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ČESKÁ SPOŘITELNA

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under the auspices of Pavel Kysilka
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Dear readers,

Although the new 2014-2020 programme period began on the 1st of January 2014, already more than a month ago, those interested in realisation of development projects with support from EU funds so far have no reason to be pleased. The entire process is being dragged out. Even allocation of money from EU funds intended for the Czech Republic has not been clearly defined, and the key document between our country and the European executive, the Partnership Agreement, is still in the process of being fine-tuned, commented on and negotiated. We predict that the first calls for submission of applications for grants could be opened at the turn of the second and third quarter.

In relation to the grant period from 2007 to 2013, I was mostly impressed by the monitoring report from the Czech Ministry of Regional Development. By the beginning of January, the Czech Republic had drawn grants and certified expenditures amounting to 47.7%. Thanks to the "N+2" rule, we will not be able to issue the final bill until at the end of 2015, but the ongoing results are certainly not impressive. As the Ministry of Regional Development itself has said, last year we did not manage to draw CZK 9 billion (or in a worse-case scenario up to 12 billion) in European subsidies, which can no longer be drawn.

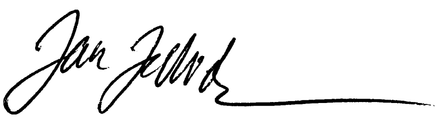
A January topic, which after its publication prompted a wave of criticism, both for its strictness and for its shortcomings, was the proposed EU climate policy for the period until 2030, authored by the European Commission. According to Brussels, EU states should commit to 40% reduction of carbon dioxide emissions (compared to 1990). A greater controversy, at least in Czech business circles, was created by another goal. It has the ambition to require member states by the same year to achieve a 27% share of renewable energy sources in their energy mix. You can read more about this in the Commission's Column on page 6.

European industry leaders often complain about too harsh energy policy in the EU. We are focusing on this in the main topic of this issue of the Monthly. In it you can find, for example, information about how individual member states are or are not managing to fulfil the European Commission's goal of the processing industry reaching 20% of GDP. An interesting part of this month's issue is information about Brussels' initiatives for supporting European industry, spearheaded by the January document "For a European Industrial Renaissance".

As part of this introduction to EU funds, Energy and Industry, we continue to focus on Science and Research. In the „Dating with MFF“ section on page 16, you can read more about another of the programmes in the new 2014-2020 financial framework. The Horizon 2020 programme is the successor of the seventh framework programme, and its financial resources totalling nearly 80 billion euros will be used particularly to support research and innovation.

The regular Foreign Business Guide in this issue focuses on a country, which is among the EU members newly admitted in 2004, but which has been praised for its ability to compete with more developed countries of the world in the field of innovation and IT. Which country is it? Turn to page 14, and you will find out.

Jan Jedlička wishes you enjoyable winter fun with a mound of snow and mountain sunshine.



EU aims to make public contract rules more transparent - The European Commission has introduced a new climate and energy package with important documents for the future of European energy. Under the proposal, the Czech Republic will not have to commit to supporting renewable resources. - MEPs have approved the emission goal for supplies until 2020 - Serbia wants to join the EU by 2020. - MEPs have approved a ban on single-use plastic bags.

POLITICS

EU aims to make public contract rules more transparent

In the years to come, EU member states aim to achieve **modernisation of the rules for assigning public contracts**. According to Brussels, their assignment should be **quicker, easier, less bureaucratic and more transparent**. The reforms were approved in mid January by the European Parliament.

Now they await final approval from the Council. After their approval, member states will have two years to implement the changes in their legislation. States, municipalities and other public administrative bodies purchase goods and services worth huge amounts each year.

According to the European Commission's figures, public contracts in the EU amount to 19% of its yearly GDP. The new rules proposed by the European Commission should contribute to greater effectiveness and transparency in relation to assignment of public contracts.

The most visible difference in the modernised directive will be **implementation of a new guideline**, which will govern the selection of public contracts. So far, the **lowest price** has been decisive for deciding to whom to assign a contract. Under the new rules, quality and sustainability will also be taken into consideration. The new rules will also focus on sub-supplying.

The legislative package should also significantly contribute to **easing and reducing the administrative burden for business operators**. An electronic system for assigning contracts is also expected to be implemented. It should begin functioning within five years.

http://europa.eu/rapid/press-release_MEMO-14-18_en.htm

http://europa.eu/rapid/press-release_MEMO-14-20_en.htm

ENERGY AND TRANSPORT

Proposed EU climate policy until 2030

The Commission has introduced a new **climate and energy package** with important documents for the future of European energy. It includes a proposal for two goals for 2030. EU states are expected to commit to **40% reduction of carbon-dioxide emissions** (compared to 1990).

The Commission also wants to set a requirement **for renewable resources to comprise 27%** of the EU's energy mix. The third goal that could have been considered, a

commitment to increasing energy efficiency, has been eliminated from the package for 2030. That proposal had been criticised by environmental organisations, which say it would not go far enough.

Industry representatives did not like the idea either. Now member states will discuss the proposed commitments for 2030 and are expected to comment regarding them at the EU summit in March. The Czech Republic will aim for climate and energy policy to focus **only on one goal, carbon-dioxide emission reduction**.

The Commission has also come up with a proposal for **reforming the emissions trading system**. The system needs to be changed in order to solve long-term problems with its functioning.

Thanks to those problems, the prices of emission permits have long been too low, and therefore the emissions have not fulfilled their main purpose, which is **to encourage investment into low-carbon technology**. Therefore, Brussels has proposed creation of a stabilisation reserve, which would enable automatic adjustment of the number of permits, so that there are not too many of them on the market at any given moment.

More information regarding this topic can be found in the Commission's Column section on page 6.

http://europa.eu/rapid/press-release_IP-14-54_en.htm

The Czech Republic will not have to commit to supporting renewable resources

As part of its new climate policy goals related to it to be achieved by 2030, the European Commission has proposed that the EU only set a pan-European goal for increasing the share of renewable resources in the energy mix to 27%.

Therefore, this will not form a basis for commitments of individual member states, as has been the case so far, based on which renewable resources in the Czech Republic must amount to **13% of the energy mix in final energy consumption by 2020**. The Commission has therefore accommodated member states that reject the requirements for renewable resources, including the Czech Republic.

http://www.euractiv.cz/energetika/clanek/cesko-se-nebude-muset-zavazat--k-podpore-obnovitelnych-zdroju-011469

MEPs approve emission goal for vans until 2020

MEPs have approved an emission goal for **vans (light utility vehicles) by 2020**. Therefore, new vehicles **should save their users in European countries up to 17% in fuel costs**. Currently in Europe, the emission limit for vans is 203 g of carbon dioxide per km.

However, under the approved proposal, by 2020 vehicles should not release more than 147 grams of CO_2 per travelled kilometre.

Environmental organisations would like to see a goal of 135 g of CO_2 per kilometre. While the approved reduction in emissions limits means **lower fuel consumption**, it could **make vehicles more expensive** due to the necessary changes.

The regulation is expected to apply to manufacturers who produce **more than 1,000 vehicles per year**. The situation should be eased for them by a system of super credits. In the overall sum of emissions from individual vehicle manufacturers, this system should by 2018 prioritise vehicles that will release **less than 50 g of CO_2 per kilometre.**

Personal vehicles (cars) sold in Europe will be affected by a similar regulation. MEPs are expected to vote about it in February. **By the end of 2020, vehicle manufacturers should reduce car emissions to under 95 g of CO_2 per kilometre.**

Both regulations were discussed at the same time, but for the regulation regarding cars, complications arose due to Germany's position. Germany has long attempted to modify the legislation to reflect its own interests.

http://www.europarl.europa.eu/news/en/news-room/content/20140110IPR32384/html/CO2-emissions-cleaner-vans-by-2020

ENLARGEMENT

Serbia wants to join the EU by 2020

Optimists predict that in 2020 Serbia could become **twenty-ninth member of the EU**. Brussels has officially commenced accession negotiations with Belgrade, but there is no doubt that they will be tough. Not only are Serbia's difficult relations with Kosovo at issue, but **the country must also carry out a series of reforms**. The country's integration efforts could also be affected by the EU's declining popularity among inhabitants.

