

.AGORIA

&



The current European view: a critical analysis

Prof. Rudy Aernoudt
www.Rudyaernoudt.be

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About myself: entrepreneurial pracademic

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ACADEMIC

Economics/
Philosophy/
Eur. economy

Professor
University
Ghent
& Nancy & BMI

Author
(40 books) &
500 + Papers

Columnist
FD Magazine/
Trends/Made
in/CXO

PROFESSIONAL

Director of
cabinet (EU,
Wall/Flanders
Belgium)

Secretary-
general Dept.
economy &
innovation

Special
advisor EU-
Presidency

Active senior
economist
European
commission

ENTER- PRENEURIAL

Co-Founder
EBAN &
FREE

Curator
TEDx
Brussels

European
chair
WBAIF

MIT
(OLPC, spin-
off)

3 levels

Global economic environment

Macro-level

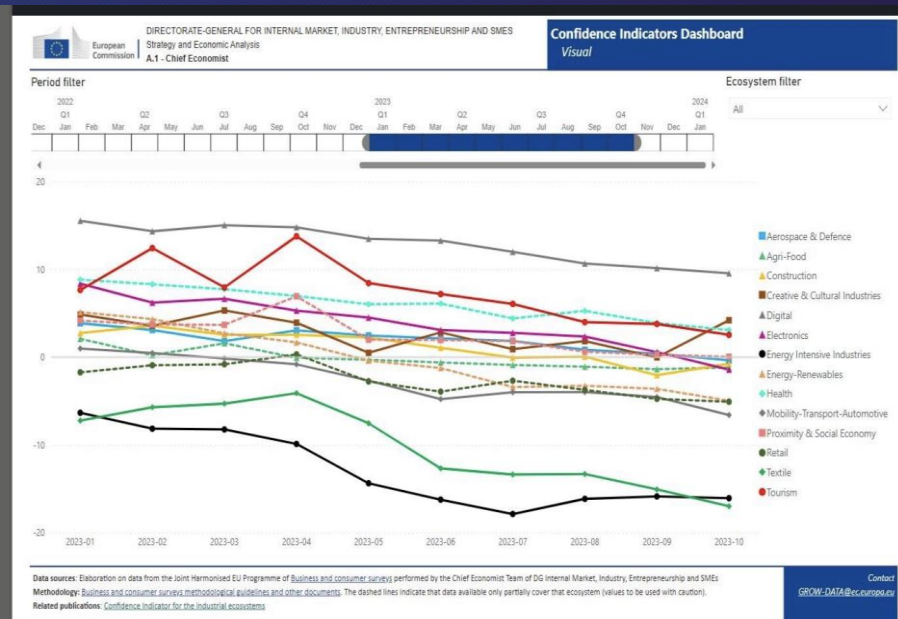
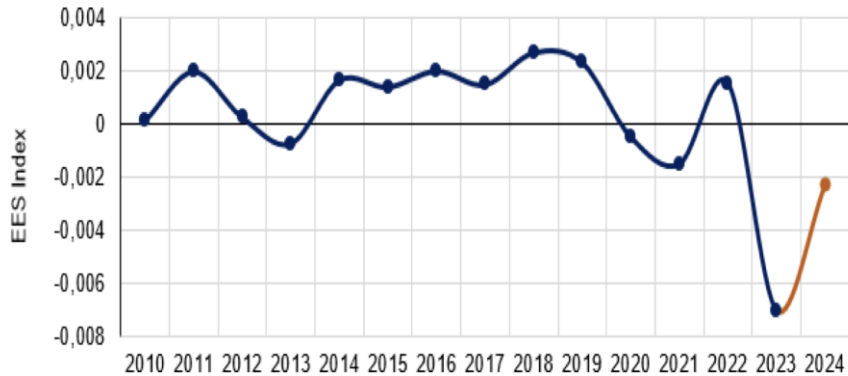
Impact on business



Uncertainty about the future

Business Confidence Index 2024

Low expectations on domestic sales, exports, employment and investments continue to cloud the outlook for 2024



Let's structure

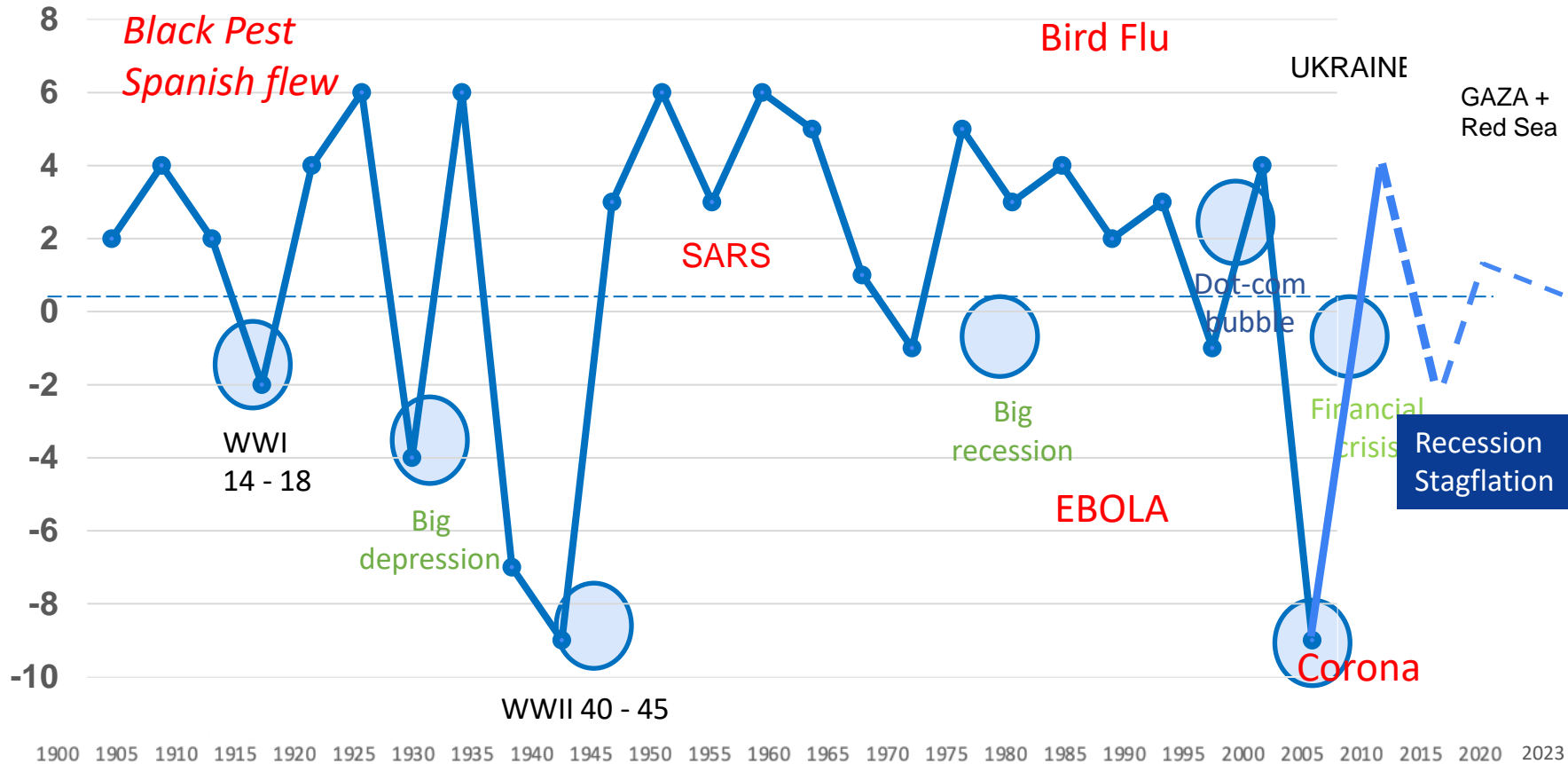
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Macro-economic
data

