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MONTHLY MONETARY REPORT: JANUARY-APRIL

SUMMARY

The main points from this month's note are:-

- this month's slower growth brings £M3 within the target range. All the target aggregates have risen by less than 10 per cent over the last six months. The growth of M0 has fallen slightly; the apparent acceleration in M2 reflects a revision to the December outturn to include some reclassified building societies' accounts
- over the next three months, £M3 is expected to stay at the top of the target range: PSL2 may continue to grow a little faster. But six month growth rates could rise sharply in February and March, as the period of slow growth in the late Summer enters the base. The projected growth in M0 is in line with the trend over the target period so far
- building societies' inflows were an all-time record in January, boosted by movements out of offshore funds. This is unlikely to be repeated, but inflows and mortgage demand should remain strong. No change in mortgage rate is expected. Building societies were probably heavy buyers of gilts in 1983 H2, reducing £M3 (but not PSL2)
- sterling lending to the private sector was unexpectedly low last month. But the evidence still points to some acceleration in the underlying trend since the Autumn. The forecast for underlying lending has not been changed, but recorded lending may be erratic, reflecting an uneven PSBR
- in seasonally adjusted terms, the PSBR is expected to be high in February and April, broadly flat in March. In unadjusted terms the PSBR should be in surplus until April
- the National Savings target for 1983-84 looks like being met. Even assuming gross gilts sales of £1¼ billion a month, the seasonally adjusted 'PSBR' may be underfunded over the three months as a whole. But the unadjusted figures imply a £2 billion rise in the stock of money market assistance between mid-January and mid-March, to reach perhaps £12 billion. The money market position should ease significantly in April.

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Monetary Aggregates

As expected, monetary growth moderated in January, following sharp rises in all the target aggregates in banking December. This month's figures bring £M3 just inside the target range, and M1 to within $\frac{1}{2}$ per cent of the top, but leave PSL2's growth since mid-February 1983 virtually unchanged. Six-month growth rates still show some slackening in growth since the Summer, though the growth in broad money has been higher over the past three months. Among the other aggregates, the growth of M0 has, if anything, fallen recently. The apparent acceleration in M2 largely reflects a reclassification of building society accounts on 1 December.

Table 1: Main Aggregates: recent experience

(per cent, seasonally adjusted)

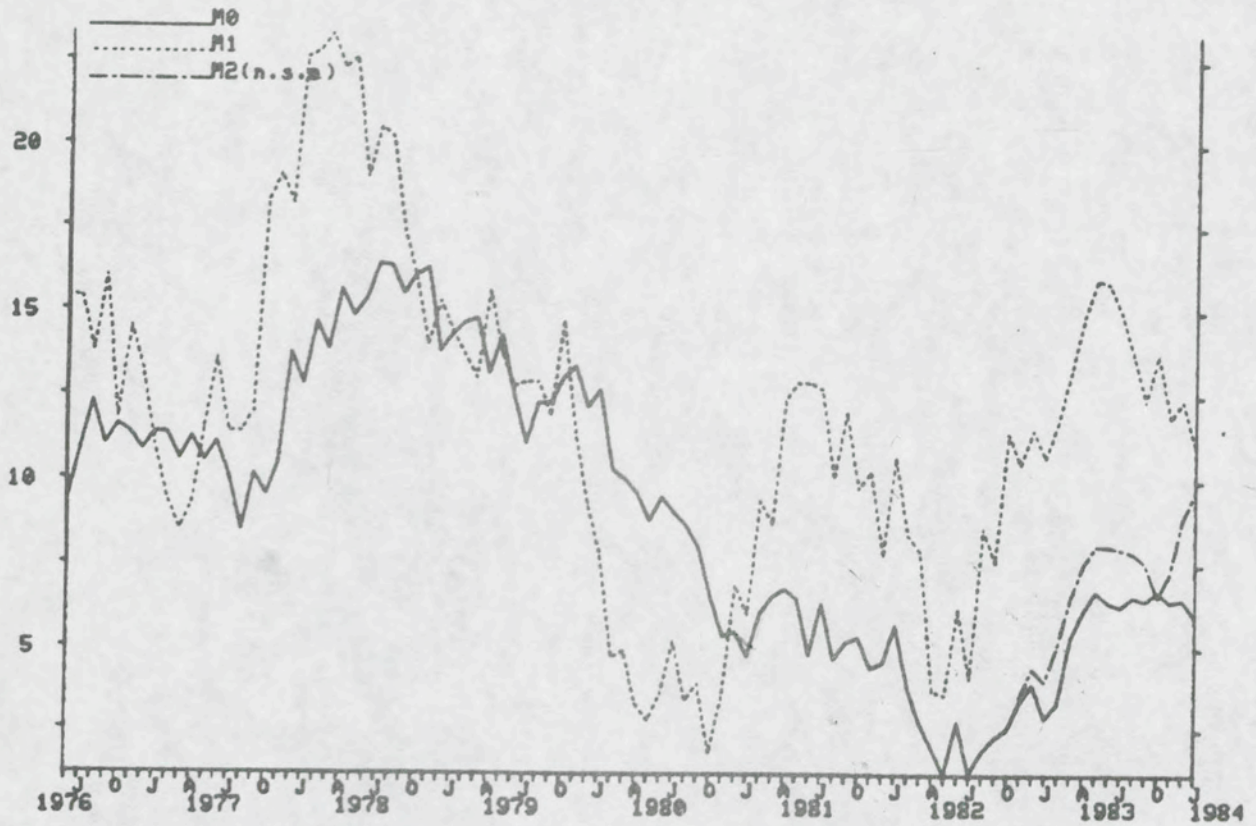
	<u>M1</u>	<u>£M3</u>	<u>PSL2</u>	<u>M0</u>		<u>M2*</u>
				<u>End Month</u>	<u>Weekly Averaged</u>	
monthly change:-						
December	+1.6	+1.3	+1.0	-	+0.4	+2.7
January	-0.2	+0.6	+1.1	-0.4	+0.4	+0.3
growth at an annual rate over past:-						
3 months	8.1	10.4	10.7	2.6	5.1	<u>13.6</u>
6 months	8.6	7.5	9.4	4.9	6.6	<u>7.0</u>
target period (11 months)	11.4	10.7	12.2	5.6	6.7	<u>10.0</u>
12 months	11.1	10.5	12.9	5.7	6.0	9.7

