The 2026 Hormuz Crisis:

Global Macroeconomic and Sectoral Shocks

May 2026

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To provide quality assessments, insights, and

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Disclaimer*: All data presented in this report is updated up to 23 April 2026. Certain datapoints may reflect earlier reference dates which have been explicitly indicated where applicable.*

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Executive Summary

Systemic Supply Shock: The Gravest Oil Market Disruption in Decades

The regional conflict initiated on February 28, 2026, has precipitated one of the most significant oil market disruptions in decades, primarily driven by the closure of the Strait of Hormuz—a critical maritime artery transporting 20% of the global supply of petroleum liquids.

This blockade is expected to have far-reaching ramifications for global growth and key industrial sectors. The scale of this disruption is evidenced by projected inventory drawdowns, which are expected to deplete approximately 50% of available global reserves by the end of June 2026. Consequently, Tassnief views demand destruction through intensified price appreciation as a structural necessity to balance the market should the Strait remain inaccessible through the second quarter of the year.

Potential for Acute Price Escalation Amid Prolonged Maritime Blockade and Embedded Geopolitical Risk Premium

Brent crude prices have appreciated significantly from pre-conflict levels of $60–$72 per barrel to approximately $115 per barrel, having reached an initial peak of $118 per barrel in March before surpassing $126 per barrel following the failure of the Islamabad Talks and the implementation of the U.S. naval blockade on April 13. This surge reflects the scale of supply disruption, damage to energy infrastructure, and the accelerated drawdown of global crude inventories.

Tassnief anticipates a sharp spike in prices should the closure of the Strait of Hormuz persist and physical shortages become more pronounced. While prices are expected to retreat following eventual normalization, they will likely remain structurally higher than pre-conflict levels, reflecting an embedded geopolitical risk premium driven by the ongoing threat of maritime instability.

Global Growth to Slow Down Amidst a Hawkish Reversal in Monetary Policy for Major Economies

The convergence of surging energy prices, persistent inflationary pressures, and elevated interest rates has led to a projected slowdown in global growth for 2026, with IMF reference scenarios downgrading global growth to 3.1%, and adverse blockade scenarios warning of a drop toward 2%. This represents a significant reversal of pre-war forecasts, which anticipated a period of strengthening growth supported by lower energy costs and AI-driven productivity gains.

Since the onset of hostilities, 10-year Treasury yields have surged by approximately 50 basis points, with 2-year yields climbing over 60 basis points as market expectations have pivoted toward a 'higher-for-longer' hawkish stance. Furthermore, the previous trend of de-dollarization has stalled, with the U.S. Dollar Index appreciating by over 5% year to date—contrasting with its 9% devaluation in 2025—as geopolitical uncertainty drives sizeable flight-to-safety capital flows into USD-denominated assets.

Regional Macroeconomic Divergence and Sovereign Resilience

GCC GDP growth and key macroeconomic indicators are projected to weaken relative to pre-war estimates. While all member states face deceleration driven by compressed export volumes, Saudi Arabia and Oman are expected to exhibit greater resilience. Saudi Arabia benefits from alternative export corridors (like the East-West pipeline to the Red Sea), while Oman's strategic coastline sits entirely outside the conflict zone of the Strait. In contrast, sovereigns completely reliant on the Strait face severe contractions, with Qatar, Kuwait, and Bahrain projected to witness growth slowing by 14.7%, 4.5%, and 3.9%, respectively. Despite these headwinds, most GCC sovereigns maintain robust credit profiles backed by substantial financial buffers, although Bahrain remains the most leveraged among its peers with the narrowest fiscal flexibility.

Divergent Credit Profiles and Sovereign Rating Stability

The conflict has triggered a divergence in regional sovereign credit ratings. Regional anchors such as Saudi Arabia, the UAE, and Oman have maintained their ratings with stable outlooks by leveraging immense sovereign wealth and strategic geography that allows export continuity.

Conversely, high-investment-grade Qatar, alongside speculative-grade Iraq and Bahrain, have been placed on 'rating watch negative' or assigned negative outlooks by rating agencies as a result of severe maritime export halts and reduced capacity. Kuwait, meanwhile, has maintained its credit rating with a stable outlook despite significant operational halts, primarily insulated by its sizeable sovereign wealth fund.

Supply Chain Disruption and Global Commodity Inflation

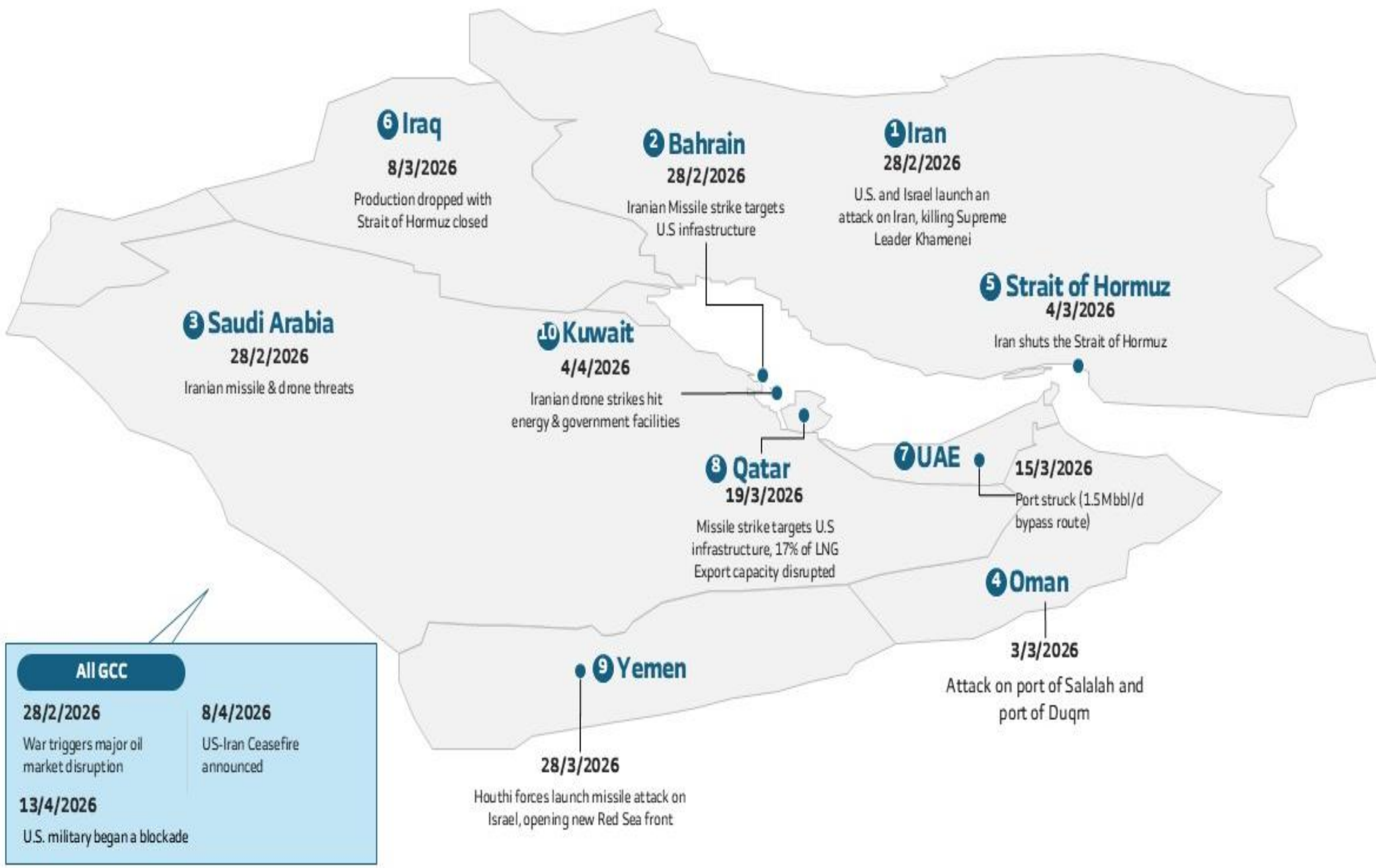
The conflict has triggered an aggressive re-pricing of global commodities, with the most severe spikes concentrated in maritime logistics and aviation energy. Shipping costs have more than doubled, as reflected by the surge in the Baltic Exchange Clean Tanker Index, while jet fuel and gasoline prices have climbed sharply. Essential industrial and agricultural inputs, including natural gas and urea, have also witnessed significant price escalations, further driving up operational costs across the energy and agrochemical value chains.

KSA Domestic Industries and Sectoral Outlook

The aviation and petrochemical sectors face critical challenges, with the former managing surging fuel expenses and the latter navigating export bottlenecks. However, the impact on Saudi domestic industries is partially tempered by the government's fixed energy pricing and subsidy frameworks, which provide a critical cost-anchor. Consequently, the Construction, Infrastructure, and Real Estate sectors exhibit notable resilience. While the banking sector is positioned to benefit from improved net interest margins due to higher interest rates, this is partially offset by rising Expected Credit Losses. Conversely, the impact on the Healthcare, Telecommunications, and Insurance sectors remains low due to their essential nature and mandatory regulatory frameworks.

Timeline of Key Events: US-Iran Conflict

The conflict unfolded through a rapid sequence of military escalations, retaliatory strikes, and strategic chokepoint disruptions, significantly intensifying regional instability and triggering global energy and trade shocks.



- On 28th February 2026 escalation between the U.S. and Iran into direct conflict disrupted Gulf shipping and energy markets causing uncertainty of crude price at global level [1].
- On March 4, the U.S.-Iran conflict escalated after a U.S. strike on an Iranian warship, prompting Iran to shut the Strait of Hormuz, disrupting ~20% of global oil and LNG flows [1].
- In early-mid March 2026, the conflict extended to energy export infrastructure, stalling shipments, stranding vessels, and disrupting ~15-20% of global LNG supply, with pronounced spillovers into Asian gas markets.[1].
- By mid-to-late March 2026, Iran shifted to a selective, permission-based transit system in the Strait of Hormuz, allowing limited vessels from neutral countries while restricting others, effectively creating a controlled maritime checkpoint [1].
- By late 28th March 2026, the conflict expanded as Iran-aligned Houthi forces entered the war, launching missile and drone attacks on Israel, opening a Red Sea front and heightening risks of broader regional escalation [1].
- On 7-8 April 2026, a U.S.-Iran ceasefire partially de-escalated direct hostilities; however, shipping through Hormuz remained constrained, with continued inspections and selective passage limiting normalization [1].
- From mid-April 2026 onward, U.S. naval enforcement on Iran-linked cargoes further restricted trade flows, while ongoing negotiations without a definitive resolution kept energy markets and shipping conditions volatile [1].

