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John Wiggins

Treasury Chambers, Parliament Street, SW1P 3AG

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10 November 1980

T. Lankester, Esq.,
Private Secretary,
10, Downing Street

Dear Tim,

Not good.

SHORT-TERM PROSPECTS FOR THE CGBR AND THE PSBR IN THE
FIRST HALF OF 1980-81

I am enclosing this month's note for the Prime Minister, in
advance of Tuesday's publication of the figure for the CGBR
in October, and the Prime Minister's meeting on 18 November
on monetary affairs.

The CGBR was small in October - as expected. Large deficits
are still expected in November and December and the total of
the two months has been raised by new information since last
month's forward look. The first shot at January is a surplus
of ~~£1.6~~ million - rather less than that of a year ago.

The latest news on the PSBR as a whole suggests that the
actual figure for the first half of the financial year
was close to £8½ billion - about £½ billion above the
part-forecast, part-estimate in last month's report. The
prospect for the year as a whole is being reconsidered for
publication in the Industry Act forecast later this month.
The centre of the range may well be moving upwards, though
not much.

Yours

John

A.J. WIGGINS

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THE PROFILE OF THE CENTRAL GOVERNMENT BORROWING REQUIREMENT (CGBR) TO JANUARY AND THE PUBLIC SECTOR BORROWING REQUIREMENT (PSBR) IN THE FIRST HALF OF 1980-81: NOTE OF NOVEMBER 1980

A. Outturn of the CGBR in October

The provisional estimate of the CGBR in October is £124 million. This will be published on 11 November. The outturn may later be increased a little by further information. The result is close to the one month ahead forecast of £100 million made at the beginning of the month. Tax receipts in total were as forecast: an excess of Inland Revenue receipts was offset by a shortfall of Customs and Excise receipts. Net issues to finance departments' expenditure were some £300 million less than forecast. Issues for regional and selective assistance to industrial undertakings (Class IV, Vote 1), which includes the payment of Regional Development Grants and issues to the National Enterprise Board, had been averaging £100 million per month in the first six months of the year; there were however no issues in October. This was the largest single element of the difference from forecast. The timing of certain transfers of funds between government accounts explained the excess of interest receipts compared with forecast and a significant part of the reduction in other central government funds and accounts. Table 1 compares the outturn with the figures forecast in Table 3 of last month's note.

2. The cumulative excess of the CGBR this year so far over the corresponding part of 1979-80 was £1.2 billion at the end of October, the same as at the end of September. Table 2 summarises the figures ~~and also the new forecasts for the remainder of the financial year.~~

3. The outturn of the CGBR in the October banking-month was £619 million, some £200 million lower than forecast. VAT receipts were concentrated more than hitherto in the early part of the calendar month of October. The equivalent figure seasonally adjusted was £408 million.

B. Rolling forecast for CGBR in banking November

4. Banking November runs from 16 October to 19 November. For the period up to 31 October the CGBR was £212 million and the current figure for the banking month as a whole is £1,340 million, in both cases before seasonal adjustment.

C. Rolling forecast for CGBR in November - January

5. The latest working figures for the CGBR in the next three calendar months are as follows:

	<u>£ million</u>
November	2,150
December	1,350
January	-1,600 (net repayment)

As noted in last month's report these forecasts can deviate by around plus or minus £500 million for the first month and plus or minus £750 million for the third month.

6. The composition of the rolling forecast is summarised in Table 3. Receipts into the Consolidated and National Loans Funds are forecast to be high in January: this is the month for large Inland Revenue receipts of Corporation Tax and Schedule D Income Tax, as well as being the quarterly peak for receipts of VAT. The forecasts of Inland Revenue and Customs and Excise receipts are those supplied by the departments at the beginning of October. It is considered to be too early to revise these forecasts in the light of October's outturn. The figures for other Consolidated Fund receipts include £100 million in December and £210 million in January for refunds from the European Community under the 30 May agreement. It is expected that this will necessitate a transfer across the exchanges from the EC of £100 million in January and that the remaining refunds in the period will be financed from the gross contribution from the UK and the running down of the balance on the Community's account at the Paymaster General's Office. Also, in December the Consolidated Fund is expected to receive £200 million from the Trustees Savings Banks following the assumption by the Banks of the financing of a further tranche of ECGD-guaranteed lending.

