

GCC: Navigating War-Driven Economic Shocks

Weekly Insights 3 Apr 2026

- *The fifth week of war on Iran / Middle East conflict*
- *The Strait of Hormuz Blockade the main point of contention in the Iran war*
- *For the GCC, the shocks are unprecedented – but governments are pro-actively rolling out measures*
- *Saudi banking liquidity remained strong in early 2026*
- *Saudi labour market improved in Q4 2025; female unemployment fell & participation remained elevated*

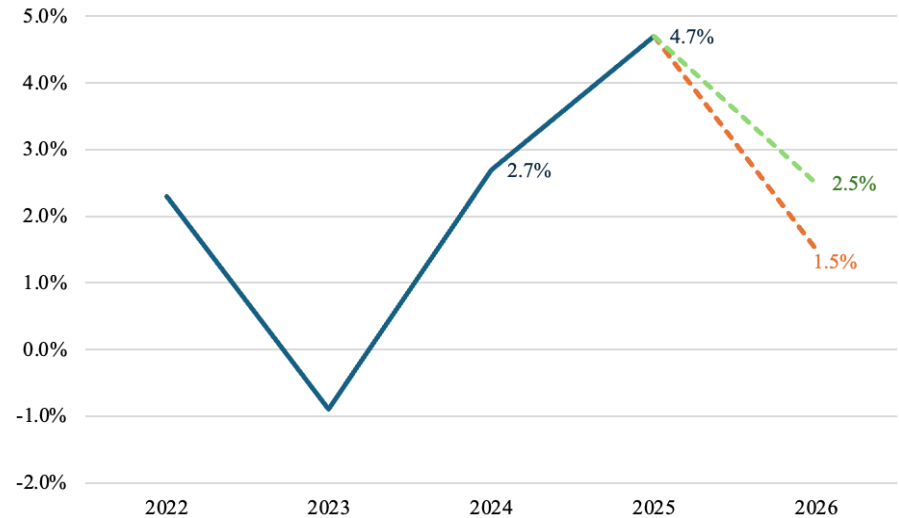
NASSER SAIDI

— & ASSOCIATES —

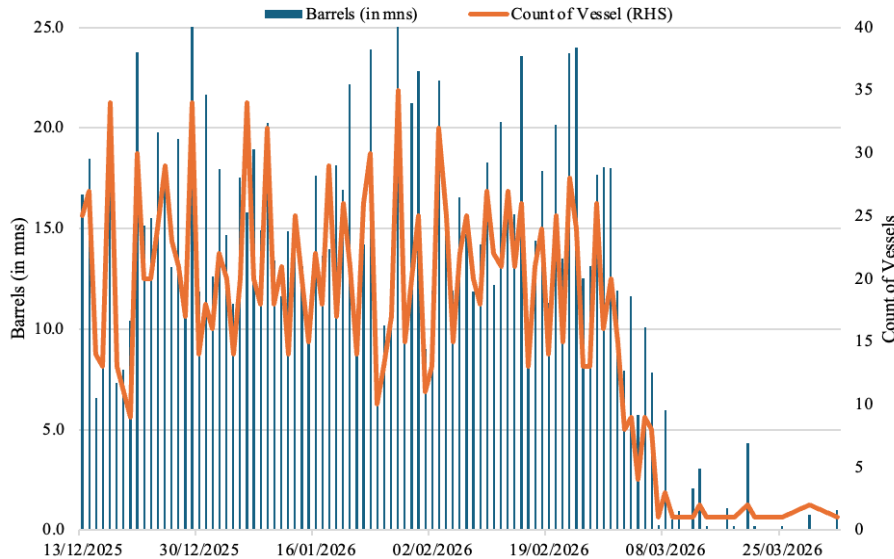
The fifth week of war on Iran / Middle East conflict

- The **ongoing war in the region is multifaceted**, with economic, security, financial, environmental and socio-economic consequences. The shocks and their consequences are still unfolding, with growing uncertainty as to outcomes.
- According to UNCTAD estimates, **growth in global merchandise trade is projected to decelerate** from 4.7% in 2025 to between 1.5% and 2.5% in 2026 (depending on the duration, depth & breadth of the conflict).
- With the Strait of Hormuz blocked, **daily transits have dropped sharply**. Though oil and gas flows are discussed in this context, the route also accounted for significant volumes of chemicals (including fertilisers) and grains (dry bulk).

