

CYPHER/CAT A

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FCO 231749Z

2 [REDACTED] (34)

SECRET

TO PRIORITY WASHINGTON TELNO 2801 OF 23 DECEMBER 76.

38/768/01

PERSONAL FOR [REDACTED] (UKTSD) FROM [REDACTED]

FOLLOWING IS THE INFORMATION FOR WHICH THE STAFF HAVE ASKED.

A. EXTERNAL CAPITAL ACCOUNT FORECASTS

THE TABLE BELOW GIVES OUR LATEST FORECAST FOR THE EXTERNAL CAPITAL ACCOUNT. THESE FORECASTS MAKE NO ALLOWANCE FOR THE PROPOSED SAFETY NET FOR THE STERLING BALANCES.

2. IN HANDING THE FORECASTS OVER, WOULD YOU PLEASE EMPHASISE THAT WE REGARD THEM AS HIGHLY SENSITIVE AND MUST INSIST, THEREFORE, THAT THEY ARE STRICTLY FOR THE FUND STAFF'S OWN EYES AND MUST NOT, REPEAT NOT, BE DISCLOSED TO ANYONE ELSE.

EXTERNAL CAPITAL FLOWS (POUNDS STERLING MILLION)

	CURRENT BALANCE	STRUCTURAL CAPITAL	STERLING HOLDINGS AND OTHER SHORT TERM FLOWS	BALANCE FOR OFFICIAL FINANCING	TOTAL EXTERNAL FLOWS
1977-78	-1020	-922	296*	-1646	-626
1978-79	2877	-1328	174	1723	-1154

* INCLUDING POUNDS STERLING 270 MILLION O/A NORTH SEA PROGRAMME

B. MONEY SUPPLY FORECAST

	FINANCIAL YEAR	BANKING YEAR ENDING
	1976/77	20 APRIL 1977
STERLING M3	11.4%	10.7%
TOTAL M3	13.9%	13.1%
(LEVEL)	(£5.7BILLION)	(£5.3 BILLION)

[REDACTED]