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ECONOMIC SECRETARY

FROM: C H JUTSUM
15 March 1983cc Chancellor
Chief Secretary
Financial Secretary
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Mr Burns
Mr Middleton
Mr Monck
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Mr R I G Allen
Mr Peretz
Mr Sedgwick
Mr Turnbull
Mr Page
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Ms Greenwood
Mr Willoughby
Mr Ridley

MONEY AND BANKING FIGURES: BANKING FEBRUARY

The Bank's draft press release on the full February figures, to be published on Thursday 17 March at 2.30pm, is attached. Set out below are a summary of the figures and the briefing line proposed for use by the Press Office. I should be grateful for any comments by 11am tomorrow, Wednesday, 16 March.

2. Table 1 gives the banking February increases and rates of growth of the main aggregates; Table 2 gives the counterparts to £M3 growth in February.

TABLE 1

	MO	M1 ⁽¹⁾	M2 ⁽²⁾	£M3 ⁽¹⁾	M3	PSL2 ⁽¹⁾	PSL2 ⁽³⁾
Increase in banking February	0.5	0.4	0.3	0.3	1.0	0.8	0.9
Increase over past 12 months (ie target period to date)	3.5	11.0	6.3	9.8	12.3	8.8	12.0

- (1) target range 8-12 per cent
 (2) not seasonally adjusted
 (3) not published

TABLE 2

	increase in banking February (£ million, seasonally adjusted)
CGBR	+ 710
Net purchases of CG debt by NBFS	- 900
of which: Gilts	-460
National savings	-320
Treasury Bills	- 70
CTDs etc.	- 40
Other public sector	- 110
£ bank lending to the NBFS	<u>+1,390</u>
Total domestic counterparts	+1,090
Externals	- 820
Net non-deposit liabilities	<u>- 10</u>
Total	<u>+ 260</u>

3. The suggested briefing line is as follows:-

(i) The February figures were again helpfully low and all three target aggregates are comfortably within the target range. The deceleration observed since late Autumn in both broad and narrow aggregates has continued.

(ii) The seasonally adjusted rise in bank lending was high in February than in the previous two months, but was still less than the very large rises seen earlier in the financial year.

(iii) The externals were very strongly negative in February. This may prompt the questions whether the favourable £M3 figures of recent months have not been achieved through large outflows at the end of the year,

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disguising a more rapid expansion of domestic credit; and whether domestic credit expansion (DCE) is not a more appropriate measure to consider than EM3 , as a guide to pressure on the balance of payments and the exchange rate.

There are a number of points to make in response:

(a) The monthly externals series is highly erratic; although the February figure was strongly negative ($\text{£}-820$ million), followed a couple of months of much smaller figures, positive in January (January $+\text{£}150$ million, December $-\text{£}70$ million). Thus on average recently, the externals have been no more contractionary than earlier this year.

(b) The DCE measure, agreed with the IMF in the late 1960s, includes the change in £ bank lending to the overseas sector but excludes the change in overseas banks' deposits with UK banks, i.e. it includes only one side of £ interbank transactions between UK and overseas banks. It has therefore been distorted by the expansion of the Euro-sterling market and so is a poor measure of credit provided to the UK private sector. Since December 1981 the table showing the counterparts to EM3 has been recast so that the division is made between the domestic counterparts (i.e. bank lending to UK residents + FSBR - debt sales) and the externals which now include sterling lending overseas (see BEQB December 1981, page 132). The growth of DCE as originally defined is shown as a memo item though it gives an exaggerated measure of domestic credit. Over the past 12 months the domestic counterparts have increased by $\text{£}13.5$ billion, compared with $\text{£}17.3$ billion for the old DCE and $\text{£}83$ billion for EM3 . Thus the gap between money and credit is much less.7

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(c) In asking these questions, commentators may have in mind that the predominantly negative externals could be the result of an excess supply of domestic credit over an independently determined level of demand for £M3, ie. that the supply of domestic credit has been 'too high'. However, a more plausible explanation might be that the negative externals reflect the export of private capital in response to the removal of exchange controls⁽¹⁾; and that the resulting reduction in the flow of funds from private investors has generated higher demand for domestic credit; i.e. the opposite direction of cause and effect. The causal relationships between money, credit and externals flows are by no means clear, and it would be wrong to view the domestic and external counterparts as independent counterparts of the money supply. But under the second hypothesis, the more rapid rate of growth of credit than of money need not be a cause for concern, as the more rapid growth of credit is viewed more as an offset to the negative externals, leaving the overall money supply unchanged.

4. I am sending copies of this submission to Mr Scholar and Professor Walters at 10 Downing Street.

C H Jutsum

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Note

- (1) Although the 1982 Q4 balance of payments figures showed a capital inflow, there was a massive unidentified balancing item, probably including unidentified capital outflows.

PRESS ANNOUNCEMENT

MONEY AND BANKING FIGURES: BANKING FEBRUARY 1983

- 1 During the four weeks to 16 February 1983, sterling M3 rose by £260 million (0.3%) after seasonal adjustment (Table 11.2). Over the year since mid-February 1982, sterling M3 has grown by 9%.
- 2 PSL2 rose by £1,170 million (0.8%) after seasonal adjustment (Table 12). Since mid-February 1982, PSL2 has grown by 8%. PSL1 rose by £280 million (0.3%) in the latest month.
- 3 M1 rose by £150 million (0.4%) after seasonal adjustment (Table 11.2); the non-interest-bearing component rose by £130 million and interest-bearing sight deposits fell by £80 million. Since mid-February 1982, M1 has grown by 11%. M2 rose by £160 million (0.3%) in the latest month, not seasonally adjusted.
- 4 The sterling value of UK residents' foreign currency deposits rose by £780 million, in large part reflecting transactions rather than valuation changes. Thus, total M3 rose by £1,040 million (1.0%) after seasonal adjustment (Table 11.2).
- 5 Amongst the counterparts to the rise in sterling M3 (Table 11.2), the net effect of public sector transactions as a whole was contractionary (-£300 million, seasonally adjusted). The central government borrowing requirement was £710 million, whilst the direct contribution of local authorities and public corporations to the public sector borrowing requirement (net of non-bank private sector purchases of their debt) was contractionary at -£110 million. The non-bank private sector's net purchases of central government debt totalled £900 million; within this, gilt-edged stocks accounted for £460 million and National Savings for £320 million.
- 6 Sterling lending to the private sector rose by £1,390 million, seasonally adjusted. Within the total, on an unadjusted basis, advances rose by £550 million and bill finance by £400 million: the Issue Department of the Bank of England reduced its holdings of commercial bills by £830 million, but that was more than offset by

increases in holdings by the banking system. (Foreign currency lending by banks to the private sector rose by £220 million in transactions terms.)

7 External and foreign currency finance was contractionary by £820 million, seasonally adjusted.

8 Tables 3 and 4 show details of the banks' and discount market's balance sheets. Transactions of the UK monetary sector during the month, excluding inter-bank items and valuation changes on foreign currency items, are given in Table 6.

Estimated seasonal movements in banking March

9 The provisional seasonal movements for the four weeks ended 16 March are as follows:

	£ millions
Notes and coin	+ 50
Private sector sterling sight deposits	<u>+200</u>
M1	+250
Other sterling deposits (including CDs) held by UK residents	<u>-700</u>
Sterling M3	<u>-450</u>
Bank lending in sterling to the private sector	-490

10 The seasonally-adjusted changes are obtained by subtracting (with due regard to sign) the seasonal movement from the unadjusted change.

Public sector borrowing requirement, and other counterparts to changes in money stock

[Table 11.3 in the Quarterly Bulletin]

