



# STRONG POLICY CHOICES NEEDED TO REBUILD MOMENTUM

## ECONOMIC SITUATION

- **Europe's economic recovery has lost some momentum but has not stalled; we forecast GDP to grow by 1.4% in the EU in 2014**, and by 0.8% in the Euro Area (compared to 1.6% and 1.2% in our spring outlook).
- **We expect the recovery to slightly accelerate in 2015, when we foresee GDP to grow by 1.7% in the EU** and by 1.2% in the Euro Area.
- **Domestic demand and investment should gradually replace net exports as the main growth driver.** We expect EU private consumption growth of 2.5% in 2014, and investment growth of 3.8%.
- **Unemployment is expected to fall slightly in 2015;** currently at 10.1% in the EU and at 11.5% in the Euro Area, we expect unemployment rates of 9.5% in the EU and 10.6% in the Euro Area in 2015.
- **We expect inflation to increase only slowly during the next 18 months.** Inflation in the euro area is expected to be 1.0% in 2015.
- **While the overall economic impact of the Ukraine crisis on the EU economy may have been fairly muted, individual countries and companies are more severely affected.** In a low growth environment, a further escalation of tensions poses a number of risks to the EU economy.

## POLICY CONSIDERATIONS

- **We welcome the measures the ECB has taken in June and September 2014**, particularly to restore lending to the real economy and strengthen financial market stability. However, the ECB's actions alone will not be sufficient to ease credit conditions, improve investment and restore growth.
- There are clear signs that **genuine structural reforms** have contributed to the Member States' recovery. Yet, additional structural reforms to support competitive product and services markets, labour market flexibility, improved access to finance, and a deeper single market all need to be forthcoming.
- In order to achieve a **more growth-friendly composition of fiscal policies**, lowering the tax burden in a budget-neutral way and cutting expenditure in unproductive areas is essential.
- **Recognising the flexibility embedded within the stability and growth pact, Member States must demonstrate their commitment to fiscal reforms by adhering to EU budgetary rules.**
- **Whilst global falls in energy prices continue to contribute to low inflation, industrial electricity prices remain more than double than those in the US and Russia**, raising concerns about EU's industrial competitiveness. This highlights European companies' need for clear policy decisions to reduce energy prices: phasing out the renewable subsidy programs, diversifying the energy sources, completing the internal energy market and lowering energy taxes. Also, there should be enough investments to develop the necessary interconnections and to improve the infrastructure as efficiently as possible.



### 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.

Answers to this autumn's questionnaire were received in September 2014.

### FOR FURTHER INFORMATION:

**Economics Department**

**James Watson**, Director and **Frederik Lange**, Adviser

**Tel:** +32 (0)2 237 65 26 - **E-mail:** [f.lange@businessseurope.eu](mailto:f.lange@businessseurope.eu)  
BUSINESSEUROPE Av. de Cortenbergh 168 – 1000 Brussels

---



### 1. OVERVIEW

#### The recovery lost some of its momentum...

Against the background of geopolitical tensions in the Ukraine and the Middle East and record low inflation levels, the economic recovery in the EU has lost some momentum. Recent economic results in the Euro Area are lower than expected (notably in Q2 showing output unchanged in the Euro Area) and the forecasts of many institutions have also been slightly revised downward.

Nevertheless, we believe that the European economy continues to grow. We expect GDP to grow by 1.4% in the EU and by 0.8% in the Euro Area in 2014, and by 1.7% in the EU and 1.2% in the Euro Area in 2015. This implies a small downward revision of 0.2 percentage points for the EU and 0.4 percentage points for the Eurozone from our last forecast in spring 2014.

**Table 1: BUSINESSEUROPE main forecast**

Main Variables	EU28		Euro area	
	2014	2015	2014	2015
<b>Real GDP (annual % growth)</b>	<b>1.4</b> (-0.2)	<b>1.7</b> (-0.2)	<b>0.8</b> (-0.4)	<b>1.2</b> (-0.4)
<b>Inflation (%)</b>	<b>0.8</b> (-0.5)	<b>1.3</b> (-0.3)	<b>0.6</b> (-0.9)	<b>1.0</b> (-0.3)
<b>Unemployment (%)</b>	<b>10.4</b> (-0.2)	<b>9.5</b> (-0.4)	<b>11.2</b> (-0.5)	<b>10.6</b> (-0.6)
<b>government net lending (% of GDP)</b>	<b>-2.9</b> (-0.4)	<b>-2.6</b> (-0.2)	<b>-3.0</b> (-0.3)	<b>-2.5</b> (-0.3)
<b>gross public debt (% of GDP)</b>	<b>90.1</b> (+1.7)	<b>89.6</b> (+1.8)	<b>97.4</b> (+0.4)	<b>96.6</b> (+0.3)

GDP components	EU28		Euro area	
	2014	2015	2014	2015
<b>Private consumption (%)</b>	<b>2.5</b>	<b>2.8</b>	<b>0.8</b>	<b>1.2</b>
<b>Public consumption (%)</b>	<b>2.1</b>	<b>1.7</b>	<b>0.7</b>	<b>0.3</b>
<b>Gross fixed capital formation</b>	<b>3.8</b>	<b>5.3</b>	<b>1.7</b>	<b>3.4</b>
<b>Exports (%)</b>	<b>4.7</b>	<b>5.8</b>	<b>3.3</b>	<b>4.6</b>
<b>Imports (%)</b>	<b>4.8</b>	<b>5.9</b>	<b>3.4</b>	<b>4.9</b>

Source: BUSINESSEUROPE's forecast based on survey of Member Federations

#### ...even though domestic demand and investment slowly accelerate

While the recovery was previously to a great extent driven by net exports, future growth is expected to gradually broaden to domestic demand and gross fixed capital formation. Private sector consumption (+2.5% in 2014 and +2.8% in 2015) and investment (+3.8% in 2014 and +5.3% in 2015) are expected to gradually increase. Even though exports should be encouraged by the fall of the Euro against the US dollar by around 7% from January to September (i.e. from \$1.36/€ to \$1.27/€), net exports remain weak.

