

SECRET



Prime Minister (2) Rly
AT 10
18/2

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Dear Andrew,

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THE OFFICIAL RESERVES SINCE 1979

One issue emerging from last Wednesday's EMS seminar was the evolution of the reserves over the past five years. The Prime Minister may be interested to see the attached tables. Table 1 shows the level of the reserves and how it breaks down to its four main components. Since mid-1979, the fall in the reserves is largely accounted for by the fall in our holdings of US dollars. Movements in gold reserves reflect price rather than volume variations as, to some extent, does the fall in the dollar value of our non-dollar currency holdings.

Table 2 looks at changes in the reserves, stripping out valuation changes and identifying the relative contributions of intervention and official debt repayments. Since mid-1979, the reserves have fallen by \$6½ billion, more than accounted for by net repayments of official debt.

Yours ever
Reeuel.

MRS R LOMAX

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TABLE 1 - COMPONENTS OF UK'S OFFICIAL RESERVES, 1979-1985

<u>Mid-year</u>	<u>US dollars</u> ⁺	<u>Other foreign currency</u>	<u>Gold</u> ⁺	<u>SDRs and IMF reserve tranche position</u>	<u>\$ billion</u>
					<u>Total reserves</u>
1979	12.5	4.4	4.1	1.1	22.1
1980	12.5	5.3	8.7	1.7	28.2
1981	9.0	5.1	9.1	2.4	25.6
1982	5.6	4.0	5.7	2.4	17.7
1983	4.3	3.2	7.4	2.8	17.7
1984	3.4	2.3	6.8	3.0	15.5
1985 (January)	3.8	2.2	6.8	2.7	15.5

+ including amounts pledged to EMCF

TABLE 2 - CHANGES IN THE RESERVES SINCE MID-1979

<u>Period</u>	<u>Intervention</u> ⁺	<u>Debt repayments</u> [*]	<u>Valuation changes</u>	<u>SDR allocations</u>	<u>\$ billion</u>
					<u>Total change in reserves</u>
mid '79-mid '80	+ 2.5	- 1.5	+ 4.7	+ 0.4	+ 6.1
mid '80-mid '81	+ 1.3	- 4.6	+ 0.4	+ 0.4	- 2.5
mid '81-mid '82	- 2.1	- 1.2	- 4.6	-	- 7.9
mid '82-mid '83	- 1.3	- 0.4	+ 1.7	-	-
mid '83-mid '84	- 1.0	- 0.3	- 0.9	-	- 2.2
mid '84-Jan '85	- 0.7	+ 0.6	+ 0.1	-	-
Cumulative change since mid-1979	- 1.3	- 7.4	+ 1.4	+ 0.8	- 6.5

+ Market and off-market.

* Net figures. A positive sign indicates net borrowing receipts.