level of non-oil export volume which rose strongly during the second half of last year has shown little change in recent months.

Imports

Total imports were valued at £21.6 billion in the latest three months, £0.8 billion (4 per cent) higher than in the previous three months. Imports of oil increased by £0.5 billion and imports of the erratic items increased by £0.2 billion. Imports of other goods increased only marginally in total.

By volume, imports increased by 2½ per cent in the latest three months to a level 7½ per cent higher than a year earlier. The increase in the latest three months reflects higher imports of oil and of the erratic items. Excluding these, import volume

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fell by $1\frac{1}{2}$ per cent between the three months ended February and the latest three months. **The underlying level of non-oil import volume remains unchanged.**

Terms of trade and unit values

The terms of trade index increased by 1 per cent in the latest three months reversing the trend of recent months. The export unit value index increased by $2\frac{1}{2}$ per cent and the import unit value index rose by $1\frac{1}{2}$ per cent. Compared with the same three months a year ago, the terms of trade index shows little change; both the export unit value index and the import unit value index having grown by about 11 per cent.

Among the export unit values, those for fuels (up by 4 per cent) showed the strongest growth in the latest three months. In the finished manufactures area, unit values broadly reflected the overall average of $2\frac{1}{2}$ per cent while smaller rises were recorded for basic materials and other semi-manufactures.

Smaller than average rises in the import unit values for fuels and chemicals (both up 1 per cent) and a marginal fall in the import unit value index for basic materials contributed to the rise in the terms of trade in the latest three months. Import unit values for finished manufactures increased by $2\frac{1}{2}$ per cent, in line with those for exports.

Analysis by Area

By value, exports to the developed countries increased by 2 per cent in the latest three months with higher deliveries to North

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America (up by 15 per cent) outweighing a fall in exports to Western Europe. Exports to the developing countries fell by 2 per cent.

Imports from the developed countries increased by 1½ per cent between the three months ended February and the latest three months with imports from Western Europe growing by 3½ per cent and imports from North America falling by 6 per cent. Imports from the developing countries rose by 5½ per cent reflecting higher arrivals of oil.

INVISIBLES

The latest estimates of invisibles - services, interest, profits and dividends, and transfers - relate to the first quarter of 1985 when credits were £11.3 billion and debits were £9.8 billion giving a surplus of £1.5 billion for the quarter. Invisibles in the private sector and public corporations (excluding transfers) were in surplus by £3.2 billion. The recent monthly figures are CSO projections.

NOTES TO EDITORS

1 STANDARD NOTES

The standard notes describe the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) bases of compilation. Copies can be obtained from the address below.

2 OTS DATA

In October 1984 HM Customs and Excise introduced a change in the way some imports are recorded. As a result of this change a proportion of imports that would have been included in October will have been deferred to November and likewise for subsequent months. To allow for this change in recording practice the October figures on a Balance of Payments basis have been adjusted by £200 million. No adjustments have been made to the OTS figures (tables 8-15).

3 MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

The Monthly Review of External Trade Statistics, a publication containing charts and tables on the current account of the UK balance of payments, UK exports and imports of goods by commodity and area, and certain international comparisons, is available, price £3 per copy from the Department of Trade and Industry at the address given below.

4 ROUNDING

The figures published in this Press Notice expressed in £ million have each been independently rounded to the nearest whole number. These figures may therefore not sum to the aggregates, and balances may not derive exactly from the export and import figures shown.

Index numbers of volume and unit value are shown rounded either to the nearest whole number, or to one place of decimals. Although the figures should not be regarded as accurate to the last digit shown, the degree of rounding is intended to be indicative of the relative reliability of the different figures. Where period to period changes are shown these have been calculated from unrounded estimates, the resulting percentage changes being rounded to the nearest half point if less than 10 and the nearest whole number if 10 or greater.

5 AREA DATA (tables 11 and 15)

Low value consignments ie items of an individual value less than £200, are not analysed by country. Area figures in tables 11 and 15 are therefore deficient to the extent of these consignments.

In addition the data by area are seasonally adjusted independently leading to further differences between the sum of areas and figures for total trade.

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 5703.

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(Balance of Payments basis)

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1983	+ 3246	60776	61941	- 1165	+ 6846	- 8011	+ 4411
1984	+ 624	70377	74632	- 4255	+ 7136	-11391	+ 4879
1984 Q1	+ 966	16778	16835	- 57	+ 2322	- 2378	+ 1023
Q2	- 203	16844	18072	- 1228	+ 1543	- 2771	+ 1025
Q3	- 512	17439	19082	- 1643	+ 1804	- 3447	+ 1131
Q4	+ 373	19316	20643	- 1327	+ 1468	- 2795	+ 1700
1985 Q1	+ 123	20295	21642	- 1347	+ 1862	- 3208	+ 1470
1984 Sept	- 510	5905	6792	- 887	+ 577	- 1464	+ 377 b
Oct	+ 112	6273	7080	- 807	+ 373	- 1179	+ 919 b
Nov	+ 213	6447	6624	- 177	+ 352	- 529	+ 390 b
Dec	+ 47	6596	6940	- 344	+ 743	- 1087	+ 391 b
1985 Jan	+ 402	6552	6637	- 86	+ 926	- 1011	+ 487 b
Feb	+ 207	6915	7178	- 263	+ 675	- 938	+ 470 b
Mar	- 486	6828	7827	- 999	+ 260	- 1259	+ 513 b
Apr	+ 223 a	6896	7174	- 277	+ 684	- 961	+ 500 a
May	+ 724 a	6782	6558	+ 224	+ 835	- 611	+ 500 a
Mar-May 1984	- 285	16645	17955	- 1309	+ 1677	- 2987	+ 1024
Dec-Feb 1985	+ 656	20063	20755	- 692	+ 2344	- 3036	+ 1348
Mar-May 1985	+ 461	20507	21559	- 1052	+ 1779	- 2832	+ 1513
% Change							
Latest 3 months							
- on previous							
3 months		+ 2	+ 4				
- same 3 months							
one year ago		+ 23	+ 20				

a Invisibles are projections and subject to revision as more information becomes available.

b One third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.

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			
1982	31396	28528	+ 2868	+ 3762	+ 1162	- 2056	26988	20423	+ 6565
1983	35268	30857	+ 4411	+ 4087	+ 2540	- 2216	30823	22312	+ 8511
1984	39929	35050	+ 4879	+ 4243	+ 3050	- 2414	35289	25808	+ 9481
1983 Q2	8450	7886	+ 564	+ 1075	+ 298	- 809	7531	5678	+ 1853
Q3	8934	7532	+ 1402	+ 1001	+ 921	- 520	7904	5507	+ 2397
Q4	8918	8114	+ 804	+ 933	+ 624	- 753	7909	5848	+ 2061
1984 Q1	9658	8635	+ 1023	+ 1025	+ 530	- 532	8467	6392	+ 2075
Q2	9527	8502	+ 1025	+ 1024	+ 787	- 786	8587	6232	+ 2355
Q3	9724	8593	+ 1131	+ 1081	+ 789	- 739	8733	6280	+ 2453
Q4	11020	9320	+ 1700	+ 1113	+ 944	- 357	9502	6904	+ 2598
1985 Q1	11251	9781	+ 1470	+ 1371	+ 1236	- 1137	10293	7058	+ 3235

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
1983	126.6	129.6	97.7	102.6	107.9
1984	136.9	141.5	96.8	110.4	118.8
1984 Q1	132.3	135.6	97.5	108.7	112.1
Q2	135.1	139.4	96.9	107.3	117.1
Q3	138.7	143.4	96.7	108.0	119.8
Q4	141.7	147.5	96.1	117.5	126.1
1985 Q1	147.1	153.9	95.6	118.7	125.6
1984 Sept	140.0	144.7	96.7	108.5	126.9
Oct	140.9	146.2	96.4	115.4	131.2
Nov	141.6	147.7	95.9	118.0	120.8
Dec	142.5	148.5	96.0	119.2	126.3
1985 Jan	144.5	150.5	96.0	116.6	118.6
Feb	147.3	154.9	95.1	121.7	124.6
Mar	149.4	156.3	95.6	117.8	133.7
Apr	148.3	153.3	96.8	119.6	126.3
May	146.6	150.9	97.1	119.4	118.4
Mar-May 1984	133.8	138.2	96.8	107.2	117.2
Dec-Feb 1985	144.8	151.3	95.7	119.2	123.2
Mar-May 1985	148.1	153.5	96.5	118.9	126.1
% Change					
Latest 3 months on					
- previous 3 months	+ 2½	+ 1½	+ 1	-	+ 2½
- same 3 months one year ago	+ 11	+ 11	- ½	+ 11	+ 7½

^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	Exports	Imports
1983	56280	58512	104.0	113.0
1984	65786	71300	113.2	125.8
1984 Q1	15615	16036	111.1	118.6
Q2	15728	17245	109.9	124.1
Q3	16400	18340	111.4	127.5
Q4	18043	19680	120.5	133.1
1985 Q1	19396	20540	124.3	132.1
1984 Sept	5520	6525	111.4	134.7
Oct	5760	6706	116.5	137.8
Nov	6058	6317	121.6	127.3
Dec	6225	6657	123.5	134.3
1985 Jan	6276	6334	122.4	125.3
Feb	6618	6804	127.6	131.3
Mar	6502	7401	122.9	139.7
Apr	6471	6753	123.2	131.8
May	6406	6202	123.7	124.2
Mar-May 1984	15584	16948	110.2	122.9
Dec-Feb 1985	19120	19795	124.5	130.3
Mar-May 1985	19378	20357	123.3	131.9
% Change				
Latest 3 months on				
- previous 3 months	+ 1½	+ 3	- 1	+ 1
- same 3 months one year ago	+ 24	+ 20	+ 12	+ 7½

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

TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance of Trade in oil	Exports of Oil					Imports of Oil									
		Total	Crude Oil [SITC (REV 2) 333.0]			Rest of Division 33	Total	Crude Oil [SITC (REV 2) 333.0]			Rest of Division 33					
			£ million fob	£ million fob	£ million fob			million tonnes	Avg value per tonne £ fob	£ million fob		£ million fob	£ million fob	million tonnes	Avg value per tonne £ fob	£ million fob
1983	+ 6846	12501	10092	68.3	147.8	2410	5655	3277	22.8	143.7	2377					
1984	+ 7136	14910	12228	75.8	161.4	2682	7773	3755	24.2	155.4	4018					
1984	Q1	+ 2322	3644	2953	19.1	154.3	690	1322	652	4.4	148.8	670				
	Q2	+ 1543	3450	2768	17.5	158.5	682	1907	1048	7.0	148.8	859				
	Q3	+ 1804	3765	3081	18.5	166.4	685	1961	1059	6.8	156.1	903				
	Q4	+ 1468	4051	3426	20.6	166.0	625	2584	997	6.0	167.1	1586				
1985	Q1	+ 1862	4755	3936	21.5	182.7	819	2893	1236	7.0	177.9	1657				
1984	Sept	+ 577	1268	1048	6.1	170.7	220	691	411	2.6	159.7	281				
	Oct	+ 373	1167	968	5.8	166.0	199	794	341	2.1	163.3	453				
	Nov	+ 352	1333	1122	6.8	165.7	212	981	287	1.7	167.8	694				
	Dec	+ 743	1551	1337	8.0	166.3	214	808	369	2.2	170.2	439				
1985	Jan	+ 926	1640	1363	7.8	175.6	277	715	257	1.5	166.7	458				
	Feb	+ 675	1533	1245	6.8	182.8	288	857	357	2.0	179.4	500				
	Mar	+ 260	1582	1328	7.0	190.5	254	1321	623	3.4	182.0	699				
	Apr	+ 684	1528	1287	7.1	182.4	240	844	605	3.6	170.3	239				
	May	+ 835	1508	1236	7.1	173.3	273	673	428	2.6	161.9	246				
Mar-May 84	+ 1677	3500	2843	18.2	156.5	657	1822	968	6.6	147.5	855					
Dec-Feb 85	+ 2344	4724	3944	22.6	174.4	780	2380	983	5.7	172.5	1397					
Mar-May 85	+ 1779	4617	3851	21.2	182.0	766	2838	1655	9.6	172.2	1184					
% Change																
Latest 3 months on																
- previous 3 months		- 2½	- 2½	- 6½	+ 4½	- 1½	+ 19	+ 68	+ 69	0.	- 15					
- same 3 months																
one year ago		+ 32	+ 35	+ 16	+ 16	+ 17	+ 56	+ 71	+ 46	+ 17	+ 38					

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 7 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
1983	- 8011	48274	56286	124.6	126.2	98.7	95.9	114.4	43779	52857	96.7	121.1
1984	-11391	55467	66858	134.3	138.3	97.1	102.7	124.8	50876	63526	105.3	133.7
1984 Q1	- 2378	13135	15513	130.1	132.8	98.0	100.2	120.1	11972	14714	102.1	128.6
Q2	- 2771	13394	16165	132.6	136.6	97.1	100.4	122.4	12279	15339	102.7	131.1
Q3	- 3447	13674	17121	136.0	140.2	97.0	100.2	126.3	12634	16379	103.4	136.0
Q4	- 2795	15264	18059	138.7	143.7	96.5	110.1	130.5	13992	17096	112.8	139.3
1985 Q1	- 3208	15541	18749	143.3	149.5	95.8	108.7	129.3	14642	17647	114.3	137.2
1984 Sept	- 1464	4637	6101	137.2	141.2	97.1	101.0	133.8	4252	5834	103.7	143.8
Oct	- 1179	5106	6285	137.9	142.1	97.0	111.0	137.1	4593	5912	111.8	145.5
Nov	- 529	5114	5643	138.7	143.8	96.5	110.7	122.8	4724	5336	114.2	130.6
Dec	- 1087	5045	6131	139.5	145.1	96.1	108.5	131.7	4674	5848	112.5	141.8
1985 Jan	- 1011	4912	5923	141.4	146.6	96.5	104.5	125.2	4636	5620	110.1	133.7
Feb	- 938	5382	6320	143.5	150.4	95.4	113.1	129.8	5085	5947	119.1	138.3
Mar	- 1259	5247	6506	144.9	151.5	95.6	108.7	132.8	4920	6080	113.7	139.7
Apr	- 961	5369	6330	144.3	149.5	96.6	110.9	130.1	4943	5910	114.2	136.9
May	- 611	5274	5885	143.6	147.2	97.6	109.9	124.4	4897	5529	113.9	131.8
Mar-May 84	- 2987	13146	16132	131.4	135.7	96.8	99.6	122.6	12085	15126	102.3	129.9
Dec-Feb 85	- 3036	15339	18374	141.4	147.4	96.0	108.7	128.9	14395	17415	113.9	137.9
Mar-May 85	- 2832	15889	18721	144.3	149.4	96.6	109.8	129.1	14761	17518	113.9	136.1
% Change												
Latest 3 months on		+ 3½	+ 2	+ 2	+ 1½	+ ½	+ 1	-	+ 2½	+ ½	-	- 1½
- previous 3 months												
- same 3 months one												
year ago		+ 21	+ 16	+ 10	+ 10	- ½	+ 10	+ 5½	+ 22	+ 16	+ 11	+ 5

^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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SECRETEXPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 8

£ million, fob, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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	
1983	60684	4241	1587	13103	40087	35770	13837	6933	6904	21933	1003	3913	9291	7726
1984	70511	4693	1989	15367	46668	42136	16332	8215	8117	25804	1051	4674	11178	8902
1984 Q1	16826	1156	440	3778	11052	9862	3797	1929	1867	6065	264	1096	2607	2098
Q2	16884	1173	486	3541	11220	10107	3918	1961	1956	6190	263	1111	2655	2161
Q3	17394	1128	506	3841	11445	10450	4015	2026	1989	6435	230	1136	2801	2268
Q4	19407	1235	557	4206	12951	11717	4603	2298	2305	7114	293	1332	3115	2375
1985 Q1	20367	1221	591	4922	13176	12322	4762	2434	2328	7560	353	1301	3356	2550
1985 Mar	6863	382	196	1655	4508	4184	1569	786	783	2615	100	442	1147	927
Apr	6935	396	182	1601	4560	4143	1648	865	784	2495	110	428	1093	864
May	6806	449	182	1556	4435	4080	1552	779	774	2628	135	431	1125	836
Dec-Feb	20134	1250	575	4874	12956	12064	4791	2445	2346	7273	342	1310	3197	2424
Mar-May	20603	1227	560	4812	13503	12408	4770	2429	2340	7638	345	1301	3364	2627
Percentage change	+ 2½	- 2	- 2½	- 1½	+ 4	+ 3	- ½	- ½	0	+ 5	+ 1	- ½	+ 5	+ 8½

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

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

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

Table 9

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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
1983	102.6	110.2	101.0	147.7	93.9	94.4	102.3	113.3	93.6	89.5	85.6	96.4	88.9	87.2
1984	110.7	117.4	106.6	159.1	101.8	104.2	112.1	124.3	102.4	99.3	82.4	109.3	99.8	95.8
1984 Q1	109.0	116	101	164	99	101	108	121	98	96	90	105	96	91
Q2	107.6	118	105	149	99	101	109	119	101	96	82	104	96	95
Q3	107.8	113	108	157	99	102	109	122	98	98	72	106	98	97
Q4	118.3	122	112	166	110	113	123	136	112	107	86	123	109	100
1985 Q1	119.3	121	117	183	109	115	122	137	110	110	103	113	115	104
1985 Mar	118.5	111	117	176	110	115	119	130	110	113	87	114	116	112
Apr	120.5	112	114	176	111	114	124	142	110	108	94	111	109	106
May	120.0	129	113	181	109	113	119	130	110	109	121	112	115	99
Dec-Feb	119.8	124	113	186	108	114	124	139	112	107	99	117	110	101
Mar-May	119.7	117	115	177	110	114	121	134	110	110	101	112	113	106
Percentage change	-	- 5½	+ 1	- 5	+ 1½	+ ½	- 2½	- 4	- 1½	+ 2	+ 1	- 3½	+ 2½	+ 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.

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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
1983	126.6	122	112	140	125	125	117	119	115	130	144	122	132	128
1984	136.9	128	131	153	135	134	127	130	125	138	157	132	142	135
1984 Q1	132.3	127	123	147	131	130	122	125	119	135	152	128	137	133
Q2	135.1	128	129	151	134	132	125	128	123	136	159	130	140	132
Q3	138.6	127	132	155	137	136	129	131	127	140	158	133	145	136
Q4	141.6	129	138	161	140	138	132	135	129	142	158	137	146	139
1985 Q1	147.0	133	143	171	145	143	136	140	134	147	161	141	151	142
1985 Mar	149.4	135	144	179	146	144	138	141	135	148	165	144	152	144
Apr	148.3	136	143	174	146	145	138	142	135	149	165	143	153	145
May	146.6	134	141	166	145	144	137	142	134	148	160	142	152	146
Dec-Feb	144.7	131	142	166	143	141	135	138	132	145	158	140	149	140
Mar-May	148.1	135	143	173	146	144	138	142	134	149	163	143	153	145
Percentage change	+ 2½	+ 3½	+ ½	+ 4	+ 2	+ 2½	+ 2	+ 2½	+ 1½	+ 2½	+ 3	+ 2	+ 2½	+ 3

^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)

£ million, fob, seasonally adjusted

	Developed Countries							Developing Countries			Centrally planned economies
	Total K	Total	European Community	Rest of W Europe	North America Total USA	Other	Total	Oil exporting countries	Other		
1983	60684	46648	26509	7506	9496	8486	3137	12792	6128	6665	1113
1984	70511	55386	31568	8728	11406	10149	3684	13356	5807	7550	1630
1984 Q1	16826	13176	7311	2172	2769	2473	924	3271	1480	1791	339
Q2	16884	13277	7510	2130	2709	2406	928	3150	1348	1801	437
Q3	17394	13749	7983	2164	2710	2361	893	3314	1371	1943	409
Q4	19407	15185	8765	2262	3218	2909	940	3622	1608	2014	444
1985 Q1	20367	16112	9603	2389	3133	2798	987	3824	1730	2094	372
1985 Mar	6863	5348	3156	818	1070	938	304	1265	618	646	125
Apr	6935	5540	3149	842	1190	1020	358	1205	515	690	135
May	6806	5447	2978	769	1380	1198	321	1179	457	721	142
Dec-Feb	20134	16008	9528	2343	3155	2846	981	3730	1632	2098	406
Mar-May	20603	16335	9283	2430	3640	3155	983	3648	1590	2058	401
Percentage change	+ 2½	+ 2	- 2½	+ 3½	+ 15	+ 11	0	- 2	- 2½	- 2	- 1

K See paragraph 5 of Notes to Editors.

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SECRETIMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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	5	6 less PS	7+8 less SNA	j	j	j	j	
1983	66101	7869	4775	7076	44937	41609	14892	5119	9773	26717	3659	6901	8125	8032
1984	78705	8936	5420	10193	52886	49703	17923	6312	11612	31780	3671	8344	10222	9544
1984 Q1	17889	2150	1302	1790	12373	11527	4216	1479	2737	7311	892	1934	2302	2184
Q2	19240	2225	1310	2468	12907	12003	4303	1527	2776	7700	814	2051	2451	2384
Q3	20077	2247	1295	2640	13565	12918	4607	1647	2959	8311	993	2141	2690	2488
Q4	21499	2314	1513	3294	14040	13255	4797	1658	3139	8458	971	2219	2780	2488
1985 Q1	22782	2370	1485	3588	14975	13935	4846	1675	3171	9090	1018	2276	3010	2786
1985 Mar	8229	827	486	1572	5205	4798	1656	583	1073	3142	352	758	1050	982
Apr	7605	823	467	1090	5099	4682	1666	611	1055	3016	340	755	1008	913
May	6925	765	445	878	4746	4394	1551	561	990	2843	337	711	940	855
Dec-Feb	21913	2340	1502	3079	14661	13747	4833	1641	3192	8914	1005	2265	2955	2689
Mar-May	22759	2415	1399	3540	15051	13875	4873	1755	3118	9002	1030	2224	2999	2750
Percentage change	+ 4	+ 3	- 7	+ 15	+ 2½	+ 1	+ 1	+ 7	- 2½	+ 1	+ 2½	- 2	+ 1½	+ 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 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital	
														5-8 less SNAPS
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
1983	107.9	107.8	104.6	66.8	118.7	127.9	123.3	142.9	115.2	131.0	125.5	124.9	128.7	141.9
1984	117.3	112.3	101.8	85.4	129.9	142.1	137.1	164.2	125.9	145.5	120.0	140.9	148.8	158.3
1984 Q1	111.5	111	104	64	126	137	134	159	124	139	120	136	140	149
Q2	116.7	113	99	86	129	140	134	162	122	144	108	143	146	159
Q3	118.4	112	94	89	131	145	138	167	126	150	131	141	154	163
Q4	122.8	114	110	103	133	147	142	168	132	150	121	144	155	162
1985 Q1	123.9	112	103	105	136	147	139	167	127	153	124	140	158	173
1985 Mar	131.8	116	100	137	139	149	139	172	126	156	128	137	163	180
Apr	125.3	115	97	100	138	148	143	185	126	151	126	141	157	167
May	117.3	111	98	82	132	142	136	168	122	146	128	134	150	162
Dec-Feb	121.7	112	107	93	135	148	141	167	131	153	123	142	159	170
Mar-May	124.8	114	99	107	136	146	139	175	125	151	127	137	157	170
Percentage change	+ 2½	+ 1½	- 8	+ 15	+ ½	- 1½	- 1½	+ 5	- 5	- 1	+ 3½	- 3½	- 1½	-

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^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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Table 14

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco			Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
		Total	Total	Chemi- cals				Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital		
														5-8 less SNAPS	5+6 less PS
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	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	
1983	127.7	120	116	154	126	125	115	121	113	131	137	122	138	131	
1984	139.3	132	134	167	137	135	126	134	123	142	144	133	151	139	
1984 Q1	133.6	127	127	159	131	130	120	127	118	137	141	128	146	134	
Q2	137.3	131	132	162	135	133	125	132	122	139	143	129	149	136	
Q3	141.0	134	137	169	138	137	129	138	125	143	143	135	152	141	
Q4	145.4	135	138	179	142	141	131	139	128	148	149	142	157	143	
1985 Q1	151.5	142	143	188	148	147	136	143	133	154	154	147	165	150	
1985 Mar	153.9	144	145	192	150	149	139	145	136	157	155	150	169	151	
Apr	151.2	143	140	186	148	148	137	142	134	156	153	148	170	151	
May	148.3	141	135	180	146	146	135	141	132	153	148	146	167	149	
Dec-Feb	149.2	139	141	184	146	144	133	141	130	152	153	145	162	148	
Mar-May	151.1	143	140	186	148	148	137	143	134	155	152	148	169	150	
Percentage change	+ 1½	+ 2½	- ½	+ 1	+ 1½	+ 2½	+ 2½	+ 1	+ 3	+ 2½	- 1	+ 2½	+ 4	+ 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.**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	
1983	66101	54815	30104	10457	9083	7497	5171	9631	2833	6798	1535
1984	78705	65102	35204	13254	11055	9356	5589	11429	2862	8568	2042
1984 Q1	17889	15157	8187	3164	2415	1985	1390	2347	528	1819	428
Q2	19240	15731	8528	3301	2554	2148	1348	2884	858	2027	463
Q3	20077	16614	9158	3285	2801	2418	1370	2821	738	2083	529
Q4	21499	17600	9331	3503	3285	2805	1481	3377	738	2639	623
1985 Q1	22782	18950	10143	3527	3677	3134	1603	3332	855	2477	573
1985 Mar	8229	6642	3612	1217	1295	1144	518	1305	406	899	180
Apr	7605	6144	3190	1321	1076	931	558	1192	383	810	147
May	6925	5822	3048	1269	975	818	530	894	228	666	138
Dec-Feb	21913	18359	9683	3521	3565	3028	1591	3207	703	2504	608
Mar-May	22759	18608	9850	3807	3346	2892	1605	3391	1017	2374	466
Percentage change	+ 4	+ 1½	+ 1½	+ 8	- 6	- 4½	+ 1	+ 5½	+ 45	- 5	- 23

K See paragraph 5 Notes to Editors.

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	4226	7273	- 3047	1610	4104	- 2494	13103	6912	+ 6191
1984	4674	8306	- 3632	2014	4866	- 2852	15367	9776	+ 5591
1983 Q2	992	1756	- 764	386	1030	- 644	3114	1758	+ 1350
Q3	1040	1803	- 763	397	1004	- 606	3091	1724	+ 1367
Q4	1098	1953	- 855	440	1135	- 695	3646	1781	+ 1865
1984 Q1	1157	1994	- 837	447	1172	- 725	3779	1727	+ 2052
Q2	1169	2065	- 897	493	1182	- 689	3541	2372	+ 1169
Q3	1121	2091	- 970	513	1169	- 656	3842	2546	+ 1296
Q4	1228	2157	- 929	561	1343	- 782	4206	3132	+ 1074
1985 Q1	1215	2197	- 982	596	1333	- 737	4924	3460	+ 1464

SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	16027	15828	+ 200	24146	26725	- 2579	40173	42553	- 2379
1984	18266	18450	- 183	28273	31930	- 3657	46539	50380	- 3841
1983 Q2	3929	3967	- 38	5934	6543	- 610	9863	10510	- 647
Q3	4142	3941	+ 201	6050	6632	- 582	10191	10572	- 381
Q4	4104	4218	- 114	6367	7118	- 751	10471	11336	- 865
1984 Q1	4296	4414	- 118	6703	7226	- 523	11000	11640	- 640
Q2	4497	4438	+ 59	6683	7680	- 997	11179	12118	- 939
Q3	4473	4682	- 209	7019	8284	- 1265	11492	12966	- 1474
Q4	5001	4916	+ 85	7868	8740	- 872	12869	13655	- 786
1985 Q1	5091	4875	+ 217	8018	9391	- 1373	13109	14265	- 1156

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

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MINISTER FOR TRADE

OVERSEAS TRADE FIGURES FOR JUNE

THE CURRENT ACCOUNT

In June, exports were valued at £6509 million and imports at £6752 million so that visible trade, seasonally adjusted on a balance of payments basis, was in deficit by £243 million compared with a surplus of £224 million in May.

