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## MONTHLY MONETARY REPORT: FEBRUARY-MAY

SUMMARY

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

- with the exception of PSL2, monetary growth was less than expected in February. Over the year to mid-February, £M3 was well within the target range, M1 at the top and PSL2 less than  $1\frac{1}{2}$  per cent outside the range. Despite fairly low growth in the last three months, the trend in M0 still looks fairly flat
- over the next three months the growth in £M3 (on the new definition) is expected to average 1 per cent a month, slightly less on the old definition. PSL2 may continue to grow more rapidly, even if, as we assume, building societies widen their margins (by about  $\frac{1}{4}$  per cent) when the likely fall in the general level of short term rates materialises. There may also be some shift out of M2, if the societies also trim back special premia. Lower interest rates may keep the average growth of M0 around  $\frac{1}{2}$  per cent a month
- the record rate of inflow into building societies continued in banking February. Advances are still growing strongly, and net new commitments have been steady at the high level reached at the end of last year. The mortgage rate looks set to fall from 1 April
- sterling bank lending to the private sector was much as expected in February, and underlying growth is forecast to level off over the next three months
- despite overfunding of about £2 billion since mid-July, the 'PSBR' has been slightly less than fully funded over the target period. If the £1 $\frac{1}{4}$  billion gross gilt sales target is met, public sector influences on monetary growth may be broadly in balance over the forecast period as a whole, though the path may be erratic
- the stock of money market assistance reached £11 $\frac{3}{4}$  billion during February, and may peak at over £12 billion in March (a record). Pressures should ease in April as the unadjusted CGBR swings into heavy deficit
- the externals and net non-deposit liabilities have been notably erratic in the last two months. Over a longer period, forecast errors have been broadly offsetting, but the February £M3 outturn was depressed by a large interbank reporting difference, which should be unwound in March.

## MONTHLY MONETARY REPORT: FEBRUARY-MAY

Monetary Aggregates

Monetary growth in banking February was well below expectations - with the exception of PSL2, which continues to grow rapidly. This month's figures left the target period growth rate of £M3 well within the range, with M1 at the top and PSL2 within 2 per cent of the top. The 6-month growth of M1 and £M3 has fallen in recent months, but the growth of PSL2 continues to move up. Among the other aggregates, the growth of weekly averaged M0 has slowed down over the last 3 months, but on a 6-month basis the trend remains fairly flat. The low February outturn for M2 has brought its year-on-year growth back to 9 per cent (around 7½ per cent, after allowing for the recent reclassification of building society deposits).

Table 1: Main Aggregates: recent experience

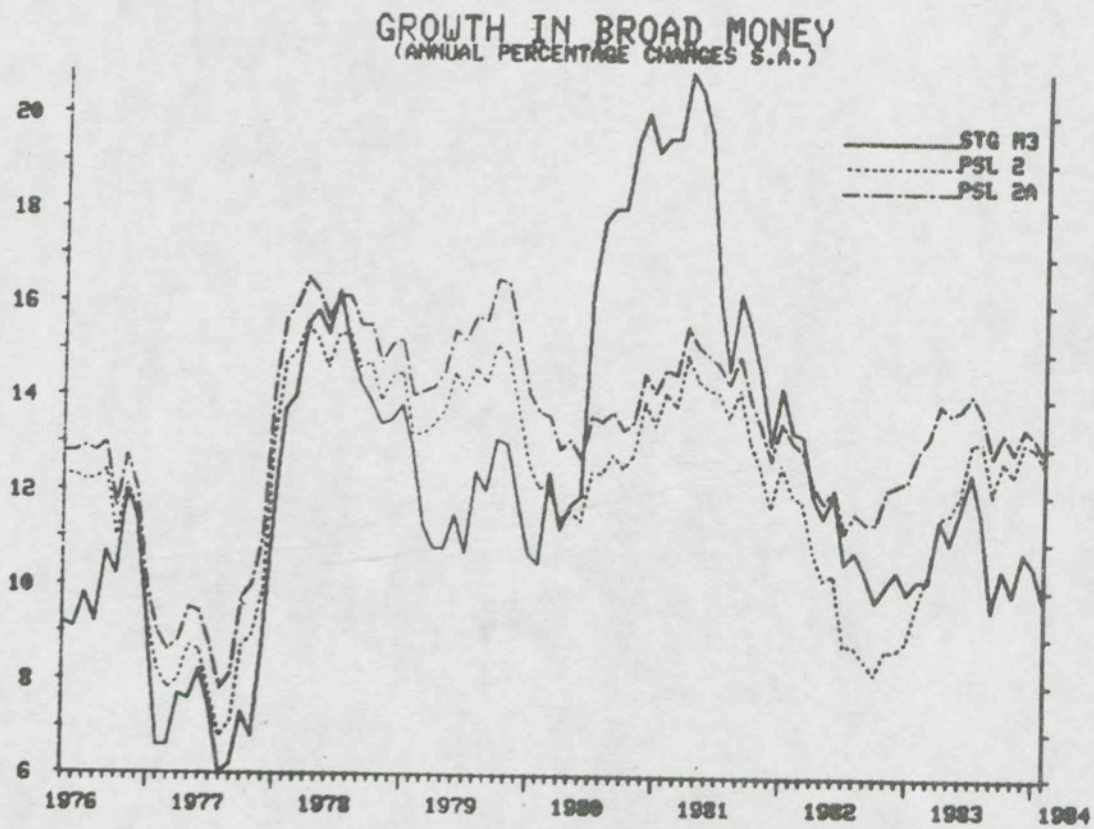
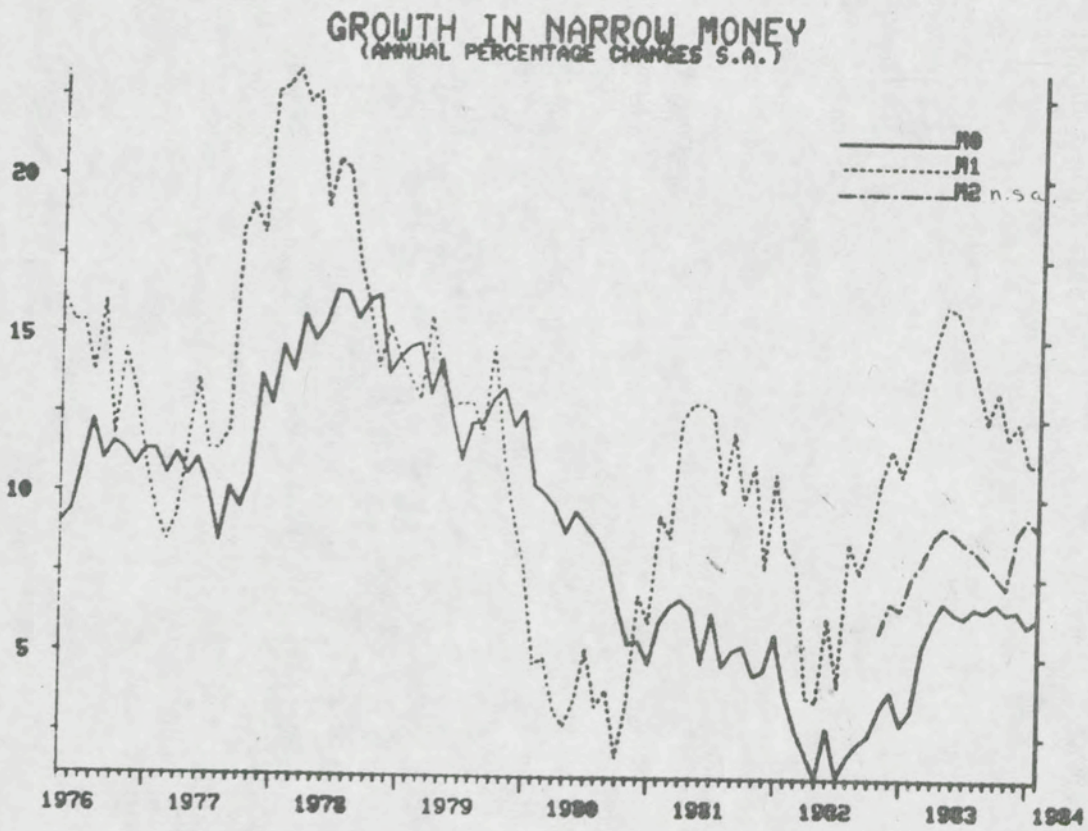
	(per cent, seasonally adjusted)				
	M1	£M3	PSL2	M0 (Weekly Averaged)	M2*
monthly change:					
January	-0.2	+0.6	+1.2	+0.4	+0.3
February	+0.7	-	+1.2	+0.2	-
growth at an annual rate over past:-					
3 months	+8.4	+7.9	+14.4	+3.7	-
6 months	+8.2	+7.1	+10.5	+6.3	-
12 months (target period to date)	+11.1	+9.7	+12.3	+6.3	9.0

