Part 5

ALT

SECRET

Confidential Filing

Forthcoming Announcements and Publications
The Paymaster General's Calender of Events Exercise

GOVERNMENT MACHINERY
Part 1: Aug 1979
Part 5: Sept 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~1.9.89~~		~~1.8.90~~					
~~4.6.89~~		~~10.8.90~~					
~~15/9/89~~		~~14.8.90~~					
~~13.10.89~~		~~17.8.90~~					
~~24.11.89~~		~~27.9.90~~					
~~5.1.90~~		~~11.10.90~~					
~~12.1.90~~		~~17.10.90~~					
~~26.1.90~~		~~8.3.91~~					
~~7.2.90~~		~~9.5.91~~					
~~9.2.90~~		~~5.6.91~~					
~~16.2.90~~		~~3.7.91~~					
~~20.2.90~~		~~10.7.91~~					
~~2.3.90~~		~~17.7.91~~					
~~16.3.90~~		Part ends					
~~23.3.90~~							
~~30.3.90~~							
~~12.4.90~~							
~~25.4.90~~							
~~8.5.90~~							
~~16.5.90~~							
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~~19.6.90~~							
~~13.7.90~~							
~~18.7.90~~							

PREM 19/3367

Dd 8398366 2M 11/83 JET

PART 5 ends:-

DSS to BP 22 7 91

PART 6 begins:-

Dundrum 13 8 91

SW/5905p+/1

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

POLICY IN CONFIDENCE

Barry Potter Esq
Private Secretary
10 Downing Street
SW1

22 July 1991

Dear Barry,

ANNOUCEMENTS

There have been some developments since my letter of 17 July to Murdo Maclean and I thought it might be helpful to update you, and copy recipients on our plans for this week.

The following announcements are now planned.

Cold Weather Stations

Changes to some of the weather stations used for determining entitlement to cold weather payments. Meets some of the criticisms which have been levelled at the current arrangement. Written answer and press release planned for tomorrow.

Payment of Benefit Pending Approval to Court of Appeal and Beyond

The Department has traditionally withheld payment of benefit in cases where an adjudicating authority has ruled against the Department but an appeal is pending. This has normally been applied to 'look-alike' cases as well. The legal basis on which we do this has been challenged in a number of cases involving the payment of Invalid Care Allowance and Severe Disablement Allowance to women aged 60-64. It has become clear that we cannot rely with absolute confidence on the current regulations to enable us to suspend payments in this way where the appeal is to the Court of Appeal or a higher court. We will therefore be announcing, by written PQ tomorrow or on Wednesday, our intention to amend the regulations to put this power beyond doubt. We will also announce (subject to HMT agreement) that, in the meantime, the current regulations will not be used to suspend the payment of benefit. Although the latter part of the announcement will be good news to the individuals affected, the plan to amend the regulations may

SW/5905p+/2

E.R.

well be misrepresented as mean-minded. It is, perhaps, worth mentioning that the Prime Minister steered the original legislation through the House in 1986 and the need to amend the regulations could, of course, be misrepresented as a departure from the policy he outlined at that time.

Pensioners' Incomes

Written answer tomorrow on growth on pensioners' incomes between 1979 and 1988: shows continued real growth overall compared to 1987 figures but there is a real-terms fall compared to 1987 for the poorest pensioners. Some adverse comment therefore likely.

Unemployment Benefit: Actively Seeking Work

Publication of research into the actively seeking work rule for benefits for the unemployed. Likely to be fairly low key but contains some unhelpful quotes and findings. Our current plan is to publish tomorrow with a press release from the researchers and, possibly, a written answer.

Child Support Bill

Assuming that we get Royal Assent on Thursday we aim to have a press release.

Copies of this note go to Tim Sutton and Murdo Maclean.

Yours
Alan

ALAN WOODS
Private Secretary

GOVT MEXICO: Fortheoming Amendments 105

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000

From the Secretary of State for Social Security

CCPY Press

POLICY IN CONFIDENCE

Murdo Maclean Esq
Private Secretary to the
Government Chief Whip
12 Downing Street
London
SW1

17 July 1991

Dear Murdo,

ANNOUNCEMENTS: 18-25 JULY

There are no candidates for oral Statements from DSS but we expect to make the following announcements/publications:

- publication of report into Housing Benefit Review Boards. There are some negative aspects, but the research is already in the public domain so unlikely to be much attention. No PQ or Press Release intended, publication 18 July;

- publication of Government response to the Social Security Select Committee report on Benefits for Disabled People. There will be a low-key Press Release but no PQ. May attract some attention but is unlikely to be controversial, publication 22 July;

- publication of Government response to Select Committee report on Child Maintenance Agreements. Unlikely to attract significant adverse comment. Possible dates 23 or 24 July;

- publication of report on Invalid Care Allowance. Likely to be very low key - no adverse publicity expected. Publication on 19 July;

- publication of research into the actively seeking work role for UB and IS. Likely to be fairly low key (press release by researchers only) and adverse comment expected to be minimal. Possible publication 23/24 July;

E.R.

- probable written answer next week announcing that the Secretary of State will use his statutory powers to suspend payment of invalid care allowance and severe disablement allowance to some 4000 women claimants aged 60-65 pending an appeal by DSS against a Court of Appeal decision that they are entitled to these benefits. This is essentially a technicality; payment has already been withheld pending appeals since a Commissioner ruled in favour of people in this category in 1989. However, we need to change the legal basis on which we are doing this to make clear that it is the Secretary of State powers rather than the adjudicating officers powers which are being used. Some adverse media coverage is likely.

- written answer on growth in pensioners' incomes between 1979 and 1988: shows continued real growth overall compared to 1987 figures but there is a real-terms fall compared to 1987 for the poorest pensioners. Some adverse comment therefore likely.

Copies go to Tim Sutton (Lord President's office) and Barry Potter (No 10).

Yours

Alan

ALAN WOODS
Private Secretary

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 1

MONDAY 1 JULY	TUESDAY 2 JULY	WEDNESDAY 3 JULY	THURSDAY 4 JULY	FRIDAY 5 JULY	SAT/SUN 6/7 JULY
			#Business Initiatives in Crime Prevention Report (HO) #John Gummer meets National Food Alliance; and "Wildlife Links" on whaling (MAFF) #Michael Howard speaks to IEA/IOD conf; at TEC Conference, Birmingham (to 5 July) (DEmp) #Norman Lamont gives IEA lecture (HMT) #Peter Lilley on regional visit to West Midlands (DTI) #Tony Newton at Queen Elizabeth Foundation for Disabled presentation (DSS) +Stephen Dorrell addresses Assn of Community Health Councils annual conf (DH) #Roger Freeman addresses AM Channel Tunnel conf (DTp) +Edward Leigh speaks on Consumer Policy (DTI) ?	#Kenneth Baker visits Crime Concern, Swindon; visits HMP Shepton Mallet (HO) +William Waldegrave visits Southend Healthcare Services & two Southend fundholding GP practices (DH) +Virginia Bottomley addresses conf at Guy's & Lewisham Trust (DH) #Lynda Chalker in Paris for bilaterals with French Aid Minister (ODA) #David Trippier addresses ACOPS conference, Brussels (DOE)	#David Mellor speaks to Tory Reform Group (HMT) #Douglas Hurd visits South Africa (to 11 July) (FCO)

Ch. General. It appears that there is further work in John., especially undated.

I have put these notes as items but we need more of a steer a strength.

Also there seems to be quite a lot during January week. She may be related but, again, we need more details.

JH.

Source:

+ No.12 Return
* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 2

MONDAY 8 JULY	TUESDAY 9 JULY	WEDNESDAY 10 JULY	THURSDAY 11 JULY	FRIDAY 12 JULY	SAT/SUN 13/14 JULY
#ECOFIN, Brussels (Norman Lamonts) (HMT) #National Savings Childrens Bonus Bond launched (HMT) #Kenneth Baker at PC Laurence Brown memorial; hosts second lunch on crime & criminality; at meeting re Commissioner's annual report (HO) #Virginia Bottomley at first full meeting of AIDS Action Group (DH) #Lynda Chalker opens UN High Commission for refugees Group (ODA)	#Announcement of transport environmental policy framework and initiatives (DTp) #Michael Howard addresses Education and Personnel conf, Birmingham (DEmp) #John MacGregor addresses Conservative Women's National Parliamentary Cttee (LP) #David Mellor speaks to Institute of Medical Ethics (HMT) *Malcolm Rifkind speaks on transport and the environment at Sunday Times Global Environment Conference (DTp)	#Treasury response to PAC report on the elderly (HMT) #Environment Select Cttee publishes report on inquiry into indoor air pollution (DOE) #Peter Lilley meets Dutch Foreign Trade Minister; speaks to Business Forum of the European Movement; meets Indian Confederation of Engineering Council (DTI) #William Waldegrave visits Epsom Health Care Trust (DH) #Lord Ferrers addresses Assn of Metropolitan Authorities conf on role of police authorities (HO) *Mr Fallon to issue circular on truancy (DES)	#Launch of Medicines Control Agency as Next Steps agency (DH) *Mr Clarke to attend positive Europe Group Dinner (DES)	#Kenneth Baker at annual debate "Policing of London" (HO) #Michael Heseltine meets Devon and Exeter Councils (DOE) *Mr Newton to lay package of income related benefit negative SIs (DSS)	

Source:

\+ No.12 Return
* PM's Return
\# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 3

MONDAY 15 JULY	TUESDAY 16 JULY	WEDNESDAY 17 JULY	THURSDAY 18 JULY	FRIDAY 19 JULY	SAT/SUN 20/21 JULY
#G7 Summit (to 17 July) (PM)	#Anglo-Irish IGC, Dublin (FCO)	*Anti drug smuggling initiative? (HO)	*Mr Clarke at CLEA Conference (DES)	Pm S/S on Gorbachev/G7.	
#William Waldegrave addresses post-grad medical deans' conf (DH)	#Launch of refurbished underground trains on Bakerloo, Victoria and District LT lines (Malcolm Rifkind) (DTp)	Is this G7 related? If not will it get swamped.	*Publication of MORI Research findings on benefit provisions for 16/17 year olds (DSS)	- If possible will be swamped by Gorbachev.	
*Mr Eggar to speak on GEST inner cities annoucements (DES)	#Tony Newton meets National Children's Home re 16/17 year olds (DSS)				
	#Tony Baldry gives keynote address to Assn of Municipal Engineers' annual conference (DOE)				
	*Mr Clarke to announce Regulations on Teacher Appraisal (DES)	Will it get covered!			

Source:

+ No.12 Return
* PM's Return
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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 4

MONDAY 22 JULY	TUESDAY 23 JULY	WEDNESDAY 24 JULY	THURSDAY 25 JULY	FRIDAY 26 JULY	SAT/SUN 27/28 JULY
*Mr Clarke to announce initial reaction to SEAC proposals on Testing 7 and 14 year olds (DES)	*Mr Newton to publish Annual Report on Social Fund (DSS)	*Mr Howarth to announce decision on dual support system (DES)			

Source:

+ No.12 Return
* PM's Return
# MIO

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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 5

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT/SUN
29 JULY	30 JULY	31 JULY	1 AUGUST	2 AUGUST	3/4 AUGUST
	*Mr Clarke at PAT Conference (DES)				

Source:

+ No.12 Return
* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

ANNOUNCEMENTS EXPECTED IN JULY

+Mr Scott to announce Disability Benefits Package (DSS)

+Mr Lilley to make statement on an agreed purchaser of ECGD Insurance Services (DTI)

+Chancellor to make statement on Bank Lending practices (HMT)

+Mr Newton to comment on the publication of the pension ombudsman's First Report (DSS) Report (DSS)

+Mr Clarke to answer PQ on Premature Retirement of School Teachers in England and Wales (DES)

+Mr Heseltine to issue Consultation Paper on Local Authority Internal Management Problems (DOE)

+Sir George Young to answer PQ on 1992/93 Estate Action Programme (DOE) Any?

+Mr Trippier to announce Results of European Bathing Water Survey (DOE)

*Mr Rifkind to make a statement on preferred route of High Speed Channel Rail Link (DTp)

*Mr Clarke to announce draft proposals for music, art and PE studies (DES) Any?

*Mr Fallon to announce Section 42 League Tables (DES) Any.

*Publication of the Richard Bertoud Study on independent Benefit for men and women (DSS)

*Announcement of award for training to the National Council for One-Parent Families (at time of Royal Assent to Child Support Bill) (DSS)

*Publication of SPPRU Report on Housing Benefit Review Boards (DSS)

*NAD Report on National Insurance (DSS)

*Mr Newton to answer PQ on Publication of 1990 National Customer Survey (DSS) Aug. (4 June)

*Announcement on Future of Parcel Force (DTI)

*Mr Lilley to answer PQ on recognition of supervisory bodies and professional qualifications for auditors (DTI)

*ACOST Report on Advance Manufacturing Technology (DTI)

*Legislation on Multi-disciplinary partnerships (DTI)

*Mr Hunt will answer PQ on exemption on the teaching of Welsh in the National Curriculum (WO)

*Assessment arrangements for Various subjects in Welsh schools (WO)

*Statement on the Publication of Final Report of Review of Secure Care for Young People in Wales (WO)

*Statement on the Provisional Local Government Financial Settlement for 1991/92 (WO)

*Mr Hunt to answer PQ on the Agenda For Action for Housing in Wales (WO) Any?

*Publication of consultation document on nuclear R & D Programmes (DEn)

*Government response to Energy Select Committee report on energy efficiency (DEn)

(NO SPECIFIED DATE)

*Launch of Coal Task Force consultative report on clean coal technology (DEn) Any?

*Mr Moynihan to Chair First meeting of Renewable Energy Advisory Group (DEn)

*Foreign and Commonwealth Office Initiatives:
Arms Control
Disaster Relief
Aid and Good Government (FCO) 67?

*Press Briefing on Public Spending in advance of Autumn Statement (HMT)

*Mr Lamont to announce ways of developing a high street retail market for shares (HMT) Any?

*Government reponse to TSRB on Parliamentary Pensions (LP)

Source:
+ No.12 Return
* PM's Return
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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 6

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT/SUN
12 AUGUST	13 AUGUST	14 AUGUST	15 AUGUST	16 AUGUST	17/18 AUGUST
	*Mr Clarke to announce decision on future of HMI (DES)				

Source:
+ No.12 Return
* PM's Return
# MIO

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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 7

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT/SUN
19 AUGUST	20 AUGUST	21 AUGUST	22 AUGUST	23 AUGUST	24/25 AUGUST
	*Mr Eggar to launch consultation on diploma proposals (DES)				

Source:
+ No.12 Return
* PM's Return
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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

ANNOUNCEMENTS EXPECTED IN AUGUST

(NO SPECIFIED DATE)

*Invalid Care Allowance - publication of new carers client leaflet (DSS)

*Contributions Agency - Contributors and Employers Charter (DSS)

*Announcement of awards in Fouth Landward Licensing Round (DEn)

*Announcement of energy efficiency labelling of domestic electrical appliances (DEn)

*Publication of annual Reports of newly privatised electricity companies (Board Members salaries?) (DEn)

Source:
+ No.12 Return
* PM's Return
# MIO

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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

ANNOUNCEMENTS EXPECTED IN SEPTEMBER

*On going Review of Contributions Agency Network (DSS)

*Mr Wakeham to speak at Offshore Europe Dinner (DEn)

*Mr Heathcoat-Amory to address Neighbourhood Energy Action's Annual Conference (DEn)

*Mr Heathcoat Amory to address International Energy Agency Coal Science Conference (DEn)

(NO SPECIFIED DATE)

Source:
+ No.12 Return
* PM's Return
# MIO

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

AT

File

POLICY IN CONFIDENCE

Murdo Maclean Esq
Private Secretary to the
Government Chief Whip
12 Downing Street
London
SW1

10 July 1991

Dear Murdo,

ANNOUNCEMENTS 11-19th JULY

We have no candidates for oral statements but expect to make the following announcements/publications:-

- publication of MORI research into benefit provision for 16/17 year olds (written PQ); likely to attract critical comment (probable date 16 July)

- publication of a large package of statistics (Annual Statistical Enquiry, Take-up Estimates for 1987, Tax/Benefit Model Tables) together with the Government response to the Social Security Select Committee's first report on Households Below Average Income (possible written PQ, probably next week)

- publication of the National Customer Survey (written PQ); may attract some adverse comment (next week or the following one)

- publication of the Secretary of State's annual report on the Social Fund, the Social Fund Commissioner's annual report and new directions for Social Fund Officers. Likely to attract some adverse comment (written PQ) (possible dates 17/18 July or the following week).

Copies go to Tim Sutton (Lord President's office) and Barry Potter (No 10).

Yours,

Alan

ALAN WOODS
Principal Private Secretary

10 JUL '91 16:31 P.002

TJS/AG

CCPS

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

4 July 1991

Dear Andrew,

POLICY ANNOUNCEMENTS

We spoke about this. I enclose a copy of the letter I have prepared, revised to take account of discussion in Cabinet this morning. As you see, it addresses the narrow point about needing to avoid a log jam of Oral Statements in the last week before the Recess.

Copy to Sonia Phippard.

Yours ever,

T J SUTTON
Principal Private Secretary

Andrew Turnbull Esq
PPS/Prime Minister
10 Downing Street
London SW1

PRIME MINISTER

AUGUST

It would be helpful if you could mention two requirements at Cabinet. This would enable references to be recorded in the minutes which we could use as the basis for chasing up.

i. Departments should have adequate Ministerial cover during August and the first two weeks of September. This means there should be not just a duty Minister but someone working in the Department every day who can respond quickly to stories as they break and can get quickly to a TV studio. You should ask Departments to let Cabinet Office know of their plans.

ii. There should be a steady flow of announcements over this period. At present we face a massive pile up of announcements at the end of July (A) and a thin flow during August (B). This is shown clearly in the attached schedule which the Chief Whip's Office have collated from three different sets of returns, the responses to your personal minutes on policy announcements, the regular returns by Information Officers, and returns which the Chief Whip's Office have set up to identify potential statements for Parliament. You should ask colleagues to consider which of the July statements could be postponed into the recession and indicate that No 10 will be writing with some suggestions. These are marked with a D (for delay).

The Lord President will be raising under Parliamentary Affairs the problem of congestion of Oral Statements at the end of July. Your remarks would follow naturally from that.

AT

ANDREW TURNBULL

3 July 1991

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CONFIDENTIAL

(2)

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 1

MONDAY 1 JULY	TUESDAY 2 JULY	WEDNESDAY 3 JULY	THURSDAY 4 JULY	FRIDAY 5 JULY	SAT/SUN 6/7 JULY
			#Business Initiatives in Crime Prevention Report (HO) #John Gummer meets National Food Alliance; and "Wildlife Links" on whaling (MAFF) #Michael Howard speaks to IEA/IOD conf; at TEC Conference, Birmingham (to 5 July) (DEmp) #Norman Lamont gives IEA lecture (HMT) #Peter Lilley on regional visit to West Midlands (DTI) #Tony Newton at Queen Elizabeth Foundation for Disabled presentation (DSS) +Stephen Dorrell addresses Assn of Community Health Councils annual conf (DH) #Roger Freeman addresses AM Channel Tunnel conf (DTp) +Edward Leigh speaks on Consumer Policy (DTI)	#Kenneth Baker visits Crime Concern, Swindon; visits HMP Shepton Mallet (HO) +William Waldegrave visits Southend Healthcare Services & two Southend fundholding GP practices (DH) +Virginia Bottomley addresses conf at Guy's & Lewisham Trust (DH) #Lynda Chalker in Paris for bilaterals with French Aid Minister (ODA) #David Trippier addresses ACOPS conference, Brussels (DOE)	#David Mellor speaks to Tory Reform Group (HMT) #Douglas Hurd visits South Africa (to 11 July) (FCO)

Source:

\+ No.12 Return
* PM's Return
\# MIO

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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 2

MONDAY 8 JULY	TUESDAY 9 JULY	WEDNESDAY 10 JULY	THURSDAY 11 JULY	FRIDAY 12 JULY	SAT/SUN 13/14 JULY
#ECOFIN, Brussels (Norman Lamonts) (HMT) #National Savings Childrens Bonus Bond launched (HMT) #Kenneth Baker at PC Laurence Brown memorial; hosts second lunch on crime & criminality; at meeting re Commissioner's annual report (HO) #Virginia Bottomley at first full meeting of AIDS Action Group (DH) #Lynda Chalker opens UN High Commission for refugees Group (ODA) PM Speech a environment	#Announcement of transport environmental policy framework and initiatives (DTp) #Michael Howard addresses Education and Personnel conf, Birmingham (DEmp) #John MacGregor addresses Conservative Women's National Parliamentary Cttee (LP) #David Mellor speaks to Institute of Medical Ethics (HMT) *Malcolm Rifkind speaks on transport and the environment at Sunday Times Global Environment Conference (DTp)	#Treasury response to PAC report on the elderly (HMT) #Environment Select Cttee publishes report on inquiry into indoor air pollution (DOE) #Peter Lilley meets Dutch Foreign Trade Minister; speaks to Business Forum of the European Movement; meets Indian Confederation of Engineering Council (DTI) #William Waldegrave visits Epsom Health Care Trust (DH) #Lord Ferrers addresses Assn of Metropolitan Authorities conf on role of police authorities (HO) *Mr Fallon to issue circular on truancy (DES)	#Launch of Medicines Control Agency as Next Steps agency (DH) *Mr Clarke to attend positive Europe Group Dinner (DES)	#Kenneth Baker at annual debate "Policing of London" (HO) #Michael Heseltine meets Devon and Exeter Councils (DOE) *Mr Newton to lay package of income related benefit negative SIs (DSS)	

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* PM's Return
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CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 3

MONDAY 15 JULY	TUESDAY 16 JULY	WEDNESDAY 17 JULY
#G7 Summit (to 17 July) (PM)	#Anglo-Irish IGC, Dublin (FCO)	*Anti drug smuggling initiative? (HO)
#William Waldegrave addresses post-grad medical deans' conf (DH)	#Launch of refurbished underground trains on Bakerloo, Victoria and District LT lines (Malcolm Rifkind) (DTp)	
*Mr Eggar to speak on GEST inner cities annoucements (DES)	#Tony Newton meets National Children's Home re 16/17 year olds (DSS)	
	#Tony Baldry gives keynote address to Assn of Municipal Engineers' annual conference (DOE)	
	*Mr Clarke to announce Regulations on Teacher Appraisal (DES)	

THURSDAY 18 JULY	FRIDAY 19 JULY	SAT/SUN 20/21 JULY
*Mr Clarke at CLEA Conference (DES)		
*Publication of MORI Research findings on benefit provisions for 16/17 year olds (DSS)		

Source:

+ No.12 Return
* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 4

MONDAY 22 JULY	TUESDAY 23 JULY	WEDNESDAY 24 JULY	THURSDAY 25 JULY	FRIDAY 26 JULY	SAT/SUN 27/28 JULY
*Mr Clarke to announce initial reaction to SEAC proposals on Testing 7 and 14 year olds (DES) Cabinet Office	*Mr Newton to publish Annual Report on Social Fund (DSS) Regional	*Mr Howarth to announce decision on dual support system (DES) Local Govt Finance Capital Tax PPB			

Source:

\+ No.12 Return
* PM's Return
\# MIO

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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 5

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT/SUN
29 JULY	30 JULY	31 JULY	1 AUGUST	2 AUGUST	3/4 AUGUST
	*Mr Clarke at PAT Conference (DES)				

Source:

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* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

ANNOUNCEMENTS EXPECTED IN JULY

+Mr Scott to announce Disability Benefits Package (DSS)

+Mr Lilley to make statement on an agreed purchaser of ECGD Insurance Services (DTI)

+Chancellor to make statement on Bank Lending practices (HMT)

+Mr Newton to comment on the publication of the pension ombudsman's First Report (DSS) Report (DSS)

+Mr Clarke to answer PQ on Premature Retirement of School Teachers in England and Wales (DES)

+Mr Heseltine to issue Consultation Paper on Local Authority Internal Management Problems (DOE)

+Sir George Young to answer PQ on 1992/93 Estate Action Programme (DOE)

+Mr Trippier to announce Results of European Bathing Water Survey (DOE)

*Mr Rifkind to make a statement on preferred route of High Speed Channel Rail Link (DTp)

*Mr Clarke to announce draft proposals for music, art and PE studies (DES)

*Mr Fallon to announce Section 42 League Tables (DES)

*Publication of the Richard Bertoud Study on independent Benefit for men and women (DSS)

*Announcement of award for training to the National Council for One-Parent Families (at time of Royal Assent to Child Support Bill) (DSS)

*Publication of SPPRU Report on Housing Benefit Review Boards (DSS)

*NAD Report on National Insurance (DSS)

*Mr Newton to answer PQ on Publication of 1990 National Customer Survey (DSS)

*Announcement on Future of Parcel Force (DTI)

*Mr Lilley to answer PQ on recognition of supervisory bodies and professional qualifications for auditors (DTI)

*ACOST Report on Advance Manufacturing Technology (DTI)

*Legislation on Multi-disciplinary parternships (DTI)

*Mr Hunt will answer PQ on exemption on the teaching of Welsh in the National Curriculum (WO)

*Assessment arrangements for Various subjects in Welsh schools (WO)

*Statement on the Publication of Final Report of Review of Secure Care for Young People in Wales (WO)

*Statement on the Provisional Local Government Financial Settlement for 1991/92 (WO)

*Mr Hunt to answer PQ on the Agenda For Action for Housing in Wales (WO)

*Publication of consultation document on nuclear R & D Programmes (DEn)

*Government response to Energy Select Committee report on energy efficiency (DEn)

(NO SPECIFIED DATE)

*Launch of Coal Task Force consultative report on clean coal technology (DEn)

*Mr Moynihan to Chair First meeting of Renewable Energy Advisory Group (DEn)

*Foreign and Commonwealth Office Initiatives:
Arms Control
Disaster Relief
Aid and Good Government (FCO)

*Press Briefing on Public Spending in advance of Autumn Statement (HMT)

*Mr Lamont to announce ways of developing a high street retail market for shares (HMT)

*Government reponse to TSRB on Parliamentary Pensions (LP)

Source:
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POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

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	*Mr Clarke to announce decision on future of HMI (DES)				

Source:
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* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

WEEK 7

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAT/SUN
19 AUGUST	20 AUGUST	21 AUGUST	22 AUGUST	23 AUGUST	24/25 AUGUST
	*Mr Eggar to launch consultation on diploma proposals (DES)				

Source:
+ No.12 Return
* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

ANNOUNCEMENTS EXPECTED IN AUGUST

(NO SPECIFIED DATE)

*Invalid Care Allowance - publication of new carers client leaflet (DSS)

*Contributions Agency - Contributors and Employers Charter (DSS)

*Announcement of awards in Fouth Landward Licensing Round (DEn)

*Announcement of energy efficiency labelling of domestic electrical appliances (DEn)

*Publication of annual Reports of newly privatised electricity companies (Board Members salaries?) (DEn)

Source:
+ No.12 Return
* PM's Return
# MIO

CONFIDENTIAL

POLICY AND OTHER IMPORTANT ANNOUNCEMENTS

4 JULY - 30 SEPTEMBER 1991

ANNOUNCEMENTS EXPECTED IN SEPTEMBER

*On going Review of Contributions Agency Network (DSS)

*Mr Wakeham to speak at Offshore Europe Dinner (DEn)

*Mr Heathcoat-Amory to address Neighbourhood Energy Action's Annual Conference (DEn)

*Mr Heathcoat Amory to address International Energy Agency Coal Science Conference (DEn)

(NO SPECIFIED DATE)

Source:
+ No.12 Return
* PM's Return
# MIO

AR5548p+

POLICY IN CONFIDENCE

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000

From the Secretary of State for Social Security

Murdo MacLean Esq
Private Secretary
Chief Whip's Office
12 Downing Street
London
SW1

3 July '91

Dear Murdo,

ANNOUNCEMENTS 4-12 JULY

We have, at present, no likely candidates for Statements during this period. The following lower key announcements are in prospect:-

- laying of regulations on the Disability Living Allowance Advisory Board and on the extension of Severe Disablement Allowance to forces families, together with an announcement that further documents on disability will soon be issued for consultation (PQ and press release, tomorrow)

- publication of research on the 'actively seeking work' condition (PQ, probably next week)

- publication of the Government response to the Social Security Select Committee's first report on Households Below Average Income, together with a package of statistical information (take-up estimates for 1987, tax/benefit model tables, annual statistical enquiry). Likely to be either week commencing 8 July or the following week.

- publication of the Treasury minute responding to the PAC report on the elderly (10 July)

In addition, the Social Security Advisory Committee will be consulting on draft regulations designed to prevent potential exploitation of the Severe Disability Premium. This could prove controversial.

P.S. Copies go, as usual, to Barry Potter (no10) and Jennifer Turnbull (Lord President's Office)

Yours,

Alan

ALAN WOODS
Private Secretary

POLICY ANNOUNCEMENTS AND OTHER EVENTS FOR PERIOD ENDING FRIDAY 14 JUNE

Date	Department	Subject	Form of Announcement (Minister involved)
6/6	Health	Providing reassurance about risks of cancer tests	Inspired PQ
6/6	Health	Placing in House Library reply to solicitors acting for HIV positive blood transfusion cases	Inspired PQ
6/6	DOE	Environment Grant Fund Recipients	Inspired PQ
6/6	DTI	Trade Policy	Ministerial Speech Press Release (Mr Sainsbury)
7/6	Scottish Office	Lanarkshire Working Group Report - reviving Lanarkshire's economy	Inspired PQ
7/6	Health	NHS Reforms : Institute of Health Service Management	Ministerial speech Press Release? (Mr Waldegrave)
7/6	Health	HIV/AIDS - Compensation of HIV contamination through NHS	HoL oral PQ (Lady Hooper)
7/6	MAFF	Outcome of Environmentally Sensitive Areas (ESAs) Review	Press Release? Inspired PQ?
7/6	MAFF	Royal Society Seminar "Agriculture Policy and the Environment"	Ministerial Speech Press Release? (Mr Gummer)
7/6	Home Office	Conference "Sentencing Sex Offenders"	Ministerial Speech Press Release (Mr Baker)
9/6?	FCO	President Gorbachev's attendance at G7 Summit	PMs Announcement
10/6	Home Office	Home Affairs Select Committee Report on Police Sickness	Press Release?

Date	Department	Subject	Form of Announcement (Minister involved)
10/6	Health	Settlement of Claims by HIV infected Haemophiliacs	Inspired PQ
10/6	Health	Delay in making Regulations on Registration of food premises	Inspired PQ
10/6	DOE	Planning controls for Agricultural Buildings	Inspired PQ
11/6	Transport	Join-up ceremony of two halves of Dartford/Thurrock Crossing	Media event (Mr Rifkind)
11/6	Scottish Office	Erskine Bridge Toll Increases	Announcement in SI Debate (Lord James Douglas Hamilton)
12/6	Scottish Office	Community Care Bridging Finance (Additional money to Health Boards)	Press Release (Mr Forsyth)
12/6	Scottish Office	Junior Doctor's - 2nd phase of Agreement	Press Release (Mr Forsyth)
12/6	Scottish Office	Rehabilitation of Brain Injured patients (contracted out)	Press Release (Mr Forsyth)
12/6	Health	Junior Doctors Hours	Media Event (Mr Waldegrave Mrs Bottomley)
12/6	Home Office	Metropolitan Police Commissioner Annual Report (1990)	Press Release
12/6	Home Office	CRE Annual Report (1990)	Press Release
12/6	Home Office	Cable Authority Report and Accounts	Press Release?
12/6	DTI	Competition Policy	Ministerial Speech Press Release (Mr Lilley)

Date	Department	Subject	Form of Announcement (Minister involved)
13/6	Employment	Labour Market Statistics	Press Release Interviews (Mr Howard) HoL oral PQ (Viscount Ullswater)
13/6	Health	Community Care Conference	Ministerial Speech (Mr Waldegrave)
No Specific Date	Transport	1991/92 External Financing Limits - BR, LT	Inspired PQ
"	Scottish Office	Child Care Inquiry Orkney: Chairman and Terms of Reference	Press Release
"	Employment	Future of COIC	Inspired PQ
"	Health	Government Support for Miscarriage Association	Inspired PQ
"	Health	Range of Contacts with NHS Unions	Inspired PQ
"	Health	Invitation to MPs to submit names of possible DHA Chairman	Inspired PQ
"	DSS	Extra Cold Weather Payments	Oral Statement (Mr Scott)
"	DSS	War Pensions Efficiency Scrutiny	Media Interest
"	DSS	Short term financial advantage to local authorities from transferring care homes to private sector	Press Release?
"	DSS	Social Security Research on benefit provisions for 16/17 year olds and perceptions of family credit	Press Release?

Date	Department	Subject	Form of Announcement (Minister involved)
"	DSS	Annual Statistics	Press Release?
"	DSS	Report on War Pensions	Press Release?

Nil Returns received from:

Department of Education and Science
Department of Energy
Welsh Office

No response from Northern Ireland Office

Chief Whips Office
5 June 1991

TJS/AH

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

2 July 1991

Dear Murdo

FORWARD PLANNING OF ORAL STATEMENTS

Following the No 12 Committee on Tuesday morning, the Lord President asked me to get in touch with all private offices with a view to forward planning for Oral Statements between now and the Summer Recess; and the need to plan ahead for policy announcements during the Summer Recess.

Part of this exercise is, I think, covered in the consolidated list of announcements that Ray Alderton has put together, although the Lord President's precise thought still needs to be registered with Ministerial colleagues. I attach a draft of the sort of letter the Lord President envisaged, and would be grateful for comments from you and from Dominic Morris, to whom I am copying this letter.

Yours,

T J SUTTON
Principal Private Secretary

Murdo Maclean Esq
PS/Chief Whip
12 Downing Street
LONDON SW1

DRAFT PRIVATE SECRETARY LETTER FROM T J SUTTON

POLICY ANNOUNCEMENTS

The Lord President has asked me to write to the Private Secretaries to all Cabinet Ministers and Ministers in charge of Departments, to emphasise the need for coordinated planning of policy announcements by Oral Statements in the House, between now and the Summer Recess; and of announcements that may be made during the Summer Recess.

The Business Managers are already aware of several important Oral Statements for the week beginning 22 July. From experience, Departments often find candidates for urgent Oral Statements in the run up to the Summer Recess. The Lord President would therefore be grateful for an indication of any Oral Statements which your Ministers already have in mind, or are likely to want to bid for, between now and 25 July. Replies should provide, please, a brief indication of the subject, the likely degree of controversy or interest in the House, the planned timing and, most importantly, any constraints on departing from the planned timing in the interests of coordinating the various proposals for Statements.

Past experience also indicates that Departments tend to announce by way of Written Answer a large number of less significant developments, often in the final week before the Recess. This year, Ministers are particularly keen to ensure appropriate policy announcements are made during the Recess. The Lord President would therefore be grateful if his Ministerial colleagues could give their personal attention to all planned Departmental announcements by way of Written Answer between now and 25 July, paying particular attention to those where the timing is not critical and an announcement during August or September could be considered with equal effect and without offending Parliamentary proprieties.

I am copying this letter to Dominic Morris, Murdo Maclean, Gillian Kirton, Douglas Slater and Sonia Phippard; and with a

similar request for responses to the Private Secretaries to Cabinet Ministers and Ministers in charge of Departments.

T J SUTTON
Principal Private Secretary

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

CONFIDENTIAL

Murdo Maclean Esq
Private Secretary
Chief Whip's Office
12 Downing Street
London
SW1

5 June 1991

Dear Murdo,

I am writing, as usual, with details of planned and possible announcements for the remainder of this week and next week.

One announcement we need to make as soon as possible is that regarding improvements to the scheme for extra payments during exceptionally cold weather to Income Support recipients. We will be in touch shortly to agree a date for a statement. We will also be writing this week or next to the Central Advisory Committee for War Pensions with the results of an efficiency scrutiny into the War Pensions service and seeking their comments on its recommendations.

There are a number of other possible announcements for June but we cannot yet be clear as to whether they are candidates for next week. The main ones are:

- announcement of measures to remove the short-term financial advantage to local authorities of transferring their care homes to the private and independent sectors
- publication of SS research including MORI research into benefit provision for 16/17 year olds and a study of perceptions of Family Credit
- publication of social security statistics (the 1990 Annual Statistical Enquiry and 1987 take up estimates)
- publication of the 1990 DSS Annual Report on War Pensions (probably 19 June).

I am copying this to Barry Potter at No 10.

Yours,

Alan

ALAN WOODS
Principal Private Secretary

If WW is created —
Whit Recess ?

PRIME MINISTER

POLICY ANNOUNCEMENTS

Arrangements are now well in hand for the launch of the two White Papers on Higher Education and on Post 16 Education and Training on Monday 20 May.

I have spoken today to Mr Clarke about the arrangements. Jonathan Hill is taking the lead in ensuring that an up-beat presentation is achieved.

As presently scheduled the Health Strategy White Paper would come out the following day, i.e. 21 May.

This is less than ideal.

i. You have a major economic speech that evening to the CBI.

ii. In present circumstances it might be better to let the controversy over the Health Service reforms bed down a little before announcing another initiative in this area.

I understand Policy Unit also consider that a postponement would be desirable.

i. Content to suggest to Mr Waldegrave that the Health Strategy White Paper might be delayed until early June?

ii. Or would you prefer an announcement during the Whitsun Recess (Sarah sees some advantage in this)?

BHP

BARRY H POTTER
9 May 1991
c\economic\policy (kw)

(1)

PRIME MINISTER

A bit disappointing

RPI

I attach the usual RPI note giving the first indication of the April RPI increase, to be released on Friday 17 May.

The annual increase figure for April (6.4%) is a little disappointing. The general expectation had been of something closer to 6.0%.

My understanding is that, while some of the more hard pressed consumer sectors have absorbed part of the VAT increase, in areas where demand is fairly unelastic, such as drink and tobacco, the increases have been fed straight through.

One consequence of the switch between community charge and VAT is that all the measures of underlying consumer price inflation are now distorted. In short, for the RPI itself and for all of its related underlying measures, there is now a discontinuity in the series.

