THE EFFECTS OF ECONOMIC AND FINANCIAL UPDATES IN EU AND THE STRUCTURAL MODIFIES IN THE LAST PERIOD

ABSTRACT

The phenomenon of financial updates in the EU has emerged as a result of significant requirements, especially for the new EU member states. In this study, we aimed to put forward both the structural framework and the objectives of these requirements and we aimed to evaluate the effects of this structural change process in the recent period. In these evaluations, it is seen that the post-2010 period was especially meaningful for us due to the global criterion of global compliance established by the first fifteen countries. Therefore, the difference in development between the new EU member states and the first advanced member states made it necessary to address the EU harmonization criteria more meaningfully. In this context, it can be said that this is this main framework that determines the global economic-financial compliance obligations within the framework of EU countries. Financial updates in this stage are in the scope of the structural of the common macroeconomics modify via applications setting to analyse all the other macroeconomics and financial values. In both the qualitative and quantitative stage, the existence of current financial structural modifications is inevitable for the EU. It appears that this fact has to be considered for the maintenance of a common monetary union in the future of EU requires this considered common procedures of economic and financial framework direct to the future of EU.

KEY WORDS: European Union (EU), financial integration, financial modification, financial updates

1. INTRODUCTION

It is seen that the recent changes of the EU harmonization policies are on the agenda with structural change policies regarding some important updates. The volatile macroeconomic structures of the EU countries have made inevitable changes in the common monetary policies directed to the institutional alignment in recent years. These changes and updates are undoubtedly meaningful with policies in which the macroeconomic policies based primarily on monetary base overcome the problems of harmonization of the EU currency and the ground. On the other hand, it is important that we emphasize the current position of the policies that we address because of, in particular, the fact that global changes affecting the EU over the last decade have emerged in a position to cause significant changes. It should be mentioned that other policies shaped under the updated EU policies, such as Environmental Policies, Financial Policies and Wage-Price policies are also the basis of these policies. However, when it is watched to modifies the process, it is clear that the frequently changing nature of monetary and credit policies necessitates updates on macro variables in directed to the future of EU. For the EU, one of the most important implementation policies of economic and monetary policies is to maintain the coherence of monetary and price policies in the scope of related to the common wage policies. In a joint study by Agnello & Cimadomo (2012) on this issue, the place of voluntary fiscal policies within the EU is discussed,
and we see that the objectives regarding the updated actuality of the fiscal policies should be emphasized. In addition to this, in the study prepared by the European Central Bank (2018) and interprets the current position of economic and financial policies taking into consideration the developments in the last decade has been tried to be determined the possible future change policies via the possible macro effects. And also, the study of the European Commission (2019), which aims to set the objectives related to the timeliness of the policies under the EU and especially within the Euro Area, is very important and meaningful.

In this study, the structural differences between the prominent countries in Euro use and those in the second plan in the use of common currencies are emphasized. In the elimination of these structural differences, it is seen that economic and financial policies have been updated and that different levels of influence are referred to. It is observed that the structural changes in the context of the economic activities within the EU have entered into a more meaningful process as a result of the increase in the loan portfolios in recent years. In particular, raising credit limits to support the private sector required a change in economic and financial updates in line with increasing economic activities within the Union. As an example, in 2017, when the average growth rate of EU countries is quite high, it can be said that the monetary base as Euro also shows a remarkable growth. On the other hand, the fluctuating structure of EU bond exports, which is frequently changing, is far from creating a higher presentation potential especially in the Euro Area countries except for Germany and the UK. In terms of financial changes, the EU average is below the average of these two countries as government bonds of the last 10 years. The main reason for the revision here is that it has recently emerged in a process in which non-financial institutions are involved in terms of related bond revenues. The fact that interest rates on non-financial institutions’ bond offerings changed slightly also have provided an important reason for updating financial changes within the EU. In all this framework, if we consider this process with the based effective factors it would not be wrong to say that the important effects of economic and financial updates for the EU are to prevent possible negative developments especially in inflation and employment levels.