* not seasonally adjusted

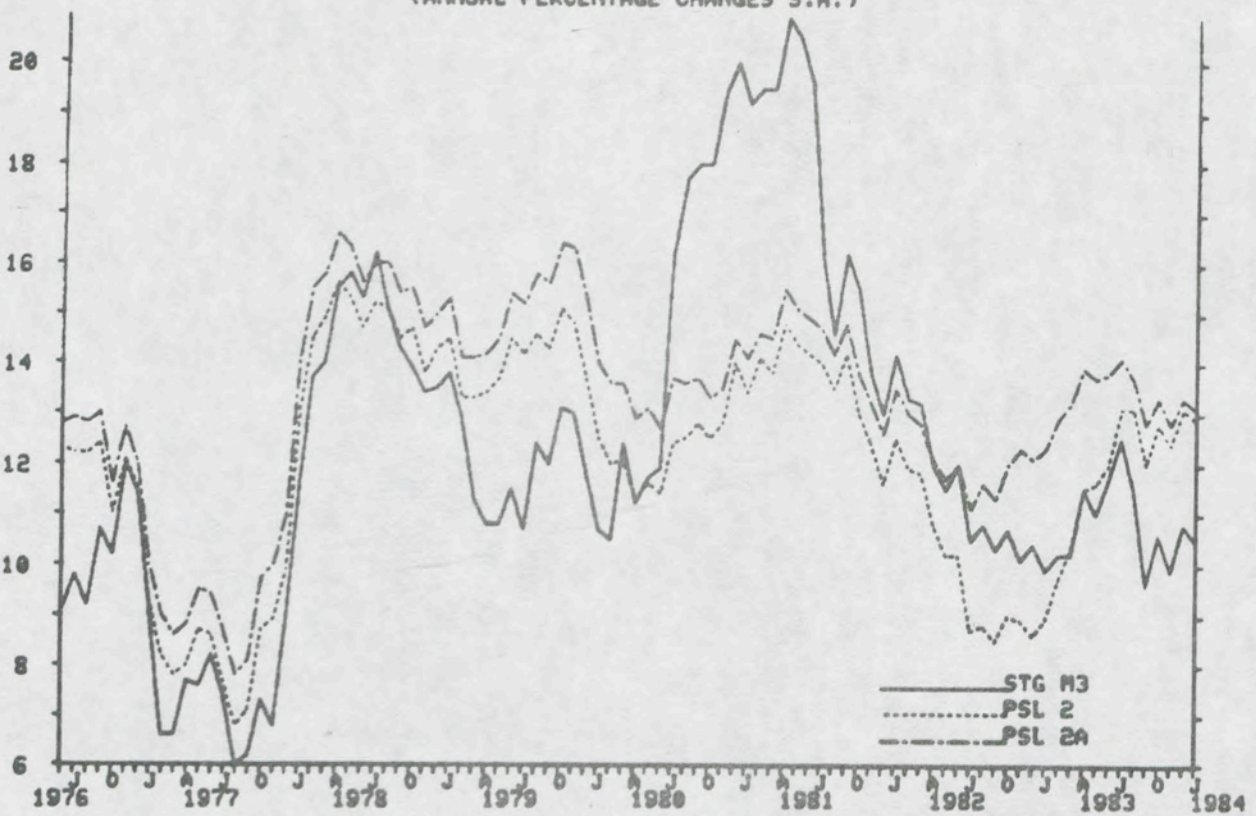
Full details of the growth in all the main aggregates are given in the Annex. Chart 1 shows the recent path of year-on-year changes for both broad and narrow measures of money.

CHART 1

GROWTH IN NARROW MONEY (ANNUAL PERCENTAGE CHANGES S.A.)



GROWTH IN BROAD MONEY (ANNUAL PERCENTAGE CHANGES S.A.)



2. The slowdown in the end-month series for M0 is exaggerated by make-up day falls in bankers' balances in the last two months. The main influence on the weekly averaged series has been the behaviour of notes and coin, which have been virtually flat since November; the target period growth rate in notes and coin is now only 5 per cent. Recent changes in non-interest bearing sight deposits have been notably erratic; this month's sharp fall follows an even larger rise last month. But since there were similar movements this time last year, the 12-month growth has remained fairly steady, at around 9 per cent (compared with about $10\frac{1}{2}$ -11 per cent in the first half of the target period). There has been a large revision to the December outturn for M2, to incorporate some building society accounts whose terms have changed, thus bringing them within the present definition of M2; this reclassification has added $1\frac{1}{4}$ per cent to the year-on-year growth rate.

3. During the last six months, £M3 has generally been the slowest growing measure of broad money (the proposed redefinition makes little significant difference to growth over the target period). Foreign currency deposits have been rising strongly since October, reflecting both transactions and valuation changes; with another rise of nearly £0.4 billion in January, the three month growth in total M3 is now about 17 per cent, bringing the change since mid-February to $12\frac{1}{2}$ per cent. As in recent months, the faster rise in PSL2 principally reflects high inflows into building societies; the January inflow was an all time record, probably boosted by movements out of offshore roll-up funds.

4. The public sector's contribution to £M3 has been contractionary in five out of the last six months; in January high inflows into Government debt exceeded the unusually low (seasonally adjusted) 'PSBR' by about £1½ billion. But the evidence suggests some underlying acceleration in sterling lending to the private sector. Seasonal adjustment has been particularly difficult over the Christmas period, and the (low) January and (high) December figures need to be taken together. More tentatively, the private sector's borrowing from the UK monetary sector may have been temporarily depressed last month by exceptionally high balance of payments inflows (the externals were a massive £1.3 billion), possibly associated with large current account surpluses, especially in calendar December.

5. Over the next three months, £M3 is expected to be around the top of the target range, averaging around 1 per cent a month. PSL2 may continue to grow slightly faster. Building societies inflows show no signs of falling off, though the January figure is unlikely to be repeated. Last month's forecast for an underlying growth in bank lending of around £1.3 billion a month still looks plausible, despite the unexpectedly low January outturn. On the view that the slower growth in M0 in the last few months does not signal a change in trend, we continue to project monthly growth in the range $\frac{1}{2}$ - $\frac{3}{4}$ per cent a month; the end-month series will almost certainly move more erratically than the weekly averaged series, but there is no reason to expect the two series to diverge systematically.[‡]

6. Over the next few months, six-month growth rates for £M3 will be influenced by the sharp slowdown in growth that took place in the late Summer. If £M3 grows at a steady 1 per cent a month, annualised six-month rates will rise to 9 per cent and 12 per cent in February and March respectively.

