

A Budget for Recovery. Unlike last time, no easy title for this budget: a budget for people and a budget for recovery.

Above all, budget to continue successful strategy against inflation and for lower interest rates (again today), combined with responsible tax cuts for people and business. Also generous measures to help families, disabled, poor and charities. Only possible because strategy pursued over four earlier budgets. Money supply, borrowing, spending under control. Inflation lower than for 13 years; and interest rates down $2\frac{1}{2}$ per cent on a year ago. Economy picking up: eg CBI Survey. Exports strong.

Prospects Encouraging: slight rise in inflation to 6 per cent end 1983, but set to go down later. Renewed growth: GDP to rise by 2 per cent 1982-83, perhaps $2\frac{1}{2}$ per cent later years. Investment to rise $3\frac{1}{2}$ per cent in 1983 for second year running. Lower oil prices in general helpful: but continuing uncertainty; limits scope for action now; and must be ready to act if necessary to keep economy on course.

Right to concentrate help on people this year. Allowances up 14 per cent, $8\frac{1}{2}$ per cent above inflation, to 5 per cent above levels inherited from labour. Right because: previously priority given to tax cuts for industry. Also, need to get down borrowing and so interest rates meant could not index thresholds in 1981. Also, need to tackle poverty and unemployment traps and strengthen incentives. Follows wide consultation with Parliamentary colleagues.

But still room to help business and jobs: budget measures help business by $\pounds\frac{2}{4}$ bn in full year. On top of $\pounds\frac{1}{2}$ bn net benefit of NIS/NIC changes announced last autumn: total help worth $\pounds 1\frac{1}{4}$ bn in full year. NIS cut three times: fallen from inherited $3\frac{1}{2}$ per cent to 1 per cent. Small firms corporation tax cut. Measures to boost construction industry, innovation and technology, SEFIS (helps West Midlands), and North Sea exploration and development. Also measures for enterprise: especially Business Expansion Scheme, extending and improving BSUS. And enterprise allowances going nation-wide (pressed for by many colleagues).

Measures to help families and needy. Above all, child benefit up to $\pounds 6.50$ (and one parent benefit to $\pounds 4.05$), highest ever in real terms: shows commitment to family and tackles poverty trap. Widows bereavement allowance extended for year after bereavement. Restored 5 per cent abatement of UB, as promised. Ending invalidity trap. More help for charities.

Uprating of Benefits: vital to preserve Party unity on this. Historic method genuinely better, surer way. Now claw back. Vital to reassure pensioners that still price protected. Pensions have risen faster than prices. And last year's SS Benefit overshoot not fully recovered. But need to limit NIC burden on those in work, already very high: to avoid worsening poverty and unemployment traps. And if no action on overshoot, no room for action on UB and CB.

Greatest virtue of Government seen to be consistency and honesty. Sticking to strategy. Tax cuts this year will not be seen as bribes. But rewards for recovery.