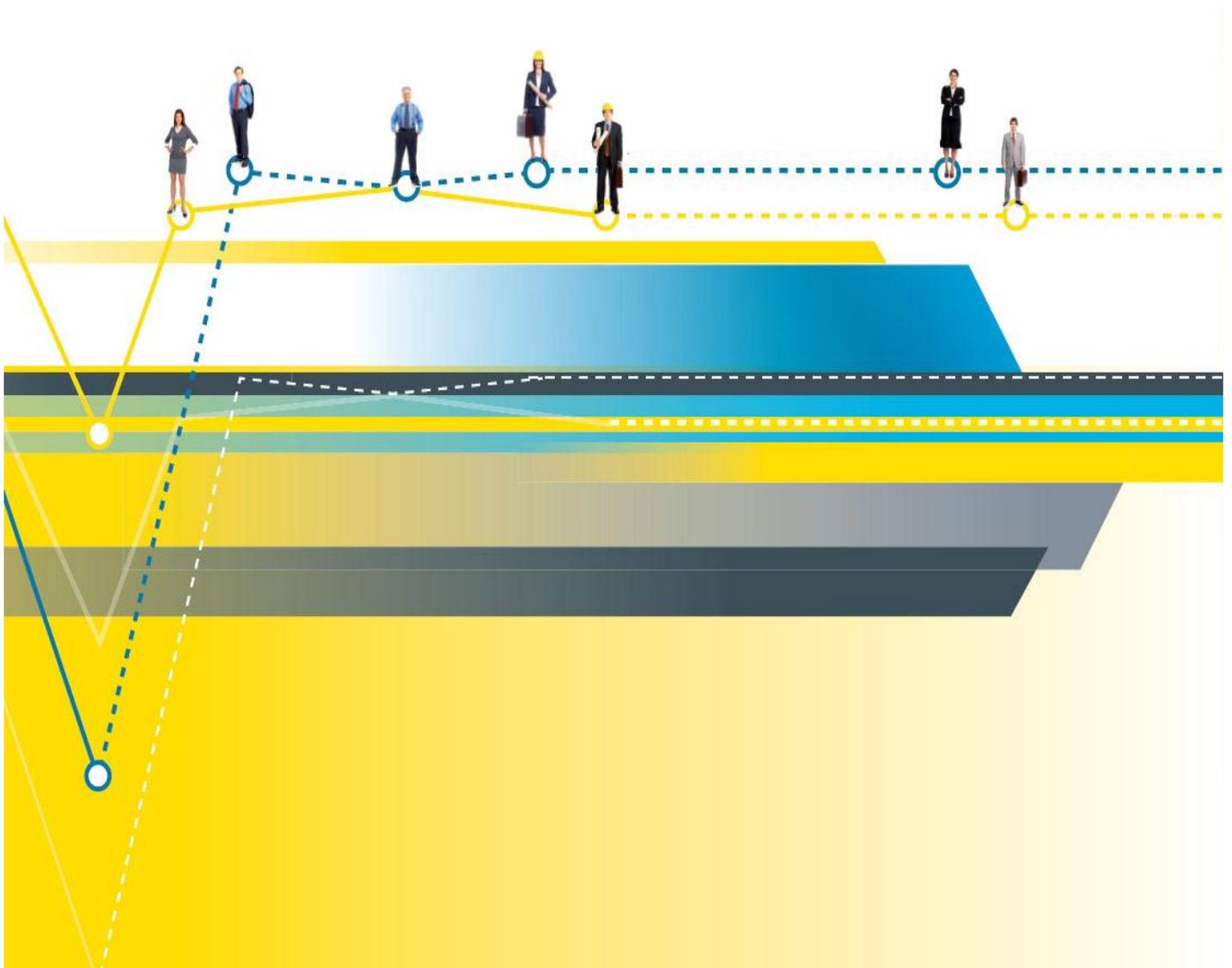


Economic Survey 2013



Foreword

I am pleased to present the 20th edition of the annual EUROCHAMBRES Economic Survey (EES). The EES provides a yearly barometer of the prevailing mood of tens of thousands of businesses from across and beyond the EU.



20 years is an eternity in the business world and the dramatic political and economic developments encountered by European businesses since 1993 – both positive and negative – bear testimony to this. The European Economic Community evolved into the European Union in the same year that the first EES was published. Since then, the EU has more than doubled in membership from 12 to 27 countries, while EUROCHAMBRES has grown at a similar rate, progressing from 23 to 45 members during the same period. Passport controls have been removed between many member states, the single currency has been introduced and the EU is now represented in global economic forums such as the WTO, the G8 and the G20.