Serbian Prime Minister Ivica Dačić has said the country should aim to join the EU by 2020, and EU officials say the goal is achievable. Negotiators will have to agree on **35 chapters**, and the most attention will be focused on the last of them, related to the **relations between Belgrade and Pristina**. The EU framework calls for "complete normalisation" of relations, not for formal recognition of Kosovo by Serbia.

Among the major challenges facing Belgrade are **reform of the costly public sector and state companies and reform of the pension system.**

However, these reforms are reportedly being blocked by trade unions as well as political partners in the governing Serbian Progress Party (SNS). Therefore, there has been talk about possible early elections.

In the EU Office, we believe that **Serbia's goal of joining the EU in 2020 is ambitious, but not necessarily achievable.** We believe that the EU is more likely to admit Serbia between 2021 and 2030.

http://europa.eu/rapid/press-release_IP-14-52_en.htm

http://europa.eu/rapid/press-release_MEMO-14-41_en.htm

Czech operational programmes did not manage last year to draw CZK 12 billion from European funds. If the European Commission recognises other cases, the resulting undrawn amount could be CZK 9 billion. - The Czech Republic has started informal talks with the EU regarding the form of the operational programmes for the new 2014-2020 programme period. - In the next seven years the Czech Republic is expected to pay for projects including those for supporting public infrastructure, employment and science and research from EU money.

ENVIRONMENT

MEPs approve ban on single-use plastic bags

Single-use plastic bags will soon be a thing of the past in the EU. A proposal to ban them, introduced by the European Commission last year, was approved in mid January by MEPs. The EU is planning to ban the plastic bag as part of its **strategy for reducing plastic waste**.

Plastic waste takes decades or even centuries to decompose in the environment and can release hazardous chemicals. Each year, industries in Europe produce several mega-tonnes of waste. **According to data from the European Agency for the Environment, 13 mega-tonnes of plastic waste were produced in 2010.** The amount of waste strongly affects ecosystems such as oceans.

According to the European Commission's figures, about **40% of plastic waste originates from packaging**. Therefore, the EU has decided to adopt a strategy that would enable reduction of the amount of plastic waste in the environment. **Non-biodegradable single-use plastic bags should therefore be banned by 2020**, along with other hazardous plastics, certain additives and other types of plastic bags.

EU requires Czech food firms to introduce new packaging

One of the main changes that food producers will be affected by this year is **an obligation as of December 2014 to comply with an EU directive regarding informing consumers**.

The new regulation will increase the amount of mandatory information on product packaging and **the minimum size of text** on product packaging as well as specification of the origin of plant and animal-based fats and oils. **As of 2016, listing nutrition values will also be required.** Both the Commission and member states expect from the new directive greater informing of consumers about what they buy.

However, it will also require food producers to spend millions of Czech crowns on redesigning packaging, including not only hundreds of thousands to change texts and graphic, printing and production processes, but also costs for determining nutritional values.

http://www.euractiv.cz/podnikani-a-zamestnanost/clanek/cesti-potravinari-musi-kvuli-bruselu-zavest-nove-obaly-011410

In the Czech Republic, the use of plastic bags has been reduced, thanks to charges for them. As of 2014, no large retail chain provides them free of charge any more.

http://www.europarl.europa.eu/news/en/news-room/content/20140110IPR32385/html/Plastic-waste-Parliament-sounds-the-alarm

COHESION POLICY

Brussels negotiating with Czech Republic about new OP

The Czech Republic and the European Uninon have begun **informal discussions about the forms of operational programmes for 2014-2020**, through which money from EU funds flows to member states. In the next budget period of 2014-2020, EU resources will be divided up in the Czech Republic through **eight main operational programmes**, which are currently being discussed:

- OP Business and Innovation for Competitiveness
- OP Research, Development and Education
- OP Employment
- OP Transport
- OP Environment
- Integrated regional OP
- OP Prague – field of growth in Czech Republic
- OP Technical Assistance

The future operational programmes are part of the forthcoming **"Partnership Agreement**". However, the Czech Republic and Brussels will have to clarify several points in the agreement.

The Commission has already drawn the Czech Republic's attention to the need for a **service act**, which the country has long lacked. Besides adoption of the act on state administration, the Czech Republic has also been criticised for its **Act on Assessing the Environmental Impacts of Construction Projects from 2001**, which Brussels considers insufficient.

Moreover, like with the service act, there is a preliminary condition that the Czech Republic must fulfil in order to begin drawing EU money during the next period.

According to the Ministry of Regional Development, which oversees the coordination of EU funds in the Czech Republic, the partnership agreement with the Commission **should be signed by this summer.**

http://www.euractiv.cz/regionalni-rozvoj/clanek/brusel-jedna-s-cr-o-operacnich-programech-011489

EU funds in the Czech Republic must support infrastructure

EU money provided to the Czech Republic in the next seven years should also be used for **projects for supporting public infrastructure** (including investments into roadway construction).

This is a priority that new Czech Minister of Regional Development Věra Jourová intends to have included in the forthcoming agreement between the Czech Republic and the European Commission about the set-up of the next European funds.

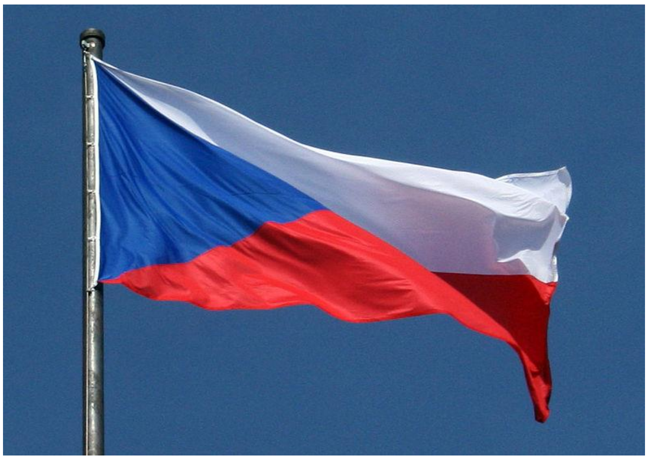
Besides focusing on public infrastructure, the new government will want to concentrate in the 2014-2020 period on areas such as **employment and science and research**.

http://www.euractiv.cz/regionalni-rozvoj/clanek/ministryne-jourova-fondy-eu-musi-podporit-i-verejnou-infrastrukturu-011501

Loss of money from the EU in the Czech Republic in 2013 could reach "only" 9 billion

Czech operational programmes did not manage last year to draw **CZK 12 billion**. If the European Commission recognises other cases, the resulting amount could be **three billion lower**.

In the game, there are still projects that experienced delays thanks to last year's floods and cases which for a significant amount of time have been dealt with by the Office for Protection of Economic Competition. The year 2013 was considered risky from the point of view of Czech operational programmes.



The Czech Republic had to send Brussels applications for funding of projects, so that their **volume would reach at least 65% of total allocations intended for recipients during 2007-2013**. Unfortunately, that did not happen.

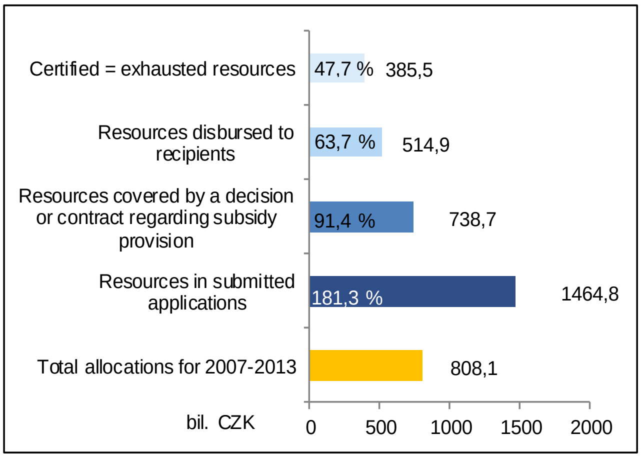
Problems with failure to draw allocations for 2013 were reported by:

- **The Environment Operational Programme,**
- **the Education for Competitiveness Operational Programme,**
- **the Technical Assistance Operational Programme**
- **the Human Resources and Employment Operational Programme**
- **the Integrated Operational Programme**.

