

**Deloitte.**



# Regional Geopolitical Situation

## Economic Bulletin

1<sup>st</sup> April 2026

# Global Economy Feels Broad Impact as Geopolitical Conflict Spreads Beyond Energy...

This past week has reinforced the profound uncertainty surrounding the ongoing geopolitical conflict, with little clarity on its potential duration or whether conditions will deteriorate before improving. Concerns are mounting globally, with a senior United Nations official claiming “[This conflict has an unprecedented power to ensnare countries across borders and around the world](#)”<sup>1</sup> and the head of the International Energy Agency warning of an energy crisis potentially surpassing the severity of the 1970s oil shocks<sup>2</sup>.

## Key developments & emerging economic themes

### Broadening global economic strain and revised outlook

The conflict's economic fallout continues to spread, with impacts felt across the globe. However, **developing economies** in Asia, Africa, and the Middle East **are particularly vulnerable** due to their heavy reliance on imported energy and limited fiscal capacity to buffer the economic shock. This broadening strain is reflected in leading institutions adjusting their global growth outlook; **Fitch suggests that elevated oil prices and market volatility could reduce global GDP by 0.8 percentage points**<sup>3</sup>. While the **OECD maintained its earlier forecasts, it indicated that the situation has derailed a previously anticipated stronger growth** trajectory and outlined a downside scenario where prolonged high energy prices could further **reduce the global outlook by half a percentage point within two years**<sup>4</sup>.

### Mounting inflationary pressures

**Global inflation concerns are intensifying.** The OECD projects a significant rise in inflation, with the G20 forecast at 4% this year. Warnings include a potential surge **in US inflation to over 4.2% due to oil price increases**<sup>4</sup>. Meanwhile, Federal Reserve Chair Jerome Powell said in a speech this week that “Inflation expectations do appear to be well anchored beyond the short term” and therefore, sees no need for any interest rate response at this stage<sup>5</sup>. However, US inflation fears prompted investor exits from US debt, driving government borrowing costs to their largest monthly increase in 18 months<sup>6</sup>.

### Wider sectoral impacts emerge

Impacts are spreading beyond the energy sector, with both obvious and less apparent ramifications emerging. For example, **airlines are responding to soaring fuel costs** by cutting routes or adding surcharges, leading to substantial increases in global airfares<sup>7</sup>. Meanwhile, concerns are growing over **potential food shortages**, as a significant portion of the world's fertilizer transits through the Strait of Hormuz<sup>8</sup>. This week, direct attacks on Gulf **aluminum** producers have driven **prices to a four-year high**, raising fears of a **global supply shortage for this critical material** used in electronics, transport, and construction<sup>9</sup>. Less obvious but vital sectors are also at risk from disruptions to **helium supply**; around a third of the world's supply comes from Qatar<sup>8</sup>. Helium is vital for **medical screening (e.g., MRI machines) and semiconductor manufacturing**, with potential far-reaching implications for healthcare, technology, and AI<sup>8,11</sup>.

Sources: 1. [UN official claims](#) ; 2. [IEA statement](#) ; 3. [Fitch](#) ; 4. [OECD](#) ; 5. [US Federal Reserve](#) ; 6. [US borrowing costs](#) ; 7. [Global airfares](#) ; 8. [Impacts on global fuel and medical supplies](#); 9. [Aluminum](#) ; 10. [Helium](#)

## ... But a Few Positive Signs Emerge

### Signs of resilience and adaptation



#### Strategic pivoting by regional economies...

Countries are demonstrating **agility in adapting to new realities**. For example, KSA has significantly **shifted its oil exports to an existing land-based pipeline**, originally developed as an alternative to potentially threatened maritime routes<sup>1</sup>. Additionally, KSA has launched its Logistics Corridors Initiative, establishing dedicated operational corridors to redirect containers and cargo from its Eastern Region and other GCC ports to its Red Sea ports, such as Jeddah Islamic, enhancing trade resilience<sup>2</sup>



#### Proactive support measures...

Regional authorities, including those in Dubai and Qatar are implementing **measures to bolster economic stability**. These efforts include emergency liquidity provisions and support packages for the local business sector<sup>3,4</sup>.

### Impact of the conflict as seen in the data



Brent Crude Oil

↑ 47.4%



VIX Index

↑ 10.8pp



LNG\* (Europe)

↑ 72.1%



LNG\* (Asia)

