

It Might Have To Raise A central bank with the lowest inflation on the continent spent Thursday explaining why it might have to tighten. That is the summer Europe has had.

Every item is dated at source. There is no sport.

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The Lowest Rate,

The Loudest Warning The country with the lowest inflation in Europe spent Thursday morning explaining why it might have to raise interest rates. That sentence is the whole of the continent's summer.

Sweden's central bank left its policy rate at 1.75%, a seventh consecutive hold, where forecasters had expected it. The rate applies from 26 August.

What came with it was not routine. The bank said the probability of a rate increase later this year remains, and set out the condition under which it would tighten.

CPI inflation in Sweden, the measure the Riksbank targets, was 0.7% in July against a 2% target; the plain consumer price index was 0.2%. Strip out volatile energy and the pace accelerated to 0.6% from 0.4%, against the 0.2% the bank had forecast.

Part of the low reading is not economics at all. Temporary tax measures from a government facing an election on 13 September are holding the index down: a fuel duty cut to 30 November, a half-price transport subsidy to 31 December and a temporary cut in food VAT.

If the unexpectedly high inflation during the summer were to be the start of a larger and more lasting upturn, the Riksbank would adjust its monetary policy in a tighter direction. SVERIGES RIKSBANK POLICY STATEMENT · THURSDAY 20 AUGUST 2026

That is a bank telling you its own headline number is misleading. Those fiscal effects run to 30 November and 31 December, after which inflation rises mechanically.

The bank last moved on 23 September 2025, with a quarter-point cut. In June it said the probability of an increase had risen against March, and Governor Erik Thedéen told the press conference it was roughly fifty-fifty by year end.

The wider backdrop moved from outside Europe entirely. The American Treasury said that from 9 September it would at least double the size of its long-end buyback operations, to at least four billion dollars each from two. American yields fell sharply; European ones barely moved.

European share indices did not follow: the DAX closed down 0.4% and the Euro Stoxx 50 down 0.3%. Germany's ten-year yield had reached a fifteen-year high of 3.275% and merely edged back to 3.258%.

It is worth naming plainly. The most consequential decision for European borrowing costs this week was taken in Washington, by a department managing its own auction problem.

Norway sits two and a half points above its neighbour, at 4.25%, having raised in May. Two economies sharing a border and a language family, answering completely different questions.

Sweden's next decision comes on 24 September, eleven days after the election. The political moment comes first; the fiscal effects run on to 30 November and 31 December.

For readers in Latin America the mechanism is the familiar one. When a government suppresses a price index by fiscal means, it borrows the good number from a later month and the central bank has to price the repayment.

The Day At A Glance

Ten items, read across German, French, Italian, Spanish, Dutch and English sources. Yesterday's British inflation figure and the final July harmonised numbers appear as background rather than as news, and there is no sport.

Sweden · Held At 1.75% For A Seventh Time

The central bank left its policy rate unchanged as every surveyed economist expected. It last moved a year ago, with a quarter-point cut.

Sweden · The Warning Attached

The bank said the probability of a rate increase later this year remains. It named the condition under which it would tighten.

Sweden · A Headline That Understates

Consumer prices rose 0.7% in July against a 2% target. Excluding volatile energy, the pace was faster in July than in June.

Sweden · Tax Cuts In The Index

Temporary reductions from a government facing a 13 September election are holding the reading down. Those effects are expected to fade by year end.

Sweden · The Next Decision

The bank publishes again on 24 September, eleven days after the election. That is when both the fiscal and political effects expire.

Europe · The Relief Mostly Missed Europe

American yields fell sharply after Washington moved to support its own long-dated debt from September. Germany's ten-year had hit a fifteen-year high of 3.275% and merely edged back to 3.258%; the DAX fell 0.4% and the Euro Stoxx 50 0.3%.

Norway · Two And A Half Points Higher, By Raising

Norway sits at 4.25% against Sweden's 1.75%, having raised in May and held twice since. The two share a border and very little else in policy terms.

