SECRET AND PERSONAL

P-T

MAMC: F1

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FROM: MISS M O'MARA (MG1)
DATE: 6 April 1990

1. SIR PETER ~~MIDDLETON~~ Seen in draft
2. CHANCELLOR OF THE EXCHEQUER

Copies attached for:

Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General

cc: Sir T Burns
Mr Wicks
Mr H P Evans
Mr Monck
Mr Odling-Smee
Mr Scholar
Mr Peretz
Mr Riley
Mr Sedgwick
Mr Walsh
Mr Grice OR
Mr O'Donnell
Mr Brooks
Mrs C Williams
Mrs Chaplin
Mr Tyrie

Mr Cassell-Washington

MONTHLY MONETARY ASSESSMENT: MARCH 1990

This note records the discussion at Sir Peter Middleton's monthly meeting on monetary conditions held on 4 April. The usual Monetary Assessment is attached.

Sir Peter Middleton's meeting

2. Invited to open the discussion, Mr Scholar said the main changes from the February assessment had been the rise in mortgage interest rates implemented from 1 March and the associated fall in consumer confidence. Against those had to be placed the strong retail sales figure for February and the rise in building society commitments in the same month. These developments apart, the picture did not differ greatly from that which he had presented when he had last attended the meeting two months previously.

3. The monetary indicators remained pretty much out of kilter with those for the real economy. The acceleration in MO growth seemed to have checked in March but MO showed no sign of returning to its target range. The growth of broad money remained stuck in

the upper teens, with measures of retail money gradually slowing but wholesale money accelerating to reach a 12-month growth rate of 35 per cent. The exchange rate was more or less exactly where it had been a month before, having fallen to 85.3 in effective terms in the interim. Money market interest rates were also largely unchanged, although they had risen towards danger levels for a short period around the time of the mid-Staffordshire by-election. The real economy looked pretty flat in general. Car sales were sharply down in February and the fall in commercial vehicle registrations might lend weight to the view (reflected in the CSO's figures for 1989Q4) that company spending was at last beginning to react to the tightening of policy.

4. We had been concerned in recent months that the uptick in retail sales, together with the acceleration of MO, might suggest that the gradual slowing-down of the economy throughout 1989 could have come to an end or even been reversed. This should continue to be entertained as a possible hypothesis; the markets too would watch the next crop of indicators very carefully and edgily.

5. As to policy, Mr Scholar said he continued to believe there had been, to some degree, an unintended overall easing of policy: the effective exchange rate had averaged 88 since end-September, compared with 93 in the preceding six months, and although short-term interest rates went up about 1 per cent between these two periods, real rates were falling and were set to fall further as the RPI rose in the coming months. Fiscal policy had either loosened (mainly through higher public expenditure) or had turned out looser than originally thought (through lower corporation tax receipts) - probably a bit of both - and had been largely unaltered by the Budget. Meanwhile, underlying inflation had been drifting up over the last 2-3 years. This suggested that the original policy had not been sufficiently tight.

6. Mr Scholar suggested economic developments over the last month or more had not altered the earlier judgement on the balance of risks between an unchanged and a tightened monetary policy. There was therefore no occasion to recommend a change in current

policy. But he hoped for a spontaneous rise in the exchange rate and noted that raising interest rates could not in any case be guaranteed to tighten policy through a rise in the exchange rate. He would not want to accommodate any further loosening, if sterling were to weaken.

7. Mr Coleby said he agreed with Mr Scholar's policy conclusion and, very largely, with his analysis. On policy, the Bank were also concerned about the implications of the exchange rate's behaviour for the stance of policy and the consequences of lower real interest rates, stemming from higher inflation. He noted the behaviour of the markets had been nothing like as damaging as might have been feared over the last month; they had showed encouraging resilience in the face of discouraging events. Nevertheless, they remained extremely vulnerable and if the exchange rate weakened, it might prove necessary to tighten interest rates. However, he pointed out that on recent occasions of exchange rate weakness, it had been clear that a rise in interest rates would not have been helpful.

8. On the analysis, Mr Coleby suggested that the authorities needed to continue to keep an open mind about the behaviour of personal spending. Corporate spending appeared to be declining fairly decisively and he regarded the February figures for bank lending to the corporate sector as entirely consistent with that view. However, he remained uneasy about the growth of personal spending: real incomes were continuing to grow at rates that could support an increase of 2 per cent or more in consumption. He noted the difficulty of interpreting monthly growth rates for MO, given the problems of seasonal adjustment. It was therefore probably best to focus on the 12-month rate.

9. Sir Terence Burns agreed in general. There were some signs that the corporate sector was now quite weak but the personal sector appeared to have strengthened slightly. Almost all the real indicators for the corporate sector indicated some slowdown but the growth of retail sales seemed to have picked up and the growth of notes and coin exhibited a similar pattern. There also

appeared to be some evidence of a pickup in the housing market. He thought it required a degree of optimism to expect that the decline in the corporate sector would offset the growth of personal spending.

10. MO and the exchange rate caused him most concern and he noted that inflation had taken a distinct turn for the worse in the last two months, as the underlying rate began to edge up, after reaching a plateau. GDP growth also still seemed to be above expectations. Nevertheless, he agreed there was no stronger case than before for higher interest rates, although the date when they might be reduced now looked further away. In general, the picture was a disappointing one: we were facing a longer, tougher and harder road than we had earlier expected.

11. In discussion of the external position, it was pointed out that neither the Bank nor the Treasury (in the G7 deputies context) had gained the impression that the Germans were actively considering an increase in interest rates. However, it was possible that if the German Government did not adopt the Bundesbank's proposals on the rate of conversion between ostmarks and deutschemarks, the Bundesbank might raise German interest rates in retaliation. The Germans had to publish their legislative proposals on GEMU in early May but it was not known whether they had to decide on the conversion rate by then. It was unclear what implications a rise in Japanese interest rates would have for other countries.

12. Summing up, Sir Peter Middleton drew attention to the conflicting signals given by the economic indicators from one month to the next. It was difficult to rely on any: interpretation of MO growth was clouded by seasonal adjustment problems, it was hard to judge how much of M4 represented longer term saving (and would be harder still, following the Budget measures), while the retail sales figures appeared to be distorted by special promotions. If the Government was to meet its inflation objective, a tighter policy was clearly desirable but all recognised the constraints and the dangers of overkill.

However, this was just the risk the authorities had run a year ago. The overall picture had changed very little from the previous month. Although the personal sector might have strengthened, the corporate sector showed signs of slowing and the external threat had receded but had not disappeared. Nevertheless, there remained a definite risk that interest rates would have to be increased to prevent a weakening of the exchange rate. The longer the ambiguity about the extent of the economy's adjustment remained, the stronger the case for tightening policy, depending on the priority which was attached to meeting the Government's inflation objective.

MOM

MISS M O'MARA

cc:	Governor)	
	Deputy Governor)	
	Mr Flemming)	
	Mr Coleby)	Bank of England
	Mr Plenderleith)	
	Mr Allen)	
	Professor Griffiths	No.10

SECRET

MONTHLY MONETARY ASSESSMENT: MARCH 1990

Summary Assessment

While signals from the real side of the economy are not unanimous, their balance is that the economy probably continues to slowdown. Recent figures however suggest a slight recovery in the personal sector, offset by continued slowdown in company spending. The message of the monetary indicators remains less comforting, with the resilience of MO's growth rate consistent with some recent buoyancy in consumption. International prospects for interest rates and inflation remain potential threats.

Main Points

MO's twelve month rate was 6.3 per cent in March, (February 6.4 per cent). MO is projected to fall within the 1-5 range by the end of the year. (paras 34-36)

M4's twelve month growth in February was 18.1 per cent. M4 lending increased more strongly than last month, by 1.4 per cent (£7.3 billion); its 12 month rate rose to 20¾ per cent from 20½ per cent. Company borrowing increased sharply. (paras 38, 45, 49)

Sterling's effective rate is 87.9, ¼ per cent higher than at the last Assessment and 8 per cent below its level in March 1989. (para 32)

Internationally, interest rates have risen in Japan and are likely to rise in Germany. No change is expected in the US. (para 5)

Retail sales rose sharply in February, by 2½ per cent. But consumer confidence dropped to record lows in March following the mortgage rate rise. (para 11)

RPI inflation fell to 7.5 per cent in February but is expected to be higher in March. Excluding mortgage interest payments inflation was 6.2 per cent in February having previously stuck at 6.1 per cent for four months in a row. (para 19)

House prices have levelled out, although the 12 month change continues to fall, with prices now at the same level as a year ago. Housing market activity seems to have picked up slightly. (paras 23-24).

ANNEX: PROFITABILITY IN MANUFACTURING

MG2 Division

6 April 1990

SECRET

Monetary developments

Latest outturns available at time of:

	Sept Report	Jan Report	Feb Report	Mar Report
Monetary aggregates (12 month % growth)	**(Aug)**	**(Dec)**	**(Jan)**	**(Feb)**
MO (sa)	6.1	6.0	5.8	6.4*
M4	17.3	18.2	18.4	18.1
M5	16.8	17.9	17.9	17.7
Bank & building society lending	21.9	21.2	20.4	20.7
Interest rates (%)	**28 Sep**	**8 Feb**	**8 Mar**	**5 Apr**
3 month interbank	14.3	15.1	15.2	15.2
20 year gilt-edged (par yield)	9.8	10.6	11.3	11.4
Yield gap	4.5	4.5	3.9	3.8
UK real 3 month interbank	7.1	8.1	7.2	6.9
Equity dividend yield (all share)	4.2	4.4	4.7	4.9
IG yield (2001) assuming 5% inflation	3.6	4.0	4.2	4.3
3 month UK interest differential with				
Germany	6.8	7.0	6.8	7.0
US	5.3	6.8	6.8	6.8
World basket	5.4	6.1	6.1	6.2+
Exchange rate				
$/£	1.61	1.69	1.64	1.64
Yen/£	226	244	248	259
DM/£	3.03	2.82	2.79	2.79
ERI	91.2	89.1	87.7	87.9
Oil adjusted ERI**	98.7	94.3	94.0	95.0
Asset prices				
FT-A Index (% pa)	23.2	8.2	3.5	4.5
FT-A Level (July 1989 peak: 1239)	1166	1164	1117	1111
Halifax house index (% pa)***	14.2	2.8	3.0	1.6

* March 6.3 per cent (estimate)

** The oil adjusted ERI shows whether the joint effect of oil price and exchange rate changes has been counter-inflationary or otherwise, relative to the base period Jan 1983-Nov 1985, on the assumption that the inflationary effect of a 4 per cent rise in oil prices is exactly offset by a 1 per cent rise in the exchange rate.

*** 12 month growth rates shown are for August, December, January and February. March 0.0 per cent. See table 11 for further details

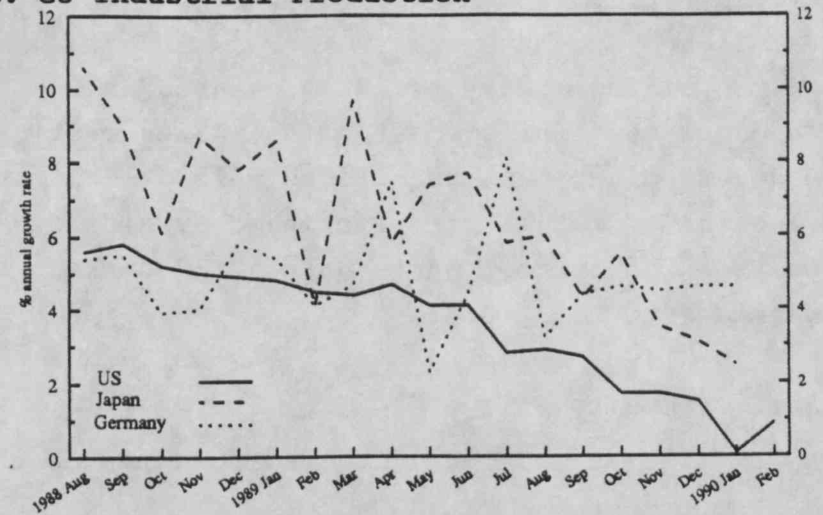
\+ estimate

A. EXTERNAL DEVELOPMENTS

Activity and Inflation

1. **Activity** in the US may now be picking up a little; employment growth in February was unexpectedly strong, capacity utilisation in manufacturing rose, and industrial production increased by 0.9 per cent (but was still less than 1 per cent higher than a year earlier). GNP in 1989Q4 has been revised up slightly - the annual growth rate is around 2½ per cent. Although Japanese industrial production rose by only 2.5 per cent in the year to January, underlying growth there remains strong - GNP increased by 4.7 per cent in the year to 1989Q4. German industrial production rose by 4.6 per cent in the year to January and revised GNP figures show 3.6 per cent growth in 1989Q4 on a year earlier.

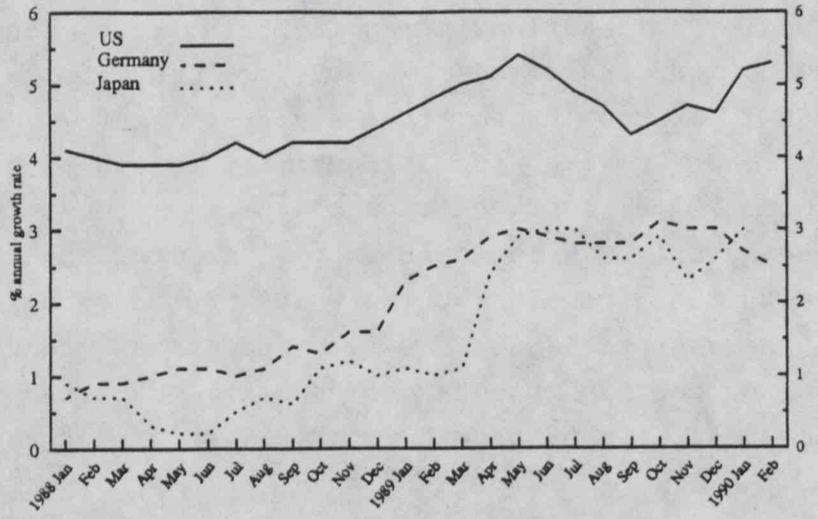
Chart: G3 Industrial Production



2. **Inflation** showed little change in February in the major economies, after January's increase. German consumer price inflation fell to 2.5 per cent in February from 2.7 per cent in January; producer price inflation edged up from 1.6 per cent to 1.7 per cent. US consumer price inflation increased slightly from 5.2 per cent to 5.3 per cent. Producer prices changed little overall in February - non-energy goods prices rose while energy goods prices fell back after January's sharp rise; the overall twelve month rate dropped to 5.1 per cent from 5.8 per cent in January, largely reflecting a

sharp rise in prices a year ago which has now dropped out of the calculation. Japanese wholesale prices increased by 0.1 per cent in February and were 3.5 per cent up on a year earlier (January 3.7 per cent).

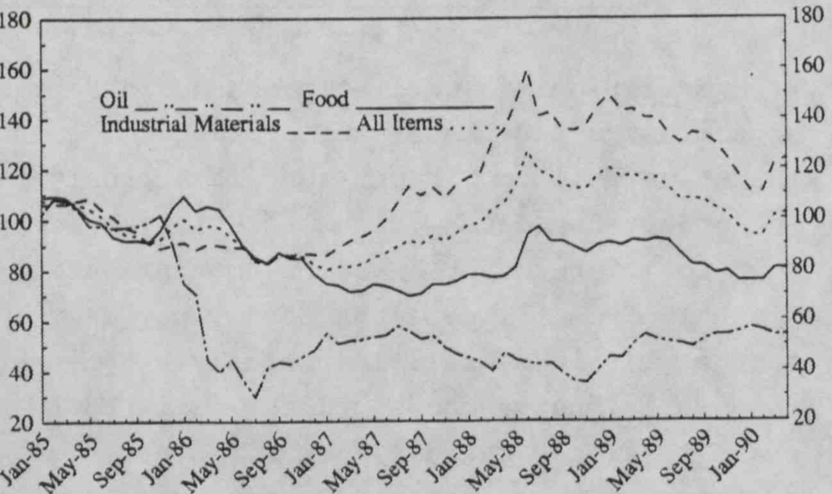
Chart: G3 Inflation



Commodity Prices

3. **Non-oil commodity prices**, measured in SDRs, have risen by about 3 per cent since the last Assessment. Metals, food and non-food agricultural prices were all slightly up. **Oil prices** have fallen on continued Kuwaiti over-production, with Brent down from just under $19 barrel at the last Assessment to $18.

Chart: Commodity Prices



Current Accounts

4. The US fourth quarter current account deficit fell to $20.6 billion due to improved net IPD receipts. The total for 1989 was $106 billion (2.0 per cent of GNP), down from $127 billion (2.6 per cent of GNP) in 1988. The Japanese current account was temporarily in deficit in January due to higher oil prices and various seasonal influences. The US deficit and Japanese surplus are expected to increase slightly as percentages of GNP in 1990, but the German surplus should fall as resources are diverted to the reconstruction of the GDR.

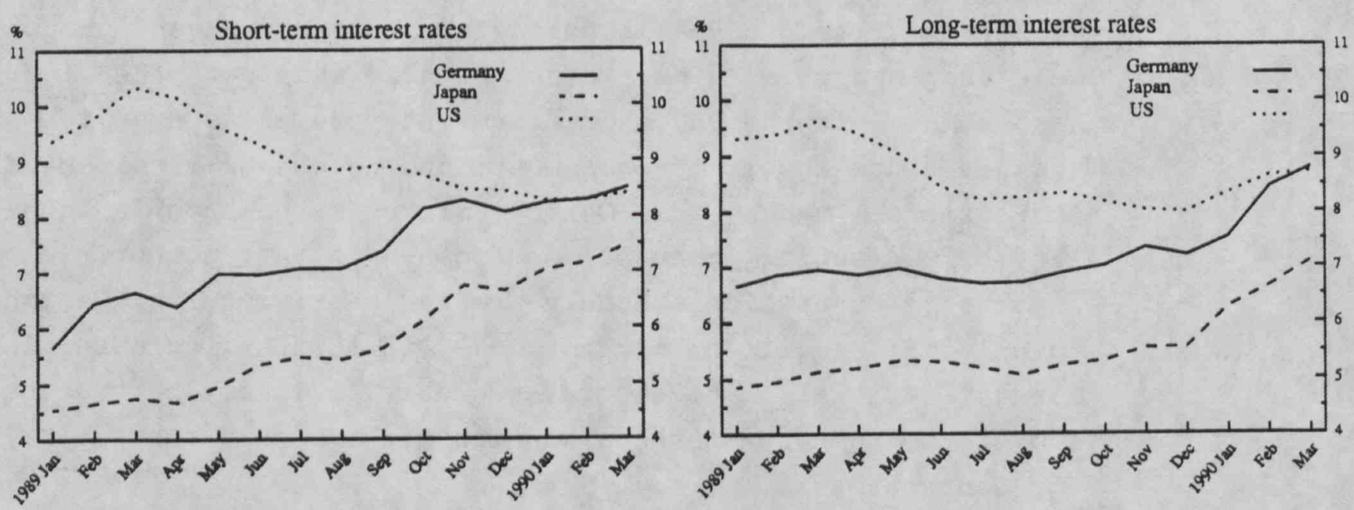
Financial Markets

5. Japanese official interest rates rose by 1 per cent on 20 March to 5.25 per cent, after continued intervention had failed to stop the yen's slide. But the Japanese markets' initial reaction was that the rise may not be sufficient. Short term market interest rates had risen in advance of the well advertised rise in the official rate, and at 7.5 per cent are less than ½ per cent higher than at the last Assessment. In the US, short-term interest rates are little changed since the last Assessment, and no change is expected in official rates. In Germany market rates have fallen a little, reflecting, perhaps, confidence in the authorities' insistence that inflationary pressures arising from German re-unification will be controlled. But further increases in German official interest rates are still likely before the end of the summer - perhaps when ostmarks become convertible for deutschemarks.

6. Bond yields are hardly changed in the US or Japan since the last Assessment. But in Germany they have fallen around ½ per cent, reinforcing the view that financial markets now have greater confidence in the authorities' determination to avoid inflation.

7. Share prices in the US have risen a little since the last Assessment - up about 1 per cent (chart 14). But in Japan they have fallen another 19 per cent and are about 28½per cent below their peak of December last year. The sharp fall reflects an end to the expectation of continuing capital gains which had been necessary to keep up interest in Japanese equities at negligible yields. Confidence has been hit by the prolonged public wrangle between the BoJ and the Ministry of Finance about monetary policy and by higher bond yields worldwide. If prices stabilise near current levels, no reaction is expected from the BoJ. Nor are the macroeconomic effects arising from the fall in asset holders' wealth expected to be significant: investment trusts have large reserves; and the exposure of financial companies is, on the whole, small. Currently, the main worry is that a consequential fall in land prices would affect the security backing many corporate loans.

Chart: Long Term and Short Term Interest Rates

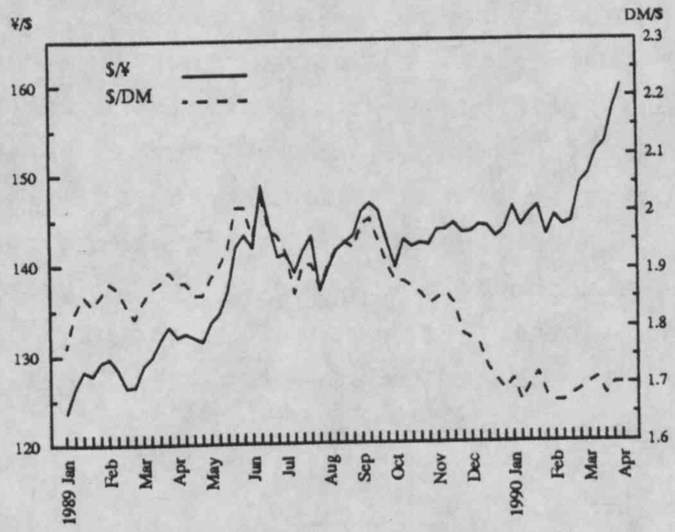


<u>Dollar</u>

8. The dollar has been out of the spotlight, falling ¼ per cent to DM1.70 but rising 4½ per cent to Y158 since the last Assessment. The deutschemark strengthened briefly as the East German election results were seen as accelerating the path to German re-unification, but eased later on concern

about the Baltic states. The yen was adversely affected by the weakness in Japanese equity prices and the postponement of the expected rise in Japanese discount rate which, when it came, failed to relieve the pressure. Amidst continuing market uncertainty and the absence of any apparent results from the Brady/Hashimoto talks, the yen fell below Y160 before a minor recovery on hopes that G7 might agree a support package for the yen. Japan and the US intervened in support of the yen - Japan selling $3 billion and the US buying $¼ billion worth of yen. The ERM traded inside its margins with the lira consistently at the top.

Chart: G3 Exchange Rates



B. DOMESTIC ACTIVITY AND INFLATION

9. Overall, the economy seems to be growing slowly at present. But it is not clear whether demand growth is slowing further or, on the contrary, starting to pick up again. The FSBR forecast projects a small fall in the level of domestic demand in 1990. But strong net export growth means that real GDP is forecast to grow at 1 per cent. Retail price inflation is forecast to rise sharply in March and April, but thereafter to fall to 7¼ per cent in the fourth quarter of 1990 and 5 per cent in 1991Q2.

10. In 1989, **GDP** growth was 2¼ per cent. **Non-oil GDP(O)** grew by nearly 3¼ per cent but it slowed rapidly during the year, and in the second half was only 2.7 per cent higher than a year earlier - about the same as the economy's sustainable rate of growth. The growth of the GDP deflator for 1989-90 as a whole is now forecast at 6¼ per cent, down from 7 per cent in the Autumn Statement - largely reflecting lower than expected quarterly outturns to date for consumer prices. But the forecast for money GDP growth is unchanged from the Autumn Statement forecast at 8½ per cent. It is projected to slow to 7½ per cent in 1990-91.

Demand

11. **Retail sales** in February were nearly 2½ per cent higher than in January. In the latest 3 months, they were over 2 per cent higher than a year earlier, and 1¼ per cent higher than in the previous three months. Both figures represent an increase compared with the end of last year. Part of the February rise looks to be a seasonal pattern in food sales, but the increase also reflects higher sales of household goods - a sector recently in the doldrums. These figures by themselves suggest that retail sales growth may have picked up since December. But other monthly indicators do not support this.

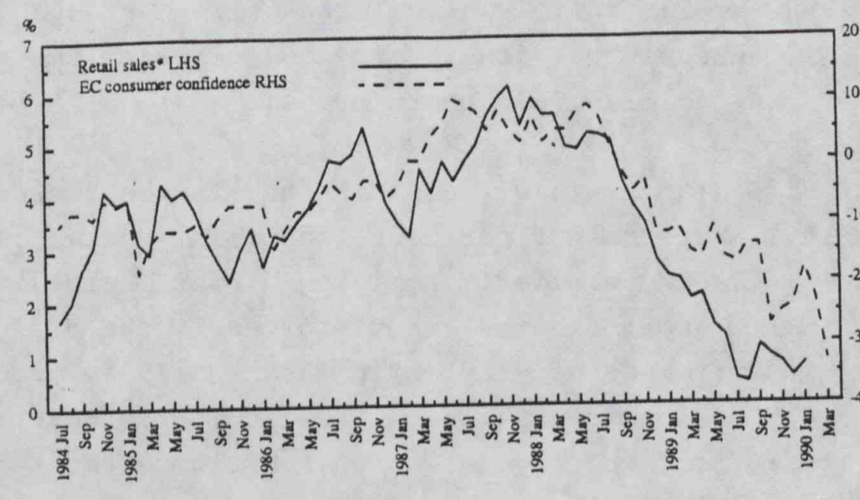
- The **EC/Gallup consumer confidence index** for March fell sharply from the already depressed February level to a new record low following the mortgage rate increase (see chart below).

- **John Lewis's sales** in the six weeks ending 10 March, were only 5 per cent higher in value terms than a year earlier, implying lower sales volumes (more recent figures are distorted by the difference in the timing of Easter in 1989 and 199). Food sales were 9½ per cent higher (reflecting at least in part high food price inflation) but department stores' sales rose only 1¼ per cent. Other major retailers also seem to think that spending was weaker in February than indicated by the official figures.

- The **CBI/FT distributors' survey** showed the balance of retailers reporting sales in February higher than a year earlier down from January's erratically high figure, though this survey has not been a reliable indicator.

12. The FSBR forecast projects virtually no change in consumers' expenditure during 1990, with a rise of ½ per cent between 1990Q4 and 1989Q4. The savings ratio, which is thought to have risen by 1¼ percentage points during 1989, is expected to rise another ½ per cent during 1990. But the projected slowdown in consumption growth largely reflects lower real income growth.

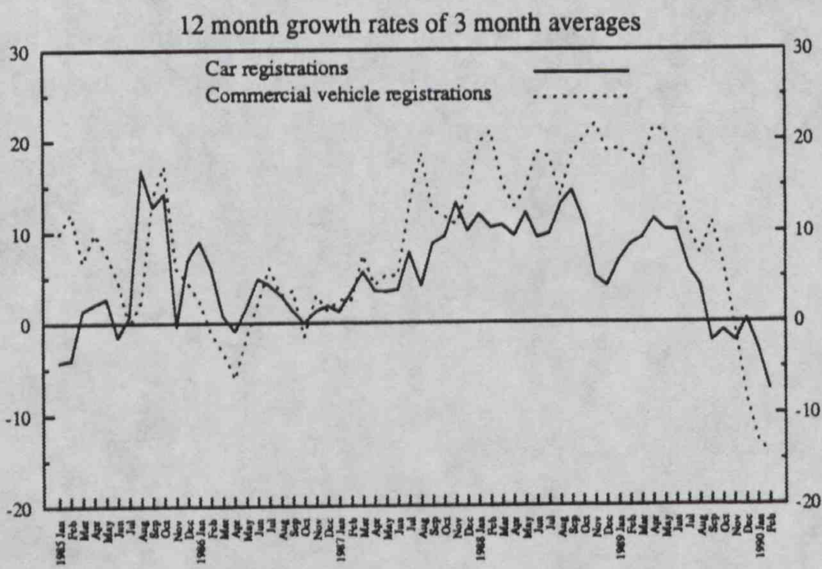
Chart: Retail Sales and Consumer Confidence



*annual growth of 3-month moving average of index

13. **Total car registrations** continue to fall: **new car registrations** in February they were 15½ per cent lower than a year earlier. In the latest three months they were nearly 8¾ per cent lower than a year earlier, and ¾ per cent down on the previous three months. Within the total personal sector registrations were 19 per cent lower in February than a year earlier, and companies' registrations 12½ per cent lower.

