



Regional geopolitical situation

Economic bulletin

Week of 23rd March 2026

Economic Bulletin | Introduction

Since 28 February 2026, the Middle East has been grappling with escalating geopolitical tensions, leading to a significant and dynamic security situation. While initial responses included critical safety measures such as shelter-in-place orders and airport closures, the economic ramifications have quickly broadened, impacting supply chains and energy markets and beyond. The immediate disruptions are now giving way to more complex challenges, and while the short-term volatility persists, the long-term economic trajectory remains uncertain.

This document marks the first in a series of weekly economic bulletins dedicated to analyzing this evolving geopolitical and economic landscape. Our primary focus will be on the implications for the GCC economies, while also examining the broader global ramifications, particularly concerning energy markets, trade routes, and supply chains.

Given the inherent uncertainties of the current situation, we will explore potential impacts under three distinct scenarios. This inaugural report will establish these scenarios and assess how sentiment and key headline economic indicators may be affected. Subsequent iterations will track developments under each scenario, providing continuous, updated insights.

To frame our analysis and account for the inherent uncertainty of the current situation, we will consider the potential economic impacts under three distinct timeframe scenarios:



Contained escalation (4-6 weeks): This scenario assumes the current level of geopolitical tension persists, with contagion not extending significantly beyond currently affected areas. Economically, this period is characterized by an immediate pause in business activity and investor confidence, with household consumption and visitor confidence experiencing only temporary disruption. It focuses on initial shocks, supply chain bottlenecks, and immediate shifts in market sentiment.



Sustained escalation (3-4 months): In this scenario, the crisis continues for at least a quarter of the year, with the current level of severity maintained or slightly intensified. Contagion extends somewhat further, impacting a broader but still contained set of regional actors or trade routes. Businesses begin rethinking growth strategies, investor confidence potentially shifts towards withdrawal, and the pattern of disrupted household consumption and visitor confidence continues. This period explores how businesses and consumers adapt to prolonged uncertainty, the potential for more significant supply chain reconfigurations, and evolving policy responses.



Prolonged escalation (10+ months): This scenario explores the structural changes and enduring economic consequences if the geopolitical situation remains unresolved or escalates over an extended period, maintaining or increasing its current severity. It involves a significant and widespread extension of the crisis, potentially involving new actors or major disruptions to global trade arteries. This leads to a prolonged withdrawal of businesses from certain regional markets, sustained investor withdrawal with little expectation of return, and a continuation of disrupted household consumption and visitor confidence patterns. This scenario considers potential shifts in global trade patterns, energy security strategies, investment flows, and the fundamental reshaping of regional and global economic relationships. Within this significantly altered landscape, a new normal may eventually emerge, potentially creating new opportunities as regional actors adapt and innovate.

Economic Bulletin | Scenarios

In our initial reporting on the crisis in our [Monthly Middle East Economic Monitor \(MEcon\)](#), we identified four key categories of sentiment expected to be impacted, with varying degrees of severity depending on the duration. Since that initial assessment, these sentiments have continued to evolve within the uncertain and changing context. The following table details how each of these sentiment categories may be impacted across our three scenarios, while the remainder of this report explores the knock-on effects of these sentiment shifts on a selection of key macroeconomic indicators, serving as important gauges of economic health.

Impact on sentiment under each scenario:

	Contained escalation	Sustained escalation	Prolonged escalation
Investor sentiment	Immediate flight to safe-haven assets (e.g., gold, US dollar) and increased market volatility, representing a pause in new investment decisions and a temporary shift in portfolio allocations.	Sustained market volatility and elevated risk premiums lead to a withdrawal of capital from the region, with reduced new investment activity as contagion extends further.	Fundamental re-evaluation of regional risk results in a potential sustained withdrawal of investment, with little expectation of return, leading to structural shifts in FDI patterns and a permanent preference for stable assets over regional opportunities.
Travel and tourism confidence	Abrupt decline in travel bookings and tourism activity due to immediate disruptions (airspace closures, advisories), representing a temporary disruption to visitor confidence and significant short-term financial losses.	Continued disruption to global travel hubs and sustained low visitor confidence, leading to prolonged impacts on tourism revenue as insecurity persists and contagion extends further.	Continued disruption evolves into enduring damage to the region's reputation as a safe travel destination, necessitating significant restructuring of the tourism industry and long-term shifts in global travel patterns.
Business caution	Businesses adopt immediate precautionary measures, including a pause in new initiatives and a focus on operational continuity, while anticipating a rapid rebuild once immediate tensions subside.	Elevated business caution persists, leading to a fundamental rethinking of growth strategies and a delay in expansion plans as companies adapt to prolonged uncertainty and extended contagion.	Prolonged geopolitical uncertainty leads to severe economic stress and a permanent withdrawal from certain regional markets, as businesses fundamentally alter long-term strategies and supply chains. However, some businesses may adapt, establishing new operational models within the region's 'new normal'.
Resident sentiment	Residents increase purchases of essential goods and reduce discretionary spending, reflecting a temporary disruption in consumption patterns and a focus on boosting savings and cash liquidity.	Precautionary behaviors potentially become entrenched, with the pattern of disrupted household consumption continuing as uncertainty persists and the crisis extends further.	Deep-seated changes in consumer behavior, including a continued pattern of disrupted household consumption and a sustained preference for liquidity, potentially leading to demographic shifts as residents seek long-term stability.

