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DATE: 3 June 1982

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VERSAILLES ECONOMIC SUMMIT: UP-DATE ON SUMMIT ECONOMIES

I attach a note which brings together information on Summit countries which has become available since our brief on the World Economy was finalised ten days ago. The information is therefore additional to that in PMVS (82)3 Revised.

I also attach our latest note on World Economic Developments and a set of economic statistics on Summit countries.

R. R. Garside

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VERSAILLES ECONOMIC SUMMIT: RECENT DEVELOPMENTS IN SUMMIT ECONOMIES

General

No general recovery of output in summit countries is underway yet, but the rate of inflation continues to fall. The average increase of the CPI for the summit countries over the past three months (annualised) has been about 7 per cent compared to its 1980 peak of 12 per cent.

United States

President Reagan comes to Versailles under something of an economic cloud. GNP declined slightly in the first quarter, real interest rates - at about 8 per cent - are higher than at any time since the 1930s, unemployment continued to rise fast in April and M1 growth by mid-May was 7.7% up at/annual rate since November compared to the $2\frac{1}{2}$ - $5\frac{1}{2}$ per cent target for the whole of 1982.

Equally disturbing, after three months of negotiations and deliberation the Administration and Congress are still far from agreement on a budget for fiscal 1983, which begins on 1 October. Hopes of their reaching agreement have dimmed with the recent rejection by the House of Representatives of the budget plan for a \$116 billion deficit next year passed by the Republican-dominated Senate, and all other proposals before it. Meanwhile forecasts, both by the Administration and others, of federal deficits in years to come grow larger. Fundamental political differences over desirable levels of social spending and defence are reasserting themselves.

The good news is: that the inflation rate over the past 6 months to April - when annualised - has been only 2.8 per cent. (It may well move up a little from this); that some banks lowered their prime rates $\frac{1}{2}$ per cent to 16 per cent last week, and that in April the index of leading indicators moved up for the first time in 12 months. This last development needs to be treated with caution until one sees whether the new direction is confirmed over the next two months.

Uncertainty continues about the Fed's conduct of monetary policy with some analysts claiming the Fed. has been easing credit recently.

This would be in line with calls now issuing from some Congressmen for easing monetary policy. In contrast to its position some months ago, the Administration however is giving no support to such an easement. Indeed Lawrence Kudlow, Chief Economist at the Office of Management and Budget, recently said: "We don't want to loosen the spigots at this point".

Three-month money market rates have eased down by one percentage point since the early spring to about $13\frac{1}{4}$ per cent, but longer term rates edged higher last week as the supply of corporate bond issues coming to the market grew rapidly.

Federal Republic of Germany

The economic news from Germany is rather better than that from America. Revised figures, just published, show that industrial production rose at an annual rate of 3 per cent (seasonally adjusted) in the first quarter. Unemployment has stopped rising. Inflation has continued to abate (to 5 per cent in April). Wage settlements are generally at or below the 4.2 per cent set by the engineering industry. There is little or no industrial unrest actual or foreseen.

In May the authorities felt able to abolish the special Lombard rate, recently $9\frac{1}{2}$ per cent, at which the Bundesbank lends to commercial banks, and the nominal Lombard rate, 9 per cent, is once more in effect. Central Bank Money is just above the 7 per cent upper margin of the current target band.

It remains to be seen whether the making of the 1983 Budget will be less of a trial than "Operation 82". Certainly it will not be easy. Difficulties to come were foreshadowed by the blocking by the CDU (by use of its strength in the Upper House of Parliament) of the 1 per cent increase in VAT intended to finance the government's employment package, while letting the rest of the package go through. Consequently in his maiden speech to the Bundestag as Minister of Finance, Lahnstein declared that the conditions for the income tax concessions promised for 1984 had "fallen away". Indeed he has warned that revenue will have to be increased. Even assuming further transfer to the Finance Ministry coffers of Bundesbank profits, an extra DM 5-7 billion of revenue will be required in 1983

to keep the deficit to its presently expected level of DM 30 billion. Left-wing resolutions passed by the SPD congress in April intensify the political strains within the party itself and with the FDP coalition partner.

France

Signs of crisis in economic policy-making are accumulating, and as they shape their tactics for the Summit the French may remember the use Chancellor Schmidt made of the Ottawa Summit in his own budget-making last year. M. Mauroy and ministerial colleagues have spoken of the need for "rigour and realism", for "a change of speed", and for facing up to a long haul. M. Delors has been preaching the need for belt tightening to bring down increases in wages, health expenditure and social transfers. The government can count on a remarkable degree of realism and understanding from M. Maire, the leader of the CFDT, the Socialist trade union confederation, but the Communist Party and the Communist-controlled trade union confederation, the CGT, are ruling out "austerity" and opposing wage controls. President Mitterrand has confined himself so far to an affirmation that the main outlines of policy will not change.

The franc is under renewed pressure. It is almost at its floor-rate against the mark, and speculation both over a new devaluation and its eventual withdrawal from the EMS is gaining ground. President Mitterrand has told American journalists that he does not rule out either.

A supplementary budget announced in May increased the basic rate of VAT by 1% but lowered VAT on basic foods and reduced local company tax. The increased revenue is to be spent on a major investment programme by newly nationalised industries.

