



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE ISSUE

## **EU economic slowdown: stability must prevail over interventionism**

- **ECB: provision of sufficient liquidity more important than interest rate cuts**
- **Wage moderation must continue to avoid “second-round effects” on inflation**

**Brussels, 12 February 2008.** Stabilising financial markets, providing sufficient liquidity and continuing wage moderation are the crucial answers to the current economic uncertainties, according to UEAPME, the European craft and SME employers’ organisation. Speaking at the Macroeconomic Dialogue ahead of the Eurogroup meeting yesterday (Monday), Secretary General **Andrea Benassi** encouraged the ECB to pursue its policy to limit inflation and provide sufficient liquidity, and stressed that UEAPME sees no need for an immediate interest rates cut. Wage increases at the lower end of the market would not decrease precarious jobs but rather cut the overall job offer, said Mr Benassi, who called instead a the reduction of non-wage labour costs in this sector. “Wage growth”, he said, would only result in a wage-price spiral and more inflation.

*“Despite the growth slowdown, high inflation rates and the worldwide financial crisis caused by the crumbling US sub-prime market, Europe’s economic foundations remain solid and do not require the kind of interventionism that we are seeing on the other side of the Atlantic”,* said Mr Benassi. *“Unintended interventions on interest rates at this stage would endanger price stability in the current juncture”,* he explained, before elaborating on UEAPME’s main arguments.

Commenting on the financial markets crisis, Mr Benassi stressed the need to stabilise the situation and “get trust back”. The provision of sufficient liquidity is crucial for SMEs, which depend largely on the availability of credit and loan financing as a springboard to invest, grow and create jobs. The European Central Bank should therefore continue to prioritise liquidity, as it has rightly done during the last months. Unintended moves on interest rates are untimely at this stage, said Mr Benassi. However, it is crucial to keep a close eye on market developments in the next months and act swiftly if need be.

As far as the wage debate is concerned, UEAPME fully supported the compelling arguments made in favour of wage moderation by other business organisations and by the ECB against trade unions’ calls for wage increases. Unreformed tax and social benefit systems, which cause huge differences between total labour costs and workers’ net income, are the root of the problem of low purchasing power. Increasing total labour costs above productivity rates is therefore not a solution, argued Mr Benassi. It would actually be counterproductive, he continued, since it will price employees at the lower end out of the market and boost undeclared work, which is already a serious problem for labour-intensive sectors.

*“We cannot deny that insufficient net incomes remain in some sectors of Europe’s labour markets. However, this problem must be tackled through social dialogue at national level by applying the ‘flexicurity’ concept”,* concluded Mr Benassi.

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**EDITORS’ NOTES:** UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations, which represent crafts and SMEs across Europe, covering over 12 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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