Table 2: Summary of the Forecast

	percentage changes			
	<u>M0</u>	<u>M1</u>	<u>£M3</u>	<u>PSL2</u>
monthly change:				
February	} $\frac{1}{2}$ to $\frac{3}{4}$ } per cent } a month	} $1\frac{1}{4}$ } per cent } a month	1	$1\frac{1}{2}$
March			1	$1\frac{1}{4}$
April			1	$1\frac{1}{4}$
growth at an annual rate:				
mid-Jan - mid-Apr	$6\frac{1}{4}$ to $9\frac{1}{2}$	16	$12\frac{1}{2}$	$17\frac{1}{4}$
<u>Target period</u>				
<u>to mid-Feb</u>	$5\frac{1}{2}$ to 6 *	$11\frac{3}{4}$	$10\frac{3}{4}$	$12\frac{3}{4}$
<u>to mid-Apr</u>	$5\frac{3}{4}$ to $6\frac{1}{2}$ *	$12\frac{1}{2}$	11	$13\frac{1}{4}$

* Growth rates apply to end-month M0. Comparable figures for weekly averaged M0 over the target period are: $6\frac{1}{2}$ -7 (to mid-February) and $6\frac{1}{2}$ - $7\frac{1}{4}$ (to mid-April)

[‡]The introduction of CHAPS on 9 February may in time allow banks to economise on operational balances. But this is not expected to happen in the near future.

Public Sector Borrowing

7. Over the next three months the 'PSBR' is expected to total £3½ billion, in seasonally adjusted terms, and some £3 billion, unadjusted; on both bases the time profile is extremely uneven. There is a big difference in February, which is expected to show a small unadjusted surplus, but a large deficit after seasonal adjustment. Both sets of figures point to a broadly flat position in March, and heavy borrowing (especially in unadjusted terms) in April. While the unadjusted picture for March and April is remarkably similar to the outturns for the same months last year, especially on the CGBR(O), the seasonally adjusted path is very much more uneven this year.

8. It would be wrong to put too much weight on seasonally adjusted figures at this time of the year; the present adjustments are based on forecasts, and will be revised in the light of the outturns as part of the annual update (May). We are already aware of a discrepancy between the latest PRT forecasts (used to construct the unadjusted figures) and the older forecasts implicit in the seasonals. If the latest forecasts turn out to be right, the recorded figures in March for both the 'PSBR' and (to a much lesser extent) £M3 will understate the true position; the corollary is that the seasonally adjusted figures we now have for recent months may turn out to be an overstatement.

9. The forecasts are derived from the latest calendar month PSBR profiles (which, at this time of year, tend to be updated ahead of the NIF). The only significant receipts from asset sales are £175m for Cable and Wireless in banking March. The assumed £½ billion EC refund has its main effect in April. On lending to the rest of the public sector is forecast to total £1½ billion over the next three months, slightly below the total for the comparable period last year: the implied total for the year to mid April is £5 billion. Local authorities borrowing from central government has been running at a high level since the last week of banking January, and it is expected to exceed the LABR over the forecast period. Table 3 (over page) summarises the outlook for the next three months.

Table 3: Public Sector Borrowing

	£bn s.a.		
	mid-April - mid-January	mid-January - mid-April	mid-April - mid-April
CGBR	+ 9.9	+ 4.2	+14.1
own account	+ 6.6	+ 2.6	+ 9.2
on-lending	+ 3.3	+ 1.6	+ 4.9
'PSBR'*	+ 8.2	+ 3.5	+11.7

* PSBR less non-bank private sector transactions in other public sector debt

Debt Sales(a) Gilts

10. Table 4 compares the January outturn with performance over the nine months since mid-April 1983, and summarises the forecast for the next three months.

Table 4: Gilt Sales

	monthly averages £m		
	Banking January	mid-April 83 - mid-January	mid-January - mid April 84
Gross sales	1347	1345	1250
Redemptions	- 296	- 147	- 257
Next Maturities	- 239	- 159	- 127
Net sales	812	1040	866
of which:			
Monetary sector	- 90	50	22
Public corporations	-	-	-
Overseas	164	75	92
Non-bank private sector	738	915	753

11. Gross sales in banking January totalled almost £1,350 million, compared with a target of £1,250 million. This was a considerable

achievement given that only about £270 million of calls were tied up before the month began. Three main types of instrument dominated our sales - the £500 million of medium-dated tranchettes issued early in calendar December, which sold out at the beginning of the banking month; the package of £300 million low coupon conventionals and £300 million of a new 1990 IG issued over the Christmas break; and at the end of the month the 10% Treasury 1990 convertible into 9½% conversion stock 2004 which was more than fully subscribed. (A full account of gilt operations and yields is given in this month's Financial Markets report). Heavy redemptions and buying-in reduced net sales to about £810 million. But, as forecast, the monetary sector was once again a modest seller of gilts, bringing sales to UK non-banks and to overseas sectors to £900 million, quite close to the monthly average for the year so far.

12. Building societies have probably been heavy buyers of gilts over the past six months, contributing to the slower growth of £M3 (though with no effect on PSL2). The societies were very modest net sellers of gilts in the first half of 1983 but, as their liquidity recovered, they made £640 million of net gilt purchases in 1983 Q3 (a record for any one quarter). The fourth quarter probably saw further high purchases (though there are no reliable figures yet). This would be consistent with our success in funding heavily through shorter stocks and convertibles with a short first leg.

13. The gross sales target for banking February is £1,250 million (and more if possible). Gross sales already achieved and known future calls have brought us to within £75 million of the target. The major contribution to sales this month has come from the £500 million of short-medium tranchettes issued towards the end of January, further demand for low coupon stocks, and a large call on the 1990 convertible sold in the previous month. The response to the 9½% Exchequer 1998 stock was disappointing after US developments brought the market down, leaving the minimum tender price high and dry.

14. In the absence of significant redemptions or buying in this month, we are expecting substantial net sales of over £1,200 million and sales to UK non-banks of over £1 billion. Banking March is rather

different because £800 million of redemptions and buying-in heavily offset the assumed gross sales of £1,250 million, and funding to UK non-banks may be below £500 million. These offsets should be smaller in April; the gross sales target is again assumed to be £1½ billion.

(b) National Savings

15. As expected, inflows in banking January were high, helped by special factors such as the crediting of the 3 per cent supplement on holdings of over £500 in the NSB ordinary account and, maybe, some switching from offshore roll-up funds. Income bonds, which have been heavily advertised, and the 26th issue of conventional certificates together accounted for about 90 per cent of net transactions (excluding interest credited). Outflows from index-linked certificates declined to a trickle around the turn of the year, but have since resumed, possibly on increased expectations of low inflation over the next year. The NSB investment account, which is inside PSL2, has also been attracting moderate net inflows, particularly since January 1st when the introduction of daily logging effectively increased the liquidity of the instrument without a compensating interest rate cut.

16. Over the next three banking months, the income bond is expected to continue to fund at a rate of £25-£30 million per week, while net outflows from index-linked certificates are forecast to settle down to a rate of about £12 million a week. During February and to a lesser extent March, net sales of conventional certificates are likely to be depressed as about £200 million of 18th issue certificates reach maturity. The loss to National Savings is likely to be considerably less; on past form only a proportion will be redeemed on maturity and, of those that are, a significant proportion will be reinvested in the existing 26th issue, which remains attractive, or other National Savings instruments.

