



2020

EUROCHAMBRES ECONOMIC SURVEY



EUROCHAMBRES

The Association of European
Chambers of Commerce and Industry

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Connecting **business** to Europe

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Foreword

Nearly 53.000 entrepreneurs from 28 European countries contributed to the 27th edition of the EUROCHAMBRES Economic Survey. Our respondents are less optimistic this year and identified a range of challenges for 2020.

The results, gathered by national Chambers across the EUROCHAMBRES network, reveal domestic demand and a lack of skilled workers as the main concerns of European businesses. Europe's slowdown in GDP growth is starting to affect the purchase power of consumers and, therefore, European businesses expect a decrease in their revenue from national sales. Moreover, Europe's competitiveness is undermined by a pan-European skills crisis that must be addressed through an ambitious and coordinated pan-European response.

What else do entrepreneurs say? That they remain cautious about export sales, that the increasing prices of energy and raw materials are acutely felt in certain countries, while exchange rates are a greater cause for concern in others, particularly outside the Eurozone. Meanwhile, the impact of Brexit particularly preoccupies businesses in Germany, Ireland, Malta, and Cyprus.

European institutions and member states must listen to the concerns of entrepreneurs that Chambers convey. All businesses face interlinked challenges, so we need to work together towards common solutions if we are to achieve sustainable economic growth.

We need to realize the potential of the EU and ensure progress on the Single Market, which provides the basis for Europe to shape a fair and open global trade agenda.

I am therefore pleased to present the EUROCHAMBRES Economic Survey 2020 and I am convinced that the findings will be factored into the strategy for the new EU term as we all seek to build a strong and successful future of Europe.



Christoph Leitl
President

Acknowledgments

This survey is the result of collective work. For this reason we would like to warmly thank Claudia Huber and Christoph Schneider (*Austrian Federal Economic Chamber*); Olga Chugunskaja (*Bulgarian Chamber of Commerce and Industry*); Dubravka Zubak and Zvonimir Savić (*Croatian Chamber of Economy*); Leonidas Paschalides (*Cyprus Chamber of Commerce and Industry*); Karina Kubelková (*Czech Chamber of Commerce*); Marko Udras (*Estonian Chamber of Commerce and Industry*); Mauri Kotamäki and Timo Vuori (*Finland Chamber of Commerce*); Patrick Briere (*French Chamber of Commerce and Industry*); Katharina Huhn (*Association of German Chambers of Industry and Commerce*); Vassilis Apostolopoulos (*Union of Hellenic Chambers of Commerce*); Ágoston Horváth (*Hungarian Chamber of Commerce and Industry*); Emma Kerins and Pauline Lowe (*Chambers Ireland*); Domenico Mauriello and Flavio Burlizzi (*Union of Italian Chambers of Commerce, Industry, Craft and Agriculture*); Kriss Zvirbulis and Katrīna Zariņa (*Latvian Chamber of Commerce and Industry*); Daiva Jonuškienė (*Lithuanian Chambers of Commerce, Industry and Crafts Association*); Laure Demez et Christel Chatelain (*Chamber of Commerce of the Grand Duchy of Luxembourg*); André Fenech (*The Malta Chamber of Commerce, Enterprise and Industry*); Nina Drakic (*Chamber of Economy of Montenegro*); Elmer Hammink (*Netherlands Chamber of Commerce*); Monika Sasiak and Marek Kloczko (*Polish Chamber of Commerce*); João Paes Cabral (*Portuguese Chamber of Commerce and Industry*); Karla Hanti and Sabina Strimbovschi (*Chamber of Commerce and Industry of Romania*); Gordana Todorovic (*Chamber of Commerce and Industry of Serbia*); Kristina Jurikova and Juraj Pala (*Slovak Chamber of Commerce and Industry*); Bojan Ivanc (*Chamber of Commerce and Industry of Slovenia*); Manuel Valero (*Chamber of Commerce of Spain*); Pernilla Johansson (*Southern Sweden Chamber of Commerce*); Çagri Gürgür (*Union of Chambers and Commodity Exchanges of Turkey*).

Finally, our thanks go to the 52.935 entrepreneurs who daily with their work and passion contribute to the prosperity of our countries and have dedicated their time to answer our questions.

Alberto Valenzano – Author and Editor

Ben Butters – Coordinator

Introduction

The 27th consecutive edition of the EUROCHAMBRES Economic Survey (EES) is an invaluable source of information on economic prospects for the year ahead.

EES2020 is an important piece of qualitative research carried out with the cooperation of 28 national Chambers of Commerce and Industry across the continent. Nearly 53.000 businesses provided responses, of which more than 90% come from SMEs. Cross-checking previous editions' forecasts against actual economic outcomes has confirmed a strong correlation. As such, the EES provides an accurate insight into economic trends for the next 12 months.

The report is organized as follows: the Methodology section outlines the main features of the survey; the Executive Summary provides an overview of the findings, which the Results section then sets out in greater detail, from the challenges entrepreneurs expect in 2020 to the EES indexes; the Policy Recommendations section draws conclusions and provides guidelines for future measures at European level.

Methodology

This survey is the result of a coordinated effort involving EUROCHAMBRES and 28 national Chambers of Commerce and Industry. Each national Chamber is provided by EUROCHAMBRES with a standardized questionnaire, containing questions on six economic indicators. Later, each Chamber selects a representative sample of enterprises.

Respondents are asked for Question n. 1 to indicate the 'Challenges' for the forthcoming year. They are allowed to select three out of eight pre-selected options. Questions 2 to 6 ask to provide general information with regard to domestic sales, exports, employment, investments and overall confidence. In particular, for each item respondents indicate if they expect an 'Increase', 'Decrease' or 'Constant' level. A sample of the questionnaire is attached in the Appendix.

Afterwards, the results are aggregated at national level by each Chamber and sent to EUROCHAMBRES for processing. At this stage, national results are condensed into EES Net Balance Indexes. EES Indexes contain information at aggregated level for each country participating in the survey. More specifically, EUROCHAMBRES collects for each question the percentages of responses each option has received, that is the percentage of enterprises answering 'Increase', 'Decrease' or 'Constant'. The Net Balance is then calculated for each country simply as 'Increase' minus 'Decrease'.

The EES Net Index is the result of a weighted average according to country's share in the total GDP of the participating countries. National results are also used for internal analysis to spot specific circumstances which may be otherwise lost in the overall picture. This process is repeated for each question.

Executive Summary

The global picture emerging from this year's EES is generally less optimistic than last year. European businesses register a decrease in all aggregated indexes, particularly in their revenues from export sales. After growth regained momentum in 2017 and in 2018 and all the indicators were pointing towards economic expansion, EES2019 revealed relatively less confidence. EES 2020 shows a continuation of this trend and predicts further challenges. These remarks pertain to the aggregated pan-European indexes; nevertheless, a detailed country-by-country analysis uncovers striking geographical differences.

The top challenge for European firms in 2020 is identified as 'Domestic Demand', followed closely by 'Lack of Skilled Workers' and 'Labour Costs', which had been the top two challenges 12 months ago. 'Prices of energy and raw materials', felt particularly in Germany and in some Eastern European countries, is in 4th position and 'Foreign Demand' follows right after. The 'Impact of Brexit' rises to the 6th position, which is perceived as a challenge particularly in Germany, Ireland, Malta and Cyprus.

Reflecting broad concerns about domestic demand, European companies expect a decrease in revenues from national sales. The knock-on effect of a slowdown in national GDP growth on consumer behaviour predicted in many European countries, especially in western Europe, is certainly one reason for this.

European companies overall expect a decrease also in their revenues from export sales, particularly in Germany, bringing the index to its worst result since 2010. The ongoing tariff war between the USA and China is doubtless

one of the causes of these negative expectations.

