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ČESKÁ SPOŘITELNA

EU OFFICE
Česká spořitelna, a.s.
Budějovická 1518/13a
140 00 Praha 4
tel.: +420 956 718 012
fax: +420 224 641 301
EU_office@csas.cz
http://www.csas.cz/eu

Jan Jedlička
Head of EU Office
+420 956 718 014
jjedlicka@csas.cz

Tereza Hrtúsová
+420 956 718 012
thrtusova@csas.cz

Tomáš Kozelský
+420 956 718 013
tkozelsky@csas.cz

Radek Novák
+420 956 718 015
radeknovak@csas.cz

under the auspices of Pavel Kysilka
CEO of ČS

Dear readers,

I don't know how you see it, but I think that November is usually the most hectic month of the year. This may be related to the habit of leaving everything to the end of the period and catching up with the backlog and outstanding tasks at the last moment. And already this cannot be done in the second half of December. Let's look together at whether this theory holds up for happenings in the EU.

Jean-Claude Juncker and the other new European Commissioners who took office in early November may have a similar opinion. They had hardly been in their seats long enough to settle in and already there was a threat that instead of for 5 years, the European Union executive would lead for less than a month. In late November the extreme right in the European Parliament called for a vote of confidence in the Commission. The reason was a fresh scandal on specific tax practices in Luxembourg, which in recent years favored big companies. And who was the Prime Minister and Minister of Finance of the Grand Duchy at that time? A certain Jean-Claude Juncker. However, thanks to the voting ratio of 461:101 (88 MEPs abstained) on hot Strasbourg soil, the President of the Commission and thus also his entire team withstood the attempt.

And not only did he withstand that. In late November, the President of the European Commission introduced the long-awaited investment plan totalling 315 billion euros. Don't expect spells and magic behind it. Instead of magic wands, the main instrument will be the so-called European Fund for Strategic Investments, which will be established in partnership with the European Investment Bank. For more information read the Commission's column on page 6.

The regular autumn economic forecast of the Commission also touches on the European economies. Official Brussels analysts predict that this year the Union will increase its GDP to 1.3% in order to add to a 1.5% rate of growth next year and respectively to 2% in 2016.

A hectic rush and overload of work in the penultimate month of the year could also be confirmed by the European Central Bank. In early November they were still examining the results of stress tests (Asset Quality Reviews, AQR), which showed that the eurozone banking sector is not as tragic as before. Debates over the AQR were soon overshadowed by the news that the Frankfurt bankers have taken on a new role. In addition to monetary policy, the eurozone will be managed through the so-called Single Supervisory Mechanism and overseeing the 120 most important eurozone banks.

The main topic of the Monthly is dedicated to the innovation potential of individual EU Member States, which determines the future competitiveness of the countries of the old continent. The standard is our unique index – the Erste Corporate Banking Innovation Barometer. It is probably not surprising that the greatest potential for innovation is in Scandinavia. The Czech Republic is weaker on average, but compared to last year we register a slight improvement.

Dear readers, I wish you a peaceful Advent and enjoyable Christmas full of reflection not only on European integration issues.

Jan Jedlička

The Juncker European Commission has survived a first overthrow attempt. Other similar attempts will increase according to some commentators. - The European Central Bank strengthens its powers on the road to the banking union. - The Czech Republic should profit from the agreement between the European Union and the USA. – The European Commission warns that barriers in the world are growing. - The road to green energy will amount to hundreds of billions annually.

POLITICS

The Juncker European Commission has survived a first overthrow attempt

Will the Juncker Commission fall or withstand the situation? That was the question MEPs posed on 27 November. A far-right party called MEPs to vote for a motion of censure against the Commission.

In the end this motion of censure did not happen however. Juncker and his team, which has only been in office one month, were backed by **461 MEPs** (101 votes in favor and 88 abstentions).

Juncker's position at the head of the Commission was strongly shaken after the so-called LuxLeaks scandal echoed in Brussels. Investigative journalists obtained possesion of secret documents that revealed that Luxembourg authorities offered a number of large multinational companies **lucrative tax conditions**. During that time Juncker was the Prime Minister and Finance Minister.

This was such an indigestible morsel for some MEPs that they called for Juncker's **resignation** as the head of the Commission. The motion of censure was tabled by far-right parties, including the UKIP (UK Independence Party) and the French National Front, led by Marine Le Pen.

This will probably not be the last situation in which members of the European Commission and their boss will have to actively convince MEPs that they deserve to retain their confidence. Attempts to bring down the executive will in fact increase according to some commentators.

To table a **vote for a motion of censure** it is enough to gather **76 signatures** of MEPs, i.e. 1/10 of the whole body.

As on every occasion since his appointment as Commission head, the Commission President Jean-Claude Juncker emphasized that under his leadership the institution wants to be perceived as **political and not a administrative**. This is not without consequences.

http://www.europarl.europa.eu/news/en/news-room/content/20141121IPR79864/html/Motion-of-censure-against-the-Commission-rejected-by-a-large-majority

ECONOMY AND EURO

The European Central Bank strengthens its powers on the road to the banking union

Beginning on 4 November, Europe began writing the first chapter of a **banking union** in order to prevent future continental financial crises.

The European Central Bank is essentially strengthening its powers through the **Single Supervisory Mechanism (SSM)**, which is one of the pillars of the EU banking union, officially taking over **supervision of the 120** most important **eurozone banks**, which together manage **82% of the assets** of financial institutions in the countries paying with the euro.

The Single Supervisory Mechanism is a new system of banking supervision in Europe, which was created for the purpose of **better predictability** and faster **resolution of crisis situations** in the eurozone banking sector. Its **main objectives** are**:** to ensure the safety and soudness of the European banking system; increase financial integration and stability; and ensure consistent supervision.

Continuous supervision of major banks will be implemented through **Joint Supervisory Teams (JSTs)**. A team will be set up for each of the specified banks composed of ECB staff and national supervisory bodies. The head of the office is **Daniele Nouy** and Sabine Lautenschlager, a member of the Steering Committee of the ECB will be her right hand.

Another **3,500 eurozone banks with less strategic systemic importance** will remain **under the supervision of national regulators**. In the case of problematic situations however, any of these banks may end up under the control of the ECB.

The ECB took control of banks in the eurozone shortly after the end of the **stress tests**, which showed capital gaps in nearly a fifth of the biggest regional financial groups. Overall, at the end of last year banks **in the eurozone were missing** nearly **25 billion euros**.

https://www.bankingsupervision.europa.eu/home/html/index.en.html

FOREIGN TRADE

The Czech Republic should profit from the agreement between the EU and the US

The **Euro-American agreement on trade and investment** has become a bogeyman, which will allegedly destroy the high European standards of consumer protection, health and the environment. Its proponents argue that it is a standard trade agreement that will help not only large corporations but also small and medium-sized businesses. In the Czech Republic it could even facilitate the replacement of **outdated and unbalanced** investment protection **agreements** with the USA.

For the Czech Republic this would probably be just a small step, but for the entire European Union, the conclusion of an **agreement on free trade and investment with the United**

States (the Transatlantic Trade and Investment Partnership - TTIP) would be quite a strong leap forward. Brussels and Washington have already been negotiating the agreement for more than a year. Meanwhile, the two sides are just trying to figure things out. Tough negotiations on the details are still to come. However if an agreement can be concluded, it will be a milestone in world trade which will determine the future shape of the agreement that the EU wants to negotiate with China for example.

Duties would disappear in trade between the EU and US (except for selected sensitive items). More significantly however, non-tariff barriers would be restricted. The purpose of regulations in the US and in Europe is essentially the same, for example to ensure consumer protection, health and safety. They differ only in implementation. Therefore, it is necessary to find a way to **mutually recognize the different security certificates** or approvals. Now, exporters must test products that can be sold in Europe again for the US.

According to Deputy Minister of Industry and Trade, Vladimir Bartl, this makes medical technology products about 20-30% more expensive. **The Association of German Engineers** reached similar conclusions. Engineering companies generally supply units of pieces of equipment manufactured to order. They cannot therefore spread certification costs over a large series of products. Due to this the cost of exports of German machinery to the US is increased by 5-20%.

The Commission warns that barriers in the world are growing

In the past year governments adopted **170 new measures** that complicate the import and export of goods. Since 2008 a **total of 858 of such measures** that hinder free trade **have been added**. In the same period governments **abolished only 119 restrictions**.