Chart: Car and Commercial Vehicle Registrations

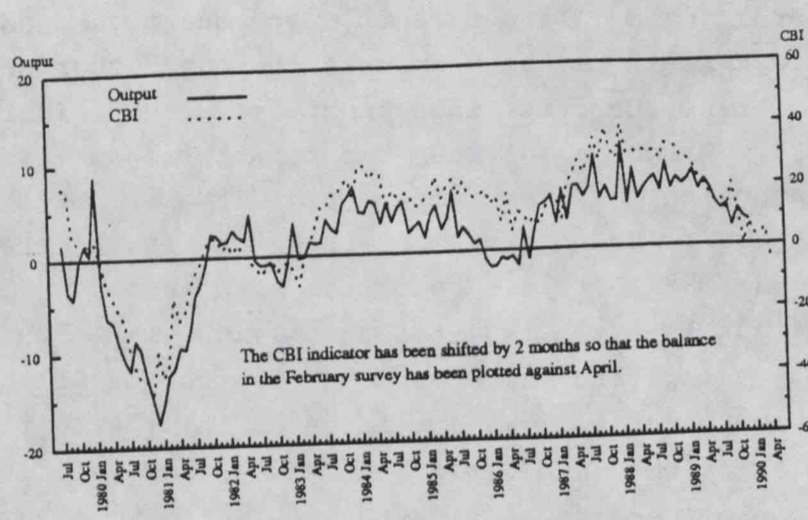


14. **Commercial vehicle registrations** were 10 per cent lower in the three months to February than in the previous three months, and 14½ per cent lower than a year earlier. Apart from this there is no news on company sector spending so far in 1990. **Business investment** fell in the fourth quarter of 1989, which also saw the first signs of significant **destocking** by manufacturers. It could be that firms have started to react to the pressure on their profits in the second half of last year (see also Annex). ICCs' financial deficit is estimated at £23½ billion in 1989 (subject at this stage to wide margins of error). If confirmed, this would be three times are large as in 1988. The ease with which firms are able to finance this deficit (rather than being forced into action to reduce it) will be crucial to of the adjustment of the economy as a whole. The latest CBI survey suggests firms expect little change in output over the next few months. Total order books fell again, while export order books increased from an already high level (table 7). The proportion of firms reporting stocks higher than adequate rose significantly in the March CBI survey.

Output

15. **Manufacturing output** fell by ¼ per cent in January, and in the latest three months was less than 2 per cent higher than a year earlier. There has been no trend recently in manufacturing output - in the latest three months it was slightly lower than in the previous three, and it has been more or less unchanged since the start of 1989. **Energy and water output** fell 2½ per cent in January and in the latest three months was 1½ per cent lower than a year earlier. The halt to the recovery in output is said to be due to storms in the North Sea and the mild weather in January, with lower than usual energy demand. Total **industrial production** therefore remains weak and in the latest three months was only 1 per cent higher than a year earlier.

Chart: Manufacturing Output and the CBI Survey



16. **Construction orders** fell again in January. Total new orders in the latest three months were 10 per cent lower than in the preceding three months and 17 per cent down on a year earlier. Private housing orders fell particularly sharply and remain on a strong downward trend; in the latest three months they were 40 per cent down on year earlier. Public housing orders picked up a little in January (probably orders from housing associations). Private industrial and commercial orders remain low, down 10 per cent on a year ago. Construction output itself remains weak. Despite rising over 2 per cent in 1989Q4, it was still below its level in the first half of 1989, although 2½ per cent higher than a year earlier.

Trade Flows

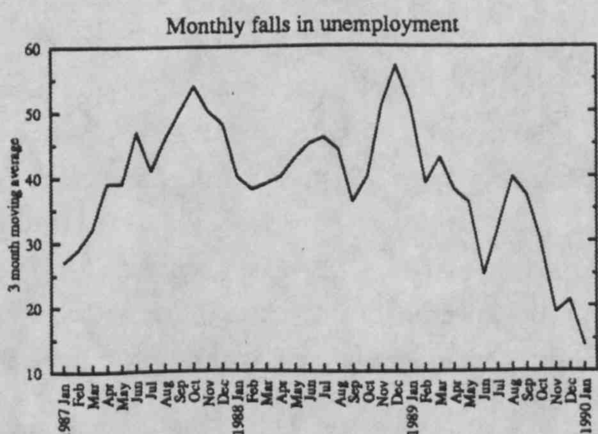
17. Trends in trade volumes remain favourable. In the three months to February, export volumes (less oil and erratics) were 3½ per cent higher than in the previous three months and 11 per cent higher than in the same period a year earlier. Import volumes (less oil and erratics) fell by 1 per cent and were only ½ per cent higher than a year

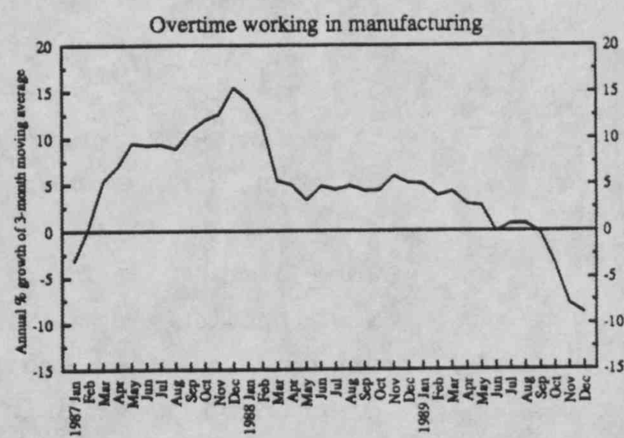
earlier. The latest figures are further evidence that the current account deficit is narrowing: in the three months to February the deficit was £4.6 billion compared with £5.9 billion in the previous three months. While the balance of invisibles was negative in 1989Q4, this reflected an erratic concentration of net outflows, and some recovery is expected.

<u>Labour Market</u>

18. The labour market statistics now seem to be reflecting the slow-down in demand and output growth through 1989. Seasonally adjusted **adult unemployment** fell by 2,000 in February, with the slowdown now affecting all regions, and the trend of **vacancies** continued downwards. **Overtime** working in manufacturing remains significantly lower than in most of 1989 despite a slight rise in January, and manufacturing employment fell. But revised estimates of whole economy **employment** show stronger growth than previously thought - in the year to September 1989, employment rose by over ¼ million. This would not be significantly slower than the rapid growth over the previous three years.

Chart: The Labour Market





Retail Prices, Producer Prices and Earnings

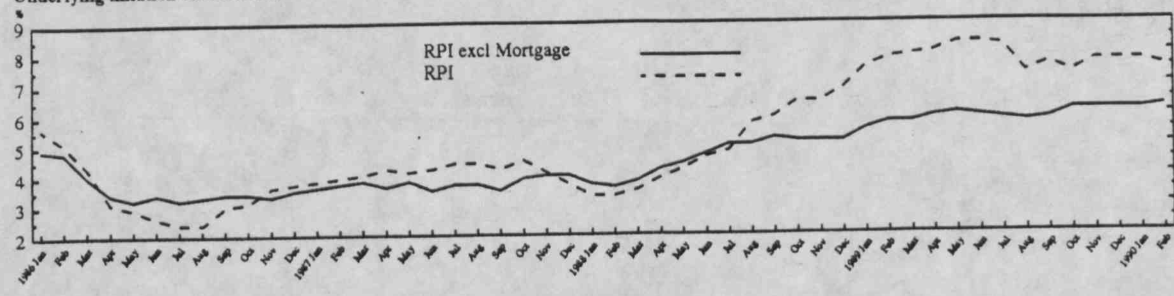
19. **All-items RPI inflation** fell by 0.2 per cent in February to 7.5 per cent, as last February's mortgage rate rise dropped out of the calculation. But underlying inflation rose: **RPI inflation excluding mortgage interest payments** increased to 6.2 per cent, having stuck at 6.1 per cent for the previous four months. Food price inflation rose sharply again and there were significant increases in the prices of DIY materials and insurance premiums. There was also a small rise in 'mainly retailed items' inflation, from 4.9 per cent in January to 5.0 per cent in February: this has hardly varied from 4.9-5.0 per cent since May last year.

20. All-items inflation is forecast to rise by 0.6 per cent in March to 8.1 per cent mostly because of the rise in mortgage rates. In addition, the latest increase in domestic gas prices will start to impact, and some further rise in food price inflation is likely. Excluding mortgage interest payments the twelve month rate may rise to 6.3 per cent. The index in April will also be affected by the introduction of the Community Charge and increases in rents and some public sector utility prices.

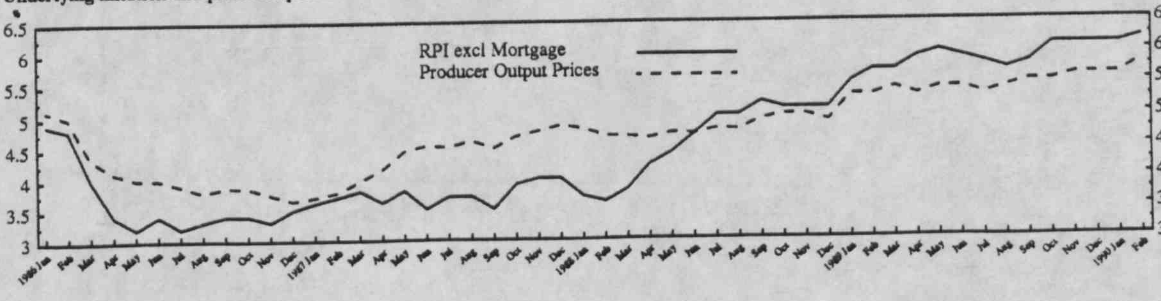
21. **Manufacturing input price inflation (excluding food, drink and tobacco)** fell by 1½ per cent in February to 0.9 per cent, reflecting falls in the prices of metals and other imported materials. But **output price inflation** picked up from 5.5 per cent in January to 5.6 per cent in February. This surprising: a pick up would be more likely in January when many manufacturers review their price lists. Nevertheless, upward revisions to both the December and January figures mean that the February outturn cannot be discounted as erratic.

Chart: Measures of Inflation

Underlying inflation and the RPI



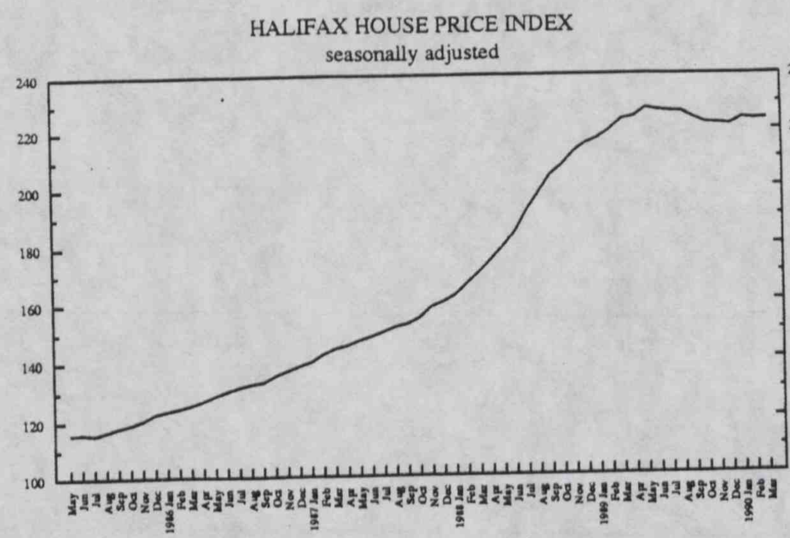
Underlying inflation and producer prices



22. **Whole economy underlying earnings growth** remained at 9¼ per cent in January (private sector 9 per cent - up from 8¾ per cent in December). Lower overtime and increased short-time working continue to reduce manufacturing earnings growth by about ½ per cent; the downward effect on whole economy earnings growth is now between ¼ and ½ per cent. DE's own confidential data show **private sector settlements** averaging 8.4 per cent in January, but the provisional outturn for February is lower at 7.6 per cent. DE expect whole economy underlying earnings growth to rise to 9½ per cent in February and to be between 9½ and 9¾ per cent in March. Some pick up in private sector wage demands seems likely in the next few months, given the expected rise in inflation. The outlook for settlements therefore depends largely on companies' response to slower domestic demand.

Housing Market

Chart: House Prices

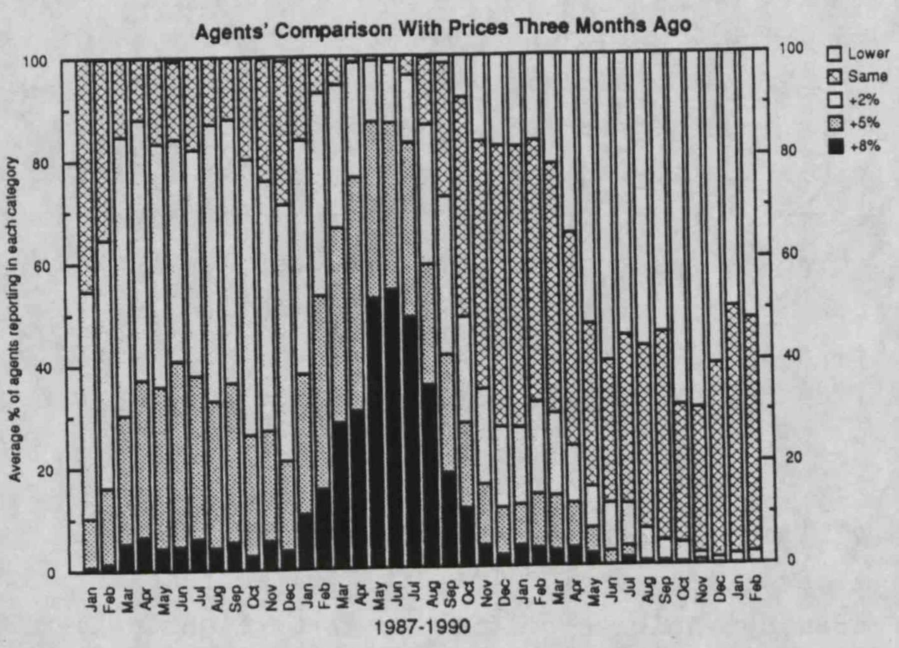


23. The Halifax house price index, after seasonal adjustment, was the same in March as in February (it rose ½ per cent before seasonal adjustment). The twelve month growth rate fell to zero from 1.6 per cent in February, and the trend in house prices is now more or less flat. The latest quarterly regional breakdown shows that prices rose in only three regions (North, North West, and Wales) in the first quarter. In East Anglia they fell 5 per cent and were nearly 20 per cent lower than a year earlier. Prices also fell significantly in the fourth quarter in the South West and the South East.

24. The February **RICS survey** reported that the rise in mortgage rates had put a stop to the increase in activity over the last two months. Unexpectedly high community charges have also dampened market confidence. Nevertheless the market was still active in East Anglia, particularly for first time buyers and for large houses, reflecting lower prices and special mortgage inducements. The North and North West were still fairly active, but recent increases in activity in Yorkshire, Humberside, the East Midlands and the

South West have come to an end. Overall, the market was slightly more depressed, with a few more agents reporting lower prices at the expense of those reporting stable prices. In the South East, 61 per cent of agents reported lower prices, and activity was half the national average.

Chart: The RICS Survey



C. PUBLIC SECTOR FINANCES AND THE FISCAL STANCE

25. The latest evidence does not alter our view of the fiscal stance in 1989-90, which looks to have turned out rather looser than projected at the time of the 1989 Budget. The 1990 Budget does not modify the fiscal stance significantly.

26. Table 9 gives the main indicators of fiscal stance. The PSDR in February was £1.0 billion, £0.3 billion below last month's forecast. The shortfall reflects £0.6 billion higher borrowing than forecast by local authorities partly offset by higher than expected repayments by public corporations and on central government own account. The public corporations' net repayment was slightly higher than forecast despite the fact that the proceeds from Giroleasing (£0.3 billion) did not come through in February as assumed, but in March.

27. In the first eleven months of 1989-90 the PSDR was £9.6 billion. The latest PSDR forecast of £7.1 billion in 1989-90 whole is consistent with slightly lower borrowing in March 1990 than in March 1989, adjusting for privatisation proceeds. Excluding special factors, local authorities are expected to borrow more than in March than last year, but this is more than offset by a slightly higher repayment by public corporations (Giroleasing) and slightly lower borrowing by central government.

Table: The PSBR

	outturns		forecasts				
			1989-90		1990-91		
	APRIL-FEB	**FEB**	**MARCH**	**TOTAL**	**APRIL**	**MAY**	**TOTAL**
CGBR	- 7.6	-1.6	2.7	-4.9	1.5	1.5	-4.8
CGBR(O)	-10.0	-0.9	5.2	-4.8	0.5	1.4	-7.7
PSBR	- 9.6	-1.0	2.6	-7.1	0.8	0.9	-6.9

Funding

28. There was a small underfund of £0.2 billion in January (see table below). Net repayments of gilts totalled £1.3 billion, mainly accounted for by maturities of £1.2 billion. Banks and building societies disposed of £0.4 billion net, leaving £0.9 billion of net disposals to score towards (un)funding (of which the overseas sector accounted for £0.6 billion). There were also withdrawals of £0.2 billion of National Savings.

Table: Funding in February

TOTAL FOR FUNDING	**£ bn**	**FUNDING**	**£ bn**
PSBR	-1.0	Net gilt sales to private sector & overseas	-0.9
Reserves	+0.1	National Savings, etc	-0.2
Total (ex maturities)	-0.9	**Total** (inc maturities)	-1.1

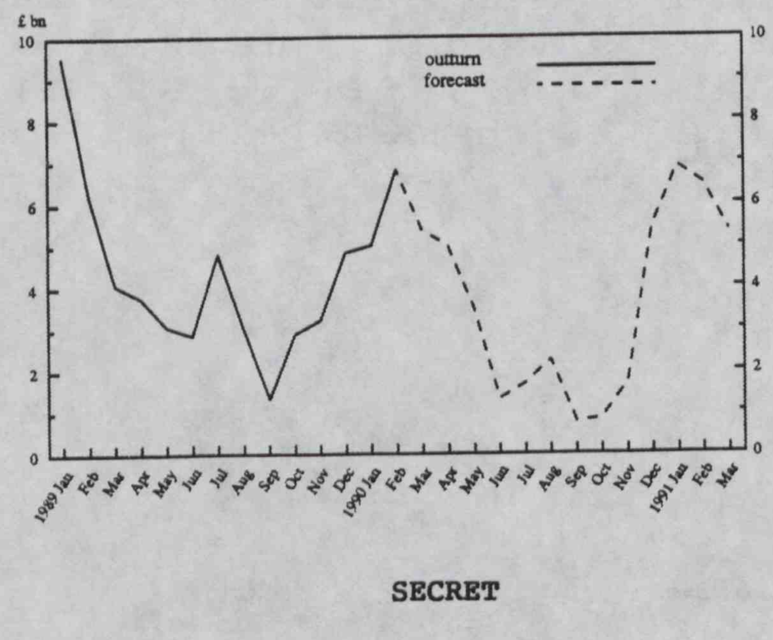
29. Assuming no buying-in from now on, a cumulative overfund (ie including carry overs from past years of £2.2 billion) of £0.3 billion is expected for 1989-90. On current assumptions buying-in of £1.1 billion will be required for a full fund in 1990-91 (table 20). This is predicated on net sales of gilts by banks and building societies falling back from over £4 billion in each of the last two years to £1 billion (higher net sales by banks and building societies would increase the amount of buying-in required).

Money Market Assistance

30. **Money market assistance** increased from £5 billion at the end of January to £6.8 billion at the end of February, £1¾ billion more than expected. The prospect, consistent with the funding assumptions above, is for the stock of assistance to fall back to £5¼ billion in March. With the Treasury Bill tender remaining at £700 million, the stock of Treasury Bills in the market is expected to rise by £3 billion during 1990-91 to £13 billion. This is enough to offset the expected expansion of bankers' deposits from other factors, and money market assistance is expected to end 1990-91 at £5¼ billion, the same as at the end of 1989-90. The main expansionary influences are sales of gilts by banks and building societies (£1 billion), higher net deposits of local authorities (£1-1¼ billion) and in-year underfunding (£½ billion).

31. On the conventional assumption that buying-in is evenly spread throughout the year, the stock of assistance is expected to be at fairly low levels during the summer - £1¼ billion in June and below £1 billion in September and October, reflecting the usual seasonal pattern of the CGBR. These figures are more than £¾ billion higher than in last month's forecast.

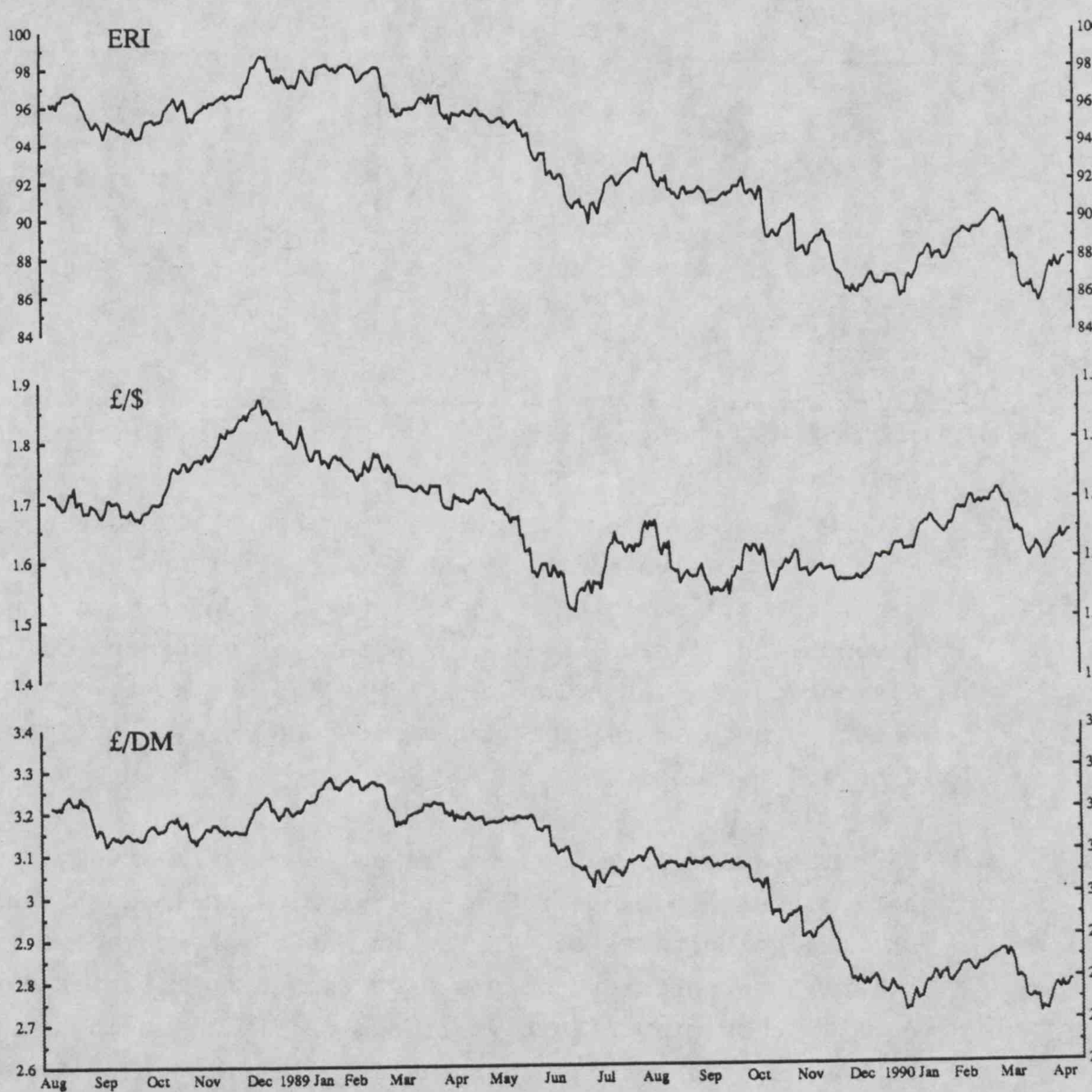
Chart: Money Market Assistance



D. EXCHANGE RATES

32. Sterling rose ¼ per cent to ERI 87.9 but was unchanged at DM2.79 and $1.64 since the last Assessment. It weakened at first to ERI 85.3 on political worries but after the Budget it recovered on reports of large Middle Eastern demand and short-covering. Sterling soon recovered from its sharp losses following the riot in London, helped by increased focus on high interest rates. The Bank's net market intervention was nil, after providing support for the pound early in the period.

Chart: Exchange Rates

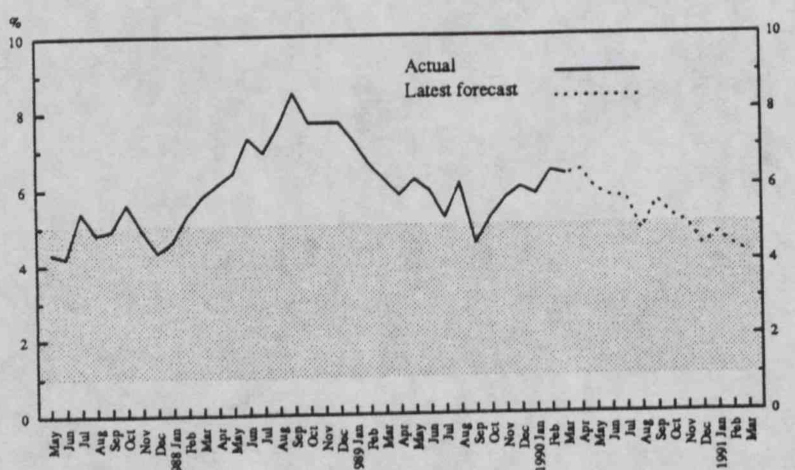


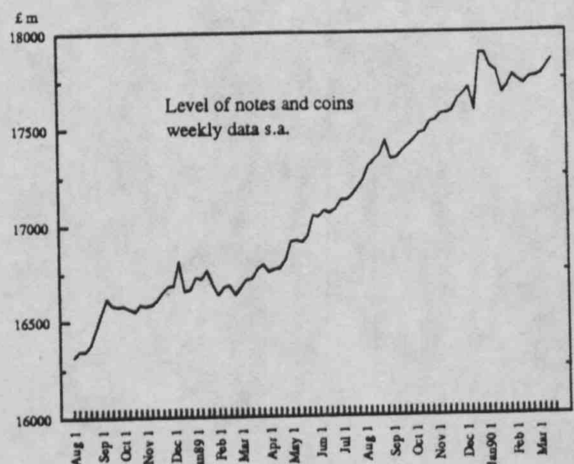
33. UK market interest rates are now the same as at the last Assessment (15.2 per cent), having been higher in the interim. With US rates also unchanged, sterling's interest advantage against the dollar remains at 6.8 per cent. German interest rates have fallen, so the pound's interest advantage against the deutschemark now stands at 7.0 per cent, up from 6.8 per cent at the last Assessment.

