

CONFIDENTIAL

Prime Minister ①

Content?

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19/11  
CC/B1



Treasury Chambers, Parliament Street, SW1P 3AG

Yes

HT

A Turnbull Esq  
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LONDON SW1

19 November 1984

Dear Andrew

**NATIONAL SAVINGS TERMS**

Following the recent reductions in mortgage and investment rates announced by the building societies, we have been considering the response we should make on National Savings.

The Economic Secretary intends to reduce National Savings rates to bring them into line with the new Building Society rates. This will entail reductions in the rates for the Income and Deposit Bonds (down to 12%), and for Invac (down to 11¼%). He intends to leave 29th NSC (offering 8% after 5 years) on sale since the movement by the societies has only now made this instrument competitive. The terms offered on matured Certificates ("common extension terms") will be reduce by ¼% to 8 ¼% in order to damp down possible large scale redemptions of the 19th NSC which matures in February and March. He does not, however, propose to change the rate offered on the Yearly Plan scheme. These rates will come into effect at various times across the next six weeks. We estimate that these changes should still enable National Savings to achieve its £3 billion target for 1984-85.

In our presentation we shall be indicating that we are merely responding to the building societies, bringing rates into balance, and that necessarily our rates have less far to fall than those of the societies since we did not follow them up to September.

The Economic Secretary would like to announce these rates, with which the Chancellor is content, on 20 November if possible.

Kate  
A M Ellis

A M ELLIS