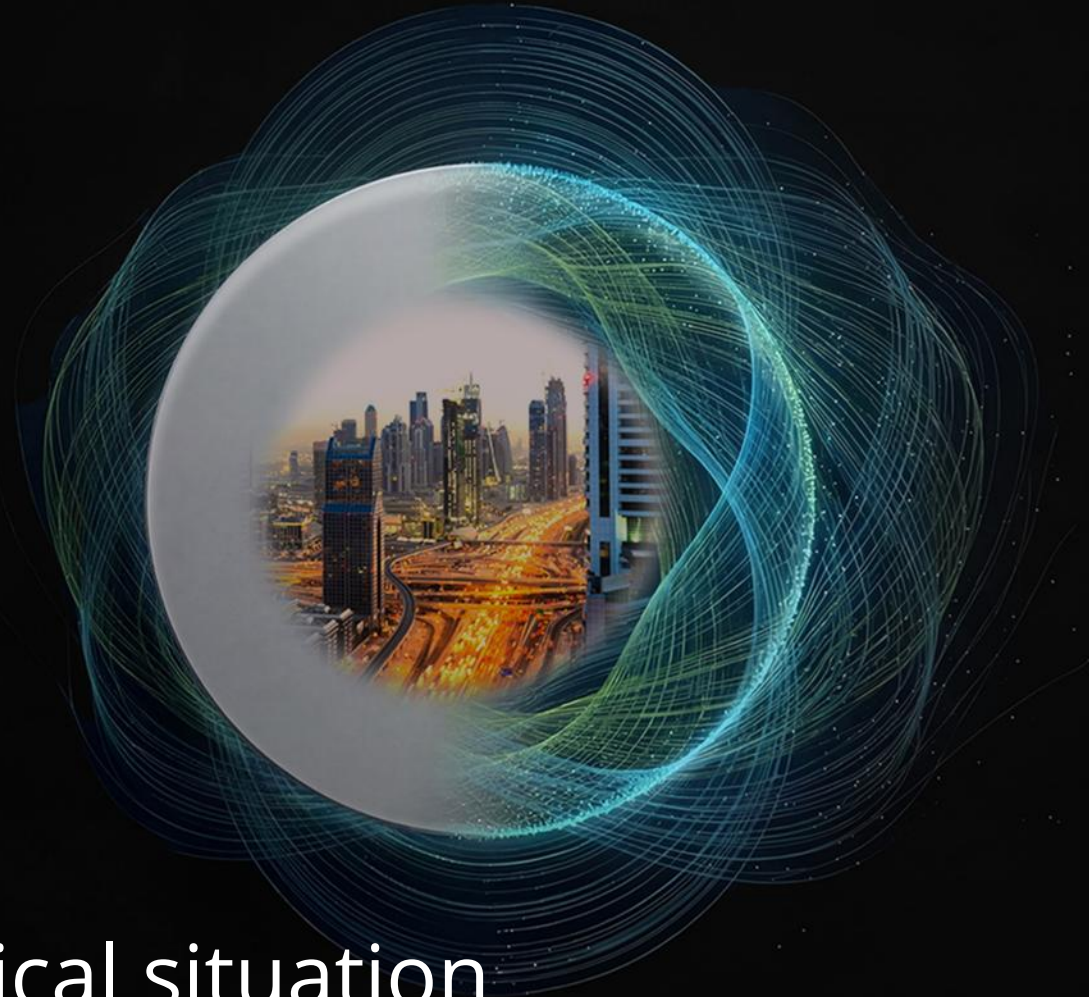


Deloitte.



Regional geopolitical situation

Economic Bulletin

April 8, 2026

Table of contents

- 1 Weekly overview
- 2 Weekly updates
- 3 Spotlight
- 4 Key news and events
- 5 Contact us

① Weekly overview



Oil flows restricted, the world mobilizes its response...

This week, the geopolitical tension intensified, evolving from regional strikes into a broader energy and economic shock. Renewed attacks on Gulf oil and industrial infrastructure, coupled with heightened tensions around the Strait of Hormuz, have kept global markets on edge. While some shipping has partially resumed through the Strait, it is operating under strict, politically controlled conditions, not free transit. This means that global oil flows remain constrained, slower, costlier, and uncertain due to delays, insurance, and geopolitical restrictions.

In response, global markets and policymakers have reacted with heightened volatility and risk pricing. Major institutions like the International Monetary Fund and World Bank have begun coordinating their response to these energy and economic impacts, while central banks explicitly warn of significant economic headwinds from higher energy costs and ongoing supply chain disruptions.

Restriction in the Strait of Hormuz^{1,2,3,4}

International Energy Agency (IEA)'s head reported a **12 million barrels per day oil supply loss** from the conflict so far, anticipating this month's disruption to be double that of March.¹

The **Strait of Hormuz remains effectively blocked** for free commercial transit. While some ships are reportedly are passing under highly controlled, permission-based systems, traffic remains minimal and selective.²

Global exports continue but are slower, more expensive, and uncertain due to delays, insurance costs, and geopolitical restrictions.³ Oil prices remain elevated, fueling global fuel shortage fears.⁴

Prolonged energy disruption^{5,6,7}

EU energy officials warn of prolonged energy disruptions, emphasizing the **need to take measures to proactively reduce fuel demand**.⁵

An IEA official noted that even a **swift reopening of the Strait would not immediately restore normal flows**, as damaged production facilities require time to resume operations.⁶

This week **saw several more attacks on energy and commodity infrastructure across the region**, including Kuwait's oil sector complex and Abu Dhabi's Bourouge petrochemicals plant.^{7,8} With around 40 key regional assets reportedly damaged, these attacks highlight lasting impacts; initial estimates suggest Qatar's LNG infrastructure could take up to five years for full recovery, and Abu Dhabi's aluminum complex up to 12 months to restore primary production.^{9, 10, 11}

Global policy responses

In response to the current situation, **policymakers globally are increasingly diverging based on fiscal capacity:**

- Higher-income economies, with greater budget flexibility, are leaning towards more expansionary stances and targeted support. For instance, the EU may consider easing budget deficit rules for member states, and South Korea has proposed an extra \$17 billion budget to cushion energy costs.^{12,13}
- Conversely, many emerging and lower-income economies are far more constrained, relying instead on targeted subsidies, spending reprioritization, and broader consumption management measures.¹⁴
- This highlights how the same energy shock is being absorbed very differently across the global economy, depending on available fiscal space and financing conditions.

Sources: 1. [IEA Statement](#); 2 [Vessels being let through](#) ; 3 [Hormuz disruption deepens global economic strain](#); 4 [World responds to oil shortage](#) ; 5 [European Commission Statement](#); 6 [IEA Head Statement](#); 7 [Kuwait complex struck](#); 8 [AD Bourouge plant strike](#); 9 [40 key regional assets damaged](#); 10 [Qatar LNG Contract](#); 11 [AD Aluminium Complex restoration](#); 12 [EU considers easing budget deficit rules](#); 13 [South Korea's proposed budget](#); 14 [How Asian Economies are reacting to the conflict](#)

...With economic effects now evident across the region and globally

Widespread global price impacts

The **situation's impact on prices** is evident worldwide, extending significantly beyond energy costs and directly **affecting consumers across diverse sectors**. This global price shock is uneven, disproportionately burdening energy-importing nations, lower-income economies, and those with limited safeguards.

A US Democratic Senator highlighted its pervasive reach, affecting "prices at the pump, groceries, utility bills, and even mortgages."¹ World food prices, as reported by the UN Food and Agriculture Organization, rose to their highest since September, with further increases expected.²

Similarly, **Eurozone inflation climbed to 2.5%** in March, primarily driven by these surging energy prices, demonstrating widespread impacts on everyday living costs.³

Weakening global growth outlook

This is also prompting revisions to global growth forecasts, with impacts materializing worldwide. The **OECD projects global growth at 2.9% for 2026**, stable from earlier forecasts, but notes that this masks a significant negative impact from the Middle East's geopolitical tension, as an upward revision was expected.⁴ This indicates that the global economy has been knocked off a stronger path.

Further underscoring these concerns, **Fitch warns** that if the conflict continues into April 2026, **global growth could drop by 0.2 to 0.3 percentage points** from its previous 2.8% forecast, highlighting the potentially lasting widespread drag on economic expansion.⁵

Regional economic slowdown

Purchasing Managers' Index (PMI) data, which measures private sector non-oil activity for March, provided the first actual insights into the economic impacts in the GCC...

