Decoupling of crude oil and fuel prices increases inflation risks

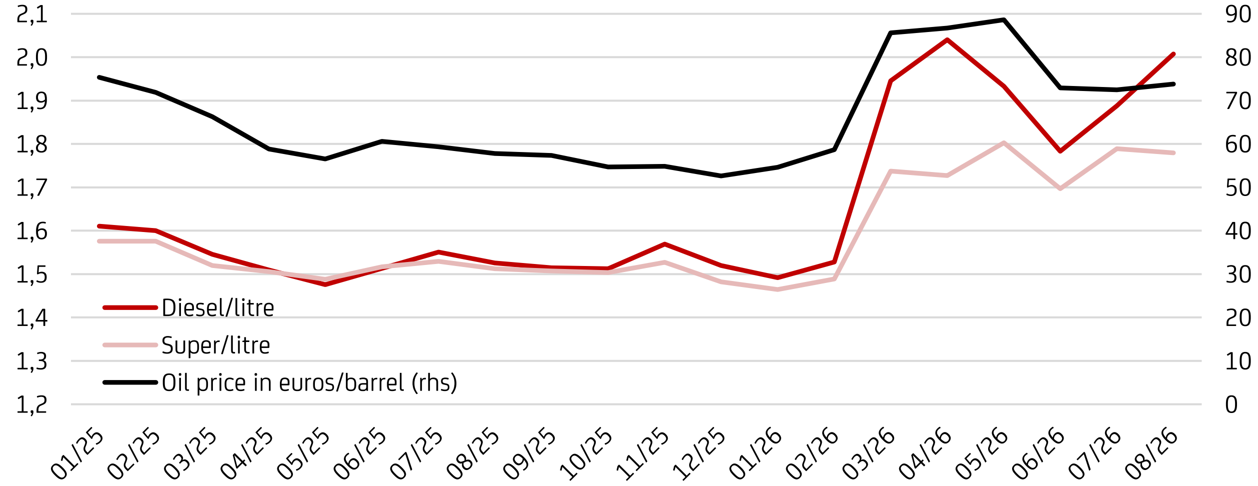
August 2026

bankaustria.at

Bank Austria
Member of UniCredit

Overview

Crude oil price and fuel prices in Austria
(Euro/bbl resp. euro per litre)



Source: Macrobond, BMWET, Unicredit Bank Austria

DECOUPLING OF CRUDE OIL AND FUEL PRICES INCREASES INFLATION RISKS

- **The supply bottleneck has shifted along the value chain from the crude oil market to global refining capacity.**

  While crude oil exports from the Gulf region have largely stabilized and sufficient crude oil appears to be available, processing into gasoline, diesel and kerosene remains limited.

- **Crack spreads as a measure of the profitability of the refining sector continue to signal high market tension and high refining margins.**

  The increased refining margins act as a buffer between the crude oil market and the pump and prevent falling crude oil prices from being quickly passed on to consumers.

- **Fuel prices in Austria have fallen much less sharply than crude oil prices.**

  Since their peak, crude oil prices have fallen by more than 20 percent, while net prices for diesel and premium gasoline have fallen by only about 5 percent.

- **Geopolitical tensions in the Middle East remain a major risk factor for the development of crude oil prices.**

  Despite the stabilization of crude oil exports from the region, persistent uncertainties regarding transport routes, security of supply and production losses continue to pose significant market risks.

- **Limited refining capacity could keep energy inflation elevated for longer, even as crude oil prices fall.**

  Although crude oil prices have recently declined, energy prices in Austria were still 5.7 percent above the previous year's level in July and even rose by 1.2 percent compared to the previous month.

- **The monetary policy challenges for the ECB are increasing.**

  The decoupling of crude oil and fuel prices weakens the inflation-dampening effect of falling crude oil prices. Given the upside risks to inflation, the ECB's monetary tightening cycle does not appear to be complete, and a more restrictive stance could be maintained for longer.

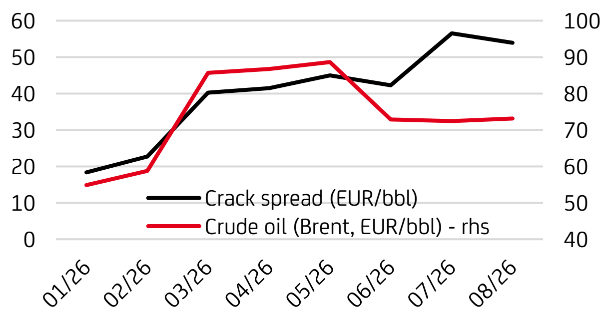
.

