



EUROPEAN CENTRAL BANK

EUROSYSTEM

# Is inflation back?

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Isabel Schnabel

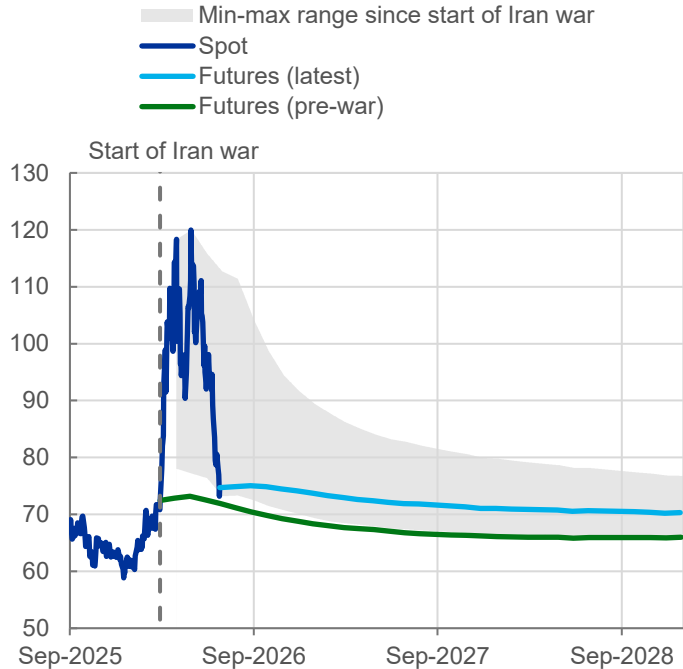
*Member of the Executive Board  
of the ECB*



Petersberger Sommerdialog  
Petersberg, 27 June 2026

# Oil prices expected to stay persistently higher as Strait of Hormuz opens only gradually

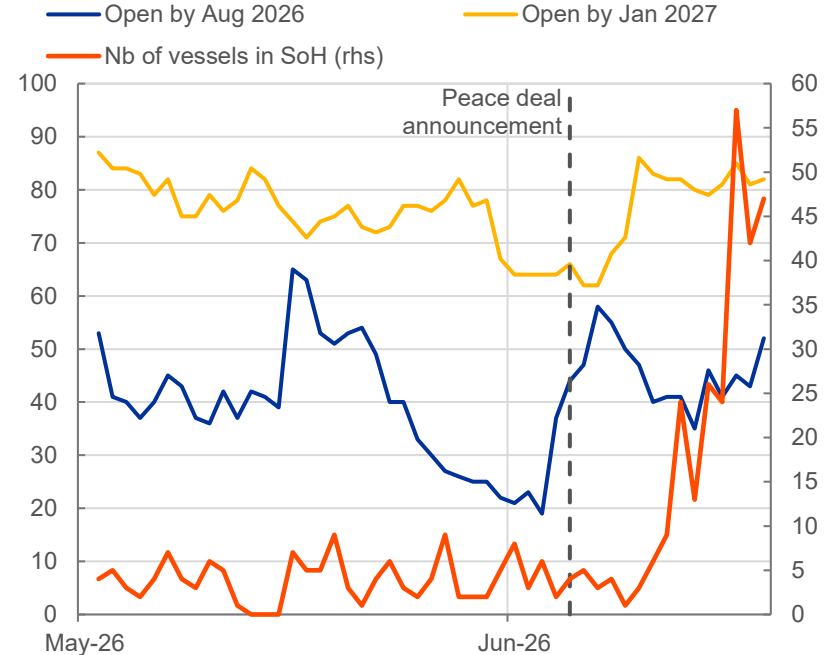
## Oil price and futures (USD per barrel)



Sources: LSEG, Bloomberg and ECB staff calculations.

Notes: The chart shows the oil price alongside unsmoothed futures curves based on two reference dates: 27 February 2026 (pre-war, before US strikes on Iran) and 25 June 2026 (latest observation). Min-max range calculated since start of Iran war. Latest observation: 25 June 2026.

## Number of vessels and likelihood of reopening of Strait of Hormuz (LHS: percentages; RHS: number of vessels)



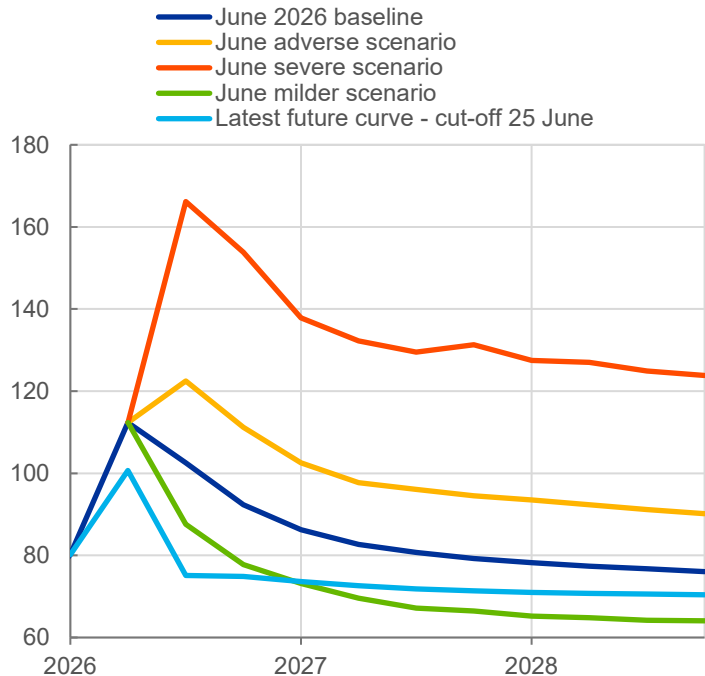
Sources: Bloomberg and Kalshi.

Notes: The chart shows the probability of Strait of Hormuz (SoH) opening by August 2026 and January 2027, as well as the Bloomberg estimated number of vessels transiting the Strait of Hormuz on a daily basis. Peace deal announcement refers to 12 June 2026. Latest observation: 26 June 2026.

# Uncertainty remains high, but announced peace deal makes negative scenarios less likely

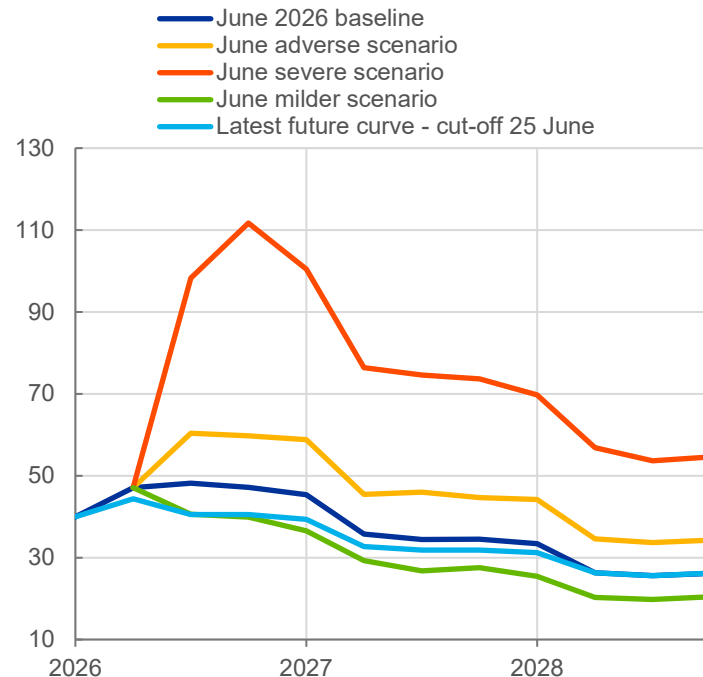
## Oil price scenarios

(USD per barrel)



## Gas price scenarios

(EUR/MWh)



Sources: Refinitiv and ECB staff calculations.

