

North East Shadow MPC Votes For A Hold In Interest Rates

March 2nd, 2010

The North East Shadow Monetary Policy Committee (MPC) has voted by nine 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.

The vote for a hold shows a swing following last month's narrow majority calling for a rise in the rate of interest.

Jon Sturrock, managing director of Hartlepool-based independent financial advisors Arlington Financial called for a rise in the rate.

He said: "The key issue is keeping inflation under control. The recovery appears to be underway and the worry is that inflation is in danger of running away from us. A small rise may just steady the ship."

Andrew Sugden, policy director at the North East Chamber of Commerce said a hold was in order.

He said: "There remains lots of uncertainty at the moment. Even though the growth figures for the end of 2009 were revised slightly upwards we are still not out of the woods. Add the imminent General Election and the certainty of extensive public spending cuts and businesses in the North East remain very cautious."

David Coates, managing director of The Northern Echo's publisher, Newsquest North East, called for a hold, saying: "Recovery still too fragile to increase. Things are still very fragile. Following a relatively solid final quarter of 2009, the first quarter of 2010 is proving to be tougher than expected. We felt that the poor weather may have been to blame for the disappointing January but February has proved to be challenging too and March isn't looking much better."

Anne Elliott, partner at Latimer Hinks solicitors, called for the rate to be held.

She said: "There is very little change, though there is perhaps even less optimism. I think we need to know when the election is going to be."

David Bowles, chairman of Entrust, said: "I would like to see the Bank of England raise interest rates by a quarter of one percent. I have been visiting a lot of engineering businesses in recent times and it emerges that the firms have focused on efficiency, customer service and raising standards of

performance are maintaining good performance. In the service sector it is very uncertain, although web marketing businesses seem to be doing well.”

Entrepreneur Ian Brown called for a hold, saying his café and restaurant were “doing well despite it being a tough time of year.....corporate events are coming back a bit in March. Renewables feel a very exciting place to be and we are moving fast to get funding to do things in that field. Interestingly, agricultural land prices in the North East have done well but not as well as other parts of the England.”

Nigel Mills, managing director of convenience store chain, Mills Group, called for a hold.

He said: “Sales are still up year on year, however at the expense of gross profit margin, ie retail sales driven by price cuts, over 40% of groceries are now bought on deals.”

Newcastle Building Society’s incoming chief executive, Jim Willens, said: “Rates should be maintained as they are. Savings market remains very competitive and mortgage demand low.”

John Kindred, business development manager at Rok plc, said rates should be held. He said: “The state of the construction industry was on the slide all of last year. I do not believe the industry is sliding any further but conversely it is not improving at all. There are still contracts around but the margin included within the tender submissions is negligible and pressure is totally continuous from receipt of tender through to submission and especially during the contract periods for acquired schemes. Some contractors are desperate for work and the reduced margins will only last so long before companies drop into the dangerous zone.”

Kevin Rowan, regional secretary of the TUC, said: “Hold for now, the recovery is far too unstable and inflation increases will prove temporary blips. Workers remain very anxious about further job losses, the impact of the mothballing of the steelworks in Redcar will provide a further dent in confidence in that part of the region and while there is some welcome intervention to attract further investment this will take some time to materialise into employment. There has been some better news in other parts of the region, especially Tyneside, and there will be some employment growth there. The public sector is experiencing increasing anxiety about job losses and service cuts.”

Keith Robinson, partner at Vantis Plc, also called for a hold.

He said: “There is still talk of potential new projects within businesses but not yet a lot of action.”