E. DOMESTIC MONETARY AND FINANCIAL MARKET DEVELOPMENTS

Narrow Money

Chart: MO Growth



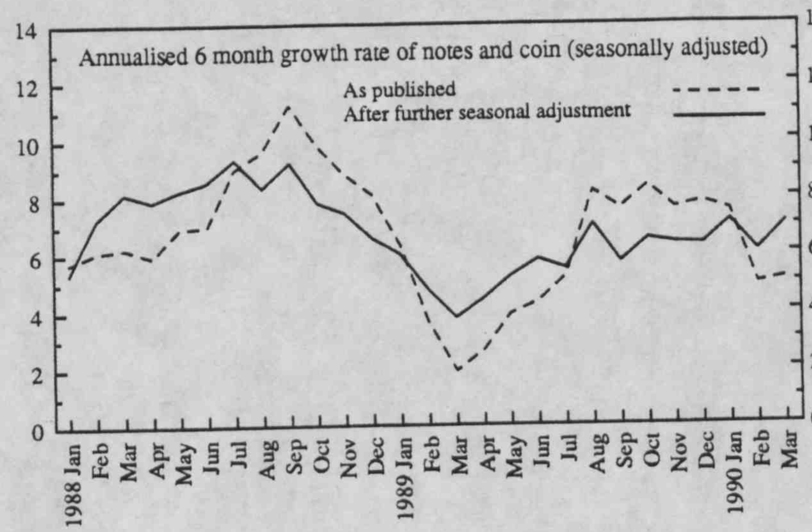


34. MO increased by 0.2 per cent, seasonally adjusted, in March; its twelve month growth rate fell slightly to 6.3 per cent from 6.4 per cent in February. Underlying growth, given by the twelve month growth rate of notes and coin, was 6.4 per cent, just below February's 6.5 per cent. The six month growth rate of notes and coin rose to 5.1 per cent from 4.9 per cent.

35. That the six month rate is well below the twelve month rate should not be taken as a sign of an imminent fall in the twelve month rate. The right hand chart above shows clearly how notes and coin's slow growth this winter matches equally slow growth last year, and this plateau in the early months of the year is characteristic even though the series

is seasonally adjusted. The chart below shows the six month growth rate of notes and coin growth with crude estimated corrections for residual seasonality. On this basis the six month growth rate looks to have been 6-7 per cent since last August.

Chart: Residual Seasonality in Notes and Coin Growth



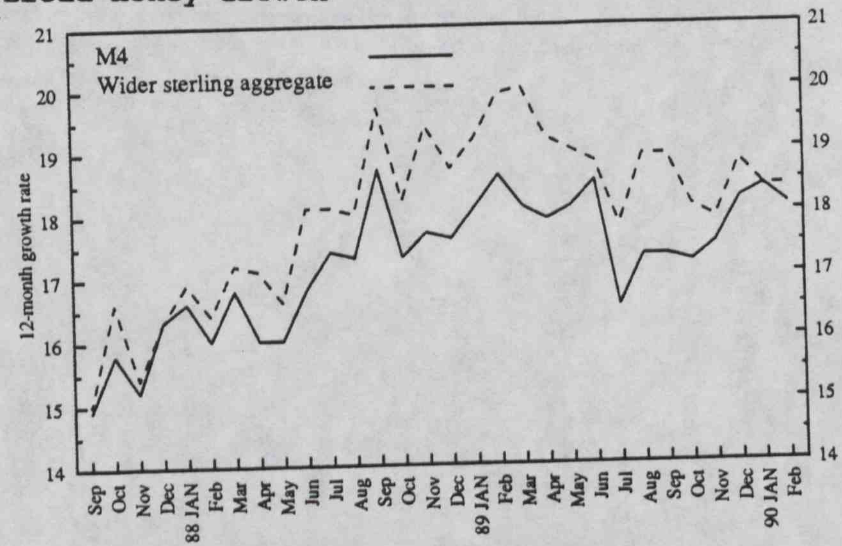
36. MO's average twelve month growth rate in 1989-90 was 5.8 per cent, lower than the 7.1 per cent of the previous year, but it was always above the upper limit of the 1 to 5 per cent target range (apart from in September, with the help of the postal strike of the previous year). The forecast (table 23 and chart above) shows MO growth slowing from now on, getting properly into the target range in the fourth quarter of the calendar year. But the starting position is worse than it was a year ago: in March 1989, notes and coin growth rate was 6.5 per cent and had been falling steadily over the previous few months; while notes and coin growth rate is now a little lower than a year ago at 6.4 per cent, it has been rising for several months.

<u>Broad Money</u>

37. Broad money growth as measured by the wider sterling aggregate M4W (which includes the sterling deposits of residents and non-residents) was unchanged in February at

18.4 per cent. As shown by the chart below, M4W's twelve month growth rate has come more into line with M4's growth rate as non-residents ran down their deposits at the end of last year, presumably because they found the exchange risk more than sufficient to outweigh sterling's interest advantage.

Chart: Broad Money Growth



38. M4 itself increased by 0.9 per cent (seasonally adjusted) in February, just below the average increase of the previous six non end-quarter months (1.0) per cent. The twelve month growth rate fell to 18.1 per cent from 18.4 per cent in January. It still remains in the 16½-18½ per cent corridor of the last 18 months or so, but February's figure brings to an end the upward drift since July of last year. The three month and six month growth rates also fell in February. They remain close to the twelve month rate.

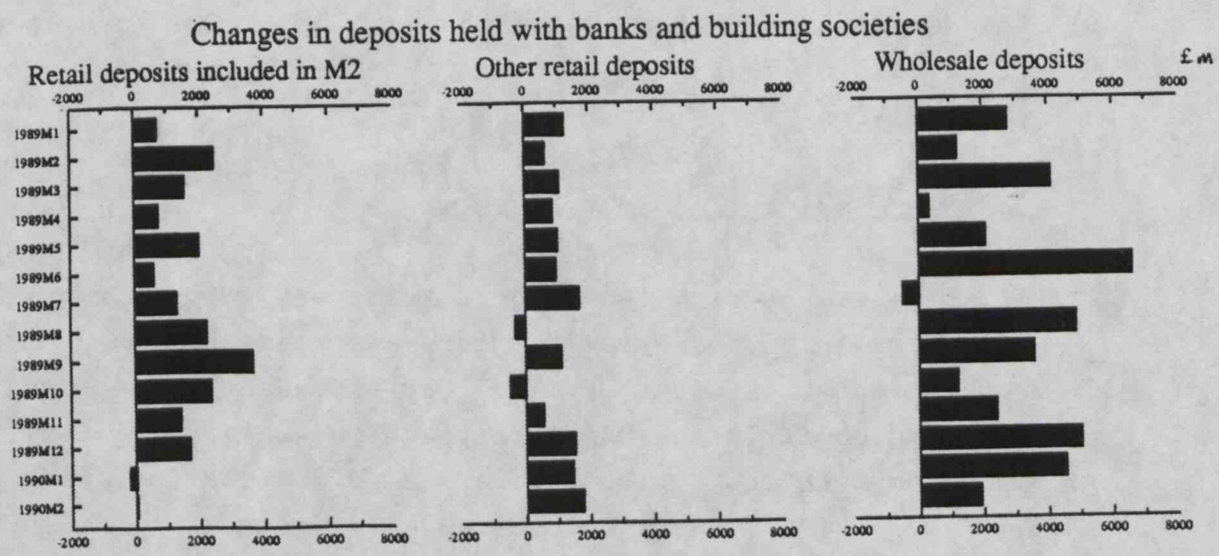
39. Retail deposits in M4 rose by 0.7 per cent in February, in line with the most recent non-end quarter months but below the average increase of the last six (0.9 per cent). Their twelve month growth rate fell to 11.6 per cent (from 12.2 per cent in January), the lowest figure since the first compilation of the series in January 1988. The alternative measure of retail deposits, M2, also slowed in February: its twelve month growth rate fell to 8.3 per cent, the lowest figure since the summer of 1985.

40. The available evidence continues to support the view that the stock of M4 is being switched into less accessible forms and is thus likely to be more firmly held:

- The faster growth of M4 itself than of retail M4 indicates a switch towards larger or more difficult to access deposits. These wholesale deposits' twelve month growth rate rose to 35.4 per cent in February from 34.7 per cent in January. But the wholesale deposit inflow was relatively modest, by recent standards, in February itself: less than £2 billion for only the second time in seven months.

- Retail M4 includes building society retail deposits of over £100,000 or for which more than on month notice of withdrawal is required, which are excluded from M2. Thus the faster growth of retail M4 compared to M2 means that there is a switch within building society retail deposits in favour of larger or less accessible deposits. In February, building societies' M2 deposits fell by £0.9 billion (seasonally adjusted) while their less accessible retail deposits (those included in M4 but not in M2) increased by £1.8 billion).

Chart: Sterling Deposits of UK Residents



The Building Societies' Position

41. **Building society net retail inflows** in February remained weak, even allowing for inflows of £5-6 million a day to the offshore subsidiaries established recently in anticipation of independent taxation. The announcement of the abolition of CRT in 1991 is likely to slow down or halt the establishment of these subsidiaries. But further switching of building society funds into other investments or offshore into bank subsidiaries may occur.

42. The trend in the composition of building societies retail deposits towards the 'less accessible' end of the spectrum must be putting further pressure on societies' margins (see also para 44): the retail money in the top slice of the market now costs the same as wholesale funding. But the recent rise in retail deposit rates gives the societies a competitive advantage of around ¼ per cent over the banks (the largest differential since December 1987) over a broader band of accounts and it may be that building societies retail inflows will show a marked improvement from now on - especially as societies are likely to offer special inducements in the run up to the 1991 abolition of CRT.

43. **Building society total wholesale inflows** (only some of which are scored in M4) increased in February by £0.8 billion, the lowest figure since August. Even so the inflow was still large by the standards of 1987 and 1988. It consisted of CDs (£0.6 billion) and Eurobond issues (£0.4 billion) - time deposits fell by just over £0.1 billion.

Building Society Interest Rates

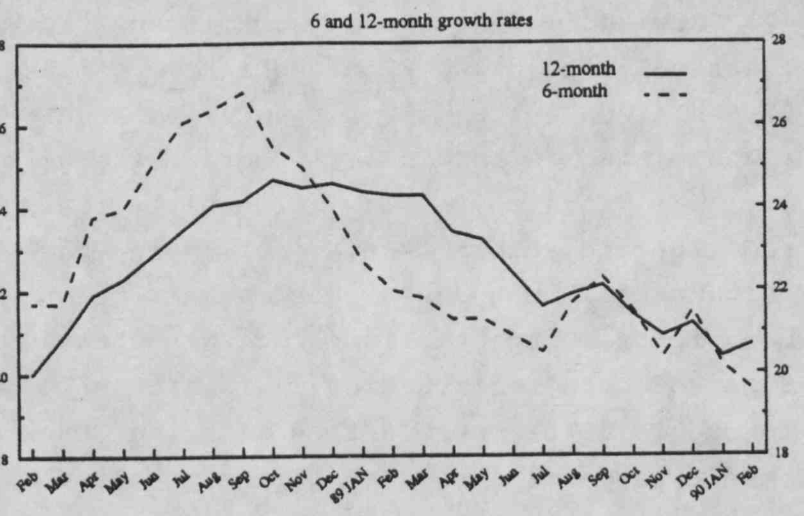
44. The recent rise in **mortgage rates and deposit rates** has raised building societies' margins slightly, but they still remain under pressure. The gap between base rates and building society (and bank) mortgage rates is still very low compared with the period before mid 1988. The societies are

still hedged in by strong competition. At this stage a further rise in mortgage rates seems unlikely in the absence of a further rise in base rates. But higher base rates would almost certainly prompt higher mortgage rates.

M4 Lending

45. **M4 lending** rose by 1.4 per cent (seasonally adjusted) in February, a little more than the average increase of the last three non-end quarter months (1.1 per cent) but a little less than in the previous three (1.6 per cent). The twelve month growth rate rose to 20.7 per cent from 20.4 per cent in January. As the chart below shows, its downward trend has flattened off in the last few months, remaining at a high level. The six month growth rate fell to 19.6 per cent in February, while the three month rate rose to 20.7 per cent.

Chart: M4 Lending Growth

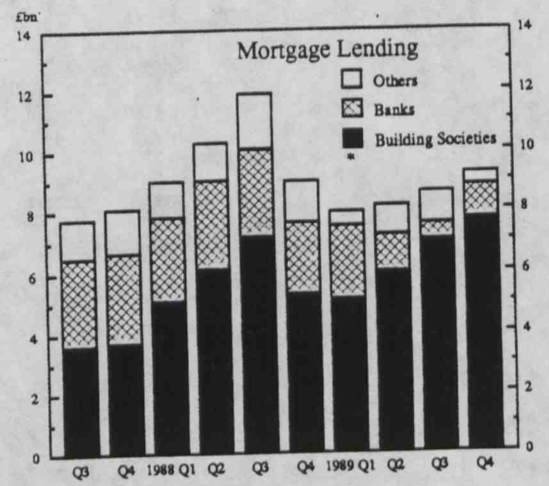


Mortgage Lending

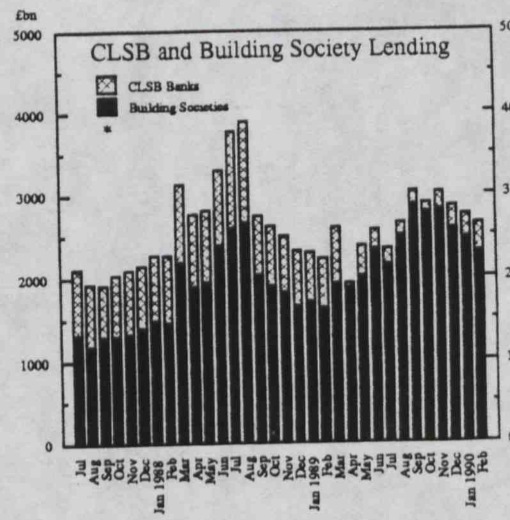
46. **Mortgage lending by building societies** was £2.0 billion, seasonally adjusted, in February, compared to £2.1 billion in January. This continues the slow fall from the peak reached in September. **Lending for house purchase by CLSB banks** was over £0.3 billion, continuing the mild increase of the last few months. But this rise did not

offset the fall in building societies' lending, and the total continued to decline.

Chart: The Mortgage Market



* (including an allowance for the Abbey as a building society)



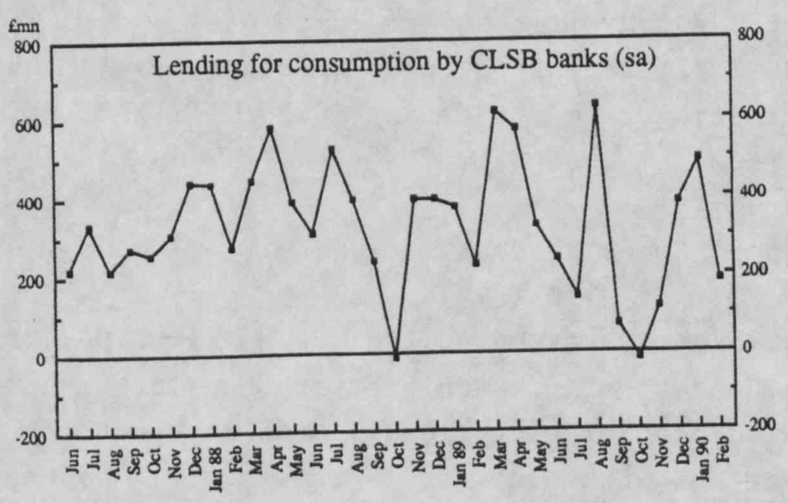
47. New building society **commitments** rose to £4.1 billion (seasonally adjusted) in February compared to January's £3.6 billion - the first rise since August last year. Such a sharp rise is particularly surprising given the rise in mortgage rates. It probably reflects substantial remortgaging rather than a pick up in the housing market. Perhaps as much as a third of all recent commitments have been for remortgages, compared with about one-fifth in 1989. Some of the remortgaging is "distress borrowing", intended to reduce total outgoings by clearing bank overdrafts and credit card bills and consolidating all debt into mortgages.

<u>Other Lending to Persons</u>

48. **Lending for consumption** by CLSB banks was £0.2 billion, seasonally adjusted, in February. This was around £¼ billion lower than in December and January, but still higher than in the August to October period of last year. It is still difficult to assess the trend in the series. But it is important to interpret them in the light of the

apparent extensive remortgaging which will artificially depress them. The consumer credit figures show a pick up, with an increase of £¾ billion (seasonally adjusted) in the three months to February, compared with an increase of £½ billion in the previous three months. But latest data on the volume of consumer credit searches shows a decline in the first part of the year over the corresponding period last year.

Chart: Lending for Consumption



<u>Lending to Companies</u>

49. **Lending to companies** by banks and building societies was probably £4½-£5 billion (seasonally adjusted) much higher than in January (perhaps up to £3 billion). No special factors have been identified which explain this rise. CLSB banks accounted for about half of lending in February: their detailed figures show that lending was once again well spread amongst sectors. Monthly figures are erratic. Nevertheless this development is disturbing, given that a slowdown in company spending is critical to the overall adjustment of the economy. Given the wide sectoral spread of the lending, and the still healthy level of profit margins (albeit lower than early last year), it could reflect some bouyancy in companies spending, rather than distress borrowing.

50. The amount of **sterling commercial paper** outstanding rose £0.3 billion to stand at £4.6 billion at the end of February.

51. UK borrowers announced **total sterling issues** of £1¼ billion in February, the same as in January. The February total consisted of £½ billion equities (mostly by ICCs), nearly £¾ billion floating rate issues and about £½ billion in fixed rate issues (overseas borrowers announced another £½ billion of fixed rate sterling issues). The March figures to date are much lower, with only £0.1 billion of equities announced (all ICCs), £0.2 billion floating rate issues and £0.3 billion of fixed rate sterling issues.

Broad Money Forecast

52. **M4** is expected to rise by 2 per cent (seasonally adjusted) in March, faster than in February because of the crediting of historically high interest to accounts as the end of the quarter. The twelve month growth rate is expected to be close to 18 per cent. **M4 lending** will also be higher than in February, this time because of interest charged on loans. It is expected to rise by 1¼ per cent (£9 billion) after seasonal adjustment, with its twelve month rate around 20¼-20½ per cent.

Interest Rates and Capital Markets

53. At the time of the last Assessment the one month interest rate was 15.0 per cent, the three month rate 15.2 per cent and the twelve month rate 15.6 per cent. The one month interest rate now stands at 14.9 per cent, the three month rate remains at 15.2 per cent and the twelve month rate is 15.4 per cent.

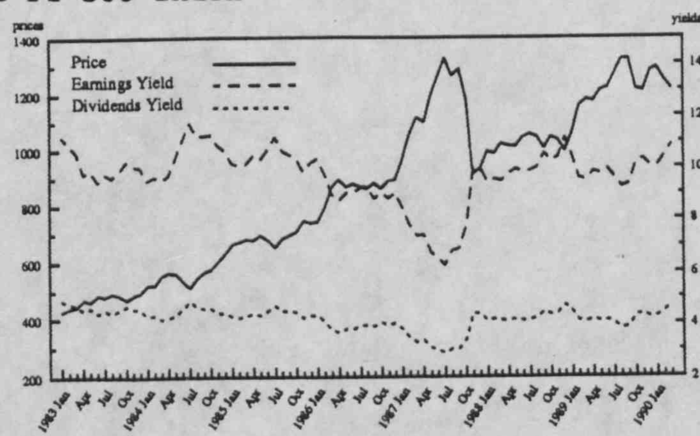
54. The yield curve of longer term rates is little changed. **Conventional gilts** began the period with the index at 77.79 and yields on shorts, mediums and longs at

12.7, 12.2, and 11.3 per cent respectively. At the end of the period, the index stood at 77.64 with par yields at 12.7, 12.2, and 11.4 per cent. The index has tracked sterling's movements for most of the period, and moved in sympathy with international bond markets. The market lost ground on the Budget, improved on the inflation figure, weakened on the disturbances in London. The announcements of the fourth conversion offer and the reserve figures had little effect.

55. Real yields on **index linked stock** which began the period at 4.2 per cent for mediums and 4.1 per cent for longs now stand at 4.3 per cent for mediums and 4.2 per cent for longs. **Break even yields** for index-linked Treasury 1992 and 2006 - the average rates of inflation at which indexed and equivalent conventional stocks would yield the same over their lives - have risen a little: they are currently 9.7 per cent and 7.7 per cent compared to 9.7 per cent and 7.6 per cent at the beginning of the period.

56. **UK equity prices** have hardly changed since the last Assessment, falling ½ per cent overall. The dividend yield has risen from 4.7 per cent to 4.9 per cent. Share prices are now 4½ per cent higher than a year ago.

Chart: The FT-500 Index



57. **Unit trusts'** net inflow was £0.3 billion in February, more than twice as high as in January and just below the average monthly increase in 1989.

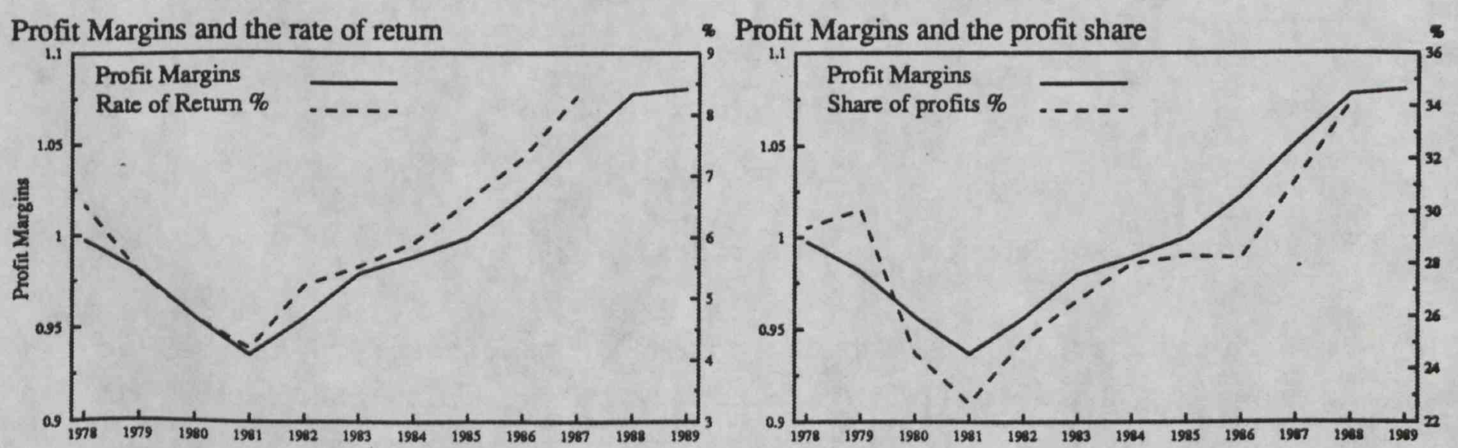
ANNEX: PROFITABILITY IN MANUFACTURING

1. Assessing the current state of profitability is an important part of the assessment of economic conditions. Both the Treasury and the Bank of England have measures of profit margins. A squeeze on margins can be one of the ways in which counter-inflationary policy measures have their effect. This annex describes the Treasury and Bank measures and appraises where the economy now stands.

2. Assessing profitability is difficult. Figures for the rate of return are published on an annual basis about nine months after the end of the year to which they relate. The share of profits in manufacturing output is similarly only available on an annual basis after a considerable interval. While it is possible to construct estimated quarterly versions of these measures, they rely on early estimates of profits which are notoriously subject to revision. The profits of manufacturing firms are not available at all on a quarterly basis.

3. We have to rely instead on constructed measures of profit margins calculated from input and output prices and unit labour costs. Our constructed measure of margins is a good predictor of other measures of profitability, particularly of the rate of return, as the charts below show.

Chart: Measures of Profitability in Manufacturing



4. Profit margins are measured as the ratio of output prices to unit costs. Data are not compiled by the CSO for unit costs and have to be estimated. In the Treasury's measure, which has been used in published forecasts, unit costs are defined as a weighted sum of a wide range input prices as shown in the table below. The weights are derived from a survey of firms' purchases of goods and services of other UK firms and of imports. Although the weights are now a little out of date (they relate to 1984), this is not likely to be a significant source of error: purchasing practices as revealed in the series of surveys are surprisingly stable.

Table: Definition of Unit Costs in Manufacturing

	WEIGHT	PERCENTAGE INCREASE IN 1989Q4 COMPARED WITH	
		1989Q3	1988Q4
Unit Labour Costs	45	2.2	4.8
Bought-in Services	19	2.0	10.3
Nat. Industry Prices*	6	7.9	4.3
Domestic Oil Prices	2	7.8	57.8
Imported Manufactures	22	0.6	5.3
Imported Basic Materials	1	0.5	9.0
Imported Services	1	2.7	13.1
Imported Foods, etc	1	3.6	8.0
Imported Fuels	1	7.1	43.8
Taxes	3	1.4	7.8
Total Costs	100	2.1	6.5

* includes also industrial gas prices.

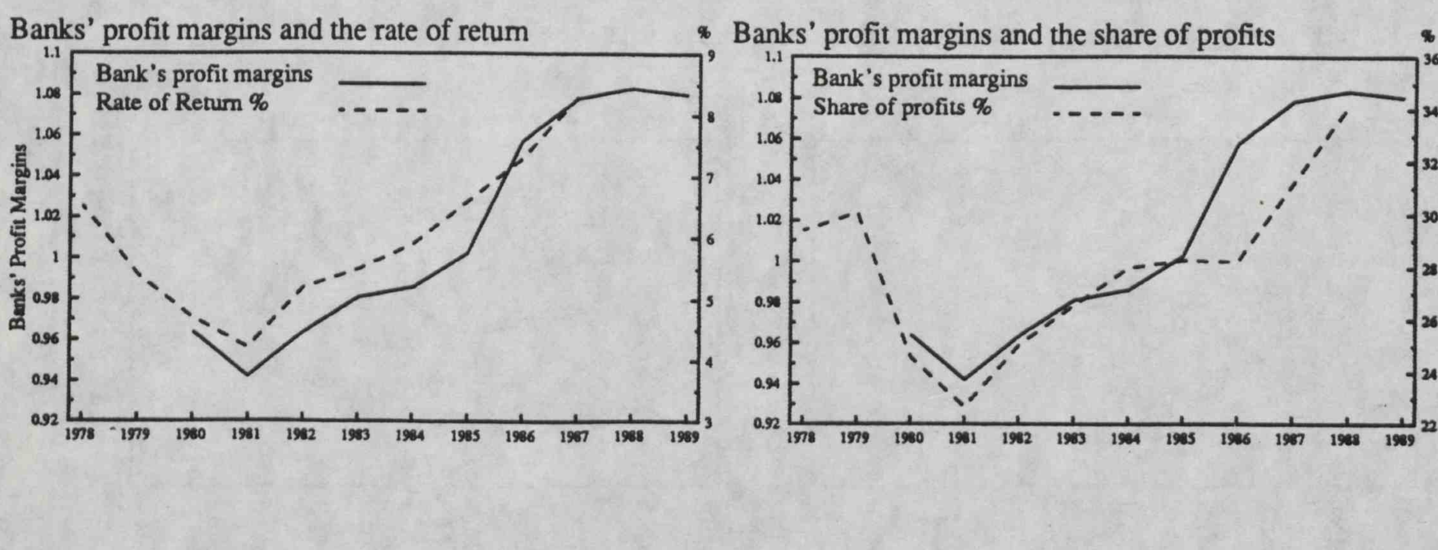
5. The direct unit labour costs of manufacturers themselves account for nearly half of total unit costs. As the costs of bought-in services (construction, catering, cleaning, design and advertising, legal advice etc) are proxied by the unit labour

costs in the non-manufacturing sector, labour costs as a whole, both direct and indirect, account for nearly two thirds of total costs.

6. The other major item is the cost of imported manufactures, which includes both semi-manufacturers (like bulk chemicals) and finished manufacturers (like car batteries and tyres, computer chips and other manufactured components of manufactured goods). The remaining items, accounting for around 15 per cent of total costs, are mainly fuels and unprocessed basic materials.

7. The Bank of England measure of costs, while broadly similar to the Treasury's differs significantly in that it uses the CSO's measure of the prices of materials and fuels (ie producer input prices) instead of the various individual input prices. Because producer input prices exclude the prices of all manufactured inputs, the Bank measure neglects any influence on UK manufacturers costs from changes in the prices of any manufactured components they may import.