More recently, Europe's business community has of course experienced the damaging impact of the global financial markets and subsequent Eurozone crises. The destabilizing effect on companies of this protracted period of economic turbulence dominates EES 2013, as it has for several years. The results show that business confidence is at a historical low. Confidence, while intangible, is a critical factor in any business' growth prospects, so this is a worrying development. Conversely, the relatively favourable results for some other EES indicators perhaps suggest that the economic downturn is set to bottom out. Nonetheless, businesses clearly see little sign of any swift recovery and the overall sentiment is that 2013 is set to be another very tough year.

The implications of these results, gathered from over 53.000 businesses – large and small, manufacturing and services based - in 26 countries, must be considered carefully and prompt reaction. More than ever, the real economy is looking to EU and national leaders to deliver decisive measures to address the economic crisis and to ensure that the key elements for the creation of growth and jobs – favourable business conditions, market access and financial and human capital liquidity – are all in place. While it may be too much to anticipate that 2013 could be the year of economic recovery, let us at least aim to make it the end of the downturn. Chambers of Commerce and Industry remain committed to working with policy makers towards Europe's economic recovery and subsequent growth.

Alessandro Barberis

EUROCHAMBRES President

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EUROCHAMBRES Economic Survey 2013 online interactive map

www.eurochambres.eu/ees

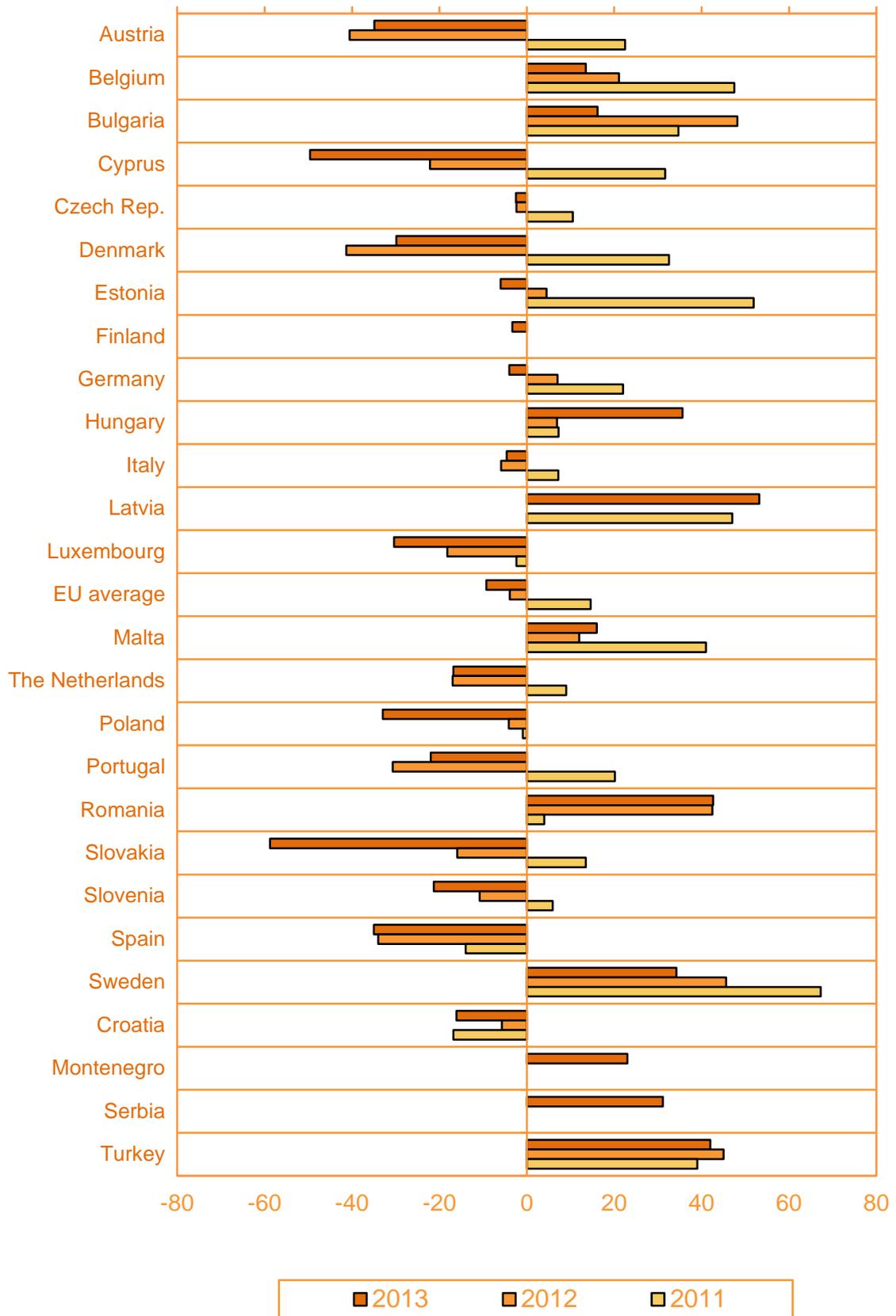
Business Confidence

“Few signs of optimism, lack of confidence spreading”

EES 2013 records a fall in business confidence for a second consecutive year on an EU level, reflecting the on-going Eurozone crisis. In fact, the EU average for business confidence is the most pessimistic ever registered. The tight economic and trade ties between EU members and neighbouring countries and the wider economic effects that the crisis has had outside its borders are both increasingly evident as non-EU businesses indicate a drop in optimism for the first time in three years.