2. THE OBLIGATIONS IN UPDATING FINANCIAL POLICIES AND POSSIBLE STRUCTURAL CHANGES

In this context, the necessities imposed by the price and cost changes in the money markets and the increases in credit volumes bring a process of externalities in which financial activities directly affect economic activities (Unerman et al, 2018: 510-511). In this respect, a synchronization of growth in the Euro Area necessitated both crisis economies and updates in line with the recommendations of the European Central Bank in an economic change cycle. In addition, the financial support and advantages from global market conditions provide a positive impact process, the existence of a financial contraction for emerging market economies have made the updated of financial policies inevitable along with macroeconomic policies (Hamdi, 2013: 142). These current policies are holistic rather than unilateral policies in terms of content that index the institutional structure and common institutional objects of global trade and financial policies.

2.1. The Update and Control Obligations Regarding Financial-Economic Developments

The concept of financial markets undoubtedly emphasizes the operational positions and limits of the European Central Bank-based bonds and bills markets in the Eurozone. The necessity of structural changes is significant as an expression of periodic changes arising from the objectives of monetary policies. Determining the standards of updates on financial developments, especially regarding contractionary monetary policies, is one of these obligations. In addition, it can be said that this fact regarding structural updates is based on reducing the possible risk factors between the lenders and the borrowers and reducing the risk scales in corporate stock transactions (Tracy & Wright, 2012: 1). On the other hand, the current necessities of the effects of global banking transactions on capital markets cover, as priority in the process, the concerned prudential measures to eliminate losses during the crisis period. In this context, a process in which the standards of the European Central Bank regarding lending transactions have been changed is also a process in which structural change obligations are defined. These obligations related to these structural updates focus on European Central Bank can be categorized as follows:

- The current change requirements related to structural changes in institutional functioning of financial system and increases in financial transactions capacity (Mironov & Konovalova, 2019: 16).
- The updates obligations arising from the change in the institutional model in the banking sector for financial changes directly related to economic developments (Mironov & Konovalova, 2019: 22).
- The current alteration obligations arising from global trends in banking and corporate financial structural (Bank for International Settlements, 2018-a: 10).
It is a fact that structural updates emerged as a necessity especially during the economic and financial crisis. Structural changes for the EU aim at overcoming a crisis economy process via the stabilization policies in the prudential economic-financial policies during crisis periods. In other words, it aims to increase the target effect scale of the financial system in the question for the EU, as well as necessitating the updating of economic and current policies. Supporting the real economy by financial institutions especially banks, means updating the loan portfolio due to capital market changes.

It should emphasize importantly that banks, as financial institutions, have been most affected by crises process. It can be considered that the priority effect of the European Central Bank within the EU aims to set a goal of change on this basis for updating (European Central Bank, 2011: 76). Nevertheless, it should be emphasized that the first absolute necessity of financial policies during crisis periods. In other words, it aims to increase the target effect scale of the financial system in the prudential economic-financial transactions and effect on the new-updated modifications inevitable in Eurozone region especially under the expanding technological infrastructure has expanded the current obligation area in practicing of systemic crises, which are aimed to systemic risk. This is because the dynamics in relation to the updates put forth a non-static position via the infrastructure of the financial systemic structure. In other words, the possible financial crises will be able to different from the previous crises for the Eurozone region. In this respect, systemic crises, which are aimed to be overcome by the economic-financial updates, also provide the framework of the system updates which can be handled by the new data base after a good surveillance process. On the other hand, these efforts require more up-to-date data sets that depend on the current institutional support of the international financial sector and broaden the scope of obligations for further economic-financial analysis. This is because that the effectiveness of economic-financial updates could also be shaped by non-institutional market correlations that can also be addressed outside the EU (Arpaia & Mourre, 2009: 3-4).

In addition, it shouldn’t forget that the effects of economic and financial updates are directly related to current technological developments. The expanding technological infrastructure has expanded the current obligation area in practicing of corporate financial transactions in particular. The increase in the global transactions portfolio and the scale of the effectiveness of the internet transactions directly affected the process of monetary changes at the EU level of economic-financial transactions and effect on the new-updated modifications inevitable in Eurozone region especially under the terms of quantity and quality of financial capital.
2.2. The Obligations for Cost Effectiveness on the Basis of Monetary and Credit Policies

Controlling and improving the current effectiveness of economic with financial developments for the EU and especially for the Eurozone has brought cost control obligations on transactions based on monetary and credit policies. These cost factors, which constitute a significant negative trend regarding the effectiveness of credit and monetary policies, are the result of the increasing presence of corporate financial practices on a global scale and the increase of international prudential regulations to reduce liquidity risks. This is because the systemic structural importance of institutions such as globally traded banks for the countries in the Eurozone region has expanded the ground for new benchmark measures for increasing economic-financial transactions. Namely, each increase in the basis of new economic-financial criteria has meant a globalization process that can be expressed with increasing scale costs.

