

SECRET (AND PERSONAL UNTIL 2:30 PM THURSDAY 14 FEBRUARY 1985)

9

MONTHLY MONETARY REPORT: JANUARY-APRILSUMMARY

- With BT distortions unwound, it is now clear that the underlying growth of £M3 accelerated at the end of last year. The underlying growth of MO has remained around the centre of its target range.
- With the rise in base rates to 14%, monetary conditions have been tightened substantially since early January. Long term rates, nominal and real, have risen little since early January and remain below their level after the July rise in base rates.
- Bank lending was again at a very high level in January. This forecast assumes that lending has been running at an underlying rate significantly higher than assumed in previous forecasts: around £1½bn-£1¾bn a month. But there are reasons - the better outlook for the £, the high forecast PSBR, and the present pattern of interest rates - why lending could be somewhat below the level of recent months.
- Gilts sales have been very heavy in February. The figure for gross sales of £2bn, assumed in the forecast, has already been exceeded by around £250m. The usual rule of thumb would reduce £M3 growth by around 0.1% for every £150m of gilts sales.
- On the forecast the £3bn National Savings target would be met.
- MO is forecast to fall below the middle of its target range, ending the current target period (and starting the next one) with a 12-month growth rate of under 5½%.
- £M3 is forecast to fall below the top of its target range in February, with target period growth of 9.8%. Recent gilts sales could push this lower still. But it is then forecast to accelerate again, ending the target period (and starting the next one) above the top of its range.

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Monetary Aggregates

In banking January £M3, at 0.7 per cent, grew rather more than forecast, while M0, at -0.9 per cent, fell more than forecast. All BT-related distortions to the aggregates now appear to have unwound, leaving £M3 at the top of its target range, and M0 at the middle of its range. Table 1 below shows recent growth in the key aggregates, and annex table 1 provides further detail, also covering real M0 and real £M3. Other measures of money are shown in annex table 4.

TABLE 1 MAIN AGGREGATES : RECENT EXPERIENCE

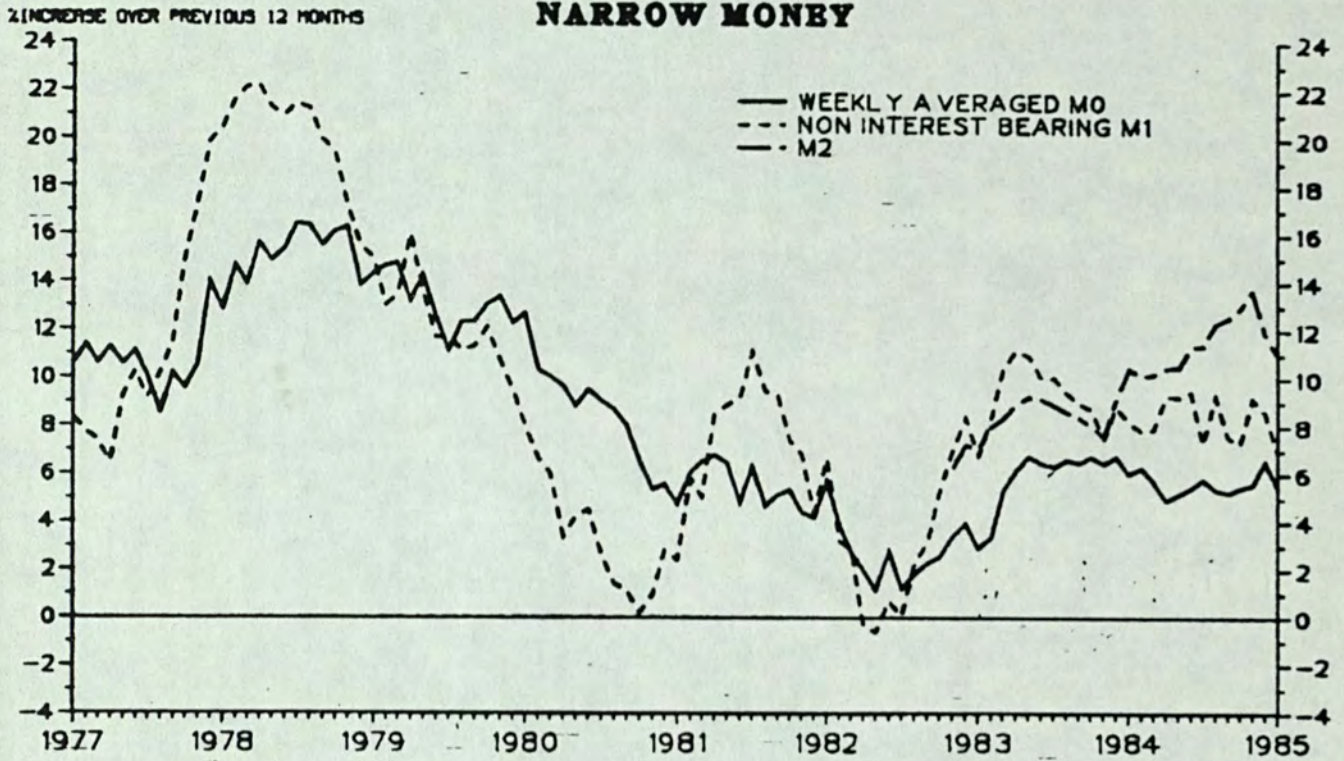
	per cent, s.a			
	MO	M2*	£M3	PSL2
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<u>Monthly change</u>				
December	1.5	1.4	-0.5	-0.1
January	-0.9	0.3	0.7	1.4
<u>Growth to mid-January at an annual rate</u>				
over past :-				
3 months	5.0	*	12.1	15.1
6 months	5.9	*	11.0	14.8
12 months	5.4	11.2	9.3	14.7
Target Period	5.8	*	10.0	15.3

* not seasonally adjusted

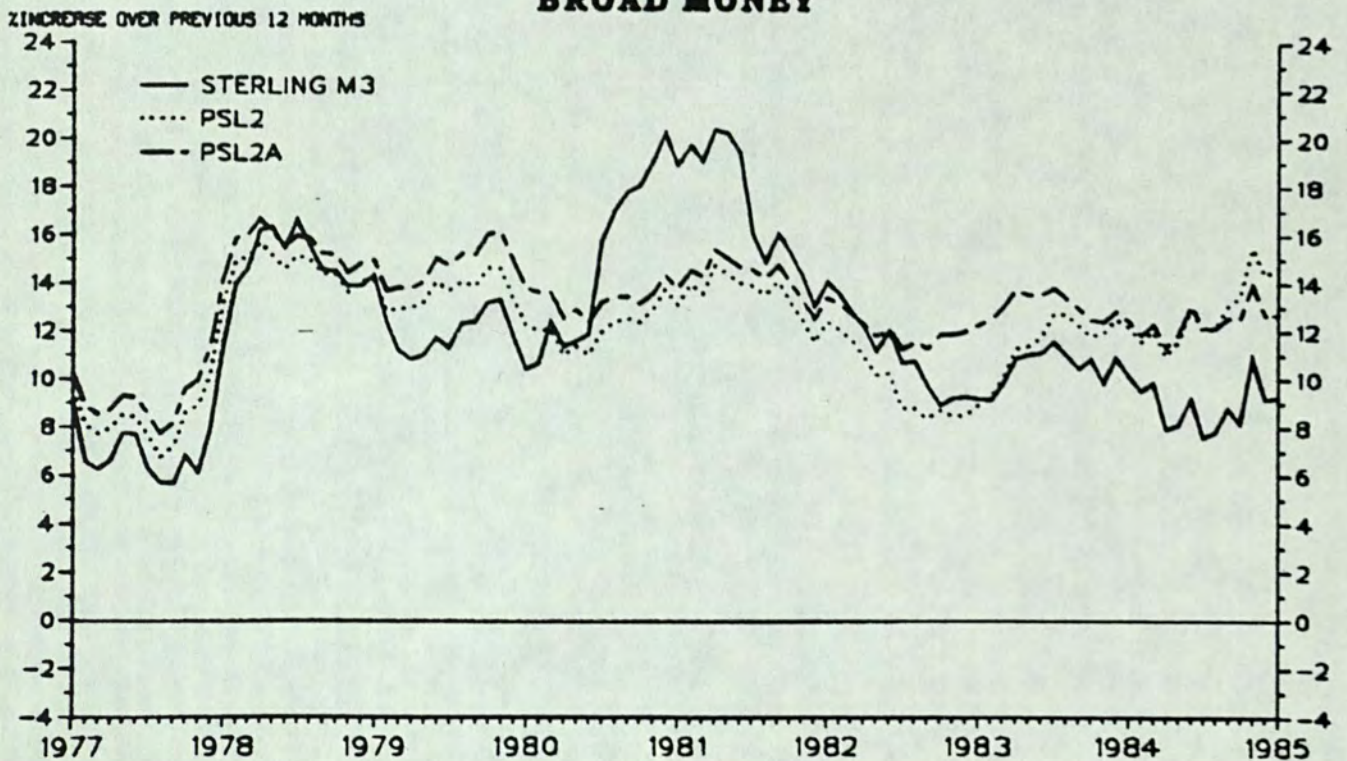
2. December's sharp rise in M0, due to a temporary build up in bankers' balances at the Bank of England on account of BT has now been reversed. Underlying (ie. excluding BT effects) growth in M0 this month was around +¼ per cent. All the period growth rates for M0 are now back close to where they were in the Autumn. As we suspected, the rather higher growth in the intervening period, particularly in notes and coin, appears to have been temporary,

CHART I : ANNUAL GROWTH RATES OF MONETARY AGGREGATES

NARROW MONEY



BROAD MONEY



possibly the result of an unusual seasonal pattern. The growth in the note issue in particular has now slowed down again and only part of this can be explained by the £1 coin.

3. With the BT effect unwound, we can now also look at how £M3 has moved since the Autumn when the last relatively distortion-free figures were available. Though target period growth in £M3 is (just) in the target range, both 3 and 6 month growth rates, at 12.1 and 11 per cent respectively, are rather higher. Thus even with BT effects unwound, the underlying position appears to have worsened since late Autumn, when target period growth was around 9 per cent, and 6 and 12 month rates were lower still. The banks increasing success in attracting interest bearing retail sight deposits (in competition with the building societies and national savings) over this period has contributed to this deteriorating position. In short, rather than the steady decline in the growth of £M3 one might ideally hope for over the year, we seem to have seen an acceleration (see Chart II, which gives a "parallel lines" version of progress against the target range). On the counterparts side sterling lending has been high, averaging £1.75 bn, for 5 months now. The effect of this on £M3 has been limited by heavy overfunding over the last two months, in relation to a low "PSBR", largely due to the BT sale and accelerated VAT in imports. With an end year surge in public expenditure expected, this could prove harder to achieve in the remainder of the target period.

4. The rate of growth of PSL2 in the target period is little changed since the Autumn, but remains above 15 per cent, reflecting a sustained increase in the building society contribution to PSL2. Twelve month growth in M2 is now rather lower than in the Autumn, but higher than it was this time last year. £M3 is thus the only key nominal aggregate suggesting that the monetary situation has actually deteriorated since before BT effects began to distort the figures.