I therefore asked Treasury what measure we should now use to reflect underlying inflation - if only for our own analytical purposes.

The best measure available is the producer prices index. And, having been disappointing in recent months, I understand the latest figures to be released on Tuesday 14 May are much more encouraging.

i. Producer prices (excluding food, drink and tobacco) showed an annual rate of increase of 6.5% in both January and February;

ii. The March figure, originally quoted as 6.4%, has now been revised down to 6.1%;

iii. The April figure to be released on Tuesday shows an annual increase of 5.9%.

BHP

BARRY H POTTER
9 May 1991
c\economic\rpi (kw)

chex.kf/kg1/1 **CONFIDENTIAL AND PERSONAL**

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

8 May 1991

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Barry

RPI: APRIL AND MAY 1991

... I attach this month's outlook note.

Yours

Kate

MISS K GASELTINE
Assistant Private Secretary

PERSONAL AND CONFIDENTIAL

COPY NO

OUTLOOK FOR RPI AND TPI: APRIL AND MAY 1991

April index

1. The annual rate of increase in the "all-items" RPI for April is likely to be about 6.4 per cent, down from 8.2 per cent recorded for March. The fall in the rate is the largest for any month for more than ten years. The April figure is, nevertheless, rather higher than expected as some retailers appear to have taken advantage of Budget changes to increase prices.

2. Between March and April the level of the "all-items" RPI is likely to rise by some 1.3 per cent compared with 3 per cent at the same time last year. Price increases reflected the higher VAT and also the Budget increases in excise duties on alcohol, tobacco and petrol. While some of the VAT increases, eg for household goods, appear to have been absorbed by retailers for the time being some of the tax increases, particularly those on alcoholic drinks, have come through very quickly with increases on top. There were additional price increases in April for food and catering, rents, utilities, motoring costs and leisure services. The sharp reduction in the Community Charge, announced in the Budget, was reflected in the index together with a fall in mortgage interest rates.

3. The annual rate excluding mortgage interest payments is likely to fall to about 6.8 per cent from 8.4 per cent. The rate excluding all housing costs for April is expected to rise to about 8.5 per cent from the 6.9 per cent recorded for March while the rate excluding mortgage interest payments and the Community Charge is expected to rise to about 8.8 per cent from 7.3 per cent.

4. The annual rate for the TPI is expected to fall in April to about 6.1 per cent from 7.8 per cent.

Outlook for May index

5. The "all items" annual rate is likely to fall further in May. Over the month the level of the index is expected to rise by around 0.7 per cent compared with 0.9 per cent in May last year. Some further rises are likely for food and drink, electricity and household goods, for example, and an increase in petrol prices seems likely. Some of the most recently announced reductions in mortgage interest rates will affect the May index although much of the effect will not occur until June.

6. The final figures for April will be circulated next Wednesday afternoon in advance of publication on Friday 17 May.

SECRET

(2)

WW - let's hope!

PRIME MINISTER

TRADE FIGURES: FEBRUARY 1991

I attach the exports figures for February. They are holding up well. In value terms, exports increased by half per cent between January and February; however, excluding oil and erratics, there was a half per cent reduction.

The CSO conclusion is that the underlying volume of non oil exports has been (just) falling gently in recent months.

I also pressed the Treasury for their preliminary indication on imports in February. At this stage the numbers are a very early "guess" indeed - you may recall that it rose by £300m between the initial indication and the final figure last month!

Subject to that health warning, imports are estimated at £9.0b. With exports at £8.4b, that indicates a visible trade deficit of only £60om for February.

Moreover, following the large revisions to the invisible surplus for 1990 Q3 and Q4, the CSO has adopted an assumption of a £0.5b surplus per month for 1991 Q1.

Accordingly the figures suggest more or less a broad balance in the February balance of trade figure (allowing for rounding).

This is a remarkable improvement. But of course the numbers may change before the final figures are published on Monday 25 March.

BHP

(BARRY H. POTTER)
14 March 1991
a:trade (srw)

SECRET

Central Statistical Office

Great George Street London SW1P 3AQ

Telephone 071-270 6040 Fax 071-270 5866

ASSISTANT DIRECTOR

J E Kidgell

SECRET AND PERSONAL until release of press notice on 25 March 1991 at 11.30 am and thereafter unclassified

TO: PS/CHANCELLOR **COPY NO** 2

FROM: J E KIDGELL

14 March 1991

OVERSEAS TRADE FIGURES FOR FEBRUARY: EXPORTS

The key points for exports are:

Value of Exports

- value of exports in February is estimated at £8.4 billion, ½ per cent more than in January
- oil exports rose by £0.1 billion
- erratic items little changed
- excluding oil and erratic items ½ per cent less than in January
- value of exports in the latest three months is estimated at £25.1 billion, £1.2 billion (4½ per cent) down on the previous three months

Volume of exports in latest three months

- 2½ per cent down on previous three months
- and also 2½ per cent down on a year ago
- excluding oil and the erratic items, 2½ per cent down on previous three months but unchanged from a year ago
- we conclude that the underlying level of non-oil export volume may have fallen slightly in recent months.

J E Kidgell.

J E KIDGELL

GTN 270 Switchboard 071-270 3000 Fax ext 6085/6019/5866

SECRET AND PERSONAL until release of press notice on
25 February 1991 at 11.30 am and thereafter unclassified

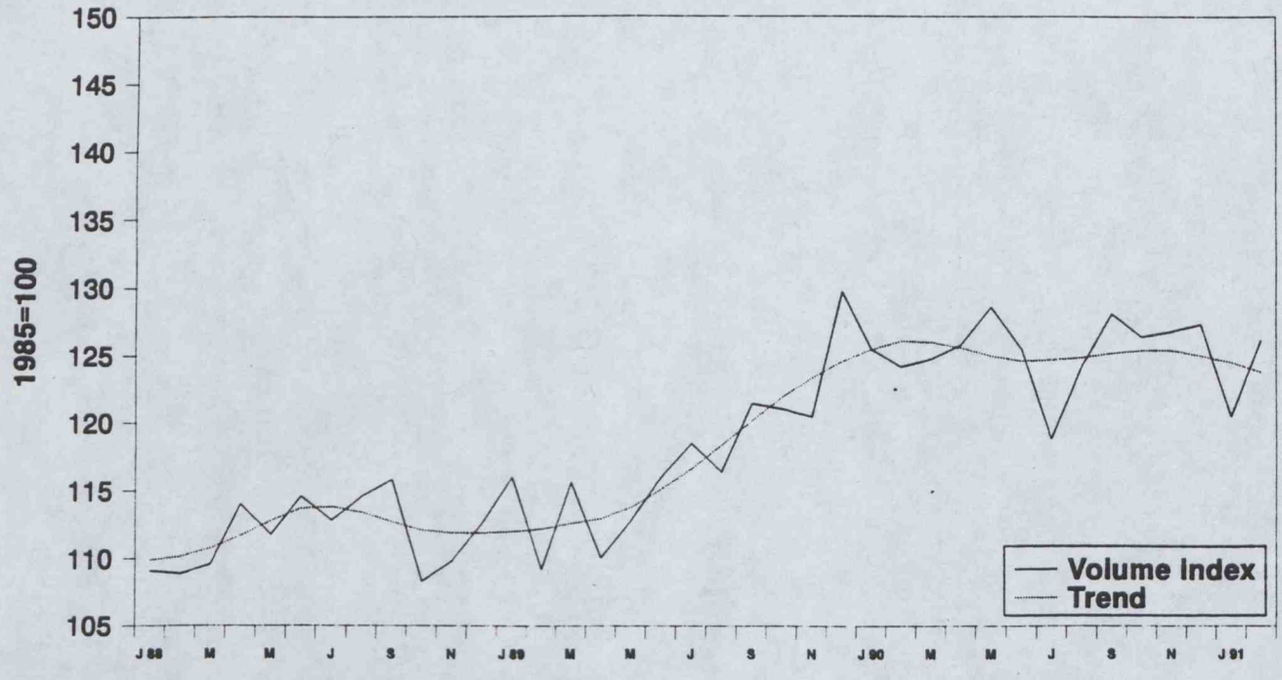
EXPORTS

(Balance of payments basis: seasonally adjusted)

	TOTAL		EXCLUDING OIL AND ERRATICS	
	VALUE £m	VOLUME (1985=100)	VALUE £m	VOLUME (1985=100)
1989 Q4	24948	123.8	21080	130.9
1990 Q1	25350	124.8	21646	132.7
Q2	25867	126.6	22332	135.9
Q3	25588	123.7	21924	134.7
Q4	25941	125.8	21872	135.8
1990 Aug	8498	124.2	7238	134.6
Sep	8900	128.1	7509	139.0
Oct	8732	126.4	7324	136.5
Nov	8738	126.8	7378	137.1
Dec	8471	124.3	7170	133.9
1991 Jan	8322	120.5	7210	134.1
Feb	8353	126.1	7180	134.7

TOTAL EXPORTS

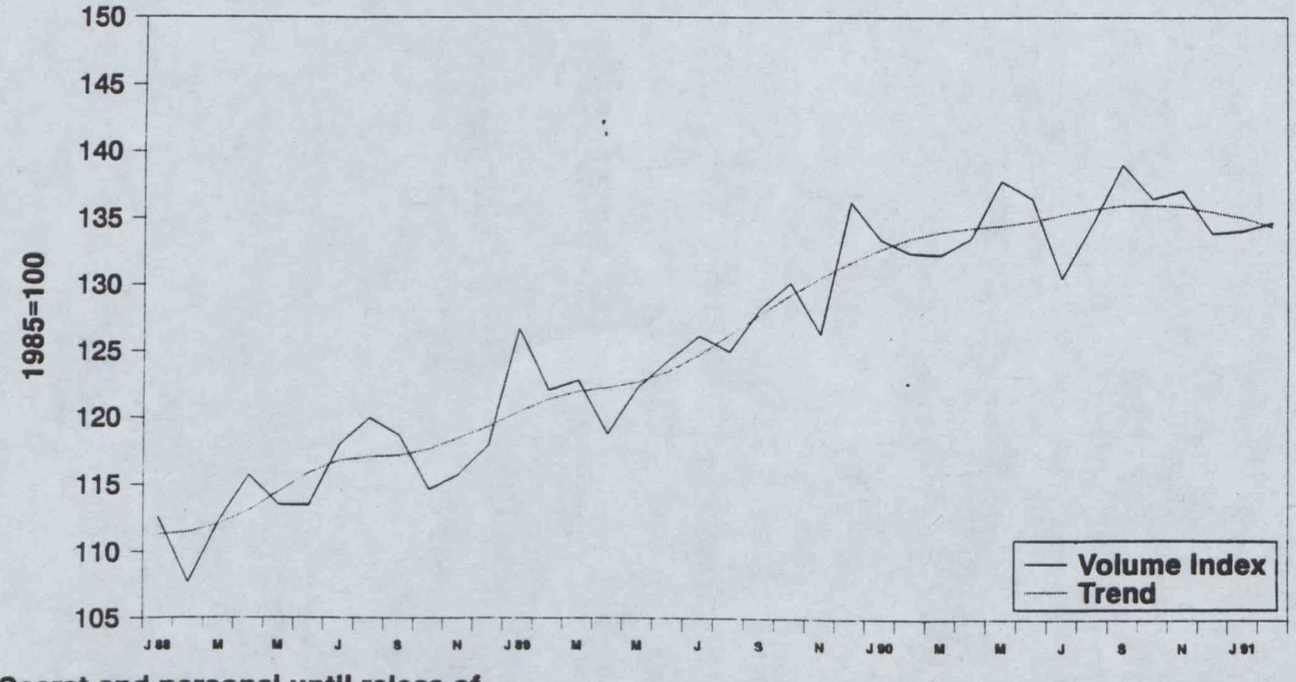
Seasonally Adjusted



Secret and Personal until release of
Press Notice on 25/03/1991 at 11.30 am

EXPORTS LESS OIL & ERRATICS

Seasonally Adjusted



Secret and personal until releas of
Press Notice on 25/03/1991 at 11.30 am

FEBRUARY 1991

TRADE FIGURES
EXPORT NOTE

Copy No	Name
1	PS/Economic Secretary
2	PS/Prime Minister
3	PPS/Chancellor
4	PS/Sir P Middleton
5	PS/Sir T Burns
6	Mr M Scholar
7	PS/Governor, Bank of England
8	Chairman, HM C&E
9	Sir J Hibbert
10	Mr Cowley
11	Mr Mowl
12	Mr D Owen
13	Mr A Gibbs
14	Mr Kidgell
15	Mr Jenkinson
16	Mrs Brueton
17	Mr Cottis
18	Mr Martin
19	File

(1)

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

The Labour Market Statistics come out on Thursday. The seasonally adjusted figure for February shows a rise of 85,600, taking the seasonally adjusted total to 1,977,000 and the rate to 7.0 per cent. The unadjusted rise is identical at 85,600. That takes the unadjusted figure above the sensitive two million mark (to 2,045,000). This will clearly be difficult on Thursday and I have asked Michael Howard's office for full briefing for you.

The Balance of Payments 1990 Q4 figures which come out on Wednesday are better news. The revised assessment for invisibles for Q4 suggests a surplus of £2 billion (hitherto they had been projecting a zero balance). The figure for the year as a whole shows a £5 billion surplus (again substantially larger than the CSO projections). When CSO's note comes in, the reasons for this large rise will no doubt be explained. It is nonetheless helpful in bringing the likely deficit well within the autumn statement forecast.

On Monday we get the January credit figures. These show that new consumer credit in January was £3.9 billion (the same as the two preceding months and the same as the average for 1990). The increase in the amount of consumer credit outstanding was £60 million - lower than in any month in 1990.

On Tuesday the producer prices figures come out. We have not seen these yet, but indications from the Treasury are that they will be worse than expected. If so this is very disappointing and suggests that January's bad figures may not have been a one-off freak. It is important to remember they are posted prices and may not stick in the market-place, particularly with sales still so soggy.

DOMINIC MORRIS
8 March 1991
c:\wpdocs\parly\economic.dca

(2)

PRIME MINISTER

PRODUCTIVITY AND UNIT WAGE COSTS: LATEST DATA

I attach the latest monthly figures on manufacturing and whole economy productivity and unit wage costs.

The broad picture is as expected: flat output; flat or slightly falling productivity; and rising unit wage costs.

But there is one striking figure in the more reliable manufacturing series. The annual rate of growth in unit wage costs has been accelerating very rapidly in recent months.

As recently as the spring of 1989, the annual growth rate was around 3 per cent - perfectly manageable against, if still a little above, our main European competitors. Since then the growth in unit wage costs has accelerated to around 9 per cent per annum.

It will be vital in speeches, Questions, etc., to hammer away at this unacceptable acceleration in UK unit wage costs. Keeping down unit wage costs is the key to competitiveness under the ERM: that requires not only lower wage settlements but also higher productivity and tight manning.

BHP

Barry H Potter
17 October 1990

c: wage (MJ)

PRIME MINISTER

INDUSTRIAL AND COMMERCIAL COMPANIES: FINANCIAL RETURNS 1990 Q2

The attached press release is worth a quick glance. The figures are illuminating.

The main points from the appropriation accounts are as follows:

(i) Gross profits holding up well (outside the North Sea sector) though still a little down on a year earlier.

(ii) But taking both dividend and interest payments as charges on those gross profits, undistributed profits are about 20 per cent lower than in 1990 Q1, and nearly 45 per cent below the level of a year ago.

(iii) The main reason for the fall in undistributed profits is high interest payments - up 10 per cent on 1990 Q1 and 40 per cent on a year earlier.

(iv) Though companies' dividend payments are down on 1990 Q1 they are still 6 per cent higher than a year ago.

The effect of all this on companies' capital accounts is that total receipts (mainly undistributed profits) are nearly 50 per cent lower than a year ago. Nonetheless companies have sustained their capital spending (up by 14 per cent over last year). Correspondingly they have moved into substantial financial deficit.

The overall picture therefore is of higher financial deficits - and hence increased company borrowing and rising interest payments. But capital spending is holding up well.

As the burden of the growing financial deficit and hence interest payments starts to bite, however, net profits, dividends and capital investment are likely to be cut back.

BHP

(BARRY H. POTTER)

27 September 1990 c:\economic\returns (ecl)

PERSONAL AND RESTRICTED until release
at press notice at 11.30 a.m. on 28/9/90
and thereafter unclassified.

COPY NO: 3

RESTRICTED UNTIL PUBLICATION AT 11.30AM ON
FRIDAY 28 SEPTEMBER AND THEREAFTER UNCLASSIFIED

FROM: MRS P G WALKER
DATE: 27 September 1990
TEL : GTN 217 4180

P/S ECONOMIC SECRETARY

INDUSTRIAL AND COMMERCIAL COMPANIES PRESS NOTICE
SECOND QUARTER 1990

1. A CSO press notice giving full appropriation, capital and financial accounts of UK industrial and commercial companies for the second quarter of 1990 will be released at 11.30 am on Friday 28 September. A copy is attached.

2. Features of the figures for the second quarter include:

(i) Gross trading profits were broadly unchanged from their first quarter level. The profits are below the peak levels of between one and two years ago, despite the inclusion from 1990 Q1 of the newly privatised water companies.

(ii) North Sea oil companies' profits fell by 15 per cent compared with the first quarter, largely because of the drop in the price of crude oil. They are expected to recover in the third quarter. These figures exclude down-stream activities.

(iii) Interest payments continued to increase, reflecting high interest rates and increasing levels of borrowing.

(iv) Payments of UK taxes were much higher than in the first quarter, reflecting a low first quarter figure (payments being shifted from the first quarter into the fourth quarter of 1989 following changes to tax regulations).

(v) The level of gross domestic fixed capital formation remains high (£13.1 billion), despite the fall in undistributed income. The figures for 1990 include capital formation by the newly privatised water companies.

(vi) The financial deficit of £10.2 billion continues the series of high, and broadly increasing, quarterly deficits recorded since the fourth quarter of 1988.

G Walker

MRS P G WALKER
CSO Branch D3
Room 2017 MT

Copies to:

PS/CHANCELLOR	
Mr Gray	(No 10)
Mr Stone	(No 10)
Sir Peter Middleton	HMT
Sir Terence Burns	HMT
Mr Cornelius	HMT
Sir Jack Hibbert	CSO
Mr Kidgell	CSO
Mr Ward	CSO
Mr Buckingham	CSO
Miss Carter	CSO
Mr Mansell	CSO
Mr Stirling	CSO
Mr McIntyre	CSO
Mr Bryant	CSO
Mr Chaplin	CSO
Mr Scott	CSO
Mr Shawyer	CSO
Mr Finn	CSO
Mr West	CSO
Mrs Short	CSO
Mr Lang	CSO
File D4/29	
Mr Pettigrew	BoE
Mr Dicks	BoE
Mr Nutall	DTI

Central Statistical Office

CSO(90)137
28 September 1990

INDUSTRIAL AND COMMERCIAL COMPANIES SECOND QUARTER 1990

First estimates for UK industrial and commercial companies in the second quarter of 1990 show that:

- Gross trading profits (after deducting stock appreciation) of £15.3 billion, little changed from the first quarter.
- Gross domestic fixed capital formation remaining at a high level (£13.1 billion)
- A financial deficit of £10.2 billion compared with £8.2 billion in the first quarter.

The quarterly profits estimates for UK industrial and commercial companies include national accounts statistical adjustments. These are described in "Notes to editors" at the end of this press notice.

All figures are seasonally adjusted

Appropriation account (Table A)

Main features of the estimates for the second quarter of 1990 are:

- North Sea oil companies' gross trading profits (after deducting stock appreciation) of £1.6 billion, down 15 per cent on first quarter and down 3 per cent on a year earlier.

- Non-North Sea industrial and commercial companies' gross trading profits (after deducting stock appreciation) estimated at £13.6 billion, little changed from the first quarter but down on a year earlier. These estimates include national accounts statistical adjustments (see Notes to editors).

- Payments of dividends on ordinary and preference shares (excluding payments by UK subsidiaries to their overseas parents, and net of payments to other UK industrial and commercial companies) of £4.5 billion, down 23 per cent on the first quarter but 6 per cent higher than a year earlier.

- Payments of interest of £7.9 billion, 10 per cent higher than in the first quarter and 40 per cent up on a year earlier.

- Payments of UK taxes on income of £5.3 billion. This is substantially higher than the payments in the first quarter (which were affected by changes in the timing of payments of Corporation Tax by some companies), and 21 per cent up on a year earlier.

- Undistributed income (before deducting stock appreciation or net unremitted profits from and due to related overseas concerns) estimated to have been £5.4 billion, £1.3 billion (19 per cent) lower than in the first quarter and £4.3 billion (44 per cent) down on a year earlier.

Capital account (Table B)

The second quarter 1990 capital account of UK industrial and commercial companies shows:

- Total receipts (undistributed income minus stock appreciation plus capital transfer receipts) of £3.9 billion, 27 per cent lower than in the first quarter and 50 per cent lower than a year earlier.

- Gross domestic fixed capital formation of £13.1 billion, similar to that in the first quarter but 14 per cent higher than a year earlier.

- A financial deficit of £10.2 billion, following deficits averaging £6.1 billion per quarter in 1989, and of £8.2 billion in first quarter 1990.

The gross domestic fixed capital formation and stockbuilding estimates include national accounts statistical adjustments. These are described in "Notes to editors" at the end of this press notice.

Financial transactions (Table C)

The identified financial transactions of UK industrial and commercial companies in the first quarter of 1990 show:

- Net investment in UK company securities of £1.3 billion compared with £0.2 billion in first quarter.
- Net investment abroad of £2.7 billion compared with £3.1 billion in first quarter.
- Borrowing (net) from UK banks increased by £5.5 billion, compared with increase of £7.1 billion in first quarter.
- Borrowing (net) from other sources increased by £3.2 billion compared with increase of £9.7 billion in first quarter.
- Net increase in liquid and other financial assets of £5.1 billion, compared with increase of £7.3 billion in first quarter.
- Net borrowing requirement increased by £3.6 billion compared with increases of £9.5 billion in first quarter 1990 and £9.2 billion in second quarter 1989.
- Balancing item of +£10.0 billion, reflecting errors and omissions in the measurement of components of the appropriation, capital and financial transactions accounts for UK industrial and commercial companies.

NOTES TO EDITORS

National accounts statistical adjustments

1. In order to improve the coherence of the national accounts, statistical adjustments have been made to some of the components of the expenditure and income measures of gross domestic product (GDP). Details are given in the "Notes to Editors" in the press notice CSO(90)132 on GDP in the Second Quarter 1990. The whole of the (current price) adjustments to gross trading profits and to the value of the physical increase in stocks and 75 per cent of that to gross domestic fixed capital formation have been allocated to the industrial and commercial companies sector.

2. The adjustments to the industrial and commercial companies (ICC) estimates, which have been included in the figures given in this press notice, are:

£million

	Gross trading profits (other ICCs)	Gross domestic fixed capital formation	Value of physical increase in stocks & work in progress
	DTAW	DEHG	DHND
1983	-	-	-
1984	-	-	-
1985	-	-	-
1986	-	-	-
1987	-	-	-
1988	-	750	1000
1989	-	1500	1500
1985 Q1	490	-	-50
Q2	150	-	230
Q3	-510	-	-520
Q4	-130	-	340
1986 Q1	-640	-	-820
Q2	-350	-	-170
Q3	550	-	730
Q4	440	-	260
1987 Q1	750	-	-340
Q2	40	-	100
Q3	-420	-	-820
Q4	-370	-	1060
1988 Q1	-190	110	-
Q2	210	150	-1110
Q3	-550	230	1200
Q4	530	260	910
1989 Q1	610	340	930
Q2	570	380	1100
Q3	-660	380	1030
Q4	-520	400	-1560
1990 Q1	-750	410	410
Q2	410	410	1190

More detailed data

3 The CSO Databank is a collection of macro-economic time-series sold to the public in computer-readable form. Details of the service offered and the schedule of charges may be obtained from the Databank Manager, CSO Branch E1, Room 52A/4, Government Offices, Great George Street, London SW1P 3AQ (Telephone: 071-270 6386 or 6387). CSO does not offer direct on-line access for these data, but a list of host bureaux offering such a facility is available on request from CSO.

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Appropriation account of industrial and commercial companies[1]

Seasonally adjusted

£ million

	Income								Allocation of income					Balance	
	Income arising in the United Kingdom														
	Gross trading profits[3]														
	Net of stock appreciation				Before deducting stock appreciation[2]										
	N.Sea oil companies	Other companies[2]	Total[2]	Stock appreciation		Rent and non-trading income	Income from abroad (net of taxes paid abroad)	Total income	Payments of dividends[4]	Payments of interest[5]	Profits due abroad (net of UK tax)	UK taxes on income (payments)[6]	Total allocation of income	Undistributed income	Undistributed income adjusted for unremitted profits
	CIDT	CIDU	AIAO	AIAP	AIAQ	AIAR	AIAS	AIAN	AIBA	AIAV	AIAW	AIAY	CIHL	AAUQ	AIAZ
1981	10 864	16 811†	27 675†	5 064	32 739†	4 780†	5 723†	43 242†	3 596†	8 918†	4 182	7 583†	24 279†	18 963†	18 683†
1982	12 725†	20 834	33 559	3 511	37 070	4 890	5 646	47 606	4 391	9 751	3 973	9 144	27 259	20 347	19 808
1983	15 683	24 391	40 074	3 619	43 693	5 018	6 812	55 523	5 343	9 387	4 631	10 867	30 228	25 295	24 348
1984	19 009	27 602	46 611	4 123†	50 734	5 700	8 737	65 171	5 392	10 727	5 535	12 737	34 391	30 780	28 179
1985	18 514	36 433	54 947	2 155	57 102	6 770	8 713	72 585	6 766	12 518	6 339	15 301	40 924	31 661	30 520
1986	8 421	42 121	50 542	1 471	52 013	7 303	8 001	67 317	8 768	11 436	4 342	13 184	37 730	29 587	27 011
1987	9 511	47 551	57 062	4 137	61 199	7 659	11 581	80 439	11 214	11 994	6 714	13 319	43 241	37 198	33 576
1988	6 886	56 192	63 078	5 245	68 323	8 918	14 364	91 605	15 001	14 454	7 406	15 151	52 012	39 593	33 405
1989	6 580	57 384	63 964	6 642	70 606	12 690	18 635	101 931	19 165	24 006	8 990	18 833	70 994	30 937	25 728
1985 Q1	5 131†	8 938†	14 069†	1 403†	15 472†	1 691†	2 363	19 526†	1 386†	3 351†	1 714	4 083†	10 534†	8 992†	8 893†
Q2	4 967	9 225	14 192	135	14 327	1 700	2 408	18 435	1 668	3 196	1 701	3 641	10 206	8 229	7 749
Q3	4 196	8 777	12 973	122	13 095	1 674	2 224†	16 993	1 913	2 947	1 411	3 820	10 091	6 902	6 412
Q4	4 220	9 493	13 713	495	14 208	1 705	1 718	17 631	1 799	3 024	1 513	3 757	10 093	7 538	7 466
1986 Q1	3 110	9 778	12 888	-317	12 571	1 754	1 602	15 927	1 847	2 919	926	3 014	8 706	7 221	6 754
Q2	1 694	10 779	12 473	-201	12 272	1 795	1 949	16 016	2 311	2 751	1 089	3 647	9 798	6 218	5 772
Q3	1 640	10 688	12 328	691	13 019	1 841	2 187	17 047	2 159	2 757	1 043	3 316	9 275	7 772	7 106
Q4	1 977	10 876	12 853	1 298	14 151	1 913	2 263	18 327	2 451	3 009	1 284	3 207	9 951	8 376	7 379
1987 Q1	2 448	11 414	13 862	1 094	14 956	1 923	2 666	19 545	2 635	2 944	1 718	2 785	10 082	9 463	8 489
Q2	2 346	11 739	14 085	1 187	15 272	1 848	2 869	19 989	2 773	2 908	1 552	3 390	10 623	9 366	8 256
Q3	2 513	12 039	14 552	1 016	15 568	1 908	2 998	20 474	2 824	3 131	1 739	3 679	11 373	9 101	7 961
Q4	2 204	12 359	14 563	840	15 403	1 980	3 048	20 431	2 982	3 011	1 705	3 465	11 163	9 268	8 870
1988 Q1	1 877	13 408	15 285	940	16 225	1 942	2 991	21 158	3 550	2 980	1 650	3 668	11 848	9 310	7 834
Q2	1 924	13 364	15 288	1 479	16 767	1 952	3 451	22 170	3 351	3 133	1 715	4 067	12 266	9 904	8 339
Q3	1 717	14 002	15 719	1 271	16 990	2 369	3 883	23 242	3 932	3 900	2 065	3 661	13 558	9 684	8 335
Q4	1 368	15 418	16 786	1 555	18 341	2 655	4 039	25 035	4 168	4 441	1 976	3 755	14 340	10 695	8 897
1989 Q1	1 434	15 267	16 701	1 781	18 482	2 748	4 288	25 518	4 904	4 944	2 012	3 977	15 837	9 681	9 206
Q2	1 662	14 813	16 475	1 893	18 368	3 065	4 869	26 302	4 278	5 658	2 334	4 377	16 647	9 655	8 800
Q3	1 657	13 785	15 442	1 291	16 733	3 291	4 189	24 213	5 107	6 248	2 150	4 927	18 432	5 781	4 399
Q4	1 827	13 519	15 346	1 677	17 023	3 586	5 289	25 898	4 876	7 156	2 494	5 552	20 078	5 820	3 323
1990 Q1	1 893	13 630	15 523	1 504	17 027	3 698	4 449	25 174	5 924	7 232	1 816	3 534	18 506	6 668	4 919
Q2	1 608	13 648	15 256	1 605	16 861	3 974	4 279	25 114	4 536	7 935	1 949	5 307	19 727	5 387	4 546
Percentage change, latest quarter on previous quarter[7]															
1990 Q2	-15.1					7.5	-3.8	-0.2	-23.4	9.7	7.3	50.2	6.6		
Percentage change, latest quarter on corresponding quarter of previous year[7]															
1990 Q2	-3.2					29.7	-12.1	-4.5	6.0	40.2	-16.5	21.2	18.5		

1 Figures reflect privatisation of British Telecom with effect from 28 November 1984, British Gas from 3 December 1986, British Airways from 6 February 1987, Royal Ordnance from 22 April 1987, BAA from 16 July 1987, British Steel from 2 December 1988 and water companies from 12 December 1989.

2 Includes national accounts statistical adjustments. For description see Notes to editors.

3 Before providing for depreciation.

4 Dividend payments on ordinary and preference shares are net of tax; the advance corporation tax in respect of such payments is included in "UK taxes on income". Excludes payments by UK subsidiaries to their overseas parents.

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

5 Includes royalties and licence fees on oil and gas production and other current transfers.

6 Includes payments of corporation tax (including advance corporation tax) and petroleum revenue tax.

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

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B Capital account and financial surplus/deficit of industrial and commercial companies[1]

Seasonally adjusted

£ million

	Receipts					Expenditure				
	Undistributed income[2]									
	Including stock appreciation	Stock appreciation	After deducting stock appreciation	Capital transfers	Total receipts[3]	Gross domestic fixed capital formation[4]	Value of physical increase in stocks and work in progress[4]	Taxes on capital and other capital transfers	Total expenditure	*Balance:* Financial surplus/ deficit
	AAUQ	AIAP	FMBC	CIDZ	FMBA	AAUS	FMBG	FMBH	FMBF	AAVG
1981	18 963†	5 064	13 899†	748	14 647†	14 716	-2 533	191	12 374	2 273†
1982	20 347	3 511	16 836	679	17 515	15 292	-1 666	188	13 814	3 701
1983	25 295	3 619	21 676	673	22 349	15 890	697	351	16 938	5 411
1984	30 780	4 123†	26 657	568	27 225	19 622†	1 247†	351	21 220†	6 005
1985	31 661	2 155	29 506	591	30 097	24 800	420	479	25 699	4 398
1986	29 587	1 471	28 116	720	28 836	26 533	1 104	342†	27 979	857
1987	37 198	4 137	33 061	511	33 572	32 153	1 791	433	34 377	-805
1988	39 593	5 245	34 348	1 019†	35 367	40 355	4 808	554	45 717	-10 350
1989	30 937	6 642	24 295	559	24 854	45 966	2 585	857	49 408	-24 554
1985 Q1	8 992†	1 403†	7 589†	185	7 774†	6 169†	-92†	210†	6 287†	1 487†
Q2	8 229	135	8 094	98	8 192	6 022	707	73	6 802	1 390
Q3	6 902	122	6 780	151	6 931	6 266	-332	99	6 033	898
Q4	7 538	495	7 043	157	7 200	6 343	137	97	6 577	623
1986 Q1	7 221	-317	7 538	177	7 715	6 431	-282	29	6 178	1 537
Q2	6 218	-201	6 419	198	6 617	6 317	-36	90	6 371	246
Q3	7 772	691	7 081	178	7 259	6 888	410	108	7 406	-147
Q4	8 376	1 298	7 078	167	7 245	6 897	1 012	115	8 024	-779
1987 Q1	9 463	1 094	8 369	186	8 555	7 115	15	90	7 220	1 335
Q2	9 366	1 187	8 179	129	8 308	7 863	470	98	8 431	-123
Q3	9 101	1 016	8 085	91	8 176	8 243	289	127	8 659	-483
Q4	9 268	840	8 428	105	8 533	8 932	1 017	118	10 067	-1 534
1988 Q1	9 310	940	8 370	124	8 494	9 237	882	146	10 265	-1 771
Q2	9 904	1 479	8 425	113†	8 538	10 172	-147	120	10 145	-1 607
Q3	9 684	1 271	8 413	642	9 055	10 189	1 309	138	11 636	-2 581
Q4	10 695	1 555	9 140	140	9 280	10 757	2 764	150	13 671	-4 391
1989 Q1	9 681	1 781	7 900	192	8 092	11 121	1 720	225	13 066	-4 974
Q2	9 655	1 893	7 762	131	7 893	11 547	1 383	158	13 088	-5 195
Q3	5 781	1 291	4 490	101	4 591	11 659	992	186	12 837	-8 246
Q4	5 820	1 677	4 143	135	4 278	11 639	-1 510	288	10 417	-6 139
1990 Q1	6 668	1 504	5 164	183	5 347	13 045	38	500	13 583	-8 236
Q2	5 387	1 605	3 782	128	3 910	13 124	653	315	14 092	-10 182
Percentage change, latest quarter on previous quarter[5]										
1990 Q2				-30.1	-26.9	0.6		-37.0	3.7	
Percentage change, latest quarter on corresponding quarter of previous year[5]										
1990 Q2				-2.3	-50.5	13.7		99.4	7.7	

1 Figures reflect privatisation of British Telecom with effect from 28 November 1984, British Gas from 3 December 1986, British Airways from 6 February 1987, Royal Ordnance from 22 April 1987, BAA from 16 July 1987, British Steel from 2 December 1988 and water companies from 12 December 1989.

2 Equals profits and other incomes after deduction of taxes on income, payments of dividends and interest etc and profits due abroad.

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

3 After deducting stock appreciation but before providing for depreciation

4 Includes national accounts statistical adjustments. For description see Notes to editors.

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

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C Financial transactions including net borrowing requirement
industrial and commercial companies[1]

Seasonally adjusted £ million

	Financial surplus/ deficit	Transactions leading to net borrowing requirement: Net unremitted profits[2]	Net identified trade and other credit[3,5]	Investment in UK company securities[4]	Investment abroad	Balancing item[5]	Financing of net borrowing requirement[5]: Borrowing from Banks[6]	Borrowing from Other	Financial assets Liquid	Financial assets Other	Net borrowing requirement[5]
	1	2	3	4	5	6	7	8	9	10	11
	AAVG	-AICX	-AIDL	-AICC	-AIDC	-AAOB	-AANA	-AICT	-AICU	-AICV	-AICW
1981	2 273†	-280	1 281	-1 447	-4 017	-1 225†	5 672	4 261†	-4 671	-1 847	3 415†
1982	3 701	-539	-1 322	-1 183	-2 939	-4 082	6 635	3 462	-3 017	-716	6 364
1983	5 411	-947	1 139†	-666	-3 651	-1 584	1 619	5 129	-5 804	-646	298
1984	6 005	-2 601	-856	-4 671	-1 078	1 365	7 082	-746	-2 131	-2 369†	1 836
1985	4 398	-1 141	-896	-4 171	-3 489†	-3 024	7 454	6 244	-4 835	-540	8 323
1986	857	-2 576	-403	-3 213†	-5 797	-79	9 094†	10 971	-10 600	1 746	11 211
1987	-805	-3 622	-88	-5 352	-14 385	903	12 142	22 638	-8 743†	-2 688	23 349
1988	-10 350	-6 188	-679	-12 021	-13 914	-850	31 066	17 335	-5 699	1 300	44 002
1989	-24 554	-5 209†	862	-18 143	-16 434	12 009	33 386	31 041	-14 542	1 584	51 469
			-ABKP			-AIDD	-AIDF	-AIDJ	-AIDG		-AIDI
1985 Q1	1 487†	-99†	-630†	-1 111	-1 689†	280†	1 585	2 487†	-1 487	-823†	1 762†
Q2	1 390	-480	-845	-1 309	-677	-2 075	1 734	1 147	-465	1 580	3 996
Q3	898	-490	425	-975	-517	716	2 312	1 337	-1 559	-2 147	-57
Q4	623	-72	154	-776	-606	-1 682	1 823	1 273	-1 587	850	2 359
1986 Q1	1 537	-467	366	-581†	426	-2 865	1 780	1 628	-2 039	215	1 584
Q2	246	-446	-635	-959	-349	1 378	456	3 962	-3 757	104	765
Q3	-147	-666	-889	-857	-2 784	3 430	1 687†	2 755	-5 211	2 682	1 913
Q4	-779	-997	755	-816	-3 090	-1 840	5 171	2 626	225	-1 255	6 767
1987 Q1	1 335	-974	-211	-806	-2 221	547	1 300	3 461	-1 404	-1 027	2 330
Q2	-123	-1 110	-828	-1 738	-4 426	4 576	1 855	4 657	-1 803	-1 060	3 649
Q3	-483	-1 140	294	-1 066	-6 343	-2 582	4 377	8 860	-1 696†	-221	11 320
Q4	-1 534	-398	657	-1 742	-1 395	-1 814	4 610	5 660	-3 664	-380	6 226
1988 Q1	**-1 771**	**-1 476**	**-323**	**-4 014**	**-3 820**	**-2 526**	**8 259**	**6 505**	**-951**	**117**	**13 930**
Q2	-1 607	-1 565	-265	-2 741	-3 987	-1 119	7 215	3 944	-178	303	11 284
Q3	-2 581	-1 349	-405	-2 938	-1 881	389	7 914	3 010	-2 910	751	8 765
Q4	-4 391	-1 798	314	-2 328	-4 226	2 439	7 678	3 876	-1 693	129	9 990
1989 Q1	-4 974	-475	196	-3 034	-5 937	1 252	6 762	7 341	-2 980	1 849	12 972
Q2	-5 195	-855	-290	-1 609	-4 544	3 247	7 760	8 407	-5 591	-1 330	9 246
Q3	-8 246	-1 382	299	-9 224	-2 400	-1 920	13 661	8 462	-181	931	22 873
Q4	-6 139	-2 497	657	-4 276	-3 553	9 311	5 203	6 831	-5 671	134	6 497
1990 Q1	-8 236	-1 749	-481	-198	-3 112	4 255	7 070	9 714	-5 663	-1 600	9 521
Q2	-10 182	-841	1 450	-1 349	-2 687	10 033	5 455	3 237	-6 158	1 042	3 576

1 Inflows(+), outflows(-); Relationships between columns: (1+2+3+4+5)+6+(7+8+9+10)=zero; 7+8+9+10=11
2 Retained in UK (+), retained abroad (-).
3 Includes accruals adjustment
4 Includes cash expenditure on subsidiaries and trade investments in the UK.
5 Seasonal adjustments include day-of-week adjustments; the quarterly figures therefore do not always sum to the annual totals.
6 Includes Bank of England Issue Department transactions in commercial bills.