Country-specific observations

- *The highest levels of confidence are seen in Turkey and Latvia.*
- *Among the Eurozone crisis countries, Portuguese businesses are more confident after three years of growing pessimism, Italian confidence is stabilising, while Spain's is falling, although not at an all-time low.*
- *It is the first time since 2009 that Germany and Estonia have been pessimistic.*
- *Cypriot and Slovakian businesses are the least confident.*



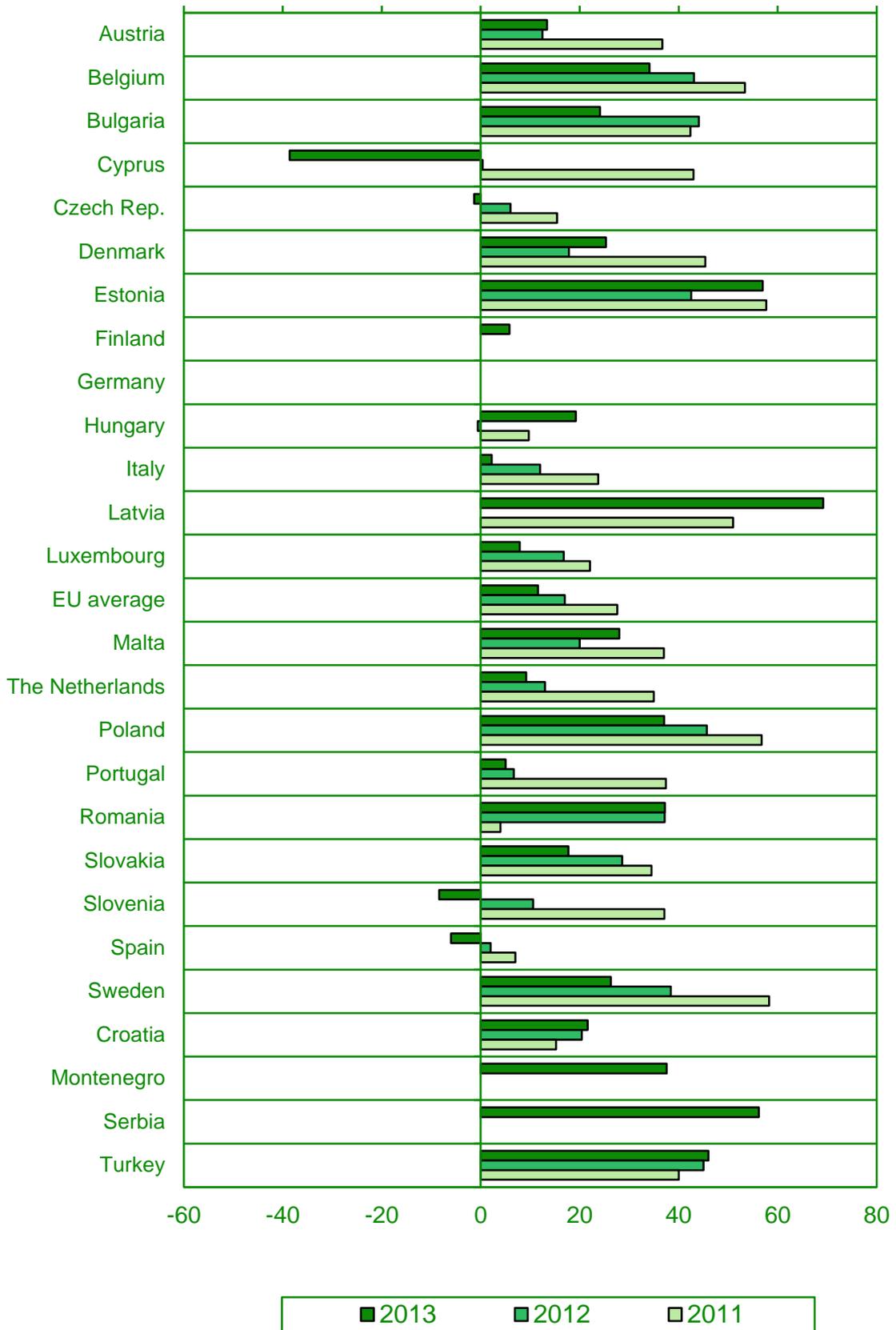
Total Turnover

“Higher growth expectations for a number of countries”

Turnover expectations remain positive, with only four countries registering negative results. However, they are lower than last year as the recession, falling sales and lack of business confidence continue to affect total turnover. As in previous years, the results for non-Eurozone and non-EU countries are more optimistic; in fact, forecasts have grown compared to 12 months ago. There is considerable disparity within the Eurozone, as some countries maintain high turnover expectations; indeed, there is a difference of more than 100 points between the most pessimistic and the most optimistic national results.

