Flash Economics

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Should we expect high inflation in the future?

We analyse the outlook for inflation in the United States and the euro zone. Headline inflation is currently proving persistent, but medium- and long-term inflation expectations are lower than short-term expectations, and core inflation is fairly low.

However, concerns that high inflation may persist are justified, for three main reasons:

- the possible continuation of the conflict between the United States and Iran, and its impact on energy prices and shipping rates;
- shortages of semiconductors and certain critical metals, which explain the rise in computer and copper prices, for example;
- climate change, which explains the sharp rise in the prices of certain agricultural products.

If inflation remains high for a prolonged period, inflation expectations will rise, and so, in turn, will long-term interest rates.

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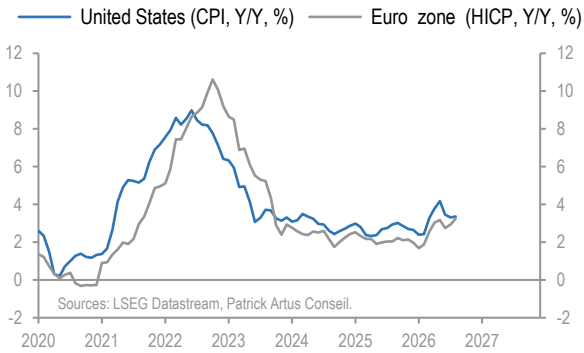
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Persistent headline inflation, fairly low core inflation

Headline inflation has remained fairly high over the summer of 2026 in both the United States and the euro zone (**Chart 1**): in August 2026, annual inflation stood at 3.4% in the United States (CPI) and 3.2% in the euro zone (HICP).

Chart 1
Headline inflation



In the United States, inflation expectations point to **slower price growth**, whether measured by consumer surveys (**Chart 2A**) or by market-based indicators (**Chart 2B**).

Chart 2A
United States: Household inflation expectations
1, 3 and 5 years ahead (%)

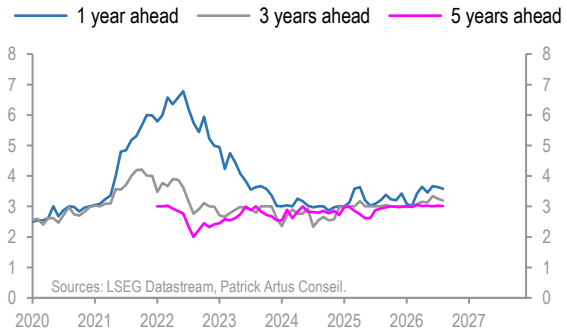
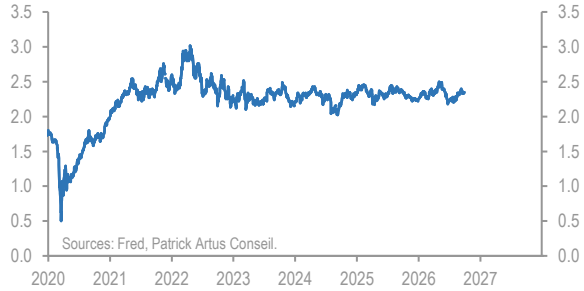


Chart 2B
United States: 10-year breakeven inflation rate (%)



In the euro zone, too, **both consumer and market-based inflation expectations are below** the level currently observed (**Charts 3A and 3B**).

Chart 3A
Euro zone: Household inflation expectations
12 months, 3 years and 5 years ahead (%)