The Central Statistical Office project a surplus of £500 million for invisibles in June so that the current account as a whole is provisionally estimated to have been in surplus by £257 million in June.

Table 1

		CURRENT ACCOUNT			(£ million)	
		Visible Trade Balances		Invisibles	Current	
		Oil	Non-oil	Balance	Account	
					Balance	
1983		+6846	- 8011	-1165	+4411	+3246
1984		+7136	-11391	-4255	+4879	+ 624
1985	Q1	+1862	- 3208	-1347	+1470	+ 123
	Q2	+2361	- 2658	- 297	+1500	+1203
1985	April	+ 684	- 961	- 277	+ 500A	+ 223A
	May	+ 835	- 612	+ 224	+ 500A	+ 724A
	June	+ 842	- 1085	- 243	+ 500A	+ 257A

A = Projection

In the second quarter, there was a deficit on visible trade of £0.3 billion, a deficit of £2.7 billion on non-oil trade being mostly offset by a surplus on oil of £2.4 billion. Between the first and second quarters the deficit on visible trade fell by £1.1 billion, the result of a £0.5 billion increase in the surplus on trade in oil and a £0.6 billion improvement in the balance of trade in non-oil goods.

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 25/7/85 AT 11.30 AM AND THEREAFTER UNCLASSIFIED

EXPORTS

The value of exports in June was £273 million (4 per cent) lower than in May. Exports of the erratic items increased by £55 million but exports of oil fell by £172 million. Excluding these, exports fell by 3 per cent. A sharp fall in car exports following recent high figures accounted for a further £47 million of the fall but the rest of finished manufactures recorded little change between May and June.

Table 2

EXPORT VOLUME INDEX NUMBERS (1980 = 100)
Seasonally adjusted

	BOP BASIS		-Manufactures excluding erratics- Passenger					
	Total Trade	OTS BASIS Basic Materials	Fuels	Semis	Motor Cars	Other Consumer	Inter-mediate	Capital
1983	103.8	101.0	147.7	102.3	85.6	96.4	92.2	91.4
1984	112.2	106.6	159.1	112.1	82.4	109.3	105.1	102.4
1985 Q1	120.5	113	182	122	103	114	120	111
Q2	120.3	103	175	119	98	113	119	110
1985 Apr	121.5	104	176	124	94	112	116	112
May	121.4	106	181	119	121	113	121	107
Jun	118.1	97	168	115	79	114	121	110

Total export volume in the second year quarter was unchanged compared with the first quarter and 10 per cent higher than in the second quarter of last year. The underlying level of non-oil export volume has shown little change in the last six months.

By value, exports fell by ½ per cent in the first quarter. Exports to European Community countries fell by 5½ per cent and exports to the developing countries by 7 per cent. Much of the reduction in exports to these area was offset by increased deliveries to North America, overall, these grew by 20 per cent in the second quarter.

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 25/7/85 AT 11.30 AM AND THEREAFTER UNCLASSIFIED

IMPORTS

The value of imports in June was £194 million (3 per cent) higher than the low level in May. Imports of the erratic items fell by £110 million and imports of oil fell by £179 million. Imports of other goods however showed a complete recovery from the low May figures, increasing by 8½ per cent to a level similar to imports in March and April.

Table 3 IMPORT VOLUME INDEX NUMBERS (1980 = 100)
Seasonally adjusted

	BOP BASIS		OTS BASIS					
	Total Trade	Basic Materials	Fuels	-Manufactures excluding erratics- Passenger			Inter-mediate	Capital
				Semis	Motor Cars	Other Consumer		
1983	109.7	104.6	66.8	123.3	125.5	124.9	136.2	153.1
1984	121.4	101.8	85.4	137.1	120.0	140.9	161.5	173.0
1985 Q1	128.5	103	104	139	124	139	173	191
1985 Q2	125.7	97	85	142	141	139	171	186
1985 Apr	129.7	97	98	143	126	140	173	186
May	120.8	97	83	134	128	134	163	180
Jun	126.6	99	72	148	171	143	177	191

Total import volume fell by 2 per cent between the first and second quarters to be 5 per cent above the second quarter of last year. The underlying level of non-oil import volume has shown little change since the end of last year.

By value, imports fell by 5½ per cent in the second quarter. Imports from North America fell by 18 per cent and imports from the developing countries were down by 11 per cent. Within Western Europe imports from non-EC countries increased but the rise was outweighed by a 5 per cent fall in imports from European Community countries.

TERMS OF TRADE AND UNIT VALUES

The terms of trade increased by 2 per cent in the second quarter the result of a marginal fall in the export unit value index and a 2 per cent fall in the import unit value index. Compared with the second quarter of last year, export unit values have increased by 9 per cent and import unit values by 8 per cent.

Table 4

TERMS OF TRADE AND UNIT VALUES			(1980 = 100)	
			BOP BASIS	
		<u>Unit value indices</u>		Terms of Trade
		Exports	Imports	
1983		125.7	128.3	98.0
1984		136.0	139.9	97.2
1985	Q1	146.7	152.4	96.2
	Q2	146.0	149.1	97.9
1985	April	147.7	152.2	97.0
	May	145.8	148.8	98.0
	June	144.7	146.4	98.8

The marginal fall in export unit values between the first and second quarters results from a 4½ per cent fall in the unit values for fuels which peaked in March and have fallen in each month thereafter. Most of the other broad sectors recorded an increased of between ½ per cent and 1½ per cent in unit values between the first and second quarters.

For imports too, fuels (down by 5 per cent) contributed most to the fall in unit values between the first and second quarters. But import units values for basic materials also fell by 5 per cent and those for cars were down by 2½ per cent. Import unit values for chemicals fell by 1½ per cent while elsewhere there was little change.

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TRADE IN MANUFACTURES

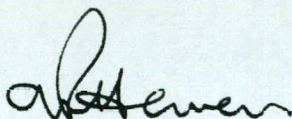
Estimates of trade in manufactures on a balance of payments basis will be published in this month's press notice. These show a deficit of £0.8 billion in the second quarter compared with a deficit of £1.2 billion in the first quarter.

Table 5 TRADE IN MANUFACTURES (SITC 5-8)
(Balance of payments basis)

			£ million Seasonally adjusted		
			Exports	Imports	Balance
1983			40173	42553	- 2379
1984			46539	50380	- 3841
1985	Q1		13109	14265	- 1156
	Q2		13316	14113	- 797
1985	April		4525	4831	- 307
	May		4414	4497	- 83
	June		4377	4784	- 408

PUBLICATION

The release of the press notice containing the June figures has been set for Thursday 25 July at 11.30am.

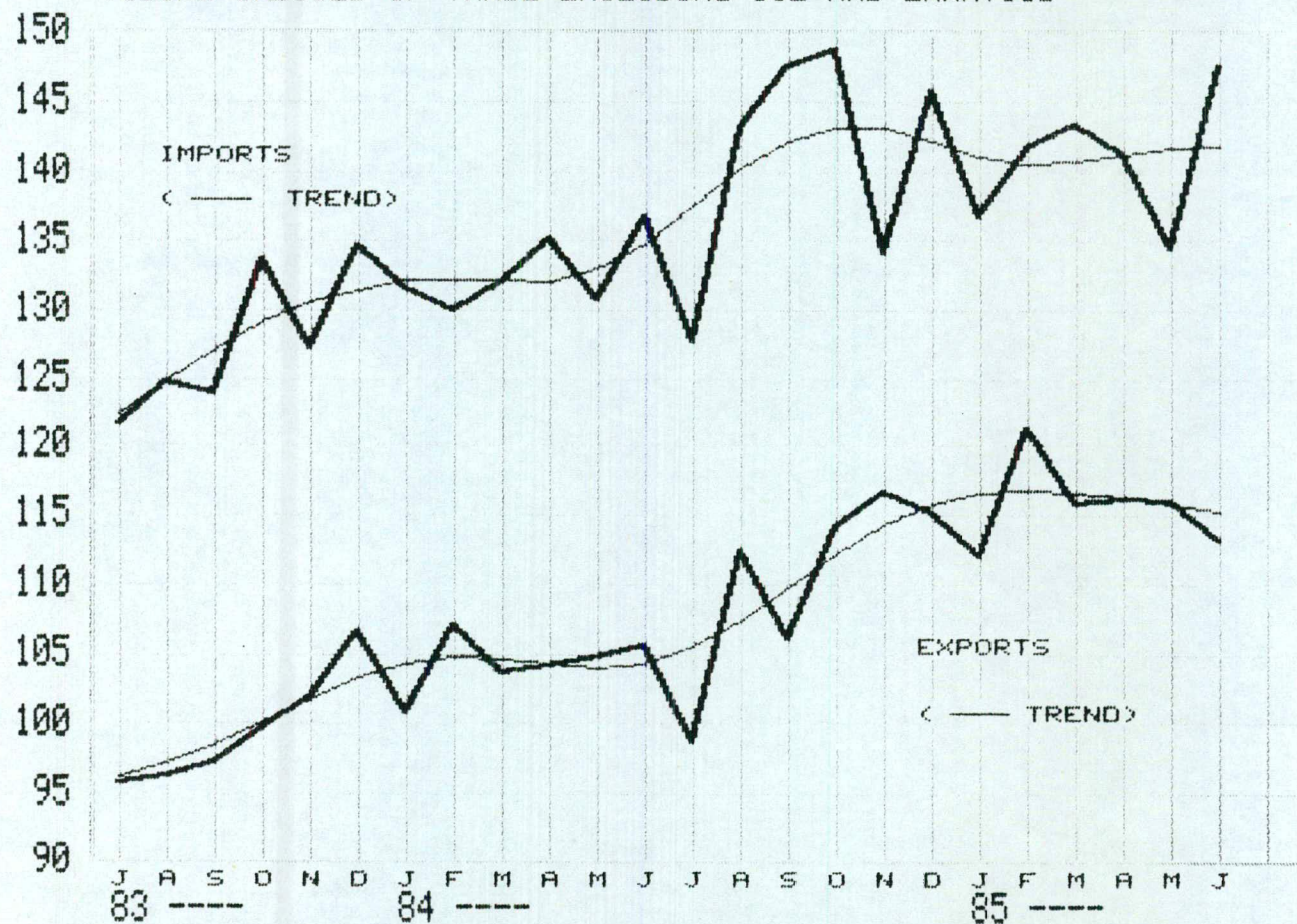


A R HEWER
S2
Room 251
1-19 Victoria Street
Tel: 215 3309

19 July 1985

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM 25.7.85

VOLUME INDICES OF TRADE EXCLUDING OIL AND ERRATICS



VOLUME INDEX NUMBERS ON A BALANCE OF PAYMENTS BASIS,
1980 = 100, SEASONALLY ADJUSTED

INTERNAL NOTE

CIRCULATION LIST

Copy No	1	Minister for Trade	
	2	Prime Minister	
	3	Chancellor of the Exchequer	
	4	Secretary of State for Trade and Industry	
	5	Sir Robert Armstrong (Cabinet Office)	
	6	Sir Brian Hayes (Dept of Trade and Industry)	
	7	Sir Peter Middleton (HM Treasury)	
	8	Governor of the Bank of England	
	9	Chairman of the Board of HM Customs and Excise	
	10	Sir John Boreham (CSO)	
	11	Mr Finlinson (HM Customs and Excise)	
	12	Mr A Croxford (CSO)	
	13	Mr P Walker (HM Treasury)	
	14	Mr Barrell (HM Treasury)	
	15	Dr P Rice (Dept of Energy)	
	16	Mr H H Liesner)
	17	Mr J Hibbert)
	18	Mr W E Boyd)
	19	Mr E J Wright) Dept of Trade and Industry
	20	Mr A R Hewer)
	21	Mr M Whybrow)
	22	Mr D B Packer)



DEPARTMENTS OF INDUSTRY AND TRADE

— COMMON SERVICES

1 Victoria Street London SW1H 0ET

Telephone Direct Line 01-215 3309

Switchboard 01-215 7877

Mrs R Lomax
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

21 August 1985

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

Publication is set for Tuesday 27 August at 11.30am and I should be grateful if you would arrange for the Notice to be cleared by the close of play Thursday 22 August and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'A R Hewer', with a stylized flourish at the end.

A R HEWER

SECRET AND PERSONAL
 until 11.30 am on Tuesday 27 August 1985
 then CONFIDENTIAL

FROM: P M WALKER
 DATE: 22 AUGUST 1985

1. MR KELLY ^{22.8.}
 2. CHANCELLOR

cc as attached list

C. Publication on Tuesday 11.30 am -
 So please phone any changes through
 to me tomorrow (Friday) morning if possible,
 on the HMT press line and the draft DTI
 press release below. Pmo 22/8

Control

JULY TRADE FIGURES

The July trade figures will be released on Tuesday 27 August. Despite a surplus of £444 million on current account substantial downward revisions in Q1 invisibles mean that the cumulative surplus, now £1.2 billion, is lower than the £1.3 billion cumulative surplus to June.

Summary

2. The July surplus comprised a visible trade deficit of £56 million and a projected invisible surplus of £500 million.

3. Notable features are:-

(i) The most dramatic item does not affect the July figures at all. The £720 million downward revision in Q1 invisibles is due particularly to:

(a) a rise in the interest on foreign oil companies' investments in the UK (£200 million);

(b) a rise in the direct investment debits of non-oil companies (£145 million); and

(c) a reduction in the travel balance (£130 million).

The CSO do not expect these factors to affect the Q2 figures.

(ii) Both export and import volumes had appeared flat in the first half of the year. There are now signs of a downward trend in export volumes and a slight upward trend in import volumes, reflecting the strengthened exchange rate and starting to bear out the reduced export optimism shown in the CBI's July Industrial Trends Survey.

(iii) The balance of trade with the US continued to improve, the surplus in the last three months of £850 million contrasting with a £200 million deficit in the previous three months. The only commodity whose contribution stands out is oil, with exports, diverted from Europe, rising from £42 million in February to £261 million in July.

(iv) The diversion of oil helps explain the 8½ per cent fall in exports to the EC in the last three months, but imports also fell 7½ per cent.

(v) The temporary loss of North Sea oil capacity in June due to maintenance reduced production and the surplus (down to £693 million from £840 million in each of the last two months).

(vi) Passenger motor cars accounted for half of July's reduction in the non-oil visible trade deficit, which fell from £1059 million to £749 million. The erratic June deficit is now attributed to the new August registration.

4. More details are given in the tables at Annex 1.

Comparison with FSBR forecast

5. The current balance for 1985 so far is £0.2 billion below the FSBR forecast, with the cumulative visible balance £0.3 billion worse than forecast. This is composed of a non-oil visible balance £0.7 billion better than forecast and an oil visible balance £1.0 billion worse than forecast. The major cause of the worse oil balance is that imports of crude were 4.6 million tonnes higher than forecast over the period March

to May, but in June and July crude imports were back in line with the forecast. Both the FSBR and the higher, unpublished, June forecast should still be achieved despite recent revisions to Q1 IPD: each assumes monthly surpluses rising over the course of the year.

Trade Prices

6. Compared to the FSBR forecast, export prices for non-oil goods have fallen $3\frac{1}{2}$ per cent and import prices have fallen $5\frac{1}{2}$ per cent. Since Q1, import prices have fallen further than export prices (6 per cent against 3 per cent), improving the terms of trade by 3 per cent. Import price falls clearly improve short-term inflation prospects.

Effect on markets

7. The FSBR forecast of a £3 billion surplus in 1985 would be achieved were the July surplus to be repeated over the remaining months of the year. No significant market reaction is expected.

Press Briefing

8. I should be grateful for clearance of the attached press briefing.

P M WALKER

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until 11.30 am on Tuesday 27 August 1985
then UNCLASSIFIED

DRAFT BRIEFING FOR IDT

Summary

The current account in July was in healthy surplus by £444 million. The £1.2 billion cumulative surplus for the year to date has been affected by downward revisions to Q1 invisibles.

Points to make

(i) Improvement from June surplus of £284 million more than accounted for by £300 million reduction in non-oil deficit.

(ii) Visible trade in broad balance for latest three months, compared to £1½ billion deficit for previous three months.

(iii) Exports to US rose 8½ per cent in latest three months while imports fell 26 per cent.

Positive

1. FSBR forecast?

[FSBR forecasts £3 billion current account surplus for 1985 as a whole.]

Surpluses of July's size for the remainder of the year would comfortably achieve FSBR forecast despite downward revision to Q1 invisibles (see Defensive 1 below).

2. Import prices

The continuing fall in the unit value index will maintain downward pressure on UK inflation.

Defensive

1. Invisibles reduction for Q1?

[Q1 invisibles reduced from £1470 million to £748 million].

Due to receipt of later information. Main causes were higher earnings by both oil and non-oil companies on their investments in the UK and a fall in the travel account. Further details will be given in the CSO press notice for the balance of payments for Q2 1985, to be released on 5 September. These are not generally the factors that caused the downward revision in the figures for 1981 to 1984 published on 23 August in the 1985 Pink Book. They are not expected to affect the Q2 invisibles figures.

2. Fall in oil surplus?

[Down from £840 million in May and June to £693 million in July.]

Temporary fall caused by maintenance reducing capacity and production.

3. Manufacturing trade deficit

[FSBR forecasts £4½ billion deficit in 1985. Deficit Jan-July 1985 of £2.0 billion].

Deficit easily offset by substantial surplus on oil and invisibles. In recent years, growing oil surplus bound to mean some adjustment to structure of balance of payments. UK manufacturing output (up 2½ per cent ^{year to Q2} in/1985) and manufacturing employment are more important indicators of industrial performance than trade balance.

4. Export volumes falling?

[Export volumes fell 2 per cent in latest three months].

Both export and import volumes have levelled off since start of the year. Too early to be certain that underlying trend

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of exports is downwards. Export volumes still 9 per cent up
on a year ago.

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until 11.30 am on Tuesday 27 August 1985

then CONFIDENTIAL

TABLE 1 : CURRENT ACCOUNT

	£ Billion						<u>ANNEX 1</u>
	<u>1984</u>	<u>Feb- Apr.1985</u>	<u>May - July 1985</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Jan - July 1985</u>
Oil	+7.1	+1.6	+2.4	+0.8	+0.8	+0.7	+4.9
Non-oil	-11.4	-3.1	-2.4	-0.6	-1.1	-0.7	-6.4
Total visible trade	-4.3	-1.5	-	+0.3	-0.2	-0.1	-1.6
o/w trade in manufact- ures (BoP basis)	-3.8	-1.0	-0.6	-0.1	-0.4	-0.2	-2.0
Invisibles	+5.0	+1.0	+1.5*	+0.5*	+0.5*	+0.5*	+2.7
Current account	+0.9	-0.5	+1.5	+0.7	+0.3	+0.4	+1.2

* projection

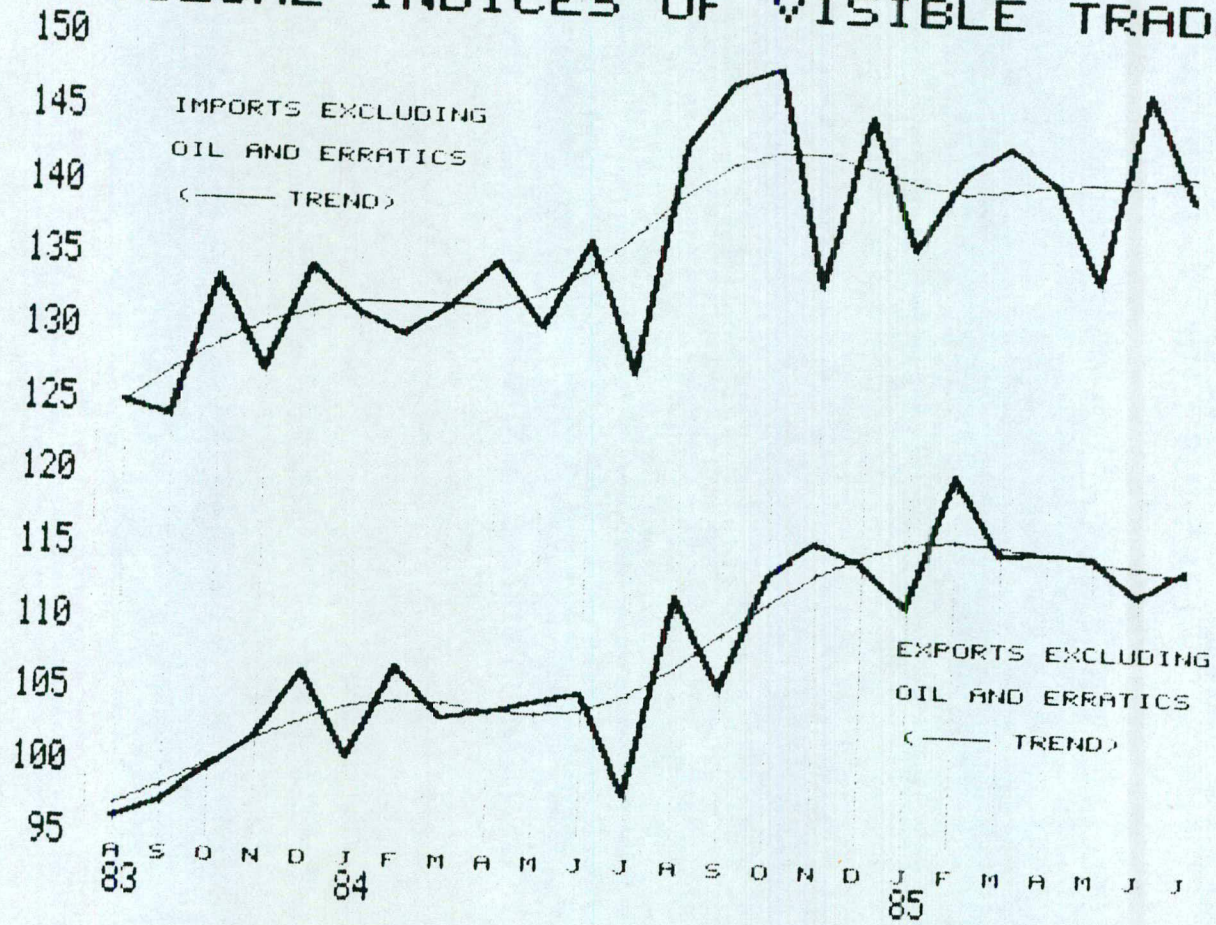
Note: figures may not sum correctly due to rounding

TABLE 2 : EXPORTS AND IMPORTS (percentage change)

	<u>July on June</u>	<u>May-July on Feb-April</u>	<u>May-July 1985 on May-July 1984</u>
i. Exports			
Total value	-3	-5	+16
Total volume (BoP basis)	-1½	-2	+9
Total value excl. oil and erratics (BoP basis)	+1½	-2½	+11
o/w manufacturers (excl. erratics)	+1½	-3	+13
Fuels (volume)	-9	-4½	+7
ii. Imports			
Total value	-5½	-11	+12
Total volume	-3½	-6	+6
Total volume exc. oil and erratics	-5	-1	+7
o/w manufacturers (excl. erratics)	-5½	-½	+8
Fuels (volume)	-11	-33	-6

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VOLUME INDICES OF VISIBLE TRADE



BALANCE OF PAYMENTS BASIS, 1980 = 100, SEASONALLY ADJUSTED

TRADE FIGURES FOR JULY 1985

Advance Circulation

Chancellor of the Exchequer	Miss O'Mara
Chief Secretary	Mr Culpin
Economic Secretary	Mr S Robson
Sir P Middleton	Mr Mowl
Sir G Littler	Mr Segal
Sir T Burns	Mr Barrell
Mr Lavelle	
Mr Cassell	Mr Gill - Bank
Mr C P Evans	Mr Turnbull - No 10
Mr Fitchew	Mr Whybrow - DTI
Mr C Kelly	

Circulation after 11.30 am on Tuesday 27 August

Financial Secretary	Mr Riley
Minister of State	Mr P Patterson
Mr Bailey	Mr Matthews (EF)
Mr Byatt	Mr Shaw
Mr R I G Allen (Washington)	Mr C Pickering
Mr Sedgwick	Mr Lord
Mr Odling-Smee	Mr Davies
Mr Melliss	Sir A Ridley



FROM: P WYNN OWEN
DATE: 27 August 1985

Handwritten initials, possibly 'MP', in the top right corner of the page.

- cc PS/Chief Secretary
PS/Economic Secretary
Sir P Middleton
Sir G Littler
Sir T Burns
Mr Lavelle
Mr Cassell
Mr C P Evans
Mr Fitchew
Mr C Kelly
Miss O'Mara
Mr Culpin
Mr S Robson
Mr Mowl
Mr Segal
Mr Barrell
Mr Gill - Bank
Mr Turnbull - No.10
Mr Whybrow - DTI

MR WALKER

JULY TRADE FIGURES

The Chancellor has seen your minute of 22 August and has approved the draft briefing for IDT.

Handwritten signature of P Wynn Owen.

P WYNN OWEN

SECRET AND PERSONAL until release of press notice
on 27/8/85 at 11.30 am

C.
/To note.

COPY NO 3. (22)

MINISTER FOR TRADE

Rus 15/8

OVERSEAS TRADE FIGURES FOR JULY 1985: EXPORTS

Exports in July, seasonally adjusted on a balance of payments basis, are estimated at £6324 million which was £205 million (3 per cent) lower than the value for June. The fall reflected a reduction of £211 million in oil exports and a fall of £69 million in exports of the erratic items.

Excluding trade in oil and erratics, exports in July were 1½ per cent higher than in June, the result of an increase in exports of manufactures.

In the three months May to July export volume was 2 per cent lower than in the previous three months and 9 per cent higher than the same period a year ago. It now appears that the underlying level on non-oil export volume has been falling in recent months.

Import data for July are not yet available. A further note describing imports and exports in July will be circulated on Tuesday 20 August.

Recent export figures are shown in the attached table. Graphs showing movements in export volume over the past two years are also attached.



A R HEWER
S2A
V/251
215 3309

15 August 1985

27 AUG 85

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AND THEREAFTER UNCLASSIFIED.

