

POLITICS

The president of the European Commission, Ursula von der Leyen, has presented a list of candidates for the Commission and established their portfolios in accord with the aims of her political guidelines. The commissioner nominees will next appear at a public hearing in the European Parliament. After that, the Parliament will vote its consent to the entire commission at once. The European Council, acting by qualified majority vote, will then affirm the new leadership of the Commission.

The populist right-wing party FPÖ has won parliamentary elections in Austria for the first time. It is the party's first ever victory in elections to the National Council, the lower house of the Austrian parliament. The question now is whether the party will be able to form a government.

French president Emmanuel Macron has presented a new government for France, and tens of thousands of demonstrators are already protesting it. It is not clear how long the new government led by Prime Minister Michel Barnier can hold on. The government is threatened by the refusal of both leftists and the far right to give it a vote of confidence.

As expected, on September 12 the Board of Governors of the European Central Bank reduced its deposit facility rate by a quarter of a percentage point to 3.5 percent. The ECB also reduced the interest rate on main financing operations by 0.6 of a percentage point to 3.65 percent.

ECONOMY

In the second quarter of 2024, the EU seasonally adjusted current account of the balance of payments recorded a surplus of €130.4 billion (+2.9% of GDP), compared with a surplus of €132.4 billion (+3.0% of GDP) in the first quarter of 2024 and a surplus of €78.1 billion (+1.8% of GDP) in the second quarter of 2023.

In the second quarter of 2024, house prices, as measured by the House Price Index, increased by 2.9% in the EU compared with the same quarter of the previous year. In the first quarter of 2024, house prices rose by 1.5% in the EU. The largest falls were registered in Luxembourg (-8.3%) and Finland (-4.8%), while the highest increases were recorded in Poland (+17.7%) and Bulgaria (+15.1%).

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The EU unemployment rate was 5.9% in August 2024, down from 6.0% in July 2024 as well as in August 2023.

EU annual inflation was 2.4% in August 2024, down from 2.8% in July. A year earlier, the rate was 5.9%. The lowest annual rates were registered in Lithuania (0.8%), and Latvia (0.9%). The highest annual rates were recorded in Romania (5.3%) and Belgium (4.3%). Compared with July 2024, annual inflation fell in twenty Member States, remained stable in one and rose in six.

In the second quarter of 2024 the hourly labour costs rose by 5.2% in the EU, compared with the same quarter of the previous year. The highest increases in hourly wage costs for the whole economy were recorded in Croatia (+17.6%), Bulgaria (+15.4%) and Romania (+15.0%).

SECTORS

Volkswagen is in crisis. The German automaker plans to cut investments, close plants and lay off employees. Volkswagen Group has formally terminated a job security agreement that has prevented layoffs at its German plants since 1994. The contract will expire in six months in any event. There is talk of a reduction of up to 30,000 employees out of a total of 130,000.

In addition, Volkswagen is at risk of failing to meet the EU's tightened emissions targets for next year. Last year, the Commission set the Group a target of 122 g of CO2 emissions per km for new car sales, which the company managed to meet by a close margin. However, it will have to push its fleet's emissions below 100 g per km next year or face fines. This comes at a time when sales of electric cars have declined so much that the German government is about to restart subsidies for the purchase of electric cars, this time in the form of tax breaks.

Intel has postponed building computer chip factories in Germany and Poland. The American chip manufacturer has put off construction of chip factories in Magdeburg, Germany and Wrocław, Poland for the next two years. The company estimates its investment in Germany at approximately 30 billion euros and 4.6 billion dollars in Poland.

The Danish transport company DSV has taken over Schenker, the logistics division of the German railroad Deutsche Bahn. DSV is paying 14.3 billion

euros for Schenker. DSV will thus become probably the largest freight forwarding company in the world. The agreement is intended to help Deutsche Bahn reduce its debt and modernise its domestic railways.

Airlines in Western countries have recently begun to limit the number of their flights to China, after having renewed them not long ago. The reason for sluggish demand is the slowdown of the Chinese economy, but also geopolitical instability. In contrast to Chinese airlines, European and American airlines have to avoid Russian and Ukrainian airspace, which results in longer flights and increased costs.

FOCUS ON EU HIGH-TECH TRADE

In 2023, the EU imported €478 billion worth of high-tech products, a slight decrease compared with 2022 (-1%). At the same time, exports reached €461 billion (+3% compared with 2022).

In 2023, the United States was the top trading partner (28%; €128 billion) for high-tech exports to non-EU countries. China followed (11%; €49 billion), ahead of the United Kingdom (10%; €44 billion) and Switzerland (6%; €28 billion). Pharmacy made up the largest share (30%) of overall high-tech exports to non-EU countries, with the United States being the top partner. Electronics-telecommunications (20%) and aerospace (18%) followed, with China and the United States as the leading partners in these sectors respectively.

Over half of the EU's high-tech imports in 2023 came from China (32%; €155 billion) and the United States (23%; €108 billion), with other top partners being Switzerland (7%; €31 billion) and Taiwan (6%; €28 billion).

EU CALENDAR

Meetings of EU institutions

- Plenary Session of the European Parliament on 7 - 10 October
- Foreign Affairs Council on 14 October
- General Affairs Council on 15 October
- European Council on 17 - 18 October
- Plenary Session of the European Parliament on 21 - 24 October
- European Economic and Social Committee on 22 October