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FROM: P N SEDGWICK  
DATE: 13 APRIL 1984

SIR TERRY BURNS

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Mr George )  
Mr Coleby ) Bank  
Mr Goodhart ) of  
Mr Plenderleith ) England  
Mr W A Allen )  
Mr Foot )

Professor A Walters No. 10

INTERPRETATION OF MONETARY CONDITIONS : APRIL

... I attach the note for this month which reflects the discussion at your meeting yesterday.

P.N.]  
P N SEDGWICK

## INTERPRETATION OF MONETARY CONDITIONS

## (1) INTRODUCTION AND SUMMARY

The six month growth rates of the broader monetary aggregates have risen in recent months. PSL2 continues to grow some 2 per cent faster than £M3 as building societies have attracted further large inflows, (although there is some evidence that the pace of building society inflows may have slowed in March). Retail deposits with banks have fallen in absolute terms over the last 6 months and banks have increased their reliance on wholesale deposits. To the extent that banks are losing share in the retail deposit market and are not fully replacing retail deposits with wholesale money, £M3 may be becoming a less adequate guide to broad liquidity than PSL2. Six month M0 growth has slowed, but the effects of recent interest rate falls may cause it to rise somewhat. The six month growth of M2 is now very close to that of PSL2. The M2 data continue to be revised.

2. With the decline in short term sterling interest rates and a rise in US rates there is now a two per cent differential between UK domestic and euro-dollar three month interest rates. Sterling's exchange rate has weakened against the dollar and in effective terms which may reflect the widening interest differential. Some appreciation in sterling against the dollar is now implicit in current interest rate differentials. If these expectations are not realised there could be some pressure on UK short term interest rates. UK long rates have not followed the most recent downward movement in short rates and the yield gap has widened for the fourth successive month. Indexed gilt yields have remained at very high levels. Real interest rates may also be dominated by international developments. House price inflation has edged up a little, but is still lower than the average for the last quarter of 1983.

## (2) THE BEHAVIOUR OF THE MONETARY AGGREGATES

3. Table 1 and Charts I to V summarise the most recent information on the nominal monetary and financial aggregates as well as data for previous financial years. Charts I and II show the growth of narrow and broad money, Chart III shows the growth in weekly averaged M0 and Chart IV and V show £M3 (excluding public sector deposits) and PSL2. Table 1A shows the growth of the components of PSL2.

4. The six and twelve month growth rates of notes and coin in circulation (Table 1A) and weekly averaged M0 (Table 1) have slowed down which might reflect the effects of past interest rate falls in 1982 and 1983 on the demand for these aggregates are now complete. However the impact of the latest decline in short rates, which have fallen about  $\frac{1}{2}$  per cent this year, may cause M0 to accelerate a little. The six month growth in non interest bearing sight deposits and nib M1 rose sharply in March, but these series are erratic. Their growth rates over twelve months have continued at the slower pace of recent months.\* Interest bearing M1 continued to grow very rapidly (at 28 per cent in the year to March) and now accounts for 29 per cent of the stock of total M1. After slowing down in past months, M1 accelerated sharply. The back data for M2 continue to be revised and another building society reclassified three month accounts to under one month from 1 March boosting the six month growth of M2 to 13.1 per cent

5. The twelve month growth rate of the broad monetary aggregates have slowed in recent months and there has been some convergence in the six and twelve month growth rate of individual broad measures of sterling liquidity. The growth rate of PSL2 is some 2 $\frac{1}{2}$ -3 per cent faster than £M3. The six month growth in the retail interest bearing component of £M3 has been negative for four successive months despite the recent introduction of a new interest bearing chequable account by Midland and more attractive withdrawal terms on an existing interest bearing chequable account. As the table below shows the share of retail deposits in total

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\*The mean lag from interest rates to nib sight deposits is estimated to be about 7 months, while the mean lag from M0 to interest rates is estimated at 11 months. The falls in interest rates in 1982 would have been unwound earlier on holdings of nib sight deposits than M0. These lags are shorter than the mean lag of 5 quarters on the M1 equation programmed on the model.

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TABLE 1: PERCENTAGE GROWTH RATES IN THE NOMINAL AND FINANCIAL AGGREGATES ♦

|  | Composite<br>monetary<br>indicator | Weekly<br>averaged<br>M0 | Non-<br>interest<br>bearing |      | M2♦♦ | EM3♦♦ | M3   | PSL2 |
|--|------------------------------------|--------------------------|-----------------------------|------|------|-------|------|------|
|  |                                    |                          | M1                          | M1   |      |       |      |      |
| (a) <u>Financial years</u> (12 month changes to banking April) |                                    |                          |                             |      |      |       |      |      |
| 1980-81  | 11.1                               | 6.8                      | 9.1                         | 12.4 |      | 20.6  | 22.3 | 14.8 |
| 1981-82  | 5.4                                | 2.0                      | -0.4                        | 3.7  |      | 12.0  | 15.3 | 10.8 |
| 1982-83  | 10.9                               | 6.1                      | 11.3                        | 14.9 |      | 11.1  | 13.6 | 15.0 |
| (b) <u>Changes in 4 quarters to</u> <sup>+</sup>               |                                    |                          |                             |      |      |       |      |      |
| 1982 (2)   | 6.0                                | 2.8                      | 1.2                         | 6.2  |      | 12.0  | 13.0 | 10.3 |
| (3)  | 6.3                                | 2.3                      | 3.9                         | 7.7  |      | 10.2  | 10.3 | 8.5  |
| (4)  | 8.9                                | 4.0                      | 8.8                         | 11.5 | 6.6  | 9.6   | 11.3 | 8.7  |
| 1983 (1)   | 10.6                               | 5.3                      | 10.9                        | 13.3 | 7.7  | 10.1  | 13.3 | 10.3 |
| (2)  | 11.4                               | 6.4                      | 10.5                        | 15.9 | 9.2  | 11.2  | 12.8 | 12.0 |
| (3)  | 10.5                               | 6.5                      | 9.1                         | 12.4 | 7.5  | 9.7   | 11.5 | 12.0 |
| (4)  | 11.4                               | 6.5                      | 9.2                         | 12.4 | 9.4  | 10.9  | 12.6 | 12.9 |
| 1984 (1)   | 8.3                                | 5.7                      | 8.3                         | 13.3 | 10.2 | 9.8   | 11.8 | 12.0 |
| (c) <u>Changes in 12 months to</u>                             |                                    |                          |                             |      |      |       |      |      |
| 1983 April   | 10.9                               | 6.1                      | 11.3                        | 14.9 | 8.8  | 11.1  | 12.5 | 11.5 |
| May  | 11.3                               | 6.7                      | 11.5                        | 16.0 | 9.3  | 11.3  | 12.5 | 11.6 |
| June   | 11.1                               | 6.4                      | 10.5                        | 15.9 | 9.2  | 11.2  | 12.8 | 12.0 |
| July   | 11.4                               | 6.3                      | 10.7                        | 15.0 | 9.0  | 11.8  | 12.5 | 13.1 |
| August   | 10.7                               | 6.6                      | 10.3                        | 13.9 | 8.0  | 11.2  | 12.1 | 13.3 |
| September  | 9.9                                | 6.5                      | 9.1                         | 12.4 | 8.5  | 9.7   | 11.5 | 12.0 |
| October  | 9.9                                | 6.7                      | 9.4                         | 13.7 | 7.1  | 10.0  | 11.4 | 12.1 |
| November   | 9.9                                | 6.4                      | 8.2                         | 11.9 | 7.9  | 9.9   | 11.3 | 12.3 |
| December   | 9.9                                | 6.5                      | 9.2                         | 12.4 | 9.4  | 10.9  | 12.6 | 12.9 |
| 1984 January   | 9.7                                | 6.0                      | 9.0                         | 11.1 | 10.8 | 10.5  | 12.7 | 12.8 |
| February   | 8.6                                | 6.3                      | 8.1                         | 11.1 | 10.2 | 9.7   | 11.9 | 12.1 |
| March  | 8.3                                | 5.7                      | 8.3                         | 13.3 | 10.2 | 9.8   | 11.8 | 12.0 |
| (d) <u>Changes (at an annual rate) in 6 months to</u>          |                                    |                          |                             |      |      |       |      |      |
| 1983 April   | 12.1                               | 7.8                      | 10.1                        | 15.8 | 7.9  | 11.1  | 13.6 | 15.0 |
| May  | 12.1                               | 6.5                      | 7.7                         | 13.8 | 10.2 | 11.9  | 13.0 | 15.9 |
| June   | 13.5                               | 7.5                      | 8.0                         | 16.8 | 11.5 | 13.6  | 13.2 | 17.4 |
| July   | 14.7                               | 5.5                      | 13.2                        | 13.8 | 11.7 | 13.6  | 14.1 | 16.5 |
| August   | 11.4                               | 6.2                      | 10.5                        | 14.3 | 9.6  | 12.8  | 11.7 | 14.7 |
| September  | 8.7                                | 6.3                      | 8.3                         | 11.0 | 7.4  | 10.0  | 8.6  | 11.6 |
| October  | 7.7                                | 5.7                      | 8.6                         | 11.8 | 6.9  | 8.8   | 9.2  | 9.4  |
| November   | 7.7                                | 6.4                      | 8.7                         | 9.9  | 5.8  | 8.0   | 9.6  | 8.8  |
| December   | 6.4                                | 5.5                      | 10.5                        | 8.2  | 7.7  | 8.2   | 12.1 | 8.6  |
| 1984 January   | 4.9                                | 6.6                      | 4.9                         | 8.6  | 9.9  | 7.5   | 11.5 | 9.2  |
| February   | 5.8                                | 6.3                      | 5.9                         | 8.2  | 10.9 | 6.7   | 12.1 | 9.7  |
| March  | 7.9                                | 5.1                      | 8.4                         | 15.7 | 13.1 | 9.6   | 15.1 | 12.5 |