Japan

Exports picked up in April after the pause round the turn of the year and the current balance moved to a \$1 billion surplus. The low level of output at the end of 1981 and start of 1982 has led to an expected ten per cent shortfall of revenue as compared with budget estimates, producing a government deficit considerably larger

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than intended. To counteract the economic slowdown, the government brought forward a modest amount of public works expenditure originally planned for later this year. Interest rates have recently risen a little as the deficit has grown. The yen, however, remains weak (Y244 to \$1 at 2 June).

The Keidanren (Federation of Economic Organisations) says that the government should resign itself to low growth for at least the next few years and concentrate on cutting public expenditure to match the lower levels of revenue. On the other hand the Economic Planning Agency under Mr Toshio Komoto, with whom the Chancellor had a meeting at OECD, says the government should borrow more and spend more.

The package of measures relating to import tariffs and quotas announced at the end of May has been received without great enthusiasm by Japan's trading partners.

Italy

The Italian government has at last succeeded in obtaining parliamentary legislation of the core of its 1982 budget, but Signor Spadolini has lost his fight to hold the PSBR to 50 trillion lire, and the government estimates the PSBR will be at least 60 trillion.

The Italian employers' association has announced its intention of withdrawing from the country's wage indexation agreement with effect from next January. Strikes and demonstrations have erupted on a large scale in protest against the decision. Wage negotiations due to be held this year on three-year contracts for 10 million workers have not yet begun in earnest; they will now take place in a highly charged atmosphere.

RECENT DEVELOPMENTS

Output and unemployment

Although there are no clear signs of a general recovery in the major industrial countries, real GNP is estimated to have risen in Germany in the first quarter. In the US, where output fell 1% in the first quarter, prospects may have brightened slightly with the news that the index of leading indicators rose in April for the first time in a year. Industrial production in the first quarter rose in Germany and Italy but fell in the USA, Canada and France; the growth of output in Japan halted, at least temporarily.

2. Seasonally adjusted unemployment now averages around 8% of the labour force in the major 7 industrial countries; it is now rising strongly in North America but more slowly in Europe. Japanese unemployment edged up slightly in March but still remains at only 2.3% of the labour force (1.3 million people).

Prices

3. Helped at least temporarily by the fall in US interest rates late last year and the fall in oil prices earlier this year consumer prices in the major 7 have rise at an annual rate of 6% in the latest period, while the year on year rate remains around 8%. The rate of increase in earnings in France (16%) and Canada (13 $\frac{1}{2}$ %) is high and rising. Elsewhere it is falling. A fall in food prices pushed commodity prices in SDR terms down 1 $\frac{1}{2}$ % in the first three weeks of May. Spot crude oil prices have fluctuated recently but the overall trend has been upwards; they have reached levels at, or not far short of, OPEC term prices. OPEC's shared reductions in output have been an important factor.

Financial

4. Half way through the year, US monetary growth is significantly above the targetted 2 $\frac{1}{2}$ -5 $\frac{1}{2}$ % annual increase: by mid-May M1 was an annualised 7.7% above the November base. Germany's Central Bank Money outstripped its 7% target growth in the five months to April.

5. Some US banks lowered prime interest rates $\frac{1}{2}\%$ in mid-May but money market rates began to harden towards the end of the month following Congress's failure to agree a budget resolution. The earlier downward trend in the dollar was reversed. Simultaneously markets were also disturbed by speculation in Bonn and Paris over the possible withdrawal of the French franc from the EMS - fuelled in part by remarks made by President Mitterand to American journalists.

6. The improvement in current balances in Japan and Germany was halted in the first quarter with a reduction in the Japanese surplus and Germany returning to deficit. Japan, however, returned to strong surplus in April. The US was in strong surplus (\$3.8 bn in Q1) but Italy and France remained in deficit (the latter showing signs of worsening).

POLICY DEVELOPMENTS

7. United States: Budget-making has been stymied by the House of Representatives' rejection of draft budget proposals which would produce a deficit of \$116 billion ($3\frac{1}{2}\%$ of GDP) for fiscal 1983, beginning on October 1. The Fed appears to have eased credit conditions in recent weeks - possibly in the aftermath of the Braniff and Drysdale collapses - but has countered Administration concern about too rapid M1 growth by claiming that the recent bulges are likely to be temporary.

8. Germany: The expenditure side of February's Joint Initiative' to stimulate investment and employment passed into law but the 1% increase in VAT from July 1983 that was to finance it has been rejected. The new Finance Minister, Herr Lahnstein, has said that on 16 June the Cabinet will decide on the 1982 Supplementary Budget and the draft 1983 Budget, both of which will be presented to Parliament in early July. Although this year's Federal deficit will probably exceed the planned DM 26.8 billion Schmidt and Lahnstein seem determined it should not exceed DM 30 billion. The general easing of credit conditions was symbolised in the replacement of the Special Lombard (official lending) rate by the normal Lombard system on 6 May.

