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For publication at
2.30 pm.

Treasury Chambers, Parliament Street, SW1P 3AG (Roughly as
OI-233 3000

to former
indicated on

Friday).

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PRIME MINISTER

MONETARY SITUATION

The February banking figures are due to be published tomorrow, Tuesday 11th March. They will show that eligible liabilities fell slightly (0.1 per cent) during the month, but as usual this will give a misleading indication of monetary developments. In fact we expect sterling M3 to have grown by 1 per cent and briefing by the Bank will make this clear to the markets. The February figure means that growth in sterling M3 since the start of our current target in mid-June has remained at just over 12 per cent at an annual rate. Preliminary estimates of the components are shown in the Annex.

2. Central Government Borrowing in February was extremely small, but so also were sales of central government debt to the general public. Gilt sales were fairly substantial (nearly £500 million), but these were offset by net surrenders of certificates of tax deposit (CTDs) for payment of tax. The high net surrenders of CTDs are largely a seasonal phenomenon, however.

3. The growth of bank lending to the private sector was just over £500 million, well down on the January figure but still fairly high. Even this figure was achieved only with the aid of a sharp fall in the last week of the banking month which on

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the basis of past experience could well be followed by a sharp rebound this month. There is still no really clear sign of a turn-down.

4. I am copying this minute to the Governor.

A handwritten signature in dark ink, appearing to be "G.H." with a flourish.

(G.H.)

10 March 1980

STERLING M3 AND ITS COUNTERPARTS

	£ billion seasonally adjusted			
	banking July- November (average of five banking months)	banking December	banking January	banking February
CGBR	+ 0.88	+ 1.47	+ 0.15	+ 0.02
Less sales of central government debt to non-bank private sector	- 0.47	- 1.25	- 1.62	- 0.16
of which gilts:	- 0.57	- 1.16	- 1.63	- 0.46
Net other public sector	- 0.03	- 0.14	+ 0.50	- 0.04
Sterling bank lending to:				
private sector	+ 0.64	+ 0.16	+ 1.30	+ 0.55
overseas	+ 0.03	- 0.02	+ 0.19	+ 0.09
DCE	+ 1.05	+ 0.22	+ 0.52	+ 0.47
External and foreign current finance	- 0.43	+ 0.18	+ 0.13	- 0.03
Net non-deposit liabilities etc.	- 0.06	- 0.14	- 0.02	+ 0.10
Change in £M3	+ 0.56	+ 0.26	+ 0.63	+ 0.54
	(+ 1.0%)	(+ 0.5%)	(+ 1.1%)	(+ 1.0%)