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Dear readers,

This month we will focus on the selection of the head of the European Commission, a new member state at the helm of the EU and the unprecedented imposition of negative interest for deposits in the ECB. The July issue of the Monthly of EU News will analyse these and other events related to European integration that occurred in June.

We will start off with the hot topic of politics. The regular June meeting of the European Council was far from an ideal meeting of heads of member states. In fact, the main topic was the explosive mix of choices for Barroso's successor. For the first time in history, the head of the Commission was not selected by consensus, but by voting. At a ratio of 26:2, most members of the European Council supported former Luxembourg Prime Minister Jean-Claude Juncker. This represented a defeat for British Prime Minister David Cameron, who has long opposed Juncker, a representative of the force that supports deeper integration. Cameron was only joined in opposing Juncker by Hungary, represented by its prime minister Viktor Orbán. At issue is to what extent this British defeat in an important issue will affect Britain's future relationship to the EU as a whole.

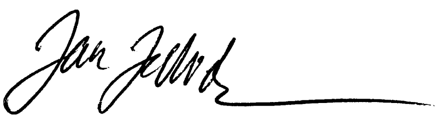
Following Greece, another member of the South wing of the Eurozone, Italy, is assuming the EU presidency. It is apparent from the analysis of its presidency agenda that Rome would like in the next six months to place more emphasis on economic growth, even through "increasing the flexibility" of EU fiscal measures.

In view of the pending deflation impasse, a situation when consumers are postponing their spending in expectation of a decline in prices, the European Central Bank has resorted to a never before seen experiment. For the first time in the history of the Eurozone, deposits from commercial banks at the ECB will be charged negative interest, meaning that the depositing banks will be paying, rather than the ECB for receiving their deposits. The aim is to boost the European banking sector's credit activity.

In this issue of the Monthly, the Microscope section has been enhanced with a contribution from a representative of the Czech Banking Association (and former EU Office intern) Karel Kabelík. In his contribution, he considers a very current topic not only for the financial sector, specifically the approved and forthcoming regulation of the European banking sector with an emphasis on so-called shadow banking. Do you not know what that is? You will understand after reading page 7.

And do you know what the abbreviation CSR means? It is something on which we place great emphasis in Česká spořitelna: Corporate Social Responsibility. There is also an area, which we in the EU Office especially pay attention to: Country Specific Recommendations. During the European Semester, the Commission is issuing recommendations to member states for correction of macroeconomic inequalities. This year, Brussels' recommendation for the Czech Republic has focused on improvement of tax requirements, improvement of the effectiveness and efficiency of public services and maintaining of a healthy fiscal situation. Details, including rows of numbers and graphs, can be found on pages 8 to 13.

Dear Readers, we wish you active relaxation during the first month of the summer vacation, whether you spend it in the EU or outside of Europe.



Italy has taken over the EU presidency as of 1 July 2014. What are its main priorities for the next half-year? - Social Democrat Martin Schulz will remain the head of the European Parliament for another 2.5 years. - At the European Council's June summit, EU leaders selected a candidate for chairman of the European Commission, association agreements were signed with the EU by Ukraine, Georgia and Moldova, and issues related to security, justice and other topics were discussed.

POLITICS

Italy at EU's helm: what awaits us in the next six months?

Italy has taken over the EU presidency from Greece as of 1 July 2014. Italian Prime Minister Matteo Renzi is not hiding the fact that he intends to push for a United States of Europe. Further tension among member states can be expected, and London certainly will not like this objective.

Italy also wants to focus on economic growth during the six months of its "reign". It will obviously attempt to push for **greater flexibility regarding EU fiscal rules**. Rome, which has been affected by high unemployment, want to push through the option of greater investments, mainly **into energy and telecommunications infrastructure**.

As far as relaxation of fiscal rules are concerned, Italy can rely on support from France. However, it will have to convince northern states of the EU that this will not lead to needles spending.

2014 Italian Presidency of the Council of the European Union

Illegal immigration will also be an important focus for Italy. The country often complains that because of its position it faces an excessive influx of immigrants from North Africa, and it asks other member states **for solidarity and assistance**. According to available reports, this year more than 50,000 immigrants reached Italian shores.

http://italia2014.eu/en/

Martin Schulz will remain at the helm of the European Parliament

At its plenary session at the beginning of July, the European Parliament selected its chairman, elected in May.

He is again **German Social Democrat Martin Schulz**, who will preside over the European Parliament for another 2.5 years. MEPs elected him in the first round of voting, during which he received 409 of the 612 valid votes.

http://www.europarl.europa.eu/news/en/news-room/content/20140630IPR51020/html/Martin-Schulz-re-elected-President-of-the-European-Parliament

Conclusions of the European Council's June summit

The European Council held its summit in the Belgian cities of Ypres and Brussels on 26 and 27 June. At their two-day summit, **EU leaders selected their candidate for chairman of the European Commission**, Luxembourg Prime Minister Jean-Claude Juncker. His selection is now subject to approval by the European Parliament.

They also discussed **the important priorities for the upcoming years**, Ukrainian President Poroshenko's peace plan, **the specific recommendations for member states** within the so-called European semester, EU climate policy and issues related to security and justice.

At the summit, **association treaties and free trade agreements were also signed** by the EU with Ukraine, Georgia and Moldova. Ukraine signed the political part of the association treaty with the EU in March 2014, and now it has signed the economic part of it. As a result, all three countries will gradually be integrated with the EU's single market.

They are also expected **to boost democracy and the function of the rule of law**, carry out necessary reforms and fight against corruption. The signed agreements still need to be ratified by the individual partner countries and all EU member states. Thanks to the signing of the free trade agreements, exporters of goods to the EU will not have to pay customs duties. The same will apply for the EU's exporters to these partner countries.

It is also apparent from the conclusions of the summit that member states, despite signs of economic recovery, **should continue with fiscal consolidation**. Ways that member states can achieve this include lower taxation of work, reforming of education and boosting networking sectors.

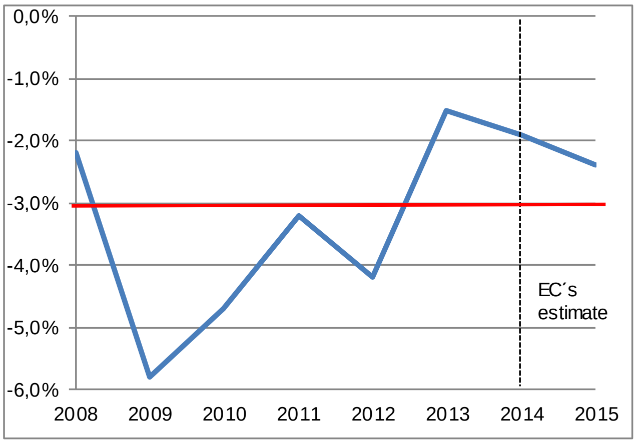
http://www.european-council.europa.eu/council-meetings?meeting=15c64c6d-a970-4735-bb5f-8bd7f0e75f03&lang=cs&type=EuropeanCouncil

ECONOMY AND EURO

The Czech Republic has entered calm waters, and after years its deficit is below 3% of GDP

The European Commission is satisfied with the Czech Republic. It has recommended **ending the excessive deficit procedure**. The Czech Republic has reached its limit set by the Council of the EU, and for 2013 it has reduced its budget to 1.5% of GDP, and with a reserve it

Public budget deficit to GDP in the Czech Republic



Source: EC, Eurostat

has achieved a level below 3% of GDP, the level set by the Stability and Growth Pact.

When a member state gets to the procedure, **the Council of the EU** (based on the Commission's recommendation) **sets time limits** for it by which the member state must reduce its deficit as well as recommendations for how to achieve this.

Deadlines can be extended if the particular state has taken the necessary steps to reduce the deficit, but has not managed to achieve its objectives due to **external economic circumstances**. The purpose is to push for maintaining of economic stability.