By 3 January 2014, Czech recipients of subsidies from EU funds received **CZK 514.9 billion**, which represents **63.7% of the total allocation** in the seven-year period. Whether the volume of unused subsidies from EU funds is CZK 9 or 12 billion, it involves a major failure of public administration.

At a time of chronic deficits of public finances, when money from EU funds for a number of entities represents the only option for realisation of development projects, this is especially incomprehensible.

Total balance of drawing from SF/FS and national sources (in billions of CZK)



Source: Monthly monitoring report of Ministry of Regional Development, December 2013

http://strukturalni-fondy.cz/getmedia/1a7af95d-525c-4b88-94a1-bdcf6a3b02d7/MMZ_2013_12.pdf

The European Commission Representation in the Czech Republic has been adding regularly to the Monthly with contributions in the Commission's column section. In the February issue, it focuses on climate and energy policy in 2030. The main goal of the newly proposed policy, presented by the Commission at the end of January, is to reduce greenhouse gas emissions, achieve a pan-European share of energy from renewable resources, improve efficiency and make prices more affordable.

ENERGY IN 2030: LOWER EMISSIONS, HIGHER EFFICIENCY AND AFFORDABLE PRICES

Reduction of greenhouse gases by 40% compared to 1990, renewable resources making up at least 27% of the energy mix in the EU, achievement of energy efficiency goals, a new system for management and a set of new indicators for ensuring a competitive and safe energy system are all the pillars of the new EU framework for climate and energy that should be accomplished by 2030. The European Commission presented these goals at the end of January.

The set of documents was prepared based on a detailed analysis of energy prices and costs and should ensure regulatory certainty for investors and a coordinated approach among member states. This analysis evaluates decisive moving forces and compares prices in the EU with prices of main business partners.

Energy prices have been growing since 2008 in almost all member states, mainly due to higher taxes and fees, but also due to higher costs for maintaining infrastructure. Something apparent from a comparison with international partners is that there are growing differences between prices of natural gas in the USA and the EU, which, however, should not affect Europe's competitiveness, particularly in energy-demanding sectors.

For example, in the CR, energy costs during 2010-2011 amounted to nearly 10% of available household income, which is one of the highest shares in the EU. Of course, costs rose in almost all EU states, even though average energy consumption has been declining since 2000.

The Commission's proposal takes into consideration goals related to the fight against climate change, but it also acknowledges that they need to be achieved with lower costs, so that the European economy can remain competitive. These are the main proposed goals:

- **mandatory reduction of greenhouse gas emissions**: reduction of emissions by 40% by 2030 compared to their level in 1990. The Commission has recommended that this goal be accomplished through measures within individual countries.
- **EU's mandatory goal of increasing the use of renewable energy resources:** achieving at least a 27% share of renewable resources in the energy mix by 2030. However, this goal has not been assigned as an internal goal, which gives member states the option of transforming their energy systems based on their own needs and circumstances.
- **energy efficiency**: improving energy efficiency will contribute to achieving all of the goals of the EU's energy policy. The task of achieving energy efficiency for the climate and energy areas by 2030 will be further evaluated during examination of the directive regarding energy efficiency, which is expected to be carried out during this year.
- **reform of the emissions trading system (ETS)**: The EC proposes creating a reserve for maintaining market stability at the beginning of the next ETS trading period in 2021. This reserve would resolve both the excess of emissions permits, which has been created in recent years, and increasing of the system's ability to withstand major turbulence with the help of an automatically adjustable system of offering permits in auctions.
- **competitive, available and safe energy**: The Commission proposes a set of key indicators for evaluating the achieved progress in time and as a material basis for potential political reactions. These indicators relate for example to differences in energy prices among major business partners, diversification of deliveries and the use of domestic energy sources and connecting capacity among member states.
- **new management system**: the framework to be achieved by 2030 includes a recommendation of a new management method based on plans within individual states. These plans prepared by member states based on their joint concept will ensure greater certainty among investors and greater transparency. They will also increase cohesion and improve coordination and supervision at the EU level.

The presented set of recommendations for goals to be achieved by 2030 will be discussed at the highest levels, including in the European Council and the European Parliament. The European Council is expected to discuss this framework at its summit scheduled to be held from 20-21 March. Details regarding the proposals are available at http://ec.europa.eu/energy/2030_en.htm.

Study of energy prices in the EU:
http://ec.europa.eu/energy/doc/2030/20140122_swd_prices.pdf

Our Information service section outlines upcoming sessions of EU decision-making bodies accompanied by other significant events such as international summits with super powers. Often agendas for negotiations by these important bodies are not ready until a few days before the actual meetings so they can be as up-to-date as possible.

Agendas can be found at: http://europa.eu/eucalendar/; http://gr2014.eu/events/

Meeting of the key EU institutions

11 February 2014 - General Affairs Council	**Brussels, Belgium**
17 - 18 February 2014 - Agriculture and Fisheries Council	**Brussels, Belgium**
17 February 2014 - Eurogroup	**Brussels, Belgium**
18 February 2014 - Economic and Financial Affairs Council	**Brussels, Belgium**
20 - 21 February 2014 - Informal Meeting of Ministers for Defence	**Athens, Greece**
20 - 21 February 2014 - Competitiveness Council	**Brussels, Belgium**
24 February 2014 - Education, Youth, Culture & Sport Council	**Brussels, Belgium**
24 - 27 February 2014 - European Parliament plenary session	**Strasbourg, France**

Source: www.europa.eu, http://gr2014.eu/events/, access as of 30th January 2014

In this month's Microscope section, we are focusing on problems related to the banking crisis in two European island countries. Ireland and Iceland are among the most seriously affected victims of the financial crisis. The worldwide collapse of the banking system completely sank their banks and dragged both countries into a deep depression. However, both countries approached the crisis completely differently. We will look at how Ireland and Iceland have coped with the crisis.

BANKING CRISIS IN NORTHWESTERN EUROPE

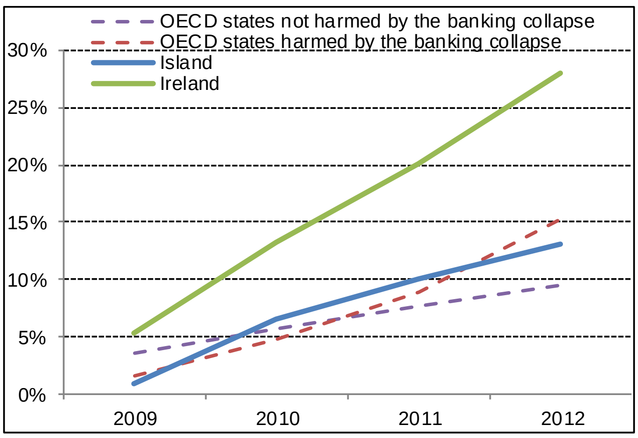
Ireland and Iceland are two small island states, which have in common more than just the same position in the Northwestern edge of Europe. Before the crisis, both of these countries were considered examples that were followed well. Ireland was referred to as the "Celtic Tiger", and Iceland's citizens observed an unforeseen economic miracle. During 2003-2007, both countries grew by an average pace of 5% and profited from low taxes and low borrowing costs worldwide. There was also general optimism on financial markets. Banks systematically underestimated risks and financed projects with at the very least questionable profitability.

However, differences were apparent already then. The Irish bet mainly on their domestic market. There was a massive boom in investments, based mainly on expansion of the retail sector. A lot of new construction was started in Ireland, and real estate prices spiked to never before seen levels. Many of these projects were financed by Irish banks, whose health depended to a great extent on market developments.

However, Iceland's citizens profited mainly thanks to high interest rates, which attracted foreign capital to Icelandic banks. For example, the total assets of Kaupthing, the largest Icelandic bank, swelled more than ten times between 2003 and 2007 (measured in USD).