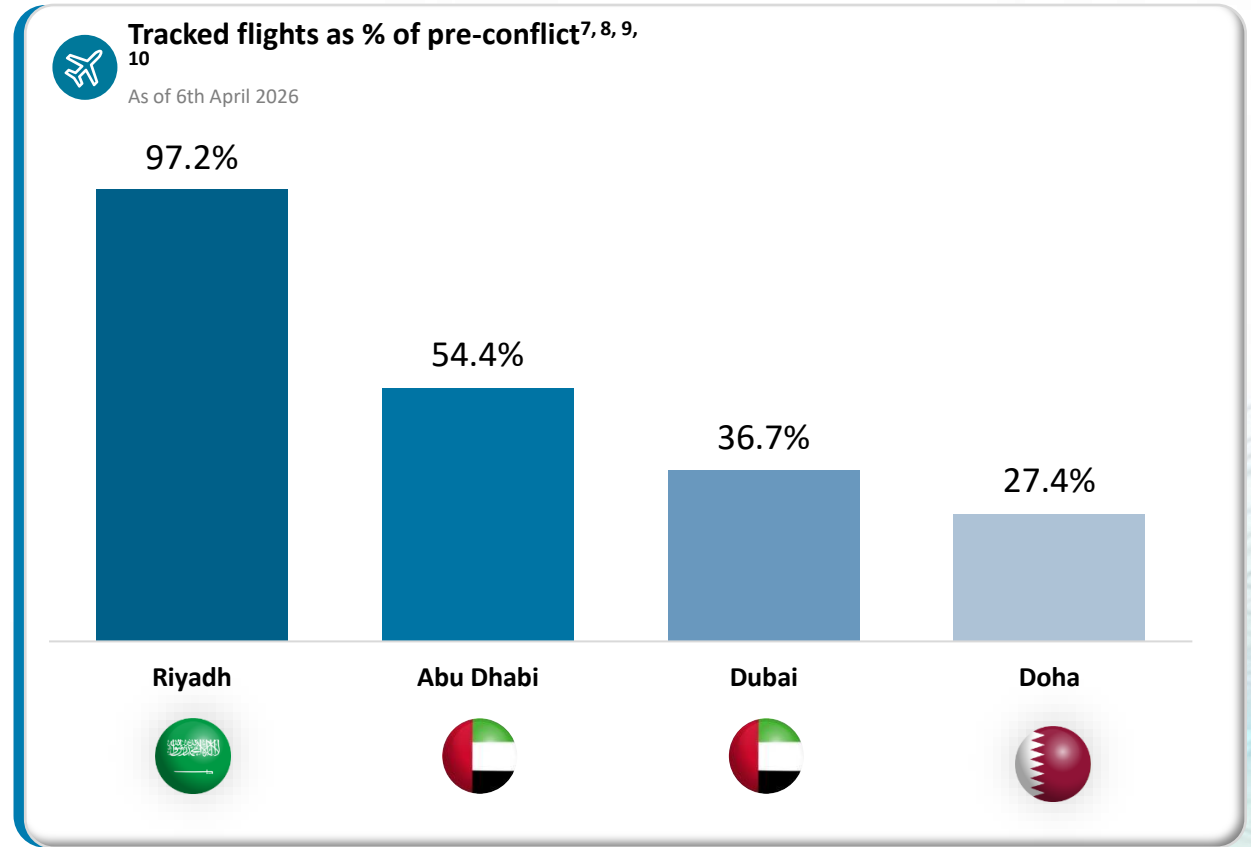
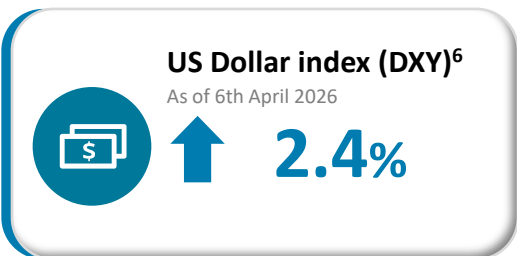
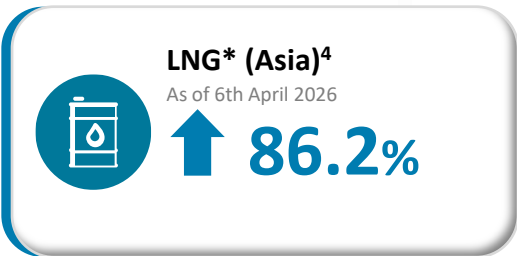
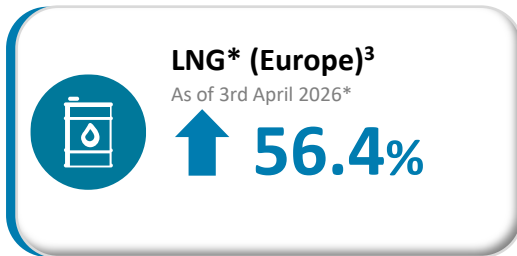
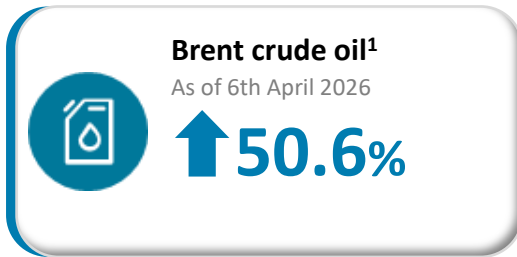
- **Saudi Arabia's PMI fell below the 50 "no change" mark**, signaling contraction—the first time since 2020—driven by sharp drops in new export orders and output.⁶
- The **UAE remains in expansion** (above 50) but is seeing noticeably slowed growth due to weaker demand and supply chain delays.⁷
- **Qatar's PMI fell sharply**, signaling sharp contraction in the non-energy sector.⁸
- Overall, the GCC private sector is experiencing a broad slowdown, reflecting geopolitical and trade disruption effects.

Looking ahead, the immediate focus remains on the Strait of Hormuz: whether shipping stabilizes into a predictable system or remains selectively constrained will dictate the pace of normalization for oil markets and trade flows. The coming weeks will be critical for assessing if elevated energy prices result in a temporary inflation shock or a sustained drag on global growth, especially as new PMI, inflation, and policy data emerge.

Ultimately, the trajectory of diplomacy and any further escalation will shape whether this remains a contained energy shock or evolves into a broader and more persistent global economic slowdown, a scenario where we would bring into sharper focus the historical comparisons with the 1970s oil crises explored in this report. We look at the similarities and distinct differences between the two to see what impacts may unfold as the situation continues to evolve.

Sources: 1. [Impact of oil prices](#) ; 2. [World food price](#) ; 3. [Eurozone inflation](#) ; 4. [OECD sees global growth at 2.9% in 2026](#) ; 5. [BMI | Extended US-Iran War Risks Hit to Global Growth](#) ; 6. [Saudi Arabia Non-Oil Private Sector PMI](#) ; 7. [United Arab Emirates Non-Oil Private Sector PMI](#) ; 8. [Qatar PMI slumps to 38.7 as war hits non-energy sector](#) ;

Impacts of the conflict in a snapshot

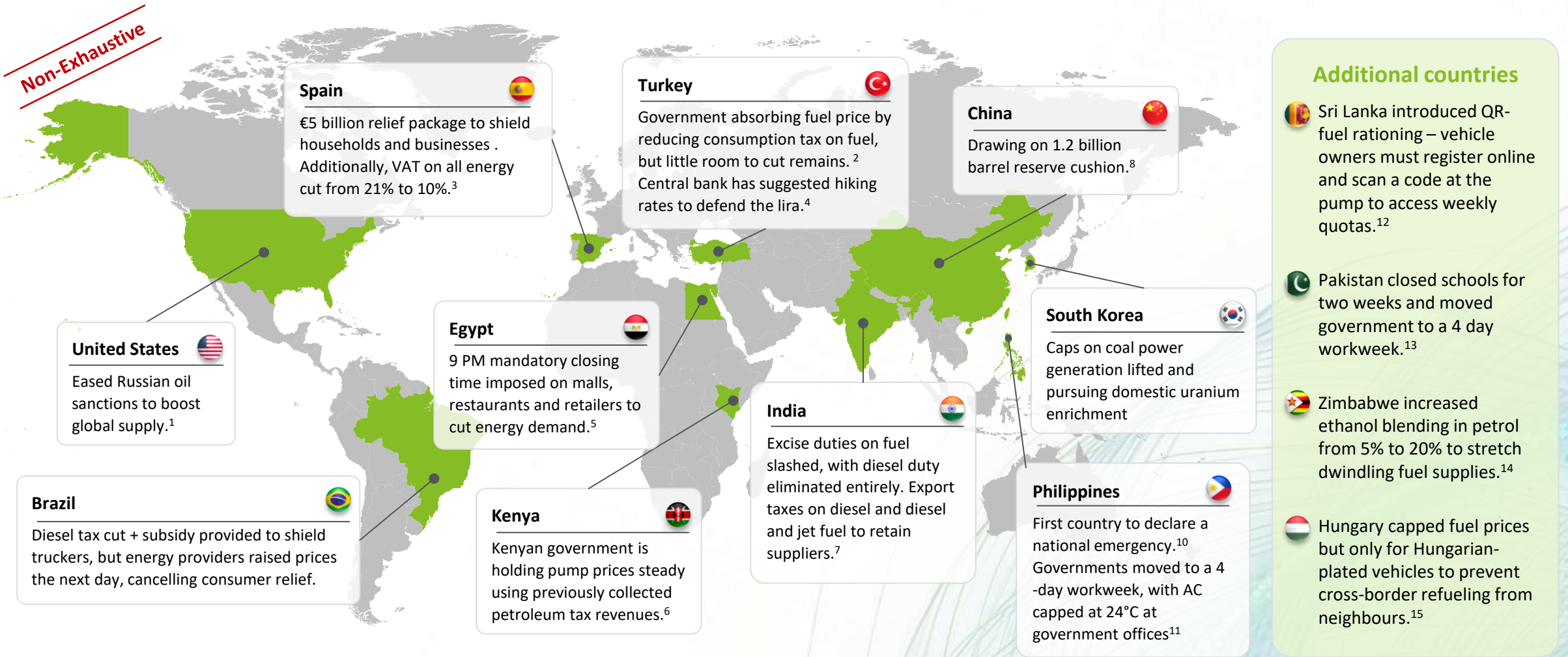


Notes: * Closed due to Easter

Sources: 1. [MarketWatch](#); 2. [Chicago Board Options Exchange](#); 3. [Investing.Com](#); 4. [Investing.Com](#); 5. [MarketWatch](#); 6. [MarketWatch](#); 7. [FlightRadar24 \(RUH\)](#); 8. [FlightRadar24 \(AUH\)](#); 9. [FlightRadar24 \(DXB\)](#); 10. [FlightRadar24 \(DOH\)](#)

Global responses to declining oil supplies

Governments worldwide are racing to shield consumers from the worst energy shock in decades through a patchwork of fuel tax cuts, subsidies, strategic reserve releases, amended energy mixtures, rationing systems and demand reduction measures – but for many, fiscal limits are tightening fast and they may not have long-term solutions as the Strait of Hormuz remains closed.

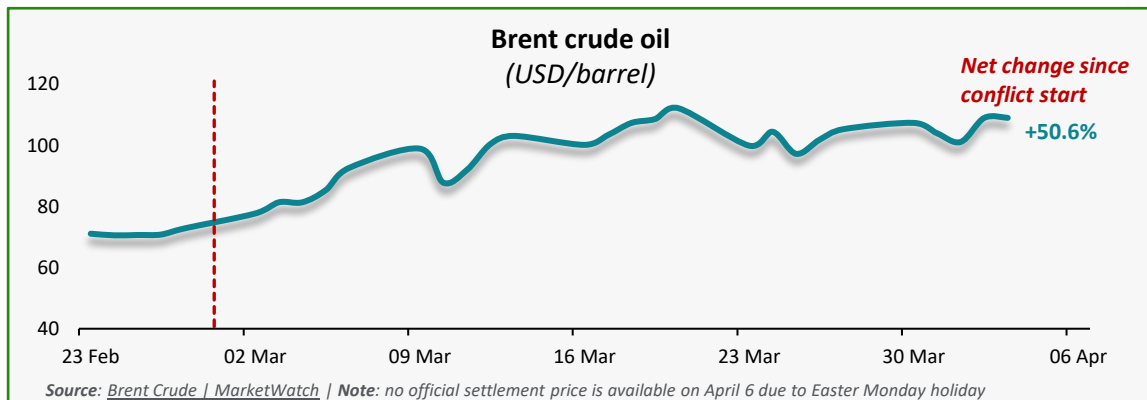


Sources: 1. Time; 2 IRU; 3 Euronews; 4 Wall Street Journal; 5 Responsible Statecraft; 6 CNBC Africa; 7 Bloomberg; 8 CNBC; 9 Bloomberg SK; 10 BBC; 11 Inquirer; 12 Ministry of Energy Sri Lanka; 13 Reuters; 14 Zawya; 15 Reuters Hungary

