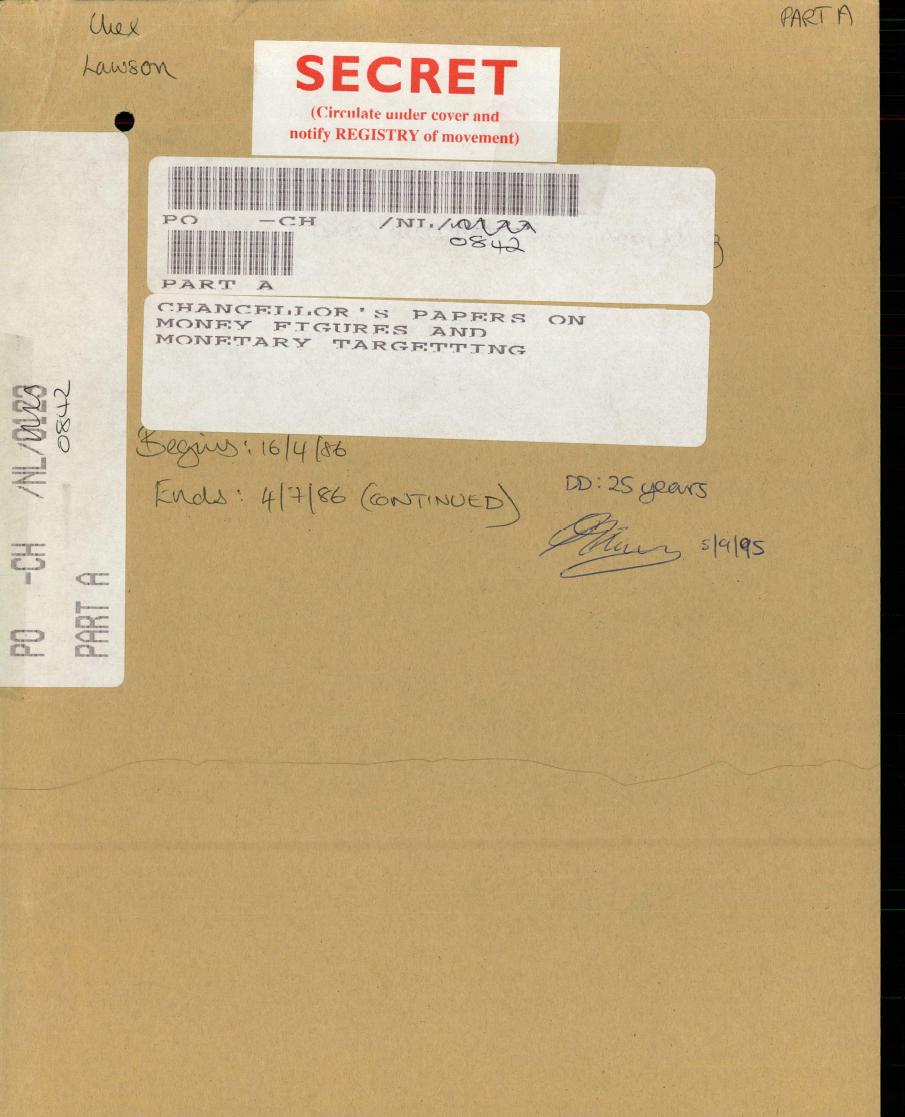
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MONEY AND BANKING FIGURES: BANKING APRIL 1986

(All figures are seasonally adjusted, unless otherwise stated.)

During the four weeks to 16 April 1986, MO (average of weekly levels) 1 rose by £40 million (+0.3%) (Table B) and £M3 rose by £4,060 million (+3.1%) (Table E).

Recent rates of growth of the above aggregates are as follows: 2

Rates of growth, annualised %: seasonally adjusted

M0 £M3	Latest 3 months	Latest 6 months	Latest 12 months
мо	+ 0.4	+ 5.0	+ 3.2
£M3	+28.6	+19.5	+16.6

Within £M3 there was a rise in banking April of £10 million in notes and coin, a rise of £180 million in non-interest-bearing sight deposits and a rise of £1,190 million in interest-bearing sight deposits. MI rose by £1,380 million (+2.3%). Time deposits (including sterling certificates of deposit) of the UK private sector rose by £2,690 million.

The sterling value of private sector foreign currency deposits fell by 4 £230 million, comprising a rise of £150 million reflecting transactions and a fall of £380 million reflecting the estimated change in the sterling value of the existing stock. Thus, total M3 rose by £3,830 million (+2.6%) (Table E).

M2 (not seasonally adjusted) rose by £2,690 million (+1.8%) (Table F). PSL2 rose by £4,650 million (+2.1%) (Table G); if term shares with building societies were included, the increase would be 1.8%.

Rates of growth of monetary and liquidity aggregates over the last three, six and twelve months are shown in the attached table.

Amongst the counterparts to the change in £M3, the net effect of public 7 sector transactions (the PSBR less debt sales to the non-bank private sector and external flows to the public sector) was expansionary by £550 million (see columns 1-7 of Table A). The central government borrowing requirement was £2,710 million and the direct contribution of local authorities and public corporations to the public sector borrowing requirement (net of non-bank private sector purchases of their debt) was contractionary by The non-bank private sector's net purchases of central £1,350 million.

Covernment debt totalled £890 million; within this holdings of gilt-edged ock accounted for £690 million, CTDs for £140 million and National Savings for £50 million. External and foreign currency finance of the public sector was expansionary by £80 million.

8 Sterling lending to the private sector rose by £3,040 million. This included certain transactions by the Bank of England in paper acquired in the course of money-market operations, details of which are shown in Table C. Sterling lending to the private sector may have been substantially increased this month, as it was in banking April 1985, by borrowing to finance payments for investment brought forward to take advantage of capital investment allowances prevailing only to the end of the financial year; the seasonal adjustments make no allowance for such factors. Foreign currency lending to the private sector rose by £740 million in transactions terms.

9 The external and foreign currency transactions of UK banks were expansionary by £590 million (see columns 9-12 of Table A). This included changes in the Issue Department's holdings of guaranteed export credit paper (holdings of which are treated as a claim on overseas residents), details of which are shown in Table C. Net non-deposit sterling liabilities rose by £110 million, a contractionary influence.

10 Tables H, I and J show the details of the banks' and discount market's balance sheets. Transactions of the UK monetary sector during the month, excluding inter-bank items and valuation changes on foreign currency items, are given in Table K.

Estimated seasonal movements - banking May 1986

11 The provisional seasonal movements for the five weeks ending 21 May 1986 are as follows:

	£ million
Notes and coin in circulation with the public Private sector sterling sight bank deposits Ml	+ 100 - 890 - 790
Other private sector sterling bank deposits £M3	+ 440 - 350
MO (averaged series)	- 120
Bank lending in sterling to the private sector	- 470

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

BANK OF ENGLAND 15 May 1986

MONETARY AND LIQUIDITY AGGREGATES: BANKING APRIL 1986

Rates of growth, annualised %: seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months
MO	+ 0.4	+ 5.0	+ 3.2
Ml	+ 21.3	+17.8	+19.8
of which:			
Non-interest bearing Ml	+ 3.4	+ 5.7	+ 3.9
M2 (not seasonally adjusted) *	L		+11.1
£M3	+ 28.6	+19.5	+16.6
мз	+ 26.7	+19.1	+15.9
PSLI	+ 28.0	+18.2	+15.3
PSL2	+ 23.8	+19.7	+15.6
PSL2, including term shares			
with building societies			
and bank deposits with			
an original maturity			
longer than two years	+ 20.2	+15.7	+13.4

*the growth of M2 over the 12 months to mid-April 1986 includes £900 million resulting from changes made by certain building societies in the terms of some accounts. Excluding such reclassified amounts, the growth in M2 over the latest 12 months is 10.5%.

Banking statistics

16 April 1986

A Public sector borrowing requirement, and other counterparts to changes in £M3

[Table 11.3 in the Quarterly Bulletin]

£millions	Public sector requirement (surplus-)		debt by	es (–) of public UK private sec nan banks)		External an currency fin public secto		Banks' sterling lending	External and of UK bank	d foreign curre s[c]		ons	Net non- deposit sterling	Money stock £M3
	Central government borrowing require- ment	Other public sector contri- bution	Other public sector debt	Central go debt [a] British govern- ment stocks	Other	Purchases of British govern- ment stocks by overseas sector	Other	to UK private sector [b]	Sterling deposits from, net of market loans to, banks abroad (increase-)	Other overseas sterling deposits (increase-)	Other sterling lending to overseas sector[d]	Banks' net foreign currency liabilities[e] (increase-)	liabilities (increase-)	(columns 1-13)
Month ended (unadjusted)	I	2	3	4	5	6	7	8	9	10	11	12	13	14
1985 Apr. 17 May 15			67	- 813 - 586	- 615 - 106	- 152 - 347	+ 124 + 217	+ 2,832 + 866	+ 376 + 300	- 288 - 67	+ 250 + 263	+ 739 - 467	- 1,207 - 384	+ 4,371 + 245
June 19 July 17 Aug. 21	P[f] + 2,638 P[f] - 1,162 + 2,319	- 4	34 78 66	- 12 - 11 - 247	- 220 - 409 - 177	- 718 - 342 - 15	+ 267 - 4 + 49	+ 758 + 3,104 + 1,107	+ 394 + 18 + 261	- 255 - 236 - 591	- 267 - 410 - 603	+ 1,231 + 260 - 170	- 311 - 438 + 490	+ 3,071 - 108 + 2,057
Sept. 18 Oct. 16 Nov. 20	5 + 564		19 99 25	- 86 - 519 - 737	- 34 - 525 - 109	- 155 - 76 - 400	+ 18 - 130 - 193	+ 428 + 3,417 + 1,200	+ 419 + 712 - 388	- 76 - 703 + 243	- 96 + 165 - 166	+ 213 + 365 - 170	- 155 - 1,642 + 1,702	+ 1,824 + 1,029 + 2,523
Dec. 11 1986 Jan. 15 Feb. 19	- 2,785	- 1	23 72 75	- 224 - 79 - 246	- 76 + 504 - 100	- 34 - 292 + 122	- 26 - 1 - 247	+ 1,031 + 1,513 + 1,382	+ 256 - 291 + 208	- 114 - 364 - 512	+ 18 + 359 - 73	- 1,137 + 529 + 1,351	- 535 + 171 - 484	+ 872 - 908 + 440
Mar. 19	+ 942	- 3	13	+ 442	- 507	+ 247	+ 131	+ 2,338	+ 55	- 466	- 660	+ 580	+ 57	+ 2,846
Apr. 16	i + 4,274	- 1,0	63	- 693	- 270	-	+83	+ 3,704	+ 571	- 934	+ 655	- 102	- 1,116	+ 5,109
Month ended (seasonally adjust	sted)													
1985 Apr. 17 May 15		+ 1	28 4	- 813 - 586	- 543 - 115	- 152 - 347	+ 121 + 213	+ 2,575 + 1,438		+ 1 +	,441 179		- 410 - 653	+ 3,255 + 508
June 19 July 17 Aug. 21	P[f] + 762 [f] - 92 + 2,090	- 4	18 77 55	- 12 - 11 - 247	- 262 - 438 - 314	- 718 - 342 - 15	+ 263 - 9 + 44	+ 1,379 + 1,528 + 1,750		+ 1 - -	,267 423 985		- 14 - 576 + 247	+ 2,647 - 840 + 2,215
Sept. 18 Oct. 16 Nov. 20	+ 914		34 60 89	- 86 - 519 - 737	+ 3 - 477 - 36	- 155 - 76 - 400	+ 13 - 135 - 198	+ 993 + 2,118 + 1,885		+ + -	60 561 327		- 324 - 766 + 1,401	+ 2,125 + 960 + 2,404
Dec. 11 1986 Jan. 15 Feb. 19	+ 53	- 3	50 53 35	- 224 - 79 - 246	- 56 + 467 - 225	- 34 - 292 + 122	- 31 + 49 - 252	+ 2,135 + 384 + 1,597		- + +	999 28 826		- 618 - 170 - 1,036	+ 741 + 87 + 1,235
Mar. 19	+ 857	- 3	67	+ 442	- 378	+ 247	+ 127	+ 2,564		-	626		- 40	+ 2,826
Apr. 16	+ 2,708	- 1,3		- 693	- 198	+	+80	+ 3,037		+	589		- 107	+ 4,064

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

		Mar	ketable debt		National s	avings	Tax inst	ruments	Other	Total (columns	4 and 5above)
		Stocks	Tre bill	easury s	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted		Unadjusted	Seasonally adjusted
Month ended							Carlos Carlos	and street with		La martin and	
1985 Apr. 17	_	813		63	- 257	- 238	- 295	- 242		- 1,428	- 1,356
May 15				25	- 211	- 241	+ 81	+ 102	- 1	- 692	- 701
Charles The second										First and the second	
June 19		12	+	42	- 270	- 375	+ 6	+ 69	+ 2	- 232	- 274
July 17		- 11	+	8	- 196	- 273	- 217	- 169	- 4	- 420	- 449
Aug. 21	-	247	100 min 18 -	56	- 273	384	+ 149	+ 123	+ 3	- 424	- 561
Sept. 18		86	+	6	- 228	- 229	+ 190	+ 228	- 2	- 120	- 83
Oct. 16	a new set			17	- 191	- 197	- 351	- 297		- 1,044	- 996
Nov. 20			- -		- 281	- 184	+ 171	+ 147	+ 5	- 846	- 773
NOV. 20	Carlos and	. 131		4	- 201	- 104	+ 1/1	+ 14/	ŦJ	- 040	- 113
Dec. 11	-	224	+	56	- 23	- 61	- 106	- 48	- 3	- 300	- 280
1986 Jan. 15				89	- 122	- 19	+ 534	+ 394	+ 3	+ 425	+ 388
Feb. 19				30	- 138	- 74	+ 62	- 127	+ 6	- 346	- 471
100. 15		240			150		. 02			540	111
Mar. 19	+	442		80	- 30	+ 55	- 398	- 354	+ 1	- 65	+ 64
Apr. 16				22	- 65	- 46	- 189	- 136	+ 6	- 963	- 891
Арі. 10		0,5			- 05	10	105				371

[b] Including holdings of sterling certificates of deposit issued by building societies, and net purchases by the Issue Department of commercial bills and, of promissory notes relating to shipbuilding paper guaranteed by the Department of Trade and Industry.

[c] A seasonally-adjusted breakdown of these transactions is not available.

[d] Including net purchases of ECGD-backed promissory notes by the Issue Department.

[e] Including net non-deposit liabilities in foreign currency. (See the QuarterlyBulletin for June 1985-page 185.)

[f] See footnote [e] to Table E on page 3.

B M0, the wide monetary base

£ millions: percentages in italics

[Table 2 in the Quarterly Bulletin] .

	End-banking-month serie	es		Monthly-average series					
	Notes and coin in circul Bank of England	ation outside the	Bankers' deposits with the Banking Department		ank of England ope dep with	akers' $M0$ (wide monetary base) (columns 5 + 6) (columns 5 + 6)			
	In circulation with public	Held by banks (till money)	Operational deposits Cash ratio deposits			iking partment			
	Unadjusted Seasonally adjusted	Unadjusted Seasonally adjusted	Unadjusted Unadjusted	Unadjusted	Seasonally adjusted Una	adjusted Unadjusted Seasonally adjusted			
Amount outstanding at	1	2	3 4	Average amount outstanding in month ended	5	6 7			
1985 Mar. 20 Apr. 17 May 15	12,322 12,400 12,435 12,384 12,441 12,464	1,231 1,296 1,312 1,320 1,275 1,290	29 582 162 582 187 628	1985 Mar. 20 13,542 Apr. 17 13,907 May 15 13,761	13,864	144 13,686 13,928 162 14,069 14,026 156 13,917 14,017			
June 19 July 17 Aug. 21	12,438 12,486 12,674 12,464 12,658 12,514	1,350 1,379 1,403 1,328 1,468 1,420	93 628 214 628 100 628	June 19 13,888 July 17 13,988 Aug. 21 14,105	13,962	178 14,066 14,122 217 14,205 14,179 141 14,246 14,100			
Sept. 18 Oct. 16 Nov. 20	12,536 12,561 12,413 12,466 12,476 12,528	1,393 1,391 1,436 1,451 1,444 1,468	120 628 94 628 156 674	Sept. 18 14,031 Oct. 16 13,905 Nov. 20 13,890	14,003	133 14,164 14,159 123 14,028 14,126 162 14,052 14,205			
Dec. 14 1986 Jan. 15 Feb. 19	12,909 12,467 12,399 12,576 12,441 12,590	1,636 1,502 1,582 1,558 1,481 1,537	174 674 187 674 150 673	Dec. 11 14,324 1986 Jan. 15 14,774 Feb. 19 13,910	14.224	130 14,454 14,254 235 15,009 14,459 169 14,079 14,367			
Mar. 19 Apr. 16	12,532 12,612 12,611 12,618	1,529 1,596 1,464 1,492	249 673 141 673	Mar. 19 14,000 Apr. 16 14,316		187 14,187 14,432 198 14,514 14,473			
Change in mont ended	1			Change between average amounts outstanding					
1985 Apr. 17 May 15	+ 113 - 16 + 6 + 80	+ 81 $+$ 24 - 37 $-$ 30	$+ 133 + 25 + 4\overline{6}$	1985 Apr. 17 + 365 May 15 - 146	+ 80 + - 3 -	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$			
June 19 July 17 Aug. 21	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 94 - + 121 - - 114 -	June 19 + 127 July 17 + 100 Aug. 21 + 117	+ 83 + + 18 + - 3 -	$\begin{array}{cccccccccccccccccccccccccccccccccccc$			
Sept. 18 Oct. 16 Nov. 20	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	Sept. 18 - 74 Oct. 16 - 126 Nov. 20 - 15	+ 67 - - 23 - + 40 +	$\begin{array}{cccccccccccccccccccccccccccccccccccc$			
Dec. 11 1986 Jan. 15 Feb. 19	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$ \begin{array}{c} + & 18 \\ + & 13 \\ - & 37 \end{array} - \frac{-}{1} $	Dec. 11 + 434 1986 Jan. 15 + 450 Feb. 19 - 864	+ 81 - + 100 + - 26 -	$\begin{array}{cccccccccccccccccccccccccccccccccccc$			
Mar. 19 Apr. 16	+ 91 + 21 + 79 + 5	+ 48 + 59 - 65 - 104	+ 99 - 108 _	Mar. 19 + 90 Apr. 16 + 316	+ 47 + + 30 +	$\begin{array}{cccccccccccccccccccccccccccccccccccc$			

C Bank of England transactions in commercial bills and in guaranteed export credit and shipbuilding paper

£ mil	lions	Banking Department	Issue Departs	ment	
Trans	actions in:	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]
Mont	h ended				
1985	Apr. 17 May 15	- 1.229 + 637	+ 900 + 185	+ 12	+ 36 + 25
	June 19 July 17 Aug. 21	- 1,729 + 1,963 - 2,765	+ 523 - 1,208 + 989	- 65 + 19 + 50	- 406 + 272 + 28
	Sept. 18 Oct. 16 Nov. 20	- 652 + 369 - 1,464	- 82 - 246 + 1,635	- 5 - 47 - 131	+ 30 - 14 - 890
1986	Dec. 11 Jan. 15 Feb. 19	- 1,015 + 2,815 + 1,981	+ 2,248 - 2,132 - 1,780	- 114 + 11	- 1,363 + 777 + 781
	Mar. 19 Apr. 16	- 1,421 - 3,216	- 189 + 70	+ 320 - 110	+ 682 - 535
	unt outstandin d-April 1986	ng 699	7,448	221	1,705

[a] Included within column 8 of Table A.[b] Included within column 11 of Table A.

D Money stock: amounts outstanding

£ mi	•	Notes and coin in circulation	UK private sterling sigh			ey stock 11[b]	UK private sector		ey stock VI3[b]	UK private sector deposits		ey stock 13[b]
•	-	with public	Non-interest bearing[a]	- Interest- bearing	Unadjusted	Seasonally adjusted	sterling time deposits[c]	Unadjuste	d Seasonally adjusted	in other currencies [c]	Unadjusted	Seasonally adjusted
	-	1	2	3	4		5	6		7	8	
	th ended Mar. 20[d] Apr. 17 May 15	12,322 12,435 12,441	20,604 21,467 21,440	16,981 18,604 19,422	49,907 52,506 53,303	50,490 51,980 53,210	59,468 61,240 60,733	109,375 113,746 114,036	110,880 114,120 114,660	20,183 18,244 18,787	129,588 131,990 132,823	131,060 132,370 133,440
	June 19[d][e]	12,438	23,496	19,435	55,369	55,390	61,823	117,192	117,360	18,807	135,999	136,170
	July 17[e]	12,674	21,250	20,822	54,746	54,320	62,338	117,084	116,490	18,209	135,293	134,690
	Aug. 21	12,658	21,169	21,923	55,750	56,040	63,391	119,141	118,660	19,159	138,300	137,820
	Sept. 18[d]	12,536	21,253	22,248	56,037	56,080	64,983	121,020	120,810	19,524	140,544	140,340
	Oct. 16	12,413	21,574	23,537	57,524	57,410	64,525	122,049	121,770	18,861	140,910	140,630
	Nov. 20	12,476	21,717	24,535	58,728	58,830	65,844	124,572	124,180	19,466	144,038	143,650
1986	Dec. 11[d]	12,909	22,430	25,264	60,603	59,790	64,839	125,442	124,930	19,578	145,020	144,500
	Jan. 15	12,399	21,618	24,997	59,014	59,400	65,520	124,534	125,010	19,644	144,178	144,660
	Feb. 19	12,441	21,216	25,050	58,707	59,490	66,256	124,963	126,230	20,088	145,051	146,330
	Mar. 19[d]	12,532	21,718	26,157	60,407	60,990	67,499	127,906	129,160	20,571	148,477	149,740
	Apr. 16	12,611	22,603	27,676	62,890	62,360	70,125	133,015	133,230	20,341	153,356	153,580

E Money stock: changes[f]

£ millions: percentages in italics

c million

		Notes and coin in circulation	UK private sterling sigh		Money stock	UK private sector	Money stock	UK private sector deposits in other currencies [c]	Money stock
		with public	Non-interest- bearing[a]	Interest- bearing	M1 [b]	sterling time deposits[c]	£M3 [b]	Trans- actions Valuation changes[g]	M3[b]
		1	2	3	4	5	6	7	8
Month endo (unadjusted 1985 Apr. May	1) 17	+ 113 + 6	+ 863 - 27	+1,623 + 818	+ 2,599 + 797	+ 1,772 - 552	+ 4,371 + 245	+ 215 - 2,154 + 337 + 206	+ 2,432 + 788
	19[e] 17[e] 21	$ \begin{array}{r} - & 3 \\ + & 236 \\ - & 16 \end{array} $	+ 2,056 - 2,246 - 81	+ 3 +1,387 +1,101	+ 2,056 - 623 + 1,004	+ 1,015 + 515 + 1,053	+ 3,071 - 108 + 2,057	+ 655 - 655 + 754 - 1,352 + 577 + 373	+ 3,071 - 706 + 3,007
Sept. Oct. Nov.	16	$ \begin{array}{rrrr} - & 122 \\ - & 123 \\ + & 63 \end{array} $	+ 87 + 321 + 143	+ 288 +1,289 + 998	+ 253 + 1,487 + 1,204	+ 1,571 - 458 + 1,319	+ 1,824 + 1,029 + 2,523	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,178 + 366 + 3,128
Dec. 1986 Jan. Feb.	15	+ 433 - 510 + 42	+ 713 - 812 - 402	+ 729 - 291 + 53	+ 1,875 1,613 - 307	- 1,003 + 705 + 747	+ 872 - 908 + 440	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 980 - 842 + 884
Mar. Apr.		+ 91 + 79	+ 499 + 885	+1,081 +1,519	+ 1,671 + 2,483	+ 1,175 + 2,626	+ 2,846 + 5,109	+ 686 - 204 + 148 - 378	+ 3,328 + 4,879
Month ende (seasonally 1985 Apr. May	adjusted) 17	- 16 + 80	+ 95 + 230	+ 1,416 + 915	+ 1,495 + 3.0 + 1,225 + 2.4	+ 1,760 - 717	+ 3,255 + 2.9 + 508 + 0.4	+ 215 - 2,154 + 337 + 206	+ 1,316 + 1.0 + 1,051 + 0.8
June July Aug.	19[e] 17[e] 21	+ 21 - 23 + 50	+ 2,044 - 2,387 + 492	+ 107 + 1,337 + 1,175	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 475 + 233 + 498	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 754 - 1,352	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Sept. Oct. Nov.	16	$^+$ 47 - 96 + 62	- 356 + 253 + 393	+ 321 + 1,168 + 965	$ \begin{array}{rrrrr} + & 12 & & \\ + & 1,325 & + & 2.4 \\ + & 1,420 & + & 2.5 \end{array} $	+ 2,113 - 365 + 984	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Dec. 1986 Jan. Feb.	15	$ \begin{array}{rrrr} - & 62 \\ + & 108 \\ + & 13 \end{array} $	+ 229 - 74 - 95	+ 794 - 453 + 176	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 220 + 506 + 1,141	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Mar. Apr.		+ 21 + 5	+ 166 + 181	+ 1,278 + 1,192	+ 1,465 + 2.5 + 1,378 + 2.3	+ 1,361 + 2,686	+ 2,826 + 2.2 + 4,064 + 3.1	+ 686 - 204 + 148 - 378	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$

After deducting 60% of net debit transit items (see additional notes to Table 6 of the *QuarterlyBulletin*). M I equals columns 1 + 2 + 3. £M3 equals M1 + column 5. M3 equals £M3 + column 7. Including certificates of deposit. [a]

[b]

[c]

[d]

Including certificates of deposit. Changes in the monthly-reporting population occurred in these months. See also the additional notes to Table 3 in the *QuarterlyBulletin*, and, for December 1985 and March 1986, footnotes [b] and [c] respectively to Table H on page 5. The figures for the banking months of June and July 1985 are heavily distorted by the large flow of funds associated with the oversubscription to the sale of shares in Abbey Life Group p.l.e. These flows probably added substantial amounts to deposits and lending in banking June, but the distortion should have been unwound in banking July. [e] Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding. (See additional notes to Table 11 of the QuarterlyBulletin.) [f]

See additional notes to Tables 6 and 11 of the QuarterlyBulletin. [g]

[Table 11.2 in the QuarterlyBulletin]

[Table 11.1 in the QuarterlyBulletin]

F Transactions balances and components of M2

f millions: not seasonally adjusted

	Notes and coin in circulation with public	UK private sector sterling non-interest- bearing sight deposits with banks[a]	Non-interest- bearing M1[b]	Other UK private sector- sterling retail deposits with banks	UK private sector retail shares and deposits with building societies	National Savings Bank ordinary account	M2[b]	Public sector retail deposits with banks	Overseas retai deposits with banks
	1	2	3	4	5	6	7	8	9
mounts outstanding 985 Apr. 17 May 15	12,435 12,441	21,467 21,440	33,902 33,881	32,910 33,291	67,710 67,315	1,737 1,752	136,259 136,239	1,033 1,060	4,111 4,152
June 19[c][d]	12,438	23,496	35,934	33,893	68,096	1,750	139,673	1,086	4,186
July 17[d]	12,674	21,250	33,924	34,709	68,267	1,733	138,633	1,015	4,404
Aug. 21	12,658	21,169	33,827	35,004	68,291	1,740	138,862	993	4,452
Sept. 18[c]	12,536	21,253	33,789	35,188	69,825	1,729	140,531	885	4,475
Oct. 16	12,413	21,574	33,987	35,637	70,630	1,734	141,988	1,107	4,541
Nov. 20	12,476	21,717	34,193	36,885	71,408	1,711	144,197	1,251	4,532
Dec. 11[c]	12,909	22,430	35,339	36,328	72,673	1,693	146,033	923	4,681
986 Jan. 15	12,399	21,618	34,017	36,861	73,958	1,739	146,575	1,137	4,905
Feb. 19	12,441	21,216	33,657	37,014	74,466	1,714	146,851	997	4,895
Mar. 19[c]	12.532	21,718	34,250	37,641	75,292	1,722	148,905	1,071	5,054
Apr. 16	12.611	22,603	35,214	38,644	76,023	1,718	151,599	1,218	5,294
hanges in month ended [e] 985 May 15	+ 6	- 27	- 21	+ 381	- 395	+ 15	- 20	+ 27	. + 41
June 19[d] July 17[d] Aug. 21	$ \begin{array}{r} - & 3 \\ + & 236 \\ - & 16 \end{array} $	+2.056 -2.246 - 81	+ 2053 - 2,010 - 97	+ 602 + 816 + 295	+ 781 + 171 + 24	$ \begin{array}{ccc} - & 2 \\ - & 17 \\ + & 7 \end{array} $	+3,434 -1,040 + 229	+ 26 - 71 - 22	+ 34 + 218 + 48
Sept. 18	- 122	+ 87	- 35	+ 184	+1,374	$ \begin{array}{rrrr} - & 11 \\ + & 5 \\ - & 23 \end{array} $	+1,512	- 108	+ 23
Oct. 16	- 123	+ 321	+ 198	+ 449	+ 805		+1,457	+ 222	+ 66
Nov. 20	+ 63	+ 143	+ 206	+1,248	+ 778		+2,209	+ 144	- 9
Dec. 11	+ 433	+ 713	+1,146	- 557	+1,265	$ \begin{array}{rrrr} - & 18 \\ + & 46 \\ - & 25 \end{array} $	+1,836	- 328	+ 149
986 Jan. 15	- 510	- 812	-1,322	+ 533	+1,285		+ 542	+ 214	+ 224
Feb. 19	+ 42	- 402	- 360	+ 153	+ 508		+ 276	- 140	- 10
. Mar. 19	+ 91	+ 499	+ 590	+ 627 + 1,003	+ 826	+ 8	+2,051	+ 74	+ 159
Apr. 16	+ 79	+ 885	+ 964		+ 731	- 4	+2,694	+ 147	+ 240

After deducting 60% of net debit transit items (see additional notes to Table 6 of the *Quarterly Bulletin*). Non-interest-bearing M1 equals columns 1+2. M2 equals non-interest-bearing M1+columns 4+5+6. See footnote [d] to Table D on page 3. See footnote [e] to Table E on page 3. See footnote [f] to Table E on page 3.

[a] [b]

[c] [d]

[e]

G Private sector liquidity, and other deposits

		liquidity,	and ot	her deposits								[Summary of Q	Table 12 in the uarterly Bulletin]
£ millions: <i>percento</i>	'Money'	Other money- market	Savings in deposits a	nstitution and securities	Certificates tax deposit		PSL1 (columns 1+2+5)	PSL2 (columns 1+2+3+6)	PSL1	PSL2		Other shares with building	and deposits societies
	Seasonally adjusted	instruments Seasonally adjusted	Seasonally	y adjusted of which shares	Seasonally	adjusted Column 5 less build-	Seasonally adjusted	Seasonally adjusted	Seasonally adjusted	Season	ed	Unac	ljusted
		1,***	Total (net)	and deposits with building societies [a]	net of sur-	ing society holdings			change in month	chang month		Amount outstanding	Change in month
Month ended	1	2	3	4	5	6	7	8	9	1	0	11	12
1985 Apr. 17 May 15	112,390 112,924	3.240 3.088	81,837 81,890	77,937 78,361	3,081 2,975	2,742 2,634	118,711 118,987	200,209 200,536		3.0 + 3,38 0.2 + 32			+749 +790
June 19 [b] July 17 [b] Aug. 21	115,587 114,666 116,852	3,311 3,308 3,095	82,497 83,154 83,727	79,314 80,352 81,490	2,900 3,062 2,929	2,539 2,672 2,530	121,798 121,036 122,876	203,934 203,800 206,204	- 719 -	2.3 + 3,39 0.6 - 7 1.6 + 2,46	5 _	- 19,489	+297 +140 +170
Sept. 18 Oct. 16 Nov. 20	119,000 119,954 122,338	2,972 2,904 3,039	84,648 86,048 88,121	82,754 84,332 86,432	2,696 2,993 2,846	2,296 2,537 2,390	124,668 125,851 128,223	208,916 211,443 215,888	+1,182 +0	$\begin{array}{r} 1.5 +2.71 \\ 0.9 +2.52 \\ 1.9 +4.44 \end{array}$	6 +1.2	2 18,828	-266 -565 -752
Dec. 11 1986 Jan. 15 Feb. 19	123,030 123,080 124,327	2,936 3,030 2,891	89,164 90,907 93,194	87,774 89,834 91,524	2,894 2,500 2,627	2,406 2,251 2,238	128,860 128,610 129,845	217,536 219,268 222,650	- 253 -	$\begin{array}{c} 0.5 + 1,65 \\ 0.2 + 1,72 \\ 1.0 + 3,39 \end{array}$	9 +0.8	8 17,243	-386 -447 -344
Mar. 19 Apr. 16	127,146 131,241	2,768 2,428	94,312 95,147	93,131 94,377	2,981 3,117	2,409 2,472	132,895 136,786	226,635 231,288		2.4 +3,99 2.9 +4,65			-275 -165

[a] Including UK non-bank private sector's holdings of certificates of deposit and time deposits issued by building societies.

[b] See footnote [e] to Table E on page 3.

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[Table 11.1 and 11.2 in the Quarterly Bulletin]

H Banks: balance sheet of monthly reporting institutions [a]

£ millions

Sterling liabilities Notes out-standing Total deposits Sight deposits Time deposits Certifi-Items in suspense and transmission Capital and other funds . cates of deposit UK private sector UK monetary sector UK private sector UK monetary sector UK public sector UK public sector Overseas Overseas 1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 206,570 208,575 210,662 214,505 221,917 232,270 9,088 9,746 8,902 8,976 10,010 11,393 47,453 48,471 47,534 47,192 49,106 51,502 39,585 40,540 41,888 43,620 45,743 47,526 1,974 1,790 2,018 1,958 1,899 2,889 62,111 61,491 62,700 62,646 63,364 65,456 25,985 25,705 26,904 27,125 28,260 28,669 6,398 6,771 7,056 7,024 7,258 7,625 12,364 12,818 12,172 14,587 14,809 15,488 6,119 5,443 5,843 5,938 6,483 6,406 27,576 27,899 28,172 28,215 28,397 29,700 1,613 1,244 1,488 1,378 1,468 1,722 944 995 953 946 967 985

			Oth	er currency liab	ilities			Total liabilities/	of which st	erling	
	Total deposits	Sight and time deposits			Certifi- cates of	Items in suspense	Capital and other funds	assets	Liabilities	Assets	
		UK monetary sector	Other United Kingdom	Overseas	deposit	and trans- mission	Tunds				
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	487,545 498,677 496,324 505,021 508,483 504,302	90,223 92,836 88,925 92,226 94,050 92,223	18,440 18,812 18,869 19,408 19,661 19,716	316,996 322,904 327,235 332,375 332,738 331,944	61,887 64,125 61,296 61,012 62,034 60,418	6,122 5,295 5,408 6,528 6,882 6,616	13,354 14,867 14,164 15,064 14,724 14,057	748,230 761,751 761,527 776,216 787,851 794,336	241,209 242,912 245,630 249,604 257,763 269,361	239,542 242,348 244,532 247,165 254,743 266,443	

						Sterling ass	sets				
	Notes	Balances v	with Bank of	England			Mark	et loans			
	and coin	Cash	1	1	L	DMA	Other UK	UK	Building society CDs and		
		ratio deposits	Special deposits	Other	Secured	Unsecured	monetary sector	monetary sector CDs	time	UK local authorities	Overseas
985 Nov. 20 Dec. 11 [b]	2,094 2,313	668 667	_	142 83	5,958 6,367	31 47	44,637 45,519	6,366 6,210	730 766	3,580 3,565	8,667 8,891
986 Jan. 15 Feb. 19	2,266 2,140	667 666	Ξ	167 146	5,826 6,165	46 39	46,298 47,720	6,272 7,354	631 769	3,572 3,408	9,581 9,937
Mar. 19 [c] Apr. 16	2,200 2,149	667 667	Ξ	245 140	6,674 6,570	34 48	50,942 54,457	7,170 7,627	695 872	3,437 3,271	10,733 11,533

			Sterling asso	ets continued				
		Bills			Advance	s		Banking Department
Treasury bills	Eligible local authority bills	Eligible bank bills	Other	Total	UK public sector	UK private sector	Overseas	lending to central government (net)
236 300 244 168 235	717 581 620 510 533	3,832 2,806 5,112 7,728 6,267	317 297 322 322 348	130,004 131,992 132,773 132,020 133,981	2,097 2,067 2,004 1,766 1,744	116,990 117,656 119,140 119,560 122,179	10,917 12,269 11,628 10,694 10,058	$ \begin{array}{r} - & 728 \\ 574 \\ -2,106 \\ -4,270 \\ -2,693 \\ 446 \end{array} $
	bills 1 236 300 244 168	Iocal authority bills Iocal authority bills 236 717 300 581 244 620 168 510 235 533	Eligible local authority bills Eligible bank bills 236 717 3,832 300 581 2,806 244 620 5,112 168 510 7,728 235 533 6,267	Eligible local authority bills Eligible bank bills Other 236 717 3.832 317 300 581 2.806 297 244 620 5,112 3222 168 510 7,728 322 235 533 6,267 348	Bills Eligible local authority bills Eligible bank bills Other Total 236 717 3,832 317 130,004 300 581 2,806 297 131,992 244 620 5,112 322 132,773 168 510 7,728 322 132,020 235 533 6,267 348 133,981	Eligible local authority bills Eligible bank bills Other Total UK public 236 717 3,832 317 130,004 2,097 300 581 2,806 297 131,992 2,067 244 620 5,112 322 132,773 2,004 168 510 7,728 322 132,020 1,766 235 533 6,267 348 133,981 1,744	Bills Advances Eligible local authority bills Eligible bank bills Other Total UK public sector UK private sector 236 717 3,832 317 130,004 2,097 116,990 300 581 2,806 297 131,992 2,067 117,656 244 620 5,112 322 132,773 2,004 119,140 168 510 7,728 322 132,020 1,766 119,560 235 533 6,267 348 133,981 1,744 122,179	Bills Advances Eligible local authority bills Eligible bank bills Other Total UK public sector UK private sector Overseas 236 717 3,832 317 130,004 2,097 116,990 10,917 300 581 2,806 297 131,992 2,067 117,656 12,269 244 620 5,112 322 132,020 1,766 119,560 10,694 168 510 7,728 322 132,020 1,766 119,560 10,694 235 533 6,267 348 133,981 1,744 122,179 10,058

			Sterling ass				Other	currency asset	s				
		Investments		Mis	cellaneous	assets			Market loan	s and advances			
	British government stocks	Other public sector	Other	Items in suspense and collection	Assets leased	Other	Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	7,134 7,171 7,121 6,919 6,510 6,706	433 425 313 543 544 535	7,473 7,573 7,732 8,139 8,293 8,983	9.976 8,870 9,597 9,295 10,480 10,566	1,400 1,426 1,582 1,528 1,508 1,519	5,876 5,904 5,895 5,919 5,942 5,924	469,069 478,422 474,628 484,495 488,177 482,399	118,783 120,287 119,790 120,927 121,405 119,283	86,087 89,171 84,835 87,169 89,852 87,370	10,979 11,610 11,313 10,670 11,156 11,121	1,570 1,632 1,766 1,740 1,669 1,653	33,574 33,837 35,087 35,370 36,198 36,163	336,860 342,173 341,627 349,547 349,301 346,092

				Other cu	rrency assets co	ontinued	1		Acce	ptances	Eligible liabilities
	Bills	Total	Investments United Kingdom	Overseas	Items in suspense and collection	Misce	Assets leased	other	Sterling	Other currencies	
985 Nov. 20 Dec. 11 [b] 986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	1,811 1,769 2,076 2,200 2,191 2,155	30,373 32,527 33,365 34,470 34,441 35,166	1,782 1,949 2,563 2,554 2,621 2,601	28,592 30,578 30,802 31,917 31,820 32,566	5,681 5,086 5,417 6,297 6,740 6,617		10 10 10 7 7 7 7	1,743 1,589 1,499 1,581 1,551 1,551	17,883 18,251 18,661 19,462 17,873 17,483	3,053 2,987 2,883 2,858 3,083 3,126	145,310 147,786 148,939 149,963 152,861 159,492

[a] These tables include all monthly reporting monetary sector institutions other than members of the London Discount Market Association-see page 562 of the December 1983 Quarterly Bulletin. (b) Three contributors joined the series and one left the series at mid-December; the net effect was an increase of £70 million in sterling assets and an increase of £486 million in other currency assets.
 (c) Nine contributors joined the series at mid-March; the effect was an increase of £436 million in sterling assets and £32 million in other currency assets.

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[Table 3.1 in the Quarterly Bulletin]

I Banks: group detail[a]

£ millions

													1.	2
		Notes out- stand-			Sterli	ing depos	its				Oth	er currency d	eposits	
		ing	Total	of which sight deposits	UK monetary sector	UK public sector	UK private sector	Overseas	Certifi- cates of deposit	Total	UK monetary sector	Other United Kingdom	Overseas	rtifi- ates of deposit
British banks:	1986 Mar. 19	967	114,796	50,023	11,131	2,385	83,504	10,453	7,324	45,733	8,180	4,301	29,453	3,800
Retail banks	Apr. 16	985	119.514	52,288	11,042	3,374	86,136	10,983	7,979	46,449	7,904	4,324	30,516	3,705
Accepting	1986 Mar. 19	Ξ	12,736	2,827	2,603	244	7,045	1,472	1,372	11,822	3,245	1,759	6,495	323
houses	Apr. 16		13,441	3,308	2,619	270	7,488	1,556	1,509	11,735	3,179	1,958	6,319	280
Other British	1986 Mar. 19	Ξ	33,309	6,691	17,500	444	9,473	4,628	1,265	25,829	7,958	1,609	14,612	1,650
banks	Apr. 16		35,131	7,597	18,668	526	9,859	4,756	1,322	25,872	7,849	1,499	14,774	1,751
Overseas banks:	1986 Mar. 19	E.	13,956	2,972	5,339	24	3,409	3,814	1,370	81,058	8,272	4,289	47,912	20,584
American banks	Apr. 16		14,789	2,888	6,028	25	3,673	3,847	1,216	80,863	8,445	4,276	49,222	18,919
Japanese banks	1986 Mar. 19 Apr. 16	Ξ	11,349 11,651	381 439	6,478 6,683	91 144	1,589 1,751	2,174 1,971	1,018 1,102	176,894 173,304	37,799 36,595	2,205 2,427	116,614 113,686	20,277 20,596
Other overseas	1986 Mar. 19	1	33,746	4,597	11,951	177	7,076	12,159	2,383	154,024	24,605	4,969	109,398	15,051
banks	Apr. 16		35,537	5,273	12,969	266	7,665	12,357	2,280	153,402	24,361	4,793	109,425	14,822
Consortium	1986 Mar. 19	Ξ	2,024	350	758	2	373	812	78	13,122	4,157	529	8,089	348
banks	Apr. 16		2,206	448	925	5	384	811	81	12,677	4,061	439	7,833	345
Total	1986 Mar. 19 Apr. 16	967 985	221,916 232,269	67,841 72,241	55,760 58,934		112,469 116,956	35,512 36,281	14,810 15,489	508,482 504,302	94,216 92,394	19,661 19,716	332,573 331,775	62,033 60,418

Liabilities

		Sterling and other currency	Total liabilities/			Sterling as	ssets			
		liabilities Items in	assets					Market loans		
		suspense and transmission, capital and other funds		Notes and coin	Balances with Bank of England (including cash ratio deposits)	Secured money with LDMA	Other UK monetary sector [b]	UK monetary sector CDs	UK local authorities	Overseas
British banks:	1986 Mar. 19	30,706	192,203	2,172	601	4,475	17,857	3,258	1,722	1,517
Retail banks	Apr. 16	31,372	198,320	2,122	491	4,365	20,107	3,155	1,716	1,666
Accepting	1986 Mar. 19	3,632	28,191	2	29	376	5,217	1,171	315	809
houses	Apr. 16	3,639	28,815	2	29	341	5,051	1,164	266	740
Other British	1986 Mar. 19	8,113	67,251	33	95	235	9,593	1,009	481	1,135
banks	Apr. 16	8,045	69,048		93	281	10,160	1,263	438	1,269
Overseas banks:	1986 Mar. 19	4,099	99,113	3	56	424	3,759	234	117	1,320
American banks	Apr. 16	4,116	99,768	2	61	456	3,652	346	108	1,280
Japanese banks	1986 Mar. 19 Apr. 16	1,485 1,193	189,729 186,149	Ξ	35 35	373 359	3,474 3,725	42 42	74 72	2,233 2,563
Other overseas	1986 Mar. 19	6,412	194,182	19	90	767	10,497	1,236	646	3,397
banks	Apr. 16	5,989	194,927	19	92	744	11,251	1,471	587	3,582
Consortium	1986 Mar. 19	2,038	17,184	1	6	25	579	219	83	321
banks	Apr. 16	2,425	17,309	1	6	24	558	187	84	433
Total	1986 Mar. 19	56,485	787,853	2,200	912	6,675	50,976	7,169	3,438	10,732
	Apr. 16	56,779	794,336	2,149	807	6,570	54,504	7,628	3,271	11,533

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

[b] Including unsecured money with LDMA.

[c] Including holdings of sterling time deposits placed with, and sterling certificates of deposit issued by, building societies.

J Discount market: balance sheet

£ millions Liabilities: borrowed funds Sterling Other currencies of which Other UK monetary sector Other United Kingdom Bank UK monetary sector Other United Kingdom Call and overnight of England Other Total Overseas Total Overseas 1985 Nov. Dec. 1986 Jan. Feb. Mar. Apr. 6,824 7,584 6,935 7,170 7,770 7,615 740 537 581 591 557 936 305 80 92 179 192 259 5,786 6,409 5,765 6,085 6,610 6,452 1,468 1,628 1,651 1,485 1,512 1,822 250 336 223 333 216 271 93 121 116 112 70 59 7,564 8,121 7,516 7,761 8,327 8,551 144 163 85 103 84 98 13 52 22 118 62 114 20 11 15 19 19 16 5 4 8 12 13 18 Sterling assets

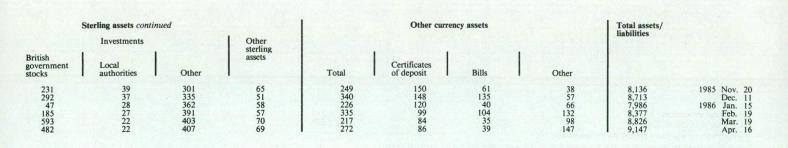
					Cash ratio deposits		Bills	Other		Funds lent						
				Total	with the Bank of England	Treasury bills	Local authority bills	public sector bills	Other bills	UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Other United Kingdom	Overseas	
19	85 No	ov.	20	7,883	7	187	104	50	4,235	225	1,718	394	135	186	6	
	De	ec.	11	8,373	7	50	9	20	3,445	491	2,729	550	134	219	4	
19	86 Jan		15	7,760	7	13	15 70	50	3,619	304 269	2,468	497	134	152	6	
	Fel	b.	19	8,042	7	54	70	20	3,711	269	2,690	263	137	149	12	
	Ma	ar.	19	8,609	7	103	44	20	3,661	212	2,660	388	132	138	156	
	Ap		16	8,876	7	236	90	20	4,523	228	2,098	317	115	255	7	

[Tables 3.2 to 3.8 in the Quarterly Bulletin]

							inued						
					F	Bills		a Saras	Advanc	ces	Banking Department	Invest	nents
•				Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas	lending to central government (net)	British government stocks	Other
British hanks: Retail banks	1986	Mar. Apr.	19 16	153 277	513 358	5,858 3,476	78 74	460 419	75,722 77,921	2,630 2,845	-2,693 446	5,053 5,368	2,857 2,922
Accepting houses	1986	Mar. Apr.	19 16	3 5	12 14	91 372	31 53	47 51	3,493 3,812	1,022 1,075	E	362 299	1,288 1,521
Other British banks	1986	Mar. Apr.	19 16	53 1	15	154 251	44 78	64 65	19,824 20,463	1,204 1,673	Ξ	317 367	1,614 1,707
Overseas banks: American banks	1986	Mar. Apr.	19 16		Ξ	7 20	5 4	83 69	7,022 7,424	1,248 1,292	=	314 213	289 389
Japanese banks	1986	Mar. Apr.	19 16	4 4	Ξ	=	E.	597 587	1,733 1,805	960 986	E .	20 22	1,518 1,555
Other overseas banks	1986	Mar. Apr.	19 16	22 22	8 8	156 254	186 189	466 456	13,896 14,502	2,734 2,730	=	319 327	1,051 1,160
Consortium banks	1986	Mar. Apr.	19 16	Ξ	Ξ	Ξ	4 4	26 23	487 496	261 259	=	124 110	221 265
Total	1986	Mar. Apr.	19 16	236 310	533 395	6,266 4,373	348 402	1,743 1,670	122,177 126,423	10,059 10,860	-2,693 446	6,509 6,706	8,838 9,519

							rrency assets Market loans a	and advanc	AC		Bills	Invest-	Sterling and other currencies	Accept- ances	Eligible liabilities
				Total	of which advances	UK monetary sector	UK	UK	UK private sector	Overseas	Dills	ments	Miscel- laneous assets[c]		
British banks:	1986	Mar.	19	48,653	15,759	11,678	408	184	4,446	31,937	653	4,926	15,736	3,605	86,899
Retail banks		Apr.	16	49,171	15,515	11,332	351	179	4,330	32,979	648	5,262	15,513	3,344	89,620
Accepting	1986	Mar.	19	10,730	3,983	2,789	544	18	1,023	6,356	49	1,369	1,775	3,741	5,990
houses		Apr.	16	10,666	3,890	2,904	525	17	965	6,255	63	1,401	1,890	3,899	7,005
Other British	1986	Mar.	19	28,113	10,085	6,211	182	732	2,368	18,619	23	1,233	2,059	1,199	20,822
banks		Apr.	16	27,734	9,731	6,376	133	714	2,320	18,191	26	1,169	1,994	1,125	21,833
Overseas banks:	1986	Mar.	19	78,237	23,450	8,499	1,409	30	9,747	58,551	43	2,158	3,792	3,422	9,575
American banks		Apr.	16	77,761	22,750	8,172	1,243	30	9,599	58,717	52	2,551	4,086	3,319	10,291
Japanese banks	1986	Mar. Apr.	19 16	162,851 158,864	25,366 25,403	28,636 27,341	1,311 1,432	560 571	7,573 7,903	124,771 121,617	121 99	14,862 14,773	830 656	2,285 2,220	7,240 7,530
Other overseas	1986	Mar.	19	146,133	37,040	30,676	6,908	143	10,771	97,636	1,195	8,955	2,409	6,463	21,135
banks		Apr.	16	145,272	36,407	29,840	7,100	142	10,763	97,427	1.165	8,938	2,158	6,457	21,718
Consortium banks	1986	Mar. Apr.	19 16	13,460 12,930	5,722 5,587	1,364 1,404	394 338	1	270 281	11,431 10,907	107 101	939 1,072	322 757	240 245	1,200 1,494
Total	1986	Mar. Apr.	19 16	488,177 482,398	121,405 119,283	89,853 87,369	11,156 11,122	1,668 1,653	36,198 36,161	349,301 346,093	2,191 2,154	34,442 35,166	26,923 27,054	20,955 20,609	152,861 159,491

[Table 4 in the Quarterly Bulletin]



K UK monetary sector: transactions in liabilities and assets^[a]

£ millions

4 Liabilities Domestic deposits Non- * Total Overseas sector 4 deposits sit Public sector Private sector Total ies Other curren-cies Sterling Other Sterling Other Sterling curren-cies curren-cies Seasonally Seasonally Seasonally Unadjusted L Unadjusted adjusted Unadjusted adjusted adjusted Month ended 1985 Apr. + 4,369 + 506 2,265 3,723 3,575 628 9 35 + 4,258 + 239 + 3,271 + 428 - 3,795 - 5,103 + 1,337 + 1,094 Apr. 17 May. 15 + -95 105 + 98 172 -+ ++ 215 337 + 354 220 + 3,074 - 344 + 2,073 + 2,626 - 817 + 2,165 3,903 378 2,902 3,370 129 2,908 + -+ 189 + 104 15 29 17 655 754 577 263 421 291 5,893 4,401 2,375 1,393 2,279 385 19[b] 17[b] 21 10,926 7,479 433 111 + + -+ + - + June - + + ++ July Aug. +++ -+ 37 183 269 2,078 1,056 2,342 1,419 1,758 3,820 1,946 1,152 2,460 249 146 873 6 208 536 8,049 2,391 8,881 407 1,912 1,573 Sept. Oct. Nov. 18 16 20 9,869 1,071 10,592 1,811 1,573 3,500 277 445 483 17 111 + - + + + -356 281 + + 15 4 ++ +++ 439 398 398 + 803 - 21 + 1,222 171 348 570 2,585 7,841 10,110 54 6 36 344 422 772 194 639 1,622 558 466 160 - + -384 306 134 - + -66 1,346 666 1,131 7,338 7,699 1,732 1,265 973 Dec. Jan. Feb. -+-+ - + + + + + - + - + + - + + + + + + + + 1986 15 + 171 + 1,489 3,664 5,681 + 2,755 + 5,030 + 2,805 + 4,059 686 148 + 1,351 + 1,014 + 3,524 + 5,571 324 822 Mar. Apr. + 8,016 + 13,945 + 3,465 + 6,538 + 22 + 1,375 + 2 19 16 + -+

[Table 6 in the Quarterly Bulletin]

			Total		Lending to publ	ic sector	Assets		Lending to priv	ate sector	Lending sector	to overseas
		1			Ster	ling		Other currencies	Sterling	Other currencies	Sterling	Other currencies
/				T Unadjusted	Total Seasonally adjusted	Central govern- ment	Other		Unadjusted Seasonally adjusted			
Mon 1985	5 Apr. May	d 17 15	+ 2,265 - 3,723	+ 2,397 - 155	+ 699 - 486	+ 1,960 + 181	+ 437 - 336	- 101 + 108	+ 1,932 + 1,675 + 669 + 1,241	+ 1,461 - 241	+ 656 + 251	- 4,080 - 4,355
	June July Aug.	19[b] 17[b] 21	+ 10,926 + 7,479 + 433	+ 1,765 - 3,562 + 2,915	+ 150 - 2,300 + 2,403	+ 1,992 - 3,324 + 3,275	- 227 - 238 - 360	- 67 - 78 - 9	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 12 + 546 - 1,231	+ 15 - 479 - 670	+ 8,901 + 6,759 - 640
	Oct.	18 16 20	+ 9,869 + 1,071 + 10,592	+ 879 - 1,024 + 1,136	+ 1,275 - 808 + 278	+ 1,370 - 668 + 1,708	- 491 - 356 - 572	- 19 + 257 - 170	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 408 - 25 + 185	+ 211 - 20 + 43	+ 7,875 - 1,827 + 9,702
1986	Dec. Jan. Feb.	11 15 19	+ 2,585 + 7,841 + 10,110	+ 1,133 - 3,204 - 2,622	+ 672 - 1,312 - 1,287	+ 1,479 - 3,276 - 2,141	- 346 + 72 - 481	+ 25 + 220 + 3	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 123 + 2,191 + 588	+ 1,589 + 273 - 492	+ 1,064 + 4,716 + 9,482
	Mar. Apr.	19 16	+ 8,016 + 13,945	+ 1,686 + 3,052	+ 1,891 + 1,454	+ 1,740 + 3,372	- 54 - 320	- 52 + 17	+ 2,207 + 2,433 + 3,744 + 3,077	+ 1,209 + 742	- 402 + 1,841	+ 3,368 + 4,549

This table comprises all banks included in Table 3 in the Quarterly Bulletin together with the discount market. Interbank items are excluded and adjustments made to allow for transit items (see additional notes to Table 6 in the Quarterly Bulletin). [a]

[b] See footnote [e] to Table E on page 3.