17. Total DNS funding may average around £250 million a month over the next three months - total funding during the financial year to mid-January was £2,460 million (seasonally adjusted), and the forecast implies that the £3 billion target will be just met, as it was in 1982-83. But any outturn between £2,900 and £3,100 is still quite possible, and outcomes outside that range cannot be entirely ruled out.

(c) Certificates of Tax Deposits

18. CTDs have made a net contribution to funding in every month but one since banking September, totalling about £235 million in the past five banking months, of which about £70 million came in banking January. This has been achieved despite heavy surrenders of series 5 CTDs. On the assumption that we continue to set rates fairly aggressively, gross inflows should stay high. The forecast is for net purchases (sa) in each of the next three months, despite further high surrenders.

Funding and the PSBR

19. Table 5 shows the funding position (on both the conventional and alternative presentations) over the target period and "financial year" to date, together with the forecast for the next three months. As expected, the PSBR was heavily overfunded in banking January (£1½ billion). Although the (seasonally adjusted) 'PSBR' is forecast to be underfunded by about £½ billion over the next three months, this would still be consistent with overfunding of nearly £2 billion over the twelve months to mid-April, (or about £3 billion including the external finance of the public sector). In unadjusted terms the 'PSBR' is forecast to be overfunded in both February and March, but substantially underfunded in April.

Table 5: The 'PSBR' and the Funding Position

	£billions, seasonally adjusted (figures in brackets are unadjusted)			
	mid-Feb-mid-Jan (target period)	mid-April - mid-Jan	mid-Jan - mid-Apr	mid-April - mid-Apr
'PSBR'	11.0	8.2	3.5	11.7
Debt sales to NBPS(-)	-11.1	-10.5	-3.1	-13.6
of which:				
Gilts	- 8.4	- 8.2	-2.3	-10.5
National Savings	- 2.7	- 2.4	-0.7	- 3.1
CTDs	-	0.1	-0.1	-
Over(-)Underfunding(+)	- 0.1(0.6)	- 2.3(-2.2)	0.4(0.1)	-1.9(-2.1)
External finance of public sector (-)	- 1.0	- 0.7	-0.3	- 1.0
Funding (alternative definition)	- 1.1	- 3.0	0.1	- 2.9

Money Market Influences

20. Total money market influences were contractionary by over £1½ billion in banking January, reflecting mainly the large unadjusted CGBR surplus. The total volume of eligible commercial bills rose by nearly £¾ billion during the month, and those in official hands by £1½ billion, taking the outstanding stock of assistance to almost £10 billion. Issue Department's holdings of commercial bills alone totalled £8.8 billion on make-up day, the highest end-month figure yet recorded. As a consequence, Issue Department's ways and means advances were run down, and the NLF has deposited surplus balances with Banking Department on a number of occasions since 20 January.

21. The stock of money market assistance is projected to rise by a further £2 billion over the next two months. The main influences are seasonally low CGBR's, in February and March, and high net official sales of gilts, especially in February. In banking April the money market position should ease significantly as the CGBR swings back into heavy deficit.

Lending to the Private Sector

22. Both recorded and underlying lending were unexpectedly low in banking January, following the erratically sharp jump in December. On a longer view, however, the evidence is still consistent with the monthly projection of underlying lending of £1.3 billion made a month ago, since the upward revision to the forecast looked, at the time, a rather cautious one. Table 6 compares recent actuals with two indicators of the underlying trend. The first, a simple six month moving average of the actuals, clearly points to some acceleration in the trend since the summer (see also chart 2). The second is a six month moving average of what we normally mean by "underlying lending", ie. the recorded figure adjusted for erratic movements in the PSBR. (Chart 3 illustrates the marked past correlation between abnormally high PSBR's and low recorded lending figures). This measure suggests that at least some of the apparent acceleration in lending may have been induced by the profile of the PSBR through the year.