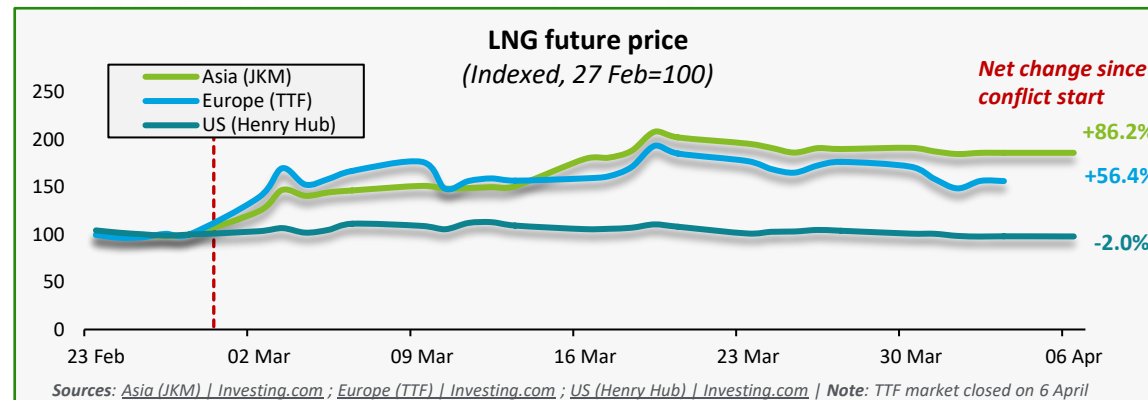


② Weekly updates

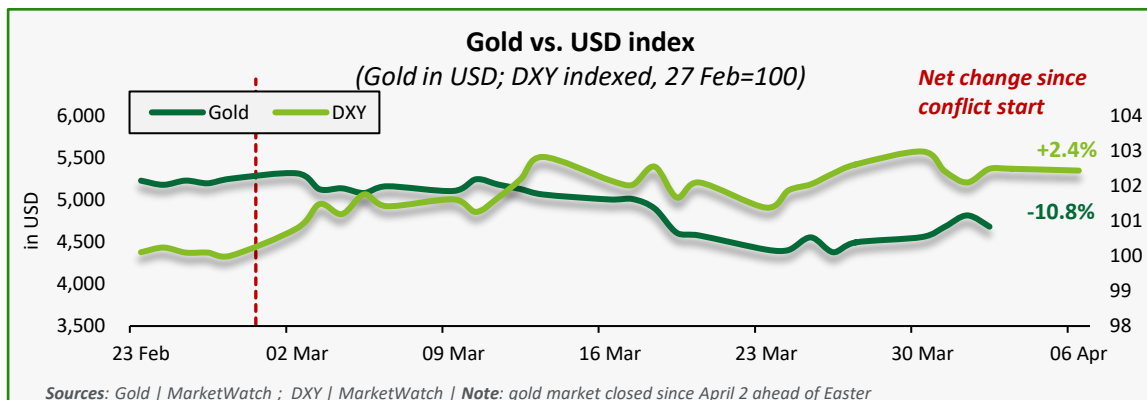
Weekly updates | Prices and market sentiment



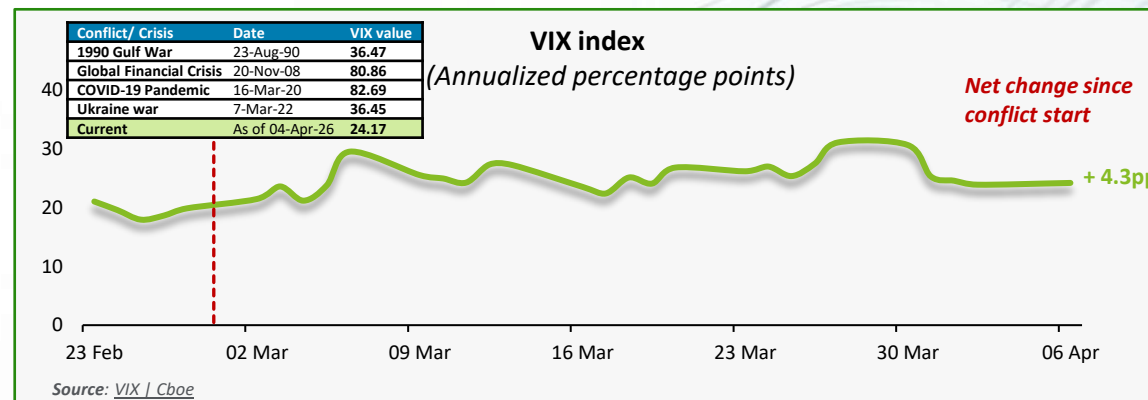
Brent crude oil prices have risen sharply since the escalation, peaking at around \$112 on 20 March—a 54.0% increase since February 27—reflecting concerns over supply disruptions in the Strait of Hormuz. Despite ongoing volatility, prices eased slightly between March 31 and April 1, likely due to profit-taking and softer demand reducing geopolitical risk premiums. Prices then rebounded to about USD 109.03 on April 3, remaining 49.6% above pre-conflict levels. On April 5, OPEC+ announced an output increase of around 206,000 barrels per day starting in May to support market stability; however, this is unlikely to offset current supply constraints, leaving prices largely driven by geopolitical developments.



Global gas markets, as reflected by futures contracts indicating market sentiment and price expectations, have shown increased volatility in Europe and Asia and remain elevated in April compared to pre-conflict levels, with the Asian JKM up 86.2% and the European TTF up 56.4%. Since March 30, LNG futures have eased slightly, with JKM down 2.7% and TTF down 8.8%, due to lower demand. Nevertheless, ongoing supply risks and competition, amid a structural overhang from Ras Laffan damage expected to last three to five years, continue to support medium-term price increases. US Henry Hub futures remained stable, slightly below pre-conflict levels by 2.0%, reflecting the more domestic nature of the US market.



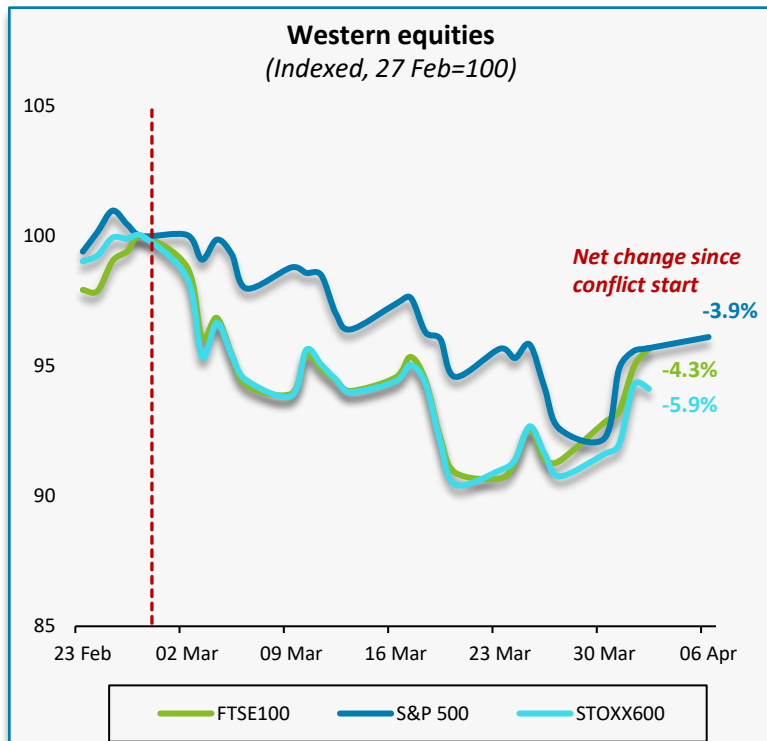
Gold prices initially rebounded 5.6% to \$4,813 on April 1, driven by renewed safe-haven demand and a softening US Dollar Index (DXY), which boosted gold's appeal. However, prices slipped again to \$4,690 by week-end (before the Easter market close), as the dollar stabilized and strengthened following US labor data which surprised to the upside. This data reinforced expectations of a resilient economy and prolonged higher interest rates, pushing US Treasury yields and the dollar higher, thereby reducing the attractiveness of non-yielding gold.



The VIX index, expressed in annualized percentage points (pp) of expected S&P 500 fluctuations, has remained relatively contained since the escalation began. While markets have priced in heightened uncertainty, they do not anticipate a systemic global shock like those seen during the Global Financial Crisis or COVID-19 pandemic, when the VIX exceeded 80. The index peaked at 31.05 on March 27 before easing to 24.17 on April 6, reflecting elevated but stabilized fear and indicating that the escalation remains a regionally contained risk, primarily affecting energy markets and trade flows.

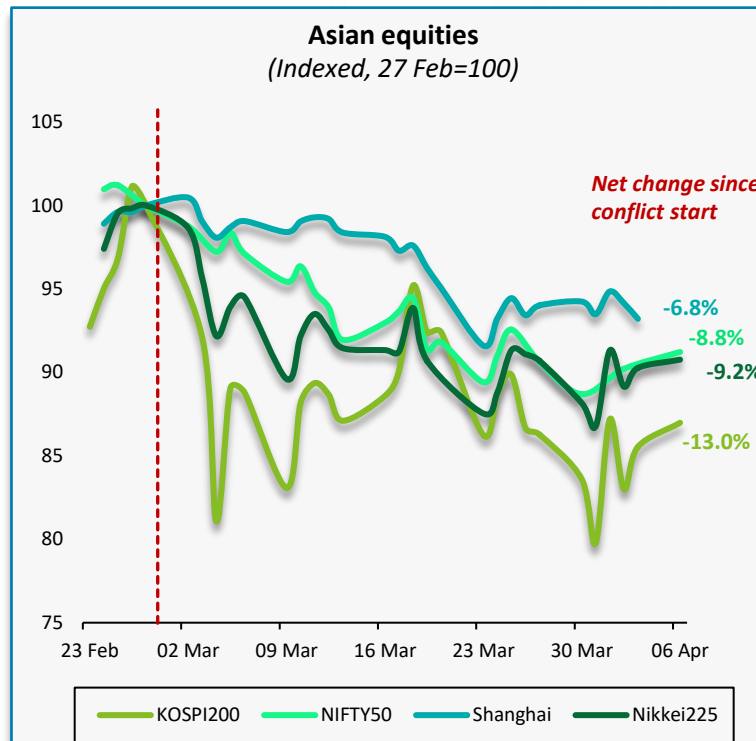
Sources: 1. [OPEC+ to raise oil output after Hormuz re-opens](#); 2. | **Note:** Data is as of 06 April 2026.

