

MONTHLY MONETARY REPORT: NOVEMBER-FEBRUARY

SUMMARY

The main points from this month's note are:-

- latest figures confirm the slowdown in monetary growth since the Summer. Over the past six months all three target aggregates have grown by less than 10 per cent at an annual rate. The underlying growth of narrower measures of money remains fairly steady, at a slightly lower level
- growth in the broader aggregates may be a little higher over the next three months, but £M3 is expected to stay inside the target range, with M1 and PSL2 just over the top
- the behaviour of notes and coin and Mo will be dominated by seasonal influences. No change in the underlying trend is expected
- strong mortgage demand and slightly lower inflows may discourage building societies from cutting their interest rates. But the societies' contribution to PSL2 is expected to remain high
- funding was unexpectedly high last month. But heavy redemptions and a gross sales target of £1½ billion may mean sharply lower net gilt sales until February (when there is a pause in the redemptions/buying-in programme)
- the stock of money market assistance could top £10 billion early next year, reflecting seasonal money market shortages. Despite heavy overfunding of the unadjusted 'PSBR', there may be small underfunding on a seasonally adjusted basis
- sterling lending to the private sector was again high in November, but it is too soon to detect a change in trend. The modest pick-up in lending to companies, expected for some time, is probably under way.

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Monetary Aggregates

The latest figures confirm the slowdown in monetary growth since the summer. All three target aggregates rose by 0.6 per cent in November, more slowly than expected, bringing their six month growth rates within the target range. Over the full nine months of the target period, however, £M3 is still the only aggregate within the range. Building societies' inflows remained at a high level, with term shares a prime attraction; but even PSL2A is growing more slowly than earlier in the year, and its growth over the target period remains close to that in PSL2.

Table 1: Main Aggregates: recent experience

	(per cent, seasonally adjusted)					
	<u>M1</u>	<u>£M3</u>	<u>PSL2</u>	<u>Notes* and Coin</u>	<u>MO</u>	<u>NIB M1</u>
monthly change:-						
October	+1.5	+1.4	+1.1	+0.1	-	+0.5
November	+0.6	+0.6	+0.6	+0.5	+1.0	+0.4
growth at an annual rate over past:-						
3 months	8.0	6.5	7.5	7.0	8.6	7.3
6 months	9.9	8.8	9.4	6.9	8.6	8.7
target period (9 months)	12.1	10.5	12.2	6.4	7.4	9.3
12 months	11.9	10.0	12.6	7.1	6.9	8.2

* including till money

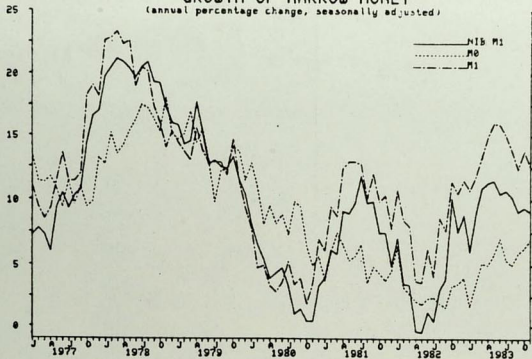
Full details of the growth in all the main aggregates are given in the Annex. Chart 1 shows the recent path of year-on-year changes for both broad and narrow measures of money.

2. Interest bearing sight deposits again accounted for much of the growth in M1; over the target period so far, these deposits

CHART 1

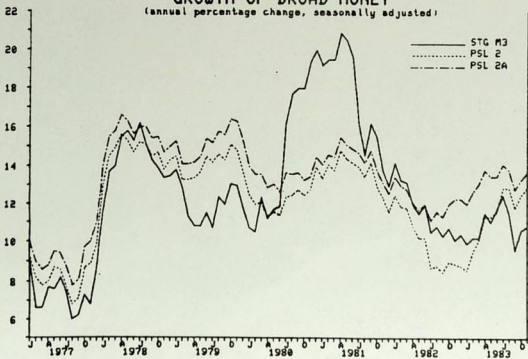
GROWTH OF NARROW MONEY

(annual percentage change, seasonally adjusted)



GROWTH OF BROAD MONEY

(annual percentage change, seasonally adjusted)



have risen by 20 per cent, at an annual rate. The trend in other measures of narrow money has been fairly flat since the Spring, relative to M1 and broader aggregates. M2, the transactions aggregate, has been rising by about 6½ to 8 per cent, in year-on-year terms, close to the growth in notes and coin and M0, and rather less than NIB M1, where the rebound from last year's very low growth has been more pronounced.

3. High sales of central government debt have been an important restraining influence on the growth of broad money and liquidity since early Summer. Last month, unexpectedly high take-up of gilts by non-banks was the main reason why broad money was below forecast, despite rather high lending to the private sector. The PSBR was only slightly underfunded last month, following overfunding totalling nearly £1½ billion in the preceding three months.

4. The relatively slow growth in £M3 undoubtedly owes something to the rival attractions of building societies' deposits. (The quarterly data shows virtually no growth in personal sector bank deposits during Q3). Over the Summer, growth was also depressed by a sharp fall in public sector deposits, much of which has been reversed in the last two months: over the target period, the growth in private sector £M3 is now very similar to that in £M3. Since September, £M3 may have been somewhat reduced by UK residents switching out of sterling into foreign currency bank deposits (the counterpart has been a large rise in non-resident sterling deposits, especially in November).

