

North East shadow MPC continues 'hold' interest rate verdict for August

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The North East Shadow Monetary Policy Committee (MPC) has delivered a majority verdict to maintain 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 Arlington Financial, called for a hold and said: "It's still very fragile out there. The growth in GDP of 0.2 in the last quarter is still very weak. Uncertainty over US and Eurozone economies adds to my caution."

Andrew Sugden, policy director at the North East Chamber of Commerce agreed interest rates should be held. He said: "The base rate must be maintained. There is increasing caution in the service sector and businesses continue to be affected by low economic growth. Companies that are exporting however, remain bullish." Nigel Mills, founder of convenience store chain Mills Group, said: "The base rate still needs to be maintained as we are experiencing a very flat market. There is a challenge to maintain profitability with rising costs, while there is a consumer need to drive prices down." Anne Elliott, partner at Latimer Hinks Solicitors, said the rates should remain at their current level.

She said: "I don't think now is the time for a change. Particularly with the problems in America, things need to be kept as they are."

Ian Brown, agriculture and rural community specialist, was of the same mind. He said: "I agree with the rate being maintained. Current government policies relating to the future of the renewables market are sending out mixed messages."

"The government needs to make a decision in order to allow businesses to finance entrepreneurs who are overly keen to begin work."

He added: "North East tourism remains positive judging from the Baltic's continued success, which is making a reasonable profit in a fairly sensitive climate. Another new business being pursued is a niche bottled water product which is proving successful."

"However, no matter how much the economic climate is improving, it makes no difference if there is a lack of confidence in spending, which seems to be very much the case."

Tony Sarginson, Head of External Affairs for EEF North East, agreed with the notion that exporting was the way forward. He said: “The current base rate must be maintained, it would pose a great risk otherwise. There is a general consensus that manufacturing is slow on a national scale, however from recent findings in the North East, the sector remains buoyant and is maintaining steady growth.” “Order books are full and exporting companies are doing particularly well compared to domestic markets.”

Catriona Lingwood, Chief Executive of Constructing Excellence in the North East, said: “Once again we are seeing the UK’s construction sector struggle to maintain positive results. People are still extremely nervous about the economy and there is little confidence in the industry.”

She added: “The state of trade in the construction sector, particularly in the North East continues to be dire.”

David Bowles, Chairman of Entrust, agreed with maintenance of the rate. He said: “From covering a number of sectors, I have noticed the North East’s engineering sector is performing particularly well, especially those businesses involved in exporting rather than the domestic markets which are not quite as stable.”

Echoing comments about the service sector, he said: “Service businesses also seem to be struggling here in the region. We cannot take risks with the current state of affairs involved with these businesses.”

Jim Willens, Newcastle Building Society, said: ““It is still too sensitive and fragile. We need to see steady upward progress in the economy before we look at a change.”

Keith Proudfoot, ICAEW, also wanted to hold the rate. “I have witnessed that small businesses are on the rise particularly in the lifestyle sector. My general feeling is that the issue lies in understanding how banks can assist businesses rather than simply fund the business with a loan.”

He added: “This gap of understanding between business and bank lending leads to a mentality of borrowing to fully fund a business rather than looking towards equity investment and own money. It is also time for the government to implement quantitative easing and more investment into the economy.”

However, John Elliott, Chairman of EBAC, contributed a different perspective to the discussion, adding that a rise would build confidence in the economy. He said: “I would like to see interest rates start to rise and build up over the next year to a reasonable rate of around 4%, appropriate for borrowing and saving.”