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The Czech Republic‘s readiness to adopt the euro

Have we rid ourselves of the causes of the crisis?

How the Czech Republic is succeeding in drawing on EU funds

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Dear readers,

The beginning of the year mostly proceeds in a spirit of balance and planning. The list of expected events for the coming months is already known. In this issue of the Monthly besides the events of the past days we also present you with an overview of what the year 2016 should bring. The British referendum, which could take place as early as September of this year, can certainly be named among the most closely watched events. The voting in this referendum will be about nothing less than the continuance of the United Kingdom in the European Union. At the end of 2015 the threat of a „Grexit", a Greek exit from the euro, was at least temporarily averted and it looks like the top European leaders will have to deal with another - this time a „Brexit".

After Hungary, Poland has become another country in the European Union which is raising great controversy. The Commission has launched a formal dialogue with Poland because of what is happening around the Polish Constitutional Court and the amendment of media law. You can read about what this actually means and which next steps the European Commission may still take on page 2.

From the January events, it is good to remember the visit of two vice-presidents of the European Commission to the Czech Republic. Federica Mogherini – the High Representative of the Union for Foreign Affairs and Security Policy - discussed the EU Global Strategy on Foreign and Security Policy which is being prepared. The current situation in Europe suggests that this strategy will be closely monitored and very important. Valdis Dombrovskis, who is responsible for the area „Euro and Social Dialogue" in the European Commission, also visited Prague. The adaptation of the common European currency and its benefits and risks was the theme of a conference in which the Vice-President participated. The Czech side of the debate was attended for example by representatives of the Czech government, the governor of the Czech National Bank, the president of the Chamber of Commerce and also the Confederation of Industry of the Czech Republic and the president of the Czech-Moravian Confederation of Trade Unions. More on the adoption of the euro and the fulfillment of the Maastricht criteria can be read on page 3.

Our Microscope section on page 7 provides the promised overview of what can be expected in 2016, where Jana Radová from the Office of the Confederation of Industry of the Czech Republic in Brussels presents the most important areas on which attention will be focused this year, whether the package of measures to manage migration and the control of external borders or the area of digitization or energy.

Without a doubt the Czech Republic definitely has room for improvement in the area of drawing EU subsidies and their meaningful allocation. In our EU Series section you can learn more about how the country fared in drawing funds in the last programming period (even if the possibility of drawing down funds was being discussed again with the Commission at the end of 2015).

Our topic on debt in the Member States of the EU is devoted to the specific connection between the past and future. What else affects the future more than the liabilities from past years - at least from an economic point of view? If you are interested in the evolution of debt, its structure and its „winners" and „losers", scroll down to page 12 of our Monthly. Much has already been written about Greece's public debt, but which country is actually at the top of the rankings, in terms of the total debt from the perspective of the state, households and businesses?

The period of spring break is here and I hope the children will enjoy it if possible with fun winter activities, and you our readers with pleasant reading of our Monthly.

Tomáš Kozelský

EU Events

The Commission has launched monitoring of the state of rule of law in Poland. – The British referendum on remaining in the EU – when will it take place? – The Czech Republic's readiness to adopt the euro. – The changes which await the internal market in 2016. The Commission particularly wants to help small and medium-sized enterprises and start-ups to grow.

POLITICS

The Commission has launched monitoring of the state of rule of law in Poland

The European Commission launched a formal dialogue with Warsaw on 13 January because of what is happening around the Polish Constitutional Court and the amendment of the media law.

First Vice-President Frans Timmermans received a mandate at the meeting of the the College of Commissioner to send a letter to the Polish government.

Brussels should clarify what it is concerned about regarding the developments in Poland; Warsaw in turn should provide evidence that there are no violations of the principles of rule of law in the country.

Such a dialogue is the preliminary phase of the so-called Rule of Law Framework created by the Commission in 2014.

According to Timmermans the entire College agreed on the procedure, which means that the decision also had to be supported by the Commissioner for the Internal Market, Industry, Entrepreneurship and SMEs Elżbieta Bieńkowska, who the previous Polish government nominated to the Commission.

If both parties fail to reach an amicable solution, the Commission can send Warsaw a more formal opinion. If it does not receive a satisfactory answer, in the second phase it can issue recommendations on the basis of which the Polish government would have until a certain date to solve the problem which Brussels had drawn attention to.

If it did not remedy the problem, the Commission can propose activation of Article 7 of the Treaty of Lisbon. This could ultimately lead to restrictions on Polish voting rights in the EU Council. The procedure, however, must be carried out in cooperation with other member states and the European Parliament.

The Commission will come back to the developments in Poland again by mid-March . Until then, a robust exchange of views between the two sides can be expected. Polish officials have repeatedly stated that nothing illegal is happening in their country and that they are willing to explain everything to the Commission.

http://ec.europa.eu/news/2016/01/20160113_en.htm

The British referendum on remaining in the EU - when will it take place?

The British referendum on remaining in the EU could take place in September 2016. A consensus on this date is reportedly being shaped between the representatives of both camps - supporters of the so-called Brexit and those who want the UK to remain a member of the Union..

Prime Minister David Cameron would like to already agree on the final form of the British demands with other European leaders in February when the European Council will meet. The presidents and prime ministers already agreed to deal with the proposal for reform of the EU at the last EU summit in December 2015.

After the exact conditions for the UK's continuance in the EU have been set, legislation will first have to be developed regulating the operation of the campaign. This may take four to six weeks.

The campaign itself will then take at least ten weeks. The first possible date would thus be July 2016. Due to school holidays in Scotland, it will not be possible to carry out a referendum then however.

This may spell trouble for Cameron. If in fact he is able to come to an agreement with the other European leaders and launches a campaign for remaining in the EU, further deterioration of the migration crisis that may be expected in the summer could greatly aggravate the situation for him. The pro-European mood in the country would probably not increase.

Nevertheless the referendum can hardly be moved to a later date because the French and German elections, which will take place in 2017 and which can also be affected by events in the EU, will already lurk around the corner.

http://www.europarl.europa.eu/news/en/news-room/20160129STO11957/UK-referendum-Prime-Minister-Cameron-visits-European-Parliament

EU Events

ECONOMY AND EURO

The Czech Republic's readiness to adopt the euro

On Friday, 29 January 2016 in Prague a conference was organized entitled „The Adoption of the Common European Currency in the Czech Republic - Benefits and Risks" and its main speakers were Prime Minister Bohuslav Sobotka and European Commission Vice-President Valdis Dombrovskis, who stated that from an economic standpoint the Czech Republic is currently ready to adopt the euro and joining the eurozone is thus now primarily a question of political decisions and will. While Prime Minister Bohuslav Sobotka thinks that the Czech Republic could become more competitive and stable thanks to the euro, on the contrary Finance Minister Andrej Babiš and Czech National Bank Governor Miroslav Singer see in it an economic threat. The Cabinet had already decided earlier that a date for adoption of the euro will not be specified during this electoral term.

With the signing of the accession treaty to the European Union the Czech Republic committed to adopting the euro. The timeline for adoption of the single currency is not defined, but there is an assumption that the country will adopt the euro once all the criteria are met:

1. Criterion on Price Stability

The criterion assesses the rate of consumer inflation, which must not be more than 1.5 pp higher than the average of the three best performing countries in terms of price stability.

Since 2013 the Czech Republic has fulfilled this criterion, and is very likely to also comply with it in 2015. According to the outlook for inflation, fulfilment of this criterion should be ensured until 2018 with a margin of almost 1 percentage point.

	2015	2016	2017	2018
Average for 3 EU countries with lowest inflation*	-0.5	0.9	1.2	1.4
Reference value	1.0	2.4	2.7	2.9
Czech Republic	0.4	1.0	1.9	1.9

2. Criterion on the Government Financial Position

The criterion is satisfied only when both components of the fiscal criterion, i.e. a general government deficit of less than 3% of GDP and general government debt of less than 60% of GDP, are fulfilled in a sustainable manner.

The Czech Republic meets this criterion. Its compliance is also likely in the medium term with a sufficient margin (more than 1 percentage point for the deficit and 20 percentage points for the debt).

	2015	2016	2017	2018
General government balance				
Reference value	-3.0	-3.0	-3.0	-3.0
Czech Republic	-1.9	-1.2	-0.8	-0.5
General government debt				
Reference value	60.0	60.0	60.0	60.0
Czech Republic	40.9	40.9	40.7	40.1

3. Criterion on the Convergence of Interest Rates

This criterion states that long-term interest rates (yields on bonds with a residual maturity of 10 years) must not be more than 2 pp higher than in the three best¨performing states in terms of price stability.

The Czech Republic traditionally fulfils this without problems and according to the outlook to 2018 the same thing is also likely to apply (with a margin of at least 1 percentage point.).

