

POLITICS

Sweden's centre-left opposition won a razor-thin parliamentary majority, prompting Prime Minister Ulf Kristersson to resign. In the 13 September election, parties on the centre-left secured 176 of the Riksdag's 349 seats, compared with 173 seats for Kristersson's right-wing bloc. The Social Democrats remained the largest party with 99 seats, while the Sweden Democrats won 62 seats, 11 fewer than in the previous parliament. Kristersson submitted his resignation on 17 September, although negotiations to form a new government remained difficult.

The AfD won two eastern German state elections in September, delivering a major political setback to Chancellor Friedrich Merz. In Saxony-Anhalt on 6 September, the party secured 43.8% of the vote, more than twice the CDU's 17.2%. Two weeks later it also finished first in Mecklenburg-Western Pomerania with 38.2%, while Merz's CDU won just 4.9% and failed to enter the state parliament. The results intensified pressure on Germany's governing conservatives and highlighted the AfD's growing national strength.

Romania's third attempt to form a government failed on 30 September, prolonging a five-month political crisis. Prime Minister-designate Siegfried Mureşan received only 182 votes in parliament, well short of the 233 required to approve his centre-right cabinet. He was the third unsuccessful nominee put forward by President Nicușor Dan since the previous pro-European coalition collapsed in May. The deadlock raises the prospect of early elections and uncertainty over Romania's fiscal consolidation and pro-European political direction.

The European Commission formally moved the EU–India free trade agreement towards signature on 11 September. It submitted proposals to the Council seeking authorisation to sign and conclude the agreement, whose negotiations were completed in January. The deal would eliminate or reduce tariffs on 96% of EU goods exports to India and is expected to significantly increase EU exports to India. It is not yet in force: Council approval, signature, European Parliament consent and final ratification steps are still required.

The European Council approved nearly €3 billion in additional financial support for Ukraine. The eighth regular pay-

ment under the Ukraine Facility includes almost €800 million provided for the first time through the Ukraine Support Loan. Approval followed Ukraine's completion of ten additional reform and investment targets, bringing the total achieved to 84 of the 95 due so far. Once disbursed, Ukraine will have received more than €32 billion under the Facility since mid-2024.

ECONOMY

The EU annual inflation was 3.2% in August 2026, up from 3.0% in July. A year earlier, the rate was 2.4%. The lowest annual rates were registered in Sweden (0.3%), Estonia (1.3%) and Czechia (1.5%). The highest annual rates were recorded in Romania (6.3%) and Lithuania (5.6%). Compared with July 2026, annual inflation fell in six Member States, remained stable in one and rose in twenty.

The EU unemployment rate was 6.1% in August 2026, also stable compared with July 2026 and up from 6.0% in August 2025.

In January to July 2026, the EU recorded a deficit of €13.8 bn, compared with €84.0 bn in January–July 2025. The extra-EU exports of goods fell to €1 565.1 bn (a decrease of 0.6% compared with January–July 2025), and imports rose to €1 578.9 bn (an increase of 5.9% compared with January–July 2025). Intra-EU trade rose to €2 581.6 bn in January–July 2026, +6.1% compared with January–July 2025.

SECTORS

The demand for cooling could double electricity consumption by 2050. According to the International Energy Agency, global electricity consumption for cooling buildings will rise from approximately 2,900 TWh in 2025 to 6,200 TWh by 2050. Currently, only about one-fifth of households in Europe have air conditioning, compared to 88% in the USA. However, air conditioner sales in Europe are already rising; they are now 30% higher than they were five years ago. Nevertheless, air conditioning currently accounts for only about 1% of electricity consumption in the EU.

EU Member States approved the first five European Defence Projects of Common Interest. The projects cover drones and counter-drone systems, maritime and seabed defence, space capabilities, air and missile defence and protection of Europe's eastern flank. They are the first projects designated under the European Defence Industry Programme and can now move towards EU funding,

with €325 million allocated to support their establishment and deployment. The step marks a further shift towards jointly developed European defence capabilities.

The European Commission is preparing a new fee on goods imported from outside the EU to fund product safety checks. This will follow the three-euro duty introduced in July and the planned customs clearance fee (approximately 2 euros) from November.

Airlines worldwide are cutting back on lower-cost flights due to high fuel prices, which have doubled since the start of the war in Iran.

FOCUS ON THE AUTOMOTIVE

Volkswagen's supervisory board has approved a transformation plan for the group that entails cutting a total of 100,000 jobs. At the same time, management is reviewing the future of four German plants and, according to media reports, is considering discontinuing the Seat brand. The company also plans to sell or reduce its shares in more than 700 firms—representing over a third of its current portfolio—by 2030.

Britain's Jaguar Land Rover will cut 4,000 jobs, representing one-tenth of its current workforce. The company is responding to rising costs, pressure from Chinese competition, US tariffs, and the impact of last year's cyberattack.

Electric trucks from both Tesla and BYD are heading to Europe. Tesla plans to offer its Semi electric truck in Europe, featuring a range of up to 550 km and charging power of up to 800 kW. BYD also intends to enter the European market in 2027 with the ET 44 model, which is expected to offer a range of nearly 600 km and charging capabilities of up to 1,500 kW. However, competition is already fierce; electric trucks from brands such as Mercedes-Benz, Volvo, and MAN achieve ranges of approximately 500 to 700 km and increasingly support megawatt charging.

EU CALENDAR

Meetings of EU institutions

- Eurogroup, 8 October
- Economic and Financial Affairs Council, 9 October
- Foreign Affairs Council, 12 October
- General Affairs Council, 13 October