Month ended (unadjusted)	Domestic counterparts						External and foreign currency counterparts						Net non-deposit liabilities (increase-)	Money stock sterling M3 (columns 6+12+13)			
	Public sector borrowing requirement (surplus-)		Purchases (-) of public sector debt by UK private sector (other than banks)		Bank lending in sterling to UK private sector plus Home Department's holdings of commercial bills	Sub-total of columns 1-3 [a]	Sterling deposits from net of market loans to banks abroad (increase-) [b]	Other overseas sterling deposits (increase-)	Other sterling lending to overseas sector [b]	Banks' net foreign currency deposit liabilities (increase-)	External finance of public sector (increase-)	Sub-total of columns 7-11 [c]					
	Central government borrowing requirement	Other public sector contribution	Other public sector debt	Central government debt [a]											1	2	3
1982 Feb. 17	- 552	- 224	- 887	+ 1,427	- 236	- 172	- 472	+ 404	- 184	+ 18	- 406	+ 344	- 298				
Mar. 17	- 888	+ 255	- 1,194	+ 1,689	- 138	- 326	- 172	+ 593	- 100	+ 203	+ 198	+ 146	- 86				
Apr. 21	+ 732	+ 569	- 845	+ 2,593	- 3,048	- 189	- 96	+ 266	- 93	- 313	- 425	+ 90	+ 1,683				
May 19	+ 1,214	- 43	- 603	+ 589	+ 1,157	- 306	- 150	+ 207	+ 255	+ 1	- 503	- 105	+ 549				
June 16	+ 1,714	- 440	- 476	+ 790	+ 1,588	- 306	- 189	+ 140	+ 248	- 173	- 280	- 511	+ 797				
July 21	- 35	+ 40	- 1,418	+ 3,159	- 1,746	- 106	- 384	+ 441	+ 268	- 294	- 811	+ 285	+ 1,220				
Aug. 18	+ 1,607	- 349	- 886	+ 563	+ 933	- 21	- 272	+ 245	+ 302	+ 188	- 162	- 91	+ 680				
Sept. 15	+ 262	- 384	- 1,190	+ 1,708	+ 389	- 154	- 42	+ 219	- 66	+ 44	- 276	- 335	+ 574				
Oct. 20[d]	+ 1,237	- 121	- 934	+ 2,751	- 2,933	- 357	- 194	+ 641	- 53	- 369	- 144	- 937	+ 1,652				
Nov. 17[e]	+ 1,362	- 721	- 957	+ 584	+ 268	+ 397	- 792	+ 408	- 97	+ 52	- 32	+ 73	+ 309				
Dec. 8	+ 1,572	- 344	- 315	- 92	+ 821	- 313	- 243	- 209	+ 608	- 501	- 172	+ 71	+ 720				
1983 Jan. 19	- 70	- 132	- 679	+ 1,340	+ 459	+ 412	- 243	+ 520	- 137	- 469	+ 83	- 86	+ 456				
Feb. 16	- 144	- 11	- 736	+ 1,055	+ 186	- 516	- 6	+ 248	- 119	- 438	- 819	- 351	- 282				
Month ended (seasonally) adjusted																	
1982 Feb. 17	- 147	- 203	- 1,039	+ 1,953	+ 564						- 403	- 67	+ 94				
Mar. 17	- 737	+ 354	- 1,231	+ 2,234	+ 600						+ 113	- 157	+ 556				
Apr. 21	+ 561	+ 497	- 722	+ 2,054	- 1,238						- 424	- 339	+ 475				
May 19	- 1,237	+ 39	- 494	+ 970	+ 1,752						- 211	- 262	+ 676				
June 16	- 828	- 242	- 331	+ 1,032	+ 1,287						- 210	- 381	+ 606				
July 21	+ 920	- 140	- 1,266	+ 1,534	- 1,048						- 676	- 321	+ 693				
Aug. 18	+ 1,491	- 391	- 866	+ 1,308	+ 1,542						- 198	- 148	+ 1,196				
Sept. 15	+ 960	- 437	- 1,458	+ 2,031	+ 1,096						+ 232	- 304	+ 1,024				
Oct. 20[d]	+ 1,425	- 314	- 865	+ 1,789	+ 2,035						- 227	- 291	+ 1,517				
Nov. 17[e]	+ 1,027	- 704	- 901	+ 1,210	+ 632						- 151	- 463	+ 18				
Dec. 8	+ 634	- 222	- 266	+ 755	+ 921						- 67	- 335	+ 519				
1983 Jan. 19	+ 649	+ 6	- 889	+ 497	+ 263						- 149	- 33	+ 379				
Feb. 16	+ 711	- 110	- 897	+ 1,388	+ 1,092						- 818	- 14	+ 260				

[a] Purchases (-) of central government debt by the UK private sector (other than banks) can be analysed by instrument as follows:

Month ended	Marketable debt		National savings		Tax instruments		Other	Total (column 4 above)	
	Stocks	Treasury bills	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted		Unadjusted	Seasonally adjusted
1982 Feb. 17	- 367	-	- 336	- 333	- 188	- 343	+ 4	- 887	- 1,039
Mar. 17	- 805	+ 15	- 417	- 420	- 9	- 43	+ 22	- 1,194	- 1,231
Apr. 21	- 472	+ 22	- 360	- 319	- 6	+ 76	+ 29	- 845	- 722
May 19	- 380	- 51	- 117	- 99	- 55	+ 36	-	- 603	- 494
June 16	- 323	+ 12	- 157	- 173	- 10	+ 171	- 18	- 476	- 331
July 21	- 1,060	- 21	- 172	- 176	- 178	- 224	+ 13	- 1,418	- 1,266
Aug. 18	- 461	- 3	- 114	- 113	- 315	- 292	+ 5	- 886	- 866
Sept. 15	- 611	- 122	- 303	- 301	- 157	- 421	- 3	- 1,196	- 1,458
Oct. 20	- 294	- 98	- 356	- 357	- 203	- 133	- 17	- 934	- 865
Nov. 17	- 621	+ 94	- 391	- 405	- 15	+ 55	- 24	- 957	- 901
Dec. 8	- 27	+ 36	- 296	- 317	- 2	+ 68	- 26	- 315	- 266
1983 Jan. 19	- 361	- 3	- 459	- 465	+ 153	- 49	- 9	- 679	- 669
Feb. 16	- 463	- 71	- 327	- 324	+ 92	- 72	- 33	- 736	- 897

[b] Domestic credit expansion, which includes all sterling lending to the overseas sector (see page 8), is no longer directly calculable from this table; the figures for domestic credit expansion for the relevant dates are as follows (seasonally-adjusted figures in brackets):

1982 Feb. 17	+ 335 (+1,135)	1982 July 21	+ 2,066 (+2,348)	1982 Nov. 17	+ 751 (+1,115)
Mar. 17	+ 445 (+1,203)	Aug. 18	+ 1,423 (+2,034)	Dec. 8	+ 968 (+1,088)
Apr. 21	+ 3,458 (+1,648)	Sept. 15	+ 714 (+1,420)	1983 Jan. 19	+ 1,096 (+ 900)
May 19	+ 1,089 (+1,884)	Oct. 20	+ 3,747 (+2,849)	Feb. 16	- 93 (+ 813)
June 16	+ 1,541 (+1,340)				

[c] A seasonally-adjusted breakdown of external and foreign currency counterparts is not available.

[d] See footnote [f] to Table 11.2 on page 2.

Money stock: amounts outstanding

£ millions

[Table 11.1 in the Quarterly Bulletin]

Month ended	Notes and coin in circulation with public	UK private sector sterling sight deposits		Money stock		UK private sector sterling time deposits [c]	UK public sector sterling deposits	Money stock		UK residents' deposits in other currencies [c]	Money stock	
		Non-interest-bearing [a]	Interest-bearing	M ₁ [b]				Sterling M ₁ [b]			M ₂ [b]	
				Unadjusted	Seasonally adjusted			Unadjusted	Seasonally adjusted		Unadjusted	Seasonally adjusted
1982 Jan. 20	10,405	16,176	7,508	34,089	34,650	48,208	1,776	84,073	84,750	10,115	94,188	94,870
Feb. 17	10,375	15,792	7,775	33,842	34,580	48,240	1,593	83,715	84,780	10,352	94,127	95,130
Mar. 17	10,455	15,946	7,598	33,999	34,350	47,900	1,790	83,689	85,290	10,414	94,103	95,700
Apr. 21	10,447	16,368	7,822	34,637	34,360	49,053	1,682	85,372	85,750	11,623	96,995	97,370
May 19	10,457	16,452	7,794	34,703	34,540	49,326	1,902	85,931	86,720	11,560	97,491	98,280
June 16	10,545	16,780	7,963	35,288	35,230	49,707	1,733	86,728	87,390	11,450	98,178	98,840
July 21	10,859	16,944	7,978	35,781	35,520	50,211	1,956	87,948	88,070	12,197	100,145	100,270
Aug 18	10,742	17,116	8,269	36,127	35,960	50,825	1,681	88,633	89,270	12,106	100,739	101,370
Sept. 15	10,780	17,480	8,038	36,298	36,420	50,834	1,835	88,967	90,300	11,586	100,553	101,840
Oct. 20[d]	10,694	18,954	7,937	37,585	37,480	51,066	2,168	90,819	91,830	12,228	103,047	104,060
Nov. 17[e]	10,752	18,011	8,677	37,440	37,430	51,582	2,106	91,128	91,870	12,608	103,736	104,480
Dec. 8	11,188	18,438	8,765	38,391	37,790	51,255	2,202	91,848	92,430	13,426	105,274	105,850
1983 Jan. 19	10,817	17,664	9,544	38,025	38,170	51,912	2,317	92,524	92,790	12,893	105,147	105,640
Feb. 16	10,957	17,452	9,311	37,720	38,320	52,001	2,251	91,972	93,050	13,668	105,640	106,720

- [a] After deducting 60% of net debt transit items (see additional notes to Table 6 of the Quarterly Bulletin).
 [b] M₁ equals columns 1 + 2 + 3. Sterling M₁ equals M₁ + columns 5 + 6. M₂ equals sterling M₂ + column 8.
 [c] Including UK residents' holdings of certificates of deposit.
 [d] See footnote [f] to Table 11.2 below.