	2015	2016	2017	2018
Average for 3 EU countries with lowest inflation*	1.6	1.0	1.3	1.3
Reference value	3.6	3.0	3.3	3.3
Czech Republic	0.7	1.2	1.5	1.8

4. Criterion on Participation in the Exchange Rate Mechanism

The admission of an EU Member State into the euro area is conditional on a successful, at least two-year stay of the national currency in ERM II. The exchange rate is expected to move within the fluctuation band of ±15% without devaluation of the central rate and excessive pressures on the exchange rate.

Formal fulfilment of the criterion on exchange rate stability will only be possible after the Czech Republic joins ERM II, so the assessment of its fulfilment can be made only at an analytical level.

Source: Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area - 2015

http://www.mfcr.cz/en/statistics/fulfilment-of-the-maastricht-criteria/2015/assessment-of-the-fulfilment-of-the-maas-23407

INTERNAL MARKET

The changes which await the internal market in 2016

In 2016 the Commission particularly wants to help small and medium-sized enterprises and start-ups to grow and to facilitate their access to the internal market. Thanks to one of planned initiatives entrepreneurs could get a second chance after

EU Events

On 9 January, 2016 the Commission launched an online platform for resolving consumer disputes. - The Commission will recalculate the benefits and impacts a higher target for energy efficiency could have for the EU. - The head of European diplomacy Mogherini has visited Prague. The main theme of her visit was the forthcoming EU Global Strategy on Foreign and Security Policy.

bankruptcy The Commission also intends to continue in the realization of EU capital markets, which will facilitate European businesses' access to financial resources and make the EU more attractive for investors from around the world.

During 2016 the Commission will also propose a Labor Mobility Package, which among other things should lead to a reduction in the abuse of some social security systems in the EU. This should protect countries with higher standards of living and generous welfare systems, which attract Europeans from poorer EU states. An example is the United Kingdom, whose list of requests for EU reform even includes preventing use of the local social systems. The Commission also wants to revise the Posting of Workers Directive so that the same work in one location is valued with the same pay for all EU citizens.

A new strategy to enable European citizens and businesses to take full advantage of European space programmes such as Galileo or Copernicus will also be introduced.

https://ec.europa.eu/priorities/work-programme-2016_en

The European Commission has launched an online platform for resolving consumer disputes

On 9 January, 2016 the Commission launched an online platform for resolving consumer disputes. This will enable Internet users to solve problems with companies when buying goods and services online without going to court.

And how will the new platform actually work? Consumers and merchants will be able to make a complaint by completing the online form in all official EU languages. Along with the form the necessary documents can also be sent. The complaint will be investigated within 90 days by a legal arbiter, who will decide how to settle the dispute. The service will be free, thus Europeans will save on expensive legal wrangling. The platform has been open from January, so far only for the entities that will serve as arbitrators in dispute resolution. They have time until 15 February to register in the system and familiarize themselves with it. Subsequently consumers themeselves and online retailers will also be able to utilize the service.

http://ec.europa.eu/consumers/odr/

ENERGY AND TRANSPORT

What could an increased EU target for energy efficiency mean?

The European Commission will recalculate the benefits and impacts a higher target for energy efficiency than what the European Council agreed on in October 2014 could have for the EU. In the models it is preparing for the new version of the Energy Efficiency Directive, it will calculate different targets ranging from 27% to 40% (percentages expressed in increased energy efficiency compared to baseline projections from 2007). A non-binding target of 27% has now been agreed on by the presidents and prime ministers of member states, who approved the general policy framework for EU climate and energy policies in the 2020 to 2030 period. The Parliament, for example, has however long called for the target to be increased to 40% and be binding. While the Commission pays respect to this view, it believes that the ideal amount would be 30%.

In connection with the adoption of an international climate agreement in Paris, opinions began to be heard again that EU efforts on the road to a low carbon economy should increase, and therefore climate and energy targets should also be stricter.

In its models the Commission initially wanted to focus on a possible increase in targets up to a 33% maximum. However the Commissioner for Climate and Energy Miguel Arias Cañete received a letter from a group of MEPs, according to which this could close off a path to higher savings in the future. The Commission will in fact base the legislative proposal on an impact study. In 2016 it will present the proposal, which will then be approved by member states and MEPs.

EXTERNAL RELATIONS

The head of European diplomacy Mogherini has visited Prague

On Monday, 11 January the High Representative of the Union for Foreign Affairs and Security Policy and Vice-President Federica Mogherini visited Prague in order to discuss the crisis that Europe is currently facing with Czech representatives.

The main theme of her visit was the forthcoming EU Global Strategy on Foreign and Security Policy which the high representative is preparing. By June 2016 it will be presented to European leaders. According to her, the EU is facing a number of crises and conflicts and having a clear strategy for the future is the only way for Europe to respond to them.Mogherini has been working on the shape of the new strategy since June 2015, when she was given the task of drafting it by the European Council. The current global strategy actually dates from 2003, when the security environment outside the Union's borders was very different. Among the key threats defined in the strategy from 2003 are for example terrorism, proliferation of weapons of mass destruction, organized crime, regional conflicts and failed states outside the Union. It is expected that terrorism and the newly emerging strategy will be the key topic. Apart from terrorist threats, in the new strategy the EU will probably also focus on defense policy, energy and climate change, migration, cyber security and economic prosperity not only for European citizens but for people everywhere.

http://eeas.europa.eu/top_stories/2016/110116_mogherini_in_prague_en.htm

The European Commission Representation in the Czech Republic contributes to the EU News Monthly Journal in the „Commission's Column" section. In the February issue this article is devoted to a programme through which students can travel to foreign universities. How many people have participated in it so far and which countries are the most popular among students?

EC´s Column

ERASMUS+ AND ITS FIRST YEAR OF OPERATION

After its first year, Erasmus+ has already met expectations. The programme for education, training, youth and sport is more extensive and better designed than its predecessor.

With a budget of more than 2 billion euros in the first year Erasmus+ has already offered more than one million people the opportunity to participate in 18,000 funded projects.

Programme statistics for the 2013/14 academic year: Spain, Germany and France still lead the rankings as the most popular destination countries. From the Czech Republic 7,510 students went abroad.

The typical Erasmus+ student is 23 years old on average, the length of the stay abroad is 6 months and he or she receives a grant of 274 euros. Altogether 61% of all programme participants are female.

The recently published data shows that in 2014 more people successfully participated in the Erasmus+ programme in various forms than in previous years. In the first year it funded a record 650 thousand grants for the mobility of students, trainees, teachers, volunteers and other young people.

The first students have also paved the way for obtaining student loans to cover the entire master's degree abroad. For the first time projects to support policies which public institutions and international organizations were involved in were financed from the programme, as well as projects in the field of sport.

The extended Erasmus+ programme also offers its participants more support. This is clearly apparent in the fact that studying abroad is increasingly recognized in their home countries.

The mobility of teachers and other staff is also better integrated into strategies for professional development in their home institutions.

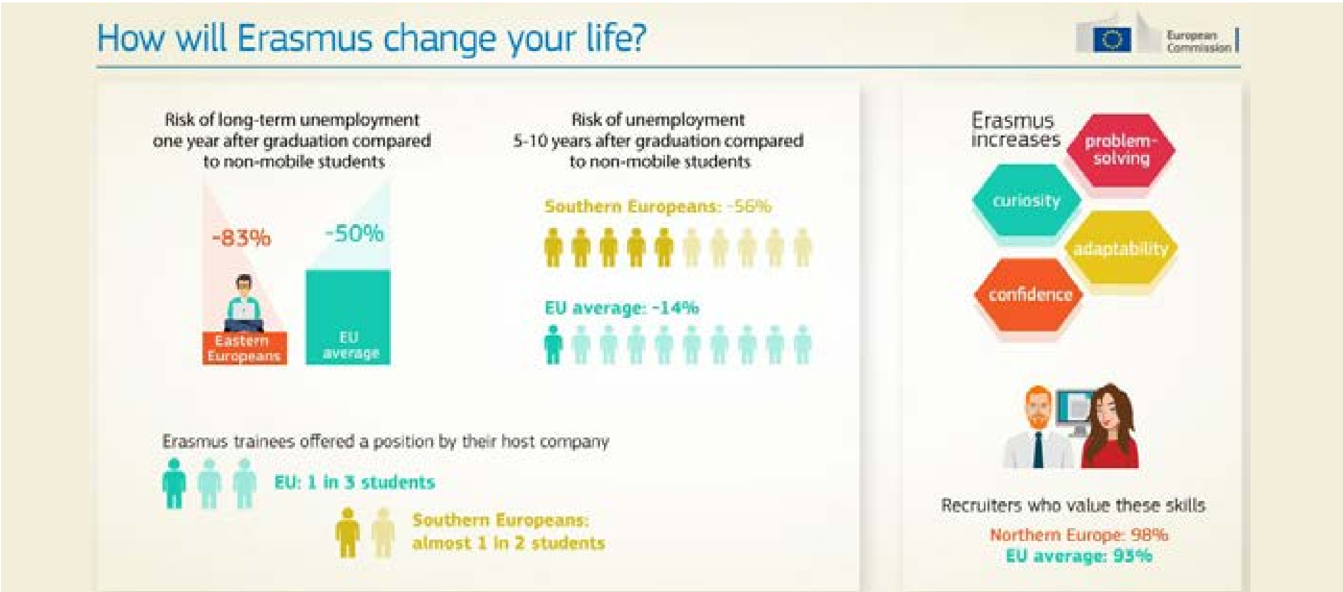
The new Erasmus+ is more accessible and puts a stronger emphasis on promoting social inclusion, active citizenship and tolerance. Participants with limited financial resources or special needs can therefore obtain more financial support than before.