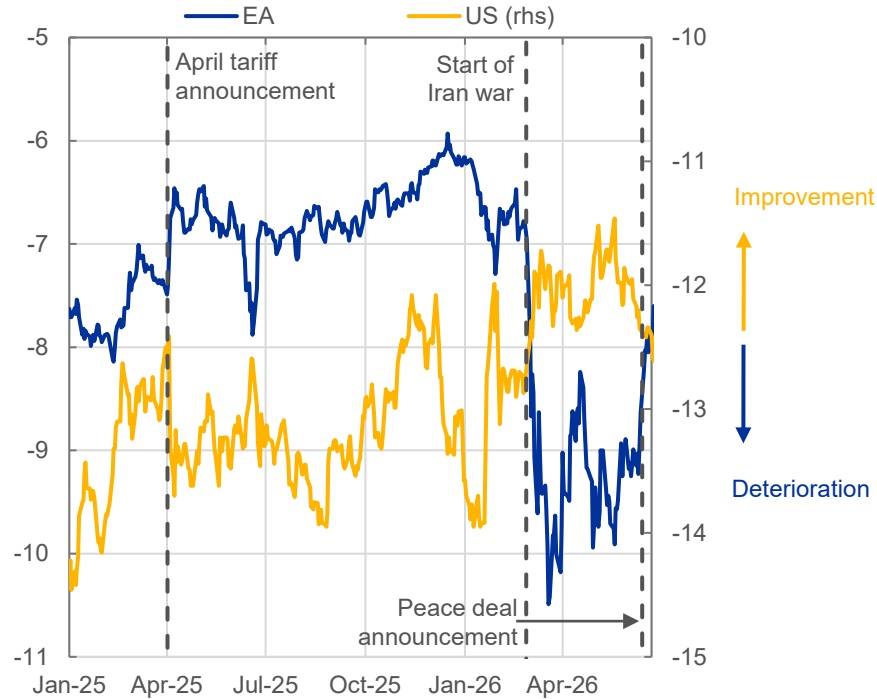
Notes: Projections also entail spot prices. Cut-off for the June 2026 baseline is 21 May 2026. June scenarios are based on percentiles as at 21 May 2026. Latest futures (25 June) curves are calculated as quarterly averages of monthly prices. The current quarter is computed using the average of April and May prices and the latest available physical spot price (25 June). Subsequent quarters are derived from the corresponding futures contracts.

Sources: Refinitiv and ECB staff calculations.

Notes: Projections also entail spot prices. Cut-off for the June 2026 baseline is 21 May 2026. June scenarios are based on percentiles as at 21 May 2026. Latest futures (25 June) curves are calculated as quarterly averages of monthly prices. The current quarter is calculated using the average of April and May prices and the latest available day-ahead price for June (25 June), while future quarters are based on averages of the corresponding futures contracts.

# Energy shock hit euro area particularly hard but less than in previous oil price shocks

## Terms-of-trade index (index)

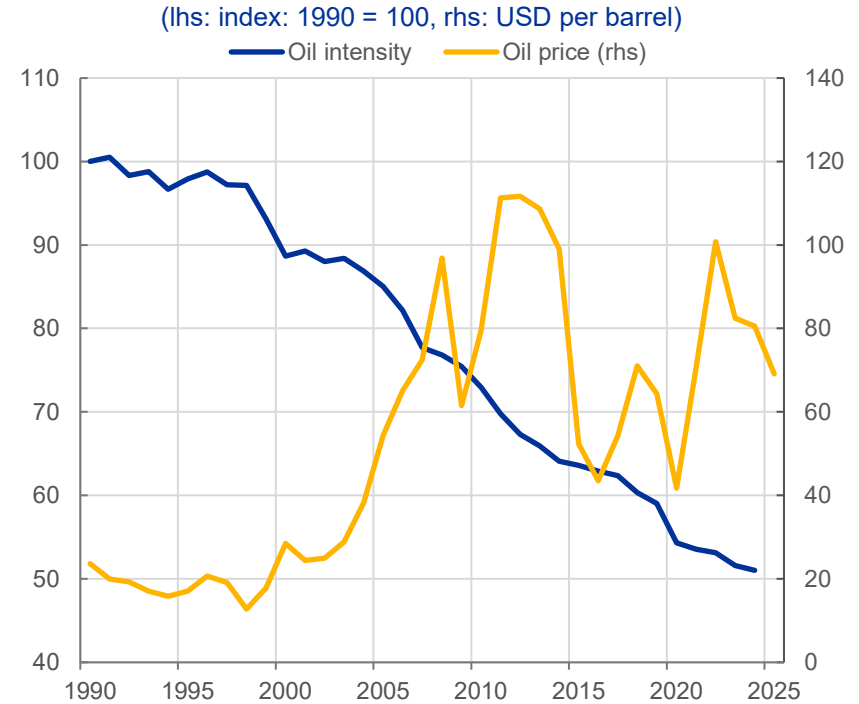


Source: Bloomberg.

Notes: The chart shows the Citigroup Commodities Terms-of-Trade index. April tariff announcement refers to 1 April 2025, Start of Iran war to 27 February 2026, and Peace deal announcement to 12 June 2026.

Latest observation: 25 June 2026.

## Oil intensity of euro area real GDP and oil price



Sources: Eurostat, U.S. EIA, New Area-Wide Model database and ECB staff calculations.

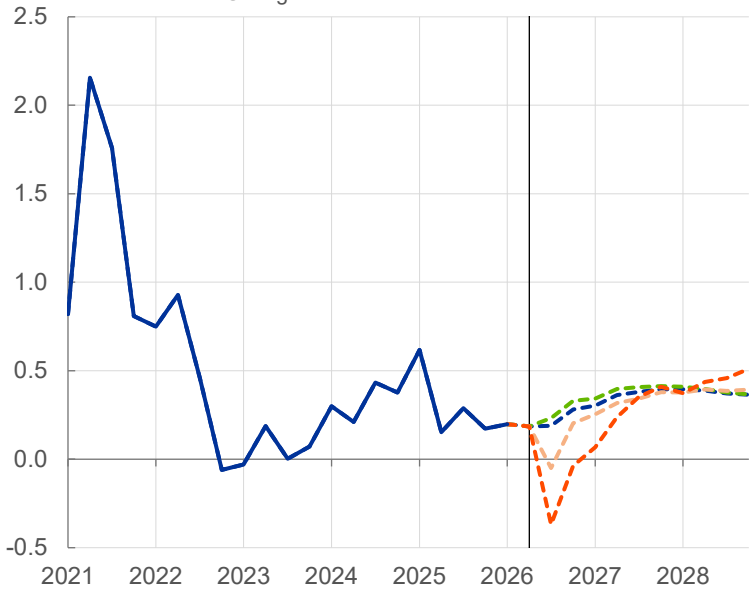
Notes: Oil intensity is measured in kilograms of oil equivalent per euro of real GDP and indexed to 100 in 1990. The oil price refers to the annual average Brent crude oil price.

Latest observations: 2024 for oil intensity and 2025 for oil price.

