



# Strengthening resilience in response to the Iran conflict

Scenario analysis and actions for executive teams

Accenture Macro Foresight

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# How this document was prepared

This analysis leverages Accenture's proprietary agentic simulation and monitoring capabilities (IRCISS), as well as domain expertise from its Macro Foresight team.

The power here is leveraging both deep human domain expertise, as well as advanced agentic simulation and modelling capabilities. This helps provide faster, higher quality insights for fast-moving events, like the Iran conflict.

Accenture's agentic simulation capabilities leverage:

- Real time conflict updates and market data that directly map into the forecasting models.
- Historic data on previous conflicts and supply chain disruptions with adjustments for the mitigation strategies currently in place (reserves, alternative routes, changes in oil dependence).
- Academic research and analysis on conflict dynamics using state of the art econometrics models, game theory, and machine learning techniques.
- Ensemble techniques combining model predictions and a multi-shock decomposition framework including physical, geopolitical, temporal and behavioral inputs mapping the full spectrum of market signals.

This type of analysis can now be done in days when combining human expertise and advanced technical capabilities.

Accenture can help deploy these capabilities for clients very quickly as part of efforts to strengthen enterprise resilience given a fast-changing external environment.

## Deep human domain expertise



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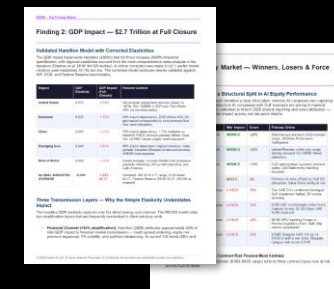
Paired with...

## Advanced AI capabilities on simulation & modelling

### Accenture IRCISS model



### Analysis created by agentic agents



# Highlights



## Iran conflict scenarios

Recent ceasefire developments provide a path toward durable conflict resolution and normalization of shipping through the Strait of Hormuz. Re-escalation risks remain, however, which could prolong supply disruptions and renew stagflation or recession risk globally.



## Strengthen enterprise resilience

Companies must strengthen enterprise resilience given vulnerabilities exposed by the Iran conflict and its longer-term repercussions. Geopolitical risks are not going away, and companies should assess how structural fragmentation impacts long-term strategies, business models, and global footprints. This conflict will also increase pressure on earnings—this reinforces the need to focus on AI-enabled Reinvention to drive productivity gains and long-term competitiveness.



## Impacts to countries

Asian economies are most exposed to a prolonged disruption given energy reliance from the Gulf. European countries are at risk from higher gas prices which could weigh on industrial manufacturing at a time when many already are struggling from weak demand and global competition.



## Impacts to industries

The energy shock increases input cost inflation and sectors reliant on energy-derived inputs are most impacted. Consumer-facing industries face risks from weakened consumer demand.



## Watch out for the consumer

Higher energy prices and inflation could put pressure on an already weak consumer, exacerbating current affordability challenges. Lower-income consumer groups will be most impacted from higher prices. Companies need to assess which parts of the consumer basket are most at risk of cutbacks in spending or downtrading.



## Don't discount tail risks

Companies should not discount tail risks that are low probability but have high materiality. Most effects so far have been either direct or 2<sup>nd</sup> order impacts. However, tail risks include a sharper economic recession, spillovers to financial markets, or disruptions to AI infrastructure build-out. Companies should be actively monitoring tail risk scenarios and have action plans in place.

# Executive summary

## Scale of disruption and outlook scenarios

- **The Iran conflict and Strait of Hormuz closure has removed ~20% of global oil and LNG from the market—the largest energy supply disruption in history—and impacted key non-energy supply chains.** Approximately one-third of seaborne fertilizer trade, major petrochemical feedstocks (19% of methanol, 14% of ethylene), and critical inputs like helium for semiconductor manufacturing all transit the Strait, with limited re-routing alternatives.
- **Damage to regional infrastructure**—notably Qatar’s Ras Laffan LNG complex—also means some of this supply loss will persist for years.
- **The timing of these disruptions is also problematic and amplifies the risk of 2<sup>nd</sup>/3<sup>rd</sup>-order impacts.** It comes: (a) on the eve of agricultural planting season in North America and parts of Asia; (b) at a time of the year when Europe needs to rebuild its gas reserves; and (c) close to summer travel season.
- **The conflict remains fluid and the economic outlook depends on how durable the recent ceasefire proves, the timeline and negotiated conditions for full normalization of shipping through the Strait, and potential for additional infrastructure damage in case of re-escalation. Three scenarios remain in play:**
  - A credible peace deal and resolution that enables Strait transit to normalize within 2-3 months would likely see oil prices settle at \$85-100/bbl and forestall most 2<sup>nd</sup>/3<sup>rd</sup> order impacts, but still leave global GDP modestly lower and inflation higher than pre-conflict due to disruptions already incurred
  - A breakdown in negotiations and renewed stalemate could prolong Strait disruption, keep oil prices at \$100-120 and push most economies into stagflation
  - Further escalation involving additional attacks on regional infrastructure could push oil prices to \$120-160 and tip the global economy into recession

## Regional and industry impacts

- **Regionally, Asia (90% of Hormuz flows), Europe (gas storage at five-year lows), and the Gulf states (export blockade) stand to be most negatively impacted.** China is relatively buffered by strategic reserves and pipeline alternatives, but Japan, South Korea and much of Southeast Asia are acutely exposed. The US is partially insulated as a net energy exporter but faces mounting consumer and inflation pressure and potential fertilizer shortages.
- **Energy-intensive and transport-dependent industries face the most severe margin and revenue pressure, while energy producers and defense-adjacent sectors may benefit.** Chemicals will likely be hardest hit in energy import-dependent Europe and Asia. Retail and Consumer Goods face potentially large demand erosion, especially where consumer affordability pressures are most acute. High Tech faces supply-constrained revenue risk from disrupted Asian semiconductor fabs. Banking and Capital Markets may see volatility-driven trading gains offset by rising credit risk if economic conditions worsen.

## Deep dives on 2<sup>nd</sup> and 3<sup>rd</sup> order impacts

- **Value chain disruptions:** Hormuz closure risks forcing production cuts across global manufacturing as blocked inputs cascade into plastics, textiles, packaging, pharmaceuticals and semiconductors, with Asia and Europe's industrial base most exposed.
- **European manufacturing:** Higher gas prices create headwinds for manufacturers (similar to the last gas shock in 2022/23); profitability will be challenged
- **Consumer spending cutbacks:** Consumers in Europe and Asia are likely to come under most pressure based on stressed pre-conflict fundamentals, greater exposure to food and energy price shocks and relatively more limited fiscal space for governments to provide support to households.
- **Financial spillovers:** A prolonged conflict could tighten financial conditions via higher-for-longer central bank policy rates, wider credit spreads and FX pressures in non-USD economies. Asset sales by GCC funds to offset lost oil revenues could also amplify risk of equity market corrections.
- **Lasting structural shifts:** Some new normals in the post-conflict global economy will likely include higher risk premia in energy prices, erosion of the Gulf’s competitiveness as a global energy and AI hub, increased “weaponization” of strategic transport corridors and reduced petrodollar recycling.

## How should companies respond?

- **(1) Actions for next 30 days:** Assess conflict impacts to date, identify supply chain vulnerabilities, stress test business/financial plans and monitor residual risks
- **(2) Focus on enterprise resilience:** Focus on strengthening long-term enterprise resilience across commercial, technology, operations and workforce
- **(3) Future-proof for fragmentation:** A world of increasing geopolitical fragmentation requires a re-think of how to operate globally
- **(4) AI-enabled Reinvention:** double down on AI-enabled Reinvention to drive greater productivity and help offset revenue and cost pressure on margins
- **(5) Strengthen Foresight capabilities:** agentic tools can compress the time between insight and action and help Foresight teams navigate a complex landscape

Macro **Foresight**

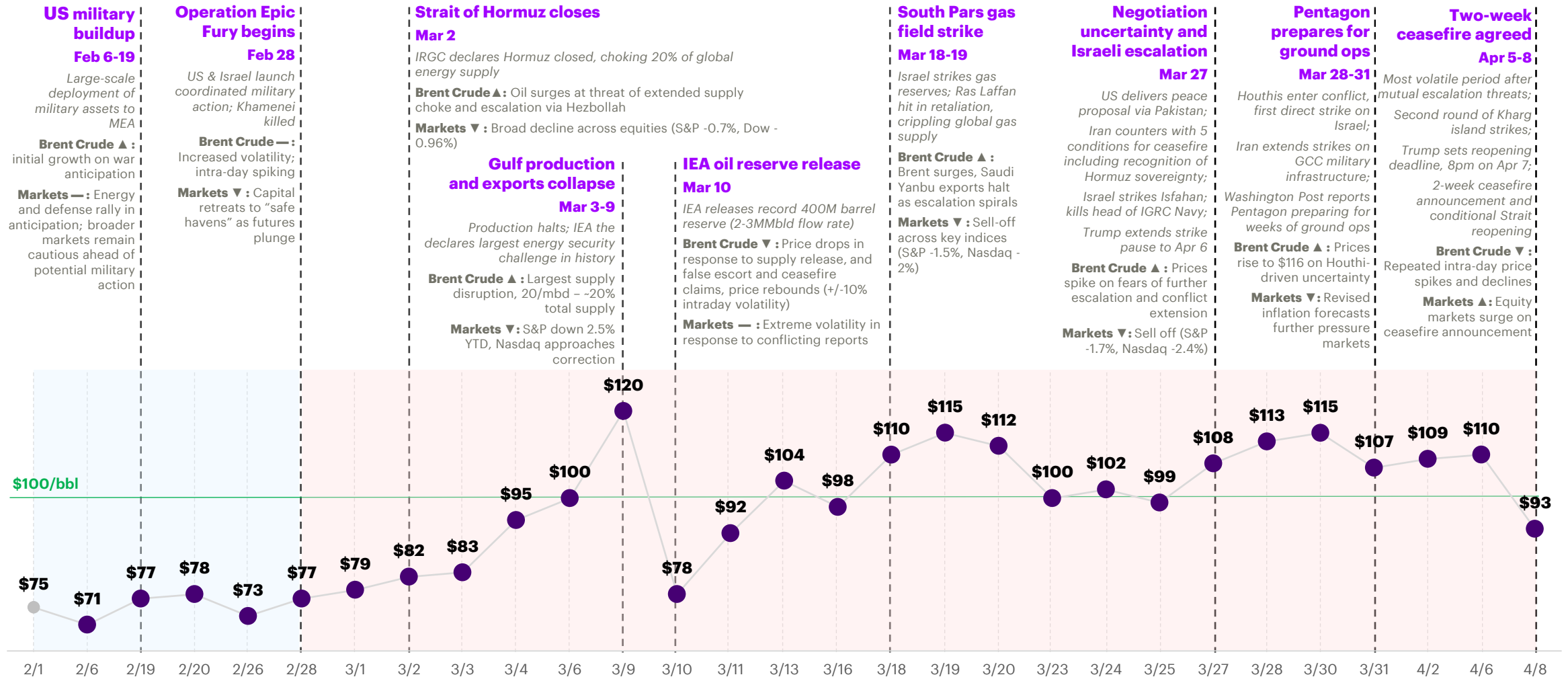
Section One

# Context and scenario analysis








# The Iran conflict and Strait of Hormuz closure has produced the largest energy supply disruption in history, triggering price spikes, shipping paralysis and broad market turmoil

## Timeline of conflict escalation



# The Strait of Hormuz is not just an energy chokepoint: it carries ~1/3 of global seaborne fertilizer, major petrochemical flows and critical industrial inputs with no alternative routes