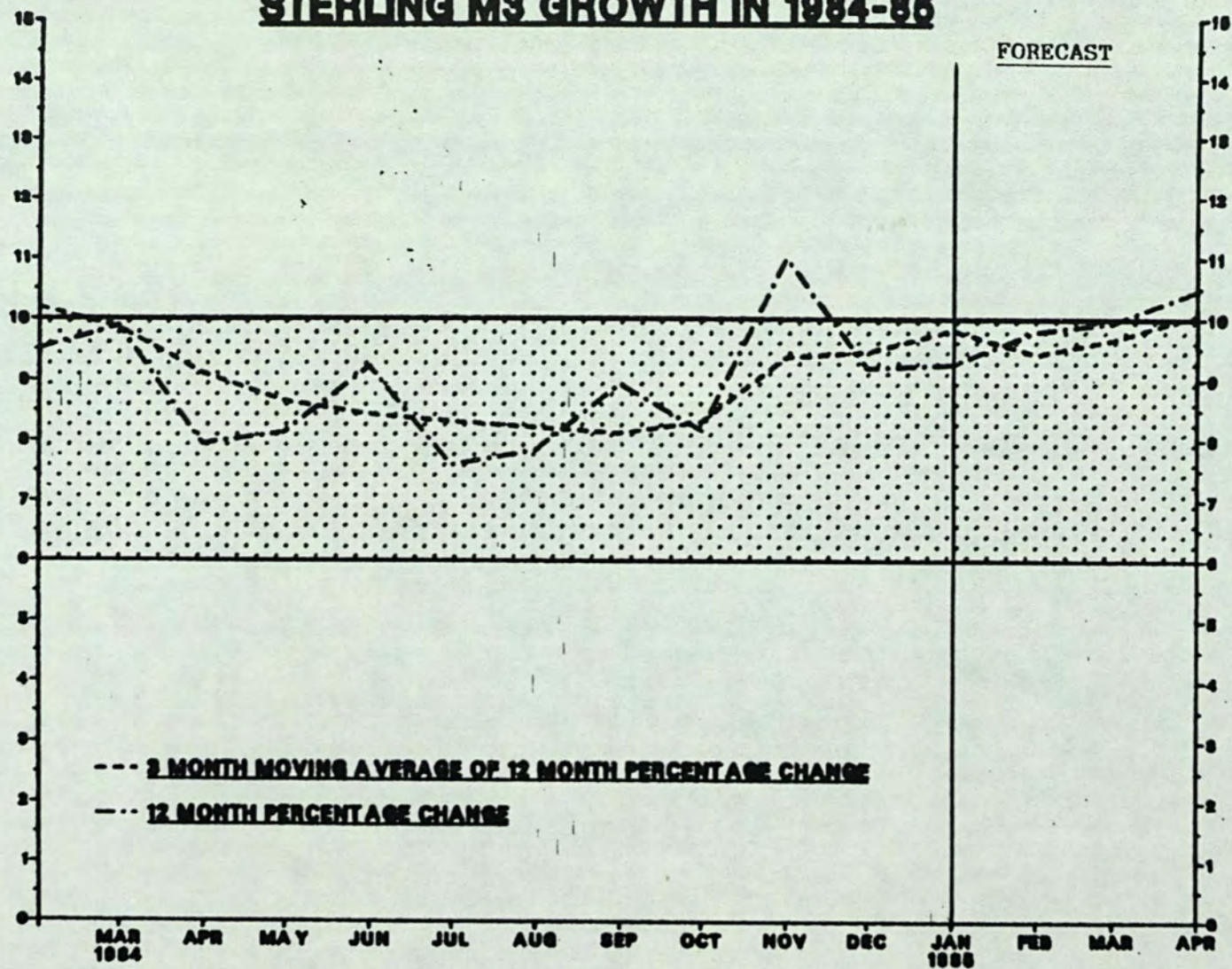
Other indicators of monetary conditions

5. Inflation Retail price inflation is forecast to rise from 4.6 per cent in December to around 5-5½ per cent in the first half of 1985,

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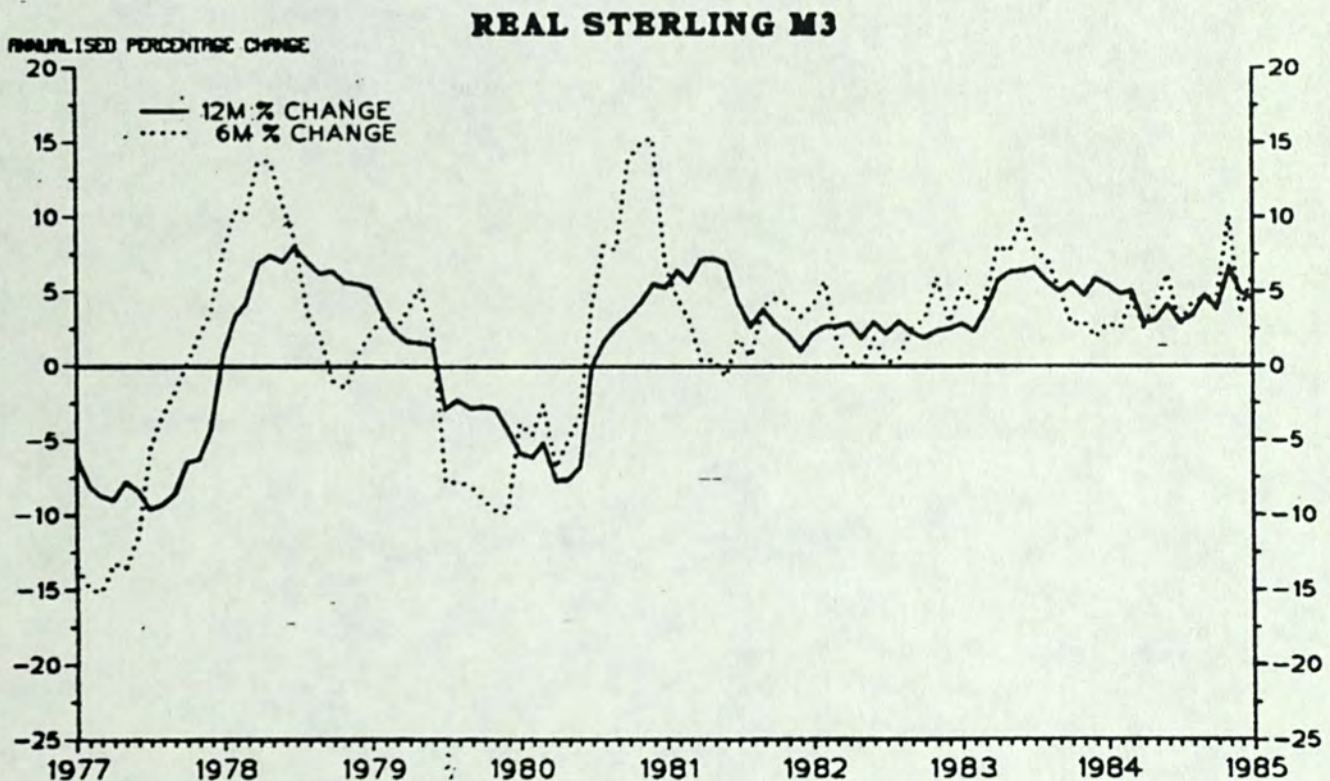
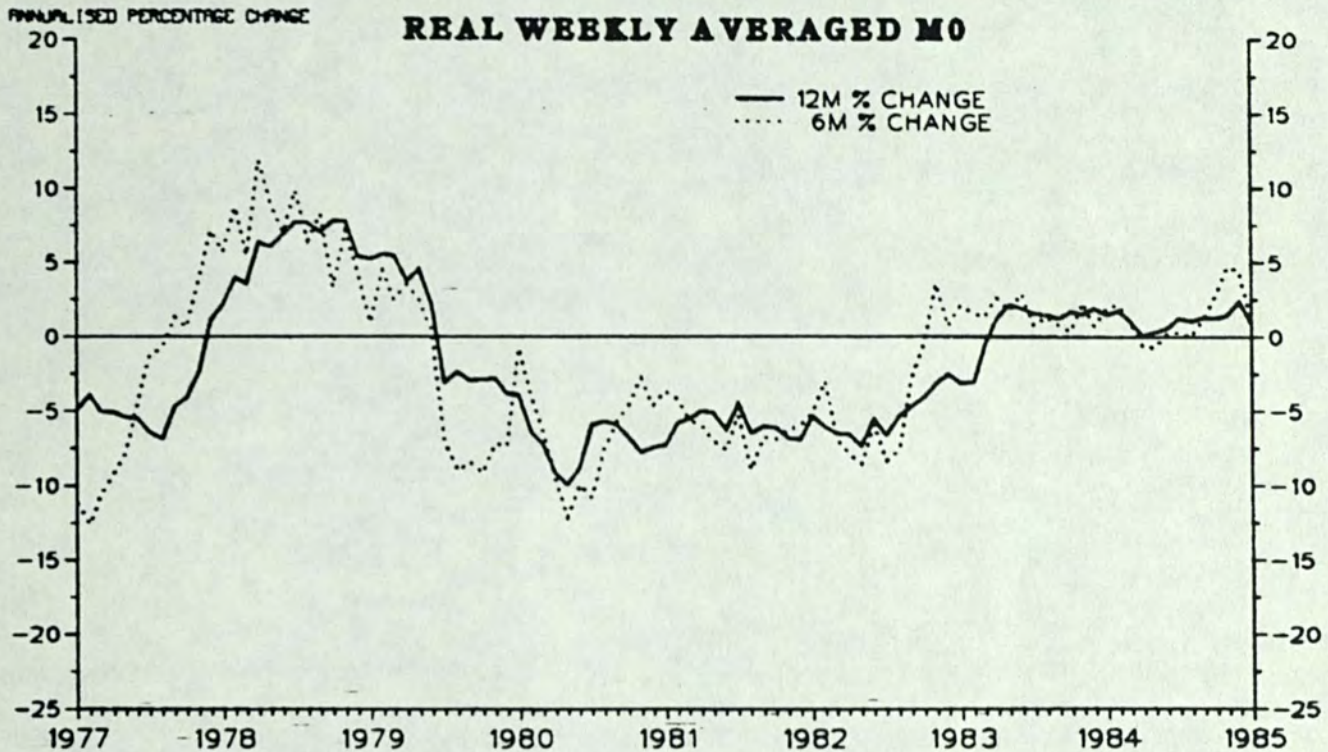
CHART II

STERLING M3 GROWTH IN 1984-85



5.

CHART III: GROWTH RATES OF REAL MONETARY AGGREGATES



REAL GROWTH RATES ARE CALCULATED BY DEFLATING BY THE GROWTH OF THE RPI EXCLUDING THE MORTGAGE ELEMENT

partly reflecting the rise in mortgage rates. Average earnings are still growing at an underlying rate of $7\frac{1}{2}$ per cent; but wage settlements in the 1984-85 pay rounds so far are running about $\frac{1}{2}$ per cent higher than at the same point last year. Commodity prices measured in SDR's have changed very little since July, but with the fall in sterling/rise in the \$, the sterling commodity price index is $13\frac{1}{4}$ per cent higher than in July.

6. Asset prices The equity market remains at a near record level. While house prices have not been accelerating so far, there is now the first sign of an upturn. The 12-month growth in prices at mortgage approval stage had risen to 7.9 per cent in December, a rise of nearly 3.0 per cent from November.

7. Real interest rates Real short term interest rates are now higher than at any time since 1929-31 or 1921 when low nominal rates were accompanied by a falling level of prices. The only recent comparable episode was in the US in 1981 and 1982 when real rates were higher than they are currently in the UK. Although inflation expectations are probably higher than actual inflation, calculations using a comparison of yields on index-linked and conventional gilts suggests that market expectations of inflation have increased only slightly in the last month, and that they are lower now than in mid-1984. Real long rates as measured by IG yields have hardly risen at all since the beginning of January.

