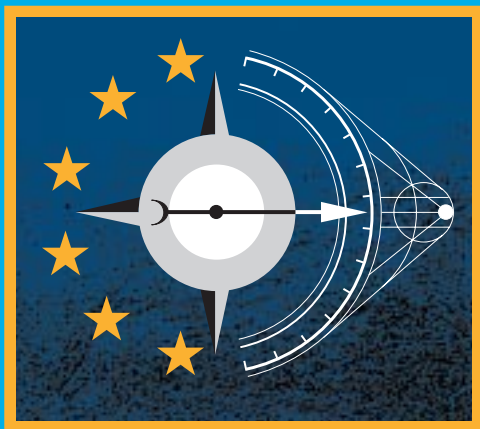




EUROPE BUSINESS
M O N I T O R



EXECUTIVE SUMMARY VII





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Foreword

UPS annually commissions the UPS Europe Business Monitor survey to provide the latest insight into the changing opinions, attitudes and habits of European business leaders. The Business Monitor offers a barometer of opinion founded on our respondents' extensive experience in the world of industry and commerce.

This year, the seventh edition of the UPS Europe Business Monitor considers three key issues facing business leaders: the health of Western European economies, attitudes towards European Monetary Union (EMU) and employment prospects. In addition, we ask business leaders about their use of technology, their work patterns and their lifestyles.

The Business Monitor provides UPS and its customers with a better understanding of the issues driving business decisions in Europe and the world.

To make the research more accessible internationally, this edition of the UPS Europe Business Monitor will be posted on the World Wide Web at <http://www.ups.com>



A note on the research

The Harris Research Centre carried out a total of 1,475 interviews among European business leaders between 23 September and 31 October 1997. The following countries were included in the survey: Belgium – 100, France – 254, Germany – 253, Italy – 255, Netherlands – 107, Spain – 252, United Kingdom – 254.

Respondents were at director level in businesses selected from Europe's top 15,000 companies by revenue. Average turnover of the companies interviewed was US \$1.34bn (1.16bn Ecu).

Interviewing was conducted in the respondents' native tongue by interviewers working from the Harris International Telephone Research Centre in Richmond, London. Interviewing for previous surveys was conducted during February & March 1992, September & October 1992 and in September & October of each subsequent year.

Graphics shown are abstracts of key findings from the full survey results. Figures may total less than 100% where only partial data are shown, or more than 100% where more than one response was allowed.



This icon indicates that the Internet version of the results contains further details. Visit <http://www.ups.com>



Main Findings

The overall picture is one of continued corporate optimism based on a solid improvement in performance over the previous 12 months. The introduction of the single European currency is now a reality in the minds of business leaders. Downsizing has been stemmed and a trend to part-time and contract working established. The wide availability of communication technologies has singularly failed to reduce the number of nights executives spend away from home and their average working week is of 50 hours or more. Key national findings show the powerhouse German economy knocked off the top spot for growth, renewed confidence in the UK and Spain and a rather gloomy outlook for France, exacerbated by worker unrest.

Major upturn in performance of Europe's top companies

This year, business leaders report a significant improvement in corporate performance and are once again optimistic about the economic prospects of their companies.

Last year, only a quarter of companies reported a net ('better' minus 'worse') improvement in their economic position over the previous 12 months. This year, the figure has risen to just over half those surveyed (+51%). Not surprisingly, corporate optimism is renewed, +57% think the next 12 months will see an improvement to their company's outlook.

Against this backdrop, there are some significant differences between countries. Spain reports best economic performance in the past year, France reports worst. The Netherlands is the most optimistic for the future.

Falling unemployment and a shift to more flexible working

Business leaders are finally predicting a halt to the decline in their companies' employment levels. Although in Germany and France a significant net decrease is predicted (by 16% and 13% respectively), across Europe just 1% more companies expect reductions in jobs over the next 12 months than expect increases – a clear sign that the worst of downsizing is over. Yet, this does not necessarily mean a growth in traditional full-time, permanent employment. As was reported in 1995, business leaders anticipate that both the proportion of part-time workers and the proportion in fixed, short-term contracts will continue to rise.

Concern about German growth, confidence in the UK and Spain rising

For the first time since the UPS Europe Business Monitor began, Germany has fallen from the number one position as the country with the strongest economic growth. Confidence in both the UK and Spain has risen again, taking the UK, now the country with the highest growth forecast, up to first position and Spain to second. Yet, most business leaders consider that Germany will have the lowest inflation and nearly half think it will show the greatest export growth. In contrast, the majority considers the UK to have the political environment most conducive to business in the next three years. Confidence in France has dropped, with those thinking that it will show the strongest economic growth halving from 31% to 14% since last year. Added to this gloomy prospect, France is expected to have the most strikes over the next three years.

EMU a reality for business leaders

For businesses, the debate over the euro is over. In contrast with continued public and political discussions, business leaders now appear to endorse fully the EMU. They anticipate widespread membership of EMU from 1999 and are preparing themselves for it.

As last year, nearly two in three business leaders believe that participation in a single European currency would be good for their company. On a personal level, an even stronger 89% are in favour of joining the EMU. Business leaders in all countries surveyed, including the traditionally euro-sceptic UK, adhere to this view.

In 1993, the Business Monitor revealed that although 83% predicted a single currency would happen eventually, only 58% believed it would be realised by 1999. Furthermore, in just one year belief that a significant number of member states will join at this first opportunity has grown substantially. Germany and France are again considered definite members in January 1999 and the Netherlands and Belgium are also seen as very strong candidates. Belief in Italy and Spain joining has risen significantly in the last 12 months and, with the exception of Greece (5%), the UK is now considered least likely to join.



While France and Germany are both thought certain to join the EMU in 1999, German businesses express a much greater readiness to trade in euros than their French counterparts. Indeed, more than four in ten French business leaders admit they are not yet ready.

Majorities in all countries are confident in the concept of a strong euro and think it will become strong and stable against the US dollar.

Spotlight dims on China and Southeast Asia

Three years ago, an overwhelming 75% of business leaders felt that China and Southeast Asia offered the best potential for investment in manufacturing over the next three to five years. This year, just under half (48%) considers this region to offer the best potential with support for both Eastern Europe and Central and South America increasing.

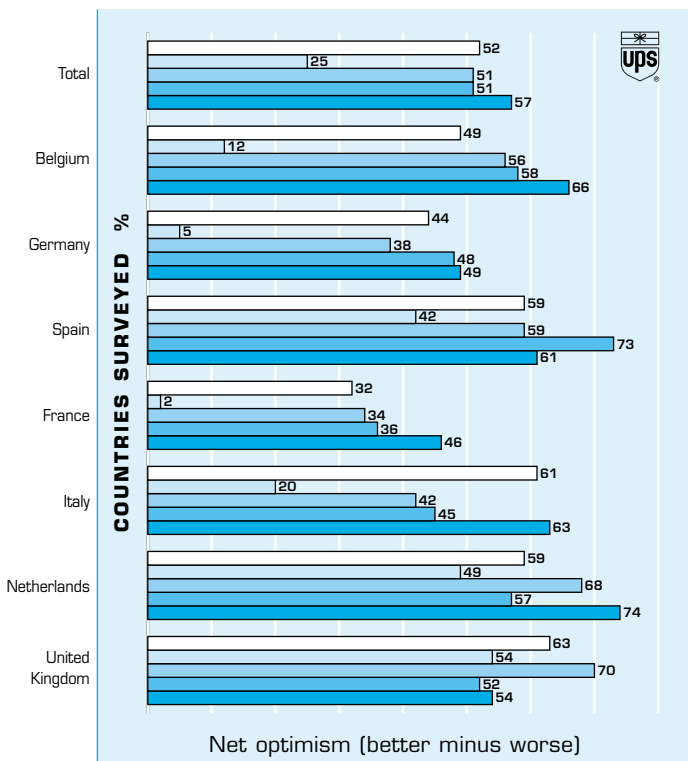
Communication technologies under-used

Overall, UK business executives make the most personal use of communication technologies and Italians the least. While business leaders seem to endorse the Internet as a valid business tool with a majority having its own Web site, few find it important for their marketing and advertising activities. One in five companies now use the Internet for electronic commerce and almost all of them predict this will increase over the next 12 months. Despite increasing nights away from home on business, only one in three executives makes use of video conferencing.