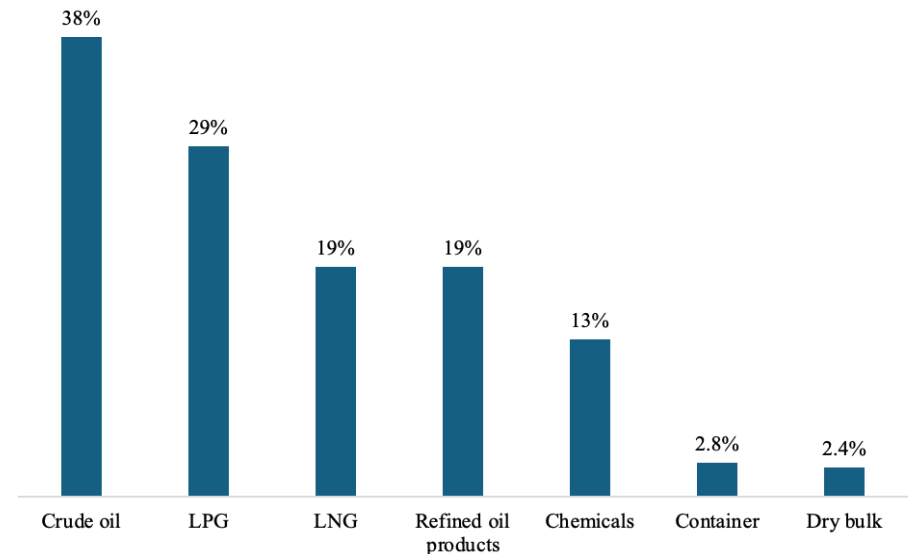
Global trade to decelerate in 2026 after a strong start, thanks to the Strait of Hormuz disruption (% yoy)



Arabian Gulf DPP Loadings Passing Strait of Hormuz have dwindled to one or two in the past week



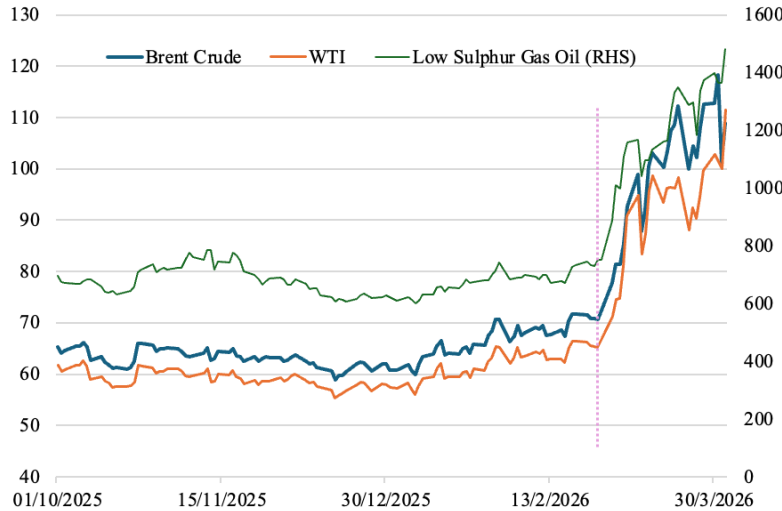
Strait of Hormuz blockade disrupts multiple products, not just O&G
Share of trade passing through the Strait, based on average flows in the last week of Feb



The Strait of Hormuz Blockade the main point of contention in the Iran war & wider conflict in the Middle East

