

# European Mid-Market Barometer January 2015

A survey of 6,000 medium-sized companies on the economic outlook and business conditions in Europe



Building a better  
working world



# Foreword

Welcome to EY's first *European Mid-Market Barometer*.



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As the world's economy recovers, the middle market is leading the resurgence in revenue and employment growth.

Understanding sentiment among Europe's mid-size companies gives a valuable insight into current market conditions and provides a unique perspective for policymakers to consider.

So, what does the survey of 6,000 companies tell us?

The mood is positive in many parts of the continent. The vast majority of firms are confident about the immediate future and plan to maintain or increase investment in their businesses.

Encouragingly, middle-market companies in countries that were hit hard by the financial crisis in 2008 are now rebounding strongly, especially in places where painful economic reforms were enacted, such as Spain, Ireland and the UK.

However, the picture is not entirely rosy.

Prospects for Greek companies are still hampered by their country's continued problems. And the survey reveals a high degree of concern for the future among middle market firms in Germany and other German-speaking countries. This sentiment seems to be underpinned by the uncertainty caused by ongoing conflict in Ukraine, and fears of the effects on the supply and price of raw materials, especially oil and gas.

# Foreword (continued)

Meanwhile, the majority of company leaders who were surveyed would prefer governments to promote growth through investment rather than reduce spending to consolidate their budgets. Again, most German-speaking countries voice a different view on this matter.

One of the most encouraging signs for Europe is the strong investment picture. If the middle-market is investing in the future, it bodes well for sustained growth and employment. One potential obstacle is a lack of skilled labor, which can hamper companies just when they are ready to grow. Therefore, middle-market firms would like governments across the region to focus on education, training and immigration reform.

While calling for more public investment, middle-market firms want to see taxes reduced and less regulation.

Keeping abreast of middle-market sentiment, and supporting these organizations as they seek growth in this crucial recovery phase, is really important to us at EY. We have a unique legacy of working with some of the world's fastest-growing companies as they navigate complex market conditions. We will continue to track shifts in mid-market opinion over time, as the economic and policy environments evolve, and share these insights with you.

For more information on this survey, please contact us. For insights on how we work with middle-market companies to accelerate growth, please visit [www.ey.com/driversofgrowth](http://www.ey.com/driversofgrowth).

# Survey design

- ▶ This is representative survey of 6,000 medium-sized businesses in 21 European countries on the economic outlook and business conditions.
- ▶ The sample comprised companies with annual turnovers between €10m and €500m.
- ▶ The telephone survey was conducted by an independent market research institute (Valid Research, Germany) in November and December 2014.
- ▶ This is the first Europe-wide *EY Mid-Market Barometer*. Similar surveys have been published for Germany since 2003 and for Austria and Switzerland since 2008.

## Your contacts:

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# Sample details

Country	Number of interviews
Germany	650
France	600
United Kingdom	500
Spain	350
Italy	330
Netherlands	300
Turkey	300
Austria	250
Belgium	250
Norway	250
Poland	250
Sweden	250
Switzerland	250
Russia	200
Czech Republic	200
Denmark	200
Finland	200
Ireland	200
Portugal	200
Greece	170
Luxembourg	100
<b>Total</b>	<b>6,000</b>

## Sectoral distribution

Industry and manufacturing	42%
Service	29%
Retail	17%
Construction and energy	12%

## Turnover distribution

< €30m	40%
€30m to €100m	36%
> €100m	24%

## Respondents

C-suite executives and business owners

# Key findings



## Business climate



The large majority of medium-sized companies in Europe view their **current state of business as positive**. The outlook for the coming months is also seen as quite positive: turnover is expected to increase by an average of 1.7%. Business conditions are currently best in Turkey, Ireland and the UK and, by far, worst in Greece.

## Economic expectations



Near-term economic **expectations on the domestic economies are cautiously optimistic**: in 14 out of 21 countries, the domestic economy is expected to improve, whereas an economic downturn is anticipated in only 6 countries.

## Investment and employment



In line with the positive economic predictions, medium-sized companies in Europe plan to **increase their investments**. In the labor market, too, positive trends are expected: **employment looks set to rise in all 21 countries**, with Ireland and the UK being the front-runners. In Greece, however, employment is likely to increase only modestly.

## Risks



According to Europe's medium-sized companies, the biggest risk to their own development is **high prices for raw materials**, followed by the **weak domestic economy** and a poor economic trend abroad. **Geopolitical tensions** also present a significant threat, with more than one in five companies affected by the Ukraine crisis.

## Policy recommendations



The majority of medium-sized companies in Europe seek **growth promotion** by means of increasing public investment. In only 4 out of 21 countries (Switzerland, Luxembourg, Germany and Austria), budget consolidation/debt reduction are seen as the key priorities.



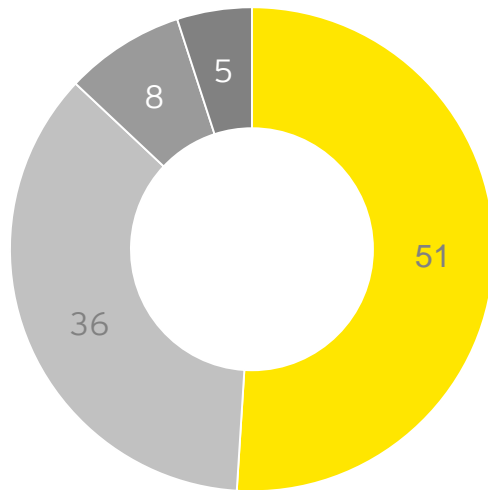
# Business climate in the mid-market



# Current state of business mainly seen positively

How would you assess your current state of business?

Europe



■ Good ■ Quite good ■ Fairly bad ■ Bad

Proportion selected "good"

Sector

Service	52
Industry and manufacturing	51
Construction and energy	50
Retail	49

Turnover

< €30m	50
€30m to €100m	52
> €100m	51

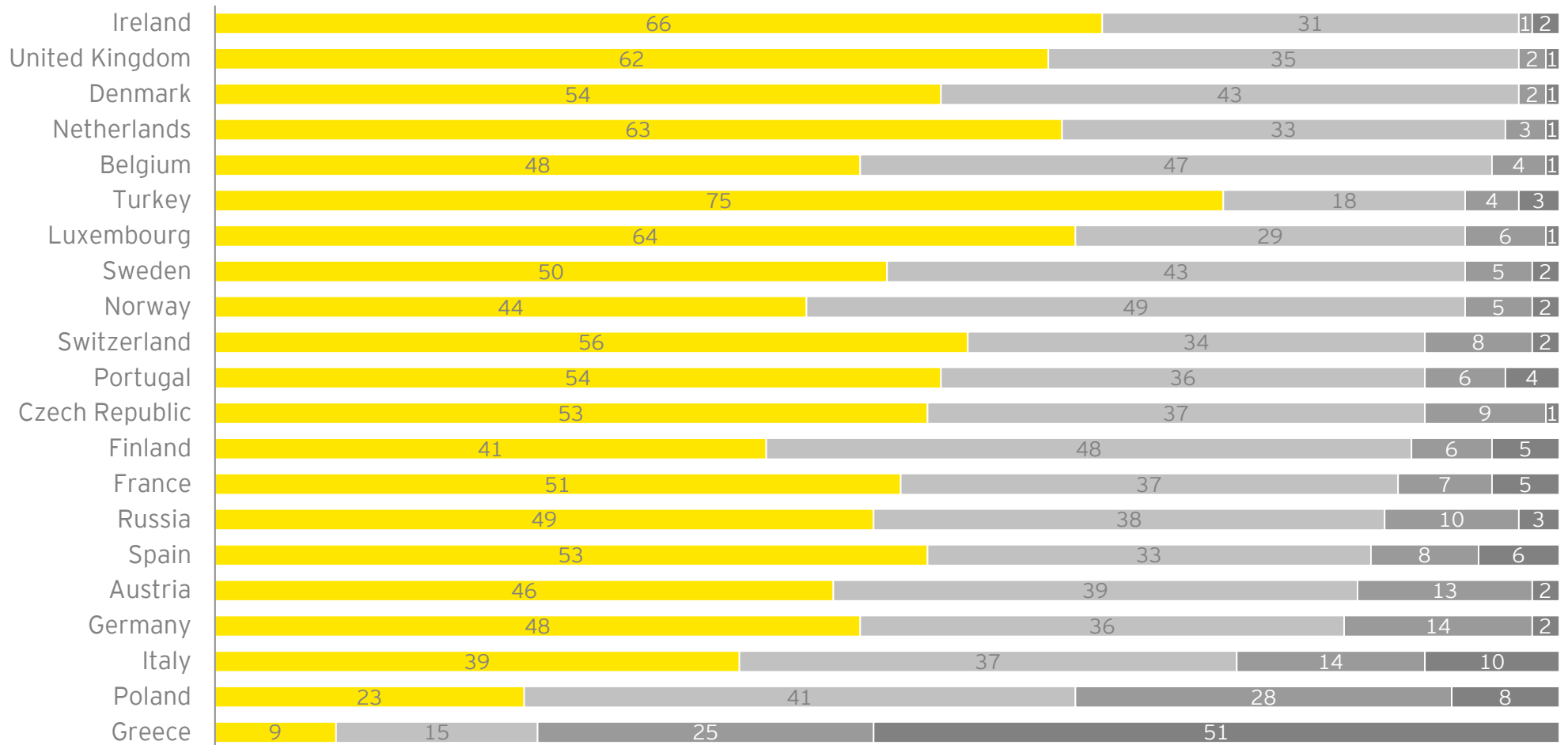
The large majority of medium-sized companies in Europe (87%) assess the current state of business favorably; half of all respondents are even thoroughly satisfied. Only one in eight companies rate the current state of business as fairly bad or bad.

Figures in %



# Country overview: current state of business rated best in Ireland and UK

How would you assess your current state of business?



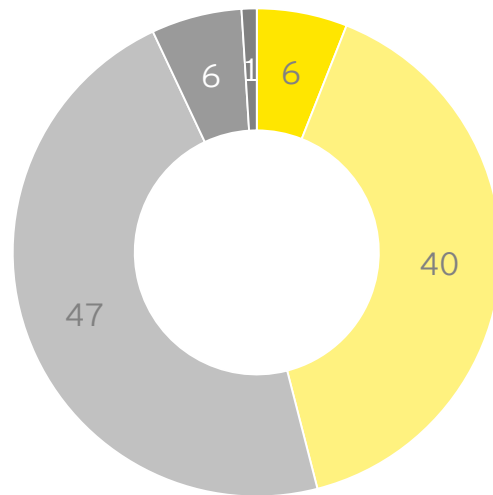
Figures in %

■ Good ■ Quite good ■ Fairly bad ■ Bad

# Business outlook: almost one in two expect their company's performance to improve

How will your company's performance develop over the next six months?

Europe



■ Improve significantly ■ Improve slightly ■ Remain the same ■ Deteriorate slightly ■ Deteriorate significantly

Proportion selected "improve"

## Sector

Service	47
Industry and manufacturing	47
Retail	45
Construction and energy	38

## Turnover

< €30m	45
€30m to €100m	46
> €100m	45

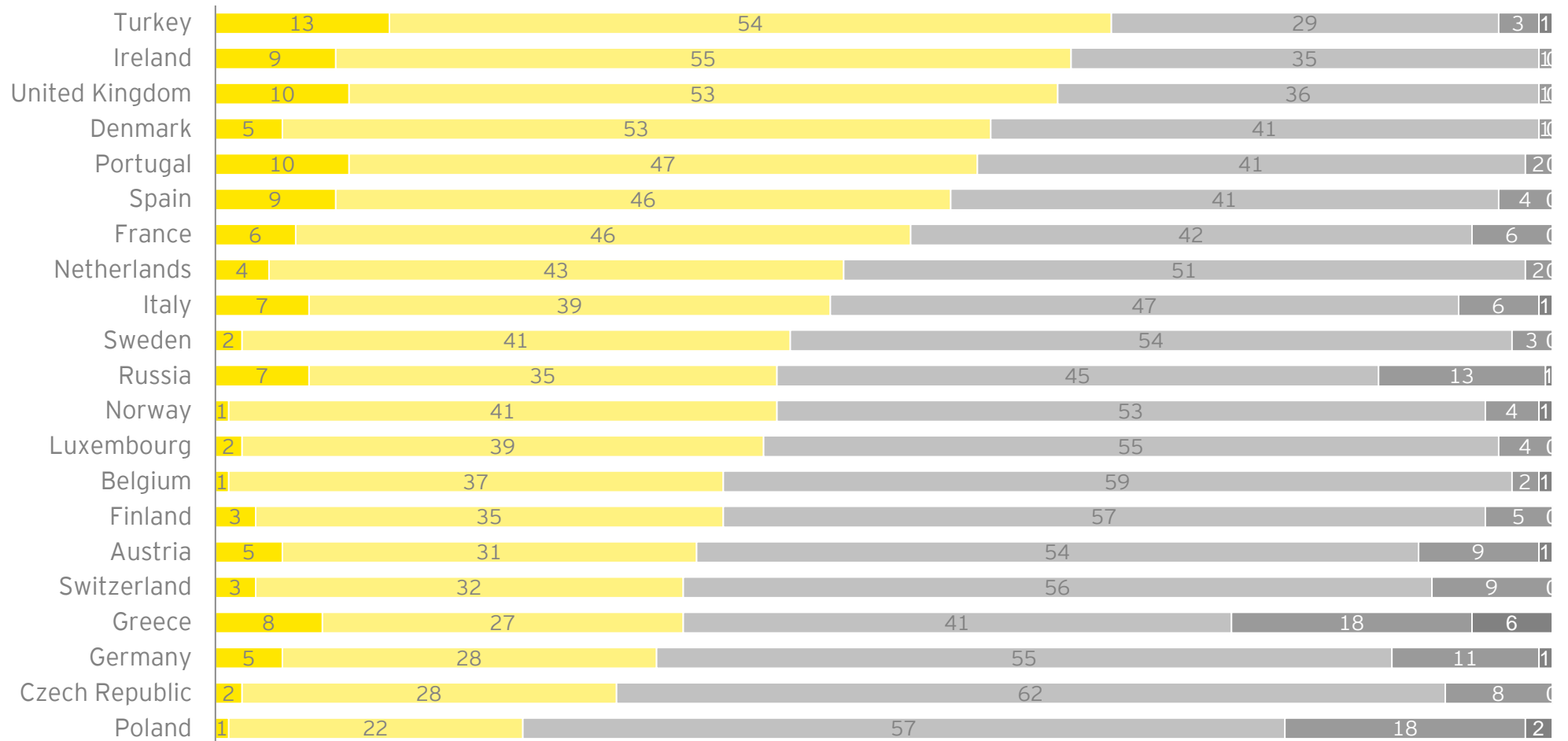
Almost half of all medium-sized companies in Europe (46%) expect their performance to improve over the next six months, whereas only 7% anticipate a deterioration. Optimism is highest in the service and manufacturing sector.

Figures in %

# Entrepreneurs in Turkey, Ireland and the UK are the most optimistic



How will your company's performance develop over the next six months?



Figures in %

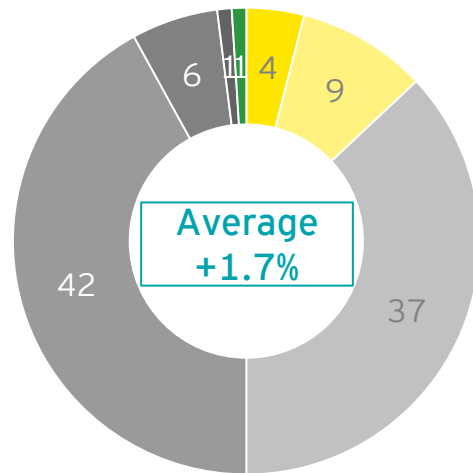
■ Improve significantly  
 ■ Improve slightly  
 ■ Remain the same  
 ■ Deteriorate slightly  
 ■ Deteriorate significantly



# Mid-market companies expect solid growth in revenue

How do you expect your company's turnover to develop in 2015 compared with 2014?

