



## ***“The voice of SMEs in Europe”***

### **Press Statement**

FOR IMMEDIATE ISSUE

#### **Increased interest rates create uncertainty on investment conditions**

**Brussels, 8 June 2006.** UEAPME, the European SME employers’ organisation, reacted cautiously to the European Central Bank’s decision to increase interest rates by 25 basis points, which was taken today (Thursday) at the ECB Governing Council’s meeting in Madrid.

“We do not think this decision will overly influence the recent positive economic developments in Europe”, said **Gerhard Huemer**, UEAPME Director for Economic and Fiscal Policy. “However, this choice does not seem to be justified at this stage. Higher inflation expectations in the EU are mainly due to Germany increasing its VAT rates by 3%; as such, a Europe-wide raise of the interest rates is not the best attempt to counterbalance inflation increase forecasts.”

SMEs rely heavily on credit financing for their operations. UEAPME is particularly worried that the increased interest rates might have a negative impact in this respect. “Small businesses will be particularly affected by this policy, due to the direct link between interest rates and credit availability. The increased interest rates do not contribute to positive expectations as far as credit financing is concerned. Furthermore, the poor communication from the ECB during the last months is an additional obstacle for both enterprises and finance institutions as it creates uncertainty on the future monetary framework”, concluded Mr Huemer.

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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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