



10 DOWNING STREET

THE PRIME MINISTER

9 November 1981

Dear Mr. Sterling,

Thank you very much for your letter of 4 November and for your account of recent developments in the US financial scene. I was particularly interested in what you had to say about exchange and interest rate prospects.

You mention an increase in turn-over in one of your British companies in the engineering supply sector, and that construction tenders are coming through up to 25-30 per cent below expectations. These are very encouraging pieces of news, and in line with much other evidence we have been getting that the economy is now moving ahead.

Let us hope that we shall this time see a sustained recovery: I am sure that the conditions for this are more favourable than they have been for a long time.

I very much hope you are right about Sterling rising to the \$2 area. That is exactly where I should like it. We could still compete in exports but should have the advantage of lower oil prices in sterling terms.

Jeffrey Sterling, Esq., C.B.E.

Yours sincerely
Raymond Thatcher