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Regional geopolitical situation
Economic Bulletin

April 30, 2026

Table of contents

1 Weekly overview

2 Weekly updates

3 Spotlight – Breaking the bloc: The UAE’s OPEC exit

4 Key news and events

5 Contact us

1 Weekly overview

The Strait of Hormuz remains central as sentiment leads and economic impacts emerge later

Extension agreed but stability not restored

At the time of writing, the White House has indicated that a new proposal from Iran is under discussion. However, there are still few concrete signs that de-escalation is translating into real-world normalization.[1] Despite last week's ceasefire extension, activity through the Strait of Hormuz remains significantly below typical levels,[2] and the United Kingdom Maritime Trade Operations continues to describe conditions as volatile.[3]

The real impact may not have landed yet

There is growing recognition that the full economic impact of the disruption has yet to materialize. While markets have already reacted with higher prices and weaker sentiment, official commentary suggests more substantial effects will emerge over time as supply constraints work their way through the system. A UK government official noted that households are likely to face rising costs across energy, food, and travel, with impacts expected to have "*a long tail*" and potentially take "*eight-plus months from the point of resolution*" to fully materialize.[4] This aligns with broader evidence that shocks of this nature typically transmit with a lag, as disruptions to trade flows gradually affect inventories, production, and ultimately prices.

From price shock to real shortage

Warnings about energy security have become more pronounced. The International Energy Agency has described the situation as "*the biggest energy security threat in history*,"[5] while European policymakers have cautioned that there is "*no workaround*" for sustained high energy prices.[6] The US President Donald Trump has also acknowledged that consumers should expect to pay more "*for a little while*."[7] While advanced economies are beginning to absorb this pressure, the effects are expected to be more severe in lower-income and import-dependent economies, particularly across parts of Asia.[8]

Pressure spreading across sectors

Disruptions are extending well beyond energy markets, with impacts emerging across a wide range of sectors. Recent developments illustrate the breadth of the issue rather than define its limits. Reports of vessels carrying medical goods being intercepted highlight risks to essential supplies,[9] while constraints on chemical inputs are pushing up costs for intermediate goods such as electronic components.[10] Concerns around fertilizer availability are also intensifying, raising the prospect of knock-on effects for food production and broader humanitarian risks if disruption persists.[11] Together, these examples show how constrained maritime flows are beginning to ripple through multiple layers of the global economy.

Sources: 1. Trump reviews peace plan ; 2. Data show shipping in Strait of Hormuz remains subdued ; 3. UKMTO ; 4. Britain preparing for impact on economy ; 5. IEA: 'We are facing the biggest energy security threat in history' ; 6. EU climate chief warns there is 'no workaround' for high energy prices ; 7. Trump on gas prices: Americans should expect to pay more 'for a little while'; 8. Rising fuel costs squeeze Asia's most vulnerable; 9. Medical Supplies ; 10. War on Iran disrupts key chemical supply ; 11. Humanitarian risks

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The Strait of Hormuz remains central as sentiment leads and economic impacts emerge later

Global dialogue continues without breakthrough

Diplomatic engagement persists but largely involves reaffirming positions rather than signaling a clear breakthrough. Regional leaders have emphasized the importance of de-escalation and stability. For example, Qatar's Prime Minister and Saudi Arabia's Foreign Minister discussed "*efforts aimed at de-escalation that contribute to enhancing security and stability in the region*,"[1] while Egypt's Foreign Minister separately engaged with Qatari and Iranian counterparts, reiterating the need for a diplomatic resolution. Similar messages have been echoed across other regional talks, highlighting a shared focus on dialogue.[2]

This emphasis extends beyond the region. Global leaders increasingly stress the urgency of restoring stability due to economic risks. Recent discussions between the UK Prime Minister and the US President highlighted the need to reopen shipping routes through the Strait of Hormuz, citing the "*severe consequences for the global economy and cost of living*" if disruption continues.[3]

Global fallouts begin to emerge

Policymakers are preparing for a prolonged impact. In the UK, the government is taking steps to mitigate economic fallout,[4] while survey data from the Confederation of British Industry shows a sharp decline in retail sentiment amid inflation concerns.[5] This indicates that even large developed economies are feeling tangible effects. Financial markets are also showing signs of global repricing, with BlackRock warning that rising energy costs and high valuations are weighing on risk assets, alongside growing caution about the global consumer outlook.[6] Together, these signals suggest the impact is spreading beyond the region, influencing global equity sentiment and asset allocation.

The Strait defines what comes next

Looking ahead, reopening the Strait of Hormuz remains the key milestone for stabilization. Market participants increasingly see it as the clearest sign that pressures on energy, trade, and supply chains may begin to ease. Goldman Sachs suggests Gulf oil output could recover within months of resumed flows,[7] while Tim Clark, President of Emirates Airline, expects aviation operations to return to normal within one to two months of reopening.[8] These examples illustrate how the Strait serves as a reference point not only for trade normalization but also for broader economic recovery timelines—from energy supply and industrial inputs to travel, logistics, and consumer behavior. Until then, the Strait will remain the central barometer for the scale and duration of global economic disruption.

The recent announcement from the UAE as to its OPEC exit add further complexity to the oil market volatility and is explored in more detail in our spotlight article "Breaking the bloc – The UAE's OPEC exist"

Sources: 1. Qatar PM discuss crises with Saudi FM; 2. Egypt's foreign minister speaks with his Qatari and Iranian counterparts ; 3. Starmer, Trump hold call on Strait of Hormuz ; 4. Britain preparing for impact on economy ; 5. Worst fall for UK retail sales in over 40 years ; 6. BlackRock warns of hit to European stocks from energy crisis ; 7. Gulf oil output likely to rebound within months; 8. Emirates boss Tim Clark says airline will resume full operations ;

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Impacts of the conflict in a snapshot

Brent crude oil[1]
As of April 27, 2026
↑ 39.5%

VIX index[2]
As of April 27, 2026
↓ 1.8 pp

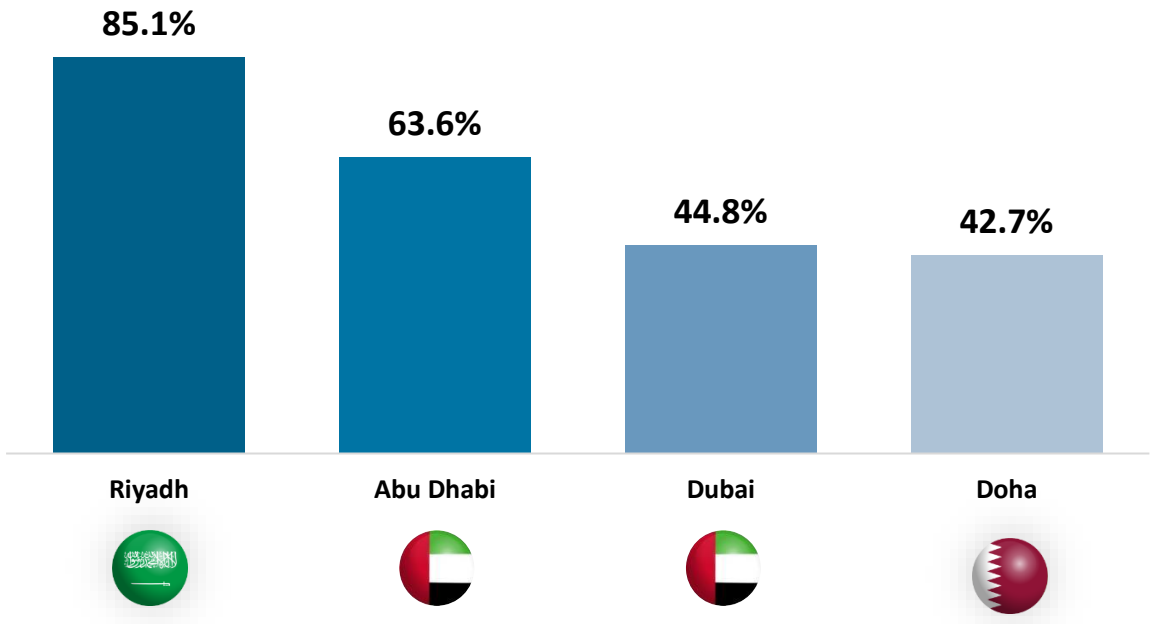
LNG* (Europe)[3]
As of April 27, 2026
↑ 39.7%