## What's at stake for energy and beyond

Impacted resources	Global volumes at stake	Who depends most on it	Why mitigation is limited	Why normalization will be slow even after Strait reopening
<b>Energy flows</b>				
 <b>Crude oil</b>	<ul style="list-style-type: none"> <li>~15-20 MMb/d (~20% of global; 25% of seaborne)</li> </ul>	<ul style="list-style-type: none"> <li>89% exported to Asia (China 38%, India 15%, South Korea 12%, Japan 11%)</li> </ul>	<ul style="list-style-type: none"> <li>Saudi/UAE pipelines bypass &lt;7 of the ~20 MMb/d exported through Strait</li> <li>OPEC+ spare capacity stranded behind blockade</li> </ul>	<ul style="list-style-type: none"> <li>Gulf producers already shutting in wells; restart takes weeks</li> <li>Corrosion risk from prolonged shut-ins</li> </ul>
 <b>LNG</b>	<ul style="list-style-type: none"> <li>~77 Mtpa Qatar (~20% of global LNG trade)</li> </ul>	<ul style="list-style-type: none"> <li>83% exported to Asia</li> </ul>	<ul style="list-style-type: none"> <li>Zero pipeline bypass</li> <li>LNG can only move by tanker through the Strait; no alternative route exists</li> </ul>	<ul style="list-style-type: none"> <li>17% of Qatar's Ras Laffan capacity damaged and offline for 3-5 years</li> <li>Weeks to restart even without damage</li> </ul>
<b>Non-energy flows</b>				
 <b>Fertilizers</b>	<ul style="list-style-type: none"> <li>~35-40% of urea exports</li> <li>~50% of sulfur exports</li> </ul>	<ul style="list-style-type: none"> <li>Critical for spring planting in US Midwest (corn/soy) and global food production</li> </ul>	<ul style="list-style-type: none"> <li>No pipeline alternative</li> <li>Disruption during planting window cascades into food prices 12+ months</li> </ul>	<ul style="list-style-type: none"> <li>Spring planting season is time-sensitive</li> <li>Missed window means crop losses regardless of when Strait reopens</li> </ul>
 <b>Petrochem feedstocks</b>	<ul style="list-style-type: none"> <li>19% methanol</li> <li>14% ethylene</li> <li>16% MEG</li> </ul>	<ul style="list-style-type: none"> <li>Feeds into plastics, synthetic fibers, packaging, pharma, adhesives globally</li> </ul>	<ul style="list-style-type: none"> <li>No pipeline alternative</li> <li>Asian crackers cutting rates</li> <li>10Mt/yr PE capacity vulnerable</li> </ul>	<ul style="list-style-type: none"> <li>Two-month lag required for steam crackers to return to full operation</li> <li>Need to rebuild fractured geographically-locked supply chains</li> </ul>
 <b>Industrial metals</b>	<ul style="list-style-type: none"> <li>9% aluminum</li> <li>18% iron ore pellets</li> <li>30% of helium</li> </ul>	<ul style="list-style-type: none"> <li>Aluminum for autos and construction</li> <li>Helium for semiconductor fab and MRI</li> </ul>	<ul style="list-style-type: none"> <li>Qatar/Bahrain smelters paused helium threatens chip mfg</li> <li>No quick substitutes for helium</li> </ul>	<ul style="list-style-type: none"> <li>Aluminum smelters require weeks to restart</li> <li>Long lasting structural damage to supply chains</li> </ul>

# Recent ceasefire provides path to a durable conflict resolution, but re-escalation scenarios are still in play and could prolong Strait disruption or risk additional infrastructure damage

## Iran conflict scenarios<sup>1</sup>

← Direction of travel after April 7 ceasefire

	1. Durable resolution	2. Prolonged disruption	3. Wider escalation and infrastructure damage <sup>3</sup>
<b>Description</b>	<ul style="list-style-type: none"> <li>Brokered ceasefire leading to gradual Strait re-opening, with full normalization dependent on the parameters and credibility of long-term peace deal</li> </ul>	<ul style="list-style-type: none"> <li>Breakdown in negotiations and renewed escalation threats restore a stalemate that prolongs Strait disruption</li> </ul>	<ul style="list-style-type: none"> <li>Further strikes on regional energy infrastructure</li> <li>Conflict widens across Gulf states, including renewed shipping disruptions in <b>Red Sea corridor</b></li> </ul>
<b>Key triggers /signals</b>	<ul style="list-style-type: none"> <li>Sustained adherence to ceasefire agreement</li> <li>Demonstrated safe passage of ships through Strait</li> <li>Clear progress/convergence on conditions for a deal</li> </ul>	<ul style="list-style-type: none"> <li>Violation of ceasefire by one or more parties</li> <li>Excessively strict “policing” of Strait transit by Iran</li> <li>Continued US military buildup in Persian Gulf</li> </ul>	<ul style="list-style-type: none"> <li>Deployment of US troops on Iranian soil (e.g., Kharg island)</li> <li>Acceleration of US/Israeli strikes on Iranian power and energy infrastructure, and Iran counterattacks on GCC infra</li> </ul>
<b>Strait of Hormuz reopening timeline</b>	<ul style="list-style-type: none"> <li><b>Effective closure 1-2 months total</b></li> <li>Traffic resumes gradually, normalizing within 2-3 months thereafter; insurance premiums stay elevated</li> </ul>	<ul style="list-style-type: none"> <li><b>Strait partially re-opens within 1-2 months for escorted and/or toll-paying ships</b>, but commercial normalization takes <b>6-12 months</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Strait reopening (even if it occurs) becomes secondary to infrastructure damage</b></li> <li>Indeterminate period of shipping disruptions</li> </ul>
<b>Infrastructure damage</b>	<ul style="list-style-type: none"> <li>No further damage beyond current—e.g., Ras Laffan (17% of Qatar LNG), Ras Tanura, small section of South Pars</li> </ul>	<ul style="list-style-type: none"> <li>Additional collateral (but not extensive) damage accumulating from continued fighting</li> <li>Gulf producers shut in for months</li> </ul>	<ul style="list-style-type: none"> <li><b>Extensive additional damage</b> to Gulf and Iranian energy infrastructure, taking capacity offline for months/years</li> <li><b>Potential damage to power / AI infrastructure</b></li> </ul>
<b>Crude oil price<sup>2</sup></b> <i>(Brent, compared to USD70/bbl in Feb)</i>	<ul style="list-style-type: none"> <li><b>USD 85-100/bbl</b></li> <li>Retreats as Strait reopens but with permanently higher geopolitical risk premium</li> </ul>	<ul style="list-style-type: none"> <li><b>USD 100-120/bbl</b></li> <li>Supply gap, high transit cost and residual risks keep prices elevated and volatile</li> </ul>	<ul style="list-style-type: none"> <li><b>USD 120-160/bbl</b></li> <li>Structural repricing of global energy risk</li> <li>Demand destruction caps prices at a higher floor</li> </ul>
<b>Gas / LNG price<sup>2</sup></b> <i>(TTF price, compared to EUR 32/MWh in Feb)</i>	<ul style="list-style-type: none"> <li><b>EUR 40-55/MWh</b></li> <li>17% of Qatar LNG offline 3-5 yrs; EU storage refill challenging but feasible</li> </ul>	<ul style="list-style-type: none"> <li><b>EUR 55-65/MWh</b></li> <li>Asia-Europe LNG bidding war intensifies</li> <li>EU storage refill severely compromised</li> </ul>	<ul style="list-style-type: none"> <li><b>EUR 65-90/MWh</b></li> <li>Additional Qatar capacity damaged; power rationing in Asia; multi-year global gas crisis</li> </ul>
<b>Supply chain disruptions</b>	<ul style="list-style-type: none"> <li>Ship rerouting adds cost but manageable</li> <li>Planting season strained but not missed</li> <li>Manufacturers cope via inventory drawdown</li> </ul>	<ul style="list-style-type: none"> <li>Critical non-energy inputs deplete over months</li> <li>Planting window missed</li> <li>Supply shortages force some production cuts</li> </ul>	<ul style="list-style-type: none"> <li>Red Sea closure eliminates Hormuz bypass option</li> <li>Total Gulf export loss forces factory shutdowns and triggers structural supply chain breaks</li> </ul>
<b>Financial implications</b>	<ul style="list-style-type: none"> <li>Credit spreads stabilize at elevated levels</li> <li>Equities recover on resolution clarity</li> <li>No major sovereign or systemic financial stress events</li> </ul>	<ul style="list-style-type: none"> <li>Equities decline on earnings downgrades</li> <li>Central bank stagflation bind limits rate cuts</li> <li>USD strength puts outsized pressure on EMs</li> </ul>	<ul style="list-style-type: none"> <li>Corporate defaults trigger broad credit market stress</li> <li>GCC SWF asset sales amplify equity/bond market declines</li> <li>Sovereign debt stress and global financial contagion risk</li> </ul>
<b>Economic impacts</b>	<ul style="list-style-type: none"> <li>Disruptions to date and their ripple effects <b>reduce Global GDP by 0.4% and raise inflation by 0.7pp</b></li> <li>Most second/third-order impacts avoided</li> </ul>	<ul style="list-style-type: none"> <li>Acute stagflation risk globally—<b>0.9% hit to global GDP and 2.3pp increase in inflation</b></li> <li>Europe and Asia near recession</li> </ul>	<ul style="list-style-type: none"> <li>Global recession likely amidst demand destruction and forced production cuts</li> <li><b>GDP loss of 1.5% or more and 3.5pp+ higher inflation</b></li> </ul>

Notes: (1) This assessment is underpinned by IRCISS, a proprietary agentic simulation platform integrating Monte Carlo ensemble modelling, Bayesian geopolitical inference, peer-reviewed economic and conflict-theoretic frameworks and historical back-validation consistent with IMF/ECB benchmarks; (2) Annualized average price over the remainder of 2026—peak oil price could reach \$200/bbl in scenario #3 and the gas price EUR 200/MWh+ before demand destruction kicks in to rebalance the markets. (3) Does not factor in tail risks such as damage to civilian water infrastructure.

Sources: Accenture analysis.