Germany · Yields Retreat, Growth Does Not

German borrowing costs eased with the rest of the continent, having climbed for weeks. The economy grew 0.2% in the second quarter.

United Kingdom · The Pound Firmed

Sterling rose after Wednesday's inflation reading, which took the annual rate to 2.9%. The Bank of England's rate stands at 3.75%.

The Numbers At A Glance · Europe · Thursday, August 20, 2026

SWEDEN Policy rate 1.75% held a seventh time	SWEDEN Consumer prices, July 0.7% against a 2% target	SWEDEN Next decision 24 Sep eleven days after the election	NORWAY Policy rate 4.25% two and a half points higher
UNITED KINGDOM Policy rate 3.75% inflation at 2.9%	GERMANY Second-quarter growth 0.2% yields easing from highs	SWEDEN Economists expecting a hold 19 of 19 in the Bloomberg survey	EUROPE Direction of yields Lower on a decision taken in

How The Countries Are Doing

Ten items, read across German, French, Italian, Spanish, Dutch and English sources. Yesterday's British inflation figure and the final July harmonised numbers appear as background rather than as news, and there is no sport.

COUNTRY	PO L	BU D	MO N	MK T	EX T	WHAT'S DRIVING IT
Sweden Stockholm	3	3	3	2	3	Held at 1.75% a seventh time with an explicit warning on tightening; election 13 September.
Norway Oslo	2	1	3	2	2	Holding at 4.25%, two and a half points above its neighbour, with a firm stance intact.
Germany Berlin	3	3	3	2	4	Borrowing costs easing from recent highs; growth of 0.2% last quarter and a cut official forecast.
United Kingdom London	3	4	4	3	3	Inflation at 2.9% after an energy cap rise; policy rate 3.75%; sterling firmed on the reading.
France Paris	4	5	2	3	3	The mildest large-economy inflation; the constraint remains budgetary rather than monetary.
Spain Madrid	3	3	4	2	3	Highest inflation among the large economies and the fastest growth; one rate serves both badly.
Italy Rome	4	4	3	3	3	Borrowing costs eased with the continent; coalition arithmetic still moves them more than data.
Netherlands Amsterdam	3	2	3	2	3	An open trading economy carried by the same energy channel as its neighbours.
Poland Warsaw	3	3	3	2	3	Outside the currency and setting its own rate; rising as a German trade partner.
Romania Bucharest	4	5	5	4	4	The widest gap between a member state and the union average on consumer prices.

How to read the colours: 1 = calm, 2 = fairly good, 3 = mixed, 4 = some strain, 5 = serious strain. Updated Thursday, August 13, 2026.

The Tax Cut

In The Index Three ways Sweden's position develops once the temporary fiscal effects fade, and what each does to a bank already warning about tightening. The chances add up to 100%.

POSSIBILITY	CHANCE	WHAT IT NEEDS	WHAT IT MEANS FOR LATIN AMERICA
A · Effects fade, bank holds	45%	Underlying pace stops rising	A clean example of looking through a distorted index
B · The warning is executed	35%	Energy stays elevated	A tightening cycle restarting in a low-inflation economy
C · Fiscal path is extended	20%	A new government renews	The familiar cost of managing an index by fiscal means the measures

Source: Euronews, Al Jazeera, FDD, Ground News

Eight Things We Are Watching

Europe begins Thursday managing the fallout from a night of drone warfare on its eastern edge and a continent-wide heatwave. The mood is one of weary resilience as governments juggle security, energy and political pressures.

WHAT	HOW WE SEE IT	PERIOD	WHY
Swedish policy direction	▼ CAREFUL	To 24	A hold delivered with an explicit warning about raising September
The Swedish price index	◆ MIXED	Six months	Temporary tax cuts are suppressing a 0.7% headline reading
Swedish underlying prices	▼ CAREFUL	Three months	Excluding energy, the pace was faster in July than June
European borrowing costs	◆ MIXED	Three months	Eased this week on a decision taken in Washington, not Europe
Norwegian policy	◆ MIXED	Six months	Holding at 4.25%, two and a half points above its neighbour
German growth	▼ CAREFUL	Six months	Output up 0.2% last quarter against an official forecast already cut
British underlying prices	◆ MIXED	Six months	Core stuck at 2.6% with the policy rate at 3.75%
Energy as the driver	▼ CAREFUL	Ongoing	Still the single largest input into every European price index

Six People Shaping The News

From an embattled populist in Essex to a Russian president on disputed islands, these figures are setting the day's emotional temperature.