LNG* (Asia)[4]
As of April 27, 2026
↑ 54.4%

Gold[5]
As of April 27, 2026
↓ 10.6%

US Dollar index (DXY)[6]
As of April 27, 2026
↑ 0.9%

Tracked flights as % of pre-conflict[7, 8, 9, 10]
As of April 27, 2026



The comparison is between April 27 and February 27, the pre-conflict period

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)

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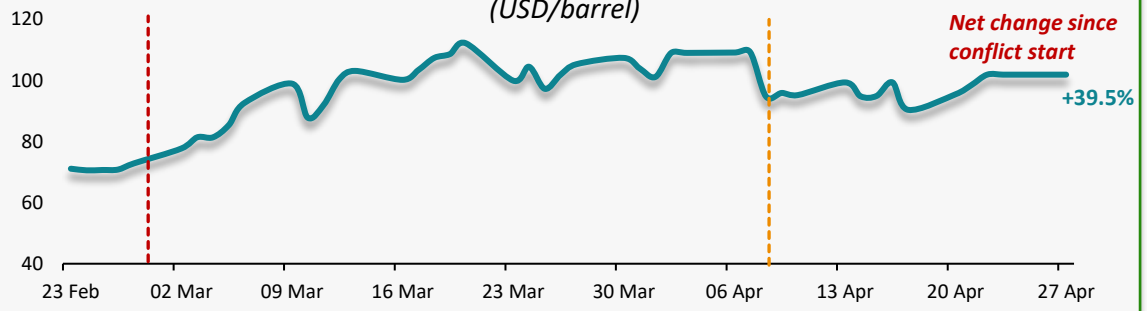
2 Weekly updates

Weekly updates | Prices and market sentiment

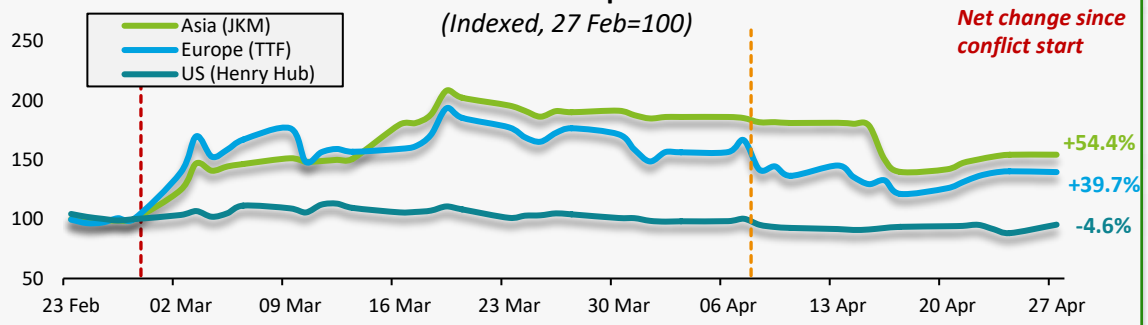
Brent crude oil
(USD/barrel)



Source: Brent Crude | MarketWatch

Brent crude oil prices remained volatile and elevated over the week from April 20 to April 27. After reaching $95.48 per barrel on April 20 amid renewed tensions, prices continued to rise as it became increasingly evident that the ceasefire extension announced on April 21 would not lead to a structural breakthrough. Prices surged to $105.07/barrel on April 23 following the Iranian seizure of foreign container ship, signaling that the truce had not eased underlying supply pressures. Momentum continued building through the week as the US cancelled the planned Islamabad negotiating trip on April 25, with Brent closing at $101.69 on April 27, leaving prices 39.5% above pre-conflict levels.

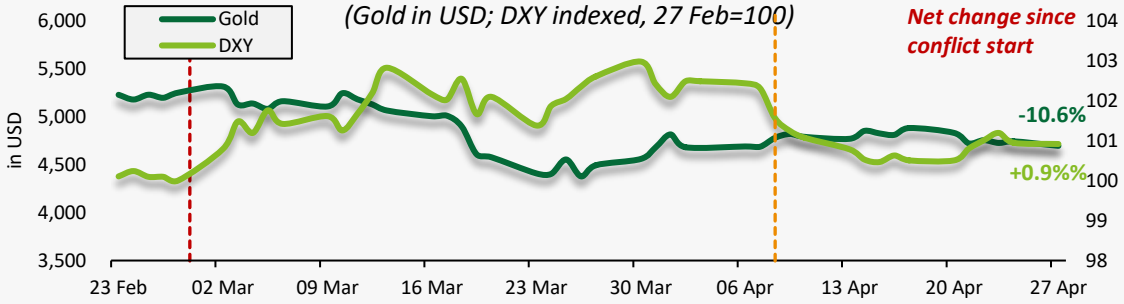
LNG future price
(Indexed, 27 Feb=100)



Sources: Asia (JKM) | Investing.com ; Europe (TTF) | Investing.com ; US (Henry Hub) | Investing.com

Gas markets have been volatile in Europe and Asia and remain structurally elevated vs.to pre-conflict levels despite recent moderation, the Asian JKM being up 54.4% and European TTF up 39.7% since then. Between April 20 and 27, LNG futures reflected the ongoing dual-blockade stalemate in the Strait. April 20 data showed slight easing, but this reversed after the April 21 ceasefire extension brought no supply relief and Islamabad talks downturn without a second round. Over the week, JKM and TTF rose by 8.7% and 10.8%, respectively, while US Henry Hub futures stayed relatively stable, only 1.4% higher than the previous week but 4.6% below pre-conflict levels, reflecting US domestic market dynamics.

Gold vs. USD index
(Gold in USD; DXY indexed, 27 Feb=100)

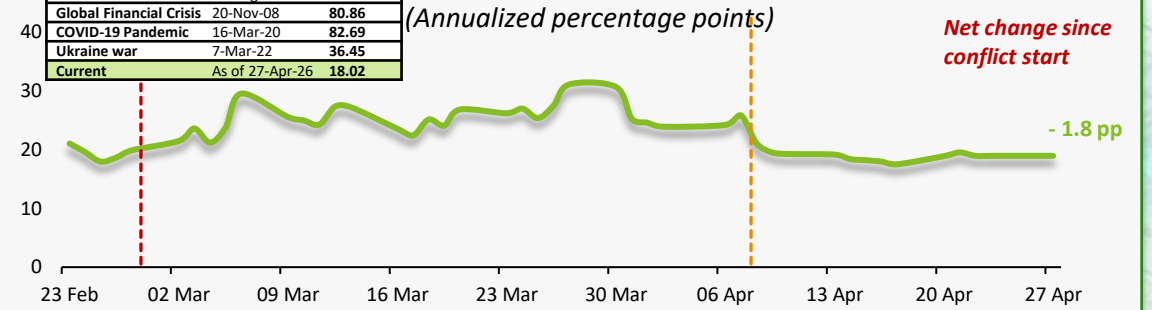


Sources: Gold | MarketWatch ; DXY | MarketWatch

Between Aprill 20 and 27, the DXY rose 0.4% while gold declined 2.8% from $4,828/oz to $4,694/oz. The downturn of the Islamabad talks and the continuation of the US naval blockade pushed Brent up to a closing price of $101.69/barrel this week as of April 27 which would amplify inflation concerns and reduce expectations for near-term Fed rate cuts, strengthening the dollar and weighing on less-yielding gold despite the intensifying geopolitical backdrop.

