BUSINESSEUROPE

ECONOMIC OUTLOOK
SPRING 2007

8 ½ MILLION NEW JOBS IN 3 YEARS

A SPRINGBOARD FOR NATIONAL REFORMS

BUSINESSEUROPE

WHO ARE WE?

BUSINESSEUROPE, the Confederation of European Business, is the voice of more than 20 million small, medium and large companies.

BUSINESSEUROPE's members are 39 central industrial and employers' federations from 33 countries, working together to achieve growth and competitiveness in Europe.

WHAT IS THE **ECONOMIC OUTLOOK**?

The Economic Outlook twice a year provides a business insight into recent and projected economic developments in Europe, based on a survey of BUSINESSEUROPE member federations.

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BUSINESSEUROPE FORECASTS

Source: BUSINESSEUROPE members survey spring 2007

	Euro area			EU		
Spring 2007 forecasts	2006	2007	2008	2006	2007	2008
Real GDP (annual % growth)	2.7	2.2	2.0	3.0	2.6	2.4
Inflation (%)	2.1	2.0	1.9	2.2	2.2	2.0
Unemployment (%)	7.8	7.4	7.2	7.9	7.3	7.0
Employment (%)	1.3	1.2	1.0	1.5	1.3	1.2
Hourly wage growth (%)	2.6	2.3	2.2	3.1	3.1	2.9
Hourly productivity growth (%)	1.6	1.2	1.4	1.9	1.5	1.6
GDP components						
Private consumption (%)	2.1	1.9	1.8	2.4	2.2	2.1
Public consumption (%)	2.1	1.4	1.4	2.1	1.6	1.6
Gross fixed capital formation (%)	4.4	4.0	3.6	5.3	4.7	4.2
Exports (%)	8.1	5.4	5.0	8.4	5.9	5.9
Imports (%)	8.2	5.6	5.0	8.4	6.2	5.9
Revisions from Autumn 2006						
Real GDP growth	+0.2	+0.2		+0.1	+0.3	
Inflation	-0.2	-0.2		-0.1	-0.1	
Unemployment rate	-0.2	-0.1		-0.2	-0.4	

EXECUTIVE SUMMARY

RECOVERY IN THE EU ON A FIRMER FOOTING

Economic conditions in Europe have continued to develop favourably in recent months, reflecting a broadening of domestic demand growth combined with still buoyant global activity and declining oil prices. These positive developments are reflected in upward revisions to real GDP growth estimates for 2007, to 2.2% for the euro area and 2.6% for the EU as a whole. At the country level, the improved outlook for 2007 is mainly due to indications of a more self-sustaining momentum in Germany, which should allow it to withstand the 3% VAT hike in January this year better than initially expected.

Strong job creation is currently the most encouraging sign in this upturn. According to our estimates, **the EU economy will have created over 8.6 million new jobs over the period 2006 to 2008**, and around 16 million since the peak of the previous cycle in 2000. These positive employment trends are a testimony to the benefit of past reforms aimed at raising participation in the labour market, especially for female and older workers, combined with moderate wage settlements allowing the reintegration of unemployed people. Against this background, the unemployment rate is foreseen next year to reach its lowest level since 1990, at 7.0% for the EU and 7.2% in the euro area. Employment growth will support private consumption by contributing to both higher income and improved confidence.

The current dynamism in business investment, which is increasingly geared towards capacity extension, is another factor contributing positively in the upturn, with growth of 4.7% expected this year at EU level. **Strong job creation and investment growth bear witness of the ongoing contribution of European companies to a sustained recovery.**

Looking further ahead, **growth in the EU seems set to stabilise at around potential next year**, i.e. the pace at which the economy can expand without generating undue inflationary pressures. This scenario relies on the assumption that external demand and domestic financing conditions will remain supportive, albeit less than in the earlier stage of the upturn. Against this background, growth next year should reach 2% in the euro area and 2.4% in the EU: a disappointing performance, illustrating that progress towards reaching the 3% growth potential objective set in Lisbon in 2000 is stalling. **This lack of progress is captured in the slow pace of productivity growth, which is expected to have reached already in 2006 an unimpressive peak of 1.9% in the EU, before stabilising at around 1.5% this year and next.**

INFLATIONARY PRESSURES REMAIN CONTAINED

Consumer price inflation is expected to hover around 2% this year, and move to below 2% in the euro area in 2008. Since our autumn 2006 assessment, inflation forecasts have been revised slightly down, reflecting declining oil prices together with a weaker-than-expected impact of the 3% VAT hike in Germany this year.

In our baseline forecasts, **substantial job creation in the recovery is not expected to feed into a significant build-up of inflationary pressures**, as heightened global competition and dynamic labour supply growth will continue to play a mitigating role. However, it is essential that social partners continue to meet their responsibilities and avoid excessive wage settlements that could discourage labour demand and lead to higher inflation. **The current vigilance of the ECB is warranted to avoid materialisation of upward risks to price stability**. However, these risks should not be overestimated at the time when widening global imbalances push for further euro appreciation.

While wage projections at euro area level appear consistent with the objective of maintaining price stability, they point at the individual country level towards further divergences in cost competitiveness between Germany, Austria or Finland on the one hand and Spain, Italy and Portugal on the other. These persistent divergences are an important source of concern for the business community and must be addressed adequately and in good time. In countries where imbalances have developed, it is particularly urgent that policies are put in place to boost productivity growth and foster moderate wage settlements that are responsive to the aim of restoring external competitiveness.

USE DIVIDENDS OF THE UPTURN TO RAISE EUROPE'S GROWTH POTENTIAL

More positive growth outcomes can be envisaged in 2008 and onwards, in particular if governments are able to capitalise on improved economic conditions to move forward the reform agenda. This would create a virtuous circle of rising confidence and more entrenched domestic demand growth. For this to happen, policy-makers must learn from past mistakes and avoid the complacency that characterised policies during the previous cyclical upturn in the late 1990s. This complacency largely contributed to the lasting underperformance of the EU economy in the first half of this decade.

In particular, insufficient fiscal consolidation during the boom of the late 1990s left too little budgetary margin to cushion the subsequent period of weak economic growth, particularly among the most fiscally profligate countries such as Germany, France, Italy or Portugal. Consolidation plans for the next two years are generally more ambitious than in the past, but current strategies remain excessively focused on tax increases and they too often fall short of the structural adjustments required in good times enshrined in the new rules of the Stability and Growth Pact. **Governments must take better advantage of the ongoing recovery to consolidate public finances from the expenditure side, in view of achieving a sustainable reduction in public debt and to be better prepared for the impact of demographic ageing.**

Second, structural difficulties become less apparent in an upswing, hence leading to reduced political incentives to reform. Such complacency must be resisted at both national and EU-wide level. For instance, productivity growth picked up in 2006, but there is currently no convincing evidence of an entrenched revival, or of sufficient policy measures to support it. Many obstacles continue to prevent European companies and workers from adapting to change and reap more benefits from globalisation and technological changes. In this regard, **priority action is needed to improve the business environment through reduced regulatory burdens, less discouraging tax regimes, more labour market flexibility and heightened competition, particularly in the services sector.** Progress in these areas would have pervasive positive effects throughout the economy and is key to consolidate the current recovery over the years ahead.

The responsibility for reforms lies primarily with the member states, but EU institutions play an important role as well, especially in the period running up to the Spring European Council. The Commission's Progress Report published in December last year has identified key policy priorities for each member state to fill the reform gap. BUSINESSEUROPE has launched its own review of reform progress across the EU and reaches broadly similar, albeit less sanguine, conclusions. Results of the survey are released in a separate publication entitled "European Reform Barometer Spring 2007", and are also available on our website (www.businesseurope.eu/growthandjobs).