Policy

Enterprise
challenges

PERMA-Kraisis: resilience versus ST-profits



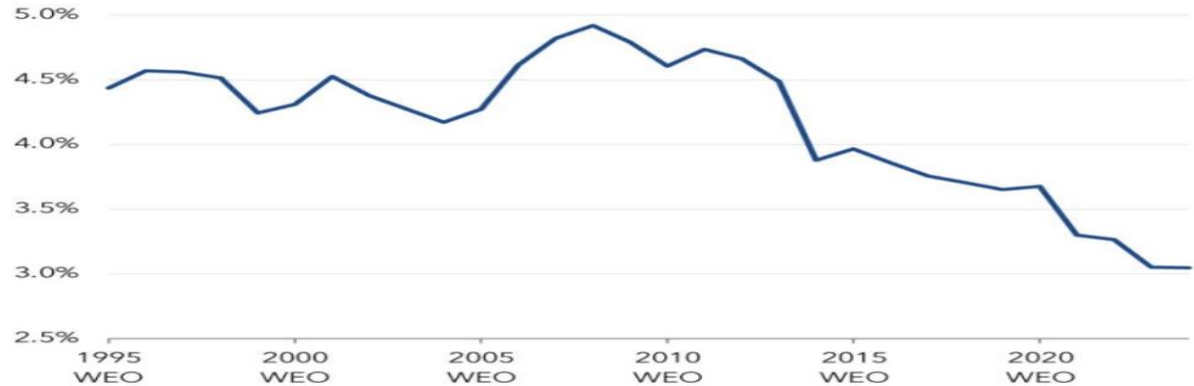
Growth Prospects

Slow growth
for the
next five
years

Declining growth prospects

Projections for global economic growth in the next five years have steadily declined since the global financial crisis.

Five-year-ahead global real GDP growth projections

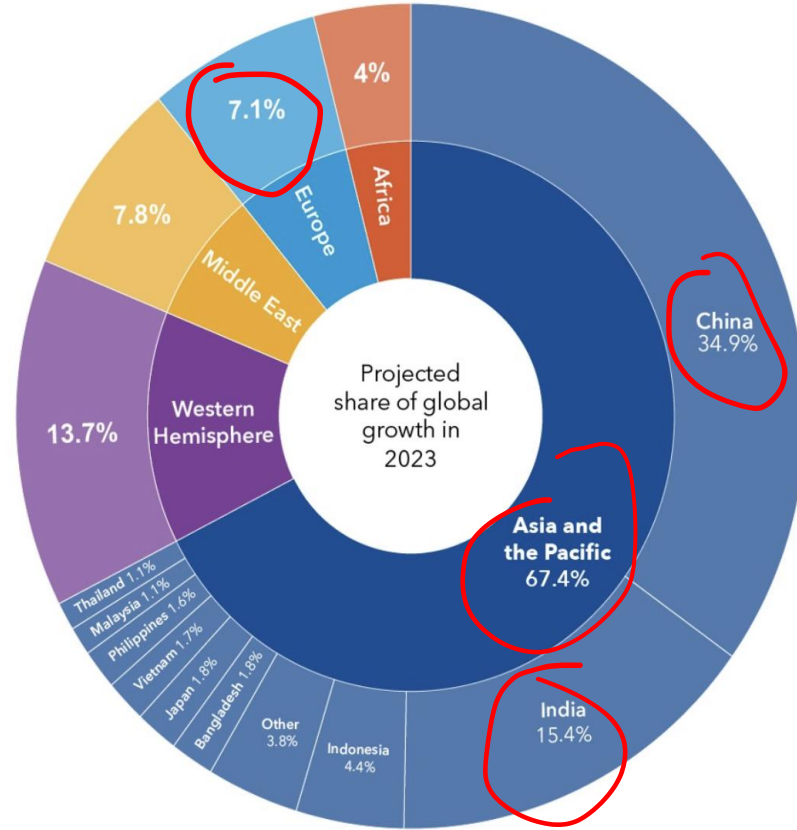


Source: IMF staff calculations.

Note: The years on the horizontal axis refer to the year a forecast is made. For example, 2020 WEO is the projection made in 2020 for growth in the year 2025.

Global growth

ASIA
contributes to
2/3 of the
global growth



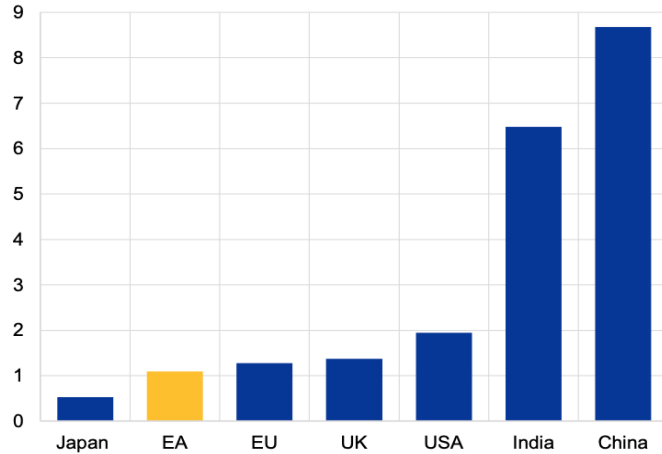
Source: IMF, World Economic Outlook, April 2023.

Note: Groupings based on IMF Regional Economic Outlook classifications.

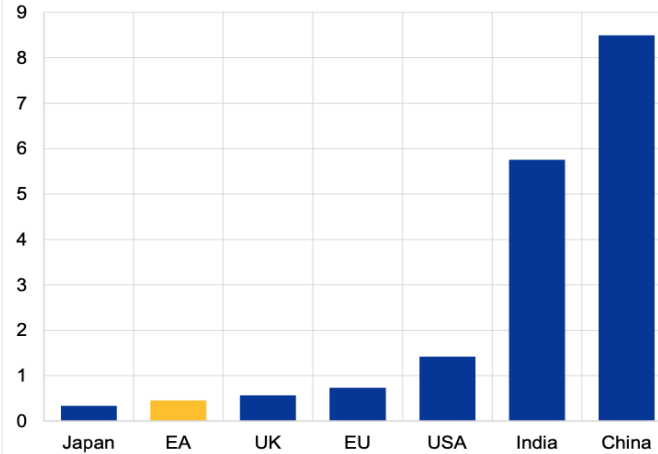
Losing the productivity battle

Real GDP and productivity growth in the EU and other major economies 2002-22

a) Average GDP growth
(percentages)



b) Average labour productivity growth
(GDP per hour worked, percentages)



