POLITICS

Six major net contributors demanded substantial cuts to the European Commission's proposed 2028–2034 EU budget. Germany, Denmark, the Netherlands, Austria, Finland and Sweden issued a joint position on 27 August calling for the nearly €2 trillion proposal to be reduced by several hundred billion euros and rejecting additional common EU borrowing. They argued that spending should be redirected towards defence, competitiveness, migration and European sovereignty, setting up difficult negotiations that ultimately require unanimity among member states.

The European Commission approved a further €6.1 billion for Ukrainian defence procurement on 24 August. The package, financed through the EU's €90 billion Ukraine Support Loan, covers air and missile defence, missiles, ammunition and radar systems. It follows procurement plans worth around €16 billion already approved under the mechanism, of which €8.35 billion has been disbursed. The decision further deepens the EU's direct role in sustaining Ukraine's defence capabilities.

Icelandic voters rejected reopening EU accession negotiations in a closely fought referendum on 29 August. The proposal was defeated by 52.8% to 47.2%, with turnout reaching 82.5%. The result halts the current government's plan to reconsider Iceland's long-frozen membership application and underlines continued concerns over sovereignty and fisheries. The vote was also significant for the EU's wider enlargement and Arctic strategy.

The EU Packaging and Packaging Waste Regulation (PPWR) has come into force, gradually introducing new requirements for recyclability, labelling and composition of packaging. One of the main goals is that packaging placed on the European market will be recyclable by 2030.

ECONOMY

European Union annual inflation was 3.0% in July 2026, up from 2.9% in June. A year earlier, the rate was 2.4%. The lowest annual rates were registered in Sweden (0.3%) and Czechia (1.3%). The highest annual rates were recorded in Romania (8.2%) and Lithuania (5.4%). Compared with June 2026, annual inflation fell in fifteen Member States, remained stable in three and rose in nine.

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

In January to June 2026, the EU recorded a deficit of €14.9 bn, compared with €74.1 bn in January-June 2025. The extra-EU exports of goods fell to €1 317.0 bn (a decrease of 2.1% compared with January-June 2025), and imports rose to €1 331.9 bn (an increase of 4.7% compared with January-June 2025). Intra-EU trade rose to €2 200.6 bn in January-June 2026, +5.7% compared with January-June 2025.

In the second quarter of 2026, seasonally adjusted GDP increased by 0.4% in the euro area and by 0.5% in the EU, compared with the previous quarter. In the first quarter of 2026, GDP had remained stable in the euro area and had increased by 0.1% in the EU.

SECTORS

In July 2026, the price of fuels and lubricants for personal transport in the EU increased by 16.9% compared with July 2025. This followed year-on-year increases of 20.7% in May and 13.7% in June. In 25 of 27 EU countries, fuels and lubricants prices were higher in July 2026, compared with July 2025. In 13 countries, July annual increases were larger than those in June 2026.

In the first half of 2026, there were 1,321 million overnight stays in tourist accommodations across the EU, a 1.7% increase compared with the first 6 months of 2025 (1,299 million).

In 2025, EU countries produced 34.4 billion litres of beer. This represents a slight decline of 0.7% compared with 2024, but a 2.2% increase compared with 2020. Germany was the EU's top beer producer in 2025, brewing 7.4 billion litres of beer (21.6% of EU's sold production). Spain ranked second (5.3 billion litres; 15.5%), followed by Poland (3.5 billion litres; 10.2%).

Porsche will use the possibility of sharing emissions with the Chinese company Xpeng due to the risk of fines. The Volkswagen Group failed to meet the European fleet emission target last year, when its cars reached average emissions of 100 g CO_2/km compared to the limit of 93.6 g CO_2/km. For the period 2026 to 2027, it will therefore separate the Porsche brand into a separate emissions group and combine it with the Chinese manufacturer Xpeng. Without similar steps, the group would have faced a fine of up to 1.5 billion euros.

The number of shipments from Temu and Shein fell by 80% after the introduction of new customs rules. According to data from the Czech Customs Administration, the monthly volume of shipments to the Czech Republic has fallen from approximately 18 million shipments to 3.7 million since July 1, i.e. by almost 80%. In addition to the new fees, restrictions on the marketing activities of Asian e-shops in Europe also contributed to the decline.

FOCUS ON THE AGRICULTURE

Corn and wheat prices have rebounded from their lows in the EU. Low prices for plant commodities (wheat, corn, rapeseed) persisted on the European market until around the beginning of this summer. However, in recent weeks, prices have started to rise due to drought and concerns about this year's harvest in the world and in the EU.

The commodity market price of milk has recovered, while beef prices are falling after a long rise. Animal production prices have increased quite significantly in recent years. This has particularly affected beef and dairy products. However, due to surpluses of the commodity on the market, the market price of milk in Europe began to fall significantly in the second half of 2025 and fell from around 65 euros/kg to almost 20 euros/kg. In mid--August, however, it returned above the level of 40 euros/kg.

The renewed increase in natural gas prices after the outbreak of the Iranian conflict was significantly reflected in the price of urea - the basic nitrogen fertilizer. However, when prices rose too high, demand for urea collapsed and producers had to lower their prices again. In the case of potassium fertilizers, the price development has also been relatively stable in recent years due to sufficient supply. The prices of phosphate fertilizers (DAP, TSP) have been rising most significantly in recent months, mainly due to the need for sulfuric acid to decompose phosphate rock.

EU CALENDAR

Meetings of EU institutions

- *Eurogroup, 18 September*
- *General Affairs Council, 22 September*
- *Foreign Affairs Council, 28 September July*
- *Eurogroup, 8 October*