

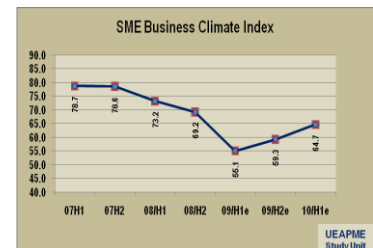


"The voice of crafts and SMEs in Europe"

Business confidence is on the rise but an upswing is not near, SME survey finds *Expectations remain low in construction and in manufacturing; outlook is better in the services sector*

Brussels, 23 March 2010 – Small businesses' confidence is on the rise for the second semester in a row but remains well below its pre-crisis levels, according to an EU-wide survey recently conducted by UEAPME, the European craft and SME employers' organisation, and its members (1). Since last autumn, the proportion of entrepreneurs expecting a positive or neutral economic environment has grown to 64.7%, 10 percentage points above expectations one year ago but still considerably under the levels recorded before the downturn. This back-to-back raise in business confidence suggests that the economic situation has somewhat stabilised for the time being, although SMEs remain overly cautious about a possible recovery, stressed UEAPME. Employment expectations in manufacturing and construction are significantly lower than in the services sector, according to UEAPME's "Craft and SME Barometer". Pessimists still outweigh optimists in all areas, the survey also found.

"Small businesses seem to be confident that the worst is behind them, but they are quite uneasy about the future. Whether a stagnant, low growth period lies ahead or a real recovery is possible remains uncertain and depends on how the economic picture will evolve. What is clear, on the other hand, is that the situation will take different shapes across economic sectors. Service providers are likely to be in the black relatively soon, while the manufacturing and construction sectors are in for a bumpier ride", said **Gerhard Huemer**, Director of the UEAPME Study Unit, which issues the Craft and SME Barometer twice a year, prior to the EU summits in spring and autumn.



The survey recorded few differences between SMEs according to their size class, but significant dissimilarities appeared among different sectors. The **construction** industry had reported some progress in the previous semesters, mainly due to government-sponsored works at that time. Since then, the improvements have lagged the pace of all the other industries, hinting at the long-term unsustainability of public support and at the still existing overcapacities in the sector. Employment expectations remain negative in the construction sector due to the lack of private demand to match the available supply.

Manufacturing is currently and based on expectations the SME sector reporting the worst confidence levels, as the industry is hard-hit by the crisis in the automotive and investment goods sectors. However, employment was fairly stable in the sector, with car scrap plans offsetting growing losses in investment and consumer goods as the downturn expanded.

Both the **personal and business services** sectors, while still recording negative balances, advance towards stability at a much faster pace than manufacturing and construction and predict better results for the current semester on employment.

The **employment** outlook across sectors seems to suggest that SMEs as a whole are not hiring at the moment. Increases in the unemployment figures, however, appear to be steadily shrinking compared to the previous semesters. When it comes to **investments**, the survey recorded negative expectations in all sectors, although a clear difference emerged between forecasts for the previous semester and the actual results, which were significantly higher than foreseen. SMEs' behaviour on investment at the moment seems to be induced rather than expansionary, commented Mr Huemer.

"Positive news on business confidence and a relative optimism in the services sectors are offset by the sorry state of construction and by a teetering manufacturing industry, not to mention of course the overall negative outlook on employment and investments. The recession may be behind, but an upswing does not seem to be near", concluded Mr Huemer.

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(1) The full survey results can be downloaded at http://www.ueapme.com/IMG/pdf/100323_Barometer_2010_H1_final.pdf

EDITORS' NOTES: The **EU Craft and SME Barometer** aims to provide recent and forward-looking data on crafts and SMEs in Europe, building 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 2009 and February 2010. The **UEAPME SME Business Climate Index** is 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 82 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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