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

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PRIME MINISTER

BALANCE OF PAYMENTS FIGURES: AUGUST

The balance of payments figures for August, to be published on Monday 24 September, are good.

The main points are as follows:

(i) The current account deficit was estimated at £1.1 billion in August. This is the lowest monthly deficit this year.

(ii) The deficit is all recorded on visible trade - the invisibles are now projected to be in balance for each month of the third quarter.

(iii) The value of imports was the lowest monthly figure this year. In part, this reflects the appreciation of sterling (so that the unit value index has declined i.e. imports are relatively cheaper). But import volumes also appear to be falling gently.

(iv) Exports are holding up well. But the pace of volume growth in exports appears to be slackening.

(v) On a broader basis, in the three months to August, the trade gap has narrowed.

There are some wider points of interest.

First, both the export and import figures are consistent with a declining level of activity in the economy.

Second, the graph on page 2 is interesting. It shows a narrowing of the trade gap from end 1988 until around the beginning of this year. Thereafter until about June the gap

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appeared to be widening slightly. The figures for the summer are indicative of some narrowing once again, as exports continue to rise, albeit at a slower rate, while imports are starting to fall. This is consistent with the pattern of stronger than expected demand in the first half of this year - with a sudden drop in the last two months or so.

Third, you may like to note the new note 2 under Notes to Editors which the Economic Secretary has had inserted. This draws attention to the unreliability of the monthly invisibles projections.

BHP

BARRY H. POTTER

20 September 1990

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Very bad indeed

PRIME MINISTER

ECONOMIC NEWS: INFLATION AND BALANCE OF PAYMENTS

There is some bad economic news to be released next week.

First, the RPI figure for August shows a 10.6% annual increase - much worse than expected. (The CSO's previous forecast was for a 10.2 per cent rise; Treasury officials, at your discussion earlier this week, quoted an estimate of 10.2 to 10.4 per cent for August.)

Even on an underlying basis, there has been a substantial jump in inflation. Excluding housing costs, the annual RPI rate has risen from 6.7 per cent in July to 7.6 per cent in August. Excluding mortgage payments and the community charge, the annual rate is now 7.9 per cent, against 7 per cent in July.

Four factors account for the unexpected surge in inflation:

(i) increases in food prices, particularly for seasonal fruit and vegetables: this may reflect the cumulative effect of dry weather;

(ii) a sharp rise in the price of beer;

(iii) a bigger than expected recovery in the price of household and personal goods as summer sales ended;

(iv) petrol prices and domestic fuel oil prices went up of course - but the increase in the latter was greater than expected.

Experience indicates that this estimated year on year increase figure for August is unlikely to shift now by more than 0.1 per

cent. The forecast for the September RPI - crucial as you know for the uprating of social security benefits, pensions etc. - is for a broadly unchanged annual increase at 10.6 per cent.

Secondly, as x in the attached note makes clear, the CSO has revised the balance of payments figures for 1990 Q2. The projected surplus on invisibles has fallen from £900 million to only £70 million.

This is quite a substantial drop; and it will almost certainly lead to downward revision of the CSO projection of the monthly invisibles surplus for 1990 Q3. So, the lower surplus on invisibles will not help the August balance of payment figures, to be published on 24 September.

Third, it is difficult to assess the impact which the revised invisibles figures (released next Thursday) and the RPI figures (released next Friday) might have on financial and exchange markets. My understanding, however, is that the Governor and senior Bank officials are nervous about the state of foreign exchange markets. There must be some risk that these announcements, coupled with no move on the ERM - and a number of economic commentators are speculating that next Friday (14 September) is the Government's proposed entry date - could cause difficulties for the £.

All this suggests careful handling on the release of these data. I suggest you might pick up this question of presentation at your bilateral with the Chancellor, next Wednesday 12 September.

BHP

BARRY H. POTTER
6 September 1990
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Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

6 September 1990

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Dear Barry

OUTLOOK FOR THE RPI AND TPI: AUGUST AND SEPTEMBER 1990

I enclose the CSO's monthly outlook note on the RPI and TPI. As you will see they are forecasting a figure of 10.6 per cent for the August RPI. This is considerably higher than the forecast they made last month of 10.2 per cent. The difference is made up approximately as follows:

Food: 0.15 percentage points

Increases for many items were larger than expected, particularly for fruit and vegetables. This seems likely to be the cumulating effect of dry weather.

Household and personal goods, clothing and footwear: 0.1 percentage points

There was a sharper than expected recovery of prices as summer sales began to end. This might simply reflect the fact that sales reductions this year were slightly greater than usual.

Fuel: 0.05 percentage points

There was a sharp increase in the price of domestic fuel oil which we had not expected so soon.

Other items including rounding effects: 0.1 percentage points.

'X' You should also be warned that the balance of payments figures for 1990 Q2 that will be published on Thursday next week will show a surplus on invisibles of only £70 million. This is considerably lower than the projection of £900 million included in the monthly trade press notice published in August. The main reasons for this are lower net direct investment earnings, especially of oil companies, higher net interest payments abroad by UK banks, and higher official (mainly EC) transfers abroad than assumed in the projection. As you are aware, these first estimates of the invisibles figures are often revised substantially as further data becomes available. This CSO are now re-assessing the projection for Q3, which will be published in the monthly press notice on 24 September which contains the August trade figures.

Yours

JG.

JOHN GIEVE
Principal Private Secretary

PERSONAL AND CONFIDENTIAL

COPY NO 2

OUTLOOK FOR RPI AND TPI: AUGUST AND SEPTEMBER 1990

August's figures

1. The annual rate of increase in the "all-items" RPI for August now seems likely to be 10.6 per cent compared with 9.8 for July, a rather higher increase than forecast last month. The annual rate excluding housing costs will probably rise to 7.6 per cent from 6.7 per cent and the rate excluding mortgage interest payments and the Community Charge to 7.9 per cent from 7.0 per cent.

2. The annual rate for the TPI is expected to be about 9.0 per cent in August, compared with 8.0 per cent for July.

3. Between July and August, the all items RPI is expected to show an increase of about 1.0 per cent, compared with 0.3 per cent in August last year. As expected, there were some sharp increases in the prices of petrol and beer this August. In addition, however, there were some larger than expected increases in other items, particularly for food in part reflecting effects of drought on fruit and vegetable prices. Recoveries of prices from summer sales of household goods, clothing and footwear were also sharper than forecast and there was a large increase in the price of domestic fuel oil.

Outlook for September's RPI

4. The "all items" annual rate is likely to change little between August and September. This takes account of likely further increases for petrol, food, beer; and for clothing, footwear and household goods as more summer sales come to an end. Higher telephone changes will also affect the index from September. Overall, the increase in the RPI between August and September is expected to be similar to the 0.7 per cent increase recorded at the same time last year.

5. The final figures for August will be circulated next Wednesday afternoon in advance of publication on Friday 14 September.

PERSONAL AND CONFIDENTIAL

	Percentage changes		
	RPI: all items		TPI
	over 1 month	over 12 months	over 12 months
1990			
Feb	0.6	7.5	6.2
Mar	1.0	8.1	6.8
Apr	3.0	9.4	7.7
May	0.9	9.7	8.1
June	0.4	9.8	8.1
July	0.1	9.8	8.0
Outlook			
Aug	1.0	10.6	9.0
Sept (likely range).	0.6-0.8	10.5-10.7	8.9-9.1

BRANCH E2
CSO

5 SEPTEMBER 1990

PRIME MINISTER

ECONOMY

RPI news received well by market. £ up 1½ cents to $1.915 this morning. Steady at just under 2.97 against DM. FTSE off 27 (this is in line with sharp falls in Tokyo and Wall Street, partly due to Gulf situation and also to relatively poor US inflation figures). Oil up to $27.60.

Dominic Morris
17 August 1990

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

A quieter week with the main interest being on the trade figures which come out on Wednesday. The figures are close to the estimates I gave you last week (ie. a £1.4 bn deficit on current account and little change in the underlying trade volumes). Key pages from the CSO covering note and press notice are attached.

The other figures are:

- on Monday the provisional monetary statistics for July. They show a welcome slowing, particularly in the last part of the month both in MO and M4. The MO rate on an annualised basis was 5.5 per cent in July, a full percentage point lower than in June. M4 fell from 16.9 per cent in June to 16.3 per cent in July - the lowest figure since May 1988. Monetary figures always need to be taken with a pinch of salt and they are still above the targets but they are at least now pointing firmly in the right direction;

- on Wednesday we also have the GDP output figures for the second quarter but I am afraid these are not yet in.

DOMINIC MORRIS
17 August 1990

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PRIME MINISTER

ECONOMIC FIGURES

When we spoke this afternoon you asked why both the headline figure and the seasonally adjusted figure for unemployment were both up. I have double checked with Employment that they have their figures right (the headline total has risen from 1.556m last month to 1.624m this month). The best reason the statisticians can give for this fairly sharp jump (and the relatively small change in seasonally adjusted figures) is that the tourist industry take on a lot of workers at the very beginning of the season to help them gear up but that once the tourist season is running smoothly these workers are shed and this normally happens in July and August. The other smaller factor is that a number of working mothers give up their jobs as school holidays start but still seek to register as unemployed in the first two or three weeks of the holiday (and thus get into the figures).

We have had in the RPI note which confirms that Friday's figure will be 9.8 per cent, the same as recorded for June. The CSO expect a significant jump in August to around 10.2 per cent, reflecting the petrol price increase.

DOMINIC MORRIS
15 August 1990
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(slh)

TPM

28

PRIME MINISTER

OVERSEAS TRADE FIGURES: JULY

I attach the export figures. You will see they have slipped back significantly. Treasury are disappointed though not surprised in view of the appreciation in sterling which began about six or seven weeks ago. The latest estimate is that the overall visible trade balance is likely to be about the same as last month (i.e. a deficit of £1.9 to £2.0 billion). The import figures are very provisional but they suggest a drop in imports from £10.2 billion last month to around £10.0 billion this month. That is encouraging. Treasury also expect the (inherently unreliable) invisibles figure to be slightly better this month.

DOMINIC MORRIS
14 August 1990
c:\parly\trade (kk)

Central Statistical Office

Great George Street London SW1P 3AQ

Telephone 071-270 6250

Fax 071-270 5866

SECRET AND PERSONAL until release of press notice on 22 August 1990 at 11.30 and thereafter unclassified

TO: **PS/CHANCELLOR** **COPY NO** 2

FROM: **GRAHAM JENKINSON** 14 August 1990

OVERSEAS TRADE FIGURES FOR JULY: EXPORTS

The key points for exports are:

Value of Exports

- value of exports in July is estimated at £8.3 billion
- £0.3 billion (3 1/2 per cent) lower than in June and the lowest figure since November 1989
- oil down £0.1 billion
- erratic items little changed
- excluding oil and erratic items, £0.3 billion (3 1/2 per cent) down on June
- value of exports in the latest three months is estimated at £25.7 billion, £0.3 billion (1 per cent) up on the previous three months

Volume of exports in latest three months

- unchanged from previous three months
- 8 1/2 per cent up on a year ago
- excluding oil and the erratic items, 2 per cent up on previous three months and 9 1/2 per cent up on a year ago
- we conclude that the rise in the underlying level of non-oil export volume, which began last summer, may be slackening.

REVISIONS TO PUBLISHED FIGURES

The value of exports in 1989 and 1990 to date have been revised to be consistent with the Pink Book estimates to be published on 22 August. The figures now include previously unrecorded exports of aircraft, amounting to £97 million in 1989 and £27 million in the first quarter of 1990. The adjustment for under-recording has been increased by 1/4 per cent from the beginning of 1989, which adds about £250 million to exports in a full year.

G. Jenkinson

GRAHAM JENKINSON

SECRET and PERSONAL until release of press notice
on 22 AUG 90 at 11.30am and thereafter unclassified

Copy No...( )

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EXPORTS

(Balance of payments basis: seasonally adjusted)

==========

		---TOTAL TRADE ---		**EXCLUDING** ---OIL AND ERRATICS--	
		VALUE £m	VOLUME (1985=100)	VALUE £m	VOLUME (1985=100)
1989	Q2	22568	113.8	19350	122.5
	Q3	23417	117.6	20023	125.3
	Q4	25019	124.6	21111	131.3
1990	Q1	25369	125.1	21600	132.3
	Q2	26106	127.8	22527	137.0
1990	FEB	8432	124.4	7197	131.8
	MAR	8424	125.2	7186	131.9
	APR	8636	127.3	7387	134.9
	MAY	8875	129.6	7616	138.6
	JUN	8595	126.4	7524	137.4
	JUL	8278	120.0	7242	131.1

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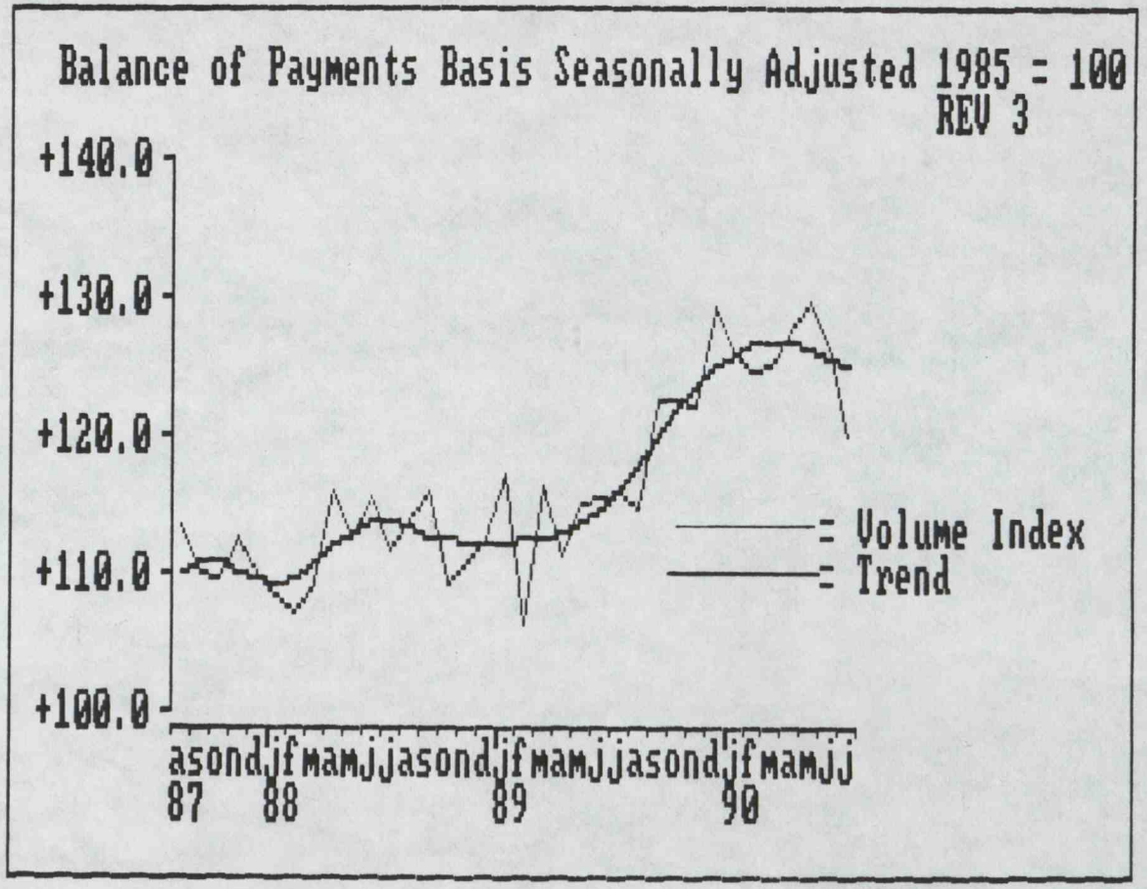
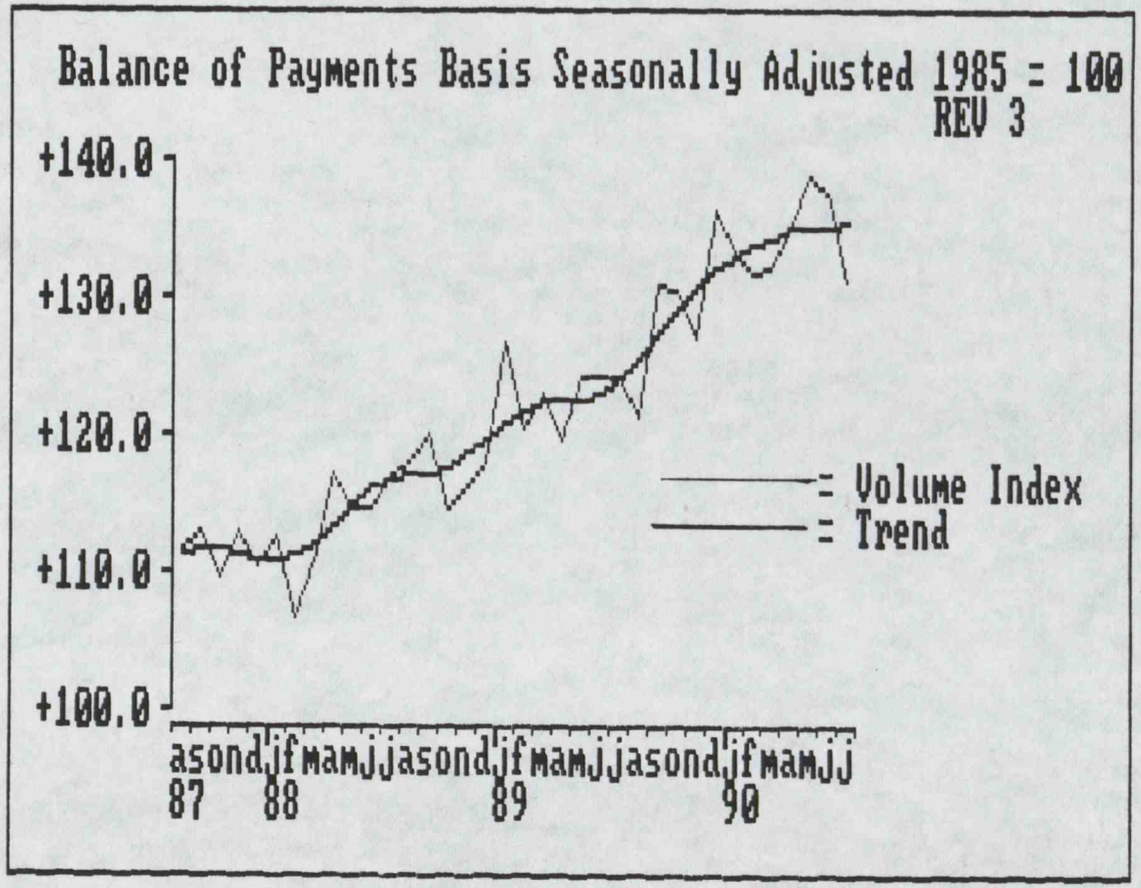
TOTAL EXPORTS



SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 22 AUG 90

EXPORTS LESS OIL AND ERRATICS



COPY NO

1	Mr Buckler	PS/Economic Secretary, HMT
2	Mr B Potter	PS/Prime Minister (Economic Affairs)
3	Mr J Gieve	PPS/Chancellor, HMT
4	Mr R Evans	PS/Sir Peter Middleton, HMT
5	Mrs M Henson	PS/Sir Terence Burns, HMT
6	Mr M Scholar	Deputy Secrtary, HMT
7	Mr P Tucker	PS/Governor, Bank of England
8	Mr J B Unwin	Chairman, HM C&E
9	Sir Jack Hibbert	Director, CSO
10	Mr A Cowley	Controller, HM C&E
11	Mr P Sedgwick	HMT, (Economic Adviser)
12	Mr D Owen	EA2, HMT
13	Mrs S Owen	EA2, HMT
14	Mr J Kidgell	Assistant Director, CSO
15	Mr G Jenkinson	Head of D1, CSO
16	Mrs A Brueton	D1, CSO
17	Mr J Cottis	D1, CSO
18	Mr C Martin	D1, CSO
19	Mr Eaton	D1, CSO
20	File	CSO

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is a busy one.

On Monday, we have the producer prices for July (flag A). These show output prices falling slightly; input prices are up by a ½ per cent seasonally adjusted. This, however, does not reflect the increase which will follow from oil prices as a result of the Gulf crisis.

On Tuesday the provisional retail sales figures for July (flag B). Sales volumes are up one per cent; but following the exceptionally sharp fall last month this is not too bad and suggests that the downward trend is continuing. Also on Tuesday are the second quarter manufacturing investment figures. These are not yet in.

On Thursday we have the monthly labour market statistics. These are much as expected. The key figures are:

- seasonally adjusted unemployment is up 10,900 to 1.63 million or 5.7 per cent;
- unadjusted unemployment is up 68,000;
- the bad news is the annual earnings figure which is 10 per cent (first time back in double figures).

Also on Thursday are the July PSBR figures. This will show a net repayment of £3 billion. This is at the better end of the market's expectations and would have been better yet but for continuing high local authority borrowing requirements. The July figure brings the year's PSBR to date to a £3.2 billion borrowing requirement.

On Friday we have the July RPI. You have already seen the CSO provisional estimate of 9.8 per cent (which could shift up to 9.9). July's figures do not reflect the latest petrol price

increases resulting from the Gulf crisis, though they will take in the earlier (small) rise which took place last month as the tension began to mount. The bulk of the petrol price rises will therefore fall into the August figure and could take it over 10 per cent.

DOMINIC MORRIS

10 August 1990

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A

FROM: B COULTON (EA1)
DATE: 10 AUGUST 1990
EXTN: 5398

MR O'DONNELL(IDT) cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr R Wilson
Mr Scholar
Mr Evans
Mr Gray
Mr Sedgwick o/r
Mr Grice (MG2)
Mr Hibberd o/r (EA1)
Mr Owen o/r (EA2)
Ms Simpson (IDT)
Ms Young (PAY1)
Mr Ritchie(EB)
Mr Brook (PAY1)
Mr Brooks (MG2)
Mr Cooper (EA)
Mr Ramsden (EB)
Ms Wallace
Mrs Chaplin
Mr Potter No. 10
Lord Hesketh (DTI)

PRODUCER PRICES FOR JULY (TO BE PUBLISHED AT 11.30 AM ON MONDAY 13 AUGUST)

Summary

- **Producer output price inflation** was just over 6 per cent in July, a little down on the revised rate for June;

- **Producer output price inflation excluding food, drink and tobacco** was 6 1/4 per cent, similar to the rate recorded in each of the previous three months;

- **Input prices** rose slightly in July (seasonally adjusted) but were still 1 per cent lower than in July 1989.

Output Prices

2. Producer output price inflation for **all manufacturing** industries was 6.1 per cent in July, 0.2 per cent down on the revised rate for June of 6.3 per cent. Output prices rose by 0.3 per cent in July itself.

3. Output price inflation for **manufacturing excluding food, drink and tobacco** was 6.2 per cent in July, up 0.1 on the rate for June. There was a pick-up in the annual inflation rate of output prices in the mineral extraction and chemical industries in June, but this was offset to some extent by a fall in inflation in the "other manufacturing" sector.

4. In the **food, drink and tobacco** (FDT) industries the annual inflation rate of output prices fell 1/2 per cent in July to 6.1 per cent from 6.6 per cent in June.

Input Prices

5. The cost index of materials and fuels purchased by **all manufacturing industries** was 1.0 per cent lower in July than in July 1989, compared with an annual inflation rate of -2 1/2 per cent in June. Over the month input prices fell by 1/2 per cent but this reflected seasonal movements - seasonally adjusted the index actually rose by 1/2 per cent, with the prices of inputs to food manufacturing failing to show their usual falls.

6. Input prices for **manufacturing excluding FDT** were 2.7 per cent lower in July than a year earlier, compared with an annual fall of 4 per cent in June. In the **FDT** industries the annual inflation rate rose 3/4 per cent in July to 2.5 per cent.

Assessment

7. Producer output price inflation appears to have levelled off - the rate for manufacturing excluding FDT has been in the 6.1-6.2 per cent range for each of the last four months. However, these latest data were recorded before the Gulf crisis. Higher oil prices will have a direct effect on input prices (petroleum products have a weight of 6 per cent in that index). But the implications for output prices are less straightforward. The impact of higher fuel costs - both directly and indirectly (eg via distribution costs) - and of higher world inflation have to be set against the appreciation of the exchange rate of around 5 per cent since June. But in any case it remains unlikely that the FSBR forecast of an inflation rate for manufacturing excluding FDT of 5 1/4 per cent by 1990q4 will be acheived.

8. Lines to take are attached.

B COULTON

Line to take - Producer prices for July

- Latest figures seem to indicate a levelling off of output price inflation - the rate for manufacturing excluding FDT has been in 6.1 to 6.2 per cent range for 4 months. Government's firm monetary and fiscal policy will ensure that inflation is restrained and comes down.

- Manufacturers' material and fuel costs still lower than a year ago.

- **IF PRESSED:** Effect of rise in oil prices on UK inflation uncertain. Depends on further developments in Gulf and world oil markets, exchange rate movements, world policy response etc. But higher oil price will feed directly into producer input prices (weight of petroleum products in index is 6 per cent).

- **Defensive:** Government policy not working - rising wage costs feeding through to prices. No. Excessive wage settlements threaten job prospects and not sustained higher inflation. Government will not bail out firms who fail to keep their costs under control.

Producer Price Inflation

Table 1 Output prices

not seasonally adjusted

		Per cent change					
		All manufacturing		Manufacturing exc.FDT		Food, drink and tobacco (FDT)	
		Annual	Monthly/ Quarterly	Annual	Monthly/ Quarterly	Annual	Monthly/ Quarterly
1988		4.5		4.8		3.8	
1989		5.1		5.4		4.6	
1989	Q3	5.1	1.3	5.4	1.1	4.4	1.4
	Q4	5.2	1.3	5.6	1.2	4.5	1.2
1990	Q1	5.4	1.6	5.7	2.0	4.8	0.9
	Q2	6.3	2.1	6.1	1.7	6.4	2.8
1990	May	6.3	0.6	6.2	0.6	6.4	0.6
	Jun(p)	6.3	0.2	6.1	0.2	6.6	0.2
	Jul(p)	6.1	0.3	6.2	0.4	6.1	0.2

(p) =provisional

Table 2 Input prices

not seasonally adjusted(unless otherwise stated)

		Per cent change						
		All manufacturing			Manufacturing exc.FDT		Food, drink and tobacco (FDT)	
		Annual	Monthly/Quarterly		Annual	Monthly/ Quarterly	Annual	Monthly/ Quarterly
				Seasonally adjusted				
1988		3.3			4.8		1.4	
1989		5.7			5.3		6.1	
1989	Q3	4.4	-1.2	-0.2	3.6	-1.5	5.7	-0.4
	Q4	5.7	2.6	1.1	4.5	2.7	7.4	2.1
1990	Q1	2.9	-0.1	-0.9	1.4	-0.2	6.0	0.6
	Q2	-0.9	-2.1	-1.1	-2.6	-3.5	3.2	0.8
1990	May	-1.1	-1.1	-1.0	-2.9	-1.1	3.2	-0.7
	Jun(p)	-2.4	-1.4	-1.4	-3.9	-1.5	1.8	-1.0
	Jul(p)	-1.0	-0.4	0.6	-2.7	-0.9	2.5	0.3

(p) =provisional

Chart 1 Producer output prices

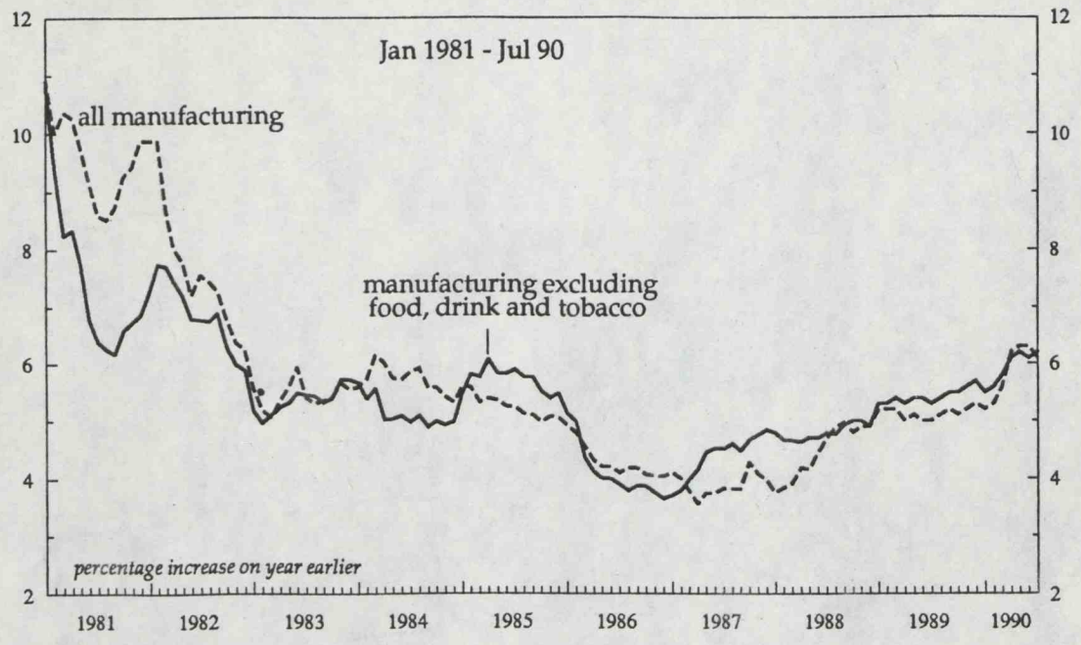


Chart 2 Materials and fuels purchased by manufacturing

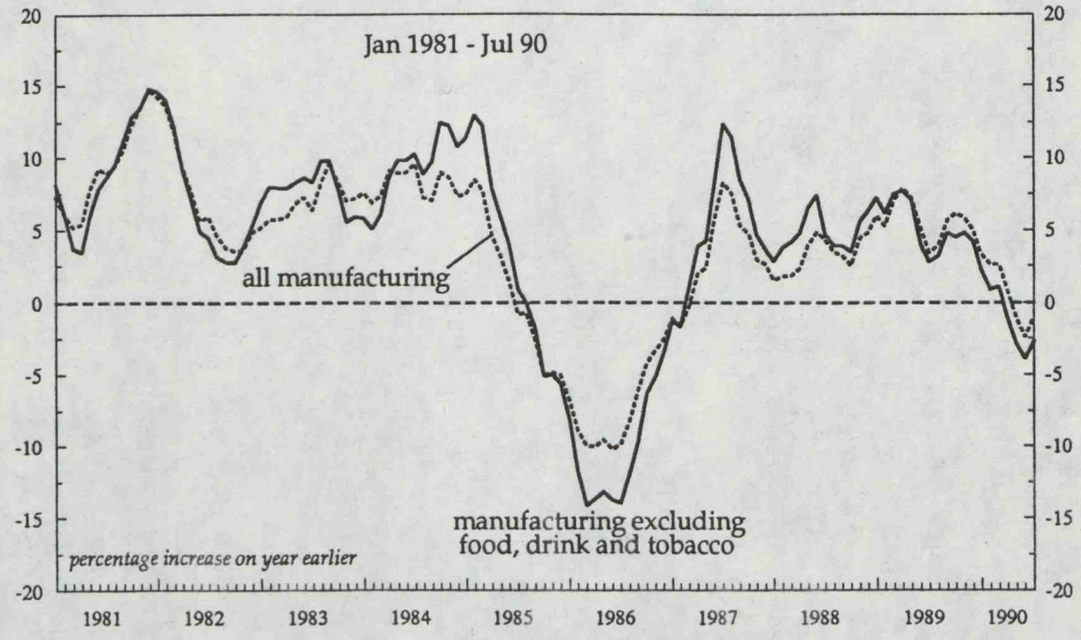
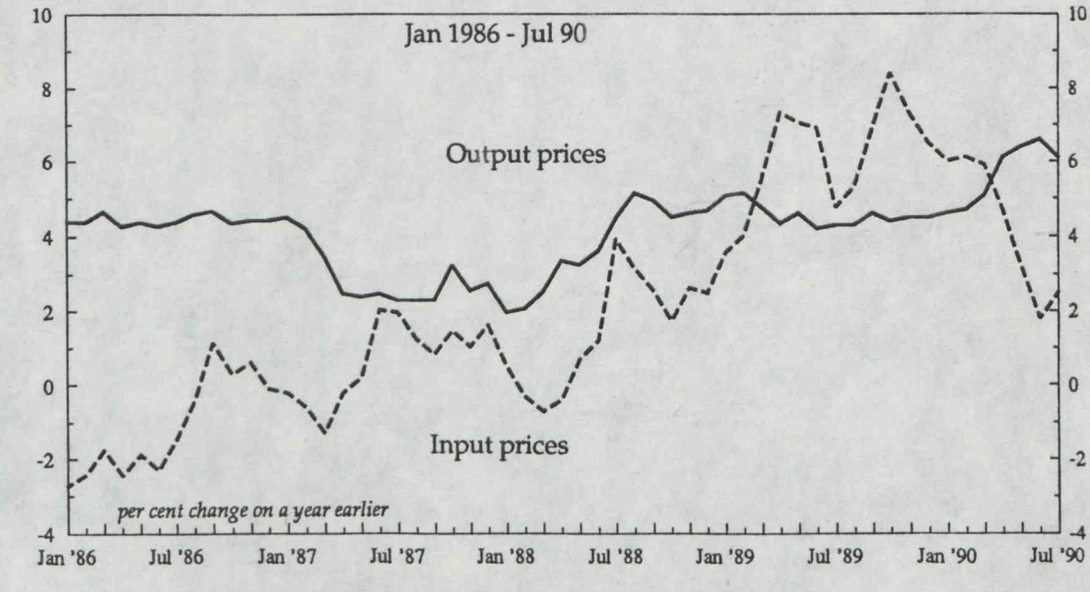


Chart 3 Producer price inflation for the food, drink and tobacco industries



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CONFIDENTIAL
until 11.30 am on MONDAY 13 AUGUST
thereafter UNCLASSIFIED

FROM: I K PARKES (EA1)
DATE: 10 AUGUST 1990
x5391

MR O'DONNELL (IDT) cc :

PS/Chancellor	Mr Hibberd	(EA1)
PS/Chief Secretary	Mr Grice	(MG2)
PS/Financial Secretary	Mr D Owen	(EA2)
PS/Paymaster General	Mr Ritchie	(EB)
PS/Economic Secretary	Miss Simpson	(IDT)
Sir Peter Middleton	Mr S Brooks	(MG2)
Sir Terence Burns	Mr Cooper	(EA1)
Mr Monck	Mr Deane	(EB)
Mr Odling-Smee	Mr Patterson	(EA1)
Mr Scholar	Mr Lightfoot	
Mr Gray	Mr Tyrie	
Mr Riley	Mr Potter	(No 10)
Mr Sedgwick		
Mr S J Davies (MP1)	DEF/U/19	

PROVISIONAL ESTIMATE OF RETAIL SALES IN JULY AND CBI/FT SURVEY OF DISTRIBUTORS IN JULY

CSO will publish their provisional estimate of retail sales in July at 11.30am on Monday 13 August.

2. **Retail sales volumes** (seasonally adjusted) rose by almost 1 per cent between June and July. In the three months to July sales volumes increased by only 0.1 per cent compared with the previous three months and were 1.6 per cent above the level a year earlier. **Sales values** in July showed an increase of 8.6 per cent on a year earlier.

Assessment

3. The small rise of retail sales in July follows a sharp fall of 2½ per cent in June. This series is erratic from month to month and so a partially-compensating upward movement this month is not surprising. But with sales volumes still lower than in April and May, the July level suggests that the fall in June was not wholly erratic.

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4. As usual, three-month growth rates should be taken as a more reliable guide to underlying trends. Year-on-year growth (chart 1) remains stable at around 1½ per cent, very slow growth in comparison with recent years.

5. City expectations are for a small rise in sales volumes, but of somewhat less than 1 per cent. However, there is unlikely to be an adverse reaction as the fall in sales that occurred in June was far larger than expected.

6. Lines to take are attached separately. They have been copied to CSO press office and CSO have forwarded a copy of briefing for their press office (also attached).