Country-specific observations

- *Malta, Hungary, Estonia, Denmark and Austria predict increased year-on-year growth in total turnover.*
- *Among the Eurozone crisis countries, Portugal continues to register some optimism, whereas Spain records historically low results.*
- *Bulgarian expectations have fallen by more than half since last year.*
- *Cyprus has the most pessimistic forecasts for total turnover.*



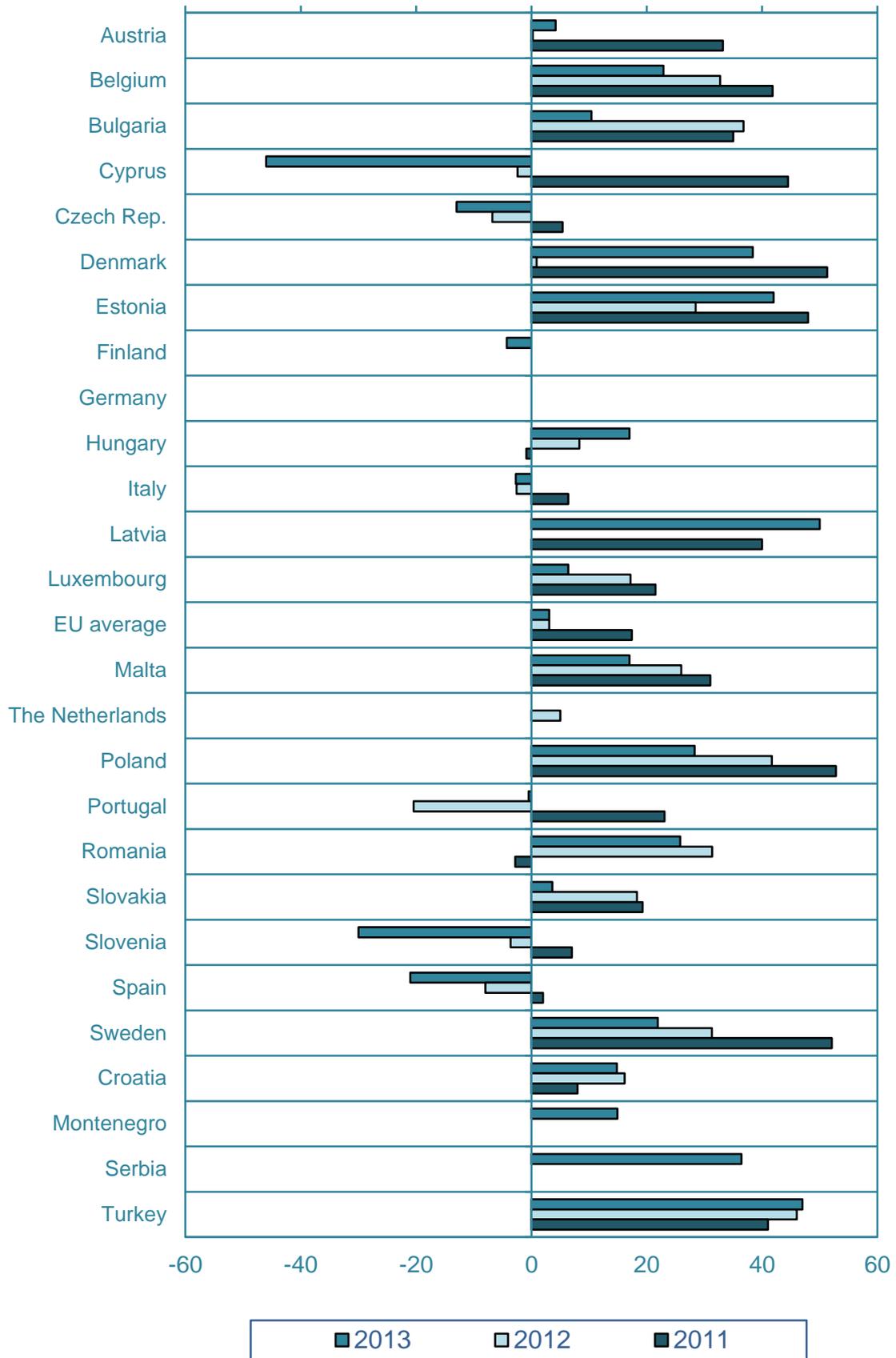
Domestic Sales

“Reversal in historical trend, with a growing gap between Eurozone and non-Eurozone countries”

Domestic sales forecasts remain at similar levels to the previous EES for EU countries, with low, but positive expectations. The survey average presents an increase from last year- especially in the case of EU non-Eurozone Member States which show significant increases in optimism. Building on last year’s slightly lower figures for Eurozone countries compared to non-Eurozone, it is the first time in ten years that Eurozone members are significantly less optimistic. This highlights the impact of the Eurozone crisis and the short-term effects of the response measures on the purchasing dynamic of a number of Eurozone countries.

