

The EU Craft and SME Barometer 2016/H1

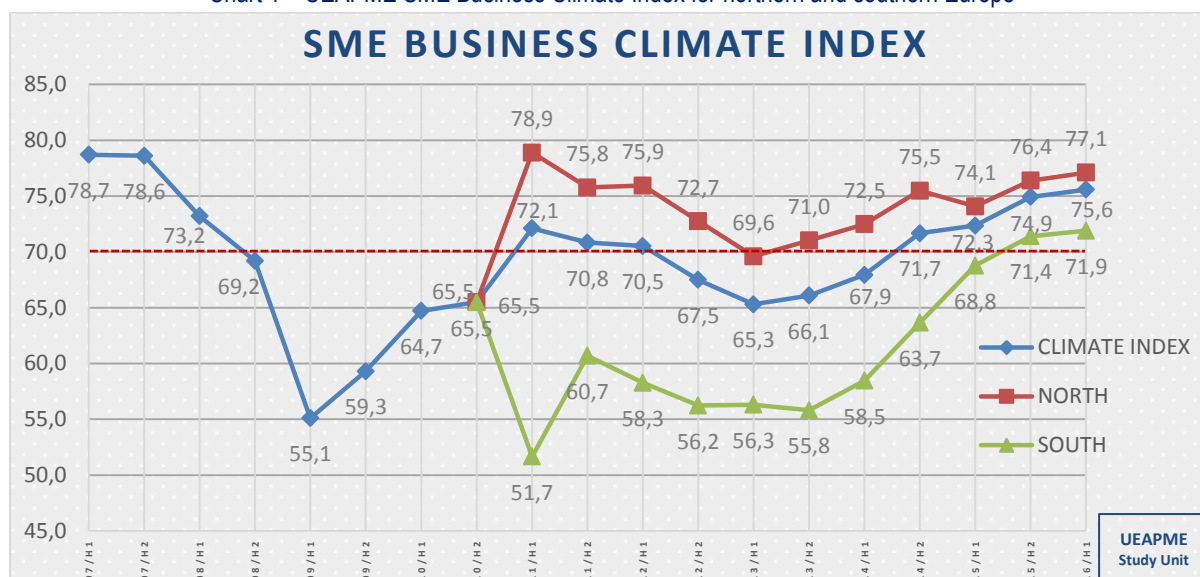
SME Climate Index up to 75.6: SMEs lead recovery

Domestic demand drives SME recovery; first positive signs for jobs and investments

The **UEAPME SME Business Climate Index**, shown by the blue line in Chart 1, is maintaining its upward tendency for the sixth consecutive semester and has increased by 0.7 percentage points from 2015/H2, hence reaching 75.6. The index, which consists of the share of European Crafts and SMEs reporting stable and positive business situations and expectations, keeps being firmly above the neutral level, 70.0. On average, small and medium European businesses have mastered the difficulties of the crisis and are confident of a positive further development.

However, it is premature to speak about an achieved full recovery. Indeed, the troubled political situation in and around Europe (i.e. the migrant crisis and the Brexit debate) might jeopardise the current and expected economic situation of European enterprises. This may be the reason why the index, even if it is positive, presents a low growth in its trend.

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



The analysis of the disaggregation between countries of the North and Centre¹ and of the South and Periphery² discloses that both indexes are positive and increasing.

Concerning the North, in some countries, such as Poland, the United Kingdom and Austria, SMEs are still struggling because of an unsteady political situation and a lack in social and economic reforms. However, at the same time, the development of the Central-Eastern European countries is strongly fostering the Northern index, which therefore is clearly positive. On the other hand, in the South, the significant structural reforms launched are paying off. This has allowed the Southern index to pass the neutral line for the second year in a row, even if difficulties persist in some countries, as in Greece and slightly in Italy.

