



"The voice of SMEs in Europe"

Press Statement

FOR IMMEDIATE ISSUE:

ECB's regrettable rate rise must not become a trend

Brussels, 1 December 2005 UEAPME, the European small and medium business organisation, has expressed regret at the European Central Bank's decision today (Thursday) to press ahead with a rise in the main interest rate despite considerable recent opposition.

"Due to the expectations that have been created through speculation on interest rates over the past weeks, today's rise is not surprising. The extent of the impact this rise has on domestic demand and, ultimately, economic growth will be determined by the future actions of and expectations generated by the ECB. The ECB has hopefully realised that those most affected by domestic markets in the EU, particularly small businesses, cannot afford any slump in demand. To prevent such a slump, speculation about future rate hikes must be avoided," 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.

"It is questionable whether this rate increase will have any perceptible effect on inflation in the short term but it is crucial that the ECB do not use this as an argument for further hikes, as this would smother demand and undermine investor confidence at a crucial time," concluded Mr Müller.

***** End *****

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.

Further information: Gerhard Huemer, Director of Economic and Fiscal Policy; Tel: +32 2 230 7599

Richard More O'Ferrall, Press and Communications Officer
Tel: +32 2 230 7599/ GSM: +32 477 44 38 42
Email: pressoffice@ueapme.com Web: www.ueapme.com/pressroom