↑ 91.4%



Gold

↓ 13.2%



US Dollar Index

↑ 3.0%



Flight recovery

98.5%



46.4%



35.8%



18.4%



Riyadh



Abu Dhabi



Dubai

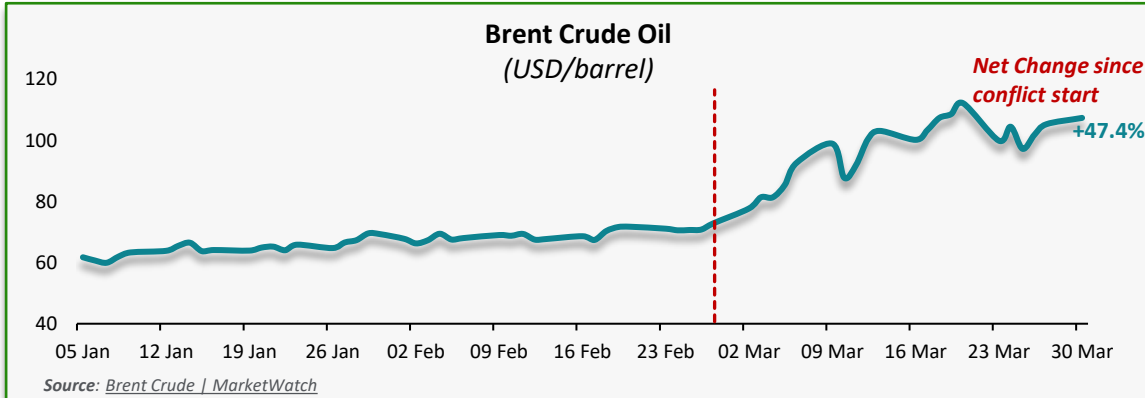


Doha

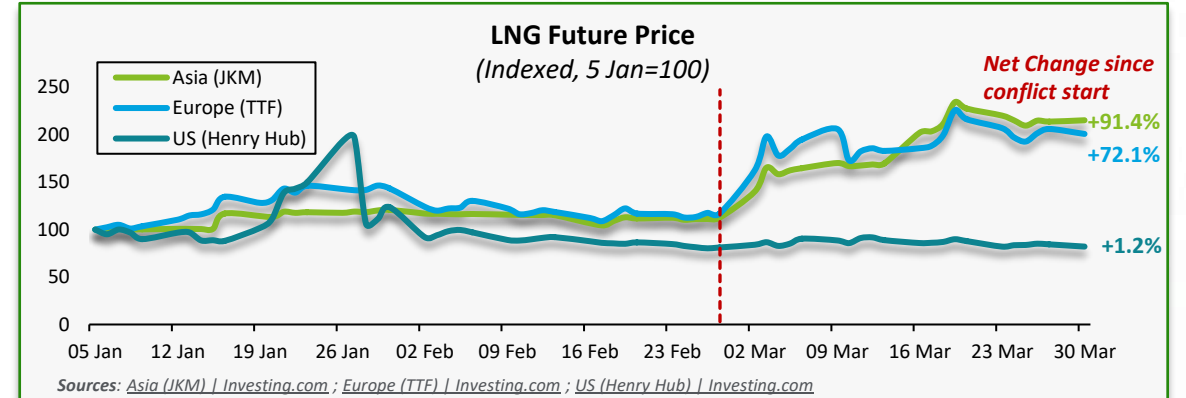


End of day data is as of 30<sup>th</sup> March compared to pre-escalation data. More data points, their sources and any relevant explanations can be explored in the following slides

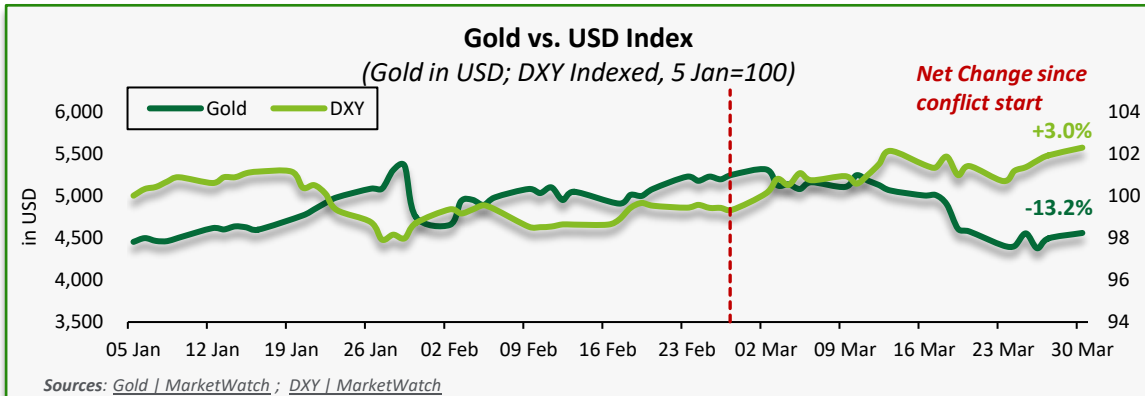
# Weekly Updates | Prices and Market Sentiment