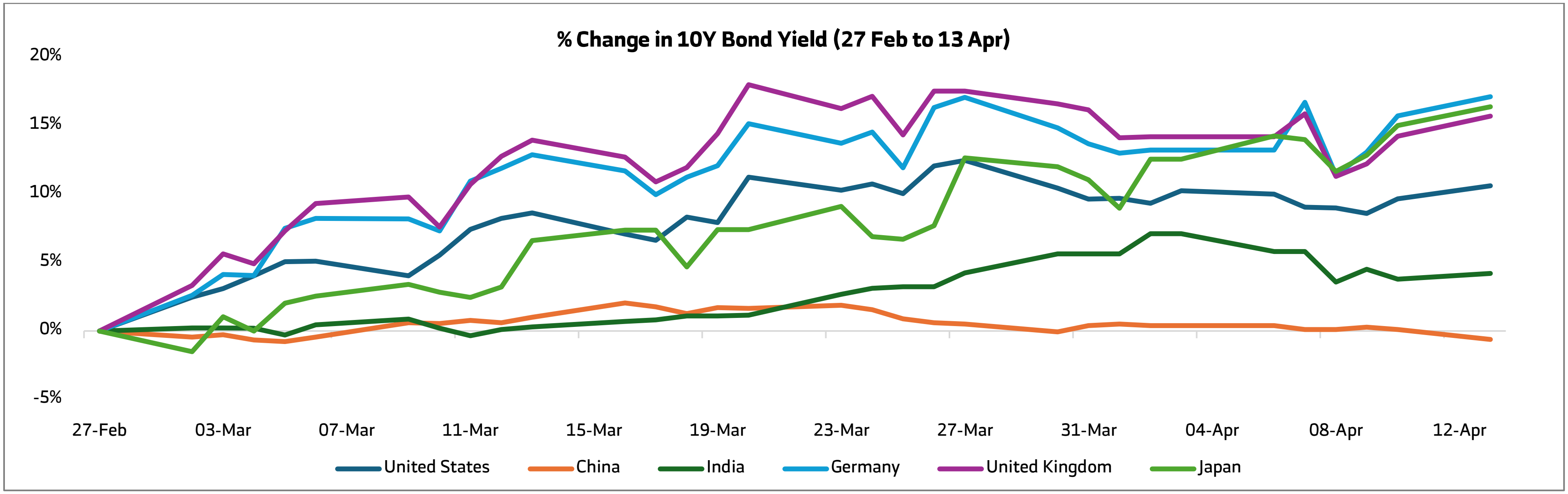
Macroeconomic Impact

Global Growth Outlook

- Global growth is projected to slow to around 3.1% in 2026[1] (Pre-war global growth forecast was 3.4%) compared to 3.2%[1] in 2025, reflecting a moderation in momentum amid the Middle East conflict and associated supply-side disruptions, inflation and interest rate expectations and demand uncertainty.
- Pre-war, global growth was expected to strengthen to 3.4%, supported by lower energy prices, accommodative monetary and fiscal policies, and emerging AI-driven productivity gains. However, the conflict has disrupted this trajectory, with downside risks now dominating the outlook where a longer or broader conflict and heightened geopolitical risks could weaken growth beyond projected levels and increase financial market volatility, further compounded by elevated public debt and limited policy flexibility.

Factor	Pre-War Key Drivers	Still Holds True Post-War?	Post-War Impact on Major Economies
Tariffs and Trade Barriers	Major drag on growth; impacting demand, trade flows, and costs	Partially True	Impact moderates as trade normalization begins, though residual uncertainty persists; US consumption and India growth see some relief, but effects remain
Demand Conditions	Weakening global demand and consumption slowdown	Yes	Further pressured as higher energy costs and uncertainty reduce real incomes, particularly in US and other import-dependent economies
Energy Prices	Relatively stable, not a major growth constraint	No, Becomes critical driver	Key negative driver through higher oil prices, raising input costs, compressing real incomes, and weighing on US, China (import burden), and India (crude/LNG dependency)
China Property Sector	Structural drag on China growth	Yes	Continuing to weigh on growth, amplified by higher input costs and subdued domestic sentiment
Policy Support (AI, Capex, Rates, Fiscal)	Strong support via AI investment, data center build-out, accommodative fiscal policy, and expected rate cuts	Yes	US remains supported by sustained AI capex from large hyperscalers, partially cushioning the energy shock; however, fiscal space is more constrained, and rate cut trajectory becomes more cautious due to inflation risks
Inflation and Rates	Inflation moderation, rate cuts expected	Partially True	Inflation risks re-emerge due to energy shocks, limiting pace and extent of monetary easing globally
India Tariff Impact	Elevated tariffs (~40%) acting as growth drag	No	India sees some relief from tariff normalization, but benefits are partially offset by higher energy import costs and supply-side pressures

Impact on Long-Term Government Bond



Source: Bloomberg

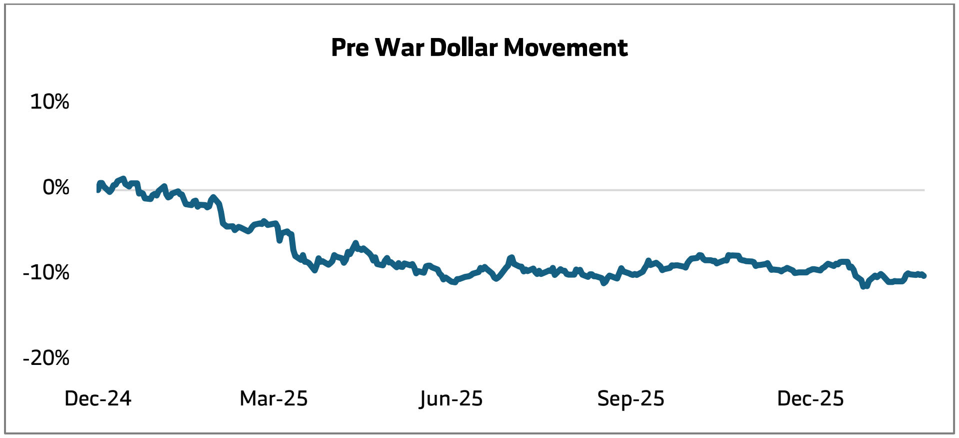
Note: The chart shows percentage changes in 10-year bond yields relative to 27 February 2026 (pre-conflict baseline), covering 27 February 2026 to 13 April 2026.

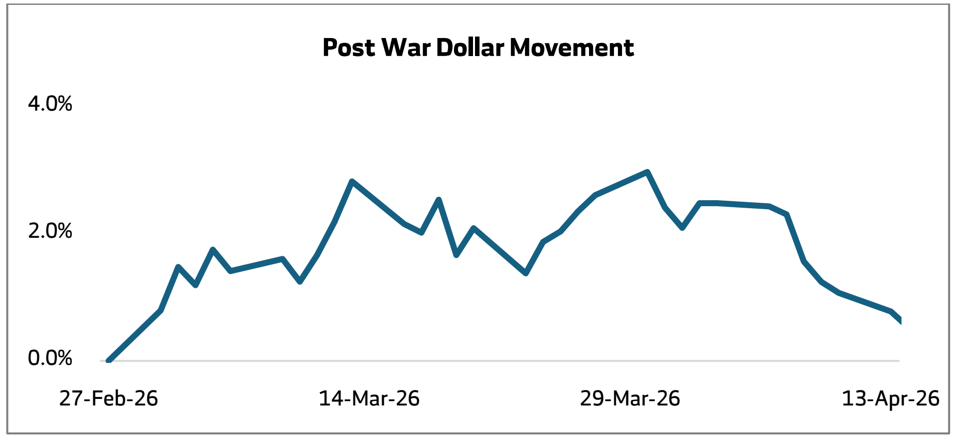
- US 10-year bond yields saw a clear upward repricing during the war period, rising from 3.94% pre-war (27 Feb) to a peak of 4.43%. While yields eased post-ceasefire, they only partially normalized before edging higher again to 4.35% (13 Apr), remaining ~40 bps above pre-war levels and indicating persistently elevated inflation expectations.

- The sharpest rise was observed in the UK and European markets. UK yields increased from ~4.23% to a peak of ~4.99% (+76 bps), marking the largest move among peers, followed by Germany (+46 bps). India also saw an increase, though more moderate in magnitude (+28 bps vs pre-war). Despite some retracement from peak levels, yields remain materially elevated, reflecting continued sensitivity to inflation and term premium repricing.

- China's yields remained broadly stable around ~1.80-1.82%, suggesting strong policy anchoring amid weak domestic demand, while Japan experienced a more sustained increase (+35 bps to ~2.47%), reflecting gradual policy normalization and reduced yield suppression by the central bank, with energy-driven inflation acting as a secondary support rather than the primary driver.

Post-War Impact on Dollar and other Currencies





Source: Bloomberg

Note: Both charts show percentage changes in the dollar index. The pre-conflict chart uses 31 December 2024 as the base, tracking changes through 27 February 2026, while the post-conflict chart uses 27 February 2026 as the base, covering changes through 13 April 2026.

Pre-War Dollar Movement

- **Structural downtrend:** Dollar Index declined from ~108.5 at the end 2024 to ~97.6 pre-war (27 February 2026), reflecting a sustained weakening trend driven by reserve diversification, and elevated deficits and debt levels (>100% debt-to-GDP) for the US economy.[1]
- **Liquidity-driven pressure**: Expansion in money supply post-COVID and moderating growth expectations led to reduced dollar demand, reinforcing the gradual depreciation trend through 2025 into early 2026.

Post-War Dollar Movement

- **Safe-haven driven spike**: Dollar Index rallied ~3.0% from 27 February 2026 to peak near ~100.5 on 30 March 2026, as geopolitical uncertainty triggered flight-to-safety flows into USD assets.
- **Post-ceasefire normalization:** Following the 8 April ceasefire, gains partially reversed with dollar easing back to ~98.4, indicating unwinding risk premium, though still marginally above pre-war levels.

Interest Rate Outlook

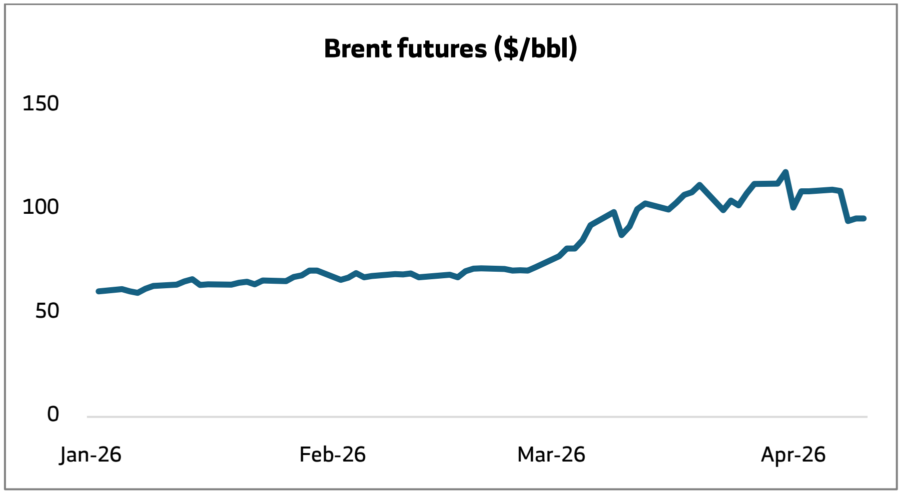
Central banks have become more cautious after the conflict, with earlier rate cut expectations reduced or even shifting toward rate hikes in some economies such as the UK and the Eurozone due to rising inflation risks.

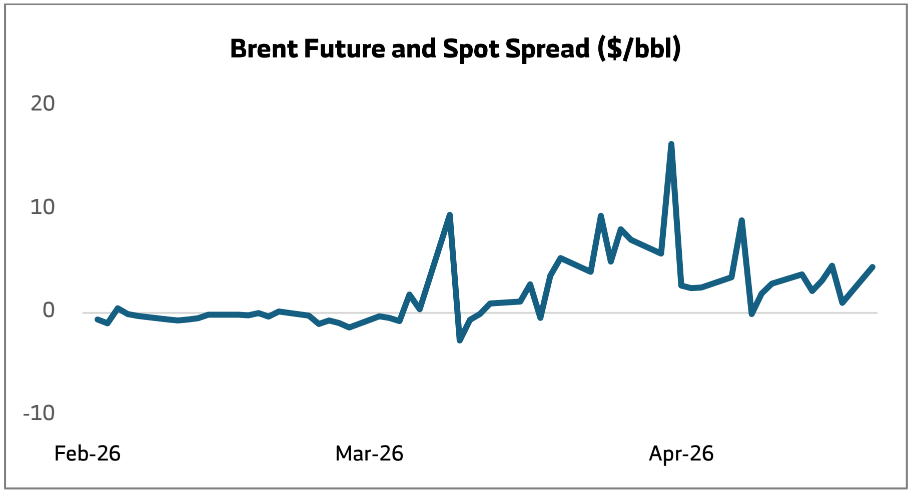
Country	Exp Change Pre-War	Exp Change Post-War	Change in Expectations
USA	-61bps	-10bps	Hawkish shift
UK	-47bps	+37bps	Hawkish shift
Germany (Eurozone)	-14bps	+56bps	Hawkish shift
India	-4bps	+4bps	Slight Hawkish shift
China	-17bps	-12bps	Less Dovish / Neutralizing
Japan	+44bps	+48bps	Slightly Hawkish shift

Note: Rate cut expectations represent cumulative policy easing priced in for the period March-December 2026. Pre-war expectations are based on market pricing as of 27 February 2026, while post-war expectations reflect repricing as of 22 April 2026. U.S. expectations are derived from Fed Funds Futures; China and India are based on Bloomberg quarterly forecast consensus (ECFC); while rest are based on OIS curves.

