

O.M.P. ?

File

18 June 1985

PRIME MINISTER

I attended the Funding meeting today.

National Savings may run a little below target this summer as NS rates are not very competitive, but it was decided not to put rates up yet.


The outlook for £M_3 for banking June is poor - a forecast rise of 1.7%, with an estimated 0.3% in July and 1% in August. This would leave £M_3 growing quickly.

The other indicators - sterling, M_0 , interest rates, indicate tight money.

The Bank argued for a new full 25 year stock. The Treasury and I steered them away from this. It was agreed to try to sell £1.25 billion a month.

The Bank argued there was no demand for any stock at the moment. Others argued for a range of taplets to be available to find out where demand is. Currently on offer are the 2004 big tap, some index-linked, and a low coupon short.

The Bank is unhappy about the downgrading of the £M₃ target, and believe conditions are still quite loose. Everyone is perplexed by the continuing high growth in bank lending by companies.

A handwritten signature in blue ink, appearing to read 'J. Redwood', written in a cursive style.

JOHN REDWOOD