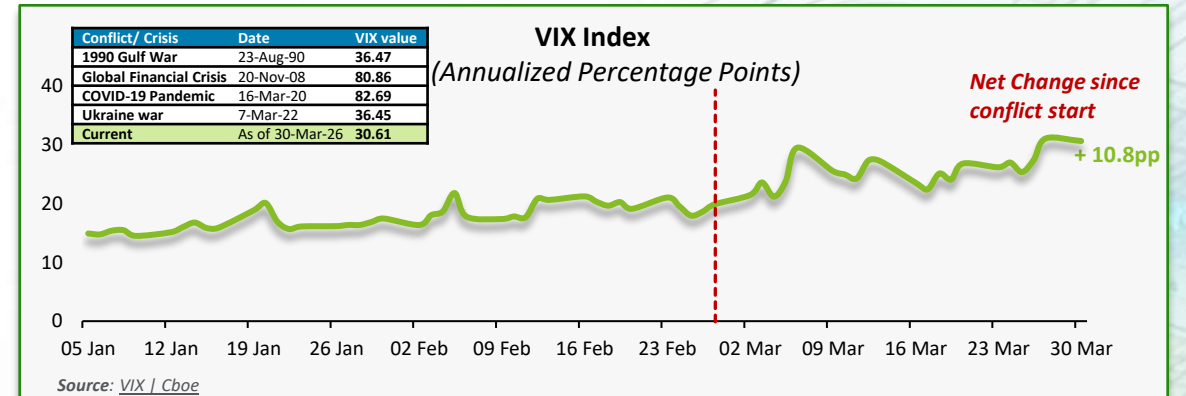
Brent crude oil prices have risen sharply since the escalation, increasing by 54.0% from around USD 72.9 per barrel on 27 February to a peak of approximately USD 112 per barrel on 20 March, reflecting heightened concerns over supply disruptions in the Strait of Hormuz. By 30 March, prices had eased slightly to around USD 107.4, though the market continues to experience significant day-to-day volatility. Despite this slight easing, prices remain 47.4% higher compared to pre-conflict levels.



Global gas markets, tracked via futures contracts reflecting market sentiment and future price expectations, have diverged following the conflict, with LNG futures showing greater volatility in Europe and Asia. Despite some late-March stabilization with small drops of 2.2% and 3.0%, by 30 March the Asian (JKM) and European (TTF) benchmarks remained up 91.4% and 72.1% respectively versus pre-conflict levels. This reflects expectations of ongoing supply disruptions and strong competition for LNG cargoes, with markets pricing in sustained risks rather than a short-term shock. In contrast, US Henry Hub futures remained relatively stable, likely due to the more domestic nature of the US gas market.



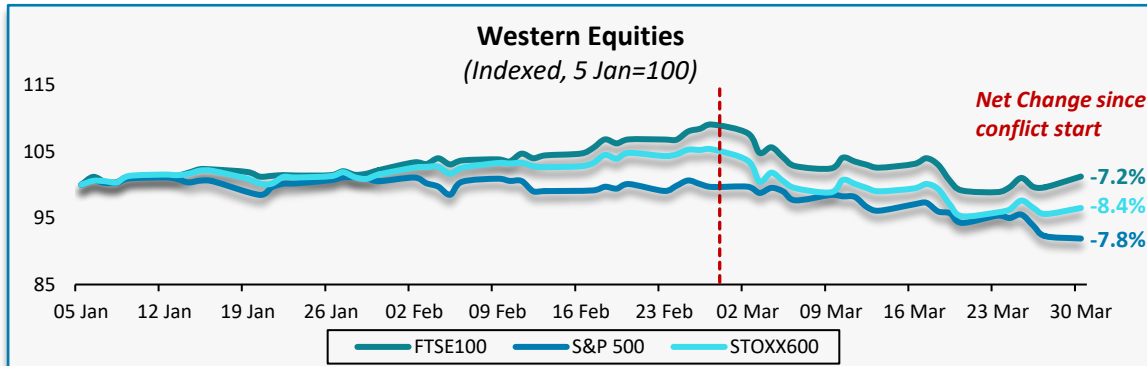
Gold prices initially rose by 1.2%, from USD 5,247.9 on 27 February to USD 5,311.6 on March 2nd, driven by increased safe-haven demand and geopolitical uncertainty at the start of the conflict. However, prices declined throughout March, as investors reduced positions to raise liquidity during broader market volatility, before recovering, rising 3.4% compared to the week of 23 March, reaching USD 4,557.5 on 30 March. The recent rebound reflects renewed safe-haven demand following the earlier liquidation, occurring even as the US Dollar Index (DXY) strengthened significantly, rising 3.0% overall and 1.6% compared to the previous week.



The VIX index, a key measure of market volatility and investor fear expressed in annualized percentage points (pp) of expected S&P 500 fluctuation, was ~ 19.9 on 27 February 2026, just before the escalation. It rose by 10.8 pp to 30.6 by 30 March and 4.5 pp compared to last week, reflecting heightened market uncertainty. Although elevated, these levels remain well below the extreme spikes seen during systemic crises like the Global Financial Crisis and the COVID-19 pandemic, when the VIX exceeded 80. This suggests markets view the escalation as a significant but regionally contained risk, mainly affecting energy markets and trade flows, without threatening broader global financial stability.

