

Po - CH / NL / 0129

PART A

Part A.

SECRET

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Begins: 16/1/87.
Ends: 24/4/87.



PO -CH /NL/0129



PART A

Chancellor's (Lawson) Papers:

TRADE FIGURES FOR 1987

Disposal Directions: 25 Years

Phillips

22/8/95.

6210 /NL/0129

PO -CH

PART A



1 Alex
2 Paul

C/ You asked for an informal indication of the export figures. Figures still not confirmed, but indications are that total exports in Dec. will be pretty much as in Nov, and exports of manufactures a little up on November.

CE 20/1

Thakur

Ring back



*Is Plan
an
change of
direction
Plan?*

16/1/87

To Minister for Trade

cc Circulation attached

From Peter Stibbard
US/S2
V/260 Ext. 4872

16 January 1987

*You asked earlier
in the week when
this was due*

CR 16,

OVERSEAS TRADE - EXPORTS IN DECEMBER

The weather has caused staffing difficulties at Southend, where the Customs Statistical Office is located. This has delayed the processing of the export figures for December. Therefore the usual separate note on exports, due on Monday 19 January, will not be circulated this month.

Providing there are no further staffing difficulties at Southend, December exports will be covered, together with December imports, in the note due to be circulated on Thursday 22 January.

P J STIBBARD

CIRCULATION LIST

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	23	Mr W E Boyd)
	24	Mr E J Wright)
	25	Mr A R Hewer)
			Dept of Trade and
			Industry
	26	Miss C Siddell)
	27	Miss H Chapman)
	28	Mr D Packer)

*1. Ad
2 pur*



To: MINISTER FOR TRADE

From: P J STIBBARD
US/S2
V/260 Ext. 4872

22 January 1987

Handwritten red signature/initials

Copy No. (3) 28

OVERSEAS TRADE FIGURES FOR DECEMBER

THE CURRENT ACCOUNT

In December exports were valued at £6.5 billion and imports at £7.3 billion so that visible trade, seasonally adjusted on a balance of payments basis, showed a deficit of £0.8 billion compared with a deficit of £1.0 billion in November.

The Central Statistical Office project a surplus on invisibles of £800 million in December. Therefore the current account is provisionally estimated to have been in broad balance in December compared with a deficit of £0.2 billion in November. For 1986 as a whole the current account shows a deficit of £0.2 billion, which is in line with the 'partly forecast' and rounded estimate in the Autumn Statement (Table 1.3).*

TABLE 1: CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Table 2 of Press Notice)

	Current Account Balance	Visible Trade Balances			Invisibles Balance
		Total	Oil	Non-oil	
1985	+3549	-2111	+8163	-10274	+5660
1986	- 187A	-8680	+4144	-12824	+8493A
1986 Q3	- 781	-3034	+ 688	- 3722	+2253
Q4	- 229A	-2629	+ 778	- 3407	+2400A
1986 Oct	- 35A	- 835	+ 184	- 1019	+ 800A
Nov	- 232A	-1032	+ 334	- 1366	- 800A
Dec	+ 38A	- 763	+ 259	- 1022	+ 800A

Seasonally adjusted
Balance of Payments
Basis
£ million

A = Projection



In the fourth quarter of 1986 there was a deficit on visible trade of £2.6 billion - a surplus on trade in oil of £0.8 billion offset by a deficit on non-oil trade of £3.4 billion. Between the third and fourth quarters, the visible trade balance improved by £0.4 billion - the surplus on oil increased by £0.1 billion and the deficit on non-oil trade was reduced by £0.3 billion.

In the year 1986, visible trade showed a deficit of £8.7 billion compared with a deficit of £2.1 billion in 1985. The increased deficit reflects a £4.0 billion decrease in the surplus on oil and a £2.6 billion deterioration of the deficit on non-oil trade.

EXPORTS

The value of exports in December was little changed from that in November. Exports of oil increased by £16 million; exports of the erratic items were little changed. Excluding oil and the erratic items exports were broadly the same in December as in November.

In the fourth quarter of 1986, export volume was 5 per cent higher than in the third quarter and 9 per cent higher than in the fourth quarter of 1985. Excluding oil and the erratic items export volume increased by 6 per cent in the latest quarter and the upward trend in non-oil export volume continues.

Between 1985 and 1986 as a whole, export volume is provisionally estimated to have increased by 3½ per cent.

TABLE 2: EXPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

	Dop Basis, Seasonally Adjusted			
	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total Less Oil and erratics	Total	Total less Oil and erratics
1985	78051	57710	118.6	115.0
1986	72663	59198	122.9	117.4
1986 Q3	17517	14853	123.3	118.0
Q4	19235	15872	129.6	125.1
1986 Oct	6206	5155	125.3	120.8
Nov	6515	5366	131.5	127.3
Dec	6513	5350	132.0	127.4



By value, exports increased by 10 per cent in the latest quarter. Exports to the developed countries were up by 12 per cent while exports to the developing countries were up by 1½ per cent. Within the total for developed countries deliveries to the European Community grew by 13 per cent and those to North America were up by 15 per cent. For the developing countries there was a fall of 5 per cent in exports to the oil-exporting countries and an increase of 6 per cent to other destinations.

IMPORTS

The value of imports in December was £271 million (3½ per cent) lower than in November. Imports of the erratic items fell by £49 million while imports of oil rose by £91 million. Excluding oil and the erratic items, imports decreased by 4½ per cent between November and December.

In the fourth quarter of 1986, total import volume was 3 per cent higher than in the third quarter and 12 per cent higher than a year earlier. Excluding oil and the erratic items import volume increased by 3½ per cent in the latest quarter. The upward trend in the underlying level of non-oil import volume continues.

Between 1985 and 1986 as a whole, import volume is provisionally estimated to have increased by 6½ per cent.

TABLE 3: IMPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

	Bop Basis, Seasonally Adjusted			
	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total less oil and erratics	Total	Total less oil and erratics
1985	80162	68730	125.8	142.7
1986	81343	73626	134.2	151.2
1986 Q3	20551	18823	139.1	155.1
Q4	21864	19880	143.3	160.8
1986 Oct	7041	6293	140.6	153.1
Nov	7547	6950	146.8	168.3
Dec	7276	6637	142.4	161.0



By value, imports increased by $6\frac{1}{2}$ per cent in the latest quarter. Imports from the developed countries also increased by $6\frac{1}{2}$ per cent with arrivals from the European Community up by $4\frac{1}{2}$ per cent, arrivals from North America up by 13 per cent and arrivals from the 'other developed' countries (including Japan) up by $5\frac{1}{2}$ per cent. Imports from the developing countries rose by $9\frac{1}{2}$ per cent in the latest quarter.

TRADE IN MANUFACTURES

Estimates of trade in manufactures on a balance of payments basis will be published in this month's press notice. On present estimates there was a deficit on trade in manufactures in the fourth quarter of 1986 of £1.8 billion compared with a deficit of £1.9 billion in the third quarter. For 1986 as a whole, trade in manufactures is provisionally estimated to have been in deficit by £5.9 billion compared with £3.0 billion for 1985.

TABLE 4: TRADE IN MANUFACTURES (SITC 5-8) (Table 16 of Press Notice, quarterly data only)

	£ million Seasonally Adjusted Balance of Payments Basis		
	Exports	Imports	Balance
1985	52280	55297	- 3017
1986	54278	60130	- 5852
1986 Q3	13438	15380	- 1942
Q4	14498	16326	- 1828
1986 Oct	4672	5200	- 528
Nov	4875	5713	- 838
Dec	4952	5414	- 462

PUBLICATION

The press notice with the December figures is scheduled for release at 11.30am on Wednesday 28 January.

P J STIBBARD

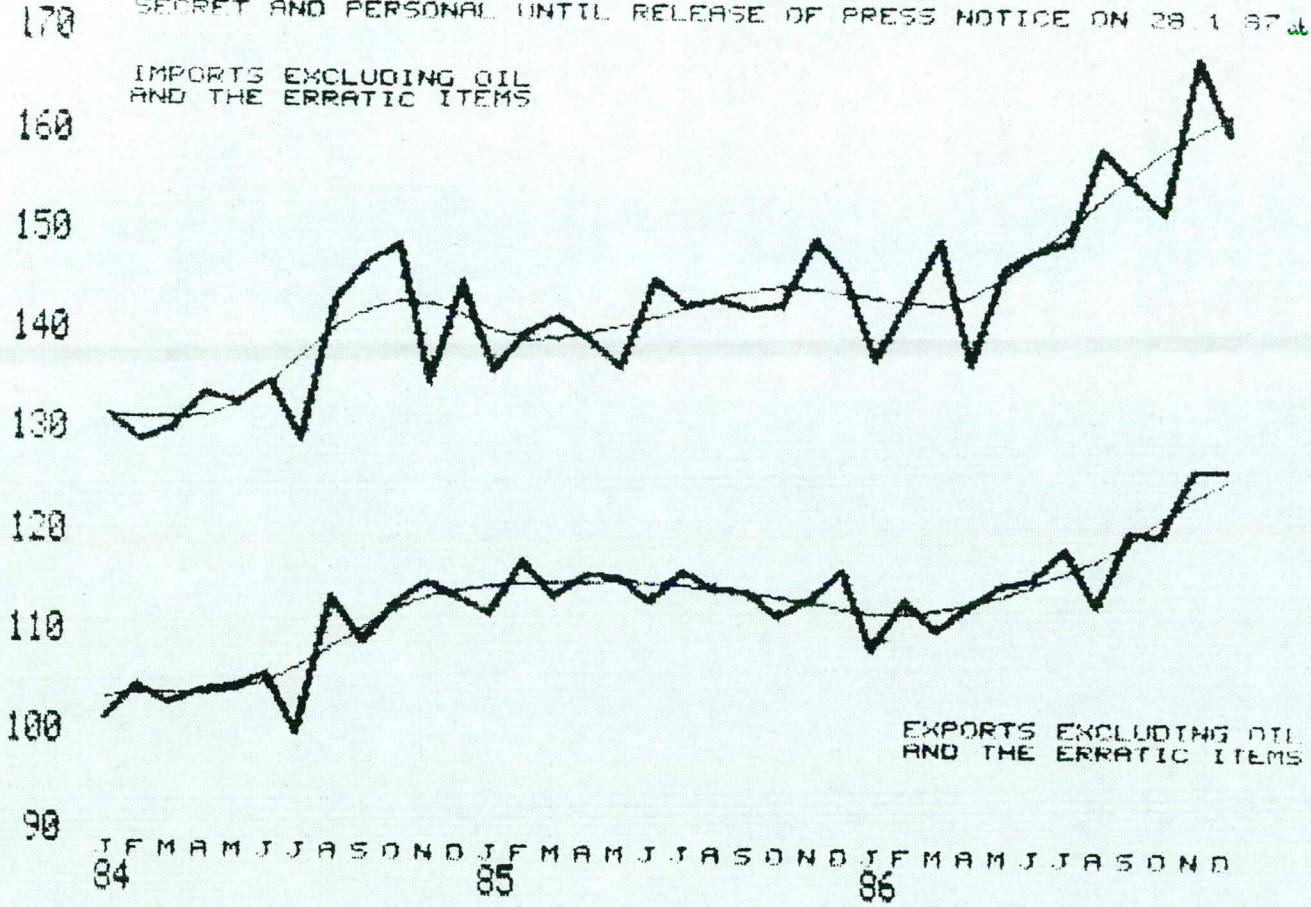


* The components of current account, as expressed in Autumn Statement Table 1.3, are compared below.

	£ billion				
	<u>Visible Trade Balances</u>			Invisibles	Current
	<u>Manufactures</u>	<u>Oil</u>	<u>Other</u> <u>Goods</u>	<u>Balance</u>	<u>Account</u> <u>Balance</u>
<u>1986</u>					
First estimate of outturn	-5.9	+4.1	-7.0	+8.5	-0.2
Autumn Statement forecast	-5½	+4	-7	+8½	0

VOLUME INDICES

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 28.1.87 at 1130am



— = VOLUME INDEX — = TREND
 BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

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Dept of Trade and
Industry

COVERING SECRET AND PERSONAL



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Mr A Allan ✓
Principal Private Secretary
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1 3AG

23 January 1987

I am attaching a copy of the draft Press Notice on the Current Account of the United Kingdom Balance of Payments in December. The draft was agreed earlier today at the usual interdepartmental meeting.

Publication is set for Wednesday 28 January at 11.30 am and I should be grateful if you would arrange for the Notice to be cleared by 12.00 noon Tuesday 27 January and to inform me accordingly.

A copy of this letter and draft Press Notice is being sent to Sir Peter Middleton and Mr King, H M Treasury.

Yours sincerely

W. E. Boyd

W E BOYD

This needs for budget press on a

	Q III	Q IV
Current account	-781	-229
% volume changes QIV/QIII		
Exports		
Imports		
Total less oil & emats	+6	+3 1/2
Manufs. less emats	+5	+3 1/2
% volume changes QIV/QIV 1985		
Total less ore	+9 1/2	+9 1/2
[Manufs less e	+6	+9 1/2]

So where is plunge towards crisis?

AA

THE CURRENT ACCOUNT OF THE UNITED KINGDOM

BALANCE OF PAYMENTS

DECEMBER AND YEAR 1986

The current account for December is estimated to have been in surplus by £38 million compared with a deficit of £232 million in November. In 1986 as a whole, the current account is provisionally estimated to have been in deficit by £187 million.

In December, exports were valued at £6513 million and imports at £7276 million so that trade in goods was in deficit by £763 million.

In 1986 as a whole visible trade is estimated to have been in deficit by £8.7 billion.

The balance on invisibles in December is projected to be in surplus by £800 million, a large surplus on the transactions of the private sector and public corporations being partly offset by a deficit on Government transactions.

FOURTH QUARTER 1986

In the fourth quarter of 1986 the current account showed a deficit of £0.2 billion compared with a deficit of £0.8 billion in the third quarter. There was a deficit on visible trade of £2.6 billion compared with a deficit of £3.0 billion in the third quarter. The surplus on invisibles in the latest quarter is projected at £2.4 billion.

CURRENT ACCOUNT

TABLE 1

£ million, Seasonally adjusted

	Current Balance	Visible Trade			Invisibles Balance ^b
		Balance	Exports fob	Imports fob	
1985	+ 3549	- 2111	78051	80162	+ 5660
1986	- 187 ^a	- 8680	72663	81343	+ 8493 ^a
1985 Q4	+ 604	- 292	19006	19299	+ 896
1986 Q1	+ 549	- 1437	18122	19560	+ 1986
Q2	+ 275	- 1579	17789	19368	+ 1854
Q3	- 781	- 3034	17517	20551	+ 2253
Q4	- 229 ^a	- 2629	19235	21864	+ 2400 ^a
1986 July	+ 115	- 636	5978	6614	+ 751
Aug	- 763	- 1514	5468	6981	+ 751
Sept	- 134	- 885	6072	6956	+ 751
Oct	- 35 ^a	- 835	6206	7041	+ 800 ^a
Nov	- 232 ^a	- 1032	6515	7547	+ 800 ^a
Dec	+ 38 ^a	- 763	6513	7276	+ 800 ^a

^a Invisibles for October to December are projections.

^b Monthly figures are one third of the appropriate calendar quarter's estimate or projection. Information relating to credits and debits can be found in Table 3.

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VISIBLE TRADE IN DECEMBER 1986

There was a deficit on visible trade in December of £763 million compared with a deficit of £1032 million in November. The surplus on oil fell by £75 million to £259 million while the deficit on non-oil trade was reduced by £344 million.

At £6513 million, exports in December were little changed from November. Exports of oil increased by £16 million : exports of the erratic items were little changed. Excluding oil and the erratic items, exports remained about the same in December as in November.

Total imports were valued at £7276 million which was £271 million ($3\frac{1}{2}$ per cent) lower than in November. Imports of the erratic items fell by £49 million while imports of oil rose by £91 million. Excluding oil and the erratic items imports decreased by $4\frac{1}{2}$ per cent between November and December.

RECENT TRENDS

Visible balance

In the fourth quarter of 1986, there was a deficit on visible trade of £2.6 billion - a surplus on trade in oil of £0.8 billion off-set by a deficit on non-oil trade of £3.4 billion. Between the third and fourth quarters the overall deficit on visible trade was reduced by £0.4 billion - an increase in the surplus on oil of £0.1 billion and a reduction in the deficit on non-oil trade of £0.3 billion. Visible trade in the year 1986 is estimated to have been in deficit

by £8.7 billion compared with a deficit of £2.1 billion in 1985.

Exports

Exports were valued at £19.2 billion in the fourth quarter, £1.7 billion (10 per cent) more than in the third quarter. Exports of oil increased by £0.3 billion between the two quarters and exports of the erratic items increased by £0.4 billion. Excluding oil and the erratic items exports were up 7 per cent in the latest quarter. Within the total, exports of the food, beverages and tobacco sector remain high (up by 9 per cent between the two quarters); exports of manufactures increased by 8 per cent.

By volume, exports increased by 5 per cent in the latest quarter to be 9 per cent up on the fourth quarter of 1985. Excluding oil and the erratic items export volume increased by 6 per cent between quarters three and four and the upward trend in non-oil export volume continues.

By volume exports increased by $3\frac{1}{2}$ per cent between 1985 and 1986. The corresponding increase in manufactures excluding the erratic items was 1 per cent.

Imports

Total imports were valued at £21.9 billion in the fourth quarter, £1.3 billion ($6\frac{1}{2}$ per cent) more than in the third quarter. Imports of oil increased by £0.2 billion while imports of the erratic items were little changed. Excluding oil and the erratic items imports

grew by $5\frac{1}{2}$ per cent in the latest quarter. Imports of manufactures increased by 6 per cent.

By volume, imports increased by 3 per cent in the fourth quarter to be 12 per cent higher than a year earlier. Excluding oil and the erratic items, import volume grew by $3\frac{1}{2}$ per cent between the two quarters. The upward trend in the underlying level of non-oil import volume continues.

Between 1985 and 1986 as a whole, total import volume is provisionally estimated to have risen by $6\frac{1}{2}$ per cent. The corresponding increase in imports of manufactures excluding the erratic items was 6 per cent.

Terms of trade and unit values

The terms of trade index fell by 2 per cent between the third and fourth quarter of 1986 with the export unit value index rising by $2\frac{1}{2}$ per cent and the import unit value index rising by $4\frac{1}{2}$ per cent. Compared with the same period a year ago, the export unit value index is down $1\frac{1}{2}$ per cent and the import unit value index is down 1 per cent. As a result the terms of trade index is now $\frac{1}{2}$ per cent lower than a year ago.

Export unit values for fuels increased by 16 per cent between the third and fourth quarter of 1986 while the unit value index for non-oil exports increased by 2 per cent. Within the total for non-oil exports, the unit values for manufactures increased by 1 per cent.

The import unit values for fuels increased by $7\frac{1}{2}$ per cent in the fourth quarter while the unit value index for non-oil imports increased by $3\frac{1}{2}$ per cent. Import unit values for finished manufactures increased by $4\frac{1}{2}$ per cent while those for semi-manufactured goods increased by 3 per cent.

Analysis by area

Exports to the developed countries grew by 12 per cent between the third and fourth quarters while exports to the developing countries grew by $1\frac{1}{2}$ per cent. Within the total for developed countries, deliveries to the European Community rose by 13 per cent and those to North America rose by 15 per cent. Among the developing countries there was a fall of 5 per cent in exports to the oil-exporting countries and an increase of 6 per cent to other destinations.

Imports from the developed countries increased by $6\frac{1}{2}$ per cent between the third and fourth quarter, with imports from the European Community up by $4\frac{1}{2}$ per cent, imports from North America up by 13 per cent and a $5\frac{1}{2}$ per cent increase in imports from the 'other developed' countries. Imports from the developing countries increased by $9\frac{1}{2}$ per cent in the latest quarter.

NOTES TO EDITORS

REVISIONS

1 Estimates of visible trade are derived from a continuous and comprehensive coverage of Customs documents. Revisions to the basic data are infrequent and usually small. Larger revisions, particularly relating to recent periods, occur in the annual review of seasonal adjustment calculations which takes effect in the press notice covering the January figures.

2 Estimates of the invisibles account are based on quarterly and annual inquiries addressed to a sample of those engaging in the relevant transactions. In some parts of the account the information available is incomplete and subject to significant errors of estimation. Monthly figures of the invisibles balance are quarterly estimates and projections, expressed at a monthly rate. For the most recent months, the figures are projections - rounded to the nearest £100 million to emphasise their likely margins of error - which are superseded by figures from the quarterly balance of payments estimates published in early March, June, September and December. If there is strong evidence from early quarterly information that the first quarterly estimates will differ substantially from the latest published projections, a revised set of projections is included in the monthly press notice prior to the issue of the quarterly estimates. A short article on estimates and projections of the monthly invisible balance was published in the December issue of Economic Trends.

STANDARD NOTES

4 The standard notes describe the differences between the Balance of Payments (BOP) and the Overseas Trade Statistics (OTS) bases of compilation. Copies can be obtained from the address below.

AREA (tables 11 and 15)

5 Low value consignments ie items of an individual value less than £475, are not analysed by country and are therefore excluded from the area data in tables 11 and 15.

6 In addition the method of seasonal adjustment leads to further differences between the sum of areas and figures for total trade.

MONTHLY REVIEW OF EXTERNAL TRADE STATISTICS

7 3 The Monthly Review supplements the information contained in this Press Notice. It gives longer historical runs of data and contains charts, tables on the UK Balance of Payments, UK exports and imports on an Overseas Trade Statistics basis, and certain international comparisons. The Monthly Review is available from the Department of Trade and Industry at the address given below for an annual subscription of £38 or £3 per copy.

Enquiries about the Standard Notes, and the Monthly Review, should be addressed to S2A, Room 255, Department of Trade and Industry, 1 Victoria Street, London SW1H 0ET, Telephone: 01-215 4895.