Source: Own calculations based on OECD data

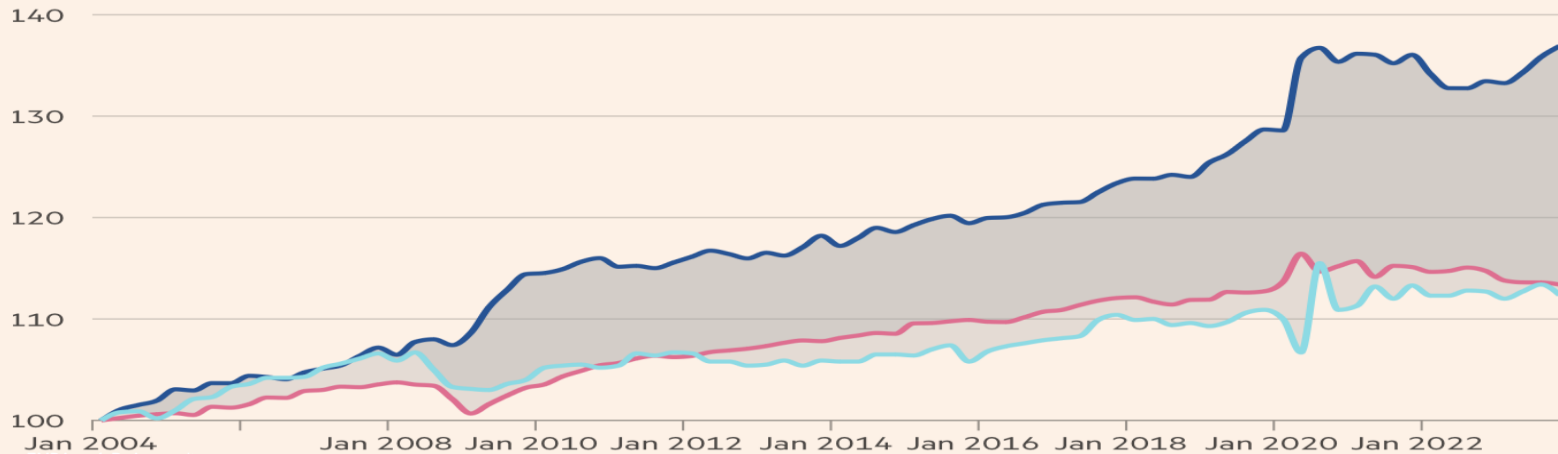
Productivity has risen much faster in US than in EU

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Productivity has risen much faster in the US than in Europe

US non-farm output per hours; eurozone/UK output per hour worked (real, rebased)

■ US ■ Eurozone ■ UK



Course ERMN prof. dr. Remoudt

FINANCIAL TIMES

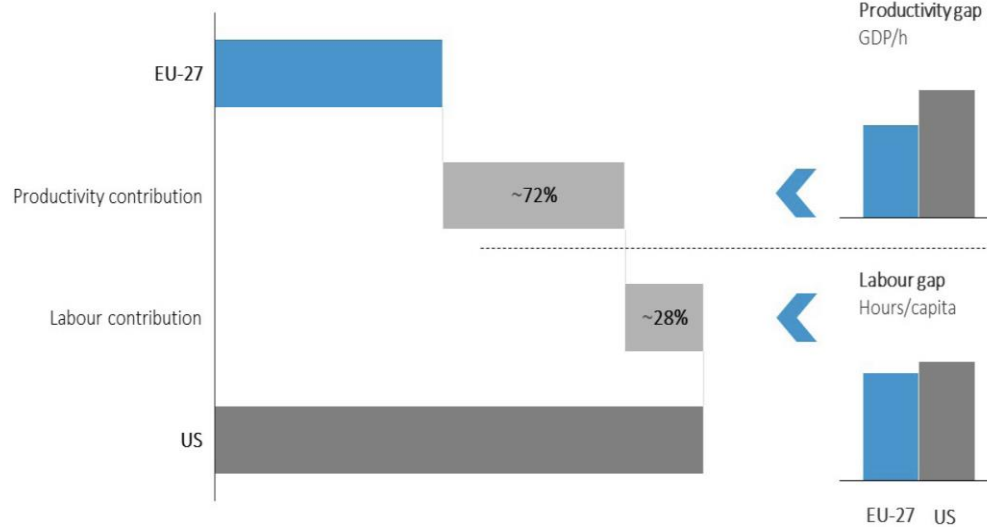
Source: LSEG, National statistics offices

Gap US - EU is mainly productivity gap

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GDP per capita gap

GDP per capita, 2023, constant PPP prices (EUR)



Source: AMECO, 2024.

Let's structure

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Subsidies are back (& protectionism as well) the US Inflation reduction act (IRA)

US Inflation reduction act

A total of €340 billion (\$369 bi)

- to support renewables, hydrogen, and other clean-tech industries.

Those wishing to benefit from the subsidies and tax credits must

- either produce in the United States
- or use products that are manufactured there.

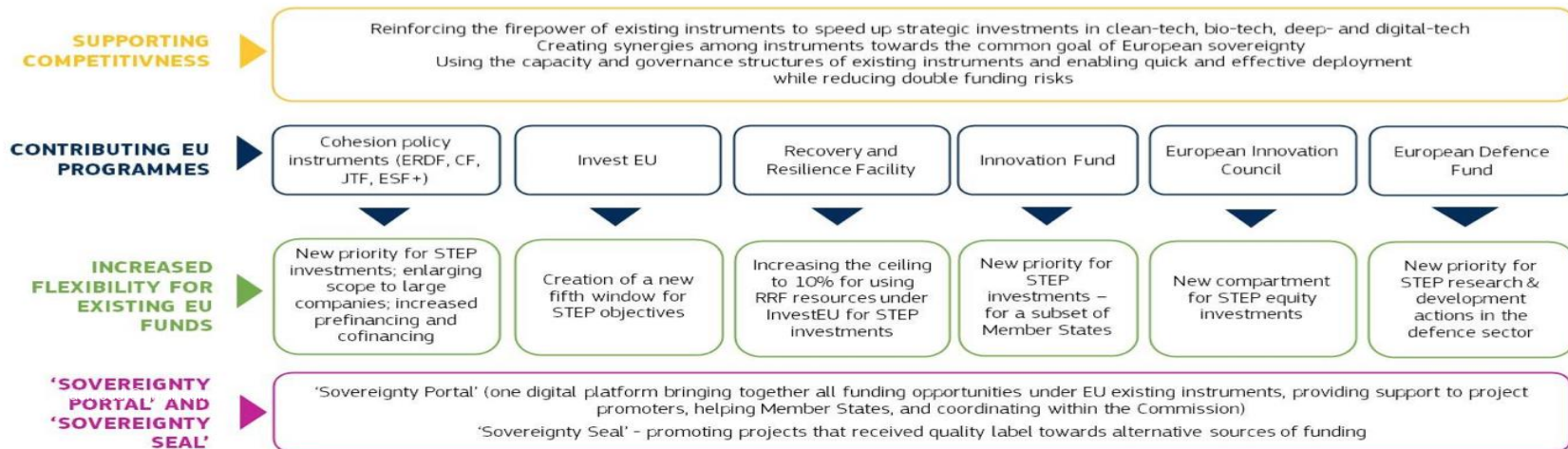
Case: UMICORE

The US IRA was a "pleasant surprise and a positive shock" because it has suddenly catapulted the US, which was not a frontrunner in electrification, ahead of Europe in terms of rollout, Miedreich (CEO Umicore) said.