# Staff projections see lower euro area growth and higher inflation due to Iran war

## Real GDP growth in the euro area (quarter-on-quarter percentage changes)

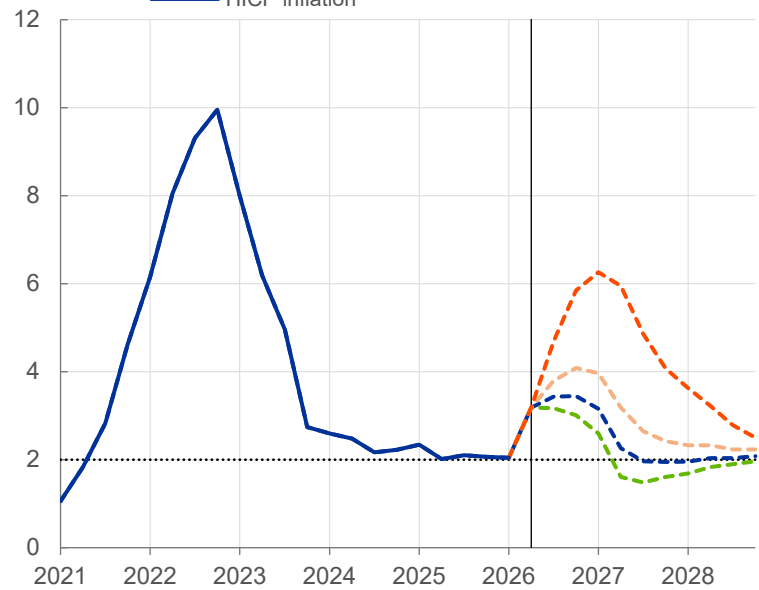
- June 2026 staff projections
- June 2026 staff projections - Milder scenario
- June 2026 staff projections - Adverse scenario
- June 2026 staff projections - Severe scenario
- GDP growth



Source: Eurosystem staff projections.  
 Notes: The vertical line indicates the start of the June 2026 projection horizon. The solid line indicates published data until the cut-off date of the projections.  
 Latest observation: Q1 2026.

## Inflation in the euro area (annual percentage changes)

- June 2026 staff projections
- June 2026 staff projections - Milder scenario
- June 2026 staff projections - Adverse scenario
- June 2026 staff projections - Severe scenario
- HICP inflation

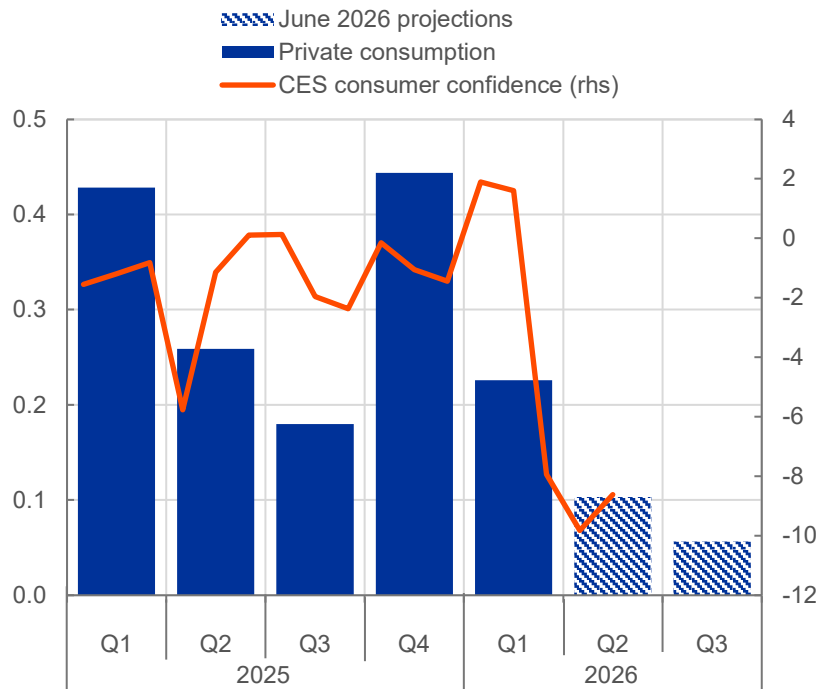


Source: Eurosystem staff projections.  
 Notes: HICP inflation. The vertical line indicates the start of the June 2026 projection horizon. The horizontal dotted line indicates the 2% medium-term inflation target. The solid line indicates published data until the cut-off date of the projections.  
 Latest observation: Q1 2026.

# Higher energy costs are weighing on confidence and private consumption

## Private consumption and consumer confidence

(lhs: quarter-on-quarter change, rhs: index points)

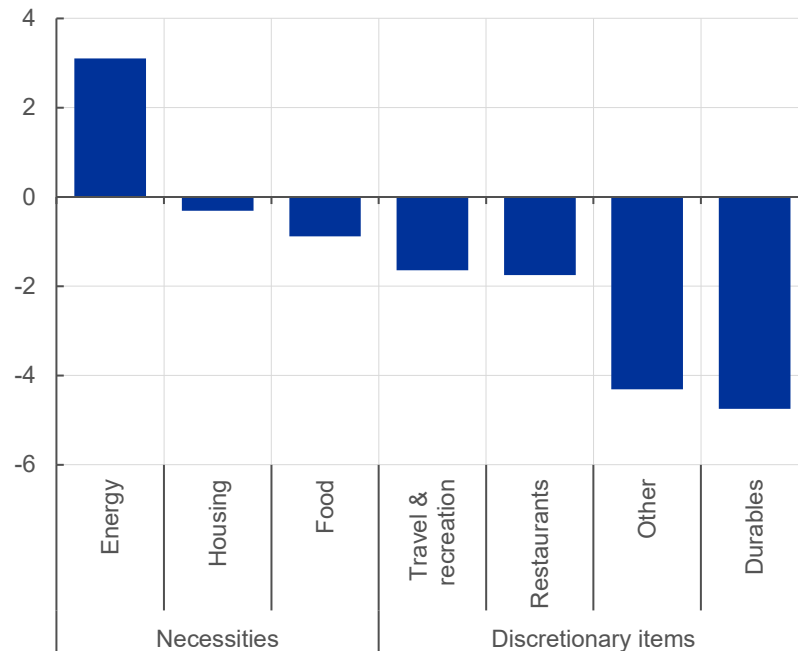


Sources: Eurostat, June 2026 Eurosystem staff macroeconomic projections, CES and ECB calculations.

Latest observation: Q1 2026 for consumption and May 2026 for Consumer Expectations Survey (CES) consumer confidence.

## Change in nominal consumption growth by goods category

(deviations from previous 12-month average, percentage points)



Source: Consumer Expectations Survey.

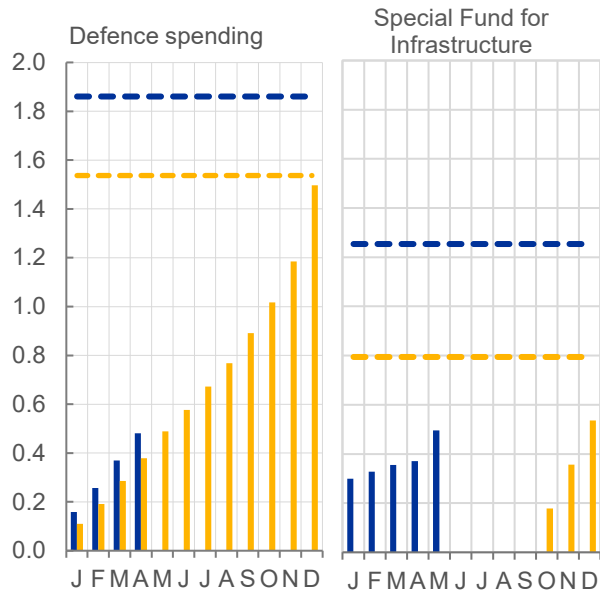
Notes: Change in year-on-year nominal consumption growth in April 2026 relative to the average observed over the 12 months preceding the war in the Middle East.