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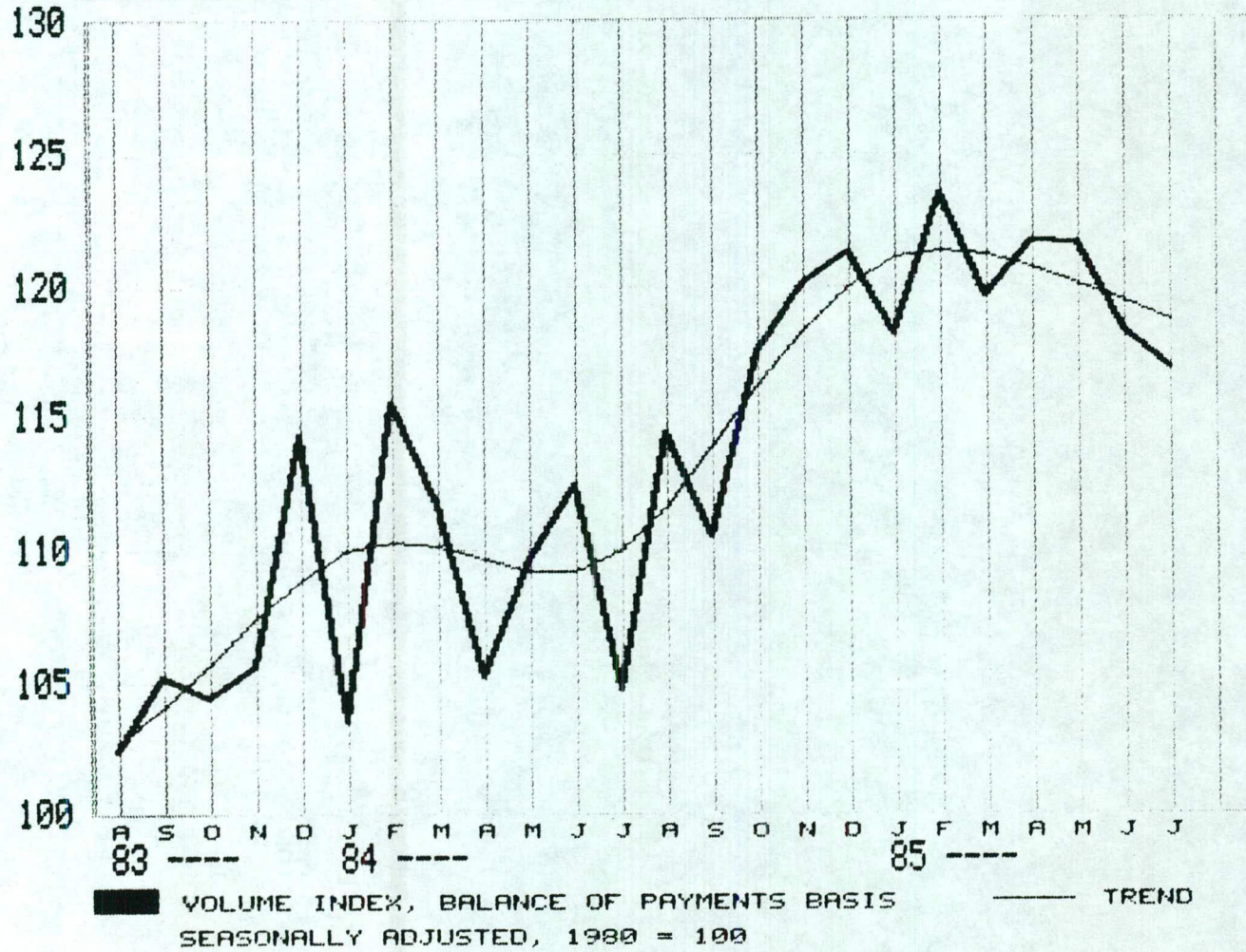
EXPORTS
(Balance of payments basis, seasonally adjusted)

=====

	---TOTAL TRADE---		EXCLUDING --OIL & ERRATICS--	
	VALUE £m	VOLUME (1980=100)	VALUE £m	VOLUME (1980=100)
1984 Q3	17451	110.0	12634	105.9
Q4	19312	119.6	13990	115.4
1985 Q1	20295	120.5	14642	116.7
Q2	20251	120.6	14584	115.4
1985 FEB	6915	123.6	5085	121.6
MAR	6828	119.6	4920	116.1
APR	6918	121.8	4944	116.4
MAY	6803	121.7	4897	116.2
JUN	6529	118.4	4743	113.5
JUL	6324	116.9	4818	115.4

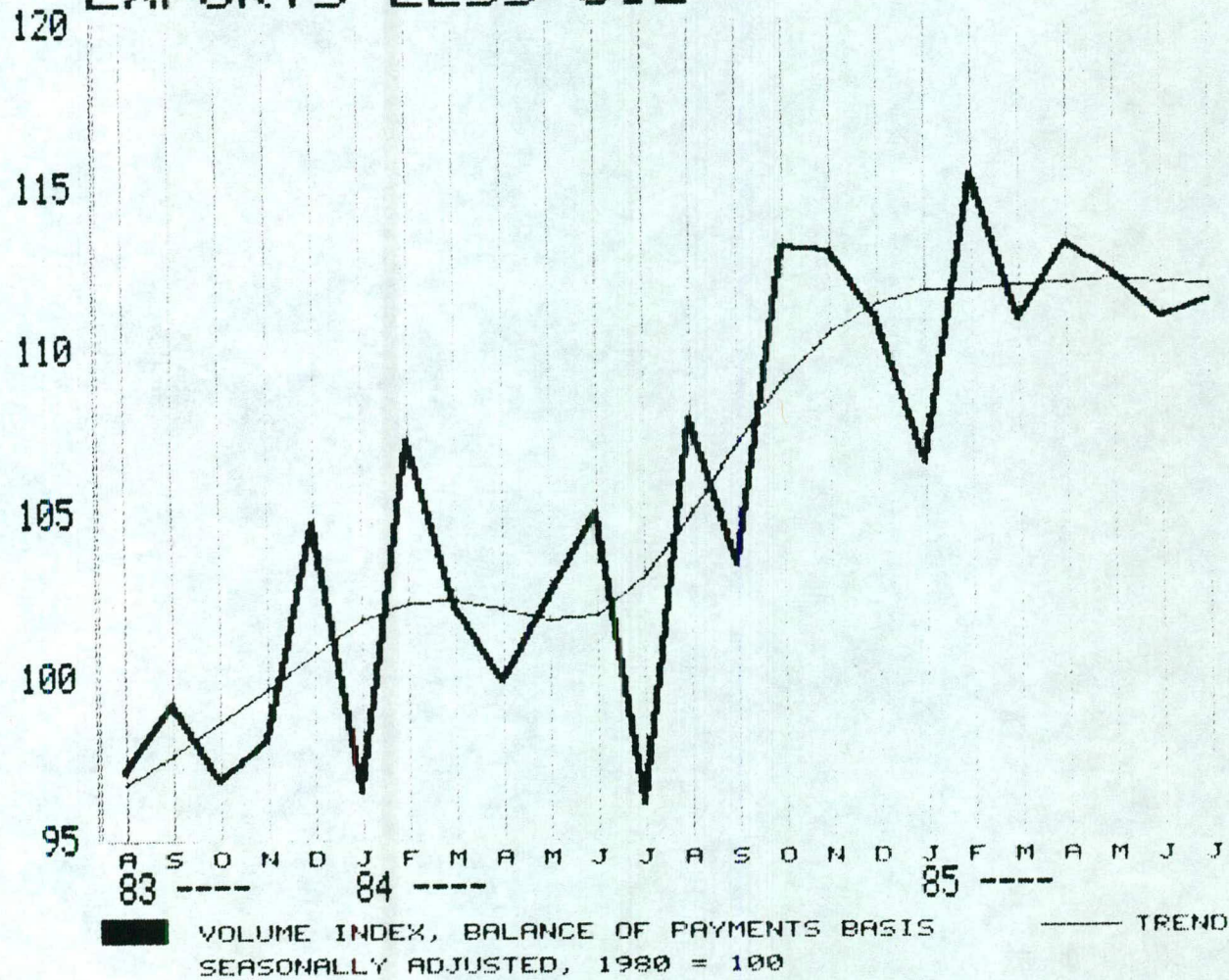
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EXPORTS

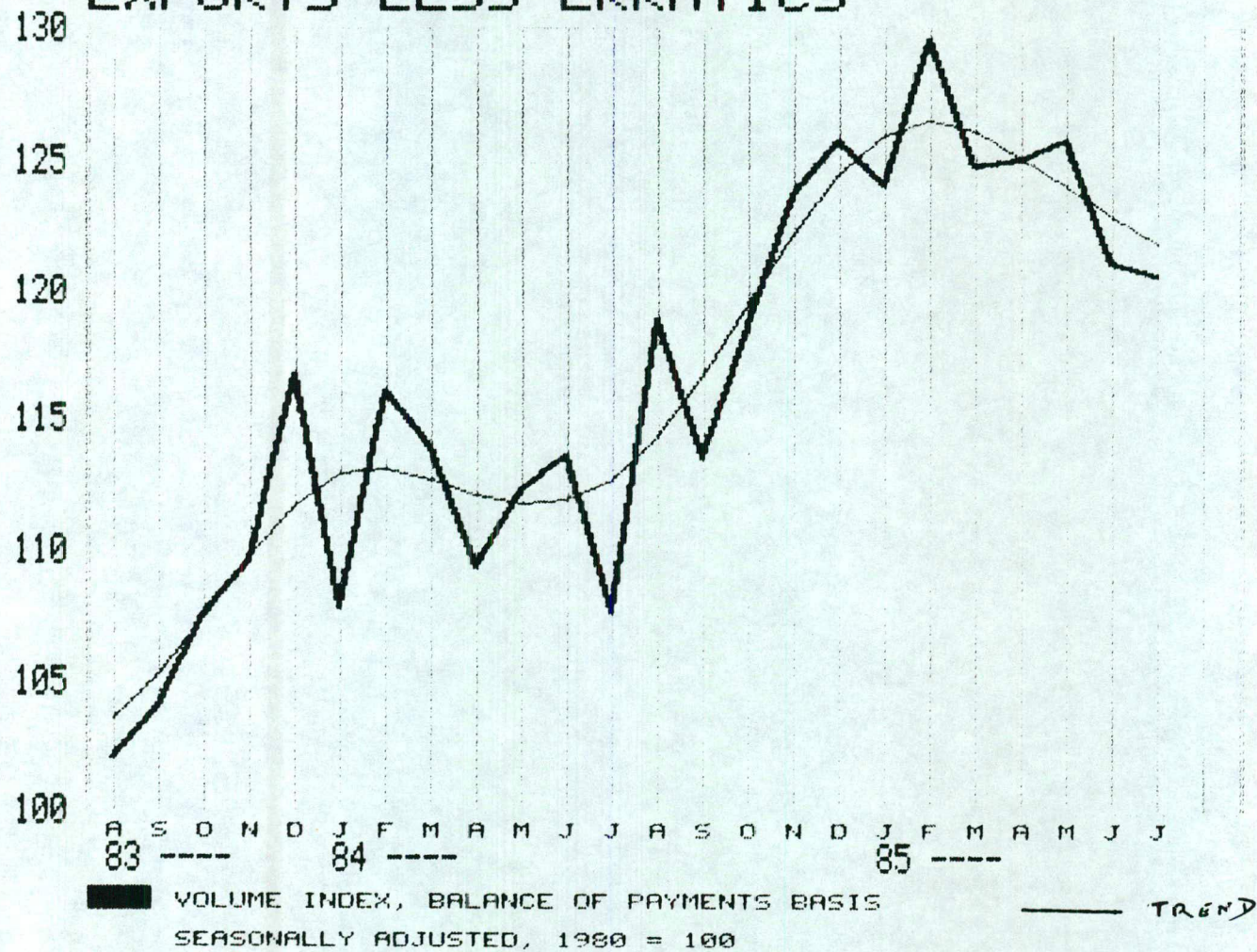


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EXPORTS LESS OIL

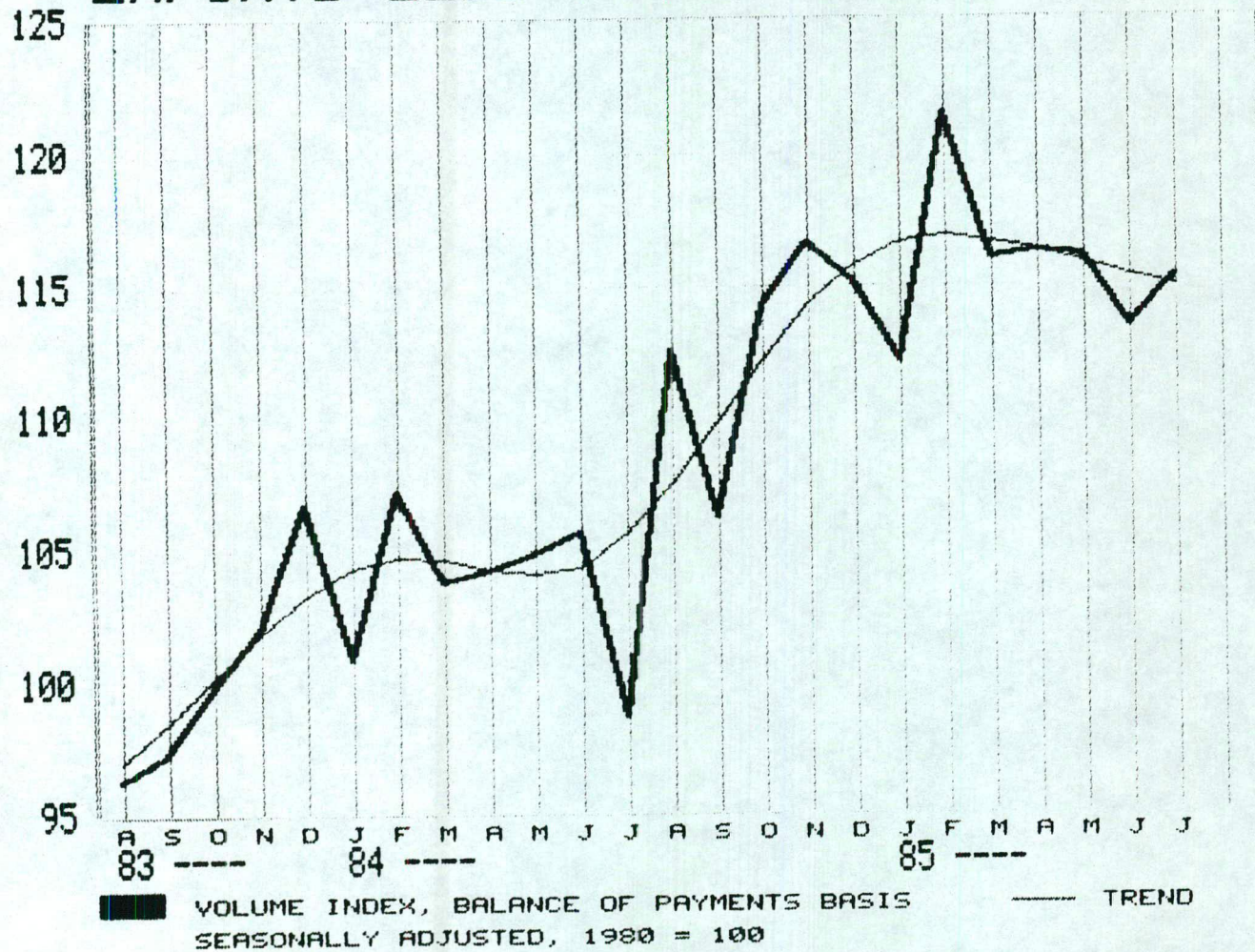


EXPORTS LESS ERRATIC



SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11:30AM 27.8.85

EXPORTS LESS OIL AND ERRATICS



THE CURRENT ACCOUNT OF THE UNITED KINGDOM
BALANCE OF PAYMENTS

JULY 1985

The current account for July is estimated to have been in surplus by £444 million compared with a surplus of £284 million in June. Exports in July were valued at £6324 million and imports at £6380 million so that trade in goods was in deficit by £56 million.

The balance on invisibles in July 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.

MAY TO JULY 1985 (see note 1)

In the three months ended July, the current account showed a surplus of £1.5 billion compared with a deficit of £0.5 billion in the previous three months. Visible trade was broadly in balance in the latest three months compared with a deficit of £1.5 billion in the previous three months. The surplus on invisibles is projected at £1.5 billion.

CURRENT ACCOUNT

TABLE 1

£ million, Seasonally adjusted

	Visible Trade				Invisibles
	Current Balance	Balance	Exports fob	Imports fob	Balance
1983	+ 3167	- 836	60776	61611	+ 4003
1984	+ 935	- 4101	70409	74510	+ 5036
1984 Q2	- 109	- 1171	16851	18022	+ 1062
Q3	- 363	- 1615	17451	19066	+ 1252
Q4	+ 424	- 1313	19312	20625	+ 1737
1985 Q1	- 535	- 1283	20295	21578	+ 748
Q2	+ 1278	- 222	20251	20473	+ 1500 a
1985 Feb	- 12	- 241	6915	7157	+ 229 b
Mar	- 704	- 977	6828	7806	+ 273 b
Apr	+ 242 a	- 259	6918	7177	+ 500 a
May	+ 752 a	+ 252	6803	6551	+ 500 a
June	+ 284 a	- 216	6529	6745	+ 500 a
July	+ 444 a	- 56	6324	6380	+ 500 a
Feb-Apr 1985	- 474	- 1477	20662	22139	+ 1002
May-July 1985	+ 1480	- 19	19657	19676	+ 1500
Jan to July 1985	+ 1187	- 1560	46870	48430	+ 2748

- a Invisibles are projections and subject to revision as information becomes available.
 b One-third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.
 c Information relating to credits and debits be found in Table 3.

SECRET

and personal until release of press notice on 27 Aug 85 at 11.30 a.m.

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on 27/8/85 at 11.30 am

VISIBLE TRADE IN JULY 1985

There was a deficit on visible trade in July of £56 million compared with a deficit of £216 million in June. The surplus on oil fell by £150 million to £693 million and the deficit on non-oil trade fell from £1059 million to £749 million.

At £6324 million, exports in July were £205 million (3 per cent) lower than in June. Exports of oil fell by £211 million and exports of the erratic items fell by £69 million. Excluding oil and the erratic items, exports in July were about 1½ per cent higher than in June.

Total imports were valued at £6380 million which was £365 million (5½ per cent) lower than in June. Imports of oil fell by £61 million but imports of the erratic items increased by £138 million as a result of higher imports of precious stones. Excluding the erratic items, imports of manufactures were 7 per cent lower than in June.

The terms of trade index showed a slight rise in June with the export unit value index falling by 1½ per cent and the import unit value index falling by 2 per cent.

RECENT TRENDS

Visible balance

In the three months ended July visible trade was broadly in balance; a deficit of £2.4 billion on non-oil trade being offset by a £2.4 billion surplus on trade in oil. Between the three months ended April and the latest three months, the visible trade balance showed

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on 27/8/85 at 11.30am

an increase of £1.5 billion comprised of a £0.8 billion increase in the surplus on oil and a £0.7 billion reduction in the deficit on non-oil trade.

Exports

Exports amounted to £19.7 billion in the latest three months, £1.0 billion (5 per cent) less than in the previous three months. Exports of oil fell by £0.7 billion while exports of the erratic items increased by £0.2 billion. Excluding oil and the erratic items, exports fell by 3½ per cent with basic materials (down 12 per cent) and chemicals (down 8 per cent) showing the most marked reduction.

Total export volume fell by 2 per cent (2½ per cent excluding oil and the erratic items) in the latest three months to be 9 per cent higher than a year earlier. There are some signs that the underlying level of non-oil export volume may have fallen slightly in recent months.

Imports

Total imports, also valued at £19.7 billion in the latest three months, were £2.5 billion (11 per cent) lower than in the previous three months. Imports of oil fell by £1.4 billion and imports of the erratic items by £0.2 billion. The remainder represents a 4½ per cent fall in imports of other goods with all of the broad sectors except chemicals (little change) and cars (up 13 per cent) contributing to the reduction.

By volume, imports fell by 6 per cent to a level 6 per cent higher than a year earlier. Much of the fall over the latest three months / resulted from reduced imports of fuel. Excluding oil and the erratic items import volume fell by 1 per cent. The underlying level of non-oil import volume continues to show little change.

Terms of trade and unit values

The terms of trade index increased by $2\frac{1}{2}$ per cent in the latest three months reflecting a $2\frac{1}{2}$ per cent fall in the export unit value index and a $4\frac{1}{2}$ per cent fall in the import unit value index. Compared with the same period one year ago the export unit value index has increased by $6\frac{1}{2}$ per cent and the import unit value index by $5\frac{1}{2}$ per cent leading to a $1\frac{1}{2}$ per cent rise in the terms of trade.

Export unit values for fuels fell by 11 per cent in the latest three months and those for basic materials fell by $4\frac{1}{2}$ per cent. Together, these account for most of the overall reduction in the unit value index with other sectors showing little change. Compared with the same period one year ago, unit values for fuels have increased by $2\frac{1}{2}$ per cent and most of the other broad sectors by 8 or 9 per cent.

Import unit values for fuels also fell by 11 per cent in the latest three months while those for basic materials fell by 8 per cent. Import unit values for most of the other broad sectors were 2 to 3 per cent lower than in the three months ended April.

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on 27/8/85 at 11.30 am

Analysis by Area

By value, exports to the developed countries fell by 3 per cent in the latest three months with reduced exports to the European Community countries (down by 8½ per cent) and to the 'other' developed countries (down by 10 per cent) only partly offset by a 9 per cent rise in deliveries to North America. Exports to the developing countries fell by 6½ per cent.

The value of imports from the developed countries fell by 8½ per cent in the latest three months with imports from North America down by 25 per cent and imports from the European Community down by 7 per cent compared with the previous three months. Imports from the developing countries fell by 26 per cent.

INVISIBLES (see note 1)

The latest detailed estimates of invisibles - services, interest, profits and dividends and transfers - relate to the first quarter of this year and give a revised surplus of £0.7 billion for the quarter compared with the earlier estimate of £1.5 billion. Invisibles in the private sector and public corporations (excluding transfers) were in surplus by £2.4 billion. Figures for April onwards are CSO projections. Details of the revised figures for the first quarter and preliminary estimates for the second quarter will be included in the CSO Press Notice to be released on 5 September.

NOTES TO EDITORS

1 INVISIBLES

By arrangement with the CSO, the invisibles figures for the first quarter of 1985 incorporate revisions which in earlier years would not have been released until the CSO press notice on 5 September. This Press Release ("Preliminary estimates for the balance of payments in the second quarter of 1985") will give details of invisibles for both the first and second quarters. It is not expected at this stage that the projected surplus of £500 million per month on invisibles for the second quarter will require revision.

2 REVISIONS

Estimates of visible trade have been revised back to 1982 in line with the recent publication of the Balance of Payments 'Pink Book'.

3 STANDARD NOTES

The standard notes describe the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) bases of compilation. Copies can be obtained from the address below.

4 MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

The Monthly Review of External Trade Statistics, a publication containing charts and tables on the current account of the UK balance of payments, UK exports and imports of goods by commodity and area, and certain international comparisons, is available, (price £3 per copy) from the Department of Trade and Industry at the address given below.

5 **AREA DATA (tables 11 and 15)**

Low value consignments ie items of an individual value less than £200, are not analysed by country. Area figures in tables 11 and 15 are therefore deficient to the extent of these consignments.

In addition the data by area are seasonally adjusted independently leading to further differences between the sum of areas and figures for total trade.

6 **ROUNDING**

The figures published in this Press Notice expressed in £ million have each been independently rounded to the nearest whole number. These figures may therefore not sum to the aggregates, and balances may not derive exactly from the export and import figures shown.

Index numbers of volume and unit value are shown rounded either to the nearest whole number, or to one place of decimals. Although the figures should not be regarded as accurate to the last digit shown, the degree of rounding is intended to be indicative of the relative reliability of the different figures. Where period to period changes are shown these have been calculated from unrounded estimates, the resulting percentage changes being rounded to the nearest half point if less than 10 and the nearest whole number if 10 or greater.

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 5703.

Table 2

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

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1983	+ 3167	60776	61611	- 836	+ 6976	- 7812	+ 4003
1984	+ 935	70409	74510	- 4101	+ 7137	- 11238	+ 5036
1984 Q2	- 109	16851	18022	- 1171	+ 1543	- 2714	+ 1062
Q3	- 363	17451	19066	- 1615	+ 1804	- 3420	+ 1252
Q4	+ 424	19312	20625	- 1313	+ 1468	- 2781	+ 1737
1985 Q1	- 535	20295	21578	- 1283	+ 1862	- 3144	+ 748
Q2	+ 1278	20251	20473	- 222	+ 2368	- 2589	+ 1500
1984 Nov	+ 225	6449	6627	- 178	+ 352	- 530	+ 403
Dec	+ 58	6593	6938	- 345	+ 743	- 1088	+ 403
1985 Jan	+ 182	6552	6616	- 64	+ 926	- 990	+ 246 b
Feb	- 12	6915	7157	- 241	+ 675	- 917	+ 229 b
Mar	- 704	6828	7806	- 977	+ 260	- 1238	+ 273 b
Apr	+ 242 a	6918	7177	- 259	+ 687	- 945	+ 500 a
May	+ 752 a	6803	6551	+ 252	+ 838	- 586	+ 500 a
June	+ 284 a	6529	6745	- 216	+ 843	- 1059	+ 500 a
July	+ 444 a	6324	6380	- 56	+ 693	- 749	+ 500 a
May-July 1984	+ 507	16994	17613	- 619	+ 1972	- 2591	+ 1125
Feb-Apr 1985	- 474	20662	22139	- 1477	+ 1622	- 3099	+ 1002
May-July 1985	+ 1480	19657	19676	- 19	+ 2374	- 2393	+ 1500
% Change							
Latest 3 months							
- on previous							
3 months		- 5	- 11				
- same 3 months							
one year ago		+ 16	+ 12				

a Invisibles are projections and subject to revision as more information becomes available.

b One third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.