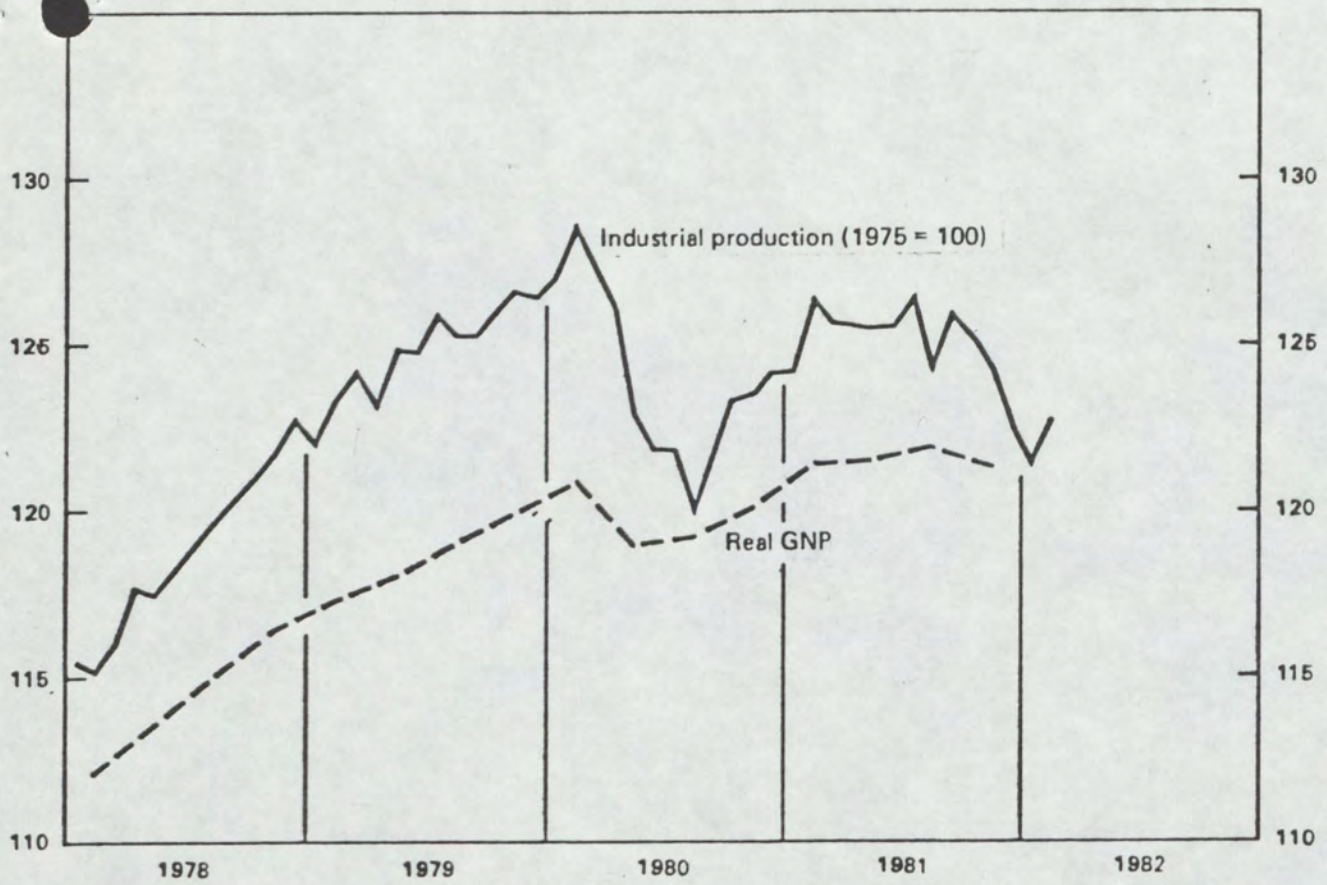
9. France A supplementary budget is passing into law. This raises the basic rate of VAT by 1% to 18.6% but lowers VAT on certain basic foods and reduces local company tax. The measures were announced as part of a fiscally balanced economic package by the Council of Ministers on 12 May in which the revenue gain from the VAT increase would be spent by the newly nationalised industries in a major investment programme to which the newly nationalised banks have also been directed to contribute. More important changes in economic policy have been foreshadowed in public statements by the Prime Minister and several of his colleagues calling for "rigour and realism" in the face of economic difficulties. Views long associated with M Delors are gaining ground.

10. Netherlands: The Labour party has withdrawn from the governing coalition and a new minority government was sworn in on May 29, consisting of Mr Van Agt's Christian Democrats and the Democrat 66 party. The government will rely on passive support from the Liberals (conservatives) to enable it to make controversial cuts in planned public expenditure, in the hope of winning a probable general election on September 8.

