ECOCHARTS

JULY 2026

Energy shock: Dashboard 2026 vs. 2022

BNP PARIBAS

The bank for a changing world

Energy shock: Dashboard 2026 vs. 2022

Will the same causes produce the same effects? In other words, will the war in Iran and the resulting surge in oil and gas prices lead to an inflationary shock comparable to that seen in 2022? Will their negative effects on growth be the same as those of the war in Ukraine and the subsequent energy shock?

We have selected a set of indicators to track the impact of this new energy shock — caused by the war in the Middle East — on activity and prices in the Eurozone, the United States, oil and gas markets and emerging countries, and to see how much the current situation resembles that of 2022 at the outbreak of the conflict in Ukraine.

This dashboard features charts and comments that will be updated on a monthly basis for as long as necessary.

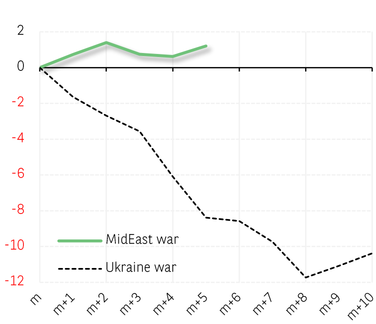
The expectation that the surge in inflation, driven by this new energy shock, would be more moderate than in 2022 (with demand being less dynamic and supply less constrained) is confirmed. However, following the Memorandum of Understanding (MoU) signed in mid-June between the United States and Iran, inflationary risk has eased but has not disappeared. This MoU had seemed to reduce the risk of a severe escalation of the conflict, but since mid-July and the resumption of hostilities, it has entered a new phase of tensions, once again driving up hydrocarbon prices.

When comparing the impact on economic activity, through confidence surveys, of the current energy shock to that of 2022 (following the conflict in Ukraine), it appears to be also generally more limited, thanks to a better performance of the business climate in the manufacturing sector.

Eurozone: July confidence surveys are positive

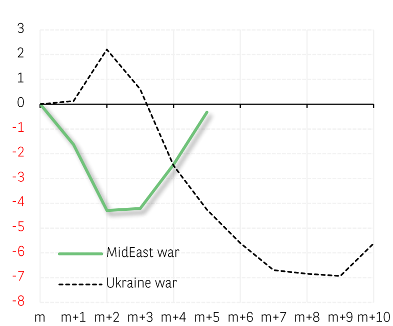
Uptick of business confidence in the manufacturing sector

Eurozone: Manufacturing PMI



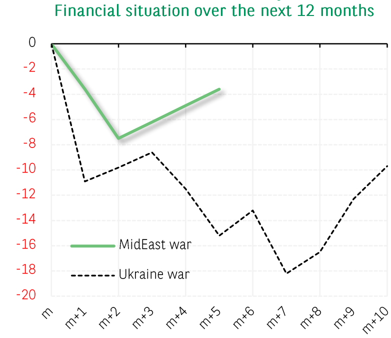
Further improvement of business confidence in the services sector

Eurozone: Services PMI



Further improvement in consumer confidence

Eurozone: Consumer confidence
Financial situation over the next 12 months



Change since m = 0 = February 2026 / February 2022.
Unit: inflation change in percentage point, point for confidence surveys.

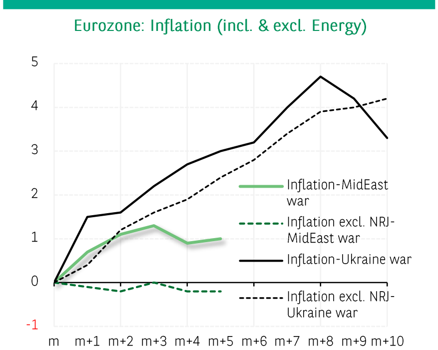
Source: S&P Global, Eurostat, European Commission, Macrobond, BNP Paribas