The EU-”answer”: STEP (febr. 2024)

Strategic Technologies for Europe Platform

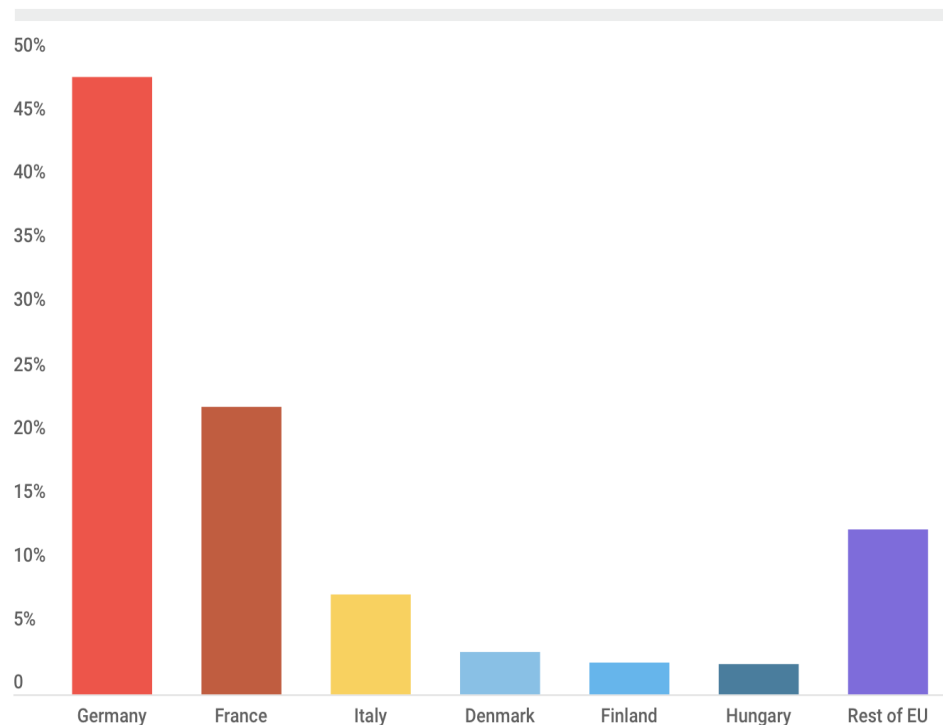
1. Providing flexibility in existing instruments
2. Reinforcing the firepower of existing instruments
3. Creating synergies among existing instruments



Revision of State Aid Rules

- **MS subsidies**
- Mainly Germany and France
- Example: €902 million in state aid to Swedish battery maker Northvolt to build a new battery factory in Heide, Germany – after the company had received an offer of €850 million subsidies from the US state of Nebraska.

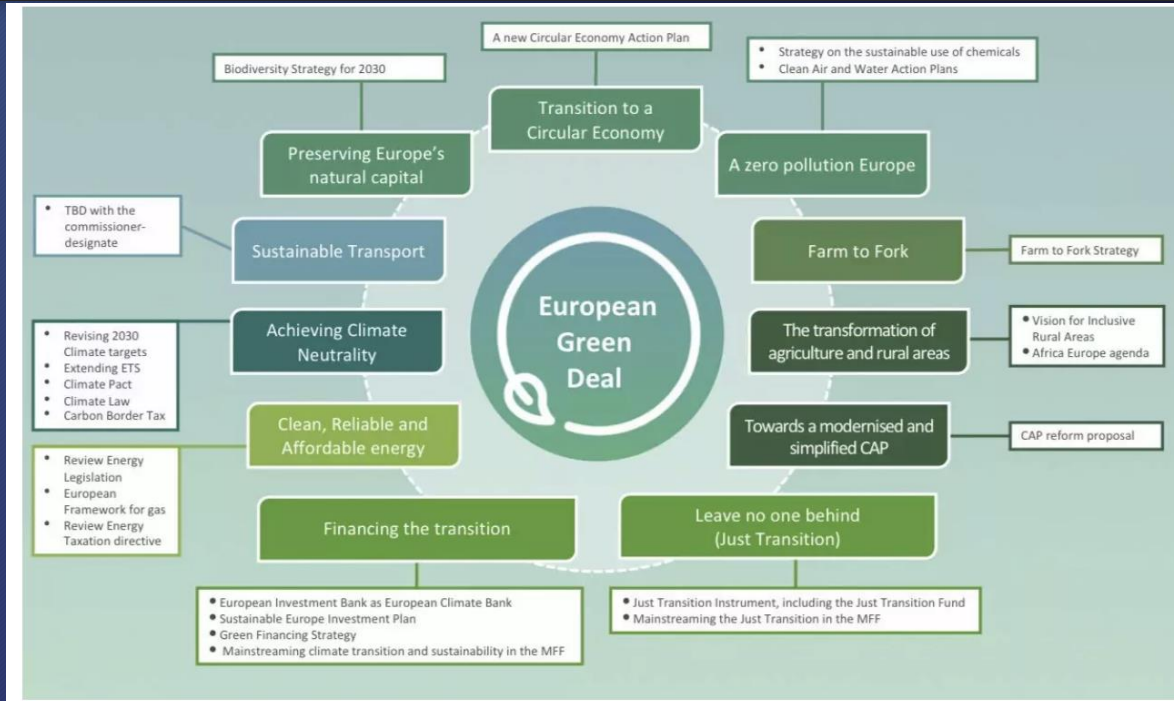
EU Commission state aid approval per EU country, % of €742 bln total



Source: European Commission data, as of 4 September 2023

Phase I: the green deal (Timmermans)

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Phase II: The green deal industrial plan (Breton)

The Green Deal Industrial Plan

Build the industrial capacity for the clean technologies that make up the Green Deal

REPowerEU

Respond to energy market disruption with affordable, secure and sustainable energy for Europe

The Recovery and Resilience Facility

Recover from the pandemic better prepared for the green and digital transitions



The Green Deal

Make Europe the first climate-neutral continent by 2050

4 complementary pillars

THE PLAN IS BASED ON FOUR COMPLEMENTARY PILLARS



A predictable and simplified regulatory environment



Faster access to funding



Enhanced skills



Open trade for resilient supply chains

Phase III: Draghi Report (1):
Joint plan for
decarbonisation and competitiveness

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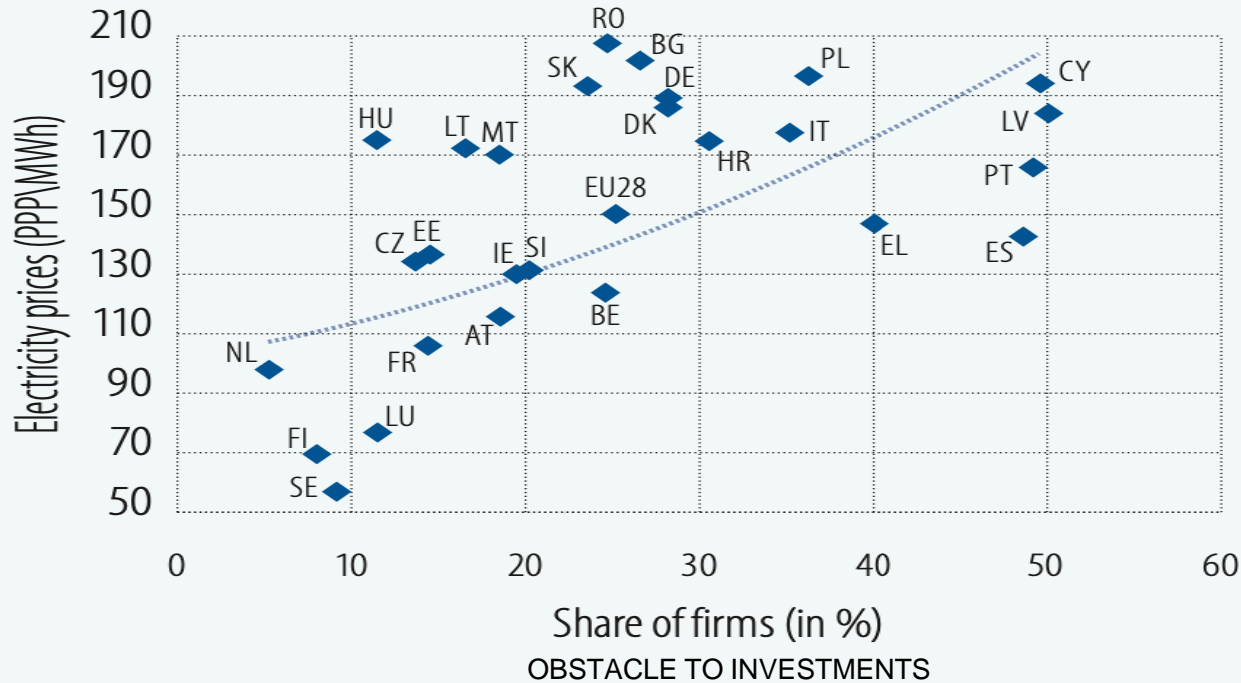
While the shift to a climate-neutral economy can be a “growth opportunity for EU industry,” if Europe fails to update its policies, “there is a risk that decarbonisation could run contrary to competitiveness and growth,”

Europe’s green strategy is premised on the creation of new green jobs, so its political sustainability could be jeopardised if **decarbonisation** leads instead to the **de-industrialisation** of Europe.