Country-specific observations

- *Denmark records the greatest increase in optimism.*
- *Expectations in Hungary have increased for a fourth consecutive year and for a third consecutive year in Turkey.*
- *There has been a big fall in Slovenian expectations, as compared to previous years.*
- *Among the Eurozone crisis countries, the drop of domestic demand in Portugal is expected to level out, while there is no sign of stabilisation in Spain.*
- *Businesses in Cyprus are the most pessimistic.*



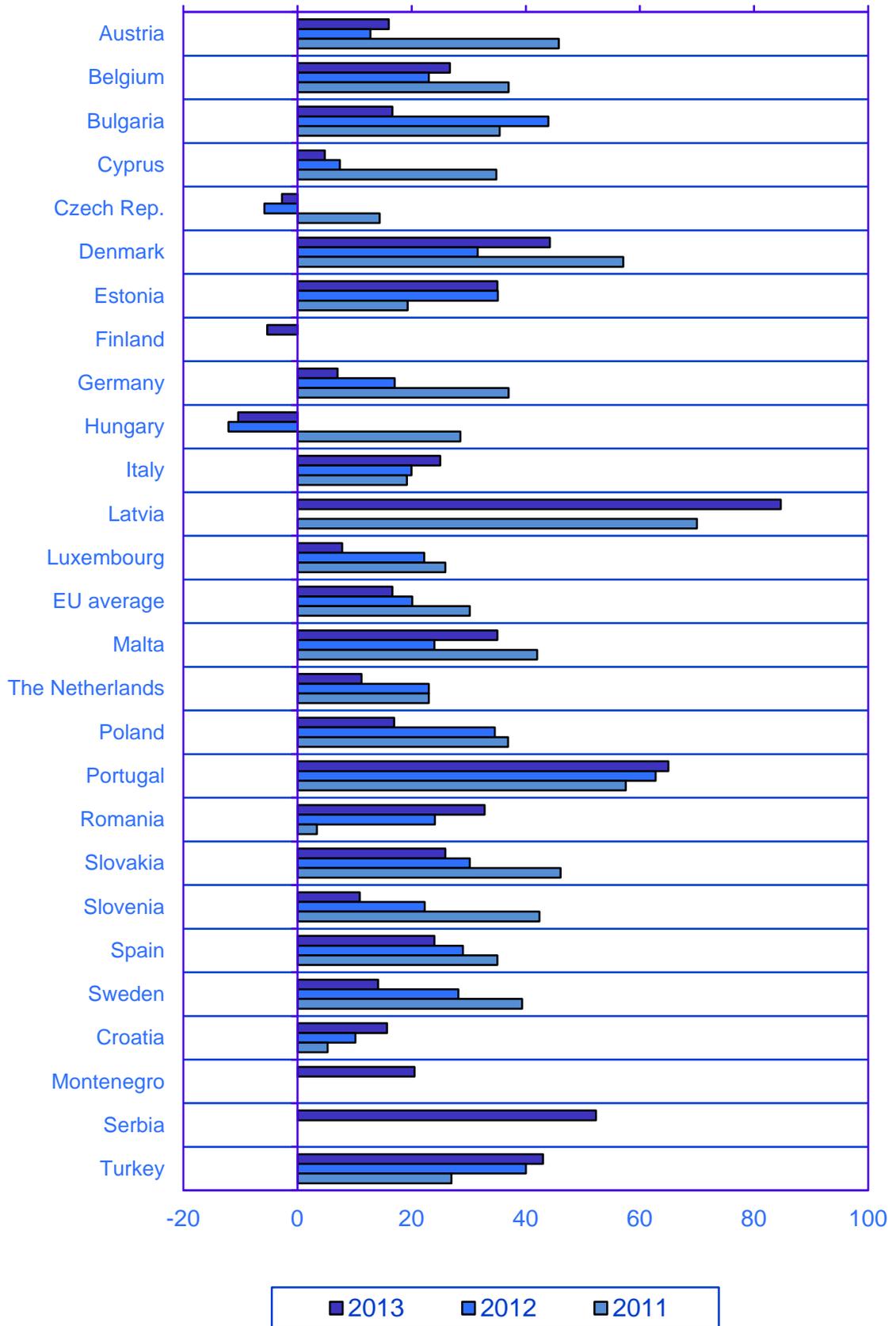
Export Sales

“European businesses expect to remain internationally competitive”

Export forecasts are again positive for the vast majority of respondents, indicating that European businesses expect to remain internationally competitive on the global market. Demand from non-European countries and also, though to a lesser degree, for some European ones is still growing. There is only a small gap between Eurozone and non-Eurozone expectations, with non-Eurozone countries being slightly more optimistic. Year-on-year, non-EU results have become more optimistic, while Eurozone countries have become more pessimistic.