Economic Implications | Overview

Indicator	Contained escalation (4-6 weeks)	Sustained escalation (3-4 months)	Prolonged escalation (+10 months)
 <p>Overall Outlook</p>	<p>Expect an immediate, sharp economic shock characterized by high market volatility and significant cost increases, partially cushioned by a potential surge in hydrocarbon revenues.</p>	<p>A period of entrenched economic pressure with persistent inflation risks, including the potential for a wage-price spiral, alongside active but challenging adaptation efforts.</p>	<p>A landscape of fundamental economic restructuring, potentially leading to lower long-term growth rates and a more state-centric investment environment, but also fostering adaptation and the emergence of a 'new normal'.</p>
 <p>Key Risks</p>	<p>Possible widespread trade disruptions, sharp inflationary spikes driven by energy and import costs, and a temporary pause in private sector activity and hiring.</p>	<p>Potential prolonged decline in private foreign investment, especially in diversification sectors, sustained erosion of non-hydrocarbon export competitiveness, and increasing labor market fragmentation with potential skills gaps.</p>	<p>Challenges may involve an enduring reduction in private foreign capital inflows, particularly for diversification; permanent shifts in global trade routes bypassing the region; and persistent structural inflation.</p>
 <p>Potential Resilience/Opportunities</p>	<p>The hydrocarbon sector may see a substantial revenue boost, depending on export potential. Public sector employment and essential services are likely to remain stable.</p>	<p>Hydrocarbon revenues may continue to support fiscal strength, enabling government-led strategic investments. Firms will actively seek to reroute supply chains, likely to create new logistical pathways.</p>	<p>Governments, backed by hydrocarbon revenues, may drive strategic projects. The region could adapt to new trade patterns, and new opportunities may arise from the reconfigured economic landscape.</p>
 <p>Sectors to Monitor</p>	<p>Tourism, aviation, retail, and non-hydrocarbon trade are likely to face immediate and severe headwinds.</p>	<p>Diversification sectors (tourism, real estate, services) are expected to face sustained headwinds. Logistics and supply chain management to become critical areas of focus.</p>	<p>All sectors face structural changes. Economies with highly private-sector-driven labor markets, significant reliance on expatriate workers, and a focus on risk-sensitive diversification sectors may be particularly vulnerable to long-term labor market shifts.</p>

Economic Implications | Implications for economic indicators (1/3)