The most **complicated** foreign trade is in **Russia, China, India and Indonesia**, which are responsible for half of the restrictive steps. These are increases in import duties, export restrictions, administrative barriers in the form of licenses or discrimination against imported goods on the domestic market and discrimination in access to public procurement contracts.

http://europa.eu/rapid/press-release_IP-14-1683_en.htm?locale=en

Germany, which is **Europe's largest exporter to the USA**, would gain the most from the completion of the agreement with the US. Czech companies which supply components to German partners would also ride this wave. Last year German companies exported goods worth 114.6 billion dollars to the US. The value of Czech direct export overseas climbed to 3.5 billion dollars.

http://trade.ec.europa.eu/doclib/docs/2014/march/tradoc_152266.pdf

ENERGY AND TRANSPORT

The road to green energy will amount to hundreds of billions annually

A large part of the investments which the new Commission plans for reviving the economy should be aimed at the modernization of the energy sector stated Commissioner Cañete who met for the first time with MEPs to present the details of the 2030 framework for climate and energy. It apparently seeks to ensure that **Juncker's investment plan** seizes the opportunities that making the economy green brings.

The European Commission is looking for ways to finance all the necessary changes, which in the energy sector will require moving towards a carbon-free economy. At his first public appearance, the new European Commissioner for Energy and Climate Miguel Arias Cañete explained this to MEPs in the committee for the environment. According to what he said, he seeks to ensure that energy obtains the largest amount of funding from the **upcoming investment package amounting to 300 billion euros (8.4 trillion crowns)**.

The new European Commission President Jean-Claude Juncker promised the 300 billion euro package in the course of his appointment. This will be a financial injection which will support job creation and economic growth and strengthen competitiveness in Europe.

This should help to **overcome the consequences of the economic crisis** in Europe. Juncker should reveal more details of the anticipated package at the next EU summit, which will take place in Brussels in December.

According to the Czech Prime Minister Bohuslav Sobotka, part of this could also be resources from European funds which Member States **will not manage to utilize next year**. According to figures from the Ministry for Regional Development, in the case of the Czech Republic this could go up to about 60 billion crowns.

The European Union could buy gas from Russia jointly if some countries give up advantageous prices. - Support of projects from European Union funds will begin in spring 2015. - Five changes in drawing funds for the 2014-2020 period. - The Czech Republic wants to extend the deadline for the drawdown of subsidies. - The Czech Republic will probably manage to lower its unused subsidy package.

The **inclusion of energy** in the Juncker package is said to involve cooperation with Commission Vice-President Jyrki Katainen who is currently in charge of jobs, growth, investment and EU competitiveness.

http://europa.eu/rapid/press-release_SPEECH-14-1620_en.htm

The EU could buy gas from Russia jointly if some countries give up advantageous prices

If the EU **negotiates as a whole** with Russia and other suppliers, it could negotiate a lower price for gas for all its countries than they have today. However countries that now pay less for gas would have to give up a competitive advantage over other EU countries.

The European Union should seriously consider the idea of **purchasing natural gas jointly** says the new European Commission Vice-President Maroš Šefčovič, responsible for the development of the Energy Union. Thanks to this all EU countries could eventually have lower gas prices than they currently have. A **joint strategy** could strengthen the Union especially in relation to Russia, on whose gas a number of countries depend.

The former Polish Prime Minister and forthcoming European Council President **Donald Tusk** came up with the idea of joint purchasing in the spring. **The Czech Republic takes a skeptical stand on this proposal** like the former European Commissioner for Energy **Günther Oettinger**. He argued for example that the proposed joint purchasing would **contradict the European competition rules**.

The new Commissioner Miguel Arias Cañete did not appear quite as dismissive about the idea. Nevertheless, according to him this should not involve **joint purchasing at the country level**. The Commission would instead have to create space for interested private companies to cooperate in purchasing gas. In any case, a solution will be **complex**. This is because energy policy is largely in the hands of sovereign Member States and individual EU Member States have **distinct differences** among themselves.

Countries with lower gas prices would thus have to give up their advantages compared to other European countries. Moreover in different countries **the gas trade is subject to various regulations** and purchases are carried out in various ways.

For example, while several companies operate in the Czech market, in neighboring Poland the state-owned Polskie Górnictwo Naftowe i Gazownictwo (PGNiG) is a monopoly which has contracts with Russia's Gazprom.

http://europa.eu/rapid/press-release_SPEECH-14-2044_sk.htm

COHESION POLICY

Support of projects from EU funds will begin in spring 2015

The start of drawing the European subsidies which are earmarked for the Czech Republic in the 2014-2020 period will be possible in the spring of 2015, thus a few months later than initiallly planned. The Minister for Regional Development **Karla Šlechtová** stated this at a professional conference dealing with european subsidies held on 18 November in Prague this year.

According to the Minister, **slow approval** of the operational programmes, which lasted about seven months, could account for the delays. Changes of government are also allegedly to blame; during the last year of the negotiations on the Partnership Agreement the government quickly changed **three times**.

The Partnership Agreement, which consists of overarching strategic material, was adopted by the European Commission this summer. Negotiations between the Commission and the individual managing authorities on the **form of future operational programmes** are currently taking place. Šlechtová also stated that even though the programmes are not yet approved, it will be possible to announce some calls earlier.

In the new seven-year programming period from 2014–2020, the Czech Republic will be able to utilize up to **23.83 billion euros**.

http://www.strukturalni-fondy.cz/cs/Fondy-EU/2014-2020

Five changes in drawing funds for 2014-2020

Simplification and harmonization of procedures

Uniformity of the rules for drawing funds within the framework of individual operational programmes. Consistent terminology should be used and there should be uniform procedures for calls for proposals, evaluations, selection of projects and deadlines for fulfilment. Inspection methods will be uniform. There will be more precise definitions of the powers and responsibilities of individual offices. The electronic system that will be used to aid grant administration will also be centralized.

Different public procurement

The CR will have to deal with the problems of public procurement which it ran into in 2007-2013. During the past seven years, submitters of projects frequently encountered improperly set rules for procurement procedures. Some bidders for contracts had to equip themselves with patience and wait for the decision of the Office for the Protection of Competition (ÚOHS) where a series of unsuccessful applicants appealed. Applicants generally decreased due to the crisis and nobody could realistically attain the money.

Lower number of operational programmes

While in the previous programming period applicants for EU subsidies had to grapple with a robust structure of operational programmes, this was narrowed from 26 programmes to 20. A significant change from the 2007-2013 period is the amalgamation of the regional operational programmes into a single Integrated Regional Operational Programme (IROP), which the Ministry for Regional Development will manage.

Better control

Serious errors in the allocation of subsidies in the past were repeatedly pointed out by the European Commission. In particular, it did not like the inadequate control. Therefore the Czech Republic agreed to changes in the control mechanisms and focused on the Audit Office at the Ministry of Finance. At the same time it will complete the changes in the Civil Service Act.

Greater utilization of repayable financial instruments

Returnable financial instruments are alternatives to conventional subsidies in the form of repayable loans, guarantees or direct capital investments. In the new programming period, they can be used widely for all funds and enable a better combination of financial instruments and grants. About 10% of the total subsidy amount should be invested using only returnable financial instruments.

http://www.euractiv.cz/regionalni-rozvoj/clanek/pet-zmen-v-cerpani-evropskych-fondu-pro-obdobi-2014-2020-012310

The Czech Republic wants to extend the deadline for the drawdown of subsidies

Some EU Member States, including the Czech Republic have asked the European Commission to give them **more time** to draw EU funds for projects already up and running. The Minister for Regional Development Karla Šlechtová, who participated in the 20 November negotiations in Brussels, stated that the request concerns projects that will not be easy to complete in 2015. Šlechtová added that it is not yet certain how large an amount will be discussed. The final figure should be known in a few days or weeks.

According to the Minister, extension of the deadline for drawdown should primarily help with the completion of **major transport** and **energy** projects. If these projects failed to be completed by the end of 2015, there would be an additional burden on the state budget.

Previously some countries tried to change the n+2/n+3 rule to have a longer time to drawdown the 2007-2013 allocation. The European Commission **granted this exemption** only to **Slovakia** and **Romania**. The European Parliament stopped the addition of other countries.

Šlechtová emphasized that this time it is not about a similar change in the rules. "It's the first time that we have officially opened this **at the ministerial level**," she said.