Country-specific observations

- *Among the Eurozone crisis countries, “exports” is the only indicator of the questionnaire where Spanish businesses are optimistic. Portuguese export expectations are at an all-time high, Italy registers significant improvement in this regard as well.*
- *Bulgaria and Poland record the greatest year-on-year fall in expectations, while Denmark and Malta show the largest increase compared to 2012.*
- *Only the Czech Republic, Hungary and Finland have negative expectations.*



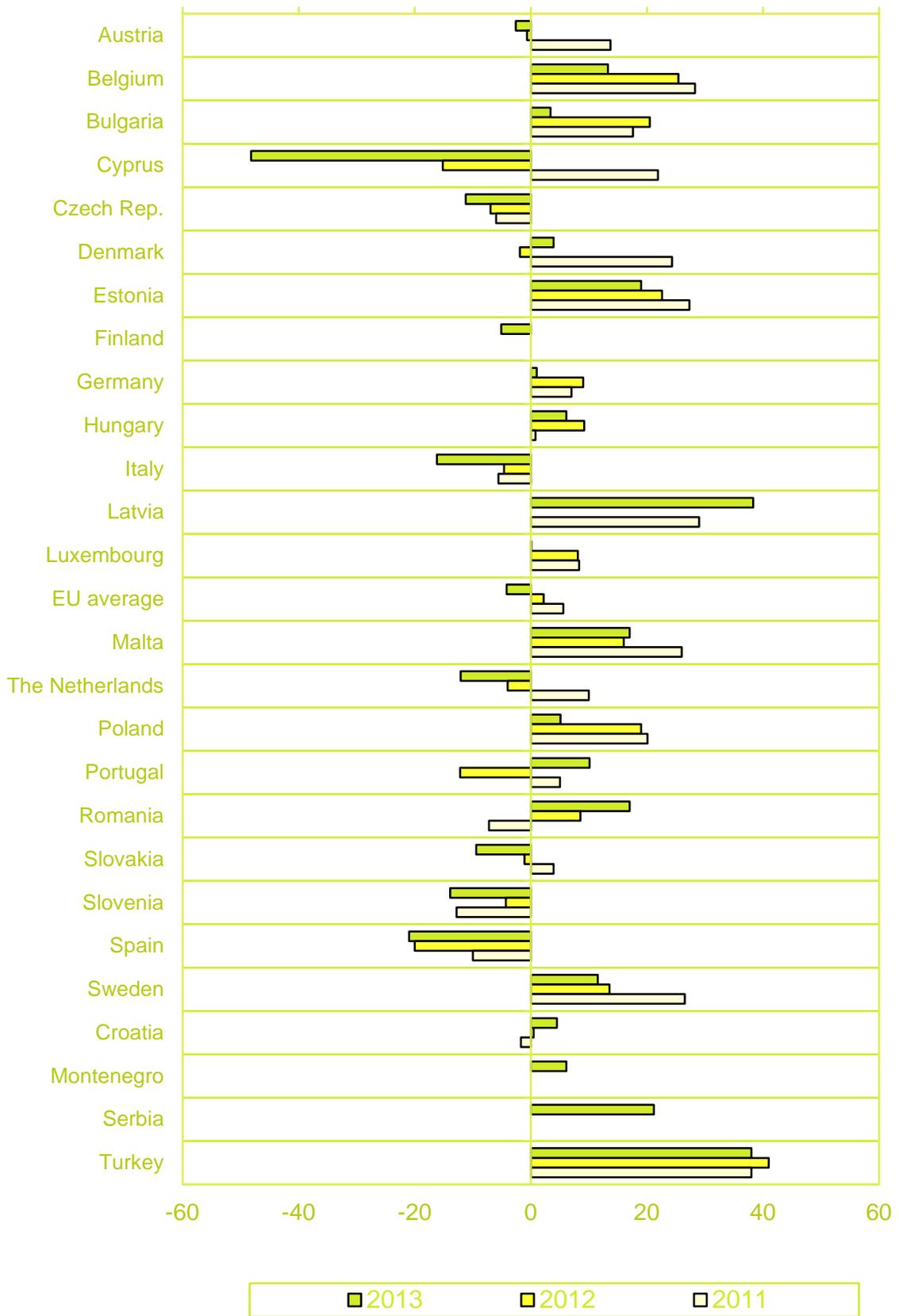
Employment

“Businesses are striving to avoid redundancies”

Eurozone businesses fear that they will be forced to employ less people in the coming year than previously, which would suggest a further increase in unemployment and in inactivity rates. However, non-Eurozone and non-EU members still expect to hire more staff in 2013.