Indicator	Contained escalation (4-6 weeks)	Sustained escalation (3-4 months)	Prolonged escalation (+10 months)
 <p>Trade</p>	<ul style="list-style-type: none"> ➤ Immediate disruption and rerouting of all maritime trade—including manufactured goods and food—through critical chokepoints such as the Strait of Hormuz, causing increased demurrage charges, lost sales revenue, and temporary bottlenecks that lead to higher procurement costs and potential consumer price spikes. ➤ Increases in shipping insurance and freight costs for all imports and exports, directly raising landed costs and potentially reducing export competitiveness. ➤ Companies exploring alternative, costlier, and longer trade routes, resulting in higher operational expenses and negatively impacting profitability. ➤ Higher oil and LNG prices may increase the nominal value of hydrocarbon exports, partially offsetting trade losses even as volumes and non-oil trade weaken—particularly for KSA and Qatar. 	<ul style="list-style-type: none"> ➤ Firms could adapt by rerouting supply chains through alternative routes (e.g., the Red Sea), pipelines (e.g., KSA’s East-West pipeline), overland alternatives, and non-Gulf hubs where possible; however, these options may create or exacerbate new bottlenecks due to limited capacity and infrastructure. ➤ GCC trade may become more fragmented due to multi-leg routes, sustained high shipping, insurance, and fuel costs, as well as persistent logistical challenges, which may erode profit margins, increase inventory costs, and fuel inflation across all sectors. ➤ Elevated logistics costs may reduce GCC export competitiveness for non-hydrocarbons, while trading partners re-evaluating supply reliability may raise trade finance costs and may impact future trade value. 	<ul style="list-style-type: none"> ➤ Permanent structural diversification of trade routes and energy flows away from Gulf checkpoints where feasible, necessitating infrastructure developments to support this transition. ➤ Potential risk that certain segments of global value chains may bypass GCC airports and ports, diminishing the region’s role as a global trade and logistics hub. The UAE is likely more structurally vulnerable to prolonged disruptions in trade flows due to its position as a regional logistics and re-export hub. ➤ Trade composition in the GCC may shift more towards hydrocarbons and regional or near-market flows, becoming less diversified and more volatile, accompanied by an erosion of established trading partner relationships.
 <p>Inflation</p>	<ul style="list-style-type: none"> ➤ Energy price increases, higher freight and insurance premiums, and elevated shipping costs—potentially due to rerouting if key routes like the Strait of Hormuz close—along with supply chain bottlenecks and increased demand pressures from limited availability of imported goods, could raise import and global goods prices. ➤ Imported inflation may be particularly acute in import-dependent GCC economies (e.g., KSA, UAE, Qatar), potentially leading to temporary pressure on real incomes as rising prices outpace wage growth. 	<ul style="list-style-type: none"> ➤ Inflation may remain elevated as sustained high energy prices, increased freight and insurance costs, and persistent supply chain inefficiencies continue to drive up import and production costs. ➤ Second-round effects, where businesses pass on higher input costs, could lead to broader and sustained price increases across multiple sectors such as retail, hospitality, and transportation. ➤ This sustained cost-push pressure, combined with efforts by workers to maintain real incomes, may increase the risk of a wage-price spiral, where rising wages and prices feed into each other. 	<ul style="list-style-type: none"> ➤ Inflation could stabilize at a higher overall price level if elevated hydrocarbon prices and supply chain challenges become structural features of the economy. However, an accelerated energy transition or diversification away from traditional sources may introduce new cost structures that could rebalance these effects. ➤ If a wage-price spiral becomes entrenched in the medium term, it may contribute significantly to this structurally higher inflation, making it more persistent and difficult to control. ➤ On the demand side, a long-term contraction in spending might reduce demand for non-essential goods, easing some inflationary pressures, while increased government spending on restructuring and incentives could add inflationary risks. ➤ Overall, the ultimate trajectory of inflation will depend on how these factors evolve over time.

Economic Implications | Implications for economic indicators (2/3)