CBI/FT DISTRIBUTIVE TRADES SURVEY

7. This survey will be published at **00.30 on Monday 13 August** and is therefore available 11 hours before the official retail sales figures. It was conducted between 16 July and 3 August and there were 496 respondents. A copy of the full survey is attached (top copy only).

8. July's results for all distributors are heavily influenced by some very poor results for wholesalers. The main points are:-

- Balance of **retailers** reporting sales volumes higher than a year ago fell in July. Expectations for sales next month also worsened.

- Balance of **wholesalers** reporting volumes above the level a year earlier deteriorated sharply from +2 per cent in June to -32 per cent in July, the worst figure recorded since the survey began in 1983. Wholesalers' expectations for year-on-year growth in August have also worsened.

- **Motor trades** continue to report sales significantly below last year's levels and do not expect conditions to improve in August.

35/3 eal.m/sm.15.10.8

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9. These results are consistent with slow growth of retail sales. The figures for wholesalers appear to be erratically poor. Nevertheless it is likely that press comment will focus on wholesalers. Some commentators regard the CBI/FT survey as a leading indicator of the retail sales figures which are often released later the same day. However, we do not regard the survey as a reliable indicator.

10. Lines to take are attached separately.

I K PARKES

35/3 ea1/sm15a.10.8

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PROVISIONAL ESTIMATE OF RETAIL SALES IN JULY:
BRIEFING FOR HMT PRESS OFFICE

Line to take

- Monthly figures erratic, and growth rates for latest three months are best guide to recent trends. They show retail sales 0.1 per cent higher than in previous three months and 1.6 per cent above the level a year earlier. These are very low growth rates and are clear sign that monetary policy working.

- Consumer demand growth dropped considerably since 1988 and early 1989. Other evidence - EC/Gallup consumer confidence, car registrations, CBI/FT survey - also show weak consumer demand growth.

Defensive

Government policy failing to restrain consumer demand - No. Retail sales growth much lower now than in 1988 and early 1989. In 1988 retail sales growth reached 8 per cent; growth on a year earlier only 1½ per cent in three months to July.

Government policy bringing about recession - firm policies designed to bear down on inflation. Not expecting output to fall and once inflation defeated, economy will resume steady and sustained growth.

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CBI/FT DISTRIBUTIVE TRADES SURVEY JULY 1990

Line to take

CBI/FT survey confirms continuing pattern of slow underlying growth in retail sales. However, survey not always reliable indicator of consumer demand. Wait for provisional estimate of retail sales in July, due out later today.

Defensive

Consumer demand still growing too strongly? - Range of indicators - retail sales, car registrations, consumer confidence, CBI/FT survey - show consumer demand growth now much lower than in 1988 and early 1989.

Decline in wholesalers trading conditions suggests recession a possibility? - Firm policies designed to bear down on inflation. Not expecting output to fall and once inflation is defeated economy will resume steady and sustained growth.

[NOTE DIFFERENT EMBARGO FOR CBI/FT SURVEY COMPARED TO RETAIL SALES]

Chart 1 Retail sales growth

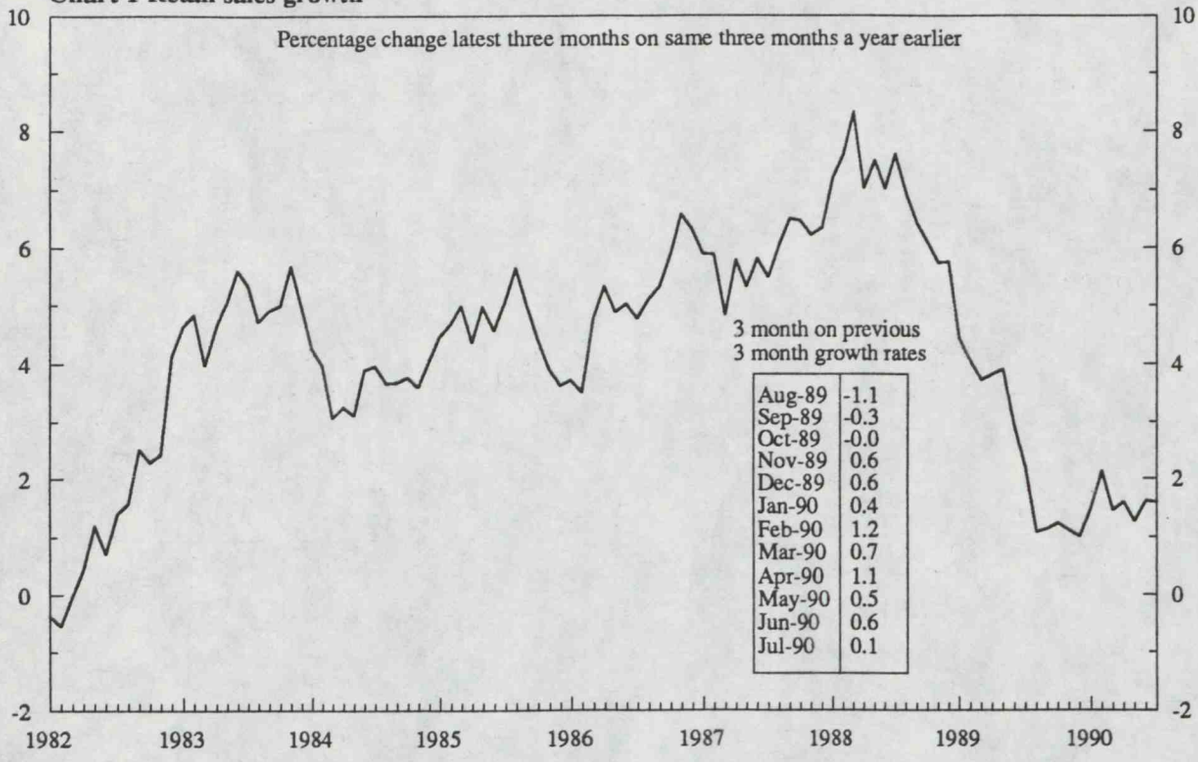

TABLE 1 : RECENT INDICATORS OF CONSUMER DEMAND

	Consumers expenditure (£bn 1985 prices, CSO data, s.a.)	Retail sales (1985=100)	Retail sales 3 mnth on prev 3 mnth (percent) s.a.	CBI/FT survey (Percent balance)*	EC/Gallup survey (balances) Confid -ence	EC/Gallup survey (balances) Attitude to major purchases	New car registrations (Annual Percent Change)	Consumer credit and mortgage lending: Consumer credit** (monthly averages, £million)	----Building Societies---- commitments (monthly averages, £billion, s.a.)	----Building Societies---- lending (monthly averages, £billion, s.a.)
1985	217.0	100.0		53	-10	24	4.7	n/a	2.3	1.2
1986	229.4	105.3		47	-7	24	2.2	191	3.2	1.6
1987	243.0	111.5		45	5	24	7.1	292	3.1	1.3
1988	259.9	119.2		50	2	23	9.6	303	4.3	2.1
1989	269.8	121.7		23	-17	-7	4.3	240	4.0	2.2
1989Q1	67.0	121.3	0.2	24	-13	-3	8.6	299	3.6	1.9
Q2	67.5	121.9	0.5	35	-15	-3	9.5	300	4.3	2.2
Q3	67.2	121.6	-0.2	17	-15	-4	-0.9	243	4.1	2.2
Q4	68.1	122.3	0.6	17	-25	-16	0.6	116	3.9	2.5
1990Q1	69.0	123.1	0.7	33	-25	-10	-7.7	305	3.9	2.4
Q2		123.9	0.6	29	-28	-18	-15.3			
1989 Aug		121.5	-1.1	21	-14	-1	4.2	280	4.4	2.3
Sep		122.2	-0.3	27	-14	-4	-12.8	164	4.4	2.6
Oct		121.8	-0.0	16	-27	-19	8.0	179	4.2	2.5
Nov		121.6	0.6	6	-25	-13	-2.8	208	4.0	2.5
Dec		123.2	0.6	30	-24	-17	-5.2	-39	3.4	2.6
1990 Jan		122.1	0.4	50	-18	-3	-4.0	505	3.6	2.2
Feb		124.8	1.2	30	-23	-7	-15.4	263	4.1	2.3
Mar		122.6	0.7	18	-33	-21	-4.4	146	3.9	2.7
Apr		124.0	1.1	41	-29	-17	-15.7	143	3.0	2.2
May		125.7	0.5	20	-29	-21	-12.3	347	3.6	2.1
Jun		122.4	0.6	27	-25	-16	-18.2	245	3.5	2.4
Jul		123.6	0.1	20	-23	-15	-10.5 ***			
Percentage change latest 3 months on: previous 3 months	1.4		0.1				-1.9			
a year earlier	3.0		1.6				-14.6			

* Balance of retailers reporting volume of sales this month higher than a year earlier

** Change in amount outstanding, average per month

*** Based on SMMT estimate

CSO BRIEFING FOR CSO PRESS OFFICE

RETAIL SALES IN JULY (PROVISIONAL) - PRESS BRIEFING

NOTE: The confidential minute to the Economic Secretary concerning the press notice is for internal use only and does not form part of the press briefing.

BRIEFING TO BE FREELY OFFERED

1. The provisional seasonally adjusted volume index for July at 123.6 is 1.0 per cent above the June figure and 2.3 per cent above the index for July 1989.

2. We generally prefer briefing to make comparisons over three months rather than one. On this basis the average index over the last three months is 0.1 per cent above that for the preceding three months and 1.6 per cent above the average index for May to July 1989.

3. Separate indices for broad kinds of business are not published at provisional stage.

4. Sales in the 4 week July trading period (July 1 to July 28) are provisionally estimated to be 9 per cent higher than in July 1989, at about £9,910 million.

5. A table of recent figures shows the pattern of trading over the past few months.

		WEEKLY VALUE OF SALES (£M)	VALUE INDEX (UNADJUSTED)	VOLUME INDEX (SEASONALLY ADJUSTED)
1990	MARCH	2300	136.1	122.6
	APRIL	2440	144.0	124.0
	MAY	2450	144.8	125.7
	JUNE	2390	141.3	122.4
	JULY (provisional)	2480	146	123.6

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PRIME MINISTER

ECONOMIC FIGURES

There are only two, minor, figures coming at the tail end of the week. The first are the Official Reserves which come out tomorrow. These show the headline figure down $172m for July (though an underlying rise of $173m).

On Friday we have the figures for house-building for June 1990. These show another fall. The number of starts fell by 105,000 to 150,000 which is the lowest since 1981. The fall in starts has occurred in both public and (mainly) private sectors. This is a further indicator confirming that the tight money policy is slowing excess demand.

DOMINIC MORRIS
1 AUGUST 1990

(MRM)

27(a-g)

Central Statistical Office

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT 11.30AM ON 23 JULY 1990 AND THEREAFTER UNCLASSIFIED

From: J E KIDGELL
Date: 18 July 1990
Tel : GTN 270 6040

PS/CHANCELLOR

COPY NO: 2

JUNE FIGURES OF OVERSEAS TRADE

I attach for the Chancellor's approval the draft Press Notice on the current account of the Balance of Payments in June.

Clearance is requested by **midday on Thursday 19 July.** Publication is set for **Monday 23 July at 11.30 am.**

Details about trade flows during June are included in the Press Notice. The key points on the current account (seasonally adjusted, on a balance of payments basis) are:

- **current account** is estimated to have been £1.4 billion in deficit in June, slightly up on May
- **invisibles** projected to be in surplus by £0.2 billion for months in the second quarter
- deficit on **visible trade** was £1.6 billion, slightly up on May
- **Imports** in June were £10.2 billion, 2 per cent down on May
- the underlying level of **non-oil import volume** has been rising in recent months
- the underlying level of **non-oil export volume** continues the steady rise which began last summer
- in the second quarter, **visible trade deficit** was £4.9 billion, £0.6 billion less than in previous quarter; £0.3 billion of this improvement is attributable to an improvement in the balance in the erratic items.

There has been a small downward revision (of £23 million) to the figure for June exports which I reported in my note of 13 July.

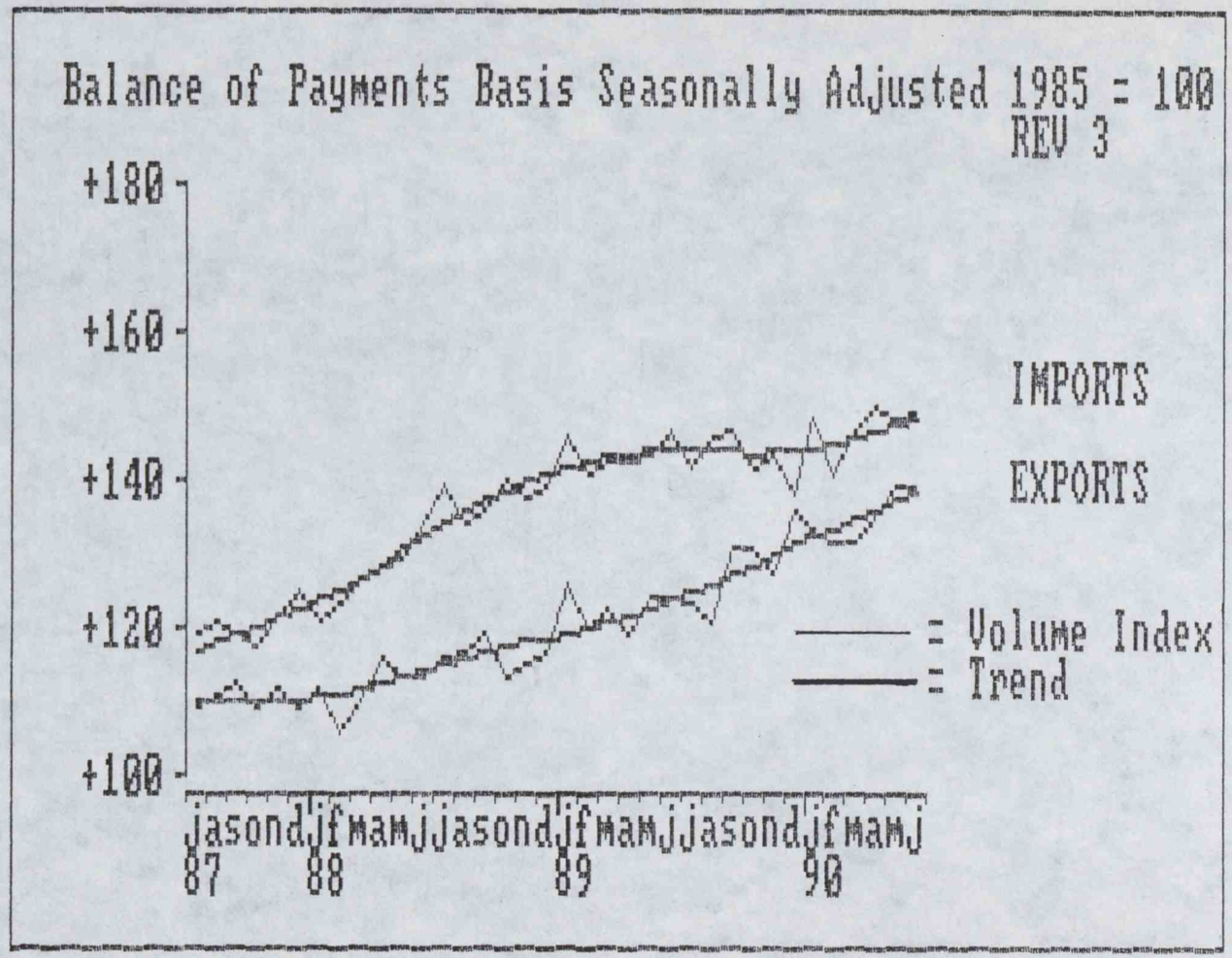
Copies of the draft press notice are being sent today to DTI.

J E Kidgell.

J E KIDGELL

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 23 JULY 90

TOTAL LESS OIL AND ERRATICS



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COPY NO

1.	Mr S Flanagan	PS/Financial Secretary, HMT
2.	Mr B Potter	PS/Prime Minister (Economic Affairs)
3.	Mr J Gieve	PPS/Chancellor, HMT
4.	Mr R Evans	PS/Sir Peter Middleton, HMT
5.	Mrs M Henson	PS/Sir Terence Burns, HMT
6.	Ms S Phippard	PS/Sir Robin Butler, Cabinet Office
7.	Mr M Scholar	Deputy Secretary, HMT
8.	Mr P Tucker	PS/Governor, Bank of England
9.	Mr J B Unwin	Chairman, HM C&E
10.	Sir Jack Hibbert	Director, CSO
11.	Mr M Pratt	Controller, HM C&E
12.	Mr P Sedgwick	HMT, (Economic Adviser)
13.	Mr D Owen	EA2, HMT
14.	Ms S Owen	EA2, HMT
15.	Mr J Kidgell	Assistant Director, CSO
16.	Mr G Jenkinson	Head of D1, CSO
17.	Mrs A Brueton	D1, CSO
18.	Mr J Cottis	D1, CSO
19.	Mr C Martin	D1, CSO
20.	Mr Eaton	D1, CSO
21.	Mr J Wright	CSO Press Office
22.	Mr I Scott	CSO Press Office
23.	Mr G O'Donnell	HMT Press Office
24.	File	CSO

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SECRET AND PERSONAL UNTIL RELEASE OF THE PRESS NOTICE ON 23 JULY 1990

CSO (90)101
23 July1990

UK BALANCE OF PAYMENTS - CURRENT ACCOUNT IN JUNE

In June the ***current account deficit*** was £1.4 billion, compared with £1.3 billion in May.

In the second quarter there was a deficit of £4.3 billion, compared with £4.7 billion in the previous quarter.

Visible balance

- in June the ***visible deficit*** was £1.6 billion compared with £1.5 billion in May; excluding oil and erratic items, it fell by £0.1 billion
- in the second quarter the deficit was £4.9 billion, compared with £5.5 billion in the previous quarter; excluding oil and erratic items, it fell by £0.1 billion.

Invisibles

- in June ***invisibles*** are projected to be in surplus by £0.2 billion (a surplus on transactions by the private sector partly offset by a deficit on government transactions).

Exports of goods (balance of payments basis)

- in June the ***value*** of exports was £8.6 billion, 3 per cent lower than in May
- in the second quarter, the ***value*** of exports was 3½ per cent higher than in the previous quarter, and 16 per cent higher than a year earlier
- excluding oil and erratic items, these percentages were 4½ per cent and 17 per cent respectively
- excluding oil and erratic items, the ***volume*** of exports in the second quarter was 4 per cent higher than in the previous quarter and 12 per cent higher than a year earlier.

Imports of goods (balance of payments basis)

- in June the ***value*** of imports was £10.2 billion, 2 per cent lower than in May
- in the second quarter, the ***value*** of imports was 1 per cent higher than in the previous quarter, and 7½ per cent higher than a year earlier
- excluding oil and erratic items, these percentages were 3 per cent and 7 per cent respectively
- excluding oil and erratic items, the ***volume*** of imports in the second quarter was 2½ per cent higher than the previous quarter and 3½ per cent higher than a year earlier.

All figures seasonally adjusted

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SECRET AND PERSONAL UNTIL RELEASE OF THE PRESS NOTICE ON 23 JULY 1990

Table 1
Current account

£ million, seasonally adjusted

		Current balance	Visible trade			Invisibles balance [b]
			Balance	Exports fob	Imports fob	
1988		-14960	-20815	80772	101587	+5855
1989		-19067	-23112	92526	115638	+4045
1989	Q2	-4643	-6335	22506	28841	+1692
	Q3	-5986	-6359	23314	29673	+373
	Q4	-4198	-4381	24973	29354	+183
1990	Q1	-4743	-5471	25335	30806	+728
	Q2	-4284 [a]	-4884	26179	31063	+600 [a]
1990	Jan	-1758	-2001	8503	10504	+243
	Feb	-1142	-1384	8433	9817	+242
	Mar	-1843	-2086	8399	10485	+243
	Apr	-1601 [a]	-1801	8650	10451	+200 [a]
	May	-1328 [a]	-1528	8889	10417	+200 [a]
	June	-1355 [a]	-1555	8640	10195	+200 [a]
Jan - Mar 1990		-4743	-5471	25335	30806	+728
Apr - Jun 1990		-4284 [a]	-4884	26179	31063	+600 [a]
Jan - Jun 1990		-9027 [a]	-10355	51514	61869	+1328 [a]

a Invisibles for April to June 1990 are projections.
b Monthly figures are one third of the appropriate calendar quarter's estimate or projection.
Information relating to credits and debits can be found in Table 3.

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SECRET AND PERSONAL UNTIL RELEASE OF THE PRESS NOTICE ON 23 JULY 1990

OTHER KEY POINTS

Trade in oil

- in June the surplus in oil was £0.2 billion, little changed from May
- in the second quarter, exports fell by £0.2 billion and imports fell by £0.4 billion compared with the previous quarter; the surplus, at £0.6 billion, was £0.2 billion more than in the previous quarter.

Non-oil trade

- in June the deficit on non-oil trade was £1.8 billion, £0.1 billion more than in May
- in the second quarter the non-oil deficit fell by £0.4 billion.

Erratic items

- in June exports fell by £0.1 billion while imports were little changed
- in the second quarter exports rose by £0.1 billion while imports fell by £0.2 billion.

Analysis by commodity* (volumes excluding erratic items)

In the latest quarter :

- ***exports of manufactured goods*** were 4½ per cent up on the previous three months
- ***exports of finished manufactures*** rose by 6½ per cent
- within finished manufactures, exports of passenger motor cars rose by 6½ per cent and exports of other consumer goods rose by 10 per cent. Exports of intermediate goods rose by 6 per cent and exports of capital goods rose by 5½ per cent
- ***imports of manufactured goods*** were 3 per cent up on the previous three months
- ***imports of finished manufactures*** rose by 2 per cent
- within finished manufactures, imports of passenger motor cars fell by 7 per cent while imports of other consumer goods rose by 8½ per cent. Imports of intermediate goods rose by 1½ per cent and imports of capital goods rose by ½ per cent.

Terms of trade

- in the second quarter, the export unit value index was little changed while the import unit value index was ½ per cent less than in the previous quarter, so that the terms of trade index rose by ½ per cent
- the export unit value index for fuels fell by 12 per cent while that for non-oil exports rose by 1½ per cent
- the import unit value index for fuels fell by 11 per cent while that for non-oil imports rose by ½ per cent.

**** Overseas trade statistics basis***

Notes to editors

Invisibles

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

2. The figures shown for the invisibles balance in most months are the estimates for the relevant quarters, taken from the Balance of Payments accounts, expressed at a monthly rate. For the most recent months, however, the figures are projections, which are rounded to the nearest £100 million to emphasise their approximate nature. These projections are superseded by preliminary estimates from the Balance of Payments accounts when they are published around the middle of March, June, September and December.

Revisions

3. From January 1990 the "current updating" method of seasonal adjustment has been used; that is, the seasonal factors for the current and previous month have been estimated using the latest data. Further details are given in the Standard Notes.

Area (Table 11)

4. Low value consignments i.e. items of an individual value less than £600, are not analysed by country and are therefore excluded from the area data in Table 11. In addition the method of seasonal adjustment leads to further differences between the sum of areas and figures for total trade.

Monthly Review of External Trade Statistics

5. The Monthly Review supplements the information contained in this Press Notice. It gives longer historical runs of data and contains charts, tables on the UK Balance of Payments, UK exports and imports on an Overseas Trade Statistics basis, and certain international comparisons. The Monthly Review is available from the Central Statistical Office, in Branch D1, Room 62/3 at the address given below for an annual subscription of £43 which includes the annual supplement. The annual supplement for 1989 includes figures back to 1970. Individual copies are priced at £3, (£7 for the annual supplement).

CSO Databank

6. The data in the press notice and Monthly Review of External Trade Statistics can be obtained in computer readable form via the CSO Databank service which provides macro-economic time series data on magnetic tape or floppy disk. Details of the service offered and the schedule of charges may be obtained from the Databank Manager, CSO E1, Room 52 /4, Government Offices, Great George Street, London SW1P 3AQ (telephone: 071-270 6386). The CSO does not offer direct on-line access for the data, but a list of host bureau offering such a facility is available on request from the CSO.

Standard notes

7. There is a set of standard notes that describes the basis on which the figures in this Press Notice are compiled including the differences between the Balance of Payments (BoP) and the Overseas Trade Statistics (OTS) figures. Copies can be obtained by telephoning the public visible trade enquiry number below.

Issued by:

Central Statistical Office,
Government Offices,
Great George Street, London SW1P 3AQ

Telephone :

Press calls on visible and invisible trade: 071 270 6357/ 6512
Press calls on balance of payments and the economy: 071 270 5238
Public inquiries on visibles: 071 270 6263/ 6197/ 5962/ 6244
Public inquiries on invisibles: 071 270 6363/ 6364

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PRIME MINISTER

OVERSEAS TRADE: JUNE FIGURES

The overseas trade figures will be published on Monday 23 July. The current account deficit for June is estimated at £1.4 billion - £0.1 billion higher than the May figure.

The June deficit is broadly in line with City expectations.

The main points are as follows.

i. Invisibles are projected to be in surplus by £200 million in June.

ii. Imports fell in volume and value terms. In June they were at their second lowest monthly level this year.

iii. Nonetheless import volumes have been rising recently. The underlying growth in import volumes (excluding oil and erratics) was put at 2.5 per cent over the last quarter (although still only 3.5 per cent higher than a year ago).

iv. The good news remains the performance of exports. Although this month's figure has dropped a little, the underlying trend remains positive. Export volumes, again excluding oil and erratics, are 12 per cent higher than a year ago.

v. Indeed, exports of manufacturing goods rose by 4.5 per cent over the last 3 months; exports of finished manufacturers rose by 6.5 per cent.

BHP

BARRY H POTTER

18 July 1990

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CURRENT BALANCE VISIBLE TRADE AND INVISIBLES

Table 2

(Balance of Payments basis)

£ million, Seasonally adjusted

	Current Balance	Visible Trade: Exports fob	Visible Trade: Imports fob	Visible Trade: Visible Balance	Visible Trade: of which Oil	Visible Trade: of which Non-oil	Invisibles Balance[b]
1988	-14960	80772	101587	-20815	+ 2797	- 23612	+ 5855
1989	-19067	92526	115638	-23112	+ 1481	- 24593	+ 4045
1989 Q2	- 4643	22506	28841	- 6335	+ 228	- 6563	+ 1692
Q3	- 5986	23314	29673	- 6359	+ 397	- 6756	+ 373
Q4	- 4198	24973	29354	- 4381	+ 627	- 5008	+ 183
1990 Q1	- 4743	25335	30806	- 5471	+ 430	- 5901	+ 728
Q2	- 4284a	26179	31063	- 4884	+ 588	- 5472	+ 600a
1989 OCT	- 1621	8138	9820	- 1682	+ 212	- 1894	+ 61
NOV	- 1721	8115	9897	- 1782	+ 205	- 1987	+ 61
DEC	- 856	8720	9637	- 917	+ 210	- 1127	+ 61
1990 JAN	- 1758	8503	10504	- 2001	+ 121	- 2122	+ 243
FEB	- 1142	8433	9817	- 1384	+ 145	- 1529	+ 242
MAR	- 1843	8399	10485	- 2086	+ 164	- 2250	+ 243
APR	- 1601a	8650	10451	- 1801	+ 203	- 2004	+ 200a
MAY	- 1328a	8889	10417	- 1528	+ 169	- 1697	+ 200a
JUN	- 1355a	8640	10195	- 1555	+ 216	- 1771	+ 200a
APR-JUN 1989	- 4643	22506	28841	- 6335	+ 228	- 6563	+ 1692
JAN-MAR 1990	- 4743	25335	30806	- 5471	+ 430	- 5901	+ 728
APR-JUN 1990	- 4284a	26179	31063	- 4884	+ 588	- 5472	+ 600a
% Change							
Latest 3 months							
- on previous 3 months		+ 3½	+ 1				
- Same 3 months one year ago		+ 16	+ 7½				

a Invisibles for April to June 1990 are projections.

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

INVISIBLES

Table 3

(Balance of Payments basis)

£ million, Seasonally adjusted

	All Sectors: Credits	All Sectors: Debits	All Sectors: Balance	All Sectors: of which Services	All Sectors: of which Interest Profits Dividends	All Sectors: of which Transfers	Private Sector and Public Corporations[d]: Credits	Private Sector and Public Corporations[d]: Debits	Private Sector and Public Corporations[d]: Balance
1987	79800	73248	+ 6552	+ 5653	+ 4301	- 3402	74400	61750	+ 12651
1988	88491	82636	+ 5855	+ 3978	+ 5423	- 3546	82695	70607	+ 12086
1989	108399	104354	+ 4045	+ 3960	+ 4643	- 4558	102144	90871	+ 11274
1988 Q1	20765	19774	+ 991	+ 1022	+ 1021	- 1052	19380	16719	+ 2661
Q2	21672	19942	+ 1730	+ 1116	+ 1508	- 894	20115	16818	+ 3297
Q3	22832	20641	+ 2191	+ 1001	+ 1399	- 209	21316	18267	+ 3049
Q4	23222	22279	+ 943	+ 839	+ 1495	- 1391	21884	18803	+ 3079
1989 Q1	25895	24099	+ 1797	+ 912	+ 1593	- 708	24134	20940	+ 3195
Q2	27024	25332	+ 1692	+ 1309	+ 1218	- 835	25305	22165	+ 3140
Q3	26608	26235	+ 373	+ 967	+ 799	- 1393	25324	22866	+ 2458
Q4	28872	28688	+ 183	+ 772	+ 1033	- 1622	27381	24900	+ 2481
1990 Q1	28883	28155	+ 728	+ 1019	+ 573	- 864	27142	24939	+ 2203

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, 1985 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade[e]	Exports	Imports
1988	94.5	97.6	96.8	110.9	129.8
1989	101.2	103.8	97.5	117.0	139.9
1989 Q2	100.8	102.7	98.1	113.5	140.3
Q3	102.2	105.4	97.0	117.2	141.0
Q4	103.9	107.5	96.6	124.4	138.0
1990 Q1	105.6	108.7	97.1	124.8	146.5
Q2	105.4	108.2	97.5	128.3	146.4
1989 OCT	103.6	106.8	96.9	122.8	139.5
NOV	103.7	107.2	96.7	121.9	140.4
DEC	104.5	108.5	96.3	128.4	134.2
1990 JAN	105.7	108.5	97.5	125.3	150.2
FEB	105.8	108.9	97.1	124.3	139.5
MAR	105.1	108.6	96.8	124.9	149.8
APR	105.7	108.7	97.2	127.5	147.9
MAY	105.7	108.6	97.4	129.8	146.6
JUN	104.8	107.2	97.8	127.7	144.6
APR-JUN 1989	100.8	102.7	98.1	113.5	140.3
JAN-MAR 1990	105.5	108.7	97.1	124.8	146.5
APR-JUN 1990	105.4	108.2	97.5	128.3	146.4
% Change					
Latest 3 months on					
- previous 3 months	0	- ½	+ ½	+ 3	0
- Same 3 months one year ago	+ 4½	+ 5½	- ½	+ 13	+ 4½

e Export unit value index as a percentage of the Import unit value index.

VALUE AND VOLUME OF EXPORTS AND IMPORTS EXCLUDING THE MORE ERRATIC ITEMS[f] — Table 5

Balance of Payments basis — Seasonally adjusted

	Value £ million fob		Volume Index 1985 = 100	
	Exports	Imports	Exports	Imports
1988	75114	97109	109.6	129.8
1989	85250	110844	114.4	140.3
1989 Q2	20706	27697	110.8	141.0
Q3	21483	28470	114.7	141.5
Q4	22889	28085	121.1	138.0
1990 Q1	23538	29038	122.8	144.8
Q2	24268	29512	126.3	146.1
1989 OCT	7603	9408	121.5	139.7
NOV	7379	9463	118.0	139.9
DEC	7907	9214	123.8	134.5
1990 JAN	7858	9846	122.8	147.4
FEB	7843	9425	122.3	140.0
MAR	7837	9767	123.4	146.9
APR	7990	9958	125.2	147.7
MAY	8194	9890	126.9	146.1
JUN	8084	9664	126.8	144.3
APR-JUN 1989	20706	27697	110.8	141.0
JAN-MAR 1990	23538	29038	122.8	144.8
APR-JUN 1990	24268	29512	126.3	146.0
% Change				
Latest 3 months on				
- previous 3 months	+ 3	+ 1½	+ 3	+ 1
- Same 3 months one year ago	+ 17	+ 6½	+ 14	+ 3½

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

TRADE IN OIL [g]

Table 6

(Balance of Payments basis)

Seasonally adjusted

	Balance of Trade in oil	EXPORTS					IMPORTS				
			CRUDE OIL			Rest of Division 33		CRUDE OIL			Rest of Division 33
		TOTAL	(SITC R(3) 333.0)				TOTAL	(SITC (R3) 333.0)			
	£ million fob	£ million fob	£ million fob	million tonnes	Avg value per tonne £ fob	£ million fob	£ million fob	£ million fob	million tonnes	Avg value per tonne £ fob	£ million fob
1988	+ 2797	6018	4515	70.4	64.0	1503	3221	1911	32.6	58.2	1310
1989	+ 1481	5907	4017	49.0	81.7	1890	4426	2753	36.5	75.7	1673
1989 Q2	+ 228	1406	948	11.4	83.2	458	1178	704	8.6	82.2	474
Q3	+ 397	1515	1075	13.1	82.1	440	1118	729	9.6	76.3	389
Q4	+ 627	1786	1255	14.2	88.4	531	1159	688	8.3	82.8	471
1990 Q1	+ 430	1918	1325	15.1	87.9	593	1488	966	11.6	83.1	522
Q2	+ 588	1672	1157	15.1	76.9	515	1084	699	10.3	67.9	385
1989 OCT	+ 212	626	429	4.8	88.6	197	414	254	3.1	82.1	160
NOV	+ 205	589	421	4.8	88.7	168	384	229	2.8	81.3	155
DEC	+ 210	571	405	4.6	88.4	166	361	205	2.4	84.3	156
1990 JAN	+ 121	636	452	5.0	91.3	184	515	332	3.8	86.8	183
FEB	+ 145	638	431	4.9	88.0	207	493	313	3.6	86.3	180
MAR	+ 164	644	442	5.2	84.6	202	480	321	4.2	76.9	159
APR	+ 203	589	420	5.3	79.8	169	386	254	3.7	69.5	132
MAY	+ 169	564	388	4.9	79.8	176	395	257	3.8	67.2	138
JUN	+ 216	519	349	4.9	70.8	170	303	188	2.8	66.7	115
APR-JUN 1989	+ 228	1406	948	11.4	83.5	458	1178	704	8.6	81.9	474
JAN-MAR 1990	+ 430	1918	1325	15.1	87.9	593	1488	966	11.6	83.1	522
APR-JUN 1990	+ 588	1672	1157	15.1	76.9	515	1084	699	10.3	67.9	385
% Change Latest 3 months on previous 3 months		- 13	- 13	0	- 13	- 13	- 27	- 28	- 11	- 18	- 26
- same 3 months one year ago		+ 19	+ 22	+ 32	- 8	+ 12	- 8	- ½	+ 20	- 17	- 19

g Trade in petroleum and petroleum products. These figures differ from those published by the Department of Energy which are on a time of shipment basis (see paragraph 10 of the standard notes).

TRADE IN GOODS OTHER THAN OIL

Table 7

(Balance of Payments basis)

	Total								Excluding erratics[f]			
	Value, £ million, fob (seasonally adjusted)			Unit value index 1985 = 100 (not seasonally adjusted)			Volume index 1985 = 100 (seasonally adjusted)		Value £ million fob (seasonally adjusted)		Volume index 1985 = 100 (seasonally adjusted)	
	Balance of non oil trade	Exports	Imports	Exports	Imports	Terms of Trade[e]	Exports	Imports	Exports	Imports	Exports	Imports
1988	-23612	74754	98366	108.9	104.2	104.6	115.1	132.3	69096	93888	113.8	132.4
1989	-24593	86619	111212	114.8	109.8	104.6	127.8	142.7	79343	106418	125.4	143.3
1989 Q2	- 6563	21100	27663	113.8	108.3	105.1	124.9	143.2	19300	26519	122.3	144.1
Q3	- 6756	21799	28555	116.2	111.4	104.3	127.4	144.1	19968	27352	125.0	144.9
Q4	- 5008	23187	28195	117.2	113.5	103.3	134.7	141.1	21103	26926	131.3	141.2
1990 Q1	- 5901	23417	29318	118.8	114.6	103.7	134.3	147.2	21620	27550	132.5	145.3
Q2	- 5472	24507	29979	120.4	115.0	104.7	139.3	149.1	22596	28428	137.5	148.9
1989 OCT	- 1894	7512	9406	116.6	112.9	103.3	131.5	141.5	6977	8994	130.5	141.9
NOV	- 1987	7526	9513	116.9	113.1	103.4	131.6	143.8	6790	9079	127.2	143.4
DEC	- 1127	8149	9276	118.0	114.4	103.1	141.2	137.8	7336	8853	136.2	138.4
1990 JAN	- 2122	7867	9989	118.5	114.1	103.8	135.9	151.5	7222	9331	133.4	148.3
FEB	- 1529	7795	9324	119.1	114.7	103.9	133.8	140.1	7205	8932	132.0	140.6
MAR	- 2250	7755	10005	118.9	115.1	103.3	133.2	150.0	7193	9287	132.0	146.8
APR	- 2004	8061	10065	120.3	115.7	104.0	137.4	149.9	7401	9572	135.2	149.9
MAY	- 1697	8325	10022	120.5	115.3	104.5	141.8	148.4	7630	9495	138.9	148.0
JUN	- 1771	8121	9892	120.4	114.1	105.5	138.8	148.9	7565	9361	138.5	148.8
APR-JUN 1989	- 6563	21100	27663	113.8	108.3	105.1	124.9	143.2	19300	26519	122.3	144.1
JAN-MAR 1990	- 5901	23417	29318	118.8	114.6	103.7	134.3	147.2	21620	27550	132.5	145.3
APR-JUN 1990	- 5472	24507	29979	120.4	115.0	104.7	139.3	149.1	22596	28428	137.5	148.9
% Change												
Latest 3 months on												
- previous 3 months		+ 4½	+ 2½	+ 1½	+ ½	+ 1	+ 3½	+ 1½	+ 4½	+ 3	+ 4	+ 2½
- same 3 months one year ago		+ 16	+ 8½	+ 6	+ 6	- ½	+ 12	+ 4	+ 17	+ 7	+ 12	+ 3½

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.