On the other hand, EU member states have perceived or imposed their national development and introduction of economic-financial rules into common EU policies as an important economic-financial stability tool to overcome systemic risks within the EU. The required and aimed point of this reason for the EU member states is that the findings of the financial tension tests within the EU can be solved only with the approach of EU countries and the countries in the Eurozone region in order to overcome the current problems. Because, almost 30 banks which were involved in the global financial decision process, have represented only one third of global corporate banking for long time. This phenomenon, which is an important cost factor for economic-financial activities for the EU, is considered as an important cost factor especially in the Eurozone region. In Figure 1 below, as a cost factor which directly affects the economic-financial efficiency within the EU, it is possible to monitor the post-2001 situation of the institutional external financial demands of the European Banks in the Eurozone (Braun & Deeg, 2019: 3).

Figure 1. European Bank’s Foreign Financing Demand and Receivables (2001-2017)

As can be seen in Figure 1, the financial cash deficit of the financial institutions in the Eurozone region increased about three times compared to previous years during the 2009 crisis. This is considerably higher than in countries outside the Eurozone. It is possible to interpret this situation in two ways in order to understand the current position of economic and financial efficiency. First, the Euro has entered a period of significant value depreciation as the currency in use and has increased the cost value of these investments within the EU in 2009. These costs for capital increase are considered as an important justification for financial external demand from outside of the EU. The second is that the decrease in profit margins in capital investments, as a cost factor, decreases savings on the basis of Euro in equivalence to the decrease in financial efficiency in the process.

This two-way cost phenomenon, which is an important reason for the EU updates, have caused to increase the common capital positions of financial institutions, especially banks, as a result of the updates regarding the reduction of transaction costs (EBA, 2018-a: 9). Furthermore, it should be emphasized that these costs have started to increase again as financial
costs after especially the second quarter of 2018 in the scope of the targeted economic and financial updates. In this context, considering the current effects that depend on the cost effectiveness liabilities on the basis of monetary and credit policies, it is macro significant the effectiveness of structural cost variability can be addressed especially in term of the basis of real GDP changes in connected with "the Financial-Economic Sensitivity Indicators (ESI)" and “Product Demand Index” in the Euro Zone. Because, these three elements that we have emphasized reveal the basis of net change in the structural effectiveness of economic-financial updates and are concreted expression of the position of macro-variability in these costs. In Figure 2 below, it is possible to monitor these macro-periodic variations as a result of the transaction costs in the euro area:

Figure 2. The Updates Variability Process of real GDP connected with the Economic Sentiment Indicator and Product Demand Index in the Eurozone

As we have mentioned before, the three factors that can be affected by the possible costs of bringing the financial-economic efficiency up to date within the EU are real GDP, Consumer Demand for Produced Goods and Economic Sensitivity Index. As can be seen in Figure 2, these three phenomena show a downward trend in 2012-13, but as a result of the revisions in the following years, they showed a linearly increasing trend as harmonious with GDP. Undoubtedly, this upward trend is mainly due to the up-to-date content of the risk management mechanisms, as well as the updating of the loan and liquidity reserve values. At this point, the decrease in the costs of financial-economic activities after 2013 can be interpreted as an important reason for the increase in the efficiency values that depend on the structural-institutional updates (EBA, 2018-b, 2018: 3).

Even though this situation created a deviation in the economic sensitivity index as a result of the widening credit volume in 2018, it did not create a meaningful deviation in the effectiveness of the updated economic-financial structure. It should also be emphasized to decrease in unemployment rates after 2013 are considered as the cause of a significant cost reduction as a result of structural updates on economic-financial activities. Of course, on the other hand, this fact is the expression of a process in which private consumption increases - and of course their investments - are supported as a result of increases in consumer revenues. Indeed, between 2013 and 2018, unemployment rates decreased by around 6 percent, and the percentages of economic and financial activity increased approximately by 12 percent. These tangible increases in efficiency, driven by economic and financial updates, can also be explained by the short-term high increases in the first quarter of 2018.