EASING OF CRUDE OIL PRICES, BUT CONTINUED FUEL PRICE PRESSURES

While international crude oil prices have eased somewhat after the recent geopolitical tensions, the situation on the global fuel markets remains tense. This is no longer primarily due to concerns about crude oil supply, but to persistent bottlenecks in refining capacities.

An important indicator of this are the so-called crack spreads. They are widely used measure of refinery profitability and capture the difference between the value of refined products and the price of crude oil. These are currently at their highest level since the energy crisis of 2022. The development shows that the bottleneck has shifted along the value chain: While the availability of crude oil is improving, the conversion into gasoline, diesel and aviation fuel remains limited.

Oil market discrepancy: 3-2-1 crack spread versus crude oil price



Source: RBN Energy, UniCredit Bank Austria
Notice: The 3-2-1 crack spread approximates a theoretical refinery crude oil yield that produces two barrels of gasoline and one barrel of diesel from three barrels of crude oil.

Markets are signaling that there is enough crude oil available, but processing capacity is not keeping pace. As a result, prices for refined products remain high, even if crude oil prices ease.

CAPACITY CONSTRAINTS IN THE REFINING SECTOR CONTINUE TO PUT PRESSURE ON FUEL PRICES

Several factors contribute to this development. Although crude oil exports from the Gulf region have largely stabilized, numerous refineries in the Middle East continue to operate below their technical capacity. At the same time, failures of Russian refineries have further tightened the global fuel supply. According to the International Energy Agency (IEA), up to ten percent of the world's refining capacity is currently only available to a limited extent or not at all.

The resulting capacity shortage has led to a significant increase in refining margins. This weakens the direct link between crude oil prices and retail prices. High refinery margins act as a buffer: rising crude oil costs are not necessarily passed on to consumers immediately and in full, while falling crude oil prices often take a long time to reach the prices of gasoline, diesel and heating oil.

The refinery margin thus acts as a link between the commodity market and end-user prices at the pump. This effect can be particularly pronounced in phases of limited refining capacity, as we are currently seeing, as the margin accounts for an unusually high share of the final price. In such situations, fuel prices are no longer determined solely by the price of crude oil, but increasingly by the availability and utilization of the refineries.

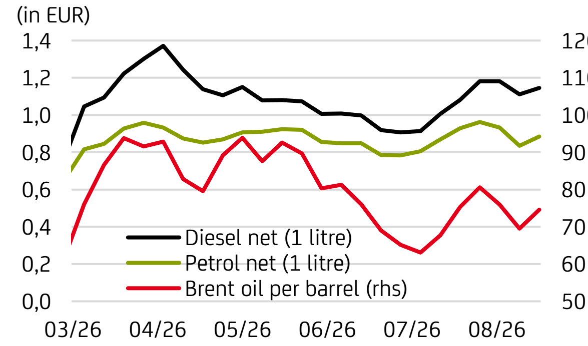
DECOUPLING OF CRUDE OIL AND FUEL PRICES ALSO IN AUSTRIA

In Austria, too, an increasing decoupling between the development of the crude oil price and the prices for diesel and premium gasoline has recently been observed.

While the price of crude oil has settled at just over 70 euros per barrel as a result of the relative calming of the situation in the Middle East and the release of strategic reserves, well below the highs of around 95 euros per barrel at the beginning of May 2026, fuel prices have fallen much less sharply.

Since their peak, crude oil prices have fallen by more than 20 percent. In the first half of August, end consumer prices at Austrian petrol stations were around 2.01 euros per litre of diesel and 1.78 euros per litre of premium petrol. After deducting VAT, mineral oil tax and CO_2 pricing, this corresponds to net prices of around 1.15 euros per litre of diesel and 0.88 euros per litre of petrol.