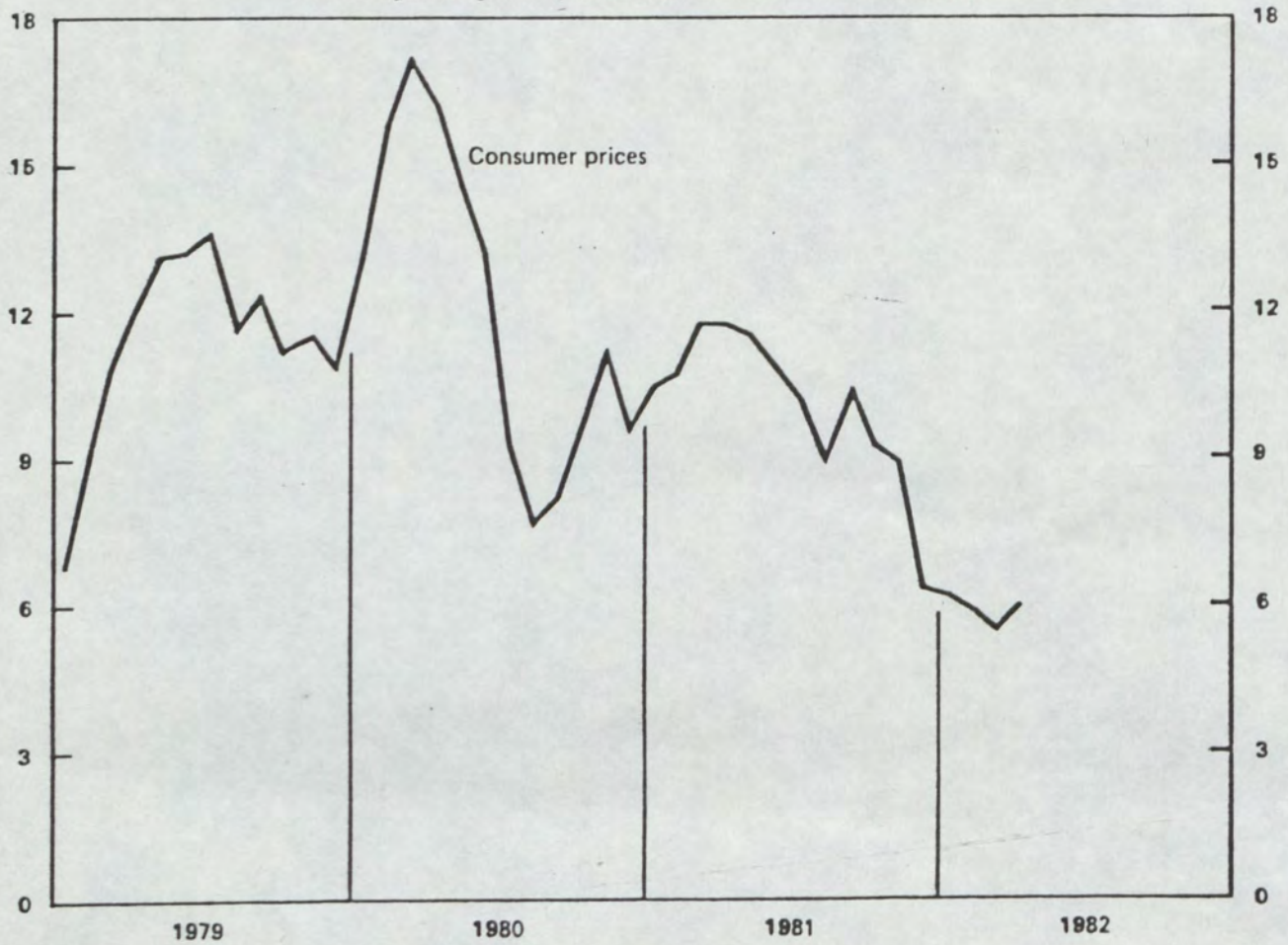
11. Italy: The core of the 1982 Budget was passed at the end of April but Sig Spadolini has probably failed to keep the PSBR to the Finance Bill's figure of 50 trillion lire, and an adjustment budget will be necessary later this year. The latest (government) estimate of the PSBR is 60 trillion lire (13% of GDP).

12. Japan: Lower than planned revenue growth has augmented the likely central government deficit for 1982; this was caused by the halt in the domestic economy's growth earlier this year and has prompted the government to a modest acceleration of public works programmes. To head off criticism at Versailles a package of tariff abolitions, cuts and increased import quotas was announced at the end of May.