The Czech Republic has been involved in the excessive deficit procedure since its accession to the EU, **except in 2008**. The excessive deficit procedure currently involves 11 EU states, and during the worst periods of the economic crisis it involved 24 states.

http://europa.eu/rapid/press-release_IP-14-623_en.htm

Czechs not yet ready for euro

As of next year**, the Eurozone will have 19 members**, with the addition of **Lithuania**. According to the Commission, **that country has fulfilled all of the convergence criteria**, and the decision regarding adoption of the euro has also been confirmed by the Council of the EU. You can read more about Lithuania's joining of the Eurozone in the Commission's Column on page 5.

Lithuania is the only country of the seven tested countries for which the gates to the Eurozone have been opened. **None of the other countries yet fulfil all of the convergence criteria** (inflation, public debt and deficits, exchange rate stability and long-term interest rates). This is also true about the Czech Republic. Further testing will take two years.

The Czech Republic does not yet fulfil all o the conditions that are necessary for adoption of the euro. The Commission has pointed out, for example, that the Czech Republic is not part of **the Exchange Rate Mechanism (ERM II)**, in which a member state must be for at least two years before adopting the euro. However, the Commission is satisfied with situations such as the inflation level and long-term interest rates.

Fulfilment of the Maastricht criteria – Czech Republic

Criterion	Limit	CR
1. Price stability	1.7 %	0.9 %
2. FX rate stability	ERM II (± 15.0 %)*	-
3. Interest rates	6.2 %	2.2 %
4a. Public debt	to 60 % GDP	46.0 % GDP
4b. Government deficit	to 3 % GDP	1.5 % GDP

*Source: Convergence report of the EC and ECB 2014; *) in accordance with the requirement of the criteria to remain in the ERM II defined oscillation range ± 15.0% from central parity without excessive fluctuations*

The Czech Republic may also at the approved request of the European Commission abandon **the excessive deficit procedure**, since it fulfils the criteria for public finances (debt and state deficit).

http://www.ecb.europa.eu/press/pr/date/2014/html/pr140604.en.html

http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee4_en.pdf

The ECB has introduced negative interest on deposits

The European Central Bank has gotten involved in **the battle against lethargic economic growth** in the Eurozone. For the first time in the history of the single currency, it has begun **"penalising" banks for depositing excessive amounts in the ECB**. Mario Draghi's team will now take one euro for every thousand euros deposited at the central bank.

The aim is to pressure European financial institutions to begin lending money and to tackle the long unresolved European crisis. Experts warn that the extensive plans of central bankers could miss their intended purpose.

The European Central Bank introduced a negative rate of 0.10% (until now zero) on deposits within a set of measures, with the explanation that it intended to avoid the

The Czech Republic has entered calm waters, and after years its deficit is below 3% of GDP. - Czechs are not yet fulfilling all of the Maastricht criteria for adoption of the euro. However, Lithuania will become a new member of the Eurozone as of 1 January 2015. - The ECB has introduced negative interest on deposits. - Albania has become a candidate country. - By the end of the summer, the Czech Republic ants to sign an agreement on partnership with the EU for 2014-2020.

danger of deflation with devastating effects on the Eurozone's economy. **The bankers have also reduced the basic interest rate from 0.25% to 0.15%** and have announced that they intend to pour 400 billion fresh euros into the European financial system via long-term repo operations, in two batches, in September and December. The main hope of investors may also come to fruition, so-called quantitative easing based on the American model.

The European Central Bank is also preparing to purchase ABS securities, which are similar to the assets that played a role abroad at the start of the financial crisis. The European Central Bank is the first of the four large world central banks to introduce negative interest on deposits. So far this tool has been experimented with in Europe only by Sweden and Denmark.

While Stockholm experts evaluated the effects of this step as negligible, according to **the Danish Banking Association** the step resulted in weakening of currency and a decline in banks' profits. So far Europe has very little experience with introduction of negative interest on deposits.

http://www.ecb.europa.eu/press/pr/date/2014/html/pr140605_3.en.html

ENLARGEMENT

Albania has become a candidate country

EU foreign ministers have approved candidate status for Albania. The Czech Republic had originally threatened to block the vote. However, the Czech Republic relented after a financial settlement was reached between Albania and Czech energy company ČEZ. The European Commission **recommended granting Albania candidate status already on 4 June**, and foreign ministers welcomed that recommendation and have granted the status. Their step has also been approved by the Council of the EU.

Now Albania is expected to continue with key reforms, **mainly of its public administration and social system**.

Albania should also fight against corruption and organised crime, improve protection of property rights and human rights and ensure equal treatment of minorities. It should also deal with the problem of illegal migrants to EU states and **the large number of unsubstantiated asylum requests** filed by citizens of Albania in the EU.

Albania requested candidate status already in 2009, but the delay with its acceptance was affected mainly by the slow pace of reforms and the problem with extensive corruption and high crime in the country. **Turkey, Macedonia, Iceland, Serbia and Montenegro** also have candidate status. However, we at the EU Office do not expect the EU to add to its current 28 members before 2020.

http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/genaff/143363.pdf

http://europa.eu/rapid/press-release_MEMO-14-439_en.htm

REGIONAL POLICY

Czech Republic wants to have Partnership Agreement ready by the end of summer

Negotiations between the Czech Republic and the European Commission about the next period of European funds are in full swing and have entered their final phase. **The Czech Republic has already received feedback from the European Commission** regarding the strategic document, based on which EU funds from the cohesion policy will be distributed. The so-called **Partnership Agreement** is signed with the European Commission by a member state. The feedback from Brussels comes as no surprise and corresponds to negotiations so far, and the amount of feedback is less than in the previous phases. **What does Brussels criticise the Czech Republic about the most?**

First of all, **its criticism is regarding a preliminary condition**, without the fulfilment of which drawing cannot be commenced in a member state. In the Czech Republic's case, it involves "evergreens", specifically **the state service act and proper implementation of the act on assessment of the impacts of construction projects on the environment** (environmental impact assessments). Therefore, detailed negotiations are being conducted at the national level with the European Commission regarding these conditions. Other topics being negotiated about include healthcare and the integrated rescue system.

The feedback will now be resolved with other ministries and other partners at the national level. If no compromise is reached between partners and as a result the Agreement cannot be signed, it will be up to the government to address the situation. That scenario could play out, for example, in relation to support for domestic water transport. If all of Brussels' criticisms can be addressed, **the document could eventually be approved by the end of the summer**. Of the Visegrad 4 countries, so far only Poland and Slovakia have approved the Agreement.

http://www.euractiv.cz/regionalni-rozvoj/clanek/cesko-chce-mit-dohodu-o-partnerstvi-hotovou-do-konce-leta-011962

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 July issue, it focuses on the adoption of the euro by Lithuania as of next year. This will increase the Eurozone to 19 member states. According to the European Commission, Lithuania satisfies all of the convergence criteria for adoption of the euro, and based on that recommendation, the European Council has also expressed its approval of the country's adoption of the euro.

LITHUANIA TO ADOPT THE EURO IN JANUARY 2015

As of 1 January 2015, the Eurozone will grow to 19 member states. Lithuania succeeded with its second attempt to adopt the single currency. This step shows the continuing **attractiveness of the Eurozone**, even though the enlargement of the Eurozone by Lithuania will probably by the last enlargement for a relatively long time.

In the last week of June, the European Council expressed approval of the European Commission's recommendation regarding Lithuania's adoption of the euro as of 1 January 2015. This decision corresponds to the June Convergence Report of the European Commission for 2014, according to which Lithuania has fulfilled all of the criteria for adoption of the single currency. If the European Parliament also expresses support for Lithuania's entry into the Eurozone, the legislative process can be formally finalised by a decision by the Council of Ministers in mid July. Eurozone ministers must also unanimously agree on the conversion exchange rate for **the Lithuanian litas to the euro**.