The size of the workforce employed by European companies is expected to slow further this year, probably dragged down by increasing labour costs and by an ongoing lack of skilled workers. Similarly, investments are also expected to slow down, especially in Eastern European countries. Reflecting the cautious forecasts across the other indexes, the more general business confidence index also shows a drop.

In conclusion, many European companies think they will face a challenging economic framework in 2020, especially in terms of exports. Nevertheless, the average business expectation is still positive in most of the surveyed countries.

Results

Challenges

For EES2020, respondents were asked to rank the main challenges they expect to face next year. The questionnaire provided eight preselected answers and each interviewee was allowed to express at most three preferences.

The options in their exact wording are set out below:

- Domestic demand
- Foreign demand
- Labour costs
- Lack of skilled workers
- Exchange rates
- Prices of energy and raw materials
- Financing conditions
- Impact of Brexit

As briefly outlined in the previous sections and as Fig. 1 shows, 43% of entrepreneurs identified domestic demand among their top challenges for 2020 (weighted average of national results based on share in total GDP).

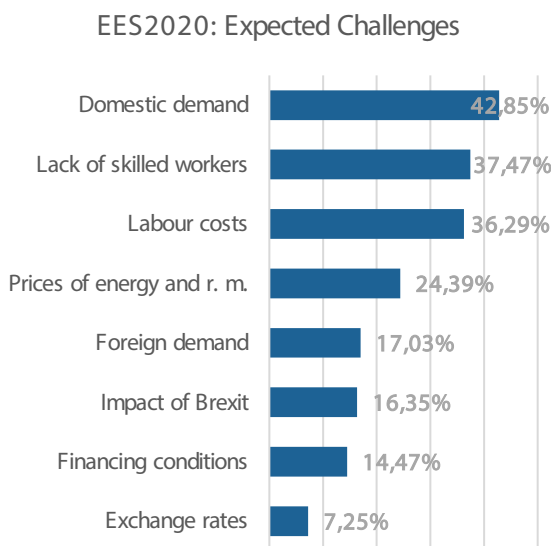


Figure 1-Challenges 2020-Weighted share of respondents

This result seems to be confirmed by the data from the EES2020 National Sales Index (outlined later in this report).

The continuous slowdowns in GDP growth that characterize particularly western European countries are affecting general consumer confidence and are reducing their willingness to make purchases.

Although Germany appears among the average respondents for this challenge, the final ranking is actually significantly driven by its weighted percentage. German industrial orders are in continuous decline, feeding worries on the health of the eurozone's biggest economy. The overall German economy shrank 0.1 per cent in the second quarter of 2019, with many forecasting a similar performance in the third quarter. This would drag Germany into its first recession in more than six years¹ and would explain why so many German entrepreneurs selected this challenge.

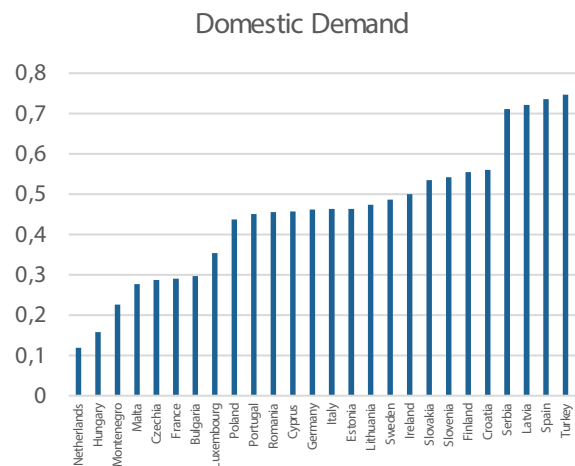


Figure 2-Domestic Demand percentages by country

Following Domestic Demand, EES results report Lack of Skilled Workers as the second most problematic issue for 2020. This challenge has risen one position since last year survey.

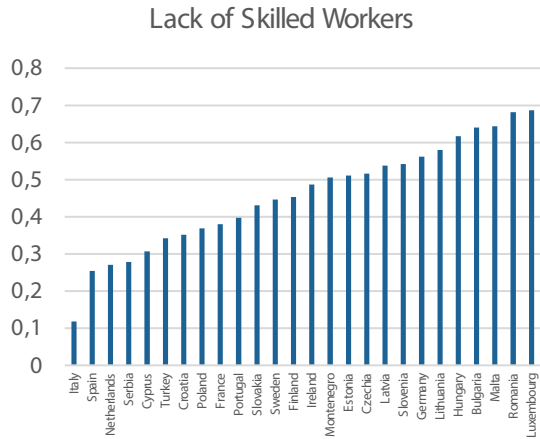


Figure 3-Lack of Skilled Workers percentages by country

Structural changes that are affecting the nature of work, the way goods and services are produced and traded, and ultimately also consumer behaviour are evolving faster than ever. Generally, it seems that education systems across the surveyed countries are not able to keep up with the changes in business practices and technology that are defining what kinds of jobs will be created.

'Labour Costs' follows closely in third position, as the cumulative cost of employment again perceived as a problem for businesses in several countries.

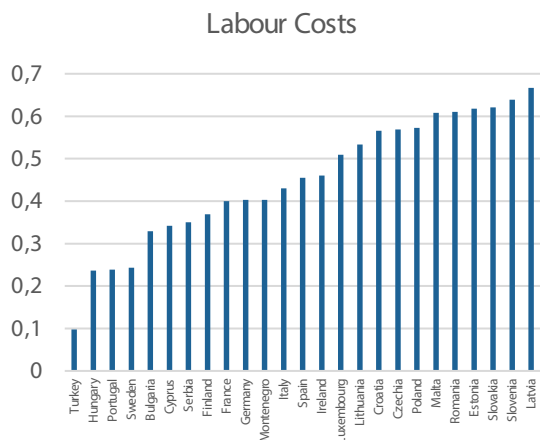


Figure 4-Labour Costs percentages by country

This challenge seems to be particularly acute in eastern European countries (Latvia, Slovenia, Slovakia, Estonia and Romania are

among the top respondents), where labour law reforms are increasing salaries and employees' benefits. In particular, the percentage of respondents selecting labour costs has risen dramatically in Slovakia, from 43,5% last year to 62,1% this year. This might be due to a new labour law that entered into force in 2019, which has increased employees' pay supplements and holiday allowances².

'Prices of energy and raw materials' comes 4th in the ranking of challenges. As shown in Figure 5, the result is mostly driven by eastern European countries such as Bulgaria, Serbia, Poland, Slovakia and Romania, but France and Germany also appear among the top respondents.

Prices of Energy and Raw Materials

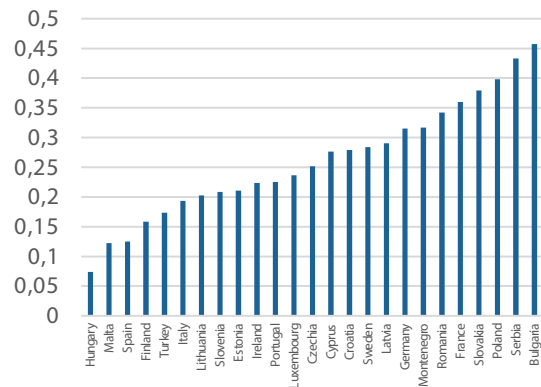


Figure 5-Prices of energy and raw materials percentages by country

The price of electricity in France rose by 6% in June 2019, by a further 1,2% in August and an additional increase is foreseen before the end of 2019³. Similarly, in Germany consumers are set to pay record prices for power in 2019, with a peak reached in March. The increase is caused by the rising price of crude oil but also by increased taxes to support renewable energies and reduce carbon emissions⁴.

Moving ahead with following challenges, 'Foreign Demand' collected 17% of

responses. The result is very close to that of last year survey, which was 16,5. EES respondents register constant concern over the threat of trade barriers, sanctions and confrontation among global economic powers (USA and China in particular).