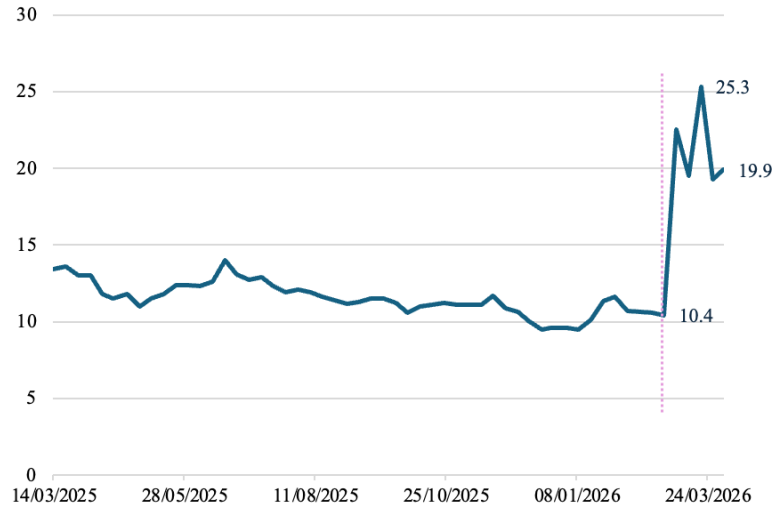
Soaring Fuel Prices

Brent has jumped past \$100 per barrel again; price for very low-sulphur fuel oil has eased after almost doubling (late-Mar vs end-Feb)



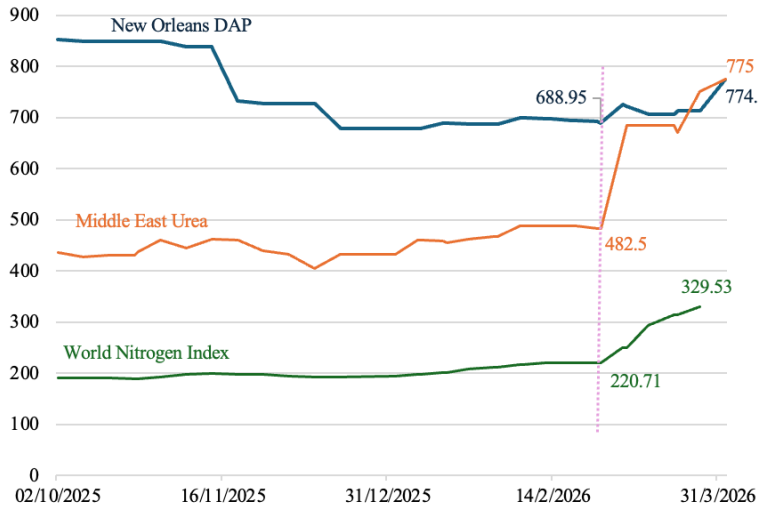
LNG - Weekly Average of Spot Asian prices (USD / MMBtu)

LNG transit through Strait of Hormuz halted; Asian LNG prices are around double compared to end-Feb

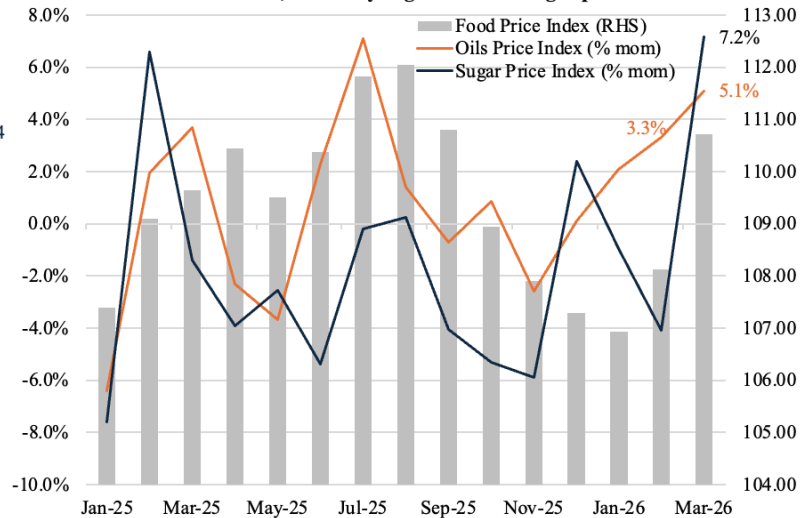


Fertiliser prices are on the rise (USD per ton)