Symbols and conventions

- nil or less than £1/2 million.

--- figures above and below are not strictly comparable. Owing to rounding of figures, the sum of the separate items will sometimes differ from the total shown.

Issued by the Financial Statistics Division, Bank of England, London EC2R 8AH. Printed by Oyez Press Ltd.

SECRET AND PERSON	AL	
Not by Revent full 2.8% would be the lagest	FROM: DATE:	T TARKOWSKI 25 APRIL 1986
2.8% would be the largest 1. MR WALSH wonthing increase in ± 100.3 suine lest April's 2.9%. 2. CHANCELLOR while 25/4 while 25/4 While 25/4 While 25/4 While 25/4 CR 20 CR 20 CR 20	ge.	Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Scholar Mr Peretz Mr Sedgwick Mr Richardson Mr Hannah Mr Heath
hustre bry of the se append allersenes have peaky haves, four the se append allersenes have MONEY SUPPLY IN BANKING APPIL : "FIRST GUE	De UN R	Mr Ross Goobey

I attach the Bank's monthly note setting out their "first guess" at the money supply figures for banking April, which ended on 16 April.

assisting RL

Summary

2. £M3 is estimated to have risen 2.8 per cent, compared with a forecast increase of 1.3 per cent. This suggests a final outturn in the range of 2½ per cent to 3 per cent. On this basis the annual growth rate of £M3 to banking April would be in the range of 16 per cent to 16½ per cent, outside its 11-15 per cent target range. M0 rose by 0.2 per cent, as forecast. Annual growth is in the bottom half of the 1986-87 target range, at 3.2 per cent. Table 1 below gives the implied growth rates in the target aggregates.

3 The increase in \pounds M3 is larger, even, than we expected. The presence of a substantial expansionary residual in the counterparts (£1,800 million) means that the distribution of the counterparts may well change considerably in the provisionals. But it does not necessarily hold out hope that the figure for \pounds M3 will decrease. The residual arises, essentially, because of assymetry in transactions between the weekly and non-weekly reporting banks, and depending on the causes, its resolution may equally increase or reduce \pounds M3 or leave it unaffected.

Table 1: Monetary Aggregates - First guess : banking April

Monthly percentage change	<u>M0</u>	per cent <u>£M3</u>
First guess	0.2	2.8
Likely outturn	0.2	2 ¹ ₂ - 3
3 month annualised rate	0.4	26½ - 28¾
6 month annualised rate	4.9	18½ - 19½
Annual rate	3.2	16 - 16½

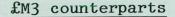
MO

4. The annual growth rate for MO at 3.2 per cent is slightly down from last month (3.6 per cent), comfortably in the bottom half of its target range. This is in line with the forecast which predicts that MO's annual growth rate stays in a 3 to 3½ per cent range during the forecast period.

£M3 components

5. In banking April \pounds M3 is thought to have increased by \pounds 3,600 million: 2.8 per cent, compared with the increase of 1.3 per cent in the forecast circulated in Mr Walsh's monetary prospects submission of 17 April (which superseded the forecast reported in the Bank's note). Among the components, notes and coin rose by \pounds 30 million. Non-interest bearing sight deposits rose by \pounds 200 million. Interest-bearing sight deposits rose \pounds 950 million and time deposits \pounds 2,420 million.

6. There were no major distorting factors likely to affect the <u>components</u> of £M3 (eg share sales, gilt redemptions etc) during banking April, so far as we are aware.



7. Table 2 (attached) compares £M3 counterparts in the first guess with those in the forecast. £M3 is estimated to have risen by £3,600 million, about £2,000 above forecast. The main factors accounting for the difference appear to be a higher than forecast LABR (which also increased the expected under-fund) and a very large (expansionary) residual.

8. The "PSBR" is estimated at £1,640 million, about £420 million above forecast. This is largely accounted for by an "LABR" around £350 million above forecast. LAs have recently been borrowing heavily from Central Government, and using the proceeds to repay debt to the monetary sector (or run up bank deposits). Their estimated borrowing from Central Government this month, at £3,100 million this month/as forecast, but net repayment to the banks appears to be around £350 million lower than expected. LAS' borrowing from Central Government could equally have been used to finance increased expenditure, or to run down holdings of nbps-held debt.

9. Sterling lending is estimated to be close to forecast at $\pounds 2,190$ million (last month, $\pounds 2.6$ billion). The forecast included a boost of around $\pounds 1$ billion associated with the abolition of capital allowances. The Bank report that very little new sterling lending has been channelled through leasing companies (as also happened last month). High company profitability makes it quite possible that companies have borrowed direct from banks to take advantage of capital allowances. This means, however that it will not be possible to confirm that there is definitely a capital allowance effect from banking statistics: we will need to wait for quarterly industrial investment figures before we can be sure.

10. Taken together, net private externals and NNDLs were expansionary by $\pounds 570$ million (forecast contractionary by $\pounds 750$ million). At this stage, the division between NNDLs and externals

is not on the same basis as that used in the forecast, and the position is further complicated by the treatment of the residual error, which is included in NNDLs. However, the figure for the residual (including NNDLs) is a very large expansionary factor (£1,800 million). As explained above (paragraph 3) this means that the figures next week are likely to look rather different.

11. It is estimated that there was an under-fund in banking April of $\pounds 860$ million, compared with a forecast under-fund of $\pounds 370$ million (seasonally adjusted), reflecting the higher than expected "PSBR".

Timetable

1.2. We will receive provisional April figures on Friday 2 May, and they will be published on <u>Tuesday 6 May.</u> Full money and banking figures will appear on Thursday 15 May.

13. I am sending a copy of this minute to Mr Norgrove at No 10 Downing Street.

Tancred Tarkowski T TARKOWSKI

TABLE 2 : BANKING APRIL 1986

"First guess" compared to forecast

	£	millions,	seasonally	adjusted
	FI	RST GUESS		FORECAST*
CGBR (ex bank deposits)		+2,720		+2,955
CG debt: Gilts Treasury Bills National Savings CTD's	-790 -20 -50 -150	-1,010	-710 - -65 -135 	-910
Other public sector: LA PC	-1,440 +360 	-1,080	-1,805 +70 	-1,735
External and fc. finance of the public sector		+230		+60
Sterling lending to UK private sector (inc. Issue Dept. commercial bills)		+2,190		+2,060
Net private externals**		-1,240		-455
Residual (includes NNDLs** and reporting differences) £M3		+1,810 +3,600		-300 +1,675
(Monthly percentage change)		(+2.8%)		(+1.3%)
Wide over(-)/underfunding(+)		+860		+370

* As circulated in Mr Walsh's "Monetary Prospects submission of 17 April 1986.

** For the first guess, foreign currency NNDLs cannot be separately identified and are included with £NNDLs and the residual. In the forecast they are attributed to the Externals, in line with the convention used for the published figures.

SECRET AND PERSONAL



25.4.86

THE GOVERNOR'S SECRETARY (2) THE DEPUTY GOVERNOR MR LOEHNIS MR GEORGE MR WALKER MR FLEMMING MR COLEBY MR WILLETTS MR PLENDERLEITH MR TAYLOR MR W A ALLEN MR BULL MR COLLINS MR HOTSON MR MIDGLEY/GROUP 7/2 MR FENNINGTON/GROUP 2/2 MR THORP MR TOWNEND MR M ST J WRIGHT/GROUP 2/4 MR McCONNACHIE

MR WALSH (HMT) MR TARKOWSKI (HMT)

FROM: Miss R Borer / C R Mann

BANKING APRIL 1986 - A FIRST ESTIMATE

£ millions, seasonally adjusted

The provisional estimates of the monetary aggregates for banking April will be published at 2.30 pm on Tuesday 6 Hay and the full money and banking figures will be published at 2.30 pm on Thursday 15 May. Even after 15 May, some of the information contained in this note remains confidential to the Bank, and group 2/3 should be consulted if there is doubt about its availability.

1 Figures received from the weekly reporting banks show an increase in fM3 of 3600 in banking April. An estimate of the monetary sector as a whole, based on these returns, would suggest a final outturn in the range of +2 1/2% to +3% (compared with a forecast increase of 0.9%) and a 12-month growth rate in the range of +16% to +16 1/2%, outside the target range of 11-15% announced in the Budget.

2 Among the components of £M3, notes and coin are estimated to have risen by 30, and private sector non-interest-bearing sight deposits to have increased by 200. Private sector interest-bearing sight deposits are estimated to have risen by 950. Private sector time deposits (including CDs) are estimated to have risen by 2420: within this, time deposits rose by 1940 and CDs by 480. Within the total increase of 2890 in interest bearing deposits, retail IB deposits rose by 940.

3 Our latest estimate for MO for banking April is +0.2%, or +3.2%

SECRET

over the last twelve months, within the new target range of 2-6% announced in the Budget. This includes figures received from the Scottish note issuing banks and also revised estimates for coin. Information has not yet been received from the Northern Irish banks.

4 The table attached compares counterparts to fM3 with the forecast as circulated in the FR of 17 April. The estimated CGBR is +2720, ie 1060 above forecast: within this, the CG own account was -230 while on-lending to LAs was +3070, and on-lending to PCs was -120. Net sales of central government debt to the non-bank private sector are estimated to have been -1010, 130 more contractionary than forecast. Gilts contributed -770, ie an increase of nbps holdings, close to the forecast of -710. There were net purchases of CTDs of -150, of Treasury Bills of -20, and of National Savings of -50.

5 The direct contribution of the rest of the public sector is estimated to have been contractionary by -1080, (30 more contractionary than forecast). Local authorities were -1440, (200 more contractionary than forecast), and PCs were +360, (170 more than forecast). Thus local authorities, having borrowed some £3.1bn from the central government. have repaid 170 of borrowing from public corporations and 420 of borrowing from weekly banks, as well as building up bank deposits of 940 with weekly banks . In the figuring as shown in the attached tables (after allowing for other financial transactions of LAs), it is implied that the local authorities must have paid fl.6bn to the non-bank private sector, either by repaying borrowing from the nbps, or by net spending; this represents a substantially more expansionary influence on fM3 than the forecasters (who had allowed for 200-300 of teachers' back pay) were expecting. It is possible that the expansionary influence of LAs' financial transactions is not as strong as the figures suggest, for two reasons. Firstly, LAs may have repaid borrowing from non-weekly banks or built up deposits with them; secondly, LAs may have purchased bank

SECRET

CDs. However, market intelligence suggests that none of these transactions is likely to have taken place on a substantial scale. LA transactions with non-weekly banks will be available next week in the full monthly figures. LA purchases of CDs are only available calendar monthly, with a lag; purchases in calendar March were negligible (and total LA holdings of CDs have never exceeded £80mn in the past 4 years).

6 "Narrow overfunding" (ie the CGBR plus the direct contribution of the rest of the public sector, net of CG debt sales to the non-bank private sector) was +630 (ie. an underfund). External and foreign currency finance of the public sector (EFCFPS) was +230 and, therefore, "wide overfunding" (ie the sum of narrow overfunding and EFCFPS) was +860, (ie an underfund) compared with a forecast of -250.

7 Bank lending in sterling to the private sector is estimated to have increased by 2190, compared with a forecast rise of 2010. There was an increase of 210 in banks' holdings of investments, and lending by two banks particularly associated with leasing activity was only floomn. The forecasters had been expecting a boost to bank lending of 800 to forestall the end of capital allowances: if this has occurred than the figures suggest it is more likely to have taken the form of direct lending to companies, rather than being routed via leasing companies. It will therefore be difficult to establish conclusively from the banks' own figures whether the high lending is attributable to the ending of capital allowances (companies' investment figures for the March quarter are not likely to be available for some time).

8 Other identified external and foreign currency transactions (ie excluding EFCFPS) were -1240, but this may be a poor guide to the final outturn for the externals.

SECRET

9 The residual (including NNDLs) was expansionary by 1810. This is a large figure and must include substantial lending by the weekly banks to the non-weekly banks. Whether the non-weekly banks have 'used' the proceeds to repay deposits to the non-bank private sector (so reducing their contribution to £M3), or whether they have lent out the proceeds (so tending to inflate bank lending beyond the level suggested by the weekly banks), or indeed whether the non-weekly banks have increased both deposits and lending, the latter by more, is as always uncertain.

Financial Statistics Division Money & Banking Aggregates Group BB-1 25 April 1986

MISS R BORER (4471) / C R MANN (4764)



FROM: MRS R LOMAX DATE: 28 April 1986

MR WALSH

267 115 min 20 April 1986 cc Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Peretz Mr Sedgwick Mr Scholar Mr Tarkowski Mr Ross-Goobey

MONEY SUPPLY IN BANKING APRIL: FIRST GUESS

The Chancellor has seen Mr Tarkowski's minute of 25 April. He has commented that we shall need to make clear that capital allowances were once again (and for the last time) a factor.

2. In the meantime, he would be grateful for figures showing the growth of bank lending over the past year broken down into consumer borrowing and business borrowing.

RACHEL LOMAX

FROM: R M HEATH DATE: | May 1986

cc:

PPS Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Peretz Mr Scholar Mr Sedgwick Mr Culpin Mr Pickford Mr Richardson Mr Hannah Mr Ridlington Mr Tarkowski Dr Coyle Mr Ross Goobey

PROVISIONAL MONEY SUPPLY FIGURES: BANKING APRIL

The Bank have informed us that because of the Bank holiday on Monday, they require comments on the press notice - to be published on Tuesday as usual - by lunchtime on Friday. This is about one day ahead of the usual schedule. Consequently the provisionals note must be circulated by tonight.

CHeath

R M HEATH

MR WALSH

(see attacked).

1. MR WALSH

2. CHANCELLOR

H.W 1/5 SECRET AND PERSONAL

The Bank's press release will reper to capital allowonder -

FROM: R M HEATH DATE: 1 MAY 1986

cc:

Economic Secretary Sir P Middleton Sir T Burns C/ Any comments on Wr Peretz Press notice of Control Mr Scholar Press breig? Control Mr Sedgwick Mr Culpin Mr Pickford Mr Richardson Mr Richardson Mr Ridlington Dr Coyle Mr Tarkowski Mr Cassell Mr Tarkowski behearse early husters, that be comented in the

fiver an ver approach spreaching The provisional money supply figures for banking April will be published by the Bank at 2.30 pm on Tuesday 6 May. This note reports the figures and provides the usual draft press briefing. bCA!

SUMMARY

MO rose by 0.3 per cent (compared with a rise of 0.2 per 2. cent in the first guess and in the forecast). This will appear in the press notice as a rise of "about 1/4 per cent". Annual growth of M0, at 3.2 per cent is within the lower half of the 1986-87 target range.

£M3 is provisionally estimated to have risen by 3.1 per 3. cent in banking April (compared with a first guess of 2.8 per cent and a forecast of 1.3 per cent). This will appear in the press notice as a rise of "about 3 to 3½ per cent". The twelvemonth growth rate of £M3 has increased to 16.6 per cent from last month's rate of 16.4 per cent. This is above the upper end of the 1986-87 target range of 11-15 per cent.

Table 1 (below) gives the implied growth rates in both 4. aggregates to mid-April. Tables 4, 5 and 6 (attached) give growth rates since August 1985 for these and other aggregates.

	Banking	Figures	Annu	al Growth R	ates
	April	Press Notice	3 months	6 months	12 months
м0	0.3	about 4	0.4	5.0	3.2
£M3	3.1	about $3-3\frac{1}{4}$	24.3	19.5	16.6

Table 1 : Monetary Aggregates (provisional)

5. <u>Sterling lending</u> increased by £3,000 million, a record increase in money terms, but the same in percentage terms as April last year (2.1 per cent).

PRESENTATION OF FIGURES

6. The figures for £M3 are substantially above expectations. We have received only one outside forecast so far (which predicts ¾ per cent) but the Financial Times has reported that the market expects bad figures. There was also a large increase last April of 2.9 per cent. The reason then, as partly now, was related to the phasing out of capital allowances.

7. MO is behaving well. Twelve-month growth of 3.2 per cent is well within the target range and indeed is at its lowest, except for the erratic Christmas period, since end-1982.

8. The suggested line to take in the attached draft briefing is broadly in line with what we said last month. It points to the need to look at a range of evidence over a period of months in forming a judgement and refers to the likelihood that the bank lending figure has again been affected by the change in capital allowances.

9. The Bank's draft press notice, for publication at 2.30 pm on Tuesday 6 May, is attached.

10. <u>Can I please have comments on the press notice by lunch-</u> time on Friday 2 May, and on the draft press briefing by close on that day.

DETAIL

MO

s.e. a major factor in

boosting

probably

The annual growth rate of M0 at 3.2 per cent was close 11. to forecast and was down from 3.6 per cent in March. Notes and coin in circulation rose by 30. All of this increase occurred in the early weeks of the month and so the early indicators are that May growth will be modest. Bankers' balances in April rose by 10 and were virtually at their target level.

£M3: components

Table 2 sets out the changes in the components of £M3 12. (and PSL2A).

£M3 rose sharply in April with the All components of 13. exception of notes and coin. NIB deposits rose £180 million, following on from the £166 million in March, a rate around £100 million above the previous year's average. IB sight deposits rose by £1190 million, most of which was contributed by the clearers. This increase also followed a large rise of fl¹/₄ billion in March. Time deposits (including CDs) rose by £2690 million, one of the largest increases ever recorded.

Retail deposits (IB and NIB) rose by well over fl billion 14. (see Table 2). This was over double the average for the previous twelve months. Wholesale deposits, likewise, grew considerably experience. There are two possible faster than recent explanations for the sharp rise in deposits. Firstly, the local from the PWLB. borrowed £3 billion Around authorities £900 million of this is estimated to have been used to repay private sector holdings of local authority debt. This could the south be temporarily held on deposit. The local authorities themselves built up bank deposits by almost £1 billion, an extraordinarily high figure. Although the latter is not counted in £M3 it would have made the banks more liquid. Secondly, with fl billion of calls on gilts in banking May, with £755 million to follow in June, it is possible that the private sector began building up deposits in anticipation.

ABLE 2: The Components of £M3 and PSL2A banking April 1986

		£ milli	£ million, seasonally adjusted			
		Banking April		in previous as to March		
			monthly rate	percentage increase		
Notes and coin in circulat	ion	5	17	1.7		
Bank deposits:						
Retail (a)	interest bearing	936	426	15.5		
(ъ)	non-interest bearing	181	83	4.7		
Wholesale (including	£CDs)	2,944	987	26.6		
Change in £M3		4,066	1,513	16.4		
Bills and other non-buildin flows in PSL2A	g society	-115	23	1.8		
Building Society:						
Inflows (a)	retail (incl. interest credited)	1,131	1,145	14.6		
(Ъ)	wholesale	-55	41	n/a		
Liquid Assets (inc -)		-499	-287	n/a		
Change in PSL2A		4,528	2,435	13.5		

3/4

£M3: counterparts

15. Table 3 compares the provisional counterparts of growth in £M3 to the forecast in Mr Walsh's monetary prospects submission of 17 April. The counterparts also appear, in simplified form, in the Bank's draft provisionals press notice.

Sterling lending at £3005 million was the largest increase 16. ever in money terms, although the same as last April in percentage It was around fl billion above forecast. In the last terms. three months sterling lending has increased by £7.1 billion 5 per cent of the stock, or £2360 million a month. in total, compares with a monthly average of around £1700 million This in the previous year. The most likely explanation of this surge in lending is the phasing out of capital allowances. As yet the Bank have only been able to identify a small amount of lending for leasing purposes, but it is possible that this year more capital allowance lending was done directly with companies, given that their increased profitability would mean that they would The other factor need less recourse to leasing companies. boosting lending could be the recent merger/takeover activity. In April bank investments (which are included in lending) rose strong rise, but the Bank have again £420 million, a by identified little other direct lending for takeover/mergers. One factor reducing bank lending was the bill leak, which at £555 million was the largest rise ever.

17. In the month the overall impact of the public sector (including funding) was expansionary by £570 million (forecast £370 million). The modified PSBR at £1380 million was close to forecast as were debt sales at £890 million.

Within the 'PSBR' there was on lending of £3 billion to 18. local authorities, of which £900 million was used to repay market £943 million placed on bank deposits (total public debt and £1.4 billion). PCs repaid bank rose by deposits sector £170 million of central government borrowing but borrowed £228 million from the banks.

SECRET AND PERSONAL

States and		£ million seasonally adjuste				
DOMESTIC	COUNTERPARTS	Prov	isional	Forecast_		
CGBR:	own account	-172		0		
	on-lending to LAs	+3,045		+3,046		
	on-lending to PCs	-170		-93		
		1	12 702	10	.2 055	
Other publ	ic		+2,703		+2,955	
sector:	Local Authorities	-1,565		-1,805		
	Public Corporations	+228		+70		
	PC currency deposits	+15				
			-1,322		-1,735	
Net purcha	ases of CG debt					
	nk private sector (inc -):					
Gilts		-693		-710		
	sury bills	-22		L		
	onal Savings	-46		-65		
	ificates of tax deposit	-136		-135		
Othe		+6				
			-891		-910	
Extornal	nd fc finance of public sector		+80		+60	
External a	nd te finance of public sector		+00		+00	
	nding to the private sector:	1. S. A. P.				
Bank	lending to private sector 2	+3,045				
Issue	Department Commercial bills ² Shipbuilding repos)	-40				
			.2 005	The TOPOLST	.2 040	
			+3,005		+2,060	
Sub-total:	Domestic Counterparts plus					
	external and fc finance of the					
	public sector		+3,711		+2,430	
EXTERNA	L COUNTERPARTS ³					
	nd foreign currency finance					
	posits net from banks abroad (inc -)	+571				
	r overseas £ deposits (inc -)	-934				
	ding to overseas non-banks	+664				
	s' net foreign currency liabs (inc -)	-396				
	ign Currency net non-dep liabilities	+294				
	onal adjustment	+399				
	and adjustment					
Street State			+598		-455	
NET NON-	-DEPOSIT LIABILITIES (inc -)		-109		-300	
STERLING	<u>M3</u>		+4,066		+1,675	
(monthly %	6 change)		(3.1)		(+1.3)	
and the second second	INDERFUNDING(+) ⁴		+570		+370	
01ER(-)/C	MDERFONDING(+)		+570		+310	

TABLE 3: PROVISIONAL STERLING M3 IN BANKING APRIL 1986

1 As circulated in the Monetary Prospects Submission of 17 April 1986.

- 2 There was also a decline in Banking department holdings. Total holdings by the Bank fell £3,146 million.
- 3 Excluding external flows to the public sector.
- 4 Wide definition

19. Gross gilts sales were fl472 million. The nbps and overseas bought f931 million net, the largest amount since November last year and the second largest since the decision to end overfunding. The monetary sector sold fl47 million.

20. Taken together externals and NNDLs were expansionary by £490 million. There were heavy inflows of deposits by overseas non-banks (£934 million) but this was offset by even heavier lending (£1315 million in total). Within NNDLs the interbank difference at +£200 million was relatively modest.

R. Heath.

R M HEATH

cc: Mr Norgrove - No 10 Mr George - Bank of England Mr Mann - FSD, Bank of England

SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 6 MAY 1986

MONEY SUPPLY IN BANKING APRIL : PRESS BRIEFING

LINE TO TAKE

Balance of evidence suggests conditions remain adequately but not excessively tight. M0 remains well within target range. Exchange rate firm. High £M3 growth in banking March and April probably reflects companies' reaction to changes in capital allowances, as happened last year (and some underfunding this month).

FACTUAL

See Bank's press notice. Additional points for use if ASKED:

- (i) <u>Policy</u>: See Chancellor's major statement on monetary policy in 16 April speech to the Lombard Association.
- (ii) MO: Well within new 2-6 per cent target range.
- (iii) <u>£M3</u>: Recent monthly path has been erratic, so need to look at period of several months. Average increase in last six months is 1.5 per cent.
- (iv) <u>Sterling lending</u>: Erratic. Probably several factors at work (eg. abolition of capital allowances from l April; high takeover and merger activity). Clear evidence available on some of this activity but impossible to quantify the total sums involved. Percentage increase in sterling lending this month same as in April 1985, when capital allowance changes also affected figures.

B. POSITIVE

(i) Overall Strategy

As Chancellor said in Lombard Association Speech, experience continues to confirm value of clear commitment to MTFS and ultimate objective of lower inflation. Record on inflation (now down to 4.2 per cent and falling), and real growth averaging 3 per cent a year since 1981, while halving the growth of money GDP demonstrates success of this.

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As Chancellor emphasised again in speech to Lombard Association Government has repeatedly shown itself ready to act decisively when necessary for maintenance of sound financial conditions. Will continue to do so.

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Down 2 per cent since Budget. Demonstrates city's confidence in the Government's approach.

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(i) Monetary policy too tight/too loose?

Necessary to look at whole range of evidence on monetary conditions. Signals often conflicting, and requiring careful interpretation in the light of developments over a period of months. Judgement: present conditions sufficiently, but not excessively, tight; but kept under constant review.

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SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 6 MAY 1986

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No. See Lombard Speech. Government's first priority remains defeat of inflation. Short-term interest rates are principal policy instrument. Exchange rate certainly among the factors which we take into account, since in an economy as open as the UK's there is a presumption that persistent exchange rate movements reflect, to some degree, underlying monetary conditions, as explained by Chancellor in last night's Lombard Association Speech. A firm exchange rate is also an important discipline on industrial costs. But exchange rate is only one input - albeit an important

SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 6 MAY 1986

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1-3

SECRET

TARGET AGGRE	GATES	AUG								
		AUC								
		AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APRIL
	(Exc. Public sector deposit)									
	Monthly change (£ millions)	+2,215	+2,125	+960	+2,404	+741	+87	+1,225	+2,821	+4,066
	Monthly % change	+1.9	+1.8	+0.8				+1.0		+3.1
	Three-monthly % change a.r.	+14.8	+12.5		+19.8					+24.3
in the second	Six-monthly & change a.r.	+16.6	+18.7	+13.8						+19.5
	12 Monthly % change	+13.6	+14.2			+15.1	+14.1	+14.8		+16.6
мо	Averaged weekly									
	Monthly change (£ millions)	-79	+59	-33	+79	+49	+205	-92	+65	1.4.4
	Monthly % change	-0.6			+0.6	+0.3	+1.4			+41
	Three-monthly % change a.r.	+2.4			+3.0	+2.7		+4.6		
	Six-monthly % change a.r.	+3.3		A CONTRACTOR OF	+2.7	+1.9				+0.4
	12-monthly % change	+4.5			+3.4	+2.4	+4.0	+3.8 +3.5	+3.9 +3.6	+5.0
OTHER AGGREG	ATES									
PSL2 1	Monthly change (£ millions)	+2,460	+2,716	2,520	+4,444	+1,658	+1,729	+3,390	+3,990	+4,722
	Monthly % change	+1.2			+2.1	+0.8	+0.8	+1.5	+1.9	+4,722
	Three-monthly % change a.r.	+12.0	+10.4	+16.0	+20.1	+17.6	+15.7	+13.2		+24.0
5	Six-monthly % change a.r.	+12.5			+16.0	+13.9	+15.8	+16.6	+17.7	+19.7
	12-monthly % change	+14.4			+14.3	+14.9	+13.8	+14.5	+15.2	+15.6
M2 N	Monthly change (£ millions)	+229	+1,512	1,457	+2,209	+1,836	+592	+226	+2,051	+2,694
unadjusted N	Monthly % change	+0.2			+1.6	+1.3	+0.4	+0.2	+1.3	+1.8
	12-monthly % change	+7.1		+8.9	+9.6	+9.3	+8.9	+9.6	+10.2	+11.1
	(exc re-classifications)	+7.1		+8.2	+8.9	+8.7	+8.2	+9.0	+9.5	+10.5
Levels :	£M3 (Exc. Pub Sec Deps)	118,662	120,809	121,773	124,182	124,926	125,010	126,234	129,163	133,234
	MO (Averaged weekly)	14,100	14,159	14,126	14,205	14,254	14,459	14,367	14,432	
	PSL 2		208,922	211,443	215,888	217,536	219,268	222,650	226,635	14,473 231,359
1	M2 (unadjusted)		140,531	141,988	144,197	146,033	146,625	146,851	148,905	151,599

SECRET

Table 5

OTHER NARE	ROW AGGREGATES									
		AUG	SEP	OCT	NOV	DEC	JAN	I FEB	MAR	APRIL
NIB M1	Monthly change (\hat{z} millions)	+542	-309	+157	+455	+167	+34	-82	+187	+186
	Monthly % change	+1.6	-0.9	+0.5	+1.3	+0.5	+0.1	1 -0.2	+0.5	+0.5
	Three-monthly % change a.r.	+2.4	-22.2	+4.7	+3.6	+9.6	+8.0	+1.4	+1.6	+3.4
	Six-monthly % change a.r.	+2.8	+1.7	+2.1	+3.0	-7.6	+6.4	+2.5	+5.5	+5.7
	12-monthly % change	+2.5	+2.1	+2.3	+1.5	+1.1	+3.0	+2.7	+3.6	+3.9
М1	Monthly change (£ millions)	+1,717	+12	+1,325	+1,420	+961	-419	+94	+1,465	+1,378
	Monthly % change	+3.2		+2.4	+2.5	+1.6	-0.7	+0.2	+2.5	+2.3
	Three-monthly % change a.r.	+22.9	+4.8	+24.5	+21.2	+29.2	+14.4	+4.4	+7.8	+21.3
	Six-monthly % change a.r.	+27.9	+23.2	+21.8	+22.0	+16.4	+19.3	+12.5	+18.0	+17.8
	12-monthly % change	+18.4	+17.0	+18.0	+17.1	+17.9	+19.4		+20.6	+19.8
<u>M2</u>	Provisionally seasonally ad	just								
	Monthly change (£ millions)	+1,546	+1,668	+1,584	+2,704	+675	+802	+922	+1,699	+1,916
	Monthly % change	+1.1	+1.2	+1.1	+1.9				+1.1	+1.3
	Three-monthly % change a.r.	+8.0	+4.6	+14.7	+18.2				+9.5	+12.6
	Six-monthly % change a.r.	+6.5	+7.5	+9.7	+13.0				+12.1	+12.5
	12-monthly % change	+7.4	+8.3	+8.9	+9.5	+9.3	+8.6	5 +9 . 3	+9.8	+11.1
Levels :	NIBM1	33,985	33,673	33,831	34,286	34,454	34,489	34,406	34,594	34,786
	M1	56,040	56,080	57,410	58,830	59,790	59,400	59,490	60,990	62,360
	M2 (Partially S/A)	139,478	141,303	142,888 1	45,592	146,268	147,093	147,924	149,627	151,544

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1-3

SECRET

Table 6

OTHER WIDE	AGGREGATES									
		AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
PSL1	Monthly change (£ millions)	+1,894	+1,796	+1,176	+2,371	+652	-253	+1,243	+3,055	+3,693
	Monthly % change	+1.6	+1.5	+0.9	+1.9	+0.5	-0.2	+1.0	+2.4	+3.0
	Three-monthly % change a.r.	+13.9	+10.1	+17.1	1 +18.6	+14.2	+9.1	+5.2	+15.2	+28.3
	Six-monthly & change a.r.	+16.2	+17.1	+12.5	5 +16.2	+12.1	13.0	+11.7	+13.7	+18.3
	12-monthly % change	+13.6	+13.7	+13.9	+13.5	+14.3	+13.0	+13.9	+15.4	
PSL2A	Monthly change (£ milions)	+2,616	+2,457	+1,962	+3,713	+1,322	+1,322	+3,026	+3,760	+4,528
	Monthly % change	+1.2	+1.1	+0.9	+1.6	+0.6	+0.6	+1.3	+1.6	+1.8
	Three-monthly % change a.r.	+12.2	+9.5	+13.1	+15.1	+12.7	+11.4	+10.0	+14.4	+20.4
	Six-monthly % change a.r.	+13.5	+13.5	+11.2	+13.6	+11.1	+12.3	+12.5	+13.6	+15.8
	12-monthly % change	+13.5	+13.4	+13.1	+12.9	+13.4	+12.4	+13.0	+13.5	+13.5
M3	(Exc. Public Sector Deposit:	5								
1	Monthly change (£ millions)	+3,165	+2,481	+295	+3,009	+849	+153	+1,679	+3,306	+3,904
	Monthly % change	+2.3	+1.8	+0.2	2 +2.1	+0.6	+0.1	+1.2	+2.3	+2.6
	Three-monthly % change a.r.	+13.8	+12.9	+18.8	+17.9	+12.4	+11.9	+7.7	+15.0	+26.9
	Six-monthly % change a.r.	+10.5	+14.6	+12.8	+15.8	+12.7	+15.3	+12.7	+13.7	+19.2
	12-monthly % change	+13.9	+13.4	+13.1	+12.9	+12.9	+10.9	+11.6	+14.1	+15.9
Levels :										
	PSL1	122,876	124,674	125,851	128,223	128,860	128,610	129,845	132,895	136,861
	PSL2A	227,669	230,128		235,805	237,117	238,442	241,460	245,277	249,806
	M3 (ex. Pub. Sec. Deps)	137,821	140,341	Contraction of the states of the states	143,650	144,496	1446567	146,327	149,736	153,643

PROVISIONAL ESTIMATES OF MONETARY AGGREGATES: BANKING APRIL 1986

Preliminary information suggests that, in the four weeks to 16 April 1986, M0 may have risen by about 1/4% and £M3 may have risen by about 3% - 3 1/4%, after seasonal adjustment.

Note for Editors

1 The provisional estimates for April suggest that recent rates of growth are approximately as follows:

Rates of growth, annualised %; seasonally adjusted

	Latest	Latest	Latest	
	3 months	6 months	12 months	
MO	1/2	5	3 1/4	
£M3	28 3/4	19 1/2	16 3/4	

2 Provisional counterparts to the change in £M3 in banking April are:

£ billion, seasonally adjusted

PSBR(1) Debt sales to nbps(2) and external flows to public sector(3) (of which, debt sales to nbps -0.9)	+1.4 -0.8
Sterling lending to private sector(4)	+3.0
Other counterparts(5)	+0.5
	+4.1

- (1) Strictly, the PSBR less net purchases of local authorities' and public corporations' debt by the non-bank private sector.
- (2) Net purchases (-) of CG debt by the non-bank private sector.
- (3) External and foreign currency finance of the public sector (-).
- (4) Including Issue Department holdings of commercial bills.
- (5) The banks' external and foreign currency transactions and net non-deposit sterling liabilities.

3 The PSBR, net of debt sales to the non-bank private sector and external flows to the public sector, was expansionary by about £0.6 billion. The growth in sterling lending to the private sector was about £3.0 billion, compared with an average of about £1.8 billion a month over the preceding six months. Bank lending may have been substantially increased this month, as it was in banking April 1985, by borrowing to finance payments for investment brought forward to take advantage of capital investment allowances prevailing only to the end of the financial year; the seasonal adjustments make no allowance for such factors. Other counterparts taken together were expansionary by about £0.5 billion, compared with an average contractionary influence of some £0.2 billion a month over the last year.

4 Full money and banking figures for April, including revised estimates of the growth rates given above, will be published on 15 May.

BANK OF ENGLAND 6 May 1986

FROM: H G WALSH DATE: 1 MAY 1986

cc:

Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Peretz Mr Sedgwick Mr Scholar Mr Hannah Mr Tarkowski Mr Ross Goobey

CHANCELLOR

MONEY SUPPLY IN BANKING APRIL : FIRST GUESS

ne fiques

You requested figures showing the growth of bank lending over the past year divided between consumer and business borrowing (Mrs Lomax's minute of 28 April).

... 2. The attached table provides a broad sectoral analysis of sterling lending to the UK private sector over the year to end-March. The figures show that lending to non-monetary financial institutions (OFIs) has risen fastest in percentage terms but that personal sector borrowing accounts for the largest proportion of the total rise in lending. Industrial and commercial companies (ICCs) took a slightly larger proportion of the total rise than did OFIs.

H.W. H G WALSH



SECRET

STERLING BANK LENDING⁺ TO THE UK PRIVATE SECTOR

			seasonally ad	ljusted
	Stock out: at end of £b	period	Change in st	ock
	1985 Q1	1986 Q1	fbn (% share of total)	% rise
Companies (ICCs)	45.2	51.1	5.9 (28%)	13.0
Financial institutions*	20.2	25.6	5.4 (26%)	26.9
Personal sector	52.7	62.4	9.7 (46%)	18.5
Total private sector	118.0	139.1	21.1(100%)	17.9

+ including Issue Department Bills

* other than monetary sector



CC

FROM: CATHY RYDING DATE: 2 May 1986

MR R M HEATH

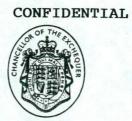
Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Peretz Mr Scholar Mr Sedgwick Mr Culpin Mr Walsh Mr Pickford Mr Richardson Mr Hannah Mr Ridlington Dr Coyle Mr Tarkowski Mr Ross Goobey

PROVISIONAL MONEY FIGURES: BANKING APRIL

The Chancellor has seen your minute of 1 May on this subject. He was content with the line taken in the press notice and briefing.

C.R

CATHY RYDING



FROM: MRS C RYDING DATE: 2 MAY 1986

PWP

MR H G WALSH

cc Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Peretz Mr Sedgwick Mr Scholar Mr Hannah Mr Tarkowski Mr Ross Goobey

MONEY SUPPLY IN BANKING APRIL: FIRST GUESS

The Chancellor was grateful for your minute of 1 May on this subject. He assumes that the figures for the personal sector include non-corporate businesses ie the self-employed etc. He has asked whether we know how much of personal sector borrowing is actually consumer borrowing.

CR

CATHY RYDING

covering SECRET UNTIL 2.30 PM TUESDAY 6 MAY 1986

Markets Folder

FROM: T TARKOWSKI DATE: 6 MAY 1986

cc: PPS PS/Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Scholar Mr Peretz Mr Sedgwick Mr Culpin Mr Walsh Mr Hannah Mr Richardson

BANKING APRIL: PROVISIONAL MONEY FIGURES AND MONTHLY STATEMENT OF THE CLEARING BANKS

I attach the agreed press briefing for today's provisionals.

2. Also attached is the Bank's Press Notice which is unchanged from the draft circulated with Mr Heath's 1 May minute.

3. I also attach the regular Monthly Statement of the London and Scottish Banks. The text is on the usual lines and the figures are consistent with our own.

T TARKOWSKI

MR PICKFORD

006/20

SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 6 MAY 1986

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PRESS INFORMATION from Banking Information Service

10 Lombard Street, London EC3V 9AR Telephone 01-626 8486

NOT FOR PUBLICATION BEFORE 2.30 pm 6th May 1986

MONTHLY STATEMENT OF THE LONDON & SCOTTISH BANKS APRIL 1986

Sterling advances to the U.K. private sector by the London and Scottish banks rose by £2,568 million in the four weeks to 16th April. After allowing for an expected seasonal rise, a repurchase of DTI shipbuilding paper from the Bank of England under sale and repurchase agreements and for transit items, there was an underlying rise of around £1,800 million, slightly lower than last month's large rise.

Analysis of advances shows increases in nearly all categories, as would be expected with the incidence of quarterly interest charges, the only exception being to manufacturers where there was a small fall. The main movements were increases to agriculture (+£257 million, after falls in the last two months), to leasing companies (+£278 million, again no doubt reflecting the endfinancial year changes in capital allowances), and to "other services" (+£567 million). The main rise however, was in lending to persons, which after falling in the last two months, rose by £712 million, no doubt partly seasonally: house purchase lending rose by £259 million and other personal lending by £453 million, of which credit card credit accounted for about £100 million.

Within other assets, the banks' holdings of bills - largely eligible bills rose sharply, by £923 million (though bill finance overall is likely to have been contractionary as the Bank of England reduced its holdings substantially). Under the sale and repurchase agreements with the Bank of England, the banks repurchased net £536 million of ECGD-backed promissory notes (which accounts for most of the rise in advances to overseas residents), £144 million of gilts and £110 million of DTI paper, reducing the total amount of assistance under the arrangements, at 16th April, to £2,005 million. Lending to the LDMA fell by £106 million while lending to other monetary sector institutions rose, net, by over £1,000 million, though the banks were again net borrowers in the CD market (+£673 million).

- 2 -

On the liabilities side of the balance sheet, deposits from the UK private sector again rose sharply, by £2,737 million. After allowing for transit items and a large seasonal rise, the underlying increase was still over £1,700 million. This was fairly evenly split between sight and time deposits, and although high interest personal accounts still attracted significant inflows, wholesale funds probably accounted for much of the remainder. Deposits from the public sector also rose strongly, by £488 million, almost wholly attributable to local authority deposits, and overseas residents' deposits again rose strongly (+£512 million).

Eligible liabilities rose by £3,558 million to £97,805 million.

HOUSE PURCHASE FINANCE

A gross total of £820 million was advanced in the quarter to 31st March, £300 million less than in the previous quarter, but over £100 million more than the corresponding period last year (£717 million).

Approvals of new mortgages in the latest quarter, however, numbered 22,900, an increase both on last quarter (20,800) and the corresponding quarter last year (19,900). The increase in the number of approvals is reflected in the total value approved of $\pounds747$ million (an increase of $\pounds88$ million on last quarter and $\pounds135$ million on last year).

For further information, please contact:

John Ecklin, Head of C.L.S.B. Statistical Unit (01-283 8866) Brian Apps, Press and Information Officer (01-626 8486)

LONDON AND SCOTTISH BANKS AND CERTAIN SUBSIDIARIES

HOUSE PURCHASE FINANCE

1. GROSS LOANS MADE (excluding bridging finance)

Three months to 31st March 1986 £820 million

2. <u>NEW MORTGAGES APPROVED</u> (i.e. <u>excluding</u> both bridging finance and toppingup and improvement loans)

In the three months to 31st March 1986, 22,900 new loans were <u>approved</u> for a total value of $\pounds747$ million (an average value of $\pounds32,600$), broken down in percentage terms as follows:

(i)	Size of Loan			(ii)	Purchase Price of	Property
		8				8
		Value	Number			Number
	Under £10,000	1	4		Under £15,000	7
	£10,000 - £19,999	8	17		£15,000 - £19,999	3
	£20,000 - £29,999	19	26		£20,000 - £29,999	12
	£30,000 - £49,999	41	38		£30,000 - £39,999	31
	£50,000 and over	31	15		£50,000 and over	47
			100			
		*100	*100			100
		<u> </u>				
*of	which:					
	st-time purchasers		19			
New	dwellings	11	10			

NOTE: this series covers parent banks and subsidiaries together accounting for over 90% of total house purchase finance outstanding for the London and Scottish Banks.

- 3 -



Preliminary information suggests that, in the four weeks to 16 April 1986, MO may have risen by about 1/4% and £M3 may have risen by about 3% - 3 1/4%, after seasonal adjustment.

Note for Editors

111

1 The provisional estimates for April suggest that recent rates of growth are approximately as follows:

Rates of growth, annualised %; seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months
MO	1/2	5	3 1/4
£M3	28 3/4	19 1/2	16 1/2

2 Provisional counterparts to the change in £M3 in banking April are:

£ billion, seasonally adjusted

PSBR ⁽¹⁾	+1.4
Debt sales to nbps ⁽²⁾ and external flows to public sector ⁽³⁾	-0.8
(of which, debt sales to nbps -0.9)	
Sterling lending to private sector ⁽⁴⁾ Other counterparts ⁽⁵⁾	+3.0
Other counterparts ⁽⁵⁾	+0.5
	+4.1

(1) Strictly, the PSBR less net purchases of local authorities' and public corporations' debt by the non-bank private sector.

- (2) Net purchases (-) of CG debt by the non-bank private sector.
- (3) External and foreign currency finance of the public sector (-).
- (4) Including Issue Department holdings of commercial bills.

(5) The banks' external and foreign currency transactions and net non-deposit sterling liabilities.

3 The PSBR, net of debt sales to the non-bank private sector and external flows to the public sector, was expansionary by about £0.6 billion. The growth in sterling lending to the private sector was about £3.0 billion, compared with an average of about £1.8 billion a month over the preceding six months. Bank lending may have been substantially increased this month, as it was in banking April 1985, by borrowing to finance payments for investment brought forward to take advantage of capital investment allowances prevailing only to the end of the financial year; the seasonal adjustments make no allowance for such factors. Other counterparts taken together were expansionary by about £0.5 billion, compared with an average contractionary influence of some £0.2 billion a month over the last year.

4 Full money and banking figures for April, including revised estimates of the growth rates given above, will be published on 15 May.

BALANCES OF LONDON AND SCOTTISH BANKS' GROUPS AS AT 16TH APRIL, 1986

These tables cover the business of the offices of members of the Committee of London and Scottish Bankers and their subsidiaries in the United Kingdom (including the Channel Islands and the Isle of Man) which are listed by the Bank of England as falling within the monetary sector. The items are defined as in Table 3 of the Bank of England's Quarterly Bulletin.

TABLE 1. AGGREGATE BALANCES

.

£ millions

TABLE 1. AGGRE	GATE BALANCES			1	
1. 1. 1. 1		Total Outstanding			nge on onth
LIABILITIES			Carlo and		3 7 7 7
STERLING DEPO		12. Ale 1		1.1.1	
	U.K. monetary sector	26,071		+ 1,471	
	U.K. private sector U.K. public sector	83,545		+ 2,737	
	Overseas residents	2,578		+ 488	
	Certificates of deposit	8,835	135,194	+ 569	+ 5,778
	certificates of deposit		135,194	+ 505	+ 5,778
	of which : Sight Time (inc. C.D.'s)		53,205 81,989	122.5	+ 3,171 + 2,606
FORETCH CUPPE	ENCY DEPOSITS :	and the second		100 PN 72	
TOREIGN CORRI	U.K. monetary sector	15,739		- 370	
	Other U.K. residents	5,885		+ 16	
	Overseas residents	45,883		+ 1,426	
	Certificates of deposit	5,739	73,247	- 95	+ 978
TOTAL DEPOSIT			208,441		+ 6,756
NOTES IN CIRC	CULATION		. 906		+ 17
OTHER LIABILI	ITIES (a)		35,524	1.	+ 741
TOTAL	LIABILITIES	The state	and the second se	Ale and the	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
TOTAL	LIABILITIES		244,871	a spine	+ 7,513
ASSETS		SER SPE	ANNA W	1.1.1.1.1	
STERLING		134 1988			
Cash & balance	ces with Bank of England:			A Starting	
	Cash ratio deposits	435		0	Terral and
	Other balances	2,068	2,503	- 74	- 74
				A CARLES AND AN	
Market loans				1	
	Discount houses	4,155		- 106	
	Other U.K. monetary sector	26,898		+ 2,531	
	U.K. monetary sector C.D.'s	3,316		- 104	
	Local authorities Other	754	20.200	56	
	Other	3,265	38,388	+ 528	+ 2,793
Bills :		100			
	Treasury bills	214		+ 49	
	Other bills	3,244	3,458	+ 874	+ 923
		and the second			
Investments :	British Government stocks	2 457			
	Other	3,457		+ 140	
	other	4,194	7,651	+ 268	+ 408
Advances :		1.2.2.2.2.2.2			
	U.K. private sector	88,207		+ 2,568	
	U.K. public sector	365		- 18	
	Overseas residents	4,063	92,635	+ 706	+ 3,256
			12,000		. 5,250
Other sterlin	ng assets (a)	27.7	13,564		- 123
FOREIGN CURRE				1.22	
Market loans					
	U.K. monetary sector	17,188		- 178	
	Certificates of deposit	458		- 94	
	Other	34,437	52,082	+ 1,118	+ 846
Bills		P.S. C.S.	686		- 11
Advances :					
	U.K. private sector	6,546	a start of the start of the	- 142	
	U.K. public sector	897	The barrene and	- 24	
	Overseas residents	17,862	25,305	- 393	- 559
Other foreign	a currency assets (a)	1.2. 444	8,598		+ 54
	TOTAL ASSETS	16.65	244,871		+ 7,513
00000					
I CEDUNICEC		1.1.1.2.1	4,348	the collection	- 298
ACCEPTANCES				All and a second second	
ACCEPTANCES ELIGIBLE LIABI	LITIES	1	97,805		+ 3,558

(a) includes items in suspense and in transit

£ millions	6 3 3	C.L.S.B. GROUPS	BANK OF SCOTLAND	BARCLAYS	LLOYDS	MIDLAND	NATIONAL WESTMINSTER	ROYAL BANK OF SCOTLAND	STANDARD CHARTERED
LIABILITIES						1	1		20
Sterling deposi	ts		- 1. ST - 1. V	a series beaution					
outst	anding	135,194	5,716	32,155	23,518	22,794	39,805	. 884	3,322
change	e on month	+ 5,778	+ 149	+ 1,892	+ 1,417	+ 566	+ 1,342	+ 234	+ 177
Foreign currenc	y deposits			1. 1. 1.		1.	a second second		
outst	anding	73,247	1,051	14,640	10,246	14,383	21,244	3,331	8,352
change	e on month	+ 978	- 23	+ 750	+ 5	+ 419	- 189	- 39	+ 54
Total deposits	100		1. 18.10	Sugar State	PAC NORM	Carlo Maria	The start	1.06.10	
outst	anding	208,441	6,767	46,794	33,764	37,177	61,049	11,215	11,675
change	e on month	+ 6,756	+ 126	+ 2,643	+ 1,421	+ 985	+ 1,153	+ 195	+ 232
STERLING ASSETS						1 2 2 5			- Aller
Cash and Balance	a second s	PAR STREET		1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1	the more reality	and the local	a stability man	a support of the second	
the Bank of Engl		S PARTY STATE	Sal Contractor	and the second	128 1563			1.1.1	
outsta		2,503	309	474	276	511	482	439	13
change	e on month	- 74	+ 7	- 10	- 25	+ 33	- 62	- 14	- 2
Market loans :				- And	Constant Start			S. S. S.	
U.K. monetary s	sector				di tanan da	1. 1. 1. 1.		and the second	
outsta	-	31,052	830	7,009	4,681	5,179	11,263	1,055	1,036
change	e on month	+ 2,424	+ 111	+ 520	+ 835	- 31	+ 923	+ 56	+ 12
Other	S Street					Sel in		and the second	
outsta		7,336	174	1,822	1,195	923	2,706	216	299
change	on month	+ 368	+ 35	+ 296	- 191	- 17	+ 220	+ 34	- 9
Bills	St. Carl				1000			A second	
outsta	anding	3,458	75	1,106	1,182	201	621	196	76
change	on month	+ 923	- 20	+ 257	+ 362	+ 96	+ 106	+ 83	+ 38
British governme	ent stocks			Section 4				Constant of	
outsta		3,457	230	745	739	555	823	222	144
change	e on month	+ 140	- 41	+ 61	+ 45	- 38	+ 122	+ 3	- 12
Advances			and the second				and a start		
outsta	anding	92,635	4,649	23,268	15,849	15,790	24,440	6,437	2 202
change	on month	+ 3,256	+ 34	+ 993	+ 342	+ 823	+ 789	+ 137	2,203 + 139
FOREIGN CURRENCY	ASSETS			1999 AV 19				1.4.4.4.4	harder har to
Market loans and		Sector Starts			100	1. 1. 1. 1. M.		A STATE OF	
outsta		52,768	437	10,743	7,794	8,326	17.234	2,231	6,004
change	on month	+ 835	+ 46	+ 341	- 129	+ 806	- 451	+ 90	+ 132
Advances		S. S. Carl			and the second second				
outsta	inding	25,305	864	3,740	3,442	6,099	6,222	1,352	3,585
change	on month	- 559	- 41	+ 16	- 41	- 210	- 91	- 141	- 51
ACCEPTANCES	F								
outsta	nding	4,348	265	951	326	1,078	847	429	453
change	on month	- 298	- 20	- 66	- 30	+ 62	- 173	- 17	453
ELIGIBLE LIABILIT	IES							1.2.2.2	
	nding	97,805	4,693	23,408	17,483	16,796	26.763	6,541	
oucsea									2,121

COMPOSITION OF GROUPS (U.K. offices only)

LE 2. INDIVIDUAL GROUP BALANCES

The Bank of Scotland Group comprises Bank of Scotland, The British Linen Bank Ltd. and North West Securities Ltd.

