

POLITICS

The German elections were won by the opposition CDU/CSU, with 28.5% of the vote, with the AfD in second place, doubling its gains compared to the previous elections in 2021. The loser of the elections is Chancellor Scholz's Social Democrats, which achieved their worst result in post-war history (around 16%). The future chancellor is likely to be CDU/CSU leader Friedrich Merz, who could form a coalition with the Social Democrats.

The Austrian People's Party (ÖVP), the Social Democrats (SPÖ) and the liberals from the NEOS party have agreed to form a government for the second time. Parliamentary elections in Austria, won by the right-wing populist Freedom Party (FPÖ), took place last September and since then the political parties have been unable to form a new cabinet.

The European Commission has presented the EU Competitiveness Compass, which is intended to adjust rules and reduce bureaucracy over the next five years in order to reverse Europe's lagging behind. The aim is to save up to 37 billion euros a year in the EU by debureaucratization, to start the European innovation motor in the form of support for startups, to develop artificial intelligence and to create a single capital market for better financing options for companies and better opportunities for investors.

In addition, the European Commission presented the Clean Industry Deal, which is intended to support the competitiveness and resilience of European industry, and is followed by the Affordable Energy Action Plan. An action plan for the automotive industry been released in March, and an action plan for steel and metals will follow in the spring. Further tailored measures are planned for the chemical industry and the clean technology sector. The Commission also proposed two packages of measures to simplify regulations, including ESG reporting.

The Commission has published calls for companies for research and development projects under the European Defence Fund. The projects include, for example, the development of ammunition for drones for 49 million euros, special 4D radars for 29.5 million euros, and space technologies including software evaluation and data processing for 66 million euros.

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Sources: European Commission, Eurostat, Reuters, EurActiv, Euronews, ACEA, BBC and others.

ECONOMY

According to an estimation of annual growth for 2024, based on seasonally and calendar adjusted quarterly data, GDP increased by 0.9% in the EU. In the fourth quarter of 2024, seasonally adjusted GDP increased by 0.2% the EU, compared with the previous quarter. In the third quarter of 2024, GDP had grown by 0.4%.

The annual average production in construction for the year 2024, compared with 2023, decreased by 1.3% in the EU.

EU annual inflation was 2.8% in January 2025, up from 2.7% in December 2024. A year earlier, the rate was 3.1%. The lowest annual rates were registered in Denmark (1.4%), Ireland, Italy and Finland (all 1.7%). The highest annual rates were recorded in Hungary (5.7%) and Romania (5.3%).

The EU unemployment rate was 5.8% in January 2025, also stable compared with December 2024 and down from 6.1% in January 2024.

SECTORS

The use of renewable energy sources in heating and cooling continues to increase in the EU, with the share of energy from renewables in those areas reaching 26.2% in 2023, the highest value since the time series started in 2004 (11.7%). The share increased by 1.2 pp compared with 2022 (25.0%).

In 2023, 13 EU countries with nuclear electricity production generated 619 601 GWh of electricity, an increase of 1.7% compared with 2022, largely due to France completing maintenance of its nuclear reactors. Nuclear power plants from these 13 countries accounted for 22.8% of the total electricity production in the EU.

2024 was the best tourism year on record for the EU, with the total number of nights spent at tourist accommodation establishments exceeding 3 billion. This reflects a 2.2% increase compared with 2023 (+65.4 million nights), following a final boost in the last quarter of the year.

Countries and companies are competing to invest more in artificial intelligence. In 2024, combined investments in AI by US companies Microsoft, Amazon, Alphabet and Meta reached almost \$250 billion, and this year they are expected

to exceed \$300 billion. The EU does not want to be left behind - European Commission President Ursula von der Leyen announced that she will add another €50 billion to the €150 billion already pledged by private investors under the AI Champions Initiative to boost its AI ambitions. France alone plans to invest €109 billion in AI in the coming years.

The Czech firm MND wants to double gas production in Ukraine. Its company Horizonty, of which it owns 80%, has acquired the rights to produce gas near the largest city in western Ukraine, Lviv. If the production plans are fulfilled, MND expects to increase sales by at least hundreds of millions of crowns. So far, MND Ukraine has operated 22 wells. It is not yet clear how many wells it will open on the new promising deposit.

FOCUS ON AUTOMOTIVE

There were 249 million cars on EU roads in 2023, a 1.4% increase from the previous year. Italy has the highest number of cars per 1,000 inhabitants, while Latvia has the lowest. Electrically chargeable cars continue to grow, up from 2.2% to 3.9% in 2023.

In January 2025, new EU car registrations declined by -2.6%. Notably, the bloc's major markets saw declines, with France (-6.2%), Italy (-5.8%), and Germany (-2.8%). Spain conversely recorded a 5.3% increase.

The number of electric trucks in the EU is growing only slowly. Across the EU, companies registered 7,516 new electric trucks last year. Their share of the total number of truck registrations reached 2.3%.

Mercedes has begun road testing an electric car with a solid electrolyte battery. The so-called solid state batteries promise up to 25% more range than current ones and over 1,000 km on a single charge.

EU CALENDAR

Meetings of EU institutions

- Plenary Session of the European Parliament on 10 - 13 March
- Eurogroup on 10 March
- Economic and Financial Affairs Council on 11 March
- Foreign Affairs Council on 17 March
- General Affairs Council on 18 March
- European Council on 20 - 21 March