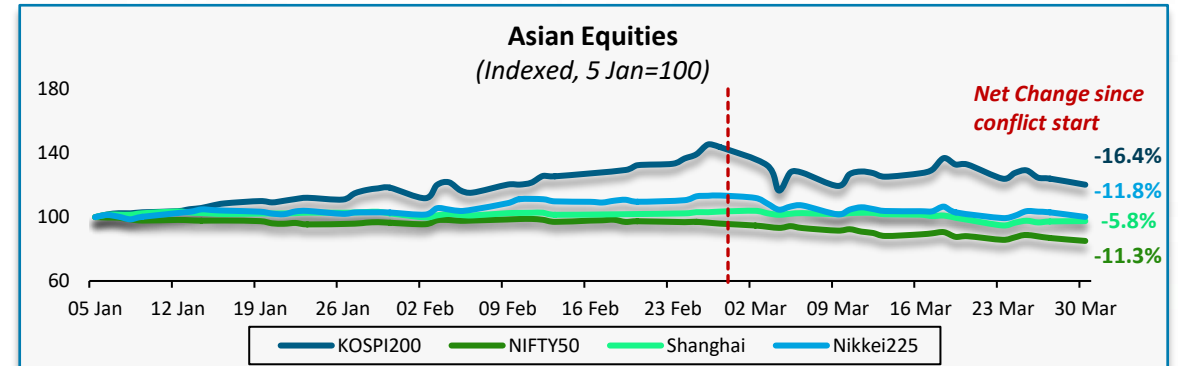
**Note:** Data is as of 30 March 2026

# Weekly Updates | Equity and Bond Markets



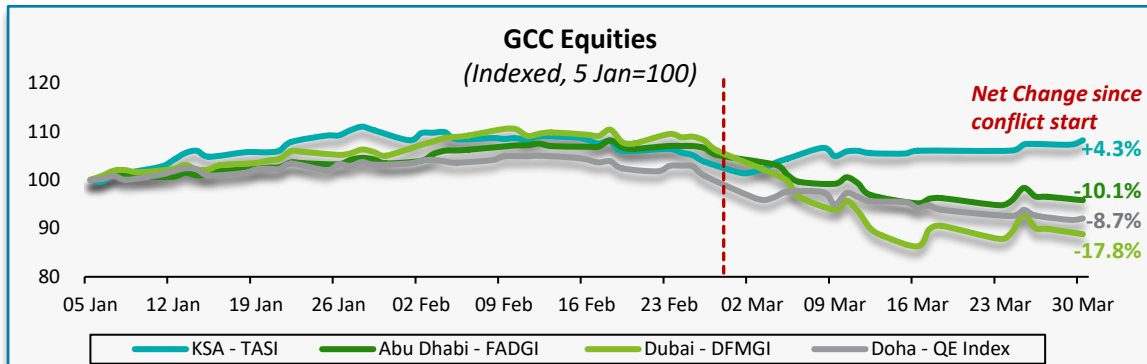
Sources: [S&P 500 | MarketWatch](#) ; [FTSE 100 | MarketWatch](#) ; [Download SXXP Data | STOXX 600 | MarketWatch](#)

The US S&P 500 has seen nearly five consecutive weeks of decline—its longest losing streak since 2022—falling 3.6% last week (23 March) and 7.8% since pre-conflict levels on 27 February. Europe’s STOXX 600 dropped 8.4% relative to pre-conflict, weighed down by fading hopes of a near-term Middle East de-escalation and an OECD downgrade of eurozone growth, despite a modest 0.7% rise last week. In contrast, the UK’s FTSE 100 showed resilience with 2.4% gains since last week, outperforming global peers, though it remains 7.2% below pre-conflict levels amid ongoing pressure from elevated energy prices, inflation, and geopolitical uncertainty.



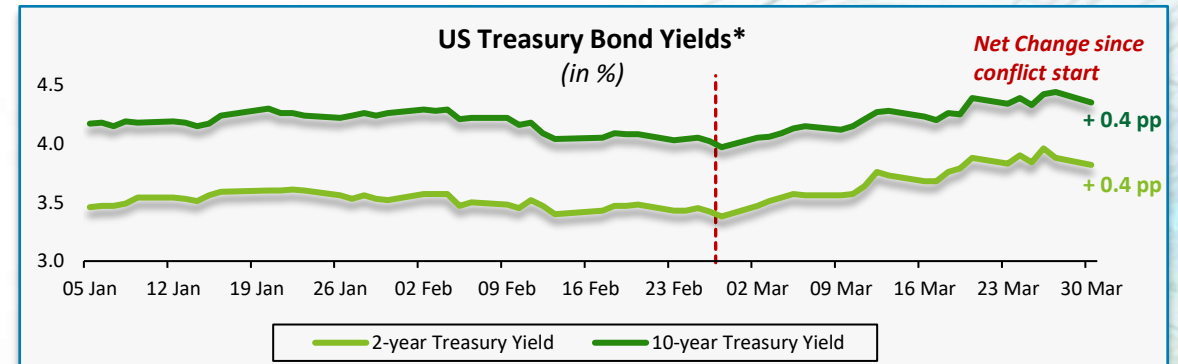
Sources: [KOSPI 200 | MarketWatch](#) ; [Shanghai | MarketWatch](#) ; [NIKKEI 225 | MarketWatch](#) ; [NIFTY50 | MarketWatch](#)