Question to the panel: Will the Draghi report influence EC policy 2024 – 2029?

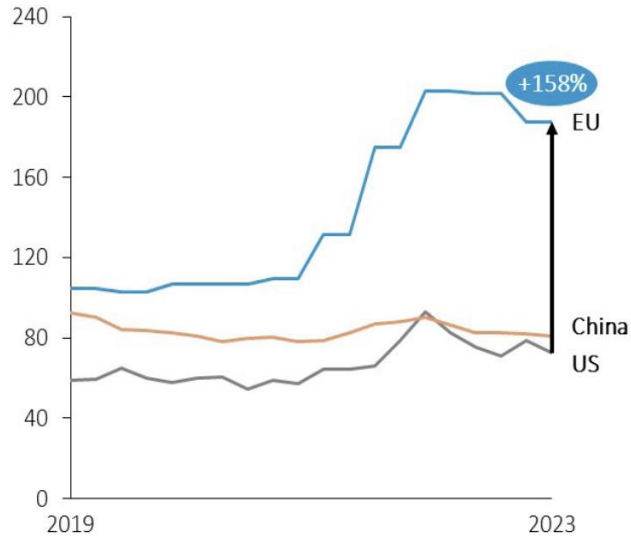
Draghi Report (2) : Energy prices must go down
“EU must bring down energy prices”
Indeed: main obstacle for private investment

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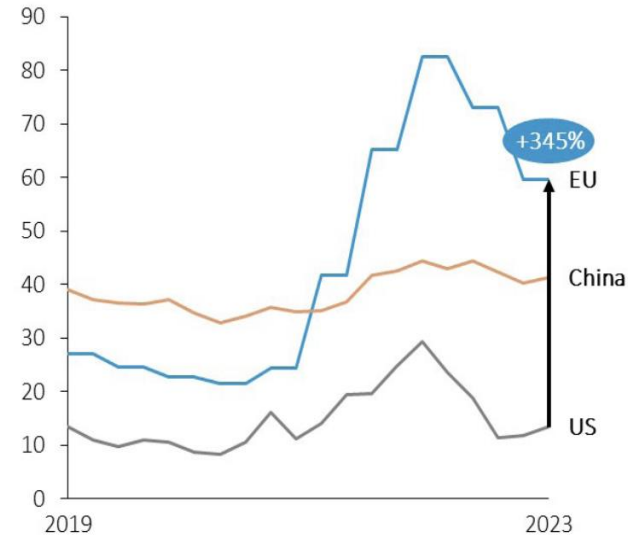


Gas and retail power price gap for industry

Industrial retail power prices
EUR/MWh



Industrial gas prices
EUR/MWh



Source: European Commission, 2024. Based on Eurostat (EU), EIA (US) and CEIC (China), 2024.

EU-answer: Resilience through Open Strategic Autonomy

OSA



Diversified
international
partnerships



Monitoring
Strategic
Dependencies



Industrial alliances
(eg chipact,
battery alliance)

CBAM: invest in Europe or pay

Sectors covered in the first phase of the CBAM - our environmental policy tool to help maximise the European and global impact of our fight against climate change.

CEMENT

IRON & STEEL

ALUMINIUM

FERTILISERS

ELECTRICITY

HYDROGEN

On 1 October 2023, the CBAM entered into application in its transitional phase

Functioning of CBAM

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EU importers of goods covered by the CBAM registers with national authorities where they can also buy **CBAM certificates**. Certificates are priced based on **weekly ETS allowances**.

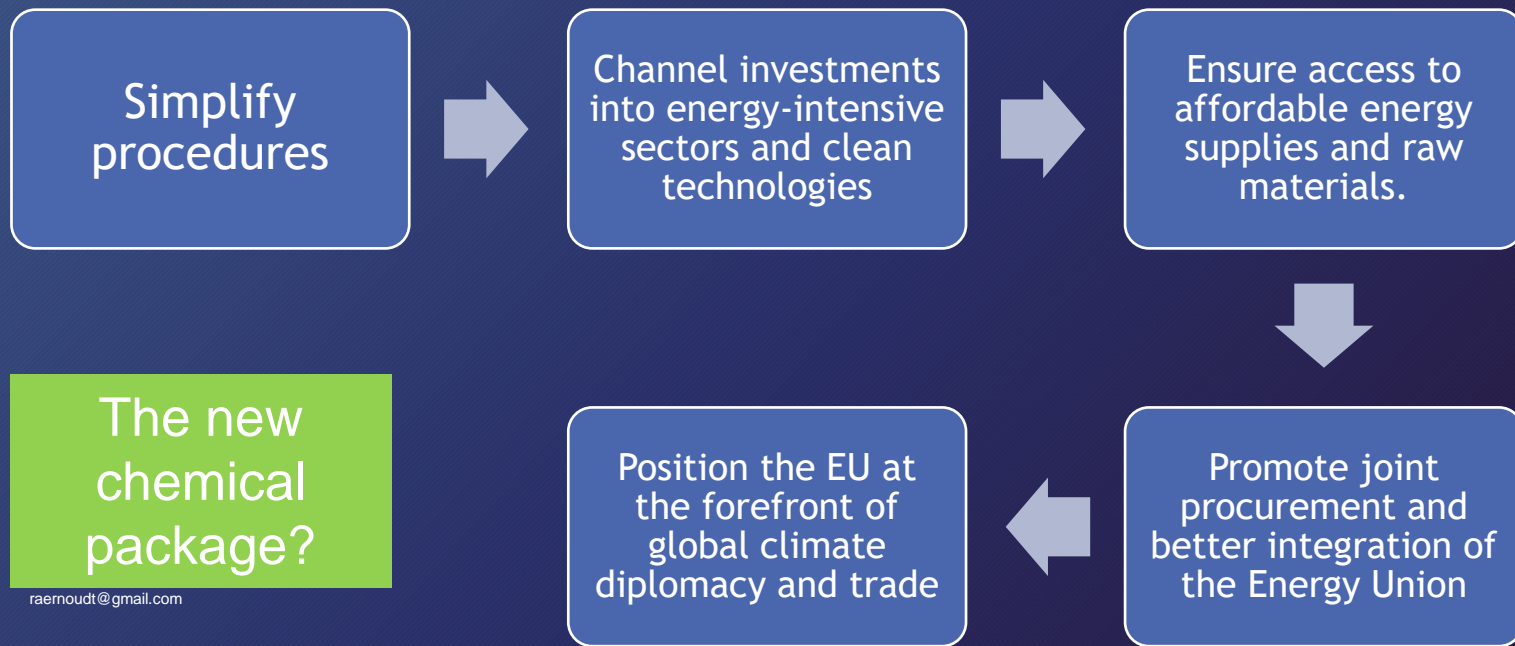


EU importer **declares the emissions** embedded in its imports and **surrenders** the corresponding number of certificates each year.