VIX index
(Annualized percentage points)

Conflict/ Crisis	Date	VIX value
1990 Gulf War	23-Aug-90	36.47
Global Financial Crisis	20-Nov-08	80.86
COVID-19 Pandemic	16-Mar-20	82.69
Ukraine war	7-Mar-22	36.45
Current	As of 27-Apr-26	18.02



Source: VIX | Cboe

The VIX index has remained relatively contained since the escalation began. Although it spiked sharply at the conflict's onset, it has since eased to slightly below pre-conflict levels. However, this net change masks sharp swings throughout the period, indicating a volatile risk environment rather than a smooth return to normal. Over the past week, the VIX rose to 19.50 on 21 April as the original ceasefire expiry approached and remained relatively high at 19.31 on April 23 following Iran's seizure of two container ships in the Strait of Hormuz, before retreating after the ceasefire extension announcement on April 21, which propelled the S&P 500 and Nasdaq to record highs.[1]

Sources: 1. S&P 500, Nasdaq close at records

Note: Data is as of April 27, 2026. All values shown in the graphs are closing levels.

Legend: Start of the conflict Feb 28 — Ceasefire announced April 8

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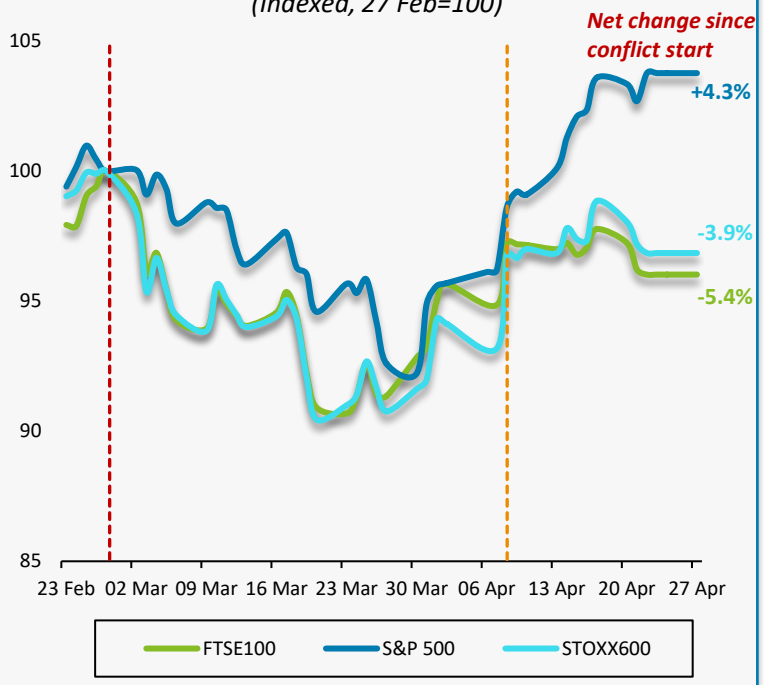
Weekly updates | Equity markets

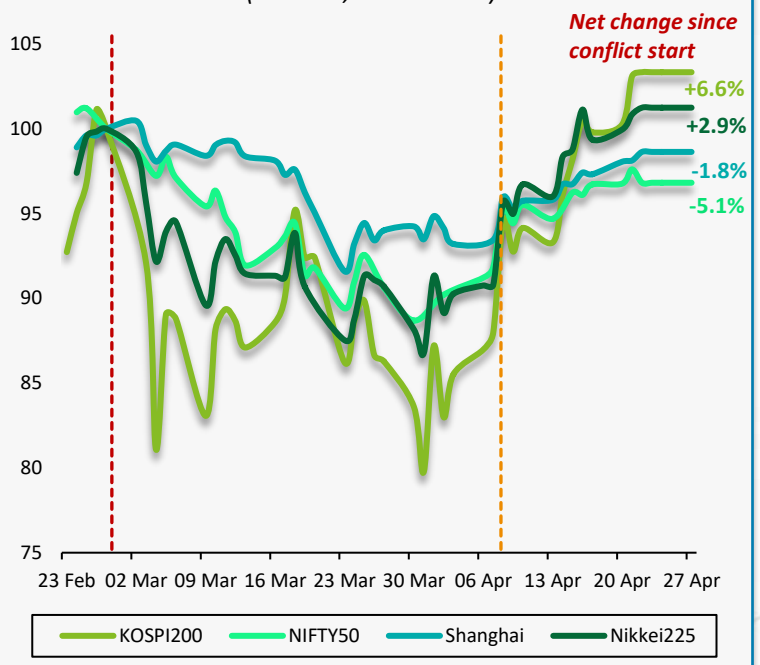
Western equities
(Indexed, 27 Feb=100)



Sources: *S&P 500 | MarketWatch ; FTSE 100 | MarketWatch ; SXXP Data | STOXX 600 | MarketWatch*

The S&P 500 gained about 0.9% between April 20 and 27, with muted trading activity as investors paused after the previous week's rally. Attention shifted to a busy event calendar, including major corporate earnings, key US economic data (e.g., GDP, inflation), the Federal Reserve's rate decision, and the Middle East situation.[1] Conversely, European and UK equities fell, with the STOXX 600 and FTSE 100 down 2.0% and 2.7%, respectively, weighed down by stalled US-Iran talks, rising oil prices, and energy supply concerns. This reflected the region's vulnerability to energy shocks and worries that higher inflation could pressure consumer spending and corporate margins. Investors grew cautious ahead of major central bank meetings later in the week—including the Bank of England (BoE) and European Central Bank (ECB)—which are expected to clarify the monetary policy outlook.[2]

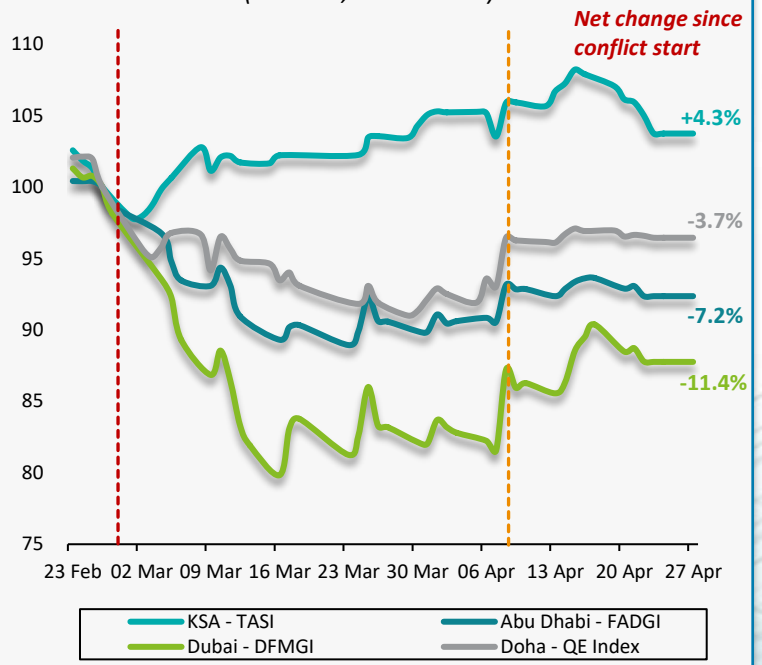
Asian equities
(Indexed, 27 Feb=100)



Sources: *KOSPI 200 | MarketWatch ; Shanghai | MarketWatch ; NIKKEI 225 | MarketWatch ; NIFTY50 | MarketWatch*

Asian equities showed mixed performance between April 20 and 27, reflecting a divide between markets supported by technology and AI momentum and those more exposed to higher oil prices and domestic growth concerns. Japan's Nikkei 225 and South Korea's KOSPI 200 were relatively resilient, gaining about 2.9% and 6.4%, respectively, supported by stronger investor appetite for semiconductors and AI-linked stocks, which helped offset some pressure from higher oil prices and ongoing geopolitical developments. In contrast, India's NIFTY 50, more sensitive to oil prices, fell by 1.9% as rising costs weighed on sentiment. China's Shanghai Composite Index reported modest gains of 0.1%, with performance driven less by the conflict itself and more by domestic growth, policy, and demand concerns.