5. Over the next three months, we are expecting the growth of £M3 to average around ½ per cent, a little faster than the trend over the past six months, reflecting a lower level of funding, and a slightly higher average level of lending to the private sector than over the Summer. We are not now expecting a fall in building societies' rates from 1 January. New mortgage commitments continued to rise in (calendar) October, and the prospect is for some reduction in inflows, as the special term shares come to an end. Wider liquidity (PSL2 and PSL2A) may still grow a little faster than £M3, perhaps by an average of 1 per cent a month. (We continue to expect no significant effect on the broad aggregates from the ending of the tax loophole that led to the growth of offshore roll-up funds).

6. There are no particular reasons for expecting an acceleration in the narrowest measures of money, notes and coin (and Mo) and none of the available equations (structural or pure time series) suggest this is likely to happen. We continue to project growth averaging around $\frac{1}{2}$ - $\frac{3}{4}$ per cent a month. Interpretation of the monthly figures may be particularly difficult over the next few months, given the strength of seasonal influences (the seasonal adjustments for December and January are both of the order of $\pounds\frac{1}{4}$ billion, over 6 per cent of the stock). The three month spike in Mo that has been apparent for the past year to eighteen months is due to peak again in December; it appears to be associated with operational balances, and disappears when the daily data is averaged. It remains a puzzle.

Table 2: Summary of the Forecast

	<u>MO</u>	<u>M1</u>	<u>£M3</u>	<u>PSL2</u>
monthly change:				
December	} $\frac{1}{2}$ per cent } a month)	} 1 per cent } a month)	$\frac{1}{4}$	$\frac{1}{4}$
January			$\frac{1}{4}$	1
February			$\frac{1}{4}$	$1\frac{1}{4}$
growth at an annual rate				
mid-Nov - mid-Feb	$6\frac{1}{4}$	$12\frac{1}{4}$	$10\frac{1}{4}$	$13\frac{1}{2}$
mid-Feb - mid Feb*	7	$12\frac{1}{4}$	$10\frac{1}{4}$	$12\frac{1}{2}$

* first twelve months of 1983-84 target period

Public Sector Borrowing

7. The "PSBR" was $\pounds 1\frac{1}{2}$ billion in banking November, very close to the forecast. Inland Revenue receipts were lower than expected, more than offset by buoyant Customs and Excise receipts and lower supply expenditure. Unusually the other public sector contribution was close to forecast, the expansionary influence being, as expected, public corporations. The LABR seems to have been roughly flat, despite the increase in bank deposits.

8. The seasonally adjusted path of the "PSBR" is forecast to be very uneven at the turn of the year with a small surplus in January followed by a borrowing requirement of £2 billion in February. This reflects a similar profile for the CGBR(O). Given the size of the seasonal adjustment factors in the three months (including one of over £2 billion in February) and the inevitable uncertainty over the timing of heavy tax receipts, some lumpiness is not altogether surprising. As far as we can tell, however, the apparent discrepancy between the unadjusted figures and the seasonal adjustments reflects supply expenditure rather than tax receipts. Our guess is that the problem is one of timing, as between the two months. The forecast for the three months as a whole is not obviously unreasonable.

9. On-lending to the rest of the public sector is now forecast at £½ billion in banking December, most of which has already occurred following one week in which the local authorities borrowed £½ billion gross, as FWLB rates became especially attractive. Although borrowing on this scale is not forecast to continue, the other public sector's direct contribution to £M3 is expected to be slightly contractionary over the next three months, reflecting lower total borrowing, especially by local authorities.

Table 3: Public Sector Borrowing

	mid-April - mid-November	mid-November - mid-February	£ bn s.a. mid-April - mid-February
CGBR	9.1	3.3	12.4
own account	6.8	2.0	8.8
on-lending	2.3	1.3	3.6
'PSBR'*	7.8	2.5	10.3

* PSBR less non-bank private sector transactions in other public sector debt

10. Table 3 summarises the forecast of public sector borrowing over the next three months and shows the cumulative position since mid-April, a banking month approximation to the beginning of the financial year.

As usual the figures are derived from the calendar month profiles. The CG own-account in the 10 months to mid-February is £8.8bn, seasonally adjusted, the figure implied for the full financial year in the Autumn Statement, (though since the path of borrowing is frequently far from smooth, even on an adjusted basis, there is no necessary inconsistency). The same points apply to the 'PSBR', though with less force since the 'PSBR' for the year as a whole is expected to be some £½ billion larger than the 'true' PSBR.

Debt Sales

(a) Gilts

11. Table 4 summarises the November outturn against performance over the past 7 months as a whole and the forecast for the next three months.

Table 4: Gilt Sales

	monthly averages		£m
	Banking November	mid-April - mid-November	Forecast:- mid-November - mid-February
Gross sales	+1345	+1395	+1250
Redemptions	-	- 60	- 300
Buying-in of next maturities	- 471	- 165	- 210
Net sales	+ 874	+1170	+ 740
of which:			
Monetary sector	- 229	+ 95	+ 120
Public corporations	+ 6	-	-
Overseas	- 43	+ 90	+ 65
Non-bank private sector	+1140	+ 985	+ 555

12. In banking November, gross gilt sales reached £1345m, just above the £1½ billion target. This was significantly better than October, and back to the high levels of gross sales achieved between

April and September. The take-up by non-banks was unexpectedly high, exceeding £1 billion, as it has in every month since mid-June (October excepted). This may reflect higher demand from building societies, whose purchases have been on a rising trend since July (though not reaching much more than £150m a month, up until October). Purchases by the monetary sector, especially banks, have been low since before the Summer, and banks were large net sellers in November, to an extent only partly explicable in terms of special factors involving the TSB.

