

Dear Sir/Madam,

I'm writing to let you know about a new piece of independent research that the McKinsey Global Institute (MGI) has published today. Director of MGI Dr Jacques Bughin will present and discuss the study this afternoon during the special session at the European Business Summit with Vice President Jyrki Katainen at 1630 in the Europe Room of the Egmont Palace.

The research and analysis is based on a new survey of over 2,000 European Business leaders with questions about firm demographics and performance, investment, the outlook for the economy, views on global trends that could affect them, and perceptions about policies and the future of the Eurozone and the European Union. Countries surveyed include France, Germany, Italy, Poland, Spain, and the United Kingdom plus businesses from the United States and China with major operations in Europe.

We think this is a timely piece and that there are some interesting findings here from a seldom heard business perspective. The degree of optimism and the wish for 'more Europe' particularly so. **The key results are set out in the press note below.** I have also attached the full report from MGI, a knowledge partner of the EBS 2017. The Institute could make cuts of independent survey data available by country and sector if this looked interesting to you.

Should this be of interest and/or you require more information, you can reach out to me at the European Business Summit at jn@ebsummit.eu and on M +32 471 90 76 33 or to Matt Cooke, MGI's communications lead at matt_cooke@mckinsey.com and on +44 (7583) 08-7708. The report authors would be happy to give interviews at the summit and MGI would also be happy to discuss its report, the survey and analysis and survey data in the coming days.

Download the Study by McKinsey Global Institute

Best,

Joanna Nowak

PRESS RELEASE

FOR IMMEDIATE RELEASE - Monday 22nd May 2017

NEW INDEPENDENT SURVEY AND ANALYSIS OF 2,000+ EUROPEAN BUSINESS LEADER OPINION BY MCKINSEY REVEALS OPTIMISM ON THE ECONOMY AND REVENUE PROSPECTS, BUT

CONCERNS ABOUT RISKS FROM GLOBAL TRENDS AND CONTINUED EUROPEAN DIVERGENCE

C-SUITE EXECUTIVES CALL FOR POLITICAL LEADERS TO ADDRESS AREAS OF FRAGILITY INCLUDING FINANCIAL STABILITY AND EUROZONE

A detailed independent survey analysis by McKinsey Global Institute of business leaders in France, Germany, Italy, Poland, Spain, and the United Kingdom to be published at the European Business Summit today in Brussels.

The survey, undertaken between February 17 and March 14 2017, asked questions about firm demographics and performance, investment the outlook for the economy, views on global trends that could affect them, and perceptions about policies and the future of the Eurozone and the European Union. Respondents cover all private business sectors of the economy and firm sizes [see NOTES below for more details].

Key findings:

- Restoring productive investment to pre-crisis levels could boost the EU's GDP by as much as €1 trillion. Investment is picking up from historic lows but companies continue to hoard cash, citing concern about future financial crises, fear of rising populism and anti-globalisation sentiment, and worries about the future of the EU itself.
- Business leaders expect the EU economy and their own revenue to grow faster than economists' forecasts.
- Firms are upbeat about the effect of digitisation and the rise of emerging economies.
- The majority of businesses say they have benefitted from Europe and express a strong desire for "more Europe," but no longer rule out changes to the Eurozone.

Economic and business outlook:

- European businesses are expecting EU GDP growth of 2 percent annually over the next five years and on average anticipate revenue growth of 2.1 percent over the next year, well ahead of the 1.5 percent forecast by some economists and the 1.6 annual average increase of the past three years
- About one in five companies predicts revenue growth above 5 percent, while about one-third of firms expect revenues to stagnate or decline in the year ahead.
- Larger, internationally focused companies are most likely to expect future revenue growth. US and Chinese firms we surveyed project even higher GDP growth in Europe than their European competitors on average, of almost 3 percent and 2.3 percent respectively.
- Businesses see opportunities to invest, even as they amass cash to insure against a range of risks and uncertainties. Gross corporate savings rose to almost €2 trillion in 2015, and firms are divided between

those that say they are saving to fund future investment (48 percent) and those building reserves for future crises (47 percent). Uncertainty rather than weak demand, lack of opportunities, or access to finance is cited as the main barrier to investment.