GCC equities*
(Indexed, 26 Feb=100)



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

Saudi's TASI index fell by 1.7%, extending its losing streak as geopolitical risks and trade disruptions weighed on the market. However, it recovered slightly on April 27 compared to the previous trading day, supported by gains from Saudi Basic Industries (SABIC) and Aramco. Similarly, Abu Dhabi's FADGI declined by 0.1% over the period but rose slightly on April 27 from its level at the end of the prior trading day, boosted by gains from Alpha Dhabi Holding and the newly announced UAE AED 1 billion strategic fund to strengthen industrial resilience. Dubai's DFMGI posted modest gains of 0.1%, despite earlier weaknesses, led by blue-chip developer Emaar Properties and toll operator Salik. Meanwhile, Doha's QE index fell by 0.3%, weighed down by losses from Qatar National Bank and uncertainty around LNG and shipping routes.[6]

Sources: 1. US stocks: S&P 500; 2. S European markets: Stoxx 600, FTSE ; 3. Japan's Nikkei ; 4. South Korean KOSPI200 ; 5. China's Shanghai ; 6. GCC equities. | **Note**: Data is as of April 27, 2026. All values shown in the graphs are closing levels. GCC equities were indexed based on February 26 as KSA and Qatar markets were closed on February 27.

Legend: *Start of the conflict Feb 28* *Ceasefire announced April 8*

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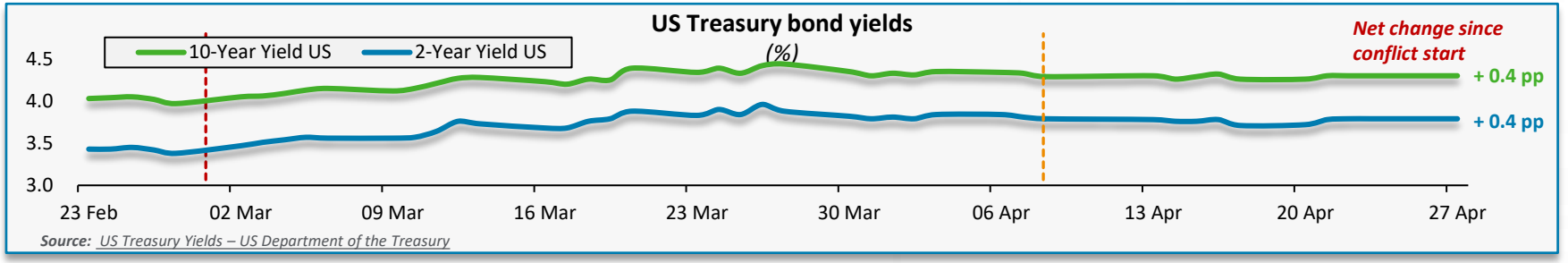
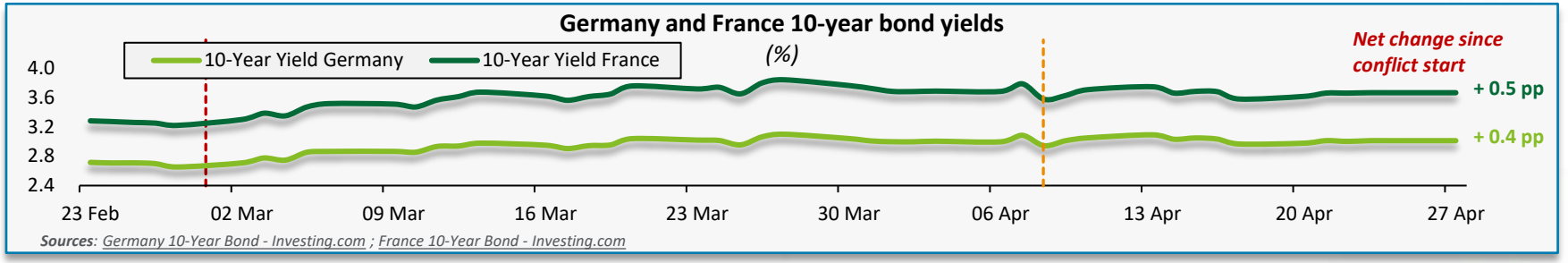
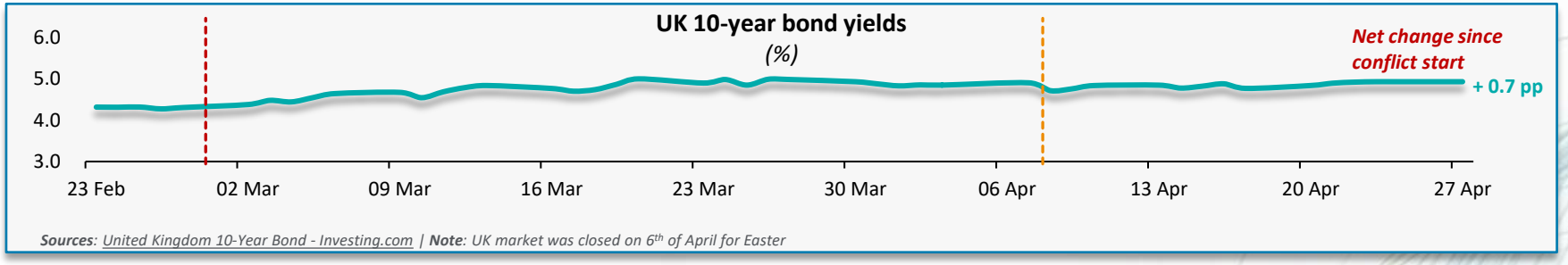
Weekly updates | Bond markets



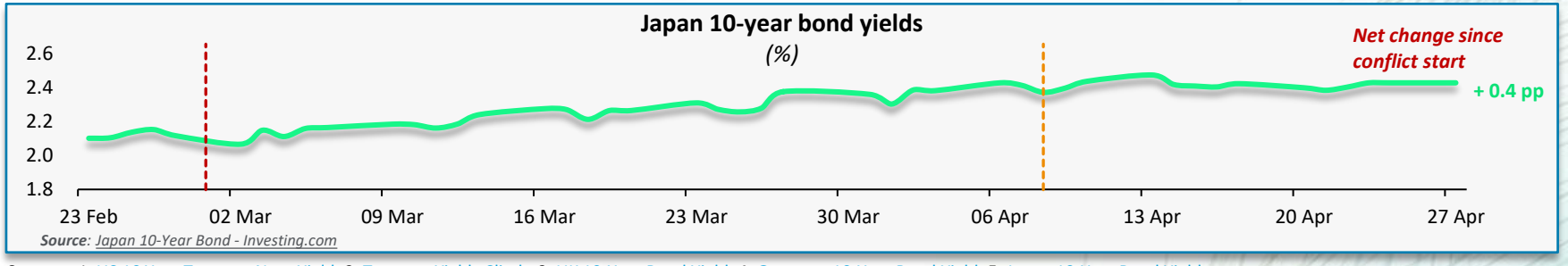
Source: US Treasury Yields – US Department of the Treasury



