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Surging fuel costs risk creating new split in the eurozone

Higher fuel prices are hitting households across the eurozone. The impact on consumption, however, will be anything but uniform



With higher taxes, fuel prices in Italy are at the higher end of the scale in the eurozone.

The war in the Middle East has been going on for [almost three months](#) and disruptions to oil flows through the Strait of Hormuz have pushed prices sharply higher. While oil traded at around USD 70 per barrel at the end of February, prices have averaged roughly USD 110 since early March.

The oil price shock has quickly filtered through to households. Filling up has become noticeably more expensive across the eurozone, albeit to very different degrees. Compared with the week before the joint US-Israeli strike on Iran, the price of a 50-litre tank of unleaded petrol has risen by an average of between €5.00 in Spain and €13.50 in Germany. For diesel, the average increase has been even steeper, ranging from €15.65 in Italy to €23.00 in the Netherlands.

The biggest differences across eurozone countries were seen in late March and early April, coinciding with the spike in oil prices. Some of these gaps have since narrowed, partly due to temporary fiscal measures in several eurozone countries.

A slow burn for household budgets

If fuel prices were to remain at current levels for the rest of the year, annual fuel expenses would rise by roughly €70 in Italy and up to €280 for petrol in the Netherlands compared to

last year. For diesel, the additional burden would range from €190 to €430. And for those still remembering the 2022 energy price shock: annual fuel expenses (in nominal terms) in the eurozone would be between 2% (Austria) and 15% (the Netherlands) higher than in 2022.

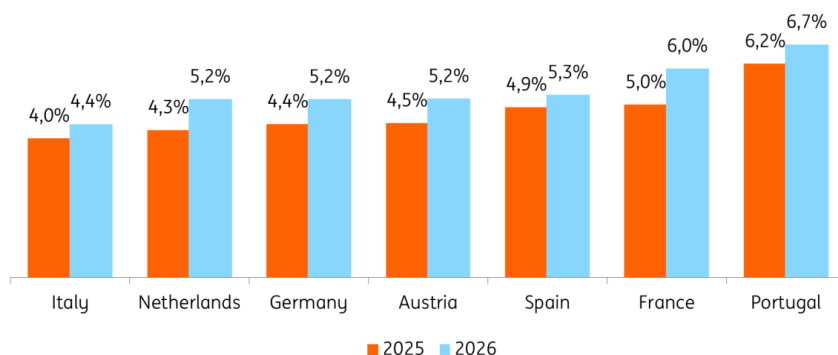
While this increase in fuel prices alone could undermine private consumption, it will do so more unevenly than many might think.

Across the eurozone, the share of disposable income spent on fuel differs markedly. Last year, households in Italy spent around 4.0% of their disposable income on fuel, compared with 6.2% in Portugal. Interestingly, this gap does not reflect cheaper fuel in Italy. On the contrary, with higher taxes, fuel prices there are at the higher end of the scale in the eurozone. The gap instead points to differences in driving habits, with Italians driving relatively few kilometres per year, and lower income levels in Portugal limiting the ability to absorb higher costs.

The increase in fuel prices so far, excluding any additional fiscal measures, is likely to widen the difference between eurozone countries in the share of disposable income spent on fuel. In the Netherlands, the sharpest absolute rise in fuel costs is pushing households to spend a much larger share of their disposable income on fuel than a year ago. Germany, France, and Austria, where people tend to drive more, are likely to face greater additional financial burdens as well, while Italy and Spain should see a more moderate increase. In Spain, the temporary reduction in the VAT rate on fuel from 21% to 10% dampens the price effect. In Italy, the below-average mileage is providing some relief.

Share of annual disposable income per capita spent on fuel

(in % of gross disposable income)



Source: European Commission; Odysee Mure; ING Economic & Financial Analysis; based on avg. fuel consumption of 7.35 l per 100 km; 2026 based on the assumption that the price from the 19th CW will apply for the rest of the year; European Commission forecast for disposable income per capita in 2026.

Why households won't be able to adapt quickly

In theory, households could try to cushion the shock by driving less. In practice, the experience of recent years suggests there is only limited room for that adjustment. Significant deviations from the long-term average only occurred during the pandemic years, when widespread working-from-home arrangements reduced the need to commute. Since then, mileage patterns have started to normalise, suggesting limited scope for households to offset higher prices by changing their driving habits. In fact, in most countries, average mileages are still very similar to pre-pandemic levels.

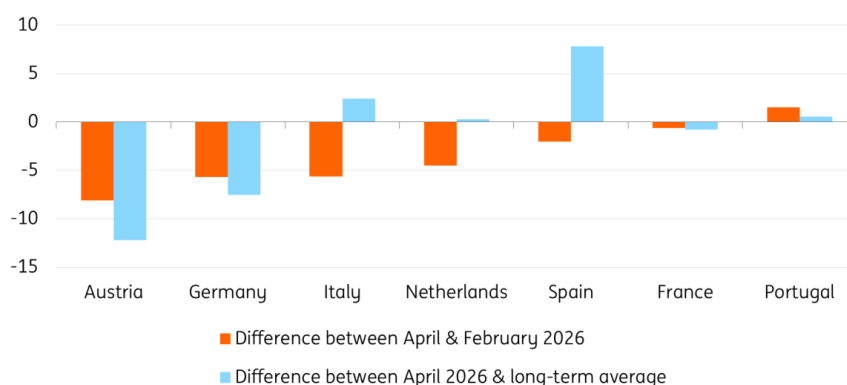
In other words: higher prices at the pump are more likely to hit consumption elsewhere than behaviour. As a result, higher fuel costs are likely to increasingly crowd out discretionary spending.

Higher gasoline prices fuel new divergence

This divergence in fuel price developments and the impact on disposable income is not just theoretical, it is already starting to show up in consumer sentiment. According to the latest European Commission survey, willingness to spend has dropped sharply in Germany and Austria – countries where disposable income is set to be among the hardest hit by rising fuel costs. Here, willingness to spend is also well below the long-term average.

DG ECFIN Consumer Survey: Change in willingness to spend

(Major purchases over the next 12 months; net balance)



Source: LSEG Datastream; ING Economic & Financial Analysis

Italy and Spain have also seen a decline, but spending intentions remain above their long-term averages. In France and Portugal, consumer appetite has so far held up relatively well – possibly because households there are already used to allocating a larger share of income to fuel.

Higher fuel prices are not only an energy story in the eurozone. They are quickly turning into a consumption story, and an increasingly asymmetric one. As households across the eurozone are forced to spend more at the pump, cutting down on other discretionary spending will diverge sharply across countries.

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