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File

23 November 1984

MR TURNBULL

FUNDING

The meeting reported that:

1. National Savings are likely to hit the target of £3 billion this year. The Economic Secretary stressed that if a mistake was made, it should be over-funding and not under-funding.
2. There was a long discussion of possible new funding instruments in the index-linked National Savings field. It was agreed to carry on working on a new higher yielding index-linked instrument, and to consider a retirement type instrument where the capital would be fixed in nominal terms, but the income would be increased by inflation over its life.
3. Banking October was a satisfactory month gilt sales, with gross sales to the non-bank private sector estimated at nearly £1.5 billion.
4. It was agreed that some new stock may be necessary, with the possibility of a small package of tranches in banking December, and/or a new partly-paid stock

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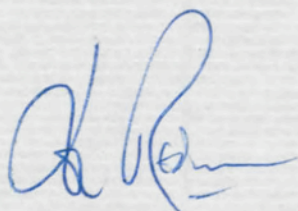
aiming to bring money in in January and February.

There will also be the introduction of a new low coupon instrument.

5. The Economic Secretary urged that the forecast of more than 1 per cent growth in sterling M_3 in January was on the high side, and if possible more funding should be tied up.

Conclusion

No need to bother the Prime Minister: all seems to be proceeding well, and the market is performing satisfactorily.



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