# Growth is supported by government investment and global AI boom

## German government spending on defence and infrastructure

(monthly year-to-date in % of annual GDP)

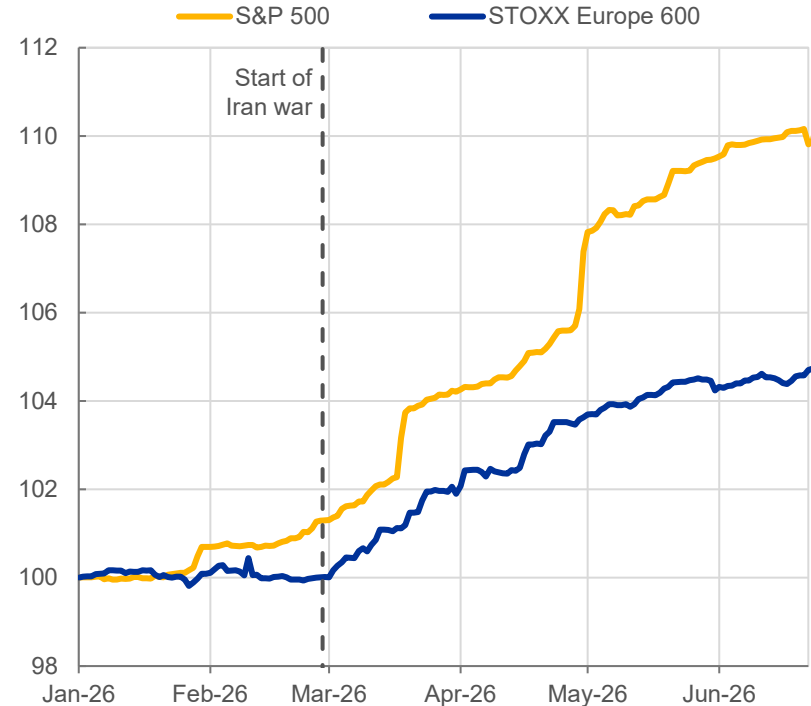
■ 2026 (dotted line target) ■ 2025 (dotted line target)



Sources: Haver Analytics, Bundesministerium der Finanzen, German 2026 Annual Progress Report.  
Notes: Defence spending only covers the regular budget, not the special fund for the army. Monthly defence and SFI spending are reported in cash while defence targets in accrual. SFI spending in 2025, only available for end-2025, is assumed to be evenly distributed from the fund's start in Oct 2025

## Firms' earnings expectations

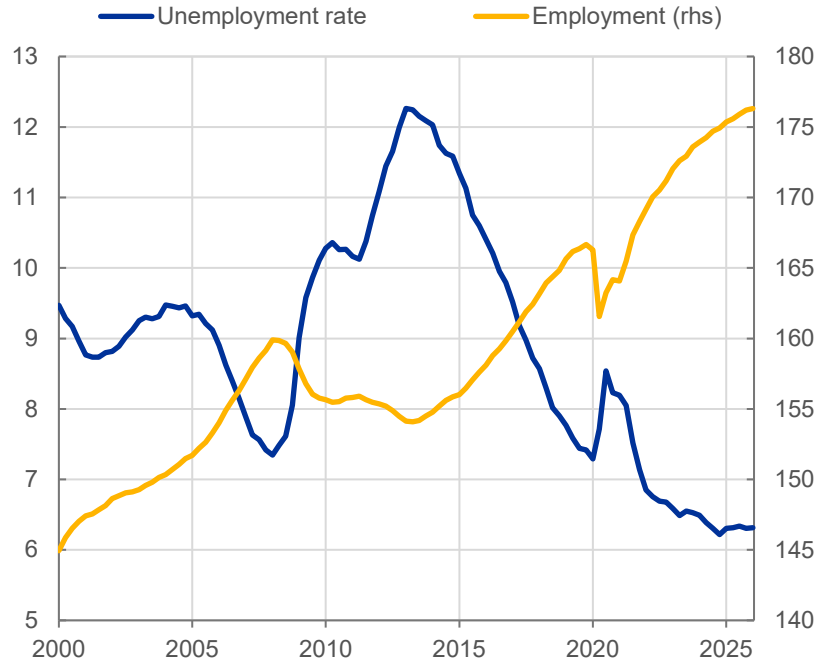
(index: 1 January 2026 = 100)



Sources: Bloomberg and ECB calculations.  
Notes: Chart shows consensus earnings per share (EPS) estimates for fiscal year 2026. Start of Iran war refers to 27 February 2026.  
Latest observation: 25 June 2026.

## Unemployment rate and employment

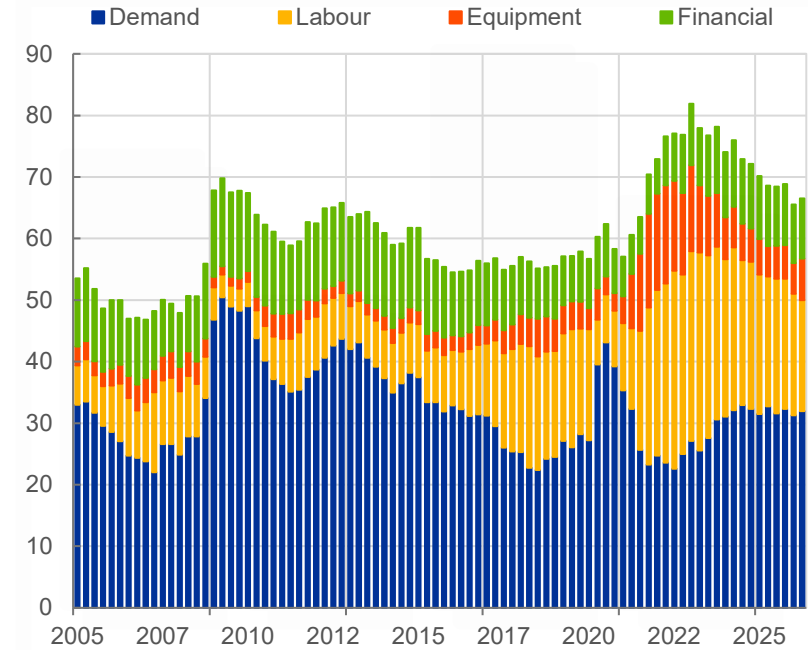
(lhs: percentages; rhs: millions of persons)



Sources: Eurostat and ECB staff calculations.  
Latest observation: Q1 2026.