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CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Balance of Payments basis)

£ million seasonally adjusted

	Current Balance	Visible Trade					Invisible Balance ^b
		Exports fob	Imports fob	Visible Balance	of which		
					Oil	Non-Oil	
1985	+ 3549	78051	80162	- 2111	+ 8163	- 10274	+ 5660
1986	- 187 ^a	72663	81343	- 8680	+ 4144	- 12824	+ 8493 ^a
1985 Q4	+ 604	19006	19299	- 292	+ 1893	- 2185	+ 896
1986 Q1	+ 549	18122	19560	- 1437	+ 1929	- 3367	+ 1986
Q2	+ 275	17789	19368	- 1579	+ 750	- 2328	+ 1854
Q3	- 781	17517	20551	- 3034	+ 688	- 3722	+ 2253
Q4	- 229 ^a	19235	21864	- 2629	+ 778	- 3407	+ 2400 ^a
1986 Apr	+ 350	6049	6317	- 268	+ 268	- 536	+ 618
May	- 63	5890	6571	- 681	+ 215	- 895	+ 618
June	- 12	5850	6480	- 630	+ 267	- 897	+ 618
July	+ 115	5978	6614	- 636	+ 240	- 876	+ 751
Aug	- 763	5468	6981	- 1514	+ 180	- 1694	+ 751
Sept	- 134	6072	6956	- 885	+ 268	- 1152	+ 751
Oct	- 35 ^a	6206	7041	- 835	+ 184	- 1019	+ 800 ^a
Nov	- 232 ^a	6515	7547	- 1032	+ 334	- 1366	+ 800 ^a
Dec	+ 38 ^a	6513	7276	- 763	+ 259	- 1022	+ 800 ^a
% Change							
Latest 3 months							
on previous 3							
months		+ 10	+ 6½				
Same 3 months							
one year ago		+ 1	+ 13				

a Invisibles for October to December are projections.

b Monthly figures are one third of the appropriate calendar quarter's estimate or projection.

Table 3

INVISIBLES

£ million seasonally adjusted

	All Sectors						Private Sector and Public Corporations ^d		
	Credits	Debits	Balance	of which			Credits	Debits	Balance
				Services	Interest Profits Dividends	Transfers			
1983	65225	61257	+ 3968	+ 3652	+ 2420	- 2104	60600	52905	+ 7695
1984	76736	71141	+ 5595	+ 3744	+ 4156	- 2305	71858	62054	+ 9804
1985	80611	74951	+ 5660	+ 5757	+ 3408	- 3505	76243	64834	+11409
1984 Q3	19613	18247	+ 1366	+ 949	+ 1175	- 758	18641	16031	+ 2610
Q4	21529	19488	+ 2041	+ 953	+ 1326	- 238	19850	17115	+ 2735
1985 Q1	21787	20544	+ 1243	+ 1211	+ 1050	- 1018	20617	17816	+ 2801
Q2	20326	18689	+ 1637	+ 1573	+ 819	- 755	19365	16423	+ 2942
Q3	19517	17633	+ 1884	+ 1592	+ 1221	- 929	18350	14941	+ 3409
Q4	18981	18085	+ 896	+ 1381	+ 318	- 803	17911	15654	+ 2257
1986 Q1	18963	16977	+ 1986	+ 1209	+ 999	- 222	17804	14950	+ 2854
Q2	18569	16715	+ 1854	+ 1344	+ 1113	- 603	17343	14298	+ 3045
Q3	19473	17220	+ 2253	+ 1639	+ 1474	- 860	18306	14593	+ 3713

d ie excluding general Government transactions and all transfers.

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EXPORT AND IMPORT UNIT VALUE AND VOLUME INDEX NUMBERS

Table 4

(Balance of Payments basis)

Indices 1980 = 100

	Unit Value (Not seasonally adjusted)			Volume (seasonally adjusted)	
	Exports	Imports	Terms of Trade ^e	Exports	Imports
1985	143.5	145.2	98.9	118.6	125.8
1986	136.7	134.0	102.0	122.9	134.2
1985 Q4	140.5	138.2	101.6	118.9	127.9
1986 Q1	139.0	137.6	101.0	116.9	125.7
Q2	134.8	131.5	102.5	121.8	128.6
Q3	134.7	130.4	103.3	123.3	139.1
Q4	138.3	136.5	101.3	129.6	143.3
1986 Apr	135.3	132.9	101.8	122.6	123.7
May	134.3	131.5	102.1	121.1	131.6
June	134.9	130.1	103.7	121.6	130.5
July	133.3	129.0	103.3	126.3	134.9
Aug	134.9	129.7	104.0	117.0	142.9
Sept	135.8	132.4	102.5	126.5	139.5
Oct	138.1	135.2	102.2	125.3	140.6
Nov	138.2	136.4	101.3	131.5	146.8
Dec	138.7	138.0	100.5	132.0	142.4
* % Change					
Latest 3 months on					
- previous 3 months	+ 2½	+ 4½	- 2	+ 5	+ 3
- same 3 months					
one year ago	- 1½	- 1	- ½	+ 9	+ 12

^e Export unit value index as a percentage of the import unit value index.

VALUE AND VOLUME OF EXPORTS AND IMPORTS EXCLUDING THE MORE ERRATIC ITEMS^f
(Balance of Payments basis)

Table 5

	Value £ million fob		Volume Index 1980 = 100	
	Exports	Imports	Exports	Imports
1985	73760	76617	123.0	133.4
1986	67448	77731	125.9	142.6
1985 Q4	17811	18661	122.3	137.1
1986 Q1	17065	18612	121.0	132.8
Q2	16243	18466	122.7	136.5
Q3	16394	19676	127.6	148.0
Q4	17746	20977	132.4	153.1
1986 Apr	5413	6005	121.7	130.7
May	5455	6236	124.1	139.6
June	5375	6225	122.4	139.3
July	5546	6373	129.6	144.6
Aug	5233	6732	123.4	152.8
Sept	5614	6572	129.9	146.6
Oct	5779	6733	128.8	149.6
Nov	5984	7234	134.1	156.8
Dec	5984	7011	134.3	153.0
% Change				
Latest 3 month on				
- previous 3 months	+ 8½	+ 6½	+ 3½	+ 3½
- same 3 months				
one year ago	- ½	+ 12	+ 8½	+ 12

^f These are defined as ships, North Sea installations, aircraft, precious stones, and silver.

TRADE IN OIL⁹
(Balance of Payments basis)

seasonally adjusted

	Balance of Trade in oil	Exports of Oil					Imports of Oil					
		Total	Crude Oil			Rest of Division 33	Total	Crude Oil			Rest of Division 33	
			[SITC (REV 2) 333.0]					[SITC (REV 2) 333.0]				
			£ million fob	£ million fob	£ million fob			million tonnes	Avg value per tonne £ fob	£ million fob		£ million fob
1985	+ 8163	16050	12921	79.0	163.5	3128	7887	4155	26.1	159.0	3732	
1986	+ 4144	8250	6303	81.8	77.0	1947	4106	2349	34.0	69.1	1757	
1985 Q4	+ 1893	3583	2900	19.9	145.9	683	1690	1050	7.2	146.9	640	
1986 Q1	+ 1929	3036	2439	22.2	109.9	597	1106	693	6.5	107.3	413	
Q2	+ 750	1799	1216	18.6	65.3	583	1049	585	8.0	72.9	465	
Q3	+ 688	1541	1125	19.7	57.3	416	853	431	9.7	44.6	422	
Q4	+ 778	1875	1524	21.4	71.4	351	1097	640	9.9	64.9	457	
1986 Apr	+ 268	673	459	6.8	67.2	214	405	228	2.8	80.5	176	
May	+ 215	592	389	6.2	63.0	202	377	225	3.0	75.4	152	
June	+ 267	534	368	5.6	65.6	166	267	131	2.2	59.7	137	
July	+ 240	564	398	6.9	57.9	166	323	189	4.3	43.9	134	
Aug	+ 180	445	331	6.4	52.1	114	265	135	3.2	42.6	130	
Sept	+ 268	533	396	6.4	61.5	137	265	107	2.2	48.7	158	
Oct	+ 184	624	508	7.1	71.5	116	440	219	3.4	64.0	221	
Nov	+ 334	617	525	7.4	71.0	92	283	172	2.7	63.0	111	
Dec	+ 259	634	491	6.9	71.4	143	374	249	3.7	67.2	125	
% Change												
Latest 3 months on												
- previous 3 months		+ 22	+ 35	+ 8½	+ 25	- 16	+ 29	+ 49	+ 2	+ 46	+ 8	
- same 3 months		- 48	- 47	+ 7½	- 51	- 49	- 35	- 39	+ 38	- 56	- 29	
one year ago												

⁹ Trade in petroleum and petroleum products. These figures differ from those published by the Department of Energy which are on a time of shipment basis (see paragraph 8 of the standard notes).

TRADE IN GOODS OTHER THAN OIL
(Balance of Payments basis)

	Total								Excluding Erratics ^f			
	Value, £ million, fob (seasonally adjusted)			Unit value index 1980 = 100 (not seasonally adjusted)		Volume index 1980 = 100 (seasonally adjusted)		Value, £ million fob (seasonally adjusted)		Volume index 1980 = 100 (seasonally adjusted)		
	Balance of non oil trade	Exports	Imports	Exports	Imports	Terms of Trade ^e	Exports	Imports	Exports	Imports	Exports	Imports
1985	- 10274	62001	72275	141.8	141.8	100.0	110.6	133.0	57710	68730	115.0	142.7
1986	- 12824	64413	77237	145.3	141.4	102.8	114.7	140.6	59198	73626	117.4	151.2
1985 Q4	- 2185	15423	17609	140.6	136.4	103.1	111.2	135.2	14228	16971	114.4	146.7
1986 Q1	- 3367	15087	18453	143.0	140.0	102.1	107.6	134.8	14029	17506	111.4	144.1
Q2	- 2328	15990	18319	144.2	139.0	103.7	114.7	134.8	14444	17417	115.1	144.7
Q3	- 3722	15976	19698	145.7	140.6	103.6	113.9	144.2	14853	18823	118.0	155.1
Q4	- 3407	17360	20767	148.3	145.9	101.7	122.6	148.6	15872	19880	125.1	160.8
1986 Apr	- 536	5376	5912	143.8	140.2	102.6	115.2	128.9	4740	5601	113.5	137.7
May	- 895	5298	6193	144.0	138.2	104.2	113.1	137.3	4864	5859	115.7	147.3
June	- 897	5316	6213	144.8	138.8	104.3	115.9	138.1	4840	5958	116.2	149.2
July	- 876	5414	6291	144.0	139.3	103.3	116.3	138.4	4983	6049	119.3	150.0
Aug	- 1694	5023	6717	146.6	140.4	104.4	107.4	147.5	4789	6467	113.7	159.4
Sept	- 1152	5539	6691	146.6	142.2	103.0	118.0	146.9	5081	6307	121.1	156.0
Oct	- 1019	5583	6602	148.1	144.5	102.5	117.5	142.3	5155	6293	120.8	153.1
Nov	- 1366	5898	7264	148.2	145.9	101.6	124.9	155.6	5366	6950	127.3	168.3
Dec	- 1022	5880	6902	148.7	147.2	101.0	125.3	148.0	5350	6637	127.4	161.0
% Change												
Latest 3 months on												
- previous 3 months	+ 8½	+ 5½	+ 2	+ 3½	- 2	+ 7½	+ 3	+ 7	+ 5½	+ 6	+ 3½	+ 3½
- same 3 months one year ago	+ 13	+ 17½	+ 5½	+ 7	- 1½	+ 10	+ 10	+ 12	+ 17	+ 9½	+ 9½	+ 9½

^f These are defined as ships, North Sea installations, aircraft, precious stones, and silver.

^e Export unit value index as a percentage of the import unit value index.

EXPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 8

£ million, fob, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h																
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures								Finished manufactures excluding ships, North Sea installations and aircraft			
						Total	excluding precious stones & silver(PS)			Total		excluding ships, North Sea installations and aircraft			(SNA)		
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital			
1985	78331	4970	2145	16712	52514	48482	18449	9411	9038	30033	1343	5257	13493	9940			
1986	73114	5460	2067	8813	54578	49681	18800	9725	9074	30881	1373	5690	13668	10150			
1985 Q4	19097	1193	506	3708	13164	12033	4522	2340	2182	7512	329	1319	3418	2445			
1986 Q1	18257	1206	511	3297	12766	11807	4418	2293	2125	7389	293	1297	3346	2452			
Q2	17816	1275	440	1913	13636	12207	4613	2414	2199	7594	347	1375	3333	2538			
Q3	17672	1426	546	1641	13556	12479	4805	2454	2351	7674	361	1474	3396	2444			
Q4	19369	1553	569	1961	14619	13189	4964	2564	2400	8225	372	1543	3593	2716			
1986 Oct	6260	535	175	658	4721	4302	1654	851	803	2647	129	463	1177	877			
Nov	6530	533	189	652	4884	4401	1672	881	791	2729	102	558	1192	877			
Dec	6580	485	205	652	5015	4486	1638	831	806	2848	141	522	1224	961			
% change Q4/Q3	+ 9½	+ 9	+ 4½	+ 19	+ 8	+ 5½	+ 3½	+ 4½	+ 2	+ 7	+ 3	+ 4½	+ 6	+ 11			

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

EXPORTS BY COMMODITY: VOLUME INDICES
(Overseas Trade Statistics basis)

Table 9

INDICES 1980 = 100, seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h																
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures								Finished manufactures excluding ships, North Sea installations and aircraft			
						Total	excluding precious stones & silver(PS)			Total		excluding ships, North Sea installations and aircraft			(SNA)		
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital			
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147			
1985	119.3	119.1	107.0	170.9	110.8	115.7	118.9	133.3	107.5	113.7	99.4	111.6	121.4	107.6			
1986	123.7	129.6	118.3	177.6	114.0	116.9	122.2	139.9	108.2	113.7	94.0	117.0	120.4	106.8			
1985 Q4	119.7	114	106	168	112	116	119	136	105	114	97	112	123	106			
1986 Q1	118.0	117	113	184	107	111	115	131	102	109	88	108	117	103			
Q2	122.0	119	102	170	115	116	120	139	105	113	97	115	118	107			
Q3	124.6	137	127	178	113	117	126	142	112	112	97	122	119	101			
Q4	130.3	146	131	179	121	123	128	148	113	121	94	123	127	115			
1986 Oct	126.7	149	116	179	116	120	128	146	113	114	100	111	122	109			
Nov	132.0	146	129	178	121	124	130	151	112	120	76	138	127	110			
Dec	132.4	143	149	179	125	127	127	145	113	127	106	121	132	127			
% change Q4/Q3	+ 4½	+ 6½	+ 3	+ ½	+ 7	+ 5	+ 2	+ 4	+ ½	+ 7½	- 3½	+ ½	+ 7	+ 14			

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

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and personal
until release of press notice on 28 JAN 87⁷ at 11.30 a.m.

EXPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures Finished manufactures excluding ships, excluding precious North Sea installations and aircraft stones & silver(PS) (SNA)								
						Total	Chemi- cals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capita	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	6 less PS	7+8 less SNA	j	j	j	j		
Weights	1000	69	31	136	735	658	252	112	141	406	18	71	170	147
1985	143.4	134	140	155	143	142	135	139	132	147	162	147	150	141
1986	136.4	140	123	81	147	148	138	141	135	154	182	157	157	146
1985 Q4	140.4	134	130	140	142	142	134	137	131	148	163	149	151	141
1986 Q1	138.9	136	128	114	145	145	137	142	133	150	166	153	153	144
Q2	134.7	141	124	74	146	147	138	142	134	153	179	156	156	145
Q3	134.2	140	120	62	148	148	137	140	136	155	186	156	159	146
Q4	137.8	142	121	73	150	150	139	141	138	157	197	161	159	148
1986 Oct	137.5	141	123	72	150	150	139	141	137	157	197	160	160	148
Nov	138.1	143	120	72	151	150	139	141	138	157	200	161	160	147
Dec	137.8	141	119	73	150	150	139	141	138	157	194	161	159	148
% change														
Q4/Q3	+ 2½	+ 1	+ ½	+ 16	+ 2	+ 1½	+ 1½	+ 1	+ 1½	+ 1½	+ 5½	+ 3	+ ½	+ 1

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

EXPORTS BY AREA
(Overseas Trade Statistics basis)

Table 11

£ million, fob, seasonally adjusted

	Total K	Developed Countries					Developing Countries			Centrally planned economies	
		Total	European Community	Rest of W Europe	North America Total OISA	Other	Total	Oil exporting countries	Other		
1985	78331	62722	38200	7420	13310	11499	3792	13880	5957	7924	1587
1986	73114	57912	35104	7003	12180	10425	3625	13166	5494	7673	1727
1985 Q4	19097	15369	9359	1817	3282	2778	910	3202	1357	1845	392
1986 Q1	18257	14652	8689	1779	3254	2784	930	3241	1405	1837	442
Q2	17816	13768	8254	1713	2919	2536	882	3483	1567	1917	471
Q3	17672	13926	8525	1696	2794	2390	911	3193	1293	1900	357
Q4	19369	15565	9636	1815	3213	2714	901	3249	1230	2019	457
1986 Oct	6260	5049	3244	556	935	779	314	1064	407	657	122
Nov	6530	5209	3167	612	1136	997	294	1150	417	733	153
Dec	6580	5307	3225	647	1142	938	294	1034	405	629	182
% change											
Q4/Q3	+ 9½	+ 12	+ 13	+ 7	+ 15	+ 14	- 1	+ 1½	- 5	+ 6	+ 28

K See paragraph 5 of Notes to Editors.

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IMPORTS BY COMMODITY
(Overseas Trade Statistics basis)

Table 12

£ million cif seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j	
1985	84790	9274	5389	10517	58288	54953	19619	6903	12716	35334	4165	8887	11623	10659
1986	86464	10104	5009	6433	63063	59710	20774	7361	13413	38936	4866	10198	12759	11114
1985 Q4	20356	2256	1243	2178	14346	13798	4970	1708	3262	8829	1047	2237	2882	2662
1986 Q1	20742	2507	1225	1797	14839	14002	5024	1809	3215	8978	1152	2281	2881	2665
Q2	20486	2416	1213	1548	14904	14078	5003	1789	3214	9075	1150	2413	2992	2520
Q3	21938	2578	1190	1489	16171	15324	5253	1854	3399	10070	1301	2672	3287	2810
Q4	23298	2603	1381	1599	17149	16306	5493	1909	3584	10813	1263	2832	3600	3119
1986 Oct	7577	811	418	656	5446	5174	1790	629	1161	3384	424	866	1112	982
Nov	7988	900	488	442	6003	5695	1871	644	1227	3824	441	1003	1315	1064
Dec	7733	891	474	501	5700	5437	1831	635	1196	3606	398	963	1173	1072
% change Q4/Q3	+ 6	+ 1	+ 16	+ 7½	+ 6	+ 6½	+ 4½	+ 3	+ 5½	+ 7½	- 3	+ 6	+ 9½	+ 11

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

IMPORTS BY COMMODITY: VOLUME INDICES
(Overseas Trade Statistics basis)

Table 13

INDICES 1980 = 100 seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h													
	Total	Food bever- ages and tobacco	Basic Mater- ials	Fuels	Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)					Finished manufactures excluding ships, North Sea installations and aircraft (SNA)			
						Total	Chem- icals	Other	Total	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital	
0-9	0+1	2+4	3	5-8	5-8 less SNAPS	5+6 less PS	5	6 less PS	7+8 less SNA	j	j	j	j	
Weights	1000	124	81	138	626	543	217	63	154	326	42	94	96	94
1985	124.3	113.6	102.2	85.0	140.7	154.5	143.9	176.2	130.6	161.5	127.9	139.6	172.8	187.2
1986	133.5	124.0	109.3	96.5	148.8	163.8	152.3	188.3	137.5	171.4	132.9	158.9	187.9	184.3
1985 Q4	126.0	115	106	81	143	160	149	177	137	167	124	147	179	192
1986 Q1	125.0	126	105	74	141	154	148	183	133	159	130	145	171	175
Q2	127.2	120	106	87	143	157	149	186	133	162	126	154	182	168
Q3	138.7	126	106	112	154	169	156	194	141	177	144	166	193	186
Q4	143.0	124	120	112	158	175	157	190	143	187	131	171	206	207
1986 Oct	141.5	116	110	142	152	167	156	191	141	175	137	154	191	195
Nov	144.9	128	125	91	165	182	160	192	147	197	136	181	224	209
Dec	142.7	128	126	104	157	175	155	189	141	190	119	177	204	218
% change Q4/Q3	+ 3	- 1½	+ 13	-	+ 3	+ 3½	+ ½	- 2	+ 1½	+ 6	- 9½	+ 3	+ 6½	+ 11

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

IMPORTS BY COMMODITY: UNIT VALUE INDICES
(Overseas Trade Statistics basis)

INDICES 1980 = 100 not seasonally adjusted

SITC (REV 2)	Manufactures excluding erratics ^h														
	Total	Food and tobacco				Total Manufac- tures	Semi-manufactures excluding precious stones & silver(PS)				Finished manufactures excluding ships, North Sea installations and aircraft (SNA)				
		0-9	0+1	2+4	3		5-8	5-8 less SNAP'S	5+6 less PS	6 less PS	7+8 less SNA	Pass- enger Motor Cars	Other Consumer	Inter- mediate	Capital
1985	143.1	137	130	172	141	141	133	139	130	146	152	147	155	134	
1986	132.5	136	113	97	143	144	133	141	130	152	170	148	158	141	
1985 Q4	136.3	132	116	155	137	137	130	137	127	143	156	143	148	131	
1986 Q1	135.6	134	116	132	140	141	132	140	128	148	165	145	152	138	
Q2	130.1	135	113	96	140	142	131	139	128	148	169	144	153	139	
Q3	129.3	136	111	78	142	144	132	139	130	152	168	147	160	141	
Q4	135.1	139	115	84	149	150	136	144	133	159	178	155	167	147	
1986 Oct	133.9	138	113	85	147	148	135	142	132	157	173	154	165	145	
Nov	135.0	139	115	82	149	150	137	145	134	159	178	155	167	146	
Dec	136.5	140	116	84	151	152	138	146	134	161	182	156	168	149	
% change Q4/Q3	+ 4½	+ 2	+ 3½	+ 7½	+ 4½	+ 4	+ 3	+ 4	+ 3	+ 4½	+ 5½	+ 5	+ 4	+ 3½	

^h These are defined as ships, North Sea installations (together comprising SITC (REV 2) 793), aircraft (792) precious stones (667), and silver (681.1).

^j Based on the United Nations Broad Economic Categories end-use classification.