#### Stronger growth rates and reforms are needed for a job-rich recovery

Unemployment rates across the EU remain uneven. Although unemployment rates improved slightly in recent months, they still remain high with 10.4% in the EU and 11.2% in the Euro Area. We expect



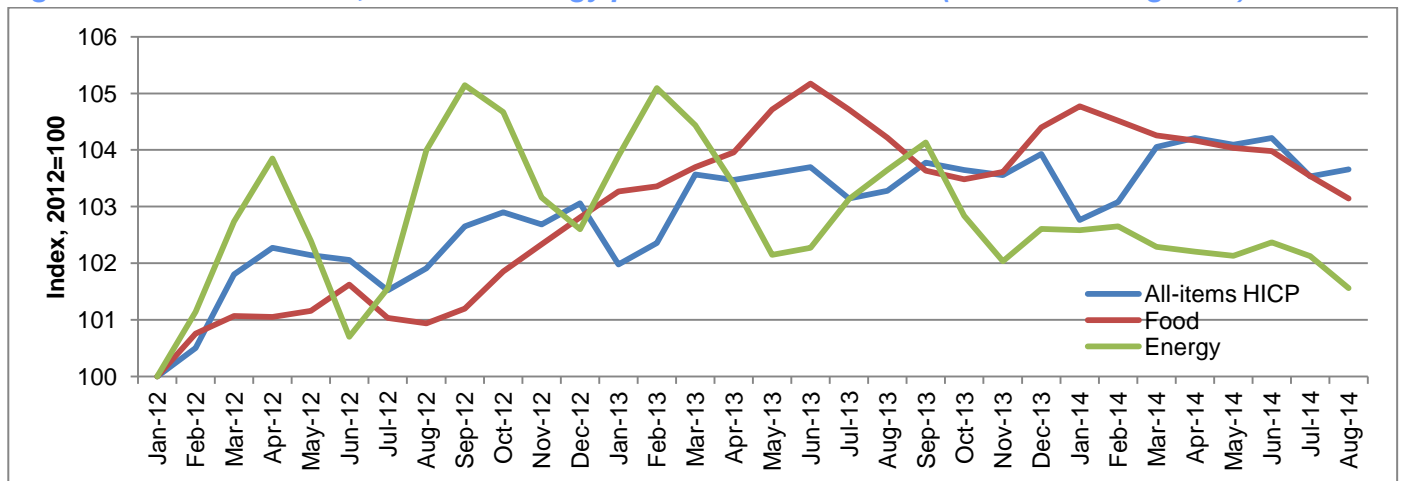
unemployment rates to fall to 9.5% in the EU and 10.6% in the Euro Area in 2015, consistent with the improvements in domestic demand and increasing growth.

While it is not unusual that improvements in unemployment rates lag behind increasing GDP growth, it remains questionable if the feeble growth in Europe together with current product market and in particular labour market reform efforts is sufficient to really bring down unemployment to moderate levels. As Mario Draghi pointed out in his speech at the annual central bank symposium in Jackson Hole, “no amount of fiscal or monetary action can compensate for the necessary structural reforms in the euro area”. Draghi pointed in particular to the importance of policies which allow workers to redeploy quickly in new job opportunities, by for example enabling firm-level agreements that allow wages to better reflect local labour market conditions and which allow greater wage differentiation across workers and between sectors.

### Both food and energy price falls are contributing to low inflation

As has been well documented, low inflation rates remain a particular concern in the Euro Area. We expect inflation rates in the Euro Area to only slowly increase to 1.0% in 2015.

**Figure 1: Overall inflation, food and energy prices in the Euro Area (Jan 2012 – Aug 2014)**



Source: Eurostat

Recent developments in both food and energy prices have contributed to the weak outlook on inflation as shown in Figure 1. Nevertheless, industry in the EU still pays three to four times higher gas prices than the industry in the US, India or Russia, with the recent fall in the euro raising import prices. Similarly, industrial electricity prices are more than double than those in the US and Russia. This highlights European companies’ need for clear policy decisions to reduce energy prices: phasing out the renewable subsidy programs, diversifying the energy sources, completing the internal energy market and lowering energy taxes. Also, there should be enough investment to develop the necessary interconnections and to improve the infrastructure as efficiently as possible.

### The risks remain at the downside and point to the importance of strong policy decisions

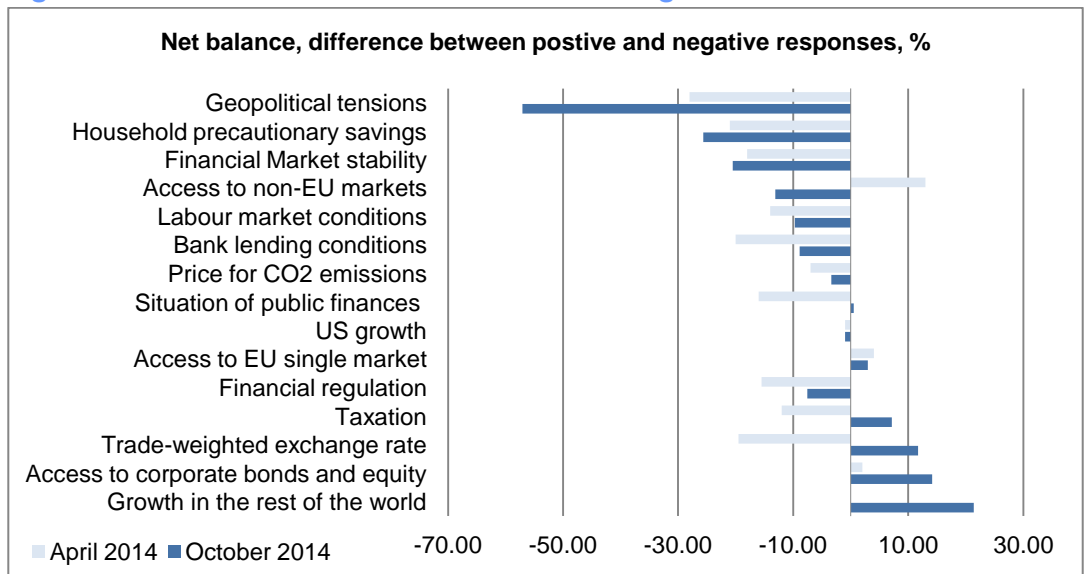
The risks surrounding our economic forecast remain on the downside (Figure 2). With the introduction of sanctions between Russia and the EU as well as the continuing instability in the Middle East, geopolitical



tensions and access to non-EU markets as a risk factor have increased significantly. Members also point to household precautionary savings, financial market stability, labour market and bank lending conditions as key risks.