Asian markets have shown varied performances. South Korea’s KOSPI 200, which peaked just before the conflict, has declined 16.4% since then and 3.0% compared to last week, affected by shifts in global risk sentiment, weakness in semiconductor stocks amid supply chain disruption fears, and sensitivity to external demand and energy prices. India’s NIFTY 50 fell 11.3% since the escalation and 0.8% versus last week, weighed down by higher oil prices and cautious sentiment. Meanwhile, Japan’s Nikkei 225, down 11.8% since the conflict began, rose 0.7% since 23rd March but remains under pressure from geopolitical risks and rising energy costs.



Sources: [TASI | Saudi Exchange](#) ; [FADGI | ADX](#) ; [DFMGI | DFM](#) ; [QE - QSE](#)

KSA’s TASI has recovered above pre-conflict levels, rising 4.3% overall and 2% since last week, supported by stronger performances from Aramco and Maaden amid higher oil prices, offsetting declines in other stocks. In contrast, Qatar’s QE Index continues to fall, down 8.7% since pre-conflict and 0.6% since last week, due to weak performance across five sectors, notably transport and banking<sup>1</sup>. In the UAE, both Abu Dhabi and Dubai markets have fallen, with Dubai experiencing a larger fall —dropping 0.5% since last week and 17.8% since pre-conflict—reflecting its heavier reliance on sentiment-driven sectors like tourism, real estate, and foreign capital flows that are more sensitive to geopolitical risks.

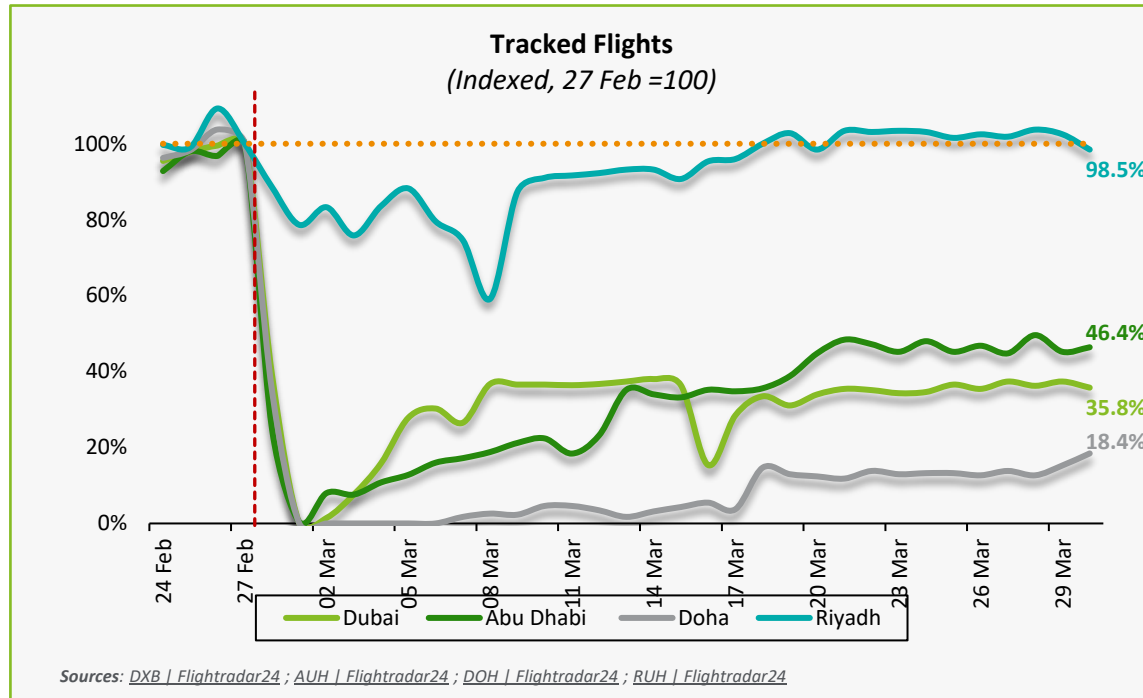


Source: [US Treasury Yields – US Department of the Treasury](#)

