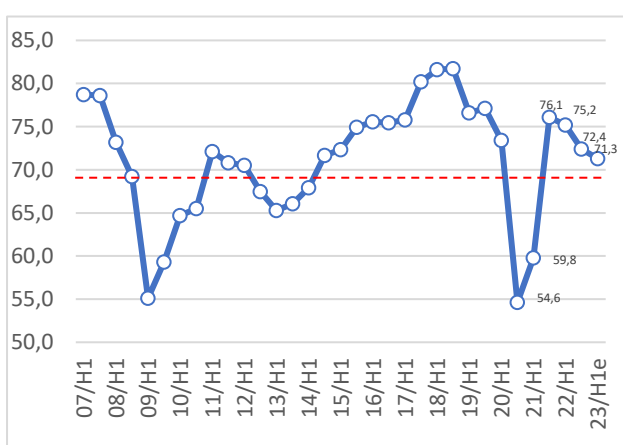


## SME Recovery fades, but recession unlikely

SME Business Climate Index declines to 71.3, while core inflation further increases

Brussels, 16<sup>th</sup> March 2023 – The SME Business Climate Index presented today drops further to 71.3 and shows that SME recovery is stalling. However, the index stays above the baseline of 70, which means no recession is expected in the coming months. Furthermore, last semester's results are well above expectations, showing that past concerns about an economic downturn did not materialise. Nevertheless, core inflation is still going up due to the impact of wage increases which especially impact the labour-intensive services sector.



SME Business Climate Index

SMEs still face labour shortages and trade restrictions due to the ongoing war in Ukraine. At the same time, easing supply chains and lower energy prices reduced downward risks and headline inflation.

Presenting the key findings of the latest SME Barometer, developed by the SMEUnited Study Unit, Economic Policy Director Gerhard Huemer indicated that SME performance continued to decline during the second semester of 2022. However, results exceeded expectations, showing that the concerns towards a possible degradation of the economic context did not

evolve as far as expected.

For the current semester, the SME Barometer shows further upward pressure on prices, especially in the labour-intensive personal services sector due to the second-round effects of a wage increase. In addition, higher interest rates and financing costs hold back investment, in particular, related to private housing, which negatively impacts demand in the construction sector. For the whole SME sector, expectations for the current semester point to stabilisation at a low level with continued price increases.

As a consequence, SMEUnited asks to improve the regulatory environment to make Europe more attractive for investment. In addition, the European Union should further stabilise commodity markets, reduce inflation and ensure sustainable public households. Finally, the upcoming Net Zero Industrial Act must be accompanied by an impactful SME Relief Package.

Read more [here](#)

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EDITORS' NOTES: SMEUnited is the association of Crafts and SMEs in Europe with around 70 member organisations from over 30 European countries. SMEUnited represents national cross-sectoral SME federations, European SME branch organisations and associate members. SMEUnited is a recognised employers' organisation and European Social Partner. SMEUnited was formerly known as UEAPME.