Lithuania will become the nineteenth EU member state to adopt the euro. It will join six other Central and Eastern European countries in adopting the euro: Slovenia (2007), Cyprus and Malta (2008), Slovakia (2009), Estonia (2011) and Latvia (2014). Lithuania already applied for membership in the Eurozone in 2006, together with Slovenia. At that time, the European Commission and the European Central Bank did not recommend adoption of the euro in Lithuania, due to doubts about the sustainability of price stability.

Nonetheless, **Lithuania's experience shows that states can successfully go through major economic fluctuations** and emerge stronger from an unfavourable situation. The deep crisis of the Lithuanian economy in 2008 and 2009 prompted a series of reforms, which increased the flexibility of the economy and returned the country to sustainable growth. Lithuania's situation is also evidence that the Eurozone remains attractive even following experience with the economic crisis and subsequent boosting of the institutional framework and coordination mechanisms. Like the other Baltic states, Lithuania expects its membership in the Eurozone to bring about greater economic and political stability.

The EC´s Convergence Report (like the European Central Bank's report released on the same day) states that Lithuania has achieved a high level of sustainable economic convergence in relation to the Eurozone.

In view of the convergence criteria, the Commission evaluated Lithuania's economic performance as follows:

Inflation

The average inflation level in Lithuania during the 12 months preceding April 2014 was **0.6 %**, which is much less than the reference value of **1.7 %.**

Public finances

The deficit of public finances (**2.1% of GDP**) and public debt (**39.4% of GDP**) in 2013 were below the "Maastricht limits" (**3% of GDP for the deficit, 60% of GDP for debt**).

Interest rates

The average long-term interest rate reached **3.6%** in April 2014, which is far below the reference value set at **6.2%**.

Currency exchange rate

The Lithuanian litas has been part of **the exchange rate mechanism (ERM II)** since June 2004, in a fixed rate. Therefore, it has fulfilled the required period of two years of participation in the ERM II without pressure towards a change of the exchange rate.

Other convergence factors were also examined in the Convergence Report, including harmony with legislation legislation regarding **monetary policy, the development of the payment balance and integration of financial and production markets**. In all of these areas, the Lithuanian economy has demonstrated a good level of ties to the Eurozone's economy, and the improvement of competitiveness in recent years is also important.

Besides Lithuania, in this year's Convergence report the EC has also evaluated convergence progress in other countries that do not use the euro: **Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden** (Great Britain and Denmark, for which the obligation to adopt the euro does not apply, were not evaluated). According to the report, none of these countries satisfies the criteria for joining the Eurozone. The Czech Republic fulfils all of the Maastricht criteria, except for participation in the European exchange rate mechanism and harmony of monetary policy legislation, areas depending not on a healthy economy or convergence level, but on political decisions.

Following the adoption of the single currency in Lithuania, the process of enlargement of the Eurozone will probably be halted for a long period. The only country that has set a deadline for adoption of the euro is Romania, which hopes to adopt it in 2019. The other countries do not plan to adopt the euro in the near future.

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: www.europa.eu; http://italia2014.eu/it/

Meeting of the key EU institutions

1 - 3 July 2014 - European Parliament Plenary Session	**Strasbourg, France**
7 July 2014 - Eurogroup	**Brussels, Belgium**
8 July 2014 - Economic and Financial Affairs Council	**Brussels, Belgium**
8 - 9 July 2014 - Informal Meeting of Ministers for Justice and Home Affair	**Milan, Italy**
14 July 2014 - Agriculture and Fisheries Council	**Brussels, Belgium**
14 - 15 July 2014 - Informal Meeting of Ministers for Development	**Florence, Italy**
14 - 17 July 2014 - European Parliament Plenary Session	**Strasbourg, France**
16 July 2014 - European Council	**Brussels, Belgium**
17 July 2014 - Economic and Financial Affairs Council	**Brussels, Belgium**
22 July 2014 - Foreign Affairs Council	**Brussels, Belgium**
23 July 2014 - General Affairs Council	**Brussels, Belgium**
15 - 18 September 2014 - European Parliament Plenary Session	**Strasbourg, France**
25 - 26 September 2014 - Competitiveness Council	**Brussels, Belgium**

Source: www.europa.eu, http://italia2014.eu/it, access as of 7th July 2014

A contribution to the July Microscope section regarding the interesting topic of shadow banking has been provided for us by Karel Kabelík from the Czech Banking Association. The main difference between traditional and shadow banking is in the resources used to finance activities. While traditional banks rely on deposits from individuals and legal entities to finance mainly lines of credit, shadow banks accept liquid securities, and besides mediating lines of credit, they have a tendency to trade with securities as well.

SHADOW BANKING

The shadow sector tends to be connected to the traditional one, since even **traditional banks** offer products in the **shadow industry**, and some institutions provide both types of financing under one roof.

On one hand, cooperation between the sectors increases **the liquidity of the financial system**, which is positive, while on the other hand their interconnection contributed to the quick enlargement of the recent financial crisis. It arose (simply put) from a decline of stock markets, which mainly affected the shadow sector. Its overlapping with the traditional banking system led to the general banking crisis.

Balance sheets of traditional & banking sectors

	Assets (the bank creates or purchases them)	Liabilities (the bank accepts them)
TB	loans for households and non-financial businesses, bonds, issue permits (particularly in the CR)	deposits of households, non-financial businesses and the public sector
SB	assets covered by securities, derivatives, bonds	liquid and low-risk securities (vouchers, mutual fund certificates, etc.)

Note: TB = traditional banking, SB = shadow banking

Czech banks mainly use a traditional banking model and invest only **into conservative securities** (such as state bonds). Therefore, the recent banking crisis barely affected them.

However, it would be a mistake to ignore the problems related to **shadow banking** in the Czech Republic. First, the next crisis could affect the traditional sector more strongly, and second, more than 90% of the Czech banking industry consists of subsidiaries of European parent companies. Therefore, the risks stemming from interconnection with **the European banking market**, which has avoided the effects of the crisis, should not be underestimated.

During the period since the crisis, the European banking industry has experienced **a turbulent period**, in which the losses of many banks have been financed by European taxpayers **via bail-outs** (e.g. Spanish Bankia).

A large part of these losses has stemmed from the drastic decline of the prices if assets issued **by institutions with a significant share of financing** (e.g. Lehman Brothers). Therefore, the EU has two objectives related to banking: (i) to weaken the role of banks in long-term financing of the European economy for the benefit of capital markets, and (ii) to create regulation, which will prevent the use of tax resources for rescuing private banks.

The European Commission formulated its first objective in **the Green Book regarding long-term financing** of the European economy, in which is expresses support for the American financial model. In it, according to the think tank **Eurofi**, capital markets participate in **60%** of financing of corporate and infrastructural projects, while in the EU the percentage is around **30%**.

On one hand, the recent crisis experience proves to us that the crisis has not been avoided even by the capital market, while on the other hand it seems that its post-crisis ability **to stimulate the economy** exceeds the ability of the banking market to do so (the economy in the USA is currently growing stably **by about 2% annually**, while according to Eurostat the EU economy did not grow **by more than 0.6% last year**). In other words, the architecture of the newly created banking regulation, consisting mainly of the Capital Requirements Directive and Regulation (**CRD IV**), the Banking Recovery and Resolution Directive (BRRD) and directives related to **the banking union**, places emphasis on reducing the size of the banking sector for the purpose of making financing of the economy more effective.

The second aim of regulation is to create mechanisms through which cooperating banks will be able to stabilise themselves on their own, without contributions from taxpayers. This problem of this otherwise very necessary approach lies in the problematic extent of the specified directives. They are focused mainly **on traditional banks** and **certain investment companies**, which overlook the part of the shadow sector with financial market infrastructure and also affect certain non-financial businesses (such as in the energy industry). Another challenge is **international coordination** regarding similar mechanisms, since some countries have not yet introduced them (such as India), and others have been applying them only to traditional banks (such as China).

However, the harmonisation of individual mechanisms both across banking sectors and across individual jurisdictions should be **a major priority**: softer conditions can bring part of the shadow sector to less regulated countries, which itself poses a certain level of risk. In the globalised world, the materialisation of such risks can have a global impact, and therefore it is necessary to avoid such a situation.