The fact that **Latvia will preside over the EU Council** in the first half of next year could bring some hope for requesting countries. According to Šlechtová Latvia has already expressed an interest in solving this problem.

http://www.mmr.cz/cs/Ministerstvo/Ministerstvo/Pro-media/Tiskove-zpravy/2014/MINISTRYNE-SLECHTOVA-V-BRUSELU-CHCEME-BOJOVAT-ZA-P

The Czech Republic will probably manage to lower its unused subsidy package

On 13 November the Minister for regional development Karla Šlechtová stated that the Czech Republic can reduce the expected loss by the end of the year.

"The controlling authorities indicate that **the threatened shortfall in 2014 is 19.5 billion crowns**," but the Minister stated that the department is somewhat "more cautious" in estimates. The shortfall **threatens to be up to CZK 30 bn**.

In 2013, the Czech Republic was unable to utilize 12 billion crowns.

http://www.mmr.cz/cs/Ministerstvo/Ministerstvo/Pro-media/Tiskove-zpravy/2014/Ministryne-Karla-Slechtova-na-Zofinskem-foru-2014

Commission´s Column

The European Commission Representation in the Czech Republic contributes to the EU News Monthly Journal in the "Commission's column" section. In the December issue this section deals with the new investment plan of the European Commission with a capacity of up to 315 billion euros of new investments. The plan consists of a total of three parts and will help the EU to boost growth and provide people with more jobs. More about this new project can be found on the following lines.

THE NEW INVESTMENT PLAN OF THE EUROPEAN COMMISSION

In the last week of November European Commission President Jean-Claude Juncker introduced the long-awaited investment plan. Up to **315 billion euros of new investment** will help boost growth in the European Union and provide people with more jobs.

The proposal is in response to the decline in investment in the EU which has been taking place since the beginning of the economic crisis in 2009. In financial institutions and personal and corporate bank accounts there is enough financial liquidity, however this is difficult to mobilize at a time of relatively low growth and continuing investment uncertainty.

The intention of the Commission's proposed investment plan is to attempt to **break the vicious circle of low confidence** and lack of investment and "activate" public and private funding in an intelligent way. At the same time, this should not result in an increase in debt (in many cases already quite high) for public or private sector entities.

The plan consists of **three basic parts**. **The first** is the **establishment of a new European Fund for Strategic Investments (EFSI)**. Created in partnership with the European Investment Bank (EIB), the base will be formed by a guarantee in the amount of **16 billion euros** from the EU budget in combination with 5 billion euros which the EIB will earmark.

According to conservative estimates based on historical experience, the **multiplier effect of the fund will be 1:15**. In other words, each euro of public funds which will be mobilized by the fund together with private sources, will create 15 euros of total investment which would not happen otherwise.

The fund would be created **in the spring of 2015** and will focus mainly on **investments in infrastructure, in broadband and energy networks and transportation infrastructures.**

Other investments will be directed to education, research and innovation, as well as renewable energy resources, small and medium sized enterprises and middle capitalization companies.

The second major part of the plan consists of the **preparation of a list of "viable" projects at the EU level**. A joint working group of the Commission and the EIB is currently compiling this on the basis of proposals from Member States.

The **main criteria** for inclusion of projects in the preparatory phase will primarily be an expected contribution to strengthening the growth potential of the EU economy and a realistic possibility of starting implementation within three years. The working group could put forward the **first draft** of possible investment projects during December in order to begin creating a transparent European list.

The Fund will also support **risk finance for small and medium-sized enterprises** and middle capitalization companies in Europe. This will help them overcome capital shortages through direct capital investments and additional loan guarantees.

The **third part** of the plan is the **removal or modification of sectoral regulations** that hamper investment. The Commission will particularly focus on the **removal of the regulatory and non-regulatory barriers** which remain in all the important infrastructure sectors including energy, telecommunications, digital technology and transportation, as well as barriers in the markets for services and goods. In December in its work programme for 2015, the Commission will propose a **list of priority legislative initiatives** related to the investment plan.

The subsequent fate of the investment plan is in the hands of the European Parliament and the December meeting of the highest representatives of the EU Member States - the European Council.

If the investment plan for Europe, which includes a commitment to swiftly adopt the relevant legislative measures is approved, the new European Fund for Strategic Investments could be established **by mid 2015**. In mid 2016, **the European Commission** and the heads of state and government will examine the progress made and if necessary consider other options.

According to European Commission estimates, taken as a whole, over the next three years the proposed measures could **increase EU GDP by 330-410 billion euros** and give rise to up to **1.3 million new jobs**.

More information on the investment plan can be found at: http://ec.europa.eu/invest-eu.

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://italia2014.eu/it/

Meeting of the key EU institutions

1 December 2014	**Brussels, Belgium**
- Employment, Social Policy, Health and Consumer Affairs Council	
3 December 2014	**Brussels, Belgium**
- Transport, Telecommunications & Energy Council	
4 - 5 December 2014	**Brussels, Belgium**
- Justice and Home Affairs Council	
4 - 5 December 2014	**Brussels, Belgium**
- Competitiveness Council	
8 December 2014	**Brussels, Belgium**
- Eurogroup	
9 December 2014	**Brussels, Belgium**
- Transport, Telecommunications & Energy Council	
12 December 2014	**Brussels, Belgium**
- Education, Youth, Culture &Sport Council	
12 - 15 December 2014	**Brussels, Belgium**
- Foreign Affairs Council	
15 - 18 December 2014	**Strasbourg, France**
- European Parliament Plenary Session	
15 - 16 December 2014	**Brussels, Belgium**
- Agriculture and Fisheries Council	
16 December 2014	**Brussels, Belgium**
- General Affairs Council	
17 December 2014	**Brussels, Belgium**
- Environment Council	
17 December 2014	**Brussels, Belgium**
- European Council	

Source: www.europa.eu, http://italia2014.eu/it/, access as of 28th November 2014

After a six-month pause, we now present the the next autumn forecast of the European Commission, which provides an overview and analysis of the macroeconomic indicators in the countries of the European Union. On 4 November the European Commission published this updated data for the previous year and also presented the outlook for the economic indicators for 2015 and recently also for 2016. The spirit of the prediction for the European Union is weak growth.

THE CZECH REPUBLIC AWAITS GROWTH

In contrast to previous prognoses, the Commission comes up with a slight worsening of the outlook. **The recovery and revival** of the European economy after the preceding years of the economic crisis is happening **very gradually**. The slow economic growth is also related to the high unemployment and indebtedness of some (mostly southern) Member States.

Along with the strengthening of private investment, improving domestic and foreign demand should gradually be added. Mainly **inflation,** which is at a very low level, seems particularly problematic at present. The inflation rate in 2014 ranged from -1.4% in Bulgaria to 1.5% in the countries of Austria, Romania and the United Kingdom. **Deflation** is expected this year in Greece, Spain, Bulgaria, Cyprus and Slovakia. In 2015, the Commission does not expect deflation in any EU country and inflation in the Eurozone will increase to 0.8% (in 2016 to 1.5%) and in the EU to 1.0% respectively 1.6% in 2016.

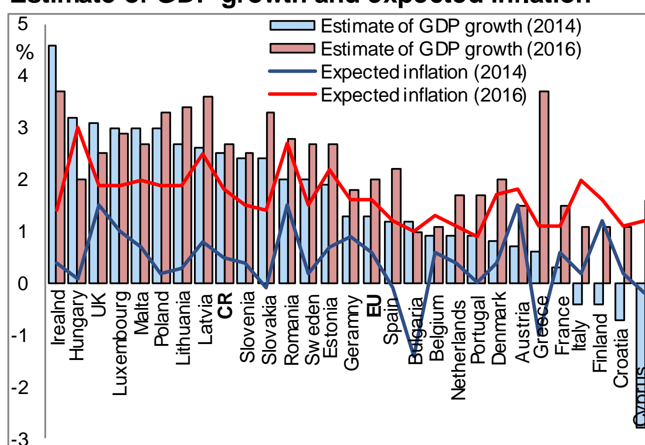
As in the case of inflation, **economic growth** should be **positive** in all EU countries in 2015. However there will not be intensive growth. The "Irish tiger" Member States leading economic growth are running out of steam and from this year's very promising 4.6% will grow "only" about 3.6% in 2015. Following Lithuania, Latvia, Malta and, surprisingly also Greece (2.9% of GDP) will still be at the forefront. **Economic growth** is expected to continue to **improve** in the coming years in the eurozone (1.1% of GDP in 2015 and 1.7% of GDP in 2016) and the EU (1.5% of GDP, respectively 2.0% of GDP in 2016). Nevertheless compared with other world economies this is still just a little. The US expects economic growth in 2015 of 3.1% of GDP and China even 7.1% of GDP.

