

29. 7.82

THE GOVERNOR

Copies to Mr Coleby  
Mr Plenderleith o/r  
Mr Foot  
Miss Peirson

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*29/7*

MONETARY OUTTURN FOR BANKING JULY: FIRST INDICATIONS

The banking data are still being checked, and a number of errors in the data are being corrected, so that full figures on the basis of the weekly reports will not be available until tomorrow; and even these, of course, will in turn be revised and corrected when the full monthly balance sheet returns become available in the following week. Nevertheless some developments in the final week, and therefore for the month as a whole, are already apparent, and you may like to be aware of these at the earliest possible moment.

*Take you*

It is clear that bank lending, both to the private sector and to the other public sector, rose very strongly in the final week of banking July, (over £1 bn to the private sector, and nearly £300 mn to the other public sector), offsetting the sharply contractionary effect of the CGBR surplus and debt sales. This extremely large increase in bank lending was even higher than the already very large figure that had been provisionally assumed in the forecast last week. Accordingly it now seems likely that £M3 will show a rise of between  $\frac{1}{2}\%$  and 1% in banking July.

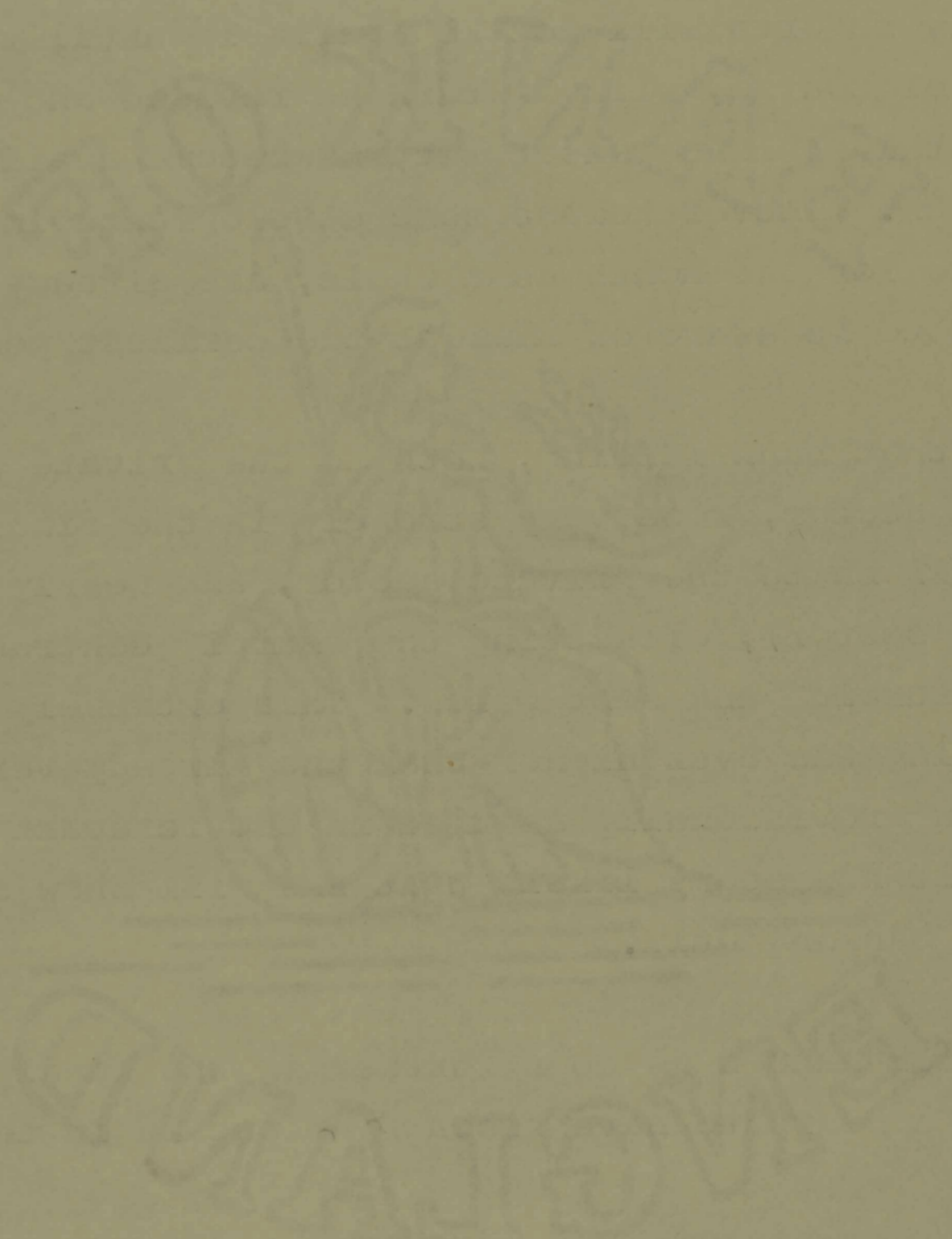
M1 on the other hand came down further in the final week of banking July and now appears to have risen by about 1% in the month.

If these provisional estimates held through to the final figure, they would leave the annualised rate of growth of £M3 virtually unchanged from last month, while bringing M1 very slightly closer to the target band, but still beneath it.

29 July 1982

*CAEG*

C A E Goodhart (HO-G)



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