Karel Kabelík, Czech Banking Association

In the main topic of the July Monthly, we will focus on the economic recommendations of the European Commission for individual member states in 2014. We will focus on the European Commission's specific recommendations for EU member states for 2014 and especially on recommendations related to the Czech Republic for 2014-2015, including, for example, improvement of fulfilment of tax obligations, improvement of the effectiveness and efficiency of public services related to employment and maintaining of a healthy fiscal situation.

COMMISSION´S RECOMMENDATIONS FOR 2014

INTRODUCTION

At the beginning of June, the European Commission issued **economic recommendations for individual EU member states**, the intended aim of which is to strengthen the long awaited economic recovery.

The individual recommendations are based on similar economic analyses of member states, based on which the European Commission advises member states regarding how to proceed in many areas for the subsequent period. It attempts **to help improve and maintain already achieved economic growth**, maintain healthy public finances and thus increase competitiveness, including against other world economies. A lot of attention is devoted to **the situation on the labour market**, which has been and remains affected by high unemployment, mainly among young people.

These recommendations are focused on the periods of the subsequent twelve to eighteen months and are based on findings from **the yearly analysis of growth** prepared by the Commission a the end of last year based on the submitted information from mid-term financial plans of individual member states.

CYCLE PHASE

The economic crisis, which hit hard in Europe and elsewhere, showed the need to strengthen the management of economic matters and improve coordination of polities among member states. This coordination shall bear its fruits through contribution of convergence and stability both for the entire EU and for individual member states.

Therefore, the Commission's current recommendations are not a one-time occurrence. Until 2010, tasks for coordination of economic policies were carried out mutually independently. However, it became apparent that it would be necessary to synchronise these approaches and **simplify the entire system**, so that in its individual areas joint objectives would be taken into consideration.

For these reasons, in 2010 EU member states introduced **the European semester** as part of broader reforms. The European semester represents a cycle of coordination of economic and fiscal policies within the EU. During the European semester, member states bring their budget and economic policies in line with objectives and rules agreed upon at the EU level.

The first such consultation occurred in 2011. It was preceded by **the introduction of the Europe 2020 strategy** by the European Commission in March 2010 and its subsequent approval in June of the same year. The Czech Republic approved its first national programme at the end of April 2011.

The already fourth European semester culminated with the approval of individual recommendations by the European Council at the beginning of this June. This European semester includes a clearly defined schedule, in accordance with which member states receive advice at the EU level and then present their policy plans, which need to be assessed at the EU level. After their evaluation, member states are issued **recommendations regarding their domestic budget and reform policies**.

Whenever essential, member states also receive recommendations for correcting macroeconomic imbalances. The aim of this approach is to ensure that member states taken recommendations into consideration when setting their budgets for the subsequent year.

The cycle itself, as specified by the European Council, can be divided into several phases:

- Preparation phase: Analysis of the situation and activities corresponding to the previous year;
- First phase: Political instructions at the EU level;
- Second phase: Individual countries' policies and plans
- Third phase: Implementation.

Preparation phase: Analysis of the situation and activities corresponding to the previous year

The European semester itself is prepared in November of the preceding year, when the European Commission publishes its yearly analysis and **report regarding the alert mechanism**.

In the yearly growth analysis (carried out at the end of the year), the Commission's opinion regarding the EU's political

priorities for the next year is presented. Member states are called upon to consider the specified priorities when formulating their economic policies for the subsequent year.

Macroeconomic development in individual member states is evaluated in the Alert Mechanism Report (AMR). The European Commission may then decide based on that report whether to carry out thorough checks in countries where the risk of macroeconomic imbalance is considered high.

First phase: political instructions at the EU level

At the start of the year, the Council of the EU discusses the yearly analysis of growth, formulates the main directions and adopts conclusions. This yearly analysis is also discussed by the European Parliament, which may issue its own report if it so decides. Then a stance is issued regarding the main aims of employment policy. The European Parliament becomes further involved in the entire process via economic dialogue.

The European Parliament can invite the chairman of the Council, the Commission and the Chairman of the European Council and/or **the head of the Eurozone to discuss issues related to the European semester**. The opportunity to participate in exchanges of opinions can also be offered to individual member states.

Based on a yearly analysis of growth as well as a breakdown carried out by the Council of the EU and its conclusions, the European Council (heads of state and heads of government) provides policy instructions.

Member states are then asked to consider these main aims when preparing their domestic programmes for stability, convergence programmes and national reform programmes, in which their budget policies and policies for supporting growth and competitiveness are highlighted.

The Commission makes public the thorough examination of the macroeconomic imbalance, which has been carried out in member states where the risk of such imbalance is deemed high.

Based on such examination, **the Commission may prepare proposed recommendations** for the affected countries for the purpose of correcting the specified imbalance. These proposals can be prepared together with the publication of the thorough examination or in a later phase of the process, together with other recommendations for individual countries.

Second phase: individual countries' policies and plans

Member states submit their policy plans, if possible by 15 April, but no later than by the end of April:

- **stability and convergence programmes**, in which the mid-term budget strategy of states is highlighted;
- **national reform programmes**, in which member states' plans related to structural reforms focused on supporting growth and employment are specified.

In the subsequent months, the European Commission evaluates the policy plans of individual member states and presents proposed recommendations for individual countries, and the Council of the EU discusses the proposals and approves the final recommendations for individual countries. These recommendations are then submitted to the European Council for confirmation.

The Council of the EU adopts recommendations for individual countries, and member states are called upon to implement them.

Third phase: Implementation

Beginning in July, member states consider the specified recommendations when deciding at the national level regarding the state budget for the upcoming year, which enables them to implement policies in the planned manner.

The entire cycle is restarted at the end of the year, when the Commission presents an overview of the economic situation as part of its yearly analysis of growth for the upcoming year. The Commission begins already in this phase to consider the progress that individual countries have achieved when implementing the recommendations.

Member states that use financial assistance bound to economic recovery programmes do not need to present stability programmes and are not subjected to potential thorough examination related to macroeconomic balance.

Receiving financial assistance is conditioned on thorough implementation of a recovery programme, which already includes all of these policy areas.

COMMISSION´S 2014 RECOMMENDATIONS FOR MEMBER STATES

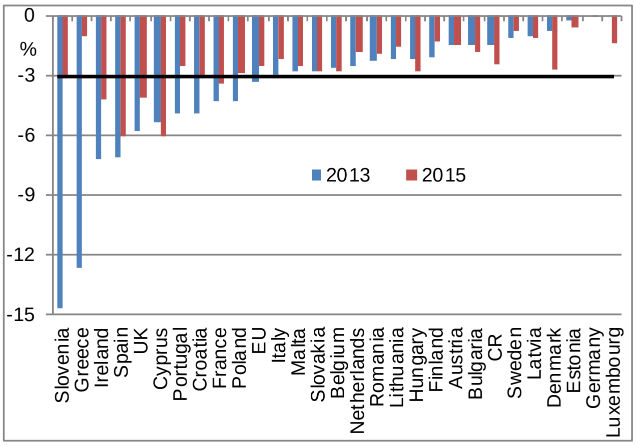
This year recommendations were issued for 26 member states. However, recommendations were not issued for Greece and Cyprus, where economic recovery programmes are ongoing. The recommendations reflect progress and positive results, which have been achieved since 2013:

- **After the economic crisis, the economy returned to growth in most countries affected by the crisis.** An economic decline is expected this year only in Cyprus (-4.8% of GDP) and Croatia (-0.6% of GDP). However, in 2015, all of the states without exception are expected to report economic growth.
- **The balance of public finances continues improving.**

  In 2014, it is expected that the total budget deficit of the EU states will drop to below 3% for the first time since the crisis hit and will amount to 2.6% of GDP.

  The Commission has recommended to Belgium, the Czech Republic, Denmark, the Netherlands, Austria and Slovakia that they end the excessive deficit procedure, as a result of which the number of countries still subjected to this procedure would fall to 11.