IMPORTS BY AREA
(Overseas Trade Statistics basis)

Table 15

£ million cif seasonally adjusted

	Total K	Developed Countries						Developing Countries			Centrally planned economies
		Total	European Community	Rest of W Europe	North America Total USA	Other	Total	Oil exporting countries	Other		
1985	84790	71520	41413	12025	11703	9920	6379	11233	2782	8451	1894
1986	86464	73729	44731	11992	10078	8489	6928	10545	1890	8655	1865
1985 Q4	20356	17561	10451	2942	2512	2078	1655	2454	620	1834	410
1986 Q1	20742	17916	10697	3167	2395	2007	1657	2438	507	1932	424
Q2	20486	17331	10536	2711	2427	2035	1657	2539	461	2077	451
Q3	21938	18649	11484	2938	2471	2110	1757	2659	412	2247	470
Q4	23298	19832	12014	3176	2785	2337	1856	2909	511	2398	519
1986 Oct	7577	6324	3829	1021	857	710	616	996	146	849	199
Nov	7988	7013	4283	1100	980	845	651	933	169	764	173
Dec	7733	6496	3902	1056	948	782	589	981	196	785	148
% change Q4/Q3	+ 6	+ 6½	+ 4½	+ 8	+ 13	+ 11	+ 5½	+ 9½	+ 24	+ 6½	+ 10

K See paragraph 5 Notes to Editors.

COMMODITY ANALYSIS OF VISIBLE TRADE
(Balance of Payments basis)

£ million, seasonally adjusted

SITC (R2)	Food Beverages and Tobacco			Basic Materials			Fuels		
	0 + 1			2 + 4			3		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1985	4931	8523	- 3592	2161	4795	- 2634	16712	10087	+ 6625
1986	5420	9247	- 3828	2074	4364	- 2290	8714	5918	+ 2796
1985 Q1	1185	2156	- 971	585	1315	- 731	4892	3387	+ 1505
Q2	1272	2141	- 869	533	1232	- 699	4513	2541	+ 1971
Q3	1290	2118	- 829	534	1162	- 628	3600	2067	+ 1533
Q4	1185	2108	- 923	509	1086	- 577	3708	2092	+ 1616
1986 Q1	1197	2255	- 1058	515	1103	- 588	3189	1609	+ 1580
Q2	1262	2208	- 946	440	1077	- 637	1942	1449	+ 493
Q3	1414	2387	- 973	547	1018	- 471	1621	1361	+ 261
Q4	1546	2398	- 852	572	1166	- 594	1961	1500	+ 461
SITC (R2)	Semi-Manufactures			Finished Manufactures			Total Manufactures		
	5 + 6			7 + 8			5 - 8		
	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance	Exports fob	Imports fob	Visible Balance
1985	20043	19958	+ 85	32237	35339	- 3102	52280	55297	- 3017
1986	20825	21621	- 796	33452	38509	- 5057	54278	60130	- 5852
1985 Q1	5017	4836	+ 182	7948	9258	- 1311	12965	14094	- 1129
Q2	5201	5032	+ 169	8216	9046	- 830	13417	14077	- 661
Q3	4852	5124	- 272	7960	8359	- 400	12812	13484	- 672
Q4	4973	4966	+ 7	8114	8676	- 562	13087	13642	- 555
1986 Q1	4847	5307	- 460	7895	8897	- 1002	12742	14203	- 1462
Q2	5223	5162	+ 61	8377	9059	- 682	13600	14221	- 621
Q3	5229	5408	- 179	8209	9972	- 1763	13438	15380	- 1942
Q4	5527	5744	- 218	8972	10582	- 1611	14498	16326	- 1828

Monthly data at this level of detail are published in the Monthly Review of External Trade Statistics.

SECRET

and personal
until release of press notice on 28 JAN 87 at 11.30 a.m.

Tony digging out DTI note from last week.
 FROM: S D KING
 DATE: 26 January 1987

APM

1. MR BOTTRILL
2. CHANCELLOR OF THE EXCHEQUER cc See attached list

DECEMBER 1986 TRADE FIGURES

The December 1986 trade figures will be released at 11.30 a.m. on Wednesday 28 January. They will show a deficit on visible trade of £763 million. Combined with a projected surplus on invisibles of £800 million, they give a current account surplus of £38 million. For 1986 as a whole, the visible balance is estimated to have been in deficit by £8680 million, with the current account in deficit by £187 million. (The current account figures will be subject to revision when provisional estimates for the 1986Q4 invisibles balance are published on 5 March).

Main points

2. Current Account

a
A few small correct a / have a...
press help
AA

	1985		1986		£ million			
			Q1	Q2	Q3	Q4	Nov	Dec
Manufactures	-3017	-5852	-1462	- 621	-1942	-1828	- 838	-462
Oil	8163	4144	1929	750	688	778	334	259
Other goods	-7257	-6972	-1904	-1708	-1780	-1579	- 528	-560
Total visibles	-2111	-8680	-1437	-1579	-3034	-2629	-1032	-763
Invisibles	5660	8493*	1986	1854	2253	2400*	800*	800*
Current balance	3549	- 187	549	275	- 781	- 229	- 232	38
<i>Total non-oil</i>		<i>-4614</i>		<i>-4331</i>				

* CSO projection

*Impulse for 1985 & 1986
 between accounts
 & more for 1986*

3. The value of exports was unchanged in December compared with the high level reached in November. The value of imports fell by £271 million. The combined effect was to give a visible trade deficit of £0.8 billion in December compared with £1.0 billion in November.

4. Exports

percentage change

	Dec on Nov	1986Q4 on 1986Q3	1986Q4 on 1985Q4	1986 on 1985
Total value	0	10	1	-7
Total volume	½	5	9	3½
Total volume excl. oil and erratics	0	6	9½	2
Manufactures volume (excl, erratics, OTS basis)	2½	5	6½	1
Fuels volume (OTS)	½	½	6½	4
Basic materials volume (OTS)	15	3	24	10½
Food, drink and tobacco volume (OTS)	- 2	6½	28	9

This Table 1 x next, this can show the value excl oil & erratics

5. Export volumes, excluding oil and erratics, were unchanged in December but rose by 6 per cent in 1986Q4 compared with 1986Q3 to a level 9½ per cent higher than the previous year, continuing the upward trend established earlier in 1986. Within the total, manufactures (excluding erratics) rose by 5 per cent in 1986Q4 compared with 1986Q3 to a level 6½ per cent higher than the previous year. The volume of basic materials exports continued to rise sharply from the depressed level in October, and food, drink and tobacco volumes remained unusually buoyant - in 1986Q4 they were 6½ per cent above the level of the previous quarter. There was little change in the volume of fuel exports in the last few months of 1986 although in 1986Q4 they were 6½ per cent above the level of a year earlier.

6. Imports

	percentage change			
	Dec on Nov	1986Q4 on 1986Q3	1986Q4 on 1985Q4	1986 on 1985
Total value	- 3½	6½	13	1½
Total volume	- 3	3	12	6½
Total volume excl. oil and erratics	- 4½	3½	9½	6
Manufactures volume (excl. erratics, OTS basis)	- 4	3½	9½	6
Fuels volume (OTS)	14	0	38	13
Basic materials volume (OTS)	½	13	13	7
Food, drink and tobacco volume (OTS)	- ½	- 1½	8	9

7. Import volumes, excluding oil and erratics, fell by 4½ per cent in December compared with the very high November level. Nevertheless, import volumes were 3½ per cent higher in 1986Q4 than in the previous quarter and 9½ per cent higher than a year earlier, suggesting that the underlying trend remains strongly upwards. Manufactures, excluding erratics, fell by 4 per cent in December. Within manufactures, semis fell by 4 per cent and finished manufactures by 3½ per cent, although sharp falls in imports of cars and intermediate goods from the high levels reached in November were partially offset by a further increase in imports of capital goods (up 4½ per cent), continuing the recovery from the trough in the first half of 1986. Fuels volumes continue to move erratically. Food, drink and tobacco volumes remained at around the exceptionally buoyant levels reached earlier in 1986, and imports of basic materials rose strongly in 1986Q4 to a level 13 per cent above the level of a year earlier.

Geographical area

8. By geographical area, the value of exports to the US fell slightly compared with November's very high level, but still

remain high compared with earlier months. Exports to the European Community rose in value terms by 2 per cent in December compared with November, although there was a slight fall in the value of exports going to oil exporting countries.

Trade prices

	percentage change			
	<u>Import prices (OTS)</u>		<u>Export prices (OTS)</u>	
	<u>Dec on Nov</u>	<u>1986Q4 on 1986Q3</u>	<u>Dec on Nov</u>	<u>1986Q4 on 1986Q3</u>
Manufactures (excl. erratics)	1	4	0	1½
Food, drink, tobacco	½	2½	-1	1
Basic materials	½	3½	-1½	1
Fuel	3½	7½	2	16½
Total (BOP basis)	1	4½	½	2½
Total less oil (BOP basis)	1	4	½	2

9. In December the total terms of trade, as measured by unit value indices, deteriorated by 1 per cent on the previous month; the non-oil terms of trade deteriorated by ½ per cent. In 1986Q4, both the total and non-oil terms of trade deteriorated by 2 per cent compared with the previous quarter, largely reflecting the effects of the depreciation of the exchange rate.. [N.B. the published series are unit value indices, which can present a misleading period over a period of time due to their use of 1980 weights. In particular, oil should now have a larger weight in the export UVI than it does, because production is now higher relative to other goods than it was in 1980.]

Comparison with forecast

10. The current account estimated outturn for 1986 of a £187 million deficit is consistent with the Autumn Statement forecast of 'broad balance'. The rise of 2 per cent in the volume of

exports (excluding oil and erratics) in 1986 compares with the forecast contained in the Autumn Statement of a 1 per cent rise: for imports the rise of 6 per cent compares with a forecast of 5 per cent.

Market expectations

11. The market expectation is for a visible deficit of around £900 million with the current account in deficit by around £100 million in December. The better than expected outturn may therefore come as something of a surprise.

Press briefing

12. I would be grateful for clearance of the attached press briefing.

Steph L

S D KING

DRAFT BRIEFING FOR IDT

Positive

1. Current account ~~in broad balance~~ [back in surplus] in December - improvement of around £350 million in December in non-oil trade deficit compared with November.

2. Improvement in current account of £550 million between 1986Q3 and 1986Q4.

3. Continued buoyancy ~~in~~ ^{volume of} non-oil exports (excluding erratics) in December after sharp rise in November. In 1986Q4 ^{export volumes} up 6 per cent on previous quarter compared with rise of only 3½ per cent in imports.

4. First estimate for current account in 1986 consistent with Autumn Statement forecast of broad balance.

Overall current account deterioration from £3½ bn surplus in 1985 made up of £4 bn detrend on oil account partially offset by £¼ bn improvement in non-oil account.

Defensive

1. Current account in deficit in 1986 - first year since 1979

[Deficit of £187 million for 1986 as a whole].

Deficit very small, and consistent with Industry Act forecast of broad balance for 1986 as a whole. Deterioration in current account during 1986 not surprising given £4 billion fall in oil trade surplus due to fall in oil price, decline in world trade early in year, and strong domestic demand. But recent improvements in competitiveness ~~should~~ ^{will} in time improve current account. Sterling index down 13½ per cent in year to December 1986; in recent quarters UK unit labour costs risen broadly in line with those of competitors so that sterling's depreciation has been reflected in improved competitiveness.

2. Recent fall in exchange rate not sufficient to improve current account: even Autumn Statement forecast deficit for 1987

[Forecast for current account deficit of £1½ billion in 1987].
Have never said that benefits of exchange rate fall will come through immediately. But benefits will come through, as long as pay settlements are kept low.

3. Emergence of deficit in 1986 indicates that benefits of North Sea Oil have been squandered

Not so. North Sea oil has contributed to build-up of net overseas assets from £12 billion in 1979 to £80 billion at end 1985. Currently generating net interest, profits and dividends of nearly £5 billion a year.

4. Emergence of deficit indicates cynical Government policy of generating pre-election consumer boom

Not so. Growth in imports between 1986Q3 and 1986Q4 lower than growth of exports, and associated largely with imports of basic materials (up 13½ per cent) and intermediate goods (up 6½ per cent) - consistent with recent increases in domestic manufacturing output. Also imports of capital goods now growing again.

5. Non-oil tradeable sector unable to respond following fall in oil price owing to erosion of manufacturing base

Performance of manufacturing industry improving for some time. Since 1983, manufacturing output up over 10 per cent, investment up 25 per cent. Manufacturing productivity up 16 per cent and manufacturing exports at all time high. So no reason for pessimism on ability of manufacturing to respond.

6. Growth of imports unsustainable

[Imports, excluding oil and erratics, rose by 6 per cent in 1986 compared with increase of 2 per cent in exports]
Import volumes, excluding oil and erratics, fell by 4½ per cent in December compared with November. Growth of 9½ per cent in

import volumes excluding oil and erratics in year to 1986Q4 no different from growth in export volumes. Exports rose faster than imports in 1986Q4 compared with previous quarter.

7. Industry Act forecast of £1½ billion deficit for 1987 too optimistic

Industry Act forecast given in Autumn Statement broadly correct for 1986. Any revision to forecast for 1987 will take place at time of Budget.

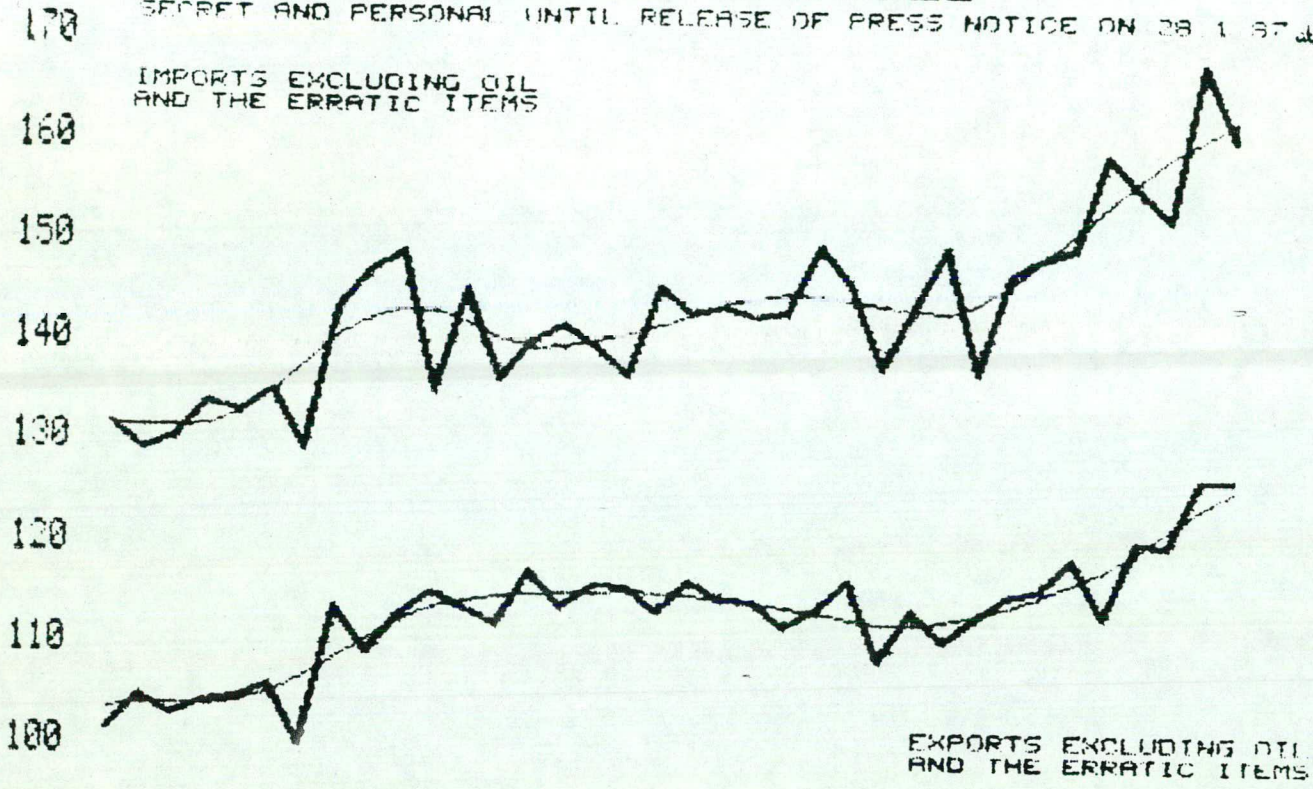
8. Record manufacturing trade deficit in 1986

[Manufacturing trade deficit of £5.9 billion in 1986 largest ever] No doubt that manufacturing is important, and should respond to recent improvements in competitiveness. But current account overall in broad balance, despite £4 billion fall in oil trade surplus. Reflects nearly £3 billion rise in invisibles, illustrating importance of services and earnings from net overseas assets built up from 1979.

VOLUME INDICES

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 28.1.87 at 1130am

IMPORTS EXCLUDING OIL
AND THE ERRATIC ITEMS



EXPORTS EXCLUDING OIL
AND THE ERRATIC ITEMS

90
J F M A M J J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
84 85 86

— = VOLUME INDEX — = TREND
BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

TRADE FIGURES FOR DECEMBER 1986

Advance circulation

Chancellor	Mr Peretz
Chief Secretary	Mr Kelly
Economic Secretary	Miss O'Mara
Sir P Middleton	Mr Culpin
Sir G Littler	Mr Barrell
Sir T Burns	Mr Owen
Mr Cassell	Mr Segal
Mr Sedgwick	Mr Norgrove - No.10

Circulation after 11.30 a.m. Wednesday 28 January

Financial Secretary
Minister of State
Mr Monck
Mr Matthews
Mr Hacche
Mr Tyrie
Mr Ross Goobey
Miss Roche - No.10

pmw

FROM: A C S ALLAN

DATE: 26 January 1987

MR S D KING

cc Sir P Middleton
Sir T Burns
Mr Sedgwick
Mr S J Davies
Mr Culpin**CURRENT ACCOUNT IN DECEMBER**

The Chancellor has seen the DTI's draft press notice, and feels there are several points about the QIV figures which could usefully be brought out in briefing.

- (i) The current account has improved from a deficit of £780 million in QIII to one of £230 million in QIV.
- (ii) Exports grew much faster than imports in QIV. The percentage volume changes QIV/QIII are + 6 per cent for total exports less oil and erratics compared with + 3½ per cent for imports; and + 5 per cent for exports of manufactures less erratics, compared with + 3½ per cent for imports.
- (iii) The total increases in import and export volume (less oil and erratics) between QIV 1985 and QIV 1986 are 9½ per cent for both.

ACSA

A C S ALLAN



Ruf

FROM: CATHY RYDING
DATE: 27 January 1987

MR S D KING

cc Chief Secretary
Economic Secretary
Sir P Middleton
Sir G Littler
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Bottrill
Mr Kelly
Miss O'Mara
Mr Culpin
Mr Barrell
Mr Owen
Mr Segal
Mr Norgrove - No.10

DECEMBER 1986 TRADE FIGURES

The Chancellor was grateful for your minute of 26 January.

2. The Chancellor had the following comments on the press briefing:-

Positive 3, second sentence - insert "export volumes" after "1986Q4".

Positive 4 - add

"Overall current account deterioration from £3½ billion surplus in 1985 made up of £4 billion deterioration on oil account partially offset by £½ billion improvement in non-oil account."

Defensive 1, line 7 - replace "should" with "will".

Lines 8 to 11 - remove square brackets.

3. For future reference, you might like to note that the Chancellor thought that the table in paragraph 4 of your covering minute and also the table in paragraph 6 should also show total value excluding oil and erratics.

CR

CATHY RYDING

FROM: S D KING

DATE: 29 January 1987

1. MR BOTTRILL
2. PPS/CHANCELLOR

12/2

cc: PS/EST
PS/FST
PS/EST
PS/MST
Sir Peter Middleton
Sir G Littler
Sir T Burns
Mr Sedgwick
Mr Peretz
Mr Kelly
Miss O'Mara
Mr Culpin
Mr Pickford
Mr Hudson
Mr Owen
Mr Segal

AA
Looks OK - just substitutes "elsewhere" for "non-oil account"
AA

DECEMBER 1986 TRADE FIGURES

The Chancellor wished to use the following line (Ms Ryding's minute of 27 January).

'Overall current account deterioration from £3½ billion surplus in 1985 made up of £4 billion deterioration on oil account partially offset by £¼ billion improvement in non-oil account.'

2. This line is not quite accurate, since it does not take account of oil IPD, which has improved significantly over the past year. Consequently, we would prefer the following:

'Overall current account deterioration from £3½ billion surplus in 1985 made up of £4 billion deterioration on oil trade account partially offset by £¼ billion improvement elsewhere.'

3. I apologise for the delay in spotting this.

SD
KING

S D KING



prep.

To Minister for Trade

cc Circulation attached

From Alan Hewer
S2A
V/251 Ext. 4897

17 February 1987

OVERSEAS TRADE - EXPORTS IN JANUARY

Due to technical difficulties the usual note on exports cannot be circulated today.

A brief note covering the value of exports will be circulated tomorrow. Information on the volume index numbers will be included with the figures for imports in the note due to be circulated on Monday 23 February.

A handwritten signature in dark ink, appearing to read 'Alan Hewer', written in a cursive style.

A R HEWER

CIRCULATION LIST

Copy No	1	Minister for Trade	
	2	Prime Minister	
	3	Chancellor of the Exchequer	
	4	Secretary of State for Trade and Industry	
	5	PUSS for Trade and Industry	
	6	Sir Robert Armstrong (Cabinet Office)	
	7	Sir Brian Hayes (Dept. of Trade and Industry)	
	8	Sir Peter Middleton (HM Treasury)	
	9	Governor of the Bank of England	
	10	Chairman of the Board of HM Customs & Excise	
	11	Mr J Hibbert (CSO)	
	12	Mr Finlinson (HM Customs & Excise)	
	13	Mr B Buckingham (CSO)	
	14	Mr S King (HM Treasury)	
	15	Mr Barrell (HM Treasury)	
	16	Mr P Sedgewick (HM Treasury)	
	17	Mr D Owen (HM Treasury)	
	18	Mr A McIntyre (CSO)	
	19	Dr P Rice (Dept of Energy)	
	20	Mr Bottrill (HM Treasury)	
	21	Mr H H Liesner)
	22	Mr P Stibbard)
	23	Mr W E Boyd)
	24	Mr E J Wright)
	25	Mr A R Hewer)
			Dept of Trade and Industry
	26	Miss C Siddell)
	27	Miss H Chapman)
	28	Mr D Packer)



To MINISTER FOR TRADE

From P J Stibbard

US/S2

V/260 Ext 4872

23 February 1987

Copy No (3) 28

The Jan 4 figs don't look too bad - subject to see F. B's view, I can see no major problem & a c/c/c deficit of 1987
2. The further down the revision to minister, the more we must get to CSO & this has to be made of figures
we must get to CSO & this has to be made of figures
we must get to CSO & this has to be made of figures

OVERSEAS TRADE FIGURES FOR JANUARY 1987

THE CURRENT ACCOUNT

In January exports were valued at £6.2 billion and imports at £6.7 billion so that visible trade, seasonally adjusted on a balance of payments basis, showed a deficit of £0.5 billion compared with a slightly revised deficit of £0.9 billion in December.