Eurozone: July confidence surveys are positive, inflation picks up only slightly

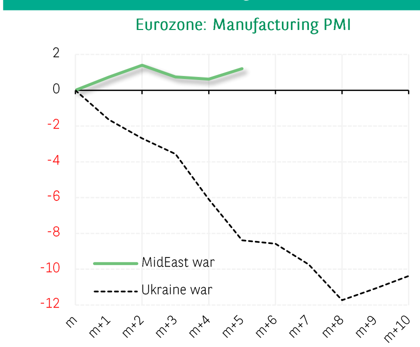
We have selected two inflation measures (with and without energy) and six survey indicators: 1/ business confidence, as measured by the PMIs in the manufacturing and 2/ services sectors; 3/ the "input prices" and 4/ "output prices" components of the composite PMI (in order to identify direct inflationary pressures); 5/ the "suppliers' delivery times" component of the manufacturing PMI (a direct indicator of possible supply difficulties and supply-demand imbalance, and therefore, indirectly, of inflationary pressures in the making); 6/ household confidence, as reflected in its "assessment of financial situation in the next 12 months" component (in order to capture the impact of inflation on purchasing power). The trends in each of these indicators are observed relative to month m=0, corresponding to the start of the conflict. Each line does not represent the level of the indicator, but its cumulative variation compared to month m=0.

The assessment of the July data is positive and reinforces the encouraging signals from May and June data. According to PMI business climate surveys, price pressures continued to ease, as did supply tensions through slightly shorter delivery times. The business climate in the manufacturing sector resumed improving, almost erasing the two months of previous decline. The business climate in the services sector and consumer confidence continues to recover. The July surveys are not impacted by the resurgence of tensions in the Middle East and by the ensuing rise in energy prices, partly because responses were, for the most part, collected beforehand. A relapse in August is highly likely if the geopolitical situation remains degraded. As for inflation, it picked up as expected, alongside the higher energy prices, but in a limited way (+0.1 percentage point, at 2.9% year-on-year). Inflation excluding energy remained stable at 2.2%.

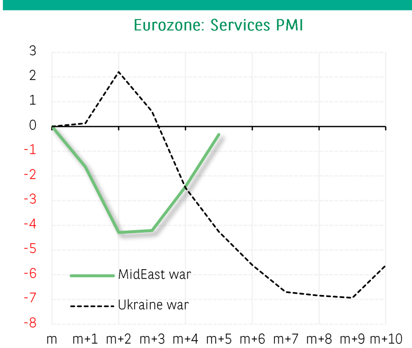
July 2026: Limited rise in inflation



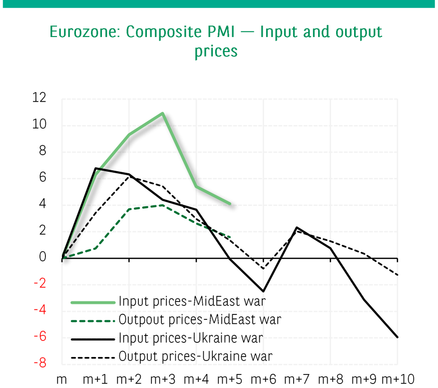
July 2026: Uptick of business confidence in the manufacturing sector



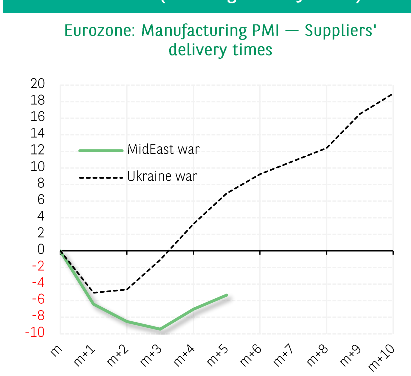
July 2026: Further improvement of business confidence in the services sector



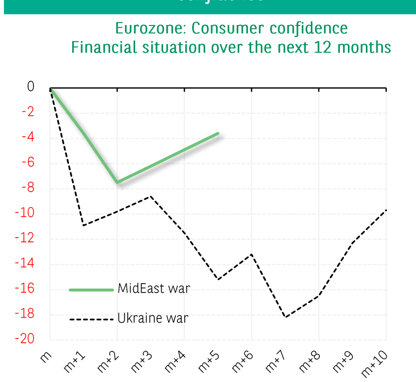
July 2026: Price pressures continue to abate



July 2026: Tensions on supply continue to moderate (less long delivery times)



July 2026: Further improvement in consumer confidence



Change since m = 0 = February 2026 / February 2022.
Unit: inflation change in percentage point, point for confidence surveys.

