THE SCOTSMAN

Brown says VAT cut is working to spur economy

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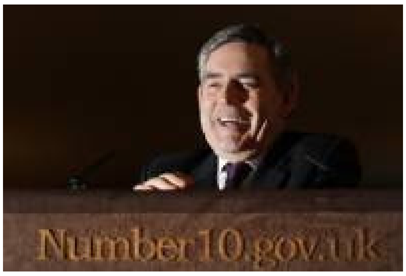

Gordon Brown was in combative form yesterday, evoking parallels with wartime leader Sir Winston Churchill, after his claim that fighting spirit and a 'can do' attitude would bring Britain through the credit crunch.

GORDON Brown yesterday insisted his economic rescue package was already "making a difference" to the British economy as he adopted the tone of a wartime leader and predicted the country would emerge stronger from its difficulties.
Delivering an upbeat assessment of the UK's future in the face of the downturn, the Prime Minister pointed to measures undertaken to tackle the economic problems – such as his contentious VAT cut and welfare reforms – that were helping Britain on a path of recovery.

He also said Britain's "fighting spirit" and "can-do" attitude would help it out of the downturn.

He told an oil conference: "We have seen extra relief for consumers in the UK from what has happened in the oil market. We have also cut VAT in this country, which is a way of putting more into people's pockets."

And despite the announcement of 1,200 job losses by furniture retailer MFI yesterday, Mr Brown's optimistic view was backed by one survey. A GfK NOP poll showed a surprise two-point rise in monthly consumer confidence for December.

Tourism chiefs indicated that the fall in sterling had a silver lining for the domestic industry, as more people from abroad were holidaying in the UK during the festive season.

Spending from overseas tourists had risen significantly at the same time as the pound's collapse in value. Tourist spending was up 11 per cent year-on-year in October, to £1.48 billion.

The Prime Minister said he would set out ambitious plans in the new year to see Britain through the worst of the recession. Although many families felt anxious this Christmas, Mr Brown said many children could still receive gifts as there were many "innovative" toys and books on sale at greatly reduced prices.

He told his last monthly press conference of the year: "We have low interest rates. We are well placed because inflation is coming down. We have made a fiscal stimulus into the economy which is already, in my view, making a difference."

He continued: "These are uncertain and difficult times, but Britain can and must be a beacon of hope and opportunity for the future.

"The scale of the challenges that we face is matched by the strength of my optimism that Britain can rise to meet these challenges. With our fighting spirit and our can-do attitude, I am confident that we can meet all the challenges ahead."

These were the "birth pangs" of a new global economy, he said and Britain had to do everything it could to prepare for the future by investing. He promised more investment in "green" jobs, transport and the digital economy, but did not give further details.

Mr Brown also refused to speculate on what would happen to sterling, which has reached record lows against the euro in recent days.

Despite predictions by economists that the jobless figure would soar above the current 1.86 million, Mr Brown also declined to say whether unemployment would worsen next year.

However, he promised the government would do more to retrain people to find new work and take further action to restore the flow of banking lending to business.

His remarks came just hours before MFI announced it was laying off 1,200 staff and closing its 111 stores. However, discount chain Poundland showed some store groups are thriving in the downturn by announcing plans to open at least 35 stores next year, creating 1,200 jobs.

Mr Brown also indicated there would be further sell-offs of government assets in the wake of the part-privatisation of the Royal Mail announced this week, and a white paper on improving social mobility.

"An economic slowdown must not be an excuse to slow down the pace of investment and reform to strengthen our country for the future," he said. "The countries that invest through the downturn will be the countries that emerge stronger in the future.

"There is no credible plan for getting out of this downturn that is not also a plan for building a better long-term British economy."

He again blamed international factors for the slump in Britain, insisting the country had been "the victim of a global downturn".

The GfK NOP poll on consumer confidence showed -33, the highest level of consumer confidence in three months and beat analysts' predictions that it would fall to match the July record low of -39.

"Among these historically low levels of confidence, there is perhaps a glimmer of hope," said Rachael Joy, one of the compilers of the survey.

Mr Brown's comments were dismissed by the Tories, who said Britain was now paying the price for the failure of his economic policies. George Osborne, the shadow chancellor, said: "Gordon Brown claims that we are all victims. The truth is that we are all victims of the economic catastrophe he has visited on this country."

Stewart Hosie, the SNP's Treasury spokesman, disputed Mr Brown's assessment: "Having a 'can-do' attitude is all very well, but the problem is what Gordon Brown 'didn't-do' which led us into the mess that the economy is in."

Jonathan Davis, a chartered financial planner and managing director of Armstrong Davis Ltd, said Mr Brown was "living in cuckoo land". Despite the current consumer optimism, Mr Davis predicted that retailers would "go bust by the barrow-full" in 2009.

"They are totally in dire straits, but they are keeping their doors open during Christmas as that is when they make the most money. But the consumer is effectively dead. They cannot borrow more and we will see more major high street retailers shut their doors in 2009.

"Gordon Brown is in cuckoo land and playing politics with people's finances and therefore their lives."

The low pound would also lead to higher inflation, despite the current low prices, Mr Davis said, as it would cost more for British consumers to import essentials such as food and gas.

Doubts over powers for Rice at Lloyds

CRITICS of the Lloyds TSB takeover of HBOS have welcomed the appointment of Susan Rice as head of the Scottish arm of the new company, but raised doubts over how much power she will really have.

Ms Rice, based in Aberdeen, is chief executive and chairman of Lloyds in Scotland. She will be Scottish managing director. She has previously worked for Bank of Scotland, part of HBOS.

Nationalist MSP Alex Neil, who tried to find an alternative bidder for HBOS, and the Scottish Liberal Democrat leader, Tavish Scott, who wanted HBOS to be kept independent, welcomed her appointment.

Both raised concerns about the lack of detail on £1.5 billion of savings planned by the new Lloyds Group, on how this will affect Scotland and on whether Ms Rice will have a strong enough say in what happens.

Mr Neil said: "The problem is that I think the crucial decisions that will affect banking jobs and decision-making in Scotland will actually be made in London and not by her."

Mr Scott added: "Lloyds TSB have made clear their intention to save more than £1.5 billion as the bank takes over HBOS.

"Their commitment to handling job losses sensitively is important, but no-one should be in any doubt that there will be job losses, Scotland will lose branches and we will have less banking competition."

In her first interview after the appointment was announced, Ms Rice said: "We do not underestimate the tremendous effort which will be required and we are determined to bring together the best of both organisations and earn our place as one of Scotland's leading companies."