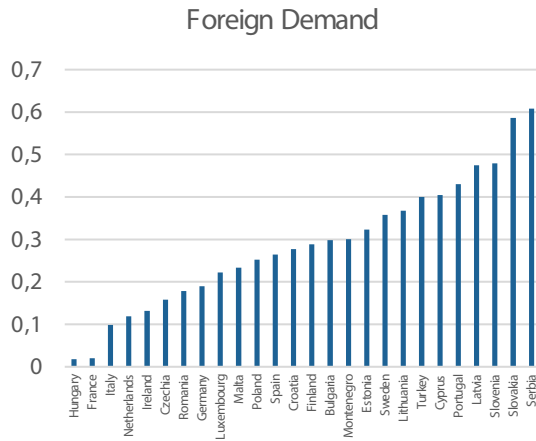


Figure 6-Foreign demand percentages by country

There are important geographical variations with eastern European countries, such as Serbia, Slovakia, Slovenia and Latvia, and also western European countries, such as Portugal, being the countries where the issue is most felt. In particular, it is worth mentioning that more than 50% of Slovakian respondents indicate foreign demand as their main challenge, whereas in Serbia the percentage reaches 60%.

With regards to Serbia, western sanctions on Moscow seem to have negatively impacted the ability of the Serbian businesses to sell their products to Russia, which is still one of the country's main economic partner. In fact, this year's exports to Russia have been reduced by 8.7% compared to last year. In addition to this, Serbia is still waiting an agreement with the Eurasian Economic Union (EAEU), which is supposed to boost the country's foreign sales to European and Central Asian countries⁵.

Similarly, the Slovak economy is characterized by large volumes of exports especially in

vehicles and car components, which together represent more than 27% of national exports (World Bank Data on Trade, 2017). Recent developments in the international arena and the slowdown of car industry growth are causing increasing concerns.

The 'Impact of Brexit' is the 6th position in this year ranking, which demonstrates stronger preoccupations about the nature of the UK's departure from the EU and the framework for negotiations on future trading relations. There is considerable variation between countries on this, reflecting the strength of economic ties with the UK⁶. Predictably, concerns about Brexit are highest among Irish businesses, with more than 76% of respondents indicating it as the main challenge for 2020.

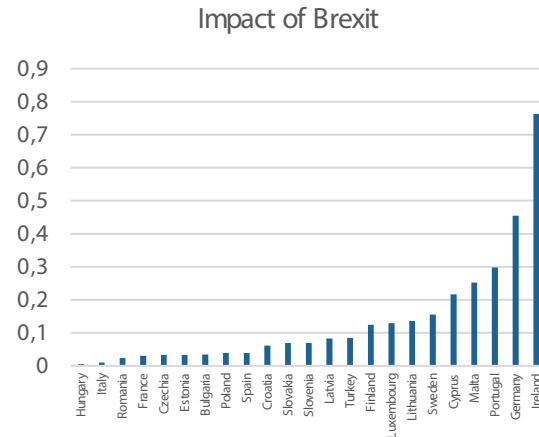


Figure 7-Impact of Brexit percentages by country

'Financing conditions' has been selected by 14% of EES interviewees, losing two positions in the ranking from last year. This suggests that low interest rates and favourable monetary policies implemented in the Eurozone had a positive impact on the cost of loans. As a result accessing finance is convenient and affordable for an increasing number of businesses, including micro enterprises.

There are some exceptions though, as shown in Figure 8: Turkey (62%), Cyprus (42%),

Montenegro (33%) and Ireland (27%) have all reported data above the average.

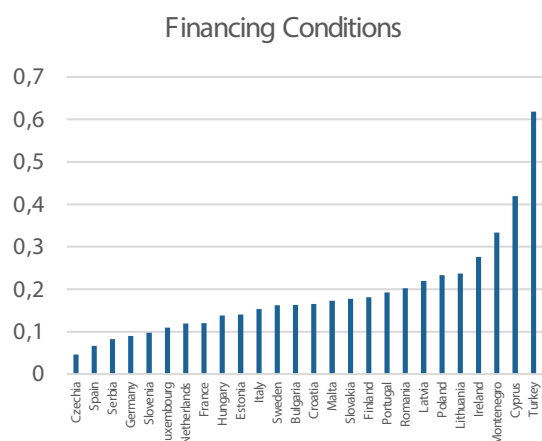


Figure 8-Financing conditions percentages by country

Changes in the value of the Turkish Lira is having a knock-on effect on the banking sector and thus on the business community.

In Cyprus, the percentage of respondents identifying financing conditions as a challenge nearly doubled from 24% for 2019 to 42% for 2020. This result seems to be confirmed by data from the European Commission, which reveals that Cyprus continues to perform below the EU average in access to finance⁷. Data for Montenegro also show a similar situation. Access to public financial support, including guarantees, remains below the EU average, and the situation has deteriorated further since 2018⁸.

According to the SMEs Market Report published by the Irish Central Bank⁹, SMEs in this country suffer from higher rejection rates compared to other EU countries as the rejection rates for micro firms remain above those of larger firms.

Lowest in the challenges ranking comes 'Exchange Rates', selected by 7% of EES2020 respondents. Clearly, this also presents significant variations across countries. For countries in the eurozone, the values are

between 2% and 8%, but for countries outside the eurozone values increase exponentially. The countries with the highest percentages are:

- Turkey
- Serbia
- Sweden
- Romania
- Ireland

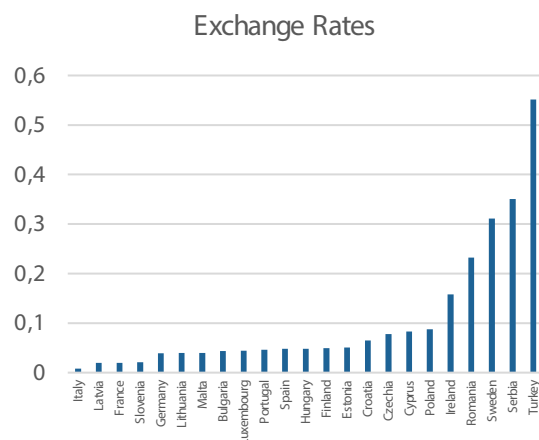


Figure 9-Exchange rates percentages by country

As mentioned previously, Turkey is experiencing turbulences on the exchange markets, so the figure from this country does not emerge as unexpected (55%). Similarly, the Serbian economy suffers from unfavourable exchange rates both against the euro and the Russian rouble, being Russia and the EU (especially Germany and Italy) its main trade partners.

Swedish respondents also report a higher than average result (31%). The Swedish Krona has depreciated against the Euro over the last year. This has probably represented a challenge for those sectors of the economy that rely on imported supplies. The exchange rate against the Pound Sterling is also relevant for Sweden, being the UK the fifth most important trade partner for this economy and the same can be said for Ireland.

EES2020 Indexes

National Sales

EES2020 respondents were asked to anticipate the level of revenues deriving from national sales in 2020. As for the following questions, three options were available: 'Increase', 'Remain Constant' and 'Decrease'.

The percentages each option has received per country. The balance is calculated as %Increase minus %Decrease. Resulting values are weighted over the share in the total GDP of EES countries and calculated to obtain the index presented hereunder.

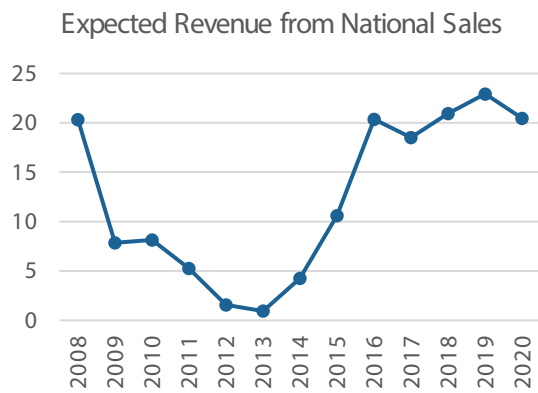


Figure 10-National Sales Balance Index

The index for national sales decrease from 22,9 in 2019 to 20,5 points for EES2020. These results are consistent with data from Question 1-Challenges 2020, which indicate 'Domestic Demand' as the main challenge in 2020.