In contrast, members hope that growth in the rest of the world might spill over to Europe. Clearly, financial market regulation in the EU has been driven forward by policy makers and is now regarded as a less negative risk compared to spring.<sup>1</sup>

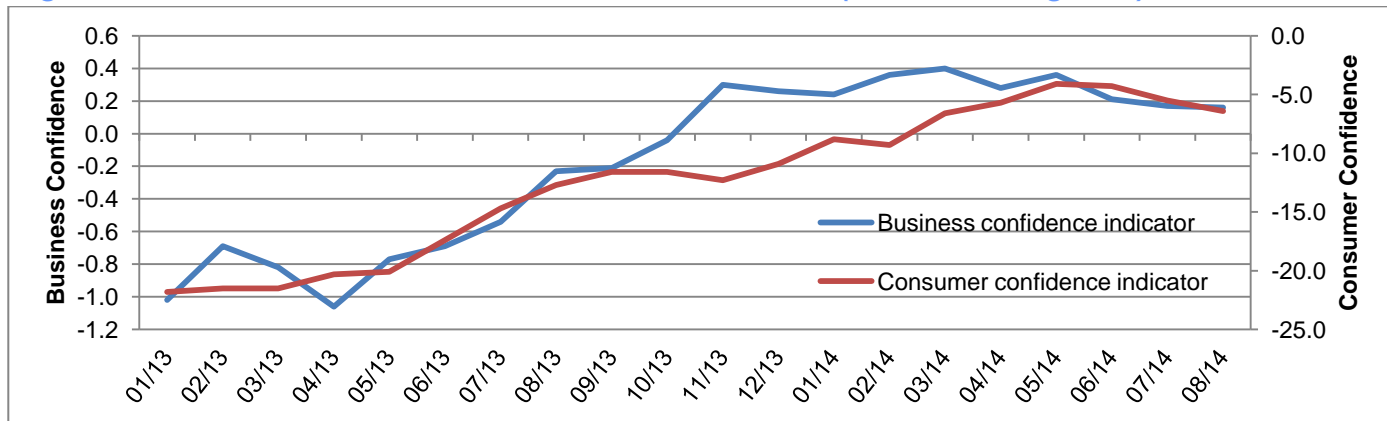
**Figure 2: Main risks to the BUSINESSEUROPE growth baseline scenario**



Source: BUSINESSEUROPE's survey of Member Federations

As shown by Figure 3, the decreasing impetus for growth is also observable in confidence indices. Since our last forecast in April 2014, business and consumer confidence both declined. This has happened after strong increases in the previous year. Declining confidence poses a risk that businesses reduce their investment expenditure with negative side-effects on growth.

**Figure 3: Business and Consumer Confidence in euro area (Jan 2013 – Aug 2014)**



Source: European Commission, DG ECFIN

<sup>1</sup> The ECB stress tests results, to be released on 26 October 2014, are expected to show some problems in some banks and may thus also bring a certain level of uncertainty.



## 2. COUNTRY DIFFERENCES

### Competitiveness improvements are bearing fruits

The economic recovery is not only weak and fragile but also highly uneven between Member States. Ireland, Latvia, Poland, and Lithuania stand out as very positive examples where high growth rates are expected in the upcoming two years, demonstrating that reforms aimed at reducing competitiveness imbalances are increasingly bearing fruit. However, in contrast to the UK or Luxembourg that also depict high future growth, unemployment rates remain high. Cyprus, Italy and Croatia still expect negative GDP growth for 2014, but are forecast to start growing in 2015.

*Table 2: Main forecasts for all the economies surveyed*

% Change	Real GDP growth		Inflation		Unemployment	
	2014	2015	2014	2015	2014	2015
Austria	0.8	1.6	1.8	2.0	5.0	5.0
Belgium	1.1	1.5	0.6	1.3	8.5	8.3
Cyprus	-4.2	0.9	0.2	1.1	18.6	18.0
Estonia	0.7	3.0	0.8	2.4	8.5	8.5
Finland	0.0	1.2	1.1	1.5	8.6	8.5
France	0.4	0.8	0.5	0.9	9.8	10.2
Germany	1.3	1.2	1.0	1.4	4.7	4.9
Greece	0.6	2.9	-0.7	0.3	26.0	24.0
Ireland	6.1	4.5	0.3	0.8	10.9	9.6
Italy	-0.4	0.5	0.3	0.5	12.5	12.5
Latvia	2.9	2.8	0.8	0.4	11.0	10.8
Luxembourg	2.6	2.7	1.4	2.4	5.7	5.5
Malta	2.3	2.3	1.2	1.9	6.5	6.5
Netherlands	0.8	1.3	0.5	1.0	7.0	6.8
Portugal	1.0	1.5	0.0	1.0	14.2	13.1
Slovak Republic	2.2	3.1	0.4	1.6	13.6	12.9
Slovenia	0.8	1.4	0.7	1.2	10.1	9.8
Spain	1.2	1.9	0.0	0.9	24.5	22.4
Bulgaria	1.8	2.5	1.0	2.0	12.0	12.0
Croatia	-0.3	0.4	0.1	1.6	17.5	17.3
Czech Republic	2.2	2.4	0.6	1.9	6.2	6.1
Denmark	0.5	1.7	0.4	1.0	6.6	6.4
Hungary	3.0	2.0	0.3	2.5	8.0	8.0
Lithuania	3.1	3.5	0.7	1.5	10.9	9.8
Poland	3.2	3.4	1.1	1.9	9.9	9.5
Romania	2.5	2.6	2.5	3.3	7.2	7.1
Sweden	2.2	3.3	0.5	1.5	7.9	7.3
United Kingdom	3.2	2.7	1.6	1.8	6.3	5.8
Norway	2.0	1.8	n/a	n/a	3.5	4.0
Turkey	2.6	3.3	8.6	7.4	10.5	10.4
Iceland	2.8	3.2	2.7	3.2	5.0	4.5

Source: BUSINESSEUROPE's survey of Member Federations;

Inflation expectations are below 2% for almost all EU Member States, not just the Euro Area, with Romania being the notable exception. The low inflation rates make it particularly difficult to bring down the high public debt levels, expected to be 90.1% for the EU and 97.4% for the Euro Area in 2014. Only as of 2015, is the gross public debt as a share of GDP forecast to fall.

Recognising the flexibility provided by the Stability and Growth Pact, Member States must show their genuine commitment to fiscal reforms by reducing debt to more sustainable levels. Businesses advocate doing so by lowering the tax burden in a budget-neutral way in areas where fiscal multipliers are high and cutting expenditure in unproductive areas where fiscal multipliers are low.