13. In market terms, November was quiet. Perhaps the most important effect on the market's perceptions came from the Chancellor's optimistic stance on inflation in the Mansion House Speech at the beginning of the banking month. This fed through into the gilts market with a steady $\frac{1}{2}$ per cent downward adjustment in yields at all maturities. Yields over the month were as follows:-

Gilt par yield curve

	<u>5 yr</u>	<u>10 yr</u>	<u>20 yr</u>
Wednesday 19 October	11.135	11.118	10.738
Wednesday 2 November	10.807	10.779	10.418
Wednesday 16 November	10.643	10.565	10.180
Wednesday 7 December	10.761	10.745	10.347

14. The month began with £560 million of calls on the 10% Treasury 1987 and the 9 $\frac{1}{2}$ % Treasury Convertible 1988 already assured. New sales went slowly until the issue on 28 October of £250m (nominal) of low coupons (£150 million of 2 $\frac{1}{2}$ % Exchequer 1987 and £100 million of 3% Treasury 1986), which were sold out by 11 November. Sales of the 2020 IG were negligible until a sudden burst of interest on 2 November when approximately £160m nominal was sold, largely via switches out of other long IGs and some conventionals. But there was no follow-through and the Bank still hold about £580m of the long IG. The market was given a fillip on 10 November after the Authorities announced the exhaustion of the 9 $\frac{1}{2}$ % Treasury Convertible 1988. We took advantage of stronger conditions to announce issue of

£1 billion of 10% Exchequer 1989. A total of £670m was sold at issue on Wednesday 16 November, bringing first payments of £125m into the banking month. The pace of funding picked up towards the end of the month with total gross sales of £250m in the last week.

Real IG Yields (Mullen's basis)

	<u>1988 IG</u>	<u>2011 IG</u>
Wednesday 14 October	3.42	2.98
Wednesday 2 November	3.45	2.99
Wednesday 16 November	3.46	2.97
Wednesday 7 December	3.54	3.04

15. The gross sales target for banking December is again £1250m, almost half of which had been tied up in calls before the month began. Low coupons have made the only significant new contribution so far this month. Following the exhaustion of the previous low coupons (on 11 November) the issue of £500m of 2½% Exchequer 1986 was announced on 21 November 1983. It met with a good response, probably due to the announcement on 17 November of measures to limit the tax loss from offshore roll-up funds (and the consequent press comment). The market languished in late November and early December, but the October provisional money figures on Tuesday 6 December provided a suitable opportunity for the issue of £500m of conventional tranches, (£200m of 10½% Exchequer 1997 and £300m of 10¼% Exchequer 1998). Approximately £270m of gross sales will be needed in the next few days to achieve the gross sales target - certainly demanding but not impossible if the tranches get a good response.

16. We are now well into a period of heavy redemptions. While there were no actual redemptions in banking November, buying-in of next maturities significantly reduced net sales. We expect net sales to be similarly depressed in December and January when redemptions alone are likely to total £665m and £235m respectively, (in addition to further buying-in of next maturities). But banking February may be very different; there are no redemptions in that

month, nor buying-in, since, as it happens, other stock close to redemption is in its "dead" period, (that is, when the stock goes ex dividend and the register of holders is then closed prior to the redemption payments actually being made).

(b) National Savings

17. National Savings inflows were somewhat higher than expected in banking November at £419m. This included accrued interest due to the one-off payment on 1 November of the 2.4 per cent supplement on index-linked certificates. The sharp increase in withdrawals from index-linked certificates after the payment of the supplement, was broadly in line with expectations. Net sales of both the 26th issue of conventional certificates and the income bond continued at a healthy rate. Both instruments offer rates which are competitive with building society shares, while being outside FSL2. Net inflows into the investment account, which is within FSL2, were about £30m higher than expected during November.

18. Redemptions of index-linked certificates in the first three weeks of banking December have been running at a rather higher rate than expected, possibly a response to the low Autumn Statement forecast for inflation over the next year. But higher withdrawals have been largely offset by higher sales of conventional certificates and income bonds, leaving the overall forecast unchanged at £220m. There may be some increase in inflows in January reflecting a slowdown in withdrawals of index-linked certificates and crediting of the 3 per cent interest supplement on individual balances maintained over £500 during 1983. Performance against the target for the financial year is summarised below:-

Table 5: National Savings Inflows

Financial year to mid-November	Financial year to mid-February	£ millions, seasonally adjusted	
		Monthly striking rate needed to achieve:	
		<u>£3bn</u>	<u>£2.8bn</u>
1870	2590	270	140

(c) Certificates of Tax Deposit

19. Rates on CTDs are now very competitive following the decision to try and offset the effect of high volumes of surrenders of series 5 certificates reaching their second anniversary. The effects of the higher relative rates have been dramatic. CTDs made a substantial contribution to funding in banking October and contributed a further £95m in banking November (seasonally adjusted), much more than previously forecast. But we are still expecting significant surrenders both of series 5 and other CTDs in banking January and February, when mainstream corporation tax is due and building societies also pay tax.

Funding and the PSBR

20. Table 6 shows the funding position (on both the conventional and alternative presentations) over the target period and "financial year" to date, together with the forecast for the next three months. There was almost a full-fund of the PSBR in banking November (on either definition) compared with forecast underfunding of £ $\frac{1}{4}$ billion, entirely due to the higher non-bank take-up of gilts, (see paragraph 12). Over the next three months the forecasts imply something fairly close to a full fund on a seasonally adjusted basis, but substantial overfunding, relative to the seasonally low unadjusted PSBR.