\* 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 money.

2. The evidence for a decline in the growth in the narrower aggregates is still mixed. The growth of M1 and its non-interest bearing component NIB M1 has clearly fallen since the middle of last year. While the growth of notes and coin in circulation with the public also seems to have come down, this has not yet been clearly reflected

CHART 1



in the behaviour of M0. Recent revisions to the M2 series suggest that it was growing more rapidly in the first half of last year than we thought at the time; but any easing since then has been fairly slight, even after adjusting for the most recent classification changes.

3. Since the Autumn, £M3 has been the slowest growing measure of broad money (the redefinition to exclude public sector deposits makes little difference to this pattern). The growth of total M3 has now fallen back a little, but the three month growth rate is still over 15½ per cent (with the target period growth rate around 11½ per cent). Once again the faster rise in PSL2 principally reflects high inflows into building societies; the banking February inflow was again over £1 billion, similar to January's record level.

4. In contrast to recent months, the public sector's contribution to £M3 growth was expansionary in February. There has been total overfunding of around £2 billion since mid-July, though over the target period as a whole, the 'PSBR' has been underfunded by about £½ billion. The underlying growth in bank lending was fairly well in line with expectations, though the recorded figures were inflated by borrowing by BAT to finance the purchase of Eagle Star at the very end of the banking month (much of which will be offset by a negative influence on the externals in March, as the proceeds are paid abroad). The trend in bank lending may be levelling off, though it remains at a higher level than in the first half of 1983. Building Societies lending continues to grow rapidly. While the increase in net new commitments has flattened off, it shows no signs of falling back.

5. The February outturn for £M3 was depressed by an erratically large increase in net non-deposit liabilities, in part due to a sizeable negative interbank reporting difference, which is likely to be unwound the following month. Taken together, our forecasts for the externals and NNDL's have not been biased over the past 6 months. But there have been offsetting errors and we do seem to have underestimated the growth in NNDL's, some of which has been due to increases in foreign currency capital and reserves, which probably have a positive impact on the externals.

6. Some further change in the general level of short term interest rates looks likely, but this is unlikely to have much effect on monetary

growth over the next three months. We assume that building societies will take the opportunity to increase their margins (by about  $\frac{1}{4}$  per cent), following the recent ruling on the taxation of their holdings of gilts. This could mean a slackening in the pace of inflows and, if it takes the form of reducing special premium rates, possibly some switching out of M2. But we expect the relatively rapid growth of PSL2 to continue for the time being.

7. The growth in private sector £M3 is expected to average about 1 per cent a month over the period as a whole, reflecting a fairly flat public sector contribution and an unchanged trend in bank lending. The March outturn may be inflated by the unwinding of special factors affecting February. Growth on the old definition of £M3 may be slightly lower, since local authorities normally run down their bank deposits at this time of year. Lower interest rates may prevent the growth of M0 falling below its recent trend of around  $\frac{1}{2}$  per cent a month. We are not in a position to forecast M2: growth averaging slightly less than  $\frac{3}{4}$  per cent a month would be broadly in line with recent trends (abstracting from classification changes - though we know that at least one further fairly small change of this kind is in the pipeline).

Table 2: Summary of the Forecast

monthly change:	percentage changes				
	<u>M0*</u>	<u>M1</u>	<u>Private £M3</u>	<u>£M3</u>	<u>PSL2</u>
March	) $\frac{1}{2}$ per	) $1\frac{1}{4}$ per	$1\frac{1}{4}$	1	$1\frac{1}{2}$
April	)cent	)cent	1	$\frac{3}{4}$	$1\frac{1}{2}$
May	) a	) a	$\frac{3}{4}$	n/a	$1\frac{1}{4}$
	)month	)month			
growth at an annual rate:					
mid-Feb '83 - mid-Apr '84 (Full 14 months of <u>old target period</u> )	$6\frac{1}{4}$	$11\frac{3}{4}$	$10\frac{1}{4}$	10	$13\frac{1}{2}$
mid-Feb '84 - mid-May '84 (First 3 months of <u>new target period</u> )	$6\frac{1}{4}$	n/a	$12\frac{1}{2}$	n/a	$18\frac{1}{2}$

\* weekly averaged basis

Public Sector Borrowing

8. In seasonally adjusted terms the 'PSBR' was over £1 $\frac{3}{4}$  billion in banking February, a little larger than forecast, reflecting a higher than expected other public sector contribution. Over the next three months the 'PSBR' is forecast to total some £2 $\frac{3}{4}$  billion seasonally adjusted, over £4 billion unadjusted. Banking March is still expected to be flat, on both the 'PSBR' and the CGBR.