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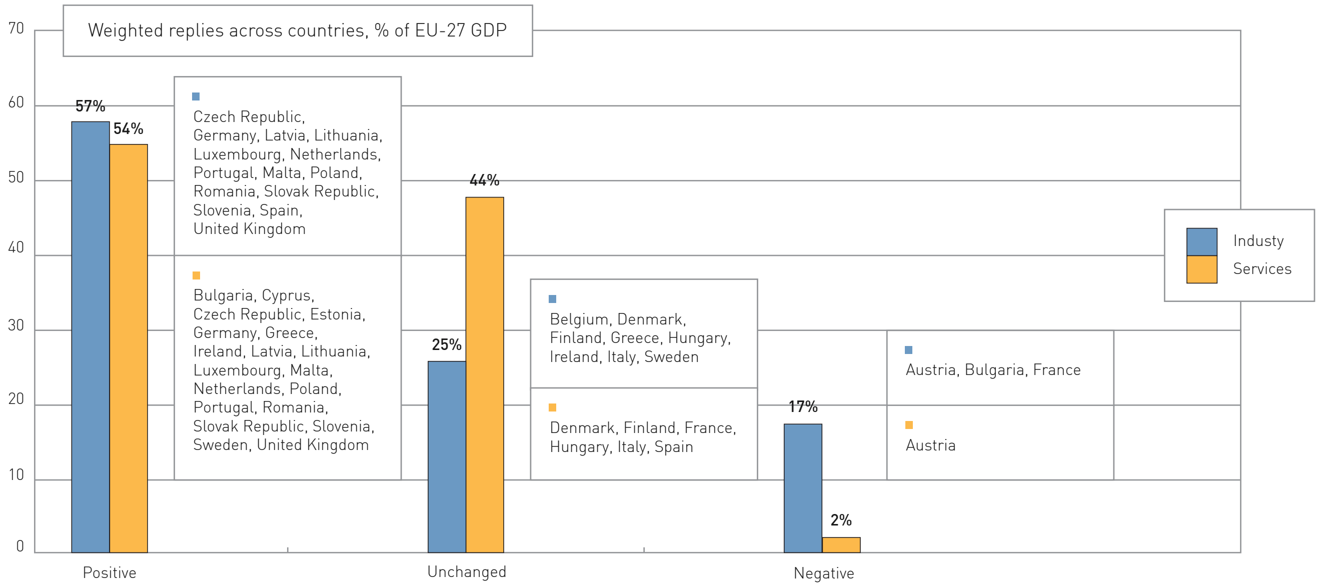
ECONOMIC PROSPECTS AND MACRO POLICIES

OUTPUT AND DEMAND

In 2006 the European economy registered its strongest growth performance in the decade, reaching 2.7% in the euro area and 3.0% in the EU as a whole. This positive outcome was made possible by a combination of exceptionally strong global activity and a broadening of the recovery in domestic demand. The more dynamic economies were found among new member states, but also Ireland, Finland, Sweden, Greece, Spain and Austria. However, the most significant contribution to the growth revival from earlier years was driven by improving economic conditions in Germany.

The strength of the upturn in Germany has been a positive surprise and favourable conditions are expected to carry over in 2007, despite the impact on consumer spending of the 3% VAT tax hike in January this year. Recent developments in other large EU member states have been more contrasted, with a relatively disappointing momentum in France, while upward surprises were registered in Spain or Poland. Over the next six months, BUSINESSEUROPE federations report that the **general climate** in industry and services should improve further in countries representing around 55% of the EU's combined GDP. However, expectations are levelling off in Italy, France, and in some faster growing economies such as Scandinavian countries, Spain (services) and Austria.

Chart 1 General Business Climate over the next 6 months
Source: BUSINESSEUROPE members survey spring 2007



For 2007 as a whole, conditions are in place for the maintenance of a cyclical upturn, although the strong performance of 2006 is not expected to be repeated. **Real GDP growth** is projected to reach 2.2% in the euro area and 2.6% in the EU, which represents a slight upward revision from our autumn forecasts stemming mainly from the more positive outlook for the German economy.

The benign outlook for growth in Europe this year relies on the assumption that the global environment will remain supportive. This scenario currently seems to be vindicated by signs of a soft US landing, with limited negative spillover effects on growth in the rest of the world. In particular, Asia and emerging countries at large continue to post robust growth. Regarding exchange rate developments, the euro has since our last autumn forecast appreciated by another 1.5% against a basket of 23 other currencies (especially against the Japanese yen), but at the same time oil prices have dropped by nearly 10% in euro-denominated terms and are now 25% down from their August 2006 peak. On balance, external conditions remain conducive to a continued upturn in Europe.

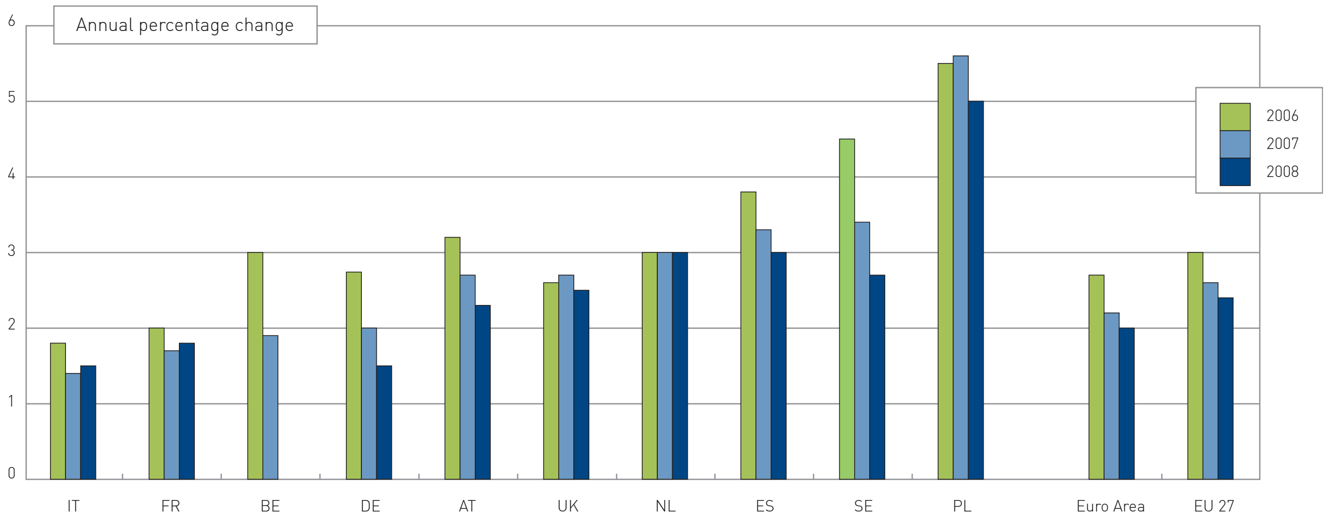
On the side of domestic demand, **investment** is expected to remain dynamic this year, with a growth rate of 4.0% in the euro area and 4.7% for the EU as a whole. This dynamism will be shared by most EU countries, with the exception of Portugal where stagnation is foreseen, and France and Italy which should register more modest increases.

Sound **corporate profitability** will remain supportive to this investment upturn, although the strong improvement in profit margins in 2006 will not be matched this year and next.