The Barclays Group comprises Barclays Bank PLC, Barclays Merchant Bank Ltd., Barclays Bank Finance Company (Jersey) Ltd., Barclays Finance Company (Guernsey) Ltd., Barclays Finance Company (Isle of Man) Ltd., Mercantile Credit Company Ltd. and Barclays Bank Trust Company Ltd.

The Lloyds Group comprises Lloyds Bank PLC, Lloyds Bank Finance (Jersey), ' d., The National Bank of New Zealand Ltd., Lloyds Bowmaker Finance Ltd., Lloyds Bowmaker Ltd., Cedar Holdings Ltd. and Lloyds Merchant Bank Ltd.

The Midland Group comprises Midland Bank PLC, Clydesdale Bank PLC, Midland Bank Trust Corporation (Guernsey) Ltd., Midland Bank Trust Corporation (Isle of Man) Ltd., Midland Bank Trust Corporation (Jersey) Ltd., Forward Trust Ltd., Samuel Montagu & Co. Ltd., Samuel Montagu & Co. (Jersey) Ltd., Crocker National Bank, Northern Bank Ltd. and Northern Bank Development Corporation Ltd., Clydesdale Bank Finance Ltd.

The National Westminster Group comprises National Westminster Bank PIC, Coutts & Co., Coutts Finance Co., County Bank Ltd., Lombard North Central PLC, Lombard Bank (Isle of Man) Ltd., Lombard Banking (Jersey) Ltd., National Westminster Bank Finance (C.I.) Ltd., International Westminster Bank PLC, Ulster Bank Ltd., Ulster Investment Bank Ltd. and Lombard & Ulster Ltd.

The Royal Bank of Scotland Group comprises The Royal Bank of Scotland PLC, St. Margaret's Trust Ltd. and Charterhouse Japhet PLC

The Standard Chartered Group comprises Standard Chartered Bank, Standard Chartered Merchant Bank Ltd. and Chartered Trust plc.

016/17

SECRET

FROM: H G WALSH DATE: 9 MAY 1986

cc: Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Peretz Mr Sedgwick Mr Scholar Mr Hannah Mr Tarkowski Mr Ross Goobey

CHANCELLOR

The figures you asked for

CR

MONEY SUPPLY IN BANKING APRIL : FIRST GUESS

You requested further data on personal sector lending (Mrs Ryding's minute of 2 May).

... 2. The attached table divides personal sector lending into its main constituent parts. The total stock figures are slightly different from those given in my earlier minute because of data revisions (the attached figures are similarly provisional and subject to revision).

3. The figures show that "consumer" lending, particularly for house purchase, has risen somewhat faster over the past year than lending to unincorporated businesses.

H G WALSH

016/17

SECRET

STERLING BANK LENDING TO THE UK PERSONAL SECTOR

			seasonally a	djusted
	at end o	tstanding f period Ebn	Change in	Stock
	1985 Q1	1986 Q1	fbn (%share of total)	<pre>%rise</pre>
Persons, households and individual trusts				
House purchase	17.4	21.5	4.1 (42%)	23.8
Other	18.1	21.1	3.1 (31%)	17.1
Total	35.4	42.6	7.2 (74%)	20.4
Unincorporated businesses	16.7	19.3	2.6 (26%)	15.4
Total personal sector	52.1	61.9	9.8 (100%)	18.8

SECRET

RA/050

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SECRET

CC

FROM: MRS R LOMAX DATE: 12 MAY 1986

posp

MR WALSH

Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Peretz Mr Sedgwick Mr Scholar Mr Hannah Mr Tarkowski Mr Ross Goobey

MONEY SUPPLY IN BANKING APRIL: FIRST GUESS

The Chancellor was grateful for the further data on personal sector lending, attached to your minute of 9 May.

2. He has commented that this importantly qualifies the earlier interpretation. The two rapid growth areas have been financial institutions and house purchase. The Chancellor presumes that the latter is to some extent the banks taking a larger share of the market from the building societies.

RACHEL LOMAX

SECRET

UNTIL 2.30PM ON THURSDAY 15 MAY

CC

FROM: T TARKOWSKI DATE: ¹³ May 1986

MR CASSELL

TO 1 #1 OTO

PPS PS/Economic Secretary Sir P Middleton Sir T Burns Mr Peretz Mr Sedgwick Mr Scholar Mr Walsh Mr Culpin Miss Peirson Mr Pickford Mr Hannah Dr Rowlatt Mr Devereux Mr Richardson Mr Heath Mr Ross Goobey

FULL MONEY FIGURES - BANKING APRIL

I attach the Bank's draft press release on the full money figures and accompanying banking statistics which will be published at 2.30pm on Thursday 15 May.

2. The full figures are entirely consistent with the rounded figures published in the provisionals press release last week. The text follows the established pattern, apart from:

(a) a reference in paragraph 8 to the capital allowances surge in bank lending, on the same lines as in last week's provisionals press notice.

(b) references in paragraphs 8 and 9 to a new table C in the banking statistics tables, which details the Bank's transactions in bills, export credit and shipbuilding paper, as agreed last autumn. This change has already been foreshadowed in the BEQB.

3. The press briefing agreed for last week's provisionals press notice does not appear to need amendment. (a_{p_1}, d_{p_2})

UNTIL 2.30PM ON THURSDAY 15 MAY

4. Could I please have comments on the Bank's draft press release by noon on Wednesday 14 May, and any comments on the press briefing by close that day.

TTerkosth

T TARKOWSKI

ONEY SUPPLY IN BANKING APRIL : PRESS BRIEFING

LINE TO TAKE

Balance of evidence suggests conditions remain adequately but not excessively tight. M0 remains well within target range. Exchange rate firm. High £M3 growth in banking March and April probably reflects companies' reaction to changes in capital allowances, as happened last year (and some underfunding this month).

FACTUAL

See Bank's press notice. Additional points for use if ASKED:

- (i) <u>Policy</u>: See Chancellor's major statement on monetary policy in 16 April speech to the Lombard Association.
- (ii) MO: Well within new 2-6 per cent target range.
- (iii) <u>£M3</u>: Recent monthly path has been erratic, so need to look at period of several months. Average increase in last six months is 1.5 per cent.
- (iv) <u>Sterling lending</u>: Erratic. Probably several factors at work (eg. abolition of capital allowances from l April; high takeover and merger activity). Clear evidence available on some of this activity but impossible to quantify the total sums involved. Percentage increase in sterling lending this month same as in April 1985, when capital allowance changes also affected figures.

reasons for setting target range for 1986-87 at 11-15 per cent, and need to weigh developments in £M3 against other evidence before reaching conclusions on what they are telling us about monetary conditions.

(iii) Sterling lending

Figures recently subject to considerable fluctuation. As last month, factors which may have contributed include the effects of the abolition of first year capital allowances, takeover/merger activity. This month's increase same, in percentage terms, as last April's, when capital allowances were last changed. Clearly need to look at period of several months in forming judgement. Not clear that there is any change in underlying trend. Average monthly increase in last six months (fl.9 billion) close to 1985 average (fl.8 billion).

[NOTE: The effects on total bank lending of extra borrowing to finance the bringing forward of companies' investment plans are the same for both direct investment and for leasing transactions. Although only a relatively small part of the increase in sterling lending can be specifically identified as bank lending to leasing companies during banking April, the total effects related to the abolition of capital allowances are probably much higher.]

(iv) Interest rates solely reflect pound's strength/weakness?

No. See Lombard Speech. Government's first priority remains defeat of inflation. Short-term interest rates are principal policy instrument. Exchange rate certainly among the factors which we take into account, since in an economy as open as the UK's there is a presumption that persistent exchange rate movements reflect, to some degree, underlying monetary conditions, as explained by Chancellor in last night's Lombard Association Speech. A firm exchange rate is also an important discipline on industrial costs. But exchange rate is only one input - albeit an important

B. POSITIVE

(i) <u>Overall Strategy</u>

As Chancellor said in Lombard Association Speech, experience continues to confirm value of clear commitment to MTFS and ultimate objective of lower inflation. Record on inflation (now down to 4.2 per cent and falling), and real growth averaging 3 per cent a year since 1981, while halving the growth of money GDP demonstrates success of this.

(ii) Commitment

As Chancellor emphasised again in speech to Lombard Association Government has repeatedly shown itself ready to act decisively when necessary for maintenance of sound financial conditions. Will continue to do so.

(iii) Interest rates

Down 2 per cent since Budget. Demonstrates city's confidence in the Government's approach.

C. DEFENSIVE

(i) Monetary policy too tight/too loose?

Necessary to look at whole range of evidence on monetary conditions. Signals often conflicting, and requiring careful interpretation in the light of developments over a period of months. Judgement: present conditions sufficiently, but not excessively, tight; but kept under constant review.

(ii) <u>£M3 annual growth already above higher target range</u> published in 1986 MTFS

£M3 growth in both March and April was particularly high almost certainly as result of capital allowance changes, and also because of some underfunding in both months. Lombard Association Speech explained

one: judgement must always be made in the light of all the evidence. Aim is to strike balance between domestic monetary growth and the exchange rate that will deliver conditions that keep downward pressure on inflation.

(v) <u>Sterling commercial paper should be included in</u> <u>PSLs/Statistics should be published</u>

[Roger Bootle, chief economist Lloyd's Merchant Bank, argued for both (reported: Financial Times 1 May)] Bank has made arrangements for collection of data on SCP. None issued yet. Too early to reach final decisions on statistical treatment or publication.

(vi) How will sterling commercial paper (SCP) affect £M3?

[Roger Bootle (FT 1 May) claimed additional difficulties in interpreting £M3 would "sound final death knell of £M3" and "reinforce the disillusion with monetary targetting".]

SCP increases the range of options open to companies for raising funds outside the banking system. So possible there may be some effects, though not necessarily immediately. Have to remember there is already a wide range of options open to companies seeking to raise funds. Can't predict how SCP market will develop, or to what extent it may substitute for intermediated borrowing (which would reduce £M3 and bank lending).

MONEY AND BANKING FIGURES: BANKING APRIL 1986

(All figures are seasonally adjusted, unless otherwise stated.)

1 During the four weeks to 16 April 1986, M0 (average of weekly levels) rose by £40 million (+0.3%) (Table B) and £M3 rose by £4,060 million (+3.1%) (Table E).

2 Recent rates of growth of the above aggregates are as follows:

Rates of growth, annualised %: seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months
мо	+ 0.4	+ 5.0	+ 3.2
£M3	+28.6	+19.5	+16.6

3 Within £M3 there was a rise in banking April of £10 million in notes and coin, a rise of £180 million in non-interest-bearing sight deposits and a rise of £1,190 million in interest-bearing sight deposits. M1 rose by £1,380 million (+2.3%). Time deposits (including sterling certificates of deposit) of the UK private sector rose by £2,690 million.

4 The sterling value of private sector foreign currency deposits fell by £230 million, comprising a rise of £150 million reflecting transactions and a fall of £380 million reflecting the estimated change in the sterling value of the existing stock. Thus, total M3 rose by £3,830 million (+2.6%) (Table E).

5 M2 (not seasonally adjusted) rose by £2,690 million (+1.8%) (Table F). PSL2 rose by £4,650 million (+2.1%) (Table G); if term shares with building societies were included, the increase would be 1.8%.

6 Rates of growth of monetary and liquidity aggregates over the last three, six and twelve months are shown in the attached table.

7 Amongst the counterparts to the change in £M3, the net effect of public sector transactions (the PSBR less debt sales to the non-bank private sector and external flows to the public sector) was expansionary by £550 million (see columns 1-7 of Table A). The central government borrowing requirement was £2,710 million and the direct contribution of local authorities and public corporations to the public sector borrowing requirement (net of non-bank private sector purchases of their debt) was contractionary by £1,350 million. The non-bank private sector's net purchases of central stock accounted for £690 million; within this holdings of gilt-edged for £690 million, CIDs for £140 million and National Savings for £50 million. External and foreign currency finance of the public sector was expansionary by £80 million.

8 Sterling lending to the private sector rose by £3,040 million. This included certain transactions by the Bank of England in paper acquired in the course of money-market operations, details of which are shown in Table C. Sterling lending to the private sector may have been substantially increased this month, as it was in banking April 1985, by borrowing to finance payments for investment brought forward to take advantage of capital investment allowances prevailing cnly to the end of the financial year; the seasonal adjustments make no allowance for such factors. Foreign currency lending to the private sector rose by £740 million in transactions terms.

9 The external and foreign currency transactions of UK banks were expansionary by £590 million (see columns 9-12 of Table A). This included changes in the Issue Department's holdings of guaranteed export credit paper (holdings of which are treated as a claim on overseas residents), details of which are shown in Table C. Net non-deposit sterling liabilities rose by £110 million, a contractionary influence.

10 Tables H, I and J show the details of the banks' and discount market's balance sheets. Transactions of the UK monetary sector during the month, excluding inter-bank items and valuation changes on foreign currency items, are given in Table K.

Estimated seasonal movements - banking May 1986

11 The provisional seasonal movements for the five weeks ending 21 May 1986 are as follows:

£ million

Notes and coin in circulation with the public Private sector sterling sight bank deposits M1 Other private sector sterling bank deposits £M3

M0 (averaged series)

Bank lending in sterling to the private sector

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

BANK OF ENGLAND 15 May 1986

SECRET DRAFT

MONETARY AND LIQUIDITY AGGREGATES: BANKING APRIL 1986

Rates of growth, annualised %: seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months
мо	+ 0.4	+ 5.0	+ 3.2
ML	+ 21.3	+17.8	+19.8
of which:			
Non-interest bearing Ml	+ 3.4	+ 5.7	+ 3.9
M2 (not seasonally adjusted) *			+11.1
EM3	+ 28.6	+19.5	+16.6
мз	+ 26.7	+19.1	+15.9
PSL1	+ 28.0	+18.2	+15.3
PSL2	+ 23.8	+19.7	+15.6
PSL2, including term shares			
with building societies			
and bank deposits with			
an original maturity			
longer than two years	+ 20.2	+15.7	+13.4

*the growth of M2 over the 12 months to mid-April 1986 includes £900 million resulting from changes made by certain building societies in the terms of some accounts. Excluding such reclassified amounts, the growth in M2 over the latest 12 months is 10.5%.

Banking statistics

16 April 1986

[Table 11.3 in the Quarterly Bulletin]

A Public sector borrowing requirement, and other counterparts to changes in £M3

£millions				r borrowing		uses (-) o				Exte	rnal an	d foreig	gn	Banks'			d foreign curre	ncy transactio	ons	Net non-	Money
			uiremen rplus-)	•		UK pri		tor			ency fir			sterling lending	ofU	K bank	cs[c]			deposit sterling	stock £M3
		gov bor	ntral rernment rowing uire- nt	Other public sector contri- bution	Other public sector debt	det Bri	tish vern- nt	Othe		of Br gove men	t ks by seas	Othe	er	to UK private sector [b]	Steri depo from of ma loans bank abroa (incr	sits arket s to,	Other overseas sterling deposits (increase-)	Other sterling lending to overseas sector[d]	Banks' net foreign currency liabilities[e] (increase-)	liabilities (increase-)	(columns 1-13)
Month ended	1		1	2	3		4		5		6		7	8		9	10	11	12	. 13	14
(unadjusted) 1985 Apr. May	17 15	++++	2.781 489	:	344 67		813 586	2	615 106	E	152 347	++++	124 217	+ 2.832 + 866	++++	376 300	- 288 - 67	+ 250 + 263	+ 739 - 467	- 1.207 - 384	+ 4.371 + 245
June July Aug.	19[f 17[f 21] +] - +		Ē	434 478 366		- iī	Ē	220 409 177		718 342 15	+ - +	267 4 49	+ 758 + 3,104 + 1,107	+ + +	394 18 261	- 255 - 236 - 591	- 267 - 410 - 603	+ 1,231 + 260 - 170	- 311 - 438 + 490	+ 3.071 - 108 + 2.057
Sept. Oct. Nov.	18 16 20	++++	1.667 564 2.666	- - 1	319 599 125	-	86 519 737	Ξ	34 525 109	Ξ	155 76 400	+ - -	18 130 173	+ 428 + 3.417 + 1.200	+++	419 712 388	- 76 - 703 + 243	- 96 + 165 - 166	+ 213 + 365 - 170	- 155 - 1.642 + 1.702	+1.824 + 1.029 + 2.523
Dec. 1986 Jan. Feb.	11 15 19	+	1.490 2.785 786	+ -	223 172 175	-	224 79 246	Ē	76 504 100	++	34 292 122 247	+	26 1 247 131	+ 1.031 + 1.513 + 1.382	+ - +	256 291 208	- 114 - 364 - 512	$^+$ 18 + 359 - 73	- 1,137 + 529 + 1,351	- 535 + 171 - 484	+ 872 - 908 + 440
Mar. Apr.	19 16	++++	942 4.274	- 1	313 .063		442 693	Ξ	507 270	-	Nel 9	+83		+ 2.338 + 3,704	+++	55 571	- 466 - 934	- 660 + 655	+ 580 - 102	+ 57 - 1.116	+ 2.846 + 5,109
Month ended (seasonally ad		d)																			
1985 Apr.	17 15	++++	908 383	<u>±</u>	128 4	-	813 586	-	543 115	Ξ	152 347	++++	121 213	+ 2,575 + 1,438			+ 1 +	.441 179		- 410 - 653	+ 3.255 + 508
July	19[f 17[f 21] +] - +	762 92 2.090	Ξ	18 477 355		12 11 247	Ξ	262 438 314	111	718 342 15	+ - +	263 9 44	+ 1.379 + 1.528 + 1,750			+ 1 _ _	.267 423 985		- 14 - 576 + 247	+ 2.647 - 840 + 2.215
Oct.	18 16 20	+ + + +	1.955 914 1.905	Ξ.	334 660 ,089	-	86 519 737	+ - -	3 477 36	Ξ	155 76 400	+ - -	13 135 198	+ 993 + 2.118 + 1.885			+ + -	60 561 327		- 324 - 766 + 1,401	+ 2,125 + 960 + 2,404
1986 Jan.	11 15 19	+++++	118 53 684	÷ -	450 353 235	-	79	- -	56 467 225	- - + +	34 292 122 247	- + - +	31 49 252 127	+ 2.135 + 384 + 1.597 + 2.595			÷	999 28 826		- 618 - 170 - 1.036	+ 741 + 87 + 1.235
	19 16	+++	857 2.708	- 1	367 352	+	442 693	Ξ	378 198	-		-80		+ 3,037			-	626 589		- 40 - 107	+ 2.826 + 4,064

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

[b] Including holdings of sterling certificates of deposit issued by building societies, and net purchases by the Issue Department of commercial bills and, of promissory notes relating to shipbuilding paper guaranteed by the Department of Trade and Industry.

[c] A seasonally-adjusted breakdown of these transactions is not available.

[d] Including net purchases of ECGD-backed promissory notes by the Issue Department.

[c] Including net non-deposit liabilities in foreign currency. (See the Quarterly Bulletin for June 1985—page 185.)

[1] See footnote [e] to Table E on page 3.

				Mai	rketable	debt		Nationa	al savings	Tax inst	ruments	Other	Total (column	s 4 and	1 5above)
			s	tocks	Ι	Tre	asury s	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted		Unadjusted		easonally djusted
Mon	th ende	d											Water Cal		
1985	Apr.	17	-	813		-	63	- 257	- 238	- 295	- 242		- 1,428		1,356
	May	15	-	586		+	25	- 211	- 241	+ 81	+ 102	- 1	- 692		701
	June	19	-	12		+	42	- 270	- 375	+ 6	+ 69	+ 2	- 232		274
	July	17	-	11		+		- 196	- 273	- 217	- 169	- 4	- 420	-	
	Aug.	21	-	247		-	56	- 273	- 384	+ 149	+ 123	+ 3	- 424 .	-	
	Sept.	18	1_	86		+	6	- 228	- 229	+ 190	+ 228	- 2	- 120	-	83
	Oct.	16	-	519		+	17	- 191	- 197	- 351	- 297		- 1,044	-	
	Nov.		-	737		-	4	- 281	- 184	+ 171	+ 147	+ 5	- 846		773
	Dec.	11	-	224		+	56	- 23	- 61	- 106	- 48	- 3	- 300	1.2	280
1986		15	-	79		+		- 122	- 19	+ 534	+ 394	+ 3	+ 425	+	
	Feb.	19	-	246		-		- 138	- 74	+ 62	- 127	+ 6	- 346	-	
	Mar.	19	+	442		-	80	- 30	+ 55	- 398	- 354	+ 1	- 65	+	64
	Apr.		-	693		-	22	- 65	- 46	- 189	- 136	+ 6	- 963	_	

B M0, the wide monetary base

t millions: percentages in italics End-banking-month series

[Table 2 in the Quarterly Bulletin]

											age series			
		Notes and c Bank of Eng	oin in circul gland	ation outside 1	the	Bankers' dep with the Bar Department	nking				in in circulation ank of England	Bankers' operational deposits with the	M0 (wide m (columns 5	onetary base) + 6)
		In circulatio public	n with	Held by ba (till money		Operational deposits	Cash ratio deposits					Banking Department		
		Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted			Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted	Seasonally adjusted
6			1		2	3	4	1			5	6		7
Amount outstanding a	at							Average an outstandin month end	gin	28				
Apr.	20 17 15	12.322 12.435 12.441	12,400 12,384 12,464	1,231 1,312 1,275	1,296 1,320 1,290	29 162 187	582 582 628	1985 Mar. Apr. May	20 17 15	13.542 13.907 13.761	. 13.784 13.864 13.861	144 162 156	13,686 14,069 13,917	13.928 14.026 14.017
July	19 17 21	12.438 12.674 12.658	12,486 12,464 12,514	1.350 1.403 1.468	1,379 1,328 1,420	93 214 100	628 628 628	June July Aug.	19 17 21	13.888 13.988 14,105	13,944 13,962 13,959	178 217 141	14,066 14,205 14,246	14.122 14.179 14.100
Oct.	18 16 20	12.536 12.413 12.476	12.561 12.466 12.528	1.393 1.436 1,444	1,391 1,451 1,468	120 94 156	628 628 674	Sept. Oct. Nov.	18 16 20	14.031 13.905 13,890	14.026 14.003 14.043	133 123 162	14,164 14,028 14,052	14.159 14.126 14.205
1986 Jan.	11 15 19	12.909 12.399 12.441	12.467 12.576 12.590	1.636 1.582 1.481	1,502 1,558 1,537	174 187 150	674 674 673	Dec. 1986 Jan. Feb.	11 15 19	14.324 14,774 13,910	14,124 14,224 14,198	130 235 169	14.454 15.009 14.079	14.254 14.459 14.367
Mar. Apr.	19 16	12.532 12.611	12.612 12.618	1.529 1,464	1.596 1,492	249 141	673 673	Mar. Apr.	19 16	14,000 14,316	14.245 14,275	187 198	14,187 14,514	14.432 14.473
Change in mo ended	onth							Change in ended	mont	b				
	17 15	+ 113 + 6	- 16 + 80	+ 81 - 37	+ 24 - 30	+ 133 + 25	+ 46	1985 Apr. May	17 15	+ 365 - 146	+ 80 - 3	+ 18 - 6	+ 383 - 152	+ 98 +0.7 - 9 -0.1
July	19 17 21	$ \begin{array}{r} - 3 \\ + 236 \\ - 16 \end{array} $	+ 21 - 23 + 50	+ 75 + 53 + 65	+ 88 - 51 + 92	- 94 + 121 - 114	Ξ	June July Aug.	19 17 21	+ 127 + 100 + 117	+ 83 + 18 - 3	+ 22 + 39 - 76	+ 149 + 139 + 41	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Oct.	18 16 20	- 122 - 123 + 63	+ 47 - 96 + 62	- 75 + 43 + 8	- 29 + 60 + 17	+ 20 - 26 + 62	+ 46	Sept. Oct. Nov.	18 16 20	- 74 - 126 - 15	+ 67 - 23 + 40	- 8 - 10 + 39	- 82 - 136 + 24	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
1986 Jan.	11 15 19	+ 433 - 510 + 42	- 62 + 108 + 13	+ 192 - 54 - 101	+ 34 + 55 - 21	+ 18 + 13 - 37	- 1	Dec. 1986 Jan. Feb.	11 15 19	+ 434 + 450 - 864	+ 81 + 100 - 26	- 32 + 105 - 66	+ 402 + 555 - 930	+ 49 + 0.3 + 205 + 1.4 - 92 - 0.6
	19 16	+ 91 + 79	+ 21 + 5	+ 48 - 65	+ 59 - 104	+ 99 - 108	=	Mar. Apr.	19 16	+ 90 + 316	+ 47 + 30	+ 18 + 11	+ 108 + 327	+ 65 +0.5 + 41 +0.3

Monthly-average series

C Bank of England transactions in commercial bills and in guaranteed export credit and shipbuilding paper

		Banking Department	Issue Departn	nent	Name de
Trans	sactions in:	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]
Mont	h ended				
1985	Apr. May	- 1.229 + 637	+ 900 + 185	+ 12	+ 36 + 25
	June July Aug.	- 1,729 + 1,963 - 2,765	+ 523 - 1,208 + 989	+ 65 + 19 + 50	- 406 + 272 + 28
	Sept. • Oct. Nov.	- 652 + 369 - 1,464	- 82 - 246 + 1,635	- 5 - 47 - 131	+ 30 - 14 - 890
1986	Dec. Jan. Feb.	- 1.015 + 2.815 + 1.981	+ 2.248 - 2.132 - 1.780	- 114 + 11	- 1.363 + 777 + 781
	Mar. Apr.	- 1.421 - 3.216	- 189 + 70	+ 320 - 110	+ 682 - 535
	unt outstandin d-April 1986	ng + 699	+ 7,448	+ 221	+ 1,705

[a] Included within column 8 of Table A.[b] Included within column 11 of Table A.

D Money stock: amounts outstanding

t millions	Notes and coin in circulation	UK private sector sterling sight deposits		Money stock Mi[b]		UK private sector	Money £M	stock 3[b]	UK private sector deposits		y stock 13(b)
	with public	Non-interest- bearing[a]	Interest- bearing	Unadjusted	Seasonally adjusted	sterling time deposits[c]	Unadjusted	Seasonally adjusted	in other currencies [c]	Unadjusted	Seasonally adjusted
	1	2	3	1		5	6		7	8	
Month ended 1985 Mar. 20[d] Apr. 17 May 15	12.322 12.435 12.441	20,604 21,467 21,440	16.981 18.604 19.422	49,907 52,506 53,303	50,490 51,980 53,210	59,468 61,240 60,733	109.375 113.746 114,036	110,880 114,120 114,660	20.183 18,244 18,787	129,588 131,990 132,823	131.060 132.370 133.440
June 19[d] [e]	12.438	23,496	19.435	55,369	55,390	61.823	117,192	117,360	18,807	135,999	136.170
July 17[e]	12.674	21,250	20.822	54,746	54,320	62.338	117,084	116,490	18,209	135,293	134.690
Aug. 21	12.658	21,169	21.923	55,750	56,040	63,391	119,141	118,660	19,159	138,300	137.820
Sept. 18[d]	12.536	21.253	22.248	56.037	56.080	64.983	121,020	120,810	19,524	140.544	140.340
Oct. 16	12.413	21.574	23.537	57.524	57,410	64.525	122,049	121,770	18,861	140.910	140.630
Nov. 20	12.476	21,717	24.535	58,728	58.830	65,844	124,572	124,180	19,466	144.038	143.650
Dec. 11[d]	12.909	22.430	25.264	60,603	59,790	64.839	125,442	124,930	19,578	145.020	144.500
1986 Jan. 15	12.399	21.618	24.997	59,014	59,400	65,520	124,534	125,010	19,644	144.178	144.660
Feb. 19	12.441	21.216	25.050	58,707	59,490	66,256	124,963	126,230	20,088	145.051	146.330
Mar. 19[d]	12.532	21.718	26.157	60,407	60,990	67.499	127.906	129.160	20,571	148,477	149,740
Apr. 16	12.611	22.603	27,676	62.890	62,360	70.125	133.015	133,230	20,341	153,356	153,580

E Money stock: changes

£ millions: percentages in italics

	Notes and coin in circulation	UK private sector sterling sight deposits	Money stock	UK private sector	Money stock	UK private sector deposits in other currencies [c]	Money stock
	with public	Non-interest- bearing[a] Interest- bearing	M1[b]	sterling time deposits[c]	£M3[b]	Trans- actions Valuation changes[g]	M3[b]
	1	2 3	1	5	6	7	8
Month ended (unadjusted) 1985 Apr. 17 May 15	+ 113 + 6	+ 863 + 1.623 - 27 + 818	+ 2.599 + 797	+ 1,772 - 552	+ 4.371 + 245	+ 215 - 2.154 + 337 + 206	+ 2.432 + 788
June 19[e]	$ \begin{array}{r} - 3 \\ + 236 \\ - 16 \end{array} $	+ 2.056 + 3	+ 2.056	+ 1,015	+ 3,071	+ 655 - 665	+ 3.071
July 17[e]		- 2.246 +1.387	- 623	+ 515	- 108	+ 754 - 1.352	- 706
Aug. 21		- 81 +1.101	+ 1.004	+ 1,053	+ 2,057	+ 577 + 373	+ 3.007
Sept. 18	- 122	+ 87 + 288	+ 253	+ 1.571	+ 1,824	- 249 + 603	+ 2.178
Oct. 16	- 123	+ 321 + 1,289	+ 1,487	- 458	+ 1,029	+ 146 - 809	+ 366
Nov. 20	+ 63	+ 143 + 998	+ 1,204	+ 1.319	+ 2,523	+ 873 - 268	+ 3.128
Dec. 11	+ 433	+ 713 + 729	+ 1,875	- 1,003	+ 872	- 171 + 279	+ 980
1986 Jan. 15	- 510	- 812 - 291	- 1,613	+ 705	- 908	+ 348 - 282	- 842
Feb. 19	+ 42	- 402 + 53	- 307	+ 747	+ 440	+ 570 - 126	+ 884
Mar. 19	+ 91	+ 499 +1.081	+ 1,671	+ 1,175	+ 2.846	+ 686 - 204	+ 3.328
Apr. 16	+ 79	+ 885 +1,519	+ 2,483	+ 2,626	+ 5,109	+ 148 - 378	+ 4.879
Month ended (seasonally adjusted 1985 Apr. 17 May 15) - 16 + 80	+ 95 + 1.416 + 230 + 915	+ 1.495 + 3.0 + 1.225 + 2.4	+ 1,760 - 717	+ 3.255 + 2.9 + 508 + 0.4	+ 215 - 2.154 + 337 + 206	+ 1,316 + 1.0 + 1,051 + 0.8
June 19[e]	$ \begin{array}{rrrrr} + & 21 \\ - & 23 \\ + & 50 \end{array} $	+ 2.044 + 107	+ 2,172 + 4.1	+ 475	+ 2.647 + 2.3	+ 655 - 655	+ 2.647 + 2.0
July 17[e]		- 2.387 + 1.337	- 1,073 - 1.9	+ 233	- 840 - 0.7	+ 754 - 1,352	- 1.438 - 1.1
Aug. 21		+ 492 + 1.175	+ 1,717 + 3.2	+ 498	+ 2.215 + 1.9	+ 577 + 373	+ 3.165 + 2.3
Sept. 18	+ 47	- 356 + 321	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2.113	+ 2,125 + 1.8	- 249 + 603	+ 2.479 + 1.8
Oct. 16	- 96	+ 253 + 1,168		- 365	+ 960 + 0.8	+ 146 - 809	+ 297 + 0.2
Nov. 20	+ 62	+ 393 + 965		+ 984	+ 2,404 + 2.0	+ 873 - 268	+ 3.009 + 2.1
Dec. 11	- 62	+ 229 + 794	+ 961 + 1.6	- 220	+ 741 + 0.6	- 171 + 279	+ 849 + 0.6
1986 Jan. 15	+ 108	- 74 - 453	- 419 - 0.7	+ 506	+ 87 + 0.1	+ 348 - 282	+ 153 + 0.1
Feb. 19	+ 13	- 95 + 176	+ 94 + 0.2	+ 1,141	+ 1,235 + 1.0	+ 570 - 126	+ 1,679 + 1.2
Mar. 19	+ 21	+ 166 + 1.278	+ 1.465 + 2.5	+ 1,361	+ 2.826 + 2.2	+ 686 - 204	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Apr. 16	+ 5	+ 181 + 1,192	+ 1.378 + 2.3	+ 2,686	+ 4.064 + 3.1	+ 148 - 378	

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

M1 equals columns 1 + 2 + 3. £M3 equals M1 + column 5. M3 equals £M3 + column 7.

[d]

MI equals columns 1 + 2 + 3. ±M3 equals M1 + column 5. M3 equals ±M3 + column 7. Including certificates of deposit. Changes in the monthly-reporting population occurred in these months. See also the additional notes to Table 3 in the *QuarterlyBulletin*, and, for December 1985 and March 1986, footnotes [b] and [c] respectively to Table H on page 5. The figures for the banking months of June and July 1985 are heavily distorted by the large flow of funds associated with the oversubscription to the sale of shares in Abbey Life Group p.l.c. These flows probably added substantial amounts to deposits and lending in banking June, but the distortion should have been unwound in banking July. Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding. (See additional notes to Table 11 of the *QuarterlyBulletin*.) See additional notes to Tables 6 and 11 of the *QuarterlyBulletin*. [e]

[1]

[g]

[Table 11.2 in the QuarterlyBulletin]

[Table 11.1 in the Quarterly Bulletin]

3

F Transactions balances and components of M2

£ millions: not seasonally adjusted

[Table 11.1 and 11.2 in the Quarterly Bulletin]

	Notes and coin in circulation with public	UK private sector sterling non-interest- bearing sight deposits with banks[a]	Non-interest- bearing M1[b]	Other UK private sector sterling retail deposits with banks	UK private sector retail shares and deposits with building societies	National Savings Bank ordinary account	M2[b]	Public sector retail deposits with banks	Overseas retail deposits with banks
	1	2	3	1	5	6	7	8	9
Amounts outstanding 1985 Apr. 17 May 15	12,435 12,441	21,467 21,440	33,902 33,881	32,910 33,291	67,710 67,315	1,737 1,752	136,259 136,239	1,033 1,060	4,111 4,152
June 19[c][d]	12.438	23,496	35.934	33.893	68,096	1,750	139,673	1,086	4.186
July 17[d]	12.674	21,250	33,924	34,709	68,267	1,733	138,633	1,015	4.404
Aug. 21	12.658	21,169	33,827	35,004	68,291	1,740	138,862	993	4.452
Sept. 18[c]	12,536	21.253	33,789	35,188	69,825	1,729	140,531	885	4,475
Oct. 16	12,413	21.574	33,987	35,637	70,630	1,734	141,988	1,107	4,541
Nov. 20	12,476	21,717	34,193	36,885	71,408	1,711	144,197	1,251	4,532
Dec. 11[c]	12.909	22,430	35,339	36,328	72.673	1,693	146,033	923	4,681
1986 Jan. 15	12.399	21,618	34,017	36,861	73.958	1,739	146,575	1,137	4,905
Feb. 19	12.441	21,216	33,657	37,014	74,466	1,714	146,851	997	4,895
Mar. 19[c]	12.532	21,718	34.250	37,641	75,292	1.722	148.905	1,071	5.054
Apr. 16	12,611	22,603	35,214	38,644	76,923	1.718	151,599	1,218	5.294
Changes in month ended [e] 1985 May 15	+ 6	- 27	- 21	+ 381	- 395	+ 15	- 20	+ 27	+ 41
June 19[d]	- 3	+2,056	+ 2053	+ 602	+ 781	$ \begin{array}{c} - & 2 \\ - & 17 \\ + & 7 \end{array} $	+3,434	+ 26	+ 34
July 17[d]	+ 236	-2,246	-2.010	+ 816	+ 171		-1,040	- 71	+ 218
Aug. 21	- 16	- 81	- 97	+ 295	+ 24		+ 229	- 22	+ 48
Sept. 18	- 122	+ 87	- 35	+ 184	+1.374	- 11	+1,512	- 108	+ 23
Oct. 16	- 123	+ 321	+ 198	+ 449	+ 805	+ 5	+1,457	+ 222	+ 66
Nov. 20	+ 63	+ 143	+ 206	+1,248	+ 778	- 23	+2,209	+ 144	- 9
Dec. 11	+ 433	+ 713	+1,146	- 557	+1.265	- 18	+1,836	- 328	+ 149
1986 Jan. 15	- 510	- 812	-1,322	+ 533	+1.285	+ 46	+ 542	+ 214	+ 224
Feb. 19	+ 42	- 402	- 360	+ 153	+ 508	- 25	+ 276	- 140	- 10
Mar. 19	+ 91	+ 499	+ 590	+ 627	+ 826	+ 8	+2.051	+ 74	+ 159
Apr. 16	+ 79	+ 885	+ 964	+1,003	+ 731	- 4	+2.694	+ 147	+ 240

After deducting 60% of net debit transit items (see additional notes to Table 6 of the *Quarterly Bulletin*). Non-interest-bearing M1 equals columns 1+2. M2 equals non-interest-bearing M1+columns 4+5+6. See footnote [d] to Table D on page 3. [a]

[b] [c]

[d] See footnote [e] to Table E on page 3.

See footnote [f] to Table E on page 3. [c]

G Private sector liquidity, and other deposits

6 millione	narout	ages in italics										é.	marteriy Bulletin
£ minions.	percent	Money	Other money- market	Savings in deposits a	nstitution and securities	Certificates tax deposit		PSL1 (columns 1+2+5)	PSL2 (columns 1+2+3+6)	PSLI	PSL2	Other shares with building	
		Seasonally adjusted	Seasonally adjusted	Seasonally	y adjusted	Seasonally	Column 5	Seasonally adjusted	Seasonally adjusted	Seasonally adjusted	Seasonally adjusted	Una	djusted
				Total (net)	of which shares and deposits with building societies [a]	Issues net of sur- renders	less build- ing society holdings			change in month	change in month	Amount outstanding	Change in month
Month end	ied	1	2	3	4	5	6	7	8	9	10	11	12
1985 Apr. May	17 15	112.390 112.924	3.240 3,088	81.837 81.890	77.937 78.361	3,081 2,975	2,742 2,634	118,711 118,987	200,209 200,536	+3,471 +3.0 + 254 +0		1.7 18,262 0.2 19,052	+749 +790
June July Aug.	17[b]	115.587 114.666 116.852	3.311 3.308 3.095	82,497 83,154 83,727	79,314 80,352 81,490	2.900 3.062 2,929	2.539 2.672 2.530	121,798 121,036 122,876	203,934 203,800 206,204	- 719 -0.0	5 - 75	1.7 19.349 - 19.489 1.2 19,659	+297 +140 +170
Sept. Oct. Nov.	16	119.000 119.954 122,338	2.972 2.904 3.039	84.648 86,048 88,121	82.754 84.332 86,432	2,696 2,993 2,846	2,296 2,537 2,390	124,668 125,851 128,223	208,916 211,443 215,888		+ 2,526 +	1.3 19,393 1.2 18,828 2.1 18,076	-266 -565 -752
Dec. 1986 Jan. Feb.	11 15 19	123,030 123,080 124,327	2,936 3,030 2,891	89.164 90,907 93,194	87.774 89.834 91.524	2,894 2,500 2,627	2,406 2,251 2,238	128,860 128,610 129,845	217,536 219,268 222,650	- 253 -0.	2 +1,729 +	0.8 17,690 0.8 17,243 1.6 16,899	-386 -447 -344
Mar. Apr.	19 16	127.146 131.241	2,768 2,428	94.312 95.147	93.131 94,377	2,981 3,117	2.409 2,472	132,895 136,786	226,635 231,288	+3,055 +2.4 +3,890 +2.5		1.5 16.624 2.1 16,459	-275 -165

[a] Including UK non-bank private sector's holdings of certificates of deposit and time deposits issued by building societies.

[b] See footnote [e] to Table E on page 3.

[Summary of Table 12 in the Quarterly Bulletin]

•						Sterling	liabilities						1.00
	Notes out-	Total deposits	1	Sigh	t deposits			Tim	e deposits		Certifi-	Items in	Capital
۲	standing	ucposite	UK monetary sector	UK public sector	UK private sector	Overseas	UK monetary sector	UK public sector	UK private sector	Overseas	cates of deposit	suspense and transmission	and other funds
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	944 995 953 946 967 985	206,570 208,575 210,662 214,505 221,917 232,270	9,088 9,746 8,902 8,976 10,010 11,393	1,613 1,244 1,488 1,378 1,468 1,722	47,453 48,471 47,534 47,192 49,106 51,502	6,398 6,771 7,056 7,024 7,258 7,625	39,585 40,540 41,888 43,620 45,743 47,526	1,974 1,790 2,018 1,958 1,899 2,889	62,111 61,491 62,700 62,646 63,364 65,456	25,985 25,705 26,904 27,125 28,260 28,669	12,364 12,818 12,172 14,587 14,809 15,488	6.119 5.443 5.843 5.938 6.483 6.406	27,576 27,899 28,172 28,215 28,397 29,700

an and a start of		a contra pe	Oti	er currency linb	ilities			Total	of which st	erling
	Total deposits	UK monetary sector	tht and time de Other United Kingdom	Overscas	Certifi- cates of deposit	Items in suspense and trans- mission	Capital and other funds	liabilities/ assets	Liabilities	Assets
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	487,545 498,677 496,324 505,021 508,483 504,302	90,223 92,836 88,925 92,226 94,050 92,223	18,440 18,812 18,869 19,408 19,661 19,716	316,996 322,904 327,235 332,375 332,738 331,944	61,887 64,125 61,296 61,012 62,034 60,418	6,122 5,295 5,408 6,528 6,882 6,616	13,354 14,867 14,164 15,064 14,724 14,057	748.230 761,751 761,527 776.216 787.851 794,336	241,209 242,912 245,630 249,604 257,763 269,361	239,542 242,348 244,532 247,165 254,743 266,443

		Balances with Bank of England Market loans											
	Notes and	Balances	with Bank of	England	1		Mark	et loans		1. 5 10	Send .		
	coin	Cash	1	1	L	DMA	Other UK	UK	Building society CDs and				
		ratio deposits	Special deposits	Other	Secured	Unsecured	monetary m	monetary sector CDs	time deposits	UK local authorities	Overseas		
85 Nov. 20 Dec. 11 [b] 86 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	2.094 2.313 2.266 2.140 2.200 2.149	668 667 667 666 667 667		142 83 167 146 245 140	5,958 6,367 5,826 6,165 6,674 6,570	31 47 46 39 34 48	44,637 45,519 46,298 47,720 50,942 54,457	6.366 6.210 6.272 7.354 7,170 7,627	730 766 631 769 695 872	3.580 3,565 3,572 3,408 3,437 3,271	8.667 8.891 9.581 9.937 10.733 11,533		

Sterling assets continued

			Bills		1.	Advances						
	Treasury bills	Eligible local authority bills	Eligible bank bills	Other	Total	UK public sector	UK private sector	Overseas	Banking Department lending to central government (net)			
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	236 300 244 168 235 310	717 581 620 510 533 394	3,832 2,806 5,112 7,728 6,267 4,373	317 297 322 322 348 402	130,004 131,992 132,773 132,020 133,981 138,952	2,097 2,067 2,004 1,766 1,744 1,671	116,990 117,656 119,140 119,560 122,179 126,422	10.917 12,269 11,628 10,694 10,058 10,860	- 728 574 -2,106 -4,270 -2,693 446			

			Sterling ass	sets continued		Other currency assets									
		Investments		Miscellaneous assets											
	British government stocks	Other public sector	Other	Items in suspense and collection	Assets leased	Other	Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas		
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	7.121 6,919	433 425 313 543 544 535	7,473 7,573 7,732 8,139 8,293 8,983	9.976 8.870 9.597 9.295 10.480 10,566	1,400 1,426 1,582 1,528 1,508 1,519	5,876 5,904 5,895 5,919 5,942 5,924	469,069 478,422 474,628 484,495 488,177 482,399	118,783 120,287 119,790 120,927 121,405 119,283	86,087 89,171 84,835 87,169 89,852 87,370	10,979 11,610 11,313 10,670 11,156 11,121	1,570 1,632 1,766 1,740 1,669 1,653	33,574 33,837 35,087 35,370 36,198 36,163	336.860 342,173 341.627 349,547 349.301 346.092		

		100	Acceptances								
	Bills	Total	Investments United Kingdom	Overseas	Items in suspense and collection	Miscellaneous : Assets leased	assets	Other	Sterling	Other	liabilities
1985 Nov. 20 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16	1,811 1,769 2,076 2,200 2,191 2,155	30,373 32,527 33,365 34,470 34,441 35,166	1,782 1,949 2,563 2,554 2,621 2,601	28,592 30,578 30,802 31,917 31,820 32,566	5,681 5,086 5,417 6,297 6,740 6,617	10 10 10 7 7 7 7		1,743 1,589 1,499 1,581 1,551 1,549	17,883 18,251 18,661 19,462 17,873 17,483	3,053 2,987 2,883 2,858 3,083 3,126	145,310 147,786 148,939 149,963 152,861 159,492

[a] These tables include all monthly reporting monetary sector institutions other than members of the London Discount Market Association—see page 562 of the December 1983 QuarterlyBulletin.
 [b] Three contributors joined the series and one left the series at mid-December; the net effect was an increase of £70 million in sterling assets and an increase of £486 million in other currency assets.
 [c] Nine contributors joined the series at mid-March; the effect was an increase of £436 million in sterling assets and £32 million in other currency assets.

5

£ millions

British be Retail ba

Accepting houses Other British banks

Overseas banks: American banks

Japanese banks

Other overseas banks

Total

Consortium banks 1986 Mar. 19 Apr. 16

1986 Mar. 19 Apr. 16

1986 Mar. 19 Apr. 16

Liabilities

154,024

13,122 12,677

508,482 504,302 24,605 24,361

> 4,157 4,061

94,216 92,394 4.969 4,793

529 439

19.661 19,716 109.398

8.089 7,833

332,573 331,775 15.051 14.822

> 348 345

> > .

62.033 60.418

2,383 2,280

14.810 15.489

78 81

	Notes out- stand- ing			Sterli	ng deposi	ts	Other currency deposits						
		Total	of which sight deposits	UK monetary sector	UK public sector	UK private sector	Overseas	Certifi- cates of deposit	Total	UK monetary sector	Other United Kingdom	Overseas	Certifi- cates of deposit
1986 Mar. 19	967	114,796	50,023	11,131	2,385	83,504	10,453	7,324	45,733	8,180	4,301	29,453	3.800
Apr. 16	985	119.514	52,288	11,042	3,374	86,136	10,983	7,979	46,449	7,904	4,324	30,516	3.705
1986 Mar. 19	Ξ	12,736	2,827	2,603	244	7,045	1,472	1,372	11,822	3,245	1,759	6.495	323
Apr. 16		13,441	3,308	2,619	270	7,488	1,566	1, 509	11,735	3,179	1,958	6,319	280
1986 Mar. 19	Ξ	33,309	6.691	17,500	444	9,473	4,628	1,265	25,829	7,958	1,609	14.612	1.650
Apr. 16		35,131	7.597	18,668	526	9,859	4,756	1,322	25,872	7,849	1,499	14,774	1,751
1986 Mar. 19	Ξ	13,956	2.972	5,339	24	3,409	3,814	1,370	81,058	8,272	4,289	47,912	20.584
Apr. 16		14,789	2,888	6,028	25	3,673	3,847	1,216	80,863	8,445	4,276	49,222	18.919
1986 Mar. 19 Арт. 16	:	11,349 11,651	381 439	6,478 6,683	91 144	1,589 1,751	2,174 1,971	1,018 1,102	176,894 173,304	37,799 36,595	2,205 2,427	116,614 113,686	20.277 20,596

7,076

373 384 12,159

35,512 36,281

812 811

		Sterling and other currency liabilities Items in suspense and transmission, capital and other funds	Total liabilities/		Sterling assets										
		liabilities Items in suspense and transmission,	assets		Balances with Bank of England (including cash	Secured	Other UK	Market loans	UK	Overseas					
		capital and other funds		Notes and coin	ratio deposits)	with LDMA	sector [b]	UK monetary sector CDs	local authorities						
<mark>British banks:</mark> Retail banks	1986 Mar. 19 Apr. 16	30,706 31,372	192,203 198,320	2,172 2,122	601 491	4,475 4,365	17,857 20,107	3,258 3,155	1.722 1,716	1,517					
Accepting houses	1986 Mar. 19 Apr. 16	3.632 3.639	28,191 28,815	22	29 29	376 341	5,217 5,051	1.171 1,164	315 - 266	809 740					
Other British banks	1986 Mar. 19 Apr. 16	8,113 8,045	67,251 69,048	33	95 93	235 281	9,593 10,160	1.009 1,263	481 438	1.135					
Overseas banks: American banks	1986 Mar. 19 Apr. 16	4,099 4,116	99.113 99.768	3 2	56 61	424 456	3.759 3.652	234 346	117 108	1.320					
Japanese banks	1986 Mar. 19 Apr. 16	1.485 1,193	186,729 186,149	=	35 35	373 359	3,474 3,725	42 42	74 72	2.233 2.563					
Other overseas banks	1986 Mar. 19 Apr. 16	6.412 5.989	194,182 194,927	19 19	90 92	767 744	10,497 11,251	1,236 1,471	646 587	3.397 3,582					
Consortium banks	1986 Mar. 19 Apr. 16	2,038 2,425	17,184 17,309	1	6	25 24	579 558	219 187	83 84	321 433					
Total	1986 Mar. 19 Apr. 19	56.485 56,779	787,853 794,336	2,200 2,149	912 807	6,675 6,570	50,976 54,504	7,169 7,628	3,438 3,271	10,732					

[a] Some smaller institutions report at end-quarters only; the coverage of some of the groups in these tables will therefore not be complete. The groups affected are Accepting houses, Other British, American. Other overseas and Consortium, but in no case is the coverage of total liabilities/assets less than 97.5%.
 [b] Including unsecured money with LDMA.

