

North East Shadow MPC Votes for a hold on interest rates – just!

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The North East Shadow Monetary Policy Committee (MPC) has voted by five members to four 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.

Almost half of the panel calling for a rise indicates growing support for an increase from a committee which has predominantly advocated keeping the base rate at its current level.

Jon Sturrock, managing director of Hartlepool-based independent financial advisors Arlington Financial was one of three members who called for a rise in the interest rate.

Looking for a 0.25% increase, Jon said trade was resilient, but called for the Government to put more of the onus on public sector.

He said he would like to see "cuts to public spending rather than just the 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, called for a 0.5% increase in the rate.

She said: "I've seen no real change, there is no confidence in the property market, but I would expect a lull at this time of the year anyway.

"Taxation changes are always a concern in every quarter of the country, employers and employees alike. There has been no consistency in recent years and the VAT increase in January is symptomatic of short term planning; I don't feel that the powers that be have a strategic plan!"

John Elliott, chairman of the Ebac group, went even further, saying: "Interest rates should be set a realistic level circa 5%. Business is on target for the year, but this is at lower levels than previous years"

"On public policy we need a realisation that our economy is badly structured. For example, speculators can make money easier than those 'doing' things that the general public value. We have the capacity to be self sustainable but we need to move workers/resources to jobs that add value. We have too many people in the public sector and professions that do not add value to the economy. They do not add to the total economic consumption 'cake' but consume more than their fair share of it."

David Bowles, chairman of Entrust, called for a half percent rise. He said: "It will make no difference to the economy whatsoever, but will send important messages to EU and rest of world. Trade in both the defence sector and service sector is moribund and we can expect more job losses.

“Government should stop dithering on a number of major defence projects and invest in equipment which will boost the engineering sector and might save the BAE Systems factory and 400 jobs in Newcastle. Government is talking up its support for the armed forces and doing quite the opposite.”

Leading the call for a hold was North East Chamber of Commerce policy director Andrew Sugden. He said: “Things are fragile in the North East economy as elsewhere and certainty is required.

“North East businesses are weathering the worst recession in living memory as well, if not better, than could have been expected. The flexibility shown by workers in North East firms has been admirable and saved more dramatic job losses. Businesses with a strong cash base are the most confident and best placed for a swift return to growth.”

David Coates, managing director of Newsquest North East said the rate should be maintained: “Any increase would have a negative impact on the still very fragile stabilisation we are seeing in the economy. Advertising revenues are still in decline and there’s no sign of improvement. However, the rate of decline has pretty much bottomed-out and we feel that the period of relative stability could be the foundation for a strong recovery in 2010.

“I would encourage the Bank of England to continue its policy of quantitative easing. The economy is still in intensive care and requires intensive medication! The banks are carrying more cash on their balance sheets but they are still not lending at competitive rates and we still need QE to get things moving.”

Neil Jukes, area leader for Rok in Tyneside, said: “Although there are a few small signs that the new build housing sector is starting again the majority of the construction sector is still reducing month on month and has shown a further 0.8% reduction in October. The repairs and maintenance area is continuing to grow as clients spend small amounts of money on existing facilities instead of investing in new.”

Nigel Mills, managing director of the Mills Group of convenience stores, said to hold: “Retail sales are up. However, gross margin is down by nearly five percent. As a result bottom line profit is becoming harder to achieve without further cuts in our cost base of which labour is the main target.

“The government appear to be interfering with the Low Pay Commission regarding the minimum wage which is currently being decided on for the next two years. Gordon brown has pledged to increase minimum wage each year for the next five years. How can he do this when the LPC is supposedly an independent body and the government are talking about freezing pay?”

Northumberland entrepreneur Ian Brown wants the rates to remain the same. He said: “Farming is tightening a bit, but land prices are good and the euro conversion of subsidy payments good. Renewables are still a bit slow, waiting for oil prices and policy to play their part.”