The Central Statistical Office project a surplus on invisibles of £0.6 billion for January so that the current account is provisionally estimated to have been in surplus by £0.1 billion in January compared with a revised deficit of £0.3 billion in December.

TABLE 1: CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Table 2 of Press Notice)

	Current Account Balance	Visible Trade Balances			Invisibles Balance
		Total	Oil	Non-Oil	
£ million					
1985	+ 3482	-2178	+8104	+00282	+5660
1986	- 360a	-8253	+4153	-12407	+7893a
Aug-Oct 1986	- 827a	-2929	+ 642	-3571	+2102a
Nov-Jan 1987	- 613a	-2413	+ 991	-3404	+1800a
1986 Nov	- 400a	-1000	+ 354	-1354	+ 600a
Dec	- 287a	- 887	+ 266	-1153	+ 600a
1987 Jan	+ 73a	- 527	+ 371	- 898	+ 600a

a = projection

SM

April 86
was
-255

July 86
-889
Costs & Staff
When?



[The figures for 1986 - and to a lesser extent those for earlier years - have been revised since last month. The effect of the revisions to visible trade are to increase exports a little and reduce imports a little for 1986 as a whole; these revisions are the result of the usual end-year reassessment. At the same time the CSO, to reflect the availability of later quarterly information, have reduced the projected surplus on invisibles in the fourth quarter of 1986 from £2.4 billion to £1.8 billion. As a result of these amendments the current account now shows a deficit of £0.4 billion for 1986 as a whole. The figures for invisibles may be further revised as more information becomes available. Some further background to the revisions is included in a postscript to this note.]

In the three months ended January 1987 there was a deficit on visible trade of £2.4 billion - a surplus on trade in oil of £1.0 billion offset by a deficit on non-oil trade of £3.4 billion. Between the three months ended October 1986 and the latest three months the visible trade balance improved by £0.5 billion - the surplus on oil increased by about £0.3 billion and the deficit on non-oil trade was reduced by £0.2 billion.

EXPORTS

The value of exports in January was £273 million (4 per cent) lower than in December and it seems likely that both exports and imports have been effected by the exceptional weather conditions in January. Exports of oil increased by £98 million while exports of the erratic items fell by £95 million. Excluding oil and the erratic items, exports were 5 per cent down on December.

In the latest three months, export volume was 5½ per cent higher than in the previous three months and 9 per cent higher than in the same period a year ago. Excluding oil and the erratic items, export volume increased by 4 per cent over the latest three months and the upward trend in non-oil export volume continues.



TABLE 2: EXPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

Bop basis, seasonally adjusted

	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total less oil and erratics	Total	Total less oil and erratics
1985	78111	57685	118.7	114.9
1986	72843	59238	123.1	117.7
Aug-Oct 1986	17877	15068	123.0	119.4
Nov-Jan 1987	19251	15711	129.8	124.1
1987 Nov	6569	5365	132.0	127.3
Dec	6477	5311	131.6	126.5
1987 Jan	6204	5035	125.0	118.5

By value, exports increased by 7½ per cent in the latest three months. Exports to the developed countries rose by 7 per cent and those to the developing countries were up by 5 per cent. Within the total for the developed countries, exports to North America rose by 21 per cent between the two three-month periods.

IMPORTS

The value of imports in January was sharply down on December - by £633 million (8½ per cent). Imports of both oil and of the erratic items were little changed between the two months and excluding these imports were down 9 per cent in January.

Figures of import volume have been delayed by computer breakdowns; they will be included in the draft press notice circulated on Tuesday or Wednesday.



TABLE 3: IMPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

Bop basis, seasonally adjusted

	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total less oil and erratics	Total	Total less oil and erratics
1985	80289	68719		
1986	81096	73460		
Aug-Oct 1986	20806	18902		
Nov-Jan 1987	21664	19833		Not yet available
1986 Nov	7569	6975		
Dec	7364	6741		
1987 Jan	6731	6118		

By value, imports increased by 4 per cent in the latest three months. Imports from the developed countries also increased by 4 per cent with arrivals from North America up by 7½ per cent and imports from the European Community up by 3½ per cent. Imports from the developing countries fell by 2½ per cent in the latest three months.

TRADE IN MANUFACTURES

Figures showing trade in manufactures on a balance of payments basis will be published in the Monthly Review of External Trade Statistics. On present estimates there was a deficit on trade in manufactures of £1.8 billion in the three months ended January compared with a deficit of £1.9 billion in the previous three months.



SECRET and personal until release of press notice
on 27 February 1987 at 11.30 am

TABLE 4: TRADE IN MANUFACTURES (SITC 5-8) (Table 16 of
Press Notice, quarterly data only)

	Exports	Imports	£ million Seasonally adjusted Balance of payments basis
1985	52271	55273	-3002
1986	54486	59883	-5397
Aug-Oct 1986	13679	15576	-1898
Nov-Jan 1987	14406	16177	-1771
1986 Nov	4913	5718	- 805
Dec	4906	5435	- 529
1987 Jan	4587	5024	- 437

PUBLICATION

The press notice containing the January figures is scheduled for release at 11.30 am on Friday 27 February.

P J STIBBARD

(See also postscript on next page)



REVISIONS TO 1986 DATA

/as far as possible

Postscript: Preliminary data now being received about invisible trade in the fourth quarter of 1986 indicates that the outturn in that quarter is likely to be significantly lower than the projection included in the last press notice. The projection for the fourth quarter to be included in Friday's press notice has therefore been revised to anticipate changes that will be published by the CSO on 5 March with their first estimates for the fourth quarter. Together with revisions to visible trade data the current balance data for 1986 have been revised as follows:

	Current balance			£ million
	January Press Notice	Revision	February Press Notice	
<u>December 1986</u>	+38	-325	-287	
of which - invisibles	+800	-200	+600	
- visibles	-763	-124	-887	
<u>Fourth quarter</u>	-229	-573	-802	
of which - invisibles	+2400	-600	+1800	
- visibles	-2629	+ 27	-2602	
<u>Year 1986</u>	-187	-173	-360	
of which - invisibles	+8493	-600	+7893	
- visibles	-8680	+427	-8253	

No data are yet available for invisible trade in the first quarter of this year and, as there is no reason to expect any significant changes compared with the preceding quarter, the projected figure of £600 million per month for the fourth quarter of 1986 is repeated for January 1987.

A short article on the CSO's methodology for estimating and projecting monthly figures of the invisibles balance was published in the December 1986 issue of 'Economic Trends'.

CIRCULATION LIST

Copy No	1	Minister for Trade	
	2	Prime Minister	
	3	Chancellor of the Exchequer	
	4	Secretary of State for Trade and Industry	
	5	PUSS for Trade and Industry	
	6	Sir Robert Armstrong (Cabinet Office)	
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	24	Mr E J Wright)
	25	Mr A R Hewer)
	26	Miss C Siddell)
	27	Miss H Chapman)
	28	Mr D Packer)

Dept of Trade and
Industry



Current A/c
what was debited
in Q3, Q4, '86

DTL

Next pros

6

Q3 86	- 600
Q4 86	- 802

SECRET AND PERSONAL



FROM: A C S ALLAN
DATE: 24 FEBRUARY 1987

SIR T BURNS

cc Sir P Middleton
Mr Sedgwick

JANUARY TRADE FIGURES

The Chancellor has seen the DTI note on the current account in January.

2. He feels that the January figures do not look too bad, and - subject to your views - he can see no reason to forecast a current account deficit for 1987 of more than £2 billion.

3. The further substantial revision to the invisibles for Q4 1987, this time downward, is most embarrassing. He feels we must get the CSO to cease this practice of revising the figures quite so frequently.

A handwritten signature in black ink that reads 'ACSA'.

A C S ALLAN

26/2/87

B06439

*Amend v. AU
Done on basis of
info for 1985!*

*a
Trans press info lds*

AA

MINISTER FOR TRADE

OVERSEAS TRADE FIGURES: INVISIBLES

1. In the postscript to his minute of 23 February Mr Stibbard described in aggregate the revisions to 1986 data, both for visible trade and invisibles. This note supplements that information and gives information about:

(i) the revised projection for invisible trade in the fourth quarter of 1986, which is embodied in the monthly overseas trade press notice to be published tomorrow;

(ii) revisions to invisibles data for the earlier quarters of 1986 and earlier years. These will not be published until 5 March, in the CSO quarterly balance of payments press notice.

The revised projection of invisible trade in the fourth quarter of 1986

2. The tables appended to this note explain the reduction in the fourth quarter projection from £800 million to £600 million per month. The first table presents both credits and debits for the main aggregates and underlines the magnitude of the gross figures. The second table shows that the reductions are spread across most of the account, but the major factors contributing to the changes are:

(i) Portfolio investment earnings are lower largely because annual data now available for 1985 indicate lower earnings by insurance companies then and in later quarters;

(ii) Insurance companies' net earnings from direct investment have also been revised downwards in the light of data now available for 1985;

(iii) net earnings were lower on a wide range of service activities. In particular it appears that fares payable to foreign airlines were higher than had been projected.

(iv) receipts of some £200 million expected from the European Community in the last quarter of 1986 did not materialise because of EC cash flow problems. It has been assumed that they will be received in the first quarter of 1987.

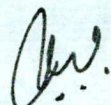
Revisions to earlier quarters of 1986 and earlier years

3. Further information now available about invisible trade in the earlier quarters of 1986 and earlier years has a significant impact on the total current account for 1985 and 1986 and a smaller effect on the data for 1984. In accordance with normal procedures these further revisions will not appear in tomorrow's monthly press notice. They will not be published until 5 March when the CSO quarterly press notice on the balance of payments is issued. It is possible that the figures may change, though not significantly, before then, but the effect on the annual totals is likely to be as follows:

Current Account Balance			£ billion
	1984	1985	1986
Previously published estimate	1.2	3.5	-0.2
Revised estimate	1.3	3.0	-1.1(a)
Difference	*0.1	-0.5	-0.9

(a) This compares with the estimate of -£0.4 billion that will appear in the monthly overseas trade press notice to be published tomorrow.

The major reason for the revision to the earlier data is that information has now become available about the overseas earnings of insurance companies. Annual data now available for 1985 indicates that their net direct investment and portfolio earnings were £400 million lower in 1985 than had previously been estimated. Data for 1986 have been re-estimated in the light of the firm information now available for 1985 with the result that their net earnings in 1986 have been reduced by £600 million.


J D WELLS

26 February 1987
Central Statistical Office

CONFIDENTIAL

Table I: Invisibles Trade 4th Quarter 1986: Main Aggregates

		£ million Seasonally adjusted		
		Initial Projection	Revised Projection	Difference
Services:	Credits	6521	6536	+15
	Debits	4938	5056	+118
	Balance	1583	1480	-103
IPD(a)	Credits	12462	12093	-369
	Debits	10896	10851	-45
	Balance	1566	1242	-324
Transfers	Balance	-672	-876	-204
Total balance:	unrounded	2477	1846	-631
	rounded for publication	2400	1800	-600

(a) Interest, profits and dividends.

Table II: Invisibles Trade 4th Quarter 1986

Analysis of the Balance in Trade of the Main Aggregates

		£ million Seasonally adjusted		
		Initial Projection	Revised Projection	Difference
Services:				
	Government services	-315	-337	-22
	Sea transport	-329	-372	-43
	Civil Aviation	31	-125	-156
	Travel	-89	0	+89
	Financial and other services	2285	2314	+29
	Total	1583	1480	-103
IPD:				
	Direct investment	524	357	-167
	Portfolio	1520	1148	-372
	Banking and other	-478	-263	+215
	Total	1566	1242	-324
Transfers:				
	EC Institutions	-245	-464	-219
	Other	-427	-412	15
	Total	-672	-876	-204

CONFIDENTIAL

CIRCULATION LIST

Minister for Trade

Prime Minister

Chancellor of the Exchequer

Secretary of State for Trade and Industry

PUSS for Trade and Industry

PUSS for Corporate and Consumer Affairs

Sir Robert Armstrong (Cabinet Office)

Sir Brian Hayes (Dept of Trade and Industry)

Sir Peter Middleton (HM Treasury)

Governor of the Bank of England

Chairman of the Board of HM Customs and Excise

Mr J Hibbert (CSO)

Mr Finlinson (HM Customs and Excise)

Mrs M Dolling (CSO)

Mr S King (HM Treasury)

Mr Barrell (HM Treasury)

Mr P Sedgewick (HM Treasury)

Mr D Owen (HM Treasury)

Mr A McIntyre (CSO)

Dr P Rice (Dept of Energy)

Mr Bottrill (HM Treasury)

Mr H H Liesner (Dept of Trade and Industry)

Mr P Stibbard (Dept of Trade and Industry)

Mr W E Boyd (Dept of Trade and Industry)

Mr A R Hewer (Dept of Trade and Industry)

Miss C Siddell (Dept of Trade and Industry)

Thank.
Get my marks.
2. 1 day's work is the 6 have effect
weather inputs more than exports. 12 m.
low Jan 4!

ALAN 26/2.

1. MR BOTTRILL
2. CHANCELLOR OF THE EXCHEQUER

FROM: S D KING
 DATE: 26 February 1987
 cc: See attached list

Ch
some comments on profits
AA

JANUARY TRADE FIGURES

The January trade figures will be published at 11.30 am on Friday 27 February. They will show a deficit on visible trade of £527 million. Combined with a new projection from the CSO for the monthly surplus on invisibles for 1987Q1 of £600 million a month, they give a current account surplus of £73 million.

2. There have been considerable revisions to the current account balance for 1986, reflecting end-year adjustments to the visibles balance and a downward revision to the 1986Q4 projected invisibles surplus. The latter has been reduced from £800 million a month to £600 million a month. The major changes are set out in paragraph 11, but the overall effect on the current account has been to increase the 1986 deficit from £187 million to £360 million. (Further revisions will occur when the CSO publishes its estimates for the 1986Q4 invisibles balance on 5 March together with changes to previous quarters).

where to find numbers here

Main points

3. Current Account

	£ million						
	1986	Q1	Q2	Q3	Q4	Dec	1987 Jan
Manufactures	-5397	-1260	-609	-1739	-1788	-529	-437
Oil	4153	1889	772	646	846	266	371
Other goods	-7009	-1856	-1714	-1780	-1660	-624	-461
Total visibles	-8253	-1227	-1551	-2873	-2602	-887	-527
Invisibles	7893	1986	1854	2253	1800*	600*	600**
Current balance	- 360	759	303	-620	-802*	-287*	73**

* estimate
 ** projection

4. The value of exports fell by £273 million in January compared with December. The value of imports fell by £633 million. The combined effect was to give a visible trade deficit of £0.5 billion in January compared with £0.9 billion in December. However, some of this improvement may reflect the effects of bad weather in January.

5. Exports

	percentage change			
	Jan on Dec	3 mths to Jan on previous 3 months	3 mths to Jan on same period year earlier	1986 on 1985
Total value	-4	7½	1½	-6½
Total value excl. oil and erratics	-5	4½	11	2½
Total volume	-5	5½	9	3½
Total volume excl. oil and erratics	-6½	4	9	2½
Manufactures volume (excl.erratics, OTS basis)	-6½	2½	6	1
Fuels volume (OTS)	5½	5½	3	2
Basic materials volume (OTS)	13½	15½	31	10½
Food, drink and tobacco volume (OTS)	-9	-2	24½	8½

6. Export volumes, excluding oil and erratics, fell by 6½ per cent in January compared with December, but rose by 4 per cent in the three months to January compared with the previous three months, suggesting that the underlying trend remains upward. Within the total, manufactures (excluding erratics) rose by 2½ per cent in the three months to January on the previous three months to a level 6 per cent higher than in the same period a year earlier. The volume of basic materials exports showed a further large increase in January, giving a three month on three month rise of 15½ per cent. Exports of food, drink and tobacco fell for the second month in succession, suggesting that exports of animal feed to drought affected areas of Spain and Southern France have now passed their peak. The volume of

fuel exports rose by 5½ per cent in January, partly reflecting a bounceback in production following the effects of a burst pipeline in November and December.

7. Imports

	percentage change			1986 on 1985
	Jan on Dec	3 mths to Jan on previous 3 months	3 mths to Jan on same period year earlier	
Total value	-8½	4	13½	1
Total value excl. oil and erratics	-9	5	18	7
Total volume	-8	½	11½	6½
Total volume excl. oil and erratics	-9½	3	10½	6
Manufactures volume (excl.erratics, OTS basis)	-8	2	9½	5½
Fuels volume (OTS)	-11	-18	15	8½
Basic materials volume (OTS)	0	14½	21½	6½
Food, drink and tobacco volume (OTS)	-12½	3	10	8

8. Import volumes, excluding oil and erratics, fell by 9½ per cent in January compared with December. However, in the three months to January, volumes rose by 3 per cent to a level 10½ per cent above the level of a year earlier, indicating that the trend remains upward. Manufactures, excluding erratics, fell by 8 per cent in January compared with December but, in the three months to January, were 2 per cent above the level of the previous three months. Within the total, imports of all broad commodity groups fell in January, tending to support the view that the figures were heavily distorted by the bad weather. In the three months to January, however, large increases were recorded in imports of intermediate goods (up 5½ per cent), capital goods (up 9 per cent), and basic materials (up 14 per cent). Fuels volumes continued to move erratically.

Geographical area

9. By geographical area, the value of exports to the US in January remained at the high levels shown over the last few months, while exports to the EC fell by 8 per cent in January compared with December. Exports to oil exporters recovered from the slight fall in December.

Trade prices

	percentage change			
	<u>Import prices (OTS)</u>		<u>Export prices (OTS)</u>	
	Jan on Dec	3 mths to Jan on previous 3 mths	Jan on Dec	3 mths to Jan on previous 3 mths
Manufactures (excl.erratics)	1	4	$\frac{1}{2}$	$1\frac{1}{2}$
Food, drink, tobacco	$-\frac{1}{2}$	$1\frac{1}{2}$	0	1
Basic materials	$\frac{1}{2}$	$3\frac{1}{2}$	1	$-\frac{1}{2}$
Fuel	7	$6\frac{1}{2}$	$10\frac{1}{2}$	$15\frac{1}{2}$
Total (BOP basis)	1	$4\frac{1}{2}$	1	$2\frac{1}{2}$
Total less oil	$\frac{1}{2}$	$3\frac{1}{2}$	$\frac{1}{2}$	$1\frac{1}{2}$

10. In January the total terms of trade, as measured by unit value indices, were unchanged on the previous month, as were the non-oil terms of trade. The manufacturing terms of trade continued to deteriorate but this was offset by improvements in the terms of trade on basic materials and food, drink and tobacco. In the latest three months, however, both the total and non-oil terms of trade deteriorated by 2 per cent, largely reflecting the effects of the earlier exchange rate depreciation. [NB: the published series are unit value indices, which can present a misleading picture over a period of time due to their use of 1980 weights.]

Major revisions to 1986 figures

	January press notice	Revision	February press notice
December 1986	38	-325	-287
of which invisibles	800	-200	600
visibles	-763	-124	-887
1986 Q4	-229	-573	-802
of which invisibles	2400	-600	1800
visibles	-2629	27	-2602
1986	-187	-173	-360
of which invisibles	8493	-600	7893
visibles	-8680	427	-8253

11. Changes to the visibles balance reflect a combination of factors - including the 'end-year seasonal adjustment' whereby the seasonally adjusted monthly totals are revised to make them consistent with the non-seasonally adjusted total for the year, and revision by Customs, which take account of late arrival of documents. These changes have led to an improvement in the 1986 visibles balance of £427 million with higher exports and lower imports. The second change is on the 1986Q4 invisibles projection. In the January press notice, a figure of £800 million a month was given. This has been revised down to £600 million a month in the light of information gathered by the CSO, the full results of which will be published in the 1986Q4 balance of payments press notice on 5 March. [NOT FOR PUBLIC USE: The 1986Q4 balance of payments press notice will also contain significant downward revisions to the invisibles balance in 1985 and in the first three quarters of 1986. The magnitude of these revisions is likely to result in a current account surplus of under £3 billion in 1985 and a deficit of over £1 billion in 1986. The downward revisions for both 1985 and 1986 mainly reflect new information on interest and dividends from insurance companies' investments; in addition, for 1986, more information has been received on travel, civil aviation and financial services.]

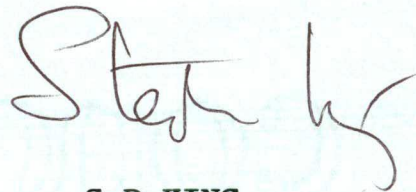
Market expectations

12. The market expectation is for a visible deficit of around £800 million in January with the current account in balance.

However, the main focus of attention will probably be on the downward revision to the 1986Q4 invisibles projection and the implications for the rest of 1986.

Press briefing

13. I would be grateful for clearance of the attached press briefing.

A handwritten signature in black ink, appearing to read 'S D King', written in a cursive style.

S D KING

DRAFT BRIEFING FOR IDT

Positive

1. Current account in surplus by £73 million in January. Improvement of around £250 million in January in non-oil trade deficit compared with December.

2. Export volumes (excluding oil and erratics) continue to rise in underlying terms. In three months to January, up 4 per cent on previous three months to a level 9 per cent above the same period a year earlier.

Defensive

1. Current account deficit of £0.4 billion in 1986 indicates that UK's external position precarious.

Not so. Exports now on rising trend - volumes (excluding oil and erratics) up 4 per cent in three months to January on previous three months. In January, non-oil trade deficit improved by around £250 million compared with December.

2. Why downward revision to 1986Q4 invisibles balance

New and revised data coming in all the time on the umpteen series which make up the overall invisibles balance. Preliminary indications are that the first estimates of the outturn for the fourth quarter are lower than was assumed in the projection.

