[Euro area financial integration improves in 2017]

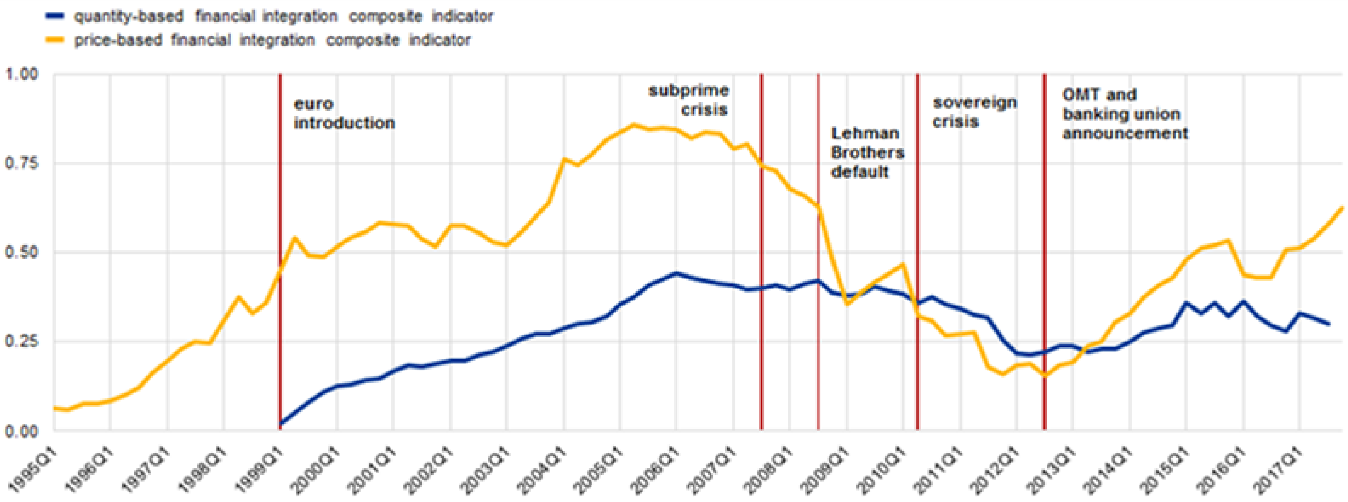
PRESS RELEASE

3 May 2018

- Reintegration trend strongly resumed in prices but not in quantities
- Euro area financial integration more resilient to adverse shocks
- Further development of equity markets would promise to foster innovation, growth and risk sharing in Europe

Financial integration in the euro area resumed last year, the European Central Bank’s (ECB) annual report on Financial Integration in Europe shows. The report was published today at a joint conference with the European Commission in Frankfurt. The resumption of financial integration after the volatile year 2016 was pronounced in prices but not in quantities (see chart). The price-based integration process was driven in particular by convergence to similar levels across countries in equity returns and, to a somewhat lesser extent, in bond yields. The main force behind this capital market-oriented process was the strengthening and broadening of the economic expansion in the euro area, which was quite uniform overall.

Chart: Price-based and quantity-based composite indicators of financial integration



Sources: ECB and ECB calculations.
Notes: The price-based composite indicator aggregates ten indicators covering the period from the first quarter of 1995 to the fourth quarter of 2017, while the quantity-based composite indicator aggregates five indicators available from the first quarter of 1999 to the third quarter of 2017. The indicators are bounded between zero (full fragmentation) and one (full integration). Increases in the indicators signal greater financial integration.

Reasons why quantity-based financial integration is not yet recovering are that euro area cross-border interbank trading remains relatively low and cross-border equity or bond holdings do not show particular trends up or down over the reporting period. Investment funds, however, tend to play a favourable role in quantity-based financial integration, as many of their portfolios are quite geographically diverse, enabling them to help other investors spread asset holdings across countries.

Overall, euro area financial integration has become more resilient to adverse shocks over time. This is reflected in medium-term increases in foreign equity investment relative to foreign debt investment within the euro area, and in foreign direct investment relative to portfolio equity investment. Also the proportion of cross-border retail bank lending relative to interbank lending has gradually increased over a longer period of time. The only exception is the development in cross-border short-term debt holdings, which have recently increased relative to long-term debt holdings.