In almost all EU countries the **positive economic developments** are also reflected in the labor market situation in the next two years. Employment will rise slightly and the **unemployment rate** in the EU this year will fall from 10.3% to 10% in 2015 and the following year will go under the 10% threshold to 9.5%. Still, there will a huge range within this indicator. According to the Commission's autumn forecasts, unemployment rates in 2016 will range from 4.8% in Germany to 22.2% in Spain.

Other positive news, however, is undoubtably the fact that the EU is managing to **reduce its government defecit-to-GDP ratio**.

Between 2014 and 2016 this reduction should amount to 0.7 percentage points of GDP. **The Czech Republic** does not differ much from the expected developments in the EU. The engine of growth (from 2.5% to 2.7% in 2016) should be **domestic consumption** and **investment** and the weak crown will also contribute to the growth of **net exports**.

Estimate of GDP growth and expected inflation



Source: European Commission - Economic Forecast Autumn 2014

Compared to previous Commission forecasts, there is also an improvement in the outlook for the unemployment rate, which should fall slightly to 6.1% in 2016.

Overview of key macroeconomic indicators (in %)

	CR			EU		
	2014	2015	2016	2014	2015	2016
GDP Growth	2.5	2.7	2.7	1.3	1.5	2.0
Unemployment	6.3	6.2	6.1	10.3	10.0	9.5
Inflation	0.5	1.4	1.8	0.6	1.0	1.6
Public budget def.*	-1.4	-2.1	-1.7	-3.0	-2.7	-2.3
Public debt*	44.4	44.7	45.2	89.0	89.5	89.9

*Source: European Commission - Economic Forecast Autumn 2014, *) as of GDP*

Inflation remains below the **Czech National Bank's** (ČNB) inflation target, which in its Inflation Report IV/2014 envisages the imposition of a 2% limit and the movement of inflation slightly above this level in 2016. Loosening of fiscal policy will lead to an increase in the government deficit to 2.1% of GDP in 2015 and in the following year 2016 a slight **improvement in the deficit** to 1.7% of GDP is expected. The **government debt-to-GDP ratio** remains well below the level set by the **Maastricht criteria** and in 2016 should reach the 45% threshold.

Tomáš Kozelský, EU Office Česká spořitelna

Erste Corporate Banking is pleased to present an Innovation Barometer, which based on nine relevant statistics (from expenditures for research and development to the share of university students with technical majors to expansion of e-government) compares all 28 economies of the EU from the point of view of their innovation capabilities and future competitiveness. And which member states are at the top in this discipline? That and more is covered in our main topic regarding the Erste Corporate Banking Innovation Barometer.

ERSTE CORPORATE BANKING INNOVATION BAROMETER 2014

WHAT IS THE ERSTE CORPORATE BANKING INNOVATION BAROMETER?

The Česká spořitelna EU Office has prepared something called the Erste Corporate Banking Innovation Barometer, a tool, which is a guide for comparing the attractiveness of all 28 economies in the EU from the point of view of their innovative capabilities and future competitiveness. The current phase of advanced globalisation shows that if individual European economies want to succeed over the long term in the increasingly tough international competitive environment, they must focus on innovation, research and development, the information society, knowledge of economics and products with high added value.

This barometer measures how successful their efforts are. The Erste Corporate Banking Innovation Barometer consists of nine statistics, which determine a country's innovation potential, competitiveness and future prosperity.

An important part of the Innovation Barometer is its dynamic dimension, based on the results of which it is possible to evaluate whether the potential for innovation in the particular country has developed positively or instead has been dominated by negative aspects. For this purpose, the index has been calculated retroactively starting from 2010. The Barometer is not only a one-time analysis, but will be renewed each year in reaction to changing key characteristics.

More about this method and individual variables can be found in our Issue No. 122 of the Monthly of EU News.

List of included variables

Variable	Description	Unit	Source
Expenditures for R&D	Total expenditures for science and research in relation to GDP	%	Eurostat
Patents	Number of submitted patent applications per 1,000 inhabitants of the applicant's country of origin	quantity	WIPO
Graduates	Number of university graduates studying technical majors per 1,000 inhabitants between the ages of 20 and 29	quantity	Eurostat
Publication	Number of quotable scientific publications per 1,000 inhabitants	quantity	SCImago
Venture Capital	Investment of risk capital funds into seed and start-up companies in relation to GDP	%	EVCA
Broadband internet	Share of households with broadband internet access	%	Eurostat
Expenditures for education	Public expenditures for education in relation to GDP	%	Eurostat
High-tech export	Share of export of high-tech products in the country's exports	%	Eurostat
E-Government	Share of persons communicating with public administrative bodies electronically	%	Eurostat

WIFO - World Intellectual Property Organisation, SCImago = agency SCImago Journal & Country Rank, EVCA = European Private Equity and Venture Capital Association.

OVERALL RESULTS: DOMINANCE BY SCANDINAVIAN COUNTRIES

The low-cost game has no future in CEE

The ongoing structural and innovation changes in the countries of Central and Eastern Europe have undoubtedly taken the right direction, and these countries' competitiveness is gradually increasing and getting closer to that of more developed EU member states. However, those more developed member states (especially in Scandinavia) are still far ahead.

However, the reduction of their leading position in the areas of competitiveness and economic performance can be attributed mainly to factors such as lower labour costs, tax incentives and opportunities to enter new markets. States in Central and Eastern Europe have reaped and are still

reaping the benefits of injection of Western capital and opening of new production plants and the benefits flowing to them from more developed EU member states. However, these assembly plants will not necessarily (and often do not) have long lifespans.

We are not talking only about acquiring technology for these production lines and companies, but about a certain gaze by managers of multinational companies towards even better conditions than can be offered by Asian countries, where cost reduction offers incomparably higher savings than EU member states can offer.

Over the past 10-15 years, assembly plants opened by foreign concerns in the Czech Republic and throughout Central Europe have been a major driving force of economies and have greatly contributed to reducing unemployment. However, now, the economic model is beginning to change. It is not possible to rely only on businesses with low added value, and it is necessary to move on.

If we want to increase economic performance (and with it also living standards) and mainly to achieve faster convergence towards more developed economies, then it is necessary to move from the low-cost game to a focus on advanced technology, an educated work force, knowledge of economics, investments in research and development, etc. The long-term success of the small open economies in Central Europe will not ensure low prices, but rather will ensure the high quality of production, which will be the result of an environment focused on support for innovation.

So far, CEE countries have not managed to achieve this very well. The country doing the best among the Visegrad Four is the Czech Republic, in 17th place. And although in terms of relative growth Central and Eastern Europe are catching up, it still is not enough, which only shows how huge the differences in innovation and competitiveness among EU member states have been and still are.

Scandinavian countries' dominance

If you want to find a winner in the race for competitive dominance among EU member states, you must head north. The long-term and substantial dominance of Finland, Sweden and Denmark is clear and obvious. The success gap between those three states and other member states is very apparent, regardless of which of those three states is in the lead in the Erste Corporate Banking Innovation Barometer. They are in the lead in practically all of the monitored areas, including spending on research and development, patent applications, capital investments into start-ups, scientific publications and the share of households with broadband internet access. Their figures are average only in their share of high-tech product exports. However, these excellent results are not only by chance. If a state wants to be able to compete, it must sacrifice something, so that it returns in the future. The idea of "innovative competitiveness" is also illustrated excellently with the example of Scandinavian countries – do we want to be competitive like Vietnam or like Sweden?

Where is the strength of traditionally strong innovative economies going?

The Czech economy is strongly linked to the German economy. However, the German economy is not achieving fantastic results. It could have been expected that a country so focused on export would protrude in several areas, but the opposite is true. In most of the monitored indicators, the results of innovation potential are only slightly above average when compared to other EU member states.

Germany has gaps mainly in spending for education, which is even below average. However, quality education will be a key indicator in the future for innovativeness and competitiveness. With the development of new technologies and approaches, it will be necessary not only for those yielded by such innovation to exist, but also for those that will serve and utilise those new technologies and approaches to be available.

Businesses with very high added value and with a quality work force will determine development, especially at a time when the newest technologies are being "copied" almost immediately after their introduction onto the market. The highly qualified work force will be the driving engine for further progress in relation to mutual comparability of European and global economies.

Even other traditionally strong Western economies, such as France, Austria and the UK are not exactly standing out from the crowd, as they could have been expected to do. Their improvement of competitiveness in relative expression is very small compared to 2010, and the UK has even declined by six points since 2010, which represents a drop from fifth to ninth place on the innovation barometer. The UK has basically fallen asleep at the switch and is gradually being overtaken by other countries. One of the causes may be related to spending on research and development, where the UK has below average results.