Europe



- Increase strongly (>5%)
- Increase significantly (3-5%)
- Increase slightly (up to 3%)
- Remain the same
- Decrease slightly (up to 3%)
- Decrease significantly (>3%)

## Expected turnover growth (average)

### Sector

Industry and manufacturing	1.8
Service	1.7
Retail	1.7
Construction and energy	1.5

### Turnover

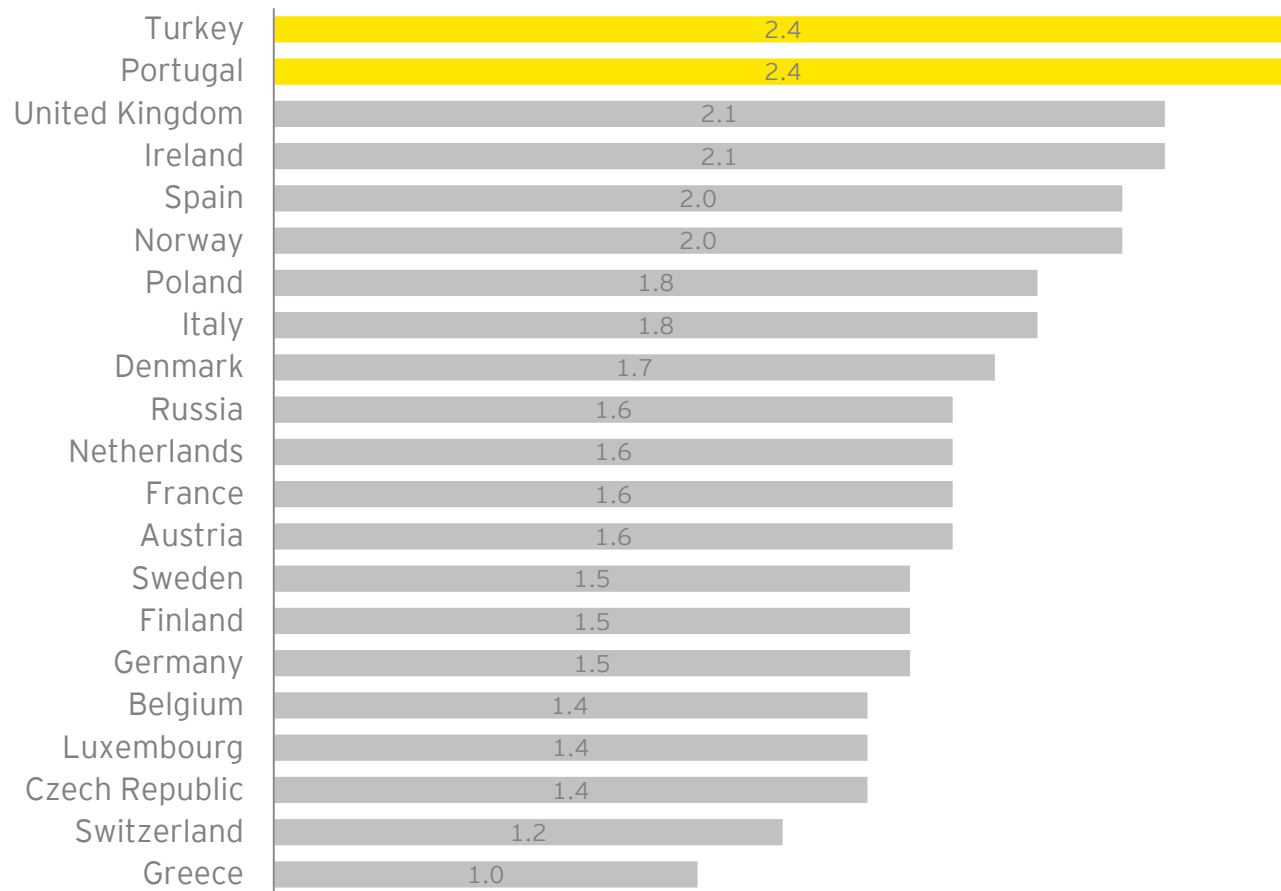
< €30m	1.7
€30m to €100m	1.8
> €100m	1.7

Half of all medium-sized companies in Europe expect their turnover to increase in 2015 compared with 2014; only a small fraction (8%) anticipate a decrease. On average, mid-market companies expect turnover to increase by 1.7% over the coming year.

Figures in %

# Revenue forecast: country overview

 How do you expect your company's turnover to develop in 2015 compared with 2014?

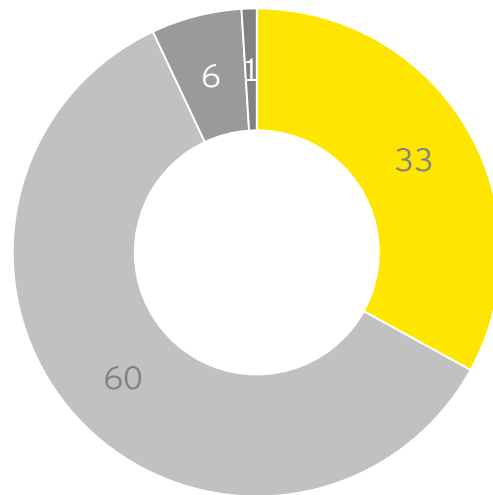


Change in %

# Large majority of companies in stable condition

How would you describe your company's current status?

Europe



■ Very stable    
 ■ Fairly stable    
 ■ Somewhat critical    
 ■ Very critical

Proportion "somewhat critical" or "very critical"

## Sector

Construction and energy	8
Service	7
Retail	7
Industry and manufacturing	7

## Turnover

< €30m	10
€30m to €100m	5
> €100m	5

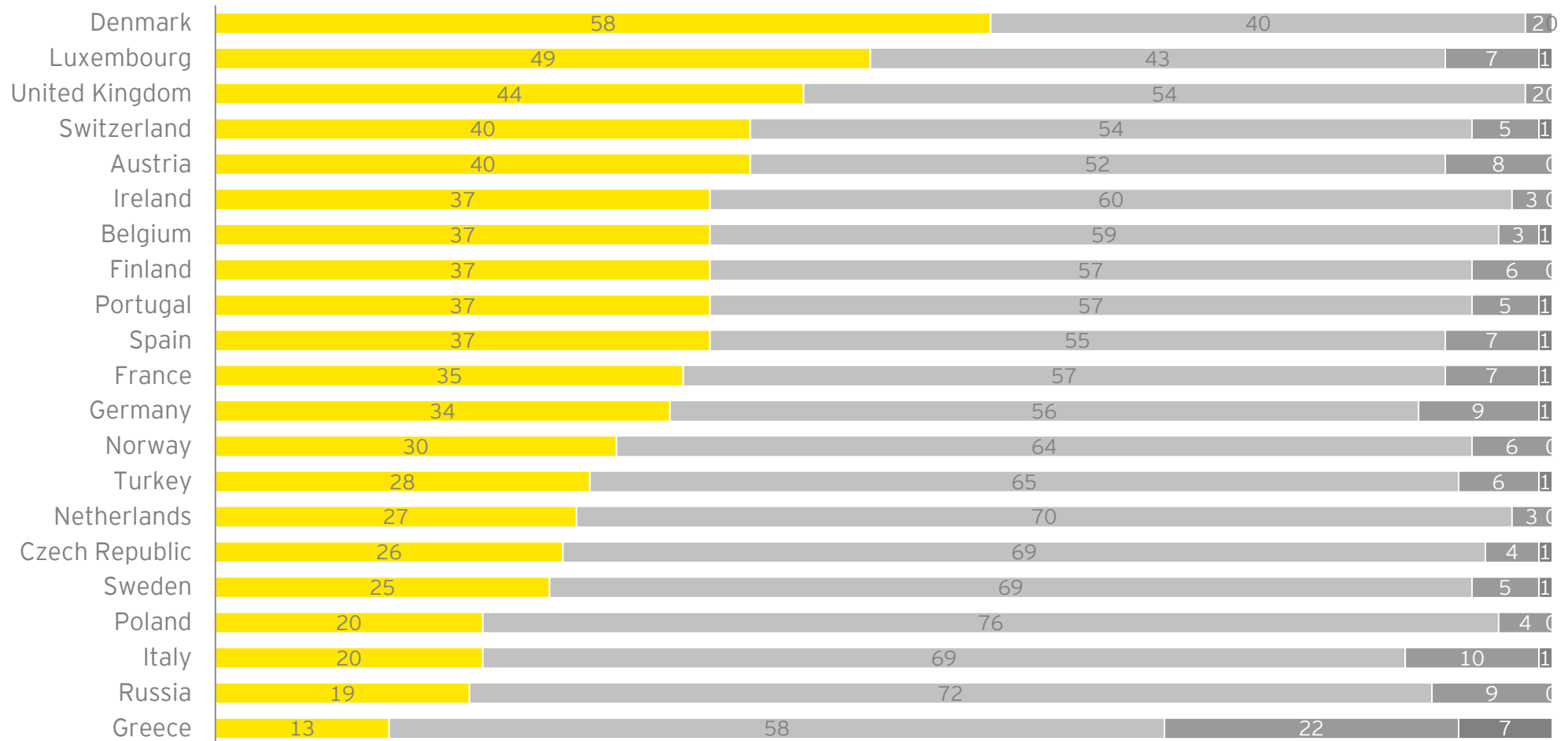
The large majority of medium-sized companies in Europe (93%) rate their company's current status as stable, one in three companies even as "very" stable. Only one in a hundred companies views its current state as very critical.

Figures in %



# Highest concentration of companies in critical condition in Greece: Danish companies particularly stable

How would you describe your company's current status?



Figures in %

■ Very stable    
 ■ Fairly stable    
 ■ Somewhat critical    
 ■ Very critical

# Business climate

The business climate is given as a mean value, composed of the balances of the current state of business and the expectations for business performance and turnover; find more details on page 58.



## Europe

### Sector

Industry and manufacturing	49
Service	48
Retail	45
Construction and energy	42

**Average: +47\***

The business climate has been calculated on a European basis for the first time this year.

### Top three

Turkey	65
Ireland	63
UK	63

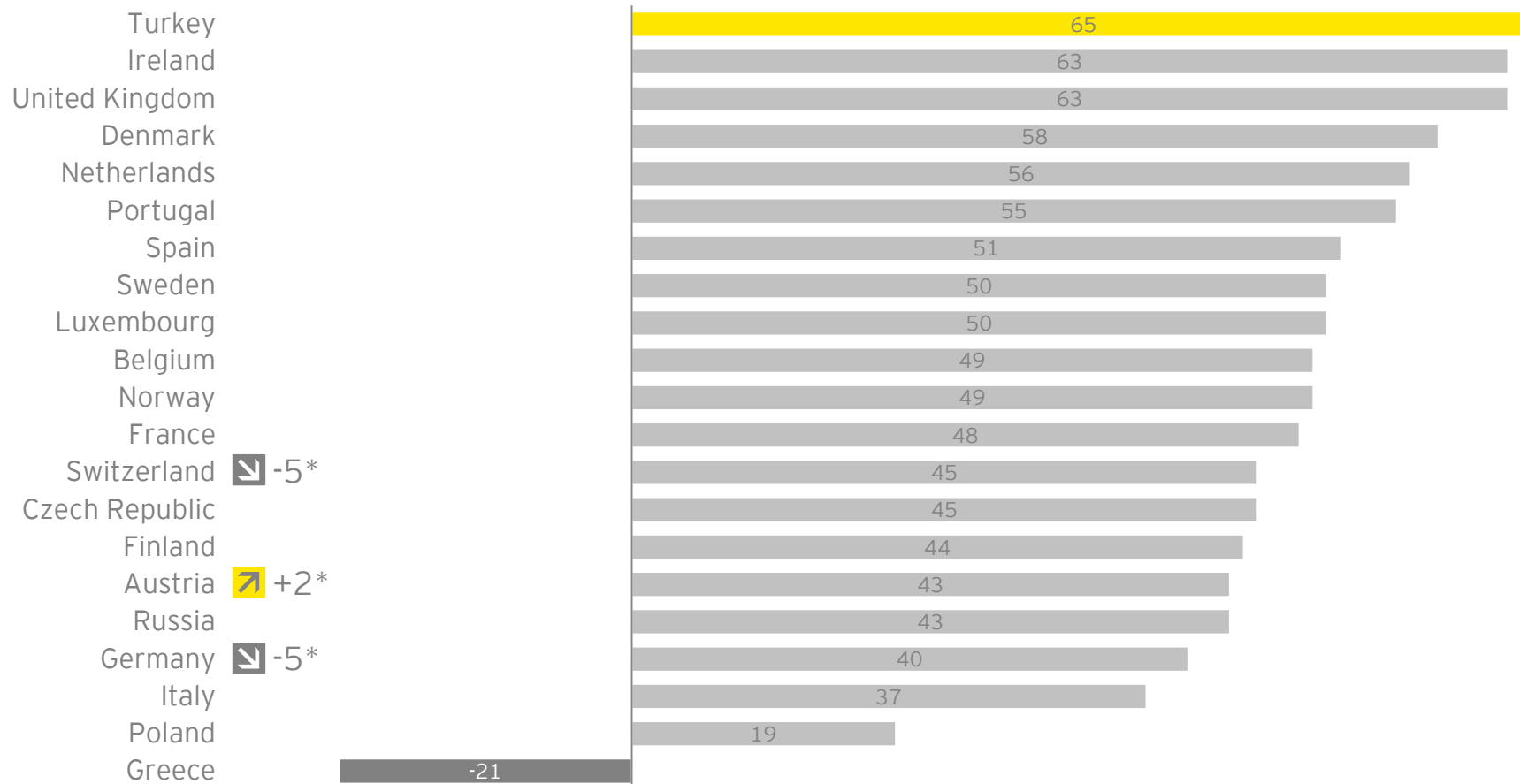
### Bottom three

Greece	-21
Poland	19
Italy	37

Business climate is currently best in Turkey, Ireland and UK and worst in Greece, Poland and Italy – with Greece performing particularly badly due to both a poor current state of business and muted expectations. On average, business climate is best in the manufacturing and service sectors.

\* Figures in points on a scale of -100 to +100

# Current business climate best in Turkey, Ireland and UK; worst in Greece



Figures in points on a scale of -100 to +100; \* change in points compared with business climate in July 2014 (where available)



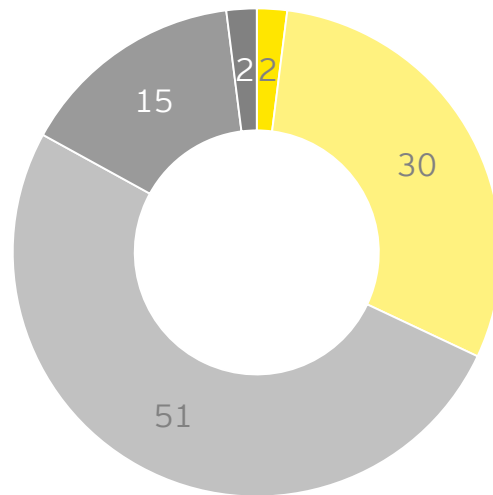
# Economic climate and policy



# Economic expectations of mid-market companies cautiously optimistic

How do you think the general economic climate will develop in your home country in the next six months?

Europe



■ Improve significantly ■ Improve slightly ■ Remain the same ■ Deteriorate slightly ■ Deteriorate significantly

Proportion selected "improve"

## Sector

Service	33
Industry and manufacturing	32
Retail	29
Construction and energy	29

## Turnover

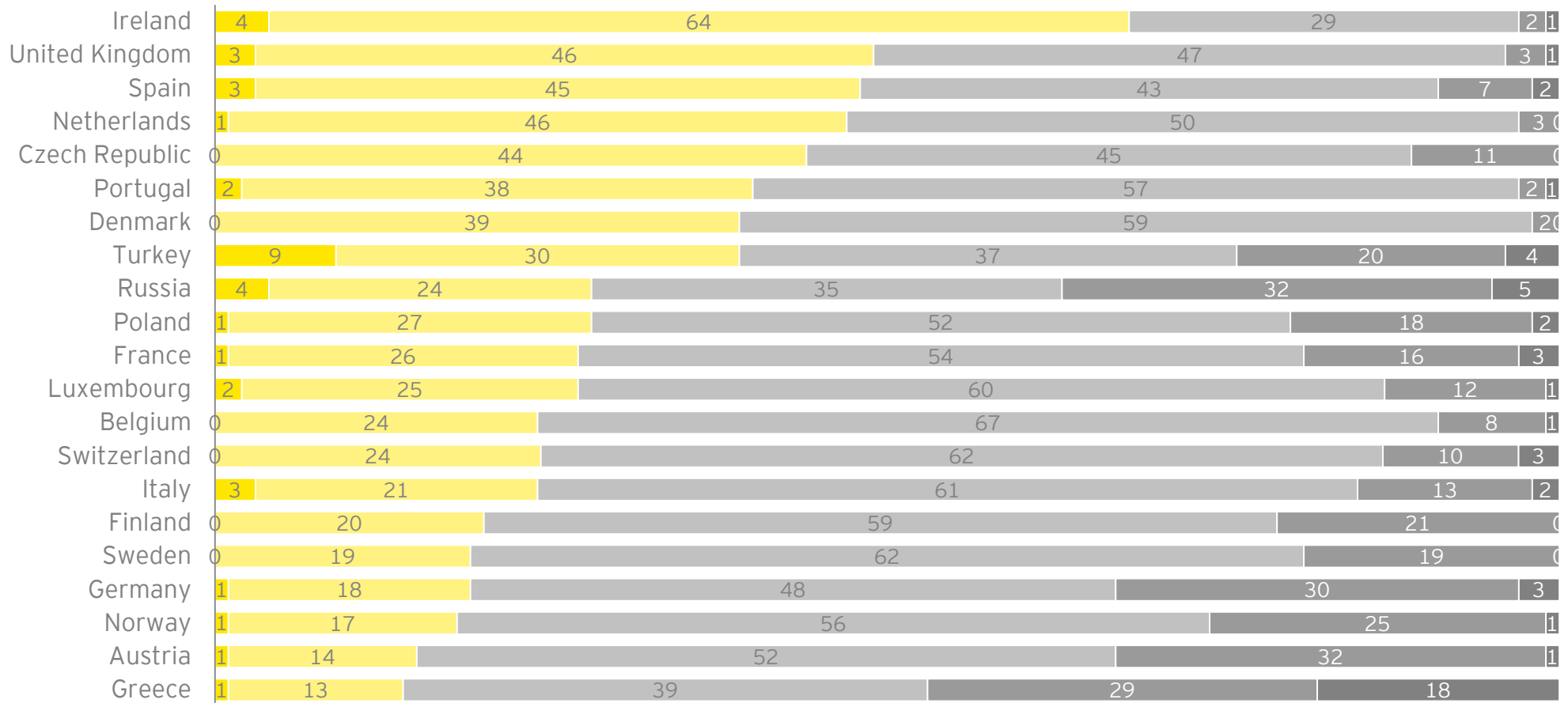
< €30m	31
€30m to €100m	32
> €100m	31

One in three medium-sized companies in Europe (32%) expects the general economic climate in its home country to improve in the next six months, whereas one in six companies (17%) anticipates a downturn.