### BOX 1: THE ECONOMIC IMPACT OF THE CRISIS IN UKRAINE

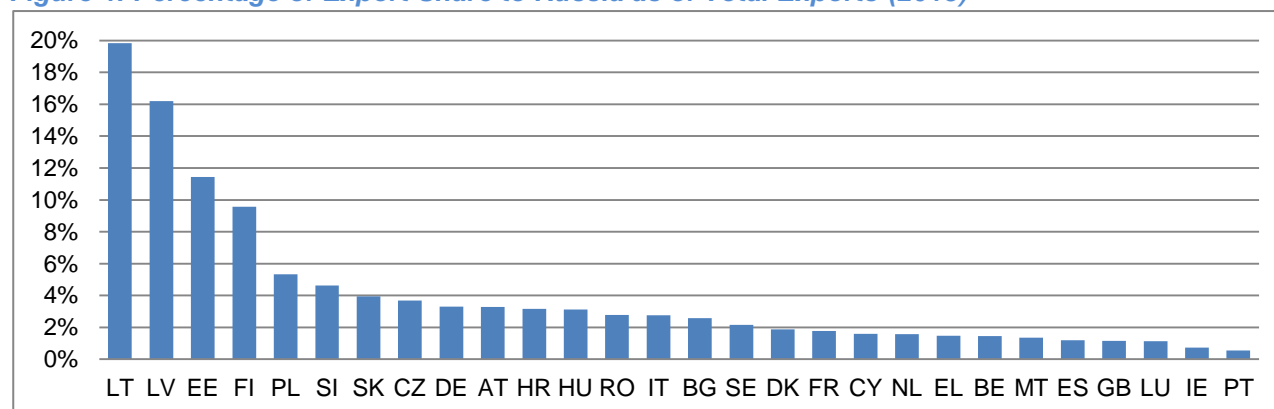
*Recent falls in EU business confidence have frequently been linked by commentators to political tensions during the year in the Ukraine. In this box, we consider what economic impact the Ukraine crisis has had on the economies of the EU and Russia since clashes began in Kiev in February 2014.*

*We find that while tensions have had until now, a fairly muted impact on the EU economy as a whole, the impact has been much larger on some individual sectors and countries. For Russia, the impacts seem stronger; we observe a stock market decline and significantly lower growth forecasts for 2014. Even though the impact on recent GDP may have been small, such changes can have the potential to appear significant in the present environment of low growth. While the situation in Ukraine has improved since the beginning of the cease-fire talks at the start of September, a further escalation of tensions still poses a significant risk for the European economy.*

#### Impact of the crisis on the European Economy

Looking at Figure 4, one can see how diverse the economic ties are between individual Member States and Russia. While for example 19.8 % of Lithuanian exports go to Russia, this figure is only 0.6% for Portugal.

**Figure 4: Percentage of Export Share to Russia as of Total Exports (2013)**



Source: Eurostat

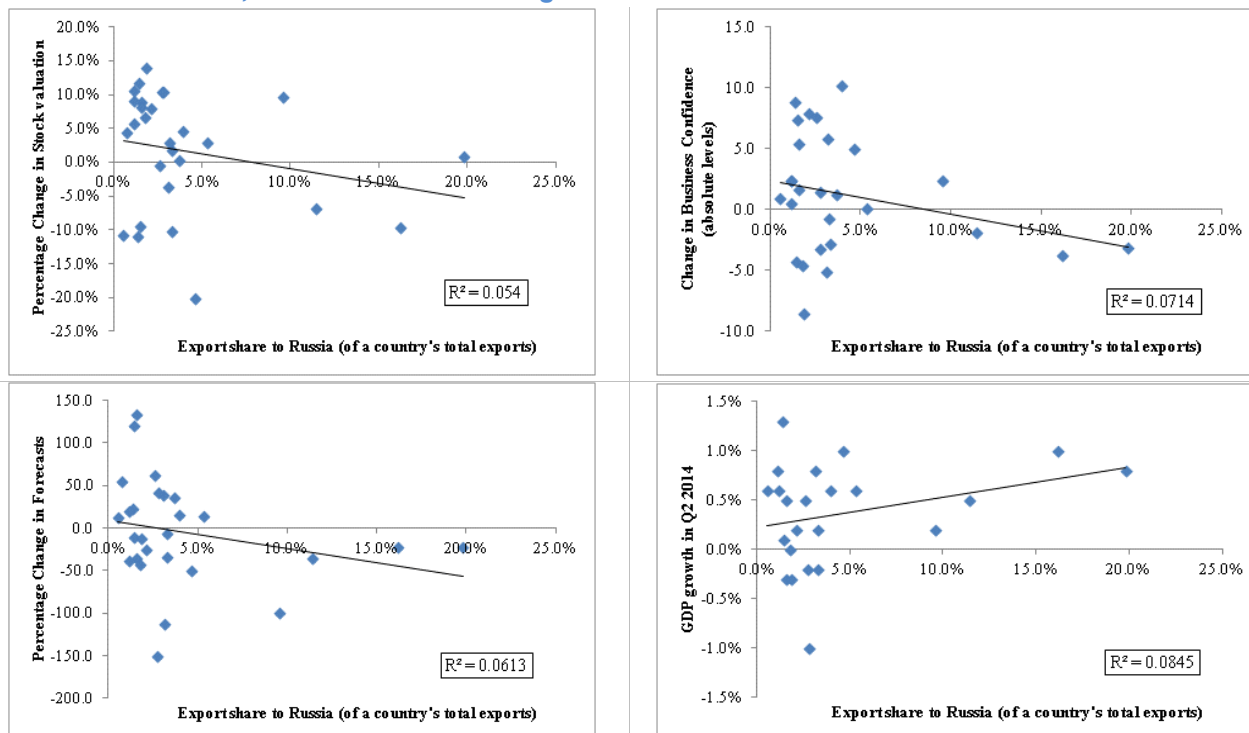
To gauge the economic impact of the crisis on EU Member States, we assessed the correlation of Member States' export shares to Russia in 2013 (exports to Russia as percentage of total exports) with four economic indicators: percentage changes in stock valuation, changes in business confidence (absolute levels), percentage changes in GDP forecasts, changes in real GDP between Q1 to Q2.

The data suggests that there may indeed be some support for the hypothesis that those EU countries with strong trade relations with Russia face on an overall basis a higher economic impact from the tensions compared to their counterparts with weaker trade linkages to Russia (for stock markets, business confidence and growth expectations, the correlations coefficients are -0.23, -0.27 and -0.25 respectively as shows in Figure 5).

But there is no strong correlation between Q2 GDP growth, and trade links, indicating that the crisis in the Ukraine is only one of a number of factors impacting on current output.<sup>2</sup>

<sup>2</sup> One should also be aware that Q2 is only one period and that the sanctions might not have taken full effect yet (due to time lags because of orders that had been concluded prior, etc.).

