

## POLITICS

**On 1 January 2024, Belgium took over (from Spain for six months) the Presidency of the Council of the EU.** The main priorities of the Belgian Presidency will be defending the rule of law, democracy, and unity, strengthening the competitiveness, pursuing a green and just transition, reinforcing social and health agenda, protecting people and borders and promoting a global Europe.

**The Schengen area of free movement of persons in the EU will be expanded to include Romania and Bulgaria,** the EU countries have agreed. At the end of March 2024, checks on the internal air and sea borders of these countries will thus be eliminated. A decision on the abolition of ground controls is to be taken at a later date.

**Europe has reached an agreement on the Artificial Intelligence Act.** It is based on a risk assessment approach: the higher the risk, the stricter the rules. For AI systems that pose only a limited risk, mild transparency obligations will apply, such as the obligation to state that content has been generated by AI. On the contrary, for high-risk systems, there will be a number of requirements and obligations that will have to be fulfilled in order to enter the EU market. The regulation will start to apply two years after it comes into force.

**A forthcoming European regulation, which was agreed upon by ministers of the environment of the EU Member States, intends to ban single-use plastic bags** for food and beverages consumed in restaurants and cafes, as well as single-use packaging and bags for fruit and vegetables. The plan is also to significantly reduce miniature hotel shampoo packaging and shrink wrap for suitcases at airports.

**For the first time in history, world leaders have agreed on the need to move away from fossil fuels.** This happened at the COP28 world conference on climate change in Dubai, although a stricter call for an "end to fossil fuels" failed to be enforced. All parties also committed to triple global renewable energy capacity and double the pace of energy efficiency improvements by 2030.

## ECONOMY

**In the third quarter of 2023, seasonally adjusted GDP remained stable in the EU,** compared with the previous quarter

and also with the same quarter of the previous year. Malta (+2.4%) recorded the highest increase of GDP compared to the previous quarter, followed by Poland (+1.5%). The highest decreases were observed in Ireland (-1.9%), Estonia (-1.3%) and Finland (-0.9%).

**EU annual inflation was 3.1% in November 2023,** down from 3.6% in October. A year earlier, the rate was 11.1%. The lowest annual rates were registered in Belgium (-0.8%) and Denmark (0.3%). The highest annual rates were recorded in Czechia (8.0%) and Hungary (7.7%). Compared with October, annual inflation fell in twenty-one Member States, remained stable in three and rose in three.

**In the third quarter of 2023 the hourly labour costs rose by 5.7% in the EU,** compared with the same quarter of the previous year. Hourly labour cost grew by 4.8% in the (mainly) non-business economy and by 6.1% in the business economy: +6.2% in industry, +6.4 % in construction and +6.0% in services. The highest increases were recorded in Croatia (+16.2%) and Bulgaria (+15.8%).

## SECTORS

**Airbus plans to increase aircraft production.** The European aircraft manufacturer's production lines produce 55 units of the most widespread A320 series every month. Representatives of the company are talking about a plan to increase production to up to 75 aircraft of this type. Ensuring sufficient demand should not be a problem. Airbus has a reserve of 8 thousand unfulfilled orders, of which almost 85% are aircraft from the A320 series.

**The price of emission allowances has fallen to 70 eur/t CO<sub>2</sub>.** The price drop is influenced by weak demand for electricity, and also by lower natural gas prices. In 2022, demand for emission allowances in the European power sector increased because the reduction of natural gas supplies from Russia led to an increase in the production of energy from coal.

**The share of renewable sources in gross final energy consumption at the EU level reached 23.0% in 2022.** Compared with 2021, this represents an increase of 1.1 percentage points. The revised Renewable Energy Directive has revised upwards the EU's 2030 renewable energy target from 32% to 42.5% (with an aim to increase it to 45%).

**In 2022, final energy consumption in the EU reached 940 Mtoe, a 2.8% decrease compared with 2021.** In 2022, final energy consumption was 23.3% away from the 2030 target (763 Mtoe), while in 2021, it was 26.8% away from it. For final energy consumption, the level registered in 2022 is the same as in 1995, when final energy consumption was also at 940 Mtoe. The year 2020 recorded the lowest level (906 Mtoe) and the closest the EU ever was to the 763 Mtoe target for 2030 – 18.8% away.

## FOCUS ON ELECTROMOBILITY

**In November 2023, the battery-electric car market share in EU increased to 16.3%, a rise from 15% last year.** The year-to-date share now holds steady at 14.2%, consistently surpassing diesel, which remained at 13.7%. Hybrid-electric cars were ranked second with a 27.4% market share, while petrol cars maintained their lead at 32.7%.

**For budgetary reasons, Germany has ended state aid for the purchase of electric cars,** which until now amounted to 4.5 thousand euros for purely battery-powered cars. This move threatens the country's goal of increasing the number of electric cars in operation from 1 million today to 15 million by 2030.

**Chinese electric car manufacturer BYD will build its first European passenger car factory in Hungary.** This was announced by the company. The factory in the city of Szeged is expected to create thousands of new jobs. The Hungarian government will provide financial incentives to the Chinese company. The new plant will produce both pure electric cars and plug-in hybrids for the European market.

## EU CALENDAR

### Meetings of EU institutions

- *Plenary Session of the European Parliament on 15 - 18 January*
- *Eurogroup on 15 January*
- *European Economic and Social Committee on 16 - 18 January*
- *Economic and Financial Affairs Council on 16 January*
- *Foreign Affairs Council on 22 January*
- *Plenary Session of the European Parliament on 25 January*
- *General Affairs Council on 29 January*