Indicator	Contained escalation (4-6 weeks)	Sustained escalation (3-4 months)	Prolonged escalation (+10 months)
 <p>Foreign direct investment (FDI)</p>	<ul style="list-style-type: none"> ➤ Increased geopolitical risk and market volatility may lead to multinational firms delaying projects, especially in non-energy sectors like real estate and tourism, and existing investors increasing scrutiny of regional operations. ➤ Portfolio investors may shift capital to global safe havens, and high-net-worth individuals may pause investments, contributing to a sharp decline in overall FDI inflows. ➤ Deal activity across sectors may slow, and capital deployment for announced projects may be postponed, reflecting heightened investor caution, though mass exits may not occur unless security or financial stability is directly threatened. 	<ul style="list-style-type: none"> ➤ Prolonged geopolitical risk and sustained market volatility may lead to investment decisions becoming more selective, with private foreign capital potentially shifting towards strategic industries perceived as more resilient. ➤ Investment in sectors such as tourism, real estate, and services may decline, as these sectors are highly sensitive to perceived geopolitical risk and rely on long-term stability and confidence, dampening private foreign investor appetite. ➤ Financing conditions may tighten, limiting access to capital for new projects and potentially slowing economic transformation efforts in non-core sectors. ➤ The overall pace of new FDI inflows may remain subdued, reflecting a cautious and selective investment environment; however, if higher oil revenues materialize and if governments choose to deploy this fiscal strength, it may enable government-led or sovereign wealth fund investments or incentives. 	<ul style="list-style-type: none"> ➤ Prolonged geopolitical instability may lead to a fundamental and enduring re-evaluation of the region's risk profile by global investors, causing a significant downside risk of a lasting decline in private foreign capital inflows. ➤ Diversification-related investment may face an enduring reduction leading to capital being redirected to more stable global markets. ➤ Financing conditions may remain persistently tighter, hindering long-term economic transformation and making it challenging to attract private foreign capital for non-core sectors. ➤ The overall FDI landscape may be significantly and enduringly reshaped, with a greater reliance on government-led or sovereign wealth fund investments to drive strategic projects, potentially leading to a less diversified and more public sector led investment environment.
 <p>GDP</p>	<p>GDP growth could show a divergence between hydrocarbon and non-hydrocarbon sectors:</p> <ul style="list-style-type: none"> ➤ Higher oil could boost nominal GDP, particularly for KSA which rely on oil, even if export volume may be constrained by logistic and shipping frictions. Higher LNG prices could also support Qatar's hydrocarbon GDP, but QatarEnergy's recent force majeure declaration on its entire LNG production means these gains may be limited. ➤ Non-hydrocarbon sectors such as tourism, aviation, retail, and logistics could slow due to heightened regional risks, with trade disruptions impacting operations and increased uncertainty, along with reduced business confidence, potentially delaying or pausing investments. This effect is likely stronger in the UAE—particularly Dubai—and Qatar, compared to the more oil-dependent KSA. <p>Overall, headline growth is likely to be supported by hydrocarbon revenues, while real growth in the non-hydrocarbon sector slows moderately, thereby potentially hindering diversification progress across the region</p>	<ul style="list-style-type: none"> ➤ Hydrocarbon GDP remains highly uncertain and depends on sustained prices and export capacity; while higher prices could support growth, export disruptions from logistical challenges or conflict would weigh negatively on overall GDP. ➤ Non-hydrocarbon sectors such as tourism, real estate, logistics, and finance could see private investment and business expansion plans paused or reassessed due to prolonged uncertainty, inflationary pressures, and weakened confidence, resulting in underperformance relative to pre-conflict baselines and slower non-oil GDP growth. ➤ Any medium-term emergency spending could help prevent a sharper growth contraction but may also sustain elevated public sector-driven growth compared to private sector dynamism, which is key for sustained and diversified economic growth. 	<ul style="list-style-type: none"> ➤ Hydrocarbon GDP could face prolonged uncertainty; despite potentially high prices, prolonged export disruptions and structural shifts in trade and energy strategies could cause lasting declines in output and reshape the sector's contribution to GDP. ➤ The GCC's appeal as a global business hub could weaken if instability persists, deterring foreign investment, multinational companies, and skilled talent, thereby slowing non-hydrocarbon GDP growth. Lower capital inflows may also constrain productivity growth by limiting funding for innovation and new projects, while slower diversification in key non-oil sectors could restrict long-term economic expansion. ➤ Structural shifts, including an accelerated energy transition and major importers diversifying towards alternative oil markets, could further challenge the region's economic model, potentially reducing long-term hydrocarbon demand and impacting non-hydrocarbon diversification efforts.

Economic Implications | Implications for economic indicators (3/3)