3. What implications are there for invisibles figures in first three quarters of 1986 - why not publish figures now

Figures not yet finalised. Any revisions to first three quarters of 1986 will be published in Balance of Payments press notice on 5 March, in line with past practice.

letter to use a 3 month/3 month comparison here too, rather than a single month's figures Risk:

4. What are revisions to 1986Q4 invisibles balance

Revisions widely spread and affect services earnings, interest, profits and dividends and transfers. (IF PRESSED: in particular, receipts from EC were ~~significantly~~ lower than had been expected and insurance companies' earnings on direct and portfolio investment have been revised downwards.)

5. How will current account for 1986 be revised on 5 March

Figures not finalised as yet, but overall they are likely to show smaller invisibles surpluses than previously estimated.

6. Constant revisions to quarterly projections suggest that CSO credibility be doubted

~~Not so.~~ Initial projection made on basis of past data and subsequent partial information. Inevitably subject to substantial revision. ~~Only~~ **S** sensible to publish revised projection when clear that previous projection inaccurate.

7. Does downward revision of £600 million for fourth quarter imply downward revision for year as a whole of £2.4 billion, giving current account deficit of over £2 billion?

Does not follow. Previous figures for 1986Q4 simply projection which by their nature are subject to larger revisions than estimates based on firmer information. [For other points on invisibles revisions, refer to CSO press briefing.]

8. Revised current account deficit for 1986 implies need for further fall in exchange rate.

Not so. Non-oil visible trade already beginning to respond to fall in exchange rate last year. [↑] But vital that pay settlements are kept under control if gains in competitiveness are to be maintained.

✓ { Chancellor has made it clear ~~on many occasions~~ - most recently post "Plaza II" - that he does not want to see the exchange rate fall further.

9. Deficit in 1986 - first since 1979.

Deterioration in current account during 1986 not surprising given £4 billion fall in oil trade surplus ~~due to fall in oil price, and decline in world trade.~~ But recent improvements in competitiveness ~~will in time improve~~ current account. ^{witness the strong growth exports.} ~~Sterling index down over 10 per cent in year to January 1987;~~ In recent quarters UK unit labour costs risen broadly in line with those of major competitors so that ^{the whole of} sterling's depreciation has been reflected in improved competitiveness.

we already helping to improve the

John Major collapse

10. Emergence of deficit in 1986 indicates that benefits of North Sea Oil have been squandered.

Not so. North Sea oil has contributed to build-up of net overseas assets from £12 billion in 1979 to £80 billion at end 1985. Currently generating net interest, profits and dividends of well over £4 billion a year.

11. Emergence of deficit indicates cynical Government policy of generating pre-election consumer boom

Not so. Growth in imports in three months to January compared with previous three months lower than growth of exports, and associated largely with imports of basic materials (up 14 per cent) and intermediate goods (up 5½ per cent) - consistent with recent increases in domestic manufacturing output. Imports of capital goods up 9 per cent over same period.

12. Non-oil tradeable sector unable to respond following fall in oil price owing to erosion of manufacturing base

Performance of manufacturing industry improving for some time. Since 1983, manufacturing output up over 10 per cent, investment up 25 per cent. Manufacturing productivity up 16 per cent and manufacturing exports in latest three months at all time high. So no reason for pessimism on ability of manufacturing to respond.

One month's paper

13. Growth of imports too high

[Imports, excluding oil and erratics, rose by 6 per cent in 1986 on 1985 compared with increase of 2½ per cent in exports]. ~~Import volumes, excluding oil and erratics, fell by 9½ per cent in January compared with December.~~ ^{rose by 3%} ~~Imports~~ ^{both in value & volume terms,} Exports rose faster than imports in three months to January compared with previous three months.

14. Industry Act forecast of £1½ billion deficit for 1987 too optimistic

Any revision to forecast for 1987 will take place at time of Budget.

15. Record manufacturing trade deficit in 1986

[Manufacturing trade deficit of £5.4 billion in 1986 largest ever]. No doubt that manufacturing is important, and should respond to recent improvements in competitiveness. Encouraging that manufacturing exports now growing again - in three months to January up 6 per cent on same period year earlier.

Need also something like:

^{Re} [If story about insurance earnings gets out - as it will]

Gives to lie to claims that NS revenues invested overseas will bring large returns

NA so. Total income from our investments overseas amounts to over £20 billion and is growing fast. There will inevitably be some revision - in either direction - as new information becomes available. But underlying picture clear.

TRADE FIGURES FOR JANUARY 1987

Advance circulation

Chancellor	Mr Peretz
Chief Secretary	Mr Kelly
Economic Secretary	Miss O'Mara
Sir P Middleton	Mr Culpin
Sir G Littler	Mr Barrell
Sir T Burns	Mr Owen
Mr Cassell	Mr Segal
Mr Sedgwick	Mr Norgrove - No.10

Circulation after 11.30 am Friday 27 February

Financial Secretary
Minister of State
Mr Monck
Mr Matthews
Mr Hacche
Mr Tyrie
Mr Ross Goobey
Miss Roche - No.10



FROM: A C S ALLAN
DATE: 27 February 1987

1 Catts
2 pup

S D KING

cc PS/Economic Secretary
Sir P Middleton
Sir G Littler
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Kelly
Miss O'Mara
Mr Culpin
Mr Barrell
Mr Owen
Mr Segal

JANUARY TRADE FIGURES

The Chancellor was grateful for your minute of 26 February. He has the following comments on the draft briefing for IDT:

- (i) in Defensive 1 it would be better to use a three month comparison in the second sentence too, rather than a single month's figures;
- (ii) in Defensive 4 delete "significantly" in the third line;
- (iii) in Defensive 6 delete the first sentence. And delete "Only" at the beginning of the third sentence;
- (iv) in Defensive 8 add a new sentence after the existing second sentence "The Chancellor has made it clear - most recently post "Plaza II" - that he does not want to see the exchange rate fall further.";
- (v) in Defensive 9 change the end of the first sentence to read "£4 billion fall in oil trade surplus following collapse in oil price.". Amend the second and third sentences to read "but recent improvements in competitiveness are already helping to improve the current account - witness the strong growth in exports. In recent quarters UK unit labour costs ...";
- (vi) in Defensive 13 delete the second sentence (another use of one month's figures). Begin the next sentence



"Exports, both in value and volume terms, rose faster ...".

2. The Chancellor also feels that another Defensive question is needed, in case the story about insurance earnings gets out - as it almost certainly will:

"Gives the lie to claims that NS revenues invested overseas will bring large returns.

No so. Total income from our investments overseas amount to over £x billion and is growing fast. There will inevitably be some revisions - in either direction - as new information becomes available. But underlying picture clear."

3. The Chancellor wondered why bad January weather is thought to have affected imports more than exports?

ACSA

A C S ALLAN



prop

To Minister for Trade

Copy No ..3.(28)

From Peter Stibbard
US/S2
V/260 Ext. 4872

17 March 1987

Good

OVERSEAS TRADE FIGURES FOR FEBRUARY 1987: EXPORTS

as I suggested @ the time

1 The value of exports in February, seasonally adjusted on a balance of payments basis, is estimated at £6.9 billion, £0.7 billion (12 per cent) higher than in January. It now seems clear that the exceptional weather conditions in January affected the value of exports for that month, and there has been an element of catching up in the February figures. Exports of oil were little changed, as were exports of the erratic items. Excluding oil and the erratic items, exports increased by 13 per cent between January and February.

2 In the three months ending February, the total value of exports increased by 3½ per cent in comparison with the previous three months; the corresponding increase excluding oil and the erratic items was 2½ per cent.

3 Again looking at the three months ending February, total export volume was 2 per cent higher than in the previous three months and 10 per cent higher than a year earlier. Excluding oil and the erratic items export volume increased by 2 per cent in the latest three months. The upward trend in the underlying level of non-oil export volume continued in February.

4 Recent export figures are shown in the attached table and graphs. Import figures for February are not yet available. A further note describing imports and the resulting current account will be circulated on Friday 20 March.

P J STIBBARD

SECRET and PERSONAL until release of press notice
 on **26 MAR 87** at 11.30am and thereafter unclassified

Copy No... ()

EXPORTS

(Balance of payments basis; seasonally adjusted)

	---TOTAL TRADE---		EXCLUDING ---OIL & ERRATICS---	
	VALUE £m	VOLUME (1980=100)	VALUE £m	VOLUME (1980=100)
1985 Q4	19135	119.6	14253	114.6
1986 Q1	18164	117.5	14071	111.9
Q2	17786	121.9	14455	115.1
Q3	17553	122.6	14839	118.5
Q4	19340	130.5	15873	125.3
1986 SEP	6103	126.2	5065	121.4
OCT	6294	127.0	5197	122.1
NOV	6569	132.8	5365	127.3
DEC	6477	131.6	5311	126.5
1987 JAN	{ 6204	125.0	5035	118.5
FEB	6933	137.8		

6570

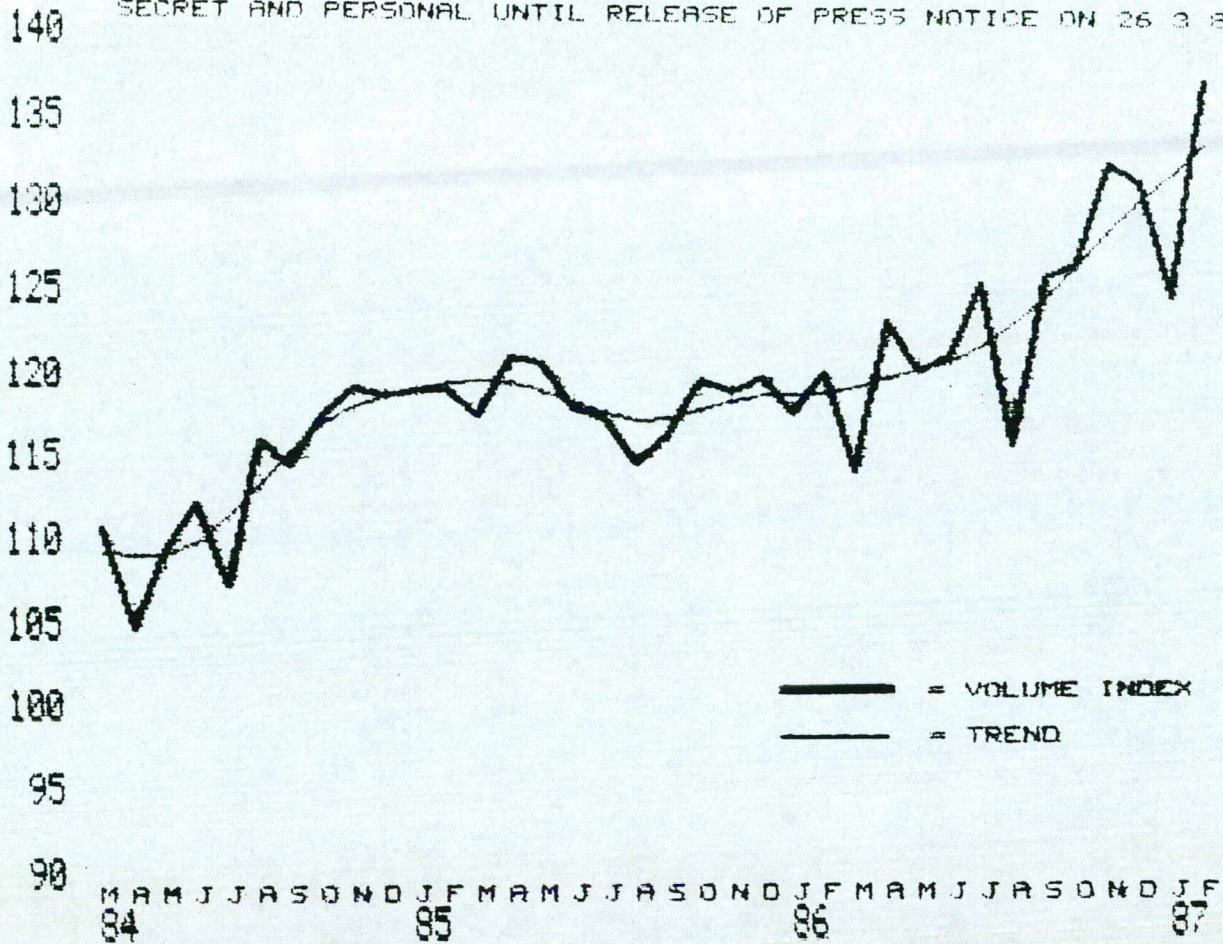
+729.

} 131.4

} 126.3

TOTAL EXPORTS

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 26 3 87



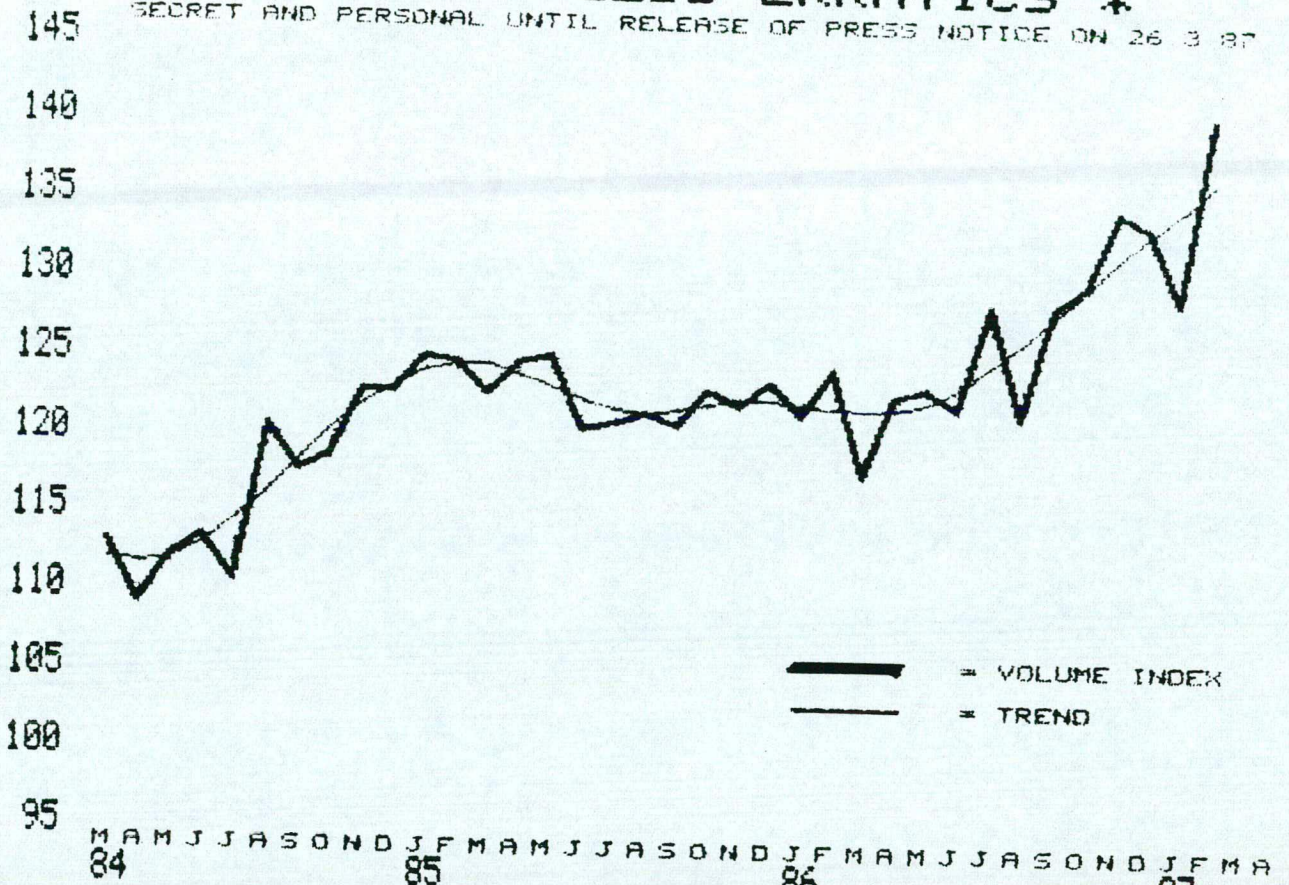
— = VOLUME INDEX
— = TREND



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84 85 86 87

BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

EXPORTS LESS ERRATICS *

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 26.3.87

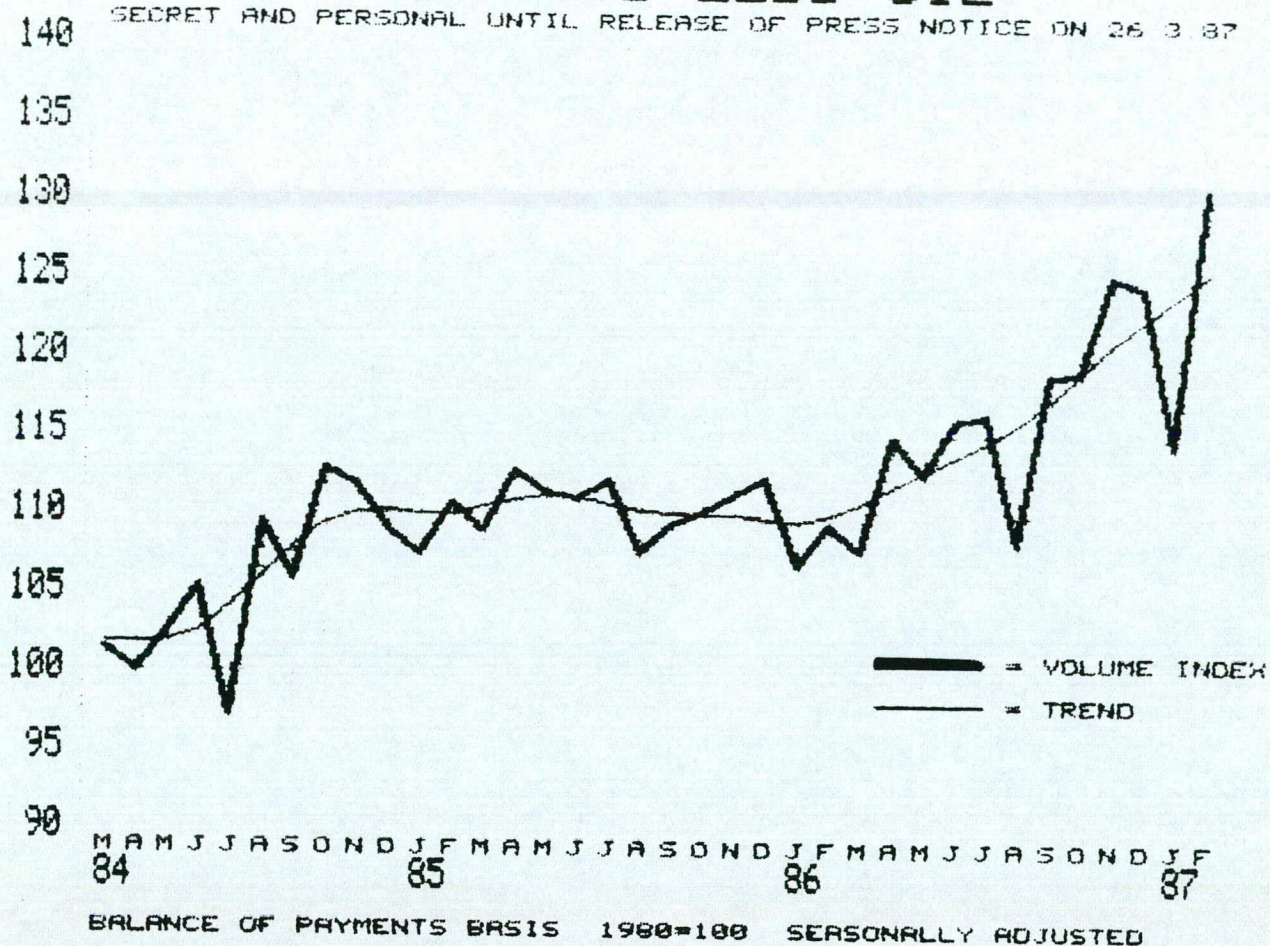


 = VOLUME INDEX
 = TREND

MAMJJASONDJFMAMJJASONDJFMAMJJASONDJFMA
 84 85 86 87
 BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED
 * = SHIPS, NORTH SEA RIGS, AIRCRAFT, PRECIOUS STONES & SILVER

EXPORTS LESS OIL

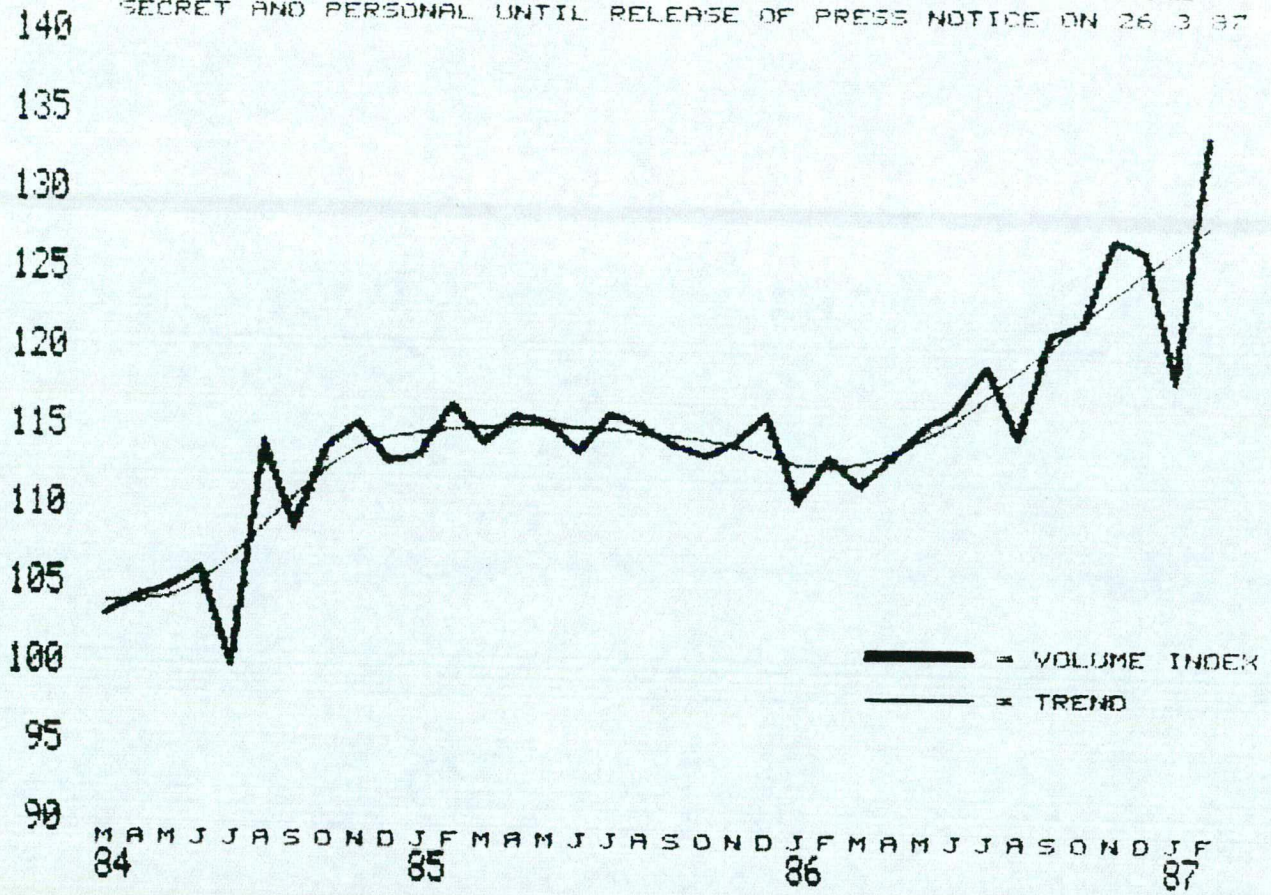
SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 26 3 87



EXPORTS LESS OIL & ERRATICS

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 26 3 87

140
135
130
125
120
115
110
105
100
95
90



MAMJJASOND 84 85 86 87

BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

CIRCULATION LIST

Copy No	1	Minister for Trade	
	2	Prime Minister	
	3	Chancellor of the Exchequer	
	4	Secretary of State for Trade and Industry	
	5	PUSS for Trade and Industry	
	6	Sir Robert Armstrong (Cabinet Office)	
	7	Sir Brian Hayes (Dept. of Trade and Industry)	
	8	Sir Peter Middleton (HM Treasury)	
	9	Governor of the Bank of England	
	10	Chairman of the Board of HM Customs & Excise	
	11	Mr J Hibbert (CSO)	
	12	Mr Finlinson (HM Customs & Excise)	
	13	Mr B Buckingham (CSO)	
	14	Mr S King (HM Treasury)	
	15	Mr Barrell (HM Treasury)	
	16	Mr P Sedgewick (HM Treasury)	
	17	Mr D Owen (HM Treasury)	
	18	Mr A McIntyre (CSO)	
	19	Dr P Rice (Dept of Energy)	
	20	Mr Bottrill (HM Treasury)	
	21	Mr H H Liesner)
	22	Mr P Stibbard)
	23	Mr W E Boyd)
	24	Mr E J Wright)
	25	Mr A R Hewer)
	26	Miss C Siddell)
	27	Miss H Chapman)
	28	Mr D Packer)

Dept of Trade and
Industry



To: MINISTER FOR TRADE

From: P J STIBBARD
US/S2
V/260 Ext. 4872

20 March 1987

Copy No. (3) 28

Good.
(2) Per lit in last, ASAP,
for each of the past 10 years,
no change surplus deficit as
projections @ the time you follow
your's Budget, & no
revisions J.P.