Chart: Bank Measure of Profit Margins and the Rate of Return



8. Both the Treasury and the Bank measures use the producer price of manufacturers as the measure of the selling price of manufacturers. Producer prices have risen by 5.8 per cent over the last year by 2.0 per cent over the last three months - the

recent high rise reflects to some extent the annual revision of many firms' price lists in January.

9. The charts below show the quarterly path of the Treasury's measure of margins. The raw series is rather erratic and subject to seasonal influences. The latter arise because:

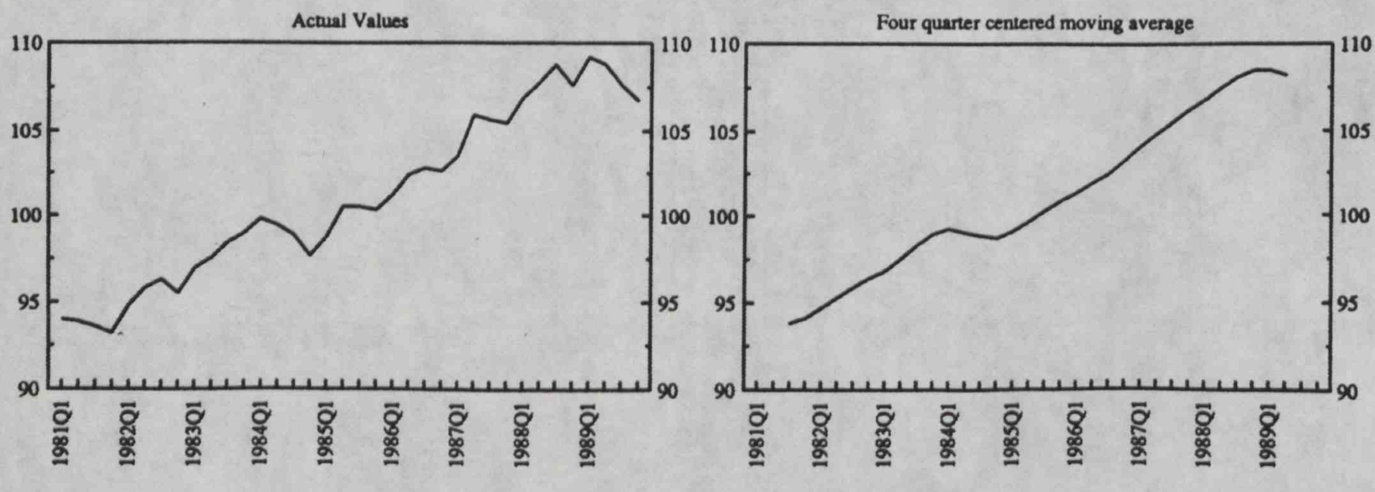
- output (selling) prices rise sharply in January of each year as firms adjust price lists;

- the prices of electricity and coal vary over the year, being much higher in the winter than in the summer [(this would affect the Bank measure much more than the Treasury measure given the greater implicit weight of electricity prices in total costs)];

- unit labour costs vary seasonally reflecting the wage round and variations in productivity.

A centred four quarter moving average is shown on the right hand panel. This both smooths away some of the erratic fluctuations in the series and, crudely, corrects for the seasonality.

Chart: Quarterly Path of Profit Margins



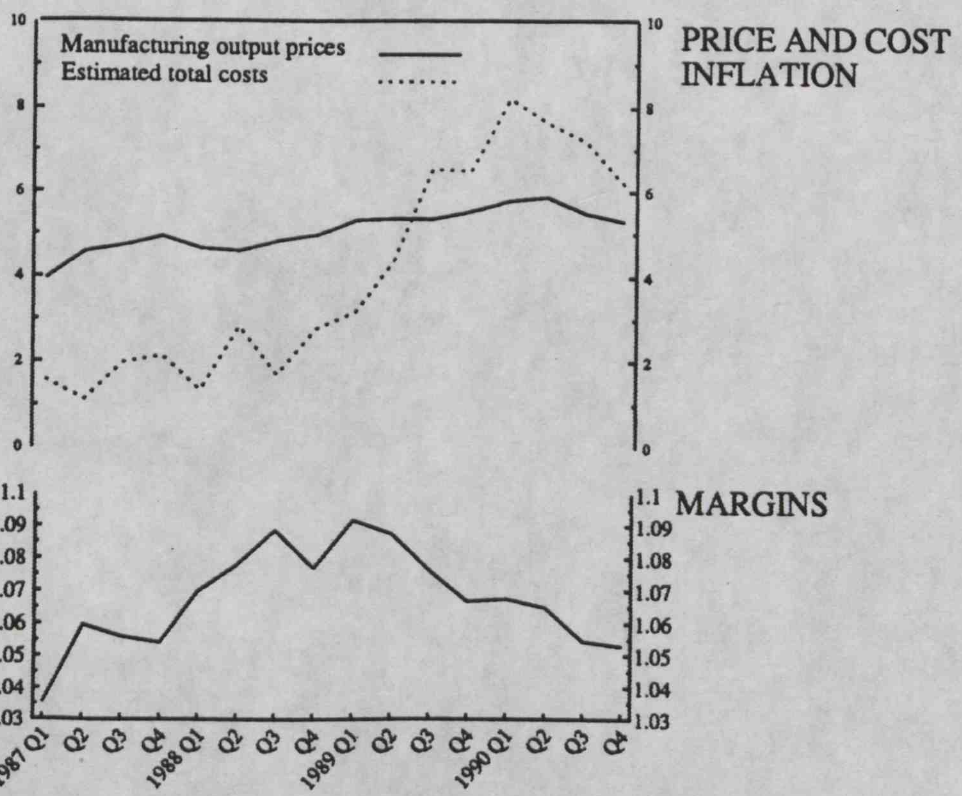
10. For several years calculated profit margins have shown a strong upward trend. The only interruptions to this have occurred

in 1985 and over the last few quarters. Both are periods in which output growth has slowed in response to tighter policy. Weak demand has meant that firms have not been able to pass on higher costs. It looks likely that margins peaked at the beginning of last year and have been declining since then. The measure's good track record suggests the observed slowdown in margins will in due course be reflected in the rate of return when it is eventually calculated.

Future Prospects

11. The FSBR forecast shows profit margins in manufacturing falling by 2 per cent in 1990, having risen slowly, by only ¼ per cent, in 1989. Margins are thought to have peaked in the first quarter of last year and are expected to fall steadily until the fourth quarter of this year to a level around 3½ per cent below the peak. Given the likely trends in costs, it is important that margins continue to fall this year if producer price inflation is to meet the 5¼ per cent FSBR forecast for the fourth quarter: if margins fail to fall, then, other things equal, producer price inflation will turn out at about 6½ per cent.

Chart: Prices, Costs and Margins



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MONTHLY MONETARY REPORT : TABLES

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Table 1

GERMANY KEY FIGURES

		Industrial Production index (1)	Consumer Prices	Trade Surplus (2) $bn	Money Supply M3	Broad Money (3)
1984		3.0	2.4	1.6		
1985		5.0	2.2	2.1		
1986		1.7	-0.1	4.3		
1987		0.3	0.2	5.5	7.3	6.9
1988		3.7	1.3	6.1	7.2	6.7
1989		4.8	2.8	6.0	7.1	6.6
1987	Q1	-1.1	-0.6	5.3	7.5	
	Q2	0.6	0.1	5.4	8.0	
	Q3	-0.2	0.5	5.2	7.2	
	Q4	1.8	0.9	6.2	6.6	
1988	Q1	3.2	1.0	5.1	6.0	
	Q2	2.3	1.2	6.7	6.4	
	Q3	4.7	1.3	6.0	6.4	
	Q4	4.4	1.7	6.6	6.8	
1989	Q1	4.8	2.4	6.6	6.9	8.7
	Q2	4.6	2.9	5.8	5.9	8.3
	Q3	5.1	2.8	6.2	5.5	8.2
	Q4	4.7	3.0	5.3	4.6	8.3
1988	Jul	3.2	1.2	6.3 (5.9)	6.3	
	Aug	5.4	1.2	6.6 (6.2)	6.2	
	Sep	5.5	1.5	5.3 (6.3)	6.7	
	Oct	3.9	1.5	6.2 (6.3)	6.5	
	Nov	4.0	1.7	7.1 (6.6)	6.7	
	Dec	5.6	1.8	6.4 (6.3)	7.0	
1989	Jan	5.4	2.3	6.8 (6.4)	7.2	8.5
	Feb	4.1	2.5	6.5 (6.4)	6.8	8.7
	Mar	4.7	2.6	6.4 (6.6)	6.7	8.9
	Apr	7.5	2.9	5.8 (6.5)	6.4	8.6
	May	2.3	2.9	5.1 (6.2)	6.0	8.2
	June	4.4	2.9	6.4 (6.2)	5.4	8.2
	July	8.1	2.8	6.0 (6.0)	5.6	8.6
	Aug	3.2	2.8	6.9 (6.1)	5.8	8.0
	Sep	4.4	2.9	5.8 (6.0)	5.1	8.0
	Oct	4.6	3.1	5.3 (5.9)	5.0	8.6
	Nov	4.5	2.9	5.4 (6.0)	4.4	8.1
	Dec	4.6	3.0	5.2 (5.8)	4.5	8.3
1990	Jan	4.6	2.7	8.0 (6.1)	4.5	
	Feb		2.5			
Forecast (4)					Target 4-6	
1990		5	2	6½	(5.9)	
1991		4	2	6½		

1 Percentage change on a year earlier.

2 Yearly and quarterly figures are monthly averages. Monthly figures in brackets are 6 month moving averages.

3 Aggregate comprised of M3 plus marks held on deposit at foreign branches and subsidiaries of German banks.

4 FSBR.

* provisional.

** Bracketed figure is growth over target period; Q4 1989 to latest month at an annual rate compared with target for 1990 of 4-6 per cent.

mg2.cc/Sheath/91g4.17.3

Table 2: Developments and prospects in the G7 countries*

	Activity			Money supply		Costs and prices		
	Nominal GNP	Real GNP	Industrial production	M1	M3**	Unit labour costs	Consumer*** prices	GNP deflator
1984	9.2	4.8	8.2	7.0	9.0	-0.3	4.4	4.2
1985	7.1	3.3	2.8	8.5	8.7	1.8	3.8	3.7
1986	6.1	2.6	1.0	11.0	8.3	2.3	2.0	3.4
1987	6.6	3.5	3.3	11.3	8.5	-0.5	2.8	3.0
1988	7.8	4.5	6.0	6.7	8.3	-0.1	3.2	3.2
1989			3.8				4.3	
1987 Q1	5.6	2.4	1.1	13.6	8.7	-1.4	1.7	3.1
Q2	6.0	2.8	2.4	12.9	8.8	0.2	2.8	3.1
Q3	6.8	3.8	4.1	10.6	8.4	-0.2	3.1	2.9
Q4	7.9	4.8	5.6	8.5	8.2	+0.9	3.4	2.9
1988 Q1	8.1	5.3	6.4	7.1	8.1	-1.4	3.0	2.7
Q2	7.7	4.6	6.3	6.6	8.2	-0.2	2.9	3.0
Q3	7.9	4.4	6.2	6.9	8.5	-0.3	3.2	3.4
Q4	7.4	3.6	5.3	6.6	8.4	+0.8	3.5	3.7
1989 Q1	7.9	3.7	4.8	7.1	8.2	0.6	4.0	4.0
Q2	7.8	3.5	4.5	4.5	7.5	0.6	4.7	4.1
Q3	7.2	3.3	3.3	3.5	7.2	1.9	4.4	3.8
Q4			2.6				4.3	
1988 Jan			6.9	7.1	7.9		3.1	
Feb			6.2	7.1	8.1		2.9	
Mar			5.9	7.0	8.3		2.9	
Apr			6.4	6.7	8.2		2.9	
May			6.0	6.4	8.1		2.9	
Jun			6.2	6.8	8.3		3.0	
Jul			5.8	7.6	8.7		3.2	
Aug			6.4	6.7	8.4		3.2	
Sep			6.4	6.6	8.4		3.3	
Oct			4.8	6.2	8.3		3.4	
Nov			5.6	6.1	8.3		3.5	
Dec			5.6	7.3	8.6		3.6	
1989 Jan			5.0	7.0	8.2		3.9	
Feb			4.3	7.1	8.2		4.0	
Mar			5.0	7.1	8.2		4.1	
Apr			5.0	5.6	7.8		4.5	
May			4.1	4.4+	7.3		4.8	
Jun			4.3	3.4+	7.4		4.7	
Jul			3.7	5.1	7.3		4.6	
Aug			3.4	5.4	7.2		4.3	
Sep			2.9	3.5	7.2		4.2	
Oct			2.9	3.3	6.9		4.4	
Nov			2.4		6.8+		4.3	
Dec			2.4				4.3	
1990 Jan							4.7	
Feb							4.9	
Forecast++								
1990	6¼	2¾	2½				4½	3¼
1991	6¼	2¾	3				3½	3¼

* Percentage changes on a year before.
** M2 + CDs for Japan, M4 for UK.
*** 1988 consumption weights.
\+ Partly estimated
\++ FSBR

TABLE 3

THREE MONTH INTEREST RATES

		United States	Japan	Germany	France	UK	G7
1983		9.1	6.7	5.8	12.5	10.1	9.3
1984		10.4	6.5	6.0	12.2	9.9	9.7
1985		8.1	6.6	5.4	10.0	12.2	8.5
1986		6.5	5.1	4.6	7.7	10.9	7.1
1987		6.9	4.2	4.1	8.3	9.7	6.8
1988		7.7	4.5	4.3	7.9	10.3	7.3
1989		9.1	5.4	7.1	9.3	13.9	9.0
1987	Jan	5.9	4.3	4.5	8.6	11.1	6.6
	Feb	6.1	4.2	4.0	8.5	10.9	6.6
	Mar	6.2	4.2	4.0	8.0	10.0	6.4
	Apr	6.5	4.1	3.9	7.8	9.8	6.5
	May	7.0	3.8	3.8	8.2	8.8	6.6
	June	7.0	3.9	3.7	8.3	8.9	6.6
	July	6.7	4.0	3.8	7.8	9.2	6.6
	Aug	6.8	4.0	4.0	7.8	10.0	6.7
	Sept	7.4	4.2	4.0	7.8	10.2	7.1
	Oct	8.0	4.8	4.7	8.3	9.9	7.5
	Nov	7.2	4.3	3.9	8.8	9.0	6.9
	Dec	7.7	4.5	3.7	8.6	8.8	7.0
1988	Jan	6.9	4.3	3.4	8.3	8.9	6.6
	Feb	6.6	4.3	3.3	7.7	9.2	6.5
	Mar	6.6	4.4	3.4	8.0	8.9	6.5
	Apr	6.9	4.2	3.4	8.1	8.3	6.6
	May	7.2	4.2	3.5	7.9	8.0	6.7
	June	7.5	4.4	3.9	7.4	8.9	6.9
	July	7.9	4.7	4.9	7.4	10.5	7.4
	Aug	8.4	4.3	5.3	7.7	11.4	7.8
	Sep	8.2	5.0	5.0	8.0	12.1	7.8
	Oct	8.4	4.7	5.1	8.0	12.1	7.8
	Nov	8.8	4.4	4.9	8.1	12.3	8.0
	Dec	9.3	4.5	5.3	8.5	13.2	8.4
1989	Jan	9.3	4.6	5.7	8.5	13.1	8.5
	Feb	9.6	4.7	6.5	9.2	13.0	8.9
	Mar	10.1	4.8	6.6	9.1	13.0	9.2
	Apr	10.0	4.7	6.4	8.8	13.2	9.0
	May	9.6	5.0	7.0	8.9	13.1	9.0
	June	9.2	5.4	7.0	9.0	14.1	9.0
	July	8.8	5.5	7.1	9.2	13.9	8.9
	Aug	8.7	5.4	7.0	9.0	13.8	8.8
	Sept	8.8	5.6	7.4	9.2	14.0	9.0
	Oct	8.7	6.1	8.1	9.9	15.0	9.2
	Nov	8.4	6.8	8.3	10.5	15.1	9.3
	Dec	8.3	6.7	8.1	10.7	15.1	9.3
	Jan	8.2	7.0	8.3	11.3	15.2	9.4
	Feb	8.2	7.2	8.3	11.0	15.1	9.4
	Mar	8.4	7.5	8.5	10.6	15.4	9.6
	Apr 5	8.4	7.3	8.2	10.2	15.2	9.4

* CD rate for US and Japan, Interbank rates for rest.

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TABLE 4

EFFECTIVE EXCHANGE RATE INDICES (1985 = 100)*

	United States	Japan	Germany	France	UK	YEN/$	[illegible]/$
1980	68.4	76.3	97.1	129.9	117.7	225.8	1.82
1981	76.6	87.5	92.4	120.5	119.1	219.5	2.25
1982	85.5	83.0	97.4	111.1	113.7	248.8	2.43
1983	89.7	91.8	101.1	103.3	105.3	237.4	2.55
1984	96.8	97.9	100.0	99.0	100.6	237.5	2.85
1985	100.0	100.0	100.0	100.0	100.0	238.3	2.94
1986	85.2	124.4	108.8	102.8	91.6	168.3	2.17
1987	70.3	133.2	115.4	103.0	90.1	144.7	1.80
1988	66.0	147.4	114.6	100.8	95.5	130.4	1.74
1987 Q1	72.6	127.5	115.7	103.6	86.7	153.2	1.84
Q2	70.1	135.0	114.9	102.9	90.5	142.6	1.81
Q3	71.3	132.3	114.6	102.7	90.4	147.0	1.84
Q4	67.0	137.9	116.4	102.7	92.8	134.0	1.71
1988 Q1	64.9	144.6	116.2	102.4	93.4	128.1	1.68
Q2	64.5	148.0	114.9	101.4	96.8	125.7	1.71
Q3	68.7	145.5	113.2	100.0	95.2	133.6	1.86
Q4	65.7	151.4	114.0	99.4	96.6	134.0	1.71
1989 Q1	67.2	150.2	112.6	98.8	97.1	128.5	1.85
Q2	70.4	143.5	112.4	99.2	93.7	138.0	1.93
Q3	70.8	138.8	112.8	99.6	91.7	142.2	1.92
Q4	69.2	135.1	116.3	101.5	88.0	143.1	1.81
1987 Oct	69.8	133.8	114.9	102.7	91.4	143.3	1.80
Nov	66.5	137.4	117.0	102.5	93.2	135.3	1.68
Dec	64.5	142.5	117.2	102.9	93.6	123.4	1.65
1988 Jan	64.5	144.2	116.7	103.0	92.9	127.9	1.65
Feb	65.6	144.4	116.0	102.4	92.2	129.2	1.70
Mar	64.5	145.2	115.9	101.8	95.3	127.1	1.68
Apr	63.8	147.4	115.5	101.5	97.2	124.9	1.67
May	64.1	148.3	115.0	101.4	97.7	124.8	1.69
Jun	65.9	148.3	114.2	101.3	95.4	127.4	1.76
Jul	68.1	145.3	113.3	100.6	94.8	133.1	1.85
Aug	69.1	146.3	112.7	99.5	96.0	133.7	1.89
Sept	69.0	145.1	113.6	99.7	94.8	134.5	1.87
Oct	67.1	149.1	113.7	99.8	95.7	128.9	1.82
Nov	65.2	152.7	114.3	98.9	96.4	123.1	1.75
Dec	64.8	152.3	113.9	99.5	97.7	123.5	1.76
1989 Jan	66.7	150.9	112.6	98.7	97.9	127.4	1.84
Feb	67.0	151.1	112.4	98.1	97.5	127.6	1.85
Mar	67.9	148.8	112.6	99.3	95.9	130.4	1.87
Apr	68.2	147.1	112.8	99.6	95.4	132.0	1.87
May	70.6	143.9	112.1	99.0	94.3	138.0	1.95
June	72.4	139.3	112.4	98.9	91.3	144.1	1.98
July	70.0	139.5	113.3	99.6	92.3	140.4	1.89
Aug	70.6	139.8	112.6	99.5	91.6	141.2	1.93
Sep	71.7	137.1	112.6	99.6	91.3	145.1	1.95
Oct	69.9	137.5	114.7	100.6	89.7	142.2	1.87
Nov	69.6	135.2	115.9	101.3	87.0	143.5	1.83
Dec	68.1	132.4	118.3	102.6	86.5	143.7	1.74
1990 Jan	67.2	129.2	119.0	103.6	87.9	145.0	1.69
Feb	67.1	127.8	118.9	103.7	89.6	145.6	1.68
Mar	68.5	122.6	118.9	104.4	87.0	153.2	1.71
Apr 5	68.7	118.9	118.9	104.8	87.9	157.6	1.70
% Change since dollar peak (Feb 85)	- 39.3	19.7	22.7	8.4	- 3.3	-39.6	-50.5
% Change since Plaza (Sept 85)	- 30.5	7.7	17.0	3.9	-15.8	-34.9	-41.4
% Change since Louvre Accord (Feb 87)	- 5.4	- 6.3	2.4	0.8	2.7	2.6	- 7.0

* Effective exchange rate indices calculated on basis of IMF index (1985=100)

TABLE 5

ECONOMIST COMMODITY PRICE INDICES 1985=100

	All items indices				SDR indices			BRENT OIL
Annual	SDR	Dollar	Sterling	Real*	Food	Nfa**	Metals	
1981	99.3	115.2	73.5	105.3	93.7	104.7	106.2	
1982	91.8	99.9	73.4	94.3	89.3	96.0	93.8	
1983	107.2	112.7	95.7	110.4	102.0	116.6	110.1	
1984	110.3	111.5	107.2	113.1	112.3	111.6	106.2	
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
1986	89.8	103.7	90.6	86.4	92.4	89.9	85.4	
1987	87.4	111.5	87.1	82.2	73.0	103.3	100.6	
1988	111.4	147.4	106.3	103.3	85.7	109.6	156.2	
Quarterly								
1988 Q1	99.8	134.6	95.9	93.9	77.6	105.5	133.4	15.85
Q2	115.5	155.7	108.8	109.1	84.0	115.1	169.1	16.35
Q3	116.4	148.8	112.4	111.7	92.9	114.0	157.9	14.47
Q4	113.7	150.3	107.9	107.7	88.3	103.6	164.4	13.50
1989 Q1	118.0	153.0	112.1	112.5	90.4	107.1	172.4	16.70
Q2	114.8	143.6	113.2	107.1	91.3	108.8	158.9	17.98
Q3	107.8	133.5	107.2		83.1	111.7	147.1	17.27
Q4	100.9	127.5	103.1		77.7	107.9	135.3	18.89
1990 Q1	95.7	124.1	96.1		76.9	106.3	120.1	19.52
Monthly								
December	117.3	156.4	110.1		89.5	101.7	175.5	14.92
January	119.9	156.8	113.2		90.4	107.1	179.0	16.25
February	116.3	150.6	110.2		89.3	106.2	169.2	16.03
March	117.7	151.6	112.9		91.6	108.0	169.0	17.82
April	115.6	148.1	111.4		90.8	107.0	163.8	19.03
May	116.3	145.3	114.5		92.1	108.5	163.0	17.75
June	112.4	137.3	113.6		91.0	110.8	150.0	17.17
July	100.4	134.7	106.8		86.2	112.0	132.0	17.33
August	107.8	134.2	107.2		81.6	111.0	150.5	16.81
September	107.4	131.7	107.6		81.4	112.1	148.2	17.68
October	104.3	130.9	105.8		78.3	109.1	145.2	18.56
November	101.8	128.0	104.4		79.3	108.7	135.0	18.65
December	96.5	123.5	99.0		75.5	105.8	125.6	19.45
January	93.1	121.0	94.0		75.2	104.8	115.2	20.27
February	93.1	121.7	91.9		75.5	106.0	113.8	19.66
March	100.9	129.5	102.4		80.1	108.0	131.4	18.63
Weekly								
Mar 6	99.1	128.0	99.5		79.1	107.6	127.1	19.38
Mar 13	101.1	129.2	103.5		80.4	107.2	131.9	18.65
Mar 20	102.0	131.3	104.5		80.3	107.6	134.8	18.10
Mar 27	101.5	129.4	102.0		80.5	109.5	131.7	18.38
Apr 3(prov)	102.2	130.6	102.3		80.4	110.0	133.6	18.60
% ch. on one yr	-10.5	-11.0	-7.1		-11.2	1.2	-15.6	-6.50

* In relation to prices of manufactured exports. Recent figures are estimated.

