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Press Release

FOR IMMEDIATE ISSUE:

ECB stubbornness on rate rise would defy reason and economic reality

Brussels, 29 November 2005 UEAPME, the European small and medium business organisation, is calling on the European Central Bank President Jean Claude Trichet not to go ahead with plans to increase interest rates on Thursday, throwing its weight behind the plea by Eurogroup President Jean-Claude Juncker against a rate hike, made at the European Parliament today (Tuesday).

“Hiking rates, against a background of feeble demand and economic stagnation, would scuttle efforts to revive the Eurozone economy. Backtracking from the proposed rates increase would not be a loss of face, on the contrary, it would inspire confidence in the ECB and show it is responsive to the broader economic realities in the Euro area,” said **Hans-Werner Müller**, UEAPME Secretary General.

UEAPME has argued that raising interest rates would have a particularly damaging effect on small businesses, which are largely dependant on domestic markets. Increasing interest rates will further dampen domestic demand, hitting small firms hardest. Given 98% of European businesses are small firms, the result of a rate hike would be to seriously stifle growth in the EU.

“Even in terms of the narrow priority of the ECB, namely maintaining price stability, a rate increase is hard to understand. With core inflation unchanged, the increase in energy prices hasn’t led to any negative second round effects, as wage moderation has prevailed. Employers and employees have played the part in preventing an inflationary cycle, in response, the ECB should play its part in promoting growth and investor confidence,” continued Mr Müller.

“The independence of the ECB is crucial for the credibility of the currency but this should not mean that it should exert its independence at the expense of the Eurozone economy. The appeals of national governments and European businesses, which would have to cope with the damaging effects of a rate rise, must not be ignored at all costs,” 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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