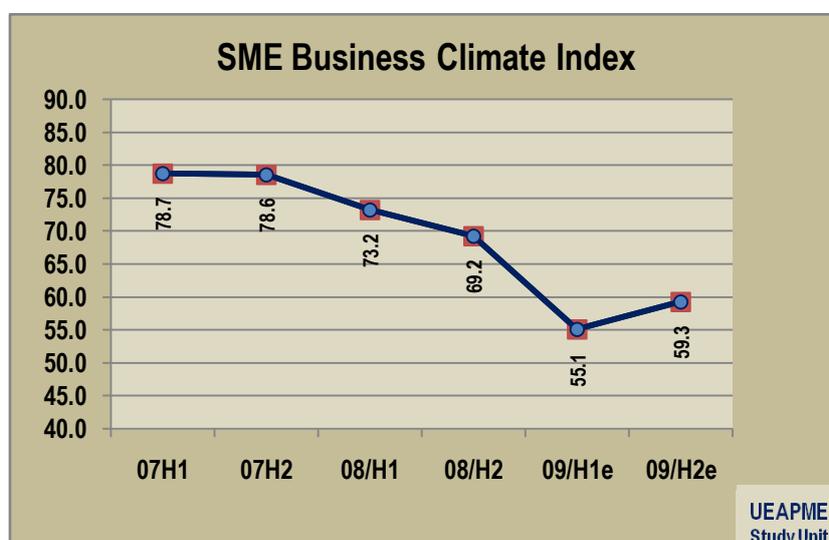


The EU Craft and SME Barometer 2009/H2

European Crafts and SMEs' confidence picks up slightly SME Business Climate Index at 59.3 – optimism despite reality

The latest **UEAPME SME Business Climate Index** (Chart 1) for the European Union shows a slight increase by 4.2 points up to 59.3, but this is still the second lowest figure ever seen for the whole EU. Although in line with other business confidence indexes, this improvement in confidence is not supported by real figures on current and expected developments as regards turnover, investments and employment reported by the same enterprises, as the results of this barometer demonstrates. Therefore, the more optimistic view might stem from significantly better results for the first semester 2009 compared to the expectations SMEs had at the beginning of the year, due to the various recovery programmes put in place.

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 UEAPME SME Business Climate Index is part of the “EU Craft and SME Barometer”, published twice a year by the **UEAPME Study Unit**¹. This barometer provides for the first time recent and forward looking business indicators about Crafts and SMEs in the European Union, differentiated by size classes and economic sectors.

¹ <http://www.ueapme.com/spip.php?rubrique120>

Introduction to the EU Craft and SME Barometer

The **EU Craft and SME Barometer** builds on the results of surveys that are conducted by UEAPME Member Organisations twice or four times a year in different regions all over Europe. The survey is based on about **100.000 questionnaires, with 25.000 answers** received. The data for this survey were collected between June and September 2009, which gives a quite recent picture about the development and the expectations of SME owners all over Europe.

At European level, we are able to provide **data for size classes** (micro, small and medium-sized enterprises) and for **four economic sectors** (manufacturing, construction, business and personal services), which may show different developments over business cycles and may react differently to external effects.

For each of these groups the Barometer provides **balanced figures** on the following categories: **overall situation, turnover, employment, prices, investment and orders**, where balanced means the difference between businesses that answered the questions about their expectation in these six categories in a positive or negative manner (balance = positive answers – negative answers). In order to get European figures from different national surveys, national results have been weighed with employment figures (see Table 1 and 2 in the Annex).

This Barometer presents the results (experiences) for both semesters in 2008 (08/H1 and 08/H2) and the first semester 2009 (09/H1) as well as the expectations for the second semester 2009 (09H2e).

UEAPME will issue its **EU Craft and SME Barometer twice a year**, ahead of the European Summit in spring and autumn.

Furthermore, UEAPME provides twice a year a European **SME Business Climate Index** (see page 1), which is calculated as the average of the current situation and the expectations about the next period and sums positive and neutral answers as regards the overall situation for the business.

Finally, UEAPME will only present European figures and will not disclose any national data. This is due to the fact that we have not data for all Member States that are significant enough from a statistic perspective and furthermore, the presentation of national data from SME surveys is a prerogative of our national organisations, which are collecting these data.

