



PRESS RELEASE

Economic confidence among Europe’s industrial leaders cools as supply chain issues, inflation cloud the horizon

- Optimism fades from 2021 H1 high, but outlook is still positive
- Supply chain disruptions, labour shortages and inflation may persist for a while
- Climate legislation will increase costs, without harming competitiveness
- EU Single Market – business leaders say ‘let’s complete it!’ to empower more gains

BRUSSELS, 24 November 2021: A new report released today reveals the latest sentiments among the CEOs and Chairs in Europe, for the economic and business outlook, while also flagging some potential risks on the horizon.

The Conference Board Measure of CEO Confidence™ for Europe polls corporate leaders in the **European Round Table for Industry (ERT)** – the CEOs and Chairs of some of the most recognisable European industrial and technology companies with operations worldwide. This 9th edition of the semi-annual survey gauged sentiment among the Members of ERT on a range of topics, including economic outlook, inflation, the European Commission’s *Fit for 55* package and the state of the EU’s Single Market.

CEOs and Chairs of Europe’s largest companies remain optimistic about **economic and business prospects**, but challenges involving supply chains, inflation, and labor shortages have moderated their expectations for the year ahead. Based on a semiannual survey of around 60 corporate leaders, *The Conference Board Measure of CEO Confidence™* for the European Round Table for Industry (ERT) stands at 63 for the second half of 2021 (H2 2021)—down from 77 in H1 2021. Confidence remains well above the nadir of 34 reached at the height of the pandemic in H1 2020. (A score above 50 points reflects more positive than negative responses.)

Nearly 3 in 4 respondents (73%) report that **the economy** is doing moderately or substantially better in the second half of 2021 compared to six months ago, leading to a current conditions sub-measure of 67 - the strongest driver of confidence in H2 2021. Looking ahead, expectations for the economy in six months’ time fell substantially, from a sub-measure of 81 in H1 2021 to 60 in H2 2021.

Likewise, Europe’s CEOs have become more cautious about prospects for their **own industry**, with this sub-measure dropping to 60, down from 74 on the previous survey. Nevertheless, 52% of CEOs surveyed expect conditions to improve within their industry over the next six months - compared to just 18% who expect conditions to deteriorate.

Dr. Martin Brudermüller, Chairman of the ERT Committee on Competitiveness & Innovation and Chairman of the Board of BASF commented *“With the disruptions of the Delta variant and signs of another winter wave brewing, European business leaders are less sanguine that COVID-19 is behind them than they were when vaccinations ramped up earlier this year. That said, most remain confident about their prospects heading into 2022. In the year ahead, their focus will shift to the longer-term challenges – chief among them, labour shortages and a prolonged period of higher structural inflation.”*

Strong expectations for employment & sales

Expectations for employment and sales - inside and outside of Europe - remain strong. CEOs and Chairs are more positive on the employment front compared to the first half of 2021. For the first time in three years, the sub-measure for employment in Europe entered positive territory, at 54. (A reading above 50 indicates more positive than negative responses.) **Renewed optimism about the labor market mirrors increased confidence among European consumers regarding job prospects.**

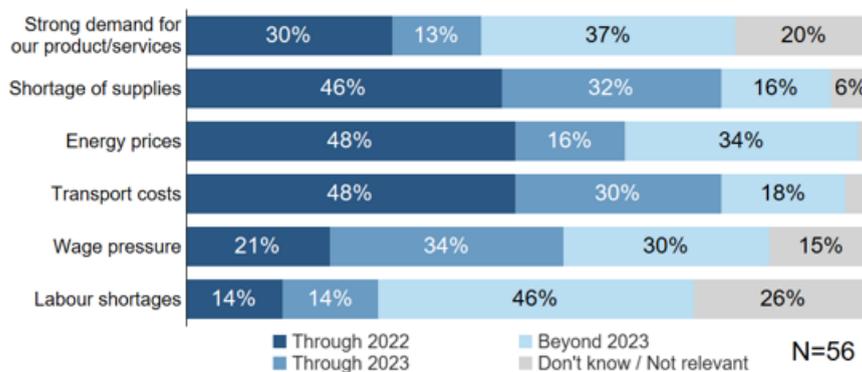
Expectations for sales remain positive, but are less bullish than in H1 2021. **Demand for goods and services remains strong, inside and outside of Europe, but some moderation has recently occurred in emerging markets.** Over the next six months, the overwhelming majority of European business leaders expect to continue expanding capital investments.

Inflation: here to stay?

Rising inflation has become a matter of general concern. Year-on-year inflation in the Euro Area has reached levels unseen since 2008 - **4.1%** in October, up from 3.4% the previous month.

The pressure of energy prices and transport costs may subside in 2022, while strong pressure from wages and labor shortages may continue in 2023 and beyond

How long do you expect the following drivers of inflation to impact your company?



Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT (2021-H2)

The dominant view, espoused by the European Central Bank, has held that the underlying drivers of these price spikes are temporary. On the other hand, European business leaders' expectations differ on how temporary those factors will be.

