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**EUROPEAN BUSINESS ASSESSES EUROPE'S ECONOMIC PERFORMANCE**

With GDP growth now forecast at 0.9% for 2002 in the Eurozone and 2.1% for 2003, economy recovery will not take off as early as expected six months ago. In a context of European companies struggling to maintain profitability, find financing at an affordable cost and cope with excess capacity in most sectors, additional burdens of any kind, particularly taxes and labour cost, must definitely be avoided.

UNICE has today released its six-month Economic Outlook which analyses recent economic developments, based on a survey of UNICE's member federations in the 15 Member States of the EU.

The Economic Outlook presents an uncertain economic environment threatened by a weakened US economy, depressed stock markets and a tense political situation in the Middle East. UNICE expects a drawn-out recovery as inflation has been driven up by price shocks, cost and price pressure is squeezing profit margins, and most investment decisions are being postponed. Finally, unemployment remains at high levels and keeps down consumer confidence.

*"In these circumstances, Frederik von Dewall, Chairman of the UNICE EMU working group and General Manager and Chief Economist ING explained, the best thing to do is lower labour costs to minimise the increase in already high unemployment".*

UNICE supports economy policy as it stands today, realising that countries with large budget deficits have very little room for manoeuvre. *"Business support for the independence of the ECB is robust"* added Frederik von Dewall.

European business also presents the measures that governments and companies need to take in order to address the difficult economic situation which emerges from the Outlook. Promoting competitiveness, increasing labour productivity, lowering labour costs and improving national finances. are the "musts" for European governments. Business also believes that governments must address overspending to comply with the Stability and Growth Pact. *"Europe has no choice but to adapt its market to achieve a stronger and competitive position in line with the Lisbon strategy "* Frederik von Dewall concluded.

**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. UNICE's members are 34 central industrial and employers federations from 27 countries, working together to achieve growth and competitiveness in Europe.

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