At the same time, rising interest rates are expected gradually to put upward pressure on the external **cost of financing** for companies. So far, the impact of higher short-term interest rates has been alleviated to a large extent by very low risk premiums on financial markets, reflected notably in low long-term interest rates and robust stock market gains. But these tempering factors should not be expected to continue indefinitely. Against this background, both internal and external financing conditions should become less accommodative this year and next, hence underpinning more moderate investment growth looking forward.

Moving **to private consumption**, offsetting factors are determining the outlook this year. On the one hand, dynamic job creation, declining unemployment and lower oil prices should foster an acceleration in consumer spending. On the other hand, the VAT hike in Germany, rising interest rates and still guarded long-term expectations reflecting the uncertain future of pension and health care systems are tempering the outlook for a significant consumption revival. On balance, private consumption growth should remain in 2007 at 1.9% in the euro area and 2.2% in the EU.

Chart 2 Real GDP growth forecast
Source: BUSINESSEUROPE members survey spring 2007 - Largest ten member states in terms of GDP levels



In 2008, the cyclical upswing is expected to unwind, with **real GDP growth** settling down to around potential. Against this background, growth in the euro area should reach 2.0%, with sub-average performances in Germany (1.5%), France (1.8%) and Italy (1.5%) compensated by a stronger momentum in Spain (3.0%), the Netherlands (3.0%), Greece (3.8%), Ireland (4.2%) and Slovenia (4.3%). For the EU as a whole, growth should reach 2.4%, reflecting more dynamic developments in the UK (2.5%), Sweden (2.7%), and the continued catching-up of new member states.

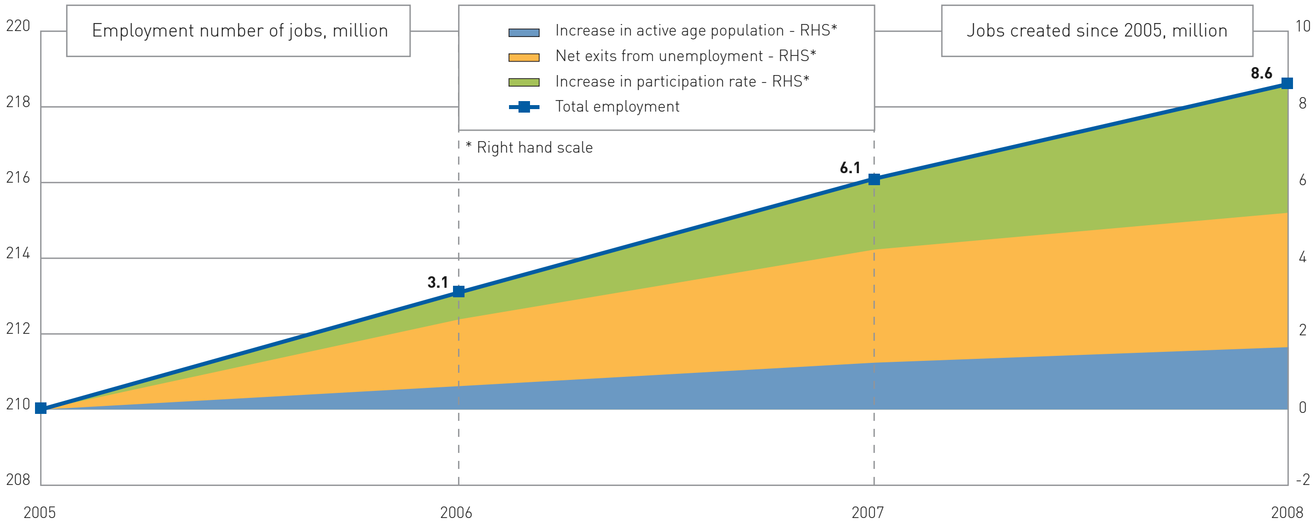
All demand components are expected to grow at a more moderate pace in 2008, but the downward movement will be more pronounced for investment and exports, reflecting the expected softening of global demand combined with less favourable financing conditions. Private consumption growth should remain relatively muted, notably as a result of relatively fragile developments in Germany and Italy.

LABOUR MARKETS AND PRODUCTIVITY

Employment in Europe remains on a significant upward trend, which currently represents the most positive outcome in the current phase of the business cycle. In 2006, around 3 million new jobs were created in the EU, and a similar outcome is predicted for 2007. In fact, short-term employment expectations remain positive, particularly in the services sector where the overwhelming majority of new jobs are being created.

At the country level, most dynamic job creation is currently observed in Spain and Poland, but significant labour market improvements are expected in Germany in 2007. This improved outlook in Germany will offset a slower pace of job creation in most other EU countries this year, compared with 2006.

Chart 3 Employment trends in EU and contributing factors
Source: BUSINESSEUROPE members survey spring 2007



In 2008, more restrained real GDP growth will be reflected in a slower pace of job creation, although another 2.5 million new jobs should be added in the EU. This puts the cumulative increase since 2005 at 8.6 million, against an increase in the **active-age population** by a mere 1.7 million people. Roughly seven million new jobs over that period are therefore the direct outcome of rising **employment rates**, which are expected to be driven up equally by lower unemployment and rising participation in the labour market.

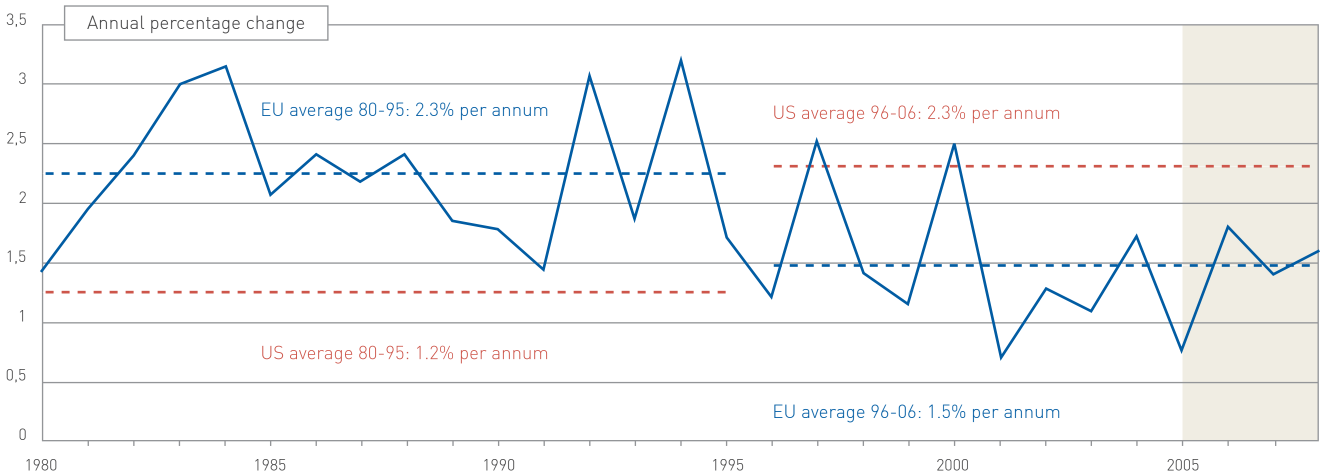
First of all, the EU **unemployment** rate is expected to drop further from 7.9% in 2006 to 7.3% in 2007 and 7.0% in 2008. At the country level, above-average unemployment will be most visible in Poland, Slovakia, Greece, France, Belgium, Spain and Germany, while the lowest unemployment rates will be found in the Netherlands, Denmark, Estonia, Ireland and Austria.