Source: S&P Global, Eurostat, European Commission, Macrobond, BNP Paribas

United States: June brought inflation some relief

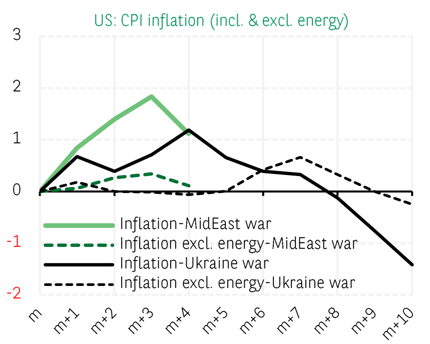
The memorandum of understanding, signed in mid-June between the US and Iran, improved US data before hostilities resumed in mid-July.

Headline CPI posted its first monthly drop (-0.4% m/m) since 2020 in June, driven by gasoline prices (-9.7% m/m). It stood at 3.5% y/y, down sharply from May's 4.2% but still 1.1pp above pre-conflict levels. Inflation excl. energy eased as well (-0.2pp to 2.7% y/y), edging back towards its February reading.

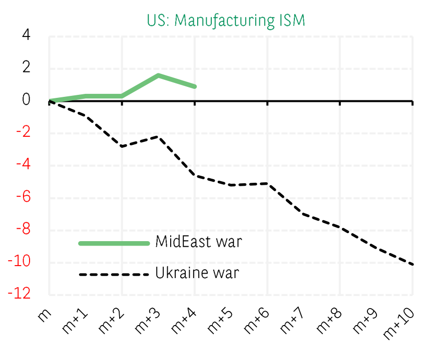
Business activity, buoyant going into the shock, stayed resilient. Input-price growth (a leading indicator of inflation) and delivery times remained elevated but moderated after the March/April spike. Both developments tie directly to the Middle East turmoil. Meanwhile, households, whose confidence was already weak, saw their outlook and inflation expectations deteriorate further given their sensitivity to gasoline prices, before partially recovering.

Macroeconomic conditions remain significantly less inflationary than in 2022, although small businesses have raised their price plans.

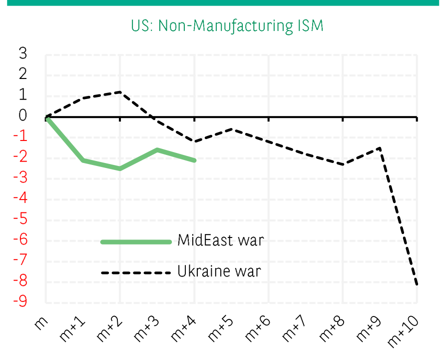
June 2026:
Inflation eases on the back of gasoline prices



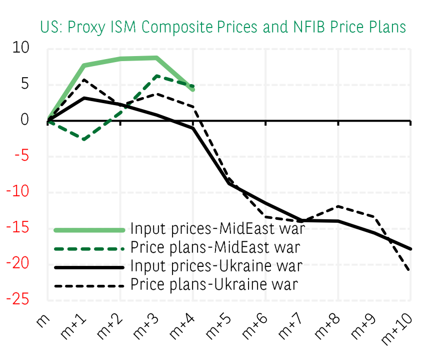
June 2026: Favorable business climate in manufacturing