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Section Two

# Impact to countries and sectors



# The conflict creates cascading impacts: a first-order energy shock triggers second-order commodity/trade/financial effects, which in turn drive third-order structural damage

## How the damage cascades through the global economy

**NON-EXHAUSTIVE**

### FIRST ORDER EFFECTS

(first few weeks)

#### Energy supply shock

- Physical removal of ~20% of global oil and LNG from the market creates an immediate supply-demand imbalance that drives sharp price spikes
- Pipeline bypasses cover less than a third of the lost volume, OPEC spare capacity is stranded behind the blockade and strategic reserve releases provide only temporary relief—all of this creates sustained upward pressure on energy prices



### SECOND ORDER

(0-2 months)

#### Broader commodity and input price transmission

- Higher energy costs feed into production costs for petrochemicals, fertilizers, metals and refined products — raising input prices across downstream industries



#### Trade and shipping disruptions

- With the Strait or Hormuz blocked, vessels reroute via the Cape of Good Hope, adding 10-20 days transit time and driving up freight rates and insurance costs



#### Tightening financial conditions

- Markets price in higher inflation / lower growth, pushing up bond yields and credit spreads
- USD strengthens as a safe haven and invoice currency for oil, putting depreciation pressure on EM currencies



### THIRD ORDER

(2+ months)

#### Consumer spending erosion

- Rising fuel and food costs absorb a growing share of household budgets, forcing cutbacks in discretionary spending
- Low-income households hit hardest



#### Corporate margin compression

- Companies in energy-intensive sectors must choose between passing through costs (risking demand) or absorbing them (eroding margins)
- Hits consumer goods companies



#### Fiscal and sovereign stress

- Governments face surging subsidy costs and weaker tax revenues
- EM nations with thin reserves at risk of currency and balance-of-payments pressure



#### Accelerated supply chain realignment

- Weaponization of the Strait accelerates the shift toward regionalized supply chains
- Companies accelerate decarbonization to reduce reliance on LNG / oil imports



#### AI buildout disruptions

- Disruptions to Gulf helium and LNG supply create semiconductor production backlogs and raise data center costs
- Attacks to data centers risk GCC sovereign AI infrastructure build-out



#### Geopolitical spillovers

- Russia benefits as sanctions lifted and higher commodity prices – influences Ukraine conflict
- Accelerates geoeconomic fragmentation globally



# The US and Canada—as net energy exporters—are mostly insulated from direct impacts, while European countries are vulnerable mainly via higher gas prices and freight costs

## Differentiated impacts by region (1/3)

Region	Country	Overall energy import dependence <sup>1</sup>	Oil from Hormuz <sup>2</sup>	LNG from Hormuz <sup>2</sup>	Supply chain and structural economic vulnerabilities	Mitigating factors	Policy/financial buffers and flexibility	Scenario 1: Durable resolution		Scenario 2: Prolonged disruption		Relative exposure
								GDP impact by scenario (p.p) <sup>3</sup>	Inflation impact by scenario (p.p) <sup>3</sup>	GDP impact by scenario (p.p) <sup>3</sup>	Inflation impact by scenario (p.p) <sup>3</sup>	
North America	United States	Low: Net exporter	1-2%	None	Low: fertilizer shortages, transport costs, inflation pressure on already-strained consumer base	Significant: Large SPR reserves, flexible domestic energy production	Strong: Reserve currency, Fed flexibility; tight fiscal space	-0.2	-0.6	0.7	2.4	Low
	Canada	Low: Net exporter	Minimal	Minimal	Low: Higher freight costs, imported mfg. goods shortages	Significant: Export revenue boost from commodity prices	Strong: Solid fiscal position	+0.1	+0.3	0.6	2.1	Low
Europe	France	Medium: 47%	10-15%	5-10%	Medium: Petrochemical and fertilizer shortages	Moderate: Nuclear base, LNG storage	Moderate: High debt and political constraints	-0.3	-1.2	0.8	2.8	Medium
	Germany	High: 70%	5-10%	<5%	Medium: Large industrial base exposed to higher freight costs, chemicals/feedstock shortages	Moderate: Norway gas, limited LNG storage	Strong: Low debt; significant fiscal stimulus capacity	-0.4	-1.3	0.9	3.0	Medium
	Greece	High: 90%	35-45%	5-15%	High: Higher oil prices and freight costs; tourism disruptions	Moderate: Energy diversification underway	Weak-moderate: High debt limits fiscal flexibility	-0.5	-1.9	1.1	3.8	Medium to high
	Italy	High: 70%	20-30%	15-25%	High: Natural gas-intensive economy, chemicals shortages	Moderate: Storage and diversified pipelines	Weak-moderate: Very high debt and political instability	-0.4	-1.5	0.9	3.2	Medium to high
	Spain	High: 77%	5-10%	5-10%	Medium: Higher energy prices and freight costs	Significant: Highly diversified LNG supply	Moderate: Some fiscal space	-0.4	-1.2	0.9	3.2	Medium
	UK	Medium: 44%	3-5%	<3%	Medium: Higher freight, aviation fuel, chemicals prices	Moderate: North Sea, Norway gas, domestic supply	Moderate: BoE flexibility; fiscal constraints / Gilt market sensitivity	-0.3	-1.1	0.8	2.7	Medium to high









Notes: (1) Figures denote energy imports as a percent of net domestic energy use; values above 100% reflect countries that import large quantities of energy for processing and re-export; (2) As a share of total domestic oil or gas consumption; (3) Scenario #3 (wider escalation) estimates are excluded given the difficulty estimating 2<sup>nd</sup> and 3<sup>rd</sup> order effects and broader spillovers in this scenario.

Sources: Accenture IRCISS simulation models and country analysis using a Monte Carlo simulation platform assessing energy and macro impacts.

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# Gulf states face significant revenue losses from export disruptions and infrastructure damage, as well as broader headwinds to regional tourism and aviation

## Differentiated impacts by region (2/3)

Region	Country	Overall energy import dependence <sup>1</sup>	Oil from Hormuz <sup>2</sup>	LNG from Hormuz <sup>2</sup>	Supply chain and structural economic vulnerabilities	Mitigating factors	Policy/financial buffers and flexibility	Scenario 1: Durable resolution		Scenario 2: Prolonged disruption		Relative exposure
								GDP impact by scenario (p.p) <sup>3</sup>	Inflation impact by scenario (p.p) <sup>3</sup>			
Europe	Netherlands 	High: 87%	10-15%	5-10%	Medium: Exposed to trade disruptions as a shipping/refining hub	Significant: Major gas hub (TTF), LNG capacity	Strong: Low debt; fiscal conservatism may limit stimulus	-0.3	-1.1	0.8	2.8	Medium
	Sweden 	Low: 28%	5-10%	Minimal	Low: Higher transport and imported fuel costs	Significant: Low gas usage, nuclear +hydro dominant	Strong: Low debt, high fiscal/monetary flexibility	-0.2	-0.8	0.5	1.9	Low
	Norway 	Low: Net exporter	<5%	Minimal	Low: Higher freight/logistics costs	Significant: Major oil and gas exporter	Very strong: Large SWF assets and fiscal capacity	+0.3	+0.9	0.3	1.2	Low
	Denmark 	Medium: 44%	5-10%	<5%	Low: Higher freight, imported oil costs	Significant: Renewables + domestic supply	Strong: Low debt, high fiscal flexibility	-0.2	-0.8	0.6	2.2	Low
Middle East	Kuwait 	Low: Net exporter	Net exporter	10-25%	High: Oil/export and LNG import disruptions	Limited: No major Hormuz bypass route	Strong: Large SWF but high fiscal revenue pressure	-1.4	-5.9	0.5	2.2	Very high
	Qatar 	Low: Net exporter	Net exporter	Net exporter	Very high: LNG, chemicals, fertilizer export disruptions	Limited: No alternative LNG routes	Strong: Large SWF but high fiscal revenue pressure	-1.5	-6.5	0.4	2.0	Very high
	Saudi Arabia 	Low: Net exporter	Net exporter	Net exporter	High: Export and maritime disruptions	Moderate: East-West pipeline bypasses Hormuz	Very strong: Large SWF, FX reserves and fiscal buffers	-0.7	-3.0	0.3	1.1	Medium-to high
	UAE 	Low: Net exporter	Net exporter	5-15%	High: Export, maritime, tourism and logistics/aviation disruptions	Moderate: Fujairah pipeline partial bypass for oil exports	Strong: Large SWF, strong fiscal position but non-oil revenues at risk	-0.9	-3.9	0.4	1.8	High

Notes: (1) Figures denote energy imports as a percent of net domestic energy use; values above 100% reflect countries that import large quantities of energy for processing and re-export; (2) As a share of total domestic oil or gas consumption; (3) Scenario #3 (wider escalation) estimates are excluded given the difficulty estimating 2<sup>nd</sup> and 3<sup>rd</sup> order effects and broader spillovers in this scenario.











# Asia's dependence on oil and gas imports via Hormuz makes it most exposed to a prolonged disruption, which would weigh heavily on both industrial activity and consumer spending

## Differentiated impacts by region (3/3)

Region	Country	Overall energy import dependence <sup>1</sup>	Oil from Hormuz <sup>2</sup>	LNG from Hormuz <sup>2</sup>	Supply chain and structural economic vulnerabilities	Mitigating factors	Policy/financial buffers and flexibility	Scenario 1: Durable resolution		Scenario 2: Prolonged disruption		Relative exposure
								GDP impact by scenario (p.p.) <sup>3</sup>	Inflation impact by scenario (p.p.) <sup>3</sup>	GDP impact by scenario (p.p.) <sup>3</sup>	Inflation impact by scenario (p.p.) <sup>3</sup>	
Asia Pacific	China	Low: 24%	40-50%	20-30%	High: Energy-intensive economy and Hormuz-linked feedstock exposure	Moderate: Large SPR and overland pipelines	Strong: Large FX reserves, monetary flexibility but high debt	-0.4	-1.5	0.8	2.7	Medium to high
	Japan	High: 87%	80-90%	10-20%	Very high: Energy-intensive economy, LNG disruptions	Limited to Moderate: Large strategic oil reserves	Moderate: Monetary flexibility; very high debt limits fiscal space	-0.3	-0.9	0.5	1.8	High
	South Korea	High: 84%	70-80%	25-35%	Very high: Energy-intensive economy, LNG/petrochemical disruptions	Moderate: Diversified LNG supply, nuclear production	Strong: Solid fiscal/FX reserves position; some room for rate cuts	-1.0	-3.5	1.3	4.4	Very high
	Malaysia	Low: Net exporter	10-20%	<5%	Medium: Shipping disruptions, chemicals, feedstock shortages	Significant: Net energy exporter of LNG	Strong: Commodity revenues support policy flexibility	-0.3	-1.2	1.1	3.8	Medium
	Singapore	Very high: 280%	70-80%	20-30%	High: Trade re-routing, logistics and tourism disruptions	Moderate: Storage trading hub flexibility	Very strong: Large sovereign assets, FX reserves, fiscal buffers	-0.6	-2.1	0.9	3.2	High
	Thailand	Medium: 58%	50-60%	20-30%	High: Higher oil and gas prices, tourism disruptions	Limited: Diversified LNG sources	Moderate: Room to cut rates amidst deflation; high subsidy burden	-0.7	-2.4	1.4	4.7	High
	Australia	Low: Net exporter	30-40%	None	Medium: Chemicals, fertilizer, and refined product shortages	Moderate: Large domestic LNG production	Strong: Solid fiscal position; high inflation constrains rate cuts	-0.3	-0.9	0.6	2.2	Medium
	India	Medium: 36%	45-55%	15-25%	Very high: Fuel subsidy burdens, fertilizer and food system disruptions	Moderate: Russian oil, diversified sourcing	Moderate: Subsidy commitments and high debt constrain policy	-0.8	-2.7	1.6	5.6	Very high
Latin America	Brazil	Low: Net exporter	5-10%	<5%	Low: Fertilizer, chemical shortages	Moderate: Net oil producer	Moderate: Commodity revenue boost unlocks some fiscal space	-0.3	-1.1	1.2	4.1	Low
	Mexico	Medium: 22%	5-10%	<5%	Low: Chemicals, refined product shortages	Moderate: Domestic production, energy integration with US	Moderate: Limited fiscal flexibility, inflation constraints	-0.3	-0.9	1.1	3.7	Low










# Aerospace & Defense benefit from the conflict as risk grows, while Automotive, Chemicals and Consumer Goods are at risk of margin compression and softening demand

