

17

NOTE FOR THE RECORD

MTFS AND ECONOMIC FORECASTS

I discussed with the Prime Minister this morning reactions to my minute of 14 March. She agreed that:

- paragraph 2.43 of the draft MTFS on intervention should be allowed to stand.
- the MTFS material on the ERM should, as currently drafted, continue to focus on the Madrid formula and should not make specific reference to the new implications of German reunification. But she wished the number of passages on the ERM to be reduced from three to two.
- it would be acceptable for the RPI forecast for 1990 Q4 to be increased from 7 per cent to 7 1/4 per cent.

I subsequently discussed all this with John Gieve in the Chancellor's office. He agreed to put to the Chancellor the proposition that the material currently in paragraph 2.10 of the draft MTFS should be merged into paragraph 2.22; and that the last sentence of paragraph 2.57 should be brought forward to the end of paragraph 2.56.

PLG.

PAUL GRAY

15 March 1990

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