Michael Lewis explained this well in his book *Boomerang*: "Whereas Iceland's citizens boosted markets abroad with the help of borrowed money, the Irish boosted Ireland with borrowed money." In both countries, the share of foreign capital in overall prosperity grew substantially. However, before the crisis few people were interested in what would

Cumulative losses of product as a share of GDP



Source: OECD, own calculation; share of GDP in 2012

before the crisis, few people were interested in what would happen if foreign investors suddenly withdrew their capital. When the financial crisis reached its climax in 2008, the black scenario undoubtedly became a reality. Investors withdrew their capital from riskier destinations and moved it to so-called safe ports. Irish and Icelandic banks suddenly found themselves practically without resources, and the rug was also pulled out from under them on the Irish real estate market.

Although both countries were in a similar situation before the banking collapse, their ways of dealing with it differed dramatically. The Irish government guaranteed fulfilment of Irish banks' obligations, and the responsibility for their debts was de facto taken over by the state budget. However, Iceland allowed its banks to fail (some claim from a negative point of view that they had no other choice, because banks' debt was too high for Iceland's economy, with a population of only 300,000). Let's take a look at how both economies are doing five years later. A quick glimpse at GDP growth does not provide us with much information. Both countries are gradually returning to growth, and the worst turbulence is probably behind them. However, something more interesting is the output gap.

If we compare this potential product with reality, we can determine the output gap, in other words, what types of losses the economy has suffered in comparison to its potential. Dry figures tell us that cumulative losses in proportion to GDP are about two times higher in Ireland. During the four years of the crisis, Ireland in comparison to its potential did not produce products worth more than a quarter of yearly GDP. In Iceland, the country's currency, the crown, sharply depreciated, and therefore the country's economy was able to adapt more flexibly. Thanks to this, Iceland's losses amounted to "only" just under 15%.

But let's also look at the other side of the coin: trustworthiness. Iceland discredited itself on the global stage by enabling much of its banking sector to go bankrupt. By taking such step, the Icelandic economy could ensure growth for years to come. Swap interest rates, meaning for what price banks are willing to accept companies' interest risks, can be used as a meter of trust. These rates are 5times higher in Iceland than in the Eurozone. Iceland is going through a deep crisis of trust. It´s not entirely clear what path these countries ought to take. However, we wish them the most successful path.

Vít Macháček, EU Office ČS

In the main topic of this issue of the monthly, we focus on European industry. Industry in the EU is clearly among the driving forces of the economy. We will examine industry in a broader context as well as in relation to the overall secondary sector and from a narrower point of view, including in relation to division of industry into individual sections B-E, and we will focus in detail on the processing industry. We are also interested in the EC's stance regarding support for competitiveness of European industry.

SIGNIFICANCE OF EUROPEAN INDUSTRY

1. INTRODUCTION

Industry in the EU is clearly among the driving forces of the economy. However, the economic crisis **has harshly affected European industry**. After 2008, not only did the performance of industry decline, but the number of jobs did as well.

Several million workers lost their jobs. The European Commission is not disregarding this situation, and therefore in its appeal **"For a European Industrial Renaissance"** from last year, it has called on member states to recognise the basic importance of industry for creating jobs and supporting growth and to include issues related to competitiveness of industry in all of their policy areas. In our main topic you can read about how European industry has developed in recent years as well as about what types of criticism of shortcomings and proposed measures the Commission has come up with. These measures and priorities should bring not only strengthening of European industry and improvement of the situation on the labour market, but also support and sustainability of the forthcoming economic recovery.

2. SIGNIFICANCE OF EUROPEAN INDUSTRY, EC´S INICIATIVE FOR SUPPORTING

According to the European Commission's latest prognoses, these should bring expected economic growth and lift the EU out of its long recession. Therefore, industry can expect a period of growth. Industry is very important for the EU, and its importance goes beyond the production sector and covers a range of developments.

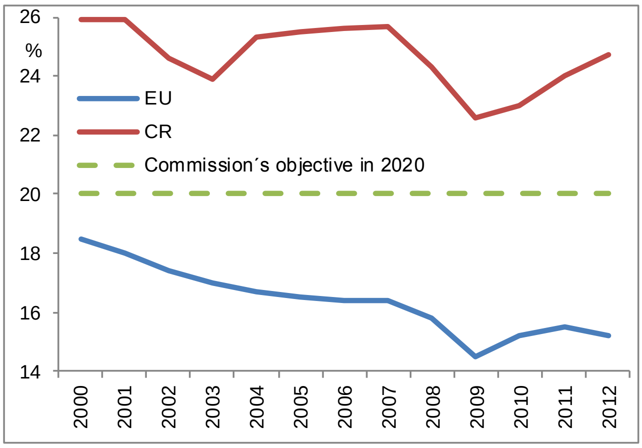
Industry accounts for more than **80% of European exports and innovations of the private sector**, which only underscore the fact that the industrial sector has much greater importance than is apparent from its share of GDP..

The European Commission's goal is for the processing industry's share, measured by gross added value, **to increase in the economy to 20% by 2020**. In 2012, the processing industry's share of gross added value amounted to 15.2%. However, by the middle of 2013, this share fell even further, by 0.1% to 15.1%.

Gross added value represents a newly created value gained by institutional units using their own production capacities. It is set as the difference between overall production, appreciated in basic prices and consumption, appreciated in purchase prices.

It is calculated for industries or for institutional sectors/sub-sectors. The sum of gross (or net) added value for all industries in the national economy or for all institutional sectors/sub-sectors plus net taxes from products is the gross or net domestic product.

Development of the share of the processing industry in gross added value



Source: Eurostat

Secondary sector

If we speak about industry, we can look at this concept from a broader perspective as an overall secondary sector, which includes activities classified based on CZ_NACE in sections:

- B: **Mining and quarrying**;
- C: **Processing industry**;
- D: **Production and distribution of electricity, natural gas, heat and climate-controlled air**;

- E: **Water supplying; activities related to waste water, waste and environmental restoration**;
- F: **Construction**.

It needs to be pointed out immediately at the beginning that the **Czech Republic** is among the most industrial countries in the EU. The importance of industry both in a broader and narrower context in the Czech Republic can be attributed both to creation of gross added value and the number of people whose jobs have been created by industry.

Even despite the growing importance of the service sector, the share of the secondary sector in creation of gross added value in 2012 in the Czech Republic did not change much compared to 2000. However, in the first place in an international comparison of member states, we were replaced by **Romania**, where the share of gross added value grew by just under 9%.

However, this growth was rather an exception, and in most other states this share declined at the expense of services. The greatest decline was in **Malta**, by 11%. No one will probably be surprised that the lowest share of gross added value in industry in 2012 was in Luxembourg, where main services are represented.

The strength and importance of industry's position in the Czech Republic is easily apparent from the share of employees working in industry.

The secondary sector (also referred to as the sector of production and industry), employs more than a third of the labour force. We have also maintained our first-place position in this indicator in time. Following the **Czech Republic** are other traditionally strong industrial states, **Slovakia and Poland**.

Industry (B-E)

The secondary sector as a whole, however, is not monitored internationally very much. Activities considered industrial according to CZ-NACE are those classified in sections B (**mining and quarrying**), C (**processing industry**), D (**production and distribution of electricity, natural gas, heat and climate-controlled air**) and E (**Water supplying, activities related to waste water, waste and environmental restoration**). Eurostat refers to these statistics as "Industry (without construction)".

The Czech Statistical Office also monitors, with consideration for Eurostat's requirements, also industry only for sections B, C and D.