[c] Including holdings of sterling time deposits placed with, and sterling certificates of deposit issued by, building societies.

33.746 35.537

2,024 2,206

221.916 232,269

=

-

967 985 4.597 5,273

350 448

67.841 72.241 11,951 12,969

758 925

55,760 58,934 177 266

25

3,367 112,469 4,610 116,956

J Discount market: balance sheet

£ millions

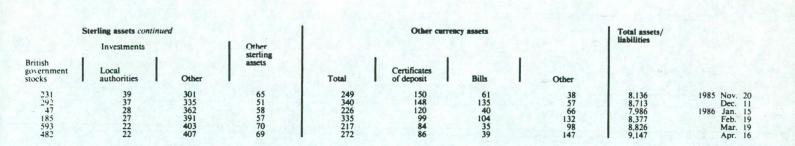
							Liabilities: Sterling	borrowed fu	mds			Other currence	ics	
				1 0	which	1								
			Total	Call and overnight	Other	Bank of England	Other UK monetary sector	Othe Unit King	ed	Overseas		nonetary	Other United Kingdom	Overseas
1985 1986	Nov. Dec. Jan. Feb. Mar. Apr.	11 15 19 . 19	7,564 8,121 7,516 7,761 8,327 8,551	6.824 7.584 6.935 7.170 7.770 7.615	740 537 581 591 557 936	305 80 92 179 192 259	5,786 6,409 5,765 6,085 6,610 6,452	1,0 1,4 1,5	468 528 551 485 512 322	5 4 8 12 13 18	250 336 223 333 216 271	93 121 116 112 70 59	144 163 85 103 84 98	13 52 22 118 62 114
							Sterling	isects						
			1	Cash ratio deposits	10.00	Bills	Other		A			Funds lent		State 2
			Total	with the Bank of England	Treasury bills	Local authority bills	public sector bills	Other bills	UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Other United Kingdom	Overseas
1985 1986	Dec.	11 15 19 19	7.883 8.373 7.760 8.042 8.609 8.876	7 7 7 7 7 7 7	187 50 13 54 103 236	104 9 15 70 44 90	50 20 50 20 20 20	4,235 3,445 3,619 3,711 3,661 4,523	225 491 304 269 212 228	1,718 2,729 2,468 2,690 2,660 2,098	394 550 497 263 388 317	135 134 134 137 132 115	186 219 152 149 138 255	6 4 12 156 7

[Tables 3.2 to 3.8 in the Quarterly Bulletin]

				Sterling assets continued										
•					E	Bills			Advand	ces	Banking Department	Investi	ments	
British banks:				Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas	lending to central government (net)	British government stocks	Other	
letail banks	1986	Mar. Apr.	19 16	153 277	513 358	5,858 3,476	78 74	460 420	75,722 77,921	2,630 2,845	-2,693 446	5.053 5,368	2.857 2.922	
houses	1986	Mar. Apr.	19 16	3 5	12 14	91 372	31 53	47 51	3.493 3,812	1,022 1,075	5.0	362 299	1.288	
Other British banks	1986	Mar. Apr.	19 16	53 1	15	154 251	44 78	64 65	19.824 20,463	1,204 1,673	=	317 367	1.614 1.707	
Werseas banks: American banks	1986	Mar. Apr.	19 16	1	=	7 20	5 4	83 69	7,022 7,424	1.248 1,292	=	314 213	289 389	
apanese banks	1986	Mar. Apr.	19 16	4 4	=	=	=	597 587	1,733 1,805	960 986	=	20 22	1.518	
ther ove rseas banks	1986	Mar. Apr.	19 16	22 22	88	156 254	186 189	466 456	13,896 14,502	2,734 2,730	Ξ	319 327	1.051 1.160	
onsortium banks	1986	Mar. Apr.	19 16	E S	Ξ	Ξ	4	26 23	487 496	261 259	Ξ	124 110	221 265	
Total	1986	Mar. Apr.	19 16	236 310	533 395	6.266 4,373	348 402	1,743	122,177 126,423	10.059 10.860	-2.693 446	6,509 6,706	8.838 9.519	

						Other cu	rrency assets					1.93	Sterling	.Accept-	Eligible
						1	Market loans a	and advance	es		Bills	Invest-	and other currencies	ances	liabilities
				Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas		ments	Miscel- laneous assets[c]		
British banks: Retail banks	1986	Mar. Apr.	19 16	48.653 49.171	16.759 15.515	11,678 11,332	408 351	184 179	4.446 4,330	31.937 32,979	653 648	4,926 5,262	15.736 15.513	3.605 3.344	86.899 89.620
Accepting houses	1986	Mar. Apr.	19 16	10.730 10,666	3.983 3.890	2,789 2,904	544 525	18	1,023 965	6,356 6,255	49 63	1.369 1.401	1,775 1,890	3.741 3.899	5.990 7.005
Other British banks	1986	Mar. Apr.	19 16	28.113 27,734	10.085 9,731	6.211 6.376	182 133	732 714	2,368 2,320	18,619 18,191	23 26	1,233 1,169	2.059 1,994	1.199 1.125	20.822 21.833
Overseas banks: American banks	1986	Mar. Apr.	19 16	78.237 77.761	23.450 22.750	8,499 8,172	1,409 1,243	30 30	9.747 9,599	58,551 58,717	43 52	2,158 2,551	3.792 4.086	3.422 3.319	9.575 10.291
Japanese banks	1986	Mar. Apr.	19 16	162.851 158,864	25.366 25.403	28.635 27.341	1,311 1,432	560 571	7.573 7.903	124.771 121,617	121 99	14,862 14,773	830 656	2.285 2.220	7.240 7.530
Other overseas banks	1986	Mar. Apr.	19 16	146.133 145.272	37.040 36.407	30.676 29.840	6,908 7,100	143 142	10,771 10,763	97.636 97.427	1.195 1.165	8.955 8,938	2.409 2,158	6.463 6.457	21.135 21.718
Consortium banks	1986	Mar. Apr.	19 16	13,460 12,930	5.722 5.587	1,364 1,404	394 338	Ξ	270 281	11.431 10,907	107 101	939 1,072	322 757	240 245	1.200 1.494
Total	1986	Mar. Apr.	19 16	488.177 482.398	121.405 119,283	89.853 87,369	11.156 11.122	1,668 1,653	35,198 36,161	349,301 346,093	2,191 2,154	34,442 35,166	26.923 27,054	20.955 20.609	152.861 159,491

[Table 4 in the Quarterly Bulletin]



netary sector: transactions in liabilities and assets[a]

[Table 6 in the Quarterly Bulletin]

	Total X	Test		1				stic dep ector	osits				Priv	ate sector				Overse deposi		tor	Non- deposit liabilities			
								Sterli	ng			her men-		Ste	rling			ther irren- cs	St	erling	Ot cur	rren-	(net)
		Una	adjusted	.		easonally djusted	Una	djusted		sonally usted			Un	adjusted		easonally djusted							1	
+ -	2.265 3,723	+	4,369 506		+++	3,575 628	-	95 105	+	98 172	+	9 35	+++	4,258 239		+ 3,271 + 428	+++	215 337	<u>+</u>	354 220		3,795 5,103		1.33
++++	10,926 7,479 433	+	3,903 378 2,902		+ - +	3,370 129 2,908	+ - +	189 3 269	+ - +	104 37 183		15 29 17	-	3,074 344 2,073		+ 2,626 - 817 + 2,165	+ + +	655 754 577	- + +	263 421 291	+	5.893 4.401 2,375	+	1.39 2.27 38
++++	9.869 1.071 10.592	+	1,419 1,758 3,820		++++	1,811 1,573 3,500	- + +	277 445 483	- + +	17 356 281	- + +	1 15 4	+	1,946 1,152 2,460		+ 2,078 + 1,056 + 2,342	-++	249 146 873		6 208 536	-	8.049 2.391 8,881	+	40 1.91 1.57
++++	2,585 7,841 10,110	+++	422		++++	194 639 1,622	÷	558 466 160	- + -	384 306 134	-+	54 6 36	+ -++++++++++++++++++++++++++++++++++++	398	- 1 S - 1 - 1	+ 803 - 21 + 1,222	- + +	171 348 570	+ + +	66 1,346 666	+	1,131 7,338 7,699	-	1.73 1.26 97
	8.016 13.945		3,465 6,538		+++	3,664 5,681	+++1	.375		171	+	2 15		2,755 5,030		+ 2,805	++++	686 148		1,351		3.524 3.571		324

Linbilities

Total		Lending to publ	ic sector	Assets		"	Lending to priva	ate sector	Lending	to overseas
		Ster	ling		Other currencies	Steri	ling	Other currencies	Sterling	Other currencies
	Te	otal	Sec. Sec.							
	Unadjusted	Seasonally adjusted	Central govern- ment	Other		Unaujusted	Seasonally adjusted			
+ 2.265	+ 2.397	+ 699	+ 1,960	+ 437	- 101	+ 1,932	+ 1,675	+ 1,461	+ 656	- 4.080
- 3,723	- 155	- 486	+ 181	- 336	+ 108	+ 669	+ 1,241	- 241	+ 251	- 4.355
+ 10.926	+ 1.765	+ 150	+ 1,992	- 227	- 67	+ 300	+ 921	+ 12	+ 15	+ 8.901
+ 7.479	- 3.562	- 2,300	- 3,324	- 238	- 78	+ 4,293	+ 2.717	+ 546	- 479	+ 6.759
+ 433	+ 2.915	+ 2,403	+ 3,275	- 360	- 9	+ 68	+ 711	- 1,231	- 670	- 640
+ 9.869	+ 879	+ 1,275	+ 1,370	- 491	- 19	+ 515	+ 1,080	+ 408	+ 211	+ 7.875
+ 1.071	- 1,024	- 808	- 668	- 356	+ 257	+ 3,710	+ 2,411	- 25	- 20	- 1.827
+ 10.592	+ 1,136	+ 278	+ 1,708	- 572	- 170	- 304	+ 381	+ 185	+ 43	+ 9.702
+ 2.585	+ 1,133	+ 672	+ 1.479	- 346	+ 25	- 1.103	+ 1	- 123	+ 1.589	+ 1.064
+ 7,841	- 3,204	- 1,312	- 3.276	+ 72	+ 220	+ 3,645	+ 2,516	+ 2,191	+ 273	+ 4.716
+ 10,110	- 2,622	- 1,287	- 2,141	- 481	+ 3	+ 3,151	+ 3,366	+ 588	- 492	+ 9.482
+ 8.016	+ 1,686	+ 1,891	+ 1,740	- 54	- 52	+ 2.207	+ 2,433	+ 1,209	- 402	+ 3.368
+ 13,945	+ 3,052	+ 1,454	+ 3,372	- 320	+ 17	+ 3,744	+ 3,077	+ 742	+ 1,841	+ 4.549

rises all banks included in Table 3 in the Quarterly Bulletin together with the discount market. Interbank items are excluded and adjustments made to allow for transit items (see additional to Table E on page 3.

ions million. 1 below are not strictly comparable. f figures, the sum of the separate items will sometimes differ from the total shown. al Statistics Division, Bank of England, London EC2R 8AH. s Ltd.

pur 21/6/86

MONEY AND BANKING FIGURES: BANKING MAY 1986

(All figures are seasonally adjusted, unless otherwise stated.)

During the five weeks to 21 May 1986, MO (average of weekly levels) rose 1 by £20 million (+0.1%) (Table B) and £M3 rose by £3,940 million (+3.0%) (Table E).

Recent rates of growth of the above aggregates are as follows: 2

Rates of growth, annualised %: seasonally adjusted

MO

£M3

 Latest 3 months	Latest 6 months	Latest 12 months
+ 3.5	+ 4.1	+ 3.4
+39.1	+21.9	+19.5

Within £M3 there was a rise in banking May of £110 million in notes and 3 coin, a rise of £1,120 million in non-interest-bearing sight deposits and a rise of £1,440 million in interest-bearing sight deposits. MI rose by Time deposits (including sterling certificates of £2,670 million (+4.3%). deposit) of the UK private sector rose by £1,270 million.

The sterling value of private sector foreign currency deposits rose by 4 £730 million, comprising a rise of £870 million reflecting transactions and a fall of £140 million reflecting the estimated change in the sterling value of the existing stock. Thus, total M3 rose by £4,670 million (+3.0%) (Table E).

M2 (not seasonally adjusted) rose by £1,940 million (+1.3%) (Table F). 5 PSL2 rose by £4,050 million (+1.7%) (Table G); if term shares with building societies were included, the increase would be 1.5%.

Rates of growth of monetary and liquidity aggregates over the last three, 6 six and twelve months are shown in the attached table.

Amongst the counterparts to the change in £M3, the net effect of public 7 sector transactions (the PSBR less debt sales to the non-bank private sector and external flows to the public sector) was expansionary by £480 million (see columns 1-7 of Table A). The central government borrowing requirement was £1,640 million and the direct contribution of local authorities and public corporations to the public sector borrowing requirement (net of non-bank private sector purchases of their debt) was contractionary by £870 million. The non-bank private sector's holdings of central government debt fell by £190 million; within this holdings of gilt-edged stock fell by £570 million reflecting a concentration of stock maturities, partly offset by net purchases of National Savings of £240 million and CTDs of £160 million. External and foreign currency finance of the public sector was contractionary by £480 million.

8 Sterling lending to the private sector rose by £1,700 million. Foreign currency lending to the private sector rose by £1,070 million in transactions terms.

9 The external and foreign currency transactions of UK banks were expansionary by £1,300 million (see columns 9-12 of Table A), compared with an average expansionary influence of only £20 million a month over the preceding twelve months. Net non-deposit sterling liabilities fell by £460 million. A fall in this item is an expansionary influence on money. In the preceding twelve months a rise in net non-deposit sterling liabilities had an average contractionary effect on money of £220 million a month.

10 Tables H, I and J show the details of the banks' and discount market's balance sheets. Transactions of the UK monetary sector during the month, excluding inter-bank items and valuation changes on foreign currency items, are given in Table K.

Estimated seasonal movements - banking June 1986

11 The provisional seasonal movements for the four weeks ended 18 June 1986 are as follows:

	£ million
Notes and coin in circulation with the public Private sector sterling sight bank deposits Ml Other private sector sterling bank deposits £M3	$\begin{array}{r} - 140 \\ + 250 \\ + 110 \\ - 460 \\ - 350 \end{array}$
M0 (averaged series)	0
Bank lending in sterling to the private sector	<u>- 830</u>

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

BANK OF ENGLAND 19 June 1986

MONETARY AND LIQUIDITY AGGREGATES: BANKING MAY 1986

Rates of growth, annualised %: seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months
мо	+ 3.5-	+ 4.1	+ 3.4
ML	+ 42.5	+22.0	+22.0
of which:			
Non-interest bearing Ml	+ 20.0	+10.3	+ 6.6
M2 (not seasonally adjusted) *	···· ···		+12.6
£M3	+ 39.1	+21.9	+19.5
мз	+ 36.5	+21.2	+18.5
PSLI	+ 38.1	+20.5	+18.3
PSL2	+ 25.7	+19.3	+17.6
PSL2, including term shares			
with building societies			
and bank deposits with			
an original maturity			
longer than two years	+ 22.1	+15.8	+14.7

*the growth of M2 over the 12 months to mid-May 1986 includes £900 million resulting from changes made by certain building societies in the terms of some accounts. Excluding such reclassified amounts, the growth in M2 over the latest 12 months is 12.0%.

Banking statistics

21 May 1986

[Table 11.3 in the

Ouarterly Bulletin]

£ millions Purchases (-) of public sector External and foreign Banks' External and foreign currency transactions Net non-Money Public sector borrowing debt by UK private sector currency finance of public sector (increase-) sterling of UK banks [c] deposit stock requirement lending sterling £M3 (other than banks) (surplus-) Banks Sterling Other Other liabilities to UK (columns overseas sterling private deposits sterling (increase-1-13) Purchases Other net Other Central government Central Other sector [b] from, net lending foreign government public public debt [a] of British ofmarket deposits currency liabilities[e] governto borrowing sector sector Other contridebt British ment loans to. (increaseoverseas requirestocks by banks sector[d] (increasegovernment bution ment overseas abroad (increase-) stocks sector 9 10 11 12 13 14 5 6 8 2 3 4 7 1 Month ended (unadjusted) 586 106 347 217 866 300 67 263 467 384 + 245 489 67 + + + + 15 1985 May + 718 342 15 394 18 261 220 409 177 + 758 + 3,104 + 1,107 255 236 591 ,231 260 170 311 438 490 + 3,071 267 267 June July Aug. 19[f] 17[f] 21 2,638 1,162 2,319 12 1 1 1 434 + - + 478 366 11 247 410 603 -108+ 2,057 49 + 319 599 1,125 86 519 737 34 525 109 155 76 400 18 130 193 + 428 + 3,417 + 1,200 419 712 388 76 703 243 96 165 166 213 365 170 - 155 - 1,642 + 1,702 + 1,824 + 1,029 + 2,523 18 16 20 1,667 564 2,666 111 -- - + 1 1 1 Sept. Oct. Nov. + - -++ ++ + - -76 504 100 34 291 152 + 1,031 + 1,513 + 1,374 256 287 208 1 1 1 114 355 512 1,137 529 1,351 535 171 484 872 899 432 224 - + -26 18 355 73 223 172 175 - - -+ - + + - + - + + + Dec 11 15 19 .490 + 111 - + +++ 2.785 Jan. Feb. 80 276 1986 247 -466 933 453 712 656 656 581 14 19 16 313 + - -507 273 + 236 219 + 131 321 + 2,346 + 3,632 51 569 -+ + + 56 - 1,126 +2,854+ 5,110 942 4,274 ++ Mar Apr. 929 -477 + 1,235 102 + + 127 257 569 + 3,588 772 569 369 + + May 21 + 1,622 Month ended (seasonally adjusted) 179 4 586 115 347 + 213 +1.438653 + 508 383 + 15 1985 May + ,267 423 985 + 1,379 + 1,528 + 1,750 + 2,647 - 840 + 2,215 262 438 314 718 342 15 263 14 576 247 12 + 19[f] 17[f] 21 18 762 92 -June July Aug. 1 1 - --+ 477 355 11 247 + 44 + 2.090 155 76 400 13 135 198 - 324 - 766 + 1,401 1.955 914 1.905 334 660 1.089 + 993 + 2,118 + 1,885 60 + 2,125 + 960 18 16 20 3 477 36 86 1 1 1 + -+ - -Sept Oct. 1 519 737 561 327 + 2,404Nov 224 80 276 - 618 - 170 - 1,036 + 741 + 96 + 1,227 450 353 235 56 467 225 34 291 152 31 49 252 + 2,135 + 384 + 1,589 999 118 53 684 -+ - + -Dec 37 826 1986 Jan. Feb 15 625 677 + 2,834 + 4,065 857 2,708 367 1,354 453 712 378 201 236 219 + 2,572 + 2,965 41 19 16 + ++ 127 318 Mar Apr. 1.638 865 + 569 378 481 +1.7041,300 + 455 + 3,942 21 May +

A Public sector borrowing requirement, and other counterparts to changes in £M3

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

															1							
				Market	able debt		1	National	l savings			Tax in	nstrum	nents		Other	To	tal (colum	ns 4 and	d 5ab	bove)
			Sto	cks	Tr bil	easury ls	Una	adjusted		sonally usted	U	nadjusted		Seasonally adjusted			Un	adju	isted		Seasc	onally sted
Mont	th ended																		100			
1985	May	15	-	586	+	25		211	-	241		+ 81		+ 102	-	- 1	-	- '	692	-	- 7	/01
	June	19	-	12	+	42		270	-	375		+ 6		+ 69	4	- 2			232		- 2	
	July	17	-	11	+			196		273		- 217		- 169	-	7			420	1997	- 4	
	Aug.	21	-	247		56		273	T	384	1	+ 149		+ 123	1	- 3	milt mura	- •	424		- 5	561
	Sept.	18	-	86	+	6	-	228	-	229		+ 190		+ 228	- 100	- 2			120			83
	Oct.	16		519	+	17		191		197		- 351		- 297	19 10 19 19 19	-	1.1	- 1.0			- 9	
	Nov.	20	-	737	30 97/-	- 4	-	281		184	1.1.1	+ 171		+ 147	+	- 5		- 1	846	-	- 7	73
	Dec.	11	-	224	+	- 56	-	23	-	61		- 106		- 48		- 3	2 3 3 3	- :	300	-	- 2	280
1986		15	-	80		- 89		122		19		+ 534		+ 394	-	- 3	100		124			387
100		19	-	276	-	- 30	-	138		74	The Las	+ 62		- 127	+	+ 6	-		376	1000	- 5	501
	Mar.	19	+	453		- 80	1	30	+	55	a la come	- 398		- 354	-	+ 1	-	-	54		F	75
		16		712		- 22		65		46	- Tenate	- 189		- 136	+	+ 3	Cast Cast		985	1995		913
		21		569		- 22		211	-	241	1	- 179		- 158	-	- 1	-	+ :	200	4	+ 1	91

[b] Including holdings of sterling certificates of deposit issued by building societies, and net purchases by the Issue Department of commercial bills and, of promissory notes relating to shipbuilding paper guaranteed by the Department of Trade and Industry.

[c] A seasonally-adjusted breakdown of these transactions is not available.

[d] Including net purchases of ECGD-backed promissory notes by the Issue Department.

[e] Including net non-deposit liabilities in foreign currency. (See the Quarterly Bulletin for June 1985—page 185.)

[f] See footnote [e] to Table E on page 3.

B M0, the wide monetary base

£ millions: percentages in italics

[Table 2 in the Quarterly Bulletin

		End-banking	g-month serie	es					Monthly-ave	rage series			
		Notes and co Bank of Eng		ation outside th	ne	Bankers' dep with the Ban Department				oin in circulation Bank of England	Bankers' operational deposits with the	M0 (wide mone (columns 5 + 6)	
		In circulatio public	n with	Held by bar (till money)		Operational deposits Cash ratio deposits					Banking Department		
		Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted		Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted Sea	asonally adjusted
Amount outstanding	at		1		2	3	outstanding		5 Average amount outstanding in month ended		6	7	
1985 Apr. May	17 15	12.435 12,441	12,384 12,464	1,312 1,275	1,320 1,290	162 187	582 628	1985 Apr. 1 May 1	7 13,907 5 13,761	13,864 13,861	162 156	14,069 13,917	14,026 14,017
June July Aug.	19 17 21	12,438 12,674 12,658	12,486 12,464 12,514	1,350 1,403 1,468	1,379 1,328 1,420	93 214 100	628 628 628	June 19 July 1 Aug. 2	7 13,988	13,944 13,962 13,959	178 217 141	14,066 14,205 14,246	14,122 14,179 14,100
Sept. Oct. Nov.	18 16 20	12,536 12,413 12,476	12,561 12,466 12,528	1,393 1,436 1,444	1,391 1,451 1,468	120 94 156	628 628 674	Sept. 18 Oct. 10 Nov. 20	5 13,905	14,026 14,003 14,043	133 123 162	14,028	14,159 14,126 14,205
Dec. 1986 Jan. Feb.	11 15 19	12,909 12,399 12,441	12,467 12,576 12,590	1,636 1,582 1,481	1,502 1,558 1,537	174 187 150	674 674 673	Dec. 1 1986 Jan. 1 Feb. 19	5 14,774	14,124 14,224 14,198	130 235 169	15,009	14,254 14,459 14,367
Mar. Apr. May	19 16 21	12,532 12,611 12,824	12,612 12,618 12,728	1,529 1,460 1,553	1,596 1,488 1,532	249 141 313	673 673 721	Mar. 19 Apr. 10 May 2	5 14,312	14,245 14,271 14,296	187 198 194	14,510	14,432 14,469 14,490
Change in r ended	nonth							Change betwee amounts outsta					
1985 May	15	+ 6	+ 80	- 37	- 30	+ 25	+ 46	1985 May 1:	5 - 146	- 3	- 6	- 152	- 9 -0.1
June July Aug.	19 17 21	$ \begin{array}{r} - & 3 \\ + & 236 \\ - & 16 \end{array} $	$+ 21 \\ - 23 \\ + 50$	+ 75 + 53 + 65	+ 88 - 51 + 92	- 94 + 121 - 114	Ξ	June 19 July 17 Aug. 2	7 + 100	+ 83 + 18 - 3	+ 22 + 39 - 76	+ 149 + 139 + 41	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Sept. Oct. Nov.	18 16 20	- 122 - 123 + 63	+ 47 - 96 + 62	- 75 + 43 + 8	- 29 + 60 + 17	+ 20 - 26 + 62	+ 46	Sept. 13 Oct. 16 Nov. 20	5 - 126	+ 67 - 23 + 40		- 82 - 136 + 24	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Dec. 1986 Jan. Feb.	11 15 19	+ 433 - 510 + 42	- 62 + 108 + 13	+ 192 - 54 - 101	+ 34 + 55 - 21	+ 18 + 13 - 37	- ī	Dec. 1 1986 Jan. 1 Feb. 19	5 + 450	+ 81 + 100 - 26	$ \begin{array}{r} - 32 \\ + 105 \\ - 66 \end{array} $	+ 402 + 555 - 930	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Mar. Apr. May	19 16 21	+ 91 + 79 + 213	+ 21 + 5 + 109	+ 48 - 69 + 93	+ 59 - 108 + 43	+ 99 - 108 + 172	+ 48	Mar. 19 Apr. 10 May 2	5 + 312	+ 47 + 26 + 25	+ 18 + 11 - 4		$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$

C Bank of England transactions in commercial bills and in guaranteed export credit and shipbuilding paper

£ mil	lions	Banking Department	Issue Departm	nent	
Trans	sactions in:	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]
Mont	th ended		Call Sector		
1985	May 15	+ 637	+ 185	+ 12	+ 25
	June 19 July 17 Aug. 21	- 1,729 + 1,963 - 2,765	+ 523 - 1,208 + 989	- 65 + 19 + 50	- 406 + 272 + 28
	Sept. 18 Oct. 16 Nov. 20	- 652 + 369 - 1,464	- 82 - 246 + 1,635	- 5 - 47 - 131	+ 30 - 14 - 890
1986	Dec. 11 Jan. 15 Feb. 19	- 1.015 + 2.815 + 1.981	+ 2,248 - 2,132 - 1,780	- 114 + 11	- 1,363 + 777 + 781
	Mar. 19 Apr. 16 May 21	- 1,421 - 3,216 + 298	- 189 + 70 + 1,199	+ 320 - 110 - 221	+ 682 - 535 - 1,705
	unt outstand		9.647		

at mid-May 1986 997 8,647

[a] Included within column 8 of Table A.[b] Included within column 11 of Table A.

D Money stock: amounts outstanding

£m	illions	Notes and coin in circulation		UK private sector sterling sight deposits		Money stock M1[b]		Money £M	stock 3[b]	UK private sector deposits		y stock I3[b]
		with public	Non-interest- bearing[a]	Interest- bearing	Unadjusted	Seasonally adjusted	sterling time deposits[c]	Unadjusted	Seasonally adjusted	in other currencies [c]	Unadjusted	Seasonally adjusted
		1	2	3	1		5	6		7	8	
	Apr. 17	12,435	21,467	18,604	52,506	51,980	61,240	113,746	114,120	18,244	131,990	132,370
	May 15	12,441	21,440	19,422	53,303	53,210	60,733	114,036	114,660	18,787	132,823	133,440
	June 19[d] [e]	12,438	23,496	19,435	55,369	55,390	61,823	117,192	117,360	18,807	135,999	136,170
	July 17[e]	12,674	21,250	20,822	54,746	54,320	62,338	117,084	116,490	18,209	135,293	134,690
	Aug. 21	12,658	21,169	21,923	55,750	56,040	63,391	119,141	118,660	19,159	138,300	137,820
	Sept. 18[d]	12,536	21,253	22,248	56,037	56,080	64,983	121,020	120,810	19,524	140,544	140,340
	Oct. 16	12,413	21,574	23,537	57,524	57,410	64,525	122,049	121,770	18,861	140,910	140,630
	Nov. 20	12,476	21,717	24,536	58,729	58,830	65,843	124,572	124,170	19,466	144,038	143,630
1980	Dec. 11[d]	12,909	22,430	25,265	60,604	59,790	64,838	125,442	124,880	19,578	145,020	144,460
	Jan. 15	12,399	21,618	24,999	59,016	59,400	65,527	124,543	124,920	19,644	144,187	144,570
	Feb. 19	12,441	21,216	25,052	58,709	59,490	66,255	124,964	126,060	20,088	145,052	146,160
	Mar. 19[d]	12,532	21,718	26,158	60,408	60,990	67,507	127,915	128,950	20,571	148,486	149,530
	Apr. 16	12,611	22,603	27,676	62,890	62,360	70,135	133,025	133,020	20,341	153,366	153,370
	May. 21	12,824	22,999	28,947	64,770	65,030	71,843	136,613	136,970	21,071	157,684	158,040

E Money stock: changes[f]

£ millions: percentages in italics

	Notes and coin in circulation	UK private sector sterling sight deposits	Money stock	UK private sector	Money stock	UK private sector deposits in other currencies [c]	Money stock
	with public	Non-interest- bearing[a] bearing	M1 [b]	sterling time deposits[c]	£M3[b]	Trans- Valuation actions changes[g]	M3[b]
	1	2 3	4	5	6	7	8
Month ended (unadjusted) 1985 May 15	+ 6	- 27 + 818	+ 797	- 552	+ 245	+ 337 + 206	+ 788
June 19[e] July 17[e] Aug. 21	$ \begin{array}{rrrr} - & 3 \\ + & 236 \\ - & 16 \end{array} $	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,056 - 623 + 1,004	+ 1,015 + 515 + 1,053	+ 3,071 - 108 + 2,057	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 3,071 - 706 + 3,007
Sept. 18 Oct. 16 Nov. 20	- 122 - 123 + 63	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 253 + 1,487 + 1,205	+ 1,571 - 458 + 1,318	+ 1,824 + 1,029 + 2,523	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,178 + 366 + 3,128
Dcc. 11 1986 Jan. 15 Feb. 19	+ 433 - 510 + 42	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,875 - 1,612 - 307	- 1,003 + 713 + 739	+ 872 - 899 + 432	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 980 - 833 + 876
Mar. 19 Apr. 16 May 21	+ 91 + 79 + 213	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,670 + 2,482 + 1,880	+ 1,184 + 2,628 + 1,708	+ 2,854 + 5,110 + 3,588	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 3,336 + 4,880 + 4,318
Month ended (seasonally adjusted) 1985 May 15	+ 80	+ 230 + 915	+ 1,225 + 2.4	- 717	+ 508 + 0.4	+ 337 + 206	+ 1,051 + 0.8
June 19[e] July 17[e] Aug. 21	$+ 21 \\ - 23 \\ + 50$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 475 + 233 + 498	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Sept. 18 Oct. 16 Nov. 20	+ 47 - 96 + 62	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$ \begin{array}{rrrrr} + & 12 & & \\ + & 1,325 & + & 2.4 \\ + & 1,421 & + & 2.5 \end{array} $	+ 2,113 - 365 + 983	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Dec. 11 1986 Jan. 15 Feb. 19	$ \begin{array}{rrrr} - & 62 \\ + & 108 \\ + & 13 \end{array} $	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 220 + 514 + 1,133	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Mar. 19 Apr. 16 May 21	+ 21 + 5 + 109	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,370 + 2,688 + 1,274	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$

After deducting 60% of net debit transit items (see additional notes to Table 6 of the *QuarterlyBulletin*). M I equals columns 1 + 2 + 3. \pm M3 equals M1 + column 5. M3 equals \pm M3 + column 7. [a] [b]

Including certificates of deposit.

[c] [d] Changes in the monthly-reporting population occurred in these months. See also the additional notes to Table 3 in the QuarterlyBulletin, and, for December 1985 and March 1986, footnotes [b] and [c] respectively to Table H on page 5.

The figures for the banking months of June and July 1985 are heavily distorted by the large flow of funds associated with the oversubscription to the sale of shares in Abbey Life Group p.l.c. These flows probably added substantial amounts to deposits and lending in banking June, but the distortion should have been unwound in banking July. Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding. (See additional notes to Table 11 of the *QuarterlyBulletin*.) [e]

[f]

[g] See additional notes to Tables 6 and 11 of the QuarterlyBulletin. [Table 11.2 in the QuarterlyBulletin]

3

F Transactions balances and components of M2

f millions: not seasonally adjusted

	Notes and coin in circulation with public	UK private sector sterling non-interest- bearing sight deposits with banks[a]	Non-interest- bearing M1[b]	Other UK private sector sterling retail deposits with banks	UK private sector retail shares and deposits with building societies	National Savings Bank ordinary account	M2[b]	Public sector retail deposits with banks	Overseas re deposits wi banks
Amounts outstanding	1	2	3	4	5	6	7	8	9
1985 May 15	12,441	21,440	33,881	33,291	67,315	1,752	136,239	1,060	4,152
June 19[c][d]	12,438	23,496	35,934	33,893	68,096	1,750	139,673	1,086	4,186
July 17[d]	12,674	21,250	33,924	34,709	68,267	1,733	138,633	1,015	4,404
Aug. 21	12,658	21,169	33,827	35,004	68,291	1,740	138,862	993	4,452
Sept. 18[c]	12,536	21,253	33,789	35,188	69,825	1,729	140,531	885	4,475
Oct. 16	12,413	21,574	33,987	35,637	70,630	1,734	141,988	1,107	4,541
Nov. 20	12,476	21,717	34,193	36,885	71,408	1,711	144,197	1,251	4,532
Dec. 11[c]	12,909	22,430	35,339	36,328	72,673	1,693	146,033	923	4,681
1986 Jan. 15	12,399	21,618	34,017	36,861	73,906	1,739	146,523	1,137	4,905
Feb. 19	12,441	21,216	33,657	37,014	74,464	1,714	146,849	997	4,895
Mar. 19[c]	12,532	21,718	34,250	37,641	75,284	1,722	148,897	1,071	5,054
Apr. 16	12,611	22,603	35,214	38,644	76,097	1,718	151,673	1,218	5,294
May 21	12,824	22,999	35,823	39,490	76,553	1,742	153,608	1,167	5,335
Changes in month ended [e] 1985 June 19[d] July 17[d] Aug. 21	$ \begin{array}{r} - 3 \\ + 236 \\ - 16 \end{array} $	+2,056 -2,246 - 81	+ 2053 -2,010 - 97	+ 602 + 816 + 295	+ 781 + 171 + 24	-2 - 17 + 7	+3,434 -1,040 + 229	+ 26 - 71 - 22	+ 34 + 218 + 48
Sept. 18	- 122	+ 87	- 35	+ 184	+1,374	$ \begin{array}{rrrr} - & 11 \\ + & 5 \\ - & 23 \end{array} $	+1,512	- 108	+ 23
Oct. 16	- 123	+ 321	+ 198	+ 449	+ 805		+1,457	+ 222	+ 66
Nov. 20	+ 63	+ 143	+ 206	+1,248	+ 778		+2,209	+ 144	- 9
Dec. 11	+ 433	+ 713	+1,146	$ \begin{array}{r} - 557 \\ + 533 \\ + 153 \end{array} $	+1,265	- 18	+1,836	- 328	+ 149
1986 Jan. 15	- 510	- 812	-1,322		+1,233	+ 46	+ 490	+ 214	+ 224
Feb. 19	+ 42	- 402	- 360		+ 558	- 25	+ 326	- 140	- 10
Mar. 19	+ 91	+ 499	+ 590	+ 627	+ 820	+ 8	+2,045	+ 74	+ 159
Apr. 16	+ 79	+ 885	+ 964	+1,003	+ 813	- 4	+2,776	+ 147	+ 240
May 21	+ 213	+ 396	+ 609	+ 846	+ 456	+ 24	+1,935	- 51	+ 41

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

Non-interest-bearing M1 equals columns 1+2. M2 equals non-interest-bearing M1+columns 4+5+6. [b]

See footnote [d] to Table D on page 3. [c]

See footnote [e] to Table E on page 3. [d] See footnote [f] to Table E on page 3.

[e]

G Private sector liquidity, and other deposits

£ millions: *percentages in italics* 'Money' PSL1 PSL2 Other shares and deposits with building societies Certificates of PSL2 Savings institution deposits and securities PSL1 Other money-market instruments Seasonally adjusted (columns)(1+2+5)tax deposit (columns 1+2+3+6)Seasonally adjusted Column 5 Issues Less build-Seasonally adjusted Seasonally adjusted change in month Seasonally adjusted Seasonally Seasonally Unadjusted Seasonally adjusted change in month adjusted adjusted of which shares and deposits with building societies [a] Issues net of sur-renders Amount outstanding Change in month Total ing society holdings (net) 9 7 8 10 11 12 5 6 1 2 3 4 Month ended 3.088 81,890 78,361 2,975 2,634 118,987 200,536 + 254 +0.2 + 328 +0.2 19,052 +790 112 924 1985 May 15 2,539 2,672 2,530 121,798 121,036 122,876 203,934 203,800 206,204 19,349 19,489 19,659 +297 +140 +170 82,497 83,154 83,727 79.314 80.352 81.490 2,900 3,062 2,929 +2,778 +2.3 -0.6 +1.6 + 3,392 +1.7 19[b] 17[b] 21 115,587 114,666 116,852 3.311 3.308 3.095 June July Aug. +1.894 +1.2 +2 460 2,696 2,993 2,846 2,296 2,537 2,390 124.668 125,851 128,213 208,916 211,419 215,827 +1,790 +1,182 +2,372 19,393 18,828 18,076 -266 -565 -752 119.000 119.954 122.328 2.972 2.904 3.039 84.648 86.024 88.070 82,754 84,332 86,432 +1.5 +0.9 +1.9 +2,710 +2,502 +4,418 +1.3 +1.2 +2.1 Sept. 18 Oct. Nov. 16 20 87.774 89.857 91.605 2,894 2,500 2,627 2,406 2,251 2,238 217,437 219,111 222,445 -386 -455 -365 Dec. 1986 Jan. Feb. 11 15 19 122,987 122,985 124,149 2.936 3.030 2.891 89,108 90,845 93,167 128,817 128,515 129,667 + 652 - 252 + 1,235 +0.5 -0.2 +1.0 +1,653 +1,724 +3,417 +0.8 +0.8 +1.6 17,690 17,235 16,870 Mar. 19 Apr. 16 May 21 126,931 131,025 134,885 2.768 2.719 2.352 94,208 95,242 95,840 93,165 94,704 96,106 2,981 3,117 3,275 2,409 2,472 2,430 132,680 136,861 140,512 226,316 231,458 235,507 +3,062 +4,180 +3,650 +2.4 +3,920 +3.2 +5,141 +2.7 +4,048 +1.8 +2.3 +1.7 16.674 16,320 15,983 -196 -354 -337 Apr. May

Including UK non-bank private sector's holdings of certificates of deposit and time deposits issued by building societies. [a]

See footnote [e] to Table E on page 3. [b]

4

[Table 11.1 and 11.2 in the Quarterly Bulletin]

4

[Summary of Table 12 in the Quarterly Bulletin]

H Banks: balance sheet of monthly reporting institutions [a]

millions						Sterling	liabilities						
-	Notes out- standing	Total deposits	UK monetary sector	Sight der UK public sector	UK private sector	Overseas	UK monetar sector [d	y UK public	me deposits UK private sector	Overseas	Certifi- cates of deposit etc. [d]	Items in suspense and transmission	Capital and othe funds
985 Dec. 11 [b] 986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	995 953 946 967 985 998	208,575 210,662 214,505 221,917 232,268 236,667	9,746 8,612 8,698 9,722 10,548 10,619	1,488 1,378 1,468 1,722	48,472 47,535 47,194 49,107 51,502 53,125	6,771 7,056 7,024 7,258 7,625 7,402	37,891 39,438 41,030 43,287 45,667 46,340	1,790 2,018 1,958 1,899 2,889 3,224	61,490 62,707 62,653 63,372 65,466 66,855	25,705 26,895 27,116 28,251 28,659 28,461	15,467 14,912 17,455 17,553 18,191 18,903	5,443 5,843 5,938 6,483 6,406 5,963	27,899 28,172 28,215 28,397 29,720 29,581
		Total deposits	Sig UK monetary sector [d]	Ot ght and time d Other United Kingdom	her currency l eposits	Cert cates depo [d]	s of osit etc	Items in suspense and trans- mission	Capital and other funds	Total liabilities/ assets	Liabili		
985 Dec. 11 [b] 986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21		498,677 496,324 505,022 508,486 504,308 507,046	89,235 85,068 87,762 89,693 88,164 87,493	18,812 18,869 19,408 19,661 19,716 20,458	322,904 327,235 332,377 332,741 331,944 330,920	67,77 65,1 65,4 66,3 64,4 68,1	75 91 83	5,295 5,408 6,528 6,882 6,616 6,660	14,867 14,164 15,063 14,721 13,934 13,792	761,751 761,527 776,216 787,851 794,237 800,706	242,91, 245,63(249,604 257,76, 269,379 273,200	/ 200.3/5	
						Sterling a	assets						
	Note and coin	s Bala Casl ratio depo	Specia	al	all as	DMA Unsecure	N Other moneta	arv mon	Building society CDs and	Carl Strategies	s Overse	eas	
985 Dec. 11 [b] 986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	2,313 2,266 2,140 2,200 2,149 2,258	66 66 66 66 66 66 71	7 – 6 – 7 – 7 –	83 167 146 245 140 310	6,367 5,826 6,165 6,674 6,580 5,969	47 46 39 34 37 27	45,519 46,299 47,720 50,942 54,45 55,250	8 6 0 7 2 7 7 7	210 766 272 631 354 769 170 695 626 872 023 874	3,565 3,572 3,408 3,437 3,271 3,091	8,89 9,58 9,94 10,73 11,53 11,54	1	
				The second	St	erling assets	s continued						
	Treasur bills	v lo a	ligible ocal uthority ills	Bills Eligible bank bills	Ot	her	Tota	1	Advances UK public sector	UK private sector	Oversea	Banking Departmen lending to central governmen	100
985 Dec. 11 [b] 986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	300 244 166 233 310 44	4 8 5 0	581 620 510 533 394 406	2,806 5,112 7,728 6,267 4,373 4,538		297 318 318 348 403 385	131,99 132,77 132,02 133,98 138,87 140,94	73 20 31 73	2,067 2,004 1,766 1,744 1,665 1,443	117,656 119,140 119,560 122,179 126,351 127,158	12,269 11,628 10,694 10,058 10,857 12,341	574 -2,106 -4,270 -2,693 446 518	
		1.1.1.1	terling assets			1				Other currency			

	Sterling ass	ets continued					Other	currency assets			
Investme	nts	Mis	cellaneous	assets			Market loar	s and advances			6.2020
British government stocks Other public sector 1985 Dec. 11 [b] 7,171 425 1986 Jan. 15 7,121 313 Feb. 19 6,919 543 Mar. 19 [c] 6,510 544 Apr. 16 6,706 535 May 21 7,238 505	7,573 7,732 8,139 8,293 8,985 9,306	Items in suspense and collection 8,870 9,597 9,295 10,480 10,566 10,120	Assets leased 1,426 1,582 1,528 1,508 1,519 1,466	5,904 5,895 5,919 5,942 5,932 6,019	Total 478,422 474,628 484,495 488,177 482,379 484,382	of which advances 120,287 119,790 120,927 121,405 119,264 119,346	UK monetary sector 89,171 84,835 87,169 89,852 87,370 86,302	UK monetary sector CDs	UK public sector 1,632 1,766 1,740 1,669 1,653 1,590	UK private sector 33,837 35,087 35,370 36,198 36,142 36,859	0verseas 342,173 341,627 349,547 349,301 346,093 348,462

			Other currency assets continued						otances	Eligible liabilities
	Bills	1 Station	Investments		Items in	Miscellaneous a	assets	The state		12.59
		Total	United Kingdom	Overseas	suspense and collection	Assets leased	Other	Sterling	Other currencies	
1985 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	1,769 2,076 2,200 2,191 2,154 2,338	32,527 33,365 34,470 34,441 35,166 35,987	1,949 2,563 2,554 2,621 2,601 2,774	30,578 30,802 31,917 31,820 32,566 33,212	5,086 5,417 6,297 6,740 6,617 6,780	10 10 7 7 7 12	1,589 1,499 1,581 1,551 1,541 1,266	18,251 18,661 19,462 17,873 17,483 18,352	2,987 2,883 2,858 3,083 3,126 3,040	147,787 148,941 149,965 152,862 159,491 161,902

[a] These tables include all monthly reporting monetary sector institutions other than members of the London Discount Market Association—see page 562 of the December 1983 *QuarterlyBulletin*.
[b] Three contributors joined the series and one left the series at mid-December; the net effect was an increase of £70 million in sterling assets and an increase of £486 million in other currency assets.
[c] Nine contributors joined the series at mid-March; the effect was an increase of £436 million in sterling assets and £32 million in other currency assets.
[d] Promissory notes, bills and other short-term paper were previously included within UK monetary sector; these items are now included with certificates of deposits.

[Table 3.1 in the Quarterly Bulletin]

£ millions

		Notes out- stand-			Sterli	ing depos	its				Oth	er currency d	eposits	-
British banks:		ing	Total	of which sight deposits	UK monetary sector [d]	UK public sector	UK private sector	Overseas	Certifi- cates of deposit[d]	Total	UK monetary sector [d]	Other United Kingdom	Overseas	Certifi- cates of deposit [c
Retail banks	1986 Apr. 16	985	119,514	52,288	11,042	3,374	86,136	10,983	7,979	46,449	6,287	4,324	30,516	5,322
	May 21	998	122.044	54,097	11,746	3,471	88,139	10,605	8,083	46,286	6,545	4,475	29,415	5,852
Accepting	1986 Apr. 16	Ξ	13,441	3,308	2,617	270	7,498	1,546	1,511	11,735	3,088	1,958	6,319	370
houses	May 21		13,440	3,238	2,571	251	7,637	1,444	1,538	11,622	2,747	2,026	6,414	434
Other British	1986 Apr. 16	Ξ	35,131	6,752	16,546	526	9,859	4,756	3,444	25,872	7,431	1,499	14,774	2,168
banks	May 21		35,644	6,908	16,694	679	9,988	4,709	3,574	24,802	6,557	1,584	14,475	2,186
Overseas banks:	1986 Apr. 16	E	14,789	2,888	5,961	25	3,673	3,847	1,283	80,863	7,885	4,276	49,222	19,480
American banks	May 21		15,131	3,128	5,825	27	3,937	3,893	1,448	80,109	6,846	4,522	47,673	21,068
Japanese banks	1986 Apr. 16 May 21	=	11,651 12,316	439 392	6,683 6,825	144 95	1,751 1,912	1,971 2,223	1,102 1,261	173,304 179,154	36,563 37,807	2,427 2,487	113,686 116,736	20,628 22,124
Other overseas	1986 Apr. 16	÷	35,535	5,273	12,457	266	7,665	12,356	2,791	153,407	23,039	4,793	109,425	16,150
banks	May 21		35,772	4,687	12,376	431	7,971	12,092	2,903	152,304	23,221	4,990	107,983	16,110
Consortium	1986 Apr. 16	_	2,206	448	925	5	384	811	81	12,677	4,041	439	7,833	365
banks	May 21		2,320	435	930	8	396	889	96	12,768	4,004	366	7,997	401
Total	1986 Apr. 16	985	232,267	71,396	56,231	4,610	116,966	36,270	18,191	504,307	88,334	19,716	331,775	64,483
	May 21	998	236,667	72,885	56,966	4,962	119,980	35,855	18,903	507,045	87,727	20,450	330,693	68,175

Liabilities

t

		Sterling and other currency	Total liabilities/			Sterling as	sets			
		liabilities Items in	assets		A Amile Call			Market loans		
		suspense and transmission, capital and other funds		Notes and coin	Balances with Bank of England (including cash ratio deposits)	Secured money with LDMA	Other UK monetary sector [b]	UK monetary sector CDs	UK local authorities	Overseas
British banks:	1986 Apr. 16	31,372	198,320	2,122	491	4,365	20,107	3,155	1,716	1,666
Retail banks	May 21	30,754	200,082	2,228	670	3,721	19,893	3,352	1,658	1,670
Accepting	1986 Apr. 16	3,639	28,815	2	29	341	5,051	1,164	266	740
houses	May 21	3,701	28,763	4	31	245	5,172	1,201	247	794
Other British	1986 Apr. 16	8,045	69,048	3	93	281	10,160	1,263	438	1,269
banks	May 21	8,022	68,469	3	118	384	10,129	1,214	416	1,105
Overseas banks:	1986 Apr. 16	4,116	99,768	2	61	456	3,652	346	108	1,280
American banks	May 21	4,476	99,716	4	59	449	3,811	404	103	1,296
Japanese banks	1986 Apr. 16 May 21	1,094 801	186,050 192,271	Ξ	35 35	369 381	3,715 4,348	42 42	72 69	2,563 2,456
Other overseas	1986 Apr. 16	5,985	194,927	19	92	744	11,251	1,471	587	3,580
banks	May 21	6,281	194,357	19	103	767	11,275	1,587	525	3,865
Consortium	1986 Apr. 16	2,425	17,309	1	6	24	558	187	84	433
banks	May 21	1,960	17,048		6	23	650	222	73	357
Total	1986 Apr. 16	56,676	794,237	2,149	807	6,580	54,494	7,628	3,271	11,531
	May 21	55,995	800,706	2,259	1,022	5,970	55,278	8,022	3,091	11,543

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

[b] Including unsecured money with LDMA.

[c] Including holdings of sterling time deposits placed with, and sterling certificates of deposit issued by, building societies.
 [d] Promissory notes, bills and other short-term paper were previously included within UK monetary sector; these items are now included with certificates of deposits.