Public budget deficit to GDP (in %)



Source: European Commission

In 2015, the situation with public budgets is expected to continue improving, and the average for the European Union will likely drop by another 0.1%.

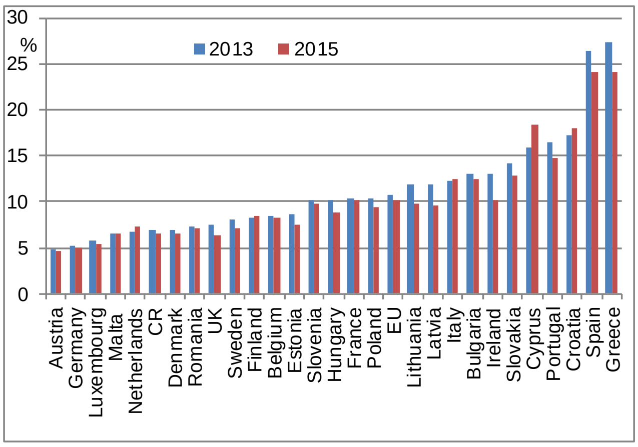
- **Balance is being restored**, which is improving several countries' financial situation. In March 2014, the Commission, for the first time since the procedure for handling macroeconomic imbalances was implemented, concluded that two countries, Denmark and Malta, would no longer encounter any imbalances and that in Spain the imbalance would cease to be excessive.
- **Beginning this year, employment growth is expected to be levelled out**, and the unemployment level is expected to drop by 2015 to about 10%, with a half-year or longer delay existing between developments on the labour market and development of GDP.

  Several member states, including Spain, Portugal, Italy and France, have carried out major reforms at boosting the strength of the labour market.

  According to the European Commission, certain recovery of the economy and its growth should occur also in 2015, when unlike in 2013 in most EU member states the unemployment level is expected to drop (the EU average is expected to drop in 2015 by 0.7% from 10.8% in 2013).

  The highest unemployment levels, in Greece and Spain, are expected to fall to under 25%.

Unemployment level in the EU



Source: European Commission, AMECO

In view of the recent economic crisis and recovery, it is necessary for member states to continue with their structural reforms.

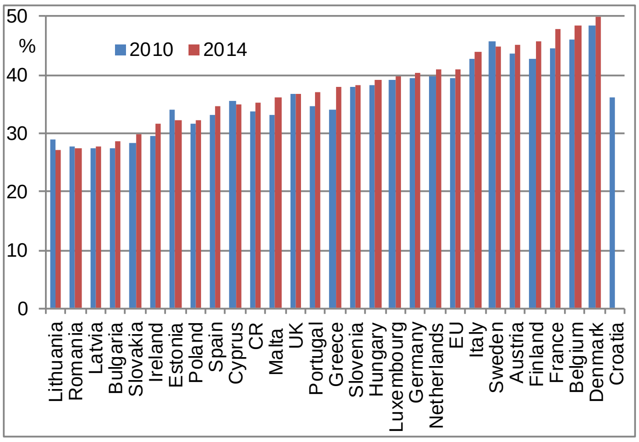
Therefore, the Commission recommends these specific measures:

- **Tackling high unemployment, inequality and poverty:** The crisis in the European Union has deeply and over the long term been reflected in the unemployment level. In 2013, the EU's average unemployment level was still very high at 10.8%, while among individual states the differences ranged from 4.9% in Austria to 27.3% in Greece.

  This situation requires the continuation of employment policy reforms, in order to improve the education and social security systems.

  Special attention is devoted in the recommendations to resolving youth unemployment, which in some states exceeds 50%, in particular by implementing a system of guarantees for young people. The long-term unemployed are another group that remains negatively affected.

Overall tax burden in % of GDP

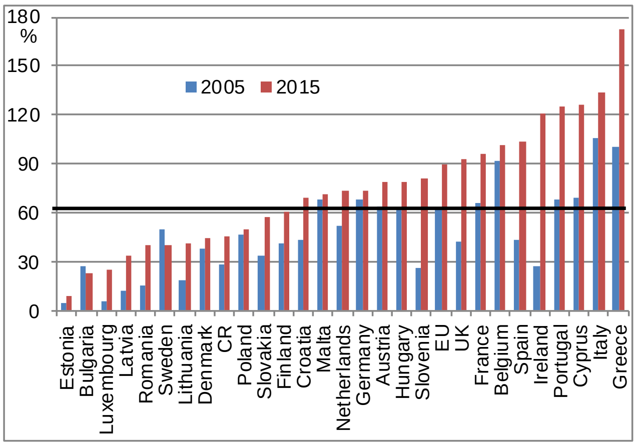


Source: EC, AMECO, data of 2014 for Croatia are not available

- **Reorganisation of the tax system, so that it supports employment more:** During the crisis, many countries relied more on tax increases than cuts in spending, and so the total tax burden grew. The total tax burden (including taxes and contributions for social security) in the EU has grown since 2010 by 1.4% to 41% in 2014.

  Since from the point of view of public finances there is limited manoeuvring space, the recommendations have in many cases been focused on shifting the tax burden from work to periodic taxes on real estate, consumer taxes and environmental taxes, on better fulfilment of tax obligations and on combating tax fraud.

Public debt to GDP in the EU (in %)



Source: European Commission, AMECO

- **Underestimating of private investments:** In Italy, Greece, Spain, Lithuania, Slovakia, Croatia and Cyprus, it is still difficult to obtain bank financing, mainly for SME. The recommendations cite the need to stabilise the banking sector further and support alternative forms of financing, such as programmes involving credit guarantees or business bonds.
- **Increasing the competitiveness of EU economies:** There has been only minor progress in structural reforms of key sectors compared to in 2013. In several of this year's recommendations, additional reforms are emphasised, in relation to the service sector, energy, traffic and transport infrastructure, research and development systems and regulations governing economic competition.
- **Debt reduction:** According to the most recent spring economic prognosis from this year, public debt will reach its maximum due to ongoing debt accumulation, and it is necessary for debt accumulation to begin declining, particularly in the most affected states, which are Belgium, Ireland, Greece, Spain, Italy, Cyprus and Portugal, where public debt still exceeds 100% of GDP.

  In terms of public finances, it will be a demanding task to manage expenditures related to the ageing population (particularly expenditures for pensions and healthcare) and to maintain pro-growth expenditures for areas such as education, research and innovation.

Budget decisions

The European Commission has continued to recommend to the Council of Ministers that it end the excessive budget procedure for six states: Belgium, the Czech Republic, Denmark, the Netherlands, Austria and Slovakia.

The Commission also concluded that two countries (Poland and Croatia), in reaction to the recommendations issued by the Council during the excessive deficit procedure, had adopted effective measures.

RECOMMENDATIONS FOR THE CZECH REPUBLIC FOR 2014-2015

The recommendations from this June do not differ much from those of previous years. Like in previous years, there are seven of them:

- **Maintain a healthy fiscal situation during this year corresponding to correction of the excessive budget.**

  Significantly boost budget strategy in 2015 to ensure achievement of mid-term objectives and to maintain that achievement. Expenses focused on growth shall be given priority. It is also recommended to implement fiscal rules for local and regional governments and improve coordination between all levels of administration.

- Another point is focused **on improving fulfilment of tax obligations** (especially with a focus on VAT) and the effort to reduce costs for tax collection and payment through simplification of the tax system and harmonisation of VAT bases for individuals and assessment bases for contributions to social security and health insurance.

  Emphasis is also placed on reducing differences in the tax area between employees and self-employed people.

- **Improve the efficiency and effectiveness of public services** related to employment, mainly by implementing a system for measuring performance.

  Address unregistered young people and provide individualised services. Significantly increase the availability of affordable and quality facilities and services for child care, with a focus on children up to age three.

  A very drastic reduction in the number of preschool facilities has occurred in the past, particularly daycare centres. However, there was certain progress, when in January 2014 the Czech Republic approved a bill regarding children's groups.

