by Stuart Cowan, Investment Director, Ramsey Crookall & Co Ltd

I have no doubt that when Treasury Minister Eddie Teare prepared his budget for 2013/2014, he may have occasionally glanced up from his spreadsheet to ponder what was likely to happen in the UK and beyond.

In an increasingly globalised economy the Isle of Man does not sit in isolation. The cold winds of economic austerity within our immediate neighbours cannot fail to impact on his plan and aspirations to steer the Island economy back into balance.

The news that the UK has lost its "AAA" status, at least with one rating agency, may have brought mixed emotions. Firstly, it puts the Island back on level terms with the UK with Moody's as we are both "AA" rated by them but that's not the best bit for Mr Teare. When Moody's announced their downgrade, they cited the principal reason was the continued likelihood of slow and below forecast growth in the UK economy. The fourth quarter GDP figure was -0.3% and the annualised figure for 2012 as a whole was 0.2% (Office for National Statistics).

So whilst the Treasury Minister may have some sympathy for his counterpart at No.10 Downing Street, it must have been tempered with the knowledge that the Isle of Man economy is expected to continue to grow at an estimated 3% in real terms and that he has a plan that given a fair wind may reduce the deficit within the timetable set by Government.

The UK's downgrade may prove politically uncomfortable for Mr Osborne but the verdict of the the markets was muted and the biggest difficulty for the UK may prove to be the continued weakness in sterling which has fallen sharply in recent months. A weaker currency may help UK exporters but the inflationary aspect for imports may prove to be a significant cause for concern both for the UK and the Isle of Man.

My final point about the budget is to acknowledge the Treasury Minister's approach to our current problems. In his budget statement Mr Teare stated "we simply won't achieve our aim to grow the economy if we withdraw too much money from it too fast". This, in my view, is a realistic and pragmatic response to the loss of revenue from the Common Purse Agreement and the difficult global economic climate.

Many European Governments have chosen, or been forced by necessity, to introduce deep cuts to public spending and investment, therefore imposing austerity regimes on their populations in order to reduce deficits. This approach can often lead to a further slowdown in economic growth and a sense of frustration and resentment at the reduction in services, the higher taxes and the loss of prospects, particularly for the younger generation. The results can often be seen in the ballot box and the consequences were clearly illustrated by the recent election in Italy.

The budget for 2013 / 2014 has much to commend it but not least, in my opinion, is willingness of the Treasury Minister to try and maintain the growth that may just see the Isle of Man retain its membership of what is increasingly becoming a rather exclusive "AAA" club.