J Discount market: balance sheet

£ millions

				St	Liabilities: bo erling	rrowed funds	1		Other curre	encies	
	Total	of wh Call and overnight	ich Other	Bank of England	Other UK monetary sector	Other United Kingdom	Overseas	Total	UK monetary sector	Other United Kingdom	Overseas
1985 Dec. 11 1986 Jan. 15 Feb. 19 Mar. 19 Apr. 16 May 21	8,121 7,516 7,761 8,327 8,551 7,966	7,584 6,935 7,170 7,770 7,615 7,140	537 581 591 557 936 826	80 92 179 192 259	6.409 5.765 6.085 6.610 6.452 6.107	1,628 1,651 1,485 1,512 1,822 1,848	4 8 12 13 18 11	336 223 333 216 271 372	121 116 112 70 59 115	163 85 103 84 98 128	52 22 118 62 114 129

					Sterl	ing assets						
		Cash ratio deposits		Bills	Other				- Brites	Funds lent		
	Total	with the Bank of England	Treasury bills	Local authority bills	public sector bills	Other bills	UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Other United Kingdom	Overseas
1985 Dec. 11 1986 Jan. 15 Feb. 19 Mar. 19 Apr. 16 May 21	8.373 7.760 8.042 8.609 8.876 8.317	7 7 7 7 7 8	50 13 54 103 236 60	9 15 70 44 90 61	20 50 20 20 20 20 5	3,445 3,619 3,711 3,661 4,523 4,002	491 304 269 212 228 339	2,729 2,468 2,690 2,660 2,098 2,376	550 497 263 388 317 232	134 134 137 132 115 109	219 152 149 138 255 291	4 12 156 7 71

[Tables 3.2 to 3.8 in the Quarterly Bulletin]

•					E	Bills		Sec.	Advance	es	Banking Department lending to	Investr	nents
				Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas	central government (net)	British government stocks	Other
British banks: Retail banks	1986	Apr. May	16 21	277 368	358 395	3,476 3,594	74 76	419 326	77,921 78,237	2,845 4,408	446 518	5.368 5,873	2.922 2,978
Accepting houses	1986	Apr. May	16 21	5 4	14 11	372 317	53 57	51 57	3,812 3,994	1,075 1,091	=	299 207	1,521 1,354
Other British banks	1986	Apr. May	16 21	1 22	15	251 322	78 57	65 57	20,463 20,562	1,673 1,707	Ξ	367 395	1,707 1,749
Overseas banks: American banks	1986	Apr. May	16 21	1	- E	20 46	4 7	69 67	7,422 7,561	1,292 1,325	Ξ	213 231	391 391
Japanese banks		Apr. May		4 6	=	Ξ	Ξ	582 474	1,732 1,727	986 855	Ξ	22 101	1,555 1,684
Other overseas banks	1986	Apr. May	16 21	22 41	8	254 257	190 183	456 440	14,506 14,525	2,727 2,693		327 323	1,160 1,369
Consortium banks	1986	Apr. May	16 21	=	Ξ	2	4 4	23 23	496 553	259 262	= =	110 110	265 287
Total	1986	Apr. May	16 21	310 442	395 406	4,373 4,538	403 384	1,665 1,444	126,352 127,159	10,857 12,341	446 518	6,706 7,240	9,521 9,812

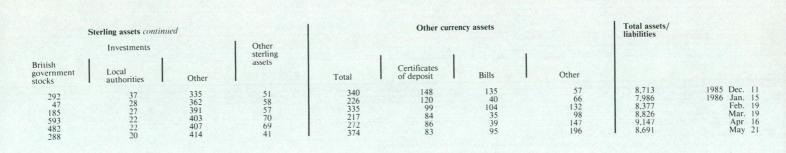
Sterling assets continued

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						Other cur	rency assets						Sterling and other	Accept- ances	Eligible liabilities
						Ν	farket loans a	nd advance	es		Bills	Invest- ments	currencies	Change 1	
				Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas		incinis	Miscel- laneous assets[c]		
British banks: Retail banks	1986	Apr. May	16 21	49,171 48,780	15,515 15,747	11,332 10,710	351 339	179 173	4,330 4,593	32,979 32,966	648 679	5,262 5,202	15,513 15,459	3,344 3,732	89,620 92,107
Accepting houses	1986	Apr. May	16 21	10,666 10,601	3,890 3,683	2,904 3,005	525 560	17 15	965 980	6,255 6,041	63 62	1,401 1,407	1,890 1,908	3,899 4,085	7.005 6.757
Other British banks	1986	Apr. May	16 21	27.734 27.045	9,731 9,335	6,376 5,718	133 209	714 711	2,320 2,067	18,191 18,339	26 81	1,169 1,490	1,994 1,612	1,125 1,040	21,833 21,987
Overseas banks: American banks	1986	Apr. May	16 21	77,761 77,100	22,750 22,825	8,172 7,587	1,243 1,219	30 30	9,599 9,797	58,717 58,467	52 101	2,551 2,490	4,086 4,272	3,319 3,325	10,291 10,387
Japanese banks	1986	Apr. May	16 21	158,844 164,266	25,382 26,084	27,341 28,564	1,432 1,379	571 542	7,883 8,609	121,617 125,172	99 105	14,773 15,034	656 690	2,220 2,268	7,529 7,542
Other overseas banks	1986	Apr. May	16 21	145.273 143.552	36,408 36,026	29,840 29,385	7,100 7,121	142 116	10,763 10,469	97,428 96,462	1,164 1,199	8,938 9,305	2,158 2,330	6,457 6,703	21,719 21,678
Consortium banks	1986	Apr. May	16 21	12,930 13,038	5,587 5,646	1,404 1,334	338 342	3	281 344	10,907 11,015	101 113	1,072 1,058	757 267	245 239	1,494 1,442
Total	1986	Apr. May	16 21	482.379 484.382	119,263 119,346	87,369 86,303	11,122 11,169	1,653 1,590	36,141 36,859	346,094 348,462	2,153 2,340	35,166 35,986	27,054 26,538	20,609 21,392	159,491 161,900

[Table 4 in the Quarterly Bulletin]



7

8 Other identified external and foreign currency transactions (ie excluding EFCFPS) were +1220, very different from the forecast of -350; this may be a poor guide to the final outturn for the externals.

9 The residual (including NNDLs) was contractionary by 230, compared with a forecast of -500. A sterling capital issue by Standard Chartered contributed -150. The planned rights issue by National Westminster will not have affected the figures in banking May.

Financial Statistics Division Money & Banking Aggregates Group BB-1 30 May 1986

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MISS R BORER (4471) / P A BULL (4427)

3

2003/20 The provisionals publication date is the	AL	
day before the EPR comes out. The En3 news below may be relevant (es. to any monetary policy article in the EPR. 1. MR RICHARDSON		T TARKOWSKI 30 MAY 1986
2. CHANCELLOR	cc:	Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Sir G Littler
The Son: Fuggeres Mar In mon Son in Suggeres Rat Grows may S		Mr Cassell Mr Scholar Mr Peretz o/r Mr Sedgwick
The Goi Aggals That with is the ame takes in provide. Is the ame takes the provide. Is the provide. Is the ame takes the provide. Is the provide. Is the ame takes the provide. Is the provide. Is the ame takes the	n un	Mr Walsh o/r Mr Hannah Mr Heath Mr Ross Goobey

I attach the Bank's monthly note setting out their "first guess" at the money supply figures for banking May, which ended on 21 May.

Summary

2. **£M3** is estimated to have risen 2.4 per cent, compared with a forecast increase of 0.9 per cent. This suggests a final outturn in the range of 2½ per cent to 2¾ per cent. On this basis the annual growth rate of £M3 to banking April would be in the range of 18½ per cent to 19 per cent, remaining, as forecast, well above its 11-15 per cent target range. **M0** rose by 0.1 per cent (forecast: 0.5 per cent). Annual growth remains in the bottom half of its target range, at 3.4 per cent. Table 1 below gives the implied growth rates in the target aggregates.

Table 1: Monetary Aggregates - First guess : banking May

Monthly percentage change	<u>M0</u>	per cent <u>£M3</u>
First guess	0.1	2.4
Likely outturn	0.1	$2\frac{1}{4} - 2\frac{3}{4}$
3 month annualised rate	0.1	35¼ - 38
6 month annualised rate	4.1	20월 - 21월
Annual rate	3.4	$18\frac{1}{2} - 19$

3. The annual growth rate for M0 at 3.4 per cent is slightly up from last month (3.2 per cent), but remains comfortably in the bottom half of its target range. This is in line with the forecast which predicts that MO's annual growth rate remains close to 3 per cent throughout the forecast period.

£M3 components

4. In banking May £M3 is thought to have increased by £3,150 million, or 2.4 per cent, compared with our forecast increase of 0.9 per cent, circulated in Mr Walsh's monetary prospects submission of 14 May (which superseded the forecast reported in the Bank's note). Among the components, notes and coin rose by £110 million. The main surprise is in non-interest bearing sight deposits which rose unusually strongly by £1,290 million. Interestbearing sight deposits rose £1,140 million, time deposits rose rather less strongly by £620 million.

5. We do not as yet know definitely that factors distorting the components have been at work, but the exceptional increase in NIB sight could well be associated with something of the kind. There was a large gilt redemption at the end of banking May, which could have inflated the figures for NIB sight. The last increase of comparable size happened last June in the run up to the Abbey Life oversubscription.

£M3 counterparts

Sain

6. Table 2 (attached) compares £M3 counterparts in the first guess with those in the forecast. £M3 is estimated to have risen by £3,150 million, about £2.0 billion above forecast. The main factor accounting for the difference is the very substantially expansionary externals (around £1.5 billion more expansionary than forecast).

7. The "PSBR" is estimated at £1,140 million, about £640 million above forecast. This is accounted for by the other public sector contribution, which was around £470 million more expansionary

MO

SECRET AND PERSONAL

than forecast, largely on account of the LAs. The CGBR was close

8. Central Government net debt sales, at £70 million, were also on forecast, but the effects of the higher than expected "PSBR" on the funding position were largely offset by above-forecast external flows to the public sector, leaving underfunding - at £640 million - not significantly different from forecast (£470 million).

9. Sterling lending is estimated at £1,530 million, much as the capital allowances surge forecast. (The forecast assumed that began to unwind this month, though only very slowly.)

reason for the difference from forecast was 10. The main At this stage, the division between NNDLs and the externals. externals is not on the same basis as that used in the forecast, and the position is further complicated by the treatment of the residual error, which is included in NNDLs. But the externals and NNDLs taken together are around £1.8 billion more expansionary than forecast, and it seems clear that the externals are largely responsible, even after allowing for the statistical difficulties in the way of interpretation at this stage. We understand, however, that there has been a reduction of around fl billion in overseas residents' sterling deposits (an expansionary influence) and it is conceivable that this may be related to the recent substantial turn-around in the UK current account, though it is not possible to go beyond conjecture before we have more detailed figures.

Timetable

11. We will receive provisional April figures on Friday 6 June, and they will be published on <u>Tuesday 10 June</u>. Full money and banking figures will appear on Thursday 19 June.

12. I am sending a copy of this minute to Mr Norgrove at No 10 Downing Street.

I w kowsh' T TARKOWSKI

TABLE 2 : BANKING MAY 1986

"First guess" compared to forecast

	£	millions,	seasonally	adjusted	
	FI	RST GUESS		FORECAST*	diff
CGBR (ex bank deposits)		+1,640		+1,628	+12.
CG debt: Gilts	+470		+420		
Treasury Bills National Savings	-240		-215		
CTD's	-160		-130		
		+70		+75	-5
		+70		-75	- 3
Other public sector: LA	-270		-885		
PC	-240		-95		
		-510		-980	+470
External and fc. finance					-
of the public sector		-560		-250	-310
Sterling lending to UK private					
sector (inc. Issue Dept. commercial bills)		+1,530		+1,600	-70
Net private externals**		+1,220		-335	+1555
Residual (includes NNDLs**					
and reporting differences)		-230		-500	+270
£M3		+3,150		+1,240	+1910
(Monthly percentage change)		(+2.4%)		(+0.9%)	
(noning percentage change)					

+640 +470 +170 Wide over(-)/underfunding(+)

* As circulated in Mr Walsh's "Monetary Prospects" submission of 14 May 1986.

** For the first guess, foreign currency NNDLs cannot be separately identified and are included with £NNDLs and the residual. In the forecast they are attributed to the Externals, in line with the convention used for the published figures.

SECRET

30.5.86

THE GOVERNOR'S SECRETARY (2) THE DEPUTY GOVERNOR MR LOEHNIS MR GEORGE MR WALKER MR FLEMMING MR COLEBY MR WILLETTS MR PLENDERLEITH MR TAYLOR MR W A ALLEN

MR COLLINS MR HOTSON MR MIDGLEY/GROUP 7/2 MR PENNINGTON/GROUP 2/2 MR THORP MR TOWNEND MR M ST J WRIGHT/GROUP 2/4 MR McCONNACHIE MR MANN MR WALSH (HMT) MR TARKOWSKI (HMT)

FROM: Miss R Borer / P A Bull

BANKING MAY 1986 - A FIRST ESTIMATE

£ millions, seasonally adjusted

The provisional estimates of the monetary aggregates for banking May will be published at 2.30 pm on Tuesday 10 June and the full money and banking figures will be published at 2.30 pm on Thursday 19 June. Even after 19 June, some of the information contained in this note remains confidential to the Bank, and group 2/3 should be consulted if there is doubt about its availability.

1 Figures received from the weekly reporting banks show an increase in Σ M3 of 3150 in banking May. An estimate of the monetary sector as a whole, based on these returns, would suggest a final outturn in the range of +2 1/4% to +2 3/4% (compared with a forecast increase of 0.8%) and a 12-month growth rate in the range of +18 1/2% to +19%, well outside the target range of 11-15% announced in the Budget.

2 Among the components of £M3, notes and coin are estimated to have risen by 110, and private sector non-interest-bearing sight deposits to have increased by 1290, an unusually large amount. Private sector interest-bearing sight deposits are estimated to have risen by 1140. Private sector time deposits (including CDs) are estimated to have risen by 620: within this, time deposits rose by 410 and CDs by 200. Within the total increase of 1550 in interest bearing deposits, retail IB deposits rose by 740.

SECRET

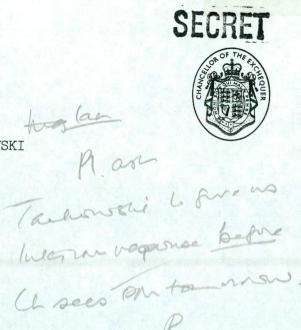
3 Our latest estimate for MO for banking May is +0.1%, or +3.4% over the last twelve months, within the new target range of 2-6% announced in the Budget. This includes figures received from the Scottish note issuing banks and also revised estimates for coin. Information has not yet been received from the Northern Irish banks.

4 The table attached compares counterparts to £M3 with the forecast as circulated in the FR of 15 May. The estimated CGBR is +1640, ie 310 above forecast: within this, the CG own account was +480 while on-lending to LAs was +1380, and on-lending to PCs was -220. Net purchases of central government debt from the non-bank private sector are estimated to have been +70, compared to a forecast of net sales of -30. Gilts contributed +470, ie a decrease of nbps holdings with two large redemptions, compared to the forecast decrease of +320. There were net purchases of CTDs of -160 and of National Savings of -240, while Treasury Bills showed no net change over the month.

5 The direct contribution of the rest of the public sector is estimated to have been contractionary by -510, (370 less contractionary than forecast). Local authorities were -270, (360 less contractionary than forecast), and PCs were -240, (10 less than forecast).

6 "Narrow overfunding" (ie the CGBR plus the direct contribution of the rest of the public sector, net of CG debt sales to the non-bank private sector) was +1200 (ie. an underfund). External and foreign currency finance of the public sector (EFCFPS) was -560. "Wide overfunding" (ie the sum of narrow overfunding and EFCFPS) was +640, (ie an underfund) compared with a forecast of +270.

7 Bank lending in sterling to the private sector is estimated to have increased by 1530, compared with a forecast rise of 1600.



FROM: MRS R LOMAX DATE: 2 June 1986

CC

MR TARKOWSKI

Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Scholar Mr Peretz Mr Sedgwick Mr Walsh Mr Richardson Mr Ross Goobey

MONEY SUPPLY IN BANKING MAY : "FIRST GUESS"

The Chancellor was grateful for your minute of 30 May.

2. At lunch on Friday, the Governor suggested that errors might be at least partially responsible for the appalling sterling M3 figure. The Chancellor hopes this is being actively looked into, with a view to correcting any errors. He would be grateful if you would keep him closely in touch.

1.

RACHEL LOMAX

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SECRET

FROM: T TARKOWSKI DATE: 2 JUNE 1986

cc: Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Scholar Mr Peretz Mr Sedgwick Mr Walsh Mr Richardson Mr Hannah Mr Ross Goobey

MONEY SUPPLY IN BANKING MAY : "FIRST GUESS"

Mrs Lomax' 2 June minute recorded that, at your lunch with the Governor on Friday, he suggested that errors might be at least partially responsible for the £M3 figure in the First Guess. You asked that we look into the substance of this.

2. I have consulted the Bank at official level. They say that the information on which the Governor based his lunch remarks was still subject to heavy caveats at the time, since it had not been fully checked for errors. This is normal: in the immediate run up to the First Guess the figures are continuously checked and refined. But this month the effect of that process was simply to confirm the 2.4 per cent figure for £M3 growth; there had been no significant errors.

3. The Bank have re-confirmed they are satisfied that their figures (as reported in my 30 May submission) are now as sound as ever can be achieved in the First Guess: indeed work in the Bank on the weekly figures has now finished. So we shall not know more detail until the monthly figures become available in the provisionals at the end of the week. (At this stage the figures are still being input into the Bank's computer, and returns from some banks will not even have arrived.)

2

4. As always, there is scope for considerable revision between the First Guess and the Provisionals, reflecting the different reporting populations on which they are based. But there is little in the information so far available to suggest that the £M3 estimate is likely to reduce. While almost anything could still happen on the counterparts side (where the externals appear to be the main expansionary influence this month), the picture on the components side looks distinctly less promising. An important factor here was the exceptionally large increase in NIB sight deposits (the 5.7 per cent increase in banking May is larger than the total increase - 5.1 per cent - during the previous 12 months). This was very widely spread among banks. So even if further errors come to light, they are unlikely significantly to change the total increase. Since most NIB sight deposits are with the retail banks, all of whom report weekly, the addition of the monthly banks is unlikely to make much difference. Barring large revisions to the IB and wholesale elements in the picture, it looks as though we will be stuck with a bad month for £M3.

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T TARKOWSKI





FROM: MRS R LOMAX

DATE: 3 June 1986

MR TARKOWSKI

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Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Peretz Mr Walsh Mr Richardson Mr Ross Goobey

MONEY SUPPLY IN BANKING MAY : "FIRST GUESS"

Ch

The Chancellor was grateful for your minute of 2 June. He would be grateful for views on the likely explanation for the exceptionally large increase in NIB sight deposits in May.

RACHEL LOMAX

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SECRET AND PERSONAL

cc:

- [Seen and approved in draft.] 1. MR WALSH
- 2. CHANCELLOR

FROM: T. TARKOWSKT DATE: 6 JUNE 1986 Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Peretz Mr Scholar Mr Sedgwick Mr Culpin Mr Pickford Mr Richardson or Mr Hannah Mr Ridlington Dr Coyle Mr Heath Mr Ross Goobey

PROVISIONAL MONEY FIGURES : BANKING MAY

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The provisional money supply figures for banking May will be published by the Bank at 2.30 pm on Tuesday 10 June.

616

SUMMARY

MO rose by 0.1 per cent (compared with 0.1 per cent in 2. the first guess and 0.5 per cent in the forecast). This will appear in the press notice as a rise of "up to) 1/4 per cent". Annual growth of MO, at 3.4 per cent (slightly up from last month's 3.2 per cent), remains in the lower half of its 2-6 per cent target range.

£M3 is provisionally estimated to have risen by 3.0 per 3. cent (well above both first guess of 2.4 per cent and forecast of 0.9 per cent). This will appear in the press notice as a rise of "about 3 per cent". The annual growth rate of £M3 has increased to 19.5 per cent (from last month's 16.6 per cent), its highest since June 1981 and near the April 1981 peak of 20.0 per cent. The three month annualised rate, at 39.1, is the highest we have on record. Further comparisons with previous records (are set out in table 4 attached).

Table 1 (below) gives the implied growth rates in both 4. aggregates to mid-May. Tables 5, 6 and 7 (attached) give growth rates since September 1985 for these and other aggregates.

	Banking	Figures	Annu	al Growth R	ates
	May	Press Notice	3 months	6 months	12 months
мо	0.1	up to $\frac{1}{4}$	3.5	4.1	3.4
£M3	3.0	about 3	39.1	21.9	19.5

Table 1 : Monetary Aggregates (provisional)

5. <u>Sterling lending</u> increased broadly in line with the forecast, by around fl.7 billion, following the f2.8 billion average for March and April, which reflected changes in capital allowances.

6. <u>The externals</u> were the main unexpectedly expansionary factor, at fl.5 billion.

7. <u>Underfunding</u> in May contributed £0.5 billion to the other expansionary pressures. Cumulative underfunding from April is £1.0 billion.

8. Among the <u>components</u> there was exceptionally strong (and unseasonal) growth in <u>non-interest bearing sight deposits</u>.

9. <u>PLS2A's</u> annual growth has increased to 15 per cent (from 13.6 per cent) breaching the 12-14 per cent band for its annual growth for the first time in 4½ years. (Table 8 attached sets out the relationship between £M3 and PSLA growth.)

PRESENTATION OF FIGURES

10. Once again we have bad news for the markets - news which we have difficulty in explaining, even to ourselves. Both the March and the April £M3 figures were bad (2.2 and 3.2 per cent respectively) but this was widely expected (at least in March) as a direct consequence of capital allowance changes; and the evidence of high bank lending appeared to confirm this explanation. Now that bank lending has fallen back to something like its underlying trend, continuing unsubdued growth in £M3 is clearly worrying. Market expectations are for an increase of perhaps 0.8-1.0 per cent, perhaps justifying a further ½ point off interest rates, so the £M3 figure - including an unprecedented 39 per cent 3-month annualised rate - will be a shock.

11. The message from other indicators of monetary conditions is mixed. The behaviour of M0, the exchange rate, and bank lending offer reassurance. But house prices are showing stronger growth.

12. The suggested line to take in the attached draft briefing is, by design, measured. It acknowledges that the £M3 figures remain somewhat puzzling, in particular because other evidence suggests policy is more or less on track, and draws the conclusion that £M3 growth does not, for these reasons, call for action, though it does signal the need for increased vigilance.

13. The Bank's draft press notice, for publication at 2.30 pm on Tuesday 10 June, is attached.

14. <u>Can I please have comments on the press notice by lunch-</u> time on Monday 9 June, and on the draft press briefing by close on that day.

DETAIL

MO

15. M0 rose by only 0.1 per cent this month. The annual growth rate of M0 at 3.4 per cent, much as forecast, was up slightly on April's 3.2 per cent, as last May's low figures dropped out. Notes and coin in circulation rose by 30. Bankers' balances were unchanged, close to their target level. While we do not expect to see much change from this level during the forecast period, some modest reaction to past interest rate falls might be expected to work through later in the year.

£M3: components

16. Table 2 sets out the changes in the components of £M3 (and PSL2A).

TABLE 2: The Components of £M3 and PSL2A May 1986

		£ million, seasonally adjuste					
		Banking May		in previous oths April			
			monthly rate	percentage increase			
Notes and coin in circulati	on	109	19	1.8			
Bank deposits:							
Retail (a)	interest bearing	580	478	17.2			
(b)	non-interest bearing	1,121	90	5.1			
Wholesale (including	£CDs)	2,132	995	25.2			
Change in £M3		3,942	1,582	16.6			
Bills and other non-buildin flows in PSL2A	g society	-126	13	1.0			
Building Society:							
Inflows (a)	retail (incl. interest credited)	954	1,171	14.8			
(b)	wholesale	101	64	n/a			
Liquid Assets (inc -)		-469	-335	n/a			
Change in PSL2A		4,402	2,495	13.6			

17. All the components of £M3 rose in May (as they did in the two preceding months). Notes and coin rose by £110 million. NIB sight deposits rose by an exceptional £1,120 million, the largest monthly increase since June 1985, when they increased by £2 billion in advance of the Abbey Life sale. IB sight deposits rose by £1,440 million, mainly in retail banks, following similar big increases in March and April. Time deposits (including CDs) rose by £1,270 million following last month's exceptional £2,690 million.

18. Retail deposits (IB and NIB) rose by £1.7 billion, mainly because of the exceptional behaviour of NIB sight deposits. This is about three times the previous 12-month average (see Table 2 attached). Wholesale deposits normally lead £M3 growth (their recent annual growth rate is about 25 per cent) and these too grew strongly - at £2,130 million around double their monthly average.

19. It is always difficult to interpret changes among the components - their monthly paths, even seasonally adjusted, highly erratic - but the exceptional increase in NIB are sight deposits does seem to call for explanation. Normally, increase with an identifiable associate such an would we distortion, typically a share issue or similarly large transaction close to make-up-day, generating large "shadows" before or after and inflating the volume of payments in transit through it, clearing systems, or held temporarily in banks' suspense accounts.

On this occasion, however, the weekly data do little to 20. support this kind of explanation. Instead of a sharp rise in the final week, which a specific distortion might be expected to produce, the weekly figures began to look unusually high from early in calendar May and the margin over their normal monthly profile gradually increased as the banking month continued. Although there are a number of factors which might have produced a one-off distortion - a fl.l billion gilt redemption three days before the banking month ended, the monthly PAYE take which unusually occurred during the three final days of the banking month, a £400 million payment for the Saatchi rights issue, due the day after make-up-day, possibly up to

£800 million disposals of gilts by building societies - none could wholly explain what has in fact occurred, even if we could substantiate a relationship. But we believe there may be <u>some</u> contribution from one or more of these sources, among which the heavy gilt redemption remains the strongest candidate.

21. NIB sight is a strongly seasonal series. In unadjusted terms, May is usually a low point as the Easter build-up in NIB sight deposits unwinds before the next build up towards the Summer begins. If we believe specific distortions do not fully account for the divergence from past behaviour, we have to look to an (erratic) change in the expected seasonal unwinding or to longer-run developments for explanations. One such possibility, clearly, is that we are seeing the effects of interest rate reductions.

£M3: counterparts

22. Table 3 compares the provisional counterparts of growth in £M3 to the forecast in Mr Walsh's monetary prospects submission of 14 May. The counterparts also appear, in simplified form, in the Bank's draft provisionals press notice.

23. £M3 rose by £3,940 million, about £2.7 billion above forecast. The provisional figures confirm that the difference is virtually entirely accounted for by the externals and NNDLs which, taken together, were as strong an expansionary influence as sterling lending. Of the £2.6 billion turnround from forecast, the externals contributed £1.8 billion.

24. The domestic counterparts, including wide funding, were much as forecast. <u>Sterling lending</u>, at £1,705 million, returned to around its 1985 monthly average, following the £5½ billion capital allowances surge over March and April. This month's figure is in line with the forecast which assumes that the capital allowances effect unwinds only slowly. This month's increase was divided more or less equally between retail and other banks. Banks' lending for house purchase is provisionally estimated to be broadly the same as in April and well below the average

TABLE 3: PROVISIONAL STERLING M3 IN BANKING MAY 1986

		£ million seasonally adjusted					
DOMESTIC	COUNTERPARTS	Prov	isional	Fore	ecast ¹		
CGBR:	own account	+480		+340			
	on-lending to LAs on-lending to PCs	+1,380 -220		+1482			
	on-lending to PCs	-220		-193			
041			+1,640		+1,630		
Other public sector:	Local Authorities	-500		-885			
	Public Corporations	-360		-95			
	PC currency deposits	-5					
		1. 1.	-865	and the second	-980		
Net purchas	es of CG debt						
The second s	private sector (inc -):						
Gilts		+570		+420			
	iry bills	-		-			
	nal Savings icates of tax deposit	-240 -160		-215			
Other	icates of tax deposit	-100		-130			
			+170		+75		
Enternal	to finance of mublic sector				Sec. Sec. Sec.		
External and	d fc finance of public sector		-485		-250		
	ling to the private sector:						
	ending to private sector 2	+725					
(inc. S	Department Commercial bills ² hipbuilding repos	+980		1993 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 - 1995 -			
			+1,705		+1,600		
Sub-total:	Domestic Counterparts plus						
	external and fc finance of the						
	public sector		+2,165		+2,075		
EXTERNAL	COUNTERPARTS ³						
External and	l foreign currency finance						
A REAL PROPERTY OF THE REAL PR	sits net from banks abroad (inc -)	-100					
	overseas £ deposits (inc -)	+930					
	ing to overseas non-banks net foreign currency liabs (inc -)	+175 +265					
	n Currency net non-dep liabilities	+205					
	al rdjustment	+85					
		1	+1,545		-335		
NET NON-L	DEPOSIT LIABILITIES (inc -)		+230		-500		
STERLING 1	<u>M3</u>		+3,940		+1,240		
monthly %	change)		(+3.0%)		(+0.9%)		
OVER(-)/UN	IDERFUNDING(+) ⁴		+460		+470		
STREET SALES					的研究的研究的		

1 As circulated in the Monetary Prospects Submission of 14 May 1986.

- 2 There was also an increase in Banking department holdings. Total holdings by the Bank rose £1,500 million.
- 3 Excluding external flows to the public sector.
- 4 Wide definition

in the last half of 1985.

25. The overall impact of the public sector (including funding) was expansionary by £460 million, as forecast. This was the result of a £775 million "PSBR", a £170 million net redemption of CG debt to the nbps (reflecting heavy gilt redemptions in the month), offset by a £480 million increase in external funding of the public sector, largely reflecting a £540 million increase in overseas holdings of gilts. In the three months to banking May there was a cumulative underfund of nearly £2 billion, compared with a f_2 billion <u>over</u>fund during the corresponding period in 1985. The £2½ billion shift towards expansion (together with the capital allowances changes) goes some way to account for the high 3-month rate for £M3.

26. Within the "PSBR" LAs borrowed £1.4 billion from Central Government (smaller than last month's £3 billion, but still unusually large) of which £500 million was repaid to other sources, particularly bank borrowing, and £360 million deposited with banks. PCs were in surplus, and repaid to both Central Government and other sources.

27. Gross gilt sales were £1,582 million, but redemptions and next maturities were marginally higher at £1,646 million. Overseas residents were net buyers (£540 million), mainly from the nbps.

externals were very strongly expansionary, 28. by The £1,545 million in May. As usual it is difficult to extract any firm intelligence from the movements which go to make up this total. The largest single factor is a £0.9 billion run down in overseas non-banks' sterling deposits (though it largely offset an equally large increase in April). Given the huge monthly swing involved, it is rash to build elaborate theories, though some may be very speculatively advanced. Cne possible relation is with the turnround in the UK current account from a £600 million deficit in calendar March to a £400 million surplus in calendar April, which might be expected to boost £M3 and the externals - though this was thought to have been evident in the figures for banking April. Other factors which may have

lead to the run down in overseas deposits are the heavy overseas purchases of gilts this month and the buoyancy of UK eurosterling issues (f600 million). It is also conceivable that new investments abroad may be slackening in the face of domestic opportunities, or that we are seeing the effects of cross-currency hedging and arbitrage operations, though this is difficult to prove.

29. Sterling NNDLs were also expansionary, in spite of capital issues worth £400 million by the monetary sector (contractionary). This was in part accounted for by an interbank difference of £350 million.

Tamired Tarkowsh

T TARKOWSKI

cc: Mr Norgrove - No 10
Mr George - Bank of England
Mr Mann - FSD, Bank of England

SECRET

Broad Aggregates : Comparison with Previous Peaks

percentage change

£МЗ

3	months	at	an	annual	rate	to	:	
---	--------	----	----	--------	------	----	---	--

May 1986	February 1978	August 1980
39.1	25.8	33.8

6 months at an annual rate to :

May 1986	May 1978	December 1980
21 0	22.2	2/ 1
21.9	22.3	26.1

12 months to :

May 1986	July 1978	April 1981
19.5	16.7	20.6

PSL2A

3 months at	an annual rate	to :	
	May 1986	February 1978	January 1979
	23.3	21.7	18.8
6 months at	an annual rate	to :	
	May 1986	April 1978	May 1979
	16.4	19.6	17.9
12 months t	0 :		

May 1986	March 1978	November 1979	April 1981
15.0	16.6	16.1	15.5
10.0	10:0	10.1	10.0

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SECRET

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1984-85 KEY	AGGREGATES	Table	5							
TARGET AGGE	REGATES									- 10 · (-
		SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
£M3	(Exc. Public sector deposit)								
A STATE OF STATE	Monthly change (£ millions)		+960	+2,404	+741	+96	+1,227	+2,834	+4,065	+3,942
	Monthly % change	+1.8		+2.0	+0.6	+0.1	+1.0			
	Three-monthly % change a.r.	+12.5	+19.5	+19.8	+14.3	+11.1		+14.0		
	Six-monthly % change a.r.	+18.7	+13.8	+17.3						
	12 Monthly % change	+14.2	+14.6	+14.4		+14.1	+14.8		1.	
10	Averaged weekly									
	Monthly change (£ millions)	+59	-33	+79	+49	+205	-92	+65	+37	+21
	Monthly % change	+0.4		+0.6		+1.4		+0.5		
	Three-monthly % change a.r.	+1.1	-1.5	+3.0		+9.8				
	Six-monthly % change a.r.	+3.3	+1.4	+2.7				+3.9		
	12-monthly % change	+4.2	+3.4	+3.4		+4.5		+3.6		
OTHER AGGRE	GATES									
PSL2	Monthly change (£ millions)	+2,710	2,515	+4,422	+1,644	+1,736	+3,426	+3,936	+5,153	+4,656
	Monthly % change	+1.3	+1.2	+2.1	+0.8	+0.8		+1.8		
	Three-monthly % change a.r.	+10.4	+16.0	+20.1	+17.5	+15.6	+13.2	+17.8		
	Six-monthly % change a.r.	+12.8	+11.6	+16.0	+13.9	+15.8		+17.6		
	12-monthly % change	+14.4	+14.3	+14.2	+14.9	+13.8		+15.2		
12	Monthly change (£ millions)	+1,512	1,457	+2,209	+1,836	+490	+326	+2,045	+2,776	+1,727
inadjusted	Monthly % change	+1.1	+1.0	+1.6	+1.3	+0.3	+0.2	+1.4		
	12-monthly % change	+8.3	+8.9	+9.6	+9.3	+8.8	+9.6	+10.1	+11.2	
	(exc re-classifications)	+7.6	+8.2	+8.9	+8.7	+8.2	+9.0	+9.5		
Levels :	£M3 (Exc. Pub Sec Deps)	120,809	121,773	124,172	124,876	124,920	126,064	128,953	133,024	136,970
Contractory in	MO (Averaged weekly)	14,159	14,126	14,205	14,254	14,459	14,367	14,432	14,469	14,490
	PSL 2	208,916	211,432	215,844	217,445	219,131	222,474	226,361	231,515	236,172
	M2 (unadjusted)									

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OTHER NARROW AGGREGATES

SECRET

Table 6

		SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
NIB M1	Monthly change (£ millions)	-309	+157	+455	+167	+34	-82	+187	+186	+1,230
	Monthly % change	-0.9	+0.5	+1.3	+0.5	+0.1	-0.2			+3.5
	Three-monthly % change a.r.	-22.2	+4.7	+3.6	+9.6	+8.0	+1.4		+3.4	+20.0
	Six-monthly % change a.r.	+1.7	+2.1	+3.0	-7.6	+6.4	+2.5	+5.5		+10.3
	12-monthly % change	+2.1	+2.3	+1.5	+1.1					+6.6
M1	Monthly change (£ millions)	+12	+1,325	+1,421	+961	-418	+94	+1,464	+1,377	+2,668
and a set of the set	Monthly % change		+2.4	+2.5	+1.6	-0.7	+0.2		+2.3	+4.3
	Three-monthly % change a.r.	+4.8	+24.5	+21.2	+29.2	+14.4	+4.4	+7.8	+21.3	+42.5
	Six-monthly % change a.r.	+23.2	+21.8	+22.0	+16.4	+19.3				+22.0
	12-monthly % change	+17.0	+18.0	+17.1					The second se	+22.0
M2	Provisionally seasonally ad	just								
문화적인	Monthly change (£ millions)	+1,668	+1,584	+2,704	+675	+722	+930	+1,693	+1,889	+2,570
	Monthly % change	+1.2	+1.1	+1.9	+0.5	+0.5	+0.6	1 0 0 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	+1.3	+1.7
	Three-monthly % change a.r.	+4.6	+14.7	+18.2	+14.8	+12.0	+6.5		+12.9	+17.7
	Six-monthly % change a.r.	+7.5	+9.7	+13.0	+9.6		+12.2	+12.1		+12.0
	12-monthly % change	+8.3	+8.9	+9.5	+9.3	+8.6	+9.3			+12.5
Levels :	NIBM1	33,673	33,831	34,286	34,454	34,489	34,408	34,599	34,786	36,017
	M1	56,080	57,410	58,830	59,790	59,400	59,490	60,990	62,360	65,030
	M2 (Partially S/A)	141,303	142,888	145,592	146,268	147,991	147,922	149,619	151,509	154,080

1:3

1-3

SECRET

Table 7

OTHER WIDE AGGREGATES

		SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
PSL1	Monthly change (£ millions)	+1,790	+1,182	+2,372	+652	-252	+1,235	+3,062	+4,180	+3,671
	Monthly % change	+1.5	5 +0.9	+1.9	+0.5	-0.2	+1.0	+2.4		
	Three-monthly % change a.r.	+10.1	1 +17.1	+18.6	+14.2	+9.1	+5.2	+13.2		
	Six-monthly % change a.r.	+17.1	1 +12.5	+16.2	+12.1	13.0	+11.7	+13.7	+18.7	
	12-monthly % change	+13.7	7 +13.9	+13.5	+14.3	+13.1	+13.9	+15.6	+15.5	
PSL2A	Monthly change (£ milions)	+2,451	+1,957	+3,690	+1,308	+1,329	+3,041	+3,786	+4,771	+4,402
	Monthly % change	+1.1	+0.9	+1.6	+0.6	+0.6	+1.3	+1.6		
	Three-monthly % change a.r.	+9.5	5 +13.1	+15.0	+12.6	+11.4	+10.0	+14.5		
	Six-monthly % change a.r.	+13.5	5 +11.2	+13.6	+11.1	+12.2	+12.5	+13.6		
	12-monthly % change	+13.4	+13.1	+12.9	+13.4	+12.4	+13.0	+13.5		
<u>M3</u>	(Exc. Public Sector Deposits									
	Monthly change (£ millions)	+2,479	+297	+3,009	+849	+162	+1,671	+3,316	+3,835	+4,725
	Monthly % change	+1.8	+0.2	+2.1	+0.6	+0.1	+1.2	+2.3		
	Three-monthly % change a.r.	+12.9	+18.8	+17.9	+12.4	+11.9	+7.7	+15.0		+36.7
	Six-monthly % change a.r.	+14.6	5 +12.8	+15.8	+12.7	+15.3	+12.7	+13.7	+19.1	
	12-monthly % change	+13.4	+13.1	+12.9	+12.9	+10.9	+11.6	+14.1		+18.5
Levels :										
	PSL1		125,851	128,213	128,817	128,515	129,667	132,680	136,861	140,533
	PSL2A		232,080	235,760	237,025	238,304	241,262	245,061	249,833	254,236
	M3 (ex. Pub. Sec. Deps)	140,341	140,631	143,630	144,456	144,567	146,157	149,526	153,365	158,089

017/20

SECRET

TABLE 8

Contributions to difference between £M3 and PSL2A

	latest 12 months	latest 3 months
Building Society holdings of £M3 (+ increase)	+ 2.6	+ 0.7
Building Society deposits (-)	-	+ 1.8
LA temporary debt (-)	+ 1.7	+ 1.1
CTDs and others (-)	+ 0.3	- 0.4
£M3 growth rate less PSL2A growth rate	4.5	3.2

(+) increase/(-) decrease £M3 growth relative to PSL2A growth

The above table looks at the reasons why PSL2A growth has been lower than that of £M3 over the last twelve and three months. The table illustrates the importance of those components which directly affect the relative growth rates of PSL2A and £M3, such as building society bank deposits. It also, in broad terms, shows the relative growth of building society deposits to banks deposits, net of those components/counterparts of £M3 which are included in the PSLs.

Over the last year there has been a fast build-up in building society bank deposits and a sharp rundown in LA temporary debt holdings by the nbps. Both of these factors have increased fM3 growth relative to PSL2A. In broad terms building society deposits have grown as fast as fM3 less the above factors.

Over the last three months the story is somewhat different. While the PSL components of £M3 account for about half of the difference in the PSL2A/£M3 differential, the rest is due to slower growth of building society deposits than bank deposits net of building society bank deposits etc.

UNTIL 2.30PM ON TUESDAY 10 JUNE 1986 What the hus no. But thigh Sanh

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MONEY SUPPLY IN BANKING MAY: PRESS BRIEFING

LINE TO TAKE

when down a les The rapid growth of £M3 is somewhat puzzling given that other indicators, including the exchange rate and MO, suggest that policy is broadly on track. It does not call for any immediate action on interest rates, but increases the need to monitor the other relevant indicators of monetary conditions.

FACTUAL

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- Policy: See Chancellor's major statement on monetary (i) policy in 16 April speech to the Lombard Association.
- MO: Well within new 2-6 per cent target range. (ii)
- £M3: (see line to take above). (iii)
- month's Sterling lending: (iv) This average (fl.8 billion), (fl.7 billion) below 1985 after two months which were clearly distorted by changes in capital allowances.
- (v)Exchange rate: Firm.

POSITIVE Β.

(i) Overall Strategy

> Experience continues to confirm value of clear commitment to MTFS and ultimate objective of lower inflation. Record on money GDP growth and on inflation (3 per cent and forecast to continue low) demonstrates success of strategy.

(ii) Commitment

Government has repeatedly shown itself ready to act decisively when necessary for maintenance of sound financial conditions. Will certainly do so again if necessary.

(iii) Interest rates

Down $2\frac{1}{2}$ per cent since Budget. Demonstrates confidence both here and abroad in the Government's approach.

(iv) Other countries

Most major countries, following the UK's lead, now operate policy in very similar way.

C. DEFENSIVE

(i) Monetary policy too tight/too loose?

Necessary to look at whole range of evidence on Signals conflicting, monetary conditions. and requiring careful interpretation the in light of developments over a period of months. Balance of evidence does not suggest conditions too loose (MO, real interest rates, exchange rate) or too tight (broad money, bank lending). But kept under constant review.

(ii) <u>£M3 annual growth already above higher target range</u> published in 1986 MTFS

£M3 growth remains puzzling, because other indicators (MO, exchange rate, real interest rates) appear to suggest policy is broadly on track. Lombard Association Speech explained reasons for setting target range for 1986-87 at 11-15 per cent, and need to weigh developments in £M3 against other evidence before reaching conclusions on what they

are telling us about monetary conditions.

FSBR explained "if the underlying growth of MO or £M3 were to move significantly outside their target ranges, the Government would take action on interest rates <u>unless</u> other indicators suggested clearly that monetary conditions remained satisfactory."

(iv) Sterling lending

Increase in banking May (£1.7 billion) below 1985 average (£1.8 billion). No sign that underlying trend has changed.

(v) Interest rates solely reflect pound's
 strength/weakness?

No. See Lombard Speech. Government's first priority remains defeat of inflation.

SECRET DRAFT

PROVISIONAL ESTIMATES OF MONETARY AGGREGATES: BANKING MAY 1986

Preliminary information suggests that, in the five weeks to 21 May 1986, MO may have risen by up to 1/4% and £M3 may have risen by about 3%, after seasonal adjustment.

Note for Editors

1 The provisional estimates for May suggest that recent rates of growth are approximately as follows:

Rates of growth, annualised %; seasonally adjusted

	Latest	Latest	Latest
	3 months	6 months	12 months
мо	3 1/2	4	3 1/4
£M3	39	21 3/4	19 1/2

2 Provisional counterparts to the change in £M3 in banking May are:

£ billion, seasonally adjusted

	The and she will be a first provide the
PSBR(1)	+0.8
Debt sales to nbps ⁽²⁾ and external flows to public secto	$r^{(3)} -0.3$
(of which, debt sales to nbps	
Sterling lending to private sector(4)	+1.7
Other counterparts(5)	+1.7
	+3.9

(1) Strictly, the PSBR less net purchases of local authorities' and public corporations' debt by the non-bank private sector.

(2) Net purchases (-) of CG debt by the non-bank private sector.

(3) External and foreign currency finance of the public sector (-).

(4) Including Issue Department holdings of commercial bills.

(5) The banks' external and foreign currency transactions and net non-deposit sterling liabilities.

3 The PSBR, net of debt sales to the non-bank private sector and external flows to the public sector, was expansionary by about £0.5 billion, reflecting in particular a concentration of gilt-edged maturities. The growth in sterling lending to the private sector was about £1.7 billion, compared with an average of about £1.9 billion a month over the preceding six months. Other counterparts taken together were expansionary by about £1.7 billion, compared with an average contractionary influence of some £0.2 billion a month over the last year.

4 Full money and banking figures for May, including revised estimates of the growth rates given above, will be published on 19 June.

BANK OF ENGLAND 10 June 1986 3

SECRET AND PERSONAL



FROM: MRS R LOMAX DATE: 9 JUNE 1986 PUP

MR TARKOWSKI

cc Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Peretz Mr Sedgwick Mr Culpin Mr Walsh Mr Richardson

PROVISIONAL MONEY FIGURES: BANKING MAY

The Chancellor was grateful for your minute of 6 June. He would like to consider the wording of the line to take at this afternoon's meeting on markets.

2. On a small point, the Chancellor does not like - and never has - the words 'up to $\frac{1}{4}$ per cent'; he would much prefer 'under $\frac{1}{4}$ per cent'.

RACHEL LOMAX

covering SECRET UNTIL 2.30 PM TUESDAY 10 JUNE 1986

MR PICKFORD

FROM: T TARKOWSKI DATE: 10 JUNE 1986

cc:

PPS PS/Chief Secretary PS/Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Scholar Mr Sedgwick Mr Culpin Mr Walsh Mr Hannah Mr Richardson

12

BANKING MAY: PROVISIONAL MONEY FIGURES AND MONTHLY STATEMENT OF THE CLEARING BANKS

- ... I attach the press briefing agreed by the Chancellor for today's provisionals, incorporating a revised line to take and a number of other changes which have been asked for.
- ... 2. Also attached is the Bank's Press Notice which is unchanged from the draft circulated with my 6 June minute (we have taken up the Chancellor's objection to the phrase "up to ½%" with the Bank: Mr Walsh is minuting separately. The point is covered in factual (ii).
- 3. I also attach the regular Monthly Statement of the London and Scottish Banks. The text is on the usual lines and the figures are consistent with our own. Any questions on it should be referred to the CLSB press office (01 626-8486).

s Takore T TARKOWSKT

MONEY SUPPLY IN BANKING MAY: PRESS BRIEFING

LINE TO TAKE

Growth of MO continued towards the bottom of the target range. But, though bank lending in May was as expected well down on the inflated figures for March and April which were affected by changes in capital allowances, growth of £M3 was very much higher than expected. Taking all factors into account, there is no reason to believe that monetary conditions are too lax.

FACTUAL

See Bank's press notice. Additional points:

- Policy: See Chancellor's major statement on monetary policy in 16 April speech to the Lombard Association.
- (ii) <u>MO</u>: Annual growth well within 2-6 per cent target range. The monthly increase was between 0 and ¼ per cent. Precise figure in next week's full money figures.
- (iii) <u>£M3</u>: Trends affected by the freeing up of the financial system over recent years and the shift from negative to positive/interest rates since the 1970s.
- (iv) Sterling lending: This month's increase (fl.7 billion) below 1985 average (fl.8 billion), after two months which were clearly distorted by changes in capital allowances.
- (v) Exchange rate: Firm.

B. POSITIVE

(i) Overall Strategy

Experience continues to confirm value of clear

commitment to MTFS and ultimate objective of lower inflation. Record on money GDP growth and on inflation (3 per cent and forecast to continue low) demonstrates success of strategy.

(ii) Commitment

Government has repeatedly shown itself ready to act decisively when necessary for maintenance of sound financial conditions. Will certainly do so again if necessary.

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Down 2½ per cent since Budget. Demonstrates confidence both here and abroad in the Government's approach.

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Most major countries, following the UK's lead, now operate policy in very similar way.

C. DEFENSIVE

(i) Monetary policy too tight/too loose?

Necessary to look at whole range of evidence on monetary conditions. Signals conflicting, and requiring careful interpretation in the light of developments over a period of months. Balance of evidence does not suggest conditions too loose (MO, real interest rates, exchange rate) or too tight (broad money, bank lending). But kept under constant review.

(ii) <u>fM3 annual growth already above higher target range</u> published in 1986 MTFS

Lombard Association Speech explained reasons for setting target range for 1986-87 at 11-15 per cent,

and need to weigh developments in £M3 against other evidence before reaching conclusions on what they are telling us about monetary conditions. Taking all factors into account, no reason to believe monetary conditions are too lax.

(iii) Interest rates should be raised because of high fM3 growth?

> FSBR explained "if the underlying growth of MO or fM3 were to move significantly outside their target ranges, the Government would take action on interest rates <u>unless</u> other indicators suggested clearly that monetary conditions remained satisfactory."

(iv) Sterling lending

Increase in banking May (fl.7 billion) below 1985 average (fl.8 billion). No sign that underlying trend has changed.

(v) Interest rates solely reflect pound's
 strength/weakness?

No. See Lombard Speech. Government's first priority remains defeat of inflation.

(vi) Experience with targets in other Countries

The latest (monthly) figures available for other indicate that targeted aggregates major countries abroad which include the liabilities of financial intermediaries may be affected by many of the same factors that are affecting £M3. In the US, Ml is growing at an annual rate of 10.1 per cent in relation to its target range of 3-8 per cent. In Germany, CBM is growing at a rate of 8.1 per cent compared with its target range of 3.5-5.5 per cent. In France, M3 is growing at an annual rate of 7.0 per cent in relation to the 3-5 per cent target range.

PROVISIONAL ESTIMATES OF MONETARY AGGREGATES: BANKING MAY 1986

Preliminary information suggests that, in the five weeks to 21 May 1986, MO may have risen by up to 1/4% and £M3 may have risen by about 3%, after seasonal adjustment.

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£ billion, seasonally adjusted

PSBR ⁽¹⁾	+0.8
Debt sales to nbps ⁽²⁾ and external flows to public sector ⁽³⁾	-0.3
(of which, debt sales to nbps $+0.2$)	-0.3
Sterling lending to private sector(4)	+1.7
Other counterparts(5)	+1.7
	+3.9

 Strictly, the PSBR less net purchases of local authorities' and public corporations' debt by the non-bank private sector.

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4 Full money and banking figures for May, including revised estimates of the growth rates given above, will be published on 19 June.

BANK OF ENGLAND 10 June 1986 **PRESS INFORMATION from Banking Information Service**

10 Lombard Street, London EC3V 9AR Telephone 01-626 8486

NOT FOR PUBLICATION BEFORE 2.30 pm 10th June 1986

MONTHLY STATEMENT OF THE LONDON & SCOTTISH BANKS MAY 1986

Sterling advances to the UK private sector by the London and Scottish banks rose by £451 million in the five weeks to 21st May. After allowing for an expected seasonal fall, a repurchase of DTI shipbuilding paper from the Bank of England under the sale and repurchase agreements and for transit items, there was an underlying rise of around £680 million; this was much in line with the average monthly increase which obtained before the last two months' large rises (of some £2,000 million and £1,800 million respectively).

The analysis of advances, which is not seasonally adjusted, shows few significant movements this month with the bulk of the lending going to persons: house purchase lending rose by £191 million and other personal lending by £184 million including over £60 million of credit card lending. There were small rises for leasing companies (£66 million) and for manufacturers (£69 million after excluding the repurchase of shipbuilding paper) who also borrowed through bill finance; retailers however, repaid £143 million of borrowing.

The remaining sale and repurchase agreements with the Bank of England were allowed to run off, so that the banks repurchased £1,664 million of ECGD-backed promissory notes (which accounts for the rise in advances to overseas residents), £220 million of DTI shipbuilding paper and £121 million of gilts. Holdings of other investments and bills both fell and lending to the LDMA was reduced by £318 million. The banks borrowed some £600 million net in the inter-bank and CD markets.

On the liabilities side of the balance sheet, deposits from the UK private sector again rose sharply, by £2,030 million. A seasonal fall was expected, however, and after allowing also for transit items, the underlying rise was of the order of £2,500 million, well up on last month. This was largely in sight deposits, with current accounts quite buoyant and the high interest personal accounts continuing to attract significant inflows. Public sector deposits rose, seasonally, by £318 million, largely from local authorities but overseas residents' deposits fell by £259 million. Eligible liabilities rose by £1,994 million to £99,799 million.

QUARTERLY ANALYSIS OF ADVANCES FEBRUARY - MAY 1986

- 2 -

The analysis of advances for the London and Scottish Banks' Groups shows a total increase of £3,879 million over the three months to 21st May, with sterling advances accounting for £4,186 million. Seasonal influences were broadly neutral during the quarter, as was the net effect of sale and repurchase agreements on DTI shipbuilding paper (included within lending to manufacturing), so that the underlying rise was of the order of £4,000 million, approximately double the underlying increase in each of the previous two quarters; bill finance was, however, quite contractionary over the period.

The increases were well-spread over nearly every category, with the only exception being a small reduction in borrowing by the energy and water industries (-£90 million). Lending to persons accounted for £1,162 million, as against £850 million in the previous quarter; house purchase lending rose from £388 million to £578 million and other personal lending rose from £462 million to £584 million. Lending to financial institutions, which had fallen in the previous quarter, rose by £1,075 million, of which leasing companies accounted for £655 million as a result of the changes to capital allowances at the end of the financial year. Lending to "business and other services" increased by £752 million, as against £439 million in the previous period, as did lending to manufacturers, up by £470 million, against £269 million earlier.

For further information, please contact:

John Ecklin, Head of C.L.S.B. Statistical Unit (01-283 8866) Brian Apps, Press and Information Officer (01-626 8486)

BALANCES OF LONDON AND SCOTTISH BANKS' GROUPS AS AT 21st May, 1986

These tables cover the business of the offices of members of the Committee of London and Scottish Bankers and their subsidiaries in the United Kingdom (including the Channel Islands and the Isle of Man) which are listed by the Bank of England as falling within the monetary sector. The items are defined as in Table 3 of the Bank of England's Quarterly Bulletin.

TABLE 1. AGGREGATE BALANCES

2 8 3 5

.