Moreover, in 2016 an additional 13 million euros was allocated to finance projects dealing with inclusion of minorities and migrants and other disadvantaged social groups for example.

The programme also focuses on initiatives which improve the prospects for young people to obtain employment and facilitate their transition from school to work. It therefore provides more opportunities for professional training and apprenticeships.

In a separate recent report the Commission also published the statistics on student and staff mobility for the final academic year (2013-2014) of the former Erasmus programme for higher education, which formed part of the umbrella Lifelong Learning Programme. The data reveals that compared to all the previous years, a record number of students (272,000) and academic staff (57,000) took part. Spain, Germany and France remained the most popular countries for students on the Erasmus programme to choose for study or an internship abroad.

A new study on the importance of the Erasmus programme for each region also confirms that participation in such a student exchange significantly increases young peoples chances of finding quality managerial positions - which is particularly true for students from Southern and Eastern Europe.



InfoService

Our InfoService section outlines upcoming sessions of EU decision-making bodies accompanied by other significant events. Often agendas for negotiations by these important bodies are not ready until a few days before the actual meetings can be found at:
http://europa.eu/newsroom/calendar/;
http://english.eu2016.nl/events

Meeting of the key EU institutions

1 – 4 February 2016	**Strasbourg, France**	**15 February 2016**	**Brussels, Belgium**
- European Parliament plenary session		**- Agriculture and Fisheries Council**	
4 – 5 February 2016	**Amsterdam, Netherland**	**16 February 2016**	**Brussels, Belgium**
- Informal Meeting of the Ministers of Defence		**- General Affairs Council**	
5 – 6 February 2016	**Amsterdam, Netherland**	**18 – 19 February 2016**	**Brussels, Belgium**
- Informal meeting of Foreign Ministers		**- European Council**	
11 February 2016	**Brussels, Belgium**	**24 February 2016**	**Brussels, Belgium**
- Eurogroup		**- Education, Youth, Culture and Sports Council**	
12 February 2016	**Brussels, Belgium**	**25 February 2016**	**Brussels, Belgium**
- Economic and Financial Affairs Council		**- Justice and Home Affairs Council**	
15 February 2016	**Brussels, Belgium**	**29 February – 1 March 2016**	**Brussels, Belgium**
- Foreign Affairs Council		**- Competitiveness Council**	

Source: www.europa.eu, www.english.eu2016.nl, access as of 29 January 2016

Overview of selected calls

Applications are received from - until	Operational programme
1 February 2016 - 6 June 2016	**OP Enterprise and Innovation for Competitiveness**
• Low carbon technology- activities a), b), c), d), e) and f)	
10 February 2016 - 28 January 2017	**OP Prague – Growth Pole of the Czech Republic**
• Call no. 12 - Energy savings in municipal buildings	
11 February 2016 - 28 February 2017	**OP Prague – Growth Pole of the Czech Republic**
• Call no. 13 - Energy savings in municipal buildings - public transport	
11 February 2016 - 11 April 2016	**OP Employment**
• Call no. 33 - Call for local governments (municipalities, counties and associations and unions of local goverment bodies) • Call no. 34 - Call for local governments – capital of Prague	
13 February 2016 - 30 April 2016	**OP Prague– Growth Pole of the Czech Republic**
• Call no. 7 – Promotion of technology transfer and putting knowledge from research organizations into practice	
13 February 2016 - 31 May 2016	**OP Prague– Growth Pole of the Czech Republic**
• Call no. 10 - Improving the quality and effectiveness of the functioning of science and technology parks, including incubators	

Source: http://www.dotaceeu.cz/cs/Kalendar-akci, access as of 1 February 2016

The European Commission programme for 2016 is very colorful. It contains a total of 23 initiatives which the Commission will follow with proposals that will have impact not only on the business environment. You can read about which proposals can be expected this year. The complete Commission work programme is available here: http://ec.europa.eu/atwork/pdf/cwp_2016_cs.pdf

Microscope

WHAT TO EXPECT FROM THE EU IN 2016

In its work programme for 2016 the Commission has presented 23 initiatives, which will be followed this year by a series of proposals with a major impact on the business environment and the future of the European Union as such.

The April package of measures on migration management and control of external borders, developments in the area of social and tax policy, deepening the Economic and Monetary Union, building the Energy Union, the removal of barriers to the internal market and the implementation of the Digital Single Market will be important. The referendum on the withdrawal of Great Britain from the EU, which is expected in the middle of this year, will also be closely watched.

In the area of the digital market and legal affairs, prompt negotiation of an agreement for a stable mechanism for the transatlantic transmission of data and subsequent harmonized interpretation of the agreement by national authorities for the protection of personal data are among the priorities of the business sector. This year, among other proposals the Commission will present an Action Plan on VAT, legislative measures concerning the modernization of technology and public services and online trading that will regulate so-called geo-blocking, and an action plan for the digitization of European industry.

Business also has high hopes for the implementation of copyright reform, the expected completion of the trialogue on the Shareholder Rights Directive and the directives on trade secrets and cyber security, which are already in the final phase of the European legislative process. Last year‘s progress in creating of a legal framework for the implementation of a unitary patent will now be followed by the ratification of a Unified Patent Court by the member states, with the amount of legal fees remaining a key aspect. Business also undoubtedly appreciates the reduction of administrative burdens thanks to the newly adopted European Single Procurement Document for public contracts.

In the delayed Labour Mobility Package European business is primarily concerned about the planned revision of the Posting of Workers Directive and the principle of equal pay for the same work in the same place. Business also cautiously awaits two more proposals from the Commission, a programme for working parents and the Pillar of Social Rights, which is part of efforts to deepen the Economic and Monetary Union. On the other hand, business anticipates and will be paying close attention to the announced New Skills Agenda for Europe.

Other key initiatives Union will follow up on the Five Presidents‘ Report on completing Europe’s Economic and Monetary Union. Attention will be focused on the January package of measures against tax evasion, which proposes the introduction of international standards to combat base erosion and profit-shifting (BEPS) and the exchange of tax information on the activities of multinational companies among national authorities in each individual country. Business is gazing anxiously at the increasing demands for corporate transparency and the expected April proposal on public reporting for which an impact assessment is currently being done. The ministers will also address a proposal on a European Bank Deposit Insurance Scheme as part of efforts to complete the Banking Union and will also deal with structural reform of the banking sector in a trialogue.

The Commission will also submit a mid-year evaluation of the multiannual financial framework and a strategy for orientating the budget towards results.

As part of building the Energy Union, business will undoubtedly follow the February proposal concerning the security of natural gas supplies, the expected strategy for heating and cooling, revision of the Emissions Trading System (EU ETS) and the proposal on implementation of emission reduction targets for sectors outside the ETS (the Effort Sharing Decision).

In the second half of the year the Commission will introduce a package of measures on renewable energy sources and legislative proposals on energy efficiency and on implementing the new design of the electricity market. Business will also watch the enforcement of the commitments from the COP21 Climate Conference and implementation of the Circular Economy Package.

In the transport sector attention will be focused on the strategy for a more competitive aviation sector, the preparation of proposals in the area of road transport and the upcoming completion of the trialogue on the fourth railway package.

On the international scene, it will be necessary not only to enter into discussions on granting market economy status to China and the potential extension of sanctions against Russia in the second half of the year, but also to advance in the TTIP negotiations and other trade and investment agreements.

The intensity of the current challenges and the speed with which they alternate puts the EU into a position that requires quick and simultaneously transparent reactions.

The business community supports the Commission‘s focus on substantive issues and its ambition for better regulation, which it is committed to working on with the European Parliament and the Council. Business is of the opinion, however, that the current challenges can be overcome only with a single position within the EU, a joint effort by member states and a strong economy.