Concern about the year 2000 computer issue is relatively small, with just over a quarter thinking it will significantly affect their business. More than half of Dutch executives think it will not affect their company at all.

Current business climate across Europe

Is the economic position of your company better or worse than it was 12 months ago and what will it be in 12 months time?



□ Predicted for 1996

□ Predicted for 1997

□ Actual in 1996

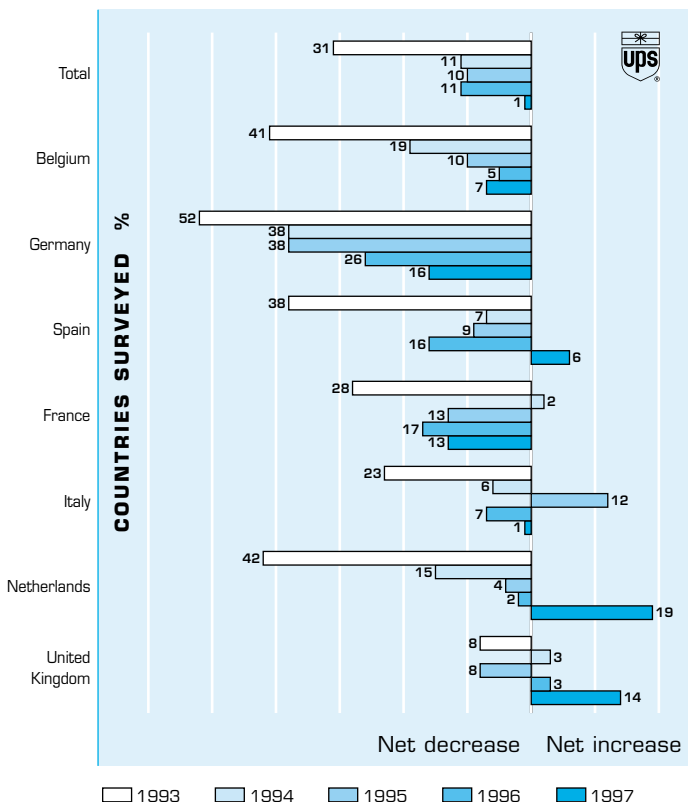
□ Actual in 1997

■ Predicted for 1998

- Major upturn in performance of Europe's top companies
- Spain reports the best corporate economic performance, France reports the worst
- The Netherlands most optimistic for the future, France remains cautious
- UK optimism declines after disappointing performance



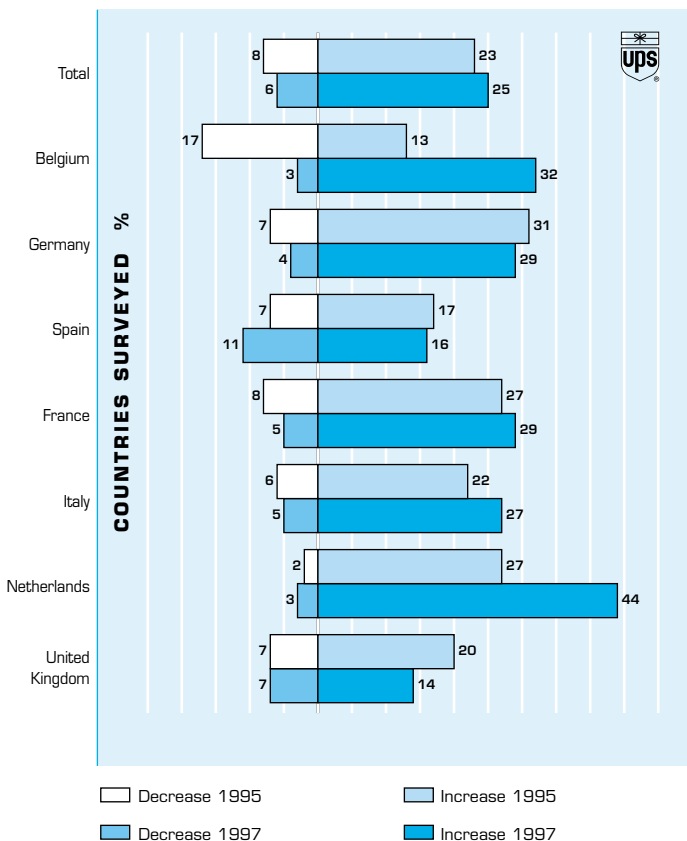
Will your company increase or decrease its workforce over the next 12 months?



- Overall, job losses in Europe's leading businesses slow
- The Netherlands, UK and Spain plan to increase their workforces
- While still improving, job prospects in Germany and France remain negative

Current business climate across Europe

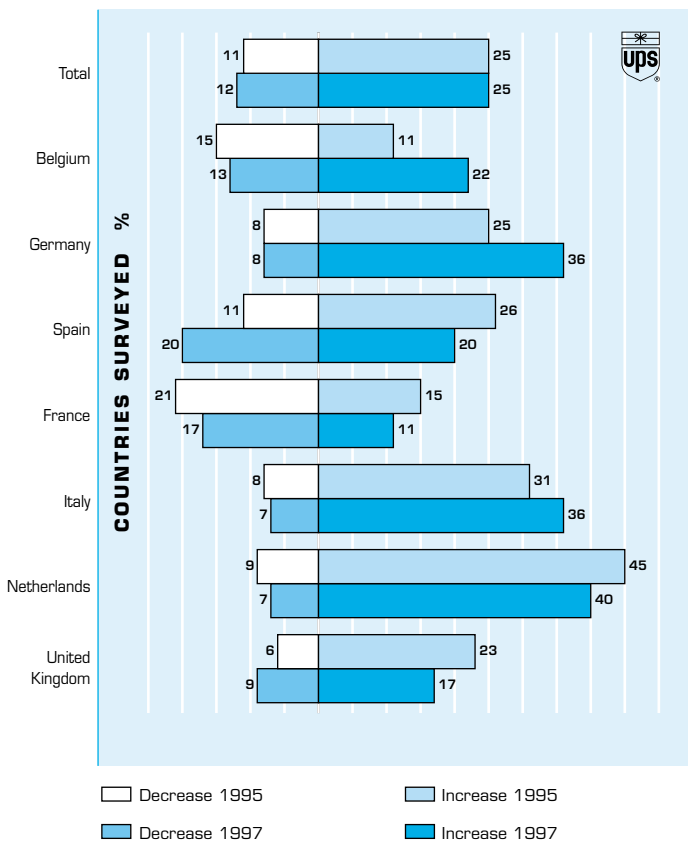
Will the proportion of your workforce who are part-time increase or decrease?



- Employers continue to increase proportion of part-time workers
- Increases most likely in the Netherlands, less so in the UK and Spain
- Major shift to part-time working in Belgium



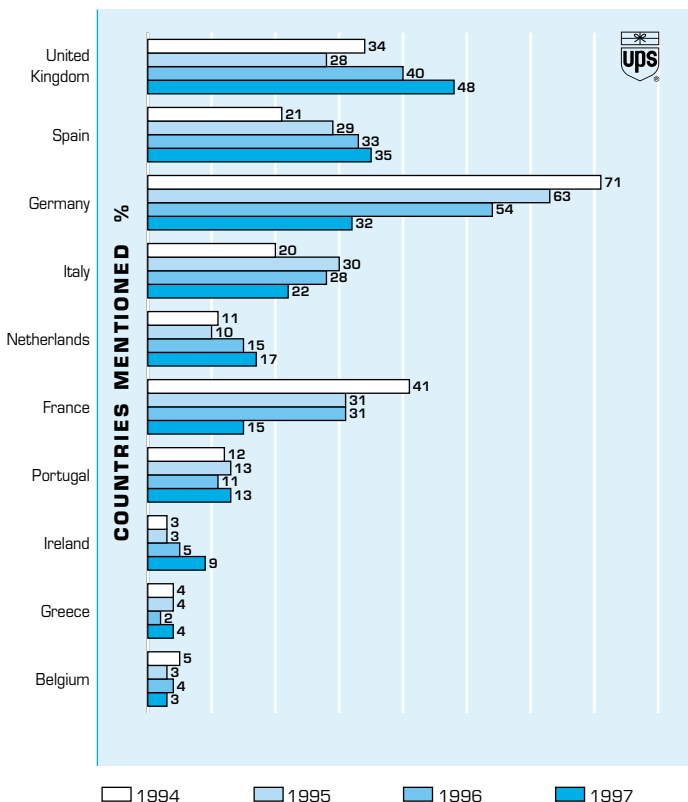
Will the proportion of your workforce who are on fixed short-term contracts increase or decrease?