Sources: Germany 10-Year Bond - Investing.com ; France 10-Year Bond - Investing.com



Sources: United Kingdom 10-Year Bond - Investing.com | **Note**: UK market was closed on 6th of April for Easter



Source: Japan 10-Year Bond - Investing.com

- *In the US, between April 20 and 27, both the 2-year and 10-year Treasury yields rose by 0.06 and 0.09 pp, reaching 3.78% and 4.35%, respectively. The 2-year yield, which is more sensitive to near-term Federal Reserve policy expectations, was supported by concerns that higher oil prices could keep inflation persistent and reduce the likelihood of interest rate cuts. Meanwhile, the 10-year yield also remained firm, as markets priced in a combination of inflation risks, geopolitical uncertainty, and a busy economic calendar, including the upcoming Fed decision, GDP data, and inflation releases.*
- *In Europe, 10-year yields in Germany, France, and the UK remained elevated in that period amid concerns that higher energy prices and geopolitical tensions—such as stalled US-Iran talks and the closure of the Strait of Hormuz—could keep inflation pressures firm and complicate monetary policy.[2,3,4] The German 10-year yield rose from 2.98% to 3.04%, nearing its highest level since 2011, while the French yield increased from 3.61% to 3.69%. The UK 10-year yield climbed from 4.84% to 4.98%, approaching 5% levels last seen in 2008. These developments reinforced expectations of further ECB rate hikes in 2026 and a tighter Bank of England policy.[2,4]*
- *In Japan, the 10-year yield rose by 0.07 pp to 2.47% in that same period, approaching levels not seen in nearly three decades. Investors focused on the Bank of Japan's policy outlook, where rates are widely expected to remain steady, alongside concerns that higher energy prices could drive imported inflation, given the country's heavy reliance on energy imports.[5]*
- *Globally, bond markets remained under pressure as investors factored in the inflationary impact of the conflict through higher energy prices, reinforcing expectations that major central banks may keep policy rates elevated for longer and delay a clear shift towards monetary easing.*

Sources: 1. US 10 Year Treasury Note Yield; 2. Treasury Yields Climb; 3. UK 10-Year Bond Yield; 4. Germany 10-Year Bond Yield; 5. Japan 10-Year Bond Yield

Note : Data is as of April 27, 2026. All values shown in the graphs are closing levels

Legend: *Start of the conflict Feb 28* *Ceasefire announced April 8*

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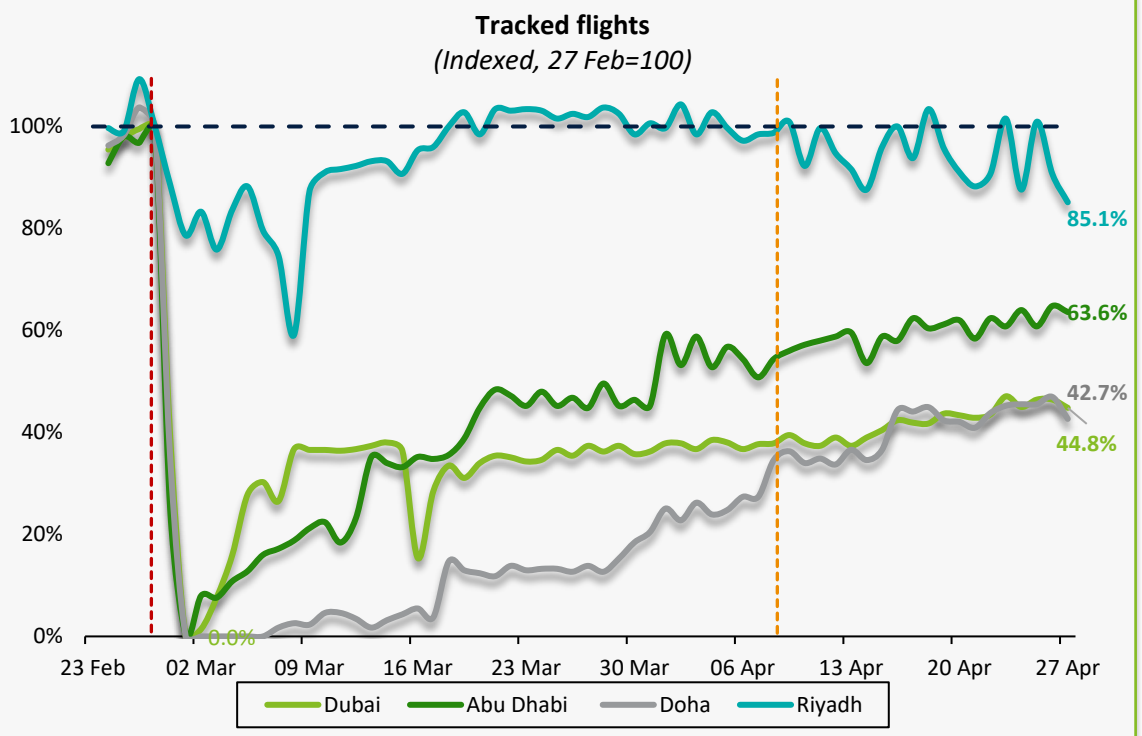
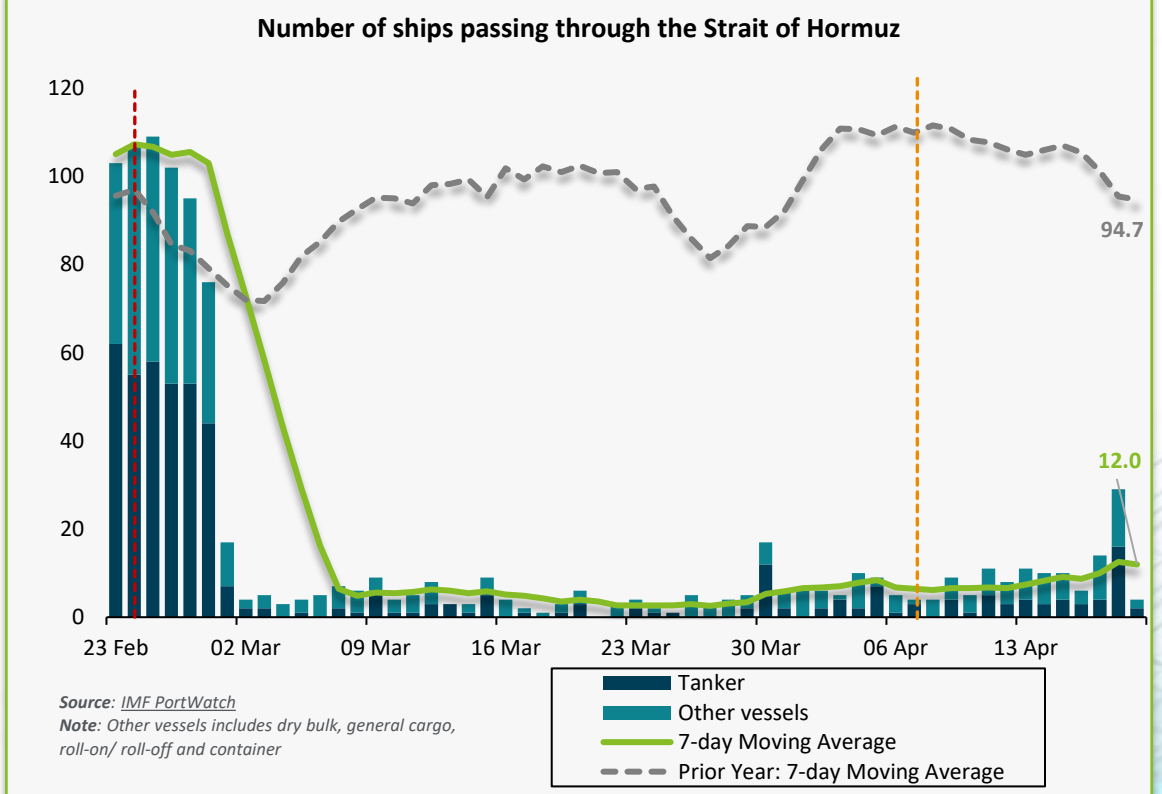
Weekly updates | Selected sectoral activity



