



Regional geopolitical situation  
**Economic Bulletin**

April 15, 2026

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# ① Weekly overview



# Despite a ceasefire, energy flows remain restricted and the outlook uncertain

## While a ceasefire is in place, conditions remain uncertain and trade flows restricted

As of this week, the fragile ceasefire has done little to stabilize markets. Initial reactions were cautiously positive: oil prices briefly retreated and equity markets rebounded on hopes of de-escalation, but these gains quickly reversed. Crude price briefly spiked above the \$100 per barrel mark on April 12 amid renewed tensions and policy uncertainty disrupting flows through the Strait of Hormuz, but have since fallen back below that level.<sup>1</sup> Global equity markets remain volatile, reflecting a broader repricing of energy risk, inflation expectations, and the likelihood of further escalation.

At the time of writing, tensions have intensified further with the US implementing a naval blockade targeting Iranian-linked shipping.<sup>2</sup> Alongside this, there have been reports that Iran has sought to impose transit fees on vessels moving through the Strait, in some cases denominated in non-dollar currencies such as the yuan, which Iranian officials have framed as a form of wartime compensation.<sup>3</sup> While these measures remain inconsistently applied and widely contested, they carry broader strategic significance. Pricing transit in yuan or alternative currencies aligns with Iran's deepening economic ties with China and reflects a wider effort among some energy producers to bypass the US dollar in cross-border trade. In doing so, the move is widely interpreted as a tentative challenge to the so-called "petrodollar" system that has long underpinned global oil markets. Our [spotlight article](#) in this week's bulletin, "[The Dollar Dilemma: Navigating the Future of Global Currency Power](#)," explores this in more detail.

The proposal has drawn sharp international criticism. The European Union and others have warned it would set a dangerous precedent for global trade routes, while the United Nations has similarly cautioned against actions that could undermine established principles of maritime law. As Ursula von der Leyen stated, "[The restoration of the freedom of navigation is of paramount importance](#)."<sup>4</sup>

The geopolitical dimension remains highly fluid. Regional actors are increasingly calling for de-escalation, with the Association of Southeast Asian Nations urging both the US and Iran to turn the current ceasefire into a lasting peace. Foreign ministers from the 10-member bloc emphasized the global importance of energy flows and trade routes, referencing international maritime conventions and underscoring the "[importance of maintaining regional peace, stability and prosperity, upholding international law, and promoting earnest dialogue and diplomacy](#)."<sup>5</sup>

**Sources:** 1. [Brent Crude](#); 2. [US military says it will start blockade of all ships](#); 3. [Iran's tariffs on Strait of Hormuz](#); 4. [EU Chief Says 'Freedom of Navigation Is of Paramount Importance'](#); 5. [ASEAN urges to turn ceasefire into lasting peace](#)

# Despite a ceasefire, energy flows remain restricted and the outlook uncertain

## Moving from a position of constrained demand to genuine shortage

Critically, the physical supply shock is only beginning to materialize. The final tankers that departed the Gulf prior to the outbreak of hostilities are now arriving in key demand centers—particularly across Asia, including China and India, as well as parts of Europe. These shipments represent the last wave of pre-conflict supply. As they are discharged, the gap between ongoing demand and constrained replacement flows is expected to widen, marking the point at which disruption shifts from logistical delay to genuine shortage. The implications are immediate: reduced refinery throughput, accelerated strategic reserve drawdowns, and upward pressure on global fuel prices.<sup>1</sup>

While some regional energy infrastructure is beginning to stabilize, recovery remains partial and uneven. A QatarEnergy statement indicates preparations are underway to restart LNG production, suggesting early steps towards normalization at key facilities such as Ras Laffan Industrial City. However, output remains constrained by security risks, shipping bottlenecks, and insurance limitations, meaning any recovery in production does not immediately translate into restored export flows.<sup>2</sup>

## However, producers continue to look for longer-term solutions

In parallel, Gulf producers are increasingly adapting to a prolonged disruption scenario. Saudi Arabia has stated it has restored its East–West pipeline to full capacity of around 7 million barrels per day, enabling crude to be rerouted to the Red Sea via Yanbu.<sup>3</sup> It has also brought the Manifa oil field on the east coast—producing roughly 300,000 barrels per day—back online.<sup>4</sup> The UAE continues to export via its pipeline to Fujairah. However, as highlighted in regional reporting, these alternative routes have limited spare capacity and are being scaled up as part of contingency planning rather than as full substitutes for Hormuz flows. The emphasis on domestic rerouting and infrastructure resilience suggests Gulf producers are preparing for the possibility of a prolonged or structurally constrained Strait.<sup>5</sup>

## The knock-on impacts persist and announcements this week suggest they could continue for some time

The disruption continues to spill into adjacent sectors, with longer-term impacts seeming increasingly likely. For example, aviation remains significantly affected, with parts of Middle Eastern airspace still restricted. European aviation authorities have issued guidance to airlines to avoid certain routes, while industry bodies warn that it will take time for networks to stabilize as carriers gradually rebuild confidence in flight corridors.<sup>6</sup> This adds further pressure to global trade and tourism flows, amplifying the economic ripple effects beyond energy markets.

**Sources:** 1. [Oil supply crunch intensifies as last Hormuz tankers reach refineries](#); 2. [QatarEnergy preparing for LNG production startup](#); 3. [Saudi Arabia restores full capacity on East-West oil pipeline to 7 million bpd after attacks](#); 4. [Saudi Arabia Restores Key Oil Facilities After Attacks](#); 5. [GCC states plan for possible long-term closure of Strait](#); 6. [EASA Extends Middle East Airspace](#)

# Despite a ceasefire, energy flows remain restricted and the outlook uncertain

## Updated economic growth forecasts start to show the true economic impact of the situation

Multilateral institutions have struck an increasingly urgent tone. At the Spring Meetings, the International Monetary Fund and World Bank warned that the conflict risks becoming a major global economic shock. IMF Managing Director Kristalina Georgieva characterized the situation as a shock spreading across currencies, inflation, and trade,<sup>1</sup> while the World Bank warned of “cascading” impacts across the global economy. Current estimates suggest the conflict could reduce 2026 global GDP growth by 0.3–1 percentage points while adding up to 0.9 percentage points to inflation.<sup>2</sup>

## The human impact is also expected to be severe

Across global institutions, the message is consistent: constrained fuel supply, disrupted fertilizer production, and elevated transport costs are feeding directly into inflation while amplifying risks to food and energy security. The United Nations Development Programme (UNDP) has warned the conflict could push up to 30 million people into poverty, reflecting the combined effects of rising energy costs, food price inflation, and disrupted supply chains, particularly across vulnerable, import-dependent economies.<sup>3</sup>

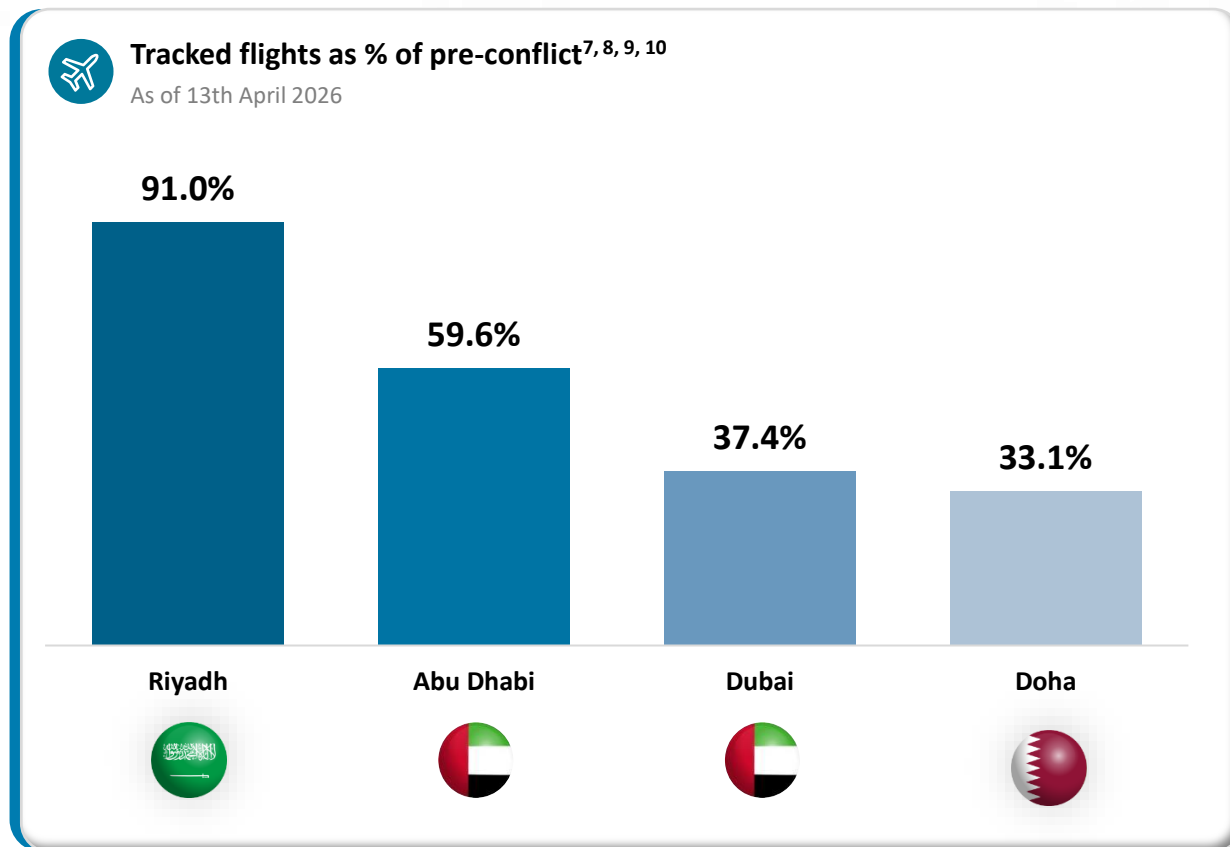
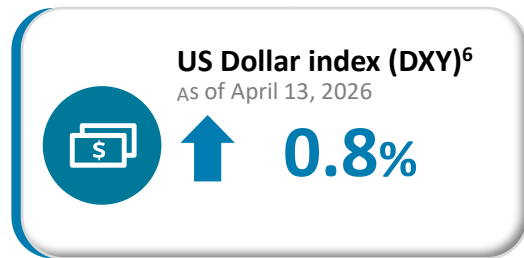
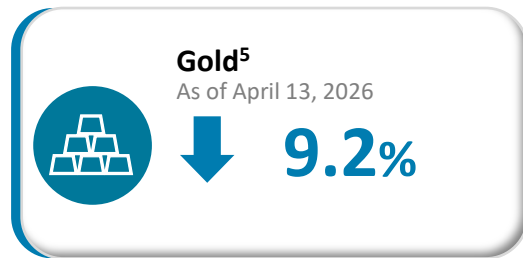
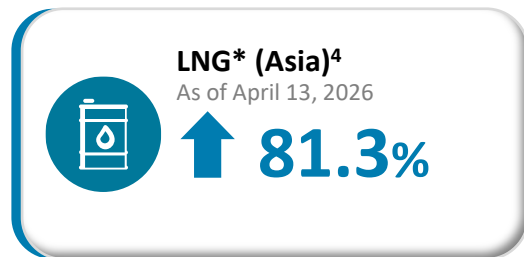
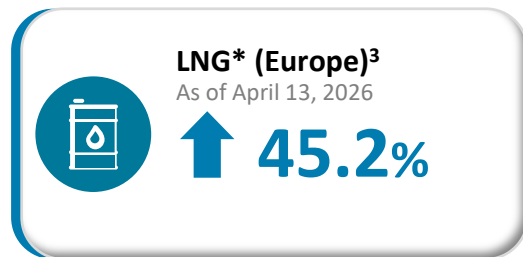
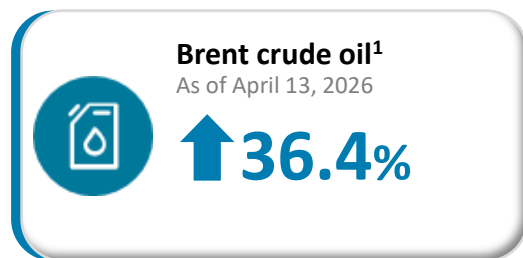
## The coming days and weeks continue to be critical in determining the scale and persistence of the economic impact

