



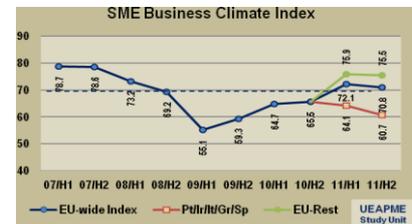
"The voice of crafts and SMEs in Europe"

Business confidence suffers and recovery falters, survey finds

Average index at 70.8 from 72.1, imbalances increase; employment stable, prices on the rise; recession looms unless action is taken

Brussels, 11 October 2011 – Small businesses' confidence decreased for the first time since 2009 amid concerns for Europe's frail economic outlook and increasing imbalances, according to a survey conducted by UEAPME, the European craft and SME employers' organisation, and its members (1). Since last spring, the proportion of entrepreneurs expecting a positive or neutral economic environment went down by 1.3 percentage points, with UEAPME's "SME Business Climate Index" down to 70.8 from 72.1 and barely clear of the 70 points barrier that is seen as a neutral business climate. The index for Portugal, Ireland, Italy, Greece and Spain combined kept going downwards, standing ten points below the EU average in the countries hardest hit by the current sovereign debt crisis. Employment is set not to grow in the coming months, found the survey, which also recorded a slight improvement in retail prices. Therefore, UEAPME stressed the need to proceed with growth-enhancing measures and with bold reforms, also to stabilise financial markets, since failure to do so would lead to another recession.

"The standstill we have recorded in small businesses' confidence is a direct result of the uncertainties surrounding the European economy in the last months, further compounded by financial markets' instability and by the sovereign debt crisis. Europe's economy will not get back on the growth track unless these concerns and the imbalances they generated are properly tackled", said **Gerhard Huemer**, Director of the UEAPME Study Unit, which issues the Craft and SME Barometer twice a year prior to the European summits in the spring and in the autumn.



The slight decrease in the SME Business Climate Index suggests that Europe as a whole is neither receding nor pushing upwards, explained Mr Huemer. However, the worry about imbalances is still there, as Portugal, Ireland, Italy, Greece and Spain slid further behind in the last six months. The difference between these countries and the rest of Europe increased in the prior semester from 11.8 to 14.8 percentage points. *"Sluggish growth in these countries means lower tax revenues, which further complicates their task to stabilise national spending. In an economy as interconnected as the EU's, the risk of contagion is clearly present and cannot be ignored"*, commented Mr Huemer. Moreover, this picture may be overoptimistic, he warned, as our survey does not fully cover the insecurities linked to financial markets' volatility in August.

In contrast with the slight downturn in confidence, our survey recorded an overall improvement in the balance of expectations on turnover, employment, prices, investments and orders. However, the responses were much polarised, with more and more entrepreneurs having either strong hopes or significant reservations about the months ahead. *"Companies are coming out of the downturn in very different shapes. A large part of the SME economy has undergone reforms or found a stable niche. On the other hand, many SMEs have just scraped through the recession and clearly remain pessimistic"*, said Mr Huemer. Our survey also suggests that employment is likely to remain stable in the coming months. Demand spikes, if any, will have to be met by increasing per-worker productivity rather than by hiring new staff. Moreover, the study found that SMEs were better able to obtain their desired prices on the market, which was not the case previously.

"Our survey points out the need for swift action. On one hand, financial markets must be stabilised and volatilities must be tackled. The EU27 could plunge back into recession if inaction persists, and business confidence would receive a deadly blow. On the other hand, the countries more closely linked to the sovereign debt crisis must reduce public spending, reorganise their public sector and press ahead with bold reforms to shift from public to private expenditure. Prolonging the status quo is not an option. If policymakers want a stronger recovery, they must act rapidly", concluded Mr Huemer.

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(1) The full survey results can be downloaded at http://www.ueapme.com/IMG/pdf/111011_Barometer_2011H2_final.pdf

EDITORS' NOTES: The **EU Craft and SME Barometer** builds on the results of surveys conducted by UEAPME members in different regions all over Europe. The survey is based on about 30.000 answers collected between May and July 2011. 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 80 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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