£ millions

		Tot	tal	Cha	nge on
		and the second second second	anding		onth
LIABILITIES					1999 - 74 ⁻
STERLING DE	POSITS :			1.10	
	U.K. monetary sector	26,591		+ 520	
	U.K. private sector	85,575		+ 2,030	
	U.K. public sector	2,896		+ 318	
	Overseas residents	13,905		- 259	
	Certificates of deposit	9,052	138,020	+ 217	+ 2,826
	of which : Sight Time (inc. C.D.'s)		54,147 83,873		+ 1,787
	Time (Inc. C.D. s)		03,073		+ 1,039
FOREIGN CUR	RENCY DEPOSITS :			A State	
	U.K. monetary sector	15,693		- 46	
	Other U.K. residents	6,123		+ 238	
	Overseas residents	44,861		- 1,023	
	Certificates of deposit	5,513	72,190	- 226	- 1,057
TOTAL DEPOS:	ITS		210,210	Constant Server	+ 1,769
NOTES IN CIN		and the second second	918		+ 12
OTHER LIABII	LITIES (a)		34,928		- 596
TOTAL	LIABILITIES		246,056	Section in	+ 1 105
IOTAI	- MINIBILIEO		240,030		+ 1,185
SSETS					
STERLING		100	a second	and the second	
Cash & balar	nces with Bank of England:		TOTAL STATE	1997 A. 1997 - 1	
	Cash ratio deposits	464		+ 29	
	Other balances	2,334	2,799	+ 267	+ 296
					250
Market loans	· ·	Strength Providence			
	Discount houses	3,837	Co. State State	- 318	
	Other U.K. monetary sector	26,554	and the second second	- 344	
	U.K. monetary sector C.D.'s	3,793		+ 477	
	Local authorities	715	ALL COLORS	- 39	
	Other	3,166	38,065	- 39	- 323
Bills :	Tropoury bills	100		20	
	Treasury bills Other bills	186 3,141	3,327	- 28 - 103	- 131
	Other BIIIs		3,321	- 103	- 131
nvestments :					
	British Government stocks	3,851		+ 394	
	Other	4,081	7,932	- 113	+ 281
dvances :					
	U.K. private sector	88,682		+ 451	
	U.K. public sector	311	Sec. 2005 - 2001	- 29	
	Overseas residents	5,726	94,719	+ 1,663	+ 2,084
Other starls	ng assets (a)		12 075		
other sterli	ing assets		13,275		- 290
FOREIGN CURF					
Market loand		A STATE		1.1.2	
	U.K. monetary sector	16,112		- 1,076	
	Certificates of deposit	526		+ 68	
	Other	34,619	51,257	+ 183	- 825
Bills			760		+ 74
Advances :					
nuvances :	U.K. private sector	6,606		+ 60	
	U.K. public sector	888	Contraction Party	+ 60	
	Overseas residents		25 107	A CONTRACTOR OF	- 100
	Overseas residents	17,613	25,107	- 249	- 198
Other foreig	n currency assets (a)	No Sections	8,815		+ 217
const rorely				S. Stans	
	TOTAL ASSETS	1986.50	246,056		+ 1,185
		A STATE AND A STAT			
CCEPTANCES			4,707		+ 359
CCEPTANCES			4, 707 99,799		+ 359

(a) includes items in suspense and in transit

f millions	C.L.S.B. GROUPS	BANK OF SCOTLAND	BARCLAYS	LLOYDS	MIDLAND	NATIONAL WESTMINSTER	ROYAL BANK OF SCOTLAND	STANDARD CHARTERED
LIABILITIES								
Sterling deposits			al and			Sector 1	Service were	10-10 Degra
outstanding	138,020	5,894	32,720	23,838	23,987	40,295	7,900	3,386
change on month	+ 2,826	+ 178	+ 565	+ 321	+ 1,193	+ 490	+ 16	+ 63
Foreign currency deposits		Sec. 17 at	1.1				Sec. Alter 1	1.1.1
outstanding	72,190	1,066	14,130	10,656	14,450	19,981	3,292	8,615
change on month	- 1,057	+ 15	- 510	+ 410	+ 67	- 1,263	- 39	+ 263
Total deposits			Start Start	1995 B	State State	and inter		
outstanding	210,210	6,960	46,849	34,494	38,437	60,276	11,192	12,001
change on month	+ 1,769	+ 193	+ 55	+ 730	+ 1,260	- 773	- 24	+ 326
STERLING ASSETS Cash and Balances with			Real Street	12.00	112 10 2		Parla and	
the Bank of England		A States of the	Star Page	5. S. S. S. S.	Station and	a state and an	the weighted	
outstanding	2,799	334	595	252	531	556	501	30
change on month	+ 296	+ 26	+ 121	- 24	+ 21	+ 74	+ 62	+ 17
Market loans :		160 644	Same to	· · · · ·		P. Asker		
U.K. monetary sector				10 - A - A - A - A - A - A - A - A - A -	C. Ser. Strad	and the second second	See Calif	
outstanding	30,391	853	6,425	4,879	5,360	10,797	1,013	1,064
change on month	- 662	+ 23	- 584	+ 199	+ 181	- 465	- 42	+ 27
Other		19 19 19				16.6.	1. Sec. (3)	
outstanding	7,675	171	1,986	1,122	1,272	2,567	242	314
change on month	+ 339	- 3	+ 164	- 73	+ 349	- 139	+ 25	+ 15
Bills			1911	19 1 1 1 1				
outstanding	3,327	69	1,254	969	161	679	142	53
change on month	- 131	- 7	+ 148	- 213	- 40	+ 58	- 54	- 23
British government stocks			1997 - 19			1987 P. 34 P.	10 10 S	
outstanding	3,851	270	836	692	799	841	214	200
change on month	+ 394	+ 40	+ 92	- 47	+ 245	+ 17	- 8	+ 56
Advances		and a street				A State State		
outstanding	94,719	4,764	23,799	16,251	16,337	24,699	6,572	2,297
change on month	+ 2,084	+ 116	+ 531	+ 401	+ 547	+ 260	+ 135	+ 94
FOREIGN CURRENCY ASSETS		1.1	19. () S. (A. Carro		A sugar
Market loans and bills outstanding	52,017	394	10,058	8,267	8,236	16,601	2,170	6,291
change on month	- 751	- 42	- 685	+ 473	- 90	- 633	- 61	+ 287
Advances			Contraction of the	A Starte		1.1.1.1.1.1.1		
outstanding	25,107	872	3,857	3,408	6,184	5,961	1,384	3,440
change on month	- 198	+ 8	+ 117	- 34	+ 85	- 261	+ 32	- 145
ACCEPTANCES								
outstanding	4,707	269	886	272	1,321	1,085	475	400
change on month	+ 359	+ 4	- 66	- 54	+ 243	+ 239	+ 46	- 53
ELIGIBLE LIABILITIES	1							A BARRIER AND
outstanding	99,799	4,855	24,306	17,646	17,032	27,342	6,558	2,061
change on month	+ 1,994	+ 162	+ 898	+ 164	+ 236	+ 579	+ 16	- 60

COMPOSITION OF GROUPS (U.K. offices only)

The Bank of Scotland Group comprises Bank of Scotland, The British Linen Bank Ltd. and North West Securities Ltd.

The Barclays Group comprises Barclays Bank PLC, Barclays Merchant Bank Ltd., Barclays Bank Finance Company (Jersey) Ltd., Barclays Finance Company (Isle of Man) Ltd, Mercantile Credit Company Ltd. and Barclays Bank Trust Company Ltd.

The Lloyds Group comprises Lloyds Bank PLC, Lloyds Bank Finance (Jersey), Ltd., The National Bank of New Zealand Ltd., Lloyds Bowmaker Finance Ltd., Lloyds Bowmaker Ltd., Cedar Holdings Ltd. and Lloyds Merchant Bank Ltd.

The Midland Group comprises Midland Bank PLC, Clydesdale Bank PLC, Midland Bank Trust Corporation (Guernsey) Ltd., Midland Bank Trust Corporation (Isle of Man) Ltd., Midland Bank Trust Corporation (Jersey) Ltd., Forward Trust Ltd., Samuel Montagu & Co. Ltd., Samuel Montagu & Co. (Jersey) Ltd., Crocker National Bank, Northern Bank Ltd. and Northern Bank Development Corporation Ltd., Clydesdale Bank Finance Ltd.

The National Westminster Group comprises National Westminster Bank PLC, Coutts & Co., Coutts Finance Co., County Bank Ltd., Lombard North Central PLC, Lombard Bank (Isle of Man) Ltd., Lombard Banking (Jersey) Ltd., National Westminster Bank Finance (C.I.) Ltd., International Westminster Bank PLC, Ulster Bank Ltd., Ulster Investment Bank Ltd. and Lombard & Ulster Ltd.

The Royal Bank of Scotland Group comprises The Royal Bank of Scotland PLC, St. Margaret's Trust Ltd. and Charterhouse Japhet PLC

The Standard Chartered Group comprises Standard Chartered Bank, Standard Chartered Merchant Bank Ltd. and Chartered Trust plc.

ANALYSIS OF ADVANCES TO U.K. RESIDENTS BY THE LONDON & SCOTTISH BANKS' GROUPS AS AT 21st MAY, 1986

This table covers advances in both sterling and foreign currencies by offices of members of the Committee of London and Scottish Bankers and their subsidiaries which are listed by the Bank of England as falling within the monetary sector.

Loans under the special schemes for shipbuilding, other than those refinanced with the Bank of England, are included within item 3 "Other transport equipment"; but lending under the special export schemes is not included, since this is classified as advances to overseas residents.

f millions

	1 millions		
	Total Outstanding	Change on Quarter	
AGRICULTURE, FORESTRY & FISHING	5,698	+ 129	
of which sterling	5,688	+ 127	
ENERGY & WATER SUPPLY INDUSTRIES	THE REAL PROPERTY	Carlo Cardeges	
Oil & extraction of natural gas	738	- 41	
Other energy industries	577	- 45	
Water supply	244	- 22	
Total item 2	1,559	- 109	
of which sterling	603	- 90	
MANUFACTURING INDUSTRY			
Extraction of minerals and ores	314	- 12	
Metal manufacturing Non-metallic mineral product manufacture	498 645	- 23	
Chemical industry	742	+ 3	
Mechanical engineering	1,260	+ 75	
Electrical & electronic engineering	1,319	- 152	
Motor vehicles	375	+ 9	
Other transport equipment Other engineering & metal goods	982 1,311	- 15 - 2	
Food, drink & tobacco	1,988	+ 251	
Textiles, leather, clothing & footwear	1,131	+ 19	
Other manufacturing	2,941	+ 65	
Total item 3	13,505	+ 205	
of which sterling	11,894	+ 205	
CONSTRUCTION	4 330		
of which sterling	4,239 4,121	+ 64 + 67	
GARAGES, DISTRIBUTION, HOTELS & CATERING			
Garages & retail motor trade	1,823	- 61	
Other retail distribution	4,682	+ 380	
Wholesale distribution	2,941	+ 25	
Hotels & catering	2,812	+ 81	
Total item 5	12,258	+ 426	
of which sterling	11,565	+ 566	
Air transport	220		
Other transport	230	+ 2 + 22	
Total item 6	2.010		
of which sterling	2,010 1,567	+ 23 + 54	
DOCANT CEDUICEC C MET ECONVIDITOR TONO	74		
POSTAL SERVICES & TELECOMMUNICATIONS of which sterling	71 70	+ 8 + 8	
FINANCIAL			
Building societies	78	- 64	
Investment & unit trusts etc.	1,359	+ 204	
Insurance companies, pension funds etc. Leasing companies	1,223 4,670	+ 115 + 653	
Other financial	3,693	+ 257	
Total item 8 of which sterling	11,022	+ 1,165	
	8,334	+ 1,075	
BUSINESS & OTHER SERVICES Central & local government	462		
Property companies	463 4,210	+ 6 + 109	
Hiring of movables	586	+ 30	
Other services	7,846	+ 663	
Total item 9	13,106	+ 807	
of which sterling	12,167	+ 752	
PERSONS	A STATE OF STATE	State State	
Bridging finance for house purchase	776	+ 26	
Other house purchase Other advances to persons	16,381	+ 553	
other advances to persons	15,863	+ 582	
Total item 10	33,020	+ 1,161	
of which sterling	32,984	+ 1,162	
TOTAL ADVANCES TO U.K. RESIDENTS	96,487	+ 3,879	
TOTAL ADVANCES TO U.K. RESIDENTS of which in sterling	96,487 88,993	+ 3,879 + 4,186	

C.L.S.B.	Statistical	Unit

SECRET

UNTIL 2.30PM ON THURSDAY 19 JUNE

FROM:	Т	TARKOV	VSKI
DATE:	17	June	1986

MR CASSELL

cc:

PPS PS/Chief Secretary PS/Economic Secretary Sir P Middleton Sir T Burns Mr Peretz Mr Sedgwick Mr Scholar Mr Walsh Mr Culpin Miss Peirson Mr Pickford Mr Hannah Dr Rowlatt Mr Devereux Mr Richardson Mr Heath Mr Ross Goobey

FULL MONEY FIGURES - BANKING MAY

I attach the Bank's draft press release on the full money figures and accompanying banking statistics which will be published at 2.30pm on Thursday 19 June (the Chancellor will be taking First Order Questions in the House that day).

2. The full figures are entirely consistent with the rounded figures published in the provisional press release last week. The text follows the established pattern, apart from:

- (a) a reference in paragraph 8 to the concentration of gilt maturities in banking May;
- (b) separate comparisons in paragraphs 8 between the changes in NNDLs and externals and their previous 12-month averages (normally the comparison is given only for NNDLS and externals combined).

SECRET

UNTIL 2.30PM ON THURSDAY 19 JUNE

3. The press briefing agreed for last week's provisionals press notice is attached. I have added defensive (vii) on growth on PSL2A (described in the press release as "PSL2, including term shares ... ") and factual (vi) on the externals, and there are a number of minor consequentials. Otherwise the briefing is unchanged.

4. Could I please have comments on the Bank's draft press release by noon on Wednesday 18 June, and any comments on the revised press briefing by close that day.

Tanired Tarkowski

T TARKOWSKT

MONEY SUPPLY IN BANKING MAY: PRESS BRIEFING

LINE TO TAKE

Growth of MO continued towards the bottom of the target range. But, though bank lending in May was as expected well down on the inflated figures for March and April which were affected by changes in capital allowances, growth of £M3 was very much higher than expected. Taking all factors into account, there is no reason to believe that monetary conditions are too lax.

FACTUAL

See Bank's press notice. Additional points:

- (i) <u>Policy</u>: See Chancellor's major statement on monetary policy in 16 April speech to the Lombard Association.
- (ii) <u>MO</u>: Annual growth well within 2-6 per cent target range. The monthly increase was 0.1 per cent.
- (iii) <u>£M3/PSLs</u>: Trends affected by the freeing up of the financial system over recent years and the shift from negative to positive real interest rates since the 1970s.
- (iv) Sterling lending: This month's increase (fl.7 billion) below 1985 average (fl.8 billion), after two months which were clearly distorted by changes in capital allowances.
- (v) Exchange rate: Firm.
- (vi) <u>Externals</u>: Expansionary by £1,300 million (average over preceding 12 months expansionary by £20 million). No self-evident reason. Detailed questions to Bank.

B. POSITIVE

(i) Overall Strategy

confirm value Experience continues to of clear commitment to MTFS and ultimate objective of lower inflation. Record on money GDP growth and on inflation (2.8 per cent and forecast to continue low) demonstrates success of strategy.

(ii) Commitment

Government has repeatedly shown itself ready to act decisively when necessary for maintenance of sound financial conditions. Will certainly do so again if necessary.

(iii) Interest rates

Down 2½ per cent since Budget. Demonstrates confidence both here and abroad in the Government's approach.

(iv) Other countries

Most major countries, following the UK's lead, now operate policy in very similar way.

C. DEFENSIVE

(i) Monetary policy too tight/too loose?

Necessary to look at whole range of evidence on monetary conditions. Signals conflicting, and requiring careful interpretation in the light of developments over a period of months. Balance of evidence does not suggest conditions too loose (MO, real interest rates, exchange rate) or too tight (broad money, bank lending). But kept under constant review.

(ii) <u>fM3 annual growth already above higher target range</u> published in 1986 MTFS

Lombard Association Speech explained reasons for setting target range for 1986-87 at 11-15 per cent, and need to weigh developments in £M3 against other evidence before reaching conclusions on what they are telling us about monetary conditions. Taking all factors into account, no reason to believe monetary conditions are too lax.

(iii) Interest rates should be raised because of high fM3 growth?

FSBR explained "if the underlying growth of MO or fM3 were to move significantly outside their target ranges, the Government would take action on interest rates <u>unless</u> other indicators suggested clearly that monetary conditions remained satisfactory."

(iv) <u>Sterling lending</u>

Increase in banking May (fl.7 billion) slightly below 1985 average (fl.8 billion). No sign that underlying trend has changed.

(v) Interest rates solely reflect pound's strength/weakness?

No. See Lombard Speech. Government's first priority remains defeat of inflation.

(vi) Experience with targets in other Countries

The latest (monthly) figures available for other major countries indicate that targeted aggregates abroad which include the liabilities of financial intermediaries may be affected by many of the same factors that are affecting £M3. In the US, M1 is

growing at an annual rate of 12.6 per cent in relation to its target range of 3-8 per cent. In Germany, CBM is growing at a rate of 7.0 per cent compared with its target range of 3.5-5.5 per cent.

(vii) High growth of PSLs

All broad aggregates affected by similar factors (see factual iii).

MONEY AND BANKING FIGURES: BANKING MAY 1986

(All figures are seasonally adjusted, unless otherwise stated.)

7.

1 During the five weeks to 21 May 1986, M0 (average of weekly levels) rose by £20 million (+0.1%) (Table B) and £M3 rose by £3,940 million (+3.0%) (Table E).

2 Recent rates of growth of the above aggregates are as follows:

Rates of growth, annualised %: seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months	
мо	+ 3.5	+ 4.1	+ 3.4	
EM3	+39.1	+21.9	+19.5	

3 Within £M3 there was a rise in banking May of £110 million in notes and coin, a rise of £1,120 million in non-interest-bearing sight deposits and a rise of £1,440 million in interest-bearing sight deposits. M1 rose by £2,670 million (+4.3%). Time deposits (including sterling certificates of deposit) of the UK private sector rose by £1,270 million.

4 The sterling value of private sector foreign currency deposits rose by £730 million, comprising a rise of £870 million reflecting transactions and a fall of £140 million reflecting the estimated change in the sterling value of the existing stock. Thus, total M3 rose by £4,670 million (+3.0%) (Table E).

5 M2 (not seasonally adjusted) rose by £1,940 million (+1.3%) (Table F). PSL2 rose by £4,050 million (+1.7%) (Table G); if term shares with building societies were included, the increase would be 1.5%.

6 Rates of growth of monetary and liquidity aggregates over the last three, six and twelve months are shown in the attached table.

7 Amongst the counterparts to the change in £M3, the net effect of public sector transactions (the PSBR less debt sales to the non-bank private sector and external flows to the public sector) was expansionary by £480 million (see columns 1-7 of Table A). The central government borrowing requirement was £1,640 million and the direct contribution of local authorities and public corporations to the public sector borrowing requirement (net of non-bank private sector purchases of their debt) was contractionary by £870 million. The non-bank private sector's holdings of central government debt

DRAFT SECRET

fell by £190 million; within this holdings of gilt-edged stock fell by £570 million reflecting a concentration of stock maturities, partly offset by net purchases of National Savings of £240 million and CIDs of £160 million. External and foreign currency finance of the public sector was contractionary by £480 million.

8 Sterling lending to the private sector rose by £1,700 million. Foreign currency lending to the private sector rose by £1,070 million in transactions terms.

9 The external and foreign currency transactions of UK banks were expansionary by £1,300 million (see columns 9-12 of Table A), compared with an average expansionary influence of only £20 million a month over the preceding twelve months. Net non-deposit sterling liabilities fell by £460 million, an expansionary influence compared with an average contractionary influence of £220 million a month over the preceding twelve months.

10 Tables H, I and J show the details of the banks' and discount market's balance sheets. Transactions of the UK monetary sector during the month, excluding inter-bank items and valuation changes on foreign currency items, are given in Table K.

Estimated seasonal movements - banking June 1986

11 The provisional seasonal movements for the four weeks ended 18 June 1986 are as follows:

	£ million
Notes and coin in circulation with the public Private sector sterling sight bank deposits M1 Other private sector sterling bank deposits £M3	$ \begin{array}{r} - 140 \\ + 250 \\ + 110 \\ - 460 \\ - 350 \\ \end{array} $
M0 (averaged series)	0
Bank lending in sterling to the private sector	<u>- 830</u>

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

BANK OF ENGLAND J9 June 1986

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MONETARY AND LIQUIDITY AGGREGATES: BANKING MAY 1986

Rates of growth, annualised %: seasonally adjusted

	Latest 3 months	Latest 6 months	Latest 12 months
мо	+ 3.5	+ 4.1	+ 3.4
Ml	+ 42.5	+22.0	+22.0
of which:			
Non-interest bearing Ml	+ 20.0	+10.3	+ 6.6
M2 (not seasonally adjusted)*			+12.6
£M3	+ 39.1	+21.9	+19.5
мз	+ 36.5	+21.2	+18.5
PSL1	+ 38.1	+20.5	+18.3
PSL2	+ 25.7	+19.3	+17.6
PSL2, including term shares			
with building societies			
and bank deposits with			
an original maturity			
longer than two years	+ 22.1	+15.8	+14.7

....

*the growth of M2 over the 12 months to mid-May 1986 includes £900 million resulting from changes made by certain building societies in the terms of some accounts. Excluding such reclassified amounts, the growth in M2 over the latest 12 months is 12.0%.

Banking statistics

21 May 1986

[Table 11.3 in the Quarterly Bulieum]

A Public sector borrowing requirement, and other counterparts to changes in £M3

£million

£milli	ions		req	blic secto uiremer rplus-)	or borrowin nt	debt by	ases (-) of y UK priv than ban	ate sect			CUTT	ernal an ency fin	nance o	of	Banks' sterling lending		rnal an K bank	d foreign cur s [c]	rency tra	ansactio	ons	Net non- deposit sterling	Money stock £M3
			gov	ntral vernmen rowing uire- nt	t Other public sector contri- bution	Other public sector debt	deb Brit	ern- nt	Othe		of Bi gove men	t ks by seas	Oth	er	to UK private sector [b]	Steri depo from of ma loans bank abroa (incr	arket s to,	Other overseas sterling deposits (increase-		ing ing	Banks' net foreign currency liabilities[e] (increase-)	liabilities (increase-)	(columns 1-13)
Monti (unad				1	2	3		4	-	5		6		7	8		9	10		11	12	13	14
1985		15	+	489	+	67	-	586	-	106	-	347	+	217	+ 866	+	300	- 67	+	263	- 467	- 384	+ 245
	June July Aug.	19[1 17[1 21	n + n - +	1,162	Ξ	434 478 366	=	12 11 247	=	220 409 177		718 342 15	+ + +	267 4 49	+ 758 + 3.104 + 1,107	+ + +	394 18 261	- 255 - 236 - 591	-		+ 1.231 + 260 - 170	- 311 - 438 + 490	+ 3.071 - 108 + 2.057
(Sept. Oct. Nov.	18 16 20	+ + +	1,667 564 2,666	Ξ	319 599 1,125	Ē	86 519 737	Ξ	34 525 109		155 76 400	+	18 130 193	+ 428 + 3.417 + 1.200	+ + -	419 712 388	- 76 - 703 + 243	- +	96 165 166	+ 213 + 365 - 170	- 155 - 1.642 + 1.702	+ 1.824 + 1.029 + 2.523
1986 .	Dec. Jan. Feb.	11 15 19	+	1,490 2,785 786	÷ -	223 172 175	=	224 80 276	- + -	76 504 100	+	34 291 152	Ξ	26 1 247	+ 1.031 + 1.513 + 1.374	+ - +	256 287 208	- 114 - 355 - 512	+ + -	18 355 73	- 1.137 + 529 + 1.351	- 535 + 171 - 484	+ 872 - 899 + 432
1	Mar.	19	+	942	-	313	+	453	-	507	+	236	+	131	+ 2,346	+	51	- 466	-	656	+ 581	+ 56	+ 2.854
,	Apr.	16	+	4.274	- 1	,065	-	712	-	273	-	219	+	321	+ 3.632	+	569	- 933	+	656	- 14	- 1,126	+ 5.110
1	May	21	+	1.622	-	772	+	569	-	369	n della	-	477		+ 1,235	-	102	+ 929	+	127	+ 257	+ 569 -	+ 3.588
Month (season 1985)	nallya		ed) +	383	_	4		586	-	115		347	+	213	+ 1.438			- N	179			- 653	1 508
J	lune luly Aug.	[f 19[f 17 21] +] + +	762 92 2,090	Ξ	18 477 355	Ξ	12 11 247	Ξ	262 438 314		718 342 15	+ - +	263 9 44	+ 1.379 + 1.528 + 1.750			÷ -	1.267 423 985			- 14 - 576 + 247	+ 2.647 - 840 + 2.215
(Sept. Oct. Nov.	18 16 20	+ + + +	1.955 914 1.905	Ē	334 660 ,089	=	86 519 737	+ - -	3 477 36	Ξ	155 76 400	+ - -	13 135 198	+ 993 + 2.118 + 1.885			+ + -	60 561 327			- 324 - 766 + 1,401	+ 2.125 + 960 + 2.404
1986 J	Dec. Ian. Feb.	11 15 19	+ + +	118 53 684	÷ -	450 353 235	=	224 80 276	- -	56 467 225	- - +	34 291 152	- + -	31 49 252	+ 2,135 + 384 + 1,589			- + +	999 37 826			- 618 - 170 - 1.036	+ 741 + 96 + 1.227
N	Mar.	19	+	857	- 1	367	+	453	-	378	+	236	+	127	+ 2.572			-	625			- 41	+ 2.834
A	Apr.	16	+	2,708	- 1	,354	-	712	-	201	-	219		318	+ 2.965			+	677			- 117	+ 4.065
	May	21		1.638	-	865 Jebt by the l	+		-	378			481		+ 1,704			+	1,300			+ 455	+ 3.942

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

				Ma	rketable	debt		Nationa	l savings	Tax inst	ruments	Other	Tou	l (column	ns 4 and	Sabove)
			s	tocks	1	Tre	asury s	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted		Unad	ljusted		easonally ijusted
Mont	h ende	d						A Startes		1	Contraction of the second					
1985	May	15	-	586		+	25	- 211	- 241	+ 81	+ 102	- 1	-	692	-	701
	June July Aug.	19 17 21		12 11 247	*	++		- 270 - 196 - 273	- 375 - 273 - 384	+ 6 - 217 + 149	+ 69 - 169 + 123	+ 2 - 4 + 3	=	232 420 424	-	274 449 561
	Sept. Oct. Nov.	18 16 20		86 519 737		+++-	17	- 228 - 191 - 281	- 229 - 197 - 184	+ 190' - 351 + 171	+ 228 - 297 + 147	-2 + $\overline{5}$	Ē	120 1,044 846		
1986	Dec. Jan. Feb.	11 15 * 19	111	224 80 276		+++-		- 23 - 122 - 138	- 61 - 19 - 74	- 106 + 534 + 62	- 48 + 394 - 127	- 3 + 3 + 6	- 	300 424 376	Ē	387
	Mar. Apr. May	19 16 21	+ - +	453 712 569		-	80 22 22	- 30 - 65 - 211	+ 55 - 46 - 241	- 398 - 189 - 179	- 354 - 136 - 158	+ 1 + 3 - 1		54 985 200	+ - +	913

[b] Including holdings of sterling certificates of deposit issued by building societies, and net purchases by the Issue Department of commercial bills and, of promissory notes relating to shipbuilding paper guaranteed by the Department of Trade and Industry.

[c] A seasonally-adjusted breakdown of these transactions is not available.

[d] Including net purchases of ECGD-backed promissory notes by the Issue Department.

[e] Including net non-deposit liabilities in foreign currency. (See the QuarterlyBulletin for June 1985-page 185.)

[f] See footnote [e] to Table E on page 3.

B M0, wide mo

ages in italics

£ millions:

e wide monetary base

		End-banking	-month serie	5						Monthly-aver	age series			
		Notes and co Bank of Eng		ution outside t	he	Bankers' dep with the Ban Department					in in circulation ank of England	Bankers' operational deposits with the	M0 (wide mor (columns 5 +)	netary base) 6)
		In circulatio public	n with	Held by ba (till money)		Operational deposits	Cash ratio deposits					Banking Department		
		Unadjusted	Seasonally	Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted	1.		Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted S	casonally adjusted
			1		2	3	4				5	6	7	
Amount outstanding at	t							Average amo outstanding month ende	in					
	17 15	12,435 12,441	12,384 12,464	1,312 1,275	1,320 1,290	162 187	582 628	1985 Apr. May	17 15	13,907 13,761	13,864 13,861	162 156	14,069 13,917	14.026 14.017
July 1	19 17 21	12,438 12,674 12,658	12,486 12,464 12,514	1,350 1,403 1,468	1,379 1,328 1,420	93 214 100	628 628 628	June July Aug.	19 17 21	13,888 13,988 14,105	13,944 13,962 13,959	178 217 141	14,066 14,205 14,246	14.122 14.179 14.100
Oct. 1	18 16 20	12,536 12,413 12,476	12,561 12,466 12,528	1,393 1,436 1,444	1,391 1,451 1,468	120 94 156	628 628 674	Sept. Oct. Nov.	18 16 20	14.031 13.905 13.890	14,026 14,003 14,043	133 123 162	14.164 14.028 14,052	14,159 14,126 14,205
1986 Jan. 1	11 15 19	12,909 12,399 12,441	12,467 12,576 12,590	1,636 1,582 1,481	1,502 1,558 1,537	174 187 150	674 674 673	1986 Jan.	11 15 19	14,324 14,774 13,910	14,124 14,224 14,198	130 235 169	14.454 15.009 14,079	14.254 14.459 14,367
Apr. 1	19 16 21	12,532 12,611 12,824	12,612 12,618 12,728	1,529 1,460 1,553	1,596 1,488 1,532	249 141 313	673 673 721	Mar. Apr. May	19 16 21	14.000 14.312 14.221	14.245 14.271 14,296	187 198 194	14,187 14,510 14,415	14.432 14.469 14,490
Change in mo ended	onth							Change betw amounts out						
1985 May	15	+ 6	+ 80	- 37	- 30	+ 25	+ 46	1985 May	15	- 146	- 3	- 6	- 152	- 90.1
July 1	19 17 21	- 3 + 236 - 16	+ 21 - 23 + 50	+ 75 + 53 + 65	+ 88 - 51 + 92	- 94 + 121 - 114	ΞC	July	19 17 21	+ 127 + 100 + 117	+ 83 + 18 - 3	+ 22 + 39 - 76	+ 149 + 139 + 41	+ 105 +0.7 + 57 +0.4 - 79 -0.6
Oct. 1	18 16 20	- 122 - 123 + 63	+ 47 - 96 + 62	- 75 + 43 + 8	- 29 + 60 + 17	+ 20 - 26 + 62	- + 46	Sept. Oct. Nov.	18 16 20	- 74 - 126 - 15	+ 67 - 23 + 40	- 8 - 10 + 39	- 82 - 136 + 24	+ 59 +0.4 - 33 -0.2 + 79 +0.6
1986 Jan. 1	11 15 19	+ 433 - 510 + 42	- 62 + 108 + 13	+ 192 - 54 - 101	+ 34 + 55 - 21	+ 18 + 13 - 37	- 1	Dec. 1986 Jan. Feb.	11 15 19	+ 434 + 450 - 864	+ 81 + 100 7 26	- 32 + 105 - 66	+ 402 + 555 - 930	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Apr. I	19 16 21	+ 91 + 79 + 213	+ 21 + 5 + 109	+ 48 - 69 + 93	+ 59 - 108 + 43	+ 99 - 108 + 172	+ 48	Mar. Apr. May	19 16 21	+ 90 + 312 - 91	+ 47 + 26 + 25	+ 18 + 11 - 4	+ 108 + 323 - 95	+ 65 +0.5 + 37 +0.3 + 21 +0.1

C Bank of England transactions in commercial bills and in guaranteed export credit and shipbuilding paper

£ mill	lions	Banking Department	Issue Departs	ment	
Trans	actions in:	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]
Mont	h ended		A STATE		
1985	May 15	+ 637	+ 185	+ 12	+ 25
	June 19 July 17 Aug. 21	- 1,729 + 1,963 - 2,765	- 1,208	- 65 + 19 + 50	- 406 + 272 + 28
	Sept. 18 Oct. 16 Nov. 20	- 652 + 369 - 1,464	- 246	- 5 - 47 - 131	+ 30 - 14 - 890
1986	Dec. 11 Jan. 15 Feb. 19	- 1.015 + 2.815 + 1,981	- 2,132	- 114 + 11	- 1,363 + 777 + 781
	Mar. 19 Apr. 16 May 21	- 1,421 - 3.216 + 298	+ 70	+ 320 - 110 - 221	+ 682 - 535 - 1,705
Amou at mic	unt outstandin d-May 1986	^{1g} 99	8,647	11112	_

[a] Included within column 8 of Table A.[b] Included within column 11 of Table A.

Money stock: amounts outstanding D

£ mil	lions	•	Notes and coin in circulation	UK private so sterling sight			ey stock [1[b]	UK private sector	Money £M	stock 3[b]	UK private sector deposits		y stock 13[b]
			with public	Non-interest- bearing[a]	Interest- bearing	Unadjusted	Seasonally adjusted	sterling time deposits[c]	Unadjusted	Seasonally adjusted	in other currencies [c]	Unadjusted	Seasonally adjusted
			1	2	3	4		5	6		7	8	
	Apr. May	17	12,435 12,441	21,467 21,440	18.604 19,422	52,506 53,303	51.980 53,210	61.240 60,733	113.746 114,036	114,120 114,660	18.244 18,787	131,990 132,823	132.370 133,440
	June July Aug.	19[d] [e] 17[e] 21	12.438 12,674 12,658	23,496 21,250 21,169	19,435 20,822 21,923	55.369 54,746 55,750	55.390 54.320 56.040	61,823 62,338 63,391	117,192 117,084 119,141	117,360 116,490 118,660	18.807 18.209 19,159	135.999 135.293 138.300	136.170 134.690 137,820
	Sept. Oct. Nov.	18[d] 16 20	12.536 12,413 12,476	21,253 21,574 21,717	22.248 23.537 24.536	56.037 57.524 58,729	56.080 57.410 58.830	64.983 64.525 65,843	121,020 122,049 124,572	120.810 121,770 124,170	19,524 18,861 19,466	140.544 140.910 144,038	140.340 140.630 143,630
1986		11[d] 15 19	12,909 12,399 12,441	22,430 21,618 21,216	25,265 24,999 25,052	60,604 59,016 58,709	59,790 59,400 59,490	64.838 65,527 66,255	125.442 124,543 124,964	124.880 124.920 126.060	19,578 19,644 20,088	145,020 144,187 145,052	144.460 144.570 146,160
	Mar. Apr. May.	19[d] 16 21	12,532 12.611 12,824	21,718 22,603 22,999	26,158 27,676 28,947	60.408 62,890 64,770	60,990 62,360 65,030	67.507 70.135 71,843	127,915 133,025 136,613	128.950 133.020 136,970	20.571 20,341 21,071	148.486 153.366 157.684	149.530 153.370 158.040

E Money stock: changes

£ millions: percentages in italics

	Notes and coin in circulation	UK private sector sterling sight deposits	Money stock	UK private sector	Money stock	UK private sector deposits in other currencies [c]	Money stock
	with public	Non-interest- bearing[a] Interest- bearing	M1[b]	sterling time deposits[c]	£M3[b]	Trans- actions Valuation changes[g]	M3[b]
	1	2 3	4	5	6	7	8
Month ended (unadjusted) 1985 May 15	+ 6	- 27 + 818	+ 797	- 552	+ 245	+ 337 + 206	+ 788
June 19[e] July 17[e] Aug. 21	$ \begin{array}{r} - 3 \\ + 236 \\ - 16 \end{array} $	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2.056 - 623 + 1,004	+ 1,015 + 515 + 1,053	+ 3,071 - 108 + 2,057	+ 655 - 655 + 754 - 1,352 + 577 + 373	+ 3.071 - 706 + 3.007
Sept. 18 Oct. 16 Nov. 20	- 122 - 123 + 63	+ 87 + 288 + 321 +1.289 + 143 + 999	+ 253 + 1,487 + 1,205	+ 1,571 - 458 + 1,318	+ 1.824 + 1.029 + 2.523	- 249 + 603 + 146 - 809 + 873 - 268	+ 2,178 + 366 + 3,128
Dec. 11 1986 Jan. 15 Feb. 19	+ 433 - 510 + 42	+ 713 + 729 - 812 - 290 - 402 + 53	+ 1.875 - 1.612 - 307	- 1,003 + 713 + 739	+ 872 - 899 + 432	- 171 + 279 + 348 - 282 + 565 - 121	+ 980 - 833 + 876
Mar. 19 Apr. 16 May 21	+ 91 + 79 + 213	+ 499 +1.080 + 885 +1.518 + 396 +1,271	+ 1,670 + 2,482 + 1,880	+ 1.184 + 2.628 + 1,708	+ 2.854 + 5.110 + 3,588	+ 686 - 204 + 147 - 377 + 874 - 144	+ 3.336 + 4.880 + 4.318
Month ended (seasonally adjusted) 1985 May 15	+ 80	+ 230 + 915	+ 1,225 + 2.4	- 717	+ 508 + 0.4	+ 337 + 206	+ 1,051 + 0.8
June 19[e] July 17[e] Aug. 21	+ 21 - 23 + 50	+ 2.044 + 107 - 2.387 + 1.337 + 492 + 1,175	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 475 + 233 + 498	+ 2,647 + 2.3 - 840 - 0.7 + 2,215 + 1.9	+ 655 - 655 + 754 - 1,352 + 577 + 373	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Sept. 18 Oct. 16 Nov. 20	+ 47 - 96 + 62	- 356 + 321 + 253 + 1,168 + 393 + 966	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,113 - 365 + 983	$\begin{array}{r} + 2.125 + 1.8 \\ + 960 + 0.8 \\ + 2.404 + 2.0 \end{array}$	- 249 + 603 + 146 - 809 + 873 - 268	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Dec. 11 1986 Jan. 15 Feb. 19	$ \begin{array}{r} - & 62 \\ + & 108 \\ + & 13 \end{array} $	+ 229 + 794 - 74 - 452 - 95 + 176	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 220 + 514 + 1,133	+ 741 + 0.6 + 96 + 0.1 + 1,227 + 1.0	- 171 + 279 + 348 - 282 + 565 - 121	+ 849 + 0.6 + 162 + 0.1 + 1.671 + 1.2
Mar. 19 Apr. 16 May 21	+ 21 + 5 + 109	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,464 + 2.5 + 1,377 + 2.3 + 2,668 + 4.3	+ 1,370 + 2,688 + 1,274	+ 2.834 + 2.2 + 4.065 + 3.2 + 3,942 + 3.0	+ 686 - 204 + 147 - 377 + 874 - 144	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$

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

M1 equals columns 1 + 2 + 3. £M3 equals M1 + column 5. M3 equals £M3 + column 7.

[c]

Changes in the monthly-reporting population occurred in these months. See also the additional notes to Table 3 in the QuarterlyBulletin, and, for December 1985 and March 1986, footnotes [b] and [c] respectively to Table H on page 5. [d]

The figures for the banking months of June and July 1985 are heavily distorted by the large flow of funds associated with the oversubscription to the sale of shares in Abbey Life Group p.l.c. These flows probably added substantial amounts to deposits and lending in banking June, but the distortion should have been unwound in banking July. Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding. (See additional notes to Table 11 of the *QuarterlyBulletin*.) See additional notes to Tables 6 and 11 of the *QuarterlyBulletin*. [e]

[ſ] [8] [Table 11.1 in the Quarterly Bulletin]

[Table 11.2 in the QuarterlyBulletin]

F Transactions balances and components of M2

£ millions: not seasonally adju.	sted								
•	Notes and coin in circulation with public	UK private sector sterling non-interest- bearing sight deposits with banks[a]	Non-interest- bearing M1[b]	Other UK private sector sterling retail deposits with banks	UK private sector retail shares and deposits with building societies	National Savings Bank ordinary account	M2[b]	Public sector retail deposits with banks	Overseas retail deposits with banks
	1	2	3	1	5	6	7	8	9
Amounts outstanding 1985 May 15	12,441	21,440	33.881	33,291	67.315	1,752	136,239	1,060	4,152
June 19[c][d]	12.438	23,496	35.934	33.893	68.096	1,750	139.673	1.086	4.186
July 17[d]	12.674	21,250	33.924	34,709	68.267	1,733	138.633	1.015	4.404
Aug. 21	12.658	21,169	33.827	35.004	68,291	1,740	138.862	993	4.452
Sept. 18[c]	12,536	21.253	33.789	35.188	69.825	1,729	140.531	885	4.475
Oct. 16	12,413	21,574	33.987	35.637	70.630	1,734	141.988	1,107	4.541
Nov. 20	12,476	21,717	34,193	36.885	71,408	1,711	144.197	1,251	4.532
Dec. 11[c]	12,909	22.430	35.339	36.328	72.673	1.693	146.033	923	4.681
1986 Jan. 15	12,399	21.618	34.017	36.861	73.906	1.739	146.523	1,137	4.905
Feb. 19	12,441	21,216	33.657	37.014	74,464	1,714	146.849	997	4.895
Mar. 19[c]	12.532	21,718	34,250	37.641	75.284	1.722	- 148.897	1.071	5.054
Apr. 16	12.611	22,603	35,214	38.644	76.097	1.718	151.673	1.218	5.294
May 21	12.824	22,999	35,823	39,490	76.553	1,742	153.608	1.167	5.335
Changes in month ended [e] 1985 June 19[d] July 17[d] Aug. 21	- 3 + 236 - 16	+ 2.056 - 2.246 - 81	+ 2053 -2.010 - 97	+ 602 + 816 + 295	+ 781 + 171 + 24	$ \begin{array}{c} - & 2 \\ - & 17 \\ + & 7 \end{array} $	+ 3.434 - 1,040 + 229	+ 26 - 71 - 22	+ 34 + 218 + 48
Sept. 18	- 122	+ 87	- 35	+ 184	+1,374	$ \begin{array}{r} - & 11 \\ + & 5 \\ - & 23 \end{array} $	+ 1.512	- 108	+ 23
Oct. 16	- 123	+ 321	+ 198	+ 449	+ 805		+ 1.457	+ 222	+ 66
Nov. 20	+ 63	+ 143	+ 206	+1.248	+ 778		+ 2,209	+ 144	- 9
Dec. 11	+ 433	+ 713	+1.146	- 557	+1,265	- 18	+1,836	- 328	+ 149
1986 Jan. 15	- 510	- 812	-1,322	+ 533	+1.233	+ 46	+ 490	+ 214	+ 224
Feb. 19	+ 42	- 402	- 360	+ 153	+ 558	- 25	+ 326	- 140	- 10
Mar. 19	+ 91	+ 499	+ 590	+ 627	+ 820	+ 8	+2.045	+ 74	+ 159
Apr. 16	+ 79	+ 885	+ 964	+ 1.003	+ 813	- 4	+2.776	+ 147	+ 240
May 21	+ 213	+ 396	+ 609	+ 846	+ 456	+ 24	+1.935	- 51	+ 41

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

Non-interest-bearing M1 equals columns 1+2. M2 equals non-interest-bearing M1+columns 4+5+6. [b]

[c] See footnote [d] to Table D on page 3.

[d] See footnote [e] to Table E on page 3.

[e] See footnote [f] to Table E on page 3.

4

G Private sector liquidity, and other deposits

[Summary of Table 12 in the Quarterly Bulletin] f millions: percentages in italics 'Money' PSL1 (columns 1+2+5) PSL2 (columns 1+2+3+6) Certificates of PSL1 PSL2 Other shares and deposits Savings institution deposits and securities Other Other money-market instruments Seasonally adjusted with building societies tax deposit Seasonally adjusted change in month Seasonally adjusted change in month Seasonally adjusted Column 5 lssues net of sur-renders Unadjusted Seasonally Seasonally Seasonally adjusted Seasonally adjusted adjusted adjusted of which shares and deposits with building societies [a] Amount outstanding Change in month Total (net) 6 7 8 9 10 11 12 3 4 5 2 1 Month ended +790 200,536 +0.2 19.052 + 254 +0.2 + 32881,890 78.361 2,975 2,634 118,987 112.924 3.088 1985 May 15 19.349 19.489 19.659 2.539 2.672 2.530 121,798 121.036 122,876 203,934 203.800 206,204 +2.778 - 719 +1,894 +2.3 -0.6 +1.6 2.900 3.062 2.929 +3,392 82.497 83.154 83.727 79.314 80,352 81,490 +1.7 +297 19 [b] 17 [b] 21 115.587 114.666 116,852 3.311 3.308 3,095 June July Aug. +140 +170 +2,460 +1.2 208,916 211,419 215,827 19.393 18.828 18.076 -266 -565 -752 +1.790 +1.182 +2.372 +1.3 +1.2 +2.1 119.000 119.954 122.328 2.972 2.904 3.039 84.648 86.024 88,070 82.754 84.332 86.432 2.696 2.993 2.846 2.296 2.537 2,390 124.668 125.851 128,213 +1.5 +0.9 +1.9 +2.710 +2.502 +4,418 Sept. Oct. Nov. 18 16 20 2.894 2.500 2.627 2.406 2.251 2,238 128.817 128.515 129.667 217,437 219,111 222,445 +0.5 -0.2 +1.0 +0.8 +0.8 +1.6 17.690 17.235 16.870 -386 -455 -365 87.774 89.857 91.605 + 652 - 252 + 1,235 89.108 90.845 93,167 + 1.653 + 1.724 + 3,417 122.987 122.985 124,149 2.936 3.030 2.891 Dec. 1986 Jan. Feb. 11 15 19 -196 -354 -337 16.674 16.320 15,983 226.316 231.458 235,507 +3.062 +4.180 +3.650 +2.4 +3.920 +3.2 +5.141 +2.7 +4.048 +1.8 +2.3 +1.7 93.165 94.704 96,106 2,981 3.117 3,275 2.409 2.472 2,430 126.931 131.025 134,885 2.768 2.719 2.352 94.208 95,242 95,840 132.680 19 Mar. 136.861 140,512 16 Apr. May

Including UK non-bank private sector's holdings of certificates of deposit and time deposits issued by building societies. [a] See footnote [e] to Table E on page 3. [b]

£ millions											uarieny builett
		otal eposits UK mone sector	Sight	deposits UK private sector	Sterling liabilitie UK mone sector	Tin UK public	UK private		Certifi- cates of deposit	ltems in suspense and transmission	Capital and other funds
1985 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	953 2 946 2 967 2 985 2	85.575 9,746 0.662 8,612 4.505 8,698 1.917 9,722 2.268 10,548 6,667 10,619	1.244 1.488 1.378 1.468 1.722 1,738	48.472 47.535 47.194 49.107 51.502	6.771 37.89 7.056 39.43 7.024 41.03 7.258 43.28 7.625 45.66 7.402 46.34	1 1,790 8 2,018 0 1,958 7 1,899 7 2,889	61,490 62,707 62,653 63,372 65,466 66,855	25.705 26.895 27,116 28.251 28.659 28.461	15.467 14.912 17.455 17.553 18.191 18,903	5.443 5.843 5.938 6.483 6.406 5.963	27.899 28.172 28.215 28.397 29.720 29.581
	Тои dep	UK monet sector	Sight and time	1	bilities Certificates of deposit	Items in suspense and trans- mission	Capital and other funds	Total liabilities/ assets	of wi	ties Assets	
1985 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	498, 496, 505, 508, 504, 507,	577 89.235 824 85.068 922 87.762		322.904 327,235 332.377 332.741 331.944 330,920	67.726 65.153 65.475 66.391 64.483 68,175	5.295 5.408 6.528 6.882 6.616 6,660	14.867 14.164 15.063 14.721 13.934 13,792	761.751 761.527 776.216 787.851 794.237 800.706	242.91. 245.630 249.60 257,76. 269.379 273.200	4 247,165 3 254,743 9 266,373	
	Notes and coin	Cash ratio	Bank of England Special Jeposits Other	LDM	Othe	Market loans er UK etary or sector		No Alter	s Overse	as	
1985 Dec. 11 [b] 1986 Jan. 15 Feb 19 Mar. 19 [c] Apr. 16 May 21	2.313 2.266 2.140 2.200 2.149 2.258	667 667 666 667 667 713	- 83 - 167 - 146 - 245 - 140 - 310	6.367 5.826 6.165 6.674 6.580 5.969	47 45. 46 46. 39 47. 34 50. 37 54. 27 55.	298 6.2 720 7.3 942 7.1 157 7.6	72 631 54 769 70 695 26 872	3.565 3.572 3.408 3.437 3.271 3.091	8,89 9,58 9,94 10,73 11,53 11,54	1 3 to 1	
				Steri	ing assets continu	ed					
1985 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	Treasury bills 300 244 168 235 310 442	Eligible local authority bills 581 620 510 533 394 406	Bills Eligible bank bills 2.806 5,112 7,728 6,267 4,373 4,538	Other 297 318 318 348 403 385	131. 132. 132. 133. 133. 138.	992 773 020 981 373	Advances UK public sector 2.067 2.004 1.766 1.744 1.665 1.443	UK private sector 117.656 119.140 119.560 122,179 126,351 127,158	Overseas 12.269 11.628 10.694 10.058 10.857 12.341	Banking Department lending to central government 574 -2.106 -4.270 -2.693 446 518	(net)
	Investm		ets continued	ellaneous assets				ther currency a loans and adva			
Brit gove stoc	ish Othe	r c	Items in suspense and collection	Assets	ther Tota	of whice advance	UK moneta	UK	ry UK		Overseas
Feb. 19 Mar. 19 [c] Apr. 16	7,171 425 7,121 313 6,919 543 5,510 544 6,706 535 7,238 505	7.573 7,732 8,139 8,293 8,985 9,306	8.870 9.597 9.295 10.480 10.566 10,120	1.528 5.9 1.508 5.9 1.519 5.9	2004 478.4 395 474.6 919 484.4 942 488.1 932 482.3 919 484.3	95 120.92 77 121.40 79 119.26	7 89,171 0 84,835 7 87,169 5 89,852 4 87,370 6 86,302	11.610 11.313 10,670 11.156 11.121 11.169	1,632 1,766 1,740 1,669 1,653 1,590	35.370 36.198 36.142	342,173 341,627 349,547 349,301 346,093 348,462
	indi a			Other currency	assets continued	1		Accep	plances	Eligible liabilities	
# 1985 Dec. 11 [b] 1986 Jan. 15 Feb. 19 Mar. 19 [c] Apr. 16 May 21	Bi 2.0 2.2 2.1 2.1 2.1 2.3	76 33,365 00 34,470 91 34,441 54 35,166	Investments United Kingdom 1,949 2,563 2,554 2,621 2,601 2,774	sus and col 30,578 30,802 31,917 0 31,820 0 32,566 0	pense	Assets Assets assed 10 10 7 7 7 12	Other 1,589 1,499 1,581 1,551 1,541 1,226	Sterling 18.251 18.661 19.462 17.873 17.483 18.352	Other currencie 2.987 2.883 3.083 3.126 3.040		1

[a] These tables include all monthly reporting monetary sector institutions other than members of the London Discount Market Association—see page 562 of the December 1983 Quarterly Bulletin.
 [b] Three contributors joined the series and one left the series at mid-December; the net effect was an increase of £70 million in sterling assets and an increase of £486 million in other currency assets.
 [c] Nine contributors joined the series at mid-March; the effect was an increase of £436 million in sterling assets and £32 million in other currency assets.

