



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE ISSUE:

Temptation to tinker with interest rates must be resisted

- **Urgent need for Finance Ministers to agree on extending reduced rate VAT scheme**

Brussels, 08 November 2005 UEAPME, the European small and medium business organisation, urged the European Central Bank not to further jeopardise growth by increasing interest rates at a meeting of the Macroeconomic Dialogue, between the Social Partners, the ECB President Jean Claude Trichet and EU Finance Ministers, today (Tuesday).

“With the persistent weakness of domestic demand across Europe, any increase in interest rates will serve to smother a resurgence of economic growth in the EU. Small firms, which account for 98% of all European businesses, are predominantly reliant on domestic markets, so further stifling internal demand by raising rates would seriously damage this growth-generating sector,” **Hans-Werner Müller**, UEAPME Secretary General, stressed to the Macroeconomic Dialogue.

“Giving in to the temptation to increase interest rates would act as an added breaker on domestic demand, punishing small entrepreneurs and achieving exactly the opposite of what the ECB should be aiming for.”

Mr Müller pointed out that the current high rate of inflation, as a result of oil and energy price increases, has not resulted in knee-jerk second round effects, as social partners have sought to avoid a dangerous inflationary cycle. If the social partners continue to exercise restraint with regard to wage policy, despite rising energy costs, it is natural for them to expect that the ECB maintain a prudent approach to interest rates in return.

UEAPME also stressed to EU Finance Ministers, present at the meeting, that agreement on extending the scheme for reduced VAT in labour-intensive sectors was now a matter of utmost urgency.

“The prolonged procrastination on agreeing the reduced VAT scheme has gone on far too long. The scheme is due to expire at the end of this year and we are still in a position of complete uncertainty thanks to the obstinacy of certain Member States. It is imperative that Finance Ministers agree on the renewal of this scheme by the beginning of December, as failure to do so will plunge the business community into chaos,” concluded Mr Müller.

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EDITORS’ NOTE: UEAPME is the employer's organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 78 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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