



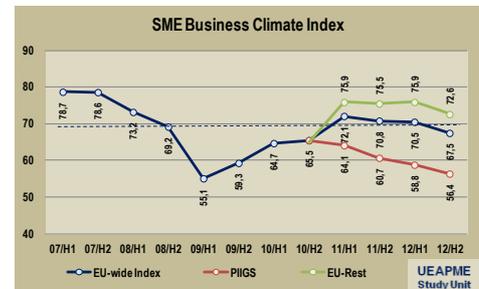
"The voice of crafts and SMEs in Europe"

Business confidence slides down as recession hits SMEs, survey finds

Average index back below 70-point line; significant gaps across countries; micro-companies hardest hit; internal demand key concern

Brussels, 16 October 2012 – European SMEs have moved from high uncertainty to downright pessimism as the economic outlook has worsened towards a full-fledged recession, according to a survey conducted by UEAPME, the European craft and SME employers' organisation, and its members (1). Since the beginning of the year, the proportion of entrepreneurs expecting a positive or neutral economic environment has decreased by 3 percentage points, with UEAPME's "SME Business Climate Index" down from 70.5 to 67.5, going back for the first time in the last two years below the 70 points barrier that is seen as a neutral business climate. The confidence gap between Portugal, Ireland, Italy, Greece and Spain combined and the rest of the EU is still significant, found the survey, which also recorded a lower confidence index for the Euro zone (66 points) than for the other EU members (70.6 points). All the measured economic indicators declined compared to the first half of the year, with the balance between positive and negative answers reaching double-digit negative figures for turnover and orders. Micro enterprises are the hardest hit at the moment, according to our statistics, which revealed in addition highly negative turnover results for the three economic sectors most dependent on the EU's lowering internal demand.

"For the first time in the last two years, SMEs' confidence levels are below the 70-point safety line. Uncertainty has turned into pessimism, especially in the countries hardest hit by the crisis and in the Euro zone. It is hard to deny that Europe is now in a full-fledged recession, with the low prospects and the negative figures that we have measured for all indicators and for the business sectors depending on internal demand. Austerity policies and consolidation measures have clearly hit SMEs the hardest", said **Gerhard Huemer**, Director of the UEAPME Study Unit, which issues the "Craft and SME Barometer" twice a year prior to the EU summits in spring and autumn.



In terms of **economic indicators**, the balances between positive and negative answers are particularly worrying for turnover (-10.8) and orders (-15.3), explained Mr Huemer. Prices also turned negative, as SMEs were forced to lower them in order to stay on the market. Some timid improvements are foreseen for the second half of the year for the overall situation, turnover and orders, but no positive developments are to be expected for employment and investments. "Entrepreneurs are not keen to hire new personnel or to make new investments until a more stable economic framework is re-established. The instability of the financial and banking sectors is also to be blamed for this", stressed Mr Huemer.

The overall situation worsened for all **size classes** in the first half of 2012. Small and medium-sized companies showed similar results, hovering around minus 7 points, but it is definitely micro enterprises employing fewer than 10 persons that are suffering the most at -10.5. The results for all the three categories are even lower than the already negative expectations collected earlier in 2011. However, a glimmer of hope can be seen in the expectations of medium-sized companies, which foresee improvements for the second half of 2012 in all indicators, particularly for orders. "Larger SMEs are usually faster movers in both directions, and these expectations can be the first signs of a recovery", said Mr Huemer.

Finally, as far as **business sectors** are concerned, construction, business services and personal services recorded double-digit negative figures for turnover, while after four semesters of positive results manufacturing also showed the first downturn and a slightly negative performance (-2.2). "This is a textbook example of a decrease in the aggregate internal demand", commented Mr Huemer. "As European SMEs rely mostly on the EU markets, the recession will not be overcome without a quick re-establishment of a new climate of confidence for private households and private businesses."

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(1) The full survey results can be downloaded at http://www.ueapme.com/IMG/pdf/Barometer_2012H2_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 more than 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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