Weekly updates | Equity markets



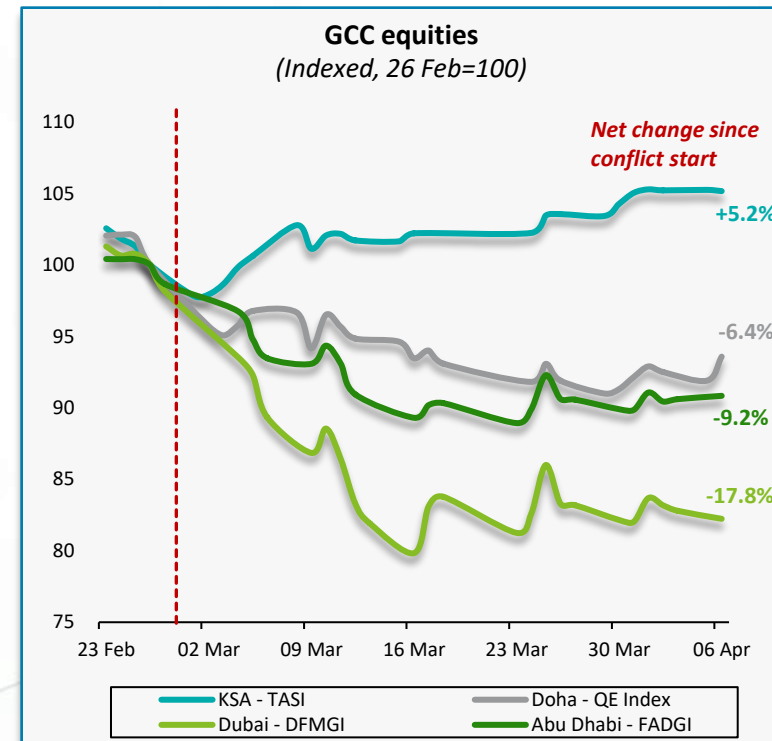
Sources: S&P 500 | MarketWatch ; FTSE 100 | MarketWatch ; SXXP Data | STOXX 600 | MarketWatch | Note: EU and UK markets were closed on 3rd and 6th of April for Easter

Western equity markets initially declined due to rising geopolitical tensions and higher energy prices but have since shown signs of a renewed upward trend. The UK's FTSE 100 demonstrated relative resilience, as shown by its recovery, compared to European peers (e.g., DAX and CAC 40), largely due to its structural weighting in oil majors and mining stocks, which provided a partial hedge against the energy shock.¹ Between March 30 and April 2, the S&P500 and FTSE100 staged a comeback, rising 4.2% and 3.0% respectively. The STOXX 600 also rose 2.7% in the same period. This advance was driven by tentative diplomatic signals, a mid-week softening in oil prices, and a softening US dollar earlier in the week.²



Sources: KOSPI 200 | MarketWatch ; Shanghai | MarketWatch ; NIKKEI 225 | MarketWatch ; NIFTY50 | MarketWatch | Note: Shanghai market was closed on 6 April due to public holiday

Asian markets showed mixed performance between March 30 and April 6. South Korea's KOSPI 200 rose 4.0% over this period but remains down 13.0% since the conflict began. Japan's Nikkei 225 gained 2.9%, supported by improving risk sentiment and easing domestic inflation, with CPI falling to its lowest since March 2022, easing near-term pressure on the Bank of Japan.⁵ India's NIFTY 50 increased approximately 2.9% but remains down 8.8% since the conflict. China's Shanghai Composite (SHCOMP) was subdued, down 6.8% since February 27 compared to April 3, weighed down by domestic growth challenges and higher energy import costs, with markets closed on April 6 for the Qingming holiday.

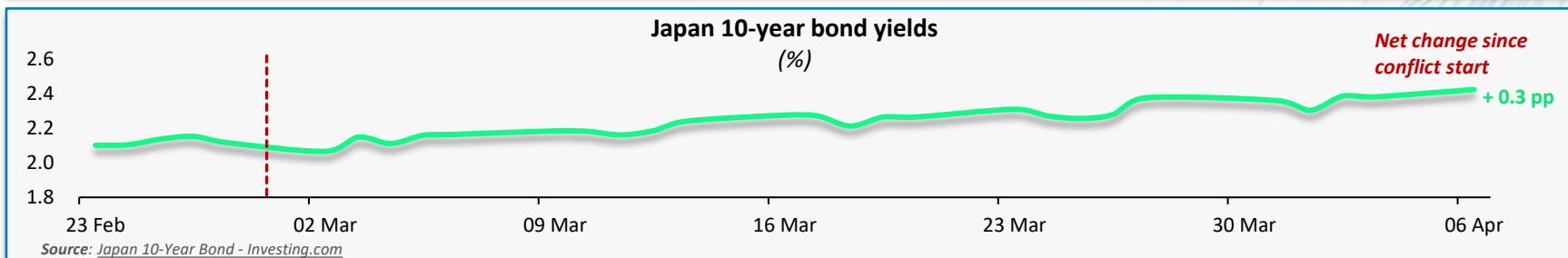
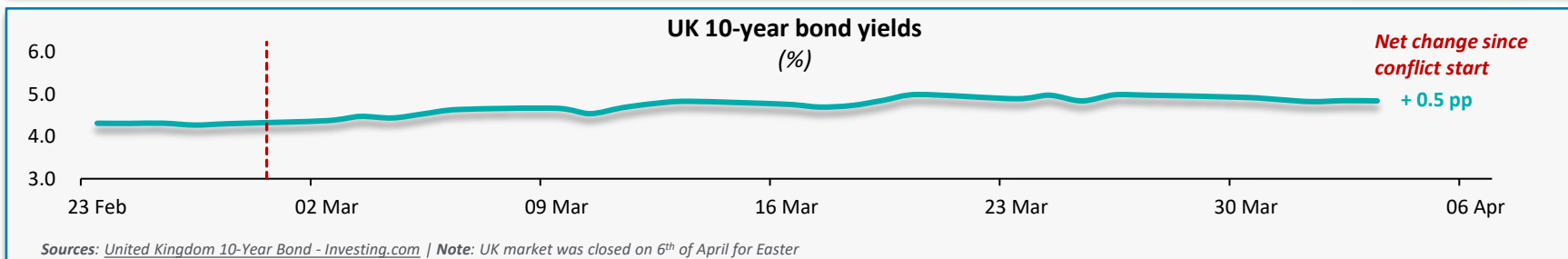
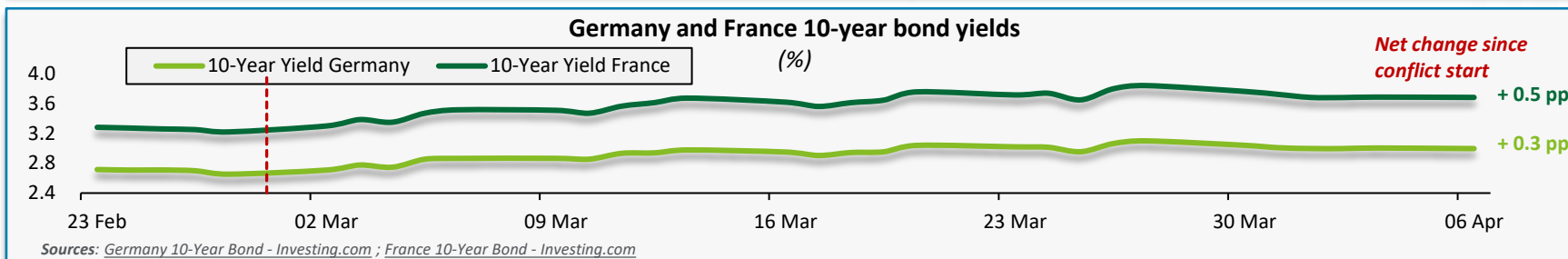
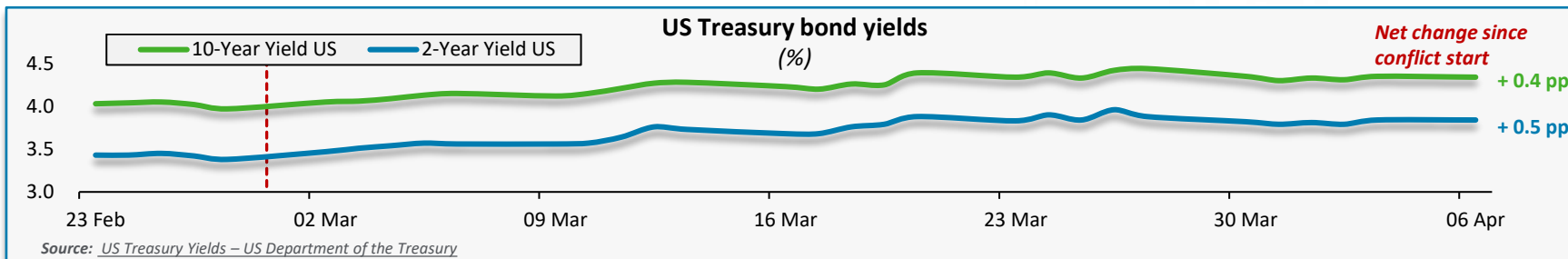


Sources: TASI | Saudi Exchange ; FADGI | ADX ; DFMGI | DFM ; QE – QSE

Between March 30 and April 6, GCC market performance was mixed. KSA's TASI showed resilience, having gone up 5.2% since the conflict began. Dubai's DFMGI, Abu Dhabi's FADGI, and Qatar's QE were more subdued due to geopolitical uncertainty, with UAE markets particularly affected by real estate and banking stock weakness following strikes in early March.^{8,9} As of April 6, markets remained mixed: Abu Dhabi and Qatar posted modest gains of 1.0% and 2.5% respectively compared to March 30, while Dubai edged slightly lower.

Sources: 1 CNBC; 2 Capital.Com; 3 Goldman Sachs via Investing.com; 4 CNBC; 5 CNBC; 6 Bloomberg; 7 CNBC; 8 Gulf News; 9 Al Jazeera