## Industry implications (1/2)

						Negative impact	Neutral impact	Positive impact
	Industry	Revenue impact	Cost impact	Ability to pass on costs	Overall impact	EMEA impact	North America impact	APAC impact
	<b>Aerospace &amp; Defense</b>	<ul style="list-style-type: none"> <li>Benefit as backlog of orders grows</li> </ul>	<ul style="list-style-type: none"> <li>Input costs rise; cost-plus contracts offset</li> </ul>	<ul style="list-style-type: none"> <li>Cost plus contracts protect pricing</li> </ul>	<b>Positive</b>	<ul style="list-style-type: none"> <li>Frontline demand, NATO rearmament</li> </ul>	<ul style="list-style-type: none"> <li>Positive: \$200bn DoD budget request</li> </ul>	<ul style="list-style-type: none"> <li>More limited</li> </ul>
	<b>Automotive</b>	<ul style="list-style-type: none"> <li>Headwind from GCC disruptions, economic drag</li> </ul>	<ul style="list-style-type: none"> <li>High risk to input cost pressures given energy prices</li> </ul>	<ul style="list-style-type: none"> <li>Limited pricing power vis-à-vis Chinese firms</li> <li>Very demand sensitive</li> </ul>	<b>Negative</b>	<ul style="list-style-type: none"> <li>Weakens demand and will put pressure on margins</li> </ul>	<ul style="list-style-type: none"> <li>Weakens demand and will put pressure on margins</li> </ul>	<ul style="list-style-type: none"> <li>Export and supply chain exposure for Western OEMs</li> </ul>
	<b>Banking</b>	<ul style="list-style-type: none"> <li>NIM are mildly supportive in the near-term</li> </ul>	<ul style="list-style-type: none"> <li>Higher provisioning in stressed sectors</li> <li>Risk of NPLs rising</li> </ul>	<ul style="list-style-type: none"> <li>Indirect via NIM/fees, but constrained by competition</li> </ul>	<b>Neutral</b>	<ul style="list-style-type: none"> <li>A risk if the conflict persists or escalates and more systemic risks start to emerge e.g., sovereign risks in emerging markets</li> </ul>		
	<b>Capital Markets</b>	<ul style="list-style-type: none"> <li>Volatility boosts trading</li> <li>M&amp;A/DCM slows</li> </ul>	<ul style="list-style-type: none"> <li>Cost base fixed and not linked to commodities</li> </ul>	<ul style="list-style-type: none"> <li>Limited fee pricing power; volatility helps widen bid-ask spreads</li> </ul>	<b>Neutral</b>	<ul style="list-style-type: none"> <li>Banks and investment firms benefit from the volatility in markets</li> <li>However, a prolonged conflict would weigh on capital markets activities</li> </ul>		
	<b>Chemicals</b>	<ul style="list-style-type: none"> <li>Demand softens across industrial end-markets</li> </ul>	<ul style="list-style-type: none"> <li>Higher feedstock and energy drive margin compression</li> </ul>	<ul style="list-style-type: none"> <li>Pass through limited by weak demand</li> </ul>	<b>Negative</b>	<ul style="list-style-type: none"> <li>Gas exposure structurally negative</li> </ul>	<ul style="list-style-type: none"> <li>US domestic energy helps offset some cost increases</li> </ul>	<ul style="list-style-type: none"> <li>Diversified feedstock, China acts as a stabilizer</li> </ul>
	<b>Comms &amp; Media</b>	<ul style="list-style-type: none"> <li>Low direct exposure</li> <li>Risk consumers cut back discretionary spend</li> </ul>	<ul style="list-style-type: none"> <li>Limited direct input cost exposure</li> <li>Hard infra more impacted</li> </ul>	<ul style="list-style-type: none"> <li>A weaker consumer and discretionary spend means its harder to pass price</li> </ul>	<b>Neutral</b>	<ul style="list-style-type: none"> <li>Comms &amp; Media companies are most exposed if the consumer starts to feel pain from a prolonged conflict</li> <li>Consumers are likely to cut back on discretionary spending</li> </ul>		
	<b>Consumer Goods</b>	<ul style="list-style-type: none"> <li>Downtrading pressures on volumes / mix</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture costs raise input costs</li> <li>Packaging costs rise</li> </ul>	<ul style="list-style-type: none"> <li>Weaker given consumers dealing with affordability challenges</li> </ul>	<b>Negative</b>	<ul style="list-style-type: none"> <li>Consumer goods companies face risks of shrinking volumes if inflation and energy costs rise</li> <li>Most prevalent in markets where the consumer is already under strain</li> </ul>		
	<b>Energy</b>	<ul style="list-style-type: none"> <li>Upstream earnings benefit from high energy prices</li> </ul>	<ul style="list-style-type: none"> <li>Input costs rise, but offset by higher oil prices</li> </ul>	<ul style="list-style-type: none"> <li>Global commodity pricing full pass through</li> </ul>	<b>Positive</b>	<ul style="list-style-type: none"> <li>Upstream benefits, downstream exposed to inflationary shock</li> </ul>	<ul style="list-style-type: none"> <li>Producers benefit from higher benchmarks</li> </ul>	<ul style="list-style-type: none"> <li>Importers hurt; refiners mixed</li> </ul>
	<b>Health</b>	<ul style="list-style-type: none"> <li>Core health demand stable</li> </ul>	<ul style="list-style-type: none"> <li>Limited; indirect cost pressure via energy</li> </ul>	<ul style="list-style-type: none"> <li>Strong pricing power but delayed pass-through</li> </ul>	<b>Neutral</b>	<ul style="list-style-type: none"> <li>Stable demand; govt. budget pressure</li> </ul>	<ul style="list-style-type: none"> <li>Resilient demand; pricing offsets costs</li> </ul>	<ul style="list-style-type: none"> <li>Stable demand, some supply disruptions</li> </ul>
	<b>High Tech</b>	<ul style="list-style-type: none"> <li>Enterprise/consumer demand slows</li> <li>Risk AI infrastructure build-out slows</li> </ul>	<ul style="list-style-type: none"> <li>Costs rise for inputs which go into semiconductor manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Relatively strong pricing power due to surging global demand</li> </ul>	<b>Negative</b>	<ul style="list-style-type: none"> <li>Demand driven slowdown in consumer</li> <li>AI capex build-out should remain strong, but risk that enterprises may cut back on technology spend</li> </ul>		<ul style="list-style-type: none"> <li>High export/mfg. exposure to energy/helium supply disruptions</li> </ul>

# Travel and Industrial are most at risk of demand slowdown/cost increase pressures, while B2C/B2B platform companies face real risk if there is a slowdown in discretionary spend

## Industry implications (2/2)

					Negative impact	Neutral impact	Positive impact
Industry	Revenue impact	Cost impact	Ability to pass on costs	Overall impact	EMEA impact	North America impact	APAC impact
 <b>Industrials</b>	<ul style="list-style-type: none"> <li>Capex delays reduce order momentum</li> <li>Demand destruction weighs on orders</li> </ul>	<ul style="list-style-type: none"> <li>Heavily impacted from input cost inflation</li> </ul>	<ul style="list-style-type: none"> <li>Less ability to pass on cost increases</li> </ul>	<ul style="list-style-type: none"> <li><b>Negative</b></li> </ul>	<ul style="list-style-type: none"> <li>Energy-intensive firms most exposed and adds to existing Chinese competitive</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing outside of AI build-out likely to slow</li> </ul>	<ul style="list-style-type: none"> <li>Energy-intensive sectors are heavily impacted</li> </ul>
 <b>Insurance</b>	<ul style="list-style-type: none"> <li>Premiums rise given geopolitical risk</li> </ul>	<ul style="list-style-type: none"> <li>Claims pressure will rise given conflict</li> </ul>	<ul style="list-style-type: none"> <li>High ability to pass cost in specialty and commercial lines</li> </ul>	<ul style="list-style-type: none"> <li><b>Neutral</b></li> </ul>	<ul style="list-style-type: none"> <li>Insurance firms benefit if they have disciplined underwriting</li> <li>Those with high exposure to trade credit, transport, or are under-reinsured face risks</li> </ul>		
 <b>Life Sciences</b>	<ul style="list-style-type: none"> <li>No significant impact</li> </ul>	<ul style="list-style-type: none"> <li>Impact via APIs which come via GCC</li> </ul>	<ul style="list-style-type: none"> <li>Higher costs could emerge given API challenge</li> </ul>	<ul style="list-style-type: none"> <li><b>Neutral</b></li> </ul>	<ul style="list-style-type: none"> <li>Impacted potentially due to value chain disruptions from APIs</li> </ul>		
 <b>Natural Resources</b>	<ul style="list-style-type: none"> <li>Commodity price surge supports earnings upside</li> </ul>	<ul style="list-style-type: none"> <li>Input costs rise, but offset by rising commodity prices</li> </ul>	<ul style="list-style-type: none"> <li>Price taker, revenue reflects market prices</li> </ul>	<ul style="list-style-type: none"> <li><b>Positive</b></li> </ul>	<ul style="list-style-type: none"> <li>Global price spike boosts revenues</li> </ul>	<ul style="list-style-type: none"> <li>US and Canadian producers should benefit</li> </ul>	<ul style="list-style-type: none"> <li>Mixed (importers vs exporters)</li> </ul>
 <b>Public Services</b>	<ul style="list-style-type: none"> <li>Weaker economic growth weighs on tax revenues</li> </ul>	<ul style="list-style-type: none"> <li>Needs to provide stimulus may grow if conflict persists</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li><b>Neutral to Negative</b></li> </ul>	<ul style="list-style-type: none"> <li>Key risk is stagflation weighing on public finances—i.e., governments may need to support households or businesses with stimulus</li> </ul>		
 <b>Retail</b>	<ul style="list-style-type: none"> <li>Real income squeeze reduces consumer discretionary spend</li> <li>Discount benefits</li> </ul>	<ul style="list-style-type: none"> <li>Freight / sourcing costs increase</li> </ul>	<ul style="list-style-type: none"> <li>High price sensitivity to consumer demand, limited pass through</li> </ul>	<ul style="list-style-type: none"> <li><b>Negative</b></li> </ul>	<ul style="list-style-type: none"> <li>Cost of living pressures exacerbate and drive consumer belt tightening</li> <li>Retailers could see volumes decline</li> </ul>		
 <b>Software &amp; Platforms</b>	<ul style="list-style-type: none"> <li>Consumer side faces risk of weaker spend</li> <li>Enterprises cut spend</li> </ul>	<ul style="list-style-type: none"> <li>Asset-light model with minimal direct energy cost sensitivity</li> </ul>	<ul style="list-style-type: none"> <li>Less of an issue on passing costs</li> <li>The risk is on weaker demand</li> </ul>	<ul style="list-style-type: none"> <li><b>Neutral</b></li> </ul>	<ul style="list-style-type: none"> <li>Enterprise demand softens as companies hold off on major investments</li> <li>A weaker consumer weighs on B2C platforms</li> </ul>		<ul style="list-style-type: none"> <li>Higher fuel costs for rideshare drivers</li> <li>Consumer demand slowdown</li> </ul>
 <b>Travel</b>	<ul style="list-style-type: none"> <li>Demand weakens</li> <li>Weak summer holiday season</li> </ul>	<ul style="list-style-type: none"> <li>Jet fuel and rerouting materially increase costs</li> </ul>	<ul style="list-style-type: none"> <li>Elastic demand constrains pricing power</li> </ul>	<ul style="list-style-type: none"> <li><b>Negative</b></li> </ul>	<ul style="list-style-type: none"> <li>Higher prices put consumer spending on summer holidays/vacations at risk</li> <li>Higher energy prices weigh on profitability through 2026</li> <li>Long-haul routes disruptions/cancellations weigh on revenues</li> </ul>		
 <b>Utilities</b>	<ul style="list-style-type: none"> <li>Regulated revenue limits upside</li> </ul>	<ul style="list-style-type: none"> <li>Fuel costs rise for countries that import energy</li> </ul>	<ul style="list-style-type: none"> <li>Regulated pass-through abilities</li> </ul>	<ul style="list-style-type: none"> <li><b>Negative</b></li> </ul>	<ul style="list-style-type: none"> <li>Gas dependence drives margin pressure</li> </ul>	<ul style="list-style-type: none"> <li>Diversified energy mix mitigates impact</li> </ul>	<ul style="list-style-type: none"> <li>High import reliance</li> <li>Limited pricing flexibility</li> </ul>









