

POLITICS

On 1 July 2025, Denmark took over the presidency of the Council of the EU. It took over from Poland and will hand the baton to Cyprus, the three countries forming a presidency trio. Under the slogan 'A Strong Europe in a changing world', the Danish Presidency has two overarching priorities: a secure Europe and a competitive and green Europe.

NATO member states approved a target of devoting five percent of their GDP over ten years to defence. Of that amount, 3.5 percent should go for direct military purposes and 1.5 percent for security-related infrastructure.

Karol Nawrocki was the winner in the second round of presidential elections in Poland. The close result of the election, in which the candidates were separated by less than two percent of the vote, was a significant defeat for the governmental alliance. In the best case, the government of Donald Tusk can expect two years of difficult co-existence with a strong president backed by the Right and Justice Party.

The Spanish government has concluded that the widespread power outage on the Iberian Peninsula was a "multi-factor" event, which led to a "chain reaction of over-voltages." No single fault could be determined that would explain the failure.

The European Commission and the European Investment Bank announced that €3.66 billion have been disbursed from the Modernisation Fund to support 34 energy related projects in nine EU Member States. These investments will support the modernisation of energy systems in the EU.

The government of German Chancellor Friedrich Merz approved tax relief for corporations amounting to 46 billion euros in an effort to revive the German economy. From July 2025 to 2027 corporations will be allowed to deduct 30 percent of their expenses for new machinery and equipment. Beginning in 2028, the federal tax on incomes of legal entities will gradually be reduced from the current 15 percent to 10 percent in 2032. Corporations will also be able to deduct up to 75 percent of the purchase price of new electric vehicles, thus reducing their taxable income. Expenses for research and development will also receive a tax break.

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

ECONOMY

European Union annual inflation was 2.2% in May 2025, down from 2.4% in April. A year earlier, the rate was 2.7%. The lowest annual rates were registered in Cyprus (0.4%) and France (0.6%). The highest annual rates were recorded in Romania (5.4%) and Estonia (4.6%). Compared with April 2025, annual inflation fell in fourteen Member States, remained stable in one and rose in twelve.

The EU unemployment rate was 5.9% in May 2025, stable compared with April 2025 and down from 6.0% in May 2024.

In the first quarter of 2025 the hourly labour costs rose by 4.1% 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 Romania (+16.1%), Croatia (+13.5%) and Bulgaria (+13.0%). The lowest increases were recorded in Malta (+1.6%) and France (+1.9%).

SECTORS

In 2024, EU coal production and consumption fell to their lowest recorded levels, reaching 242 million tonnes and 306 million tonnes, respectively. Compared with 2023, the consumption fell by 13% and the production by 12%. This came after a record y-on-y decrease between 2022 and 2023 when production fell by 21% and consumption by 23%.

Airbus foresees an improvement in demand in the market for aircraft by 2 percent over the next ten years. According to the aircraft manufacturer, the sector will overcome current trade tensions and manufacturers will deliver 43,420 planes to market from 2025 to 2044. The main reason is rapid growth in certain markets, especially in India.

The European Commission selected 94 transport projects to receive nearly €2.8 billion in EU grants under the Connecting Europe Facility (CEF). Rail transport will receive the largest share of the funding - 77% of the total - with investments directed towards major infrastructure upgrades across the TEN-T core and extended networks, particularly in cohesion countries.

The German startup Proxima Fusion has received financing in the amount of 130 million euros to develop a stellarator for nuclear fusion. The company believes that it will be able to bring a reactor capable of generating electricity into

operation by the year 2031.

In 2024, renewable energy was the leading source of electricity in the EU, accounting for 47.3% of all electricity production. Electricity generated from fossil fuels contributing 29.2% of the total electricity production. Nuclear plants produced 0.65 million GWh or 23.4% of the EU electricity production.

FOCUS ON AUTOMOTIVE

In May 2025 year-to-date, new EU car registrations fell by 0.6% compared to the same period last year. Nonetheless, year-on-year (YOY) registrations for May increased by 1.6% compared to the same month last year.

In the first five months of 2025, new battery-electric car sales reached 701,089 units, capturing 15.4% of the total EU market share. Three of the four largest markets in the EU, accounting for 62% of all battery-electric car registrations saw gains: Germany (+43.2%), Belgium (+26.7%), and the Netherlands (+6.7%).

The Chinese automaker BYD has begun selling its Dolphin Surf electric car in Germany for 19,999 euros, which is under the psychological threshold price for an affordable automobile in that market. This is happening at a time when Volkswagen is having problems keeping the price for its ID.2 model under 25,000 euros. BYD is also preparing to sell its smallest model in Europe, the Seagull electric hatchback. Besides launching production of cars in Hungary, BYD wants to build up a network of ultra-fast charging stations throughout Europe.

Volkswagen has introduced a fully autonomous delivery van, the ID Buzz, which is equipped with 27 sensors (including 13 cameras, nine lidars, and five radars) for 360-degree visibility. The vehicle offers "level 4" automated operation allowing for independent driving, although in case of need an operator can intervene in its operation remotely.

EU CALENDAR

Meetings of EU institutions

- Eurogroup on 7 July
- Economic and Financial Affairs Council on 8 July
- Foreign Affairs Council on 15 July
- General Affairs Council on 18 July
- Informal meeting of justice and home affairs ministers on 22-23 July