



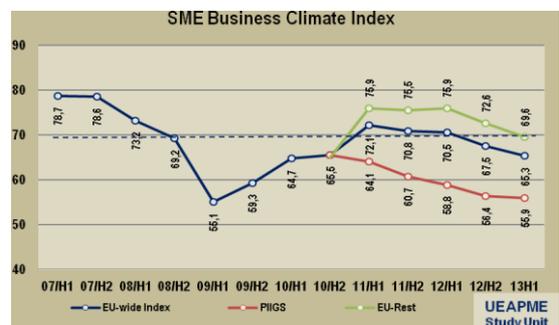
“The voice of crafts and SMEs in Europe”

Business confidence declines further as recession spreads, survey finds

Index below 70-point line; smaller companies in services and construction hardest hit; crisis due to lack of internal demand

Brussels, 12 March 2013 – European SMEs’ confidence declined for the fourth semester in a row as a downturn due to a sluggish internal demand is feeding through all Member States, according to a survey conducted by UEAPME, the European craft and SME employers’ organisation, and its members (1). Since the last autumn, the proportion of entrepreneurs expecting a positive or neutral economic environment has further decreased, with UEAPME’s “SME Business Climate Index” going down from 67.5 to 65.3 and standing below the 70 points barrier that is seen as a neutral business climate virtually everywhere. All economic indicators declined further in the second half of 2012, with the recession striking SMEs even beyond their already negative expectations. Smaller enterprises in the sectors most reliant on internal demand, such as services and construction, were the hardest hit. European SMEs predict a stable negative situation also for the first half of 2013. Against this background, UEAPME called on policymakers to stabilise financial markets, implement structural reforms and support growth. Finally, on the ongoing fiscal consolidation, UEAPME recommended allowing “automatic stabilisers” to come into play in the short run to avoid a further economic contraction and more negative effects on consumption.

“SMEs’ confidence levels are below the 70-point safety line virtually everywhere in the EU. A generalised recession due to scarce internal demand has clearly emerged and is feeding through the wealthier countries. Contrary to the external shock that hit larger SMEs in the manufacturing sector in 2009, this time smaller companies depending on European consumption are bearing the brunt of the crisis and were hit even harder than expected. With no expectations of a real recovery, the outlook is very gloomy”, said **Gerhard Huemer**, Director of the UEAPME Study Unit, which issues the “Craft and SME Barometer” prior to the EU summits in spring and autumn.



The second half of 2012 showed a further decline of all **economic indicators** for European SMEs, explained Mr Huemer, with the balances between positive and negative answers confirming double-digit negative figures for turnover (-15.3 percentage points) and orders (-16.4) as well as a significant slump for employment (-9.9). These output-related indicators are negative for the third consecutive semester. Prices also reached their lowest level since 2009, a clear sign of the downward pressure applied by the crisis. All indicators turned out to be significantly lower than the already negative expectations gathered in our previous survey. “SMEs had indeed predicted negative results, but they did not expect a real recession to show up”, said Mr Huemer. For the first half of 2013, SMEs anticipate a stabilised negative situation. For the second half, **expectations** are subdued, particularly on turnover and on investments. Order forecasts are the only upward trend. “If these orders become real turnover, we may see some timid progress in the autumn”, commented Mr Huemer.

Regarding **size classes**, micro enterprises are again the hardest hit, with a negative result of -13.3, while small companies do not fare much better at -10.5. Confirming a long-standing trend in our survey, medium-sized enterprises’ performance was superior, although still negative at -4.7. These data show that the current recession is caused by internal demand problems, which struck smaller SMEs in the services and construction **sectors** harder than medium-sized SMEs more active in manufacturing and more exposed to external shocks.

“Policymakers should act right away. First of all, they must stabilise financial markets to improve lending conditions for SMEs and private households. Secondly, structural reforms must be implemented across the board, starting from ‘programme countries’ and from enabling companies to grow. Thirdly, we need more measures to support economic growth. Finally, fiscal consolidation must look at the medium and long term effects. In the short run, ‘automatic stabilisers’ must be allowed to avoid a further economic contraction and more negative effects on consumption”, concluded Mr Huemer.

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(1) The full survey results can be downloaded at http://www.ueapme.com/IMG/pdf/Barometer_2013H1_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 **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. It can range from 100 (all positive or neutral) to 0 (all negative).

UEAPME is the employers’ organisation representing 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 please visit <http://www.ueapme.com/> or follow [@UEAPME](https://twitter.com/UEAPME) on Twitter.

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