

POLITICS

Slovenia has taken over the EU Presidency after Portugal. The Portuguese Presidency, which ended on the last day of June, was marked by an effort to steer the EU on the path out of the covid-19 pandemic. Slovenia will strive to facilitate the EU's recovery and reinforce its resilience, reflect on the future of Europe, strengthen the rule of law and European values, and increase security and stability in the European neighbourhood.

The United States and the EU have agreed to end the protracted dispute over subsidisation of aircraft manufacturers which has caused them to impose tariffs on each other. Since 2004, the EU and the US have accused each other at the World Trade Organisation of illegally supporting their aircraft manufacturers Airbus and Boeing. In these disputes, the WTO has ruled that both parties have given financial support to their producers, contrary to international rules.

The EU Member States have formally approved the so-called climate law, which sets binding rules for achieving common EU emissions targets. A key norm in the EU's environmental strategy sets out how the Union should achieve climate neutrality by 2050. Thus, not producing any greenhouse gas emissions or balancing them by planting new trees for example, is necessary.

The EU will extend the sanctions list against Belarus. The sanctions will now affect 78 people and seven firms that are actively intervening against representatives of the Belarusian opposition. The EU continues to view last year's presidential election in Belarus, which authoritarian leader Alexander Lukashenko again won, as rigged.

Germany intends to borrow about 100 billion euros next year. Originally, the German government wanted to borrow 81.5 billion euros. Some of the reasons for this increase are the costs of health care and climate protection.

ECONOMY

In the first quarter of 2021, seasonally adjusted GDP decreased by 0.1% in the EU compared with the previous quarter. This decline follows a fall in the fourth quarter of 2020 (-0.4% in the EU) after a strong rebound in the third quarter of 2020 (+11.7% in the EU). Before, the sharpest decreases since the time series started in 1995 were observed in the second quarter of 2020 (-11.1% in the EU).

The EU unemployment rate was 7.3% in May 2021, down from 7.4% in April 2021 and up from 6.9% in May 2020. Eurostat estimates that 15.278 million men and women in the EU were unemployed in May 2021.

EU annual inflation was 2.3% in May 2021, up from 2.0% in April. A year earlier, the rate was 0.6%. The lowest annual rates were registered in Greece (-1.2%), and Malta (0.2%). The highest annual rates were recorded in Hungary (5.3%) and Poland (4.6%). Compared with April, annual inflation fell in 4 Member States, remained stable in one and rose in 22.

In the first quarter of 2021, the hourly labour costs rose by 1.7% in the EU, compared with the same quarter of the previous year. In the fourth quarter of 2020, hourly labour costs increased by 3.2%. In the EU, the costs of hourly wages & salaries increased by 2.6% and the non-wage component decreased by 1.0% in the first quarter of 2021.

SECTORS

The EU has extended safeguard measures in the form of fixed import quotas for quantities of steel for another three years. The quotas work in such a way that each state and each of the 26 types of steel goods have a permitted quarterly quota. Only when importers exhaust this quota do they have to pay a duty of 25%. The European Commission adopted the so-called safeguards in response to the introduction of 25% tariffs on steel imports by Donald Trump. The current administration of Joe Biden also does not intend to abolish them, however.

An agreement on the reform of agricultural subsidies now exists. Representatives of EU Member States and the European Parliament have reached an agreement at the political level on the reform of the EU's system of agricultural subsidies. The agreement ends nearly three years of disagreements over the EU's common agricultural policy, which will account for about a third of the EU's budgetary spending between 2021-2027.

Over the past year, tourism was among the sectors most affected by the COVID-19 pandemic, due to the travel restrictions as well as other precautionary measures taken in response. The number of nights spent at EU tourist accommodation establishments dropped by 61% between April 2020 and March 2021 (1.1 billion), compared with the 12 months prior to the pandemic (April 2019 to March 2020: 2.8 billion).

In 2020 EU Member States exported almost 1.3 million bicycles and other cycles, worth a total of €471 million, to countries outside of the EU. Over the same period, the EU imported almost 5 million bicycles, worth €930 million, from countries outside the EU. Compared with 2019, exports of bicycles and other cycles increased by 35% in 2020 in numbers, while imports declined by 3%.

FOCUS ON AUTOMOTIVE

The German carmaker Audi plans to launch only electric cars on the market from 2026, ending the production of internal combustion engines by 2033. However, this does not apply to China, where it intends to produce cars with internal combustion engines after 2033 due to demand. Audi will place more new electric models on the market this year than petrol or diesel-burning models.

Volvo will form a joint venture with Northvolt to develop sustainable batteries for electric cars. Volvo Car Group said that it will build a large-capacity plant for their production. It is to be located in Europe and its production capacity could be up to 50 GWh per year from 2026. Northvolt's largest shareholder is Volkswagen.

A French court has accused Peugeot and Citroën of cheating in measuring diesel emissions. Recently, the French judiciary also accused Renault of fraud and manipulating tests of some of its older diesel cars. Volkswagen's French division is facing the same charge.

Negotiations for an investment of approximately CZK 50 billion are heading into the final stage. It should be clear by the end of the year whether the Volkswagen gigafactory will be located in the north of the Czech Republic or elsewhere. The project is being negotiated by ČEZ together with Škoda Auto, and Sokolovská uhelná is also interested. VW plans to build 6 gigafactories in Europe by 2030, one of which could be located in the Czech Republic, Poland or Slovakia.

EU CALENDAR

Meetings of EU institutions

- *European Parliament committee meetings on 12 - 15 July*
- *Economic and Financial Affairs Council on 13 July*
- *Agriculture and Fisheries Council on 19 July*
- *Economic and Financial Affairs Council (budget) on 23 July*