

# Understanding the evolving situation in the Middle East

This conflict marks an unprecedented development with potential effects for country risk across the region and beyond. The intensity of these effects will largely depend on how long the confrontation lasts

The United States and Israel have launched a broad and sustained series of strikes on Iran, hitting military infrastructure, intelligence facilities and sites associated with senior leadership. Iran has responded with missile and drone attacks aimed at Israel and at United States positions across several neighbouring states. Beyond United States bases, Iran has also attacked ports, airports, and other infrastructure across the region. Public statements indicate that operations could continue for several weeks, which adds uncertainty about the duration and trajectory of the conflict and its potential spillovers.

The immediate fallout has been felt across the region. Disruptions in major Gulf hubs have affected transport and air traffic as authorities restrict airspace and reroute flights. International organisations have convened emergency meetings to assess the situation, while inside Iran the reported targeting of senior figures has created uncertainty over decision making and political stability.

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Niels de Hoog



According to Niels de Hoog, Senior Economist at Atradius, “This conflict represents a significant and unprecedented development, with potential implications for country risk across the region and beyond. At this stage,

our working assumption is that any regional escalation, including a temporary closure of the Strait of Hormuz, is likely to be short-lived, lasting from a few days to several weeks. Under this scenario, we expect the overall economic impact to remain relatively contained.”

## The central role of the Strait of Hormuz

Pressure on the Strait of Hormuz is now the central factor shaping the economic and supply chain impact of this crisis. The combination of military escalation, direct warnings to vessels, and the suspension of operations by major shipping and energy companies has created an effective shutdown. Iranian officials claim that the Strait is closed, and that Iran will attack any ship trying to pass. This matters because Hormuz is the world’s most important energy corridor, carrying around 20% of global oil and about 30% of liquefied natural gas. Any disruption there feeds quickly into energy prices, inflation risks and global supply chains. Oil prices have already risen towards USD 80 per barrel and could increase to USD 90–140 depending on the duration of the disruption.

Reduced flows through Hormuz are also affecting transport and logistics more broadly. Shipping lines are slowing down or rerouting vessels, air operators are adjusting routes to avoid regional risks, and key Gulf hubs are experiencing connectivity constraints. These changes create longer transit times, higher costs and greater working capital needs for time sensitive sectors such as electronics and automotive components. Since much of the trade between Asia and Europe depends on these routes, any prolonged disruption would have significant implications for supply chains that rely on just in time operations.

Niels de Hoog

“We don’t expect Iran to be able to keep the strait closed for an extended period, since an international maritime operation led by the United States would very likely bring any blockade to an end relatively quickly. A prolonged shutdown would also run counter to Iran’s own interests, as it would block its vital oil exports to China,” explained our senior economist.

## Atradius baseline scenario: short-lived conflict



Atradius's baseline scenario assumes a short-lived conflict followed by a gradual return to diplomatic engagement, including a renewed attempt at nuclear negotiations. According to De Hoog, "Iran is largely isolated and would find it difficult to sustain a prolonged confrontation. A long-lasting closure of the Strait of Hormuz would also severely affect its own fragile economy by disrupting essential oil exports to China and increasing domestic social pressures. The recent high risk actions targeting Gulf states seem primarily intended to create political leverage to return to negotiations. A major escalation would be counterproductive, as it could push the Gulf states to actively turn against Iran."

In a short conflict scenario, the economic impact on the Gulf states remains limited, although disruptions are unavoidable. Because the Strait of Hormuz is effectively blocked, the Gulf states cannot benefit from higher oil prices and their non-oil economies experience temporary pressures from airspace closures and interruptions in tourism, logistics, and re-export activities. Thanks to their substantial international reserves and large sovereign wealth funds, most Gulf economies are able to absorb a disruption lasting a few weeks, with an estimated average growth impact of around half a percentage point.

Qatar is the most exposed, as all its liquefied natural gas exports must transit through the Strait of Hormuz. This vulnerability explains its precautionary decision to halt LNG production temporarily following recent security incidents. Oman appears less vulnerable because its main port, Duqm, lies outside the strait, although recent drone attacks and incidents in the Gulf of Oman highlight additional risks. The United Arab Emirates and Saudi Arabia can divert part of their oil exports through pipelines, although this only partially mitigates the impact.

For countries outside the region that depend heavily on imported oil and gas, the main channel of transmission comes through higher energy prices. Many of these economies are financially more exposed than the Gulf states and Israel. Asian economies, including China and India, are particularly sensitive, as they rely heavily on the physical transit of oil and gas through the Strait of Hormuz and would be directly affected by any sustained disruption.

## Downside scenario: prolonged escalation

A downside scenario involving a more prolonged escalation cannot be ruled out. Unlike the 2025 operation, which focused on constraining Iran's nuclear capabilities, the current objectives extend to regime change and the dismantling of Iran's ballistic missile arsenal. These dynamics heighten Iran's sense of strategic vulnerability and increase the likelihood of further retaliation.

A further escalation could involve greater reliance on proxy militias across the region and strikes on neighbouring oil and gas facilities, which would risk long lasting damage to regional and global production capacity. Recent

reports of drone attacks on an oil refinery in Saudi Arabia and an LNG plant in Qatar indicate that this possibility has become more plausible. Such actions would also raise the likelihood of retaliatory strikes on Iran's own energy infrastructure.

In this much more adverse scenario, estimates suggest that oil prices could rise to between USD 130-140 per barrel. Although Iran is unlikely to keep the Strait of Hormuz closed for an extended period, it could continue to disrupt shipping inside and outside the strait, creating persistent instability in global energy flows.

Under these conditions, Bahrain would likely be the first Gulf state to face financial stress due to its weak public finances, limited buffers, and strong dependence on oil revenues. Other Gulf economies would also come under sustained pressure, as disruptions to logistics, tourism, and export activity persist for longer.

Asian economies, including China and India, are particularly vulnerable because around 80% of the oil and gas transiting the Strait of Hormuz is destined for Asia. A prolonged price spike would also weigh on other emerging markets with high energy import dependence and limited fiscal room. Even if OPEC producers increase output, the relief would be limited if oil cannot reach export markets.

## Monitoring and adaptation

The impact on the global economy and markets will very much depend on the duration and intensity of the conflict. Despite the situation, we continue to operate normally across the Middle East, ensuring coverage and support for our customers and partners. We monitor the evolution of risk associated with the commercial credit lines of our insureds in the region, follow developments closely and gather information from multiple sources to ensure that our responses remain precise and context specific.

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