As there is room for further financial integration and as the extent of cross-border private financial risk sharing remains relatively low, the completion of the European banking union and further progress with the capital markets union should remain policy priorities.

The ECB’s Vice-President Vítor Constâncio said: “It is a big waste to have taken the huge step to adopt a single currency and continue to forgo the benefits that could be reaped by creating a true banking and capital markets union. I believe that euro area countries should forge ahead in enhanced cooperation in order to more rapidly achieve CMU.”

Recent progress in risk reduction should be matched by steps towards risk sharing through a credible common fiscal backstop for the Single Resolution Fund and the introduction of a European deposit insurance scheme.

Further improving and harmonising insolvency frameworks can significantly enhance the functioning of both the banking and the capital markets union. Moreover, new research by the ECB and others outlined in the report suggests that initiatives to further develop equity markets in Europe would promise to foster innovation, growth and cross-country risk sharing. New initiatives may be needed to stimulate financing of the real economy through public and private equity markets, which play particularly important roles for the growth of innovative industries, for private financial risk sharing and for the resilience of financial integration.

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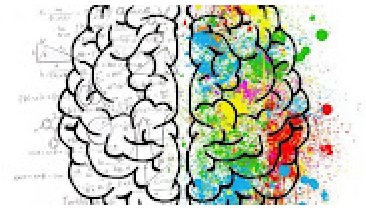
The value of mixed media collections

The sound archive is home to over 250,000 wildlife and environmental sound recordings. Over 100,000 of these document the vocalisations of birds, while the sounds of other animal groups, such as mammals and fish, along with a growing collection of soundscapes, make up the rest. The collection covers both terrestrial…

[Out of our Minds]

From the Curator of Museum Services at the University of Dundee and as part of the "Face to Face – Stories from the Asylum" exhibition :

Saturday 26th May at 2pm
"Out of our Minds"
Meet in Tower Foyer Gallery, University of Dundee



A creative life writing workshop exploring memory and contemporary perspectives on mental health, led by award-winning teacher of memoir and creative non-fiction, Josie Jules Andrews (School of Humanities, University of Dundee).

Free but places are limited and must be booked in advance on Eventbrite [here].

[The EU budget 2021-27]

It was interesting yesterday to hear the media telling us the EU would lose a net 15bn Euros from the UK's exit from the EU, much in line with the £12bn net UK gain figure I and others used throughout the referendum campaign. Remain supporters used to tell us it was nothing like as much as this. I hope they were listening.

It was also interesting to see the priorities for increased spending by the EU. They propose increasing defence expenditure 22 fold from a low base. They want to spend 2.6 times as much on borders, and 2.5 times as much on civil protection as in the present budget period. We were told there would be no EU army, yet work continues apace to increase the EU's role in Member states defence.

They also propose three new sources of tax revenue for the EU going forward. There will be a 3% levy on Corporation tax to pay for the single market, as they move to legislate for a "common consolidated corporation tax base". (Remember all the promises that tax was a red line remaining under national control?) The EU will take 20% of Emissions Trading revenue, and will up its share of customs revenue from 80% to 90%. There will be a new non recycled plastics tax.

The EU will sweep aside all remaining member states rebates over the period 2012-26. They will prevent countries that have "rule of law deficiencies" from getting access to various EU monies to give the EU more leverage over national policies and electoral results they do not like. They are setting up a couple of new funds to help convergence in the Euro area and to assist countries preparing to join the single currency.

It is a sensible budget given the ambitions to create a political union and to project it more on the world stage. The budget reveals what Vote Leave set out – this is not a mere trading arrangement, but a serious attempt at full economic, monetary and political union. This budget and related measures will give it more money per head to spend, and will give the Union more power over the member states.

Daily News 02 / 05 / 2018

COLLEGE MEETING: EU budget: Commission proposes a modern budget for a Union that protects, empowers and defends