TABLE 6

RECENT INDICATORS OF ACTIVITY AND INFLATION
(per cent changes on year earlier)

	OUTPUT AND ACTIVITY					PRICES AND UNIT LABOUR COSTS					
	MONEY GDP		GDP(O)	MANUFACTURING OUTPUT	RETAIL SALES *	RPI	RPI EXCL. MORTGAGE PAYMENTS	PRODUCER PRICES ** OUTPUT	PRODUCER PRICES ** INPUT	UNIT WAGE COSTS MANUFACTURING	UNIT WAGE COSTS WHOLE ECONOMY
1985-86	9.3	1986	3.0	0.9	5.3	3.4	3.6	4.1	-10.5	4.5	5.5
1986-87	7.2	1987	4.9	5.6	5.9	4.2	3.7	4.4	5.0	1.3	4.1
1987-88	10.8	1988	4.6	7.0	6.9	4.9	4.6	4.8	4.8	2.9	6.8
1988-89	10.9	1989	2.7	4.8	2.2	7.8	5.9	5.4	5.3	4.5	N/A
1986 Q1	7.6		2.6	-1.5	4.7	4.9	4.6	4.8	-11.3	8.1	6.1
1986 Q2	6.3		1.9	-1.2	4.9	2.8	3.3	4.0	-13.5	6.5	6.9
1986 Q3	7.0		3.4	1.0	5.3	2.6	3.3	3.8	-11.8	3.6	4.6
1986 Q4	7.8		4.1	5.1	6.2	3.4	3.4	3.7	-5.0	-0.4	4.5
1987 Q1	7.9		4.0	4.0	5.0	3.9	3.7	3.8	-0.7	1.0	3.7
1987 Q2	9.3		4.7	6.2	5.8	4.2	3.7	4.4	5.4	-0.1	3.5
1987 Q3	10.9		5.3	7.1	6.5	4.3	3.6	4.5	10.8	1.2	4.0
1987 Q4	11.4		5.3	5.5	6.3	4.1	4.0	4.8	5.1	3.4	5.1
1988 Q1	11.7		5.8	7.9	8.3	3.5	3.7	4.7	3.6	2.0	6.1
1988 Q2	11.1		4.8	6.1	7.0	4.3	4.4	4.7	6.2	4.4	6.5
1988 Q3	11.1		4.3	7.5	6.5	5.5	5.1	4.8	4.2	2.4	6.9
1988 Q4	11.1		3.6	6.7	5.8	6.5	5.2	5.0	5.1	3.3	7.7
1989 Q1	10.9		3.4	7.1	3.7	7.7	5.6	5.3	7.0	3.0	8.6
1989 Q2	10.3		2.7	5.9	2.9	8.2	6.0	5.4	6.2	3.7	9.0
1989 Q3	8.2		2.1	3.3	1.2	7.7	5.8	5.4	3.6	6.1	10.2
1989 Q4	7.7		2.4	3.1	1.1	7.6	6.1	5.6	4.5	5.1	N/A
		1988 JUNE		7.0	7.0	4.6	4.7	4.7	7.4	2.7	
		JULY		7.5	7.6	4.8	5.0	4.8	4.7	2.4	
		AUGUST		6.0	6.9	5.7	5.0	4.8	3.9	3.4	
		SEPTEMBER		8.9	6.4	5.9	5.2	4.9	3.9	0.9	
		OCTOBER		6.2	6.1	6.4	5.1	5.0	3.5	2.7	
		NOVEMBER		7.3	5.7	6.4	5.1	5.0	5.6	2.5	
		DECEMBER		6.7	5.7	6.8	5.1	4.9	6.3	2.7	
		1989 JANUARY		7.1	4.4	7.5	5.5	5.3	7.2	3.1	
		FEBRUARY		8.2	4.0	7.8	5.7	5.3	6.2	2.8	
		MARCH		6.1	3.7	7.9	5.7	5.4	7.5	3.0	
		APRIL		7.1	3.8	8.0	5.9	5.3	7.7	3.0	
		MAY		6.1	3.9	8.3	6.0	5.4	7.1	3.3	
		JUNE		4.6	2.9	8.3	5.9	5.4	4.0	4.5	
		JULY		3.8	2.2	8.2	5.8	5.3	2.8	5.7	
		AUGUST		4.1	1.1	7.3	5.7	5.4	3.2	5.2	
		SEPTEMBER		1.9	1.1	7.6	5.8	5.5	4.8	7.6	
		OCTOBER		3.8	1.2	7.3	6.1	5.5	4.5	4.9	
		NOVEMBER		3.1	1.1	7.7	6.1	5.6	4.8	5.2	
		DECEMBER		2.4	1.0	7.7	6.1	5.7	4.2	5.4	
		1990 JANUARY		0.2	1.5	7.7	6.1	5.6	2.2	7.3	
		FEBRUARY			2.1	7.5	6.2	5.8	0.9		

* Monthly figures show three months on a year earlier
** Excluding food, drink and tobacco

Table 7

BUSINESS CONFIDENCE SURVEYS

NOT FOR USE - SEASONALLY ADJUSTED

		CBI INDUSTRIAL TRENDS SURVEYS (percent balances)					EUROSTAT EC GALLUP CONSUMER CONFIDENCE
		TOTAL ORDER BOOK	EXPORT ORDER BOOK	EXPECTED OUTPUT	EXPECTED PRICES	STOCKS	
1987	A	3	-4	24	23	5	4
	M	5	-2	28	30	0	6
	J	4	8	35	26	-1	10
	J	9	7	28	24	1	9
	A	11	9	38	26	-1	8
	S	11	6	31	26	3	5
	O	15	6	28	24	-7	8
	N	13	9	39	27	-5	55
	D	15	4	30	25	2	3
1988	J	22	8	31	29	-1	7
	F	16	8	30	27	-2	3
	M	16	6	31	24	1	5
	A	16	5	30	28	2	5
	M	16	3	31	20	-3	8
	J	16	1	28	28	-1	9
	J	17	3	33	28	1	7
	A	17	1	32	27	0	2
	S	17	4	32	32	0	-2
	O	15	2	28	33	1	-5
	N	15	-6	28	32	6	-4
	D	11	-5	26	31	1	-12
1989	J	8	-7	22	26	7	-12
	F	-1	-11	20	27	6	-11
	M	2	-13	16	27	9	-15
	A	3	-4	14	27	12	-16
	M	-9	-10	15	27	8	-11
	J	-3	-14	11	28	9	-16
	J	-2	-12	20	31	9	-17
	A	-4	-1	11	30	11	-14
	S	-6	-8	0	27	9	-14
	O	-9	-8	7	30	13	-27
	N	-16	-16	3	20	14	-25
	D	-14	-7	3	24	15	-24
1990	J	-15	2	5	26	14	-18
	F	-21	-3	-5	22	10	-23
	M	-25	0	-5	24	16	-33

TABLE 8: Forecasts for real GDP and RPI growth

Percentage increases on a year earlier

	HMT		OUTSIDE FORECASTS	
	latest internal forecast	latest published forecast	Non-City average (2)	City average
GDP: 1990 (f) (1)		1.0	1.6	1.2
RPI: 1990 Q4 (f)		7 1/4	5.8	5.4
1989 Jan	7.5			
Feb	7.8			
Mar	7.9			
Apr	8.0			
May	8.3			
Jun	8.3			
Jul	8.2			
Aug	7.3			
Sep	7.6			
Oct	7.3			
Nov	7.7			
Dec	7.7			
1990 Jan	7.7			
Feb	7.5			
Mar (f)	8.1			

(f) forecast
(1) 1985 prices, at factor cost
(2) Average of NIESR, LBS, DRI, IMF, Henley, Cambridge Econometrics, Liverpool, CBI, OECD, Oxford, EC

TABLE [illegible] :INDICATORS OF FISCAL STANCE

	PSBR		PSBR EXCLUDING PRIVATISATION PROCEEDS		PSFD	
	Cash £ billion	Ratio to GDP (per cent)	Cash £ billion	Ratio to GDP (per cent)	Cash £ billion	Ratio to GDP (per cent)
1970-71	0.8	1.5	0.8	1.5	-0.2	-0.4
1971-72	1.0	1.6	1.0	1.6	0.7	1.2
1972-73	2.4	3.6	2.4	3.6	2.0	3.0
1973-74	4.3	5.8	4.3	5.8	3.5	4.6
1974-75	8.0	9.0	8.0	9.0	6.0	6.7
1975-76	10.3	9.2	10.3	9.2	8.1	7.3
1976-77	8.3	6.4	8.3	6.4	7.4	5.7
1977-78	5.4	3.6	5.9	3.9	6.6	4.4
1978-79	9.2	5.3	9.2	5.3	8.3	4.8
1979-80	9.9	4.8	10.3	4.9	8.1	3.9
1980-81	12.5	5.3	12.7	5.4	11.6	4.9
1981-82	8.6	3.3	9.1	3.5	5.5	2.1
1982-83	8.9	3.1	9.4	3.3	8.5	3.0
1983-84	9.7	3.1	10.8	3.5	11.7	3.8
1984-85	10.1	3.1	12.2	3.7	13.4	4.0
1985-86	5.6	1.6	8.4	2.3	7.7	2.1
1986-87	3.6	0.9	8.0	2.1	8.0	2.1
1987-88	-3.4	-0.8	1.7	0.4	0.6	0.1
1988-89	-14.5	-3.0	-7.4	-1.6	-8.7	-1.8
1989-90						
FSBR forecast	-13.8	-2.75	-8.8	-1.75	-7.3	-1.5
AS forecast	-12.6	-2.5	-8.3	-1.5	-6.8	-1.25

(b) Quarterly Data

£ billion		PSBR		PSBR excluding privatisation		PSFD	
		sa*	ua	sa*	ua	sa+	ua
1986	Q2	2.1	2.5	3.2	3.6	1.7	3.3
	Q3	1.8	3.6	1.8	3.6	3.0	3.8
	Q4	-0.6	-1.7	1.6	0.5	1.3	-0.9
1987	Q1	0.2	-0.8	1.4	0.3	2.0	1.8
	Q2	0.0	1.4	2.4	3.8	1.3	2.9
	Q3	-0.2	0.5	1.4	2.1	0.2	1.0
	Q4	-1.7	-2.5	-0.5	-1.3	0.1	-2.2
1988	Q1	-1.5	-2.8	-1.5	-2.8	-0.7	-1.2
	Q2	-2.7	-1.7	0.0	1.0	-1.2	0.7
	Q3	-3.4	-2.1	-1.2	0.1	-2.7	-1.7
	Q4	-4.2	-5.0	-3.0	-3.9	-1.9	-4.3
1989	Q1	-4.3	-5.7	-3.3	-4.7	-2.9	-3.3
	Q2	-1.1	0.0	0.7	1.7	-0.8	0.8
	Q3	-1.7	-0.6	-0.5	0.6	-1.4	0.0
	Q4	-2.2	-2.8	-1.5	-2.1	-2.6	-5.0

*financial year - constrained
+calendar year - constrained

Table 10: CGBR(O): Differences from Budget profile

	April-February (outturn)	
	£ billion	Percentage
Receipts		
Inland Revenue	0.4	½
Customs and Excise	-0.4	- ½
NICs	-1.2	-4
Interest and dividends	0.2	2½
Other receipts	-0.1	-2½
Total receipts	-1.0	- ½
Expenditure		
Privatisation proceeds	1.1	24
Interest payments	0.6	4½
Departmental expenditure (1)	-0.9	- ½
Total expenditure	0.9	½
CGBR(O)	1.8	
CGBR(O) excluding privatisation proceeds	0.7	

(1) on a cash basis, net of certain receipts and on-lending

TABLE 11

HALIFAX STANDARDISED INDEX OF ALL HOUSE PRICES

	Index		Percentage Change On Previous Period		% Growth Annualised 3 Mth	% Growth Annualised 6 Mth	Percentage Change On Previous Year
Annual Data	nsa	sa	nsa	sa	sa	sa	nsa
1984	107.2						
1985	117.0						7.2
1986	129.9						9.1
1987	149.9						11.0
1988	184.8						15.4
1989	223.1						23.3
							20.7
Quarterly Data							
1988 Q2	180.2	179.8	9.3	7.5			17.3
Q3	198.9	197.2	10.4	9.7			22.3
Q4	212.0	211.3	6.6	7.2			30.3
1989 Q1	217.8	220.8	2.7	4.5			34.0
Q2	226.8	226.4	4.1	2.5			25.9
Q3	227.3	225.4	0.2	-0.4			14.3
Q4	222.8	221.9	-2.0	-1.6			5.1
1990 Q1	220.6	223.6	-1.0	0.8			1.3
Monthly Data							
1989 Jan	213.4	217.2	-0.8	0.8	19.6	28.4	33.6
Feb	216.9	219.9	1.6	1.2	14.9	23.5	32.0
Mar	221.6	223.7	2.1	1.7	16.3	19.8	31.1
Apr	224.3	224.5	1.2	0.4	14.1	16.8	28.5
May	228.0	227.8	1.7	1.5	15.2	15.0	26.9
Jun	228.3	226.8	0.1	-0.4	5.7	10.9	23.1
Jul	228.5	226.5	0.1	-0.1	3.6	8.7	18.1
Aug	227.7	226.1	-0.3	-0.2	-3.0	5.7	14.2
Sep	226.0	223.8	-0.7	-1.0	-5.2	0.1	9.5
Oct	224.0	222.2	-0.9	-0.7	-7.4	-2.0	7.0
Nov	222.5	222.0	-0.7	-0.1	-7.1	-5.0	4.5
Dec	221.2	221.5	-0.6	-0.2	-4.0	-4.6	2.8
1990 Jan	219.8	223.8	-0.6	1.0	2.9	-2.4	3.0
Feb	220.4	223.4	0.3	-0.2	2.5	-2.4	1.6
Mar	221.5	223.6	0.5	0.1	3.8	-0.2	-0.0

REGIONAL STANDARDISED INDICES

Region	1990 Q1	Percentage change on :- previous quarter	previous year
UK		-0.9	1.3
Greater London		-0.7	-8.1
South East		-3.2	-13.3
North		2.4	25.2
Yorkshire & Humberside		-0.4	14.9
North West		1.9	23.4
East Midlands		-1.7	-1.2
West Midlands		-0.9	-2.0
East Anglia		-5.0	-19.5
South West		-2.8	-12.1
Wales		1.6	8.0
Scotland		-0.3	16.7
Northern Ireland		-2.2	-1.1

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TABLE 12

EXCHANGE RATES

DATE	Exchange Rate Index*	Real Exchange Rate @	Oil Adjusted ERI +	Dollar : sterling exchange rate	D-Mark sterling exchang rate	Interest rate differentials UK-USA	Interest rate differentials UK-Germany	Brent spot price ($/bl)
1986 q2	96.0	97.1	109.3	1.51	3.39	+3.2	+5.6	12.8
q3	90.2	91.3	103.1	1.5	3.10	+3.8	+5.4	12.4
q4	85.1	86.4	94.9	1.43	2.87	+5.1	+6.5	14.8
1987 q1	86.8	87.5	94.0	1.54	2.83	+4.3	+6.5	17.9
q2	90.4	92.0	97.2	1.64	2.96	+2.1	+5.4	18.6
q3	90.5	91.9	96.9	1.62	2.97	+2.8	+5.8	19.0
q4	92.9	94.1	100.4	1.76	2.99	+1.2	+4.6	18.1
1988 q1	93.3	95.0	103.2	1.78	3.01	+2.2	+5.6	15.7
q2	96.7	99.7	106.4	1.84	4.14	+1.0	+4.7	16.2
q3	95.1	98.9	101.9	1.62	2.97	+2.8	+6.2	19.0
q4	96.7	100.4	104.8	1.80	3.17	+3.6	+7.3	13.6
1989 q1	97.3	101.1	105.7	1.75	3.24	+3.2	+6.9	17.8
q2	93.7	99.0	100.7	1.65	3.15	+3.7	+6.8	18.7
q3	91.7	97.2	99.6	1.60	3.08	+5.1	+6.7	17.6
q4	88.0	93.5	94.0	1.58	2.87	+6.6	+7.1	19.4
1988 Aug	96.0	99.7	107.1	1.70	3.20	+2.8	+5.9	14.8
Sep	94.7	98.6	107.2	1.68	3.14	+3.9	+7.2	13.3
Oct	95.9	99.6	109.4	1.75	3.16	+3.5	+6.9	12.6
Nov	96.6	100.3	109.7	1.81	3.16	+3.6	+7.2	13.0
Dec	97.6	101.4	108.5	1.83	3.20	+3.8	+7.8	15.2
1989 Jan	97.8	101.7	106.6	1.77	3.25	+3.7	+7.8	17.2
Feb	97.5	101.4	107.0	1.76	3.25	+3.3	+6.5	16.8
Mar	96.5	100.0	103.4	1.73	3.21	+2.7	+6.3	19.5
Apr	95.4	100.4	101.5	1.70	3.18	+3.2	+6.7	19.8
May	94.5	99.7	101.7	1.64	3.18	+3.4	+6.9	18.6
Jun	91.2	96.8	99.1	1.60	3.10	+4.4	+6.8	17.7
Jul	92.5	97.5	100.0	1.63	3.08	+5.1	+6.8	17.8
Aug	91.4	97.1	100.0	1.60	3.10	+5.0	+6.8	17.1
Sep	91.3	97.1	98.9	1.57	3.07	+5.2	+6.6	17.8
Oct	89.6	95.5	96.1	1.58	2.96	+6.5	+7.2	19.1
Nov	88.0	93.6	93.9	1.57	2.89	+6.6	+7.0	19.4
Dec	86.5	91.7	92.0	1.60	2.77	+6.7	+7.0	19.7
1990 Jan	87.9	92.8	92.4	1.65	2.79	+6.8	+7.1	21.2
Feb	89.6		94.2	1.69	2.85	+6.8	+6.8	20.0
Mar	87.1		93.0	1.63	2.77	+6.9	+7.0	18.6
Apr 5	87.9			1.64	2.79	+6.8	+7.0	18.1

\+ The oil adjusted ERI shows whether the joint effect of oil price and exchange rate changes has been counter-inflationary or otherwise, relative to the base period Jan 1983-Nov 1985, on the assumption that the inflationary effect of a 4 per cent rise in oil prices is exactly offset by a 1 per cent rise in the exchange rate.

* 1985 = 100

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TABLE 13

NOMINAL AND REAL INTEREST RATES

	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**		
							1990 / 1992	2001	2011
1986 q1	12.4	7.9	12.3	10.2	3.9	8.2	4.3	4.2	3.8
q2	10.2	7.0	10.4	9.0	3.6	6.5	3.6	3.6	3.4
q3	10.0	6.2	10.0	9.7	3.4	6.5	3.7	3.9	3.5
q4	11.2	6.1	11.0	10.7	4.1	6.8	3.7	4.1	3.8
1987 q1	10.6	6.3	10.8	9.6	4.3	6.0	3.0	3.7	3.5
q2	9.2	7.1	9.4	9.0	3.8	5.2	2.4	3.8	3.6
q3	9.9	7.1	9.7	9.8	3.7	6.0	2.6	4.2	3.9
q4	9.2	7.8	9.0	9.5	4.0	4.7	2.4	4.1	3.8
1988 q1	9.0	6.9	8.7	9.4	4.1	4.8	2.2	4.0	4.0
q2	8.4	7.4	8.0	9.2	4.0	4.5	2.0	3.8	3.8
q3	9.9	7.1	9.7	9.8	3.8	5.9	2.6	4.2	3.9
q4	12.5	8.9	12.7	9.3	6.7	5.5	3.4	3.7	3.7
1989 q1	13.0	9.7	13.0	9.2	6.6	6.1	3.1	3.6	3.6
q2	13.4	9.7	13.7	9.7	6.6	6.5	3.5	3.7	3.7
q3	13.9	8.8	14.0	9.5	6.7	6.7	3.2	3.5	3.6
q4	15.1	8.5	15.0	9.9	6.8	7.8	4.1	3.7	3.7
1988 Oct	12.0	8.6	12.0	9.2	6.4	5.3	2.6	3.7	3.8
Nov	12.3	8.8	13.0	9.3	7.1	4.9	2.8	3.6	3.7
Dec	13.2	9.4	13.0	9.5	6.5	6.3	3.7	3.8	3.8
1989 Jan	13.1	9.4	13.0	9.3	7.5	5.2	3.5	3.8	3.8
Feb	13.0	9.7	13.0	9.1	6.7	5.9	3.0	3.6	3.6
Mar	13.0	10.1	13.0	9.2	5.5	7.1	2.7	3.5	3.5
Apr	13.3	10.1	13.0	9.6	5.9	7.0	3.0	3.6	3.6
May	13.1	9.7	14.0	9.5	6.8	5.9	2.8	3.6	3.6
Jun	14.1	9.3	14.0	9.9	7.1	6.5	4.0	3.9	3.8
Jul	13.9	8.8	14.0	9.5	7.0	6.4	3.4	3.6	3.6
Aug	13.8	8.8	14.0	9.4	6.5	6.9	2.9	3.5	3.5
Sep	14.1	8.9	14.0	9.6	6.7	6.9	3.2	3.5	3.6
Oct	15.2	8.7	15.0	9.8	6.4	8.3	4.1	3.7	3.7
Nov	15.1	8.5	15.0	10.0	6.9	7.7	3.9	3.7	3.7
Dec	15.1	8.4	15.0	9.9	7.0	7.6	4.2	3.7	3.7
1990 Jan	15.1	8.3	15.0	10.2	6.5	8.1	4.5	3.8	3.8
Feb	15.1	8.3	15.0	10.7	6.9	7.7	4.9	4.0	3.9
Mar	15.3	8.4	15.0	11.5	7.8	7.0	5.2	4.3	4.1
Apr 5	15.2	8.4	15.0	11.4	7.8	6.9	5.2	4.3	4.1

* Unweighted average of forecasts by Phillips and Drew, National Institute, LBS, James Capel, Oxford Economic Forecasting and Goldman Sachs; 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 and quarterly for last Friday in each month. Assumes inflation averages 5 per cent per annum to redemption.

All figures except base rate are averages over the month/quarter; base rates are end month.

TABLE 14: CURRENT ACCOUNT

percentage change on previous year

	1985=100 EXPORT VOLUMES less oil and erratics	1985=100 IMPORT VOLUMES less oil and erratics	1985=100 TERMS OF TRADE AVIs	CURRENT BALANCE £mns
1982	0.8	8.7	-0.4	4606
1983	-0.6	10.3	-0.7	3793
1984	8.6	10.8	-1.2	1954
1985	6.8	4.0	1.4	3161
1986	2.1	6.8	0.6	-41
1987	7.1	8.5	0.7	-4395
1988	4.0	14.2	2.2	-15019
1989	10.2	8.2	-0.5	-20851
1988 Q4	4.4	14.5	2.0	-5467
1989 Q1	12.7	15.5	1.2	-4559
Q2	7.0	10.6	0.6	-4890
Q3	6.8	6.3	-1.5	-6308
Q4	14.3	1.6	-2.1	-5094
1988 Jan	6.9	14.7	3.6	-855
Feb	-8.0	13.0	3.9	-1225
Mar	2.8	15.6	3.1	-1185
Apr	7.9	15.2	2.0	-680
May	5.4	11.2	1.7	-1073
Jun	3.6	16.3	0.9	-1180
Jul	5.9	16.8	1.9	-1462
Aug	5.1	11.0	2.8	-942
Sep	5.8	13.9	1.3	-949
Oct	4.0	19.1	1.6	-2061
Nov	2.5	13.0	1.5	-1840
Dec	6.5	11.3	2.7	-1566
1989 Jan	13.2	20.6	1.9	-1393
Feb	13.5	13.8	0.7	-1753
Mar	11.4	12.2	0.9	-1413
Apr	2.8	11.3	0.9	-1671
May	9.4	11.0	1.0	-1489
Jun	8.9	9.5	0.1	-1730
Jul	6.8	2.1	-1.0	-1991
Aug	3.8	9.1	-1.6	-2361
Sep	9.8	7.7	-1.9	-1956
Oct	15.2	1.4	-1.4	-1920
Nov	10.8	4.1	-1.7	-2019
Dec	16.9	-0.5	-3.3	-1155
1990 Jan	5.7	1.6	-0.4	-2020
Feb	10.8	0.4	-0.0	-1395

SECRET

TABLE 15 (Until publication - except for the wider sterling aggregate which is not published and remains secret)

GROWTH RATES OF MONETARY AGGREGATES AND BANK & BUILDING SOCIETY LENDING £ million

			1989Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	1990Jan	Feb
M0	Monthly change	sa	-69	44	119	137	89	71	254	-25	132	113	157	-49	34
	Monthly % change	nsa	-2.2	1.9	0.1	1.6	0.3	1.9	1.7	-1.1	0.1	0.8	7.6	-6.5	-1.4
	Monthly % change	sa	-0.4	0.3	0.7	0.8	0.5	0.4	1.5	-0.1	0.8	0.6	0.9	-0.3	0.2
	3-month annualised % change	sa	0.5	-0.6	2.2	7.3	8.4	7.2	10.0	7.2	8.7	5.1	9.5	5.1	3.2
	6-month annualised % change	sa	3.5	1.3	2.6	3.9	3.8	4.7	8.7	7.8	7.9	7.5	8.4	6.9	4.2
	Annual % change	sa	6.6	6.1	5.8	6.2	5.9	5.2	6.1	4.5	5.2	5.7	6.0	5.8	6.4
M4	Monthly change	nsa	3095	10064	1696	5406	9479	2691	5668	8979	2701	4474	8690	3241	2558
	Monthly % change	nsa	0.9	2.8	0.5	1.4	2.5	0.7	1.4	2.3	0.7	1.1	2.1	0.8	0.6
	Monthly % change	sa	1.2	2.0	0.6	1.2	2.3	0.5	1.7	2.2	0.6	1.1	2.2	1.1	0.9
	3-month annualised % change	sa	16.6	18.5	16.4	16.4	18.0	17.5	19.8	19.5	19.9	17.1	16.8	19.2	18.2
	6-month annualised % change	sa	16.4	16.0	15.8	16.5	18.2	17.0	18.1	18.7	18.7	18.5	18.2	19.6	17.6
	Annual % change	nsa	18.6	18.1	17.9	18.1	18.5	16.5	17.3	17.3	17.2	17.5	18.2	18.4	18.1
M5	Monthly change	nsa	2998	10166	2377	5444	9807	2847	5562	9331	2415	4482	9105	2675	2587
	Monthly % change	nsa	0.8	2.7	0.6	1.4	2.5	0.7	1.4	2.3	0.6	1.1	2.1	0.6	0.6
	Monthly % change	sa	1.2	1.9	0.7	1.2	2.3	0.6	1.6	2.2	0.5	1.1	2.1	1.0	0.9
	3-month annualised % change	sa	15.3	18.0	16.2	16.4	18.4	17.5	19.5	19.0	18.8	16.5	16.3	18.6	17.5
	6-month annualised % change	sa	15.5	15.0	15.2	15.8	18.2	16.9	17.9	18.7	18.2	18.0	17.6	18.7	17.0
	Annual % change	nsa	17.8	17.1	17.3	17.5	18.0	16.0	16.8	16.8	16.7	17.0	17.9	17.9	17.7
NIBM1	Monthly change	nsa	103	900	-1723	322	274	-605	-141	283	-842	198	2266	-4367	487
	Monthly % change	nsa	0.2	1.9	-3.6	0.7	0.6	-1.3	-0.3	0.6	-1.8	0.4	5.0	-9.1	1.1
	Monthly % change	sa	-0.5	-0.4	-3.6	-0.7	0.1	-1.4	0.2	0.9	-0.6	-1.2	6.0	-5.5	0.3
	3-month annualised % change	sa	-4.0	-18.4	-16.5	-17.3	-15.6	-7.8	-4.3	-1.3	2.0	-3.5	17.5	-4.1	1.8
	6-month annualised % change	sa	2.1	-4.2	-11.8	-10.9	-17.0	-12.3	-11.0	-8.7	-3.0	-3.9	7.7	-1.1	-0.9
	Annual % change	nsa	5.3	2.4	-1.3	-3.0	-3.5	-5.0	-4.7	-6.6	-7.6	-7.5	-5.5	-7.1	-6.3
M4C	Monthly change	nsa	5200	10747	2651	7940	12013	-6	7476	8879	6847	5886	8382	1896	3021
	Monthly % change	nsa	1.3	2.7	0.6	1.9	2.9	0.0	1.7	2.0	1.5	1.3	1.8	0.4	0.6
	Monthly % change	sa	1.7	2.0	0.8	1.7	2.7	-0.1	2.0	2.0	1.5	1.3	1.9	0.7	0.9
	3-month annualised % change	sa	19.1	19.2	19.3	19.6	23.0	18.4	19.6	16.5	24.2	21.0	20.4	16.9	15.0
	6-month annualised % change	sa	16.5	16.1	17.0	19.3	21.1	18.9	19.6	19.7	21.3	20.4	18.4	20.5	18.0
	Annual % change	nsa	18.0	18.0	18.3	19.2	19.6	17.2	18.1	17.9	19.2	19.9	19.8	19.9	19.1
Wider Sterling Aggregate	Monthly change	nsa	3649	11678	2525	4956	8516	4995	6809	10603	1798	4142	9209	4953	4227
	Monthly % change	nsa	0.9	2.9	0.6	1.2	2.0	1.2	1.6	2.4	0.4	0.9	2.0	1.1	0.9
	Monthly % change	sa	1.2	2.2	0.8	1.0	1.8	1.0	1.8	2.3	0.4	0.9	2.0	1.4	1.2
	3-month annualised % change	sa	18.7	22.9	17.9	16.8	15.3	16.4	20.3	22.7	19.6	15.6	14.2	19.0	20.0
	6-month annualised % change	sa	19.3	18.8	18.1	17.7	19.0	17.2	18.5	19.0	18.0	17.9	18.4	19.3	17.8
	Annual % change	nsa	19.9	20.0	19.2	19.0	18.8	17.8	18.9	18.9	18.1	17.9	18.8	18.4	18.4
M4 Lending	Monthly change	nsa	4490	9878	4961	6042	9093	7856	6786	11412	5069	4435	10963	5386	6715
	Monthly % change	nsa	1.1	2.3	1.1	1.4	2.0	1.7	1.5	2.4	1.0	0.9	2.2	1.1	1.3
	Monthly % change	sa	1.2	1.9	1.4	1.4	1.7	1.7	1.7	2.2	1.1	1.0	2.2	1.1	1.4
	3-month annualised % change	sa	21.6	22.0	19.9	21.1	19.8	21.1	22.3	24.9	21.9	18.5	18.3	18.7	20.7
	6-month annualised % change	sa	22.0	21.8	21.3	21.3	20.9	20.5	21.7	22.3	21.5	20.4	21.5	20.2	19.6
	Annual % change	nsa	24.3	24.3	23.4	23.2	22.4	21.6	21.9	22.1	21.4	20.9	21.2	20.4	20.7