- Trend to short-term contracts continues
- Most likely to increase in the Netherlands, Germany and Italy
- France bucks the trend again

Prospects for business

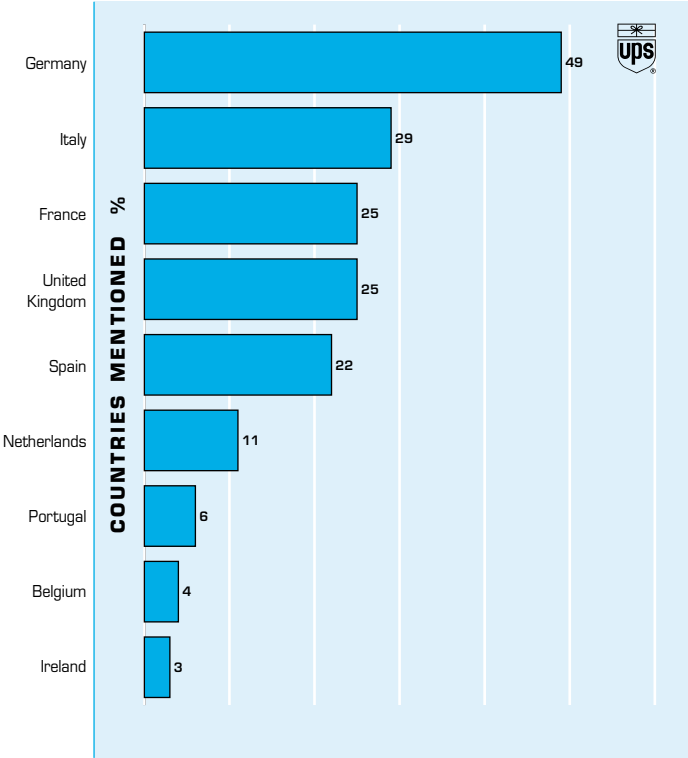
In the next three years, which Western European country will show the strongest economic growth?



- Germany knocked off top spot for first time
- Business leaders put UK in first place for growth
- Spain moves up to second position
- Confidence in France is halved



In the next three years, which Western European country will show the greatest export growth?

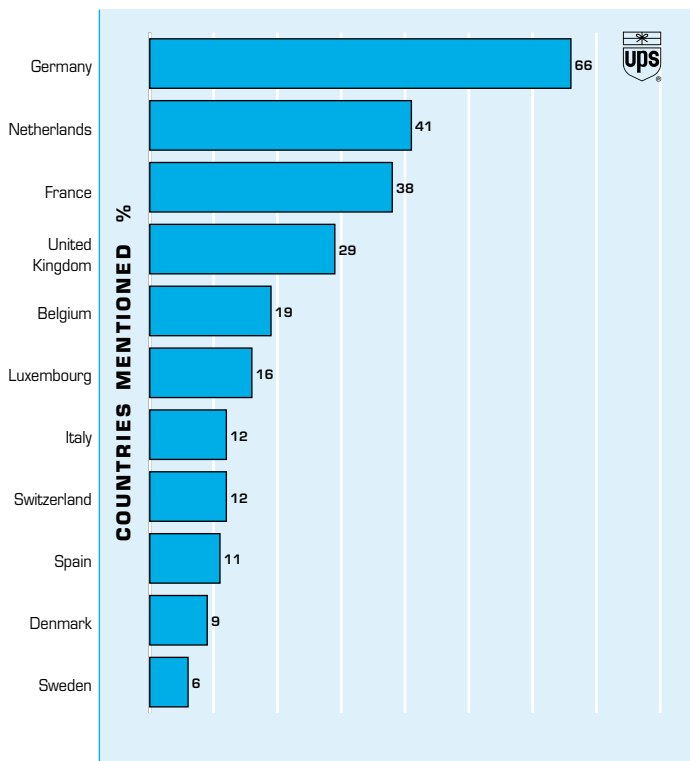


- Just under half the business leaders think Germany will show the greatest export growth



Prospects for business

In the next three years, which Western European country will have the lowest inflation?

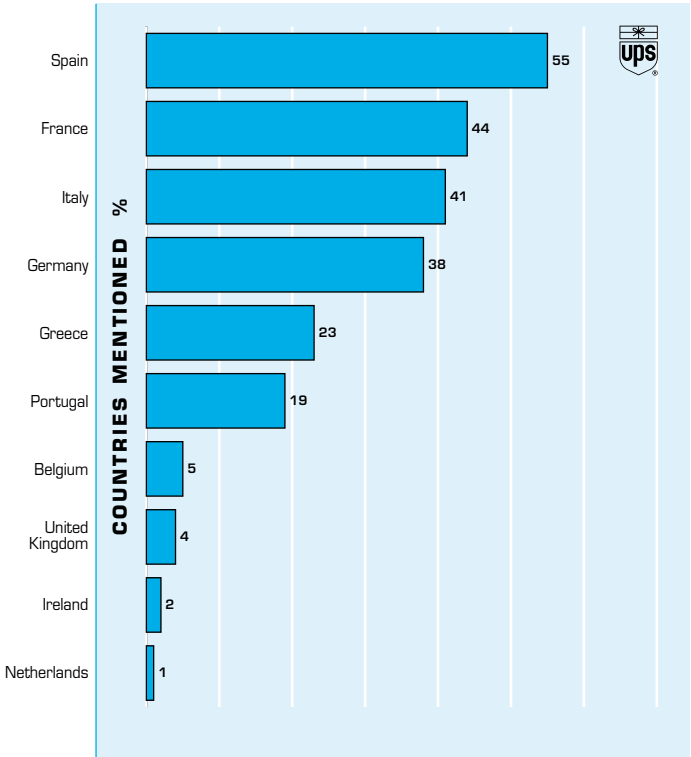


- Majority feels Germany will have the lowest inflation





In the next three years, which Western European country will have the highest unemployment?

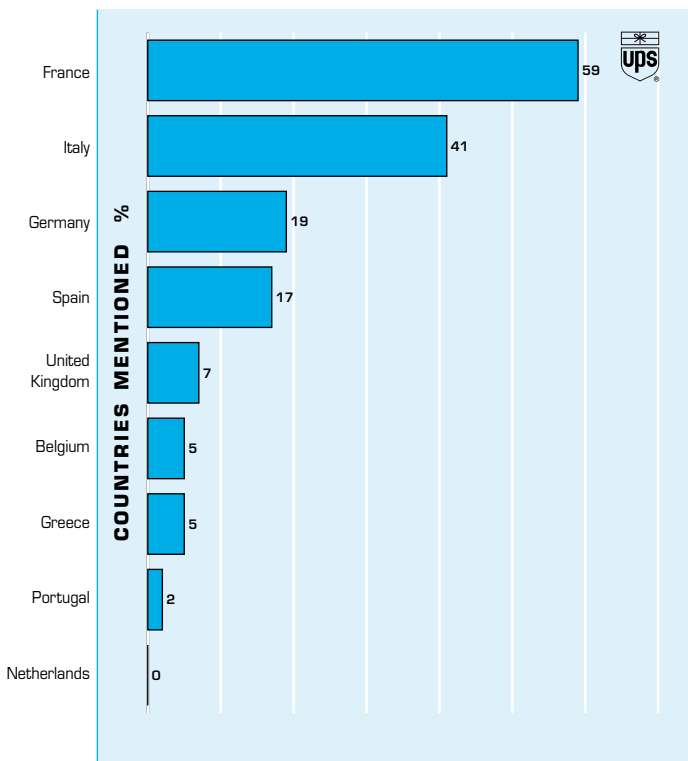


- Majority predicts Spain will see the highest unemployment despite plans to increase workforce reported on page 7
- France, Italy and Germany occupy the next three places



Prospects for business

In the next three years, which Western European country will have the most strikes?