Oil Price Trend and Expectation

- Brent crude remained stable at ~$60–72/bbl through February until the 27 February 2026 conflict onset, after which prices surged to an initial peak of ~$118/bbl in March on acute supply disruption concerns.
- Prices briefly corrected following the 8 April 2026 ceasefire as geopolitical risk premiums partially unwound, though price relief remained limited.
- This correction reversed sharply after April 13, 2026. Following the failure of the Islamabad Talks and the subsequent implementation of the U.S. naval blockade, prices surpassed $126/bbl as markets factored in a prolonged closure of the Strait of Hormuz.
- Tassnief expects a further sharp spike in prices if the closure of the Strait of Hormuz persists, driven by severe infrastructure damage and accelerated global inventory drawdowns. Post-normalization, prices are expected to stabilize but remain significantly above pre-conflict levels, reflecting a permanent geopolitical risk premium.





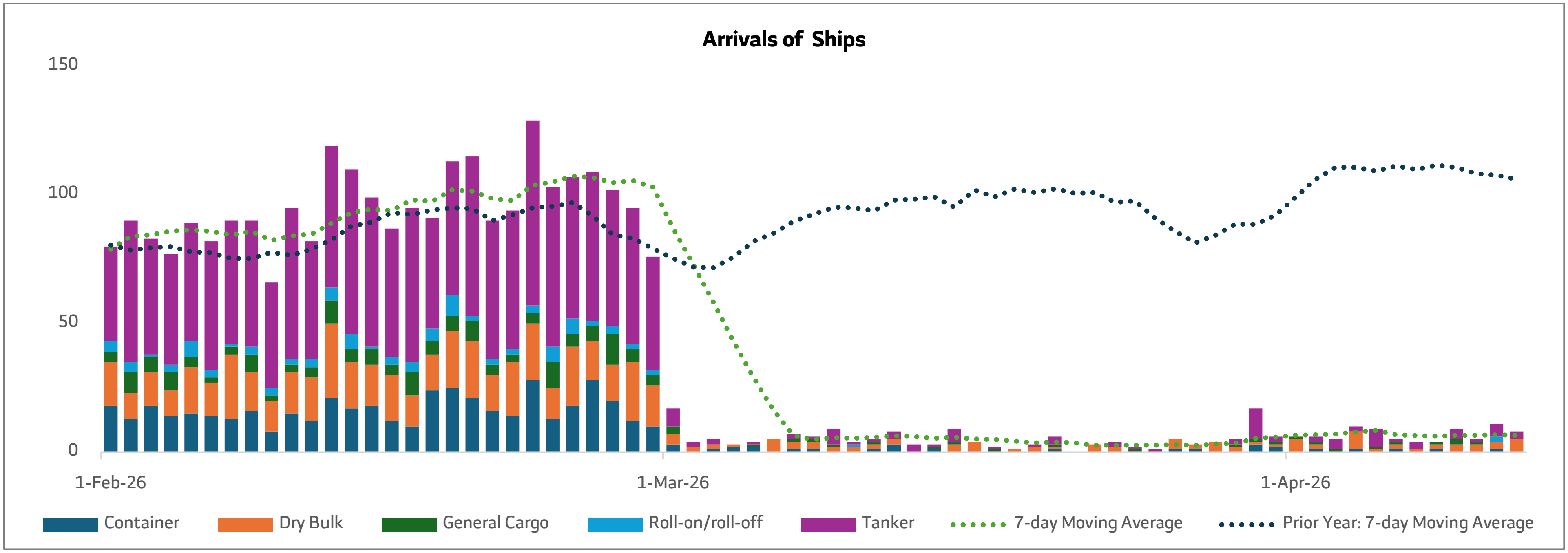
Source: Bloomberg, as of 8 April 2026

Physical vs Paper Price Divergence

- Around 27 February 2026, the spread was marginally negative to flat, showing alignment between physical and paper markets, indicating no material risk premium being factored in.
- From 28 February to 31 March, the spread widened sharply, peaking at ~$16.4/bbl on 31 March, highlighting a clear divergence between physical and paper markets, with the market shifting into steep contango, reflecting pricing of supply disruption risk alongside elevated logistics, freight, and insurance costs.
- After 10 April, spreads narrowed to ~$2-4/bbl, indicating partial normalization post-ceasefire, while residual risk premium remains embedded. Moreover, the production from GCC countries has remained elevated given sizable storage capacities this inventory can be released to the markets as the strait of Hormuz opens.

Ships Movement through Strait of Hormuz

Ship traffic through the Strait of Hormuz shows a sharp structural break following the war onset on 27 February and Iran's blockade on 4 March.



Source: IMF Port watch, as of 12 April 2026[1]

Pre-conflict

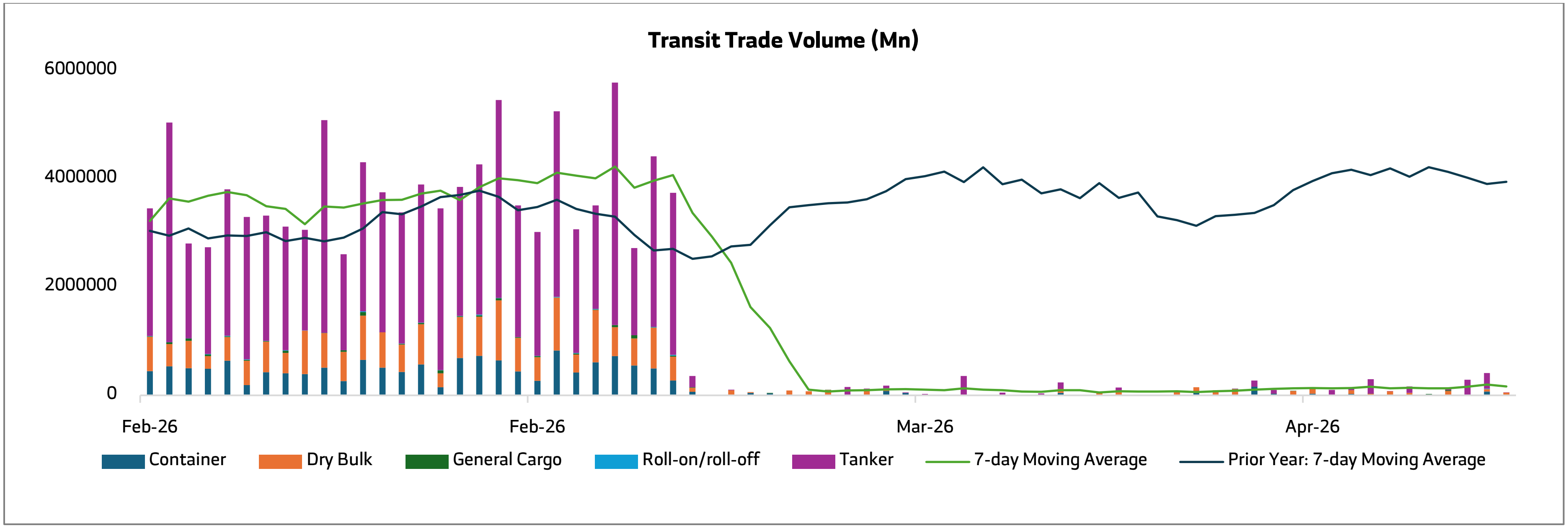
- Pre-conflict, vessel movement remained strong and stable, with the 7-day MA at ~79-107 through February, supported by robust tanker and steady container/dry bulk activity, indicating normal flows with some pre-emptive front-loading.

Post-blockade

- Post the 4 March blockade, traffic collapsed sharply, with the 7-day MA falling from ~103 (28 Feb) to ~43 (4 Mar) and further to ~5-6 by mid-March, reflecting near-complete disruption in transit and energy logistics.
- Through late March, activity remained severely constrained (MA ~2-5), indicating a prolonged freeze phase with minimal movement across segments.
- Following the 8 April ceasefire, only marginal recovery is visible (MA ~6-7), with traffic still ~94% below pre-war levels, highlighting a persistent structural disruption rather than a temporary decline.

Transit Trade Volume

Transit trade volumes through the Strait of Hormuz show a sharp and sustained decline following the war onset on 27 February and Iran's blockade on 4 March



Source: IMF Port watch, as of 12 April 2026 [1]

Pre-conflict

- Pre-conflict, transit volumes were strong at ~3.2-4.2mn metric tons (7-day MA), driven by tanker flows (~2-4mn metric tons/day) and steady dry bulk/container activity, underscoring the Strait's critical role in global energy trade.

Post-blockade

- Post the 4 March blockade, volumes dropped sharply from ~4.0mn to ~1.6mn metric tons within days and further collapsed below ~0.1mn metric tons by mid-March, indicating a near-complete halt in crude and trade flows.

- Following the 8 April ceasefire, recovery remains limited with volumes at ~0.13-0.20mn metric tons, still ~96.7% below pre-war levels, highlighting persistent structural disruption and ongoing supply chain stress.

US Blockade: Incremental Economic Strain

- **Gradual economic pressure:** The US-led blockade is expected to constrain Iran's oil exports and fiscal revenues by restricting maritime flows, tightening external liquidity over time. Iran's oil exports and revenues benefited before the blockade from lifting of sanctions and higher oil prices which would have allowed to build some cushion.

- **Limited near-term transmission:** Immediate impact may be partially contained; however, lack of a scalable alternative export route and storage constraints over time implies pressures would build gradually rather than transmit instantly as Iran utilizes existing buffers.

- **Limited near-term impact on negotiation:** The blockade is unlikely to drive a near-term agreement, with pressure expected to build gradually over few weeks-to-months horizon, thereby exerting more meaningful influence on negotiations only over a longer time frame.