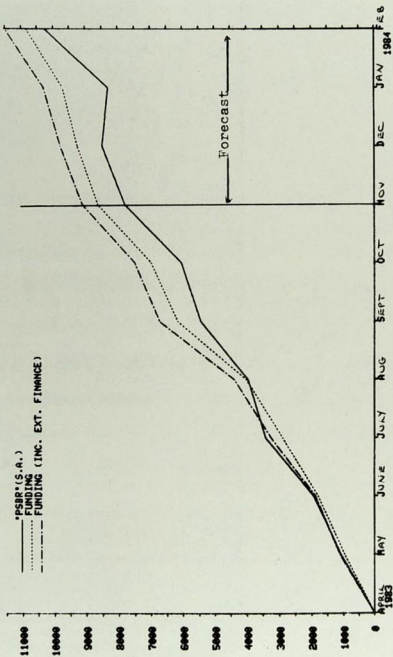
Table 6: The 'PSBR' and the Funding Position (see Chart 2)

	£ billions, seasonally adjusted			
	mid-Feb - mid-Nov (target period)	mid-April - mid-Nov	mid-Nov - mid-Feb	mid-April - mid-Feb
'PSBR'	+10.6	+7.8	+2.5	+10.3
Debt sales to NBFS(-)	- 9.2	-8.6	-2.3	-10.9
of which:				
Gilts	- 7.1	-6.9	-1.7	- 8.6
National Savings	- 2.1	-1.8	-0.7	- 2.5
CTDs	-	+0.1	+0.1	+ 0.2
Over(-)Underfunding(+)	+ 1.4(+2.4)	-0.8(-0.4)	+0.2(-1.8)	- 0.6(-2.2)
External finance of public sector(-)	- 0.8	-0.5	-0.2	- 0.7
Over(-)Underfunding(-) (alternative definition)	+ 0.6	-1.3	-	- 1.3

(figures in brackets are unadjusted)

CHART 2

"PSBR" AND FUNDING
MID-APRIL 1983-MID-FEB 1984 (CUMULATIVE)



Money Market Influences

21. Market shortages averaged less than £300m a day during banking November. Total money market influences were contractionary (£0.4 billion) with debt sales outweighing the £1 billion unadjusted CGBR. Money market operations largely took the form of commercial bill purchases by both Issue and Banking Departments and the outstanding stock of assistance rose £0.3 billion to nearly £8½ billion.

22. With the start of the main revenue gathering season, money market influences are forecast to be sharply contractionary over the next three months (see Table F). This ties in closely with the unadjusted funding position shown in table 6. Some unwinding of assistance may be possible in December, but in each of the subsequent two months we are expecting shortages of about £1-1½ billion. On this basis the outstanding stock of assistance would rise to just over £10 billion by mid-February. Depending on the precise timing of receipts and payments the total of funds supplied to the market could well be higher at particular times during the period. The total stock of eligible commercial paper in official and market hands was £12.7 billion at mid-November, the same as a year earlier, when the outstanding stock of assistance was about £½ billion larger.

Building Societies

23. Retail inflows into building societies remained high in banking November, reflecting very competitive terms on building society liabilities right across the range, from ordinary accounts to term shares, relative to the alternatives available from the banks or National Savings. For example, most societies are currently paying 8.25 per cent tax free to a basic rate taxpayer on 7-day notice accounts, compared with 3.85 per cent for a bank deposit account after basic rate tax. A large proportion of November inflows went into term shares, particularly the 2-year term share offering 1½ per cent above the ordinary share rate, but these accounts are now being withdrawn by some societies as they achieve their aim of reducing mortgage queues, and they are likely to disappear gradually as more societies find themselves in the position of financing increases in low earning assets (like gilts) with very expensive marginal funds.

24. Wholesale inflows were also strong during the month. Issues of time deposits, available to the societies since 1 October, increased slightly with purchases of £109m by the non-bank private sector compared with £89m in the previous banking month. Net issues of certificates of deposit were £74m, but net purchases by the monetary sector were £92m, implying that the non-bank private sector shed £18m net. Thus, while the societies have continued to use wholesale money as an important additional source of funds over and above their traditional retail inflows, it has not added directly to PSL2. However, banks' holdings of building society paper count as bank lending to the non-bank private sector and are a counterpart to £M3.

25. Retail inflows are expected to decline somewhat over the next three months, due to seasonal factors and to the withdrawal of 2-year term shares. (For the purposes of this forecast, we assume that building society interest rates remain at their present level throughout the period). The increase in time deposits and CDs held by the non-bank private sector is expected to continue at around £100m a month.

Table 7: Building Society Inflows

	Monthly rate, £m		
	<u>- mid-Sept</u>	<u>- mid-Nov</u>	Forecast: <u>mid-Nov</u> <u>- mid-Feb</u>
Total retail inflows (incl. interest credited)	1000	1300	1050
of which: term shares (outside PSL2)	240	500	300
Net issues of CDs and time deposits	190	190	180
of which: net purchases by NBPS (inside PSL2)	80	90	100

26. The latest available figures for building society mortgage lending and liquidity are for calendar October. Both gross and net advances continued at their recent monthly rates of about £1500m and £800m, but new commitments continued to rise to £1679m, reflecting

both an increase in mortgage demand and a continuing reduction in mortgage queues. Since mortgage commitments lag mortgage advances by 2-3 months, the higher level of commitments, which first occurred in September, is likely to be reflected in higher mortgage lending during calendar November and December. The average liquidity ratio which reached 18.4 per cent at the end of October - a level last exceeded in February this year - is therefore unlikely to increase as fast as it has in recent months, if at all. The combination of higher lending and lower expected inflows may explain the reported increased reluctance of the building societies (other than the Abbey National) to reduce their interest rates from 1 January.

