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Fossil fuel prices remain a major determinant of the global economic situation

The war in the Middle East has prompted the argument that oil and natural gas prices now play a smaller role than in the past (in particular than at the time of the 1973 and 1979 oil shocks) in determining the global economic situation. We do not share this view, for several reasons:

- fossil fuels still account for 86.3% of global primary energy consumption;
- fiscal room for manoeuvre is far more limited today than in the past;
- with the globalisation of trade, the cost of maritime transport plays a very important role in determining growth.

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A widely held view: movements in oil and natural gas prices have less effect on global growth than in the past

There is a clear negative correlation between the oil price and growth in the major OECD economies (Charts 1A, 1B, 1C and 1D).

Chart 1A
United States: GDP growth and the real oil price

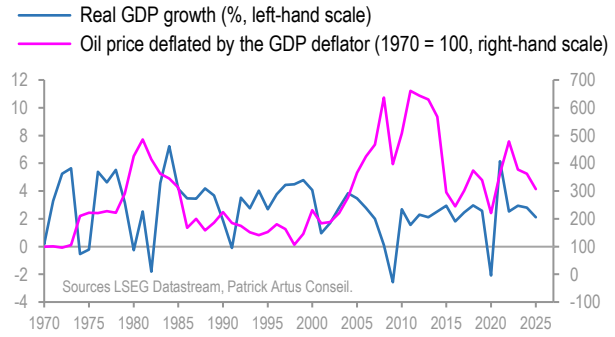


Chart 1B
Germany: GDP growth and the real oil price

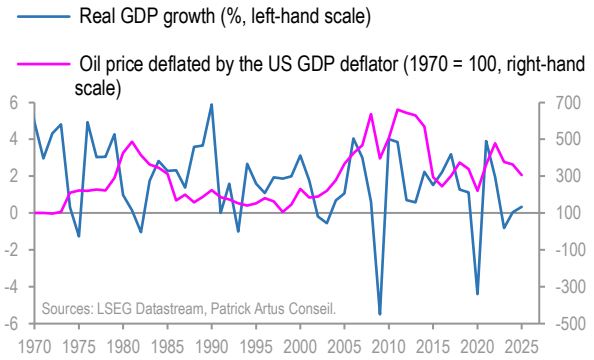


Chart 1C
France: GDP growth and the real oil price

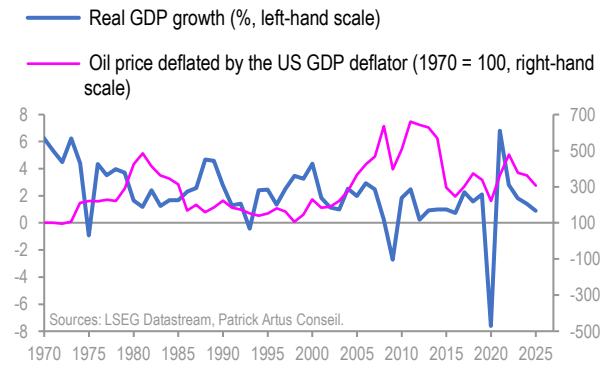
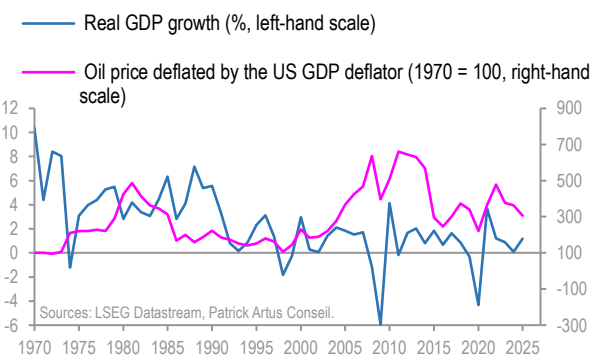


Chart 1D
Japan: GDP growth and the real oil price



When the oil price rises sharply (in 1973, 1980, 1990, 2008, 2022 and 2026), growth in these countries declines. Today, however, the following view is being put forward: the oil price (and that of natural gas) is said to have a far smaller effect on activity than in the past. We do not believe this view to be valid, for three reasons:

- the still dominant weight of fossil fuels in primary energy consumption;
- the limited room for manoeuvre available to fiscal policy;
- the effect of transport costs on growth.