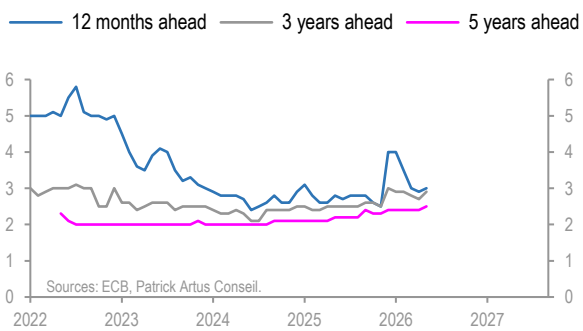
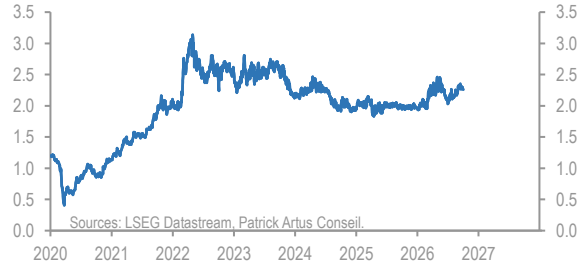
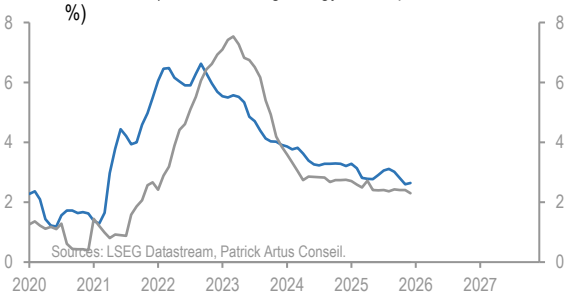


Chart 3B
Euro zone: 10-year inflation swap rates (%)



Finally, **core inflation** (excluding energy and food) remains low in both the United States and the euro zone (**Chart 4**).

Chart 4
Core inflation



Overall, core inflation remains low, as do medium-term expectations for headline inflation.

But in reality, there is a risk that headline inflation will remain high

Headline inflation may remain high for three main reasons:

- **the continuation of the conflict between the United States and Iran**, keeping oil prices and natural gas prices in Europe high, with the risk that these price increases will pass through to wages, although there is no sign of this yet;
- **shortages of semiconductors and certain critical metals**, which explain the rise in computer and copper prices, for example;
- **climate change**, which is sharply pushing up the prices of certain food products.

1. Energy prices

If the conflict between the United States and Iran persists, **oil prices** (**Chart 5A**) **and natural gas prices in Europe** (**Chart 5B**) will continue to rise.

Chart 5A
Oil price (Brent, $/bbl)

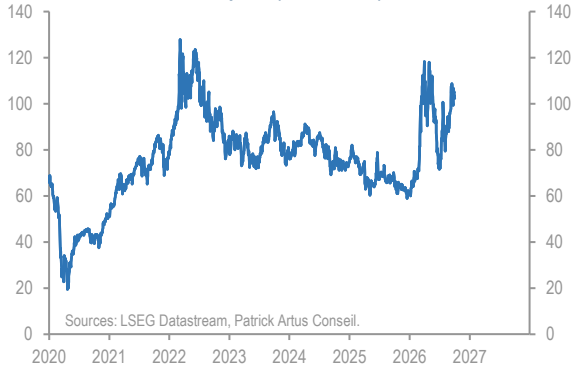
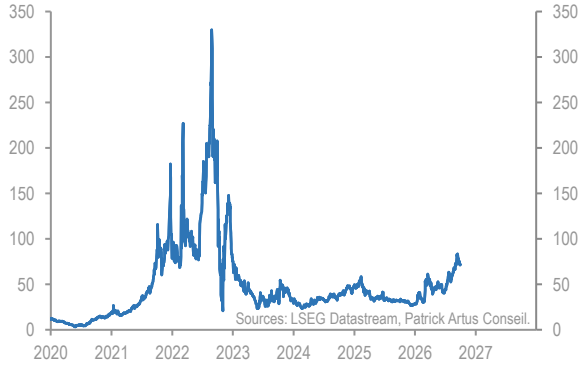


Chart 5B
Europe: Natural gas price (TTF, €/MWh)



This will lead to further increases in energy prices (Chart 6) and shipping rates (Chart 7).

