

S E C R E T

(until 12.30pm 15 November)

POINTS FOR PRIME MINISTER'S QUESTIONS

The Government is determined to counter inflation by doing whatever is necessary to control the money supply.

It is clear that the rate of monetary expansion, and in particular private sector demand for short term credit, remains excessive although the money and banking figures for the single month of October exaggerate the underlying trend.

In recent weeks market rates of interest have risen by about 2%. A further rise is required at the present time to achieve slower monetary growth. Minimum Lending Rate has accordingly been raised to 17%.

The Supplementary Special Deposit scheme has been continued for a further 6 months. Tighter or additional direct controls would merely distort the system, and not affect underlying monetary conditions. There is no substitute for getting right the fundamentals - public spending and borrowing and interest rates.

My r.h.f. the Chancellor of the Exchequer will be making a fuller statement later this afternoon.

The rise in UK interest rates has to be seen in relation to the rest of the world. United States' prime rates have risen by 4% since the summer.