Money stock: changes[a]

£ millions percentages in italics

[Table 11.2 in the Quarterly Bulletin]

Month ended (unadjusted)	Notes and coin in circulation with public	UK private sector sterling sight deposits		Money stock	UK private sector sterling time deposits [c]	UK public sector sterling deposits	Money stock	UK residents' deposits in other currencies [d]		Money stock		
		Non-interest-bearing [b]	Interest-bearing					M ₁ [c]	Sterling M ₁ [c]		Transactions	Valuation changes [e]
1982 Feb. 17	- 30	- 384	+ 267	- 147	+ 32	- 183	- 298	+ 8	+ 229	- 61		
Mar. 17	+ 80	+ 154	- 177	+ 57	- 340	+ 197	- 86	- 104	+ 166	- 24		
Apr. 21	- 8	+ 422	+ 224	+ 638	+ 1,153	- 108	- 1,683	+ 994	+ 215	- 2,892		
May 19	+ 10	+ 84	- 28	+ 66	+ 263	+ 220	- 549	+ 90	- 153	- 486		
June 16	+ 88	+ 328	+ 169	+ 585	+ 381	- 169	- 797	- 335	+ 225	- 687		
July 21	+ 314	+ 164	+ 15	+ 493	+ 504	- 233	- 1,220	- 726	+ 78	- 2,024		
Aug 18	- 117	+ 172	+ 291	+ 346	+ 609	- 275	- 680	- 187	+ 86	+ 579		
Sept. 15	+ 38	+ 364	- 231	+ 171	+ 9	+ 154	+ 334	- 660	+ 140	- 186		
Oct. 20[f]	- 86	+ 1,474	- 101	+ 1,287	+ 232	+ 333	- 1,852	+ 533	+ 109	- 2,494		
Nov. 17[g]	+ 58	- 943	+ 740	- 145	+ 516	- 62	- 309	- 316	+ 696	- 689		
Dec. 8	+ 436	+ 427	+ 88	+ 951	- 327	+ 96	- 720	- 948	- 130	- 1,538		
Jan. 19	- 371	- 754	+ 784	- 341	+ 692	+ 105	- 456	- 991	+ 468	- 67		
1983 Feb. 16	+ 140	- 212	- 233	- 305	+ 89	- 66	- 282	+ 557	+ 218	- 493		
1982 Feb. 17	- 72	- 274	+ 295	- 51	+ 15	+ 130	+ 94	+ 0.1	+ 8	+ 229		
Mar. 17	- 26	- 184	- 67	- 222	- 0.7	- 494	+ 287	+ 556	+ 0.7	- 104		
Apr. 21	+ 97	+ 198	- 78	- 23	+ 0.7	- 850	- 398	+ 475	+ 0.6	- 994		
May 19	- 5	- 72	+ 120	+ 197	+ 0.6	+ 311	- 471	+ 979	+ 1.1	- 80		
June 16	+ 104	+ 267	+ 323	+ 694	+ 2.0	+ 756	- 254	+ 686	+ 0.8	- 326		
July 21	- 14	+ 609	- 293	+ 302	+ 0.9	+ 424	- 431	+ 693	+ 0.8	- 726		
Aug 18	- 5	+ 3	+ 442	+ 440	+ 1.2	- 679	+ 77	+ 1,196	+ 1.4	- 187		
Sept. 15	- 99	+ 337	- 74	+ 462	+ 1.3	+ 375	+ 187	+ 1,024	+ 1.1	- 660		
Oct. 20[f]	- 14	+ 1,481	- 409	+ 1,058	+ 2.9	+ 247	- 212	+ 1,517	+ 1.7	- 533		
Nov. 17[g]	+ 81	- 1,076	+ 938	- 57	- 0.2	+ 87	- 12	+ 18	- 316	+ 696		
Dec. 8	+ 106	+ 91	+ 157	+ 354	+ 0.9	+ 64	+ 101	+ 519	+ 0.6	- 948		
1983 Jan. 19	+ 109	- 266	+ 558	+ 401	+ 1.1	- 37	+ 15	+ 379	+ 0.4	- 991		
Feb. 16	+ 100	- 129	- 76	- 153	+ 0.4	+ 135	- 28	+ 260	+ 0.3	- 557		

- [a] Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding (see additional notes to Table 11 of the Quarterly Bulletin).
 [b] After deducting 60% of net debt transit items (see additional notes to Table 6 of the Quarterly Bulletin).
 [c] M₁ equals columns 1 + 2 + 3. Sterling M₁ equals M₁ + columns 5 + 6. M₂ equals sterling M₂ + columns 8 + 9.
 [d] Including certificates of deposit.
 [e] See additional notes to Tables 6 and 11 of the Quarterly Bulletin.
 [f] The figures for the banking months of October and November 1982 are heavily distorted by the large flows of funds associated with the oversubscription to the sale of shares in Standard Telephones and Cables p.l.c. These flows probably added substantial amounts to deposits and lending in banking October, but the distortion should have been unbound in banking November.

M₁: transactions balances

£ millions: not seasonally adjusted

	Notes and coin in circulation with public	UK private sector sterling non-interest- bearing sight deposits (a)	Non-interest- bearing M (b)	Other UK private sector sterling retail deposits	M ₁ (b)	Public sector retail deposits	Overall retail deposits
	1	2	3	4	5	6	7
Amounts outstanding							
1982 May 19	10,447	16,368	26,815	27,956	54,771	1,303	2,292
June 16	10,457	16,452	26,909	27,996	54,905	1,389	2,472
July 21	10,545	16,780	27,325	28,202	55,527	1,161	2,445
Aug. 18	10,859	16,944	27,803	28,474	56,277	1,383	2,512
Sept. 15	10,742	17,116	27,858	28,625	56,483	1,066	2,496
Oct. 20 [c]	10,780	17,480	28,260	28,372	56,632	1,064	2,473
Nov. 17 [c]	10,894	18,954	29,648	28,433	58,081	1,426	2,581
Dec. 8	10,752	18,011	28,763	28,509	57,272	1,197	2,640
1983 Jan. 19	11,188	18,438	29,626	28,249	57,875	1,135	2,623
Feb. 16	10,817	17,644	28,481	28,644	57,125	1,286	2,681
Feb. 16	10,957	17,452	28,409	28,876	57,285	1,312	2,750
Changes in month ended							
1982 May 19	+ 10	+ 84	+ 94	+ 40	+ 134	+ 86	+ 180
June 16	+ 88	+ 328	+ 416	+ 206	+ 632	+ 228	+ 20
July 21	+ 314	+ 164	+ 478	+ 472	+ 950	+ 225	+ 60
Aug. 18	+ 117	+ 172	+ 55	+ 49	+ 6	+ 317	+ 16
Sept. 15	+ 38	+ 364	+ 402	+ 253	+ 149	+ 2	+ 23
Oct. 20 [c]	+ 86	+ 1,474	+ 1,388	+ 61	+ 1,449	+ 362	+ 108
Nov. 17 [c]	+ 58	+ 943	+ 885	+ 76	+ 809	+ 229	+ 59
Dec. 8	+ 436	+ 427	+ 863	+ 260	+ 603	+ 62	+ 17
1983 Jan. 19	- 371	- 754	- 1,125	+ 395	- 730	+ 151	+ 58
Feb. 16	+ 140	- 212	- 72	+ 232	+ 160	+ 26	+ 78

[a] After deducting 60% of net debit transit items (see additional notes to Table 6 of the Quarterly Bulletin)

[b] Non-interest-bearing M₁ equals columns 1+2; M₁ equals non-interest-bearing M₁+column 4.

[c] See footnote [f] to Table 11.2 on page 2.

Liabilities of the monetary authorities

£ millions: seasonally-adjusted figures in italics

[Table 2 in the
Quarterly Bulletin]

	Notes and coin in circulation outside the Bank of England				Liabilities of the Banking Department				Wide monetary base (sub-total of columns 1, 2 and 3a)	
	In circulation with the public		Held by banks (full money)		Bankers' deposits		Special deposits	Other liabilities		
	1	2	3a	3b	4	5	6			
Amounts outstanding										
1982 May 19	10,457	10,411	881	851	155	393	—	1,778	11,493	11,417
June 16	10,545	10,515	883	891	200	393	—	1,933	11,628	11,606
July 21	10,859	10,500	991	920	211	393	—	1,873	12,061	11,651
Aug. 18	10,742	10,493	949	819	121	393	—	1,930	11,812	11,433
Sept. 15	10,780	10,690	888	907	274	391	—	1,943	11,942	11,871
Oct. 20	10,894	10,674	885	889	330	391	—	2,042	11,809	11,763
Nov. 17	10,752	10,753	874	872	204	436	—	2,065	11,820	11,820
Dec. 8	11,188	10,858	945	875	211	436	—	2,107	12,344	11,944
1983 Jan. 19	10,817	10,966	889	876	135	436	—	3,372	11,841	11,677
Feb. 16	10,957	11,066	833	866	101	436	—	4,300	11,891	12,033
Changes in month ended										
1982 June 16	+ 88	+ 104	+ 2	+ 40	+ 45	—	—	+ 155	+ 135	+ 189
July 21	+ 314	+ 14	+ 108	+ 29	+ 11	—	—	+ 60	+ 433	+ 26
Aug. 18	+ 117	+ 5	+ 42	+ 101	+ 90	—	—	+ 57	+ 249	+ 196
Sept. 15	+ 38	+ 199	+ 61	+ 89	+ 153	+ 2	—	+ 13	+ 130	+ 442
Oct. 20	+ 86	+ 14	+ 3	+ 18	+ 44	—	—	+ 99	+ 133	+ 76
Nov. 17	+ 58	+ 81	+ 11	+ 16	+ 26	+ 45	—	+ 23	+ 21	+ 39
Dec. 8	+ 436	+ 106	+ 71	+ 3	+ 7	—	—	+ 42	+ 514	+ 116
1983 Jan. 19	- 371	+ 109	- 56	+ 2	- 76	—	—	+ 1,465	- 503	+ 25
Feb. 16	+ 140	+ 100	- 56	+ 10	- 34	—	—	+ 928	- 50	+ 56