Defeat from the Eurozone

The fact that the Eurozone is facing problems is nothing new. Several of the states that use the euro have even been referred to assistance from European rescue mechanisms.

From a closer examination of some of these states, we can conclude that the excessive debts are probably only an expression of more serious problems.

In the cases of Greece, Italy and Spain, we can talk about a very problematic economic situation with a not very positive outlook for the future, unless something changes. These states have been encountering not only macroeconomic problems (Greece and Spain are the states with the highest unemployment in the EU), but with innovation potential as well. Greece and Italy regularly rank on the tail end of the Erste Corporate Banking Innovation Barometer. (Worse positions are usually held only by Bulgaria and Romania, which is not much of a surprise.)

The innovativeness and competitiveness of these states is in very bad condition. Another certain outcome can be problems in the automotive industry in Italy, as a traditional country in that industry, where production plants are being shifted further east.

Breakthrough of the year from Estonia

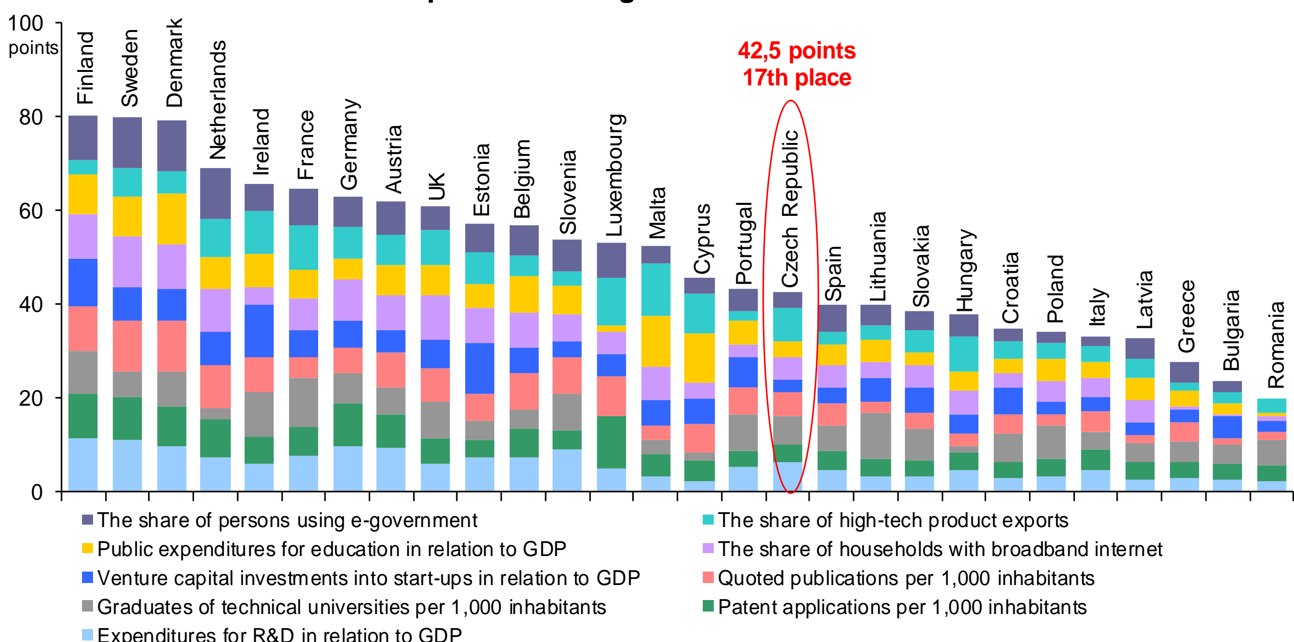
For some, it may be surprising that the Baltic states did not achieve a reputation as the technological leaders of the former Soviet republics in Europe. However, an exception is one small country, which is located just a few hundred kilometres from the overall winner Finland.

Estonia's 10th position on the ladder is a major success, which no former Soviet republic has ever achieved. Estonians are very well aware of their opportunity and are making a conscious effort to climb the technological ladder in Europe.

Change of barometer points in 2010-2014

Country	Δ points	Country	Δ points
1. Estonia	+9.7	15. France	+0.4
2. Slovenia	+6.9	16. Portugal	+0.1
3. Malta	+4.2	17. Netherlands	-0.5
4. Lithuania	+3.0	18. Poland	-0.5
5. Slovakia	+3.3	19. Greece	-1.2
6. Ireland	+2.6	20. Italy	-1.4
7. CR	+2.5	21. Hungary	-1.5
8. Bulgaria	+2.2	22. Denmark	-3.3
9. Croatia	+1.5	23. Luxembourg	-3.6
10. Austria	+1.4	24. Belgium	-5.0
11. Germany	+1.3	25. Sweden	-5.9
12. Latvia	+1.1	26. UK	-6.3
13. Cyprus	+0.9	27. Romania	-6.6
14. Spain	+0.6	28. Finland	-7.0

Source: Erste CB Innovation Barometer - EU Office



Source: Erste Corporate Banking Innovation Barometer - EU Office

RESULTS FOR THE CZECH REPUBLIC

Is ineffective education slowing down the Czech Republic?

The Czech Republic probably cannot currently imagine a better position than 17th place in the Erste Corporate Banking 2014 Innovation Barometer in competitiveness. We are doing better than any of the other Visegrad Four states, and we have overtaken even Lithuania and troubled Spain. The results in the individual monitored indicators of competitiveness are not staggering in any way. We are below average, except in three areas. We are above average only in the share of high-tech product export, spending on research and development in relation to GDP and the number of university graduates with technical majors per 1,000 inhabitants.

The sector of university education in the technical field has long been strong in the Czech Republic. However, unfortunately the trend in recent years shows a relative reduction in the number of technical school graduates compared to other EU states. This is the case even though support for that field should be a priority, and a thorough analysis of technological trends could show what kinds of graduates potential employers will be interested in hiring. Wages are undoubtedly also a problem. Low wages and little involvement of companies with universities are putting the brakes on further development and on increasing job applicants' experience.

As a result, they often end up in positions for secondary school graduates and thus lose their growth potential. It has already become necessary to abandon the idea that we should attract for investments only companies that are coming here because of low labour costs (and that eventually will move further east for even lower labour costs) and should shift our focus on products with higher added value. However, wage amounts are also related to this.

Most of the economic crisis is already behind us, and the good news in the automotive industry is an indication of better times to come.

Companies should be able to appreciate their quality labour force, improve employees' skills and monitor long-term development and not only short-term profits, and such an approach which will certainly pay off for them.

There is also a certain "Achilles' Heel" of Czech competition, and it is public spending on education in relation to GDP. In this area, the Czech Republic is losing a lot compared to other member states. Although support for quality and technical fields is costly, the reward will be an increase in attractiveness for investors and companies who do not gain access to this labour force. An educated population that is open to ideas will create more room for innovative ideas. However, these are not practically supported on a large scale in any way. In capital investments into seed and start-up companies, we are among the worst performing states in the EU.

This area needs to be improved, and it is necessary to support and find a way to achieve standard financing through our own capital. Israel could serve as a model, since it is absolutely at the top in this type of approach.

Another weakness is low use of the ability to communicate with state administrative bodies electronically. In today's era of communication and information technology, this area should not be neglected, since in the past 12 months just under 30% of citizens communicated with public administrative bodies electronically, which makes us among the worst member states for this indicator.

The low effective performance of the public administration in the Czech Republic is also illustrated by the following graph, which shows that according to the Doing Business Index of the World Bank we rank only in 23rd place among EU member states.