Figures in %

# Optimism on domestic economy greatest among Irish companies

How do you think the general economic climate will develop in your country in the next six months?



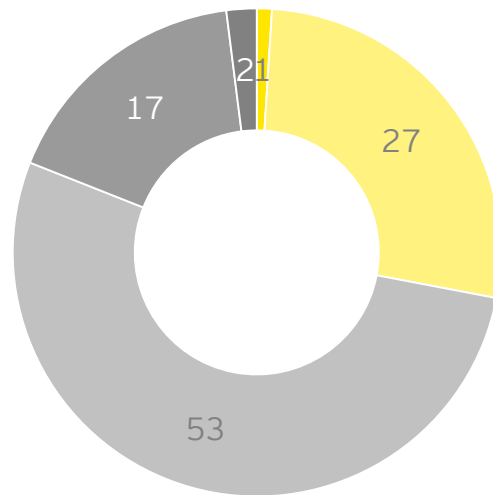
Figures in %

■ Improve significantly ■ Improve slightly ■ Remain the same ■ Deteriorate slightly ■ Deteriorate significantly

# Mixed expectations on the European economy

How do you think the general economic climate will develop in Europe in the next six months?

Europe



■ Improve significantly ■ Improve slightly ■ Remain the same ■ Deteriorate slightly ■ Deteriorate significantly

Proportion selected "improve"

## Sector

Industry and manufacturing	31
Service	28
Retail	27
Construction and energy	24

## Turnover

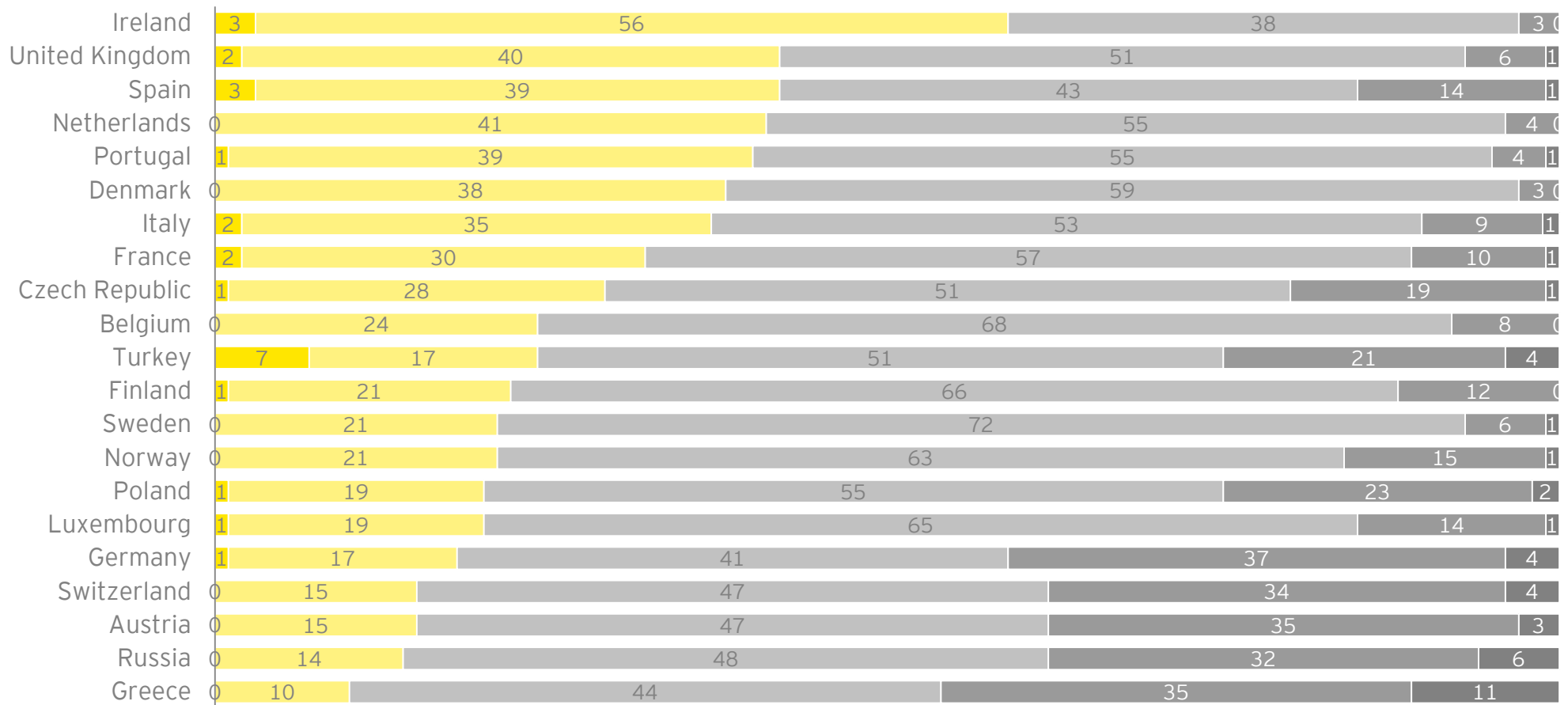
< €30m	29
€30m to €100m	28
> €100m	29

The near-term prospects for the general economic climate in Europe are seen even more cautiously than the prospects for the local economies, with the optimists (28%) outweighing the pessimists (19%) by only a small fraction.

Figures in %

# Greek companies most pessimistic on the European economy

How do you think the general economic climate will develop in Europe in the next six months?



Figures in %

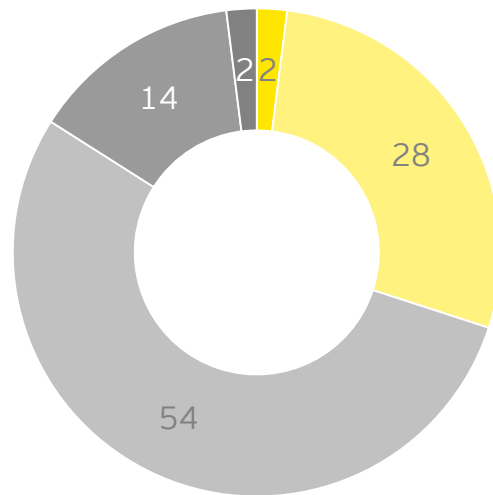
■ Improve significantly ■ Improve slightly ■ Remain the same ■ Deteriorate slightly ■ Deteriorate significantly



# Expectations for the world economy cautiously optimistic

How do you think the general economic climate will develop worldwide in the next six months?

## Europe



■ Improve significantly ■ Improve slightly ■ Remain the same ■ Deteriorate slightly ■ Deteriorate significantly

## Proportion selected "improve"

### Sector

Industry and manufacturing	33
Service	29
Retail	26
Construction and energy	25

### Turnover

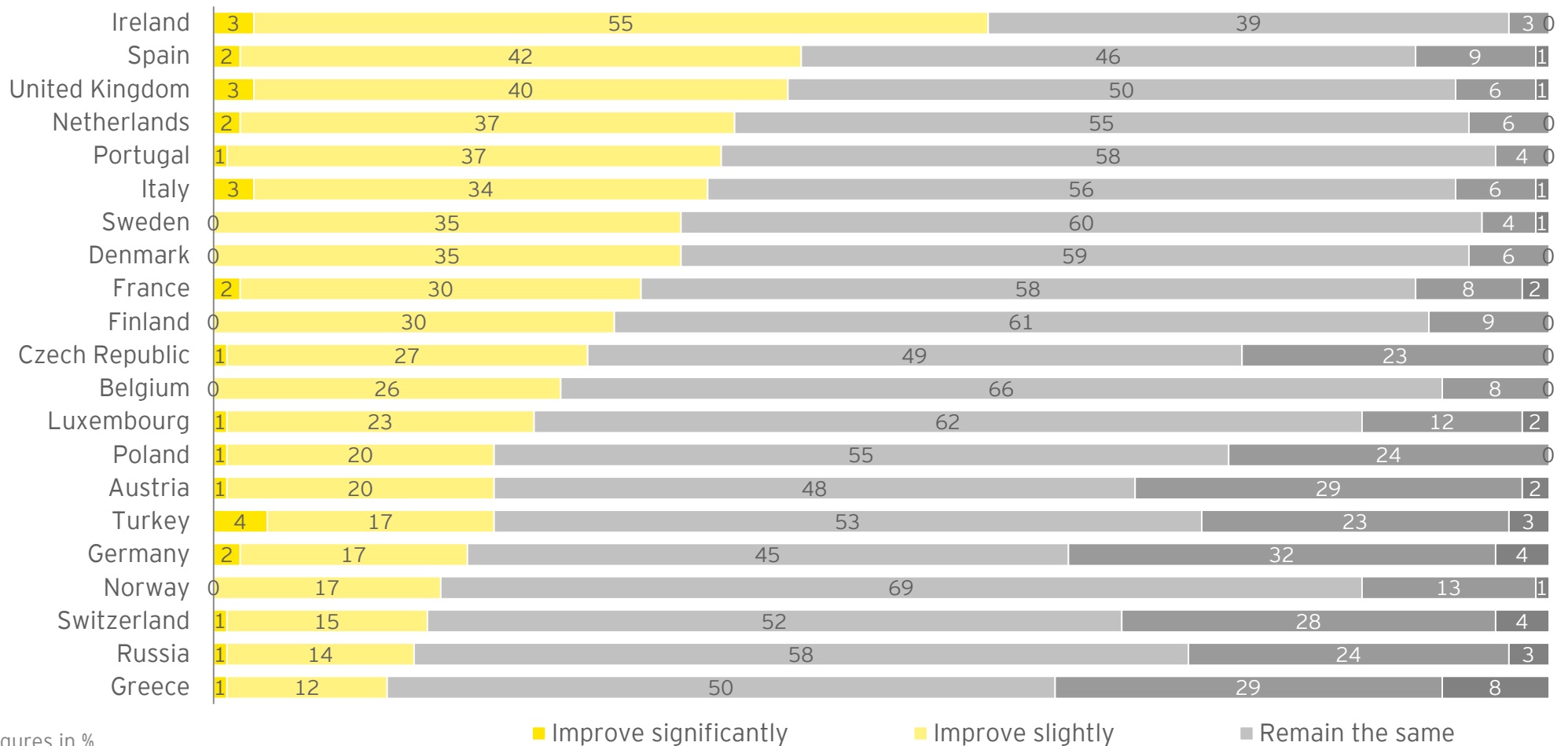
< €30m	28
€30m to €100m	29
> €100m	34

The near-term prospects for the world economy are seen more positively than for Europe: 30% of all respondents expect the world economy to improve in the next six months; only 16% anticipate a downturn. Optimism is greatest in the manufacturing sector and among large companies.

Figures in %

# Irish entrepreneurs especially optimistic on world economy

How do you think the general economic climate will develop worldwide in the next six months?

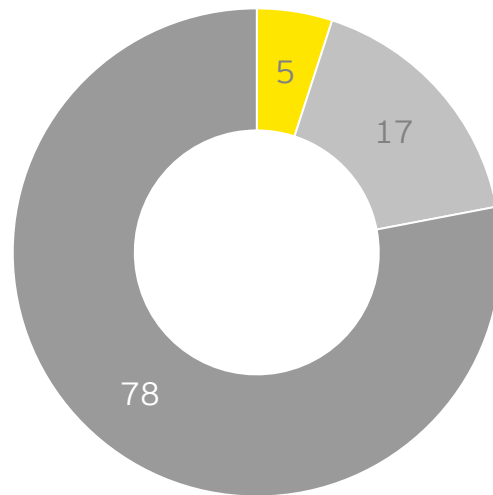


Figures in %

# One in five European companies affected by Ukraine crisis

Is your business feeling any negative effects from the current tensions between Russia and the EU and US?

Europe



■ Yes, major effects

■ Yes, minor effects

■ No

Proportion selected "yes"

## Sector

Industry and manufacturing	25
Retail	23
Service	19
Construction and energy	19

## Turnover

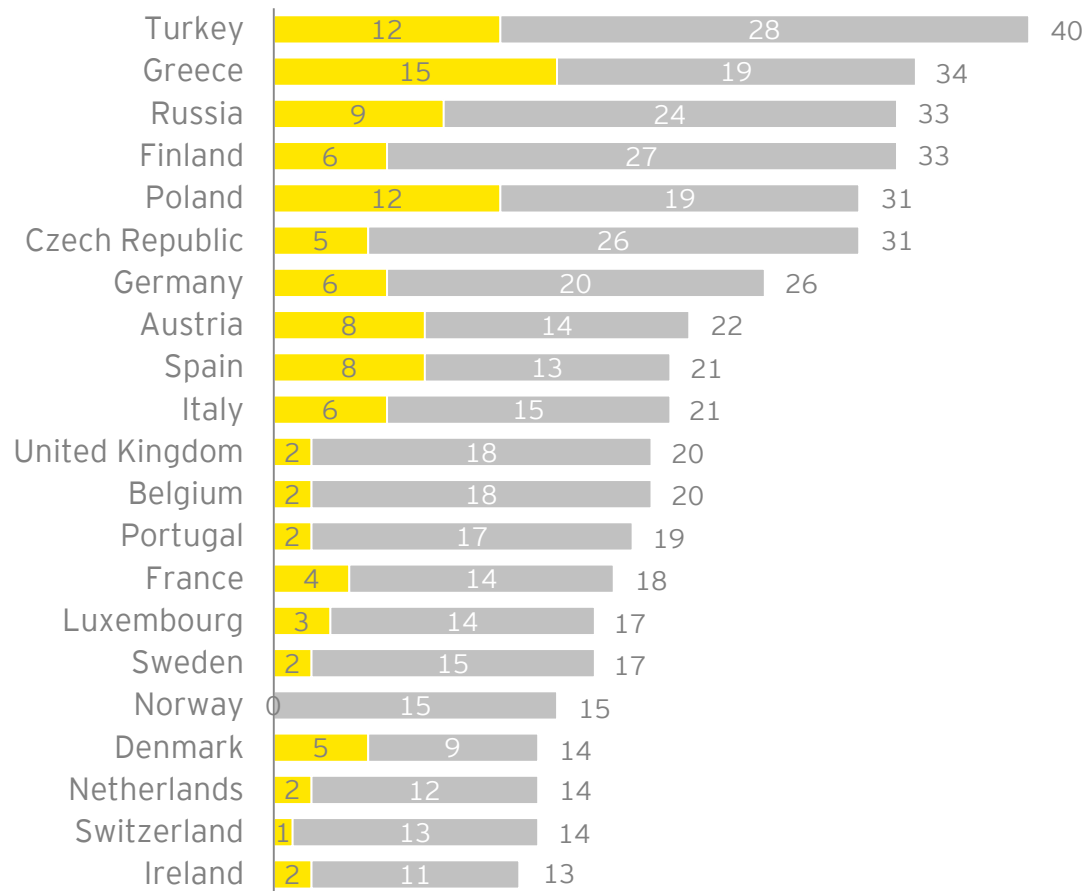
< €30m	19
€30m to €100m	22
> €100m	27

One in five medium-sized companies in Europe (21%) indicates that it is feeling negative effects from the current tensions between Russia and the EU and US. The proportion of companies stating they are being affected is highest in the manufacturing sector and among large companies.