TRADE BY COMMODITY: VALUE

Table 8

Overseas Trade Statistics basis — £ million, Seasonally adjusted

	Total	Food beverages and tobacco	Basic Materials	Fuels	Total Manufactures	Manufactures excluding erratics[h]								
							Semi-manufactures excluding precious stones & silver(PS)			Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
								Chemicals			Passenger Motor Cars	Other Consumer	Intermediate	Capital
SITC (REV 3)	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
Exports fob														
1988	82097	5534	2120	6260	66195	59968	21911	11331	10579	38057	2032	6645	16011	13369
1989	93645	6555	2348	6164	76291	69111	24555	12350	12206	44556	2637	8028	18238	15653
1989 Q2	22773	1612	577	1461	18573	16797	6042	3014	3028	10755	654	1924	4382	3796
Q3	23663	1622	609	1586	19274	17463	6150	3105	3046	11313	618	2039	4704	3951
Q4	25246	1710	620	1856	20423	18348	6505	3278	3227	11842	745	2097	4749	4251
1990 Q1	25531	1710	540	1951	20724	18941	6719	3327	3393	12221	704	2321	4889	4308
Q2	26391	1761	576	1688	21764	19870	6821	3363	3458	13049	775	2536	5197	4541
1990 APR	8722	575	186	594	7150	6491	2270	1117	1153	4221	249	732	1704	1536
MAY	8954	591	203	570	7395	6716	2288	1127	1161	4428	260	887	1742	1539
JUN	8715	595	186	525	7218	6663	2264	1119	1145	4400	266	918	1750	1466
APR-JUN 1989	22773	1612	577	1461	18573	16797	6042	3014	3028	10755	654	1924	4382	3796
JAN-MAR 1990	25531	1710	540	1951	20724	18941	6719	3327	3393	12221	704	2321	4889	4308
APR-JUN 1990	26391	1761	576	1688	21764	19870	6821	3363	3458	13049	775	2536	5197	4541
% Change														
Latest 3 months on														
- previous 3 months	+ 3½	+ 3	+ 6½	- 13	+ 5	+ 5	+ 1½	+ 1	+ 2	+ 7	+ 10	+ 9½	+ 6½	+ 5½
- same 3 months one year ago	+ 16	+ 9½	- ½	+ 16	+ 17	+ 18	+ 13	+ 12	+ 14	+ 21	+ 18	+ 32	+ 19	+ 20
Imports cif														
1988	106571	10615	5984	5038	83484	78623	26738	9314	17424	51885	6752	12604	17913	14617
1989	120788	11430	6482	6235	95075	90423	29961	10441	19520	60463	7618	14827	21202	16816
1989 Q2	30124	2834	1636	1627	23621	22499	7520	2586	4934	14980	1801	3683	5220	4275
Q3	31026	2982	1703	1537	24424	23242	7574	2643	4931	15668	2049	3819	5462	4337
Q4	30586	2998	1504	1657	24039	22855	7512	2683	4830	15343	1958	3800	5428	4156
1990 Q1	32154	3167	1621	1941	24989	23270	7490	2626	4864	15780	1902	3923	5697	4258
Q2	32437	3207	1689	1474	25630	24098	7867	2790	5077	16231	1907	4226	5832	4266
1990 APR	10912	1071	579	522	8592	8107	2650	934	1716	5457	633	1432	1948	1444
MAY	10882	1082	556	521	8577	8057	2612	926	1686	5446	653	1398	1948	1446
JUN	10643	1054	555	431	8461	7933	2605	931	1674	5328	620	1396	1936	1376
APR-JUN 1989	30124	2834	1636	1627	23621	22499	7520	2586	4934	14980	1801	3683	5220	4275
JAN-MAR 1990	32154	3167	1621	1941	24989	23270	7490	2626	4864	15780	1902	3923	5697	4258
APR-JUN 1990	32437	3207	1689	1474	25630	24098	7867	2790	5077	16231	1907	4226	5832	4266
% Change														
Latest 3 months on														
- previous 3 months	+ 1	+ 1½	+ 4	- 24	+ 2½	+ 3½	+ 5	+ 6½	+ 4½	+ 3	0	+ 7½	+ 2½	0
- same three months one year ago	+ 7½	+ 13	+ 3	- 9½	+ 8½	+ 7	+ 4½	+ 8	+ 3	+ 8½	+ 6	+ 15	+ 12	0

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

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

TRADE BY COMMODITY: VOLUME INDICES

Table 9

Overseas Trade Statistics basis — 1985 = 100, Seasonally adjusted

						Manufactures excluding erratics[h]								
							Semi-manufactures excluding precious stones & silver(PS)			Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
	Total	Food beverages and tobacco	Basic Materials	Fuels	Total Manufactures	Total	Total	Chemicals	Other	Total	Passenger Motor Cars	Other Consumer	Intermediate	Capital
SITC (REV 3)	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
Exports														
Weights	1000	64	28	214	670	619	234	121	114	385	17	65	180	122
1988	112.0	112.3	99.9	93.8	118.9	116.0	116.5	117.3	115.7	115.8	122.8	122.5	102.8	130.2
1989	117.8	123.4	104.3	75.1	131.9	128.8	121.1	118.3	124.1	133.6	153.1	144.4	114.6	153.0
1989 Q2	114.3	123	103	69	129	125	120	116	124	129	156	138	111	147
Q3	118.4	118	106	78	132	129	119	116	123	135	140	145	118	155
Q4	125.2	124	108	84	139	135	126	123	129	141	168	149	117	167
1990 Q1	124.9	121	95	86	140	137	128	123	134	143	155	161	120	165
Q2	128.4	121	100	83	146	143	129	121	137	152	166	178	127	174
1990 APR	127.6	119	96	86	143	141	129	121	137	148	161	154	124	178
MAY	129.9	123	106	81	148	145	130	122	139	154	166	182	127	175
JUN	127.7	121	98	82	145	145	128	121	135	155	169	198	129	168
APR-JUN 1989	114.3	123	103	69	129	125	120	116	124	129	156	138	111	147
JAN-MAR 1990	124.9	121	95	86	140	137	128	123	134	143	155	161	120	165
APR-JUN 1990	128.4	121	100	83	146	143	129	121	137	152	166	178	127	174
% Change														
Latest 3 months on														
- previous 3 months	+ 3	0	+ 5	- 3½	+ 4½	+ 4½	+ ½	- 1½	+ 2½	+ 6½	+ 6½	+ 10	+ 6	+ 5½
- same 3 months one year ago	+ 12	- 2	- 3	+ 19	+ 13	+ 14	+ 7½	+ 4½	+ 11	+ 18	+ 6½	+ 29	+ 14	+ 18
Imports														
Weights	1000	109	65	125	686	647	230	81	148	417	49	106	143	119
1988	130.1	115.0	118.1	108.3	138.0	137.6	131.8	129.6	133.1	140.8	127.2	141.7	145.8	139.6
1989	140.1	118.3	116.7	113.6	151.0	152.0	140.2	142.6	138.8	158.6	131.3	159.1	164.9	161.7
1989 Q2	140.4	119	119	114	151	153	141	141	141	159	125	159	165	166
Q3	141.3	123	119	111	153	154	141	144	139	161	136	161	167	164
Q4	137.9	119	104	111	149	150	139	146	134	157	131	158	164	157
1990 Q1	145.4	124	115	129	155	153	140	145	138	160	130	161	169	160
Q2	145.2	123	122	111	157	157	146	151	143	164	121	176	172	161
1990 APR	146.9	123	122	118	159	159	147	155	143	165	123	178	171	164
MAY	145.3	122	121	116	157	157	145	150	143	163	123	173	172	161
JUN	143.2	125	125	98	157	157	146	150	144	162	116	176	171	159
APR-JUN 1989	140.4	119	119	114	151	153	141	141	141	159	125	159	165	166
JAN-MAR 1990	145.4	124	115	129	155	153	140	145	138	160	130	161	169	160
APR-JUN 1990	145.2	123	122	111	157	157	146	151	143	164	121	176	172	161
% Change														
Latest 3 months on														
- previous 3 months	0	- ½	+ 6½	- 14	+ 1½	+ 3	+ 4½	+ 4½	+ 4	+ 2	- 7	+ 8½	+ 1½	+ ½
- same 3 months one year ago	+ 3½	+ 4	+ 3	- 2½	+ 4	+ 3	+ 4	+ 7	+ 2	+ 3	- 3½	+ 11	+ 4	- 3

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

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

TRADE BY COMMODITY: UNIT VALUE INDICES

Table 10

Overseas Trade Statistics basis — 1985 = 100, Not seasonally adjusted

						Manufactures excluding erratics[h]								
							Semi-manufactures excluding precious stones & silver(PS)			Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
	Total	Food beverages and tobacco	Basic Materials	Fuels	Total Manufactures	Total	Total	Chemicals	Other	Total	Passenger Motor Cars	Other Consumer	Intermediate	Capital
SITC (REV 3)	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
Exports														
Weights	1000	64	28	214	670	619	234	121	114	385	17	65	180	122
1988	94.7	107	99	40	110	111	107	107	107	113	122	110	115	111
1989	101.3	114	107	49	116	117	115	116	115	117	132	115	118	115
1989 Q2	100.9	111	105	51	115	116	115	115	114	116	128	113	118	114
Q3	102.3	118	109	49	117	118	117	118	116	118	135	116	119	116
Q4	104.0	120	107	53	118	119	118	119	117	119	136	118	120	116
1990 Q1	105.7	120	107	55	120	121	121	122	119	120	136	120	121	117
Q2	105.5	124	107	48	121	122	122	124	119	122	140	120	123	120
1990 APR	105.8	122	107	50	121	122	122	124	119	122	138	121	123	119
MAY	105.9	125	107	50	121	122	122	125	118	122	141	120	122	120
JUN	104.9	125	106	45	121	122	122	124	119	122	140	120	122	120
APR-JUN 1989	100.9	111	105	51	115	116	115	115	114	116	128	113	118	114
JAN-MAR 1990	105.7	120	107	55	120	121	121	122	119	120	136	120	121	117
APR-JUN 1990	105.5	124	107	48	121	122	122	124	119	122	140	120	123	120
% Change														
Latest 3 months on														
- previous 3 months	0	+ 3½	- ½	- 12	+ 1½	+ 1	+ 1	+ 2	- ½	+ 1½	+ 2½	+ ½	+ 1	+ 2
- same 3 months one year ago	+ 4½	+ 12	+ 1½	- 5	+ 5½	+ 5½	+ 6	+ 8½	+ 4	+ 5	+ 9	+ 6½	+ 4½	+ 4½
Imports														
Weights	1000	109	65	125	686	647	230	81	148	417	49	106	143	119
1988	97.5	101	93	45	107	107	107	106	109	107	128	102	104	106
1989	103.5	107	103	53	112	112	114	108	117	112	140	108	109	106
1989 Q2	102.4	106	101	54	111	111	113	108	116	110	139	105	107	104
Q3	105.1	109	106	53	114	114	115	109	118	114	142	111	111	108
Q4	107.2	110	108	57	116	116	117	109	121	116	144	113	114	109
1990 Q1	108.5	112	107	59	117	117	117	110	121	117	144	113	116	111
Q2	108.1	114	105	52	117	118	118	112	121	117	149	111	118	110
1990 APR	108.5	114	107	52	118	118	118	111	122	118	149	112	119	110
MAY	108.6	115	106	54	118	118	119	113	122	118	149	111	118	111
JUN	107.2	114	103	51	117	117	118	112	121	116	148	109	117	109
APR-JUN 1989	102.4	106	101	54	111	111	113	108	116	110	139	105	107	104
JAN-MAR 1990	108.5	112	107	59	117	117	117	110	121	117	144	113	116	111
APR-JUN 1990	108.1	114	105	52	117	118	118	112	121	117	149	111	118	110
% Change														
Latest 3 months on														
- previous 3 months	- ½	+ 1½	- 1½	- 11	+ ½	+ ½	+ ½	+ 2	0	0	+ 3½	- 2½	+ 1½	- 1
- same 3 months one year ago	+ 5½	+ 8	+ 4	- 3½	+ 6	+ 6	+ 4½	+ 4	+ 4½	+ 7	+ 7½	+ 5	+ 9½	+ 5½

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

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

Table 11

TRADE BY AREA

Overseas Trade Statistics basis

£ million, Seasonally adjusted

	Total[k]	Developed countries						Developing countries			Centrally planned economies[1]
		Total	European Community[1]	Rest of W Europe	North America Total	USA	Other	Total	Oil exporting Countries	Other	
Exports fob											
1988	82097	65638	40938	7411	12794	10715	4495	13637	5021	8616	1612
1989	93645	75015	47140	8120	14346	12099	5409	15554	5833	9721	1786
1989 Q2	22773	18424	11538	2003	3566	2961	1318	3728	1282	2446	423
Q3	23663	18768	11936	1962	3572	3105	1298	3992	1643	2349	414
Q4	25246	20265	12728	2221	3797	3180	1520	4230	1534	2696	517
1990 Q1	25531	20648	13023	2334	3842	3291	1449	3918	1319	2599	544
Q2	26391	21653	13868	2540	3764	3284	1480	4310	1589	2720	468
1990 APR	8722	7175	4600	857	1266	1086	451	1440	465	975	165
MAY	8954	7373	4740	858	1209	1066	566	1481	599	882	171
JUN	8715	7104	4527	825	1289	1132	463	1389	525	863	132
APR-JUN 1989	22773	18424	11538	2003	3566	2961	1318	3728	1282	2446	423
JAN-MAR 1990	25531	20648	13023	2334	3842	3291	1449	3918	1319	2599	544
APR-JUN 1990	26391	21653	13868	2540	3764	3284	1480	4310	1589	2720	468
% Change											
Latest 3 months on - previous 3 months	+ 3½	+ 5	+ 6½	+ 9	- 2	0	+ 2	+ 10	+ 20	+ 4½	- 14
- same 3 months one year ago	+ 16	+ 18	+ 20	+ 27	+ 5½	+ 11	+ 12	+ 16	+ 24	+ 11	+ 11
Imports cif											
1988	106571	91255	55807	14028	12903	10768	8517	12600	2085	10515	2031
1989	120788	103323	63495	15349	15185	12889	9295	14453	2314	12139	2281
1989 Q2	30124	25815	15866	3866	3744	3183	2339	3608	501	3107	590
Q3	31026	26316	16147	3861	3949	3353	2359	3795	604	3191	585
Q4	30586	26231	16236	3788	3840	3288	2368	3680	619	3061	531
1990 Q1	32154	27712	16902	4215	4223	3605	2372	3745	847	2897	569
Q2	32437	27862	17009	3895	4533	3910	2425	3856	589	3267	625
1990 APR	10912	9401	5786	1345	1471	1241	800	1222	173	1048	197
MAY	10882	9434	5695	1326	1586	1384	827	1291	225	1066	205
JUN	10643	9027	5528	1224	1476	1285	798	1344	191	1153	222
APR-JUN 1989	30124	25815	15866	3866	3744	3183	2339	3608	501	3107	590
JAN-MAR 1990	32154	27712	16902	4215	4223	3605	2372	3745	847	2897	569
APR-JUN 1990	32437	27862	17009	3895	4533	3910	2425	3856	589	3267	625
% Change											
Latest 3 months on - previous 3 months	+ 1	+ ½	+ ½	- 7½	+ 7½	+ 8½	+ 2	+ 3	- 30	+ 13	+ 9½
- same 3 months one year ago	+ 7½	+ 8	+ 7	+ ½	+ 21	+ 23	+ 3½	+ 7	+ 18	+ 5	+ 6

k See paragraph 4 Notes to Editors.

1 German Democratic Republic is included with Centrally planned economies

COMMODITY ANALYSIS OF VISIBLE TRADE

Table 12

Balance of Payments basis — £ million, Seasonally adjusted

SITC (R3)	Food Beverages and Tobacco 0 + 1			Basic Materials 2 + 4			Fuels 3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1988	5482	9956	- 4474	2134	5447	- 3313	6260	4687	+ 1573
1989	6494	10721	- 4227	2354	5900	- 3546	6163	5901	+ 262
1988 Q3	1397	2539	- 1142	547	1453	- 906	1556	1211	+ 345
Q4	1384	2563	- 1179	563	1413	- 850	1262	1123	+ 139
1989 Q1	1601	2441	- 840	543	1497	- 954	1260	1315	- 55
Q2	1595	2646	- 1051	579	1492	- 913	1461	1548	- 87
Q3	1603	2806	- 1203	610	1551	- 941	1586	1464	+ 122
Q4	1695	2828	- 1133	622	1360	- 738	1856	1574	+ 282
1990 Q1	1696	2987	- 1291	542	1469	- 927	2017	1818	+ 199
Q2	1743	3015	- 1272	577	1544	- 967	1751	1418	+ 333
1990 APR	570	1009	- 439	187	531	- 344	614	486	+ 128
MAY	585	1016	- 431	204	507	- 303	588	510	+ 78
JUN	588	990	- 402	186	506	- 320	549	422	+ 127

SITC (R3)	Semi Manufactures 5 + 6			Finished Manufactures 7 + 8			Total Manufactures 5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1988	24095	28010	- 3915	40813	51774	-10961	64908	79784	-14876
1989	26817	31011	- 4194	48415	60356	-11941	75232	91367	-16135
1988 Q3	6233	7334	- 1101	10641	13497	- 2856	16874	20831	- 3957
Q4	6219	7264	- 1045	10494	13926	- 3432	16713	21190	- 4477
1989 Q1	6331	7708	- 1377	11466	14376	- 2910	17797	22084	- 4287
Q2	6693	7764	- 1071	11631	14943	- 3312	18324	22707	- 4383
Q3	6608	7818	- 1210	12342	15610	- 3268	18950	23428	- 4478
Q4	7185	7721	- 536	12976	15427	- 2451	20161	23148	- 2987
1990 Q1	7414	8034	- 620	13065	16019	- 2954	20479	24053	- 3574
Q2	7444	8142	- 698	14064	16468	- 2404	21508	24610	- 3102
1990 APR	2497	2782	- 285	4566	5482	- 916	7063	8264	- 1201
MAY	2512	2715	- 203	4805	5510	- 705	7317	8225	- 908
JUN	2435	2645	- 210	4693	5476	- 783	7128	8121	- 993

file

PRIME MINISTER

TIMING OF ANNOUNCEMENTS

As you know, there are three important policy announcements to be made next week:

i. Community Charge - the outcome of the review and AEF for England in 1991-92;

ii. Community Care - the phased implementation over the next three years;

iii. Public Expenditure - the objective for this year's PES round.

It is useful to separate the proprieties from the presentation.

In terms of propriety, the proposals on local government finance have always been formally approved by the Cabinet. The earliest practical date that can now take place is on 19 July. The community care arrangements are closely linked to the community charge; they too should be reported to Cabinet on the same day. It is also the intention to agree the stance on public spending for this year's PESC round at Cabinet on 19 July.

Other Ministers, however, have seen presentational advantage in releasing some of the information earlier. Mr Baker is thought to favour making the community charge announcement on Monday 16 or Tuesday 17 July. This is primarily because the Leader of the Opposition is in the USA.

Mr Patten (see Flag A) would prefer, ableit marginally, to make the community charge statement on Wednesday 18 July. Mr Clarke sees advantage in making the community care announcement after that on the community charge -in order to avoid the accusation that the transfer of community care is being delayed for cost reasons. But, as Mr Patten points out, that would hardly be practicable.

Mr Wakeham, however, and Treasury Ministers, (letter at Flag B) favour making all the announcements on July 19. This is also the sensible date in terms of the usual proprieties of informing Cabinet colleagues.

All three announcements are an inter-related package: the transfer of community care has been largely delayed to avoid any impact on the community charge; and the extra AEF to keep down community charges has an enormous impact on what can be afforded elsewhere in the public spending survey. It is also sensible in presentational terms to make the announcements simultaneously.

Are you content for me to minute the relevant Ministers indicating that all the announcements should be made on July 19?

BHP

BARRY H POTTER
10 July 1990
c\wpdocs\economic\cc(kw)

2S(A-B)

PRIME MINISTER

UK BALANCE OF PAYMENTS - MAY CURRENT ACCOUNT

The balance of payments' figures for May, to be released on Friday 22 June, are a considerable improvement on recent months.

The main points are as follows.

(i) The export figure for May is £8.9 billion - a record high. Excluding oil and erratics, the volume of exports in the three months to May was 1½ per cent up on the previous three months - and 11 per cent above a year earlier. The underlying level of non-oil exports continues to rise in volume terms.

(ii) The imports figure was broadly unchanged from last month: indeed, excluding February, the figure has been around £10.4 billion each month this year. However, the volume of imports in the three months to May was 4 per cent higher than the previous three months and also 4 per cent higher than a year earlier. In short, there has been a worrying re-acceleration of import volumes in recent months.

(iii) The visible trade deficit for May was £1.5 billion compared to a revised figure of £1.8 billion for April.

(iv) However, as you know, the CSO have now revised their assessment of the invisibles account. Whereas the assumption had been a zero balance on invisibles for the first four months of the year, the figure has been revised to +£240 million per month for the first quarter; and for the second quarter the projection is set at +£200 million per month.

(v) With this improvement on the invisibles position, the deficit on current account is estimated at £1.3 billion in May. This is the lowest figure this year - excluding the (freak low) February figure.

The graph on page 2 remains worrying. The gap between export and import volumes narrowed between end 1988 and end 1989: the reacceleration on imports of recent months seems to indicate a slight widening of the gap since the beginning of the year on visible trade.

BHP

BARRY H. POTTER

19 June 1990

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mg2.jb/Healey/91g6.7.6

CONFIDENTIAL

Prime Minister
No significant change
BHP 14/6

(2)

File: MAMC C9

FROM: MS J E C HEALEY (MG2)
DATE: 14 June 1989
EXT: 4604

1. MR GRICE JWG 14.6.90
2. ECONOMIC SECRETARY

cc PS/Chancellor
PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Sir T Burns
Mr Wicks
Mr Scholar
Mr Peretz
Mr Riley
Mr Sedgwick
Mr Owen (EA2)
Mr O'Donnell
Mr McIntyre o/r
Mr Brooks
Ms Simpson
Mr Pike
Mrs Williams

Mr Potter - No 10

MO FIGURES

The latest weekly figures, covering the second week in June are attached. In the latest four week period, MO was 6.5 per cent higher than a year earlier in seasonally adjusted terms (and 6.5 per cent higher before seasonal adjustment). Notes and coin increased by 6.6 per cent over the same period after seasonal adjustment (6.6 per cent nsa).

2. The annualised six month growth rate of notes and coin was 5.7 per cent in the latest four week period compared to 6.3 per cent in May.

Juliette Healey

JULIETTE HEALEY

CONFIDENTIAL

TABLE 17

CONFIDENTIAL (Until Publication)

M0 : THE WIDE MONETARY BASE

Monthly data	Level £ million (Change in brackets)						% change on previous month		3 month % growth annualised		6 month % growth annualised		Percentage change on previous year			
	Notes and Coin (nsa)	Notes and Coin (sa)		Bankers' Deposits	M0 (nsa)	M0 (sa)		Notes & Coin (sa)	M0 (sa)	Notes & Co (sa	M0 (sa)	Notes & Co (sa	M0 (sa)	Notes and Coin (nsa)	Notes and Coin (sa)	M0 (nsa)	M0 (sa)
1989 May	16922	16944	(166)	166	17088	17110	(138)	1.0	0.8	7.0	7.3	3.9	3.9	6.6	6.3	6.5	6.2
June	17003	17062	(118)	136	17139	17198	(88)	0.7	0.5	8.1	8.4	4.3	3.8	5.8	6.2	5.5	5.9
July	17339	17149	(87)	120	17459	17269	(71)	0.5	0.4	9.1	7.2	5.2	4.7	5.7	5.7	5.2	5.2
August	17558	17329	(180)	196	17754	17525	(256)	1.1	1.5	9.4	10.1	8.2	8.7	5.9	5.9	6.1	6.1
September	17416	17361	(32)	139	17555	17500	(-25)	0.2	-0.1	7.2	7.2	7.7	7.8	4.7	4.7	4.5	4.5
October	17412	17473	(112)	160	17572	17633	(133)	0.6	0.8	7.8	8.6	8.5	7.9	5.5	5.5	5.3	5.2
November	17552	17581	(108)	167	17719	17748	(115)	0.6	0.6	5.9	5.1	7.6	7.6	5.7	5.8	5.6	5.7
December	18871	17714	(133)	186	19057	17900	(152)	0.8	0.9	8.4	9.5	7.8	8.3	5.6	6.0	5.7	6.1
January	17739	17777	(63)	76	17815	17853	(-47)	0.3	-0.3	7.2	5.1	7.5	6.9	6.1	6.3	5.6	5.8
February	17429	17749	(-28)	141	17570	17890	(37)	-0.2	0.2	3.9	3.3	4.9	4.2	6.6	6.5	6.4	6.4
March	17526	17800	(51)	125	17650	17925	(35)	0.3	0.2	1.9	0.5	5.1	4.9	5.0	6.4	5.0	6.3
1990 April	18091	17995	(195)	224	18315	18219	(294)	1.1	1.7	5.0	8.5	6.1	6.8	8.8	7.3	8.9	7.3
May	18133	18128	(133)	159	18292	18287	(68)	0.7	0.4	8.8	9.2	6.4	6.2	7.2	7.0	7.0	6.9
June (2/4)	18097	18185	(57)	133	18230	18318	(31)	0.3	0.2	9.0	9.1	5.4	4.7	6.4	6.6	6.4	6.5
Latest 4 weeks @	18174	18152	(46)	159	18333	18311	(28)	0.3	0.2	9.3	8.8	5.7	5.6	6.6	6.6	6.5	6.5

Weekly data	Level £ million (Change in brackets)					Percentage change on previous week	Percentage change on previous year			
	Notes and Coin (u/a)	Notes and Coin (s/a)	(s/a)	Bankers' Deposits	M0 (sa)	M0 (sa)	Notes and Coin (nsa	Notes and Coin (sa)	M0 (nsa)	M0 (sa)
1990										
April										
4th	17736	17847	(-6)	216	18063	(182)	1.0	6.2	6.5	6.2	6.5
11th	18328	18029	(182)	96	18125	(62)	0.3	10.5	7.5	10.1	7.1
18th	18404	18081	(52)	298	18379	(254)	1.4	11.2	7.8	11.2	7.9
25th	17896	18021	(-60)	287	18308	(-71)	-0.4	7.2	7.2	8.0	7.9
May										
2nd	18017	18107	(86)	140	18247	(-61)	-0.3	6.3	7.1	5.8	6.5
9th	18223	18202	(95)	204	18406	(159)	0.9	9.0	7.6	9.1	7.7
16th	17924	18092	(-110)	79	18171	(-235)	-1.3	7.2	7.0	7.5	7.2
23rd	18147	18080	(-12)	141	18221	(50)	0.3	6.7	6.7	7.1	7.1
30th	18354	18158	(78)	231	18389	(168)	0.9	6.5	6.5	5.8	5.9
June										
6th	18111	18179	(21)	219	18398	(9)	0.0	6.7	6.7	7.2	7.2
13th	18083	18191	(12)	46	18237	(-161)	-0.9	6.5	6.6	5.9	6.0

@ The latest four week changes use as a base the four week averaged level four, thirteen, twenty-six and fifty-two weeks ago.

@@ The figures have been corrected for the write-off of £51 million of notes on 1 June 1989 under the terms of the 1983 Currency Act.

PERSONAL AND CONFIDENTIAL

(1)

PRIME MINISTER

THE MAY RPI

The annual increase in the May RPI is estimated at 9.7%. The estimate is unlikely to change by more than 0.2% either way before the final figure is published on Friday, 15 June. (It is however 0.2% higher than the central forecast which CSO gave us last month.)

The figure is bad - though not disastrous. There were increases across a wide range of goods and services. However the rise partly reflects duty increases on alcohol and tobacco announced in the Budget feeding into the index, along with the delayed effect of higher mortgage rates.

There is however no indication yet of any improvement in the underlying trend.

Outlook for the June RPI

Last June retail prices only rose by 0.3%. Any higher increase this year will add to the annual rate of RPI inflation. The CSO forecast is for a figure within the range 9.7% - 9.9% - perilously close to double figures.

BHP

BHP

6 June 1990

jd c:rpi

chex.kf/kg/25

Prime Minister 2
To note.
BTHP
16/5

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

16 May 1990

Barry Potter Esq
10 Downing Street
LONDON
SW1

Dear Barry

IMPROVEMENTS TO ECONOMIC STATISTICS

You may like to be aware that the Chancellor intends to announce tomorrow a package of measures to improve the quality of economic statistics. The changes will cover three areas: output and trade in the service industries, company expenditure and the balance of payments. I enclose a CSO press notice which will be issued tomorrow.

Yours

Kate Gaseltine

MISS K GASELTINE
Assistant Private Secretary

Central Statistical Office

CSO(90)67
17 May 1990

CHANCELLOR ANNOUNCES PACKAGE TO IMPROVE ECONOMIC STATISTICS

The Chancellor of the Exchequer today announced a package of measures to improve the quality of economic statistics.

In a written statement in reply to a parliamentary question by Mr Terence Higgins MP, the Chancellor said:

"I have arranged for the Central Statistical Office to take further steps to improve the quality of statistics in three areas - services, companies and balance of payments. My aim is to introduce these changes as quickly as possible so that some results will begin to appear in the figures as early as the end of this year. This is a development made possible by last summer's reorganisation of the CSO which was undertaken to enable improvements to be made to economic statistics.

"On services, I propose that extensions are made to quarterly inquiries of turnover in the service industries, and that more information on external trade in services is collected on a quarterly basis. On company statistics, I propose to obtain more quarterly information on capital expenditure, stockbuilding and profits. On balance of payments (and other financial) statistics, I propose that the quarterly direct investment inquiry should be expanded, and that more information be collected about UK companies' financial transactions with domestic and overseas residents. Because of the severe problems with balance of payments statistics, I have asked the CSO to undertake a thorough review over the next twelve months of the way in which these statistics are collected and compiled.

"In addition, I have asked the CSO, in consultation with the appropriate bodies, to consider the case for wider use of statutory surveys. This should improve the quality of statistics by increasing response rates. It should also ensure that the burden on businesses is shared more fairly."

Issued by:
Central Statistical Office
Government Offices
Great George Street
London SW1P 3AQ

Telephone:
Press calls only:
071-270 6357/6512

SECRET

24(a-b)a

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

8 May 1990

Dear Kate,

RETAIL PRICE INDEX - ANNOUNCEMENT ON FRIDAY

I mentioned to you earlier that the Prime Minister will wish to be thoroughly briefed for the announcement of the April Retail Price Index on Friday.

At Prime Minister's Questions this afternoon, the Leader of the Opposition led on the worsening record on inflation. The view within No.10 is that Mr. Kinnock may be planning further questions on this subject for Prime Minister's Questions on Thursday (before the April RPI announcement) and again, after the announcement, next Tuesday.

The Prime Minister sees advantage in being able to cite what all main indicators of inflation are showing. Accordingly, in addition to the material you are providing on the recent trends and the components of the RPI, it would be useful to have notes on two other main measures - the GDP deflator and the consumers' expenditure deflator. In both cases it would be useful to have a usable (i.e. in contrast to technical) definition of what both concepts are as well as the latest data: I hope it will be possible to provide estimates of the GDP deflator and the consumer's expenditure deflator for 1990 Q1.

Secondly, the Prime Minister will wish to build on the theme that the RPI, as the UK's measure of consumer price inflation, should be measured on broadly the same basis as our European competitors. Two features of the present construction of the RPI would seem to be anomalous on that basis: the first is the inclusion of mortgage interest payments; the second is the inclusion of the community charge (which is of course excluded from the GDP deflator).

The Prime Minister would be grateful for a note on how each of the other countries in the EC (plus USA, Canada and Japan) treat both housing costs and local taxes in the construction of the RPI index, and, in the case of local taxes, in the GDP deflator also.

Thirdly the Prime Minister would like to see what the retail price index would have looked like if it had still included the community charge and rents on the pre-1986 basis, that is net of

rebate payments.

Finally, on a separate but related issue, the Prime Minister would be grateful for an authoritative line to take on the relationship between interest rates and inflation. She has noted that the Leader of the Opposition appeared to suggest that reducing interest rates was the most appropriate way of reducing inflation in present circumstances. It would be very helpful if an IMF statement or a statement by some prominent person such as Volker, Greenspan or Poehl could be identified stressing that high interest rates are a necessary means of restricting the growth in money supply and hence the rate of inflation.

I appreciate the workload involved in the above requests. I would be very grateful if as much of this as possible could be provided by Thursday lunchtime in preparation for Prime Minister's Questions that afternoon. But the bulk of the material must be ready for the Prime Minister (and other Government Ministers) to use when the RPI figures are released on Friday morning.

Yours ever,

Barry

(BARRY H. POTTER)

Ms. Kate Gasaltine,
H.M. Treasury.

SECRET

23a-b

PRIME MINISTER

APRIL RPI

There is some good news on the April RPI figure.

The CSO's estimate for the April RPI suggests that the annual rate of increase will be 9.4 per cent. I should warn that this estimate is subject to a margin of error of at least 0.2 per cent (on either side).

Three factors seem to account for the lower than expected year on year increase in the April RPI.

- The proposals take into account community charge capping. This reduces the RPI by 0.1 per cent.

- Some of the Budget duty increases on alcohol and tobacco may not yet have fed through into the index.

- But the most important and encouraging factor is that prices for a wide range of goods and services have risen less than expected.

This last factor is vital: if this is evidence of financial pressures on industry, combined with more sluggish retail sales compressing profit margins, then this could herald a reversal in the underlying rate of inflation. These pressures should also moderate wage settlements. But it is too early to say yet whether that is happening.

Excluding mortgage rate interest payments the annual rate of price increases is 7.9 per cent in April. Excluding mortgage interest payments and the community charge, the underlying rate is 6.7 per cent.

The outlook for May is for relatively little change in the year on year increase. The delay in excise duties feeding through to

SECRET

or wholly offset by reductions in petrol prices and by further pressure on profit margins feeding through into low price increases.

BHP

Barry H Potter

4 May 1990

Marvellous news — too high of course, but less than we feared

c: RPI (RPI)

chex.jp/kg/17 **PERSONAL AND CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

4 May 1990

Barry Potter Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Dear Barry

... I attach the outlook note on the RPI and TPI for April.

Yours

Kate Gaseltine

MISS K GASELTINE
Assistant Private Secretary

PERSONAL AND CONFIDENTIAL

COPY NO 10

PERSONAL AND CONFIDENTIAL

OUTLOOK FOR RPI AND TPI: APRIL AND MAY 1990

April's figures

It now seems likely that the annual rate of inflation for April will be 9.4 per cent.

2. There are several reasons why this outturn is well below the figure projected last month. A case has now been made to take account of the capping of the Community Charge from April - reducing the RPI by nearly 0.1 per cent. Rents overall rose by much less than expected with very small rises reported for the private sector. Prices for a wide range of other goods and services have also risen less than expected including clothing and footwear (unusually some sales have continued into April), alcoholic drinks, petrol and personal goods. It is possible that a number of the price increases (eg some of the duty increases on alcohol and tobacco) may simply have been delayed and will come through in May.

3. Excluding mortgage interest payments, the annual rate of price increases is likely to rise to 7.9 per cent in April, from the 6.3 per cent recorded for March.

4. The annual rate for the TPI is expected to increase to 7.7 per cent in April, compared with 6.8 per cent for March. The difference between the RPI and TPI annual rates will widen by about half a percentage point reflecting the slight reduction in income tax with the introduction of independent taxation of husbands and wives.

5. Between March and April, the all items RPI is expected to show an increase of around 3 per cent, compared with 1.8 per cent over the same period a year ago, reflecting price increases for a wide range of goods and services. The main contributions to April's rise in the index come from the Community Charge, rents, utilities, and duty increases as announced in the Budget. There were also some further rises in food prices and seasonal increases in the prices of clothing and footwear.

Outlook for May's RPI

6. Given the picture for April the outlook for May must be more than usually uncertain. The annual rate of inflation could rise slightly if retailers then pass on the price rises anticipated in April. Between April and May the index is now

projected to rise by some 0.7 per cent, compared with 0.6 per cent in May last year. Food prices are expected to continue to increase; there will be some residual effects of the duty increases announced in the Budget, notably for tobacco; and there will be further phases of the latest increases in electricity and gas prices. Petrol prices are likely to fall slightly although other motoring costs may increase.

7. The annual rate excluding mortgage interest payments is also likely to show little change between April and May, remaining close to 8 per cent.

8. The final figures for April will be circulated next Wednesday pm, in advance of publication on Friday 11 May.

PERSONAL AND CONFIDENTIAL

Percentage changes

	RPI: all items		RPI excluding mortgage interest payments	TPI
	over 1 month	over 12 months	over 12 months	over 12 months
1989				
Oct	0.8	7.3	6.1	6.0
Nov	0.9	7.7	6.1	6.4
Dec	0.3	7.7	6.1	6.4
1990 Jan	0.6	7.7	6.1	6.3
Feb	0.6	7.5	6.2	6.2
Mar	1.0	8.1	6.3	6.8
Outlook				
April	3.0	9.4	7.9	7.7
May (likely range)	0.6-0.8	9.4-9.6	7.8-8.0	7.6-7.8

BRANCH E2
CSO

4 MAY 1990

Prime Minister [2]
Despite tone of the CSO minute, there is still strong growth in credit. On a narrow basis, the growth is 11% on an annual basis (1989Q1 → 1990Q1); on the broader basis 9½% over the same period.
BtP
4/5

From: Dr G A Keenay
Branch Head D3
Room 2017
Millbank Tower
071-217-4355

4 May 1990

PS/Financial Secretary

CREDIT BUSINESS IN Q1 and MARCH 1990

1. A Press Notice is attached, for information, giving the quarterly and monthly figures for consumer credit.

2. The amount of consumer credit outstanding (on the narrower monthly coverage) rose by a smaller amount in March than in February.