RELATIONSHIP BETWEEN INNOVATION BAROMETER TO LABOUR COSTS

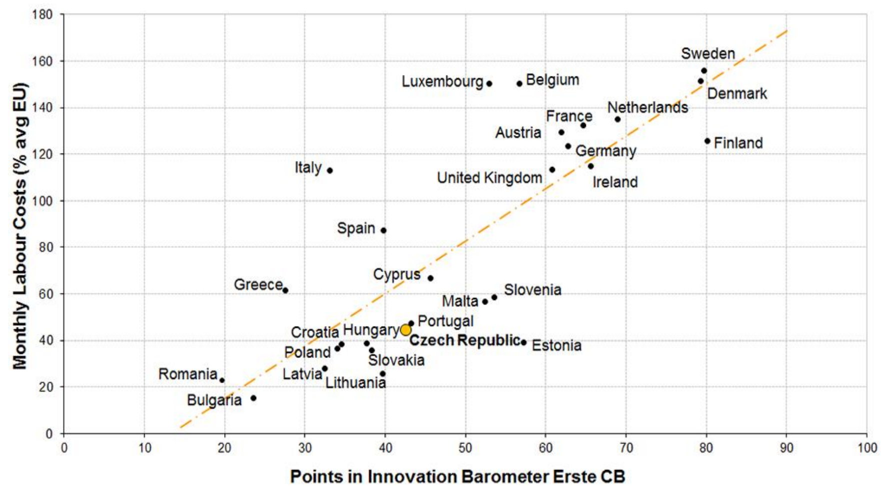
Nowadays, the individual aspects of competitiveness cannot be neglected. This is true whether they have an innovative character or relate to the amounts of individual costs. The Erste Corporate Banking Innovation Barometer provides an overview of the innovation capabilities and the future competitiveness of each EU member state, and their comparison with average monthly labour costs also reveals certain other interesting details and mutually strong correlation.

The first group of states in the lower left corner of the graph, mostly from the regions of Central, Eastern and Southern Europe, thanks to their lower innovation potential focus mainly on production of goods with lower added value. In order for these states to remain attractive for investors, they are going the way of low labour costs (wages).

The worst off are the already mentioned overtaken states in the Eurozone – Greece, Spain and Italy. It can be said

without exaggeration that these states are on a blind path of high labour costs with very low attractiveness for sophisticated investments, due to low innovation potential.

The second group of states in the upper right corner include Western and Scandinavian states, which stand out due to their higher labour costs. Due to their high innovation potential, the amount of wage costs is justified and does not pose a risk of disruption of macroeconomic stability or the labour market. After all, Germany and Austria are among the member states with the lowest unemployment levels.

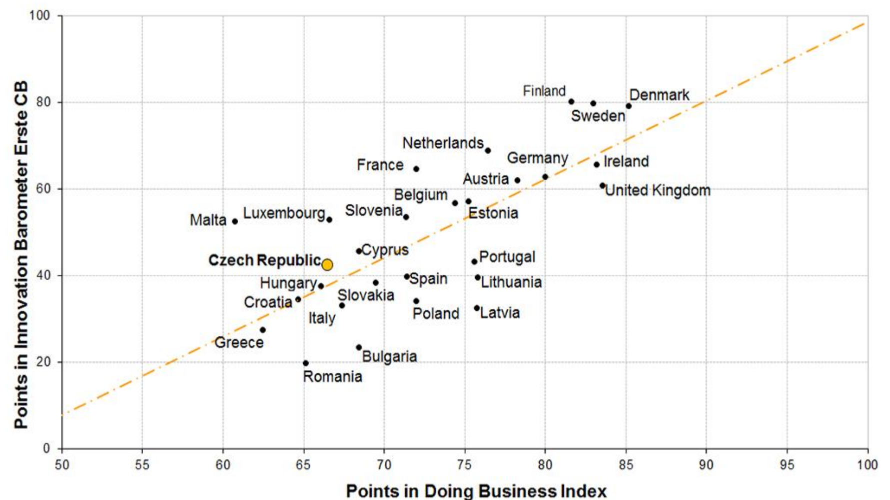


Finland, as the winner of the Erste Corporate Banking 2014 Innovation Barometer, has even lower labour costs than its competitors, which for it represents a very positive outlook for the years to come.

RELATIONSHIP TO PERFORMANCE OF PUBLIC ADMINISTRATION

The performance of public administration (or quality of public institutions) goes hand in hand with long-term stability and good conditions for innovative growth and competitiveness. Our analysis of member states' innovativeness has shown a strong relationship between the performance of public administration measured by the World Bank's Doing Business Index and innovation potential.

The relationship is positive and reveals that the states with effective public administration and low bureaucracy levels and which are most successful in the Doing Business Index are also the countries with greater innovation potential.



Based on this relationship, we can state that essential conditions for increasing of a country's innovation potential and future competitiveness are effective public administration and minimisation of bureaucratic burden for the business sector.

Doing business

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 Finland.

FINLAND

Official name	Republic of Finland
Population	5 451 570 (2014)
Area	338 145 km^2
Currency	Euro (EUR)
Official language	Finnish

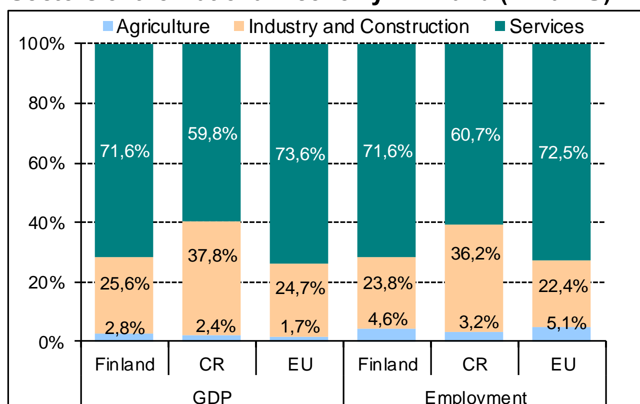
Source: Eurostat

Finland is a country located in North-eastern Europe. It borders Sweden, Norway and Russia by land and borders Estonia by sea. The country is a republic with a parliamentary system with a unicameral parliament whose members are elected for 4-year terms. Alexander Stubb has been the country's prime minister since June 2014. Sauli Niinistö has been the country's president since 2012.

Structure of economy and foreign trade

Finland's main export partners are Sweden (11.1%), Russia (9.9 %) and Germany (9.3%). Its main import partners are Russia (17.7%), Sweden (14.8%) and Germany (13.9%). Finland's largest export commodities are processed non animal-based oils (such as petroleum for petrol), which make up 12% of its exports. Other major industries are paper and steel cylinder production (with 7% and 3.6% shares respectively). The country mostly imports raw non animal-based oils (12.1%), processed non animal-based oils (6.6%) and motor vehicles.

Sectors of the National Economy – Finland (CR a EU)



Source: Eurostat, data as of 2013

Macroeconomic outlook

Following growth in 2011, the Finnish economy fell into a recession in subsequent years. The main cause of the drop in GDP was a sharp decline in domestic demand, which fell by 2.5%. The established trend of declining domestic demand has continued in 2014 (-0.4%). Based on fiscal consolidation, the Commission predicts for 2015 and 2016 gradual growth by 0.6% and 1.1% respectively. Net exports are expected to be the main driver of GDP growth in later years. The labour market has shown only a slight recovery in the second half of 2014. The long expected improvement on the labour market will not occur until 2015, which a gradual further decline in 2016, when the unemployment level is expected to fall to 8.3%.

The country's public finances ended before the crisis with a budget surplus, but since 2009 the balances have ranged from 0% to nearly 3% of GDP. Finland's public debt has been growing sharply since 2009, and at the end of this year it could reach 60% of GDP, which it is likely to exceed in the subsequent year. The inflation in 2014, currently at 1.2%, is again beginning to grow slightly, and the Commission predicts that in 2016 it will likely range above 1.5%.

Basic indicators (in %)	2013	2014^e	2015^e	2016^e
GDP Growth	-1.2	-0.4	0.6	1.1
Unemployment rate	8.2	8.6	8.5	8.3
Inflation	2.2	1.2	1.3	1.6
Current account saldo	-2.0	-1.9	-1.7	-1.4
Public debt to GDP	56.0	59.8	61.7	62.4

Source: European Commission; ^{e} - estimate

Labor market

Unemployment has been rising since the crisis began. However, the European Commission predicts that it will reach its peak this year. Work productivity is slightly above the EU average. The cost of labour in Finland is much higher than in the CR. The average labour costs in individual sectors are approximately 2.8 times higher than in the CR. The country has no nationwide minimum wage.

Basic indicators of labor market		
Unemployment rate (August 2014)	8.7 %	
Labor productivity to ø EU (2013)	105.6 %	
Ø monthly labor costs in sectors	**Finland**	**CR**
Manufacturing (2013)	4 881 €	1 480 €
Wholesale and retail (2013)	3 900 €	1 512 €
Construction (2013)	4 786 €	1 467 €

Source: Eurostat

Labor law basics

An employment contract is usually in writing. An employment contract can be for a definite or indefinite period. The work period has been set at 40 hours per week, and although various work schedules can be agreed upon that include overtime, the weekly limit is not allowed to be exceeded. For the first two hours of overtime, 50% more is paid, and 100% more is paid for each subsequent hour of overtime (like for work on Sundays). Employees are each entitled to 2-2.5 days of leave for each month of proper work (at least 14 days worked, 35 hours in a month).