- **Ensure that accreditation, management and financing of universities** contribute to improvement of their quality and to a better focus on the labour market. Speed up the processing and implementation of new methods for evaluating research and for allocating financial resources, in order to increase the share of financing provided to research institutions based on their performance.

  Make the teaching profession in elementary education more attractive, implement a comprehensive evaluation framework and support schools and pupils with poorer results. Increase education inclusiveness and support for participation of Roma and other socially disadvantaged children, particularly in preschool education.

- **In the area of reforms of regulated professions**, speed up their progress and focus on eliminating unjust and unreasonable demands.

- **Adopt and implement the state service act this year** and speed up and strengthen the fight against corruption by implementing the remaining legislative measures defined in the anti-corruption strategy for 2013-2014.

- **More quickly increase the legally set age for beginning retirement** with clearer tying of this age with changes in the middle part of life and thereby ensure long-term sustainability of the public pension system. It is also recommended to support employment of older workers and examine the mechanism for valorisation of pensions.

The Czech government has accepted the individual recommendations. They mostly correspond with the government's programme. However, a certain controversial point is the retirement age, since the Czech government does not agree with faster increasing of the retirement age, even because of worse employment levels among older people.

The retirement age in the Czech Republic is among the lowest in the EU, but continued life expectancy is lower as well. Continued Life expectancy (65), the average lifespan, expresses the number of years on average that a person age 65 will still live, assuming that for the duration of the remainder of the person's life particular demographic indicators do not change.

Continued life expectancy differs between men and women due to the different death rates of both genders.

Retirement age in EU states

	Retirement age men and women (2009)	Retirement age men and women (2020)
Belgium	65/65	65/65
Bulgaria	63/60	65/63
CR	**62/56y8m-60y8m**	**63y10m/60y6m-63y10m**
Denmark	65/65	66/66
Germany	65/65	65y9m/65y9m
Estonia	63/61	64/64
Ireland	66/66	66/66
Greece	65/60	67/67
Spain	65/65	65-66y4m/65/66y4m
France	60-65/60-65	62-67/62-67
Croatia	65/60	65/62y6m
Italy	65y4m/60y4m	66y11m/66y11m
Cyprus	65/65	65+/65+
Latvia	62/62	63y9m/63y9m
Lithuania	62y6m/60	64/63
Luxembourg	65/65	65/65
Hungary	62/62	64/64
Malta	61/60	63/63
Netherlands	65/65	66y8m/66y8m
Austria	65/60	65/60
Poland	65/60	67/62
Portugal	65/65	66/66
Romania	63y4m/58y4m	65/61
Slovenia	63/61	65/65
Slovakia	62/57y6m-61y6m	62+/62+
Finland	63-68/63-68	63-68/63-68
Sweden	61-67/61-67	61-67/61-67
UK	65/50	66/66

Source: European Commission; note: y = years, m = months, 2009 = the situation in 2009, 2020 = member states' plans for 2020

Period of economic activity and continued life expectancy in the EU in 2012

	Continued life expectancy (65)		Period of economic activity	
	Women	Men	Women	Men
France	23.4	19.1	32.6	36.5
Spain	22.8	18.7	31.9	37.4
Italy	22.1	18.5	25.4	35.3
Finland	21.6	17.8	36.7	38.0
Luxembourg	21.4	18.4	29.4	35.5
Belgium	21.3	17.7	29.6	34.7
Austria	21.3	18.1	34.2	39.4
Portugal	21.3	17.6	35.0	38.7
Germany	21.2	18.2	34.9	39.9
EU	**21.1**	**17.7**	**32.2**	**37.6**
Ireland	21.1	18.0	30.1	37.9
Slovenia	21.1	17.1	32.1	34.9
Sweden	21.1	18.5	39.3	41.8
Greece	21.0	18.1	27.8	36.0
Malta	21.0	17.6	23.7	38.9
Netherlands	21.0	18.0	37.0	42.2
UK	20.9	18.5	35.1	41.0
Cyprus	20.4	17.9	32.4	39.9
Estonia	20.3	14.8	35.7	36.7
Denmark	20.2	17.5	37.8	40.7
Poland	19.9	15.4	29.5	34.6
CR	**19.2**	**15.7**	**30.9**	**37.5**
Lithuania	19.2	14.1	34.2	33.7
Croatia	18.7	15.0	28.7	33.3
Latvia	18.5	13.6	34.9	35.2
Slovakia	18.5	14.6	29.7	35.6
Hungary	18.1	14.3	28.2	32.5
Romania	17.7	14.5	29.2	34.5
Bulgaria	17.3	13.9	30.3	32.7

Source: EC, Eurostat

CONCLUSION

The presented **recommendations for individual countries** will be discussed by top officials and ministers from member states. On 8 July, EU finance ministers will formally accept them.

Then it will be up to member states **to fulfil the recommendations** and take them into consideration when preparing their state budgets and strategies for 2015.

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 Belgium.

BELGIUM

Official name	Kingdom of Belgium
Population	11 161 642 (2013)
Area	30 528 km^2
Currency	Euro (from 1. 1. 1999)
Official language	Dutch, French, German

Source: Eurostat

The Kingdom of Belgium is surrounded by France, Luxembourg, Germany and the Netherlands and has access to the North Sea. It consists of 10 provinces and three regions (Flanders, Wallonia and Brussels).

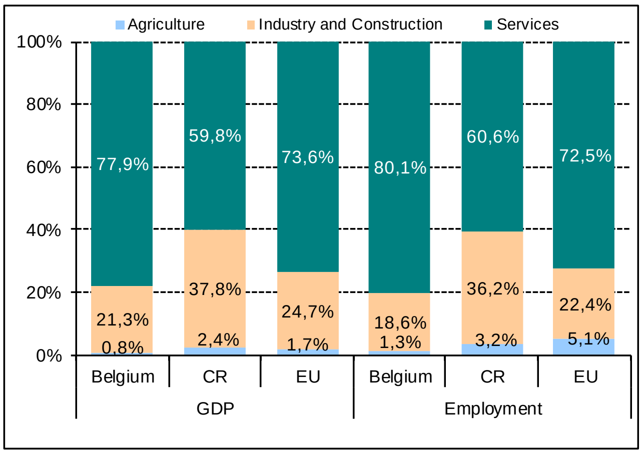
Belgium is a federal parliamentary democracy within the framework of a constitutional monarchy. French-speaking Socialist Elio Di Rupo has served as prime minister since 2011. The head of state is a hereditary monarch, King Philippe since 2013.

Structure of economy and foreign trade

Agriculture makes up 0.9% of GDP in Belgium and employs 1.3% of the labour force, which is several times less than the EU average. The ratio of industry both to GDP and to employment in Belgium is also somewhat lower than the EU average. However, the dominant sector is the service sector, which makes up 77.6% of the country's GDP and employs more than 80% of the country's workers.

Belgium's main export partners are Germany (18%), France (16.1%) and the Netherlands (13%). Export commodities include in particular engineering products, chemicals, processed diamonds and metals.

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



Source: Eurostat, data as of 2013

The country imports mainly raw materials, engineering products, chemicals and raw diamonds. The country mostly imports from the Netherlands (20.9%), Germany (14.2%) and France 10.6%).

Macroeconomic outlook

The Belgian economy ended 2013 in positive numbers, thanks to growth in net exports and households' consumption. Its growth by 0.5% of GDP in the last quarter ended two years of stagnation. This year, economic growth is expected to reach 1.4%, mainly thanks to domestic demand, which under the influence of households' consumption will be the main driver of economic growth, instead of exports. The same factors will be behind economic growth in 2015.

The European Commission expects the balance of net exports to rebound to its June numbers, thanks to increasing imports in order to satisfy the domestic market. GDP is expected to grow by 1.6% in 2015. Even despite economic improvement, reduction of the deficit of public finances is not expected; nor is there an expectation of reduction of the country's overall debt, which has long hovered around 100% of GDP.