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			
1982	64713	62381	+ 2332	+ 3215	+ 1115	- 1998	60215	54292	+ 5923
1983	64846	60843	+ 4003	+ 3701	+ 2440	- 2138	60235	52193	+ 8042
1984	75879	70843	+ 5036	+ 3985	+ 3304	- 2253	70982	61488	+ 9494
1983 Q2	15343	14904	+ 439	+ 958	+ 262	- 781	14385	12694	+ 1691
Q3	15876	14577	+ 1299	+ 881	+ 925	- 507	14805	12523	+ 2282
Q4	16335	15562	+ 773	+ 882	+ 618	- 727	15275	13265	+ 2010
1984 Q1	17400	16415	+ 985	+ 944	+ 566	- 525	16139	14101	+ 2038
Q2	17777	16715	+ 1062	+ 929	+ 868	- 735	16776	14423	+ 2353
Q3	19305	18053	+ 1252	+ 1066	+ 903	- 717	18314	15764	+ 2550
Q4	21397	19660	+ 1737	+ 1046	+ 967	- 276	19753	17200	+ 2553
1985 Q1	21029	20281	+ 748	+ 1096	+ 672	- 1020	19859	17423	+ 2436

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d is 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
1983	125.7	127.5	98.6	103.8	109.7
1984	136.0	139.5	97.5	112.3	121.6
1984 Q2	134.1	137.5	97.6	109.2	119.8
Q3	137.8	141.3	97.5	110.0	123.0
Q4	140.9	145.4	96.9	119.6	129.4
1985 Q1	146.7	152.0	96.5	120.5	128.5
Q2	146.0	148.7	98.2	120.6	126.0
1984 Nov	140.8	145.6	96.7	120.1	124.2
Dec	141.8	146.4	96.9	121.3	129.9
1985 Jan	144.0	148.9	96.7	118.2	121.1
Feb	146.9	152.7	96.2	123.6	127.5
Mar	149.1	154.4	96.5	119.6	136.8
Apr	147.7	151.8	97.3	121.8	130.2
May	145.8	148.4	98.3	121.7	121.0
June	144.6	146.0	99.1	118.4	126.9
July	142.4	143.2	99.5	116.9	122.6
Feb-Apr 1984	135.3	138.5	97.7	109.0	116.2
Feb-Apr 1985	147.9	153.0	96.7	121.7	131.5
May-July 1985	144.3	145.9	98.9	119.0	123.5
% Change					
Latest 3 months on	- 2½	- 4½	+ 2½	- 2	- 6
- previous 3 months					
- same 3 months one					
year ago	+ 6½	+ 5½	+ 1½	+ 9	+ 6

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

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

Table 5

seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1983	56280	58183	105.2	115.0
1984	65784	71069	115.3	128.8
1984 Q2	15728	17182	111.9	126.9
Q3	16399	18288	113.5	130.7
Q4	18042	19624	122.9	136.5
1985 Q1	19396	20476	126.3	135.2
Q2	18962	19439	124.1	132.8
1984 Nov	6057	6298	123.9	130.6
Dec	6225	6638	125.9	138.0
1985 Jan	6276	6313	124.2	128.0
Feb	6618	6783	129.7	134.5
Mar	6502	7380	124.9	143.2
Apr	6474	6747	125.2	135.9
May	6407	6194	125.9	127.0
June	6081	6498	121.2	135.4
July	5945	5995	120.8	128.5
May-July 1984	15803	16782	111.3	123.1
Feb-Apr 1985	19593	20909	126.6	137.8
May-July 1985	18433	18687	122.6	130.3
% Change				
Latest 3 months on	- 6	- 11	- 3	- 5½
- previous 3 months				
- same 3 months				
one year ago	+ 17	+ 11	+ 10	+ 6

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

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	£	£	
million fob	million fob	million fob	million tonnes	per tonne £ fob	million fob	million fob	million fob	million tonnes	per tonne £ fob	million fob	
1983	+ 6976	12501	10092	68.3	147.8	2410	5525	3210	22.8	140.8	2315
1984	+ 7136	14910	12228	75.8	161.4	2682	7774	3755	24.2	155.4	4018
1984 Q2	+ 1543	3450	2768	17.5	158.5	682	1907	1048	7.0	148.8	859
Q3	+ 1804	3765	3081	18.5	166.4	685	1961	1059	6.8	156.1	903
Q4	+ 1468	4051	3426	20.6	166.0	625	2584	997	6.0	167.1	1586
1985 Q1	+ 1862	4755	3936	21.5	182.7	819	2893	1236	7.0	177.9	1657
Q2	+ 2368	4378	3510	20.1	174.4	868	2011	1224	7.4	166.1	787
1984 Nov	+ 352	1333	1122	6.8	165.7	212	981	287	1.7	167.8	694
Dec	+ 743	1551	1337	8.0	166.3	214	808	369	2.2	170.2	439
1985 Jan	+ 926	1640	1363	7.8	175.6	277	715	257	1.5	166.7	458
Feb	+ 676	1533	1245	6.8	182.8	288	857	357	2.0	179.4	500
Mar	+ 260	1582	1328	7.0	190.5	254	1321	623	3.4	182.0	699
Apr	+ 687	1530	1290	7.1	181.7	240	843	597	3.5	172.4	247
May	+ 838	1510	1238	7.2	172.7	272	672	421	2.6	163.3	251
June	+ 843	1338	982	5.9	167.6	356	495	206	1.3	155.1	289
July	+ 693	1127	814	5.3	153.5	313	434	204	1.4	148.1	230
May-Jul '84	+ 1972	3660	2952	18.3	161.0	709	1688	917	6.1	150.9	771
Feb-Apr '85	+ 1622	4644	3863	20.9	185.0	782	3022	1576	8.9	177.7	1446
May-Jul '85	+ 2374	3975	3034	18.3	165.5	941	1601	832	5.3	157.2	769
% Change											
Latest 3 months on		- 14	- 21	- 12	- 11	+ 20	- 47	- 47	- 40	- 12	- 47
- previous 3 months											
- same 3 months											
one year ago		+ 8½	+ 3	-	+ 3	+ 33	- 5	- 9½	- 13	- 4	-

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 7 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)		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	
1983	- 7812	48274	56086	123.6	124.3	99.4	97.2	116.4	43779	52658	98.2	123.4	
1984	- 11237	55499	66736	133.3	136.0	98.0	104.9	128.1	50875	63296	107.6	137.2	
1984 Q2	- 2714	13401	16115	131.5	134.4	97.8	102.5	125.5	12279	15275	105.0	134.4	
Q3	- 3420	13685	17105	135.0	137.8	97.9	102.5	129.9	12634	16326	105.9	139.8	
Q4	- 2781	15261	18041	137.8	141.3	97.5	112.4	134.3	13990	17041	115.4	143.2	
1985 Q1	- 3144	15541	18685	142.5	146.8	97.1	110.9	132.7	14641	17583	116.7	141.1	
Q2	- 2589	15872	18462	143.1	145.0	98.7	112.2	133.0	14584	17428	115.4	141.7	
1984 Nov	- 530	5116	5646	137.8	141.3	97.5	113.1	126.7	4724	5137	116.7	134.4	
Dec	- 1088	5042	6130	138.7	142.7	97.2	110.9	136.0	4674	5830	115.2	146.1	
1985 Jan	- 990	4911	5901	140.6	143.3	98.1	106.5	128.2	4636	5599	112.3	137.0	
Feb	- 917	5382	6299	142.8	147.9	96.6	115.4	133.2	5085	5926	121.6	142.1	
Mar	- 1238	5247	6484	144.2	149.1	96.7	110.9	136.9	4920	6059	116.1	144.2	
Apr	- 945	5388	6333	143.7	147.2	97.6	113.3	134.7	4944	5903	116.4	141.8	
May	- 586	5293	5879	143.0	144.7	98.8	112.3	127.3	4897	5522	116.2	135.0	
June	- 1059	5191	6250	142.6	143.0	99.7	111.0	137.0	4743	6003	113.5	148.2	
July	- 749	5197	5946	141.8	140.6	100.9	111.5	132.7	4818	5561	115.4	140.8	
May-July 84	- 2591	13333	15924	132.7	135.3	98.0	101.3	123.2	12142	15094	103.2	131.9	
Feb-Apr 85	- 3099	16017	19117	143.5	148.1	97.0	113.2	134.9	14949	17887	118.0	142.7	
May-July 85	- 2393	15682	18075	142.5	142.8	99.8	111.6	132.3	14458	17086	115.0	141.3	
% Change													
Latest 3 months on													
- previous 3 months	- 2	- 5½	- 1	- 3½	+ 3	+ 1½	- 2	- 3½	- 4½	- 2½	- 1		
- same 3 months one year ago	+ 18	+ 14	+ 7½	- 5½	+ 2	+ 10	+ 7½	+ 19	+ 13	+ 11	+ 7		

^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 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita-	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j	
1983	60684	4241	1587	13103	40087	35770	13837	6933	6904	21933	1003	3913	9291	7726
1984	70511	4693	1989	15367	46668	42136	16332	8215	8117	25804	1051	4674	11178	8902
1984 Q2	16884	1173	486	3541	11220	10107	3918	1961	1956	6190	263	1111	2655	2161
Q3	17394	1128	506	3841	11445	10450	4015	2026	1989	6435	230	1136	2801	2268
Q4	19407	1235	557	4206	12951	11717	4603	2298	2305	7114	293	1332	3115	2375
1985 Q1	20367	1221	591	4922	13176	12322	4762	2434	2328	7560	353	1301	3356	2550
Q2	20281	1286	527	4557	13401	12210	4699	2399	2300	7511	333	1289	3332	2557
1985 May	6806	449	182	1556	4435	4080	1552	779	774	2528	135	431	1125	836
June	6541	441	162	1400	4405	3986	1498	756	742	2488	88	430	1114	857
July	6351	428	167	1180	4415	4051	1527	778	749	2524	132	449	1087	856
Feb-Apr	20734	1200	584	4843	13599	12585	4871	2515	2356	7714	342	1301	3429	2641
May-July	19707	1319	512	4136	13256	12118	4577	2312	2265	7540	355	1310	3327	2548
Percentage														
Change	- 5	+ 10	- 12	- 15	- 2½	- 3½	- 6	- 8	- 4	- 2	+ 3½	+ ½	- 3	- 3½

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

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

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

Table 9

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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
1983	103.7	110.2	101.0	147.7	95.5	96.2	102.3	113.3	93.6	92.4	85.6	96.4	92.2	91.4
1984	112.6	117.4	106.6	159.1	104.4	107.1	112.1	124.3	102.4	103.9	82.4	109.3	105.1	102.4
1984 Q2	109.5	118	105	149	102	104	109	119	101	101	82	104	101	101
Q3	109.8	113	108	157	101	105	109	122	98	103	72	106	104	104
Q4	120.5	122	112	166	113	116	123	136	112	112	86	123	115	107
1985 Q1	121.2	121	113	182	111	118	122	137	110	115	103	114	120	111
Q2	121.1	122	103	175	112	116	119	133	109	114	98	113	119	110
1985 May	122.0	129	106	181	111	116	119	130	110	114	121	113	121	107
June	118.9	125	97	168	112	115	115	128	105	114	79	114	121	110
July	117.7	119	101	153	112	116	118	133	106	116	117	120	117	111
Feb-Apr	122.4	117	110	176	114	119	123	139	111	117	99	113	122	114
May-July	119.6	124	102	167	112	116	117	130	107	115	105	116	120	109
Percentage														
Change	- 2½	+ 6½	- 7½	- 4½	- 2	- 3	- 5	- 6½	- 3½	- 2	+ 7	+ 2½	- 2½	- 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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EXPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)		Finished manufactures excluding ships, North Sea installations and aircraft (SNA)						
						Total	Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	6 less PS	7+8 less SNA	j	j	j	j	j	
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147
1983	125.7	122	112	140	124	123	117	119	115	127	144	122	130	125
1984	136.0	128	131	153	134	133	127	130	125	136	157	132	140	132
1984 Q2	134.1	128	129	151	132	131	125	128	123	134	159	130	138	129
Q3	137.7	127	132	155	136	134	129	131	127	138	158	133	142	133
Q4	140.8	129	138	161	139	137	132	135	129	140	158	137	143	136
1985 Q1	146.6	133	147	173	144	142	136	140	133	145	161	142	149	140
Q2	146.0	135	146	165	144	143	137	141	134	147	162	143	151	142
1985 May	145.7	134	146	164	144	143	137	142	134	147	160	142	150	143
June	144.6	134	142	158	144	143	136	140	133	147	162	142	152	142
July	142.4	135	138	146	143	143	136	140	133	146	162	144	151	141
Feb-Apr	147.8	135	176	149	145	143	137	141	134	146	164	143	150	141
May-July	144.2	135	156	142	144	143	137	141	134	147	161	143	151	142
Percentage Change	- 2½	-	- 4½	- 11	- ½	-	- ½	-	- ½	+ ½	- 2	-	+ ½	+ 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.

EXPORTS BY AREA
(Overseas Trade Statistics basis)

Table 11

£ million, fob, seasonally adjusted

	Developed Countries							Developing Countries			Centrally planned economies
	Total K	Total	European Community	Rest of W Europe	North America Total USA	Other	Total	Oil exporting countries	Other		
1983	60684	46648	26509	7506	9496	8486	3137	12792	6128	6665	1113
1984	70511	55386	31568	8728	11406	10149	3684	13356	5807	7550	1630
1984 Q2	16884	13277	7510	2130	2709	2406	928	3150	1348	1801	437
Q3	17394	13749	7983	2164	2710	2361	893	3314	1371	1943	409
Q4	19407	15185	8765	2262	3218	2909	940	3622	1608	2014	444
1985 Q1	20367	16112	9603	2389	3133	2798	987	3824	1730	2094	372
Q2	20281	16297	9071	2500	3745	3265	981	3559	1472	2087	426
1985 May	6806	5447	2978	769	1380	1198	321	1179	457	721	142
June	6541	5310	2944	889	1175	1047	302	1175	500	676	149
July	6361	5110	2842	873	1084	928	311	1169	504	665	148
Feb-Apr	20734	16378	9562	2433	3343	2926	1040	3774	1719	2054	390
May-July	19707	15867	8763	2531	3640	3174	933	3523	1461	2062	439
Percentage Change	- 5	- 3	- 8½	+ 4	+ 9	+ 8½	- 10	- 6½	- 15	+ ½	+ 12

K See paragraph 5 of Notes to Editors.

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IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita	
														5-8 less SNAPS
0-9	0+1	2+4	3	5-8	5	6	7+8	j	j	j	j			
1983	66101	7869	4775	7076	44937	41609	14892	5119	9773	26717	3659	6901	8125	8032
1984	78705	8936	5420	10193	52886	49703	17923	6312	11612	31780	3671	8344	10222	9544
1984 Q2	19240	2225	1310	2468	12907	12003	4303	1527	2776	7700	814	2051	2451	2384
Q3	20077	2247	1295	2640	13565	12918	4607	1647	2959	8311	993	2141	2690	2488
Q4	21499	2314	1513	3294	14040	13255	4797	1658	3139	8458	971	2219	2780	2488
1985 Q1	22782	2370	1485	3588	14975	13935	4846	1675	3171	9090	1018	2276	3010	2786
Q2	21663	2354	1365	2728	14886	13880	4919	1803	3116	8962	1135	2218	2936	2673
1985 May	6925	765	445	878	4746	4394	1551	561	990	2843	337	711	940	855
June	7134	765	453	759	5041	4804	1702	631	1071	3102	457	752	987	905
July	6748	794	407	632	4822	4459	1611	560	1051	2848	342	697	928	881
Feb-Apr	23421	2429	1491	3756	15353	14155	4959	1747	3212	9196	1003	2293	3075	2826
May-July	20806	2325	1304	2269	14609	13657	4863	1751	3112	8794	1137	2160	2856	2641
Percentage Change	- 11	- 4½	- 13	- 40	- 5	- 3½	- 2	+ ½	- 3	- 4½	+ 13	- 6	- 7	- 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.

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

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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	6	7+8	j	j	j	j			
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1983	109.7	107.8	104.6	66.8	121.5	131.1	123.3	142.9	115.2	136.4	125.5	124.9	136.2	153.1
1984	119.9	112.3	101.8	85.4	134.0	146.9	137.1	164.2	125.9	153.4	120.0	140.9	161.5	173.0
1984 Q2	119.3	113	99	86	133	144	134	162	122	151	108	143	157	176
Q3	121.2	112	94	89	136	150	138	167	126	159	131	141	169	178
Q4	125.7	114	110	103	138	152	142	168	132	158	121	144	171	175
1985 Q1	126.7	112	103	104	141	153	139	168	128	162	124	139	173	191
Q2	124.5	112	97	85	142	154	142	181	126	162	141	139	171	186
1985 May	119.6	111	97	83	136	146	134	168	120	155	128	134	163	180
June	125.4	110	99	72	146	162	148	191	131	171	171	143	177	191
July	121.2	118	94	65	141	153	144	176	131	158	130	135	168	186
Feb-Apr	129.9	114	103	109	143	154	142	175	128	163	122	140	175	193
May-July	122.1	113	96	73	141	154	142	178	127	161	143	137	170	186
Percentage Change	- 6	- 1	- 6	- 33	- 1½	- ½	-	+ 2	- ½	- 1	+ 17	- 1½	- 3	- 3½

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^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: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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
1983	126.4	120	116	154	124	123	115	121	113	128	137	122	133	123
1984	137.8	132	134	167	134	133	126	134	123	137	144	133	145	128
1984 Q2	135.8	131	132	162	132	131	125	132	122	134	143	129	144	126
Q3	139.3	134	137	169	135	134	129	138	125	138	143	135	146	130
Q4	143.8	135	138	179	140	138	131	139	128	143	149	142	151	133
1985 Q1	150.0	142	143	189	145	144	136	143	133	149	154	148	158	138
Q2	146.7	141	136	179	143	143	136	141	133	148	150	147	159	136
1985 May	146.2	141	136	177	143	143	136	140	134	148	148	146	160	137
June	143.8	140	132	171	142	141	134	140	132	146	150	145	157	134
July	140.9	137	127	164	140	139	132	138	130	144	150	143	155	132
Feb-Apr	151.0	143	143	191	146	145	137	143	134	150	155	150	161	139
May-July	143.6	140	132	171	141	141	134	139	132	146	149	145	157	134
Percentage Change	- 5	- 2	- 8	- 11	- 3½	- 2½	- 2	- 3	- 2	- 3	- 3½	- 3½	- 2	- 3

^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	Other USA	Total	Oil exporting countries	Other		
1983	66101	54815	30104	10457	9083	7497	5171	9631	2833	6798	1535
1984	78705	65102	35204	13254	11055	9356	5589	11429	2862	8568	2042
1984 Q2	19240	15731	8528	3301	2554	2148	1348	2884	858	2027	463
Q3	20077	16614	9158	3285	2801	2418	1370	2821	738	2083	529
Q4	21499	17600	9331	3503	3285	2805	1481	3377	738	2639	623
1985 Q1	22782	18950	10143	3527	3677	3134	1603	3332	855	2477	573
Q2	21663	18009	9613	3779	3005	2564	1612	2966	848	2118	431
1985 May	6925	5822	3048	1269	975	818	530	894	228	666	138
June	7134	6043	3375	1190	954	815	525	880	237	643	145
July	6748	5790	3083	1318	822	697	567	828	165	664	142
Feb-Apr	23421	19272	10229	3781	3653	3133	1608	3527	1049	2477	518
May-July	20806	17654	9506	3776	2751	2330	1621	2603	630	1973	426
Percentage Change	- 11	- 8½	- 7	-	- 25	- 26	+ 1	- 26	- 40	- 20	- 18

K See paragraph 5 Notes to Editors.

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COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	4226	7188	- 2962	1610	4104	- 2494	13103	6783	+ 6320
1984	4672	8199	- 3527	2014	4866	- 2852	15367	9776	+ 5590
1983 Q3	1040	1784	- 744	397	1004	- 606	3091	1690	+ 1401
Q4	1098	1931	- 833	440	1135	- 695	3646	1755	+ 1891
1984 Q1	1157	1967	- 810	447	1172	- 725	3779	1727	+ 2052
Q2	1169	2038	- 870	493	1182	- 689	3541	2372	+ 1165
Q3	1121	2065	- 944	513	1169	- 656	3842	2546	+ 1296
Q4	1227	2130	- 904	561	1343	- 782	4206	3132	+ 1074
1985 Q1	1215	2170	- 955	596	1333	- 737	4924	3460	+ 1464
Q2	1275	2158	- 883	532	1225	- 693	4549	2609	+ 1940

SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	16027	15789	+ 238	24146	26648	- 2502	40173	42437	- 2264
1984	18266	18405	- 138	28306	31953	- 3647	46573	50358	- 3786
1983 Q3	4142	3932	+ 210	6050	6614	- 564	10191	10545	- 354
Q4	4104	4208	- 104	6367	7097	- 730	10471	11305	- 834
1984 Q1	4296	4403	- 107	6720	7228	- 507	11017	11631	- 614
Q2	4497	4426	+ 71	6689	7672	- 982	11186	12098	- 912
Q3	4473	4672	- 199	7030	8300	- 1269	11503	12971	- 1468
Q4	5001	4904	+ 97	7866	8755	- 889	12867	13658	- 792
1985 Q1	5091	4863	+ 229	8018	9366	- 1348	13109	14228	- 1119
Q2	5195	5050	+ 145	8194	9062	- 869	13389	14112	- 723

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

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From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

pm SP

CH/EXCHEQUER	
REC.	10 SEP 1985
ACTION	MR H. P. EVANS
COPIES TO	CST, EST
	SIR P. MIDDLETON
	SIR T. BURNS

✓ 10/9

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Handwritten signature of Margaret Thatcher

9 September 1985
MRS. MATTHEWS
MR BUTT
MR BONNEY
DR. ROWLATT

FORECASTS OF RETAIL FOOD PRICES

I am writing to report on recent movements in retail food prices and to set out our latest forecasts of the Retail Food Index to December 1985.

The cold spring and wet summer delayed supplies of domestic vegetables coming onto the market. At the same time, retail prices of some imported foodstuffs, such as tea, were slow to reflect falling prices on world markets and prices of many manufactured foods have tended to edge up despite generally lower prices for basic food materials. Supplies of fresh vegetables are now plentiful and prices of seasonal foods have been falling. The net result is that the rate of increase in the food index fell from 3.5% in March to 2.1% in July.

Prices of fruit and vegetables should continue to fall and meat prices are expected to decline somewhat but for a number of items, including frozen and confectionery goods, prices are likely to move upwards. For September, the year on year rise in the food index is forecast to rise to just under 3%.

Although prices of fruit and vegetables are expected to be low over the next few months they are not forecast to fall to the very low levels of December 1984. For most CAP products, especially beef and cereals, markets are expected to remain weak and, with prices of imported foodstuffs, such as tea, coffee, cocoa and oils, substantially lower than a year ago, prices of manufactured foods should now stabilise. The overall prospect is that the increase in the food index between September and December should be eligible and the year on year increase to remain at around 3%.

I am copying this letter to the Chancellor of the Exchequer, the Secretary of State for Employment and the PUSS (CCA), Department of Trade and Industry.

Handwritten signature of Michael Jopling

MICHAEL JOPLING

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ps



DEPARTMENTS OF INDUSTRY AND TRADE
- COMMON SERVICES
1 Victoria Street London SW1H 0ET
Telephone Direct Line 01-215 3055
Switchboard 01-215 7877

Mrs R Lomax
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

[Handwritten red mark]

20 September 1985

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

*Arrived
late to
arr in
first two
late
to announce*

Publication is set for Wednesday 25 September at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12 noon Tuesday 24 September and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

W. E. Boyd.

W E BOYD

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on 25/9/85 at 11.30 am

THE CURRENT ACCOUNT OF THE UNITED KINGDOM
BALANCE OF PAYMENTS

AUGUST 1985

The current account for August is estimated to have been in surplus by £206 million compared with a surplus of £344 million in July. Exports in August were valued at £6044 million and imports at £6238 million so that trade in goods was in deficit by £195 million.

The balance on invisibles in August is projected to be in surplus by £400 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions.

JUNE TO AUGUST 1985

In the three months ended August, the current account showed a surplus of £0.8 billion compared with a surplus of £0.2 billion in the previous three months. There was a deficit on visible trade of £0.5 billion in the latest three months compared with a deficit of £1.0 billion in the previous three months. The surplus on invisibles is projected at £1.3 billion.

CURRENT ACCOUNT

TABLE 1

£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance ^c
		Balance	Exports fob	Imports fob	
1983	+ 3167	- 836	60776	61611	+ 4003
1984	+ 935	- 4101	70409	74510	+ 5036
1984 Q2	- 109	- 1171	16851	18022	+ 1062
Q3	- 363	- 1615	17451	19066	+ 1252
Q4	+ 424	- 1313	19312	20625	+ 1737
1985 Q1	- 535	- 1283	20295	21578	+ 748
Q2	+ 1183	- 222	20251	20473	+ 1405
1985 Mar	- 704	- 977	6828	7806	+ 273 ^b
Apr	+ 210	- 259	6918	7177	+ 468 ^b
May	+ 721	+ 252	6803	6551	+ 469 ^b
June	+ 252	- 216	6529	6745	+ 468 ^b
July	+ 344 ^a	- 56	6324	6380	+ 400 ^a
August	+ 206 ^a	- 195	6044	6238	+ 400 ^a
Mar-May 1985	+ 227	- 983	20550	21533	+ 1210
Jun-Aug 1985	+ 802	- 466	18897	19363	+ 1268
Jan to Aug 1985	+ 1198	- 1755	52914	54668	+ 2953

a Invisibles are projections and subject to revision as information becomes available.
b One-third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.
c Information relating to credits and debits can be found in Table 3.

VISIBLE TRADE IN AUGUST 1985

There was a deficit on visible trade in August of £195 million compared with a deficit of £56 million in July. The surplus on oil was little changed at £667 million whilst the deficit on non-oil trade increased by £112 million to £861 million.

At £6044 million, exports in August were £281 million (4½ per cent) lower than in July. Exports of oil rose by £26 million, whilst exports of the erratic items fell by £202 million, reflecting a sharp fall in exports of precious stones. Excluding oil and the erratic items, exports were 2 per cent lower than in July.

Total imports were valued at £6238 million which was £142 million (2 per cent) lower than in July. Imports of oil rose by £53 million while imports of the erratic items fell by £242/^{million} including a substantial fall in imports of precious stones. Imports of other goods were 1 per cent higher than in July.

The terms of trade index rose by 2 per cent in August with the export unit value index falling by ½ per cent and the import unit value index falling by 2 per cent.

RECENT TRENDS

Visible Balance

In the three months ended August there was a deficit on visible trade of £0.5 billion; a deficit of £2.7 billion on non-oil trade offset by an oil surplus of £2.2 billion. Between the three months ended May and the latest three months, the deficit on the visible

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trade balance decreased by £0.5 billion, reflecting a £0.4 billion increase in the surplus on oil and a £0.1 billion reduction in the deficit on non-oil trade.

Exports

Exports amounted to £18.9 billion in the latest three months, £1.7 billion (8 per cent) less than the previous three months. Exports of oil fell by £1.0 billion whilst exports of the erratic items fell by £0.2 billion. Exports of manufactures excluding the erratic items fell by £0.5 billion (3½ per cent).

Total export volume fell by 4 per cent (2 per cent excluding oil and the erratic items) in the latest three months to be 5 per cent higher than a year earlier. The underlying level of non-oil export volume appears to have been falling in recent months.

Imports

Total imports were valued at £19.4 billion in the latest three months, £2.2 billion (10 per cent) lower than in the previous three months. Imports of oil fell by £1.4 billion and imports of the erratic items by £0.4 billion. The remainder represents a 2 per cent fall in imports of other goods with all of the broad sectors except semi-manufactures (up 3 per cent) and cars (up 8 per cent) contributing to the reduction.

By volume imports fell by 4 per cent in the latest three months to a level 4 per cent higher than a year earlier, with most of this

fall resulting from reduced imports of fuel (and aircraft). Over the last few months there appears to have been little change in the underlying level of non-oil import volume.

Terms of trade and unit values

The terms of trade index increased by $2\frac{1}{2}$ per cent in the latest three months reflecting a 3 per cent fall in the export unit value index and a $5\frac{1}{2}$ per cent fall in the import unit value index. Compared with the same period one year ago the export unit value index has increased by 5 per cent and the import unit value index by $2\frac{1}{2}$ per cent, leading to a 2 per cent rise in the terms of trade.

Export unit values for fuels fell by 14 per cent in the latest three months and those for basic materials fell by $7\frac{1}{2}$ per cent. Together, these account for most of the overall reduction in the unit value index, with other sectors showing little change. Compared with the same period one year ago, unit values for fuels have fallen by 3 per cent while those for the other broad sectors have risen (by between $4\frac{1}{2}$ and 8 per cent).

Import unit values for fuels fell by 12 per cent in the latest three months while those for basic materials fell by 9 per cent. Import unit values for most of the other broad sectors were 3 to 4 per cent lower than in the three months ended May.