<p><b>1</b></p> <p><i>Shipping flows through the Strait of Hormuz—including tanker volumes, delays, and insurance costs—will provide the clearest signal of whether supply chains are stabilizing.</i></p>	<p><b>2</b></p> <p><i>Inventory levels in major importing regions, particularly in Asia, will indicate how quickly the supply gap is translating into real shortages.</i></p>	<p><b>3</b></p> <p><i>The sustained utilization of alternative export infrastructure in Saudi Arabia and the UAE will determine how much disrupted volume can be offset in practice.</i></p>	<p><b>4</b></p> <p><i>Energy price dynamics, including oil futures curves and LNG spot markets, will reveal whether markets expect a short-lived disruption or a prolonged deficit.</i></p>	<p><b>5</b></p> <p><i>Policy developments—including any formalization of alternative payment mechanisms or escalation in maritime restrictions—will be key to assessing whether this shock remains cyclical or begins to reshape global trade and financial systems.</i></p>
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Together, these factors will determine whether the current disruption remains a sharp but temporary spike or evolves into a sustained, supply-driven inflationary cycle with broader implications for global growth.

Sources: 1 [IMF statement](#) ; 2. [World Bank](#) ; 3. [Iran war could plunge 32 million into poverty, says United Nations](#)

# Impacts of the conflict in a snapshot



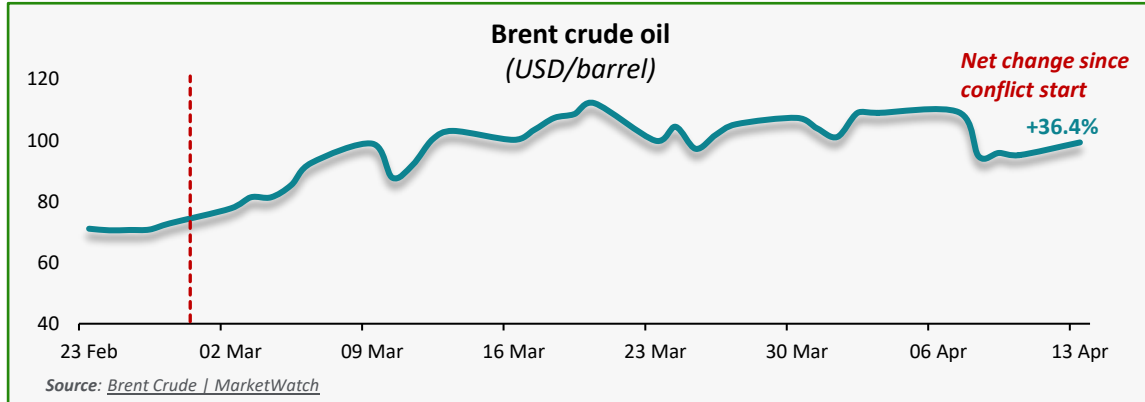
The comparison is between April 13 and February 27, the pre-conflict period

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 \(DOH\)](#)

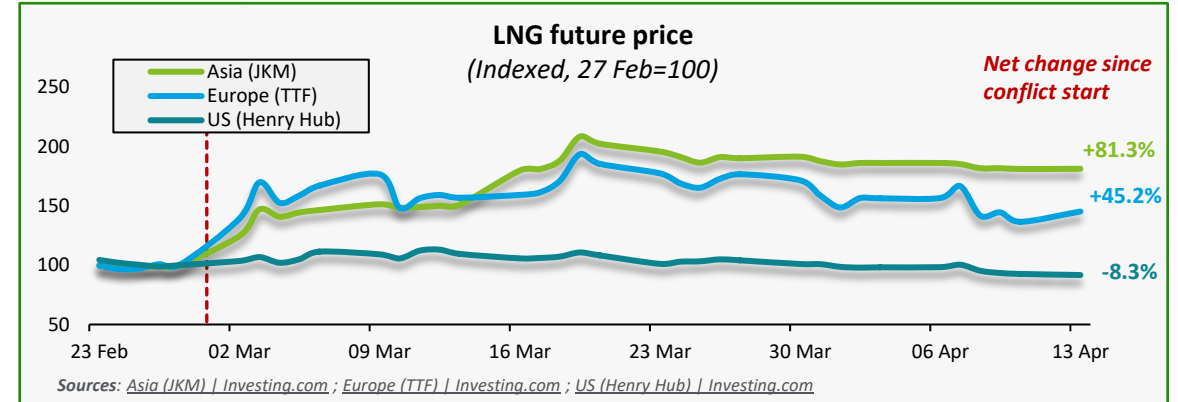


## ② Weekly updates

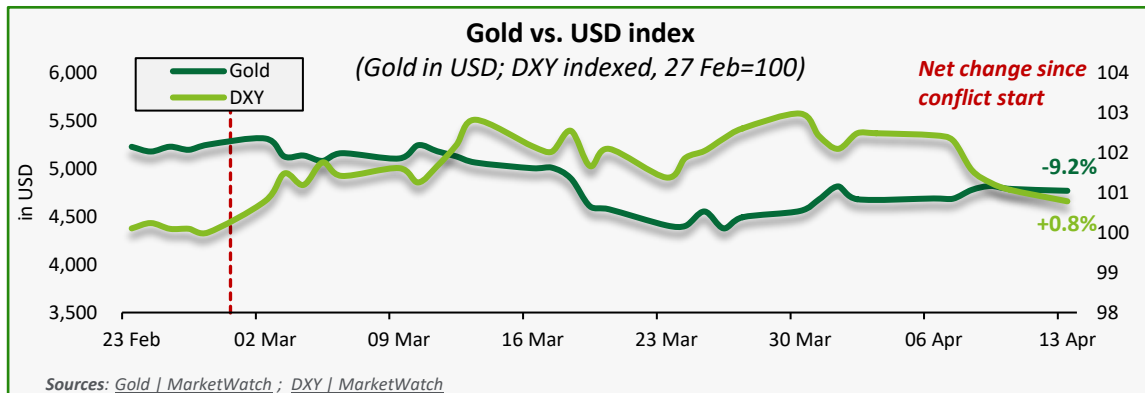
# Weekly updates | Prices and market sentiment