Banks: summary of monthly reporting institutions^(a)

£ millions

	Notes outstanding	Total deposits	Sterling liabilities										
			Sight deposits			Time deposits			Certificates of deposit	Items in suspense and transmission	Capital and other funds		
			UK monetary sector	UK public sector	UK private sector	Overseas	UK monetary sector	UK public sector				UK private sector	Overseas
1982 Sept. 15	663	128,283	4,639	919	24,910	3,686	27,023	821	44,659	12,995	8,631	4,257	18,182
Oct. 20 ^(b)	671	131,968	5,632	1,276	25,123	3,988	28,494	799	44,828	13,153	8,674	6,606	19,096
Nov. 17 ^(b)	678	133,250	5,052	1,050	26,070	4,120	28,819	956	45,055	13,520	8,666	4,114	18,147
Dec. 8	716	134,649	5,887	992	26,787	3,748	28,542	1,119	44,671	14,378	8,525	3,986	19,210
1983 Jan. 19 ^(c)	680	136,491	5,785	1,147	26,600	3,813	29,971	1,086	45,477	14,377	8,434	4,250	19,642
Feb. 16	701	135,774	5,636	1,157	26,016	3,766	29,375	994	45,524	14,434	8,871	3,905	19,596

	Notes and coin	Sterling assets									
		Balances with Bank of England			Market loans						
		Cash ratio deposits	Special deposits	Other	LDMA		Other UK monetary sector	Certificates of deposit	UK local authorities	Overseas	
1982 Sept. 15	1,490	390	—	269	4,834	18	28,258	4,414	5,436	3,954	
Oct. 20 ^(b)	1,495	389	—	229	5,046	18	30,638	4,276	5,265	4,129	
Nov. 17 ^(b)	1,495	434	—	202	5,029	25	30,199	4,503	5,104	4,204	
Dec. 8	1,586	434	—	209	4,681	25	30,695	4,573	4,984	4,559	
1983 Jan. 19 ^(c)	1,497	434	—	131	4,759	22	31,941	4,183	4,837	4,697	
Feb. 16	1,471	434	—	97	4,887	29	31,439	4,506	4,823	4,175	

	Sterling assets continued						Other currency assets		
	Investments			Miscellaneous assets			Miscellaneous assets		
	British government stocks	Public sector	Other	Items in suspense and collections	Assets leased	Other	Items in suspense and collections	Assets leased	Other
1982 Sept. 15	4,045	394	3,721	6,846	1,131	3,857	1,894	20	2,244
Oct. 20 ^(b)	4,130	377	3,801	7,188	1,127	3,909	1,655	20	2,755
Nov. 17 ^(b)	4,264	392	3,807	6,807	1,115	4,007	1,593	21	3,112
Dec. 8	4,231	361	3,797	7,023	1,076	4,038	1,782	20	3,265
1983 Jan. 19 ^(c)	4,303	354	3,864	7,121	1,167	4,156	2,179	19	3,747
Feb. 16	3,850	334	4,033	6,582	1,158	4,232	1,955	19	4,625

(a) Following the introduction of the new monetary control arrangements, certain smaller institutions now report at end-quarters only. These tables do not include the trustee savings banks, or the Banking Department of the Bank of England. For a description of the background to these changes, see the December 1981 *Quarterly Bulletin*, page 531.

(b) See footnote (b) to Table 11.2 on page 2.

(c) Figures contributed joined the series at mid-January 1983. Their total sterling assets account for £457 million and other currency assets for £4,772 million. At the same time five contributors left the series. At mid-December 1982 their total sterling assets accounted for £151 million and other currency assets for £28 million.

(d) Market loans to 'UK public corporations' and the 'UK private sector' are now classified as other loans and advances and are included in Table 5 of the *Quarterly Bulletin*.

Discount market

£ millions

	Liabilities: borrowed funds										
	Total	Sterling			Sterling			Other currencies			
		Call and overnight	Other	Bank of England	Other UK monetary sector	Other United Kingdom	Overseas	Total	UK monetary sector	Other United Kingdom	Overseas
1982 Sept. 15	5,271	4,894	377	33	4,870	363	5	324	292	17	15
Oct. 20	5,427	5,046	381	—	5,082	338	7	355	306	22	27
Nov. 17	5,605	5,082	523	—	5,198	422	25	326	191	28	7
Dec. 8	5,124	4,701	423	—	4,733	387	4	162	136	17	9
1983 Jan. 19	5,285	4,810	475	—	4,810	473	2	214	166	20	28
Feb. 16	5,414	4,952	462	—	4,944	464	6	156	109	22	25

	Sterling assets										
	Total	Cash deposits with the Bank of England			Other bills			Funds lent			
		Cash deposits with the Bank of England	UK and Northern Ireland Treasury bills	Local authority	Other public sector	Other	UK monetary sector	Certificates of deposit	UK local authorities	Other United Kingdom	Overseas
1982 Sept. 15	5,422	2	55	210	—	2,275	144	1,777	148	33	—
Oct. 20	5,545	2	137	94	—	2,048	122	1,972	154	53	—
Nov. 17	5,764	2	245	81	—	2,361	131	1,864	155	128	1
Dec. 8	5,277	2	70	35	—	2,334	304	1,468	153	31	—
1983 Jan. 19	5,486	2	32	71	—	2,096	384	1,945	151	62	5
Feb. 16	5,609	2	60	26	—	2,334	195	2,087	151	116	—

[Table 3 in the Quarterly Bulletin]

Total deposits	Other currency liabilities					Capital and other funds	Total liabilities/assets	of which sterling		Eligible liabilities	
	Sight and time deposits			Certificates of deposit	Items in suspense and transmission			Liabilities	Assets		
	UK monetary sector	Other UK	Overseas								
353,704	80,792	11,139	208,604	53,169	2,258	2,742	510,089	151,386	152,678	89,937	1982 Sept. 15
361,139	82,737	11,435	212,833	54,134	1,957	2,847	524,283	158,340	159,833	93,518	Oct. 20 ^(h)
373,184	84,323	11,781	220,367	56,523	1,919	2,924	535,225	157,188	158,659	92,970	Nov. 17 ^(h)
376,209	84,887	12,593	221,430	57,299	2,121	3,133	540,024	158,561	159,595	93,405	Dec. 8
389,736	89,554	12,281	231,828	56,073	2,498	3,349	556,845	161,763	162,541	94,612	1983 Jan. 19 ⁽ⁱ⁾
398,623	90,117	12,744	237,959	57,802	2,447	3,403	564,450	159,976	160,939	93,918	Feb. 16

Sterling assets continued

Treasury bills	Bills			Other	Total	Advances ^(d)			
	Eligible local authority bills	Eligible bank bills				UK public sector	UK private sector	Overseas	
371	337	1,494	239	81,180	3,663	70,701	6,816	1982 Sept. 15	
381	423	1,590	246	85,174	3,684	74,153	7,337	Oct. 20 ^(h)	
466	343	1,622	264	84,577	3,378	73,665	7,534	Nov. 17 ^(h)	
313	226	1,417	253	85,114	3,282	74,269	7,563	Dec. 8	
277	220	1,495	256	86,527	3,284	75,360	7,883	1983 Jan. 19 ⁽ⁱ⁾	
224	282	1,506	270	86,606	3,148	75,948	7,510	Feb. 16	

Other currency assets continued

Total	Market loans and advances						Bills	Investments			Acceptances		
	of which advances ^(d)	UK monetary sector	Certificates of deposit	UK public sector	UK private sector	Overseas		Total	UK	Overseas	Sterling	Other currencies	
344,431	84,381	76,339	5,911	1,048	18,267	242,866	1,105	7,715	315	7,401	12,699	966	1982 Sept. 15
350,957	85,740	78,761	6,277	1,049	18,490	246,381	1,024	8,039	279	7,760	12,859	1,197	Oct. 20 ^(h)
362,007	91,202	79,025	6,809	1,087	19,715	255,371	1,055	8,579	292	8,286	13,197	1,182	Nov. 17 ^(h)
365,723	93,534	80,013	7,200	1,028	19,926	257,555	1,070	8,570	308	8,262	12,198	1,261	Dec. 8
378,347	96,977	84,667	7,491	1,064	20,647	264,478	1,149	9,164	297	8,868	12,695	1,274	1983 Jan. 19 ⁽ⁱ⁾
386,022	98,612	85,711	7,538	1,156	21,231	270,387	1,157	9,733	308	9,424	12,885	1,281	Feb. 16

[Table 4 in the Quarterly Bulletin]

Sterling assets continued					Other currency assets					
Up to 1 year	Investments			Local authorities	Other	Other sterling assets	Total	Certificates of deposit		Bills
	British government stocks									
	1 to 5 years	Over 5 years								
153	319	68	210	21	7	327	291	31	5	1982 Sept. 15
177	445	95	216	22	8	356	332	20	4	Oct. 20
170	468	111	214	25	8	336	311	18	7	Nov. 17
236	565	54	216	25	9	182	149	24	9	Dec. 8
	441	227	227	25	45	230	167	54	9	1983 Jan. 19
	363	205	205	26	42	173	122	45	6	Feb. 16

