

Prime Minister +  
To note  
Mr. Turnbull.

CONFIDENTIAL

GR 1000  
CONFIDENTIAL  
DESKBY 010900Z [CULL]  
FM WASHINGTON 312358Z  
TO IMMEDIATE FCO  
TELEGRAM NUMBER 352 OF 31 JAN UARY 1984  
AND TO ROUTINE PARIS, BONN, TOKYO, ROME, UKREP BRUSSELS,  
OTTAWA, UKDEL NATO.

A.S.C.  $\frac{1}{2}$

THE UNITED STATES FY85 BUDGET

1. PRESIDENT REAGAN WILL PRESENT HIS FY 85 BUDGET TO CONGRESS TOMORROW. IT IS EMBARGOED UNTIL NOON LOCAL TIME. UNTIL THEN THE INFORMATION IN THIS TELEGRAM, BASED ON AN ADVANCE COPY, SHOULD BE TREATED AS CONFIDENTIAL

2. THE BUDGET SUMMARY IS AS FOLLOWS:

	BILLIONS OF DOLLARS			
	FY84	FY85	FY86	FY89
RECEIPTS	670	745	815	1060
(PERCENT OF GNP)	18.8	19.2	19.3	19.8
OUTLAYS	854	925	992	1184
(PERCENT OF GNP)	24.0	23.8	23.4	22.1
DEFICIT	184	180	177	123
(PERCENT OF GNP)	5.2	4.6	4.2	2.3

3. THE MAIN OUTLINE OF THE RATHER OPTIMISTIC BUDGET ECONOMIC FORECAST IS FOR STRONG GROWTH IN 1984 (5.3 PER CENT YEAR-ON-YEAR) WITH STEADY GROWTH AT ABOUT 4 PER CENT THEREAFTER. INFLATION IS FORECAST TO PEAK AT ABOUT 4.6 PER CENT IN 1985 AND TO DECLINE SLOWLY THEREAFTER. THE MAIN FIGURES ARE AS FOLLOWS:

	ECONOMIC ASSUMPTIONS: CALENDAR YEARS				
	84	35	86	37	89
NOMINAL GNP					
(YEAR-ON-YEAR					
PER CENT INCREASE	10.1	9.1	8.7	8.4	7.6
REAL GNP					
YEAR-ON-YEAR					
PER CENT INCREASE)	5.3	4.1	4.0	4.0	3.9
CONSUMER PRICE					
INDEX					
(PER CENT INCREASE)	4.4	4.6	4.5	4.2	3.6
UNEMPLOYMENT					
(PER CENT ANNUAL					
AVERAGE)	7.8	7.6	7.3	6.8	5.7
INTEREST RATE					
91 DAY T-BILL					
(PERCENT)	8.5	7.7	7.1	6.2	5.0

CONFIDENTIAL



CONFIDENTIAL

MESSAGE CLEARLY INDICATES THAT HE WOULD NOT SUPPORT MAJOR TAX INCREASES AT LEAST UNTIL SECRETARY REGAN HAS CONDUCTED HIS REVIEW OF THE TAX SYSTEM, DUE AT THE END OF THE YEAR.

10. FURTHER COMMENTS ON THE FY 85 BUDGET AND AN ASSESSMENT OF CONGRESSIONAL AND OTHER REACTIONS WILL FOLLOW BY SEPARATE TELEGRAM.

11. FCO PLEASE PASS TO LITTLER AND BOTTRILL (TREASURY), GREEN (BANK OF ENGLAND), AND ROLEO (ESID).

WRIGHT

FINANCIAL  
NAD

(ADVANCED AS REQUESTED)

- 3 -  
CONFIDENTIAL