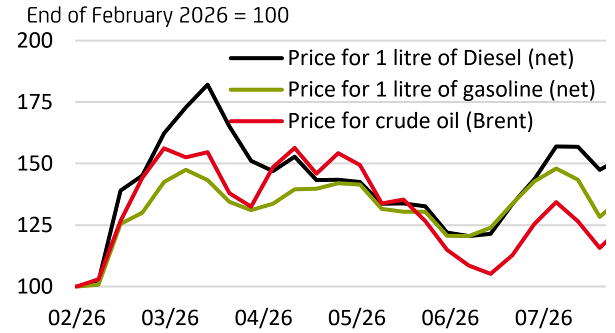
Development of crude oil price and fuel prices (net) since the beginning of the Iran war



Source: Macrobond, BMWET,

Compared to their highs at the end of March/beginning of April of 1.22 euros per litre of diesel and 0.93 euros per litre of premium petrol, net prices are thus only around 5 per cent lower. The significant decline in the price of crude oil was thus only partially passed on to consumers.

Development of crude oil price and fuel prices (net) since the beginning of the Iran war



Source: BMWET, UniCredit Bank Austria

At the same time, it is evident that fuel prices are reacting much more strongly to rising crude oil prices. In the first weeks of

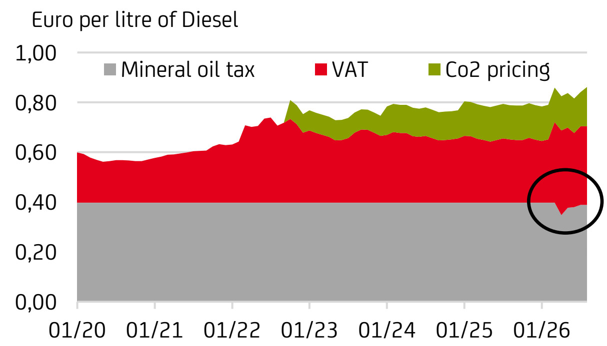
August, the world market price for Brent crude oil was still more than 30 percent above the level at the beginning of the year. However, net fuel prices in Austria exceeded the values at the beginning of the year much more: for diesel by almost 62 percent and for premium gasoline by around 44 percent.

ENERGY PRICES WEIGH ON INFLATION

This development is of considerable importance for the inflation trend, as energy prices remain at an elevated level despite falling crude oil prices. As a result, the dampening effect of lower raw material prices on consumer prices is limited.

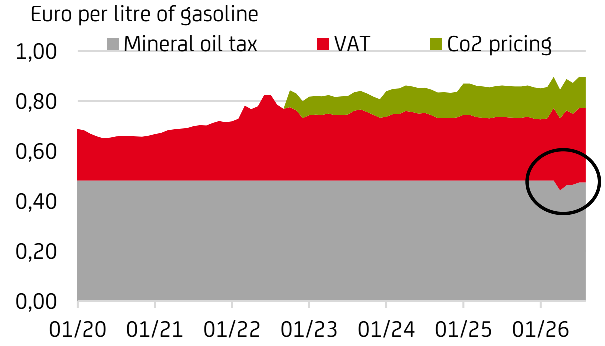
This effect is reinforced by the gradual withdrawal of government relief measures. The so-called fuel brake, which worked through a temporary reduction in mineral oil tax, has been successively reduced since spring. While the mineral oil tax was reduced by 5 cents per litre of fuel at the beginning of April, the tax relief now amounts to only 0.8 cents per litre. This means that a larger part of the market price development is passed on directly to consumers again.

Tax burden on diesel...



Source: BMWET, UniCredit Bank Austria

... and premium petrol



Source: BMWET, UniCredit Bank Austria

Although crude oil has become cheaper, prices for gasoline, diesel and kerosene remain at elevated levels due to tight refining capacity. For households and companies, this means persistently high energy costs. The result is comparatively stubborn energy inflation. Only slowly falling fuel prices have a direct impact on inflation. At the same time, higher transport and logistics costs are increasing the prices of numerous other goods and services, which means that price inflation is increasingly becoming entrenched across the economy.

The impact of the Iran conflict on inflation in Austria was mainly reflected in energy prices. After the inflation rate had fallen to around 2 percent in the first two months of the year, the sharp rise in crude oil prices led to a significant increase in the price of fuels and energy from March onwards. As a result, inflation rose again to over 3 percent.

Between March and July, energy prices accounted for an average of almost 20 percent of total inflation. With an average inflation rate of 3.2 percent, this corresponds to a contribution of more than 0.6 percentage points, although energy is only weighted at around 8.2 percent in the consumer price index.