Lending to the Private Sector

27. The growth in £ lending to the private sector was again unexpectedly high. The question is whether the sharp increases in the last two months are the first signs of a trend rise in borrowing or just a random fluctuation. In our forecast we have adopted the latter view although there must be a risk that this assumption is somewhat optimistic. Underlying lending is predicted to fall back a little over the next 3 months, though the erratic PSBR profile implies an uneven path in recorded lending. (See Chart 3).

28. The revised figures for the composition of total £ lending in Q3 confirm earlier indications that borrowing by ICCs has finally started to increase, albeit modestly. The composition of increases in total lending is given in table 8.

CHART 3

CHANGES IN RECORDED AND UNDERLYING TOTAL STERLING LENDING TO THE PRIVATE SECTOR (excluding building societies)

(6 month annualised rates of growth)

ACTUAL FORECAST

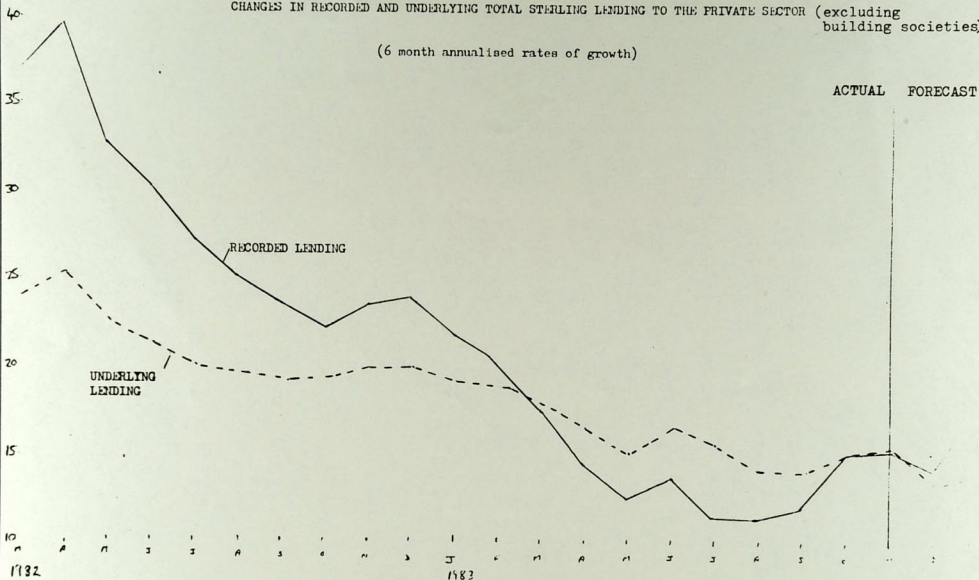


Table 8: The Composition of Changes in Total £ Lending to the Private Sector (excluding Building Societies)

calendar quarters, s.a.

Lending by sector as a % of the increase in total £ lending

	Persons		Businesses		OFIs	%Increase in total lending
	(a) House Purchase	(b) Consump- tion	(a) Unincor- porated businesses	(b) ICCs		
1982 Q3	27	15	13	34	10	29.7
Q4	34	29	6	11	21	17.6
1983 Q1	44	22	32	-25	27	10.0
Q2	30	18	26	1	25	13.7
Q3	30	21	19	8	22	16.5
Stock of lending to different sectors as % total stock in 1983 Q3:-						
	13	14½	15½	43	14½	

Lending to persons continues to grow extremely rapidly compared with lending to other sectors. It is difficult to say much about the sectoral composition of lending in the months since the end of Q3 as it was agreed that the London clearing banks need not provide this information while they adjust their lending classifications to coincide with the 1980 SIC. In any case this analysis would have been of little value this month, because the LCB parents' advances fell whereas total lending rose quite strongly. Given the behaviour of LCB advances (which are heavily weighted towards the personal sector), it is however a fair guess that much of the increase in lending has been to companies.

29. A number of other indicators also point to some increase in companies demand for credit. Most of companies' borrowing needs in the last two quarters have been met by foreign currency borrowing. This has risen very sharply, especially in Q3. Total currency borrowing seems to have risen more modestly in the last two banking months, but no sectoral breakdown is available.

Table 9: Borrowing by ICC's: Sterling and Foreign Currency

	£m, s.a.		
	Sterling	Foreign Currency	Total
1983 Q4	193	112	305
1983 Q1	-390	-286	-676
Q2	-150	263	113
Q3	412	1177	1589

Net new capital issues have showed signs of slowing down in the last three months, but they continue to run at an annual rate of £2½ billion, far in excess of recent years. At the same time, ICC's appear to be generating large internal surpluses, and their overall liquidity in the third quarter was exceptionally high according to the DOI survey of 200 large companies.