Commercial law basics

Setting up a limited liability company in Finland takes 14 days and costs 380 euros (approximately 10,500 Czech crowns). Individuals and legal entities may found companies. At least two individuals or legal entities are needed to found a joint-stock company in Finland. While establishing a limited liability company in Finland costs only 2,500 euros (more than 70,000 Czech crowns), it costs 80,000 euros (2.2 million crowns) to establish a joint-stock company.

Form of Company	Minimum Capital
European Company -SE	120 000 EUR
Limited Liability Company - Oy	2 500 EUR
Joint Stock Company - Oyj	80 000 EUR

Source: Finnish *Ministry of Employment and the Economy*

Main taxes and additional labor costs

Finland's residents are subject to taxation of their worldwide income, while non-residents are taxed only for income earned in Finland. There are five tax brackets in Finland for individuals, and annual income of up to 16,300 euros is not subject to taxation. The lowest rate of 6.5% is for income up to 24,300 euros. The highest tax bracket applies to income above 100,000 euros, which is taxed at 31.75%. Another 18% and 26% respectively are paid in municipal taxes and church tithe. As of 1 January 2014, the corporate tax rate was lowered from 24.5% to 20%.

The basic VAT rate in Finland is 24 %. A 13% rate applies to restaurants and food. A 9% rate applies to cultural and sport events, books, medicine, passenger transport and hotels. Insurance, financial services and postal services are relieved of VAT. The social security and health insurance system in Finland is relatively complex. However, the total amount of the employer's contribution is on average approximately 22.8%, and the employee's contribution is up to 9.14% of the employee's gross wages.

Tax/payment	Rate
Corporate Tax	20 %
Individual Income Tax	6.5 – 31.75 % +18-26 %
Social insurance (employee)	7.8 – 9.14 %
Social insurance (employer)	cca 22.8 %
VAT (basic /1st lower/2nd lower)	24 % / 13 % / 9 %

Source: Finnish Ministry of Finance

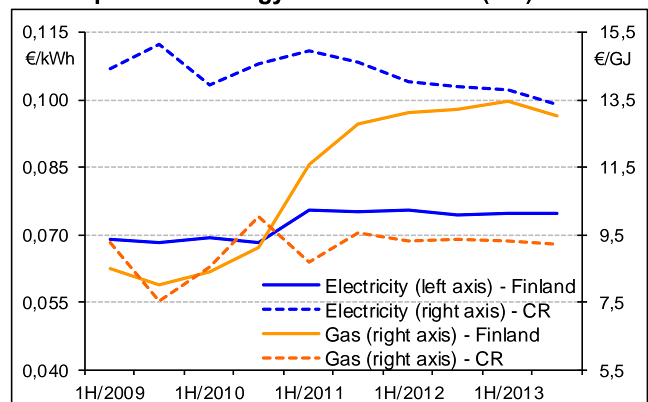
Energy

Electricity prices in Finland are extremely stable and have long been the absolute lowest in the EU. Electricity prices grew slightly at the beginning of 2011, by 10%, but since then it has remained at the same level, and at the end of 2013 large customers were charged 7 euro cents per kilowatt hour.

Natural gas prices in Finland have had a similar trend, although they rose in 2011 by nearly 30% and rose in the second half of this year by 10%. Since then, natural gas prices have been relatively stable, and at the end of 2013 they ranged around 13 euros per GJ.

Finland relies mostly on renewable resources for power generation (32.9%), followed by nuclear power plants (31.6%), solid fuels (20.7%) and natural gas (13.6%).

Development of Energy Prices – Finland (CR)



Source: Eurostat, tariffs for wholesales excluding VAT

Investment incentives

Finland offers foreign investors a wide range of incentives and subsidies. Support is provided, for example, in the form of regional incentives, loans and guarantees from the Finnvera state financial agency, and start-up grants are provided, along with incentives for business operators in the energy sector. The Tekes technological development centre offers investors incentives related to research and development. In certain situations, investors can also receive tax relief.

Dating the MFF

The European Maritime and Fisheries Fund is one of the five European structural and investment funds (ESIF) of the 2014-2020 programme period. The fund corresponds to the European Fisheries Fund from the 2007-2013 programme period and is intended to help with fulfilment of the objectives of the joint fisheries policy. Financial resources for the European Maritime and Fisheries Fund (EMFF) are part of the multi-year financial framework for 2014-2020, specifically phase 2. Sustainable growth: natural resources.

THE EUROPEAN MARITIME AND FISHERIES FUND

Although the fish population can be referred to as a renewable resource, it is not an unlimited resource, because part of the fish population is affected by excessive fishing. Therefore, EU member states have adopted measures for the purpose of maintaining the stability of the European fisheries industry.

From **1994 to 2006**, the **Financial Instrument for Fisheries Guidance** served for support of fisheries in the EU. In 2007, it was replaced by **the European Fisheries Fund**, with a total budget **4.3 billion euros**. During its use, greater emphasis has been placed on ensuring the sustainability of the fisheries industry. It has functioned more easily and accommodated the needs of the enlarged EU, which at the time had 27 member states.

The European Maritime and Fisheries Fund (EMFF) is a new financial instrument **for 2014-2020**, which is intended to ensure growth, employment and sustainability of the objectives of the reformed single fisheries policy of the EU and to support implementation of the EU's integrated maritime policy.

On 15 May, Regulation (EU) No. 508/2014 of the European Parliament and of the Council, on the European Maritime and Fisheries Fund **became valid**.

The fund will **support fishers during the transition to sustainable fisheries and support inhabitants of coastal areas with diversification of their business activities**. Projects will be financed through the fund, which will lead to new job creation and improve the quality of life in European coastal regions.

In accordance with the Europe 2020 strategy, these general objectives for the 2014-2020 period have been further divided into the **four pillars** of the European Maritime and Fisheries Fund:

- Intelligent and environmentally friendly fisheries;
- Intelligent and environmentally friendly aquaculture;
- Sustainable and inclusive territorial development;
- Integrated fisheries policy.

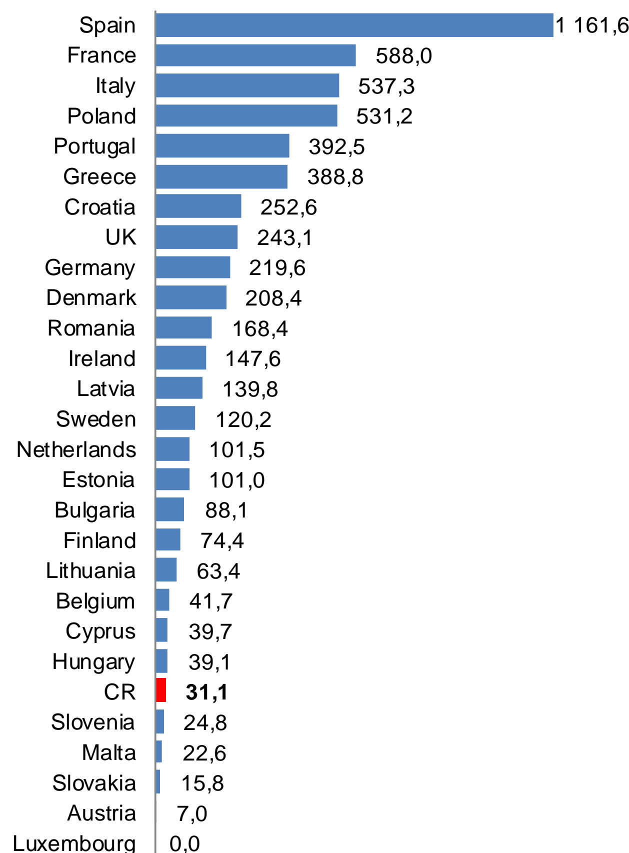
Since the projects are being co-financed from the fund's resources, it is also necessary for individual member states to **participate**. A share of the fund's total budget has been allocated to each country (based on the size of the country's fisheries industry). Then each member state will **prepare an operational programme**, in which it will specify how it intends to use the financial resources, and as soon as the programme is approved by the Commission, the member state's bodies will decide which products will receive funding.

As far as the total financial allocations for the European Maritime and Fisheries Fund are concerned, in **2014-2020** they amounted to **5.75 billion euros**. **Spain** received the largest amount of funding (1.16 billion euros). The least funding was received by **Austria** (7 million euros) and **Luxembourg** respectively. Luxembourg received zero.