Fuel prices had a particularly strong effect. Diesel, with a weight of 1.6 percent in the shopping basket, was responsible for around 13 percent of total inflation. Premium gasoline, weighing 1.25 percent, contributed almost 6 percent to average inflation since the beginning of the Iran conflict. Natural gas and heating oil also had a price-driving effect, while lower electricity prices partially cushioned the increase in energy prices.

At the beginning of the second half of the year, inflation has weakened again. According to preliminary estimates, it fell to 2.7 percent in July, falling below 3 percent for the first time since the outbreak of the Iran conflict. However, the relief effect of energy prices was weaker than expected in view of the significant drop in crude oil prices. Energy prices in July were 5.7 percent higher than in the previous year and thus even slightly higher than in June. Compared to the previous month, they rose by 1.2 percent, although the average price of crude oil fell slightly. This underlines the ongoing decoupling between crude oil and fuel prices and the importance of high refining margins for the current inflation trend.

CHALLENGE FOR MONETARY POLICY

The challenge for monetary policy is that a decline in crude oil prices usually leads to lower energy prices and thus lower inflation. At present, however, this mechanism only works to a limited extent. Although the commodity markets have eased somewhat recently, energy prices for consumers remain at an elevated level.

The European Central Bank (ECB) cannot eliminate the causes of this development through monetary policy measures, as these are mainly supply-side bottlenecks. Nevertheless, it must react to the resulting inflation risks. If the decoupling of crude oil and fuel prices continues, energy prices are likely to keep inflation high in Austria in the coming months. This is indicated by the continued limited refinery capacities, uncertainties in transport and supply, and ongoing disruptions in the international oil market. In addition, the impact of the heat wave on agriculture and food prices is another risk factor.

We therefore continue to expect an average inflation rate of 3.2 percent for Austria in 2026, which is well above the ECB's target. In the euro area, too, inflation is likely to be above the target value at an average of 2.9 percent.

Ongoing tensions in the Middle East support our view that the monetary tightening cycle is not yet complete. Risks to price stability remain upward due to energy prices. At the same time, economic activity and labor markets have so far proven to be comparatively robust. This should strengthen the ECB's willingness to tighten monetary policy further if necessary to prevent the energy shock from leading to broader and lasting inflationary impulses.

We therefore continue to expect a final interest rate hike of 25 basis points in September. Unless there is another significant escalation on the energy markets, the deposit rate is likely to reach its highest level of 2.50 percent afterwards. However, the risks have increased that the expected decline in inflation will be delayed and require a longer period of restrictive monetary policy.

SUMMARY AND OUTLOOK

International crude oil prices have eased somewhat after the recent geopolitical tensions, but fuel prices remain high. The main cause is currently not bottlenecks in crude oil supply, but limited refining capacities. This is reflected in the unusually high refinery margins (crack spreads), which indicate that the processing of crude oil into fuels has become a crucial bottleneck.

According to the IEA, significant refining capacities continue to be restricted worldwide, including due to technical problems in the Middle East and failures of Russian rrefineries. As a result, falling crude oil prices are only passed on to consumers with a delay and to a lesser extent. The refinery margins act as a buffer between the crude oil market and retail prices and ensure that fuel prices remain at an elevated level even when crude oil prices fall.

This development is also evident in Austria. While the price of crude oil has fallen by more than 20 percent since its highs, net prices for diesel and premium gasoline have fallen by only about 5 percent. At the same time, fuel prices reacted much more strongly to the previous increase in crude oil prices. The decoupling of crude oil and fuel prices means that the relief for households and companies remains limited despite cheaper crude oil.

This has important consequences for inflation. Since the beginning of the Iran conflict, high energy prices have contributed significantly to the price increase in Austria and continue to cause inflationary pressure. Since the causes are mainly based on supply bottlenecks, the ECB can only influence this development to a limited extent. Against this background, we continue to expect an inflation rate of 3.2 percent for Austria on average in 2026. At the same time, the likelihood increases that the ECB will continue its monetary policy tightening course in order to counteract a permanent consolidation of inflation.

The geopolitical situation in the Middle East remains a significant risk factor for future development. New tensions around Iran or possible disruptions to shipping through the Strait of Hormuz could cause crude oil prices to rise significantly again. Nevertheless, the greater challenge seems to lie less in crude oil supply than in limited refining capacity.