For further information on this document, please contact:

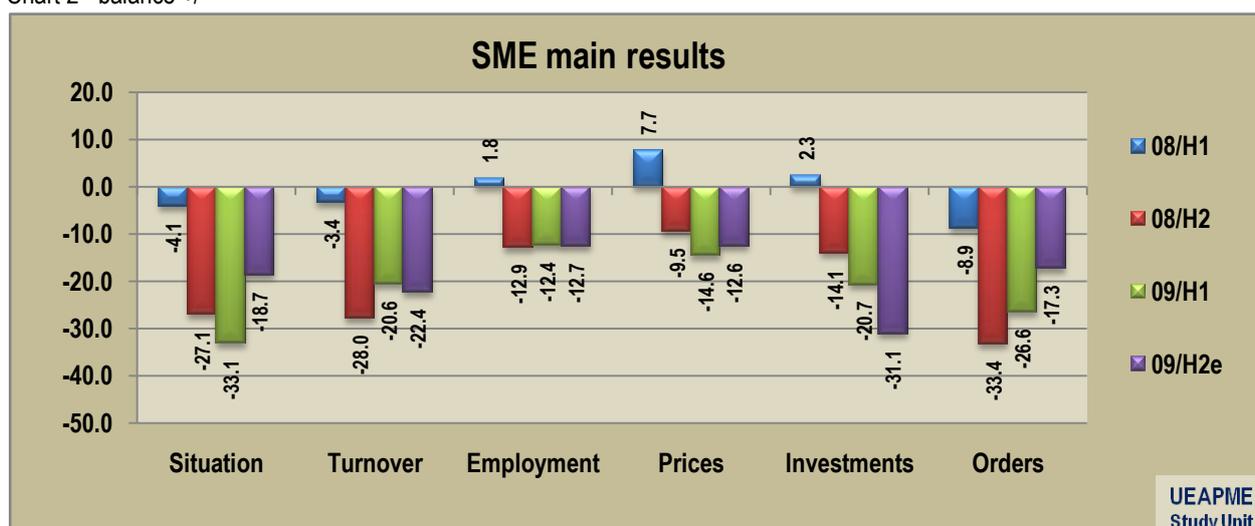
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Main Results of the EU Craft and SME Barometer – 2009/H2

The data collected over the summer show quite differentiated results. As regards the general expectations on their business situation, Europe's SMEs are more positive for the second semester 2009 compared to the first six months. The balance indicator on the business situation has "grown" from -33.1 to -18.7 (Chart 2) and confirms the positive development of the SME Business Climate Index (Chart 1) and other recently published confidence indicators for Europe. This may be explained by the expectations on the development of orders, which are less negative for the second semester (-17.3 after -26.6 and -33.4). Therefore, the overall situation seems to be less worrying and less negative than half a year ago.

At the same time Europe's SMEs expect a further decrease in investments (-31.1 after -20.7 for the past semester), again a slight decrease in turnover expectations (-22.4 after -20.6), and there are still more companies reporting a further decrease in employment than an increase, with the index quite stable at -12.7.

Chart 2 - balance +/-



The continuing negative trend for turnover (-22.4 after -20.6) also puts pressure on prices. The reported balance figure for the first semester is -14.6 and a similar development is expected for the second semester (-12.6).

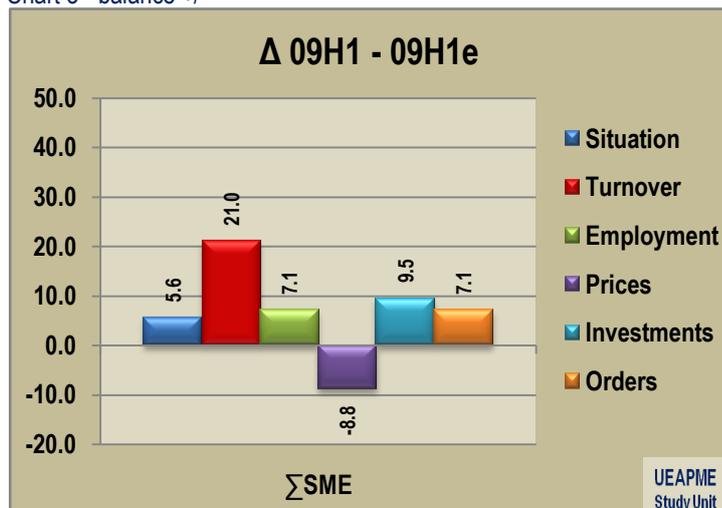
Against these negative trends as regards turnover, investments and a further decrease in employment and prices, the improvement in the judgement on the overall situation seems quite surprising.