Chart 6
Energy consumer price index
(Y/Y, %)

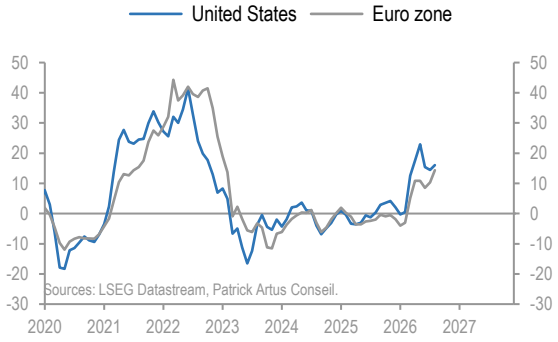
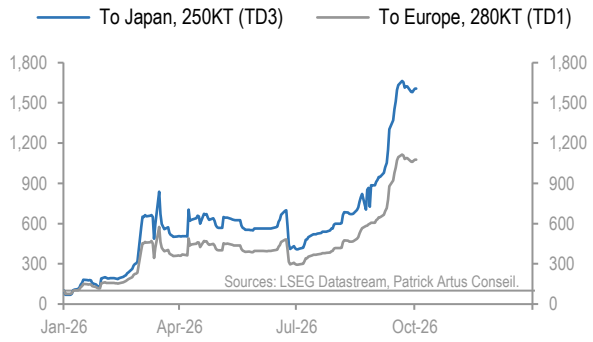
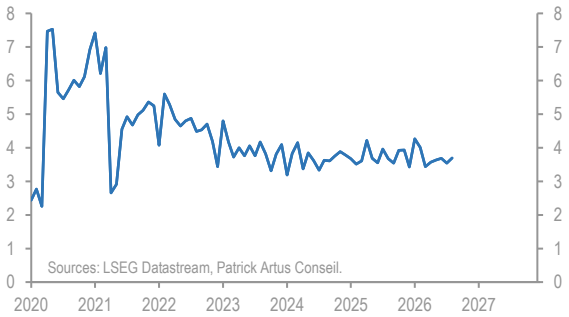


Chart 7
Crude tanker freight rates from the Middle East Gulf
(1 January 2026 = 100)



The risk is that these price increases **begin to trigger an upward adjustment in wages**, which is not happening at present. The ECB wage tracker indicates negotiated wage growth of 2.6% in 2026, after 3.0% in 2025; in the United States, weekly earnings are growing at a steady pace (Chart 8).

Chart 8
United States: Average weekly earnings of all
employees on private non-farm payrolls (Y/Y, %)



2. Shortages of semiconductors and critical metals

Global demand for **semiconductors** is surging (Chart 9), which has led to **sharp increases in their prices**, with knock-on effects on computer prices in particular (PC prices are expected to rise by 17% in 2026).

The price of copper, a metal in strong demand for electricity grids and data centres, is rising sharply (Chart 10), which will push up the prices of many industrial products.

Chart 9
World: Semiconductor manufacturers' sales
(3 month average, USD bn)

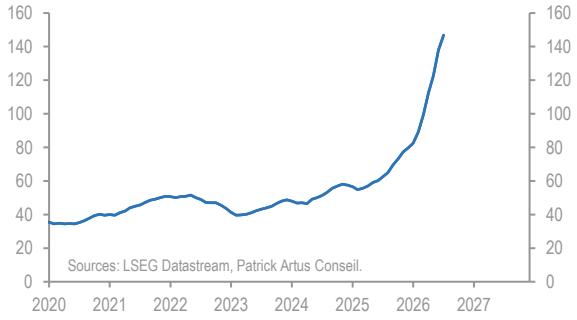
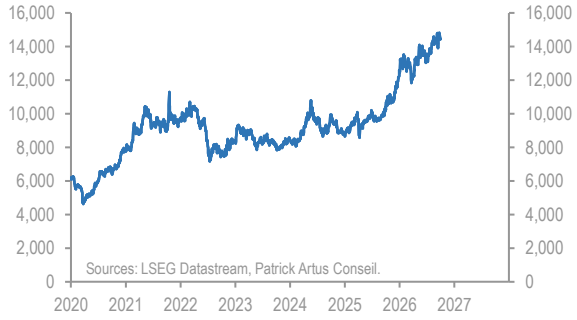


Chart 10
Copper prices
(US dollars per tonne)



3. Climate change and food prices

Wheat and maize prices, which rose sharply in 2022 at the start of the war in Ukraine, **sugar prices**, which peaked in 2023, and **cocoa prices**, which soared in 2024, have all been rising again since early 2026 (**Charts 11A, 11B and 11C**).