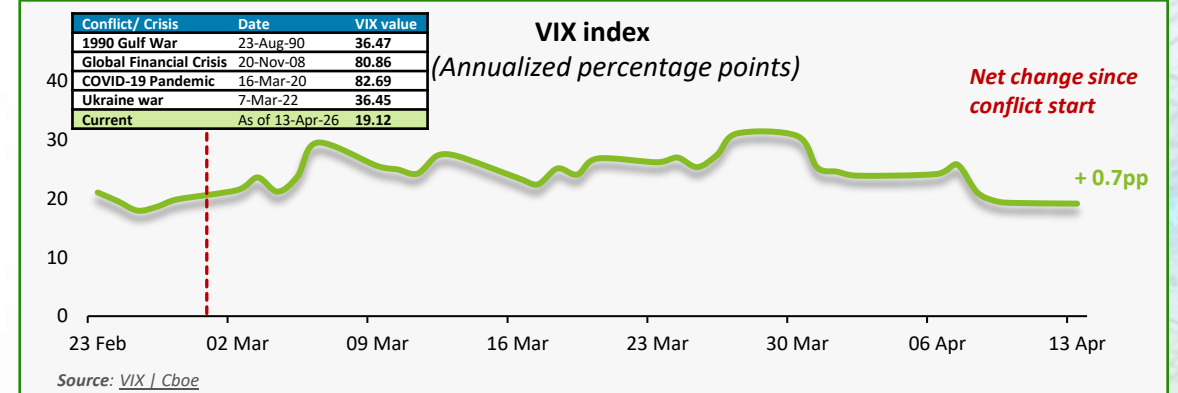
Brent crude oil prices eased slightly over the past week (April 6 and April 13), although they remained volatile. Prices initially dipped from \$109.3/barrel on April 7 to \$94.8/barrel on April 8, following the two-week ceasefire announcement on April 7-8, which eased fears of prolonged supply disruptions. Prices then rebounded to about \$99.4/barrel on April 13, as failed US-Iran Islamabad talks and blockade risks revived concerns over the Hormuz flow, leaving prices 36.4% above pre-conflict levels, but 9.1% lower since April 6.



Global gas markets, reflected by futures contracts showing market sentiment and price expectations, have been volatile in Europe and Asia and remain elevated in April compared to pre-conflict levels, with the Asian JKM up 81.3% and European TTF up 45.2%. By April 13, LNG futures eased slightly after the ceasefire announcement softened risk premiums, with JKM down 2.6% and TTF down 7.3% versus the prior week (April 6). However, Europe's TTF rebounded slightly on April 13 following unsuccessful US-Iran talks. US Henry Hub futures remained stable on April 13, 8.3% below pre-conflict levels and 6.8% lower than the previous week, reflecting the more domestic nature of the US market.



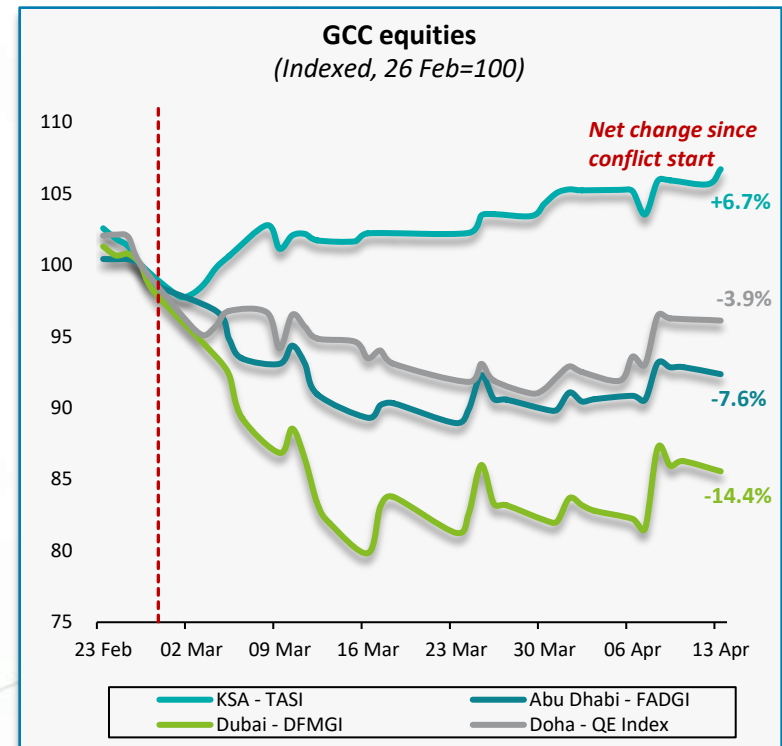
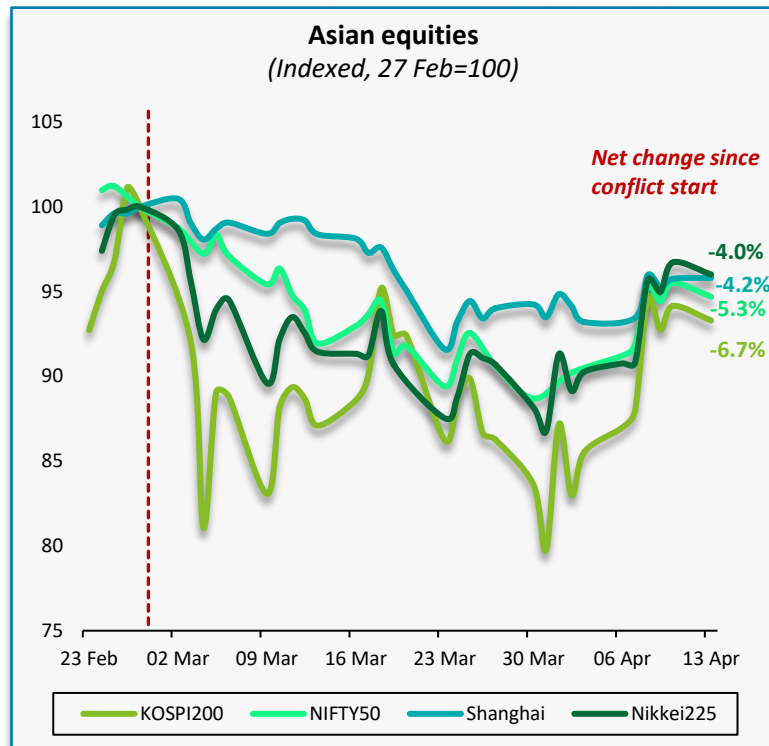
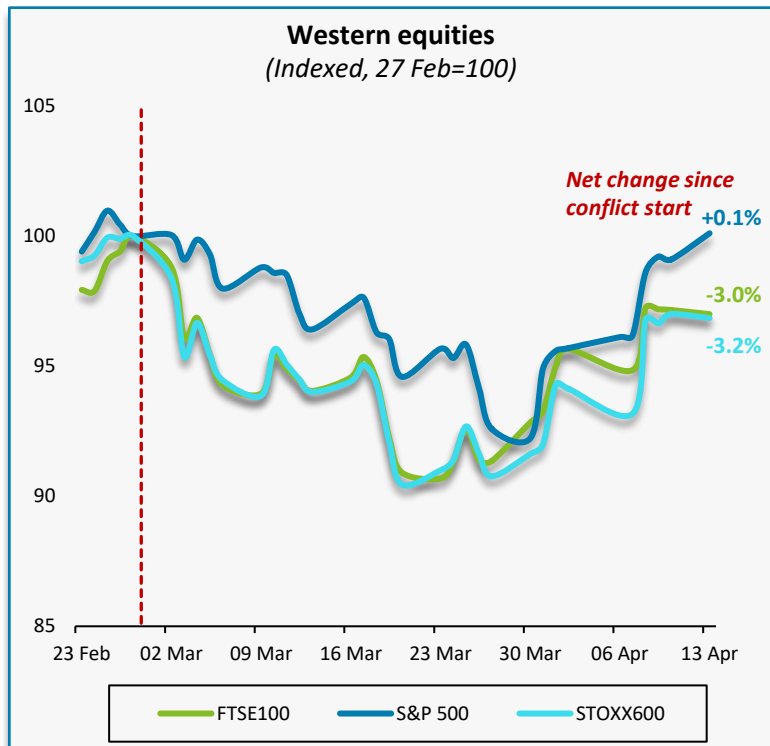
Over the last week ending April 13, the DXY fell roughly -1.6%, while gold gained 1.8% from \$4,688 to \$4,767/oz. The ceasefire announced was the trigger, with the dollar and oil prices falling after the announced two-week truce calmed inflation worries – sending gold higher. Throughout the period of the situation, higher oil prices pushed back prospects for more dovish monetary policy, putting upward pressure on bond yields and the dollar, capping gold's upside.



The VIX index, expressed in annualized percentage points of expected S&P 500 fluctuations, has remained relatively contained since the escalation began. The index peaked at 31.05 on March 27, reflecting heightened uncertainty, but has since stabilized. By April 13, the VIX had eased to 19.12, representing a 5.05 pp decline compared to the previous week. Despite this moderation, the index remains 0.7 pp higher than pre-conflict levels, indicating that while some risks have been priced out, investors still perceive elevated uncertainty.