8. Exchange rate Compared with its level on Budget day 1984, on 7 February sterling had fallen 24 per cent against the dollar, 11 per cent on the sterling index, and $4\frac{3}{4}$ per cent against other EMS currencies.

Three month forecast

9. The present differential between bank and building society interest rates is not thought to be sustainable for long, so exceptionally, the forecast was prepared assuming a small fall in base rates, to 13 per cent by the end of the period. The alternative would have been to assume unchanged base rates and a rise in mortgage rates. In that case, assuming unchanged funding, it seems likely,

on balance, that £M3 would grow a little more slowly than in the forecast.

10. M0 target period growth is forecast to fall to 5.2 per cent by the end of the forecast (and target) period. This marked fall in trend reflects past experience that rises in short term interest rates have a substantial downward effect on M0. Growth in M0 in banking February is forecast to be slightly lower than in March and April mainly because we already know that M0 has fallen slightly in the first two weeks of banking February.

11. £M3 growth in banking February is now forecast at 0.6 per cent, bringing target period growth (at 9.8 per cent) temporarily back within the target range; this will be the last set of figures published ahead of the budget. This substantial improvement over last month's forecast reflects high sales of gilts and CTDs so far in banking February. Indeed, since the level of gross gilt sales assumed in this forecast has now been exceeded with over a week of banking February to go, the 0.6 figure may well be too high. As a rough rule of thumb every £150m of gilt sales should reduce the monthly and cumulative target period growth of £M3 by around 0.1 per cent, although to the extent that sales may have been more than usually to the overseas sector the effect will be less.

TABLE 2 MAIN AGGREGATES : SUMMARY OF FORECAST
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	per cent. s.a			
	MO	M2*	£M3	PSL2
	---	---	---	----
<u>Monthly change</u>				
February	0.2	0.6	0.6	1.2
March	0.3	1.0	1.5	1.4
April	0.3	1.5	0.8	1.2
<u>growth to mid-January at an annual rate</u>				
Over Past :-				
3 months	5.0	*	12.1	15.1
6 months	5.9	*	11.0	14.8
12 months	5.4	11.2	9.3	14.7
Target Period	5.8	*	10.0	15.3
<u>growth to mid-April at an annual rate</u>				
Over Past :-				
3 months	3.3	*	12.4	16.7
6 months	4.1	*	12.3	15.9
12 months	5.4	11.0	10.5	15.4
Target Period	5.2	*	10.5	15.6

* not seasonally adjusted

12. The forecast is consistent with the latest PSBR forecast for 1984-85, and shows a high "PSBR" of £3.6 bn for February and March combined. In the recent past we have consistently under-forecast the rate of growth of sterling lending. This forecast includes an assumption for underlying lending of £1.4 bn, £150m higher than in previous forecasts (see paragraphs 24-27 below). On this basis, and assuming gross gilts sales of £1½ bn in March and April, £M3 growth would move above the target range in banking March, reaching 10.5 per cent at the end of banking April, which is also the end of the target period. The rapid growth in March and April would also mark a very poor start to the 1985 target period if, as hitherto, it began at the end of banking February.

Public Sector Borrowing

13. In banking January the "PSBR" registered a small deficit of £0.2 bn. Within this the CGBR was also £0.2 bn and the other public sector (OPS) position was flat. While the CGBR was close to forecast, the OPS was £0.5 bn below forecast, mainly because the expected local authority surplus never occurred. It is now thought that the local authorities will not make up for this implied overshoot in the coming months.

14. The forecast is constrained to the recently completed financial year outlook for the PSBR, with the same assumptions. For the short period (second half of banking April) falling in the next financial year the forecast has been based on previous year's trends.

Table 3: Public Sector Borrowing

£ million, monthly average

	Mar-Sept 1984	Oct-Jan 1985	Forecast Feb-Apr 1985
CGBR(O)	824	-123	1123
'LABR'	185	337	211
PCBR	- 53	281	216
'PSBR'	956	495	1550

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

15. Looking at table 3 it can be seen that there have been three distinct periods in the target period. In the most recent four months both local authorities and public corporations have been borrowing considerably more than they were in the early months of the target period, while the CGBR(0), due to BT and accelerated VAT on imports, has been in surplus. In the forecast period the CGBR(0) surges due to heavy end financial year expenditure. The LABR falls back but the PCBR continues to be high. Over the next 3 months the "PSBR" is expected to average £1½ bn a month, equivalent to an annual rate of close to £19 bn.

Debt Sales

(a) Gilts

16. Gross gilt sales in the five-week month of banking January were £906m, not far short of the £1 bn target. The final call on 9¾% Exchequer 1992 'A', together with Issue Department sales of the partly paid stock left over from December, raised £418m. Sales of the three taplets issued on 17 December (£250m of 2½% Exchequer 1987 £150m of 2½% Index-linked Treasury 2001 and £100m of 2½% Index-linked Treasury 2011) were modest. Substantial volumes of stock were borrowed from the Debt Commissioners for sale in the last few days of the month when the gilts market rallied after the rise in base rates to 12 per cent on 14 January. Buying in cost £439m, mainly accounted for by 15% Treasury 1985 which matures in banking March. At the end of the month £800m of a new partly-paid long stock, Exchequer 10½% 2005, was issued to the Bank with the first and second payments timed to fall in banking February.

17. Table 4 compares the January outturn with performance over the previous 12 months and summarises the forecast for gilt sales in the forecast period. It assumes gross sales in February (a five week banking month) of £2 bn, and in March and April of £1¼ bn. The February figure has already been exceeded (after taking credit for the recent call on the new 2005 stock), the 2005 stock and the

three taplets announced on 30 January (£200m of Treasury 10½% 1989, £200m of Treasury 2½% 1995 and £100m of 10¼% Conversion 1999 having been exhausted on 7 February with more than a week to go until the end of the month.

Table 4: Gilt Sales*

	monthly averages, £m		
	Actual Banking January	mid-Jan 84 - mid-Jan 85	Forecast mid-Jan 85 - mid-Apr 85
Gross sales	906	1114	1500
Redemptions	- 1	- 268	- 180
Next maturities	-438	- 111	- 91
<hr/>			
Net sales	467	735	1228
<hr/>			
of which:-			
Monetary sector	-345	6	- 108
Public Corporations	-	- 1	-
Overseas	182	59	- 77
Non-bank private sector	630	672	1043
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* Excluding repos

(b) CTDs

18. Last month's forecast for banking February, seasonally adjusted, was for a net outflow due to heavy surrenders in payment of tax. The new forecast includes higher surrenders, but overall is for a net inflow of over £200m, largely owing to very heavy inflows on 30 January. On the previous day, after the rise in base rates to 14 per cent appeared to have stabilised the market, new rates for CTDs were set a little under market rates at the time to take effect on 30 January. However, the market opened sharply down on 30 January and although we succeeded in suspending the scheme at 1pm, heavy inflows beat the deadline. We continue to forecast a net outflow for March, reflecting heavy forecast PRT payments, but a small net inflow for April when the peak of the tax-gathering season will have passed.

(c) National Savings

19. National Savings contributed £306m (unadjusted) to funding in banking January (£178m adjusted), slightly above forecast. The major contributors to the net inflow were accrued interest and the 29th Issue, whilst outflows from index-linked certificates were rather lower than expected at £5m in the month.

20. Over the forecast period we expect to see continuing outflows from index-linked with strong inflows from accrued interest and the Income Bond. In February we assume that total inflows will be reduced slightly by a fall in competitiveness relative to the banks and to the building societies. In particular, we expect to see a negative contribution from fixed-interest certificates as people wait to buy the 30th Issue and some money is withdrawn from maturing 19th Issue. In March sales of the 30th Issue are expected to raise inflows and the imposition of composite rate tax (CRT) on bank deposits in April suggests an increase in the competitiveness of the DNS gross products giving a further small boost to the total inflow.

21. The forecast unadjusted inflow is around £200m per month, but large negative seasonals in each month reduce the seasonally adjusted totals. The forecast suggests there will be little difficulty in meeting the £3 bn target by the end of the financial year.

The PSBR and Funding

22. Table 5 summarises net funding over the target period so far and that implied by the forecast to mid-April. The large unadjusted PSBR surplus in January meant that there was ^{over}funding of £2.7 bn. Seasonally adjusted overfunding was £1 bn. For the financial year so far there has been overfunding both seasonally adjusted (£2.2 bn) and unadjusted (£0.4 bn).

Table 5 The PSBR and Funding

	£ billion		
	Actual mid Feb 84 - mid Jan 85	Forecast mid Jan 85 - mid Apr 85	mid Feb 84 - mid Apr 85
'PSBR'	8.7	4.7	13.4
Debt sales to nbps of which	-10.9	-3.6	-14.5
Gilts	- 7.0	-3.1	10.1
National Savings	- 3.2	-0.4	3.6
CTD's	- 0.9	-0.1	-1.0
Over (-)/Underfunding (+)	- 2.2	1.1	-1.2
Unadjusted	(- 0.4)	(0.3)	(-0.1)
External finance of the public sector	- 0.9	-0.2	-1.1
Over (-)/Underfunding (+) alternative definition	- 3.1	0.9	-2.2
Unadjusted	(- 1.3)	(0.1)	(-1.2)

23. In the forecast the large CGBR's are offset by large gilt sales in unadjusted terms, conventionally defined, but not seasonally adjusted. By the end of the target period there is forecast to be overfunding on all definitions.

Money market influences

24. There were large shortages in the money markets in January and ^{these} are expected to recur in February. In January the daily shortages were around £550m with the CGBR in surplus, due to seasonal tax payments and accelerated VAT, and modest funding. In February the CGBR moves into small deficit but there have been very heavy gilt sales. In the forecast the stock of money market assistance would

peak in banking March, but fall back by the end of the month to £16 bn, before declining in April as the large CGBR deficit offsets the more modest debt sales. By mid-April the stock of market assistance is forecast to be £15 bn. To the extent that gilt sales are higher than assumed in the forecast, and that seems likely, all these figures would be higher.

