

Diesel shortages Why the global economy has more to fear than rising petrol prices

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Key Points:

- Diesel is the backbone of global transport, agriculture and industrial activity, making it far more important to the broader economy than petrol.
- Middle East supply disruptions and reduced Russian exports have tightened an already vulnerable market for refined products.
- Limited refining capacity and depleted inventories make it difficult to respond quickly to supply shortages.
- Persistently high diesel prices pose a significant inflation and growth risk, even if crude oil prices begin to ease.

Why diesel matters more than petrol

While rising petrol prices mainly affect motorists, diesel plays a much broader and more critical role in the global economy. It powers trucks, agricultural machinery, construction equipment and mining operations, while closely related middle distillates are used in shipping, aviation and heating.

As a result, higher diesel prices feed directly into the cost of producing and transporting goods, from food and raw materials to manufactured products. This makes diesel a particularly important driver of inflation, with consequences extending well beyond the energy sector.

Why is diesel in short supply?

The current shortage reflects a combination of disrupted refining capacity, reduced exports and depleted inventories. The Middle East conflict has severely affected regional production and shipments of refined products, while attacks on Russian refineries and export restrictions have further constrained global supply.

Crucially, recovering crude oil exports do not automatically translate into increased diesel availability. Refineries need the right crude grades, sufficient processing capacity and functioning infrastructure to produce the required volumes. These constraints cannot be resolved overnight.

Meanwhile, already depleted inventories leave the market particularly vulnerable to further disruptions, helping explain why diesel prices and refining margins remain exceptionally elevated.

A bigger threat to inflation and growth

Unlike petrol, where motorists can reduce discretionary driving, diesel demand is relatively difficult to cut in the short term. Goods still need transporting, crops harvesting and factories operating.

This creates a potentially damaging combination of persistent inflationary pressure and weaker

economic activity. Higher diesel costs are passed through supply chains, raising prices for businesses and consumers alike.

The key distinction in the current energy crisis is therefore not simply how much crude oil the world can produce and export, but how much usable fuel its refineries can deliver.

Until refined product supplies recover, lower crude oil prices alone may provide limited relief to the global economy.

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