

PRESS RELEASE

EUROCHAMBRES' Economic Survey 2005: European companies expect moderate economic recovery

EUROCHAMBRES' Economic Survey for 2005 indicates a moderate economic recovery. While business confidence of European companies decreased slightly compared to last year, all other indicators – total turnover, including domestic and export sales, employment, and investment – are at higher levels.

Christoph Leitl, President of EUROCHAMBRES said: *“Although actual European growth remains sluggish, the businesses that responded to this survey clearly anticipate a strengthening global economy. However, high commodity prices and the unstable euro/dollar exchange rate put at risk this economic recovery. It is also noteworthy that the optimistic outlook is most strongly felt in the new Member States.”*

The EUROCHAMBRES' President urged Member States to follow Mr. Kok's advice to make 'growth and employment' the key European target. *“Prime Ministers must finally take their responsibility for the state of our economy. Europe needs an environment that nurtures investment and creates employment. Without reformed tax systems favouring work and entrepreneurship, improved conditions for investment and modern educational and social systems the situation will not improve. On the contrary, it will deteriorate. The positive forecasts made by the business community in this survey will only be made real if this economic leadership is clear and strong”,* he said.

More than 76.000 companies from 27 European countries* participated in the 12th annual survey of EUROCHAMBRES in cooperation with European Chambers.

Estonia, Latvia and Lithuania most confident in the EU

The results show that enlargement has had a positive influence on business confidence. Almost all the new Member States see an increase in business confidence levels for 2005. The countries that forecast the largest increases in comparison with last year are the three Baltic countries - Latvia (net balance** 81.5), Lithuania (62.8) and Estonia (30.1) - which shows that they are confident of being able to take advantage of the new opportunities offered by the Internal Market.

Businesses in the old EU-15 Member States view 2005 more cautiously than in 2004 (balance figure for business confidence of 12.5 vs 15.9 the previous year). The worsening results to a big part from the less optimistic business expectations in the United Kingdom (2005: 32.0; 2004: 36.5).

page 1 of 3

EUROCHAMBRES has member organisations in **43** countries representing a network of **2,000** regional and local Chambers with over **18 million** member companies.

With a balance of 37.3 the enlarged non-euro zone countries express solid positive business confidence which is clearly higher than in the euro-zone (12.5), in which business confidence dropped in comparison to 2004 (balance 15.9).

More favourable prospects for employment for 2005

In 19 out of 27 countries, enterprises' employment expectations have improved over the past year, although the majority of enterprises indicate they expect to neither increase nor decrease their staffing levels. Mr Leitl welcomed this more positive outlook, but warned against premature optimism. He said: *"In general, job creation is still not sufficient to ensure a consistent upward trend in employment. Urgent implementation of labour market reforms - as proposed in the previous Kok report on employment – is needed immediately. More flexibility through new forms of work organisation and contracts, and lower taxes on labour and social contributions on wages are essential to allow firms to employ more easily."*

Investments give hope that business cycle is going on

Connected to the optimistic ratings of total turnover and business confidence enterprises' investment expenditure will rise moderately in 2005 (expectations net balance 12.1; 2004: 7.2). These results inject a new ray of hope for the continuation of the recovery process in many European countries. The upturn in investment intentions in large economies like Germany, Spain and the United Kingdom are especially supposed to have a positive influence on economic recovery.

*23 EU Member States (non: Belgium, Czech Republic) and 4 accession candidates Romania, Croatia, Bulgaria, Turkey

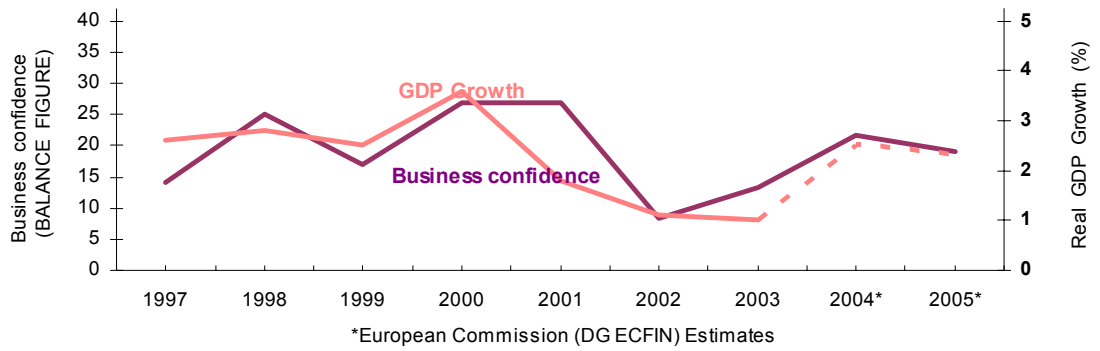
** Net balance: obtained by deducting the percentage of companies giving a negative answer from the percentage of companies responding positively.

EUROCHAMBRES' Economic Survey 2005 including the "National Reports" can be downloaded from www.eurochambres.be

*FURTHER INFORMATION: Ms. Birgit Arens, tel.: +32 2-282 08 57, arens@eurochambres.be
PRESS CONTACT: Ms. Tosca Purr, tel.: +32 2-282 08 53, purr@eurochambres.be*

All our press releases can be downloaded from: <http://www.eurochambres.be/press/>

BUSINESS CONFIDENCE EXPECTATIONS / REAL GDP GROWTH



ECONOMIC INDICATORS FOR 2001 - 2005