OVERSEAS TRADE FIGURES FOR FEBRUARY 1987

THE CURRENT ACCOUNT

In February exports were valued at £6.9 billion and imports at £7.2 billion so that visible trade, seasonally adjusted on a balance of payments basis, showed a deficit of £0.2 billion compared with a deficit of £0.5 billion in January.

The Central Statistical Office project a surplus on invisibles of £0.6 billion for February so that the current account is provisionally estimated to have been in surplus by £0.4 billion in February compared with a surplus of £0.1 billion in January. The estimated balance on current account for 1986 as a whole is now put at a deficit of £1.1 billion. This incorporates the revisions to the invisibles figures announced by the CSO earlier this month.

TABLE 1: CURRENT BALANCE, VISIBLE TRADE AND INVISIBLES
(Table 2 of Press Notice)

	Current Account Balance	Visible Trade Balances			Invisibles Balance
		Total	Oil	Non-oil	
1985	+2946	-2178	+8104	-10282	+5124
1986	-1099	-8253	+4153	-12407	+7154
Sept-Nov 1986	- 668	-2546	+ 837	- 3383	-1878
Dec-Feb 1987	+ 178A	-1637	+ 963	- 2600	-1815A
1986 Dec	- 272	- 887	+ 266	- 1153	+ 615
1987 Jan	+ 73A	- 527	+ 371	- 898	+ 600A
Feb	+ 376A	- 224	+ 326	- 549	+ 600A

A = Projection



In the three months ended February 1987 there was a deficit on visible trade of £1.6 billion - a surplus on trade in oil of £1.0 billion offset by a deficit on non-oil trade of £2.6 billion. Between the three months ended November 1986 and the latest three months, the visible trade balance improved by £0.9 billion - the surplus on oil increased by £0.1 billion and the deficit on non-oil trade was reduced by £0.8 billion.

EXPORTS

The value of exports in February was £729 million (12 per cent) higher than in January. It now seems clear that the exceptional weather conditions in January reduced the value of exports for that month and there has been an element of catching up in the February figures. Exports of oil were little changed; exports of the erratic items increased by £47 million. Excluding oil and the erratic items, exports increased by 13 per cent between January and February.

Total export volume increased by 2 per cent between the three months ended November 1986 and the latest three months to be 10 per cent higher than a year earlier. Excluding oil and erratics the volume of exports grew by 2 per cent in the latest three months. The upward trend in the underlying level of non-oil export volume continued in February.

TABLE 2: EXPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

Bop Basis, Seasonally Adjusted

	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total Less Oil and erratics	Total	Total less Oil and erratics
1985	78111	57685	118.7	114.9
1986	72843	59238	123.1	117.7
Sept-Nov 1986	18967	15628	128.6	123.6
Dec-Feb 1987	19615	16036	131.5	126.3
1986 Dec	6477	5311	131.6	126.5
1987 Jan	6204	5035	125.0	118.5
Feb	6933	5690	137.8	134.0



By value, exports increased by $3\frac{1}{2}$ per cent in the latest three months. Exports to the developed countries increased by 5 per cent; largely due to a 21 per cent increase in deliveries to North America. Exports to Western Europe rose by 1 per cent and exports to the other developed countries grew by $2\frac{1}{2}$ per cent. Exports to the developing countries were down 2 per cent over the latest three months.

IMPORTS

The value of imports in February was £426 million ($6\frac{1}{2}$ per cent) higher than in January. Although this represents a recovery from the low January level, it was not as great as for exports. It is possible that there is still some catching up from the bad weather to come but it seems more likely that the value of imports has fallen somewhat from the high levels at the end of last year. Higher imports of oil and of the erratic items together accounted for about £100 million of the rise in February. Excluding these, imports were $5\frac{1}{2}$ per cent higher than in January.

Total import volume fell by 3 per cent between the three months ended November and the latest three months but were 11 per cent higher than a year earlier. Excluding oil and the erratic items, import volume fell by $2\frac{1}{2}$ per cent in the latest three months. The underlying level of non-oil import volume appears to have stabilised in recent months.

TABLE 3: IMPORTS BY VALUE AND VOLUME (Tables 1, 4 and 7 of Press Notice)

	Bop Basis, Seasonally Adjusted			
	VALUE (£m)		VOLUME (1980 = 100)	
	Total	Total less oil and erratics	Total	Total less oil and erratics
1985	80289	68719	126.0	142.8
1986	81096	73460	133.9	151.1
Sept-Nov 1986	21512	19543	141.8	159.1
Dec-Feb 1987	21251	19301	137.5	155.1
1986 Dec	7364	6741	143.9	163.4
1987 Jan	6731	6118	130.9	148.0
Feb	7157	6442	137.5	153.8



By value, imports fell by 1 per cent in the latest three months. Arrivals from the developed countries were down by 3 per cent spread fairly evenly across the major area groupings. Imports from the developing countries fell by 2½ per cent; a 20 per cent increase in arrivals from the oil exporting countries being offset by a ½ per cent fall elsewhere.

TRADE IN MANUFACTURES

Figures showing trade in manufactures on a balance of payments basis will be published in the Monthly Review of External Trade Statistics. On present estimates, they show a deficit of £1.0 billion over the latest three months compared with a deficit of £1.8 billion in the three months ended November 1986.

TABLE 4: TRADE IN MANUFACTURES (SITC 5-8) (Table 16 of Press Notice, quarterly data only)

	Exports	Imports	£ million Seasonally Adjusted Balance of Payments Basis
1985	52271	55273	- 3002
1986	54486	59883	- 5397
Sept-Nov 1986	14361	16124	- 1763
Dec-Feb 1987	14599	15593	- 994
1986 Dec	4906	5435	- 529
1987 Jan	4587	5024	- 437
Feb	5106	5134	- 28

PUBLICATION

The press notice containing the February figures is scheduled for release at 11.30am on Thursday 26 March.

P J STIBBARD

VOLUME INDICES

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 26.3.87

170

160

150

140

130

120

110

100

90

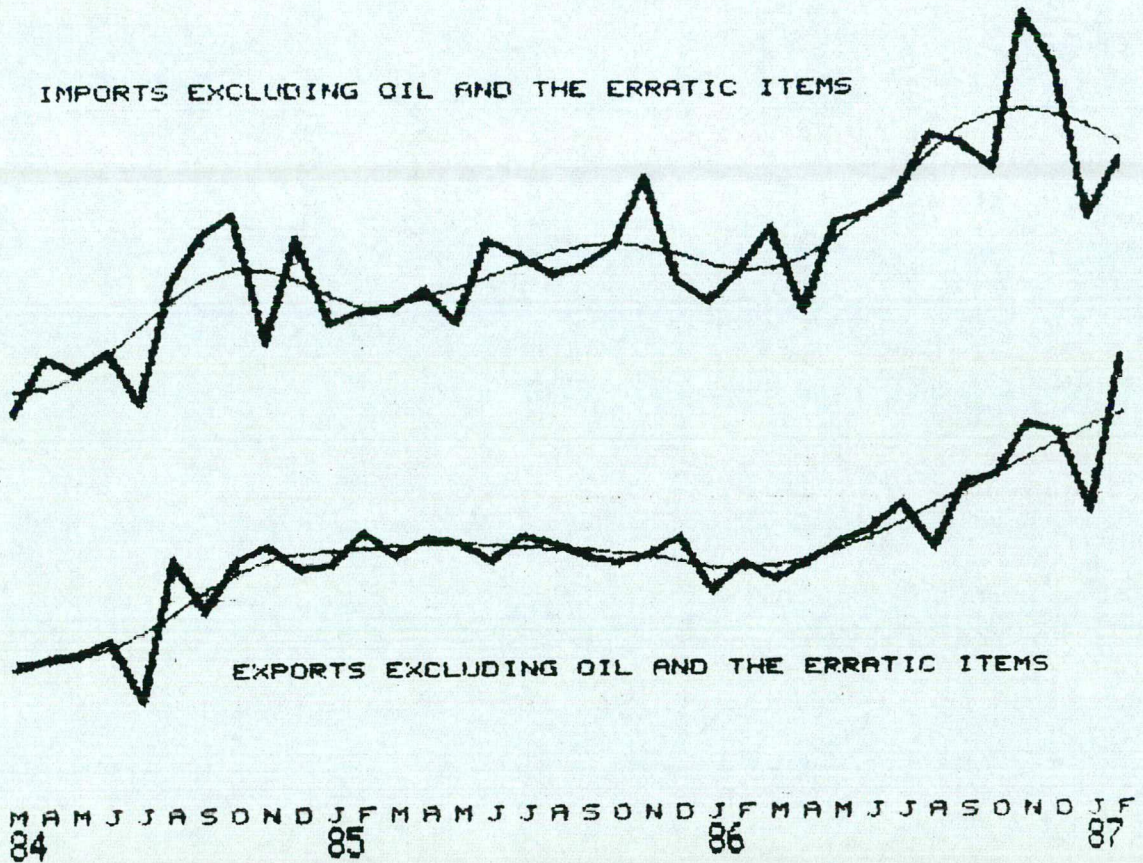
IMPORTS EXCLUDING OIL AND THE ERRATIC ITEMS

EXPORTS EXCLUDING OIL AND THE ERRATIC ITEMS

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84 85 86 87

----- = VOLUME INDEX - - - - - = TREND

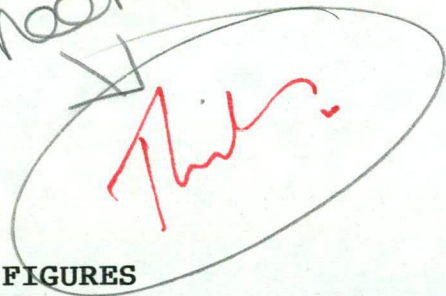
BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED



CIRCULATION LIST

Copy No	1	Minister for Trade	
	2	Prime Minister	
	3	Chancellor of the Exchequer	
	4	Secretary of State for Trade and Industry	
	5	PUSS for Trade and Industry	
	6	Sir Robert Armstrong (Cabinet Office)	
	7	Sir Brian Hayes (Dept. of Trade and Industry)	
	8	Sir Peter Middleton (HM Treasury)	
	9	Governor of the Bank of England	
	10	Chairman of the Board of HM Customs & Excise	
	11	Mr J Hibbert (CSO)	
	12	Mr Finlinson (HM Customs & Excise)	
	13	Mr B Buckingham (CSO)	
	14	Mr S King (HM Treasury)	
	15	Mr Barrell (HM Treasury)	
	16	Mr P Sedgewick (HM Treasury)	
	17	Mr D Owen (HM Treasury)	
	18	Mr A McIntyre (CSO)	
	19	Dr P Rice (Dept of Energy)	
	20	Mr Bottrill (HM Treasury)	
	21	Mr H H Liesner)
	22	Mr P Stibbard)
	23	Mr W E Boyd)
	24	Mr E J Wright)
	25	Mr A R Hwer)
			Dept of Trade and Industry
	26	Miss C Siddell)
	27	Miss H Chapman)
	28	Mr D Packer)

MOON



FROM: ANNA LEMESSANY

DATE: 23 March 1987

MRS RYDING

cc Mr Owen

CURRENT ACCOUNT FIGURES

You asked for the current account estimates published at the time of the following year's Budget and the latest revised figures for each of the past 10 years.

2. These are attached.



ANNA LEMESSANY
EA2
X 5384

CURRENT ACCOUNT FIGURES

	LATEST FIGURES		FIRST ESTIMATE	
	£ Million	As published in following year's FSBR	£ Billion	As published in following year's March Economic Trends
1986	- 1099	0	- 1	- 1099
1985	2946	0	3	2952
1984	1282	+ 1/4	0	51
1983	3132	+ 1	2	2049
1982	3938	0	4	3948
1981	6159	- 2	8	NA ^b
1980	2928	+ 1/4	2 3/4	2737
1979	- 717	+ 1 3/4	- 2 1/2	- 2437
1978	965	+ 1/2	443 ^a	
1977	- 136	0	- 35 ^a	

a: £ Million

b: data available late because of Civil Service strike.
CSO's first published estimate was £6036^{million} in the September Economic Trends.

Thanks. Bonif. OK as in rec'd - years Rev for the @! steady Jan/Feb, but in Mar. you this you?

AROB 24/3 - her S.A. figs pattern: good forecast

FROM: D. W. OWEN
 DATE: 24 March 1987

- 1. MR BOTTRILL
 - 2. CHANCELLOR OF THE EXCHEQUER
- cc: See attached list

On A few small comments on press briefing - and does re-annunciation reveals Feb figs are v good indeed. Ad

FEBRUARY TRADE FIGURES

The February trade figures will be published at 11.30 am on Thursday 26 March. They will show a deficit on visible trade of £224 million. Combined with an unchanged CSO projection of the monthly invisibles surplus of £600 million, they give a projected current account surplus of £376 million in February compared to a surplus of £73 million in January. In the three months to February the current account was in surplus by £178 million compared to a deficit of £668 million in the previous three months.

Main Points

2. Current Account

	1986				£ million		
		Q1	Q2	Q3	Q4	1987 Jan	Feb
Manufactures	-5397	-1260	-609	-1739	-1788	-437	-28
Oil	4153	1889	772	646	846	371	326
Other goods	-7009	-1856	-1714	-1780	-1660	-461	-522
Total visibles	-8253	-1227	-1551	-2873	-2602	-527	-224
Invisibles	7154	1909	1457	1942	1846	600**	600**
Current balance	-1099	682	-94	-931	-756	73**	376**

** projection

3. The value of exports, which fell in January because of the bad weather, bounced back sharply in February, rising by £729 million to £6.9 billion. Imports also recovered from the low level in January but the rise of £426 million - to £7.2 billion - was less than that of exports. As a result the visible deficit of £0.2 billion in

February was £0.3 billion smaller than in January. In the three months to February the non oil visible balance and the manufacturing trade balance both improved by around £0.8 billion compared to the previous three months. In February trade in manufactures was in broad balance.

4. Exports

	percentage change			
	Feb on Jan	3 mths to Feb on previous 3 months	3 mths to Feb on same period year earlier	1986 on 1985
Total value	12	3½	4½	-6½
Total value excl. oil and erratics	13	2½	13	2½
Total volume	10	2	10	3½
Total volume excl. oil and erratics	13	2	11	2½
Manufactures volume (excl.erratics, OTS basis)	11	1½	8	1
Fuels volume (OTS)	-2½	2½	-½	2
Basic materials volume (OTS)	-6½	20	34	10½
Food, drink and tobacco volume (OTS)	8½	-8½	15	8½

5. Export volumes, excluding oil and erratics, rose by 13 per cent in February. This rise almost certainly included a large element of catching up after the bad weather in January. Nevertheless the underlying trend remains clearly upwards: in the three months to February volumes were 2 per cent higher than in the previous three months and 11 per cent higher than a year earlier. Within the total, manufactures (excluding erratics) rose 1½ per cent in the three months to February on the previous three months, to a level 8 per cent higher than a year earlier. The strongest increases recently have been in exports of passenger motor cars and of basic materials, up 16 per cent and 20 per cent respectively in the three months to February on the previous three months. The latter reflects a very large increase in the export of vegetable oil. In addition the export figures recently have been boosted by large and probably

temporary increases in the export of gold. Although this affects any assessment of the underlying trend in export growth the effect is largely offset by correspondingly higher imports (on a balance of payments basis) so there is not thought to be any distortion to the current account estimates.

6. Imports

	percentage change			1986 on 1985
	Feb on Jan	3 mths to Feb on previous 3 months	3 mths to Feb on same period year earlier	
Total value	6½	-1	12	1
Total value excl. oil and erratics	5½	-1	15	7
Total volume	5	-3	11	6½
Total volume excl. oil and erratics	4	-2½	9½	6
Manufactures volume (excl.erratics, OTS basis)	0	-4½	8	5½
Fuels volume (OTS)	13	-6½	26	8½
Basic materials volume (OTS)	½	6½	19	6½
Food, drink and tobacco volume (OTS)	12½	3	9	8

7. Import volumes, excluding oil and erratics, rose by 4 per cent in February. This is a relatively small recovery following the fall of 9½ per cent in January. In the three months to February import volumes were 2½ per cent lower than in the previous three months, though still 9½ per cent higher than a year earlier. It is possible that there is still some catching up to come from the effects of continued bad weather in Europe during February but DTI's assessment is that, on the basis of the latest data, the underlying level of non oil import volume may have stabilised.

8. Imports of manufactures (excluding erratics) were 4½ per cent lower in the three months to February than in the previous three months but 8 per cent higher than a year earlier. Within the total capital goods imports have levelled out in recent months while imports of semis, intermediate goods and consumer goods have all

fallen back. The falls in imports of passenger motor cars - down 20 per cent in the latest three months on previous three months - and other consumer goods - down 3 per cent over the same period - are particularly striking given the evidence, from retail sales figures and car registrations, that consumer demand remains strong. Imports of fuel have fallen a little from the high levels in the second half of 1986. However imports of basic materials have sustained their recent high level - in the three months to February they were 6½ per cent higher than in the previous three months.

Geographical area

9. The value of exports to the US and to the EC rose sharply in February - growth in exports to these markets has accounted for most of the recovery in the value of exports since mid 1986. Exports to oil exporters have stabilised in recent months, having fallen sharply in the second half of 1986.

Trade prices

	percentage change			
	<u>Import prices (OTS)</u>		<u>Export prices (OTS)</u>	
	Feb on Jan	3 mths to Feb on previous 3 mths	Feb on Jan	3 mths to Feb on previous 3 mths
Manufactures (excl. erratics)	0	3	½	1½
Food, drink, tobacco	-½	½	-½	0
Basic materials	1½	3	2	0
Fuel	5½	9½	4	13
Total (BOP basis)	2	4	½	2
Total less oil (BOP basis)	2	3	0	1½

10. In the three months to February the total terms of trade, as measured by unit value indices, deteriorated by 2 per cent compared to the previous three months, and the non oil terms of trade deteriorated by 2 per cent. Over the same period the manufacturing terms of trade deteriorated by 1½ per cent, and the basic materials terms of trade by 3 per cent although there was little change between

December and February, probably reflecting the firmer exchange rate since the Autumn. [NB: the published series are unit value indices, which can present a misleading picture over a period of time due to their use of 1980 weights.]

Assessment

[11. NOT FOR USE: The rise in the volume of exports so far in 1987 has been a little stronger than was anticipated in the FSBR forecast. However much of the difference is accounted for by the unexpected strength of exports of non manufactures and gold, which may well be temporary and is largely offset in the current account by higher than expected imports of these commodities, while the volume of manufacturing exports has been a little lower than expected. The fall in the volume of imports in the first two months of 1987 is considerably larger than had been anticipated, and is entirely accounted for by the unexpected fall in the imports of manufactures. This is hard to reconcile with evidence that consumer demand remains buoyant. As a result the current account and the manufacturing trade balance in early 1987 are both stronger than implied by the FSBR forecast. But it is too soon to draw any firm conclusions on the basis of the past two months figures which were heavily distorted by bad weather.]

? - better domestic competitive

Market expectations

12. The market expectation is for a visible deficit of around £700 million in February and a current account deficit of £100 million. The February figures will clearly be well received.