Urea and nitrogen prices have increased following the Strait of Hormuz blockade



Global food prices rose 2.4% mom in Mar, up for the second consecutive month, driven by vegetable oil & sugar price hikes



- Beyond oil, supplies of critical inputs from aluminium to helium, sulphur and fertilisers (urea, ammonia, phosphates) are being disrupted leading to price hikes and spilling over into the agricultural and food markets, vehicles, semi-conductor and AI industries.
- Fuel-related pressures are visible in FAO's food price index for Mar: it is up 2.4% mom, driven by increases in vegetable oil (5.1% mom and 13.2% yoy) & sugar (7.2% mom & -21% yoy)

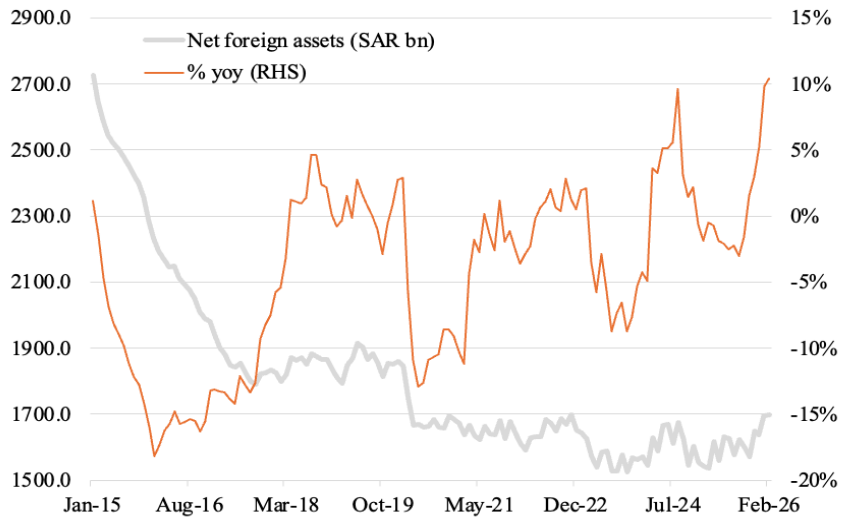
For the GCC, the shocks are unprecedented – but governments are proactively rolling out measures to counter the effects of war

- **Governments, Ministries of Finance and central banks are rolling out measures** and pursuing policies to maintain and support economic, banking and financial market stability; SOEs & GREs are adopting and developing new industrial policies.
- **Transport and logistics are being facilitated via alternative routes** given the near-closure of the Strait of Hormuz (Saudi's Yanbu port, a Saudi-Jordan railway freight corridor, new shipping lines, expanded land transport connections etc).
- The **central bank of the UAE set out a five-pillar banking and financial resilience framework**: access to reserve balances (up to 30% of the cash reserve requirement); availability of term liquidity facilities; temporary relief in liquidity and stable funding ratios; Capital Buffer Relief; flexibility to banks to postpone loan classification. **Qatar and Kuwait central banks** also announced measures such as new repo facilities, short-term funding tools and deferring of loan payments.
- **Dubai government's announced AED 1bn support package for the private sector** includes deferral of government fees, liquidity support for hospitality & tourism, extension of customs data grace periods and streamlining the issuance & renewal of residency permits.
- While the Central Banks provides **monetary and exchange rate stability**, ensuring liquidity and credit flow through the banking system as a lender of last resort, Dubai's package provides the necessary **fiscal policy support**. This will also boost investor confidence and support capital markets performance.
- **For energy and food importers of the region** (notably Egypt, Jordan, Lebanon, Morocco, Syria and others), the war impact includes **exchange rate depreciation, higher inflation, capital outflows, reduced remittance and capital inflows**, all leading to lower GDP and potential credit and balance of payments crises.
- **Power and fuel subsidy bills** will strain fiscal space; **high levels of debt & tighter financial conditions** may likely raise debt financing costs. **Such countries will require external intervention and access to liquidity & financial facilities** from the IMF, WB & AMF.
- ESCWA estimates that **around 5 million additional people** in the region's middle- and low-income countries **could fall into food insecurity** if global food prices increase by 20%.
- **Destruction in Lebanon and the massive forced displacement** is multiple the damage and displacement of 2024. Initial estimates amount to around 10-15% fall in GDP.
- **Damage to infrastructure will require substantial reconstruction investments** along with new investments in pipelines and transport corridors to avoid Hormuz.
- **IEA, IMF and the World Bank plan a coordination group**: "to monitor developments, align analysis, and coordinate support to policymakers to navigate this crisis".

