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PRIME MINISTER

MTFS AND ECONOMIC FORECASTS

You saw last night the minute from the Chancellor (flag A) spelling out key elements from the MTFS and economic forecast. You did not have a chance to go through this with the Chancellor at this afternoon's bilateral.

You may therefore like to take a further look tonight. In the light of what the Chancellor told you this afternoon about the latest forecasts he is now considering, but has not yet firmly decided on, some amendments to the key figures. I have marked these in red on the table at the end of flag A.

You may also want to go through this evening the latest draft of the MTFS itself (flag B). Its style has been substantially changed, and is considerably more expansive than in the past. Key passages I suggest you look at are:

- paras 2.10, 2.22 and 2.57 on the ERM
- para 2.37 on the exchange rate
- para 2.43 on intervention - do we need this at all
- para 2.44 and the following box on credit controls
- para 2.49 on public expenditure
- para 2.51 on the tax burden
- para 2.53 on the PSDR.

*no mention of the
understandings created by
unification. I
wonder:
whether he
should give
such
promises
to this.*

Finally, you may also like to glance at the letter from Tony Newton (flag C) concerning the latest package on capital limits. I am minuting your agreement this afternoon to figures of £16,000 for community charge benefit and housing benefit, and £8,000 for income support and family credit.

Are there any comments you want me to give the Chancellor on the MTFS and economic forecast material?

Paul
PAUL GRAY

See above

14 March 1990