

POLITICS

Executive Vice-President Valdis Dombrovskis and Vice-Premier Liu He chaired the 9th EU-China High-Level Economic and Trade Dialogue (HED). The HED focused on global economic challenges, disruptions of supply chains caused by COVID-19 and the impact of Russia's invasion of Ukraine, including on food, energy and financial markets. The EU and China agreed to hold the next HED in 2023.

The European Commission has launched four new infringement procedures against the United Kingdom for not complying with significant parts of the Protocol on Ireland / Northern Ireland. They come in addition to the infringement procedures launched on 15 June 2022. Despite repeated calls by the European Parliament, the 27 EU Member States and the European Commission to implement the Protocol, the UK government has failed to do so.

According to the plans of the German government, from the beginning of next year, support for electric cars priced under 40,000 euros will be reduced from the current 6,000 euros to 4,500 euros and to 3,000 euros in 2024. For cars more expensive than 40,000 euros, support will be reduced from the current €5,000 to €3,000 from 2023. Subsidies for the purchase of company electric vehicles will be completely abolished. The support will then end completely when the €3.4 billion package earmarked for it for the next two years is exhausted.

ECONOMY

Russia's war of aggression against Ukraine continues to negatively affect the EU economy, setting it on a path of lower growth and higher inflation compared to the Spring Forecast. The Summer 2022 (interim) Economic Forecast projects that the EU economy will grow by 2.7% in 2022 and 1.5% in 2023. Annual average inflation is projected to peak at historical highs in 2022, at 8.3% in the EU, before easing in 2023 to 4.6%.

In the first quarter of 2022, seasonally adjusted GDP increased by 0.7% in the EU compared with the previous quarter. In the fourth quarter of 2021, GDP had grown by 0.5% in the EU. Compared with the same quarter of the previous year, seasonally adjusted GDP increased by 5.6% in the EU in the first

quarter of 2022, after +4.9% in the fourth quarter of 2021.

At the end of the first quarter of 2022, the government debt to GDP ratio in the EU decreased from 88.1% to 87.8%. Compared with the first quarter of 2021, the government debt to GDP ratio decreased in the EU from 92.3% to 87.8%. The decrease is due to the rebound in GDP, while debt in absolute terms continued to increase.

EU annual inflation was 9.6% in June 2022, up from 8.8% in May. A year earlier, the rate was 2.2%. The lowest annual rates were registered in Malta (6.1%) and France (6.5%). The highest annual rates were recorded in Estonia (22.0%) and Lithuania (20.5%). Compared with May, annual inflation fell in two Member States and rose in twenty-five.

EU economic sentiment fell for the fourth month in a row in June 2022, dropping further below its pre-pandemic level but still remaining above its long-term average. This decrease was due to weaker confidence among construction managers, consumers, and to a lesser extent, retail trade managers. Confidence decreased only marginally in services and remained broadly stable in industry.

SECTORS

EU industrial production continued to increase and production in construction bounced back, while retail trade remained stable in May 2022. The EU economy, however, remained vulnerable to shocks in commodity markets. Inflation reached a new record high level in June 2022, continuing a sharp acceleration of energy and food prices.

The German government will take a 30% stake in Uniper to prevent it from going bankrupt. Uniper is the largest importer of Russian gas in Germany.

The European Commission published the results of the 2022 Digital Economy and Society Index, which tracks the progress made in EU Member States in digital. During the Covid pandemic, Member States have been advancing in their digitalisation efforts but still struggle to close the gaps in digital skills, the digital transformation of SMEs, and the roll-out of advanced 5G networks. The Recovery and Resilience Facility, with about €127 billion dedicated to reforms and investments in the area of digital, offers an unprecedented opportunity to accelerate the digital transformation, which the EU

and its Member States cannot afford to miss.

The German company RWE is investing in a project that plans to use the sea surface as a location for solar panels. The first solar test panel should be installed in the North Sea near Ostend, Belgium during the next year. Its maximum power will be 0.5 megawatts. Thanks to the design, the solar panels should float on the sea like a carpet.

FOCUS ON AUTOMOTIVE

Volkswagen Group CEO Herbert Diess has announced that he will be leaving his position on 1 September. He will finish, in his words, "by mutual agreement". He is to be replaced by the current head of Porsche, Oliver Blume. According to commentators, the departure may be due to unsatisfactory progress in the transformation of the company and the style of communication.

The automaker Volvo Cars will build a plant for the production of electric cars near Košice in eastern Slovakia. The investment will reach 1.2 billion euros, a fifth of which is expected to be state support. Serial production is planned for 2026 and the capacity of the factory will be up to 250 thousand vehicles per year. Cars are already assembled in Slovakia by Jaguar, Kia, Stellantis and VW.

In addition to investing CZK 20 billion in the production of car batteries in Europe and North America, the Volkswagen Group also introduced a new unified battery cell, the format of which will be uniform for all electric cars. Nevertheless, it will be possible to use different chemicals in it. A single battery cell should significantly simplify production, reduce dependence on imports from Asia and, above all, reduce the price of batteries by up to 50%. According to VW, by 2030, 80% of its cars will run on a single battery.

In 2020, there were 0.53 passenger cars per inhabitant in the EU. In terms of passenger cars per 1000 inhabitants, eastern Member States registered the lowest numbers, while the western Member States recorded higher rates but with some marked regional disparities. Luxembourg (682) and Italy (670) have the most passenger cars per 1,000 inhabitants, while Romania (379) and Latvia (390) have the fewest.

EU CALENDAR

- *European Parliament committee meetings on 29 August - 01 September*