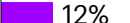

































## Section Three

# Deep dives on key 2<sup>nd</sup> and 3<sup>rd</sup> order risks

- **Supply chains**
- **European manufacturing**
- **Consumer spending**
- **Financial markets**
- **Energy trilemma**
- **Structural shifts**

# The Hormuz closure risks forcing production cuts across global manufacturing as blocked inputs cascade through value chains, with Asia and Europe's industrial base most exposed

## Supply chain disruptions and manufacturing production at risk

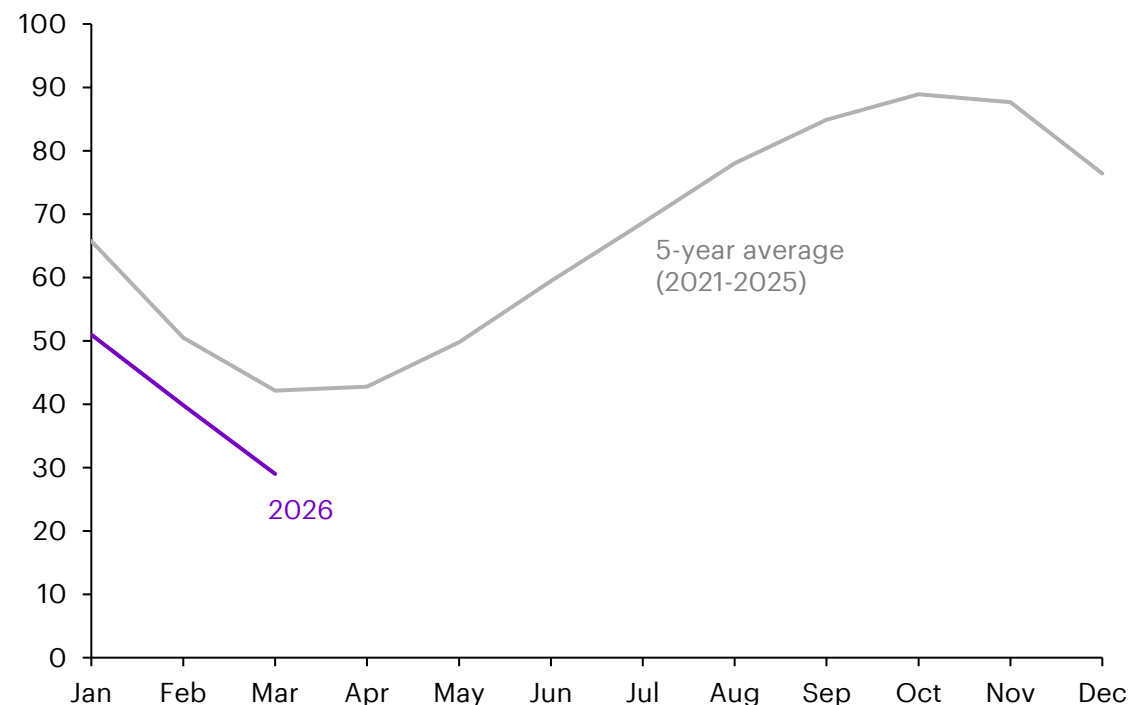
Product / input	Gulf dependency	Top producer countries/regions	Key downstream products affected	Time to consumer price impact
<b>Advanced logic chips</b>	<ul style="list-style-type: none"> <li>LNG power (1/3 from Qatar)</li> <li>Helium for wafer cooling</li> </ul>	Taiwan  60% South Korea  17% China  15%	 Phones  AI Accelerators  Game consoles	<ul style="list-style-type: none"> <li><b>4-9 months</b></li> <li>Long term contracts and backlog pricing delay pass-through</li> </ul>
<b>Polyester / synthetic fibers</b>	<ul style="list-style-type: none"> <li>90% of global Mono Ethylene Glycol (MEG) is used for polyester</li> <li>Gulf provides ~40% of global MEG capacity</li> </ul>	China  50% India  18% ASEAN  12%	 Electronics  Clothing  Industrial fabrics	<ul style="list-style-type: none"> <li><b>2-4 months</b></li> <li>Input prices move quickly (MEG/polyester) but apparel pricing delayed due to seasonal collections</li> </ul>
<b>Plastics / packaging</b>	<ul style="list-style-type: none"> <li>~45% of globally traded Polyethylene (PE) currently originates in the Gulf</li> </ul>	China  30% US  15% Middle East  12%	 Food packaging  Plastic bottles  Auto parts	<ul style="list-style-type: none"> <li><b>2 - 8 weeks</b></li> <li>Short inventory cycles and spot-linked resin pricing accelerate pass-through</li> </ul>
<b>Generic pharma / APIs</b>	<ul style="list-style-type: none"> <li>The Gulf produces ~15% of the world's hydrocarbon solvents used for pharma manufacturing</li> </ul>	India  20% China  15% Europe  10%	 Generic drugs  Antibiotics  Hospital supplies	<ul style="list-style-type: none"> <li><b>3 - 9 months</b></li> <li>High inventory buffers and regulated/contract pricing delay pass-through</li> </ul>
<b>Refined fuels</b>	<ul style="list-style-type: none"> <li>16% of global trade in refined products (diesel/jet fuel) transits the Strait of Hormuz</li> </ul>	US  18% China  18% Middle East  10%	 Gasoline  Jet fuel  Heating oil	<ul style="list-style-type: none"> <li><b>Days - 2 weeks</b></li> <li>Spot-based pricing with minimal inventory drives rapid pass-through</li> </ul>
<b>Aluminum / steel inputs</b>	<ul style="list-style-type: none"> <li>9% of aluminum</li> <li>18% of iron ore pellets from Gulf</li> </ul>	China  55% Gulf  9% India  5%	 Vehicles  Appliances  Construction inputs	<ul style="list-style-type: none"> <li><b>2-4 months</b></li> <li>Indexed contracts and moderate inventories create a lagged pass-through</li> </ul>
<b>Nitrogen fertilizers</b>	<ul style="list-style-type: none"> <li>45% of global urea exports originate in the Gulf</li> <li>30% of fertilizer trade transits Strait</li> </ul>	Middle East  25% China  25% India  12%	 Cereals  Oilseeds  Ammonia derivatives	<ul style="list-style-type: none"> <li><b>2-6 weeks</b></li> <li>Gas-linked pricing and short cycles enable relatively fast pass-through</li> </ul>

# European manufacturing faced significant challenges when gas prices last spiked because of Ukraine conflict; storage levels are at 5-year lows and there could be a similar headwind

## Gas impacts on European manufacturing

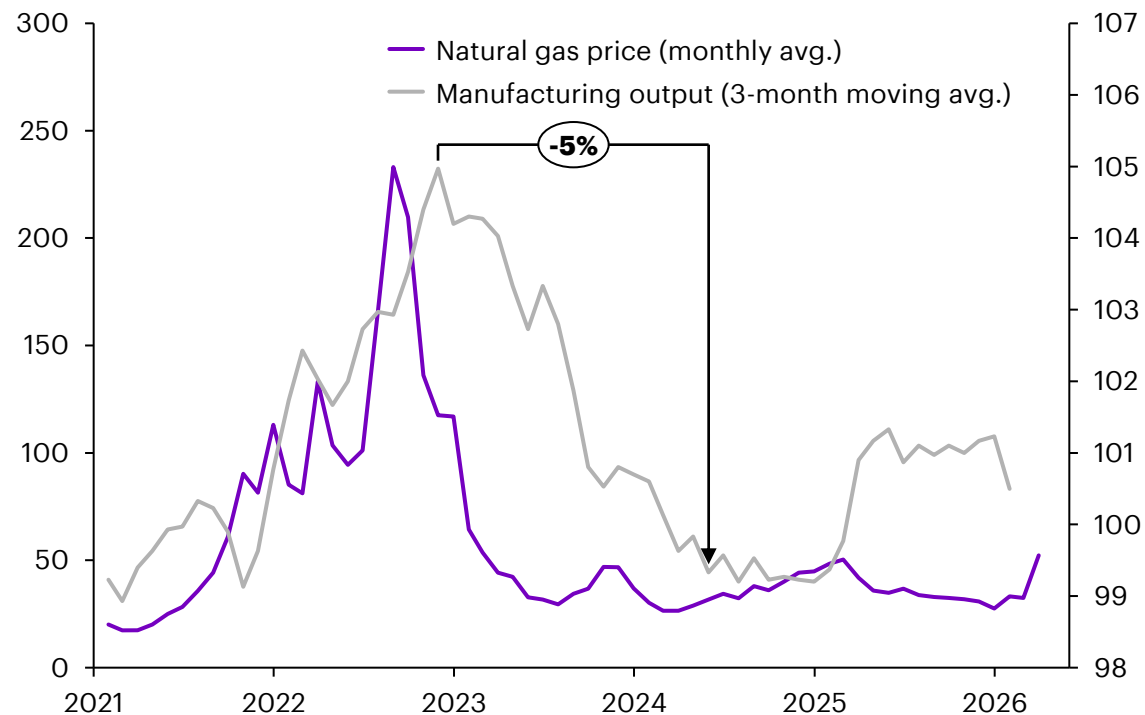
### EU gas storage levels

Percent of total storage capacity



### European gas prices vs. manufacturing output

Manufacturing IP (RHS, 2021=100), Dutch TTF gas futures (LHS, EUR/MWh)












### Key considerations for European manufacturers:

- European manufacturing output declined by roughly 5% as a result of the record gas price shock stemming from the 2022 Ukraine conflict
- Gas levels in the EU at this stage of the year are already below their 5-year average and European TTF prices could increase to EUR 55-65/MWh in Scenario #2
- Peak prices could exceed EUR 200/MWh in Scenario #3 and approach the record levels reached in 2022 (EUR 300/MWh) depending on extent of Gulf gas infrastructure damage

# Manufacturers today face a tougher environment due to weak domestic demand, limited fiscal space and previous margin hit from higher input costs during the Ukraine war