In industry (without construction), the **Czech Republic** is again in the leading positions, where the share of this industry in creation of gross added value ranged between

Share of the industry (B-E) in gross added value in EU

	2000 (%)	2012 (%)
Romania	27.7	32.4
CR	**30.9**	**31.0**
Slovakia	28.8	27.0
Hungary	27.1	26.8
Ireland	28.0	26.3
Germany	25.2	25.8
Slovenia	28.1	25.2
Lithuania	23.7	25.1
Poland	23.3	24.6
Bulgaria	21.2	24.5
Austria	23.7	21.8
Estonia	21.6	21.2
Croatia	24.2	20.8
Sweden	24.2	19.9
Latvia	18.6	19.5
Netherlands	19.1	19.4
EU	**22.0**	**19.1**
Finland	28.0	19.0
Portugal	20.3	18.5
Italy	22.6	18.4
Spain	20.8	17.4
Denmark	21.1	17.0
Belgium	21.9	15.9
UK	20.8	14.6
Greece	14.0	14.3
Malta	23.3	13.3
France	17.8	12.5
Cyprus	12.2	9.1
Luxembourg	12.8	6.7

Source: Eurostat

2000 and 2012 from the lowest level in 2003, 29.3%, to 21.7% in 2006 and 2007. Since 2010, there has been a trend of gradual growth. **Romania** is in the first place with a slight lead, and **Luxembourg** is in the last place with an insignificant share of 6.7%. In 2012, industry (B-E) in the European Union employed 16% of all workers, which amounted to approximately 36 million inhabitants.

The largest share of employment with a distance of a few percentage points from other member states is in the **Czech Republic**. This share has fallen in the Czech Republic by 2.7% compared to 2000. However, the situation was no different in other states.

Share of employees in industry (B-E) in overall employment in the EU (%)

	2000	2012
CR	**29.9**	**27.2**
Slovakia	28.2	23.8
Slovenia	29.5	22.7
Hungary	25.8	22.5
Poland	23.3	22.3
Estonia	26.2	22.0
Romania	22.0	21.4
Bulgaria	23.6	20.4
Italy	22.5	19.0
Germany	21.3	18.8
Lithuania	20.4	18.1
Latvia	20.0	17.0
Portugal	20.8	16.5
Finland	20.5	16.4
Austria	18.8	16.3
EU	**19.5**	**16.0**
Sweden	18.3	14.4
Malta	24.2	13.6
Ireland	18.7	12.8
Belgium	16.9	12.8
Spain	18.7	12.8
Denmark	16.2	12.0
France	15.4	11.8
Greece	12.7	10.5
Netherlands	13.0	10.5
Luxembourg	13.7	9.8
UK	15.0	9.7
Cyprus	12.5	9.5

Source: Eurostat; note: data for Croatia aren´t available

The average for the **EU** fell by 3.5% between 2000 and 2012. This decline can be attributed both to the transition from industrial sectors to sectors involving services and to the economic crisis, which seriously affected industry.

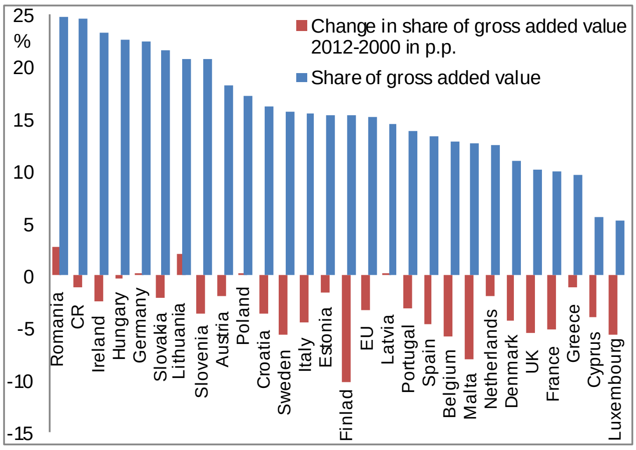
The share of employment is the highest in the **Czech Republic**, and expressed in absolute figures it amounted to nearly 1.4 million employees.

However, the greatest absolute number of employees in industry (B-E) is in **Germany** (7.8 million employees), which represents more than a fifth of all employees working in industry in the EU.

Processing industry

A key part of industry both in added value and in the number of employees is made up of sector C, or the **processing industry**, which is divided into 24 sub-sectors (parts).

Share of the processing industry in gross added value in the EU



Source: Eurostat; data for Bulgaria aren´t available

The most important sub-sectors in the Czech Republic in terms of gross added value and the number of employees include:

- **C29**: Production of motor vehicles (except motorcycles), trailers and towing vehicles (already in the June and September 2013 issues of our monthly, you were able to read an analysis of the automotive industry in the EU);
- **C25**: Production of metal structures and metal-part products, except machines and equipment;
- **C28**: Production of machines and equipment.

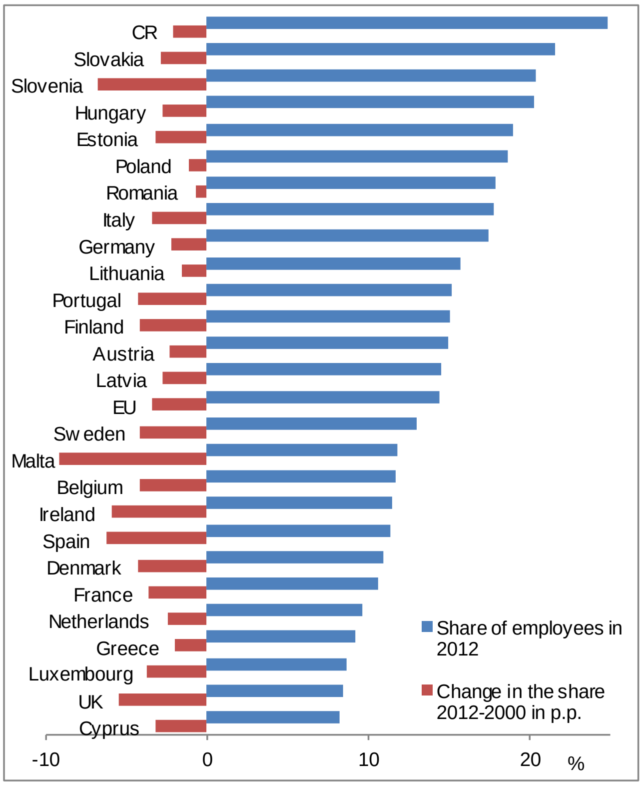
Although in terms of the number of employees, the section **Production of Motor Vehicles** is second behind **Production of Structures and Metal-part Products**, in the gross added value it is dominant in the processing industry.

The situation in the processing industry in EU states is similar already like in the aforementioned secondary sector and industry (B-E).

The first place in the share of gross added value in 2012 was held by **Romania**, which with a share of 24.8% was ahead by 0.1% **compared to the Czech Republic.**

Finishing in third place was **Ireland**, where the processing industry is one of the most important sectors, with a 23% share of gross added value. In most member states, the share of gross added value in 2012 declined compared to 2000, but absolutely in euros and regular prices it grew in all but 5 states.

Share of employees in the processing industry in proportion to overall employment in the EU



Source: Eurostat; data for Croatia and Bulgaria aren´t available

In **Romania** it grew until 2012 even more than 2.5 times from 8 billion euros in 2000 to 28.4 billion euros. In the Czech Republic, this growth amounted to approximately 125%. The importance of the processing industry in the **Czech Republic** is fully clear in the share of employment of this sector in overall employment, where the Czech Republic has long remained first among member states. However, a trend of gradual reduction of this share is well apparent in the EU.

Between the monitored years of 2012 and 2000, just nearly 6 million workers in the EU were lost from the processing industry. Besides **Luxembourg**, which remains at approximately 32,000 employees, the absolute number of workers in the processing industry has fallen in member states.

Year-to-year increases in relation to the EU average were registered only for the years preceding the economic crisis and for 2011. The final figures for 2013 have not yet been published, but it can be anticipated that they, too, will not be vary optimistic.

European Commission initiative for supporting European industry

Maintaining and strengthening the strong European industry sector is essential for **boosting growth and competitiveness.** Therefore, the Commission has presented to the European Council for approval the priorities necessary for supporting the competitiveness of European industry.

The Commission has called on the Council and the European Parliament to adopt proposals related to **energy, transport, space and digital communication networks**. There is also the challenge of implementing and pushing through legislation to finish the creation of the internal market. The modernisation of industry must also be supported by investments into innovations, effective use of resources, new technology, skills and access to financing, which will increase in intensity thanks to the use of specialised EU funds.

Last September, the European Commission issued two reports related to competitiveness.

These reports showed that EU states have achieved progress in these areas:

- **the main engine of industrial activities was exports; the EU in this area surpassed the USA and Japan**. In 2012, Europe achieved a surplus of 365 billion euros;
- improvement of **innovative performance**;
- **the business environment** improved in most member states, but it also did for other parts of the world;
- in most member states, **skills improved in the labour force**.