More than **31 million euros** has been allocated **to the Czech Republic** and will be **divided as follows**: Sustainable development of aquaculture, processing and introduction of fish onto the market (28.46 million euros); Control and enforcement (0.7 million euros); Data collection (1.95 million euros).

The **level of co-financing** from the Czech Republic's state budget is **25%**.

EU Allocation of EMFF 2014 - 2020 (in mln EUR)



Source: European Commission

The Statistical Window displays the selected economic indicators of all 28 EU Member States. It includes comparable data from the labour market (the unemployment rate, 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-14	VIII-14	XI-14	X-14	Q4-13	Q1-14	Q2-14	Q3-14	2010	2011	2012	2013
Belgium	0.6	0.4	0.2	0.3	8.5	8.4	8.5	8.5	148.5	148.6	149.6	150.2
Bulgaria	-1.1	-1.0	-1.4	-1.5	12.9	12.2	11.5	11.3	13.4	14.2	14.4	15.4
ČR	0.6	0.7	0.8	0.7	6.7	6.6	6.2	5.9	44.0	44.6	44.8	44.6
Denmark	0.5	0.3	0.3	0.3	6.8	6.8	6.5	6.6	152.8	152.5	151.5	151.3
Estonia	0.8	0.8	0.8	0.7	5.2	5.1	5.1	5.0	34.6	35.3	36.8	39.1
Finland	0	-0.2	0.2	0.5	8.5	7.9	7.6	n/a	122.8	122.6	125.1	125.6
France	0.5	0.6	0.5	0.4	12.2	12.0	11.7	11.4	133.3	134.1	134.1	132.4
Croatia	-0.8	-0.2	-1.1	-1.8	27.6	27.2	26.8	n/a	38.1	38.1	38.1	38.3
Ireland	-0.4	-0.5	-0.3	-0.2	25.8	25.2	24.7	24.2	120.4	115.9	116.1	115.0
Italy	0.6	0.5	0.4	0.5	10.2	10.1	10.2	10.5	112.8	112.3	112.1	113.0
Cyprus	0.5	0.3	0.2	0.5	17.4	17.4	16.9	16.3	72.5	71.8	70.4	66.7
Lithuania	0	-0.2	-0.1	0.2	12.5	12.6	12.5	n/a	23.7	23.7	24.2	25.5
Latvia	0.9	0.8	0	0.3	16.7	15.8	15.9	15.4	26.4	26.6	27.1	27.9
Luxembourg	0.6	0.8	1.2	0.7	11.5	11.4	10.8	n/a	147.0	147.6	147.8	150.5
Hungary	0.5	0.3	0	0.3	11.2	11.6	11.4	11.4	36.3	37.3	38.6	38.7
Malta	1.2	0.7	0.3	0.4	6.0	6.0	6.1	6.1	55.3	55.5	56.2	56.8
Germany	0.5	0.3	-0.5	-0.3	9.2	8.0	8.0	n/a	121.5	121.9	122.8	123.6
Netherlands	0.6	0.8	0.6	0.7	6.5	6.0	5.9	5.9	134.3	133.4	133.1	135.0
Poland	0.3	0.4	0.2	0.4	7.0	7.2	7.0	6.6	35.2	35.7	36.0	36.7
Portugal	1.7	1.5	1.4	1.4	5.0	5.0	5.0	n/a	53.7	52.8	49.1	47.5
Austria	0	-0.1	-0.2	-0.3	10.0	9.8	9.2	8.8	123.7	124.8	127.5	129.4
Romania	-0.7	-0.1	0	0.1	15.4	14.9	14.4	13.8	22.6	23.5	24.4	24.9
Greece	1.5	1.3	1.8	1.8	7.1	7.0	6.9	7.0	79.1	72.6	67.0	n/a
Slovakia	0.3	0.0	-0.1	0.1	9.7	10.1	9.5	9.0	34.7	35.2	35.3	35.8
Slovenia	-0.2	-0.2	-0.1	0	14.2	13.8	13.4	13.1	61.2	60.9	60.0	58.4
Spain	1	1.2	1.5	1.2	8.3	8.4	8.6	8.6	89.3	89.4	88.4	87.4
Sweden	0.4	0.2	0	0.3	7.9	8.1	8.0	7.8	152.6	152.6	155.3	155.7
UK	1.6	1.5	1.2	n/a	7.1	6.7	6.3	n/a	115.5	114.7	113.8	113.2
EU	0.5	0.5	0.4	0.5	10.7	10.5	10.3	10.1	100.0	100.0	100.0	100.0

	Productivity to Ø CR				Average interest rate on mortgages				Price electricity to Ø EU			
in %	2010	2011	2012	2013	2011	2012	2013	1H-14	2010	2011	2012	2013
Belgium	259.6	257.1	266.6	282.3	n/a	n/a	n/a	n/a	121.0	122.1	116.1	111.5
Bulgaria	33.3	35.2	38.2	40.0	8.8	8.3	7.8	7.6	45.2	43.5	43.9	42.5
ČR	100.0	100.0	100.0	100.0	4.6	4.2	3.6	3.4	118.9	119.0	113.2	109.4
Denmark	286.5	283.0	295.4	313.5	4.0	3.5	3.7	3.3	164.5	167.6	160.6	153.3
Estonia	204.8	204.5	211.0	224.3	4.1	3.2	2.9	2.8	146.2	143.2	140.7	149.2
Finland	83.5	85.4	91.1	98.8	3.7	3.1	3.0	3.0	55.2	53.0	55.2	65.4
France	279.5	283.2	293.2	n/a	3.5	3.3	3.5	3.3	118.2	125.3	131.8	135.9
Croatia	156.9	151.0	156.0	159.4	4.7	3.6	3.1	3.2	57.2	56.5	61.2	67.7
Ireland	184.1	181.7	190.4	n/a	3.5	3.4	3.2	3.3	111.7	116.4	120.5	114.4
Italy	237.2	235.3	244.0	258.5	4.4	4.5	3.9	3.8	82.7	81.7	78.4	80.8
Cyprus	97.1	95.7	100.5	104.8	n/a	n/a	n/a	n/a	62.2	60.8	68.8	69.6
Lithuania	211.2	207.5	210.5	222.6	3.6	4.3	3.9	3.7	89.2	86.8	94.3	93.2
Latvia	147.2	145.7	153.9	157.6	5.3	5.5	5.4	5.1	106.1	114.9	138.5	122.5
Luxembourg	70.4	75.4	83.3	89.2	4.7	3.9	4.1	n/a	57.6	61.1	61.6	59.3
Hungary	73.9	79.5	84.9	91.6	4.3	3.3	2.7	3.0	66.5	65.2	62.9	66.0
Malta	599.0	599.5	614.3	n/a	2.5	2.4	2.2	2.3	105.5	95.7	92.2	87.2
Germany	84.7	83.6	82.2	85.2	10.6	12.0	9.6	7.8	94.3	87.4	80.8	69.1
Netherlands	130.8	128.2	131.3	138.4	3.6	3.6	3.4	3.3	110.0	103.2	97.5	94.0
Poland	229.6	225.4	230.6	n/a	4.6	4.3	3.9	3.5	52.9	55.0	56.1	55.3
Portugal	n/a	n/a	n/a	n/a	3.4	3.3	2.8	2.8	117.8	113.8	109.1	110.2
Austria	76.3	76.8	80.4	85.5	7.1	7.4	5.9	5.6	80.3	78.2	75.1	71.5
Romania	115.6	112.9	116.0	124.6	4.8	4.8	4.3	4.1	100.7	102.6	110.2	109.3
Greece	43.6	45.2	45.6	51.8	9.5	8.1	7.6	5.6	57.6	56.8	53.4	62.3
Slovakia	122.4	122.4	122.7	n/a	4.1	3.6	3.5	3.7	92.7	87.1	85.8	90.8
Slovenia	94.6	95.9	100.4	106.0	5.2	5.3	4.4	4.0	97.7	98.1	95.1	89.9
Spain	239.6	241.7	251.3	266.6	2.6	2.2	2.2	2.2	94.1	100.7	95.7	94.2
Sweden	259.0	270.3	289.8	307.7	4.0	3.6	2.8	2.4	113.0	116.2	109.2	106.9
UK	198.6	195.6	215.2	n/a	n/a	n/a	n/a	n/a	83.9	84.1	92.4	90.5
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

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