Figures in %

# Turkish companies particularly affected by Ukraine crisis

Is your business feeling any negative effects from the current tensions between Russia and the EU and US?



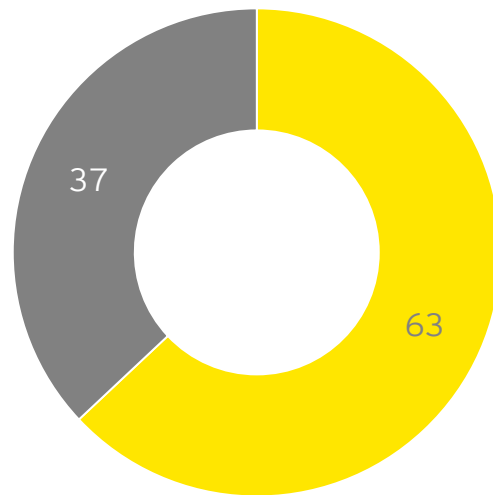
Figures in %

■ Yes, major effects ■ Yes, minor effects

# Mid-market favors more public investment

Which of the following policy approaches should European governments pursue in the next few months?

Europe



■ Growth promotion by increasing public investment

■ Budget consolidation and debt reduction

Proportion selected  
"growth promotion"

## Sector

Industry and manufacturing	64
Service	63
Construction and energy	62
Retail	60

## Turnover

< €30m	64
€30m to €100m	62
> €100m	62

The majority of medium-sized companies in Europe recommend growth promotion to the European governments by increasing public investment. Only a minority of companies advocate further budget consolidation and debt reduction.

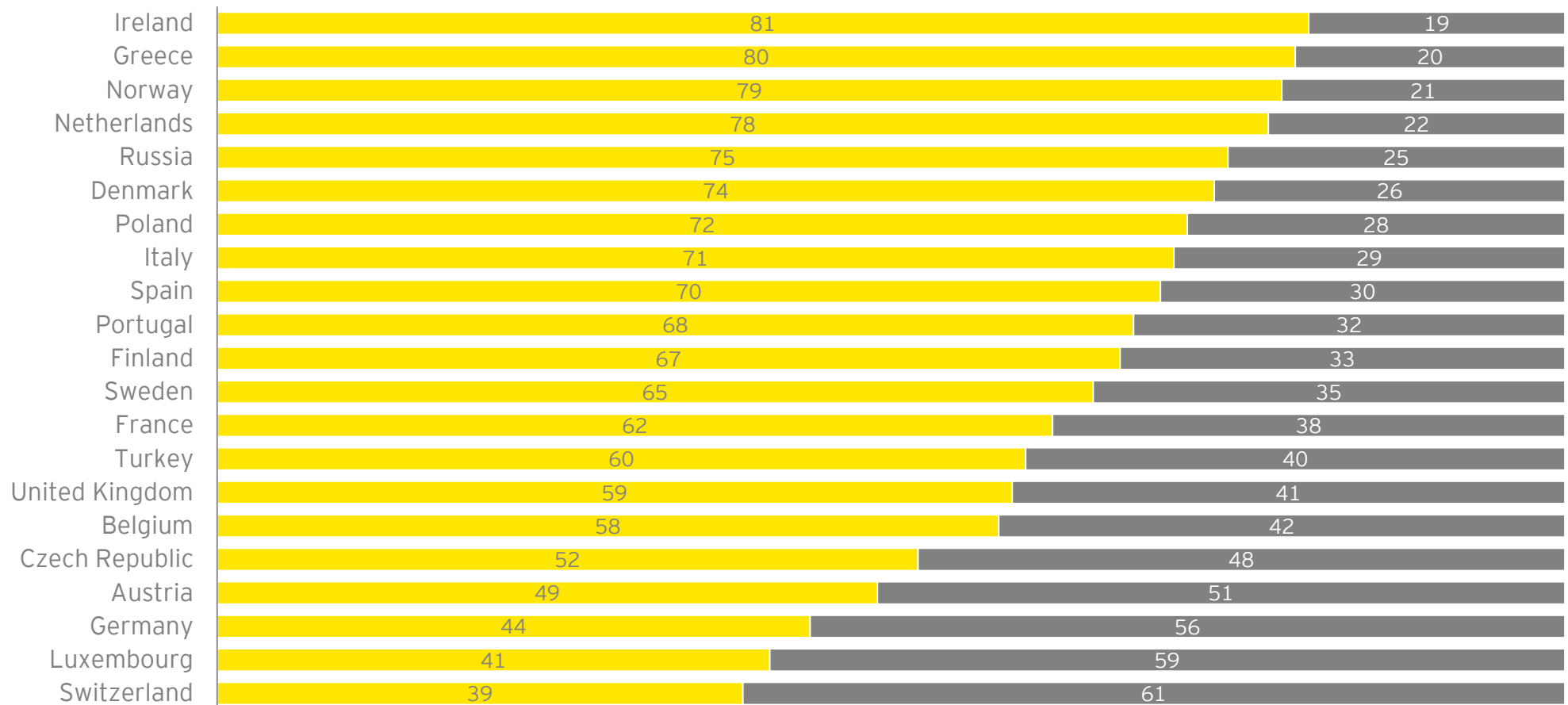
Figures in %



# Call for growth promotion strongest among Irish, Greek, Norwegian and Dutch companies



Which of the following policy approaches should European governments pursue in the next few months?



Figures in %

■ Growth promotion by increasing state investment

■ Budget consolidation and debt reduction

# Less than one in three entrepreneurs positive about domestic economic policy

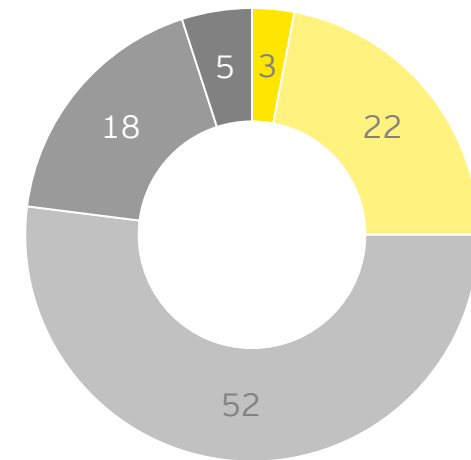
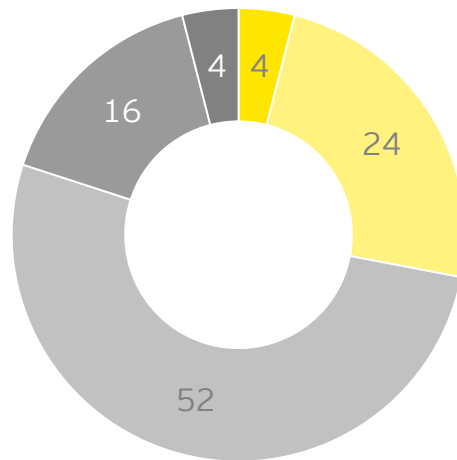
How would you assess your home country's current economic policy? How would you assess current policies affecting medium-sized businesses in your home country?

Europe

Local economic policy

Policies on the mid-market

- Very positive
- Quite positive
- Average
- Quite negative
- Very negative

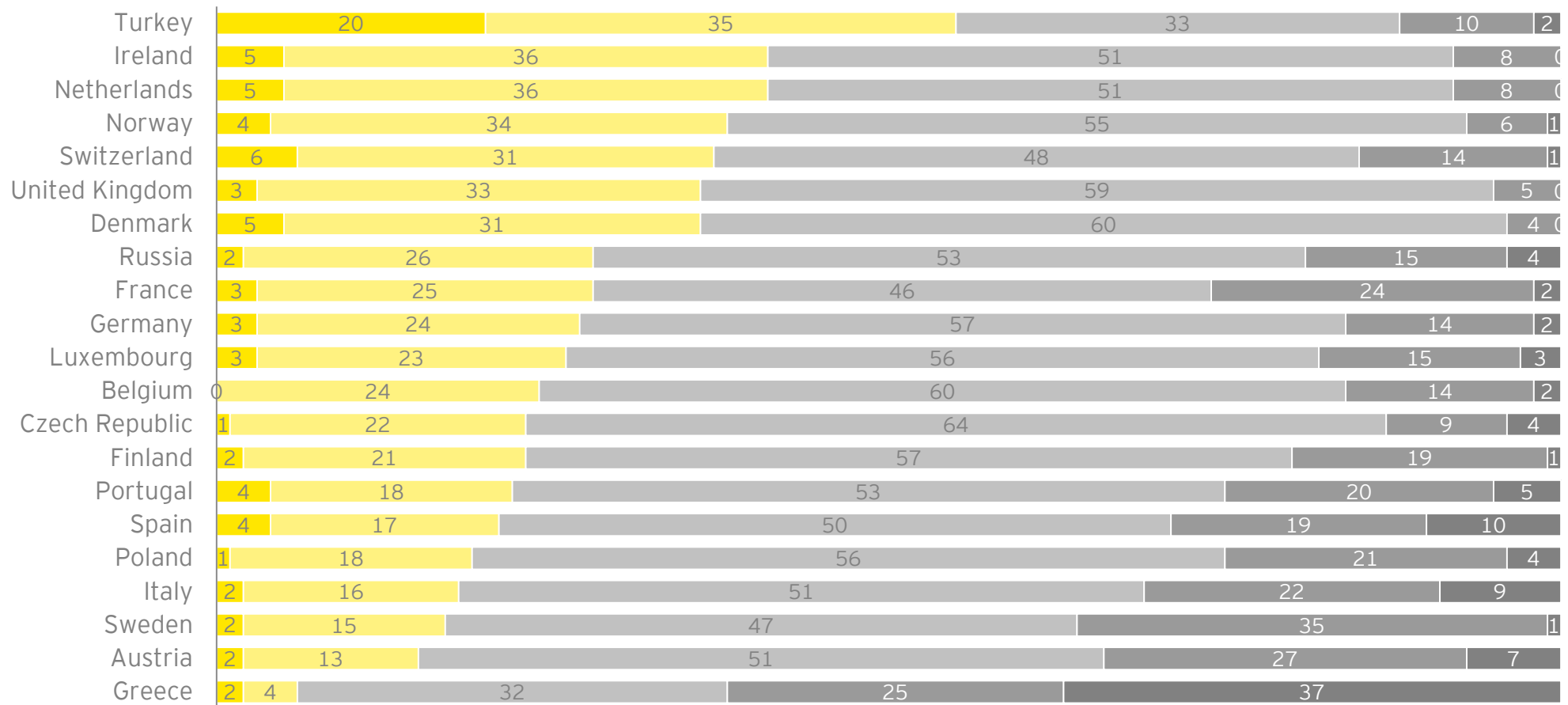


Only a minority of medium-sized companies in Europe (28%) is positive about domestic economic policy, while 20% are dissatisfied. Even more ambiguous is the vote on domestic policies on the mid-market.

Figures in %

# Local economic policy: satisfaction highest among Turkish entrepreneurs

How would you assess your home country's economic policy?

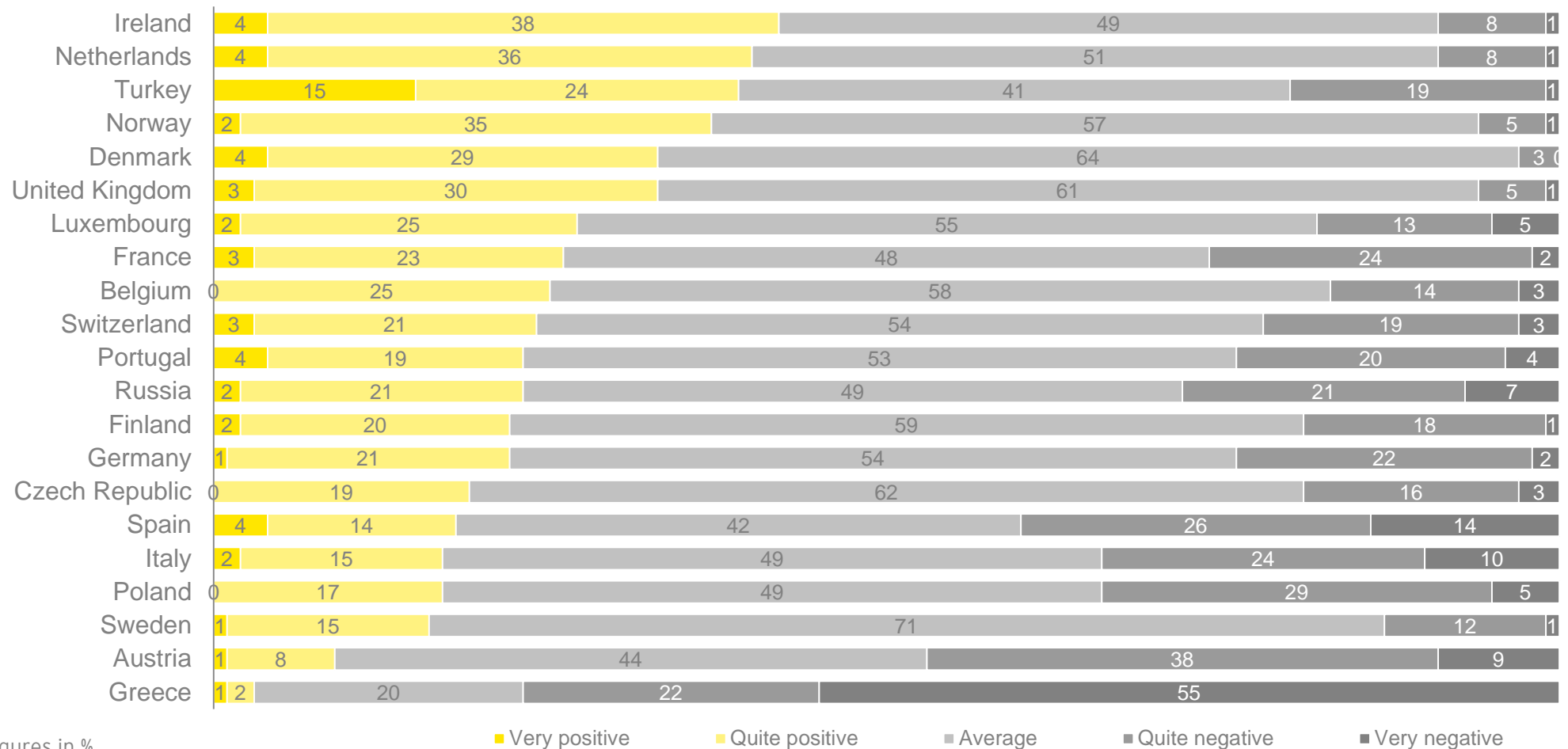


Figures in %

■ Very positive   ■ Quite positive   ■ Average   ■ Quite negative   ■ Very negative

# Domestic policies on the mid-market: Irish, Dutch and Turkish entrepreneurs most satisfied

How would you assess current policies affecting medium-sized businesses in your home country?



# Investment and employment

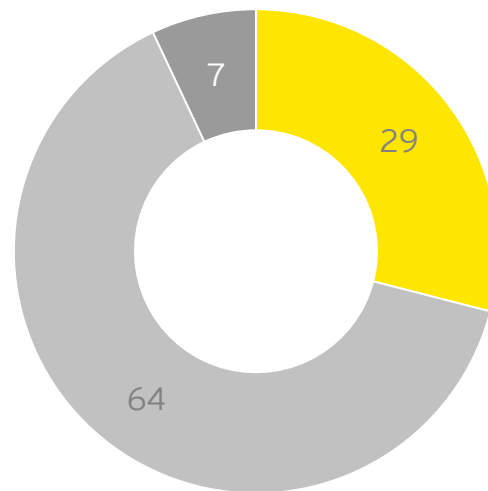




# Increase in investment planned

Over the next six months, what plans do you have for your company's total investment (e.g., in equipment, machines or construction)?

## Europe



■ To increase

■ To keep to the same level

■ To reduce

## Proportion selected "to increase"

### Sector

Industry and manufacturing	31
Service	28
Retail	25
Construction and energy	24

### Turnover

< €30m	28
€30m to €100m	29
> €100m	30

Almost 3 in 10 medium-sized companies in Europe plan to increase their total investment over the next six months, while only 7% plan to reduce investment. The proportion of companies planning to increase investment is highest in the manufacturing sector and lowest in construction and energy.