Indicator	Contained escalation (4-6 weeks)	Sustained escalation (3-4 months)	Prolonged escalation (+10 months)
 <p>Fiscal balance</p>	<ul style="list-style-type: none"> ➤ Oil and LNG price spikes could generate a near-term windfall for GCC exporters, as price effects outweigh volume losses from shipping disruptions, potentially resulting in immediate higher hydrocarbon revenue and an improved overall fiscal position. ➤ Non-hydrocarbon revenue from sectors like tourism, aviation, real estate, and hospitality could decline due to slower consumption reducing VAT, lower trade volumes cutting customs fees, and weaker corporate profits impacting tax revenue ➤ Potential emergency spending may be introduced and expanded the longer the escalation continues, including targeted subsidies to cushion inflation or a shift from baseline to incremental security spending to cover additional operational costs and early-stage infrastructure protection. ➤ Overall, these fiscal impacts are expected to be temporary and confined to the crisis period and immediate recovery. 	<ul style="list-style-type: none"> ➤ Sustained higher oil and LNG price volatility, combined with export volume constraints due to logistical risks, heightens revenue uncertainty. Any benefits depend on trade routes reopening, as prolonged disruptions could reduce export volumes and fiscal revenues, thereby negatively impacting the fiscal balance ➤ Non-hydrocarbon revenue weakens significantly and sustainably compared to pre-escalation plans, driven by prolonged trade disruptions and reduced business and consumer confidence. ➤ Government maintains higher baseline (i.e., recurring budget allocation) and security spending as operational costs remain elevated; procurement (e.g., air defence) is accelerated, infrastructure protection becomes embedded in the budget, and social support is expanded to offset inflation and protect lower-income households. 	<ul style="list-style-type: none"> ➤ Structural increase in military expenditure and infrastructure costs (e.g., logistic corridors, energy, ports), permanently raising baseline public spending. ➤ Diversified non-hydrocarbon revenue sources (e.g., VAT, fees, tourism, corporate and property-related charges) grow more slowly than planned, limiting progress towards a broader, stable non-oil fiscal base and increasing dependence on volatile oil revenues.
 <p>Employment</p>	<ul style="list-style-type: none"> ➤ There may be an immediate slowdown in hiring and a rise in temporary layoffs, particularly in private sectors directly impacted by initial disruptions such as tourism, retail, and services. Public sector employment is more likely to remain stable, and existing labor contracts may initially contain overall job losses. ➤ A slowdown in the inflow of new migrant workers may occur primarily due to logistical disruptions such as flight cancellations and travel restrictions, rather than an immediate shift in sentiment among the large existing expatriate workforce. 	<ul style="list-style-type: none"> ➤ Over time there may be a more sustained slowdown in job creation and continued pressure on existing employment, particularly in non-hydrocarbon sectors facing prolonged disruptions. ➤ Risk perceptions may reduce the willingness of foreign workers, especially high-skilled professionals, to stay or renew contracts. This, combined with any reduction in the presence of foreign companies, may lead to direct job losses and reduced demand for labor, but also may create skills gaps in critical areas due to reduced migrant inflows. ➤ Private sector job creation, may weaken due to prolonged uncertainty and reduced investment. ➤ Employment may increasingly shift toward more resilient sectors. 	<ul style="list-style-type: none"> ➤ Prolonged tensions may lead to structural hiring freezes or workforce reductions across various sectors. Employment impacts could also affect the energy sector, though this would likely occur only if export capabilities are severely and enduringly hampered. ➤ Sustained low migrant worker inflows and potential outflows may lead to significant demographic shifts and persistent skills gaps across the economy, building on the medium-term trends. ➤ Private sector job creation, particularly in diversification sectors, may face structural challenges, leading to persistent unemployment or underemployment if these sectors fail to recover or undergo significant contraction. ➤ Policy interventions and deeper labor market reforms may become critical to address skill mismatches.

What to watch | Key events to look out for (1/2)

Event/ Release	Date	Relevance
<p>Global Central Banks and World Leaders' Announcements</p> <ul style="list-style-type: none"> ➤ UK government emergency committee gathering (March 23) ➤ Fed Interest Rate Decision (April 29) ➤ ECB Monetary Policy Meeting and Presse Release (April 30) 	<p style="text-align: center;"><i>Various; 23 March – 30 April</i></p>	<ul style="list-style-type: none"> ➤ The Federal Reserve held its rate at 3.5-3.75% on 18 March, while the ECB held at 2% while warning the war could have “a material impact on near-term inflation,” and the Bank of England held at 3.75%, all three institutions signaling vigilance without committing to action.^{3,4,5} Markets are already pricing in two to three ECB rate hikes by December, reflecting concern that a prolonged energy shock could push eurozone inflation toward 4.4% in a severe scenario.⁶ ➤ The next scheduled interest rate decision points – on 28–29 April by the Fed and 29–30 April for the ECB – will be the first meetings incorporating a full month of wartime data.^{7,8} Separately, UK Prime Minister Starmer convened a government emergency committee gathering for March 23, to be attended by the Chancellor, the Bank of England Governor, and senior ministers, to assess the economic fallout and energy security risks.⁹ ➤ While the Federal Reserve's decisions directly impact the GCC due to currency pegs, the actions of the European Central Bank (ECB) and a UK government emergency committee are also crucial. The ECB's monetary policies influence the economic health of a major global trading partner, affecting demand for oil and GCC non-hydrocarbon exports. Similarly, the UK government emergency committee gathering signals significant concerns within a key global economy, potentially impacting global confidence, trade, travel advisories, and diplomatic efforts, all of which have direct implications for the GCC's stability and economic outlook.