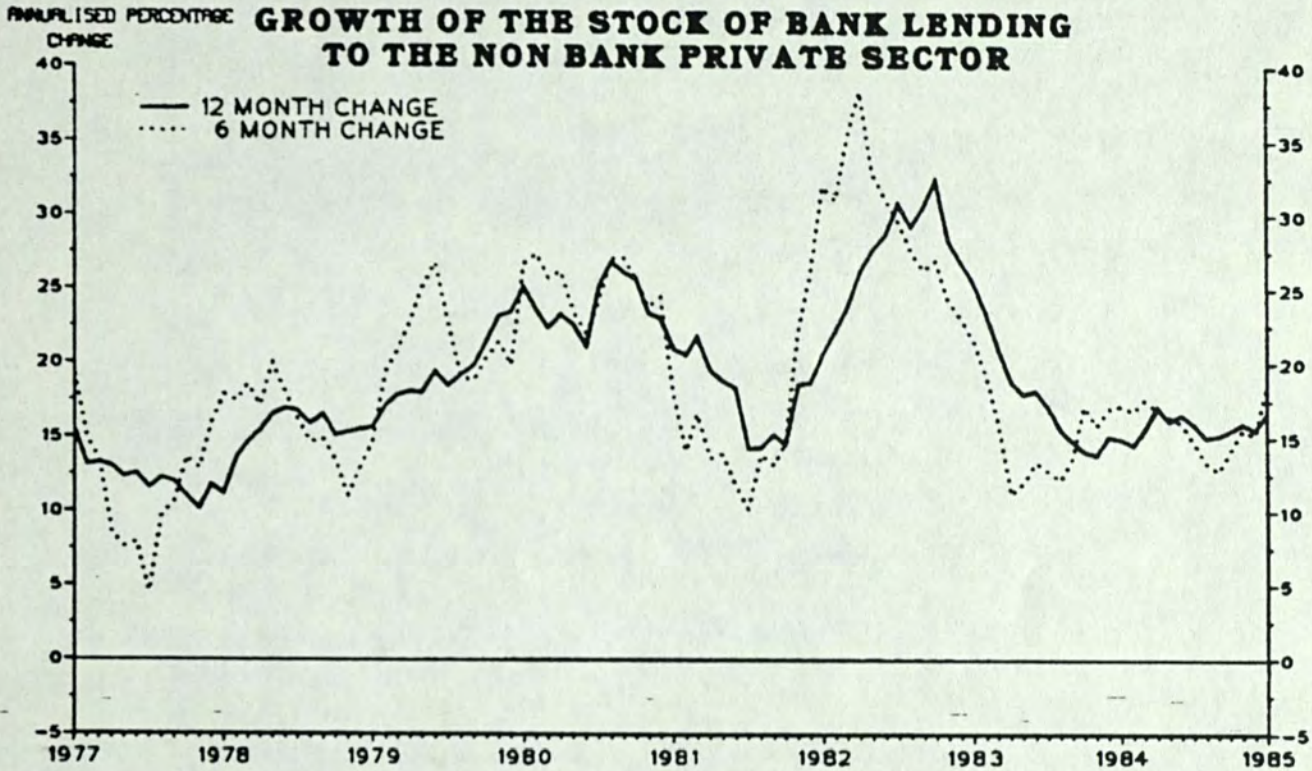
Sterling Lending to the Private Sector

25. Sterling lending to the private sector rose £2 bn last month, again exceeding expectations. Over the last 5 months lending has increased by just over £1¼ bn a month, equivalent to an annual growth rate of around 20 per cent. Part of January's figure can be explained by the particularly low 'PSBR' and accelerated VAT payments on imports. There may also have been some bill round tripping, although this may have been partially offset by the unwinding of bills issued for the same purpose towards the end of banking September.

26. The distortions to bank lending associated with the sale of British Telecom appear to have fully unwound so it is now easier to gauge the underlying trend in lending. As table 6 shows recorded lending is running at between £1.4 bn and £1.7 bn a month depending upon whether you focus on the 12 month or 3 month moving average (ie. between 17% and 20% at an annual rate). Underlying lending - that is the recorded figures adjusted using estimates of the various distortions over recent months - is increasing at between £1.5 and £1.7 bn a month.

27. These figures may overstate the likely underlying level of lending in the forecast period for four reasons. First some of the extra borrowing in recent months may have been associated with concern about the sterling exchange rate and could drop off or be unwound if sterling stabilises. Second, companies would be expected to borrow less as they benefit from large public sector deficits in the next 3 months. Third, companies also appear to be meeting more of their borrowing requirements through new issues (see table 7), and there are some signs that new issues could continue

CHART IV : BANK LENDING AND FT INDEX



REAL FT ALL SHARE INDEX



TABLE 6

£ LENDING TO THE PRIVATE SECTOR

<u>UNDERLYING</u>				<u>RECORDED</u>			
Moving Averages of Levels, fm, s.a.				Moving Averages of Levels fm, s.a.			
	3 Month	6 Month	12 Month		3 Month	6 Month	12 Month
1984M1	1166	1117	1157	1984M1	1196	1272	1085
1984M2	1077	1171	1159	1984M2	1283	1278	1077
1984M3	1095	1303	1200	1984M3	1283	1341	1161
1984M4	1628	1397	1269	1984M4	1445	1320	1273
1984M5	1425	1251	1241	1984M5	1322	1303	1230
1984M6	1563	1329	1263	1984M6	1298	1290	1267
1984M7	882	1255	1186	1984M7	936	1191	1231
1984M8	1098	1261	1216	1984M8	887	1105	1191
1984M9	1028	1296	1299	1984M9	850	1074	1207
1984M10	1638	1260	1328	1984M10	1453	1195	1257
1984M11	1831	1465	1358	1984M11	1773	1330	1317
1984M12	1788	1408	1369	1984M12	1781	1316	1303
<u>1985M1</u>	<u>1740</u>	<u>1689</u>	<u>1472</u>	<u>1985M1</u>	<u>1742</u>	<u>1597</u>	<u>1394</u>
1985M2	1566	1699	1480	1985M2	1629	1701	1403
1985M3	1473	1630	1463	1985M3	1551	1666	1370
1985M4	1400	1570	1415	1985M4	1298	1520	1357
Moving Average of Percentage Changes (%)				Moving Average of Percentage Changes (%)			
	3 Month	6 Month	12 Month		3 Month	6 Month	12 Month
1984M1	15.2	15.0	15.9	1984M1	15.6	17.1	14.9
1984M2	13.7	15.3	15.6	1984M2	16.5	16.8	14.5
1984M3	13.7	17.0	16.1	1984M3	16.2	17.5	15.6
1984M4	20.9	18.0	17.0	1984M4	18.4	16.9	17.1
1984M5	17.8	15.8	16.3	1984M5	16.4	16.5	16.2
1984M6	19.3	16.5	16.5	1984M6	15.8	16.0	16.6
1984M7	10.4	15.6	15.4	1984M7	11.1	14.7	15.9
1984M8	13.0	15.3	15.3	1984M8	10.4	13.4	15.0
1984M9	12.0	15.5	16.3	1984M9	9.8	12.8	15.2
1984M10	19.5	14.9	16.4	1984M10	17.1	14.1	15.5
1984M11	21.6	17.2	16.5	1984M11	20.9	15.6	16.0
1984M12	20.9	16.3	16.4	1984M12	20.8	15.2	15.6
<u>1985M1</u>	<u>20.0</u>	<u>19.6</u>	<u>17.6</u>	<u>1985M1</u>	<u>20.0</u>	<u>18.5</u>	<u>16.7</u>
1985M2	17.4	19.5	17.3	1985M2	18.1	19.5	16.4
1985M3	16.1	18.5	16.9	1985M3	17.0	18.9	15.8
1985M4	15.0	17.5	16.1	1985M4	13.9	16.9	15.5

to run at a higher level. Fourth, the rise in base rates can be expected, on balance, to reduce borrowing, particularly since short rates have risen so far in relation to long rates.

28. We are therefore forecasting underlying lending to increase at £1.4 bn a month, rather below recent experience. Recorded lending is forecast to be somewhat lower at around £1.3 bn on average. Banking February's figures could be boosted by around £75m as a result of round tripping into CTDs offering 14½ per cent on 30 January. On the other hand, with interbank rates remaining somewhat below base rates, some companies may have withdrawn deposits from wholesale markets and used the proceeds to reduce their bank lending. Despite our record of under-estimating the growth of lending, there are reasons for thinking this forecast could be on the high side: in particular we have made only a rather modest allowance for the impact of the very high level of forecast PSBR.

Table 7: Issues by Listed UK Companies

	Net Issues	Calendar month averages, (£m) Gross Issues Queue* (Equities)
1982	97	-
1983	234	-
1984	143	-
1984 Q1	51	850
Q2	199	1510
Q3	218	1030
Q4	106	1215
1985 Jan	274	1610**

* Excluding privatisations, currently consisting of £1bn for British Airways and £½bn for British Aerospace.

** As of Monday 4 February.

Externals and net non-deposit liabilities (NNDLs)

29. Both the externals and the NNDLs statistics for this month have been affected by the merger of Barclays Bank and Barclays Bank International and may therefore be more unreliable than usual. The externals were slightly contractionary in January, partly as a result of heavy overseas purchases of gilts and a rundown of just under £4bn in the reserves. The private sector balance of payments moved heavily into deficit with borrowing up by £1.7bn, deposits up by only £0.3bn and foreign currency NNDLs of £0.4 bn. Over the next 3 months the externals are expected to be contractionary mainly as a consequence of a projected current account deficit which narrows over the forecast period. In banking February the reserves may fall further as net intervention of around £100m to date is not expected to be unwound in the near future. For March and April the forecast assumes no net intervention.

30. Net non-deposit liabilities were contractionary by £430m which is in line with our expected trend of £400m a month. In March and (particularly) April NNDLs may be somewhat larger as a result of known rights issues by banks.

Building Societies' Inflows

31. Retail inflows in banking January were about £250m higher than forecast. We have assumed that much of this represents unsuccessful BT money returning belatedly to the building societies via retail bank accounts. The societies probably also benefitted from private investors' profit-taking on the rise of BT share prices. It seems that rather more money went into the smaller building societies than we would normally have expected: several of these raised their interest rates slightly after losing money in the run up to the BT sale.

32. Despite the sharp decline in building societies' competitiveness (banks 7 day deposit rates have risen 3.15% net whilst the societies have increased their rates by only ¾% net) the latest weekly figures show that societies' retail inflows are holding up well. We have

assumed that inflows remain buoyant in banking February, though below the BT inflated levels in banking January. However, in March and April societies' inflows are expected to fall slightly in response to the increase in bank competitiveness. In part, offsetting this, the forecast assumes that bank rates will ease a little over the next few months. The net effect of these influences is expected to be a gradual fall in building society retail inflows from £1300m in February to £1130m in April (including accrued interest and seasonally adjusted).

33. Net mortgage lending has been reasonably constant in recent months with some societies reporting a low level of demand. Recent indicators of mortgage demand over the next few months are mixed, with the figures for new commitments rising in December but falling back slightly in January. This may provide an explanation for the fairly relaxed attitude of the societies to the recent interest rate increases on the part of the banks. The societies were able to increase their holdings of liquid assets by nearly £500m over the last two months. In contrast, we anticipate some reduction in liquid assets in February as tax payments are made.

Building Societies' contribution to PSL2 and M2

34. Table 8 below shows the societies' contribution to PSL2 and M2. We expect that the building society contribution to PSL2 over the forecast period will be greater than the average over the previous 11 months. This is largely a result of the higher inflows into accounts which are part of PSL2 (ie. non-term share accounts).

Table 8: Building Societies' Inflows

	monthly rate, £m, seasonally adjusted			
	mid-Feb to mid-January	Feb	Forecast March	April
1. Total retail Inflows (including interest credited)	1074	1300	1155	1130
2. Term Shares	- 72	- 150	- 150	- 150
3. Net issues of CDs and time deposits to NBPS	+ 69	- 50	+ 75	+ 75
4. BS acquisitions of liquid assets (excl. gilts)	+ 57	- 160	+ 60	- 50
5. BS contribution to PSL2 (1-2+3-4)	+1158	+1560	+1320	+1405
6. BS contribution to M2*	+ 878	+ 820	+ 815	+ 695

* seasonally unadjusted

In March the lower building society contribution helps to explain why PSL2 is forecast to grow less rapidly than £M3. The forecast for M2 assumes that the share of money going into liquid building society accounts remains high in February as uncertainty about interest rate movements persists. Thereafter we expect that the share will fall so that over the forecast period as a whole the proportion of the inflow which is in M2 stands at the usual level of 70 per cent.

Retail Inflows

35. Table 9 draws together the forecasts for retail inflows into building societies, banks and National Savings. In banking January, total retail inflows were higher than we anticipated, probably because of profit taking after BT or because people did not pay off as much debt as we had expected. The high January figure relative to forecast suggests that we failed to anticipate an increase in the underlying level of total retail inflows last month.

36. Over the forecast period we expect that the recent rise in retail interest rates will induce a further increase in the underlying

Table 9:

RETAIL FLOWS BREAKDOWN

fmillion, seasonally adjusted

21.