Among the 28 surveyed countries, none reports a negative balance. Portugal, Serbia, Poland, Montenegro, Croatia and Turkey register the highest expected increase . Italy, France, Czechia, Slovakia, Slovenia and the Netherlands are least optimistic about national sales increases, without in any case predicting a year on year fall.

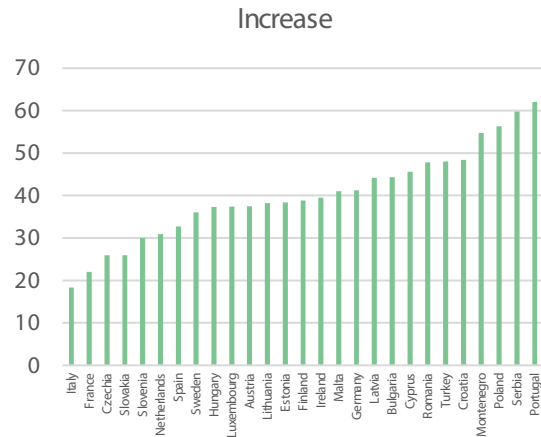


Figure 11-Percentage of respondent expecting "Increase" 2020 per country

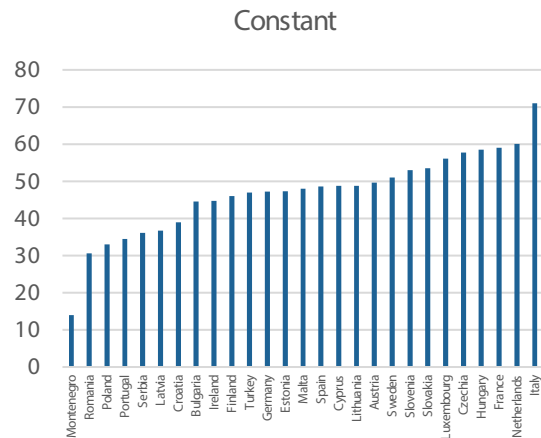


Figure 12-Percentage of respondent expecting "Constant" 2020 per country

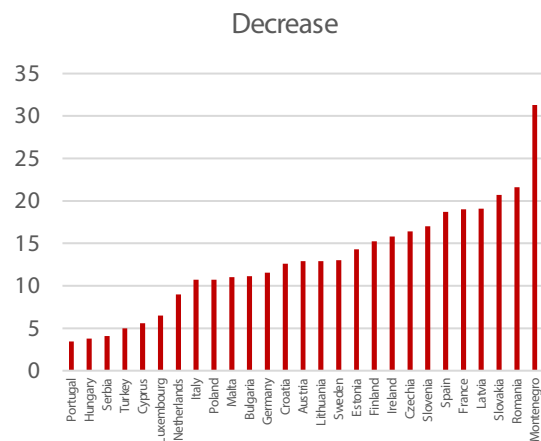


Figure 13-Percentage of respondent expecting "Decrease" 2020 per country

The most relevant slowdowns in revenues are expected in Montenegro, Romania and Slovakia, which have clearly reported values below the average compared to other countries.

Export Sales

The export sales index for 2020 drops further from 2019, falling from 23.5 points to 10,5 – the lowest result since 2010. Increasing uncertainty about the international trade environment, political and economic confrontations between major global players and signals of rising protectionism are clearly undermining export expectations among European businesses. Entrepreneurs feel the concrete risk that, despite favourable economic conditions and a strong framework for international cooperation, they will not be in a position to expand their export opportunities as much as in the past.

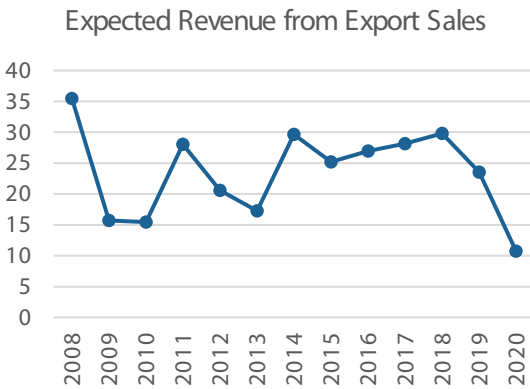


Figure 15-Expected Export Sales Net Index

These EES2020 findings reflect recent data published by the OECD¹¹, which indicates that the effects of trade tensions are greater than previously thought. The OECD is urging the world’s leading economies to ease trade tensions, act decisively to prevent a descent into a low-growth trap, from which it would be difficult to escape, and to fight the economic slowdown with a fiscal stimulus.

As in other EES Indexes, there are also considerable geographical variations in export sales expectations. Portuguese, Polish, Irish, Turkish, Greek and Bulgarian businesses expect a more promising year ahead. On the contrary, many western economies, such as Germany, France and Ireland, expect a rather negative 2020.

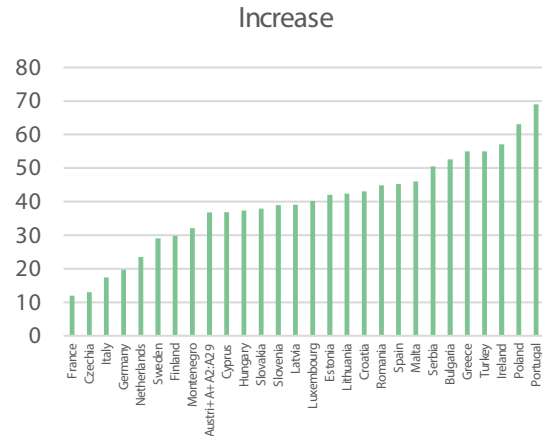


Figure 16- Percentage of respondent expecting "Increase" 2020 per country

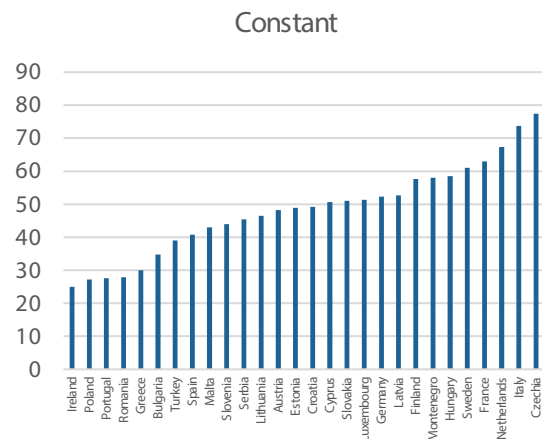


Figure 17- Percentage of respondent expecting "Constant" 2020 per country

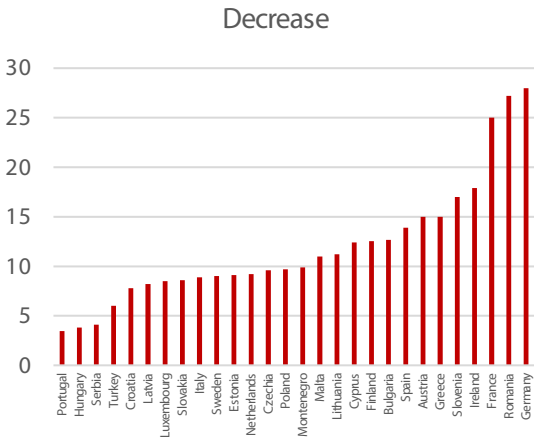


Figure 19-Percentage of respondent expecting "Decrease" 2020 per country

Despite the general outcome of the EES2020 export index, most of the national balances are still positive and the share of respondents expecting an increase still outweighs the share of those anticipating a decrease, with the exception of France and Germany. These two countries have been intensively hit by ongoing trade tensions with the USA and show negative balances of respectively -13 and -8,3. Their national results are the main reason for the modest net index.