Footnotes are on the following page.

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- ◊ The growth rates are adjusted for the changeover to the new monetary sector. The October 1982 figures are greatly distorted by the over-subscription of the STC share issue. The figures shown here are the Bank of England/Treasury best estimates of what would have happened in the absence of the distortion.
- + The quarterly figures are for the final banking month of the quarter.
- ◊◊ M2 is partially seasonally adjusted by using a seasonally adjusted series for the NIBM1 component and adjusting retail time deposits for the seasonal effects of interest crediting. When proper seasonal adjustment of M2 is eventually possible its within year movements may differ from those shown.
- ++ Excluding public sector deposits.

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TABLE 1A: GROWTH OF COMPONENTS OF PSL2 (%)

|  | Notes<br>and coin<br>(i) | Non-interest<br>bearing sight<br>deposits with<br>banks<br>(ii) | Interest bearing<br>deposits with the<br>monetary sector |                                | All other<br>components<br>of PSL2<br>(v) | Total<br>£M3<br>(vi)=<br>(i)+(ii)<br>+(iii)+(iv) | Total<br>PSL2<br>(vii)=<br>(v)+(vi) |
|--|--------------------------|---|--|--------------------------------|---|--|-------------------------------------|
|  |                          |   | Retail <sup>§</sup><br>(iii)                             | Wholesale <sup>§</sup><br>(iv) |   |  |                                     |
| <b>(a) Financial years (12 month changes to banking April)</b> |                          |   |  |                                |   |  |                                     |
| 1980-81  | 6.2                      | 11.0  | -  | -                              | -   | 19.9   | 14.4                                |
| 1981-82  | 3.5                      | -2.9  | 5.1  | 17.6                           | 11.7                                      | 11.5   | 11.4                                |
| 1982-83  | 7.2                      | 14.0  | 5.9  | 14.6                           | 12.1                                      | 11.1   | 11.5                                |
| <b>(b) Changes in 4 quarters to</b>                            |                          |   |  |                                |   |  |                                     |
| 1982 (1)   | 4.7                      | 2.5   | -  | -                              | 9.2                                       | 13.2   | 11.7                                |
| (2)  | 3.4                      | -0.1  | -  | -                              | 7.5                                       | 12.0   | 10.3                                |
| (3)  | 3.5                      | 4.2   | -  | -                              | 6.4                                       | 10.3   | 8.5                                 |
| (4)  | 4.8                      | 11.4  | 3.0  | 18.5                           | 7.6                                       | 10.4   | 8.8                                 |
| 1983 (1)   | 6.3                      | 13.8  | 4.5  | 15.8                           | 10.6                                      | 10.2   | 10.2                                |
| (2)  | 7.7                      | 12.3  | 6.2  | 17.8                           | 13.1                                      | 11.7   | 11.7                                |
| (3)  | 7.2                      | 10.3  | 4.9  | 14.5                           | 15.5                                      | 9.6  | 11.7                                |
| (4)  | 6.7                      | 10.6  | 4.5  | 19.2                           | 16.6                                      | 10.8   | 11.8                                |
| <b>(c) Changes in 12 months to</b>                             |                          |   |  |                                |   |  |                                     |
| 1983 Apr   | 7.2                      | 14.0  | 5.9  | 14.6                           | 12.1                                      | 11.1   | 11.5                                |
| May  | 7.3                      | 14.2  | 6.8  | 16.6                           | 12.2                                      | 11.3   | 11.6                                |
| June   | 7.7                      | 12.3  | 7.3  | 14.4                           | 13.1                                      | 11.2   | 12.0                                |
| July   | 7.3                      | 12.9  | 6.4  | 16.1                           | 15.0                                      | 11.8   | 13.1                                |
| Aug  | 6.3                      | 12.8  | 6.9  | 15.5                           | 15.9                                      | 11.2   | 13.1                                |
| Sept   | 7.2                      | 10.3  | 6.8  | 13.6                           | 15.5                                      | 9.7  | 12.0                                |
| Oct  | 7.5                      | 10.5  | 6.2  | 18.1                           | 15.3                                      | 10.0   | 12.1                                |
| Nov  | 7.5                      | 8.6   | 6.0  | 15.3                           | 15.6                                      | 9.9  | 12.3                                |
| Dec  | 6.7                      | 10.6  | 4.6  | 18.7                           | 15.7                                      | 10.9   | 12.9                                |
| 1984 Jan   | 6.0                      | 10.8  | 3.1  | 18.9                           | 16.2                                      | 10.5   | 12.8                                |
| Feb  | 5.4                      | 9.7   | 1.7  | 18.5                           | 16.1                                      | 9.7  | 12.1                                |
| Mar  | 4.9                      | 10.4  | 0.3  | 19.7                           | 15.7                                      | 9.8  | 12.0                                |
| <b>(d) Changes (at an annual rate) in 6 months to</b>          |                          |   |  |                                |   |  |                                     |
| 1983 Apr   | 9.1                      | 10.8  | 9.3  | 21.3                           | 20.7                                      | 11.1   | 15.0                                |
| May  | 8.4                      | 7.3   | 11.0   | 19.2                           | 21.6                                      | 11.9   | 15.9                                |
| June   | 8.8                      | 7.4   | 15.3   | 17.3                           | 22.7                                      | 13.6   | 17.4                                |
| July   | 6.9                      | 17.2  | 13.0   | 14.7                           | 20.7                                      | 13.6   | 16.5                                |
| Aug  | 5.4                      | 14.7  | 11.2   | 17.4                           | 17.2                                      | 12.8   | 14.7                                |
| Sept   | 5.7                      | 10.0  | 6.7  | 17.7                           | 13.8                                      | 10.0   | 11.6                                |
| Oct  | 6.0                      | 10.3  | 3.2  | 15.0                           | 10.2                                      | 8.8  | 9.4                                 |
| Nov  | 6.7                      | 10.0  | 1.3  | 11.6                           | 10.0                                      | 8.0  | 8.8                                 |
| Dec  | 4.7                      | 14.1  | -5.2   | 20.3                           | 9.2                                       | 8.2  | 8.6                                 |
| 1984 Jan   | 5.1                      | 4.8   | -6.0   | 23.9                           | 11.9                                      | 7.5  | 9.2                                 |
| Feb  | 5.5                      | 6.1   | -7.0   | 19.6                           | 15.1                                      | 6.7  | 9.7                                 |
| Mar  | 4.2                      | 10.9  | -5.7   | 22.0                           | 17.7                                      | 9.6  | 12.5                                |

§ The split between retail and wholesale is that used for M2. Deposits of less than £100,000 are counted as retail. This split is only partially seasonally adjusted. The wholesale component contains a small amount of retail deposits with a residual maturity of greater than one month.

