

THE GEOPOLITICAL SHOCK IN THE STRAIT OF HORMUG AND THE FISCAL STABILITY OF THE EUROPEAN UNION: ENERGY, INFLATION AND DEBT TRANSMISSION MECHANISMS

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Abstract

This publication analyses the macroeconomic and fiscal implications for the European Union (EU) of the escalation of tensions and the potential blockade of the Strait of Hormuz in the Middle East. It examines the transmission channels through which the energy shock translates into inflationary and fiscal pressures on Member States. Special attention is paid to the asymmetric impact on individual economies within the EU, the vulnerability of highly indebted Eurozone countries and the direct implications for the overall budget of the Union.

Key words: Supply chain; inflation; public debt; budget deficit

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