Employment

Respondents were asked to forecast whether their workforce will grow, shrink or remain the same in 2020.

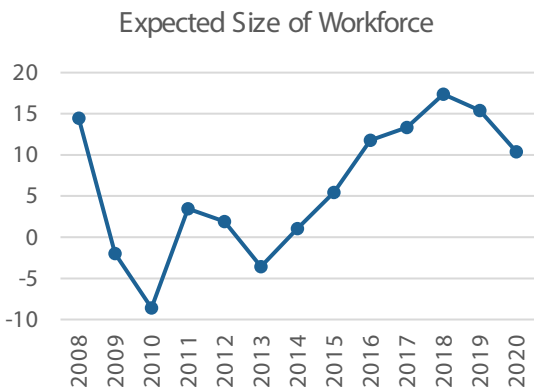


Figure 21-Expected Labour Force Size Net Index

While the net result is an increase, the level of that increase has declined for a second consecutive year and is approaching the level of 2015, dropping from 15,3 to 10,4 points.

The country expecting the highest increase in employment is Montenegro followed by Turkey, Poland, Cyprus and Portugal. Conversely, the countries expecting the worst contractions are Greece, Slovakia and Romania.

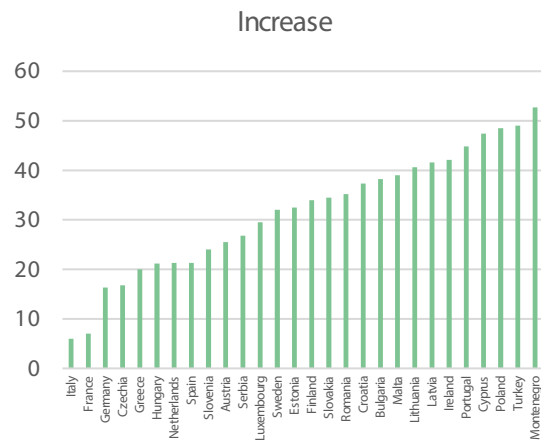


Figure 22-Percentage of respondent expecting "Increase" 2020 per country

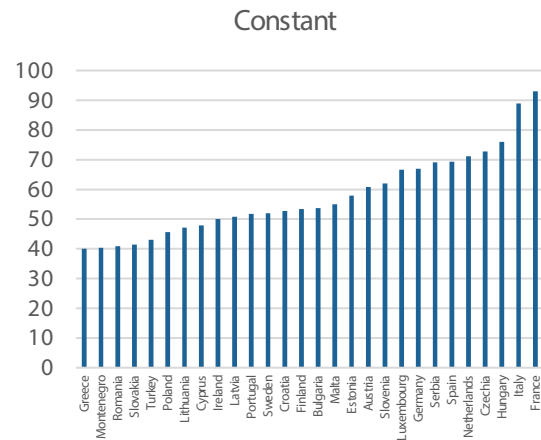


Figure 23- Percentage of respondent expecting "Constant" 2020 per country

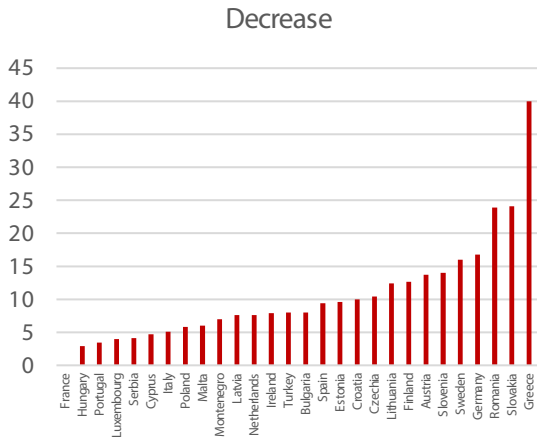


Figure 24-Percentage of respondent expecting "Decrease" 2020 per country

Investments

Respondents were asked if they expect their level of investments to increase, remain constant or decrease in 2020.

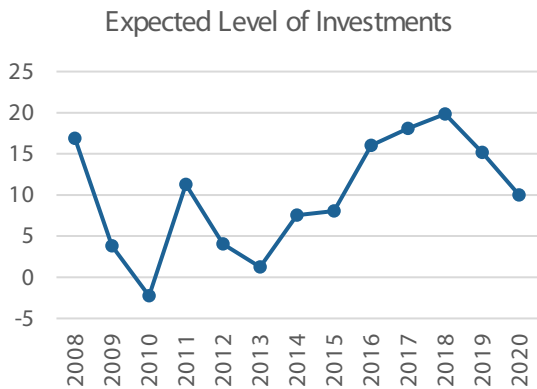


Figure 26-Expected Investments Net Balance Index

EES2020 shows a further reduction, which brings the level of forecasted investments back to the values of 2015, similarly to the Employment Index. Nevertheless, despite the reduction, a higher share of respondents still foresee a year on year increase in level of investments or parity.

Overall, Portugal, Montenegro, Poland, Bulgaria and Malta are the markets where the highest investment increase is expected for 2020. Conversely, many central and eastern

European countries, in particular Slovakia, Romania, Germany and Austria register less optimistic expectations.

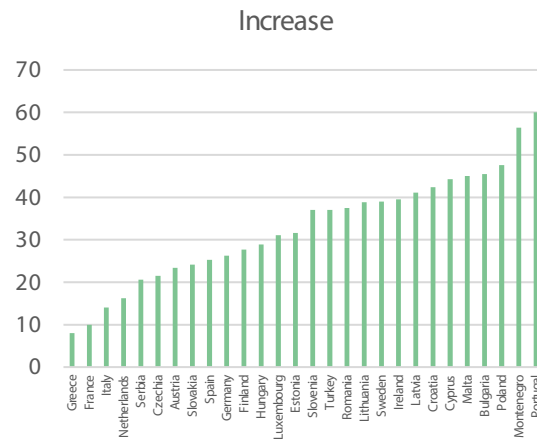


Figure 27-Percentage of Respondents expecting "Increase" in 2020 per country

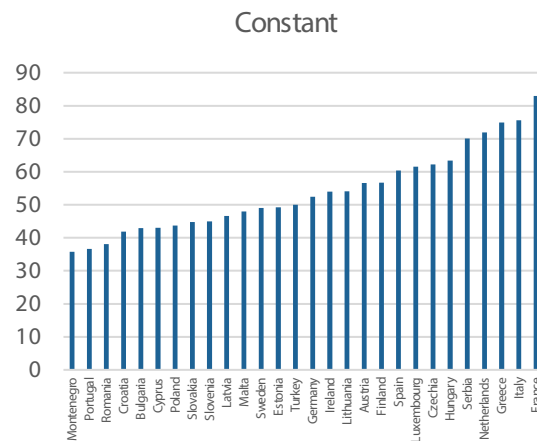


Figure 28-Percentage of Respondents expecting "Constant" in 2020 per country

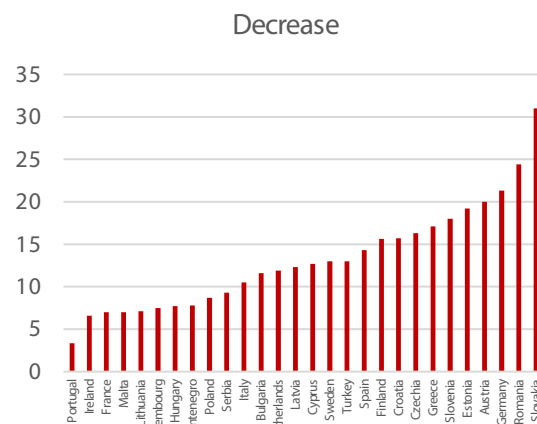


Figure 29-Percentage of Respondents expecting "Decrease" in 2020 per country

Business Confidence

In line with the other indicators presented above, the Business Confidence Index also shows a decreasing trend. From the peak registered in 2018 at 22 points, it has now dropped to 6 points.