Banks: group detail^(a)

(Tables 3.2 to 3.10 in the Quarterly Bulletin)

£ millions

		Notes outstanding	Liabilities					Other currency deposits						
			Total	of which sight deposits	UK monetary sector	UK public sector	UK private sector	Overseas	Certificates of deposit	Total	UK monetary sector	Other UK	Overseas	Certificates of deposit
British banks:														
London clearing banks	1983 Jan. 19	—	61,061	27,644	7,995	1,243	44,762	4,345	2,716	23,780	4,192	2,174	15,054	1,818
	Feb. 16	—	60,578	27,296	7,668	1,154	44,213	4,311	3,232	23,780	4,009	2,279	15,543	1,949
Scottish clearing banks	1983 Jan. 19	990	6,871	2,261	396	116	5,698	173	488	2,802	872	473	1,247	209
	Feb. 16	608	6,697	2,275	502	128	5,424	180	463	2,815	795	500	1,327	193
Northern Ireland banks	1983 Jan. 19	90	1,819	755	348	69	1,278	124	—	21	8	3	10	—
	Feb. 16	93	1,784	709	324	44	1,287	130	—	21	9	3	9	—
Accepting houses	1983 Jan. 19(b)	—	6,953	1,443	1,633	93	4,043	755	429	11,774	3,628	1,144	6,121	276
	Feb. 16	—	6,774	1,506	1,559	61	3,879	838	436	11,744	3,689	1,147	6,641	267
Other	1983 Jan. 19(b)	—	32,292	6,850	14,756	609	10,855	4,309	1,763	41,588	13,265	2,031	22,919	3,374
	Feb. 16	—	32,693	6,878	14,983	690	10,921	4,366	1,733	43,433	13,856	2,121	23,805	3,651
Overseas banks:														
American banks	1983 Jan. 19(b)	—	8,615	1,654	2,474	32	1,934	2,246	1,928	87,339	8,277	3,396	47,792	28,880
	Feb. 16	—	8,423	1,542	2,368	22	2,082	2,066	1,882	88,436	7,443	2,511	49,491	28,001
Japanese banks	1983 Jan. 19	—	3,397	161	2,032	12	492	570	291	102,078	33,928	983	54,719	12,409
	Feb. 16	—	3,338	141	1,906	5	543	611	273	104,900	34,046	973	56,340	13,540
Other	1983 Jan. 19(b)	—	14,017	2,196	5,294	59	2,768	5,137	759	107,546	20,195	2,855	75,609	8,888
	Feb. 16	—	13,901	2,029	4,964	43	2,976	5,123	795	109,348	21,028	2,984	76,348	8,988
Consortium banks														
1983 Jan. 19	—	1,668	280	827	—	247	533	61	13,954	5,196	220	8,318	220	
Feb. 16	—	1,607	261	749	—	219	583	57	14,215	5,269	231	8,502	214	
Total	1983 Jan. 19(b)	680	136,691	37,645	35,756	2,233	72,077	18,191	8,434	389,736	89,554	12,281	231,828	56,073
	Feb. 16	701	135,774	36,575	35,011	2,151	71,540	18,201	8,871	398,623	90,117	12,744	237,959	57,802

		Sterling and other currency liabilities items in suspense and transmission capital and other funds	Total liabilities assets	Eligible liabilities	Sterling assets									
					Balances with Bank of England			Bills		Treasury bills	Eligible authority bills	Eligible bank bills	Other	
					Notes and coin	Special and cash ratio deposits	Other							
British banks:														
London clearing banks	1983 Jan. 19	12,368	96,667	49,375	879	229	116	97	151	658	68			
	Feb. 16	12,022	96,380	49,069	834	229	80	64	198	540	56			
Scottish clearing banks	1983 Jan. 19	1,316	11,579	5,560	537	26	1	45	6	139	5			
	Feb. 16	1,319	11,439	5,569	561	26	2	39	6	139	5			
Northern Ireland banks	1983 Jan. 19	285	2,215	1,179	28	3	—	2	—	12	—			
	Feb. 16	304	2,202	1,157	26	3	—	2	—	12	—			
Accepting houses	1983 Jan. 19(b)	2,133	20,325	3,213	1	16	—	2	7	38	4			
	Feb. 16	2,229	20,147	3,171	1	16	—	—	3	38	2			
Other	1983 Jan. 19(b)	8,236	82,115	17,557	37	79	10	63	31	443	48			
	Feb. 16	8,279	84,405	18,005	34	79	11	48	61	625	74			
Overseas banks:														
American banks	1983 Jan. 19(b)	885	96,839	6,642	2	31	1	5	26	41	9			
	Feb. 16	937	97,796	6,331	2	31	1	11	13	83	11			
Japanese banks	1983 Jan. 19	236	105,711	1,983	—	8	—	2	—	5	—			
	Feb. 16	230	108,467	1,893	—	8	—	2	—	5	—			
Other	1983 Jan. 19(b)	2,797	124,360	8,123	12	38	3	54	—	42	101			
	Feb. 16	2,614	125,862	8,015	12	38	2	52	—	57	90			
Consortium banks														
1983 Jan. 19	—	1,383	17,004	779	1	4	—	7	—	10	15			
Feb. 16	—	1,431	17,253	715	1	4	—	6	—	9	15			
Total	1983 Jan. 19(b)	29,739	556,845	94,612	1,497	434	131	277	220	1,495	256			
	Feb. 16	29,351	564,450	93,918	1,471	434	97	224	282	1,506	270			

[a] Some smaller institutions now only report at end-quarters: the coverage of some of the groups in these tables will therefore not be complete. The groups affected are Accepting houses, Other British, American and Other Overseas, but in no case is the coverage of total liabilities assets less than 97.5%.

[b] See footnote [c] to Table 3.1 on page 4.

[c] See footnote [d] to Table 3.1 on page 4.

Sterling assets continued

			Secured money with LDMA	Market loans				Advances(c)			Investments	
				Other UK monetary sector (including unsecured money with LDMA)	Certificates of deposit	UK local authorities	Overseas	UK public sector	UK private sector	Overseas	British government stocks	Other
British banks:												
London clearing banks	1983	Jan 19	2,654	7,041	298	-289	215	274	42,856	3,290	2,404	2,544
		Feb 16	2,600	7,049	316	286	134	226	43,219	2,761	2,272	2,604
Scottish clearing banks	1983	Jan 19	290	874	75	37	6	128	4,893	301	249	82
		Feb 16	300	942	62	36	9	128	4,892	293	214	82
Northern Ireland banks	1983	Jan 19	66	465	57	121	66	15	954	11	126	27
		Feb 16	92	432	53	120	67	22	948	10	106	27
Accepting houses	1983	Jan 19(h)	187	2,662	794	402	440	235	2,212	534	219	384
		Feb 16	188	2,575	735	611	331	237	2,222	559	191	395
Other	1983	Jan 19(h)	671	11,525	1,750	2,065	1,215	203	16,085	1,049	788	731
		Feb 16	814	11,295	2,021	2,063	1,149	205	16,321	1,188	735	810
Overseas banks:												
American banks	1983	Jan 19(h)	314	2,239	361	404	832	599	4,020	894	250	65
		Feb 16	327	2,274	376	394	766	591	3,922	890	60	67
Japanese banks	1983	Jan 19	123	1,332	10	73	492	729	190	427	1	62
		Feb 16	124	1,357	6	71	494	604	249	407	1	60
Other	1983	Jan 19(h)	419	5,293	487	1,058	1,216	1,004	3,825	1,154	142	255
		Feb 16	406	5,339	517	1,055	1,041	949	3,860	1,172	145	251
Cooperation banks	1983	Jan 19	35	532	352	187	215	146	324	222	124	72
		Feb 16	36	518	419	188	183	139	323	235	127	80
Total	1983	Jan 19(h)	4,749	31,963	4,183	4,837	4,697	3,284	75,360	7,883	4,303	4,218
		Feb 16	4,887	31,468	4,506	4,823	4,175	3,148	75,948	7,510	3,850	4,368