CHART I: ANNUAL GROWTH RATES OF NARROW MONEY  
% INCREASE OVER PREVIOUS 12 MONTHS

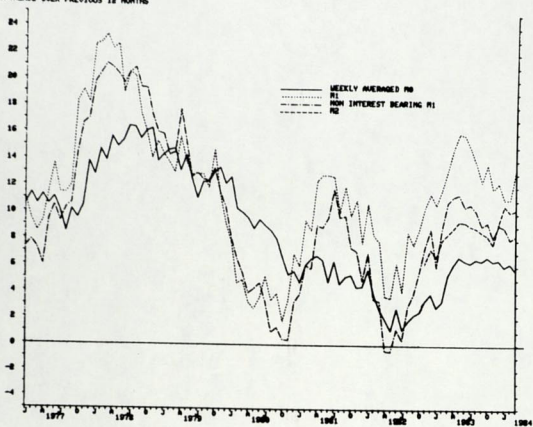


CHART II: ANNUAL GROWTH RATES OF BROAD MONEY

% INCREASE OVER PREVIOUS 12 MONTHS

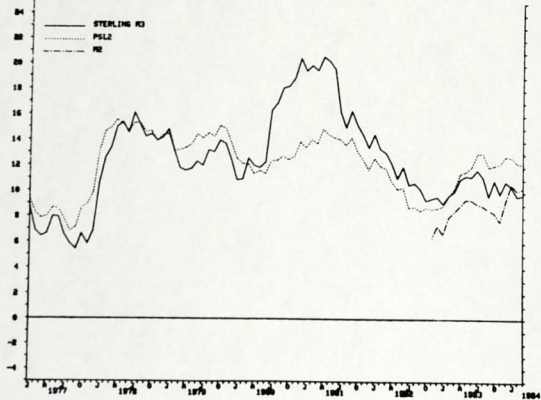


CHART III: GROWTH RATES IN WEEKLY AVERAGED M0

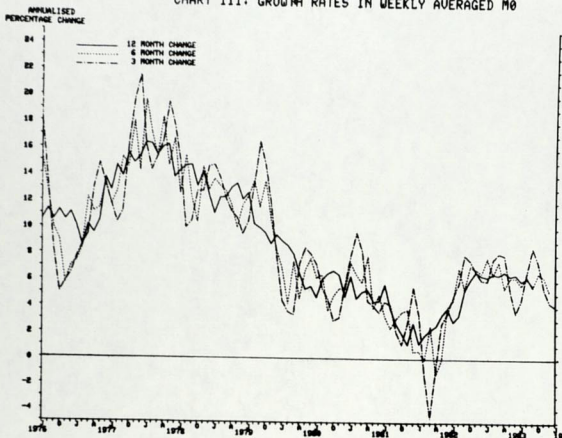
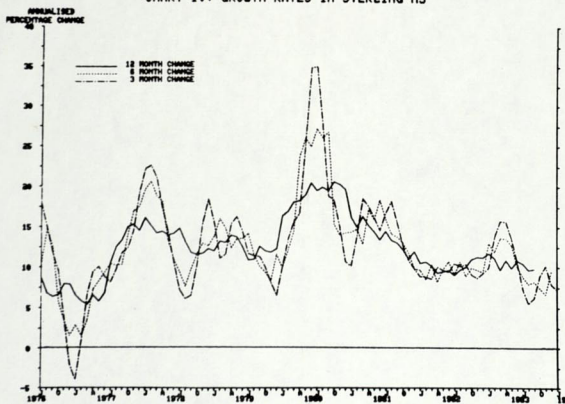


CHART IV: GROWTH RATES IN STERLING M3



NOTE: THE GROWTH RATES ARE SHOWN AS THE MIDPOINT OF THE PERIOD OVER WHICH THEY ARE MEASURED. THUS THE GROWTH FROM SEPT. 1981 TO SEPT. 1982 IS SHOWN AS MARCH 1982 AND THE SIX MONTH ANNUALISED GROWTH RATE FROM MARCH 1982 TO SEPT. 1982 IS SHOWN AS JUNE 1982.

CHART V: GROWTH RATES IN PSL2

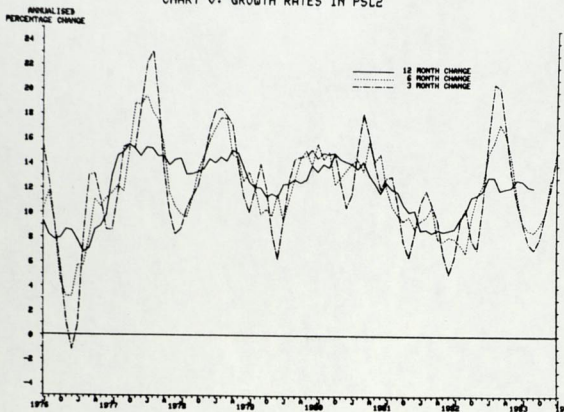
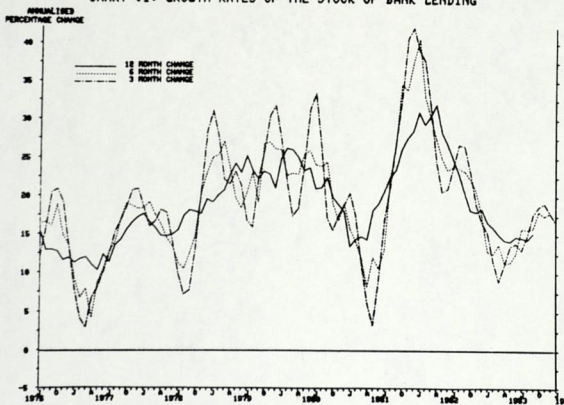


CHART VI: GROWTH RATES OF THE STOCK OF BANK LENDING



NOTE: THE GROWTH RATES ARE SHOWN AS THE MIDPOINT OF THE PERIOD OVER WHICH THEY ARE MEASURED. Thus the growth from SEPT. 1981 TO SEPT. 1982 IS SHOWN AS MARCH 1982 AND THE SIX MONTH ANNUALISED GROWTH RATE FROM MARCH 1982 TO SEPT. 1982 IS SHOWN AS JUNE 1982

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monetary sector deposits within £M3 has fallen in the last two quarters. The shift from bank to building society deposits may make the recent movement in £M3 a less adequate guide to broad money, especially if banks do not fully increase wholesale deposits to compensate for the loss of retail deposits. The more rapid expansion of PSL2 reflects continued record inflows into building society deposits. The twelve month growth of PSL2 has slowed down slightly, although the six month growth rate has accelerated and is now above the twelve month growth rate. The six month growth of M3 has also risen sharply.

Retail deposits as a percent of total  
monetary sector deposits inside £M3

|    | 1981 | 1982 | 1983 | 1984 |
|----|------|------|------|------|
| Q1 | -    | 60   | 59   | 56   |
| Q2 | -    | 59   | 58   |      |
| Q3 | -    | 59   | 58   |      |
| Q4 | 61   | 59   | 57   |      |

Retail deposits include both interest bearing and non interest bearing retail deposits

6. The composite monetary indicator has been recalculated using M2 data to distinguish retail and wholesale time deposits (previously the split between retail and wholesale deposits was assumed fixed). This raises the estimate of the wholesale component used in the composite indicator and because wholesale deposits have grown rapidly and are assumed to earn a relatively high interest rate (ie to have a lower "user" cost) the growth of the recalculated composite indicator is slower than previously estimated. The twelve month growth of the composite indicator has declined steadily over the last year.