£ millions

£ millions								Liabilit	ies					
•		Notes out- stand-			Sterii	ng depos	its				Oth	er currency d	eposits	
British banks:	1.	ing	Total	of which sight deposits	UK monetary sector	UK public sector	UK private sector	Overseas	Certifi- cates of deposit	Total	UK monetary sector	Other United Kingdom	Overseas	Certifi- cates of deposit
Retail banks	1986 Apr. 16 May 21	985 998	119,514 122.044	52.288 54,097	11.042 11,746	3.374 3,471	86.136 88,139	10.983 10,605	7.979 8.083	46,449 46,286	6,287 6,545	4,324 4,475	30.516 29,415	5.322 5.852
Accepting houses	1986 Apr. 16 May 21	=	13,441 13,440	3,308 3,238	2.619 2,571	270 251	7.498 7,637	1,546 1,444	1,511 1,538	11.735 11.622	3.088 2,747	1,958 2,026	6.319 6,414	370 434
Other British banks	1986 Apr. 16 May 21	2	35,131 35,644	6.752 6,908	18.668 18,844	526 679	9.859 9,988	4.756 4,709	3,444 3,574	25.872 24,802	7,431 6,557	1,499 1,584	14.774 14,475	2.168 2.186
Overseas banks: American banks	1986 Apr. 16 May 21	=	14.789 15,131	2,888 3,128	6.028 5,904	25 27	3.673 3,937	3.847 3,893	1.283 1,448	80.863 80,109	7,885 6,846	4.276 4,522	49.222 47,673	19.480 21.068
Japanese banks	1986 Apr. 16 May 21	1	11.651 12,316	439 392	6.683 6,825	144 95	1,751 1,912	1.971 2.223	1,102 1,261	173,304 179,154	36.563 37,807	2.427 2,487	113.686 116,736	20.628 22.124
Other overseas banks	1986 Apr. 16 May 21	in <u>T</u> abaan	35.535 35,772	5.273 4.687	12,968 12,911	266 431	7.665 7,971	12.356 12,092	2.791 2.903	153.407 152,304	23,039 23,221	4.793 4,990	109.425 107.983	16.150 16,110
Consortium banks	1986 Apr. 16 May 21	E	2,206 2,320	448 435	925 930	5 8	384 396	811 889	81 96	12.677 12,768	4,041 4,004	439 366	7.833 7,997	365 401
Total	1986 Apr. 16 May 21	985 998	232.267 236,667	71,396 72,885	58.933 59,731		116.966 119.980	36.270 35,855	18.191 18,903	504.307 507,045	88.334 87,727	19,716 20,450	331,775 330,693	64.483 68,175

		Sterling and other currency liabilities Items in suspense and	Total liabilities/			Sterling as	ssets			
		liabilities Items in	assets			1 Auges		Market loans		
		suspense and transmission, capital and other funds		Notes and coin	Balances with Bank of England (including cash ratio deposits)	Secured money with LDMA	Other UK monetary sector [b]	UK monetary sector CDs	UK local authorities	Overscas
British banks:	1986 Apr. 16	31,372	198.320	2,122	491	4.365	20,107	3.155	1,716	1.666
Retail banks	May 21	30,754	200.082	2,228	670	3,721	19,893	3.352	1,658	1,670
Accepting	1986 Apr. 16	3.639	28.815	2	29	341	5,051	1,164	266	740
houses	May 21	3,701	28,763	4	31	245	5,172	1,201	247	794
Other British	1986 Apr. 16	8.045	69.048	33	93	281	10,160	1,263	438	1.269
banks	May 21	8,022	68.469		118	384	10,129	1,214	416	1,105
Overseas banks:	1986 Apr. 16	4,116	99,768	2 4	61	456	3,652	346	108	1.280
American banks	May 21	4,476	99,716		59	449	3.811	404	103	1.296
Japanese banks	1986 Apr. 16 May 21	1,094 801	186.050 192.271	Ξ	35 35	369 381	3,715 4,348	42 42	72 69	2.563 2.456
Other overseas	1986 Apr. 16	5,985	194,927	19	92	744	11.251	1.471	587	3.580
banks	May 21	6,281	194,357	19	103	767	11.275	1,587	525	3.865
Consortium	1986 Apr. 16	2,425	17,309	1	6	24	558	187	84	433
banks	May 21	1,960	17,048		6	23	650	222	73	357
Total	1986 Apr. 16	56,676	794.237	2.149	807	6.580	54.494	7.628	3.271	11.531
	May 21	55,995	800,706	2,259	1.022	5,970	55.278	8,022	3.091	11,543

Some smaller institutions report at end-quarters only; the coverage of some of the groups in these tables will therefore not be complete. The groups affected are Accepting houses, Other British, American, Other overseas and Consortium, but in no case is the coverage of total liabilities/assets less than 97.5%. Including unsecured money with LDMA. Including holdings of sterling time deposits placed with, and sterling certificates of deposit issued by, building societies. [a]

[b] [c]

J Discount market: balance sheet

£ millions

6

							Liabilities: Sterling	borrowed fu	nds	1		Other currence	ies	
				1 .	of which	1			the state of					
			Total	Call and overnight	Other	Bank of England	Other UK monetary sector	Unit	ed	Overseas	r	nonetary	Other United Kingdom	Overseas
1985 1986	Dec. Jan. Feb. Mar. Apr. May	11 15 19 19 16 21	8.121 7.516 7,761 8.327 8.551 7,996	7,584 6,935 7,170 7,770 7,615 7,140	537 581 591 557 936 826	80 92 179 192 259 -	6.409 5.765 6.085 6.610 6.452 6.107	1.6 1.4 1.5	28 51 85 12 22 248	4 8 12 13 18 11	336 223 333 216 271 372	121 116 112 70 59 115	163 85 103 84 98 128	52 22 118 62 114 129
							Sterling	assets						
		*	1	Cash ratio deposits		Bills	Other	.				Funds lent		
			Total	with the Bank of England	Treasury bills	Local authority bills	public sector bills	Other bills	UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Other United Kingdom	Overseas
1985 1986	Dec. Jan. Feb. Mar. Apr. May	11 15 19 19 16 21	8.373 7.760 8.042 8.609 8.876 8.317	7 7 7 7 7 8	50 13 54 103 236 60	9 15 70 44 90 61	20 50 20 20 20 20 5	3.445 3.619 3.711 3.661 4.523 4.002	491 304 269 212 228 339	2,729 2.468 2.690 2.660 2.098 2,376	550 497 263 388 317 232	134 134 137 132 115 109	219 152 149 138 255 291	4 6 12 156 7 71

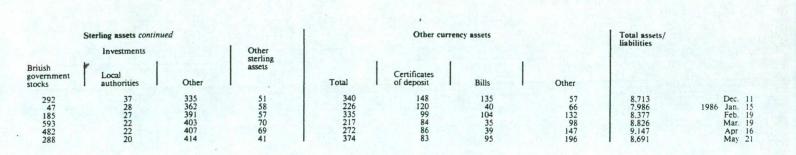
[Tables 3.2 to 3.8 in the Quarterly Bulletin]

					Sterling assets continued										
					E	Bills		1	Advance.	ces	Banking Department	Investments			
				Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas	lending to central government (net)	British government stocks	Other		
British banks: Retail banks	1986	Apr. May	16 21	277 368	358 395	3.476 3,594	74 76	419 326	77.921 78.237	2.845 4.408	446 518	5.368 5.873	2.922 2.978		
Accepting houses	1986	Apr. May	16 21	5 4	14 11	372 317	53 57	51 57	3.812 3,994	1.075 1.091	=	299 207	1.521 1.354		
Other British banks	1986	Apr. May	16 21	1 22	E	251 322	78 57	65 57	20.463 20.562	1.673 1.707	=	367 395	1.707 1.749		
Overseas banks: American banks	1986	Apr. May	16 21	ł	=	20 46	4 7	69 67	7.422 7,561	1.292 1.325	Ξ	213 231	391 391		
apanese banks	1986	Apr. May	16 21	4 6	Ξ	Ξ	E	582 474	1.732 1.727	986 855	=	22 101	1.555		
Other overseas banks	1986	Apr. May	16 21	22 41	8	254 257	190 183	456 440	14.506 14.525	2.727 2.693	-	327 323	1.160		
Consortium banks	1986	Apr. May	16 21	2	Ξ.	2	4 4	23 23	496 553	259 262	=	110 110	265 287		
Total	1986	Apr. May	16 21	310 442	395 406	4.373 4,538	403 384	1.665	126.352 127,159	10.857 12,341	446 518	6.706 7,240	9.521 9.812		

						Other cu	rrency assets						Sterling and other	Accept- ances	Eligible liabilities
						1	Market loans a	and advance	Bills	Invest-	currencies	unces	naonnies		
				Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas		ments	Miscel- laneous assets[c]		
British banks: Retail banks	1986	Apr. May	16 21	49.171 48,780	15.515 15,747	11.332 10.710	351 339	179 173	4.330 4.593	32.979 32.966	648 679	5.262 5.202	15,513 15,459	3.344 3.732	89.620 92.107
Accepting houses	1986	Apr. May	16 21	10,666 10,601	3,890 3,683	2,904 3,005	525 560	17 15	965 980	6.255 6.041	63 62	1.401 1,407	1.890 1.908	3.899 4.085	7.005 6.757
Other British banks	1986			27.734 27.045	9.731 9.335	6.376 5,718	133 209	714 711	2.320 2.067	18.191 18.339	26 81	1.169 1.490	1.994 1,612	1,125 1.040	21.833 21.987
Overseas banks: American banks	1986	Apr. May		77.761 77.100	22.750 22.825	8.172 7,587	1.243 1.219	30 30	9.599 9.797	58.717 58.467	52 101	2.551 2.490	4.086 4,272	3.319 3.325	10.291 10.387
Japanese banks	1986	Apr. May	16 21	158.844 164,266	25.382 26.084	27.341 28,564	1.432 1.379	571 542	7.883 8.609	121.617 125.172	99 105	14.773 15.034	656 690	2.220 2.268	7.529 7.542
Other overseas banks	1986	Apr. May	16 21	145.273 143.552	36.408 36,026	29.840 29.385	7,100 7,121	142 116	10.763 10.469	97.428 96.462	1.164 1,199	8.938 9.305	2.158 2.330	6.457 6.703	21.719 21.678
Consortium banks	1986	Apr. May	16 21	12.930 13.038	5.587 5,646	1.404 1.334	338 342	3	281 344	10.907 11.015	101 113	1.072 1.058	757 267	245 239	1.494 1.442
Total	1986	Apr. May	16 21	482.379 484.382	119.263 119,346	87.369 86.303	11.122 11.169	1.653 1,590	36.141 36.859	346.094 348,462	2.153 2.340	35.166 35.986	27.054 26.538	20.609 21.392	159.491 161.900

[Table 4 in the Quarterly Bulletin]

7



K UK monetary sector: transactions in liabilities and assets[a] £ millions

	(Li	bilities														
				Total							1	Dom	estic dep	osits								1	Overs	eas se	ctor	No	n.
							Tota	1			Pu	sector	Private sector								depos		deposit liabilities				
									Sterling			Other curren- cies		Sterling			Other curren- cies		Sterling			ther irren-	(net				
Mo	nth end	ed			Una	djusted		Se	asonally justed	Una	djusted	Sea	usted			Una	adjusted	Se ad	asonally								
198	5 May.		-	3,723	+	506		+	628	-	105	-	172	+	35	+	239	+	428	+	337	-	220	_	5,103		1.094
	June July Aug.	19 17[b] 21[b]	++++	10,926 7,479 433	* + +			+ - +	3.370 129 2.908	+ - +	189 3 269	+ + +	104 37 183		15 29 17	+ - +		10	2.626 817 2,165	++++	754	-++	263 421 291	+++	5.893 4.401	+++	1.393 2.279
	Sept. Oct. Nov.	16	+++++	9,869 1.071 10,592	+	1,419 1.758 3,820		+ + +	1.811 1.573 3,500	· - + +	277 445 483	- + +	17 356 281	- + +	1 15 4	+++	1,946 1,152 2,460	+++	2.078 1.056 2.342	- + +			6 208 536	+		+++	1.912
198	6 Jan. Feb.	11 15 19	+++++	2,585 7,841 10,103	- + +	344 431 759		+++++	194 648 1,609	- + -	558 466 160	- + -	384 306 134	+	54 6 36	+ - +	439 389 390	+	803	-+++	171 348 565	++++	66 1.337	+++	8.881 1.131 7.338	+	1.573 1.732 1.265
	Mar. Apr. May	19 16 21	+ + +	8,024 13,856 8,724	+	3,473 6,538 4,613		+	3,672 5.681 4,725	+++++++++++++++++++++++++++++++++++++++	22 1,375 360	+ + +	171 1,489 14	+ - +	2 15 4	+++	2,763 5.031 3,373	+++	2.813 4.060 3,833	+++++	686 147 874	+ ++ -	666 1.351 1.013 754	+++	7,700 3.526 5.524 5,604	+ -+ +	978 326 781 739

			Total	1		and:					Asse	ets											
				a the second	Lending to public sector										Lending to private sector					La	ending	to overse	as
				10000			Ster	rling					her rencies		Ster	ling			ther	Steri	ing	Other	
				Total					1											(Aspect of the		cies	
	oth ende			Unadjuste	a		isonally usted	8	Central overn- nent		Other			1	Inadjusted	Seaso	onally						
198	5 May	15	- 3,723	- 1:	5	-	486	+	181	-	- 336		+ 108	+	669	+ 1	.241		241		251	_	4.355
	June July Aug.	19[b] 17[b] 21	+ 10.926 + 7,479 + 433	+ 1,76 - 3.56 + 2.91	2			-	1.992 3.324 3,275		- 227 - 238 - 360		- 67 - 78 - 9	+++++	4,293	+ 2	921 2.717 711	+++	12	+	15 479	+	8.901 6.759
	Oct.	18 16 20	+ 9.869 + 1.071 + 10,592	+ 87 - 1,02 + 1,13	4	+ - +	1.275 808 278	-	1,370 668 1,708	-	- 491 - 356 - 572		- 19 + 257 - 170	++	3,710	+ 1 + 2	,080 .411 381	+ -++++++++++++++++++++++++++++++++++++	408 25	+ -++++	211 20 43	+ -++	640 7.875 1.827 9,702
1986	Feb.	11 15 19	+ 2,585 + 7,841 + 10,103	+ 1,13 - 3,20 - 2,62	4	+	672 1.312 1,287	-	1.479 3.276 2,141	+	- 346 72 - 481		+ 25 + 220 + 3		1,103 3.645 3,143		1 .516 ,358	+	123 2.191 589	+	1.589 273 492	+++++	1.064 4.716
	Mar. Apr. May	19 16 21	+ 8.024 + 13.856 + 8,724	+ 1,68 + 3,04 -			1.891 1,449 339	+ + +		-	54 322 349		- 52 + 17 - 61	+ + +	2.215 3.672 257	+ 2 + 3 +		+	1,209 716 1,069	- + 1	402 .840 .905	++++++	3.368 4.564 5,561

[a] This table comprises all banks included in Table 3 in the Quarterly Bulletin together with the discount market. Interbank items are excluded and adjustments made to allow for transit items (see additional notes to Table 6 in the Quarterly Bulletin).

[b] See footnote [e] to Table E on page 3.

. Symbols and conventions - nil or less than £½ million. --- figures above and below are not strictly comparable. Owing to rounding of figures, the sum of the separate items will sometimes differ from the total shown. Issued by the Financial Statistics Division, Bank of England, London EC2R 8AH. Printed by Oyez Press Ltd.



18/6/86 P

MONEY AND BANKING FIGURES: BANKING JUNE 1986

(All figures are seasonally adjusted, unless otherwise stated.)

1 During the four weeks to 18 June 1986, M0 (average of weekly levels) rose by £80 million (+0.5%) (Table B) and £M3 rose by £1,710 million (+1.3%) (Table E).

2 Recent rates of growth of the above aggregates are as follows:

Rates of growth, annualised %: seasonally adjusted

- Frida	Latest 3 months	Latest 6 months	Latest 12 months
MO	+ 3.8	+ 4.4	+ 3.1
£M3	+33.6	+23.4	+18.3

3 Within £M3 there was a rise in banking June of £130 million in notes and coin, a fall of £210 million in non-interest-bearing sight deposits and a rise of £820 million in interest-bearing sight deposits. M1 rose by £740 million (+1.1%). Time deposits (including sterling certificates of deposit) of the UK private sector rose by £980 million.

4 The sterling value of private sector foreign currency deposits rose by \pounds 1,670 million, comprising a rise of \pounds 1,430 million reflecting transactions and a rise of \pounds 240 million reflecting the estimated change in the sterling value of the existing stock. Thus, total M3 rose by \pounds 3,380 million (+2.1%) (Table E).

5 M2 (not seasonally adjusted) rose by £2,110 million (+1.4%) (Table F). PSL2 on the new definition (including building society term shares and SAYE deposits, and bank deposits with an original term longer than two years) rose by £3,200 million (+1.3%) (Table G).

6 Rates of growth of monetary and liquidity aggregates over the last three, six and twelve months are shown in the attached table.

7 Amongst the counterparts to the change in £M3, the net effect of public sector transactions (the PSBR less debt sales to the non-bank private sector and external flows to the public sector) was expansionary by £420 million (see columns 1-7 of Table A). The central government borrowing requirement was £1,790 million and the direct contribution of local authorities and public corporations to the public sector borrowing requirement (net of non-bank private sector purchases of their debt) was contractionary by £580 million. There were net purchases of central government debt by the

non-bank private sector of £1,120 million; within this gilt-edged stock accounted for £560 million, National Savings for £350 million, CTDs for £110 million and Treasury bills for £100 million. External and foreign currency finance of the public sector was expansionary by £320 million.

8 Sterling lending to the private sector rose by £2,150 million. Foreign currency lending to the private sector rose by £370 million in transactions terms.

9 The external and foreign currency transactions of UK banks were expansionary by £50 million (see columns 9-12 of Table A). Net non-deposit sterling liabilities rose by £900 million, a contractionary influence.

10 In banking June, the amount of sterling commercial paper outstanding increased by an estimated £30 million, to £50 million. UK banks reported holdings of £20 million, entirely paper issued by overseas companies and therefore included in sterling lending overseas (Table K) within the external and foreign currency transactions of UK banks (Table A)

11 Tables H, I and J show the details of the banks' and discount market's balance sheets. Transactions of the UK monetary sector during the month, excluding inter-bank items and valuation changes on foreign currency items, are given in Table K.

Estimated seasonal movements - banking July 1986

12 The provisional seasonal movements for the four weeks ended 16 July 1986 are as follows:

	£ million
Notes and coin in circulation with the public	+ 270
Private sector sterling sight bank deposits Ml	+ 330
Other private sector sterling bank deposits	+ 600 - 10
EM3	+ 590
MO (averaged series)	<u>+ 90</u>
Bank lending in sterling to the private sector	+1,600

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

BANK OF ENGLAND 17 July 1986



MONETARY AND LIQUIDITY AGGREGATES: BANKING JUNE 1986

Rates of growth, annualised %: seasonally adjusted

	Latest	Latest	Latest
	3 months	6 months	12 months
		Charles and the second	
M0	+ 3.8	+ 4.4	+ 3.1
		Contraction of the second	
Ml	+ 35.4	+20.8	+18.6
of which:			
OI WIIICH:			
Non-interest bearing Ml	+ 16.1	+ 8.6	+ 0.2
		Contraction of the second second	
M2 (not seasonally adjusted) *	••	•• 84	+11.5
£M3	+ 33.6	+23.4	+18.3
	1 33.0	123.1	110.5
M3	+ 35.7	+24.9	+18.6
DOLT 1			
PSL1	+ 32.5	+22.5	+17.2
PSL2	+ 20.1	+17.2	+14.1
	. 20.1	111.2	174.1

*the growth of M2 over the 12 months to mid-June 1986 includes £900 million resulting from changes made by certain building societies in the terms of some accounts. Excluding such reclassified amounts, the growth in M2 over the latest 12 months is 10.9%.

Banking statistics

18 June 1986

[Table 11.3 in the Quarterly Bulletin]

Public sector borrowing requirement, and other counterparts to changes in £M3 A

£ millions		requ (sur Cen gove	lic sector plus-) tral ernment rowing uire- nt	Othe	r c r i-	Purchas debt by l (other the Other public sector debt	UK pr han ba Ce de Br go mo	ivate nks)	e secto Il gove]			curr pub Pur of B gov men stoc	chases ritish ern- nt ks by rseas	and fo finance tor (in s C	ce of	f ase-)	Banks' sterling lending to UK private sector [b]	of U Steri depo from of m loan bank abro	osits n, net arket s to, cs	s[c] Othe overs sterlin deposi (incre	r eas ng sits	Othe sterli lendi to overs secto	er ng ing seas	Banks' net foreign currency liabilities[e] (increase-)	Net non- deposit sterling liabilities (increase-)	Money stock £M3 (columns 1-13)
Month ended			1	2		3		4			5		6			7	8		9	1	0	1	1	12	13	14
July	19[f] 17[f] 21	+ -++	2,638 1,162 2,319	1		37 78 73			12 11 247	Ē	220 409 177	=	342		+ - +	270 4 50	+ 714 + 3,107 + 1,084	+ + +	394 18 261		255 236 591		273 409 604	+ 1,275 + 262 - 145	- 305 - 444 + 489	+ 3,071 - 108 + 2,051
Oct.	18 16 20	+ + +	1,667 564 2,666	••••=		23 88 25			86 519 737	111	34 525 109		76		+ - -	17 130 193	+ 406 + 3,536 + 1,384	+++	419 712 388	- - +	76 703 243	- + -	95 164 165	+ 233. + 352 - 183	- 154 - 1,742 + 1,533	+ 1,819 + 1,045 + 2,526
1986 Jan.	11 15 19	+	1,490 2,785 786	+ - -	2: 1 1				224 80 276	- + -	76 504 100	- - +	291		111	25 2 248	+ 747 + 1,741 + 1,279	+ - +	257 289 215	Ξ	115 353 519	+ + -	17 356 73	- 1,130 + 517 + 1,356	- 265 - 39 - 366	+ 864 - 892 + 455
Apr.	19 16 21	+++++	942 4,274 1,629	Ē		44		- 1	453 712 568	E	507 273 370	+	219		+ + +	130 322 55	+ 2,235 + 3,809 + 1,214	+ + +	44 547 130		459 911 696	+	656 661 134	+ 564 - 101 + 257	+ 149 - 1,186 + 549	+ 2,824 + 5,167 + 3,489
June	18	+	3,038	-	1,02	29		- :	563	-	515			+328	3		+ 1,314	+	958	+	260	-	604	- 670	- 1,150	+ 1,367
Month ended (seasonally ad	juste	d)																								
Inly	19[f] 17[f] 21	+ - +	762 92 2,090	=	4	21 77 52		- 1	12 11 247	=	262 438 314	=			+ - +	266 9 45	+ 1,335 + 1,531 + 1,727				+ 1	.305 420 961			- 8 - 582 + 246	+ 2,647 - 840 + 2,209
Oct.	18 16 20	+ + +	1,955 914 1,905	-	3: 64 1,08	19			86 519 737	+ - -	3 477 36		155 76 400		+ - -	12 135 198	+ 971 + 2,237 + 2,069				+ + -	81 547 339			- 323 - 866 + 1,232	+ 2,120 + 976 + 2,407
1986 Jan.	11 15 19	+ + +	118 53 684	+ - -	44 34 23	52		-	224 80 276	- + -	56 467 225	- - +			- + -	30 48 253	+ 1,851 + 612 + 1,494				- + +	993 26 831			- 348 - 380 - 918	+ 733 + 103 + 1,250
Apr.	19 16 21	++++++	857 2,708 1,645	=	36 1,3 93	33		- 7	453 712 568		378 201 379	+ - -	219		+ + +	126 319 51	+ 2,461 + 3,142 + 1,683				- + + 1	642 595 ,306			+ 52 - 177 + 435	+ 2,804 + 4,122 + 3,843
June	18	+	1,794	-	57	79	-		63	-	557	_		+324	+		+ 2,148				+	46			- 899	+ 1,714

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

				Mar	rketable	debt		Natio	onal sa	avings	Tax inst	ruments	O	ther	Tota	l (colum	ins 4 and	5above)
			S	tocks	T	Trebill	easury s	Unadjusted	1	Seasonally adjusted	Unadjusted	Seasonally adjusted			Unac	ljusted		easonally ljusted
Mont	th ende	d									122222	and the second			1 A STATE			
1985	June	19	-	12		+	42	- 270		- 375	+ 6	+ 69	+	2	and the second	232	-	274
	July	17	-	11		+	8	- 196		- 273	- 217	- 169	-	4	-	420		449
	Aug.	21	-	247		-	56	- 273		- 384	+ 149	+ 123	+	3	-	424		
	Sept.	18	-	86		+		- 228		- 779	+ 190	+ 228	-	2		120	-	83
	Uct.	16	-	519		+	17	- 191		- 197	- 351	- 297			20 0 V -	1,044	- 1	996
	Nov.	20		737		-	4	- 281		- 184	+ 171	+ 147	+	5	-	846	-	
	Dec.	11	-	224		+	56	- 23		- 61	- 106	- 48	-	3	-	300	-	280
1986		15	-	80		+		- 122		- 19	+ 534	+ 394	+	3	+	424	+	387
	Feb.	19	-	276		-	30	- 138		- 74	+ 62	- 127	+	6	-	376		501
	Mar.		+	453			80	- 30		+ 55	- 398	- 354	+	1	-	54	+	75
	Apr.	16	-	712			22	- 65		- 46	- 189	- 136	+	3		985	-	913
	May	21	+	568		+	21	- 211		- 241	- 180	- 159		-	+	198	+	189
	June	18	-	563		-	100	- 245		- 350	- 177	- 114	+	7	-	1,078	-	1,120

[b] Including holdings of sterling certificates of deposit issued by building societies, and net purchases by the Issue Department of commercial bills and, of promissory notes relating to shipbuilding paper guaranteed by the Department of Trade and Industry.

A seasonally-adjusted breakdown of these transactions is not available. [c]

[d] Including net purchases of ECGD-backed promissory notes by the Issue Department.

[e] Including net non-deposit liabilities in foreign currency. (See the QuarterlyBulletin for June 1985-page 185.)

[f] See footnote [e] to Table E on page 3.

B M0, the wide monetary base

£ millions: percentages in italics

[Table 2 in the Quarterly Bulletin]

.

£ millions:	percen	ages in italics					1 2 1	1 Mar 15			A State She			
		End-banking	g-month serie	es					I	Monthly-aver	age series			-
		Notes and co Bank of Eng		ation outside t	he	Bankers' dep with the Ban Department	iking				in in circulation ank of England	Bankers' operational deposits with the	M0 (wide mo (columns 5 +	
		In circulatio public	n with	Held by ba (till money		Operational deposits	Cash ratio deposits					Banking Department		
		Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted		1	Unadjusted	Seasonally adjusted	Unadjusted	Unadjusted	Seasonally adjusted
			1		2	3	4				5	6	7	
Amount outstanding	g at							Average am outstanding month ende	g in					
1985 May	15	12,441	12,464	1,275	1,290	187	628	1985 May	15	13,761	13,861	156	13,917	14,017
June July Aug.	19 17 21	12,438 12,674 12,658	12,486 12,464 12,514	1,350 1,403 1,468	1,379 1,328 1,420	93 214 100	628 628 628	June July Aug.	19 17 21	13,888 13,988 14,105	13,944 13,962 13,959	178 217 141	14,066 14,205 14,246	14,122 14,179 14,100
Sept. Oct. Nov.	18 16 20	12,536 12,413 12,476	12,561 12,466 12,528	1,393 1,436 1,444	1,391 1,451 1,468	120 94 156	628 628 674	Sept. Oct. Nov.	18 16 20	14,031 13,905 13,890	14,026 14,003 14,043	133 123 162	14,164 14,028 14,052	14,159 14,126 14,205
Dec. 1986 Jan. Feb.	11 15 19	12,909 12,399 12,441	12,467 12,576 12,590	1,636 1,582 1,481	1,502 1,558 1,537	174 187 150	674 674 673	Dec. 1986 Jan. Feb.	11 15 19	14,324 14,774 13,910	14,124 14,224 14,198	130 235 169	14,454 15,009 14,079	14,254 14,459 14,367
Mar. Apr. May	19 16 21	12,532 12,611 12,820	12,612 12,618 12,724	1,529 1,460 1,553	1,596 1,488 1,532	249 141 313	673 673 721	Mar. Apr. May	19 16 21	14,000 14,312 14,221	14,245 14,271 14,296	187 198 194	14,187 14,510 14,415	14,432 14,469 14,490
June	18	12,807	12,856	1,467	1,499	163	721	June	18	14,330	14,408	158	14,488	14,566
Change in	month							Change bet						
ended 1985 June July Aug.	19 17 21	- 3 + 236 - 16	+ 21 - 23 + 50	+ 75 + 53 + 65	+ 88 - 51 + 92	- 94 + 121 - 114	Ξ	amounts ou 1985 June July Aug.		+ 127 + 100 + 117	+ 83 + 18 - 3	+ 22 + 39 - 76	+ 149 + 139 + 41	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Sept. Oct. Nov.	18 16 20	- 122 - 123 + 63	+ 47 - 96 + 62	- 75 + 43 + 8	- 29 + 60 + 17	+ 20 - 26 + 62	+ 46	Sept. Oct. Nov.	18 16 20	- 74 - 126 - 15	+ 67 - 23 + 40	- 8 - 10 + 39	- 82 - 136 + 24	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Dec. 1986 Jan. Feb.	11 15 19	+ 433 - 510 + 42	- 62 + 108 + 13	+ 192 - 54 - 101	+ 34 + 55 - 21	+ 18 + 13 - 37	- 1	Dec. 1986 Jan. Feb.	11 15 19	+ 434 + 450 - 864	+ 81 + 100 - 26	- 32 + 105 - 66	+ 402 + 555 - 930	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Mar. Apr. May	19 16 21	+ 91 + 79 + 209	+ 21 + 5 + 105	+ 48 - 69 + 93	+ 59 - 108 + 43	+ 99 - 108 + 172	- + 48	Mar. Apr. May	19 16 21	+ 90 + 312 - 91	+ 47 + 26 + 25	+ 18 + 11 - 4	+ 108 + 323 - 95	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
June	18	- 13	+ 131	- 86	- 33	- 150		June	18	+ 109	+ 112	- 36	+ 73	+ 76 +0.5

C Bank of England transactions in commercial bills and in guaranteed export credit and shipbuilding paper

£ mill	nons	Banking Department	Issue Departn	nent	
Trans	actions in:	Commercial bills [a]	Commercial bills [a]	Shipbuilding paper [a]	Export credit paper [b]
Mont	h ended				
1985	June 19 July 17 Aug. 21	- 1,729 + 1,963 - 2,765	+ 523 - 1,208 + 989	- 65 + 19 + 50	- 406 + 272 + 28
	Sept. 18 Oct. 16 Nov. 20	- 652 + 369 - 1,464	- 82 - 246 + 1,635	- 5 - 47 - 131	+ 30 - 14 - 890
1986	Dec. 11 Jan. 15 Feb. 19	- 1,015 + 2,815 + 1,981	+ 2,248 - 2,132 - 1,780	$- 114 + 1\overline{1}$	- 1,363 + 777 + 781
	Mar. 19 Apr. 16 May 21	- 1,421 - 3,216 + 298	- 189 + 70 +1,199	+ 320 - 110 - 221	+ 682 - 535 - 1,705
	June 18	- 234	- 1,733		1994 - An -
	unt outstandin d-June 1986	g 763	6,914		

[a] Included within column 8 of Table A.[b] Included within column 11 of Table A.

D Money stock: amounts outstanding

£ millions	Notes and coin in circulation	UK privates sterling sight			ey stock [1[b]	UK private sector		y stock 13[b]	UK private sector deposits		ey stock 13[b]
-	with public	Non-interest- bearing[a]	Interest- bearing	Unadjusted	Seasonally adjusted	sterling time deposits[c]	Unadjusted	Seasonally adjusted	in other currencies [c]	Unadjusted	Seasonally adjusted
	1	2	3	4		5	6		7	8	
Month ended 1985 May 15	12,441	21,440	19,422	53,303	53,210	60,733	114,036	114,660	18,787	132,823	133,440
June 19[d] July 17[e][e] Aug. 21	12,438 12,674 12,658	23,496 21,250 21,169	19,435 20,822 21,923	55,369 54,746 55,750	55,390 54,320 56,040	61,823 62,338 63,385	117,192 117,084 119,135	117,360 116,490 118,660	18,807 18,209 19,159	135,999 135,293 138,294	136,170 134,690 137,820
Sept. 18[d] Oct. 16 Nov. 20	12,536 12,413 12,476	21,253 21,579 21,725	22,248 23,537 24,536	56,037 57,529 58,737	56,080 57,410 58,840	64,972 64,525 65,843	121,009 122,054 124,580	120,800 121,780 124,170	19,524 18,861 19,466	140,533 140,915 144,046	140,330 140,640 143,640
Dec. 11[d] 1986 Jan. 15 Feb. 19	12,909 12,399 12,441	22,430 21,625 21,246	25,265 24,999 25,052	60,604 59,023 58,739	59,790 59,400 59,520	64,838 65,527 66,255	125,442 124,550 124,994	124,880 124,930 126,090	19,578 19,644 20,088	145,020 144,194 145,082	144,460 144,580 146,190
Mar. 19[d] Apr. 16 May. 21	12,532 12,611 12,820	21,718 22,638 22,980	26,158 27,676 28,986	60,408 62,925 64,786	60,990 62,400 65,050	67,507 70,157 71,785	127,915 133,082 136,571	128,950 133,080 136,930	20,571 20,341 21,072	148,486 153,423 157,643	149,530 153,420 158,000
June 18	12,807	23,197	29,640	65,644	65,800	72,316	137,960	138,660	22,737	160,697	161,400

E Money stock: changes[f]

f millions: parcantagas in italic

	Notes and coin in	UK private sector sterling sight deposits	Money stock	UK private sector	Money stock	UK private sector deposits in other currencies [c]	Money stock
	circulation with public	Non-interest- bearing[a] Interest- bearing	M1[b]	sterling time deposits[c]	£M3 [b]	Trans- actions changes[g]	M3 [b]
	1	2 3	4	5	6	7	8
Month ended (unadjusted) 1985 June 19[e] July 17[e] Aug. 21	$ \begin{array}{r} - & 3 \\ + & 236 \\ - & 16 \end{array} $	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,056 - 623 + 1,004	+ 1,015 + 515 + 1,047	+ 3,071 - 108 + 2,051	+ 655 - 655 + 754 - 1,352 + 577 + 373	+ 3,071 - 706 + 3,001
Sept. 18 Oct. 16 Nov. 20	- 122 - 123 + 63	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 253 + 1,492 + 1,208	+ 1,566 - 447 + 1,318	+ 1,819 + 1,045 + 2,526	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,173 + 382 + 3,131
Dec. 11 1986 Jan. 15 Feb. 19	+ 433 - 510 + 42	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,867 - 1,605 - 284	- 1,003 + 713 + 739	+ 864 - 892 + 455	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 972 - 826 + 899
Mar. 19 Apr. 16 May 21	+ 91 + 79 + 209	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,640 + 2,517 + 1,861	+ 1,184 + 2,650 + 1,628	+ 2,824 + 5,167 + 3,489	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 3,306 + 4,937 + 4,220
June 18	- 13	+ 217 + 641	+ 845	+ 522	+ 1,367	+ 1,425 + 240	+ 3,032
Month ended (seasonally adjusted) 1985 June 19[e] July 17[e] Aug. 21) + 21 - 23 + 50	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 475 + 233 + 492	+ 2,647 + 2.3 - 840 - 0.7 + 2,209 + 1.9	+ 655 - 655 + 754 - 1,352 + 577 + 373	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Sept. 18 Oct. 16 Nov. 20	+ 47 - 96 + 62	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 2,108 - 354 + 983	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$		$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Dec. 11 1986 Jan. 15 Feb. 19	$ \begin{array}{rrrr} - & 62 \\ + & 108 \\ + & 13 \end{array} $	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 220 + 514 + 1,133	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 348 - 282	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$
Mar. 19 Apr. 16 May 21 June 18	+ 21 + 5 + 105 + 131	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,370 + 2,710 + 1,194 + 977	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$		$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$

After deducting 60% of net debit transit items (see additional notes to Table 6 of the *QuarterlyBulletin*). M1 equals columns 1 + 2 + 3. £M3 equals M1 + column 5. M3 equals £M3 + column 7. Including certificates of deposit. [a]

[b]

[c]

Changes in the monthly-reporting population occurred in these months. See also the additional notes to Table 3 in the QuarterlyBulletin, and, for December 1985 and March 1986, footnotes [b] and [c] respectively to Table H on page 5 [d]

The figures for the banking months of June and July 1985 are heavily distorted by the large flow of funds associated with the oversubscription to the sale of shares in Abbey Life Group p.l.c. These flows probably added substantial amounts to deposits and lending in banking June, but the distortion should have been unwound in banking July. Changes in the money stock may differ from those which can be calculated by reference to amounts outstanding. (See additional notes to Table 11 of the *QuarterlyBulletin*.) [e]

[f]

See additional notes to Tables 6 and 11 of the QuarterlyBulletin. [g]

[Table 11.1 in the QuarterlyBulletin]

[Table 11.2 in the QuarterlyBulletin]

F Transactions balances and components of M2

anonally adjusted

£ millions: not seasonally adjust	sted								and the second
	Notes and coin in circulation with public	UK private sector sterling non-interest- bearing sight deposits with banks[a]	Non-interest- bearing M1[b]	Other UK private sector sterling retail deposits with banks	UK private sector retail shares and deposits with building societies	National Savings Bank ordinary account	M2[b]	Public sector retail deposits with banks	Overseas retail deposits w banks
	1	2	3	4	5	6	7	8	9
Amounts outstanding 1985 June 19[c][d] July 17[d] Aug. 21	12,438 12,674 12,658	23,496 21,250 21,169	35,934 33,924 33,827	33,893 34,709 35,004	68,096 68,267 68,291	1,750 1,733 1,740	139,673 138,633 138,862	1,086 1,015 993	4,186 4,404 4,452
Sept. 18[c] Oct. 16 Nov. 20	12,536 12,413 12,476	21,253 21,579 21,725	33,789 33,992 34,201	35,189 35,637 36,885	69,825 70,630 71,408	1,729 1,734 1,711	140,532 141,993 144,205	885 1,107 1,251	4,475 4,541 4,532
Dec. 11[c] 1986Jan. 15 Feb. 19	12,909 12,399 12,441	22,430 21,625 21,246	35,339 34,024 33,687	36,328 36,861 37,014	72,673 73,906 74,464	1,693 1,739 1,714	146,033 146,530 146,879	923 1,137 997	4,681 4,905 4,895
Mar. 19[c] Apr. 16 May 21	12,532 12,611 12,820	21,718 22,638 22,980	34,250 35,249 35,800	37,641 38,644 39,498	75,284 76,096 76,762	1,722 1,718 1,742	148,897 151,707 153,802	1,071 [.] 1,218 1,167	5,054 5,294 5,336
June 18	12,807	23,197	36,004	40,336	77,845	1,728	155,913	1,124	5,435
Changes in month ended [e] 1985 July 17[d] Aug. 21	+ 236 - 16	-2,246 - 81	-2,010 - 97	+ 816 + 295	+ 171 + 24	- 17 + 7	-1,040 + 229	- 71 - 22	+ 218 + 48
Sept. 18 Oct. 16 Nov. 20	- 122 - 123 + 63	+ 87 + 326 + 146	- 35 + 203 + 209	+ 185 + 448 +1,248	+1,374 + 805 + 778	$ \begin{array}{rrrr} - & 11 \\ + & 5 \\ - & 23 \end{array} $	+1,513 +1,461 +2,212	- 108 + 222 + 144	+ 23 + 66 - 9
Dec. 11 1986 Jan. 15 Feb. 19	+ 433 - 510 + 42	+ 705 - 805 - 379	+1,138 -1,315 - 337	- 557 + 533 + 153	+1,265 +1,233 + 558	$ \begin{array}{rrrr} - & 18 \\ + & 46 \\ - & 25 \end{array} $	+1,828 + 497 + 349	- 328 + 214 - 140	+ 149 + 224 - 10
Mar. 19 Apr. 16 May 21	+ 91 + 79 + 209	+ 469 + 920 + 342	+ 560 + 999 + 551	+ 627 +1,003 + 854	+ 820 + 812 + 666	+ 8 - 4 + 24	+2,015 +2,810 +2,095	+ 74 + 147 - 51	+ 159 + 240 + 42
June 18	- 13	+ 217	+ 204	+ 838	+1,083	- 14	+2,111	I – 43	+ 99

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

Non-interest-bearing M1 equals columns 1+2. M2 equals non-interest-bearing M1+columns 4+5+6. [b]

[c] See footnote [d] to Table D on page 3. See footnote [e] to Table E on page 3. [d]

See footnote [f] to Table E on page 3. [e]

G Private sector liquidity

[Summary of Table 12 in the Quarterly Bulletin] £ millions: percentages in italics 'Money' [a] Savings institution deposits and securities Other sterling PSL2 (old PSL2 (old definition) Other Certificates of PSL1 PSL2 (new PSL1 PSL2 (new definition) money-market tax deposit shares and (columns 1+2+5)definition) definition) deposits [c] (columns 1+2+3+6) (columns 1+2+3+6+7) instruments Seasonally adjusted Seasonally adjusted Issues net of sur-renders Column 5 less build-ing society holdings Seasonally adjusted change in month Seasonally adjusted Seasonally adjusted Unadjusted Seasonally Seasonally Seasonally Seasonally Seasonally adjusted change in month adjusted change in month adjusted adjusted adjusted of which shares and deposits with building societies [b] Total (net) 1 2 3 4 5 8 9 10 6 7 11 12 13 Month ended 2,900 3,062 2,929 121,798 121,036 122,870 203,934 203,800 206,198 225,058 225,109 227,663 1985 June 19[d] July 17[d] Aug. 21 115,587 114,666 116,846 3,311 3,308 3,095 79,314 80,352 81,490 2,539 2,672 2,530 21,124 21,309 21,465 82,497 +1.7 83,154 83,727 -75 + 110 + 2,454 + 1.2 + 2,610 + 1.2+1,785 +1.5 +2,705 +1.3 +2,446 +1,198 +1.0 +2,519 +1.2 +1,961 +2,375 +1.9 +4,422 +2.1 +3,690 82,754 84,332 86,432 118,989 119,959 122,336 2,696 2,993 2,846 2,296 2,537 2,390 124,657 125,856 128,221 230,111 232,073 235,753 Sept. Oct. Nov. 2,972 2,904 3,039 84,648 86,025 88,072 21,206 +1.1 +0.9 +1.6 18 208,905 20,648 19,916 211,425 215,837 16 20 89,109 90,828 93,129 87,774 89,857 91,605 2,894 2,500 2,627 2,406 2,251 2,238 19,580 19,173 18,788 237,018 238,274 241,225 + 644 +0.5 +1,644 +0.8 - 245 -0.2 +1,258 +1.0 +1,308 +1,306 +3,034 122,987 122,992 124,179 2,936 3,030 2,891 128,817 128,522 129,697 217,438 +0.6 +0.6 +1.3 Dec. 1986 Jan. Feb. 11 15 19 2,981 3,117 3,276 18,700 18,318 17,983 132,680 136,918 140,396 244,978 249,649 253,269 +3,032 +2.3 +4,237 +3.2 +3,477 +2.5 +3,740 +1.6 +4,670 +1.9 +3,619 +1.4 19 16 21 94,170 95,058 95,735 93,165 94,682 95,928 2,409 2,472 2,431 126,931 131,082 134,843 2,768 2,719 2,277 Mar. Apr. May 2,419 June 18 136,581 97,559 96,915 3,390 2,491 17,722 142,390 256,772 +1,970 +1.4 +3,200 +1.3

£M3 less deposits of over 2 years original maturity. [a]

Including UK non-bank private sector's holdings of certificates of deposit and time deposits issued by building societies; excludes holdings of term shares and SAYE deposits. [b]

UK non-bank private sector's holdings of term shares and SAYE deposits with building societies and sterling bank deposits of over two years original maturity. [c]

See footnote [e] to Table E on page 3. [d]

4

[Table 11.1 and 11.2 in the Quarterly Bulletin] .

H Banks: balance sheet of monthly reporting institutions [a]

Sterling liabilities £ millions CDs etc and other short-Items in suspense and transmission Capital and other funds Sight deposits Time deposits Notes out-standing Total deposits UK private sector UK monetary sector UK public sector UK UK monetary sector UK public sector term private sector paper Overseas L Overseas 8,612 8,698 9,722 10,548 10,619 10,447 47,535 47,194 49,107 51,502 53,132 53,918 62,707 62,653 63,372 65,466 66,855 67,229 26,895 27,116 28,251 28,659 28,458 27,830 14,912 17,455 17,553 18,191 18,903 19,341 5,856 5,938 6,483 6,405 5,953 5,832 28,266 28,307 28,397 29,780 29,647 30,439 39,553 41,030 43,287 45,667 46,340 45,512 2,018 1,958 1,899 2,889 3,224 3,416 7,056 7,024 7,258 7,625 7,402 7,376 1986 Jan. 15 Feb. 19 Mar. 19 [b] Apr. 16 May 21 June 18 953 946 967 985 998 1,006 210,777 214,505 221,917 232,268 236,665 236,839 1,488 1,378 1,468 1,722 1,731 1,770

			Oth	er currency liab	ilities			Total liabilities/	of which st	erling
	Total deposits	Sig	ght and time de	posits	CDs etc and other short- term paper	Items in suspense and	Capital and other funds	assets	Liabilities	Assets
		UK monetary sector	Other United Kingdom	Overseas	issued	trans- mission		(and the second	19	in the second second
1986 Jan. 15 Feb. 19 Mar. 19 [b] Apr. 16 May 21 June 18	496,324 505,022 508,486 504,308 506,789 511,818	85,065 87,761 89,692 88,164 87,394 89,732	18,869 19,408 19,661 19,716 20,458 21,818	327,237 332,378 332,743 331,944 330,767 330,566	65,153 65,475 66,391 64,483 68,170 69,703	5,408 6,528 6,882 6,616 6,660 7,016	14,066 14,968 14,647 13,972 13,831 13,565	761,650 776,212 787,778 794,335 800,542 806,515	245,851 249,695 257,763 269,439 273,263 274,117	244,694 247,191 254,695 266,471 270,033 271,560

					Sterling ass	sets				
	lances wit	th Bank of	England			Mark	et loans			
d in Ca	sh		1	LI	OMA	Other UK	UK	Building society CDs and		
		Special deposits	Other	Secured	Unsecured	sector	sector CDs	deposits	authorities	Overseas
40 6 00 6 49 6 58 7	666 667 667 713		167 146 245 140 310 165	5,826 6,165 6,674 6,580 5,970 6,322	46 39 34 37 27 93	46,298 47,720 50,944 54,459 55,252 53,871	6,272 7,354 7,170 7,626 8,023 8,634	631 769 695 872 874 985	3,572 3,408 3,437 3,271 3,091 3,001	9,585 9,941 10,733 11,531 11,538 11,908
	d n Ca rat de 66 6 640 6 640 6 640 6 640 6 640 6 7	d Cash ratio deposits 66 667 40 666 00 667 58 713	d n Cash ratio deposits 566 667 40 40 667 40 667 49 58 713 40 58	d in Cash ratio deposits 66 66 667 40 666 40 666 40 667 40 667 40 567 40 58 713 40 667 40 40 667 40 40 58 40 40 58 40 58 40 58 58 58 50 50 50 50 50 50 50 50 50 50 50 50 50	d n Cash ratio deposits G6 G66 G67 Cash ratio deposits Special deposits Other Secured	Balances with Bank of England LDMA Cash ratio deposits Special deposits Other Secured Unsecured 66 667 - 167 5,826 46 60 667 - 146 6,165 39 00 667 - 245 6,674 34 49 667 - 140 6,580 37 58 713 - 310 5,970 27	Cash ratio deposits Special deposits Other LDMA Other UK monetary sector 66 667 - 167 5,826 46 46,298 40 666 - 146 6,165 39 47,720 00 667 - 245 6,674 34 50,944 49 667 - 140 5,970 27 55,252 58 713 - 310 5,970 27 55,252	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	$\begin{array}{c c c c c c c c c c c c c c c c c c c $

			Bills		1	Advance	s		Banking Department
	Treasury bills	Eligible local authority bills	Eligible bank bills	Other	Total	UK public sector	UK private sector	Overseas	lending to central government (net)
1986 Jan. 15 Feb. 19 Mar. 19 [b] Apr. 16 May 21 June 18	244 168 235 310 442 463	620 510 533 394 406 337	5,112 7,728 6,267 4,373 4,538 4,278	318 318 348 403 385 409	132,934 132,095 133,931 139,029 141,094 143,091	2,004 1,761 1,744 1,665 1,456 1,368	119,307 119,645 122,134 126,507 127,302 129,317	11,623 10,689 10,053 10,857 12,336 12,406	-2,106 -4,270 -2,693 446 518 497

Sterling assets continued

			Sterling asso	ets continued					Other	currency assets	5		
		Investments		Mis	cellaneous	assets			Market loan	s and advances			
	British government stocks	Other public sector	Other	Items in suspense and collection	Assets leased	Other	Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas
1986 Jan. 15 Feb. 19 Mar. 19 [b] Apr. 16 May 21 June 18	7,121 6,919 6,510 6,706 7,238 7,131	313 543 544 535 505 480	7,732 8,139 8,293 8,985 9,281 9,820	9,597 9,246 10,480 10,506 10,089 9,673	1,582 1,528 1,508 1,519 1,466 1,457	5,895 5,919 5,942 5,932 6,017 6,062	474,590 484,465 488,152 482,379 484,120 487,810	119,752 120,897 121,379 119,264 119,237 120,428	84,835 87,169 89,852 87,370 86,284 89,262	11,313 10,670 11,156 11,121 11,169 10,734	1,766 1,740 1,669 1,653 1,590 1,621	35,049 35,327 36,173 36,142 36,849 37,622	341,627 349,560 349,301 346,093 348,228 348,572

				Other cu	rrency assets co.	ntinued		Acce	otances	Eligible liabilities
	Bills	Total	Investments United Kingdom	Overseas	Items in suspense and collection	Miscellaneous as Assets leased	other	Sterling	Other currencies	
986 Jan. 15 Feb. 19 Mar. 19 [b] Apr. 16 May 21 June 18	2,076 2,200 2,191 2,154 2,338 2,334	33,365 34,470 34,441 35,166 35,963 36,409	2,582 2,580 2,641 2,621 2,797 2,915	30,783 31,890 31,801 32,545 33,166 33,494	5,417 6,297 6,740 6,617 6,780 6,925	10 7 7 12 11	1,499 1,581 1,551 1,541 1,297 1,467	18,661 19,462 17,873 17,483 18,357 16,610	2,883 2,858 3,083 3,126 3,040 3,056	149,068 149,965 152,860 159,488 161,890 163,098

[a] These tables include all monthly reporting monetary sector institutions other than members of the London Discount Market Association-see page 562 of the December 1983 QuarterlyBulletin.
 [b] Nine contributors joined the series at mid-March; the effect was an increase of £436 million in sterling assets and £32 million in other currency assets.