	OUTTURN	FORECAST			
		JAN	FEB	MARCH	APRIL
	Average Monthly Increase Since Mid-February				
Retail Bank Deposits					
N.i. b Sight	133	-620) 360	380	360
I.b. Chequable	135	-66			
I.b. Other	-10	+93			
TOTAL RETAIL BANK	258	-593 (-400)	360 (300)	380 (300)	360
BUILDING SOCIETIES *	1074	1598 (1355)	1300 (1190)	1155 (1055)	1110
NATIONAL SAVINGS	294	178 (140)	90 (125)	120 (90)	150
TOTAL	1626	1183 (1095)	1750 (1615)	1655 (1445)	1640

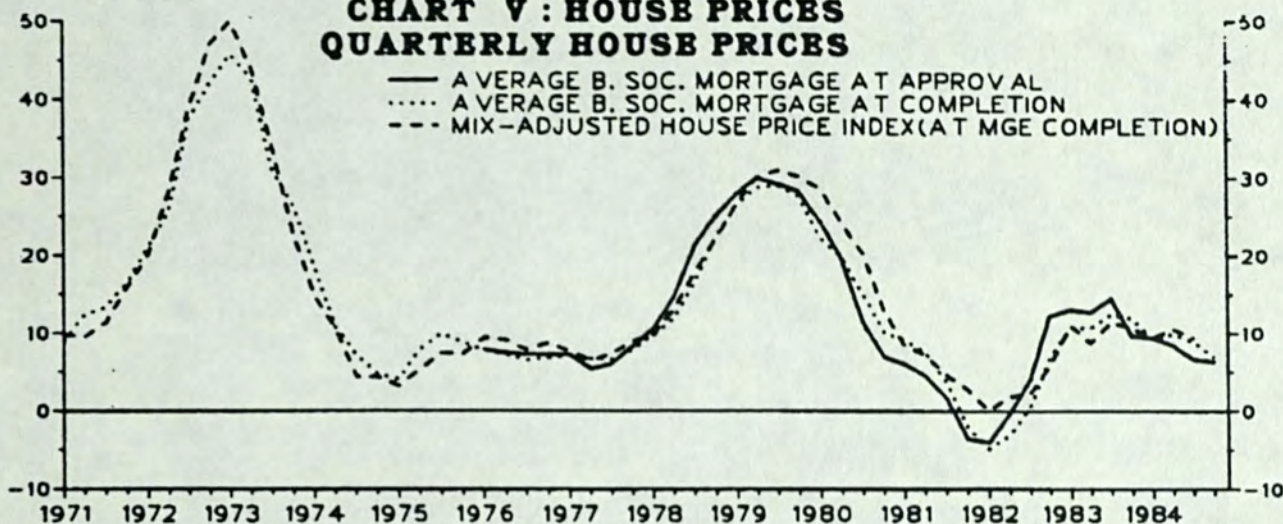
* Including Term Shares and SAYE

Figures in brackets denote last month's forecast

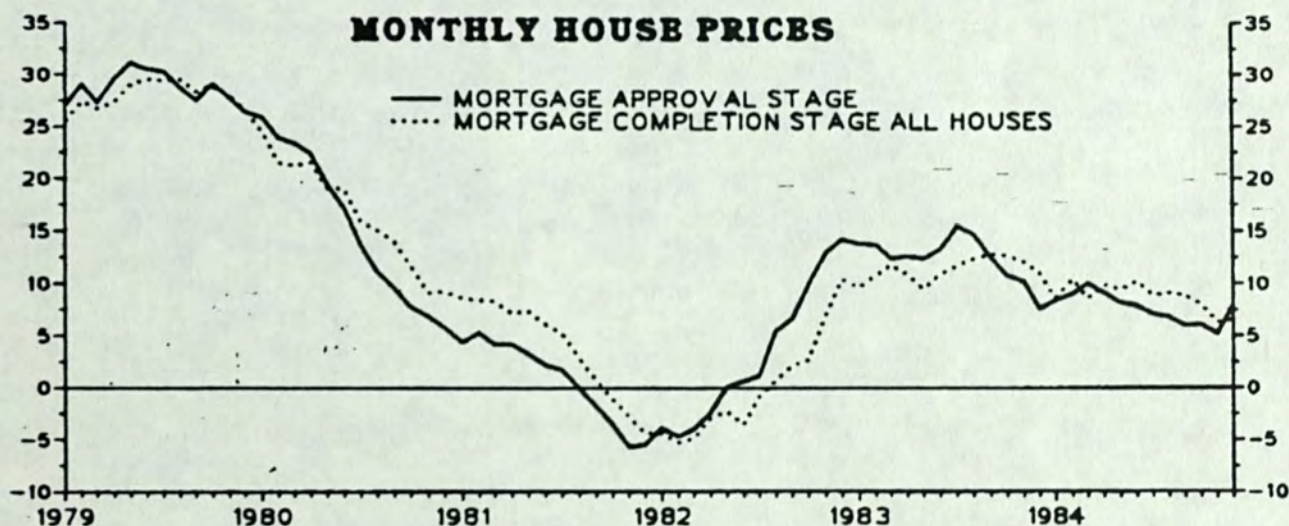
level of total inflows. The main features of the forecast are:

- (a) Compared to previous months bank inflows are significantly higher, reflecting increased competitiveness and the increased level of saving in total.
- (b) The Building societies only begin to lose deposits to the banks in banking March, reflecting lags in the system and investor uncertainty. In general the societies' inflows hold up well.
- (c) National Savings lose out slightly to the banks in February, but gain ground in March and April following the introduction of the new Certificate and CRT.

CHART V : HOUSE PRICES
QUARTERLY HOUSE PRICES



MONTHLY HOUSE PRICES



INDICES OF RELATIVE HOUSE PRICES

BASED ON DOE MIX ADJUSTED HOUSE PRICE INDEX

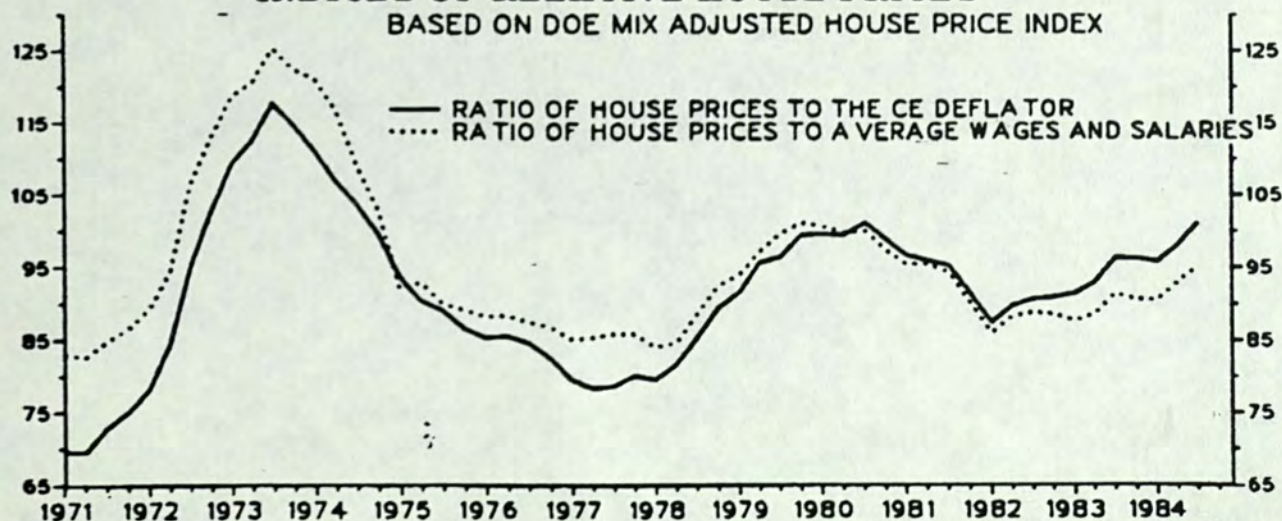


CHART VI: EXCHANGE RATE INDICES (1975=100)

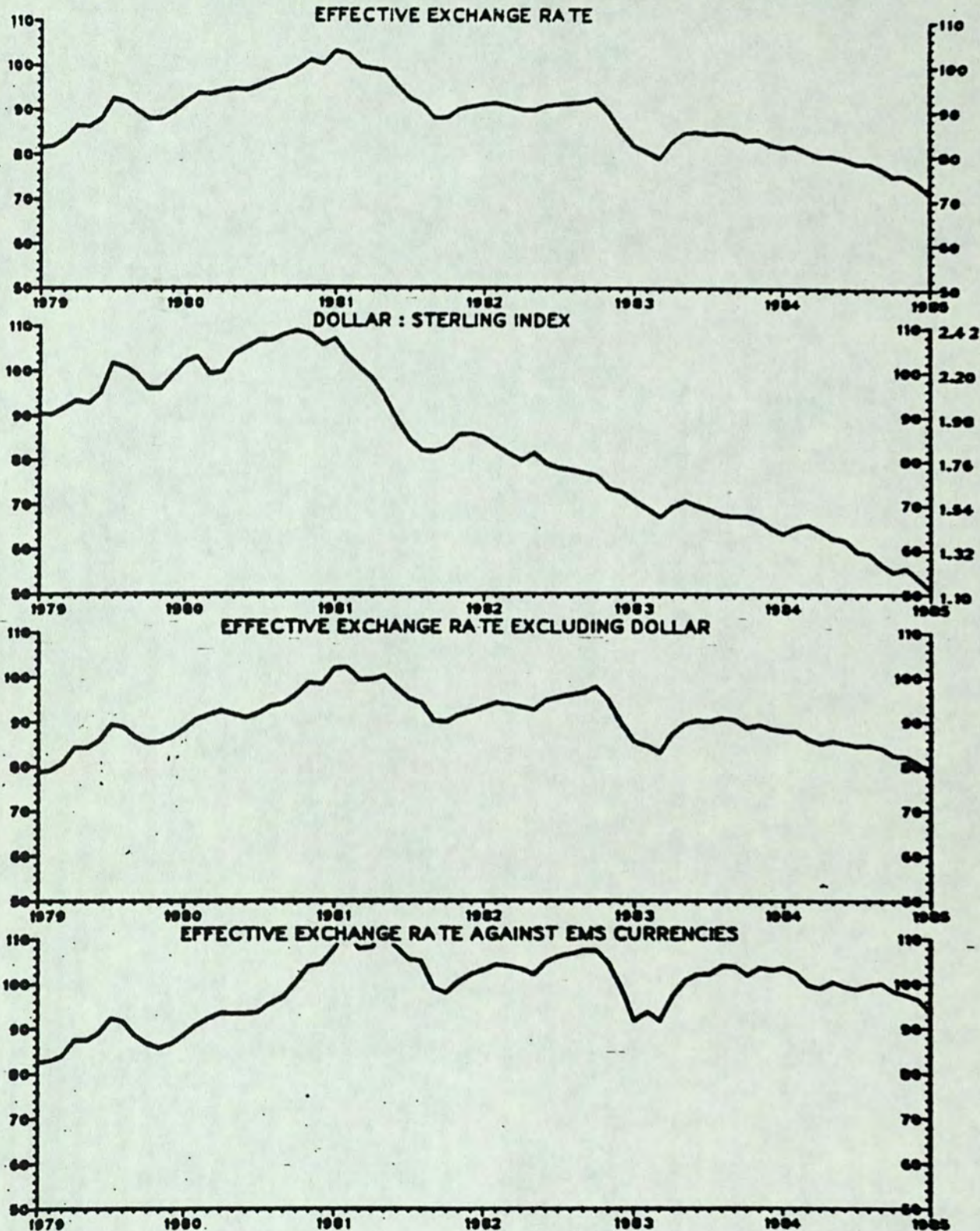


CHART VII:

**ANNUAL GROWTH RATES OF WEEKLY AVERAGED
NOTES & COINS AND M0**



Monthly Monetary Report: Tables

Money

1. Nominal and real target aggregates: historical
2. Monetary aggregates: forecast summary
3. Counterparts to change in £M3: forecast summary
4. Other monetary aggregates: historical
 - (a) target aggregates
 - (b) other narrow aggregates
 - (c) other wide aggregates
5. (a) Components of £M3 : historical
 - (b) Components of broader liquidity: historical
6. Composition of M0: historical
7. Retail deposits: historical

Other indicators of monetary conditions

8. Nominal and real interest rates
9. Prices and earnings

Details of forecast

10. Bank lending: forecast summary
11. Gilts: forecast summary
12. Money market influences: forecast summary

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TABLE 1: PERCENTAGE GROWTH RATES IN SELECTED MONETARY AGGREGATES

	Weekly averaged MO	M2	£M3	PSL2	Real* MO	Real* £M3	RPI less Mortgage Element	
(a) Financial Years (12 month changes to banking April)(%)								
1980-81	6.8		20.4	14.8	-5.0	7.1	12.4	
1981-82	2.0		12.2	10.9	-6.6	2.8	9.1	
1982-83	6.1	8.9	10.9	11.4	1.2	5.7	4.9	
1983-84	4.9	10.4	7.9	11.0	0.0	2.9	4.9	
(b) Changes in 12 months to (%)								
1984	February	6.3	10.1	9.5	11.6	1.7	4.8	4.5
	March	5.7	10.2	9.9	12.0	1.0	5.0	4.6
	April	4.9	10.4	7.9	11.0	0.0	2.9	4.9
	May	5.2	10.5	8.1	11.6	0.3	3.1	4.9
	June	5.4	11.3	9.2	13.0	0.5	4.1	4.9
	July	5.8	11.4	7.6	12.0	1.2	2.9	4.5
	August	5.4	12.3	7.8	12.1	1.0	3.4	4.3
	September	5.2	12.5	8.8	13.1	1.3	4.7	3.9
	October	5.4	12.9	8.0	13.4	1.2	3.8	4.2
	November	5.6	13.7	10.9	15.5	1.4	6.6	4.1
	December	6.6	12.1	9.2	14.4	2.4	4.9	4.1
1985	January	5.4	11.2	9.3	14.7	0.9	4.6	4.5
(c) Changes (at an annual rate) in 6 months to (%)								
1984	February	6.3	11.4	6.7	9.0	2.1	2.5	4.1
	March	5.1	13.5	8.8	11.6	1.0	4.5	4.1
	April	4.1	15.3	7.4	12.0	-0.6	2.7	4.8
	May	4.0	15.7	9.2	14.1	-0.7	4.2	4.8
	June	4.9	15.6	11.2	17.1	0.2	6.1	4.7
	July	5.0	12.2	7.6	14.6	0.3	2.7	4.7
	August	4.4	13.1	8.9	15.3	0.0	4.3	4.5
	September	5.3	11.4	8.8	14.5	1.2	4.5	4.1
	October	6.8	10.8	8.7	14.6	2.7	4.6	3.9
	November	7.2	11.6	12.7	17.0	4.7	10.0	2.4
	December	8.3	8.7	7.2	11.7	4.5	3.5	3.6
1985	January	5.9	10.2	11.0	14.8	1.3	6.1	4.5
(d) Changes (at an annual rate) in 3 months to (%)								
1984	August	4.6	10.8	7.1	13.9			
	September	4.4	7.2	4.2	9.9			
	October	6.7	10.9	9.8	14.4			
	November	9.9	12.4	18.6	20.2			
	December	12.3	10.2	10.3	13.6			
1985	January	5.0	9.6	12.1	15.1			
(e) Changes in month to (%) (£m figures in brackets)								
1984	November	0.6 (83)	1.4 (1801)	2.7 (2824)	2.2 (4092)			
	December	1.5 (210)	0.1 (146)	-0.5 (-536)	-0.1 (-150)			
1985	January	-0.9 (-125)	0.8 (1094)	0.7 (790)	1.4 (2696)			

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TABLE 2 : PERCENTAGE CHANGES IN MONETARY AGGREGATES

		per cent. s.a							
		MO	NIB M1	M1	M2*	£M3	M3	PSL2	PSL2A
		---	---	---	---	---	---	---	---
Banking months									
(1)	In month								
	Jan	-0.9	-1.8	-2.0	0.3	0.7	1.6	1.4	1.2
	Feb	0.2			0.6	0.6		1.2	1.0
	Mar	0.3			1.0	1.5		1.4	1.2
	Apr	0.3			1.5	0.8		1.2	1.1
(2)	latest 3 months (a.r)								
	Jan	5.0	4.5	8.5	*	12.1	21.0	15.1	12.3
	Feb	3.3			*	3.3		10.7	8.6
	Mar	-1.6			*	11.9		17.5	14.7
	Apr	3.3			*	12.4		16.7	14.1
(3)	latest 6 months (a.r)								
	Jan	5.9	6.2	13.3	*	11.0	16.4	14.8	12.3
	Feb	6.6			*	10.7		15.3	12.7
	Mar	5.1			*	11.1		15.6	12.9
	Apr	4.1			*	12.3		15.9	13.2
(4)	latest 12 months (a.r)								
	Jan	5.4	6.8	15.0	11.2	9.3	12.0	14.7	12.7
	Feb	5.5			11.8	9.8		15.3	13.2
	Mar	5.2			11.4	9.9		15.0	12.8
	Apr	5.4			11.0	10.5		15.4	13.0
(5)	target period (a.r)								
	Jan	5.8	7.2	16.0	*	10.0	12.3	15.3	13.2
	Feb	5.5			*	9.8		15.3	13.2
	Mar	5.3			*	10.5		15.6	13.4
	Apr	5.2			*	10.5		15.6	13.4

* not seasonally adjusted

SECRET

TABLE 3: £M3 COUNTERPARTS

	JANUARY		FORECAST			TARGET PERIOD	£ millions
	FORECAST	OUTTURN	FEB	MAR	APRIL	MID-APRIL 84 TO MID-APRIL 85	MID-APRIL 84 TO MID-APRIL 85
1. CGBR							
Own-account (u.a)	-2575	-2557	160	2560	370	7358	4083
On-lending (u.a)	535	555	135	25	785	3719	3460
Total (u.a)	-2040	-2002	295	2585	1155	11077	7543
TOTAL CGBR (s.a)	195	234	1700	605	2010	11617	9441
2. NET PURCHASES OF CG DEBT BY NBPS							
Gilts	-480	-630	-1550	-700	-880	-9415	-8246
Treasury bills	0	-12	0	0	0	191	144
National Savings	-140	-178	-90	-150	-120	-3425	-2915
CTDs,etc	-165	-194	-215	-25	945	-178	74
TOTAL DEBT	-785	-1014	-1855	-875	-55	-12827	-10943
3. OTHER PUBLIC SECTOR							
Local Authorities	-465	-50	-265	90	-135	-33	-323
Public Corps.	-45	60	310	420	-60	654	888
TOTAL OPS	-510	10	45	510	-195	621	565
4. £ LENDING TO PRIVATE SECTOR	1750	2038	1365	1280	1250	18086	15009
5. NET EXTERNALS	160	-62	-220	10	-90	-224	602
6. NET NON-DEPOSIT LIABILITIES	-330	-425	-400	-600	-450	-5037	-4175
CHANGE IN £M3	480	790	635	930	1670	11445	9708
Em							
(%)	(0.4)	(0.7)	(0.6)	(1.5)	(0.8)	(10.5)*	(10.0)*
"PSBR"	-315	244	1745	1115	1815	12238	10006
OVER(-)/UNDERFUNDING(+)	-1100	-770	-110	240	1760	-589	-937

* at an annual rate

1984-85 KEY AGGREGATES

Table 4A

TARGET AGGREGATES

		MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	JAN
<u>£M3</u>	(Exc. Public sector deposits)									
	Monthly change (£ millions)	+855	+2,062	-1,030	+734	+1,380	+324	+2,824	-536	+790
	Monthly % change	+0.8	+2.0	-1.0	+0.7	+1.3	+0.3	+2.7	-0.5	+0.7
	Three-monthly % change a.r.	+10.8	+13.6	+7.6	+7.1	+4.2	+9.8	+18.6	+10.3	+12.1
	Six-monthly % change a.r.	+9.2	+11.2	+7.6	+8.9	+8.8	+8.7	+12.7	+7.2	+10.9
	12 Monthly % change	+8.1	+9.2	+7.6	+7.8	+8.8	+8.0	+10.9	+9.2	+9.2
	% Change since Feb-83 a.r.									
	% Change since Feb-84 a.r.	+10.8	+14.7	+8.9	+8.9	+10.1	+9.2	+12.0	+10.1	+10.0
<u>MO</u>	Averaged weekly									
	Monthly change (£ millions)	+53	+137	+30	-17	+133	+105	+83	+210	-125
	Monthly % change	+0.4	+1.0	+0.2	-0.1	+1.0	+0.8	+0.6	+1.5	-0.9
	Three-monthly % change a.r.	+4.3	+6.2	+6.8	+4.6	+4.4	+6.7	+9.9	+12.3	+5.0
	Six-monthly % change a.r.	+4.0	+4.9	+5.0	+4.4	+5.3	+6.8	+7.2	+8.3	+5.9
	12-monthly % change	+5.2	+5.4	+5.8	+5.4	+5.2	+5.4	+5.6	+6.6	+5.4
	% Change since Feb-83 a.r.									
	% Change since Feb-84 a.r.	+4.3	+6.4	+5.7	+4.4	+5.5	+6.1	+6.2	+7.5	+5.8
<u>CROSS CHECKS</u>										
<u>PSL2</u>	Monthly change (£ millions)	+2,167	+3,920	+142	+1,701	+2,418	+1,988	+4,092	-150	+2,684
	Monthly % change	+1.3	+2.2	+0.1	+1.0	+1.3	+1.1	+2.2	-0.1	+1.4
	Three-monthly % change a.r.	+16.8	+19.3	+15.2	+13.9	+9.9	+14.4	+20.2	+13.6	+15.1
	Six-monthly % change a.r.	+14.1	+17.0	+14.6	+15.3	+14.5	+14.8	+17.0	+11.7	+14.7
	12-monthly % change	+11.6	+13.0	+12.0	+12.1	+13.1	+13.4	+15.5	+14.4	+14.7
	% Change since Feb-83 a.r.									
	% Change since Feb-84 a.r.	+16.8	+20.1	+16.0	+15.3	+15.6	+15.4	+16.9	+15.0	15.3
<u>M2</u>	Monthly change (£ millions)	+615	+2,110	+1,431	+378	+488	+1,131	+1,133	+1,913	+359
unadjusted	Monthly % change	+0.5	+1.7	+1.1	+0.3	+0.4	+0.9	+0.9	+1.4	+0.3
	12-monthly % change	+10.5	+11.3	+11.4	+12.3	+12.6	+12.9	+13.6	+12.0	+11.2
	(exc re-classifications)	(+7.9)	(+8.5)	+8.7	+9.5	+9.8	+10.1	+10.8	+10.6	+10.6
<u>Levels :</u>	£M3 (Exc. Pub Sec Deps)	102,330	104,416	103,406	104,171	105,577	105,900	108,718	108,646	109,425
	MO (Averaged weekly)	13,295	13,432	13,462	13,445	13,578	13,683	13,766	13,976	13,851
	PSL 2	174,746	178,683	178,833	180,548	182,978	184,965	189,056	189,390	192,074
	M2 (unadjusted)	125,857	128,017	129,448	129,826	130,314	131,445	132,528	134,593	134,952