Jana Radová, Permanent Delegate BUSINESSEUROPE

Main Topic

Debt has become an essential part of every market economy. But when there's too much debt its beneficial effect can switch to become the exact opposite, which is also what happened in 2008. Since then, European states have unfortunately failed to lower their indebtedness. The problem of debt, however, is almost exclusively a problem of "old Europe".

HAVE WE RID OURSELVES OF THE CAUSES OF THE CRISIS? INDEBTEDNESS IN THE EU

INTRODUCTION

The topic of indebtedness resonates in the media. It isn't, however, only in connection with the financial crisis convulsing Greece – debt is the prime mover in the onset of the entire financial crisis. The economic crisis has severely affected not only member states, but also other economic entities in general.

Economists don't agree on how to respond to the financial crisis that has affected Euro-Atlantic civilisation over the last decade, but they quite clearly agree on its causes – the accumulation of debt in various forms. Seven years have already elapsed since the collapse of Lehman Brothers and the beginning of the economic crisis, and the European Union as a whole has perhaps finally returned to long-term sustainable economic growth. Let's therefore use this opportunity for a recapitulation and look at how the European Union has managed to come to terms with increasing debt and its individual segments.

Since the end of the economic crisis indebtedness in the European Union has not declined and has even increased slightly. Public debt has quite significantly increased, although debt has slightly declined among businesses. It is important, however, to understand the large structural differences – debt in the EU is concentrated primarily in the West, while the Eastern states are not affected so much.

The new member states are doing well from this point of view (with the exception of Cyprus). The difference is noticeable in all sectors, although the biggest difference is in the least indebted financial sector. The Czech Republic is in relation to GDP the fifth least indebted country in the EU. The amount of debt is lower in all sectors, but it's especially noticeable in the financial sector.

Czech entities together owe 159% of GDP, which when calculated per person is around EUR 23,000. Two-thirds of this amount is distributed among the public sector and non-finance businesses, while the rest is evenly split between households and financial institutions.

Debt is a natural and necessary part of any market economy – according to some theories money actually originated as a means of recording debt. On the other hand, however, debt always arouses great controversy because its effects (especially with increasing levels) may easily go into reverse and turn against its owner.

According to the economist Hyman Minsky, debt is the main reason for the existence of the economic cycle – with how the indebtedness of an economy, companies, governments and households grows and competition in the financial sector increases.

Investment begins to flow into riskier projects for this reason until at some point debt it increases to an unsustainable level. At that point a corrective mechanism comes into play in the form of an economic downturn, which should logically be accompanied by a "deleveraging" of the economy, i.e. the decline of overall indebtedness. The question therefore is how this "deleveraging" can be undertaken, but that would be for an independent study.

Overall indebtedness is calculated in this report on the basis of Eurostat data in the form of detailed balance sheets in various sectors.

All liabilities denominated as loans and issued debt instruments are calculated as debt. All countries of the European 28 were included in the analysis.

THE EUROPEAN UNION HAS FAILED TO GET OUT OF DEBT

One would expect that states would learn from the adverse developments in countries where the International Monetary Fund has had to intervene with financial injections. Unfortunately, it appears that overall indebtedness in the EU is not declining – total debt at present is approximately four times European GDP.

In comparison with debt in 2009, i.e. immediately after the outbreak of the economic crisis, it had grown by 15 percentage points by 2014. Austerity measures in the EU as a whole did not lead to a decline in debt.

Debt in the EU is growing in the state sector in particular – while the amount of government debt per GDP was less than 60% in 2007, by 2014 it had already exceeded the magical 100% threshold. The only sector where the amount of debt declined throughout the whole Union - the "deleveraging" that took place was the one which in comparison with its size is the least significant – was household debt.

But not even this decline was especially substantial – while households borrowed 68% of European GDP in 2009, in 2014 it was 64%.

In absolute terms, household debt has in practice stagnated, so the relative fall tends to correspond to growth in GDP. The trend in other sectors – i.e. non-financial and financial enterprises – is not clear.

Main Topic

While debt grew slightly in the years immediately after the crisis, since 2013 it appears that it has been very slowly declining.

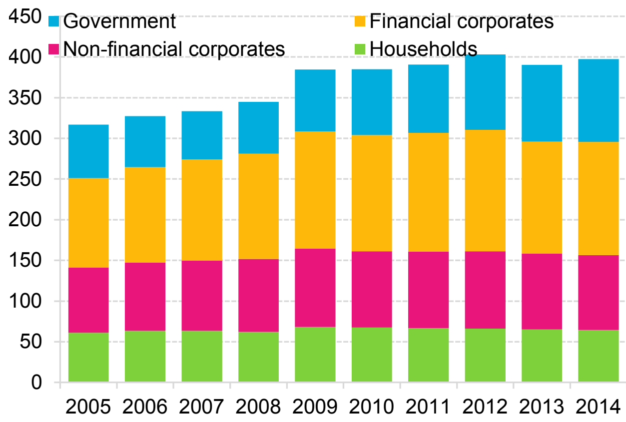
The situation looks even more unsatisfactory if we compare current indebtedness with the only the pre-crisis period.

The massive indebtedness on both sides of the Atlantic (especially in the financial sector) which led to the open outbreak of crisis had been simmering away for some time under the surface.

In comparison with 2005, European Union debt has grown in relation to GDP by 80 percentage points to a total of nearly 400% GDP.

By far the greatest part of the additional debt is state debt, followed by the debt of financial corporations. Households and non-financial enterprises have also accounted for a moderate growth in their debt to GDP.

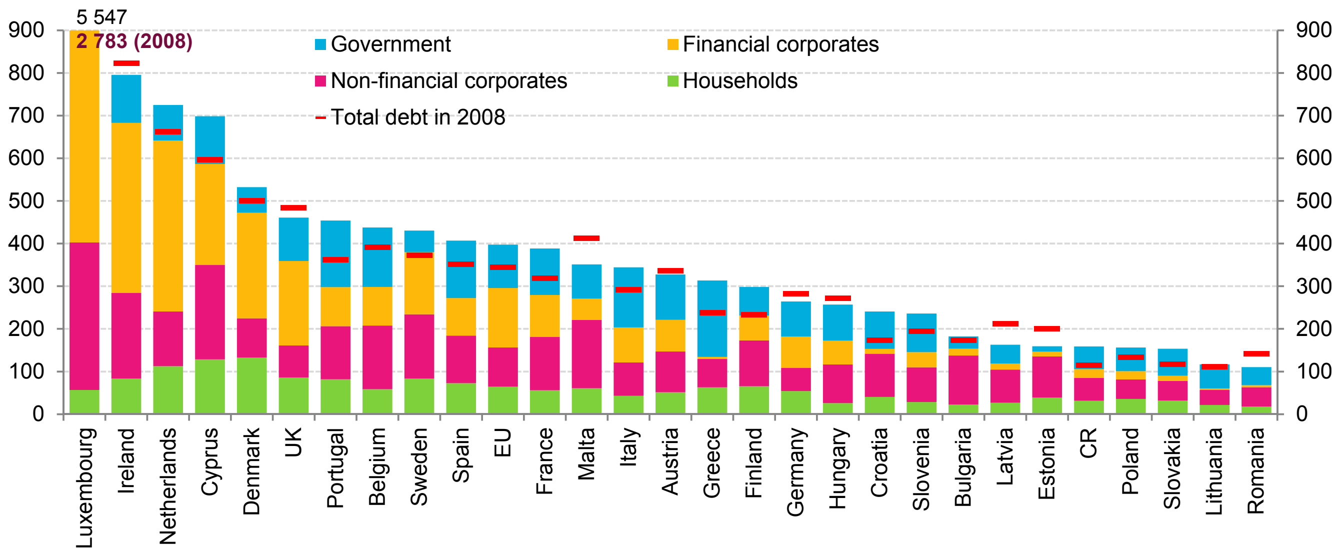
Development of indebtness in the EU (% of GDP)



Source: Eurostat

WINNERS AND LOSERS

Debt structure in the EU member states in 2014 (% of GDP)



Source: Eurostat; the total debt in 2008 shown for comparison

Looking at the results clearly shows that the countries of “old Europe” are significantly more indebted. Clearly the most indebted EU country is Luxembourg, which incredibly “owes” 55-times its own GDP. More than 90% of this amount has been generated by the financial sector – thanks to its tax system, Luxembourg attracts financial houses from all over the world.

West Europe is clearly more indebted – more than 500% of GDP is owed by Ireland, the Netherlands, Great Britain and Denmark. At the other end of the rankings, on the other hand, are almost exclusively new member states.