The still dominant weight of fossil fuels

Table 1 shows the breakdown by source of global primary energy consumption in 2025.

Table1 - World: energy production by source (as % of the total, 2025)

Source	Share (%)
Oil	33.5
Natural Gas	25.1
Coal	27.7
Nuclear energy	5.2
Hydroelectric	2.7
Renewables	5.9
Total	100.0

Source: Energy Institute

The share of fossil fuels (oil, natural gas, coal) remains predominant: it stood at 86.3% in 2025. **A rise in fossil fuel prices,** such as that seen since the beginning of 2026 (**Charts 2A, 2B** and **2C**), still has practically the same effect on OECD countries' income as in 1973, since **the weight of fuel imports in GDP has not declined** (**Charts 3A** and **3B**).

Chart 2A
Oil price (Brent, $/bbl)



Chart 2B
Europe: Natural gas price (TTF, €/MWh)

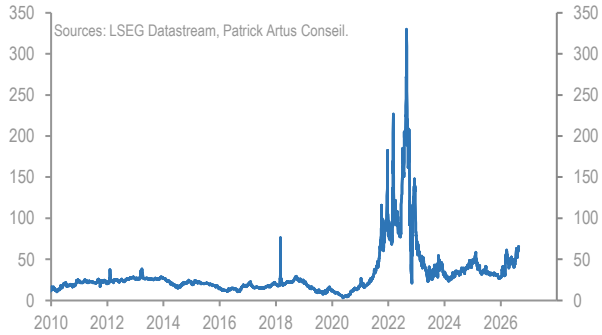


Chart 2C
World: Coal price index (2016 = 100)



Chart 3A
Imports of fuels and mining products* (as % of GDP)

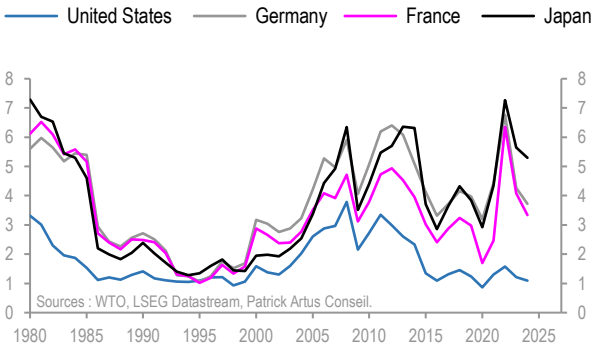
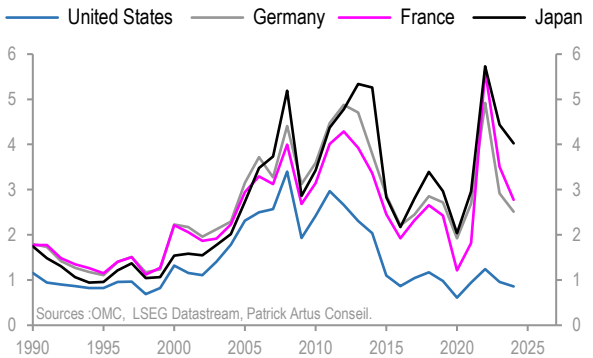


Chart 3B
Fuel imports* (as % of GDP)



*Fuels and mining products as defined by the WTO: coal, petroleum products, gas, electricity, ores and other minerals, non-ferrous metals.

* Fuels, as defined by the WTO, comprise coal, petroleum products, gas and electricity.

Reduced fiscal room for manoeuvre

Having ample fiscal room for manoeuvre enables countries to widen their general government deficit and support activity. This is what was done during past oil shocks. But today, **with the very high level of general government debt ratios** (**Chart 4A**) and **general government deficits** (**Chart 4B**), this scope for supporting growth has declined markedly.

