

PRIME MINISTER

POSTSCRIPT TO ROBIN BUTLER'S MINUTE OF 10 SEPTEMBER RECORDING
THE GOVERNOR'S REPORT ON THE FINANCIAL SCENE

First, the Governor has had a call from Volcker to the effect that Volcker has had a message that the Mexicans propose to proceed to negotiations with the IMF as quickly as possible. This message needs to be validated but suggests that the Mexicans are moving more quickly and seriously to negotiations with the IMF than previously expected.

Second, the Bolivians have said that the delay on the \$10 million payment reported earlier is due to technical problems and they expect to complete within 20 days or so.

Third, US money supply is up \$1.1 billion this week, again at the top end of the expected range but not outside it.

F.E.R.B.

10 September 1982

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1. Mr. Schular - to see 2
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PRIME MINISTER

INTERNATIONAL FINANCIAL DEVELOPMENTS

The Governor telephoned with a report on developments today.

On the Argentine, we are still on track for the removal of restrictions at the beginning of next week, provided that this is not counter-manded over the weekend. There was a small flurry because de la Rosiere let it be known that the Argentines would be having discussions with the Fund, and there was anxiety that this might upset members of the Junta. and provoke them into intervening.

On Mexico, there was no trouble in the short-term money market in New York on Thursday. The last report from Herzog's people before they returned to Mexico suggested that they were hoping not to bring matters to a head. There is a current rumour that the Mexican Finance Ministry are going to make a statement later today, but this may only be a rumour and the statement may not contain anything significant: I have arranged with the Governor to let me know if it does.

A new trouble spot is Bolivia which has informed the banks involved in a \$10 million loan that it is seeking a re-scheduling. The amounts here are not large - about \$400 million, ^{in total} of which the Bank of America is in for about one-third.

In general, the Governor said that the mood in the market both in New York and here was jumpy, although sterling was stable and gold was down to just over \$450.

The troubles of Denmark were being much discussed, but they were holding on to the bottom of the EMS range, having let their interest rate on call money go as high as 28 per cent today. As an example of the jumpiness of the market, the Governor said there had been a rumour on Wall Street that a big German Bank was in

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trouble: This rumour appeared to have arisen because a loss reported by Deutsche BP - a German subsidiary of BP - had been mistakenly interpreted as a write-off by Deutsche Bank.

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