

cc ✓ Mr Lankester ✓
Mr Duguid
Mr Gaffin

12.

MR VEREKER

ng.
CBI speech file

GALLUP

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Thank you for your minute of 29 May re the deteriorating picture of the way in which the Government's management of the economy is viewed by the public, as revealed by Gallup.

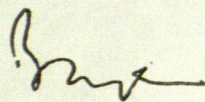
2. I have now had a chance to examine the April poll. It reveals a marked movement against the Government. Consequently, I think that the Prime Minister should use the CBI speech as a platform for a strong re-statement of her economic policies, concluding on your point about a virtually inflation-free economy.

3. It is very important that here and now we nail the idea that continued inflation is inevitable. This is the worst possible background against which trade unions will formulate their next claims.

4. But I wonder if we could get out some figures which show how mistaken is the view of the public on price movements. It is not surprising that with inflation still running at around 12% people should feel they are worse off and that prices have out-stripped pay. On the other hand, they seem always to believe that in spite of the steady improvement in living standards since the war.

5. However, I recently saw a note by Lord Sieff in the Prime Minister's box which said Marks and Spencer's food inflation over the last year had been 1% and clothing 4%.

5. Is there anything we can do for example to kill the idea (on p.11 of the Gallup Survey) that food prices have gone up a great deal or quite a lot (total 66%) over the last year? And they have gone up more than wages (49%)?



B. INGHAM

1 June, 1981.