Major 7 OECD Countries
1975 = 100

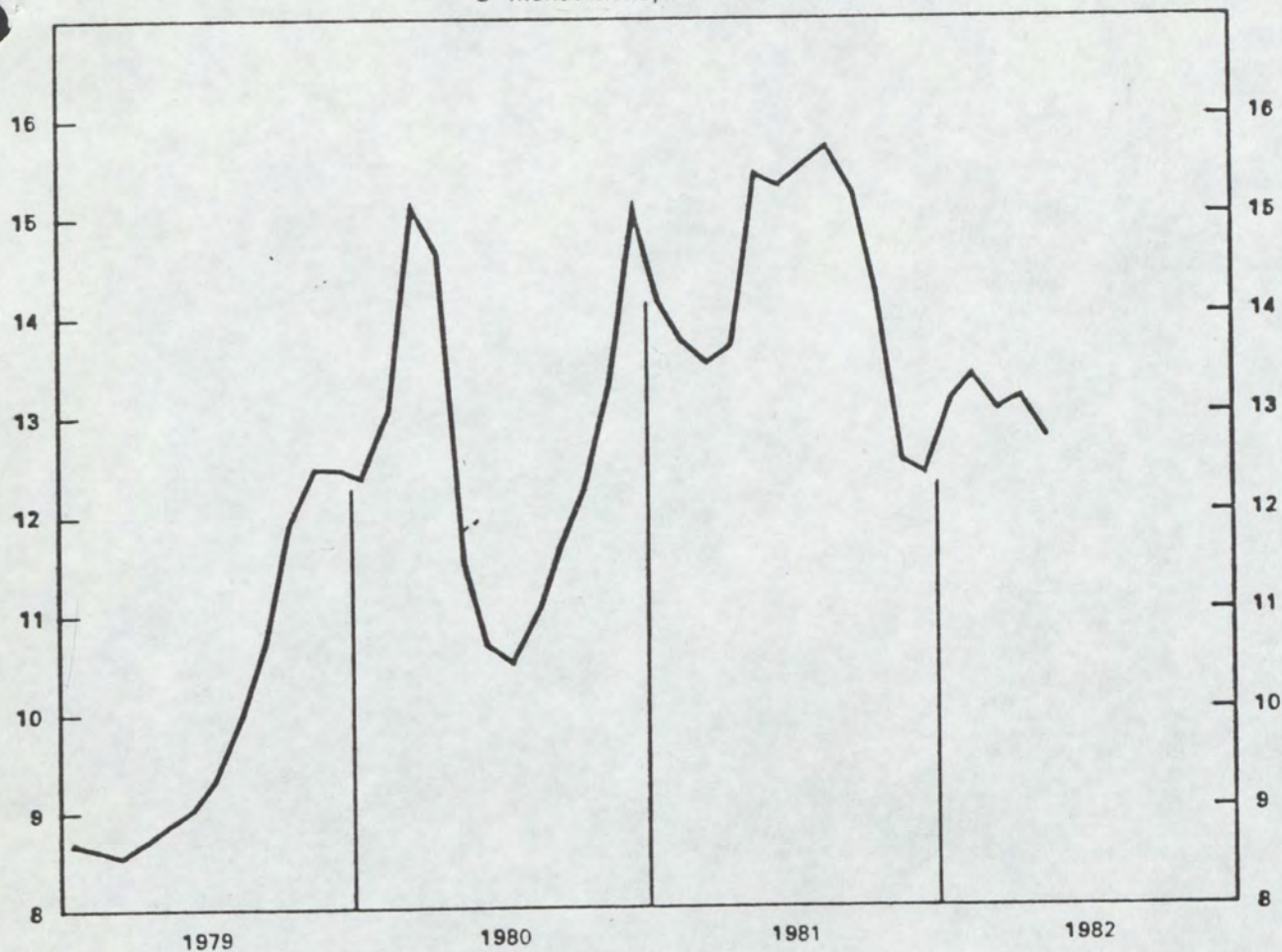


Percentage change over previous three months at an annual rate

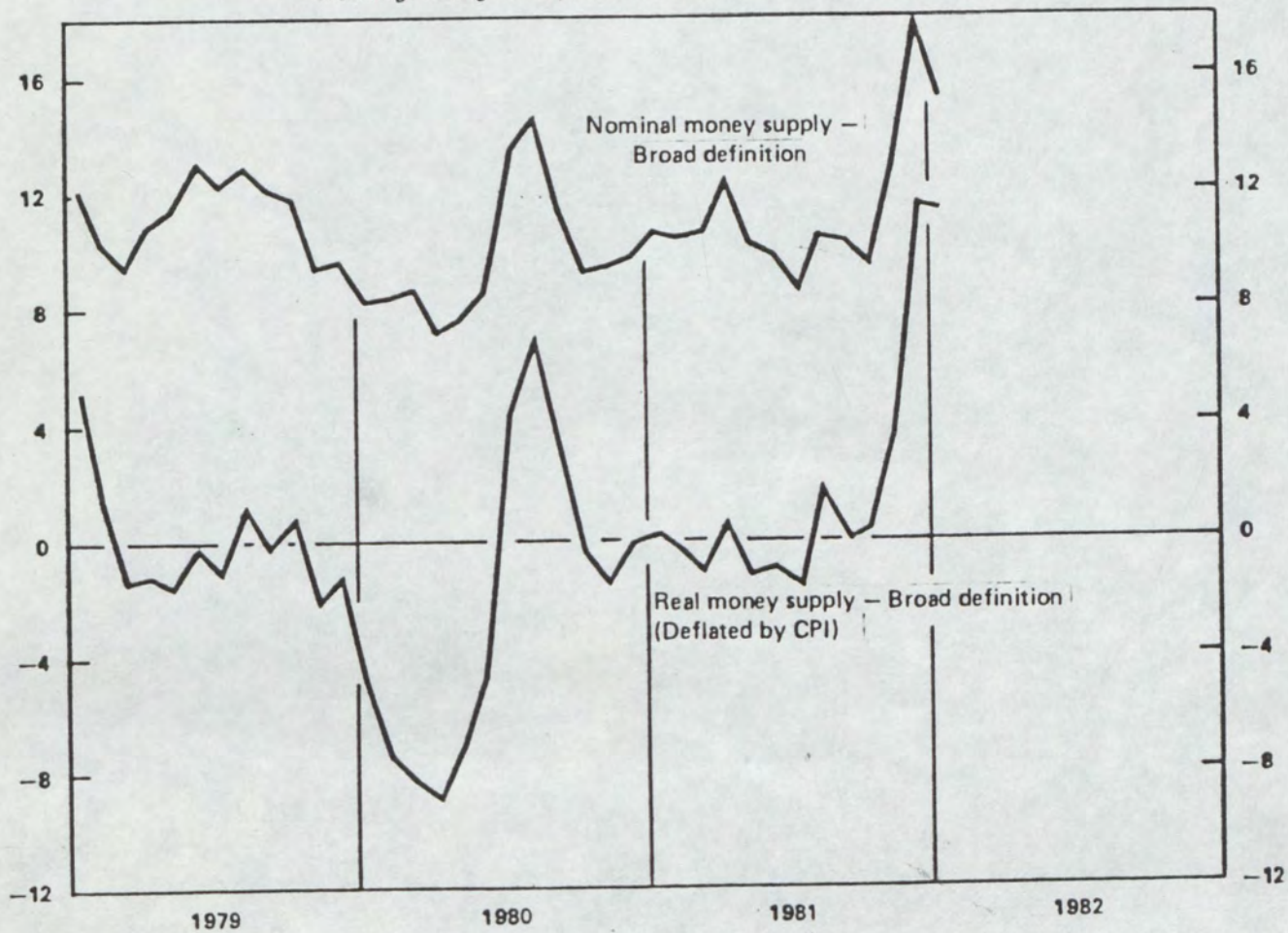


Major 7 OECD Countries

3-month money market rates



Percentage change over previous three months at an annual rate



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SHORT-TERM INTEREST RATES

| ROSH Weights | 1981 | | | | 1982 | | | Latest available 31 May | | | |
|-----------------|------|------|------|-------|-------|-------|-------|-------------------------------|-------|-------|-------|
| | 1980 | 1981 | I | II | III | IV | I | | April | May | |
| Canada | .021 | 13.1 | 18.3 | 17.08 | 18.45 | 20.63 | 16.99 | 15.26 | 15.75 | 15.36 | 15.65 |
| US | .345 | 13.1 | 15.8 | 15.81 | 16.76 | 17.34 | 13.22 | 14.32 | 14.34 | 13.39 | 13.25 |
| Japan | .191 | 10.9 | 7.4 | 8.24 | 7.15 | 7.22 | 6.98 | 6.41 | 6.55 | 6.8 | 7.09 |
| Germany | .197 | 9.5 | 12.1 | 11.37 | 13.14 | 12.76 | 11.19 | 10.18 | 9.34 | 9.14 | 9.15 |
| France | .145 | 12.2 | 15.0 | 11.99 | 16.36 | 17.71 | 15.88 | 15.15 | 16.42 | 16.34 | 16.25 |
| Italy | .101 | 17.6 | 20.2 | 18.01 | 20.30 | 21.19 | 21.23 | 21.33 | 20.84 | 20.88 | 20.88 |
| Major 6 | | 12.3 | 13.8 | 13.2 | 14.5 | 15.0 | 12.9 | 12.84 | 12.85 | 12.52 | 12.52 |
| UK | | 16.7 | 13.9 | 13.35 | 12.48 | 14.33 | 15.63 | 14.42 | 13.81 | 13.44 | 13.44 |

The pattern of short term interest rates developments continues to be shaped predominantly by events in the US (viz the perceived inconsistency between monetary and fiscal policies). Significantly, Japan did not follow most Europeans last year in 'locking in' its rates to those in the US. Recent figures for 1982 show some modest attempts at 'decoupling' in Germany and the UK with some upward movement in Japan.

REAL GROSS NATIONAL PRODUCT

(percentage changes)

| | 1980 GNP Weights | 1980 | 1981 | 1981* | | | | 1982* | OECD Forecast 1982 on 1981 (December Outlook) |
|---------|---------------------|------|------|-------|------|------|------|-------|---|
| | | | | I | II | III | IV | I | |
| Canada | .04 | 0.0 | 3.0 | 3.9 | 5.8 | -3.4 | -2.1 | | 1 |
| US | .42 | -0.2 | 2.0 | 8.6 | -1.6 | 1.4 | -4.5 | -3.9 | ‡ |