3. The increase in the amount of consumer credit outstanding (on the broader quarterly coverage) rose by approximately the same low amount as in the final quarter of 1989 if allowance is made for the £130 million of credit card debt which would have been first reported in December but for the flu epidemic. This picture of a low increase in credit is confirmed by the six month data from October to March which was the lowest in the past three years.

4. The increase during the first quarter of £469 million in the amount outstanding on credit cards was large. However, this was mainly due to the increase in January, (the March rise was small) and was largely offset by the low increase in amounts outstanding on bank loans.

5. The levels of new credit advanced have been fairly stable over the six months since October 1989.

6. The published estimates of consumer credit advanced by and outstanding to retailers have been rebased on a survey of 1986 data. This has led to reductions in these figures reflecting the increased reliance of retailers on specialist credit grantors. But retail credit forms only a small part of total consumer credit.

7. This notice will be published at 11.30am on Tuesday 8 May. The contents should be treated as confidential until then.

G A Keenay

Gordon Keenay

Central Statistical Office

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

CSO(90)61
8 MAY 1990

CREDIT BUSINESS IN Q1 & MARCH 1990

Broader Coverage (Q1)

- In the first quarter of 1990 the increase in the amount outstanding on consumer credit agreements was £1.1 billion, compared with £0.8 billion in the final quarter of 1989. If account is taken of £130 million of credit card debt that would normally have been reported in the fourth quarter of 1989 but was not reported until the first quarter of 1990 there was little difference between the increase in amounts outstanding in the two quarters.

- The total amount outstanding at the end of March was £47.3 billion.

- The increase in amounts outstanding in the form of credit card loans during the first quarter, at £469 million, was high even when allowance is made for the £130 million of December debt included. This was broadly offset by the low increase in amounts outstanding on bank loans which was lower than in any quarter in the previous three years.

Narrower Coverage (March)

- In March the amount outstanding on consumer credit agreements (excluding loans by banks on personal accounts, by insurance companies and by retailers) rose by £146 million, compared with an increase of £263 million in February.

- The amount of new credit advanced in March, at £3.7 billion, was the same as in February.

(The narrower coverage excludes consumer credit agreements in the form of loans by banks on personal accounts, by insurance companies and by retailers. This information is included in the broader coverage but is available only quarterly. Amounts outstanding in these forms are given in Table 2. The amount advanced by retailers is given in Table 3).

ALL FIGURES ARE SEASONALLY ADJUSTED

Notes to Editors

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

2. **Table 1** and **Table 3** are referred to as the narrower coverage as they exclude bank loans on personal accounts, insurance company loans to individuals and retailers. These figures are only available quarterly and appear in **Table 2** referred to as the broader coverage.

3. **Table 1** covers amounts outstanding and changes in these to finance houses and other specialist credit grantors, building societies, and on bank credit cards. Loans on bank credit cards are mainly to consumers and are treated as consumer agreements. The series for building societies covers loans to individuals only. Loans by finance houses and other specialist credit grantors are split into agreements with consumers and agreements with businesses. The two components are shown separately.

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

5. **Table 3** shows new credit advanced by finance houses and other specialist credit grantors, building societies and on bank credit cards. The coverage is the same as for **Table 1** except that dealer stock funding loans by finance houses to businesses were not included until October 1989. A high proportion of credit advances in certain types of agreements, notably on credit cards, is repaid within a month. This reflects use of such agreements as a method of payment rather than a way of obtaining credit. The table also includes a quarterly series for credit advances by retailers for which monthly data is not available.

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

7. Building societies class 3 loans, which are other than those for house purchase and advanced under the terms of the Building Societies Act 1986, are shown separately from the beginning of 1988. Before this they are included in the series for finance houses and other specialist credit grantors.

8. Amounts outstanding on bank loans on personal accounts are available from end December 1986 only. Lending by finance houses and other specialist credit grantors, where the group specialises in lending to other companies only, are excluded from statistics in this Press Notice.

9. Full results on the collection of monthly information on credit are published by H M Stationery Office in **Business Monitor SDM 6 - Credit business.** This may be obtained on subscription (£25.00 per annum) from H M Stationery Office, P O Box 276, London SW8 5DT. Individual copies are available, price £5.00 from:

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TABLE 1

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

£ Million

(SEASONALLY ADJUSTED)

	AGREEMENTS WITH CONSUMERS					TOTAL AGREEMENTS
	TOTAL	BUILDING SOCIETIES' CLASS 3 LOANS (a)	BANK CREDIT CARDS	FINANCE HOUSES AND OTHER SPECIALIST CREDIT GRANTORS AGREEMENTS WITH		
				CONSUMERS (a)	BUSINESSES	
	A=B+C+D	B	C	D	E	A+E
AMOUNTS OUTSTANDING AT END OF PERIOD						
1988	23,863	284	6,142	17,437	9,039	32,902
1989	26,736	577	6,606	19,553	10,643	37,379
1989 MAR	24,760	365	6,187	18,208	9,641	34,401
1990 FEB	27,504	624	7,067	19,813	10,747	38,251
MAR	27,650	643	7,075	19,932	10,741	38,391
CHANGES IN AMOUNTS OUTSTANDING						
1987	3,508		889	2,619	1,221	4,729
		---		---		
1988	3,640	215	587	2,838	1,892	5,532
1989	2,873	293	464	2,116	1,604	4,477
1988 1st Qtr	982	43	224	715	375	1,357
2nd Qtr	993	55	204	734	414	1,407
3rd Qtr	980	63	179	738	538	1,518
	---		---			---
4th Qtr	685	54	-20	651	565	1,250
1989 1st Qtr	897	81	45	771	602	1,499
2nd Qtr	899	94	152	653	107	1,006
3rd Qtr	729	66	201	462	278	1,007
4th Qtr	348	52	66	230	617	965
1990 1st Qtr	914	66	469	379	98	1,012
1989 MAR	400	25	54	321	173	573
APR	305	27	21	257	226	531
MAY	425	31	136	258	-135	290
JUN	169	36	-5	138	16	185
JUL	285	24	74	187	19	304
AUG	280	20	113	147	42	322
SEP	164	22	14	128	217	381
OCT	179	18	122	39	371	550
NOV	208	19	116	73	97	305
DEC	-39	15	-172	118	149	110
1990 JAN	505	26	369	110	9	514
FEB	263	21	92	150	95	358
MAR	146	19	8	119	-6	140
1989 OCT-DEC	348	52	66	230	617	965
1990 JAN-MAR	914	66	469	379	98	1,012

----- indicates a break in the series

R = Revised

NOTES (a) Building societies' class 3 loans were included with finance houses and other specialist credit grantors' agreements with consumers during 1987.

TABLE 2

CHANGES IN AMOUNTS OUTSTANDING ON ALL CONSUMER CREDIT AGREEMENTS (BROADER COVERAGE)

£ Million

(SEASONALLY ADJUSTED)

		CONSUMER CREDIT AGREEMENTS						
					BANKS (c)			
		TOTAL	RETAILERS (a)(e)	BUILDING SOCIETIES' CLASS 3 LOANS (b)	CREDIT CARDS	LOANS ON PERSONAL ACCOUNTS (d)	INSURANCE COMPANIES	FINANCE HOUSES AND OTHER SPECIALIST CREDIT GRANTORS (b)
AMOUNTS OUTSTANDING AT END OF PERIOD								
1988		41,540	2,264	284	6,142	14,492	921	17,437
1989		46,255	2,269	577	6,606	16,255	995	19,553
1989	1st Qtr	42,893	2,251	365	6,187	14,944	938	18,208
	2nd Qtr	44,231	2,272	459	6,339	15,345	955	18,861
	3rd Qtr	45,413	2,315	525	6,540	15,740	970	19,323
	4th Qtr	46,255	2,269	577	6,606	16,255	995	19,553
1990	1st Qtr	47,325	2,305	643	7,075	16,355	1,015E	19,932
CHANGES IN AMOUNTS OUTSTANDING								
1987		5,472	235	---	889	1,709	20	2,619
1988		5,706	181	215	587	1,801	84	2,838
1989		4,715	5	293	464	1,763	74	2,116
1987	1st Qtr	1,682	52		288	742	8	592
	2nd Qtr	1,461	55		255	441	-30	740
	3rd Qtr	1,097	28		185	272	30	582
	4th Qtr	1,232	100		161	254	12	705
1988	1st Qtr	1,342	-20	43	224	368	12	715
	2nd Qtr	1,487	60	55	204	408	26	734
	3rd Qtr	1,582	47	63	179	527	28	738
	4th Qtr	1,295	94	54	-20	498	18	651
1989	1st Qtr	1,353	-13	81	45	452	17	771
	2nd Qtr	1,338	21	94	152	401	17	653
	3rd Qtr	1,182	43	66	201	395	15	462
	4th Qtr	842	-46	52	66	515	25	230
1990	1st Qtr	1,070	36	66	469	100	20E	379

----- indicates a break in the series

E = Estimate
R = Revised

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

(b) Building societies' class 3 loans were included with finance houses and other specialist credit grantors during 1987.

(c) Monetary sector institutions other than those included in finance houses and other specialist credit grantors.

(d) Amounts outstanding on bank loans on personal accounts, not exceeding £15000, excluding bridging loans and house purchase finance.

(e) Retailers figures have been revised from 1986 onwards as a result of the 1986 Retailers' benchmark.

TABLE 3

NEW CREDIT ADVANCED BY FINANCE HOUSES AND OTHER SPECIALIST CREDIT GRANTORS, BUILDING SOCIETIES, RETAILERS AND ON BANK CREDIT CARDS (NARROWER COVERAGE)

£ Million

(SEASONALLY ADJUSTED)

	AGREEMENTS WITH CONSUMERS					TOTAL AGREEMENTS	
	TOTAL	BUILDING SOCIETIES' CLASS 3 LOANS (b)	BANK CREDIT CARDS	FINANCE HOUSES AND OTHER SPECIALIST CREDIT GRANTORS AGREEMENTS WITH			RETAILERS (a)(c)(d)
				CONSUMERS (b)	BUSINESSES		
	A=C+D+E	C	D	E	F	A+F	B
1987	29,478		16,641	12,837	4,356	33,834	4382
1988	36,305	487	20,338	15,480	6,142	42,447	4635
1989	41,509	966	23,708	16,835	6,868	48,377	4660
1988 1st Qtr	8,550	72	4,802	3,676	1,418	9,968	1120
2nd Qtr	8,929	110	4,989	3,830	1,465	10,394	1148
3rd Qtr	9,426	137	5,207	4,082	1,607	11,033	1162
4th Qtr	9,400	168	5,340	3,892	1,652	11,052	1205
1989 1st Qtr	9,729	217	5,515	3,997	1,733	11,462	1159
2nd Qtr	10,386	252	5,864	4,270	1,754	12,140	1161
3rd Qtr	10,536	244	6,005	4,287	1,698	12,234	1155
4th Qtr	10,858	253	6,324	4,281	1,683	12,541	1185
1990 1st Qtr	11,377	278	6,762	4,337	1,679	13,056	1161
1989 MAR	3,283	71	1,867	1,345	567	3,850	
APR	3,370	78	1,926	1,366	577	3,947	
MAY	3,580	82	2,023	1,475	618	4,198	
JUN	3,436	92	1,915	1,429	559	3,995	
JUL	3,370	90	1,897	1,383	516	3,886	
AUG	3,726	71	2,139	1,516	605	4,331	
SEP	3,440	83	1,969	1,388	577	4,017	
OCT	3,707	83	2,209	1,415	535	4,242	
NOV	3,768	86	2,200	1,482	589	4,357	
DEC	3,383	84	1,915	1,384	559	3,942	
1990 JAN	3,940R	92	2,313R	1,535	599	4,539R	
FEB	3,718R	86	2,247R	1,385	545	4,263R	
MAR	3,719	100	2,202	1,417	535	4,254	
1989 OCT-DEC	10,858	253	6,324	4,281	1,683	12,541	
1990 JAN-MAR	11,377	278	6,762	4,337	1,679	13,056	
Percentage increase over previous three months	5	10	7	1	0	4	

----- indicates a break in the series

R = Revised

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

(b) Building societies' class 3 loans were included with finance houses and other specialist credit grantors' agreements with consumers during 1987.

(c) From June 1989 the retailers survey is a quarterly survey.

(d) Retailers figures have been revised from 1986 onwards as a result of the 1986 Retailers' benchmark.

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FROM: R M NORTON
DATE: 3 May 1990
TEL: GTN 1211 2069

FINANCIAL SECRETARY

c. Circulation list attached

RETAIL SALES: FINAL ESTIMATE FOR MARCH

1. A Press Notice giving the final estimate for retail sales for March is attached for information.

2. The final index of the volume of retail sales in March at 122.6 (0.4 below the provisional figure) was well below the level in February but little changed compared with the average for November to January.

3. Recent figures have been somewhat erratic. However, taken together they suggest that, after being broadly flat through much of 1989, retail sales grew in recent months. The average level of sales in the first quarter of 1990 was ¾ per cent higher than in the fourth quarter of 1989.

4. This Notice will be published at 11.30 am on Tuesday 8 May. The contents should be treated as confidential until then.

R M Norton

R M NORTON
Head: Branch B3
Room 1.213, CSO Newport

CONFIDENTIAL

Central Statistical Office

CSO(90)60
8 May 1990

CONFIDENTIAL
UNTIL 11.30 HOURS
ON DAY OF RELEASE

RETAIL SALES IN MARCH

Final estimate of retail sales **volume** (seasonally adjusted) in March is 122.6 (1985=100). This is well below the level in February but little changed from the average for November to January. The provisional estimate for March was 123.0.

In January to March sales were ¾ per cent more than in the previous three months (after seasonal adjustment) and 1½ per cent higher than in the same period a year earlier.

Also in January to March sales by food retailers changed little compared with the previous three months; those by non-food retailers rose by 1½ per cent; sales by mixed businesses rose by ½ per cent.

Based on non-seasonally adjusted data, retail sales **value** in March was 6 per cent higher than in March 1989. The value of sales in the first three months of 1990 was 7 per cent higher than in the corresponding period of 1989.

Notes to editors

1. Where possible the seasonally adjusted series include adjustments for the timing of holidays. However, there are inevitable problems in adjusting for the effects of spending around Christmas and New Year.

2. Best indication of the recent trend is normally obtained by comparing the average seasonally adjusted index for the latest three months with that for the three months immediately before. However, sometimes it is more appropriate to make a comparison over two or four months.

3. Sales are analysed by 'kinds of business', that is the statistics are of sales by particular kinds of retailer rather than sales of particular commodities. For example, while sales by retailers classified as food retailers are mainly of food, many sell other goods.

4. The final index is based on returns from a voluntary panel of around 3,500 retailers. This includes a sample of the smaller independent retailers (who account for one-third of all retail sales) and nearly all very large retailers. Coverage of the inquiry excludes motor trades.

5. Index numbers for more detailed kinds of business than those shown here are published, for value only, in Business Monitor SDM28 available from HM Stationery Office, price £25.00 per annum.

6. The Press Notice giving the provisional estimate of retail sales volume for April will be published on 14 May.

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Table 1 VOLUME OF RETAIL SALES SEASONALLY ADJUSTED

Index numbers of sales per week (average 1985 prices) 1985=100

	All Retailers	Food Retailers	Mixed Retail Businesses	Non-Food Retailers			
				Total	Clothing and Footwear	Household Goods	Other Non-Food
(Sales in 1985 £m)	(87,920)	(32,986)	(15,865)	(39,069)	(8,677)	(14,717)	(15,675)
1985	100.0	100.0	100.0	100.0	100	100	100
1986	105.3	103.4	105.0	106.9	109	111	102
1987	111.5	107.4	111.8	114.9	119	121	107
1988	119.2	112.9	118.6	124.8	127	135	114
1989	121.8	116.8	118.2	127.4	128	136	118
1989 1st Quarter	121.3	114.6	120.6	127.3	128	138	116
2nd Quarter	121.9	117.2	117.6	127.7	129	137	118
3rd Quarter	121.6	117.6	117.1	126.7	127	135	119
4th Quarter	122.3	117.6	117.7	128.0	128	136	120
1990 1st Quarter	123.1	117.8	118.0	129.7	131	139	120
1989 February	121.8	115.9	120.8	127.2	127	139	116
March*	122.4	116.0	121.3	128.2	130	139	117
April	120.9	116.6	115.9	126.5	126	138	115
May	124.0	117.6	120.5	130.8	137	138	120
June*	121.1	117.4	116.5	126.0	126	134	118
July	120.8	117.8	114.6	125.9	126	134	119
August	121.5	117.4	118.2	126.4	126	135	119
September*	122.2	117.5	118.2	127.7	129	135	120
October	121.8	117.6	116.2	127.5	126	137	119
November	121.6	117.2	116.5	127.3	129	135	119
December*	123.2	118.0	119.8	129.0	130	136	122
1990 January	122.1	115.9	116.3	129.7	129	139	122
February	124.8	119.5	120.0	131.3	133	143	119
March*	122.6	118.0	117.8	128.3	132	136	120
1989 Oct-Dec	122.3	117.6	117.7	128.0	128	136	120
1990 Jan-Mar	123.1	117.8	118.0	129.7	131	139	120
Percentage Changes							
Latest 3 months on previous 3 months	+0.7	+0.2	+0.3	+1.3	+2	+2	-
Latest 6 months on previous 6 months	+0.8	+0.3	+0.4	+1.3	+1	+1	+1

The monthly periods consist of 4 weeks except those marked * which are of 5 weeks. The March 1990 sales period was the 5 weeks from February 25 to March 31. The quarterly indices are the weighted averages of the monthly indices for the months within the quarter, the weights being the number of weeks in each monthly period.

An index of the not seasonally adjusted volume of retail sales can be provided on request.

Table 2

VALUE OF RETAIL SALES (NOT SEASONALLY ADJUSTED)

Index numbers of value of sales per week (current prices) 1985=100

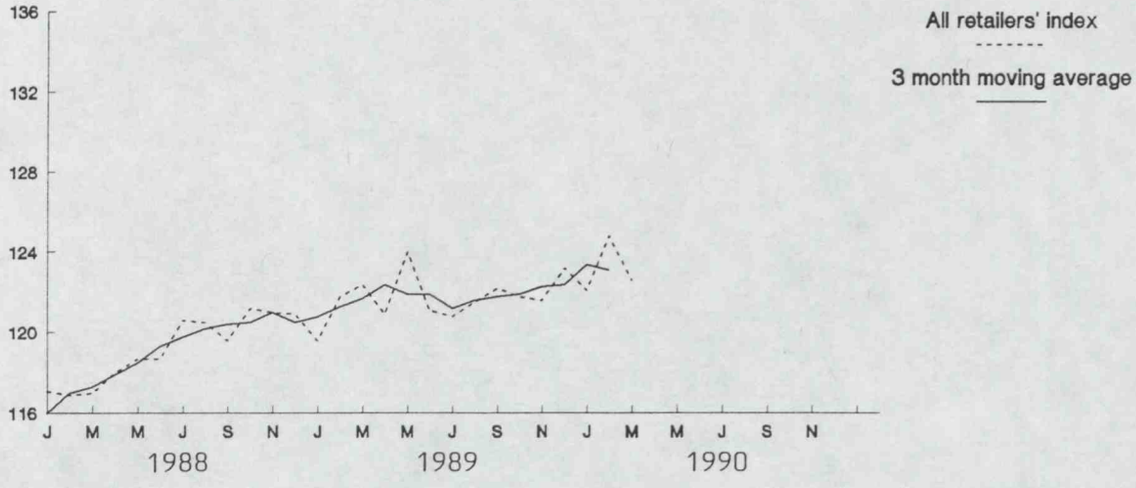
	All Retailers	Food Retailers	Mixed Retail Businesses	Non-Food Retailers			
				Total	Clothing and Footwear	Household Goods	Other Non-Food
(Sales in 1985 £m)	(87,920)	(32,986)	(15,865)	(39,069)	(8,677)	(14,717)	(15,675)
1985	100.0	100.0	100.0	100.0	100	100	100
1986	108.8	106.9	108.4	110.6	112	113	107
1987	118.3	114.3	118.2	121.6	124	125	117
1988	130.5	124.3	129.5	136.0	137	142	129
1989	139.6	136.0	135.3	144.5	145	148	140
1989 1st Quarter	125.8	125.2	117.6	129.8	117	144	123
2nd Quarter	132.4	134.8	119.8	135.5	138	138	132
3rd Quarter	134.5	134.1	122.0	139.9	142	142	137
4th Quarter	165.8	149.8	181.7	172.8	184	170	169
1990 1st Quarter	135.1	138.6	121.2	137.9	125	150	133
1989 February	124.3	127.0	111.6	127.2	108	143	123
March*	127.9	129.1	121.0	129.8	116	141	127
April	132.1	135.2	119.1	134.7	132	142	129
May	133.9	135.2	121.5	137.8	143	139	134
June*	131.4	134.1	119.0	134.2	137	133	134
July	134.9	135.9	121.6	139.6	143	140	137
August	134.4	134.8	120.2	139.8	139	141	139
September*	134.3	132.2	123.8	140.3	145	143	135
October	140.6	137.2	133.8	146.3	148	155	138
November	153.8	142.8	165.8	158.2	163	166	148
December*	195.5	165.4	232.7	205.8	230	186	211
1990 January	134.2	132.2	122.2	140.7	136	156	129
February	134.9	141.1	116.7	137.1	118	153	133
March*	136.1	141.6	124.0	136.3	123	143	137
Percentage Changes							
Mar '90/Mar '89	+6.4	+9.7	+2.5	+5.0	+6	+2	+8

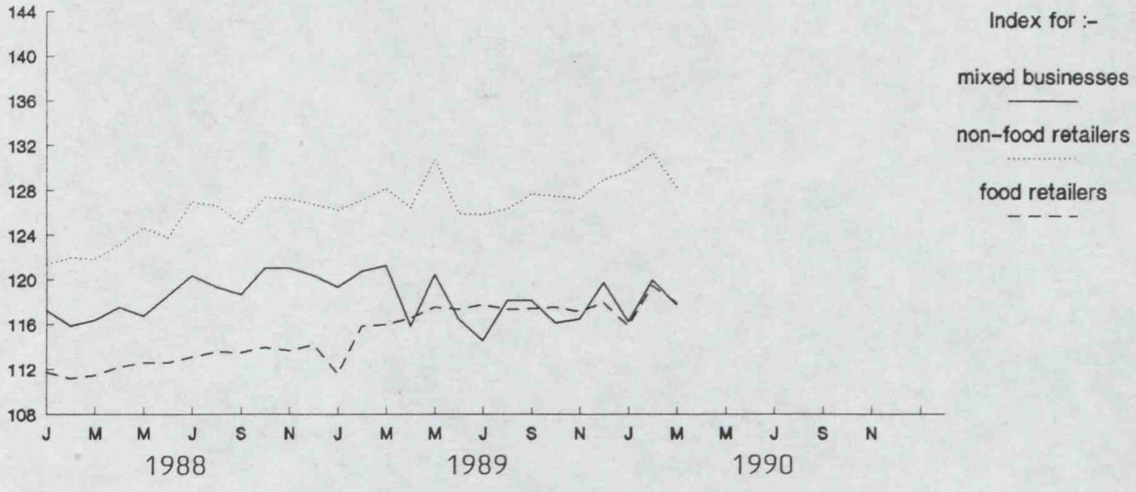
See footnotes to Table 1.

An index of the seasonally adjusted value of retail sales can be provided on request.

Volume of Retail Sales :

seasonally adjusted (1985=100)





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PRIME MINISTER

TRADE FIGURES AND THE POUND

The poor trade figures for March were released at 1130 this morning.

The pound fell about half a cent and half a pfennig almost immediately. It has experienced further losses since. At 1200 the sterling/dollar rate was 1.6278 (against an opening position of 1.6370) and the sterling/DM rate was 2.7578 against an opening level of 2.7755.

On the equity markets the FTSE was down about ten points at 1210.

The Bank is known to be intervening to support the pound. It has so far spent only a net £25 million, but it may need to do more when New York opens.

KT

pp **BARRY H. POTTER**
25 April 1990
b:\trade
(slh)

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AAAA
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FOLLOWING FROM BARRY POTTER, 10 DOWNING ST
FOR PRIME MINISTER'S PARTY AIRCRAFT

THE RPI AND UNEMPLOYMENT FIGURES FOR MARCH WERE RELEASED AT 11.30 AM THIS MORNING. THE ANNOUNCEMENTS HAVE LEFT THE EXCHANGE AND EQUITIES MARKETS MORE OR LESS UNAFFECTED. AT NOON THE EXCHANGE RATE INDEX WAS 87.1, WHERE IT OPENED THIS MORNING. THE STERLING/DOLLAR RATE (1.6435), STERLING/DM'S (2.7529), AND FTSE WERE ALL LITTLE DIFFERENT FROM OPENING LEVELS.
GRS 100
NNNN

22(a-c)

PRIME MINISTER

ECONOMIC INDICATORS AND INFLATION

Next Thursday (12 April) an important batch of economic statistics will be released. Two out of the three are bad news.

First, the RPI for March will show an annual rate of increase of 8.1%. This is marginally above the previous expectation (7.9% to 8%). It represents a sharp rise on the annual increase figure of 7.5% for the previous month.

Second, the average earnings index for February will show a year on year increase of 9.5%. This is a rise of ¼% on the figure for the previous month. The annual increase has been at 9.25% each month since last October.

Third, the unemployment figures are rather better news. The "headline" UK total for March has fallen by 29,000 to 1,645,000. The seasonally adjusted figure is 1,604,000 (5.6%) - a drop of around 7,000. This represents a continued easing of the downward trend. But the trend does remain downwards for the moment.

Prospects on inflation

Rather more worrying is the forecast RPI figure for April (to be published on 11 May). The expectation is that the figures will show an annual increase of 10% (plus or minus 0.1%). This is considerably (some ½%) above the earlier projection (and is above general City expectations). The RPI figures are at Flag A. (After the 10 per cent figure for April, the annual rate is expected to begin falling fairly soon thereafter - but only very gradually and possibly quite erratically over the following ~~four~~ few months).

At Flag B is a minute from the Chancellor. It sets out the reasons for the higher than expected projection for the RPI in April. It points out some possible adjustments to the figures may be warranted, but the figure is still likely to be around 10%. And there are no policy options to reduce this figure.

b

The Chancellor then proposes an initiative to investigate reconstruction of the RPI, with the aim of seeing whether mortgage interest payments and the community charge can be excluded. That might be undertaken by a reconstituted RPIAC (with different membership) or alternatively by mounting an EC-wide initiative. Treasury officials are preparing a note on the wider implications.

Given European and American practice, exclusion of both mortgage interest payments and the community charge would be justified. But:

(i) any change in the definition of the RPI would need to be presented very carefully, if it is to carry conviction, particularly given the importance of the RPI for social security benefits, pension uprating, etc.

(ii) Timing would also need careful examination: changes would best be timed when the rate of annual increase in the index is falling. But just as the period of rising interest rates has raised the RPI annual increase figure over this year, retaining mortgage interest payments within the RPI index over the period when interest rates come down would reduce the headline RPI figure.

(iii) Finally, whatever changes were made, the index could not of course disguise underlying movements in prices. For example, the annual increase in the RPI excluding mortgage interest payments will increase by more between the April and May announcements than the RPI itself.

Implications for Pay

The publication of higher than expected RPI figures next month may well encourage union negotiators to raise their target settlement figures (however inappropriately). In that context you may like to be aware that various Departmental Ministers are in discussion with the Treasury about pay awards for certain public sector groups.

The position is as follows

C

(i) You have agreed privately with Cecil Parkinson that Mr. Bob Reid can offer up to 8.9% (with productivity strings) to secure an agreement with the BR unions on Tuesday. (I understand the Transport Secretary revealed this to colleagues at yesterday's E(PSP) meeting.)

(ii) John Wakeham is seeking negotiating freedom for BNFL to offer just over 9%.

(iii) Norman Lamont has accepted that an award of up to 8.5% could be given to Post Office counter staff.

The relevant letters, plus a letter from Ken Clarke are at Flag C. Mr. Clarke's letter points out that these figures are well above the levels at which the Chief Secretary is urging him to settle for the NHS non-review body staff. I understand that the Chief Secretary is writing to Ken Clarke to point out that he would have leeway to go up to 1% for local deals above the 7.9% limit previously agreed.

There seems to be some danger of planned settlements in the public sector creeping up over the last few weeks.

Do you want

(i) to support the Chancellor's proposed initiative on the RPI while striking a note of caution on the need for careful consideration of presentation, secrecy, and timing?

(ii) to urge colleagues to keep down pay settlements in the public sector not least on grounds of affordability, given the tight public expenditure position.

BHP

BHP

6 April 1990

jd c:indices

RA

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is another thin week but there is some news coming out on Monday namely:

- the final February retail sales figure (Flag A). This is marginally below the provisional figure, so there is no significant news here. The note does however point to a continuing weakness in the weekly sales figures for John Lewis, which now run to mid-March.

- consumer credit figures for February (Flag B). These are below the very high figures in January, and suggest credit growth reverting to around the trend level in the second half of last year.

- the CBI monthly trends enquiry for March (Flag C). This paints a similar picture to the last enquiry, namely weakening total orders, improving export orders, total output flat and continued moderation of expected price growth.

The latest weekly figures for MO (Flag D) now complete the picture for March. The growth in the underlying twelve monthly rate does now seem to have stopped rising; but we will have to wait a few more weeks to see whether it is now coming down.

Rec.

Paul Gray

30 March 1990

c: economic (MJ)

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is exceptionally quiet as regards new figures. The only material coming out will be the final February money supply figures and even these will add little to the provisional figures which were published last Tuesday.

PAUL GRAY

23 March 1990

21

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

The main pieces of economic news during Budget week are as follows.

On Tuesday the monthly monetary figures. These are not too bad - see note at Flag A.

On Thursday the monthly balance of payments figures. You saw the exports note earlier in the week. We have not yet had the imports, but I attach at Flag B the latest estimate for the current account.

Then on Friday, we have the February RPI, of which you have already seen the lastest forecast, and the monthly cyclical indicators.

Finally, the usual weekly note on the M0 figures is at Flag C - no change from annual growth of around 6.5 per cent.

PAUL GRAY
16 MARCH 1990

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20 (a-c)

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK AND THEIR IMPLICATIONS

Next week is a busy week for new figures. And these latest statistics provide the backdrop for the Budget. There are a number of worrying features. You will want to consider whether there are any implications for the agreement on the Budget package you reached with the Chancellor earlier this week. Andrew (Flag A) recommends that you should re-open the issue.

The Figures

On Monday we have:

- producer prices for February (Flag B). Output prices are up slightly at 5.4 per cent; and if you exclude food, drink and tobacco industries it is 5.8 per cent. Hitherto this series, which is a reasonable measure of "underlying inflation", has been fairly stable, but there are perhaps now signs it is accelerating (as is also expected for the "undelying" RPI). Input prices on the other hand have come down a bit further to 2.7 per cent year on year growth, reflecting lower commodity prices;

- the provisional retail sales figures for February (Flag C). This shows a big jump to 125 on the volume index, nearly 2.5 per cent up on January. Retail sales volume now seems to be higher than the previous peak last Spring. This latest increase is a considerable worry. The markets may judge it means that policy is not working. It is dangerous to draw such a firm conclusion, particularly as the latest car registration figures (excluded from the retail sales series) you saw earlier in the week are now 7 per cent down on a year ago. (This reverses the position last Autumn when retail sales were slowing down but car registrations were still very high.) But there is no doubt this latest figure

b

strengthens the case for ensuring the fiscal policy is adequately tight.

On Tuesday we have the quarterly balance of payments figures for 1989 Q4 (flag D). In aggregate the current account deficit for 1989 at just under £21b is little different from the earlier estimates. But the invisibles in the fourth quarter now seem to have been in deficit for the first time since 1958. This is thought to reflect erratic developments on insurances and EC transfers; for that reason it is unlikely there will be any change in the forward projection of a monthly £0.1b surplus for invisibles, although a firm decision on this will not be taken until we have the February trade figures in ten days time. But the figures may nonetheless be badly received. The balancing item, incidentally, has now reached £16½ billion in 1989.

Then on Thursday we have the monthly labour market figures. The key features are:

- seasonally adjusted unemployment down by only 2,000 to 1.61m. But as a result of the increase in the estimated work force published today in the Labour Force Survey this still implies a fall in the percentage rate of unemployment from 5.7 per cent to 5.6 per cent;

- unadjusted unemployment down 11,000;

- annual earnings growth unchanged at 9.25 per cent. (But because of the increase in estimated employment, and hence the fall in productivity, there will undoubtedly be a further increase in estimated unit labour costs when we get the figures next week.)

Then on Friday we will have:

- the latest GDP figures and company accounts for 1989 Q4;

- production in January;

- PSBR in February.

C

None of these figures are yet available, although the PSBR is thought to be consistent with the latest estimate for 1989-90 as a whole of a £7b surplus.

Implications

Although the fall in unemployment does now seem to have come virtually to an end, the retail sales figures do suggest that demand is continuing to grow significantly. The separate note by Andrew (Flag A) gives his conclusion of what this means for the Budget judgement.

As you know, my view earlier this week was that there was a good case for a tighter fiscal stance than currently planned, and on balance these latest figures strengthen that case. The decisions you reached with the Chancellor on Wednesday tighten the position a little for 1991-92, but did not change 1990-91. If you wanted to tighten that year as well the obvious place to look would be at the extent of indexation of income tax allowances.

Do you want to discuss with the Chancellor? Yes not

Regs.

PAUL GRAY
9 MARCH 1990

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Gortmach

Forthcoming Announcement

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

It is a relatively quiet week next week with the main news coming out on Monday. On that day we have:

- the final figure for January retail sales (flag A). This is unchanged on the provisional estimates, confirming that the underlying volume trend seems to have been broadly flat in recent months.

- figures for credit business in January (flag B). The increase was quite high, particularly for credit card debt. In part this seems due to special factors but, even allowing for these, the increase is more than one would have wished.

The other main bits of news later in the week will be:

- the February CBI/FT survey of distributive trades will be out on Thursday.

- 1989 Q4 construction output will be out on Friday.

The latest weekly M0 figures are at flag C. The recent high increase in the 12 monthly rate is confirmed, and the overall figure for February will now be only a little under 6½%. No doubt the Chancellor would have wished for a better final monthly figure before the Budget.

PAUL GRAY
2 March 1990

C:\wpdocs\economic\figures (pmm)

JD

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 February 1990

Dear Tim

FAST-TRACK PUBLISHING OF GOVERNMENT REPORTS

The Prime Minister has seen the Lord President's minute of 19 February which she has noted without comment.

I am sending copies of this letter to the Private Secretaries to Ministers in charge of Departments, the Economic Secretary to the Treasury, Sir Robin Butler and the Chief Executive of HMSO.

Yours ever

Dominic

DOMINIC MORRIS

Tim Sutton, Esq.,
Office of the Lord President.

19 (a)

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

On Monday we have the monthly CBI survey. The Treasury summary is at Flag A. The results seem as good as they could be:

- output and orders overall are fairly flat;

- but exports are still strong;

- and price expectations are reasonable.

But the main news of the week will be the January trade figures on Wednesday. We now have the near final figures (Flag B). If anything, they are slightly worse again than the Chancellor mentioned on Wednesday. The key to presentation will be to average the December and January figures. The Chancellor mentioned that imports of erratic items were particularly high. It looks to me as if this accounts for a relatively small proportion of the high import total. The detailed breakdown of the imports suggests that the biggest growth was the intermediates and capital goods; manufactured consumer goods did not rise that much. - but were already high.

The latest MO figures (Flag C) continue to make grim reading. Although the Treasury ~~suggest~~ say the sharp weekly rise can be discounted, the suggestion is that the monthly figure for February will now be around 6.5 per cent.

PAUL GRAY
23 February 1990

C:\ECONOMIC\FIGURES.DAS

Very bad news.

We must analyse the imports in more detail.

est.to/ghaskins/2.20.2

RESTRICTED

FROM: GINA HASKINS
DATE: 20 February 1990

MR BROOKS/MR BOLTON

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Sir T Burns
Mr Wicks
Mr Evans
Mr Odling-Smee
Mr Scholar
Mr Peretz
Mr Sedgwick
Mr Grice
Mr O'Donnell
Miss Noble
Mr Ritchie
Miss Simpson

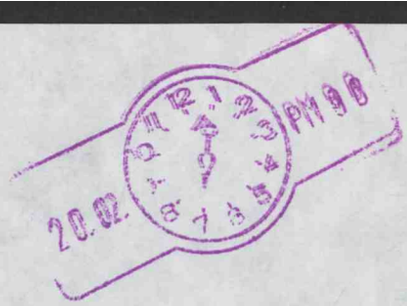
Mr Gray No.10

PROVISIONAL MONEY FIGURES - JANUARY 1990

The Economic Secretary was grateful for your submission of 19 February. He is content with the line to take given in paragraph 14 and with the draft press release attached to your note.

Gina Haskins

GINA HASKINS
Private Secretary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Letter to Tim Sutton

Healey →

The PM has seen the LP-'s minute of 19/2 which she has asked us to comment. Copies of this letter go to ---

Prime Minister 2

The only significant change is the guaranteed target for HMSO at para 5. It is perhaps surprising these were not one of the original targets when it became an Agency.

LORD PRESIDENT OF THE COUNCIL

PRIME MINISTER

FAST-TRACK PUBLISHING OF GOVERNMENT REPORTS

In the wake of the problems we encountered over the publication of Lord Justice Taylor's final report on the Hillsborough Stadium disaster, I have looked into the steps which would be needed to establish a fast-track arrangement for the publication of similar reports in future.