9. The unadjusted CGBR(0) profile remains extremely erratic over the next three months, accentuated by erratic forecast movements in central government bank deposits. From a surplus of almost £1 billion in March, a deficit of £3 billion is expected in April, despite assumed receipts of £400 million from the EC refund. The May figures make no allowance for additional asset sales, the timing of which is still uncertain. On-lending to the rest of the public sector may amount to just over £1 $\frac{1}{2}$  billion in the next three months. This is about £ $\frac{3}{4}$  billion less than in the corresponding period last year, but still sufficient to meet the other public sector's combined borrowing requirement. Borrowing from the central government is expected to match the LABR, but even so the local authorities are expected to raise a further £ $\frac{1}{4}$  billion from the non-bank private sector (which will depress £M3). This reflects well established behaviour at this time of year which may be linked with the absence of rate income in calendar March and April.

Table 3: Public Sector Borrowing

	£bn s.a.		
	<u>mid-April - mid-February</u>	<u>mid-February - mid-May</u>	<u>mid-April - mid-April**</u>
CGBR	+11.7	+ 3.2	+13.3
own-account	+ 8.0	+ 1.6	+ 8.5
on-lending	+ 3.7	+ 1.6	+ 4.8
'PSBR'*	+10.0	+ 2.8	+11.3

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

\*\* Adjusted to include the effect of movements in public sector deposits.

10. Table 3 shows total public sector borrowing over the latest 10 banking months and summarises the forecast and its implications for the 'financial year' (the 12 banking months to mid-April). Although the forecast has been prepared on the basis of the revised definitions of £M3 and the PSBR, the relevant data in the table have been adjusted to present the PSBR on the existing definition. Timing differences and the fact that the PSBR cannot be measured precisely over a banking month mean that borrowing over the 12 months to mid-April is likely to be much higher than over the financial year. After allowing for the approximate effect of these factors, the forecast is consistent with a financial year PSBR of about £9½-10 million.

### Debt Sales

#### (a) Gilts

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

Table 4: Gilt Sales

	Banking February	mid-April '83 - mid-February '84	monthly averages £m mid-February - mid-May 84
Gross sales	1240	1335	1283
Redemptions	- 51	- 140	- 246
Next Maturities	+ 20	- 140	- 288
Net sales	1209	1055	750
of which:			
Monetary sector	79	49	-
Public corporations	10	1	-
Overseas	14	72	100
Non-bank private sector	1106	932	650

12. Gross sales in banking February were almost exactly on the £1250 target. The month began with £450 million of calls lined up on the 10% Treasury Convertible 1990 issued at the end of banking

January. The main further contribution to sales during the month came from the £600 million package of short term medium tranches announced towards the end of January which sold out in about a week. February saw unusually small redemptions and buying of next maturities so net sales of £1210 million were close to gross sales. In contrast to recent months, the monetary sector was a modest net purchaser of gilts. But, with little overseas interest, sales to UK non-banks of £1100 million comfortably exceeded the monthly average for the year so far.

13. The gross sales target for banking March is £1250 million and more if possible. Gross sales already achieved and known future calls have now brought us to £975 million. The major contribution has come from the last call on the 1990 convertible stock and the exhaustion of the £1 billion of the 9½% Treasury 1998 which languished when it was issued on 3 February. But buying-in of stock, other than next maturities, has been unusually high so far this banking month, largely as a result of purchases of low coupons shed by building societies after the tax announcement on 23 February.

14. March is a long banking month, with a fortnight still to run. The Authorities now have the £630 million balance of the newly issued 10% 1989 'A' stock to sell - of which about £300 would fall into this month. Provided the market stays firm, it seems reasonable to assume gross sales of £1350m in the month as a whole. But, with heavy redemptions and buying-in of next maturities, net sales of gilts may only be £450 million. Thereafter the position should improve as buying-in of next maturities declines in April and May. On the assumption of £1¼ billion gross sales a month, net sales to non-banks could be around £650 million in April, and nearly £1 billion in May. We are also looking for some pick up in sales to overseas, with dollar denominated debt becoming less attractive. The banking sector has not been an active net buyer of gilts for some time, partly because some banks are close to their capital ratio limits, (and March will be affected by the conditions attached to the gilt repo); we expect no net purchases by the monetary sector over the forecast period.

(b) National Savings

15. National Savings contributed almost £300 million to funding in banking March. Inflows in the latest five banking months have averaged



over £300 million compared with just over £200 million in the previous five months. Much of this improvement reflects the recent performance of the income bond which attracted £125 million in February. INVAC also attracted inflows of over £100 million, possibly reflecting, in part, the change to daily interest crediting.

16. The forecast for the next three months assumes unchanged DNS interest rates relative to the building societies. On this basis inflows are expected to average £250 million a month, exactly the monthly striking rate needed to meet the restated (£3 billion) National Savings target for 1984-85. The income bond is still expected to account for the lion's share of inflows, attracting £25 million a week. In addition, there may be more of a contribution from the fixed-interest certificate once the heavy 18th Issue maturities have passed.

17. Total inflows to National Savings were £2630 million (seasonally adjusted) in the 10 banking months to mid-February. Even allowing for timing differences the forecasts imply that the £3 billion target for 1983-84 should be comfortably achieved.

#### Funding and the PSBR

18. 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. While on the conventional definition, the PSBR was underfunded by £½ billion over the first 12 months of the target period, it was overfunded by £½ billion after taking account of the external finance of the public sector. Over the next three months, as a whole, the net effect of public sector transactions on £M3 is expected to be broadly flat with a modest negative contribution in March being offset in April. This would imply overfunding of nearly £2 billion over the 12 months to mid-April (or about £3 billion including external finance of the public sector). In unadjusted terms the PSBR is forecast to be massively underfunded in banking April (as last year), which should significantly ease money market pressures.

Table 5: The 'PSBR' and the Funding Position

£billions, seasonally adjusted  
(figures in brackets are unadjusted)

	mid-Feb-mid-Feb (target period)	mid-April - mid-Feb	mid-Feb - mid-May	mid-April -mid-April
'PSBR'	12.9	10.0	2.8	11.3
Debt sales to NBPS(-)	-12.4	-11.7	-2.7	-13.2
of which:				
Gilts	- 9.5	- 9.3	-2.0	-10.3
National Savings	- 3.0	- 2.6	-0.7	- 3.1
CTDs	0.1	0.2	-	0.3
Over(-)Underfunding(+)	+ 0.5(-0.6)	- 1.7(-3.4)	+0.1(+1.2)	-1.9(-2.0)
External finance of public sector (-)	- 1.1	- 0.9	-0.3	- 1.0
Funding (alternative definition)	- 0.6	- 2.6	-0.2	- 2.9

Money Market Influences

19. Money market shortages averaged £425 million a day during banking February, of which some £350 million was due to maturing assistance. Total funds supplied to the market rose by a further £1½ billion to nearly £11½ billion. (The stock of assistance peaked at £11¾ billion within the banking month). Two-thirds of the additional assistance was provided by Banking Department as the NLF continued to build up its balances.

