POLITICS

Europeans could soon be looking forward to a digital euro. MEPs have given their consent to negotiations with Member States. This is a significant step forward in a debate that has been ongoing since 2021. The digital euro is expected to compete with American giants Visa and Mastercard, as well as digital wallets such as Google Pay and Apple Pay.

Selected provisions of the Artificial Intelligence Act came into force in the EU on 2 August, which introduce a requirement to transparently label content generated or edited with AI. Companies will have to inform users when they are communicating with chatbots or AI assistants and clearly label videos, audio, images or advertising visuals that may appear authentic. Violations of the rules are punishable by fines of up to €15 million or 3% of the company's annual global turnover.

The MiCA regulation, which introduces a licensing regime for cryptocurrency service providers, has been fully in force in the EU since July 1. Only entities with the appropriate permit can offer trading, exchange or management of cryptocurrencies.

Representatives of EU countries have supported the adoption of the 21st package of sanctions against Russia for its aggression against Ukraine. The new restrictive measures were delayed for a long time, mainly due to Greece's reservations regarding the restriction of the transport of Russian liquefied natural gas (LNG), which, according to Athens, would significantly affect Greek shipping. Greece has lifted the blockade.

ECONOMY

The EU annual inflation was 2.9% in June 2026, down from 3.3% in May. A year earlier, the rate was 2.3%. The lowest annual rates were registered in Sweden (1.0%) and Czechia (1.1%). The highest annual rates were recorded in Romania (9.2%) and Lithuania (5.4%). Compared with May 2026, annual inflation fell in twenty-two Member States, remained stable in three and rose in two.

In the first quarter of 2026, the seasonally adjusted general government deficit to GDP ratio stood at 3.1% in the EU.

At the end of the first quarter of 2026, the general government gross debt to GDP ratio in the EU increased to 82.9% (from 81.4% in the first quarter of 2025) The highest ratios of government debt to GDP at the end of the first quarter of 2026 were recorded in Greece (143.5%) and Italy (138.9%), and the lowest ratios were recorded in Estonia (25.2%) and Denmark (26.8%).

In January to May 2026, the EU recorded a deficit in trade in goods with the rest of the world of €15.9 bn, compared with +€70.1 bn in January-May 2025. The extra-EU exports of goods fell to €1 074.4 bn (a decrease of 4.8% compared with January-May 2025), and imports rose to €1 090.3 bn (+3.0%). Intra-EU trade rose to €1 807.2 bn in January-May 2026.

In June 2026, the prices of diesel decrease by 6.4% and petrol by 4.2% compared with May 2026. In May 2026, diesel had dropped by 5.8%, while petrol had registered a slight increase of 0.8% relative to April 2026. Between May and June 2026, diesel prices decreased in all EU countries. The highest decreases were in Czechia (-11.3%) and Poland (-9.7%). When it comes to petrol prices, Cyprus (+0.7%) and Italy (+0.5%) were the only EU countries registering increases between May and June 2026.

SECTORS

Based on 2025 data, people aged 15 and over in the EU are expected to work on average 37.5 years, up from 37.2 in 2024. Since 2016, the expected duration of working life in the EU has increased by 2.3 years, from 35.2 to 37.5. However, this indicator differs significantly between EU countries - the most in the Netherlands (44.0 years) and Sweden (43.4), by contrast, Romania (32.7 years) and Italy (33.0).

On 1 January 2026, the EU population was estimated at 452.0 million inhabitants, 0.706 million more than the previous year. This was the fifth consecutive year of population growth in the EU, following a decline in 2021 during the COVID-19 pandemic. Since 2012, the negative natural change in the EU population (more deaths than births) has been compensated by positive net migration. The population of EU countries on 1 January 2026 ranged from 83.5 million in Germany to 0.6 million in Malta.

In 2025, 74.6% of young people aged 16-24 in the EU had at least basic digital skills. Among EU countries, Denmark registered the highest share of young people with at least basic digital skills, with 92.1%, followed by Czechia with 91.7%. At the other end, only 2 EU countries had shares below 60%: Bulgaria (52.8%) and Romania (53.3%).

Auto manufacturer Volkswagen plans to significantly reduce the number of models (up to 50%) and equipment options offered (up to 75%) by 2030 and adjust production capacity to approximately 9 million cars per year (before the pandemic, production capacity was 12 million cars).

Mercedes-Benz has invested 1 billion euros in the expansion of its plant in Kecskemét, Hungary. The annual production capacity of the factory has thus increased to 350,000 vehicles, making it the automaker's largest European plant.

FOCUS ON THE COMMISSION

The European Commission has presented a revision of the Emissions Trading System for Energy and Industry, which envisages maintaining free emission allowances after 2030. However, companies will have to submit and implement emission reduction plans – they will receive 80% of the allowances after submitting an investment plan and the remaining 20% only after its implementation.

The European Commission has introduced a new protection regime for the steel industry as of 1 July. Duty-free import quotas have been reduced by 47% to 18.3 million tonnes per year, and imports above the set limits are now subject to a 50% duty. The aim of the measure is to increase the utilisation of production capacities of European steelworks to up to 80% and limit the impact of global steel overproduction.

The European Commission has prepared a strategy to support livestock production and reduce dependence on imported feed. According to EU data, pig populations have fallen by almost 9% and cattle by almost 10% since 2015. The plan includes increasing the share of European protein feed from the current 25.8% to 35% by 2035. According to the plan, the Common Agricultural Policy (CAP) should support farmers, develop storage and processing capacities, research and breeding and promote conclusion of longer-term contracts between farmers, feed producers and processors.

EU CALENDAR

Meetings of EU institutions

- *Eurogroup, 18 August*
- *General Affairs Council, 22 September*
- *Foreign Affairs Council, 28 September July*