Table A: Percentage Changes in Monetary Aggregates
Seasonally adjusted data

Banking month	Wide monetary base (MO)	NIB M1	M1	M2*	Priv EM3	EM3	M3	PSL2	PSL2A
Outturn									
- June	+2.2	+1.2	+ 2.4	+1.0	+ 1.4	+ 1.7	+ 1.6	+ 1.1	+ 1.0
- July	-0.9	+1.2	- 0.4	+1.0	+ 0.7	+ 0.8	+ 0.9	+ 0.9	+ 0.8
- August	+0.7	-	+ 0.8	-0.5	+ 0.5	+ 0.2	+ 0.1	+ 0.8	+ 0.8
- September	+1.0	+0.9	- 0.2	+0.1	- 0.1	- 0.5	- 0.4	+ 0.2	+ 0.4
- October	-	+0.5	+ 1.5	+0.6	+ 1.3	+ 1.4	+ 1.8	+ 1.1	+ 1.3
- November	+1.0	+0.4	+ 0.6	+0.4	+ 0.2	+ 0.6	+ 0.9	+ 0.6	+ 0.8
Last 3 months at annual rate	+8.6	+7.3	+ 8.0	+4.7	+ 5.9	+ 6.5	+ 9.2	+ 7.5	+10.4
Last 9 months (target period) at annual rate	+7.4	+9.3	+12.1	+8.4	+10.4	+10.5	+10.6	+12.2	+12.5
Last 12 months	+6.9	+8.2	+11.9	+7.6	+10.0	+10.0	+11.3	+12.6	+13.0
Forecast									
(i) Percentage change in month									
- December)									
- January)	½ per cent					+ 0.8		+ 0.8	+ 0.9
- February)	a month					+ 0.8		+ 1.1	+ 1.2
						+ 0.8		+ 1.2	+ 1.3
(ii) Percentage change since Feb 1983 (annual rate)									
- December			+12.1			+10.5		+12.0	+12.4
- January			+12.2			+10.5		+12.3	+12.6
- February	+7.1		+12.2			+10.4		+12.6	+12.9

*Revised definition; not seasonally adjusted

SECRET AND PERSONAL UNTIL 2.30PM, THURSDAY 15 DECEMBER 1983)

Table B: EM3 Counterparts

	NOVEMBER		Forecast			Target Period:	
	Forecast	Outturn	Dec	Jan	Feb	mid Feb 83 to mid - Feb 84	mid - April 83 to mid - Feb 84
1. CGBR							
(a) Own-account	+1495	+1574	+ 205	- 255	+2020	+10,402	+ 8,786
(b) On-lending	- 45	- 75	+ 770	+ 410	+ 110	+ 5,628	+ 3,548
TOTAL	+1450	+1499	+ 975	+ 155	+2130	+16,030	+12,334
2. Net purchases of CG debt by NBPS							
(a) Gilts	- 550	-1140	- 405	- 305	- 950	- 8,717	- 8,562
(b) Treasury bills	-	+ 2	-	-	-	- 27	- 33
(c) National Savings	- 415	- 422	- 220	- 290	- 210	- 2,838	- 2,513
(d) CTDs, etc	- 95	- 86	- 5	+ 130	+ 25	+ 129	+ 282
TOTAL	-1060	-1646	- 630	- 465	-1135	-11,453	-10,826
3. Other public sector							
(a) Local authorities	+ 90	- 75	- 530	- 380	- 190	- 2,766	- 2,093
(b) Public corporations	+ 290	+ 322	+ 250	+ 65	+ 10	- 133	+ 11
TOTAL	+ 380	+ 247	- 280	- 315	- 180	- 2,899	- 2,082
4. £ lending to private sector	+ 900	+1224	+1180	+1765	+ 465	+12,062	+11,228
(adjusted lending)	(+1050)	(+1635)	(+1075)	(+1075)	(+1055)		
5. Net externals	- 250	- 247	- 155	- 50	- 250	- 1,479	- 1,644
6. Net non-deposit liabilities	- 250	- 464	- 250	- 250	- 250	- 2,607	- 1,878
TOTAL EM3	+1170	+ 613	+ 840	+ 840	+ 780	+ 9,654	+ 7,132
% change in period	+ 1.2	+ 0.6	+ 0.8	+ 0.8	+ 0.8	+10.4	

SECRET (AND PERSONAL UNTIL 2.30 PM THURSDAY 15 DECEMBER 1983)

TABLE C: COMPONENTS OF M1 AND £M3

	(£ million, seasonally adjusted)	
	<u>banking November</u>	<u>Cumulative total since mid-February</u> %
notes and coin in circulation	+ 80	+ 519 (6.3)
non-interest-bearing £ sight deposits	+ 41	+1479 (11.2)
<hr/>		
NIB M1	+121	+1998 (9.3)
interest bearing £ sight deposits	+129	+1456 (20.1)
<hr/>		
M1	+250	+3454 (12.1)
private sector £ time deposits and £CDs	- 14	+3561 (9.2)
<hr/>		
private sector £M3	+236	+7015 (10.4)
public sector £ deposits	+377	+ 179 (11.1)
<hr/>		
£M3	+613	+7194 (10.5)

(Figures in brackets show % change at annual rate over target period)

SECRET AND PERSONAL UNTIL 2.30 PM, THURSDAY 15 DECEMBER 1983)

Table D : Gilts

	£ million					
	<u>Outturn</u> <u>NOV</u>	<u>DEC</u> <u>to date</u>	<u>Remainder</u> <u>of DEC</u>	<u>DEC</u>	<u>Forecast</u> <u>JAN</u>	<u>FEB</u>
Calls*	+ 613	+ 342	+ 320	+ 662	+ 248	-
Other 'gross' sales	+ 732	+ 317	+ 271	+ 588	+1002	+1250
'GROSS' SALES	+1345	+ 659	+ 591	+1250	+1250	+1250
Buying-in next maturities [†]	- 471	- 73	- 2	- 75	- 550	-
Redemptions	-	- 324	- 341	- 665	- 235	-
TOTAL NET SALES	+ 874	+ 262	+ 248	+ 510	+ 465	+1250
Purchases (-) by:						
Overseas	+ 43			- 50	- 50	- 100
Banks	+ 274			} - 55	- 110	- 200
LDMA	- 45					
Public Corporations	- 6				-	-
NET SALES TO NBPS (+)	+1140			+ 405	+ 305	+ 950
* of which calls on:						
-10% Exchequer 1989			+ 270		+ 248	
-2½% I-L 2020			+ 50			
† of which, buying in of:						
-5½% Funding 82/84				- 75		
-11½% Exchequer 1984					- 550	