2. The primary lesson underlined by our experience over the Taylor report is the need for close collaboration and advance planning between the Department sponsoring a report and HMSO. The crucial point is for departments to identify well in advance the possible need for the rapid publication of a report and consult HMSO at an early stage about this and any other aspects of the report's publication, including any security requirements. If this is done, full advantage can be taken, for example, of word processing to speed the production of written text. Plans can be made for photographs and other illustrations to be processed in advance of receipt of the rest of the text of a report.

3. Departments may of course have difficulty in setting a timetable for the production of a report sufficiently far ahead because of uncertainty about when the final text will be available. But it should be possible, in all but the most exceptional cases, to set a clear deadline and stick to it. Other problems can arise if final proof stage is used not just to correct typographical errors but to change the actual text.

Again, this problem can be much reduced if a report is prepared on word processing equipment which can output tape or disk in a format suitable for direct input to the printer's typesetting equipment. But this too requires collaboration between Departments and HMSO in advance to ensure that necessary technical standards are met. It is no surprise that advance planning and subsequent adherence to the agreed timetable by all concerned emerge as the key factors in achieving fast publication of reports.

4. It would clearly make no economic sense for HMSO to maintain a permanently idle printing capacity in case of an urgent requirement which might arise only occasionally. HMSO therefore relies on buying the services of private sector printers, a handful of whom have been specially cleared for the production of classified material. Productive capacity can be earmarked for precisely the right time, provided sufficient advance notice is given.

5. HMSO have, however, reviewed their performance standard for the production of important reports like the Taylor report. Where fast-track treatment is requested by the responsible Minister, they would guarantee the following production times, subject to three working days notice of firm dates for delivery of final copy and/or clearance of proofs:

	Typesetting	Printing
Up to 48pp	12 hrs	2 days
48pp-144pp	24 hrs	3 days
Over 144pp	36 hrs	4 days

If simultaneous publication of a report was required at several locations in addition to London, then an extra day would need to be added. If applied in the case of the Taylor report, this would have meant that, assuming the text of the report had been

received by HMSO on Friday 19 January (it was in fact received by them on Monday 22 January), it could have been published on Tuesday 23 January. Depending on their size and complexity, and the degree of advance notice, it might be possible to produce some publications within 24 hours, should that prove necessary.

6. The costs associated with such fast-track arrangements could substantially exceed normal print-buying methods. It has long been the accepted practice that those buying reports should not have to pay higher cover prices to reflect the urgency or security required in a particular case. Sponsor Departments could therefore on occasion find themselves asked to contribute towards any exceptional costs involved in fast-track publishing. The extent of such costs would depend on market conditions, and could only be determined case-by-case.

7. Colleagues will wish to be aware of the new performance standard proposed by HMSO, which represents a considerable improvement on existing arrangements. They will also wish to have in mind the other lessons I have set out which can be derived from our experiences over the Taylor report.

8. I am copying this minute to Ministers in charge of Departments, the Economic Secretary to the Treasury, Sir Robin Butler and the Chief Executive of HMSO.

GH

19 February 1990

SECRET

18 (a)

PRIME MINISTER

LATEST ECONOMIC FIGURES

Today the January monthly PSBR figures were published (Flag A). The surplus of £5.2b was in line with market expectations and is consistent with the latest internal forecast of a surplus of £8b for 1989-90 as a whole.

Next week is a relatively thin week for new figures. The main issues will be as follows.

On Monday the January cyclical indicators (Flag B). As usual these are difficult to interpret and cannot be relied on, but it may be of interest - and encouraging - that the longer leading index is now falling less steeply.

On Tuesday we have the provisional January monetary figures. Full details are not yet available. But the announcement will show a monthly year-on-year growth for M0 (as we already know) at 5.8 per cent. The twelve-monthly growth of M4 will rise marginally from 18.2 per cent to 18.4 per cent. But Bank and Building Society lending, which rose by over £10b in December, showed a smaller increase in January of some £5.7b.

On Wednesday we have the provisional GDP output-based figures for 1989 Q4.

Looking further ahead, the January trade figures will be published a week on Wednesday, 28 February (the day you will be in Bradford). No figures are yet available, but I am told that the first sighting shot points, unfortunately, to a bad figure. This could be the more marked because, following the annual re-assessment of seasonal factors, the revised December figure will be even better than the £1.1b deficit already published. We will have further news next Tuesday of the export figures, with imports coming in later next week.

Finally, the latest weekly M0 figures (Flag C) point to growth continuing at only a little under 6 per cent.

PAUL GRAY

16 FEBRUARY 1990 a:\economic\weekly.mrm

SECRET

PRIME MINISTER

SOCIAL TRENDS

The annual publication, Social Trends, comes out next Thursday. You will recall that this has often caused trouble in the past, by focusing on or highlighting trends unfavourable to the Government. An advance copy of this year's report has come in this evening, which you may like to glance at over the weekend. We will prepare a full analysis of any difficulties in time for next Thursday's Question time. But on the basis of a first quick glance this year's publication does not look too bad; indeed the summary sections at the beginning of each chapter have picked out a number of trends that put the Government's record in a favourable light.

Paul Gray
9 February 1990

c: social (MJ)

17/(A-B)

PRIME MINISTER

RA

ECONOMIC FIGURES NEXT WEEK

Next week is a busy one.

On Monday we have:

- the provisional January figures for retail sales (Flag A). These have dropped back from the higher figure in December, which does now look to have been exceptional. The general picture is of sluggish growth, up 1½ on a year ago.

- the CBI/FT monthly survey of distributive trades. This points to retailers feeling buoyant and wholesalers depressed. The Treasury commentary at Flag B suggests that these findings need to be viewed with suspicion.

- January producer prices (Flag C). These are quite encouraging; the annual growth of output prices remains at a touch over 5 per cent. Input prices have fallen back to annual growth of only 3 per cent, following recent falls in metals prices; but this good news will be offset by accelerating unit wage costs.

On Wednesday we will have the December index of production. The figures are not yet available.

On Thursday we have the monthly labour market statistics. The key figures are:

- seasonally adjusted unemployment down 23,000 to 1.61 million, or 5.7 per cent;

- unadjusted unemployment up 48,000;

- annual earnings growth unchanged at 9¼ per cent.

The adjusted unemployment drop is slightly more than the previous month, and suggests we may have another month or two before the fall bottoms out.
Then on Friday we will have:

- the January PSBR: I'm told this will show a repayment of £5 billion, still consistent with the latest forecast PSBR for the year of £8 billion;

- the January RPI: you saw the latest forecast last night suggesting the prospects of a fall in the 12-monthly rate had diminished;

- the monthly US trade figures.

The next monthly monetary statistics won't be out until the following week. But meantime, the latest weekly MO figures (Flag D) continue to be disappointingly high.

PLCG.

PAUL GRAY
9 February 1990

FILE:
DA

PRIME MINISTER

FAMILY EXPENDITURE SURVEY

You noted at the Week Ahead Meeting that the FES was out today. Unlike Social Trends (which interprets the data) the FES is simply raw data and as such has not generated any press interest today. The main points are:

- average household spending in 1988 was up by 3% in real terms over the previous year

- gross weekly household income was up by 5½% in real terms

- more households in all regions had more consumer durables, the main rise being in video recorders to 50% of all households compared with 43% in 1987

- there are few surprises in the regional distribution. In terms of income the South East leads followed by the South West and then, quite a bit further behind, East Anglia and the Midlands. Scotland has slipped quite a way down the league to seventh place out of the eleven regions

- the pattern of ownership of consumer durables reflects the regional income pattern though there are one or two oddities:

    - the North of England have the highest proportion of households in the UK with central heating - 83%

    - Wales was highest for washing machines - 89% and second highest for videos - 48%

- patterns of spending by households with different incomes are much as you would expect. But as a proportion of spending, expenditure on alcohol, cigarettes and leisure in the poorest households (13% of total spending) was only marginally below the level in all households (15.5%).

DM

(DOMINIC MORRIS)
7 February 1990

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

It is another thin week next week. The only significant UK news comes out on Monday when we have:

- The final December figure for retail sales. The Treasury note at Flag A summarises the position and reports on the latest John Lewis figures. The final figure is 0.5 points below the provisional one, so that the December jump does not now appear as big. John Lewis' latest sales figures seem down a bit, but this may be due to special weather factors.

- Credit business in December (Flag B). This seems encouragingly low.

Two other notes you may like to see are:

- The latest weekly MO figures (Flag C). These are still worrying.

- the January Reserves figures (Flag D), which were published today, showing the underlying rise of $80 million.

PG

2 February 1990

jd c:econfigs

16.

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is a quiet one for new figures.

The main interest will be on Tuesday when the CBI monthly inquiry is published. You will recall that Trevor Holdsworth mentioned earlier this week that the results were likely to be quite good i.e.:

- reduced confidence but with investment holding up

- very good exports

- no increase in output price inflation.

The other statistic will be on Friday with the monthly UK reserves.

I attach the latest weekly MO figures. These are quite good, but have not had any significant impact on the twelve monthly growth rate.

PAUL.

(PAUL GRAY)

26 January 1990

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RA IS(A-B)

PRIME MINISTER

ECONOMIC FIGURES

Today the unchanged RPI figure was announced. At the same time the provisional money figures for December were published. Unfortunately these did not reach us last night, but the Treasury summary is now attached at Flag A.

The news is not good. M4 showed a very big increase, incorporating the second largest increase in lending - £10.3 billion. There seem to have been a number of special factors, inflating the December statistic, but it is not a comfortable figure.

The December monthly MO figure was also published, showing 6.0 per cent. The further note at Flag B gives the latest weekly figures, which show the position deteriorating if anything. The underlying twelve month rate now seems to be a bit over 6 per cent.

Next week we have the following figures:

- On Monday the November index of production. The figures are summarised in the Treasury note at Flag C. Both manufacturing and total industrial production are down on the month, and the trend of manufacturing over recent months now looks pretty flat. The figure is below market expectations. With production flat, productivity growth continues to slow, and unit wage costs are again up. The latest three months figure compared with a year ago is 5.6 per cent.

- On Wednesday we will have the December cyclical indicators.

- On Friday comes the monthly balance of payments figures. You saw the very good exports figures earlier in the week. Detailed information on imports is yet to come, but I am told that the monthly current account figure is likely to be

B

£1.1 billion. This is in the upper half of the range the Chancellor quoted, but substantially better than last month's £1.4 billion. No doubt it will be well received in the markets. My worry is that a large part of the improvement is coming from extremely buoyant exports rather than a dramatic slow down in imports; and I am not that confident that we will keep up the recent export success. It will be much more comfortable when imports are decisively coming down.

PG

19 January 1990

jd c:econfigs

RA 14(a)

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week we are into the busy period of the month.

On **Monday**:

- December producer prices (flag A). These are quite good. Output prices continue to show a 12 monthly increase of some 5 per cent; and input prices have fallen back again to 4.7 per cent.

- Provisional December retail sales (flag B). These are less good and provide quite a surprise. The monthly figure is up by over 2 per cent, and could I suppose lead to some adverse market reaction. Interpretation is difficult, particularly given the problems of seasonal adjustment around Christmas.

- The picture of rather more buoyant retail demand in December is however confirmed by the latest CBI/FT survey. The Treasury note at flag C summarises this, along with the other retail indicators; the latest John Lewis figures also point to stronger sales in December. But the suggestion is that January will be weaker.

On **Wednesday** we will have the December PSBR. No precise figure is yet available, but I am told it will confirm that the public sector surplus is shrinking. Indeed I gather the financial year figure of £10 billion the Chancellor quoted earlier in the week could be on the high side; and the Treasury are now talking about a range of £7-10 billion.

On **Thursday** we have the monthly unemployment figures. The highlights will be:

- headline unemployment down 27,000;

(b)

- seasonally adjusted unemployment down 17,000, the lowest monthly drop for three years. This slow down is not unexpected. The percentage unemployment rate is now 5.8 per cent, and the level is 1.635 million;

- 12 monthly earnings growth unchanged at 9¼ per cent.

Finally on **Friday** we will have:

- the December RPI; you saw the latest forecast last night;

- consumers expenditure for 1989 Q4;

- December money figures.

You may also like to glance at the latest Treasury monthly monetary assessment (flag D). This confirms the conclusions we have been drawing in recent weeks. Since it was produced the latest weekly M0 figures have come in (flag E) which once again confirm the annual growth remains close to 6 per cent.

PAUL GRAY
12 January 1990

a:ECONOMIC.ECL

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

It is another fairly thin week for new figures before we get into the busy period of the month the week after.

On Monday we have:

- the final retail sales figure for November (Flag A). You may remember we were told before Christmas there would be an upward revision, and a figure 0.5 points above the provisional estimate is now confirmed. But this does not affect the general picture of very flat retail sales over recent months; indeed volumes may now be below where they were in spring 1989. The further Treasury note (Flag B) confirms that other indicators of consumer demand - such as car sales - are also still consistent with slowdown;

- consumer credit in November (Flag C). This is an encouragingly low figure.

On Tuesday we will have the personal income, expenditure and saving figures for 1989 Q3 and the aggregate figures for industrial and commercial companies in the same period. Detailed material is not yet available. And no great significance should be read into these two measures, both of which are bedeviled by residual errors and regular large revisions. But I am told that the latest quarterly figure will point to some increase in the savings ratio, at around 5½ per cent; and there has been a further quarter where companies were in substantial financial deficit, not least because of high dividend payments.

We also now have the MO figures up to the first week in January (Flag D). These are again disappointing with the latest 12 monthly figures continuing to be nearer 6 per cent than 5 per cent.

(PAUL GRAY)
5 January 1990
economic.dca

CONFIDENTIAL

PRIME MINISTER

ECONOMIC FIGURES OVER CHRISTMAS AND THE NEW YEAR

There is very little new economic news coming out during the next two weeks.

Next week the only figures are the publication on Friday 29 December of the November trade figures, which you have already seen.

In the following week the only figures are on Wednesday 3 January when the December Reserves and the final November monetary statistics are published.

I attach the latest weekly figures on M0, which continue at above the target range.

PAUL GRAY
22 December 1989

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SECRET

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Cf - pc
RLCG
18/12

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

The main items next week are as follows.

On Monday, we have:

- The December CBI monthly trends inquiry (Treasury summary at Flag A). There has been a slight recovery in confidence from last month, but the position remains subdued.

- The November PSBR figures (Flag B). The monthly borrowing of £0.1 billion was slightly worse than the market was expecting, but the figures remain consistent with the Autumn forecast for the financial year as a whole.

On Wednesday, we have:

- Provisional monetary aggregate figures for November (not yet available).

- The GDP provisional Q.3 figures (not yet available).

On Thursday we have the November cyclical indicators.

The next monthly trade figures are published on 29 December. But we have just had in the export figures (Flag C). The total is slightly up on October, recording the second highest monthly figures so far, although excluding oil and erratics it is slightly down. But the trend of export volume remains encouraging. We shall know next Wednesday whether or not any good news is yet coming through on imports.

Flag D is the latest weekly MO figure. It remains above the top end of the target range.

RLCG.

PG

15 December 1989

jd c:nextweek

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SECRET

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PRIME MINISTER

MS

ECONOMIC FIGURES

As you know we are into the busy period of the month next week. We now have some information on most of the key indicators.

On Monday we have:

- the provisional estimate for November retail sales (Flag A). The figure is down 1 per cent point on October, confirming the impression that the areas of retail activity covered by this measure are at best stagnant;

- producer prices for November. The output measure is unchanged on a 12-month basis at just under 5 per cent. And input prices have dropped a little on the month to 5.8 per cent.

On Thursday, we have:

- the labour market statistics. The summary position is:

  - headline unemployment down 22,000 at 1.612 million
  - adjusted unemployment down 25,000 to 1.65 million or 5.8 per cent
  - annual earnings growth up one-quarter to 9¼ per cent;

- the third quarter balance of payments figures. We still do not have the final figures. But the latest intelligence is a bit better than the Chancellor reported earlier in the week. The average monthly invisibles figures is now put at a surplus in the range £100-£150 million (compared with the £300 million we have been assuming in the monthly trade figures);

- October index of production. No figures yet available.

SECRET

Then on Friday we will have the November RPI. The latest assessment is at Flag B. You will see the figure is to be in the range 7.7-7.8, with a similar figure also expected in December.

Finally the latest M0 figures are at Flag C. The 12-month figure seems slightly improved but we are into a period where the seasonal adjustments are particularly difficult to interpret.

Rec.

(PAUL GRAY)
8 December 1989
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SECRET

11(a)

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is a relatively minor week for new economic figures. Most of the news will come on Monday when we have:

- the final figure for retail sales in October (flag A). The index has been revised up a bit from the provisional figure. But the October figure remains below that for September, and the evidence continues to be that retail sales are stagnating.

- credit business in October (flag B). The figure is a little higher than September, but it remains at a relatively subdued level, confirming the suggestion of a downward trend in new credit.

- the November Reserves (flag C). The published figure of a fall of just over $900 million is in line with the actual change in the month; unlike October there has been no adjustment of the forward book.

The other main information coming out during the week will be on Thursday when we have the latest CBI/FT Distributive Trades Survey.

You will also want to see the latest weekly MO figures (flag D). I am afraid these are again disappointing, and the latest 12 month growth figure has actually increased a little.

PAUL GRAY
1 December 1989

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SECRET

CF pm.
PMG
27/11

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

It is a fairly thin week next week, with the only significant UK news being the latest monthly CBI survey on Monday.

A Treasury note commenting on the inquiry is at Flag A. The latest returns confirm the evidence that the economy is slowing, with the main indicators at their lowest level since 1986. But it is also interesting to note (see chart 1 attached) that order books are not at particularly low levels by historical standards.

The latest MO figures at Flag B continue to be disappointing. The twelve monthly rate remains stubbornly above 5 per cent. But the most striking point to emerge is in the manuscript addition on the front of the Treasury note; namely that the level of MO will need to fall between now and March if we are to get back below 5 per cent by the end of the financial year. This is because of the particularly sharp growth earlier this year. Such an outcome is certainly not impossible, but this requirement underlines the continuing need for monetary stringency at present.

PGG.

Paul Gray
24 November 1989

c: economic (MJ)

SECRET

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is another fairly busy week. The main items are as follows.

On Monday we have the provisional money figures for October. A Treasury note is at Flag A. These are much better than in September, and should be received quite well in the markets. But, taking the latest two months together, both M4 and lending have still been growing at a substantial rate.

On Wednesday we have the provisional September figures for new construction orders. No advance indication is available.

On Thursday we have the main event of the week with the October balance of payments figures. The full position is now available, as set out in the note at Flag B. Imports have gone down slightly more than exports, producing a current account deficit of £1.5 billion. This is the lowest since May, and should be reasonably well received; it is rather less than the current market forecast. It is also consistent with the Autumn Statement forecast of £20 billion, which implied monthly deficits averaging £1.5 billion in the last quarter. But it remains very difficult to asess the trend. The chart of underlying volume movements on the second page of Flag B could mean the gap is starting to close; but we have been in that position earlier in the year only to have hopes dashed.

You may also like to see the latest weekly MO figures at Flag C. The weekly growth was quite low, but this has not materially affected the twelve month growth figures.

PAUL GRAY

17 November 1989

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File
DAS
cc PM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 November 1989

Dear Jonathan,

PUBLICATION OF THE BOARD OF INLAND REVENUE'S 131ST REPORT

Thank you for your letter of 8 November which the Prime Minister has seen. She has noted the plan to lay the report before Parliament on 24 November and to publish it on the same day.

Yours,
Paul

PAUL GRAY

Jonathan Taylor, Esq.
H. M. Treasury

Kro

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PRIME MINISTER

RA

ECONOMIC FIGURES NEXT WEEK

Next week is a busy week.

On Monday we have:

- the provisional figures for retail sales in October. These are at Flag A. They confirm the picture of recent months of stagnant sales volume with growth of only just over 1 per cent compared with a year ago;

- the CBI/FT Survey of distributive trades. The Treasury note summarising the results, together with further commentary on retail sales indicators, is at Flag B. The Survey broadly confirms the position shown by the sales figures.

- producer prices for October. The DTI note is at Flag C and the Treasury commentary at Flag D. The position on output prices is moderately reassuring with the twelve month figure staying at around 5 per cent. Input prices have picked up a bit to 6.3 per cent - mainly reflecting the same food price phenomenon that is affecting the RPI - but this is below the peak figure of earlier in the year.

On Wednesday we will have the September index of production. We do not yet have the figure.

On Thursday we will have:

- the October PSBR (not yet known);

- the monthly labour market statistics. The summary figures are:

  - earnings growth of 9 per cent up ¼ per cent on the month;

- adjusted unemployment down 20,000 to 5.9 per cent;

- the headline total down to 1.636 million.

- the September US trade figures, which could be quite important for the markets.

Finally on Friday we will have the October RPI, for which you saw the latest forecast last night.

I also attach at Flag E the latest MO figures. These are still stubbornly just above the top of the target range.

RLC6.

(PAUL GRAY)

10 November 1989

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CSI 6th

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

8 November 1989

P R C Gray Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1

Pre Minister 2

To note the planned publication in 2 weeks.

Noted MT

Rees 8/11

Dear Paul

PUBLICATION OF THE BOARD OF INLAND REVENUE'S 131ST REPORT

The Board of Inland Revenue intend shortly to publish their 131st Annual Report, for the year ending 31 March 1989.

The Report contains chapters on Inland Revenue manpower, yields and costs; the Department's performance in its main operations; improvements in its efficiency; personnel issues; and the results of its compliance work. There is also a special chapter on service to the public.

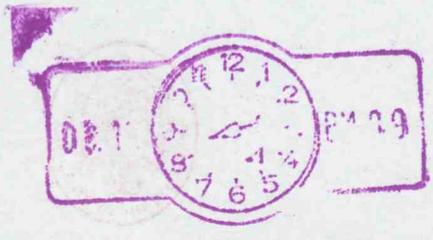
The Report usually attracts some interest from the Press. And, in January this year, the TCSC took evidence from officials about manpower losses from the Inland Revenue and Customs in the light of the discussion of the problem in both Departments' annual Reports for last year. It is possible that the TCSC will want to return to this topic. Although there has been some slight levelling off of Inland Revenue staff losses in some areas, these remain a continuing concern. The Report describes the various steps which the Department is taking to address the problem, including a major programme for relocating work away from London and the South East.

We propose to arrange for the Report to be laid before Parliament by 11 am on Friday 24 November and to publish it at 12 noon the same day.

I should be grateful if you would let me know before 20 November whether there are any objections to the proposed publication date.

Yours ever

J M G TAYLOR
Private Secretary



PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week is another thin week for new economic figures. The only items come on Monday when we have:

(i) the final estimate for retail sales in September. This is attached at Flag A. There has been a minor upward revision of 0.2 from the provisional index, but I doubt if this will attract much attention. The general picture remains one of greatly reduced growth in demand over the latest year.

(ii) September credit business (Flag B). This is encouraging - the figure is low.

You may also like to see the latest MO figures (Flag C). It seems that MO is sticking rather stubbornly just above the top of its target range.

(PAUL GRAY)

3 November 1989

economic.dca

RA 8a-5

PRIME MINISTER

FORTHCOMING ECONOMIC FIGURES

There will be quite a lot of new figures published while you are at CHOGM.

The list for next week is as follows.

On Monday we have:

- the provisional figures for retail sales in September, together with the monthly CBI/FT survey of distributive trades. A Treasury note is at Flag A providing a combined assessment, together with other available information about the current level of consumer spending. Overall the position seems as satisfactory as it could be: clear signs of a continued slow down, including now in the cars sector, but no evidence of calamitous drops in demand.

- The August index of production figures (Flag B). Again these are broadly satisfactory, with modest growth in the last month and the recent trend showing growth continuing to slow down.

On Tuesday we will have the September PSBR figures. I have not seen these but I am told the position is likely to be satisfactory.

On Thursday we have:

- the monthly Labour Market statistics. The summary position shows:
  - the headline unemployment figure down 38,000 at 1.7 million.
  - the seasonally adjusted figure down 50,000 at 1.695 million, equivalent to 6.0 per cent.

If anything this is an uncomfortably large drop: DE are still looking into detailed reasons for it.

- earnings growth at 8.75 per cent. Last month the figure was 9.25 per cent. But there have been significant changes to the series, which now has a wider coverage and different weightings. This means that, on the new basis, last month's figure was 8.75 per cent, So, on an adjusted basis, the latest month shows no change. But it is presentationally very helpful that the new series is coming up with lower figures.

- the September provisional money figures. Estimates for broad money are not yet available. The last weekly MO figures are at Flag C, and show the underlying growth is still around 5.25-5.50 per cent.

On Friday we will have the provisional Q3 consumers expenditure figures. These are not yet available, but the Treasury expect a low figure in line with the recent monthly indications of consumer demand.

The main highlight of the following week will be the monthly trade figures, to be published on 24 October - your last day away. Full information is not available. But we have just had the exports figures, at Flag D. These are very encouraging with a £1 billion increase on August, virtually none of it due to oil or erratics. The recent trend for underlying export volume now looks quite encouraging. If we get anything like a decent imports figure the current balance figure should show a substantial improvement on August.

PAUL GRAY

13 OCTOBER 1989

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chex.jp/jg1/6 **PERSONAL AND CONFIDENTIAL**

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

6 October 1989

P R C Gray Esq
Private Secretary to
Prime Minister
10 Downing Street
LONDON
SW1

Dear Peter

SEPTEMBER RPI FIGURES

You asked for an explanation of the changed outlook for the September RPI. I attach a minute prepared in the Treasury.

You will notice one difference in the figures from the CSO's outlook note; it now seems likely that the RPI excluding MIPs for September will round to 5.8 rather than 5.9. Unfortunately the figure for the all items index is still 7.6 per cent.

Yours

JG

JOHN GIEVE
Principal Private Secretary

1.5ps.cx

PERSONAL AND CONFIDENTIAL

FROM: T S O'BRIEN (EA1)
DATE: 6 OCTOBER 1989
EXTN: 5401

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
Sir P Middleton
Sir T Burns
Mr Sedgwick
Mr Hibberd

SEPTEMBER RPI FIGURES

You asked for a comparison of the outturn for RPI inflation in September and our expectation at the time of the August figures. It is, in fact, difficult to do yet because we do not have the full detail underlying the CSO's early warning number. That detail will not be available until Wednesday. We cannot be sure that such detail as we have will be confirmed on Wednesday. Nonetheless on the basis of provisional figures from the CSO (the final figures become available next Wednesday afternoon), the differences between the outlook we presented last month and the likely outturn are shown below.

		August	Outlook September	Provisional figures for September
	weight %	per cent change on a year earlier		
Food	15.4	5.9	5.8	6.2
Petrol	3.4	6.3	6.6	7.4
Mainly retailed Items	57.6	4.7	4.7	4.8
All items excl MIPs	96	5.7	5.7	5.8
All items	100	7.3	7.4	7.6

2. The 0.1 per cent error in the RPI excluding mortgage interest payments forecast is within the normal range of error which exists in a

ne month ahead forecast, and the error on the all-items rate has been pushed up with rounding. Indeed to some extent the underlying rate seems to have benefited from rounding this month whilst the all-items rate has suffered. The biggest single surprise (and contribution to the outturn being above forecast) is in food prices.

3. The table below shows how food price inflation has developed this year compared to that in 'mainly retailed items' inflation and underlying inflation excluding mortgage interest payments. Non-seasonal food has the bulk of the weight in the food price index and has accelerated since the beginning of the year.

4. There are two main factors behind this high non-seasonal food inflation rate. The first is across the board pressure from

per cent change on a year earlier

	FOOD (all)	of which (non-seasonal)	(seasonal)	MAINLY RETAILED ITEMS	RPI ex MIPs
Weight: %	15.4	13.1	2.3	57.6	96
1989					
Jan	4.4	5.4	-0.5	5.3	5.5
Feb	4.0	5.3	-3.3	5.4	5.7
Mar	4.2	5.3	-2.1	5.2	5.7
Apr	5.0	5.9	-0.5	5.1	5.9
May	5.3	5.8	2.8	5.0	6.0
June	5.6	6.0	3.8	4.9	5.9
July	5.9	6.6	2.8	4.9	5.8
Aug	5.9	6.2	3.4	4.7	5.7
Sep	6.2	6.8	3.5	4.8	5.8
	Has risen		A big swing	Has fallen	

increasing unit wage costs which has pushed some prices upwards despite pressure on margins. The second is a particularly rapid rise in meat prices, especially pork and bacon. Meat prices have been buoyant on world and domestic markets in the face of strong demand. Pork and bacon seem to be caught in the so-called 'hog cycle' where low prices last year led to cutbacks in production, with the reduction in supply now causing upward price movements.

5. Seasonal food price inflation also changed around May when fresh

vegetables come into the shops. In particular, raw potatoes are now around 30 per cent more expensive than a year ago, the cause of which is likely to be climate and harvest related. MAFF experts tell us the outlook for potato prices is uncertain, but there looks to be relatively little prospect of a sharp fall even in seasonal food inflation.

PETROL

6. As we have said before the behaviour of petrol prices has been irregular from month to month. There was a 3.2 per cent fall in prices between July and August to an RPI recorded figure of 183p per gallon of four-star leaded. The outlook for September was uncertain, and whilst there was some possibility of a further fall (as the CSO suggested), there was also a chance that the announced increases by the major companies would push the index up. We assumed no change in the petrol price but in the event there was a small rise.

MAINLY RETAILED ITEMS

7. Our construct of mainly retailed items (around 60 per cent of the RPI) had shown a fall in the annual rate of increase from 5.4 per cent in February to 4.7 per cent last month. We anticipated no change in the rate to September but our best guess at the moment (without full data) is that it has risen to 4.8 per cent. This reflects particularly large increases in clothing and footwear as well as leisure and entertainment prices.

OUTLOOK

8. I have provided a provisional outlook for inflation in October in my note of 5 October. With another increase in food price inflation and petrol prices the underlying rate could well move up, and should be in the 5.8-6.0 per cent range. The all-items rate will in fact fall, perhaps to around 6.9-7.1 per cent. But this fall would be quickly reversed in November assuming mortgage rates rise by 1 per cent or so.

T S O'BRIEN

RA 7

PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

Next week's published figures are dominated by the September RPI, which is published on Friday morning. You saw the latest forecasts for this last night.

The only other major figures coming out are those for September producer prices. This is on Monday. The press notice is at Flag A. You will see that output prices are little changed at 5 per cent, but input prices, having had two low months in July and August, rose again in September to 5.3 per cent. But this is still well below the figures experienced in the spring, and should not cause too much alarm or surprise in the markets.

You may like also to glance at other notes:

- At Flag B the latest weekly MO figures. These suggest that, allowing for distortions from last year's postal strike, the underlying annual rate of increase is still stubbornly just above 5 per cent.

- At Flag C the latest Treasury monthly and monetary assessment. Highlights include the forecast that (on the basis of 14 per cent interest rates) M0 looked likely to settle down above the target range; and money GDP is set to rise by about 1 per cent more than expected at the time of the Budget. The general assessment is that inflationary pressures are not easing as fast as expected at Budget time - which is, of course, the domestic justification for Thursday's interest rate move.

PAUL GRAY
6 October 1989
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PRIME MINISTER

MARKETS AND ECONOMIC FIGURES NEXT WEEK

There are relatively few economic figures published next week, with the main ones coming on Monday. These are:

- The final retail sales figures for August (Flag A). This is only 0.1 above the provisional estimate, so apparently confirming relatively slow growth of sales in recent months.

- Credit business in August (Flag B). This was slower than in June and July - and August last year - but is perhaps still uncomfortably high. Credit card spending was the most buoyant element.

Other figures later in the week will be:

- The September Reserves on Tuesday

- Q2 income and expenditure figures on Thursday.

We also now have the provisional detailed policy for MO in September as a whole (Flag C). At 4.5% on a year ago it was within the target range, though this was distorted by the effects of last year's postal strike. Allowing for that, it is still above the range.

Markets

Today has been another rocky day in the markets - see the Market Report (Flag D). The main problem has been that money market rates moved sharply higher, and at times were pointing to a 1% interest rate increase. The Bank signalled in the markets that it was not moving from 14%, but this had little effect, not least because Nat West came in with a large transaction that removed the shortage in the money markets, and so left the Bank unable to exert much influence.

In the exchange markets, sterling has continued to be weak, and

SECRET

heavy intervention has again been undertaken. Several new techniques have been used to try to increase its effect, such as action on our behalf by the Bank of Japan in their markets overnight.

A major influence next week will be the position of the Bundesbank. The Chancellor mentioned the position to you yesterday. Notwithstanding what he said, I understand there is now a German camp arguing strongly for a 1% move.

The Chancellor has given the Treasury and Bank a clear steer that he wishes to avoid interest rate action next week. But officials are not too sanguine about the prospects of standing out against the market. We shall obviously have to watch the position day by day.

As before, there are still some in the Treasury who feel that even on domestic grounds further interest rate tightening is appropriate. They feel that people have adjusted to the present stance of monetary policy, not least via the upward drift in earnings, and that as a result this stance is not consistent with your objectives for inflation. You have thus far taken the opposite view, and are concerned about precipitating a recession; and Alan indicated when he spoke to you on Wednesday that he agreed with that. I would only add that I think the present indicators and evidence are far from conclusive one way or the other; for instance, I was surprised to be told last week by a member of my family, who runs a medium-sized house building business in central southern and south west England, that he had had quite a marked pick-up in demand for new houses in the last few weeks.

On present plans you are scheduled to have a bilateral with the Chancellor on Tuesday afternon, although we may of course need to arrange something quicker if the market position deteriorates. The Chancellor is having a meeting with his Treasury and Bank advisers - and Alan Walters - on Monday to assess the position.

PG

29 September, 1989.

jd a:markets

CONFIDENTIAL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 September 1989

Dear Anne-Marie.

1989 NEW EARNINGS SURVEY

Thank you for your letter of 26 September and attachments, which the Prime Minister has seen and noted.

I am copying this letter to John Gieve (H.M. Treasury), Colin Walters (Home Office), Jim Gallagher (Scottish Office), Stephen Crowne (Department of Education and Science), Stephen Haddrill (Department of Energy), Roger Bright (Department of the Environment) and Andy McKeon (Department of Health).

Yours,
Paul

PAUL GRAY

Miss Anne Marie-Lawlor,
Department of Employment.

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Prime Minister 2

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26/9

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . 5803 .
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Secretary of State

Paul Gray Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

26 September 1989

Dear Paul,

1989 NEW EARNINGS SURVEY

As you will be aware, the summary results of the 1989 New Earnings Survey (NES) are being released this Thursday 28 September, with publication of Part A of the 1989 Report and issue of a Government Statistical Service press notice.

Part A of the report will provide information on the levels and distribution of earnings for broad categories of employees, and also includes summary earnings by collective agreement, industry, occupation, age and region. I attach a briefing note giving a summary of the main results together with a copy of the proposed press notice.

The overall increase in average earnings between the 1988 and 1989 surveys was 9.6 per cent. This compares with an actual year on year increase to April 1989 in the actual average earnings index of 9.4 per cent for the whole economy. The NES and average earnings index figures are not exactly comparable for a number of reasons. In particular, the NES results are based only on full-time adults working a full week whereas the average earnings index includes part-timers and employees not on adult rates, and those whose earnings were affected by absence. However, the media commentators may (wrongly) compare the figure of 9.6 per cent with the latest underlying average earnings increase for July of 9¼ per cent and use it as evidence of a pay spiral. This can be countered by indicating that the figures are not directly comparable and that the 1989 NES increase of 9.6 per cent is lower than last year's equivalent figure of 9.7 per cent.

Secretary of State
for Employment

The regional figure show East Anglia, the South West and the South East experiencing larger increases than the rest of Great Britain and this may be picked up by the press as furnishing further evidence of a North/South divide. Average earnings of adults in these areas combined increased by 10.2 per cent between 1988 and 1989 compared with the increase of 9.0 per cent for the rest of Great Britain. In responding to any questions on this issue, the Prime Minister and other Ministers should mention that these figures reflect the different compositions of the work force between the regions with a higher concentration of non-manual jobs occurring in the South. They also reflect regional pay additions for the South East to meet, for example, higher housing costs.

I am copying this to John Gieve (Treasury), Colin Walters (Home Office), Jim Gallacher (Scottish Office), Stephen Williams (Welsh Office), Stephen Crowne (DES), Stephen Haddrill (Energy), Roger Bright (DoE) and Andy McKeon (Health).

Yours ever,

Anne-Marie

ANNE-MARIE LAWLOR
Private Secretary

Document A

CONFIDENTIAL until 28 September 1989

NEW EARNINGS SURVEY 1989

BRIEF ON SUMMARY RESULTS

Section	
1	Overall increases
2	Relation to monthly earnings index
3	Public and private sectors
4	Industrial sectors
5	Dispersion of earnings
6	Make-up of pay
7	Relative pay of men and women
8	Pay of young people
9	Regional earnings
10	Timing of publication
	Annex

CONFIDENTIAL UNTIL 28 SEPTEMBER 1989

NEW EARNINGS SURVEY (NES) 1989

1 OVERALL INCREASES

The increases in average weekly earnings between April 1988 and April 1989 for full-time employees on adult rates whose earnings were not affected by absence were as follows:-

	Manual occupations	Non-Manual occupations	All occupations
All Adults	8.6	9.9	9.6
Males	8.6	10.0	9.5
Females	9.0	10.9	10.8

The increase for all adults in all occupations of 9.6 per cent was marginally lower than the figure of 9.7 per cent between 1987 and 1988. As was the case last year, the highest increase is for females in non-manual occupations (10.9%); this, in part, reflects the large increase received by Nurses last December. Also, non-manuals continued to receive higher increases than manuals overall.

2 RELATION TO MONTHLY EARNINGS INDEX

Between April 1988 and April 1989, the actual average earnings index (AEI) showed an increase of 9.4 per cent and 9.25 per cent on an underlying basis. The former figure was high because some employees, including Nurses, some teachers and some Civil Servants, had received two pay settlements in the twelve month period which would also be reflected in the NES results. The NES and average earnings index increases are not directly comparable because the former is based on full-time adults working a full week whereas the latter covers all employees, including part-timers and those whose earnings were affected by absence. There are also differences in sample composition between the two series.

3 THE PUBLIC AND PRIVATE SECTORS

There is likely to be interest in these figures (which are a standard part of the NES report) because there are at present no other official published sectoral figures; those derived from the monthly average earnings index are only circulated within government.