## European manufacturing












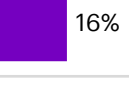


	 <b>France</b>	 <b>Germany</b>	 <b>Italy</b>	 <b>Poland</b>	 <b>Hungary</b>	 <b>Denmark</b>	 <b>Finland</b>	 <b>Sweden</b>	 <b>UK</b>
<b>Top 3 manufacturing sectors</b>	<ul style="list-style-type: none"> <li>• Transport equipment</li> <li>• Chemicals</li> <li>• Food</li> </ul>	<ul style="list-style-type: none"> <li>• Automotives</li> <li>• Machinery, equipment</li> <li>• Chemicals</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery, equipment</li> <li>• Automotives</li> <li>• Food</li> </ul>	<ul style="list-style-type: none"> <li>• Automotives</li> <li>• Electrical equipment</li> <li>• Food</li> </ul>	<ul style="list-style-type: none"> <li>• Automotives</li> <li>• Computers and electronics</li> <li>• Pharma</li> </ul>	<ul style="list-style-type: none"> <li>• Pharma</li> <li>• Food</li> <li>• Machinery, equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Wood, wood products</li> <li>• Paper</li> <li>• Machinery, equipment</li> </ul>	<ul style="list-style-type: none"> <li>• Machinery, equipment</li> <li>• Automotives</li> <li>• Chemicals</li> </ul>	<ul style="list-style-type: none"> <li>• Pharma</li> <li>• Automotives</li> <li>• Food</li> </ul>
<b>Output hit from 2022-23</b>	<b>(3%)</b>	<b>(6%)</b>	<b>(2%)</b>	<b>(0.1%)</b>	<b>+0.3%</b>	<b>+3%</b>	<b>(7%)</b>	<b>(4%)</b>	<b>+1%</b>
<b>Expected impact during Iran conflict episode</b>	Relatively resilient due to: <ul style="list-style-type: none"> <li>• Aersopace and defense buffer</li> <li>• Lower energy intensity vs Germany</li> </ul>	<b>More structurally exposed given:</b> <ul style="list-style-type: none"> <li>• Weaker global demand</li> <li>• Auto pressure from China</li> </ul>	Relatively resilient due to: <ul style="list-style-type: none"> <li>• Diversified SME base</li> <li>• However, export driven sector exposed to demand slowdown and cost pressures</li> </ul>	<b>More exposed given:</b> <ul style="list-style-type: none"> <li>• Loss of auto rebound tailwind</li> <li>• Integration into German supply chains</li> </ul>	<b>More exposed given:</b> <ul style="list-style-type: none"> <li>• Concentration within autos and electronics</li> <li>• Growth rebound in 2022-23 was uneven led by FDI and autos</li> </ul>	Relatively resilient given: <ul style="list-style-type: none"> <li>• Stabilization from pharma although to a lesser extent this time</li> <li>• Machinery and food exposed to cost pressures</li> </ul>	<b>Continued structural pressure given:</b> <ul style="list-style-type: none"> <li>• Exposure to energy intensive sectors (wood, paper)</li> <li>• Less economic diversification vs peers</li> </ul>	<b>More exposed given:</b> <ul style="list-style-type: none"> <li>• Cyclical industrial mix and energy intensity (e.g., chemicals)</li> <li>• Greater exposure to global trade</li> </ul>	<b>More exposed given:</b> <ul style="list-style-type: none"> <li>• Pharma normalization and no auto rebound</li> <li>• Less energy intensive sector mix provides some cushion (e.g., pharma, food)</li> </ul>

### Key considerations for European manufacturers:

- Many European industrials have not fully recovered from the 2022–23 Ukraine-driven energy shock (especially in chemicals, materials and machinery). A renewed spike in gas and oil prices risks compounding an already incomplete margin and volume recovery
- Unlike 2022–23, when some sectors benefited from pricing power or post-COVID demand (e.g., autos, pharma), companies now face a structurally weaker demand environment. This limits their ability to pass through costs, turning what was previously a temporary shock into a multi-cycle profitability drag
- While governments intervened heavily during the Ukraine crisis, fiscal space is now tighter. Support is likely to be more targeted and conditional, increasing uncertainty for corporates

# Consumer spending has been moderating in many regions and additional inflationary pressure on the consumer is a risk to monitor—this is most pronounced in Asia

## Consumer spending pressures

Region	Pre-crisis consumer health		Food and energy share of CPI basket	Fiscal room for household support		Overall risk
 <b>ASEAN</b>	Stable	<ul style="list-style-type: none"> <li>Consumer spending has been moderating generally, with consumers in Thailand and Philippines under pressure</li> <li>Discretionary spending has been slowing vs. essentials</li> </ul>	 28%	Low to Medium	<ul style="list-style-type: none"> <li>Fiscal room varies by country, but is limited especially in Indonesia and Philippines</li> <li>Food also constitutes a higher % share of wallet spending and poses higher risks</li> </ul>	<b>High</b>
 <b>India</b>	Stable	<ul style="list-style-type: none"> <li>Domestic demand held steady led by easing inflation, favorable rural backdrop and income tax relief measures</li> </ul>	 42%	Low to Medium	<ul style="list-style-type: none"> <li>Could subsidize consumers, but committed fiscal deficit target limits scale of relief</li> <li>Food also constitutes large % of wallet</li> </ul>	<b>High</b>
 <b>China</b>	Stressed	<ul style="list-style-type: none"> <li>Consumer strength is weakest among major economies given property weakness and youth unemployment</li> </ul>	 28%	Medium	<ul style="list-style-type: none"> <li>There are meaningful policy levers available but headroom not unlimited</li> </ul>	<b>Medium</b>
 <b>Europe</b>	Stressed	<ul style="list-style-type: none"> <li>European consumers have been facing existing affordability and cost-of-living challenges</li> <li>France, Germany, Austria have seen weaker consumer spend</li> </ul>	 20%	Low to Medium	<ul style="list-style-type: none"> <li>There is likely limited fiscal capacity to support households for an extended period</li> <li>Risk is this increases energy prices again</li> </ul>	<b>Medium</b>
 <b>Japan</b>	Stable to Strong	<ul style="list-style-type: none"> <li>Consumer resilience had been growing led by the strongest wage momentum in decades</li> <li>Food and utility CPI has already been above trend (3.5%)</li> </ul>	 21%	Low	<ul style="list-style-type: none"> <li>There is limited fiscal headroom given public debt exceeds 200% of GDP</li> <li>Exposure via energy import dependence</li> </ul>	<b>Medium</b>
 <b>South Korea</b>	Stable	<ul style="list-style-type: none"> <li>Real wages have been improving and there has been a rebound in consumer confidence</li> <li>However, households have very high debt levels</li> </ul>	 16%	Medium	<ul style="list-style-type: none"> <li>Government can deploy targeted stimulus but they are constrained by debt concerns</li> </ul>	<b>Medium</b>
 <b>United States</b>	Stable	<ul style="list-style-type: none"> <li>Overall spending resilient, but it masks a bifurcation where lower-income consumers are under pressure</li> <li>Overall household balance sheets remain healthy, but credit delinquencies are rising</li> </ul>	 18%	Medium	<ul style="list-style-type: none"> <li>Political constraints and mid-term election dynamics make it unlikely there is broad-based support for consumers</li> <li>Concerns relief may increase debt levels</li> </ul>	<b>Medium to High</b>

Sources: USDA Economic Research Service, Eurostat, IEA, World Population Review, GlobalPetrolPrices.com, BPS Indonesia Susenas, PSA Philippines FIES, GSO Vietnam VHLSS, WB Global Consumption Database, World Bank, IMF, Accenture analysis

# Companies should anticipate shifts in consumer wallet as inflation and affordability pressures intensify, particularly for categories where lower-income consumers spend more

## Category implications amidst affordability squeeze

Direct impact<sup>8</sup>      Indirect impact<sup>9</sup>      Direct and Indirect impact



Metric	Clothing and personal goods <sup>2</sup>	Food and beverage <sup>3</sup>	Healthcare and education	Utilities <sup>4</sup>	Household goods <sup>5</sup>	Recreation and hospitality <sup>6</sup>	Transport <sup>7</sup>
<b>Cost exposure to Iran conflict and energy shock</b>							
<b>% of wallet for low-income consumers (bottom 40%)<sup>1</sup></b>	4.2%	15.9%	11.5%	8.2%	6.7%	4.0%	5.0%
<b>% of wallet for high-income consumers (top 20%)<sup>1</sup></b>	3.8%	12.2%	9.7%	4.4%	6.7%	5.1%	4.3%
<b>Difference</b>	<b>0.4%</b>	<b>3.7%</b>	<b>1.8%</b>	<b>3.9%</b>	<b>0.0%</b>	<b>-1.1%</b>	<b>0.6%</b>

Category considerations	Clothing and personal goods <sup>2</sup>	Food and beverage <sup>3</sup>	Healthcare and education	Utilities <sup>4</sup>	Household goods <sup>5</sup>	Recreation and hospitality <sup>6</sup>	Transport <sup>7</sup>
	<ul style="list-style-type: none"> <li>Energy and petrochemical disruption could feed through to higher prices after 2-3 months</li> <li>Non-essential category prone to cut-backs</li> </ul>	<ul style="list-style-type: none"> <li>Supply input pressure across both agriculture and packaging costs after 2-3 months</li> <li>Expect trading down or changes in behavior</li> </ul>	<ul style="list-style-type: none"> <li>This is not directly impacted by inflationary pressures from the conflict</li> <li>Risk is consumers cutting back on payments or selective services</li> </ul>	<ul style="list-style-type: none"> <li>More concern in areas with more regulated prices</li> <li>Higher electricity prices could trigger rationing or nonpayment</li> </ul>	<ul style="list-style-type: none"> <li>This is a non-essential category</li> <li>Higher prices could start to emerge after 3-6 months</li> <li>Consumers likely to cut back spending here</li> </ul>	<ul style="list-style-type: none"> <li>A risk is the upcoming travel season due to elevated airline prices</li> <li>Consumers are likely to cut back on entertainment and eating out</li> </ul>	<ul style="list-style-type: none"> <li>US consumers are most concerned about higher gasoline prices</li> <li>Expect this to lead to some changes in habits e.g., more working from home</li> </ul>

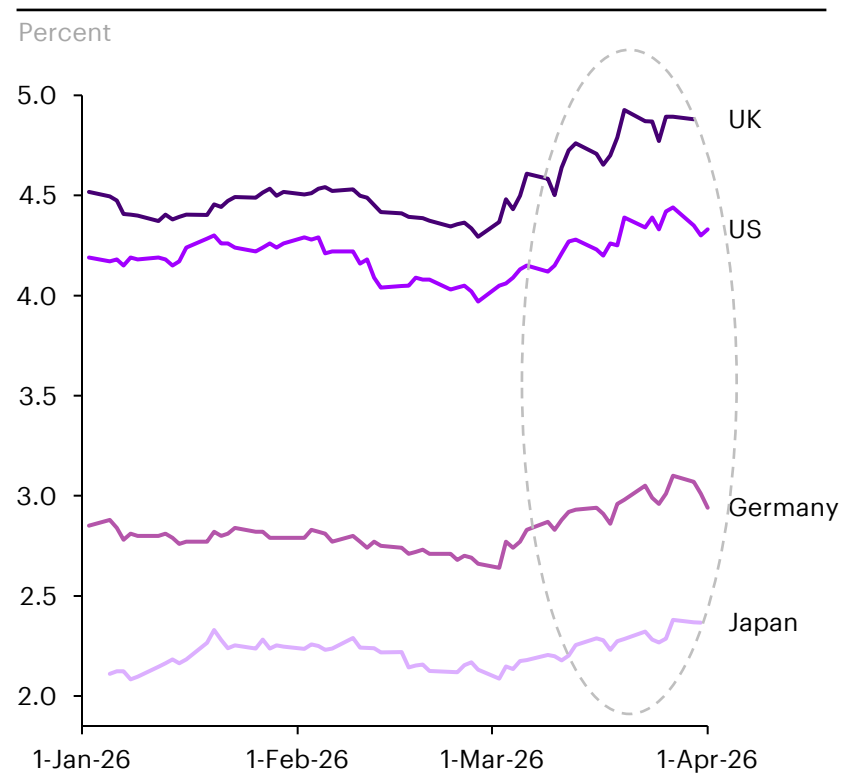
Notes: (1) Based on US data; (2) Clothing, footwear and personal care; (3) Food, alcoholic and non-alcoholic beverages and tobacco; (4) Rent, electricity, gas and water; (5) Furnishing and household equipment; (6) Recreation, culture, restaurants, and hotels; (7) Vehicle fuels, and transportation services; (8) Led by energy price increase; (9) Led by consumer cutbacks on discretionary spend.