Press briefing

13. I would be grateful for clearance of the attached press briefing.

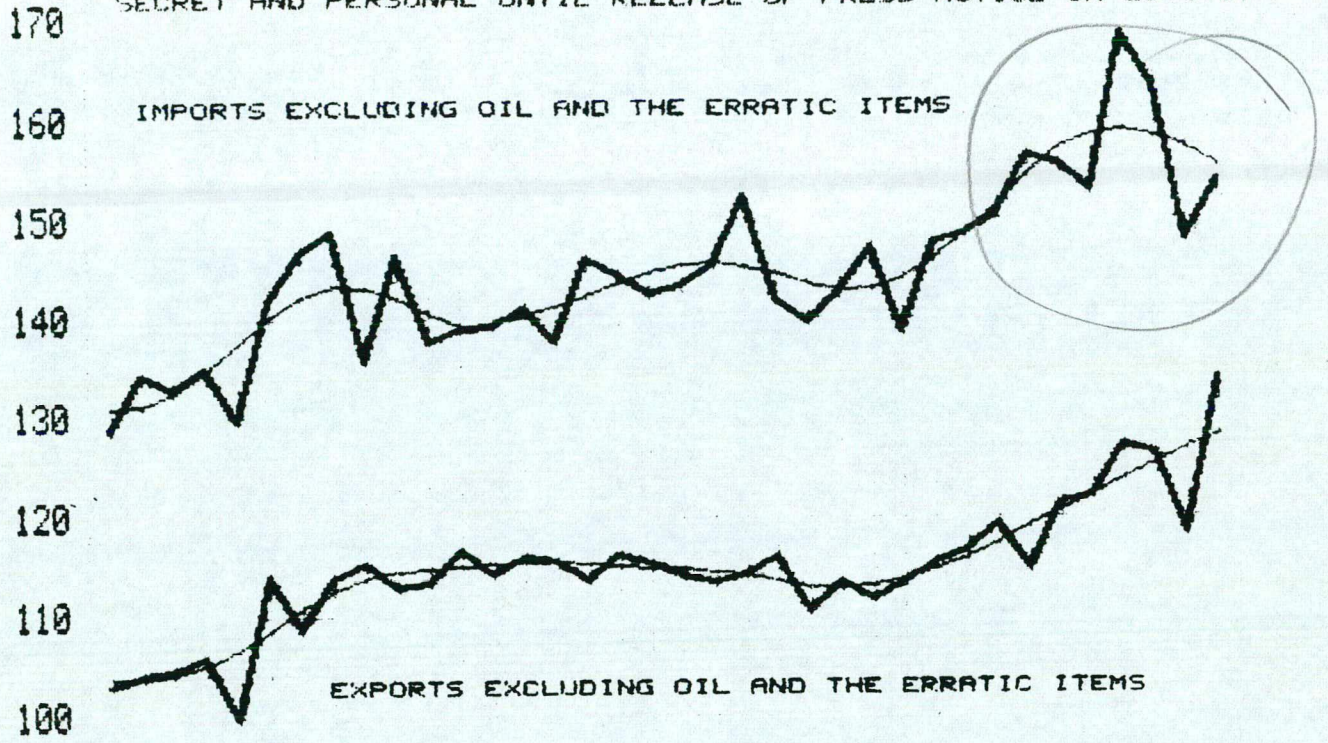
David Owen

D W OWEN

EA2

VOLUME INDICES

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 26.3.87



90
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 84 85 86 87

----- = VOLUME INDEX ----- = TREND

BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

DRAFT BRIEFING FOR IDT

Positive

1. Current account in surplus by £178 million in three months to February, compared with deficit of £668 million in previous three months. Largely reflects fall of £783 million in non oil visible deficit.

2. Manufacturing trade deficit down nearly £0.8 billion in three months to February compared to previous three months. ~~Manufacturing trade in broad balance in February.~~] had precedent to quote one month's *figs.* ✓

3. Export volumes (excluding oil and erratics) continue to rise in underlying terms - up 2 per cent in latest three months on previous three months, compared with 2½ per cent fall in import volumes. In three months to February export volumes up 11 per cent on a year earlier compared with 9½ per cent rise in import volumes.

4. Volume of passenger motor car exports up 16 per cent in three months to February on previous three months, while car import volumes fell 20 per cent. Over same period trade balance in passenger cars improved by £250 million.

5. Manufacturing export volumes (excluding erratics) up 1½ per cent in three months to February on previous three months, compared with 4½ per cent fall in manufacturing import volumes.

6. March CBI survey shows improvement in export order books - best figure since July 1985.

Defensive

1. FSBR forecast of £2½ billion current account deficit in 1987 too pessimistic: Much too soon to ~~say~~] *be revising forecasts.*

2. Current account deficit of £1.1 billion in 1986: Deterioration in current account during 1986 not surprising given sluggish world trade growth early in 1986 and halving of oil trade surplus following collapse in oil price. But recent improvements in competitiveness

already helping to improve current account - witness strong growth in exports, 11 per cent higher in three months to February than a year earlier.

3. UK's external position precarious: Current account in surplus by £178 million in three months to February. Current account deficit forecast for 1987 only $\frac{1}{2}$ per cent of GDP, following cumulative current account surplus of some £19 billion between 1979 and 1986. With net overseas assets thought to be worth around £110 billion by end 1986, overall external position in any case strong.

4. Downward revisions to invisibles surplus for 1986: Invisibles surplus in 1986 still over £7 billion. Compares with £5 billion in 1985 and less than £3 billion in 1979.

5. Constant revisions to quarterly estimates and projections for invisibles balance cast doubt on CSO credibility: New and revised data coming in all time on large number of series which make up overall invisibles balance. Initial estimates and projections inevitably subject to substantial revision. Sensible to publish revised figures when new information available.

6. Emergence of deficit in 1986 indicates that benefits of North Sea oil have been squandered: North Sea oil has contributed to build-up of net overseas assets from £12½ billion at end 1978 to likely £110 billion by end 1986, ~~Currently generating net IPD of around £4 billion a year.~~

Wh. Govt produce a wave of surplus flow of funds. (highlight) Worry return we seem to be getting - or, more likely, CSO under-recording.

7. Government generating pre election consumer boom: No. In three months to February import volumes (excluding oil and erratics) fell by 2½ per cent on previous three months. Over same period non oil visible balance improved by £0.8 billion.

8. Further fall in exchange rate needed - sterling's recent strength threatens competitiveness: Non-oil visible trade already beginning to respond to 1986 exchange rate adjustment. Chancellor has made it clear ~~does not want to see exchange rate rise substantially or fall.~~ Vital that pay settlements kept under control if gains in competitiveness to be maintained.

that present level of exchange rate is about right.

9. No improvement in underlying performance on productivity and pay: UK domestic unit labour costs rose only a little faster than those of major competitors during 1986, after years of relative deterioration.

10. Non-oil tradeable sector unable to respond owing to erosion of manufacturing base: Performance of manufacturing industry improving for some time. So no reason for pessimism. Volume of manufacturing exports (excluding erratics) 8 per cent higher in three months to February than a year earlier.

11. Manufacturing imports risen faster than exports since 1979: No doubt that manufacturing is important but is responding to recent improvement in competitiveness. In three months to February manufacturing trade balance improved by £0.8 billion compared to previous three months.

TRADE FIGURES FOR FEBRUARY 1987

Advance circulation

Chancellor	Mr Peretz
Chief Secretary	Mr Kelly
Economic Secretary	Miss O'Mara
Sir P Middleton	Mr Culpin
Sir G Littler	Mr Barrell
Sir T Burns	Mr Owen
Mr Cassell	
Mr Sedgwick	Mr Norgrove - No.10

Circulation after 11.30 am Thursday 26 March

Financial Secretary
Minister of State
Mr Monck
Mr Matthews
Mr Hacche
Mr Tyrie
Mr Ross Goobey
Miss Roche - No.10

FROM:- MRS M. HENSON

DATE:- 24 MARCH 1987

MS. LEMESSANY

CURRENT ACCOUNT FIGURES

The Chancellor has seen and was grateful for your minute of 23 March.

Meena Henson

RP



FROM: MRS M HENSON
DATE: 24 March 1987

MS LEMESSANY

CURRENT ACCOUNT FIGURES

The Chancellor has seen and was grateful for your minute of 23 March.

Meena Henson
MEENA HENSON



FROM: CATHY RYDING
DATE: 25 March 1987

MR D W OWEN

cc: CST
EST
Sir P Middleton
Sir G Littler
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Bottrill
Mr Kelly
Miss O'Mara
Mr Culpin
Mr Barrell
Mr Owen
Mr Norgrove - No.10

FEBRUARY TRADE FIGURES

The Chancellor was grateful for your minute of 24 March.

2. The Chancellor had the following comments on the draft press briefing:-

Positive 2. - second sentence - delete. The Chancellor thinks it is a bad precedent to quote one month's figures.

Defensive 1. - redraft to read "Much too soon to be revising forecasts."

Defensive 6. - redraft to read "North Sea oil has contributed to build-up of net overseas assets from £12½ billion at end 1978 to likely £110 billion by end 1986, which will produce unremittingly important flow of earnings."

Defensive 8. - lines 3 and 4 - delete "does not want to see exchange rate rise substantially or fall." and replace with "that present level of exchange rate is about right."



3. The Chancellor has also noted that in recent years there has been a tendency for the Q1 seasonally adjusted figures to show a seasonal pattern: good in January/February, bad in March. He wonders if the forecasters expect this again this year.

A handwritten signature in cursive script, appearing to be "CR".

CATHY RYDING

FROM R BARRELL
DATE 31 MARCH 1987

CHANCELLOR

cc CST
EST
Sir P Middleton
Sir G Littler
Sir T Burns
Mr Cassell
Mr Sedgwick
Mr Peretz
Mr Culpin
Mr Bottrill (o.r.)
Mr Kelly
Miss O'Mara
Mr Owen
Mrs Ryding

FEBRUARY TRADE FIGURES: MONTHLY SEASONALITY

1. In your comments on the February Trade Figures (25 March 1987) you asked about the monthly seasonal pattern of the current account (para 3). You asked if there had been a tendency in recent years to show a pattern of good January/February, bad March, and whether we had taken this into account in the forecast.

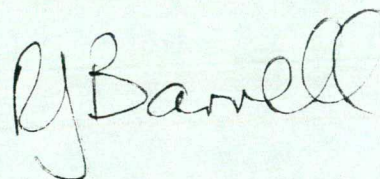
2. The current account for the last five years is given monthly in the attached table and chart I. The last three years have had a March figure that was worse than the average for the first quarter. In the last two years March has been the worst month of the quarter. This could indicate a change in the seasonal pattern. There have only been two consecutive bad March figures whereas in 1982 and 1983 the March figures were the best for the year. Chart II gives the quarterly balances. Some have suspected that Q4 is generally bad and Q1 good. There seems little evidence for this.

3. Any change in the seasonal pattern may not be picked up very quickly in the process of seasonal adjustment. It is too soon for us to be certain that there has been a change in pattern.

4. We have undertaken a number of statistical tests for seasonality. They indicate that there is little or no residual

seasonality in the current account. There is some evidence that May or June are worse than average, as is August. The evidence is, however, very weak. There is no firm evidence for a seasonal pattern in the quarterly figures.

5. When constructing the current account forecast we had access to the January figures alone. We believed at that time that imports had been more affected by bad weather than had exports. We therefore anticipated that February and March would be worse on average than January. Although we have little reason to change our forecast for the year as a whole we would be willing to say that the outturn implied by the budget forecast for March is not currently our best guess for the month.

A handwritten signature in cursive script, appearing to read 'R J Barrell', is written in dark ink on the page.

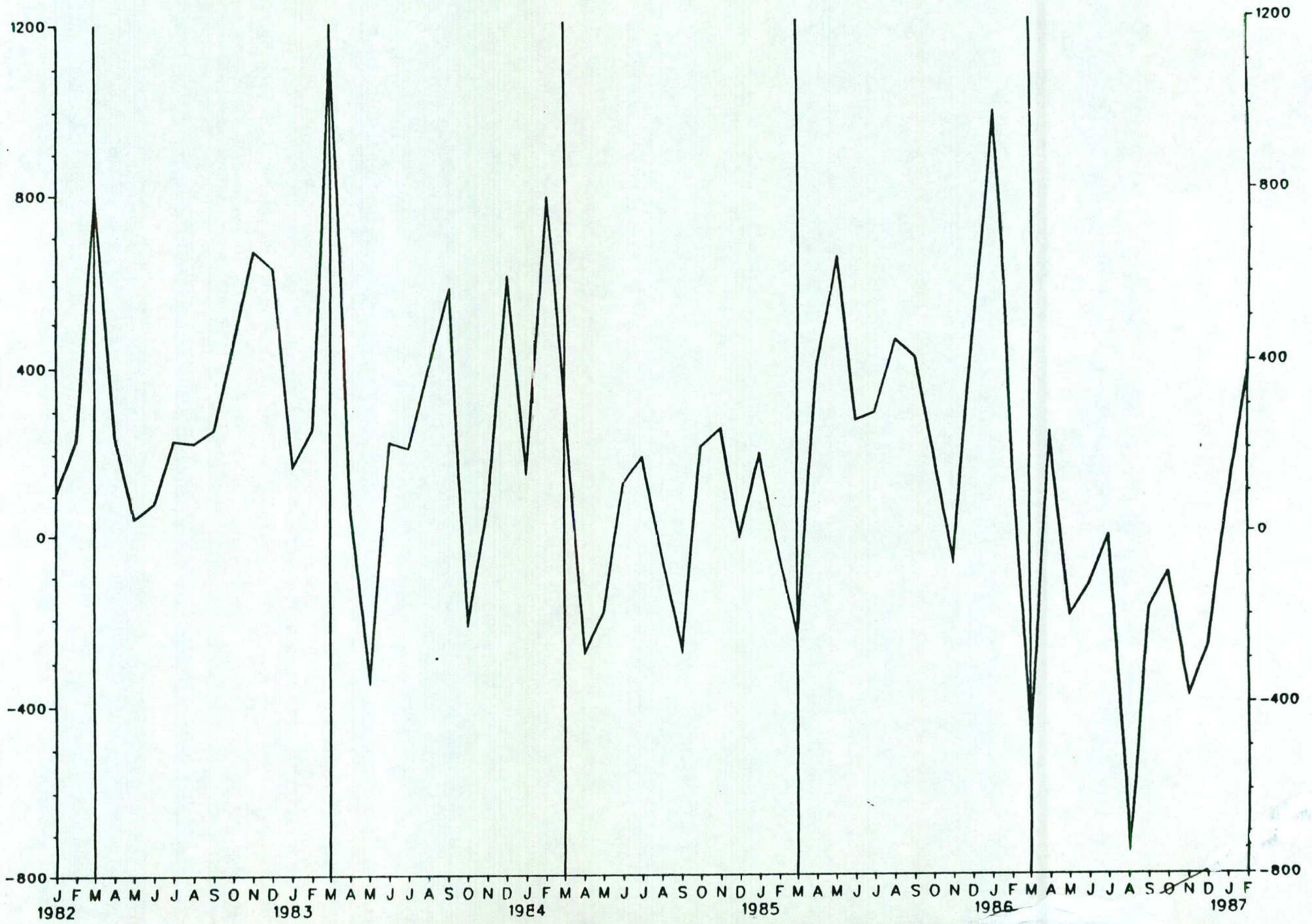
R J BARRELL

CURRENT ACCOUNT: Monthly, £ million

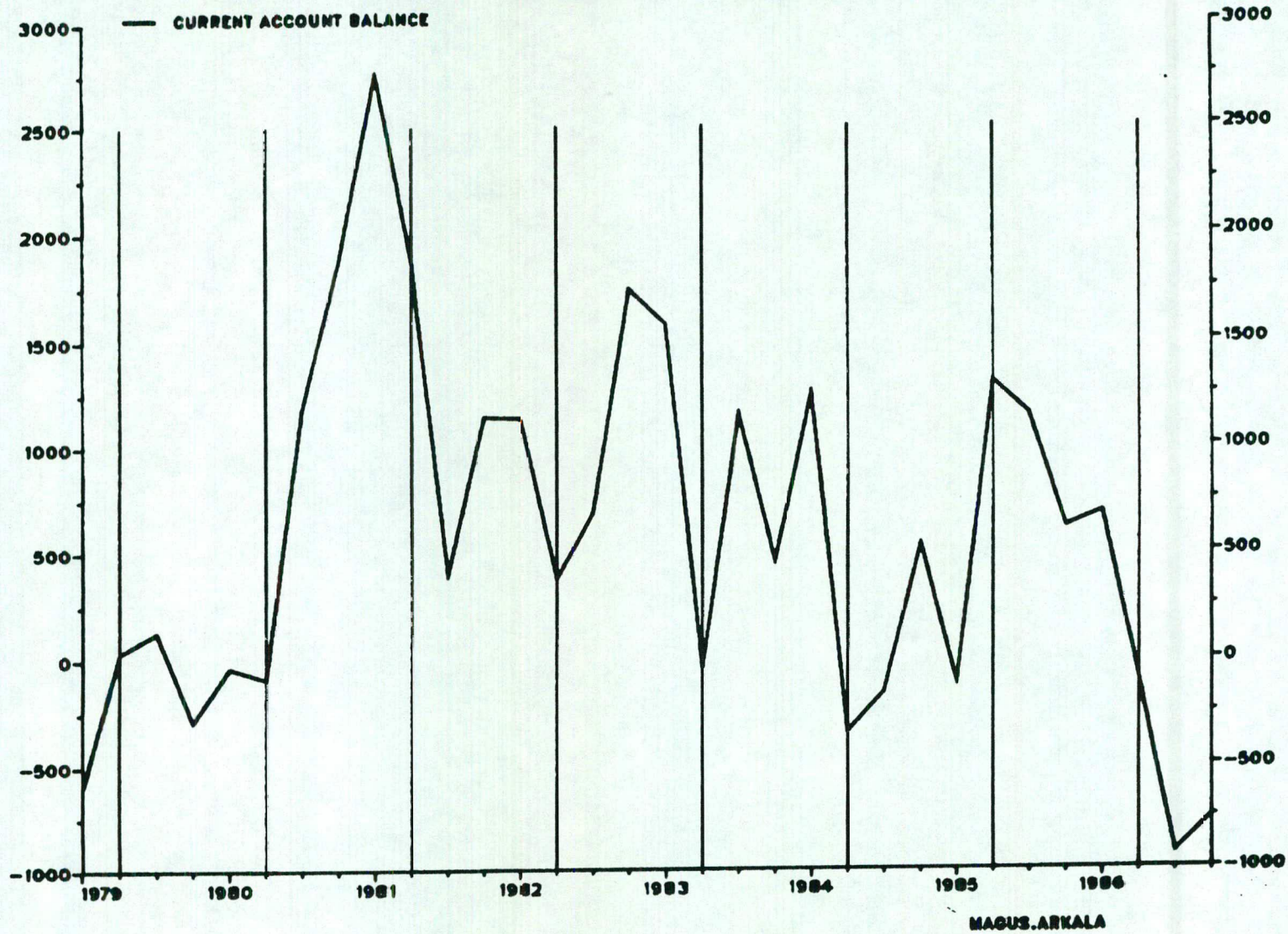
1982	JAN	105.0	1983	1	167.0	1984	1	156.0	1985	1	191.0	1986	1	976.0	1987	1	73.0
	FEB	231.0		2	256.0		2	779.0		2	- 59.0		2	187.0		2	376.0
	MAR	791.0		3	1152.0		3	316.0		3	-247.0		3	-481.0			
	APR	241.0		4	57.0		4	-281.0		4	397.0		4	231.0			
	MAY	41.0		5	-342.0		5	-187.0		5	636.0		5	-200.0			
	JUN	80.0		6	225.0		6	123.0		6	270.0		6	-126.0			
	JUL	231.0		7	210.0		7	186.0		7	287.0		7	- 12.0			
	AUG	225.0		8	396.0		8	- 58.0		8	450.0		8	-735.0			
	SEP	256.0		9	570.0		9	-278.0		9	411.0		9	-184.0			
	OCT	453.0		10	-212.0		10	210.0		10	191.0		10	-100.0			
	NOV	662.0		11	61.0		11	252.0		11	- 70.0		11	-384.0			
	DEC	622.0		12	593.0		12	- 8.0		12	491.0		12	-272.0			

THE CURRENT ACCOUNT MONTHLY SINCE 1982

— CURRENT ACCOUNT BALANCE



CURRENT BALANCE
QUARTERLY SINCE 1979



UNCLASSIFIED



FROM: N G FRAY

DATE: 13 April 1987

MR R BARRELL

FEBRUARY TRADE FIGURES: MONTHLY SEASONALITY

The Chancellor was grateful for your minute of 31 March, the contents of which he has noted.

Nigel Fray
N G FRAY

U —

FROM: N G FRAY
DATE

MR R BARRELL

FEBRUARY TRADE FIGURES: MONTHLY SEASONALITY

The Chancellor was grateful for your minute of 31 March, the contents of which he has noted.

N G FRAY



To Minister for Trade

From Peter Stibbard
US/S2
V/260 Ext. 4872

15 April 1987

27/3

Alex.
You were asking
about trade
figs

OVERSEAS TRADE FIGURES FOR MARCH 1987

1 Normally I would have reported the March export figures to you today, but industrial action at the Customs computer centre in Shoeburyness has delayed their availability. The staff concerned are expected to return to work at 4.30pm today - when they will have been on strike for a full week. Processing of the import figures is also affected.

2 It will not now be possible to publish the March figures on 28 April as scheduled. We are hoping instead to follow the revised timetable below. Much will depend however on how quickly Customs computer centre can resume work on the trade figures, given competing demands eg processing VAT returns.

	<u>Revised</u>	<u>(Original Schedule)</u>
Export note to Ministers	24 April	(15 April)
Note on imports and current account to Ministers	28 April	(22 April)
Draft press notice to Ministers for approval	29 April	(23 April)
Press Notice Date	1 May	(28 April)

3 We intend to tell the press about the delay before 28 April, but only when we are sure about the revised release date. We will report the latest position on the delay to you after Easter, when relaying the export figures.

4 Customs have warned us that the April trade figures may also be delayed, by another strike at their computer centre planned for the first week in May.