7. The latest data on the growth of the real money stock are shown in Table 2 and Charts VII and VIII. There has been a slight slow down in the twelve month growth of real M0, £M3 and PSL2. Charts IX-XII show the levels of real money and the real FT all share index. The real FT all share index advanced strongly in March as the equity market reacted favourably to the budget measures. The real index now stands at its highest level since January 1974.

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TABLE 2: CHANGES IN THE REAL<sup>†</sup> MONEY SUPPLY (%)

|   | Total<br>RPI <sup>+</sup> | RPI <sup>+</sup><br>less<br>mortgage<br>element | Composite<br>monetary<br>indicator | Weekly<br>averaged<br>M0 | Non-<br>interest<br>bearing<br>M1 | M1    | EM3  | PSL2 |
|---|---------------------------|---|------------------------------------|--------------------------|-----------------------------------|-------|------|------|
| (a) <u>Financial year</u> (12 month changes to banking April) |                           |   |                                    |                          |                                   |       |      |      |
| 1980-81   | 12.0                      | 12.4  | -1.3                               | -5.0                     | -3.0                              | -0.02 | 7.5  | 2.2  |
| 1981-82   | 9.4                       | 9.1   | -3.4                               | -6.6                     | -8.7                              | -4.9  | 2.6  | 1.5  |
| 1982-83   | 4.0                       | 4.8   | 6.2                                | 1.3                      | 6.2                               | 9.6   | 6.4  | 6.2  |
| (b) <u>Changes on same quarter in previous year</u>           |                           |   |                                    |                          |                                   |       |      |      |
| 1982 (1)  | 10.3                      | 9.8   | -1.9                               | -6.5                     | -5.8                              | -1.8  | 3.1  | 1.8  |
| (2)   | 9.2                       | 8.8   | -2.6                               | -5.6                     | -7.0                              | -2.4  | 2.9  | 1.3  |
| (3)   | 7.3                       | 7.3   | -1.0                               | -4.7                     | -3.2                              | 0.3   | 2.8  | 1.0  |
| (4)   | 5.4                       | 6.6   | 2.0                                | -2.5                     | 2.1                               | 4.6   | 3.6  | 1.0  |
| 1983 (1)  | 4.6                       | 6.0   | 4.3                                | -0.6                     | 4.6                               | 6.9   | 4.0  | 4.1  |
| (2)   | 3.7                       | 4.5   | 6.5                                | 1.9                      | 5.8                               | 10.9  | 6.9  | 7.2  |
| (3)   | 5.1                       | 5.2   | 4.9                                | 1.2                      | 3.7                               | 6.8   | 4.1  | 6.4  |
| (4)   | 5.1                       | 4.8   | 6.1                                | 1.6                      | 4.2                               | 7.3   | 5.7  | 7.9  |
| (c) <u>Changes in 12 months to</u>                            |                           |   |                                    |                          |                                   |       |      |      |
| 1983 April  | 4.0                       | 4.8   | 5.8                                | 1.3                      | 6.2                               | 9.6   | 5.9  | 6.3  |
| May   | 3.7                       | 5.6   | 5.9                                | 1.0                      | 5.5                               | 9.8   | 5.4  | 5.7  |
| June  | 3.7                       | 4.5   | 6.4                                | 1.9                      | 5.8                               | 11.0  | 6.5  | 7.2  |
| July  | 4.2                       | 4.7   | 6.4                                | 1.5                      | 5.8                               | 9.8   | 6.8  | 8.0  |
| August  | 4.6                       | 5.1   | 5.3                                | 1.4                      | 4.9                               | 8.3   | 5.8  | 7.6  |
| September   | 5.1                       | 5.2   | 4.4                                | 1.2                      | 3.7                               | 6.9   | 4.3  | 6.5  |
| October   | 5.0                       | 5.0   | 4.7                                | 1.7                      | 4.2                               | 8.4   | 5.7  | 6.9  |
| November  | 4.8                       | 4.9   | 4.8                                | 1.5                      | 3.2                               | 6.6   | 4.8  | 7.0  |
| December  | 5.3                       | 4.8   | 4.9                                | 1.7                      | 4.2                               | 7.2   | 5.8  | 7.8  |
| 1984 January  | 5.1                       | 4.6   | 4.9                                | 1.4                      | 4.2                               | 6.3   | 5.7  | 7.9  |
| February  | 5.0                       | 4.6   | 3.9                                | 1.7                      | 3.4                               | 6.3   | 4.9  | 7.5  |
| March   | (5.2)                     | (4.7)   | 3.4                                | 0.9                      | 3.4                               | 8.2   | 4.8  | 7.1  |
| (d) <u>Changes (at annual rate) in 6 months to</u>            |                           |   |                                    |                          |                                   |       |      |      |
| 1983 March  |                           |   |                                    |                          |                                   |       |      |      |
| April   | 2.8                       | 3.2   | 8.7                                | 4.5                      | 6.8                               | 12.2  | 9.6  | 11.5 |
| May   | 2.2                       | 3.5   | 8.3                                | 2.9                      | 4.0                               | 10.0  | 8.1  | 12.0 |
| June  | 3.0                       | 2.8   | 10.4                               | 4.6                      | 5.0                               | 13.6  | 10.5 | 14.2 |
| July  | 4.7                       | 3.7   | 10.6                               | 1.7                      | 9.1                               | 9.7   | 9.5  | 12.3 |
| August  | 5.6                       | 4.3   | 6.8                                | 1.8                      | 5.8                               | 9.4   | 8.1  | 9.9  |
| September   | 6.7                       | 5.5   | 3.1                                | 0.8                      | 2.7                               | 5.3   | 4.4  | 5.8  |
| October   | 7.2                       | 6.9   | 0.8                                | -1.1                     | 1.6                               | 4.6   | 1.9  | 2.3  |
| November  | 7.5                       | 6.6   | 1.0                                | -0.2                     | 2.0                               | 3.1   | 1.3  | 2.0  |
| December  | 7.7                       | 7.4   | -0.9                               | -1.7                     | 2.9                               | 0.7   | 0.8  | 1.1  |
| 1984 January  |                           |   |                                    |                          |                                   |       |      |      |
| February  | 5.6                       | 4.9   | 0.0                                | 1.6                      | 0.0                               | 3.5   | 2.9  | 4.0  |
| March   | 4.5                       | 4.4   | 1.4                                | 1.8                      | 1.4                               | 3.7   | 2.2  | 5.4  |
|   | (3.8)                     | (3.9)   | 3.9                                | 1.3                      | 4.3                               | 11.4  | 5.5  | 8.7  |

+ The simple method of seasonal adjustment for the RPI and for the RPI less mortgage component for use in calculation of the six monthly growth rates was described in the February 1982 Interpretation of Monetary Conditions.

† The nominal money supply deflated using the RPI less mortgage element. This is the all items RPI after deduction of the mortgage interest rate payments component.