Developments on the energy markets show that additional crude oil volumes alone are not sufficient to sustainably reduce fuel prices. The decisive factor will be how quickly global refining capacities become fully available again and can meet the demand for gasoline, diesel and kerosene. In any case, the risks are clearly pointing upwards.

MORE TO READ

We invite you to visit the economic analyses on Bank Austria's website: www.bankaustria.at under "Direct access – Markets & Research - Analyses & Research" in the section "Economic Research Austria" or directly at http://www.bankaustria.at/en/about-us-publications-economic-research-austria.jsp .

If you would like to receive information on our most recent publications by e-mail, please subscribe to the newsletter Bank Austria Economic News via e-mail: econresearch.austria@unicreditgroup.at

AUTHOR

Walter Pudschedl, Senior economist, UniCredit Bank Austria (walter.pudschedl@unicreditgroup.at)

LEGAL INFORMATION:

These publications do not constitute investment advice, investment recommendations, marketing communications, or financial analysis. In particular, they are not an offer or solicitation to buy or sell securities and do not constitute a solicitation to make such an offer. They are intended solely as initial information and are no substitute for advice based on the individual circumstances and knowledge of the investor.

It is an analysis based on publicly available economic data. Despite careful research and the use of reliable sources, no responsibility can be taken for completeness, correctness, timeliness and accuracy.

Any investment in securities involves risks. The value of the investment and the income from it may fluctuate suddenly and substantially and therefore they cannot be guaranteed. There is a possibility that the investor will not receive back the full amount invested, particularly if the investment is held for only a short time. In some circumstances, a total loss is also possible.

Possible (return) payments from the product may not protect investors against inflation risk. There can be no assurance, therefore, that the purchasing power of the capital invested will not be affected by a general increase in the prices of consumer goods. Figures and information on performance refer to the past and past performance is not a reliable indicator of future results.
Only in the context of an investment advisory service can UniCredit Bank Austria AG take into account the personal circumstances of the customer (investment objectives, experience and knowledge, risk appetite, financial circumstances and financial loss tolerance) and carry out a product-specific suitability test.

We would like to point out that the tax treatment depends on the personal or company circumstances of the investor and that the information on tax advantages is provided on the basis of the current legal situation, which may be subject to future changes and for which no information can be given as to whether they will be continued.

IMPRINT

Disclosure according to Sections 24 and 25 of the Austrian Media Act (Mediengesetz - MedienG):

Published by:
UniCredit Bank Austria AG
1020 Vienna, Rothschildplatz 1,
which is also the media owner.
Business objective: credit institution pursuant to Section 1 (1) of the Austrian Banking Act (Bankwesengesetz)

Persons authorised to act on behalf of the media owner (Management Board):
Ivan Vlaho, Albert Angersbach, Daniela Barco, Hélène Buffin, Dieter Hengl, Emilio Manca, Marion Morales Albiñana-Rosner, Svetlana Pancenko.

Supervisory Board of the media owner:
Gianfranco Bisagni, Aurelio Maccario, Livia Aliberti Amidani, Christoph Bures, Richard Burton, Tamara Haas, Judith Maro, Herbert Pichler, Eveline Steinberger, Doris Tomanek, Roman Zeller.

Interests held in the media owner pursuant to Section 25 of the Austrian Media Act:

UniCredit S.p.A. holds 99.996% of the shares in the media owner (key details of the shareholder structure of UniCredit S.p.A. are available at https://www.unicreditgroup.eu/en/governance/shareholder-structure.html).

"Betriebsratsfonds des Betriebsrats der Angestellten der UniCredit Bank Austria AG, Region Wien" (the Employees' Council Fund of the Employees' Council of employees of UniCredit Bank Austria AG in the Vienna area) and "Privatstiftung zur Verwaltung von Anteilsrechten" (a private foundation under Austrian law; founder: Anteilsverwaltung-Zentralsparkasse; beneficiary: WWTF – Wiener Wissenschafts-, Forschungs- und Technologiefonds) have a combined interest of 0.004% in the media owner.

MobileBanking App
Simply download it from your provider's app store.
All information: mobilebanking.bankaustria.at

Our customer service on the internet
bankaustria.at/customer-support

Our branches throughout Austria
filialfinder.bankaustria.at

You can find us on:

This **information** was prepared by UniCredit Bank Austria AG, Rothschildplatz 1, 1020 Vienna (media owner and publisher).
Misprints and errors excepted.
Status: August 2026