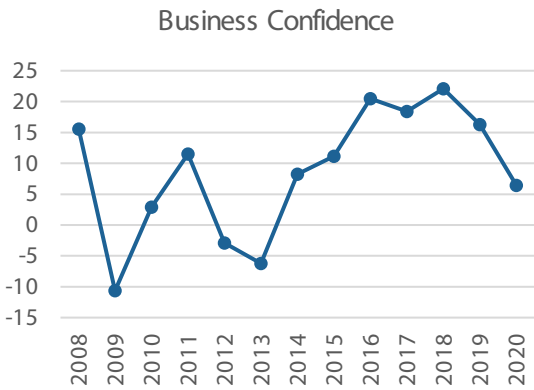


Figure 31-Business Confidence Net Balance Index

The countries with the highest levels of business confidence for 2020 are Bulgaria, Greece, Serbia, Hungary and Portugal. The least confident countries are: Slovakia, Slovenia, Latvia and Spain.

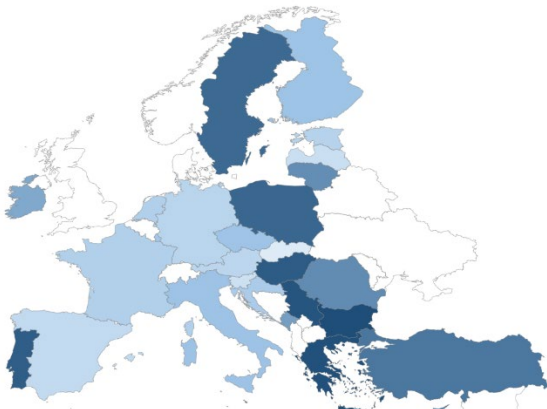


Figure 35-Business Confidence Index (dark blue-favourable, light blue-unfavourable, white-no data)

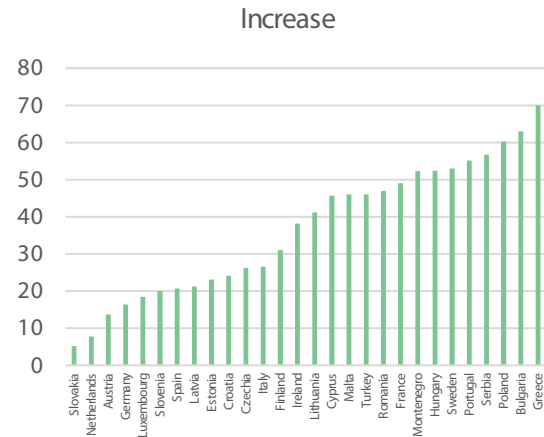


Figure 32-Percentage of Respondents expecting "Increase" in 2020 per country

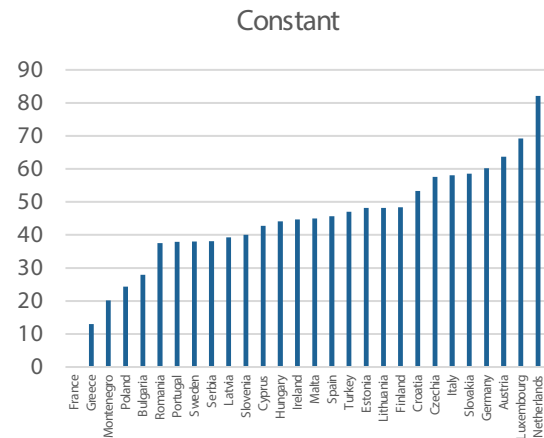


Figure 33-Percentage of Respondents expecting "Constant" in 2020 per country

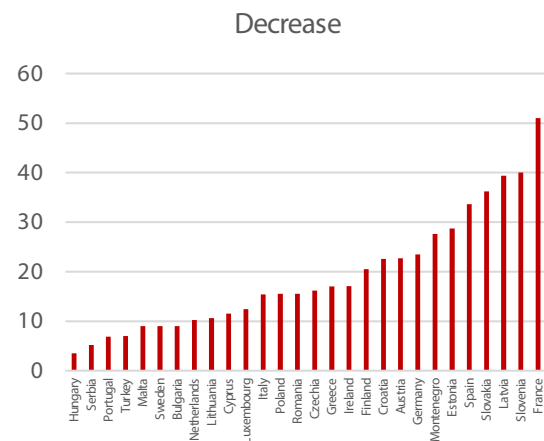


Figure 34-Percentage of Respondents expecting "Decrease" in 2020 per country

Policy Recommendations

Entrepreneurs Say they need...

A favourable framework for SMEs

The results of the EES 2020 are particularly relevant for European SMEs, as more than 90% of the surveyed companies belong to this category. What are European SMEs signalling with their expectations?

SMEs are again concerned about domestic sales levels in many European countries as well as about export sales both within and beyond the internal market. This underlines the importance of putting the 'think small first' principle at the heart of EU trade policy making and of Single Market regulation. Ambitious SME chapters, simple rules of origins and dedicated trade implementation action plans should accompany EU regulations and trade agreements to ensure an SME-friendly legal framework.

SMEs' competitiveness is undermined by high labour costs and excessive social charges – EES respondents rank 'labour costs' as third most challenging issue for 2020. The Commission should collaborate with Member States to collect best practices and promote labour laws and social policies that take SMEs' needs into account.

European small businesses need easier access to funds and a greater knowledge of financing tools in order to help them scale up. Given the continuing difficulties that SMEs encounter in securing bank financing in certain member states, the availability of alternative sources of finance, especially of venture capital, must be further promoted and facilitated.

SMEs need new investment opportunities. The Circular economy represents an incredible

chance for our small businesses to innovate. SMEs should be actively involved, for instance by increasing trust in secondary raw materials or by providing better framework conditions for investments in green technologies.

A stronger Single Market

Many businesses participating to the survey reveal concerns about revenue from domestic sales. A more integrated Single Market would strengthen the European economy and would guarantee future growth. In fact, a stronger internal market would make member states less dependent on domestic demand by stimulating intra-EU trade.

Therefore, the Commission should come forward with ambitious measures to complete the Single Market, in particular for services. Despite the European economies depending heavily on services, this is the area where least progress has been achieved, both in terms of new rules and in the implementation of the existing rules.

An ambitious trade policy

Expected revenue from export sales in 2020 dropped sharply, especially in western European countries. The EU must pursue a 'European way' to shape globalization and lead by example in order to adapt to a shifting geopolitical landscape, as well as to evolving expectations of businesses and citizens.

The EU should also work with other leading world economies to ease trade tensions and should act decisively to prevent a descent into a low-growth trap.

Moreover, further free trade agreements should be promoted to facilitate commercial relations with third countries, but these agreements should not undermine EU product safety rules or negatively impact European

producers. This applies of course to negotiations on future trading relations with the UK.

Skilled employees

The European Commission should pursue concrete and ambitious initiatives to anticipate and prepare the skills needed in the labour market. For instance, a Europe-wide skills forecasting tool could be developed and could feed effectively into the design and delivery of education curricula. Moreover, vocational training with a strong work-based learning component must be promoted as an effective pathway for young people from full-time secondary or tertiary education to the job market.

Designing and implementing an education system reform can be very costly and time-consuming and measures may take long before being fully effective. For this reason, it is necessary to incentivize training provided by firms, in particular for those sectors highly affected by digitalization and automation. This may be achieved by creating specific fiscal incentives or by enhancing cooperation between educational institutions and specialized companies.

A learning culture must be cultivated among all stakeholders and at all career phases. The Commission should therefore not overlook the importance of in-company training and life-long learning to help employees maintain relevant knowledge and skills.