The Commission is today proposing a pragmatic, modern, long-term budget for the 2021-2027 period. It is an honest response to today's reality in which Europe is expected to play a greater role in providing security and stability in an unstable world, at a time when Brexit will leave a sizeable gap in our budget. Today's proposal responds to this twin challenge through cuts to expenditure and through fresh resources in equal measure. Funding for the Union's new and main priorities will be maintained or reinforced which inevitably means some cuts in other areas. With the stakes so high, it is time to act responsibly. Today's budget proposal is therefore both focused and realistic. The Commission's proposal aligns the Union's budget to our political priorities – as reflected in the positive agenda set out by President Jean-Claude Juncker in his State of the Union address on 14 September 2016 and agreed by the EU27 Leaders in Bratislava on 16 September 2016 and in the Rome Declaration of 25 March 2017. By focusing on the areas where the Union is best placed to deliver, it is a budget for a Europe that protects, empowers and defends. President **Jean-Claude Juncker** said: "*Today is an important moment for our Union. The new budget is an opportunity to shape our future as a new, ambitious Union of 27 bound together by solidarity. With today's proposal we have put forward a pragmatic plan for how to do more with less. The economic wind in our sails gives us some breathing space but does not shelter us from having to make savings in some areas. We will ensure sound financial management through the first ever rule of law mechanism. This is what it means to act responsibly with our taxpayers' money. The ball is* *now in the court of Parliament and Council. I strongly believe we should aim to have agreement before the European Parliament elections next year*." Commissioner **Günther H. Oettinger** in charge of Budget and Human Resources said: *"This budget proposal is truly about EU added value. We invest even more in areas where one single Member State cannot act alone or where it is more efficient to act together – be it research, migration, border control or defence. And we continue to finance traditional – but modernised – policies, such as Common Agricultural Policy and Cohesion Policy, because we all benefit from the high standard of our agricultural products and regions catching up economically."* Press release is available here (all language versions will be available shortly) as well as a detailed Q&A and a set of factsheets*. (For more information: Alexander Winterstein – Tel.: +32 229 93265; Mina Andeeva – Tel.:+32 229 91382*)

State aid: Commission clears HRK 105.6 million in restructuring aid for Croatian shipping company Jadroplov

The European Commission has found Croatian plans for restructuring the shipping company Jadroplov to be in line with EU State aid rules. Jadroplov, which is based in Split and suffered from reduced volumes and falling prices in worldwide trade of dry bulk cargo has started carrying out a comprehensive restructuring program aimed at reducing costs, focusing on core business and alleviating the financial pressure stemming from high-indebtedness. Croatia is supporting the process with a subsidy and two State guarantees on bank loans for a total State support amount of HRK 105.6 million (around €14.2 million). The Commission found that Jadroplov's restructuring plan will enable the company to become viable in the long term without continued State support. Jadroplov will make a significant own contribution to the cost of restructuring of HRK 144.9 million (around €19.5 million), in particular by securing financing from the private market and through asset sales. Moreover, the assets sale contributes to reducing the potential distortions of competition brought about by the restructuring aid. The Commission therefore concluded that the restructuring plan was in line with EU State aid rules, in particular the 2014 Rescue and Restructuring Guidelines. More information will be available on the Commission's competition website, in the public State Aid Register under the case number SA.48121. *(For more information: Ricardo Cardoso – Tel.: +32 229 80100; Maria Sarantopoulou – Tel.: +32 229 13740)*

Big bang theory: Stephen Hawking's last paper co-authored with EU funded researcher Thomas Hertog

Professor Hawking's final theory of the origin of the universe, on which he worked in collaboration with Professor Thomas Hertog from KU Leuven, was published in the latest issue of the renowned Journal of High-Energy Physics. The paper, which was submitted for publication before Hawking's death earlier this year, predicts the universe is finite and far simpler than many current theories about the big bang say. In 2014, Professor Hertog was awarded a €2 million grant from the European Research Council (ERC) for his 5 year-long project on holographic quantum cosmology. Commissioner for Research, Science and Innovation Carlos **Moedas** said: *"I am extremely pleased that yet again EU funded research lives up to its reputation of excellence. The universe might not be infinitely expanding, but the list of successful ERC grantees continues to grow. They dare to put concepts into question and push our knowledge over the edge into new realms."* Modern theories predict that our local universe came into existence, when the overall universe expanded after the big bang. It is widely believed that some regions of the universe then never stopped growing, others did. In their new paper, Hawking and Hertog say that this concept of eternal inflation is wrong. They predict that our universe is not a fractal structure, but reasonably smooth and what's more finite. Their results, if confirmed by further work, would imply a significantly smaller range of possible universes. Professor Hertog said: *"This kind of work is ambitious, high-risk, and lies entirely in the realm of the curiosity-driven, fundamental sciences. It fits in very well with the goals and the vision of the ERC. I used my ERC grant to set up a kind of school in theoretical cosmology which has proven to be a fertile and stimulating research environment to explore new ideas."* More information is available in an ERC press release and an ERC interview with Professor Hertog. *(For more information: Lucía Caudet – Tel.: +32 229 56182; Victoria von Hammerstein – Tel.: +32 229 55040; Maud Noyon – Tel. +32 229-80379)*