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

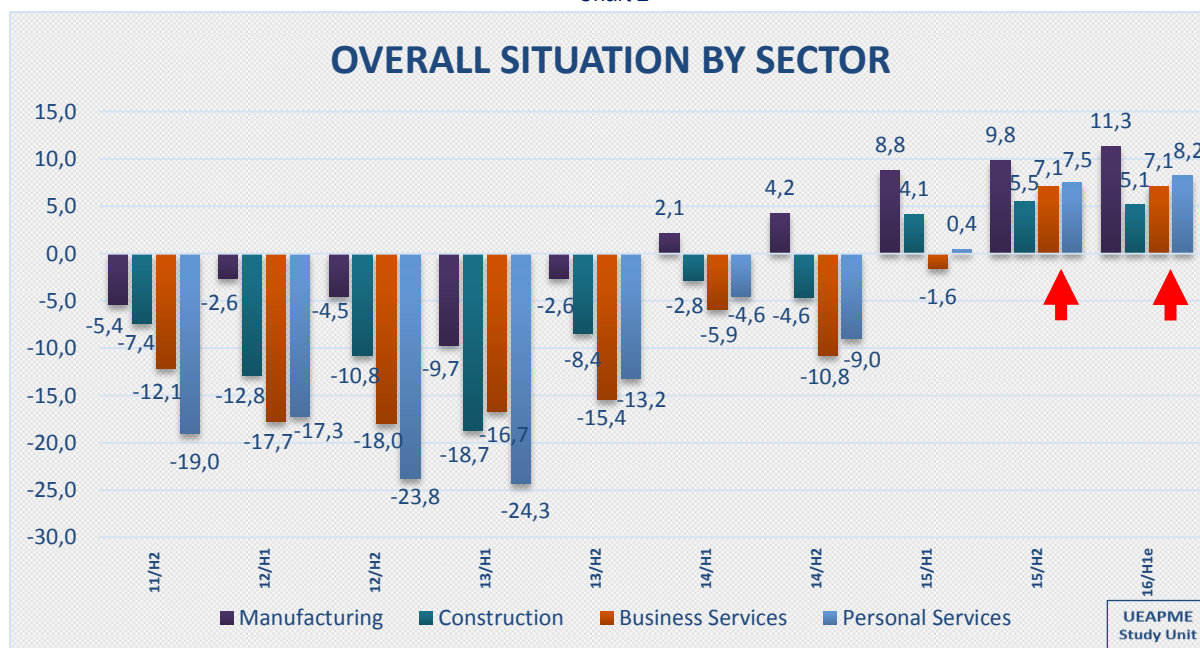
² Croatia, Cyprus, Greece, Ireland, Italy, Malta, Portugal, Slovenia and Spain.

Main Results: Internal demand pushes SMEs ahead of EU recovery

The main points to be drawn from data collected for 2015/H2 SME Barometer are the following:

- Results for the second semester of 2015 show a resolved continuation of SME recovery. Overall situation and investments have reached the highest values since the beginning of the crisis, while all other criteria, except for orders which are stable but still negative, have recorded favourable developments as well.
- The development of all SMEs has been driven by the restoration of domestic demand, which has particularly enhanced the services sector. As displayed by Chart 2, the very interesting aspect is the pronounced improvement achieved by both business and personal services that have distinctly exceeded their expectation strongly increasing every figures.
- Instead, the construction sector has not yet benefitted from the raise of internal demand due to the weakness of its investments and to the severe fall of housing demand during the peak of the crisis in 2011. The manufacturing sector, although it keeps having high performances, has also been slightly overestimated due to weaker outlook in export.
- Expectations, being stable and positive, are very promising for 2016/H1. Investments, particularly, are expected to be positive for the first time at 0.1. Considering the usual underestimation of investments expectations, this is a very important advancement and we expect for this semester an outcome for investment, which is distinctly above zero. Employment has also registered very favourable outcomes being positive for the first time in five years.
- Provision of easier access to finance and of qualified workforce to SMEs, pursuit of the political stability and promotion of the internal demand have to be considered as priorities in order to foster and support the recovery within Europe.

Chart 2



The EU Craft and SME Barometer 2016/H1 can be found at:

http://www.ueapme.com/IMG/pdf/160314_Barometer16H1.pdf