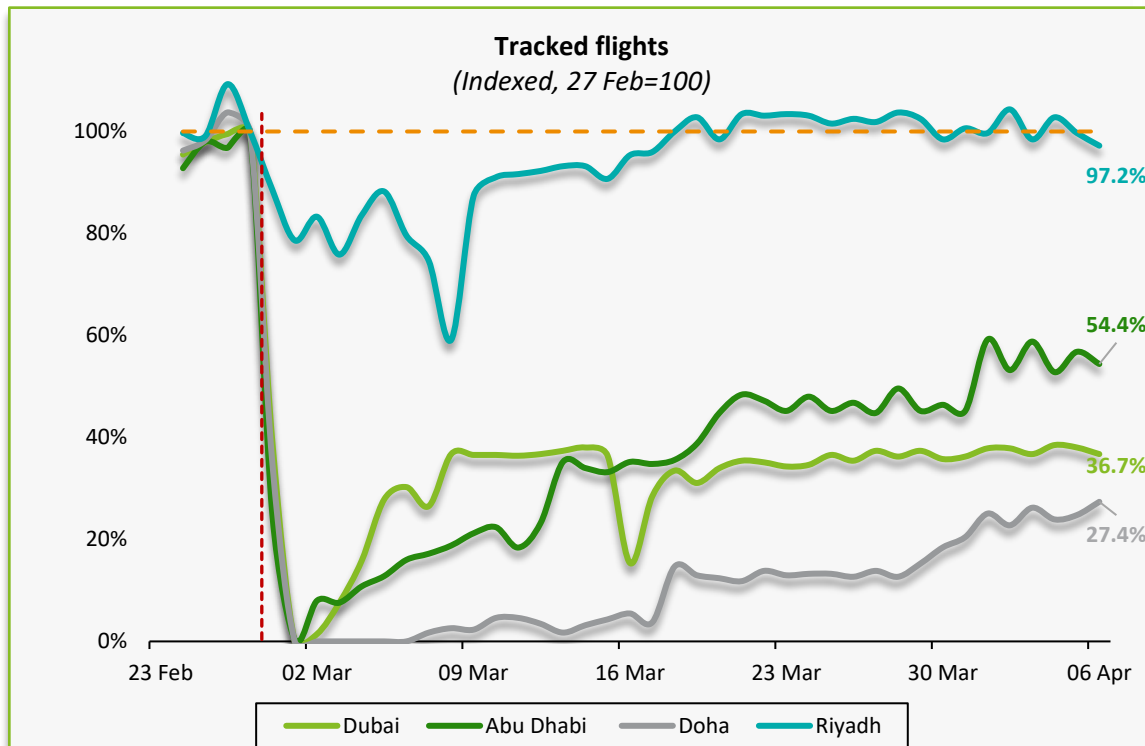
Weekly updates | Bond markets



- US Treasury yields reflect a market weighing inflation risks from elevated oil prices against recession risks from slowing growth. As of April 6, the US 10-year yield stood around 4.34%, and the 2-year at 3.84%, both about 0.4–0.5 pp higher than pre-conflict levels. Yields rose through March on inflation concerns, eased slightly on de-escalation hopes, then increased again after strong US jobs data reduced dovish Fed expectations. They briefly spiked following escalatory remarks by President Trump but partially retraced on ceasefire signals. Federal Reserve Chair Jerome Powell indicated officials may respond to conflict-related economic effects but not at this stage, signaling a cautious, wait and see stance. Markets expect the Federal Reserve to keep rates steady this month, with borrowing costs likely stable through the year. As of early April, the probability of a Fed rate hike by year-end rose to about 45%, up from 12% before the conflict.^{1,3}
- A similar pattern occurred across Europe (Germany, France, UK), where yields declined modestly from late-March highs but remained above pre-conflict levels, reflecting persistent inflation risks and energy price pressures aligned with the ECB's revised inflation forecast, which lowered GDP growth projections and raised the 2026 inflation estimate following the conflict³. UK 10-year yields faced similar pressure, with inflation expected to exceed 5% in 2026.⁴
- In contrast, Japan's 10-year yield hovered near a three-decade high at 2.42% on April 6, as markets price in over a 70% chance of a Bank of Japan rate hike amid rising inflation pressures from higher energy costs and a weaker yen. The IMF has urged the BOJ to continue gradual rate increases to contain inflation, while escalating tensions around the Strait of Hormuz add further upward pressure on energy prices⁵.
- Overall, bond markets remain volatile, balancing inflationary pressures from the conflict with intermittent safe-haven demand. Stronger US labor data late last week reinforced expectations of higher-for-longer rates, limiting the decline in yields.

Sources: 1. US 10 Year Treasury Note Yield ; 2. Are Fed Rate Hikes Coming After Oil Spikes? ; 3. ECB staff macroeconomic projections for the euro area, March 2026 ; 4. UK Is the Center of Inflation Angst as Yields Spike to 2008 High ; 5. Japan 10 Year Government Bond Yield - Quote - Chart - Historical Data - News | Note: * US Treasury yields, critical global benchmarks for borrowing costs, reflect market expectations on inflation, interest rates, and economic growth. An inverted yield curve, where short-term yields exceed long-term yields, is often considered a reliable predictor of a forthcoming recession. Data is as of 06 April 2026

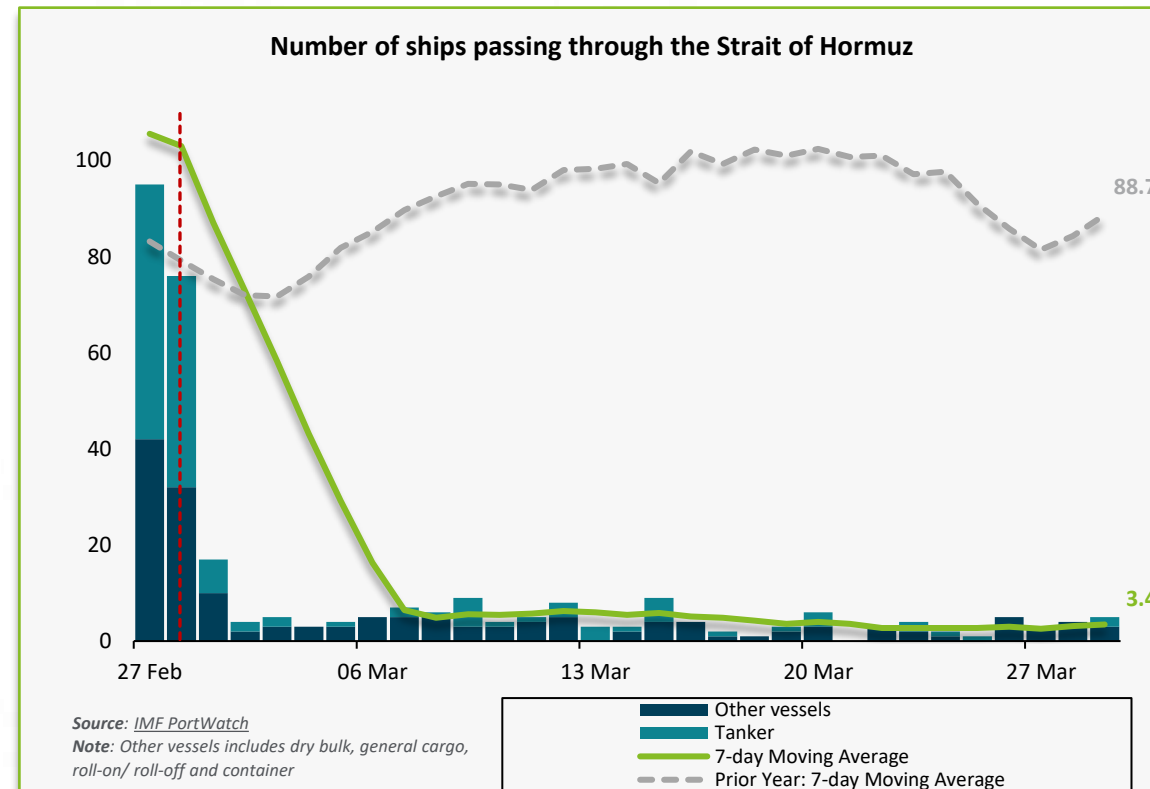
Weekly updates | Selected sectoral activity



Sources: DXB | Flightradar24 ; AUH | Flightradar24 ; DOH | Flightradar24 ; RUH | Flightradar24

Following the initial attacks, flights in the UAE and Qatar fell to near zero, with sharp declines in Dubai and Abu Dhabi. Riyadh experienced a smaller drop, falling to 59.1% of the February 27 flight volume on March 8, but then recovered to near pre-conflict levels. By April 6, Riyadh’s air traffic had rebounded to 97.2% of the February 27 volume. Meanwhile, Dubai and Abu Dhabi showed gradual improvement; on April 6, Abu Dhabi’s flight volume rose by 8.0 pp to 54.4%, while Dubai increased by 0.9 pp to 36.7% of the February 27 volume. Doha also made steady progress, rising from 18.4% to 27.4% of the February 27 volume —supported by a 48.4% surge in tracked flights between March 30 and April 6. Overall, this data highlights Riyadh’s near full recovery, the UAE’s mixed but improving activity, and Doha’s slower yet steady progress.

Note: Data is as of 06 April 2026



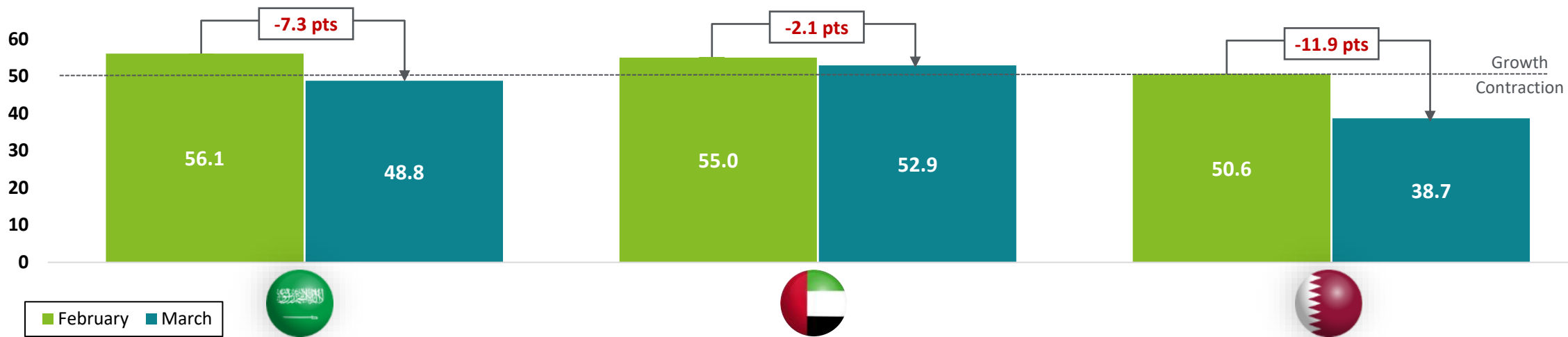
Source: IMF PortWatch
 Note: Other vessels includes dry bulk, general cargo, roll-on/ roll-off and container

Other vessels
 Tanker
 7-day Moving Average
 Prior Year: 7-day Moving Average

Ship arrival data for the Strait of Hormuz shows a sharp decline in maritime activity since the escalation began on February 28, with the 7-day moving average dropping 96.8% to 3.4 on March 29 compared to February 27, and remaining well below pre-conflict levels due to security concerns, transit restrictions, and higher insurance costs. Activity improved slightly since March 22 but remains much lower than the same period in 2025, highlighting the impact of geopolitical tensions. Tanker traffic remains variable and sensitive to risks—after nearly no tankers passed between March 22 and 28, two transited on March 29. Selective restrictions and increased scrutiny based on vessel origin have caused uneven transit patterns. Vessels like dry bulk and cargo have been more stable but still face precautionary delays.