The only exception is Cyprus, which owes seven-times its own annual product. Least indebted Romania owes approximately as much as it produces in one year.

What is interesting is that the Romanian financial sector is practically debt-free – financial debt represents less than 5% of GDP. Apart from Romania, the other end of the rankings are occupied by practically the entire CEE region. Lithuania, Slovakia, Poland, the Czech Republic, Estonia and Latvia have debt that is less than 200% of GDP. Slovenia, Hungary and Croatia have exceeded this threshold, but nevertheless the European Union average is still twice as much in comparison.

The least indebted states of Western Europe – Germany and Finland – owe less than 300% of their GDP. Greece’s situation may be surprising for some – in terms of total indebtedness it is the third least indebted country of the old European 15, albeit with significantly higher public debt.

Main Topic

It's important not to lump them all together – there are large differences in individual states and in the dynamics of debt. Nine member states managed to reduce their indebtedness. The record-holder is Malta, which since 2008 has reduced debt by 60 percentage points to 350% of its GDP.

Remarkable success can be seen in the Baltic states which were heavily affected by the crisis and a sudden outflow of capital. Yet both Estonia and Latvia managed to reduce their indebtedness by more than 40 percentage points of GDP.

Success in this area can also be attributed to Romania, Ireland and Great Britain. On the other hand, 19 European Union member states have failed to reduce their debt and in 17 of them it has even increased by more than 20 percentage points. An alarming example is Luxembourg, whose financial debt has ballooned and total indebtedness has increased by 27-times its GDP. For the other countries the changes have not been so dramatic – the second greatest indebtedness affects Cyprus which increased its debt by 100 percentage points, while Portugal and Greece have deteriorated by more than 90 and 75 percentage points respectively.

France has also been very badly hit – one of the largest European economies has increased its debt by more than 70 percentage points to its present 390% of GDP. But this is still under the European Union average.

HOUSEHOLD DEBT

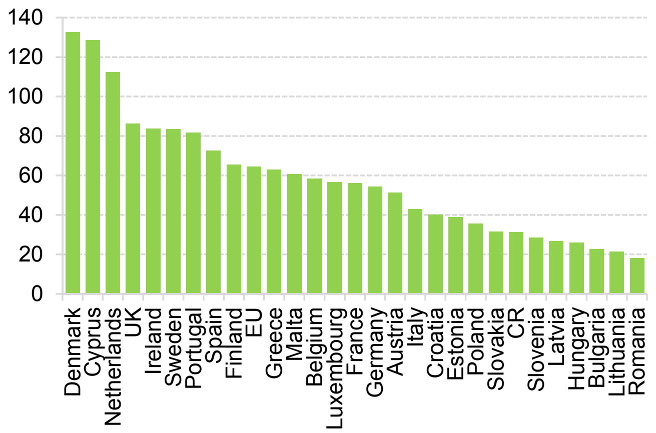
The smallest contribution to overall debt in the EU comes from the household sector – in 2014 household debt was around 15% of total debt. Household debt in particular includes mortgages, credit cards and other forms of consumer loans. As in the case of overall indebtedness, household debt is significantly higher in original member countries than in the new member states (again with the honourable exception of Cyprus).

Household debt is the most stable of all the sectors – in the pre-crisis period households owed just over 62% of GDP. Thanks to the turbulence on the financial markets the debt climbed in the short-term to 68% in 2009. Since then, household debt has slowly returned to 64% - here we can speak of deleveraging.

The most indebted countries from a household point of view is Denmark, whose households owe approximately 1.3x the Danish GDP. Analysis of the Danish Central Bank, however, shows that Danish debt is concentrated in the hands of households with the highest income and does not represent such a high risk for macroeconomic stability. Following in Denmark's wake is Cyprus, which has long basked in the role of the financial gateway to the EU, but has recently been hit. Household debt in the Netherlands is also more than 100% of its GDP. The position of the least indebted households in Europe is occupied by Romania, where households owe a mere 18% of GDP.

All Central European and East European countries have debt below 40% GDP.

Household debt in 2014 (% of GDP)



Source: Eurostat

CORPORATE DEBT

We analysed corporate finance in two sectors – in financial institutions and businesses that don't focus on finance and only use if for realising their investments.

For businesses it concerns loans from banks and the value of bonds issued. In the case of financial institutions it concerns liabilities on the interbank market and toward other institutions, as well as issued bonds. Last year corporate debt totalled nearly 60% of all indebtedness, of which two-thirds comprised financial sector debt.

The most indebted European Union country from the point of view of corporations is Luxembourg, whose indebtedness is so high that it ranks first in terms of overall debt. Thanks to its legislative environment, which attracts financial institutions, its indebtedness at 40-times its GDP is truly astronomic.

Its overexposure to the financial sector has paid off for Luxembourg so far – Luxembourg's economic performance was not affected by the crisis more than other states with lower exposure. Nevertheless, what didn't happen, can – since 2010 Luxembourg's enormous exposure to the financial sector has doubled.

The next state in line is Ireland, which is well known for its financial adventures. Cyprus completes the picture in third place.

The least indebted is the banking sector in Latvia and Romania where financial institutions contribute less than 5% to the total debt.

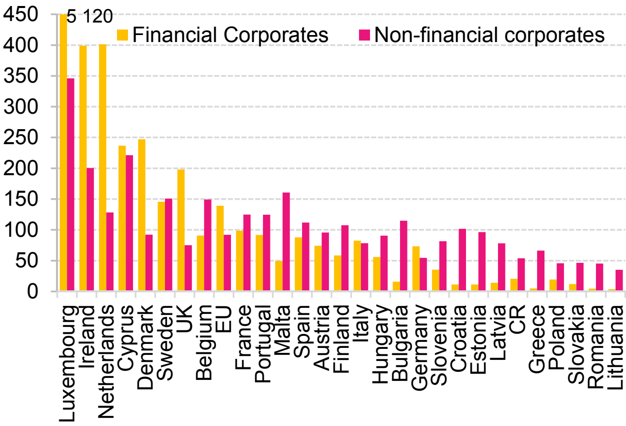
In terms of non-financial corporations the situation is very similar – the most indebted are businesses in Luxembourg, Cyprus and Ireland; businesses in these countries owe more than 200% of GDP.

Non-financial businesses are also more indebted in Western Europe than in the East, although the differences are not so gaping.

While financial institution debt in the majority of Western European countries significantly exceeds the debt of other businesses, in the new member states the opposite is true.

Debt financing is needed in all countries, but the financial sector has significantly evolved from a certain level of development.

Corporate debt in 2014 (% of GDP)



Source: Eurostat; ordered by the sum of both indicators

PUBLIC DEBT

Public debt is heavily publicised in the media and there's a reason for this – it's the fastest growing of all the sectors. While state budgets owed less than 60% of European GDP in 2007, in 2014 the magical threshold of 100% had already been exceeded. nAfter a mere seven years, states became more indebted by more than a half – and at a time when nearly all European states had undertaken more or less strict austerity measures. Austerity policies have proved unsuccessful and probably nobody can reliably answer the question what policies would lead to greater success. The most indebted public budget in the European Union is in Greece.

Irresponsible fiscal policies in the period prior to the crisis and inappropriately designed austerity measures didn't lead to a reduction in the Greek debt, but rather the opposite – state debt accelerated and in 2014 it reached nearly 180% of GDP, which is half as much again as before the crisis. The other "victors" are also well-known – in second place is Portugal where debt exceeds 150% of GDP, and Italy, which is slightly below the same threshold. It may be surprising for some that Belgium, which isn't greatly talked about as an indebted state, owes 140% of domestic product in public debt.

Politicians, however, should be praised – the least indebted country in the EU is Estonia, whose government apparently refused to enrich the present generation at the expense of the future. The Estonian public budget owes only 12% of its GDP. However, Estonia tends to be the exception that proves the rule – only Luxembourg (25% of GDP) and Bulgaria (29% of GDP) come under the 40% GDP threshold.

THE CZECH REPUBLIC

The Czech Republic certainly belongs among the least indebted countries in the European Union – total debt is just over one-third of the average European Union debt – thanks to this the Czech Republic is the fifth least indebted country in the EU. The indebtedness of the Czech Republic, however, is growing more quickly than European Union indebtedness.

While overall debt in the European Union increased by a quarter, in the Czech Republic it jumped by more than a half. In 2014, overall debt was thus a total 159% of Czech GDP. In absolute numbers, the Czech economy has accumulated EUR 245 billion in debt, which corresponds approximately to EUR 23,000 per person. This doesn't mean that each individual would owe so much – household debt per capita is approximately EUR 4,500, i.e. a little more than CZK 100,000. A third of Czech debt is formed by non-financial businesses and the other two-thirds by government.