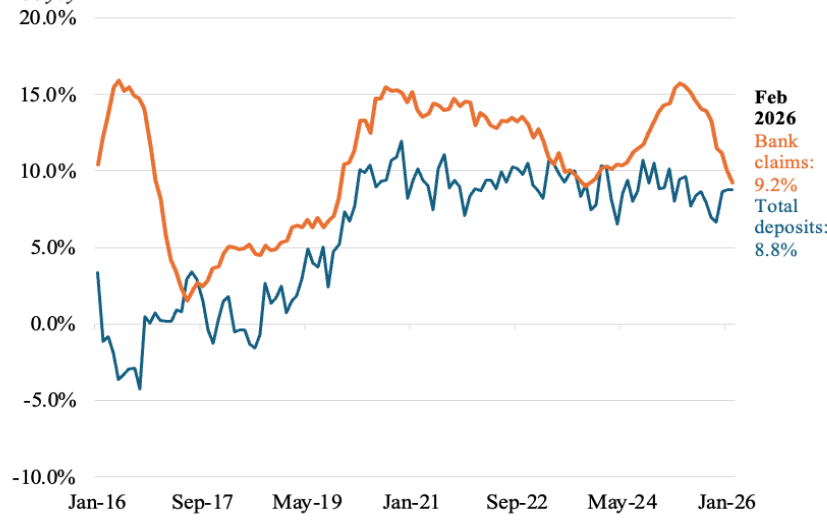
Saudi banking liquidity remained strong in early 2026, with deposit and credit growth still robust despite softer government deposits

Feb 2026 - Net foreign assets: SAR 1.698trn; Total deposits growth: 8.8% yoy; Credit growth: 9.2% yoy; M3 growth: 8.4% yoy

Saudi Arabia's net foreign assets rises to SAR 1.698tn in Feb
Feb 2026: 0.1% mom & 10.4% yoy

