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Oil Price Uncertainty and Euro Area Inflation

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Extended Abstract

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Abstract Summary

This paper extends the existing literature by the impact of oil price uncertainty on euro area inflation at either the aggregate or disaggregated level. The results reveal pronounced sectoral heterogeneity. At the disaggregated level, several branches (particularly those related to energy and durable goods) display positive and gradually increasing price responses, whereas other sectors show weaker or even negative reactions. However, many of these responses are not statistically significant. When aggregated, these heterogeneous sectoral dynamics tend to offset each other, resulting in relatively modest and statistically weak responses of total PPI and HICP. Overall, the findings suggest that increases in oil price uncertainty do not generate uniform inflationary pressures across the economy. Instead, the transmission mechanism operates unevenly across branches and appears to be driven mainly by demand and expectation channels rather than by direct cost-push effects. These results indicate that monetary authorities should interpret oil-related uncertainty shocks differently from conventional oil price shocks, as their inflationary implications are more limited and heterogeneous. Consequently, relying solely on aggregate inflation indicators may obscure important sectoral dynamics, highlighting the importance of incorporating disaggregated price information when assessing the macroeconomic effects of energy-related uncertainty shocks.

Presenting Author Biography

Rebeca Jiménez-Rodríguez received her Bachelor’s Degree in Economics from the University of Salamanca (1998), followed by a Master Degree’s in Quantitative Economics (2000) and a PhD in Economics from the University of Alicante (2003). She is currently Full Professor of Economics at the University of Salamanca. She has previously taught at the Universities of Alicante, Málaga and Autónoma de Barcelona, and was a post-doctoral Marie Curie fellow at the University of Salerno. She has also worked at the European Central Bank and the Bank of Spain. Her fields of interest include econometrics, energy economics and international economics.