

THE WRITER WHO GETS TO THE HEART OF THE BIG MONEY ISSUES

THE € IN YOUR POCKET



By **COLM RAPPLE**

THE FALL in stock market values last week is less worrying than the prospect of significant further interest rate hikes now being predicted. The forecast that the European Central Bank could raise euro interest rates by a further 1.25 percentage points over the next year or so may be overstated but it is being advanced by some credible analysts. If their predictions prove accurate, the impact on many households will be far more acute and immediate than the effects of what has, so far, been a minor stock market correction.

Despite all the brouhaha, the downturn in share values has been relatively small when set against previous gains and, with any luck, it will remain so unless the investment community adopts that herd instinct that can produce wild swings and occasional crashes.

The Irish market is a microcosm of the global phenomenon. The Irish stock market peaked at a record high less than two weeks ago, on February 21. It had started falling back from those heady heights even before last week's plunge and it is currently down about 8pc from that high.

That's a big drop in such a short time but, for most investors, particularly the vast majority who have indirect investments through pensions or SSIA funds, the losses are simply paper ones and wipe out only a small portion of the massive gains accumulated over the past couple of years.

At its peak a couple of weeks ago, the ISEQ index of Irish shares was 47pc up on February 2005. It fell back during the summer of 2005 and wasn't back up to its February 2005 level again until the autumn of that year. So highlighting that 47pc rise over the past two years understates rather than overstates the extent of recent gains.

Even after this week's falls, the ISEQ is still up 36pc on February 2005. It is in that context that last week's setback can be seen as relatively minor.

There is no economic reason why the markets shouldn't steady and resume an upward trend. That's what would certainly happen if share values were really determined, as they logically should be, by the long-term economic outlook and its impact on companies' profit potential.

UNDoubtedly, that's partly true but market values are determined to an even greater extent by the short-term whims, expectations and fears of the gamblers who are, unfortunately, essential to its operation. So we are not out of the woods yet, although the falls to date are not anything to be particularly worried about.

There were no previous offsetting gains to set against the coming increase in interest rates. There is unlikely to be any serious macro-economic impact but, given the level of household debt, it is certain to prove painful for many.

Since the current round of rate increases began in December 2005, the European Central Bank has pushed its base rate up from 2pc to 3.5pc. A quarter-point rise is expected this week, bringing the rate to 3.75pc, and most analysts are predicting at least one further rise to bring the rate to 4pc about the middle of the year.

But the more pessimistic analysts are predicting a continuing upward trend even though inflation levels in the eurozone are keeping below the European Central Bank's guideline threshold of 2pc. In the year to February, prices in the eurozone rose by only 1.8pc according to figures released on Thursday.

While rate hikes add significantly to the cost of living of many Irish households, they will serve to offset some of the excessive consumer demand that could be fuelled by the release of €10bn from SSIA

Falling markets will not hurt as much as rate rise

accounts over the next couple of months. That will help to curb some inflationary pressures.

As long as the economy remains buoyant, most households should be able to handle the extra cost of servicing their debts. But were the economy to slow as a result of some domestic or, more likely, external developments, then the economy could face a hard landing. So, for the present, the interest rate outlook is more one of individual pain than economic meltdown. And for some, it's good news.

According to Central Bank estimates, Irish households have some €63bn on deposit. None of those deposits have been earning enough interest to maintain the purchasing power of the nest egg, let alone provide a real return.

It costs €105 now to buy an average basket of goods and services that cost only €100 a year ago. So had you put €100 on deposit a year ago, you would have needed to earn a return of 5pc after tax to maintain the purchasing power of your money. There were no deposit accounts offering that rate of return and there is still none – although some are getting close.

Presumably anticipating some further increases in rates, Irish Nationwide has just launched a two-year deposit account offering a fixed 9pc interest rate, or 4.4pc a year. But whether that will be enough to keep pace with inflation is anyone's guess and the best variable rates may well exceed that.

Savers will be hoping for a steady rise in rates. But not so borrowers and, according to those Central Bank estimates, households currently owe more than €120bn, of which 80pc is related to house purchase. That's almost twice the €63bn that households hold on deposit. So, on average, households have more to lose from a rate hike than they have to gain.



By **Georgina Heffernan**

FOR THE umpteenth time, I broke off in mid-conversation, distracted by the firework display of flashing cameras on the other side of the room. Our girls' night out in Café En Seine on Dublin's Dawson Street had been constantly interrupted by the hub-bub from the offending corner. Surely, the unrelenting flashes meant there was a celebrity in our midst.

But a few covert recces quickly established that we were not, after all, in the presence of the Leinster rugby squad or Colin Farrell or even a Miss Ireland – just an anonymous group of preening, pouting, posing young girls taking pictures of each other.

The whole gang holding up pink cocktails... click! Arms thrown around each other... click! Skirts hitched and legs kicked up in a can-can... click! The guy at the table next to them... click, click, click! The impromptu photoshoot continued throughout the night.

It looked like fun. Their lip-glossed smiles were wide, their eyes bright – but there was something wrong with the picture. As soon as the flash faded, the smiles dropped, the party spirit vanished and most of them looked pretty miserable.

My friend turned to me and said: 'All those pictures will be up on Bebo tomorrow morning and they'll be telling their friends what a fabulous party they had – even if it was the worst night of their entire lives.'

Really? I had always thought of Bebo as a place for schoolkids to e-mail each other – a digital version of the little notes we used to pass each other when teacher's back was turned – not a place for beautiful twentysomethings to turn their lives into a soap opera.

The next day, I logged on – and with the click of a mouse, I'd travelled to an online alternate universe where life is bright and glamorous and non-stop fun, a world where acne and dark roots disappear in the low-resolution blur of mobile-phone photography, a fantasia populated by people's sexier, funnier, brasher alter-egos. A place called Bebo.