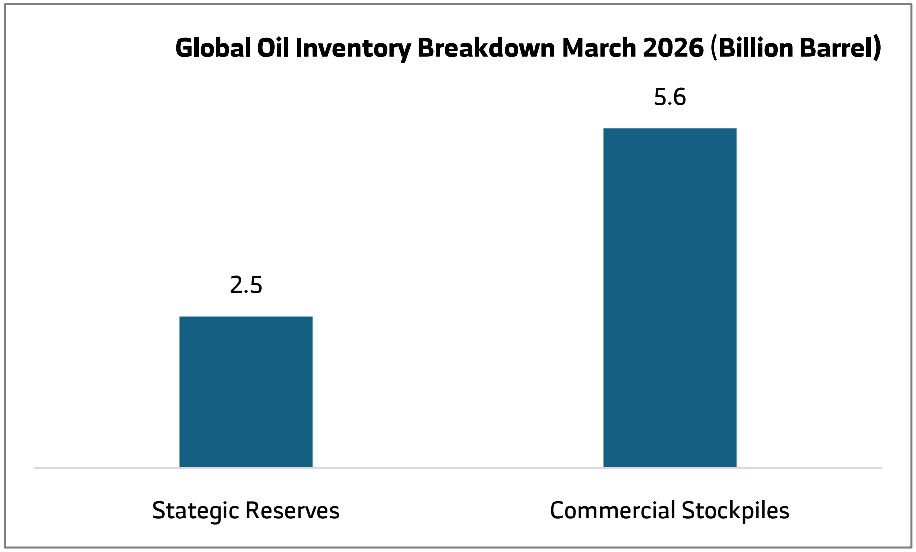
Strategic Reserves: Limited Offset to Supply Disruption

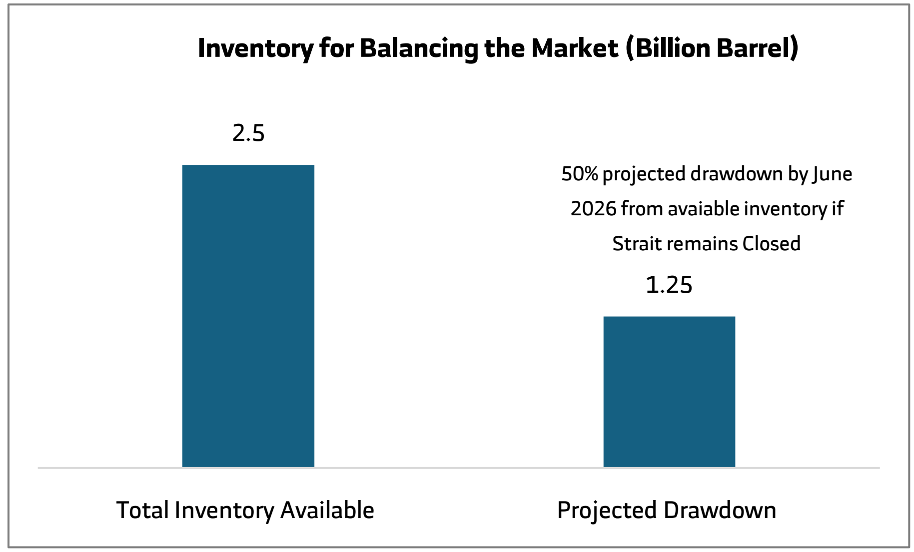
- **Limited offset vs disruption:** The IEA's 400mn-barrel release provides only partial mitigation against an estimated 13mn barrels per day supply disruption through the Strait of Hormuz, with effectiveness constrained by phased release mechanics and logistical limits; at this scale, the reserves would be able to cater to slightly over one month of disrupted flows, provided timely and sustained releases.

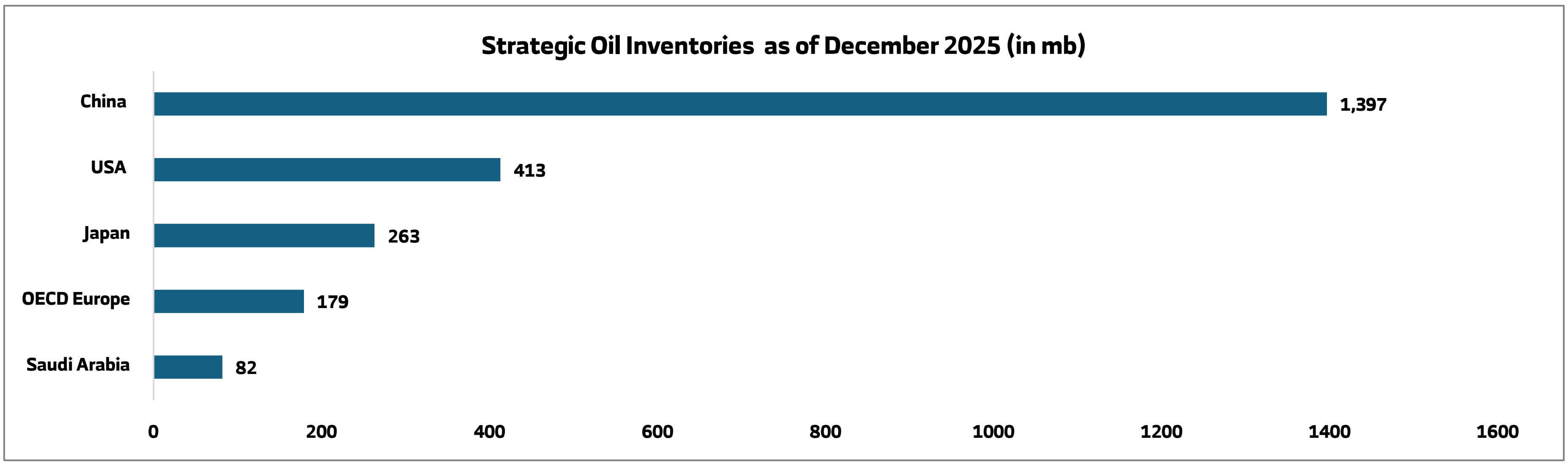
- **Structural deficit magnitude:** The market has shifted from a pre-war surplus of about 3mn barrels per day to a deficit of nearly 10mn barrels per day.

- **Flow constraints and declining buffer:** Location of the reserves and release speed of the inventories provides only limited cushion rather than an immediate offset, limiting the ability to fully absorb prolonged or secondary supply shocks.

Estimated Crude Oil Inventories







- Global oil inventories fell by ~85 million barrels to ~8,100 million barrels by end-March 2026. This includes all commercial and government stockpiles available in the market. Out of the total 8,100 million barrels around 2,500 million is held as strategic reserves by different countries. The strategic reserves are held for emergencies and Tassnief only expects these to be release in limited quantities to the market.

Strategic Oil Inventory (m/m change, in mb)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2025	-40.5	+21.9	+25.1	+31.1	+73.9	+1.7	+26.5	+17.7	+77.7	+42.1	+75.3	+37.0
2026	+47.0	-3.2	-85.0	--	--	--	--	--	--	--	--	--

Source: IEA Oil Market Report[1]

- China had the largest reserves amounting to 1,397 million barrels and positioning itself strongly relative to other economies, while the U.S. maintained around 413 mb, Japan held 263 mb, OECD Europe about 179 mb, and Saudi Arabia around 82 mb, collectively reinforcing resilience against supply shocks[1]
- As per industry sources, maximum oil inventory available to balance the market ranges between 800 million to 2,500 million without pushing the system under operational stress. This is due to location of inventories, release speed of inventories and strategic nature of these reserves. Operational bottlenecks can have an impact on smooth functioning of refineries, terminals and pressure flexibility of pipelines in case of insufficient volumes. Tassnief expects inventory drawdown to be around 50% of existing available inventories by the end of June 2026 and visible shortages to appear in different jurisdictions. Tassnief expects demand destruction through significant price increases to be a realistic possibility in case the Strait of Hormuz remains closed till that time.
- Strategic reserves recorded a monthly draw of 85 million barrels, sharply reversing the sustained builds seen through 2025 (peak +77.7 million barrels in September 2025). The decline in March 2026 was much lower given that significant vessels had already crossed the Strait of Hormuz before closure and arrived at their destinations in March 2026. Tassnief anticipates that the pace of drawdowns will intensify in the coming months, as cargo that departed the Strait prior to its closure remains in transit, resulting in a lagged transmission of disruption, with the most pronounced impact likely to materialize by May 2026.

BASE CASE: Ceasefire Extension (Constrained Recovery Scenario)

Dimension	Key Conditions
Conflict Path	• Ceasefire holds in fragile form, market shifts from crisis pricing to partial stabilization rather than normalization • Two paths: ➢ delayed agreement (6 weeks) with gradual normalization ➢ immediate agreement with limited incremental improvement in physical flows
Strait of Hormuz Flow Regime	• Strait remains largely constrained with selective/coordinated passage • Vessel traffic remains ~10-15/day vs ~60-70 pre-war • Effective oil flows remain ~4-6 mmbpd vs ~20 mmbpd normal
Supply and Infrastructure System	• US blockade framework persists; shipping remains controlled via insurance, clearance and geopolitical conditions • Tanker backlog remains elevated; normalization of logistics and loading cycles takes weeks to months • Limited and contained attacks on energy and physical infrastructure
Physical Market Tightness	• ~10+ mmbpd Gulf supply remains impaired, but partially offset by strategic reserves, shadow fleet flows, and pipeline rerouting • Saudi/UAE bypass pipelines (East-West ~7 mmbpd; Fujairah ~1.8 mmbpd) provide partial but insufficient relief • Market remains structurally tight but not in outright scarcity regime
Pricing, Spreads and Market Structure	• Elevated geopolitical risk premium remains embedded; oil floor structurally higher vs pre-war (>~$80 implied range bias) • Brent trades below Middle East grades due to regional tightness (Oman/Dubai premium dynamics) • Futures stabilize before physical recovery, reflecting gap between paper and spot markets

STRESS CASE: Escalation (Prolonged Disruption Scenario)

Dimension	Key Conditions
Conflict Path	• Ceasefire breaks down; escalation expands into regional conflict with Limited scale boots on the ground. • Broader Gulf theatre involvement increases duration and complexity of disruption
Strait of Hormuz Disruption Regime	• Prolonged disruption lasting ~3 months with intermittent/selective transit • Shipping remains constrained by insurance withdrawal and risk aversion • System shifts from managed flow to structurally impaired corridor

Supply Shock and Infrastructure Risk	• Multi-node disruption across Gulf energy system including terminals and upstream infrastructure (Kharg Island flashpoint risk) • Potential widening of disruption beyond Hormuz into regional export systems • Limited effectiveness of Saudi/UAE pipelines, strategic reserves, and shadow fleet offsets
Physical Market Tightening	• Sustained ~13+ mmbpd equivalent supply disruption; effective global deficit persists despite rerouting • Iraq, Kuwait, Qatar, and southern Gulf production remains heavily dependent on Hormuz access • Refinery and product markets tighten more than crude due to constrained middle distillates
Price, Trade and Macro Impact	• Brent shifts into higher regime (~$130-$150 base stress band with upside spikes higher under tightening) • Extreme volatility driven by deliverability constraints and logistics bottlenecks • Slower global trade, weaker growth, and demand destruction emerges via inflation and fuel costs • Jet fuel, diesel, and petrochemicals face sharper stress than crude, amplifying macro transmission

Brent Scenarios on Post-Ceasefire Hormuz Flows

Scenario	Hormuz Flows	Market Impact	Brent Range (next 1-3 months)
Full Normalization	Near full recovery	Supply returns, logistics normalize	$80-$90
Partial Recovery	Uneven / constrained	Backlogs clear, frictions persist	$90-$115
Renewed Disruption	Flows stall / fall	Supply tightens, risk premium rises	$115+

Source: Bloomberg Intelligence

- Brent's move toward the $80-115+ range reflects investors factoring disruption premium of roughly $0-35 per barrel driven by supply chain constraints, restricted flows through the Strait of Hormuz, and existing and potential infrastructure risks.

- Even in a fully reopening scenario, prices are likely to remain above pre-conflict levels, as markets will continue to incorporate a geopolitical risk premium given the risk of closure of Strait of Hormuz and the associated supply disruptions.

Key Structural Drivers Supporting Elevated Brent Prices

- **Strategic reserve dynamics:** Ongoing and expected replenishment of global Strategic Petroleum Reserves (SPR), following prior drawdowns, is likely to add incremental demand support to crude prices.

- **Supply-side disruptions:** Damage to key oil infrastructure and logistics networks continues to constrain near-term supply visibility, reinforcing upward pressure on prices.

- **Limited effective spare capacity:** While spare production capacity is concentrated in GCC its usability remains constrained under Strait of Hormuz disruptions due to limited alternative export infrastructure.

Oil Price Dynamics During the Russia-Ukraine War

Oil prices jumped from about $96-97/bbl before the war to a peak of $128/bbl within two weeks of the invasion, stayed volatile in the $98-128 range through mid-2022, and then gradually eased to $73-88 by early 2023 as initial supply fears settled and the market adjusted.

