

PRIME MINISTER

CABINET: 1990 PUBLIC EXPENDITURE SURVEY

In addition to the Cabinet Office briefing it might be helpful to glance through the following additional papers.

First at FLAG A is the Chancellor's speaking note for Cabinet which sets out the main features of the economic forecast.

Attention will focus on the figures for 1991. These are broadly as the Chancellor mentioned to you at last week's bilateral.

- Inflation should fall to 5½ per cent by 1991 Q4.
- Output will manage just positive year on year growth at half per cent.
- The current account deficit will narrow to $\frac{1}{2}$ 11 million.

As you are also aware, the RPI forecast understates the progress in bringing down inflation which the Chancellor believes achievable. But both the output and trade balance figures are more optimistic than justified by the Treasury central forecast.

Second at FLAG B is a speaking note which the Treasury suggested you might like to draw in summing up at the end of the Autumn Statement Cabinet discussion.

BARRY H. POTTER

7 November 1990

c:\wpdocs\economic\pes.kw