CHART 2

RECORDED STERLING LENDING

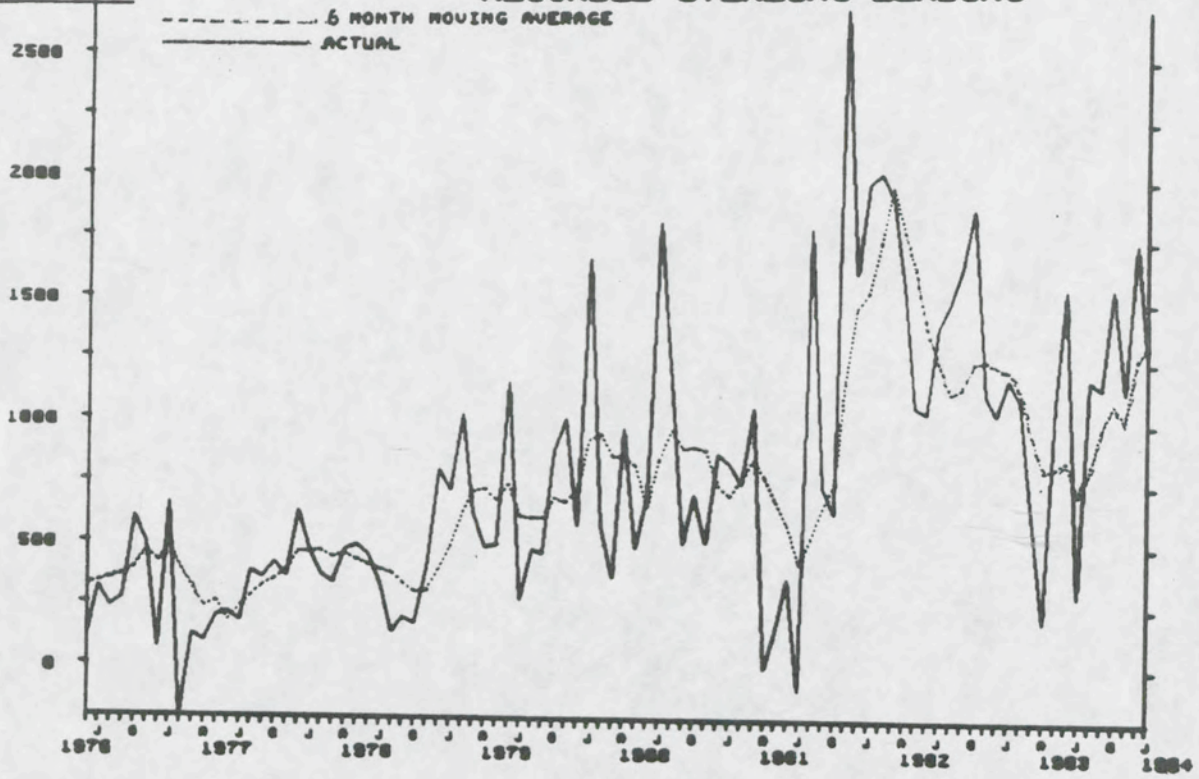


CHART 3

RECORDED LENDING AND PSBR SHOCKS

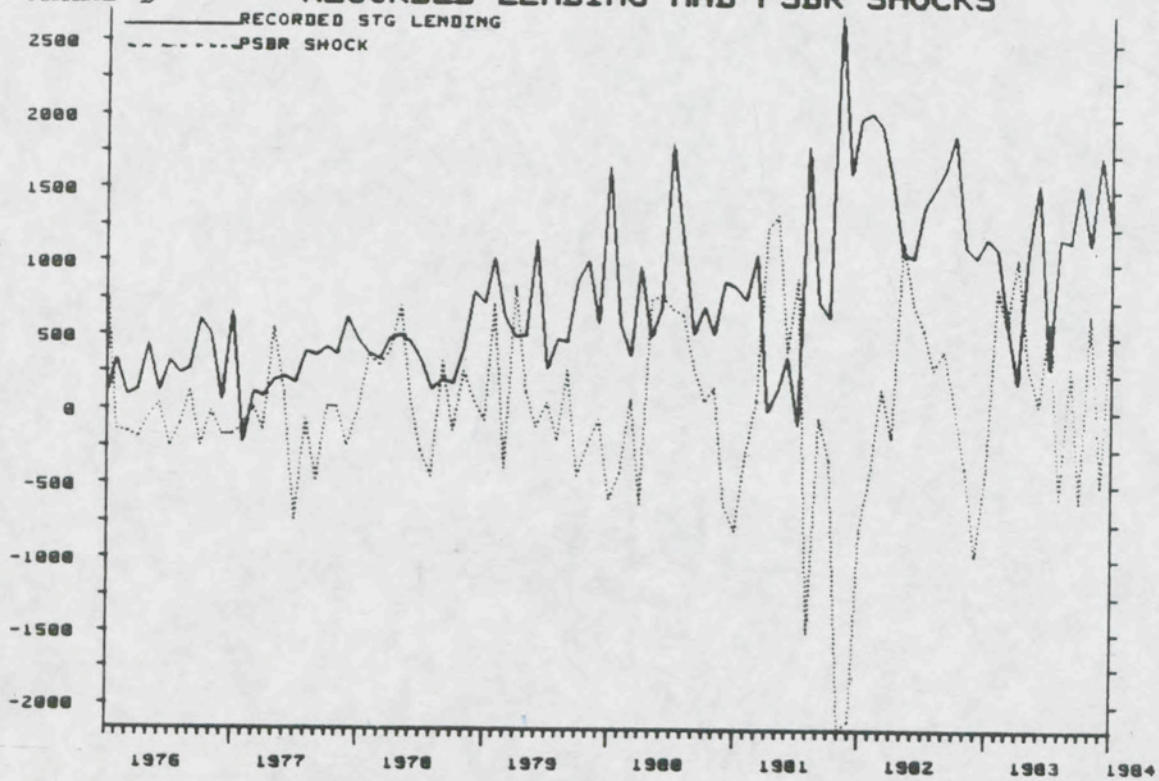


Table 6: Recorded and Underlying Lending

Banking month data				£m, sa
	Recorded bank lending	6 month moving average of recorded lending	6 month moving average of "underlying" lending	
1983 May	1087	831	1017	
June	1559	861	1204	
July	304	716	1155	
August	1185	821	1029	
September	1154	991	1087	
October	1561	1088	1150	
November	1138	1026	1194	
December	1747	1278	1172	} 1258
1984 January	1275	1332	1344	

23. Monthly figures provide little useful information about the composition of lending. Fortunately, the quarterly series provides a reasonably up-to-date breakdown this month. The latest figures, summarised in table 7, show a fairly clear increase in lending for personal consumption in the second half of the year, and a marked turn round in borrowing by ICC's. But there is no clear upward movement, and some signs of a fall, in other forms of lending.

Table 7: The Sectoral Composition of £ Lending to the Private Sector

Calendar quarterly data				(£m, sa)			
	Persons		Unincorporated Businesses	Total Personal Sector	OFIs*	ICCs*	Total
	House Purchase	Consump- tion					
1983 Q1	884	410	633	1927	542	-495	1974
Q2	990	576	851	2417	810	37	3264
Q3	1020	729	645	2394	940	444	3735
Q4	710	1096	250	2056	590	1422	3923
% increase in stock, 1983 on 1982:	33%	22%	20%	24%	23%	4%	16%

* The figure for OFIs and ICCs take account of the banks reclassification of lending to leasing companies from ICCs to OFIs from December 1983.

24. Other evidence on consumer borrowing is more difficult to interpret. The DTI series for HP and other consumer credit accelerated sharply in Q4, but this could also reflect higher lending to companies and unincorporated businesses, which is (indistinguishably) included within the DTI figures.

25. Net capital issues by UK listed companies reached a record £2.8 billion in 1983. The Q4 figure was, however, sharply down - possibly the result of seasonal factors, as well as the upturn in bank borrowing. The Bank's new issues queue nearly doubled in January, no doubt encouraged by the strength of equity prices, as well as the need to get in ahead of the large public sector asset disposals planned for the Summer and Autumn.

Table 8: Net Issues by Listed UK Companies

	Monthly averages (not seasonally adjusted)	
	<u>Total Net Issues £m</u>	<u>Gross Issues Queue* (Equities)</u>
1983 Q1	209	610
Q2	312	950
Q3	314	670
Q4	98	500
1983 December	3	500
1984 January	60	920

* Excludes privatisations (currently 4548, mostly British Telecom).

26. The forecast for bank lending assumes a flat underlying trend of £1.3 billion a month; but the monthly path may be very erratic, reflecting the uneven path of the PSBR, with the possibility of very low outturns in February and April, and an exceptionally large increase in March. The March figure could also be swollen by BAT, who are due to borrow up to £470 million to pay for Eagle Star. But about one-third of the money is likely to be converted into Deutschmarks, and we have taken the view that the net effect on £M3 is likely to be negligible over the banking month as a whole.

Building Societies

27. Retail inflows in banking January, excluding interest credited, reached £1091 million. This very high level probably reflects two factors, other than the overall competitiveness of building society accounts: money switched out of offshore roll-up funds at the turn of the year; and the improved terms on some of the societies' notice accounts. Two of the top five societies have reduced the required notice on what were previously three month notice accounts to 28 days, artificially boosting the M2 series in the process. There may be a further £5-6 billion of similar two or three month notice accounts remaining with the other societies, but it is not clear at present whether they will wish to compete by reducing the notice period. Wholesale deposits raised about £90 million during the month, a substantial decline on earlier months.