Table E : Sterling lending to the private sector

	£ million					
	Actual			Forecast		
	Sept	Oct	Nov	Dec	Jan	Feb
Adjusted lending	+561	+1419	+1635	+1075	+1075	+1055
Bills held by NBPS(-)	+209	+94	-28	-	+100	-
PSBR offset	-184	+359	-383	+105	+590	-590
Interest-charging	+310	-310	-	-	-	-
Round-tripping	-	-	-	-	-	-
Actual/forecast recorded lending	+896	+1562	+1224	+1180	+1765	+465
Centered 3-month moving average of adjusted lending	+985	+1205	+1376	+1262	+1068	

Table F: Money Market Influences

	£ million not seasonally adjusted			
	Actual		Forecast	
	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>
CGBR (increase +)	+1010	+2180	-1130	- 80
Reserves etc (+)	+ 84	+ 10	- 80	+ 10
Notes and coin (-)	- 47	- 835	+ 755	- 75
National Savings (-)	- 378	- 195	- 300	- 240
CTDs (-)	- 5	- 60	+ 300	+ 250
Gilts (-)	- 874	- 510	- 465	-1250
Other Exchequer items etc	- 175	-	-	-
	—	—	—	—
TOTAL MONEY MARKET INFLUENCES (Market surplus + / shortage -)	- 385	+ 590	- 920	-1385
Change in bankers' balances	+ 64	- 30	-	-
	—	—	—	—
MONEY MARKET OPERATIONS REQUIRED	+ 449	- 620	+ 920	+1385
	==	==	==	==

SECRET

ANNEX

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
TARGET AGGREGATES									
EM3 Monthly change (£ millions)	+945	+1,577	+540	+1,611	+796	+157	-460	+1,415	+613
Monthly % change	+1.0	+1.7	+0.6	+1.7	+0.8	+0.2	-0.5	+1.4	+0.6
3-monthly % change A.R.	+10.7	+14.3	+13.8	+16.9	+12.9	+11.1	+2.0	+4.6	+6.5
6-monthly % change A.R.	+9.9	+10.6	+11.2	+13.7	+13.6	+12.5	+9.2	+8.7	+8.8
12-monthly % change	+10.2	+11.5	+11.0	+11.7	+12.5	+11.5	+9.6	+9.6	+10.0
% change since Feb-82 A.R.	+10.4	+11.2							
% change since Feb-83 A.R.	+12.9	+17.4	+13.8	+15.9	+14.7	+12.5	+9.7	+10.8	+10.5
M1 Monthly change (£ millions)	+464	+463	+578	+954	-153	+347	-82	+633	+250
Monthly % change	+1.2	+1.2	+1.5	+2.4	-0.4	+0.8	-0.2	+1.5	+0.6
3-monthly % change A.R.	+11.8	+12.9	+16.5	+22.0	+14.6	+11.9	+1.1	+9.1	+8.0
6-monthly % change A.R.	+13.9	+10.6	+13.8	+16.8	+13.8	+14.2	+11.0	+11.8	+9.9
12-monthly % change	+13.3	+14.9	+16.0	+15.9	+15.0	+13.8	+12.4	+11.2	+11.9
% change since Feb-82 A.R.	+12.1	+12.3							
% change since Feb-83 A.R.	+15.3	+15.2	+16.5	+20.3	+14.9	+14.2	+11.6	+12.7	+12.1
PSL2 Monthly change (£ millions)	+2,257	+3,069	+1,048	+1,655	+1,364	+1,233	+261	+1,689	+993
Monthly % change	+1.5	+2.0	+0.7	+1.1	+0.9	+0.8	+0.2	+1.1	+0.6
3-monthly % change A.R.	+18.8	+22.6	+18.1	+16.0	+10.9	+11.3	+7.4	+8.2	+7.5
6-monthly % change A.R.	+12.3	+14.9	+15.9	+17.4	+16.6	+14.7	+11.6	+9.5	+9.4
12-monthly % change	+10.1	+11.3	+11.5	+11.9	+13.0	+13.0	+12.0	+12.2	+12.6
% change since Feb-82 A.R.	+10.3	+11.4							
% change since Feb-83 A.R.	+19.6	+23.3	+18.1	+16.9	+15.7	+14.7	+12.7	+12.8	+12.2
Levels : EM3	93,878	95,447	95,950	97,523	98,296	98,417	98,018	99,436	100,058
M1	39,212	39,663	40,209	41,140	40,963	41,286	41,204	41,814	42,041
PSL2	152,397	155,446	156,443	158,035	159,345	160,516	160,812	162,482	163,462