**Note:** Data is as of 13 April 2026. All values shown in the graphs are closing levels.

# Weekly updates | Equity markets



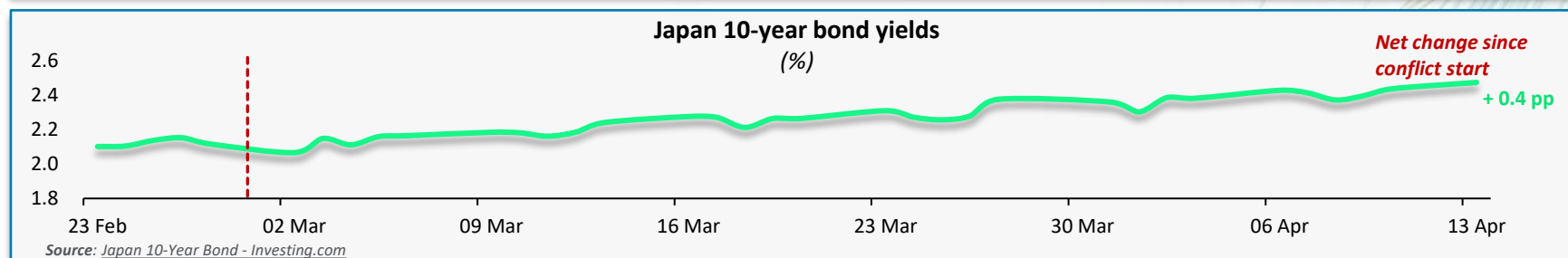
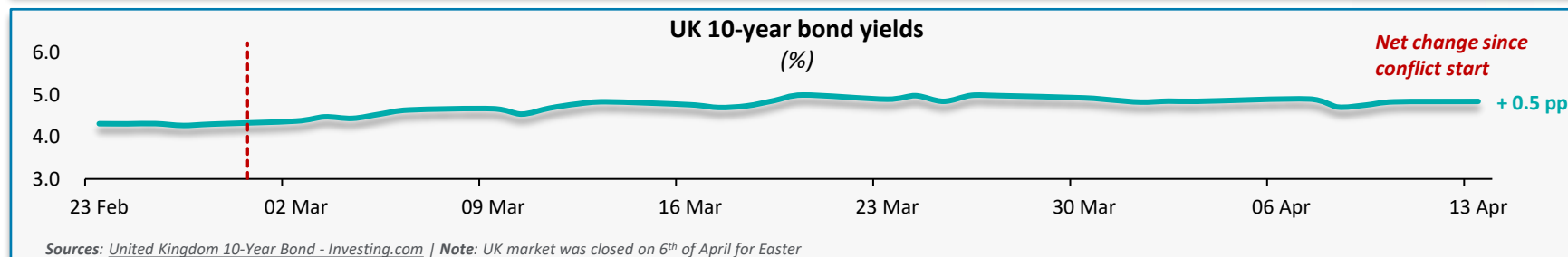
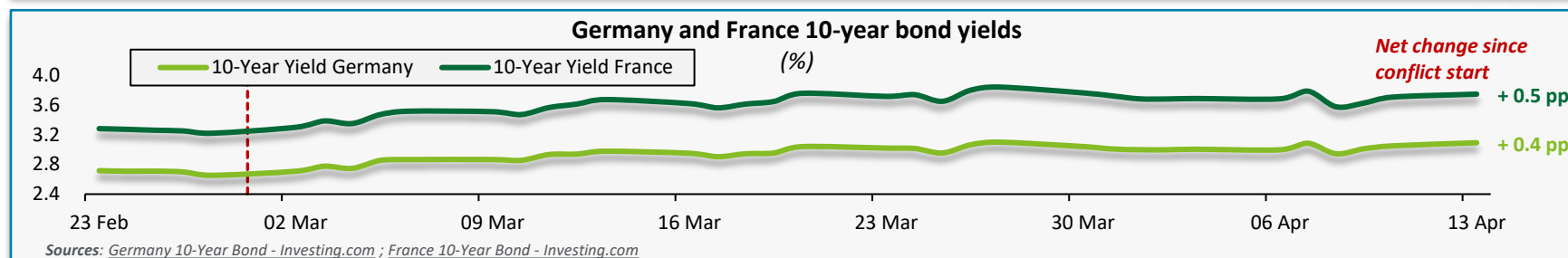
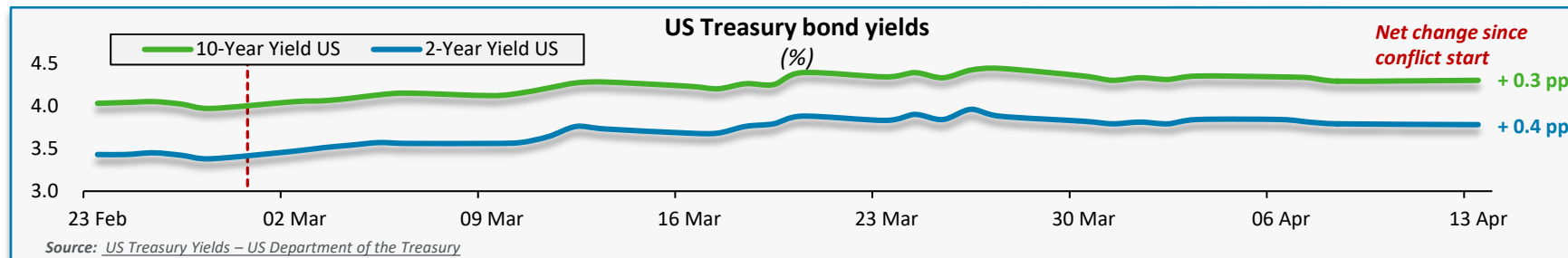
The ceasefire significantly boosted Western equities. The S&P 500 surged 2.5% on April 8, its best single session since April 2025,<sup>1</sup> while the STOXX600 rose 3.9%, led by travel and leisure stocks gaining over 7%.<sup>2</sup> Over the last week, the S&P had gained 4.2% since April 6, outperforming the FTSE100's 1.4% due to the UK's greater energy import dependency. On April 13, both the FTSE100 and STOXX600 dipped 0.2% following the Hormuz blockade announcement.<sup>3</sup> However, the S&P 500 posted a 1.0% gain the same day, recovering losses after President Trump's comments on possible further negotiations, which occurred after European markets had closed.

The April 8 ceasefire was again the pivotal moment across Asian markets. The KOSPI200 surged 7.5% on April 8, leading the region, while Nikkei 225 rose 5.4%.<sup>4</sup> Both the NIFTY50 and the Shanghai Composite posted more modest recoveries of 3.8% and 2.7%, respectively as lower oil prices eased energy import burdens across both countries. Gains partially reversed by April 13, with the Nikkei falling 0.7% and Asian markets broadly lower as the collapse of Islamabad talks and the Hormuz blockade reignited fears of a prolonged conflict.<sup>6</sup>

Dubai's DFMGI, Abu Dhabi's FADGI, and Qatar's QE were more subdued on April 13 compared to their levels on April 8, when they had shown improvements following the ceasefire announcement<sup>7</sup>—declining by 1.9%, 0.8%, and 0.4%, respectively, as the breakdown in Islamabad talks on April 12 reintroduced geopolitical risks. Conversely, KSA's TASI showed greater resilience, surging by 0.8%, supported by stronger oil prices and increased export capacity following Aramco's confirmation that it had restored full East-West pumping capacity, making it better positioned to absorb Hormuz-related disruption<sup>8</sup>.

Sources: 1 S&P500 has best day since 2025; 2 European stocks close higher; 3 CNBC European market update; 4 South Korea leads region; 5 Ceasefire catalyzes lower oil prices; 6 Update on Asia Pacific Markets; 7 Gulf stock markets surge after US and Iran agree to ceasefire; 8 Saudi Arabia restores East-West pipeline capacity; Note: Data is as of 13 April 2026. All values shown in the graphs are closing levels.