20. Our forecasts imply a further increase in the stock of assistance during banking March (+ £¾ billion), taking the total over £12 billion for the first time (see Table F). The pressure on the bill market from this further increase in assistance should be tempered, however, by the injection of £670 million into the market by the gilt repo. As the unadjusted CGBR swings back into heavy deficit in banking April, there should be scope for unwinding £1½ billion of outstanding assistance.

Lending to the Private Sector

21. Sterling lending to the private sector increased by about £1 bn.

in banking February, much as expected after allowing for the higher PSBR and extra lending by BAT on the last day of the banking month to finance part of its takeover of Eagle Star. The February figures provide further support for our view that the underlying level of lending is around £1300 million a month. In Table 6 recent actuals are compared with two indicators of the underlying trend. The first, a simple six month moving average of the actuals, points to a levelling off of the recent rise in the trend at a level of about £1.3 billion. The second indicator refers to "underlying" lending, ie. recorded lending adjusted for deviations from trend in the PSBR less asset sales. Over the last five months, the six month moving average of underlying lending has hovered around £1.2 billion. None of this alters our view that underlying lending will continue at around £1.3 billion a month.

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	1047
October	1561	1088	1264
November	1138	1026	1233
December	1747	1278	1194
1984 January	1254	1340	1121
February	1032	1314	1205

22. Little new information on the composition of £ lending has become available this month. The London Clearing Banks have just issued the first of a revised quarterly analysis of advances based on the 1980 Standard Industrial Classification. The LCB advances figures are a reasonable guide to what is happening to personal lending, but they provide a potentially misleading picture of lending to companies and

other financial institutions. Table 7 shows the increases in LCB advances in the banking quarter from mid-November last year to mid-February. The figures show that lending for house purchase is growing rather less rapidly than lending to persons for other purposes (mainly consumption). Additional evidence on personal lending is contained in the DTI's retail credit figures for January. These show that lending to individuals under regulated agreements was 10 per cent higher in the 3 months November to January than in the previous 3 months. During the same period lending under other agreements (which is mainly to companies) grew by only 5 per cent. At the end of January the total amount outstanding to finance houses, other specialist consumer credit grantors and retailers was 24 per cent up on a year earlier.

Table 7: Advances to UK Residents by the London Clearing Banks' Groups  
Changes: Mid-November '83 to Mid-February '84

Persons		Other		Other		Total		(of which of foreign currencies)	
House Purchase		Other							
£m	%*	£m	%*	£m	%*	£m	%*	£m	%*
276	10.7	357	14.6	1045	10.4	1678	11.1	379	32.3

\* as % stock at mid-November (annualised)

23. There are some signs that companies have been raising less finance in the form of equity. As table 8 shows, there appears to have been a significant decline in the rate of new issues both in the last quarter of 1983 and in the first two months of 1984. It is conceivable that recent rumours about reductions in the rate of stamp duty on equities have had an effect. Whatever the cause, the high level of the gross issues queue in January and February suggests that the level of new issues is likely to pick up again in the near future.

Table 8: Net Issues by Listed UK Companies

	Net Issues	(monthly averages) (£m)
		Gross Issues Queue (Equities)
1983 Q1	157	610
Q2	238	950
Q3	235	670
Q4	73	500
1984 January	60	920 <sup>1</sup>
February	41	1130 <sup>1*</sup>

<sup>1</sup> Excluding privatisations (currently 5750 mostly accounted for by British Telecom).

\* As of March 5.

24. The forecast for bank lending is again based on a flat underlying trend of £1.3 billion a month. But as usual the monthly path is expected to reflect the erratic path of the PSBR. The exceptionally low PSBR in March is likely to result in rather higher bank lending in this month and we expect an extra £100 million due to more borrowing by BAT to cover the remainder of the cost of Eagle Star. In banking April the PSBR would be exceptionally high were it not for an assumed EC refund of £400 million. However, the refund is excluded from the PSBR definition used for calculating bank lending offsets, so we expect a rather low recorded lending figure. Banking May sees a return to a more normal PSBR and hence the expected recorded figure is close to the assumed underlying level.

#### Building Societies

25. Retail inflows in banking February, excluding interest credited, reached £1 billion for the second month running, and were only slightly short of banking January's record level. This continued massive inflow reflects the overall competitiveness of building society accounts and the recently improved terms on some of the societies' notice accounts. As mentioned last month, there is still a possibility that more leading societies could reduce the required notice on some

of their term deposits, which has the effect of artificially boosting the M2 series if the required notice falls to less than a month. Recent changes by Yorkshire building society are likely to add around £ $\frac{1}{4}$  billion to the March M2 figure. Wholesale deposits were about £120 million in banking February, though since then the weekly figures for the 16 largest societies show some repayment of wholesale funds.

26. For the purposes of the forecast we have assumed that societies will take the opportunity of a general fall in short rates to improve their margins by about  $\frac{1}{4}$  per cent. This could mean some loss of competitiveness relative to the banks which could take the form of trimming special premia as well as lower rates on ordinary shares. But the effect is unlikely to be marked, especially in the light of the current size of the interest rates differential (and the possible impact of Budget announcements). Building societies' inflows are expected to remain buoyant, albeit slightly below the record level reached in the past two months. There are no signs of a deceleration in the rate of growth of mortgage lending.