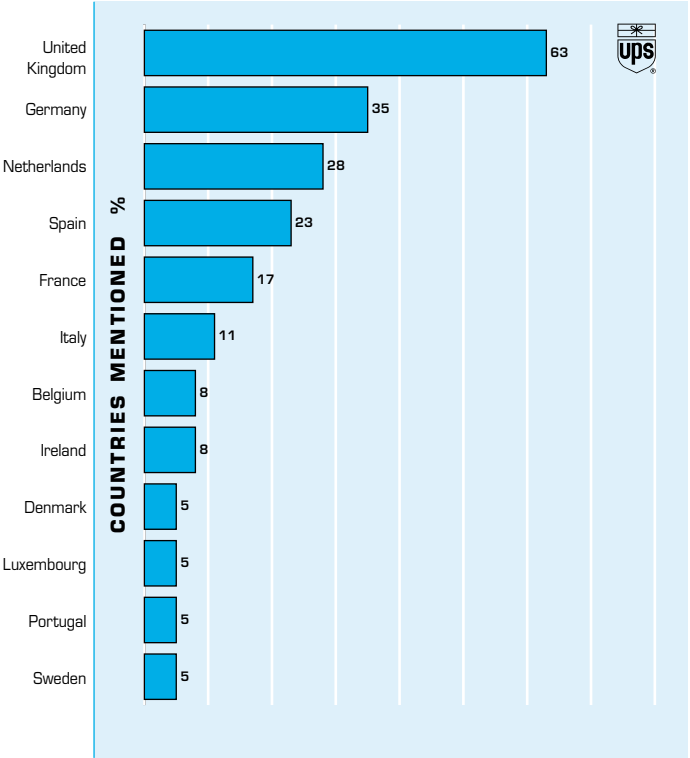


- Majority predicts France will have the most worker unrest
- Italy is a clear second, followed by Germany and Spain





In the next three years, which Western European country will have a political environment most conducive to business?

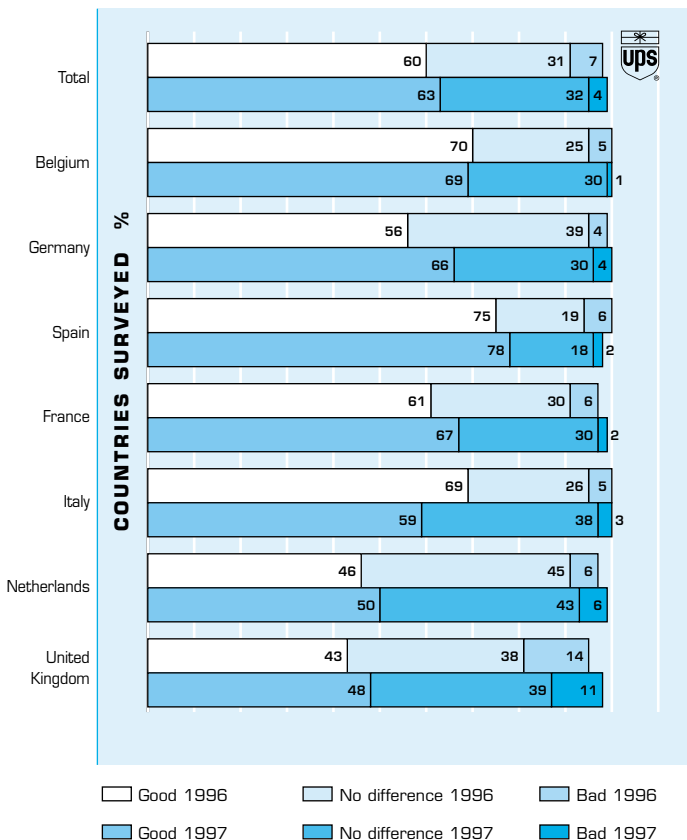


- Nearly two in three think the UK will have the best political climate for business



Currency issues

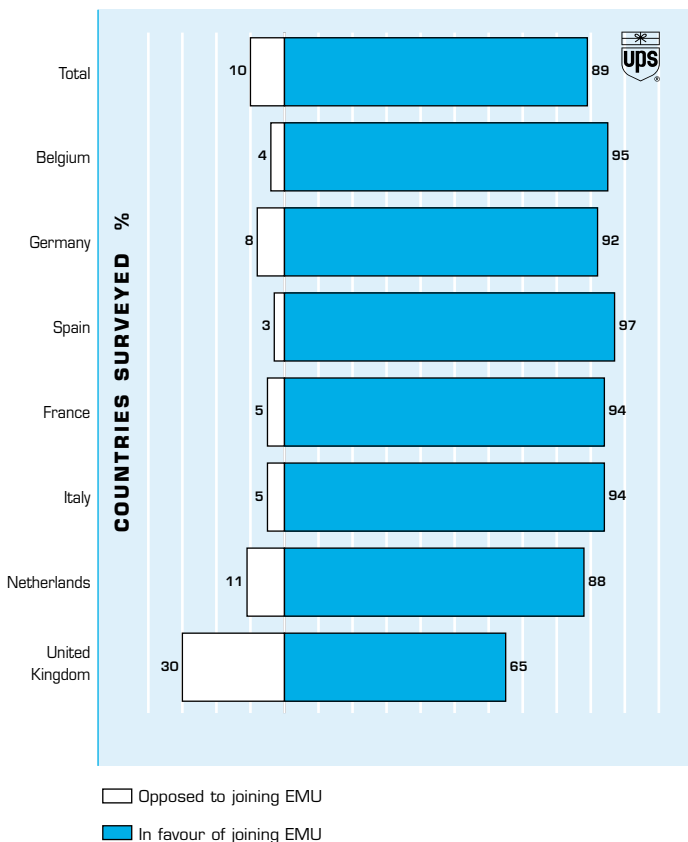
Would participation in the EMU be good for your company, bad, or will it make no difference?



- Majority overall (63%) thinks EMU membership will benefit their company
- Just 4% think it will be bad for their company
- Support strongest in Spain, weakest in the UK and the Netherlands



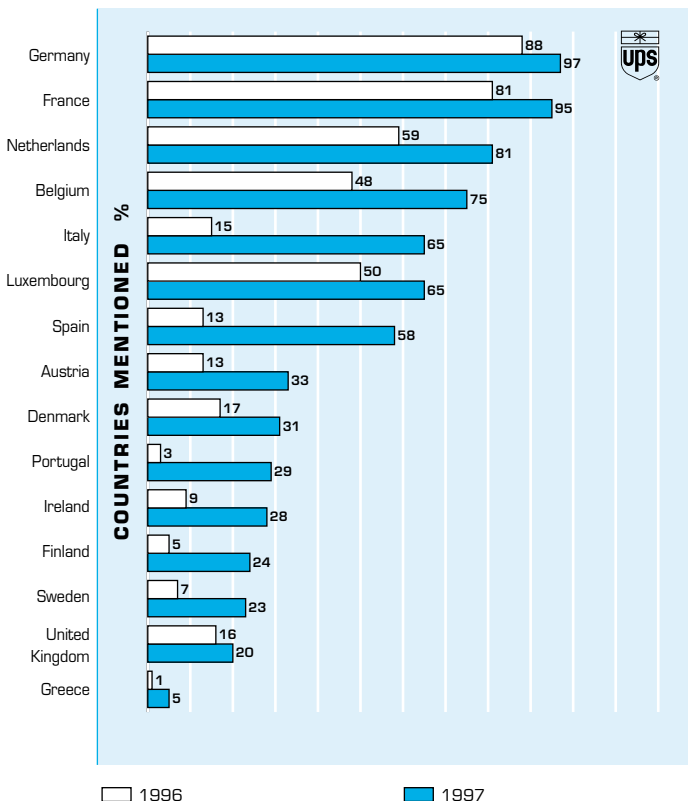
Are you personally in favour or opposed to your country joining the EMU?



- Overwhelming majority personally favours EMU membership
- However, nearly a third in the UK are opposed

Currency issues

Which countries do you think will join the EMU as part of the first wave in January 1999?



Question asked in 1996: Which countries will adopt a single currency on January 1 1999?