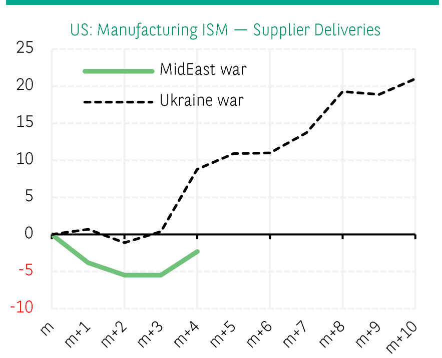
June 2026: Business climate still buoyant in services



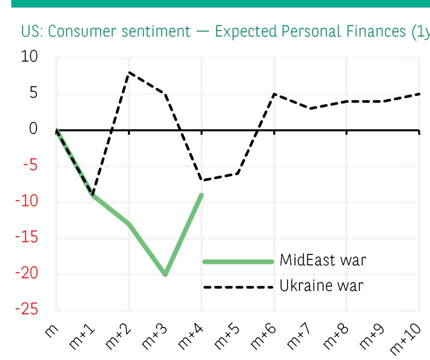
June 2026: Moderating input-price growth and price plans



June 2026:
Delivery times lengthening less



June 2026:
Moderating consumer concerns



Source: BLS, ISM, NFIB, University of Michigan, BNP Paribas

Change since m = 0 = February 2026 / February 2022.
Unit: inflation change in percentage point, point for confidence surveys.

Emerging economies: Industrial activity is resilient, the rebound in inflation is less significant in 2026 than in 2022, foreign investors are more nervous

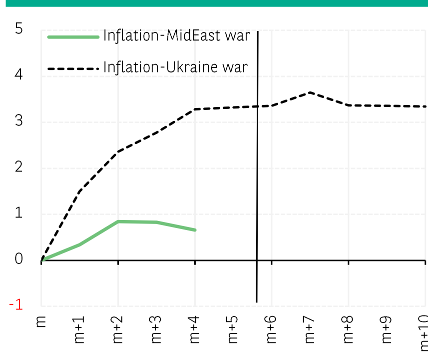
The acceleration in consumer price inflation since February 2026 is much less significant than in 2022, and it stopped in May and June 2026. The average CPI inflation rate for the fifteen main emerging economies was estimated at 4.6% y/y in June, against 4.8% in April. The inflationary shock is more moderate than in 2022 notably due to more limited spillovers to agricultural and food prices.

Manufacturers' opinion on the trend in input & output prices has stopped deteriorating since last May.

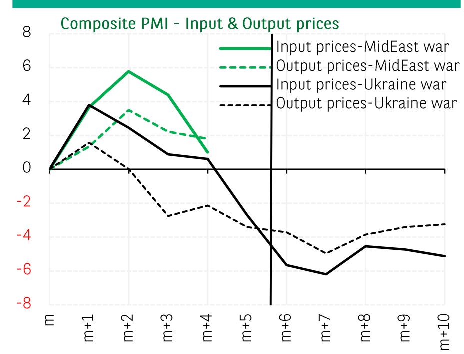
The manufacturing PMI was almost stable in May and June after the rebound in April. The negative impact of the energy shock on manufacturing activity since the beginning of the war in Iran is — so far — less severe than in 2022.

According to the Institute of International Finance (IIF) estimates, non-resident portfolio investment flows in the main emerging markets remained negative in June 2026 (totaling -USD 17.8 bn). Large volatility in capital flows since the beginning of the war has highlighted investors' nervousness. In May and June, negative investment flows affected mostly equities while debt flows remained positive. In June, China registered net foreign capital outflows in both its debt and equity markets.

