

POLITICS

President von der Leyen reviewed during the Bled Strategic Forum, in Slovenia, the remarkable turnaround and the progress achieved in EU enlargement policy. In the current Commission mandate, there have been significant strides in the EU integration process: accession negotiations were launched with Albania, North Macedonia, Moldova, and Ukraine; and the President expressed her confidence that Bosnia and Herzegovina can be next in line.

On 1 August 2024, the European Artificial Intelligence Act enters into force. The AI Act introduces a uniform framework across all EU countries, based on a forward-looking definition of AI and a risk-based approach.

Irregular border crossings fall nearly 40% this year. The number of irregular border crossings into the European Union in the first seven months of 2024 fell by 36% to 113 400, according to the preliminary data collected by Frontex.

ECONOMY

In the second quarter of 2024, seasonally adjusted GDP increased by 0.3% in the EU, compared with the previous quarter. In the first quarter of 2024, GDP had also grown by 0.3%.

EU annual inflation was 2.8% in July 2024, up from 2.6% in June. A year earlier, the rate was 6.1%. The lowest annual rates were registered in Finland (0.5%), and Latvia (0.8%). The highest annual rates were recorded in Romania (5.8%) and Belgium (5.4%). Compared with June 2024, annual inflation fell in nine Member States, remained stable in four and rose in fourteen.

The EU unemployment rate was 6.0% in July 2024, stable compared with June 2024 as well as with July 2023. In July 2024, the youth unemployment rate was 14.5% in the EU, down from 14.6% in June 2024.

In June 2024, compared with May 2024, seasonally adjusted production in construction increased by 1.4% in the EU. In June 2024, compared with June 2023, production in construction decreased by 0.1% in the EU. Among Member States for which data are available, the largest annual decreases in production in construction were recorded in Slovenia (-19.0%) and Czechia (-10.2%). The

highest increases were observed in Spain (+4.8%) and Bulgaria (+2.9%).

The EU balance showed a €20.9 bn surplus in trade in goods with the rest of the world in June 2024, compared with +€18.6 bn in June 2023. The extra-EU exports of goods in June 2024 were €212.3 billion, down by 6.1% compared with June 2023. Imports from the rest of the world stood at €191.4 bn, down by 7.7% compared with June 2023.

SECTORS

Most EU Member States have their natural gas storage facilities filled to more than 90% of their capacity. At the same time, Europe is at risk of losing more Russian gas this winter, as the transit agreement for the supply of Russian gas through Ukraine expires at the end of the year.

In 2022, hard coal for the first time was overtaken by solar energy in electricity generation in the EU. The proportion of solar energy in the EU's total electricity production was 210 249 GWh compared with 205 693 GWh for hard coal. Poland and Czechia are the only two remaining producers of hard coal in the EU, with only Poland using it as a major source for electricity generation. Brown coal, a category of coal with lower energy content, is used in electricity generation by 9 EU countries and was the source of 241 572 GWh of electricity.

From the beginning of August, companies that import cement, aluminum, hydrogen, electricity, fertilizers, iron and steel from non-EU countries must report the exact amounts of the CO₂ emissions generated during the production of the imported goods. From 2026, gradual charging for emissions will also begin. The aim is to equalise the conditions for producers in EU countries who pay emission allowances with those of producers from third countries who have more favourable conditions. Importing companies will have to purchase so-called CBAM certificates, the price of which will be derived from the price of European emission allowances.

Steelmakers warn of massive steel exports from China at low prices. The problems in the Chinese real estate market and weaker economic growth are having a serious impact on the local steel industry. Chinese steelmakers are solving the

problem of lack of domestic demand by exporting. According to estimates, Chinese steelmakers may export about 100 million tonnes of steel this year, which corresponds to 2/3 of the annual production of steelmakers in the entire EU.

FOCUS ON AUTOMATIVE

The European Commission has announced that it will adjust tariffs on electric cars imported from China and at the same time the temporary tariffs will become final in November. On top of the standard 10%, automaker SAIC will face additional tariffs of 36.3%, MG 19.3%, and Geely, Volvo Car's parent company, and BYD 17%, slightly lower than the original proposals. The EU will also impose a 9% tariff on Tesla cars from the Chinese gigafactory. Other cooperating companies will face a customs duty of 21.3%, non-cooperating 36.3%. After the US implemented this measure, Canada will also impose tariffs of 100% on electric cars from China.

Major German auto parts suppliers are facing difficulties. This applies, for example, to the German company Continental, which already announced in the spring that it would lay off 7,000 employees, or 3% of its workforce. Another large German supplier, ZF, will lay off about a quarter of its workforce in Germany by 2028 due to the transition from production of internal combustion cars to purely electric ones. Other German suppliers will probably also merge their branches in the future.

Germany can support a chip factory near Dresden with 5 billion euros. It will be built by the European Semiconductor Manufacturing Company (ESMC), a joint venture between Taiwan's TSMC and Bosch, Infineon and NXP. The plant should begin full operations in 2029.

EU CALENDAR

Meetings of EU institutions

- *Plenary Session of the European Parliament on 16 - 19 September*
- *European Economic and Social Committee on 17 September*
- *Agriculture and Fisheries Council on 23 September*
- *General Affairs Council on 24 September*