



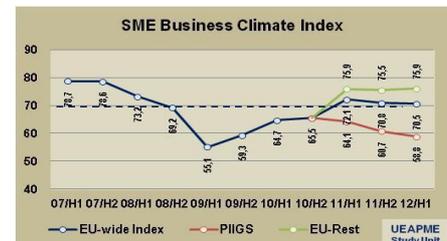
*"The voice of crafts and SMEs in Europe"*

## Stable business confidence hides worrying developments, survey finds

*Average index hovering around 70; positive expectations decrease; micro companies hardest-hit; all output-related indicators go down*

Brussels, 28 February 2012 – European small businesses are in “wait and see” mode as uncertainty prevails over confidence and a mild recession is underway, 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 decreased by a mere 0.3 percentage points, with UEAPME’s “SME Business Climate Index” down to 70.5 from 70.8, hovering around the 70 points barrier that is seen as a neutral business climate. However, the number of companies expecting a neutral business climate reached its peak, with a corresponding decline in SMEs hoping for a better economic outlook. The confidence gap between Portugal, Ireland, Italy, Greece and Spain combined and the rest of the EU kept widening, found the survey, which also recorded a deterioration of turnover, employment and orders indicators in the second semester of 2011. These negative results may have influenced SMEs’ pessimistic expectations for the first half of 2012. Against this background, UEAPME warned that the reduction of public demand stemming from the needed fiscal consolidation must be compensated with structural reforms that could lead to a private demand-led recovery.

*“The picture painted by our last Barometer is far from being rosy. The decrease in SMEs expecting an upturn, the dramatic decline of output-related indicators and the quite negative forecasts for the next months all seem to suggest that small businesses in Europe are in ‘wait and see’ mode and that a mild recession is actually already underway”,* 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.



Although the Business Climate Index seems to have remained stable at first sight, a deeper look reveals more concerning developments, explained Mr Huemer. First of all, the index bundles companies expecting positive or stable developments. In the last semester, those hoping for a better outlook have significantly decreased, with most expecting the situation to stay by and large the same. SMEs seem to have undertaken a prudential approach, waiting to see how the economic conditions evolve in the next months. Secondly, the difference in confidence levels across EU countries is more evident than ever before. The gap between the results of Portugal, Ireland, Italy, Greece and Spain combined and the rest of the EU has been increasing over time and stands now at more than 17 percentage points (it was 14 points last semester).

Output-related indicators such as turnover, employment and orders deteriorated significantly in the second half of 2011 and turned to be significantly lower than expected. As a consequence, the overall situation was also negative. This suggests that a mild recession is already underway, explained Mr Huemer. These figures may have also played a role in SMEs’ overall grim expectations for 2012. As far as size classes are concerned, micro enterprises were the hardest hit by the current downturn. In terms of productive sectors, the results were mixed: *“The crisis in 2008-2009 was due to external shocks and hit manufacturing and construction. The current situation is largely due to a lack of internal demand affecting mainly personal services and construction, which still suffers from a struggling housing market”,* commented Mr Huemer.

In terms of policy response, the increasing imbalances recorded by our survey show that the fiscal consolidation measures taken by the different governments could neither reduce the imbalances nor stop them from further increasing. *“Although fiscal consolidation is necessary, it is clearly not sufficient. Only structural reforms capable of mobilising private spending, fostering SME growth and restoring business confidence will pull Europe out of the slump at this stage. In the countries hardest hit by the crisis, external support may be needed, but it will only make a difference if public administrations show the capacity to absorb such financial aid and to use it efficiently”,* concluded Mr Huemer.

\*\*\*\* END \*\*\*\*

(1) The full survey results can be downloaded at [http://www.ueapme.com/IMG/pdf/120228\\_Barometer\\_2012H1\\_final.pdf](http://www.ueapme.com/IMG/pdf/120228_Barometer_2012H1_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 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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