New investment opportunities

Businesses investment forecasts for the year ahead are restrained. The EU must promote broad and inclusive innovation and research opportunities and a technologically neutral approach to stimulate growth in the future.

In the digital sector, investments in new technologies, especially in Artificial Intelligence, would give the chance to European businesses to be frontrunners and compete with stronger economies such as China and the USA. In the energy sector, a market-oriented approach and the harmonisation of European support schemes for renewables would help keeping costs down for consumers, maintaining at the same time public support for the energy transition, and would help enhancing cost-effectiveness, delivering investments where they have the greatest economic effects.

Notes

- 1) Martin Arnold, *German domestic demand squeezes industrial orders as woes mount*, Financial Times, 7 October 2019.
- 2) European Trade Union Institute, *Labour market reforms in Slovakia: background summary* (updated April 2019), (<https://www.etui.org/ReformsWatch/Slovakia/Labour-market-reforms-in-Slovakia-background-summary-updated-April-2019>).
- 3) The Local (FR), *Why are electricity prices in France set to jump (yet) again?*, July 3 2019, (<https://www.thelocal.fr/20190703/why-are-electricity-prices-in-france-set-to-jump-yet-again>).
- 4) Reuters, *German consumers paying record prices for power*, 15 January 2019, (<https://www.reuters.com/article/us-germany-energy-retail/german-consumers-paying-record-prices-for-power-portal-idUSKCN1P9233>).
- 5) Serbian Monitor, *Serbia's exports to the east are declining: what could the signing of an agreement with the Eurasian Economic Union bring?*, 3 September 2019, (<https://www.serbianmonitor.com/en/serbias-exports-to-the-east-are-declining-what-could-the-signing-of-an-agreement-with-the-urasian-economic-union-bring/>).
- 6) It is important to mention that the position of 'Impact of Brexit' in this year ranking is mainly due to German respondents, which are significantly above the average number of respondents across the surveyed countries. Moreover, the option 'Impact of Brexit' was not included in the German version of the survey last year, but it has been included in this year edition, which might have also caused this year exceptional result.
- 7) European Commission, 2018 SBA Factsheet for Cyprus, p. 10 (https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review_en).
- 8) European Commission, 2018 SBA Factsheet for Montenegro, p. 6 (https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2018_mne.pdf).
- 9) Central Bank of Ireland, *SME Market Report 2019*, April 2019 (<https://www.centralbank.ie/docs/default-source/publications/sme-market-reports/sme-market-report-2019.pdf?sfvrsn=6>).
- 10) Financial Times, *OECD warns trade tensions could create low-growth trap*, September 2019, (<https://www.ft.com/content/5b305f88-da2b-11e9-8f9b-77216ebe1f17?desktop=true&segmentId=d8d3e364-5197-20eb-17cf-2437841d178a>).

Appendix

Questionnaire Sample

CHALLENGES	LABOUR
<p><u>Q.1</u> We expect that the biggest challenge(s) for the economic development of our company in 2020 will be (max. 3 answers possible):</p> <p>Domestic demand <input type="checkbox"/></p> <p>Foreign demand <input type="checkbox"/></p> <p>Labour costs <input type="checkbox"/></p> <p>Lack of skilled workers <input type="checkbox"/></p> <p>Exchange rates <input type="checkbox"/></p> <p>Prices of energy and raw materials <input type="checkbox"/></p> <p>Financing conditions <input type="checkbox"/></p> <p>Impact of Brexit <input type="checkbox"/></p>	<p><u>Q.4</u> We expect that during 2020 the size of our workforce will:</p> <p>Increase <input type="checkbox"/></p> <p>Remain constant <input type="checkbox"/></p> <p>Decrease <input type="checkbox"/></p>
NATIONAL SALES	INVESTMENT
<p><u>Q.2</u> We expect that our revenue from national sales in 2020 will:</p> <p>Increase <input type="checkbox"/></p> <p>Remain constant <input type="checkbox"/></p> <p>Decrease <input type="checkbox"/></p>	<p><u>Q.5</u> We expect that during 2020 our level of investments will:</p> <p>Increase <input type="checkbox"/></p> <p>Remain constant <input type="checkbox"/></p> <p>Decrease <input type="checkbox"/></p>
EXPORT SALES	BUSINESS CONFIDENCE
<p><u>Q.3</u> We expect that our revenue from export sales in 2020 will:</p> <p>Increase <input type="checkbox"/></p> <p>Remain constant <input type="checkbox"/></p> <p>Decrease <input type="checkbox"/></p>	<p><u>Q.6</u> We expect that during 2020, overall developments for our business will be:</p> <p>Favourable <input type="checkbox"/></p> <p>Remain constant <input type="checkbox"/></p> <p>Unfavourable <input type="checkbox"/></p>

National Results

Challenges for 2020 (Percentages by Country)

Country	Domestic Demand	Foreign Demand	Labour Costs	Lack of Skills	Exchange Rates	Price of Energy	Financing Conditions	Impact of Brexit
Bulgaria	29,7	29,8	32,9	64,0	4,3	45,8	16,3	3,4
Croatia	56,0	27,7	56,6	35,2	6,5	27,9	16,5	6,1
Cyprus	45,7	40,5	34,2	30,7	8,3	27,6	42,0	21,6
Czechia	28,7	15,8	56,9	51,6	7,8	25,2	4,6	3,4
Estonia	46,3	32,3	61,8	51,1	5,1	21,1	14,0	3,4
Finland	55,5	28,8	36,9	45,3	4,9	15,8	18,1	12,4
France	29,0	2,0	40,0	38,0	2,0	36,0	12,0	3,0
Germany	46,2	19,0	40,3	56,1	3,9	31,5	9,0	45,5
Hungary	15,8	1,8	23,6	61,7	4,8	7,4	13,8	0,5
Ireland	50,0	13,2	46,1	48,7	15,8	22,4	27,6	76,3
Italy	46,3	9,8	43,0	11,8	0,8	19,3	15,3	1,0
Latvia	72,2	47,5	66,7	53,7	2,0	29,0	21,9	8,2
Lithuania	47,4	36,8	53,3	58,0	4,0	20,3	23,7	13,6
Luxembourg	35,4	22,2	50,9	68,7	4,4	23,6	10,9	12,9
Malta	27,7	23,4	60,8	64,4	4,0	12,2	17,3	25,2
Montenegro	22,6	30,0	40,3	50,6	0,0	31,7	33,3	0,0
Netherlands	11,9	11,9	0,0	27,1	0,0	0,0	11,9	0,0
Poland	43,7	25,2	57,3	36,9	8,7	39,8	23,3	3,9
Portugal	45,0	43,1	23,8	39,7	4,6	22,5	19,2	29,8
Romania	45,5	17,9	61,0	68,2	23,2	34,2	20,2	2,4
Serbia	71,1	60,8	35,1	27,8	35,1	43,3	8,3	0,0
Slovakia	53,5	58,6	62,1	43,1	0,0	37,9	17,7	6,9
Slovenia	54,2	47,9	63,9	54,2	2,1	20,8	9,7	6,9
Spain	73,5	26,5	45,5	25,4	4,8	12,5	6,7	3,9
Sweden	48,7	35,8	24,3	44,6	31,1	28,4	16,2	15,5
Turkey	74,7	40,0	9,7	34,2	55,1	17,3	61,9	8,5

Notes:

1. Respondents could indicate for Question 1-Challenges 2020 up to three possible options therefore the shares per country exceed unity when summed.
2. Percentages equal to zero indicate an option left out of the questionnaire for the related country.
3. Austria and Greece do not appear in this table as Question 1-Challenges 2020 was not included in their national surveys.