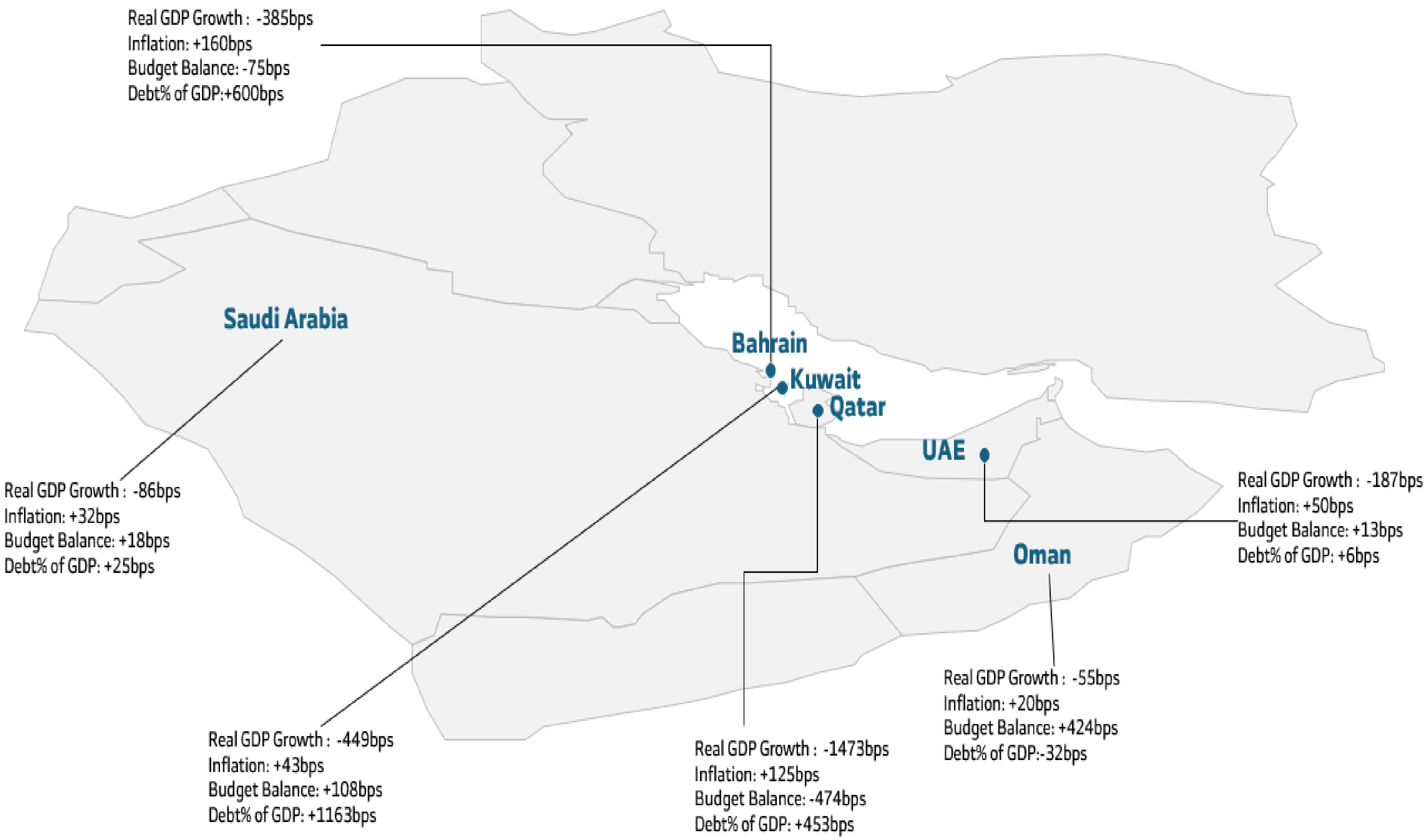
Metric	Value	Date / Period	Interpretation
Pre-War price	~$96-97/bbl	21-23 Feb 2022	Already elevated market before invasion
Invasion date price	$99/bbl	24 Feb 2022	Immediate geopolitical premium
Peak price	$128/bbl	8 Mar 2022	Panic-driven spike (~+30% in ~2 weeks)
High volatility range	~$98/bbl-$128bbl	Mar-Jun 2022	Supply shock pricing phase
2022 average	~$99/bbl	Full year 2022	Elevated but below peak
Start of normalization	~$84/bbl-$95/bbl	Sep 2022	Demand concerns, adjustment phase
Clear normalization phase	~$73/bbl-88/bbl	Dec 2022 - Mar 2023	War impact largely priced in

The US-Iran war led to a materially sharper oil price surge (~higher-for-longer) compared to the Russia-Ukraine conflict (~20%), reflecting a more severe supply shock and elevated risk premium due to its direct impact on critical global oil transit routes such as the Strait of Hormuz.

Geopolitical Event	Crude Price at War Onset ($/bbl)	Price After 1 Month ($/bbl)	% Change
Russia-Ukraine War	99.08	119.03	20.1%
US-Iran WAR	73.91	105.49	42.7%

Note: *Price at War Onset refers to 24 February 2022 for the Russia-Ukraine conflict and 28 February 2026 for the Iran conflict.*

GCC Macro Dynamics: Quantifying the Impact of War



Real Gross Domestic Product (GDP) Growth

- The Real GDP contraction is expected to be most severe in Qatar, Kuwait, and Bahrain, reflecting higher exposure to export disruptions, while relatively smaller declines in Saudi Arabia and Oman indicate partial resilience.

Real GDP Growth	2026 Pre-War estimates	2026 Post-War estimates	Change (bps)
Saudi Arabia	4.0%	3.1%	-86
UAE	5.0%	3.1%	-187
Qatar	6.1%	-8.6%	-1,473
Kuwait	3.9%	-0.6%	-449
Bahrain	3.3%	-0.5%	-385
Oman	4.0%	3.5%	-55

Source: IMF World Economic outlook [1]

Consumer Price Index (CPI) Inflation (%)

- The sharpest spikes in Qatar and Bahrain reflect higher import dependence and pass-through sensitivity, while relatively contained increases in Saudi Arabia and Oman indicate better price stability and policy cushion.

CPI Inflation (%)	2026 Pre-War estimates	2026 Post-War estimates	Change (bps)
Saudi Arabia	2.0%	2.3%	32
UAE	2.0%	2.5%	50
Qatar	2.6%	3.9%	125
Kuwait	2.2%	2.6%	43
Bahrain	0.8%	2.4%	160
Oman	1.5%	1.7%	20

Source: IMF World Economic outlook [1]

Debt (% of GDP)

- The sharp increases in Kuwait and Qatar signal greater reliance on debt to offset revenue disruptions and spending demands, while relatively stable or declining ratios in UAE and Oman indicate stronger fiscal positioning and balance sheet management.

Debt % of GDP	2026 Pre-War estimates	2026 Post-War estimates	Change (bps)
Saudi Arabia	31.8%	32.1%	25
UAE	31.9%	31.4%	-57
Qatar	38.8%	43.3%	453
Kuwait	10.7%	22.3%	1,163
Bahrain	146.4%	152.4%	600
Oman	33.0%	32.7%	-33

Source: IMF World Economic outlook [1]

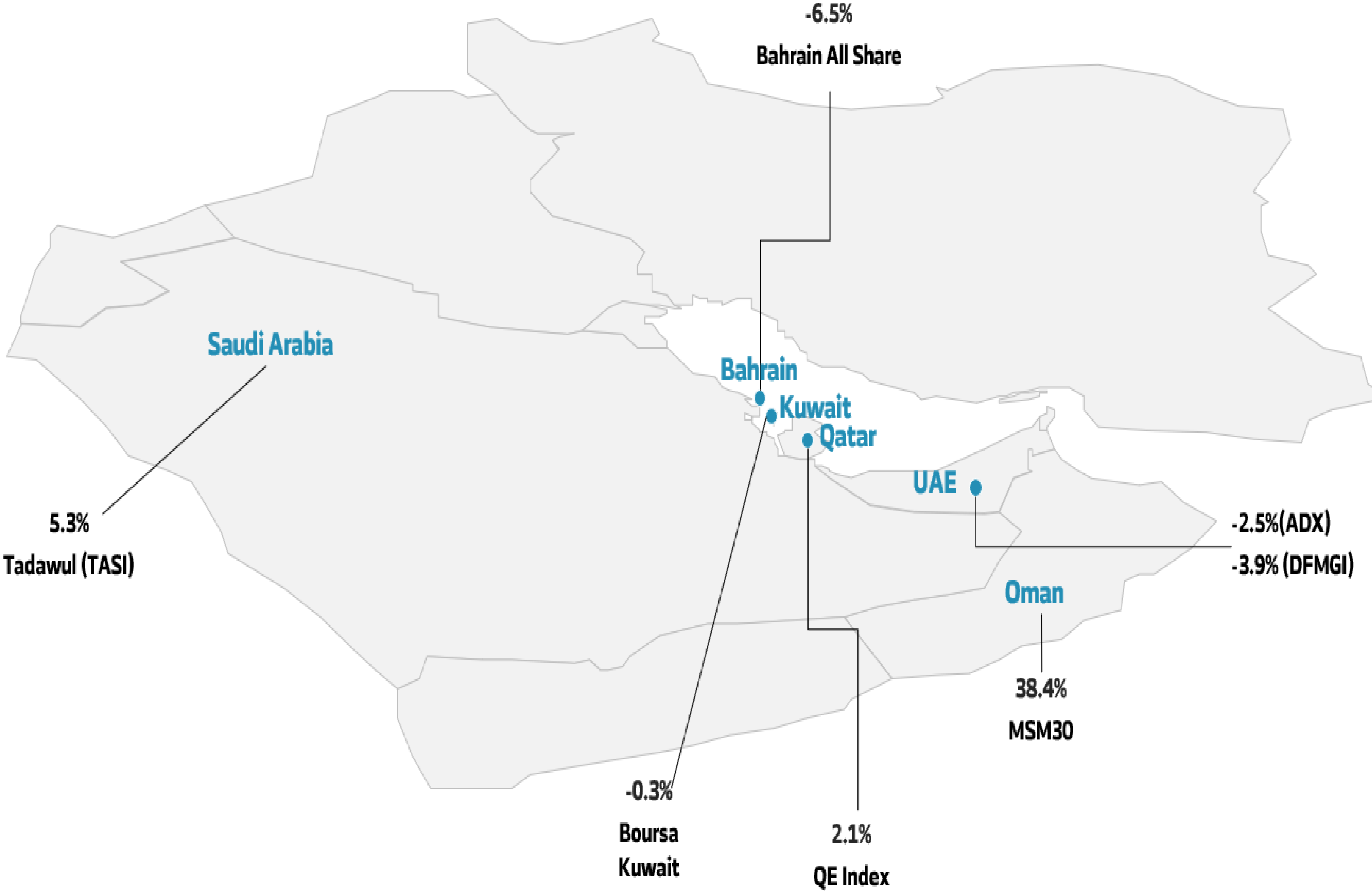
Current Account (% of GDP)

- Gains are most pronounced in Oman and Kuwait, while modest deterioration in the UAE reflects higher import costs and softer non-oil trade, indicating uneven external adjustment across economies.

Current account % of GDP	2026 Pre-War estimates	2026 Post-War estimates	Change (bps)
Saudi Arabia	-2.5%	-1.6%	88
UAE	12.3%	11.4%	-89
Qatar	10.2%	11.0%	85
Kuwait	24.4%	26.0%	162
Bahrain	3.8%	3.9%	17
Oman	-0.7%	7.5%	823

Source: IMF World Economic outlook [1]

GCC Equity Market Performance



Source: Bloomberg

Note: Above percentages reflect year-to-date FY2026 returns up to 23 April 2026.