Table 9: Building Society Inflows

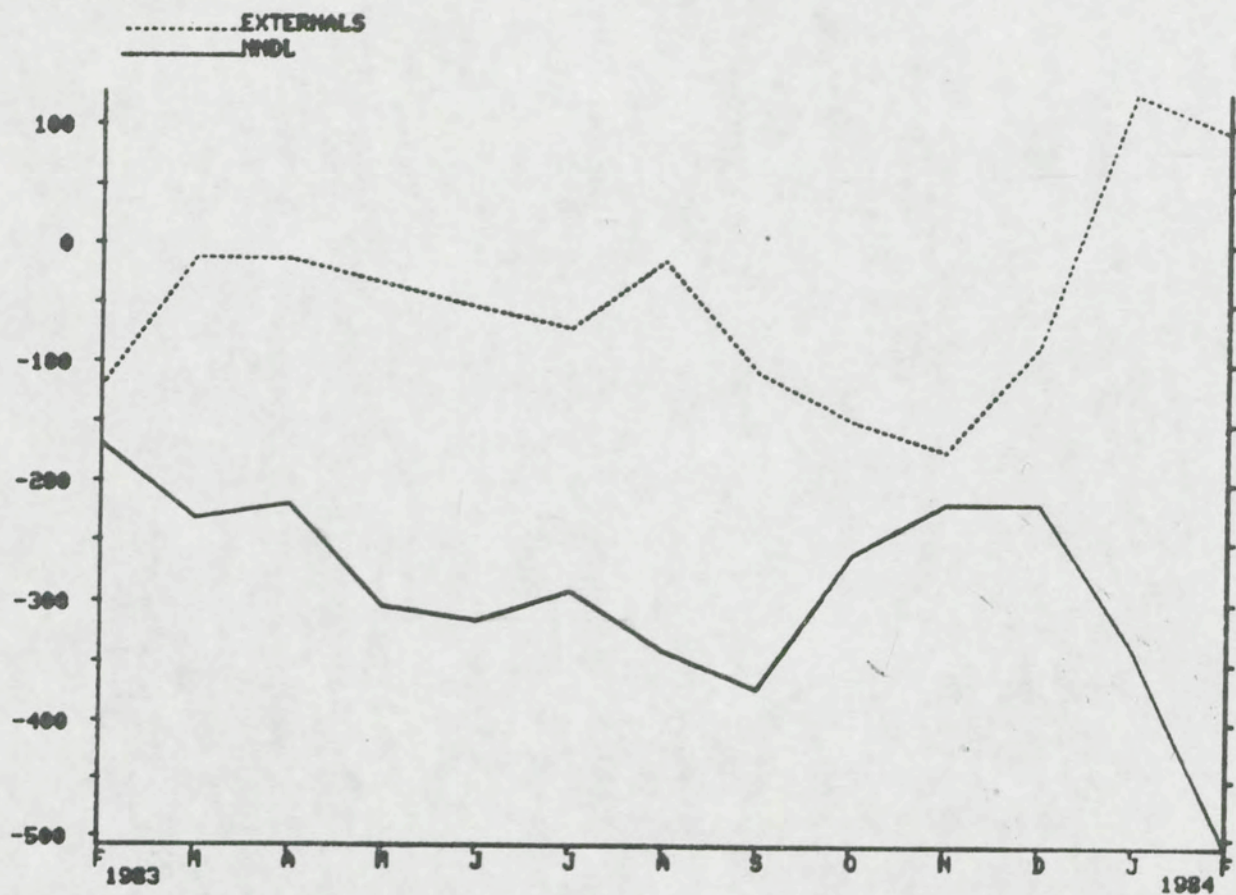
monthly rate, £m	(3 month periods, monthly averages)		
	mid-Aug. - mid-Nov	mid-Nov. - mid-Feb	Forecast: mid-Feb - mid-May
Total retail inflows (incl. interest credited)	1200	1250	1275
of which: term shares (outside PSL2)	500	225	160
Net issues of CDs and time deposits	175	130	n/a
of which: net purchases by NBPS (inside PSL2)	60	100	75

Externals and Net Non-Deposit Liabilities

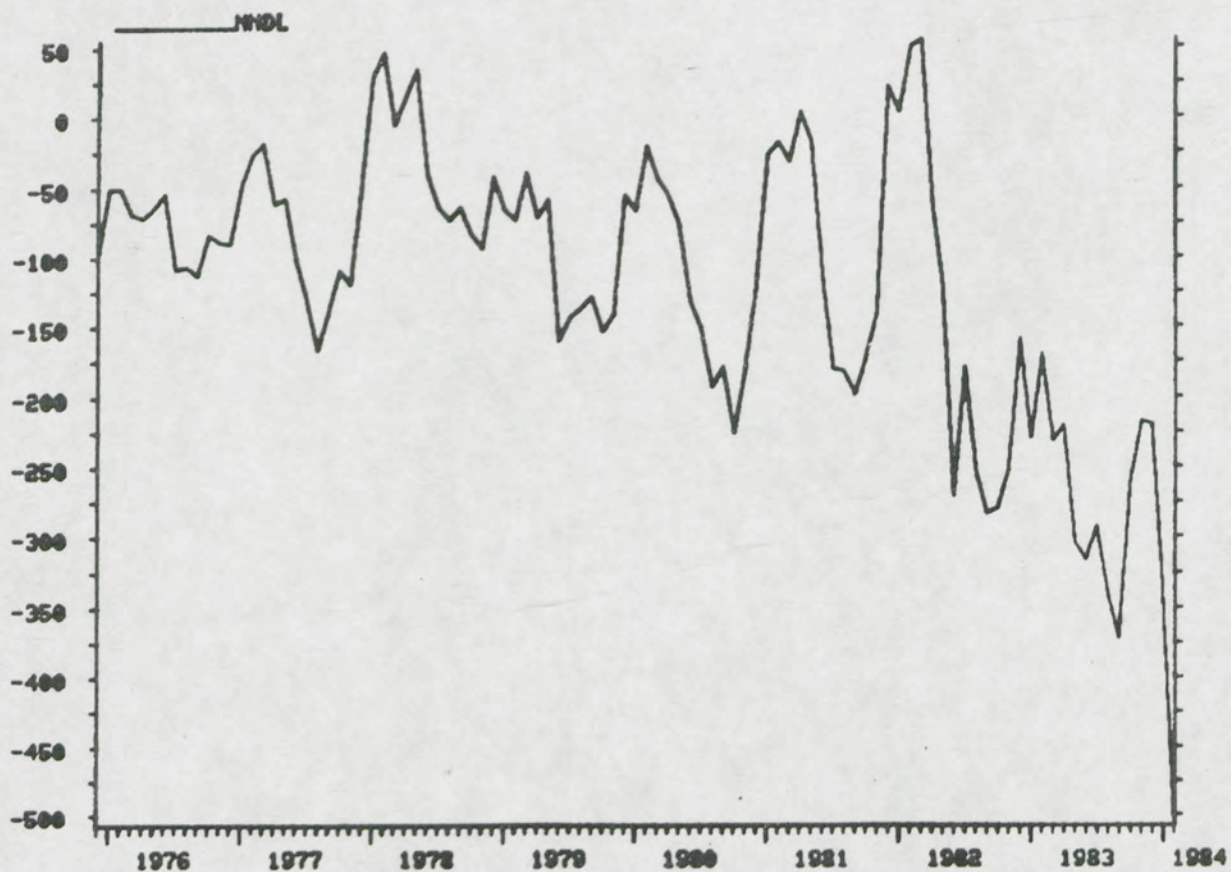
27. The behaviour of both the externals and NDL's has been notably erratic in recent months. In January the externals boosted £M3 by around £1.3 billion, while in February they were contractionary to the tune of £600 million. NDLs, on the other hand, were highly negative in banking January (-£550 million) and even more negative in February (-£1 billion). So while the externals and NDLs effects were

# EXTERNALS AND NNDLS\*

CHART 2



## NNDLS\*



Note: Sign conventions are as in the £M3 counterparts table, ie. a growth in net non-deposit liabilities is shown as negative. \* 6 MONTH MOVING AVERAGE

offsetting in January (and hence had no net effect on £M3) the effects went in the same direction in February, and were very largely responsible for the overall forecast error on £M3.