28. The recent success of the building societies (and National Savings) in attracting funds has been at the expense of the banks.

Table 9: Changes in Personal Sector Sterling Bank Deposits

Calendar quarterly data	£m, s.a.		
	<u>1983 Q3</u>	<u>1983 Q4</u>	<u>(1983 H2)</u>
Sight deposits	+427	-163	+ 264
Time deposits	-513	-563	-1067
Total	- 86	-726	- 812

Table 9 shows that personal sector time deposits declined fairly rapidly during the second half of 1983, and the decline spread to sight deposits in Q4. With lending to the private sector buoyant, banks have had to rely on attracting deposits from companies (especially ICC's, whose interest bearing sight deposits rose by a massive £1½ billion in Q4 alone). Since record inflows have probably allowed building societies to make heavy purchases of gilts, thus depressing bank lending to the public sector, the net effect has probably been to reduce £M3, as well as to increase the marginal cost of funds to the banks.

29. The demand for the building societies' mortgages remains strong, and a recent article and press release from the BSA suggested that there is considerable further potential demand which could be stimulated by the societies, and hinted that the societies would prefer to meet this demand rather than reduce their interest rates. In these circumstances, the likelihood of a general cut in building society rates looks increasingly remote, despite the backing of the Halifax and Abbey National for such a cut. These two societies have a differential mortgage rate structure (unlike, say, the Woolwich and Nationwide) and may be unable to invest their current inflow of funds in mortgages as fast as they would like. On the other hand, they are probably unwilling to reduce their rates unilaterally.

Table 10: Building Society Inflows

monthly rate, £m	<u>mid-June - mid-Sept</u>	<u>mid-Sept - mid-Jan</u>	<u>Forecast: mid-Jan - mid-April</u>
Total retail inflows (incl. interest credited)	1000	1250	1175
of which: term shares (outside PSL2)	250	375	250
Net issues of CDs and time deposits	200	150	125
of which: net purchases by NBPS (inside PSL2)	80	75	75

The forecast of building society inflows (Table 10) shows only a small decline from recent months, as the one-off effect of inflows from offshore roll-up funds wears off.

Table A: Percentage Changes in Monetary Aggregates
Seasonally adjusted data

Banking month	Wide monetary base (M0)	NIB M1	M1	M2*	Priv £M3	£M3	M3	PSL2	PSL2A
Outturn									
- August	+ 0.7	-	+ 0.8	- 0.5	+ 0.5	+ 0.2	+ 0.1	+ 0.8	+ 0.7
- September	+ 1.0	+ 0.9	- 0.2	+ 0.1	- 0.1	- 0.5	- 0.4	+ 0.2	+ 0.4
- October	-	+ 0.5	+ 1.5	+ 0.6	+ 1.3	+ 1.4	+ 1.8	+ 1.0	+ 1.2
- November	+ 1.0	+ 0.4	+ 0.6	+ 0.2	+ 0.2	+ 0.6	+ 0.8	+ 0.4	+ 0.6
- December	-	+ 2.0	+ 1.6	+ 2.7	+ 1.5	+ 1.3	+ 2.3	+ 1.0	+ 1.1
- January 1984	- 0.4	- 1.4	- 0.2	+ 0.3	+ 0.3	+ 0.6	+ 0.8	+ 1.1	+ 1.1
Last 3 months at annual rate	+ 2.6	+ 4.2	+ 8.1	• •	+ 8.1	+ 10.4	+ 17.1	+ 10.7	+ 11.9
Last 11 months (target period) at annual rate	+ 5.6	+ 8.3	+ 11.4	• •	+ 10.5	+ 10.7	+ 12.4	+ 12.2	+ 12.5
Last 12 months	+ 5.7	+ 9.0	+ 11.1	+ 9.7	+ 10.5	+ 10.5	+ 12.7	+ 12.9	+ 13.1
Forecast									
(i) Percentage change in month									
- February	)	)	)	)	+ 0.9	+ 0.9		+ 1.5	+ 1.4
- March	) $\frac{1}{2}$ - $\frac{3}{4}$ per cent	)	) $1\frac{1}{4}$ per cent	)	+ 1.0	+ 0.9		+ 1.3	+ 1.3
- April	) a month	)	) a month	)	+ 1.1	+ 1.1		+ 1.3	+ 1.3
(ii) Percentage change since Feb 1983 (annual rate)									
- February	+ 5.8	+ 11.8			+ 10.6	+ 10.8		+ 12.8	+ 13.0
- March	+ 5.9	+ 12.1			+ 10.7	+ 10.8		+ 13.1	+ 13.3
- April	+ 6.0	+ 12.4			+ 11.0	+ 11.0		+ 13.3	+ 13.5

*Revised definition; not seasonally adjusted

SECRET AND PERSONAL UNTIL 2.30PM, THURSDAY

£ millions
seasonally
adjusted

Table B: £M3 Counterparts

	JANUARY		Forecast			Target Period:	
	Forecast	Outturn	Feb	Mar	Apr	mid Feb 83 to mid - Apr 84	mid - April 83 to mid - Apr 84
1. CGBR							
(a) Own-account	- 375	- 169	+1725	- 545	+1455	+10849	+ 9233
(b) On-lending	+ 340	+ 362	+ 305	+ 720	+ 570	+ 6921	+ 4841
TOTAL	- 35	+ 193	+2030	+ 175	+2025	+17770	+14074
2. Net purchases of CG debt by NBPS							
(a) Gilts	- 715	- 738	-1045	- 490	- 725	-10624	-10470
(b) Treasury bills	-	- 10	-	-	-	- 6	- 12
(c) National Savings	- 325	- 360	- 250	- 280	- 210	- 3457	- 3132
(d) CTDs, etc	- 70	- 66	- 50	- 15	- 15	- 122	+ 31
TOTAL	-1110	-1174	-1345	- 785	- 950	-14209	-13583
3. Other public sector							
(a) Local authorities	- 330	- 421	- 175	- 85	- 360	- 2732	- 2059
(b) Public corporations	+ 115	- 17	- 90	- 235	+ 220	- 468	- 324
TOTAL	- 215	- 438	- 265	- 320	- 140	- 3200	- 2383
4. £ lending to private sector	+2025	+1275	+ 860	+2070	+ 450	+15230	+14396
(adjusted lending)	(+1350)	(+ 460)	(+1300)	(+1300)	(+1300)		
5. Net externals	- 60	+ 1339	+ 100	- 10	- 25	+ 418	+ 254
6. Net non-deposit liabilities	-	- 574	- 250	- 250	- 250	+ 4009	- 3280
TOTAL £M3	+ 605	+ 621	+ 930	+ 880	+1110	+12000	+ 9478
% change in period	+ 0.6	+ 0.6	+ 0.9	+ 0.9	+ 1.1	+ 11.0(a.o.r.)	+ 9.9