TABLE 16

REAL PERCENTAGE GROWTH RATES OF MONETARY AGGREGATES

	RPI excluding MIPs	M0	M4	M5
FINANCIAL YEARS (12 month % changes to March)				
1981-82	9.8	-6.5	3.7	3.0
1982-83	5.9	-0.6	7.9	8.0
1983-84	4.6	1.0	6.8	6.1
1984-85	5.2	0.2	8.2	8.2
1985-86	4.0	-0.6	10.1	9.1
1986-87	3.8	0.6	9.9	9.3
1987-88	3.8	1.7	12.5	12.3
1988-89	5.7	0.4	11.7	10.8
1989 Jan	5.5	1.8	11.9	11.2
Feb	5.7	0.9	12.2	11.4
Mar	5.7	0.4	11.7	10.8
Apr	5.9	-0.1	11.3	10.8
May	6.0	0.2	11.4	10.8
Jun	5.9	0.0	11.9	11.4
Jul	5.8	-0.6	10.1	9.6
Aug	5.7	0.4	11.0	10.5
Sep	5.8	-1.2	10.9	10.4
Oct	6.1	-0.8	10.5	10.0
Nov	6.1	-0.4	10.7	10.3
Dec	6.1	-0.1	11.4	11.1
1990 Jan	6.1	-0.3	11.6	11.1
Feb	6.2	0.2	11.2	10.8

TABLE 17

CONFIDENTIAL (Until Publication)

M0 : THE WIDE MONETARY BASE

Monthly data	Level £ million (Change in brackets): Notes and Coin (nsa)	Notes and Coin (sa)	(Change)	Bankers' Deposits	M0 (nsa)	M0 (sa)	(Change)	% change on previous month: Notes & Coin (sa)	M0 (sa)	3 month % growth annualised: Notes & Coin (sa)	M0 (sa)	6 month % growth annualised: Notes & Coin (sa)	M0 (sa)	Percentage change on previous year: Notes and Coin (nsa)	Notes and Coin (sa)	M0 (nsa)	M0 (sa)
1989 February	16351	16657	(-68)	152	16504	16810	(-70)	-0.4	-0.4	0.9	0.5	3.6	3.5	6.5	6.5	6.6	6.6
March	16695	16734	(77)	119	16815	16853	(43)	0.5	0.3	0.6	-0.6	1.9	1.3	7.1	6.5	6.8	6.1
April	16630	16778	(44)	194	16824	16972	(119)	0.3	0.7	1.3	2.2	2.6	2.6	5.3	6.1	5.0	5.8
May	16922	16944	(166)	166	17088	17110	(138)	1.0	0.8	7.0	7.3	3.9	3.9	6.6	6.3	6.5	6.2
June	17003	17062	(118)	136	17139	17198	(88)	0.7	0.5	8.1	8.4	4.3	3.8	5.8	6.2	5.5	5.9
July	17339	17149	(87)	120	17459	17269	(71)	0.5	0.4	9.1	7.2	5.2	4.7	5.7	5.7	5.2	5.2
August	17558	17329	(180)	196	17754	17525	(256)	1.1	1.5	9.4	10.0	8.2	8.7	5.9	5.9	6.1	6.1
September	17416	17361	(32)	139	17555	17500	(-25)	0.2	-0.1	7.2	7.2	7.6	7.8	4.7	4.7	4.5	4.5
October	17412	17473	(112)	160	17572	17633	(133)	0.6	0.8	7.8	8.7	8.4	7.9	5.5	5.5	5.3	5.2
November	17552	17581	(108)	167	17719	17748	(115)	0.6	0.6	5.9	5.2	7.6	7.5	5.7	5.8	5.6	5.7
December	18871	17714	(133)	186	19057	17900	(152)	0.8	0.9	8.5	9.5	7.8	8.4	5.6	6.0	5.6	6.0
1990 January	17739	17777	(63)	76	17815	17853	(-47)	0.3	-0.3	7.2	5.1	7.5	6.9	6.1	6.3	5.6	5.8
February	17429	17749	(-28)	141	17570	17890	(37)	-0.2	0.2	3.9	3.2	4.9	4.2	6.6	6.5	6.4	6.4
March (4/4) @	17526	17800	(51)	125	17650	17925	(35)	0.3	0.2	1.9	0.5	5.1	4.9	5.0	6.4	5.0	6.3

Weekly data 1990	Level £ million (Change in brackets): Notes and Coin (u/a)	Notes and Coin (s/a)	(s/a)	Bankers' Deposits	M0 (sa)	(Change)	Percentage change on previous week: M0 (sa)	Percentage change on previous year: Notes and Coin (nsa)	Notes and Coin (sa)	M0 (nsa)	M0 (sa)
January											
3rd	18592	17886	(0)	57	17943	(-96)	-0.5	7.2	6.9	6.4	6.2
10th	17822	17816	(-70)	88	17904	(-39)	-0.2	6.9	6.6	6.3	6.0
17th	17513	17794	(-22)	54	17848	(-56)	-0.3	6.3	6.1	5.8	5.7
24th	17355	17676	(-118)	144	17820	(-28)	-0.2	5.9	5.9	5.8	5.8
31st	17412	17714	(38)	38	17752	(-68)	-0.4	6.4	6.5	6.1	6.1
February											
7th	17434	17775	(61)	26	17801	(49)	0.3	6.6	6.6	5.7	5.6
14th	17395	17740	(-35)	116	17856	(55)	0.3	6.4	6.3	5.9	5.9
21st	17409	17723	(-17)	245	17968	(112)	0.6	6.5	6.6	7.0	7.0
28th	17478	17758	(35)	178	17936	(-32)	-0.2	6.4	6.5	7.0	7.1
March											
7th	17474	17762	(4)	166	17928	(-8)	0.0	6.3	6.3	6.3	6.3
14th	17489	17774	(12)	114	17888	(-40)	-0.2	5.9	6.3	5.5	5.9
21st	17534	17811	(37)	191	18002	(114)	0.6	3.1	6.2	4.1	7.2
28th	17605	17853	(42)	28	17881	(-121)	-0.7	2.9	6.3	2.1	5.4

@@ The figures have been corrected for the write-off of £51 million of notes on 1 June 1989 under the terms of the 1983 Currency Act.

TABLE 18

CONFIDENTIAL

BUILDING SOCIETY BALANCE SHEET FLOWS

Unadjusted # million

	Total Flow	ASSETS Net Mortgage Advances & Unsecured Lending	Liquid Assets	Fixed Assets	LIABILITIES Retail principal	Interest credited	Wholesale funds	Other (eg reserves)
1987 *	1650	1268	339 (16.9)	43	630	570	194	256
1988 *	2565	2062	435 (16.8)	69	1101	621	451	391
1989 *	2568	2210	233 (16.0)	125	641	815	696	418
1987 Q3*	1547	1288	215 (16.1)	44	409	516	337	285
Q4*	2063	1390	692 (16.9)	-19	1038	785	222	18
1988 Q1*	1870	1686	10 (16.5)	174	1027	626	113	104
Q2*	3176	2205	925 (17.0)	46	1349	407	697	716
Q3*	2636	2506	116 (16.4)	14	986	554	641	456
Q4*	2578	1849	688 (16.8)	41	1043	896	353	286
1989 Q1*	2088	1782	70 (16.4)	236	912	773	161	241
Q2*	2407	2232	123 (16.4)	52	568	615	318	916
Q3*	2736	2294	391 (15.6)	51	721	728	888	399
Q4*	3039	2530	349 (15.4)	160	363	1142	1416	117
1989 Dec	3249	2471	302 (15.4)	476	187	2725	2145	-1808
1990 Jan	2281	2143	281 (15.3)	-143	335	2250	959	-1263
Feb	2392	2077	186 (15.2)	129	314	178	857	1043
Forecast								
1990 March	2453	1823	560 (15.3)	70	600	273	500	1080

* Monthly averages
Figures in ( ) are end period liquidity ratio, unadjusted
Figures for July onwards exclude the Abbey National.

TABLE 19

THE COMPONENTS OF M4 AND M5

	NOTES & COIN	RETAIL DEPOSITS[1]	WHOLESALE DEPOSITS	M4	NATIONAL SAVINGS	MONEY MARKET INSTRUMENTS[2]	M5
% CHANGES							
Financial years[3] (nsa)							
1984-85	4.5	13.0	19.6	13.8	4.5	31.8	13.8
1985-86	3.0	13.9	19.6	14.5	5.4	-12.4	13.5
1986-87	-2.1	12.9	21.4	14.1	9.7	-4.9	13.5
1987-88	14.3	13.0	28.2	16.8	11.3	16.0	16.6
1988-89	3.0	15.8	26.2	18.1	4.5	-20.8	17.1
1989 Feb	4.7	16.5	26.2	18.6	5.9	-7.3	17.8
Mar	3.0	15.8	26.2	18.1	4.5	-20.8	17.1
Apr	5.4	15.4	26.5	17.9	3.9	5.5	17.3
May	5.3	14.9	28.2	18.1	3.3	7.9	17.5
Jun	6.4	13.8	32.5	18.5	2.6	19.6	18.0
Jul	1.0	13.7	25.8	16.5	2.0	18.6	16.0
Aug	5.8	13.0	29.5	17.3	1.7	15.9	16.8
Sep	3.4	12.9	30.1	17.3	1.7	16.9	16.8
Oct	3.8	12.3	31.1	17.2	1.8	11.8	16.7
Nov	6.4	12.8	30.6	17.5	1.6	11.4	17.0
Dec	5.7	12.5	33.9	18.2	1.1	43.5	17.9
1990 Jan	5.9	12.2	34.7	18.4	1.4	23.3	17.9
Feb	6.1	11.6	35.4	18.1	1.4	27.9	17.7
Over 6 months (sa)							
1989 Sep	9.6	13.0	33.7	18.7	2.7	68.4	18.7
Oct	-3.8	13.2	35.4	18.7	3.2	14.6	18.2
Nov	7.6	12.1	35.3	18.5	2.4	18.8	18.0
Dec	8.8	13.8	28.3	18.2	1.4	16.5	17.6
1990 Jan	0.6	12.2	37.5	19.6	2.1	-8.0	18.7
Feb	3.1	12.0	30.7	17.6	1.2	2.8	17.0
CHANGES £ MILLION							
(sa)							
1989 Sep	515	4756	3564	8835	36	166	9037
Oct	-501	1879	1206	2584	38	-314	2308
Nov	286	1940	2407	4633	-17	159	4775
Dec	697	3206	5023	8926	-33	341	9234
1990 Jan	-932	1257	4538	4863	56	-395	4524
Feb	150	1815	1901	3866	-8	110	3968

[1] Net inflow including Term shares and SAYE.
[2] Treasury bills, bank bills, LA temporary debt, and CTDs.
[3] March on March.

TABLE 20 SECRET

30/03/90

FUNDING : FINANCIAL YEARS 1989-90 AND 1990-91

£million

	1989-90			1990-91
	Forecast	Outturn	Residual	Forecast
	1989-90	April-Feb 90	Mar 90	
Within Year Contribution to Funding Requirement:				
1 PSBR (+)/PSDR (-)	-7058	-9641	2583	-6900
2 Intervention (increase in reserves +)	-5860	-5600	-260	0
3 Maturities	9889	9108	781	5781
4 TOTAL FOR FUNDING	**-3029**	**-6133**	**3104**	**-1119**
FUNDED BY:				
Non-gilts				
5 National Savings	-1800	-1624	-176	-1000
6 CTDs sales to M4PS	218	218	0	0
7 Other public debt sales to M4PS and overseas	-1875	-1775	-100	-400
8 Total non-gilt funding	**-3457**	**-3181**	**-276**	**-1400**
Gilts				
9 Gilt sales to M4PS and overseas needed for full fund within year	428	-2952	3380	281
10 Net gilt sales to banks, building socs and other public sector	-4369	-4169	-200	-1000
11 Required gross official gilt sales	**-3941**	**-7121**	**3180**	**-719**
12 Actual gross gilt sales to date		-5800 (-527)		
13 Over(+)/Under(-)funding	-2199	1321	-3520	-340
14 Remaining gross gilt sales required			**-340 (-340)**	
15 Gross gilt sales required over whole year	-6140			-1059

(Figures in brackets in lines (13) and (15) are monthly averages)

Relationship between lines:
(4)= (1)+(2)+(3)
(8)= (5)+(6)+(7)
(9)= (4)-(8)
(11)= (9)+(10)
(13): Col(1) Underfunding required in 1989-90 to offset previous cumulative overfunding
Col(2) Line (12) - line (11)
Col(3) By residual from cols(1) and (2)
(14)= (11)+(13)
(15)= (12 col 2)+(14 col 3)

Table 21:- BORROWING BY PRIVATE SECTOR EXCLUDING BUILDING SOCIETIES (£ million)

		BANK/BUILDING SOC. STERLING BORROWING			OTHER STERLING BORROWING				ALL BORROWING		
		Banks	B Soc	TOTAL	Sterling Commercial Paper(*)	Ordinary Shares (*)	Preference & Euro-Sterling (**)	TOTAL	Sterling	Foreign Currency	TOTAL
Change in Quarter											
1986											
	Q1	7157	3967	11124	0	471	959	1430	12554	2362	1491
	Q2	5189	5220	10409	0	1369	949	2318	12727	1575	1430
	Q3	4877	5738	10615	23	1431	738	2192	12807	3688	1649
	Q4	10138	4782	14920	68	2338	229	2635	17555	623	1817
1987											
	Q1	7147	3619	10766	416	1553	764	2733	13499	7142	2064
	Q2	8692	4240	12932	597	2259	1342	4198	17130	4733	2186
	Q3	10855	3889	14744	259	5950	1663	7872	16911	-1152	1575
	Q4	10908	3926	14834	-167	3746	764	4343	19177	-178	1899
1988											
	Q1	13154	4980	18134	909	370	1724	3003	21137	-376	2076
	Q2	13154	4980	18134	597	1028	1742	3367	21501	1022	2252
	Q3	15002	7414	22416	160	1560	1989	3709	26125	3034	2915
	Q4	14163	5416	19579	-344	2232	2488	4376	23955	3152	2710
1989											
	Q1	15353	6422	21775	821	-1536	2932	2217	23992	6505	3049
	Q2	12646	7450	20096	-198	2581	1999	4382	24478	2479	2695
	Q3	19367	6687	26054	-570	1870	2372	3672	29726	4565	3429
	Q4	12861	7606	20467	-761	1375	1177	1791	22258	2968	2522
Annual totals											
1985		19693	14733	34426	0	3414	1963	5377	39803	1185	4098
1986		27361	19707	47068	91	5609	2875	8575	13911	2062	1597
1987		37602	15674	53276	1105	13508	4533	19146	16679	2636	1931
1988		30455	12055	42510	1322	5190	7943	14455	17739	1134	1887
1989		60227	28165	88392	-708	4290	8480	12062	100454	16517	11697
Change in Month											
1989	JANUARY	5522	1885	7407	552	220	1263	2035	9442	3503	1294
	FEBRUARY	2406	2084	4490	-5	43	846	884	5374	701	607
	MARCH	7425	2453	9878	274	-1799	823	-702	9176	2301	1147
	APRIL	2696	2265	4961	373	826	188	1387	6348	-998	535
	MAY	3199	2843	6042	-317	322	908	913	6955	480	743
	JUNE	6751	2342	9093	-254	1433	903	2082	11175	2997	1417
	JULY	5972	1884	7856	1	874	970	1845	9701	1088	1078
	AUGUST	4577	2209	6786	7	148	607	762	7548	2769	1031
	SEPT	8818	2594	11412	132	848	795	1775	13187	436	1362
	OCTOBER	2435	2634	5069	-431	913	323	805	5874	1766	764
	NOVEMBER	1792	2643	4435	297	305	814	1416	5851	738	658
	DECEMBER	8634	2329	10963	-627	157	40	-430	10533	464	1099
1990	JANUARY	3325	2061	5386	668	284	426	1378	6764	531	729
	FEBRUARY	4727	1988	6715	280	776	521	1577	8292	-425	786

* UK ICCs only

** Announced issues by UK ICCs and OFIs

** Gross issues announced by UK ICCs and OFIs. From Jan 1990 net issues by ICCs & OOFIs.

Table 22:- FINANCE OF U.K. INDUSTRIAL AND COMMERCIAL COMPANIES (£ million)

	Sterling	Foreign Currency	TOTAL	OTHER BORROWING: Sterling Commercial Paper	Ordinary Shares	Preference & Euro-St ICC's	TOTAL	ALL BORROWING: TOTAL
Change in Quarter								
1985								
Q1	3344	-352	2992		924	405	1329	4321
Q2	723	207	930		1092	557	1649	2579
Q3	197	1371	1568		873	404	1277	2845
Q4	847	1377	2224		525	289	814	3038
1986								
Q1	3722	108	3830	0	471	559	1030	4860
Q2	-314	108	-206	0	1369	669	2038	1832
Q3	-26	1128	1102	23	1431	521	1975	3077
Q4	5360	-15	5345	68	2338	229	2635	7980
1987								
Q1	1136	2028	3164	416	1553	449	2418	5582
Q2	602	687	1289	597	2259	1007	3863	5152
Q3	3524	-34	3490	259	5950	1302	7511	12382
Q4	4232	544	4776	-167	3746	278	3857	8633
1988								
Q1	7539	2099	9638	909	370	1039	2318	11956
Q2	4474	2080	6554	597	1028	794	2419	8973
Q3	4951	2302	7253	160	1603	1227	2990	10243
Q4	6061	1863	7924	-344	1916	1851	3423	11347
1989								
Q1	6449	2470	8919	821	-1506	2064	1379	10298
Q2	4973	1776	6749	-198	1498	1195	2495	9244
Q3	10002	3406	13408	140	1447	847	2434	15842
Q4	5027	956	5983	-761	1379	404	1022	7005
Annual totals								
1984	6995	271	7266	0	1129	586	1715	8981
1985	5111	2603	7714	0	3414	1655	5069	12783
1986	8742	1329	10071	91	5418	1978	7487	17558
1987	9494	3225	12719	1105	12236	3036	16377	29096
1988	23025	8344	31369	1322	4833	4911	11066	42435
1989	26451	8608	35059	2	2818	4510	7330	42389
Change in Month								
1989 JANUARY				552	227	662	1441	
FEBRUARY				-5	46	844	885	
MARCH				274	-1791	558	-959	
APRIL				373	800	89	1262	
MAY				-317	257	205	145	
JUNE				-254	443	901	1090	
JULY				1	761	405	1167	
AUGUST				7	154	47	208	
SEPTEMBER				132	539	395	1066	
OCTOBER				-431	831	100	500	
NOVEMBER				297	261	264	822	
DECEMBER				-627	157	40	-430	
1990 JANUARY				668	284	304	1256	
FEBRUARY				280	776	359	1415	

* Gross Issues announced by U.K. ICCs. Net issues from Jan 1990.

TABLE 23: M0 Forecast (all series seasonally adjusted)

	Levels		percentage growth rates			
			6 months		12 months	
	Notes & coin	M0	Notes & coin	M0	Notes & coin	M0
1988-89 *	16417	16587			7.3	7.1
November	16621	16788	8.8	8.5	7.8	7.6
December	16707	16880	8.1	8.0	7.5	7.4
January	16724	16879	6.3	5.8	7.6	7.4
February	16658	16810	3.6	3.5	6.5	6.6
March	16734	16854	1.9	1.3	6.5	6.1
1989-90						
April	16779	16973	2.6	2.6	6.1	5.8
May	16944	17110	3.9	3.9	6.3	6.2
June	17063	17199	4.3	3.8	6.2	5.9
July	17150	17272	5.2	4.7	5.7	5.2
August	17330	17526	8.2	8.7	5.9	6.1
September	17362	17501	7.6	7.8	4.7	4.5
October	17473	17633	8.4	7.9	5.5	5.2
November	17579	17746	7.6	7.5	5.8	5.7
December	17717	17903	7.8	8.4	6.0	6.0
January	17778	17854	7.5	6.9	6.3	5.8
February	17749	17890	4.9	4.2	6.5	6.4
March(e)	17800	17925	5.1	4.9	6.4	6.3
Forecast						
1990-91						
April	17883	18058	4.7	4.9	6.6	6.4
May	17943	18118	4.2	4.2	5.9	5.9
June	18009	18184	3.3	3.2	5.5	5.7
July	18086	18261	3.5	4.6	5.5	5.7
August	18197	18372	5.1	5.5	5.0	4.8
September	18304	18479	5.7	6.3	5.4	5.6
October	18382	18557	5.7	5.6	5.2	5.2
November	18450	18625	5.7	5.7	5.0	5.0
December	18522	18697	5.8	5.7	4.5	4.4
January	18517	18692	4.8	4.8	4.2	4.7
February	18495	18670	3.3	3.3	4.2	4.4
March	18498	18673	2.1	2.1	3.9	4.2
1989-90 *	17394	17544			6.0	5.8
1990-91 *	18274	18449			5.1	5.2

(e) - estimate

* average of monthly figures

TABLE 24 : M4 COUNTERPARTS AND FORECAST £ million

OUTTURN: FEBRUARY 1990

PSBR	-1038
LA and PC debt sales to M4ps (-)	-2
CG debt sales to M4ps (-)	
o/w Gilts	338
Treasury bills, other	-223
National Savings	174
CTD's	33
Public sector external & fc finance	368
PUBLIC SECTOR CONTRIBUTION (-)	-350
(o/w over(-)/under(+) funding)	193
Sterling lending nsa	6715
(sa)	(7269)
Banks' and B Socs' externals	-1909
Banks' and B Socs' £NNDLs	-1898
TOTAL M4	2558
Monthly % growth nsa	0.6
sa	0.9
Annual % growth nsa	18.1
sa	17.9

FORECAST: MARCH 1990

PSBR	2505
LA and PC debt sales to M4ps (-)	0
CG debt sales to M4ps (-)	
o/w Gilts	602
Treasury bills, Other	-100
National Savings	229
CTD's	20
Public sector external & fc finance	-152
PUBLIC SECTOR CONTRIBUTION (-)	3104
(o/w over(-)/under(+) funding)	3304
Sterling lending nsa	10511
sa	(9000)
Banks' and B Socs' externals & £NNDLs	-2330
TOTAL M4	11285
Monthly % growth nsa	2.6
sa	2.0
Annual % growth nsa	18.0
sa	17.9

Table 25 MONEY MARKET ASSISTANCE SECRET 30/03/90

	OUT-TURN		1990-91 FORECAST													TOTAL	TOTAL
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	89/90	90/91
INFLUENCES ON BANKERS' BALANCES																	
1 CGBR (+)	-5398	-1598	2735	1452	1524	2185	-1114	-414	1485	-2414	-1014	-2815	-4914	186	1089	-4910	-4764
2 CG bank deposits (+)	-211	-166	0	0	0	0	0	0	0	0	0	300	-300	0	0	18	0
3 Reserves etc (+)	17	113	-260	0	0	0	0	0	0	0	0	0	0	0	0	-5837	0
4 Notes & Coin (-)	2100	-78	-619	71	53	-350	166	-269	-183	588	-489	-1402	1801	50	-125	-687	-89
5 National Savings (-)	-26	109	299	83	83	83	83	83	83	83	83	83	83	83	87	1800	1000
6 CTDs (-)	38	23	0	0	0	0	0	0	0	0	0	0	0	0	0	-252	0
BGS (-)																	
Gross sales (-)	374	115	75	88	88	88	88	88	88	88	88	88	88	88	91	5800	1059
Maturities (+)	1409	1216	781	0	432	553	938	0	0	1573	490	0	1795	0	0	9889	5781
7 Net sales (-)	1783	1331	856	88	520	641	1026	88	88	1661	578	88	1883	88	91	15689	6840
o/w																	
M4ps & Overseas (-)	784	924	656	5	437	558	943	5	5	1578	495	5	1800	5	8	11320	5840
Banks/B Socs/OPS (-)	999	407	200	83	83	83	83	83	83	83	83	83	83	83	83	4369	1000
8 Other	276	92	0	0	0	0	0	0	0	0	0	0	0	0	0	-347	0
9 TOTAL INFLUENCES ON BANKERS' BALANCES	-1421	-174	3011	1694	2180	2559	161	-512	1473	-82	-842	-3746	-1447	407	1142	5474	2987
OPERATIONS																	
10 Issue Department Commercial Bills	1179	1127	-1480	-354	-1504	-2166	360	561	-1473	82	842	3746	1447	-407	-1142	1160	-8
11 Other	-1004	535	0	0	0	0	0	0	0	0	0	0	0	0	0	114	0
12 ASSISTANCE	175	1819	-1480	-354	-1504	-2166	360	561	-1473	82	842	3746	1447	-407	-1142	1274	-8
13 LEVEL OF ASSISTANCE	4995	6814	5334	4980	3476	1310	1670	2231	758	840	1682	5428	6875	6468	5326		
14 Treasury bills (exc repos)	1133	-1505	-1531	-1340	-676	-393	-521	-49	0	0	0	0	0	0	0		
15 TOTAL OPERATIONS	1308	314	-3011	-1694	-2180	-2559	-161	512	-1473	82	842	3746	1447	-407	-1142		
16 Treasury bills: amount outstanding	6998	8503	10034	11374	12050	12443	12964	13013	13013	13013	13013	13013	13013	13013	13013		
Memo items:																	
17 Bankers' balances	-112	140	0	0	0	0	0	0	0	0	0	0	0	0	0		
18 Level of ID commercial bills	3968	5095	3615	3261	1757	-409	-49	512	-961	-879	-37	3709	5156	4749	3607		

Relationship between lines:

9 = 1+2+3+4+5+6+7+8 = 15-17

12 = 10+11

13 = previous month's level + 12

15 = 12+14 = 9+17

Signs in lines 1-9 indicate increase + or - and therefore the effect on Bankers' Balances; the effect on assistance is in the opposite direction

TABLE 26

GILT REDEMPTIONS UP TO END FINANCIAL YEAR 1990/91

			amount outstanding (£ millions)
Financial year 1989/90			
1990	March	Exchequer 12 1/2	1250
Financial year 1990/91			
	May	Treasury 3	550
	June	Treasury 8 1/4	600
	July	Treasury 8	956
	October	Treasury 10 conv	1887
	November	Exchequer 2 1/2	500
1991	January	Treasury 11 3/4	2200