If importers can prove that a **carbon price has already been paid** during the production of the imported goods, the corresponding amount **can be deducted**.

Phase III: In the line of the Draghi report: The Clean Industrial deal (1/10/2024)



The first 100 days of the new commission

Let's structure

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Macro-economic
data

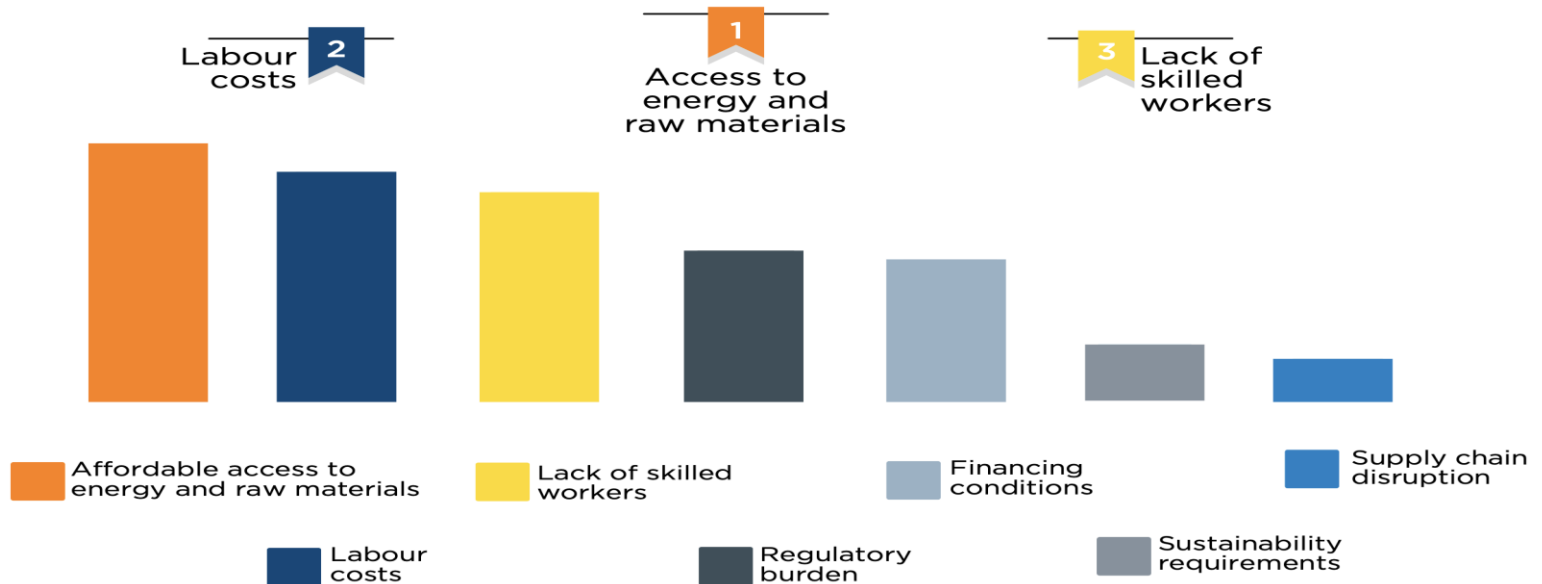
Policy

Enterprise
challenges

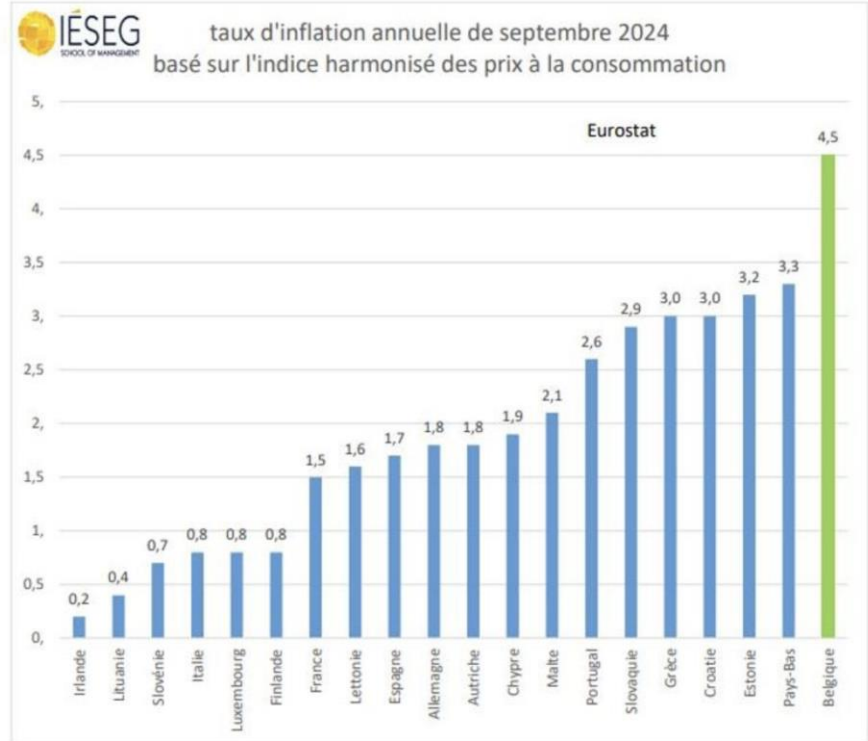
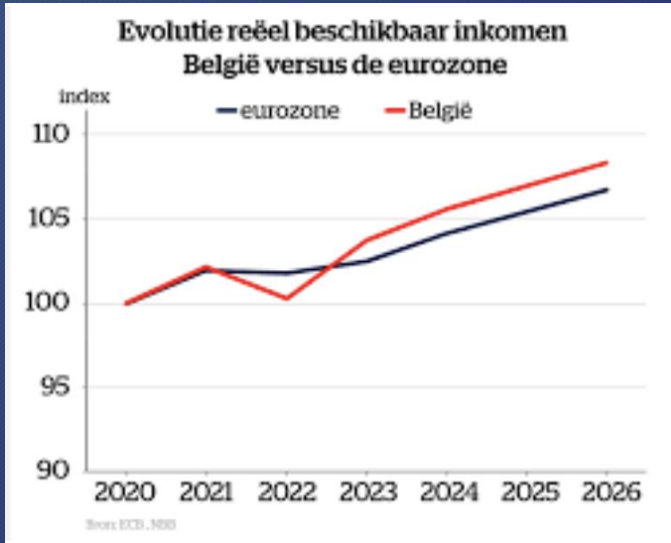
Enterprise challenges for 2024

