

17 October 2013

Agenda Item: 9

REPORT OF THE CHAIR OF THE ECONOMIC DEVELOPMENT COMMITTEE

ATTENDANCE AT NETWORKING EVENT WITH THE GOVERNOR OF THE BANK OF ENGLAND

Purpose of the Report

1. To inform Members of attendance at a recent event with the Governor of the Bank of England and to give an overview of the Bank of England's current position on Monetary Policy.

Information and Advice

Background

2. Derbyshire and Nottinghamshire Chamber of Commerce secured Governor Carney's first major speaking engagement outside London at a lunchtime event at the East Midlands Conference Centre on August 28th 2013. The event received widespread media coverage and was attended by a large number of local businesses.

Feedback from the Governor's speech

3. Governor Carney stated that there is a 'rising tide' of optimism surrounding the financial recovery. This follows the virtual collapse of the financial system, job losses, the crisis in Europe and falling incomes.
4. The availability of credit and slow growth has dampened spending. There are one million more people unemployed today, idle capacity and opportunities wanting from a lack of finance.
5. The Bank of England are working to secure the fledgling recovery and to reduce the uncertainty which is holding back growth.

Interest Rates

6. An increase in interest rates will only be considered when unemployment falls from 7.8% to at least 7%. This figure is a staging post for re-assessment. It does not necessarily mean that interest rates will go up when the 7% figure is reached.
7. Banks are encouraged to release credit and capital ratios in banks are to reach 7% by the turn of the year. Governor Carney stated that this level is needed to withstand the 'bumps' on the road to recovery and to prevent new vulnerabilities e.g. housing.

8. Governor Carney referenced a suggestion of lending to specific sectors; however the importance of keeping interest rates low without creating risk was the overriding message.
9. Governor Carney recognised that low interest rates are a negative for savers, however a stronger economy is better for everyone in the long term.

Unemployment

10. Governor. Carney said that he thought it would be some time before unemployment falls from 7.8% to 7%. This is for the following reasons:
 - Growth prospects are solid not stellar
 - Due to shrinkage in the public sector, 750,000 jobs will need to be created to keep unemployment at the current level
 - Half of the increase in jobs is due to part time roles
 - Productivity growth has been anaemic, the same statistics as 2005
 - Productivity is expected to grow more slowly than in the pre-crisis period e.g. productivity is expected to reach the 2008 level by 2015.

Housing

11. In terms of the housing market, Governor Carney reflected that new mortgages are up 20% but appraisals are still half of the pre crisis level. Housing costs relative to earnings are the same as 2003, and the Bank of England is closely monitoring recent uplifts in the housing market to guard against excessive inflation. .

Event Attendance

12. The Committee Chair attended the lunch and presentation. Tickets were £45 each. Two tickets were purchased (£90 total) and one officer from Economic Development attended with the Committee Chair.

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

14. The total cost of £90 was met from the Committee's budget allocation to business engagement.

RECOMMENDATION/S

15. That Committee note the report.

Report of the Chair, Economic Development Committee

For any enquiries about this report please contact: Fiona Anderson extn 72688

Constitutional Comments (NAB 04.10.13)

The Economic Development Committee has authority to consider the recommendation set out in the report by virtue of its terms of reference.

Financial Comments (SEM 03/10/13)

The financial implications are set out in the report.

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All