



THE MALTA CHAMBER

PRESS RELEASE

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Rising energy prices and disruptions in supply chain dominate European business agenda

A Malta Chamber delegation led by President Marisa Xuereb attended the BusinessEurope Council of Presidents (COPRES) meeting in Paris. Business Europe is the leading confederation of European businesses representing enterprises of all sizes in the European Union and other non-EU countries. The Malta Chamber is one of forty industry and employers' organisations making up BusinessEurope.

The discussions amongst the top business representing bodies on the European continent are evolving on the economic recovery and the challenges being faced at present, including disruptions and increased costs related to supply chains.

Outlook for the European Economy

The EU economy is undergoing a strong recovery, but rapid price increases and bottlenecks in global supply chains are threatening to blunt the upturn.

The EU27 economy is expected to grow by 4.8% this year, followed by 4.3% next year. The recovery is propelled by a consumer-led rise in domestic spending. Retail sales are now 6% above the 2019 average and the household saving rate is at 21%, vs around 12% before the crisis.

In contrast, production in the EU is suffering from supply chain bottlenecks. The share of European companies that report materials/equipment as a factor limiting their production has shot up from 9% in 2019 Q3 to 39% in 2021 Q3.

EU Energy prices are now 7% above the January 2020 level. There is a clear risk that price pressures could translate into longer-term inflationary pressures if wage increase fully reflect such rises. So, wage moderation will be important.

The toolbox to tackle rising energy prices

The rise in energy prices overshadowed all discussions during the meeting of the European Council on 25 October 2021.

A toolbox with short-term measures that member states can take was proposed. These included direct payments to vulnerable households, deferred payments, tax cuts, state aid for companies that are compatible with the EU state aid rules.

Mid-term to long-term measures, were also suggested, including a number of already planned EU initiatives such as the announced revision of the gas/hydrogen market regulatory framework, future

guidance on how to accelerate permitting process for renewable energies, as well as new ideas such as joint procurement and/or joint reserves of gas stocks.

The disruptions in supply chains

BusinessEurope created a Supply Chains Taskforce to assess the overall cumulative effect of actions and legal initiatives taken by different countries on supply chains.

The temporary and short-term challenges listed by members, included the current shortages in raw materials, the subsequent increased prices of materials and the peaks in transportation costs and obstacles to mobility of personnel.

To mitigate these impacts, companies themselves are taking measures. For instance, by adopting diversification strategies, increasing strategic safety stocks and improving lead times. However, certain areas require public action. Among the priorities that require public policy action, we have for instance the elimination of all export restrictions, promoting regulatory cooperation and the adoption of international standards, as well as carefully designing initiatives in the area of sustainability.

Regarding the short-term challenges, the taskforce suggests underlining that these are mostly related to disruptions caused by the COVID-19 pandemic. Several measures can be useful to alleviate pressure. For instance:

- simplifying customs procedures,
- ensuring better coordination on health and safety measures as well as travel restrictions,
- monitoring and addressing the uptake of trade-restrictive measures by governments.

Regarding the medium and long-term challenges, the taskforce suggests underlining that even if they can be related and exacerbated by the COVID-19 pandemic, they often have deeper root causes. Building resilience is important and requires good coordination between different policies. For instance:

- addressing trade restrictions will help ensure access to critical inputs that are necessary for European industrial sectors,
- at the same time, boosting investments and production capacity in Europe might be necessary but we also need to cooperate with allies and like-minded partners.

The crisis is also leading governments to increase national content requirements and promote “buy national” policies in many cases attached to the financial stimulus plans. Access to third countries’ procurement market is a long-standing problem for European companies. The taskforce therefore suggests underlining that this crisis is making the case for having the International Procurement Instrument in place even more compelling.

The Malta Chamber reaffirms its commitment to bring to the fore the issues and challenges faced by local businesses within these highly influential European fora.

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