

## WEEK IN BRUSSELS

Week ending Friday 19 August

### European growth slows to 0.2% in second quarter of 2011

Economic growth slowed to 0.2% in both the eurozone and the whole EU during the second quarter of 2011, compared to 0.8% growth in the previous quarter. Figures published by Eurostat, the EU's statistical office, show that Germany saw growth fall from a downward-revised 1.3 % in the first quarter to 0.1 %, whilst the Netherlands, also fell to the same level, after a similarly sharp contraction in its rate of growth, from 0.8 %. The eurozone's second largest economy, France, has also recently reported zero growth in the second quarter, following 0.9% in the first, and Italy and Spain, which have needed the European Central Bank to step in to stabilise their bond markets, logged 0.3% and 0.2% growth. With Italy, Spain and now France each having announced or preparing substantial new cuts and reforms, London-based Elga Bartsch of Morgan Stanley said the deceleration would continue, stating: "The uncertainty around the sovereign debt crisis should weigh on sentiment, and fiscal policy should tighten further". On a yearly basis, the pace of eurozone growth also slowed to 1.7% from 2.5%. (Source: Eurostat)

[http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/2-16082011-AP/EN/2-16082011-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-16082011-AP/EN/2-16082011-AP-EN.PDF)

### Eurozone external trade surplus €0.9 billion

Eurostat, has published the latest figures for European trade with the rest of the world. In June countries within the eurozone had a €0.9 billion surplus compared with €0.7 billion in June 2010. However the wider European Union (EU27) had a €12.2 billion deficit in June, compared with €11.1 billion in June 2010. (Source: Eurostat)

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### Eurozone states move to closer economic integration

The leaders of France and Germany have unveiled plans for closer economic integration in the eurozone, including deficit limits enshrined in national law, a tax on financial transactions, and biannual summits chaired by European Council President Herman Van Rompuy. These moves by Germany and France for "a real economic government" have been prompted by the debt crisis within the eurozone, and aim to restore confidence in the European financial markets. They have however stopped short of backing the issuance of a common "eurobond", and of increasing the European Financial Stability Facility rescue fund, which currently stands at €440 billion. In a joint statement President Sarkozy, and Chancellor Merkel, stated: "The euro is the foundation of our economic success and the symbol of the political unification of our continent. France and Germany propose to reinforce once more the governance of the eurozone within the framework of existing treaties". EU President Barroso, hailed the moves as a "welcome step forward in our common efforts to strengthen the governance of the euro area". (Source: Euractiv) <http://www.euractiv.com/en/euro-finance/sarkozy-merkel-want-van-rompuy-euro-news-507007>

### Week ahead

**European Commission**

No relevant activity.

**Council of Ministers**

No relevant activity.

**European Parliament**

In recess until 29 August.