CIRCULATION LIST

Copy No 1	Minister for Trade	
2	Prime Minister	
3	Chancellor of the Exchequer	
4	Secretary of State for Trade and Industry	
5	PUSS for Trade and Industry	
6	Sir Robert Armstrong (Cabinet Office)	
7	Sir Brian Hayes (Dept. of Trade and Industry)	
8	Sir Peter Middleton (HM Treasury)	
9	Governor of the Bank of England	
10	Chairman of the Board of HM Customs & Excise	
11	Mr J Hibbert (CSO)	
12	Mr Finlinson (HM Customs & Excise)	
13	Mr B Buckingham (CSO)	
14	Mr Davies (HM Treasury)	
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17	Mr D Owen (HM Treasury)	
18	Mr A McIntyre (CSO)	
19	Dr P Rice (Dept. of Energy)	
20	Mr Bottrill (HM Treasury)	
21	Mr H H Liesner)
22	Mr P Stibbard)
23	Mr W E Boyd)
24	Mr E J Wright)
25	Mr A R Hewer)
26	Miss C Siddell)
27	Miss H Chapman)
28	Mr D Packer)

Dept of Trade and
Industry

STATISTICS PUBLISHED IN MAY 1987

(for April 1987 except where indicated)

<u>Series</u>	<u>Date we get them</u>	<u>Date published</u>
Foreign currency reserves	<i>Kate Goodma</i> [Wed 19 April] ^{Wed 29 April}	Tues 5
CGBR	[Mon 4] ^{Tues 5}	-
Producer prices	<i>Simon Brooks</i> [Fri 8] ✓	Tues 12 ✓
Unemployment	<i>EB/GAI</i> Fri 8 ✓	Thurs 14 ✓
RPI	<i>Simon Brooks</i> Wed 13 ✓	Fri 15 ✓
Retail sales	<i>EB</i> [Fri 15] ✓	Mon 18 ✓
PSBR	<i>John Clarke PSF</i> [Fri 15] ^{Tues 12}	Tues 19 ✓
Output of production industries (March)	<i>EB</i> [Fri 15] ✓	Tues 19 ✓
GDP(O)-Q1	<i>EB</i> [Fri 15] ✓	Wed 20 ✓
Money supply		
- "first guess"	<i>Peter Brook</i> [Tues 12] ^{Mon 11}	-
- provisionals	<i>[scribble]</i> [Mon 18] ✓	Wed 20 ✓
Trade figures		
- exports *	<i>[scribble]</i> [Wed 20] ^{Mon 18}	Thurs 28 ✓
- imports *	<i>[scribble]</i> [Mon 25] ^{Thur 21}	Thurs 28 ✓

WHATEVER MEETING ON FEB TAKES PLACE

* may be delayed due to strike

CR
~~TWO STILL LEFT TO BE DONE. ANY IDEAS~~
~~AL~~
~~2/4~~



PUP

Debbie
~~Personal~~
folder

27/3

To PS/Minister for Trade

From Peter Stibbard
US/S2
V/260 Ext. 4872

23 April 1987

cc PS/Chancellor of the Exchequer ✓
 PS/Secretary of State
 PS/Sir Brian Hayes
 PS/Sir Peter Middleton
 Mr J Hibbert CSO
 Mr J D Wells CSO
 Mr B Buckingham CSO
 Mr A Lang CSO
 Mr C Findinson C&E
 Mr A Cowley C&E
 Mr P Sedgwick Treasury
 Mr A Bottrill Treasury
 Mr R Culpin Treasury
 Mr H H Liesner
 Mr W Boyd S2A O/R
 Mr A Hewer S2A
 Mr R C Wilson Inf
 Mr P Bustard Inf

Handwritten notes:
 *
 Mr [unclear]
 There
 AAAA?
 -

TRADE FIGURES AND CURRENT ACCOUNT FOR MARCH 1987: PRESS NOTICE ARRANGEMENTS

1 Customs computer centre resumed work on the trade figures, as anticipated in my minute of 15 April, and we will be able to report the provisional export figures to you tomorrow. The import figures are running a few working hours behind the revised timetable but, by reducing some of the time allowed for clearing the press notice, we can keep to the dates in paragraph 2 of my earlier minute and therefore publish on Friday 1 May ie just before the 'Early May' Bank Holiday weekend.

2 A special press notice, warning the public about the delay and the revised timetable, will be issued tomorrow afternoon. A draft of this press notice is attached. Any comments on the wording should be sent to Alan Hewer (215 4897) before 11.00 am tomorrow morning.

P J STIBBARD

DRAFT

DTI PRESS NOTICE

24 April 1987

RELEASE DATES FOR MONTHLY OVERSEAS TRADE FIGURES

The Press Notice containing provisional balance of payments current account and overseas trade figures for March 1987, due to be issued next Tuesday 28 April, has been delayed as a result of industrial action taken by some staff at the HM Customs and Excise computer centre at Shoeburyness.

This Press Notice, issued jointly with the Central Statistical Office, is now scheduled for release at 11.30am on Friday 1 May. A provisional release date for the detailed 'Overseas Trade Statistics', published in book form by HMSO, will be included in the Press Notice.



To Minister for Trade

Copy No. 3. (28)

From Peter Stibbard
US/S2
V/260 Ext. 4872

24 April 1987

*One month's
Jps always a poor guide:
No pt to concentrate on US X's.*

OVERSEAS TRADE FIGURES FOR MARCH 1987: EXPORTS

1 The value of exports in March, seasonally adjusted on a balance of payments basis, is estimated at £6.4 billion, £0.5 billion (7½ per cent) lower than in February. A fall in March was expected, the figures for February having benefitted from some catching up after the bad weather of January. Exports of oil and of the erratic items were both little changed between February and March. Excluding these, exports fell by 9½ per cent between the two months.

2 In the first quarter of this year, the total value of exports was 1 per cent higher than in the fourth quarter; excluding oil and the erratic items there was no change between the two quarters.

X | 3 Total export volume fell by ½ per cent between the fourth quarter of last year and the first quarter of this year but was 10 per cent higher than in the first quarter of 1986. Excluding oil and the erratic items export volume was 1 per cent down in the first quarter but 11 per cent higher than a year ago. The latest figures suggest that the trend in non-oil export volume may have flattened out.

4 Recent export figures are shown in the attached table and graphs. The revised timetable for release of the Press Notice remains as indicated in my note of 15 April, so that the usual note describing imports and the current account will be circulated on Tuesday 28 April, and the press notice will be issued on Friday 1 May.

5 A special press notice informing the public about the revised timetable for the March trade figures will be issued this afternoon.

S. J. Clark

P.P. P J STIBBARD

SECRET and PERSONAL until release of press notice
on ~~1 MAY 87~~ at 11.30am and thereafter unclassified

Copy No... ()

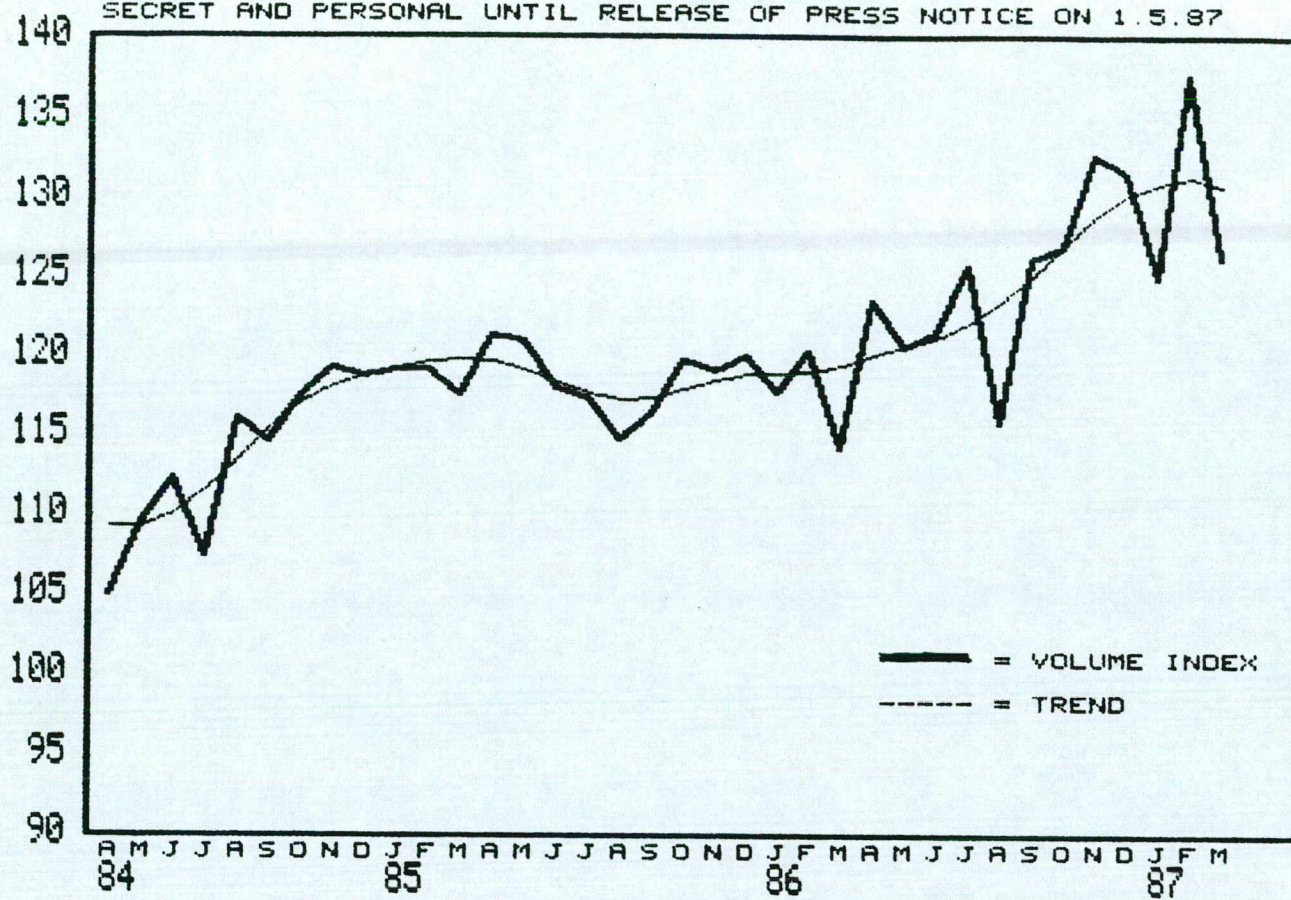
EXPORTS

(Balance of payments basis; seasonally adjusted)

	---TOTAL TRADE---		EXCLUDING --OIL & ERRATICS--	
	VALUE £m	VOLUME (1980=100)	VALUE £m	VOLUME (1980=100)
1986 Q1	18164	117.5	14071	111.9
Q2	17786	121.9	14455	115.1
Q3	17553	122.6	14839	118.5
Q4	19340	130.5	15873	125.3
1987 Q1	19534	129.7	15886	124.2
1986 OCT	6294	127.0	5197	122.1
NOV	6569	132.8	5365	127.3
DEC	6477	131.6	5311	126.5
1987 JAN	6204	125.0	5035	118.5
FEB	6933	137.8	5690	134.0
MAR	6397	126.3	5161	120.3

TOTAL EXPORTS

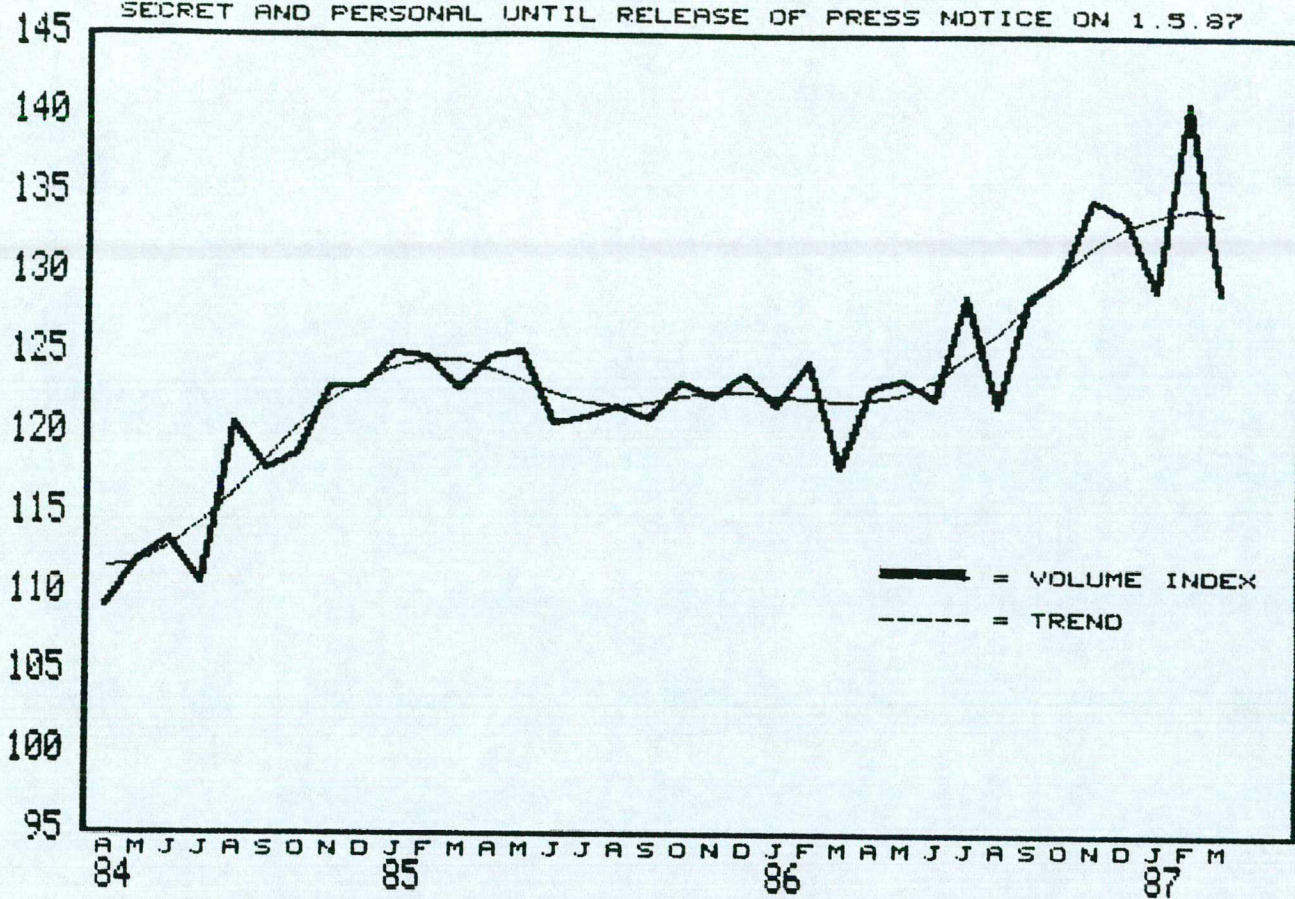
SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 1.5.87



BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

EXPORTS LESS ERRATICS *

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 1.5.87

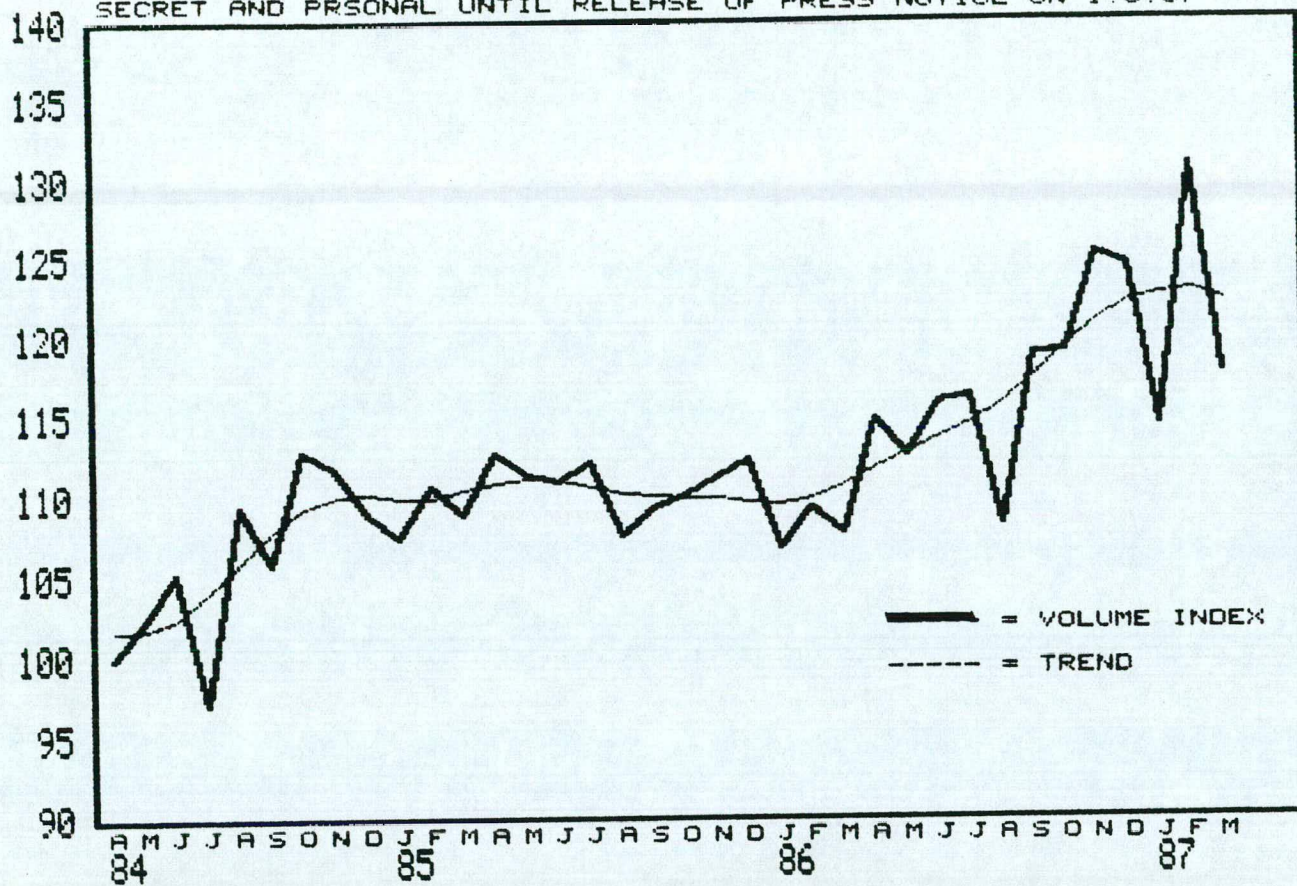


BALANCE OF PAYMENT BASIS 1980=100 SEASONALLY ADJUSTED

* = SHIPS, NORTH SEA RIGS, AIRCRAFT, PRECIOUS STONES & SILVER

EXPORTS LESS OIL

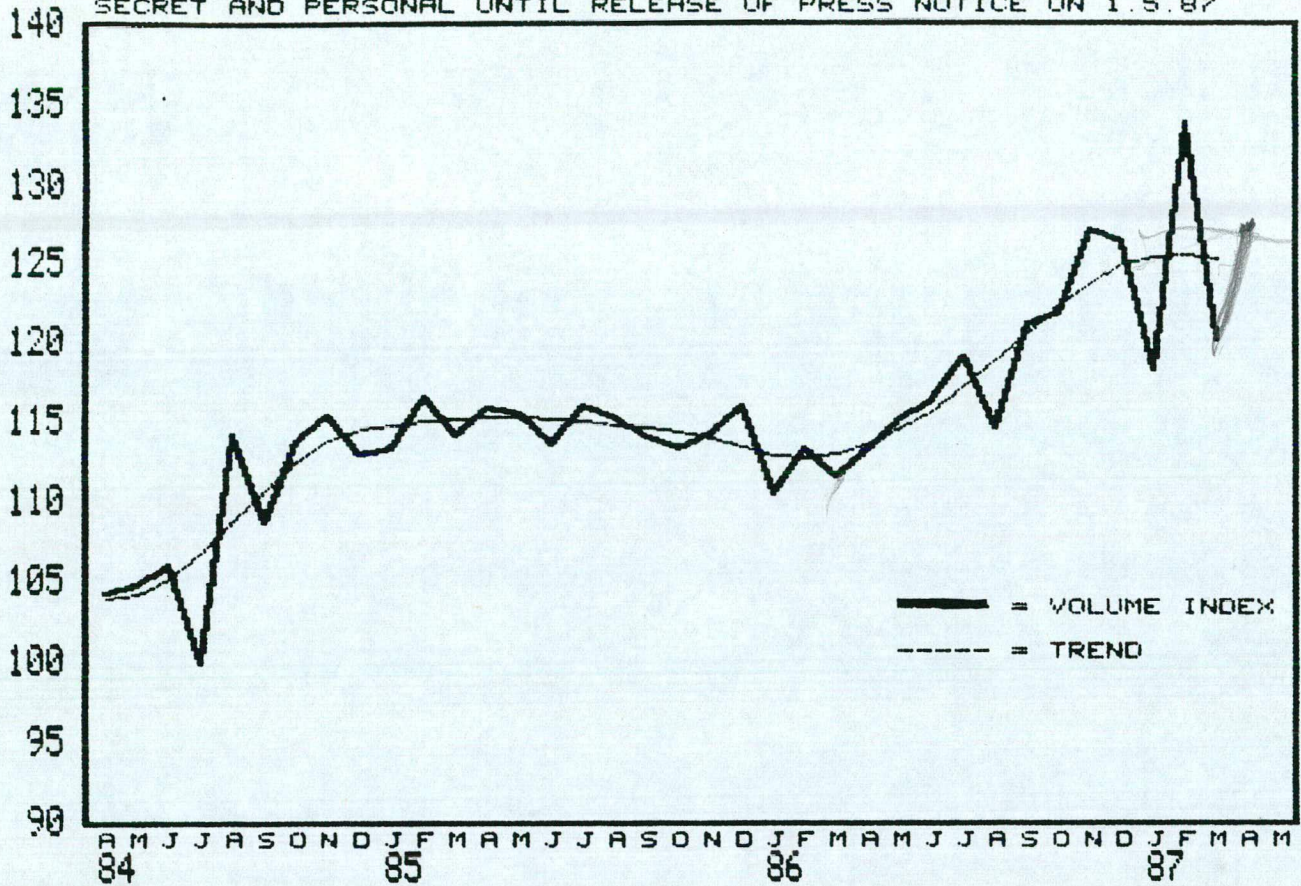
SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 1.5.87



BALANCE OF PAYMENT BASIS 1980=100 SEASONALLY ADJUSTED

EXPORTS LESS OIL & ERRATICS

SECRET AND PERSONAL UNTIL RELEASE OF PRESS NOTICE ON 1.5.87



BALANCE OF PAYMENTS BASIS 1980=100 SEASONALLY ADJUSTED

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