Sources: Bureau of Labor Statistics, Accenture analysis

# The energy shock is tightening financial conditions through multiple channels, creating a challenging funding environment for companies and increasing systemic financial risks

## Financial implications

10-year government bond yields across major economies



Channel	Implication
 <b>Higher-for-longer base policy rates</b>	Energy supply shock puts many central banks in stagflation bind. Markets have shifted to expect central banks to weigh inflation risks more heavily vs. growth—Fed is expected to cut less aggressively and BOE and ECB to possibly hike rates.
 <b>Wider corporate credit spreads</b>	US IG bond spreads widened over 80 bps in March given credit risk concerns. Aviation, logistics, high yield issuers and energy intensive industries have been most impacted.
 <b>GCC capital re-allocation</b>	GCC funds face potential forced fire sale of assets to offset lost oil revenues, creating headwinds for equity markets and asset valuations globally. Historically-strong GCC participation in cross-border M&A activity could also weaken.
 <b>Equity markets correction pressure</b>	Convergence of petrodollar flow disruption, GCC portfolio rebalancing and a massive AI-driven corporate debt issuance cycle exacerbates risk of a major equity market correction and economic spillovers via negative wealth effects.
 <b>EM financing strains</b>	USD strengthening has exerted pressure on EM currencies, particularly hurting energy importers like India. This may force EM central banks to keep rates higher despite domestic economic weakness and increase FX financing costs.

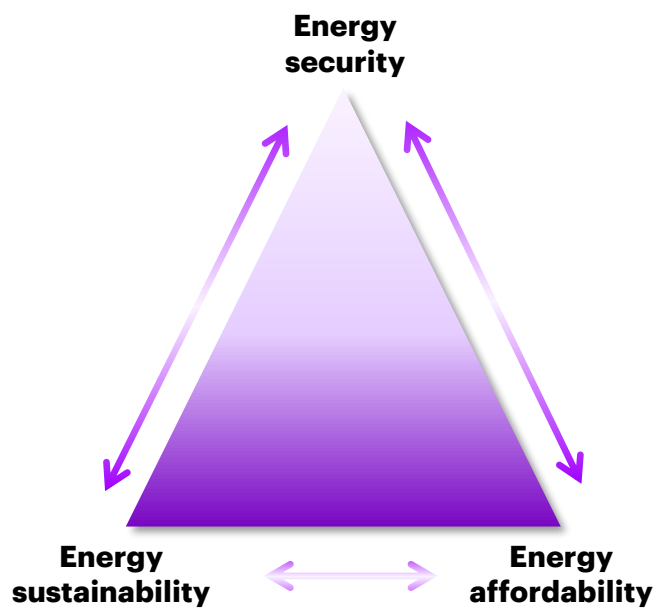
**Implication for companies:**

- Re-run cash flow forecasts assuming elevated rates and tighter credit for 6-12 months
- Monitor Gulf sovereign asset flows as a leading indicator of broader market stress
- Prepare for a funding environment where cost of capital is structurally higher

# The Iran conflict reinforces the energy trilemma and will push countries to prioritize supply security, resilience and diversification in their energy strategies

## How the conflict impacts energy plans globally






### The Iran conflict emphasizes the challenge of the energy trilemma



### EU faces difficult energy choices given the conflict

Energy option	Is this feasible?
<b>Resume imports from Russia</b>	<ul style="list-style-type: none"> <li>Politically unfavorable</li> <li>European countries reduced reliance after Ukraine conflict</li> </ul>
<b>Import more LNG from US</b>	<ul style="list-style-type: none"> <li>Already in works with Greece-US LNG deal</li> </ul>
<b>Invest in nuclear build out (incl. SMR)</b>	<ul style="list-style-type: none"> <li>Costly and long-lead time to develop nuclear power</li> <li>A greater push for nuclear SMR is likely</li> </ul>
<b>Slowdown decommissioning of coal plants</b>	<ul style="list-style-type: none"> <li>Most EU countries are phasing out coal plants by 2030</li> <li>Countries may push back timelines, though this could be politically sensitive</li> </ul>
<b>Invest in renewables and storage infrastructure</b>	<ul style="list-style-type: none"> <li>Likely option, but requires substantial fiscal investment</li> </ul>
<b>Reduce reliance on GCC imports</b>	<ul style="list-style-type: none"> <li>Likely given dependency is a risk</li> </ul>

### How other countries could adapt their energy strategies in response to Iran conflict?

Country	Potential response actions
<b>India</b> 	<ul style="list-style-type: none"> <li>Likely pursues multiple approaches:                             <ul style="list-style-type: none"> <li>Increase LNG imports from outside GCC (e.g., Mozambique)</li> <li>Accelerate electrification and invest in renewables</li> <li>Burn more coal</li> </ul> </li> </ul>
<b>Japan</b> 	<ul style="list-style-type: none"> <li>Restart nuclear reactors which have been offline since 2011 Fukushima event</li> </ul>
<b>South Korea</b> 	<ul style="list-style-type: none"> <li>Accelerate shifts to more nuclear as part of its future energy plans</li> <li>Diversify LNG imports (e.g., US routes)</li> <li>Energy security becomes a greater national priority</li> </ul>
<b>Thailand</b> 	<ul style="list-style-type: none"> <li>Invest in electrification and diversify imports of LNG</li> </ul>
<b>UK</b> 	<ul style="list-style-type: none"> <li>Drill more oil &amp; gas in North Sea</li> <li>Accelerate nuclear ambitions (Hinkley Point)</li> </ul>

# Longer term, several features of the global economy and business environment are likely to be permanently altered by the Iran war and Hormuz closure

## Structural shifts and new normals in aftermath of the conflict

**NOT EXHAUSTIVE**



**Higher risk premium in global energy markets**

- Even after Strait reopening, markets will embed a structural risk premium into energy prices to account for potential future disruptions/closure, which are no longer hypothetical



**Eroded reliability of Persian Gulf as global energy hub**

- The Middle East’s revealed energy infrastructure vulnerability to regional tensions is likely to make oil and gas companies more risk-averse with future investments in the region



**Economic weaponization of waterways/trade corridors**

- Following Russia's gas weaponization and China's rare earth controls, Hormuz crisis reinforces that international waterways and other transport corridors are now also part of a growing set of instruments of geopolitical competition and economic statecraft



**Weaker competitiveness of Gulf States in AI buildout**

- The appeal of GCC states for data center investment—based on reliable energy supply and perceived security and operational stability—has been degraded



**Reduced petrodollar recycling**

- As GCC oil revenues come under pressures, downsizing and potential reversal of decades of petrodollar capital recycling into (primarily) Western markets

### Corporate implications

- Higher baseline energy costs for all industries
- Strengthens the business case for accelerated energy transition investments

- Gulf energy investment attractiveness declines
- Potential need to shift long-term energy contracts to non-GCC suppliers

- Companies must map and de-risk chokepoint exposure across all supply chains, not just energy
- Transport insurance costs will be repriced globally

- Greater consideration of geopolitical risk in data center location decisions
- Companies with Gulf-hosted AI infrastructure face higher business continuity risks

- Weaker structural demand for government bonds and equities (particularly US)
- Higher long-term borrowing costs for corporates and sovereigns

Section Four

# How should companies respond?

- **Actions for next 30 days**
- **Focus on enterprise resilience**
- **Future-proofing fragmentation**
- **AI-enabled Reinvention**
- **Strengthen Strategic Foresight capabilities**
- **Unlocking next-generation foresight**

# Companies should focus on five key actions in the immediate term to navigate ongoing conflict uncertainty and protect business performance in Q2 and Q3

## Actions to take in next 30 days



### Understand how the Iran conflict has affected your business to date

- **Map what has already changed** – energy costs, freight, supplier reliability, lead times
- **Identify most exposed parts** of the business and quantify degree of impact
- Align leadership on a shared view of current exposure before acting
- **Establish a clear decision framework** covering the Management Team and Board

### Stress test business plan and financials

- **Stress test the P&L** for higher energy / freight prices, delayed supply and tighter credit conditions
- **Assess what this means for Q2-Q4 market commitments** Reassess working capital needs
- Pressure test pass-through assumptions and impact on volumes
- **Reassess plans regarding M&A** or capital markets in light of new ceasefire conditions

### Map vulnerabilities and identify substitution options

- **Identify sourcing vulnerabilities in Tier 2 and Tier 3** parts of the supply chain
- **Focus on the top 20-30 SKUs** which are critical to business performance
- Identify where you can substitute, increase inventory buffers or change product formulation
- **Analyze impacts to cloud providers** if further data centers are damaged in the conflict

### Activate short-term supply and cost interventions

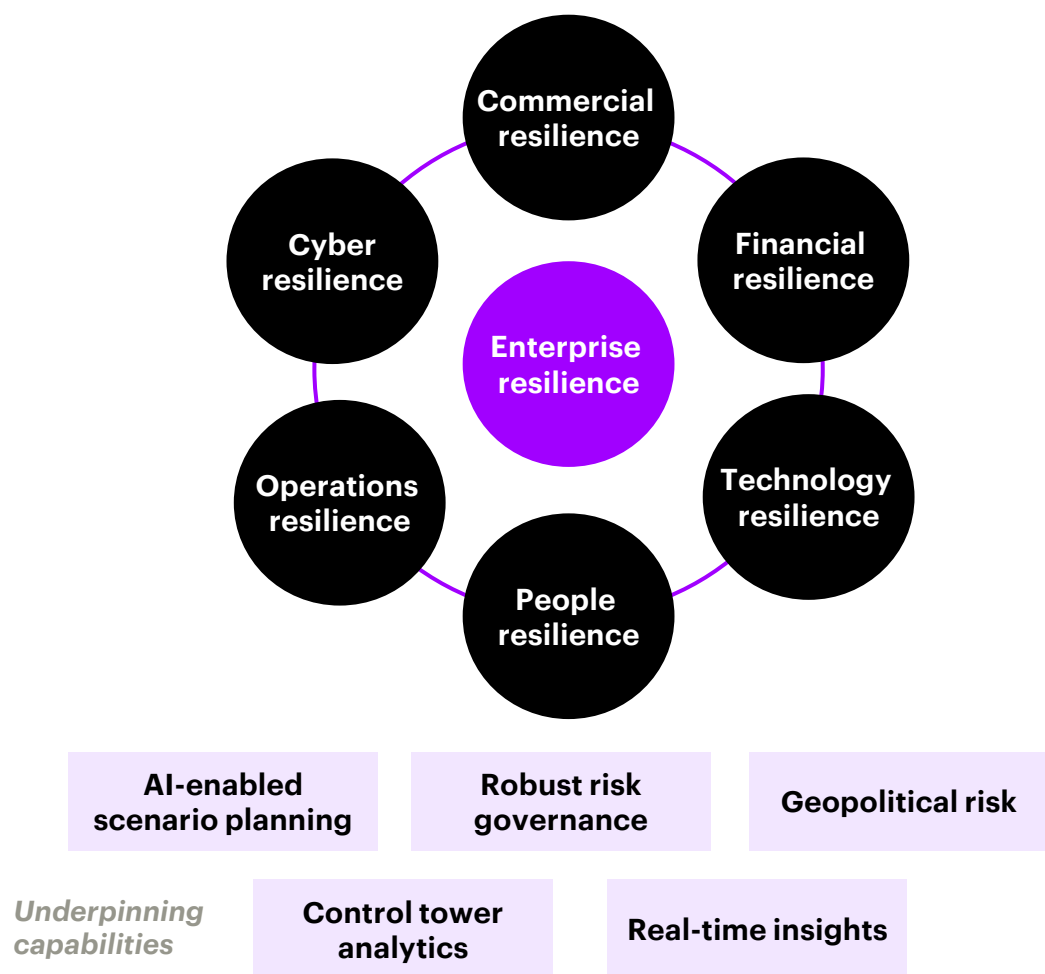
- **Secure alternate suppliers** for most exposed inputs
- **Reopen supplier price discussions**
- Lock in, or extend hedges, where possible
- Target SG&A spend e.g., delay or pause low ROI initiatives
- **Manage operational costs** e.g.,
  - Idle marginal capacity
  - Reduce overtime
  - Defer non-essential maintenance

