

POLITICS

The EU member states have agreed with the European Parliament on a €186.6 billion budget for the EU for 2023. This was announced by the Czech Presidency of the EU Council, which led the negotiations on behalf of the member states. The resulting budget is a compromise between the higher spending demanded by MEPs and the more austere ideas of the EU governments. Both sides stress that distribution of the money will help the EU to cope with current crises while continuing to support Ukraine.

The European agreement to gradually reduce emissions of carbon dioxide by new vehicles down to zero by 2035 contains one important exception: it keeps the door open to registration of vehicles with internal combustion engines if they operate on carbon-neutral fuel. A review clause also found its way into the agreement. In 2026, the European Commission will evaluate progress toward fulfilment of the goals of the agreement, its economic and social impacts, and technological developments.

The European Commission also unveiled a proposal for new Euro 7 emission norms. It would not change existing requirements relating to emissions of nitrogen oxides by gasoline-powered automobiles, which would still be allowed to emit up to 60 mg/km. That same limit would however be applied to diesel vehicles as well, which as of now are allowed to emit up to 80mg/km. The norms for lorries will also become stricter.

The European Parliament has approved quotas for women in corporate leadership positions, which the EU Council will now discuss. The draft directive proposes a requirement that companies have women in at least 40 percent of the positions on their non-executive boards of directors or 33 percent of all their board member positions. These new obligations would come into effect in June 2026. They would not apply to firms with fewer than 250 employees.

ECONOMY

In the third quarter of 2022, seasonally adjusted GDP increased by 0.2% in the EU compared with the previous quarter. In the second quarter of 2022, the EU's GDP grew by 0.7%. 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.

Euro-area annual inflation is expected to be 10.0% in November 2022, down from 10.6% in October. Looking at the main components of euro-area inflation, energy is expected to show the highest year-on-year rate of increase in November (34.9%), followed by food, alcohol & tobacco (13.6%), non-energy industrial goods (6.1%), and services (4.2%).

In October 2022, industrial producer prices fell by 2.5% in the EU compared with September 2022. In October 2022, compared with October 2021, industrial producer prices increased by 31.2% in the EU. The highest year-on-year increases in industrial producer prices were recorded in Hungary (+68.0%) and Slovakia (+59.3%). The only decrease was observed in Ireland (-17.2%).

The EU unemployment rate was 6.0% in October 2022, down from 6.1% in September 2022 and from 6.6% in October 2021.

SECTORS

The microchip shortage has started to improve. There are no difficulties now with highly advanced chips produced by state-of-the-art processes, which are mainly used in computer processors and graphic cards. However, the opposite is true for less-sophisticated chips produced using older technologies, which are not receiving as much investment. That means the situation is still complicated for European industries, especially car makers. They use older, simpler, well-proven, cheaper chips, for which manufacturers are not adding productive capacity because they do not find those chips profitable enough.

In 2021, the EU spent €11.8 billion on imports of non-plug-in hybrid cars (41% of total imports of hybrid and electric cars from outside the EU), €11.4 billion on full electric cars (39%), and €5.9 billion on plug-in hybrid cars (20%). In all three categories of cars, the value for imports was less than the corresponding value for exports from the EU. Exports of non-plug-in hybrid cars were valued at €22.9 billion, which was more than half of the total exports to non-EU countries of hybrid and electric cars (55%), 29% of full electric cars at €12.3 billion, and 16% of plug-in hybrid cars at €6.8 billion.

The market for luxury goods is thriving. So far, the geopolitical crisis has not much dented the fortunes of the very rich, and affluent clients continue to buy what they are used to: Chanel handbags, Cartier watches, and clothing from Dior. Often, the brands are unable to keep up with the high demand.

FOCUS ON ENERGY

In 2021, the EU spent €13.8 billion on imports of green energy products (including wind turbines, solar panels and liquid biofuels) from countries outside the EU. Meanwhile, the EU exported green energy products worth less than half this amount (€5.7 billion) to non-EU countries. In particular, the EU member states imported €9.8 billion worth of solar panels, €3.4 billion worth of liquid biofuels, and €0.6 billion worth of wind turbines from outside the EU.

European traders are hurrying to replenish their stocks of Russian diesel fuel before the EU ban on diesel imports from Russia starts in December and the ban on imports of other oil products begins on 5 February 2023. Russia accounts for about 44% of Europe's total fuel imports so far. Until 2024, the Czech Republic has an exemption from the ban for oil imported via the Druzhba pipeline.

The EU Commission has proposed an EU-wide price cap on natural gas. It would be €275 per megawatt hour and would only apply to futures contracts for the following month. Most EU countries disagree with the proposal, however, and talks are due to resume on 13 December. By contrast, EU ministers all agreed in principle on joint gas purchases, mutual solidarity, and faster authorisations of renewable energy sources.

Poland will build a nuclear power plant in cooperation with the US firm Westinghouse. Also, the Polish government has chosen a South Korean company, Korea Hydro & Nuclear Power (KHNP), to build a second nuclear power plant near the town of Patnów in south-western Poland.

EU CALENDAR

Meetings of EU institutions

- *General Affairs Council on 13 December*
- *Plenary Session of the European Parliament on 12 - 15 December*
- *European Council on 15 - 16 December*