



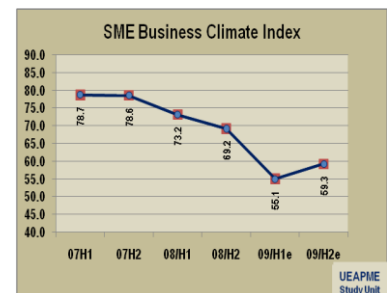
"The voice of crafts and SMEs in Europe"

Business confidence picks up slightly despite worrying reality, SME survey finds

SME Business Climate Index up from 55 to 59, but investment and employment expectations further decrease

Brussels, 19 October 2009 – Small businesses' confidence is picking up slightly compared to the first semester of the year but remains dangerously low, according to an EU-wide survey recently conducted by UEAPME, the European craft and SME employers' organisation, and its members (1). More than 40% of the about 25.000 SMEs polled all over Europe expect negative developments in their business, down from almost 50% six months ago but considerably up from only 20% two years ago. This relative optimism may be the consequence of the recovery programmes introduced in the last months but contrasts starkly with the other poll results, which see a dramatic drop in investments and a further cut in employment levels in European SMEs. UEAPME therefore urged policymakers to keep recovery measures in place and to provide SMEs with new incentives for investments.

"This semester sees the end of a long downwards trend in business confidence, but that is hardly a reason to rejoice. Optimism is picking up but only slightly, while employment and investment levels go down significantly at the same time. This shows that the crisis is far from being over. On the contrary, it has now fully fed through all economic sectors. Only sustained and concerted efforts will lead Europe out of it", commented **Gerhard Huemer**, Director of the UEAPME Study Unit, which produces the "Craft and SME Barometer" twice a year ahead of the European Summits in spring and autumn. The Craft and SME Barometer is the only source of recent and forward-looking data on crafts and small businesses in the European Union.



European SMEs anticipate a further decline of **investments**, with the balance of positive versus negative expectations drastically sliding from -20 six months ago to -30 now. *"More and more companies foresee cuts in investments in the next months, which will clearly affect the growth potential of the SME sector. This is a clear reason not to phase out recovery programmes too early",* stressed Mr Huemer. *"Member States should resist all calls to do so and should concentrate instead on providing new incentives for SMEs to invest, for instance through tax relief measures",* he continued.

Moreover, the balance of expectations in **employment** levels is still negative, although the figures are less impressive and more balanced across sectors compared to six months ago. *"On the positive side, unemployment is increasing at a slower pace. On the negative side, it has not touched the bottom yet and it has spread to all economic sectors",* said Mr Huemer.

Against this background, a possible explanation for rising **optimism** is that the first semester of 2009 went slightly better than expected in terms of turnover and orders, which decreased but by not as much as foreseen. This may be the first result of the recovery programmes put in place, which had a somewhat positive effect especially on sectors such as construction, manufacturing and personal services. Such programmes should therefore continue, UEAPME insisted.

"Despite the optimism, our survey paints a worrying picture of the situation. Investments are severely decreasing and so is employment, albeit at a lower speed. Jobless figures close to double digits may lead to a fall in private consumption, a key source of revenues for SMEs. The risk is now that a 'W-shaped' recession may materialise", concluded Mr Huemer.

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(1) The full survey results can be downloaded at http://www.ueapme.com/IMG/pdf/091019_Barometer_2009-H2_final.pdf

EDITORS' NOTES:

The **EU Craft and SME Barometer** is a product of the UEAPME Study Unit. It will be published twice a year and aims to provide for the first time recent and forward-looking data on crafts and SMEs in Europe. It builds on the results of surveys conducted by UEAPME members twice or four times a year on about 25.000 crafts and SMEs in different regions all over Europe. The data for this survey were collected between December 2008 and the beginning of February 2009. The **UEAPME SME Business Climate Index** is calculated as an average of companies that have reported positive or stable business situations and expect a positive or stable development for the next period. Therefore it can range from 100 (all positive or neutral) to 0 (all negative).

UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

FOR FURTHER INFORMATION PLEASE CONTACT:

Gerhard Huemer, Study Unit Director, Tel. +32 (0)2 230 7599, Email: g.huemer@ueapme.com

Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: pressoffice@ueapme.com