**Figure 5: Regression analysis between export shares to Russia and changes in stock markets, business confidence, forecast and Q2 GDP growth.**



Sources: Eurostat, European Commission, Oxford Economics and Bloomberg

The impact of Russian sanction also varies between sectors. The import ban on certain agricultural and food products may still be rather small at the moment, the impact varies from one Member State to another. For example, agricultural exports amount to around 7% of total EU exports, only 10% of these go to Russia and only about 42% are directly affected by the sanctions (i.e. about €5064 million according to European Commission estimates). This is only around 0.1% of total EU exports or 0.04% of EU GDP. Yet the burden of these sanctions is quite unevenly distributed across EU Member States. Lithuania stands out with the share of banned agricultural produce as a percentage of GDP with 2.7%, followed by Estonia, Latvia, Poland, Finland and Denmark where the figures range between 0.14% and 0.32%.

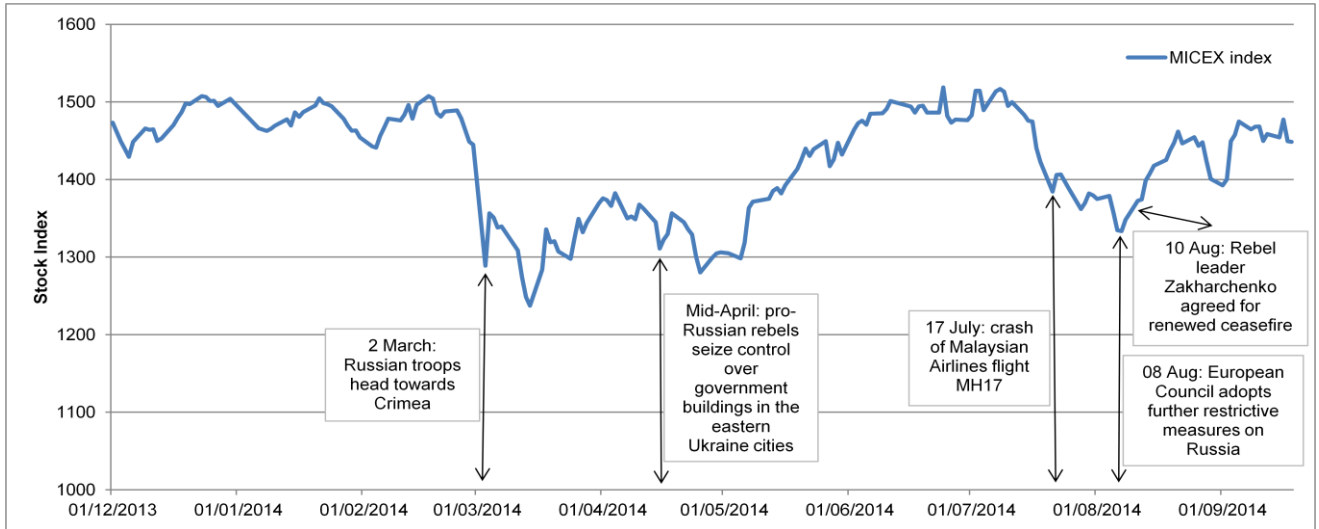
One should also not forget both about the export of services (e.g. tourism) not covered by this analysis or about the secondary effects that the sanctions might have. For example, industries related to agriculture may be negatively affected. Members of BUSINESSEUROPE indicated that orders from Russian companies also declined in recent months. A side effect of the Russian import ban can already be seen in falling food prices in several Member States. This may have further negative repercussions on reaching inflation targets.

### Impact of the crisis on the Russian economy

The impact of the crisis has in aggregate impacted the Russian economy more than that of the EU. The IMF acknowledged in a country report of 30 April 2014 that the crisis in the Ukraine poses a “significant downside risk” for the Russian economy. Consequently, it lowered its growth forecast for the country to 0.2% for 2014 in its October release, compared to the 3% growth for 2014 in was predicting in October 2013.

One can observe a quite substantial impact from the recent developments on the Russian stock market (Figure 6). Between the end of February and the low point in mid-March when President Putin signed a bill to absorb Crimea into the Russian Federation, the MICEX index plummeted by 20%. It has since experienced a slow recovery, although as mid-September, the index was still 5% below its levels in January. The Rubel has similarly declined significantly against the US dollar with around 15% from February to September.

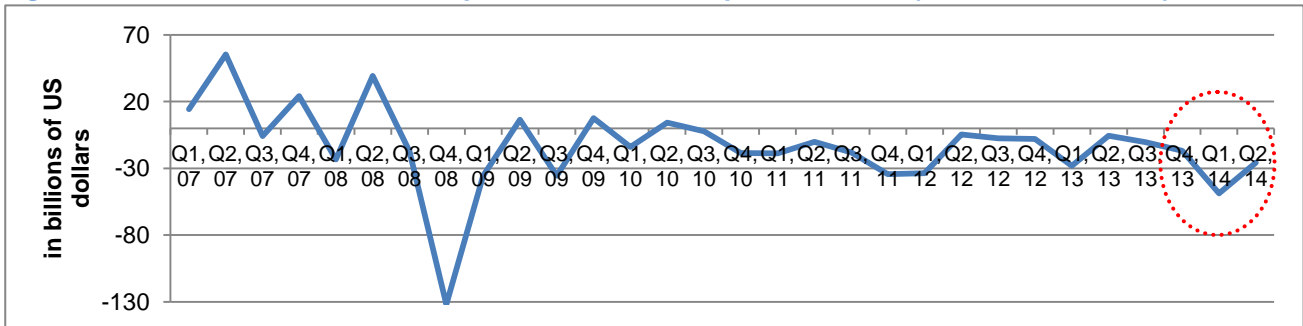
**Figure 6: Russian stock market performance (2013-2014)**



Source: Micex.com and Bloomberg

Since the beginning of 2014, net capital outflows from Russia amounted to almost \$75 b (Figure 7). Whilst this figure is the largest since the financial crisis, indicating that uncertainty among investors in Russia has increased, it is also clear that capital outflows have been a long-running feature of the Russian economy, even before the present tensions.