Financial institution debt in the Czech Republic is in comparison with other countries very small – it constitutes 20% of Czech GDP.

In comparison with the European Union the difference is up to seven-fold – financial debt constitutes the biggest difference between the states of the entire region of Central and Eastern Europe (CEE) – a region represented by the Czech Republic and the European Union. The Czech Republic is also slowly but surely becoming more indebted. Government is becoming indebted the fastest – while the public budget owed less than 30% of GDP in 2005, today this amount exceeds 50%. There is also a noticeable difference with non-financial businesses which have expanded their debt portfolio by 15 percentage points of GDP to today's 53%, and with households where debt has climbed in the same period from 15% to nearly one-third of GDP.

The structure of debt in the Czech Republic and the EU

	CR		per capita	EU		per capita
	2005	2014	2014 (EUR)	2005	2014	2014 (EUR)
Households	17%	20%	4 562	19%	16%	17 735
Non-financial businesses	38%	34%	7 868	25%	23%	25 284
Finance businesses	15%	13%	2 994	35%	35%	38 323
Public debt	29%	34%	7 792	21%	26%	27 941
Total debt	**97% GDP**	**159% GDP**	**23 228**	**317% GDP**	**398% GDP**	**109 282**

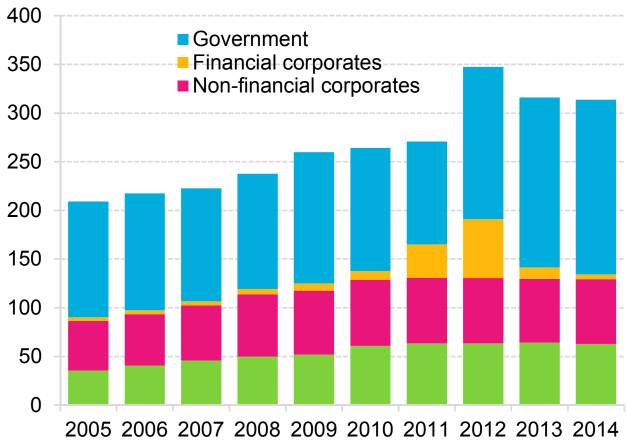
Source: Eurostat

Greece

One can easily get the feeling from reading the news that Greek debt is unrivalled. However, a look at the statistics makes that claim highly relative. In terms of overall debt, the Greeks are in 15th position amoung EU member states, i.e. in the second half.

Overall debt slightly exceeds three-times its GDP, but this is still less than the European Union average. Greece suffers from high public debt which is the biggest in the European Union, but if we look at total private debt, then it's only slightly higher than the Czech Republic. Like the Czech Republic, debt is gradually increasing. This also appeared in Greece in the past as a problem with the high indebtedness of the financial sector, which was full of "toxic" assets, and Greek banks thus had trouble repaying their liabilities. At the time it culminated in 2012 it had reached 60% of GDP. But then a one-off restructuring took place and financial debt dramatically declined to less than 5% in 2014. Even during the period of the worst debt, however, the overall debt in Greece didn't exceed the European Union average, but was rather far below it. Greece suffers from a huge debt burden in its state budget. This debt, however, can't be transferred en bloc to all Greeks, otherwise the rest of Greece is relatively conservative regarding their debts.

Indebtness in Greece (% of GDP)



Source: Eurostat

CONCLUSION

According to many classical macroeconomic variables, we are already out of the crisis. The European Union as a whole is growing and according to preliminary indicators it appears that the wheels of the economy were turning very well in 2015. Nevertheless, in terms of debt, we haven't got very far since the crisis erupted.

There are essentially two ways to get rid of debt – one is to get rich and thus reduce debt in a relative sense, and the second is to adopt radical austerity measures. It appears that we've tried to find a third way in the European Union – apply the brakes a bit, but not too much so that we don't overly hurt anyone. Politically, it's totally understandable and in a certain sense it's the maximum possible. Unfortunately, it has been shown that such a compromise doesn't work. In macroeconomic reality these views are complicated – when the brakes were applied in Europe, the economy nearly came to a halt, but debt conversely began to rise. Ultimately, however, it appears that we're out of the worst and the economy is again beginning to produce, innovate and employ. This growth should be used to repay debt from recent years.

The Doing Business is part of the Foreign Business Guide offered by the Česká spořitelna EU Office. Within the program, we provide our clients from among small and mid-sized enterprises with information about how to expand abroad successfully and what business environment awaits them there. In the February issue, we will focus on the business environment in the Austria.

Doing Business

AUSTRIA

Official name	Republik Österreich
Population	8,506,889 (2015)
Area	83,871 sq km
Currency	Euro (EUR)
Ethnic groups	Austrians 91.1%, former Yugoslavs 4%

Source: The World Factbook

Austria was founded in 1918 from the collapse of the Austro-Hungarian monarchy. During the course of the Second World War it was annexed to Germany, and in 1955 it again acquired independence. It has been a member of the European Union since 1995.

The government consists of the federal chancellor, the deputy chancellor and ministers. Legislative power is entrusted to a bicameral parliament that is comprised of the National Council (183 deputies elected by the people for five years) and a Federal Council (representing the federal states which nominate their own representative to it).

Structure of economy and foreign trade

Austria mostly exports machinery and equipment, motor vehicles and parts, and paper products. It mainly exports to Germany (30.4%), Italy (11.9%), and France (5%). It imports mainly machinery and equipment, motor vehicles and chemicals, primarily from Germany (41.9%), Italy (6.5%), Switzerland (4.6%) and the Czech Republic (4.3%).

Macroeconomic outlook

The dynamics of the Austrian economy have remained below 1% of GDP since 2012 and nothing should change in this regard in 2015. The first half of 2015 was marked by slow but stable growth in all sectors, and investment even increased slightly. Net exports remained positive despite a fall in exports to China and Russia, mainly thanks to a fall in imports due to weak domestic demand.

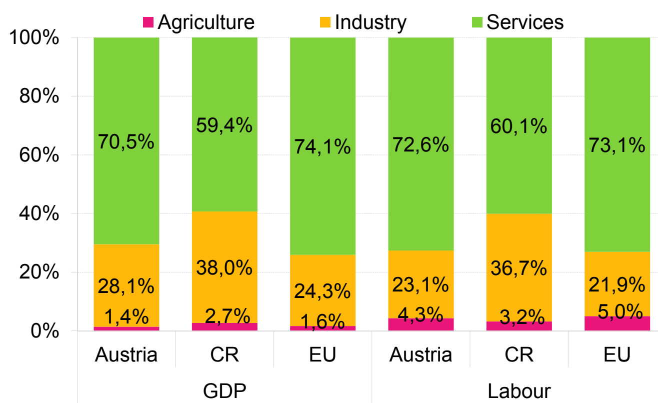
The European Commission expects increased economic growth which will reach 1.5% GDP in 2016 and 1.4% GDP a year later. The main driver will be growth in household incomes resulting from tax cuts. Growth in public expenditure will be restricted by the need to finance income tax reforms.

The need to finance Hypo Alpe Adria Bank continues to impact on the Austrian budget. The deficit should decline towards 1% of GDP by 2017. In 2015, the government had to book the illiquid assets of the Kommunalkredit bank amounting to 2% of GDP, which further worsened the country's debt to 86.6% of GDP. In 2017, public debt should fall to less than 85% of GDP.

Basic indicators (in %)	2014	2015^e	2016^e	2017^e
GDP Growth	0.4	0.6	1.5	1.4
Unemployment rate	5.6	6.1	6.1	6.0
Inflation	1.5	0.9	1.8	2.0
Current account balance (% GDP)	-2.7	-1.9	-1.6	-1.3
Public debt (% GDP)	84.2	86.6	85.7	84.3

Source: European Commission; ^{e} - estimate

Sectors of National Economy



Source: Eurostat, data as of 2014

Labor market

The rate of unemployment in Austria is among the lowest in the entire EU, together with Germany and the Czech Republic. Labour productivity exceeds the European Union average by 15 percentage points. The statutory minimum wage in this alpine country is not stipulated; in practice it is defined per sector in collection contracts (EUR 1,300 and more).

Basic indicators of labor market		
Unemployment rate (November 2015)	5.8%	
Labour productivity to Ø EU (2013)	115.3%	
Minimum monthly wage	n/a	
Ø monthly labor costs in sectors (2014)	**Austria**	**CR**
Manufacturing	4,870 €	1,475 €
Wholesale and retail trade	3,997 €	1,434 €
Transportation and storage	4,429 €	1,389 €
Accommodation and food service	2,731 €	916 €
Information and communication	6,010 €	2,895 €

Source: Eurostat

Doing Business

Average wage costs in Austrian business sectors are generally 2-3-times this indicator in the Czech Republic. The greatest difference exists in the real estate industry where Austrian wage costs are 3.6-times the Czech equivalent.