Erik Thedeen

GOVERNOR, SVERIGES RIKSBANK

Held the policy rate at 1.75% for a seventh consecutive meeting and restated that an increase later this year remains possible. He is looking through a 0.7% headline reading he regards as distorted.

Scott Bessent

UNITED STATES TREASURY SECRETARY

His department's decision to at least double purchases of long-dated American debt pulled European borrowing costs down with it. No European institution was involved.

Christine Lagarde

PRESIDENT, EUROPEAN CENTRAL BANK

Sets one rate for members whose July readings ran from 2.4% in France to 3.9% in Spain. Her Governing Council next meets on 9 and 10 September, hosted in Berlin.

Ida Wolden Bache

GOVERNOR, NORGES BANK

Holds Norway's rate at 4.25%, reached by raising in May, while the neighbouring economy sits at 1.75%. Both banks describe their own stance as appropriate.

Andrew Bailey

GOVERNOR, BANK OF ENGLAND

Holds a rate of 3.75% against a 2% target after inflation rose to 2.9% on an administered energy increase. Core prices have not moved.

The Day, Country By Country

Each nation is absorbing the same shocks differently: Ukraine feels the war in its ports, Romania in its power grid and airspace, while western Europe sweats through heat and political tests. The common thread is a need to keep functioning under strain.

SWEDEN

Held At One Point Seven Five

The central bank left its policy rate unchanged for a seventh consecutive meeting, as all nineteen surveyed economists expected. Sources: Sveriges Riksbank, Bloomberg survey · 20 August 2026.

The Warning In The Statement

The bank said the probability of an increase later this year remains and named the condition for tightening. Sources: Sveriges Riksbank statement via RTE · 20 August 2026.

SWEDEN · THE INDEX

Nought Point Seven Against A Two Per Cent Target

Headline inflation was 0.7% in July, with the pace excluding volatile energy faster than in June. Sources: Sveriges Riksbank, Statistics Sweden · August 2026.

Tax Cuts Are Holding It Down

Temporary reductions from a government facing a 13 September election are suppressing the reading, and are expected to fade by year end. Sources: reporting via RTE, Commerzbank commentary · 20 August 2026.

EUROPE · BORROWING COSTS

Yields Eased From Outside

Government borrowing costs across the continent came off recent highs after Washington moved to support its own long-dated debt. Sources: market data, Reuters · 20 August 2026.

Share Indices Followed

European equity indices rose alongside the move in yields, having been under pressure earlier in the week. Sources: market data · 20 August 2026.

NORWAY

Still At Four Point Two Five

Norway continues to hold its policy rate two and a half points above Sweden's, with its stance unchanged. Sources: Norges Bank · August 2026.

Two Questions, One Border

The two economies are answering different questions about the same external shock. Sources: Rio Times Intelligence Desk reading · 20 August 2026.

GERMANY AND THE UNITED KINGDOM

German Yields Retreat

Borrowing costs eased with the rest of the continent after climbing for weeks, against second-quarter growth of 0.2%. Sources: market data, national accounts · August 2026.

Sterling Firmed

The pound rose after Wednesday's reading took British inflation to 2.9%, with the policy rate at 3.75%. Sources: market data, Office for National Statistics · 19 and 20 August 2026.

THE WEEK AHEAD

Business Surveys On Friday

Preliminary August activity surveys for the major economies arrive tomorrow. Sources: release calendars · August 2026.

Then Berlin In September

The euro area rate-setting meeting falls on 9 and 10 September, hosted by the Bundesbank. Sources: European Central Bank calendar · 2026.