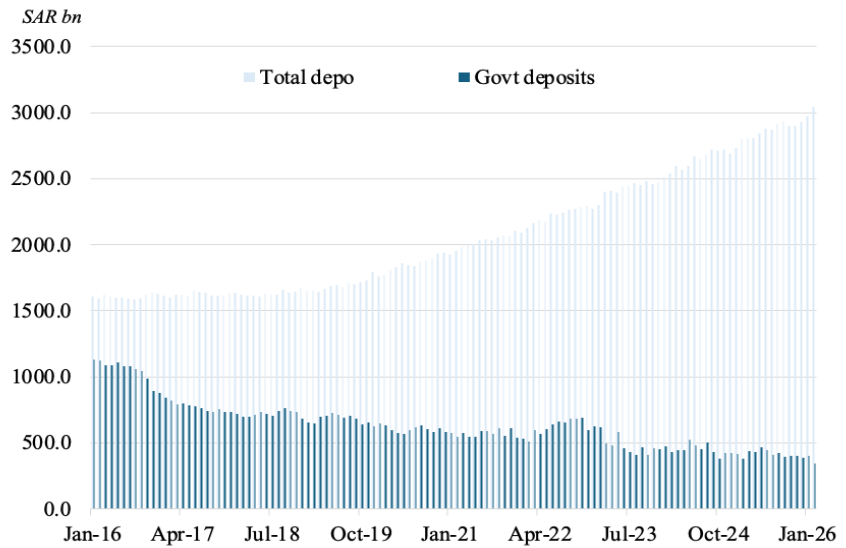


Deposit growth in Saudi averaged 8.8% in Jan-Feb 2026
Credit growth accelerated to 9.6%

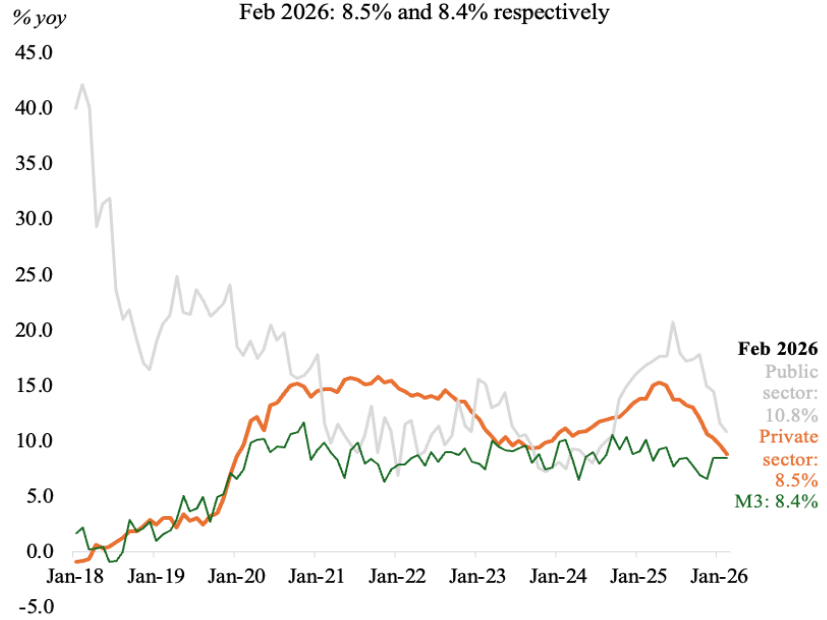


Feb 2026
Bank claims: 9.2%
Total deposits: 8.8%

Total deposits hit a record SAR 3trn+ in Feb 2026
Government deposits were 11% of total



Private sector claims growth softened, while M3 remained firm
Feb 2026: 8.5% and 8.4% respectively