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CHART VII: GROWTH RATES IN REAL WEEKLY AVERAGED M0

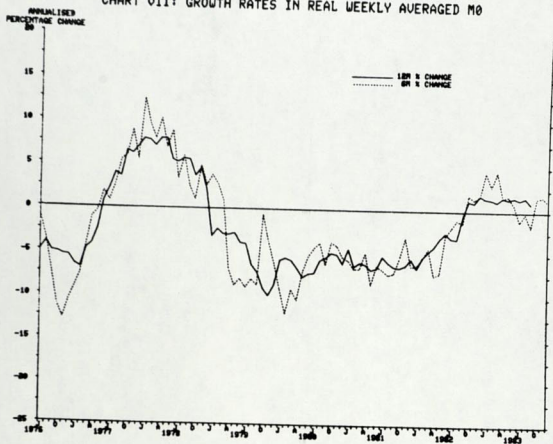
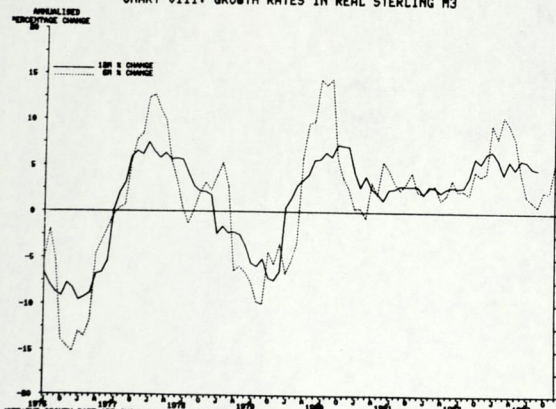
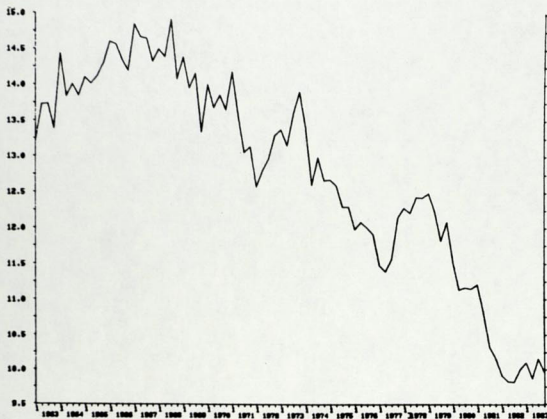


CHART VIII: GROWTH RATES IN REAL STERLING M3

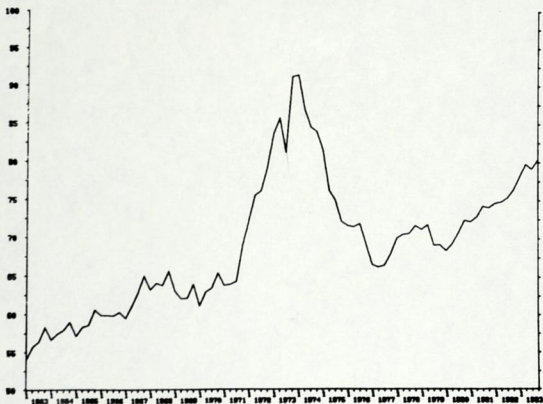


NOTE: THE GROWTH RATE ARE SHOWN AS THE RESPONDENT OF THE PERIOD OVER WHICH THEY ARE RECALCULATED. THUS THE GROWTH FROM SEPT. 1981 TO SEPT. 1982 IS SHOWN AS MARCH 1982 AND THE SIX MONTH ANNUALISED GROWTH RATE FROM MARCH 1982 TO SEPT. 1982 IS SHOWN AS JUNE 1982

bn  
1980 prices CHART IX: LEVEL OF REAL M0 (END CALENDAR QUARTER)



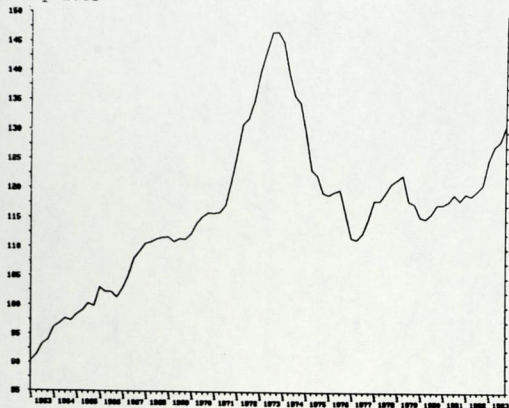
bn  
1980 prices CHART X: LEVEL OF REAL STERLING M3



Note: these charts use the calendar quarterly data.

bn  
1980 prices

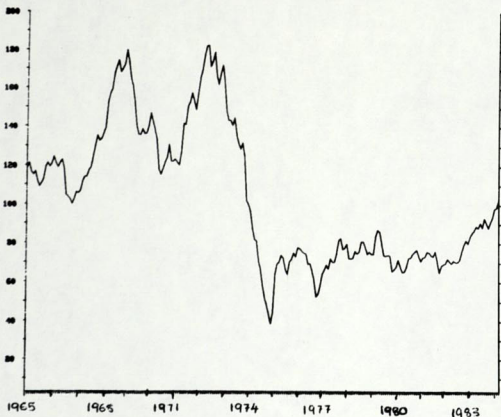
CHART XI: LEVEL OF REAL PSL2



Note: this chart uses the calendar quarterly monetary data.

Jan 1974=100

CHART XII: REAL FT ALL SHARE INDEX



8. Table 3 and Chart VI show the growth rates of total bank lending to the non bank private sector. Bank lending to the non bank private sector continued to accelerate on both the six and twelve month calculations. The six month growth rate has average 17½ - 18 per cent for the last three months; the highest level since March 1983.

9. The latest sectoral analysis of bank lending is complicated by the lack of seasonal adjustment and past data for the revised industrial classification. The increase in lending to persons for consumption and house purchase slowed down in the quarter to February 1984 suggesting that the upturn in lending reflects a strong recovery in company borrowing.

TABLE 3: TOTAL STERLING BANK LENDING TO THE NON BANK PRIVATE SECTOR (1)

|              | <u>Percentage change in stock of lending over</u> |                                  |
|--------------|---|----------------------------------|
|              | <u>12 months</u>                                  | <u>6 months (at annual rate)</u> |
| 1983 April   | 18.3  | 12.9                             |
| May          | 18.0  | 12.7                             |
| June         | 18.4  | 13.8                             |
| July         | 16.7  | 11.4                             |
| August       | 16.0  | 11.5                             |
| September    | 15.1  | 12.7                             |
| October      | 14.4  | 15.9                             |
| November     | 14.2  | 15.8                             |
| December     | 14.9  | 16.0                             |
| 1984 January | 14.7  | 18.1                             |
| February     | 14.5  | 17.5                             |
| March        | 15.3  | 18.0                             |

(1) Lending by the monetary sector, banking months, seasonally adjusted.

## (3) OTHER INDICATORS OF MONETARY CONDITIONS

10. Table 4 shows the latest estimates of the growth of nominal and real GDP. The first estimate for 1984 first quarter money GDP looks low and, as with past estimates, could be substantially revised. The estimate of the twelve month percentage change in real GDP for 1983 Q4 has now been revised up to 3.5 per cent.

TABLE 4: GROSS DOMESTIC PRODUCT (at market prices) CSO's average estimate

|          | <u>Money GDP</u>                              | <u>Real GDP</u>                   |
|----------|---|-----------------------------------|
|          | <u>% change on a year earlier</u>             | <u>% change on a year earlier</u> |
|          | <u>% change over six months (annual rate)</u> |                                   |
| 1982 (1) | 9.9   | 1.7                               |
| (2)      | 10.4  | 2.9                               |
| (3)      | 8.9   | 1.7                               |
| (4)      | 8.7   | 1.4                               |
| 1983 (1) | 10.0  | 3.2                               |
| (2)      | 7.6   | 2.4                               |
| (3)      | 8.6   | 3.1                               |
| (4)      | 8.3   | 3.5                               |
| 1984 (1) | (6.7)   | (2.7)                             |

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11. Table 5 shows the most recent data for the growth of retail prices, wholesale prices, average earnings and unit wage costs in manufacturing. Retail price inflation continued at around 5 per cent. The 1 per cent cut in building society mortgage rates announced in March will only feed through to the April RPI. About one third of the increase in the producer output price index between March and February can be attributed to duty changes in the budget. Adjusting for the budget changes brings the twelve month percentage increase in the index in March down to 6.1 per cent. Producer output price inflation has therefore continued to edge up independently of budget effects, while producer input prices and underlying average earnings have remained steady. It is difficult to discern any change in trend in unit wage costs in manufacturing in recent months, but their growth rate remains extremely low.