7. In total, expenditure from the Consolidated and National Loans Funds (including net lending) is lower in December than either November and January which are both heavy months for interest payments. Supply Issues, reassessed in the light of departments' new forecasts of outturn, are expected to be larger in January than in recent months: payment of Rate Support Grant increase orders of around £600 million is due in that month. The monthly pattern of net lending includes temporary borrowing by the nationalised industries in November and December which will be repaid partly in January and partly in March.

D. PSBR in April-September

8. The latest score for the PSBR in the first half year is around £8½ billion. Information is still incomplete. A first estimate will be published on 20 November. The outturn for the half year is higher than forecast in last month's note, reflecting the CGBR outturn for September, higher than expected borrowing by local authorities in September and higher borrowing by public corporations from the banking sector. The PSBR for the year as a whole is being reassessed for publication in the Industry Act forecast.

TABLE 1

CENTRAL GOVERNMENT BORROWING REQUIREMENT

CGBR IN OCTOBER

	<u>Forecast</u>	<u>Outturn</u>	<u>£ million</u> <u>Effect on</u> <u>CGBR</u>
RECEIPTS			
<u>Consolidated Fund</u>			
Inland Revenue	2,850	3,024	+ 174
Customs and Excise	2,600	2,437	- 163
Other	700	680	- 20
<u>National Loans Fund</u>			
Interest etc receipts	400	533	+ 133
Total receipts	6,550	6,674	+ 124
EXPENDITURE			
<u>Consolidated Fund</u>			
Supply services and Contingencies Fund	5,700	5,372	+ 328
Other	250	253	- 3
<u>National Loans Fund</u>			
Service of the national debt	350	423	- 73
Net lending	550	577	- 27
Total expenditure	6,850	6,625	+ 225
Other funds and accounts	+ 200	- 173	- 373
of which: changes in the European Community's balance at FGO	(..)	(- 27)	(..)
CGBR	- 100	- 124	- 24

TABLE 2

CENTRAL GOVERNMENT BORROWING REQUIREMENT

	£ billion				Difference
	1979-80	1980-81	Cumulative		
	1979-80	1980-81	1979-80	1980-81	
April	1.3	0.9	1.3	0.9	-0.4
May	1.5	2.3	2.8	3.3	+0.4
June	1.0	1.3	3.8	4.6	+0.8
July	-	0.8	3.8	5.4	+1.5
August	1.1	1.6	4.9	7.0	+2.1
September	1.7	0.8	6.6	7.8	+1.2
October	0.1	0.1	6.8	7.9	+1.2
November	1.8	(2.1)	8.5	(10.0)	(+1.5)
December	1.6	(1.3)	10.2	(11.3)	(+1.2)
January	-2.5	(-1.6)	7.7	(9.7)	(+2.1)
February	0.3		8.0		
March	0.1		8.2		

Note: Some rows may not across add because of rounding.
Each column is correctly rounded.

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TABLE 3
CENTRAL GOVERNMENT BORROWING REQUIREMENT

£ million and %

	(1) April - October	(2) November forecast	(3) December forecast	(4) January forecast	(5) 10 months to end January	(6) % change of col (5) on year earlier	(7) Budget forecast for whole year % change
<u>Receipts</u>							
<u>Consolidated Fund</u>							
Inland Revenue	17,534	2,100	2,250	5,300	27,200	+ 17	+ 17
Customs and Excise	12,808	1,950	1,750	2,600	19,100	+ 30	+ 33
Other	4,420	800	900	850	6,950	+ 20	+ 5
<u>National Loans Fund</u>							
Interest etc receipts	2,504	300	350	250	3,400	+ 4	+ 19
Total receipts	37,266	5,150	5,250	9,000	56,650	+ 20	+ 20
<u>Expenditure</u>							
<u>Consolidated Fund</u>							
Supply services	37,098	5,600	5,600	6,000	54,300	+ 24	+ 20
Other	1,787	250	250	250	2,550	+ 1	+ 12
<u>National Loans Fund</u>							
Service of the national debt	5,211	1,250	500	1,450	8,400	+ 21	+ 19
Net lending	2,354	300	250	- 50	2,850	+ 24	+ 27
Total expenditure	46,450	7,400	6,600	7,650	68,100	+ 23	+ 20
Other funds and accounts of which: changes in the European Community's balance at PGO	+ 1,267 (+ 7)	+ 100 (- 15)	- (- 25)	+ 250 (- 40)	+ 1,600 (- 73)		1,350 ⁽¹⁾
CGBR	- 7,917	- 2,150	- 1,350	+ 1,600	- 9,850		

(1) £ million

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