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ENERGY SHOCK: INTERNATIONAL ECONOMIC IMPACT

The world economy is functioning unstable in modern conditions: there are geoeconomic fragmentations, the spread of risks, conflicts, shocks, crises beyond the regions of their origin. The globalization linkages are determining the international spread of the influence of regional political, commodity and financial shocks.

Russia's military aggression in Ukraine in 2022 caused an energy shock in Europe, which quickly spread around the world. The Middle East war of 2026 caused the energy shock of global scale.

Shocks are a specific form of instability that arise as unexpected changes in economic parameters, have a rapid spillovers. affect changes and dynamics of economic processes on the scale of the national, regional or world economy,

Energy shocks in the world arose as a result of military conflicts, global upheavals and structural transformations with a concentration on the energy sector.

The 2020 pandemic was accompanied by restrictions, which led to a sharp reduction in business and social activities, a fall of GDP in the world, an energy demand shock emerged, soaring prices for oil, refined products and gas.

Russia's wars in Ukraine since 2022 has led to scaled sanctions against Russian oil and gas supply to the European market, have made gradual contractions and ignited energy shock in Europe, which then spread around the world.

The modern energy shock arose as an unexpected sharp disruption of the normal functioning of the international economy under the influence of war, The energy shocks of the modern Middle East war has blocked the supply of oil and other goods to world markets, the rapid growth of prices for oil, gas and refined products, affect the international economy at contingent scales.

War in Iran rapidly started in late February 2026 and chaotically continues with no clear prospect for settlement. Iran blocked the Strait of Hormuz – the most important chokepoint of the world energy flows – and extended war in the region by launching air and missile strikes on surrounding Gulf countries.

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Important features of the Middle East war have influenced the emergence of energy shock and its scale:

– unexpected start of the war, which caused rapid disruptions of oil and gas shipping;

– war started in the unstable region of political contradictions and important for world markets;

– war has disrupted the international supply chains of oil and other critical goods;

– shock and parties contradictions have ignited high degree of uncertainty of the terms and conditions of the end of the war.

The main economic outcomes of energy shocks initiated by the war in Iran can be considered sucj as:

– disruption of international supply chains as a result of Iran's blockade of the Strait of Hormuz as the main route for supplying the Middle East originated hydrocarbons and other commodities to the world markets;

– elevated and volatile oil and gas prices:

– Increase of currency cost of energy for importers and pressure on the domestic currencies exchange rates;

– elevated energy inflation influencing the consumer and core inflation

– reduction in production and supply of basic commodities in the Middle East – oil, petroleum products, liquefied natural gas, other commodities- as a result of missile and air strikes on Iran, infrastructure and energy facilities of the Persian Gulf countries;

– reduction in supply and shortage of oil products and liquefied gas to the main market for Middle Eastern fuels in Asia, reorientation of international oil cargoes to Asian markets, which affected the prices of energy imports in Europe;

– rapid growth of international base prices for oil and petroleum products, which affected the increase of prices in other markets, including oil-producing countries as the USA;

– Iran's tough position on negotiations to end the war, which increases the uncertainty of its terms, affecting time and scale of shocks;

– spread of supply problems to other commodities originating from the Middle East;

– spread of the impact of shocks from raw materials markets to food markets, production of consumer goods and services;

Elevated oil prices are key energy shock impact on international economy. Statistics of the oil prices for the period since the Middle East war begins shows rapid increase from average Brent price in pre-war time in 70 USD per bbl/d to peak price of 114 USD bbl/d two stages of energy shocks can be distinguished: The rapid increase in Brent quotations from March 1 to May 4, 2026, when the price increased by $70.8 to $1141 per barrel on statistics May 4, 2026, or roughly 63% [1]. Since peak the price fluctuated in a range between 80 USD bbl/d to 100 USD bbl/d, depending on the risks associated with political, military and market conditions.

The main economic consequence of shocks is an increase of inflation expectations, energy inflation and consumer prices. The increase of consumer inflation would pass-through on wages, production cost and core inflation with effect on economic growth.

The economic and financial impacts of energy shocks are taking place while expectation of inflation occurs after a long period of tough anti-inflationary policies of developed countries. This enforced the risks of a uncertain inflation or possibly leading to stagflation. Energy supply shocks can increase fiscal and payment deficits, and pressure on electricity prices in oil and gas importing countries.

The main financial consequences of current global shocks in Europe are the increase in energy import costs and the strengthening of inflation expectations. According to expert estimates, additional energy import costs tend to increase. Inflation in Eurozone [2]. In conditions of shock uncertainty iy raises an importance of using scenario forecasting and planning for risk assessment.

Table 1

Selected indicators of inflation in Eurozone in 2926, %

	August 2025	**May 2026**	**June 2926**	**July 2026**
Consumer prices	2,0	2,4	2,8	3,3
Energy prices	-2,0	10,8	8,5	14,3
Non-energy industrial	0,7	0,9	0,7	1,2

Source: compiled using Eurostat data [3]

The data shows a rapid increase of energy inflation since May 2926 to high levels and goes highly volatile. its influence on the increase of consumer prices to 3,3% and industrial prices since July 2026. Such increase is well above the EU inflation target and put requirement to the strengthening of ECB monetary policy

Inflation forecast reflects the uncertainty of the modern European economy, which as a whole and leading countries have very moderate economic growth rates and need to strengthen international competitiveness. In today's conditions, this will also significantly increase the need for energy efficiency and stability.

Energy shocks create additional challenges for the Ukrainian economy in times of war. Energy transformation and diversification of oil and electricity supplies are becoming key tools for enhancing resilience. The use of renewable energy sources is becoming increasingly viable in economic terms.

Energy shocks put attention to resilience and attractiveness of alternative energies as well as energy efficiency. The main regulatory measures of post-shock stabilization are outlined such as oil reserves upgrading, rational demand and use of alternative energy sources. The Middle East war energy shocks impact on the war-affected Ukraine are considering with an emphasis on the measures for security, resilience and decentralization.

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