It was like discovering that a whole tribe of beautiful people had been living in my basement all my life, without my knowing it. Now, by Googling, say, Rosanna Davison, I could access her Bebo page and find out what the former Miss World's favourite songs were, who her friends were, what movies she liked, what made her tick. I could find out all about other people I'd never met – what scares them, what floats their boat, what circles they move in.

'Suddenly, I was friends with the cool crowd'

Suddenly – no thanks to my charm, wit or connections – I was friends with the cool crowd and out with the jet set.

Except of course, I wasn't out. I was sitting in my living room and they didn't know me from Adam. But who cares? I was seduced.

Most people over 40 have heard only vaguely of Bebo, the 'social networking site' that started life as a kind of online pinboard where teenagers could advertise their interests and swap messages, doodles, photos, videos and music with friends. But that's about to change.

The screenshot shows a Bebo profile for Katie Goldin. The page has a pink and purple theme. At the top, there are navigation links for Home, Bands, TV, and Authors. Below that, there are tabs for All, White Board, Photos, Blog, Friends, Quiz, and Comments. The profile name is Katie Goldin <katiegoldin>. There is a photo of her and a bio that says: 'I'm selling my Justin Timberlake tickets if anyone wants them.... face value! Let me know asap!!!'. Below the bio, there are links to her social media profiles: www.paulgoldin.com, www.colorgenics.com, and www.socialandpersonal.ie. There is also a link to 'The Other Half Of Me' and a photo of her with a caption 'Su Gray <suckmesu> double trouble!'. At the bottom, there are links for 'Send a Message', 'Saved Messages', 'Add as Friend', 'Use this Skin', 'Favorites', 'Send-It', and 'Block | Report Abuse'.

The site of Katie Goldin, daughter of hypnotist Paul

What started as a teenage fad is now the No.1 website in Ireland and one of the world's most-visited sites, with 27 million users.

It is currently recruiting 6,000 new Irish users a day – simple arithmetic dictates that these cannot all be teenagers.

Katie Goldin, the 23-year-old daughter of renowned hypnotist Paul Goldin, is one of the new generation of twentysomethings using the site. She has been on it for about a year.

'I started to use Bebo to keep in contact with my friends who were travelling to Australia,' she explains. 'At first, it was just great to be able to access their blogs and holiday pictures. Now, I use Bebo all the time to see what my friends are getting up to that night.'

'If we are planning a big night out, we plan it through Bebo because it's a lot easier than phoning people individually. It makes e-mail seem limited and formal.'

Click on to Katie's Bebo site and you can see that her favourite sports are ping pong and roller-skating and that her favourite thing is 'the way my blonde hair swishes when I run'.

We know she's from Rath-michael and that her favourite film is Fame. On her 'whiteboard', her friends discuss whether supermodel Gisele has had any plastic surgery.

'Gisele didn't always look that hot so we can stop being jealous!! She's had a nose job and a boob job!' one of Katie's pals remarks.

Katie works as a hypnotist and her blog is mostly about her work in that field. She dispenses advice on everything from weight loss to positive thinking and mental focus.

She is an attractive young woman and she is not shy about uploading pictures of herself in party mode. In one, she dons a pink tutu, magic wand and fairy wings. We can see shots of her glammed up to the nines at The Horseshow Ball or with her friends holidaying in New York. Most of the pictures are very innocent and posted primarily for her friends to view – but given the fact that her profile has been viewed 17,097 times, it's a fair assumption that not all of these people know Katie personally. So just who is looking?

Sarah Jane Flynn, aka sjwaioflynn, is the 26-year-old lead singer of rock band Dirty Epics and she uses her site to promote her band.

'It's an easy way to let people know about our gigs, allow them to listen to our newest tracks and keep them up to date with the latest band news. I also use it to

e-mail my friends and family. Everyone I know uses it,' she says.

Though the sugar-pink web page jars a little with Sarah Jane's preferred rock-chick image, pics of her friends do suggest a kind of cool music set and the band links are there as well, of course.

PR woman Tara O'Connor – who is linked to Sarah Jane's site – uses Bebo to gain contacts and promote events.

'I think I'm a little too old to be part of a Bebo community but it is a great social networking site. From a PR perspective, it's good to see who the next generation is and it gives me an insight into what they are thinking, how they interact and so on. It's great market research for me.'

'As far as I'm concerned, it's a sharks' paradise'

Tara's site is comparatively guarded when it comes to personal information ('I don't really have a lot to say about myself except I work a lot, maybe a little too much...') though we do discover that she likes Madonna and Il Divo, loves the movie, Breakfast At Tiffany's, is happiest having 'long lunches with the ladies and lying on the couch watching a movie with my chihuahua, Tiger', hates Arsenal FC and is scared of 'men who break your heart'.

Actually, Bebo and romance go hand in hand. All such social networks serve a secondary purpose as online personal ads.

Internet dating, although rapidly gaining mainstream acceptance in the United States, has not infiltrated the mainstream culture here. But Bebo, and networks like it, slyly tick most of the boxes of dating services, minus the implicit desperation – and with the added bonus that potential flames can be vetted through mutual friends or at least via a cursory examination of the calibre of their 'friends' list.

But inevitably, there has been a Bebo backlash. The site is becoming a victim of its own success.

NUI Galway, Carlow IT, Waterford IT, Dublin Business School and Queen's University, Belfast, have all blocked access to the site because undergraduates were spending hours on end on the site and their coursework was suffering as a result.

There's also the reality that Bebo is more laissez-faire about personal security and data protection than e-mail, letters or phonecalls. The level of public access is left up to individuals –