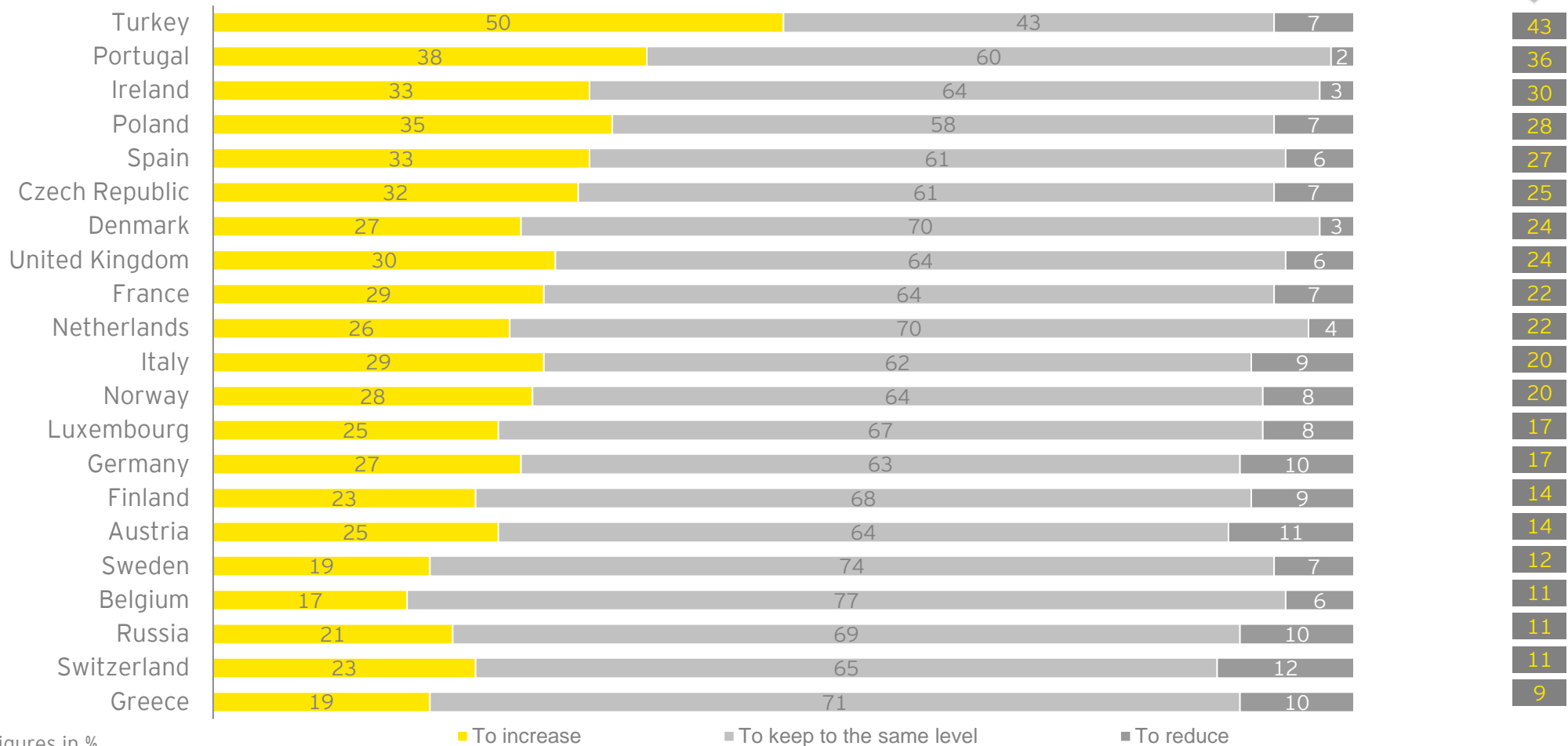
Figures in %

# Strongest increase in investment planned by Turkish companies



Over the next six months, what plans do you have for your company's total investment (e.g., in equipment, machines or construction)?

Balance of "increase" and "reduce"



Figures in %

■ To increase

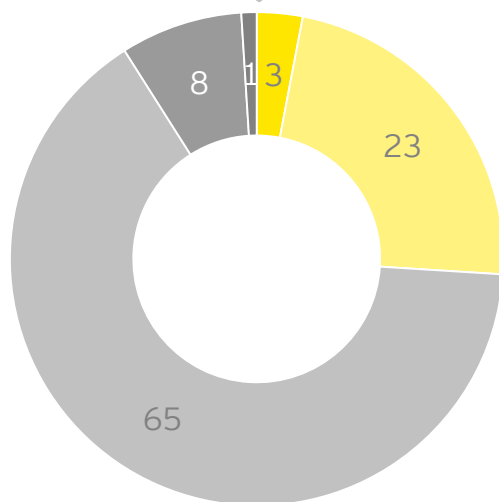
■ To keep to the same level

■ To reduce

# Companies plan to increase workforce

Over the next six months, what expectations do you have about the number of employees in your company?

## Europe



■ Increase strongly (by more than 3%) 
 ■ Increase slightly (by up to 3%) 
 ■ Remain the same  
■ Decrease slightly (by up to 3%) 
 ■ Decrease strongly (by more than 3%)

## Proportion selected "increase"

### Sector

Industry and manufacturing	27
Service	27
Retail	24
Construction and energy	24

### Turnover

< €30m	24
€30m to €100m	27
> €100m	28

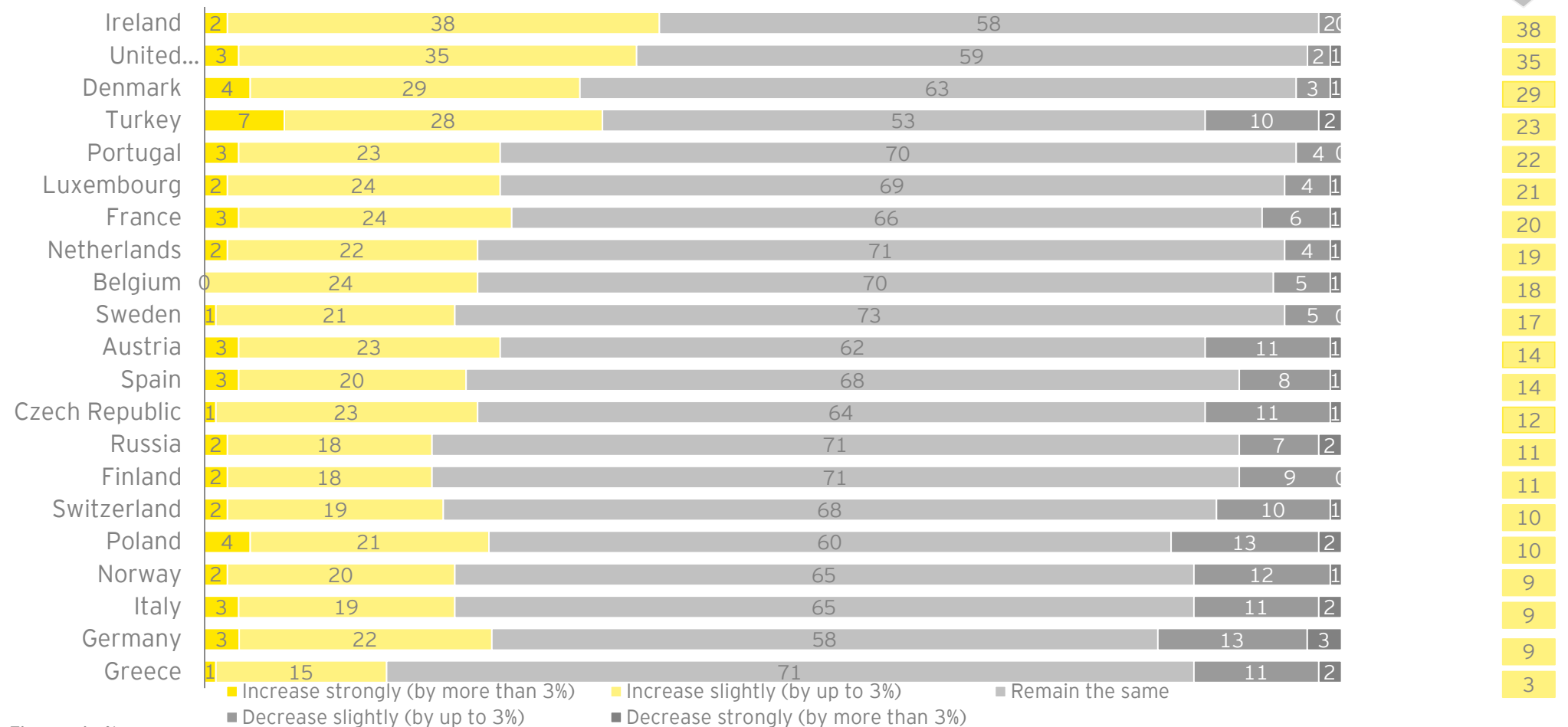
One in four medium-sized companies in Europe (26%) plan to increase their workforce over the next six months, while only 9% plan to reduce it. The proportion of companies planning to increase their workforce is highest in the manufacturing and service sector and among large companies.

Figures in %

# Highest increase in workforce planned by Irish and British companies

Over the next six months, what expectations do you have about the number of employees in your company?

Balance of "increase" and "decrease"

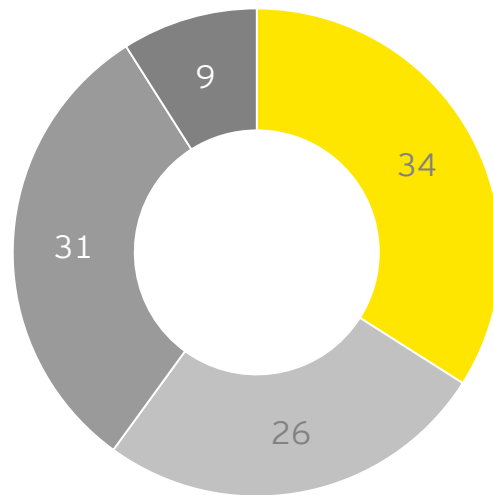


Figures in %

# Shortage of skilled labor: two in five companies experience difficulties recruiting

How easy or difficult is it for your company to recruit suitably skilled and qualified employees?

Europe



■ Easy

■ Fairly easy

■ Fairly difficult

■ Very difficult

Proportion selected "fairly difficult" or "very difficult"

## Sector

Construction and energy	44
Service	41
Industry and manufacturing	40
Retail	38

## Turnover

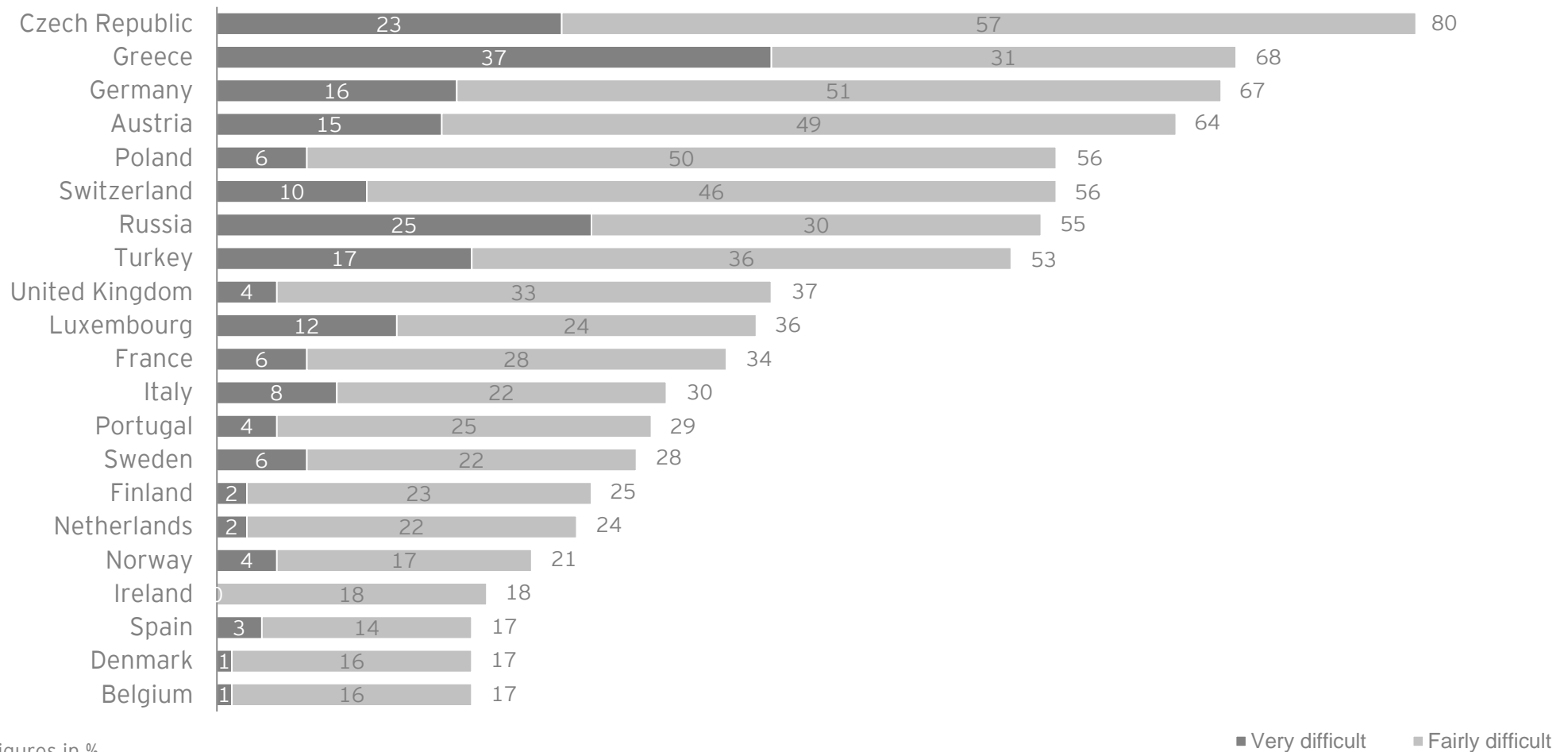
< €30m	43
€30m to €100m	40
> €100m	36

Two in five medium-sized companies in Europe experience difficulties in recruiting suitably skilled and qualified labor. The proportion of companies experiencing difficulties is highest in the construction and energy sector and among small companies with a turnover of less than €30m.

Figures in %

# Shortage of skilled labor most severe in Czech Republic, Greece and Germany

How easy or difficult is it for your company to recruit suitably skilled and qualified employees?



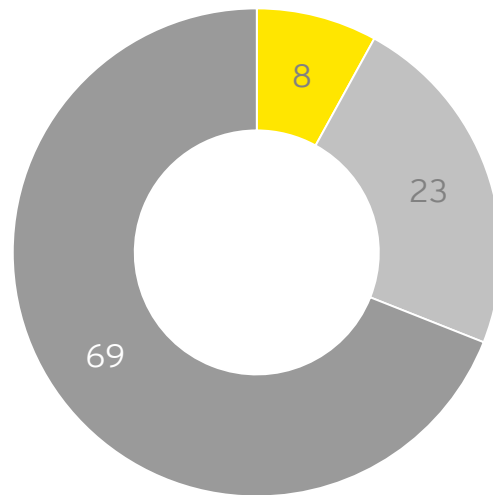
Figures in %



# Shortage of skilled labor lowers revenues

Does a lack of suitable skilled personnel cause a loss of turnover or unrealized turnover potential for your company?