**Figure 7: Net inflows/outflows of capital in the Russian private sector (Q1 2007 – Q2 2014)**



Source: Bank of Russia

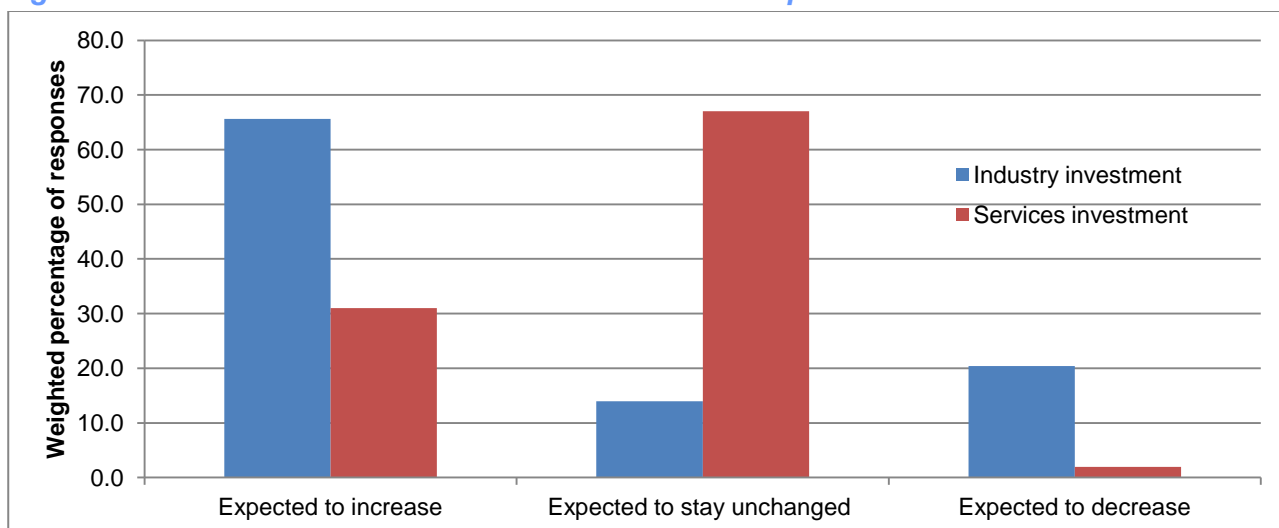


### 3. INVESTMENT AND ACCESS TO FINANCE

Raising investment is a key priority for the incoming European Commission. As Box 2 discusses, both public and private investment in the EU is low by global as well as historical standards.

Our survey indicates that we are likely to see some increase in investment levels in the industrial sector over the next six months, with a weighted average of 65.6% of respondents expecting an increase in investment (Figure 8). For services, investment is most likely to remain unchanged or, if so, might increase more slowly than industry investment. Overall, we foresee investment growth rates of 3.8% in 2014 and 5.3% in 2015.

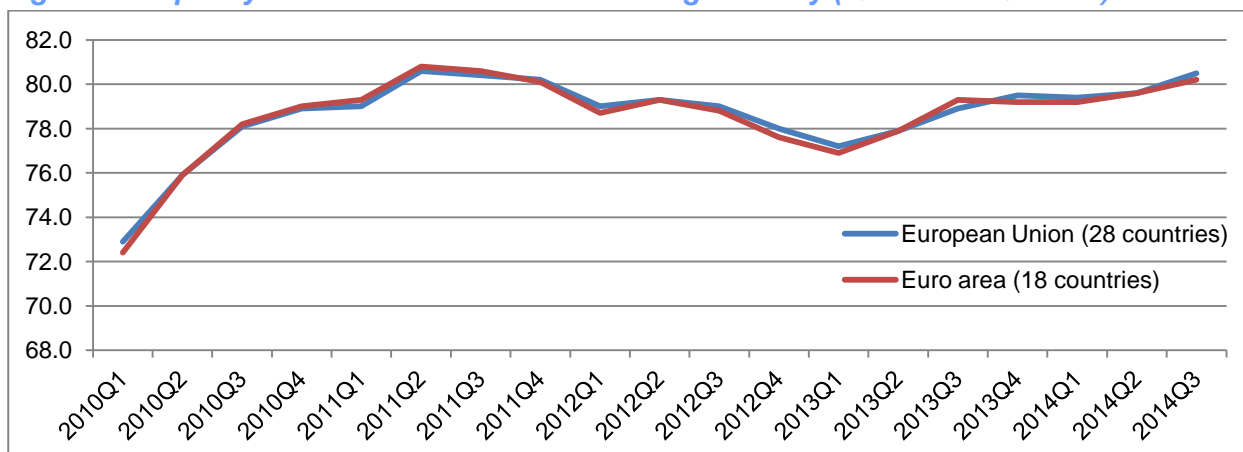
**Figure 8: Investment trends over the next 6 months compared to the last 6 months**



Source: BUSINESSEUROPE's survey of Member Federations

Such an increase in investment would be consistent with rising industrial capacity utilisation. Capacity utilisation in the manufacturing sector went up by 1.1 percentage points from Q1 2014 to Q3 2014 (from 79.4% to 80.5%) as displayed in Figure 9.

**Figure 9: Capacity utilisation in EU manufacturing industry (Q1 2010 – Q3 2014)**



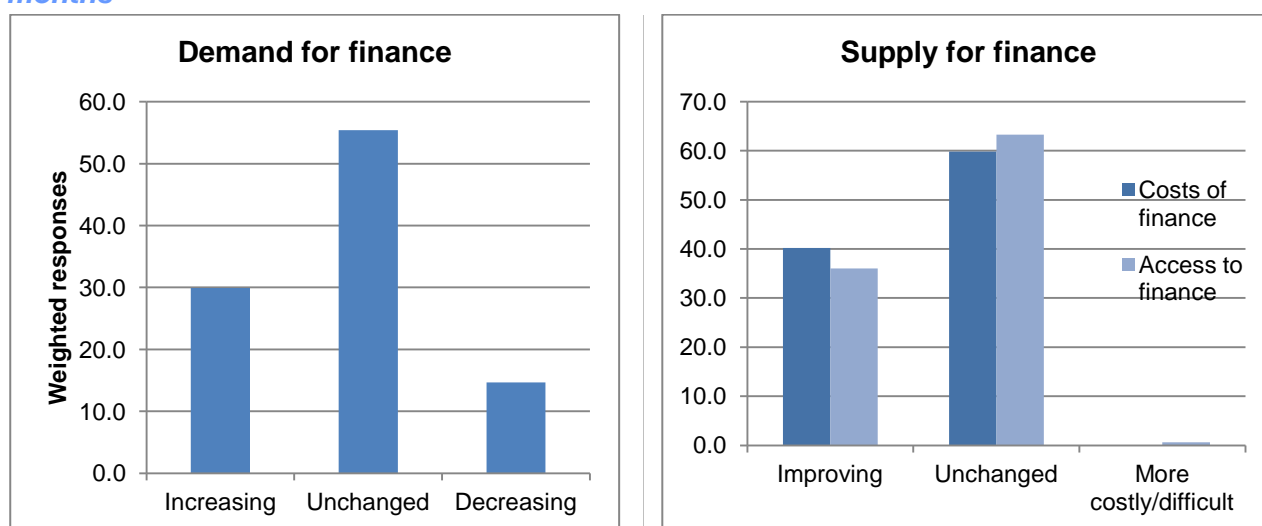
Source: Eurostat



Improvements in the availability and cost of finance play a vital role in increasing business investment. Access to finance on reasonable terms is an important pre-condition that enables businesses to make the investment necessary to strengthen their competitive position, innovate and create jobs. So far, businesses indicate that the availability of finance and its costs still lack behind firms' demand.

