

North East Shadow MPC Votes for a hold on interest rates

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The North East Shadow Monetary Policy Committee (MPC) has voted by seven members to two for a hold in the current rate of interest ahead of the Bank of England's own MPC announcement on Thursday.

A collaboration between the North East Chamber of Commerce, Hartlepool-based Arlington Financial and The Northern Echo, the North East Shadow MPC looks at the region's economy and gives experts from a variety of sectors the opportunity to argue their case for a shift, or hold, in the rate.

Jon Sturrock, managing director of Hartlepool-based independent financial advisors Arlington Financial was one of those calling for a change in direction by the Bank of England and a rise in the rate. He said: "It should raise by 0.25%, trade is resilient."

Jon added: "I would like to see the Government make cuts to public spending rather than just tax hikes which are expected....make the public sector feel some of the pain as well as the private."

Anne Elliott, partner at Darlington law firm Latimer Hinks, disagrees with raising the rate, calling for a hold.

She said: "Over the course of the last three months, signs of recovery are being sustained - though the Dubai situation is of concern and is obviously affecting confidence. The overall situation is, I feel, still very fragile and prone to cautious optimism being shattered but people are starting to move in to property and business acquisition with the main buyers very much in the driving seat."

John Elliott, chairman of the Ebac group called for a rise in interest rates, saying: "The public policy change is very clear. We need to change our structure to make more of the things we currently import. We are today in the ludicrous position of having growing unemployment and yet we are importing more than we export: three billion in the month of September alone. Those in power haven't realised that if we import more than we export we lose money from our economy."

Keith Robinson, partner at Vantis PLC, said the rate should be maintained.

He said: "Our business recovery specialists are exceptionally busy, other areas would like more business. We see staff leaving through retirement/moving etc not being replaced and most therefore are kept busy."

Colin Seccombe, chief executive of the Newcastle Building Society, called for a hold.

He said: "Trading conditions continue to stabilise but remain very tough. Would like to see the Tripartite restore a more level playing field between the building societies and the banks, most notably the State owned or majority owned institutions. What is the point of creating a Post Office Bank if at the same time you are allowing the building society sector to continually decline?"

North East Chamber of Commerce policy director Andrew Sugden also wants a hold on the base rate, using the phrase "very nervous" to sum up his feelings.

He said: "Signs of growth are fragile and the recent dreadful news from Corus adds to the uncertainty of recovery in the wider North East economy."

Graham Robb, partner at Darlington-based Recognition Marketing and PR, said: "The rate needs to remain stable, as the recovery is simply too fragile to change things at present. Last week's Corus announcement is a huge blow to the region and devastating for so many people; a mortgage increase now would be both a financial blow and another psychological kick in the teeth."

David Coates, managing director of Newsquest North East is another holder. He said: "In our business we are seeing some stability returning but revenues are still down year on year. Any upward pressure on mortgage costs would hit hard-pressed family budgets resulting in a greater reluctance to get out there and spend."

"Things have stopped getting worse but they are still not getting much better. We've reduced our cost base which has helped to stabilise profitability but, as mentioned above, we are not yet seeing revenue growth."

"Yes, we would like to see the Government put pressure on local authorities to stop them wasting Council Tax payers money on self-promotion publicity brochures, in the form of Council magazines and newspapers, and instead work with their local newspapers in developing a more balanced and effective communications strategy."

Nigel Mills, managing director of the Mills Group of convenience stores is another advocate of holding the rate where it is.

He said: "Sales are up at the expense of margin, with costs of labour and energy rising year on year, not good for bottom line profit."