- Almost total acceptance that Germany and France will be members from January 1999
- Many more countries now expected to join at this first opportunity
- Major increase in numbers expecting Italy and Spain to join first wave

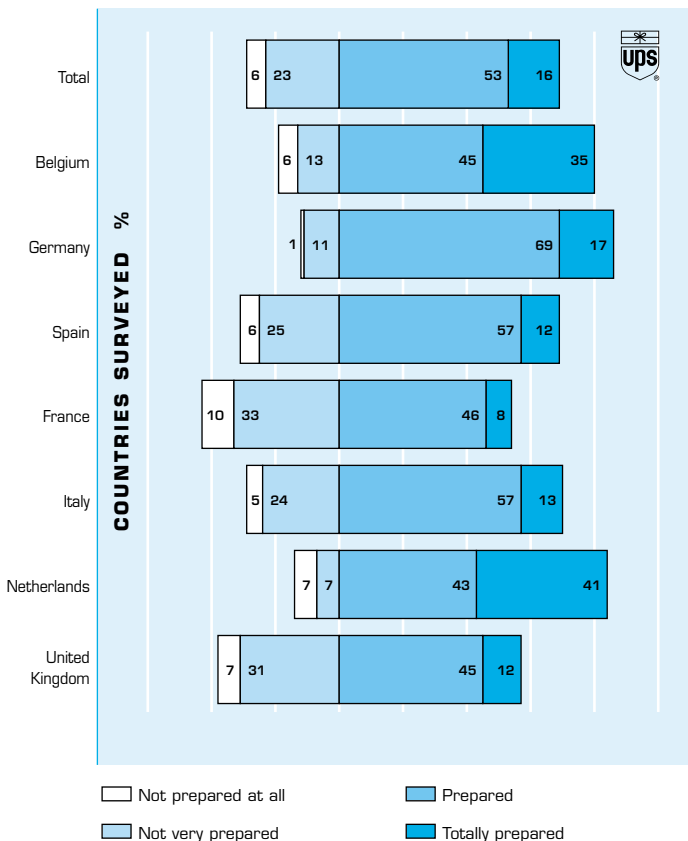


ups	Total	Belgium	Germany	Spain	France	Italy	Netherlands	United Kingdom	COUNTRIES SURVEYED %	
Germany	97	97	98	96	98	98	95	94		
France	95	96	97	93	96	97	88	92		
Netherlands	81	95	92	86	81	74	96	61		
Belgium	75	96	81	83	75	66	79	60		
Italy	65	61	74	56	66	92	50	46		
Luxembourg	65	75	85	77	63	52	67	45		
Spain	58	48	60	97	48	65	42	33		
Austria	33	32	58	53	15	27	28	16		
Denmark	31	28	34	53	24	34	39	7		
Portugal	29	24	35	56	17	22	24	17		
Ireland	28	23	31	48	13	24	32	24		
Finland	24	16	28	50	9	20	32	11		
Sweden	23	15	24	47	15	22	31	5		
United Kingdom	20	12	17	35	22	27	17	2		
Greece	5	2	6	8	3	4	12	2		

- The UK and Greece least likely to join
- In every country except the UK there is an overwhelming belief that their own country will join EMU in 1999

Currency issues

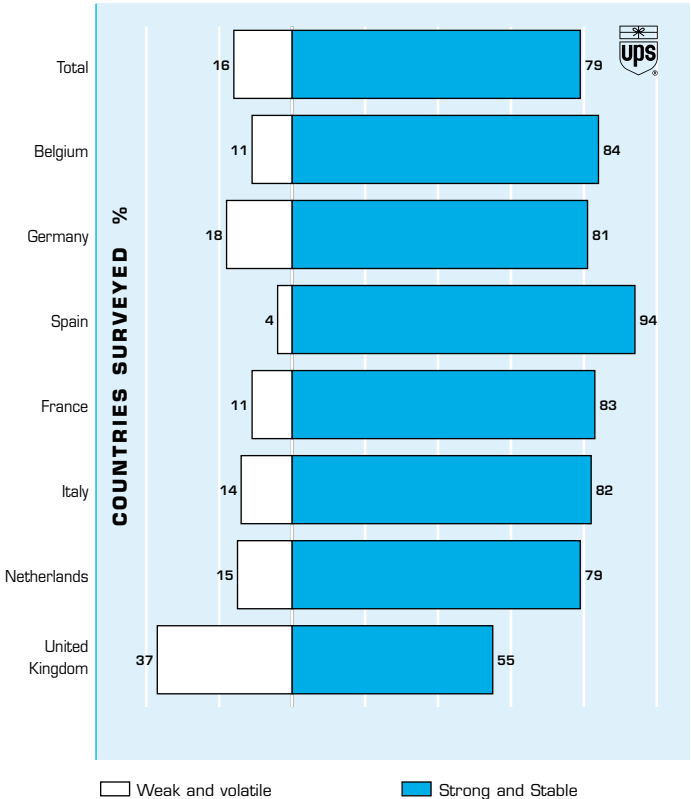
How ready is your company to trade in euros assuming a single European currency is introduced for some countries in January 1999?



- More than two in three of Europe's largest businesses consider themselves prepared to trade in euros, but just one in six is totally prepared
- Germany, the Netherlands and Belgium are the most confident
- France and the UK concede they have some way to go



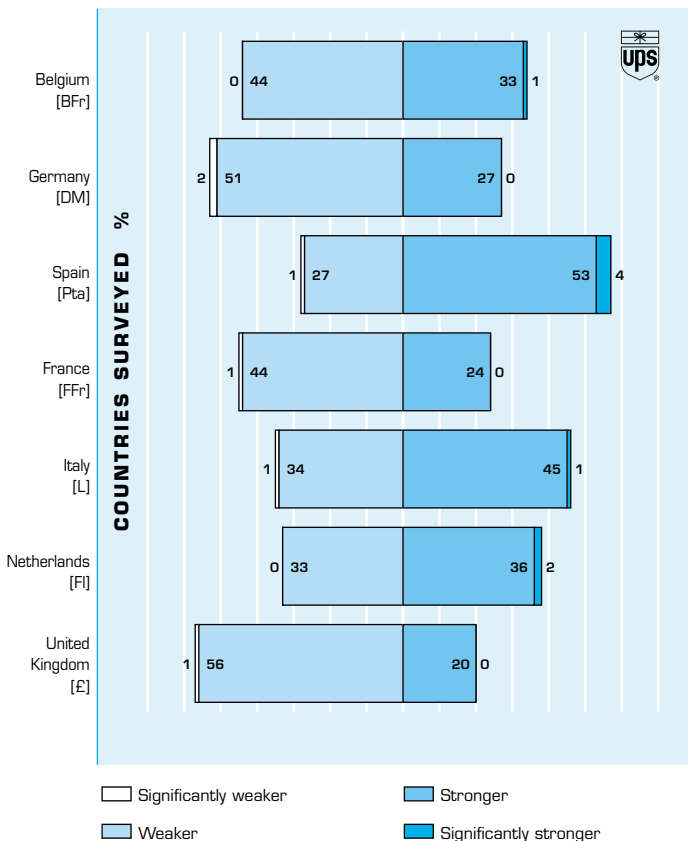
Will the euro become strong and stable or weak and volatile against the US dollar if it is introduced in January 1999?



- Overwhelming majority believes the euro will become strong and stable
- Spain is most confident, the UK is most sceptical

Currency issues

Will your country's currency become stronger or weaker over the next 12 months in relation to the US dollar?

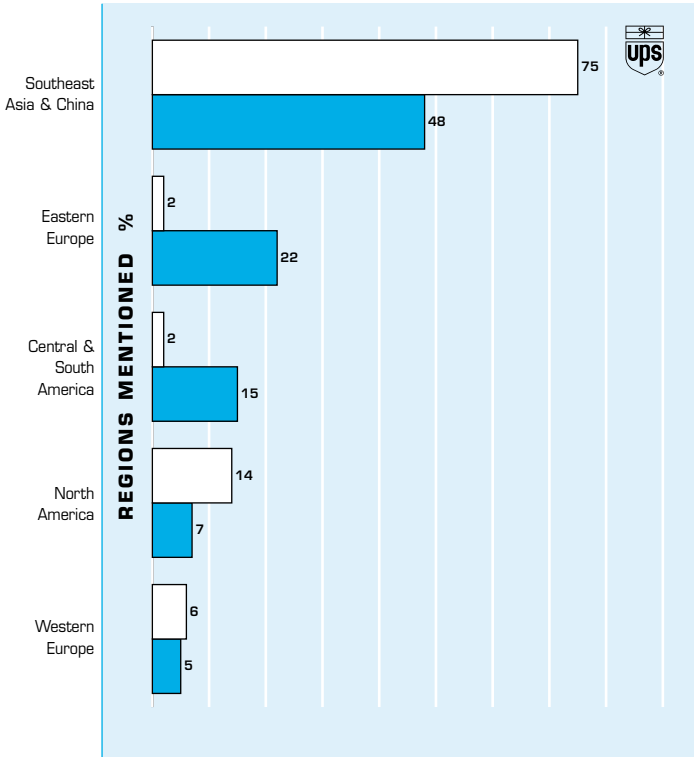


- UK, Germany, France and Belgium feel their currencies will become weaker over the next 12 months
- Spain and Italy feel theirs will strengthen



Global view

Which world region offers the best potential for investment in manufacturing over the next three to five years?