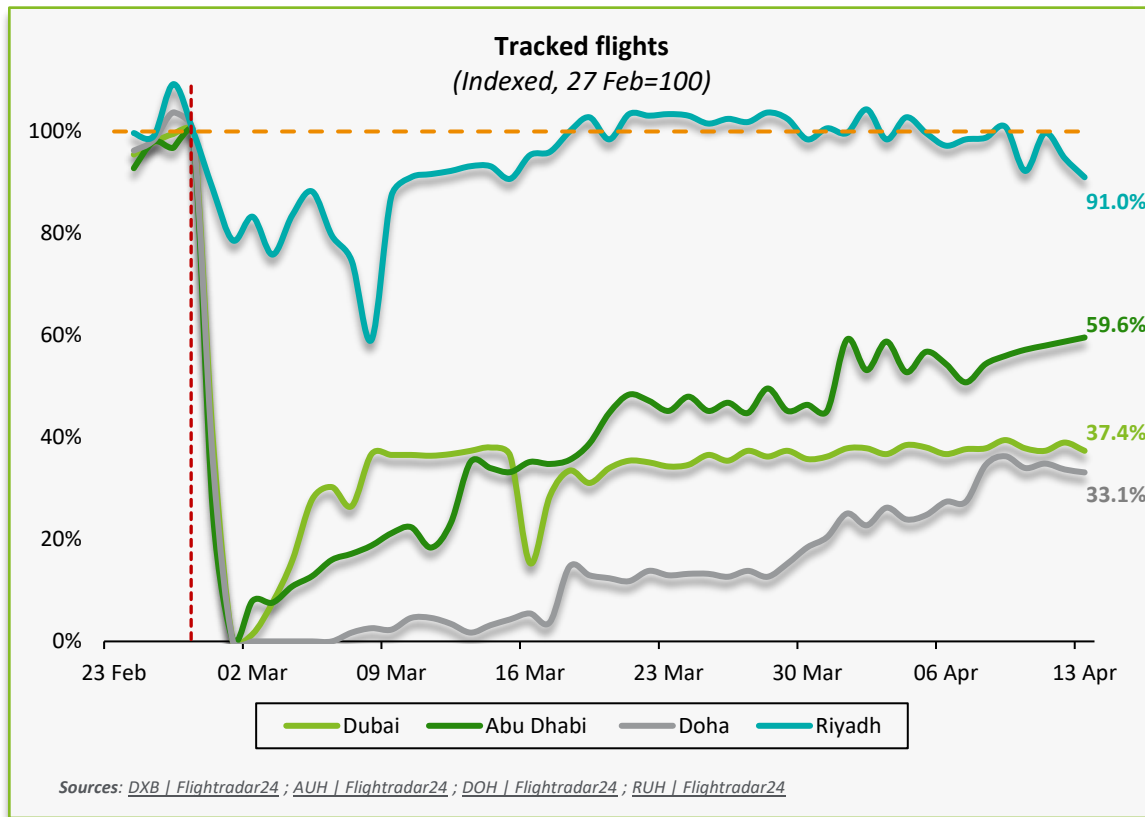
# Weekly updates | Bond markets



- US Treasuries fell modestly over the past week, with the 10-year moving from 4.34% to 4.30% and the 2-year from 3.84% to 3.78%, though the path was volatile. The ceasefire on April 8 was the decisive inflection point, with yields dropping sharply as plummeting oil prices eased inflationary concerns and the odds of a Fed rate cut by year-end jumped to above 43% from 14% that morning.<sup>1</sup> Gains partially reversed mid-week as Iran raised ceasefire violations, before the 10-year settled near 4.30% as oil prices rebounded and investors digested the latest Consumer Price Index report showing the largest monthly increase since mid-2022.<sup>2</sup> The Fed remains caught between easing too soon and risking energy-driven inflation, or holding too long and risking recession.
- European sovereign yields told a different story, with stagflationary\* pressure keeping debt markets under stress throughout the past week. Growing fears of a stagflationary shock drove significant moves, with Germany's 10-year bonds surging to its highest level since 2011 and French bonds similarly hitting multi-decade highs.<sup>3</sup> Germany rose from 2.99% to 3.09% and France from 3.68% to 3.74%. UK 10-year bonds diverged, falling from 4.90% to 4.85% from April 7, behaving more like US Treasuries as ceasefire optimism briefly outweighed domestic inflation concerns.
- Japan's bonds came under sustained selling pressure, with the 10-year rising from 2.43% to 2.47% and touching 29-year highs by April 13. As a heavy energy importer, Japan's wholesale inflation jumped 2.6% in March, with the Iran war driving oil-linked price pressures and raising the probability of a Bank of Japan (BOJ) rate hike.<sup>4</sup> Lingering inflation concerns from prolonged crude oil price rises were seen likely to keep upward pressure on JGB yields.<sup>5</sup>
- Across global bond markets, conflict-driven inflation played out unevenly. US and UK debt found relief from ceasefire-driven rate cut optimism. European sovereigns, however, faced pressure from stagflationary energy dynamics, with ECB rate hike signals keeping European yields elevated. Japan also felt pressure from accelerating BOJ normalization bets.

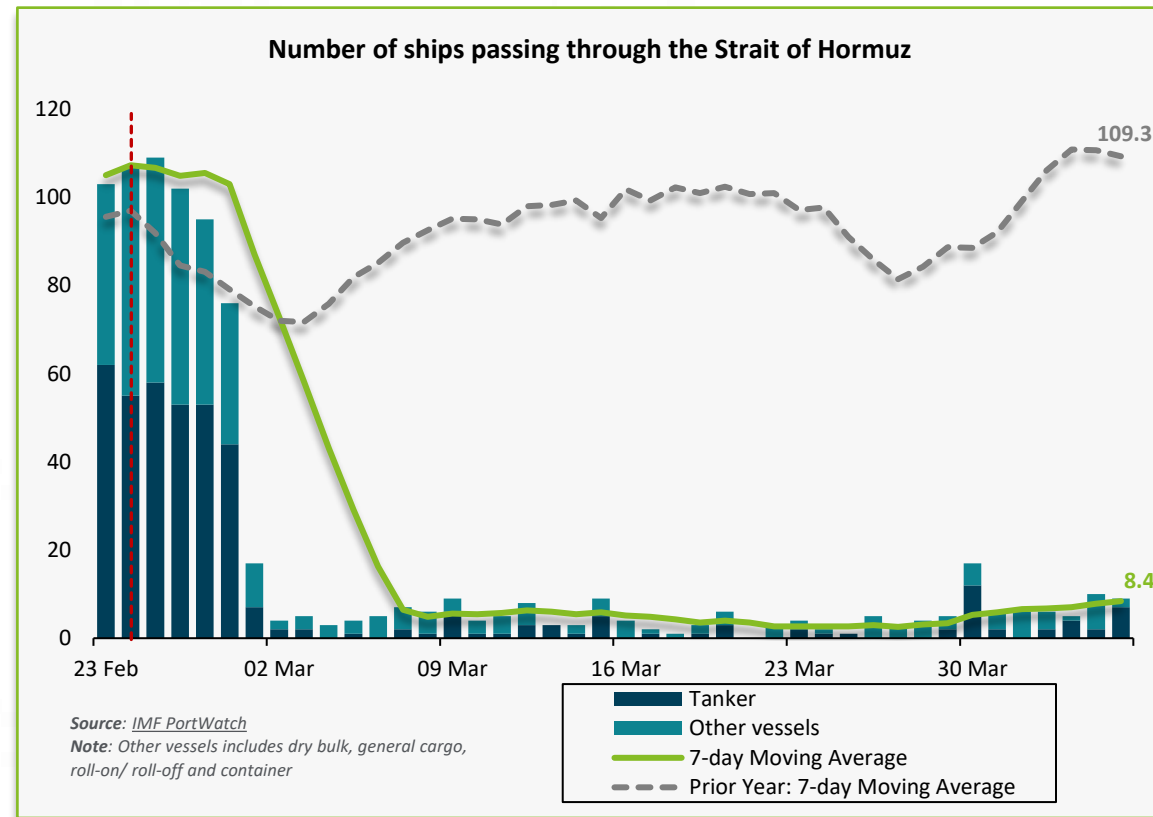
Sources: 1. U.S. Treasury yields fall sharply after Iran war ceasefire; 2. 10-year Treasury yield hovers near 4.3% after oil price gain, sticky inflation data; 3. European bond yields at 15-year highs amid inflation; 4. Japan wholesale inflation jumps; 5. Japan's benchmark bond yield jumps to 29-year high | Note: Data is as of 13 April 2026. All values shown in the graphs are closing levels; \* Stagflationary pressure refers to economic conditions where stagnation (slow or no economic growth and high unemployment) coincides with inflationary pressure (rising prices).

# Weekly updates | Selected sectoral activity



By April 13, Riyadh’s air traffic had reached 91.0% of the February 27 volume; however, this is 6.2 pp lower than the week of April 6, as the number of tracked flights between April 6 and April 13 declined by 6.4%. Meanwhile, Dubai and Abu Dhabi showed gradual improvement; on April 13, Abu Dhabi’s flight volume rose by 5.2 pp to 59.6% compared to April 6, while Dubai increased by 0.6 pp to 37.4% of the February 27 volume. Doha also made steady progress, rising from 27.4% on April 6 to 33.1% of the February 27 volume on April 13.

While the data signals signs of operational recovery, the continuing impact of geopolitical tensions and airspace restrictions is limiting air traffic volumes and slowing the pace of recovery to pre-conflict levels. European aviation authorities have advised airlines to avoid certain Middle East airspace routes until April 24, prompting major European carriers such as Lufthansa Group, Air France, and British Airways to cancel or suspend flights to Riyadh, Dubai, Abu Dhabi, and Doha. Meanwhile, industry bodies warn that it will take time for networks to stabilize as carriers rebuild confidence in these corridors.<sup>1</sup>

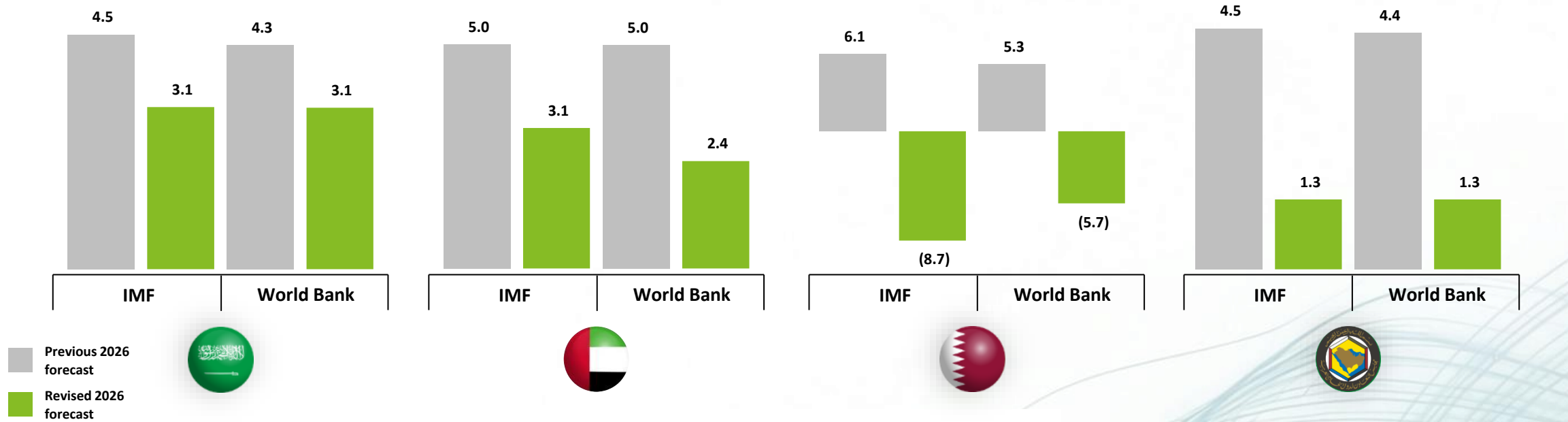


Between March 30 and April 5, ship arrival data for the Strait of Hormuz shows a slight improvement in maritime activity, with the 7-day moving average rising by 59.5% to 8.4, as Iran allowed a small but growing number of ships from selected countries to pass under controlled conditions, with growing indications that it was charging, or considering charging, ships for passage in yuan as form of wartime compensation<sup>2,3</sup>. However, activity remains well below pre-conflict levels and the same period in 2025, due to ongoing security concerns, transit restrictions, and higher insurance costs. The improvement is particularly notable among tankers, whose numbers peaked at 12 on March 30—the highest since February 28—before falling to 7 on April 5. Additionally, increased arrivals of dry bulk and general cargo vessels were observed over this period, reflecting a gradual easing of restrictions that week. While the latest data since the ceasefire was announced is not yet available, the failure of the US-Iran talks on April 12 and the announcement of a US maritime blockade<sup>4</sup> risk prolonging disruptions and stalling the normalization of shipping flows through the Strait.