Other currency assets

			Total	Market loans and advances					Bills	Investments	Sterling and other currencies	Acceptances	
				of which advances(c)	UK monetary sector	Certificates of deposit	UK public sector	UK private sector					Overseas
British banks:													
London clearing banks	1983	Jan 19	22,766	5,596	9,620	313	50	1,528	11,255	80	1,185	8,621	1,556
		Feb 16	23,470	5,675	9,846	350	51	1,363	11,660	84	1,182	8,128	1,483
Scottish clearing banks	1983	Jan 19	2,773	1,400	612	10	29	454	1,668	3	83	1,027	235
		Feb 16	2,855	1,473	608	10	29	505	1,704	3	84	1,060	262
Northern Ireland banks	1983	Jan 19	20	11	2	-	-	5	13	-	21	225	16
		Feb 16	21	12	2	-	-	7	12	-	21	244	14
Accepting houses	1983	Jan 19(h)	10,313	4,101	2,728	451	26	1,054	6,054	49	437	1,214	2,923
		Feb 16	10,542	4,140	2,851	409	27	1,013	6,242	48	480	1,154	2,901
Other	1983	Jan 19(h)	40,753	16,012	2,258	382	449	2,957	29,707	21	1,598	2,840	2,184
		Feb 16	42,193	16,382	2,409	375	471	2,976	30,961	26	1,668	2,986	2,296
Overseas banks:													
American banks	1983	Jan 19(h)	84,344	21,042	11,771	748	118	7,017	64,690	74	639	1,892	2,310
		Feb 16	85,197	21,397	11,775	810	122	7,450	65,040	84	674	2,022	2,383
Japanese banks	1983	Jan 19	98,507	16,672	29,730	1,302	346	2,746	64,382	138	3,332	280	1,388
		Feb 16	101,161	16,985	30,231	1,344	351	2,733	66,502	120	3,519	280	1,429
Other	1983	Jan 19(h)	105,002	25,336	21,220	3,904	46	4,585	75,246	635	1,315	2,305	3,130
		Feb 16	106,584	25,970	21,342	3,822	105	4,683	76,632	668	1,508	2,118	3,205
Cooperation banks	1983	Jan 19	13,870	6,807	1,726	381	-	300	11,463	148	556	184	226
		Feb 16	14,064	6,867	1,661	417	-	313	11,674	126	596	184	202
Total	1983	Jan 19(h)	378,347	96,977	84,667	7,491	1,064	20,647	264,478	1,149	9,164	18,389	13,970
		Feb 16	386,022	98,612	85,711	7,538	1,156	21,231	270,387	1,157	9,733	18,572	14,166

UK monetary sector: transactions in liabilities and assets(a)

£ millions

[Table 6 in the Quarterly Bulletin]

Month ended	Liabilities										
	Total	Domestic deposits						Overseas sector		Non-deposit liabilities (net)	
		Total		Public sector		Private sector		Overseas deposits			
		Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Sterling	Other currencies		
1982 Feb. 17	+ 4,396	- 260 + 174	- 183 + 130	- 14	- 85 + 36	+ 22	+ 811	+ 4,189	- 344		
Mar. 17	+ 2,892	- 270 + 426	+ 197 + 287	+ 87	- 363 + 243	+ 191	+ 508	+ 2,508	+ 146		
Apr. 21	+ 1,806	+ 2,685 + 1,566	+ 108 - 398	+ 15	+ 1,799 + 970	+ 979	+ 429	+ 2,248	+ 940		
May 19(b)	+ 1,313	+ 639 + 1,064	+ 220 + 471	- 48	+ 319 + 503	+ 338	+ 181	+ 398	+ 105		
June 16	+ 2,643	+ 374 + 257	- 169 - 254	+ 4	+ 878 + 846	+ 339	+ 308	+ 1,450	+ 511		
July 21	+ 6,857	+ 1,632 + 1,433	+ 223 - 33	- 8	+ 483 + 740	+ 734	+ 569	+ 4,941	+ 285		
Aug. 18(c)	+ 9,176	+ 610 + 1,014	- 275 + 77	- 25	+ 1,072 + 1,124	+ 162	+ 540	+ 7,935	+ 91		
Sept. 15	+ 2,523	- 364 + 165	+ 154 + 187	+ 86	+ 142 + 638	+ 746	- 7	+ 2,559	+ 335		
Oct. 20(d)	+ 5,364	+ 2,471 + 2,064	+ 333 + 212	- 39	+ 1,605 + 1,319	+ 572	+ 536	+ 1,620	+ 937		
Nov. 17(e)	+ 3,853	- 65 - 379	+ 105 - 12	- 55	+ 313 - 51	+ 261	+ 470	+ 4,185	- 73		
Dec. 8	+ 4,603	+ 1,232 + 1,361	+ 96 + 101	+ 5	+ 188 + 312	+ 943	+ 426	+ 3,016	- 71		
1983 Jan. 19(f)	+ 4,007	- 184 - 721	+ 105 + 10	+ 10	+ 722 + 255	+ 1,001	- 52	+ 3,877	+ 86		
Feb. 16	+ 2,138	+ 135 + 717	- 66 - 28	+ 25	- 356 + 188	+ 532	+ 17	+ 2,371	- 351		

Month ended	Assets												
	Total	Lending to public sector				Lending to private sector				Lending to overseas sector			
		Sterling		Other currencies		Sterling		Other currencies		Sterling		Other currencies	
		Unadjusted	Seasonally adjusted	Central government	Other	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted		
Feb. 17	+ 4,396	- 646 - 335	- 537	- 109	+ 7	+ 458 + 984	+ 351	+ 571	+ 3,655				
Mar. 17	+ 2,892	+ 389 + 651	+ 107 + 282	+ 14	- 404 + 121	+ 5	+ 603	+ 2,285					
Apr. 21	+ 1,806	+ 388 - 1,520	+ 823 + 435	- 12	- 3,131 + 2,563	+ 174	+ 410	+ 1,509					
May 19(b)	+ 1,313	+ 222 + 436	+ 134 - 88	+ 11	+ 926 - 1,307	+ 338	- 68	+ 94					
June 16	+ 2,643	+ 522 - 42	+ 521 + 1	- 6	+ 805 + 1,047	- 94	- 47	+ 1,463					
July 21	+ 6,857	+ 959 + 291	+ 600 - 359	+ 14	+ 2,097 + 472	- 59	+ 320	+ 4,844					
Aug. 18(c)	+ 9,176	+ 338 + 84	+ 299 + 39	+ 15	+ 900 + 1,645	+ 444	+ 492	+ 6,987					
Sept. 15	+ 2,523	- 408 - 192	- 77 - 331	+ 1	+ 804 + 1,127	+ 1	+ 324	+ 1,801					
Oct. 20(d)	+ 5,364	+ 107 + 93	+ 295 - 188	+ 3	+ 2,543 + 1,581	- 4	+ 814	+ 2,101					
Nov. 17(e)	+ 3,853	+ 448 - 739	+ 143 - 591	- 27	+ 710 + 1,336	+ 167	+ 483	+ 4,738					
Dec. 8	+ 4,603	- 952 - 1,375	- 531 - 421	- 42	+ 836 + 1,683	+ 407	+ 147	+ 4,207					
1983 Jan. 19(f)	+ 4,007	- 1,594 - 1,393	- 1,567 - 27	+ 11	+ 1,935 + 1,112	+ 32	+ 637	+ 3,026					
Feb. 16	+ 2,138	- 1,621 - 1,013	- 1,534 - 87	+ 75	+ 1,888 + 2,221	+ 219	+ 938	+ 2,515					

- (a) The monetary sector comprises all banks included in Table 3 together with the discount market, the Banking Department of the Bank of England and the trustee savings banks. Inter-bank items are excluded and adjustments made to allow for transit items (see additional notes to Table 6 in the Quarterly Bulletin).
 (b) The changes for 19 May have been adjusted to exclude the effect of the inclusion of five contributors who transferred from quarterly reporting.
 (c) The changes for 18 August have been adjusted to exclude the effect of the inclusion of three contributors who transferred from quarterly reporting (see footnote (b) to Table 3.1 on page 4).
 (d) See footnote (f) to Table 11.2 on page 2.
 (e) See footnotes (d) and (e) to Table 3.1 on page 4.

Components of private sector liquidity

£ millions

[Summary of Table 12 in the Quarterly Bulletin]

Month ended	"Money"												
	Seasonally adjusted	Other money-market instruments		Savings institution deposits and securities		Certificates of tax deposit		PSL (columns 1+2+6)		PSL (columns 1+2+4+7)		PSL	
		Not seasonally adjusted		Seasonally adjusted		Seasonally adjusted		Seasonally adjusted		Seasonally adjusted		Seasonally adjusted change in month(a)	
		Total (net)	of which bank bills	Total (net)	of which shares and deposits with building societies	Gross	Net	Gross	Net	Gross	Net	10	11
1982 Jan. 20	82,414	3,549	358	49,985	47,358	1,255	1,150	87,218	137,098	+ 1,198 - 14	+ 1,667 + 12		
Feb. 17	82,304	3,309	247	50,719	47,845	1,569	1,419	87,182	137,751	+ 69 - 0.7	+ 758 - 0.6		
Mar. 17	82,542	3,511	278	51,106	48,725	1,596	1,441	87,649	138,600	+ 531 - 0.6	+ 913 - 0.7		
Apr. 21	83,412	3,827	362	51,459	48,365	1,518	1,367	88,757	140,085	+ 1,131 - 7.3	+ 1,488 + 7.7		
May 19	83,991	4,035	430	51,686	48,722	1,481	1,330	89,407	140,942	+ 667 - 0.8	+ 894 - 0.6		
June 16	84,803	3,755	313	51,941	49,060	1,312	1,161	89,870	141,660	+ 488 - 0.5	+ 743 - 0.5		
July 21	85,505	3,319	204	51,848	49,065	1,337	1,148	90,181	141,821	+ 307 - 0.2	+ 177 - 0.1		
Aug. 18	86,599	3,084	191	51,987	49,318	1,635	1,441	91,318	143,111	+ 1,164 + 7.3	+ 1,207 + 0.9		
Sept. 15	87,415	3,122	196	52,410	49,767	2,058	1,829	92,995	144,776	+ 1,274 - 14	+ 1,662 + 7.2		
Oct. 20(b)	88,649	3,083	275	53,024	50,472	2,190	1,952	93,922	146,708	+ 1,314 - 7.4	+ 1,919 + 7.3		
Nov. 17(b)	88,694	2,718	242	53,674	51,098	2,133	1,889	93,545	146,975	- 401 - 0.4	+ 243 - 0.2		
Dec. 8	89,132	2,585	314	53,989	51,374	2,061	1,816	93,778	147,522	+ 203 - 0.2	+ 517 + 0.4		
1983 Jan. 19	89,502	2,528	257	54,624	51,898	2,106	1,920	94,136	148,574	+ 403 - 0.4	+ 1,097 + 0.7		
Feb. 16	89,544	2,486	293	55,517	52,409	2,171	1,987	94,201	149,534	+ 279 - 0.3	+ 1,174 + 0.8		

- (a) Percentage changes are shown in italics.
 (b) See footnote (f) to Table 11.2 on page 2.