□ Best for manufacturing investment 1994

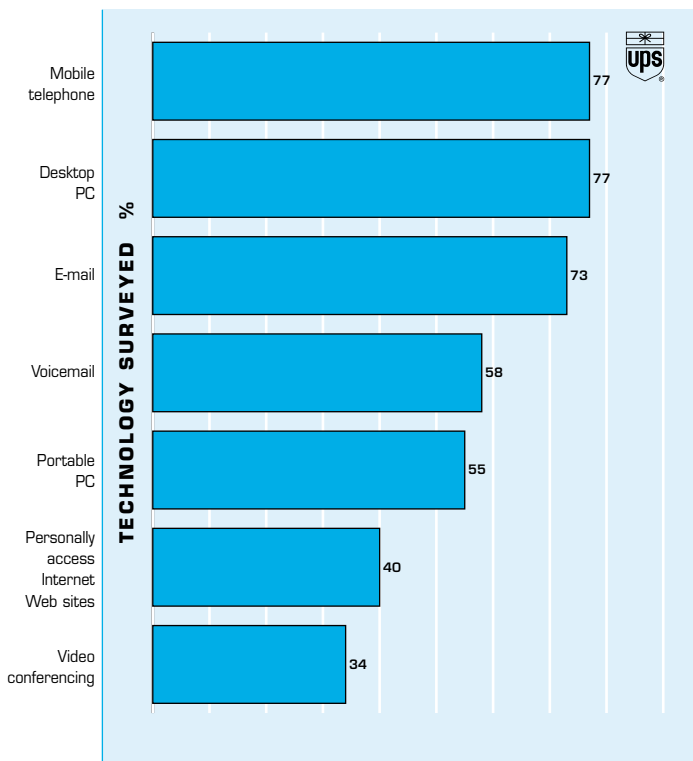
■ Best for manufacturing investment 1997

- Southeast Asia and China still offer the best potential, but no longer for a majority of leaders
- Support increases for Eastern Europe and Central and South America



Technology in business

Do you personally use any of these items as part of your working life?



- Large majority of business leaders use mobile phones, desk-top PCs and e-mail
- Majority uses voicemail and portable PCs
- Forty percent access Web sites themselves and fewer use video conferencing

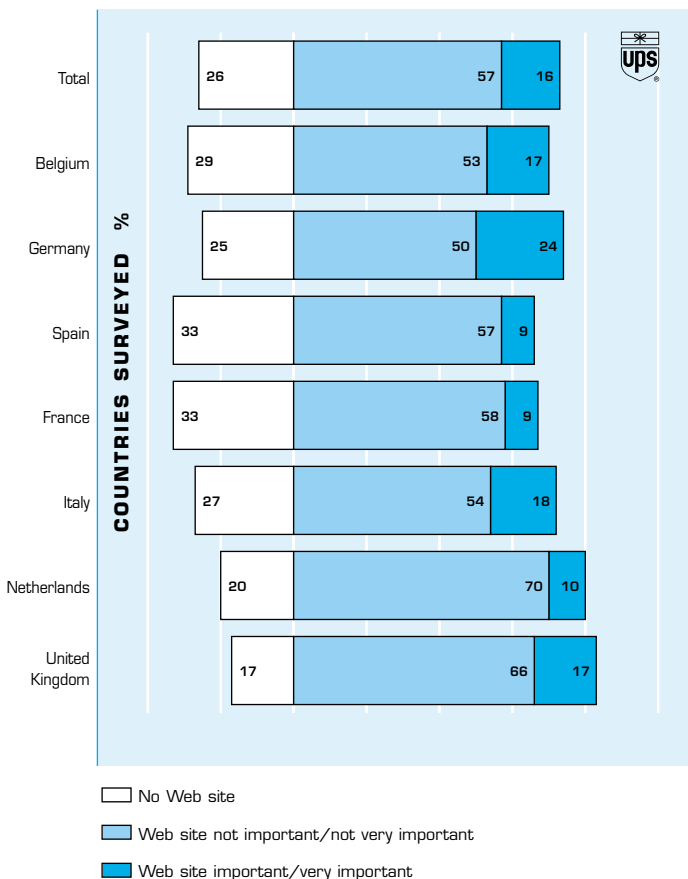


ups	Total	Belgium	Germany	Spain	France	Italy	Netherlands	United Kingdom	COUNTRIES SURVEYED %	
Mobile telephone	77	73	75	77	68	82	83	84		
Desktop PC	77	88	68	88	78	62	86	82		
E-mail	73	80	78	79	69	51	73	83		
Voicemail	58	61	46	69	70	28	79	67		
Portable PC	55	61	61	44	52	52	60	60		
Personally access Internet Web sites	40	41	45	44	31	35	42	45		
Video conferencing	34	33	37	21	39	23	26	53		

- Dutch and UK executives biggest personal users of communication technologies; Italians least
- UK is the only country where the majority uses video conferencing

Technology in business

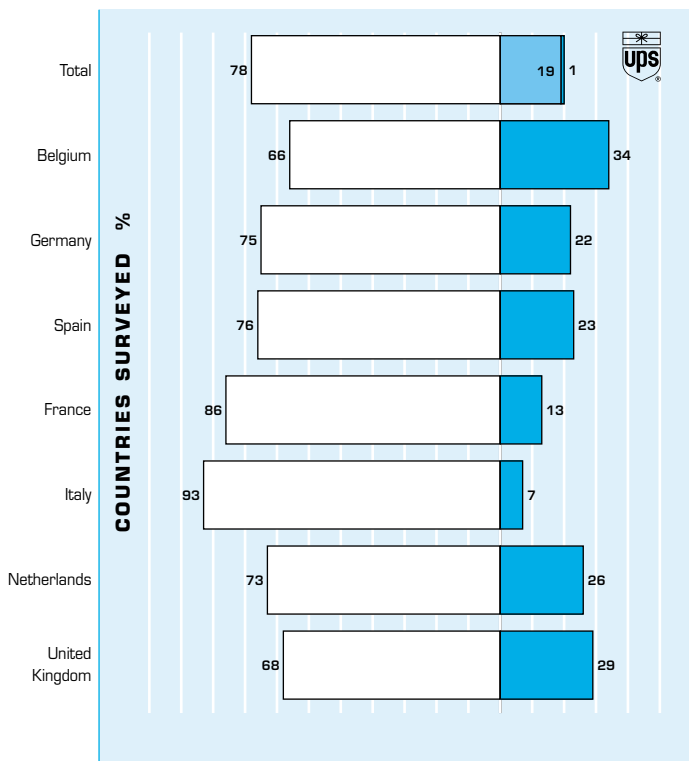
Does your company have a Web site and how important is it in your company's advertising and marketing activities?



- Most companies have their own Web site
- The UK and the Netherlands have the most Web sites; Spain and France the least
- Web sites considered unimportant for marketing activities



Does your company conduct electronic commerce (business over the Internet) and do you see this increasing over the next 12 months?



