

17 October 2001

**UNICE ECONOMIC OUTLOOK OCTOBER 2001****The economic situation deteriorates markedly, business is braced for worse**

UNICE, the voice of business in Europe, today presented its Economic Outlook, a twice-yearly assessment of the economic climate in the EU as perceived by industrial and employers' federations. The economic situation in Europe has deteriorated markedly since March of this year. Six months ago, there was hope of only a limited and brief slowdown in economic activity; this now looks overly optimistic. Even before the terrorist attacks in the US, the business climate in the EU continued to display a significant decline and the sentiment among the business community is now strongly negative.

The figures presented in UNICE's report pre-date the terrorist attacks in the US. "These horrific attacks will have a negative impact, although it is too early to assess its magnitude. The effect upon consumer confidence will be determinant; and psychological factors are of great importance here," said UNICE President Jacobs.

The economic slowdown could affect many sectors, with labour markets expected to become looser over the next six months. Governments are still introducing new labour market regulations, which further hamper job creation during this difficult period.

Business taxes are being reduced in many member states. This is welcome. Nevertheless, many governments still need to reform public expenditure. Sufficient budget consolidation has not been achieved yet. Progress is necessary if member states are to fulfil the objectives that are enshrined in the Stability and Growth Pact. All parties involved should consistently support such moves. This will ultimately contribute to lower interest rates.

Considerably more action is also necessary to ensure that public pension systems do not undermine the stability of public finances in years to come. Member states are clearly aware of the problem, but are proving unwilling to address it effectively.

In light of this outlook, UNICE urges EU member states to accelerate the implementation of the measures agreed at Lisbon in order to create the economic framework conditions necessary to overcome this challenge.

The UNICE Economic Outlook is now available in electronic format at [www.unice.org](http://www.unice.org)

*Note to the editor:*

UNICE is the official voice of more than 16 million small, medium and large companies active in Europe, employing over 106 million people. Active in European affairs since 1958, UNICE's members are 33 central industrial and employers federations from 26 countries, working together to achieve growth and competitiveness in Europe.

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