

## POLITICS

**The European Central Bank increased the base interest rate by another 0.75 percentage points.** It thus moved it to two percent, which is the highest level since 2009. By tightening monetary policy, the ECB is trying to get inflation under control.

**The European Parliament urged the Schengen member states to allow Romania and Bulgaria to join the EU free movement area** without further delay. In a resolution, MEPs said the Council should adopt a decision on Romania and Bulgaria's accession to the Schengen free movement area by the end of 2022. This should ensure the abolition of checks on persons at all internal borders for both countries in early 2023.

**Rishi Sunak is the new British prime minister. Sunak won an internal party race to become the new leader of the Conservative Party and will replace Liz Truss as head of government.** She was prime minister for the shortest time in British history. Her quick demise in Downing Street was caused by controversial government plans to deal with the economic crisis, which caused panic in the markets and a fall in the pound.

**The EU and the Association of Southeast Asian Nations signed a comprehensive air transport agreement** that will open up more air transport opportunities and enhance direct connectivity between the two regions, while upgrading rules and standards for concerned flights. The agreement will apply immediately.

**The European Commission has proposed a new emergency regulation to tackle high gas prices in the EU and ensure security of supply for this winter.** This includes a mechanism that would allow for a temporary cap on the wholesale price of gas this coming winter. For next year, the Commission proposes the introduction of an alternative price reference index for liquefied natural gas (LNG). The EU should establish the new instrument at the beginning of 2023.

## ECONOMY

**In the third quarter of 2022, seasonally adjusted GDP increased by 0.2% in the EU, compared with the previous quarter.** Compared with the same quarter of the previous year, seasonally adjusted GDP increased by 2.4% in the EU in the third quarter of 2022. Sweden (+0.7%)

recorded the highest increase compared to the previous quarter, followed by Italy (+0.5%). Declines were recorded in Latvia (-1.7%) as well as in Austria and Belgium (both -0.1%). The year-on-year growth rates were positive for all countries except for Latvia (-0.4%).

**EU annual inflation was 10.9% in September 2022,** up from 10.1% in August. A year earlier, the rate was 3.6%. The lowest annual rates were registered in France (6.2%) and Malta (7.4%). The highest annual rates were recorded in Estonia (24.1%) and Lithuania (22.5%). Compared with August, annual inflation fell in six Member States, remained stable in one and rose in twenty.

**In the first half of 2022, average household electricity prices in the EU increased sharply** compared with the same period in 2021, from €22.0 per 100 kWh to reach €25.3 per 100 kWh. Average gas prices also increased compared with the same period in 2021 from €6.4 per 100 kWh to €8.6 per 100 kWh in the first half of 2022. Household electricity prices rose in 22 EU Member States in the first half of 2022, compared with the first half of 2021. The largest increase (expressed in national currencies) was registered in Czechia (+62%), ahead of Latvia (+59%). Between the first half of 2021 and the first half of 2022, gas prices increased in 23 of the 24 EU Member States for which data are available. Gas prices surged the most in Estonia (+154%) and Lithuania (+110%).

## SECTORS

**From 2024, a uniform USB charger will be a reality in the EU.** The new rules approved by the European Parliament will not only apply to smartphones and tablets, but also, for example, to e-readers, cameras, speakers and wireless headphones. These devices are not always equipped with USB-C connectors; the older and slower microUSB standard is far more common.

**Nissan and Renault are preparing changes in their joint alliance.** Renault owns roughly a 43% stake in Nissan, while the Japanese automaker has a 15% stake in Renault, but without voting rights. Nissan would now like to reduce Renault's share of its ownership.

**Cyprus and Greece have begun laying the world's longest undersea electric cable.** The submarine cable with a ca-

capacity of 2,000 megawatts will connect electricity grids in Israel, Cyprus and Greece. Through it Cyprus could provide excess electricity from renewable sources to mainland Europe.

**Germany continues to count on its climate targets.** The governing coalition agreement of the Social Democrats, the Greens and the liberal Free Democrats states that, ideally, Germany could stop burning coal for energy production as early as 2030. By that date, according to Economy Minister Robert Habeck, the country plans to obtain up to 80% of its electricity from renewable sources and up to 100% by 2035.

**Germany has approved its development plan in the field of electromobility.** By the end of the decade, it intends to have a million public charging stations for electric cars. Now it has about 70,000.

## FOCUS ON GOVERNMENT DEFICIT

**In the EU, the government deficit to GDP ratio shrank from 6.7% in 2020 to 4.6% in 2021** (-2.1 percentage points, pp). Meanwhile, the government debt to GDP ratio decreased from 89.8% at the end of 2020 to 87.9% at the end of 2021 (-1.9 pp).

**In 2021, all Member States, except Denmark (+3.6%) and Luxembourg (+0.8%), reported a deficit.** The highest deficits were recorded in Malta (-7.8%) and Greece (-7.5%). Fifteen Member States had deficits higher than 3% of GDP. At the end of 2021, the lowest ratios of government debt to GDP were recorded in Estonia (17.6%) and Bulgaria (23.9%). Fourteen Member States had government debt ratios higher than 60% of GDP, with the highest registered in Greece (194.5%), Italy (150.3%), Portugal (125.5%) and Spain (118.3%).

**At the end of the 2nd quarter of 2022, the government debt to GDP ratio in the EU decreased from 87.5% to 86.4%.**

## EU CALENDAR

## Meetings of EU institutions

- *European Parliament plenary session on 9 and on 10 November*
- *Economic and Financial Affairs Council on 11 November*
- *European Parliament committee meetings on 14 and 17 November*
- *European Parliament plenary session on 21 - 24 November*