Members also pointed out in our survey that investment's low profitability remains an important issue, meaning that investment projects will not yield adequate risk-adjusted returns. Nevertheless, our survey indicates that both demand for finance and supply of finance are expected to pick-up a little in the coming months, consistent with moderate growth (Figure 10).

**Figure 10: Supply & demand conditions for over coming 6 months compared to the last 6 months**



Source: BUSINESSEUROPE's survey of Member Federations

This is consistent with the findings of the latest European Central Bank (ECB)'s lending survey of July that points to gradual easing of lending conditions. Credit standards for loans to enterprises were depicted by a negative net tightening of -3%, from 1% in the previous quarter, meaning that the terms and conditions for approving loans tended to ease. At the same time, banks observed, increased demand for loans from non-financial corporations.

Yet, the ECB warns that overall the level of credit standards is still relatively tight and uneven among member states. The rather weak economic outlook may well increase bank's risk perception. It remains to be seen how successful the latest intervention by the ECB in June and September proves to be in supporting bank lending, and easing the observed differences among member states, but this in any case will need to be accompanied by further measures to improve access to finance on both EU and national levels. The concern remains that access to finance will become an increasingly biting constraint on growth as the economy starts to pick up.

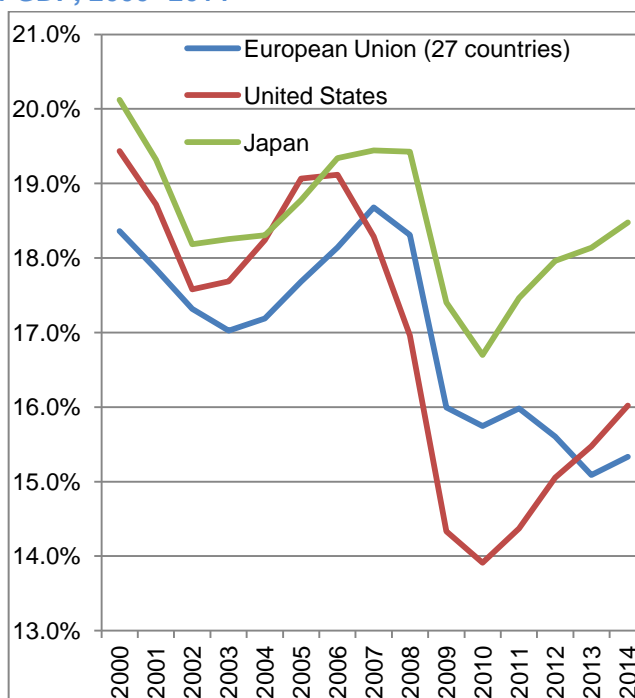
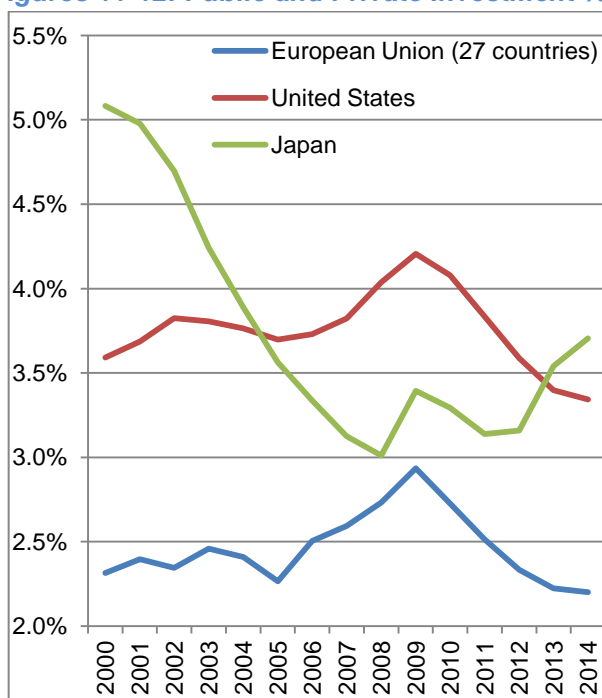


### BOX 2: JUNKER'S €300 BILLION INVESTMENT PLAN

A key priority for the new Commission upon taking office in November 2014 will be to increase public and private investment by a total of €300b in the next 3 years.

Given that both historical and international comparisons show that the EU lags behind in terms of both public and private investment (Figure 11-12), such a plan is welcome.

Figures 11-12: Public and Private Investment % of GDP, 2000- 2014



Source : European Commission, Ameco database (2014 forecast)

#### How achievable is the €300 billion figure?

A literal reading of Juncker's target to mobilise '€300b in additional public and private investment over the next 3 years', i.e. an average of €100b in each of the 3 years suggests the target is quite modest. Overall EU investment is expected to be €2363b in 2014, which would require an average growth rate of just 2.09% over the next 3 years to meet the €300b target. The EU clearly needs a level of ambition regarding overall investment over more than 2%; we are currently forecasting total investment to grow by 3.8% for 2014, while the IMF predicts that US investment will grow by 6% in 2014.

However, it would be a mistake to try to increase public investment alone by €300b during such a short period. EU public investment presently amounts to €295b, requiring an average growth rate of over 15% in each of the next 3 years to achieve a €300b increase. While experience does show that countries can achieve relatively large increases in public investment over a single year (for example Ireland from 2006-7 with 31% or Sweden from 2009-10 with 18%), such a sustained rise across a large economy would be unprecedented and would raise clear issues of efficiency with the potential for politicians and officials to put money into potentially less productive products in a rush to simply 'get money out of the door'.

The €300b figure looks more relevant if considered as a target by which overall investment could be increased by public funding leveraging private investment. When Member States increased the European Investment Bank (EIB) capital by €10b in 2012, the EIB suggested that the capital could allow it (by enabling it to sell



additional bonds) to provide an additional €60b of lending, which when combined with private funds could allow a total increase in financing of €180b – a total multiple of 18 times the initial increase in public capital. At national level, a number of government owned investment banks, such as the KfW operating similar models may also have the potential to extend their activities.

However, it is not clear that simply increasing the EIB's capital base (or alternatively national investment banks) would lead to an automatic increase in investment. The private sector's willingness to invest depends on the regulatory stability as well as on the overall business environment and long-term growth prospects. The EIB has clearly already faced a challenge in increasing lending without 'crowding-out' private sector activity that would have taken place in any case. For this reason, the informal ECOFIN Council in Milan on September 13 asked the Commission and the EIB to 'identify viable investments of European significance not being realised due to economic, regulatory or other reasons'.