### Monitor scenarios to stay ahead of further escalation

- **Define triggers and signals** that indicate re-escalation to more adverse scenarios
- **Set up a real-time geopolitical risk monitoring** capability leveraging AI and third-party risk firms
- Ensure cyber posture is adapted given the threat environment
- **Align risk monitoring to impacts to the business** (e.g., supply chain, technology)

# Strengthening enterprise resilience will be critical given vulnerabilities exposed by the Iran conflict and its longer-term repercussions

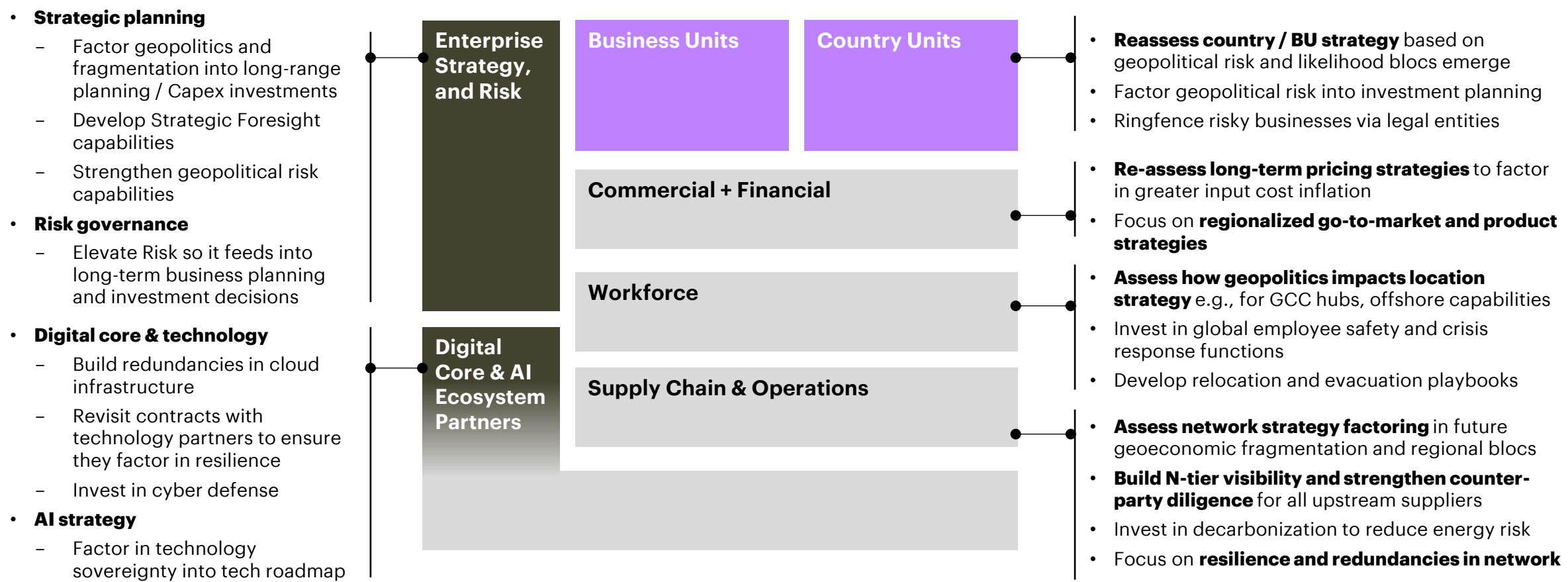
## Focus on enterprise resilience



- Geopolitical risks will remain elevated for the foreseeable future
- Companies should focus on strengthening enterprise resilience across six broad domains:
  - **Commercial:** Consider how to recalibrate pricing, product, and portfolio given margin and demand headwinds
  - **Financial:** Focus on cash and liability management, while reprioritizing capital planning given risk premia in markets
  - **Technology:** Strengthen resilience across technology infrastructure, IT operations, and technology ecosystems
  - **People:** Safety and well-being of employees
  - **Operations:** Strengthen resilience across operations (e.g., N-tier suppliers, network operations, sourcing diversification, as well as across the cost base (e.g., rapid interventions to reduce cost / protect margins)
  - **Cyber:** Protection from cyber risks
- Underpinning this requires capabilities spanning risk, governance and analytics
- AI technical capabilities can help accelerate time-to-insight and fidelity of analysis in these environments

# Companies should reassess how their long-term strategy, operating models, and digital core needs to adapt in a world where there is greater risk and fragmentation

## Building resilience as geopolitical risks and fragmentation grow

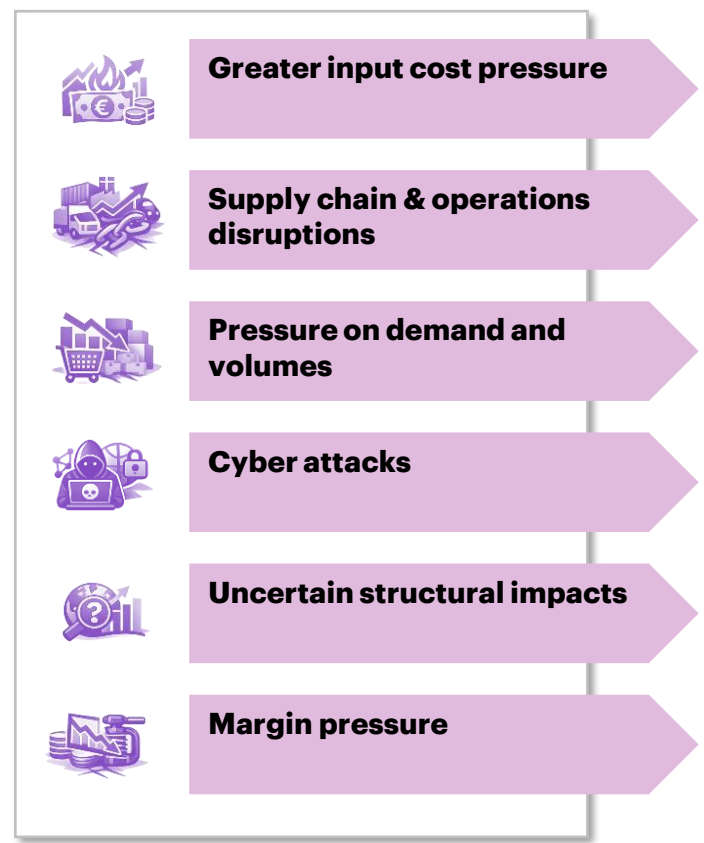


# The conflict puts additional revenue and margin pressure on companies and reinforces the need to double-down on AI-enabled Reinvention to drive greater productivity

## AI-enabled Reinvention

Challenges created by growing geopolitical risks...

...reinforce the need to leverage AI across the enterprise to enhance productivity and strategic competitiveness



AI-enabled Enterprise Reinvention			
Commercial (inc. Financial)	Operations (Processes)	People / Workforce	Technology (inc. Cybersecurity)
<ul style="list-style-type: none"> <li>• Leverage AI to drive more:                             <ul style="list-style-type: none"> <li>- Dynamic pricing</li> <li>- Demand planning</li> </ul> </li> <li>• Drive productivity in commercial and marketing teams to offset margin pressures</li> <li>• Optimize balance sheet for solvency</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage AI to:                             <ul style="list-style-type: none"> <li>- Improve N-tier supplier visibility</li> <li>- Run real-time impact analysis of the supply chain</li> <li>- Optimize energy usage</li> </ul> </li> <li>• Improve productivity to protect margins</li> </ul>	<ul style="list-style-type: none"> <li>• Train and reskill employees to make the most of AI tools</li> <li>• Leverage AI to improve decision-making for management teams</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance organizational risk posture from cyber attacks</li> <li>• Investments in technology sovereignty (incl. in ecosystems)</li> <li>• Reduce TCO costs in technology</li> </ul>

# Finally, it becomes critical to strengthen foresight capabilities given the high degree of uncertainty at play; agentic tools can rapidly build maturity in new foresight teams

## Strengthening strategic foresight capabilities

### Strategic Foresight

<b>Human expertise</b>	<ul style="list-style-type: none"><li>Strengthen internal capabilities of experts across geopolitical risk, economics, policy, and strategic planning</li><li>Augment with 3<sup>rd</sup> party advisors to get real-time intelligence. This helps bring in new viewpoints or augments information gaps in the team</li></ul>
<b>Robust governance &amp; methodologies</b>	<ul style="list-style-type: none"><li>Embed foresight into strategic planning processes and enterprise risk management efforts</li><li>Strategic planning efforts should factor in a range of different futures, including what this could mean for future value for the company</li></ul>
<b>Advanced Agentic capabilities</b>	<ul style="list-style-type: none"><li>Leverage agentic tools to support event monitoring and analysis, simulation modelling and scenario planning / wargaming</li><li>Agentic helps augment human teams where they can get insights at faster pace, as well as improve the fidelity of analysis</li></ul>



Accenture IRCISS model

# Agentic tools enable organizations to institutionalize foresight, compress the time from data to decisions and expand the skillsets of foresight and strategy teams

## Unlocking next-generation foresight



### Integrated real-time intelligence

The platform **ingests live data from leading sources** (e.g., energy markets, macro indicators, geopolitical signals), ensuring **simulations reflect current conditions**



### Advanced scenario modelling

The platform **models high-impact scenarios such as Strait of Hormuz disruptions**, including **tail-risk Black Swan events** aligned to March 2026 conflict conditions



## The Accenture agentic foresight platform



### Multi-model analytical engine

The platform combines four proven methodologies:

- **Econometric modelling**
- **Conflict theory frameworks**
- **Monte Carlo simulation**
- **Live data integration**



### Conflict intelligence framework

Based on established political science models, translating theory into signals:

- **Conflict duration likelihood**
- **Escalation vs. deescalation paths**
- **Strategic outcome probabilities**



## **About Accenture**

Accenture is a leading solutions and services company that helps the world's leading enterprises reinvent by building their digital core and unleashing the power of AI to create value at speed across the enterprise, bringing together the talent of our approximately 786,000 people, our proprietary assets and platforms, and deep ecosystem relationships. Our strategy is to be the reinvention partner of choice for our clients and to be the most client-focused, AI-enabled, great place to work in the world. Through our Reinvention Services we bring together our capabilities across strategy, consulting, technology, operations, Song and Industry X with our deep industry expertise to create and deliver solutions and services for our clients. Our purpose is to deliver on the promise of technology and human ingenuity, and we measure our success by the 360° value we create for all our stakeholders. Visit us at [accenture.com](https://www.accenture.com)

## **About Accenture Macro Foresight**

Accenture's Macro Foresight capability is focused on helping companies and investors understand major macro shifts in the global economy and what they mean for corporate strategic planning, investment planning and enterprise-wide transformation – helping clients distill complex macro trends into simple, pragmatic recommendations which drive value.

The team has hubs in Europe, the United States and Asia, and its members have prior experience working for governments, investment banks, asset managers, multilateral institutions and large corporates to bring a global, multi-disciplinary perspective to problem-solving. Visit us at [www.accenture.com/macroforesight](https://www.accenture.com/macroforesight).

## **Special thanks to contributors:**

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