- **ERT Members expect demand for goods and services to remain elevated for the foreseeable future** - 43% project strong demand through 2022 and 2023, while another 37% expect these conditions to last past 2023.
- **Nearly half of the respondents believe transport and energy costs** - some of the strongest drivers of recent inflation - **will subside during 2022**. However, more than a third anticipate elevated energy prices will persist beyond 2023.
- **Labour-market pressures look set to persist** in the years ahead. 46% of business leaders surveyed believe wage pressures will continue to impact their companies beyond 2023, while 30% expect labour shortages to persist over the same timeframe.

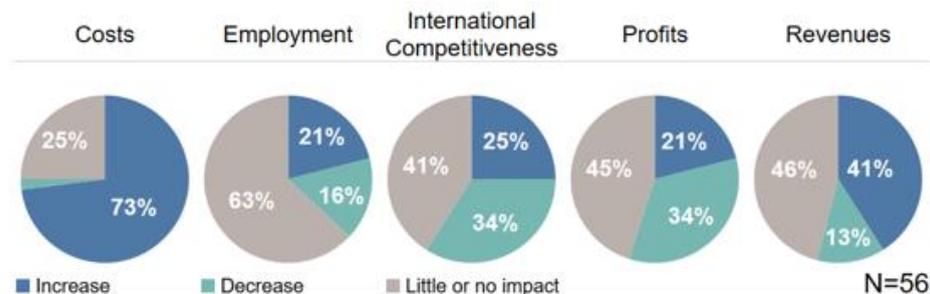
“The expectation that demand for goods and services will remain elevated well into 2022 and 2023 is consistent with the full recovery in economic activity we anticipate following the pandemic-induced recession.” said **Dana Peterson, Chief Economist at The Conference Board**. “However, concerns about persistent labour shortages and rising wages postpandemic suggest constraints on the expansion from a shrinking labour force as the region’s population ages.”

Clarity on Climate

As the European Commission landmark *Fit for 55* climate legislative package has been evolving over the course of the year, this edition of the survey polled the cross-sectoral membership of ERT, in the weeks preceding COP26.

More ambitious carbon emission schemes may increase costs, but otherwise will have limited impact for a majority of firms

What impact do you anticipate the proposals for "Fit for 55" package, which implement the EU's greenhouse gas reduction target of 55% by 2030, will have on your company's...



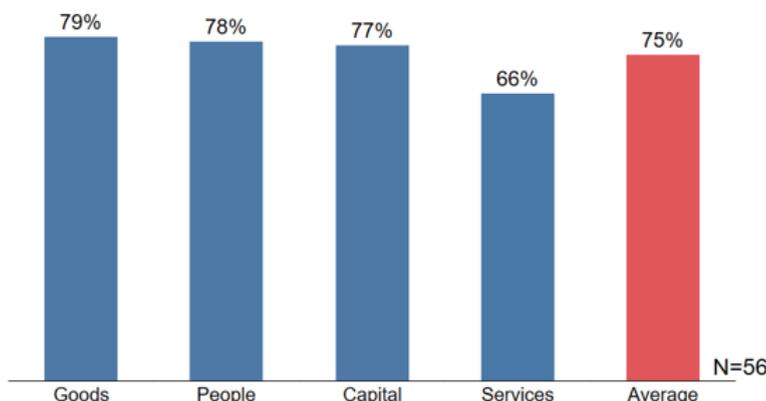
Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT (2021-H2)

The vast majority of Members of ERT expect **new emissions targets released in the European Commission’s *Fit for 55* package to increase costs**. Only around a third anticipates that they will hurt profits or competitiveness whilst **roughly two-thirds anticipate they will have no impact on their business or actually increase profits and international competitiveness**.

Single Market Metrics

ERT has always been a strong advocate for the creation of the Single Market. As the European Single Market’s 30th anniversary is approaching, business leaders were asked about their views on the level of completion of each of the four freedoms of the European Union.

In your view, how complete is the Single Market regarding the four freedoms? From 0 (incomplete) to 100 (fully complete)...



Source: The Conference Board Measure of CEO Confidence™ for Europe by ERT (2021-H2)

There is unanimous consensus that the free circulation of people, goods, services, and capital is not fully completed. CEOs identified services as the area that is furthest behind the goal of full integration, but even for goods, **respondents believe the Single Market is only 75% complete**, with much room to improve.

On this, **Brudermüller** said “Over the past three decades, the free movement of citizens, capital, goods and services at the heart of EU Single Market have made it a transformative force for prosperity and a more cohesive political and economic entity. However, the rapidly changing geopolitical context, the emergence of new sectors and societal needs and norms mean it’s time for an update. More than that, the Single Market needs a renewed push for completion. ERT will release a flagship paper on 7 December to enhance our internal market and solidify the EU’s competitiveness on the world stage.”

To download the full survey results, click [here](#).
The next survey will be carried out in 2022 Q2.

Note to Editors:

A full list of the membership of ERT is accessible [here](#).

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About the European Round Table for Industry (ERT)

The European Round Table for Industry (ERT) is a forum that brings together around 60 Chief Executives and Chairs of leading multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe, with the EU and its Single Market as a driver for inclusive growth and sustainable prosperity. Companies of ERT Members have combined revenues exceeding €2 trillion, providing direct jobs to around 5 million people worldwide – of which half are in Europe – and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe.

www.ert.eu

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