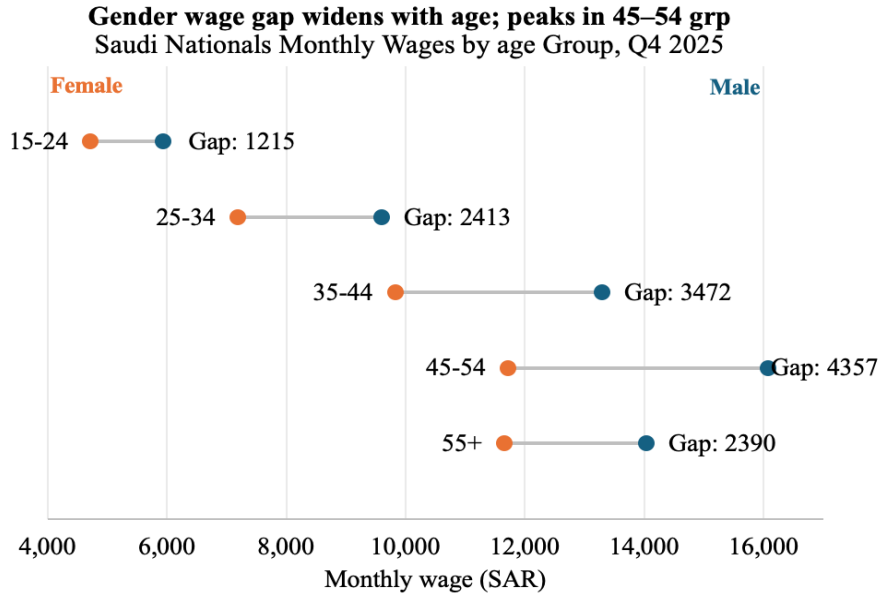
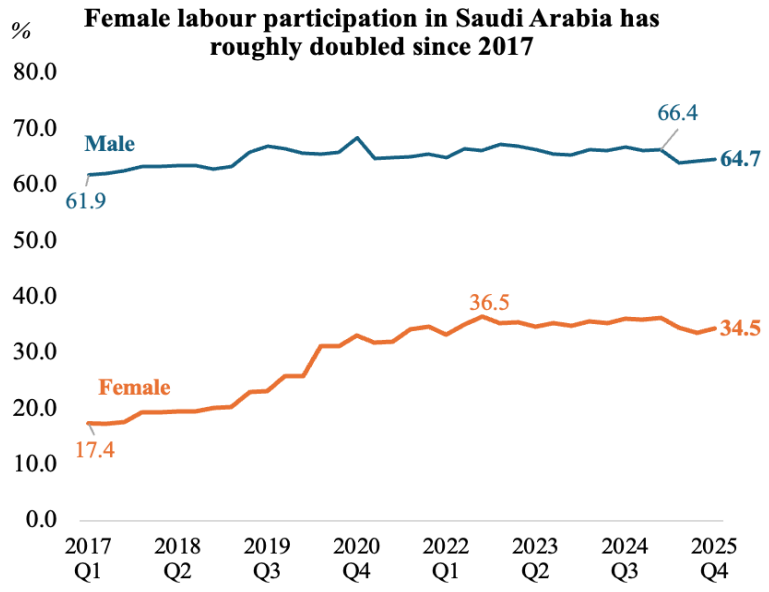
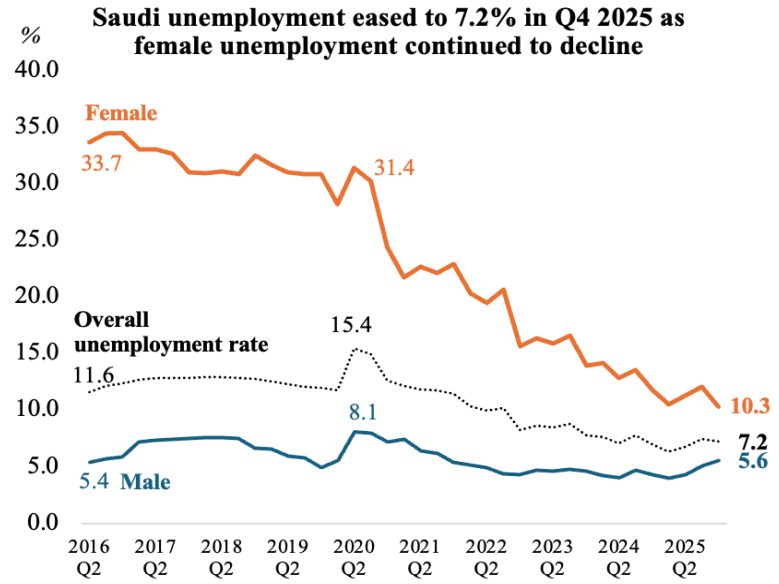


Feb 2026
Public sector: 10.8%
Private sector: 8.5%
M3: 8.4%

Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates



Saudi labour market improved further in Q4 2025, with female unemployment falling and participation remaining elevated; wage gaps persist across age groups



Source: Labour market survey Q4 2025, GaStat. Charts created by Nasser Saidi & Associates



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