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

By April 27, air traffic at Gulf hubs showed modest and uneven improvement compared to April 20, with Dubai, Abu Dhabi and Doha recording marginal gains and Riyadh hovering around 100%. Dubai edged up 1.5 pp to 44.8%, Abu Dhabi rose 1.6 pp to 63.6%, and Doha improved by 0.6 pp to 42.7%, supported by Qatar Civil Aviation Authority announcing a phased resumption of services and foreign airlines gradually returning operations to and from Hamad International Airport such as Qatar Airways' resumption of daily flights to Dubai and Sharjah from April 23, a helpful step in restoring regional connectivity.

While these incremental gains reflect the gradual expansion of Gulf carrier schedules, recovery remains heavily constrained with the European Union Aviation Safety Agency (EASA) extending its conflict zone bulletin on April 24 through May 1, maintaining the barrier to European carrier restarts, with Lufthansa Group, Air France, KLM, British Airways, Singapore Airlines and Cathay Pacific all sustaining regional suspensions through May at minimum.



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

Between April 13 and April 19, maritime traffic through the Strait of Hormuz remained relatively suppressed, despite showing a gradual but volatile improvement. The 7-day moving average increased from 6.6 on April 12 to a conflict peak of 12.6 on April 18, driven almost entirely by a brief and contested reopening announcement by Iran on April 17 leading to a marginal uptick in transits as the fragile ceasefire held.

However, Iran closed the Strait again on April 18 as response of the US' naval blockade, with the collapse of the second round of Islamabad talks eliminating the most credible near-term pathway to a Hormuz reopening. Consequently, high insurance premiums and security risks continue to deter mainstream operators, with only a very limited number of risk-tolerant vessels attempting to transit the Strait.

Source: 1. Qatar Airways resumes daily flights; 2. Airspace of the Middle East and Persian Gulf- EASA
Note: Data is as of April 27, 2026.

Legend: *Start of the conflict Feb 28* *Ceasefire announced April 8*

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3 Spotlight – Breaking the bloc: The UAE's OPEC exit

Breaking the bloc: The UAE's OPEC exit | What is OPEC?

What is OPEC (and OPEC+)?[1,2,3]

The Organization of the Petroleum Exporting Countries (OPEC) is an intergovernmental organization founded in 1960. Its primary mission is to **coordinate the oil policies of its member countries to stabilize prices, ensure a reliable supply of oil, and secure fair returns for producers**.

OPEC is predominantly composed of Gulf oil exporters, which have historically influenced global crude oil prices by adjusting production levels and allocating quotas among members. The organization has played a significant role at various points in history, including during the 1970s oil crises, which helped reshape global energy policy.

Over time, OPEC's memberships evolved, as new countries joined and others departed, influenced by geopolitical and economic factors. Despite these changes, its central role in coordinating production to stabilize global oil markets has remained consistent.

In 2016, OPEC established a broader alliance known as OPEC+ to address falling oil prices driven by rising US shale production. OPEC+ includes all OPEC members plus 10 non-OPEC producers, such as Russia, collaborating to coordinate production and stabilize markets.

It is estimated that OPEC controls **nearly 80% of proven oil reserves and supplied over 25% of global oil before the regional conflict**. However, at its peak, OPEC was supplying around half of the world's oil.

Current Members[1]

Note: Country names in blue are for founding members

OPEC timeline[1]

1960s
Formation and early expansion

- *Secretariat initially in Geneva, a neutral international hub*
- *Moved to Vienna in 1965 to set up a permanent headquarters*
- *Established governance structures and asserted sovereignty over natural resources*
- ***UAE:** Joined in 1967*

1970s
Growth and global influence

- *Members took control of domestic oil industries*
- *OPEC emerged as a major force in global markets*
- *Established the OPEC Fund for International Development (1976) to support developing countries financially*

1980s
Contraction and market adjustment

- *Oil demand collapse and 1986 market crash*
- *Introduction of production quotas and pricing benchmarks*
- *Increased cooperation with non-OPEC producers*

1990s
Volatility and early membership changes

- *Market volatility (including 1998–99 downturn)*
- *Rising global integration of oil markets, connecting supply, demand, pricing, and trade worldwide*
- *Expanded involvement in climate discussions*

2000s
Strategy and selective changes

- *Volatility and 2008 financial crisis*
- *2005 strategy shifted OPEC to proactive, sustainable planning with wider cooperation*
- *Focus on sustainability and stability*

2010s
Cooperation era and further shifts

- *Oil market fluctuations (oversupply, demand shifts)*
- *Paris Agreement engagement (2015): OPEC's climate commitment*
- *OPEC partner agreements: Declaration of Cooperation (2016), Charter of Cooperation (2019)*

2020s
Crisis response and recent exits

- *COVID-19 demand collapse and extreme volatility*
- *Historic production cuts with partners (2020)*
- *Ongoing focus on market stability, recovery, and investment*

Sources: 1. OPEC History ; 2. What Is OPEC, and How Does the Oil Cartel Influence Petroleum Prices?; 3. UAE leaves OPEC: oil outlook for traders ;

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Breaking the bloc: The UAE's OPEC exit | The UAE's exit

What is the UAE's role in OPEC?[1]

The UAE, OPEC's third-largest producer, contributed ~12% of the group's total output before the conflict. Since joining in 1967, the UAE has been a steady member through market cycles and geopolitical changes, helping shape OPEC's role in global oil stability. However, on April 28, the UAE announced its decision to leave OPEC and OPEC+, becoming the second Gulf country to leave after Qatar in 2019.

Why has the UAE decided to leave OPEC?[2,3,4,5,6]

The UAE's decision to exit OPEC and OPEC+ stems from long-standing structural tensions and evolving national priorities, driven by a mix of strategic, economic, and geopolitical factors that have developed over time and were recently accelerated by regional conflict. Suhail al-Mazrouei, the UAE's Minister of Energy and Infrastructure, said the move reflects a *"policy-driven evolution aligned with long-term market fundamentals".*[5]

Strategic shift to maximize production

The UAE aims to produce at full capacity to monetize oil, fund diversification, and prepare for a post-oil future. This long-term strategy conflicts with OPEC's quota system, which prioritizes price stability over volume growth. At its core, the move reflects a deliberate strategic shift; as outlined in an official UAE state statement, it *"reflects the UAE's long-term strategic and economic vision and evolving energy profile."*[1]

Quota concerns and differing perspectives

The UAE has reservations about production limits, given its capacity to produce more. This highlights differing economic needs and strategic priorities: Saudi Arabia aims for higher prices to balance its budget, while the UAE, with a lower breakeven price, focuses on higher volumes and pursues an independent, forward-looking energy strategy.