However, the current weight of the modifications of the European Central Bank to support domestic demand under the scope of monetary policy measures should not be ignored as an effect of monetary liquidity up-to-date. In this process, again if it should be emphasized, the approaches to regulating the monetary liquidity variability in the Eurozone region also necessitated important monetary policy updates in order to reach the current position of the investment targets. Undoubtedly, these updates are those measured by the outcome effects of financial support policies related to real GDP growth rates. These structural economic and financial alterations being to take placed in Figure 2 have verified the phenomenon that put forward by our side.
3. RISK MANAGEMENT UPDATES IN DIRECTED TO LEVELS OF ECONOMIC AND FINANCIAL ACTIVITIES IN THE EU

The objective effectiveness of updates on economic and financial activities is undoubtedly directly related to risk management in the process of economic-financial activities. For the EU, the risk management framework that may arise from the position of the economic-financial updates in this process can be, in brief, expressed as (OECD, 2018: 2-3).

- The increasing activity of the economic activities in the Euro Area,
- The control of potential financial fragilities in the process and the continuation of the process,
- The structural analysis of the borrowing and payment procedures of the credit and Clarification of this phenomenon,
- It is necessary to bring the economic-financial policy into the process via updated location and stabilize the ongoing financial positions,
- The need for a better risk sharing for a stable and sustainable monetary union, and this situation makes economic-financial risk management inevitable towards to the structural updates for Eurozone,

However, the structure of increasing growth scales in the Eurozone, which is shaped by different variable purposes, have necessitated a clearer expression of the possible risk factors related to this position. In the Eurozone region, it is possible to say that the risk and risk management processes are frequently revealed due to the trade elements and capital flows related to investments that cannot be reached to a certain standard. The issue that needs to be emphasized here is the fact that the risks arising from the updates related to the risk management process together with the structural politic risks arising from the economic-financial updates may compose a common potential market failure.

The existence of a stable decision-making process to prevent potential financial vulnerabilities especially in the risk management process, is considered as an important justification for the use of common money in the Eurozone region (Baldwin et al., 2008: 21-22). Indeed, the existence of a sustainable common monetary union is considered within the dynamics of credit policies and payment transactions in the risk management process. At this point, it should be declared that the existence of a meaningful risk sharing on the basis of EU countries is related to the being level of the relationship with the existing risk dynamics and that the market balances can present current policies at the level of these balances (Baldwin et al., 2008: 24).

The possible risks to the financial-economic growth in the Eurozone region regarding the uncertainties in the process of economic-financial updates and the clarity of possible output values can be monitored in Table 1, below:

Table 1. Significant Risk Factors related to Economic-Financial Updates in the Euro Area

<table>
<thead>
<tr>
<th>Structural Uncertainty</th>
<th>Possible Outcome</th>
</tr>
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<tbody>
<tr>
<td>Increased Retention in Trade and Investments and Deviations in Regional Open Foreign Policy Wilcoxon</td>
<td>Unlike the countries outside the Eurozone, the many countries have unlimited trade and capital flowing in the Eurozone. This is due to increases in the level of trade protectionism in Eurozone and this phenomenon has a negative impact on the regional confidence in the Eurozone as EU investment and employment levels. As a result, this phenomenon has harmed the long-term growth levels and prospects for the EU are undermined related to more trade and investment objectives as risk components.</td>
</tr>
<tr>
<td>Debt Market Stresses within the EU and in the Particular Eurozone Countries</td>
<td>Continuation of negative access events in applications in Eurozone; for example, populist parties are predominantly located in the countries of the Eurozone and the importance of reassessing the risks of lack of Eurozone restructuring increases significantly; this negative phenomenon weakens the market possibility and compliance of Eurozone countries, and creates significant risk sources as a result of changes in revaluation standards.</td>
</tr>
<tr>
<td>Debt Market Stresses within the EU and in the Particular Eurozone Countries</td>
<td>The existence of ambitious and comprehensive agreements to overcome significant financial vulnerabilities in EU and structural reforms via line with the national levels of the countries covered by the Eurozone can significantly increase investors’ self-confidence and accelerate growth.</td>
</tr>
</tbody>
</table>