Sources: 1. [Axios](#), 2. [Atlantic Council](#), 3. [Reuters](#), 4. [ECB](#), 5. [Euro News](#), 6. [Euro News](#), 7. [The Fed](#), 8. [ECB](#), 9. [Sky News](#), 10. [Gulf News](#).

What to watch | Key events to look out for (2/2)

Event/ Release	Date	Relevance
<p>GCC Countries non-oil PMIs</p> <ul style="list-style-type: none"> ➤ S&P Global UAE Non-oil PMI (April 3) ➤ S&P Global KSA, Qatar, Kuwait Non-oil PMI (April 5) 	<p>3 – 5 April</p>	<ul style="list-style-type: none"> ➤ The GCC non-oil PMI releases for March, due in the first week of April, will be the first survey-based readings to capture private sector conditions under wartime circumstances.¹ These readings arrive with a clear pre-conflict baseline with the UAE PMI standing at 55.0 in February, and the Saudi Arabia PMI at 56.1 in February - a nine-month low, but still firmly in expansion territory. Both economies were registering broad-based non-oil growth driven by domestic demand, tourism, and project pipelines heading into the conflict.^{2,3} ➤ The question is how much of that non-oil sector momentum will survive contact amid the ongoing conflict that has caused disruptions to logistics, tourism, business confidence, and energy costs. JPMorgan cut its 2026 non-oil growth forecast for the GCC by 0.3 percentage points on 2 March, with the UAE facing the steepest revision at 0.4 percentage points.⁴ The IMF, at its 19 March press briefing, noted that oil and gas prices had already risen more than 50% over the preceding month, and that every 10% sustained increase in energy prices could translate into a 40-basis point rise in inflation and a 0.1-0.2 percentage point contraction in output.⁵ ➤ These signals suggest the March PMI could register a meaningful step down from February's pre-conflict readings. However, the precise extent will depend on how quickly disruptions to tourism, logistics, and business confidence fed through to ground-level activity during the survey period.
<p>OPEC+ Countries April Meeting Outcome</p>	<p>5 April</p>	<ul style="list-style-type: none"> ➤ The OPEC+ meeting on 5 April will be one of the most closely watched in the alliance's recent history. On 1 March, the eight core members agreed to resume the unwinding of voluntary production cuts, adding 206,000 barrels per day from April, a decision based on low global inventories and an assessment of healthy market fundamentals at the time.⁶ The practical significance of that decision, however, now depends heavily on conditions that have materially changed. The Strait of Hormuz remains effectively closed to most commercial shipping, and the EIA has noted that its supply assumptions are explicitly "contingent on the duration and extent of disruption to oil flows around the Strait."⁷ ➤ The April 5 monitoring meeting will be the first formal opportunity for OPEC+ to reassess production policy under wartime conditions. Any decision to pause, delay, or accelerate the hike will carry direct implications for oil price dynamics, GCC fiscal revenues, and the group's broader credibility in managing supply stability under exceptional circumstances.

Sources: 1. [S&P Global – Calendar](#), 2. [S&P Global – UAE PMI](#), 3. [Arab News](#), 4. [Reuters](#), 5. [IMF](#), 6. [OPEC Press Release](#), 7. [EIA](#).

What to watch | How these shocks can spread

Five channels through which high oil prices and the Hormuz closure impact the global economy



Food Prices & Developing World Instability

The Gulf supplies 33–45% of global fertiliser trade. ¹ Qatar has shut down all fertiliser production. ² This hits right as farmers in the Northern Hemisphere need to plant spring crops — if they can't get affordable fertiliser by April–May, lower harvests are locked in through 2027. ¹ In 2010–11, a similar food price spike helped trigger the Arab Spring uprisings. ³



Computer Chips & South Korea

South Korea imports 92% of its energy, with 70–72% of its oil from the Middle East. ⁴ Samsung and SK Hynix make ~70% of the world's memory chips and make up half the Korean stock market ⁵, which fell 8.1% in a single day. ⁶ The global AI buildout (\$200B+ spending planned) depends on affordable chips and power. ⁷



Airlines & Shipping

Fuel is 25–32% of airline costs. ⁸ US airlines (American, United, Southwest) have no fuel price protection; European carriers like Ryanair are 84% protected. ⁹ In the 2008 oil spike, 25 airlines went bankrupt. ¹⁰ Shipping fuel is 50–60% of container transport costs. ¹¹