Analysis by Area

By value, exports to the developed countries fell by 6 per cent in the latest three months comprising mainly of a $6\frac{1}{2}$ per cent fall in

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exports to the European Community and a 10 per cent fall in exports to North America. Exports to the developing countries fell by 6 per cent.

The value of imports from the developed countries fell by 6½ per cent in the latest three months, with imports from North America down by 23 per cent and imports from the European Community down by 2½ per cent compared with the previous three months. Imports from the developing countries fell by 25 per cent.

NOTES TO EDITORS

1 STANDARD NOTES

The standard notes describe the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) bases of compilation. Copies can be obtained from the address below.

2 MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

The Monthly Review of External Trade Statistics, a publication containing charts and tables on the current account of the UK balance of payments, UK exports and imports of goods by commodity and area, and certain international comparisons, is available, (price £3 per copy) from the Department of Trade and Industry at the address given below.

3 AREA DATA (tables 11 and 15)

Low value consignments ie items of an individual value less than £200, are not analysed by country. Area figures in tables 11 and 15 are therefore deficient to the extent of these consignments.

In addition the data by area are seasonally adjusted independently leading to further differences between the sum of areas and figures for total trade.

4 ROUNDING

The figures published in this Press Notice expressed in £ million have each been independently rounded to the nearest whole number. These figures may therefore not sum to the aggregates, and balances may not derive exactly from the export and import figures shown.

Index numbers of volume and unit value are shown rounded either to the nearest whole number, or to one place of decimals. Although the figures should not be regarded as accurate to the last digit shown, the degree of rounding is intended to be indicative of the relative reliability of the different figures. Where period to period changes are shown these have been calculated from unrounded estimates, the resulting percentage changes being rounded to the nearest half point if less than 10 and the nearest whole number if 10 or greater.

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 5703.

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

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1983	+ 3167	60776	61611	- 836	+ 6976	- 7812	+ 4003
1984	+ 935	70409	74510	- 4101	+ 7137	- 11238	+ 5036
1984 Q2	- 109	16851	18022	- 1171	+ 1543	- 2714	+ 1062
Q3	- 363	17451	19066	- 1615	+ 1804	- 3420	+ 1252
Q4	+ 424	19312	20625	- 1313	+ 1468	- 2781	+ 1737
1985 Q1	- 535	20295	21578	- 1283	+ 1862	- 3144	+ 748
Q2	+ 1183	20251	20473	- 222	+ 2368	- 2589	+ 1405
1984 Dec	+ 58	6593	6938	- 345	+ 743	- 1088	+ 403
1985 Jan	+ 182	6552	6616	- 64	+ 926	- 990	+ 246 b
Feb	- 12	6915	7157	- 241	+ 675	- 917	+ 229 b
Mar	- 704	6828	7806	- 977	+ 260	- 1238	+ 273 b
Apr	+ 210	6918	7177	- 259	+ 687	- 945	+ 468 b
May	+ 721	6803	6551	+ 252	+ 838	- 586	+ 469 b
June	+ 252	6529	6745	- 216	+ 843	- 1059	+ 468 b
July	+ 344 a	6324	6380	- 56	+ 693	- 749	+ 400 a
August	+ 206 a	6044	6238	- 195	+ 667	- 861	+ 400 a
Jun-Aug 1984	+ 299	17388	18278	- 890	+ 1881	- 2771	+ 1189
Mar-May 1985	+ 227	20550	21533	- 983	+ 1785	- 2768	+ 1210
Jun-Aug 1985	+ 802	18897	19363	- 466	+ 2203	- 2668	+ 1268
% Change							
Latest 3 months							
- on previous							
3 months		- 8	- 10				
- same 3 months							
one year ago		+ 8½	+ 6				

a Invisibles are projections and subject to revision as more information becomes available.

b One third of the appropriate calendar quarter's estimate, except for budget refunds received from the European Community which are allocated to the month they are known to have been received.

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			
1982	64713	62381	+ 2332	+ 3215	+ 1115	- 1998	60215	54292	+ 5923
1983	64846	60843	+ 4003	+ 3701	+ 2440	- 2138	60235	52193	+ 8042
1984	75879	70843	+ 5036	+ 3985	+ 3304	- 2253	70982	61488	+ 9494
1983 Q3	15876	14577	+ 1299	+ 881	+ 925	- 507	14805	12523	+ 2282
Q4	16335	15562	+ 773	+ 882	+ 618	- 727	15275	13265	+ 2010
1984 Q1	17400	16415	+ 985	+ 944	+ 566	- 525	16139	14101	+ 2038
Q2	17777	16715	+ 1062	+ 929	+ 868	- 735	16776	14423	+ 2353
Q3	19305	18053	+ 1252	+ 1066	+ 903	- 717	18314	15764	+ 2550
Q4	21397	19660	+ 1737	+ 1046	+ 967	- 276	19753	17200	+ 2553
1985 Q1	21029	20281	+ 748	+ 1096	+ 672	- 1020	19859	17423	+ 2436
Q2	20161	18756	+ 1405	+ 1427	+ 698	- 720	19179	16392	+ 2787

^d ie excluding general Government transactions and all transfers.

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(Balance of Payments basis)

Indices 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1983	125.7	127.5	98.6	103.8	109.7
1984	136.0	139.5	97.5	112.3	121.6
1984 Q2	134.1	137.5	97.6	109.2	119.8
Q3	137.8	141.3	97.5	110.0	123.0
Q4	140.9	145.4	96.9	119.6	129.4
1985 Q1	146.7	152.0	96.5	120.5	128.5
Q2	146.0	148.7	98.2	120.6	126.0
1984 Dec	141.8	146.4	96.9	121.3	129.9
1985 Jan	144.0	148.9	96.7	118.2	121.1
Feb	146.9	152.7	96.2	123.6	127.5
Mar	149.1	154.4	96.5	119.6	136.8
Apr	147.7	151.8	97.3	121.8	130.2
May	145.8	148.4	98.3	121.7	121.0
June	144.6	146.0	99.1	118.4	126.9
July	142.4	143.2	99.5	116.9	122.6
Aug	141.9	140.1	101.3	113.5	122.7
Jun-Aug 1984	136.5	139.6	97.7	110.6	119.5
Mar-May 1985	147.5	151.5	97.4	121.0	129.3
Jun-Aug 1985 %	143.0	143.1	99.9	116.3	124.0
Change Latest 3 months on -					
previous 3 months	- 3	- 5½	+ 2½	- 4	- 4
- same 3 months					
one year ago	+ 5	+ 2½	+ 2	+ 5	+ 4

^e Export unit value index as a percentage of the import unit value index.VALUE AND VOLUME OF EXPORTS AND IMPORTS EXCLUDING THE MORE ERRATIC ITEMS^f
(Balance of Payments basis)

Table 5

seasonally adjusted

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1983	56280	58183	105.2	115.0
1984	65784	71069	115.3	128.8
1984 Q2	15728	17182	111.9	126.9
Q3	16399	18288	113.5	130.7
Q4	18042	19624	122.9	136.5
1985 Q1	19396	20476	126.3	135.2
Q2	18962	19439	124.1	132.8
1984 Dec	6225	6638	125.9	138.0
1985 Jan	6276	6313	124.2	128.0
Feb	6618	6783	129.7	134.5
Mar	6502	7380	124.9	143.2
Apr	6474	6747	125.2	135.9
May	6407	6194	125.9	127.0
June	6081	6498	121.2	135.4
July	5945	5995	120.8	128.5
Aug	5867	6096	120.4	132.7
Jun-Aug 1984	16275	17519	113.5	127.2
Mar-May 1985	19383	20320	125.3	135.3
Jun-Aug 1985	17893	18589	120.8	132.2
% Change				
Latest 3 months on				
- previous 3 months	- 7½	- 8½	- 3½	- 2½
- same 3 months				
one year ago	+ 10	+ 6	+ 6½	+ 4

^f These are defined as ships, North Sea installations, aircraft, precious stones, and silver.**SECRET**and personal
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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			million tonnes	Avg value per tonne £ fob	£ million fob		£ million fob
1983	+ 6976	12501	10092	68.3	147.8	2410	5525	3210	22.8	140.8	2315	
1984	+ 7136	14910	12228	75.8	161.4	2682	7774	3755	24.2	155.4	4018	
1984	Q2	+ 1543	3450	2768	17.5	158.5	682	1907	1048	7.0	148.8	859
	Q3	+ 1804	3765	3081	18.5	166.4	685	1961	1059	6.8	156.1	903
	Q4	+ 1468	4051	3426	20.6	166.0	625	2584	997	6.0	167.1	1586
1985	Q1	+ 1862	4755	3936	21.5	182.7	819	2893	1236	7.0	177.9	1657
	Q2	+ 2368	4378	3510	20.1	174.4	868	2011	1224	7.4	166.1	787
1984	Dec	+ 743	1551	1337	8.0	166.3	214	808	369	2.2	170.2	439
1985	Jan	+ 926	1640	1363	7.8	175.6	277	715	257	1.5	166.7	458
	Feb	+ 676	1533	1245	6.8	182.8	288	857	357	2.0	179.4	500
	Mar	+ 260	1582	1328	7.0	190.5	254	1321	623	3.4	182.0	699
	Apr	+ 687	1530	1290	7.1	181.7	240	843	597	3.5	172.4	247
	May	+ 838	1510	1238	7.2	172.7	272	672	421	2.6	163.3	251
	June	+ 843	1338	982	5.9	167.6	356	495	206	1.3	155.1	289
	July	+ 693	1127	814	5.3	153.5	313	434	204	1.4	148.1	230
	Aug	+ 667	1153	859	5.8	149.3	294	486	272	2.0	139.4	214
* Jun-Aug '84	+ 1881	3723	3017	18.5	162.9	706	1842	944	6.2	152.8	897	
Mar-May '85	+ 1785	4622	3856	21.2	181.5	766	2837	1640	9.5	173.4	1197	
Jun-Aug '85	+ 2203	3618	2654	16.9	157.0	964	1415	683	4.7	146.5	733	
% Change												
Latest 3 months on												
- previous 3 months		- 22	- 31	- 20	- 14	+ 26	- 50	- 58	- 51	- 16	- 39	
- same 3 months												
one year ago		- 3	- 12	- 8½	- 3½	+ 36	- 23	- 28	- 25	- 4	- 18	

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 7 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	
1983	- 7812	48274	56086	123.6	124.3	99.4	97.2	116.4	43779	52658	98.2	123.4	
1984	- 11237	55499	66736	133.3	136.0	98.0	104.9	128.1	50875	63296	107.6	137.2	
1984 Q2	- 2714	13401	16115	131.5	134.4	97.8	102.5	125.5	12279	15275	105.0	134.4	
1984 Q3	- 3420	13685	17105	135.0	137.8	97.9	102.5	129.9	12634	16326	105.9	139.8	
1984 Q4	- 2781	15261	18041	137.8	141.3	97.5	112.4	134.3	13990	17041	115.4	143.2	
1985 Q1	- 3144	15541	18685	142.5	146.8	97.1	110.9	132.7	14641	17583	116.7	141.1	
1985 Q2	- 2589	15872	18462	143.1	145.0	98.7	112.2	133.0	14584	17428	115.4	141.7	
1984 Dec	- 1088	5042	6130	138.7	142.7	97.2	110.9	136.0	4674	5830	115.2	146.1	
1985 Jan	- 990	4911	5901	140.6	143.3	98.1	106.5	128.2	4636	5599	112.3	137.0	
1985 Feb	- 917	5382	6299	142.8	147.9	96.6	115.4	133.2	5085	5926	121.6	142.1	
1985 Mar	- 1238	5247	6484	144.2	149.1	96.7	110.9	136.9	4920	6059	116.1	144.2	
1985 Apr	- 945	5388	6333	143.7	147.2	97.6	113.3	134.7	4944	5903	116.4	141.8	
1985 May	- 586	5293	5879	143.0	144.7	98.8	112.3	127.3	4897	5522	116.2	135.0	
1985 June	- 1059	5191	6250	142.6	143.0	99.7	111.0	137.0	4743	6003	113.5	148.2	
1985 July	- 749	5197	5946	141.8	140.6	100.9	111.5	132.7	4818	5561	115.4	140.8	
1985 Aug	- 861	4891	5752	141.8	138.4	102.4	106.3	131.2	4714	5609	113.7	143.9	
Jun-Aug 84	- 2771	13666	16436	133.8	136.4	98.1	103.1	126.4	12553	15677	105.7	136.1	
Mar-May 85	- 2768	15928	18696	143.6	147.0	97.7	112.2	133.0	14761	17483	116.2	140.3	
Jun-Aug 85	- 2668	15279	17948	142.1	140.7	101.0	109.6	133.6	14275	17174	114.2	144.3	
% Change													
Latest 3 months on													
- previous 3 months		- 4	- 4	- 1	- 4½	+ 3½	- 2½	+ ½	- 3½	- 2	- 2	+ 3	
- same 3 months one year ago		+ 12	+ 9	+ 6	+ 3	+ 3	+ 6½	+ 6	+ 14	+ 9½	+ 8	+ 6	

^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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£ million, fob, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver (PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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	
1983	60684	4241	1587	13103	40087	35770	13837	6933	6904	21933	1003	3913	9291	7726
1984	70511	4693	1989	15367	46668	42136	16332	8215	8117	25804	1051	4674	11178	8902
1984 Q2	16884	1173	486	3541	11220	10107	3918	1961	1956	6190	263	1111	2655	2161
Q3	17394	1128	506	3841	11445	10450	4015	2026	1989	6435	230	1136	2801	2268
Q4	19407	1235	557	4206	12951	11717	4603	2298	2305	7114	293	1332	3115	2375
1985 Q1	20367	1221	591	4922	13176	12322	4762	2434	2328	7560	353	1301	3356	2550
Q2	20281	1286	527	4557	13401	12210	4699	2399	2300	7511	333	1289	3332	2557
1985 June	6541	441	162	1400	4405	3986	1498	756	742	2488	88	430	1114	857
July	6361	428	167	1180	4415	4051	1527	778	749	2524	132	449	1087	856
Aug	6085	431	162	1209	4097	3926	1466	751	715	2460	79	434	1160	787
Mar-May	20603	1227	560	4812	13503	12408	4770	2429	2340	7638	345	1301	3364	2627
*Jun-Aug	18987	1300	491	3789	12917	11963	4491	2285	2206	7472	299	1313	3362	2499
Percentage Change	- 8	+ 6	- 12	- 21	- 4½	- 3½	- 6	- 6	- 5½	- 2	- 14	+ 1	-	- 5

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

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

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

Table 9

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver (PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	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
1983	103.7	110.2	101.0	147.7	95.5	96.2	102.3	113.3	93.6	92.4	85.6	96.4	92.2	91.4
1984	112.6	117.4	106.6	159.1	104.4	107.1	112.1	124.3	102.4	103.9	82.4	109.3	105.1	102.4
1984 Q2	109.5	118	105	149	102	104	109	119	101	101	82	104	101	101
Q3	109.8	113	108	157	101	105	109	122	98	103	72	106	104	104
Q4	120.5	122	112	166	113	116	123	136	112	112	86	123	115	107
1985 Q1	121.2	121	113	182	111	118	122	137	110	115	103	114	120	111
Q2	121.1	122	103	175	112	116	119	133	109	114	98	113	119	110
1985 June	118.9	125	97	168	112	115	115	128	105	114	79	114	121	110
July	117.7	119	101	153	112	116	118	133	106	116	117	120	117	111
Aug	114.5	125	104	163	105	113	113	128	102	112	73	112	124	103
Mar-May	121.6	117	107	177	113	117	121	134	110	115	101	113	120	113
Jun-Aug	117.0	123	101	161	110	115	115	129	105	114	89	116	121	108
Percentage Change	- 4	+ 5	- 5½	- 9	- 3	- 2½	- 4½	- 3½	- 5	- 1	- 11	+ 2½	+ 1	- 4

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

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

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

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h																
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)								Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	5-8 less SNAPS	5+6 less PS	6 less PS	7+8 less SNA	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita		
																Total	Chem- icals
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			
1983	125.7	122	112	140	124	123	117	119	115	127	144	122	130	125			
1984	136.0	128	131	153	134	133	127	130	125	136	157	132	140	132			
1984 Q2	134.1	128	129	151	132	131	125	128	123	134	159	130	138	129			
Q3	137.7	127	132	155	136	134	129	131	127	138	158	133	142	133			
Q4	140.8	129	138	161	139	137	132	135	129	140	158	137	143	136			
1985 Q1	146.6	133	147	173	144	142	136	140	133	145	161	142	149	140			
Q2	146.0	135	146	165	144	143	137	141	134	147	162	143	151	142			
1985 June	144.6	134	142	158	144	143	136	140	133	147	162	142	152	142			
July	142.4	135	138	146	143	143	136	140	133	146	162	144	151	141			
Aug	141.8	135	132	142	143	143	137	141	133	148	164	144	153	142			
Mar-May	147.5	135	149	173	145	143	138	141	134	147	163	143	150	142			
Jun-Aug	142.9	135	137	149	143	143	136	140	133	147	162	144	152	142			
Percentage Change	- 3	-	- 7½	- 14	- 1	-	- ½	- ½	- 1	-	- ½	-	+ 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.

EXPORTS BY AREA
(Overseas Trade Statistics basis)

Table 11

£ million, fob, seasonally adjusted

	Developed Countries							Developing Countries			Centrally planned economies
	Total K	Total	European Community	Rest of W Europe	North America Total USA	Other	Total	Oil exporting countries	Other		
1983	60684	46648	26509	7506	9496	8486	3137	12792	6128	6665	1113
1984	70511	55386	31568	8728	11406	10149	3684	13356	5807	7550	1630
1984 Q2	16884	13277	7510	2130	2709	2406	928	3150	1348	1801	437
Q3	17394	13749	7983	2164	2710	2361	893	3314	1371	1943	409
Q4	19407	15185	8765	2262	3218	2909	940	3622	1608	2014	444
1985 Q1	20367	16112	9603	2389	3133	2798	987	3824	1730	2094	372
Q2	20281	16297	9071	2500	3745	3265	981	3559	1472	2087	426
1985 June	6541	5310	2944	889	1175	1047	302	1175	500	676	149
July	6361	5110	2842	873	1084	928	311	1169	504	665	148
Aug	6085	4934	2910	709	1016	806	298	1087	464	623	133
Mar-May	20603	16335	9283	2430	3640	3155	983	3648	1590	2058	401
Jun-Aug	18987	15353	8695	2472	3276	2781	910	3431	1468	1964	430
Percentage Change	- 8	- 6	- 6½	+ 1½	- 10	- 12	- 7½	- 6	- 7½	- 4½	+ 7

K See paragraph 3 of Notes to Editors.

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£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital	
														5-8 less SNAPS
1983	66101	7869	4775	7076	44937	41609	14892	5119	9773	26717	3659	6901	8125	8032
1984	78705	8936	5420	10193	52886	49703	17923	6312	11612	31780	3671	8344	10222	9544
1984 Q2	19240	2225	1310	2468	12907	12003	4303	1527	2776	7700	814	2051	2451	2384
Q3	20077	2247	1295	2640	13565	12918	4607	1647	2959	8311	993	2141	2690	2488
Q4	21499	2314	1513	3294	14040	13255	4797	1658	3139	8458	971	2219	2780	2488
1985 Q1	22782	2370	1485	3588	14975	13935	4846	1675	3171	9090	1018	2276	3010	2786
Q2	21663	2354	1365	2728	14886	13880	4919	1803	3116	8962	1135	2218	2936	2673
1985 June	7134	765	453	759	5041	4804	1702	631	1071	3102	457	752	987	905
July	6748	794	407	632	4822	4459	1611	560	1051	2848	342	697	928	881
Aug	6612	714	428	695	4669	4532	1708	628	1079	2825	315	725	966	819
Mar-May	22759	2415	1399	3450	15051	13875	4873	1755	3118	9002	1030	2224	2999	2750
* Jun-Aug	20493	2274	1288	2086	14532	13795	5020	1819	3201	8775	1114	2174	2881	2605
Percentage														
Change	- 10	- 6	- 8	- 41	- 3½	- ½	+ 3	+ 3½	+ 2½	- 2½	+ 8	- 2	- 4	- 5½

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

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

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

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital	
														5-8 less SNAPS
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1983	109.7	107.8	104.6	66.8	121.5	131.1	123.3	142.9	115.2	136.4	125.5	124.9	136.2	153.1
1984	119.9	112.3	101.8	85.4	134.0	146.9	137.1	164.2	125.9	153.4	120.0	140.9	161.5	173.0
1984 Q2	119.3	113	99	86	133	144	134	162	122	151	108	143	157	176
Q3	121.2	112	94	89	136	150	138	167	126	159	131	141	169	178
Q4	125.7	114	110	103	138	152	142	168	132	158	121	144	171	175
1985 Q1	126.7	112	103	104	141	153	139	168	128	162	124	139	173	191
Q2	124.5	112	97	85	142	154	142	181	126	162	141	139	171	186
1985 June	125.4	110	99	72	146	162	148	191	131	171	171	143	177	191
July	121.2	118	94	65	141	153	144	176	131	158	130	135	168	186
Aug	121.3	108	102	75	139	157	154	197	137	158	122	140	175	176
Mar-May	127.7	114	98	105	141	152	139	175	124	161	127	137	172	189
Jun-Aug	122.6	112	98	71	142	157	149	188	133	162	141	139	173	184
Percentage														
Change	- 4	- 1½	-	- 33	+ ½	+ 3½	+ 7	+ 7½	+ 7	+ 1	+ 11	+ 2	+ 1	- 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: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver (PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
						Total	5-8 less SNAPS	5+6 less PS	6 5 PS	6 less PS	7+8 less SNA	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 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	
1983	126.4	120	116	154	124	123	115	121	113	128	137	122	133	123	
1984	137.8	132	134	167	134	133	126	134	123	137	144	133	145	128	
1984 Q2	135.8	131	132	162	132	131	125	132	122	134	143	129	144	126	
Q3	139.3	134	137	169	135	134	129	138	125	138	143	135	146	130	
Q4	143.8	135	138	179	140	138	131	139	128	143	149	142	151	133	
1985 Q1	150.0	142	143	189	145	144	136	143	133	149	154	148	158	138	
Q2	146.7	141	136	179	143	143	136	141	133	148	150	147	159	136	
1985 June	143.8	140	132	171	142	141	134	140	132	146	150	145	157	134	
July	140.9	137	127	164	140	139	132	138	130	144	150	143	155	132	
Aug	138.0	134	123	159	137	138	131	136	128	143	145	142	155	130	
Mar-May	149.5	143	140	187	145	145	137	143	135	150	152	149	161	138	
Jun-Aug	140.9	137	127	165	140	140	132	138	130	144	148	143	156	132	
Percentage															
Change	- 6	- 3½	- 9	- 12	- 4	- 3½	- 3½	- 3	- 3½	- 3½	- 2½	- 4	- 3½	- 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.

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
1983	66101	54815	30104	10457	9083	7497	5171	9631	2833	6798	1535
1984	78705	65102	35204	13254	11055	9356	5589	11429	2862	8568	2042
1984 Q2	19240	15731	8528	3301	2554	2148	1348	2884	858	2027	463
Q3	20077	16614	9158	3285	2801	2418	1370	2821	738	2083	529
Q4	21499	17600	9331	3503	3285	2805	1481	3377	738	2639	623
1985 Q1	22782	18950	10143	3527	3677	3134	1603	3332	855	2477	573
Q2	21663	18009	9613	3779	3005	2564	1612	2966	848	2118	431
1985 June	7134	6043	3375	1190	954	815	525	880	237	643	145
July	6748	5790	3083	1318	822	697	567	828	165	664	154
Aug	6612	5526	3150	1140	787	670	449	830	166	664	150
Mar-May	22759	18608	9850	3807	3346	2892	1605	3391	1017	2374	466
Jun-Aug	20493	17358	9607	3647	2563	2182	1540	2538	568	1971	449
Percentage											
Change	- 10	- 6½	- 2½	- 4	- 23	- 25	- 4	- 25	- 44	- 17	- 3½

K See paragraph 3 Notes to Editors.

SECRET

and personal
until release of press notice on 25 SEP 85 at 11.30 a.m.

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	4226	7188	- 2962	1610	4104	- 2494	13103	6783	+ 6320
1984	4672	8199	- 3527	2014	4866	- 2852	15367	9776	+ 5590
1983 Q3	1040	1784	- 744	397	1004	- 606	3091	1690	+ 1401
Q4	1098	1931	- 833	440	1135	- 695	3646	1755	+ 1891
1984 Q1	1157	1967	- 810	447	1172	- 725	3779	1727	+ 2052
Q2	1169	2038	- 870	493	1182	- 689	3541	2372	+ 1169
Q3	1121	2065	- 944	513	1169	- 656	3842	2546	+ 1296
Q4	1227	2130	- 904	561	1343	- 782	4206	3132	+ 1074
1985 Q1	1215	2170	- 955	596	1333	- 737	4924	3460	+ 1464
Q2	1275	2158	- 883	532	1225	- 693	4549	2609	+ 1940

SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1983	16027	15789	+ 238	24146	26648	- 2502	40173	42437	- 2264
1984	18266	18405	- 138	28306	31953	- 3647	46573	50358	- 3786
1983 Q3	4142	3932	+ 210	6050	6614	- 564	10191	10545	- 354
Q4	4104	4208	- 104	6367	7097	- 730	10471	11305	- 834
1984 Q1	4296	4403	- 107	6720	7228	- 507	11017	11631	- 614
Q2	4497	4426	+ 71	6689	7672	- 982	11186	12098	- 912
Q3	4473	4672	- 199	7030	8300	- 1269	11503	12971	- 1468
Q4	5001	4904	+ 97	7866	8755	- 889	12867	13658	- 792
1985 Q1	5091	4863	+ 229	8018	9366	- 1348	13109	14228	- 1119
Q2	5195	5050	+ 145	8194	9062	- 869	13389	14112	- 723

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



FROM: MRS LOMAX
DATE: 24 September 1985

yes
MSO

CHANCELLOR

MONEY MARKET ASSISTANCE: DEPOSITS FOR THE CLEARERS

Herewith the work on the deposit scheme commissioned at the Prime Minister's monetary seminar in July. You will probably need a meeting to discuss next week when the Economic Secretary comes back.

2. I still do not really like this scheme, mainly for the reasons that Peter gives, though as he admits they are largely presentational. But it looks better than it did a year ago. An announcement that we were ending overfunding should help with some of the other presentational difficulties we saw then. Lower funding will help to put a lid on the stock money market assistance so it may not matter so much that deposits are a more transparent device than the bill mountain. We may also be able to claim that they will reduce the distortions caused by any given stock of money market assistance (compared with holding it all in bills).

3. That was certainly the presumption at the Prime Minister's meeting. But it may be worth pausing over the need for such a scheme, and its possible impact on financial markets and institutions, relative to our present methods of operation.

4. Are we sure that placing deposits with the clearers would reduce the scope for round-tripping? It should reduce bill arbitrage by taking some of the strain off the bill market. But is that the end of the story if we still have an enormous stock of money market assistance? Are we saying that any given stock of money market assistance would have a less distortionary effect if it were placed on different terms in a larger market? And what is the likely impact on the bill market (and the discount houses)?

*and is
it the
same
mar
doubt?*



though
he talks
on his
his
separate
note on
2:30/2:45
leading (below)
which I
have
some
seen.

