

GRPS 270A
IMMEDIATE
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TO IMMEDIATE WASHINGTON TELEGRAM NO. 2732 OF 15 DECEMBER.

38/268/9

FOLLOWING FROM [REDACTED] (TREASURY) TO [REDACTED].

1. YOU ASKED FOR A MORE DETAILED EXPLANATION OF THE REASONS WHY OUR ESTIMATE OF SEASONALLY ADJUSTED DCE FOR THE SECOND CALENDAR QUARTER OF 1977 (POUNDS STERLING 1.7 BILLION) IS CONSISTENT WITH OUR UNADJUSTED ESTIMATES FOR THE BANKING QUARTER TO MID-JULY (POUNDS STERLING 2.6 BILLION) IN MY TELEGRAM NO 2693 OF 13 DECEMBER.

2. THERE ARE TWO EFFECTS:

A. SEASONAL FACTORS AFFECTING DCE, THE MOST IMPORTANT OF WHICH ARE:

- I. CGBR (£150 MILLION) - DIRECT TAX PAYMENTS ARE LOW WHILE THE PERIODICITY OF INTEREST PAYMENTS AND RECEIPTS BOOSTS THE CGBR.
- II. LENDING TO LOCAL AUTHORITIES (£50 MILLION). THERE IS A MARKED PATTERN OF LENDING THROUGHOUT THE YEAR.
- III. BANK LENDING TO PRIVATE SECTOR (£500 MILLION). THIS IS DOMINATED BY THE DEBITING OF INTEREST ON ADVANCES AND OVERDRAFTS. IN ADDITION THERE IS A SEASONAL DEMAND FOR LOANS FOR TAX PURPOSES IN THE EARLY SUMMER AND IN SPRING.

B. THE DIFFERENCE IN COVERAGE OF THE BANKING QUARTER WHICH IS THREE WEEKS LATER THAN THE CALENDAR QUARTER. THIS ACCOUNTS FOR THE REMAINING £200 MILLION SPREAD BETWEEN THE PSBR, DEBT SALES AND BANK LENDING.

/3. YOU ALSO

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3. YOU ALSO ASKED IN EAGER 401 OF 14 DECEMBER FOR THE COMPLETION OF A TABLE GIVING THE COMPOSITION OF THE PSBR, THE FIGURES ARE:-

	1975-76	1977-78	1978-79
I RECEIPTS	46.16	62.58	70.83
II EXPENDITURE	56.76	71.29	79.45
III CURRENT	43.94	58.48	64.97
IV CAPITAL	10.83	12.02	12.61
V NET (AND BP)	1.99	0.79	1.87
VI PSBR	10.60	8.71	8.62

THE FIGURES FOR 1975-76 ARE CONSISTENT WITH THOSE IN TABLE 2.4 OF NOVEMBER FINANCIAL STATISTICS AND CORRECT THOSE GIVEN BY THE FUND.

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TREASURY.