

PRIME MINISTER

MEETING WITH SIR ALAN WALTERS

Professor Brian Griffiths is also coming to your meeting with Alan.

The main topics for discussion would include:

- (i) The British Economy: Tim Congdon argues that there are signs of renewed inflationary pressure, with some signs of acceleration in the growth of the monetary aggregates, strongly rising asset prices and some weakening in sterling. On the other hand, the prospects are for inflation below four per cent at the end of the year and consumption was weak in the first quarter.
- (ii) The US Economy: Growth in the first quarter was strong, but seems to have been mainly the result of stock accumulation; if this was unintentional it suggests a slow-down on the way. The US Treasury has a major re-financing due in early August which could prove to be a real test of confidence in the US economy. How does Alan see the prospects for the dollar and dollar interest rates?
- (iii) The International Debt Situation: There are as ever mixed signals with some movement in Brazil, increased debt provision by banks and a few countries being more willing to allow debt to be translated into equity; but there are still major doubts about the financial flow to the developing world.
- (iv) The Question of Full Membership of the EMS

DNW

DAVID NORRGROVE

30 June 1987