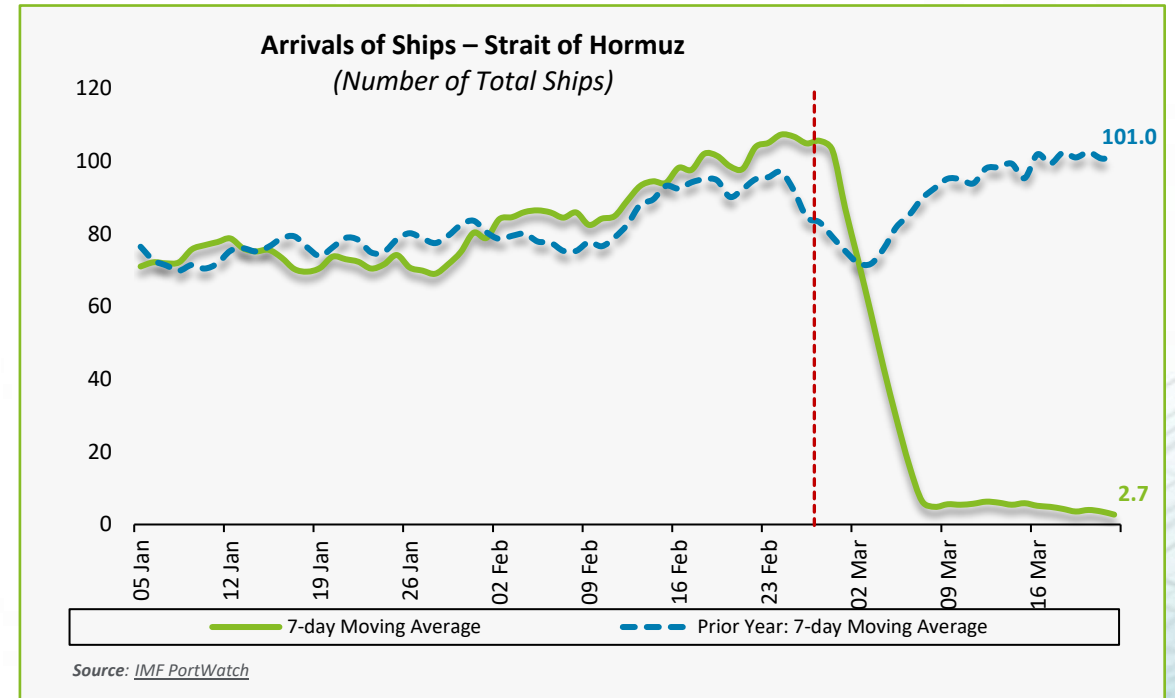
Since the escalation on 28 February, both the 2-year and 10-year yields have risen significantly, each by ~ 0.4 percentage points. While both yields eased slightly on 30 March, they remain elevated. This parallel upward shift in the yield curve, which maintains a normal (non-inverted) shape, does not, at present, signal an impending recession. It indicates persistent inflationary pressures and expectations of sustained tighter financial conditions, reinforcing expectations of a more hawkish Federal Reserve. Markets are now closely watching upcoming US jobs data for further confirmation of these trends.

Sources: 1. [QSE key index falls 132 points](#); 2 [US 10 Year Treasury Note Yield](#) | **Note:** \* US Treasury yields, critical global benchmarks for borrowing costs, reflect market expectations on inflation, interest rates, and economic growth. An inverted yield curve, where short-term yields exceed long-term yields, is often considered a reliable predictor of a forthcoming recession. Data is as of 30 March 2026

# Weekly Updates | Selected Sectoral Activity



Just before the 28 February escalation, Dubai, Abu Dhabi, Doha, and Riyadh airports were operating near 95% of their normal activity levels. Following initial attacks, flights were grounded in the UAE and Qatar; while 28 February figures (Dubai 39.0%, Abu Dhabi 24.8%, Doha 34.9%) show some early departures, activity plunged to near zero the following day. Riyadh remained more open, dropping to 59.1% on 8 March. By 30 March, Riyadh had strongly recovered to 98.5%. Dubai and Abu Dhabi remained subdued, fluctuating between 35.8% and 46.4%, while Doha’s recovery was slower, staying below 20% by month-end. This underscores significant regional air traffic disruption, with Riyadh experiencing a smaller decline compared to its peers.



Ship arrival data for the Strait of Hormuz shows a marked decline in maritime activity since the escalation began on 28 February. The 7-day moving average dropped by 97.4% on 22 March compared to 27 February, to 2.7, nearly reaching zero, reflecting a sharp slowdown likely driven by increased security concerns, transit restrictions, and higher insurance costs. Furthermore, the 7-day moving average on March 22 is 97.3% lower than the same date in 2025, when it reached 101, suggesting that shipping activity would typically remain steady or grow during this time. This contrast highlights the unusual impact of recent geopolitical tensions on shipping through the Strait.