## Factors limiting production

(percent)



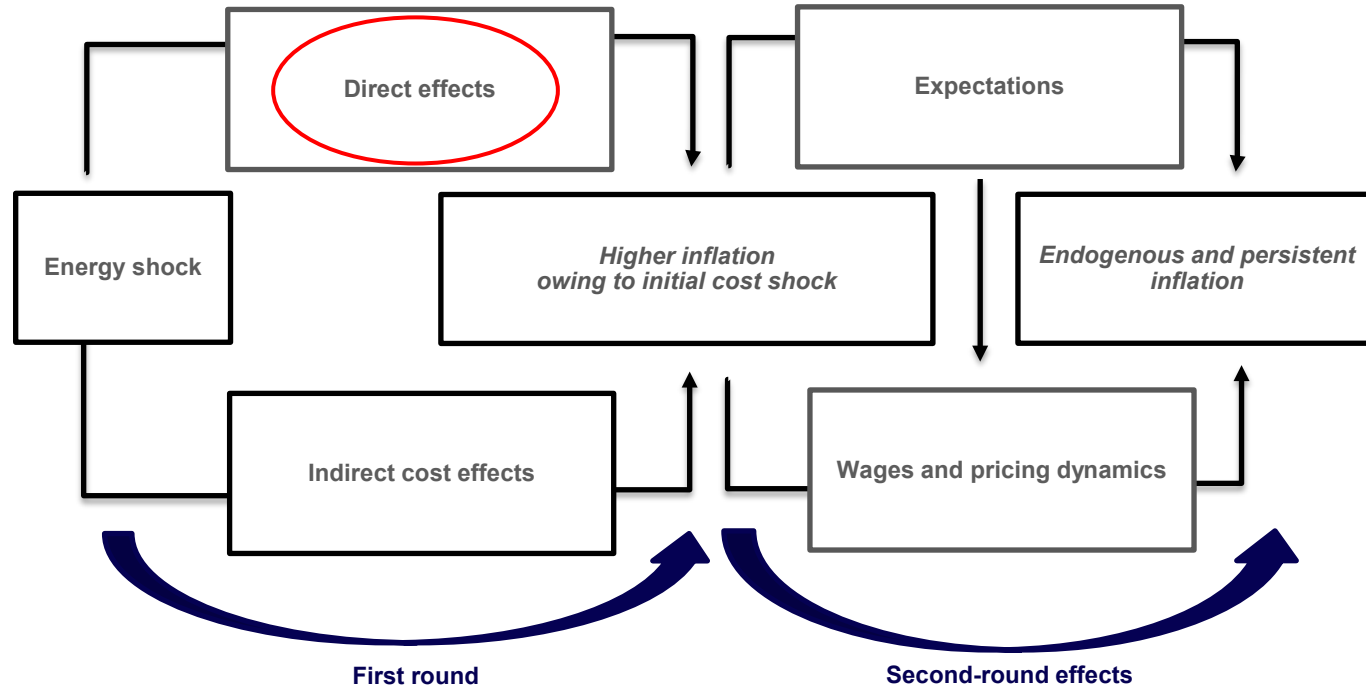
Sources: European Commission and ECB staff calculations.

Notes: GVA-Weighted average of the corresponding indicators for the manufacturing, construction and services sectors.

Latest observation: Q2 2026.

# Energy price shock can feed into broader inflationary dynamics

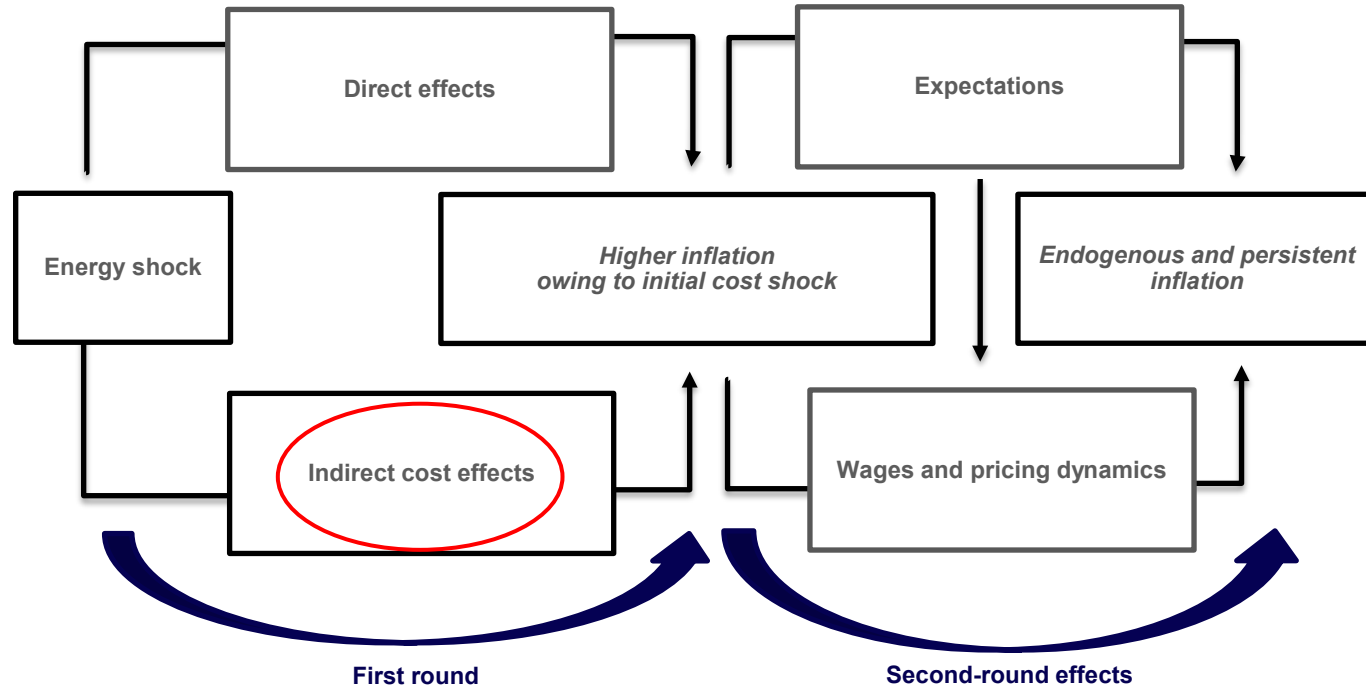
## Stylised transmission channels of an energy price shock to consumer prices



Source: ECB.

# Energy price shock can feed into broader inflationary dynamics

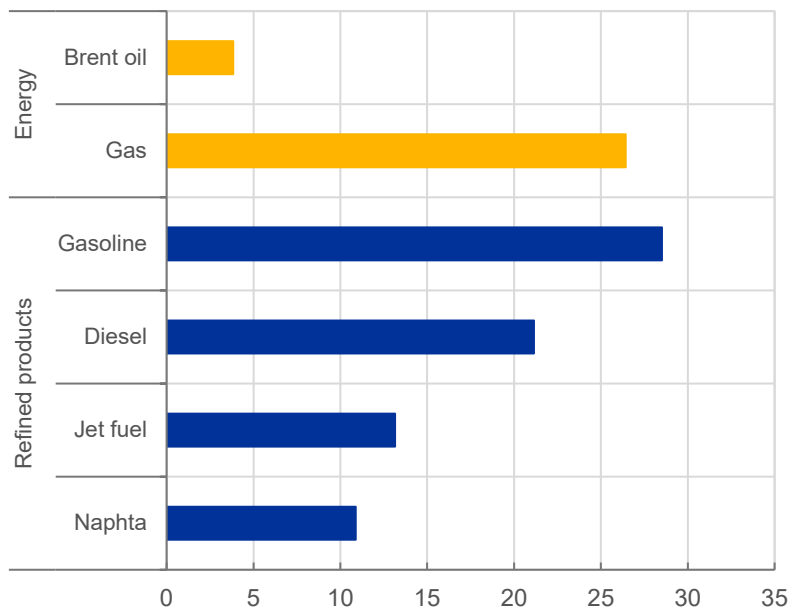
## Stylised transmission channels of an energy price shock to consumer prices



Source: ECB.