TABLE C: COMPONENTS OF M1 AND £M3

(£ million, seasonally adjusted)

	<u>banking January</u>	<u>Cumulative total since mid-February</u> %
notes and coin in circulation	- 5	+ 505 (+ 5.0)
non-interest-bearing £ sight deposits	- 423	+ 1688 (+10.4)
<hr/>		
NIB M1	- 428	+ 2193 (+ 8.3)
interest bearing £ sight deposits	+ 344	+ 1832 (+20.4)
<hr/>		
M1	- 84	+ 4025 (+11.4)
private sector £ time deposits and £CDs	+ 387	+ 4667 (+ 9.8)
<hr/>		
private sector £M3	+ 303	+ 8692 (+10.5)
public sector £ deposits	+ 318	+ 388 (+15.3)
<hr/>		
£M3	+ 621	+ 9080 (+10.7)

(Figures in brackets show % change at annual rate over target period)

SECRET AND PERSONAL UNTIL 2.30 PM, THURSDAY 16 FEBRUARY 1984)

Table D : Gilts

	£ million					
	<u>Outturn</u> <u>JAN</u>	<u>FEB</u> <u>to date</u>	<u>Remainder</u> <u>of FEB</u>	<u>FEB</u>	<u>Forecast</u> <u>MAR</u>	<u>APR</u>
Calls*	+ 354	-	+ 423	+ 423	+ 271	-
Other 'gross' sales	+ 993	+ 750	+ 77	+ 827	+ 979	+1250
'GROSS' SALES	+1347	+ 750	+ 500	+1250	+1250	+1250
Buying-in next maturities ^φ	- 239	+ 20	-	+ 20	- 100	- 300
Redemptions	- 296	- 50	-	- 50	- 720	-
TOTAL NET SALES	+ 812	+ 720	+ 500	+1220	+ 430	- 950
Purchases (-) by:						
Overseas	- 164			- 125	-	- 150
Banks	+ 38			} - 50	+ 60	- 75
LDMA	+ 52					
Public Corporations	-			-	-	-
NET SALES TO NBPS (+)	+ 738			+1045	+ 490	+ 725

* of which calls on:

- 10% Treasury 1990

-

-

^φ of which, buying in of:

- 14% Exchequer 1984

-

+ 423 + 271

- 100 - 300

Table E : Sterling lending to the private sector

	<u>£ million</u> <u>Seasonally adjusted</u>					
	<u>Actual</u>			<u>Forecast</u>		
	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>
<u>Adjusted lending</u>	+1568	+1538	+460	+1300	+1300	+1300
Bills held by NBPS(-)	- 35	- 18	+208	+ 50	+ 50	- 150
PSBR offset	- 395	+ 227	+607	- 490	+ 620	- 700
Other	-	-	-	-	+ 100*	-
	—	—	—	—	—	—
Actual/forecast recorded lending	+1138	+1747	+1275	+ 860	+2070	+ 450
	=	=	=	=	=	=
Centered 3-month moving average of adjusted lending	+1508	+1189	+1099	+1020	+1300	

* Borrowing by BAT o/a take-over of Eagle Star

Table F: Money Market Influences

	£ million not seasonally adjusted			
	Actual	Forecast		
	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>
A. <u>Money market influences</u>				
CGBR (increase +)	-1234	- 155	+ 190	+3600
Reserves etc (+)	- 58	+ 90	-	- 115
Notes and coin (-)	+ 769	- 75	- 125	- 385
National Savings (-)	- 370	- 280	- 295	- 225
CTDs (-)	+ 265	+ 175	- 75	- 90
Gilts (-)	- 812	-1220	- 430	- 950
Other Exchequer items etc	- 236	-	-	-
	—	—	—	—
TOTAL MONEY MARKET INFLUENCES (Market surplus + / shortage -)	<u>-1676</u>	<u>-1465</u>	<u>- 735</u>	<u>+1835</u>
B. <u>Money market operations</u>				
Commercial bills (purchase +)				
- Issue Department	+1623			
- Banking Department	- 131			
LA bills (purchase +)				
- Issue Department	+ 125			
- Banking Department	-			
Treasury bills (purchase +)	+ 11			
Market advances	+ 9			
Other	-			
	—	—	—	—
TOTAL MONEY MARKET OPERATIONS	<u>+1637</u>	<u>+1523</u>	<u>+ 735</u>	<u>-1835</u>
Change in bankers' balances	- 39	+ 58	-	-
TOTAL ASSISTANCE OUTSTANDING*	9979	11502	12237	10402

* excluding Treasury bills

SECRET

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
TARGET AGGREGATES									
<u>£M3</u> Monthly change (£ millions)	+540	+1,611	+796	+157	-460	+1,415	+552	+1,326	+621
Monthly % change	+0.6	+1.7	+0.8	+0.2	-0.5	+1.4	+0.6	+1.3	+0.6
3-monthly % change A.R.	+13.8	+16.9	+12.9	+11.1	+2.0	+4.6	+6.3	+14.1	+10.4
6-monthly % change A.R.	+11.2	+13.7	+13.6	+12.5	+9.2	+8.7	+8.7	+7.9	+7.5
12-monthly % change	+11.0	+11.7	+12.5	+11.5	+9.6	+9.6	+9.9	+10.8	+10.5
% change since Feb-83 A.R.	+13.8	+15.9	+14.7	+12.5	+9.7	+10.8	+10.4	+11.0	+10.7
<u>M1</u> Monthly change (£ millions)	+578	+954	-153	+347	-82	+633	+250	+655	-84
Monthly % change	+1.5	+2.4	-0.4	+0.8	-0.2	+1.5	+0.6	+1.6	-0.2
3-monthly % change A.R.	+16.5	+22.0	+14.6	+11.9	+1.1	+9.1	+8.0	+15.8	+8.1
6-monthly % change A.R.	+13.8	+16.8	+13.8	+14.2	+11.0	+11.8	+9.9	+8.2	+8.6
12-monthly % change	+16.0	+15.9	+15.0	+13.8	+12.4	+11.2	+11.9	+12.4	+11.1
% change since Feb-83 A.R.	+16.5	+20.3	+14.9	+14.2	+11.6	+12.7	+12.1	+12.9	+11.4
<u>PSL2</u> Monthly change (£ millions)	+1,046	+1,654	+1,362	+1,231	+257	+1,664	+722	+1,682	+1,776
Monthly % change	+0.7	+1.1	+0.9	+0.8	+0.2	+1.0	+0.4	+1.0	+1.1
3-monthly % change A.R.	+18.2	+16.0	+10.9	+11.3	+7.4	+8.2	+6.8	+10.5	+10.7
6-monthly % change A.R.	+15.9	+17.4	+16.6	+14.7	+11.6	+9.5	+9.0	+8.9	+9.4
12-monthly % change	+11.5	+11.9	+13.0	+13.0	+12.0	+12.2	+12.4	+13.1	+12.9
% change since Feb-83 A.R.	+18.2	+17.0	+15.7	+14.7	+12.8	+12.8	+12.0	+12.1	+12.2
<u>Levels</u> : £M3	95,950	97,523	98,296	98,417	98,018	99,436	99,997	101,541	102,181
M1	40,209	41,140	40,963	41,286	41,204	41,814	42,041	42,686	42,579
PSL2	156,674	158,265	159,573	160,742	161,034	162,679	163,388	165,263	166,035