Second, rising **participation in the labour market** is expected to account for roughly three million net job creations in this recovery. The increasing participation of female and older workers is particularly noticeable, and although the Lisbon targets for the employment rate of these two categories still appear a long distance away, it testifies to the benefits of past reforms to step up work incentives. Further progress towards the Lisbon employment rate objectives will require more efforts to increase participation and decrease structural unemployment, but recent experience emphasises that these efforts lead to worthwhile employment dividends.

The positive impact of rising employment rates on growth prospects continues to be overshadowed by a persistently weak **productivity performance**. Productivity growth in the EU as a whole is estimated to have peaked already in 2006, at 1.9% measured per hour worked, and should stabilise over the next two years at around 1.5%.

Regarding the fundamental causes of the poor aggregate productivity performance, obstacles to the entry, growth and innovation of companies are playing a crucial role. The experience of best-performing EU economies shows in this respect the importance of lowering those barriers to trade and competition which dent investment, innovation and technological catch-up. To allow the most innovative and competitive companies to grow and absorb a larger proportion of the available workforce, it is also crucial that flexible forms of labour regulations are promoted together with efficient active labour market policies facilitating transitions on the labour market. This emphasises the importance of the **flexicurity approach** not only to raise employment levels in the EU but also to restore stronger productivity, and hence more self-sustaining and domestically oriented growth.

Chart 4 Hourly labour productivity growth in EU-15
Source: BUSINESSEUROPE members survey spring 2007



BOX 1 ENLARGEMENT IN 2007

ROMANIA AND BULGARIA OPEN UP MARKET OPPORTUNITIES

Romania and Bulgaria joined the EU on 1 January 2007. The economic weight of these two new member states is relatively small and does not imply major changes to the structure of the EU economy as a whole. However enlargement has created new opportunities for all member states alike in terms of trade and investment in a bigger single market.

The share of the public sector in these economies is still lower than the EU average. Public finances are in good shape, as in 2005 Romania reported a surplus of 2.4% of GDP and Bulgaria a deficit of 1.5% while outstanding public debt stayed below 30%. The level of GDP per inhabitant in these two countries remains low compared with the EU. Nevertheless, Romania and Bulgaria are growing rapidly, with real GDP growth forecast at 4% and 6.5% average respectively between 2006 and 2008. Growth is driven by domestic demand, supported by both consumption and investment growth.

On the downside, large current account deficits, which reached 11.3% of GDP in Romania and 8.7% in Bulgaria in 2005, together with above-average inflation signal overheating pressures that need to be addressed in a timely manner.

Table B1 Key economic indicators of euro area, EU and recently joined members
Sources for 2005 data: Eurostat; for the average 2006-2008: BUSINESSEUROPE survey Spring 2007

2005	Slovenia	Romania	Bulgaria	Euro area	EU-27
Total population (million)	2.0	21.6	7.7	315.6	491.9
GDP per inhabitant (thousands €)	13.8	3.7	2.8	25.4	22.3
Employment rate	66.0	57.6	55.8	64.4	63.4
Average 2006-2008					
GDP growth	4.5	4.0*	6.5	2.3	2.7
Inflation	2.6	12.5*	5.5	2.0	2.1

* only 2006 data

SLOVENIA BECOMES 13TH EURO AREA MEMBER

Slovenia's adoption of the euro on 1 January 2007 has enlarged the euro area to a total of 315 million citizens. GDP per capita in Slovenia is still lower than the euro area average, despite a slightly higher employment rate. With sound public finances, inflation projected at around 2.5% over the next two years and growth in excess of 4%, the Slovenian economy appears to be on a sound footing as it enters the single currency area.

However, ensuring sustainable convergence and reaping the benefits of a single currency require continuous structural reform efforts. An ageing population is putting pressure on the pension and health systems, and high youth unemployment needs to be tackled as matter of priority. With the aim of maintaining the competitiveness of the Slovenian economy, social partners must continue to embrace the goal of wage moderation.

PRICES AND COSTS

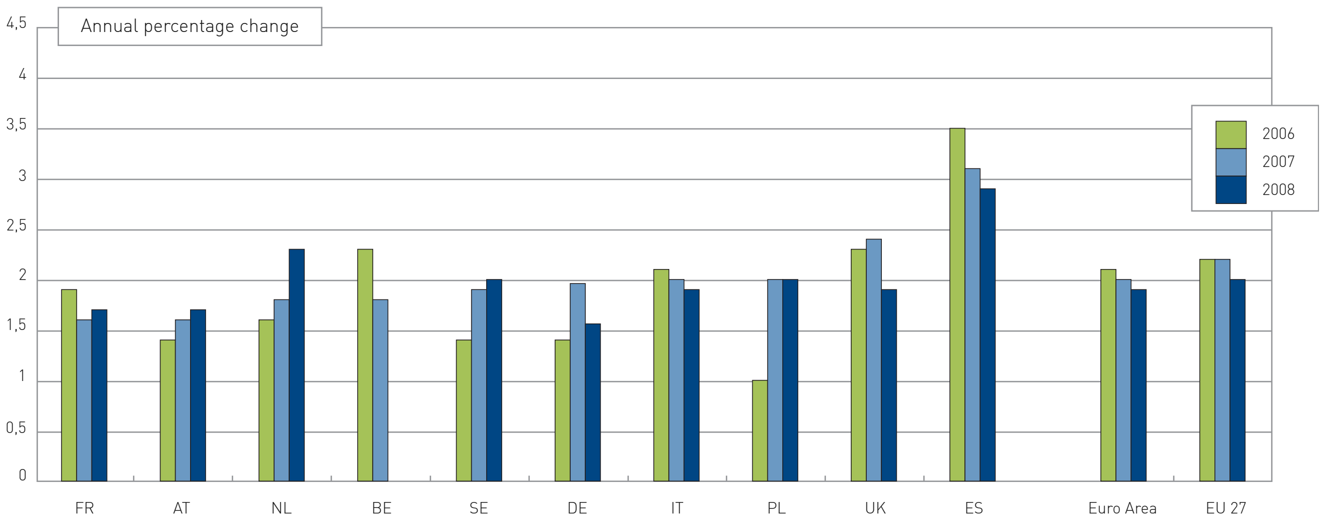
Inflation is expected to remain contained over the next two years, hovering around 2.0% at both euro area and EU levels. Significant declines in euro-denominated oil prices in recent months combined with expectations of a modest impact of the VAT hike in Germany on consumer prices imply a slightly more benign outlook for 2007. Inflation this year is expected to average 2.0% in the euro area and 2.2% in the EU, and to come down in the euro area to below 2% in 2008.

Despite the recent drop, **oil prices** remain elevated, at 44 euros per barrel in February 2007. So far the pass-through of high energy prices to producer and consumer prices has been relatively muted, notably reflecting the responsible behaviour of social partners in wage negotiations.

Expectations that this trend will continue, combined with the more fundamental pressure exerted by global competition and increasing labour participation, mean that only modest underlying wage pressures should develop this year and next. On the back of a stronger-than-expected outlook for growth and the labour market, hourly wage forecasts for 2007 have been revised slightly upwards from our autumn exercise to 2.3% in the euro area and 3.1% in the EU, but they remain largely consistent with the maintenance of price stability over the medium term.

Social partners must be aware that a consolidation of the recovery over the medium term can only be possible if real wage developments do not exceed trend productivity growth and are responsive to the aim of reducing imbalances, related either to high structural unemployment or insufficient external competitiveness at the national level. In the latter respect, wage forecasts across EU member states seem to indicate that widening **competitiveness imbalances** will continue to prevail this year and next. This is an important source of concern, particularly among countries sharing the single currency.