TABLE 5: PRICES AND EARNINGS (% change on same period a year before)

|              | <u>Retail Prices</u> | <u>Producer Price Index</u><br>(All manufactured products) |                     | <u>Underlying Average Earnings</u> | <u>Unit Wage Costs in Manufacturing*</u> |
|--------------|----------------------|--|---------------------|------------------------------------|--|
|              |                      | <u>Output Prices</u><br>(home sales)                       | <u>Input Prices</u> |                                    |  |
| 1982 (1)     | 10.4                 | 8.7  | 11.8                | 10.8                               | 4.0                                      |
| (2)          | 9.2                  | 7.2  | 5.7                 | 10.1                               | 5.7                                      |
| (3)          | 8.0                  | 7.4  | 4.8                 | 8.9                                | 5.5                                      |
| (4)          | 6.2                  | 6.5  | 6.3                 | 8.4                                | 5.8                                      |
| 1983 (1)     | 4.9                  | 5.3  | 5.6                 | 7.9                                | 4.0                                      |
| April        | 4.0                  | 5.4  | 5.9                 | 7.5                                | 3.6                                      |
| May          | 3.7                  | 5.6  | 6.8                 | 7.5                                | 4.3                                      |
| June         | 3.7                  | 6.0  | 7.3                 | 7.5                                | 2.1                                      |
| July         | 4.2                  | 5.5  | 6.4                 | 7.5                                | 1.5                                      |
| August       | 4.6                  | 5.3  | 8.3                 | 7.8                                | 3.1                                      |
| September    | 5.1                  | 5.4  | 9.6                 | 7.8                                | 3.8                                      |
| October      | 5.0                  | 5.5  | 8.2                 | 7.8                                | 3.7                                      |
| November     | 4.8                  | 5.7  | 7.2                 | 7.8                                | 3.6                                      |
| December     | 5.3                  | 5.6  | 7.2                 | 7.8                                | 2.7                                      |
| 1984 January | 5.1                  | 5.7  | 7.6                 | 7.8                                | 3.3                                      |
| February     | 5.0                  | 5.9  | 7.0                 | 7.8**                              |  |
| March        | (5.2)                | 6.4  | 7.1                 | 7.8**                              |  |

\* Percentage change of the latest 3 months on the same 3 months a year earlier.

\*\* Department of Employment estimate.

12. UK short term interest rates have eased further (Table 6) and the majority of banks have cut their base rates to  $8\frac{1}{2}$  per cent. Barclays, which led the decline in base rates with a cut of  $\frac{1}{4}$  per cent, have held their base rate at 8.75 per cent. Long term gilt yields have remained steady, however, and the yield gap with short term interest rates has widened for the fourth successive month to stand at its highest level since the second quarter of 1981. Short term dollar interest rates have moved up and the differential between three month eurodollars and UK three month interbank rates now stands at nearly 2 per cent. Sterling exchange rate has weakened against the dollar (Table 8), although it remains above the low level reached in January. The effective exchange has continued to edge down.

TABLE 6: NOMINAL INTEREST RATES (period averages for calendar months and quarters)

|              | <u>Three month<br/>Interbank</u> | <u>Three month<br/>Eurodollar</u> | <u>Base rate</u> | <u>Long Rate<br/>(20 Year)<br/>gilts</u> | <u>Yield<br/>Gap</u> |
|--------------|----------------------------------|-----------------------------------|------------------|--|----------------------|
| 1982 (1)     | 14.3                             | 15.1                              | 14.1             | 14.7                                     | 0.4                  |
| (2)          | 13.4                             | 15.1                              | 12.8             | 13.7                                     | 0.3                  |
| (3)          | 11.5                             | 12.6                              | 11.4             | 12.2                                     | 1.3                  |
| (4)          | 9.9                              | 9.9                               | 9.7              | 10.8                                     | 0.9                  |
| 1983 (1)     | 11.1                             | 9.2                               | 10.8             | 11.5                                     | 0.4                  |
| April        | 10.3                             | 9.3                               | 10.2             | 10.6                                     | 0.3                  |
| May          | 10.3                             | 9.0                               | 10.0             | 10.6                                     | 0.3                  |
| June         | 9.9                              | 9.8                               | 9.7              | 10.4                                     | 0.5                  |
| July         | 9.8                              | 10.0                              | 9.5              | 10.9                                     | 1.0                  |
| August       | 9.8                              | 10.3                              | 9.5              | 11.0                                     | 1.2                  |
| September    | 9.7                              | 9.9                               | 9.5              | 10.7                                     | 1.0                  |
| October      | 9.4                              | 9.6                               | 9.1              | 10.6                                     | 1.2                  |
| November     | 9.3                              | 9.8                               | 9.0              | 10.3                                     | 1.0                  |
| December     | 9.4                              | 10.2                              | 9.0              | 10.3                                     | 0.9                  |
| 1984 January | 9.4                              | 9.8                               | 9.0              | 10.3                                     | 0.9                  |
| February     | 9.3                              | 10.0                              | 9.0              | 10.4                                     | 1.0                  |
| March        | 9.0                              | 10.4                              | 8.75             | 10.3                                     | 1.3                  |
| April 9      | 8.9                              | 10.8                              | 8.5-8.75         | 10.3                                     | 1.4                  |



14. The average of outside inflation forecasts by Phillips and Drew, the National Institute and the London Business School has been edging down. This series has consistently underestimated the fall in inflation that has occurred in recent years. The estimate of real short term interest rates has fallen slightly, but yields on indexed gilts have remained at very high levels.

TABLE 7: REAL INTEREST RATES

|              | Expected<br>Inflation<br>over 12<br>months* | Real 3 month<br>Interbank<br>Rate | Yield on 1988<br>indexed gilt*** |     | Yield on 1996<br>indexed gilt*** |     |
|--------------|---|-----------------------------------|----------------------------------|-----|----------------------------------|-----|
|              |   |                                   | Inflation<br>Assumption          |     | Inflation<br>Assumption          |     |
|              |   |                                   | 5%                               | 7%  | 5%                               | 7%  |
| 1982 (1)     | 10.3  | 4.0                               | 3.0                              | 2.8 | 3.0                              | 2.9 |
| (2)          | 9.2   | 4.1                               | 3.5                              | 3.2 | 3.4                              | 3.3 |
| (3)          | 8.0   | 3.4                               | 3.6                              | 3.3 | 3.3                              | 3.2 |
| (4)          | 6.3   | 4.8                               | 2.7                              | 2.4 | 2.6                              | 2.5 |
| 1983 (1)     | 6.3   | 4.8                               | 2.7                              | 2.4 | 2.6                              | 2.5 |
| April        | 6.5   | 3.8                               | 3.2                              | 2.9 | 2.9                              | 2.8 |
| May          | 5.9   | 4.4                               | 3.8                              | 3.5 | 3.3                              | 3.2 |
| June         | 6.2   | 3.7                               | 4.2                              | 3.9 | 3.5                              | 3.4 |
| July         | 6.4   | 3.4                               | 4.6                              | 4.3 | 3.8                              | 3.7 |
| August       | 6.2   | 3.6                               | 4.2                              | 3.9 | 3.6                              | 3.5 |
| September    | 6.2   | 3.5                               | 3.8                              | 3.5 | 3.4                              | 3.3 |
| October      | 6.4   | 3.0                               | 3.6                              | 3.4 | 3.4                              | 3.3 |
| November     | 5.8   | 3.5                               | 3.9                              | 3.7 | 3.5                              | 3.4 |
| December     | 5.8   | 3.6                               | 3.7                              | 3.4 | 3.5                              | 3.4 |
| 1984 January | 5.9   | 3.5                               | 3.9                              | 3.6 | 3.5                              | 3.4 |
| February     | 5.8   | 3.5                               | 4.0                              | 3.7 | 3.6                              | 3.5 |
| March        | 5.7   | 3.3                               | 4.4                              | 4.1 | 3.8                              | 3.7 |
| April 9      | 5.7   | 3.2                               | 4.4                              | 4.1 | 3.6                              | 3.5 |

\* Unweighted average of forecasts by Phillips & Drew, National Institute and the London Business School; the expected rate of inflation for a given month is the change in the price level between six months earlier and six months ahead. This is assumed to approximate roughly to average inflation expectations over the 3 months immediately ahead.

