

Snap | 13 September 2017

Juncker sets out ambitious plans for EU

European Commission looks to solidify the EU as gains in employment and industrial production show little indication of weakening



Employment growth in the Eurozone continued to strengthen in the second quarter, as the monthly unemployment numbers had already suggested. The 0.4% quarter on quarter growth reveals little indication that domestic demand will continue to drive GDP growth in the second half of 2017. Job growth slowed down slightly compared to Q1, which was mainly because of a somewhat slower pace in job growth in the construction sector and professional services.

Whether there is causality here needs to be investigated but the recent improvement in employment has coincided with improvements in trust in the European Union. Improved trust in the EU was one of the factors leading to an ambitious State of the European Union address this morning.

Juncker set out his plans for the rest of his term, which is due to end in 2019. He built on the five scenarios that were presented in the European Commission white paper on the future of Europe and added his own sixth that in all honesty looks a lot like the most ambitious one of the previously existing five: “doing much more together”.

Among many proposals, Juncker called for a Eurozone minister of finance and economy who would also lead the Eurogroup and for expanding the ESM into a European Monetary Fund.

Juncker set out plans for the rest of his term, due to end in 2019 building on the future of Europe white paper

On top of that, he indicated more countries should be joining the euro and the banking union. Besides reform, Juncker also wants to sign trade deals with Japan, Latin American countries and Australia and New Zealand. This seems ambitious given current Brexit timelines but stresses the emphasis that this commission puts on trade for the coming years.

He also revealed that he plans to set out a new industrial strategy for Europe. He wants to make European industry more competitive. This makes sense given recent disappointing recovery in the Eurozone industrial sector. July showed a small increase in production of 0.1% MoM.

This was mainly because of a drop in energy production because intermediate, capital and durable consumer goods production all improved. Annual growth came in at 3.2%, which was not bad by recent standards, but this still leaves production below the pre-crisis peak. A recent surge in new orders and strong PMIs does suggest that the recovery is at least set to continue if not strengthen in the months ahead, which would add to strong spells of growth in the Eurozone.

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