# Key News Headline (1/2)

## Global impact

**OECD global growth forecast stable, reflecting conflict's offset of expected upside** (March 26)

The OECD projects global growth at 2.9% in 2026, stable from earlier forecasts, but notes this masks a negative impact from the Middle East conflict. Without the conflict, an upward revision was expected. Higher energy prices and supply disruptions offset gains from technology investment and lower tariffs, weighing on growth.<sup>1</sup>

## Global impact

**OECD warns that US inflation would surge to 4.2% on energy shock amid Middle East conflict** (March 26)

The OECD warns the Middle East conflict may drive US inflation to 4.2% in 2025, the highest in the G7. Rising pressure on consumers would hurt US economic growth, which is expected to slow to 2.0% this year and 1.7% in 2027.<sup>2</sup>

## Global impact

**Fitch projects an extended conflict could cut 2026 global growth by up to 0.3 percentage points** (March 23)

If the conflict continues into April 2026, global growth could drop by 0.2 to 0.3 percentage points from the previous 2.8% forecast, according to Fitch. This drop could be due to higher energy prices, disrupted trade and shipping, tighter financial conditions, and increased uncertainty, all of which could reduce incomes and dampen demand worldwide.<sup>3</sup>

## Key statements

**Governor Barr warns Middle East conflict risks prolonged inflation due to energy disruptions** (March 26)

Barr, member of the US Federal Reserve Board of Governors, said the current conflict in the Middle East has affected both oil production and transportation, driving up energy prices and other commodities, and warned that a prolonged conflict could raise the risk of inflation persistence.<sup>4</sup>

## Key statements

**Christian Lagarde warns that risks from the current conflict are being underestimated** (March 26)

Christian Lagarde, president of the ECB, has warned that expectations of a swift return to normal may be "overly optimistic" and that substantial damage has already taken place, adding that the resulting disruption may last years and consequences will only emerge gradually.<sup>5</sup>

## Key statements

**UK PM Starmer states that Middle East conflict could 'define us for a generation'** (March 27)

Starmer stated that the Middle East conflict, alongside the Russia-Ukraine war, will have "huge implications" and could reshape the global order. He emphasized the UK's response must seize this opportunity to effect positive change in the country's future.<sup>6</sup>

## Key statements

**Moody's Chief Economist raises US recession probability risk to 49%** (March 27)

The Chief Economist for Moody's Analytics, Mark Zandi, has highlighted the "real risk" for a recession in the US after four weeks of the conflict, with inflationary pressures, rising interest rates and declining stock market capitalizations noted as key areas of concern, with unemployment in the US also likely to rise.<sup>7</sup>

## Key statements

**IEA stated that Middle East conflict is causing largest oil supply disruption in history** (March 12 & 23)

International Energy Agency (IEA) Executive Directors reported over 40 energy assets in nine Middle Eastern countries severely damaged, causing supply disruptions comparable to the 1970s oil crises and 2022 gas crisis combined. Global LNG supply has fallen 20%, with reopening the Strait of Hormuz seen as the key solution.<sup>8,9</sup>

Sources: 1. [OECD](#), 2. [Financial Times](#), 3. [Fitch Solutions](#), 4. [TradingView](#), 5. [The Economist](#), 6. [The Guardian](#), 7. [MarketPlace](#), 8. [The Wall Street Journal](#), 9. [The Wall Street Journal](#)

# Key News Headline (2/2)

## Key statements

### World Bank responds to rising commodity prices amid conflict (March 26)

The World Bank reported emerging-market clients seeking help as the conflict impacts commodity prices and logistics. It is prepared to respond with large-scale financing, policy support, and private-sector tools.<sup>1</sup>

## Key statements

### Powell sees inflation outlook in check, no need to hike rates because of oil shock

Federal Reserve Chair Jerome Powell said inflation expectations remain stable despite rising energy prices, so no immediate rate hikes are needed. He emphasized focusing on the Fed's goals of price stability and low unemployment and noted current private credit disruptions don't pose systemic risks.<sup>2</sup>

## GCC financial sector impact

### GCC banks face 50% dividend haircut to preserve USD 10 Bn capital safety margin (March 30)

The banking sector in the GCC is expecting a 5-15% hit to earnings driven by rising risk costs and a slowdown in credit growth. They are said to be able to withstand a two-month long escalation in the conflict but may need to slash dividends by as much as 50% to keep core capital ratios above regulatory thresholds.<sup>3</sup>

## GCC connectivity

### Saudi Arabia launches new rail freight corridor to Jordan border (March 26)

Saudi Arabia has launched a new 1,700 km international rail logistics corridor. It connects Eastern Province ports (Dammam, Jubail) to the Al-Haditha border crossing, linking the kingdom with Jordan and northern countries. This initiative aims to boost trade, improve supply chain efficiency, and can handle over 400 containers per train.<sup>4</sup>

## Global travel impacts

### Global airfares surge 24% in first 11 weeks of 2026 (March 26)

Global average economy airfares have reached a high of USD 505 in 2026, underscoring the sharp rebounds from the 2020 pandemic low of USD 293. By week 11 of 2026, global economy airfares were 24% higher than 2025, marking one of the strongest early-year pricing jumps in recent memory.<sup>5</sup>