Symbols and conventions

- all or less than £ million.
 - figures above and below are not strictly comparable.
 - Owing to rounding of figures, the sum of the separate items will sometimes differ from the total shown.
- Issued by the Financial Statistics Division, Bank of England, London EC2R 8AH.
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FROM: C D HARRISON
DATE: 16 March 1983

MRS JUTSUM



cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
Sir Douglas Wass
Mr Burns
Mr Middleton
Mr Monck
Mr Odling-Smee
Mr R I G Allen
Mr Peretz
Mr Sedgwick
Mr Turnbull
Mr Page
Miss Roach
Mr Willetts
Ms Greenwood
Mr Willoughby
Mr Ridley

MONEY AND BANKING FIGURES: BANKING FEBRUARY

As I told you on the telephone, the Economic Secretary was content with the Bank's draft press notice attached to your submission of 15 March.

2. He agrees that the February money figures are satisfactorily low and should be well received by the market. But as I also told you, he was not quite so happy about the proposed briefing on DCE. He doubts whether commentators are going to get worked up about DCE unless we go into elaborate explanations which might lead them to feel that there is "something nasty in the woodshed". He would have thought that any questions could be legitimately answered by reference to "fluctuations" and the uncertainties surrounding the Q4 1982 balance of payments figures.

3. Nevertheless, the Economic Secretary hopes that there is not anything nasty in the woodshed. He is a little worried by the recollection that back in the 1960s, the IMF set DCE targets on the grounds that because large balance of payments deficits were depressing £M3, this was not a proper indicator of domestic credit. As he understands it, the argument now is that the large DCE figures are no cause for concern since it is the export of capital which leads to an increased demand for domestic credit; ie. funds which

would otherwise be supplied from domestic investors (who are going overseas) are obtained from intermediaries - is this correct? But if it is, is this not exactly what concerned the IMF in the 1960s?

CDH

C D HARRISON

FROM: P N SEDGWICK
 DATE: 17 March 1983

ECONOMIC SECRETARY

cc Mr Middleton
 Mr Monck
 Mr Odling-Smee
 Mr Lewis

EXTERNAL INFLUENCES OF £M3

As part of our regular monthly review of monetary developments we have analysed once again the recent behaviour of external influences on £M3. We thought ... that you might like to see the attached note by Mr Lewis which is the result of our discussions.

P.N.S
 P N SEDGWICK

*At some stage - not
 urgent - I'd like to have
 a chat about all this. I think
 many of the things may be something already in
 the work done on it and clearly identified*

EXTERNAL INFLUENCES ON STERLING M3 : RECENT DEVELOPMENTS

I INTRODUCTION AND SUMMARY

1. This note is concerned with the external aspects of recent monetary developments in the UK. The main focus is on the monthly pattern of the externals since the autumn and prospects for the immediate future. It updates the analysis contained in FEU's previous brief on the externals, circulated early in December. The recent behaviour of the external adjustments can be summarised briefly as follows:-

(a) Since mid-1981 the externals have been on average contractionary. There has been a consistent pattern of high capital outflows which have more than offset the current account surplus, producing a succession of negative external adjustments;

(b) Towards the end of 1982 the externals became rather less contractionary. They were positive in September (perhaps related to FRT payments), not far from zero in December and positive again in January (in spite of substantial exchange market intervention in both these months);

(c) In February, however, the externals became heavily negative (£820m, reducing the growth of £M3 in that month by almost 1%);

(d) In recent months there have been some very sharp swings in the component flows which underlie the externals, on both capital and current account. This makes both interpretation of the underlying trend in the externals and their extrapolation into the future particularly difficult;

(e) Nevertheless, the February outturn goes some way towards vindicating last December's judgement that the negative trend in the externals would become re-established, and continue for some months to come;

(f) This negative trend may not be apparent in the March figure if oil companies switch out of dollars into sterling on a substantial scale in order to meet their FRT liabilities. In this case the externals in March could well turn out positive.

II THE EXTERNAL ADJUSTMENTS : DEFINITION AND STATISTICAL PRESENTATION

2. This section reviews briefly the current treatment of the external adjustments in the UK monetary statistics. The change in the £M3 measure of the money stock can be viewed as the sum of three components. These components comprise (1) the expansion of domestic credit, now termed the 'domestic counterparts', (2) external influence on the UK money supply, termed the 'external and foreign currency counterparts' and, finally, (3) any change in the net non-deposit liabilities of the UK monetary sector. In considering external influences on domestic monetary conditions it is important not to regard these three counterparts as being independent. It is certainly possible for a move from negative to positive externals to result in £M3 growth exceeding the previous growth in the domestic counterparts. But a higher money supply is not an automatic consequence of an increase in the externals - there could be offsetting transactions within the domestic counterparts which leave the money supply unchanged.

3. In principle, the external and foreign currency adjustment measures the impact of all foreign currency transactions of the UK non bank private sector (NBPS) on the domestic money supply as measured by £M3. It approximately equals the combined balance of payments surplus of the NBPS on current and capital account together with any change in their net foreign currency deposits with UK banks. The reasons for including the latter separately is that since it does not involve any transaction between UK residents and non-residents it will not be included in the balance of payments statistics, although any change in the private sector's net foreign currency deposits with UK banks will clearly affect £M3. In addition to these two components there are a number of technical adjustments, which on occasion can be quite large. These technical

adjustments allow for the effect of identified public sector current and capital account transactions together with UK banks net foreign currency non-deposit liabilities and the change in the public sectors foreign currency deposits with UK banks. Unfortunately not all public sector current account transactions can be identified, so that many of these transactions will remain in the published data on the externals.

4. It is possible to view the externals in an alternative way from the other side of the account, as those transactions between the overseas sector and UK banks and monetary authorities which are the 'counterparts' to the private sector's net acquisition of overseas assets. These 'counterparts' to the external and foreign currency adjustment comprise the following:

- (i) Net sterling deposits with UK banks from overseas banks;
- (ii) Net sterling deposits with UK banks from overseas non-banks;
- (iii) UK bank's net foreign currency holdings;
- (iv) External finance of the public sector.

5. The balance of payments identity ensures that the 'external influences' - largely reflecting non-bank private sector transactions - are matched by 'external and foreign currency counterparts', reflecting the transactions of the public and banking sectors. This terminology does not necessarily imply a direction of causality from 'influences' to 'counterparts', however, since under floating exchange rates the 'counterparts' themselves may be the source of exogenous shocks to the money supply and exchange rate. For example, UK banks might wish to change their net foreign currency holdings. This desire by the banks will put pressure on the exchange rate, causing widespread portfolio adjustments until once again the exchange market is back in equilibrium.

111 RECENT DEVELOPMENTS

6. Data for both the external influences and the external counterparts are published in Financial Statistics on a quarterly calendar basis, and data for 1981 together with

1982 appears in Table I. The table shows that for 1981 as a whole the externals had little impact on monetary growth. However, the annual figure fails to reveal the emergence of a definite negative trend commencing in the second quarter of 1981, since this was offset by an exceptionally large positive outturn in the March quarter. The externals have continued negative into 1982, particularly in the second quarter when an erratic dip in the current account surplus combined with an increased capital outflow to produce an exceptionally large external of -£1.6b. More timely information on the externals is available from the monthly banking data. The remainder of this note therefore concentrates on this source, and the latest figures from September to February are given in Table II.

7. Between April and July last year the externals became significantly negative as the current account surplus fell back temporarily while net capital outflows continued at a high level. The positive outturn in September may have reflected special factors connected with the payment of FRT, but in the event does not appear to have marked any change in trend. In interpreting the October and November figures it should be borne in mind that the underlying figure for October was rather more negative than the outturn on account of distortions arising from the oversubscription of the STC share issue. (The underlying figure may have been about £-250m. less than the published estimate.) If this distortion was largely unwound in the following month than the underlying November figure would have been correspondingly more positive.

