



"The voice of crafts and SMEs in Europe"

ECB interest rate cut the right decision at the right moment

Brussels, 6 November 2008 – UEAPME, the European craft and employers' organisation, praised the decision to further cut interest rates by 50 basis points taken by the European Central Bank at its Governing Board meeting in Frankfurt today (Thursday). According to UEAPME, the ECB took the right decision at the right moment. On the substance, UEAPME stressed that today's interest rate cut will help in stabilising financial markets while also supporting lending to the real economy, and to small businesses in particular, thanks to reduced borrowing costs. On the timing, the ECB decision is in line with the downward trend in risk premium rates and short-term commercial lending rates such as EURIBOR, and is therefore likely to have a real effect on borrowing conditions and help in keeping these rates at a reasonable level in the next months.

Director for Economic and Fiscal Policy **Gerhard Huemer** offered the following comments:

"European crafts and SMEs are very satisfied with today's decision. The European Central Bank is continuing today its balanced response to stabilise financial markets while supporting the real economy, and confirming its fundamental role in Europe's coordinated policy reaction to the gloomy economic forecasts we are facing."

"Cutting interest rates was the right decision. Lower interest rates will ease borrowing conditions for small enterprises, generating a virtuous circle in production that is likely to support the real economy and partially offset the lending difficulties we have witnessed in the past weeks. On the other hand, this interest rate cut is not likely to generate an inflationary spiral since commodity prices, although still higher than one year ago, are now sharply decreasing."

"This decision comes at the right moment. It gives a positive signal to financial markets, which are slowly regaining confidence as clearly indicated by the falling short-term commercial lending rates. It will also have a real impact on lending conditions, which are likely to improve as a consequence of today's decision. Cutting interest rates before would not have helped over-dried and hyper-cautious markets – leaving rates untouched today, on the other hand, would have been the wrong signal to give to a debilitated economy."

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EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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