Chart 5 Consumer price inflation forecast
Source: BUSINESSEUROPE members survey spring 2007

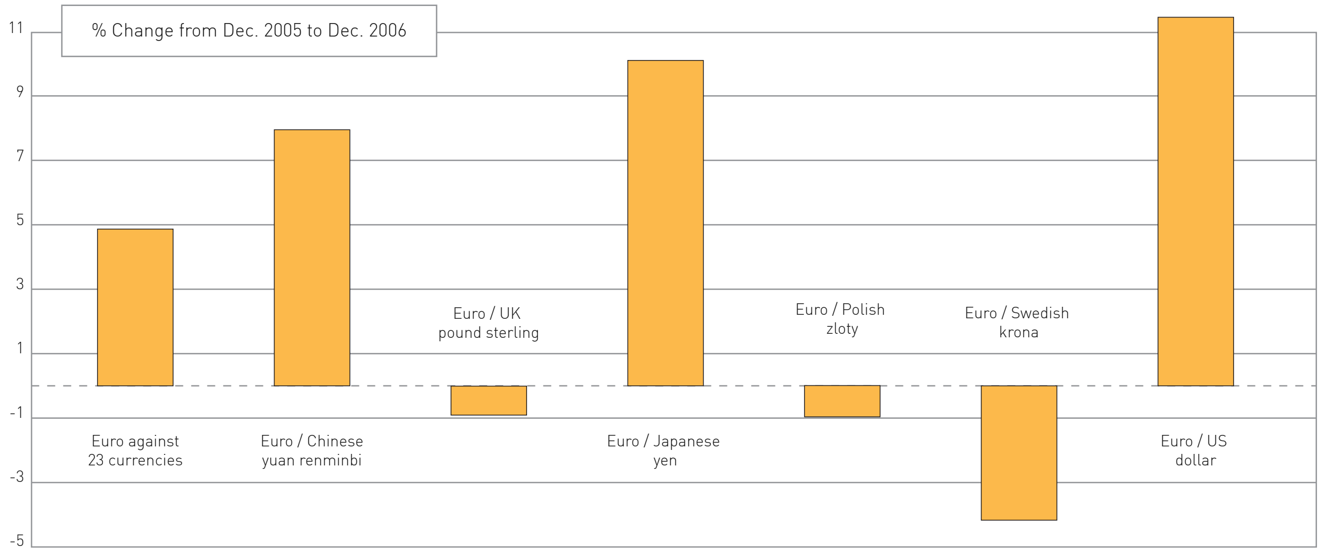


MAIN RISKS TO THE OUTLOOK

Risks to the outlook for growth are relatively balanced overall, with the probability of upward surprises in the evolution of domestic demand largely offset by persistent downward risks related to global imbalances.

Regarding domestic developments, ongoing **labour market** improvements could trigger a more significant upturn in consumer spending than expected in our baseline forecast, by spurring confidence and reducing precautionary savings. Such a positive outcome could be envisaged in Germany, in particular if the government's grand coalition is able to fill the many gaps in its labour market policies and strengthen confidence in a sustainable decline in unemployment. Also on the positive side, faster **fiscal consolidation** could be envisaged in countries such as Spain, Greece, Belgium, Austria or Sweden, thereby contributing to more sustained growth in an ageing society. Low **productivity growth** is viewed as a downside risk to the outlook, in particular in countries having lost significant cost competitiveness in the past, such as Italy, France or Spain. However, this is an area where determined policy actions could turn a downside risk into a positive outcome for the EU economy.

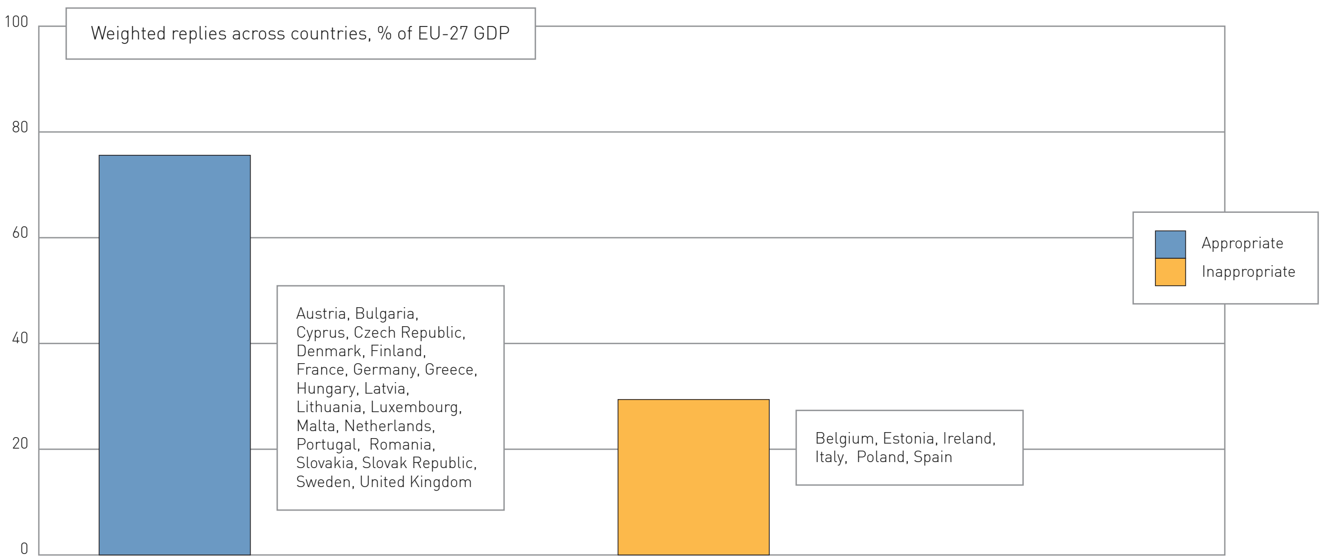
Chart 6 Euro exchange rate developments in 2006
Source: BUSINESSEUROPE based on ECB data



On the external side, the balance of risks remains largely on the downside, despite declining **oil prices** and relatively reassuring signs of a soft landing of the US economy. In fact, widening **global current account imbalances** imply a series of risks to the outlook for growth in Europe and in the rest of the world, ranging from disorderly exchange rate movements to rising protectionist pressures. On exchange rates, developments in 2006 have illustrated that the euro and other European currencies are being trapped in ineffective currency readjustments at the global level. In fact, in a weak dollar environment, regions with large current account surpluses such as China or Japan have also seen their currencies appreciate significantly against the euro. This strong link between major global currencies and the dollar could prove damaging for Europe, should the dollar decline significantly further on the back of US current account deficit concerns.

MACROECONOMIC POLICIES

Chart 7 Assessment of fiscal and monetary policy in the euro area
Source: BUSINESSEUROPE members survey spring 2007



The macroeconomic policy mix is assessed to have slightly improved since our last autumn exercise. According to our spring 2007 survey, federations in 19 countries representing 64% of the EU's aggregate GDP report a broadly appropriate combination of monetary and fiscal policy to support a balanced growth path over the years ahead.