28. Over the longer run, changes in the externals and NDLs tend to be offsetting. Chart 2 shows a fairly pronounced negative correlation between the two series. This is not altogether surprising. If, as seems likely, the trend towards more negative NDLs, in part, reflects pressure on the banks to build up their foreign currency reserves to meet bad overseas debts, then we would expect to see an offsetting increase in the externals (in the banks' switched position). This offsetting effect also shows up in our forecast errors since June of last year: we have on average overpredicted the externals by £150 million and underpredicted NDLs by £135 million.

29. For the forecast period we have increased our estimate of the underlying growth in NDLs from £250 million per month to £400 million, in line with the average for the past year. This is assumed to reflect higher foreign currency capital issues and reserves, which will be offset by higher (ie. more positive) externals. There is no net effect on £M3. In banking March NDLs may be a further £200 million higher as the interbank difference unwinds (adding to £M3). In banking February this difference (mainly due to reporting errors) was £232 million; and in the past such large figures have generally been reversed in the next month. The externals are also likely to be affected by special factors in the next two months. In March we have allowed for a reduction of £300 million as Allianz transfer into Deutschemarks their receipts from the sale of their Eagle Star shares to BAT, while in April we have included inflows of £400 million as a result of the assumed EC rebate.



**Table A: Percentage Changes in Monetary Aggregates**  
Seasonally adjusted data

Banking month	MO (weekly AV)	NIB M1	M1	M2*	Priv £M3	£M3	M3	PSL2	PSL2A
<b>Outturn</b>									
- September	+1.1	+0.9	- 0.2	+0.1	-0.1	-0.5	- 0.4	+ 0.2	+ 0.4
- October	+0.6	+0.5	+ 1.5	+0.6	+1.3	+1.4	+ 1.8	+ 1.0	+ 1.2
- November	+0.5	+0.4	+ 0.6	+0.2	+0.2	+0.6	+ 0.8	+ 0.4	+ 0.6
- December	+0.4	+2.0	+ 1.6	+2.7	+1.5	+1.3	+ 2.3	+ 1.0	+ 1.0
- January 1984	+0.4	-1.4	- 0.2	+0.3	+0.3	+0.6	+ 0.8	+ 1.1	+ 1.1
- February	+0.2	+0.5	+ 0.7	-	+0.1	-	+ 0.6	+ 1.2	+ 1.1
Last 3 months at annual rate	+3.7	+4.5	+ 8.4	..	+7.8	+7.9	+15.6	+13.9	+14.1
Last 12 months (target period)	+6.3	+8.1	+11.1	+9.0	+9.7	+9.7	+11.8	+12.3	+12.6
<b>Forecast</b>									
(i) Percentage change in month									
- March	} ½ per cent a month	} 1½ per cent a month			+1.2	+1.0		+ 1.6	+ 1.5
- April					+1.0	+0.8		+ 1.5	+ 1.4
- May					+0.8	..		+ 1.2	+ 1.2
(ii) Percentage change since Feb 1983 (annual rate)									
- March	} 6¼ per cent	} 11½ per cent	+11½		+10.1	+9.9		+12.9	+13.1
- April			+11½		+10.3	+10.0		+13.4	+13.4
(iii) Percentage change since Feb 1984 (annual rate)									
- March	} 6¼ per cent	} 11½ per cent			+14.7	..		+20.5	+19.0
- April					+13.9	..		+19.8	+18.6
- May					+12.6	..		+18.5	+17.5

\* not seasonally adjusted

SECRET (AND PERSONAL UNTIL 2.30PM, THURSDAY 15 MARCH 1984)

Table B: £M3 Counterparts

	<u>February</u>		<u>Forecast</u>			<u>Target Period:</u>	
	<u>Forecast</u>	<u>Outturn</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>mid Feb 83 to mid - Feb 84</u>	<u>mid - April 83 to mid - April 84</u>
1. CGBR							
(a) Own-account (u.a.)	- 645	- 614	- 900	+ 2950	+ 730	+ 8,317	+8,252
(b) On-lending (u.a.)	+ 380	+ 406	+ 625	+ 530	+ 450	+ 5,732	+4,807
Total (u.a.)	- 265	- 208	- 275	+ 3480	+ 1180	+14,049	+13,059
TOTAL (s.a.)	+ 1920	+ 1864	-	+ 1615	+ 1635	+15,358	+13,277
2. Net purchases of CG debt by NBPS							
(a) Gilts	- 1045	- 1106	- 350	- 650	- 950	- 9,471	-10,317
(b) Treasury bills	-	- 40	-	-	-	- 46	- 52
(c) National Savings	- 280	- 284	- 275	- 215	- 250	- 2,955	- 3,120
(d) CTDs, etc	+ 160	+ 125	+ 70	- 15	- 65	+ 83	+ 291
TOTAL	- 1165	- 1305	- 555	- 880	- 1265	-12,389	-13,198
3. Other public sector							
(a) Local authorities	- 165	- 76	- 70	- 135	- 145	-2,188	-2,070
(b) Public corporations	- 175	+ 90	+ 25	+ 190	- 285	- 268	+ 91
TOTAL	- 340	+ 14	- 45	+ 55	+ 430	-2,456	- 1,979
4. £ lending to private sector	+ 970	+ 1032	+ 1760	+ 485	+ 1120	+ 12,851	+14,262
(adjusted lending)	(1300)	(1224)	(1300)	(1300)	(1300)		
5. Net externals	- 100	- 577	+ 185	+ 165	+ 140	- 30	+ 156
6. Net non-deposit liabilities	- 250	- 1044	- 200	- 400	- 400	- 4272	- 4143
TOTAL £M3	+ 1035	- 16	+ 1145	+ 1040	+ 800	+ 9062	+ 8375
% change in period	+ 1.0	-	+ 1.2	+ 1.0	+ 0.8	+ 9.7	+ 8.8

SECRET (AND PERSONAL UNTIL 2.30 PM THURSDAY 15 MARCH 1984)