Labor law basics

Austrian labour law distinguishes between two basic types of employment relations which relate to different legislation. These are the Angestellte, which is for employees working primarily in administrative positions (office work) and in services (business), and the Arbeiter, which is generally for more demanding manual positions.

A labour contract can be concluded for a determined or an undetermined period. The trial period is stipulated at 1 month, although a collective contract often amends this period and may shorten it. The notice period for the Angestellte varies from six weeks to five months according to the number of years worked for a given employer, and for Arbeiter type professions a collective contract governs them and varies from one day to five months. Working hours in Austria are set at 8 hours per day (40 hours per week).

Commercial law basics

A company with limited liability (GmBH) is the most common form of entry for foreign entities to the Austrian market, the minimum required capital there per partner is EUR 70, and for a whole company it is EUR 35,000 (around CZK 875,000). For bigger business projects a joint stock company (AG) is more often used, and its founding capital is a minimum of EUR 70,000, i.e. around CZK 1.8 million. Costs for establishing the average l.t.d. have been significantly reduced in Austria from EUR 1,600 to EUR 107 and consist of 8 procedures which last approximately 22 days.

Form of Company	Minimum Capital
Limited Liability Company (GmbH)	35,000 EUR
Joint Stock Company (AG)	70,000 EUR

Source: Federal Ministry of Science, Research and Economy

Main taxes and additional labor costs

The corporate income tax rate is 25% across the board, which in the European context places it among above average high tax regimes. The withholding tax rate on dividends is absolutely the same.

Considerably more complicated is the calculation of personal income tax, which allows for progressive tax rates of 36.5%, 43.2% and a marginal rate of 50%. The taxation of individuals is thus also among the highest in the EU.

The basic rate of VAT is 20%, and a lower rate of 10% relates to food stuffs, housing rentals, newspapers, books, income from works of art, and passenger transport. Social security contributions have several components and are made up from employees (18.07% of gross wages for the Angestellte, or 18.20% for the Arbeiter) and employers (21.83% for the Angestellte, or 21.70% for the Arbeiter).

Tax/payment	Rate
Corporate Tax	25%
Individual Income Tax	36.5 / 43.2 / 50%
Social insurance (employee)	18.07 – 18.20%
Social insurance (employer)	21.70 – 21.83%
VAT	20 / 10%

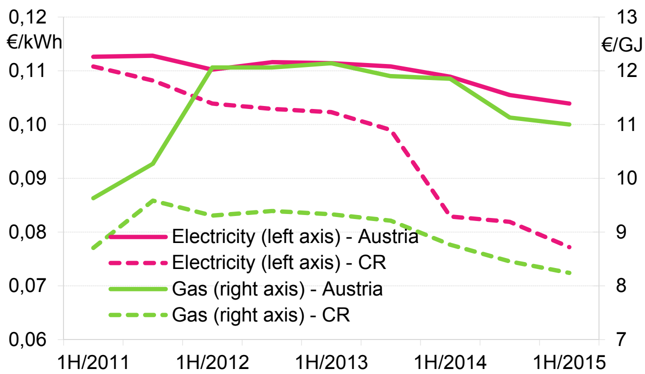
Source: Federal Ministry of Finance

Energy

The primary sources of electricity generation in Austria are renewables with a share of nearly 80%, and nuclear power is not used at all (the first nuclear power plant is today a concreted memorial). Natural gas accounts for only a minority share in Austria – only 12.5%. T

he price of electricity is slightly dearer in Austria and is very stable in comparison with the Czech Republic, where the price has been significantly decreasing over the last 4 years. Natural gas is dearer by nearly EUR 3/GJ, although it has decreased by EUR 1 in the last year.

Development of energy prices



Source: Eurostat, tariffs for wholesales excluding VAT

Investment incentives

Austria does not have a comprehensive programme for attracting large foreign investors, but rather focuses on incentives and grants for small and medium businesses, often with the support of EU funds. Support is directed in particular to these areas: innovation, energy and the environment, research and development, and technological development. The maximum threshold of a grant from public sources, depending on region, varies from 10% for large enterprises, 20% for medium enterprises, and 30% for small enterprises.

The miniseries on Czech operational programmes is behind us and before we bring you the next instalment, we look at how the Czech Republic is doing in terms of drawing on European Union subsidies. Although the new programmd period has already begun, we're still drawing on funds from the preceding period. You can look at how far the Czech Republic has succeeded in the next section.

HOW THE CZECH REPUBLIC IS SUCCEEDING IN DRAWING ON EU FUNDS

The 2007 – 2013 period is in the past, but the Czech Republic could still draw funds from it during 2015.

Did we take advantage of everything we could?

According to the last report by the Ministry for Local Development, which monitors the drawdown of EU funds, the Czech Republic made use (funds paid out to beneficiaries) of 94.2% of the total allocation, i.e. CZK 636.7 billion from the total of CZK 676.3 billion that the Czech Republic was granted (note: the allocation was reduced by the undrawn funds from 2013 and 2014). The possibility of drawing on the remaining funds was again discussed with the European Commission at the end of 2015.

Of the original estimates at the beginning of 2015 that spoke of CZK 85 billion that had not been drawn down, by the end of that year it turned out that the amount of unused funds was less than CZK 10 billion.

Since the beginning of the programme period from 6 January 2016, more than 124,000 applications for subsidies totalling CZK 1,365.3 billion have been lodged.

The greatest part of the allocation of individual operational programmes was paid out to beneficiaries as part of the OP Business and Innovation (106.3%), OP Environment (99.6%) and the Regional Operational Programme South-West (98.5%). Conversely, the least drawn was the Integrated Operational Programme (72.3%) and OP Research and Development for Innovation (83.0%).

To what regions and areas has the most money gone? As a part of the most successful programme, OP Business and Innovation, the projects where most money was implemented among the regions were in South Moravia (CZK 13.3 bil.), followed by Central Bohemia and Moravia-Silesia (both CZK 11.5 bil.).

The smallest amount of money went to the Karlovy Vary region (CZK 1.8 bil.). In terms of support for economic activities, the most money from OP Business and Innovation was used in the IT field (CZK 4.5 bil.), property rental and management (CZK 4 bil.) and machining (CZK 3.4 bil.). *The source is the Czech Republic in Data project

Let's focus on the present

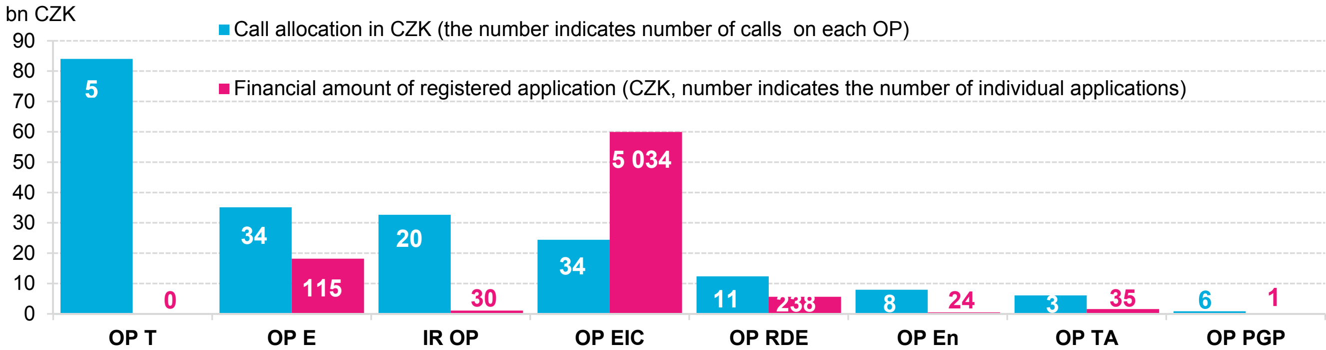
The programme period 2014-2020 was delayed in getting underway, but that's certainly no reason for panic. The managing bodies are preparing seminars and events for applicants that will facilitate their submission of applications for project subsidies.

And what programmes for the meantime are applicants most interested in? The favourite is OP Business and Innovation for Competitiveness (just like its predecessor), for which a total of 5,034 applications have been lodged as part of the latest issued call. The allocation for this call is CZK 24.4 bil. and applications have been received for a total amount of nearly CZK 60 bil. In terms of the number of applications received, OP Research, Development and Education is in second place, for which 238 applications have been submitted, while the winners' rankings are rounded off by OP Employment for which 115 applications for subsides have been received. This is a comparison of the latest issued calls (as at 25 January 2016) within the individual OPs and the data do not relate to calls already closed or suspended.