Total

No

Yes, use will increase

Yes, use will not increase

Country results

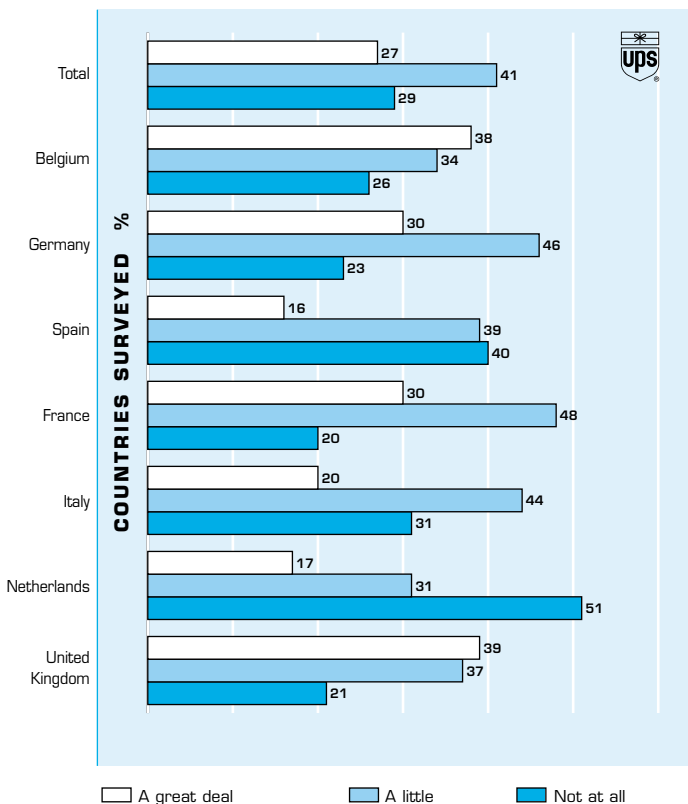
No

Yes

- Low use of Internet for electronic commerce
- Belgium makes most use at the moment
- Overwhelming majority conducting electronic commerce foresees increased use over next 12 months

Technology in business

How do you feel the computing issue relating to the year 2000 will affect your business?

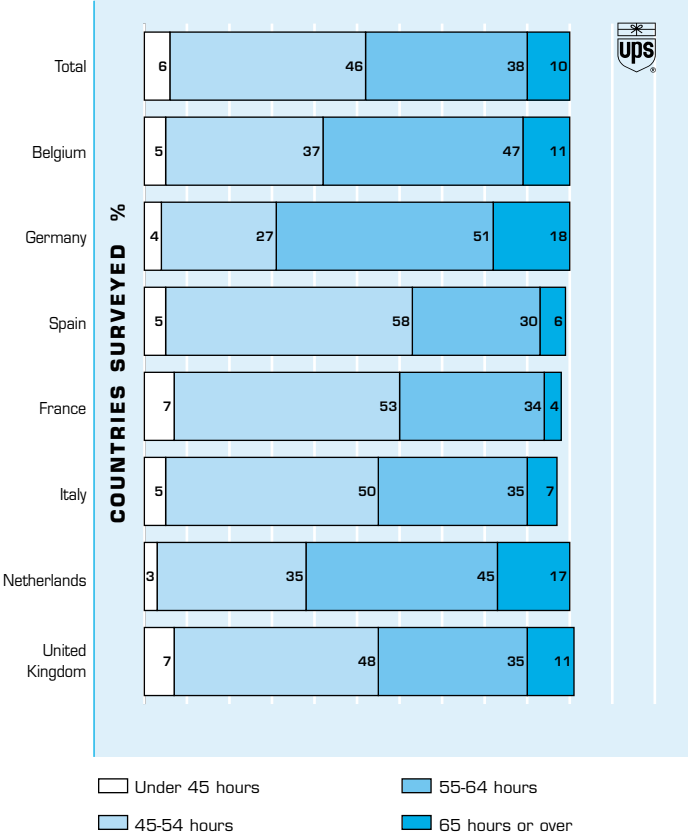


- Almost three in four companies feel the year 2000 computing issue will affect their businesses only a little or not at all
- Majority in the Netherlands feels the millennium “time bomb” will have no effect at all; Spain and Italy are also relatively unconcerned
- The UK and Belgium show the greatest concern

European business practices



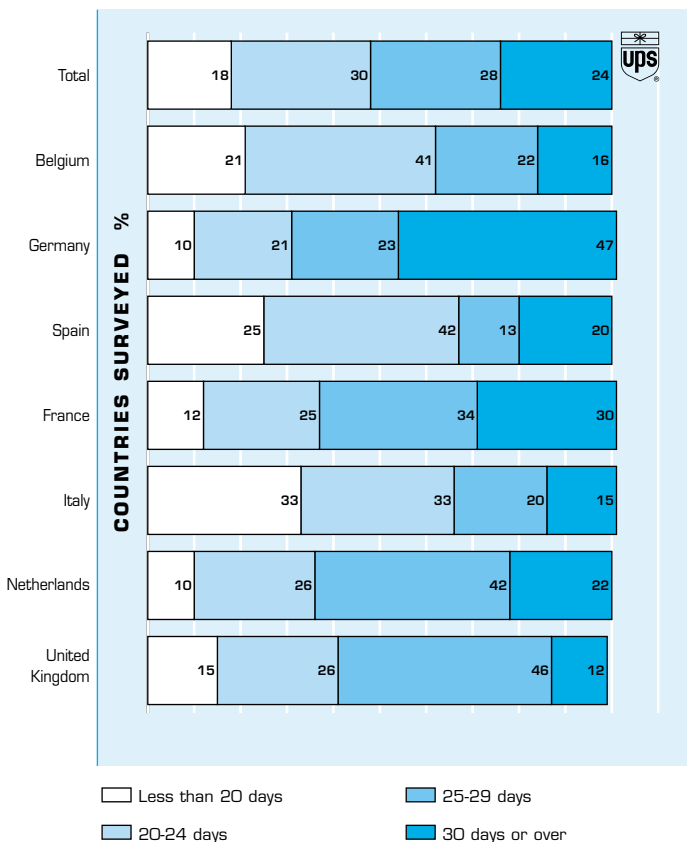
In an average week how many hours do you spend working, excluding commuting?



- Average working week is more than 50 hours
- Bosses in the Netherlands, Germany and Belgium work longer hours

European business practices

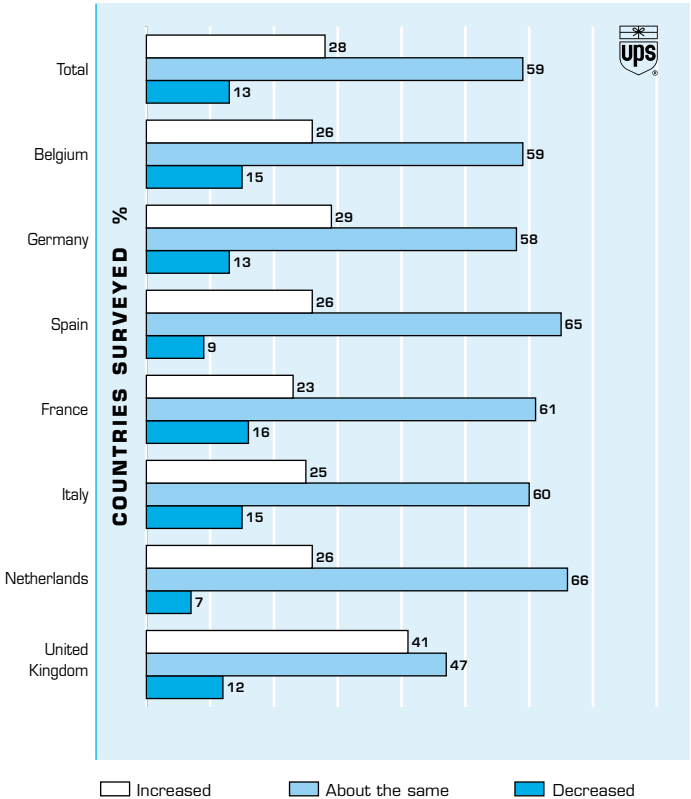
How many days holiday do you actually take each year?