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Challenges for 2024



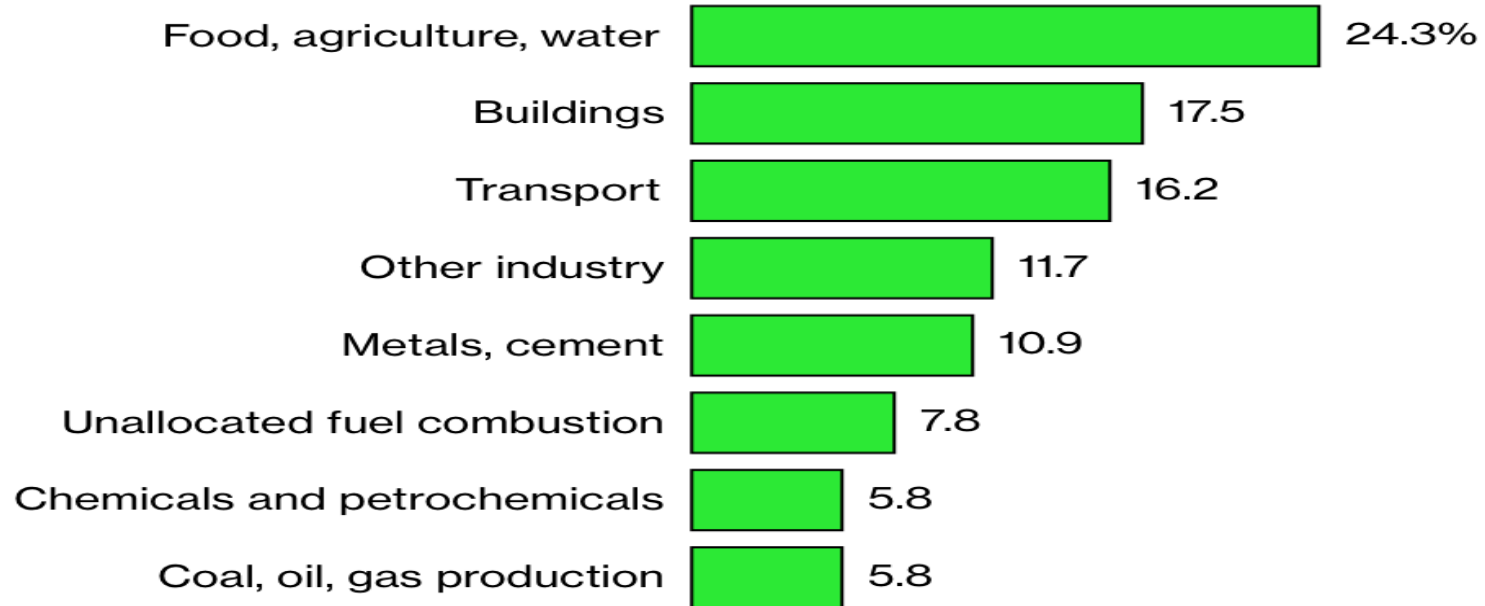
Automatic salary indexation



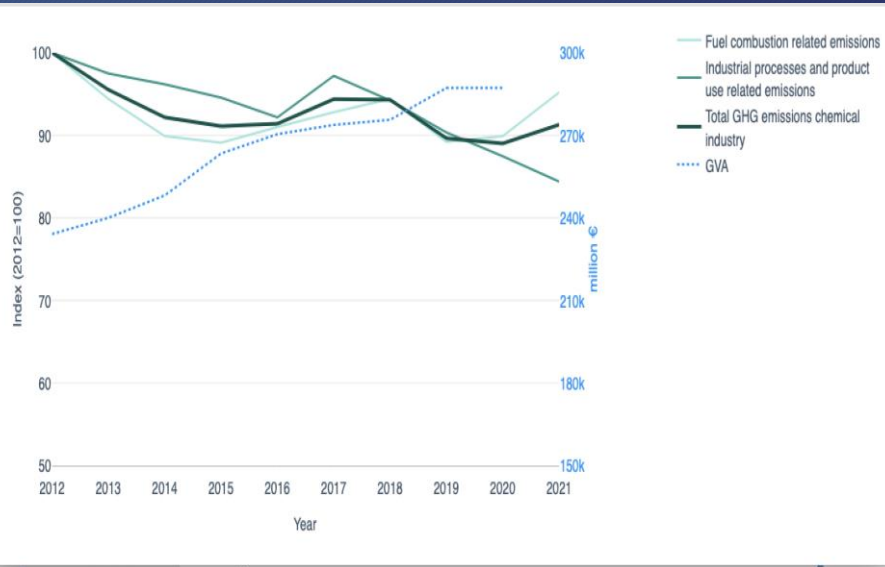
Avec 4,5% la Belgique dépasse largement les autres pays de la zone euro. © IESEG School of Management

Greenhouse emissions by sector

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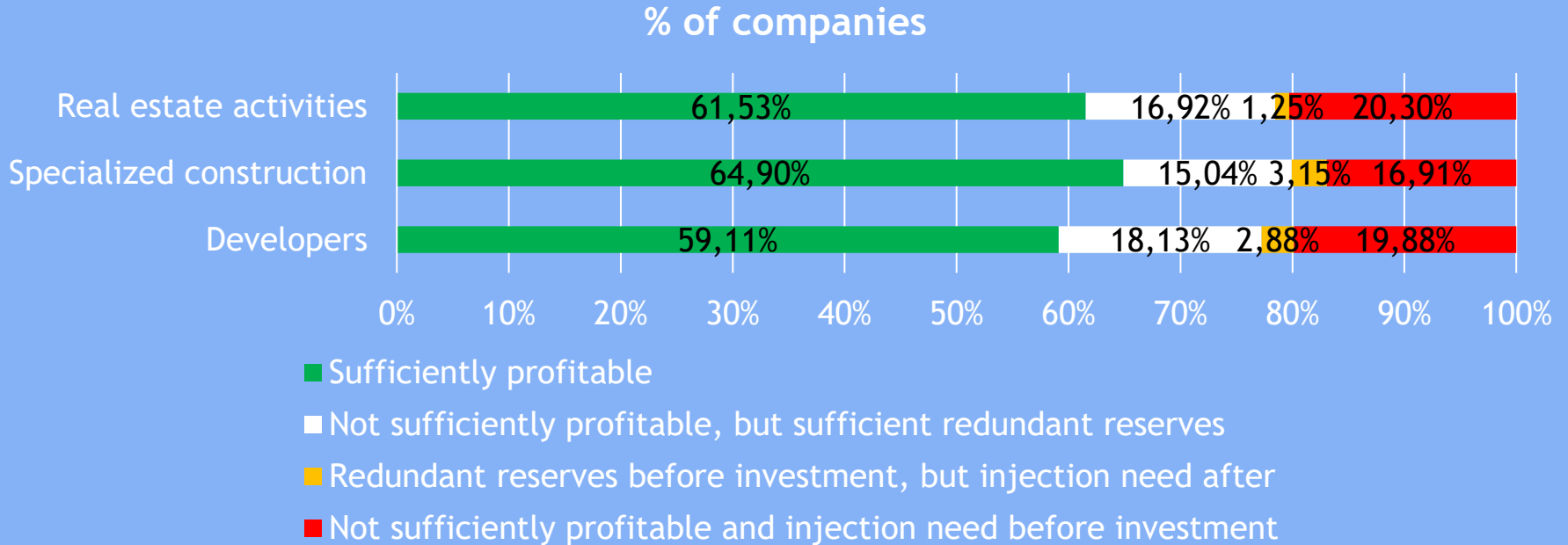
Chemical sector and CO2



- Total greenhouse gas emissions (GHG) from the chemical industry decreased by 9% between 2012 and 2021.
- Since 2015 these emissions have remained relatively stable. |
- The chemical industry's gross value added (GVA) increased by 23% since 2012 (EEA, May 2024)

The majority (67%) of GHG emissions from the chemical industry came from fuel combustion, while 33% were linked to industrial processes and product use.

THE GREEN TRANSITION: REAL ESTATE SECTOR



Graydoncreditsafe

Companies need to invest **3%** of their revenue in order to finance their transition in accordance with ESG-norms.