# Higher energy prices have knock-on effects, reinforced by supply chain pressures

## Price changes of downstream products since start of Iran war (percentages)

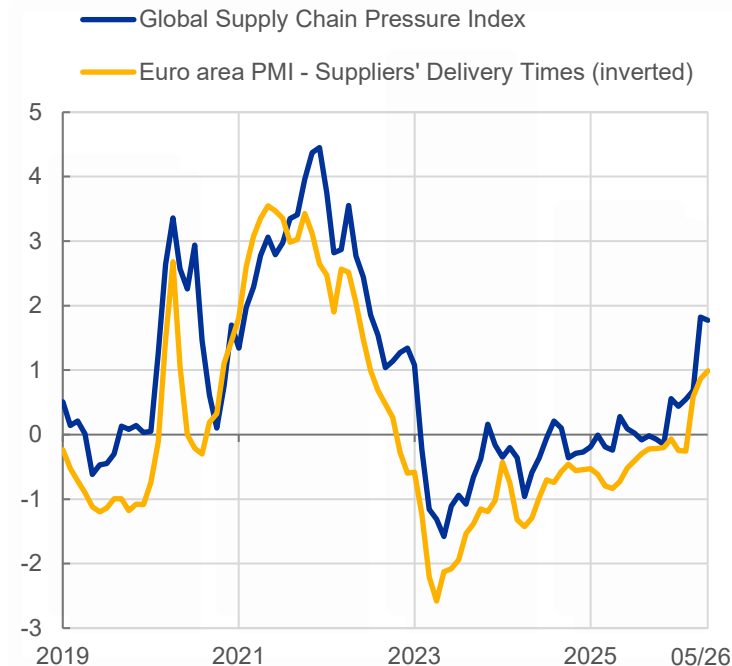


Sources: Bloomberg and ECB calculations.

Notes: The plot shows percentage changes since 27 February in local European commodity prices.

Latest observation: 25 June 2026.

## Supply chain pressure (std deviations)



Sources: NY FED, S&P global and ECB Staff calculations.

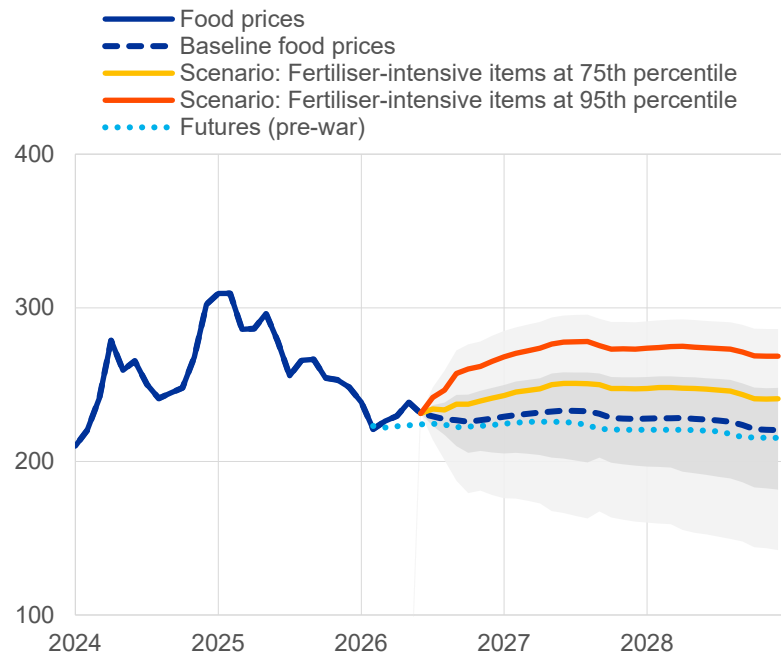
Notes: The Global Supply Chain Pressure Index tracks the state of global supply chains using data from the transportation and manufacturing sectors. Delivery times for the euro area refer to survey data from manufacturing PMIs. Both indices are standardised.

Latest observation: May 2026.

# Food, goods and services inflation are facing upside risks

## Food prices

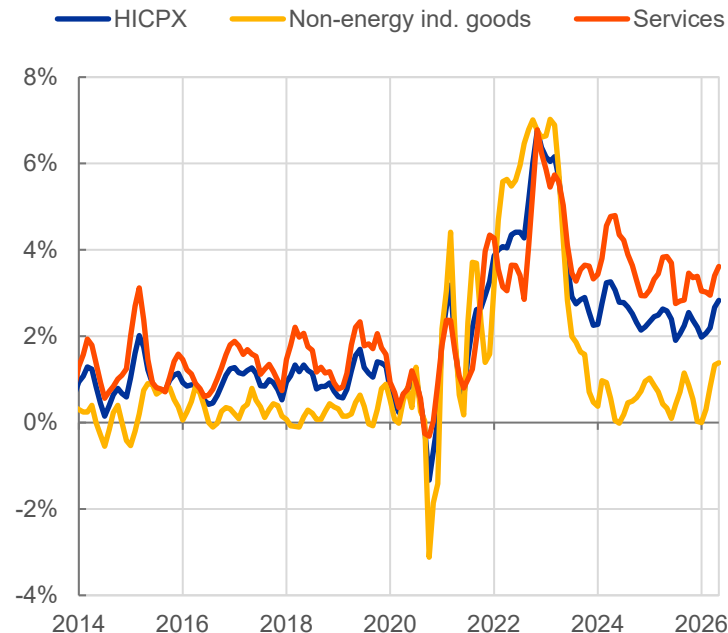
(index: 2020 = 100)



Sources: International Food Agency and ECB staff calculations.  
Notes: Option-implied food price distributions based on HWWI weights and cumulative m-o-m percentage changes. Light and dark grey areas show the 5th-95th and 25th-75th percentiles, respectively. Red and yellow lines denotes the 95th and 75th percentiles under the assumption that only fertiliser-intensive commodities (e.g., wheat and corn) are affected, while other food commodities (e.g., cocoa) remain unchanged. Futures (pre-war) refer to 20 February 2026. Latest observation: 1 June 2026 (baseline), 22 June 2026 (option data).

## Inflation momentum

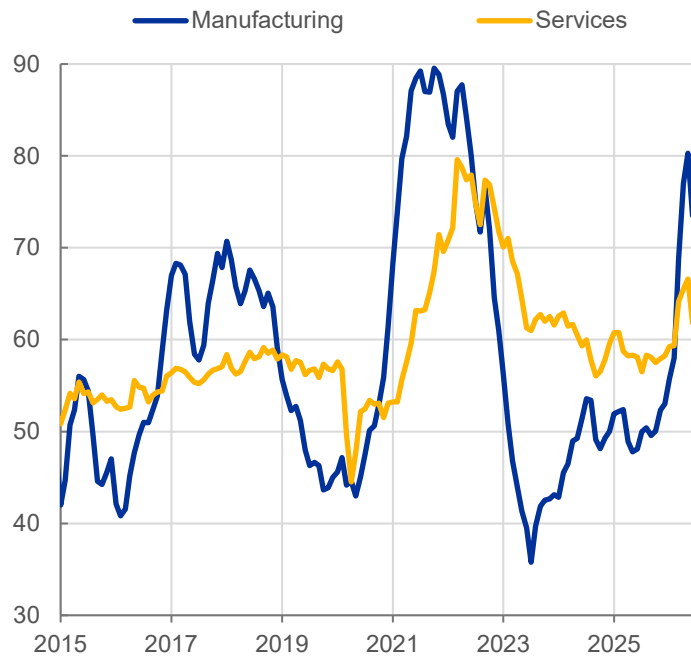
(annualised 3-month-on-3 month percentage changes)



Sources: Eurostat and ECB calculations.  
Notes: Based on seasonally adjusted data. Latest observation: May 2026.