TABLE C: COMPONENTS OF M1 AND £M3

	(£ million, seasonally adjusted)	
	<u>banking February 1984</u>	<u>Cumulative total since mid-February 1983</u> %
notes and coin in circulation	+ 91	+ 596 (+ 5.4)
non-interest-bearing £ sight deposits	+ 53	+1741 (+ 9.8)
NIB M1	+144	+2337 (+ 8.1)
interest bearing £ sight deposits	+143	+1975 (+20.0)
M1	+287	+4312 (+11.1)
private sector £ time deposits and £CDs	-181	+4484 (+ 8.6)
private sector £M3	+106	+8796 (+ 9.7)
public sector £ deposits	-122	+ 266 (+12.3)
£M3	- 16	+9062 (+ 9.7)

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

SECRET AND PERSONAL UNTIL 2.30 PM, THURSDAY 15 MARCH 1984

Table D : Gilts

	<u>Outturn</u> <u>February</u>	<u>March</u> <u>to date</u>	<u>Remainder</u> <u>of March</u>	<u>March</u>	<u>Forecast</u> <u>April</u>	<u>£ million</u> <u>May</u>	
Calls*	+ 427	-	+ 647	+ 647	+ 367	+ 104	
Other 'gross' sales	+ 813	+ 313	+ 385	+ 703	+ 883	+1146	
<b>'GROSS' SALES</b>	<b>+1240</b>	<b>+ 318</b>	<b>+1032</b>	<b>+1350</b>	<b>+1250</b>	<b>+1250</b>	
Buying-in next maturities <sup>φ</sup>	+ 20	- 165	-	- 165	- 500	- 200	
Redemptions	- 51	- 735	-	- 735	-	-	
<b>TOTAL NET SALES</b>	<b>+1209</b>	<b>- 582</b>	<b>+1032</b>	<b>+ 450</b>	<b>+ 750</b>	<b>+1050</b>	
<b>Purchases (-) by:</b>							
Overseas	- 14			- 100	- 100	- 100	
Banks	+ 20			) -			
LDMA	- 99						
Public Corporations	- 10						
<b>NET SALES TO NBPS (+)</b>	<b>+1106</b>			<b>+ 350</b>	<b>+ 650</b>	<b>+ 950</b>	

\* of which calls on:

- 10% Treasury 1990	+ 300		
- 9 $\frac{3}{4}$ % Exchequer 1998	+ 347	+ 256	
- 10% Exchequer 1989 'A'		+ 111	+ 104
<sup>φ</sup> of which, buying in of:			
- 14% Exchequer 1984	- 165	- 500	
- 3% Exchequer 1984			- 200

Table E : Sterling lending to the private sector

	<u>£ million</u> <u>Seasonally adjusted</u>					
	<u>Actual</u>			<u>Forecast</u>		
	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>
<u>Adjusted lending</u>	+1554	+ 425	+1224	+1300	+1300	+1300
Bills held by NBPS(-)	- 18	+ 204	+ 117	-	- 150	- 100
PSBR offset	+ 211	+ 625	- 559	+ 360	- 665	- 80
Other*	-	-	+ 250	+ 100	-	-
	-----	-----	-----	-----	-----	-----
Actual/forecast recorded lending	+1747	+1254	+1032	+1760	+ 485	+1120
	=====	=====	=====	=====	=====	=====
Centered 3-month moving average of adjusted lending	1180	1070	980	1275	1300	

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

Table F: Money Market Influences

	£ million not seasonally adjusted			
	Actual	Forecast		
	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>
<b>A. <u>Money market influences</u></b>				
CGBR (increase +)	- 208	- 275	+ 3480	+1180
Reserves etc (+)	+ 47	-	- 105	- 50
Notes and coin (-)	- 37	- 100	- 520	- 55
National Savings (-)	- 315	- 290	- 230	- 245
CTDs (-)	+ 324	+ 10	- 90	- 90
Gilts (-)	- 1209	- 450	- 750	-1050
Other Exchequer items etc	+ 115	+ 290	- 290	-
	_____	_____	_____	_____
TOTAL MONEY MARKET INFLUENCES (Market surplus + / shortage -)	- 1283	- 815	+1495	- 310
	_____	_____	_____	_____
<b>B. <u>Money market operations</u></b>				
Commercial bills (purchase +)				
- Issue Department	+ 522			
- Banking Department	+ 939			
LA bills (purchase +)				
- Issue Department	- 54			
- Banking Department	+ 91			
Treasury bills (purchase +)	- 17			
Market advances	- 31			
Other	-			
	_____	_____	_____	_____
TOTAL MONEY MARKET OPERATIONS	+ 1450	+ 706	- 1495	+ 310
Change in bankers' balances	+ 167	- 109	-	-
TOTAL ASSISTANCE OUTSTANDING*	11, 447	12,153	10658	10968

\* excluding Treasury bills

## SECRET

TABLE G

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>TARGET AGGREGATES</b>									
<u>£M3</u> Monthly change (£ millions)	+1,611	+796	+157	-460	+1,415	+551	+1,326	+620	-16
Monthly % change	+1.7	+0.8	+0.2	-0.5	+1.4	+0.6	+1.3	+0.6	0
3-monthly % change A.R.	+16.9	+12.9	+11.1	+2.0	+4.6	+6.3	+14.1	+10.4	+7.9
6-monthly % change A.R.	+13.7	+13.6	+12.5	+9.2	+8.7	+8.7	+7.9	+7.5	+7.1
12-monthly % change	+11.7	+12.5	+11.5	+9.6	+9.6	+9.9	+10.8	+10.5	+9.7
% change since Feb-83 A.R.	+15.9	+14.7	+12.5	+9.7	+10.8	+10.4	+11.0	+10.7	+9.7
<u>M1</u> Monthly change (£ millions)	+954	-153	+347	-82	+633	+250	+655	-84	+287
Monthly % change	+2.4	-0.4	+0.8	-0.2	+1.5	+0.6	+1.6	-0.2	+0.7
3-monthly % change A.R.	+22.0	+14.6	+11.9	+1.1	+9.1	+8.0	+15.8	+8.1	+8.4
6-monthly % change A.R.	+16.8	+13.8	+14.2	+11.0	+11.8	+9.9	+8.2	+8.6	+8.2
12-monthly % change	+15.9	+15.0	+13.8	+12.4	+11.2	+11.9	+12.4	+11.1	+11.1
% change since Feb-83 A.R.	+20.3	+14.9	+14.2	+11.6	+12.7	+12.1	+12.9	+11.4	+11.1
<u>PSL2</u> Monthly change (£ millions)	+1,654	+1,362	+1,231	+257	+1,608	+662	+1,519	+1,863	+1,973
Monthly % change	+1.1	+0.9	+0.8	+0.2	+1.0	+0.4	+1.0	+1.1	+1.2
3-monthly % change A.R.	+16.0	+10.9	+11.3	+7.4	+8.0	+6.3	+9.8	+10.4	+13.9
6-monthly % change A.R.	17.4	+16.6	+14.7	+11.6	+9.4	+8.8	+8.6	+9.2	+10.1
12-monthly % change	+11.9	+13.0	+13.0	+12.0	+12.1	+12.3	+12.9	+12.8	+12.3
% change since Feb-83 A.R.	+17.0	+15.7	+14.7	+12.8	+12.7	+11.8	+11.9	+12.1	+12.3
<u>Levels</u> : £M3	97,526	98,300	98,420	98,020	99,430	100,000	101,540	102,180	102,180
M1	41,140	40,960	41,290	41,200	41,810	42,040	42,690	42,580	42,830
PSL2	158,265	159,573	160,742	161,034	162,623	163,232	165,005	166,864	168,827

