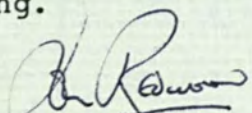


MR TURNBULL

19 February 1985

At today's Funding Meeting, it was agreed that:

1. National Savings should reach the £3bn target for 1984-85.
2. The National Savings target should stay at £3bn for 1985-86 in view of the Composite Rate introduction.
3. For Banking February the Bank is forecasting £2bn of gross gilt sales and a 0.6% increase in £M₃.
4. Why is private bank lending rising so fast? Partly because companies have been playing the foreign exchanges, and partly to finance VAT on imports and heavy capital spending (especially via leasing).
5. The market is expecting £9-9.5bn of PSBR, but it will probably exceed £10bn - this makes money control more difficult.
6. As much stock as possible should be sold to get as close to the money targets as possible for the year.
7. There should be some more stock offered, probably a package of tranches. The Bank are still keen on a full-scale long.


JOHN REDWOOD