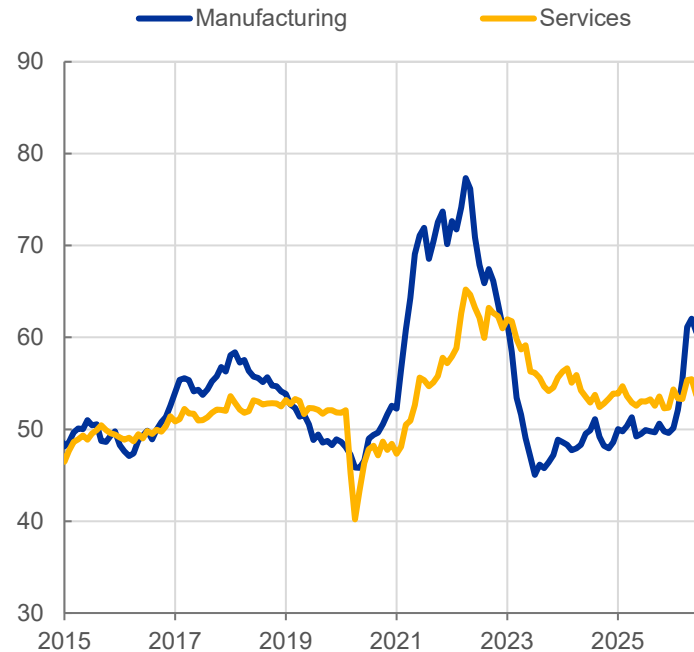
# Producers pass through part of higher input prices, especially in manufacturing

## Input prices (index)



Source: Eurostat.  
Notes: PMI input prices.  
Latest observation: June 2026.

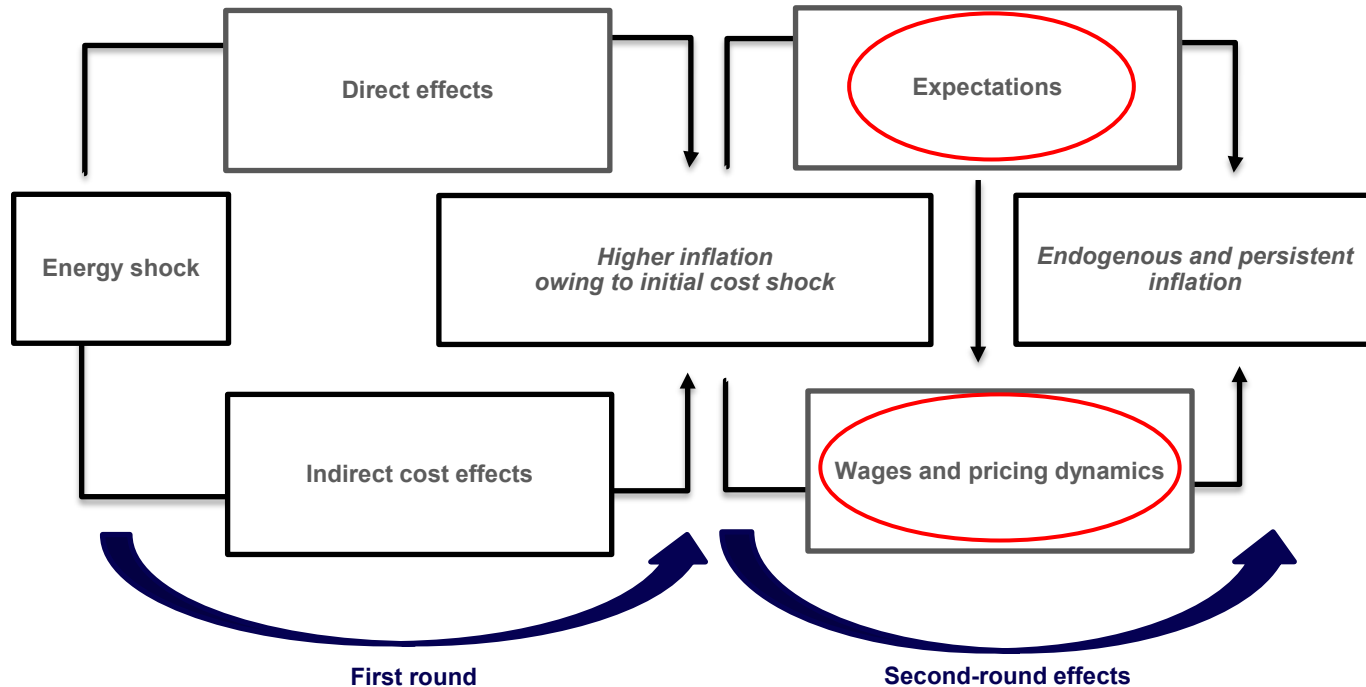
## Output prices (index)



Source: Eurostat.  
Notes: PMI output prices.  
Latest observation: June 2026.

# Energy price shock can feed into broader inflationary dynamics

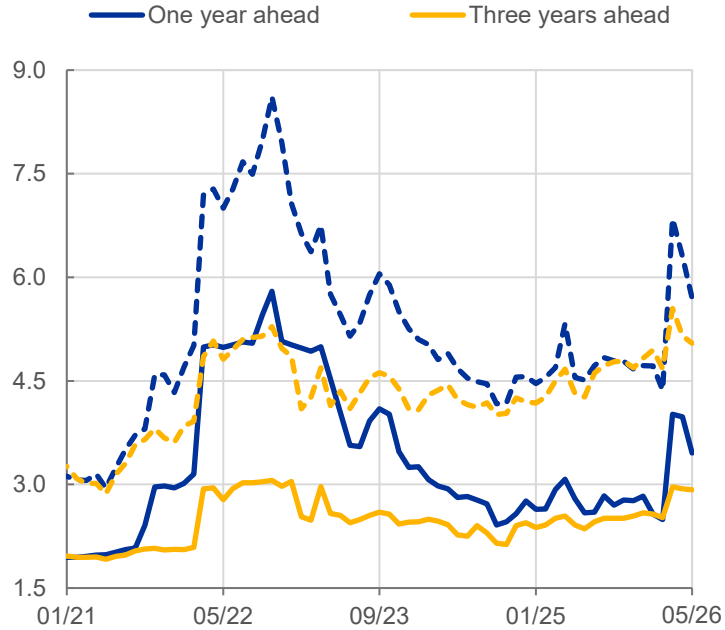
## Stylised transmission channels of an energy price shock to consumer prices



Source: ECB.

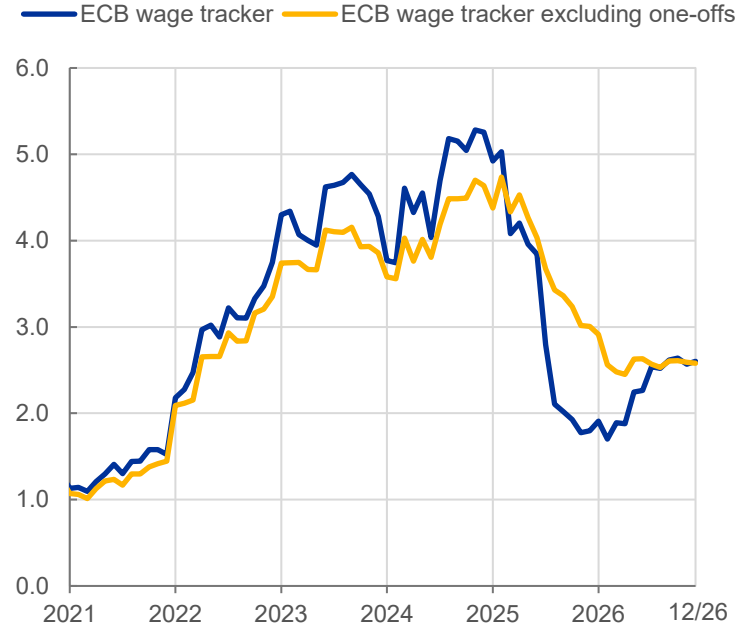
# Consumer inflation expectations have increased, but no sign of wage pressures yet

## Consumer inflation expectations (annual percentage changes)



Sources: Eurostat and ECB Consumer Expectations Survey (CES).  
Notes: The dashed line indicates the winsorised mean, while the solid line represents the median.  
Latest observation: May 2026.