| Japan | .17 | 4.2 | 2.9 | 3.0 | 4.8 | 3.0 | -3.5 | | 3‡ |
| Germany | .13 | 1.7 | -0.2 | 1.1 | -1.2 | 3.8 | -1.2 | | 1‡ |
| France | .10 | 1.1 | 0.5 | -1.6 | 5.1 | 0.3 | 5.2 | | 2‡ |
| Italy | .06 | 3.9 | -0.2 | 3.3 | -4.1 | -6.6 | 10.6 | | 1 |
| MAJOR 6 | .92 | 1.3 | 1.6 | 4.8 | 0.5 | 1.2 | -1.7 | | 1 |
| UK | .08 | -2.4 | -2.8 | -2.3 | -1.1 | 1.5 | 1.5 | | ‡ |
| MAJOR 7 | 1.0 | 1.0 | 1.2 | 4.2 | 0.4 | 1.2 | -1.4 | | 1 |

* On previous quarter at annual rate

The recovery in activity since mid-1981 has been hesitant and uneven. A sharp drop in export volume was mainly responsible for the fall in Japan's 1981 Q4 GNP. Activity early in 1982 remains especially weak in the US, Canada. In Europe growth in Germany may have picked up in 1982 Q1 (industrial output grew substantially), whilst growth in France may have slackened.

CONSUMER PRICES(percentage changes)

| | 1980 Consumers Expenditure Weights | <u>1981</u> | | | | | | <u>1982</u> | | | | | Latest month on same month in 1981 |
|---------|---|-------------|-------------|----------|-----------|------------|-----------|-------------|------------|------------|------------|--------------|---|
| | | <u>1980</u> | <u>1981</u> | <u>I</u> | <u>II</u> | <u>III</u> | <u>IV</u> | <u>I</u> | <u>Jan</u> | <u>Feb</u> | <u>Mar</u> | <u>April</u> | |
| | | Canada | 3.70 | 10.1 | 12.4 | 12.7 | 13.3 | 12.7 | 11.3 | 10.4 | 9.2 | 10.4 | |
| USA | 43.58 | 8.5 | 10.4 | 10.7 | 10.3 | 10.8 | 8.8 | 4.7 | 6.0 | 5.1 | 2.7 | 3.3 | 6.6 |
| Japan | 15.82 | 8.0 | 4.9 | 4.2 | 5.2 | 3.8 | 2.8 | 2.2 | 2.8 | 3.5 | 0.6 | 2.1 | 3.0 |
| Germany | 11.74 | 5.5 | 5.9 | 6.1 | 8.1 | 6.1 | 5.0 | 5.4 | 5.8 | 5.4 | 4.8 | 5.1 | 5.0 |
| France | 10.73 | 13.3 | 13.4 | 12.0 | 13.1 | 15.3 | 15.1 | 12.7 | 13.0 | 12.5 | 12.6 | 12.4 | 14.1 |
| Italy | 6.32 | 21.2 | 19.3 | 22.9 | 20.3 | 15.2 | 16.2 | 18.1 | 17.5 | 19.1 | 17.8 | 15.4 | 15.6 |
| MAJOR 6 | 91.89 | 9.5 | 9.9 | 10.1 | 10.3 | 9.9 | 8.7 | 6.4 | 7.2 | 7.0 | 5.2 | 5.5 | 7.4 |
| UK | 8.12 | 18.0 | 11.9 | 8.7 | 15.2 | 13.8 | 8.6 | 8.5 | 9.3 | 7.8 | 8.4 | 10.8 | 9.4 |
| MAJOR 7 | 100.0 | 10.2 | 10.1 | 10.0 | 10.7 | 10.3 | 8.7 | 6.6 | 7.4 | 7.1 | 5.5 | 5.9 | 7.6 |