Weekly updates | Economic activity

Non-hydrocarbon sector Purchasing Managers' Index (PMI)*

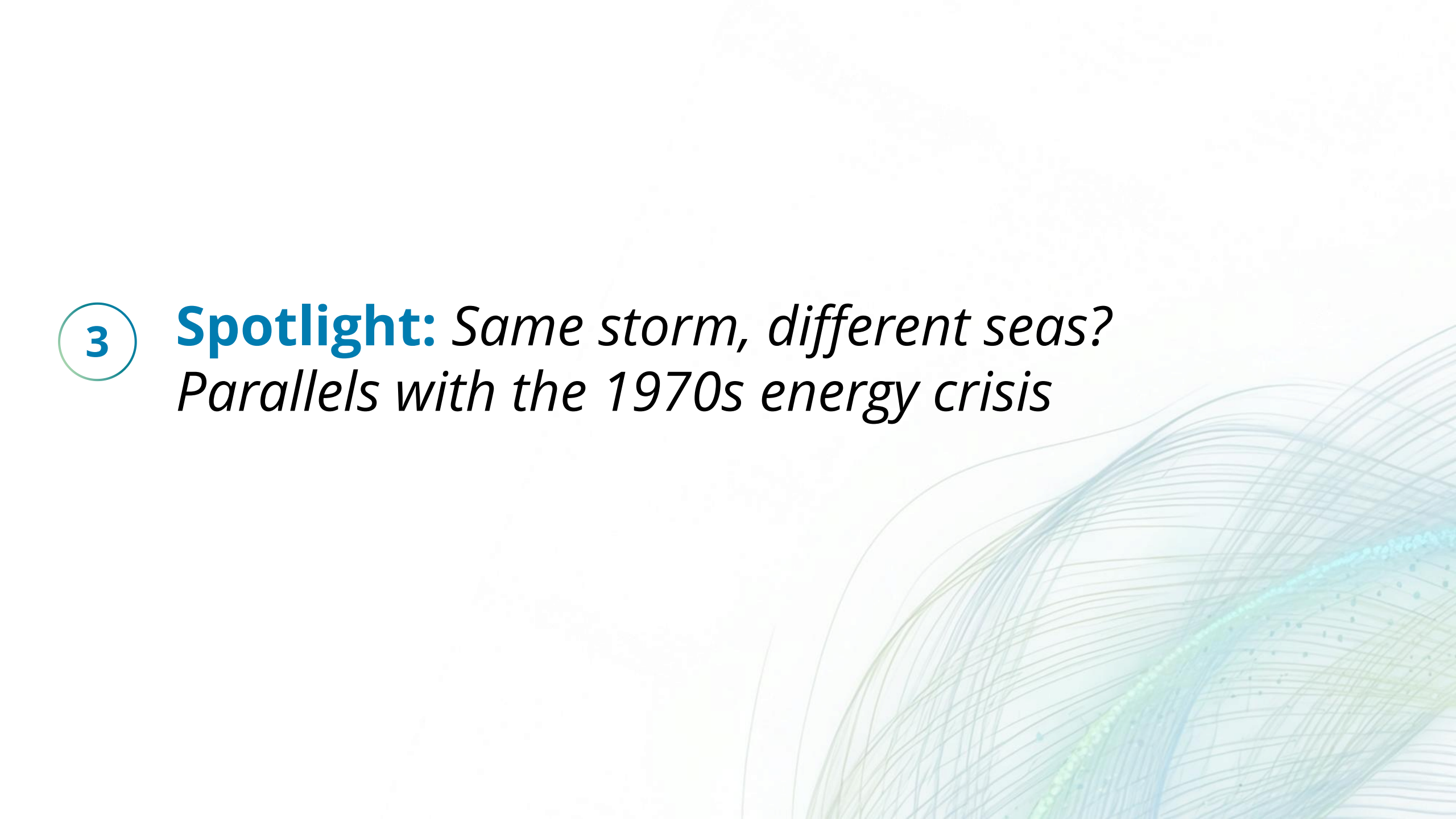


KSA's non-oil PMI fell by 7.3 points from 56.1 in February 2026 to 48.8 in March 2026, marking the first contraction since 2020. The drop was due to the disruptions from the Middle East conflict that affected supply chains, halted new orders, and lowered export demand. Output growth slowed, employment increased at a slower pace, and delivery times became much longer. Inventories rose despite slower buying, while input cost inflation eased, although fuel and freight costs pushed prices higher. Business sentiment dropped to its lowest level since June 2020 amid ongoing concerns about the conflict.

UAE's non-oil PMI fell from 55.0 in February 2026 to 52.9 in March 2026, marking the joint-lowest level since mid-2021 but still showing modest growth in the non-oil private sector. The slowdown was driven by the conflict's disruptions that affected supply chains and dampened demand. New orders rose at their slowest pace in seven months, with softer tourism and increased uncertainty cited. Delivery times lengthened for the first time in over four years due to shipping delays near the Strait of Hormuz. Input costs surged, leading to the fastest rise in selling prices in nearly 11.5 years. Business confidence dropped to a five-year low amid ongoing concerns, despite some support from long-term growth prospects and government spending.

Qatar's PMI fell sharply from 50.6 in February 2026 to 38.7 in March, signaling a steep contraction in the non-energy private sector due to regional conflict disrupting demand and supply chains. New business declined at a record pace as companies encountered delays, suspended operations, and faced reluctance from clients and investors to commit to new projects. Output fell for the fourth consecutive month, with 70% of firms expecting further contraction amid ongoing instability. Purchasing activity and input stocks also dropped sharply as firms managed inventories cautiously. Business confidence weakened significantly, reflecting concerns over the conflict's impact on real estate, development projects, and tourism.

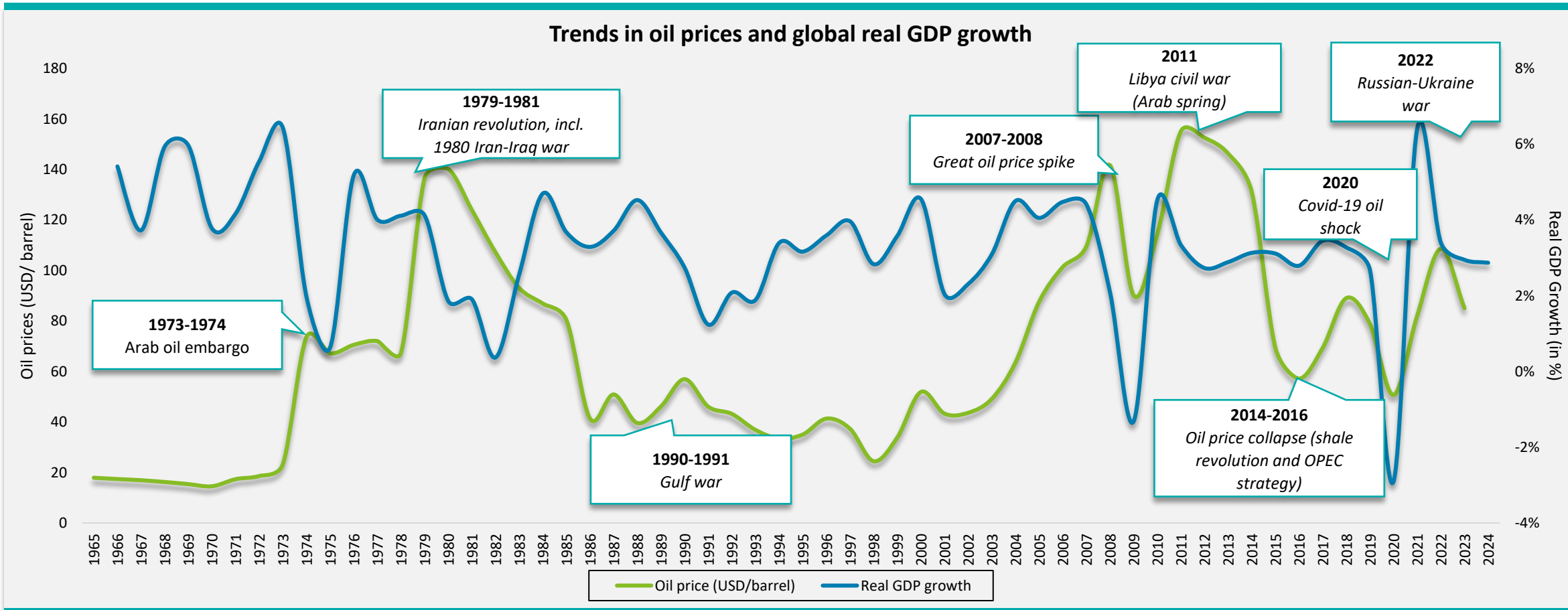
Sources: 1. [Saudi Arabia Non-Oil Private Sector PMI](#) ; 2. [United Arab Emirates Non-Oil Private Sector PMI](#) ; 3. [Qatar PMI slumps to 38.7 as war hits non-energy sector](#)
 Note: *A PMI above 50 indicates that the sector is generally expanding or growing compared to the previous month, while a reading below 50 represents a contraction.



3 **Spotlight:** *Same storm, different seas?*
Parallels with the 1970s energy crisis

Same storm, different seas? Parallels with the 1970s energy crisis

Major geopolitical events have historically driven oil price volatility, affecting economies worldwide and underscoring the strong link between energy markets and the global economy. The recent Middle East situation is not the first energy crisis to unsettle global markets; it echoes the oil shocks of the 1970s, when geopolitical tensions similarly disrupted supply and triggered widespread economic consequences. While the core challenge of a geopolitically induced energy shock remains familiar, today's interconnected world and evolving energy landscape present unique challenges and potentially broader economic impacts. The following spotlight explores these parallels and differences to better understand the potential implications of the current conditions.



Sources: 1. [Crude oil prices](#) ; 2. [Global GDP](#) ; 3. [Every Oil Crisis in History](#)

Same storm, different seas? Parallels with the 1970s energy crisis

The current energy disruption, ignited by the current geopolitical situation in the Middle East, bears striking resemblances to the oil shocks of the 1970s. Both periods are fundamentally driven by elevated geopolitical tensions in the region, leading to significant supply disruptions and spikes in global oil prices.

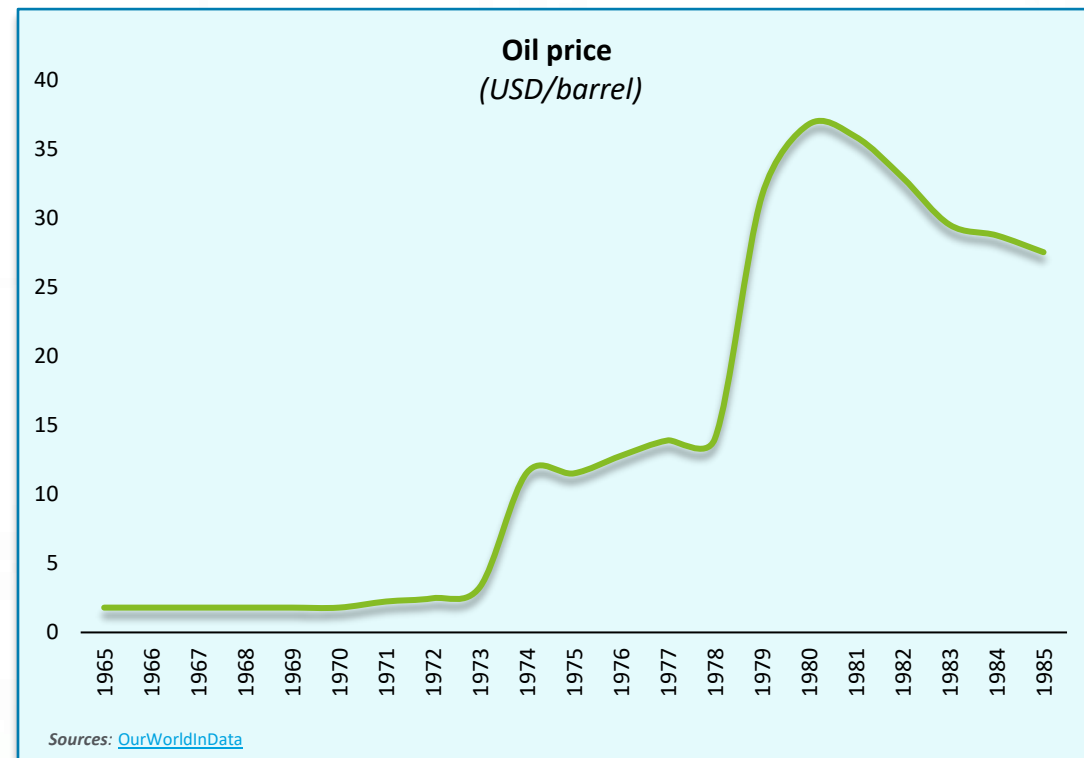
Overview of the 1970s oil price crisis

- **Before 1973:** Two decades of global economic growth were driven by consistently low oil prices (below \$2/barrel, equivalent to ~ \$17/barrel in constant 2023 US dollars*). This encouraged energy-intensive lifestyles and fostered a deep, often unrecognized dependency on oil, with energy security not regarded as a primary concern.
- **1973:** The 1970s energy crises began with the unexpected Yom Kippur War in October 1973. Following the conflict's outbreak, predominantly Arab OPEC member states imposed an oil embargo and production cuts. Given the already tight supply-demand margins in the global oil market, oil prices nearly quadrupled from \$3 to \$11/barrel (i.e., from \$23/barrel to \$74/barrel in constant 2023 US dollars) within a few months, remaining elevated for much of the decade¹.