5. David Peretz's note is rather thin on this sort of analysis - including a convincing explanation of why we have reached the end of the road on gilt/export credit repos. (Was the monetary sector's large purchases of gilts over the summer evidence that the present approach is becoming counter-productive?).

6. In short, I think it is worth probing the justification for this scheme a little further before deciding whether Peter's objections are insuperable.

RL.

RACHEL LOMAX

RWF

FROM: S KING
 DATE: 4 October 1985

1. ~~MISS O'MARA~~ ^{MOM} _{4/10}
2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
 Financial Secretary
 Minister of State
 Economic Secretary
 Sir P Middleton
 Sir T Burns
 Mr Monck
 Mr Evans
 Mr Culpin
 Mr S Davies
 Mr Vernon
 Mr Page
 Mr Pickering
 Mr Cropper
 Mr H Davies
 Mr Lord
 HE/01

✓

PRODUCER PRICES FOR SEPTEMBER

These will be published at 11.30am on Monday 7 October and indicate encouraging prospects for inflation.

2. Prices of materials and fuel bought by manufacturing industry fell by 1.5 per cent in the year to September - the best performance since the present series began in 1974. This partly reflects the fact that a large increase in the index last September, following higher prices for non-food imported commodities, has now dropped out. In fact, between August and September, the index rose by 0.2 per cent, the first rise in seven months. DTI do not consider this rise as being significant.

3. However, little of the improvement in input prices has so far fed through to producer output prices. Over the year to September they rose by 5.5 per cent - the rate at which they have been increasing ever since the beginning of 1983.

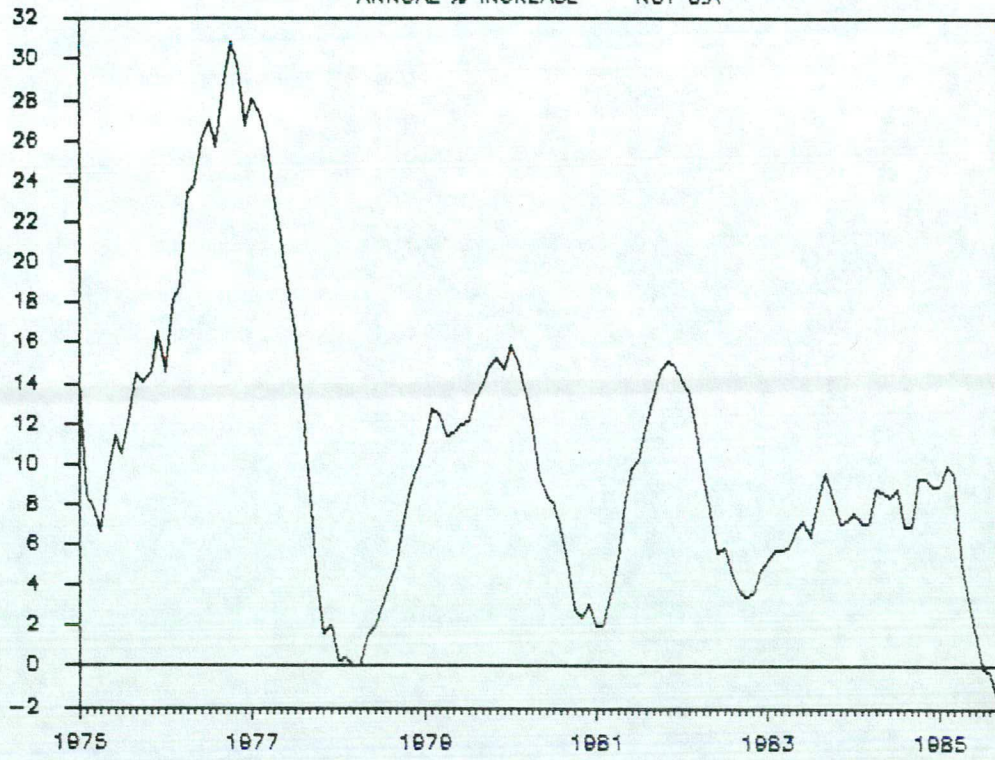
4. Movements in annual rates of producer input and output inflation from January 1975 are shown in the attached charts.

S King

S KING

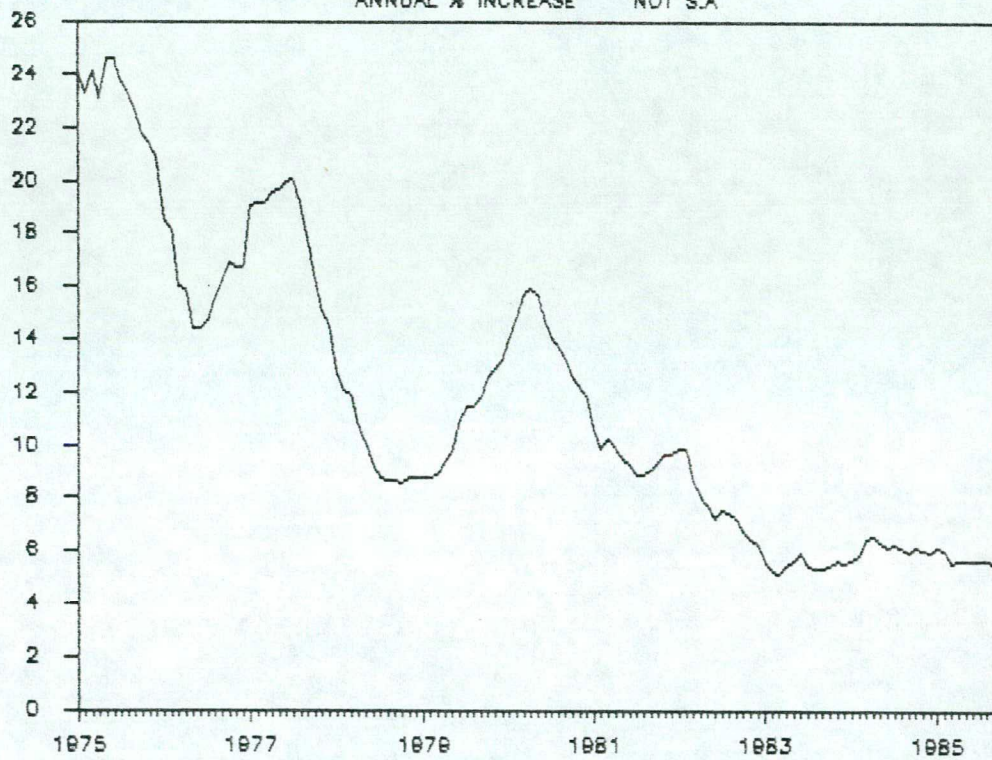
PRODUCER INPUT PRICES

ANNUAL % INCREASE NOT S.A.



PRODUCER OUTPUT PRICES

ANNUAL % INCREASE NOT S.A.





DEPARTMENTS OF INDUSTRY AND TRADE
- COMMON SERVICES

1 Victoria Street London SW1H 0ET
Telephone Direct Line 01-215 3055
Switchboard 01-215 7877

EF note coming
up today.

Mrs R Lomax
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

OK

21 October 1985

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

Publication is set for Thursday 24 October at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Wednesday 23 October and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

W. E. Boyd

W E BOYD

SECRET and PERSONAL
until 11.30 am on Thursday 24 October 1985
then CONFIDENTIAL

WAO IS THIS?

From : J E Flitton
Date : 22 October 1985

*C. largely as expected
by markets.*

- 1. MR FITCHEW
- 2. CHANCELLOR

22/10

*Content with press
briefing and draft press
notice attached?*

cc as attached list

*X must be deleted.
This is No 2 to make
sure I have
had to make
11.30am this point.
I am
not
Chairman
Nat*

SEPTEMBER TRADE FIGURES

R 22/10

The September trade figures will be released on Thursday 24 October.

2. There was a surplus in September of £200 million on current account, compared with a surplus of £206 million in August. The cumulative surplus in the first nine months of the year is £1.4 billion.

Summary

3. The September figure was made up of a visible trade deficit of £200 million and a projected invisible surplus of £400 million.

4. Notable features are :-

(i) The underlying level of export volumes continued to fall (see chart) in part reflecting the appreciation of sterling since February. In Q3, export volume was 4½ per cent lower than in Q2 (but still 4½ per cent up on a year ago). Non-oil import volumes show little change;

(ii) Since their peak in March, import prices have fallen 10.4 per cent, although the pattern has been somewhat uneven (eg fuel - 23 per cent, manufactures - 6 per cent), and there is some evidence of a possibly temporary rebuilding of margins by importers in the UK. Import prices are now considerably below those forecast in the FSBR (see table) with the largest falls resulting from weak commodity prices. The beneficial effect on inflation is already feeding through to the current RPI.

*Re total this
for the XR
50*
*Export v/s
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2. Three
'healthy'
in 4
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too
much.
m*

Import prices 1985 Q3

	<u>Actual</u>	<u>FSBR forecast</u>	<u>Difference %</u>
Manufactures	139	146	- 5
Basic materials	138	151	- 9½
Food etc	135	144	- 6½
Fuel	160	193	-20½

The fall in import prices, however, stopped in September with the unit value indices for both total imports and manufactured imports (excluding erratics) at the same level as in August. Food, beverages, tobacco and basic materials prices were slightly lower in September. Export prices are below the 1985 peak but have not fallen as much as import prices. Since March, the terms of trade have therefore improved by almost 6 per cent for non-oil goods and are 4 per cent better than was forecast in the FSBR;

(iii) Oil production was nearly back to normal after the extended summer maintenance programme. While exports of crude oil increased to £950 million (August £860 million), exports of refined oil products fell by £90 million to an erratically low £206 million. A possible explanation of the latter is the increased competition from recently commissioned Saudi oil refineries. The overall oil surplus increased to £683 million (August £667 million);

(iv) The deficit on trade in manufactures continued to run at about £300 million a month, much the same as in previous months and slightly below the average level in 1984.

5. Further details are at annex.

Comparison with FSBR forecast

6. The current account balance so far this year is in line with

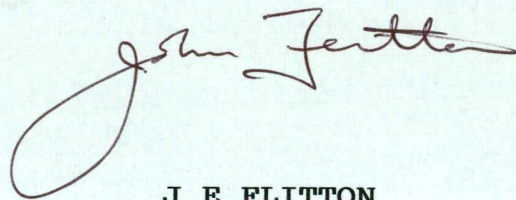
the FSBR forecast of £3 billion. The invisible balance is approximately as forecast, the non-oil visible balance is £1.1 billion better than forecast and the oil balance is £1.4 billion worse than forecast. The trade balance in manufactures is £450 million better than the FSBR. The deterioration in the oil balance is partly the consequence of lower prices, but possibly £500 million of the shortfall comes from the 4 million tonnes reduction in oil production over the summer arising from maintenance work in the North Sea. The prospects for achieving the FSBR forecast current account surplus of £3 billion for 1985 still look reasonable, provided the pattern of a fourth-quarter surge of recent years is repeated.

Effect on markets

7. The market expectation is for a trade deficit of some £200 million. As this is the same as the figure to be released, there is unlikely to be any significant market impact.

Press briefing

8. I should be grateful for clearance of the attached press briefing.



J E FLITTON

SECRET and PERSONAL
until 11.30 am on Thursday 24 October 1985
then UNCLASSIFIED

Draft briefing for IDT

Positive

1. The current account was in healthy surplus by £200 million.
2. September was the sixth successive monthly current account surplus, following the erratic March deficit reflecting coal strike effects.
3. Fall in import unit value index of 5 per cent in Q3 will maintain downward pressure on UK inflation.

Defensive

1. Export volumes falling

[Export volumes fell 4½ per cent in Q3. Recent CBI survey reports lowest export order books for a year].

X | Export volumes still 4½ per cent up on a year ago, though with some fall in second and third quarters. ~~Some fall from the peak recorded in early 1985 was to be expected, given the strengthening exchange rate.~~

2. FSBR forecast

[FSBR forecasts £3 billion current account surplus for 1985 as a whole].

Cumulative surplus of £1.4 billion in year to date is not inconsistent with forecast surplus of £3 billion for year as a whole. In recent years, there have been particularly healthy current account surpluses in Q4.

3. Manufacturing trade deficit

[FSBR forecasts £4½ billion deficit in 1985. Deficit Jan-Sept 1985 of £2.6 billion. House of Lords Committee on Overseas Trade report published on 16 October].

Deficit on manufacturing easily offset by substantial surplus on oil and invisibles. In recent years, growing oil surplus

bound to mean some adjustment to structure of balance of payments. UK manufacturing output (up 2 per cent in three months to August 1985 compared with year earlier) a more important indicator of industrial performance than trade balance.

4. Invisibles

Invisibles surplus continues to be projected at healthy £400 million a month.

until 11.30 am on Thursday 24 October 1985

then CONFIDENTIAL

TABLE 1: CURRENT ACCOUNTANNEX 1

	£ billion						
	1984	Q2 1985	Q3 1985	July	August	Sept	Jan-Sept 1985
Oil	+ 7.1	+2.4	+2.0	+0.7	+0.7	+0.7	+6.3
Non-oil	-11.2	-2.6	-2.5	-0.7	-0.9	-0.9	-8.2
Total visible trade	- 4.1	-0.2	-0.4	-0.1	-0.2	-0.2	-2.0
o/w trade in manufactures (BoP basis)	- 3.8	-0.7	-0.9	-0.2	-0.3	-0.3	-2.6
Invisibles	+ 5.0	+1.4	+1.2*	+0.4*	+0.4*	+0.4*	+3.4
Current account	+ 0.9	+1.1	+0.8	+0.3	+0.2	+0.2	+1.4

* projection

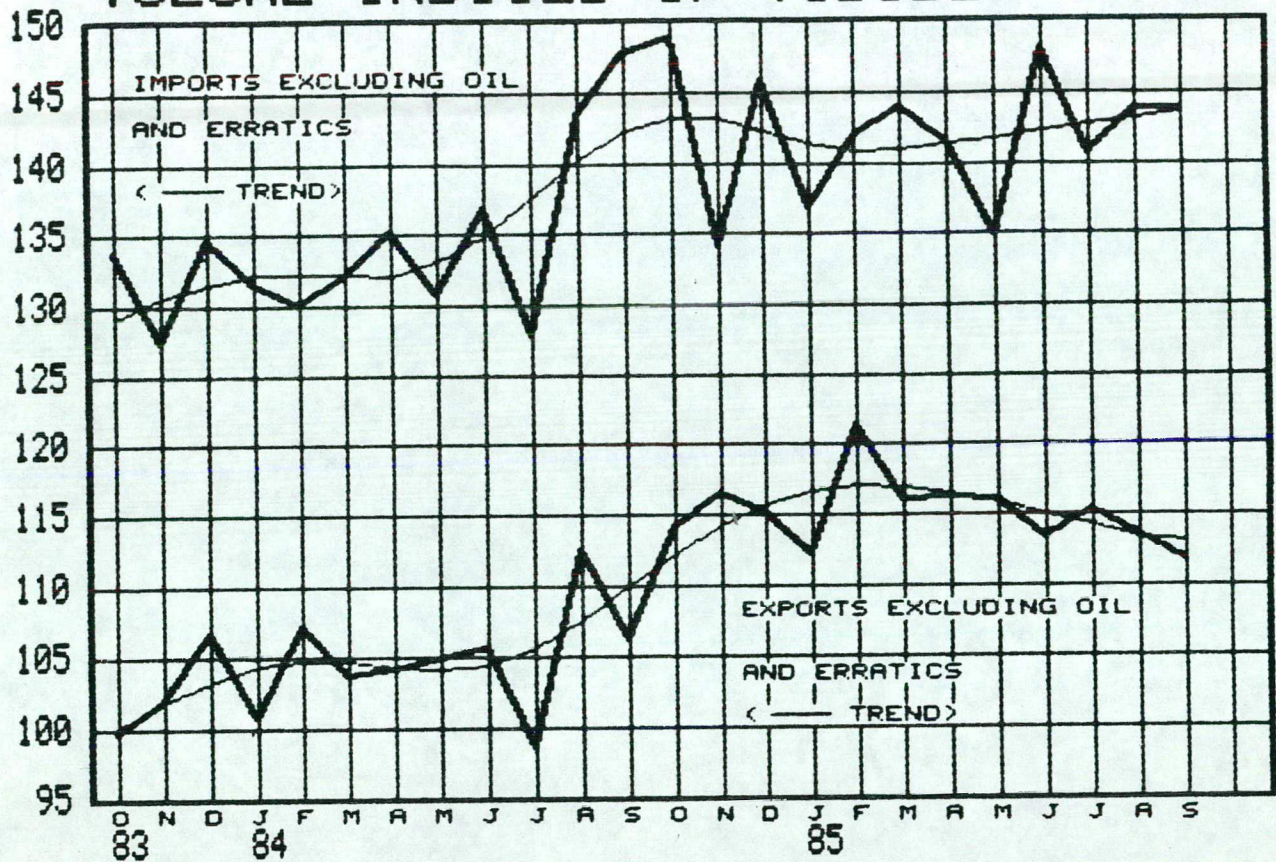
Note: figures may not sum correctly due to rounding

TABLE 2: EXPORTS AND IMPORTS (percentage change)

	Sept on Aug	Q3 on Q2	Q3 1985 on Q3 1984
i. <u>Exports</u>			
Total value	+1	- 9	+ 6
Total volume (BoP basis)	+1	- 4½	+ 4½
Total volume excl oil and erratics (BoP basis)	-1½	- 1½	+ 7½
o/w manufacture s (excl erratics)	-2	- 2½	+ 7½
Fuels (volume)	-	- 8½	+ 2
ii. <u>Imports</u>			
Total value	+1	- 8	- 1
Total volume (BoP basis)	+1	- 2½	-
Total volume excl oil and erratics (BoP basis)	-	+ 1	+ 2
o/w manufacture s (excl erratics)	-2	+ ½	+ 2½
Fuels (volume)	-½	-16	-20

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM 24.10.85

VOLUME INDICES OF VISIBLE TRADE



ON A BALANCE OF PAYMENTS BASIS, 1980 = 100, SEASONALLY ADJUSTED

TRADE FIGURES FOR SEPTEMBER 1985

Advance Circulation

Chancellor of the Exchequer	Mr C Kelly
Chief Secretary	Miss O'Mara
Economic Secretary	Mr Culpin
Sir P Middleton	Mr S Robson
Sir G Littler	Mr Mowl
Sir T Burns	Mr Segal
Mr Lavelle	Mr Barrell
Mr Cassell	
Mr H P Evans	Mr Gill - Bank
Mr Fitchew	Mr Norgrove - No 10
	Miss Deuchers - DTI

Circulation after 11.30 am on Thursday 24 October 1985

Financial Secretary	Mr P Patterson
Minister of State	Mr Matthews (EF)
Mr Bailey	Mr Shaw
Mr Byatt	Mr C Pickering
Mr Lankester (Washington)	Mr Lord
Mr Sedgwick	Mr Davies
Mr Odling-Smee	
Mr Melliss	
Mr Riley	



From the Minister

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

EXCHEQUER	
-2 DEC 1985	
<input checked="" type="checkbox"/>	Mr S.J. DAVIES ✓ 2/12
COPIES TO	CST, FST, EST, MST
	Sir P. MIDDLETON / Sir T. BUENS
	Mr SCHOLAR, Mr OOLING-SMEE
	Mr FER BUTLER 2 November 1985 Mr EVANS

hsp

Prime Minister

FORECASTS OF RETAIL FOOD PRICES

I am writing to report on recent movements in retail food prices and to set out our latest forecasts of the Retail Food Price Index to March 1986.

The rate of increase in the Food Price Index has declined from 3½ per cent in the year to 2.9 per cent in October. The wet summer generated plentiful supplies of most fresh vegetables and prices are below those of a year ago. Prices of most meats are also weaker. For manufactured food, prices are now beginning to reflect the lower price of imported raw materials.

The Food Price Index is expected to rise by less than half^a per cent to December and the annual rate of increase to remain at about 3 per cent. Higher prices of bread, reflecting the domestic shortage of breadmaking wheat, are already coming through. However, prices of most other manufactured foods are expected to remain fairly stable with the possibility of price reductions for some commodities such as tea, margarine and cooking fats. Prices of lamb are likely to fall and supplies of most other fresh foods are expected to be ample.

The pattern of fairly stable food prices is expected to carry through to March 1986 and, because prices at the beginning of this year rose relatively sharply, the annual rate of increase in the Food Price Index is forecast to fall to about 1½ per cent. Inevitably I must qualify this prediction by indicating that it assumes average winter weather conditions. But having said this there is now the prospect over the coming quarter of very small annual increases in food prices. This picture is related to the fact that average prices received by farmers in 1985 were below those in 1984; the first time there has been such a fall since the late 1960s.

I am copying this letter to the Cnancellor of the Exchequer, the Secretary of State for Employment and the PUSS (CCA), Department of Trade and Industry.

Michael Jopling

MICHAEL JOPLING



DEPARTMENTS OF INDUSTRY AND TRADE
 - COMMON SERVICES
 1 Victoria Street London SW1H 0ET
 Telephone Direct Line 01-215 3055
 Switchboard 01-215 7877

Mrs R Lomax
 Principal Private Secretary
 Chancellor of the Exchequer
 H M Treasury
 Parliament Street
 LONDON
 SW1P 3AG

The 2 volumes (A & B) omitted by me. 2 volumes in 2 parts. Any comments on draft press notice. Re 25/11. 20 November 1985

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

Publication is set for Monday 25 November at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Friday 22 November 1985 and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

W. E. Boyd
 W E BOYD

To:

MINISTER FOR TRADE

From:

P J STIBBARD
US/S2
Room V/258 - 215-5574

19 November 1985

C. To note, exp X. (Wm present, R No AS, takes etc export (income) R 20/11

OVERSEAS TRADE FIGURES FOR OCTOBER

THE CURRENT ACCOUNT

In October both exports and imports were valued at £6317 million so that visible trade, seasonally adjusted on a balance of payments basis, showed a zero balance compared with a deficit of £230 million in September.

The Central Statistical Office project a surplus of £400 million for invisibles in October so that the current account too is provisionally estimated to have been in surplus by £400 million - again about £230 million higher than in September. For the first ten months of this year, the current account shows a surplus of £1.7 billion. The 'Autumn Statement' current account forecast for the whole of 1985, published a week ago, is a surplus of £3 billion.

X

Table 1

	CURRENT ACCOUNT					Current Account Balance
	Visible Trade Balances			Invisibles Balance	(£ million)	
	Oil	Non-oil	Balance			
1983	+6976	-7812	-836	+4003	+3167	
1984	+7136	-11237	-4101	+5036	+935	
1985 May-Jul	+2344	-2384	-40	+1337	+1297	
Aug-Oct	+2029	-2494	-465	+1200	+735	
1985 Aug	+626	-862	-236	+400A	+164A	
Sep	+644	-873	-230	+400A	+170A	
Oct	+760	-759	0	+400A	+400A	

A = Projection

In the three months ended October, there was a deficit on visible trade of £0.5 billion - a deficit of £2.5 billion on non-oil trade offset by a surplus on trade in oil of £2.0 billion. Between the three months ended July and the latest three months the deficit on visible trade increased by £0.4 billion - the surplus on oil fell by £0.3 billion and the deficit on non-oil trade increased by £0.1 billion.

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and personal
until release of press notice on 2.5 NOV 85 at 11.30 a.m.

EXPORTS

The value of exports in October was £210 million (3½ per cent) higher than in September. Exports of oil rose by £89 million and exports of the erratic items rose by £47 million. Excluding trade in oil and the erratic items, exports in October were £74 million (1½ per cent) higher than in September reflecting increases in exports of chemicals and capital goods.

Table 2

EXPORT VOLUME INDEX NUMBERS (1980 = 100)
Seasonally adjusted

	BOP BASIS		OTS BASIS					
	Total Trade	Basic Materials	Fuels	Semis	Motor Cars	-Manufactures excluding erratic- Passenger Other Consumer	Inter- mediate	Capital
1983	103.8	101.0	147.7	102.3	85.6	96.4	92.2	91.4
1984	112.3	106.6	159.1	112.1	82.4	109.3	105.1	102.4
1985 May-Jul	119.0	102	167	117	105	116	120	109
Aug-Oct	115.7	113	167	115	94	112	121	101
1985 Aug	113.4	104	163	113	73	112	124	103
Sep	114.6	129	163	112	103	110	120	97
Oct	119.1	106	176	119	106	112	119	104

Between the three months ended July and the latest three months, export volume fell by 3 per cent to a level 1½ per cent higher than a year earlier. The underlying level of non-oil export volume has fallen since the beginning of the year but the October figures suggest that the rate of fall may be diminishing.

By value, exports fell by 6 per cent in the latest three months. Exports to the European community countries increased by 2½ per cent but exports to the rest of Western Europe fell by 15 per cent and exports to North America fell by 17 per cent.

IMPORTS

The value of imports in October was £20 million (½ per cent) lower than in October. Imports of oil fell by 5½ per cent but imports of non-oil goods were virtually unchanged. Within the total for non-oil goods, imports of manufactures excluding the erratic items fell marginally with higher arrivals of semi-manufactured goods being offset by a fall in imports of finished manufactures.

SECRETand personal
until release of press notice on **25 NOV 85** at 11.30 a.m.

Table 3

IMPORT VOLUME INDEX NUMBERS (1980 = 100)
Seasonally adjusted

	BOP BASIS	OTS BASIS	-Manufactures excluding erratics- Passenger						Inter- mediate	Capital
			Total Trade	Basic Materials	Fuels	Semis	Motor Cars	Other Consumer		
1983	109.7	104.6	66.8	123.3	125.5	124.9	136.2	153.		
1984	121.6	101.8	85.4	137.1	120.0	140.9	161.5	173.		
1985 May-Jul	123.6	96	73	142	143	137	170	186		
Aug-Oct	124.6	107	76	148	116	142	173	182		
1985 Aug	123.3	102	75	154	122	140	175	176		
Sep	124.7	106	74	142	118	144	169	190		
Oct	125.7	113	79	149	109	141	176	178		

Total import volume increased by 1 per cent between the three months ended July and the latest three months to a level 4½ per cent lower than a year earlier. Excluding oil and the erratic items import volume rose by 2 per cent in the latest three months. There are now stronger indications that the underlying level of non-oil import volume has been rising in recent months.

By value, imports fell by 4 per cent in the latest three months. Imports from the developed countries as a whole were 3 per cent down with imports from North America (down 11 per cent) showing the largest fall. Imports from the European Community countries rose by 1 per cent. Imports from the developing countries fell by 10 per cent partly reflecting a drop in oil imports.

TERMS OF TRADE AND UNIT VALUES

The terms of trade increased by 2½ per cent in the latest three months. The export unit value index fell by 2 per cent and the import unit value index fell by 4 per cent. Compared with the same period a year ago, the export unit value index has increased by 2 per cent while the import unit value index has fallen by 2 per cent. As a result the terms of trade is now 4 per cent higher than a year ago.

Table 4

	TERMS OF TRADE AND UNIT VALUES		(1980 = 100)
	Unit value indices		BOP BASIS
	Exports	Imports	Terms of Trade
1983	125.7	127.5	98.6
1984	136.0	139.5	97.5
1985 May-Jul	144.3	145.9	98.9
Aug-Oct	141.5	139.8	101.2
1985 Aug	141.9	140.1	101.3
Sep	141.7	140.2	101.1
Oct	140.8	139.1	101.2

SECRET

and personal

until release of press notice on ~~2.5 NOV. 85~~ at 11.30 a.m.