*Over previous six months at annual rate

Inflation has slackened markedly since mid 1981. The sharpest improvement has occurred in the US where weakening demand, wage moderation and weak commodity prices have been complemented by the strength of the dollar. In Europe - with depreciating exchange rates - the improvement has been rather less marked.

EFFECTIVE EXCHANGE RATES1975 = 100

| | 1980 | 1981 | 1981 | | | | 1982 | | | Latest available June 1 |
|---------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------------------|
| | | | QI | QII | QIII | QIV | Q1 | April | May | |
| Canada | 84.5 | 86.9 | 84.7 | 86.9 | 87.9 | 88.2 | 88.4 | 88.4 | 86.9 | 86.7 |
| US | 93.9 | 105.7 | 98.6 | 105.5 | 111.2 | 107.4 | 111.7 | 115.4 | 112.9 | 115.4 |
| Japan | 126.5 | 142.9 | 146.7 | 143.1 | 140.3 | 141.7 | 139.3 | 135.7 | 137.7 | 135.4 |
| Germany | 128.8 | 119.3 | 111.9 | 118.2 | 116.5 | 122.5 | 121.8 | 123.5 | 125.2 | 124.1 |
| France | 94.4 | 84.4 | 88.0 | 84.5 | 82.8 | 82.1 | 80.0 | 78.8 | 80.0 | 79.4 |
| Italy | 67.2 | 58.3 | 61.6 | 58.3 | 57.2 | 55.9 | 55.0 | 54.1 | 54.3 | 54.2 |
| UK | 96.1 | 94.9 | 101.8 | 97.8 | 90.5 | 89.7 | 91.1 | 90.0 | 89.9 | 90.5 |

After some fall in 1981 Q4 the dollar had resumed its climb in 1982 on the back of increasing interest rate differentials. The Yen fell early this year but has firmed more recently, partly reflecting higher domestic interest rates. The strength of the Deutschmark so far this year probably owes much to favourable developments in fundamental factors (unit labour costs, current balances) since the authorities have sought to reduce interest rates.

UNEMPLOYMENT

(Percentage rates, seasonally adjusted)

(Annual figures - OECD definition; quarterly/monthly figures - national definition)

| | 1980 Labour Force Weights | 1981 | 1981 | | | | 1982 | | OECD forecast-1982 (December outlook) |
|---------|------------------------------------|------|------|------|------|------|------|-------|--|
| | | | QI | QII | QIII | QIV | Q1 | April | |
| Canada | 4.23 | 7.5 | 7.3 | 7.2 | 7.6 | 8.4 | 8.6 | | 8½ |
| USA | 38.99 | 7.4 | 7.4 | 7.4 | 7.4 | 8.4 | 8.8 | 9.4 | 9 |
| Japan | 20.62 | 2.2 | 2.2 | 2.3 | 2.2 | 2.2 | 2.2 | 2.2 | 2½ |
| Germany | 9.74 | 4.3 | 4.7 | 5.3 | 5.9 | 6.6 | 7.3 | 7.5 | 6 |
| France | 8.47 | 7.6 | 8.6 | 9.2 | 9.6 | 10.1 | 10.4 | 10.6 | 8½ |
| Italy | 8.32 | 8.3 | 8.7 | 8.4 | 8.8 | 9.6 | 10.4 | | 9 |
| MAJOR 6 | 90.37 | 6.0 | | | | | | | 7 |
| UK | 9.63 | 11.2 | 9.6 | 10.4 | 11.1 | 11.5 | 11.8 | 11.9 | 12 |
| MAJOR 7 | 100.0 | 6.5 | | | | | | | 7½ |

*Not seasonally adjusted

Unemployment rates have continued to rise into 1982 (with the notable exception of Japan). The sharpest rises have occurred in the US and Germany (in the latter case prompting a limited package of measures to boost investment). Short term growth prospects do not promise much more than a moderation in the rate of increase in most countries during the rest of 1982.