Source: 1. [EASA Extends Middle East Airspace](#) ; 2. [Inside Iran’s Selective Strait of Hormuz Blockade: Friendly Nations, Oil Flows and Rising Global Energy Risks](#) ; 3. [Iran’s tariffs on Strait of Hormuz](#); 4. [US military says it will start blockade of all ships](#) | Note: Data is as of 13 April 2026

# Weekly updates | 2026 Economic outlook

## Real GDP growth forecasts for 2026 (in %)



## 2026 forecast revisions vs. prior projections



Sources: 1. [Global Economic Prospects, January 2026](#); 2. [World Economic Outlook Databases](#)

Note: \*Revised forecasts are that of April. While the IMF and the World Bank had revised their growth outlook for the UAE, the central bank of the UAE (CBUAE) has [maintained](#) its 5.6% real GDO forecast for 2026 – unchanged from 2025 – signaling confidence in the



**3** **Spotlight:** *The dollar dilemma: navigating the future of global currency power*

# The dollar dilemma: navigating the future of global currency power

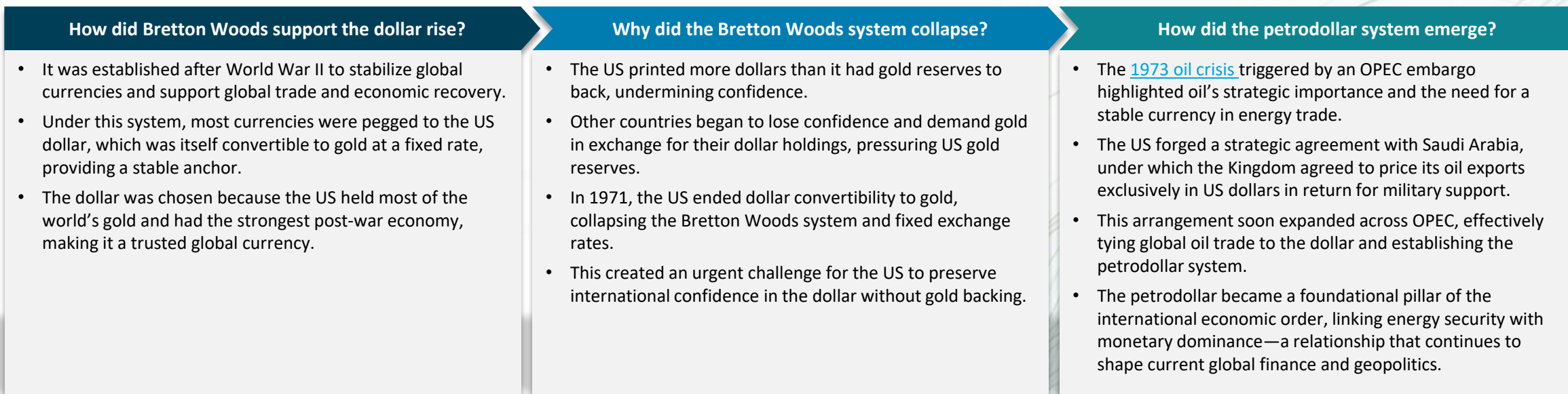
## The global role of the US dollar<sup>1,2</sup>

The dominance of the US dollar remains a cornerstone of the global financial system, granting the United States a unique and longstanding advantage—often called the “exorbitant privilege”—as the world’s primary reserve currency. This dominance is particularly evident in international trade and energy markets. According to the IMF, the dollar accounted for approximately 57% of global foreign exchange reserves in 2025, far surpassing the euro’s 20% and the Chinese yuan’s 2%. Moreover, around 80% of global oil transactions in 2023 were settled in US dollars, underscoring the currency’s pivotal role in global commerce.

This widespread use of the dollar not only facilitates cross-border trade and financial stability but also grants the US significant geopolitical leverage, enabling it to impose sanctions and shape global economic dynamics. In addition, the US dollar’s status as a global safe-haven currency reinforces its strength, particularly during times of uncertainty, as investors generally seek refuge in dollar-denominated assets amid heightened risk and volatility. However, recent geopolitical developments, including tensions in the Middle East, have highlighted emerging challenges to this longstanding supremacy.

## The rise of the US dollar<sup>3,4</sup>

The Bretton Woods system initially established the US dollar’s dominance in global finance. After its collapse in 1971, the US needed to sustain confidence in the dollar. The petrodollar system, which prices and trades global oil in US dollars, compelled countries to hold and use USD for energy purchases, further reinforcing and solidifying the dollar’s dominant position.



Sources: 1. [In Strait of Hormuz, Iran and China take aim at US dollar hegemony](#); 2. [Why the US Dollar Remains the Ultimate Safe Haven During Global Uncertainty](#) ; 3. [The Petrodollar: Explained - IMPRI Impact And Policy Research Institute](#) ; 4. [Is Petrodollar Falling? Will PetroYuan Take Its Place?](#)

# The dollar dilemma: navigating the future of global currency power

## How does the petrodollar reinforce the US's global and economic position?<sup>1</sup>

### Sustained dollar demand

By linking global oil trade to the US dollar, the petrodollar system encourages widespread holding of dollars by countries around the world. This creates a stable and ongoing international demand for the currency, which supports its value and liquidity in global markets. As a result, the US dollar's role as the world's primary reserve currency is reinforced, providing resilience against fluctuations in US domestic economic conditions and helping to maintain its central position in international finance and trade.



### Fiscal and monetary flexibility

The US dollar's "exorbitant privilege" ensures steady foreign demand for US Treasury securities, enabling the US government to finance budget deficits at relatively low interest rates. This provides fiscal space for expansive public spending and greater economic policy flexibility without immediate balance-of-payments constraints. Moreover, despite persistent US trade deficits that would normally weaken a currency, the petrodollar system sustains strong global demand for the US dollar, helping to stabilize its value, support monetary policy objectives, and contribute to overall economic growth.



### Economic and geopolitical influence

Control of the dominant global currency and its financial networks gives the US significant economic influence worldwide. Many countries rely on dollar reserves to stabilize their economies, boosting confidence in the US dollar. This trust enables the US to exert economic leverage — not only through sanctions, enabled by the dollar's dominance in global finance and payment systems such as SWIFT—but also by shaping global financial regulations and standards. The petrodollar agreement also fosters strategic and economic interdependence between the US and oil-exporting countries, reinforcing economic stability and geopolitical partnerships.

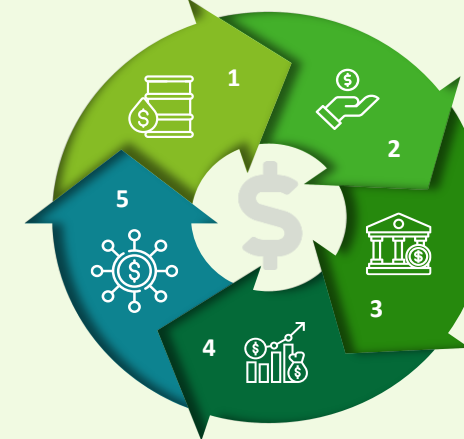


### Stabilization of US financial markets

The recycling of petrodollars into US assets brings a steady inflow of capital that underpins market confidence and increases liquidity. This greater availability of funds drives up demand for government debt, equities, bonds, and other financial instruments, leading to higher bond prices and lower yields (interest rates), which often tend to be lower than in many developed markets (e.g., Eurozone). As a result, interest rates remain low, asset prices stabilize, and investor confidence—both domestic and international—is boosted. This environment enables companies to raise capital more easily and supports overall economic growth.



### How does oil drive dollar strength?



- 1 Dollar dependency of oil importers:** Global demand for oil, priced exclusively in US dollars, required importing countries to secure dollars to facilitate their energy purchases.
- 2 Oil trade in USD:** Oil transactions are conducted predominantly in US dollars, ensuring the currency's dominant role in global energy markets.
- 3 Dollar reserves by exporters:** Oil-exporting countries accumulate substantial US dollar reserves from their sales, which are used to import essential goods and services, with surplus capital reflecting the link between oil revenues and dollar surpluses.
- 4 Petrodollar recycling:** Accumulated petrodollars are reinvested in US financial assets such as Treasury bonds, equities, etc., effectively channeling dollars back into the US economy and sustaining its financial system.
- 5 Sustained dollar demand:** The continual need for dollars to buy oil sustains strong global demand for the US currency, reinforcing its role as the world's primary reserve currency and strengthening the US financial system in a self-perpetuating cycle.

