BUSINESSEUROPE

SPEECH

MACROECONOMIC DIALOGUE AT POLITICAL LEVEL
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JUSTUS LIPSIUS BUILDING, RUE DE LA LOI 175, BRUSSELS

ADDRESS BY MARKUS J. BEYRER
DIRECTOR GENERAL OF BUSINESSEUROPE

Ladies and Gentleman,

Let me first thank you for the invitation to be here today, in this macroeconomic dialogue that BUSINESSEUROPE greatly values.

I will start by setting out businesses' views on the economic situation before turning to the policy responses that we believe are needed to improve long-term competiveness.

1. ECONOMIC SITUATION

Since we last met, we have seen small improvements in the economic outlook for both the EU and the Euro Area. *[We think our Autumn forecast, for growth in the Euro Area of 1.2% in 2015 and in the EU of 1.7%, remains broadly valid].*There is clear evidence that those Member States that have undertaken ambitious structural reforms in recent years are now the ones with the most significant growth rates. The examples of Ireland, Spain, Portugal but also the Baltic States, show that investing in competitiveness is ultimately supporting growth and job creation.

However, we should be clear that the overall economic situation is still fragile in most Member States and growth lacks real momentum.

- High unemployment levels and weak investment rates are still limiting growth prospects across the EU.

- Access to finance remains a concern especially for small firms, even though we have recently seen a small easing of credit standards on bank loans.

- While businesses recently provide us with some tentative signals of increasing confidence, the changes in confidence levels are still too feeble to call it a real turnaround.

- In particular, we are concerned that a prolonged period of political uncertainty in Greece could damage business confidence not only in that country, but in the wider EU if allowed to escalate. We therefore urge all parties to act responsibility and reach agreements, which respect previous commitments.

Given that inflation remains well below target, we understand the decision of the European Central Bank to announce a sovereign bond-purchasing programme. Set alongside the more flexible interpretation of the Stability and Growth Pact by the Commission, as well as lower oil prices and a weaker euro exchange rate, we now have a macroeconomic environment that is more supportive of growth, at least in the short-term and offers a window of opportunity for undertaking ambitious reforms in EU Member States.

However, neither the Commission's nor the ECB's actions must be used as an excuse to ease off on essential economic reforms either at EU or Member State level, or else the outcome will be lower long-term growth.

2. PRIORITIES OF THE LATVIAN PRESIDENCY

Turning to the broader policy agenda, we welcome the focus of the Latvian Presidency on a competitive, digital and engaged Europe in order to generate more growth and create more jobs.

In particular, we count on the Latvian Presidency to:

- Take forward the new **European Fund for Strategic Investment**, in a way that ensures simple procedures of governance, free from political interference, which encourage a significant flow of new projects for investment. In addition, we need a step change in efforts to tackle the obstacles hampering private investment in Europe. It is only through **improving the attractiveness of the EU business environment through removing such barriers** that we will fully address the EU's investment gap.

- ensure a fully-fledged **industrial competitiveness roadmap** is presented as soon as possible, in line with the request from the European Council. While many issues likely to be covered in such a road map will in any case be taken forward independently, we believe it is nevertheless important that such a roadmap is presented to ensure that important industrial competitiveness issues are not overlooked, and that the issue is given a strong strategic drive which properly meets stakeholder expectations.

- further develop the **single market for both goods and services. At present, for example, even many** manufacturers' exports are still constraint due to divergent national requirements for their products, or fragmented application of overly complex EU rules.

- agree measures which will enable EU businesses and citizens to take advantage of the **digital opportunities, which we believe through innovations such as** cloud services, data analytics and connected machines, **could add more than €2 trillion to Europe's GDP by 2030.** In particular, we must ensure the creation of a "digital economy proofing instrument" to make sure that new legislative proposals impact positively on the digital economy and not stand in its way.

- Internationally, we urge the presidency to contribute to make progress in the ongoing **transatlantic trade and investment negotiations.**

- And we hope to see the emergence of an ambitious climate agreement in the run-up to the Paris summit and a balanced and adaptable EU 2030 **energy and climate package**.

I would also like to mention that ahead of the Spring European Council we will once again publish our Annual Reform Barometer. In previous years we have highlighted the lack of implementation in Member States of the Commission's country specific recommendations. Whilst we are still compiling the final report, the early indications are that in many member states, reform implementation continues to be unsatisfactory.

So above all, we need member states to take action to put in place ambitious, growth enhancing structural reforms. As President Draghi has said, "for growth to pick up, you need investment; for investment, you need confidence; and for confidence, you need structural reform."

3. CONCLUSION

To conclude, we believe that the priorities set out by the new Commission as well as the investment plan and the Annual Growth Survey go into the right direction. But business now expects to see less talking and more action to improve competitiveness. We must use the window of opportunity offered by the more supportive macroeconomic environment [through a weaker euro, lower oil prices and monetary policy support from the ECB] to put in place the conditions that are essential for long-term growth and prosperity.

Thank you very much for your attention!

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