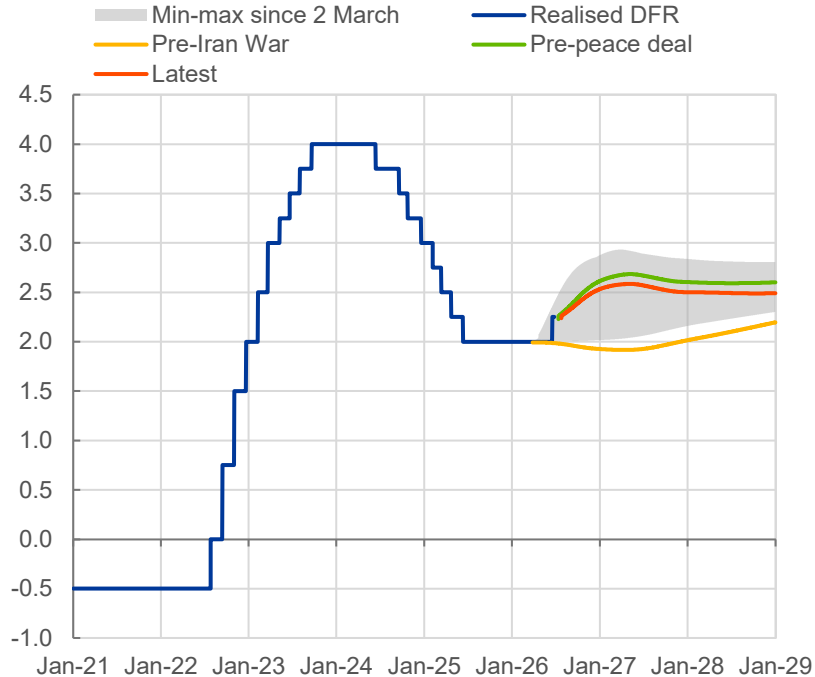
## ECB wage tracker (annual percentage changes)



Sources: Eurostat and ECB wage tracker.  
Latest observation: December 2026.

# ECB is expected to raise rates further to bring inflation back to 2% over medium term

## ECB policy rate (percentages)



Sources: Bloomberg and ECB calculations.

Notes: Realised and implied ECB deposit facility rate. "Pre-Iran War" refers to 27 February 2026 while "Pre-peace deal" corresponds to 12 June 2026.

Latest observation: 25 June 2026

## Distribution of expected ECB policy rate (densities)



Sources: ECB and ECB calculations.

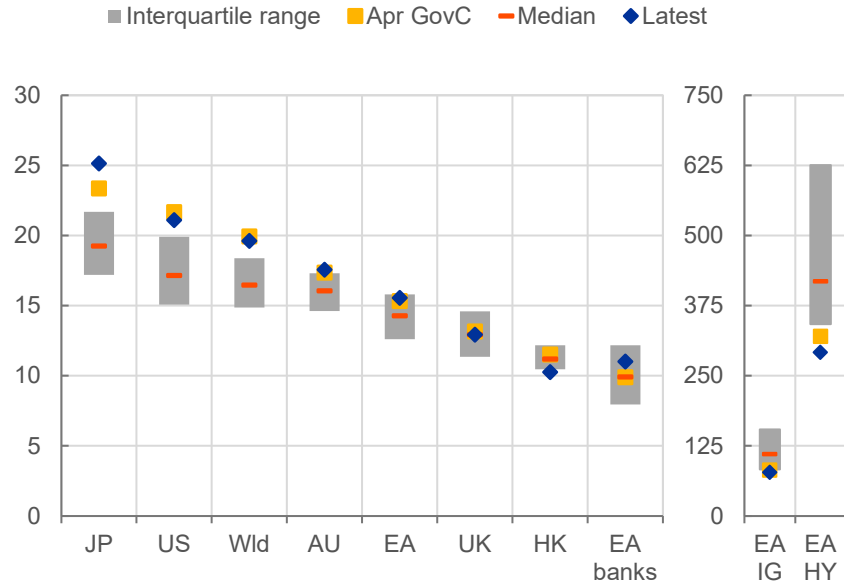
Notes: Implied density of 3-month EURIBOR in 12 months' time on selected dates. "Pre-Iran war" corresponds to 27 February 2026 while "Pre-peace deal" corresponds to 12 June 2026.

Latest observation: 25 June 2026.

# Rising financial stability risks due to stretched risk asset valuations and higher leverage

## Equity and corporate bond valuations

(lhs: P/E ratios; rhs: basis points)



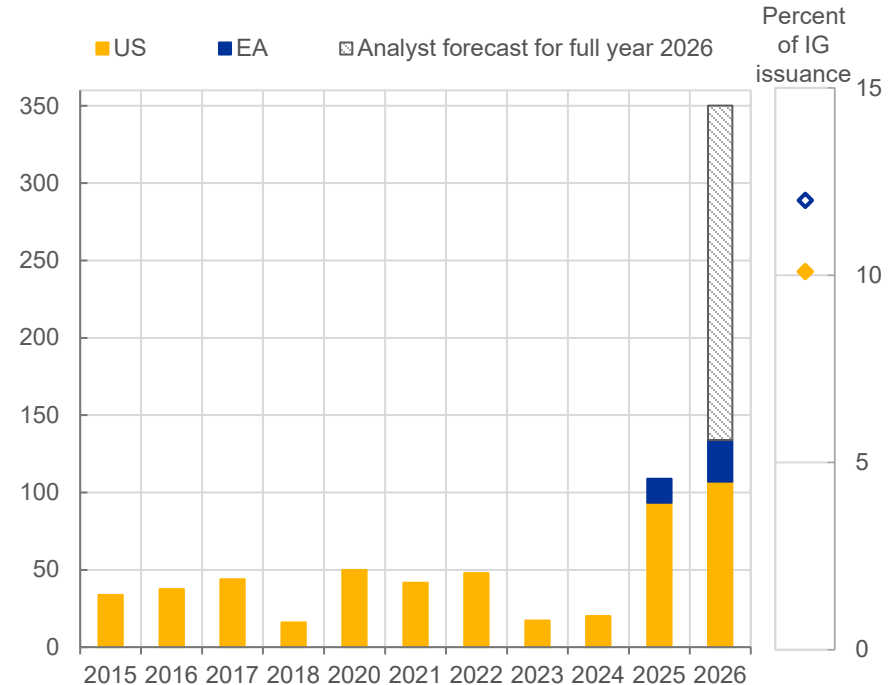
Sources: Bloomberg Finance L.P. and ECB calculations.

Notes: For equities, the boxplot shows interquartile ranges of one-year forward price/earnings ratios relative to the distribution since 2005. For bonds, the boxplot shows interquartile ranges of latest z-spread compared with distribution since 2000.

Latest observation: 25 June 2026.

## Debt issuance by US hyperscalers

(USD billion; percentages)



Sources: Bloomberg and ECB calculations.

Notes: US hyperscaler companies include Microsoft, Meta, Alphabet, Amazon and Oracle. The blue bar includes hyperscaler issuance in the euro area in EUR (called Reverse Yankee). For 2026 the blue and yellow bar includes issuance until May 2026. The shaded bar is based on Morgan Stanley's hyperscaler forecasts (on 26 May 2026) for the entire year 2026 and includes Reverse Yankees.

Latest observation: 19 June 2026.

**Thank you very much for your attention!**