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FM WASHINGTON 131715Z APR 83

TO IMMEDIATE F C O

TELEGRAM NUMBER 969 OF 13 APRIL

AND TO ROUTINE BONN, PARIS, UKREP BRUSSELS, ROME, TOKYO, OTTAWA AND
UKDEL OECDUS BUDGET DEFICIT

1. THE US BUDGET DEFICITS FOR FY 1983 AND FY 1984 ARE FORECAST TO BE SLIGHTLY ABOVE THE LEVELS ESTIMATED IN JANUARY WHEN THE BUDGET WAS PRESENTED TO CONGRESS, ACCORDING TO THE ADMINISTRATION'S LATEST ESTIMATES. IN THEIR APRIL REVISION OF THE BUDGET, THE OFFICE OF MANAGEMENT AND BUDGET HAVE ESTIMATED THE DEFICIT AT DOLLARS 210 BN IN FY 1983 AND DOLLARS 190 BN IN FY 1984, DOLLARS 2.5 BN AND DOLLARS 1.5 BN HIGHER THAN THE PREVIOUS ESTIMATES FOR RESPECTIVE YEARS. BUT THE BUDGET DEFICITS WILL BE LOWER IN FY 1985-88 THAN PREVIOUSLY CALCULATED.

2. THE REVISED ESTIMATES OF THE DEFICITS FOR FY 1983 TO FY 1988 FOLLOWS (WITH FIGURES PUBLISHED IN JANUARY IN BRACKETS).

BUDGET DEFICIT (DOLLARS BN)

1983	1984	1985	1986	1987	1988
-210.2	-190.2	-185	-145	-137	-102
(-207.7)	(-188.8)	(-194)	(-148)	(-142)	(-117)

3. THE REVISIONS REFLECT THE PREVIOUSLY ANNOUNCED CHANGES TO THE FORECAST OF ECONOMIC GROWTH FOR 1983, TECHNICAL ADJUSTMENTS AND POLICY CHANGES - IN PARTICULAR THE ENACTMENT OF BOTH THE JOBS BILL AND THE BILL ON SOCIAL SECURITY REFORM WHICH WERE PASSED BY CONGRESS JUST BEFORE THE EASTER RECESS.

4. THE REVISED FORECASTS FOR ECONOMIC GROWTH FOR CALENDAR YEARS 1983 AND 1984 ARE AS FOLLOWS:

	1983	1984
REAL GNP (YEAR ON YEAR)	2.9	4.3
GNP DEFLATOR	4.4	4.8
UNEMPLOYMENT	10.0	9.1

THERE WAS NO CHANGE TO THE PROJECTIONS FOR THE PERIOD 1985-88 COMPARED TO THOSE PUBLISHED IN JANUARY, ALTHOUGH UNEMPLOYMENT IS NOW PROJECTED TO FALL AT A SLIGHTLY FASTER RATE TO 6.2 PERCENT IN 1988 AS A RESULT OF THE STRONGER RECOVERY IN 1983.

5. IN FY 1983 THE HIGHER DEFICIT IS THE RESULT OF A NET INCREASE IN OUTLAYS, MAINLY DUE TO HIGHER EXPENDITURE UNDER THE JOBS BILL. THE HIGHER OUTLAYS ARE PARTIALLY OFFSET BY HIGHER TAX RECEIPTS OWING TO AN INCREASE IN THE LEVEL OF ECONOMIC ACTIVITY. IN FY 1984 BOTH OUTLAYS AND RECEIPTS ARE PROJECTED TO FALL BELOW THE LEVEL FORECAST IN JANUARY, BUT RECEIPTS FALL FASTER. LOWER RECEIPTS IN FY 1984 ARE PARTLY DUE TO DIFFERENCES IN THE TIMING OF SOCIAL SECURITY CONTRIBUTIONS: THE NET FALL IN OUTLAYS IS MAINLY DUE TO

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LOWER UNEMPLOYMENT COMPENSATION. HIGHER RECEIPTS BETWEEN FY 1985-88 ARE THE MAIN REASON FOR THE LOWER DEFICITS IN THESE YEARS. THESE CHANGES ARE THE NET EFFECT OF HIGHER INCOME TAXES REFLECTING HIGHER NOMINAL INCOMES, PARTIALLY OFFSET BY LOWER WINDFALL PROFITS TAX DUE TO LOWER OIL PRICES. THE ADMINISTRATION RECOMMEND THAT HIGHER EXPENDITURE UNDER THE JOBS BILL IN FY 1983 AND 1984 IS OFFSET BY LOWER EXPENDITURE ON OTHER PROGRAMMES BETWEEN FY 1985-88.

6. COPIES OF THE REPORT FOLLOW BY BAG.

FCO PLEASE PASS TO BOTTRILL (HMT) AND WATSON (DANK).

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