Table 4B

OTHER WIDE AGGREGATES

	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	JAN
<u>PSL1</u>									
Monthly change (£ millions)	+907	+2,602	-1,166	+730	+1,473	+691	+2,890	-741	+853
Monthly % change	+0.9	+2.5	-1.1	+0.7	+1.4	+0.6	+2.6	-0.7	+0.8
Three-monthly % change a.r.	+11.9	+15.6	+9.2	+8.4	+3.8	+11.2	+20.1	+10.8	+11.3
Six-monthly % change a.r.	+8.4	+11.6	+8.3	+10.2	+9.6	+10.2	+14.1	+7.3	+11.3
12-monthly % change	+7.8	+9.4	+7.7	+7.8	+9.0	+8.6	+11.2	+9.4	+9.8
% Change since Feb-83 a.r.									
% Change since Feb-84 a.r.	+11.9	+17.0	+10.5	+10.2	+11.2	+10.8	+13.4	+11.1	+10.9
<u>PSL2A</u>									
Monthly change (£ milions)	+2,133	+2,958	+173	+1,639	+2,292	+1,885	+3,829	-290	+2,486
Monthly % change	+1.1	+2.0	-	+0.8	+1.1	+0.9	+1.9	-0.1	+1.2
Three-monthly % change a.r.	+15.3	+17.2	+13.4	+12.1	+8.3	+12.2	+16.9	+11.1	+12.3
Six-monthly % change a.r.	+13.5	+15.8	+13.2	+13.7	+12.7	+12.8	+14.5	+9.7	+12.2
12-monthly % change	+11.9	+13.1	+12.2	+12.2	+12.6	+12.5	+14.0	+12.7	+12.7
% Change since Feb-83 a.r.									
% Change since Feb-84 a.r.	+15.3	+18.1	+14.4	+13.7	+13.8	+13.5	+14.8	+13.0	+13.2
<u>M3</u>									
(Exc. Public Sector Deposits)									
Monthly change (£ millions)	-1,001	+2,068	+222	+263	+2,828	+418	+3,414	+271	+2,350
Monthly % change	-0.8	+1.8	+0.2	+0.2	+2.3	+0.3	+2.8	+0.2	+1.8
Three-monthly % change a.r.	+4.4	+5.9	+4.4	+9.0	+11.5	+12.2	+24.0	+14.0	+21.0
Six-monthly % change a.r.	+9.6	+8.8	+7.7	+6.7	+8.8	+8.2	+16.2	+12.8	+16.4
12-monthly % change	+9.2	+10.0	+9.4	+9.2	+11.3	+10.2	+12.9	+10.8	+12.0
% Change since Feb-83 a.r.	-								
% Change since Feb-84 a.r.	+4.4	+8.8	+7.5	+6.7	+10.0	+9.2	+12.2	+11.2	+12.3

Levels :

PSL1	105,851	108,470	107,312	108,056	109,541	110,231	113,120	112,863	113,716
PSL2A	195,214	199,189	199,270	200,923	203,227	205,111	208,939	209,133	211,619
M3 (ex. Pub. Sec. Deps)	117,787	119,908	120,152	120,440	123,291	123,713	127,127	127,925	130,266

Table 4C

OTHER NARROW AGGREGATES

		MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	JAN
<u>NIB M1</u>	Monthly change (£ millions)	+140	+281	-401	+668	-267	+221	+720	+271	-625
	Monthly % change	+0.4	+0.9	-1.2	+2.1	-0.8	+0.7	+2.2	+0.8	-1.8
	Three-monthly % change a.r.	+16.2	+13.3	+0.2	+6.9	-	+7.9	+8.4	+15.7	+4.5
	Six-monthly % change a.r.	+10.6	+9.4	+7.4	+11.5	+6.4	+4.0	+7.7	+7.6	+6.2
	12-monthly % change	+9.2	+9.4	+7.3	+9.3	+7.6	+7.3	+9.2	+8.5	+6.8
	% Change since Feb-83 a.r.									
	% Change since Feb-84 a.r.	+16.2	+14.9	+8.5	+11.5	+8.3	+8.3	+10.5	+10.4	+7.2
<u>M1</u>	Monthly change (£ millions)	+687	+857	-318	+685	+527	+791	+1,598	+422	-1,033
	Monthly % change	+1.5	+1.9	-0.7	+1.5	+1.1	+1.7	+3.3	+0.8	-2.0
	Three-monthly % change a.r.	+28.0	+22.6	+11.3	+11.1	+7.9	+18.4	+27.1	+26.8	+8.4
	Six-monthly % change a.r.	+18.2	+20.0	+16.7	+19.3	+15.0	+14.8	+18.9	+16.5	+13.3
	12-monthly % change	+13.7	+13.7	+13.5	+14.3	+15.7	+15.5	+18.5	+18.2	+15.0
	% change since Feb-83 a.r.									
	% change since Feb-84 a.r.	+28.0	+27.2	+19.3	+19.3	+18.5	+19.0	+21.8	20.7	+16.0
<u>M2</u>	Partially seasonally adjusted									
	Monthly change (£ millions)	+1,268	+1,804	+142	+1,326	+772	+1,262	+1,801	+146	+1,045
	Monthly % change	+1.0	+1.4	+0.1	+1.0	+0.6	+1.0	+1.4	+0.1	+0.8
	Three-monthly % change a.r.	+15.4	+15.7	+10.7	+10.7	+7.2	+10.9	+12.4	+10.2	+9.4
	Six-monthly % change a.r.	+15.7	+15.6	+12.1	+13.0	+11.4	+10.8	+11.6	+8.7	+10.1
	12-monthly % change	+10.4	+11.3	+11.3	+12.3	+12.5	+12.9	+13.7	12.1	+11.2
	% Change since Feb-83 a.r.									
	% Change since Feb-84 a.r.	+15.4	+16.1	+13.0	+13.0	+12.3	+12.2	+12.8	+11.6	+11.5
<u>Levels :</u>	NIBM1	32,406	32,689	32,288	32,956	32,689	32,910	33,630	34,002	33,377
	M1	45,910	46,770	46,460	47,140	47,670	48,460	50,060	50,590	49,560
	M2 (Partially S/A)	126,661	128,517	128,659	129,949	130,743	132,008	133,826	134,046	135,168

SECRET

TABLE 5 (a)

The Components of EM3

seasonally adjusted

		Banking Deposits				Change in EM3
Notes and Coins		Retail		Wholesale		
		nib	ib			
<u>% change</u>		A	B	C	D	E
1982-83 ¹		7.1	13.9	6.3	16.2	11.2
1983-84		5.6	11.3	-1.8	15.2	7.9
over 12 months						
1984	February	4.3	10.1	2.0	16.8	9.2
	March	4.0	9.7	-0.1	19.8	9.5
	April	5.6	11.3	-1.8	15.2	7.9
	May	4.7	12.0	-3.0	17.5	8.1
	June	5.3	12.0	-2.3	19.8	9.2
	July	5.4	8.4	-1.7	16.5	7.6
	August	5.5	11.6	-1.5	15.2	7.8
	September	5.5	8.8	-0.7	18.8	8.9
	October	5.5	8.4	0.2	15.9	8.2
	November	5.4	11.4	1.1	21.6	10.9
	December	4.8	10.7	2.9	15.4	9.2
1985	January	5.3	7.7	3.8	16.0	9.2
over 6 month at annual rate						
1984	July	5.9	8.3	3.1	12.4	7.6
	August	6.7	14.4	4.8	11.2	8.9
	September	7.1	6.0	6.1	13.8	8.8
	October	4.5	3.7	7.6	14.5	8.7
	November	6.5	8.4	9.5	19.4	12.7
	December	4.6	9.3	3.8	9.6	7.2
1985	January	4.6	7.1	4.6	19.9	10.9
<u>EM3 changes</u>						
monthly average						
1982-83 ¹		62	190	239	345	836
1983-84 ¹		56	183	-39	445	645
monthly change						
1984	August	64	604	26	40	734
	September	82	-349	196	1439	1368
	October	63	158	217	-102	336
	November	58	661	365	1740	2825
	December	14	257	-137	-670	-537
1985	January	-6	-620	27	1379	781

¹ April on April

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TABLE 5 (b)

Components of Broader Liquidity

Seasonally adjusted

		Building Societies							PSL2A and National Savings
		Money ¹	Retail ²	Wholesale	Liquid Assets (inc -1)	Other ³	PSL2	PSL2A	
<u>% change</u>		F	G	H	I	J	K	L	M
1982-83 ⁴		10.3	11.1	-	9.2	9.3	10.8	13.2	13.1
1983-84 ⁴		7.9	19.0	-	-46.8	5.2	11.0	11.8	11.8
Over 12 months									
1984	February	9.3	17.6		-30.6	7.7	12.0	12.2	12.0
	March	9.5	18.5		-44.2	8.7	12.2	12.5	12.3
	April	7.9	19.0		-46.8	5.2	11.0	11.4	11.3
	May	8.2	19.2	N/A	-44.1	7.5	11.7	12.0	11.8
	June	9.3	19.7		-36.6	11.4	13.0	13.2	12.9
	July	7.6	19.5		-28.1	9.7	12.1	12.2	12.0
	August	7.8	19.4		-22.1	8.7	12.1	12.2	12.0
	September	8.9	20.1		-26.2	9.7	13.1	12.6	12.7
	October	8.2	21.6		-21.4	11.9	13.5	12.5	12.5
	November	11.0	22.7		-14.8	11.1	15.5	13.9	13.7
	December	9.2	22.4		-9.9	10.0	14.3	12.7	12.5
1985	January	9.4	22.9		-17.6	11.7	14.6	12.7	12.5
Over 6 months at annual rate									
1984	August	9.0	20.2		26.4	16.6	15.3	13.7	13.3
	September	8.8	19.1		22.8	11.3	14.5	12.6	13.1
	October	8.7	20.4		6.2	16.1	14.8	12.8	13.3
	November	12.7	22.6		-16.8	16.9	16.9	14.5	14.8
	December	7.2	21.6		-34.3	5.2	11.7	9.7	10.3
1985	January	11.1	23.8		-60.4	9.5	14.7	12.2	12.4
<u>£mn changes</u>									
monthly average									
1982-83		781	447	-	36	-31	1295	1677	1849
1983-84		639	852	59	-100	38	1488	1711	1911
monthly change									
1984	August	675	878	-3	121	31	1702	1640	1902
	September	1391	1029	115	-222	91	2404	2278	3239
	October	307	1473	104	-338	436	1982	1879	2045
	November	2857	1568	-149	-300	109	4085	3822	4039
	December	-547	789	-19	-189	-185	-150	-290	-216
1985	January	808	1778	250	-300	160	2696	2498	2573

1. EM3 less deposits of over 2 years maturity.
2. Net inflow excluding Term shares, SAYE, CD's and Time deposits
3. Treasury bills, bank bills, LA temporary debt, CTD's and some national savings accounts.
- 4 April on April.