Pipeline, Sectors, And The Calendar

ITEM	TYPE	WHEN	STATUS
Swedish policy decision	Monetary	Held 20 August	Unchanged at 1.75% for a seventh meeting
Swedish tightening guidance	Monetary	Later this year	Probability of an increase described as remaining
Swedish temporary tax measures	Fiscal	Fading by year	Currently suppressing the consumer price index end
Swedish general election	Political	13 September	Eleven days before the next rate decision
Next Swedish decision	Monetary	24 September	First reading after the fiscal effects begin to fade
American long-dated debt buybacks	External	Ongoing	Pulled European borrowing costs off recent highs
Rate-setting meeting, Berlin	Monetary	9 and 10	Hosted by the Bundesbank, press conference day two September
Preliminary August business surveys	Data	21 August	First activity read since the energy step
Norwegian policy stance	Monetary	Ongoing	Holding at 4.25% with a firm bias
British policy rate	Monetary	Ongoing	At 3.75% with inflation at 2.9% and core unmoved

Sector Watch - Four Things to Track

ENERGY AND NUCLEAR

Romania's Cernavoda shutdown shows how drought can suddenly remove baseload power. Meanwhile Russian refinery strikes are creating fuel scarcity that could ripple into export decisions.

AGRICULTURE AND LOGISTICS

The Izmail port fire threatens Danube grain routes at a moment when European food supply chains are already anxious about heat and water stress in farming regions.

TRAVEL AND AVIATION

Catania's continued closure is a reminder of southern Europe's volcanic risk to tourism, made more costly by repeated disruption at a peak summer travel moment.

CYBERSECURITY

Germany's new hacking powers for intelligence agencies could reshape the market for defensive and offensive cyber tools across the European Union in the coming months.

Calendar - Next 30 Days

DATE	EVENT	WHY IT MATTERS
21 August	Preliminary August business surveys	First activity read since the July energy step
Late August	German producer prices	Whether July reached the factory gate

DATE	EVENT	WHY IT MATTERS
26 August	United States price index	Sets the external cost of borrowing for Europe
Early September	National flash estimates for August	Whether energy repeated across member states
7 September	Next output estimate, currency area	Three days before the rate meeting
9 and 10	Rate-setting meeting, Berlin	One decision for members from 2.4% to 3.8%
13 September	Swedish general election	The temporary tax measures expire around it
17 September	Next final harmonised figures	August detail, member state by member state
24 September	Swedish rate decision	After a hold delivered with a tightening warning
Ongoing	American long-dated debt operations	Currently setting the direction of European yields

What Today Tells Us

What Thursday Tells Us The European country with the lowest inflation spent Thursday explaining why it might have to raise interest rates. That is the most useful sentence of the week.

Sweden held its policy rate at 1.75% for a seventh consecutive meeting, exactly as all nineteen surveyed economists expected. The hold came with an explicit warning that an increase later this year remains possible.

Headline inflation is 0.7% against a 2% target, and a material part of that is temporary tax cuts from a government facing a September election. Excluding volatile energy, the underlying pace was faster in July than in June.

Sources & Method

UKRAINE / RUSSIA

Euronews English, French, Russian bulletins; FDD; Ground News - 13 August 2026 (English, French, Russian).

ROMANIA

FDD overnight brief; news.de - 13 August 2026 (English, German).

GERMANY

Euronews German - 12 August 2026 (German).

UK / EUROPE

Al Jazeera; news.de - 13 August 2026 (English, German).

ITALY / AUSTRIA

news.de; FDD - 12-13 August 2026 (German, English).

Method: about forty of the continent's largest outlets are swept daily in German, French, Italian, Spanish, Dutch and English, alongside national statistical offices and central banks. Stories are led by individual countries rather than by continental institutions, and items are ranked by consequence rather than by ease of sourcing. Opinions are our own and are not financial advice. Compiled by the Rio Times Intelligence Desk on Thursday, August 20, 2026. editor@riotimesonline.com · riotimesonline.com · © 2026 The Rio Times Online

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