Sources: 1. [The Petrodollar: Explained - IMPRI Impact And Policy Research Institute](#)

# The dollar dilemma: navigating the future of global currency power

## Rethinking dollar dominance: geopolitical and economic pressures<sup>1,2</sup>

The US dollar’s dominant position is increasingly being reassessed amid a broader push for diversification, as countries seek to enhance economic resilience through more varied trade, payment systems, and reserve assets, supported in part by advances in financial technology, including digital currencies. At the same time, recent geopolitical tensions and global fragmentation have highlighted the risks of overreliance on a single currency-centered system, intensifying scrutiny of the dollar’s central role in global finance.

### Geopolitical realignment

Shifts in global alliances and power balances are encouraging countries to reduce their reliance on the US-led financial system in favor of more diversified economic partnerships.



### Sanction risks

To avoid vulnerability to US-imposed sanctions enforced through the dollar system and financial pressures, countries are seeking alternative currencies for trade and reserves.



### Energy trade diversification

Trade is gradually diversifying beyond the US dollar, with some transactions exploring alternative currencies for pricing and settlements, reflecting a growing preference for flexibility.



### Changing global trade dynamics

As the global economic power becomes more distributed, reliance on a single currency for trade, particularly commodities, is increasingly being reassessed and opening the door for alternative currencies to gain traction.



## How is China challenging the dollar dominance?<sup>1,2,3</sup>

China’s expansion of yuan-based trade represents a strategic and gradual effort to foster a more multipolar global currency system, not aiming to replace the dollar but to build a parallel framework alongside the existing dollar-based system. A key milestone was the launch of yuan-denominated crude oil futures contracts in March 2018 on the Shanghai International Energy Exchange, known as the “petroyuan.” This initiative aims to establish the yuan as a global benchmark alongside established crude benchmarks, providing an alternative pricing option in yuan. By promoting yuan-denominated oil futures, China lowers transaction costs by eliminating currency conversion fees and allows companies to hedge against dollar volatility by locking in future oil prices in yuan.

### China’s push for the petroyuan is driven by both economic and geopolitical considerations:

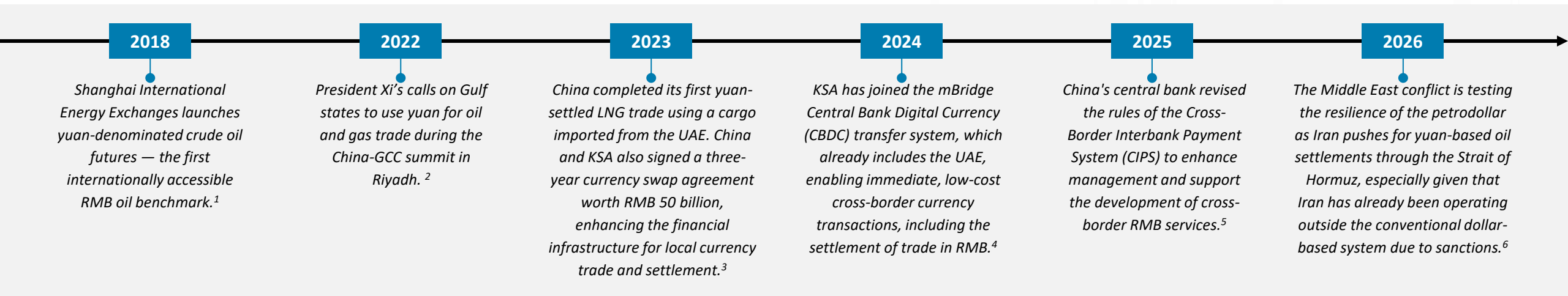
- Rather than replacing the US dollar, China aims to reduce its exposure to dollar fluctuations and US monetary policy, which can impact trade costs and financial stability.
- Leveraging its position as a major energy importer, China is encouraging selective bilateral trade to be settled in yuan, particularly with sanctioned or closely aligned partners, enhancing resilience to external financial pressures. Reports suggest China purchases over 80% of Iran’s oil exports, often at discounted rates facilitated through yuan transactions, strengthening their economic ties.
- More broadly, China is promoting the yuan’s role in global trade and finance to expand its economic influence, while supporting diversification away from reliance on a single currency-centered system.

Sources: 1. [Emergence of petroyuan](#) ; 2. [How the petroyuan could reshape global energy trade](#) ; 3. [In Strait of Hormuz, Iran and China take aim at US dollar hegemony](#)

# The dollar dilemma: navigating the future of global currency power

## Key petroyuan timeline events

Since 2018, China has undertaken a series of strategic initiatives to establish the yuan as a global benchmark for oil pricing, while also providing market participants with tools to hedge against dollar volatility and promote the internationalization of its currency:



## Recent yuan highlights



**Sources:** 1. [Emergence of petroyuan](#) ; 2. [China's Xi calls for oil trade in yuan at Gulf summit](#) ; 3. [China's first yuan-settled LNG trade](#); 4. [Saudi Arabia Steps Into the CBDC Arena](#) ; 5. [China revises rules for cross-border RMB payment system](#); 6. [The Petrodollar Loop](#) ; 7. [Saudi-China ties and renminbi-based oil trade](#); 8. [Use of Chinese yuan reaches 3.17% in global payments in September - Global Times](#); 9. [Global Currency Tracker document centre | Swift](#)

# The dollar dilemma: navigating the future of global currency power

## What are some challenges to the petroyuan?

While the petroyuan presents a strategic alternative to the US dollar in global energy trade, its broader adoption faces several obstacles, including:

### Pricing in oil trade

*Most of the global oil trade—including China’s own imports—continues to be priced and settled in US dollars. At the point of import, oil transactions largely remain dollar-based, meaning China’s oil trade remains embedded within the global dollar system.*

### Structural constraints

*Structural constraints, including China’s capital controls and limited yuan convertibility, continue to limit the yuan’s wider appeal and the petroyuan’s expansion.*

### Currency fragmentation

*The fragmentation of oil pricing across multiple currencies may increase market complexity, transaction costs, and currency risk.*

### US dollar dominance

*While some Gulf producers have shown openness to yuan settlement, the US dollar’s dominance—supported by a robust global financial infrastructure—ensures its primacy in the near term.*

## Looking ahead: potential implications<sup>3,4</sup>

- The growing scrutiny of the petrodollar system reflects an evolution in the global economic and geopolitical landscape rather than a rejection of the US dollar. As energy trade shifts towards Asia and geopolitical tensions expose the risks of overreliance on a single financial system, countries are exploring greater currency flexibility in oil transactions. However, despite these changes, the US dollar remains deeply embedded in global trade and finance, supported by its unmatched liquidity, strong institutional framework, and long-standing role in international markets.
- Current developments represent gradual diversifications, driven by factors such as US energy independence, shifting trade patterns, and the rise of alternative payment systems. They highlight the need for strategic adaptation, including reserve diversification, financial system strengthening, and engagement with emerging monetary frameworks. Moreover, the global energy transition towards renewables and greater energy autonomy may reduce dollar-denominated energy trade and encourage reserve reallocations away from the dollar, posing a potential long-term challenge to the petrodollar, and thus US dollar dominance.
- Overall, if the petrodollar system weakens, it could potentially lead to reduced global demand for US dollars, increased fragmentation of trade settlements, and a more multipolar currency environment. This shift may introduce greater complexity and volatility in currency and commodity markets, including increased dollar volatility due to reduced steady demand. However, given the dollar’s deep structural strengths and entrenched global role, any impact is expected to be gradual, signaling a slow but steady shift toward a more diversified and multipolar global financial order rather than an abrupt end to dollar dominance.
- For GCC countries, this evolving landscape presents both opportunities and risks. Opportunities include greater flexibility in pricing oil in multiple currencies, stronger economic ties with Asia, and enhanced geopolitical leverage through diversified partnerships. However, risks arise from the complexity of managing currencies pegged to the US dollar. Maintaining these pegs requires substantial dollar reserves, which could be strained if oil revenues increasingly shift to yuan or other currencies. This fragmentation may also lead to more volatile fiscal revenues and external volatility imported into dollar-pegged economies, potentially affecting trade competitiveness and financial conditions, even if domestic exchange rates remain stable.

Sources: 1. [Is Petrodollar Falling? Will PetroYuan Take Its Place?](#) ; 2. [In Strait of Hormuz, Iran and China take aim at US dollar hegemony](#)



## 4 Key news & events

# Key news headline (1/2)

*Global impacts*

**US March CPI rises 3.3% annually as energy posts largest monthly jump since 1967** (April 10)

The US Consumer Price Index (CPI) rose 0.9% in March and 3.3% YoY, its highest reading since April 2024. Energy costs drove nearly three-quarters of the monthly increase, rising 10.9%, with gasoline up 21.2%. Core CPI, excluding food and energy, rose just 0.2% for the month and 2.6% annually, suggesting the inflation surge remained concentrated in energy rather than broadly embedded.<sup>1</sup>

*Global impacts*

**Fuel crisis and Hormuz blockade jeopardize Asia's rice.** (April 11)

Spiking fuel and fertilizer costs, causing rice fields to lie idle and farmers to consider skipping planting in Southeast Asia. Millions of smallholders are struggling with soaring input costs, threatening food shortages for rice, a staple for over half the world's population. Governments and farmers face limited options as this disruption to vital deliveries persists.<sup>2</sup>

*Global impacts*

**US Hormuz blockade risks deepening Asia's energy crisis** (April 13)

US President Trump's Hormuz blockade, a measure to prevent ships from transporting Iranian oil, severely impacts Asia's energy-dependent economies, including US allies and China. This action disrupts critical supplies beyond fuel, as over 80% of the strait's energy heads to Asia. Governments seek alternatives, but long-term pain and limited options are expected.<sup>3</sup>