SECRET

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
THE WIDE MONETARY BASE									
<u>MO</u> Monthly change (£ millions)	+160	-60	+56	+275	-110	+91	+131	+4	+130
Monthly % change	+1.3	-0.5	+0.5	+2.2	-0.9	+0.7	+1.0	-	+1.0
3-monthly % change A.R.	+7.0	+5.7	+5.2	+9.0	+7.3	+8.5	+3.6	+7.4	+8.6
6-monthly % change A.R.	+5.8	+5.2	+5.3	+8.0	+6.5	+6.8	+6.3	+7.4	+8.6
12-monthly % change	+5.7	+5.7	+6.2	+7.3	+6.0	+6.4	+6.0	+6.3	+6.9
% change since Feb-82 A.R.	+4.7	+4.0							
% change since Feb-83 A.R.	+16.8	+5.0	+5.2	+10.9	+6.4	+6.8	+7.7	+6.8	+7.4
'Wide Monetary Base' (MO)									
Notes and coin in circulation (S.A.)	+85	+26	+41	+99	-30	+71	+106	+41	+80
Banks' Till money (NFT) (S.A.)	-16	-31	+56	+49	+25	-10	+24	-23	-14
Operational Bankers' Balances	+91	-55	-61	+127	-145	+30	+1	-16	+66
Total MO (S.A.)	+160	-60	+56	+275	-110	+91	+131	+6	+130
Levels (S.A.)	+12,420	+17,350	+12,394	+12,664	+12,558	+12,646	+12,777	+12,781	+12,910
OTHER NARROW MEASURES									
<u>NIB M1</u> Monthly change (£ millions)	+530	+99	+105	+360	+365	+3	+271	+144	+121
Monthly % change	+1.8	+0.3	+0.4	+1.2	+1.2	-	+0.9	+0.5	+0.4
3-monthly % change A.R.	+8.0	+14.7	+10.6	+7.9	+11.7	+10.2	+8.8	+5.6	+7.3
6-monthly % change A.R.	+9.9	+1.3	+7.7	+8.0	+13.2	+10.4	+8.3	+8.6	+8.7
12-monthly % change	+10.9	+11.3	+11.5	+10.5	+10.7	+10.2	+9.1	+4.9	+8.2
% change since Feb-82 A.R.	+10.0	+9.6							
% change since Feb-83 A.R.	+24.4	+13.8	+10.6	+11.8	+12.6	+10.4	+10.5	+9.9	+9.3
Seasonally Adj. (not to be quoted)									
<u>M2</u> Monthly changes (£ millions)	+1,370	+950	+936	+936	+691	-67	+382	+457	+822
Levels	108274	109211	110115	111029	111696	111605	111982	112416	113683
Monthly % change	+1.3	+0.9	+0.9	+0.9	+0.6	-0.1	+0.3	+0.4	+0.7
% change since Feb-82 A.R.	+5.8	+6.1							
% change since Feb-83 A.R.	+16.5	+13.7	+12.7	+12.2	+11.3	+9.2	+8.5	+8.0	+8.2

SECRET

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
OTHER WIDE MEASURES									
<u>M3</u> Monthly change (£ millions)	+1,255	+1,318	+334	+1,800	+1008	+153	-474	+1,972	+997
Monthly % change	+1.2	+1.2	+0.3	+1.6	+0.9	+0.1	-0.4	+1.8	+0.9
3-monthly % change A.R.	+13.2	+15.9	+11.4	+13.5	+12.0	+11.3	+2.5	+6.0	+9.2
6-monthly % change A.R.	+14.6	+13.1	+12.4	+13.3	+13.9	+11.3	+7.8	+9.0	+10.2
12-monthly % change	+13.3	+12.7	+12.1	+13.1	+13.1	+12.3	+11.2	+11.0	+11.3
% change since Feb-82 A.R.	+13.3	+13.4							
% change since Feb-83 A.R.	+15.1	+15.4	+11.4	+13.9	+13.4	+11.3	+8.8	+10.6	+10.6
<u>£M3 Excl Public Sector Deposits (S.A.)</u>									
Monthly change (£ millions)	+1,050	+1,667	+550	+1,276	+635	+434	-59	+1,210	+236
Monthly % change	+1.7	+1.8	+0.6	+1.4	+0.7	+0.5	-0.1	+1.3	+0.2
% change since Feb-83 A.R.	+14.8	+19.4	+15.2	+15.6	+14.3	+12.8	+10.7	+11.4	+10.4
<u>PSL1</u> Monthly change (£ millions)	+1,303	+2,173	+306	+1,169	+444	+564	-183	+1,278	+362
Monthly % change	+1.4	+2.3	+0.3	+1.2	+0.4	+0.6	-0.2	+1.3	+0.4
3-monthly % change A.R.	+12.7	+20.5	+17.1	+16.2	+8.1	+9.2	+3.4	+6.8	+6.0
6-monthly % change A.R.	+8.7	+11.5	+12.5	+14.4	+14.1	+13.1	+9.6	+7.5	+7.6
12-monthly % change	+9.5	+10.6	+10.4	+10.7	+11.4	+10.8	+9.1	+9.4	+10.0
% change since Feb-82 A.R.	+9.9	+11.2							
% change since Feb-83 A.R.	+17.9	+24.3	+17.1	+16.6	+14.3	+13.1	+10.7	+11.4	+10.6
<u>PSL2A</u> Monthly change (£ millions)	+2,325	+3,118	+1,044	+1,677	+1,495	+1,333	+802	+2,270	+1,416
Monthly % change	+1.4	+1.8	+0.6	+1.0	+0.8	+0.8	+0.4	+1.3	+0.8
3-monthly % change A.R.	+18.3	+20.8	+16.4	+14.4	+10.1	+10.7	+8.5	+10.3	+10.4
6-monthly % change A.R.	+14.1	+15.5	+15.6	+16.3	+15.3	+13.5	+11.4	+10.2	+10.6
12-monthly % change	+13.1	+13.8	+13.7	+13.7	+14.1	+13.7	+12.7	+12.8	+13.0
% change since Feb-82 A.R.	+13.1	+13.9							
% change since Feb-83 A.R.	+17.9	+21.1	+16.4	+15.3	+14.4	+13.5	+12.3	+12.8	+12.5

Monetary growth since mid February 1983

CHART 4