GROWTH RATES OF COMPONENTS OF WEEKLY AVERAGED MO

		Notes and Coins	Bankers Balances	Total MO
(a)	Financial Years (12 month change to banking April) (%)			
	1980-81	5.9	27.4	6.8
	1981-82	2.1	-0.2	2.0
	1982-83	6.6	-15.6	6.1
	1983-84	5.4	-23.4	4.9
(b)	Changes in 12 months to (%)			
	1984			
	February	5.9	39.3	6.3
	March	5.6	15.9	5.7
	April	5.4	-23.4	4.9
	May	5.2	5.3	5.2
	June	5.3	20.1	5.4
	July	5.4	57.1	5.8
	August	5.4	1.2	5.4
	September	5.4	-9.7	5.2
	October	5.4	7.2	5.4
	November	5.6	5.3	5.6
	December	5.1	129.7	6.6
	1985			
	January	6.2	-37.4	5.4
(c)	Changes (at an annual rate) in 6 months to (%)			
	1984			
	February	5.7		6.3
	March	4.4		5.1
	April	4.3		4.1
	May	4.6		4.0
	June	4.6		4.9
	July	6.0		5.0
	August	5.1		4.4
	September	6.4		5.3
	October	6.5		6.8
	November	6.6		7.2
	December	5.6		8.3
	1985			
	January	6.3		5.9
(d)	Three month moving average change (£m) (% change at an annual rate in brackets)			
	1984			
	August	41 (3.8)	9	50 (4.6)
	September	62 (5.7)	-13	49 (4.4)
	October	69 (6.4)	4	74 (6.7)
	November	102 (9.5)	5	107 (9.9)
	December	60 (5.5)	72	133 (12.3)
	1985			
	January	69 (6.3)	-13	56 (5.0)
(e)	Changes in the month to (£m) (% changes in brackets)			
	1984			
	November	81 (0.6)	2	83 (0.6)
	December	34 (0.3)	176	210 (1.5)
	1985			
	January	92 (0.7)	-217	-125 (-0.9)

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TABLE 7: RETAIL DEPOSITS

Seasonally adjusted

	BANKS				
	interest bearing deposits	non-interest bearing deposits	Total	Building ¹ Societies	National ² Savings
<u>% Change</u>					
1982-83 ³	6.3	13.9	8.7	17.3	15.8
1983-84 ³	-1.8	11.3	3.2	18.7	14.3
Over 12 months					
1984 February	2.0	10.1	5.1	16.9	13.3
March	-0.1	9.7	3.6	17.6	14.2
April	-1.8	11.3	3.2	18.0	14.5
May	-1.8	11.3	3.2	18.0	14.5
June	-2.3	12.0	3.1	18.6	14.1
July	-1.7	8.4	2.1	18.2	13.8
August	-1.5	11.6	3.4	17.9	13.8
September	-0.7	8.8	3.0	17.4	15.7
October	0.2	8.4	3.4	17.6	14.9
November	1.1	11.4	5.0	17.5	14.7
December	2.9	10.7	6.0	16.7	14.0
1985 January	3.8	7.7	5.4	16.7	13.7
Over 6 months at annual rate					
August	4.8	14.4	8.5	15.3	12.0
September	6.1	6.0	6.1	13.9	17.8
October	7.6	3.7	6.0	14.5	17.5
November	9.5	8.4	9.0	15.6	17.7
December	3.8	9.3	6.0	14.6	16.3
1985 January	4.6	7.1	5.6	16.1	15.6
<u>£mn changes</u>					
monthly average					
1982-83 ³	239	190	429	864	257
1983-84 ³	-39	183	144	1050	271
monthly change					
1984 August	26	604	630	762	238
September	196	-349	-153	919	971
October	217	158	375	1359	221
November	365	661	1026	1343	292
December	-137	257	120	639	87
1985 January	27	-620	-593	1598	178

Notes

1. Total retail funds, including terms shares and SAYE.
2. Total inflows
3. April on April.

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NOMINAL AND REAL INTEREST RATES

NOMINAL RATESREAL RATES

		<u>NOMINAL RATES</u>			<u>REAL RATES</u>					
		Three month interbank	Three month Eurodollar	Base Rate	Long Rate (20 year Gilts)	Expected inflation over 12 months*	Real 3-month interbank rate	Yield on Index-linked Gilts**		
							1988	1996	2011	
1982	(1)	14.3	15.1	14.1	14.7	10.3	4.0		3.0	
	(2)	13.4	15.1	12.8	13.7	9.2	4.1	3.5	3.4	3.0
	(3)	11.5	12.6	11.4	12.2	8.0	3.4	3.6	3.3	3.0
	(4)	9.9	9.9	9.7	10.8	6.3	4.8	2.7	2.6	2.7
1983	(1)	11.1	9.2	10.8	11.5	6.3	4.8	2.7	2.6	2.5
	(2)	10.2	9.4	10.0	10.5	6.2	4.0	3.7	3.2	2.7
	(3)	9.8	10.1	9.5	10.9	6.3	3.5	4.2	3.6	3.1
	(4)	9.4	9.9	9.0	10.4	6.0	3.4	3.7	3.5	3.0
1984	(1)	9.2	10.1	8.9	10.3	5.8	3.4	4.1	3.6	3.2
	(2)	9.3	11.4	8.9	10.9	5.6	3.4	4.8	3.8	3.3
	(3)	11.1	11.7	11.0	11.2	5.5	3.7	5.6	4.4	3.7
	(4)	10.1	9.8	10.0	10.6	5.6	4.5	4.7	3.8	3.2
1984	March	9.0	10.4	8.7	10.3	5.7	3.3	4.4	3.8	3.3
	April	8.9	10.9	8.6	10.4	5.6	3.3	4.4	3.6	3.2
	May	9.6	11.6	9.0	11.0	5.4	4.2	4.8	3.8	3.3
	June	9.5	11.8	9.2	11.2	5.7	3.8	5.1	4.0	3.5
	July	11.6	11.7	11.5	11.7	5.6	6.0	5.7	4.4	3.7
	August	10.9	11.8	10.9	11.0	5.5	5.4	5.5	4.4	3.7
	September	10.8	11.6	10.5	10.8	5.5	5.3	5.5	4.4	3.6
	October	10.6	10.7	10.5	10.8	5.6	5.0	4.7	3.9	3.2
	November	9.9	9.6	9.9	10.4	5.6	4.3	4.7	3.7	3.2
	December	9.8	9.0	9.5	10.5	5.7	4.1	4.8	3.7	3.1
1985	January	11.3	8.3	11.0	10.9	5.7	5.6	5.2	3.8	3.3
	February 6	13.6	8.8	14.0	11.1	5.8	7.8	5.1	3.8	3.3

* Unweighted average of forecasts by Phillips and 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 three months immediately ahead.

** Average of yields calculated for each Friday of month or quarter. Assumes inflation averages 5 per cent per annum to redemption.

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TABLE 9

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

	<u>Retail Prices</u>	<u>Producer Price Index</u> (All manufactured products)		<u>Underlying Average Earnings</u>	<u>Unit Wage Costs*</u>	<u>Commodity Prices***</u>
		<u>Output Prices</u> (home sales)	<u>Input Prices</u>			
1982 (1)	11.1	9.5	13.2	10.8	3.8	-4.4
(2)	9.3	7.7	7.6	10.1	5.2	-9.4
(3)	8.0	7.4	4.8	8.9	5.8	-12.4
(4)	6.2	6.5	4.0	8.4	6.1	-8.9
1983 (1)	4.9	5.3	5.6	7.9	3.4	-1.3
(2)	3.8	5.6	6.7	7.5	3.3	16.3
(3)	4.6	5.4	8.1	7.7	1.7	20.1
(4)	5.0	5.6	7.5	7.8	1.3	19.8
1984 (1)	5.1	6.0	7.2	7.8	3.3	15.5
(2)	5.1	6.3	8.4	7.8	3.2	-3.8
(3)	4.7	6.1	7.2	7.5	4.8	-13.8
(4)	4.8	5.9	9.2			-10.7
1984 March	5.2	6.5	7.0	7.8	4.6	11.8
April	5.2	6.6	8.7	7.8	3.6	3.8
May	5.1	6.3	8.5	7.8	3.1	-5.2
June	5.1	6.2	8.1	7.8	2.8	-10.0
July	4.5	6.3	8.4	7.5	4.3	-13.9
August	5.0	6.2	6.6	7.5	4.7	-13.2
September	4.7	6.0	6.6	7.5	5.3	-14.2
October	5.0	6.0	9.4	7.5	5.3	-12.3
November	4.9	5.9	9.3	7.5	4.9	-9.7
December	4.6	6.0	9.0	7.5		-9.9
1985 January	(4.9)	6.2	8.4			-10.7

* In manufacturing - percentage change of the latest 3 months on the same 3 months a year earlier.

** Department of Employment estimate.

*** Economist industrial (non-oil) commodity price index in SDRs.

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Table 10: Sterling lending to the private sector

	£ million Seasonally adjusted					
	Actual			Forecast		
	NOV	DEC	JAN	FEB	MAR	APR
<u>Adjusted lending</u>	1920	1680	1470	1400	1400	1400
Bills held by NBPS(-)	- 60	+ 35	+170	+125	-	-100
PSBR offsett	-955	-195	+295	-285	-200	+ 80
Round tripping	-	-175	+ 75	+ 75	-	-150
Capital allowances	-	-	-	+ 50	+ 50	+ 50
Accelerated VAT on imports	-	-	+525	-	-	-
B.T.	+800	-250	-500	-	-	-
Actual/forecast recorded lending	1705	1485	2035	1365	1250	1280

Table 11: Gilts

	£ million					
	Actual			Forecast		
	NOV	DEC	JAN	FEB	MAR	APR
Calls*	-	337	331	420*	-	-
Other gross sales	1459	- 15	575	1330	1250	1250
'GROSS' SALES	1459	322	906	2000	1250	1250
Buying-in next maturities [†]	- 43	-193	-438	-25	-	-250
Redemptions	- 2	- 1	- 1	-	-390	-150
TOTAL NET SALES	1414	128	467	1775	860	850
Purchases (-) by:						
Overseas	-111	- 79	-182	-200	70	-100
Banks	-163	112	130	-225	- 50	- 50
LDMA	-105	226	215			
Public Corporations	-	-	-			
NET SALES TO NBPS (+)	1035	387	630	1550	880	700

* of which calls on : - 10½ Exchequer 2005

† of which, buying in of: - 3% Treasury 1985 to be redeemed on 21 May

Table 12: Money Market Influences

	£ million not seasonally adjusted			
	Actual		Forecast	
	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>
A. Money market influences				
CGBR (increase +)	-1840	276	1086	2474
Reserves etc (+)	-104	-100	-	-
Notes and coin (-)	568	-20	-105	-355
National Savings (-)	-306	-195	-190	-145
CTDs (-)	71	-30	100	-75
Gilts (-)	-465	-1975	-860	-850
Other Exchequer items etc	-110	-	-	-
	—	—	—	—
TOTAL MONEY MARKET INFLUENCES (Market surplus + / shortage -)	<u>-2186</u>	<u>-2044</u>	<u>31</u>	<u>1049</u>
B. Money market operations				
Commercial bills (purchase +)				
- Issue Department	-2016			
- Banking Department		3151		
LA bills (purchase +)				
- Issue Department	237			
- Banking Department		82		
Treasury bills (purchase +)				
	241			
Market advances				
	88			
Other				
	<u>389</u>	—	—	—
TOTAL MONEY MARKET OPERATIONS	<u>2172</u>	<u>2044</u>	<u>-31</u>	<u>-1049</u>
Change in bankers' balances	-15			
TOTAL ASSISTANCE OUTSTANDING*	13995	16039	16008	14959

* excluding Treasury bills