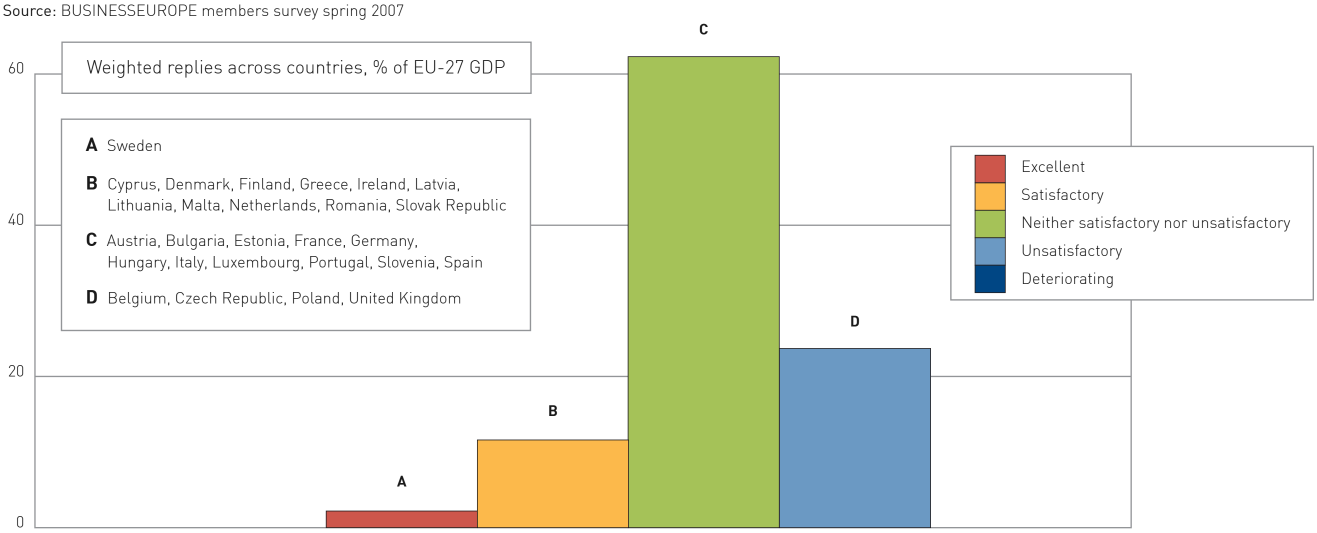
However, despite the expected reduction in fiscal deficits underpinning this more positive assessment, efforts to consolidate public finances in a stronger economic environment are still considered to be less than satisfactory. Regarding monetary policy, the business community supports ECB's current policy stance, but remains vigilant regarding the risks of further euro appreciation against major global currencies.

Fiscal policy

The fact that **fiscal deficits** in 2007 are projected to exceed the 3% ceiling in only 3 or 4 countries out of the 27 EU member states is a welcome development, and could illustrate the better enforcement of excessive deficit procedures since the Stability and Growth Pact was modified in June 2005. However, most member states are considered to be making insufficient use of the current cyclical upturn to move towards sound medium-term budgetary objectives. Fiscal developments in 15 countries representing 86% of the EU's combined GDP are viewed to be less than satisfactory. However, the Netherlands, Denmark, Greece, Finland and Ireland and five new member states view progress as satisfactory while Sweden points to an excellent fiscal situation overall.

In an ageing society, budgetary policy contributes best to medium- to long-term growth when significant structural consolidation is implemented during the upper part of the business cycle, allowing sufficient margins to absorb the subsequent economic downturns. Lessons from earlier mistakes should encourage governments to make better use of the ongoing recovery and progress with public expenditure reforms in order to reduce public debt and be better prepared for the impact of demographic ageing. Failure to do so would lead to more painful adjustments in the future, at a time when economic conditions and demographic trends might leave much less room for manoeuvre. It is essential that commitments under the modified Stability and Growth Pact are fully met in all EU countries, under both its corrective and preventive provisions.

Chart 8 Assessment of progress towards sound medium-term budgetary objectives
Source: BUSINESSEUROPE members survey spring 2007



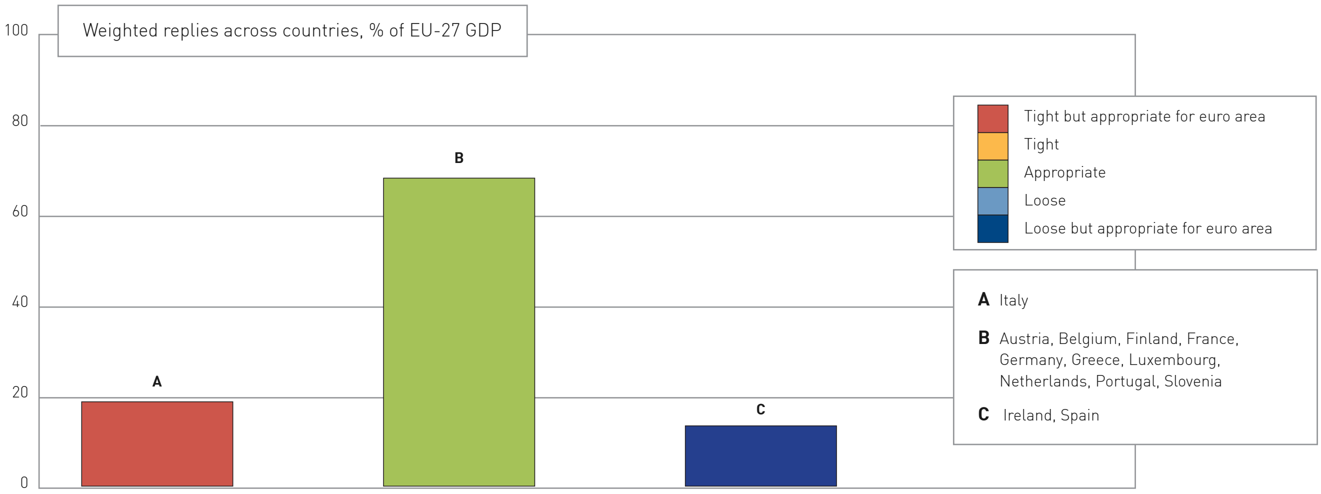
Monetary policy

Since the finalisation of our autumn 2006 Economic Outlook report, ECB raised the interest rate further by 25 basis points on 7 December, putting its main refinancing rate at 3.5%.

ECB continues to indicate that upside risks to price stability prevail over the medium to long term, and that firm and timely action will be needed to avoid these risks materialising.

This has raised expectations of further interest rate hikes in coming months.

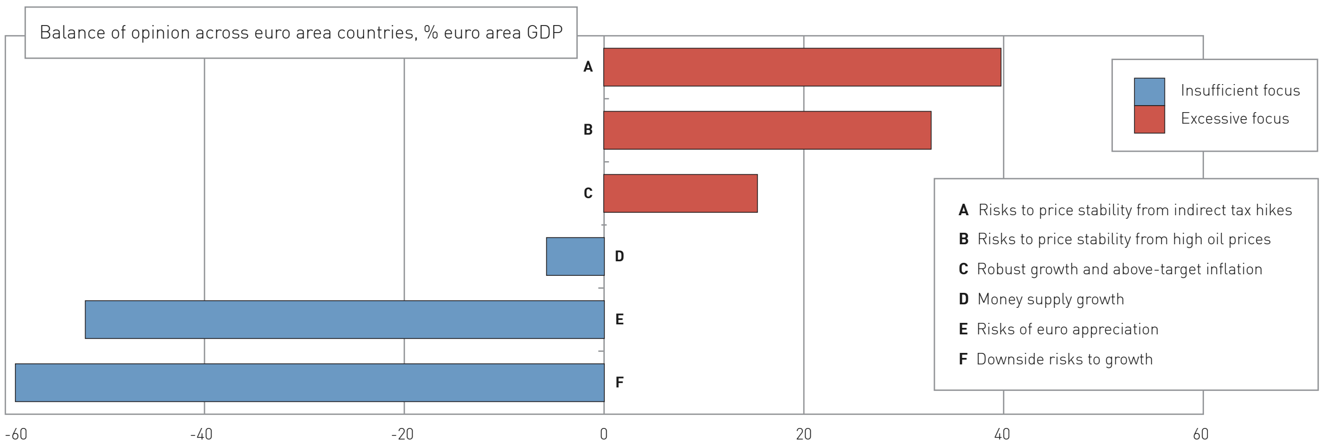
Chart 9 Assessment of ECB's monetary policy stance by euro area countries
Source: BUSINESSEUROPE survey spring 2007



The business community considers that current **interest rate levels** remain low and provide ongoing support to the economic recovery in the euro area. It also supports the objective of firmly anchoring inflation expectations at a low level, as this is the most important contribution that monetary policy can make to high sustainable growth over the medium to long term. Anchoring inflation expectations at a low level is particularly important in the euro area because structural rigidities make prices and wages adjust slowly, hence implying that inflation overruns have worse consequences for future growth and jobs than in a more competitive and flexible economy.

