

PRIME MINISTER

BALANCE OF PAYMENTS: APRIL FIGURES

The Balance of Payments figures for April will be released next Wednesday, 27 May. They are not very good news.

The main points are as follows.

- i) The current account deficit for April is estimated at £1.8b (CF £2.1b in March). Since invisibles are projected to be in balance (by assumption) the deficit arises wholly on visible trade.
- ii) Imports were marginally lower than the high figures recorded in February and March. But the underlying level of non-oil import volumes has started to rise again in recent months.
- iii) Some of this, as you know, is the British Aerospace re-equipment programme. Nonetheless the resurgence in imports is worrying.
- iv) The highlighted figures on Table 2 show that on a three-month moving average basis, import volumes have started to accelerate. Table 9 would suggest that, while much of the growth is in semi-manufacturers and intermediate goods (likely to be re-exported or to substitute for imports), there is still substantial growth in imported consumer goods.
- v) Exports remain buoyant and the underlying level of non-oil export volumes is rising. But the rate of growth has decelerated.

The problem is illustrated all too well in the graph. The gap that built up between import and export volumes, from the beginning of 1988 peaked about a year ago. But it seems

to have stopped narrowing some time around November/December last year. In the first few months of this year the gap appears to be widening again.

BHP

BARRY H. POTTER

18 MAY 1990

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Central Statistical Office

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE AT
11.30AM ON 23 MAY 1990 AND THEREAFTER UNCLASSIFIED

From: G Jenkinson
Date: 18 May 1990
Tel : GTN 270 6250

PS/CHANCELLOR

APRIL FIGURES OF OVERSEAS TRADE

I attach for the Chancellor's approval the draft Press Notice on the current account of the Balance of Payments in April.

Clearance is requested by midday on Monday 20 May. Publication is set for Wednesday 23 May at 11.30 am.

Details about trade flows during April are included in the Press Notice. The key points on the current account (seasonally adjusted, on a balance of payments basis) are:

- current account is estimated to have been £1.8 billion in deficit in April (£2.1 billion in March)
- invisibles projected to be in balance for months in the first quarter
- deficit on visible trade was £1.8 billion (£2.1 billion in March)
- Imports in April were £10.5 billion, very slightly lower than the high figures recorded in January and March
- the underlying level of non-oil import volume has probably started to rise again in recent months
- the underlying level of non-oil export volume continues to rise, though at a slower rate than in the second half of 1989
- in three months to April, visible trade deficit was £5.2 billion, £0.6 billion more than in previous three months; however, £0.5 billion of this deterioration is attributable to a deterioration in the balance in oil and the erratic items.

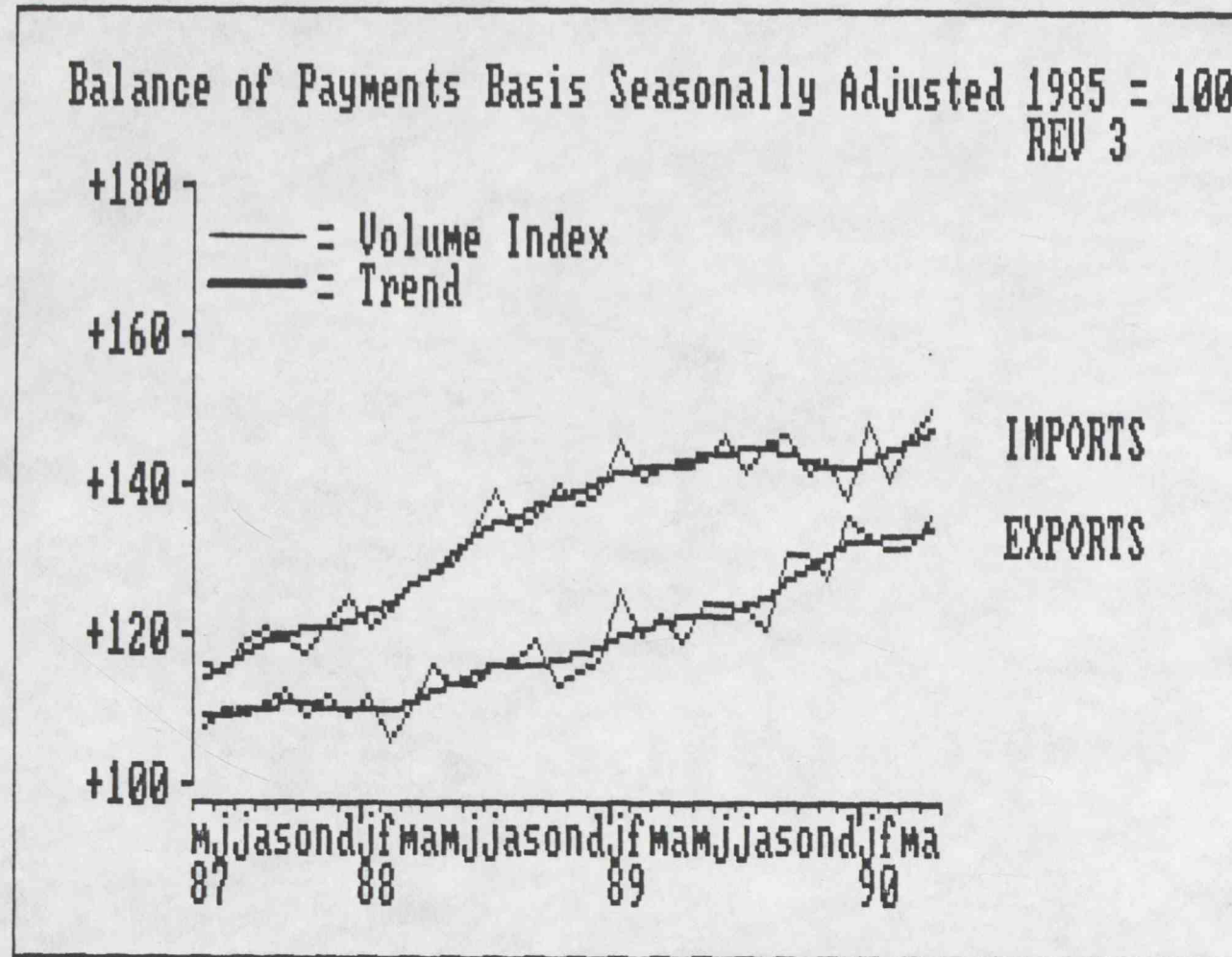
Copies of the draft press notice are being sent today to DTI.

G. Jenkinson

GRAHAM JENKINSON

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 23 MAY 90

VOLUME INDICES LESS OIL AND ERRATICS



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