



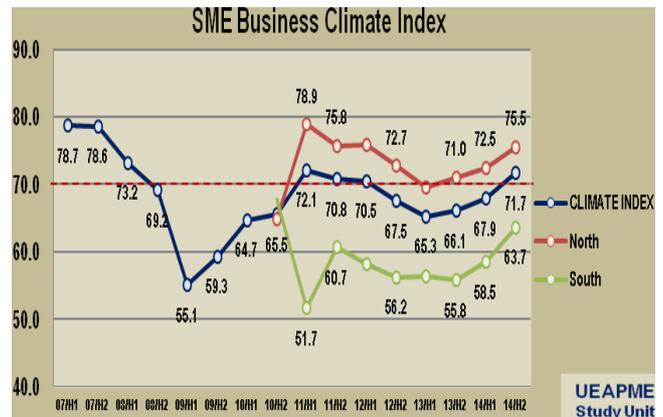
“The voice of crafts and SMEs in Europe”

SMEs growing again amidst optimism that the worst is behind them

Index moves above 70-point line; expectations are high for the second semester of 2014 despite lagging investment and employment

Brussels, 16th October 2014 – The confidence European SMEs express in the overall situation of their businesses surged nearly four percentage points from six months ago, as the UEAPME SME Business Climate Index now moves to 71.7 (from 67.9 last semester), a nearly 4-year high. Furthermore, the confidence gap between countries in the South and Periphery and countries in the North and Centre of Europe decreased to the lowest level seen in four years. Notably, SMEs exceeded their own expectations for economic performance in the first semester 2014, and in fact, every single size class and sector of SMEs expects improvements in the second semester 2014.

The significant increase seen in the UEAPME SME Business Climate Index is a sign that stabilisation and even growth are materialising and will continue to do so if current downward risks in the political sector (Russia, Islamic State) do not materialise. This improvement has been led by “good performance in the export-driven manufacturing sector and resurgence in the construction sector,” said **Gerhard Huemer**, Director of the UEAPME Study Unit, which issues the “EU Craft and SME Barometer” prior to the EU summits in spring and in autumn. However, a point of caution, noted Mr Huemer, is that the forecast is still predicting decreases rather than increases for investment, which “will be a critical component of any long term recovery.”



Many of the economic indicators of the SME Barometer saw improvements for the first half of 2014, but even more importantly, the majority of indicators exceeded expectations from six months ago and feed into even higher expectations for the second semester of 2014. “However, it seems that SMEs are currently utilising existing capacities and do not yet see the need for investing and hiring personal,” explained Mr Huemer. The numbers given for the second half of 2014 give reason to believe that “Europe can expect growth from SMEs in 14/H2 and into 15/H1.” He added that whether or not this positive trend becomes a robust recovery will “mainly depend on the overall economic development, on future lending conditions for SMEs and on the impact of political events on the economy in Europe.”

Also notable are the significant improvements seen in both the North/Centre and South/Periphery of Europe. The confidence level of the North is now at 75.5, a clear indication of growth (led by a strong manufacturing sector), and while the South is still below the neutral line of 70, the five percentage point increase from 58.5 to 63.7 is a sign that the situation is at least becoming less negative. The fact that both regions saw improvements is a further reason for confidence.

An important contribution to the positive outlook for the SMEs comes from the construction sector, which, after years of consolidation, started to grow again, driven by a boom in construction of private housing in some Member States, like Germany, UK and Poland.

The main takeaway is that “SMEs are in a position to move from a period of stagnation to one of growth in the current and the coming semester,” noted Mr Huemer.

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(1) The full survey results can be downloaded [here](#)

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).

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