However, upside risks to price stability currently seem limited. Wage developments over the next two years should remain consistent with the maintenance of price stability, and while upside risks can be envisaged in the face of strengthening economic conditions, these risks are tempered by more fundamental factors such as global competition or dynamic labour supply growth. Moreover, risks of continued appreciation of the euro remain acute and have an important bearing on the outlook for growth and inflation in the euro area. Business federations in five countries, representing together 55% of euro area's GDP (40% of exports), report that ECB is currently giving these risks insufficient consideration.

Chart 10 Assessment of ECB analysis underlying its current policy stance
Source: BUSINESSEUROPE members survey spring 2007



Regarding other European central banks, the 25 basis point hike by the Bank of England in January 2007, to 5.25%, came as a surprise but was warranted in view of stronger than expected inflation, which in December reached 3.0%, the highest value recorded since 1991. The move is viewed as an effort to avoid inflationary pressures becoming more deeply embedded in the economy. However, only tentative indications about the outcome of current wage bargaining rounds are available and it is as yet unclear whether the Bank of England's decision will have the desired effect on wage claims.

BUSINESSEUROPE

STATISTICAL ANNEX

BUSINESS CLIMATE OVER THE NEXT SIX MONTHS

Chart A Profitability over the next six months

Source: BUSINESSEUROPE members survey spring 2007

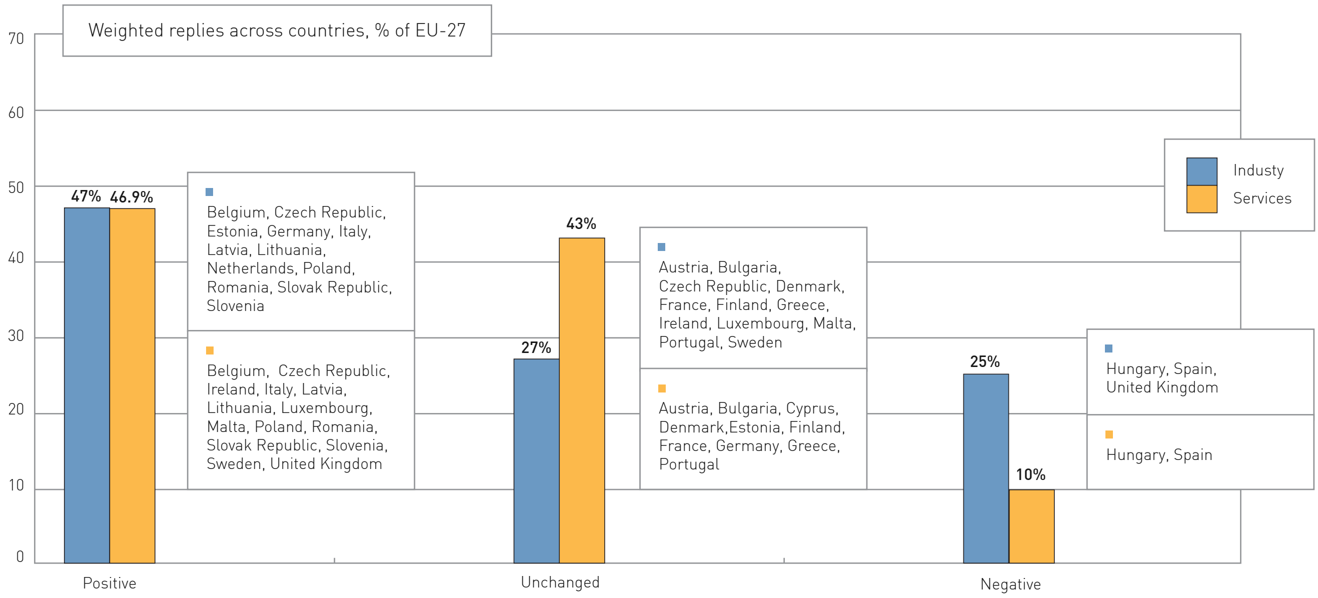
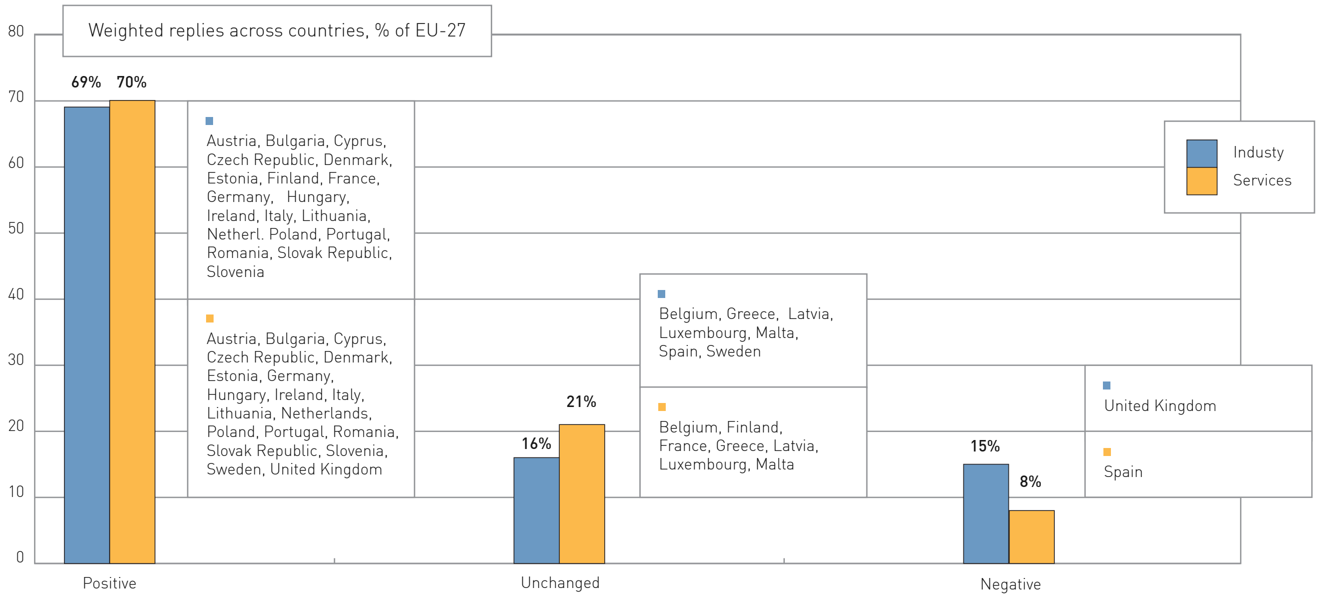


