



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE ISSUE

Hike in interest rates may undermine EU economic recovery

- **ECB plans should be postponed until economic picture is clearer**
- **Actions needed on qualified staff shortage, low-qualified workers unemployment**

Brussels, 27 November 2006. On the occasion of the Macroeconomic Dialogue meeting between the European Social Partners, the European Central Bank, the European Commission and EU Finance Ministers taking place today (Monday), UEAPME, the European SME employers’ organisation, warned against plans by the ECB to increase interest rates before the end of the year. UEAPME pointed out that such an increase would have a strong negative influence on consumers’ and investors’ confidence and may stand in the way of economic revival in the EU.

Current forecasts for the EU look promising, with the European Commission expecting GDP and employment growth in the forthcoming years. However, some risk factors have to be taken into consideration. The imminent 3% increase of VAT rates in Germany, for instance, may seriously harm private consumption. EU export performance may be held back by the appreciation of the Euro and the concurrent devaluation of the US dollar. An additional threat comes from the prospect of the US housing bubble bursting, which may end in recession of the US economy.

“A further increment in interest rates does not seem appropriate against this background”, said **Hans-Werner Müller**, UEAPME Secretary General. “We do not see the reasons for another hike, with oil prices and inflation going downwards and wage increases not exceeding the growth in productivity. The harmful effects of such a move on credit financing and on internal demand would thwart SMEs’ contribution to economic growth in the EU”, he continued.

According to UEAPME, the current economic upturn must be supported by actions addressing the shortage of qualified workers, coexisting with worrying levels of unemployment for low-qualified or misqualified workforce, which is a long-lasting structural problem in Europe’s labour markets. Mr Müller urged Member States to increase efforts to support workers’ training and qualification and to enhance incentives for employees to enter or stay in the labour market.

“The European Central Bank must honour its responsibility for the economic development of the EU. It should avoid creating additional uncertainty and postpone its plans until the economic picture becomes clearer. Increasing interest rates at this moment may end up triggering the next economic downturn, and I am confident that the ECB is not willing to let this happen”, 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 81 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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