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**UNICE ECONOMIC OUTLOOK:
RECOVERY ONLY THROUGH INCREASED COMPETITIVENESS**

In the first half of 2003 Europe failed to be its own growth engine. The UNICE survey shows some encouraging signs of recovery, but these must be strengthened by measures which enforce European competitiveness. UNICE estimates the growth rate for 2004 to be 1.7% for the Eurozone (EU-15: 1.8%). Business supports the EU growth initiative to be discussed at the next European Council on 16-17 October, but this will only be helpful in the long term. Moreover, political leaders must renew their political commitments made in Lisbon and finally come to grips with market rigidities and structural imbalances.

The UNICE Economic Outlook is based on a survey of the economic situation in the EU, carried out by its member federations in the 15 Member States.

Even though this has been a bad year due to many uncertainties, the recovery should take hold in the second half. So far, Europe has not caught up with main competitors such as the USA, because it has failed to tackle its real problems, which remain deep: unemployment, reform inertia and fiscal uncertainties.

"The situation seems to be getting better, the business climate is improving", stated Jean-Paul Betbéze, Chairman of UNICE's Economic and Financial Committee. "But this improvement is not sufficient – growth rates in Europe are still 2% lower than in the USA. Policy-makers must implement necessary reforms much more quickly. This is no time to sit on our hands – European recovery is far too slow."

The report supports the policy of the ECB, which has succeeded in cutting inflation and inflation expectations. Both companies and consumers can make plans in a stable environment and benefit from low interest rates. Notwithstanding some existing problems, the strength of the Euro will contribute to low inflation and provide the ECB with more room for manoeuvre in setting monetary policy. Member States are also urged to show more fiscal discipline. An erosion of the Stability and Growth Pact could harm confidence and hurt growth. Its rules must be applied.

Philippe de Buck, UNICE Secretary General concluded: *"Competitiveness is key! The Lisbon strategy must be implemented. Increasing the competitiveness of European companies is crucial to unleash Europe's tremendous potential. The initiative for growth concerns infrastructure issues. This will have effects in the long term."*

The **European Competitiveness Day**, organised on **14 November 2003** by UNICE with the support of the Italian Presidency and the presence of Prime Minister Silvio Berlusconi, intends to bring together hundreds of business leaders from everywhere in Europe to discuss the competitiveness challenges and solutions within reach, which are indispensable for making Europe the most competitive, knowledge-based economy in the world by 2010.

The report is available on the UNICE website at www.unice.org

Note to the editor:

UNICE is the official voice of more than 16 million small, medium and large companies in Europe. Active in European affairs since 1958 UNICE's members are 35 central industrial and employers' federations from 28 countries, working together to achieve growth and competitiveness in Europe.

For further information, please contact: Maria Fernanda Fau: +32 (0)2 237.65.62
Website: www.unice.org