Chart B Investment climate over the next six months

Source: BUSINESSEUROPE members survey spring 2007



COUNTRY DETAILS

	Real GDP growth			Inflation		
	2006	2007	2008	2006	2007	2008
Austria	3.2	2.7	2.3	1.4	1.6	1.7
Belgium	3.0	1.9	na	2.3	1.8	na
Finland	4.6	2.7	2.3	1.6	1.8	1.8
France	2.0	1.7	1.8	1.9	1.6	1.7
Germany	2.7	2.0	1.5	1.4	2.0	1.6
Greece	4.1	3.8	3.8	3.3	3.3	3.0
Ireland	6.0	5.5	4.2	2.7	2.5	2.3
Italy	1.8	1.4	1.5	2.1	2.0	1.9
Luxembourg	5.5	4.0	4.1	3.0	2.2	2.3
Netherlands	3.0	3.0	3.0	1.6	1.8	2.3
Portugal	1.2	1.8	2.1	3.0	2.3	2.4
Slovenia	5.1	4.2	4.3	2.5	2.6	2.6
Spain	3.8	3,3	3.0	3.5	3.1	2.9
Bulgaria	6.5	6.5	6.5	6.5	5.0	5.0
Cyprus	3.7	3,9	4.1	2.5	2.5	2.4
Czech Republic	6.2	5.5	5.0	2.8	3.0	3.0
Denmark	3.1	2.0	1.8	1.8	1.8	1.9
Estonia	11.5	8.5	7.3	4.5	4.4	4.0
Hungary	4.1	2.2	2.6	3.5	6.2	3.3
Latvia	11.5	9.0	7.5	6.5	5.6	4.8
Lithuania	7.8	7.5	7.0	3.8	4.0	3.2
Malta	2.8	2.1	2.2	2.8	2.6	2.4
Poland	5.5	5.6	5.0	1.0	2.0	2.0
Romania	4.0	na	na	12.5	na	na
Slovak Republic	7.5	6.0	5.5	3.6	2.7	2.2
Sweden	4.5	3.4	2.7	1.4	1.9	2.0
United Kingdom	2.6	2.7	2.5	2.3	2.4	1.9
Norway	2.3	4.0	3.0	2.3	1.8	2.0
Turkey	5.4	4.8	na	9.7	6.5	na

	Investment			Employment growth		
	2006	2007	2008	2006	2007	2008
Austria	5.0	4.5	3.8	1.1	0.8	0.8
Belgium	4.7	4.3	na	1.0	1.0	na
Finland	5.9	5.2	5.0	1.4	0.7	0.4
France	3.5	2.8	2.4	0.7	0.5	0.4
Germany	5.3	5.0	3.5	0.6	1.2	1.0
Greece	9.1	7.7	7.7	1.7	1.7	1.5
Ireland	6.0	5.5	2.5	4.6	3.8	2.3
Italy	2.7	2.3	2.6	1.0	0.5	0.8
Luxembourg	na	na	na	3.8	3.2	3.4
Netherlands	4.5	5.0	6.3	1.6	1.4	0.8
Portugal	-3.1	0.0	3.9	0.9	1.0	1.2
Slovenia	11.0	7.0	8.0	1.4	0.9	1.0
Spain	6.3	5.6	5.0	3.1	2.7	2.2
Bulgaria	na	na	na	3.5	4.0	4.0
Cyprus	3.7	2.7	4.6	1.4	1.2	1.2
Czech Republic	6.5	7.8	7.9	1.6	1.0	1.0
Denmark	7.0	2.0	4.0	1.3	0.3	0.2
Estonia	17.0	14.0	10.0	6.5	1.5	0.5
Hungary	6.6	2.1	3.7	0.3	0.0	0.3
Latvia	na	na	na	5.0	1.5	1.0
Lithuania	5.6	5.8	6.1	1.9	2.1	2.2
Malta	1.3	4.6	2.4	1.0	0.8	0.9
Poland	16.0	17.0	20.0	3.5	2.9	2.1
Romania	3.5	na	na	na	na	na
Slovak Republic	3.5	na	na	3.7	na	na
Sweden	8.0	4.0	2.0	2.0	1.4	1.1
United Kingdom	5.7	4.7	2.9	0.8	1.1	1.0
Norway	7.5	3.8	4.0	3.0	2.3	2.0
Turkey	13.5	8.5	na	0.6	1.0	na

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GIVING EUROPE A BOOST

BUSINESSEUROPE

DECLARATION ON THE 50TH ANNIVERSARY OF THE EUROPEAN UNION

The Treaty of Rome laid the foundations for one of the most prosperous and safe regions in the world. Business has always believed in the European project and has supported it because of the benefits it brings to society as a whole.

Peace, stability, creation of an internal market where persons, services, goods and capital can move freely, political and economic integration, common currency, international standing are some of the benefits of Europe which speak for themselves.

But Europe is confronted today with a series of challenges that require concrete actions. In a context of increasing globalisation and fast technological changes, it is necessary that Europe focuses its actions on restoring its competitiveness vis-à-vis other regions of the world which are undergoing tremendous developments.

This is why business demands actions to reinvigorate the European Union. A European Union that is capable of swift and decisive action, when this is required. A European Union that is more capable of coordinating national initiatives. A European Union that can disseminate best practices in one Member State to other Member States. A European Union that takes action to achieve the objectives of tomorrow.

In order to move forward and make the appropriate and needed reforms of its governance and policies, Europe needs strong support from all the actors which are key to its success. The political declaration to be adopted on the occasion of the 50th anniversary of the Treaty of Rome must be the occasion to reaffirm strong support for Europe and the projects on which it must deliver.

Business calls for a boost to Europe which must concentrate its future actions on the following priorities.

DECLARATION ON THE 50TH ANNIVERSARY OF THE EUROPEAN UNION

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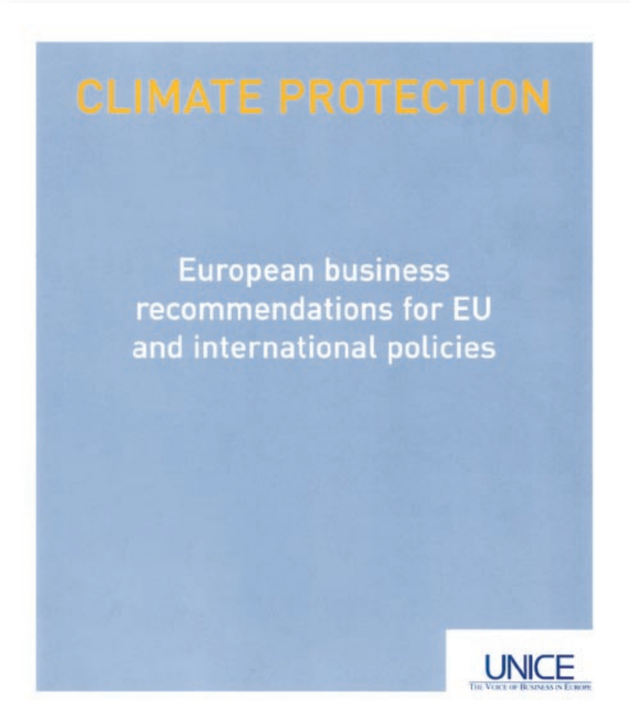

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Hungary	Iceland	Iceland	Ireland	Italy	Lithuania
Luxembourg	Malta	Norway	Poland	Portugal	Portugal
Slovenia	Spain	Sweden	Switzerland	Switzerland	The Netherlands
Turkey	Turkey	United Kingdom			
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