\*\* Average of working day for the month or quarter.

\*\*\* Last working day for each month with first of month settlement assumed, or, for quarters, the average of the last working days of the three months.

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TABLE 8: EXCHANGE RATES (period averages)

|              | <u>Effective Rate</u> | <u>\$/£ Rate</u> | <u>DM/£ Rate</u> | <u>Uncovered Differential*</u> |             |
|--------------|-----------------------|------------------|------------------|--------------------------------|-------------|
|              |                       |                  |                  | <u>£/\$</u>                    | <u>£/DM</u> |
| 1982 1       | 91.1                  | 1.85             | 4.34             | -0.8                           | 4.3         |
| 2            | 90.3                  | 1.78             | 4.23             | -1.7                           | 4.2         |
| 3            | 91.4                  | 1.72             | 4.28             | -1.1                           | 2.8         |
| 4            | 89.1                  | 1.65             | 4.14             | 0.0                            | 3.0         |
| 1983 1       | 80.6                  | 1.53             | 3.69             | 1.9                            | 5.4         |
| April        | 82.1                  | 1.53             | 3.76             | 1.0                            | 5.3         |
| May          | 85.0                  | 1.58             | 3.88             | 1.3                            | 5.3         |
| June         | 85.2                  | 1.55             | 3.95             | 0.1                            | 4.5         |
| July         | 84.7                  | 1.53             | 3.95             | -0.2                           | 4.7         |
| August       | 85.0                  | 1.50             | 4.02             | -0.5                           | 4.4         |
| September    | 84.7                  | 1.50             | 4.00             | -0.2.                          | 4.0         |
| October      | 83.5                  | 1.50             | 3.90             | -0.6                           | 3.6         |
| November     | 83.6                  | 1.48             | 3.96             | -0.6                           | 3.3         |
| December     | 82.5                  | 1.44             | 3.94             | -0.8                           | 3.2         |
| 1984 January | 81.9                  | 1.41             | 3.95             | -0.4                           | 3.5         |
| February     | 82.2                  | 1.44             | 3.89             | -0.7                           | 3.5         |
| March        | 80.9                  | 1.46             | 3.78             | -1.4                           | 3.3         |
| April 9      | 80.1                  | 1.43             | 3.75             | -1.9                           | 3.2         |

\* Between 3 month UK interbank rate and 3 month Eurodollar rate and Euro DM rate.

(4) HOUSING FINANCE AND ASSET PRICES

15. The building societies achieved record inflows for the sixth successive month in calendar February, with total shares and deposits increasing by over £1.4bn. However, weekly returns by the largest 17 societies suggest that the inflows for calendar March have fallen back to less than £1bn. Inflows of wholesale deposits are estimated to have fallen in calendar February and a small net inflow to have occurred in calendar March. The liquidity ratio at end-February had regained the high levels of the last quarter of 1982.

TABLE 9: BUILDING SOCIETY FINANCIAL FLOWS (Calendar months and quarters, seasonally adjusted)

|          | <u>Liquidity Ratio (end period)</u> | <u>Net increase in deposits</u> | <u>Net inflows* of wholesale money (nsa)</u> | <u>Net new commitments</u> | <u>Gross advances</u> | <u>Net advances</u> |
|----------|-------------------------------------|---------------------------------|--|----------------------------|-----------------------|---------------------|
|          | %                                   | £bn                             | £bn  | £bn                        | £bn                   | £bn                 |
| 1982 1   | 19.3                                | 0.7                             | -  | 1.1                        | 0.9                   | 0.5                 |
| 2        | 19.5                                | 0.8                             | -  | 1.4                        | 1.3                   | 0.7                 |
| 3        | 19.7                                | 0.9                             | -  | 1.4                        | 1.3                   | 0.7                 |
| 4        | 19.8                                | 1.0                             | -  | 1.8                        | 1.6                   | 0.9                 |
| 1983 1   | 18.2                                | 0.2                             | -  | 1.7                        | 1.7                   | 1.0                 |
| 2        | 17.4                                | 0.2                             | 0.4  | 1.5                        | 1.6                   | 0.9                 |
| 3        | 17.8                                | 0.3                             | 0.5  | 1.5                        | 1.5                   | 0.8                 |
| 4        | 19.0                                | 0.4                             | 0.7  | 1.7                        | 1.6                   | 1.0                 |
| 1983 Feb | 18.8                                | 0.7                             | -  | 1.7                        | 1.7                   | 1.0                 |
| March    | 18.2                                | 0.8                             | -  | 1.6                        | 1.8                   | 1.0                 |
| April    | 18.0                                | 0.7                             | -  | 1.6                        | 1.6                   | 0.9                 |
| May      | 17.6                                | 0.6                             | -  | 1.5                        | 1.6                   | 0.9                 |
| June     | 17.4                                | 0.8                             | 0.3  | 1.4                        | 1.6                   | 0.8                 |
| July     | 17.7                                | 1.0                             | 0.2  | 1.5                        | 1.5                   | 0.8                 |
| August   | 17.8                                | 0.9                             | 0.2  | 1.4                        | 1.5                   | 0.8                 |
| Sept     | 17.8                                | 1.0                             | -  | 1.6                        | 1.5                   | 0.8                 |
| Oct      | 18.8                                | 1.1                             | 0.3  | 1.7                        | 1.5                   | 0.8                 |
| Nov      | 18.8                                | 1.2                             | 0.2  | 1.8                        | 1.6                   | 0.9                 |
| Dec      | 19.0                                | 1.3                             | 0.1  | 1.8                        | 1.7                   | 1.1                 |
| 1984 Jan | 19.4                                | 1.4                             | 0.2  | 1.8                        | 1.7                   | 1.0                 |
| Feb      | 19.8                                | 1.4                             | 0.1  | 1.8                        | 1.7                   | 1.1                 |
| March    |                                     | 0.9*                            | -  | 2.2*                       |                       |                     |

\* Estimate arrived at by grossing up weekly returns from the 17 largest societies.

16. Commitments and advances have continued to increase and net advances were at record levels in calendar February. Returns from the largest 17 societies suggest that new commitments have advanced very strongly in calendar March - by about £2.2bn. The 1 per cent cut in building society rates was effective for new borrowers from the 19th March (from 1st April for existing borrowers) and may have contributed to mortgage demand. Lending for house purchase by the banks has remained at low levels in February (table 10) so that total lending for house purchase has been no higher than in the spring of last year. The 12 month growth rate of the stock of lending has continued to fall.