Eurostat: Le taux de chômage à 8,5% dans la zone euro, à 7,1% dans l'UE28 (Mars 2018)

Dans la zone euro (ZE19), le taux de chômage corrigé des variations saisonnières s'est établi à 8,5% en mars 2018, stable par rapport à février 2018 et en baisse par rapport au taux de 9,4% de mars 2017. Il s'agit du taux le plus faible enregistré dans la zone euro depuis décembre 2008. Dans l'UE28, le taux de chômage s'est établi à 7,1% en mars 2018, stable par rapport à février 2018 et en baisse par rapport au taux de 7,9% de mars 2017. Il s'agit du taux le plus faible enregistré dans l'UE28 depuis septembre 2008. Eurostat estime qu'en mars 2018, 17,481 millions d'hommes et de femmes étaient au chômage dans l'UE28, dont 13,824 millions dans la zone euro. Par rapport à février 2018, le nombre de chômeurs a diminué de 94 000 dans l'UE28 et de 83 000 dans la zone euro. Comparé à mars 2017, le chômage a baissé de 1,930 million de personnes dans l'UE28 et de 1,414 million dans la zone euro. Un communiqué de presse Eurostat est à votre disposition en ligne. *(Pour plus d'informations: Christan Wigand – Tel.: +32 229 62253; Sara Soumillion – Tel.: +32 229 67094)*

Eurostat: Estimation rapide préliminaire pour le premier trimestre 2018, le PIB en hausse de 0,4% dans la zone euro et dans l'UE28, +2,5% et +2,4% respectivement par rapport au premier trimestre 2017

Au cours du premier trimestre 2018, le PIB corrigé des variations saisonnières a augmenté de 0,4% tant dans la zone euro (ZE19) que dans l'UE28 par rapport au trimestre précédent, selon l'estimation rapide préliminaire publiée par Eurostat, l'office statistique de l'Union européenne. Au cours du quatrième trimestre 2017, le PIB avait progressé de 0,7% dans la zone euro et de 0,6% dans l' UE28. En comparaison avec le même trimestre de l'année précédente, le PIB corrigé des variations saisonnières a enregistré une hausse de 2,5% dans la zone euro et de 2,4% dans l'UE28 au premier trimestre 2018, après respectivement +2,8% et +2,7% au quatrième trimestre 2017. Un communiqué de presse Eurostat est à votre disposition en ligne. *(For more information: Christian Spahr – Tel.: +32 229 50055)*

Tackling illegal content online: Commission launches a public consultation [updated on 02/05/2018 at 16:58]

Following the Commission's Recommendation presented in March to further step up the work against all forms of illegal content ranging from terrorist content, incitement to hatred and violence, child sexual abuse material, counterfeit products and copyright infringement, the European Commission launched an open public consultation. All respondents are asked to share their experience and challenges faced with the spread and detection of illegal content online. The consultation aims at collecting information on perceptions and various opinions in regard to the effectiveness of voluntary measures to tackle illegal content online. The consultation also aims to gather information and views concerning the need for additional steps from the Commission in this area. The consultation targets specifically citizens, but also online platforms and other online hosting service providers, as well as organisations who detect and flag illegal content, digital rights organisations, competent authorities, law enforcement bodies, national governments and academia. On 28 September 2017, the Commission adopted a Communication with guidance on the responsibilities of online service providers regarding illegal content online, followed by a Recommendation on measures to effectively tackle illegal content online on 1 March 2018. The Commission has published an inception impact assessment and is collecting evidence on the effectiveness of the voluntary measures and the scale of the problem. The Commission will explore before the end of 2018 possible further measures to improve the effectiveness of combating illegal content online. A factsheet is available here. The public consultation on the illegal content online will be open until 25 June and can be accessed here. (*For more information: Nathalie Vandystadt – Tel.: +32 229 67083; Inga Höglund – Tel.: +32 229 50698*)

Upcoming events of the European Commission (ex-Top News)