Flash Economics

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A slowdown in European growth compared with that of the United States due to rising energy prices

Since the start of the war in the Middle East, we have seen:

- A sharp rise in oil prices;
- A sharp rise in natural gas prices in Europe, but stable natural gas prices in the United States.

These two developments imply:

- A sharp decline in income in Europe;
- A rise in income in the United States, as the United States is an exporter of oil and natural gas;
- A significant improvement in the competitiveness of US industries that use natural gas (chemicals, pharmaceuticals, metal industry, plastics, food processing, and industries producing fertilisers, glass, cement, paper and cardboard).

Growth in Europe is therefore curbed by two mechanisms when oil and natural gas prices rise: the decline in income and the relocation of natural gas-intensive industries.

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Sharp rises in oil and natural gas prices in Europe

The price of oil has risen from $70 per barrel at the end of February 2026, before the outbreak of war in the Middle East, to $98 per barrel today, representing a 40% increase (Chart 1). In the United States, the price of natural gas has not been affected by the war; in Europe, it has risen from €30 to €42 per MWh, an increase of 40% (Chart 2).

Chart 1
Oil price (Brent, $/bbl)

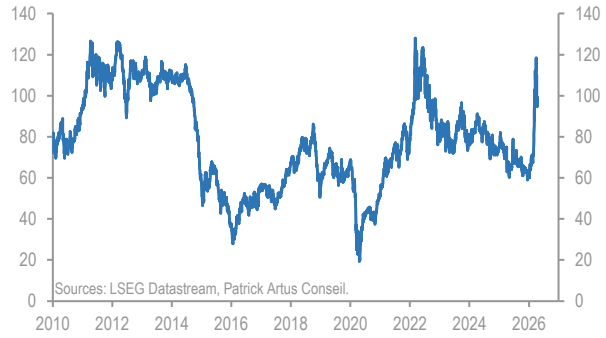
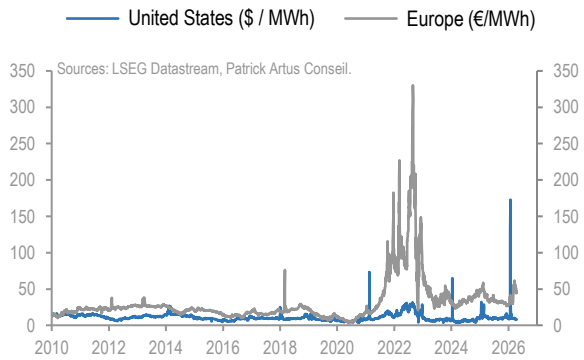


Chart 2
Natural gas price



Impact on revenue in the United States and Europe

The United States is an exporter of oil and natural gas (Charts 3A/B). The US fuel trade balance is therefore currently in surplus (Chart 4), which means that rising oil and natural gas prices boost US real income.

Chart 3A
United States: Crude oil exports
(million bbl/day)

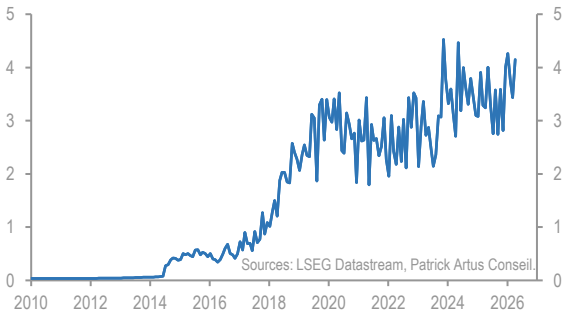
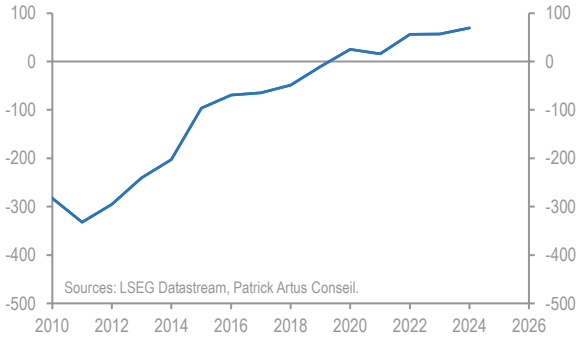


Chart 3B
United States: Natural gas exports
(monthly, billion cubic feet)



Chart 4
United States: Trade balance in fuels (Yearly, USD bn)



On the contrary, the euro area is a net importer of oil and natural gas; it has a significant trade deficit in fuels (**Charts 5A/B**), which means that a **rise in oil and natural gas prices reduces the euro area's real income**. Given the size of the euro area's fuel trade deficit (**Chart 5B**), the **observed 40% rise in the euro price of oil and natural gas combined implies an income loss of 0.8 percentage points of GDP**. If this calculation were made using fuel imports rather than the fuel trade balance, the result would be an income loss of 1.6 percentage points of GDP (**Chart 5C**).

