

WEEK IN BRUSSELS

Week ending Friday 4 November

G20 leaders call for Europe to fix debt crisis

Leaders of the world's top economies have urged Europe to fix its debt crisis, as a G20 summit intended to focus on boosting fragile global growth was overshadowed by problems in the eurozone. US President Barack Obama, at the opening of the two-day Group of 20 summit, said the leaders' top priority was to conquer the European crisis, which has rocked markets and threatens to drag the world economy into recession. International markets were put into turmoil following Greek Prime Minister George Papandreou's statement that Athens would put the eurozone rescue package to a national referendum. G20 host, French President Nicolas Sarkozy, and his German counterpart Chancellor Angela Merkel, summoned Papandreou to Cannes to warn him that Greece would not receive "one more cent" of the International Monetary Fund and EU's next planned eight-billion euro (\$11 billion) aid installment unless he won the referendum scheduled for December 4. Without the EU-IMF funds, Greece will run out of money within weeks and could face a debt default which would force it to leave the European single currency bloc. Following discussions, Prime Minister George Papandreou has backed down on initial calls for a referendum, however he now faces a crucial confidence vote in parliament. The troubled Italian economy has also come under increased focus at the latest round of talks, following Prime Minister Silvio Berlusconi's failure to win full cabinet support for a new set of reforms aimed at boosting growth and cutting Italy's massive debt. Berlusconi informed his European partners that he would call a confidence vote within 15 days on the measures. Summing up the current eurozone crisis Sarkozy stated: "We cannot accept the explosion of the euro which would mean an explosion of Europe. The problem should be formulated in those terms and in no other way. If the euro is the heart of Europe, the explosion would make Europe explode". (Source: EU Business) <http://www.eubusiness.com/news-eu/finance-economy-g20.dc7>

EU ETS prices hit three-year low

Prices in the EU emissions trading scheme (ETS) remained below €10 per tonne on Thursday 3 November amid uncertainty over the future of the Greek economy. Contracts for delivery in December 2011 traded at €9.40/t in the morning – their lowest for nearly three years. A significant recovery is not expected until the financial crisis is resolved. Prices are already depressed, following uncertainty caused by challenges to aviation's inclusion in the ETS, but have been further hit by fears that Greece could default if it does not back the bailout package agreed by European leaders on 27 October. (Source: ENDS) <http://www.endseurope.com/27479/eu-ets-prices-dip-to-threeyear-low?referrer=bulletin&DCMP=EMC-ENDS-EUROPE-DAILY>

Industrial producer prices up by 0.4% in the EU

Figures published today by Eurostat, the statistical office of the European Union, show that the industrial producer price index rose by 0.4% in the EU and by 0.3% in the euro area in September, following a drop of 0.3% in both zones in August. In September 2011 compared with September 2010, industrial producer prices gained 6.9% in the EU, and 5.8% in the euro area. (Source: Europa) <http://europa.eu/rapid/pressReleasesAction.do?reference=STAT/11/161&format=HTML&aged=0&language=EN&guiLanguage=en>



ECB cuts interest rates to 1.25%

The new President of the European Central Bank, Mario Draghi, has surprised markets by cutting interest rates by a quarter point to 1.25%, in a move aimed at supporting the ailing eurozone economy. However Draghi offered no commitment to scale up the central bank's bond-buying programme to support the likes of Italy and Spain, stating: "Our securities market program has three characteristics: it is temporary; it is limited; it is justified in restoring the functioning of monetary transmission channels". Draghi succeeded France's Jean-Claude Trichet as ECB chief on Tuesday, and faces a difficult challenge to balance an eagerness to curry favour with the German contingent at the ECB against growing financial market pressure to intervene on a bigger scale to lower the borrowing costs of Italy and Spain. (Source: Europa)

<http://www.euractiv.com/euro-finance/draghi-jolts-markets-surprise-rate-cut-news-508732>

Week ahead

European Commission

No relevant activity

Council of Ministers

Tuesday 8 November

Economic and Financial Affairs Council

European Parliament

No relevant activity