Export unit values for fuels fell by $9\frac{1}{2}$ per cent in the latest three months and those for basic materials fell by 8 per cent. These sectors continue to account for most of the overall decline in export unit values. Unit values for semi-manufactured goods fell by 1 per cent in the latest three months while those for finished manufactures increased marginally.

While import unit values for fuels and for basic materials (both down 8 per cent) continued to show the greatest fall, all of the broad sectors recorded a fall in import unit values in the latest three months. Those for chemicals (down $1\frac{1}{2}$ per cent) and for finished manufactures (down 2 per cent) showed the smallest falls.

TRADE IN MANUFACTURES

Estimates of trade in manufactures on a balance of payments basis for October will be published in the Monthly Review of External Trade Statistics. On present estimates there was a deficit of £0.8 billion on trade in manufactures in the latest three months compared with a deficit of £0.6 billion in the previous three months. The cumulative deficit for the first ten months of 1985 is estimated at £2.8 billion compared with a deficit of £3.4 billion in the first ten months of 1984. The 'Autumn Statement' forecast for the whole of 1985 is a deficit of £3½ billion.

Table 5

TRADE IN MANUFACTURES (SITC 5-8) (Balance of payments basis)

			£ million Seasonally adjusted
	Exports	Imports	Balance
1983	40173	42437	-2264
1984	46573	50358	-3786
1985 May-Jul	13237	13839	-602
Aug-Oct	12472	13248	-775
1985 Aug	4062	4414	-352
Sep	4122	4437	-316
Oct	4288	4396	-107

PUBLICATION

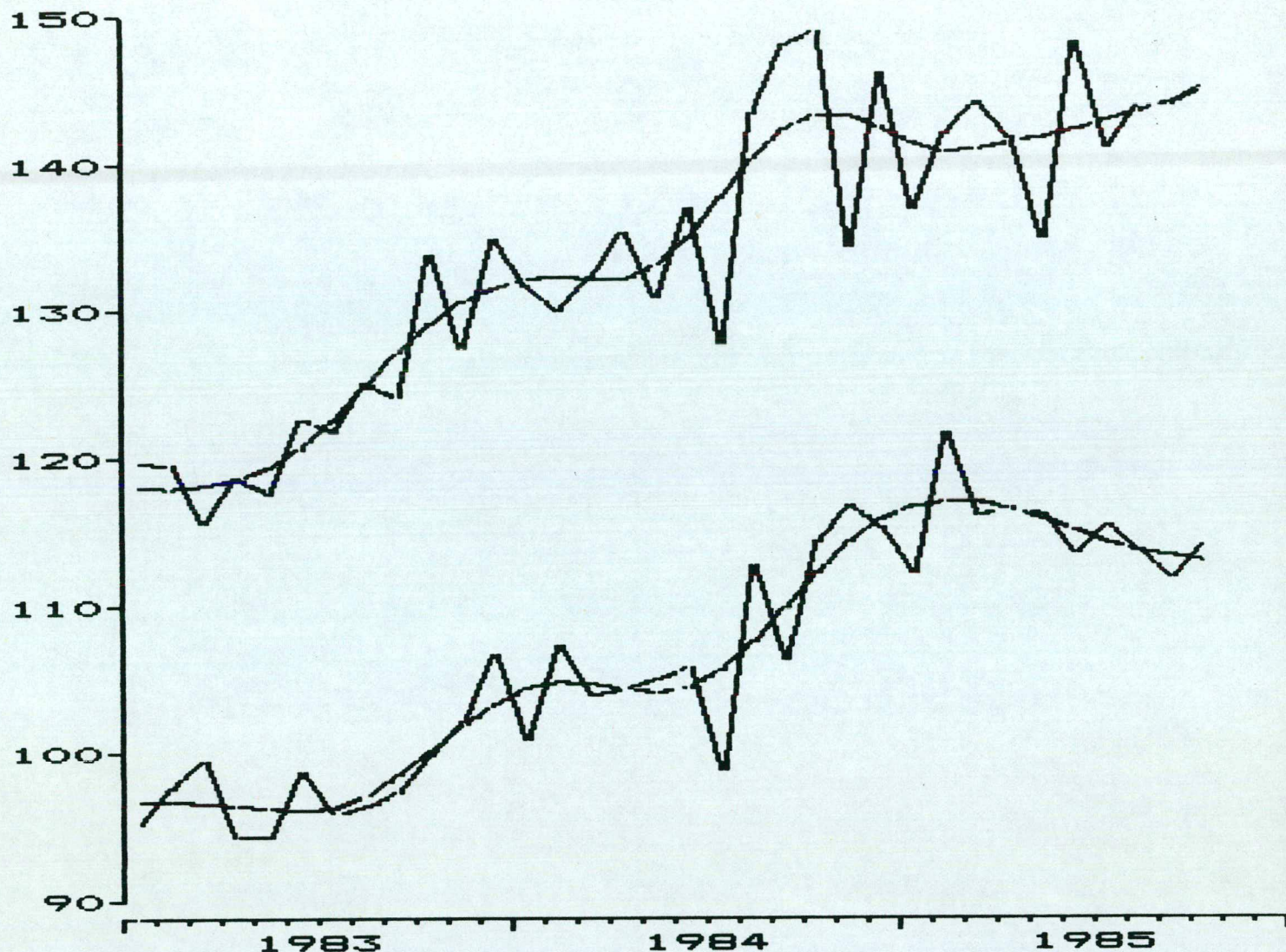
The release of the press notice containing the October figures has been set for Monday 25 November at 11.30 am.

W. E. Boyd for

P J STIBBARD

SECRET and PERSONAL until release of press notice
on 25 Nov 85 at 11.30am and thereafter unclassified

VOLUME INDICES OF UK VISIBLE TRADE



UPPER PLOT SHOWS IMPORTS LESS OIL AND ERRATICS (INCLUDING TREND)

LOWER PLOT SHOWS EXPORTS LESS OIL AND ERRATICS (INCLUDING TREND)

ON A BALANCE OF PAYMENTS BASIS . 1980 = 100 . SEASONALLY ADJUSTED

CIRCULATION LIST

Copy No 1 Minister for Trade
2 Prime Minister
3 Chancellor of the Exchequer
4 Secretary of State for Trade and Industry
5 Sir Robert Armstrong (Cabinet Office)
6 Sir Brian Hayes (Dept of Trade and Industry)
7 Sir Peter Middleton (HM Treasury)
8 Governor of the Bank of England
9 Chairman of the Board of HM Customs and Excise
10 Mr J Hibbert (CSO)
11 Mr Finlinson (HM Customs and Excise)
12 Mr A Croxford (CSO)
13 Mr P Walker (HM Treasury)
14 Mr Barrell (HM Treasury)
15 Mr McIntyre (CSO)
16 Dr P Rice (Dept of Energy)
17 Mr H H Liesner)
18 Mr P Stibbard)
19 Mr W E Boyd)
20 Mr E J Wright) Dept of Trade and Industry
21 Mr A R Hewer)
22 Ms F Deuchars)
23 Mr Webb)
24 Mr D B Packer



To:

MINISTER FOR TRADE

From:

P J STIBBARD
US/S2
Room 258 - 215 5574

14 November 1985

OVERSEAS TRADE FIGURES FOR OCTOBER 1985: EXPORTS

The value of exports in October, seasonally adjusted on a balance of payments basis, is estimated at £6317 million, £210 million (3½ per cent) higher than in September. Exports of oil rose by £89 million (7½ per cent) and exports of the erratic items rose £47 million (14 per cent).

Excluding trade in oil and erratics, exports in October were £74 million (1½ per cent) higher than in September, reflecting increases in exports of chemicals and capital goods.

In the three months ending October, export volume was 3 per cent lower than in the previous three months but 1½ per cent higher than a year earlier. The underlying level of non-oil export volume /October has fallen since the beginning of the year but the /figures suggest that the rate of fall may be diminishing.

Recent export figures are shown in the attached table. Graphs showing movements in export volume over the past two years are also attached.

Import data for October are not yet available. A further note describing imports and exports in October will be circulated on Tuesday 19 November.

Peter Stibbard

P J STIBBARD

=====

EXPORTS

(Balance of payments basis; seasonally adjusted)

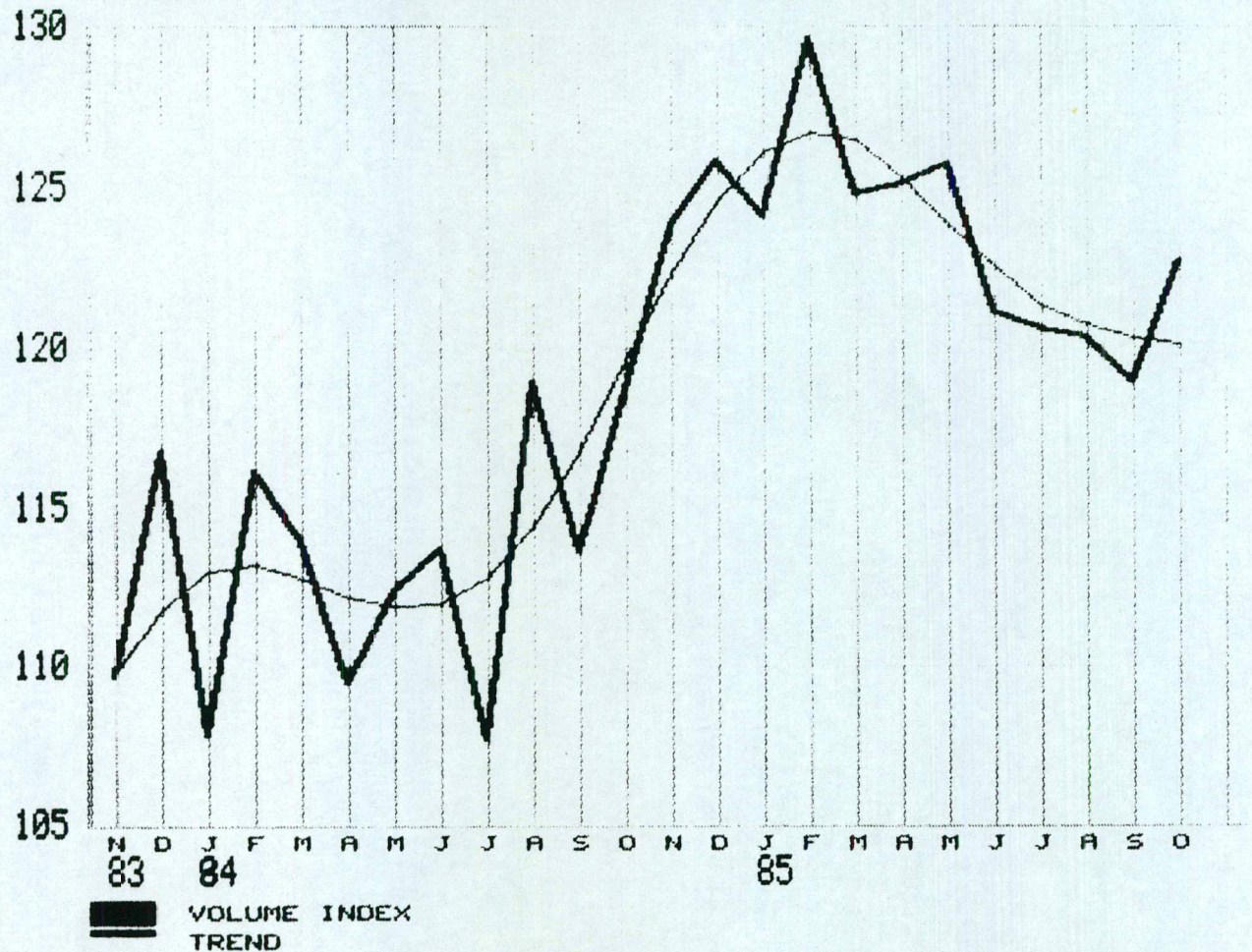
=====

	---TOTAL TRADE---		EXCLUDING --OIL & ERRATICS--	
	VALUE £m	VOLUME (1980=100)	VALUE £m	VOLUME (1980=100)
1984 Q3	17451	110.0	12634	105.9
Q4	19312	119.6	13990	115.4
1985 Q1	20295	120.5	14641	116.7
Q2	20251	120.6	14584	115.4
Q3	18481	115.0	14148	113.6

1985 MAY	6803	121.7	4897	116.2
JUN	6529	118.4	4743	113.5
JUL	6334	117.0	4818	115.4
AUG	6040	113.4	4714	113.7
SEP	6107	114.6	4617	111.9
OCT	6317	119.1	4690	114.0

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM ON 25.11.85

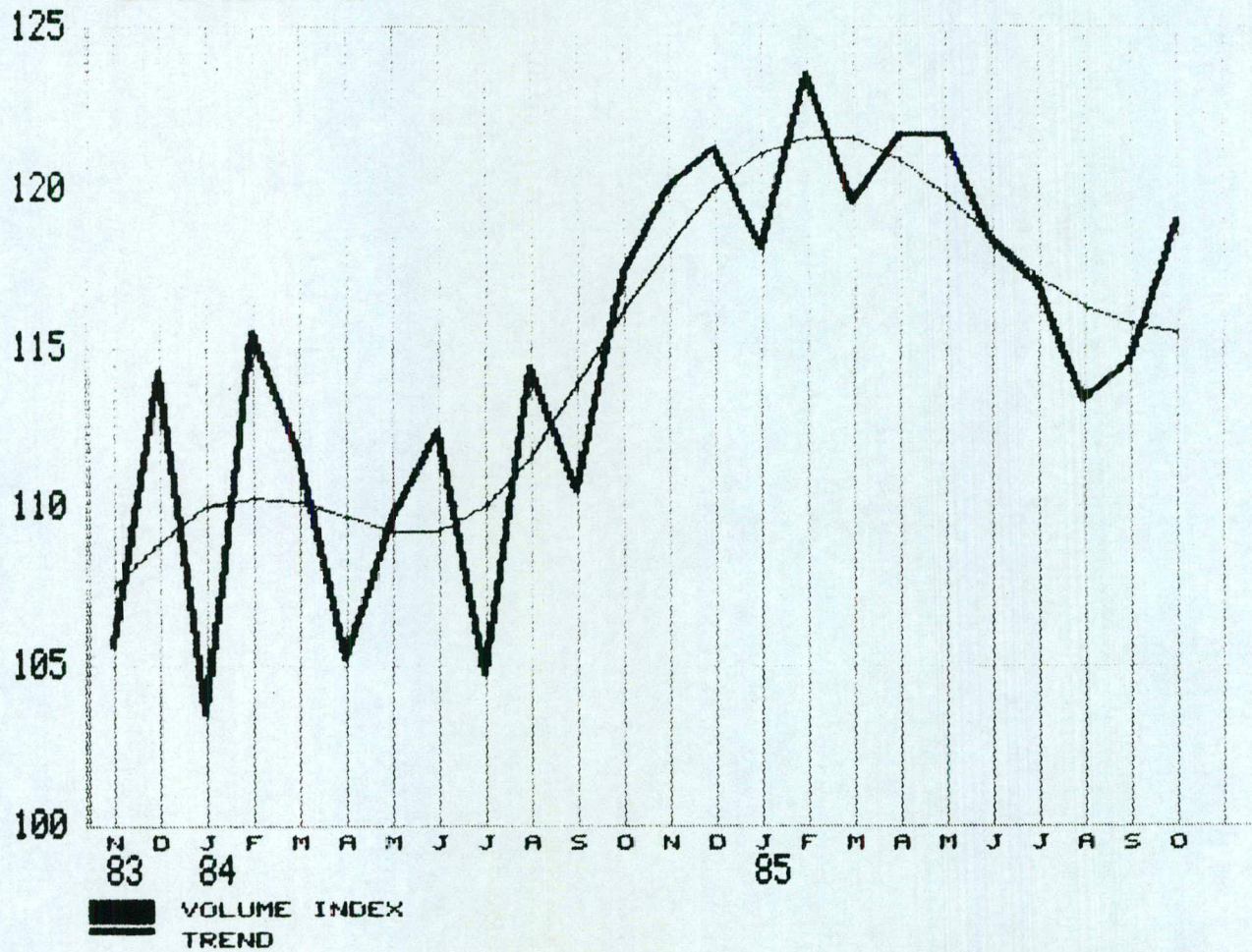
EXPORTS LESS ERRATICS



FIGURES ARE ON A BALANCE OF PAYMENTS BASIS, 1980 = 100, SEASONALLY ADJUSTED

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11 30AM 25 11 85

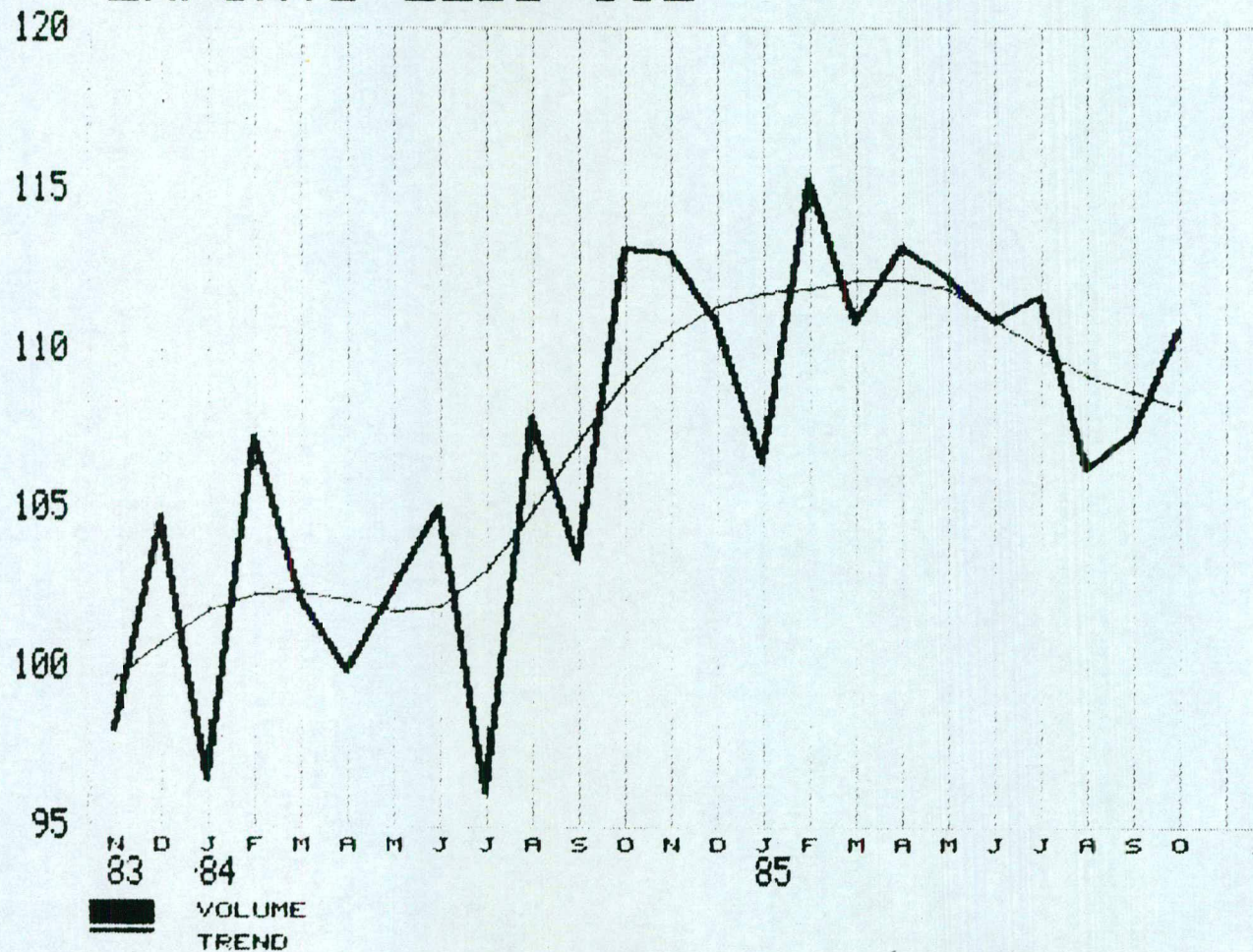
EXPORTS



FIGURES ARE ON A BALANCE OF PAYMENTS BASIS, 1980 = 100, SEASONALLY ADJUSTED

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM 25.11.85

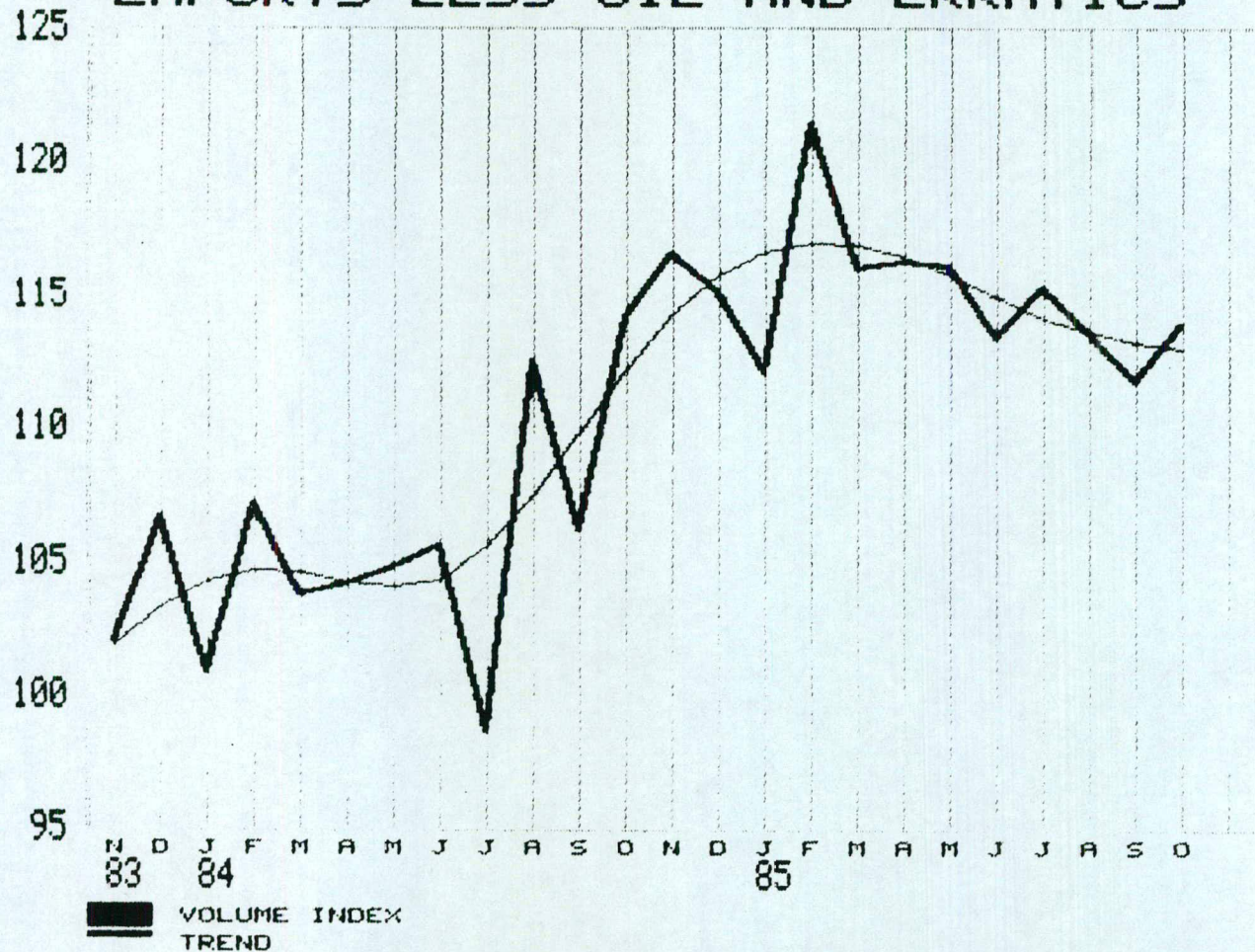
EXPORTS LESS OIL



FIGURES ARE ON A BALANCE OF PAYMENTS BASIS, 1980=100, SEASONALLY ADJUSTED

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM 25.11.85

EXPORTS LESS OIL AND ERRATICS



FIGURES ARE ON A BALANCE OF PAYMENTS BASIS, 1980=100, SEASONALLY ADJUSTED

INTERNAL NOTE

CIRCULATION LIST

Copy No 1 Minister for Trade
2 Prime Minister
3 Chancellor of the Exchequer ✓
4 Secretary of State for Trade and Industry
5 Sir Robert Armstrong (Cabinet Office)
6 Sir Brian Hayes (Dept of Trade and Industry)
7 Sir Peter Middleton (HM Treasury)
8 Governor of the Bank of England
9 Chairman of the Board of HM Customs and Excise
10 Mr J Hibbert (CSO)
11 Mr Finlinson (HM Customs and Excise)
12 Mr A Croxford (CSO)
13 Mr P Walker (HM Treasury)
14 Mr Barrell (HM Treasury)
15 Dr P Rice (Dept of Energy)
16 Mr H H Liesner)
17 Mr P Stibbard)
18 Mr W E Boyd)
19 Mr E J Wright) Dept of Trade and Industry
20 Mr A R Hewer)
21 Ms F Deuchars)
22 Mr Webb)
23 Mr D B Packer

SECRET AND PERSONAL
until 11.30 am on Monday 25 November 1985
then CONFIDENTIAL

From : P M Walker

Date : 22 November 1985

cc as attached list

1. MR KELLY *Approved in draft*
2. CHANCELLOR *C.*

*Content with
line to take?*

OCTOBER TRADE FIGURES *OK*

The October trade figures will be released at 11.30 am on Monday 25 November 1985. *Rm 22/11*

2. The current account was in surplus by an estimated £400 million (cf a surplus of £170 million in September). This was all accounted for by the projected invisible surplus. Visible trade was in exact balance. The cumulative current account surplus in the first ten months of the year is £1.7 billion.

Summary

3. Notable features are :-

(i) October is only the second month in 1985 that visible trade has not been in deficit. Compared with September there was both a higher oil surplus and a lower non-oil deficit;

(ii) total export volumes rose by 4 per cent, with manufacturing up by 3½ per cent. The rate of fall in non-oil export volumes may now be diminishing (see chart). In the 3 months to October they were 1½ per cent below the previous 3 months, 2 per cent above the same period last year;

(iii) non-oil import volumes in the 3 months to October were 2 per cent higher than the previous 3 months. They were 1½ per cent below the same period last year, because of the very high imports in October and November 1984,

which were partly due to the change in VAT recording procedures;

(iv) after 10 months, the manufacturing trade deficit stands at £2.8 billion compared with £3.4 billion at the same time last year. The Industry Act forecast for 1985 of a £3.5 billion deficit looks broadly correct;

(v) the oil trade surplus of £760 million is £125 million above September, nearly back to the level before the extended summer maintenance programme;

Further details are in the table at annex.

Trade Prices

4. Import prices are now 10 per cent below their March peak. The rate of decline decreased in October. Export prices, especially for manufactured goods, have been more stable over the last few months. The resulting 4 per cent improvement in the terms of trade has been largest in manufactured goods and in food.

