

Prime Minister to see



N.P.G. Mitchell

Duty Clerk
19/9/81

A. Walker

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

18 September 1981

T Lankester Esq.
10 Downing Street
LONDON
SW1

Why did we not
issue an order. looked
at it in banking system.
We had then forecasts
to make us to later
change effective
action.

Dear Tim,

RECOVERY FROM THE CIVIL SERVICE STRIKE

We last provided a full assessment of the recovery from the Civil Service strike on 10 August - Peter Jenkins' letter to you on the Monthly Note on the CGBR. We have now updated that assessment to take account of progress so far and of the operational decisions which have been made on how the recovery is to be effected. This is set out in the attached report.

The report indicates in para 2 (vii) what the effect of the strike on money is estimated to be over the next three months. It will be helpful to you to see the underlying position upon which they are superimposed. The picture is as follows:-

£ million	Banking months			Mid Feb- Mid Nov cumulative
	Sept.	Oct.	Nov	
CGBR, underlying seasonally adjusted	+573	+949	+720	+6565
Strike effect	+605	+1840	-410	+6750
Actual CGBR	+1178	+2789	+310	+13315
Per cent				Feb-Nov annual rate
Increase in £M3 underlying	2.3	1.7	0.4	12.4
Strike effect	0.2	1.0	-0.2	
Forecast increase	2.5	2.7	0.2	19.1

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S E C R E T



As you will see, we face the prospect of two months with very large increases, both in underlying and actual terms. The main factors behind the high underlying increase are

(i) the weakness of debt sales, particularly in banking September which finished on last Wednesday. Virtually no gilts were sold to the non-bank public, after allowing for redemptions;

(ii) the continued strength of bank lending, particularly to persons.

While in underlying terms, the size of the CGBR is not out of line with our forecasts, the pattern of the recovery from the strike produces the very large recorded borrowing requirements and exacerbates an already poor underlying position. We are considering how best to present this problem in public.

*Yours ever,
Peter*

P S JENKINS
Private Secretary