

**POLITICS**

**The EU has reached an agreement with London on trade rules in Northern Ireland**, which should end the protracted and bitter dispute over a post-Brexit settlement. The core of the new arrangement is to be a system of green and red lanes to facilitate trade flows. British goods that should remain in Northern Ireland will be able to use the green lane at ports.

**The Commission welcomes the Council's adoption of a 10th package of sanctions against Russia** and those that support it in its illegal aggression against Ukraine. 24 February marks one year since Russia's full-scale invasion of Ukraine and 9 years since the beginning of Russia's illegal invasion and occupation of Ukrainian territory. In order to further increase the effectiveness of EU sanctions, this package contains new listings plus trade and financial sanctions, including further export bans worth more than €11 billion.

**The EU-New Zealand trade agreement took a big step towards ratification on 17 February 2023**, with the Commission sending it to the Council for signature. The agreement is expected to deliver major gains for the EU. Bilateral trade is expected to grow by up to 30% thanks to this deal, with EU annual exports potentially growing by up to €4.5 billion. EU investment into New Zealand has potential to grow by up to 80%. The deal can cut some €140 million a year in duties for EU companies from the first year of application.

**UK officials are considering introducing a digital pound** issued by the country's central bank alongside cash. According to estimates, the first consumers could pay with it in the second half of this decade at the earliest. At the same time, the new digital currency would not replace cash, but serve as its complement.

**ECONOMY**

**Winter 2023 Economic Forecast: EU Economy set to avoid recession**, but headwinds persist. This Winter Interim Forecast lifts the outlook for growth and slightly lowers the inflation projections. Growth for 2022 is now estimated at 3.5% in the EU. GDP is projected to expand by 0.8% in 2023 and 1.6% in 2024. Headline inflation is forecast to fall from 9.2% in 2022 to 6.4% in 2023 and 2.8% in 2024 in the EU.

**In the fourth quarter of 2022, seasonally adjusted GDP remained stable in the EU**, compared with the previous quarter. In the third quarter of 2022, GDP had grown by 0.3% in the EU.

**EU annual inflation was 10.0% in January 2023**, down from 10.4% in December. A year earlier, the rate was 5.6%. The lowest annual rates were registered in Luxembourg (5.8%) and Spain (5.9%). The highest annual rates were recorded in Hungary (26.2%), Latvia (21.4%) and Czechia (19.1%). Compared with December, annual inflation fell in eighteen Member States and rose in nine.

**The EU unemployment rate was 6.1% in January 2023**, stable compared with December 2022 and down from 6.3% in January 2022.

**In January to December 2022, extra-EU exports of goods rose to €2 572.0 bn** (an increase of 17.9% compared with January-December 2021), and imports rose to €3 003.2 bn (an increase of 41.3% compared with January-December 2021). As a result, the EU recorded a deficit of €431.2 bn, compared with a surplus of €55.1 bn in January-December 2021. Intra-EU trade rose to €4 225.2 bn in January-December 2022, +22.7% compared with January-December 2021.

**The European Investment Fund, in cooperation with EU Member States, intends to establish a tool that would participate in later investment rounds in start-ups and thus help produce more European unicorns**, i.e. start-ups with a value of more than a billion dollars. The EIF is already sending tens of billions of euros to local private investment funds. However, these mostly focus on the early stages of financing. The new vehicle, which is expected to have firepower of 3.5 billion euros, is also being dubbed the "fund of all funds".

**SECTORS**

**The European aircraft manufacturer Airbus increased its profit before interest and taxes by 16% to 5.6 billion euros last year**, while the American manufacturer Boeing recorded a loss of 5.05 billion euros. Nevertheless, the overseas producer is gradually catching up with its European competitor. New orders in China and India will be very important for both. This is evidenced by the largest ever contract for Air India, which recently announced a contract for the purchase of 470 aircraft (220 from Boeing and 250 from Airbus). The workload of the factories is guaranteed by both players for many years to come. However, the increase in production is hindered by a lack of qualified employees.

**The European Commission has presented a proposal for rules for green hydrogen**. Under the proposed rules, electrolyzers for hydrogen production will have to be connected to new infrastructure for the production of electricity from renewable energy sources. The goal of this policy is to ensure that the production of green hydrogen motivates a further increase in the amount of renewable energy available in the grid. Criteria are also being introduced to ensure that green hydrogen is produced only if there is sufficient local renewable energy available at a given location and time. The EU's goal is to ensure domestic production of 10 million tonnes of renewable hydrogen by 2030 and to import another 10 million tonnes.

**FOCUS ON TECHNOLOGY**

**Tesla will limit plans for battery production in Germany** (it intended to produce complete batteries in Berlin; now it manufactures battery systems there and prepares production of battery cell components). It wants to focus on the United States, where tax conditions are more favorable.

**Wind and solar produced more electricity than gas in the EU for the first time last year**. Solar and wind generated 22% of electricity in the EU last year, according to the think tank Ember. A decade ago, it was a tenth. In 2022, a fifth of electricity came from gas and 16% of electricity was generated from coal.

**Infinion has received permission to build a 5 billion euro chip plant in Dresden**. Production is expected to start in 2026. The German manufacturer of chips used in cars, data centers and also renewable resources said it would be the largest one-time investment in its history.

**EU CALENDAR**

**Meetings of EU institutions**

- *Eurogroup on 13 March*
- *Economic and Financial Affairs Council on 14 March*
- *Plenary Session of the European Parliament on 13 - 16 March*
- *Foreign Affairs Council on 20 March*
- *General Affairs Council on 21 March*
- *European Council on 23 - 24 March*