

The EU Craft and SME Barometer 2015/H1

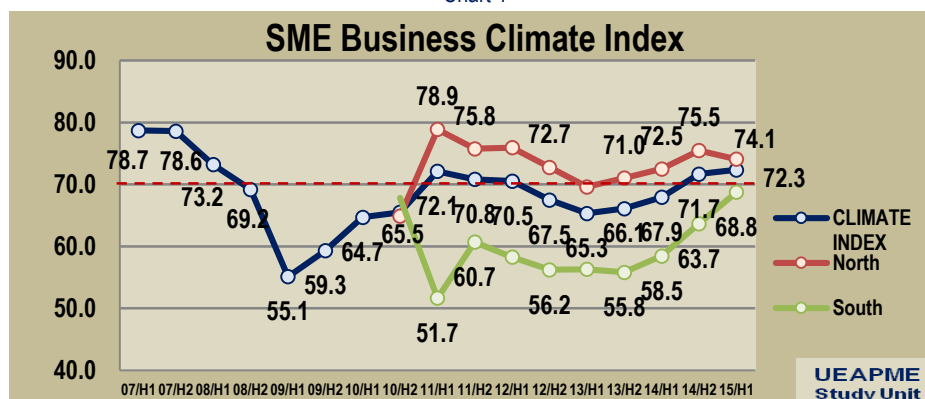
SME Climate index up to 72.3, but stagnation rather than growth

Europe's Crafts and SMEs still not investing or hiring

The UEAPME SME Business Climate Index (shown by the blue line in Chart 1) increased for the fourth consecutive semester and reached 72.3 (+0.6) percentage points (pp). This means the index, which represents the average of enterprises reporting stable or positive results and expectations, is clearly above the neutral level (70.0). This result suggests that, on average, Crafts and SMEs in the European Union are quite stable and have slightly positive expectations for the future. However, looking in detail at the composition of the Climate Index, we notice that a huge number of businesses reported neutral results and a relatively low percentage of enterprises observed a positive business trend, which proves that Europe's SMEs are more in a wait and see mode than in a growth one.

Even if European small and medium-sized enterprises are more confident about the current economic situation and are experiencing the first signs of recovery, the positive trend – started in the first part of 2013 – was less pronounced in the last six months. This is another sign of economic stagnation.

Chart 1



The index is calculated as an average of companies that have reported positive or stable business situations and expect a positive or stable development for the next period. Therefore the index can range from 100 (all positive or neutral) to 0 (all negative).

The disaggregation between countries of the South and Periphery¹ and of the North and Centre² of Europe (Chart 1) reveals that, in the last semester of 2014, the Climate Index for the North and Centre (red line) has even decreased (-1.4) and now reaches a value of 74.1. Whereas the indicator for the South (green line) is approaching the 70 points barrier (68.8) and has climbed by almost five percentage points. Small and medium-sized enterprises in South and Periphery have apparently increased their confidence about the current situation and it seems that they are coming out of the last economic recession, that is why we should expect more signs of recovery from this area. The inflection in the North trend is mainly driven by a deep decrease in confidence in some countries, specifically in those where social and economic reforms have not been implemented.

¹ Croatia, Cyprus, Greece, Ireland, Italy, Malta, Portugal, Slovenia and Spain.

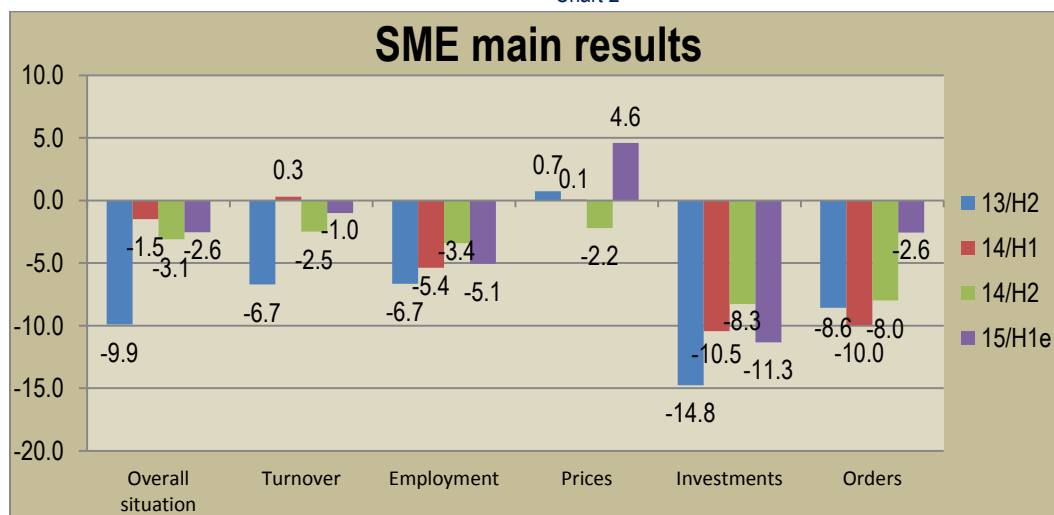
² Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Romania, Slovakia, Sweden and UK.

Main result: past optimism has not materialised, now stagnation

The central messages to be drawn from the data collected for the 2015/H1 SME Barometer are:

- The results for the overall situation and for turnover in the second semester of 2014 were worse than the first part of the year (Chart 2), while employment (-3.4), investment (-8.3) and orders (-8.0) stay at negative levels, even if they have improved slightly.
- Even more important, all results for 2014/H2 have been significantly more negative compared to the expectations six months ago. This means the second half of 2014 did not show the long expected recovery and left Europe's SMEs with quite a gloomy perspective.
- The disappointing outcome of last semester also contributes to relatively low expectations for the current semester. The balance on investment (-11.3) and employment (-5.1) is still significantly negative and the slight increases for turnover and the overall situation points rather more to a stagnation outlook than it gives hope for growth. Therefore, SMEs overall are not planning to invest or hire new workers.
- A new worrying imbalance between countries with a deficit in implementing reforms and the rest of Europe has been created: FR, IT, AT, FI, HR, BG and CY are 8.9 points below the European average.
- The manufacturing sector profited from the favourable developments in commodity prices and exchange rates, whereas construction and services sectors – which depend to a higher degree on internal demand – reported negative results for the current semester. The construction sector has been particularly affected by a decrease in incentives provided by the public sector.
- Structural reforms, support for investments and access to finance are seen as the economic policy priorities in order to increase competitiveness and to create growth and jobs.

Chart 2



The EU Craft and SME Barometer 2015/H1 can be found at:
http://www.ueapme.com/IMG/pdf/150317_Barometer15H1.pdf