Europe



■ Yes, significant losses (greater than 5%)

■ Yes, slight losses (up to 5%)

■ No, no losses

Proportion selected "yes"

## Sector

Service	33
Retail	32
Construction and energy	32
Industry and manufacturing	30

## Turnover

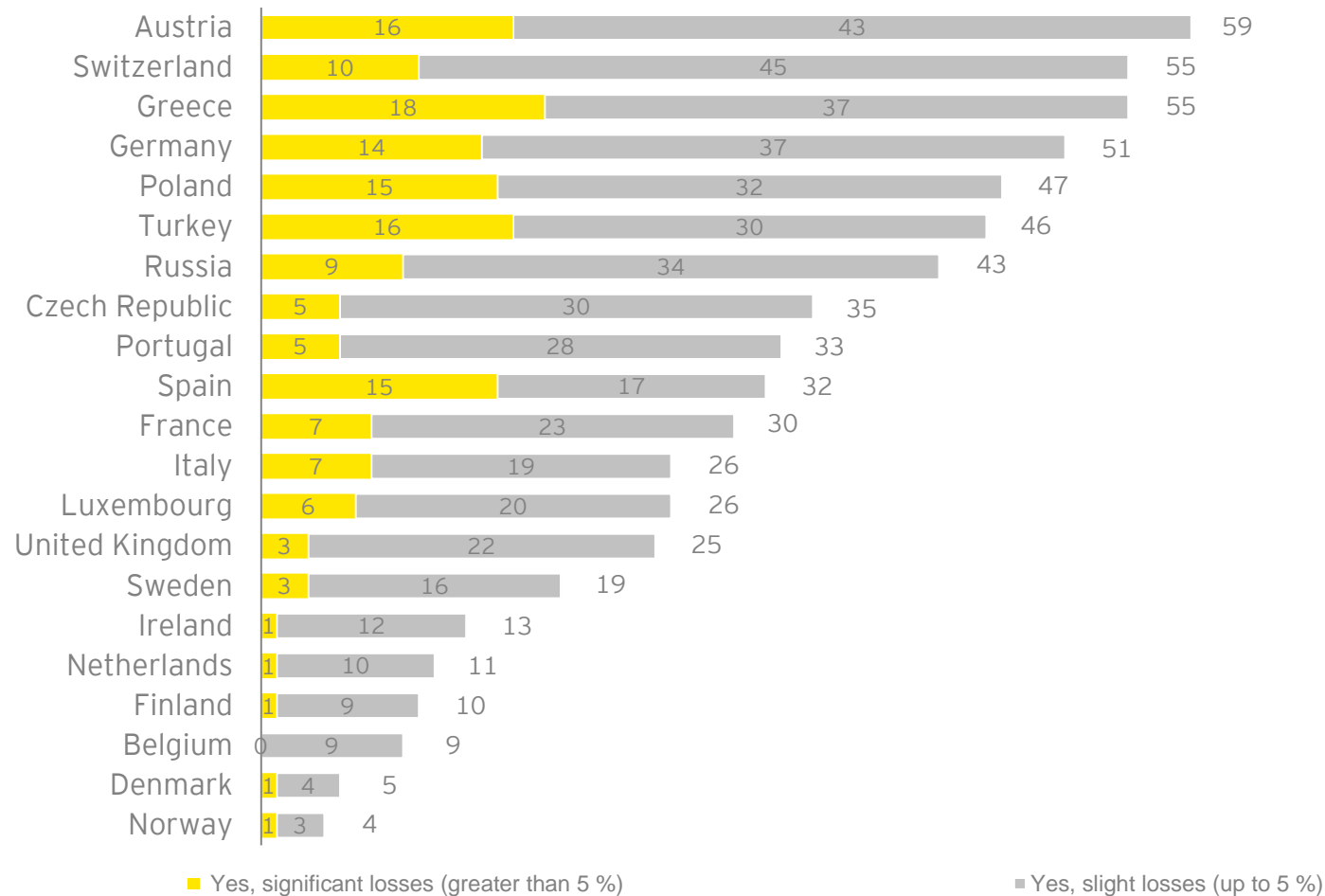
< €30m	34
€30m to €100m	31
> €100m	27

Three in ten medium-sized companies in Europe (31%) indicate that they suffer from a loss of turnover or unrealized turnover potential due to a lack of suitable skilled personnel. Small companies with a turnover of less than €30m are particularly affected.

Figures in %

# Loss of turnover most frequently cited by Austrian, Swiss and Greek companies

Does a lack of suitable skilled personnel cause a loss of turnover or unrealized turnover potential for your company?



Figures in %

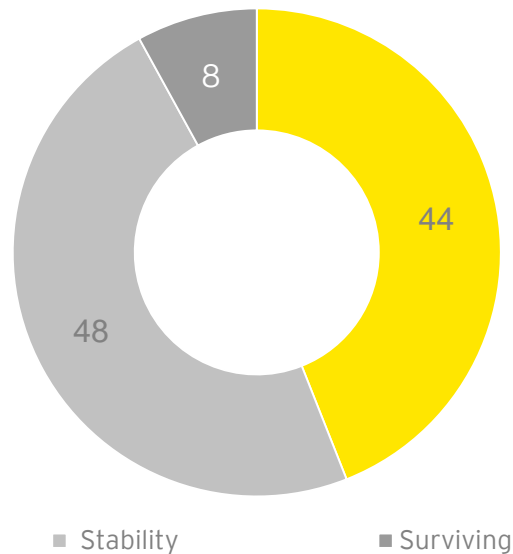
# Strategy, risks and regulatory environment



# More than two in five companies focus on growth

What will your company focus on in the next few months?

Europe



Proportion selected "growth"

Sector

Industry and manufacturing	48
Service	43
Retail	42
Construction and energy	36

Turnover

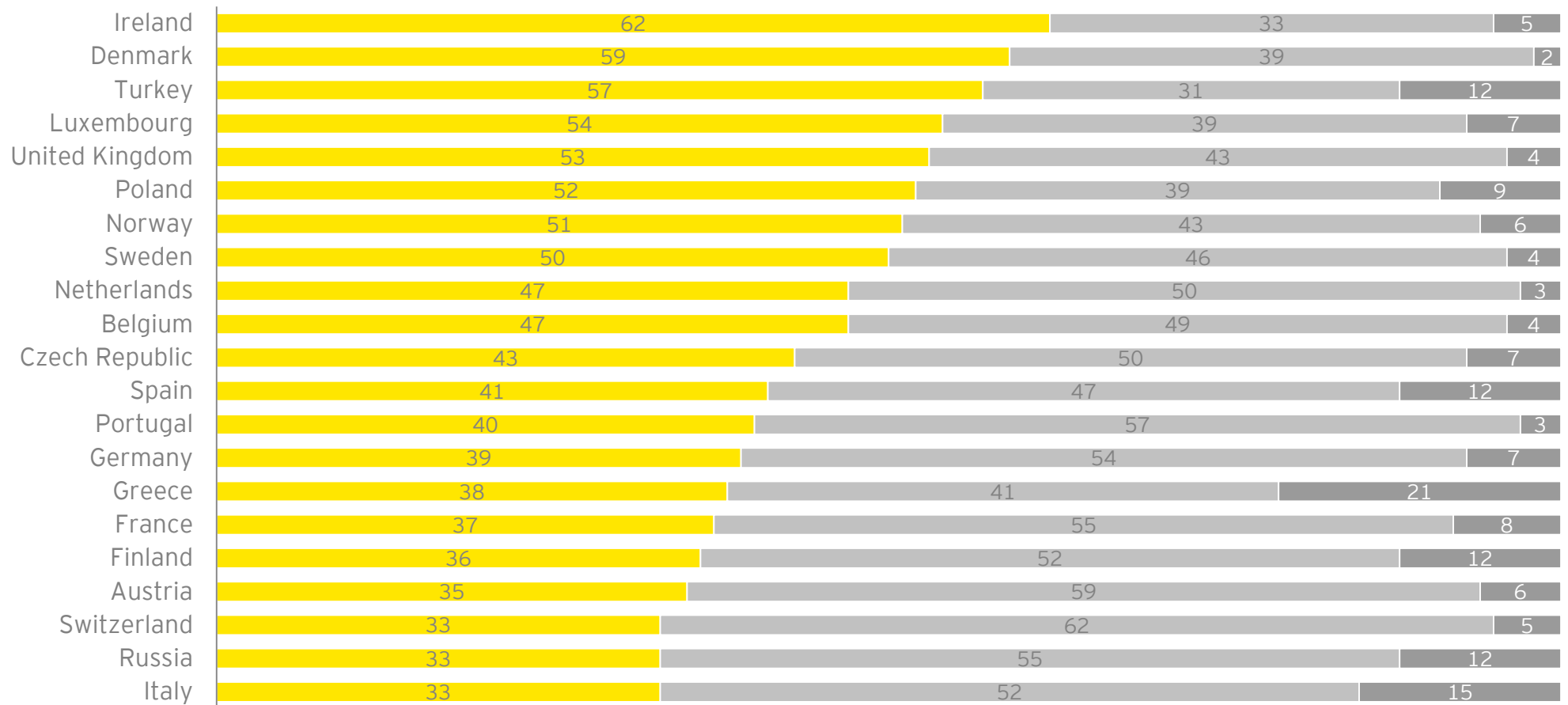
< €30m	39
€30m to €100m	45
> €100m	51

More than two in five medium-sized companies in Europe plan to focus on growth in the near term. The proportion of those planning to focus on growth is by far highest among large companies and lowest among small companies. However, 8% of all companies will put survival on top of their agenda.

Figures in %

# Irish, Danish and Turkish companies most bullish on growth

What will your company focus on in the next few months?



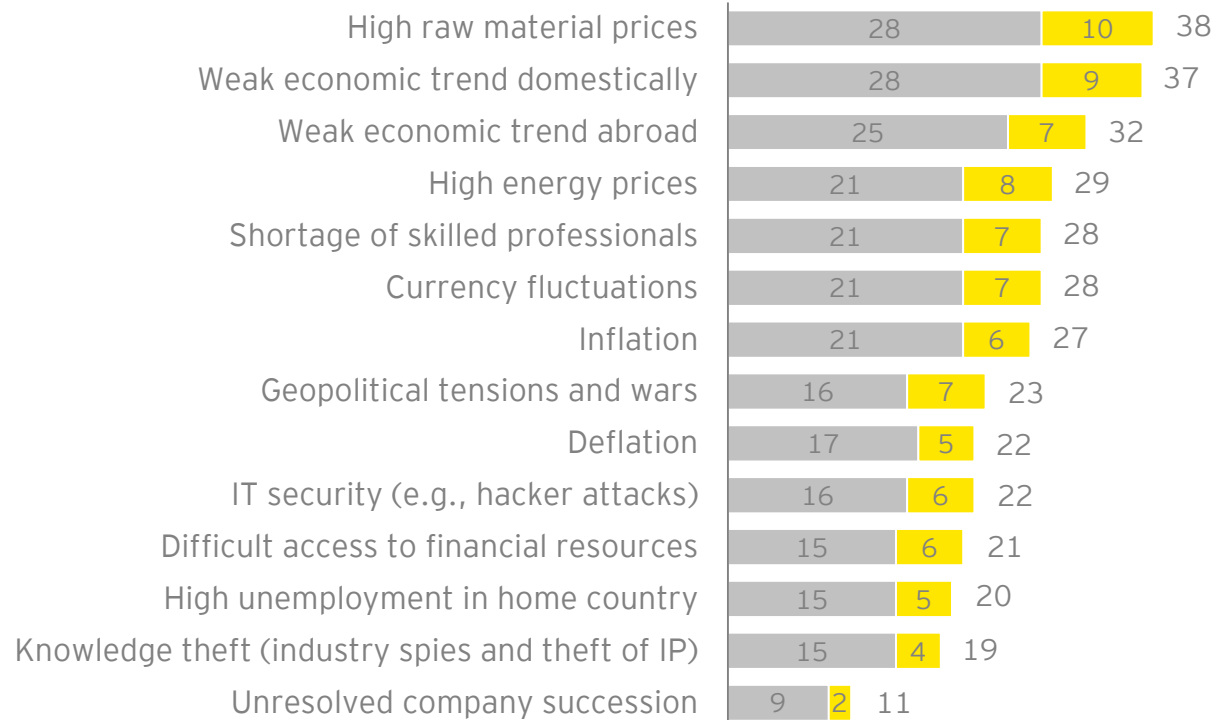
Figures in %

■ Growth ■ Stability ■ Surviving

# European mid-market fears high raw material prices and weak economic trend domestically

What are the biggest risks to your company's development?

## Europe



Figures in %

■ Significant risk

■ Major risk



# Risks: country overview

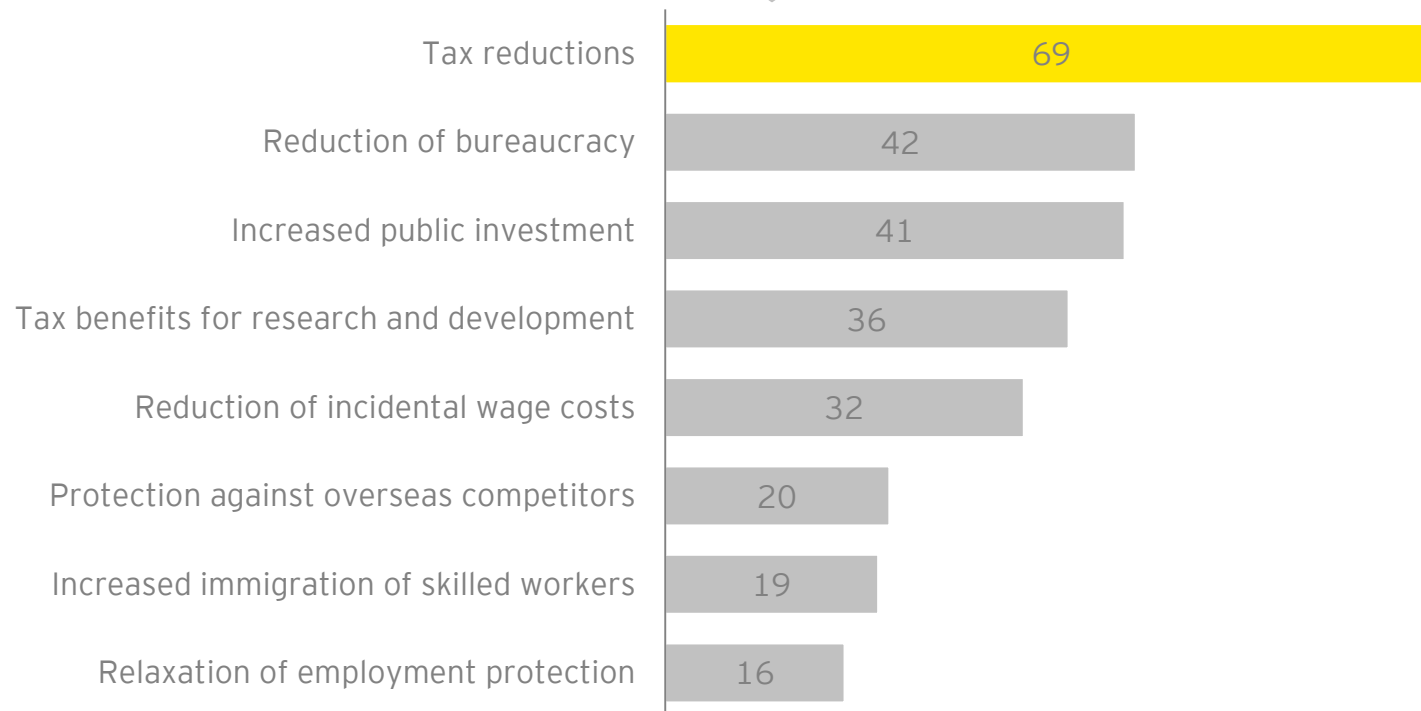
 What are the biggest risks to your company's development?

Country	Greatest risk	%	Second-largest risk	%	Third-largest risk	%
Austria	Weak economic trend abroad	59	Weak economic trend domestically	59	High raw material prices	40
Belgium	Weak economic trend domestically	49	Weak economic trend abroad	38	High raw material prices	32
Czech Republic	Shortage of skilled professionals	51	Currency fluctuations	48	High raw material prices	42
Denmark	Weak economic trend abroad	31	High raw material prices	29	Weak economic trend domestically	26
Finland	High raw material prices	19	Currency fluctuations	18	Weak economic trend abroad	17
France	Weak economic trend domestically	46	High raw material prices	39	Weak economic trend abroad	35
Germany	Shortage of skilled professionals	52	High raw material prices	43	Weak economic trend domestically	38
Greece	Difficult access to financial resources	69	High raw material prices	66	High unemployment in home country	64
Ireland	Weak economic trend domestically	79	Weak economic trend abroad	53	High raw material prices	34
Italy	High raw material prices	27	High unemployment in home country	26	Deflation	24
Luxembourg	Weak economic trend domestically	38	Weak economic trend abroad	33	High raw material prices	27
Netherlands	Weak economic trend domestically	48	Weak economic trend abroad	43	High raw material prices	31
Norway	Weak economic trend domestically	29	High raw material prices	29	Weak economic trend abroad	27
Poland	High raw material prices	56	Geopolitical tensions and wars	44	High energy prices	43
Portugal	Weak economic trend domestically	36	High raw material prices	34	Inflation	33
Russia	Inflation	58	High raw material prices	51	Currency fluctuations	49
Spain	High raw material prices	54	High energy prices	54	Inflation	44
Sweden	Weak economic trend domestically	51	Weak economic trend abroad	37	High raw material prices	30
Switzerland	Shortage of skilled professionals	37	Weak economic trend abroad	28	Currency fluctuations	28
Turkey	Geopolitical tensions and wars	64	Currency fluctuations	62	High raw material prices	62
United Kingdom	Weak economic trend domestically	42	Weak economic trend abroad	35	High raw material prices	27

# Companies demand tax reductions

What measures would significantly strengthen the mid-market segment in your home country?

