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Falling Oil Prices May Not Bring Global Inflation Relief: What Is Keeping Prices High?

Global crude oil prices have declined, offering some relief to inflation-hit economies. However, persistent food prices, rising production costs and higher borrowing expenses continue to keep inflationary pressures elevated. According to S&P Global's November 2026 outlook, major central banks may continue increasing interest rates to control inflation. While cheaper oil could reduce transportation, manufacturing and energy costs, its benefits may take time to reach consumers. The global economy therefore faces a difficult balance between controlling inflation, supporting businesses and households, and sustaining economic growth.

By Riddhi Suthar · 24 November 2026 · 5 min read



S&P Global's November 2026 economic outlook highlights how falling crude oil prices may ease inflation while broader price pressures remain persistent.

In 60 seconds

1. Brent crude averaged approximately $96 per barrel during the first half of November 2026.
2. US core consumer prices increased by 0.3% month-on-month for the third consecutive month in October.
3. Eurozone headline inflation reached 4% in October, according to S&P Global.
4. S&P Global expects further interest-rate increases by the ECB and Bank of Japan in December.
5. Higher borrowing costs and persistent production expenses could constrain global economic growth.

The recent decline in international crude oil prices has raised hopes of relief for an inflation-hit global economy. However, cheaper oil does not necessarily mean cheaper goods, lower household expenses or an immediate shift towards easier monetary policy. Persistent food prices, rising production costs and tightening financial conditions continue to complicate the global economic outlook.

According to S&P Global Market Intelligence's November 2026 Global Economic Outlook, falling crude oil prices are expected to ease some energy-related inflation pressures. Nevertheless, broader price pressures are emerging, prompting expectations of further interest-rate increases by major central banks.

The development highlights a significant challenge for policymakers: controlling inflation while avoiding excessive damage to economic growth.

Falling crude oil prices offer only partial relief

S&P Global reported that Brent crude averaged approximately $96 per barrel during the first half of November 2026, following a peak of more than $116 per barrel in late October.

The decline was supported by renewed expectations of a possible resolution to the conflict involving Iran and the eventual normalisation of oil production and shipping flows through the Strait of Hormuz.

Lower crude prices can reduce the cost of transportation, electricity generation and industrial production. For countries that depend heavily on imported energy, this can also help reduce import bills and ease pressure on trade balances.

However, the benefits are not immediate or uniform. Retail fuel prices depend on refining costs, transportation, taxes, distribution margins and currency movements. Consequently, a decline in international crude prices does not automatically translate into an equivalent reduction in consumer prices.

S&P Global's baseline forecast places Dated Brent at $110 per barrel in December 2026, declining to $83 by the end of 2027 and $70 by the end of 2028. These are forecasts, not guaranteed market outcomes.

Why inflation remains persistent

Energy is an important component of inflation, but it is not the only factor determining the overall price level.

S&P Global identified signs of broader price pressures beyond energy. In the United States, core consumer prices increased by 0.3% month-on-month in October, marking the third consecutive month of similar growth. The three-month annualised increase was approaching 4%.

Core inflation excludes food and energy prices because they can fluctuate significantly. It is therefore an important indicator of underlying inflationary trends.

Food prices are another concern. In the eurozone, headline inflation reached 4% in October, while core inflation remained at 2.5%. S&P Global attributed emerging food-price pressures partly to exceptionally hot and dry weather conditions during the European summer.

These developments demonstrate why falling oil prices alone may not be sufficient to bring inflation under control. Higher costs can spread through supply chains, affecting manufacturing, logistics, agriculture and consumer goods.

Central banks face a difficult policy decision

Persistent inflation is complicating monetary policy decisions across major economies.

S&P Global expects the European Central Bank (ECB) and the Bank of Japan (BoJ) to increase their respective policy rates by 25 basis points in December 2026, taking them to 2.75% and 1.50%.

It also identifies an increased possibility of further monetary tightening by the US Federal Reserve in 2027, although its baseline forecast remains more cautious.

Higher interest rates make borrowing more expensive for households and businesses. Mortgage payments, business loans and financing costs can rise, discouraging consumption and investment.

For central banks, the challenge is to prevent inflation from becoming entrenched without slowing economic activity excessively.

The Bank of England's November 2026 Monetary Policy Report illustrates this dilemma. On 5 November, its Monetary Policy Committee increased the Bank Rate by 0.25 percentage points to 4%, citing inflationary pressures associated with the Middle East conflict.

What does this mean for businesses and consumers?

The combination of persistent input costs and higher borrowing rates creates pressure across the global economy.

For businesses, expensive energy, transportation, raw materials and financing can reduce profit margins. Companies may respond by increasing product prices, delaying expansion plans or reducing operating costs.

For households, persistent inflation reduces purchasing power, particularly when food, housing, transportation and utility expenses rise faster than incomes.

Small and medium-sized enterprises can face additional difficulties because they often have less

financial flexibility to absorb higher operating and borrowing costs.

The impact can also differ between countries. Energy-importing economies may benefit from falling crude prices through lower import bills, while countries with weaker currencies or significant domestic supply constraints may experience a slower reduction in inflation.

The outlook for global economic growth

Lower oil prices could support global economic activity by reducing production and transportation expenses. However, the benefits may be partly offset by tighter financial conditions and persistent inflation.

S&P Global notes that rising short- and long-term interest rates are making financial conditions less supportive of economic growth. It also highlights weaker economic signals from Japan and continued weakness in domestic demand in mainland China.

This creates a delicate balance for the global economy. If inflation remains elevated, central banks may maintain restrictive monetary policies for longer. If borrowing costs rise too sharply, investment, housing demand and consumer spending could weaken.

The coming months will therefore be important in determining whether lower energy prices translate into broader economic relief.

Conclusion

Falling crude oil prices provide an opportunity for global economies to ease some inflationary pressure, but they do not resolve the underlying challenges facing businesses, consumers and policymakers.

Persistent food and core inflation, supply-chain costs and higher borrowing expenses continue to influence the economic outlook. The central challenge for governments and central banks is to restore price stability without undermining economic growth.

Ultimately, the global inflation outlook will depend not only on where oil prices move next, but also on whether broader production costs and consumer prices begin to moderate.