



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

## Business confidence improves but worrying differences emerge, survey finds

*Europe's periphery fares worse than six months ago, employment expectations improve, manufacturing is the leading sector*

Brussels, 15 March 2011 – Small businesses' confidence levels increased for the fourth consecutive semester but diverge considerably across the EU, according to a survey recently conducted by UEAPME, the European craft and SME employers' organisation, and its members (1). The proportion of entrepreneurs expecting a positive or neutral economic environment raised by more than 6 points on average, with the UEAPME "SME Business Climate Index" now standing at 72.1 compared to 65.5 in the previous semester and clearing the 70 points barrier that is seen as a neutral business climate. However, the index for Portugal, Ireland, Italy, Greece and Spain combined turned out to be actually lower than the previous semester's average, standing at 64.1. The confidence increase recorded stemmed exclusively from the rest of the EU, with imbalances being clearer and deeper than ever before, the survey revealed. UEAPME therefore recommended pressing on with reforms to address these imbalances, reduce uncertainty and restore the confidence of market participants. The UEAPME "Craft and SME Barometer" also recorded a return around pre-crisis employment levels in SMEs of all sizes and fewer differences across industry sectors, with manufacturing leading the pack while construction is still lagging behind.

*"Small businesses' confidence is above the 70-points line for the first time since the recession began to unfold in 2008. However, this positive picture hides two very different stories, with the countries hardest hit by the crisis sliding further behind while the rest of the group presses ahead. This is a threat that cannot be taken too lightly, especially in an economy as interdependent as the EU's",* 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.



Overall, the general situation for the Europe's SMEs improved markedly in the second half of 2010, with the number of respondents viewing the situation positively outweighing pessimists for the very first time since the first half of 2008, when the first Craft and SME Barometer was issued. The indicators on **employment** expectations seem to be encouraging, with medium-sized companies, the hardest hit at the start of the crisis, closing the gap and going back around pre-crisis levels.

The sector analysis also revealed fewer differences across **industry sectors** compared to the last semester. The best results were recorded by companies active in the manufacturing sector, a growth most probably due to surging exports, explained Mr Huemer. In the services sector, business services' turnover advanced the most by gaining almost 10 points, while the improvement was much less marked for personal services. Both areas seem to have been held back by the lack of a healthy internal demand. Once again, the construction sector took the last place and did not show much progress.

Despite these somewhat encouraging results, the survey also recorded uneven **prospects** for the months ahead, with entrepreneurs expecting a lower turnover and a worse situation in the next semester. There are two possible explanations for these findings, said Mr Huemer. On one side, the reigning uncertainty as regards the financial system is likely to make small entrepreneurs over cautious. On the other side, margins are likely to decrease as input prices, for instance for raw materials, will go up and small entrepreneurs will not be able to pass the extra costs on to their customers.

The worrying differences recorded across EU Member States are the main concern at this stage, stressed Mr Huemer. *"Six months ago, we warned about the emerging danger of a 'two-speed Europe'. After the winter this risk is not only still present, but it is even more obvious. The countries lagging behind must press on with reforms to balance their budgets and put in place stability programmes. This will secure the long-term sustainability of public finances, give markets the confidence they need and hopefully kick-start the economic recovery of Europe's troubled periphery",* he concluded.

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

(1) The full survey results can be downloaded at [http://www.ueapme.com/IMG/pdf/110315\\_Barometer\\_2011H1\\_final.pdf](http://www.ueapme.com/IMG/pdf/110315_Barometer_2011H1_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 survey is based on about 30.000 answers collected between December 2010 and February 2011. The **UEAPME 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. Therefore 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/>

**FOR FURTHER INFORMATION PLEASE CONTACT:**

Gerhard Huemer, Study Unit Director, Tel. +32 (0)2 230 7599, Email: [g.huemer@ueapme.com](mailto:g.huemer@ueapme.com)

Francesco Longu, Press and Communications Officer, Tel. +32 (0)496 520 329, Email: [pressoffice@ueapme.com](mailto:pressoffice@ueapme.com)