Sustainability reporting = Green “red tape”



“de-risk’ from China” strategy

Global efforts to secure supply chains put pressure on contractors to establish ‘alternative command system abroad’

1. Rising costs in China (*economic argument*)
2. The US-China trade war (*geopolitical argument*)
3. Customers’ demands (*human argument*)

 “de-risk” from China

Concrete: groups such as Apple suppliers Foxconn and Pegatron are expanding in south-east Asia, India, Mexico, the US and Europe instead of China.

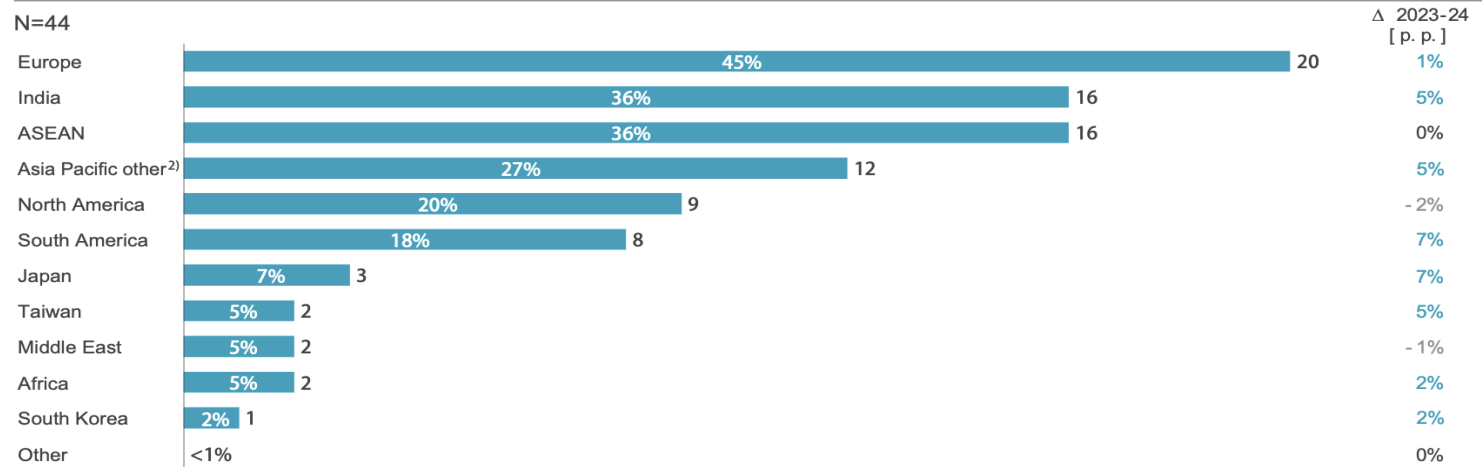
Supply chain diversification (eurochambre 2024)

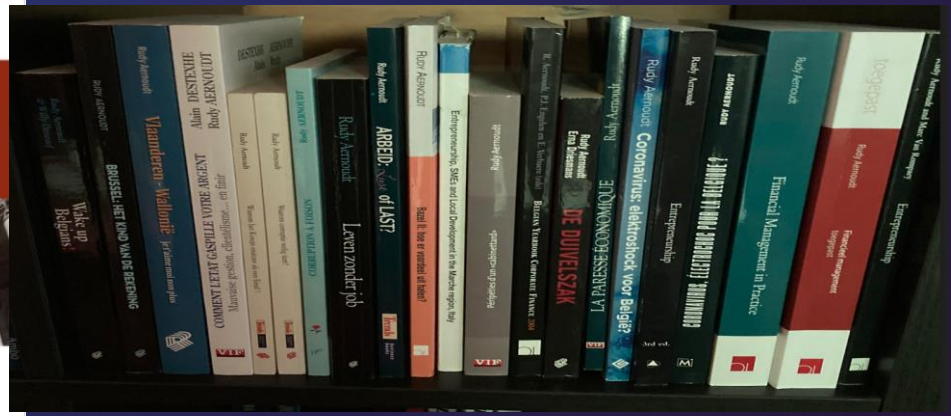
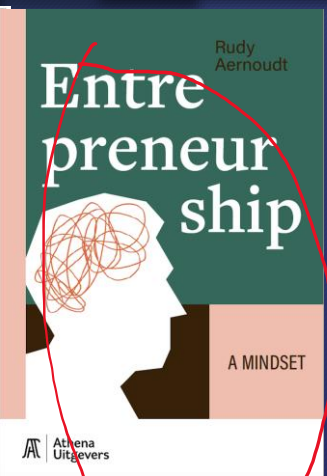
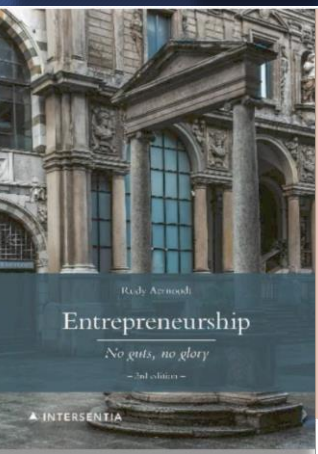
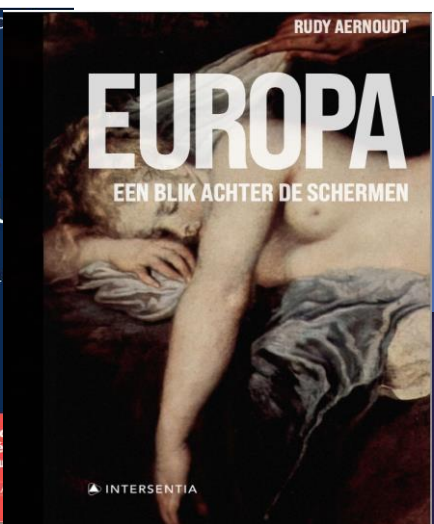
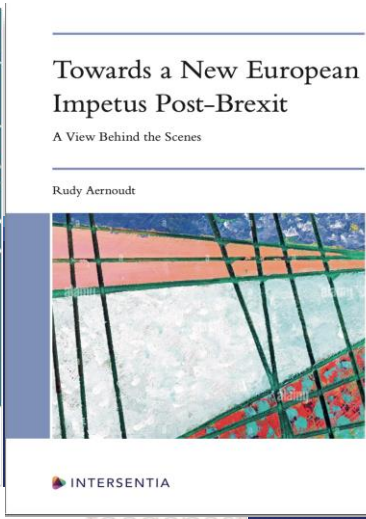
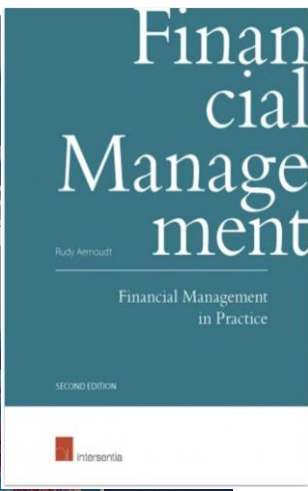
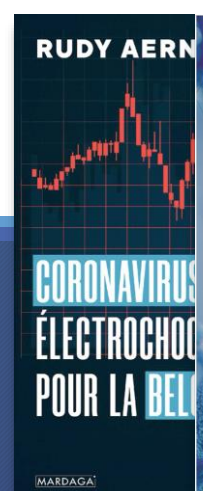
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Figure 45: Europe, India and ASEAN main beneficiaries of supply chain diversification

Where has your company relocated parts of its supply chain (whole or parts) to?¹⁾²⁾

N=44





Verbo volant, scripto manent