Country-specific observations

- *Romanian, Danish, Maltese and Croatian businesses more optimism for 2013 as compare to 2012.*
- *Among the Eurozone crisis countries, Portugal surprisingly registers positive employment forecasts, but optimism has fallen in Italy for the first time since 2010.*
- *Expectations in Slovakia, the Netherlands, Estonia, the Czech Republic, Cyprus, Belgium and Luxembourg fell for the second consecutive year.*



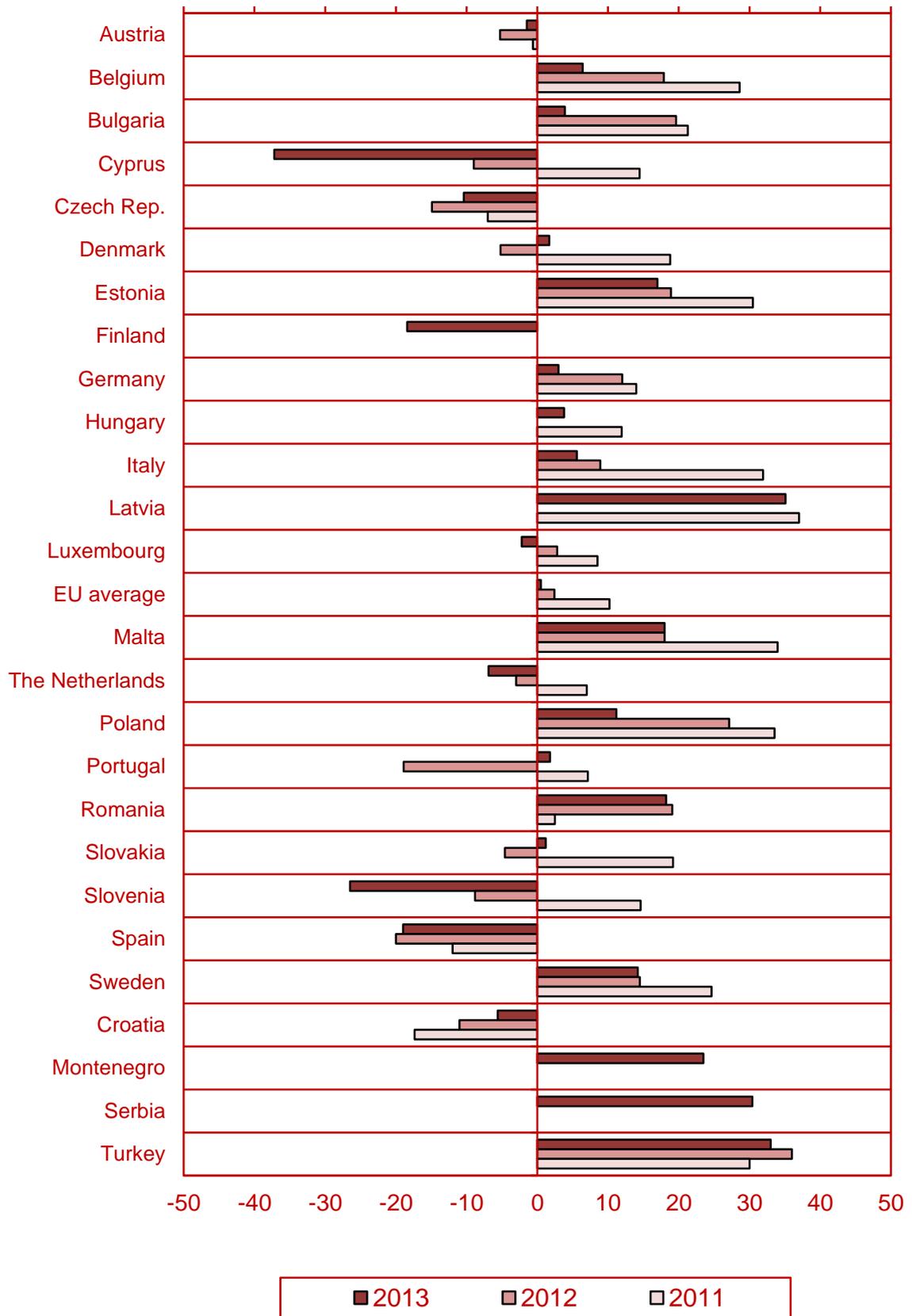
Investment

“Investment levels stable despite uncertain economic climate”

On average, participants have slightly positive investment expectations for 2013. The EU average is marginally positive, with most countries predicting similar levels of investment as 2012. A gradual growth in confidence is especially evident in non-Eurozone countries. Although non-EU members remain very optimistic, there has been a small decrease as compared to last year. This result is perhaps surprising given the economic uncertainty and the fact that many businesses are not currently working at full capacity.