Chart 5A
European Union: Trade balance in fuels (Yearly, USD bn)

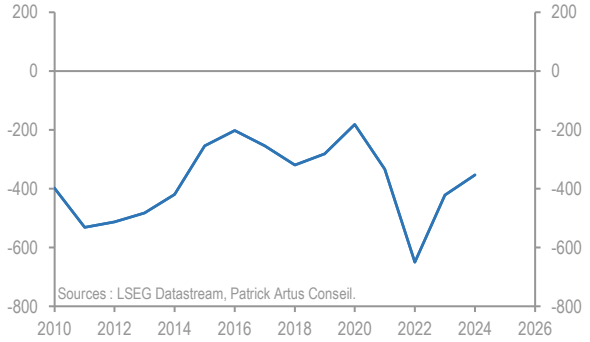


Chart 5B
European Union: Trade balance in fuels (as % of nominal GDP)

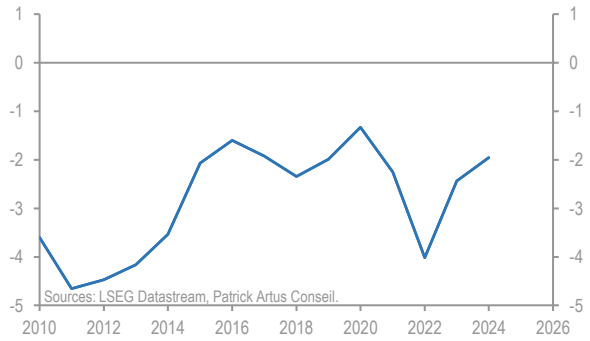
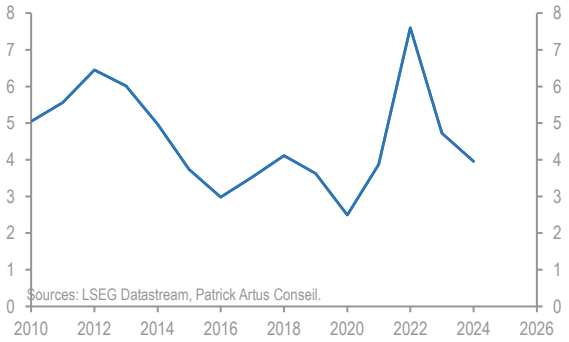


Chart 5C
European Union: Fuels imports (as % of nominal GDP)



Improving competitiveness of the US industry

Many industries are heavy consumers of natural gas: the chemical, pharmaceutical and metallurgical industries, as well as the food and drink sector, and industries producing fertilisers, plastics, glass, cement, paper and cardboard.

The fact that the price of natural gas has remained stable in the United States and has risen considerably in Europe means that **the competitiveness of these industries in Europe has deteriorated significantly**.

When we look at **production in the food and drink industry** (**Chart 6A**), the **chemical industry and the plastics industry** (**Charts 6B/C**) in the United States and the eurozone, we can see that even before the start of the war in the Middle East, production of these goods was already holding up much better in the United States than in Europe.

Chart 6A
Food industry production (2010.M1 = 100)

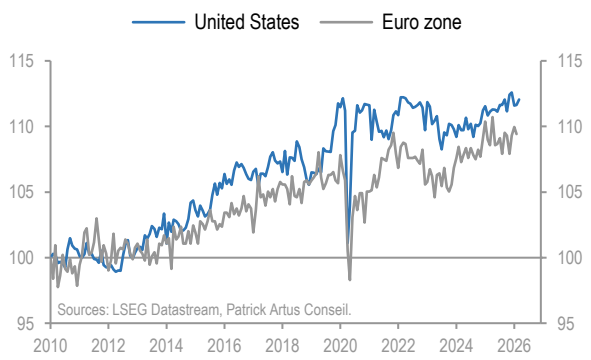


Chart 6B
Chemical industry production (2010.M1 = 100)

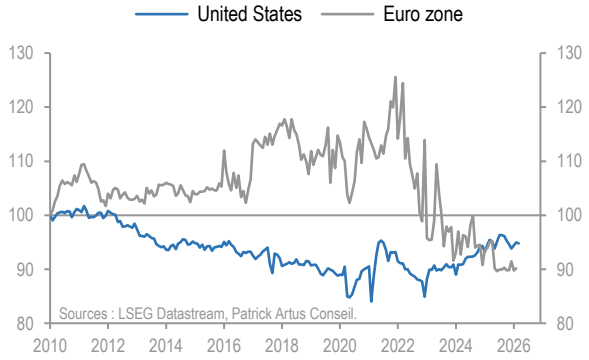
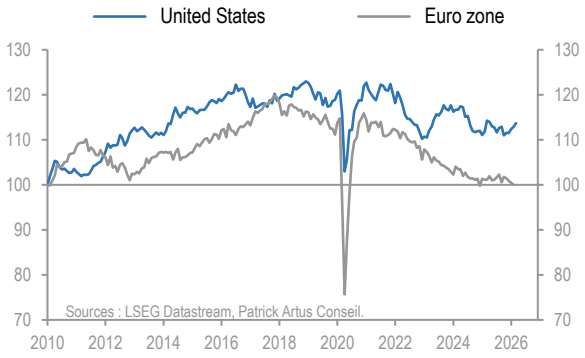


Chart 6C
Plastics industry production (2010.M1 = 100)



The rise in natural gas prices in Europe – but not in the United States – caused by the war will accelerate the decline in production in Europe.

Summary: Europe's growth is lagging that of the United States owing to two factors

Europe's growth will therefore lag that of the United States owing to two factors linked to the war in the Middle East:

- The drain on income caused by rising oil and natural gas prices, whilst this increase benefits the United States, which is an exporter of oil and natural gas;
- The relocation of production in the agri-food, chemical and plastics industries due to the rise in natural gas prices in Europe, whilst the price has remained stable in the United States.

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