MONTHLY MONETARY REPORT : CHARTS

1 Exchange Rates

2 World interest rates

3 Broad Money Growth

4 Real M0 growth

5 M0 forecast

6 M4 forecast

7 Bank and Building Society Lending

8 Corporate bond issues

9 Money Market Assistance

10 Nominal Interest Rates

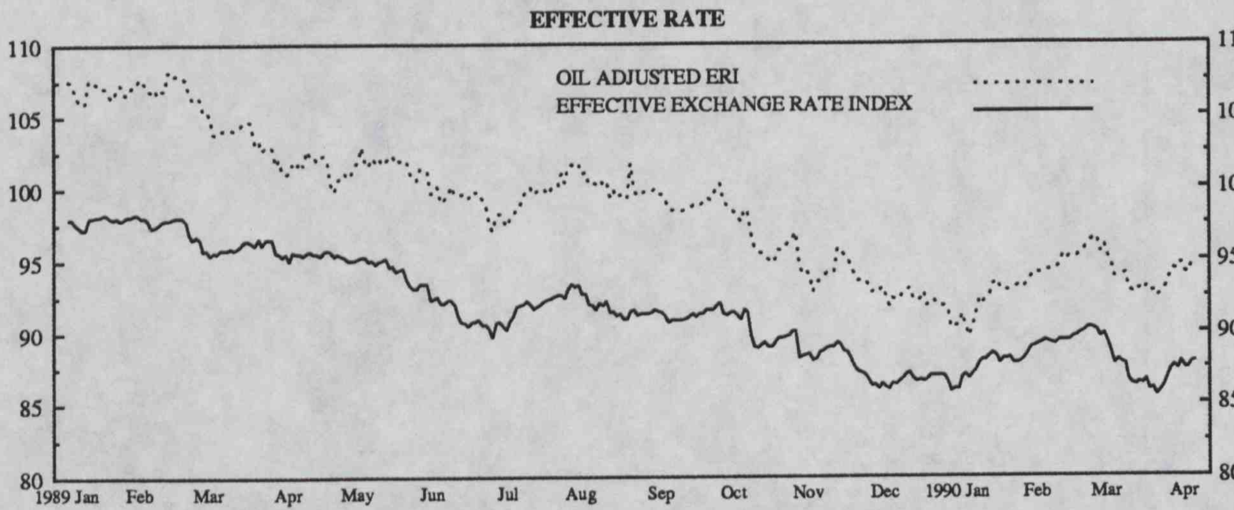
11 Yield Curve

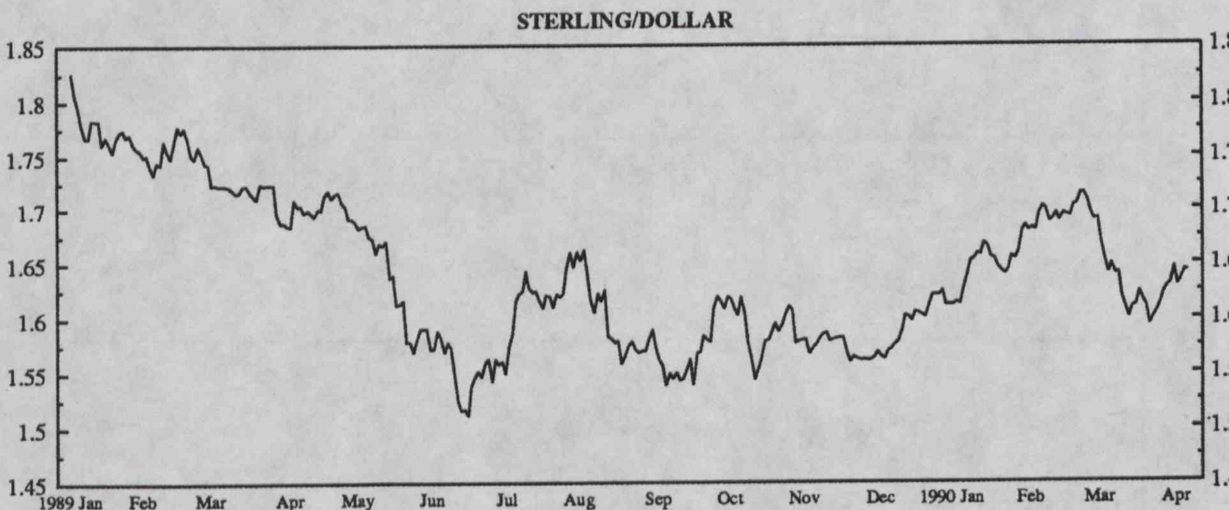
12 Real Yields

13 House prices

14 Stock indices

CHART 1: EXCHANGE RATES





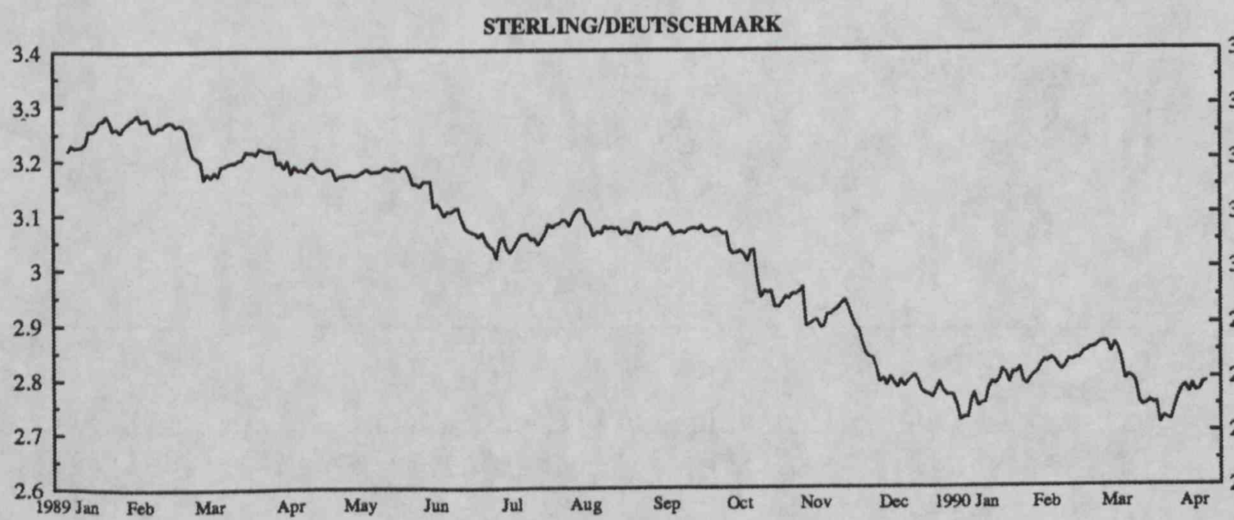
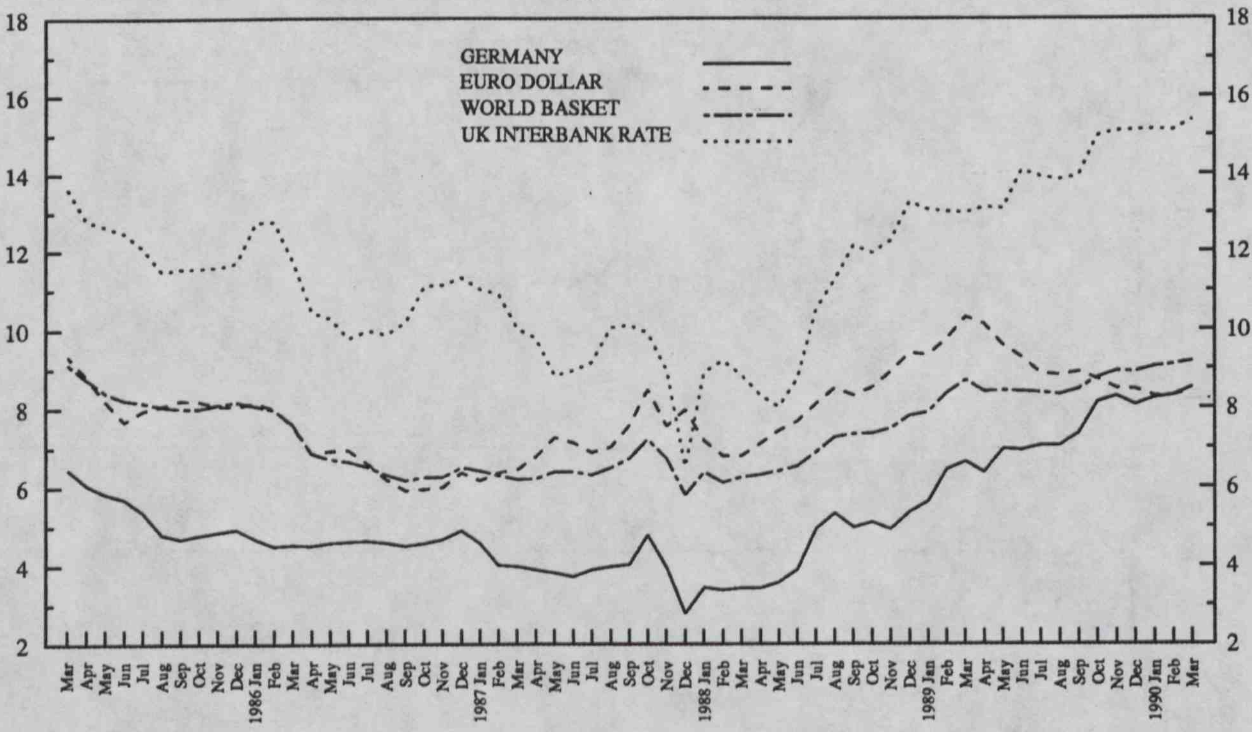


CHART 2: WORLD INTEREST RATES

LEVELS



DIFFERENTIALS

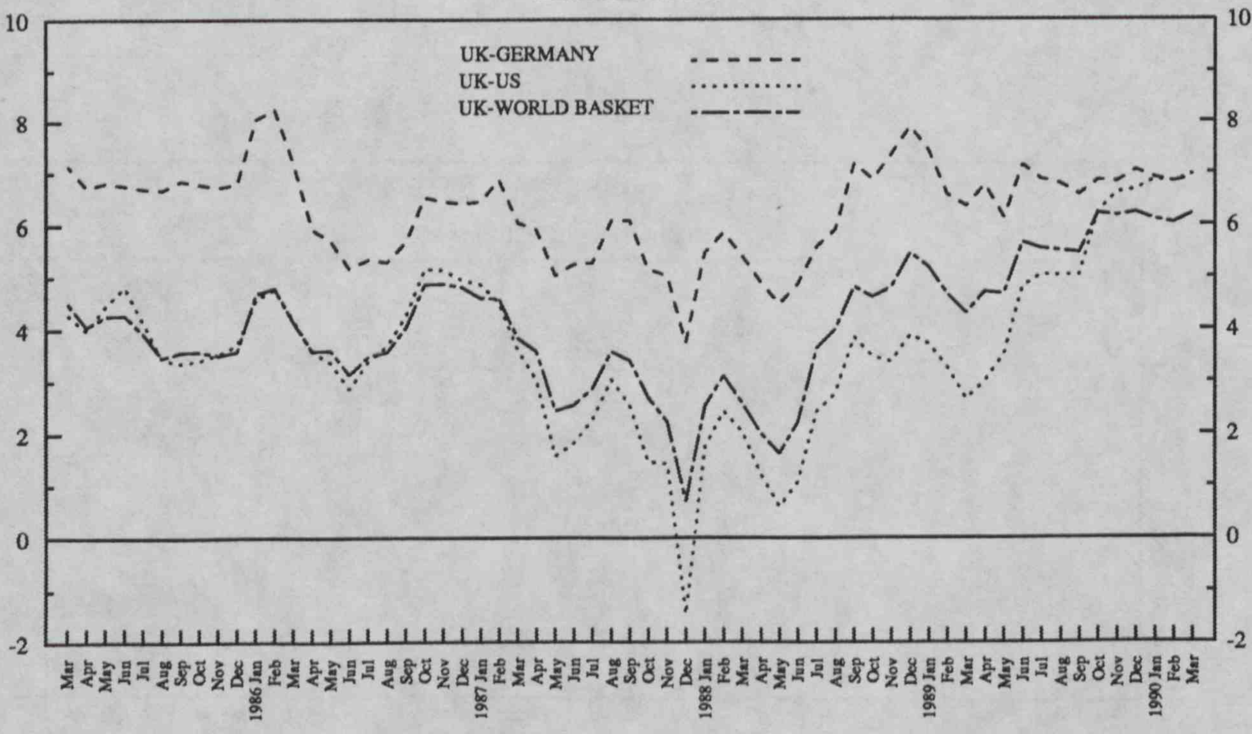


CHART 3: BROAD MONEY

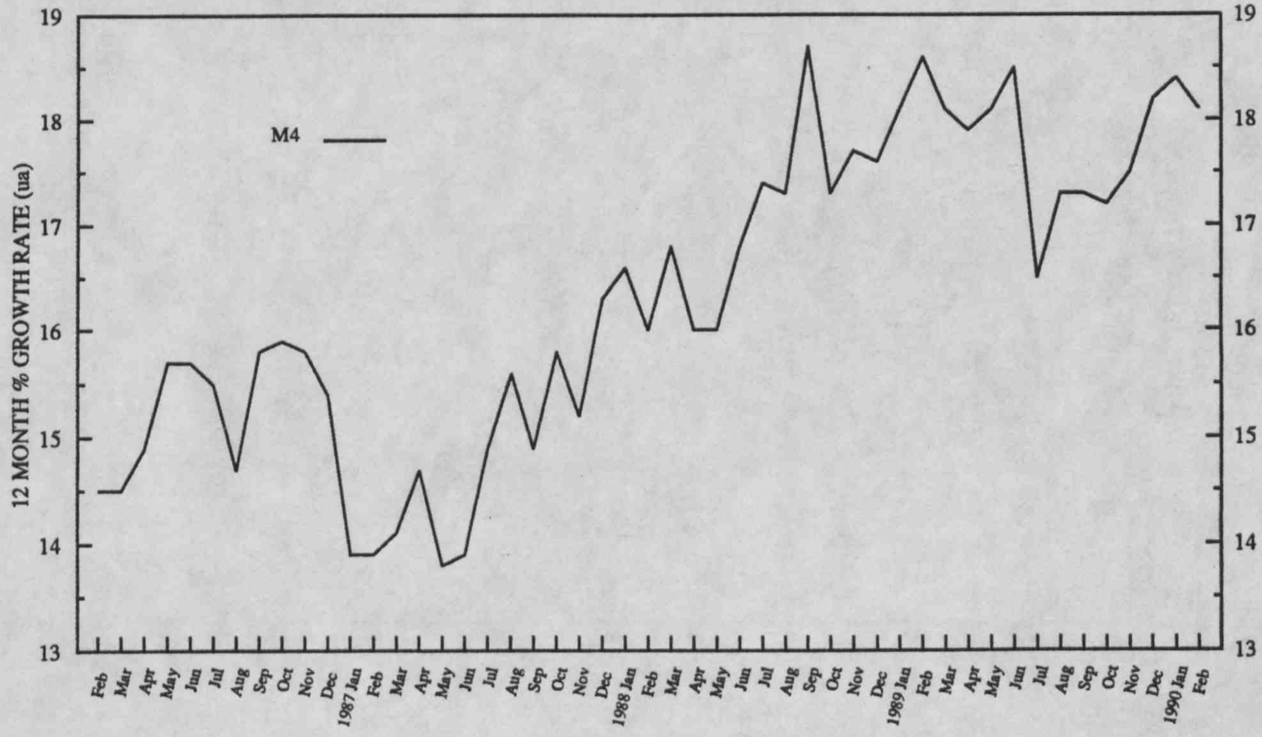


CHART 4: REAL M0

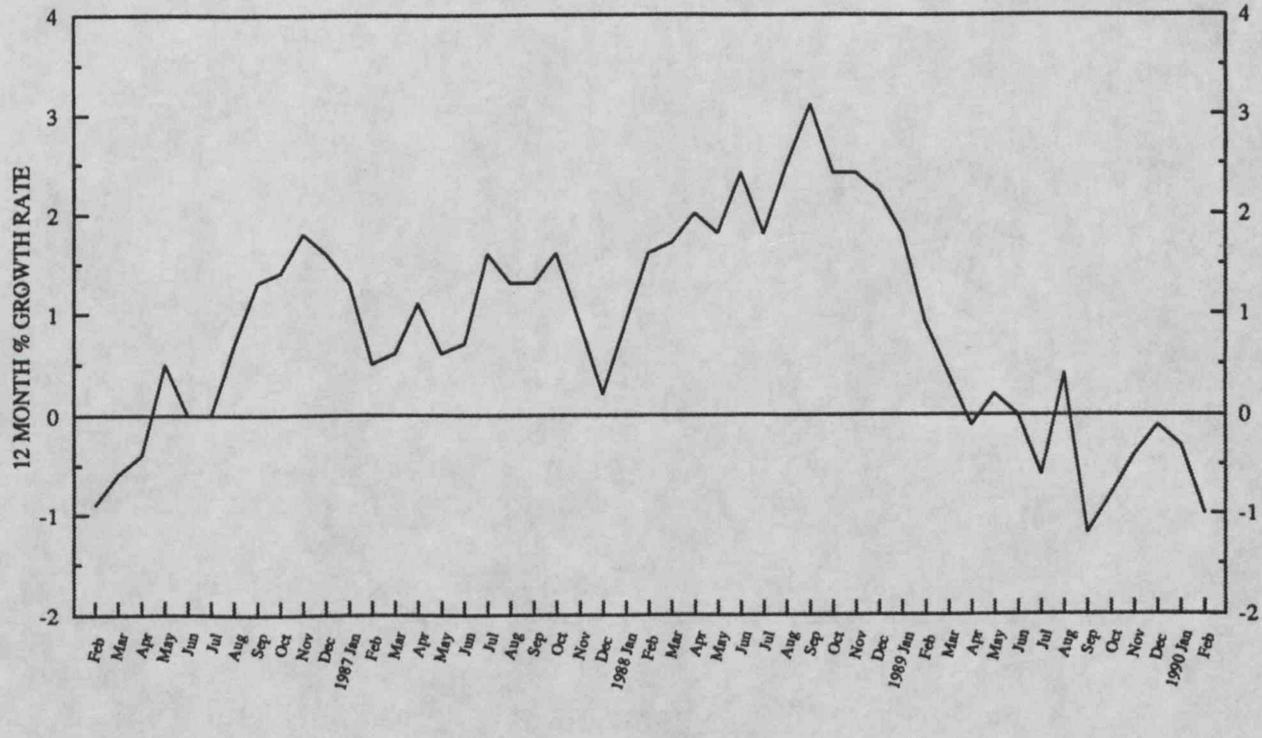


CHART 5: M0 FORECAST

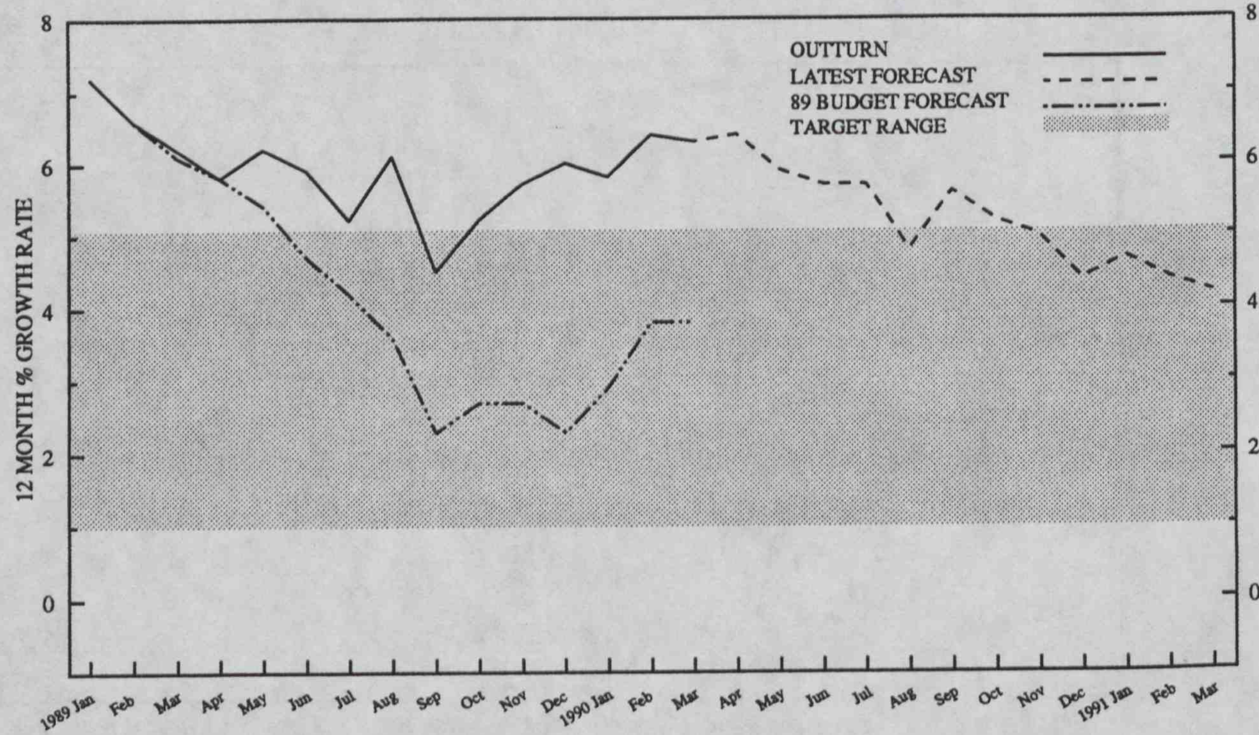


CHART 6: M4 FORECAST

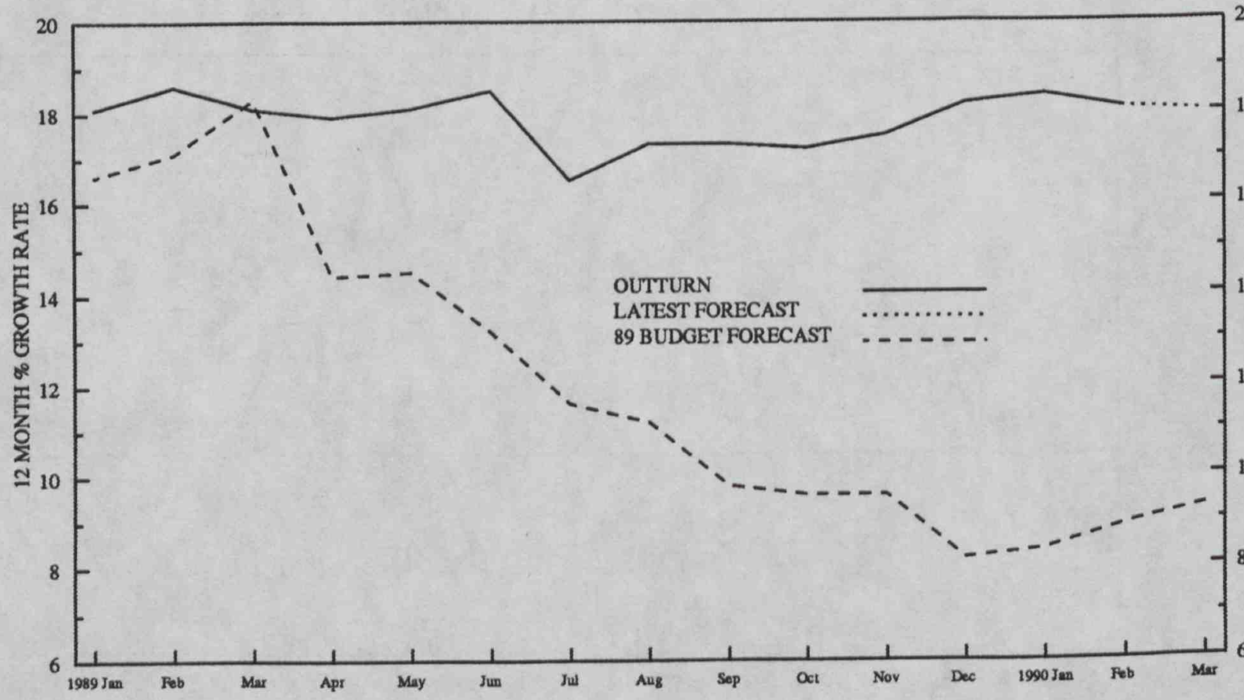


CHART 7: BANK & BUILDING SOCIETY LENDING

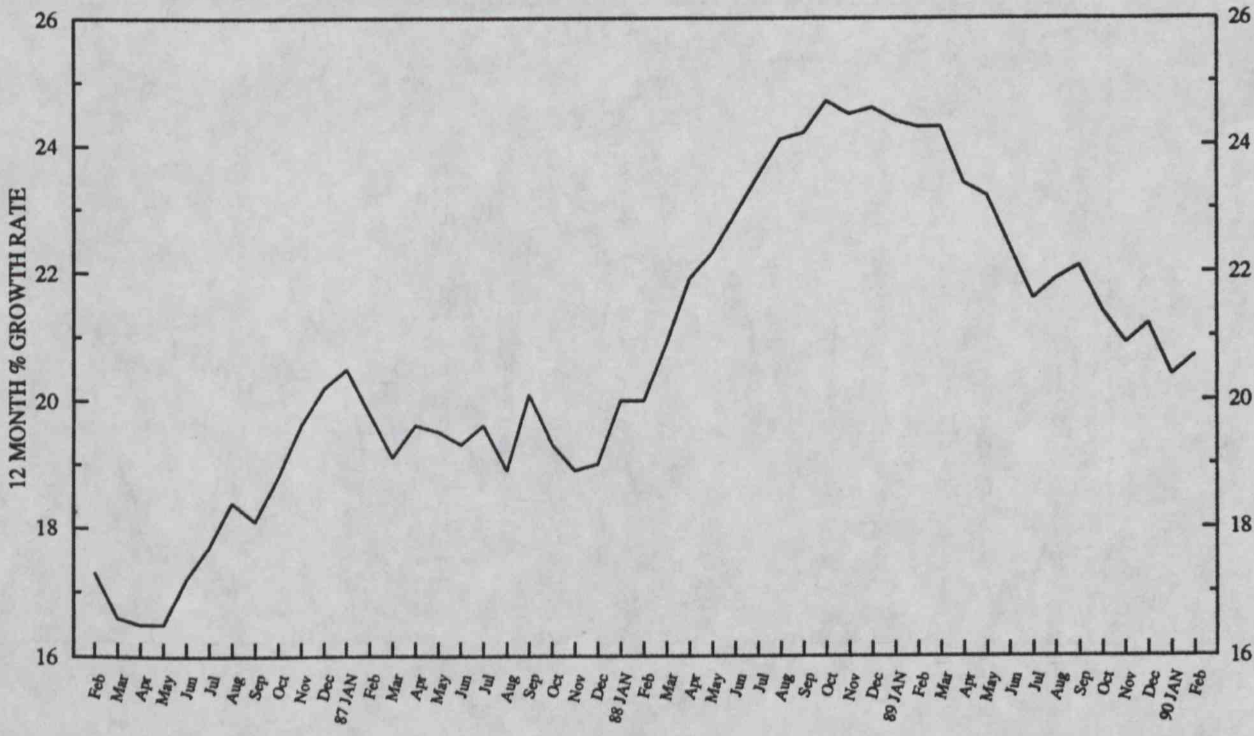


CHART 8: STERLING BOND ISSUES

(Domestic and Euro Markets)