October

Import prices

	<u>Actual</u>	<u>Peak (March)</u>	<u>% Change</u>
Manufacturing	137	146	- 6.2
Basic Materials	118	145	-19
Food	132	144	- 8.3
Fuel	157	193	-19.7
<hr/>			
Total	139.1	154.4	-10.0
Total (excl oil)	137.4	149.1	- 7.8
<hr/>			
ERI	80.4	73.4	+ 9.5
<hr/>			

Comparison with Autumn Statement Forecast

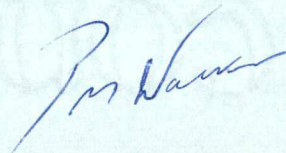
5. The October figures are consistent with the Autumn Statement forecast of a £3 billion current account surplus for 1985 as a whole. We shall have to take account in the published figures of an upward revision to the services balance for the first half of 1985 of around £200 million.

Effect on Markets

6. The markets are expecting a trade deficit of the order of £175 million and a current account surplus of something like £250 million. The slightly better figures are unlikely to have any significant impact.

Press Briefing

7. I should be grateful for clearance of the attached press briefing.



P M WALKER

SECRET AND PERSONAL
until 11.30 am on Monday 25 November 1985
then UNCLASSIFIED

DRAFT BRIEFING FOR IDT

Positive

1. The current account was in healthy surplus by £400 million.
2. October was the seventh successive month of current account surplus, following the erratic March deficit reflecting coal strike effects.
3. Fall in import unit value index of 4 per cent in latest 3 months will maintain downward pressure on UK inflation.
4. October is only second month this year (after May) when visible trade has not been in deficit.

Defensive

1. Export volumes falling

[Export volumes fell 3 per cent in latest 3 months].

Some fall from the peak recorded in early 1985 was to be expected. Figures suggest that the rate of fall may be diminishing. Export volumes still 1½ per cent higher than a year earlier.

2. Industry Act forecast

[Industry Act forecasts £3 billion current account surplus for 1985 as a whole. Cumulative surplus of £1.7 billion in year to date].

Figures consistent with forecast. In recent years, there have been particularly large current account surpluses in Q4.

3. Manufacturing trade deficit

[Industry Act forecasts £3½ billion deficit for 1985. Deficit Jan-Oct of £2.8 billion].

Deficit on manufacturing offset by substantial surplus on oil and invisibles. Oil surplus bound to mean some adjustment to structure

SECRET AND PERSONAL
until 11.30 am on Monday 25 November 1985
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of balance of payments. UK manufacturing output (up 4 per cent in 1984 and forecast to grow another 2½ per cent in both 1985 and 1986) a more important indicator of industrial performance than trade balance.

SECRET AND PERSONAL

until 11.30 am on Monday 25 November 1985

then CONFIDENTIAL

TABLE 1: CURRENT ACCOUNT

ANNEX 1

	£ billion						
	1984	May-July 1985	Aug-Oct 1985	Aug	Sept	Oct	Jan-Oct 1985
Oil	+ 7.1	+ 2.3	+ 2.0	+ 0.6	+ 0.6	+ 0.8	+ 6.9
Non-oil	-11.2	- 2.4	- 2.5	- 0.9	- 0.9	- 0.8	- 9.0
Total visible trade	- 4.1	-	- 0.5	- 0.2	- 0.2	-	- 2.0
o/w trade in manufactures (BOP basis)	- 3.8	- 0.6	- 0.8	- 0.4	- 0.3	- 0.1	- 2.8
Invisibles	+ 5.0	+ 1.3	+ 1.2*	+ 0.4*	+ 0.4*	+ 0.4*	+ 3.8
Current Account	+ 0.9	+ 1.3	+ 0.7	+ 0.2	+ 0.2	+ 0.4	+ 1.7

* projection

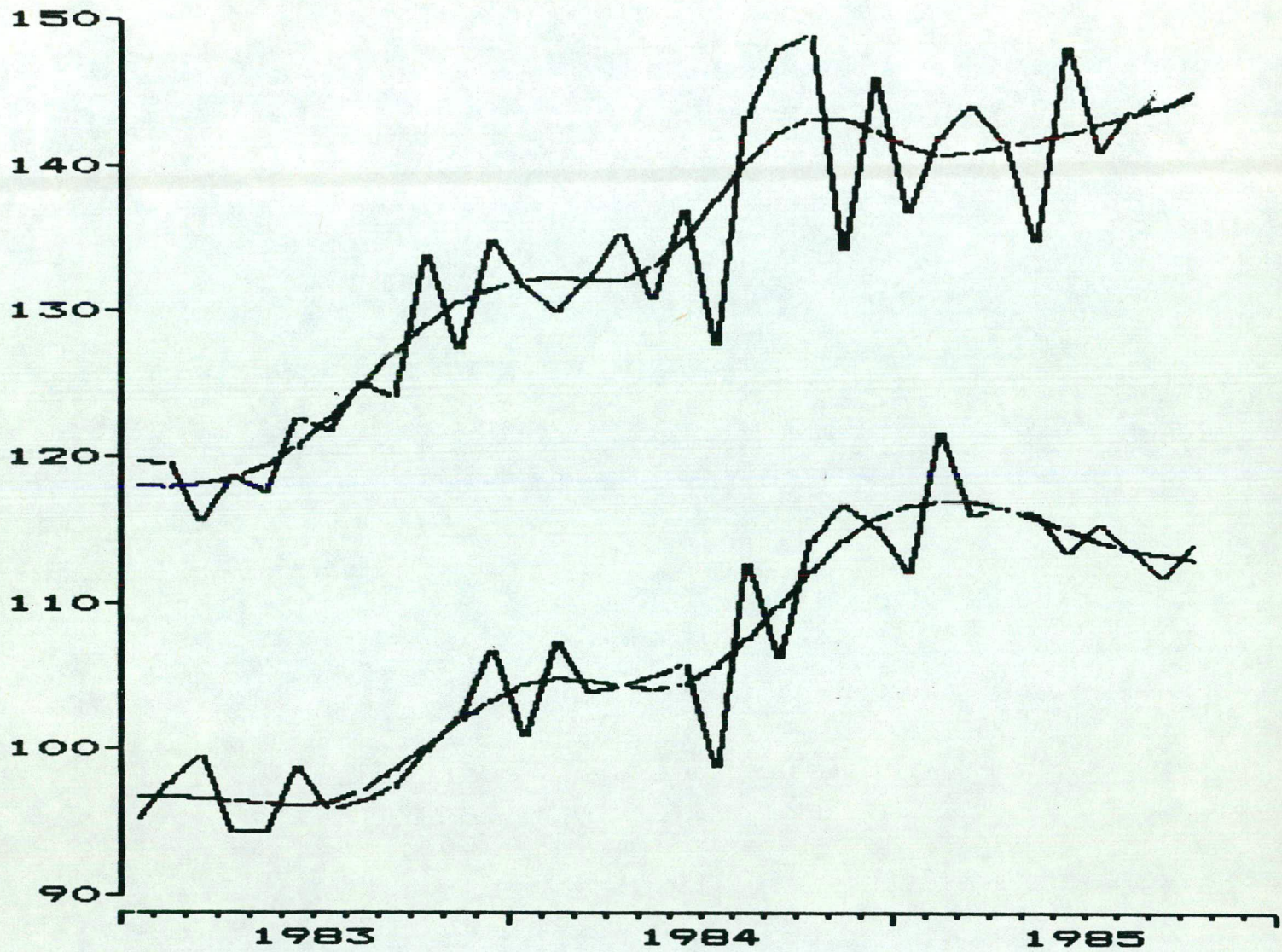
Note: figures may not sum correctly due to rounding

TABLE 2: EXPORTS AND IMPORTS (percentage change)

	Oct on Sept	Aug-Oct on May-July	Aug-Oct 1985 on Aug-Oct 1984
i. <u>Exports</u>			
Total value	+3½	- 6	+ 1½
Total volume (BOP basis)	+4	- 3	+ 1½
Total volume excl oil and erratics (BOP basis)	+2	-1½	+ 2
o/w manufacture (excl erratics)	+3½	-2½	+ 2
Fuels (volume)	+8	-	+10
ii <u>Imports</u>			
Total value	-½	-4	- 7½
Total volume (BOP basis)	+1	+1	- 4½
Total volume excl oil and erratics (BOP basis)	+1	+2	- 1½
o/w manufacture (excl erratics)	+½	+1	-
Fuels (volume)	+5½	+3½	-24

SECRET and PERSONAL until release of press notice
25 Nov 85 at 11.30am and thereafter unclassified

VOLUME INDICES OF UK VISIBLE TRADE



UPPER PLOT SHOWS IMPORTS LESS OIL AND ERRATICS (INCLUDING TREND)
LOWER PLOT SHOWS EXPORTS LESS OIL AND ERRATICS (INCLUDING TREND)
ON A BALANCE OF PAYMENTS BASIS . 1980 = 100 . SEASONALLY ADJUSTED

TRADE FIGURES FOR OCTOBER 1965

Advance Circulation

Chancellor of the Exchequer	Mr C Kelly
Chief Secretary	Miss O'Mara
Economic Secretary	Mr Culpin
Sir P Middleton	Mr S Robson
Sir G Littler	Mr Mowl
Sir T Burns	Mr Segal
Mr Lavelle	Mr Barrell
Mr Cassell	
Mr H P Evans	Mr Gill - Bank
Mr Fitchew	Mr Norgrove - No 10
	Miss Deuchers - DTI

Circulation after 11.30 am on MONDAY 25 NOVEMBER

Financial Secretary	Mr P Patterson
Minister of State	Mr Matthews (EF)
Mr Bailey	Mr Shaw
Mr Byatt	Mr C Pickering
Mr Lankester (Washington)	Mr Lord
Mr Sedgwick	Mr Davies
Mr Odling-Smee	
Mr Melliss	
Mr Riley	

COVERING SECRET AND PERSONAL



DEPARTMENTS OF INDUSTRY AND TRADE
- COMMON SERVICES

1 Victoria Street London SW1H 0ET
Telephone Direct Line 01-215 3055
Switchboard 01-215 7877

Mrs R Lomax
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

C / OK?

18 December 1985

R 18/12 OK ✓

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

Publication is set for Friday 20 December at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Thursday 19 December and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton.

Yours sincerely

A W E BOYD

COVERING SECRET AND PERSONAL

SECRET AND PERSONAL
 until 11.30 am on Friday 20 December 1985
 then CONFIDENTIAL

Date: 19 Dec 85

1. MR KELLY *approved in draft*
J. S. Kelly
 2. CHANCELLOR *19/12* cc as attached list

*C. Content with
 press briefing?*

*OK.
 A note in X, Pk.
 M.*
Rm 19/12

NOVEMBER TRADE FIGURES

The November trade figures will be released on 20 December 1985

2. The current account was in surplus by £259 million (c.f. £400 million surplus in October). There was a deficit of £141 million on visible trade and a projected invisibles surplus of £400 million. The cumulative current account surplus for the year to date is £2.8 billion.

Summary

(i) the underlying level of non-oil export volumes appears to have flattened out after declining since the early months of the year (see chart). Volumes (excluding erratics) fell by $\frac{1}{2}$ per cent in the latest three months but stood 1 per cent above the same period a year ago;

(ii) non-oil import volumes in the 3 months to November were $1\frac{1}{2}$ per cent higher than the previous 3 months and 2 per cent above the same period last year. The underlying level has been rising for most of the year;

(iii) after 11 months, the manufacturing trade deficit stands at £3.1 billion, compared with £3.4 billion in the first eleven months of 1984. With the deficit running at about £300 million a month, the Autumn Statement forecast for 1985 of a £3.5 billion deficit for 1985 looks broadly correct;

(iv) the oil trade surplus of £675 million was £85 million below October. A reduction in exports was apparently due to a combination of increased domestic consumption and stock building.

(v) Import prices (see table) are still falling with basic material prices continuing their rapid decline although the fall in food prices seems to have stopped. These falls continue to help prospects for inflation.

	<u>November</u>	<u>Peak (March)</u>	<u>% fall</u>
Manufactures	136	146	7
Basics	116	145	20
Food etc	132	144	8
Fuel	150	193	22
ERI	80.0	73.4	9

Export prices remain relatively stable. Those for manufactures and food are only just below their peak values, although prices of basic materials and food have fallen considerably. The improvement in the overall terms of trade since March is 6½ per cent, which is better than forecast.

Further details are in the table at annex.

4. Substantial upward revisions have been made to the invisible figures for the first 9 months of the year. Further revisions are likely. One problem we already know about for this quarter in BP's announcement that they plan to write off £600 million in their US subsidiary Sohio. This, when it happens, will reduce IPD correspondingly (and was not of course explicitly included in the forecast). But it is not yet clear quite how, or when, BP propose to handle it nor the extent to which it will be offset by other changes. Given the uncertainties, the £400 million surplus projected for the months of Q4 and the estimates for earlier quarters are retained.

Comparison with Autumn Statement forecast

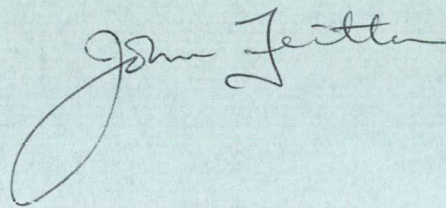
5. The Autumn Statement forecast a visible trade deficit of £2 billion for 1985 as a whole. The deficit for the first 11 months is £2.2 billion. Within this, the surplus on oil and the deficit on other goods are both higher than anticipated. Volumes of non-oil exports are lower than forecast. The current account in the first 11 months is in surplus by £2.8 billion compared to a forecast of £3 billion for the year as a whole. Even if the full Sohio write-off is taken in Q4, it will not be incorporated in the figures until Q4 invisibles are published next March, when there will be offsetting upward revisions.

Effect on markets

6. The markets are expecting a trade deficit of the order of £100 million and a current account surplus of some £300 million. The figures are slightly worse than this but are unlikely to have any significant market impact.

Press briefing

7. I should be grateful for clearance of the attached press briefing.



J E FLITTON

SECRET AND PERSONAL
until 11.30 am on Friday 20 December 1985
then UNCLASSIFIED

DRAFT BRIEFING FOR IDT

Positive

1. The current account was again in surplus, by £259 million.
2. Current account surplus in every month this year apart from the erratic March deficit which reflected coal strike effects.
3. Fall in import unit value index of 3 per cent in latest 3 months will maintain downward pressure on UK inflation.
4. Upward revisions to invisibles increased current account surplus in first nine months from £1.3 billion to £2.2 billion.

Defensive

1. Export volumes falling

[Export volumes down 4 per cent since February peak.]

Some fall from the peak recorded in early 1985 was to be expected. Figures suggest that rate of fall has levelled off in recent months. Export volumes still 1 per cent higher than a year earlier.

2. Autumn Statement forecast

[AS forecasts £3 billion current account surplus for 1985. Cumulative surplus of £2.8 billion in year to date.]

Figures mean forecast virtually certain to be met. Precise outcome depends on size and timing of changes on invisibles account. [IF PRESSED ON SOHIO: refer detailed questions to CSO. Invisibles projection incorporates some of the Sohio effect - full effect uncertain. Offsetting revisions in other areas.]

3. Manufacturing trade deficit

[Autumn Statement forecasts £3½ billion deficit for 1985. Deficit Jan-Nov of £3.1 billion].

Deficit on manufacturing offset by substantial surplus on oil and invisibles. Oil surplus bound to mean some adjustment to structure of balance of payments. UK manufacturing output (up 4 per cent in 1984 and forecast to grow another 2½ per cent in both 1985 and 1986) a more important indicator of industrial performance than trade balance.

SECRET AND PERSONAL

until 11.30 am on Friday 20 December 1985

then CONFIDENTIAL

TABLE 1: CURRENT ACCOUNT

ANNEX 1

	£ billion							
	1984	June-Aug 1985	Sept-Nov 1985	Sept	Oct	Nov	Jan-Nov 1985	
Oil	+ 7.1	+ 2.1	+ 2.1	+ 0.6	+ 0.8	+ 0.7	+ 7.6	
Non-oil	- 11.2	- 2.7	- 2.4	- 0.9	- 0.8	- 0.8	- 9.8	
Total visible trade	- 4.1	- 0.5	- 0.4	- 0.2	-	- 0.1	- 2.2	
o/w trade in manufactures (BOP basis)	- 3.8	- 0.9	- 0.8	- 0.3	- 0.1	- 0.3	- 3.1	
Invisibles	+ 5.2	+ 1.7	+ 1.4	+ 0.6	+ 0.4*	+ 0.4*	+ 5.0	
Current Account	+ 1.1	+ 1.2	+ 1.0	+ 0.3	+ 0.4	+ 0.3	+ 2.8	

* projection

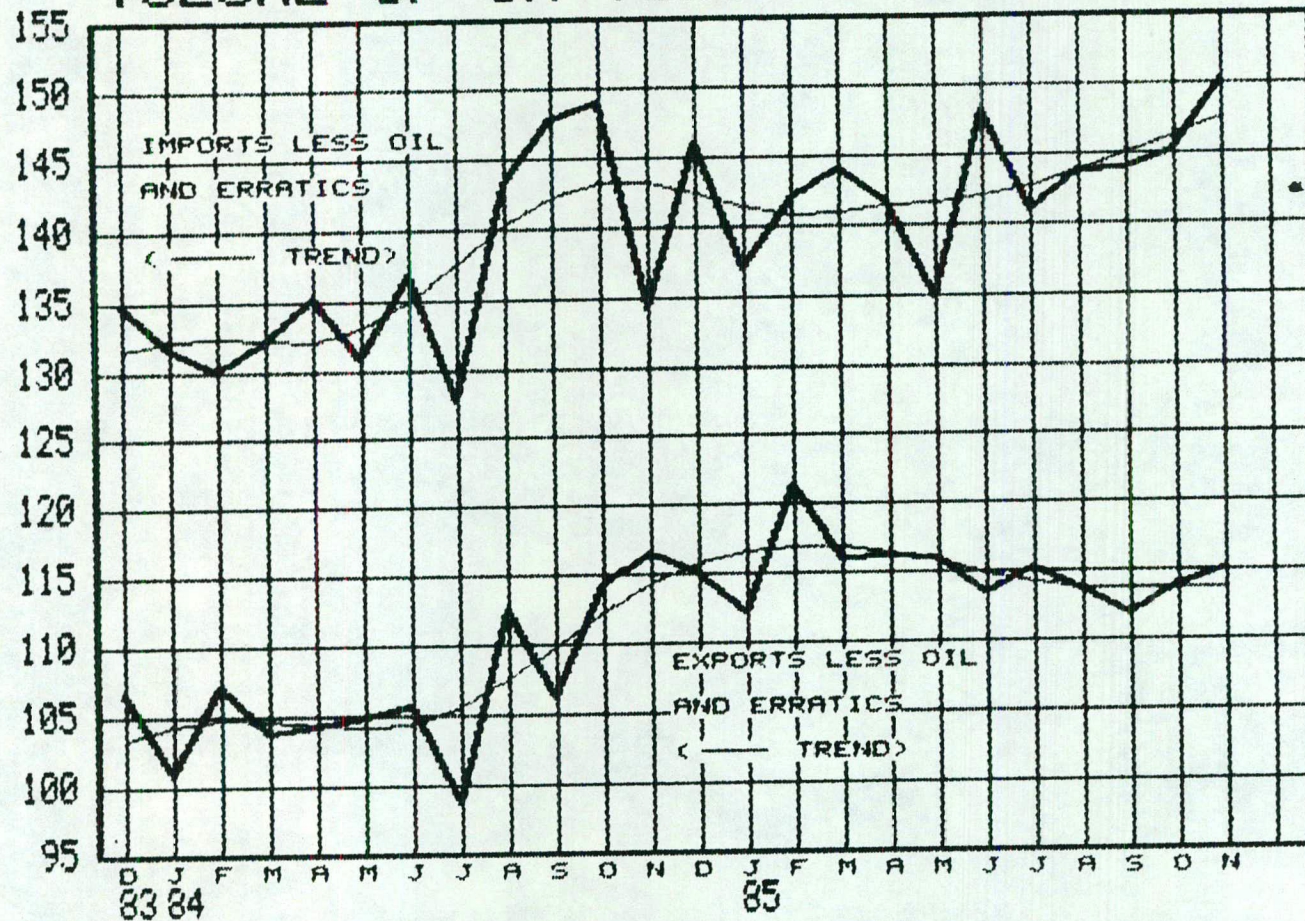
Note figures may not sum correctly due to rounding

TABLE 2: EXPORTS AND IMPORTS (percentage change)

	Nov on Oct	Sept-Nov on June-Aug	Sept-Nov 1985 on Sept-Nov 1984
<u>i. Exports</u>			
Total value	- 1/2	- 1	+ 1/2
Total volume (BOP basis)	- 1/2	+ 1	+ 1
Total volume excl oil and erratics (BOP basis)	+ 1	- 1/2	+ 1
Manufactures (excl erratics) OTS basis	- 2 1/2	- 2	- 1/2
Fuels (volume)	- 6 1/2	+ 4	+ 8
<u>ii Imports</u>			
Total value	+ 2	- 1 1/2	- 7
Total volume (BOP basis)	+ 2 1/2	+ 1 1/2	- 2 1/2
Total volume excl oil and erratics (BOP basis)	+ 3 1/2	+ 1 1/2	+ 2
Manufactures (excl erratics) OTS basis	+ 7 1/2	+ 1	+ 4
Fuels (volume)	- 3 1/2	+ 8	- 26

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM ON 20.12.85

VOLUME OF UK VISIBLE TRADE



VOLUME INDICES ON A BALANCE OF PAYMENTS BASIS, 1980 = 100,
SEASONALLY ADJUSTED

TRADE FIGURES FOR NOVEMBER 1985

Advance Circulation

Chancellor of the Exchequer	Miss O'Mara
Chief Secretary	Mr Culpin
Economic Secretary	Mr S Robson
Sir P Middleton	Mr Mowl
Sir G Littler	Mr Segal
Sir T Burns	Mr Barrell
Mr Lavelle	
Mr Cassell	Mr Gill - Bank
Mr H P Evans	Mr Norgrove - No 10
Mr Fitchew	Miss Deuchers - DTI
Mr C Kelly	

Circulation after 11.30 am on Friday 20 December 1985

Financial Secretary	Mr P Patterson
Minister of State	Mr Matthews (EF)
Mr R Butler	Mr Shaw
Mr Byatt	Mr C Pickering
Mr Lankester (Washington)	Mr Lord
Mr Sedgwick	Mr Davies
Mr Odling-Smee	
Mr Melliss	
Mr Riley	

FROM: P M WALKER

DATE: 20 December 1985

1. MR C W KELLY
2. CHANCELLOR

cc Ms Lemmessany
Mr Flitton
Mr Croxford CSO

NOVEMBER TRADE FIGURES: SOHIO

The £600 million write-off mainly covers the cost of restructuring Sohio's loss-making mining operations. The total write-off is \$1.2 billion, which suggests that BP is either taking a higher proportion than its 55 per cent stake in Sohio warrants, or writing-off other items at the same time.

2. BP are likely to take the £600 million as an extraordinary item in Q4. The figure they report to the DTI for insertion in the IPD account is profit after extraordinary items. This figure will therefore be £600 million below expectations. DTI practice is generally to take the write-off in the same period that the company takes it.

3. This is reflected for Q4 invisibles:

Balances	Q3 (estimated)	Q4 (projected)
Services	1,763	1,874
IPD	881	154
Transfers less refunds	-939	-1,000
Total	1,705	1,028

The quarterly projection of £1,028 million suggests a rounded monthly figure of £350 million. the £400 million figure was chosen because:

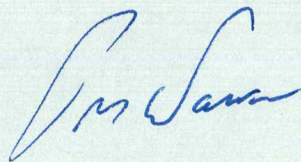
- (i) Whether or not BP attribute the whole write-off to Q4 will not be known until they publish their Q4 accounts on 20 February. Spreading the write-off over any longer period would make the Q4 figure too low.

(ii) If a ^{monthly} £350 million projection ^{for 24} takes account of the whole £600 million write-off, a £400 million projection takes account of £450 million of the write-off.

(iii) So far as the year as a whole is concerned, the CSO know of £250 million of further upward revisions to invisibles for the first three quarters.

(iv) £400 million is the projection used for most months since December last year.

4. In conclusion, with a current account surplus of £2.8 billion for the year to date, the £3 billion Autumn Statement forecast should be met even if the full £600 million is taken in Q4.



P M WALKER

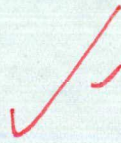
To:

(Circulation list attached)

PS/SECRETARY OF STATE

From:

R M NORTON
Head/Branch 3
Business Statistics Office
NEWPORT
Gwent
GTN: 2068:2069



2 January 1986

RETAIL SALES: FINAL ESTIMATE FOR NOVEMBER

A Press Notice giving the final estimate for retail sales for November is attached for information.

2. The final index for November is marginally above the August peak. Recent month to month movements have been erratic but suggest some slackening in growth since the summer although sales remain strongly up on the previous year.

3. The Notice will be published at 11.30 am on Monday 6 January. As usual, the contents should be treated as confidential until then.

R M NORTON

Reference

just

To:

SECRETARY OF STATE

(Circulation list attached)

From:

P H RICHARDSON
S2C
Room 242
Sanctuary Buildings
215 3704
3 January 1986

CREDIT BUSINESS IN NOVEMBER

A Press Notice giving details of credit business in November 1985 is attached for information. This will be issued at 11.30 am on Monday, January 6. As usual, the contents should be treated as confidential until then.

Richardson
P H RICHARDSON

*Copy for every use
said.*

*Re.
3/1*

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	MR SCHOLAR
	MR PRATT
	MR PICKERING



CABINET OFFICE

Central Statistical Office

Great George Street, London SW1P 3AQ Telephone 01-233 6117

From the Director: J. Hibbert

8 January 1986

Dear Chancellor,

I have great pleasure in enclosing a copy of the latest edition of 'Social Trends'. It is under embargo until it is published on 9 January.

'Social Trends' brings together a wide range of the latest available data on social changes relevant to social policy. It is a valuable comprehensive brief on the broader context within which specific policies are considered. The latest General Household, Family Expenditure and Labour Force Surveys continue to provide invaluable, up-to-date information, helping to keep 'Social Trends' topical. Last year The Times in an editorial said "It is both a bargain and an economical tribute to the quality of Britain's official statistics".

You may recall that four years ago my predecessor, John Boreham, wrote to you encouraging the use of 'Social Trends' as widely as possible. I would also wish to encourage its use which can save time and money, as civil servants can refer to a wide range of information within its covers which might otherwise involve them in extensive searching. The price is the same for the fifth year running, while the size has increased slightly, so 'Social Trends 16' is excellent value.

If you discover gaps in data when using 'Social Trends', I would be very grateful if you would let me know. Such comments are invaluable in trying to improve the quality and usefulness of the publication.

Yours sincerely

J HIBBERT

Chancellor of the Exchequer
The Rt Hon Nigel Lawson MP
Treasury Chambers
Parliament Street
LONDON SW1

*These: Nigel-
Mack
Morgan
PST
Mr
Mo'm
C. Law
To be aware
of publication tomorrow.
It is a great tome,
which I sent to Margaret,
rather than weighing you
down with it. Doubtless
she will alert us if it
contains anything bad.
R
8/1*

[Handwritten initials]