

File

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MR TURNBULL

FUNDING MEETING

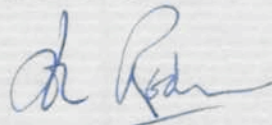
I attended the Funding Meeting yesterday.

It was agreed that National Savings would attempt to speed up the procedures for the withdrawal of certificates so that if the Chancellor wanted to withdraw them within a day and a half of an announcement, he could do so.

The Bank displayed their usual pessimism about the prospects for gilt-edged funding. For once I feel they have a point. The projected figures for the PSBR and redemptions of gilts over the first 3 months of this financial year do present a worrying picture. At the same time, the American background and the miners' dispute do not help their task in selling stock.

The meeting ruled out the idea of introducing a long tap. It kept open deploying a convertible and taplets - both of which I favoured - as well as keeping a full range of other stocks at the short end and in the index-linked market, in case demand materialises.

I suggested that May would also be a suitable opportunity to sell some additional equity. On the Bank's forecast, the annualised rate of growth of sterling M3 over the target period could be running at well over 13 per cent by end June, even if they have sold gilts at a monthly rate of £1,250 million. The equity market has been performing well, and there is no projected Government equity sale for May. The meeting thought it was a reasonable suggestion, and agreed to look at the possibility of selling some British Aerospace shares during that month. This would make a modest reduction in the PSBR total for that month, and thereby take a little of the funding pressure off the gilt market.



JOHN REDWOOD

MINACS