

# EU BUSINESS NEWS & INSIGHTS

## EU adopted restrictive measures against Russia

The EU agreed to adopt broad economic sanctions against Russia on 29<sup>th</sup> July. The measures include limiting access to EU capital markets for Russian State-owned financial institutions, embargo on trade in arms, export ban for dual use goods for military end users and restriction on Russian access to sensitive technologies particularly in the oil sector field.

The sanctions serve as a response of the EU over the Russian destabilization of a neighboring sovereign country as well as the violence that killed almost 300 innocent civilians in the flight from the Netherlands to Malaysia.

Analysts commented that the sanctions would affect the Russian state-owned businesses as five largest Russian banks are on the list, including Sberbank, VTB, Gazprombank, VEB and Rosselkhozbank. Ban on oil sector technology will also have strong impact as Russia relies heavily on advanced Western drilling technology. According to Moody rating agency, the measures will amplify the gradual downward trend in the country's growth potential, which could lead to an erosion of creditworthiness across sectors.

In reaction to the EU measures, on 7<sup>th</sup> August, Russia has imposed a retaliatory sanction on EU agricultural products and raw materials for up to one year.

▶▶▶ Read more:

[Details of measures](#)

[Moody's report](#)

Issue 10 | 26 Aug 2014



© European Union, 2014

### Inside this issue:

EU adopted restrictive measures against Russia

EU growth slower in the second quarter

### EU Economic Indicators

	EU 28	Eurozone
GDP (2Q 2014)	0.2%	0%
Inflation Jul 2014	0.6%	0.4%
Unemployment (Jun 2014)	10.2%	11.5%
Debt to GDP (1Q 2014)	88.0%	93.9%
Seasonally adjusted government deficit (1Q 2014)	1.9%	2.7%

Source: Eurostat

## EU growth slower in the second quarter

According to the Eurostat figures, the GDP growth of the EU and Eurozone were 0.2% and 0% respectively in the second quarter of 2014. Some countries performed better than others, like Portugal and Spain which recorded 0.6% of growth. However, the whole picture of the economic outlook was overshadowed by the performance of the three largest economies in the Eurozone. While French economy continued to stagnate with zero percent growth, both Germany and Italy had shown a decline of 0.2% of GDP in the period. The President of the European Central Bank (ECB) Mario Draghi commented that the recovery (in Europe) remains weak, fragile and uneven during the Press Conference on 7<sup>th</sup> August.

On the same date, Eurostat announced that the Eurozone inflation rate was down to 0.4% in July, and 0.6% for EU 28 countries, which fall short of the ECB's target of close to 2% inflation rate. According to analysts, the market expects the ECB would take further action to stimulate the economy due to the sluggish economic growth and the increasing risk of deflation.

▶▶▶ Read more:

[Press Conference of Mario Draghi](#)

[Full Eurostat report on GDP growth](#)

[Full Eurostat report on Inflation](#)

[Analysis from Brugel](#)

---

### About the Business and Economic Information Platform

The EUAP's Business News and Insights provide regular updates and analysis of the latest EU's economic and business issues which are of interest to the audience in Hong Kong. For more information, please visit the website at

<http://europe.hkbu.edu.hk/euap/business.html>.

#### Leung Kin Pong

Research Associate

#### European Union Academic Programme Hong Kong

DLB515, David C.Lam Building,  
Hong Kong Baptist University,  
Kowloon Tong, Hong Kong  
Tel: (852) 3411 6592 Fax: (852) 3411 6588  
Email: [kpleung@hkbu.edu.hk](mailto:kpleung@hkbu.edu.hk)  
Facebook: <http://facebook.com/HKEUAP>

Leung Kin Pong is *Research Associate* of European Union Academic Programme Hong Kong. He holds an MA in EU International Relations and Diplomacy Studies at the College of Europe and his research focus is on EU financial and economic policies and EU foreign economic relations.

*The contents of this report are the sole responsibility of the EUAP and can in no way be taken to reflect the views of the European Union.*