If one also takes into account the general rise in unemployment expected for the EU during the next months and the fact that SMEs depend to a large extent on private consumption, the rising confidence demonstrated by this survey seems too optimistic and may have to do with the positive effects of the recovery programmes have shown during the first semester 2009.

The first semester 2009 went better than expected

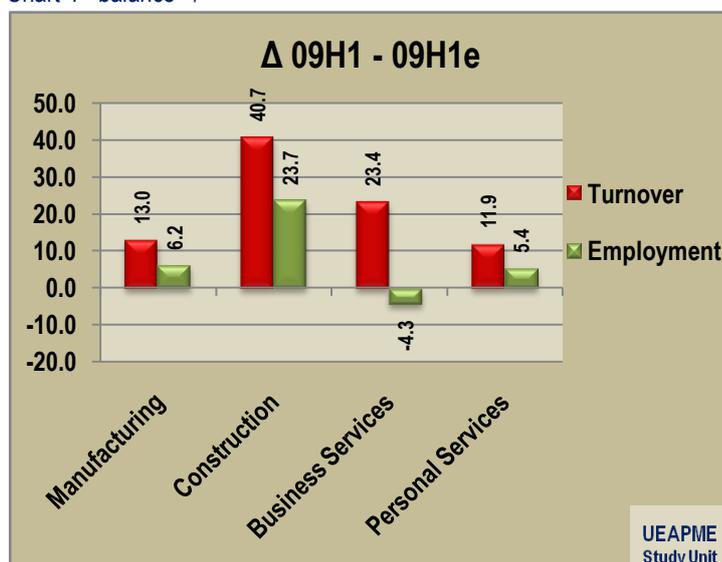
The current survey shows significantly better results for the first semester 2009 (09/H1) compared to the expectations SMEs had at the beginning of this year (Barometer 09/H1²). Chart 3 shows the difference between the figures reported now about the first semester compared to the expectations the SMEs had at the beginning of this year for all categories.

Chart 3 - balance +/-



The most significant difference we see for the turnover, where the balance for 09/H1 is now at -20.6 and not at -41.6 as expected in the last Barometer. Consequently, also the figures for employment ($\Delta = +7.1$), investments ($\Delta = +9.5$) and orders ($\Delta = +7.1$) are better. Even if the increase in turnover was at least partly at the expense of sale prices ($\Delta = -8.8$), the overall situation during the first half of 2009 is slightly more positive than at the beginning of the year ($\Delta = +5.6$).

Chart 4 - balance +/-



The better development during the first semester may also be a result of effectively implemented recovery plans. The fact that the highest increase in turnover has taken place in the construction sector ($\Delta = +40.7$), where the most effective measures for SMEs have been implemented (energy efficiency investments) points in the same direction (Chart 4).

The better outcome for turnover figures also allowed companies in the construction sector to keep their employees, while the recovery plans did not affect employment in the other sectors significantly.

Comparing the development for size classes, significant differences can only be found for employment, where medium-sized enterprises have profited from better access to labour market measures (short term work agreements) and prices, while micro enterprises in the personal services sector have profited from the more stable price situation in this sector compared to other sectors, as Table 1 at the next page is showing.