These developments plunged industrialized, oil-importing nations into a period of stagflation and recession, with impacts more concentrated in Western Europe, the US and Japan. High oil prices triggered widespread inflation, leading to business contractions and significant job losses. The resulting economic hardship caused societal strain, including labor disputes, civil unrest, and increased financial difficulties for many households. Conversely, oil-exporting countries experienced a substantial transfer of wealth and fiscal surpluses.

The economic fallout led to prolonged recessions across many industrialized nations, with recessions in the US and UK lasting from 1973 to 1975.

- **1979:** The decade's second major oil shock occurred in 1979, triggered by the Iranian Revolution. This political upheaval severely disrupted Iran's oil production and exports, at the time a major global supplier. Although other producers initially attempted to compensate for the shortfall, market panic and speculative buying caused oil prices to triple. This further intensified inflationary pressures and deepened economic recessions in industrialized oil-importing countries, while reinforcing the financial strength of other oil-exporting nations².



Sources: 1. [1970s Energy](#) ; 2. [Oil embargo and energy crises of 1973 and 1979](#)

Note: Prices expressed in constant 2023 US dollars are adjusted for inflation based on US inflation rates to reflect their value in 2023 terms. This allows for comparison of oil prices over time by removing the effects of changes in the US dollar's purchasing power. However, this adjustment does not capture inflation or price changes specific to other countries or global inflation trends.

Same storm, different seas? Parallels with the 1970s energy crisis

Economic impacts of the 1970s oil price crisis

The 1970s oil crises had markedly different economic impacts on oil-importing and oil-exporting nations:

- **Oil-importing economies** experienced significant economic contraction, high inflation, and balance of payments deficits. These nations faced substantial economic challenges due to the sharp increase in energy costs¹.
- **Oil-exporting economies** saw a substantial transfer of wealth and accumulated large fiscal surpluses.

Therefore, the crises represented a profound economic challenge for oil-importing nations, while simultaneously providing an unprecedented economic boom for oil-exporting nations.

Oil-importing economies ^{1,3,4,5}	Oil-exporting economies ^{1,2,5,6}
<ul style="list-style-type: none"> ➤ Stagflation: An unprecedented combination of high inflation, stagnant economic growth, and rising unemployment. This was often exacerbated by a wage-price spiral, where rising prices led to higher wage demands, which in turn pushed prices even higher. ➤ Recession: Soaring energy costs acted as a massive tax on consumers and businesses, triggering severe economic slowdowns and recessions in oil-importing countries. ➤ Balance of payments deficits: Significant trade and current account deficits due to increased import bills for oil. ➤ Industrial restructuring: Energy-intensive industries, such as automotive and manufacturing, were forced to fundamentally restructure to adapt to higher energy costs and improve efficiency. ➤ Energy security measures: The crises led directly to the establishment of Strategic Petroleum Reserves (SPR) and the formation of international bodies like the IEA, aimed at coordinating energy policy and reducing vulnerability to future supply shocks. 	<ul style="list-style-type: none"> ➤ Massive wealth transfer: The dramatic increase in crude oil prices caused a rapid and substantial transfer of wealth from oil-importing countries to oil-exporting nations. ➤ Soaring fiscal surpluses: Governments accumulated immense fiscal surpluses as revenues from oil exports far exceeded their expenditures. ➤ Accelerated domestic development: The significant increase in financial resources was used to fund ambitious infrastructure projects and rapid domestic development across various sectors. ➤ Enhanced economic leverage: Control over a vital global resource provided oil-exporting countries with considerably increased economic and geopolitical influence. ➤ International investment and Sovereign Wealth Funds: The massive influx of petrodollars led to significant investment in international assets and the rapid growth or establishment of Sovereign Wealth Funds (SWFs), diversifying financial holdings globally.

Sources: 1. [The 1970s Oil Crisis: causes and consequences of the oil shocks](#) ; 2. [Fiscal Policy in Oil Exporting Countries](#) ; 3. [1973 Oil Crisis](#); 4. [14 Economic Turbulence of the 1970s](#) ; 5. [History of the IEA](#) ; 6 [IMF - The 1970s Capital Markets Versus the New International Economic Order](#)

Same storm, different seas? Parallels with the 1970s energy crisis

As geopolitical tensions once again unsettle the Middle East, the echoes of the 1970s energy crises are unmistakable, especially in the rapid fluctuations of global energy prices. However, to fully understand the current economic turmoil, it is essential to look beyond these historical parallels. This conflict is unfolding within a vastly different global context, with distinct geopolitical triggers and a unique environment that set it apart from its predecessors.

The different global landscape in 2026^{1,2,3,8,9}

- **Global economy:** Unlike the 1970s, today’s economy is more globalized, making supply chain disruptions more complex and widespread, affecting a broader range of goods beyond energy. The energy mix is also more diversified, with renewables growing and the US now a major oil producer—factors that may provide greater resilience.
- **Reduced oil dependency:** Economies today are more energy-efficient, with industries and transport consuming less oil to sustain activity. The oil market has become more diverse, and overall oil consumption relative to the global economy has declined significantly, with oil intensity falling from as high as 0.9 barrels per \$1,000 of GDP (in constant 2015 prices) in 1971 to around 0.4 in 2024. In the 1970s, oil-dominated transport, accounted for 50–70% of electricity generation in many countries, and was widely used for heating. This heavy reliance amplified economic shocks from price increases. While oil price spikes still have an impact, their direct cost burden on consumers and businesses is now likely less severe, potentially softening the overall economic shock.
- **Financial market sophistication:** Financial markets in the 1970s were less developed, with limited hedging instruments, leading to more direct and less moderated impacts from price shocks. Today’s markets are highly sophisticated and interconnected, featuring complex derivatives and hedging strategies that can either absorb shocks or rapidly amplify volatility and contagion.
- **Climate agenda landscape:** The 1970s crises occurred in the absence of a significant global climate change agenda. In contrast, the current conflict unfolds amid a strong global commitment to transitioning towards cleaner energy. This context means the long-term effects could either accelerate the move away from fossil fuels or, alternatively, cause short-term setbacks in climate objectives.

The differences in conflict’s nature^{4,5,6,7}

- **Exporters’ ability to capitalize:** Unlike the 1970s, when oil exporters could largely maintain production and benefit directly from higher prices, the current conflict poses direct threats to export infrastructure and critical chokepoints (e.g., the Strait of Hormuz). This may cause physical disruptions, leading to production shutdowns or severely limiting export volumes, thereby restricting exporters’ ability to fully capitalize on surging prices. This damage also means that, unlike in the 1970s, it will take significantly longer to restore production capacity once the conflict ends, prolonging supply constraints and limiting the ability to quickly capitalize on price rebounds.
- **Nature of supply disruption:** The 1970s crises were characterized mainly by deliberate embargoes and production cuts. In contrast, the 2026 scenario involves direct military threats and attacks on energy infrastructure and shipping, resulting in involuntary and unpredictable supply reductions that are more difficult to manage.
- **Broader regional infrastructure risk:** The situation now extends beyond production cuts to include threats to a wider range of regional energy and industrial infrastructure (e.g., pipelines, refineries, industrial cities), potentially causing more widespread and complex disruptions than previously experienced.
- **Impact on global shipping lanes:** The current situation directly affects major global shipping lanes such as the Red Sea and the Strait of Hormuz, leading to significant rerouting and increased costs for maritime trade—a broader and more immediate logistical challenge than in the 1970s.

Sources: 1. [What was the 1970s oil crisis, and are we heading for something worse?](#) ; 2. [How do current oil market conditions differ from those during the price shocks of the 1970s?](#) ; 3. [IMF - The 1970s Capital Markets Versus the New International](#) ; 4. [Oil supply disruption](#) ; 5. [What the closure of the Strait of Hormuz means for the global economy](#) ; 6. [Qatar LNG capacity hit](#) ; 7. [Global Shipping Disruption: How the Iran Conflict Is Reshaping Routes](#) ; 8. [World oil supply and demand- IEA](#) ; 9. [Oil Market Report - IEA](#)

Same storm, different seas? Parallels with the 1970s energy crisis

Similarities and differences in economic impacts^{1,2,3}

The current geopolitical conflict in the Middle East shares fundamental potential implications with the oil shocks of the 1970s: both scenarios involve **regional tensions** that may lead to **significant spikes in oil prices and inflationary pressures in importing economies**, alongside the risk of **global economic slowdowns**. For oil-exporting nations, a primary consideration in both eras is the **potential fiscal boost from elevated hydrocarbon prices**; however, in the current conflict, this will depend on whether countries are actually able to export their oil and realize these benefits.

However, several additional factors in the current context suggest the potential implications could differ substantially. Unlike the 1970s, today's highly globalized economy means **supply chain disruptions may be far more intricate and widespread**, affecting a broader range of goods beyond just energy, including critical sectors such as semiconductors and fertilizers. Furthermore, while exporters in the 1970s largely maintained production volumes, the current situation **involves direct risks to export infrastructure and critical chokepoints**. This may limit exporters' ability to fully capitalize on surging prices due to involuntary production shutdowns or constrained export volumes. The sophistication of financial markets and the pressing global climate agenda also introduce new complexities, potentially **amplifying volatility or accelerating the energy transition**, leading to a more nuanced and potentially broader set of economic outcomes than those seen five decades ago.

