

PRESS RELEASE

INTEREST RATE CUT ESSENTIAL PART OF 'RECESSION BATTLE PLAN' - SCDI

7 January 2009

The Scottish Council for Development and Industry has called on the Monetary Policy Committee to cut interest rates to boost the economy.

Speaking ahead of the MPC's announcement on Thursday lunchtime, SCDI spokesperson Niall Stuart, said:

"It's clear that 2009 is going to be an incredibly difficult year for the Scottish economy, with further job losses and high profile casualties of the downturn. Further interest rates cuts are an absolutely essential part of the recession battle plan to ensure that we see some signs of recovery in the second half of the year.

"The banks are now in the process of re-building their balance sheets, and we are seeing signs of a genuine thaw in the money markets, with the Bank of England's aggressive interest rate cuts over the last few months cutting the cost of borrowing on the wholesale money markets by more than 100 per cent in the last quarter. The average three month LIBOR down from over 6 per cent in October, to 2.71 per cent earlier this week.

"This drop in the cost of credit should mean that businesses and consumers will start to see easier access to loans and capital, which is absolutely essential to get the housing markets and wider economy moving again.

"However, the latest economic news means that a further cut is needed this week, and we want to see *all* banks pass this on to customers, putting some extra more money in the pockets of householders, easing business cash flow, and encouraging businesses to start investing again for the future."

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