(a) Increases in earnings between April 1988 and April 1989

Full-time adult employees

	Percentage increases		
	Males	Females	Males and females
Public sector	8.4	11.7	9.4
Public services	8.5	11.7	9.7
Central Government	8.6	17.7	13.6
Local Government	8.4	7.2	7.7
Public corporations	8.3	10.8	8.3
Private sector	9.9	10.5	9.6
All sectors	**9.5**	**10.8**	**9.6**

The above figures indicate that overall the increase in average earnings in the year to April 1989 was lower in the public sector than in the private sector. The higher increase for female employees in the public sector was largely due to the Nurses pay awards which has also led to the very high central government figure. Factors affecting the results for the different sectors are as follows:-

(i) Central government (comprising the National Health Service and Civil Service, both industrial and non-industrial, but not the Armed Forces).

The figures reflect two pay settlements for certain groups where 1988 settlements had not been paid in time to be reflected in the 1988 survey, notably for Nurses. For prison officers they reflect the 1988, but not the 1989, settlement.

(ii) Local Government

In general the figures reflect the relatively low 1988 settlements for some large groups such as teachers, administrative and clerical staff and manuals. The increase for police was also relatively low because overtime earnings barely increased and the pay of new recruits was frozen.

(iii) Public corporations

In general the figures reflect only the 1988 pay settlements. The British Rail and London Regional Transport settlements were made sometime after the survey date, and the Post Office settlement is again outstanding, although the 1989 settlements were all due in April.

(iv) Private Sector

In general the increase reflects a single annual pay settlement for those groups that are readily distinguishable. There were no notable staged increases. While there was no national settlement for engineering manual workers, local pay deals seem to have been widespread.

(b) Public service groups

An annex to this note gives details of earnings in April 1989 for some public service groups.

(c) Firemen

The results of the NES are used in the formula on which the firemens' November pay settlement is based. The formula aims to maintain firemens' earnings at the upper quartile (top 25 per cent) of adult male manual earnings. The latest NES results show an increase of 8.5 per cent in upper quartile earnings (8.4% last year), although the formula takes other factors into account. The level of upper quartile earnings in April 1989 was £257.4.

4 INDUSTRIAL SECTORS

The two sectors of principal interest are 'manufacturing' and 'services'.

Increases in earnings between April 1988 and April 1989

Full-time adult employees

SIC Division	Industry	Percentage increases Males	Females	Males and females
0	Agriculture	5.0	9.4	5.4
1	Energy & water supply	9.1	9.0	8.8
2-4	MANUFACTURING	9.0	9.7	9.0
5	Construction	11.6	11.3	11.3
6-9	SERVICES	9.7	11.0	9.9
0-9	All Industries	9.5	10.8	9.6

Services have again shown a higher increase than manufacturing. To the degree that the NES and AEI results can be compared, the NES increases correspond fairly closely with actual increases derived from the AEI for both these sectors. The figures indicate a variation of increases, both between industrial sectors and between males and females. The average earnings of males in agriculture (including forestry and fishing) increased least following a substantial increase last year. Average earnings in construction have increased the most. Female average earnings have increased more than mens' in both the manufacturing and services sectors reflecting significantly higher increases for women in a wide range of industries within each sector.

5 DISPERSION OF EARNINGS

Quoting a single average earnings figure gives a very limited indication of the earnings picture and invites over-simplified comparisons. Accordingly, the report provides additional figures such as the median (the earnings figure above and below which half of employees lie) and the upper and lower 25 per cent (quartiles) and 10 per cent (deciles) of employees. For example, although the average earnings of adult manual males is nearly £218, half earned less than £204 and a quarter less than £161. In contrast, a quarter earned more than £257.

Distribution of gross weekly earnings; April of each year
Full-time adult employees

	£s per week			Percentage increase	
	1987	1988	1989	1987-88	1988-89
10 per cent earned less than	99.1	107.1	117.2	8.1	9.4
25 per cent earned less than	128.6	139.6	151.7	8.6	8.7
50 per cent earned less than	175.1	190.9	209.3	9.0	9.6
25 per cent earned more than	236.9	261.0	287.4	10.2	10.1
10 per cent earned more than	316.6	348.2	383.0	10.0	10.0

The dispersion of gross earnings has increased further between 1988 and 1989 with a larger percentage increase in the level of earnings for the highest 10 per cent of employees than for the lowest 10 per cent of employees. However, the latter increased by more than in the previous year and there was some increase in real terms at all points given that the retail prices index increased by 8.0 per cent over the same period.

The table below shows how the earnings of the lowest and highest deciles of full-time adult males and females have changed as a percentage of the median level of earnings since 1970, the first year of the present survey.

per cent of median

	MALES		FEMALES	
	Lowest decile	Highest decile	Lowest decile	Highest decile
1970	65.4	160.7	66.4	169.9
1975	67.1	157.8	67.4	164.8
1980	65.9	161.6	68.4	161.2
1985	60.8	171.5	65.7	164.5
1989	58.5	179.9	63.1	180.4

Earnings at the lowest decile points, for both males and females, have been falling as a proportion of median earnings since the late-1970s while those at the highest decile points have been increasing. Nevertheless earnings at the lowest decile point have increased in real terms over the last ten years though not as much as earnings at the highest decile points.

An article in the February 1988 issue of Employment Gazette 'Trends in the distribution of earnings 1973-1986' looked at changes in real earnings and in the distribution of earnings, and made comparisons between the period 1973 to 1979 and 1979 to 1986. It found that the overall distribution had widened significantly since 1979 but the evidence available about individual categories of occupations showed that the occupations towards the bottom of the earnings distribution had not, in general, been the ones to experience falls in real earnings since 1979. While high paid occupations received some of the largest increases the low paid occupations did not typically receive the lowest increases. Some of the post-1979 widening was considered to be the result of the unwinding of distortions in pay caused by incomes

policy and some was also the result of employment changes. A reduction in manufacturing employment, where pay is concentrated around the middle of the earnings distribution, and growth in managerial occupations, where pay is concentrated towards the top of the distribution, both tend to widen the distribution. Structural changes are an important element affecting changes in the distribution of earnings.

The increased dispersion of pay that the 1989 survey results show is likely to attract the attention of the Low Pay Unit, particularly in view of its continued lobbying for the introduction of a national minimum wage of half average earnings. The Labour Party's economic equality review paper earlier this year advocated an immediate national minimum wage of £2.80 an hour (at current rates) or £112 for a 40 hour week "with the objective that eventually the lowest-paid workers will recieve an hourly rate not less than two-thirds of that received by the male median full-time worker".

Two-thirds of median full-time adult male hourly earnings, excluding overtime, in April 1989 was £3.53 per hour. About 22 per cent of all full-time adults in the 1989 Survey earned less than that amount. These proposals are close to the so called "decency threshold" of 68 per cent of average earnings proposed by the Committee of Independent Experts of the Council of Europe. The concept has acquired some public currency but has no formal status and has never been endorsed either by any member state of the Council of Europe or by its Governmental Committee on the European Social Charter.

There is no official definition of low pay, and any definition of low pay which uses as its criterion a percentage of average earnings must be a relative measure. However a figure often referred to as a definition of "low pay" by certain external groups is two thirds of average earnings of adult male manual workers. This would be £145 per week according to the survey, an increase of £11.50 (8.6%) since April 1988.

6 THE MAKE-UP OF PAY

There is an important distinction between total earnings (which reflect the incidence of overtime working, incentive and bonus payments, etc) and "basic" pay, ie the time rate for normal basic hours each week. As figures relating to total earnings in official surveys may be used to make misleading comparisons with the basic pay for particular occupations, the report indicates the make-up of pay and illustrates the significance of additions to basic pay. For example, overtime, bonus payments and shift premia, etc, add over a third to basic pay for adult manual men (£57.9 on top of £159.9). Looked at another way, "basic" pay accounts for only three-quarters of the average earnings of manual males, but over four-fifths for manual females and over nine-tenths of the average earnings of non-manual males and females. For each of the broad groups of employees the proportion of pay comprising of overtime, bonus payments and shift premia etc has not changed significantly since 1984. Payments-by-results (PBR), or bonus payments, are, on an averaged weekly basis, highest for manual men. PBR is increasing as a proportion of the earnings of males and females in non-manual occupations but is falling slightly for those in manual occupations.

7 RELATIVE PAY OF MEN AND WOMEN

The differences in average earnings between men and women often attract press comment. Recent figures of average gross hourly earnings (excluding overtime) of employees aged 18 and over have been:

	women's pay as a percentage of men's
1980	73.5
1981	74.8
1982	73.9
1983	74.2
1984	73.5
1985	74.1
1986	74.3
1987	73.6
1988	75.1
1989	76.4

Two points should be noted:

(a) Differences in average earnings will reflect differences in the occupations and industries in which men and women work, and do not therefore correspond to differences in rates of pay for comparable jobs.

(b) The ratio of women's average hourly earnings to men's has tended to fluctuate around 74 per cent since the mid-1970s after rising from about 63 per cent in 1970 as the Equal Pay Act came into effect. The fluctuations from year to year will reflect the timing of pay settlements eg the slight dip in 1984 reflected the absence of a pay settlement for most NHS staff (including a relatively high proportion of women) after the previous two-year settlement. Conversely, the increase between 1988 and 1989 will partly have been caused by the combined effect of the two settlements for Nurses; the larger increase in the ratio between 1987 and 1988 was caused more by the increasing number of women employed in higher paid jobs.

8 PAY OF YOUNG PEOPLE

The average weekly earnings of full-time young employees in relation to those of older employees in April 1989 is set out below:

	Aged under 18	Aged 18 to 20	Aged 21 and over
All employees	£95.2	£132.2	£245.6
As percentage of 21 and over	38.8%	53.8%	
Male employees	£94.7	£142.4	£273.7
As percentage of 21 and over	34.6%	52.0%	
Female employees	£95.7	£122.3	£188.1
As percentage of 21 and over	50.9%	65.0%	

The earnings of all employees under 18 years relative to those of employees aged 21 and over were slightly lower in 1989 than in 1988 (38.8 per cent compared with 39.4 per cent in 1988) and about the same percentage as in 1987. For employees aged 18 to 20 there was no change in the relativity for the second successive year following a gradual fall in earlier years. These overall figures mask the effects of relatively high increases in the average earnings of young people in the South East since April 1988, partly because the numbers concerned have fallen. With the falling numbers of school-leavers this pattern is likely to be evident in other regions over the next few years leading to a rise in the proportions shown in the table above.

9 REGIONAL EARNINGS

In April 1989, apart from the South East, there was again comparatively little difference between regions in the level of earnings though there were some higher increases in average earnings in regions outside the South East over the last year.

Average gross weekly earnings and percentage increase
Full-time adult employees April 1989 and increase since April 1988

	Males		Females	
	1989	%inc	1989	%inc
South East	312.4	10.3	209.1	11.0
of which, Greater London	348.8	11.5	232.3	11.6
Rest of SE	281.4	9.9	186.2	11.0
East Anglia	254.6	10.6	168.3	11.8
South West	253.3	11.2	169.9	11.5
West Midlands	246.6	9.0	165.1	10.6
East Midlands	242.8	9.0	158.8	9.2
Yorkshire and Humberside	244.5	9.0	164.2	9.0
North West	250.9	8.6	171.0	10.6
North	243.5	8.6	161.9	8.8
England	272.9	9.7	184.4	10.7
Wales	238.6	9.4	168.0	12.2
England and Wales	271.2	9.7	183.6	10.8
Scotland	251.2	7.8	169.6	11.5
Great Britain	269.5	9.5	182.3	10.8

The level of earnings in a region will be affected by the economic structure of that region ie the proportions employed in different industries and occupations. A region may have a lower level of average earnings than another region because it has a higher proportion of its employees in an industry with lower average pay. Average earnings of

adult men increased most between the 1988 and 1989 surveys in Greater London then in the South West and East Anglia, all with increases appreciably higher than the 9.5 per cent for Great Britain. The increase, and level of average earnings, for adult men in the Rest of the South East were also above the GB figure but well below the figure for Greater London. For adult women increases exceeded 10 per cent overall in each region bar the East Midlands, Yorkshire and Humberside and the North. It was highest in Wales, a further reflection of the large increase in Nurses' pay.

The wide disparity between average earnings in the South East - particularly Greater London but also the Rest of the South East (often referred to as Roseland) - and other parts of the country remains. Moreover, the largest increases for the year to April 1989, while not in the South East region itself, were concentrated in the southern half of Great Britain.

10 TIMING OF PUBLICATION

The first results are to be published on **28 September**. A press notice will be issued to coincide with the publication of Part A.

The provisional publication timetable and content of the remaining parts of the 1989 report are as follows:-

Part B	12 October	Analyses by agreement
Part C	26 October	Analyses by industry
Part D	9 November	Analyse by occupation
Part E	23 November	Analyses by region and county and by age group
Part F	7 December	Distributions of hours worked; earnings and hours of part-time women

A short article on the survey results will appear in the November issue of Employment Gazette, to be published on **9 November**.

Annex

NEW EARNINGS SURVEY: PUBLIC SECTOR AGREEMENTS

SELECTED ADVANCE RESULTS

TEACHERS - ENGLAND & WALES AND SCOTLAND

The change in average earnings between the April 1988 and April 1989 surveys for teachers in England and Wales reflects largely the 1988 settlement which was delayed and implemented after last year's survey. For Scotland the change covers the 1989 settlement implemented on 1 April 1989.

Full-time employees on adult rates(tX1, part A)	Average gross weekly earnings April 1989	Change between surveys per cent
England and Wales	277.7	7.0
Scotland	304.2	8.5

NATIONAL HEALTH SERVICE

The change in average earnings between the 1988 and 1989 surveys reflects the 1988 regrading exercise and 1989 settlement for nurses but only the 1988 settlement for ancillary staff because of the delay in their 1989 settlement.

Full time employees on adult rates (tX1, part A)	Average gross weekly earnings April 1989	Change between surveys per cent
Ancillary workers	141.9	8.5
Nurses and midwives	222.0	27.9

POLICE

The change in average earnings between the 1988 and 1989 surveys reflects the September 1988 settlement which included a freeze on the pay of new recruits. In contrast to the previous year when there was an increase of a third in average overtime earnings, there was hardly any further increase which served, along with the freeze on pay for new recruits, to depress the overall year-on-year increase.

Full-time male employees on adult rates (t2, part A)	Average gross weekly earnings April 1989	Change between surveys per cent
Ranks below superintendent	324.7	6.6
of which:-		
overtime pay	35.0	

COAL MINING

The change in average earnings between the 1988 and 1989 surveys reflects the November 1988 settlement. Increased overtime earnings and bonus payments have again helped to boost earnings but to a much lesser extent than last year. Together they now account for 37 per cent of average gross earnings.

Full-time manual male employees on adult rates in deep coal mining (t4, part A)	Average gross weekly earnings April 1989	Change between surveys per cent
Underground and surface workers	288.3	9.8
of which:-		
overtime pay	51.2	
bonuses	56.4	
shift premia	4.3	
Residual pay	176.4	6.5

LOCAL AUTHORITIES (England and Wales and Scotland)

The changes in average earnings between the 1988 and 1989 surveys reflect the 1988 settlements and, for manuals, increased overtime working and higher payments-by-results.

Full-time employees on adult rates (tX1,part A)	Average gross weekly earnings April 1989	Change between surveys per cent
Administrative, professional, technical and clerical staff;		
England and Wales	214.8	7.2
Scotland	213.7	6.1
Manual workers		
England and Wales	161.2	9.4
Scotland	162.3	9.4

NATIONAL GOVERNMENT

Civil Service

The changes in average earnings between the 1988 and 1989 surveys reflect the 1988 settlement, which was delayed, and the first part of the 1989 settlement payable from April. Apart from the April increase further increases are due as part of the restructuring of pay with the system of pay spines being introduced more widely.

Full-time employees on adult rates (tX1, part A)	Average gross weekly earnings April 1989	Change between surveys per cent
Civil Service National Whitley Council all non-industrial groups, all grades	223.1	8.2

Prison Officers

The "Fresh Start" package agreed in June 1987 involved the introduction of a unified pay structure with new working arrangements involving the elimination of overtime working and shift premium payments and a gradual move to a standard 39-hour week. The figures below compare the April 1987 and April 1989 earnings though the latter do not include the 1989 settlement.

Full-time male employees on adult rates (t2, part A)

	April 1987	April 1989	Change per cent
Prison Officers	300.9	315.9	5.0
of which:- overtime	104.1	-	
shift etc premium	32.7	-	
all other pay	164.1	315.9	

Document B

Draft Press Notice; CONFIDENTIAL until published on 28 September 1989

New Earnings Survey 1989

The first results of the 1989 New Earnings Survey for Great Britain, conducted in April, are being published today by HMSO in Part A of the six-part annual report. Part A contains the streamlined analyses which give the principal results by major collective agreements and wages councils, by industry, by occupation, by age and by region and summary analyses of the distribution of earnings. Part A also provides a description of the survey.

The survey shows that in April 1989 the average gross weekly earnings of full-time employees on adult rates working a full week were £239.7, with 50% (median) earning less than £209.3 and 25 per cent earning less than £151.7 while 25 per cent earned more than £287.4 a week. Within these overall figures, average earnings vary considerably for different collective agreements, industries, occupations and age groups.

For adult males in manual occupations working a full week, average weekly earnings were £217.8. Median earnings were £203.9 while 25 per cent earned less than £160.9 and 25 per cent earned more than £257.4. The average figure included £57.9 of overtime pay, incentive pay and shift premia etc leaving a residual pay element of £159.9.

For adult males in non-manual occupations working a full week, average weekly earnings were £323.6. Median earnings were £285.7 while 25 per cent earned less than £211.2 and 25 per cent earned more than £378.1. The average figure included £26.2 of overtime pay, incentive pay and shift premia etc leaving a residual pay element of £297.4.

For adult females in non-manual occupations working a full week, average weekly earnings were £195.0; median earnings were £173.5 and 25 per cent earned less than £133.7 while 25 per cent earned more than £236.5. The average figure included £9.5 of overtime pay, incentive pay and shift premia etc leaving a residual pay element of £185.5. For the relatively fewer adult women working full-time in manual occupations, average weekly earnings were £134.9. Median earnings were £125.9 while 25 per cent earned less than £102.4 and 25 per cent earned more than £156.3. The average figure included £22.2 of overtime pay, incentive pay and shift premia etc leaving a residual pay element of £112.7. The average earnings of women are lower than mens' because women tend to work in different jobs and industries, and a shorter average working week. In the 1989 survey, women, on average, worked 4.7 hours less a week including 3 hours less overtime, with the difference in hours worked, including overtime, being much more marked in the manual occupations. Differences in average earnings are not therefore an indication of the differences in rates of pay for comparable jobs.

Average gross weekly earnings of all adult employees rose by 9.6 per cent in the year to April 1989 compared to an increase over the previous year of 9.7 per cent. For adult males in all occupations average gross weekly earnings rose by 9.5 per cent to £269.5 over the same period, while the corresponding figure for adult females showed a rise of 10.8 per cent to £182.3. The corresponding increases between April 1987 and April 1988 were 9.6 per cent for men and 10.6 per cent for women.

Changes in <u>average</u> earnings reflect several factors. Apart from the direct effect of new pay settlements and variations from year to year in overtime working, bonus arrangements, shift premia, etc, changes in average earnings also reflect changes in the composition of the work force and the structure of the economy.

The annual increase in average earnings shown by the 1989 New Earnings Survey of 9.6 per cent for full-time adult employees is similar to an increase of some 9.4 per cent measured by the average earnings index between April 1988 and April 1989. However, while both figures cover the whole economy they are not directly comparable. The New Earnings Survey increase relates only to full time adults whose earnings in the survey period were not affected by absence. The average earnings index on the other hand covers all employees, including part-timers, employees not on adult rates and those whose earnings were affected by absence.

An Article commenting on some features of the survey results will appear in the November issue of the Employment Gazette, to be published on 9 November.

Notes to Editors

The New Earnings Survey is the only regular source of information which gives comprehensive information on the structure of earnings in Great Britain*. The survey has been carried out in a similar form since 1970 and collects information on hours of work and earnings for a one per cent sample of individual employees. Information is also collected on characteristics of the employees including gender, age, occupation and place of work as well as the industrial activity of the employer and collective bargaining arrangements.

Information for the survey sample of individual employees is obtained from employers through returns that are treated as strictly confidential.

The survey information relates to earnings for a pay period usually in April each year. In 1989 the survey reference period was the pay period which included April 12. The earnings data collected relates to gross pay before tax, national insurance or any other deductions are made. Payments in kind are generally excluded. Where employees receive periodical payments covering more than one pay period (for example, quarterly or annual bonuses) the relevant amount for one pay period is included in the total earnings reported for the survey. A more detailed description of the survey is contained in Part A of the New Earnings Survey report.

For some groups of employees, increases in pay due in or before the survey period were not paid until later because settlements were delayed. The survey figures relate, in general, to earnings at the time of the survey and exclude payments due as a result of a settlement but not yet made. Similarly, payments of arrears made during the survey period are excluded from the survey results.

Between successive surveys, changes in average earnings for particular groups of employees may be affected by changes in the timing of pay settlements, in some cases reflecting more than one settlement and in some others no settlement at all. Table A in Part A of the New Earnings Survey indicates which pay settlements (or stages) were implemented between the 1988 and 1989 surveys.

The remaining five parts of the report are due to be published at two week intervals. Part B will contain analyses by major collective agreement. Part C analyses by industry, Part D analyses by occupation, Part E analyses by region and county and analyses by age group with Part F (due to be published in early December) containing analyses of hours worked as well as analyses of the earnings and hours of part-time women employees.

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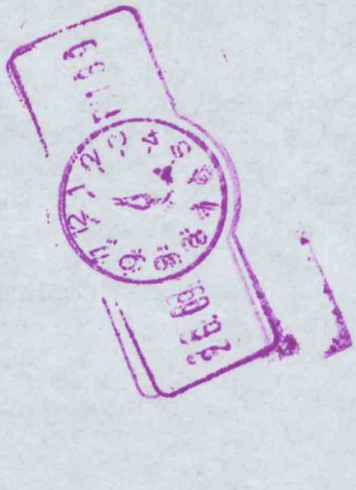
* A similar survey is carried out in Northern Ireland by the Department of Economic Development, Belfast.

Survey Results

Most of the analyses in the survey reports relate to full-time male and female employees on adult rates of pay whose earnings were not affected by absence during the survey period. These results thus do not include the earnings of those not working a full week and those whose earnings were reduced because of sickness, short-time working, voluntary absenteeism and other reasons. Nor do they include the earnings of young people (not on adult rates of pay) or part-time employees. Some information on the earnings of young people, employees of all ages and part-time employees is available in the published survey reports. Part F of the report will include analyses of the earnings of those part-time women employees covered in the survey - representing roughly three-quarters of estimated part-time women employees.



D01642

G19/23

From: M J ERRITT
Date: 22 September 1989

CF - pc.
No the advice.

MR P GRAY
No 10

cc Mr Hibbert
Mr Glass
Mr Eason
Mr Matthews
Mr Dworkin

RR CG
26/9

FINAL REPORT OF THE INTERDEPARTMENTAL GROUP ON THE COMPARISON OF INCOME STATISTICS

Thank you for your minute of ~~15~~ Friday September.

2. The Secretary of State for Social Security has seen the report and is content with the recommendations. We shall therefore proceed on the basis set out in the report.

3. You may like to know that with the reorganisation of the Central Statistical Office, this subject will in future be the responsibility of Directorate E, headed by Mr P Dworkin.

M J ERRITT

CONT MAGH: Forthcoming Announcements

SECRET

PRIME MINISTER

NEXT WEEK'S ECONOMIC FIGURES AND THE MARKETS

We had a word before you left for Japan about the latest trade figures and their implications for the stance of economic policy. I subsequently passed on to the Chancellor your view that a further interest rate increase would not be appropriate, together with your worries about the state of the statistics and the size of the balancing item.

Before he left for Washington the Chancellor took stock with his Treasury and Bank advisers of the handling of next Tuesday's publication of the trade figures. The letter from his office attached at Flag A summarises the outcome. A further note is also attached to the letter analysising the latest monthly figures. The key points are:

- The assessment of the trade figures makes sobering reading; it is not thought that there are any major distorting factors.

- (Although this is not fully brought out in the letter) The Chancellor does not favour an interest rate move immediately on the back of the trade figures. Rather, he has authorised substantial intervention if the pound does come under pressure. He has given authority for $500 million a day on both Tuesday and Wednesday, and stands ready to authorise a further $500 million on each of those days if the Bank thinks this would be worthwhile.

- On that basis the Chancellor hopes not to have to consider an interest rate move while he is in Washington, although the possibility of him wanting urgently to consult you on the telephone during Tuesday or Wednesday is not ruled out.

SECRET

- Assuming no further moves on Tuesday or Wednesday the Chancellor will want to take stock on his return on Thursday. And it does seem that his present view is that, should the exchange rate slip, an interest rate move would be appropriate.

As you know Alan Walters is returning from Washington next Tuesday. I imagine you will want to have the opportunity for an early word with him about all this and other current issues such as EMU and electricity privatisation. So we have arranged a slot in the diary for Wednesday morning.

Subject to developments during next week I imagine you will also want to fit in a bilateral with the Chancellor some time next Thursday after his return. Meantime I have sent the Treasury the document about balancing items that Hector Laing gave you and asked them to prepared material on this in time for the Chancellor's return.

The trade figures are the dominant economic news next week. But we will also have on Monday the August cyclical indicators. These are at Flag B. As usual they are difficult to interpret but on balance do imply a slowing economy.

You will also want to see the latest weekly MO figures (Flag C). Following the disappointing August numbers, the latest news is more encouraging, but it is far too soon to be confident.

Paul Gray
22 September 1989

c:econ (MJ)

MR. POWELL

MARKETS AND TOMORROW'S ECONOMIC FIGURES

The markets have been quiet today - see attached summary of the Market Report.

Tomorrow (Wednesday) two sets of figures are published:

(i) The July index of production figures. These should not cause too much comment. The monthly figure for July showed an increase of 1.8 per cent, but this follows a drop in June, and the recent trend still points to broadly the kind of slow-down we would want.

(ii) The provisional money figures for August. These paint a less happy picture, and could conceivably cause some market reaction. MO in August was 6 per cent higher than a year ago, compared with 5.3 per cent in July. And the Bank lending figures are high - some £8.4 billion seasonally adjusted. This latter figure is above market expectations, although the Bank will be stressing in the press release that a lot of this seems to be takeover-related.

PG

19 September, 1989.

DAX

MARKET REPORT

Tuesday 19th. September 1989

	Previous Close	Today's Close
$/£ :	1.5682.	1.5692.
DM/£ :	3.0682	3.0665.
£ERI :	91.3	91.3.
DM/$:	1.9565	1.9542.
Yen/$:	145.82	145.8

UK Intervention: 65.

	Today	Change
UK 3-month Inter-Bank:	$13\frac{29}{32}$.	$-\frac{1}{32}$

FTSE-100:

file
AL 2 AKS

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

MR. ERRITT

CABINET OFFICE

FINAL REPORT OF THE INTER-DEPARTMENTAL GROUP ON THE COMPARISON OF INCOME STATISTICS

Thank you for your minute of 31 August enclosing the final report of the inter-departmental group. I take it that the present Secretary of State for Social Security has been advised of the results of the review and is content with the recommended changes. On that basis I am confident that the Prime Minister will be content for the next round of statistics to be compiled on the basis proposed.

I am copying this minute to Mr. Hibbert, Mr. Glass (DSS), Mr. Eason (IR), Mr. Stibbard (DEm), Mr. Matthews (HMT) and Mr. Dworkin (CSO).

PAUL GRAY

15 September 1989

2

CF - PC.

PRCG 18/9

PRIME MINISTER

FORTHCOMING ECONOMIC FIGURES

Next week is a relatively quiet week for figures, but we also now have advance indication of the August trade figures which will be published in the following week - see below.

On **Monday** we have:

- the August PSBR figures (**Flag A**). This confirms the trend evident in recent months of a rather lower surplus than in the last financial year;
- the CBI monthly trend enquiry (**Flag B**). This continues to point to a slow down with a particularly sharp fall in the output series.

On **Wednesday**, we will have the July production figures and August provisional money figures.

Then on **Friday** we will have the provisional Q2 figures for GDP.

Trade Figures

The advance indication is worrying - see the CSO note at **Flag C**. The handling of publication on Tuesday 26 September will be more awkward because the Chancellor will be in Washington. I have agreed with the Chancellor's office that early next week, when we have a firmer indication of the figures, he will carefully consider the handling and let you have an assessment. If necessary we will arrange for contact with you in Japan.

I think it is likely that there are some in the Treasury who will argue for further interest rate action if, following publication of the trade figures, there is an adverse market reaction. I understand that there are some who are already arguing for a further monetary tightening, on the basis of the latest monthly assessment paper at **Flag D** which you may like to glance at. I imagine their views have also been confirmed by the latest weekly MO figures **Flag E** which are again a bit disappointing.

PRCG.

(PAUL GRAY)

15 September 1989

We really must look at these figures in view of the vulnerability here. I feel a further interest rate rise could put us into recession. Alan will be back soon

Note Passed on the PM's comments to John Gieve in the Chancellor's office. PRCG 18/9

1a-6.

CF-P

BRCG

11/9

PRIME MINISTER

ECONOMIC FIGURES

We are now in the busy period of the month for new economic figures.

Since you left for Scotland we have had two main indicators:

- The SMMT figures for new car registrations in August. Somewhat against expectations, in the event this showed an increase of 4.8 per cent on last year. But this may not have reflected "genuine" sales to the public; rather registrations near the end of the month by dealers tempted to build up their stocks by the manufacturers' incentive schemes.

- The August CBI/FT Distributative Trades Survey. Although this points to some recovery from the very low level of confidence reported in July, the picture remains one of a much more depressed retail sector.

A Treasury note commenting on these two sets of figures is at Flag A.

Next week there are a number of other key figures.

On Monday we have:

- Producer Prices for August (Flag B). You will recall there were big improvements in these figures last month, and the August figures confirm that improved position.

- Provisional Retail Sales for August (Flag C). These show 0.5 per cent increase on the month, but that is from the very low July figure. Taking the last three months together, the real growth over the last year is now down

to not much more than 1 per cent. So again this series confirms the impression of a retail slow down.

On Thursday the main interest will be the monthly Labour Market Statistics. These are likely to show:

- a further drop in the seasonally adjusted level of unemployment of some 35,000, to a new level of 1.75 million, or 6.1 per cent. The unadjusted figure will fall by some 30,000. If anything the markets may interpret this as too big a drop following the fall of not much more than 20,000 last month. But unemployment is of course one of the last indicators to reflect a slowing economy.

- Earnings Growth edging up by 0.25 per cent to 9.25 per cent, following the very surprising drop by the same amount last month.

On Friday the main news is the UK RPI. We do not yet have the final figure but the Treasury note at Flag D points to a central forecast of 7.4 per cent, which should be well received by the markets.

Friday will also be an important day for US statistics with their July external trade and August producer prices.

Finally, the last weekly figures for MO, following the disappointing rise during August, point to a better performance (see the note attached at Flag E).

PRCG.

P. GRAY
8 SEPTEMBER 1989

MRMAOI

2043

FROM: P D DWORKIN
ROOM 60\2, EXT 6050
DATE: 4 SEPTEMBER 1989

PS\FINANCIAL SECRETARY

cc PS\Chancellor
PS\Mr Gray (No 10)
PS\Sir Peter Middleton
PS\Mr Hibbert
Mr Hibberd
Mr O'Donnell

MBPM

PRCC

5/9

Circulation of economic statistics prior to release

1. In his letter of 16 August to the Financial Secretary, Mr Redwood, DTI, requested that certain DTI ministers and officials be included on the pre-release circulation lists for a range of economic statistics. In consultation with colleagues within the CSO, I have arranged for the circulation lists to be amended appropriately, except for items 1 and 9 in the the Annex to Mr Redwood's letter.

2. Items 1 and 9 relate to the monthly overseas trade figures. This information is subject to special rules as laid down by the Prime Minister in 1979. (I attach a copy of the relevant letter for information). The essence of the procedure is that the originating department circulates advance information to the Secretary of State and to the Permanent Secretary of other departments on a 'need to know' basis. They have discretion to circulate within their department again on a 'need to know' basis.

3. The circulation lists for pre-release information about the overseas trade figures and other sensitive economic indicators is being examined, in light of the re-organisation of the CSO. A submission will be made to the Chancellor. I would expect that the arrangements described in para 2 above will apply to the DTI in respect of the overseas trade figures so that Mr Redwood's request will, in effect, be met.

4. Mr Redwood also requested that DTI officials continue to see in advance of publication statistics normally published in British Business when it ceases to exist. The CSO will continue to consult with colleagues in other departments and to provide advance warning of the impending release of statistics.

5. In his final paragraph, Mr Redwood reaffirmed the DTI position on proposals for changes to statistical series passed from DTI to CSO as a result of the recent re-organisation. He does so in a general way but, in fact, the DTI concern focusses upon changes which impact upon the burden imposed upon business. We would, of course, consult DTI about any changes which impact upon the burden on business but we would not expect to consult with DTI on other matters (eg technical changes in the conduct of surveys) which do not impact upon the form filling burden.

6. A draft response to Mr Redwood is attached for the Financial Secretary's consideration.

Paul D Dworkin.

P D DWORKIN

Draft letter from Financial Secretary to John Redwood DTI

Thank you for your letter of 16 August. With the exception of items 1 and 9 in the Annex to your letter, I have arranged for the circulation lists to be amended as you requested.

The circulation of the overseas trade figures in advance of publication is subject to special arrangements, as laid down by the Prime Minister in 1979. [I attach a copy of the relevant letter for your information]. The circulation lists for the sensitive economic indicators are currently being reviewed but I have no reason to suppose that copies of the overseas trade figures will not be sent to the Secretary of State and the Permanent Secretary of Trade and Industry, who will then have discretion to arrange for the internal circulation on a 'need to know' basis. Your needs, as indicated in your letter to me, will therefore be met.

You also asked me about the arrangements for your officials continuing to see advance statistical series currently published in British Business after that publication ceases at the end of this month. Publication arrangements to replace British Business are still being considered but CSO officials will, of course, consult colleagues in DTI over statistics in which they have an interest.

Finally, I note what you have written at the end of your letter and I would reassure you that the CSO will indeed clear with DTI

any proposals to changes in the statistical series passed from DTI to CSO which bear upon the question of the burden of form filling on businesses.

Mr Bonham
Mr. le Cheminant
Mr Lane
Mr Mountfield

10 DOWNING STREET

CABINET OFFICE
A ..1977....
25 JUN 1979
FILING INSTRUCTIONS
FILE No. .....

From the Private Secretary

22 June, 1979.

Registry

Dear Tony.

Security of Economic Statistics

You will be aware of the importance which is attached to the avoidance of premature disclosure of key economic statistics which could cause not only political embarrassment but also in some circumstances speculation on the foreign and domestic exchanges. The statistics involved are the trade figures, money supply, unemployment, retail price index, earnings index and the index of industrial production.

The Prime Minister therefore wishes to draw your Minister's attention to the current strict arrangements for guarding against the disclosure of these statistics in the usually short period between their being available within Departments and subsequent publication.

Pre-publication copies of the statistics are to be sent by originating Departments to the following Ministers and their Permanent Secretaries:-

Trade figures	Prime Minister Chancellor of the Exchequer Secretaries of State for Trade and for Industry
Money supply	Prime Minister Chancellor of the Exchequer
Unemployment	Prime Minister Chancellor of the Exchequer Secretaries of State for Employment and for Industry
Retail price index	Prime Minister Chancellor of the Exchequer Secretaries of State for Employment for Industry and for Trade

/ Earnings

CONFIDENTIAL

CSO
REGISTRY

Earnings	Prime Minister Chancellor of the Exchequer Secretaries of State for Employment and for Trade
Industrial production	Prime Minister Chancellor of the Exchequer Secretary of State for Industry

Copies should also go to the Governor of the Bank of England the Secretary of the Cabinet, the Head of the Government Statistical Service, and the Chairman of the Board of Customs and Excise (trade figures only).

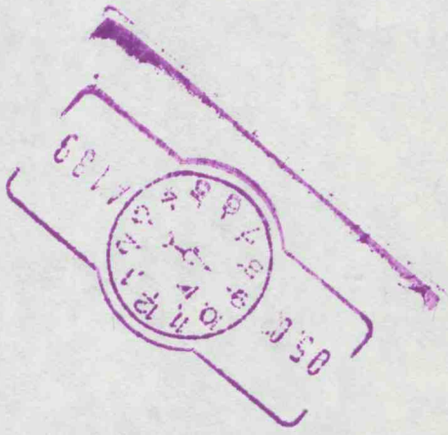
Only those in paragraphs 3 and 4 above have discretion to circulate figures to others in their Departments (whether Ministers or officials) on a strictly 'need to know' basis. No Press copies are to be released ahead of publication even under embargo.

I am copying this letter to the Private Secretaries of all those mentioned in paragraphs 3 and 4.

Yours ever.

Tim Lankester.

A.M.W. Battishill, Esq.,
H.M. Treasury.



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PRIME MINISTER

ECONOMIC FIGURES NEXT WEEK

It is a fairly quiet week next week with most of the excitement coming on Monday. Those figures are:

- the UK Official Reserves for August which will show that they have dropped by £405 million. This is rather less than the markets are expecting.

- The final July figures for Retail Sales are at Flag A. Although slightly revised upwards from the provisional figure it confirms that retail sales are down from June and well down on May's erratically high figure.

- Credit Business in July is at Flag B. This is reasonably good news. The increase in July, although higher than June, was below the average for the year to date.

- Housing Starts and Completions for July.

This package of figures is likely to be well received in the markets.

The only other thing of interest is the CBI/FT Survey of distributative trades for August which comes out on Thursday.

D. MORRIS
1 SEPTEMBER 1989

PART 4 ends:-

Erritt to PG 31.8.89

PART 5 begins:-

Dm to PM 1.9.89

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