Country	Equity Index	Pre-War Level (27th Feb)	Peak During War (%)	Current Level (23rd April)	% Change Post Ceasefire	FY25 Return	YTD FY26 Return
Saudi Arabia	Tadawul (TASI)	10,709	8.2%	11,109	2.1%	-13.1%	5.3%
UAE (Abu Dhabi)	ADX General	10,454	-9.9%	9,746	-0.9%	6.1%	-2.5%
UAE (Dubai)	DFMGI	6,503	-18.7%	5,814	2.1%	17.2%	-3.9%
Qatar	QE Index	4,214	-7.2%	4,143	0.3%	7.5%	2.1%
Kuwait	Boursa Kuwait	8,572	-4.1%	8,879	2.9%	21.0%	-0.3%
Oman	MSM30	7,393	12.8%	8,159	0.0%	28.1%	38.4%
Bahrain	Bahrain All Share	2,061	-8.9%	1,933	-2.1%	4.1%	-6.5%

Note: Peak During War (%) captures the full range of movement between 27 February to 23 April 2026, including both the maximum upside (highest point) and maximum downside (lowest point) relative to the pre-war base, YTD FY26 refers to performance up to 23 April 2026.

- **Oil vs Financial Divergence:** Markets like Saudi Arabia and Oman outperformed, benefiting from elevated crude prices and risk premium expansion, while financially integrated markets like Dubai (DFMGI) saw the sharpest correction (~19% drawdown) due to capital outflows and risk-off sentiment.
- **Divergent market performance post-ceasefire**: Kuwait emerged as the best-performing market (+2.9%), followed by Bahrain and Dubai (both +2.1%), while Qatar posted modest gains (+0.3%) and Oman remained flat (0.0%). In contrast, Saudi Arabia (-2.1%) and Abu Dhabi (-0.9%) recorded declines, indicating relatively weaker performance across the region.

GCC Purchasing Managers' Index (PMI) Trend

GCC PMI trends highlight a sharp divergence, with hydrocarbon-dependent economies contracting under supply disruptions while diversified economies like the United Arab Emirates remain relatively resilient.

Country	Pre-War PMI (February 2026)	Current PMI (March 2026)	% Change	50 Threshold	Key Driver
Saudi Arabia	56.1	48.8	-13%	Below 50	Oil volatility, fiscal tightening
UAE	55.0	52.9	-3.8%	Above 50	Trade rerouting, services buffer
Qatar	50.6	38.7	-23.5%	Below 50	LNG/logistics disruption
Kuwait	54.5	46.3	-15%	Below 50	Oil dependency, demand contraction

Source: Bloomberg

KEY PMI MOVEMENTS

- **Saudi Arabia, Qatar and Kuwait:** All three economies show sharp PMI declines, reflecting high exposure to hydrocarbon-linked shocks and trade route disruptions. Qatar's deeper contraction is driven by LNG export dependency and logistics constraints, Saudis by oil volatility feeding into fiscal and demand slowdown, while Kuwait reflects oil-driven demand contraction with limited diversification buffer.

- **UAE least impacted, PMI remains above 50:** UAE records the smallest decline and stays in expansion, supported by diversified non-oil economy, trade rerouting gains, and resilient services demand, allowing it to absorb regional supply-chain shocks more effectively.

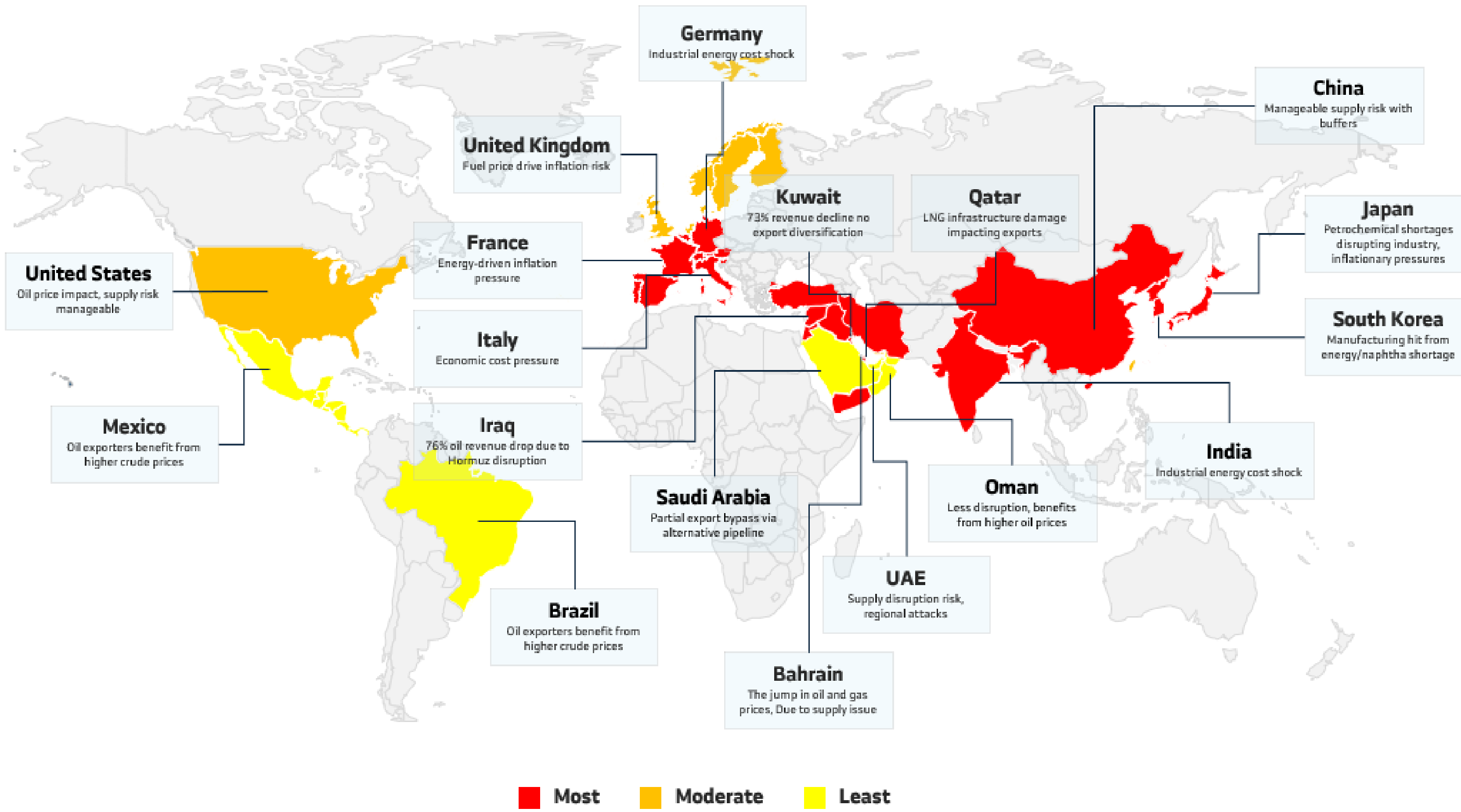
UAE: PMI RESILIENCE DRIVERS

- **Trade rerouting and re-export gains:** UAE benefits from cargo diversion and alternative routing flows, as disruption in the Strait of Hormuz has forced regional trade to shift toward east-coast UAE ports (Fujairah, Khor Fakkan) and land bridges, supporting re-export activity despite broader supply chain stress.[1]

- **Diversified, low hydrocarbon exposure:** UAE's services-led economy (tourism, retail, finance) combined with lower reliance on oil/LNG export flows reduces sensitivity to both demand shocks and chokepoint-driven supply disruptions, limiting PMI downside.

Regional and Global Economic Impact of the US-Iran Conflict

The economic impact of the US-Iran conflict has been uneven across regions, with countries segmented into most, moderately, and least affected groups based on their exposure to energy shocks, trade disruptions, and transmission through inflation, growth, and external balances.



Note: Countries are categorized based on their oil import dependency into three groups: Most dependent above 50% shown in red, moderately dependent 1-50% shown in orange, and least dependent 0% shown in yellow.

The Economies Most Impacted Globally

Country	Oil Import Dependency	Oil Dependency via Hormuz	Impact
Japan	95%	70%	Supply of oil severely affected[1]
South Korea	90%	70% (Middle East)	Refinery disruption risk[1]
India	90%	40%[1]	High Import price leads inflation[1]
Italy	90%	4% (Europe Region)[1]	Economic cost pressure[1]
China	70%	38%[1]	Manageable supply risk with oil buffers[1]
Germany	67%	4% (Europe Region)[1]	High energy cost[1]
France	60%	4% (Europe Region)[1]	Energy-driven inflation pressure[1]

The Economies Moderately Impacted Globally

Country	Oil Import Dependency	Oil Dependency via Hormuz	Impact
United Kingdom	45%	4% (Europe Region)[1]	Fuel price drives inflation risk[1]
United States	9%	9%	Oil price impact, not supply risk[1]

The Economies Least Impacted Globally

Country	Oil Dependency via Hormuz	Impact
Mexico	0%	Oil exporter, High oil prices benefits exports[1]
Brazil	0%	Oil exporter, High oil prices benefits exports[1]

Note: 1) Oil Import Dependency refers to the share of total oil demand met through imports while Oil Dependency via Strait of Hormuz is the share of oil imports passing through this route. 2) For European countries where direct oil dependency on the Strait of Hormuz was not explicitly available, the overall regional dependency has been used as a proxy to ensure consistency in analysis.

Geopolitical Risk Matrix: Physical Damage and Credit Outlook Trends Across Key ME Sovereigns

From the initiation of the war on 27 February 2026, GCC average CDS spreads rose sharply from 140bps to a peak of 169bps, reflecting a significant build-up in regional risk perception. Following 8 April 2026, ceasefire announcement, spreads retraced by ~6 bps to 162bps by 10 April 2026, indicating a modest normalization in risk sentiment, though still elevated relative to pre-conflict levels.

Country	Country outlook	5Y CDS Before War	5Y CDS After War	Change (bps)	Physical damage	Impact
Iraq	S&P placed the rating on Credit Watch Negative (17 March 2026); Moody's revised the outlook to negative (17 April 2026)	246	401	155	**Minor-Moderate** (U.S. embassy building in Baghdad)[1]	Oil production has fallen to around 1.2 million bpd, from 4.2 million bpd.
Egypt	Reaffirmed by S&P (10 April 2026)	327	335	8	No direct physical damage reported	Egypt risks higher costs; Headline inflation increased to 15.2% y-o-y in March 2026, also affecting fiscal position.
Bahrain	Moody's revised the outlook to negative (18 April 2026); Reaffirmed by S&P (13 March 2026)	213	240	27	**Severe** (Sitra - Bapco refinery[1], GPIC petrochemical units[1])	Bahrain is small but oil-dependent and heavily indebted, making it vulnerable despite GCC support.
Oman	Reaffirmed by S&P (27 March 2026)	85	75	-10	**Minor** (Duqm Port[1], Salalah Port[1])	The Real GDP forecast for 2026, has declined from2.2% to 1.4%
Israel	Reaffirmed with Negative Outlook by Fitch (27 March 2026)	87	74	-13	**Minor-Moderate** (Haifa refinery, fuel storage, power infrastructure)[1]	Israel is resilient due to tech and strong reserves, but security risks strain finances and infrastructure.
Kuwait	Reaffirmed by S&P (18 March 2026)	49	63	14	**Major** (oil units, refining infrastructure)[1]	Kuwait relies heavily on oil and Hormuz, but country has a buffer of sovereign wealth fund, which is ~490% of GDP in 2026 provide a strong financial buffer.

