“Volatility set to continue”

There has been a great deal of media hype, statistical information and the like relating to an easing of the economic downturn later this year. In truth, it is highly unlikely either this year or even in 2010. Some scaremongers have even suggested a meltdown on the scale of the Great Depression. Quite so taking into account the massive scale of government borrowing which remains unparalleled since 1942.

Commenting, Phil Wood, managing director of chartered accountants and licensed insolvency practitioners, Barringtons said, “The International Monetary Fund and some economists, with a vested interest in maintaining confidence in the financial system, are busy painting a rosy picture but in truth any real economic easing is probably still at least two years away. Currently there is a mix of economic policy, deep cuts in interest rates, deficit spending and quantitative easing. The consequences of such a mix are little understood and may well end up breeding volatility probably in a return to inflation.

The cost of such volatility will be an unpleasant for those institutions currently preparing to invest for expansion on the back of optimism. This will inevitably lead to more conservative actions.

“Whenever the recession ends, higher economic volatility is likely to hang heavy over the recovery period and the cycle yet to come,” added Phil.