



blind cc Mr Walters

10 DOWNING STREET

From the Private Secretary

2 March, 1982

The Prime Minister and the Chancellor had a word this morning about the consequences of the reduction, by \$4 per barrel, which BNOC are announcing this afternoon in the price of their oil.

The Chancellor said that this reduction was estimated to have a PSBR effect of some £300 million. On the basis of decisions already reached it would therefore be hard to avoid announcing a PSBR of £9½ billion. In the light of the ~~past~~ recent and prospective fall in pump prices for petrol and derv he accordingly proposed a full re-valorisation here, adding 9p to the price of a gallon of petrol and 7p to the price of a gallon of derv.

After discussion the Prime Minister agreed that the Chancellor should proceed thus, on the basis of a PSBR unchanged at £9½ billion.

M. C. SCHOLAR

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