[Table 3.1 in the Quarterly Bulletin]

5

I Banks: group detail_[a]

£ millions

		Notes out-	E SS		Sterli	ing depos	iits				Oth	er currency d	leposits	
British banks:		stand- ing	Total	of which sight deposits	UK monetary sector	UK public sector	UK private sector	Overseas	CDs etc and other short-term paper issued	Total	UK monetary sector	Other United Kingdom	Overseas	and other short-term paper issued
Retail banks	1986 May 21	988	122,044	54,097	11,746	3,471	88,139	10,605	8,083	46,286	6,545	4,475	29,415	5,852
	June 18	1,006	122.979	54,633	11,519	3,504	89,247	10,884	7,824	47,221	6,955	4,987	29,479	5,799
Accepting	1986 May 21	Ξ	13,440	3,238	2,570	251	7,637	1,444	1,538	11,622	2,747	2,026	6,414	434
houses	June 18		13,722	3,266	2,654	280	7,730	1,360	1,699	12,107	2,983	2,241	6,412	471
Other British banks	1986 May 21 June 18	=	35,644 35,766	6,908 7,040	16,694 16,645	679 754	9,988 10,171	4,709 4,617	3,574 3,580	24,802 25,224	6,557 7,346	1,584 1,525	14,475 14,178	2,186 2,175
Overseas banks:	1986 May 21	Ξ	15,128	3,128	5,825	27	3,937	3,890	1,448	80,112	6,846	4,522	47,675	21,068
American banks	June 18		14,195	2,888	5,276	49	3,833	3,456	1,580	81,143	7,035	5,159	48,407	20,541
Japanese banks	1986 May 21 June 18	Ξ	12,316 12,633	392 437	6,825 6,970	95 183	1,912 1,856	2,223 2,202	1,261 1,423	179,154 179,374	37,807 37,857	2,487 2,515	116,736 116,105	22,124 22,898
Other overseas	1986 мау 21	Ξ	35,772	4,687	12,376	424	7,978	12,092	2,903	152,304	23,221	4,990	107,983	16,110
banks	June 18		35,398	4,948	12,059	411	7,925	11,851	3,151	154,244	23,738	5,003	108,103	17,400
Consortium	1986 May 21		2,320	435	930	8	396	889	96	12,509	3,906	366	7,841	396
banks	June 18		2,146	299	839	6	386	832	84	12,505	4,066	380	7,642	418
Total	1986 May 21	998	236,664	72,885	56,966	4,955	119,987	35,852	18,903	506,789	87,629	20,450	330,539	68,170
	June 18	1,006	236,839	73,511	55,962	5,187	121,148	35,202	19,341	511,818	89,980	21,810	330,326	69,702

Liabilities

		Sterling and other currency	Total liabilities/			Sterling a	ssets			
		liabilities Items in	assets					Market loans		
		suspense and transmission, capital and other funds		Notes and coin	Balances with Bank of England (including cash ratio deposits)	Secured money with LDMA	Other UK monetary sector [b]	UK monetary sector CDs	UK local authorities	Overseas
British banks:	1986 May 21	30,767	200,095	2,228	670	3,721	19,893	3,352	1,658	1,670
Retail banks	June 18	30,613	201,818	2,141	540	3,936	19,157	3,652	1,614	1,866
Accepting	1986 May 21	3,698	28,760	4	31	245	5,174	1,201	247	794
houses	June 18	3,848	29,678	3	30	315	5,249	1,368	233	896
Other British	1986 May 21	8,115	68,561	33	118	384	10,129	1,214	416	1,105
banks	June 18	8,715	69,704		105	329	10,513	1,348	411	1,170
Overseas banks:	1986 May 21	4,470	99,710	4	59	449	3,811	404	103	1,287
American banks	June 18	4,331	99,668	3	57	511	3,238	570	103	1,308
Japanese banks	1986 May 21 June 18	801 848	192,271 192,855		35 35	381 380	4,348 4,249	42 42	69 76	2,456 2,526
Other overseas	1986 May 21	6,281	194,357	19	103	768	11,275	1,587	525	3,870
banks	June 18	6,513	196,156	19	103	824	10,994	1,425	496	3,769
Consortium	1986 May 21	1,958	16,787	1	6	23	650	222	73	357
banks	June 18	1,984	16,636		6	27	564	228	70	372
Total	1986 May 21	56,090	800,541	2,259	1,022	5,971	55,280	8,022	3,091	11,539
	June 18	56,852	806,515	2,170	876	6,322	53,964	8,633	3,003	11,907

[a] Some smaller institutions report at end-quarters only; the coverage of some of the groups in these tables will therefore not be complete. The groups affected are Accepting houses, Other British, American, Other overseas and Consortium, but in no case is the coverage of total liabilities/assets less than 97.5%.
 [b] Including unsecured money with LDMA.

[c] Including holdings of sterling time deposits placed with, and sterling certificates of deposit issued by, building societies.

J Discount market: balance sheet

£ millions Liabilities: borrowed funds Sterling Other currencies of which Other UK monetary sector Other United Kingdom Bank UK monetary sector Other United Kingdom of England Call and Other Total Overseas Total overnight Overseas 1986 Jan. Feb. Mar. Apr. May June 6,935 7,170 7,770 7,615 7,140 7,607 7,516 7,761 8,327 8,551 7,966 8,377 581 591 557 936 826 770 92 179 192 259 5,765 6,085 6,610 6,452 6,107 6,382 1,651 1,485 1,512 1,822 1,848 1,861 223 333 216 271 372 286 116 112 70 59 115 74 15 19 19 16 21 18 85 103 84 98 128 143 8 12 13 18 11 6 22 118 62 114 129 69 128 Sterling assets

Cash ratio deposits with the Level Other										1	Funds lent		1
		Total	with the Bank of England	Treasury bills	Local authority bills	public sector bills	Other bills	UK monetary sector	UK monetary sector CDs	Building society CDs and time deposits	UK local authorities	Other United Kingdom	Overseas
1986 Jan. Feb. Mar. Apr. May June	15 19 19 16 21 18	7,760 8,042 8,609 8,876 8,317 8,728	7 7 7 7 8 8	13 54 103 236 60 167	15 70 44 90 61 225	50 20 20 20 -5 	3,619 3,711 3,661 4,523 4,002 4,208	304 269 212 228 339 214	2,468 2,690 2,660 2,098 2,376 2,570	497 263 388 317 232 200	134 137 132 115 109 102	152 149 138 255 291 205	6 12 156 7 71 10

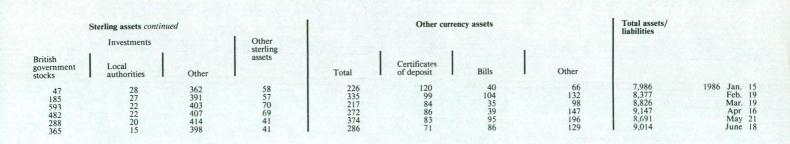
[Tables 3.2 to 3.8 in the Quarterly Bulletin]

•						inued							
					E	Bills		1.1.1.1	Advanc	es	Banking Department	Investi	ments
				Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas	lending to central government (net)	British government stocks	Other
British banks: Retail banks	1986	May June	21 18	368 385	395 326	3,594 3,471	76 92	339 277	78,237 79,359	4,408 4,434	518 497	5,873 5,789	2,978 3,414
Accepting houses	1986	May June	21 18	4 7	11 2	317 254	57 45	57 56	3,989 4,056	1,091 1,123	Ξ	207 253	1,354 1,374
Other British banks	1986	May June	21 18	22 23	Ξ	322 210	57 65	57 49	20,688 21,084	1,707 1,722	=	395 409	1,749 1,777
Overseas banks: American banks	1986	May June	21 18	1 2	Ξ	46 75	7 20	67 74	7,584 7,472	1,325 1,338	E	231 169	366 400
Japanese banks	1986	May June	21 18	6 4	Ξ	E.	Ξ	474 432	1,727 2,029	855 827	E	101 72	1,684 1,719
Other overseas banks	1986	May June	21 18	41 41	8	257 268	183 182	440 456	14,525 14,791	2,688 2,694	12	323 325	1,369 1,429
Consortium banks	1986	May June	21 18	X815 =	Ξ	2 2	4 4	23 24	553 527	262 268	Ē	110 112	287 187
Total	1986	May June	21 18	442 462	406 336	4,538 4,280	384 408	1,457 1,368	127,303 129,318	12,336 12,406	518 497	7,240 7,129	9,787 10,300

.

							Sterling and other	Accept- ances	Eligible liabilities					
					N	Aarket loans a	ind advance	s		Bills	Invest- ments	currencies	unites	incontro
			Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas		ments	Miscel- laneous assets[c]		
British banks:	1986 May	21	48,780	15,747	10,710	339	173	4,593	32,966	679	5,202	15,459	3,732	92,107
Retail banks	June	18	50,039	15,027	12,095	359	182	4,424	32,979	687	5,192	14,949	3,581	93,569
Accepting	1986 May	21	10,584	3,683	2,988	560	15	980	6,041	62	1,407	1,926	4,085	6.755
houses	June	18	10,989	3,747	3,012	577	15	1,031	6,354	49	1,430	1,944	3,294	6,794
Other British	1986 May	21	27,045	9,335	5,718	209	711	2,067	18,339	81	1,490	1,578	1,040	21,977
banks	June	18	27,362	10,033	5,747	225	705	2,286	18,400	82	1,321	1,720	1,003	21,637
Overseas banks:	1986 May	21	77,092	22,809	7,587	1,219	30	9,786	58,471	101	2,490	4,285	3,325	10,387
American banks	June	18	77,256	23,735	7,800	1,052	31	10,408	57,965	103	2,547	4,422	3,076	9,935
Japanese banks	1986 May June		164,266 164,207	26,084 25,799	28,564 28,447	1,379 1,334	542 568	8,609 8,630	125,172 125,229	105 107	15,034 15,470	690 679	2,272 1,973	7,542 7,930
Other overseas	1986 May		143,552	36,022	29,384	7,121	116	10,470	96,462	1,199	9,305	2,330	6,703	21,678
banks	June		145,154	36,559	30,810	6,828	117	10,530	96,868	1,186	9,394	2,597	6,507	21,920
Consortium	1986 May		12,801	5,558	1,334	342	3	344	10,778	113	1,034	266	239	1,442
banks	June		12,803	5,527	1,350	359	3	314	10,777	120	1,053	269	232	1,312
Total	1986 May June		484,120 487,810	119,238 120,427	86,285 89,261	11,169 10,734	1,590 1,621	36,849 37,623	348,229 348,572	2,340 2,334	35,962 36,407	26,534 26,580	21.396 19,666	161,888 163,097

[Table 4 in the Quarterly Bulletin]



K UK monetary sector: transactions in liabilities and assets_[a]

£ millions

Liabilities

[T:	ble	6	in	the
Quarte	rly E	Bu	lle	tin]

				Total						I	Dome	estic dep	osits								1	Overse	eas se	ctor	-	-
						Т	otal			Pu	blic s	ector					Privat	te sector				deposi	its		mut	osit ilities
										Sterli	ng		Oth cur cies	ren-		Ster	ling			her rren-	Ste	erling		her rren-	(ne	
Mon	th ende	'nd			Una	djusted		easonally djusted	Una	djusted	Sea adj	sonally			Una	adjusted		sonally usted								
	June July Aug.		+ + +	10,847 7,479 420	+	3,903 378 2,902	+ - +	3,370 129 2,908	+ - +	189 3 275	+ - +	104 37 189		15 29 17	+ - +	511	-	2,626 817 2,159	+ + +	655 754 577	- + +	263 421 291	+	5,893 4,401 2,375	+	1,314 2,279 398
	Sept. Oct. Nov.	16	+ + +	9,852 1,185 10,768	+	1,419 1,763 3,823	+ + +	1,811 1,578 3,503	- + +	272 434 483	- + +	12 345 281	- + +	1 15 4	+	1,941 1,168 2,463	+	2,073 1,072 2,345	- + +	249 146 873	111	6 208 536	-	8,049 2,390 8,880		390 2,020 1,399
1986	Dec. Jan. Feb.	11 15 19	+	2,315 8,021 10,007	- + +	352 438 782	++++++	186 655 1,632	- + -	558 466 160	- + -	384 306 134	- + -	54 6 36	+ - +		+ - +	795 5 1,237	- + +	171 348 565	+ + +	66 1,337 666	+	1,131 7,338 7,701	+	1,470 1,092 838
	Mar. Apr. May	19 16 21	+ + +	7,928 14.060 8,474	+	3,443 6,573 4,592	+ + +	3,642 5,716 4,704	+ + +	22 1,353 433	+ + 1 +	171 1,467 87	+	2 15 4	+	2,733 5,088 3,280	+	2,783 4,117 3,738	+ + +	686 147 875	+++	1,351 1,013 756	+	3,526 5,523 5,346	+	951
	June	18	-	893	+	3,072	+	3,469	+	274	+	468	-	7	+	1,380	+	1,583	+ 1	,425	-	936	-	3,637	+	608

		Total		Lending to public	c sector	Assets	s	Lending to priva	ite sector	Lending sector	to overseas
			T	Sterli	ng		Other currencies	Sterling	Other currencies	Sterling	Other currencies
Month end	ed		Unadjusted	Seasonally adjusted	Central govern- ment	Other	1940	Unadjusted Seasonally adjusted			
Month ended 1985 June 19[b] July 17[b] Aug. 21	19[b] 17[b]	+ 10,847 + 7,479 + 420	+ 1,765 - 3,562 + 2,915	+ 150 - 2,300 + 2,403	+ 1,992 - 3,324 + 3,275	- 227 - 238 - 360	- 70 - 78 - 10	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	- 17 + 542 - 1,220	+ 9 - 478 - 671	+ 8,904 + 6,759 - 639
Sept. Oct. Nov.	16	+ 9,852 + 1,185 + 10,768	+ 879 - 1,024 + 1,136	+ 1,275 - 808 + 278	+ 1,370 - 668 + 1,708	- 491 - 356 - 572	- 18 + 257 - 170	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 411 - 29 + 175	+ 212 - 21 + 44	+ 7,875 - 1,827 + 9,703
1986 Dec. Jan. Feb.	11 15 19	+ 2,315 + 8,021 + 10,007	+ 1,133 - 3,204 - 2,627	+ 672 - 1,312 - 1,292	+ 1,479 - 3,276 - 2,141	- 346 + 72 - 486	+ 24 + 221 + 4	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	$^{-106}_{+2,165}_{+585}$	+ 1,588 + 274 - 492	+ 1,063 + 4,692 + 9,489
Mar. Apr. May	19 16 21	+ 7,928 + 14,060 + 8,474	+ 1,691 + 3,047 + 6	+ 1,896 + 1,449 - 326	+ 1,740 + 3,369 + 355	- 49 - 322 - 349	- 51 + 16 - 58	$\begin{array}{rrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrrr$	+ 1,226 + 741 + 1,059	- 402 + 1,845 + 1,909	+ 3,360 + 4,562 + 5,322
June	18	- 893	- 187	- 977	- 22	- 165	+ 15	+ 3,047 + 3,881	+ 373	- 322	- 3,819

[a] This table comprises all banks included in Table 3 in the Quarterly Bulletin together with the discount market. Interbank items are excluded and adjustments made to allow for transit items (see additional notes to Table 6 in the Quarterly Bulletin).

[h] See footnote [e] to Table E on page 3.

Symbols and conventions - nil or less than £1/2 million.

--- figures above and below are not strictly comparable.

Owing to rounding of figures, the sum of the separate items will sometimes differ from the total shown. Issued by the Financial Statistics Division, Bank of England, London EC2R 8AH. Printed by Oyez Press Ltd.

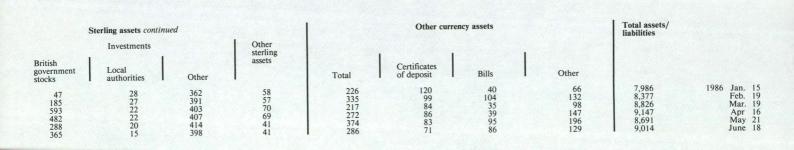
[Tables 3.2 to 3.8 in the Quarterly Bulletin]

•							inued						
•					В	Bills		12-12-	Advanc	es	Banking Department lending to	Investi	nents
				Treasury bills	Eligible local authority bills	Eligible bank bills	Other	UK public sector	UK private sector	Overseas	central government (net)	British government stocks	Other
British banks: Retail banks	1986	May June	21 18	368 385	395 326	3,594 3,471	76 92	339 277	78,237 79,359	4,408 4,434	518 497	5,873 5,789	2,978 3,414
Accepting houses	1986	May June	21 18	4 7	11 2	317 254	57 45	57 56	3,989 4,056	1,091 1,123		207 253	1,354 1,374
Other British banks	1986	May June	21 18	22 23	Ξ	322 210	57 65	57 49	20,688 21,084	1,707 1,722	Ξ	395 409	1,749 1,777
Overseas banks: American banks	1986	May June	21 18	12	±.	46 75	7 20	67 74	7,584 7,472	1,325 1,338	Ξ	231 169	366 400
Japanese banks	1986	May June	21 18	6 4	1	Ξ÷	2.721	474 432	1,727 2,029	855 827	1. 1. E 199	101 72	1,684 1,719
Other overseas banks	1986	May June	21 18	41 41	8	257 268	183 182	440 456	14,525 14,791	2,688 2,694		323 325	1,369 1,429
Consortium banks	1986	May June	21 18	· · · · · ·	Ξ	2 2	4 4	23 24	553 527	262 268	=	110 112	287 187
Total	1986	May June	21 18	442 462	406 336	4,538 4,280	384 408	1,457 1,368	127,303 129,318	12,336 12,406	518 497	7,240 7,129	9,787 10,300

•

								Sterling and other	Accept- ances	Eligible liabilities					
						I	Market loans a	nd advance	es		Bills	Invest- ments	currencies		
				Total	of which advances	UK monetary sector	UK monetary sector CDs	UK public sector	UK private sector	Overseas		memo	Miscel- laneous assets[c]		
British banks:	1986	May	21	48,780	15,747	10,710	339	173	4,593	32,966	679	5,202	15,459	3,732	92,107
Retail banks		June	18	50,039	15,027	12,095	359	182	4,424	32,979	687	5,192	14,949	3,581	93,569
Accepting	1986	May	21	10,584	3,683	2,988	560	15	980	6,041	62	1,407	1,926	4,085	6,755
houses		June	18	10,989	3,747	3,012	577	15	1,031	6,354	49	1,430	1,944	3,294	6,794
Other British	1986	May	21	27,045	9,335	5,718	209	711	2,067	18,339	81	1,490	1,578	1,040	21,977
banks		June	18	27,362	10,033	5,747	225	705	2,286	18,400	82	1,321	1,720	1,003	21,637
Overseas banks:	1986	May	21	77,092	22,809	7,587	1,219	30	9,786	58,471	101	2,490	4,285	3,325	10,387
American banks		June	18	77,256	23,735	7,800	1,052	31	10,408	57,965	103	2,547	4,422	3,076	9,935
Japanese banks	1986	May June	21 18	164,266 164,207	26,084 25,799	28,564 28,447	1,379 1,334	542 568	8,609 8,630	125,172 125,229	105 107	15,034 15,470	690 679	2,272 1,973	7,542 7,930
Other overseas	1986	May	21	143,552	36,022	29,384	7,121	116	10,470	96,462	1,199	9,305	2,330	6,703	21,678
banks		June	18	145,154	36,559	30,810	6,828	117	10,530	96,868	1,186	9,394	2,597	6,507	21,920
Consortium	1986	May	21	12,801	5,558	1,334	342	3	344	10,778	113	1,034	266	239	1,442
banks		June	18	12,803	5,527	1,350	359	3	314	10,777	120	1,053	269	232	1,312
Total	1986	May June	21 18	484,120 487,810	119,238 120,427	86,285 89,261	11,169 10,734	1,590 1,621	36,849 37,623	348,229 348,572	2,340 2,334	35,962 36,407	26,534 26,580	21,396 19,666	161,888 163,097

[Table 4 in the Quarterly Bulletin]



7

FROM: H G WALSH DATE: 19 JUNE 1986

PPS

-A

cc: PS/Economic Secretary Sir P Middleton Sir T Burns Mr Cassell Mr Peretz Mr Sedgwick Mr Culpin Mr Richardson

PROVISIONAL MONEY FIGURES : BANKING MAY

Your minute of 9 June recorded the Chancellor's dislike of the words "up to ½ per cent" as used in the Bank's press release for the provisional money figures for May, as applied to growth in MO.

2. The Bank have now reviewed this question and decided that the words "up to" should no longer appear to describe any increase in an aggregate. Their standard repertoire of language to be used in rounding figures will be changed so that a provisional figure of 0.0625-0.1875 per cent will in future be described as "0%-4%" in the press release. (They have not adopted "under 4 per cent" because a rounded final figure corresponding to a provisional at the upper end of the range could in their view legitimately be described as 4 per cent.) The change should however prevent the press from quoting the increase simply as "4%".

H G WALSH

1. MR RICHARDSON men

2. CHANCELLOR

FROM: R M HEATH DATE: 27 JUNE 1986

cc: Chief Secretary Economic Secretary Sir P Middleton Sir T Burns Sir G Littler Mr Cassell Mr Scholar Mr Peretz Mr Sedgwick Mr Walsh o/r Mr Hannah o/r Mr Ross Goobey

MONEY SUPPLY IN BANKING JUNE : "FIRST GUESS"

I attach the Bank's monthly note setting out their "first guess" at the money supply figures for banking June, which ended on 18 June.

Summary

2. **fM3** is estimated to have risen 1.0 per cent, compared with a forecast increase of 0.9 per cent. This suggests a final outturn in the range of 1 per cent to 1½ per cent. On this basis the annual growth rate of £M3 to banking June would be in the range of 18 per cent to 18½ per cent, remaining, as forecast, well above its 11-15 per cent target range. MO rose by 0.5 per cent (forecast: 0.5 per cent). Annual growth remains in the bottom half of its target range, at 3.1 per cent. Table 1 below gives the implied growth rates in the target aggregates.

Table 1: Monetary Aggregates - First guess : banking June

Monthly percentage change		per cent
	<u>M0</u>	£M3
First guess	0.5	1.0
Likely outturn	0.5	$1 - 1\frac{1}{2}$
3 month annualised rate	3.8	31½ - 34
6 month annualised rate	4.4	$22\frac{1}{2} - 23\frac{1}{2}$
Annual rate	3.1	18 - 18½

2

MO

3. The annual growth rate for M0 at 3.1 per cent is slightly below last month's 3.4 per cent, and remains comfortably in the bottom half of its target range. This is in line with the forecast which predicts a modest acceleration in MO's annual growth rate to 4 per cent by the middle of August.

£M3 components

4. In banking June £M3 is thought to have increased by £1,350 million, or 1.0 per cent, compared with our forecast increase of 0.9 per cent, circulated in Mr Walsh's monetary prospects submission of 19 June (which superseded the forecast reported in the Bank's note). Among the components, notes and coin rose by £130 million following last month's increase of £110 million. Non-interest bearing sight deposits which rose unusually strongly last month by £1120 million, declined by £420 million. Interest bearing sight deposits continue to rise rapidly. In June they increased by £980 million, a cumulative increase of £4.9 billion in the last four months (71 per cent at an annual rate). Retail ib sight have risen 28 per cent at an annual rate since February. Time deposits rose £660 million, a smaller increase than May.

5. We do not as yet know definitely that factors distorting the components have been at work, but the Bank note the large rights issue of the Prudential (£0.4 billion) on make-up day and NatWest (£0.7 billion) this week. The Thames over-subscription on Wednesday (£0.8 billion subscribed) could have conceivably affected £M3, although make-up day was the proving Wednesday.

£M3 counterparts

6. Table 2 (attached) compares £M3 counterparts in the first guess with those in the forecast. There is little difference.

7. The "PSBR" is estimated at £1,420 million, about £225 million below forecast. This is accounted for by the CGBR contribution, which was around £235 million less expansionary than forecast. The other public sector was close to forecast.

3.

8. Central Government net debt sales, at £1160 million, were very close to forecast, but the effects of the lower than expected "PSBR" on the funding position were largely offset by external flows to the public sector leaving underfunding - at £710 million - not significantly different from forecast (£605 million).

9. Sterling lending is estimated at £1,210 million, much as forecast.

10. At this stage, the division between NNDLs and externals is not on the same basis as that used in the forecast, and the position is further complicated by the treatment of the residual error, which is included in NNDLs. But the externals and NNDLs taken together are around £160 million more expansionary than forecast.

Timetable

11. We will receive provisional June figures on Friday 4 July, and they will be published on <u>Tuesday 8 July.</u> Full money and banking figures will appear on Thursday 19 June.

12. I am sending a copy of this minute to Mr Norgrove at No 10 Downing Street.

R M НЕЛТН

TABLE 2 : BANKING JUNE 1986

"First guess" compared to forecast

	£	millions,	seasonally	adjusted
	FI	RST GUESS		FORECAST*
CGBR (ex bank deposits)		+1,790		+2,025
CG debt: Gilts Treasury Bills National Savings CTD's	-600 -110 -340 -120 	-1160	-600 -385 -105 	-1090
Other public sector: LA PC	-410 +40 	-370	-370 -10 	-380
External and fc. finance of the public sector		+450		50
Sterling lending to UK private sector (inc. Issue Dept. commercial bills)		+1,210		+1,360
Net private externals**		+70		-500
Residual (includes NNDLs** and reporting differences)		-630		-220
£МЗ		+1,350		+1,245
(Monthly percentage change)		(+1.0%)		(+0.9%)
Wide over(-)/underfunding(+)		+710		+605

* As circulated in Mr Walsh's "Monetary Prospects" submission of 19 June 1986.

** For the first guess, foreign currency NNDLs cannot be separately identified and are included with £NNDLs and the residual. In the forecast they are attributed to the Externals, in line with the convention used for the published figures. SECRET

27.6.86

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THE GOVERNOR'S SECRETARY (2) THE DEPUTY GOVERNOR MR LOEHNIS MR GEORGE MR FLEMMING MR COLEBY MR WILLETTS MR PLENDERLEITH MR TAYLOR MR W A ALLEN MR COLLINS MR J G HILL MR HOTSON MR MANN MR McCONNACHIE MR MIDGLEY / GROUP 7/2 MR PENNINGTON / GROUP 2/2 MR THORP MR TOWNEND MR M ST J WRIGHT / GROUP 2/4 MR WALSH (HMT) MR HEATH (HMT)

FROM: Miss R Borer / R L Sheath / P A Bull

BANKING JUNE 1986 - A FIRST ESTIMATE

£ millions, seasonally adjusted

The provisional estimates of the monetary aggregates for banking June will be published at 2.30 pm on Tuesday 8 July and the full money and banking figures will be published at 2.30 pm on Thursday 17 July. Even after 17 July, some of the information contained in this note remains confidential to the Bank, and group 2/3 should be consulted if there is doubt about its availability.

1 Figures received from the weekly reporting banks show an increase in SM3 of 1350 in banking June. An estimate of the monetary sector as a whole, based on these returns, would suggest a final outturn in the range of +1% to +1 1/2% (compared with a forecast increase of 0.6%) and a 12-month growth rate in the range of +18% to +18 1/2%, well outside the target range of 11-15% announced in the Budget.

2 Among the components of £M3, notes and coin are estimated to have risen by 130, and private sector non-interest-bearing sight deposits to have decreased by 420. Private sector interest-bearing sight deposits are estimated to have risen by 980. Private sector time deposits (including CDs) are estimated to have risen by 660: within this, time deposits rose by 990 and CDs decreased by 330. Within the total increase of 980 in interest bearing deposits, retail IB deposits rose by 870. Some build-up of deposits may have been associated with two large rights issues (Prudential Assurance, £0.4 billion, on make-up

SECRET

2

day; National Westminster Bank £0.7 billion the following week).

3 Our latest estimate for MO for banking June is +0.5, or +3.1% over the last twelve months, within the new target range of 2-6% announced in the Budget. This includes figures received from the Scottish note issuing banks and also revised estimates for coin. Information has not yet been received from the Northern Irish banks.

4 The table attached compares counterparts to £M3 with the forecast as circulated in the FR of 23 June. The estimated CGBR is +1790, ie 300 below forecast: within this, the CG own account was +1410 while on-lending to LAs was +180, and on-lending to PCs was +190. Net purchases (-) of central government debt from the non-bank private sector are estimated to have been -1150, compared to a forecast of net purchases of -1490. Gilts contributed -600, ie a increase of nbps holdings, compared to the forecast increase of -1040. There were net purchases of CTDs of -110, of National Savings of -340, and of Treasury Bills of -110.

5 The direct contribution of the rest of the public sector is estimated to have been contractionary by -370, (70 less contractionary than forecast). Local authorities were -410, (40 less contractionary than forecast), and PCs were +40, (40 above forecast).

6 "Narrow overfunding" (ie the CGBR plus the direct contribution of the real of the public sector, net of CG debt sales to the non-bank private sector) was +260, ie an underfund. External and foreign currency finance of the public sector (EFCFPS) was +450. "Wide overfunding" (ie the sum of narrow overfunding and EFCFPS) was +710, ie an underfund, compared with a forecast of +200.

7 Bank lending in sterling to the private sector is estimated to have

'increased by 1210, compared with a forecast rise of 1360.

8 Other identified external and foreign currency transactions (ie excluding EFCFPS) were +70, very different from the forecast of -500; this may be a poor guide to the final outturn for the externals.

9 The residual (including NNDLs) was contractionary by 630, compared with a forecast contraction of -220.

Financial Statistics Division Noncy & Banking Aggregates Group BB-1 27 June 1986

MISS R BORER (4471) / R L SHEATH / P A BULL

15



FROM: MRS R LOMAX DATE: 30 June 1986

nd

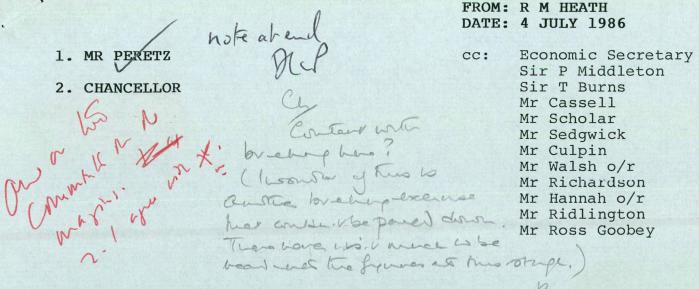
MR HEATH

cc Mr Cassell Mr Peretz Mr Walsh Mr Richardson

MONEY SUPPLY IN BANKING JUNE: "FIRST GUESS"

The Chancellor was grateful for your minute of 27 June.

RACHEL LOMAX



PROVISIONAL MONEY FIGURES : BANKING JUNE

The provisional money supply figures for banking June will be published by the Bank at 2.30 pm on Tuesday 8 July.

SUMMARY

007/20

2. <u>MO</u> rose by 0.5 per cent (compared with 0.5 per cent in the first guess and 0.5 per cent in the forecast). This will appear in the press notice as a rise of "about ½ per cent". Annual growth of MO, at 3.1 per cent (below last month's 3.4 per cent), remains in the lower half of its 2-6 per cent target range.

3. <u>**fM3**</u> is provisionally estimated to have risen by 1.3 per cent (above both the first guess of 1.0 per cent and forecast of 0.9 per cent). This will appear in the press notice as a rise of "about 1½ per cent". This puts the annual growth rate of £M3 at 18.3 per cent (down from last month's 19.5 per cent).

4. Table 1 (below) gives the implied growth rates in both aggregates to mid-June. Tables 4, 5 and 6 (attached) give growth rates since October 1985 for these and other aggregates.

Table 1 : Monetary Aggregates (provisional)

	Banking	Figures	Annual Growth Rates							
	June	Press Notice	3 months	6 months	12 months					
м0	0.5	about ½	3.8	4.4	3.1					
£M3	1.3	about 14	33.6	23.4	18.3					

5. There is one known <u>distortion</u> which has increased £M3 and bank lending by £200 million and has unwound in banking July. This involved a financial transaction between a group of companies and a monetary sector institution. On the other hand if there were any special factors affecting £M3 at the end of banking May, there is little sign of their unwinding, reducing the growth of £M3. (The Bank have warned us that the amount of transactions associated with the Big Bang and the general high level of merger activity is causing them to find more distortions in the reporting banks' figures than usual at this stage of the reporting cycle. Therefore by Tuesday the net effect of distortions on £M3 and bank lending may have altered.)

6. <u>Sterling lending</u> increased by £2,149 million compared with an average of £1800 million over the previous 12 months. The bank lending figure was boosted by a known transaction of £170 million attributable to Big Bang, separate from the £200 million method above.

7. <u>PSL2A</u> has been rechristened PSL2 from this month. Its annual growth rate has returned (just) to the 12-14 per cent band which it breached last month, but remains 1 per cent higher than the 13 per cent annual growth rate it was showing at the end of last year, and earlier in 1986.

PRESENTATION OF FIGURES

8. The £M3 figures this month in themselves do not look particularly bad and are close to market speculation. The only cause of adverse market reaction could be the absence of any significant deceleration; and this could be compounded by the relatively high bank lending figure.

9. MO continues to be well behaved and sterling is steady although house prices continue to rise. The slowdown in PSL2 12 month growth rate is also encouraging although this is partly a reflection of the distortions caused by the Abbey Life share issue, which led to rapid growth of broad money a year ago. The indications on monetary conditions are mixed as they were one month ago: in fact these latest figures change the picture relatively little. Nor do they throw any further light on the reasons for £M3's growth. 3

10. So the suggested line to take in the attached draft briefing is also much the same as hitherto explaining the need to look at a range of indicators over a period of months. This is the line which has been used consistently in the recent past and seems now to be reasonably well accepted by commentators.

11. The Bank's draft press notice, for publication at 2.30 pm on Tuesday 8 July is attached.

12. <u>Can I please have comments on the press notice by lunch-</u> time on Monday 7 July, and on the draft press briefing by close on that day.

DETAIL

MO

13. M0 rose by 0.5 per cent in June. The annual growth rate of M0 at 3.1 per cent, as forecast, was slightly below May's 3.4 per cent. M0's annual growth has been in the 3 per cent to 3½ per cent range since February this year. Notes in circulation rose by £112 million, the largest increase since January 1985 but bankers' balances fell by £36 million. The outturn for the first two weeks of banking July suggests little change in the annual growth rate of M0.

£M3: components

14. Table 2 sets out the changes in the components of £M3 (and PSL2). There was a slowdown in the growth of all the components of £M3 in June with the exception of notes and coin. NIB sight deposits fell by £209 million following the huge £l billion rise in May. IB sight rose by £815 million, although £200 million of the increase is due to a known distortion involving a group of companies and a monetary sector institution which has now unwound. Time and CD deposits rose by £977 million, a figure which looks large except in comparison with the previous four months when growth averaged £l.6 billion.

15. Retail deposits (IB and NIB) rose by £312 million; well below the rates of the previous three months and below the 1985/86

3/4

TABLE 2: The Components of £M3 and PSL2 June 1986

			£ million, seasonally adjusted				
			Banking June				
				monthly rate	percentage increase		
Notes and coin in cir	rculatio	on	131	21	2.0		
Bank deposits:							
Retail	(a)	interest bearing	521	516	18.4		
	(Ъ)	non-interest bearing	-209	162	9.1		
Wholesale (inc	ECDs)	1,271	1,164	29.6			
Change in £M3			1,714	1,865	19.5		
Bills and other non-b flows in PSL2	ouilding	g society	323	11	0.9		
Building Society:							
Inflows	(a)	retail (incl. interest credited)	836	1,167	14.6		
	(Ъ)	wholesale	-110	37	n/a		
Liquid Assets	(inc -)		166	-392	n/a		
Change in PSL2			2,929	2,686	14.6		

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This mainly reflected the fall in NIB sight. Interest average. bearing deposits keep on growing quickly. The twelve and six month annualised growth rates are above 18 per cent compared with around 14-15 per cent for building societies and around 5 per cent for National Savings, although the latter is now Wholesale deposits rose by £1,271 million again recovering. down on the provious three months. This slowdown is almost entirely explained by building society behaviour. In June they ran down their bank deposits by £490 million (seasonally adjusted) compared with a monthly average increase of £600 million between This in part reflects the societies' first March to May. quarterly instalment of composite rate tax in banking June, but the fall in bank deposits appears to far exceed the amounts of tax involved.

£M3: counterparts

16. Table 3 compares the provisional counterparts of growth in £M3 to the forecast in Mr Walsh's monetary prospects submission of 19 June. The counterparts also appear, in simplified form, in the Bank's draft provisionals press notice.

17. The main source of difference between forecast and outturn was in <u>bank lending</u>. It was also the major source of difference between the first guess and provisionals, an <u>increasingly common</u> occurrence. In three of the last four months bank lending has been around fl billion higher in the provisionals than the first guess.

of £2,149 million is above the 18. June increase The £1,800 million average for the previous twelve months. However Bank have identified two special factors. Firstly, the the £200 million distortion mentioned in the components section Secondly, the Bank have had its counterparty in bank lending. investments which £170 million of bank can be identified attributed to a monetary sector institution purchasing a nonmonetary sector institution in preparation for the Big Bang. The latter transaction is offset in net non-deposit liabilities (as the non-monetary institution reinvested back in the monetary

SECRET AND PERSONAL

			£ million	on seasonally adjusted		
DOMESTIC	COUNTERPARTS	Prov	isional	Forecast ¹		
CGBR:	own account	+1414		+1645		
	on-lending to LAs	+184		+187		
	on-lending to PCs	+192		+194		
0.1			+1,790	1997 - 1993 -	+2,025	
Other publi sector:	c Local Authorities	-452		-369	Still and	
	Public Corporations	-135		-10	and a start	
	PC currency deposits	+7		-		
			-580		-380	
Net purchas	ses of CG debt					
	k private sector (inc -):					
Gilts		-565		-600		
	ury bills	-101		-		
	nal Savings	-341		-385		
	ficates of tax deposit	-114		-105		
Other		+7				
			-1114		-1090	
External an	d fc finance of public sector		+323		50	
Sterling len	ding to the private sector:					
Bank	lending to private sector 2	+3881				
Issue	Department Commercial bills ²	-1732				
			+2,149		+1,360	
Sub-total:	Domestic Counterparts plus		State States			
	external and fc finance of the					
	public sector		+2568		+1965	
EXTERNAL	COUNTERPARTS ³					
	d foreign currency finance					
	osits net from banks abroad (inc -)	+958				
Other	overseas £ deposits (inc -)	+260				
	ing to overseas non-banks	-612				
	' net foreign currency liabs (inc -)	-1205				
	gn Currency net non-dep liabilities	+542				
Seaso	nal adjustment	+102				
1000			+45		-500	
NET NON-I	DEPOSIT LIABILITIES (inc -)		-899		-220	
STERLING	<u>M3</u>		+1,714		+1,245	
(monthly %			(+1.3%)		(+0.9%)	
OVER(-)/UI	NDERFUNDING(+) ⁴		+419		+605	
A REAL PROPERTY AND A REAL						

TABLE 3: PROVISIONAL STERLING M3 IN BANKING JUNE1986

1 As circulated in the Monetary Prospects Submission of 19 June 1986.

2 There was also a decrease in Banking department holdings. Total holdings by the Bank fell by £1966 million.

- 3 Excluding external flows to the public sector.
- 4 Wide definition

SECRET AND PERSONAL

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sector) and so does not impact on £M3. These special factors would reduce bank lending to close to the average for the past year.

19. In June there was wide underfunding(of £419 million) for the fourth consecutive month (although we are still some way ahead of the striking rate of gilt sales required to achieve a full fund over the year as a whole). The modified 'PSBR' was £1,210 million compared with a forecast of £1.6 billion. The CG own account was £1.4 billion, slightly below forecast. LA borrowing returned to more normal levels after the huge borrowing rates in April and May. The PC's borrowed less than had been anticipated.

20. Gross gilt sales at fl,158 million were below target in June and with redemptions of around f¹/₂ billion net sales were again relatively low. National Savings had their best inflow since August last year at f341 million (seasonally adjusted).

21. The banking externals once again show heavy reductions in overseas sterling deposits. This meant that for the second month the wider sterling aggregate, which includes overseas sterling deposits, grew considerably more slowly than fM3 (see table 5). However, unlike May, the overseas non-banks moved into sterling on a net basis (because they reduced their sterling borrowing by even more than they reduced deposits) and the reduction in the net overseas banks' sterling position was more than offset by UK banks switching into sterling. Overall the externals were flat.

22. UK residents increased their foreign currency deposits by a huge fl.7 billion and this caused M3, unlike the wider sterling aggregate, to grow considerably faster than fM3 (again see table 5).

23. Net non-deposit liabilities were a negative influence in £M3 by £900 million. This is an unusually large figure for NNDLs. The main explanation was a sharp fall of £608 million

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This offsets cumulative increases in the interbank difference. £710 million over the previous three months. Within the of other components of NNDLs there were some unusually large figures. In particular, banks' capital increased by £792 million (negative influence on NNDLs and not accounted for by the NatWest issue which occurred in banking July) and monetary sector investments in other monetary sector institutions increased by £258 million (positive influence on NNDLs). These figures could be associated with Big Bang activity in that they represent inter-monetary sector investment (to the extent that this is the case, it has no effect on £M3). It is possible that some of the rundown in overseas banks' sterling deposits was invested in UK monetary sector institutions, again having no net effect on £M3. This It is known nonetheless that the is however speculation. f170 million Big Bang impact on bank lending was offset in NNDLs.

RHeath

R M HEATH

cc: Mr Norgrove - No 10
Mr George - Bank of England
Mr Mann - FSD, Bank of England

These figures throw no new light on the reasons for £M3 growth, and there is little in them to alter our - or the market's assessment of conditions. So a low key presentation seems right, with a standard line. Factual (iv) in the briefing would give something to say if attention centres on the high growth of bank lending. But we will need to look at it again on Tuesday when the Bank have reassessed the size of the various distortions. An alternative approach would be simply to say that developments and financial innovations are making it increasingly difficult to read meaning into movements of the individual counterparts.

D L C PERETZ

SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 8 JULY 1986

MONEY SUPPLY IN BANKING JUNE: PRESS BRIEFING

LINE TO TAKE

M0 is well within target range and the exchange rate remains firm. Sterling M3 growth remains difficult to interpret. Taking all factors into account there is no reason to believe that conditions are either too loose or too tight.

A. FACTUAL

See Bank's press notice. Additional points for use if ASKED:

- (i) <u>Policy</u>: See Chancellor's major statement on monetary policy in 16 April speech to the Lombard Association.
- (ii) MO: Well within 2-6 per cent target range.
- (iii) £M3: (see line to take above).

(iv) <u>Sterling lending</u>: This month's increase (£2.1 billion) above 1985 average (£1.8 billion), but some evidence that may have been distorted by around £200 million as a consequence of the buildup to Big Bang. Bank lending affected through monetary sector purchases of financial institutions, which would produce an offsetting change in the other counterparts, and thus have no effect on £M3.

(v) Exchange rate: Remains firm

B. POSITIVE

See para 6 of Mr Health's minute.

(i) Overall Strategy

Experience continutes to confirm value of clear commitment to MTFS and ultimate objective of lower inflation. Record on money GDP growth and on inflation (3 per cent and forecast to continue low) demonstrates success of strategy.

SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 8 JULY 1986

(ii) Commitment

Government has repeatedly shown itself ready to act decisively when necessary for maintenance of sound financial conditions. Will certainly do so again if necessary.

(iii) Interest rates

Down 2½ per cent since Budget. Demonstrates confidence both here and abroad in the Government's approach.

(iv) Other countries

Most major countries, following the UK's lead, now operate policy in very similar way.

C. DEFENSIVE

(i) Monetary policy too tight/too loose?

Necessary to look at whole range of evidence on monetary conditions. Signals conflicting, and requiring careful interpretation in the light of developments over a period of months. Balance of evidence does not suggest conditions too loose (MO, real interest rates, exchange rate) or too tight (broad money, bank lending). But kept under constant review.

(ii) <u>£M3 annual growth already above higher target range</u> published in 1986 MTFS

£M3 growth remains difficult to interpret, because other indicators (M0, exchange rate, real interest rates) appear to suggest policy is broadly on track. Lombard Association Speech explained reasons for setting target range for 1986-87 at 11-15 per cent, and need to weigh developments in £M3 against other evidence before reaching conclusions on what they are telling us about monetary conditions.

SECRET AND PERSONAL UNTIL 2.30 PM ON TUESDAY 8 JULY 1986

(iii) Interest rates should be raised because of high <u>£M3 growth?</u>

FSBR explained "if the underlying growth of M0 or fM3 were to move significantly outside their target ranges, the Government would take action on interest rates <u>unless</u> other indicators suggested clearly that monetary conditions remained satisfactory."

(iv) Underfunding?

Gross gilt sales have been proceeding at a pace more than adequate to meet funding requirement over 1986-87 as a whole. But net sales appear low, largely because recent months have seen an unusually heavy bunching of gilt redemptions early in the financial year (average of £900 million a month in last four months). (Although figures for redemptions are not published in the banking statistics, outside commentators can get a good idea of the totals involved from table S4 in the June Edition of Fin.Stats. This lists all outstanding Government stocks. Last gilt redemption was 12% Treasury.)

(v) Interest rates solely reflect pound's strength/weakness?

No. See Lombard Speech. Government's first priority remains defeat of inflation.

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	AGGREGATES	Table								
TARGET AGGI	REGATES									•
		OCT	NOV	DEC	JAN	FEB	MAR	. APR	MAY	JUNE
£M3	(Exc. Public sector deposit)								
	Monthly change (£ millions)	+976	+2,407	+733	+103	+1,250	+2,804	+4,122	+3,847	+1,714
	Monthly % change	+0.8	+2.0			+1.0				
	Three-monthly % change a.r.	+19.5	+19.9	+14.3		+6.9				
	Six-monthly % change a.r.	+13.8	+17.3							
	12 Monthly % change	+14.6	+14.4			+14.9				
MO	Averaged weekly									
	Monthly change (£ millions)	-33	+79	+49	+205	-92	ICE			
	Monthly % change	-0.2				-92	+65	+37	+21	+76
	Three-monthly % change a.r.	-1.5				-0.8				
	Six-monthly % change a.r.	+1.4						+0.3		
	12-monthly % change	+3.4		+2.4		+3.8 +3.5				
			1314	12.4	74.5	-3.5	+3.6	+3.2	+3.4	+3.1
OTHER AGGRE	GATES									
PSL2	Monthly change (£ millions)	1,961	+3,690	+1,308	+1,306	+3,034	+3,740	14 600	12 600	
The second second	Monthly % change	+0.9	+1.6	+0.6		+1.3	+3,740	+4,692	+3,609	+2,909
	Three-monthly % change a.r.	+13.1	+15.0	+12.7		+19.9		+1.9		
	Six-monthly % change a.r.	+11.2	+13.6				+14.3	+20.7		
	12-monthly % change	+13.1				+12.4 +12.9	+13.5			
	i i indige	. 15•1	112.5	113.2	+12.4	+12.9	+13.5	+13.5	+14.6	+14.0
M2	Monthly change (£ millions)	1,461	+2,212	+1,828	+497	+349	+2,015	+2,810	+2,099	+2,111
unadjusted	Monthly % change	+1.0	+1.6	+1.3	+0.3	+0.2	+1.4	+1.9		
	12-monthly % change	+8.9	+9.6	+9.3	+8.8	+9.7	+10.1	+11.2		
	(exc re-classifications)	+8.2	+8.9	+8.7		+9.0	+9.5	+10.6		
Levels :	£M3 (Exc. Pub Sec Deps)	121,783	124,172	124,876	124,930	126,094	128,953	122 076	136 000	120 671
	MO (Averaged weekly)	14,126	14,205	14,254	14,459	14,367	14,432	133,076	136,929	138,671
	PSL 2	232,073	235,753	237,018	238,274	241,225	244,978	14,469	14,490	14,566
	M2 (unadjusted)	141,993	144,205	146,033	146,530	146,879	148,897	249,671	253,281	256,493
				1201033	140,000	1-10,013	140,001	151,707	153,806	155,917

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Table 5

OTHER WIDE AGGREGATES

		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
PSL1	Monthly change (£ millions)	+1,198	+2,375	+644	-245	+1,258	+3,032	+4,237	+3,479	+1,970
	Monthly % change	+1.0	+1.9	+0.5	-0.2	2 +1.0				
	Three-monthly % change a.r.	+17.1	+18.6	+14.2 .	+9.1	+5.3	- +13.2	+29.3		+32.6
	Six-monthly % change a.r.	+12.5	+16.3	+12.1	13.0	+11.7	+13.7	+18.8	+20.3	
	12-monthly % change	+13.9	+13.5	+14.3	+13.1	+13.9	+15.4	+15.6	+18.2	
Wider £ Agg	Monthly change (£ milions)	+967	+2,552	+591	+745	+1,554	+3,219	+4,486	+3,021	+496
	Monthly % change	+0.7	+1.7	+0.4	+0.5	+1.0	+2.1	+2.9	+1.9	+0.3
	Three-monthly % change a.r.	+15.9	+15.6	+11.8	+11.1	+8.0	+15.7	+27.1	+31.5	+22.4
	Six-monthly % change a.r.	+11.1	+14.5	+11.4	+13.5	+11.8	+13.7	+18.8	+19.2	+19.0
	12-monthly % change	+13.9	+13.3	+13.8	+13.5	+14.2	+14.3	+14.9	+16.8	+15.1
<u>M3</u>	(Exc. Public Sector Deposits	3								
	Monthly change (£ millions)	+313	+3,012	+841	+169	+1,694	+3,286	+3,892	+4,578	+3,379
	Monthly % change	+0.2	+2.1	+0.6	+0.1	+1.2	+2.2			+2.1
	Three-monthly % change a.r.	+18.9	+17.9	+12.4	+11.9	+7.7	+15.0	+26.9		+35.7
	Six-monthly % change a.r.	+12.8	+15.8	+12.7	+15.3	+12.7	+13.7	+19.2		+24.9
	12-monthly % change	+13.1	+12.9	+12.9	+10.9	+11.6	+14.1	+15.9	+18.5	+18.6
Levels :										
	PSL1	125,856	128,221	128,817 128	3,522 1	129,697	132,680 1	36,918	140,398 14	42,392
	Wider £ Agg									52,537
	M3 (ex. Pub. Sec. Deps)	140,641	143,640 1	144,456 144		46,187				51,405

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Table 6

OTHER NARROW AGGREGATES

		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
NIB M1	Monthly change (£ millions)	+162	+458	+159	+41	-59	+157	+221	+1,176	-78
	Monthly % change	+0.5	+1.4	+0.5	+0.1	-0.2	+0.5		+3.4	
	Three-monthly % change a.r.	+4.8	+3.7	+9.6	+8.0	+1.7	+1.6		+19.3	
	Six-monthly % change a.r.	+2.2	+3.0	-7.6	+6.4	+2.7	+5.5	+5.9	+10.1	+8.6
	12-monthly % change	+2.3	+1.6	+1.1	+3.0	+2.7	+3.6		+6.5	
<u>M1</u>	Monthly change (£ millions)	+1,330	+1,424	+953	-411	+117	+1,434	+1,412	+2,653	+737
	Monthly % change	+2.4	+2.5	+1.6	-0.7	+0.2		+2.3	+4.3	+1.1
	Three-monthly % change a.r.	+24.5	+21.3	+29.2					+42.4	
	Six-monthly % change a.r.	+21.8	+22.1	+16.4	+19.4				+22.0	
	12-monthly % change	+18.0	+17.1	+17.9	+19.5				+22.1	+18.6
<u>M2</u>	Provisionally seasonally ad	just								
and Mary Street	Monthly change (£ millions)	+1,588	+2,707	+667	+729	+953	+1,663	+1,923	+2,776	+1,068
	Monthly % change	+1.1	+1.9			+0.6		+1.3	+1.8	+0.7
	Three-monthly % change a.r.	+14.7	+18.2					+12.9	+18.3	+16.3
	Six-monthly % change a.r.	+9.7	+13.0					+12.5	+12.3	
	12-monthly % change	+8.9	+9.6	+9.3				+11.1	+12.7	+11.2
Levels :	NIBM1	33,836	34,294	34,454	34,496	34,438	34,599	34,821	35,998	35,921
	M1	57,410	58,840	59,790	59,400	59,520	60,990	62,400	65,050	65,800
	M2 (Partially S/A)	142,893	145,600	146,268	147,998	147,952	149,619	151,543	154,320	155,389

DRAFT SECRET

PROVISIONAL ESTIMATES OF MONETARY AGGREGATES: BANKING JUNE 1986

Preliminary information suggests that, in the four weeks to 18 June 1986, MO may have risen by about 1/2% and £M3 may have risen by about 1 1/4%, after seasonal adjustment.

Note for Editors

I The provisional estimates for June suggest that recent rates of growth are approximately as follows:

Rates of growth, annualised \$; seasonally adjusted

	Latest	Latest	Latest		
	3 months	6 months	12 months		
MO	3 3/4	4 1/2	3 1/4		
£M3	33 1/2	23 1/2	18 1/4		

2 Provisional counterparts to the change in £M3 in banking June are:

£ billion, 'seasonally adjusted.

PSBR(1)	+1.2
Debt sales to nbps ⁽²⁾ and external flo	
(of which, de	ebt sales to nbps -1.1)
Sterling lending to private sector ⁽⁴⁾	+2.1
Other counterparts ⁽⁵⁾	-0.8
	+1.7

(1) Strictly, the PSBR less net purchases of local authorities' and public corporations' debt by the non-bank private sector.

(2) Net purchases (-) of CG debt by the non-bank private sector.

(3) External and foreign currency finance of the public sector (-).

(4) Including Issue Department holdings of commercial bills.

(5) The banks' external and foreign currency transactions and net non-deposit sterling liabilities.

3 The PSBR, net of debt sales to the non-bank private sector and external flows to the public sector, was expansionary by about £0.4 billion. The growth in sterling lending to the private sector was about £2.1 billion, compared with an average of about £1.9 billion a month over the preceding six months. Other counterparts taken together were contractionary.

4 Full money and banking figures for June, including revised estimates of the growth rates given above, will be published on 17 July.

BANK OF ENGLAND 8 July 1986