However, besides these positives, the European Commission also discovered several problems and weaknesses:

- **weak internal demand**;
- **innovations and investments** remain very low, which is putting the brakes on further modernisation of the industrial base and preventing further technological progress;
- even despite improvement of the business environment in the EU, in some member states something that is still key for renewal of growth is an increase in the effectiveness and efficiency of public administration. The lack of flexibility of administration and the regulatory environment as well as other aspects can reduce the **growth potential of companies** (particularly small and mid-sized companies);

- **high energy prices** facing companies in the EU represent a major problem for industry and competitiveness;
- **access to financing** has worsened in many member states.

For the purpose of appealing to member states to recognise the fundamental importance of industry from the point of view of job creation and support for growth, this January the Commission published a document called "For a European Industrial Renaissance", in which it set several key priorities:

- Greater consideration of **aspects related to the competitiveness of industry** in all areas of policy, including with consideration for the importance of industry for overall economic performance in the EU.
- For supporting and boosting European industry, there needs to be **access to financial resources**. With the new financial framework for 2014-2020, regions will have at their disposal finances for supporting industry and small and mid-sized companies. This includes investments into **six strategic areas** defined by the Commission (environmentally friendly vehicles and transport, organic products, key technology, advanced processing industry, construction and smart networks).
- European small and mid-sized businesses must overcome **obstacles limiting their growth**. The smaller companies are, the more difficult investments into innovation, export and other areas are for them, which jeopardises their competitiveness.
- Ensuring access to basic inputs, whether **financial resources, raw materials or energy sources**. In relation to access to raw materials, the European Commission will attempt to continue using all means at its disposal to ensure access to them. Moreover, during 2014 the Commission will introduce technology capable of replacing certain problematic raw materials and will improve recycling. In its approach to energy sources, **industrial competitiveness and energy efficiency** remain the EU's main objectives, as specified in the Europe 2020 strategy.
- Maximisation of the internal market's potential by **creating necessary infrastructure, a stable, simple and predictable legal framework** that is beneficial for business and innovation, integration of capital markets, improving of opportunities for professional education and mobility of citizens and finishing the creation of the internal market with services as one of the main factors contributing to the competitiveness of industry. The European Commission is also calling on member states to take steps such as speeding up the development of environmentally friendly vehicles and liberalisation and integration of the internal market with energy for cost reduction, etc.
- **Internationalisation and integration** of European businesses into global value chains with the aim of increasing their competitiveness and ensuring access to global markets under more favourable competition conditions. The EU's exports and its surplus have played an important role in easing the effects of the economic crisis.
- **Access to markets in non-EU countries** will remain crucial for Europe's competitiveness, and therefore the Commission will continue with negotiations regarding free trade and bilateral agreements with key business partners.

3. CONCLUSION

Industry is very important for the EU and individual member states. However, its condition is not like what top officials desire. Industry's performance declined especially after the economic crisis.

Therefore, the European Commission is calling for restoration of European industry, so that **sustainable economic growth is again ensured and so that the situation on the labour market is improved**, since European industry in a broader extent employs 16% of the labour force, while over 14% of the labour force work in the processing industry.

Fulfilment of individual priorities set by the Commission undoubtedly should help achieve these objectives.

However, it is difficult to say whether the European Commission's goal to increase the **share of the processing industry in creation of gross added value** by 2020 is too optimistic or even perhaps unrealistic.

The declining trend of this indicator in the EU in recent years, where the Czech Republic is towards the top in this indicator as one of the most industrial states, perhaps speaks for everything.

The Guide to Doing business section is part of the advisory programme "Foreign Business Guide", which the EU Office has offered since the beginning of this year. Within the program, we provide our clients from among small and medium-sized businesses with information about how to expand abroad successfully and what business environment awaits them there. You can find more information about the programme here: www.csas.cz/eu. In this issue we present Estonia.

ESTONIA

Official name	Republic of Estonia
Population	1 324 814 (2013)
Area	45227 km^2
Currency	Euro (EUR)
Official language	Estonian

Source: Eurostat

Estonia is a parliamentary republic with a multi-party system. The president, who has mainly a symbolic function, is elected for a five-year term by an indirect vote in parliament. The president can be re-elected once. (Social Democrat Toomas Hendrik Ilves has served as president since 2006.)

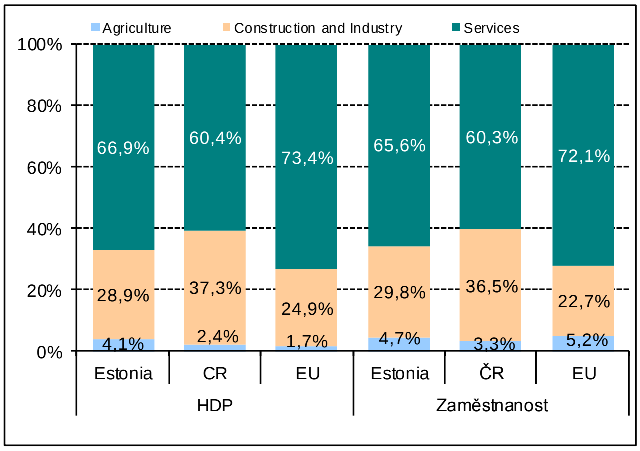
The country has a unicameral parliament, known as the Riigikogu, which is comprised of 101 lawmakers. Lawmakers are elected for four-year terms, and since the last elections in 2011, the country has been governed by a coalition of conservatives and reformists. Andrus Ansip from the Estonian Reform Party has served as prime minister since 2005 and currently presides over his third cabinet.

Structure of economy and foreign trade

Agriculture makes up a sizeable share of Estonia's economy compared to the Czech Republic and the rest of the EU, with it making up 4.1% of Estonia's GDP, although this sector in Estonia employs fewer people (4.7%) than the EU average.

The Estonian industry sector (28.9% of GDP and 29.8% of employment) is much closer to the European average than

Sectors of the National Economy – Estonia (CR and EU)



Source: Eurostat, data as of 2012

the Czech industry sector. Services are the dominant sector in Estonia, with Estonia positioned between the Czech Republic and the EU average.

Estonia mostly imports machines and electrical equipment, fossil fuels, chemical products, food, plastics and textiles. The country's main import partners are Finland (15.1%), Germany (10.7%) and Sweden (10.7 %).

Estonia mainly exports machines and electrical equipment (21%), wood and wood products (9%), metals (9%) and furniture (7%). Exports are directed mainly to Sweden (16.8%), Finland (15.3%) and Russia (12.7%).

Macroeconomic outlook

The growth of real GDP has slowed in the first half of the year to 1.2% year-to-year following last year's value of +3.9%. The main reason is the significant decline in investments related to completion of a range of environmental projects. For all of this year, the European Commission expects growth by 1.3%. In 2014 and 2015, GDP growth is expected to accelerate to 3% and 3.9% respectively. This will be due to repeated growth in investments and external demand, together with the fact that production capacity is again approaching pre-crisis values.

The country's public finances are expected to follow others' example; public debt in the past 23 years has never exceeded 10% of GDP, and nothing is likely to change about this in the future.

Basic indicators (in %)	2012	2013^e	2014^e	2015^e
GDP Growth	3.9	1.3	3.0	3.9
Unemployment rate	10.2	9.3	9.0	8.2
Inflation	4.2	3.4	2.8	3.1
Current account saldo	-6.6	-6.1	-5.9	-6.1
Public budget deficit	-0.2	-0.4	-0.1	-0.1
Public debt	9.8	10.0	9.7	9.1

Source: European Commission; ^{e} - estimate

Labor market

In Estonia, which was badly impacted by the crisis in 2009 and 2010, the unemployment level has been decreasing year-to-year. It currently hovers at around 2% higher than in the Czech Republic. The minimum salary grew at the beginning of 2014 by 35 euros compared to 2013.

There are not any major differences in monthly costs either, and on average labour costs 18% less in Estonia (these costs besides gross wages also include costs such as premiums for social security and health insurance).