Country-specific observations

- *It is the first year since 2010 that Turkey has registered a small decrease in investment expectations, although it still remains one of the most optimistic countries, alongside Latvia.*
- *Austria, the Czech Republic, Croatia and Spain show negative expectations for the fourth consecutive year.*
- *Among the Eurozone crisis countries, Portugal shows improvement, while Italy and Spain remain reticent.*
- *Cyprus records the biggest decrease in expectations, and is now the most pessimistic participant.*



Conclusions

The results of EES 2013 broadly reflect the bleak prevailing economic climate, modest official forecasts for the year ahead and on-going uncertainty about the delivery and impact of response measures. Some encouragement can perhaps be drawn from the fact that employment, investment and domestic sales predictions are more or less stable compared to 2012, which may indicate that businesses sense that the downturn is bottoming out. Export sales forecasts again provide the greatest cause for optimism, with positive expectations in the vast majority of countries. Nonetheless, general business confidence is unsurprisingly still weak, with all-time low results for this indicator. Overall, EES 2013 points towards a slow and tough recovery, rather than the sharp upswing in the economy that businesses hope for.

Annex

Methodology

About the Survey

The EUROCHAMBRES Economic Survey (EES) is an annual qualitative survey. The sample includes Chambers of Commerce and Industry (CCIs) from most EU Member States and selected non- EU countries. The questionnaire focuses on six economic indicators: business confidence, total turnover, domestic sales, exports, employment and investment. There are 12 questions, two for each indicator: one on the outcomes of the current year as compared to the previous year, and one on expectations for the next year. Participants have a choice of three qualitative answers: “Increased”, “Decreased” or “Remained Constant”.

Detailed Methodology

Questionnaires were sent by national Chambers of Commerce and Industry (CCI) to businesses in both the manufacturing and services sectors, either directly or via regional CCIs. Results were weighted at a regional level based on the size of participating companies and on a national level based on the number of participants from each regional CCI. Results for services and manufacturing were weighted according to the number of participating companies from each category.

In the cases of Finland and Montenegro, participants followed a slightly different methodology. Rather than questionnaires being sent to businesses, they were answered by CCIs either at a national or regional level. Answers were based on their analysis and conclusions regarding the outcomes in 2012 and expectations for 2013 for businesses in both the manufacturing and services industries. The weighting at a national level is based on the GDP of the region which each participating CCI represented. Weighting as regards the combined results for services and manufacturing was done based on the percentage of GDP for each sector in the regions which participating CCIs represented.

National results are a balance figure, obtained by deducting the percentage of companies giving a negative response from the percentage of companies giving a positive response, thereby obtaining the 'net positive response'. At survey level, results were weighted according to national GDPs.

Statistical methodologies used in the national surveys all ensure reliable results.

Questionnaire

YOUR COMPANY'S BUSINESS SECTOR:	
Manufacturing ()	
Services ()	
TURNOVER	LABOUR
<u>Q.1 Compared with 2011, total turnover in 2012 has:</u>	<u>Q.7 Compared with 2011, the size of our workforce in 2012 has:</u>
Increased ()	Increased ()
Remained constant ()	Remained constant ()
Decreased ()	Decreased ()
<u>Q.2 We expect that total turnover in 2013 will:</u>	<u>Q.8 We expect that during 2013 the size of our workforce will:</u>
Increase ()	Increase ()
Remain constant ()	Remain constant ()
Decrease ()	Decrease ()
NATIONAL SALES	INVESTMENT
<u>Q.3 Compared with 2011, revenue from national sales in 2012 has:</u>	<u>Q.9 Compared with 2011, our level of investments in 2012 has:</u>
Increased ()	Increased ()
Remained constant ()	Remained constant ()

Decreased ()	Decreased ()
<u>Q.4 We expect that revenue from national sales in 2013 will:</u>	<u>Q.10 We expect that during 2013 our level of investments will:</u>
Increase ()	Increase ()
Remain constant ()	Remain constant ()
Decrease ()	Decrease ()
EXPORT SALES	BUSINESS CONFIDENCE
<u>Q.5 Compared with 2011, revenue from export sales in 2012 has:</u>	<u>Q.11 Compared with 2011, overall developments for the establishment in 2012 were:</u>
Increased ()	Favourable ()
Remained constant ()	Remained constant ()
Decreased ()	Unfavourable ()
<u>Q.6 We expect that revenue from export sales in 2013 will:</u>	<u>Q.12 We expect that during 2013, overall developments for the establishment will be:</u>
Increase ()	Favourable ()
Remain constant ()	Remain constant ()
Decrease ()	Unfavourable ()

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