Chart 4A
General government gross debt (as % of GDP)

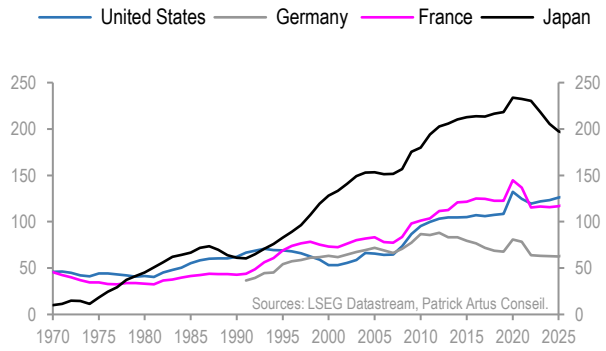
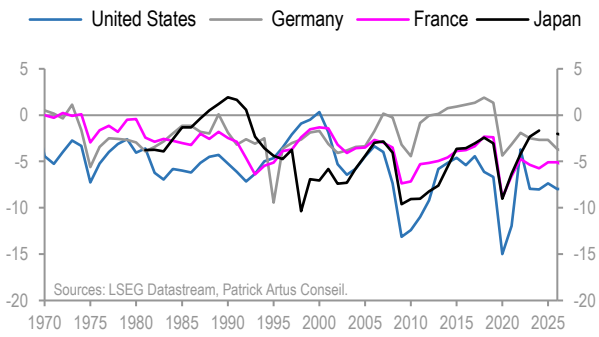


Chart 4B
General government surplus or deficit (as % of GDP



The effect of transport costs on growth

Maritime transport accounts for more than 80% of global merchandise trade, and world trade has grown significantly faster than GDP (**Chart 5**). **The rise in maritime freight rates** (**Chart 6**) **therefore has a significant recessionary effect**, as it penalises international trade.

Chart 5
World: GDP and exports of goods and services
(volume, 1970 = 100)

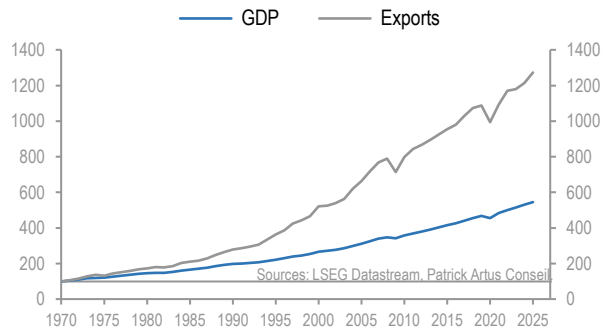
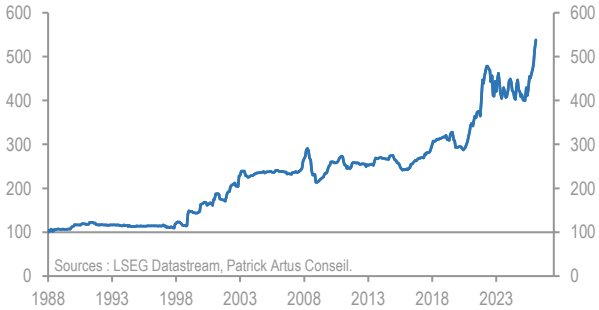


Chart 6
United States : Deep sea freight transportation prices
(june 1988 = 100)



Summary: a rise in fossil fuel prices still has a highly negative effect on growth in OECD countries, which are importers of oil and natural gas

Contrary to a view that is widespread today, increases in fossil fuel prices still have a highly negative effect on global growth, because:

- the weight of fossil fuels in primary energy consumption is still very high (86.3%);
- fiscal policy's room for manoeuvre is narrower than in the past;
- the globalisation of trade has given the cost of maritime transport a significant effect on trade and activity.

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