Diversification and reduced oil reliance

Less dependent on oil than many peers, the UAE has diversified into sectors like trade, tourism, and transportation, and increased its focus on emerging fields such as artificial intelligence. Leaving OPEC is expected to generate more near-term revenue and provide greater flexibility to fund its long-term diversification efforts.

Geopolitical factors and timing

Heightened regional tensions (e.g., Iran conflict, Strait of Hormuz disruptions) and diverging geopolitical alliances have amplified differences within OPEC+. The current situation accelerated a decision long in consideration, providing a strategic window for exit with minimal disruption.

Greater independence and flexibility

Leaving OPEC allows the UAE to quickly adjust production, respond to market tightness, and maximize profits, shifting from collective discipline to independent optimization.

Redefining global energy role

The UAE is shifting from being a producer within a bloc to a balancing producer that contributes to market stability through its ability to act independently. As Ebtesam Al-Ketbi, President of the Emirates Policy Center, said, this move may *"strengthens the UAE's position as an actor capable of directly influencing global supply dynamics."* [6]

Sources: 1. UAE to leave OPEC amid Hormuz oil crisis; 2. UAE to leave Opec in blow to oil cartel ; 3. Explained: What is Opec and what does UAE's exit from it mean?; 4. UAE leaves OPEC: oil outlook for traders ; 5. Why UAE quit Opec: Minister, experts explain 'policy-driven' move ; 6. How the UAE's decision to leave Opec could recast the Middle East ; 6. UAE to Exit OPEC and OPEC+ in 2026: Why the Move Matters for Global Oil Markets and Energy Policy

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Breaking the bloc: The UAE's OPEC exit | What does this mean for the UAE and OPEC?

For the UAE[1,2,5]

Building on the factors outlined previously, the UAE's exit from OPEC and OPEC+ marks a significant shift from being a producer within a coordinated bloc to an independent actor in global energy markets. As Ebtesam Al-Ketbi, President of the Emirates Policy Center, emphasized, "*the UAE is redefining its role from a producer within a bloc to a balancing producer that contributes to market stability through its ability to act.*"

This transition grants the UAE full control over its production decisions, enabling it to:

Increase oil output when market conditions are favorable	Capture **greater market share**	**Respond more flexibly** to global supply and demand dynamics

ADNOC, the state-owned company, plans to increase production capacity substantially, aiming to raise output from 3.4 million barrels per day before the conflict to 5 million barrels per day by 2027. This expansion highlights the UAE's ambition to leverage its enhanced autonomy to drive economic growth.

This flexibility aligns closely with the UAE's broader economic strategy, which focuses on:

Maximizing near-term oil **revenues**	Funding **long-term economic diversification** away from hydrocarbons	Preparing for a **sustainable, post-oil future**

In practice, the UAE is positioning itself not merely as a rule-taker but as a proactive market influencer, shaping global supply dynamics on its own terms.

For OPEC[1,3,4]

The UAE's departure is widely regarded as a structural setback for OPEC, weakening the organization's ability to effectively manage global oil markets. While Saudi Arabia holds the largest spare production capacity—the ability to quickly increase output—the UAE had the second-highest, making it the second most important swing producer capable of raising output to help stabilize prices.

The UAE's exit removes one of the group's key members with significant spare capacity—approximately 12% of OPEC's total output—which is vital for responding to supply shocks and maintaining market stability.

With reduced spare capacity available, the responsibility for managing supply adjustments becomes increasingly concentrated, particularly on Saudi Arabia. This centralization of influence within the group strengthens Saudi Arabia's role but also raises concerns about the long-term sustainability of bearing this burden alone.

Key implications could include:

Loss of a major producer and reduced spare capacity	**Weaker ability to respond flexibly** to market disruptions	Potentially **smoother decision making** with fewer competing interests	**Increased pressure on Saudi Arabia** to lead supply management efforts

Importantly, the UAE's exit is not considered critically damaging to OPEC unless it triggers further member departures. It also reflects a longer-term trend of a gradual decline in OPEC's influence since its peak in the 1970s, both in terms of market share and its role within the global economy.

Sources: 1. UAE to leave OPEC amid Hormuz oil crisis ; 2. How the UAE's decision to leave Opec could recast the Middle East | Opec ; 3. Why the UAE's exit from Opec is a big deal ; 4. UAE to leave Opec in blow to oil cartel ; 5. 'The beginning of the end of Opec': can the oil cartel survive the UAE's exit?

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Breaking the bloc: The UAE's OPEC exit | What does this mean for the global oil markets

The impact of the UAE's departure is expected to vary across different time horizons:

Short-term[1,3]

- The immediate **price reaction is likely to be limited**, as markets remain focused on ongoing geopolitical disruptions, such as tensions around the Strait of Hormuz.
- Oil futures prices **remained largely unchanged** in response to Tuesday's (April 28) announcement.
- Additionally, the **UAE may still coordinate informally with OPEC,** when necessary, which could help limit extreme market disruptions.

Medium to long-term[1,2]

- Over time, the **loss of coordination and spare capacity** may increase the **risk of greater price volatility**. Should the UAE raise production independently, it could **exert downward pressure on prices**.
- Additionally, **OPEC's diminished ability to stabilize markets through coordinated production cuts** may complicate efforts to manage periods of oversupply.
- Analysts warn that the UAE's exit **could weaken OPEC's cohesion**, reducing **its capacity to smooth out shocks** and prevent sharp price declines during oversupply.
- However, the **UAE may still engage in informal coordination with OPEC when necessary**, which could help mitigate extreme market disruptions.

Key takeaway[4]

Overall, the **implications are less about immediate disruption and more about a gradual structural shift**: a more independent UAE, a more centralized but potentially more fragile OPEC, and a global oil market increasingly characterized by fragmented decision-making rather than coordinated supply management.

Nevertheless, the **broader OPEC+ alliance still accounts for approximately 40**% of global oil output even after the UAE's departure, meaning it **continues to wield significant influence over global oil markets**.

Sources: 1. 'The beginning of the end of Opec': can the oil cartel survive the UAE's exit? ; 2. UAE exit from OPEC is a big blow to the cartel's influence on oil ; 3. UAE to leave Opec in blow to oil cartel ; 4. What is OPEC+ and how does it affect oil prices?

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4 Key news & events

Key news headlines (1/2)

Energy

Oil traders warn of recession impact as Hormuz closure begins to hit demand *(April 21)*

The world's top oil trading firms warned that the prolonged Hormuz closure is increasing the probability of a global recession as fuel demand falls and emergency reserves are depleted. Vitol CEO Russell Hardy stated that cumulative production losses from the conflict had reached between 600 and 700 million barrels as the Strait of Hormuz remains mostly closed.[1]

Energy

Ongoing disruptions have removed 20% of global LNG supply *(April 24)*

The IEA reported that the ongoing disruptions have removed about 20% of LNG supply, with March production down 8% year-on-year. LNG shipments from Qatar and UAE have sharply fallen, and a significant portion of the new LNG capacity that was expected to come online in the medium term has now been delayed. The resultant high prices have already led to fuel switching and energy conservation measures in Asian nations.[2]

Energy

US becomes major oil supplier amid ongoing supply shock *(April 27)*

The United States has emerged as a key stabilizer in global oil markets as the conflict continues to disrupt GCC oil exports and curtails OPEC supply. Record US exports and policy flexibility have helped offset some of the volumes lost through the Strait of Hormuz, reducing OPEC's traditional influence over supply and demand.[3]

