


ACTION?



MR MIDDLETON

c Principal Private Secretary
 PS/Chief Secretary
 Mr Burns
 Mr Bridgeman
 Mr Unwin
 Mr Riley
 Mr Ridley
 Mr Cropper
 Mr Cardona

cc  Mr Britton 8/7
 Inadvisable
 Bm

GROWTH OF M1

The Financial Secretary has been struck by the fact that M1 has risen over the past year (May 1979 to May 1980) by only 3.2% - one of the smallest increases on record in recent years and equivalent to an unprecedented fall in real terms.

By contrast, over the two preceding years - May 1977 to May 1979 - M1 rose at an annual rate of 18.6%, which he believes to be the highest rate ever recorded.

He would be interested in your assessment of the significance of this. He is, of course, aware that M1 rose particularly slowly in 1972, when M3 was rising very rapidly indeed; but he suspects that there were special (ie post-Competition and Credit Control) factors at work then which do not apply to the 1979-80 experience.

SAIL

S A J LOCKE

4 July 1980