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# North East shadow MPC unanimous ‘HOLD’ verdict

May 2011

The North East Shadow Monetary Policy Committee (MPC) has delivered a unanimous verdict on whether to maintain the current rate of interest, ahead of the Bank of England’s own MPC announcement on Thursday. All of the ten members continued to vote for a hold.

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 Arlington Financial, led the calls for interest rates to be held at their current level. He said: “It has to be a hold. The last thing we want is a double dip recession because the economy is fragile.”

He added: “Inflation was slightly less than expected and growth slightly lower, showing a flat six months. Both of these take the pressure off a little.”

In full agreement was Anne Elliott, Partner at Latimer Hinks Solicitors, who said: “I feel very strongly that, because we have such a fragile economy, the interest rate needs to be left for the time being.”

Mark Stephenson, policy advisor at the North East Chamber of Commerce agreed interest rates should be held. He said: “The rate should not be changed due to the enduring uncertainty in the economy. A rise would squeeze consumers’ disposable income and therefore undermine business growth.

“In addition, the interest rate is the last stimulus measure we have available and should remain in place at least until halfway through the year, possibly until nearer the end of the year, particularly since the spectre of inflation has waned.”

David Coates, Managing Director of Newsquest North East, was in agreement and also cited inflation. He said: “It appears that the inflation spike has now peaked and it is likely that inflation will soften as we get towards the back-end of the year. Commodity prices are still too high but we are getting price push-back from the market on all fronts; property, motors and retail. I cannot see any justification for the Bank to increase rates now that the inflation threat is diminished.”

He continued: “There is still very little confidence and the recruitment market is non-existent. The private sector recruitment market is muted, with very few firms looking to take on staff, and the public sector market is just dead.”

He would like to see parking charges in town centres abolished, “to help encourage local people to shop locally, rather than at faceless out of town developments.”

Inflation was also the factor which led Michael O’Connell, Director of EOS UK Ltd, to vote for a hold. He said: “Inflation dropped this month so the pressure for a rate rise to control it has been reduced. It appears to have been controlled without raising the interest rates and therefore there is no reason for an increase.”

He continued: “The economy is still not booming, however there is a slight uplift. We are busy but margins are very tight. We are having to work really hard for the business we are getting, twice as hard as a year or two ago. It really is simply a case of keeping our heads above water, paddling in the right direction and waiting for things to improve.”

His message on policy was to the banks; “The banks need to release more funding into the market and increase lending. While this is allegedly happening, there is little evidence. Where banks are lending, it is very strictly, with directors’ guarantees, second mortgages and other security.

“I would like to see the purse strings released a little to create some confidence in the public sector. However, I think it will be a year or 18 months before this happens.”

Ian Brown, agriculture and rural community specialist, agreed with a hold. He said: “The rate should be maintained as there is little to gain by raising it. People have become used to low interest rates and a rise would be seen as negative news. We need to keep the good news until the end of the year and the fundamentals of the economy change a little.”

“Trade in both catering and renewable energy is relatively positive. The Bank Holidays were a boon for the catering business, with people choosing to spend their leisure time out and about. On the renewables front, we are just waiting for the Government announcements to truly kick in.

“We are still looking for more clarity and consistency from the Government on renewable energy. Things are settling down in terms of business support and the structures; however the Government needs to get to the trusted position of being believed it will follow through when announcements are made.”

Nigel Mills, Managing Director of Closewalk Ltd, said: “My vote is for the maintenance of the base rate because the economy is very weak. The interest rate is the only stimulus left and if this is taken away, the recovery we have had will be damaged.”

He continued: “The state of trade is no worse, no better. It is still very challenging but at least it does not appear to be any worse. The warm weather and the Royal Wedding have helped retail in the last few weeks.

“In terms of public policy, I would like to see the minimum wage frozen and the effects of minimum wage on juvenile employment reviewed. I find the recent minimum wage increase extraordinary in the current climate.”

Catriona Lingwood, Chief Executive of Constructing Excellence in the North East, voted for a hold due to the need for stability in the market place. She said: “The state of trade in the construction sector is pretty dire. There has been no improvement from last month and I doubt this will happen until the back-end of this year or the beginning of next.”

Phil Heathcock, Financial Director, Tekmar, also voted for a hold with a positive outlook. He said: “The base rate should be maintained at this time. Trade is still going well in Renewables but I would like to see incentives to invest in staff.”

David Bowles, Chairman of Entrust, agreed with maintenance of the rate. He said: “It is not the right time to put the rate up, despite the fact there is a lot of pressure. It is inadvisable at the moment because the growth rate is not yet able to sustain an interest rate increase.

“The state of trade is mixed depending on the sector. Where manufacturing is doing alright, service is still suffering. We need to wait some more to see what will happen with the economy before we make rate changes.”