Two alternative short-term options exist to expand EIB lending. Firstly, there may be scope for relaxing the rules governing EIB activities, to enable them to invest in a wider variety of projects or in a way that is more attractive to private sector investors. Secondly, the EIB might potentially make its products more attractive to investors if it was able to either take on additional risk or provide a greater subsidy to investors. The project bond initiative, which has been supported by BUSINESSEUROPE, offers a model whereby €230m of unused EU budget funds are being used as 'a first loss piece' in order to subsidise up to €750m of EIB project bond credit enhancements, in order to support up to €4b of total investment.

The EU budget offers the most obvious potential source for funding additional EIB instruments. The EU budget currently sets aside just over €60b a year under the heading 'competitiveness for growth and jobs', with around €15b administered directly by the EU through projects such as Horizon 2020 and Connecting Europe, and €45b through structural funds. Based on existing EIB models, if €3b a year of such funds were to be passed on to the EIB to subsidise leveraged private sector lending, then the future Commission would be able to point to an increase in investment at the EU level of potentially €150b over the next 3 years, with scope to also challenge Member States to play a role. Nevertheless, such a plan would not come without challenges, as well as being dependent on the success of the EIB in identifying further projects, and achieving such leverage through successfully attracting additional private sector lending. Political agreement between the Council, Commission and Parliament for the reallocation of such funds would also be needed.

Ultimately, however, the EU will only achieve the increases in investment that are necessary to boost long-term growth and employment in the EU if significant improvements are made to the business environment through better regulation and broader structural reforms, in order to make the EU a more attractive investment location. This is an issue on which BUSINESSEUROPE will be communicating to the new Commission in detail in the coming months.



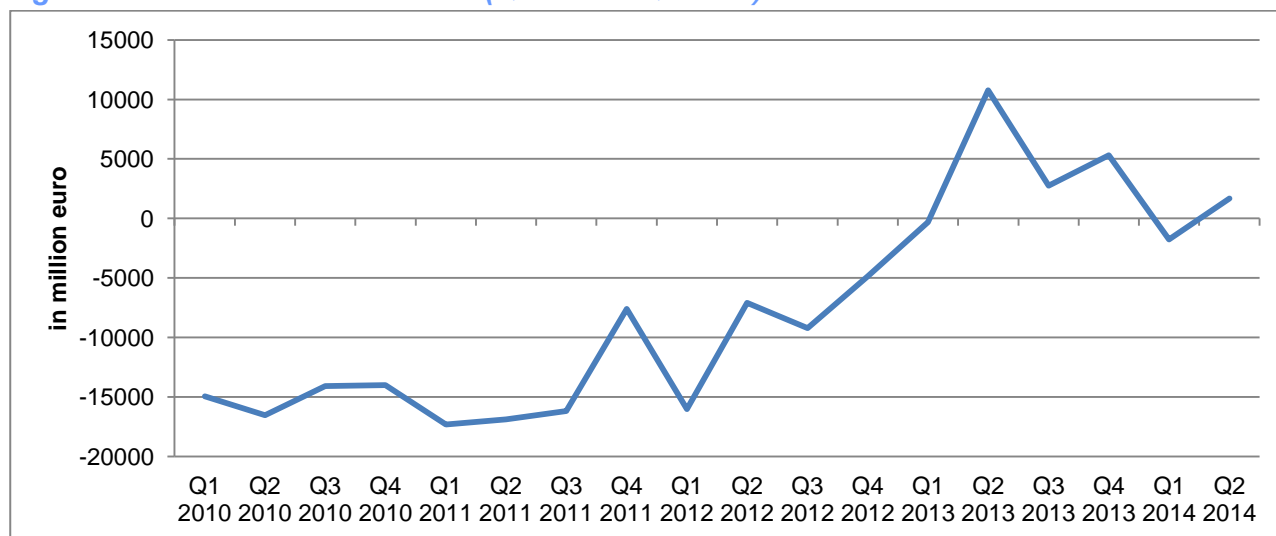
### 4. EXPORTS

The prospects for EU exports to drive forward growth are still marked by high uncertainty. On the one hand, the gradual decline of the Euro relative to the US Dollar may promote exports by making European products cheaper abroad. As noted earlier, the Euro dropped by around 7% against the US dollar between January and September 2014. On the other hand, global demand remains rather subdued with likely negative impacts on EU exports. The IMF revised down its forecast for global growth in its autumn World Economic Outlook, and now expects global growth of 3.3% in 2014 and 3.8% in 2015 (this reflects a downward revision from April of 0.3 percentage points for 2014 and 0.1 percentage point for 2015).

As Figure 13 shows, we have seen a gradual fall in the EU's trade balance over the past 18m months (the EU trade balance was €0.6b in the first 6 months for 2014, compared to €42.2b Euro for the same period in 2013). This stems from the fact that whereas exports have fallen by around 4% during this period, import levels have been unchanged.

In terms of export performance to individual countries, EU exports increased by 10% to China and by 8% to South Korea in the first 6 months of 2014 compared to the corresponding period in 2013. In contrast, the most notable decreases were registered for exports to Switzerland (-22%), Russia (-13%) and India (-11%). In line with falling prices, export performance was particular weak for primary goods such as raw materials and energy where export values fell by 7% and 10% respectively.

Figure 13: Extra-EU trade balance (Q1 2010 – Q2 2014)



Source: Eurostat



# BUSINESSEUROPE



**BUSINESSEUROPE** is the leading advocate for growth and competitiveness at European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for all-sized enterprises in 35 European countries whose national business federations are our direct members.

 Austria	 Belgium	 Bulgaria	 Croatia	 Cyprus	 Czech Republic
 Denmark	 Denmark	 Estonia	 Finland	 France	 Germany
 Germany	 Greece	 Hungary	 Iceland	 Iceland	 Ireland
 Italy	 Latvia	 Lithuania	 Luxembourg	 Malta	 Montenegro
 Norway	 Poland	 Portugal	 Portugal	 Rep. of San Marino	 Romania
 Serbia	 Slovak Republic	 Slovenia	 Spain	 Sweden	 Switzerland
 Switzerland	 The Netherlands	 Turkey	 Turkey	 United Kingdom	

  
 Avenue de Cortenbergh 168  
 B - 1000 Brussels, Belgium  
 TEL: +32(0)22376511 / Fax: +32(0)22311445  
 E-mail: [main@businessseurope.eu](mailto:main@businessseurope.eu)

[WWW.BUSINESSEUROPE.EU](http://WWW.BUSINESSEUROPE.EU)

EU Transparency register 3978240953-79