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PLS 25/4

Michael Scholar Esq  
Private Secretary  
Prime Minister's Office  
10 Downing Street  
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25 April 1983

*Dear Michael*

LIKELY TREND OF THE RPI

... As requested, I attach a note on the likely trend of the RPI.

Revised figures are given for the next six months; figures for October to December given in our note of 31 March were based on Treasury forecasts produced at the time of the Budget. Neither our statisticians nor Treasury are at this stage able to update these. Figures of 5½ per cent for October, 6 per cent for November and 6¼ per cent for December therefore continue to be best estimates for the end of the year.

We will update this forecast each month.

A similar note on unemployment prospects will follow shortly.

*Yours Sincerely*

*Felicity Aveniss*

MS F M EVERISS  
Private Secretary

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DEPARTMENT OF EMPLOYMENT BRIEF FOR THE PM'S OFFICE ON THE LIKELY TREND OF  
THE RETAIL PRICES INDEX

Information becoming available in the last few weeks suggests that during the next 6 months the rate of inflation will move as follows:

<u>Index date</u>	<u>Publication date</u>	<u>12-month % increase</u>
1983 March	22 April	4.6
April	20 May	4
May	17 June	$3\frac{1}{2}$ -4
June	15 July	$3\frac{1}{2}$ -4
July	12 August	$3\frac{1}{2}$ -4 $\frac{1}{2}$
August	16 September	4-5
September	14 October	4 $\frac{1}{2}$ -5 $\frac{1}{2}$

These forecasts take account of advice from other Departments including Treasury.

The forecasts for April and May are similar to those circulated on 12 April and are reasonably firm. Beyond May the figures are more speculative but take account of:

- a) The fact that the RPI did not increase between June and September last year.
- b) Little change anticipated in nationalised industry prices during the next few months.
- c) An assumption of no further change in the mortgage interest rate.
- d) An expectation of continuing small monthly increases across a wide range of goods and services, edging up slightly as a result of upward pressure on prices from the depreciation of sterling and some higher world commodity prices.

Department of Employment  
Statistics Division

22 April 1983



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Michael Scholar Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
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31 MAR 1963

Dear Michael

... Here is our prediction of the likely trend of the  
Retail Prices Index to the end of the year, which  
I promised you last night.

Yours sincerely

Barnaby Shaw

J B SHAW  
Principal Private  
Secretary

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DEPARTMENT OF EMPLOYMENT BRIEF FOR THE PRIME MINISTER ON THE LIKELY TREND OF THE  
RETAIL PRICES INDEX THROUGH 1983

The 12-month rate of increase in the RPI is expected to fall steadily from February (5.3%) to May ( $4\frac{1}{4}\%$ ), stabilise for a month or so and then be on an upward trend, again fairly consistently, to reach  $5\frac{1}{2}\%$  by September (published 14 October) and 6% by the end of the year. There are likely to be unpredictable "blips" around these trends, giving a margin of error of plus or minus  $\frac{1}{4}\%$  (slightly less up to mid-year and perhaps slightly more thereafter). The monthly path foreseen is as follows:

<u>Month</u>	<u>Central estimate of 12-month %age</u>	<u>Publication date</u>
1983 February	5.3 (actual)	-
March	$4\frac{3}{4}$	22 April
April	$4\frac{1}{2}$	20 May
May	$4\frac{1}{4}$	17 June
June	$4\frac{1}{4}$	15 July
July	$4\frac{1}{2}$	12 August
August	5	16 September
September	$5\frac{1}{2}$	14 October
October	$5\frac{3}{4}$	11 November
November	6	16 December
December	$6\frac{1}{4}$	20 January

Department of Employment  
Statistics Division

31 March 1983

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