² http://www.ueapme.com/IMG/pdf/090311_Barometer_2009-H1_FINAL.pdf

Table 1 – balance +/-

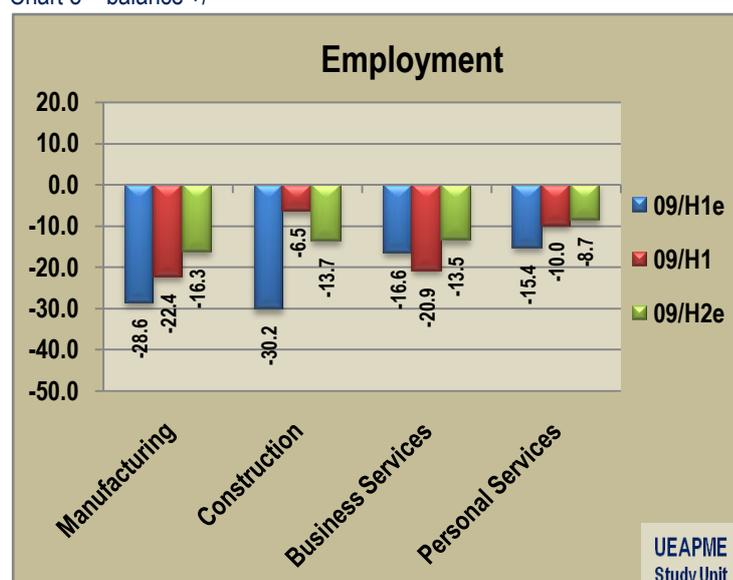
Δ 09H1-09H1e	Situation	Turnover	Employment	Prices	Investments	Orders
Σ SME	5.6	21.0	7.1	-8.8	11.4	7.1
Micro	4.2	20.8	3.8	0.2	10.9	4.7
Small	8.8	27.3	14.9	-10.8	10.6	13.3
Medium	5.5	24.4	21.2	-6.6	18.5	10.3
Manufacturing	-1.2	13.0	6.2	-13.2	8.5	1.3
Construction	13.2	40.7	23.7	-10.3	11.8	16.7
Business Services	-5.9	23.4	-4.3	-8.1	7.0	10.6
Personal Services	6.0	11.9	5.4	2.8	9.5	-0.7

UEAPME
Study Unit

The crisis has fed through all sectors during the first half of 2009

Chart 5 shows that at the beginning of 2009 the most negative expectations as regards employment for the first semester 2009 (09/h1e) came from SMEs in manufacturing (especially due to the car industry crisis) and construction (due to burst of housing bubble).

Chart 5 – balance +/-



The recovery programmes, as already discussed, improved the results for the first semester 2009 significantly for the construction sector (investment programmes), but also slightly for manufacturing and personal services (car scrap plans, increase of purchasing power by tax reductions) as column 09/H1 shows. Only the results for the business services sector, which profited much less from recovery programmes during the first semester, diminished compared to the expectation at the beginning of the year. More clearly, the expectations for the second semester 2009 (09H2e) demonstrate that the crisis has now reached the whole economy.

For the second half of 2009 the balance of expectations on employment is still negative in all economic sectors. However, the figures are more similar across the different sectors (-8.7 to -16.3) compared to 6 months ago (-15.4 to -30.2). Finally, that fact that SMEs are reporting a further decline of employment for the next 6 months means that the downwards spiral has lost speed, but has not reached the bottom yet, which provides no reason for too much optimism.

The Annex to this document includes the ESTAT figures, which have been used to weigh the different national inputs, as well as the full set of indexes calculated for this Barometer. Furthermore, you will find a complete set of graphs for all sizes classes and economic sectors.

Annex

Employment for the non-financial business economy broken down by enterprise size class and sector 2005 (%)

Table 1 / EUROSTAT

	B	BG	CZ	DK	DE	EE	EL	ES	FR	IE	IT	CY	LV	LT
1 to 9	43.53	39.26	47.35	29.82	31.98	29.03	58.39	49.01	38.13	33.99	58.39	49.10	28.75	26.72
EU Share	1.95	1.47	3.35	0.92	11.13	0.22	2.77	13.15	9.30	0.57	19.21	0.21	0.33	0.39
10 to 49	32.60	29.61	26.41	38.00	36.12	37.28	26.50	32.26	33.94	32.91	26.50	28.25	36.44	36.53
EU Share	2.06	1.56	2.62	1.65	17.66	0.40	1.77	12.16	11.63	0.78	12.25	0.17	0.59	0.75
50 to 249	23.87	31.13	26.24	32.18	31.90	33.69	15.11	18.73	27.93	33.10	15.11	22.65	34.81	36.75
EU Share	1.80	1.97	3.12	1.67	18.68	0.43	1.21	8.46	11.46	0.94	8.37	0.16	0.67	0.91
SME	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
EU Share	1.95	1.63	3.07	1.34	15.09	0.33	2.06	11.64	10.58	0.73	14.27	0.19	0.50	0.64