## Europe



Figures in %

# Regulatory environment: country overview

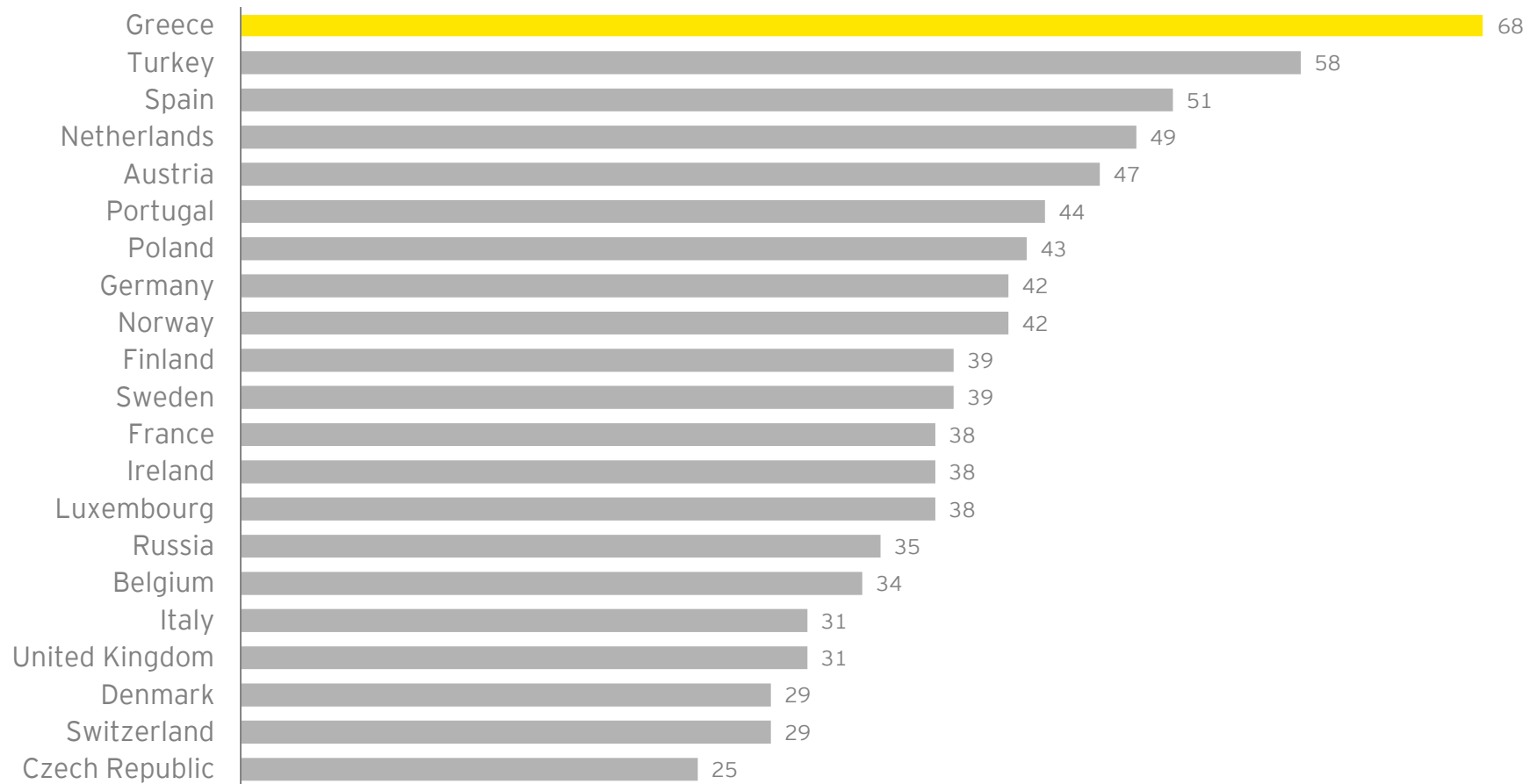
 What measures would significantly strengthen the mid-market segment in your home country?

Land	Priority 1	%	Priority 2	%	Priority 3	%
Austria	Reduction of incidental wage costs	87	Tax reductions	80	Reduction of bureaucracy	70
Belgium	Tax reductions	82	Increased public investment	34	Tax benefits for R&D	25
Czech Republic	Reduction of bureaucracy	58	Tax reductions	40	Reduction of incidental wage costs	33
Denmark	Tax reductions	60	Increased public investment	29	Tax benefits for R&D	23
Finland	Tax reductions	56	Increased public investment	39	Reduction of bureaucracy	36
France	Tax reductions	73	Increased public investment	38	Reduction of bureaucracy	32
Germany	Tax reductions	66	Reduction of incidental wage costs	63	Reduction of bureaucracy	62
Greece	Reduction of bureaucracy	89	Tax reductions	86	Reduction of incidental wage costs	73
Ireland	Tax reductions	78	Tax benefits for R&D	43	Increased public investment	38
Italy	Tax reductions	65	Increased public investment	31	Reduction of bureaucracy	30
Luxembourg	Tax reductions	58	Increased public investment	38	Reduction of bureaucracy	31
Netherlands	Tax reductions	63	Increased public investment	49	Tax benefits for R&D	32
Norway	Tax reductions	82	Reduction of bureaucracy	54	Increased public investment	42
Poland	Tax reductions	75	Reduction of incidental wage costs	69	Reduction of bureaucracy	68
Portugal	Tax reductions	84	Increased public investment	44	Reduction of bureaucracy	37
Russia	Tax reductions	78	Increased public investment	35	Reduction of bureaucracy	34
Spain	Tax reductions	59	Increased public investment	51	Reduction of bureaucracy	49
Sweden	Tax reductions	62	Increased public investment	39	Protection (overseas competitors)	22
Switzerland	Tax reductions	61	Reduction of bureaucracy	40	Reduction of incidental wage costs	37
Turkey	Tax reductions	81	Increased public investment	58	Tax benefits for R&D	57
United Kingdom	Tax reductions	69	Tax benefits for R&D	42	Increased public investment	31

# Increasing public investment: country overview



Would increasing public investment significantly strengthen the mid-market segment in your home country?



Figures in %



# Financing

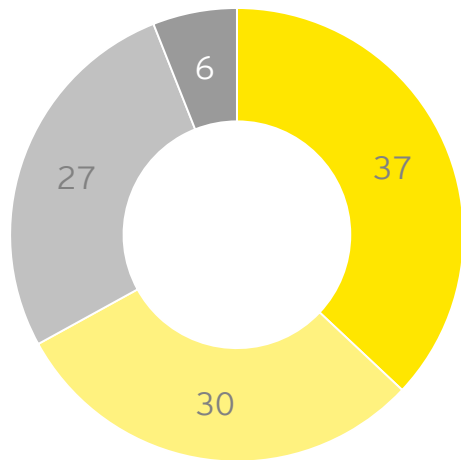




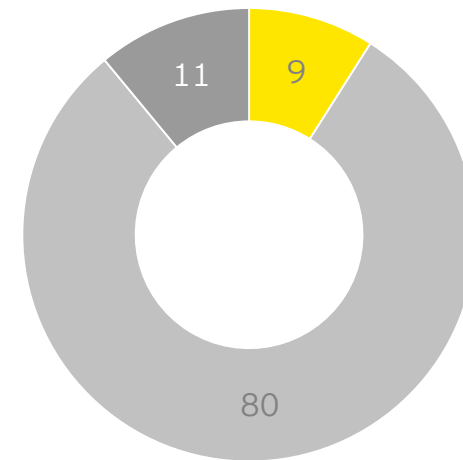
# One in three companies faces difficulties in credit supply

How would you assess your company's current access to financing through outside capital and bank loans? How has your company's access to financing through outside capital and bank loans developed in the past 12 months?

## Europe



■ Easy ■ Fairly easy ■ Fairly difficult ■ Very difficult



■ Become easier ■ No change ■ Become more difficult

One in three medium-sized companies in Europe assesses its current access to outside capital and bank loans as "fairly" or "very" difficult. On average, there has been little change in access to financing over the past 12 months.

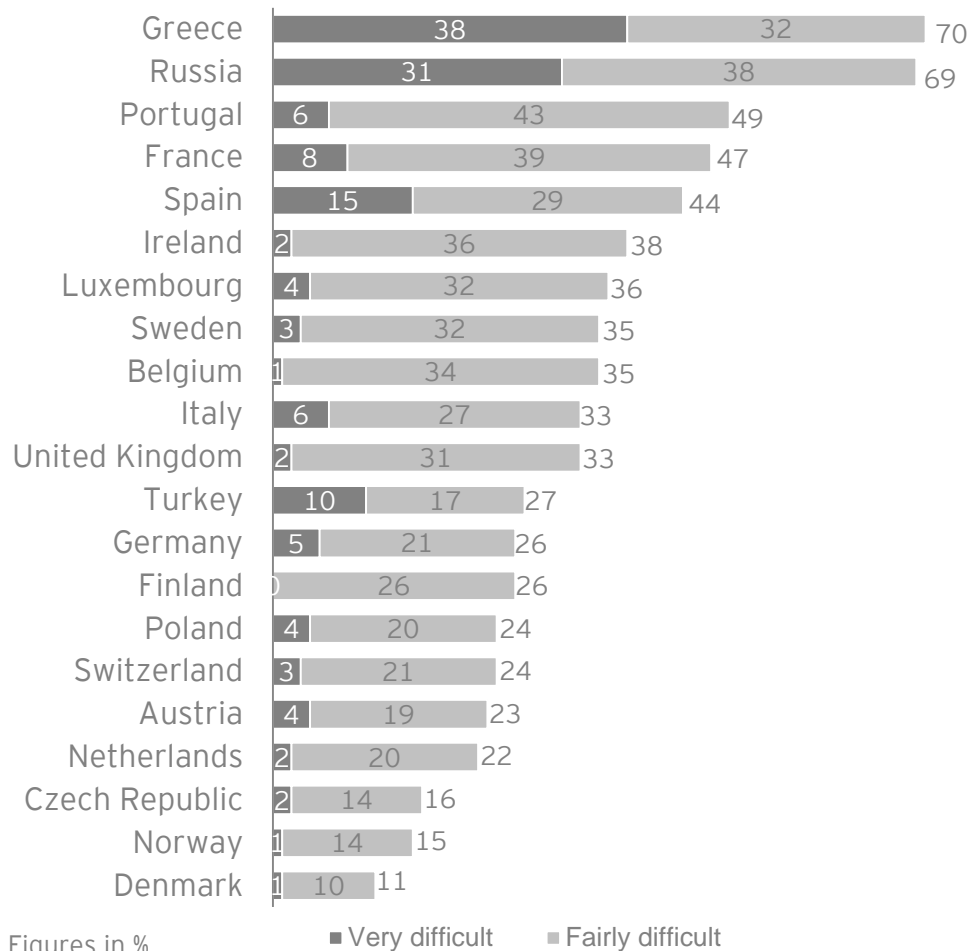
Figures in %



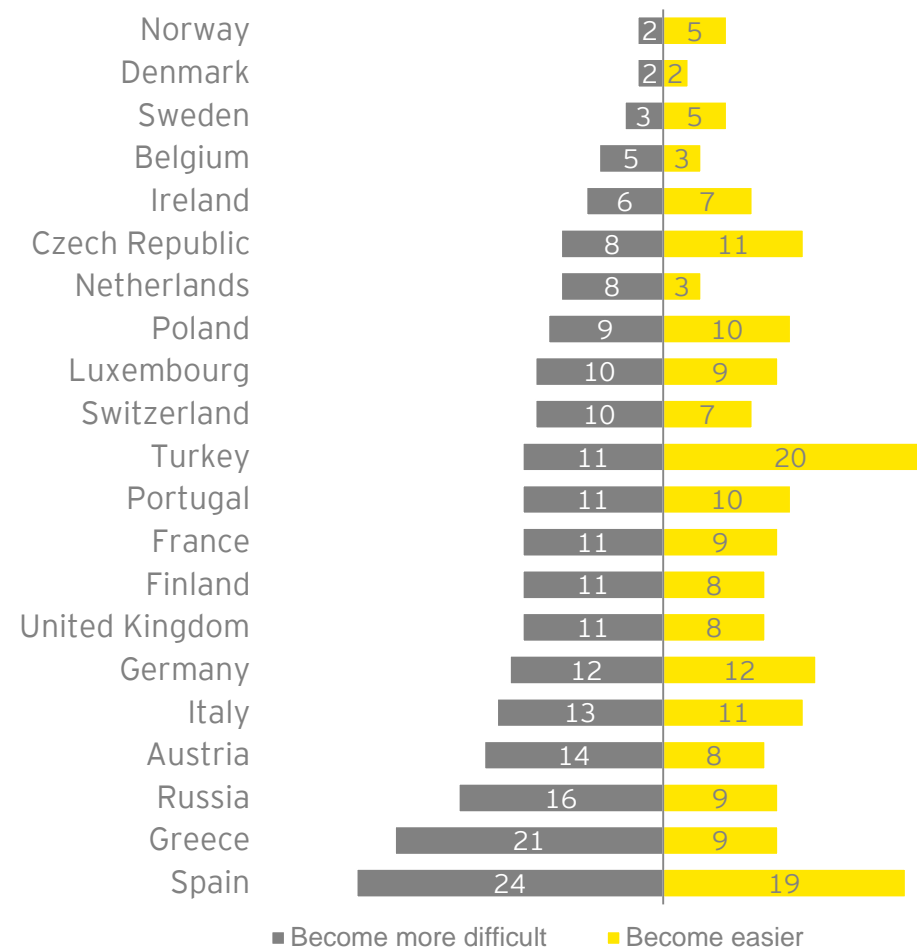
# Credit supply: country overview



How would you assess your company's current access to financing through outside capital and bank loans?



How has your company's access to financing through outside capital and bank loans developed in the past 12 months?



# Availability of bank lending in detail



How would you assess your company's current access to financing through outside capital with regard to operating resources, asset investments and expansion/internationalization? (Proportion answering "fairly difficult" or "very difficult")

Country	Operating resources	Asset investments	Expansion or internationalization
<b>Europe</b>	<b>34%</b>	<b>35%</b>	<b>38%</b>
Austria	26%	26%	33%
Belgium	36%	39%	41%
Czech Republic	14%	19%	30%
Denmark	10%	12%	22%
Finland	20%	29%	34%
France	47%	48%	48%
Germany	25%	26%	29%
Greece	71%	66%	66%
Ireland	33%	38%	37%
Italy	28%	30%	36%
Luxembourg	32%	34%	38%
Netherlands	32%	31%	34%
Norway	19%	26%	24%
Poland	53%	51%	59%
Portugal	45%	48%	48%
Russia	72%	63%	61%
Spain	44%	45%	45%
Sweden	24%	40%	36%
Switzerland	26%	22%	27%
Turkey	24%	28%	32%
United Kingdom	34%	34%	37%



# Succession

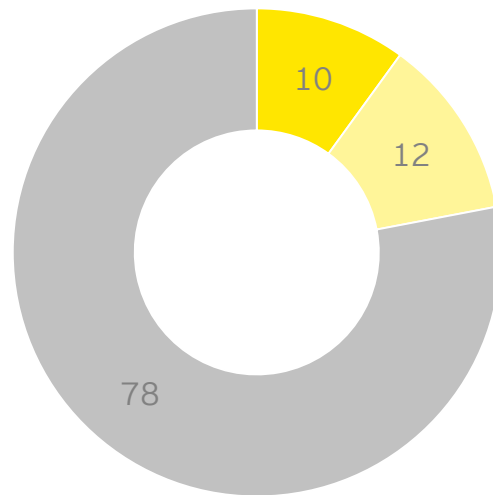


# More than one in five companies face change of ownership over the next decade

Is there likely to be a succession in your company in the next few years, due to the retirement of the owner?

Has the successor already been chosen?

Europe



- Yes, within the next 5 years
- Yes, within the next 10 years
- No, not within the next 10 years

Preferred solution

Yes – internal family solution	5
Yes – internal business solution	4
Yes – external solution	3
No successor has yet been chosen	6
Do not know	4
There will be <b>no succession</b> within the next 10 years	78

More than one in five medium-sized companies in Europe (22%) indicate that there will be a succession within the next 10 years. The succession solution most frequently chosen is the internal family solution, followed by the internal business solution.