What to look out for^{3,4,5}

While it is still too soon to determine the longevity and severity of the current conflict's effects, there are some parallel developments with the 1970s to watch closely, as the situation may lead to broader, indirect impacts that reshape industries, consumer behavior, and government policy:

Industrial transformation	Energy conservation drive	Alternative energy investments	Energy security measures	Shifts in global strategic roles
<i>Potential shifts in consumer demand and industrial production towards more energy-efficient goods and processes, particularly in energy-intensive sectors, such as automotive and manufacturing</i>	<i>Governments and consumers may initiate widespread efforts to conserve energy, including policy changes (e.g., efficiency standards) and behavioral shifts (e.g., reduced consumption).</i>	<i>The conflict could spur renewed and potentially more significant investment and research into alternative energy sources, accelerating the energy transition.</i>	<i>Nations may strengthen strategic petroleum reserves and develop new energy security policies to mitigate future supply vulnerabilities.</i>	<i>The conflict may underscore the geopolitical power of energy-producing regions and lead to a re-evaluation of international relations and foreign policy priorities.</i>

Ultimately, while the core challenge of a geopolitically induced energy shock remains familiar, the interconnectedness of the modern world and the evolving energy landscape present a unique set of complexities and potential outcomes that distinguish this situation from its 1970s predecessor.

Sources: 1. [What the closure of the Strait of Hormuz means for the global economy](#); 2. [The Strait of Hormuz: Global Economic Shock](#); 3. [Iran war energy shock sparks global push to reduce fossil fuel dependence](#); 4. [Iran war: A global energy shock could accelerate a shift to renewables](#); 5. [2026 Energy Crisis Policy Response Tracker](#) ;

4 Key news & events



Key news headline (1/2)

Energy

Brent crude posts record monthly gain as conflict enters fifth week (March 30)

Brent crude closed at \$112.78 per barrel on 30 March, marking a roughly 55% gain for March, the largest monthly surge since 1988. WTI also topped \$100, first since July 2022. Analysts warn Bab El-Mandeb disruption could push prices to \$150/barrel in April.¹

Energy

OPEC+ agrees to increase oil output (April 2)

OPEC+ agreed to increase oil output quotas by 206,000 barrels per day for May; however, this is largely symbolic as key members are unable to raise production amid the ongoing escalation. The conflict has effectively blocked the Strait of Hormuz, disrupting up to 15% of global oil supply and pushing crude prices near four-year highs.²

Energy

Iranian oil commands premium over Brent for first time since 2022 (April 2)

Iranian crude is now trading at a \$1 per barrel premium to Brent, according to Argus Media data, reversing years of steep sanctions-driven discounts. The shift followed a temporary US rollback of some sanctions on Iranian oil announced in late March. This marks the first time Iranian barrels have priced above the global benchmark since May 2022.³

Global impacts

IMF, World Bank, and IEA announce joint coordination on Iran war economic fallout (April 1)

The International Monetary Fund (IMF), World Bank Group, and International Energy Agency announced a coordinated response to the economic consequences of the conflict. The three organizations will share data, align policy advice, mobilize stakeholders, and assess financing needs for affected countries.⁴

Global impacts

Oil surges 11% in single session after Trump address (April 2)

Oil prices surged on 2 April after President Trump's address offered no exit strategy and vowed continued strikes on Iran. WTI rose 11.4% to \$111.54/barrel, its largest single day gain since 2020. TD Securities estimated that nearly 1 billion barrels of crude and refined products will be unavailable to the global market by the end of the month due to the conflict and the closure of the Strait of Hormuz.⁵

GCC economy

Moody's has reaffirmed the UAE's Aa2 credit rating, maintaining a stable outlook (March 30)

Moody's reaffirmed the UAE's Aa2 credit rating with a stable outlook on 30 March 2026, citing strong fiscal reserves, low debt, effective governance, and economic diversification. Despite regional tensions, the rating reflects confidence in the UAE's financial stability, prudent policies, and resilience as a global economic hub.⁶

GCC market reactions

Abu Dhabi launches supply chain platform ADEED to bolster trade resilience (April 1)

Abu Dhabi Investment Office launched ADEED, a supply chain platform to strengthen trade continuity and business resilience amid evolving regional pressures. Partnering with 7X and key Abu Dhabi entities, ADEED uses AI-driven insights and coordinated logistics to safeguard goods movement and support economic stability across the UAE.⁷

Global market reactions

Global money managers reposition as five weeks of conflict wipe trillions from equities (April 2)

Five weeks of conflict have erased trillions of dollars from global equity markets, pushed oil above \$100 on a sustained basis, and repriced interest rate and inflation expectations. The week of 31 March was expected to bring clarity on the endgame but failed to deliver, leaving institutional investors in a defensive posture across asset classes.⁸

Sources: 1. [CNBC](#), 2. [Aljazeera](#), 3. [Bloomberg](#), 4. [IMF Press Release](#), 5. [CNBC](#), 6. [Gulf News](#), 7. [Gulf News](#), 8. [Bloomberg](#)

Key news headline (2/2)

Key statements

ECB's Panetta: economic damage already done even if conflict ends soon (April 2)

ECB's Panetta warned the conflict caused "unprecedented disruptions" in global energy supply chains, with "lasting effects." Its spread to Gulf states, suspending hydrocarbon production, due to direct attacks on facilities and the effective closure of the Strait of Hormuz, compounds the shock beyond temporary price hikes.¹

Key statements

ECB's Villeroy says euro-area economy moving closer to adverse scenario (April 2)

ECB Governing Council member Francois Villeroy de Galhau stated that the prolonged conflict is pushing the euro-area economy closer to the ECB's adverse scenario, making a rate increase "very likely" as the next policy move. Speaking in Paris on 2 April, Villeroy noted the conflict's prolongation as an "obviously negative factor" for the economic outlook²

Key statements

Global food stocks provide near-term buffer despite Hormuz closure (April 1)

Bloomberg's Javier Blas sees no immediate food price increase, citing global food stocks as a buffer despite fertilizer disruptions and the Strait of Hormuz blockage. However, persistent disruptions to Gulf urea and ammonia exports pose medium-term risks to global food production costs.³

GCC food security

Gulf food security systems show resilience (April 1)

GCC food supply systems have withstood the Hormuz disruption, aided by pre-positioned grain reserves, port diversification, and alternative logistics. The UAE is routing perishable goods through east coast ports outside the Strait and utilizing its aviation network. Officials noted that strategic reserves for staple goods cover several months.⁴

GCC economic impact

GCC economies forecast to contract slightly in 2026 as conflict weighs on non-oil growth (March 30)

An Oxford Economics and ICAEW report projected a collective 0.2% contraction for GCC economies in 2026, reversing a previous forecast of 3.6% growth. Non-oil sector growth was revised to 0.1% from 4.2%, while household consumption growth expectations were cut by 2.6 percentage points.⁵

Interest rates

Interest rate swap markets reflect heightened uncertainty (April 2)

The conflict has caused extreme volatility in interest rate swap markets, with US and European rate expectations shifting rapidly. This uncertainty reflects competing pressures between inflation-driven tightening and growth-driven easing on central bank decisions.⁶

Interest rates

Asian Central Banks split on inflation strategy amid oil price surge (March 31)

Asian central banks diverge: Australia's RBA plans rate hikes for inflation, while the Philippines prioritizes demand, letting inflation breach targets. This highlights varied policy responses, from fiscal absorption to significant CPI increases.⁷

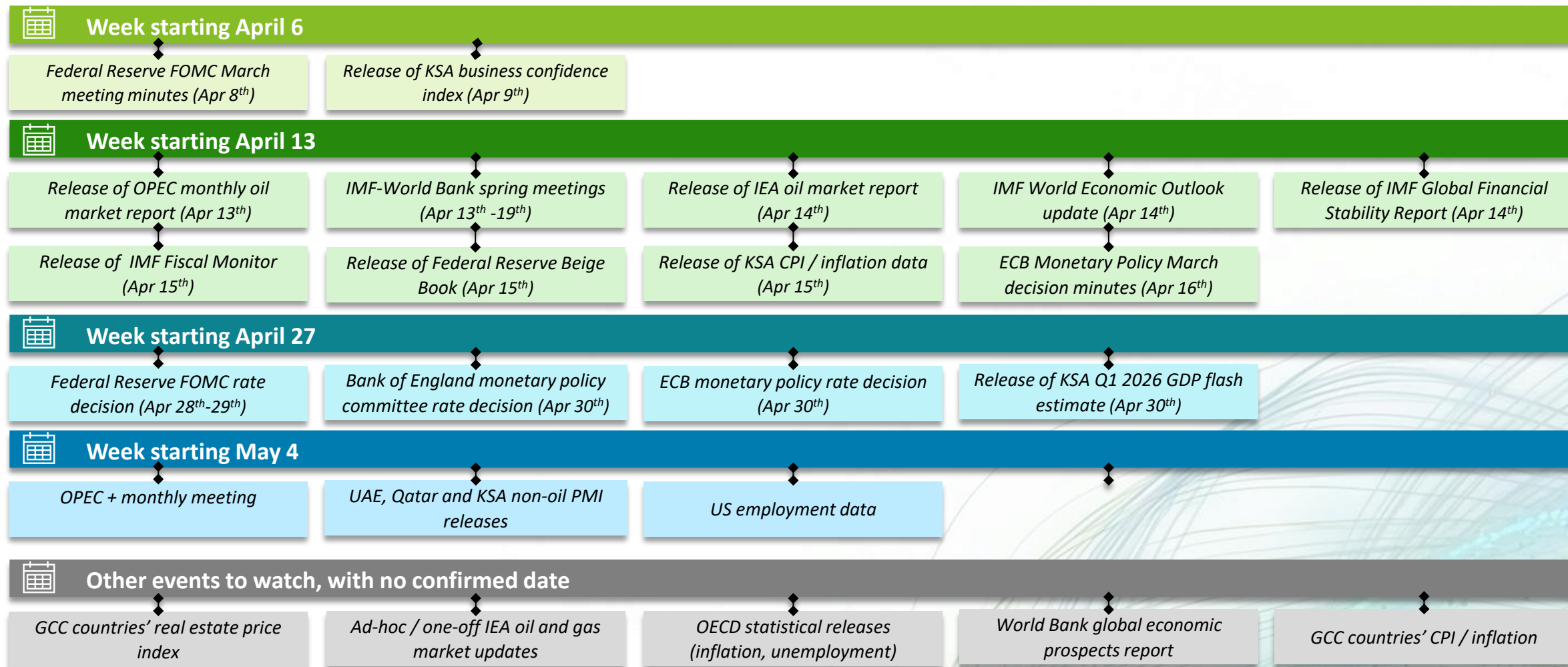
GCC economy

Kuwait's economy faces severe shock as conflict halves oil production (March 31)

Kuwait's oil production has halved due to the Strait of Hormuz closure and refinery attacks, halting exports and reducing domestic absorption. Given oil's dominance in revenue, this will cause a double-digit fiscal deficit and over 10% GDP contraction. Despite financial buffers, recovery will be prolonged.⁸

Sources: 1. [Bloomberg](#), 2. [Wall Street Journal](#), 3. [Bloomberg Opinion](#), 4. [The National](#), 5. [Zawya](#), 6. [Bloomberg](#), 7. [EIU Viewpoint](#), 8. [EIU Viewpoint](#).

Key events to watch out for



The background features a faint, light-colored world map centered on the left side. On the right side, there are several overlapping, wavy lines in shades of blue, green, and yellow, creating a sense of motion and depth. The overall aesthetic is clean and modern.

5 **Contact us**

Contact us

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