	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK	EU 27
1 to 9	33.57	55.05	49.45	32.01	36.33	57.67	50.17	32.57	39.40	20.12	37.84	44.00	36.84	43.37
EU Share%	0.10	3.03	0.11	2.86	1.60	8.59	3.32	2.29	0.49	0.25	0.78	2.06	9.55	100.00
10 to 49	35.76	23.69	24.66	35.07	35.26	16.52	28.38	30.43	27.58	32.80	31.25	30.43	33.62	30.86
EU Share%	0.15	1.83	0.08	4.40	2.18	3.46	2.64	3.00	0.49	0.57	0.90	2.01	12.24	100.00
50 to 249	30.67	21.27	25.90	32.92	28.41	25.80	21.45	37.01	33.01	47.08	30.92	25.57	29.54	25.77
EU Share%	0.15	1.97	0.10	4.95	2.10	6.47	2.39	4.37	0.70	0.98	1.07	2.02	12.89	100.00
SME	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
EU Share%	0.13	2.38	0.09	3.87	1.91	6.46	2.87	3.04	0.54	0.54	0.89	2.03	11.24	100.00

Table 2 / EUROSTAT

Business Sector	EU Share %
Manufacturing	24.86
Construction	14.06
Business Services	22.66
Personal / Social Services	38.42
SME	100.00

Results – European Crafts and SME Barometer – 2009/H2

Table 3 / UEAPME Study Unit

Balance between positive and negative answers / weighted by number of employees

	ΣSME				Micro Enterprises				Small Enterprises				Medium-sized Enterprises			
	08/H1	08/H2	09/H1	09/H2e	08/H1	08/H2	09/H1	09/H2e	08/H1	08/H2	09/H1	09/H2e	08/H1	08/H2	09/H1	09/H2e
Situation	-4.1	-27.1	-33.1	-18.7	-6.3	-27.1	-32.3	-19.1	0.6	-26.3	-30.4	-18.9	1.6	-28.1	-34.8	-19.7
Turnover	-3.4	-28.0	-20.6	-22.4	-12.5	-29.8	-19.4	-20.5	6.1	-25.7	-20.1	-20.2	15.3	-17.8	-15.2	-14.8
Employment	1.8	-12.9	-12.4	-12.7	-0.3	-9.2	-9.1	-8.0	1.5	-15.8	-13.3	-13.6	5.5	-21.5	-17.9	-18.8
Prices	7.7	-9.5	-14.6	-12.6	6.8	-9.2	-4.1	-2.9	10.8	-9.5	-17.3	-12.0	10.6	-14.1	-19.8	-22.5
Investments	2.3	-14.1	-20.7	-31.1	-0.7	-14.5	-19.8	-30.8	5.3	-15.1	-21.7	-32.0	5.2	-12.6	-18.6	-22.7
Orders	-8.9	-33.4	-26.6	-17.3	-13.5	-34.4	-25.8	-15.1	-1.2	-30.8	-26.3	-17.1	0.7	-33.3	-29.9	-14.4

	ΣManufacturing				Construction				Business Services				Personal Services			
	08/H1	08/H2	09/H1	09/H2e	08/H1	08/H2	09/H1	09/H2e	08/H1	08/H2	09/H1	09/H2e	08/H1	08/H2	09/H1	09/H2e
Situation	-2.6	-31.4	-39.7	-20.2	-17.6	-33.1	-28.1	-24.9	-5.6	-28.0	-36.9	-23.1	-7.4	-31.9	-33.0	-17.4
Turnover	-3.6	-33.0	-27.0	-24.7	-14.2	-36.4	-12.7	-23.3	-7.7	-26.2	-22.0	-27.0	-2.9	-37.9	-26.1	-19.9
Employment	2.0	-20.7	-22.4	-16.3	-4.4	-26.8	-6.5	-13.7	1.7	-10.0	-20.9	-13.5	0.9	-12.9	-10.0	-8.7
Prices	10.2	-12.3	-16.4	-15.7	4.0	-17.1	-23.5	-19.5	12.5	-11.5	-13.0	-7.6	6.8	-1.4	-0.4	-2.3
Investments	1.2	-15.2	-23.7	-28.2	-2.7	-24.1	-23.3	-38.1	2.0	-17.4	-27.9	-32.1	1.0	-16.1	-17.6	-30.0
Orders	-9.1	-32.7	-35.0	-13.4	-9.8	-28.0	-20.7	-24.6	-7.2	-38.3	-27.9	-25.0	-12.3	-36.6	-28.6	-15.4

Results – European Crafts and SME Barometer – 2009/H2