## SECRET

TABLE H

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>MO (AVERAGED WEEKLY)</b>									
Monthly change (£ millions)	+97	-14	+37	+142	+73	+62	+46	+51	+20
Monthly % change	+0.8	-0.1	+0.3	+1.1	+0.6	+0.5	+0.4	+0.4	+0.2
Three monthly % change a.r.	+7.3	+3.3	+3.9	+5.3	+8.2	+9.0	+5.8	+5.1	+3.7
Six-monthly % change	+7.5	+5.5	+6.2	+6.3	+5.7	+6.4	+5.5	+6.6	+6.3
12-Monthly % change	+6.4	+6.3	+6.6	+6.5	+6.7	+6.4	+6.5	+6.0	+6.3
% change since February 1983 a.r.	+8.9	+6.6	+6.2	+7.3	+7.3	+7.1	+6.9	+6.7	+6.3
<b>OTHER NARROW MEASURES</b>									
<u>NIB M1</u> Monthly change (£ millions)	+360	+365	+3	+271	+144	+121	+623	-428	+140
Monthly % change	+1.2	+1.2	-	+0.9	+0.5	+0.4	+2.0	-1.4	+0.5
3-monthly % change A.R.	+7.9	+11.7	+10.2	+8.8	+5.6	+7.3	+12.2	+4.2	+4.4
6-monthly % change A.R.	+8.0	+13.2	+10.4	+8.3	+8.6	+8.7	+10.5	+4.9	+5.8
12-monthly % change	+10.5	+10.7	+10.2	+9.1	+4.9	+8.2	+9.2	+9.0	+8.1
% change since Feb-83 A.R.	+11.8	+12.6	+10.4	+10.5	+9.9	+9.3	+11.0	+8.3	+8.1
<b>M2 (NOT seasonally adjusted)</b>									
MONTHLY CHANGES (£ MILLIONS)	+1,095	+1,095	-547	+84	708	+178	+3,124	+366	+36
LEVELS	112,291	113,386	112,839	112,943	113,651	113,829			
						.....			
						114,587	117,997	116,394	118,429
MONTHLY % CHANGE	+1.0	+1.0	-0.5	+0.1	+0.6	+0.2	+2.7	+0.3	0
12 MONTHLY % CHANGE	+8.9	+8.6	+8.4	+8.0	+6.7	+7.2	+8.9	+9.4	+9.0



## SECRET

TABLE I

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
<b>OTHER WIDE MEASURES</b>									
<u>M3</u> Monthly change (£ millions)	+1,804	+1013	+157	-433	+1,978	+935	+2,661	+921	+657
Monthly % change	+1.7	+0.9	+0.1	-0.4	+1.8	+0.8	+2.3	+0.8	+0.6
3-monthly % change A.R.	+13.5	+12.1	+11.3	+2.7	+6.2	+9.2	+21.5	16.8	+15.6
6-monthly % change A.R.	+13.3	+14.0	+11.4	+7.9	+9.1	+10.2	+11.7	+11.4	+12.3
12-monthly % change	+13.1	+13.1	+12.4	+11.2	+11.1	+11.3	+12.5	+12.7	+11.8
% change since Feb-83 A.R.	+13.9	+13.4	+11.4	+8.9	+10.7	+10.6	+12.6	+12.3	+11.8
<u>£M3 Excl Public Sector Deposits</u>									
Monthly change (£ millions)	+1,276	+635	+434	-59	+1,218	+174	+1,435	+302	+106
Monthly % change	+1.4	+0.7	+0.5	-0.1	+1.3	+0.2	+1.5	+0.3	+0.1
Three monthly % change	+16.1	+10.8	+10.4	+4.5	+7.0	+5.7	+12.1	+8.2	+7.8
Six-monthly % change	+13.6	+13.6	+12.8	+10.0	+8.8	+8.0	+8.2	+7.5	+6.7
12-monthly % change	+11.2	+11.8	+11.2	+9.7	+10.0	+9.9	+10.9	+10.5	+9.7
% change since Feb-83 A.R.	+15.8	+14.3	+12.8	+10.7	+11.4	+10.3	+11.2	+10.5	+9.7
<u>PSL1</u> Monthly change (£ millions)	+1,169	+444	+564	-183	+1,278	+166	+1,261	+159	-69
Monthly % change	+1.2	+0.4	+0.6	-0.2	+1.3	+0.2	+1.2	+0.2	-0.1
3-monthly % change A.R.	+16.2	+8.1	+9.2	+3.4	+6.8	+5.1	+11.3	+6.4	+5.5
6-monthly % change A.R.	+14.4	+14.1	+13.1	+9.6	+7.5	+7.1	+7.3	+6.6	+5.3
12-monthly % change	+10.7	+11.4	+10.8	+9.1	+9.4	+9.8	+10.8	+10.3	+9.1
% change since Feb-83 A.R.	+16.7	+14.4	+13.1	+10.8	+11.5	+10.4	+10.9	+10.1	+9.1
<u>PSL2A</u> Monthly change (£ millions)	+1,676	+1,493	+1,330	+798	+2,201	+1,032	+1,970	+2,113	+2,110
Monthly % change	+1.0	+0.8	+0.7	+0.4	+1.2	+0.6	+1.0	+1.1	+1.1
3-monthly % change A.R.	+14.4	+10.1	+10.7	+8.5	+10.1	+9.3	+11.9	+11.6	+14.1
6-monthly % change A.R.	+16.3	+15.3	+13.5	+11.4	+10.1	+10.0	+10.2	+10.8	+11.7
12-monthly % change	+13.8	+14.1	+13.7	+12.8	+12.8	+12.8	+13.2	+13.0	+12.6
% change since Feb-83 A.R.	+15.3	+14.4	+13.5	+12.3	+12.8	+12.1	+12.2	+12.4	+12.6

# Monetary growth since mid February 1983

CHART A

Per cent

Seasonally adjusted

