



## ECONOMY

**Summer 2022 Economic Forecast: Russia's war worsens the outlook:** The EU economy will still be affected by the Russian aggression on Ukraine next year, slowing its growth and increasing inflation, as stated by the Summer 2022 Economic Forecast. The ongoing situation has significantly affected energy and food commodity prices and thus the purchasing power of households, which translates into a need for a quicker policy response. However, the EU economy is forecasted to grow even in the following years at a slower pace. As for inflation, the presented document foresees its peak in the third quarter of this year but will fall back to 3% by the end of 2023. Despite this information, the report states that economic activity and inflation are highly dependent on the evolution of the war and its impact on the EU, so other possibilities and paths for the EU's economy cannot be disregarded.

**Euro falls to parity against the dollar, adding to inflation woes:** This Tuesday, the euro hit parity with the U.S. dollar for the first time in 20 years. The EU currency has lost more than 10% of its value since the beginning of the year, which means that exporters from the region may be relieved because demand will increase. Still, at the same time, imports will be more expensive, thus adding to inflation pressures. Experts state that this might not be the bottom yet and that the Russian gas cut-off could trigger a deep recession, which would affect the European Central Bank's plans to raise interest rates by another 25 points by July and perhaps a more significant increase in September. The Federal Reserve in the U.S. went ahead with an increase of 75 points in interest rates and envisaged having more room for raises than the ECB. The dollar also benefits from the euro fall by receiving investors for government bonds as a boundary against the increasing uncertainty.

**EU agrees on €1 billion in Ukraine support, €8 billion to go:** This Tuesday finance minister gave the green light to €1 billion in financial aid for Ukraine, which is part of the macro-financial assistance agreed on in May this year. Discussions are still underway for the rest of the aid and are not expected before autumn, but the Czech minister confirmed its approval is not an option but a duty for the EU. The agreed €1 billion falls short of providing enough support for the Ukrainian government to stay afloat, to which ministers said they are waiting for specific proposals from the Commission for the remaining budget. This issue shows both the disunity between the Member States on fund allocation and the limitations of the EU budget. Countries such as Germany do not favour the standard EU borrowing scheme, which makes it complicated for the Commission to design a plan for retrieving the rest of the financial aid. However, it will be up to Member States' examination and approval once it is presented.

## DIGITAL & TECHNOLOGY

**Commission welcomes political agreement on the Digital Decade policy programme driving a successful digital transformation in Europe:** The European Parliament and the Council have reached an agreement on the 2030 Policy Programme: Path to the Digital Decade, which the European Commission has positively welcomed. As stated by the Digital Compass, this new program sets up the mechanisms for achieving the targets for Europe's technological transformation. The progress monitoring will be done with member states by designing national strategic roadmaps with key performance indicators based on the Digital Economy and Society Index. This roadmap and evaluation will then be presented to the European Parliament and assessed by the Member States and the Commission to find progress areas. The program also includes large-scale multi-country programs to pool sources and cooperate in building digital capacities.

## ENVIRONMENT

**New rules for companies to stop EU-driven deforestation globally:** MEPs' efforts to fight global climate change have translated into their proposal to allow only deforestation-free products in the EU market, as adopted on Tuesday, July 12th, by the Environment, Public Health and Food Safety Committee. This new law would oblige companies to verify that goods sold in the EU have not been produced on deforested land and comply with human rights, international law and the rights of indigenous people. All these new requirements will be added to other standards in force in the specific Member State. The European Parliament has enlarged the scope of the Commission's original proposal, including more products and different natural ecosystems one year after it enters into force. MEPs also require companies outside the EU to conduct due diligence when placing products in the EU market. These third countries will be classified into low, standard or high risk and subject to obligations depending on their risk assessment.