*Energy*

**EIA April outlook forecasts Brent peaking at USD 115 per barrel** (April 7)

The Energy Information Administration's (EIA) April Short-Term Energy Outlook forecast Brent crude peaking at approximately USD 115 per barrel in Q2 2026. Oil production in the Gulf region was estimated to have been halted or taken offline by 7.5 Mn barrels per day in March, rising to a peak of 9.1 Mn barrels per day in April, which is expected to create a global inventory draw of 5.1 Mn barrels per day through the second quarter.<sup>4</sup>

*Energy*

**Qatar's Ras Laffan LNG complex not expected at full output until August** (April 9)

Qatar's Ras Laffan LNG complex would not return to full output until end-August at earliest according to Wood Mackenzie, the energy consulting company. Strikes damaged 12.8 Mn tones per annum of capacity. QatarEnergy declared long-term force majeure for buyers in China, South Korea, Italy, and Belgium. Fourteen laden LNG cargoes remained trapped in the Gulf awaiting Hormuz clearance.<sup>5</sup>

*Energy*

**Saudi Arabia restores East-West Pipeline to full seven million barrels per day** (April 12)

Saudi Arabia's Ministry of Energy announced on April 12 that the East-West pipeline had been restored to full capacity of 7 Mn barrels per day. The Manifa oilfield was also returned to full output. The ministry highlighted Aramco's rapid recovery as evidence of supply reliability, as the pipeline had become the kingdom's primary export route while Hormuz remained constrained.<sup>6</sup>

*Shipping and trade routes*

**Maersk and Hapag-Lloyd hold back from Hormuz transit** (April 8)

Despite the ceasefire, major container lines including Maersk and Hapag-Lloyd declined to resume Hormuz transit pending clearer security conditions. Iran's naval forces warned that unauthorized vessels would be targeted. Around 1,000 merchant vessels remained stranded under Iran's ongoing permit-based passage system, keeping global trade flows severely constrained.<sup>7</sup>

*Shipping and trade routes*

**War-risk premiums surge as shipowners race for Hormuz cover** (April 12)

Following a US-Iran ceasefire, shippers are urgently seeking insurance for Strait of Hormuz transit, leading to high demand and rate adjustments. Despite the truce, the Strait is still considered a high-risk area by insurance underwriters due to ongoing regional disruption. While some insurers are cautiously reducing rates, overall uncertainty persists as they monitor developments.<sup>8</sup>

Sources: 1. [CNBC](#), 2. [Bloomberg](#), 3. [Bloomberg](#), 4. [Energy Information Administration](#), 5. [The National](#), 6. [Al Jazeera](#), 7. [Reuters](#), 8. [Bloomberg](#)

# Key news headline (2/2)

## Aviation and connectivity

### Aviation industry will take time to recover despite ceasefire (April 8)

Despite a ceasefire, the aviation industry faces a slow recovery. Challenges include managing fuel costs and availability for reactivating aircraft and networks, directly impacting pricing. Security clearances are crucial, but the biggest hurdle is restoring traveler confidence, as many have sought alternative routes or stayed home due to safety concerns. Confidence is vital for unlocking travel growth.<sup>1</sup>

## Aviation and connectivity

### EASA Extension Divides Airlines on Gulf Airspace Amid Ongoing Risks (April 10)

The European Union Aviation Safety Agency (EASA) extended its conflict zone bulletin to April 24, citing ongoing Middle East instability and risks. This led European carriers like Lufthansa and KLM to suspend Gulf services through May, due to airspace risk and insurance. Conversely, Gulf carriers (Emirates, Etihad, Qatar Airways) are slowly rebuilding networks post-ceasefire, at reduced capacity.<sup>2</sup>

## Tourism

### GCC tourism losses from conflict could go as high as USD 32 billion (April 10)

The Iran situation could cost GCC tourism USD 13-32 Bn, with 8-19 Mn fewer visitors. Iranian aggression has severely impacted travel patterns and market stability, with the broader Middle East losing USD 600 Mn daily in international visitor spending.<sup>3</sup>

## Tourism

### GCC hospitality industry expects a rebound following ceasefire (April 9)

Following the US-Iran ceasefire, hospitality leaders anticipate a swift rebound in Middle East tourism. While, they believe, occupancies in markets like Dubai may recover by September at the earliest. They stated room rates, however, may take even longer to normalize. The ceasefire may offer hope for stability, but full recovery hinges on airlines increasing flight frequencies and overall restored traveler confidence.<sup>4</sup>

## GCC economic impact

### World Bank suggests that UAE can absorb economic pressure (April 9)

The World Bank lowered 2026 growth forecasts for the GCC and Middle East. They estimate that the MENAAP region (Middle East, North Africa, Afghanistan and Pakistan) growth slows to 1.8%. The UAE, growing 2.4%, they stated, may be able to absorb higher levels of government spending, unlike Kuwait and Qatar which were already facing relatively more stressed fiscal situations.<sup>5</sup>

## Supply chains and logistics

### UAE works on making supply chains more robust (April 9)

The UAE strengthens supply chain resilience via partnerships and solutions. This involves alternative trade corridors, advanced customs, and enhanced maritime links, including a new India feeder service. The goal is uninterrupted trade, boosting competitiveness, and reinforcing its global logistics hub status.<sup>6</sup>

## GCC response

### Dubai Free Zones announce economic relief measures (April 9)

Dubai Integrated Economic Zones Authority announced economic relief for three free zones. Measures include rent relief, fee waivers, and flexible payments. This aims to strengthen business resilience, ease operational costs, enhance liquidity, and ensure continuity amidst regional challenges.<sup>7</sup>

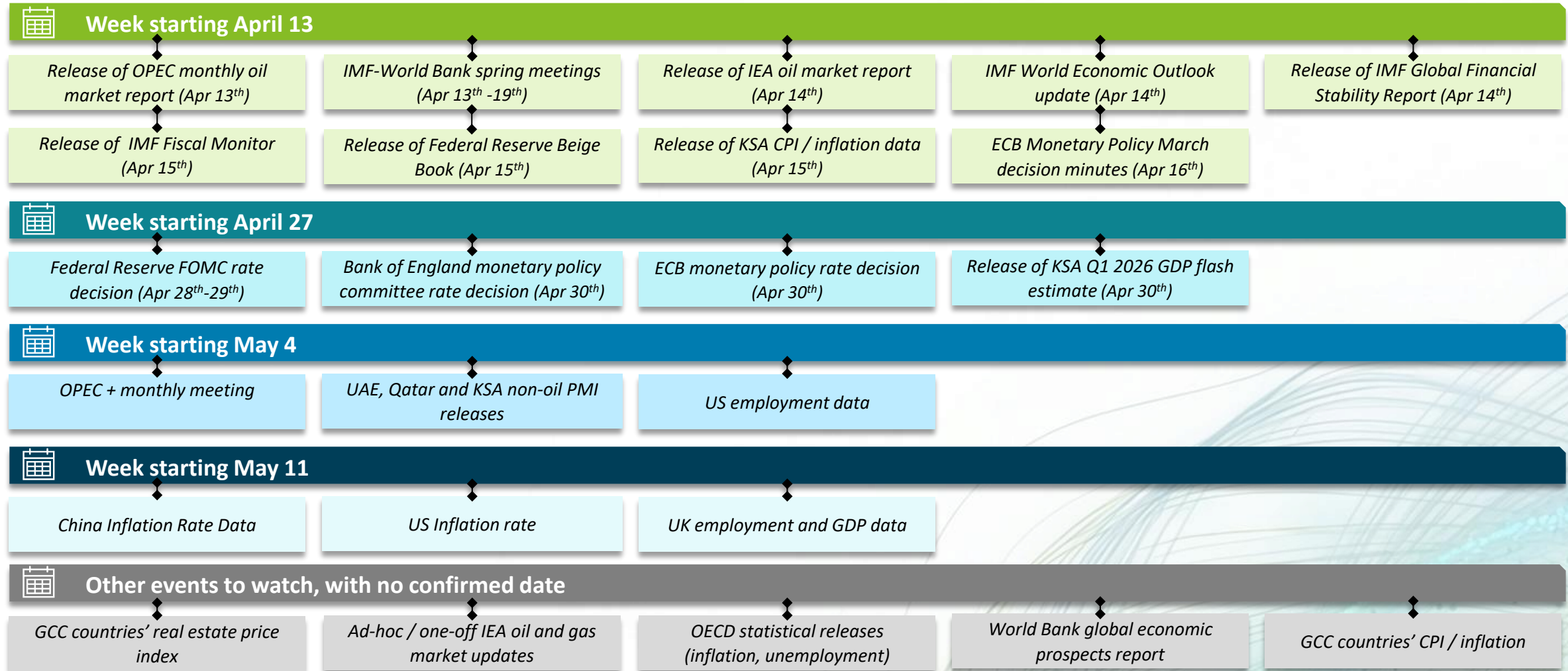
## GCC response

### GCC central banks bolster banking sector amidst regional conflict (April 9)

GCC central banks are deploying liquidity, capital relief, and loan flexibility to help banks navigate geopolitical turbulence. S&P notes strong capital buffers and government backing in the UAE, Kuwait, and Qatar are crucial for maintaining financial stability and resilience, despite potential near-term performance impacts.<sup>8</sup>

Sources: 1. Al Jazeera, 2. The National, 3. AGBI, 4. Economic Times, 5. Khaleej Times, 6. Economy Middle East, 7. Gulf News, 8. Gulf News.

# Key events to watch out for





**5** **Contact us**

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