



Treasury Chambers, Parliament Street, SW1P 3AG
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6 July 1987

David Norgrove Esq
10 Downing Street
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Prime Minister

Dear David,

OFFICIAL RESERVES

You asked for an update of the breakdown of the official reserves assets and liabilities under the exchange cover scheme provided in my letter of 18 May. The figures, on the same basis as before, are:

Spot: (the total, but not the breakdown, published monthly)

	<u>end April</u>	\$ billion <u>end June</u>
- US Dollars	14.0	17.8
- Other currencies (mainly DM and Yen)	4.7	5.6
- Gold	7.2	7.2
- SDR	<u>3.4</u>	<u>3.3</u>
Total	29.4	33.9

Forward (never publicly known)

- US Dollars	3.3	3.5
- Other	<u>1.5</u>	<u>0.9</u>
Total	4.8	4.4

Intervention added \$7.5 billion to the total in May, of which \$4.9 billion was added to the spot book. The remainder went temporarily to the forward book in anticipation of the forward sale of about £3 billion equivalent to the MOD which took place early last month.



Intervention in June was limited, falling short by about \$300 million of the amount required to keep the spot book flat after taking account of outflows resulting principally from the requirements of government departments.

There is no change on the liabilities side:

	\$ billion	
	<u>end-April</u>	<u>end-June</u>
- Long-term North American loans	2.4	2.4
- Other HMG debt	7.0	7.0
- Exchange Cover Scheme Debt	<u>10.0</u>	<u>10.0</u>
Total	19.4	19.4

Of this total \$16 billion is denominated in dollars.

Yours,
Cathy

CATHY RYDING
Assistant Private Secretary

Keon AOC

D.M. Polinet

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