

RA

PRIME MINISTER

TREASURY MONTHLY MONETARY ASSESSMENT

You may like to glance through the Treasury's September Monetary Assessment which has just been circulated.

The main points to note are:

- (i) The further upward revision in the expected growth of money GDP in 1988-89. This is now put at $10\frac{1}{2}$ - $11\frac{1}{2}$ per cent, with growth in the GDP deflator of 6-7 per cent (see summary page and paragraph 25).
- (ii) The further upward revision in the forecast growth rate of MO over the next few months. In the last monthly note, it was suggested that year on year growth rate might decline to 5.4 per cent by March 1989 (itself still above the target range of 1-5 per cent). This latest monthly assessment suggests the twelve month increase will fall only to 7 per cent by March, on the assumption of short-term interest rates remaining at 12 per cent (see summary page, paragraphs 31-36 and table 25).

This is not good news for inflation prospects.

Rec.

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