

EU BUSINESS NEWS & INSIGHTS

EU Economic Outlook

The Economic Sentiment Indicator (ESI)¹ in the EU increased 1.4 points to 103.5 in December 2013.² The ESI is a composite indicator composed of five sectoral confidence indicators, namely industrial confidence, services confidence, consumer confidence, construction confidence and retail trade confidence. The increase of the ESI index reflects the confidence of the economic outlook in the EU has improved and shows that EU consumers are more optimistic about the future general economic situation and less pessimistic concerning employment expectations.³

Although market sentiment is now more optimistic towards the prospect of the EU's economy, Mario Draghi, the President of the European Central Bank (ECB), decided that the Euro interest rate remained unchanged.⁴



Read more about the topic:

- 1) [ESI Definition](#)
- 2) [ESI Data](#)
- 3) [EU Press release](#)
- 4) [ECB Press release](#)
- 5) [EuroStat Inflation](#)

In a press conference on 9 January 2014, he reiterated that *“the ECB will maintain an accommodative stance of monetary policy for as long as necessary, which will assist the gradual economic recovery in the euro area. Accordingly, we firmly reiterate our forward guidance that we continue to expect the key ECB interest rates to remain at present or lower levels for an extended period of time.”* High unemployment rate (12.1% as of November 2013) in the euro area is also one of the factors of maintaining low interest rate.

Low inflation rate according to the recent statistics in the Eurozone is also a cause of concern. Inflation figure in the Eurozone in Nov 2013 stood at 0.9 %, and 0.8 % for Dec 2013.⁵ Analysts commented that the trend of low inflation rate in recent months showed that there is a risk of disinflation, which will pose a challenge for the ECB to achieve the inflation target of below, but close to 2%.

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Commission Guidelines for Social Security

The European Commission has published on 13th Jan 2014 the “Habitual Residence Test” guidelines¹ to make it easier for the EU member states to apply habitual residence safeguards in practice. The move was followed by the expiry of transitional restrictions on the citizens of Romania and Bulgaria as the 7 years transitional period ended since both countries joined the EU on 1 Jan 2007. There are ongoing debates in several EU countries, for example the UK and Germany, whether further actions should be taken to tackle the potentially increasing influx of immigrants.

European Commissioner for Employment, Social Affairs and Inclusion, Laszlo Andor, commented that the right to free movement is a cornerstone of the EU’s Single Market and one of the aspects of the European Union most cherished by its citizens. Mobile workers help address skills gaps and labor shortages. *“Mobile workers from other EU countries pay more in tax and social security into host countries public budget than they receive in benefits.”*, he added.² However, he also acknowledged that *“it is necessary to have clear safeguards in EU law to prevent people from abusing social welfare systems of other EU countries.”*



Read more about the topic:

- 1) [Habitual Residence Test guidelines](#)
- 2) [European Commission Press Release](#)

EU-Vietnam Free Trade Agreement (FTA) - Sixth Round talk

Negotiators from the EU and Vietnam gather this week in Brussels to conduct the sixth round of EU-Vietnam FTA negotiation. The agenda includes tariffs, services, investment, public procurement, regulatory issues, sanitary and phytosanitary issues, sustainable development, animal welfare and green technologies.

Negotiation of the EU-Vietnam FTA was launched in June 2012 with the objective of ensuring an effective environment for trade and investment relations of the two regions. In 2012, the total of EU-Vietnam trade in goods amounted to €23.8 billion, with €18.5 billion of exports from Vietnam to the EU and €5.3 billion exports from the EU to Vietnam.

In addition to the EU-Singapore FTA negotiation completed in December 2012, the EU is currently negotiating other FTAs with three ASEAN countries, namely Malaysia, Thailand and Vietnam.

Youth Employment in the EU

In the EU, youth unemployment is more than twice as high as the adult one and the total number of young unemployed stands at 5.6 million and this has generated negative social impacts and instability, especially in the member states where unemployment rate is very high. A recent report issued by McKinsey shows that not only do the youth struggle to find a job, the EU businesses are facing difficulty in recruiting young people with right skills.¹ The report also demonstrates how the problem of skill shortage could affect the businesses in 8 EU countries and there is a

need to remedy the problem so as to enhance the competitiveness of the EU's economy.

To tackle the problem of youth unemployment, the European Commission has implemented a series of measures as outlined in the communication "*Working together for Europe's young people, A call to action on youth unemployment*"² in June 2013 to help young Europeans to get into the job market.



Read more about the topic:

- 1) [Mckinsey Report](#)
- 2) [EU Communication](#)

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

Senior Research Assistant

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
Facebook: <http://facebook.com/HKEUAP>

Leung Kin Pong is *Senior Research Assistant* 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.

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