Country	Country outlook	5Y CDS Before War	5Y CDS After War	Change (bps)	Physical damage	Impact
Saudi Arabia	Reaffirmed by S&P (13 March 2026)	82	70	-12	**Moderate** (Sites in Riyadh, the Eastern Province and Yanbu Industrial City)[1]	Saudi Arabia relies on Hormuz for exports, but red sea pipelines and large assets provide resilience, which makes Inflation to remain low at an average rate 2% for next four years.
Qatar	Fitch placed the credit rating on Rating Watch Negative (31 March 2026); Reaffirmed by S&P (13 March 2026)	32	39	7	**Severe** (Ras Laffan LNG hub)[1]	Qatar relies on Hormuz but has strong finances; high debt and strategic risks remain.
UAE	Reaffirmed by S&P (6 March 2026)	-	-	-	**Major** (Habshan gas complex, Fujairah export terminal)[1]	The real GDP growth forecast has been lowered to 2.5% in 2026-2027 from 4.2%
AVG CDS		**140**	**162**	**22**	**-**	-

Source: S&P[1] ,Bloomberg

Note: 5 Year CDS spreads Before War refers to 27 February 2026 and Post War refers to 10 April 2026

- **Energy Importer Trap** - Asia remains structurally vulnerable to oil shocks due to heavy import dependence, with economies like Japan, China, and India and South Korea relying significantly on Middle East crude, turning elevated oil prices into a direct growth constraint and macroeconomic burden.[1].
- **Safe Haven Divergence** - U.S. gas prices rose only ~6% versus 50%+ in Europe due to strong domestic insulation from the shale system, where low production costs ($3-4/MMBtu) act as a buffer against higher global LNG prices ($12+ MMBtu) [1].
- **GCC Context: Reaffirmations vs. Warnings -** GCC sovereigns retain strong buffers and policy flexibility, with higher oil prices supporting resilience, while export-diversified economies like Saudi Arabia, United Arab Emirates, and Oman are better positioned to contain disruptions. However, risks remain concentrated in more vulnerable credits-particularly Bahrain-while Iraq, Kuwait, and Qatar face higher exposure, with severe scenarios risking trade disruption, spread widening, and structural credit deterioration. [1].

- **Qatar: Physical and Financial Risk** - Qatar placed on Rating Watch Negative due to elevated physical risk, with Ras Laffan strikes taking ~17% LNG capacity offline (3-5 years), implying ~$20bn annual revenue loss alongside broader export declines [1].

- **GCC Credit Differentiation** - While core GCC credits such as Saudi Arabia and United Arab Emirates remain resilient due to export flexibility, strong reserves, and diversification, risks are concentrated in more exposed sovereigns including Bahrain (weaker balance sheet) and hydrocarbon-reliant economies like Iraq, Kuwait, and Qatar, particularly given reliance on Hormuz transit [1].

- **Fiscal Headroom -** Saudi Arabia and the UAE maintain strong fiscal buffers via sovereign wealth funds, with over $1 trillion and $1.8 trillion in assets respectively, providing substantial capacity to absorb shocks, support budgets, and manage war-related costs without immediate balance sheet pressure [1].

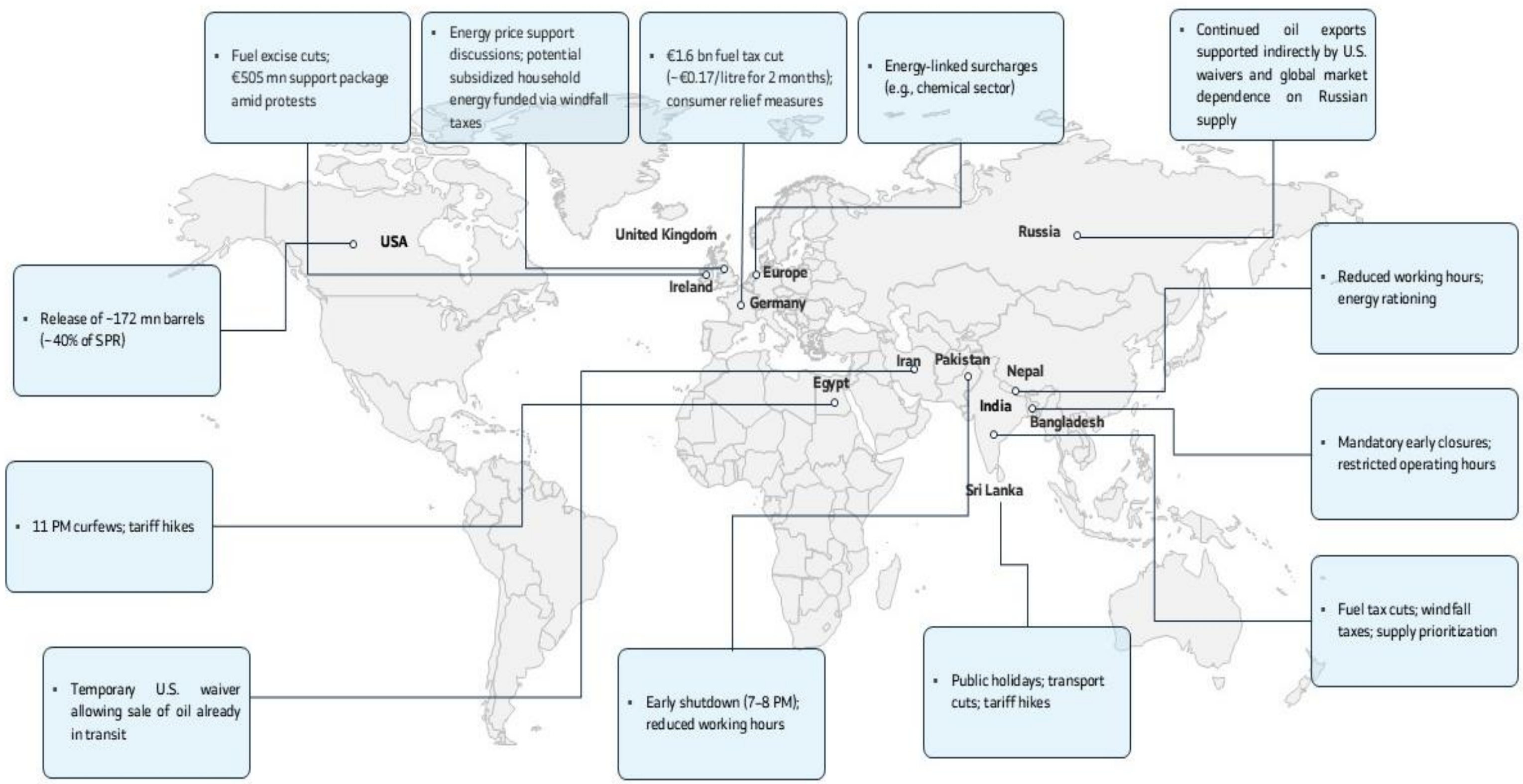
- **Geographic Diversification -** Saudi Arabia's East-West pipeline enables crude exports via Yanbu, bypassing the Strait of Hormuz, with ~7 mbpd capacity (~5 mbpd exportable), reducing disruption risk supporting continued oil flows during the conflict [1].

Impacts on Global Economies

- **Global Slowdown** - Global growth is projected to slow to around 3.1% in 2026[1] compared to 3.2%[1] in 2025
- **Inflationary pressures** - European Central Bank likely to hike rates by 25 bps, Bank of England expected to raise rates by 25 bps and Bank of Japan likely to increase rates to 1.5% by end-2027 from 0.75%[1].
- **Impact on Global Trade** - Global goods trade growth slows to 1.5% in 2026 from earlier forecast of 2% for the same period[1].
- **Strait of Hormuz** - Trade flows through the Strait represents around 4% of global trade[1].
- **Supply chain disruptions**- Asia is highly dependent on energy, supply disruption leads to cutting growth for global economies like China, India, South Korea, Japan[1].
- **Business Impact** - Global business insolvencies expected to rise by at least 5% in 2026[1].

Policy Actions and Domestic Economic Impact

Following the US-Iran conflict, countries implemented a range of domestic policy measures to mitigate energy shocks, control inflationary pressures, and manage the resulting economic disruptions across demand, supply, and fiscal channels.



Country / Region	Key Actions Taken	Economic Impact Transmission
United States	Release of ~172mn barrels (~40% of SPR)	Short-term supply support; reduced buffer for future shocks
Egypt	11 PM curfews; tariff hikes	Demand compression; revenue decline in retail/services; inflation pass-through
Pakistan	Early shutdown (7–8 PM); reduced working hours	Lower commercial activity; economic slowdown in services/retail
Bangladesh	Mandatory early closures; restricted operating hours	Consumption slowdown; pressure on SMEs and urban demand
India	Fuel tax cuts; windfall taxes; supply prioritization	Partial inflation control; margin pressure on upstream/energy firms
Nepal	Reduced working hours; energy rationing	Lower economic output; constrained services sector
Sri Lanka	Public holidays; transport cuts; tariff hikes	Sharp contraction in mobility, consumption, and GDP activity
Europe	Energy-linked surcharges (e.g., chemical sector)	Industrial cost inflation; downstream price transmission
Germany	€1.6 bn fuel tax cut (~€0.17/liter for 2 months); consumer relief measures[1]	Short-term inflation relief; fiscal cost; limited structural impact
United Kingdom	Energy price support discussions; potential subsidized household energy funded via windfall taxes[1]	Household consumption support; fiscal redistribution; limited supply-side impact
Ireland	Fuel excise cuts; €505mn support package amid protests[1]	Demand cushioning; fiscal burden; social unrest signals affordability stress
Russia	Continued oil exports supported indirectly by U.S. waivers and global market dependence on Russian supply[1]	Sustained export revenues and fiscal inflows; mitigated downside risk to current account and currency despite sanctions
Iran	Temporary U.S. waiver allowing sale of oil already in transit [1]	Short-term boost to oil revenues and liquidity; marginal support to fiscal position; no lasting improvement in external balances

- **Strategic Reserve Release** -The IEA's ~400 mb release equates to ~4 days of global demand, acting as a short-term stabilizer, while the conflict has shifted the market from a ~3 mb/d surplus to an ~8 mb/d deficit driven by Hormuz disruptions offering limited protection if supply cuts continue [1]. The U.S. is contributing ~172 mb (~40% of its strategic reserve), highlighting reliance on U.S. buffers, but even ~1.2 mb/d coordinated releases by IEA members are insufficient against a potential ~12 mb/d shock, leaving ~800 mb remaining and limiting capacity to manage prolonged disruptions [1]. [2]
- **Power Crisis During War** - Governments in Egypt and South Asia have imposed curfews and demand-suppression measures to manage energy shortages, signaling fiscal and grid stress, with direct impacts on retail revenues and consumption-driven GDP growth [1].
- **South Asia Energy Crisis** - South Asian economies are implementing multi-pronged measures including tax adjustments, rationing, and administrative controls to manage energy shocks, prioritizing critical sectors while compressing demand and balancing fiscal pressures [1].
- **Aviation Cost Surge** - Airspace closure and high security around the Strait of Hormuz have forced flight rerouting, increasing travel time and fuel costs, with jet fuel prices doubling, leading to higher fares, margin pressure, and potential demand softening in the aviation sector [1].
- **Energy Shock Transmission** - The halt in LNG exports from Qatar has triggered a 143% spike in gas prices across Europe and Asia, driving panic buying and sharply increasing input costs [1]. European chemical producers are imposing energy-linked surcharges (e.g., €200/ton), passing through rising energy and input costs, embedding inflation into pricing and increasing pressure across the industrial value chain [1].

Key Oil Rerouting Routes and Supply Diversion Channels

Amid escalating disruptions to key maritime routes during the US–Iran conflict, major oil exporters and global shipping networks activated alternative logistics corridors to sustain trade flows, though these rerouting strategies remain capacity-constrained, cost-intensive, and exposed to ongoing security risks.