Global trends inspire both hopes and fears:

More than half the company leaders surveyed are positive about the effect of digitisation on their business, and also see the rise of emerging economies positively. However, between 35 and 40 percent of the business leaders see rising populism, geopolitical disruption, and rising inequality as having a negative impact on their business.

A positive view of the EU tinged by concerns over continued divergence:

Just over half the companies surveyed think the EU has had a beneficial effect on their business, and the most financially successful companies are the most positive. Smaller, less globalised companies tend to question the benefits of Europe and are less eager to invest in the future. Businesses generally are supportive of the EU Commission's policy priorities, but are less positive about the way they have been executed.

85 percent of surveyed companies say they think the EU will remain intact, and just under half anticipate that the status quo will prevail or that greater integration will take place.

After Britain's decision to leave the EU, one in three respondents said a decision by any other countries to follow suit would be negative for their business.

Jacques Bughin, MGI's Brussels-based director and lead author of the report, speaking at the European Business Summit will say:

"After a difficult decade for the European economy and European business, it is gratifying to see confidence returning, but it remains fragile. We estimate that restored productive investment could boost the EU's GDP by as much as €1 trillion by 2030, or cumulatively, 5.7 percent of GDP. To achieve that confidence boost, the EU will need to continue harnessing digitisation, while addressing lingering areas of fragility, including remaining financial risk, the direction of the Eurozone and, where possible, geopolitical concerns such as migration and populism. One way to bolster confidence in the EU would be to develop a new narrative showing that the forces in favour of cooperation are stronger than those opposing it."

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NOTES

The survey methodology is set out in Box 1 on page 14 of the full report and in a detailed technical appendix including the full list of survey questions and further analysis of the results.

Recent MGI research on Europe includes:

- [Rome Redux: New Opportunities for the European Union at 50](#), McKinsey Global Institute, March 2017
- [Digital Europe: Pushing the frontier, capturing the benefits](#), McKinsey Global Institute, June 2016.
- [Secular stagnation and low investment: Breaking the vicious cycle](#), McKinsey Global Institute, April 2016.
- [Europe's new refugees: A road map for better integration outcomes](#), McKinsey Global Institute, December 2016.
- [People on the move: Global migration's impact and opportunity](#), McKinsey Global, Institute, December 2016.
- [An opportunity for Europe? The McKinsey Global Institute 2016 Europe essay prize](#): Key themes and winning entries, McKinsey Global Institute, October 2016.
- [A window of opportunity for Europe](#), McKinsey Global Institute, June 2015

The McKinsey Global Institute

The McKinsey Global Institute (MGI), the business and economics research arm of McKinsey & Company, was established in 1990 to develop a deeper understanding of the evolving global economy. Our goal is to provide leaders in the commercial, public, and social sectors with the facts and insights on which to base management and policy decisions.

The partners of McKinsey & Company fund MGI's research; it is never commissioned by any business, government, or other institution.

In January 2017, for the second year running, The Lauder Institute at the University of Pennsylvania ranked MGI the number-one private-sector think tank in the world in its annual 2016 Global Go To Think Tank Index.

For further information about MGI and to download all reports for free, please visit www.mckinsey.com/mgi

European Business Summit

The independent MGI report will be published alongside the European Business Summit taking place in Brussels on the 22nd – 23rd May 2017.

The European Business Summit (EBS) is an organisation that creates one of the largest networking and debating events in Brussels – the European Business Summit. The 2017 edition, titled “What’s next for Europe”, will take place on 22 – 23 May in the Egmont Palace. As the key player in bringing business and politics together, EBS stimulates thinking on European issues that span political, social and environmental challenges. Through its events and publications, EBS delivers an inspired and informed contribution to policy-making in Europe. EBS, under the provision of the Belgian Ministry of Foreign Affairs, is supported by the FEB (Federation of Enterprises in Belgium) and BUSINESSEUROPE. EBS is also proud to acknowledge the high patronage of His Majesty the King of the Belgians.

EBS is supported by Tata Consultancy Services (TCS), the Strategic Partner for EBS2017.

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