For current information about individual OPs, watch the pages of the managing bodies and the individual programmes. Information and assistance with obtaining funds for your project is also provided by the consultancy company Erste Grantika Advisory, a.s.

www.mmr.cz I www.grantika.cz I www.edotace.cz

Total allocation of open calls and the amount of registered application at January 25th 2016



Source: Ministry of Regional Development; OP Fisheries have 2 open calls amounting to 76,060,215 and totally 0 registered applications; data are not related to the closed or paused calls

Statistical Window

The "Statistical Window" in a tabular form shows important macroeconomic indicators from all member states and the European Union as a whole. It includes economic performance indicators, external economic stability indicators, fiscal stability indicators and price level to ø EU. The source of the data is Eurostat and European Central Bank.

Key economic indicators

	Inflation (YoY)				Unemployment rate				Labor costs to Ø EU			
in %	IX-15	X-15	XI-15	XII-15	Q4-14	Q1-15	Q2-15	Q3-15	2011	2012	2013	2014
Belgium	0.9	1.2	1.4	1.4	8.6	8.6	8.7	8.1	148.6	149.5	150.4	149.6
Germany	-0.2	0.2	0.3	0.2	4.9	4.8	4.7	4.6	121.8	122.9	123.1	123.3
Estonia	-0.3	0.0	0.5	-0.2	6.6	6.1	6.4	5.9	35.3	36.8	39.2	41.0
Ireland	0.0	0.0	-0.1	0.2	10.4	10.0	9.6	9.1	115.8	115.8	115.0	113.9
Greece	-0.8	-0.1	-0.1	0.4	26.0	25.9	25.0	24.7	72.6	66.9	61.5	60.2
Spain	-1.1	-0.9	-0.4	-0.1	23.7	23.1	22.5	21.8	89.4	88.3	87.5	86.3
France	0.1	0.2	0.1	0.3	10.5	10.4	10.4	10.5	134.1	134.0	132.7	132.0
Italy	0.2	0.3	0.2	0.1	12.8	12.2	12.3	11.7	112.3	112.0	113.0	112.1
Cyprus	-1.9	-1.8	-1.5	-0.6	16.5	16.2	15.4	15.2	71.7	70.3	67.4	64.4
Latvia	-0.4	-0.1	0.0	0.4	10.4	9.8	9.8	10.0	26.6	27.1	28.0	29.2
Lithuania	-0.8	-0.4	-0.5	-0.3	10.1	9.3	9.5	9.0	23.7	24.1	25.6	26.4
Luxembourg	-0.2	-0.1	0.4	0.9	6.1	6.3	6.1	6.1	147.3	147.7	150.5	152.3
Malta	1.6	1.6	1.3	1.2	6.1	5.9	5.4	5.2	58.9	60.6	61.7	61.2
Netherlands	0.3	0.4	0.4	0.5	7.2	7.1	6.9	6.8	133.6	133.5	136.0	135.9
Austria	0.6	0.7	0.5	1.1	5.6	5.6	5.9	5.7	124.8	127.5	129.3	131.4
Portugal	0.9	0.7	0.6	0.3	13.5	13.5	12.4	12.3	53.0	48.8	47.9	46.7
Slovenia	-1.0	-1.1	-0.9	-0.6	9.4	9.2	9.4	8.9	60.9	59.9	58.5	59.1
Slovakia	-0.5	-0.5	-0.4	-0.5	12.5	12.1	11.5	11.4	35.2	35.2	35.8	37.1
Finland	-0.7	-0.3	-0.2	-0.3	9.0	9.2	9.4	9.4	122.6	125.0	125.6	125.6
Bulgaria	-0.9	-1.2	-0.9	-0.9	10.6	9.9	9.8	9.0	14.2	14.4	15.4	15.6
CR	0.2	0.2	0.0	-0.1	5.8	5.8	5.1	4.9	44.6	44.7	44.9	45.2
Denmark	0.3	0.2	0.1	0.3	6.4	6.2	6.2	6.1	152.5	151.5	151.6	151.8
Croatia	-0.5	-0.5	-0.4	-0.3	17.7	17.2	16.4	16.3	38.2	38.4	38.5	n/a
Hungary	-0.1	0.2	0.6	1.0	7.3	7.4	7.0	6.6	37.3	38.6	38.9	39.7
Poland	-0.6	-0.6	-0.5	-0.5	8.3	7.9	7.6	7.4	35.7	36.0	36.7	37.7
Romania	-1.5	-1.4	-0.9	-0.7	6.6	6.9	6.8	6.8	23.5	24.4	25.0	26.4
Sweden	0.9	0.9	0.8	0.7	7.8	7.7	7.6	7.2	152.6	155.1	155.9	158.4
UK	-0.1	-0.1	0.1	n/a	5.6	5.5	5.5	5.3	114.8	113.7	113.3	113.7
EU	-0.1	0.0	0.1	0.2	10.0	9.7	9.6	9.3	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	2012	2013	2014	1H/2015	2012	2013	2014	1H/2015
Belgium	259.6	257.1	266.6	282.3	n/a	n/a	n/a	n/a	116.1	110.6	100.1	100.3
Germany	204.8	204.5	211.0	224.3	3.2	2.9	2.8	2.2	140.7	147.9	146.9	143.2
Estonia	83.5	85.4	91.1	98.8	3.1	3.0	2.9	2.7	55.2	64.9	61.4	59.7
Ireland	279.5	283.2	293.2	n/a	3.3	3.5	3.4	3.6	131.8	134.8	141.2	138.1
Greece	156.9	151.0	156.0	159.4	3.6	3.1	3.2	3.1	61.2	71.6	78.5	80.4
Spain	184.1	181.7	190.4	n/a	3.4	3.2	3.2	2.8	120.5	116.4	121.6	121.0
France	237.2	235.3	244.0	258.5	4.5	3.9	3.8	3.3	78.4	81.4	81.3	81.4
Italy	211.2	207.5	210.5	222.6	4.3	3.9	3.7	3.1	94.3	92.4	95.8	92.8
Cyprus	147.2	145.7	153.9	157.6	5.5	5.4	4.9	4.9	138.5	121.5	105.4	86.6
Latvia	70.4	75.4	83.3	89.2	3.9	4.1	n/a	n/a	61.6	58.8	55.7	73.1
Lithuania	73.9	79.5	84.9	91.6	3.3	2.7	2.9	n/a	62.9	65.4	61.2	57.0
Luxembourg	599.0	599.5	614.3	n/a	2.4	2.2	2.1	2.0	92.2	85.1	86.1	85.8
Malta	130.8	128.2	131.3	138.4	3.6	3.4	3.5	3.6	94.4	89.8	70.9	61.7
Netherlands	229.6	225.4	230.6	n/a	4.3	3.9	3.5	3.2	56.1	53.1	36.8	54.0
Austria	n/a	n/a	n/a	n/a	3.3	2.8	2.8	2.5	109.1	109.3	105.8	107.8
Portugal	115.6	112.9	116.0	124.6	4.8	4.3	4.0	3.8	110.2	108.4	109.1	110.2
Slovenia	122.4	122.4	122.7	n/a	3.6	3.5	3.6	3.2	85.8	90.0	88.3	84.7
Slovakia	94.6	95.9	100.4	106.0	5.3	4.4	4.0	3.4	95.1	89.2	77.7	77.7
Finland	239.6	241.7	251.3	266.6	2.2	2.2	2.1	1.7	95.7	93.4	91.4	90.1
Bulgaria	33.3	35.2	38.2	40.0	8.3	7.8	7.6	6.9	43.9	42.1	39.5	42.5
CR	100.0	100.0	100.0	100.0	4.2	3.6	3.4	3.1	113.2	108.5	90.1	87.7
Denmark	286.5	283.0	295.4	313.5	3.5	3.7	3.4	2.8	160.6	152.0	151.0	148.8
Croatia	97.1	95.7	100.5	104.8	n/a	n/a	n/a	n/a	68.8	69.0	65.0	63.8
Hungary	84.7	83.6	82.2	85.2	12.0	9.6	8.0	6.6	80.8	66.5	55.5	52.0
Poland	76.3	76.8	80.4	85.5	7.4	5.9	5.6	5.1	75.1	70.9	67.5	68.4
Romania	43.6	45.2	45.6	51.8	8.1	7.6	5.8	5.1	53.4	61.8	59.5	59.3
Sweden	259.0	270.3	289.8	307.7	3.6	2.8	2.5	2.0	109.2	106.0	98.8	92.2
UK	198.6	195.6	215.2	n/a	n/a	n/a	n/a	n/a	92.4	89.8	99.1	104.3
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