



"The voice of crafts and SMEs in Europe"

Economic crisis: rescue packages must include measures for growth, say SMEs

UEAPME calls for incentives to private spending, warns about economic imbalances at Macroeconomic Dialogue

Brussels, 20 February 2012 – Fiscal consolidation must go hand in hand with growth-enhancing structural reforms and incentives to boost private spending, according to UEAPME, the European craft and SME employers' organisation. Speaking today at the Macroeconomic Dialogue between the Council, the Commission, the European Central Bank and the European Social Partners, Secretary General Andrea Benassi anticipated some of the key findings of UEAPME's upcoming Craft and SME Barometer, which sees indicators going down, with Europe likely to head towards a recession in the coming months. SMEs will be affected in particular by a decreasing private demand as a result of consolidation programmes. However, there is no alternative to lowering public debt and deficits at this stage, as long as action is taken at the same time to promote confidence, undertake the structural reforms needed and tackle the economic imbalances in the Euro zone. Commenting on the financial support from the EU to kick-start the recovery in the countries hardest-hit by the economic crisis, Mr Benassi stressed that reliable administrative structures and the capacity to properly absorb financial support are a must.

"The uncertainty surrounding our economy, the financial markets' volatility and the sovereign debt crisis that has hit some Member States have taken their toll on SMEs' confidence and performance in the last months. Private demand, a crucial source of revenues for SMEs, remains sluggish at best. We are aware that cash-strapped Member States have no alternatives to proceeding towards fiscal consolidation at this stage. However, this must go hand in hand with structural reforms capable of mobilising private spending, fostering SME growth and restoring business confidence", said Mr Benassi.

On the economic situation, the figures from our upcoming Craft and SME Barometer are anything but promising, Mr Benassi warned participants: *"Europe is likely heading towards a recession. In fact, if it wasn't for Germany's performance, it would be in one already."* Despite this gloomy background, some timid positive signs emerged in the last weeks, stressed Mr Benassi. This could signal a turning point, but only if financial markets remain relatively stable, as it was the case in the last weeks, and if the situation in Greece heads towards greater stability. As far as SMEs are concerned, the continuing decrease in private demand is likely to put a damper on their performance in the months ahead, warned Mr Benassi.

On the policy response, only new incentives for private investment and private spending can compensate for the logical fall of public spending, explained Mr Benassi. Structural reforms must continue and will be of particular importance in the countries more economically exposed at the moment. At the same time, any possible additional financial support from the EU to restart the economy in these countries must be channelled towards future growth and administered appropriately. This will require a reliable and committed public administration and the capacity to properly absorb these funds, cautioned Mr Benassi: *"Pouring money into 'black holes' is the last thing the EU should do at this stage. The capacity of these Member States to properly absorb the financial support they will receive must be thoroughly assessed and ensured."*

Finally, the current imbalances in the Euro zone are an additional reason for concern, stressed the Secretary General. *"The uneven performance of Member States has continued in the last months, albeit to a less striking extent compared to last year. The countries lagging behind must increase their competitiveness by acting on unit labour costs, either by increasing productivity, which can only be done through structural reforms, or by reducing wage-related costs. This is a matter for national social partners to discuss. We hope that they will show responsibility and act without delay",* he concluded.

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EDITORS' NOTES: 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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