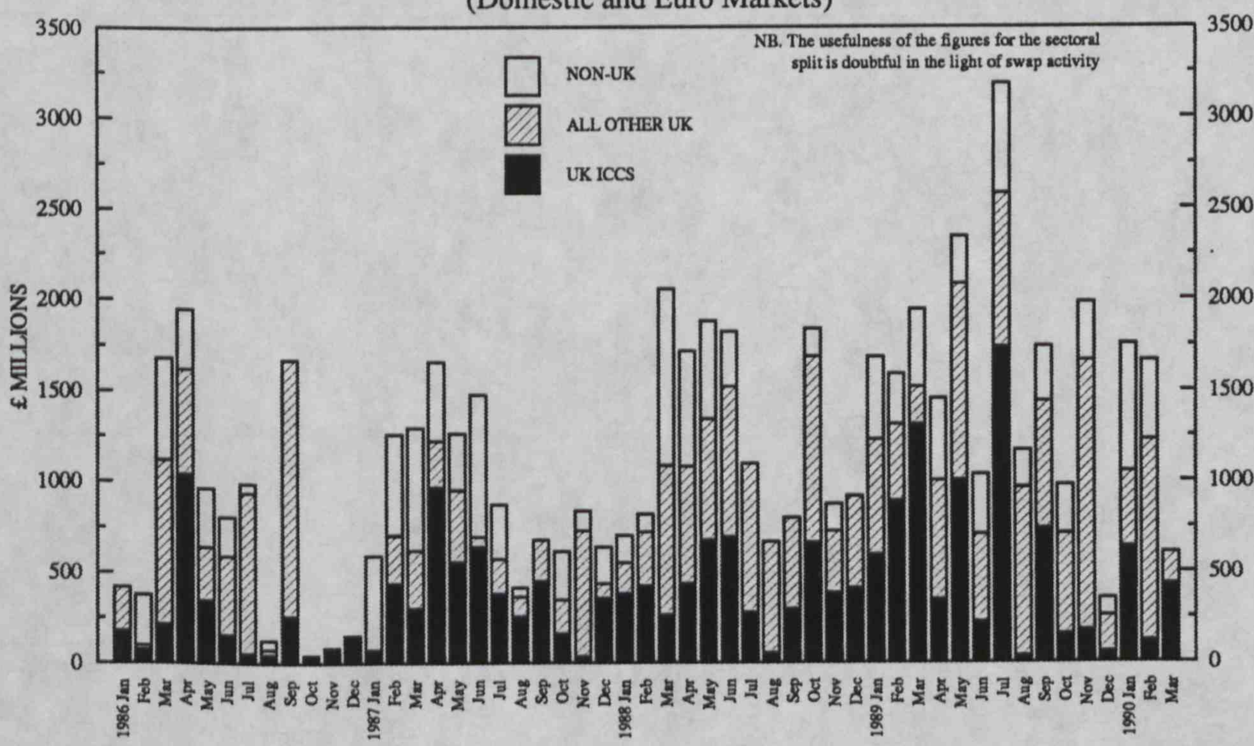


CHART 9: MONEY MARKET ASSISTANCE

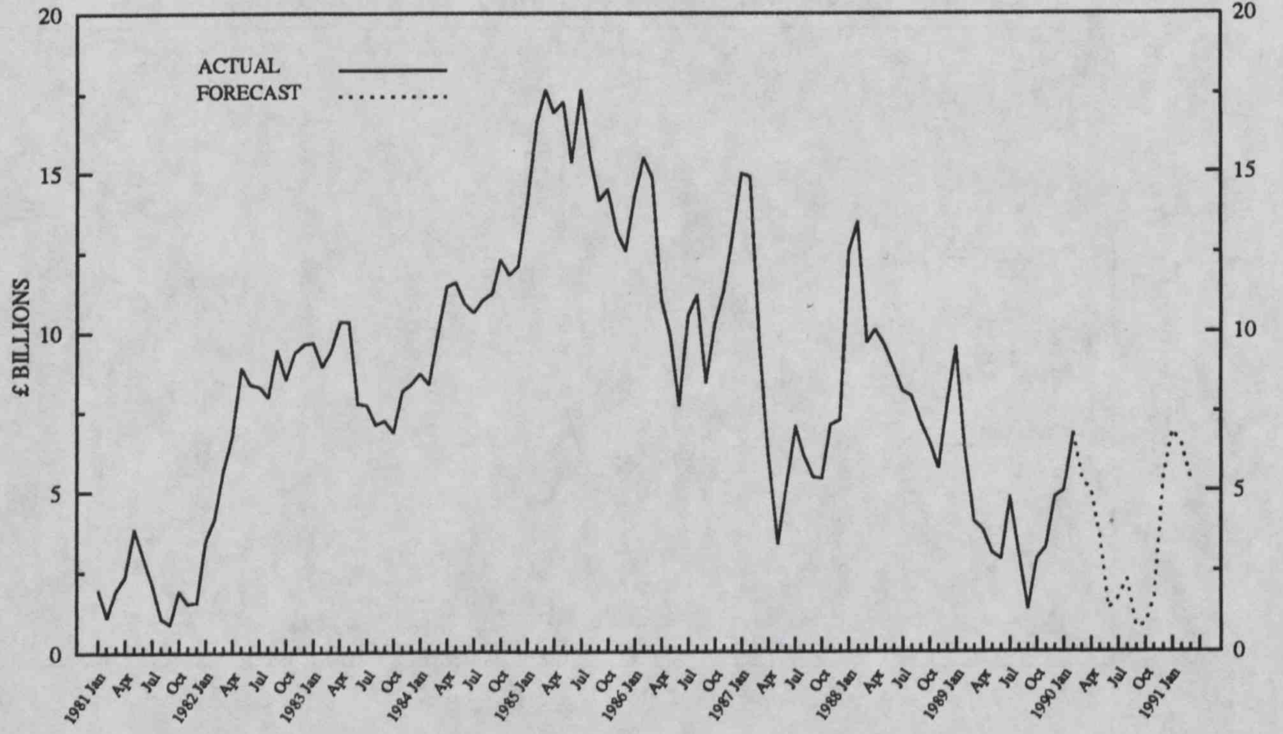


CHART 10: NOMINAL INTEREST RATES

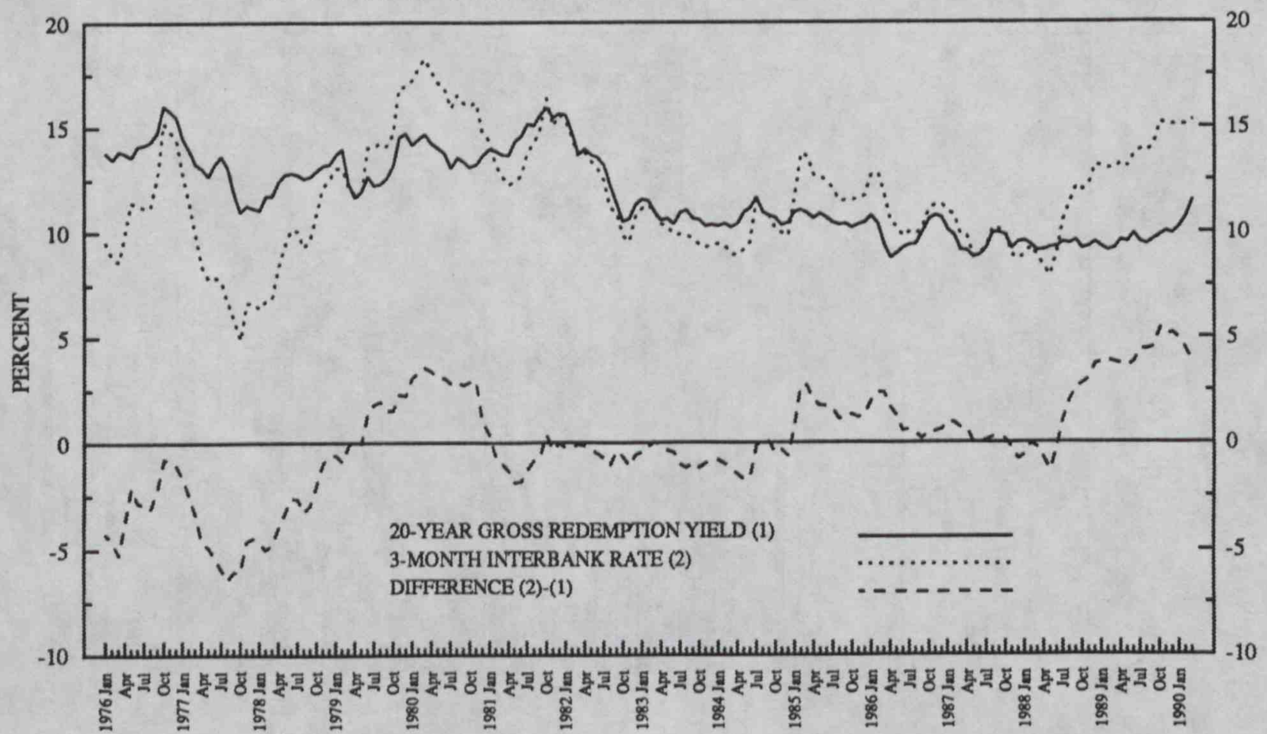


CHART 11

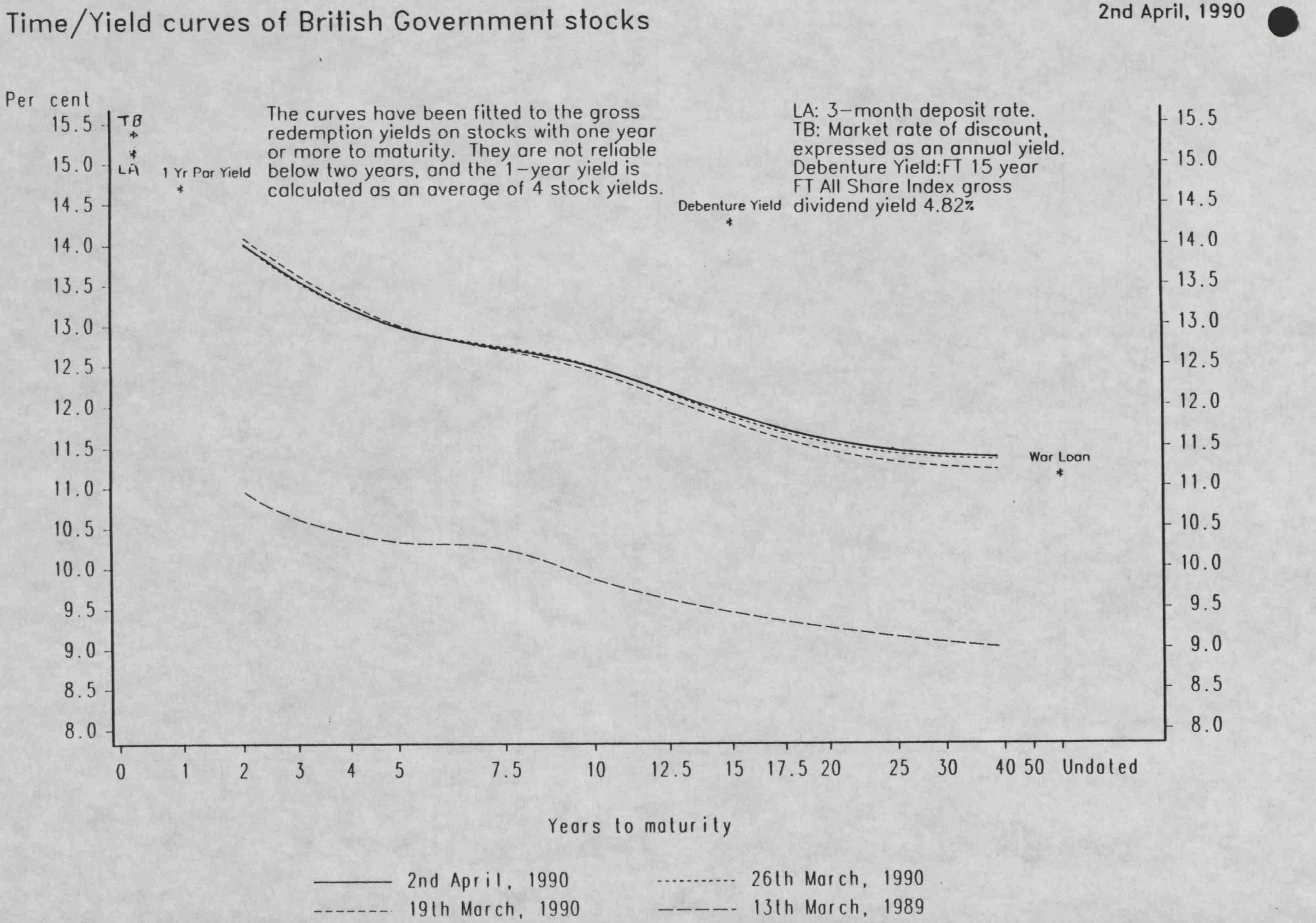
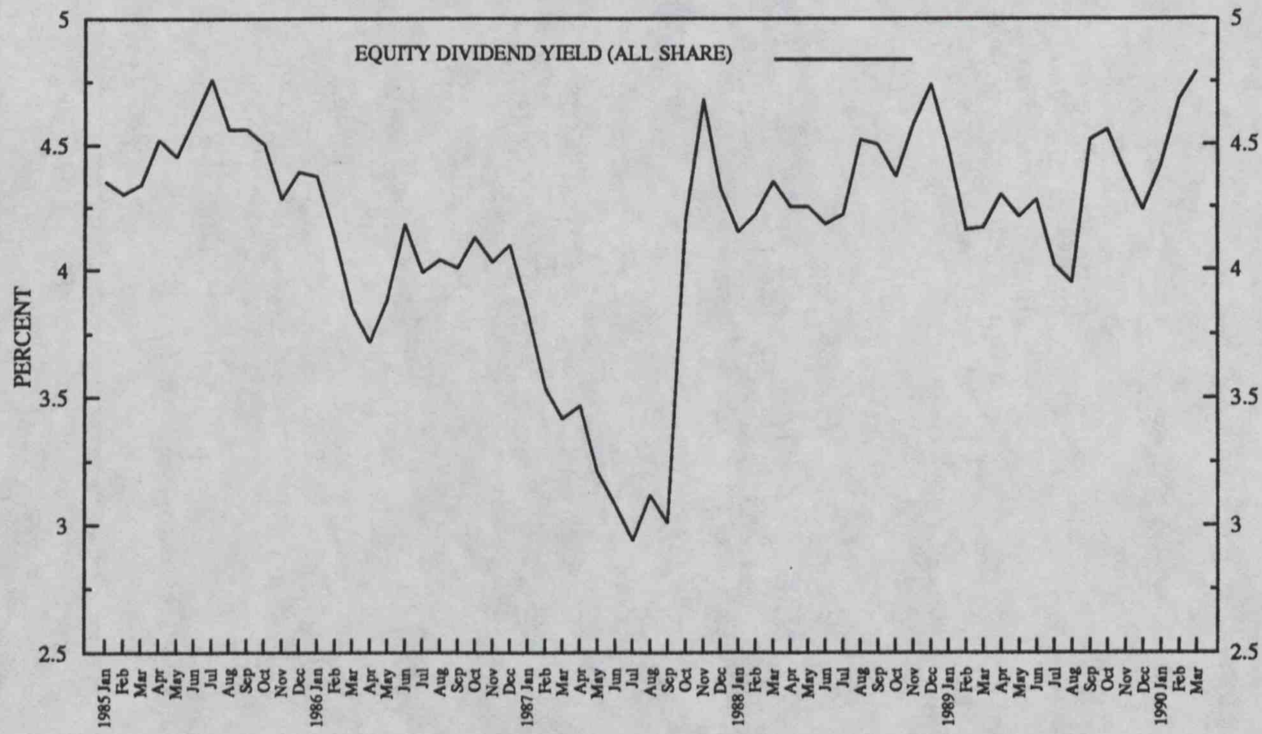

Time/Yield curves of British Government stocks
2nd April, 1990
Per cent
TB
LA
1 Yr Par Yield
The curves have been fitted to the gross redemption yields on stocks with one year or more to maturity. They are not reliable below two years, and the 1-year yield is calculated as an average of 4 stock yields.
Debenture Yield
LA: 3-month deposit rate.
TB: Market rate of discount, expressed as an annual yield.
Debenture Yield:FT 15 year
FT All Share Index gross dividend yield 4.82%
War Loan
15.5
15.0
14.5
14.0
13.5
13.0
12.5
12.0
11.5
11.0
10.5
10.0
9.5
9.0
8.5
8.0
0
1
2
3
4
5
7.5
10
12.5
15
17.5
20
25
30
40
50
Undated
Years to maturity
2nd April, 1990
26th March, 1990
19th March, 1990
13th March, 1989

CHART 12: REAL YIELDS



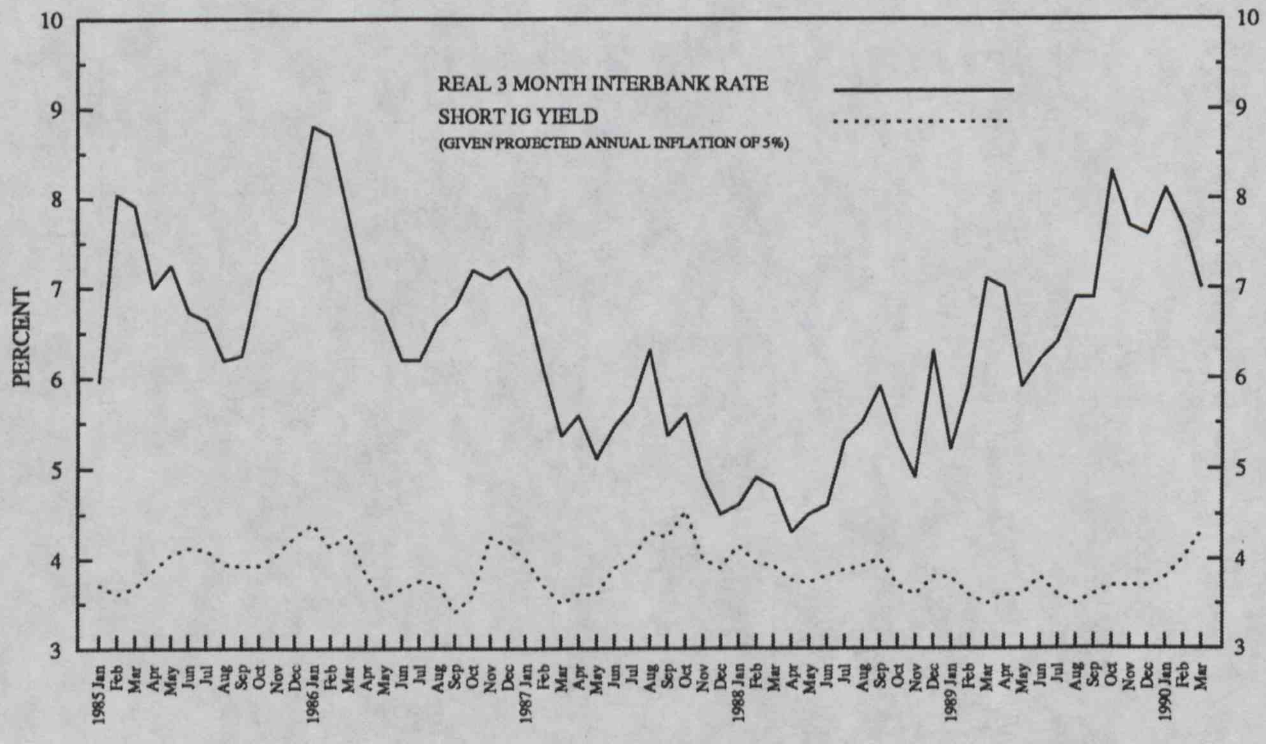
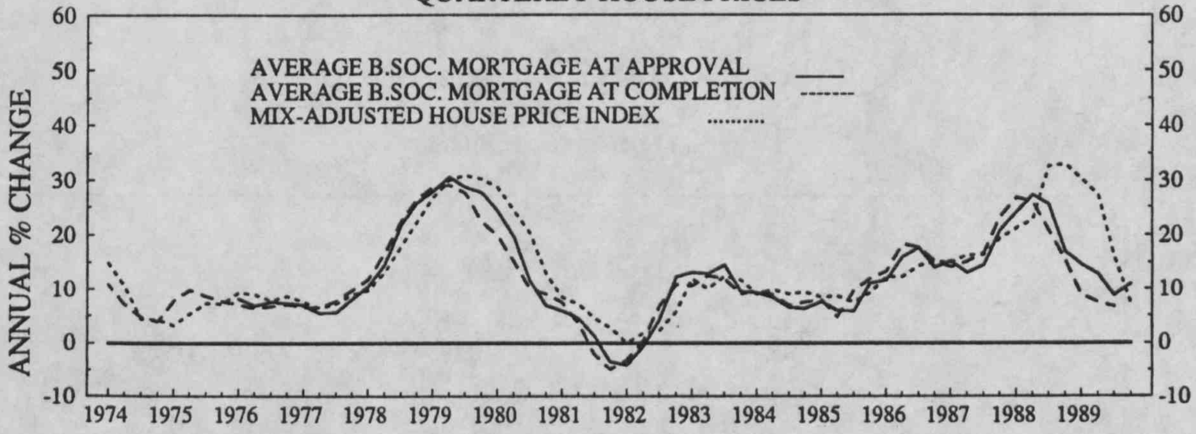
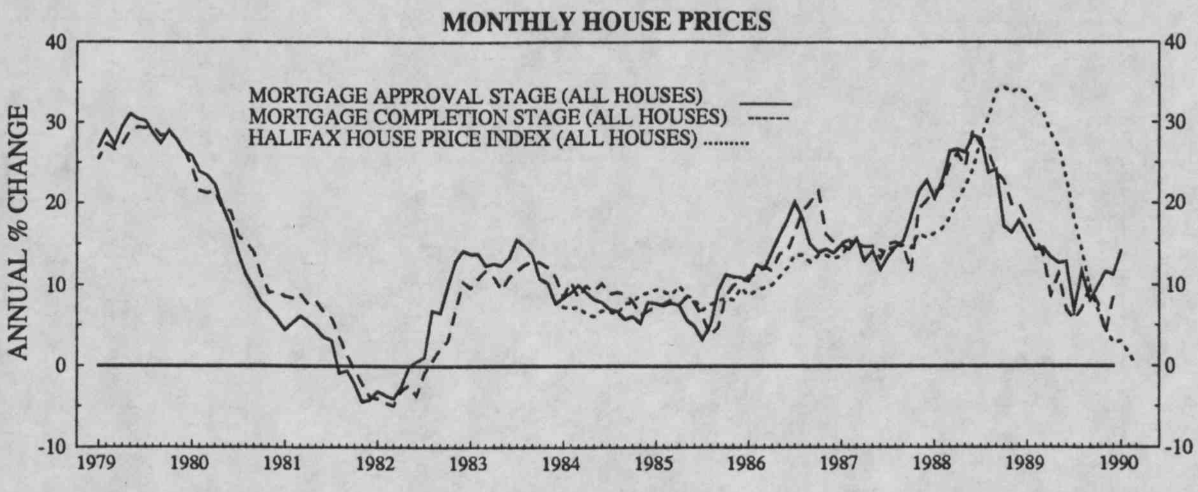


CHART 13 : HOUSE PRICES

QUARTERLY HOUSE PRICES



MONTHLY HOUSE PRICES



INDICES OF RELATIVE HOUSE PRICES
BASED ON DOE MIX ADJUSTED HOUSE PRICE INDEX

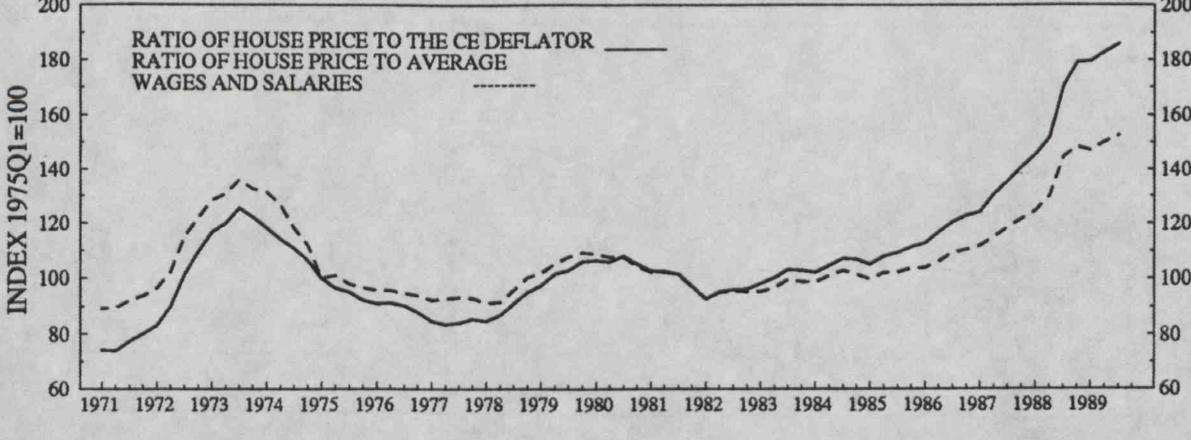
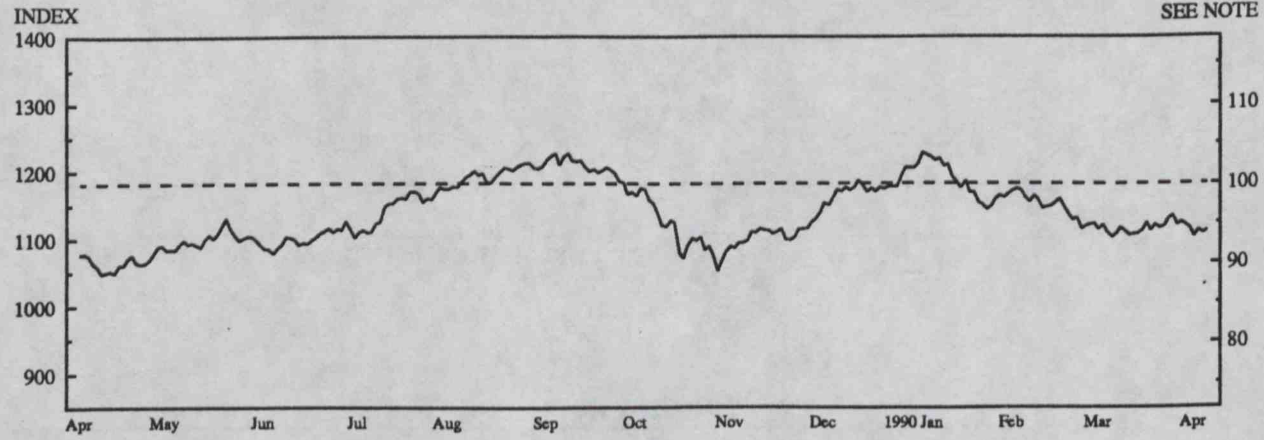
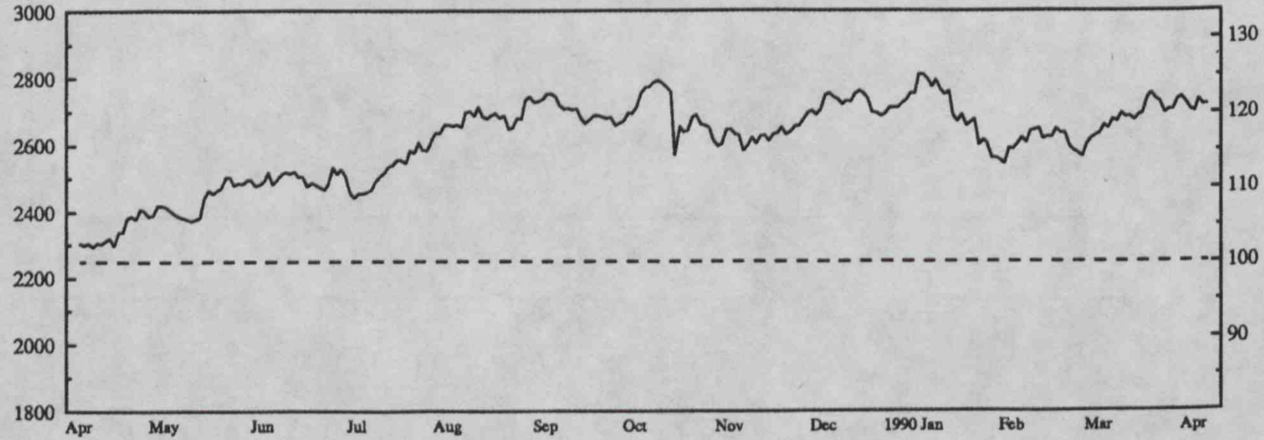


CHART 14: STOCK INDICES

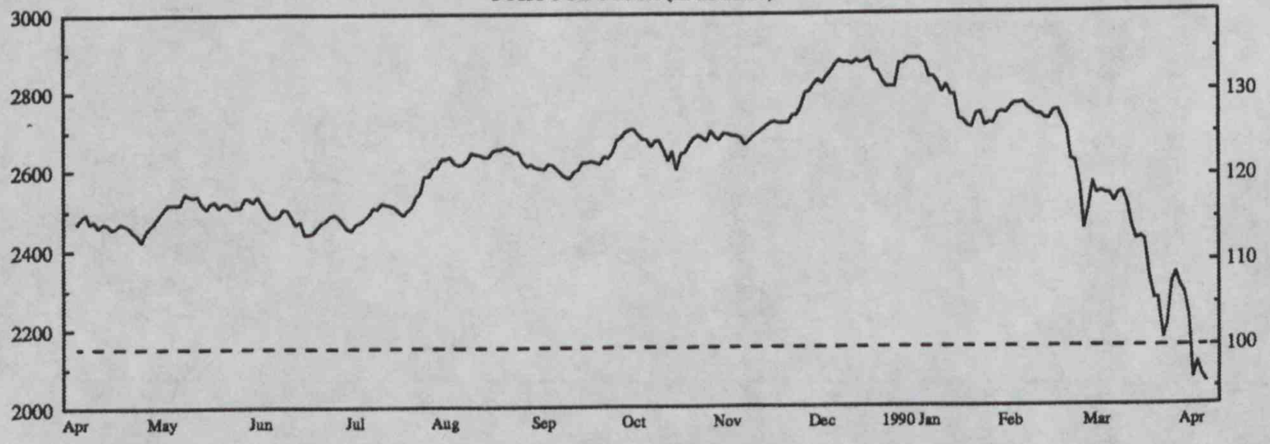
FT ACTUARIES ALL SHARE



DOW JONES



TOKYO SE TOPIX (ie. all share)



NOTE: RIGHT HAND SCALE SHOWS LEVEL OF STOCK INDEX
RELATIVE TO PRE 1987 CRASH LEVEL (100)