

# The EU Craft and SME Barometer 2015/H2

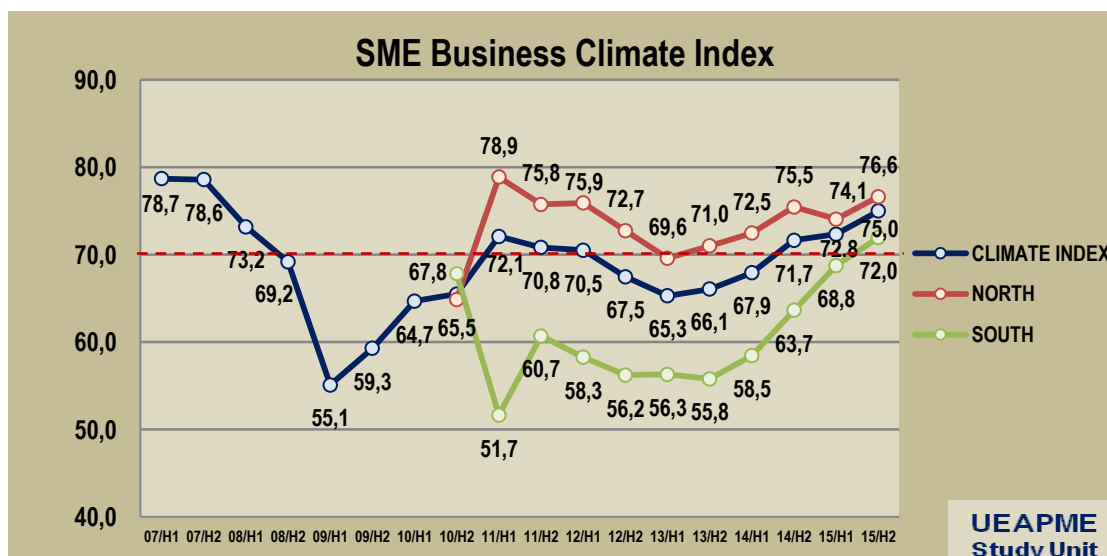
## Recovery reaches SMEs: SME Climate Index up to 75

SMEs start to grow, but limited impact on employment and investment

The **UEAPME SME Business Climate Index** (shown in Chart 1) continues its growing trend, reaching 75.0 (+2.7) percentage points (pp). The index, representing the European share of companies reporting positive or stable results and expectations, is above the neutral level (70.0) for the third consecutive semester: this result indicates an improving confidence of SMEs in the state of the economy.

The SME Business Climate Index shows evidence that the recovery has finally reached SMEs and demonstrates positive expectations in the foreseeable future for SMEs in the European Union. However, looking in depth at the composition of the Business Climate Index, it is noteworthy that the large majority of enterprises reports neutral results for the past semester, while future expectations are on the positive side. Therefore, we can deduce that European small and medium-sized enterprises are generally confident about entering a stable recovery trend, but it is too early to talk about a momentum of growth: positive expectations from entrepreneurial structures have to be backed by the right policy response from Europe in order to materialise the projections of a self-sustained recovery.

Chart 1 – UEAPME SME Business Climate Index for northern and southern Europe



One of the main driving forces determining the upward trend of the SME Climate Index is the catching-up process within European Countries. The disaggregation between countries of the North and Centre<sup>1</sup> and of the South and Periphery<sup>2</sup> reveals that the positive development is widely spread across the continent. Behind that, we see moderate growth for northern and central Europe, but a different picture for southern Europe: while the Italian economy is still struggling and Greece is back in recession, the

<sup>1</sup> Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Romania, Slovakia, Sweden and UK.

<sup>2</sup> Croatia, Cyprus, Greece, Ireland, Italy, Malta, Portugal, Slovenia and Spain.

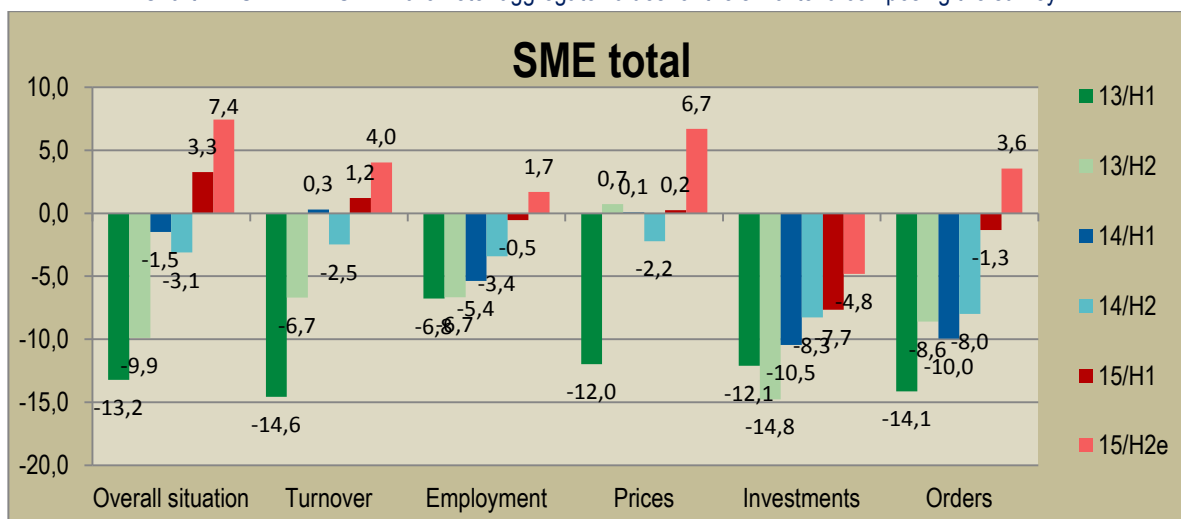
two of the fastest-growing economies in Europe are Ireland and Spain, previously among the troubled group referred to as “PIIGS”. These are first signs of a new geographical pattern characterised by a broad-based recovery, rather than a “two-speed” Europe.

## Main Results: First growth prospects after double-dip recession

The central messages to be drawn from the data collected for the 2015/H2 SME Barometer are:

- The first semester of 2015 was better than the second semester of 2014 for each of the six criteria composing the UEAPME SME Barometer. The results for the first semester also exceeded the expectations set for it six months ago. European SMEs therefore project their optimism on the second part of 2015, expecting further development in all six criteria.
- The recovery mainly takes place in the Euro Area, reaching a confidence level of 75.6 (+4.5), while non-Euro EU Member States experienced a slowdown in their confidence. Since quantitative easing and the lowering of the real interest rate have to be considered as temporary tailwind, the open question whether the economy will be able to generate a balanced and self-sustained expansion in the long term still remains.
- The results for turnover switched into the positive sphere. This should lead to a slight increase in employment for the first time in this recovery, but will not turn around the remaining negative investment outlook, even if we also observe significant improvement on this criterion.
- The recovery has finally reached all economic sectors including those depending mainly on internal demand like personal services and construction.

Chart 2 – UEAPME SME Barometer aggregate values for the six criteria composing the survey



**The EU Craft and SME Barometer 2015/H2 can be found at:**

[http://www.ueapme.com/IMG/pdf/151009\\_Barometer15H2.pdf](http://www.ueapme.com/IMG/pdf/151009_Barometer15H2.pdf)