Basic indicators (in %)	2012	2013	2014^e	2015^e
GDP growth	-0.1	0.2	1.4	1.6
Unemployment level	7.6	8.4	8.5	8.2
Inflation	2.6	1.2	0.9	1.3
Current account saldo	-0.2	-0.3	0.3	-0.3
Public debt	101.1	101.5	101.7	101.5

Source: European Commission; ^{e} - estimate

Labor market

Since 2013, the unemployment level has remained at around 8.4%, and the situation is not expected to change much in the future. Work productivity per hour worked has long been above the EU average. Although since 2000 it has fallen by 14%, Belgium immediately follows Luxembourg as the country with the highest productivity in the EU.

The price ceiling is higher in Belgium than in the Czech Republic, which is also reflected in higher average labour costs, which are generally more than three times higher than in the Czech Republic.

The greatest difference is in the processing industry (366%), and the least difference is in construction (274%).

Basic indicators of labor market		
Unemployment level (May 2014)	8.5%	
Labor productivity to ø EU (2012)	132.5%	
Minimum monthly wage (2014)	1 501.82%	
Ø monthly labor costs in sectors	**Belgium**	**CR**
Manufacturing (2013)	5 390 €	1 473 €
Wholesale and retail trade (2013)	4 649 €	1 519 €
Transport and storage (2013)	4 757 €	1 494 €
Construction (2013)	4 047 €	1 475 €

Source: Statistical Offices of Belgium and Czech Republic

Labor law basics

An employment contract must be in writing. The work period should not exceed 8 hours daily, but some exceptions do apply.

The weekly work period in Belgium is set at 38 hours. For overtime work, employees are entitled to extra pay of 150% times their regular wages and 200% for work on Sundays and state holidays. Each employee is entitled to a minimum of 20 days of vacation.

Commercial law basics

A limited liability company can also be established on one person, if he/she comes up with the minimum registered capital, 18,550 euros.

At least two shareholders (whether individuals or legal entities) are necessary to establish a joint-stock company, along with at least 61,500 euros in registered capital. Such company must also be registered at the Commercial Court. It is interesting that operating a non-profit organisation is an official type of business activity.

There are five tax brackets for individual income taxes in Belgium. The lowest bracket is for income of up to 8,350 euros, which are taxed at 25%, and income of over 36,300 euros are taxed at 50%.

Form of Company	Minimum Capital
European Company - SE	120 000 EUR
Limited Liability Company - SPRL/BVBA	18 550 EUR
Joint Stock Company - SA/NV	61 500 EUR

Source: Ministry of Economy

Main taxes and additional labor costs

The corporate tax system is very complex. The basic rate is 33%, but there are many surcharges, deductions and reduced rates, depending on many factors. The basic VAT rate is 21 %. The reduced rate of 12% applies to restaurants, and a 6% rate applies to food, books, cultural performances, etc.

Up to 13.07% of an employee's wages are deducted for health insurance and social security, and for employers there are two basic rates (40.58% for manual labour workers and 34,58% for office workers), along with multiple surcharges, which the employer deducts from the employee's gross monthly wages.

Tax/payment	Rate
Corporate Tax	33%
Individual Income Tax	25/30/40/45/50%
Social insurance (employee)	13.07%
Social insurance (employer)	40.58% / 34.58%
VAT (basic /lower)	21% / 12% / 6% / 0%

Source: Ministry of Finance

Energy

Electricity prices in Belgium are more stable than in the Czech Republic, and half-year changes during the monitored period do not even exceed 1.4% on average. In the second half of 2013, the price of electricity for large customers was just under 11 euro cents per kilowatt hour. Natural gas prices are slightly more complicated. In 2009 they fell by a fifth, while in the first half of 2013 they rose compared to the previous period by 15%, and by the end of the year they fell again by 14%. Natural gas is currently sold to large customers in Belgium for 9.2 euros per gigajoul.

Belgium is 53.5% dependent on nuclear energy and 30.4% dependent on natural gas. Renewable energy sources generate 10.6% of the country's energy, and solid fuels and other sources make up less than 6%.

Investment incentives

Belgium is trying to attract investors, particularly for investments in biotechnology, the automotive industry, pharmaceuticals, the food industry, the aviation industry, ICT, transport and logistics. It is offering incentives such as tax breaks, free consultations regarding tax issues, relief from taxes on dividends, reduction of wage costs for employers and several other benefits specifically for the research and development sector.

The The EU's programme for employment and social innovation (EaSI) is another of the EU's programmes for 2014-2020, which is part of circuit 1a: Competitiveness for Growth and Employment We will focus more on it in our July "Dating with MFF" section. The seven-year budget amounts to approximately 919.5 million euros, and the resources are intended in particular for financing employment involving micro enterprises, the fight against corruption, improvement of working conditions in the EU (mainly ensuring of more jobs for young people), etc.

EU PROGRAMME FOR EMPLOYMENT AND SOCIAL INNOVATION (“EASI”)

The EU programme for employment and social innovation is supporting member states' efforts during proposal and implementation of employment policies and social reforms both at the European and at the national and regional levels through coordination of policies, various analyses and sharing of verified approaches.

The aim of the programme is to involve at risk groups of people and micro enterprises in the labour market by increasing availability and ensuring better access to micro loans. This EU project is also focused **on the fight against poverty and social exclusion**, supports high quality and sustainable employment, is seeking to improve working conditions and access to professional training for disadvantaged persons (such as young people) and aims to ensure a reasonable and dignified social safety net.

The EU has allocated **nearly 919.5 million euros** (in current prices) for employment and social innovations for the seven-year period of 2014-2020.

The „EaSI“ is integrating and expanding the EU's three existing financial tools (three axes):

1. PROGRESS (Programme for Employment and Social Solidarity)

The first axis relates to the Progress programme, which is focused mainly **on preparing studies and analyses and sharing experience** related to employment and social protection.

Cooperation between the EU and social partners, civic organisations and public and private entities functions for the purpose of ensuring social innovations and progress in society.

Support from the EU is provided mainly **for the fight against youth unemployment**, for social inclusion and for reduction and prevention of poverty and improving working conditions.

2. EURES (European Job Mobility Portal)

The second axis, Eures, serves in particular **for development of cooperation within support for geographic mobility of workers** in the EU, increasing of job opportunities thanks to the developing labour market in the European Union and support for cross-border partnership. The main aim is to contribute to ensuring a high level of quality and sustainable employment.

Financial resources from the EU serve mainly **for ensuring transparency in competition for available jobs**, in applications and other information, which is important for applicants and employers, and for development of services for recruitment and placement of workers in jobs (via targeted EU programmes) and for ensuring cooperation as part of cross-border partnership.

3. Tool MICRO FINANCING AND SOCIAL BUSINESS

The third axis includes the tool **for micro financing and social business activity**, which increases access of social businesses and new business operators (both individuals and legal entities) to financial resources for obtaining micro loans.

Financial resources within this axis are intended **for micro financing of micro enterprises**, vulnerable groups and social business activity.

From the total sum, **Progress is receiving 61%** of financial resources (561 million euros) and **Eures 18%** (165.5 million euros), **and 21%** (193 million euros) is reserved **for micro financing and social business activities**.

However the European Commission may use up to 2% of the total sum for financing operating expenses related to support for programme implementation.

The Commission can also handle financial resources within individual axes during the seven-year period, **but financial resources in individual axes must not exceed 10% of the allocated amount**.

General objectives

The basic and main objectives of the „EaSI“ include **support for employment and social inclusion**, innovative social policy in the EU, support during preparation of effective systems for boosting social protection and the labour market, dignified work and quality working conditions and a culture of prevention focused on protecting health and occupational safety.

Emphasis is also placed in an equal balance between work and family lives. Through this programme, **the EU is also attempting to fight against discrimination** on the labour market based on gender, race or ethnic origin and to support equal opportunities for men and women to gain employment.