Expected National Sales in 2020 (Percentages by Country)

Country	<i>Increase</i>	<i>Constant</i>	<i>Decrease</i>	<i>Balance</i>
Austria	37,5	49,6	12,9	24,6
Bulgaria	44,3	44,5	11,1	33,2
Croatia	48,4	39,0	12,6	35,8
Cyprus	45,6	48,8	5,6	40,0
Czechia	25,9	57,7	16,4	9,5
Estonia	38,4	47,3	14,3	24,1
Finland	38,8	46,0	15,2	23,6
France	22,0	59,0	19,0	3,0
Germany	41,3	47,2	11,5	29,7
Hungary	37,3	58,5	3,8	33,9
Ireland	39,5	44,7	15,8	23,7
Italy	18,3	71,0	10,7	7,5
Latvia	44,2	36,7	19,1	25,1
Lithuania	38,2	48,8	12,9	25,3
Luxembourg	37,4	56,1	6,5	30,9
Malta	41,0	48,0	11,0	30,0
Montenegro	54,7	14,0	31,3	23,4
Netherlands	30,9	60,1	9,0	21,9
Poland	56,3	33,0	10,7	45,6
Portugal	62,1	34,5	3,4	58,7
Romania	47,8	30,6	21,6	26,2
Serbia	59,8	36,1	4,1	55,7
Slovakia	25,9	53,5	20,7	5,2
Slovenia	30,0	53,0	17,0	13,0
Spain	32,7	48,6	18,7	14,0
Sweden	36,0	51,0	13,0	23,0
Turkey	48,0	47,0	5,0	43,0

Notes:

1. Greece does not appear in this table as Question 2-National Sales was not included in its national survey.

Expected Export Sales in 2020 (Percentages by Country)

Country	<i>Increase</i>	<i>Constant</i>	<i>Decrease</i>	<i>Balance</i>
Austria	36,8	48,2	15,0	21,8
Bulgaria	52,6	34,7	12,7	39,9
Croatia	43,1	49,2	7,8	35,3
Cyprus	36,9	50,7	12,4	24,5
Czechia	13,0	77,4	9,6	3,4
Estonia	42,0	48,9	9,1	32,9
Finland	29,8	57,6	12,5	17,3
France	12,0	63,0	25,0	-13,0
Germany	19,7	52,3	28,0	-8,3
Greece	55,0	30,0	15,0	40,0
Hungary	37,3	58,5	3,8	33,9
Ireland	57,1	25,0	17,9	39,2
Italy	17,4	73,7	8,9	8,5
Latvia	39,1	52,7	8,2	30,9
Lithuania	42,4	46,5	11,2	31,2
Luxembourg	40,2	51,3	8,5	31,7
Malta	46,0	43,0	11,0	35,0
Montenegro	32,1	58,0	9,9	22,2
Netherlands	23,5	67,3	9,2	14,3
Poland	63,1	27,2	9,7	53,4
Portugal	69,0	27,6	3,5	65,5
Romania	44,9	27,9	27,2	17,7
Serbia	50,5	45,4	4,1	46,4
Slovakia	37,9	51,0	8,6	29,3
Slovenia	39,0	44,0	17,0	22,0
Spain	45,3	40,8	13,9	31,4
Sweden	29,0	61,0	9,0	20,0
Turkey	55,0	39,0	6,0	49,0

Expected Size of Workforce in 2020 (Percentages by Country)

Country	<i>Increase</i>	<i>Constant</i>	<i>Decrease</i>	<i>Balance</i>
Austria	25,5	60,8	13,7	11,8
Bulgaria	38,3	53,7	8,0	30,2
Croatia	37,3	52,7	10,0	27,3
Cyprus	47,4	47,9	4,7	42,7
Czechia	16,8	72,8	10,4	6,4
Estonia	32,5	57,9	9,6	22,9
Finland	34,0	53,4	12,7	21,3
France	7,0	93,0	0,0	7,0
Germany	16,3	66,9	16,8	-0,4
Greece	20,0	40,0	40,0	-20,0
Hungary	21,2	76,0	2,9	18,3
Ireland	42,1	50,0	7,9	34,2
Italy	6,0	88,9	5,1	0,9
Latvia	41,6	50,8	7,6	34,0
Lithuania	40,6	47,1	12,4	28,2
Luxembourg	29,5	66,6	4,0	25,5
Malta	39,0	55,0	6,0	33,0
Montenegro	52,7	40,3	7,0	45,7
Netherlands	21,3	71,1	7,6	13,7
Poland	48,5	45,6	5,8	42,7
Portugal	44,8	51,7	3,5	41,4
Romania	35,2	40,9	23,9	11,3
Serbia	26,8	69,1	4,1	22,7
Slovakia	34,5	41,4	24,1	10,4
Slovenia	24,0	62,0	14,0	10,0
Spain	21,3	69,3	9,4	11,9
Sweden	32,0	52,0	16,0	16,0
Turkey	49,0	43,0	8,0	41,0

Expected Investments in 2020 (Percentages by Country)

Country	<i>Increase</i>	<i>Constant</i>	<i>Decrease</i>	<i>Balance</i>
Austria	23,4	56,6	20,0	3,4
Bulgaria	45,5	42,9	11,6	33,9
Croatia	42,4	41,9	15,7	26,8
Cyprus	44,3	43,0	12,7	31,6
Czechia	21,5	62,2	16,3	5,2
Estonia	31,6	49,2	19,2	12,4
Finland	27,7	56,7	15,6	12,1
France	10,0	83,0	7,0	3,0
Germany	26,3	52,4	21,3	5,0
Greece	8,0	74,9	17,1	-9,1
Hungary	28,9	63,4	7,7	21,2
Ireland	39,5	54,0	6,6	32,9
Italy	14,0	75,6	10,5	3,5
Latvia	41,1	46,6	12,3	28,8
Lithuania	38,8	54,1	7,1	31,7
Luxembourg	31,1	61,5	7,5	23,6
Malta	45,0	48,0	7,0	38,0
Montenegro	56,4	35,8	7,8	48,6
Netherlands	16,2	71,9	11,9	4,3
Poland	47,6	43,7	8,7	38,9
Portugal	60,0	36,7	3,3	56,7
Romania	37,5	38,1	24,4	13,1
Serbia	20,6	70,1	9,3	11,3
Slovakia	24,1	44,8	31,0	-6,9
Slovenia	37,0	45,0	18,0	19,0
Spain	25,3	60,4	14,3	11,0
Sweden	39,0	49,0	13,0	26,0
Turkey	37,0	50,0	13,0	24,0

Business Confidence for 2020 (Percentages by Country)

Country	<i>Favorable</i>	<i>Constant</i>	<i>Unfavorable</i>	<i>Balance</i>
Austria	13,7	63,7	22,7	-9,0
Bulgaria	63,0	28,0	9,0	54,0
Croatia	24,1	53,3	22,6	1,4
Cyprus	45,7	42,8	11,5	34,2
Czechia	26,2	57,6	16,2	10,0
Estonia	23,1	48,2	28,7	-5,6
Finland	31,1	48,4	20,5	10,5
France	49,0	0,0	51,0	-2,0
Germany	16,4	60,2	23,5	-7,1
Greece	70,0	13,0	17,0	53,0
Hungary	52,4	44,1	3,5	48,9
Ireland	38,2	44,7	17,1	21,1
Italy	26,5	58,1	15,4	11,2
Latvia	21,2	39,3	39,4	-18,2
Lithuania	41,2	48,2	10,6	30,6
Luxembourg	18,4	69,2	12,4	6,0
Malta	46,0	45,0	9,0	37,0
Montenegro	52,3	20,2	27,6	24,7
Netherlands	7,8	82,1	10,2	-2,4
Poland	60,2	24,3	15,5	44,7
Portugal	55,2	37,9	6,9	48,3
Romania	47,0	37,5	15,5	31,5
Serbia	56,7	38,1	5,2	51,5
Slovakia	5,2	58,6	36,2	-31,0
Slovenia	20,0	40,0	40,0	-20,0
Spain	20,7	45,7	33,6	-12,9
Sweden	53,0	38,0	9,0	44,0
Turkey	46,0	47,0	7,0	39,0