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Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq
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LONDON
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6 April 1987

Dear David

NBPN.

NATIONAL SAVINGS PACKAGE

I mentioned in my letter of ^{at trap} 27 March that we hoped to announce a National Savings package shortly.

We are now ready to do so. The package of changes shown on the attached sheet will be announced by Department for National Savings press notice on the morning of Wednesday, 8 April.

The limit on holdings of the new 33rd Issue National Savings Certificate will be £1,000, but with a higher limit for those switching out of holdings of matured certificates on General Extension Rate (GER) terms.

The size of the reductions reflects our lower funding needs this year and the fact that some of the gross instruments were probably slightly more competitive before the change than they needed to be. The package has been angled to reduce our reliance on tax-free instruments in favour of the gross variable rate instruments.

The relatively modest nature of the new rates should be a helpful signal to the building societies, making it easier for them to take decisions about their deposit rates and to consolidate their reduced mortgage rates.

Yours sincerely,

P D P BARNES
Private Secretary

enc

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	<u>New rate</u>	<u>Reduction</u>	<u>To come into effect</u>
	%	%	
<u>Tax-free instruments</u>		<u>(net)</u>	
General extension rate	7.0	1.7*	1 May
33rd Issue	7.0	1.75	1 May
Yearly plan	7.0	1.84	9 April
Premium bonds	7.0	0.75	3 months
SAYE share option	7.2	1.1	3 months
<u>Gross instruments</u>		<u>(gross)</u>	
	%	%	
Income and deposit bonds	10.5	1.75	c.22 May
Investment account	10.0	1.75	22 April

* including reduction of 1.2
per cent already implemented

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