The biggest differences are in the real estate sector, where costs amount to only 1,043 euros per employee, while costs are 63.6% higher in the Czech Republic.

Basic indicators of labor market		
Unemployment level (November 2013)	9.3%	
Minimum monthly wage (2014)	355 EUR	
Ø monthly labor costs in sectors	**Estonia**	**CR**
Manufacturing (2012)	1 177 €	1 445 €
Transport and storage (2012)	1 157 €	1 488 €
Inform. and comm. services (2012)	2 096 €	2 839 €

Source: Statistical Offices of Estonia and CR

Labor law basics

An employment contract can be entered into for a definite or indefinite period and must be in writing. The probationary period for an employee is usually 4 months. The standard full-time work period in Estonia is 8 hours per day (40 hours per week), and the length of one work shift should never exceed 12 hours.

For working at night (from 10 p.m. to 6 a.m.), an employee should receive 1.25 times regular wages, and for work on state holidays the employee should receive double pay. However, time off can also be provided as compensation for work at night or during holidays.

Each employee is entitled to 28 days of vacation, unless the employee and employer agree on more days or unless otherwise stipulated by law (for example, the law requires 35 days of vacation for working adolescents).

Commercial law basics

Form of Company	Minimum Capital
Public Company (TÜ)	not required
Limited Partnership (UÜ)	not required
Limited Liability Company (OÜ)	2 500 EUR
Joint Stock Company (AS)	25 000 EUR

Source: Ministry of Economy

In Estonia, it is possible to set up several legal types of companies. The most common type of company established by foreign investors is a limited liability company (Osaühing – OÜ), for which a minimum of 2,500 euros in registered capital is required.

Managing and representing a limited liability company is the responsibility of the Board of Directors, consisting of one or more individuals.

For entities with stronger capital, a joint-stock company (Aktsiaselts or AS) is more suitable, in which the registered capital must be at least 25,000 euros. A joint-stock company's mandatory bodies are its Board of Directors and Supervisory Board, and this type of company must appoint an auditor. A joint-stock company's shares must be registered and recorded in a central register of securities. Setting up a limited liability company in Estonia takes about 7 business days and costs between 140 and 190 euros.

Main taxes and additional labor costs

The Estonian tax system is somewhat revolutionary compared to the rest of Europe. Corporate taxes are not imposed on reinvested profit. Profit is taxed only in a situation when it is paid, such as in the form of dividends, position benefits, etc. Taxes from distributed profit amount to 21/79 (approximately 26.6%) of the net value of distributed profit or 21% of the gross amount of distributed profit. Personal retirement taxes have a flat rate of 21%, and the tax period lasts a calendar year.

Contributions for social security are imposed on employees' wages. These contributions are paid only by the employer at the rate of 34% of the employee's gross wages (20% for social security, 13% for health insurance and 1% for unemployment insurance), and the employee pays a mere 2% (only unemployment insurance). VAT has besides the basic rate of 20% also two reduced rates of 9% and 0%.

Tax/payment	Rate
Corporate Tax	21 % (26,6 %)
Individual Income Tax	21 %
Social insurance (employee)	2 %
Social insurance (employer)	34 %
VAT (basic /1st lower/2nd lower)	20 % / 9 % / 0 %

Source: Ministry of Finance

Investment incentives

Incentives encouraging investment in Estonia include besides zero taxes on reinvested profit also four free-trade zones.

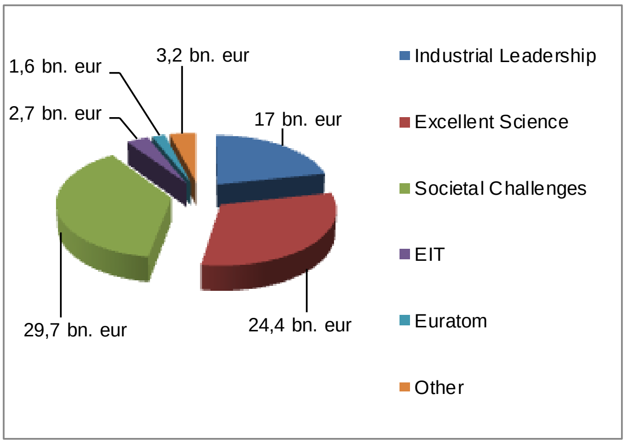
Goods imported into these zones for later re-export are not subject to VAT, consumer taxes or import customs. Starting entrepreneurs can also receive a start-up grant (80% of project costs and a maximum of 5,000 euros), and a development grant (50%of project costs and a maximum of 32,000 euros).

In the February issue of our Monthly, we continue in the "Dating with MFF" section by focusing on another programme from the 2014-2020 multi-annual framework for competitiveness, growth and Jobs in the EU. It specifically is the programme for supporting science, research and innovation, called Horizon 2020. The programme consists of a total of eight pillars, and just nearly 80 billion euros have been earmarked from European sources for the seven-year period.

HORIZON 2020

Horizon 2020 is another one of the new programmes introduced by the EU within the new multi-annual financial framework of 2014-2020. It is financed from budget heading 1a, Competitiveness for Growth and Jobs, and the financial resources will be directed to support for research and innovation. Just nearly 80 billion euros have been earmarked for the seven-year period. The programme replaces all hitherto European tools, which have been intended for financing of science and research.

Horizon 2020 budget (78,6 billion eur*)



*Source: European Commission; note: *in current prices*

Financial resources for research and development are allocated mainly via requests from member states for submission of proposals, which applies to the first three pillars. Some of the resources will also be available for the JRC and the EIT and for research under the Euratom.

Last, but not least, it will also be possible to request financial resources within individual requests for submission of proposals in the event of specific partnerships between the public and private sectors for specific areas of the economy, which will create highly quality jobs. Individual calls for submission are also related to partnership in the public sector between the EC and member states, for example in the areas of new treatment approaches for ailments related to poverty.

Already now, states can present proposals in certain calls for their submission, which will be financed from the budget for 2014. For this step alone, the EU has set aside around 7.8 billion euros for drawing. These resources are intended for 3 basic programme pillars: Excellent Science, Industrial Leadership and Societal Challenges.

The Horizon programme is comprised of 8 pillars:

1. Excellent Science

Its main priority is focused on excellent research, and it supports projects related to cutting-edge research, new technology and development of top quality scientific workers. In 2014, these priorities are expected to be financed by grants from the European Research Council, grants for young scientific workers within the Marie Skłodowska-Curie actions, Future and Emerging Technologies and development of European Research Infrastructure (including e-Infrastructure).

2. Industrial Leadership

The aim of this priority is to improve the competitiveness of European industry, particularly with the help of industrial and breakthrough technology in the areas of ICT, nanotechnology, advanced production etc. Another goal is to support innovation in small and mid-sized businesses and ensure easier access to risky financing.

3. Societal Challenges

Financial resources for this priority are focused on supporting research related to community challenges: health, agriculture, marine research and bio management, energy, transport, climate measures, the environment …

4. European Institute of Innovation and Technology-EIT

Resources from the Horizon programme will finance the institute's expansion and consolidation of its knowledge and information centres, which will be focused on issues related to climate change, sustainable energy and information and communication technology.

5. Joint Research Centre - JRC

This centre is focused on basic research and providing of expert scientific and technical support within the EU. Certain non-core direct actions of this Joint Research Centre will be financed from the Horizon programme.

6. Spreading Excellence and Widening Participation

This priority is focused on several measures (Teaming, Twinning, Era-Chairs, Policy Support Facility), which are intended to contribute to the development and use of the EU's research and innovation potential.

7. Science with and for Society

This priority includes support for activities for example in the fields of scientific and technological careers and gender equality in science and Research.

8. Euratom

Euratom is the European Community's programme for atomic energy for research and expert preparation.

The Statistical Window displays the selected economic indicators of all 28 EU member states. It includes comparable data from the labour market (the unemployment level, the labor costs compared to the EU average in the business sphere B-N, work productivity compared to the Czech Republic) as well as price characteristics (year-to-year inflation based on the HICP index, average mortgage interest rates and electricity prices compared to the EU average for 1000-2500 kWh). For a comparison, the same indicators for the entire EU are shown in the table.