- Excluding public holidays, European executives take an average of 23 days
- Nearly half of German executives take six weeks or more holiday each year
- Italians and Spanish take the fewest days



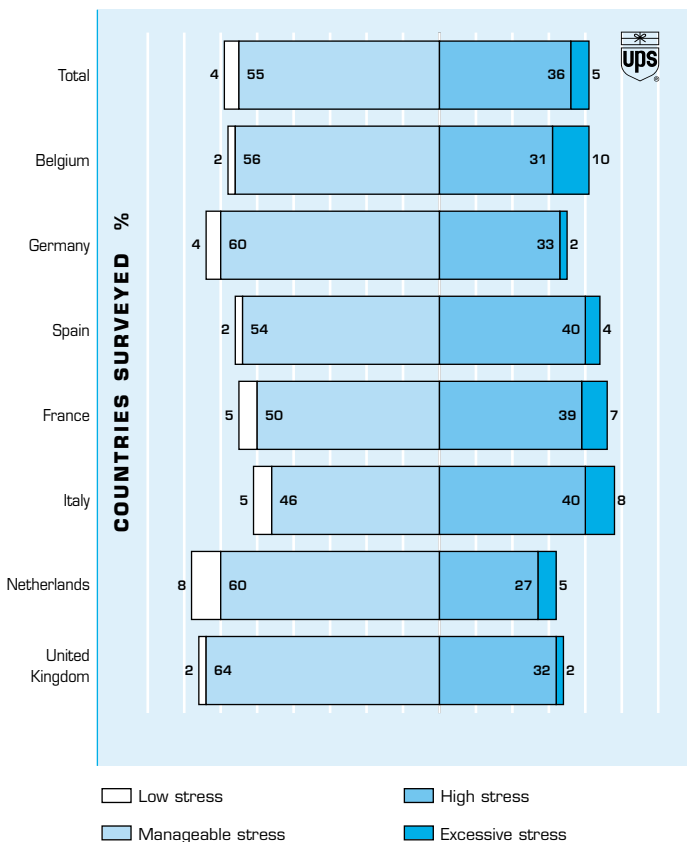
Over the past 12 months has the number of nights you spent away from home on business increased?



- Despite advances in communication technologies, executives are staying away from home more, not less often
- Large increase in UK executives' nights away

European business practices

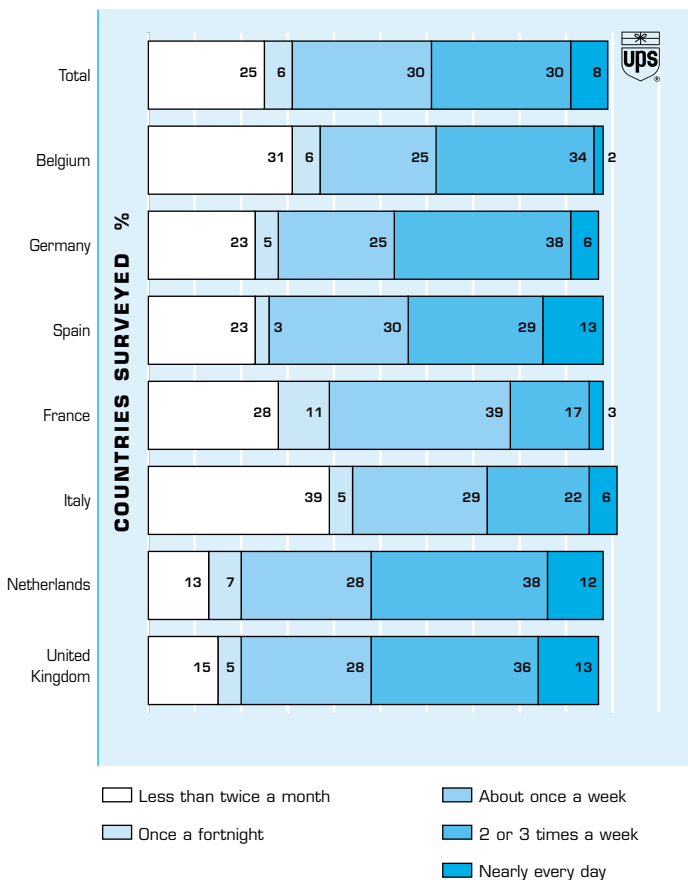
Do you consider the amount of stress in your job to be excessive, high, manageable or fairly low?



- Majority of executives find the levels of stress in their jobs manageable



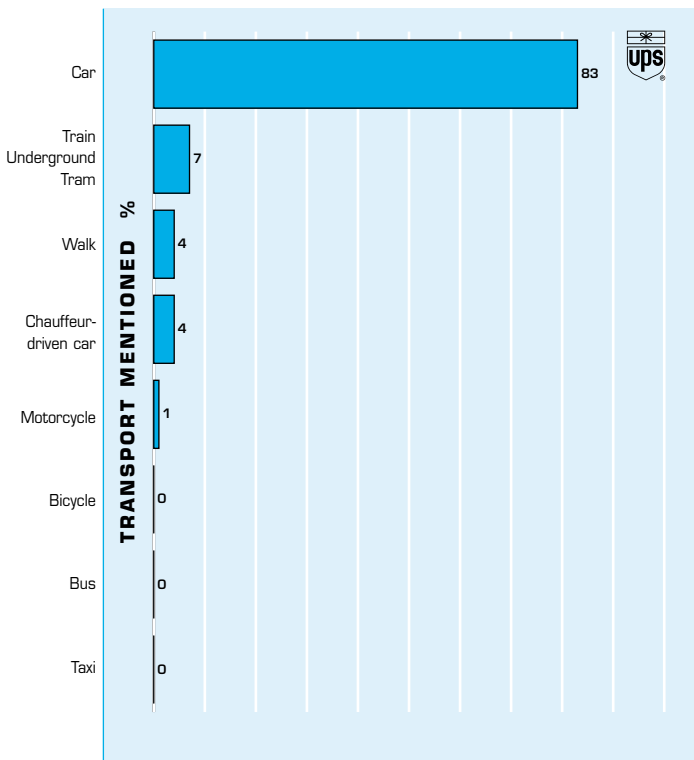
How often do you take physical exercise, such as playing a sport, swimming or going to a gym?



- Italian and French executives take the least exercise
- Half of UK and Dutch business leaders exercise at least twice a week

European business practices

How do you normally travel to your usual place of work?

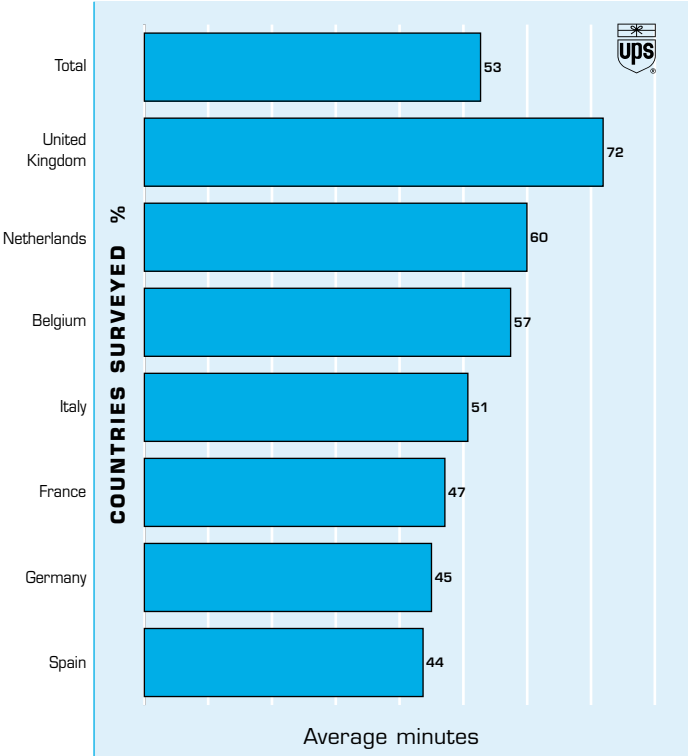


- Public transport hardly used by Europe's business leaders
- Overwhelming majority commutes by car





How long on average do you spend travelling to and from your normal place of work each day?



- Average round-trip time spent commuting each day is less than one hour
- UK executives have the longest daily commute; Spanish and German the shortest



Contact information

For further information about UPS and its services please call one of the following numbers:

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UPS Belgium	0800 128 28
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UPS Finland	800 877 877
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UPS Germany	0130 82 66 30
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UPS Italy	167 822 054
UPS Netherlands	0800 099 1300
UPS Norway	800 334 70
UPS Portugal	0800 20 50 20
UPS Spain	900 10 24 10
UPS Sweden	020 788 799
UPS Switzerland	0800 55 88 33
UPS UK	0345 877 877
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