8. The last three months have seen very large swings indeed in the component flows underlying the externals. The December outturn was only slightly contractionary (-67), in spite of substantial official purchases of sterling by the EEA. This reflected a combination of a stronger than expected current account together with an erratic fall in net capital outflows (including the balancing item). CSO Balance of Payments data for 1982Q4 shows a huge negative balancing item of -£3.2b. In the monthly Banking data private sector net capital flows can only be obtained by residual. This forces the assumption that the whole of the balancing item represents unidentified

capital flows. In this context it should be noted that Banking December was a very short month - only three weeks - and therefore especially prone to timing distortions due to leads and lags or the sheer lumpiness of large transactions. It was also a time of turbulence in the foreign exchange markets which adds to the difficulties of interpreting short-run movements in capital flows. Another possibility is that strong selling pressure against sterling in Banking December was partly absorbed by capital inflows into the non-bank private sector, induced by a lower exchange rate. However, the sharp fall in UK direct investment overseas in 1982Q4 is perhaps more suggestive of an erratic contraction in long term structural flows.

9. Many of the developments in Banking December were reversed in January. The overall balance of payments of the private sector swung sharply into deficit. Partly this reflected increased net capital outflows, which reverted to their previous trend. But there was also a very sharp swing from surplus to deficit on the current account, which is thought to be erratic and unlikely to persist. In spite of these developments the externals overall in January were expansionary by £149m. The main explanation for this is that there was an exceptionally large rundown in the private sector's net foreign currency deposits with UK banks. There was a switch into sterling of just over £1b. This may have been partly in response to the tax gathering season (there was a similar rundown of foreign currency deposits last January) as companies prepared to meet their mainstream corporation tax liabilities, and may also have been encouraged by a movement of the uncovered interest rate differential in favour of the UK.

10. An additional factor making for positive externals in January will have been the receipt of a large EC rebate (which appears as part of line 2 of Table II). This will have had an expansionary effect on the externals which broadly speaking may have offset the contractionary effect from exchange market intervention, leaving the underlying position for the externals little different from the published figure in that month.

11. In February the overall balance of payments deficit of the private sector fell back from January's £1.2b to a more normal £400m. No split between the current and capital account is currently

TABLE I: THE EXTERNAL ADJUSTMENTS TO £M3

(£m not seasonally adjusted)

	1981	1982	1982			
			Q1	Q2	Q3	Q4
A. EXTERNAL INFLUENCES						
(1) Private Sector Transactions						
(a) Current balance	5961	3948	905	292	707	2044
(b) Capital account	-7176	-5455	-1445	-1541	-1834	-635
(c) fc deposits with UK banks (increase -)	-2784	-370	-40	-444	-386	500
(d) fc loans from UK banks (increase +)	2765	1739	643	379	161	556
(2) Public Sector financial transactions with Overseas	301	-248	-325	63	44	-30
(3) Residual	1188	-2103	259	-406	902	-2858
(4) Total External Influences	255	-2489	-3	-1657	-406	-423
B. EXTERNAL AND FOREIGN CURRENCY COUNTERPARTS						
(5) Net £ deposits from O/S Banks (increase -)	-297	-2476	-451	-1140	130	-1015
(6) Net £ deposits from O/S non-banks (increase -)	895	2060	411	-204	157	1696
(7) Banks net fc position	812	-610	-118	230	-738	16
(8) External finance of public sector	-1155	-1463	155	-543	45	-1120
(9) Total external and foreign currency counterparts	255	-2489	-3	-1657	-406	-423

SOURCE: FINANCIAL STATISTICS Tables 11.3 and 11.4

/ Also includes public sector deposits

TABLE 11: THE EXTERNALS: RECENT FIGURES FOR BANKING MONTHS

	1982					
	SEPT	OCT	NOV	DEC	JAN	FEB
A. EXTERNAL INFLUENCES						
1. Private Sector Transactions						
a. CURRENT BALANCE	576	381	639	737	-57	} -411
b. CAPITAL ACCOUNT	-997	-180	-1349	-461	-1232	
c. fc deposits with UK BANKS	746	-572	261	-943	1001	-532
d. fc loans from UK BANKS	-1	-4	167	407	32	219
2. Other	-94	148	131	193	405	-94
<hr/>						
3. TOTAL EXTERNAL INFLUENCES (SA)	232	-227	-151	-67	149	-818
<hr/>						
B. EXTERNAL AND FOREIGN CURRENCY COUNTERPARTS						
4. NET DEPOSITS FROM O/S BANKS						
	154	-557	397	-313	412	-516
5. NET £ DEPOSITS FROM O/S NON-BANKS						
	177	835	-384	34	277	254
6. BANKS NET fc POSITION						
	-96	-53	-97	608	-137	-119
7. EXTERNAL FINANCE OF PUBLIC SECTOR						
	44	-369	52	-501	-469	-438
<hr/>						
8. TOTAL EXTERNAL AND FOREIGN CURRENCY COUNTERPARTS (NSA)	279	-144	-32	-172	83	-819
<hr/>						
9. SEASONAL	-47	-83	-119	105	66	1
<hr/>						
10. TOTAL EXTERNAL AND FOREIGN CURRENCY COUNTERPARTS (SA)	232	-227	-151	-67	149	-818
<hr/>						

available, but the most likely explanation is that the overall movement reflects a return to surplus on current account. At the same time the private sector built up its net foreign currency deposits by about £300m. With only moderate intervention in February and no special factors operating these two items together explain most of the £-820m outturn.

12. In the March monthly monetary forecasts the externals are projected to continue mainly negative over the next few months:-

(£m)	<u>March</u>	<u>April</u>	<u>May</u>
	+ 20	- 95	-225

This negative trend is less apparent in March when it is assumed that 20 per cent of the total of £1.7b PRT payments due will be converted from dollars into sterling. This assumption is very uncertain, however, since there is little statistical evidence of any stable link between PRT and the externals and we have to rely mainly on anecdotal information from the oil companies themselves. If the proportion of PRT payments met from dollar deposits were as high as 50 per cent then the externals overall could easily become rather more positive next month.

IV EXCHANGE RATE PRESSURE AND THE EXTERNALS

13. It is not possible to identify easily the source of selling pressure in the foreign exchange markets from an examination of ex-post data for the external counterparts. This is because both asset yields and the exchange rate will adjust in the face of such pressure, and the changes in them will induce accommodating flows. Nevertheless, a succession of negative external adjustments such as we have experienced since mid-1981 does suggest that on average the non-bank private sector has contributed to downward pressure on the exchange rate. This interpretation is consistent with the actual path of sterling over this period. In the longer term a floating exchange rate should serve to minimise the effects of external developments on the domestic money supply. The fall in the exchange rate will itself in time reduce the scale of capital outflows (by making the purchase of overseas assets more costly) and rein the externals back.

14. In spite of the above warning it is still tempting, but in the event not very rewarding, to examine the ex-post data for clues when there has been a bout of heavy exchange rate pressure as in the period from mid-November 1982 onwards. The data for Banking December suggests that the selling pressure against sterling was widely spread. It appears to have been met by the EEA (which supplied reserves), by the overseas sector (which increased its net holdings of sterling assets, mainly sterling bank deposits and gilts), and possibly by the non-bank private sector (where the improvement in the overall capital account could partly reflect accommodating short-term inflows).

15. At the same time the December figures show a large switch into foreign currency deposits by both the non-bank private sector and the UK banking sector. This is not inconsistent with some of the initial selling pressure against sterling having come from UK banks and investors. At the same time the overseas sector increased its net holdings of sterling assets. One possible explanation for these divergent movements is that there was a difference in exchange rate expectations between UK and overseas investors - not inconceivable over a relatively short period of time such as a month. Such explanations, however, are inevitably highly speculative.

16. In January many of the flows recorded in December changed direction. The large balance of payments deficit of the UK private sector in that month is consistent with some of the downward pressure having emanated from within the UK. The bigger net capital outflow could reflect a stepping up of purchases of overseas assets due to exchange rate fears. Similarly, the sudden swing into deficit or current account could be partly due to leads and lags on commercial transactions in the face of a weak currency. The large combined deficit of the private sector might also explain the substantial fall in net foreign currency deposits which more than reversed December's rise, since there tends to be a negative association between the two. However, January saw also an exceptionally large fall of £580m in the net sterling deposits of the overseas sector, especially in the third week of the month when most intervention took place. This could be seen as evidence that the overseas sector was responsible for some of the downward pressure on sterling in January.

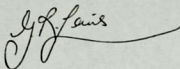
17. In February overseas residents increased their net holdings of sterling assets substantially, which provided the main counterpart to the large negative external of £-820m. These figures could again be interpreted as suggesting that overseas and UK residents took opposing views of sterling's immediate prospects. But on this occasion it was overseas residents who were more bullish, suspecting that the depreciation of sterling had perhaps run its course. However, all such interpretations of exchange market pressure based on ex-post data are highly uncertain and impossible to substantiate. In view of the extremely volatile nature of the monthly data it is just as likely that the January externals reflect the erratic timing of transactions.

CONCLUSIONS

(a) Over the last six months private sector capital outflows have continued at a rate which has slightly exceeded the large current account surplus. On balance the externals have therefore been negative, but fairly small, so that their impact on domestic monetary conditions has been limited.

(b) The outlook is for a deterioration in the current account, but matched to some extent by a corresponding reduction in net capital outflows. Thus while the externals are likely to continue to be negative over the next few months we do not expect this pressure to increase much beyond recent levels. In this context the negative outturn for February should be viewed as abnormally high.

(c) While the central forecast is for the externals to be close to zero in March, it remains possible that a bigger currency switch due to PRT payments could result in a larger positive value.



G LEWIS
FEU
15 March 1983