

## Trust in EU hits six-year high

It is not just the economy causing the current “europahoric” environment, trust in the EU has hit a six-year high



At the beginning of the year, Eurozone disintegration was one of the biggest worries among global investors. However, over the past few months, we have seen this sentiment quickly subside as Austrian, French and Dutch elections did not deliver the populist backlash that many were expecting. Nonetheless, Italy remains a real risk where elections are due to take place next year.

The latest Eurobarometer, a large semi-annual survey among European citizens, shows trust in the EU increased again in the first half of 2017. 40% of EU citizens hold a positive view of the EU, 37% have a neutral view and 21% a negative view.

France has seen an enormous shift towards an optimistic view of the EU's future where President Macron won the elections with a pro- European campaign. The jump has also been significant in other countries where people have gone to the polls recently like Netherlands and Austria.

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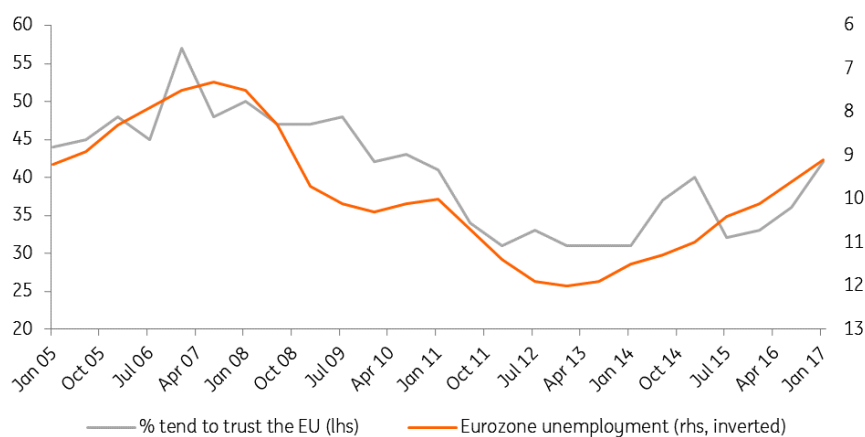
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The EU is not the only one to get a vote of confidence, support for the monetary union has also increased as 73% in the Eurozone now support the euro, up from 70%. Economic performance seems to contribute positively to the improving sentiment as the uptick in the economy has coincided with the recovery of sentiment. According to the survey, the economic situation and unemployment are the most important issues for Europeans.

## Central Europe not so optimistic

Besides Italy and Greece, the Central European countries show some concerning results. Trust in the EU, but especially optimism about its future has been slipping, showing that the relationship between European institutions and Central European citizens has cooled off over recent months. Poland is the exception here. However, it's worth noting that current tensions between the European Commission and the Polish government occurred after the survey was conducted in May.

## Job growth and positive EU sentiment go hand in hand



## What concerns Europe?

Terrorism and immigration remain the biggest concerns in Europe, which indicates there might be some appetite for pan-European collaboration in these areas. But to be fair, immigrations have come down significantly since the deal with Turkey. Chancellor Merkel and President Macron have already shown interest in more collaboration on defence policy, which ties in well with these results.

It is important to note that the more positive view on the EU does not mean that a Eurosceptic vote has been completely ruled out in the coming months. With elections next year, Italy remains one of the more Eurosceptic countries in the EU. Although trust levels have improved to 36%, just slightly higher than the UK for example. Greece ranks last in confidence in the EU and optimism about its future, with less than a third of people optimistic.

All in all, negative sentiment about the EU has indeed come down significantly, which will further mitigate political risks in some of the countries where elections are coming up. While this does not mean that Italian elections will be a non-event for markets or that other countries do not pose a risk to an integrated Europe anymore, it does fit the current

narrative of optimism about the EU.

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