CURRENT BALANCES

(\$ billion seasonally adjusted)

| | 1980 | 1981 | 1981 | | | | 1982 | | OECD forecast -year (December outlook) |
|---------|-------|-------|------|------|------|------|------|-------|--|
| | | | QI | QII | QIII | QIV | QI | April | |
| Canada | -1.6 | -5.4 | -1.2 | -1.6 | -2.1 | -0.5 | 0.1 | | -10½ |
| USA | 3.7 | 6.6 | 3.3 | 1.2 | 2.2 | -0.1 | 3.8 | | 3 |
| Japan | -10.8 | 4.7 | -0.8 | 1.9 | 2.5 | 1.1 | 0.9 | 1.0 | 17 |
| Germany | -16.3 | -7.8 | -4.5 | -2.6 | -2.2 | 1.5 | -1.8 | -0.7 | 1½ |
| France | -7.8 | -7.5 | -2.2 | -0.4 | -2.2 | -2.7 | -2.2 | -1.3 | -6½ |
| Italy | -9.8 | -8.0 | -4.5 | -2.0 | -0.6 | -0.9 | -3.1 | | -5 |
| MAJOR 6 | -42.7 | -17.4 | -9.9 | -3.5 | -2.4 | -1.6 | -2.5 | | -½ |
| UK | 7.2 | 16.2 | 6.8 | 4.2 | 2.4 | 2.8 | | | 2½ |
| MAJOR 7 | -35.2 | -1.2 | -3.1 | 0.7 | 0 | 1.2 | | | 1½ |

In 1981 the major economies sharply reduced their combined deficit (as OPEC's current account surplus deteriorated); Japan swung into a strong surplus, Germany halved its deficit and the US doubled its surplus. Japan moved back into strong surplus in April after the fairly modest surpluses around the turn of the year. In Europe the slowly emerging surplus in Germany contrasts continued weakness in France and Italy.

NARROW MONEY SUPPLY

(Percentage changes seasonally adjusted - end period)

| | | 1980 | 1981 | 1981* | | | | 1982* | | | | |
|--------------------|-----|------|------|-------|------|-------|------|-------|------|------|------|-------|
| | | | | QI | QII | QIII | QIV | QI | Jan | Feb | Mar | April |
| Canada | M1 | 10.7 | -0.1 | 6.2 | -4.6 | -10.6 | 10.2 | -4.0 | 25.3 | 26.2 | -4.0 | |
| USA | M1 | 6.6 | 6.4 | 9.9 | 3.8 | 2.6 | 9.3 | 6.8 | 15.3 | 10.4 | 6.8 | 0.8 |
| Japan | M1 | -1.5 | 10.1 | 5.3 | 15.3 | 7.9 | 11.3 | | -5.3 | -4.9 | | |
| Germany | CBM | 5.3 | 3.0 | 4.1 | 4.0 | 3.8 | 0.2 | 8.8 | 3.0 | 8.1 | 8.8 | 9.6 |
| France | M1 | 6.8 | 14.9 | 10.6 | 18.6 | 27.4 | 4.2 | | | | | |
| Italy ⁺ | M1 | 13.4 | 9.9 | -11.4 | 2.5 | -5.0 | 69.2 | | 46.8 | | | |
| MAJOR 6 | | 5.6 | 7.5 | 6.8 | 7.1 | 5.4 | 11.8 | | | | | |
| UK | M1 | 4.0 | 9.1 | 15.8 | 14.8 | 5.1 | 1.4 | 2.7 | | 6.1 | 2.7 | |
| MAJOR 7 | | 5.5 | 7.6 | 7.5 | 7.7 | 5.4 | 11.0 | | | | | |

*percentage change on three months earlier at annual rate.

⁺not seasonally adjusted

Growth has been erratic but an expansionary trend can be detected in this year's figures for most countries (especially the USA, with annualised growth above the Fed's 2½-5½ target range for the period since last November). This may in some cases reflect increased transactions demand as activity hesitantly recovers.

BROAD MONEY SUPPLY

(Percentage changes seasonally adjusted - end period)

| | | 1980 | 1981 | 1981* | | | | 1982* | | | |
|--------------------|-----|------|------|-------|------|------|------|-------|------|------|------|
| | | | | QI | QII | QIII | QIV | Q1 | Jan | Feb | Mar |
| Canada | M3 | 10.6 | 20.0 | 13.5 | 6.5 | 27.6 | 34.2 | 11.1 | 28.3 | 17.2 | 11.1 |
| USA | M2 | 9.0 | 10.0 | 11.3 | 9.7 | 8.9 | 10.3 | 9.6 | 12.0 | 8.6 | 9.6 |
| Japan | M2 | 7.8 | 10.5 | 8.9 | 10.1 | 12.7 | 10.3 | | 8.3 | 9.1 | |
| Germany | M3 | 6.3 | 4.8 | 4.5 | 9.4 | 4.5 | 1.0 | | 9.3 | 10.0 | |
| France | M2 | 9.7 | 11.5 | 16.5 | 17.0 | 10.2 | 2.8 | | | | |
| Italy ⁺ | M2 | 12.7 | 9.8 | -7.8 | -0.7 | -1.6 | 61.6 | | 42.0 | | |
| MAJOR 6 | | 8.8 | 9.9 | 9.3 | 9.7 | 9.3 | 12.6 | | | | |
| UK | EM3 | 19.1 | 13.4 | 6.8 | 18.6 | 19.2 | 9.5 | 7.2 | | 7.1 | 7.2 |
| MAJOR 7 | | 9.6 | 10.2 | 9.1 | 10.4 | 10.1 | 12.1 | | | | |

*percentage change on three months earlier at annual rate.

⁺not seasonally adjusted

In spite of higher interest rates broad money growth was generally greater in 1981 (end year on end year) than in 1980. Towards the end of 1981 growth was abruptly checked in Germany, France and the UK, however. So far this year positive real money growth appears to have continued (especially in the US, Germany and Japan).