SECRET

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
MO COMPONENTS (£m)									
Notes and coin in circulation (S.A.)	+41	+99	-30	+71	+106	+41	+80	-9	-5
Banks' Till money (NFT) (S.A.)	+56	+49	+25	-10	+24	-23	-14	+58	-5
Operational Bankers' Balances	-61	+127	-105	+30	+1	-14	+64	-49	-39
Total MO (S.A.)	+56	+275	-110	+91	+131	+4	+130	-	-49
MO Monthly change (£ millions)	+56	+275	-110	+91	+131	+4	+130	-	-49
Monthly % change	+0.5	+2.2	-0.9	+0.7	+1.0	-	+1.0	-	-0.4
3-monthly % change A.R.	+5.2	+9.0	+7.3	+8.5	+3.6	+7.4	+8.6	+4.3	+2.6
6-monthly % change A.R.	+5.3	+8.0	+6.5	+6.8	+6.3	+7.4	+8.6	+3.9	+4.9
12-monthly % change	+6.2	+7.3	+6.0	+6.4	+6.0	+6.3	+6.9	+5.9	+5.7
% change since Feb-83 A.R.	+5.2	+10.9	+6.4	+6.8	+7.7	+6.8	+7.4	+6.7	+5.6
OTHER NARROW MEASURES									
NIB M1 Monthly change (£ millions)	+105	+360	+365	+3	+271	+144	+121	+623	-428
Monthly % change	+0.4	+1.2	+1.2	-	+0.9	+0.5	+0.4	+2.0	-1.4
3-monthly % change A.R.	+10.6	+7.9	+11.7	+10.2	+8.8	+5.6	+7.3	+12.2	+4.2
6-monthly % change A.R.	+7.7	+8.0	+13.2	+10.4	+8.3	+8.6	+8.7	+10.5	+4.9
12-monthly % change	+11.5	+10.5	+10.7	+10.2	+9.1	+4.9	+8.2	+9.2	+9.0
% change since Feb-83 A.R.	+10.6	+11.8	+12.6	+10.4	+10.5	+9.9	+9.3	+11.0	+8.3
M2 (NOT seasonally adjusted)									
MONTHLY CHANGES (£ MILLIONS)	+577	+1096	+1073	-563	+98	+711	+171	+3111	+354
LEVELS	110130	111226	112299	111736	111854	112565	112736		
								
							113494	116615	116969
MONTHLY % CHANGE	0.5	+1.0	+1.0	-0.5	+0.1	+0.6	+0.2	+2.7	+0.3
12 MONTHLY % CHANGE	+8.1	+8.1	+8.0	+7.9	+7.6	+6.6	+7.3	+8.9	+9.7

SECRET

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
OTHER WIDE MEASURES									
M3 Monthly change (£ millions)	+335	+1,804	+1013	+157	-433	+1,978	+951	+2,646	+983
Monthly % change	+0.3	+1.7	+0.9	+0.1	-0.4	+1.8	+0.8	+2.3	+0.8
3-monthly % change A.R.	+11.4	+13.5	+12.1	+11.3	+2.7	+6.2	+9.2	+22.5	+17.1
6-monthly % change A.R.	+12.4	+13.3	+14.0	+11.4	+7.9	+9.1	+10.3	+11.7	+11.5
12-monthly % change	+12.2	+13.1	+13.1	+12.4	+11.2	+11.1	+11.3	+12.5	+12.7
% change since Feb-83 A.R.	+11.4	+13.9	+13.4	+11.4	+8.9	+10.7	+10.6	+12.6	+12.4
£M3 Excl Public Sector Deposits (S.A.)									
Monthly change (£ millions)	+558	+1,276	+635	+434	-59	+1,218	+175	+1,435	+303
Monthly % change	+0.6	+1.4	+0.7	+0.5	-0.1	+1.3	+0.2	+1.5	+0.3
% change since Feb-83 A.R.	+15.2	+15.8	+14.3	+12.8	+10.7	+11.4	+10.3	+11.2	+10.5
PSL1 Monthly change (£ millions)	+306	+1,169	+444	+564	-183	+1,278	+167	+1,261	+111
Monthly % change	+0.3	+1.2	+0.4	+0.6	-0.2	+1.3	+0.2	+1.2	+0.1
3-monthly % change A.R.	+17.2	+16.2	+8.1	+9.2	+3.4	+6.8	+5.2	+11.3	+6.2
6-monthly % change A.R.	+12.5	+14.4	+14.1	+13.1	+9.6	+7.5	+7.2	+7.3	+6.5
12-monthly % change	+10.4	+10.7	+11.4	+10.8	+9.1	+9.4	+9.8	+10.8	+10.3
% change since Feb-83 A.R.	+17.2	+16.7	+14.4	+13.1	+10.8	+11.5	+10.4	+10.9	+10.0
PSL2A Monthly change (£ millions)	+1,042	+1,676	+1,493	+1,330	+798	+2,244	+1,107	+1,980	+2,092
Monthly % change	+0.6	+1.0	+0.8	+0.7	+0.4	+1.3	+0.6	+1.1	+1.1
3-monthly % change A.R.	+16.4	+14.4	+10.1	+10.7	+8.5	+10.2	+9.6	+12.4	+11.9
6-monthly % change A.R.	+15.6	+16.3	+15.3	+13.5	+11.4	+10.2	+10.2	+10.4	+11.0
12-monthly % change	+13.6	+13.8	+14.1	+13.7	+12.8	+12.8	+12.8	+13.3	+13.1
% change since Feb-83 A.R.	+16.4	+15.3	+14.4	+13.5	+12.3	+12.8	+12.2	+12.4	+12.5

Monetary growth since mid February 1983

CHART A

Per cent
24 -

Seasonally adjusted
- 24

20 -

- 20

16 -

- 16

12 -

- 12

8 -

- 8

4 -

- 4

0 -

- 0

-4

-4

M J S D M

1983

1984

Projected