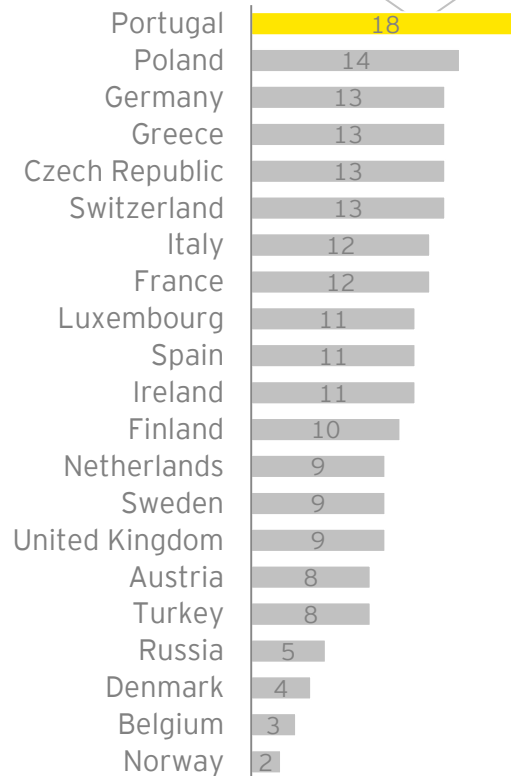
Figures in %



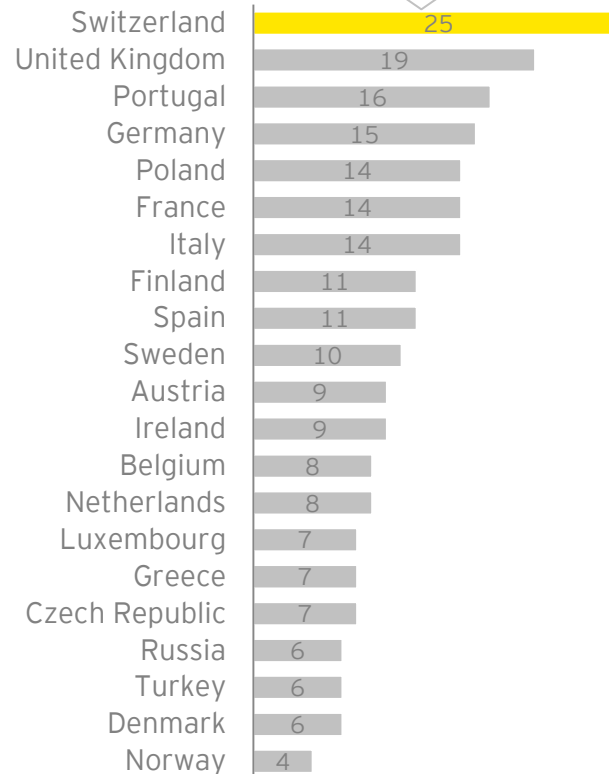
# Succession: country overview

Is there likely to be a succession in your company in the next few years, due to the retirement of the owner?

Yes, within the next five years



Yes, within the next 10 years



Figures in %

# Preferred succession solutions: country overview

 Has the successor already been chosen? (Proportion of “yes” answers)

Country	Internal family solution	Internal business solution	External solution	No solution has yet been found	No succession within the next 10 years
Austria	5%	3%	1%	6%	83%
Belgium	4%	3%	2%	1%	89%
Czech Republic	5%	4%	1%	4%	80%
Denmark	1%	0%	3%	3%	91%
Finland	3%	2%	1%	8%	79%
France	4%	8%	5%	5%	74%
Germany	10%	5%	1%	8%	72%
Greece	10%	2%	1%	2%	80%
Ireland	5%	6%	2%	4%	80%
Italy	5%	4%	5%	9%	74%
Luxembourg	5%	6%	2%	3%	82%
Netherlands	2%	5%	3%	3%	82%
Norway	1%	1%	2%	2%	94%
Poland	4%	1%	1%	17%	72%
Portugal	6%	11%	5%	8%	66%
Russia	1%	2%	2%	1%	90%
Spain	6%	4%	3%	7%	78%
Sweden	1%	1%	2%	11%	82%
Switzerland	6%	8%	5%	11%	63%
Turkey	6%	2%	2%	1%	87%
United Kingdom	3%	6%	6%	8%	73%

# Internationalization





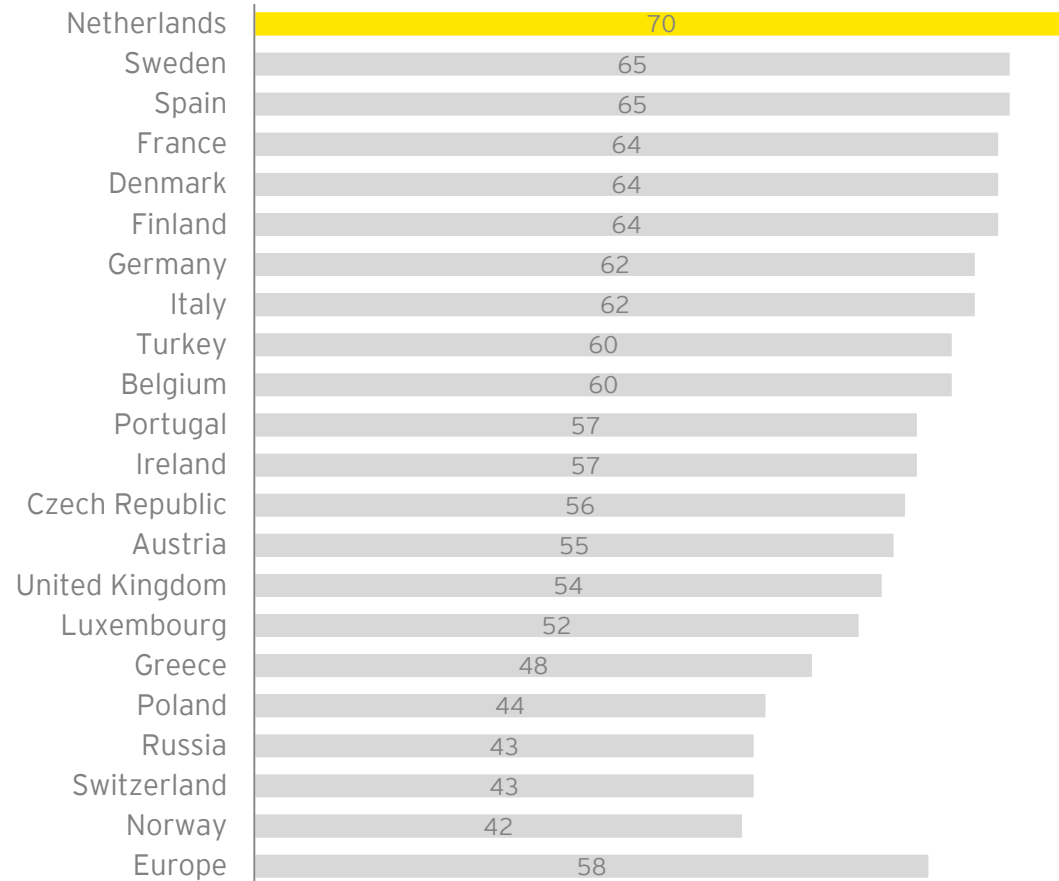
# Dutch companies most strongly internationalized ...

Does your company engage in any form of **activities abroad** (production, distribution, joint venture, etc.)?

Dutch medium-sized companies are the most internationalized medium-sized companies in Europe: 7 in 10 engage in activities abroad, and almost 2 in 3 engage in activities abroad but within Europe.

A very high degree of internationalization is also being displayed by Swedish, Spanish, French, Danish and Finnish medium-sized companies.

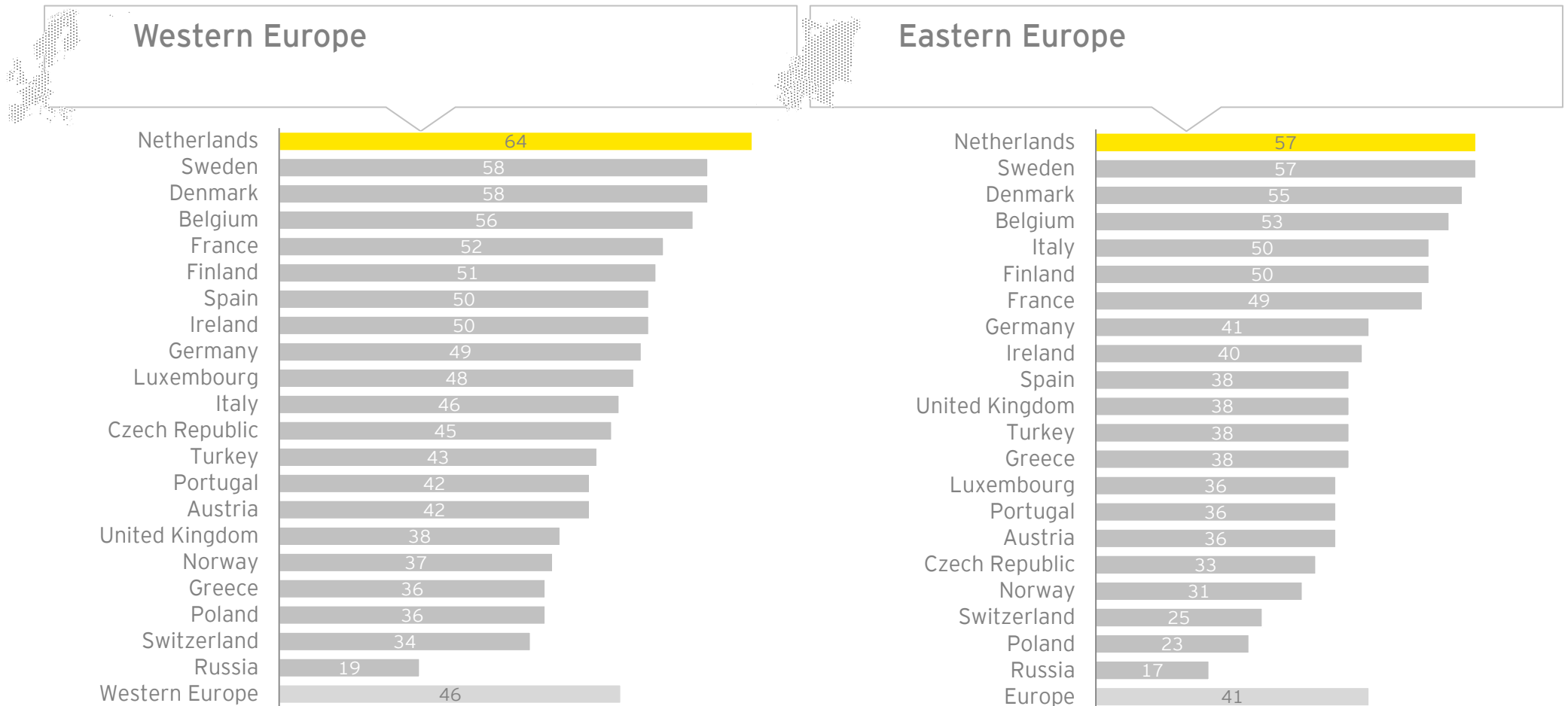
In only 5 out of the sample of 21 European countries, less than half of all domestic medium-sized companies engage in activities abroad.



Figures in %

# ... while most Russian companies have no links with Western or Eastern European countries

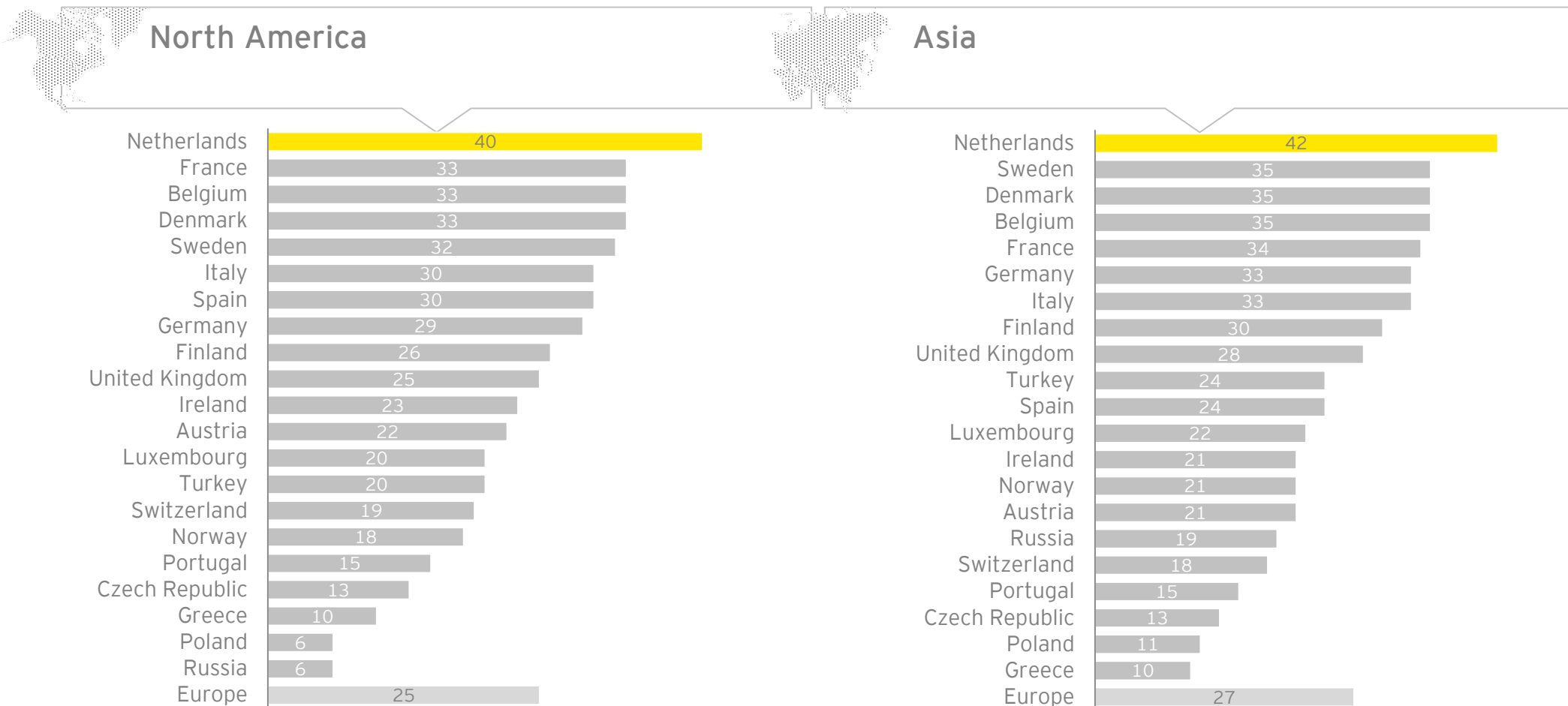
Does your company engage in any form of activities in Western Europe or Eastern Europe (production, distribution, joint venture, etc.)?



Figures in %

# Dutch companies with a strong presence in North America and Asia

Does your company engage in any form of activities in **North America** or **Asia** (production, distribution, joint venture, etc.)?



Figures in %

# Mid-Market Business Climate: definition and calculation

The EY Mid-Market Business Climate is a value that is calculated as a (geometric) mean of the two balances for the **current state of business** and **expectations for business**. We calculate these balances in the following way: the proportion of those answering negatively (e.g., the current state of business is seen as “bad” or “fairly bad”) is subtracted from the proportion of those answering positively (e.g., the current state of business is seen as “good” or “fairly good”).

In order to reflect the development of the business climate as precisely as possible, a weighting factor is applied for the calculation of the balances: the answers “good” and “bad” (current state of business) and “improve significantly or strongly” and “deteriorate significantly or strongly” (development of business climate and turnover) are all multiplied by a factor of  $c = 1.5$ .

$$\text{Business climate} = \sqrt{\left(\frac{1}{c} \text{ Current state} + 200\right) \left(\frac{1}{c} \text{ Expectations} + 200\right)} - 200$$

The following example illustrates the calculation of the **EY Mid-Market Business Climate**:

Of the companies questioned, 56% see their current state of business as good, 32% as quite good, 10% as fairly bad and 2% as bad. The weighted percentage terms are now netted:  $(56 \times 1.5 + 32) - (10 + 2 \times 1.5)$ . The result (i.e., 103) is the assessment of the current state of business. Using the same method, we calculate the balance of the expectations (as the arithmetic mean of the two single balance values).

In theory, the **EY Mid-Market Business Climate** can vary between -100 and +100, with +100 meaning that all questioned companies assess their current state of business as good and simultaneously expect their performance and turnover to improve significantly. In practice, the **EY Mid-Market Business Climate** in Germany since 2008 has varied between values of 14 (January 2009) and 57 (January 2011).

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