The Statistical window in a tabular form shows important macroeconomic indicators from all member states and the EU as a whole. It includes economic performance indicators (per capita GDP as compared to the EU average, GDP growth), external economic stability indicators (current account to GDP), fiscal stability indicators (public budget to GDP, public debt to GDP) and price level to ø EU. The source of the data is Eurostat and EC.

Key macroeconomic indicators

	GDP growth				GDP per capita (PPS, % of ø EU)				Price level to ø EU			
in %	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Belgium	2.3	1.8	-0.1	0.2	120	120	120	119	110.2	109.6	108.6	109.3
Germany	4.0	3.3	0.7	0.4	119	122	123	124	103.5	102.0	101.1	101.5
Estonia	2.6	9.6	3.9	0.8	64	69	71	72	74.8	75.9	76.9	79.9
Ireland	-1.1	2.2	0.2	-0.3	128	128	128	126	118.1	118.7	117.0	118.1
Greece	-4.9	-7.1	-7.0	-3.9	89	81	76	75	94.5	94.5	92.1	89.5
Spain	-0.2	0.1	-1.6	-1.2	99	96	95	95	96.6	96.9	95.0	94.8
France	1.7	2.0	0.0	0.2	109	109	108	108	110.1	109.7	108.1	109.1
Italy	1.7	0.4	-2.4	-1.9	103	101	100	98	101.2	102.9	102.5	103.2
Cyprus	1.3	0.4	-2.4	-5.4	97	93	91	86	88.7	88.7	87.4	86.2
Latvia	-1.3	5.3	5.2	4.1	55	60	64	67	70.0	71.2	71.6	71.2
Luxembourg	3.1	1.9	-0.2	2.1	262	265	263	264	122.3	123.3	122.1	123.2
Malta	4.1	1.6	0.6	2.4	87	86	86	87	77.4	78.4	77.8	79.5
Netherlands	1.5	0.9	-1.2	-0.8	130	129	127	127	107.8	108.3	107.6	110.1
Austria	1.8	2.8	0.9	0.4	126	129	130	129	105.1	105.7	105.5	106.9
Portugal	1.9	-1.3	-3.2	-1.4	80	77	76	75	87.4	87.8	85.9	86.0
Slovenia	1.3	0.7	-2.5	-1.1	84	84	84	83	86.1	84.9	83.0	83.3
Slovakia	4.4	3.0	1.8	0.9	74	75	76	76	70.3	70.7	70.4	70.6
Finland	3.4	2.8	-1.0	-1.4	114	116	115	112	121.7	122.2	121.7	123.5
Bulgaria	0.4	1.8	0.6	0.9	44	46	47	47	50.0	48.8	48.3	48.4
CR	2.5	1.8	-1.0	-0.9	81	81	81	80	74.6	75.5	72.2	70.6
Denmark	1.4	1.1	-0.4	0.4	128	125	126	125	140.4	142.6	140.6	139.6
Croatia	-2.3	-0.2	-1.9	-1.0	60	60	61	61	75.2	73.0	70.0	68.5
Lithuania	1.6	6.0	3.7	3.3	62	67	71	74	63.6	64.5	63.9	64.6
Hungary	1.1	1.6	-1.7	1.1	66	67	67	67	63.0	61.5	60.3	59.7
Poland	3.9	4.5	2.0	1.6	63	65	67	68	60.4	58.6	56.7	56.5
Romania	-1.1	2.3	0.6	3.5	51	51	53	54	57.4	58.8	55.4	57.5
Sweden	6.6	2.9	0.9	1.5	123	125	126	127	119.7	125.7	128.7	129.8
UK	1.7	1.1	0.3	1.7	108	105	105	106	107.8	108.6	116.5	113.5
EU	2.0	1.6	-0.4	0.1	100	100	100	100	100.0	100.0	100.0	100.0

	Public budget deficit to GDP				Public debt to GDP ratio				Current account saldo to GDP			
in %	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Belgium	-3.8	-3.8	-4.1	-2.6	96.6	99.2	101.1	101.5	2.6	0.5	-0.2	-0.3
Germany	-4.2	-0.8	0.1	0.0	82.5	80.0	81.0	78.4	6.4	6.3	7.0	7.4
Estonia	0.2	1.1	-0.2	-0.2	6.7	6.1	9.8	10.0	3.5	0.3	-2.8	-1.8
Ireland	-30.6	-13.1	-8.2	-7.2	91.2	104.1	117.4	123.7	1.1	1.2	4.4	6.6
Greece	-10.9	-9.6	-8.9	-12.7	148.3	170.3	157.2	175.1	-12.8	-11.7	-4.6	2.4
Spain	-9.6	-9.6	-10.6	-7.1	61.7	70.5	86.0	93.9	-4.4	-4.0	-1.2	0.8
France	-7.0	-5.2	-4.9	-4.3	82.7	86.2	90.6	93.5	-1.9	-2.5	-2.1	-1.9
Italy	-4.5	-3.7	-3.0	-3.0	119.3	120.7	127.0	132.6	-3.5	-3.1	-0.4	0.9
Cyprus	-5.3	-6.3	-6.4	-5.4	61.3	71.5	86.6	111.7	-9.2	-3.5	-7.0	-1.4
Latvia	-8.2	-3.5	-1.3	-1.0	44.5	42.0	40.8	38.1	2.9	-2.2	-2.5	-0.8
Luxembourg	-0.8	0.2	0.0	0.1	19.5	18.7	21.7	23.1	7.7	6.6	5.8	5.2
Malta	-3.5	-2.7	-3.3	-2.8	66.0	68.8	70.8	73.0	-5.3	-1.0	1.1	0.6
Netherlands	-5.1	-4.3	-4.1	-2.5	63.4	65.7	71.3	73.5	5.0	7.4	7.7	7.8
Austria	-4.5	-2.5	-2.6	-1.5	72.5	73.1	74.4	74.5	3.6	1.5	1.8	2.7
Portugal	-9.8	-4.3	-6.4	-4.9	94.0	108.2	124.1	129.0	-10.4	-7.2	-2.2	0.4
Slovenia	-5.9	-6.4	-4.0	-14.7	38.7	47.1	54.4	71.7	-0.2	0.2	3.1	5.3
Slovakia	-7.5	-4.8	-4.5	-2.8	41.0	43.6	52.7	55.4	-3.7	-2.6	1.6	2.5
Finland	-2.5	-0.7	-1.8	-2.1	48.8	49.3	53.6	57.0	1.7	-1.5	-1.4	-0.8
Bulgaria	-3.1	-2.0	-0.8	-1.5	16.2	16.3	18.4	18.9	-0.4	0.1	-0.9	1.9
CR	-4.7	-3.2	-4.2	-1.5	38.4	41.4	46.2	46.0	-5.0	-3.5	-2.6	-1.2
Denmark	-2.5	-1.9	-3.8	-0.8	42.8	46.4	45.4	44.5	5.8	5.9	6.0	7.3
Croatia	-6.4	-7.8	-5.0	-4.9	45.0	52.0	55.9	67.1	-0.9	-0.7	-0.4	0.5
Lithuania	-7.2	-5.5	-3.2	-2.2	37.8	38.3	40.5	39.4	-0.4	-3.9	-1.1	1.3
Hungary	-4.3	4.3	-2.1	-2.2	82.2	82.1	79.8	79.2	0.4	0.6	1.1	3.1
Poland	-7.8	-5.1	-3.9	-4.3	54.9	56.2	55.6	57.0	-4.3	-4.5	-3.4	-1.6
Romania	-6.8	-5.5	-3.0	-2.3	30.5	34.7	38.0	38.4	-4.4	-4.5	-4.4	-1.1
Sweden	0.3	0.2	-0.6	-1.1	39.4	38.6	38.3	40.6	6.9	6.2	6.5	6.6
UK	-10.0	-7.6	-6.1	-5.8	78.4	84.3	89.1	90.6	-2.7	-1.5	-3.8	-4.4
EU	-6.5	-4.4	-3.9	-3.3	80.0	82.9	86.6	89.4	-0.1	0.2	0.9	1.6

Source: Eurostat, EC