Key microeconomic indicators

	Inflation (YoY)				Unemployment rate				Labor costs to Ø EU			
in %	**VII-13**	**VIII-13**	**IX-13**	**X-13**	**Q4-12**	**Q1-13**	**Q2-13**	**Q3-13**	**2008**	**2009**	**2010**	**2011**
Belgium	1.0	0.7	0.9	1.2	8.0	8.3	8.5	8.8	146.3	148.5	148.6	149.8
Bulgaria	-1.3	-1.1	-1.0	-0.9	12.5	12.9	12.9	13.1	12.8	13.4	14.3	15.2
CR	1.0	0.8	1.0	1.5	7.2	7.2	7.0	7.0	43.7	44.0	44.6	45.1
Denmark	0.2	0.3	0.3	0.4	7.1	7.3	6.8	7.1	151.0	152.8	152.5	151.6
Germany	1.6	1.2	1.6	1.2	5.4	5.4	5.3	5.3	122.5	121.5	121.9	122.7
Estonia	2.6	2.2	2.1	2.0	9.7	9.3	8.1	n/a	35.8	34.6	35.3	36.8
Ireland	0.0	-0.1	0.3	n/a	14.2	13.7	13.8	13.7	123.8	120.4	115.9	115.7
Greece	-1.0	-1.9	-2.9	-1.8	26.1	26.6	27.4	n/a	81.3	79.1	72.6	67.0
Spain	0.5	0.0	0.3	0.3	26.1	26.4	26.4	26.6	90.3	89.3	89.4	88.5
France	1.0	0.7	0.8	0.8	10.6	10.8	10.8	11.0	131.7	133.3	134.2	134.1
Croatia	1.7	0.8	0.7	0.5	17.6	17.0	16.9	17.0	39.5	38.1	38.1	37.9
Italy	0.9	0.8	0.7	0.7	11.4	11.9	12.1	n/a	112.0	112.9	112.4	112.3
Cyprus	0.3	-0.5	-0.8	-1.3	13.4	14.5	15.8	16.7	72.4	72.5	71.8	71.2
Latvia	-0.4	0.0	-0.3	-0.4	14.2	12.6	11.3	n/a	27.7	26.4	26.6	27.1
Lithuania	0.5	0.5	0.5	0.4	12.9	12.6	11.9	12.1	25.2	23.6	23.6	24.2
Luxembourg	1.5	1.0	1.1	1.5	5.2	5.5	5.7	5.8	146.3	146.8	147.4	147.8
Hungary	1.6	1.1	0.4	0.6	11.0	10.9	10.4	n/a	37.2	36.3	37.3	38.7
Malta	0.6	0.5	0.3	1.0	6.5	6.5	6.5	6.4	55.4	56.5	55.6	56.1
Netherlands	2.4	1.3	1.2	1.4	5.6	6.2	6.7	7.0	134.4	134.3	133.8	132.7
Austria	1.8	1.5	1.5	2.0	4.6	4.9	4.7	n/a	124.4	123.6	124.7	127.5
Poland	0.9	0.7	0.5	0.6	10.4	10.6	10.5	10.4	35.4	35.2	35.8	36.1
Portugal	0.3	0.0	0.1	0.2	17.1	17.6	17.0	16.4	53.4	53.7	52.8	49.2
Romania	1.1	1.2	1.3	1.3	6.7	7.1	7.4	7.5	21.9	22.6	23.5	24.4
Slovenia	1.5	1.1	1.2	0.9	9.5	10.6	10.6	10.3	60.8	61.2	60.9	60.0
Slovakia	1.1	0.7	0.5	0.4	14.4	14.2	14.2	14.0	34.8	34.6	35.2	35.4
Finland	1.8	1.7	1.8	1.9	7.9	8.1	8.1	8.1	123.2	122.8	122.6	125.2
Sweden	0.5	0.2	0.3	0.4	8.1	8.1	8.0	7.9	152.3	152.6	152.6	155.4
UK	2.7	2.2	2.1	2.0	7.7	7.8	7.7	n/a	115.1	115.4	114.5	113.7
EU	1.3	0.9	1.0	1.0	10.8	11.0	11.0	11.0	100.0	100.0	100.0	100.0

	Productivity to Ø CR				Average interest rate on mortgages				Price electricity to Ø EU			
in %	**2009**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**	**1H-13**	**2010**	**2011**	**2012**	**1H-13**
Belgium	264.5	259.8	257.8	270.1	n/a	n/a	n/a	n/a	120.9	122.3	115.7	109.7
Bulgaria	33.0	33.8	36.1	40.2	9.7	8.8	8.3	7.8	45.2	43.6	43.8	43.7
CR	100.0	100.0	100.0	100.0	5.2	4.5	4.0	3.6	118.8	119.1	112.8	110.2
Denmark	280.2	286.6	283.1	294.2	3.7	4.0	3.4	n/a	164.4	167.8	160.0	154.7
Germany	207.1	204.8	203.1	211.5	3.8	4.0	3.2	2.8	146.1	143.3	140.2	148.4
Estonia	80.9	83.2	84.0	89.9	3.9	3.7	3.1	2.9	55.2	53.1	55.0	65.2
Ireland	290.9	279.5	283.2	296.4	3.1	3.5	3.3	3.4	118.2	125.4	131.3	130.8
Greece	168.1	156.9	151.0	158.0	3.8	4.7	3.6	3.2	57.1	56.5	61.0	67.4
Spain	190.8	185.3	184.6	196.4	2.6	3.5	3.4	3.2	111.6	116.5	120.1	114.0
France	246.3	237.2	235.3	246.7	4.3	4.4	4.4	3.9	82.6	81.8	78.2	78.7
Croatia	98.1	97.1	96.1	102.1	n/a	n/a	n/a	n/a	62.1	60.9	68.6	69.9
Italy	217.2	211.2	207.3	212.7	2.8	3.6	4.3	3.9	89.2	86.9	94.0	91.7
Cyprus	150.3	147.2	146.5	156.8	4.6	5.3	5.5	5.4	106.0	115.0	138.0	128.4
Latvia	66.0	63.7	75.3	83.2	7.4	4.7	3.8	3.8	57.6	61.1	61.4	61.2
Lithuania	66.2	68.4	72.4	85.4	6.0	4.2	3.3	2.7	66.5	65.2	62.7	65.2
Luxembourg	582.9	601.0	605.6	637.1	2.2	2.5	1.4	2.2	105.4	95.8	91.9	86.8
Hungary	85.0	85.0	84.3	83.7	10.5	10.5	11.9	10.2	94.2	87.5	80.5	68.8
Malta	130.4	128.7	126.2	131.7	3.7	3.6	3.6	3.5	109.9	103.3	97.2	93.6
Netherlands	236.1	229.6	225.4	233.1	4.6	4.6	4.3	3.9	52.9	55.0	55.9	57.9
Austria	n/a	n/a	n/a	n/a	3.1	3.4	3.2	2.9	117.8	113.9	108.7	110.7
Poland	68.9	76.3	76.8	81.3	7.1	7.0	7.4	6.2	80.3	78.3	74.9	71.9
Portugal	117.3	115.6	112.8	117.4	3.4	4.8	4.8	4.2	100.7	102.7	109.8	107.9
Romania	43.7	43.6	45.2	46.2	11.7	9.5	8.0	8.3	57.6	56.8	53.2	63.1
Slovenia	127.1	122.8	122.4	n/a	3.5	4.0	3.6	3.4	92.6	87.1	85.5	88.2
Slovakia	93.4	94.6	94.7	102.0	5.6	5.2	5.2	4.5	97.7	98.2	94.8	89.8
Finland	243.8	239.6	241.6	254.5	2.1	2.6	2.2	2.2	94.1	100.8	95.3	94.0
Sweden	230.0	258.3	270.8	293.5	2.4	3.9	3.5	2.9	112.9	116.4	108.8	108.5
UK	193.2	198.6	195.6	217.0	n/a	n/a	n/a	n/a	83.8	84.1	92.0	88.6
EU	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100.0	100.0	100.0	100.0

Source: Eurostat