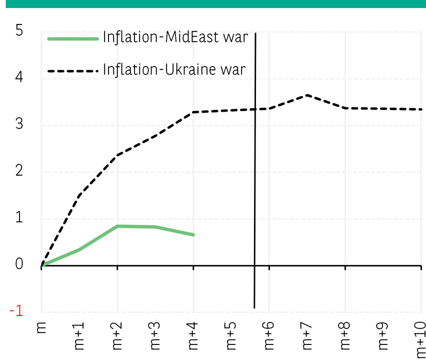
June 2026: A much less severe CPI inflation rebound than in 2022



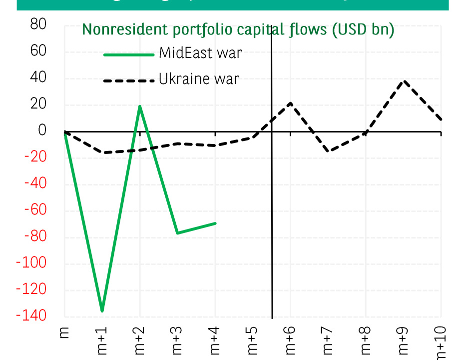
June 2026: The acceleration in input and output producer prices eased after a strong start



June 2026: Manufacturers in a wait-and-see attitude after the March shock



June 2026: Foreign capital flows remain volatile given geopolitical uncertainty



Change since m = 0 = February 2026 / February 2022.
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Source: National Statistical Offices, IIF, S&P Global, BNP Paribas

Oil & gas: Renewed tensions in the Strait of Hormuz and seasonal factors drive O&G prices higher

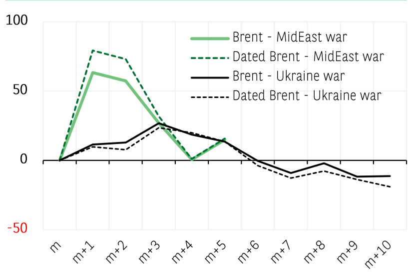
Oil and gas markets lack direction amid persistent instability in the Strait of Hormuz. While oil prices have thus far reacted similarly to the two energy shocks (2022 and 2026), the rise in gas prices remains lower than the increase seen following Russia's invasion of Ukraine.

Oil: Brent crude prices record high volatility based on geopolitical tensions affecting traffic through the Strait. They rose sharply in July following the breakdown of the MoU concluded between the United States and Iran. Nevertheless, the spread between the Brent futures price and the price of physical barrel (dated Brent) has remained narrow since the beginning of June, due to the accelerated reduction of OECD stocks (especially US SPR) and the decline in Chinese oil imports.

Gas: European gas spot prices (TTF) have risen significantly over the last month for two main reasons: 1/ the resurgence of tensions in the Strait, and 2/ increased competition in the LNG market between Europe, which is refilling its inventories, and Asia, where demand is high during the summer months.

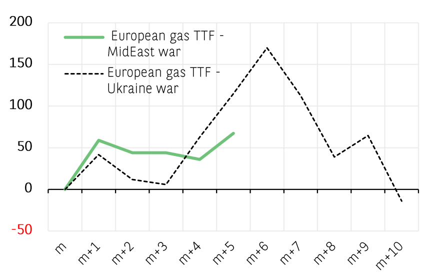
Electricity: Unlike in 2022, European wholesale electricity prices have remained relatively stable since the outbreak of the conflict. While gas prices continue to be an important driver of wholesale electricity prices, electricity price stability can be explained by progress in the decarbonation of the electricity mix since 2022. Nevertheless, the prolonged heatwave currently affecting part of Europe has significantly driven up electricity demand and is pushing prices higher over the last weeks.

July 2026: Increasing tensions in the Strait fuel rise in oil prices



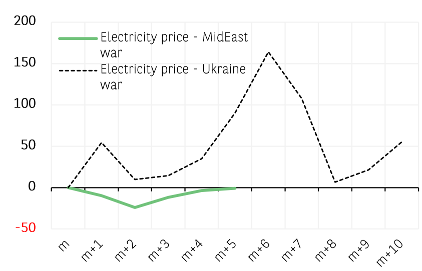
Note: change % since 02/27/2026 - 02/23/2022; last price 07/28/2026

July 2026: Higher tensions over liquefied natural gas market in Europe



Note: change % since 02/27/2026 - 02/23/2022; last price 07/28/2026

July 2026: Heatwaves fuel wholesale electricity prices inflation in Europe



Note: change % since 02/2026 - 02/2022

Source: Bloomberg, Ember, BNP Paribas

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