Rerouting Path	Mechanism	Current Status / Volume
KSA: East-West Pipeline (Petroline)	Links Abqaiq (East) to Yanbu (Red Sea), bypassing Strait of Hormuz	Maxed Out and Exposed to Attack: Operating at ~7 mb/d emergency capacity,[1] with exports via Yanbu surging toward ~4 mb/d. However, a recent drone strike on a pumping station highlights acute infrastructure vulnerability, raising risks of disruption despite high utilization.[1]
UAE: Habshan-Fujairah Pipeline (ADCOP)	Links Habshan (Abu Dhabi) oil fields to Fujairah (Gulf of Oman), bypassing the Strait of Hormuz	Operating near full capacity (~1.5-1.8 mb/d) in late March 2026, fully resumed after temporary slowdowns at Fujairah port due to drone/fire incidents.[1] Pipeline enables UAE to partially shield exports from Strait closures, though overall export revenues dipped ~$174 million YoY in March amid regional tensions.[1]
Global: Cape of Good Hope	Tankers and container ships rerouted around southern Africa to bypass the Red Sea and Suez Canal due to security constraints and Houthi attacks	Active: Major carriers including Maersk, Hapag-Lloyd, and CMA CGM are using the Cape route, adding 10-14 days of transit. Port of Tanger Med expects higher traffic, while carriers levy emergency conflict surcharges of $1,500-$4,000 per container. Extended voyages increase fuel costs and freight rates.[1]
Iraq: Northern Export Route	Pipeline via Kurdistan (KRG) to Turkey's Mediterranean port of Ceyhan, bypassing southern fields and Strait of Hormuz	Limited Increase: While southern production fell ~70% to 1.3 mb/d due to Strait of Hormuz disruptions, Kirkuk crude exports resumed via KRG pipelines at ~170,000 bpd in mid-March 2026, with plans to ramp up to 250,000 bpd. Operations depend on Baghdad-KRG coordination and security guarantees. [1]

Saudi Arabia's rerouting of crude via the East-West pipeline, operating near its ~7 mb/d capacity, alongside ~5 mb/d utilization at Yanbu, has reduced the risk of supply being stranded in the Gulf. However, this has shifted oil-market risk toward the Red Sea, particularly the Bab el-Mandeb chokepoint. Any disruption there could significantly impact these rerouted volumes, especially for Asia-bound flows, increasing exposure despite avoiding upstream shut-ins.

Saudi Red Sea Flow Scenarios and Constraints

Scenario	Export Route	Estimated Export Volume Flow	Vessel Type	Voyage Time Impact	Freight / Insurance Impact
Base Case (Current)	Yanbu to Bab el-Mandeb (majority) / Suez (partial)	~5 mmbpd (Yanbu exports, majority southbound)	VLCCs + some Suezmax	Baseline	Elevated but manageable
Commercial Disruption (Stress Case)	Reduced Bab el-Mandeb transit / more diversion to Suez	Discretionary rerouting due to risk	VLCCs (reduced) + Suezmax (increased)	+3-5 days	Higher war-risk premiums
Full Closure (Extreme Case)	Yanbu to Suez/SUMED to Mediterranean Sea to Asia (via Cape)	~3-5 mmbpd (constrained rerouting)	Suezmax + partial VLCC	+20-25+ days	Sharp increase

Source: Bloomberg Intelligence

Note: ~5 mmbpd refers to Saudi crude exports via Yanbu. Bab el-Mandeb total oil flows are lower and include crude and refined products from multiple producers. Volume estimates are indicative and reflect directional impacts under each scenario.

- The scenarios show how Saudi crude export flows are increasingly reshaped by rising security risks around the Bab el-Mandeb, with clear trade-offs across routing, time, and cost.
  - **Base case**: flows continue largely via the Red Sea with manageable disruption and moderately higher costs.
  - **Stress case**: elevated risks drive partial diversion toward the Suez Canal, increasing transit times and freight/insurance premiums.
  - **Extreme case**: a closure of Bab el-Mandeb forces rerouting via Suez/SUMED or around Africa, sharply extending voyage times and significantly raising costs while constraining export capacity.
- These shifts are already evident: security risks are pushing more tankers to reroute via the Cape of Good Hope, with Asia-Europe westbound flows up 127% since the conflict began. Operators are increasingly avoiding both Bab el-Mandeb and the Strait of Hormuz, keeping Red Sea crude traffic structurally ~47% below 2023 levels and reinforcing a sustained reconfiguration of global oil trade routes.

Global Price Trends Across Key Commodities

Commodity	Pre-Conflict Price	Post-Conflict Price	Percentage Change	Industry Impacted
Baltic Exchange Clean Tanker Index	906	2,201	142.9%	Logistics, Shipping
Jet Fuel	$241.4/GAL	$436.9/GAL	81.0%	Aviation, Logistics, Tourism
Gasoline (RBOB)	$207.8/GAL	$346.2/GAL	66.6%	Transportation, Automotive
LNG (Natural Gas)	$10.7/MMBtu	$16.4/MMBtu	53.2%	Energy, Transportation, Tourism
Urea	$470/MT	$710/MT	51.1%	Agriculture, Fertilizer, Agrochemicals
Brent Crude Oil	$72.5/BBL	$107.2/BBL	47.9%	Transportation, Shipping, Tourism
Baltic Exchange Dirty Tanker Index	1,991	2,837	42.5%	Logistics, Shipping
Aluminum (LME)	$3,140/MT	$3,620/MT	15.3%	Construction, Automotive

Source: Bloomberg for all commodities and S&P for Jet Fuel

Note: Pre Conflict price refers to 27 February 2026; Current price refers to 23 April 2026

Global Impact on Lesser-Known Industrial Materials

Commodity	Pre-Conflict Price	Post-Conflict Price	Percentage Change	Industry Impacted
Diesel Fuel	$2.3/MT	$3.9/MT	67.0%	Transportation, Mining, Construction
Naphtha	$563.9/MT	$930.3MT	65.0%	Petrochemicals, Fertilizers, Chemical Manufacturing
Bromine	CNY 41,450/MT	CNY 64,000/MT	54.4%	Chemicals, Water Treatment
Ammonia	$483.0/MT	$730.00/MT	51.1%	Fertilizers, Chemicals
Methanol	CNY 2,165/T	CNY 3,097/T	43.1%	Petrochemicals, Plastics
Helium	$750/MCF	$1,000/MCF	33.3%	Semiconductors, Healthcare
Sulfur	$495.7/MT	$655.0/MT	32.1%	Fertilizers, Metals processing
Specialty Aluminum	$3,127.9/MT	$3,692.2/MT	18.0%	Automotive, Aerospace, Electronics
Iodine	$69.4/KG	$78.4/KG	13.0%	Pharmaceuticals, Healthcare
Petroleum Coke	$1,045.9/T	$1,109.7/T	6.1%	Cement, Power generation

Source: Bloomberg, Trading Economics[1] ,Discovery Alert [1], Business Analyst[1], Fred[1]

Note: 1) Pre Conflict price refers to 27 February 2026; Current price refers to 23 April 2026; 2) For commodities such as Helium, Methanol, Petroleum Coke, and Ethylene Glycol (MEG), where Bloomberg price data was unavailable, alternative sources have been used. As a result, the price ranges for these commodities are not directly comparable and may lack uniformity in terms of the date range relative to other commodities.

Saudi Arabia Industry Impact

Industry (Severity)	Impact Assessment
Aviation (High)	• Jet fuel prices have surged +81%, raising fuel share to ~25-35% of operational expenses and materially compressing airline profitability. • Airspace closures and rerouting are increasing flight times and fuel burning, driving higher ticket prices, weakening demand and impacting tourism-linked revenues.
Petrochemicals (High)	• Export bottlenecks and logistics constraints are delaying shipments, weakening volumes and cash conversion cycles for petrochemical producers. • The inability to export due to the closure of the Strait of Hormuz may lead to inventory saturation, necessitating managed production pauses as storage capacity reaches its limits.
Construction and Infrastructure (Moderate)	• While global industrial metal prices have risen, the impact of the 67.0% global Diesel spike is largely neutralized by stable domestic fuel pricing, protecting contractor margins from energy-driven shocks. • Supply chain delays and bottlenecks are extending project timelines, but the risk of deferral for core giga-projects is partially mitigated by the Kingdom's strong fiscal buffers and strategic focus on Vision 2030.
Food and Beverage (Low -Moderate)	• Significant exposure to supply chain disruptions combined with rising fertilizer and logistics costs are driving broad-based food inflation. • While companies face immediate margin pressure as input costs rise, the ability to pass these costs to end-consumers is high for essential staples; however, non-essential and premium segments may see demand softening as retail prices increase. • To mitigate supply uncertainty, firms are increasing inventory levels, which ties up working capital and increases financing costs in a higher-for-longer interest rate environment.
Insurance (Low-Moderate)	• Motor and Health constitute the vast majority of GWP, providing a stable core. While maritime premiums spiked considerably direct risk is mitigated by strong cessation to international reinsurers who absorb the bulk of specialty segment volatility. • Despite rising costs for imported spare parts and medical inputs, insurers maintain high pricing power in mandatory segments. This allows them to pass on inflationary pressures to consumers, protecting technical margins in the medium term. • Elevated geopolitical tension creates unpredictability in investment income. Bottom-line profitability remains sensitive to capital market performance as regional swings and rising yields impact equity and bond portfolios.
Tourism / Hospitality (High)	• Higher airfares and security concerns are reducing international travel demand, impacting hotel occupancy and tourism revenues. • Domestic tourism remains relatively resilient but is insufficient to fully offset weakness in inbound travel flows.

Industry (Severity)	Impact Assessment
Retail (Moderate-High)	• Rising inflation is expected to erode disposable income, while non-oil GDP growth is slowing, weakening discretionary spending. • Retailers face margin compression due to higher import and logistics costs, with limited ability to fully pass through price increases.
Real Estate (Moderate)	• Strong inherent indigenous demand continues to underpin the sector, though the market is currently cooling as recent regulatory changes successfully reduce speculative activity. • While the long-term outlook remains positive due to government support to the end user, developer margins face a short-term squeeze as rising input prices outpace current project budgets. • Margin pressure is most acute for off-plan projects where units have already been sold at fixed prices, leaving developers to absorb the full impact of escalating material and logistical costs.
Banks and Finance (Moderate)	• As SAMA mirrors the Federal Reserve policy, any increase in interest rates would positively impact the Net Interest Margins. • Slower non-oil economic activity is weighing on credit growth and liquidity conditions, increasing downside risks to asset quality. • While Expected Credit Losses impact remains limited so far, prolonged stress could lead to gradual deterioration in loan performance, especially in exposed sectors.
Capital Market Institutions (Low-Moderate)	• Elevated geopolitical volatility and risk-off sentiment are reducing investor confidence and delaying IPO timelines; however, the deep pipeline of giga-project related listings and privatization targets provides long-term support for capital market depth. • GCC average CDS spreads rising to 162bps reflect an increased regional risk premium, which may trigger a flight to safety by international investors. However, this is partially countered by domestic institutional mandates and a pivot toward "safe-haven" asset classes within the Kingdom, such as government-backed sukuks and money market funds, which helps stabilize total AUM levels. • While markets remain volatile, capital market institutions remain resilient due to a shift toward diversified fee-based income from asset management and advisory services. • As US 10-year yields remain at ~4.35% and SAMA mirrors the Fed's trajectory, higher discount rates are weighing on equity valuations, potentially moderating the pace of new capital raises in the near term.
Healthcare / Pharma (Low)	• Rising medical input costs and higher freight expenses are increasing operating costs for healthcare providers and pharma companies. • Demand remains stable due to essential nature and government support, limiting downside impact. • The high presence of mandatory health insurance in KSA serves as a critical risk mitigator. This framework ensures high demand stability and allows private providers to pass through rising input costs via premium adjustments and updated service price lists, protecting operational margins

Industry (Severity)	Impact Assessment
Telecom (Low)	• Telecom services are treated as essential infrastructure, ensuring that core demand for data and voice remains highly resilient even as real GDP growth faces a decline. • While demand is stable, supply chain disruptions are increasing the costs of imported network equipment and hardware; elevating the capital expenditure required for 5G expansion and network maintenance.

Source: Bloomberg Intelligence

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