## Government response

### Qatar Central Bank unveils emergency liquidity measures as regional tensions mount (March 30)

Qatar Central Bank has introduced precautionary measures amid regional tensions. Its review confirms the banking sector's resilience, with strong liquidity, capital above regulatory requirements, and sufficient provisions. Banks maintain ample liquidity in local and foreign currencies to support market stability and customer demand.<sup>6</sup>

## Government response

### Sheikh Hamdan announces AED 1 Bn support package for Dubai's business sector (March 30)

The support will be effective from April 1 and will include deferral of some government fees for three months to boost liquidity; extended customs grace periods to aid trade; streamlined residency procedures; a Virtual Warehouses Initiative; and strategies to enhance Emirati family finances and workers' housing conditions.<sup>7</sup>

## Ancillary effects

### Aluminum supply faces disruption amid market uncertainty

Aluminum prices surged to levels not seen since 2022 after attacks damaged two major Gulf producers, raising concerns over supply disruptions. Futures on the London Metal Exchange jumped 5.5%, reflecting fears of a tightening market. The Gulf supplies around 9% of global aluminum, with ongoing export challenges adding to uncertainty.<sup>8</sup>

Sources: 1. [World Bank](#), 2. [CNBC](#), 3. [Enterprise AM](#), 4. [Arab News](#), 5. [Economy Middle East](#), 6. [Arabian Business](#), 7. [The National](#), 8. [CNBC](#).

# Key Events to Watch Out For

## Week starting March 30

- US (JOLTS) Job Openings data release (Mar 31<sup>st</sup>)
- Release of GCC countries' non-oil PMIs (Apr 3<sup>rd</sup>-5<sup>th</sup>)
- OPEC+ monthly meeting and production decisions (Apr 5<sup>th</sup>)
- Trump's envisaged Strait of Hormuz reopening (Apr 6<sup>th</sup>)
- US Nonfarm Payrolls Report (Apr 3<sup>rd</sup>)

## Week starting April 6

- Federal Reserve FOMC March meeting minutes (Apr 8<sup>th</sup>)
- Release of KSA Business Confidence index (Apr 9<sup>th</sup>)

## Week starting April 13

- Release of OPEC Monthly Oil Market Report (Apr 13<sup>th</sup>)
- IMF-World Bank Spring Meetings (Apr 13<sup>th</sup>-19<sup>th</sup>)
- Release of IEA Oil Market Report (Apr 14<sup>th</sup>)
- IMF World Economic Outlook Update (Apr 14<sup>th</sup>)
- Release of IMF Global Financial Stability Report (Apr 14<sup>th</sup>)
- Release of IMF Fiscal Monitor (Apr 15<sup>th</sup>)
- Release of Federal Reserve Beige Book (Apr 15<sup>th</sup>)
- Release of KSA CPI / inflation data (Apr 15<sup>th</sup>)
- ECB Monetary Policy March decision minutes (Apr 16<sup>th</sup>)

## Week starting April 27

- Federal Reserve FOMC rate decision (Apr 28<sup>th</sup>-29<sup>th</sup>)
- Bank of England Monetary Policy Committee Rate Decision (Apr 30<sup>th</sup>)
- ECB Monetary Policy Rate Decision (Apr 30<sup>th</sup>)
- Release of KSA Q1 2026 GDP flash estimate (Apr 30<sup>th</sup>)

## Other events to watch, with no confirmed date

- OECD Economic Outlook report
- Ad-hoc / one-off IEA Oil and Gas Market Updates
- OECD Statistical Releases (inflation, unemployment)
- World Bank Global Economic Prospects report
- GCC countries' real estate price index
- GCC countries' CPI / inflation

## Contact US

For more information on the contents of this report, please contact the Economic Advisory team



**Rohan Sawhney** | Partner  
Middle East Economic  
Advisory Lead



**Ruth Steen** | Assistant Director  
Economic Advisory



©2026 Deloitte & Touche (M.E.). All rights reserved.

This communication contains information which is privileged and confidential. It is exclusively to the intended recipient(s). If you are not the intended recipient(s), please: (1) notify the sender by forwarding this email and delete all copies from your system and (2) note that disclosure, distribution, copying or use of this communication is strictly prohibited. Any erroneous disclosure, distribution or copying of this email communications cannot be guaranteed to be secure or free from error or viruses.

Deloitte & Touche (M.E.) (DME) is an affiliated sublicensed partnership of Deloitte NSE LLP with no legal ownership to DTTL. Deloitte North South Europe LLP (NSE) is a licensed member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of DTTL, its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL, NSE and DME do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

DME is a leading professional services organization established in the Middle East region with uninterrupted presence since 1926. DME’s presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME’s affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides services through 23 offices across 15 countries with more than 7,000 partners, directors and staff. It has also received numerous awards in the last few years such as the 2022 & 2023 Great Place to Work® in the UAE, the 2023 Great Place to Work® in the KSA, and the Middle East Tax Firm of the year.