Table 1 illustrates the structural potential effects of the risk dynamics that cause possible risk costs on the specific (certain or uncertain) positions. The position of the objectives and structural changes in the Euro Area in a process of uncertainty appears to act on two main grounds. The priority of these is to influence the self-esteem values (positive or negative) of the investments on the market dynamics. Therefore, it can be said that the primary structural change objective of economic-financial updates is to present the dynamics to ensure market stability. The second domain of probable risk dynamics is the national debt limits of economic-financial updates, as well as the relations of national trade dynamics with different countries other than Eurozone, and the impact of these relationships on potential risks with economic-financial updates. This phenomenon includes possible risk factors in terms of national growth targets and the legislative change elements of the existing countries in the euro area and those in other countries (Tetlow & Stojanovic, 2018: 24-25). Therefore, it is observed that factors such as inflation rates or different monetary policies applied tend to move away from Eurozone as inflation pressures increase. Undoubtedly, this approach is also the cause of the risks arising from significant economic-financial updates for these countries in their quest for normalization. For these countries, it is seen that the gradual transitions in the adaptation to the Eurozone region are brought to the agenda and the provision of soft transitions with low-risk policies plays an important role in the process (UNCTAD, 2018: 32).

At this point, the establishment of a bank union in the Eurozone region and stabilization of cross-border financial flows aimed at stabilizing the financial markets play an important role in increasing the financial resistance of the Euro Area. In terms of risk factors, the fact that payments such as insurance and unemployment compensation are included in the process of protecting the purchasing power of citizens and maintaining the function of financial stability in the process of economic-financial shocks is an important anti-risk factor. At this point, mitigating market risks within the framework of obligations arising from economic-financial updates appears to be an important element. In other words, financial disintegration in the Eurozone area plays an important role. It is necessary to draw attention to some important elements in reducing the risks arising from possible financial fragmentations in the obligations of updates. In short, these structural dynamic elements:

- In order to prevent non-performing loans within the context of Eurozone-related countries, for some countries, preventing credit growth, and investments to a limiting standard plays an important role in reducing market-related financial crises. This situation is very meaningful in terms of providing a significant collection ease in reducing the risks of financial crisis and will also contribute to the formation of secondary financial markets (European Central Bank, 2011: 61).

- On the other hand, the increase of banks and other financial asset institutions on a controlled level made the existence of absolute standardized institutions inevitable. This is because the reflection of the economic-financial updates to the banks and other financial institutions has increased the credit costs of the banks and financial institutions in the Eurozone region. Furthermore, it is seen that the most important factor of this situation arises from the differences in the financing costs of these institutions in economic and financial updates (Demetriades & Law, 2006: 247).

- Reducing the risks arising from economic and financial updates, in the scope of financial market risks sharing and but connected with economic growth objectives, requires a pre-financed development process and a process in which the potential risks that banks may reflect to the market are considered within the scope of the European Deposit Insurance Fund. At this point, the economic and financial updates covered by the European Deposit Insurance Program will increase the diversity of bank bonds to the markets through the mechanism that will constitute a financially neutral turning point as being related to economic-financial sustainability (UN Environment–World Bank Group, 2017: 38).

- Indeed, the substantial overcoming of the potential risk obligations of economic-financial updates is directly related to the question of confidence in the financial values of the EU, which is addressed in the context of the EU’s financial future. The increase in the loyalty of banks in the Eurozone area to public government bonds to overcome a possible risk process further differentiates the risk potential that may arise from updates due to differences in national bankruptcy regimes and variations in bank loans. This situation also makes it difficult for investors to evaluate credit risk in the economic and financial updates process. The first step of these situations in overcoming the financial risks that may arise from the updates is the harmonization of the bankruptcy proceedings in private or public Euro Area, even to a minimum. The second step is to keep on the economic and financial updates frequently on the agenda through restructuring in European Standards (Reid et al., 2017: 17).

It is evident that the effects of economic-financial updates inevitably have to be handled with the current structure of the possible risks necessitating an update of the risk management processes and evaluating the possible liabilities in a current structure. It has appeared that the clear that this requirement arises from the necessity of the risk management
obligations to be compatible with the structural changes in the EU in the process of economic-financial updates for a while. In other words, each risk management process that emerges as a result of the updates has to provide a common policy basis between EU financial institutions and the comprehensive changes arising from debt management and credit policies. Therefore, it will be difficult to overcome the negative effects of EU trade policies and capital investments which are frequently raised in the context of regional open policies.