Developing Country Debt Crisis

Higher oil prices strengthen the US dollar, making it harder for lower income countries to repay dollar-denominated loans. Developing world debt totals \$105 trillion (245% of their GDP). ¹² Most vulnerable: Argentina, Turkey, Egypt, Pakistan, Nigeria. ¹³ India's trade deficit could blow past 3% of GDP at \$120 oil. ¹⁴



Central Banks Are Trapped

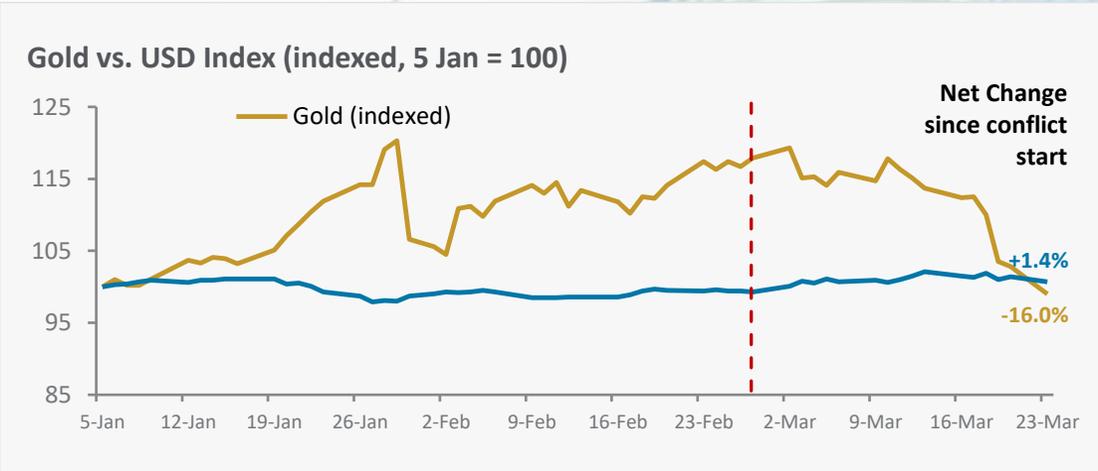
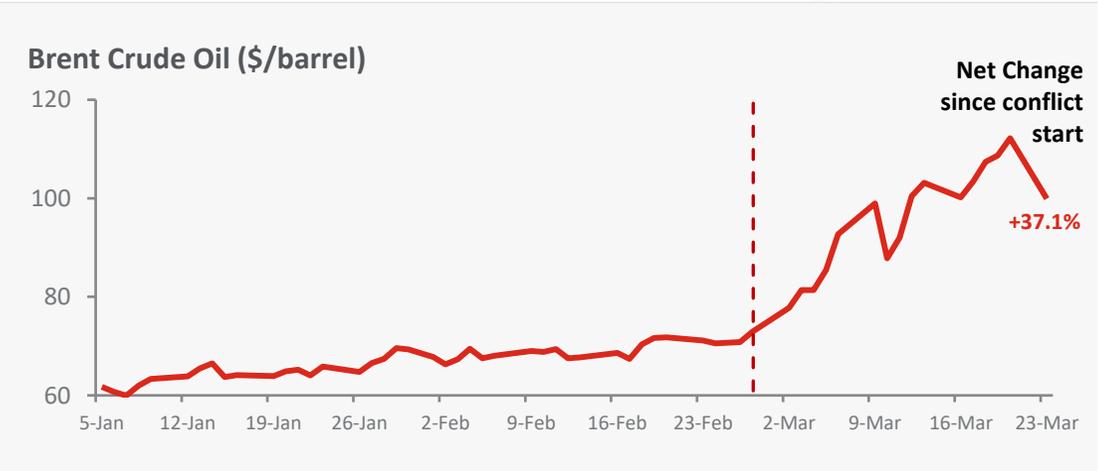
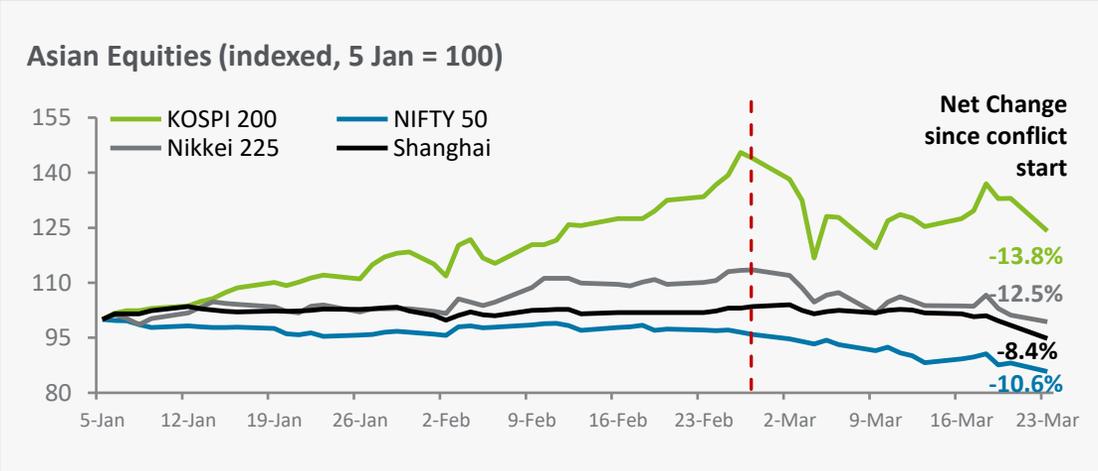
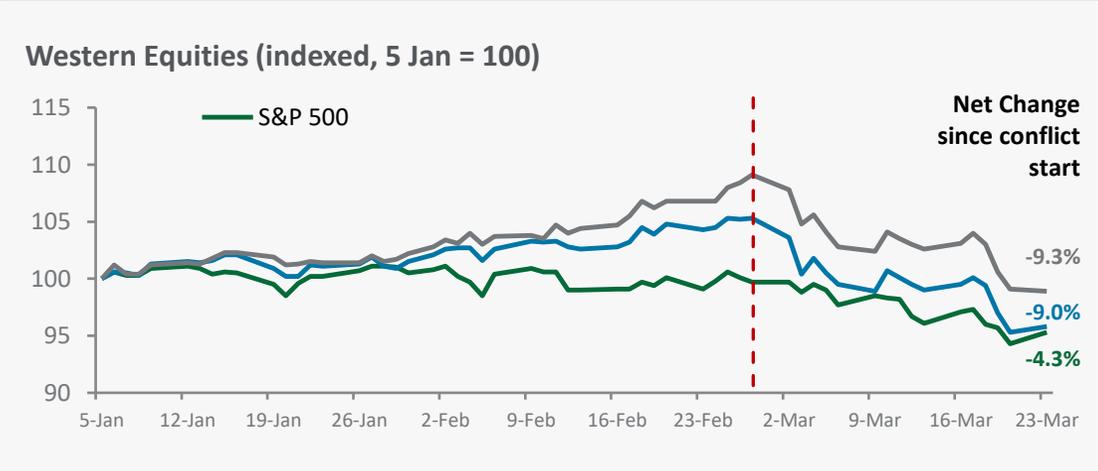
The Fed can't cut rates (because inflation is rising) or raise them (because the economy is weakening). European gas prices jumped 52% when Qatar halted LNG production. ¹⁵ Japan is the most exposed major economy; it imports 90–95% of its oil from the Middle East. ¹⁶

