

POLITICS

Finland will join NATO. Sweden will have to wait for now. The Turkish parliament unanimously ratified Finland's entry into NATO. Turkey approved the admission of Finland as the last of the member countries of the North Atlantic Treaty Organization.

Finnish conservative leader Petteri Orpo has won a nail-biting three-way election race, defeating Prime Minister Sanna Marin's centre left. Petteri Orpo secured 20.8% of the vote, ahead of the right-wing populist Finns Party and the centre left.

The Swiss government negotiated the historic merger of the country's two largest banking houses, UBS and Credit Suisse, which ran into difficulties. The hastily negotiated plan intended to stop a massive fall in the value of shares and bonds of Credit Suisse and the entire European banking sector in general.

The European Commission has published two proposals to promote the green economy – the Critical Raw Materials Act and the Net-Zero Industry Act. The first act should support the development of technologies for the production and storage of green energy. It mainly concerns five sectors – solar and wind energy, heat pumps, batteries and electrolyzers for hydrogen production. The EU should become self-sufficient in the production of these technologies: a minimum of 40% for heat pumps and 85% for wind farms. Regarding the nuclear sector, small modular reactors and the most advanced technologies with minimal fuel cycle waste are mentioned in the document. Under the Critical Raw Materials Act, the EU should produce 10%, process 40% and recycle 15% of its annual consumption of strategic materials.

ECONOMY

In the fourth quarter of 2022, seasonally adjusted GDP decreased by 0.1% in the EU. Greece (+1.4%) recorded the highest increase of GDP compared to the previous quarter, followed by Malta (+1.2%). The highest decreases were observed in Poland (-2.4%), and Estonia (-1.6%). Compared with the same quarter of the previous year, seasonally adjusted GDP increased by 1.7% in the EU in the fourth quarter of 2022. For the year 2022 as a whole, GDP increased by 3.5% in the EU, after +5.4% in 2021.

EU annual inflation was 9.9% in February 2023, down from 10.0% in January. A year earlier, the rate was 6.2%. The lowest annual rates were registered in Luxembourg (4.8%) and Belgium (5.4%). The highest annual rates were recorded in Hungary (25.8%), Latvia (20.1%) and Czechia (18.4%). Compared with January, annual inflation fell in fifteen Member States, remained stable in two and rose in ten.

The EU unemployment rate was 6.0% in February 2023, down from 6.1% in January 2023 and from 6.2% in February 2022.

In 2022, extra-EU exports of goods rose to €2 572.3 bn (an increase of 17.9% compared with 2021), and imports rose to €3 004.4 bn (an increase of 41.3% compared with 2021). As a result, the EU recorded in 2022 a deficit of €432.1 bn (compared with a surplus of €55.0 bn in 2021), reaching its lowest level since the start of the time series in 2002. The deficit was due, in particular, to a steep rise in the value of energy imports, which started towards the end of 2021 and continued through most of 2022. Intra-EU trade rose to €4 227.3 bn in 2022, +22.8% compared with 2021.

In the fourth quarter of 2022, the hourly labour costs rose by 5.8 % in the EU, compared with the same quarter of the previous year. In the fourth quarter of 2022 compared with the same quarter of the previous year, the highest increases in hourly wage costs for the whole economy were recorded in Bulgaria (+16.5%) and Lithuania (+15.7%).

SECTORS

After 2035, it will be possible to sell cars with combustion engines in the EU, but they will have to run on synthetic fuels. EU countries have definitively agreed on the regulation of CO₂ emissions from passenger cars and light commercial vehicles new to the market. The average emissions of vehicles placed on the market by a given car manufacturer (or group of carmakers) will have to fall by 55% by 2030 compared to 2021 levels. And in 2035, they will have to be zero. If automakers fail to comply, under current regulations, hefty fines will follow for every gram of carbon dioxide per kilometer for each car. However, as early as 2026 there should be an evaluation of whether the approved targets are realistic and, if necessary, it will be possible to reassess them.

The European Commission has approved the takeover of the fertilizer production division of the Austrian chemical plant Borealis by the Agrofert Group without reservation. The Austrian company, which is part of the OMV group, said last year that Agrofert had offered 810 million euros for the takeover.

VW aims to produce 3 million small electric cars at its Spanish plants between 2025 and 2030. It is investing 10 billion euros in the production of electric cars and batteries in Spain.

FOCUS ON AGRICULTURAL PRICES

The Russian invasion of Ukraine has significantly disturbed global agricultural markets in 2022. Russia and Ukraine had been major exporters of grains, wheat, maize, oilseeds (particularly sunflowers) and fertilisers until the war started. Eurostat data shows sharp price increases for agriculture in all quarters of 2022, peaking in Q2 and Q3. However, during Q4, a slight deceleration of price increases was observed for both agricultural products and inputs.

Between Q4 2021 and Q4 2022, the average EU price of agricultural products as a whole (output) rose notably (+26%) for the same 'basket' of products. However, this represented a lower rate of increase compared with the previous quarter's rate of change (+30% between Q3 2021 and Q3 2022). There were particularly strong price increases noted for eggs (+64%) and pigs (+52%).

Over the same period, the average price of goods and services currently consumed in agriculture (i.e., inputs not related to investment) for the EU as a whole increased by 27% for the same 'basket' of inputs, which was a lower rate of increase than the one recorded between Q3 2021 and Q3 2022 (+36%). Within this basket, there were considerable price hikes recorded for fertilisers and soil improvers (+55%), energy and lubricants (+41%) and animal feeding stuffs (+29%).

EU CALENDAR

Meetings of EU institutions

- *Plenary Session of the European Parliament on 17 - 20 April*
- *Foreign Affairs Council on 24 April*
- *General Affairs Council on 25 April*
- *Plenary Session of the European Parliament on 8 May*