

AIDE MEMOIRE ON JULY'S DISTORTIONS

	<u>Greenwells</u>	<u>HMT</u>
Reverse Bill Leak	£1,000 m (Although some of the bills may have been held by overseas)	£1,000 m - 100
Local Authority Debt	£350 m (a guess)	£350 m, say, after guessing banks' purchases of long term IA debt which is not reintermediation <u>The PSL figures show only £100 m, but this will be based on end June data, and will exclude some shortish term debt - eg yearling bonds/</u>
Treasury Bills	£100 m (a guess)	£242 m, although we have tended not to count this as it fluctuates anyway
Euro £ Market	Mentioned only qualitatively	£½ billion (a guess)
Residents' switching into £	Not mentioned	£½ billion (a guess) <u>.5.</u>
Gilts	Additional banking sector purchases of £0.7 bn should be adjusted downwards since some part will probably be sold	These purchases are "a blip" which should not be annualised
<u>Summary</u>	Underlying growth in July not quantified, although implication is that it is 1-2%, plus gilt "special factors". Over last 9 months, underlying rate 15% ± 1%	Underlying growth in July about 1%, with a blip of 1%. (The 3% reintermediation can be made up of £900 m resident bills, £250 m each Euro £ and switching, and £350 m IA debt)

1. What

RECENT MONETARY GROWTH

Growth over 6 months to:	% annual rate				
	M1	£M3	M3	PSL1	PSL2
mid May	- 1.1	+ 9.6	+ 11.1	+ 11.7	+ 10.1
mid June	- 2.5	+11.2	+ 12.7	+ 14.0	+ 12.6
mid July	+ 4.2	+20.5	+ 21.8	+ 18.8	15.8

Growth over 5 months to:

mid July (assuming aggregates concerned grew by 1% in banking July)	+ 2.6	+12.3	+ 15.4	+ 17.1	+ 14.5
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There are a few minor amendments in some of the figures in the RMD for the wider aggregates:

	£M3	M3	PSL1	PSL2
Banking July	+ 5.0	+ 4.1	2.6	+ 2.0
last 5 months	+23.3	+24.0	+21.5	+17.2
last 12 months	+16.3	+16.8	+15.2	+13.0

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MONETARY AGGREGATES IN BANKING AUGUST - A FIRST GUESS

(£ millions, seasonally adjusted)

Mr Britton's
papers

Computer problems have necessitated a number of manual amendments; accordingly, the figures should be treated with even more caution than usual at this stage.

A first guess based on the weekly reporting banks' figures for the month to mid-August - the second since the ending of the corset - suggests a rise in EM3 of 1,915 or 3.1%. If confirmed by the full figures, such a rise would imply an annual rate of growth since mid-February of over 26%. As last month, there is evidence of considerable distortion on account of reintermediation.⁴

M1 is estimated to have risen by only 20 in the month, to give a cumulative rise since mid-February of 7.6% at an annual rate. Very provisional figures for the bill leak indicate a fall of over 400 in August which (together with a small reduction in non-bank private sector holdings of Treasury bills), points towards rather lower rates of growth for the wider monetary aggregates.

Amongst the counterparts, the CCBR was +2,010 - much as forecast. Also much as forecast were the 1,440 net purchases of CG debt by the non-bank private sector, with gilts accounting for 1,175 of the total. The 'other public sector' at -70 was slightly more negative than forecast (on-lending to public corporations was higher than expected).

Bank lending in sterling to the private sector is estimated to have risen by 990 in the month as a whole, with a very large rise (over 1,000 on the basis of the approximate weekly seasonals) in the final

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week. Two thirds of the final week's rise was represented by advance by the clearing banks, suggesting that market reports of round-tripping at the end of the month may have been well-founded. But for this, the rise in lending might have been well below the forecast of 950. The fall of some 400 in the bill leak will also have contributed to this month's rise in lending. Sterling lending to overseas rose much more than forecast - by 430.

DCE was thus 1,920, leaving a residual of -5. Identified external finance items (excluding the banks' switch position) amounted to +180, including an unexpected fall of 365 in overseas sterling deposits.

Financial Statistics Division
29 August 1980
I C Thomson (4757)



£ millions
seasonally adjusted

	<u>"First Guess"</u>	<u>Forecast (a)</u>
CGBR	+2,010	+1,965
CG Debt: Gilts	-1,175	-1,125
Treasury bills	+ 40	-
National Savings	- 95	- 125
TSB claim on FBS	-	-
CTDs etc.	<u>- 210</u>	<u>- 100</u>
	-1,440	-1,350
Other public sector: LA	..	+ 170
PC	<u>..</u>	<u>- 160</u>
	- 70	+ 10
Bank lending to:		
private sector (inc. Issue bills)	+ 990	+ 950
overseas	<u>+ 430</u>	<u>+ 300</u>
DOMESTIC CREDIT EXPANSION	+1,920	+1,875
External and foreign currency finance		- 420
Non-deposit liabilities	<u>- 5</u>	<u>- 125</u>
STERLING M3	+1,915	+1,330
	(+3.1%)	(+2.2%)
Notes and coin	+ 160	
Private sector sight deposits	<u>- 140</u>	
M1	+ 20	
	<u>(+0.07%)</u>	

(a) Including some transactions which could not be attributed to individual weeks in Table 3W/1.

(b) As discussed at the MRC on 7. 8.80.