¹ Am. Farm Bureau ² Moneylife India ³ Journalist's Resource ⁴ The World Korea ⁵ The Diplomat ⁶ Al Jazeera ⁷ Foreign Policy ⁸ IATA ⁹ Glob. Banking & Finance ¹⁰ World Bank/DOT ¹¹ Marine Insight ¹² IIF Debt Monitor ¹³ OECD Debt Report ¹⁴ Business Standard ¹⁵ The National ¹⁶ Climate Bonds

What to watch | Key Charts

Brent briefly surged 71% from \$65 to \$112 on Strait of Hormuz disruption risk. Oil-import-dependent markets bore the brunt: NIFTY (India) fell 12.5%, Nikkei (Japan) 12.5%, KOSPI 200 (South Korea) lost 13.8% from its pre-conflict peak. Gold, despite its traditional safe-haven role, fell 16% from its February high. This was largely due to the dollar strengthening from safe-haven flows, and the forced liquidation of leveraged gold holdings to cover margin calls in other equity and commodity markets

Notes: Data below as of 24 March 2026; daily closing spot prices used up to 23 March 2026. Gaps in daily data have been filled by averaging the nearest available closing prices.



Sources: 1. MarketWatch

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

rosawhney@deloitte.com



Ruth Steen | Assistant Director
Economic Advisory

rsteen@deloitte.com



©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 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.