TABLE 10: NET LENDING FOR HOUSE PURCHASE (£bn seasonally adjusted, calendar months)

|               | <u>Building Societies</u> | <u>Banks (Est)</u> | <u>Total Building Societies and Banks</u> |
|---------------|---------------------------|--------------------|---|
| 1982 December | 1.0                       | 0.4                | 1.4                                       |
| 1983 January  | 0.9                       | 0.3                | 1.2                                       |
| February      | 1.0                       | 0.3                | 1.3                                       |
| March         | 1.1                       | 0.3                | 1.4                                       |
| April         | 0.9                       | 0.3                | 1.2                                       |
| May           | 0.9                       | 0.3                | 1.3                                       |
| June          | 0.9                       | 0.3                | 1.2                                       |
| July          | 0.8                       | 0.3                | 1.2                                       |
| August        | 0.8                       | 0.4                | 1.2                                       |
| September     | 0.8                       | 0.3                | 1.1                                       |
| October       | 0.8                       | 0.3                | 1.1                                       |
| November      | 0.9                       | 0.3                | 1.3                                       |
| December      | 1.1                       | 0.2                | 1.3                                       |
| 1984 January  | 1.0                       | 0.2                | 1.2                                       |
| February      | 1.1                       | 0.1                | 1.2                                       |

Percentage change in stock of lending

|               | <u>12 months</u> | <u>6 months</u> | <u>12 months</u> | <u>6 months</u> | <u>12 months</u> | <u>6 months</u> |
|---------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| 1982 December | 16.6             | 18.9            | 89.0             | 76.7            | 24.1             | 26.0            |
| 1983 January  | 17.5             | 19.8            | 83.6             | 65.1            | 24.7             | 25.6            |
| February      | 18.5             | 20.9            | 77.5             | 55.0            | 25.1             | 25.6            |
| March         | 19.3             | 22.2            | 70.7             | 47.6            | 25.4             | 25.8            |
| April         | 19.7             | 22.2            | 66.1             | 44.4            | 25.4             | 25.5            |
| May           | 20.0             | 22.0            | 61.7             | 39.5            | 25.3             | 24.7            |
| June          | 20.0             | 21.1            | 55.7             | 37.1            | 24.8             | 23.6            |
| July          | 20.1             | 20.4            | 50.7             | 37.6            | 24.3             | 23.1            |
| August        | 20.1             | 19.3            | 46.5             | 33.5            | 23.9             | 22.3            |
| September     | 20.1             | 18.0            | 42.5             | 37.6            | 23.4             | 21.1            |
| October       | 19.7             | 17.3            | 40.4             | 36.5            | 22.3             | 20.3            |
| November      | 19.6             | 17.2            | 37.2             | 34.9            | 22.3             | 20.0            |
| December      | 19.4             | 17.7            | 34.9             | 32.7            | 21.8             | 20.0            |
| 1984 January  | 19.0             | 17.7            | 31.5             | 27.7            | 21.0             | 19.3            |
| February      | 18.8             | 18.3            | 29.8             | 23.5            | 20.6             | 19.2            |

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17. The cut in building society rates has eased the pressure on building society margins. Although both deposit and lending rates have been cut by 1 per cent, on a pre-tax basis the cut in deposit rates is greater than 1 per cent and the effective margin between rates has widened.

18. The growth rate of average house prices has risen in February at both approval and completion stages (table 11). This follows falls in both growth rates in recent months. Chart XVI shows the ratio of house prices (the mix-adjusted house price index) to average earnings and to the consumer expenditure deflator. Both measures have remained fairly steady in 1983 Q4.

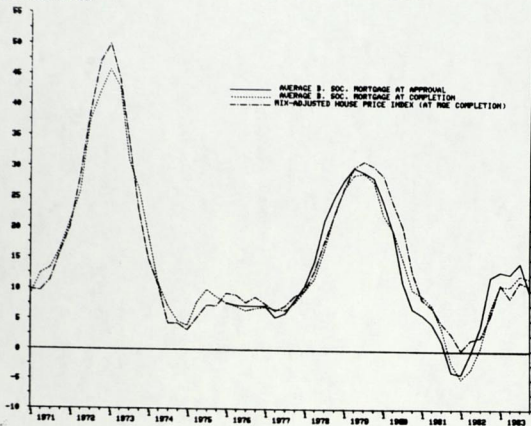
TABLE 11: HOUSE PRICES (% change on a year earlier)

|              | <u>Based on mortgage approvals</u> | <u>Based on mortgage completions</u> | <u>Mix-adjusted (based on completions)</u> | <u>Nationwide (based on approvals)</u> |
|--------------|------------------------------------|--------------------------------------|--|--|
| 1982 Q1      | -4.0                               | -4.9                                 | 0  | 2                                      |
| Q2           | -0.7                               | -3.0                                 | 1  | 2                                      |
| Q3           | 4.0                                | 0.5                                  | 2  | 3                                      |
| Q4           | 12.2                               | 6.8                                  | 6  | 8                                      |
| 1983 Q1      | 13.0                               | 11.3                                 | 11   | 9                                      |
| Q2           | 12.8                               | 10.4                                 | 9  | 11                                     |
| Q3           | 14.6                               | 12.3                                 | 11   | 13                                     |
| Q4           | 9.6                                | 11.9                                 | 11   | 12                                     |
| 1984 Q1      | -                                  | -                                    | -  | 13                                     |
| 1983 January | 13.8                               | 9.6                                  |  |  |
| February     | 13.7                               | 10.8                                 |  |  |
| March        | 12.4                               | 11.8                                 |  |  |
| April        | 12.6                               | 10.9                                 |  |  |
| May          | 12.4                               | 9.5                                  |  |  |
| June         | 13.3                               | 10.9                                 |  |  |
| July         | 15.5                               | 11.7                                 |  |  |
| August       | 14.7                               | 12.4                                 |  |  |
| September    | 13.8                               | 12.8                                 |  |  |
| October      | 10.8                               | 12.7                                 |  |  |
| November     | 10.2                               | 12.1                                 |  |  |
| December     | 7.6                                | 11.0                                 |  |  |
| 1984 January | 8.4                                | 8.6                                  |  |  |
| February     | 9.0                                | 10.4                                 |  |  |

% change over  
previous 12 months

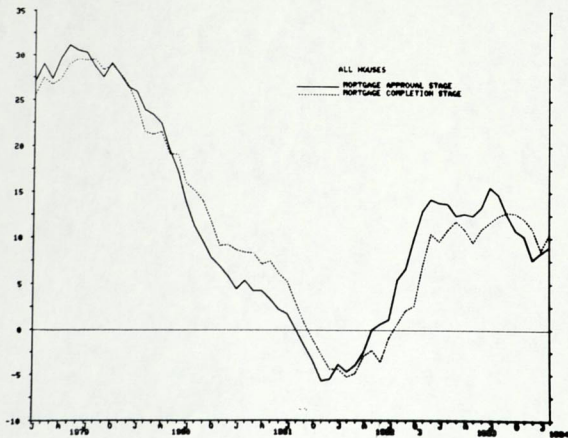
NON OVER PREVIOUS 12M

CHART XIII: QUARTERLY HOUSE PRICES



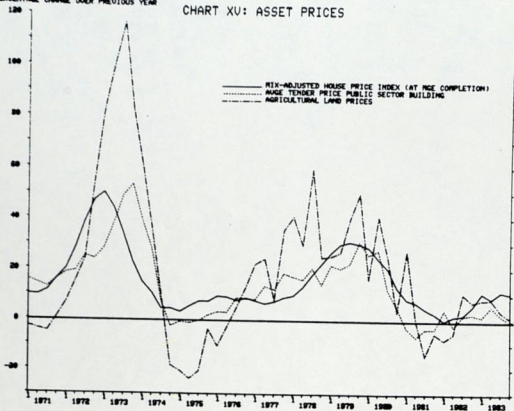
% change over  
previous  
12 months

CHART XIV: MONTHLY HOUSE PRICES

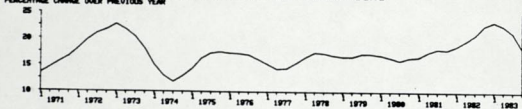


PERCENTAGE CHANGE OVER PREVIOUS YEAR

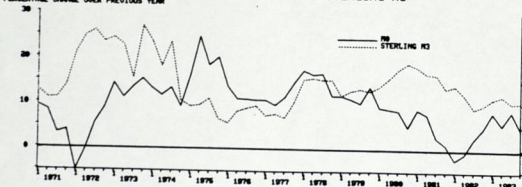
CHART XV: ASSET PRICES



STOCK OF MORTGAGES OUTSTANDING



GROWTH RATE OF M0 AND STERLING M3



RETAIL PRICE INDEX



Index 1980 = 100

### CHART XVI: INDICES OF RELATIVE HOUSE PRICES

BASED ON DOE RIX ADJUSTED HOUSE PRICE INDEX

