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UNICE ECONOMIC OUTLOOK MARCH 2001

The economic climate deteriorates, but economic growth remains reasonable

UNICE today presented its Economic Outlook, a twice-yearly assessment of the economic climate as perceived by industrial and employers' federations.

Economic growth is expected to slow in 2001, although growth rates will remain reasonable, at 2.8% in both the EU-15 and the EU-12. Unemployment in the coming year is set to fall to 8.5% in the EU-12, and 7.8% in the EU-15, while inflation will remain about the same, at 2.2% and 2.1%, respectively. In March 2001 the business climate is clearly worse than it was six months or one year ago. The balance of opinion in industry is now negative, while in services it is only marginally positive. Profit expectations and investment plans for the next six months have similarly declined. There is considerable concern about the effects of a slowdown in the US, as well as uncertainty about the value of the euro. Employment is, nevertheless, expected to increase, although skill-shortages will increasingly be felt, especially in services.

Monetary policy is seen as appropriate in most countries, and the federations now have a strongly favourable opinion of the European Central Bank. In terms of fiscal policy the picture is much less clear – although some governments have made positive moves towards budgetary consolidation in the past years, this effort is not always focussed on the reform of expenditure. "In most countries, more effort will be needed in the future. Population ageing will have very large negative effects unless serious reform is undertaken soon to ensure the sustainability of state pension schemes." UNICE President Georges Jacobs stated. Furthermore, new regulations that inhibit growth and development of new companies continue to be introduced in many countries.

At the Stockholm summit at the end of March, governments have the opportunity to counter this slowdown, and increase the growth potential of the European economy. They need to maintain the momentum generated at the Lisbon summit. The Single Market still needs to be completed; the utilities await deregulation and liberalisation, and the provision of financial services in the European Union remains fragmented. Life-long learning should continue to be encouraged, making the labour force more flexible, and increasing labour market participation. The sustainability of government finances must be monitored and ensured, in particular in view of population ageing.

No new processes are required at the Stockholm summit. Leaders should reinvigorate and prioritise the reform process initiated at the Lisbon summit.

The UNICE Economic Outlook is now available in electronic format at www.unice.org