Energy

Goldman Sachs hikes oil price forecasts again as Hormuz shock persists *(April 27)*

Goldman Sachs raised its Brent crude forecast to an average of $90 per barrel in the fourth quarter, nearly $30 above pre-conflict estimates, citing extreme inventory draws caused by the sustained closure of the Strait of Hormuz. Analysts at the bank attributed the revision to an ongoing supply shock with no near-term resolution in sight.[4]

Shipping and logistics

Strait of Hormuz remains mostly closed despite ceasefire extension *(April 21)*

President Trump extended the two-week ceasefire with Iran indefinitely, even though traffic through the Strait of Hormuz stayed at a relative trickle, with the ongoing US naval blockade and Iranian attacks and seizure of vessels in the Strait continuing. 20,000 seafarers also remain stuck in the Gulf region more broadly, unable to sail on account of the prevailing situation.[5]

Shipping and logistics

First LNG tanker crosses Strait of Hormuz since the conflict started *(April 28)*

The first LNG shipment since the conflict began on February 28, appeared to have traversed the Strait of Hormuz, signaling a potential breakthrough at a key global energy chokepoint. The LNG tanker Mubaraz, loaded with cargo from Abu Dhabi National Oil Co's Das Island facility in early March, was tracked near the southern tip of India after remaining idle inside the Persian Gulf for weeks.[6]

Investment

Dubai eases requirements for its two-year residency visa *(April 29)*

Dubai has updated residency visa rules for property investors, removing the minimum property value requirement for sole owners and easing conditions for joint ownership. These changes aim to broaden access while maintaining eligibility controls, likely boosting demand in lower- and mid-tier property segments and affecting investor preferences between sole and joint ownership.[7]

Global impact

Economists raise US Inflation forecasts for second consecutive month (April 24)

Bloomberg's April survey of economists raised the US inflation forecast for Q2 to 3.6% year-on-year, up from 3.3% in the March survey. Respondents now expect only one Federal Reserve rate cut in 2026, a materially more hawkish profile than before the conflict. Elevated energy costs linked to the Hormuz disruption were identified as the primary driver of persistently higher inflation expectations..[8]

Sources: 1. Bloomberg, 2. Internation Energy Agency, 3. Reuters, 4. Bloomberg, 5. See CNBC and Reuters, 6. Gulf News, 7. Gulf News, 8. Bloomberg

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Key news headlines (2/2)

Global impacts

Pakistan raises interest rates more than expected on energy costs and ongoing power cuts *(April 27)*

Pakistan's central bank raised its benchmark rate by 100 basis points to 11.5%, marking the first rate hike in almost three years. Fuel prices in Pakistan have risen several times since the conflict began, with inflation accelerating to 7.3% year-on-year in March. The country is facing an ongoing risk of power cuts owing to severe heat and ongoing LNG disruptions.[1]

Global impacts

Economic strain mounts across emerging markets *(April 27)*

The economic impact of the conflict is spreading across emerging markets, with rising inflation, fiscal strain and trade disruption linked to higher oil and gas prices and constrained shipping activity. Emerging economies, especially in Asia that are traditionally reliant on energy imports, have seen currencies depreciate and growth forecasts downgraded.[2]

Global impacts

German consumer sentiment falls to three-year low *(April 27)*

Germany's consumer-climate index, as measured by the Nuremberg Institute for Market Decisions and GfK, fell to its lowest level since February 2023 as the conflict in the Middle East dimmed income expectations and hopes for a tentative economic rebound this year amid surging energy prices. Willingness to buy also weakened, whilst consumer expectations for the economy reached four-year lows.[3]

Aviation and connectivity

Airlines demand UK relax regulations and cut flight tax as fuel shortage looms *(April 21)*

Airlines are currently lobbying the UK government to relax environmental and regulatory norms relating to airport slots, modify passenger rights in case of cancellations and reduce taxes on flying, considering higher expected operational costs and jet fuel shortages because of the ongoing conflict and closure of the Strait of Hormuz.[4]

Aviation and connectivity

UAE-based airlines surpass 1,000 daily flights for the first time since the conflict started *(April 24)*

The UAE's four carriers – Emirates, flydubai, Etihad Airways and Air Arabia – operated 1,015 flights on April 23, the highest total since February 27, led by Emirates with 400 daily flights and Etihad with 229. Emirates president, Tim Clark, expressed confidence in the ongoing rebound and allayed concerns regarding losing market share to other airlines.[5]

Food security

Bloomberg analysis links conflict disruption to imminent global food price shock *(April 24)*

The ongoing Hormuz closure has cut critical supplies of energy and fertilizers used in grain, vegetable, and meat production. GCC producers account for about 36% of global urea exports and around 26% of diammonium phosphate exports. Analysts now project food price inflation reaching consumers in the second half of 2026 as reduced fertilizer application lowers crop yields and increase prices.[6]

Tourism

UAE's hospitality sector adjusts to lower demand this summer *(April 23)*

The UAE Hospitality Industry Barometer, released by the Global Restaurant Investment Forum and Juniper Strategy, recorded a 27% average performance decline at existing venues, with guests staying closer to home, opting for last-minute bookings and seeking out discounts. Nonetheless, despite the current slowdown, 85% of operators expressed confidence in improvement within 12 months.[7]

Key statements

UK official says higher prices in UK could last for 8 months after conflict ends *(April 26)*

Darren Jones, chief secretary to the British Prime Minister, stated that people in the UK could face higher energy, food and air ticket prices for at least 8 months following the end of the conflict. The British government is said to be drawing up plans to mitigate the impact of shortages, with a key meeting scheduled for April 28. The IMF recently cut its estimate for UK growth to 0.8% for 2026, down from 1.3% previously.[8]

Sources: 1. Bloomberg, 2. Reuters, 3. Wall Street Journal, 4. The Guardian, 5. Khaleej Times, 6. Bloomberg, 7. The National, 8. BBC

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Key events to watch out for

Week starting May 4

- *OPEC + monthly meeting*
- *UAE, Qatar and KSA non-oil PMI releases*
- *US employment data*

Week starting May 11

- *China Inflation Rate Data*
- *US Inflation rate*
- *UK employment and GDP data*

Week starting May 18

- *Release of FOMC Minutes (April decision) (c. May 18th – May 20th)*
- *Release of UK CPI / inflation data (May 20th)*
- *People's Bank of China Loan Prime Rate Decision (May 20th)*
- *Release of EU and Eurozone CPI / inflation data (May 20th)*
- *Flash PMI – UK, US, Japan, Eurozone (May 21st)*
- *Flash PMI – UK, US, Japan, Eurozone (May 21st)*
- *Release of Japan CPI / inflation data (May 22nd)*

Week starting May 25

- *Release of EU Economic Sentiment Indicator (ESI) (May 28th)*
- *Release of US Q1 GDP (Second Estimate) (May 28th)*
- *Release of Japan Unemployment Rate (May 29th)*

Other events to watch, with no confirmed date

- *GCC countries' real estate price index*
- *Ad-hoc / one-off IEA oil and gas market updates*
- *OECD statistical releases (inflation, unemployment)*
- *World Bank global economic prospects report*
- *GCC countries' CPI / inflation*

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5 Contact us

Contact us

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As we move to a “wait and see” period, weekly coverage concludes

As many businesses begin to return to a “new normal” and we continue to await further developments to shape the outlook, this weekly series will now be coming to a close. However, monthly updates on GCC economies will continue through our Middle East Economic Monitor (MEcon), which looks beyond the immediate conflict and provides monthly updates and analysis on key topics and valuable regional insights of the Middle East, focusing on the Saudi Arabia, United Arab Emirates, and Qatar markets.

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