

SECRET

910

PRIME MINISTER

MONEY AND INTEREST RATES

The Chancellor and the Governor did not in fact meet today and now plan to meet towards the end of the week.

The Chancellor has stopped looking for a further reduction in interest rates this week. He wants to wait until further information about the money numbers is available. The money numbers are, of course, at present pointing in different directions with the exchange rate so firm. But the Chancellor thinks it prudent to wait and the Bank believe that a further reduction at the moment would not go down well with the markets.

*Lillian*

*D.P.*

DAVID NORGROVE

2 June 1986