4. CONCLUSION

The effects of the economic and financial updates in the EU have been the subject of frequent debate in recent years due to recent social and economic crises in the Eurozone region. The effects of these updates are generally observed on three different levels. The first is the possible structural costs of the financial institutions subject to the update in the Eurozone region. The second is the effects and obligations arising from the current effects of monetary and financial policies, which are subject to economic-financial costs. The third is the risk management process and its impacts on the risks posed by the negative effects or costs arising from economic and financial updates, especially in the Eurozone region. Eliminating the negative effects of economic-financial updates and ensuring the structural harmony of new current dynamics necessitates a comprehensive risk management process of the update processes.

However, it is observed that the market sensitivity of economic-financial updates is quite high in countries where the goods produced are also subject to high consumer and economic sensitivity index. It is possible to interpret this phenomenon related to the structural effects of updates in the scope of the two main points. The first is that these indices in the Eurozone region create different update effects in the markets due to the difference in economic development. The second is that the national structure of the national institutional structures resulting from the difference in the unemployment rate and some other macroeconomic values presents a different risk scale for a common use of money. In both cases, the inevitable difference between the economic and financial change processes, and the possible effects of the economic-financial updates process on the basis of a different scale of impact on a countries-by-country basis, seem to exclude risk management processes so as to ensure a common decision process. In this context, it is seen that the risk management process brings to require the harmonization of the possible liabilities of the dynamics that have reached the current updated position with the related process. In addition to this, it is understood that transaction costs and risk factors are included in the EU decision-making process due to construct the common current monetary policies supporting capital flow to the member countries of EU. However, in addition in the updates process it should be emphasized that the risks posed by monetary and fiscal policies also shape the dynamics of the public decision-making process that guides the update process. This situation, which arises from the risk distribution among the countries in the Eurozone, is also an expression of the objectives of the economic-financial updates in the decision-making process. All EU countries aiming to grow economically have to take on the obligations posed by the potential risk management process to their decision processes. Certainly, at this point, clarification of the effects of economic-financial updates necessitated a common monetary change and decision-making process especially for the countries in the Eurozone region. Because it is understood that the formation of a common monetary usage base makes risk management inevitable with low risk policies. In this context, it appears that the inclusion of EU economic growth standards in the common decision-making processes of the member countries in order to ensure a stable financial background is particularly inevitable reason for the risk management process to prevent financial vulnerabilities in the Eurozone.


LITERATURE

UČINCI EKONOMSKIH I FINANCIJSKIH AŽURIRANJA U EU I STRUKTURNE PROMJENE U POSLJEDNjem RAZDOBLJU

ZAŽETAK

Fenomen financijskog ažuriranja u EU pojavio se kao rezultat značajnih zahtjeva, posebno za nove države članice EU. Cilj rada je iznijeti strukturni okvir i ciljeve ovih zahtjeva te procijeniti učinke ovog procesa strukturnih promjena u posljednjem razdoblju. U tim se procjenama vidi da je razdoblje nakon 2010. bilo posebno značajno zbog kriterija globalne usklađenosti uspostavljenog u prvih petnaest zemalja. Stoga je razlika u razvoju između novih članica Europske unije i prvih naprednih država članica učinila potrebnim preciznije rješavanje kriterija harmonizacije EU. U tom kontekstu, može se reći da je to glavni okvir koji određuje globalne obveze ekonomsko-financijskog usklađivanja u okviru zemalja EU. Financijska ažuriranja u ovoj fazi obuhvaćaju strukturu zajedničke makroekonomije koja se mijenja pomoću postavki za analizu svih ostalih makroekonomskih i financijskih vrijednosti. I u kvalitativnoj i u kvantitativnoj fazi postojanje trenutnih financijskih strukturnih promjena neizbježno je za EU. Čini se da se ta činjenica mora uzeti u obzir da bi se održala zajednička monetarna unija u budućnosti EU-a, a koja zahtijeva zajedničke postupke ekonomskog i financijskog okvira.

KLIJUČNE RIJEČI: Europska unija (EU), financijska integracija, financijske preinake, financijska ažuriranja