Chart 11A
Wheat and maize prices (US dollars per bushel)

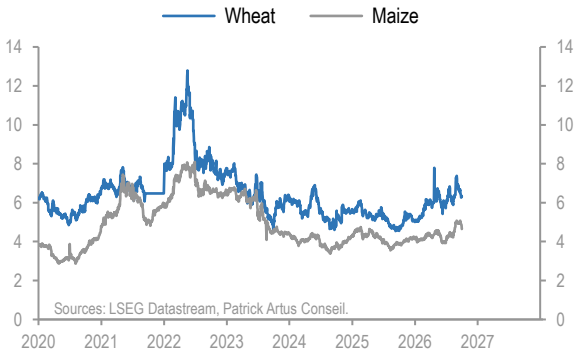


Chart 11B
Raw sugar prices (US cents per pound)

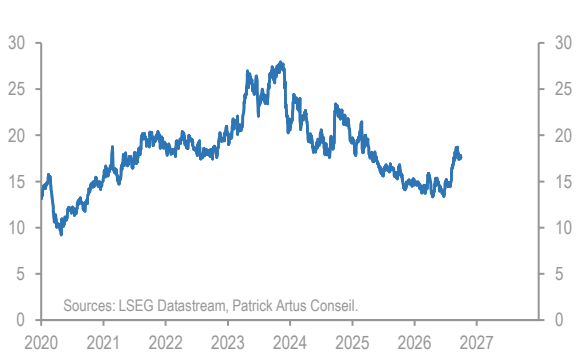
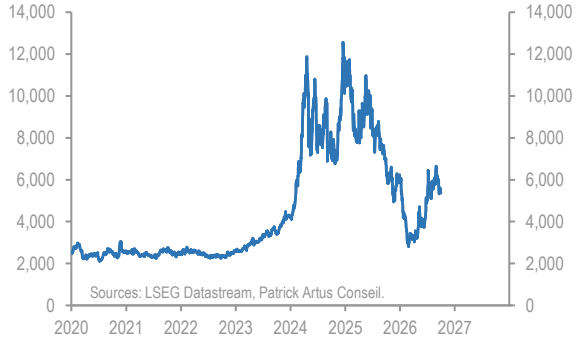


Chart 11C
Cocoa prices (US dollars per tonne)



Climate change is likely to cause recurrent increases in food commodity prices in the future. By way of illustration, unprocessed food prices in the euro zone rose by 30% between August 2021 and August 2026.

Summary: rising inflation expectations, rising long-term interest rates

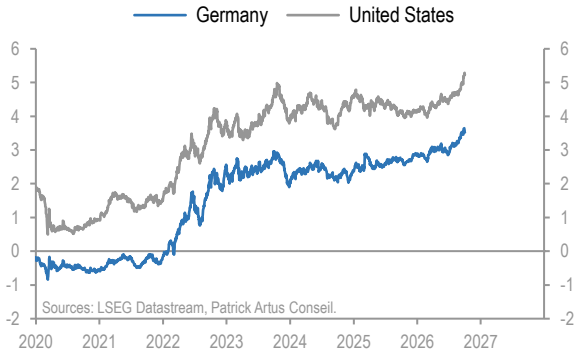
We believe that inflation will remain high in the United States and the euro zone, given:

- the continuation of the war in the Middle East;
- the risk of future pass-through of price increases to wages;
- shortages of semiconductors and certain critical metals such as copper;
- the rise in agricultural prices caused by climate change.

If so, we will see:

- **a rise in long-term inflation expectations** (**Charts 2A, 2B, 3A and 3B** above), with a slight uptick in these expectations already visible in the euro zone over the recent period;
- **a rise in long-term interest rates** (**Chart 12**).

Chart 12
10-year interest rate on government bonds (as %)



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